



# Earnings Presentation

For the quarter ending September 2024

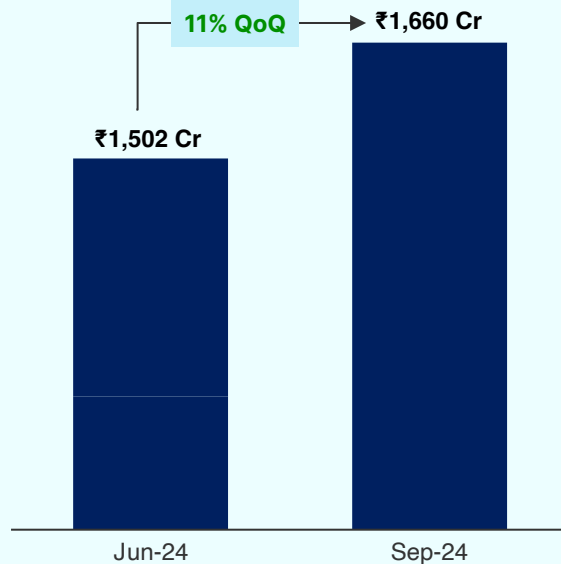


# Q2 FY 2025: Revenue jumps to ₹1,660 Cr on Growth in Payments and Financial Services; EBITDA improved by ₹388 Cr QoQ



Revenue grew by 11% QoQ

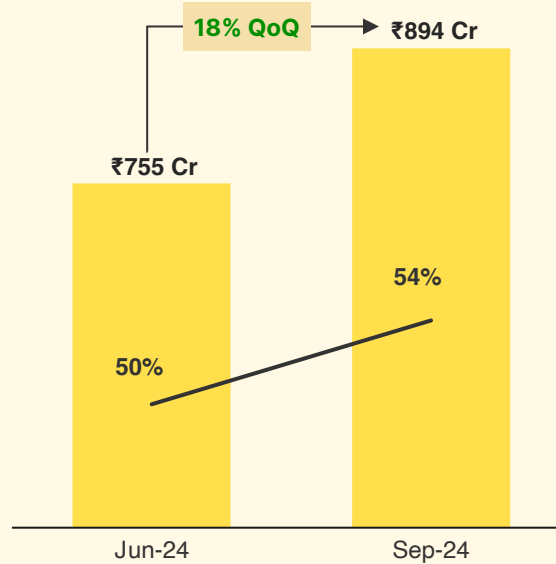
(Qtr ending)



Contribution Profit up 18% QoQ

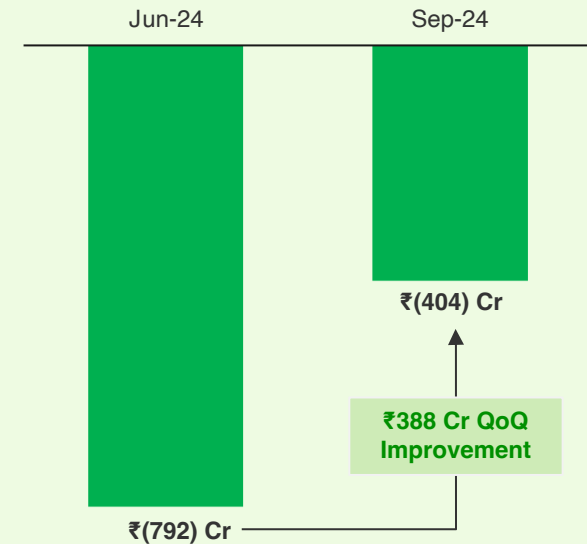
Contribution Margin at 54%

(Qtr ending)



EBITDA has improved by ₹388Cr QoQ

(Qtr ending)

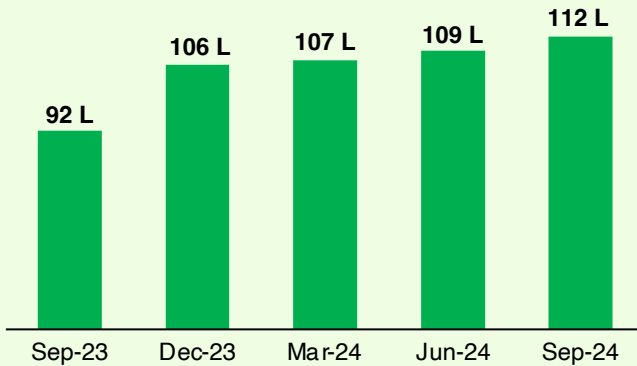


# Operating metrics across businesses shows improving trends



## Merchant Subscription, including devices

(Qtr ending)

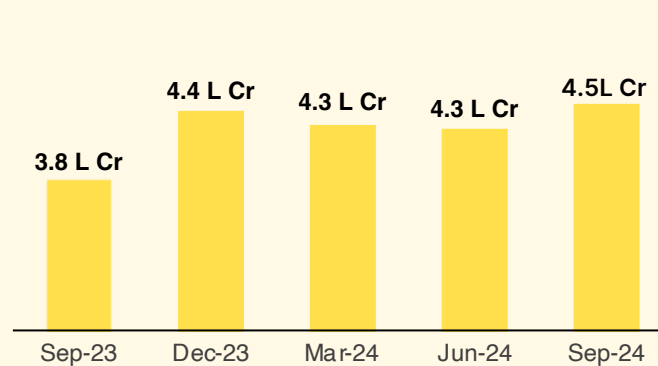


### Gross device addition has surpassed January 2024 levels

- Focusing on pick up of inactive devices and redeploy them to new merchants after refurbishment, which helps to reduce capex
- This strategy has led to higher active merchant base and higher subscription revenue. To continue with this strategy for the next 2-3 quarters

## Gross Merchandise Value - Continued business

(Qtr ending)

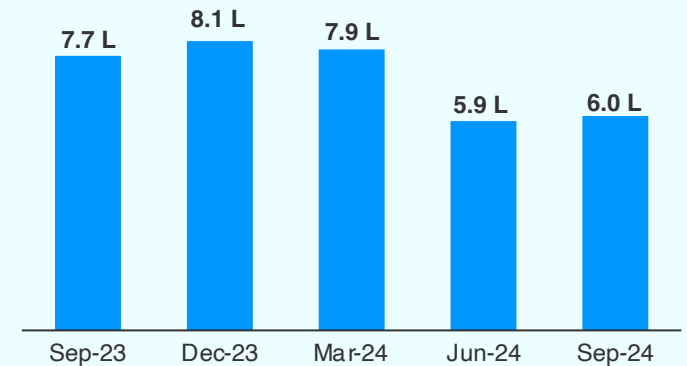


### GMV (continued business) has surpassed earlier peak

- GMV grew by 5% QoQ in Q2 FY 2025 and is expected to accelerate in Q3 due to festive season
- In addition to focus on growth of GMV, we were able to significantly improve payment processing margin

## Number of Key Financial Services Customers

(Qtr ending)



### Large Financial Services cross sell opportunity

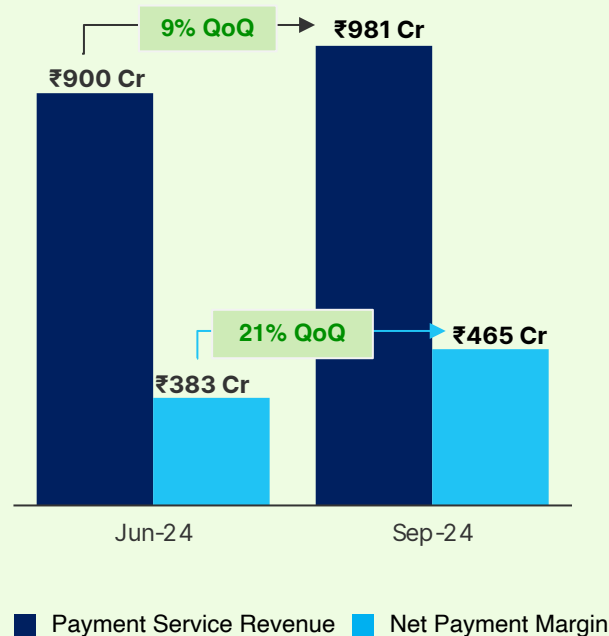
- 6 Lacs unique consumers and merchants availed financial services offerings in Q2 FY 2025
- Low penetration and high engagement of customers on our platform provides opportunity to drive cross sell of financial services
- We continue to partner with various financial institutions to enhance and widen our offerings

# Payment Services: Net payment margin of ₹465 Cr, up 21% QoQ



## Net Payment Margin

(Qtr ending)



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## Payment Processing Margin

Payment Processing Margin = Gross fees charged to the merchant – Payment processing charges

- In Q2 FY 2025, it was significantly above the guidance of 3 bps of GMV
- Payment processing margin (including UPI incentive) will be in the range of 5-6 bps for the year

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## Merchant Subscription Revenue

- Charges merchant pays for various monthly services including devices
- Continue to address merchants' needs through innovative product launches, supported by a large distribution and service network
- Additional monetisation opportunities on Soundbox, such as advertisements through Soundbox

# Financial Services: Cross sell of loans, wealth and insurance products to the payment customers



## Revenue from financial Services

(Qtr ending)



### Strong revenue growth on account of

- Increase in collection bonus in merchant loans; and
- Higher share of merchant loans which have higher take rate

## Large opportunity to monetise our payment customers by cross selling financial services

**Loan Distribution:** Better asset quality trend helps to expand lending partnership through Default Loss Guarantee (DLG) model

- Increased interest from lenders to expand partnership due to better asset quality trends
- Given the clear regulatory framework on DLG, we have started working with lenders on this model, which will help to increase disbursements
- AUM of ₹1,651 Cr as of Q2 FY 2025. There will be higher upfront cost (entire cost of DLG has been taken upfront) and higher revenue over the life of the loan
- **Personal Loan:** We continue to expand partnership with banks & non-banks. Loans distributed in Q2 FY 2025 was ₹1,977 Cr versus ₹2,500 Cr in Q1 FY 2025, as lenders tighten their risk policies, inline with industry trends
- **Merchant Loan:** Better asset quality trends have led to increase in disbursements to ₹3,303 Cr in Q2 FY 2025, versus ₹2,508 Cr in Q1 FY 2025. More than 50% of loans are to repeat borrowers

## Insurance Broking

- Focus on product innovation for seamless distribution and claims experience for merchants and consumers

## Equity Broking and Mutual Fund Distribution

- Expanding distribution of mutual funds, particularly SIPs, and other wealth management products



# Marketing Services: Additional monetization from merchants



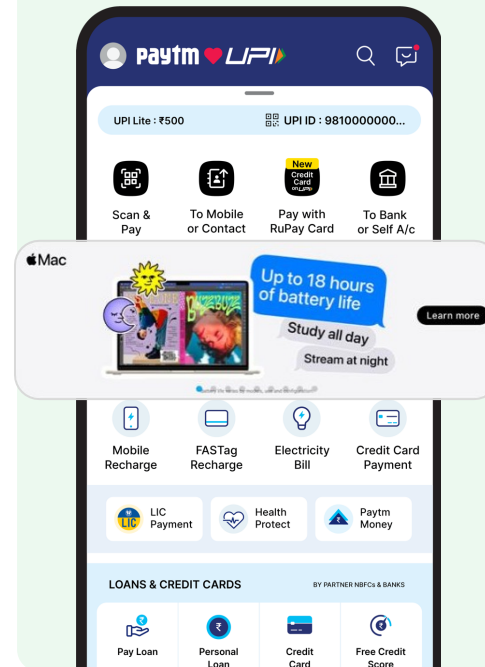
## Revenue from Marketing Services

We enable merchants to do more commerce activities and these various offerings are consolidated under marketing services

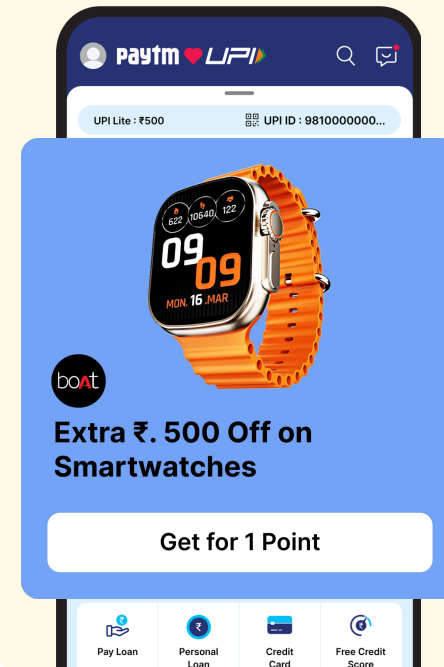
In Q2 FY 2025, Marketing Services revenue was ₹302 Cr, lower QoQ due to sale of entertainment ticketing business and lower MTU

- GMV for ticketing, deals & gift vouchers, etc., was ₹2,383 Cr; Continue to see strong momentum in travel segment
- Credit card distribution continues to scale, with 13.8 Lakh activated credit cards as of September 2024, compared to 8.7 Lakh last year

## Advertising & Loyalty Services



## Deals & Vouchers



## Credit Cards



# Key Focus Areas



**Compliance First:** Stringent focus on a compliance-first approach across our businesses

## Customer acquisition

Committed to aggressively acquire UPI customers



## Merchant payment innovations

Continue to be a market leader with merchant payment innovations, including new devices and aggregation of various MDR-bearing payment instruments



## Cross-sell

Increase high margin financial services revenue by expanding financial services partners



Loans



Insurance



Equity



## Leverage AI to reduce costs:

Continued automation of various operations to reduce costs

# Annexure



# Expected ESOP charges based on currently issued ESOPs



Expected ESOP Cost (₹ Cr)	Q1	Q2	Q3	Q4
<b>FY 2025</b>	247*	218*	267	213
<b>FY 2026</b>	184	178	104	101
<b>FY 2027</b>	98	90	28	26

As of October 18, 2024	(in Cr)
<b>Basic shares outstanding</b>	<b>63.7</b>
ESOPs vested and unexercised	0.2
ESOPs granted and unvested	3.5
ESOPs available for distribution	0.6
<b>Estimated fully diluted shares</b>	<b>67.9</b>

\* Q2 FY 2025 ESOP cost was lower at ₹218 Cr, on account of ESOP lapses at the time of employee separation during the quarter.

## Note:

- The above table illustrates expected ESOP cost for all ESOPs granted so far (as of October 18, 2024)
- The cost assumes all granted ESOPs are vested and no new ESOPs are granted. Actual charges might be different based on incremental issuances as well as lapses
- For any lapses of unvested ESOPs, normally on attrition, the cost of unvested ESOP recorded so far is reversed in that quarter
- For new ESOP grants, the total estimated charge would be the number of options granted times the fair value per share, which is based on the share price on the day of the grant, among other factors. The charge is front-ended with approximately 38% in Year 1, 28% in Year 2, 18% in Year 3, 11% in Year 4 and 5% in Year 5
- Movements of share price after the date of the grant do not affect the ESOP charge for already granted ESOPs

# Operating Revenue



(in ₹ Cr)	Quarter Ended			Change	
	Sep-24 (Unaudited)	Jun-24 (Unaudited)	Sep-23 (Unaudited)	YoY	QoQ
Payments & Financial Services	1,322	1,164	2,071	(36)%	13%
Payment Services	946	884	1,499	(37)%	(81)%
Financial Services and Others	376	280	571	(34)%	34%
Marketing Services	302	321	423	(29)%	(6)%
Other Operating Revenue	36	16	24	47%	124%
<b>Revenue from Operations</b>	<b>1,660</b>	<b>1,502</b>	<b>2,519</b>	<b>(35)%</b>	<b>11%</b>

# Contribution Profit and Contribution Margin



(in ₹ Cr)	Quarter Ended			Change	
	Sep-24 (Unaudited)	Jun-24 (Unaudited)	Sep-23 (Unaudited)	YoY	QoQ
<b>Revenue from Operations</b>	1,660	1,502	2,519	(35)%	11%
Payment processing charges	517	517	817	(37)%	(0)%
<i>As % of GMV</i>	0.12%	0.12%	0.18%	(7) bps	(1) bps
Promotional cashback & incentives	29	44	73	(60)%	(35)%
Other Expenses	220	185	203	8%	19%
<b>Total Direct Expenses</b>	<b>766</b>	<b>746</b>	<b>1,093</b>	<b>(30)%</b>	<b>3%</b>
<b>Contribution Profit</b>	<b>894</b>	<b>755</b>	<b>1,426</b>	<b>(37)%</b>	<b>18%</b>
<i>Contribution Margin %</i>	54%	50%	57%	(276) bps	356 bps

# EBITDA before ESOP



(in ₹ Cr)	Quarter Ended			Change	
	Sep-24 (Unaudited)	Jun-24 (Unaudited)	Sep-23 (Unaudited)	YoY	QoQ
<b>Contribution Profit</b>	<b>894</b>	<b>755</b>	<b>1,426</b>	<b>(37)%</b>	<b>18%</b>
<i>Contribution Margin %</i>	54%	50%	57%	(276) bps	356 bps
Marketing	125	177	180	(30)%	(29)%
Employee cost (excl ESOPs)	613	706	807	(24)%	(13)%
Software, cloud and data center	158	182	155	2%	(13)%
Other indirect expenses	184	236	130	41%	(22)%
<b>Total indirect expenses</b>	<b>1,080</b>	<b>1,301</b>	<b>1,273</b>	<b>(15)%</b>	<b>(17)%</b>
<b>EBITDA before ESOP cost</b>	<b>(186)</b>	<b>(545)</b>	<b>153</b>	<b>(221)%</b>	<b>(66)%</b>
<i>EBITDA before ESOP cost Margin %</i>	(11)%	(36)%	6%	(1,730) bps	2,511 bps

# Reconciliation of Non-GAAP Measures

EBITDA before ESOP cost



(in ₹ Cr)	Quarter Ended		
	Sep-24 (Unaudited)	Jun-24 (Unaudited)	Sep-23 (Unaudited)
<b>EBITDA before share based payment expenses (A)</b>	<b>(186)</b>	<b>(545)</b>	<b>153</b>
Share based payment expenses (B)	(218)	(247)	(385)
Finance costs (C)	(3)	(4)	(7)
Depreciation and amortization expense (D)	(179)	(178)	(180)
Other income (E)	175	138	144
Share of profit / (loss) of associates /joint ventures (F)	4	(1)	1
Exceptional items (G)	1,345	0	(6)
Income Tax expense (H)	(9)	(2)	(13)
<b>Profit/(Loss) for the period/year (J=sum of A to H)</b>	<b>930</b>	<b>(840)</b>	<b>(292)</b>

# Operational KPIs



	Units	Quarter Ended			Change	
		Sep-24 (Unaudited)	Jun-24 (Unaudited)	Sep-23 (Unaudited)	YoY	QoQ
GMV	₹ Lakh Cr	4.47	4.26	4.50	(1)%	5%
GMV – Continued Business*	₹ Lakh Cr	4.47	4.26	3.81	17%	5%
Merchant Transactions	Cr	991	900	912	9%	10%
Total Transactions	Cr	1,109	1,023	1,091	2%	8%
MTU (avg over the period)	Cr	7.1	7.8	9.5	(25)%	(9)%
Registered Merchants (end of period)	Cr	4.2	4.1	3.8	12%	2%
Value of personal and merchant loans distributed	₹ Cr	5,280	5,008	7,202	(27)%	5%
Payment Devices (cumulative; end of period)	Lakh	112	109	92	21%	3%
Average number of Sales Employees	#	30,104	31,607	35,349	(15)%	(5)%
Cost of sales employees (including training)	₹ Cr	228	224	247	(8)%	2%



# Breakup of available Cash and investable balance (Net Cash Balances)



Particulars (in ₹ Cr)	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24
Cash and Bank Balances in Current Accounts (Net of Borrowings)	1,831	1,873	3,976	2,327	2,254
Deposits with banks	4,203	4,443	2,329	3,486	3,617
Current Investments (Mutual Funds and Commercial Papers)	2,719	2,584	2,345	2,743	4,540
<b>Total Balances</b>	<b>8,754</b>	<b>8,901</b>	<b>8,650</b>	<b>8,557</b>	<b>10,410</b>
Paytm Money Ltd (PML) customer funds	319	462	339	449	412
<b>Total Balances (excluding PML funds)</b>	<b>8,435</b>	<b>8,439</b>	<b>8,311</b>	<b>8,108</b>	<b>9,999</b>

# Definitions for Metrics & Key Performance Indicators



Metric	Definition
<b>GMV</b>	GMV is the rupee value of total payments made to merchants through transactions on our app, through Paytm Payment Instruments or through our payment solutions, over a period. It excludes any consumer-to-consumer payment service such as money transfers.
<b>Monthly Transacting User (MTU)</b>	Number of unique users in a particular calendar month who have successfully completed a transaction on the Paytm App or have used the Paytm for Business App
<b>Contribution Profit</b>	Contribution profit is a non-GAAP financial measure. We define Contribution profit as revenue from operations less payment processing charges, promotional cashback & incentives expenses, connectivity & content fees, contest, ticketing & FASTag expenses & logistic, deployment & collection cost of our businesses.
<b>Net Payments Margin</b>	Payments revenues (including other operating revenue) less payments processing charges
<b>EBITDA before ESOP cost</b>	EBITDA before ESOP cost is a Non-GAAP financial measure. We define EBITDA before ESOP cost as our profit for the period, before depreciation & amortization expense, income tax expense, share based payment expense, finance costs, other income, loss for the period from discontinued operations, exceptional items, IPO expenses & share of profit/(loss) of associates/joint ventures.

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The operating metrics reported in this Presentation are calculated using internal Company data based on the activity of our merchants, consumers and other participants in our ecosystem. While these numbers are based on what we believe to be reasonable estimates of engagement, for the applicable period of measurement, there are inherent challenges in measuring usage across our large online, offline, in-store and mobile presence. The methodologies used to measure these metrics require significant judgment and are also susceptible to algorithm or other technical errors. We regularly review our processes for calculating these metrics, and from time to time we may discover inaccuracies in our metrics or may make adjustments to improve their accuracy, which can result in adjustments to previously disclosed metrics. In addition, our metrics will differ from estimates published by third parties due to differences in methodology.

We have converted financial amounts from ₹ millions into ₹ Cr and hence there could be some totaling anomalies in the numbers.