



Paytm's Business Model

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Use of Operating Metrics

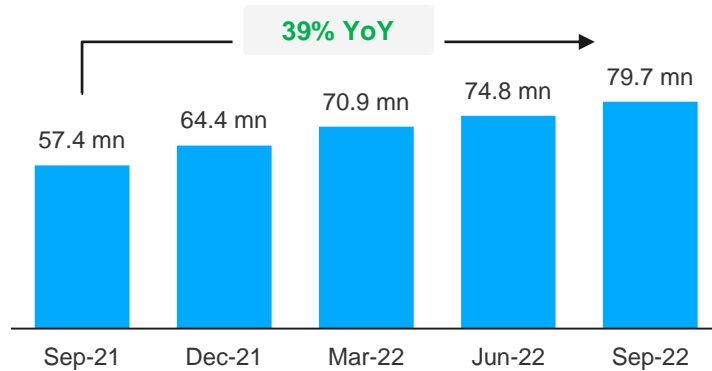
The operating metrics reported in this Presentation are calculated using internal Company data based on the activity of our merchants, consumers and other participants in our ecosystem. While these numbers are based on what we believe to be reasonable estimates of engagement, for the applicable period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

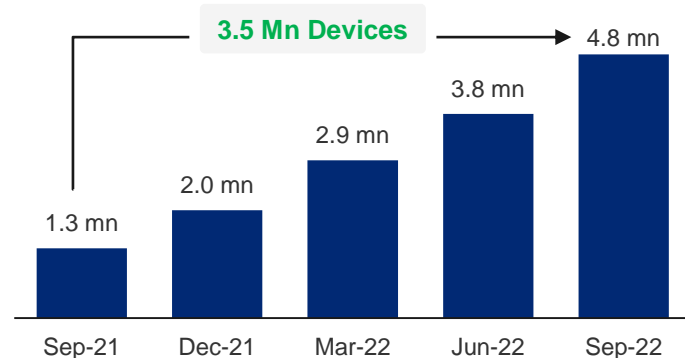
We Acquire Customers for Payments and Distribute & Collect Credit



Average Monthly Transacting Users



Subscription Paying Merchants



Merchants pay subscription for our devices



Loan Distribution & Collection Business

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

Payment Business has two key margin drivers

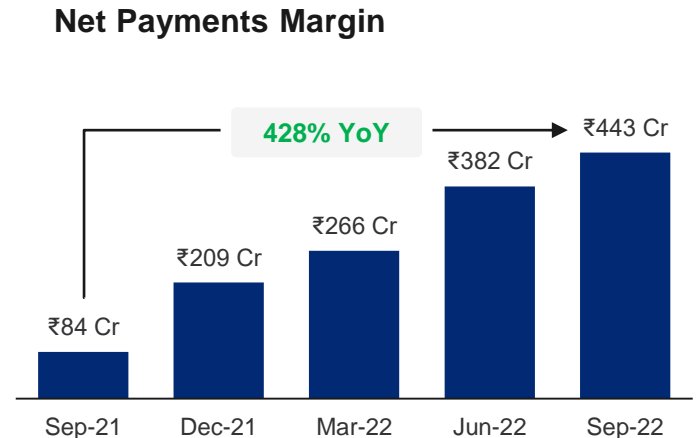
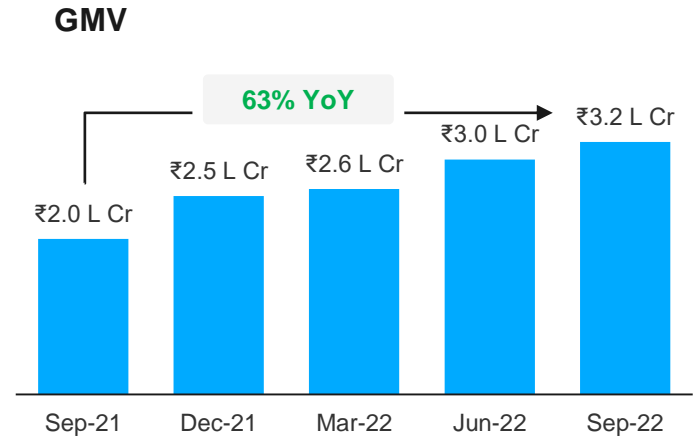


Payment Processing

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 Rs 100 per month per active device
2. Some high-end devices charges are higher (up to Rs 250 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



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



Sourcing

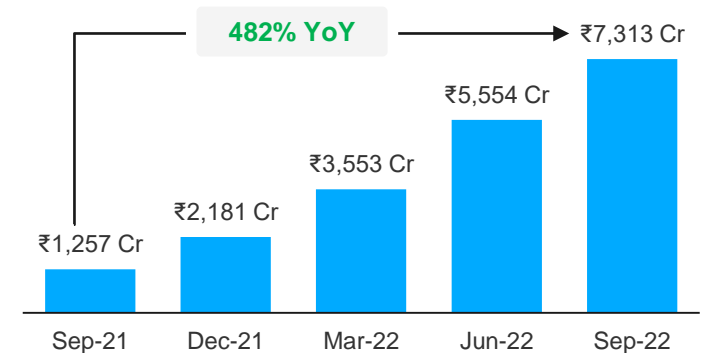
1. We help various lenders disburse small ticket personal loans and merchant loans
2. Postpaid drives credit volumes with small loan amount of good quality
3. On disbursement of loans, we typically make 2.5% to 3.5% of loan value upfront

Collection

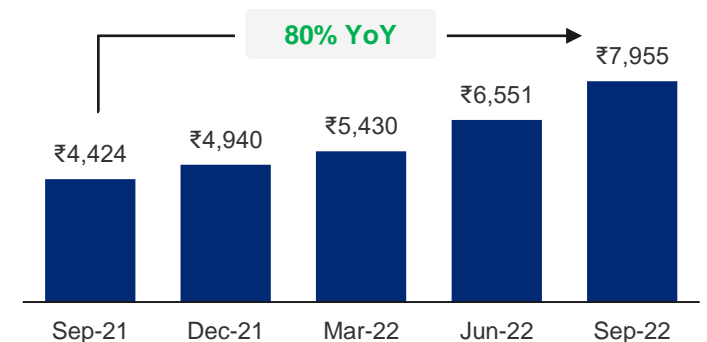
1. In addition to distribution, we also collect loans for various lenders. Led by mobile & digital capabilities our collection business is a low-cost process.
2. On collection we make 0.5% to 1.5% of current disbursement value
3. On loans issued on Paytm App, most of the collection fees is received by 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

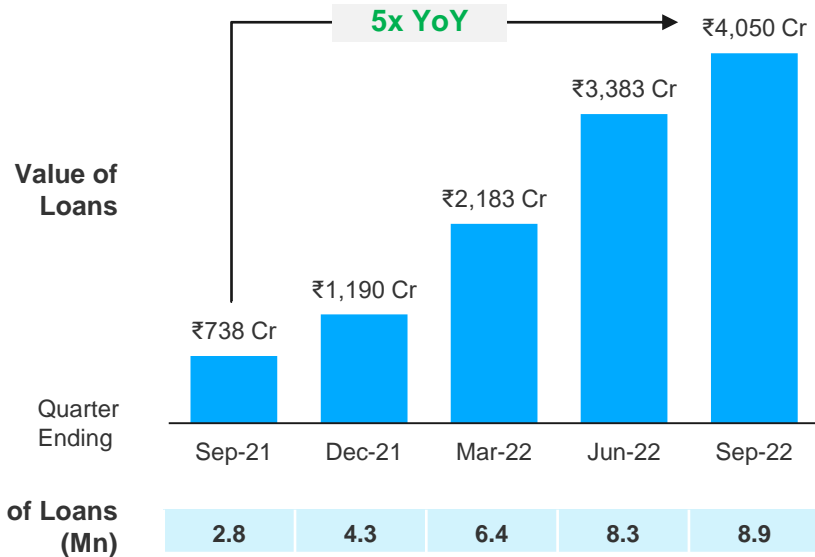


We provide a fully digital loan disbursement platform to top NBFCs and Banks



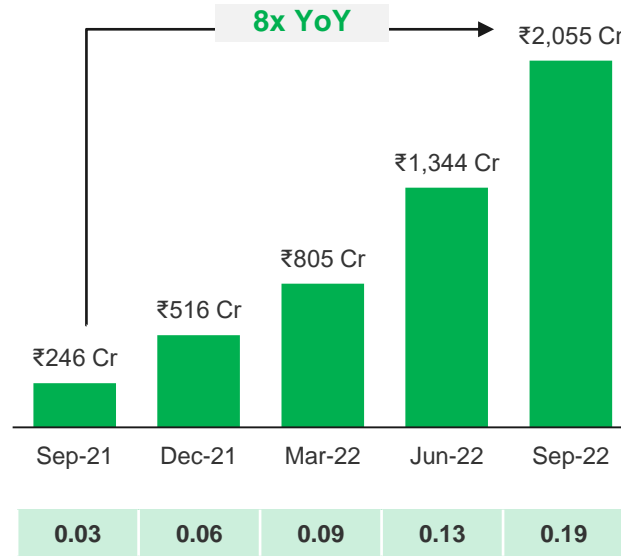
Postpaid Loans

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



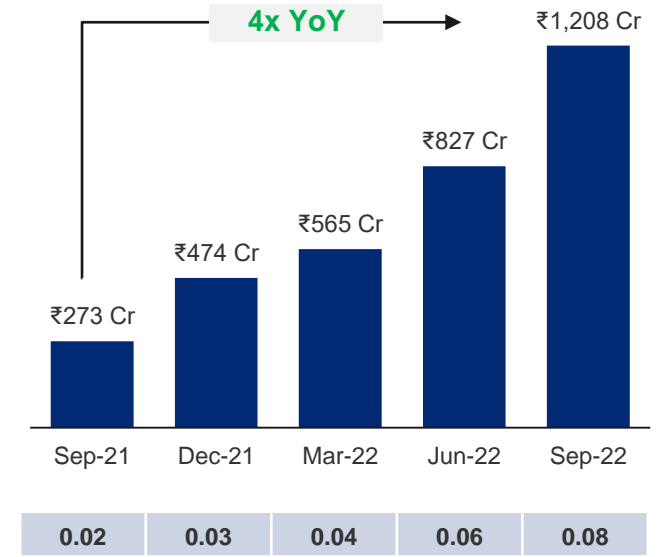
Personal Loans

- 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 disbursements; Repeat rate of 50%
- Penetration at 4.4% of devices merchants



Calculation of penetration

Postpaid: Avg monthly number of loans in a quarter as a % of that quarter's avg MTU; Personal Loans: Number of loans disbursed in last 12 months as a % of avg MTU in Q2 FY 2023; Merchant loans: Number of loans disbursed in last 12 months as % of devices deployed at end of Q2 FY 2023

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 ~ 3 Lakh cumulative activated cards as of Sep 2022 and retail average spend per active card is Rs 22,000 – Rs 24,000 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 Rs 2,021 Cr. We earn ~6% revenues (Rs 125 Cr)

Key Costs



Cost of building and expanding platform

1. Being a platform business, we have two key costs
 - a) Cost of building platform (people): Rs 401 Cr 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 309 crore in last quarter.
(Q2 marketing cost = Rs 137 Cr & sales cost = Rs 172 Cr)
 - 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 ₹ Cr)	Sep-21	Jun-22	Sep-22
Cost of building platform	273	392	401
Employees (excluding sales)			
Cost of expanding platform	196	336	309
Marketing	102	175	137
Sales employees	94	161	172

Growth Drivers in Our Business



1. We believe we are in early days of Payments in India **UPI has ~25 Crore signed up customers**, and there are **only total ~1 crore devices** in market
2. We believe overall subscriptions for payment and other services will be a large market. India could have **potential of 10 Crore merchant entities and more than 50 crore 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

Expected ESOP charges based on currently issued ESOPS



Total ESOP Cost (INR Cr)	Q1	Q2	Q3	Q4
FY 2023	--	--	376	370
FY 2024	363	363	343	340
FY 2025	331	273	230	178
FY 2026	148	147	72	71
FY 2027	66	65	5	5

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
Basic shares outstanding	648.9
ESOPs vested and unexercised	3.5
ESOPs granted and unvested	33.1
ESOPs available for distribution	10.6
Estimated Fully Diluted shares	695.0

Thank you

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