

Unit Economics Working Group Meeting

PAYGO PERFORM

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September 4, 2019



Today's Agenda

- Open Items on Firm Level and Unit Level KPIs
- Next Steps and Timeline

Unit Economics KPIs – Overview

Firm Level KPIs

Total Cashflow from Customers

Total Cashflow as % of Total Revenue

Total Receivables Generated

Total O/H Cost as % of Total Cashflow from Customer

Total Contribution Margin

EBT Margin

Unit Level KPIs

Unit Customer Deposit

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Unit Total Payments

Unit Follow On Payments

Unit Credit Cost

Unit Sales & Distribution Cost

Unit Device Cost

Unit Servicing & Maintenance Cost

Unit Contribution Margin

LEGEND

- Revenue-related KPIs
- Profitability-related KPIs
- Cost-related KPIs

Summary of Feedback Survey Results by Type of KPI

Firm Level KPIs

Proposed KPI	% in Agreement
Total Cashflow from Customers	90%
Total Cashflow as % of Total Revenue	64%
Total Receivables Generated	93%
Total Overhead Cost as % of Total Cashflow from Customers	85%
Total Contribution Margin	75%
EBT Margin	89%

Key Issues with Firm Level KPIs

Total Contribution Margin

- 7 out of 28 respondents do not agree with this KPI
- Key reasons: Issues with the definition and the fact that it is too complicated to get something comparable

Total Cashflow as % of Total Revenue

- 10 out of 28 respondents do not agree with this KPI
- Key reasons: too complex to grasp, accounting policies will lead to a lot of variety, does not provide any additional info

Unit Level KPIs

Proposed KPI	% in Agreement
Unit Follow On Payments	92%
Unit Customer Deposits	81%
Unit Device Cost	100%
Unit Credit Cost	92%
Unit Sales & Distribution Cost	96%
Unit Servicing & Maintenance Cost	96%
Unit Contribution Margin	96%

Key Calculation Issues with Unit Level KPIs

Unit Customer Deposit

- Most do not agree with having two ways of defining the KPI since it is confusing, and should keep it simple

Unit Credit Cost

- Some respondents have issues with using Write Off Ratio to calculate this KPI, since Write Off Ratio is over a time period

Unit Servicing & Maintenance Cost

- Some responders believe the formula to calculate this KPI is too complicated; questions on why include Effective Credit Period

Firm Level KPIs – Key Issues

	Total Contribution Margin	EBIT Margin
Definition	Provides a view of a PAYGo firm’s profitability when taking into account ONLY the variable costs	Represents the overall profitability of a PAYGo firm when taking into account ALL costs (variable and fixed)
Calculation – Current	$[Total\ Revenue - Total\ Variable\ Costs] / Total\ Revenue$	$Total\ Revenue - Total\ Variable\ Cost - Total\ Fixed\ Cost / Total\ Revenue$
Key Issues with Calculation	<ul style="list-style-type: none"> • Due to the different accounting policies used by PAYGo firms, Revenue may be different and thus will not be able to compare across firms • Need to be clear what is considered as “variable” costs and “fixed” costs 	
Calculation – Proposed	$[Total\ Cashflow\ from\ Customers - Total\ Variable\ Costs] / Total\ Cashflow\ from\ Customers$	$[Total\ Cashflow\ from\ Customers - Total\ Variable\ Costs - Total\ Fixed\ Costs] / Total\ Cashflow\ from\ Customers$

Unit Level KPIs – Key Issues

Unit Customer Deposits

- Two approaches were proposed: (1) Show as % of total payments; (2) Show as per Units Sold
- Confusing to have two approaches – select one

Unit Credit Cost

- The calculation uses Write off Ratio KPI from PQ WG
- However, Write off Ratio from PQ WG is calculated over a specified time period, while Credit Cost is over the lifetime of the unit

Unit Servicing & Maintenance Cost

- It was suggested that the calculation of this KPI should not use the Effective Credit Period – instead to use the Warranty Period

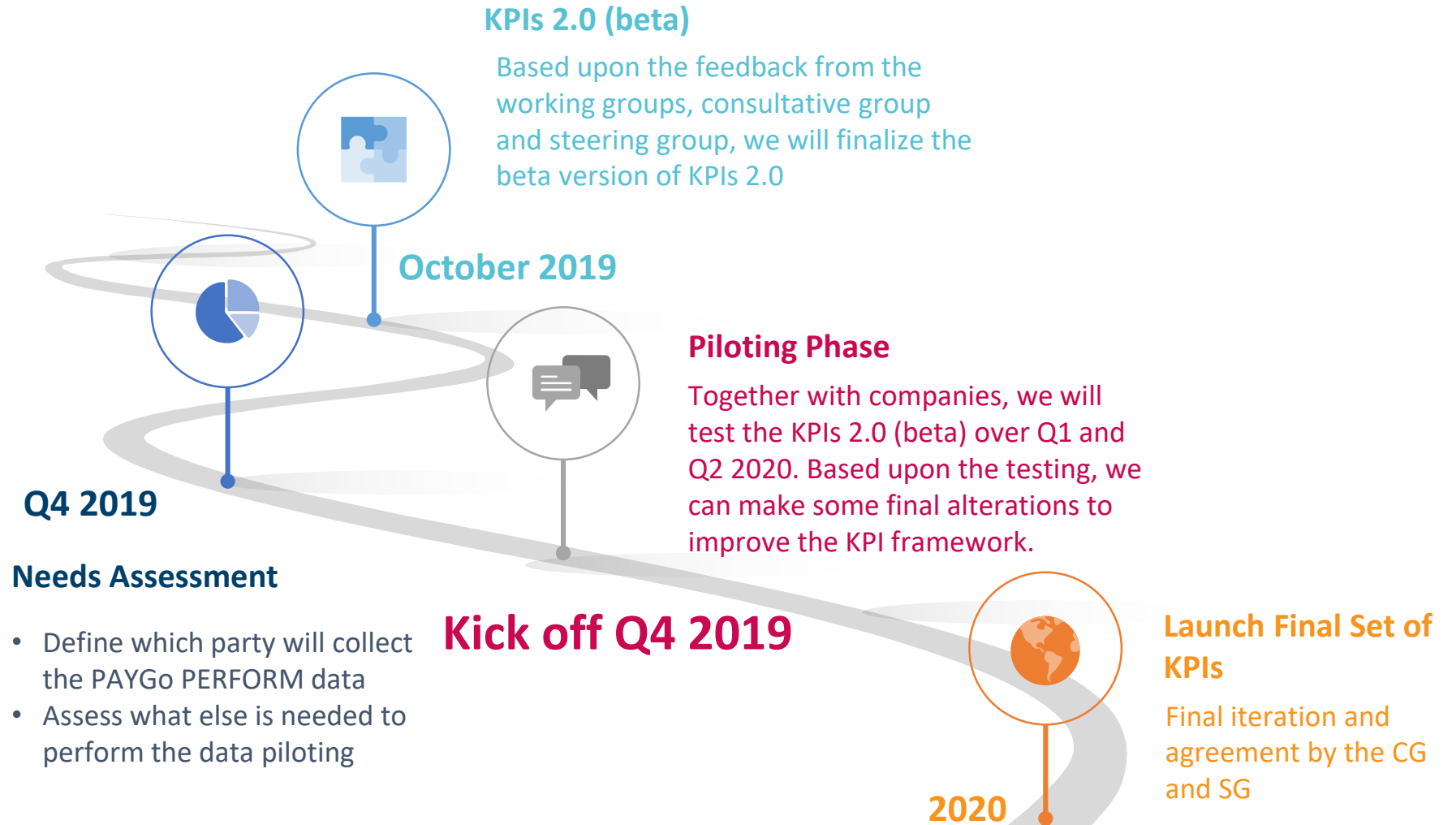
Proposed Approach

- Select Calculation approach #2 – based on Units Sold

- Use Write off Ratio from PQ WG as much as possible; average over longer time period if there are concerns

- Warranty Period should not be used; Servicing & maintenance cost is not always related to warranty

What's Next for PERFORM – Timeline



Piloting Phase: Testing the KPI Framework with Real Time Data



- The pilot will kick off Q4 2019 and will be testing the KPI framework over a period of 6 months.
- The Steering Group Coordinators will provide Technical Assistance
- Already some peers have signed up and we invite you to also participate in the piloting phase by sending an email to paygoperform@gogla.org.

Thank You!

To learn more, please visit

<https://www.findevgateway.org/organization/paygo-perform>