EXECUTIVE MEMO

CBFS Merchant Portfolio - Performance & Growth Strategy

TO: Stripe Board of Directors **FROM:** Anton Schneider, EMEA Strategic Finance

DATE: Q1 2020 Board Meeting **RE:** 5-year forecast & recommended capital allocation across SaaS / E-Commerce / Platform segments

TL;DR

2018-2019 actuals show strong momentum (+52% GPV and +56% revenue growth, SaaS and E-Commerce more than doubled off a small base), carried heavily by a concentrated Platform segment (top 3 platform merchants generating 42% of total revenue in 2019). Our Base case lands at **$110m revenue in 2024 (+29% CAGR 2020-2024)**, with a Bear-to-Bull range of **$56m-$201m revenue in 2024** driven principally by merchant acquisition rates, GPV-per-merchant growth, and churn. We recommend prioritizing capital allocation for Platform & E-Commerce new-merchant acquisition, which delivers 3-10× the impact of pricing or operational levers over the forecast horizon.

THREE TAKEAWAYS

1. 2018-2019 actuals: strong but uneven growth, with Platform still dominant.

Revenue grew YoY from $20m to $32m (+56%), but underneath that total the shape was very different across segments: **SaaS +174%, E-Commerce +134%, Platform +28%** driven largely by "same store" growth, i.e. GPV and revenue increasing YoY for existing merchants (+165%/ +98%/ +28%). Platform share of total revenue fell from **76% → 62%** between 2018 and 2019 and will decrease further as newer cohorts scale. Within SaaS, Stripe Billing (Recurring) is the strategic priority: launched May 2018, it now captures 37% of SaaS GPV (up from 33% in 2018) - but several merchants regressed back to Basic API in 2019 (notably Merchant 2 at $50m Basic GPV). Net take rate has increased +6bps (2.29% in 2018 → 2.35% in 2019) driven by lower share of large Platform merchants with discounted pricing and +0.50% Recurring add-on fee starting in 2019 (free in 2018). Unit economics look healthy in aggregate (SaaS 18x, E-Commerce 29x LTV/CAC) with Platform structurally lower at ~6x.

2. The Bear-Base-Bull spread ($56m-$201m in 2024) is driven by three assumptions.

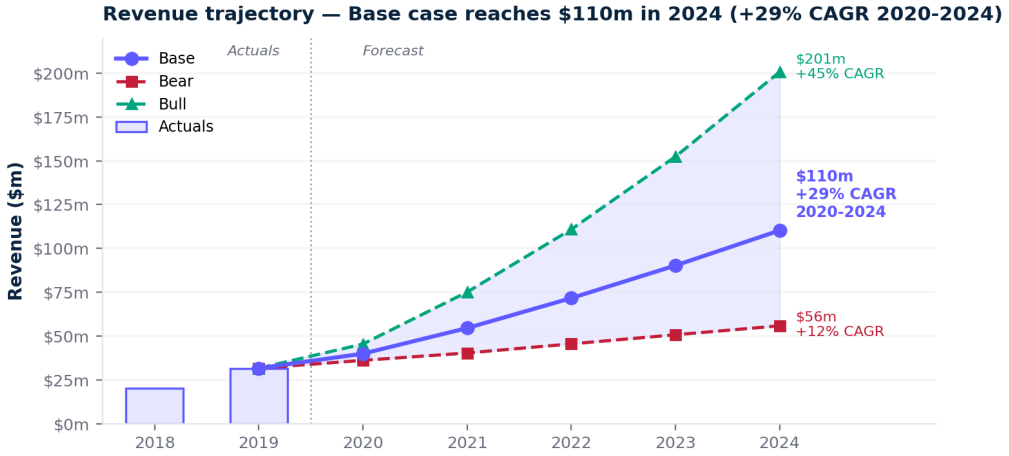
The forecast is built bottom-up per merchant, but three assumption groups explain ~90% of the cross-scenario variance: **(i) new merchants added per year** (Base: 13 merchants/yr; Bear: 8; Bull: 22), **(ii) GPV-per-merchant growth** (Base: 8-15%/yr by segment; Bear: roughly one-third of Base; Bull: roughly 1.4x Base), and **(iii) annual merchant churn** (Base: 2%; Bear: 4%; Bull: 1%). Take rates and CACs are held constant across scenarios. **Base reaches $110m revenue in 2024 (+29% CAGR 2020-2024); Bear $56m (+12% CAGR); Bull $201m (+45% CAGR)**.

3. Merchant acquisition is the dominant lever; concentration is the dominant risk.

Of 10 potential levers we quantified, the top four all involve new-merchant acquisition or GPV-per-merchant expansion in Platform and E-Commerce. **A single additional Platform merchant per year increases cumulative 2020-2024 revenue by $29m** ($14m for additional E-Commerce merchant). Pricing levers are deemed a less attractive option to generate additional revenue (payment price increases by +10bps = +$5m revenue). Within SaaS, accelerating Basic API → Recurring migration is strategically important (Recurring share grows from 37% in 2019 to 68% by 2024 in Base, vs 45% Bear and 86% Bull) but financially modest as a single lever - moving migration pace from Base to Bull adds only $2m cumulative. The biggest risk is concentration risk with **our top 3 Platform merchants driving 67% of Platform revenue and 42% of total company revenue in 2019** - we should prioritize diversifying Platform acquisition while pro-actively reducing churn risk for those big platform merchants.

1 · Segment performance & unit economics

All three products have grown since 2018, but the shape of that growth varies. **E-Commerce and SaaS doubled/tripled in 2018→2019** (+134% and +174% respectively, of which +98% and +165% is same-store), while Platform grew +28% on a larger base. The forecast assumes segment-specific annual GPV growth rates slow between 2020-2024 as the cohorts mature: +8% Platforms, +12% E-Commerce, +15% SaaS.



Segment scorecard - 2024 Base case

Segment	Revenue	Share of Rev	GM %	Rev / merchant	LTV / CAC	Payback
SaaS	$16.8m	15%	42%	$522k	17.9x	9 months
E-Commerce Store	$42.0m	38%	27%	$1.1m	28.6x	5 months
Platform	$51.5m	47%	26%	$3.0m	5.9x	15 months
TOTAL	**$110.2m**	**100%**	**29%**	**$1.2m**	-	-

CAC assumed flat across scenarios: SaaS $40k, E-Commerce $35k, Platform $500k. LTV = 5-year DCF of cohort GM at 10% WACC. Payback = months until cumulative GM covers CAC.

2 · Recommendations (prioritized by impact × feasibility)

The priority stack below ranks 10 potential levers by their cumulative 2020-2024 revenue impact vs. the Base case. The top 4 all involve Platform or E-Commerce expansion. We should allocate capital accordingly.

Priority stack

#	Action	Why	Cum. $ impact	Priority
1	**Double Platform sales capacity - target +1-2 new Platform merchants/year**	Highest-leverage lever in the portfolio. Each extra Platform merchant adds ~$29m cumulative revenue. Payback of 15 months means incremental hires self-fund within the first two years.	**+$29m each**	**HIGH**
2	**Add E-Commerce merchants - target +1 new E-Commerce merchant/year**	Best LTV/CAC (28.6x), fastest payback (5 months) of any segment. Each extra E-Commerce merchant adds ~$14m cumulative revenue. Diversifies the revenue base.	**+$14m each**	**HIGH**
3	**Invest in Platform same-store growth (product depth, feature upsells)**	Growing GPV per Platform merchant +5pts (8%→13%) adds $21m. Compounds existing customer LTV, lowers CAC payback.	**+$21m**	**HIGH**

#	Action	Why	Cum. $ impact	Priority
4	**Invest in E-Commerce same-store growth (retention, upsell, feature depth)**	Growing GPV per E-Commerce merchant +5pts (12%→17%) adds $19m. Compounds existing customer LTV.	**+$19m**	**HIGH**
5	**Accelerate new-merchant ramp (12→6 months to full GPV)**	Worth ~$7m cumulative across all segments. Operational focus on onboarding & integration time.	**+$7m**	**MED**
6	**Adding SaaS merchants**	SaaS has strong LTV/CAC but smallest absolute $ contribution. 1 SaaS merchant/yr moves cum. revenue by $7m. Maintain, do not over-fund.	**+$7m**	**MED**
7	**Churn reduction programs (2% → 1%)**	Sizable impact but complex to implement at segment level potentially involving numerous teams from Customer Service to Engineering and Product	**+$9m**	**MED**
8	**Accelerate Basic API → Recurring migration in SaaS**	*Stripe Billing launched May 2018; Recurring share goes from 37% (2019) to 68% (2024 Base), 45% Bear, 86% Bull. Moving Base pace (1.5%/mo) to Bull pace (3.0%/mo) adds $2m cum. Real value is stickiness/LTV, not the $.*	+$2m	**LOW**
9	**SaaS GPV/merchant growth +5pts**	*Pricing/packaging upside, but SaaS is a small segment so absolute impact is limited.*	+$7m	**LOW**
10	**Increase Take rate by10bps/yr**	*Pricing policy change; risk of merchant pushback in a competitive market.*	+$5m	**LOW**

5-year forecast scenarios

Base case ($m)	2019A	2020F	2021F	2022F	2023F	2024F
Revenue	$32	$40	$54	$72	$90	**$110**
Gross Margin	$7	$10	$14	$20	$26	**$32**
GM %	23%	24%	26%	28%	28%	**29%**
Merchants (EOY)	32	42	54	66	78	**89**
GPV	$1.3b	$1.7b	$2.2b	$2.9b	$3.6b	**$4.3b**

Bear case: $56m revenue in 2024 (+12% CAGR 2020-2024), 61 merchants EOY
Bull case: $201m revenue in 2024 (+45% CAGR 2020-2024), 134 merchants EOY

Key Base assumptions: *GPV/merchant growth 15% (SaaS) / 12% (E-Com) / 8% (Platform); annual merchant churn 2%; new merchants/yr: 5 SaaS + 6 E-Com + 2 Platform; 12-month ramp to full GPV; take rate 2.6% volume + $0.20 trx fee, with 15% custom-pricing discount above $5m/month merchant GPV. Full assumption set in the Sheet's Assumptions tab.*

3 · Risks & watch items

Risk	What it looks like	Monitoring metric
Platform customer concentration	In 2019, our top 3 Platform merchants drove $13m revenue (67% of segment and 42% of total company revenue). By 2024 (Base), as new Platform merchants are added, the concentration decreases to 39% of segment and 18% of	Top-3 Platform concentration; renewal risk; 12-month retention rate

Risk	What it looks like	Monitoring metric
	total company revenue. Monitor top merchants while growing the customer base to less concentration.	
CAC increase in Platform	If Platform CAC rises from $500k to $750k (competitive bidding, longer sales cycles), LTV/CAC drops from 5.9x to 3.9x in Base. Still above the 3x health line. Under Bear (lower LTV from slower GPV growth and higher churn), the same CAC increase would push LTV/CAC to 2.5x	Fully-loaded Platform CAC, quarterly. Sales-cycle lengthening.
Macro / payment volume sensitivity	Revenue is ~90% volume-based. A 15% GPV contraction (comparable to 2008-09) would compress Revenue by $17m in 2024. This is larger than any single-year impact of the priorities listed above (max $11m/yr from one additional Platform merchant)	Monthly GPV growth; same-merchant-same-p eriod comparison

4 · Given more time and data, I would dig into:

1. **Platform merchant-level profitability.** Confirm the 'real' names of the 3-4 Platform merchants that drive the majority of segment revenue, and understand their market, business models and requirements. We have to a) ensure our products continue to solve their needs and b) be able to replicate these successful relationships with other sizable platform merchants.
2. **Competitive positioning data.** Our take rate increases +25bps (2.29% in 2018 → 2.54% projected 2024), driven mostly by more SaaS Recurring customers and share of large platform customers with discounted pricing decreasing (no payment pricing changes in Base case). Win/loss data against PayPal, Adyen, Braintree by segment would tell us whether we have room for further pricing power, or whether we are already at the competitive ceiling.
3. **SaaS Recurring migration patterns.** Several merchants regressed from Recurring back to Basic API in 2019. Understanding the reasons (pricing, integration friction, internal billing system change?) is essential before designing migration incentives. Also: which API families (Recurring, Radar, Connect) drive margin most, to focus product investment.
4. **Sales efficiency & CAC breakdown.** Platform CAC ($500k) is a model input, not a measured output. Getting to actual fully-loaded cost-per-acquired-merchant (sales team salaries + marketing contribution + ops overhead) would either validate or challenge our recommendation to scale Platform GTM.
5. **Cohort retention curves by segment.** Our 2% churn assumption is flat across all ages of merchants. It's a simple assumption given that the 2018-2019 data showed almost no churn/ insights into churn. In reality, most SaaS-like businesses see early-cohort churn 2-3x higher than steady-state. Modelling and monitoring churn by cohort would increase accuracy and understanding.

Bottom line for the Board

History shows strong, uneven growth - SaaS and E-Commerce scaling rapidly off small bases while Platform grows slower but remains the largest segment. Our Base forecast delivers $110m revenue by 2024, with a Bear-to-Bull range of $56m-$201m driven mainly by merchant acquisition, GPV/merchant growth and churn.

The highest-impact actions are Platform new-merchant acquisition and E-Commerce same-store growth. Alongside this, we recommend the Board note two risks worth monitoring: concentration in the top 3 Platform merchants (42% of 2019 revenue) and Platform CAC stability. Retention, pricing and operational levers are materially smaller (lower prioritization).

*Supporting model and live dashboard: **antonschneider.com/stripe-cbfs** · Underlying Sheet: **Google Sheet***