How sponsors monetize payments across software and platform investments

Payments as a Value Creation Lever in Private Equity

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Executive summary

Private equity value creation has entered a more disciplined phase. Higher financing costs, longer holding periods, and increased scrutiny at exit mean sponsors (e.g., private equity firms and their value creation teams) can no longer rely primarily on leverage or market timing to generate returns. Instead, durable outcomes are increasingly driven by repeatable operational levers that expand revenue, improve margins, and strengthen long-term valuation quality.

Payments has emerged as one of the most underutilized and scalable levers in software and platform investments.

Across vertical SaaS and software-enabled businesses, payments is no longer just infrastructure. When embedded directly into core workflows, it becomes a high-frequency, transaction-linked revenue stream that scales alongside customer usage. Public platform leaders have demonstrated that, when executed correctly, payment and financial services revenue can outpace core software subscriptions, materially expanding revenue per user and reinforcing valuation durability.

Yet despite broad awareness, many sponsors struggle to convert modeled payments upside into realized results. The gap is not a lack of opportunity; it is execution. Payments strategies frequently stall due to fragmented infrastructure, misaligned workflows, unclear ownership, and premature monetization before customer value is delivered.

This paper outlines a practical, execution-oriented playbook for how private equity sponsors and value creation teams can unlock payments monetization across portfolio companies.

It synthesizes perspectives from:

- **TSG**, drawing on hundreds of payments diligence and monetization engagements
- **Tony Catalfano**, CEO of Catalfano LLC, informed by sponsor-side execution across vertical SaaS portfolios
- **Adyen**, whose global Platforms business grew 63% year-over-year in Q1 2025, making it the fastest-growing segment across its €2.4 billion global revenue base

The core finding is straightforward: payments becomes a true value creation engine only when it is treated as an operating capability, not a vendor decision. Successful sponsors approach payments with the same rigor they apply to go-to-market strategy or pricing: deliberate architecture, workflow-first adoption, unified infrastructure, and dedicated leadership accountability.

When executed effectively, sponsors are seeing consistent outcomes across portfolios:

- Meaningful revenue per user expansion
- Improved margin mechanics driven by embedded payment flows
- Reduced operational drag from fragmented stacks
- Increased resilience and multiple durability at exit

For sponsors building value creation plans today, the question is no longer whether payments matters. The question is whether the organization is structured to execute across diligence, post-close priorities, and portfolio-level ownership, to turn payments from a modeled assumption into a realized source of returns.

The market shift

From cost center to strategic lever

What changed

A decade ago, payments in software platforms were primarily a procurement conversation. Sponsors focused on negotiating interchange costs, reducing processing fees, and treating payments as operational plumbing. The question was "Who's our cheapest processor?" not "How does this drive enterprise value?"

That framing has fundamentally shifted. As Blake Breathitt, who sits on Adyen's Global Leadership Team and leads platform strategy, describes it:

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> We've observed the general shift in thinking of payments as a cost center to payments as a product and revenue stream. It used to be the case that PE firms were focused on helping their companies discuss interchange costs and fees, but now the focus is on helping their companies create an integrated experience, expanding payments into financial products such as capital, accounts, and card issuing.

Three forces drove this evolution:

Proof from scaled vertical platforms.

As leading vertical software companies reached scale and entered the public markets, their financial disclosures made the payments opportunity explicit. What had once been modeled in theory became visible in practice: platforms that successfully embedded payments saw transaction-linked revenue overtake core software subscriptions.

Toast's 2025 revenue breakouts showed the company's financial solutions revenue was ~5.4x larger than its software subscription revenue.

Shopify's 2025 results show merchant solutions generating $8.8 billion, 76% of total revenue, versus $2.8 billion from subscriptions.

Lightspeed's fiscal 2025 results show transaction-based revenue of $697 million exceeding subscription revenue of $345 million.

Across these platforms, the pattern is consistent: when payments is embedded into the core workflow and broadly adopted, transaction-driven recurring revenue scales faster than subscription software alone.

Macro pressure and the need for durable growth.

The 2022-2023 financing environment fundamentally changed sponsor economics. With debt costs rising and uncertainty on exit opportunities, portfolios needed to deliver growth through operations, not financial engineering. Tony Catalfano frames it directly: "We're no longer in an era of easy, debt-free capital, and holding periods are extending. At the same time, software multiples have compressed, making exits more challenging and less predictable. As a result, investors are spending more time within portfolio companies, with EBITDA growth more important than ever. This is driving a sharper focus on initiatives that can efficiently grow revenue, expand margins, and improve cash flow. Payments has emerged as a key lever—making software more embedded and sticky, reducing churn, and driving incremental margin. Models like Adyen, with daily settlement of fees, are particularly attractive given their impact on liquidity and cash flow visibility."

Embedded finance expanding into a mainstream opportunity.

In a recent TSG study of software companies, integrated payments are central to building a scalable growth strategy. "Integrated payments drive 44% of total revenue on average, and 15% of ISVs report at least 90% of revenue from payments." Embedded payments have moved from a competitive differentiator to table stakes.

The playbook

What execution actually looks like

Recognition is not execution. Most value creation plans stall because of the gap between "we modeled payments upside in our underwriting" and "we're actually capturing that upside in the portfolio." The firms that execute successfully follow a deliberate three-phase approach:

1 Phase one: Consolidation and workflow integration

Objective: Establish payments as the default path within the software workflow, not a bolt-on feature.

The first phase is not about monetization, it's about adoption and experience. Platforms focus on moving customers onto a unified embedded payments offering that simplifies onboarding, improves reporting, and reduces friction. The goal is to make payments invisible to the end customer while giving the platform control over the transaction flow.

Blake describes the typical adoption benchmark:

> "We typically see platforms targeting 90% adoption for new customers when embedded payments is the default workflow. For the full installed base, the realistic path is 80%+ adoption over time, accounting for legacy contracts, migration complexity, and customer-by-customer transition constraints.

2 Phase two: Value-added capabilities

Objective: Improve merchant economics and platform stickiness through features that demonstrably improve outcomes.

Once adoption is established, platforms layer in capabilities that improve day-to-day merchant outcomes: instant payouts, improved authorization rates, faster settlement, unified reconciliation, and better reporting. These features don't just drive revenue; they earn the right to expand monetization by proving the platform is genuinely adding value.

3 Phase three: Embedded financial services

Objective: Expand revenue per user through capital, accounts, and issuing.

The third phase is where the economic model transforms. Platforms introduce lending, business accounts, and card-issuing products that deepen the relationship and compound revenue growth. But this phase only works if the platform has already built trust and adoption through phases one and two.

The economics

Revenue expansion and multiple

Private equity outcomes are measured in returns and exit value. The question for sponsors is straightforward: how does embedded payments translate into portfolio economics?

Expanding the revenue stack per customer

TSG's direct experience advising software and platform businesses demonstrates how embedded payments translates into measurable revenue expansion at the portfolio level. Across engagements, TSG has helped software companies expand revenue per customer by **three to five times** by embedding payments directly into core workflows and sequencing monetization.

In a payments monetization case study, a vertical software platform moved from a subscription-only model to an embedded payments strategy integrated directly into core customer workflows. By consolidating payment flows, driving adoption across its existing customer base, and sequencing monetization after experience improvements, the platform unlocked multiple revenue streams per customer, including transaction-linked fees and payment-driven services.

As adoption scaled, payments became a material contributor to revenue per user, shifting the platform's economics beyond fixed subscription fees toward usage-based, recurring transaction revenue. The result was a higher revenue-per-customer profile and a more durable revenue mix tied directly to customer activity and volume growth, rather than seat expansion alone.

The revenue mix shift

Public company data supports this pattern. When platforms execute the embedded payments playbook, transaction-linked revenue becomes the primary growth driver rather than a supplement to software subscriptions:

Toast (2025)

Financial technology solutions: $5.0B

Subscription services: $936M

Shopify (2025)

Merchant solutions: $8.8B (76% of total revenue)

Subscriptions: $2.8B

Lightspeed (FY2025)

Transaction-based: $697M

Subscription: $345M

The execution gap

Where Modeling Meets Reality

Mistake one: Treating payments like a commodity

Blake describes the most common misstep:

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One of the areas that tends to be most underestimated is how viewing payments as a commodity cost or a 'cost of doing business' can limit the value realization. Since the money flow is so sensitive, it tends to have a disproportionate impact on areas ranging from growth strategy, organizational design, user experience, and churn rates.

Mistake two: Modeling upside without validating workflow fit

Peter Michaud, TSG's Chief Payment Officer, describes what he sees in diligence repeatedly:

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Sponsors model the revenue upside, but they don't stress-test whether the payment flow is actually embedded in the customer workflow or if it's a bypass-able feature. If merchants can easily route payments around the platform, adoption will never hit the modeled 80-90%. You have to control the payment to generate the revenue.

Mistake three: Lack of dedicated ownership

The most consistent failure mode is organizational, not technical.
Tony Catalfano describes what he's observed across portfolios:

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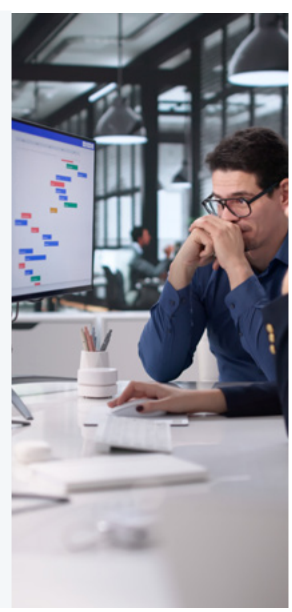
Across private equity portfolios, payments is consistently one of the most underutilized levers for enterprise value creation—not because the opportunity isn't there, but because it's often approached without the dedicated ownership and expertise required to unlock it. We repeatedly see value left on the table where payments is treated as infrastructure rather than a strategic capability. In contrast, when paired with true payments expertise, it becomes a powerful driver of portfolio growth—expanding revenue, improving margins, enhancing cash flow, and making platforms more embedded and durable. In today's environment, the difference between capturing that value and missing it entirely often comes down to whether firms have the right ownership and domain experience applied to the payments strategy.



The path forward

What sponsors should do now

The opportunity is attainable. The playbook is proven.
The question is execution.

For investment teams: What to diligence

Key diligence questions:

- **Architecture:** How many payment providers, integrations, and workflows exist today, and how much complexity must be rationalized post-close?
- **Workflow control:** Is payments embedded in the core user journey, or can customers bypass the platform?
- **Adoption:** What is the realistic path to high adoption for new customers and migration of the installed base?
- **Economics:** What is the take rate, what is net vs. gross revenue, and what drives contribution margin?
- **Extensibility:** Once payments are controlled, can adjacent financial products be layered credibly?
- **Ownership:** Who owns payments post-close, and do they have clear mandate and accountability?

Conclusion

The shift from modeling to executing

Payments has moved from an overlooked operational function to a core value creation lever in private equity. The economics are validated. The opportunity is proven. Public-market platforms and portfolio-level execution alike demonstrate that embedded payments can become a **primary driver of revenue expansion** when approached with discipline.

What separates outcomes, however, is **execution.** Sponsors that succeed do not treat payments as a vendor decision or a secondary initiative. They treat it as an operating capability, designed deliberately, embedded directly into customer workflows, sequenced thoughtfully, and owned by accountable leadership.

Those sponsors are realizing tangible results across their portfolios: higher revenue per customer, improved contribution margins, reduced operational friction, and greater resilience at exit. More importantly, they are converting payments from a modeled assumption in underwriting into a repeatable source of realized returns.

For sponsors building value creation playbooks today, the question is no longer whether payments matter. The question is whether the organization is structured to execute across diligence, post-close priorities, and portfolio-level ownership to turn transaction infrastructure into a durable growth asset.

About the contributors

TSG (The Strawhecker Group) is a globally recognized analytics and consulting firm that supports the entire payments ecosystem, serving over 1,000 clients from Fortune 500 leaders to more than a dozen of the world's most valuable brands. Trusted by industry leaders, TSG's strategic services, market intelligence, and analytics merge to empower clients with actionable and accessible information.

Please visit www.tsgpayments.com.

Adyen (ADYEN:AMS) is the financial technology platform of choice for leading companies. By providing end-to-end payments capabilities, data-driven insights, and financial products in a single global solution, Adyen helps businesses achieve their ambitions faster. With offices around the world, Adyen works with the likes of Meta, Uber, H&M, eBay, and Microsoft.

Get in touch

Tony Catalfano is the CEO of Catalfano LLC since January 2016, where responsibilities include serving as an investor and advisor in modern disruptive fintech. Catalfano holds non-executive director positions at Daxko and board memberships at Togetherwork and UNION Point of Sale, alongside past roles on the Board of Directors for OSG Billing Services and a board member for DRB Systems, LLC. Catalfano previously served as President and CEO of Worldpay US from March 2012 to December 2015 and was Division President at Fiserv from 2002 to 2012, after an extensive career as an executive at EDS Group from 1989 to 2002. Additionally, Catalfano acted as a CEO Mentor at ATDC from January 2016 to December 2021.

Data and sources

Findings in this paper draw on public financial disclosures from scaled software platforms, private equity portfolio execution experience, and performance data from global payments infrastructure providers. The perspectives presented reflect a synthesis of commentary, advisory work, sponsor-side operating experience, and real-world platform outcomes.