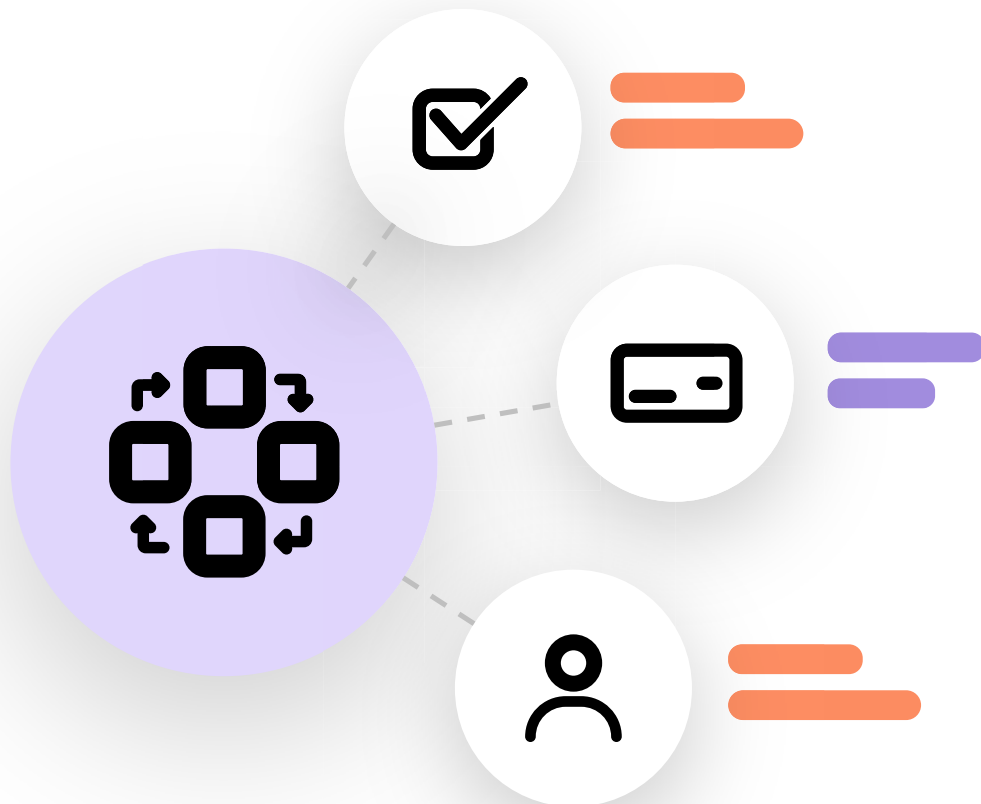


The embedded payments playbook:

Accelerating portfolio value

A primer for private equity and venture capital investors, value creation teams and operating advisors



Despite their rise, embedded payments remain one of the most underexploited growth levers for private equity (PE) sponsors and their software platforms.

There is a persistent misconception that payments are a “set-it-and-forget-it” profit engine that delivers margin as soon as it’s switched on.

In practice, though, value materializes only when platforms make deliberate choices about their operating model, risk ownership, and merchant activation – and then execute against those choices consistently over time.

For many platforms, payments today represent a useful but secondary revenue stream.

But for some, embedded models are becoming a core growth engine.

In this paper, **we outline a practical playbook for PE sponsors and platform leaders to harness embedded payments as a shared growth engine** at both the platform and portfolio level, driving sustained enterprise value creation.



Introduction: The scale of opportunity

Many software platforms (independent software vendors, or ISVs) are pushing deeper into payments by embedding acceptance directly into the workflows merchants already rely on. This integration reduces friction, improves cash flow and reconciliation, and delivers a more intuitive end-to-end experience. ISVs unlock a high-margin revenue engine while giving merchants a simple and efficient way to run their businesses.

Today, approximately 70% of the \$3.4 trillion SMB payments market already moves through embedded channels – and embedded models are becoming increasingly relevant for mid-market and even enterprise customers as well.¹

Selecting the right monetization model and continuously optimizing it is key to unlocking the full value of embedded payments. As platforms scale, they naturally encounter inflection points that require reevaluating whether their approach still maximizes costs and customer impact.

We group these decision points into the Value Capture Framework (refer to Figure 2), a structured way to assess readiness and determine when a higher-ownership model is optimal. The most successful platforms continue to evaluate their model as they grow, ensuring they deepen engagement, improve the merchant experience and capture more ongoing value. This also lays the foundation for expanding beyond payments into broader embedded finance offerings, building a multiproduct ecosystem that strengthens margins, retention, and long-term growth.

The market is already pricing in this shift, rewarding platforms that monetize payments and adjacent financial services commanding higher revenue and EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) multiples.

This creates a clear opportunity for PE sponsors to treat embedded payments as a proactive value-creation lever, not a passive by-product of software growth.

¹: Source: Adapted from UBS Investment Bank, "The Question 5.0: A framework for sizing and analyzing the various..." (April 2025)

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PE sponsors also have an opportunity to unlock meaningful incremental value by elevating embedded payments from a platform-level initiative to a portfolio-wide strategy. By looking across the full portfolio of payments-active platforms rather than managing each platform in isolation, they can aggregate payment volume, centralize negotiations and unify vendor relationships.

This coordinated approach provides clearer visibility into performance, further improves unit economics and strengthens control over risk and compliance.

As these levers compound, embedded payments can become a scalable, repeatable value-creation engine, right across the portfolio.



From friction to value

Platform businesses, particularly vertical SaaS platforms, are uniquely positioned to embed payments because they sit at the center of their customers' operational workflows.

They already orchestrate scheduling, invoicing, customer interaction and financial activity, giving them unparalleled visibility into when and how payments occur. This deep workflow integration creates natural control points that make embedding payments seamless, value-accretive and highly aligned with how their customers run their businesses.

This trend is rapidly expanding beyond vertical SaaS – gaining traction across ERP, procurement, and travel and expense platforms – where payment events are already tightly woven into daily operational workflows.

Embedded payments create the greatest economic impact in markets where payments are frequent, high-stakes and central to operations: environments with recurring transactions, meaningful payment volume, reliance on timely cash flow and a fundamental need to reduce operational friction.

In these settings, embedding payments directly into the platform simplifies how organizations get paid and strengthens the value of the core software experience.



As Ian Hillis (Integrated and Platforms Product Lead) notes, embedded financial products can create "growth that compounds growth", delivering more value to users while simultaneously enhancing the platform's commercial performance

Matching monetization models, scale and maturity

There are a number of monetization models to choose from, each with distinct financial benefits, operational demands and degrees of ownership. Selecting the right one is not about moving upstream for its own sake, but about aligning the model to your growth stage, operational maturity and value-creation goals.

ISV payment monetization models

← Less control and economics ————— More control and economics →

	Integrated payments (referral partner)	PayFac-as-a-Service (Managed PayFac)	Full-fledged PayFac®
	<ul style="list-style-type: none"> Merchants typically join through a traditional ISV referral partner model, going through a standard onboarding process that requires a separate MID for each merchant The merchant acquirer manages KYC and AML responsibilities, while the payment company handles most of the ongoing support, resulting in two main touchpoints for the merchant Overall, risk remains with the payment partners, including PSPs and merchant acquirers 	<ul style="list-style-type: none"> Software company owns sales, service, customer support, and the merchant payment relationship PayFac handles KYC, AML, and related compliance on the company's behalf Can include white-labeled PayFac setups with near-complete control over onboarding and merchant underwriting Customization can extend to UI/UX Software company takes a larger role in upfront sales, support, and billing, though some still rely on partners Responsibility for merchant failure risk depends on negotiations - either the PSP partner or the software company takes it 	<ul style="list-style-type: none"> Registered with the card networks and works with an acquiring bank sponsor Software company: <ol style="list-style-type: none"> Enables instant onboarding and full control of the merchant experience Serves as the single point of contact for merchants Takes on full risk (backed by a loan from the bank sponsor if the PayFac cannot fund)
Unit economics retained by the software company*:			
Large (\$1B+)	60-70%	75%-85%	90-95%
Medium (\$250M - \$1B)	50%	50-80%	75-90%
Small (<\$250M)	0-30%	30-55%	Rare instances

Note: *Unit economics retained by the software company reflects the platform's share of net payments margin, i.e., the merchant discount rate after interchange and card network fees

Figure 1: Source: Adapted from UBS Investment Bank, "The Question 5.0: A framework for sizing and analyzing the various..." (April 2025)

As platforms mature and their payments capabilities deepen, the tradeoffs between models become more pronounced.

Higher-ownership models unlock greater margins and control but require deeper capabilities in underwriting, onboarding, compliance and payment operations. Conversely, lower-ownership models offer ease and speed but limit the share of economics a platform can capture. Understanding where you sit along this spectrum, and what it would take to advance, is essential for informed, value-accretive decision-making.

Introducing the Value Capture Framework

To bring structure and clarity to this assessment, our Value Capture Framework outlines the key transition points platforms encounter as they scale.

This framework can help leaders evaluate if their current model is sufficient, and how and when to unlock further gains.

Readiness stage	Gross payment volume (GPV)	Merchants activated	Target take rate	Payments team size	Risk appetite
Stage 1: Early Readiness	~\$50M-\$250M annual GPV Smaller vertical SaaS / niche ISVs just getting started	~25-40% of merchants processing on-platform Adoption still forming	Target net take-rate ~20-40 bps	~1-3 payments-related FTEs (often dual-hat)	Not comfortable owning pricing, underwriting or payments risk
Stage 2: Intermediate Readiness	~\$250M-\$1B annual GPV Scaling ISVs with broader merchant base	~40-60% merchant activation Attach and volume trending upward	Target net take-rate ~40-80 bps	~4-8 payments-related FTEs	Comfortable owning pricing and day-to-day merchant support but not underwriting or payments risk
Stage 3: Advanced Readiness	>\$1B annual GPV with concentration of heavy-volume merchants	Typically 60-80%+ activation Path to near-universal adoption in core segments	Target net take-rate ~80-120+ bps	10-20+ payments FTEs for most growth leaders 40-100+ FTEs for full-scale PayFacs	Comfortable owning the pricing, underwriting, payments risk, and support for merchants

Figure 2: Source: Worldpay management data and L.E.K. research and analysis

The ranges are intended as directional guideposts rather than prescriptive thresholds. For example, organizational readiness can take many forms: some platforms reach mid-tier performance with a lean team and dual-hat roles, while full-scale PayFacs® may eventually require 40 to 100+ dedicated payments specialists.

In our experience, the decisive factors are a platform's **focus, operational maturity and willingness to take on greater ownership**, which comes with incremental underwriting, compliance, and risk responsibilities, rather than meeting any specific FTE configuration.

For PE sponsors, these indicators provide a practical way to gauge whether their platform's operating model and capabilities are appropriately matched to payments ambitions.

What does good look like?

Leading platforms **consistently outperform** because they reject the notion that payments are a "set-it-and-forget-it" profit engine and instead **treat payments as a strategic lever**.

Their approach may be anchored in deliberate monetization choices, deep product integration and strong operational ownership. They see payments as a strategic capability, managed with product-level discipline, embedded fully into workflows.

And they continuously optimize through data-driven decision-making.

This intentional, actively managed approach transforms payments into a scalable growth engine that deepens engagement, unlocks new revenue streams and strengthens the platform's overall economic foundation and value-creation potential.

As responsibilities vary significantly by monetization model, selecting the right payments processing partner, especially in integrated payments and managed PayFac setups, can be fundamental to ensuring the platform can execute effectively and **unlock its full payments potential**.

Attribute	Leaders	Laggards	Business impact
Payment strategy and ownership	Monetization is a board-level priority, with a dedicated P&L owner and regular executive review	Payments are a cost center, managed reactively or by IT/Finance	Strategic focus drives innovation and margin expansion
Monetization model (e.g., referral, managed PayFac, full PayFac)	Roadmap for evolving from referral to managed/ full PayFac models are revisited as the business scales	Static model, often stuck at referral or basic processing, with no plan for progression	Evolving models unlock higher revenue share and control
Feature set	Launches new features (e.g., instant payouts, analytics dashboards) based on merchant feedback and market trends	Offers only basic card acceptance, rarely updates or innovates	Premium features drive adoption, retention, and upsell
Workflow integration	Payments are embedded in the user journey (e.g., one-click invoicing, automated reconciliation)	Payments are a separate, manual step for users	Seamless integration reduces friction and churn
Operational readiness	Dedicated team for payments ops, compliance, and merchant support; regular training and audits	Ad hoc or outsourced support with limited compliance oversight	Operational rigor reduces risk and improves merchant satisfaction
Data and analytics	Real-time dashboards track KPIs (volume, margin, attach rate, LTV); insights drive continuous improvement	Little or no data visibility; decisions are anecdotal	Data-driven optimization increases profitability and competitiveness
Adoption and activation	Guided onboarding, proactive merchant outreach, and incentives for activation	Merchants self-activate with minimal guidance or follow-up	High activation rates accelerate revenue and stickiness
Marketing and merchant engagement	Use a multi-channel marketing approach that is fully integrated into broader software marketing to drive ongoing adoption and volume	Use little to no marketing, or rely on a single disconnected channel that fails to drive meaningful merchant engagement or usage	Integrated marketing moves platforms from basic activation to true adoption, with merchants actively pushing volume through the payments product

Figure 3: Source: Worldpay and L.E.K. research and analysis

Across monetization models, execution separates leaders from the rest of the field and drives meaningfully different growth trajectories from an investor perspective. In a sample of 79 software platforms across integrated payments, managed PayFac, and full-fledged PayFac, leaders achieve triple-digit CAGRs in the first three years following activation – well above the rest of the pack.

- Managed PayFac leaders grow the fastest because they:
 - Have well-established experience in marketing, selling, and activating payments across their merchant base
 - Scale their merchant base by capturing additional share from legacy players or in verticals with limited SaaS penetration
 - Drive volume growth from existing merchants through continued investment in core software functionality and expanded payment options
- Fully-fledged PayFac leaders grow at a slightly slower rate as more complicated risk, operational and staffing requirements naturally moderate expansion at scale.
- Integrated payments leaders ramp-up more gradually because external GTM teams require training to identify and sell to payments-eligible merchants. Disciplined execution can still deliver a clear advantage over laggards and compounds into stronger scale and financial outcomes over time.

GPV growth dynamics by operating model (years 1-3)

Percentage (N=79 Partner IDs)

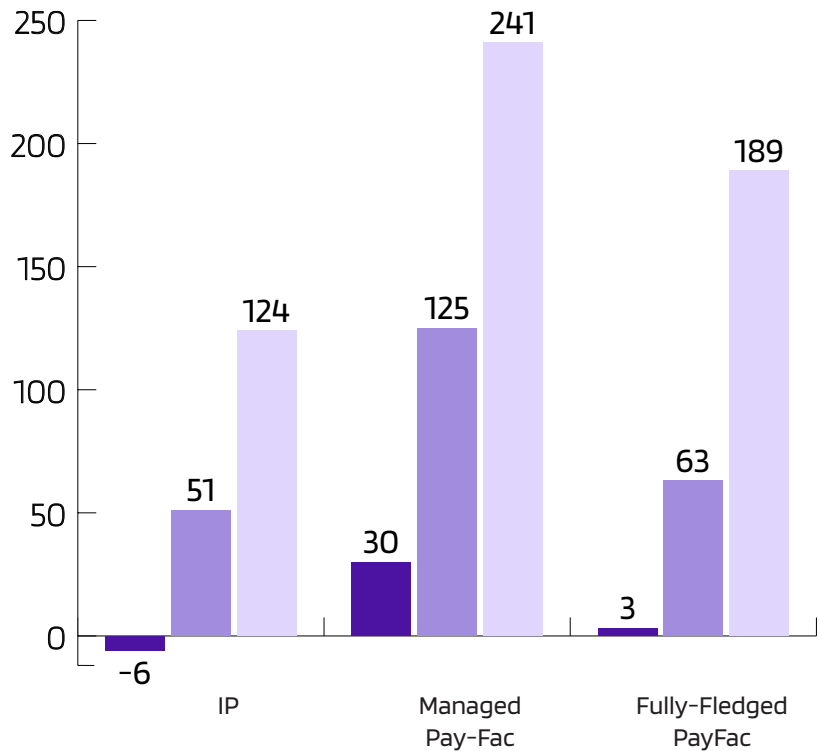
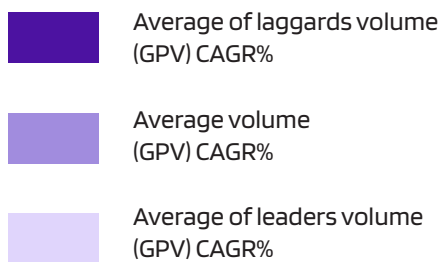


Figure 4: Source: Worldpay and L.E.K. research and analysis

The gateway to value-added services and growth

Payments are the first step in the embedded finance journey. Getting them right can unlock value and establish strong foundations for further financial products and data-driven services well beyond core transactions.

Value creation occurs in two waves

Platforms that prioritize payment economics often see improved merchant activation, stronger retention and higher revenue per customer. Investors reward this shift with higher revenue and EBITDA multiples because it shows the platform has evolved beyond a software-only revenue model by integrating payments and capturing transactional economics.

As platforms extend from payments into embedded finance such as lending, cards, payables, and other financial products, the financial gains accelerate further. Multiproduct financial ecosystems command higher valuation multiples, reflecting greater ownership of the financial layer wrapped around the customer's workflow.

The chart below highlights how valuation multiples increase as platforms progress from software-only models to embedded payments and ultimately to multiproduct embedded finance.

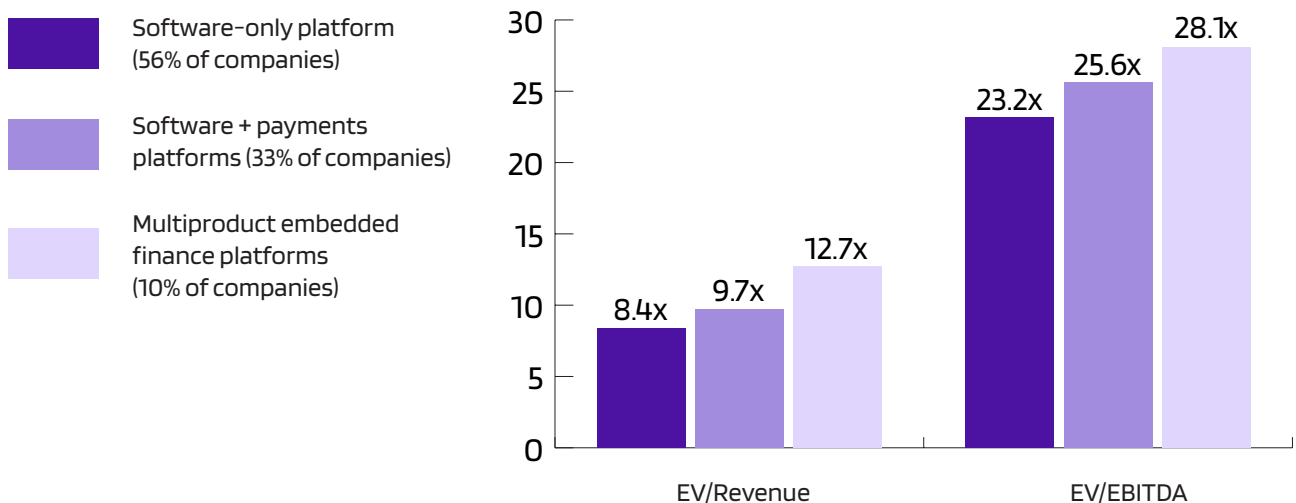


Figure 5: Source: William Blair, "How Embedded Finance Drives Enterprise Value and Increases Multiples for SaaS Platforms" (2025)

To translate multiple market expansion into a single-asset lens, we modelled a representative vertical SaaS platform with \$80 million of starting annual recurring revenue (ARR) over a five-year PE hold to quantify how much value embedded payments can unlock.

The enterprise value bridge illustrates the impact clearly. Growth in the core software business contributes just under half of the roughly \$1.1 billion in incremental enterprise value created over the hold period. The other ~half is driven by embedding payments, both through the direct uplift in payments revenue and the expansion that occurs as the business evolves from a software-only model to a software-plus-payments platform. In this scenario, payments **shift from a secondary revenue stream to a primary value-creation lever**, reshaping the investment thesis and expanding the strategic ceiling for the asset.

Enterprise Value (EV) Bridge: Sources of value creation over five years

In millions of USD

Note: Figures shown are rounded for presentation purposes. Percentage contributions are calculated on unrounded values and may not sum precisely.

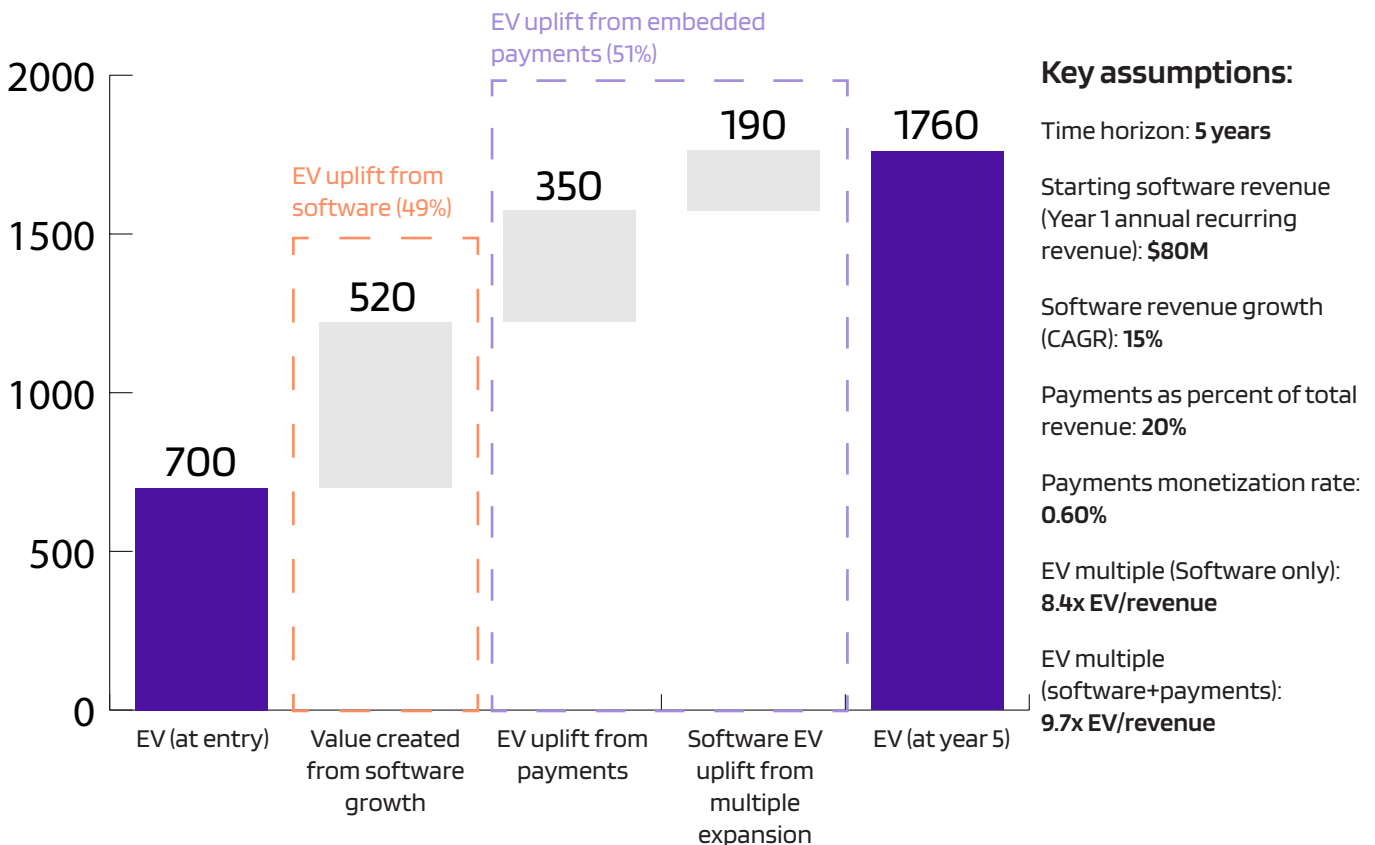


Figure 6: Source: Worldpay and L.E.K. research and analysis

Portfolio-wide impact through payments strategies

PE sponsors also have an opportunity to unlock value by elevating embedded payments from a company-level initiative to a portfolio-wide strategy.

When payments are coordinated at the fund level rather than managed in silos, PE sponsors gain advantages at scale that individual platforms cannot achieve alone. By pooling payment volumes across holdings and standardizing commercial terms with a focused set of partners, sponsors can step up unit economics, simplify oversight and create a common platform for further embedded finance plays.

This accelerates the speed at which payments become a value-creation engine across the fund.

In addition to the financial benefits, a portfolio-wide approach can enable two critical advantages. First, it creates a repeatable, scalable framework for embedding payments across portfolio companies, providing a fund-level blueprint that can accelerate execution and helps ensure consistency in how value is captured.

Second, once payments are embedded consistently, PE sponsors gain a foundation for broader monetization, opening opportunities to introduce adjacent financial products across multiple companies rather than limiting those benefits to individual assets.



Strategic levers for portfolio-wide value creation

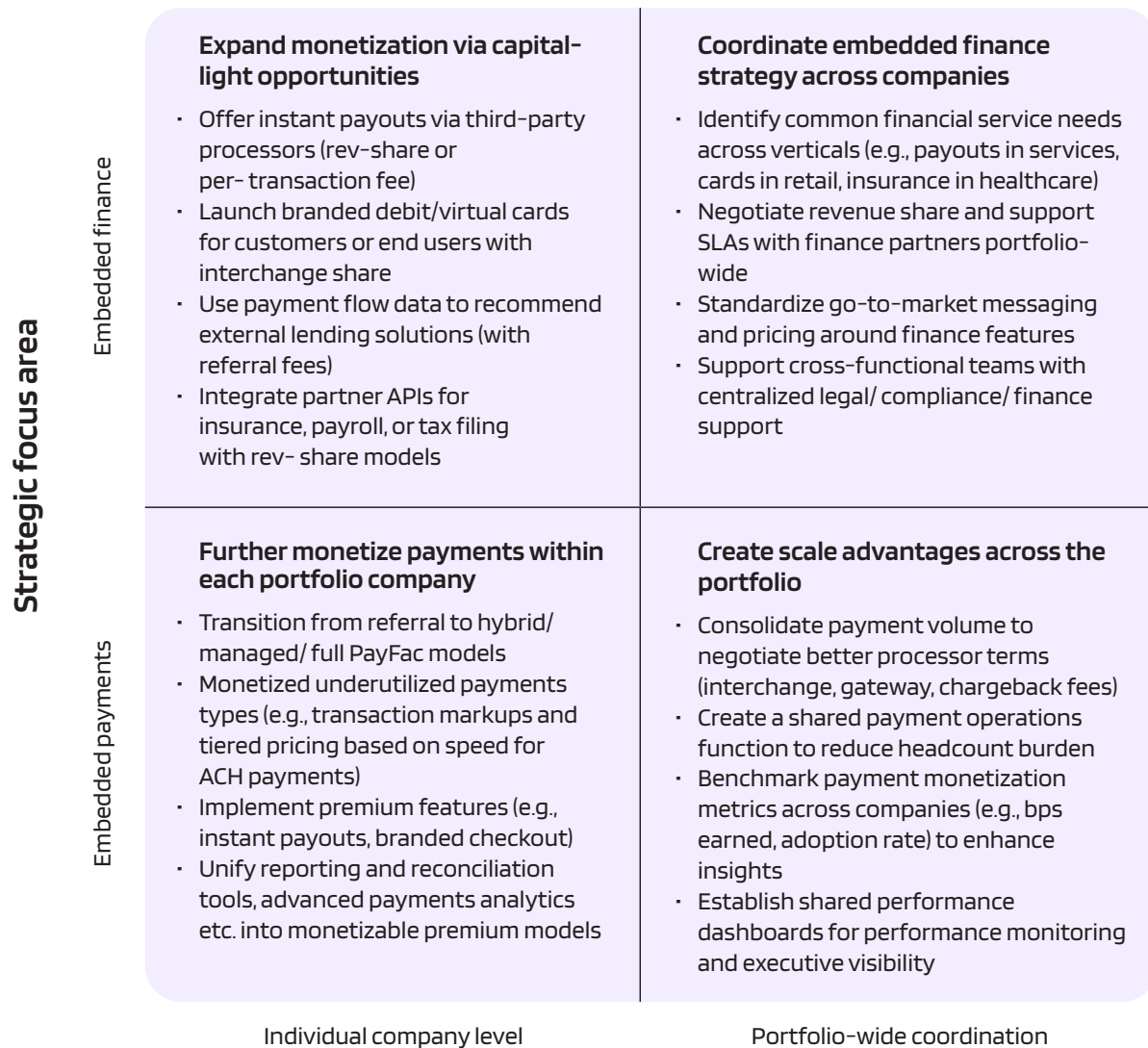


Figure 7: Source: Worldpay and L.E.K. research and analysis

When executed at scale, embedded payments can become a high-margin, low-capital lever that enhances value within individual portfolio companies while creating flywheel effects across the entire portfolio.

To preserve this value at exit, PE sponsors can proactively mitigate challenges associated with shared or centralized payments infrastructure by designing modular architectures, establishing clear contractual terms for data ownership and transfer rights, and preparing transitional support plans. These steps ensure each asset can separate cleanly at sale without compromising the benefits of a portfolio-wide strategy, sustaining stronger exit valuations and fund returns.

Winning by owning the financial layer – the roadmap to success

Owning the financial layer can be a core value-creation lever for private equity sponsors and the platforms they back.

Companies that perform best are often those that treat payments as a core strategic asset, not as an add on. They select the right monetization model, integrate payments into product workflows and build operational muscle to execute consistently.

For PE sponsors and platform leadership teams, the question is how to turn this into a repeatable play: where to start, how far to lean in at the company level and how to scale the impact across the portfolio?



The way forward becomes clear when supported by a focused strategic framework and defined set of actions to guide both investors and management teams on where to go next.

- 1. Develop an asset-level payments value-creation plan:** Identify where each portfolio company's current payments model is creating – or leaving value on the table. Management and sponsors together should set out the economics, adoption patterns and operational gaps; decide whether to strengthen the existing model or shift to one with more (or less) ownership; and define the target model, required capabilities and expected impact on margin, revenue mix and enterprise value.
- 2. Underwrite execution with discipline:** Translate strategy into a concrete operating plan that platform teams can deliver against, with clear support from the PE sponsor. Define how payments will be packaged, sold and supported in product; set clear requirements for pricing, onboarding flows, compliance processes, risk roles, go-to-market motions and team structure; and establish measurable targets to track progress against.
- 3. Scale the playbook across the portfolio:** Build on the clarity and rigor above to evaluate each platform on maturity, financials and capability gaps; pinpoint where coordinated action (shared capabilities, model shifts or targeted execution support) can unlock step-change value, prioritizing the highest-impact opportunities; and apply lessons learned into a portfolio playbook to replicate success across current holdings and new investments.

Owning the financial layer is emerging as the next frontier of value creation for PE sponsors and platforms alike. Investors who set a clear payments strategy, back management with the right capabilities and deliberately scale winning playbooks across the portfolio can turn embedded payments from a secondary revenue stream into a durable engine for sustained enterprise value creation.

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