Analytics Engineer Challenge

Kueski

Q1 Portfolio Analysis

Analytics Engineer Challenge
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The Problem

Assess how profitable the KueskiPay portfolio is under current acquisition and pricing policies, and make an evidence-based recommendation: keep the policies, or change them (and how).

Executive Recommendation

Modify both acquisition and pricing policies to improve returns. While the portfolio is profitable ($449K net profit, 28.5% margin), **specific segments are losing money** and dragging down overall performance.

Key Findings:

- Profits are heavily skewed by risk segment and customer type.
- High Risk recurrent customers generate 9,11x LTV/CAC, while Low Risk customers only achieve 2,17x.
- Low Risk Segment is Unprofitable
- Recurrent Customers Drive Profitability
- High Risk Recurrent Customers generates the best overall results

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01 - Key Findings

Low-Risk Segment is Unprofitable

Pricing doesn't cover high CAC ($91.82 per customer).

- LTV/CAC Ratio is too low (2.17)
- Monthly Contribution: -$4.40 per customer
- Volume: 567 loans (6% of portfolio)
- **Solution: Implement a maximum investment limit for acquiring a new low risk customer.**

Medium-Risk First-Loans Loose Money

First-time borrower pricing doesn't account for high CAC without proven repayment behavior

- $125 avg loss per loan (vs recurrents +$50.30 per loan)
- Volume: 302 loans with significant negative impact
- **Solution: Since recurrent customers are profitable, analyze which variables can be adjusted to reduce losses**

01 - Key Findings

Recurrent Customers Drive Profitability

Recurrent customers are 4.2x MORE profitable than first-time borrowers ($54 vs $13 in average)

- Lower CAC plus Proven Repayment Behavior drives sustainable profitability in the long term
- **Possible Action: Creates marketing retention campaigns and commercial plans to build customer loyalty**

High-Risk Customers are the best performers

When priced correctly, higher-risk doesn't mean lower profitability

- 85% of total profits | 64% of portfolio
- High LTV/CAC Ratio: 9,11
- **Possible Action: Diversify services and offer new products to this customer segment. Create referral mkt campaigns.**

02 - Portfolio Indicators

PnL Waterfall

Revenue	**$1.575 K (100%)**
(Funding Cost)	($716 K) (45%)
= Financial Margin	**$859 K** (not credit loss data available) (55%)
(COGS)	($181 K) (11%)
= Contribution Margin	**678 K (43%)**
(CAC)	($229 K) (15%)
= Net Profit	**$449 K (28%)**

Overall Metrics

- Total Loans: 9,396
- Total Customers: 4,500
- Net Profit per Loan: $47,80

Risk Metrics

- Recovery rates are strong (75-88% by segment)
- Delinquency is minimal (1.7%)
- Current pricing includes adequate buffer for expected losses

03 - Recommendations What to Keep

High-Risk Strategy

- 9.11x LTV/CAC demonstrates optimal pricing
- Continue current acquisition and pricing
- Consider scaling up volume if risk appetite allows

Recurrent Customer Focus

- 4.2x more profitable than first-time borrowers
- Already 84% of portfolio
- Maintain/expand retention programs

03 - Recommendations

What to Change

Double Down on Recurrent Lending

- Launch automated re-lending campaigns
- Shift 30% of CAC budget from acquisition to retention
- Introduce "platinum" tier for 3+ loans

Optimize CAC Efficiency

$55.64 CAC for first loan vs $18.78 for recurrent
- Reduce paid acquisition by 20-30% (focus exclusively on High/Medium Risk)
- Expand Retention Actions
- Invest in organic channels: Referral Programs

Reduce Low-Risk Segment

Reduce CAC or Increase Pricing
1) Reduce CAC spend by 50% ($45/customer → $23/customer)
2) Increase pricing by 15-20% (by adding 2-3% to interest rates or $30-50 origination fee)

Fix Medium-Risk Pricing

First-time borrowers have unproven repayment behavior and higher CAC burden.
- Fix pricing for new customers only

Expected Financial Results

Initiatives & Impact

Low Risk Optimization	**+$50 K** (Implementation Difficulty: Low)
Medium Risk Pricing Fix	**+$40 K** (Implementation Difficulty: Low-Medium)
Recurrent Focus	**+$150 K** (Implementation Difficulty: Medium)
CAC Optimization	**+$75 K** (Implementation Difficulty: Medium)

Timeline

- **Pricing Changes**: Immediate (next vintage)
- **CAC optimization**: 1-2 months
- **Recurrent programs**: 2-3 months for full impact

ROI

+70% profit improvement ($449K → $764K/quarter)

Suggested Roadmap

Phase 1

Next Week
- Increase Medium Risk first-time borrower rates by 2.5%
- Pause Low Risk paid acquisition campaigns
- Launch automated re-lending SMS/email campaign

Phase 2

Month 1
- Implement referral program ($10 bonus)
- Create "platinum" tier for 3+ loan customers
- Reallocate 30% of acquisition budget to retention

Phase 3

Month 3
- Monitor Q2 2025 vintage performance
- Adjust Low Risk pricing (if maintaining segment)
- Expand High Risk acquisition if performing well

Conclusion

We’ve assessed how profitable the KueskiPay portfolio is under current acquisition and pricing policies.

Our recommendation is to **modify both acquisition and pricing policies to improve returns**, since **specific segments are losing money** and **dragging down overall performance**.

Key Causalities:

- Low Risk loses money (2.17x LTV/CAC)
- Medium Risk first loans lose $125.96 each
- Opportunity cost: High Risk (9.11x) and recurrent customers (4.2x better) should receive more focus

Expected Outcome: +$315K/quarter (+70% profit) with moderate implementation effort

Thanks