PAYGo Performance, Reporting and Measurement (PerfoRM) Subcommittee meeting Operational Performance KPIs

18 April 2019
Goal and context of today - Existing KPIs

The KPI WG is responsible for finalizing the existing KPIs:

- Portfolio Size
- EBITDA Breakeven
- Standards Compliance
- FX exposure

Meeting objectives of the WG meeting on Existing KPIs:
- To agree upon the proposed next steps.
Goal and context of today – Operational Performance KPIs

The Operational Performance KPIs will be a new, to-be-added, set of KPIs to the existing financial framework. The goal is to allow for operational performance benchmarking and for identifying operational sector trends. This will lead to increased data transparency and opportunities for further improvement of the entire sector.

Meeting objectives of the WG meeting on Operational Performance KPIs are as follows:
• To agree upon the needed dimensions of the KPIs
• To agree upon a first set (3-4) KPIs.
• To agree upon a first definition/calculation of these KPIs.
Existing KPIs
# Summary Analysis of KPIs

## Summary of Existing KPIs

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Portfolio Size</th>
<th>EBITDA Breakeven</th>
<th>Standards Compliance</th>
<th>FX Exposure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relevance (Crucial and Important)</td>
<td>68%</td>
<td>32%</td>
<td>16%</td>
<td>21%</td>
</tr>
<tr>
<td>Keep the KPI</td>
<td>89%</td>
<td>79%</td>
<td>95%</td>
<td>84%</td>
</tr>
<tr>
<td>Agree on definition</td>
<td>63%</td>
<td>58%</td>
<td>84%</td>
<td>63%</td>
</tr>
<tr>
<td>Relevant to all PAYGo business models</td>
<td>84%</td>
<td>79%</td>
<td>79%</td>
<td>89%</td>
</tr>
</tbody>
</table>
## Outcomes per KPI

<table>
<thead>
<tr>
<th>Portfolio Size</th>
<th>EBITDA Breakeven</th>
<th>Standard Compliance</th>
<th>FX Exposure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Keep this KPI</td>
<td>Although a large % wants to keep this KPI, it is also understood that this KPI is hardly relevant on its own</td>
<td>Keep this KPI</td>
<td>Keep this KPI; although it was also argued that this is more company specific for DD and not as part of KPI set</td>
</tr>
<tr>
<td>TO DO: Definition should be revised</td>
<td>It is a metric to understand cash flow and profitability, but other KPIs might be better suited</td>
<td>Definition is largely agreed upon</td>
<td>Focus should be on the definition and on benchmarking with other sectors; so as a sector KPI how are we performing compared to other sectors</td>
</tr>
<tr>
<td>Descriptive KPI to understand the type of business, particularly for benchmarking</td>
<td>TO DO: decide whether EBITDA break even definition should be revised, or if the KPI should either be replaced by or strengthened with additional KPIs such as EBITDA margin, net income margin or other more descriptive / operational KPIs</td>
<td>Quality and the costs of warranty services / performance are not really tracked</td>
<td>TO DO: decide on which level of information this KPI should give; company specific or sector overall and than follow up on how to shape this</td>
</tr>
<tr>
<td>Helps in grouping relevant cohorts</td>
<td></td>
<td>TO DO: should we add operational KPIs tracking quality performance? (like e.g. cost of warranty as % of avg portfolio value; # of warranty replacements as % op open contracts; staff-hours of call center calls spend on technical support as % total call center staff hours; avg. time to resolve customer technical issues from first contact etc.)</td>
<td></td>
</tr>
<tr>
<td>TO DO: Define building blocks of this (and other) metric</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

6
Proposal on Finalizing the existing KPIs

- Keep all 4 KPIs as is.
- The main challenge with these KPIs were that they did not provide additional information without a relevant context.
- The context will be drawn by the set of Informative KPIs (as discussed 11/ April 2019) as well as by the set of Operational Performance KPIs (to be discussed today).

- PLEASE GIVE YOUR CONSENT
Operational Performance KPIs
4 Dimensions to measure Operational Performance suggested

- Customer Services
- Credit Management
- Logistics
- Sales

1. For each dimension, we propose a set of KPIs.
2. We will ask your input on the set of these KPIs.
3. In a follow up meeting, the exact definitions should be defined.
# Customer Services 1/2

<table>
<thead>
<tr>
<th>O.P. KPI nr.</th>
<th>Name</th>
<th>Definition</th>
<th>Remarks / Questions for discussion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Cost of Service per Client</td>
<td>Cost of the support provided per client</td>
<td>is discussed in the UE / Costs WG</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>=&gt; use their input</td>
</tr>
<tr>
<td>2</td>
<td>Rate of Technical Issues per System</td>
<td>Ratio between the systems with technical issues among all systems sold</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Average Customer Distance from Service Center</td>
<td>Average customer distance from the nearest service center</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Average Time to Resolve Technical Issue Per System</td>
<td>Average time spent to resolve a technical issue reported by a client</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Warranty Service Period Provided</td>
<td>Average warranty period provided per system sold</td>
<td>This is also already in the</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Informative KPIs / What section;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>That is where we propose to add</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>this KPI and not as Operational</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Performance KPI</td>
</tr>
<tr>
<td>O.P. KPI nr.</td>
<td>Name</td>
<td>Definition</td>
<td>Remarks / Questions for discussion</td>
</tr>
<tr>
<td>------------</td>
<td>-------------------------------------------</td>
<td>---------------------------------------------------------------------------</td>
<td>-----------------------------------</td>
</tr>
<tr>
<td>5</td>
<td>Number of Clients per Customer Service Agent</td>
<td>Ratio between the total number of customer service agents and the overall number of systems installed</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Number of calls received</td>
<td>Number of calls initiated by the clients</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Number of missed calls</td>
<td>Number of calls initiated by the clients but not answered by customer service agents</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Any others?</td>
<td></td>
<td>Are we missing other KPIs that are relevant in this section? Are we focusing on the right ones with right definitions and possible answers? Would you be willing to share this information and keep it updated on a regular basis?</td>
</tr>
</tbody>
</table>
Credit Management

Please note that KPIs 8 and 12 are also discussed in PQ Working Group, thus the input and output must be aligned.

<table>
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</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>Cash Collection Rate</td>
<td>Ratio between the cash collected and the amount expected to be received</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Average Contract Length</td>
<td>Average length of the contracts</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Average Actual Length of Full Repayment</td>
<td>Average length of the actual full repayment period</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Repossession Rates</td>
<td>Ratio between the systems repossessed and the overall number of systems installed</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Utilization / Activation Rate</td>
<td>Ratio between the systems active and the overall systems installed</td>
<td>Would cash collection rate be linked to this and maybe even be the same ? Or different KPIs?</td>
</tr>
<tr>
<td>14</td>
<td>Average Repayment Rate of Churned Clients</td>
<td>Average final repayment rate from the clients who have churned</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Average Seniority of Churned Clients</td>
<td>Average seniority of the clients who have churned</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Any others?</td>
<td></td>
<td>Are we missing other KPIs that are relevant in this section? Are we focusing on the right ones with right definitions and possible answers? Would you be willing to share this information and keep it updated on a regular basis?</td>
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## Logistics

<table>
<thead>
<tr>
<th>O.P. KPI nr.</th>
<th>Name</th>
<th>Definition</th>
<th>Remarks / Questions for discussion</th>
</tr>
</thead>
<tbody>
<tr>
<td>17</td>
<td>Inventory Turnover</td>
<td>Ratio of how many times a company has sold and replaced inventory during a given period</td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>Average Residual Value After Repossession</td>
<td>Average value of the systems repossessed</td>
<td>Please note that this KPI is also discussed in the UE WG and input and output need to be aligned</td>
</tr>
<tr>
<td>19</td>
<td>Any others?</td>
<td></td>
<td>Are we missing other KPIs that are relevant in this section? Are we focusing on the right ones with right definitions and possible answers? Would you be willing to share this information and keep it updated on a regular basis?</td>
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</tbody>
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<th>Name</th>
<th>Definition</th>
<th>Remarks / Questions for discussion</th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
<td>Number of Systems Sold</td>
<td>Total number of systems sold</td>
<td>are already shared for GOGLA sales date; might be able to connect.</td>
</tr>
<tr>
<td>21</td>
<td>Average Selling price</td>
<td>Average selling price of the overall system sold</td>
<td>are already shared for GOGLA sales date; might be able to connect.</td>
</tr>
<tr>
<td>22</td>
<td>Customer Acquisition cost</td>
<td>Cost of acquiring a customer</td>
<td>UE WG is also looking into this so input and output needs to be aligned.</td>
</tr>
<tr>
<td>23</td>
<td>Distribution of Sales per Outlet</td>
<td>Average weight of sales per hub in the total number of systems sold</td>
<td></td>
</tr>
<tr>
<td>24</td>
<td>Number of Sales per Sales Agent</td>
<td>Total number of systems sold divided by the number of sales agents</td>
<td></td>
</tr>
<tr>
<td>25</td>
<td>Sales Agent Churn Rate</td>
<td>Ratio between the sales agents that have churned and the total number of sales agents</td>
<td></td>
</tr>
<tr>
<td>26</td>
<td>Any others?</td>
<td></td>
<td>Are we missing other KPIs that are relevant in this section? Are we focusing on the right ones with right definitions and possible answers? Would you be willing to share this information and keep it updated on a regular basis?</td>
</tr>
</tbody>
</table>
FINAL CHECK

- Will this set of KPIs be helpful
  - To you as a company?
  - To you as an investor?
- Will you as a company be able to report against all of these KPIs? / Do you track all relevant data?
- Would you, as a company, be willing to share these data?
- Will it enable an increase in transparency?
- Will it help you as a company in benchmarking your performance against the sector and finding areas for improvement?
- Do you think the number of KPIs is reasonable?
- What else is needed to reach the goals we set for this set of KPIs?
## Details Required per Indicator – as reminder

<table>
<thead>
<tr>
<th>🔄</th>
<th>DEFINITION. A concise explanation for what the indicator represents.</th>
</tr>
</thead>
<tbody>
<tr>
<td>🤔</td>
<td>WHY DOES IT MATTER? Analytical insights of each indicator that make each indicator, as defined here for standardized reporting, useful for analysis by companies and investors.</td>
</tr>
<tr>
<td>📕</td>
<td>CALCULATION. How to generate the indicator from data inputs.</td>
</tr>
<tr>
<td>📝</td>
<td>NOTES. Considerations for using each indicator, including commentary on what is included in the definition and calculation, as well as practical considerations for use with real data.</td>
</tr>
<tr>
<td>🕒</td>
<td>Considerations by BUSINESS MODEL.</td>
</tr>
<tr>
<td>🗣️</td>
<td>WORKING GROUP. (i. Which Technical WG is it allocated to and ii. Status of being discussed across the WG (i.e. feedback consolidated across KPI WG)</td>
</tr>
<tr>
<td>🔴</td>
<td>STATUS. Is it agreed and final or subject to discussion? (red/amber/green)</td>
</tr>
</tbody>
</table>

Over time we may include results and feedback/tips from piloting exercise.
Next steps

1. Prioritize the KPIs per dimension.
2. Check the KPIs included in UE and PQ WG and share our inputs with them for follow up.
3. Follow up call next week to define details for the most important indicators per dimension that are not yet covered by the other groups.
PAYGO PERFORM

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