



# Paytm's Business Model

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## Use of Operating Metrics

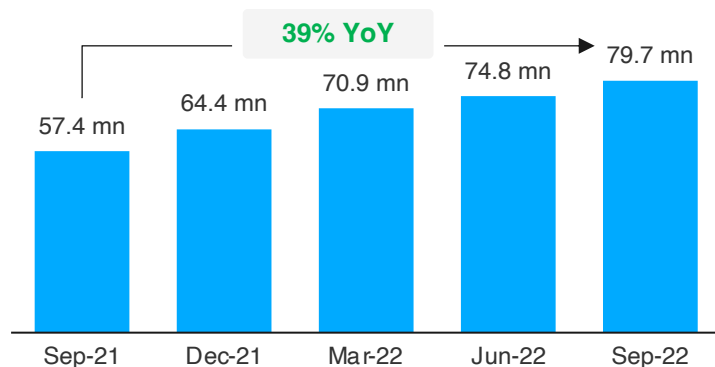
The operating metrics reported in this Presentation are calculated using internal Company data based on the activity of our merchants, consumers and other participants in our ecosystem. While these numbers are based on what we believe to be reasonable estimates of engagement, for the applicable period 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.

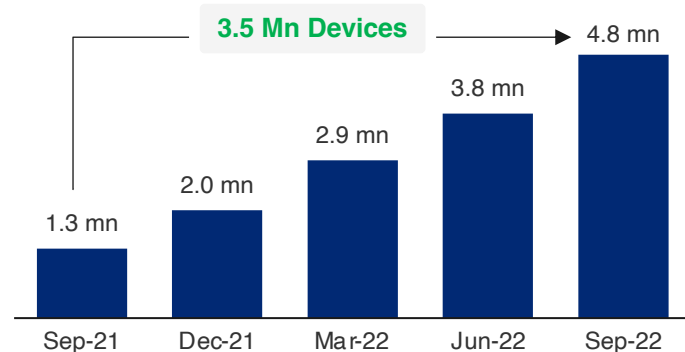
# We Acquire Customers for Payments and Distribute & Collect Credit



Average Monthly Transacting Users



Subscription Paying Merchants



Merchants pay subscription for our devices

+ Brand  
+ Distribution  
+ Insights  
+ Technology

## Loan Distribution & Collection Business

- Paytm Postpaid
- Personal Loan
- Merchant Loan
- Co-branded Credit Card

# Payment Business has two key margin drivers



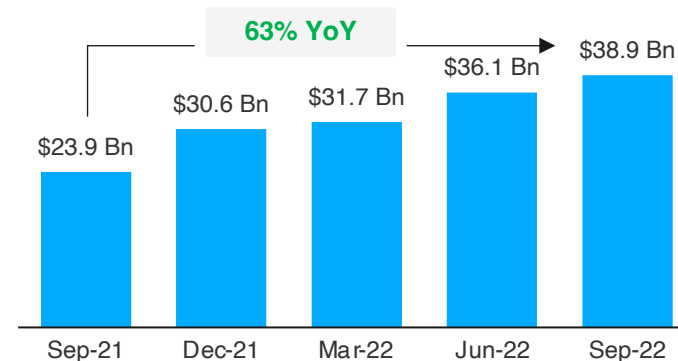
## Payment Processing

1. We make net payment margin of 7 to 9 bps of GMV on processing
2. Of which UPI gives us 3 to 4 bps and other instruments give us 15 to 18 bps
3. Since UPI is growing faster than other instruments, we expect blended margin to stabilize at 5 to 7 bps

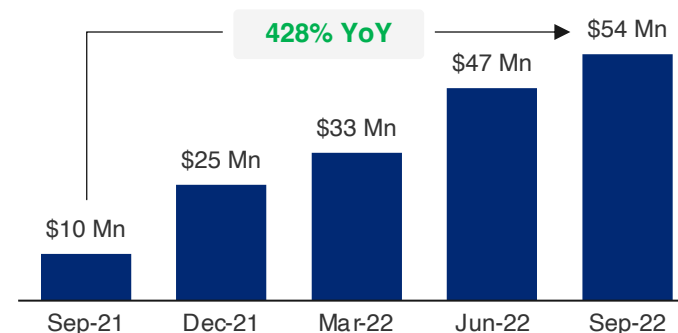
## Subscription Revenues

1. We charge around \$1.2 per month per active device
2. Some high-end devices charges are higher (up to \$3.1 per month). Select installations get additional incentives from partner banks, RBI, NABARD etc
3. We take aggressive depreciation (2 years for Soundbox and 3 years for EDC) and expect to generate enough cash to fund net capex, in 12 to 18 months

### GMV



### Net Payments Margin



Notes:

1. Exchange Rate of 1 USD = 81.8 INR

# Small credit is best served and collected digitally. Our payments customer base offers a large TAM for such loans



## Sourcing

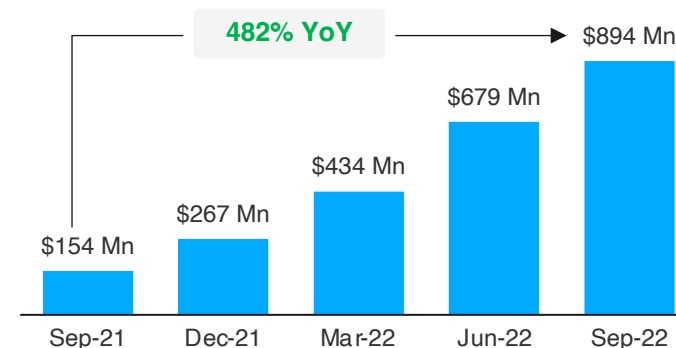
1. We help various lenders disburse small ticket personal loans and merchant loans
2. Postpaid drives credit volumes with small loan amount of good quality
3. On disbursement of loans, we typically make 2.5% to 3.5% of loan value upfront

## Collection

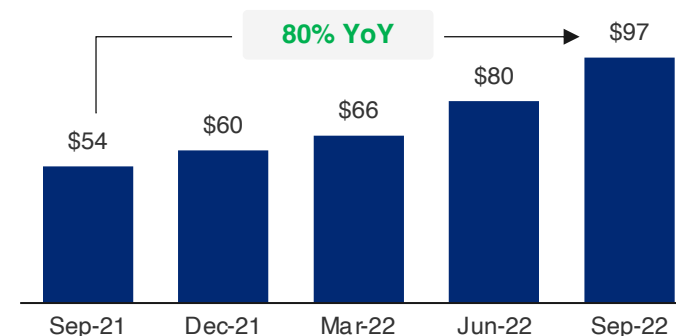
1. In addition to distribution, we also collect loans for various lenders. Led by mobile & digital capabilities our collection business is a low-cost process.
2. On collection we make 0.5% to 1.5% of current disbursement value
3. On loans issued on Paytm App, most of the collection fees is received by us post portfolio closure : typically, 12-14 months for Personal and Merchant Loans, and 3 months for Postpaid loans.

**We expect these margins (sourcing and collections) to trend upwards with scale.**  
**Above margins are net of GST.**

## Loans disbursed



## Average loan value



Notes:

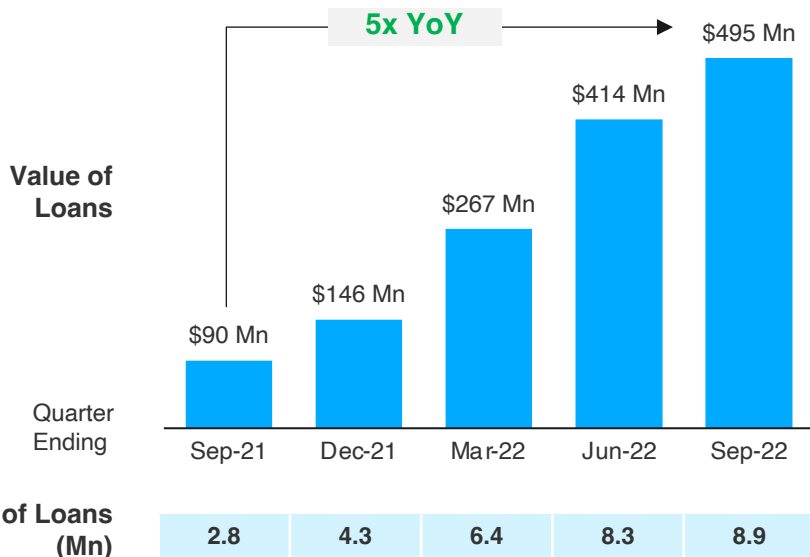
1. Exchange Rate of 1 USD = 81.8 INR

# We provide a fully digital loan disbursement platform to top NBFCs and Banks



## Postpaid Loans

- Accepted at 15 Mn merchants; total base of over 6 Mn signed up users
- Penetration at 4.0% of MTU

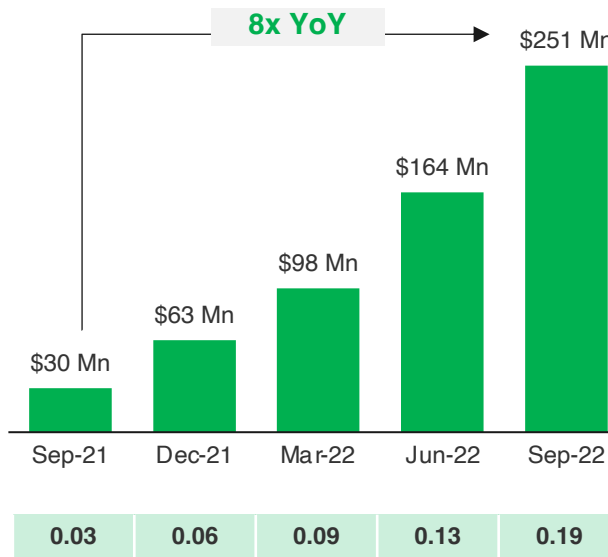


Notes:

1. Calculation of Penetration - Postpaid: Avg monthly number of loans in a quarter as a % of that quarter's avg MTU; 2. Personal Loans: Number of loans disbursed in last 12 months as a % of avg MTU; 3. Merchant loans: Number of loans disbursed in last 12 months as % of devices deployed in that quarter
2. Exchange Rate of 1 USD = 81.8 INR

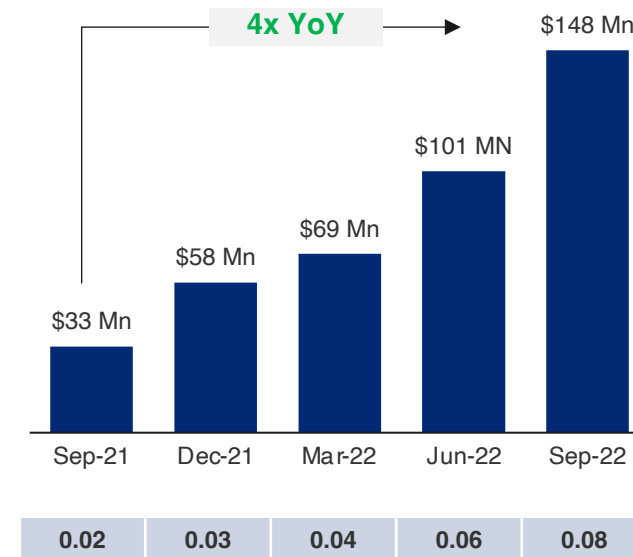
## Personal Loans

- Cross sell opportunities continue with over 40% of loans to existing Postpaid users
- Penetration at 0.6% of MTU



## Merchant Loans

- Device merchants accounted for more than 85% of disbursals; Repeat rate of 50%
- Penetration at 4.4% of devices merchants



# We also monetize Paytm app traffic by providing marketing services to other businesses



## Co-Branded Credit Card

1. Co-branded Credit Cards give us up front distribution revenue and lifetime usage fee
2. We have ~ 300,000 cumulative activated cards as of Sep 2022 and retail average spend per active card is \$269 – \$293 per month, with both showing healthy growth (in Oct 2022 we activated around 48,000 new cards)
3. This is part of our cloud revenues along with advertising and marketing offerings



## Enabling Commerce

1. Paytm app is a destination for our merchants to get more business. We help them sell their tickets, gift vouchers and deals, etc
2. We run this commerce business with cash profitability
3. In last quarter, our commerce GMV was \$247 Mn. We earn ~6% revenues (\$15 Mn)

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# Key Costs



## Cost of building and expanding platform

1. Being a platform business, we have two key costs
  - a) Cost of building platform (people): \$49 Mn in Q2 FY 2023 (expect 10-15% YoY increase on current base, unless we enter a new area of business)
  - b) Cost of expanding platform: marketing & sales which is directly driven by revenue opportunity in market. It was total \$38 Mn in last quarter.  
(Q2 marketing cost = \$17 Mn & sales cost = \$21 Mn)
  - c) We believe we will improve profitability despite investments in sales & marketing.

## Payment Processing Charges

1. Will trend lower as % of GMV because of (a) higher UPI in mix (b) routing and rate optimizations
2. From this quarter, Postpaid charges will be in payment cost (was in Promotional Cashback and Incentives earlier) which will have no impact on Contribution Margin

(in \$ Mn)	Sep-21	Jun-22	Sep-22
<b>Cost of building platform</b>			
Employees (excluding sales)	34	48	49
<b>Cost of expanding platform</b>	24	41	38
Marketing	13	21	17
Sales employees	11	20	21

Notes:

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# Growth Drivers in Our Business



1. We believe we are in early days of Payments in India **UPI has ~250 million signed up customers**, and there are **only total ~10 million devices** in market
2. We believe overall subscriptions for payment and other services will be a large market. India could have **potential of 100 million merchant entities and more than 500 million payment customers in near term**
3. Expanding merchants' business by offering **coupons, deals, marketing and loyalty will create more revenue & profit for our commerce business**
4. **Bank Partnerships** to sell their products have a great opportunity: FASTag and Co-branded Credit Card are already a success, and EMI Aggregation on PG, Remittance among others could be next
5. In financial services, we will focus on growing **loan** and **stock brokerage** offerings

## Notes:

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# Expected ESOP charges based on currently issued ESOPS



Total ESOP Cost (\$ Mn)	Q1	Q2	Q3	Q4
FY 2023	--	--	46	45
FY 2024	44	44	42	42
FY 2025	40	33	28	22
FY 2026	18	18	9	9
FY 2027	8	8	1	1

## Note:

1. The above table illustrates expected ESOP cost for all ESOPs granted so far, as of November 2022
2. Above cost assuming all granted ESOPs are vested and no new ESOPs are granted
3. For any lapses of unvested ESOPs, normally on attrition, the cost of unvested ESOP recorded so far is reversed in that quarter
4. Actual charges might be different based on incremental issuances as well as lapses
5. For new ESOP grants, the total estimated charge would be 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
6. Movements of share price after the date of the grant do not affect the ESOP charge for already granted ESOPs

As of Sep 2022	In mn
<b>Basic shares outstanding</b>	<b>648.9</b>
ESOPs vested and unexercised	3.5
ESOPs granted and unvested	33.1
ESOPs available for distribution	10.6
<b>Estimated Fully Diluted shares</b>	<b>695.0</b>

## Notes:

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# Thank you

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