Monetisation rate* - Exploratory analysis

Does high spend equal high monetisation for Pleo?

*Monetisation rate = For any given timeframe, the total amount of Financial Revenue generated in EUR divided by the total amount of Spend in EUR.

PLEO

Bending Spend is one of the key initiatives at Pleo in order to reach our North Star goal by 2025: **generate €15B in annual spend through our platform, of which at least €10B is card spend.**

Due to the nature of the Pleo business, the more a given customer spends using our product the more revenue will be generated. This, ultimately, impacts our first north star goal: **build an ARR (both from SaaS & Financial revenue) of €350M.**

However, it is known that the **correlation between Spend and Financial Revenue is not linear;** there are customers generating significant lower amounts of Financial Revenue than others for very similar levels of Spend (see appendix).

In this exploratory analysis we go through the following question:

Does high spend equal high monetisation for Pleo?

Main takeaways:

<table>
<tr>
<td>

Insights & Scenario analysis

</td>
<td>

- The higher the percentage of spend going through Invoices, the lowest the monetisation rate will be.
- Customers in all segments follow a similar distribution of their monetisation rate: 1.9% on the average (link).
  - SoHo (1-9) shows the highest monetisation rate and Medium (250-499) the lowest but with 7x higher financial revenue at a customer level due to higher levels of spend.
- Looking at regions, there are are more relevant differences (link):
  - the main contributors to spend (UKI and Benelux & Nordics) show relevant differences in the distribution of monetisation rates, with Benelux having 25% of the customers with >2.4%.
  - Southern Europe shows a significant lower monetisation rate than the rest of the regions: 1.35%
- Most of the spend (~60%) generated financial revenue with a monetisation rate lower than the customer average: 1.9% (link)
- *Scenario analysis*: if all customers had at least 2% monetisation rate, +662K EUR would have been generated in Financial Revenue in September (+16% compared to total)

</td>
</tr>
<tr>
<td>

Recommend ations

</td>
<td>

- It is clear that increasing the amount of spend in our customer base does not necessarily translate into higher revenue. This is especially true for certain features like *Invoices* or in certain regions like Southern Europe. Thus, when trying to push for more spend there, it is recommended to be mindful of the long term impact of this action in the ultimate revenue streams (SaaS vs Financial) of the organisation.

</td>
</tr>
</table>

Main assumptions and data considerations:

Assumptions & Data considerations

- Data for FY23: all transactions happening between Feb 23 and Sept 23 are included.

- Only customers with more than 3 complete months since they first generated Fin Rev are included.

- Only financial revenue streams related to spend have been included: Cards and Invoices.

- For this analysis, there is a new metric created:

  Monetisation rate = For any given timeframe, the total amount of Financial Revenue generated in EUR divided by the total amount of Spend in EUR.

- This metric intends to show how much actual revenue is generated out of each monetary unit going through transactions in our product.

- In this sense, we can also talk about Card monetisation rate (Card Fin Rev / Card Spend) and Invoice monetisation rate (Invoice Fin Rev / Invoice Spend).
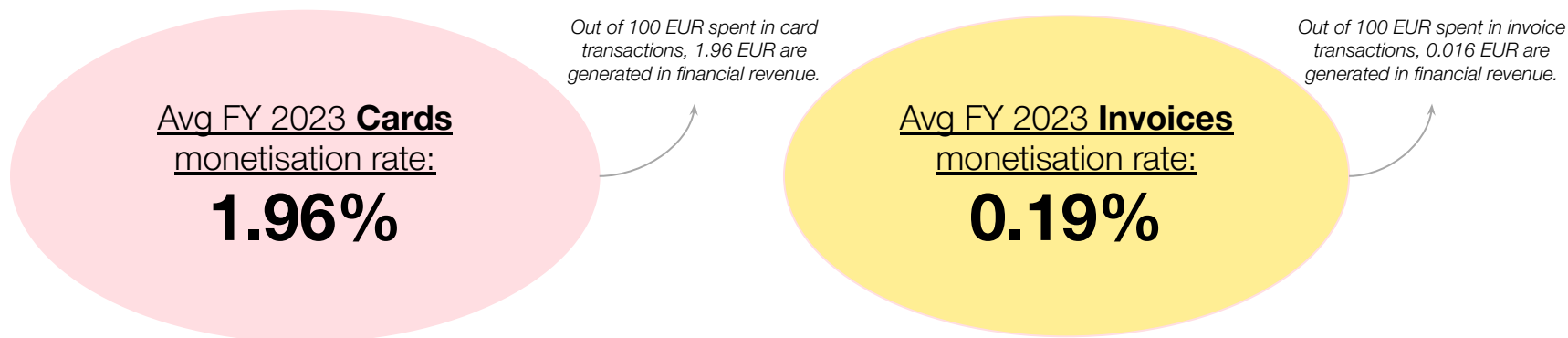
CONTEXT

At Pleo, there are [four main streams of Financial Revenue](#): Cards, Invoices, Overdraft and CMA Interest. Out of these, two are directly related to Spend:

- **Card transactions** where we apply fees on the following:
  - *Interchange* fee applied to every card transaction.
  - *FX* fee applied to card transactions in foreign currencies.
  - *ATM* fee applied to withdrawals for customers on starter plan.
- **Invoice transactions** where we apply fees on the following:
 - Currency Margin fee applied to invoice transactions in foreign currencies.

See a more detailed definition [here](#) and its evolution of these two streams in the [appendix](#).

However, these two show **very different monetisation rates:**

Out of 100 EUR spent in card transactions, 1.96 EUR are generated in financial revenue.

Avg FY 2023 **Cards** monetisation rate:
1.96%

Out of 100 EUR spent in invoice transactions, 0.016 EUR are generated in financial revenue.
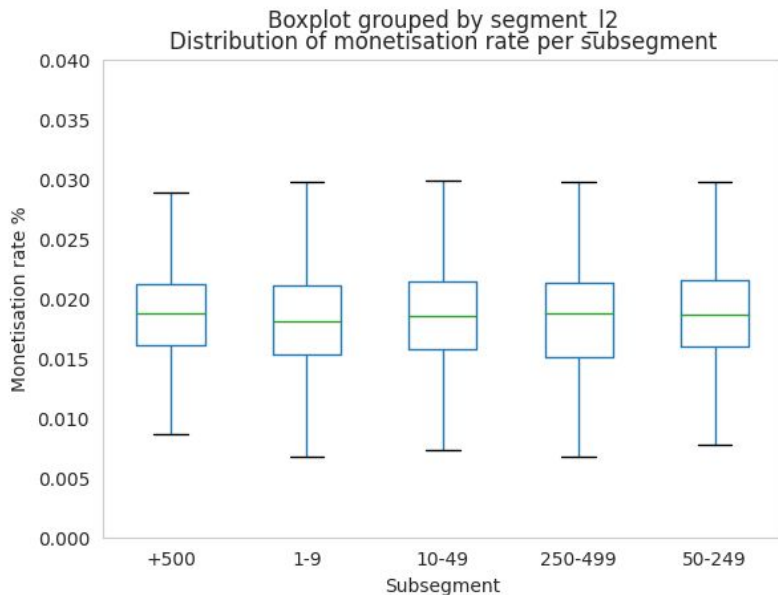
Avg FY 2023 **Invoices** monetisation rate:
0.19%

The higher the spend, the higher the Financial Revenue generated. However, the weight of Invoices in the total spend plays a significant role in the ultimate monetisation rate.

Spend vs Financial Revenue. Split by monetisation rate baseline

Invoice Spend weight % vs Monetisation rate %
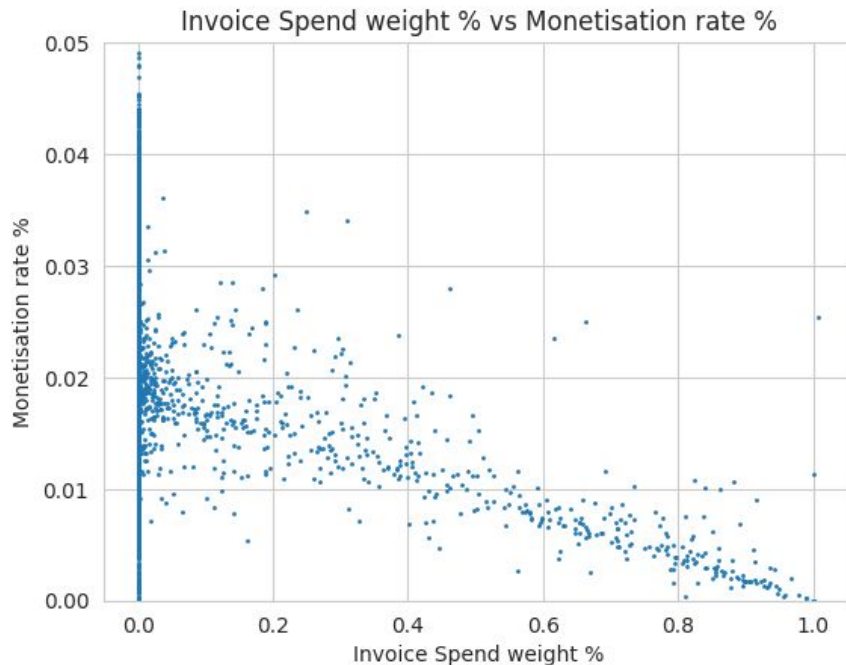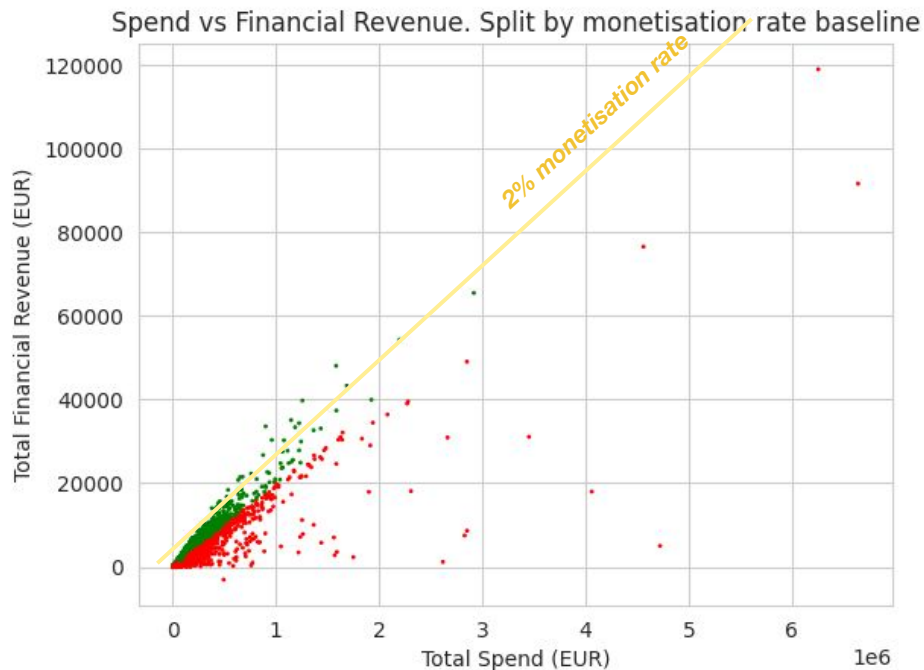
INSIGHTS DEEP DIVE

Customers in all <mark>sub-segments</mark> follow a similar distribution of their monetisation rate: 1.92% is the average per customer.

Boxplot grouped by segment_l2
Distribution of monetisation rate per subsegment

Comments

➜ Higher contributions of invoices spend along with lower spending levels per customer lead to lower monetisation rates.

➜ *Medium* and *Commercial* show the lowest monetisation rate (1.87% & 1.88% respectively) and they are also the two sub segments with the lowest weight of invoices in their total spend.

➜ *SoHo* shows the highest monetisation rate (1.95% on avg) but the lowest marginal impact on Financial Revenue due to lower spend per customer.

➜ *Commercial 50-249* is the sub segment with the highest potential to improve due to its high avg spend per customer.

	mean	median	spend_%	avg_spend_per_customer	pct_invoice_over_spend
Enterprise +500	1.89%	1.88%	6%	€27,974	0.14%
Medium 250-499	1.87%	1.88%	1%	€14,633	0.01%
Commercial 50-249	1.88%	1.87%	33%	€17,192	0.86%
Small 10-49	1.90%	1.85%	40%	€8,567	1.21%
SoHo 1-9	1.95%	1.81%	20%	€3,165	0.94%
ALL	1.92%	1.84%	100%	€7,600	0.99%

Data for FY23. See an overview of Pleo entire customer base here.

There are higher variations per region with UKI at the top (2.04%) and Southern Europe showing the lowest rate (1.28%).

Boxplot grouped by company_region
Distribution of monetisation rate per Region
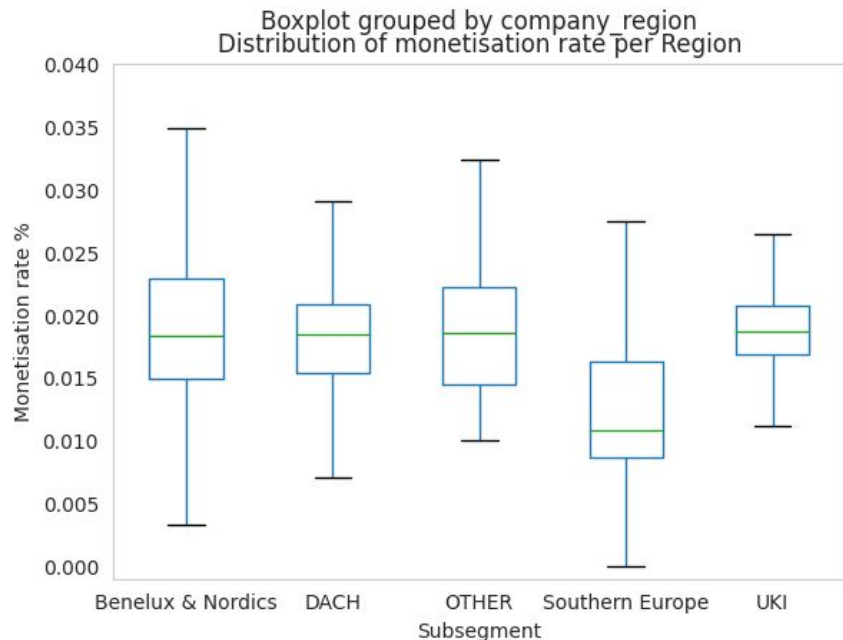
➜ Even the most significant regions (*Benelux* and *UKI*) show similar median rates, in Benelux there are more customers having quite high monetisation rates (25% of the customers show a monetisation rate higher than 2.3%), making the average increase. This is interesting taking into account that UKI has a higher weight of Invoices in their total Spend.

➜ *Southern Europe* shows a significant lower monetisation rate than the rest of the regions, with this trend happening for most of the customers as we can see in the different quartiles.

	mean	median	spend_%	avg_spend_per_customer	pct_invoice_over_spend
UKI	2.04%	1.86%	44%	€8,543	1.83%
Benelux & Nordics	1.92%	1.84%	34%	€6,778	0.01%
DACH	1.85%	1.84%	16%	€7,286	1.45%
Southern Europe	1.28%	1.08%	5%	€7,112	0.73%
OTHER	1.95%	1.85%	0%	€19,133	0.00%
ALL	1.92%	1.84%	100%	€7,600	0.99%

Data for FY23. See an overview of Pleo entire customer base here.

Based on the previous exploratory analysis, we will set the monetisation rate baseline according to the rounded average per customer at **2%**

Most of the spend (~60%) generated financial revenue with a monetisation rate lower than the customer average: 1.9%
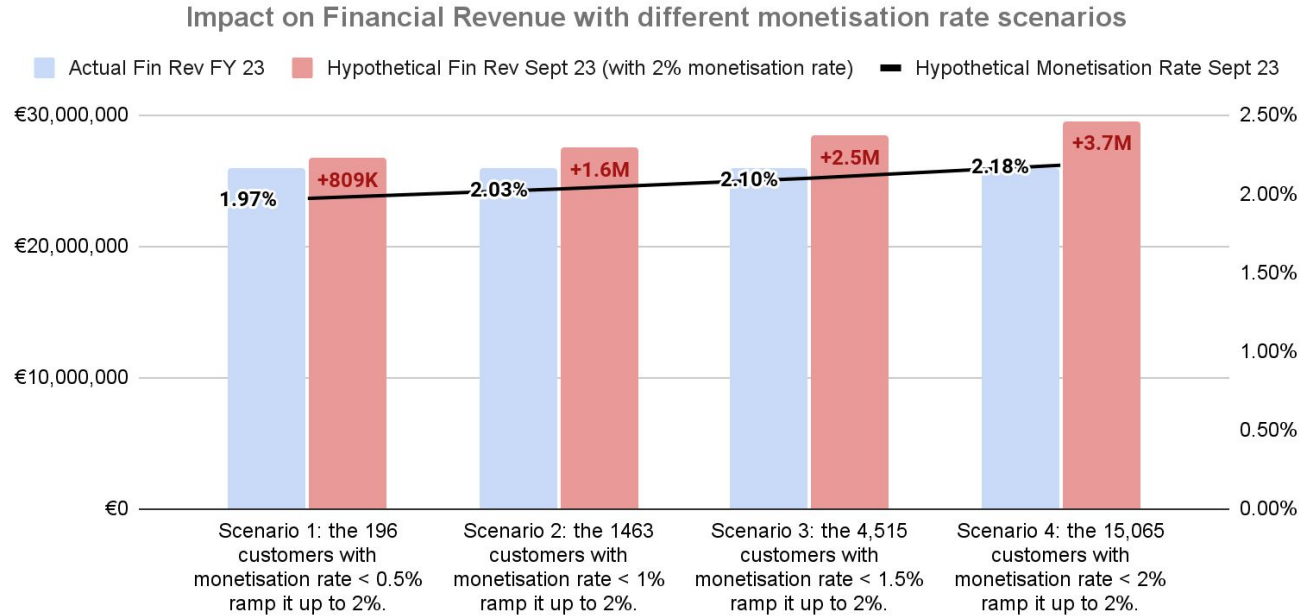

Total spend distribution per Monetisation Rate %

Data for FY23 (Feb - Sept)

Cumulative Spend — Avg monthly spend per customer (EUR)
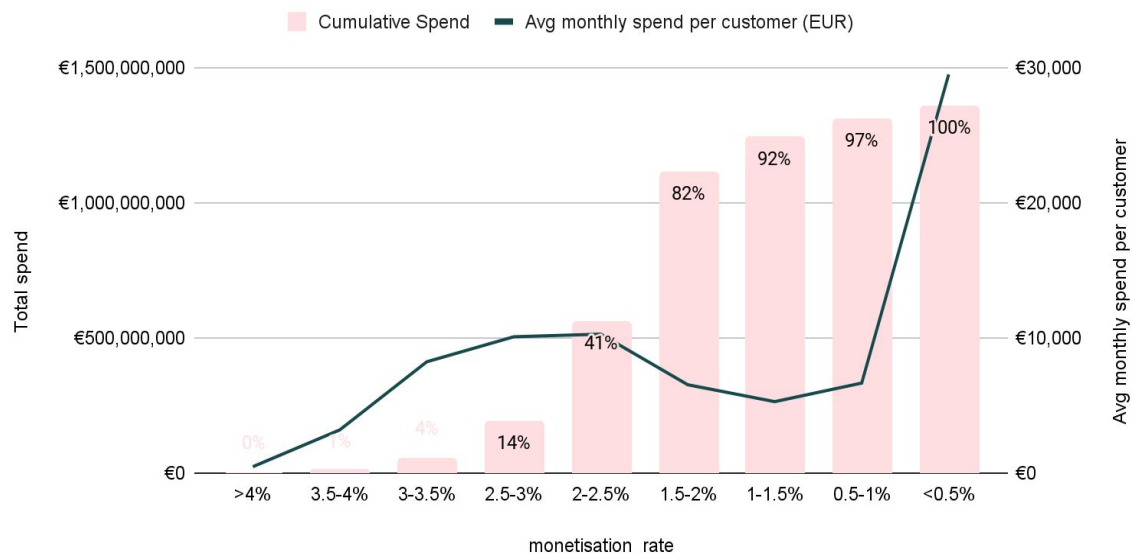
➔ Generally customers with higher average spend generate higher proportion of financial revenue.
  ◆ The <0.5% bucket, with only 196 customers, includes some top spenders like STOICA LIMITED (UKI) or RR Technologies GmbH (DACH), both with monthly average spend higher than half a million euros.

➔ Most of the spend (41%) generates financial revenue with monetisation rates between 1.5 and 2%. However, customers in this bucket.

Scenario analysis: how much more Financial Revenue would have been generated if the average monetisation rate was higher?

Impact on Financial Revenue with different monetisation rate scenarios

■ Actual Fin Rev FY 23 ■ Hypothetical Fin Rev Sept 23 (with 2% monetisation rate) ▬ Hypothetical Monetisation Rate Sept 23

Scenario 1: the 196 customers with monetisation rate < 0.5% ramp it up to 2%. — 1.97% — +809K

Scenario 2: the 1463 customers with monetisation rate < 1% ramp it up to 2%. — 2.03% — +1.6M

Scenario 3: the 4,515 customers with monetisation rate < 1.5% ramp it up to 2%. — 2.10% — +2.5M

Scenario 4: the 15,065 customers with monetisation rate < 2% ramp it up to 2%. — 2.18% — +3.7M

➔ In the **most positive scenario** where all customers with monetisation rates below 2% manage to scale it to 2%, the overall average monetisation rate of the customer base would move up to 2.18% translating in **€3.7M of extra revenue (+14%).**

➔ On the contrary, only increasing the monetisation rate of the low hanging fruits (196 customers with monetisation rate below 0.5%) would increase the yearly financial revenue in **€809K (+3%)**.
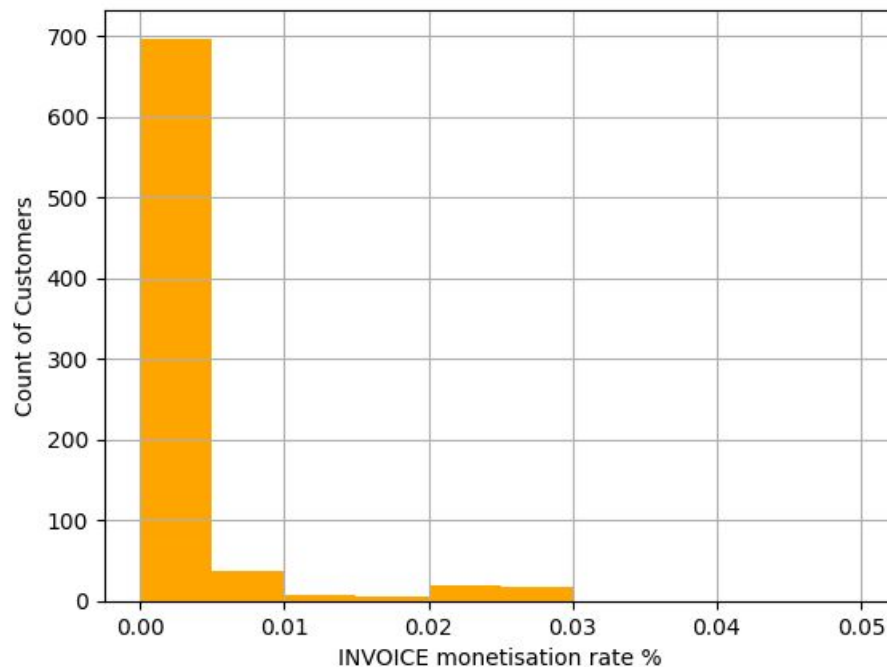
APPENDIX

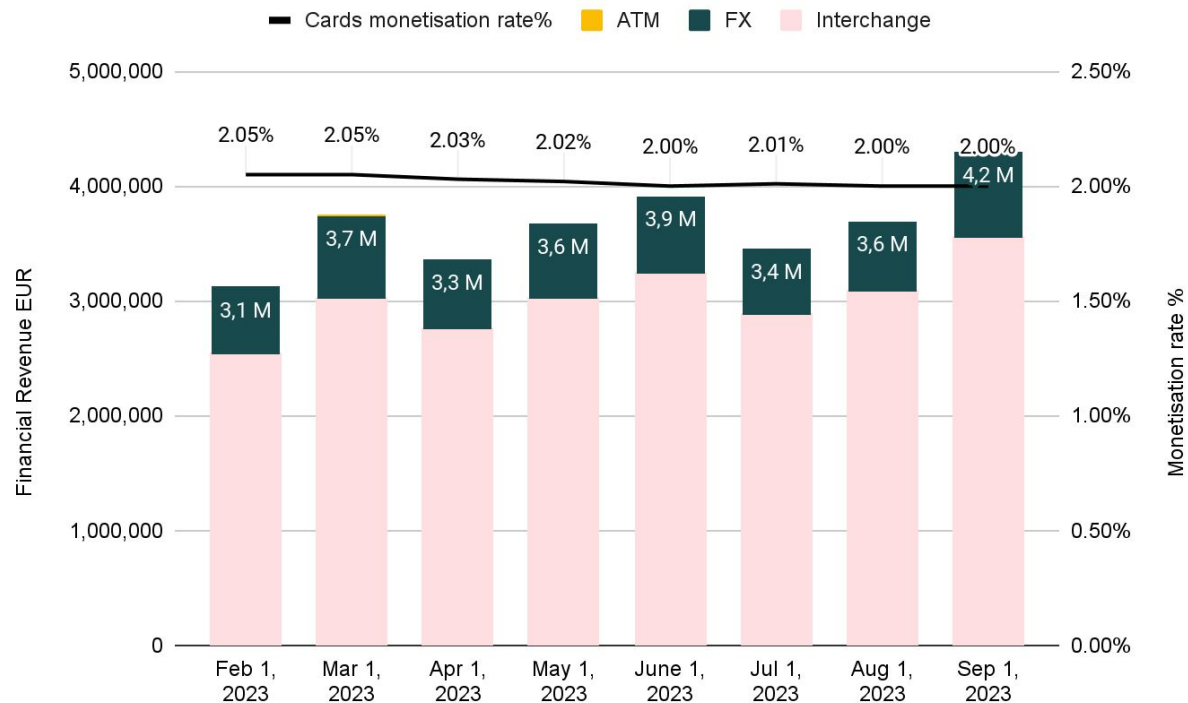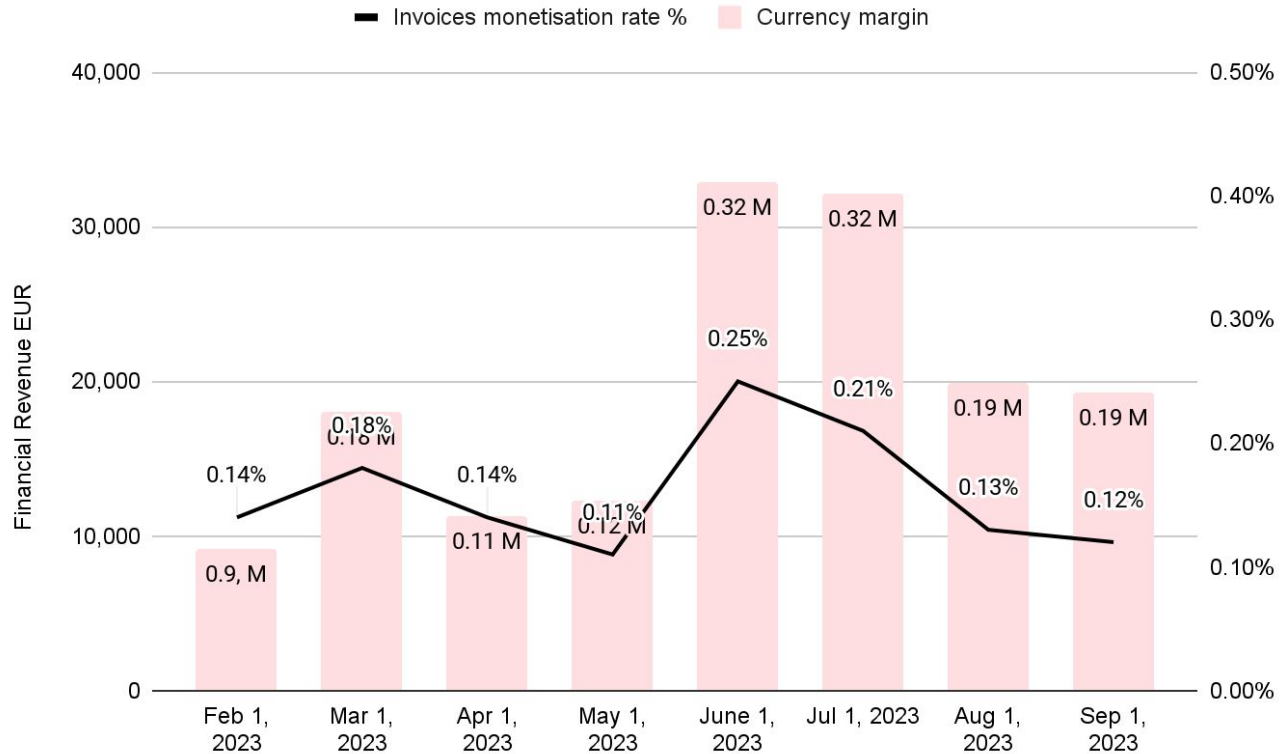# Distribution of CARD & INVOICE monetisation rates.
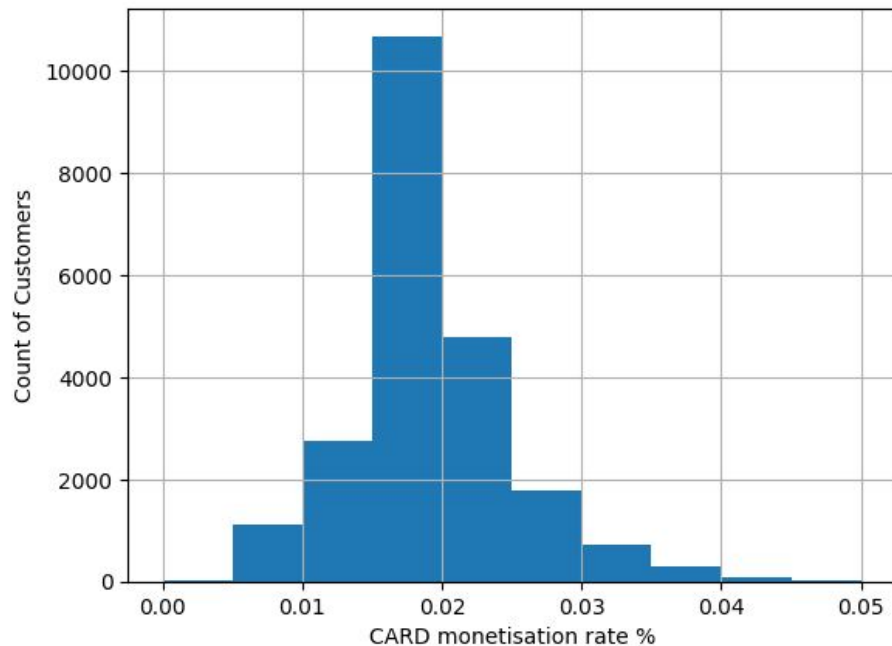
Cards financial revenue (EUR) evolution per fee type.

Invoices financial revenue (EUR) evolution per fee type.

Legend: — Invoices monetisation rate %   ☐ Currency margin

Financial Revenue EUR

Date	Currency margin	Invoices monetisation rate %
Feb 1, 2023	0.9, M	0.14%
Mar 1, 2023	0.18 M	0.18%
Apr 1, 2023	0.11 M	0.14%
May 1, 2023	0.12 M	0.11%
June 1, 2023	0.32 M	0.25%
Jul 1, 2023	0.32 M	0.21%
Aug 1, 2023	0.19 M	0.13%
Sep 1, 2023	0.19 M	0.12%

Distribution of monetisation rate for all subsegments

Distribution of Monetisation rate % - 25.1K customers
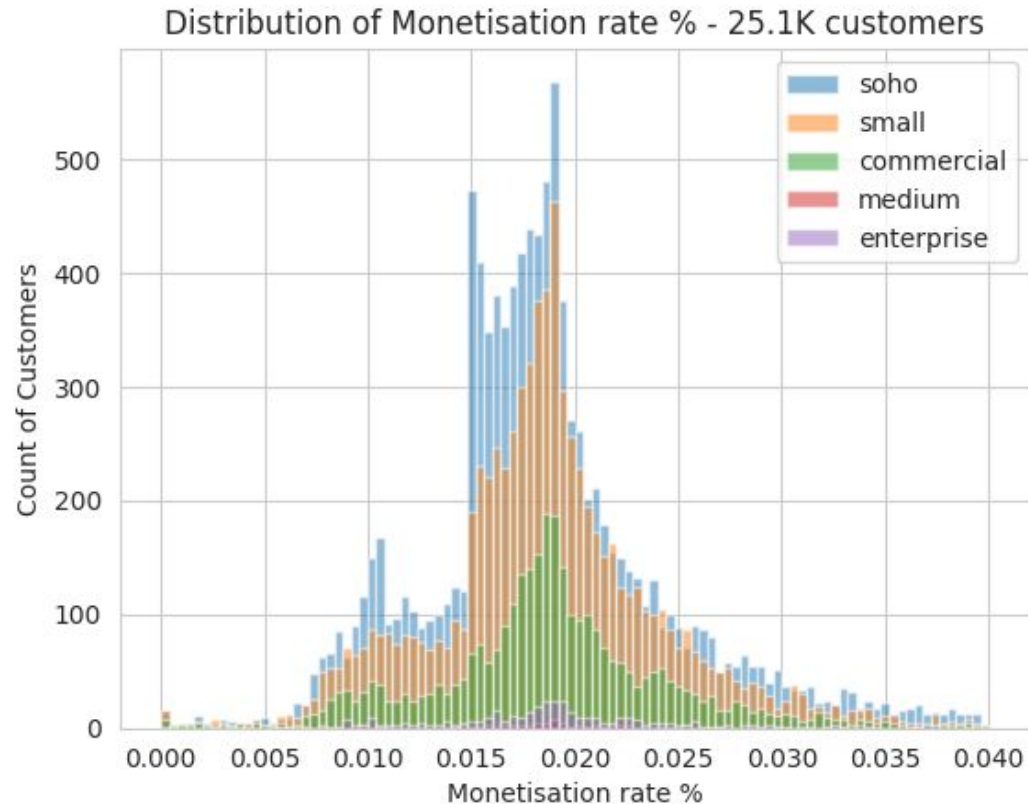
Top 20 customers with the highest potential to increase financial revenue (high spend, relatively low monetisation rate compared to average)

company_id	company_name	segment_l2	company_region	card_fin_rev	invoice_fin_rev	total_fin_rev	card_spend	invoice_spend	total_spend	monetisation_rate	pct_invoice_spend	Hypothetical_financial_revenue**
c34db851-58dc-4eed-ab26-a2782630ef12	EUROPA MUNDO VACACIONES SL	Commercial 50-249	Southern Europe	€44,743	€0	€91,572	€6,640,152	€0	€6,640,152	1.38%	0.00%	€41,231
2b728cca-e24f-48cc-a51b-6f739af4b07f	HUMA THERAPEUTICS LIMITED	Commercial 50-249	UKI	€44,105	€0	€118,900	€6,249,416	€0	€6,249,416	1.90%	0.00%	€6,088
53568afa-ebb7-4a53-a236-ca2e55c19491	STOICA LIMITED	Small 10-49	UKI	€44,440	€475	€5,022	€4,721,014	€4,481,892	€239,122	0.11%	94.93%	€89,398
acc8ba1f-3c88-4bd4-8149-eec6ae9bdf6c	Flexjet Operations Malta Limited	Enterprise +500	OTHER	€44,348	€0	€76,525	€4,560,521	€0	€4,560,521	1.68%	0.00%	€14,685
38ea9247-896a-4d28-8aaf-47a57598a46a	RR Technologies GmbH	Small 10-49	DACH	€44,562	€2,767	€18,001	€4,059,829	€3,317,495	€742,209	0.44%	81.72%	€63,196
20a705ef-abf9-425c-a63c-fd81137d0022	MODINI LIMITED	Small 10-49	UKI	€44,105	€25,427	€31,097	€3,450,874	€3,163,434	€248,730	0.90%	91.67%	€37,921
80259faa-2972-4c75-bde2-e517bedba4b0	GWACTIVE LTD	Small 10-49	UKI	€44,105	€333	€8,665	€2,851,224	€2,443,993	€407,231	0.30%	85.72%	€48,360
191ff133-1475-44d9-9b50-23ad93c1f392	16HARLEYCO LIMITED	Commercial 50-249	UKI	€44,743	€438	€49,048	€2,847,994	€361,692	€2,486,302	1.72%	12.70%	€7,912
f59c1e5f-50aa-4d64-84eb-89227c5f38c4	BETTER HALF LIMITED	Small 10-49	UKI	€44,805	€52	€7,523	€2,826,839	€2,442,419	€382,367	0.27%	86.40%	€49,014
853200ef-732a-468b-a64c-444a903b2eb9	ROBIN AI LIMITED	Commercial 50-249	UKI	€44,531	€10,871	€30,922	€2,661,362	€1,841,611	€799,177	1.16%	69.20%	€22,305

This the extra financial revenue that the customer would have generated if its monetisation rate was 2% given the same level of spend.