

# Investor Presentation

July 2023

paytm

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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.



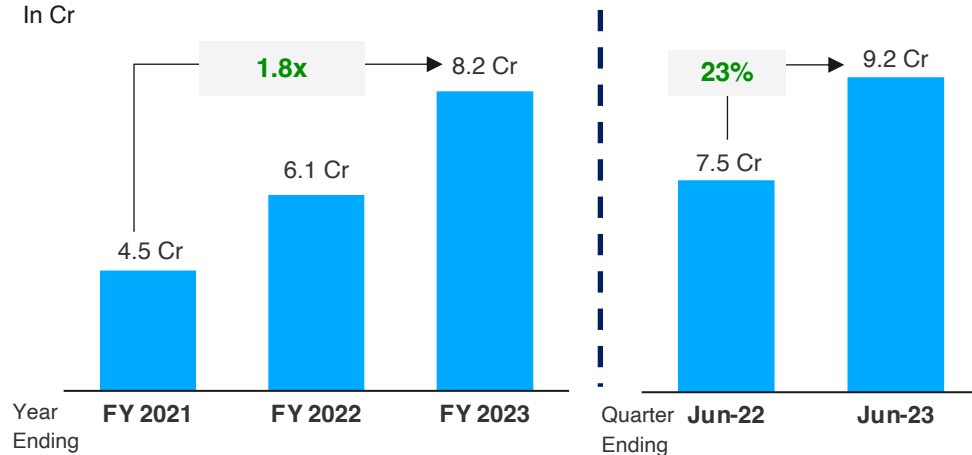
**To bring Half-a-Billion Indians  
to the Mainstream Economy through  
Technology-led Financial Services**

# Our Core Business is to Acquire Customers for Payments and Upsell through Loan Distribution



## Average Monthly Transacting Users

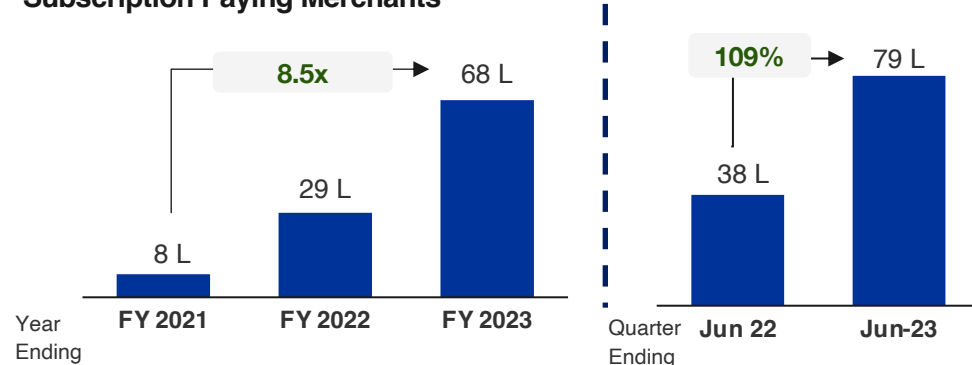
In Cr



## Loan Distribution Business

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

## Subscription Paying Merchants

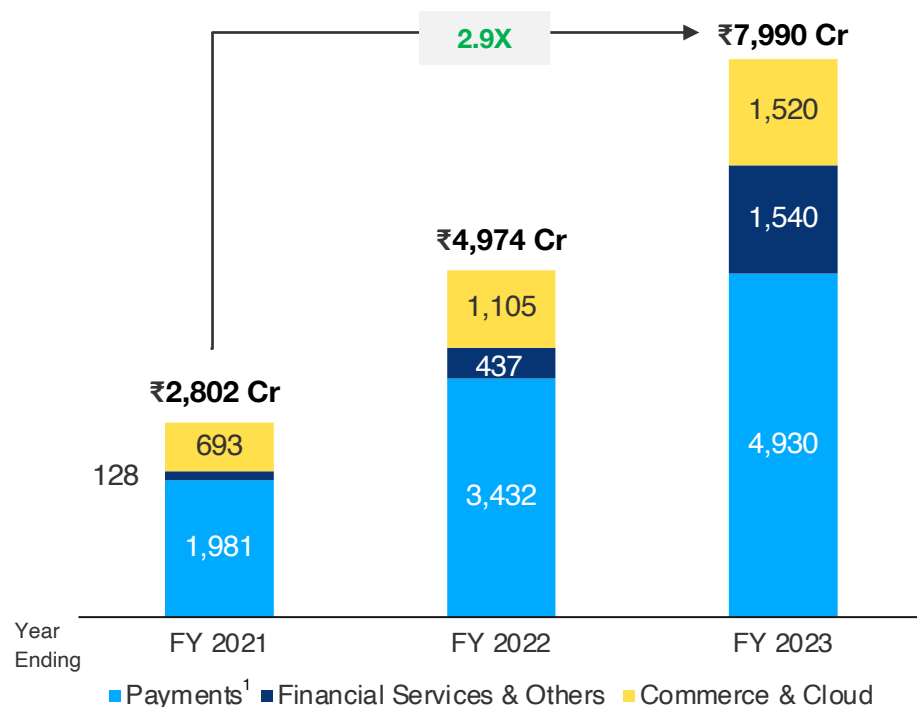




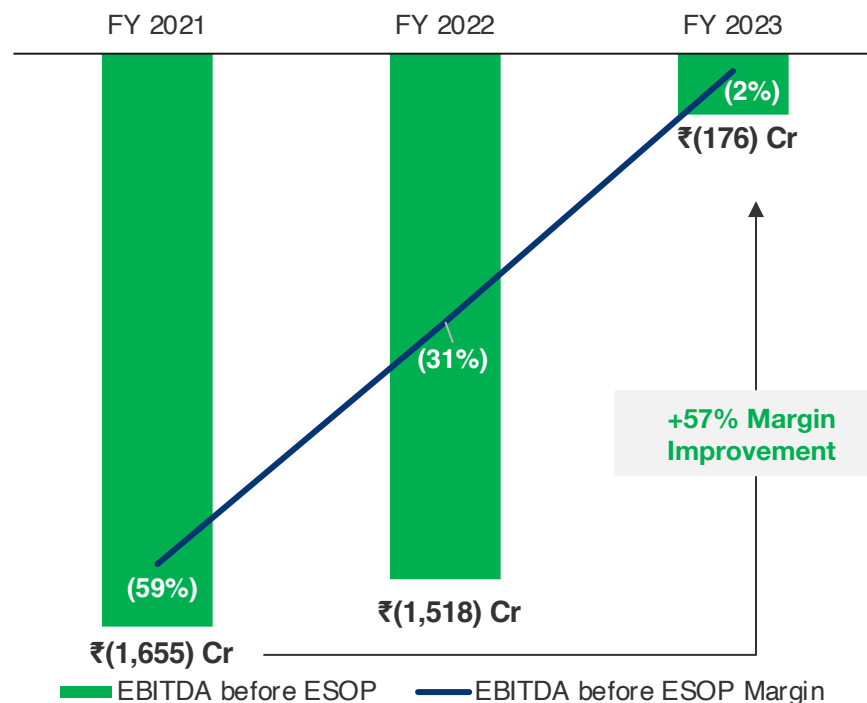
# FY 2023: Revenue of ₹7,990 Cr, growing 61% YoY; EBITDA before ESOP improvement of ₹1,342 Cr



Revenue growth of 61% YoY



EBITDA before ESOP improved by ₹1,342 Cr YoY



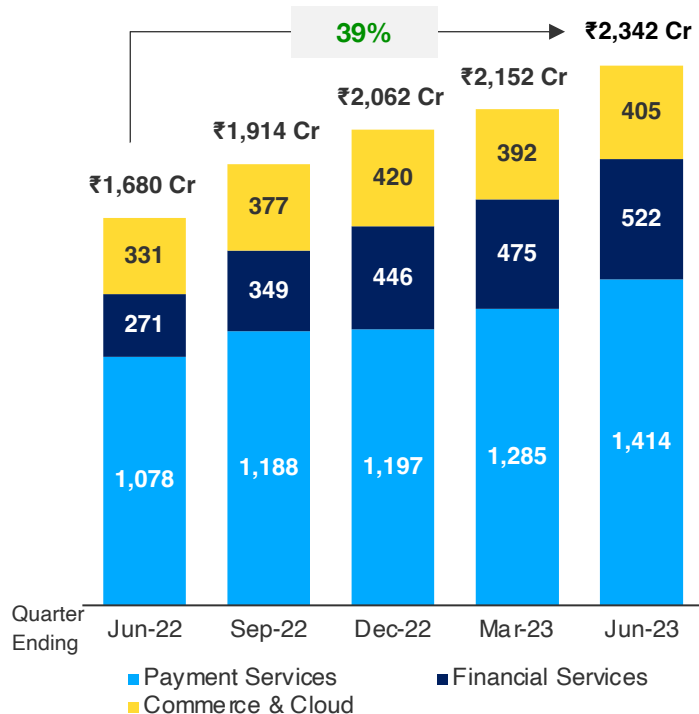
Notes:

1 Includes Other Operating revenue, as it relates to the Payments business. Other Operating Revenue was nil in FY 2021, ₹12 Cr in FY 2022 and ₹86 Cr in FY 2023

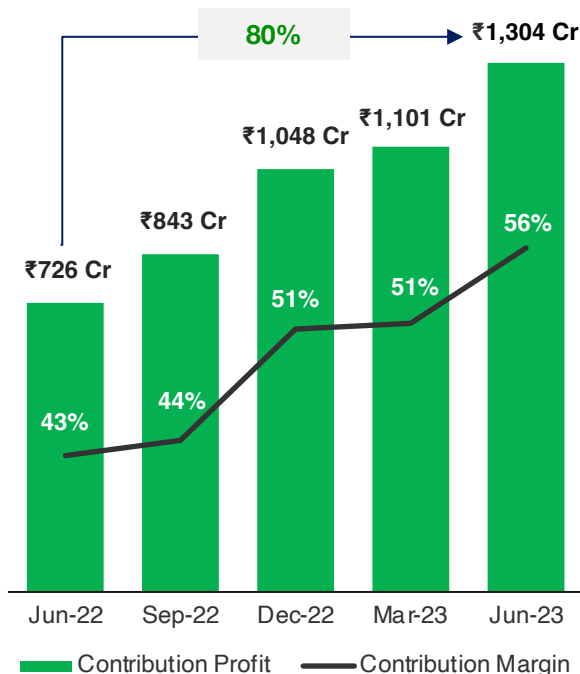
# Continued revenue momentum and improving profitability



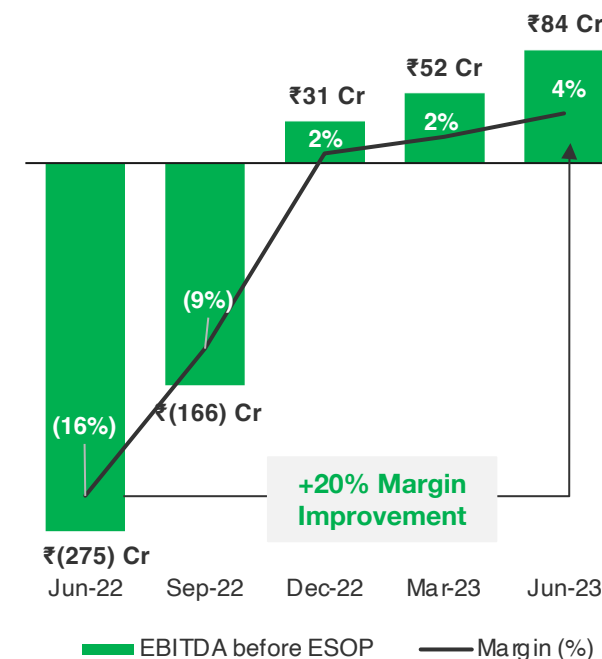
## Revenue growth of 39% YoY



## Contribution Profit growth of 80% YoY Margin improvement of +12% YoY



## EBITDA before ESOP improved by ₹359 Cr YoY Indirect cost increased by 22% YoY

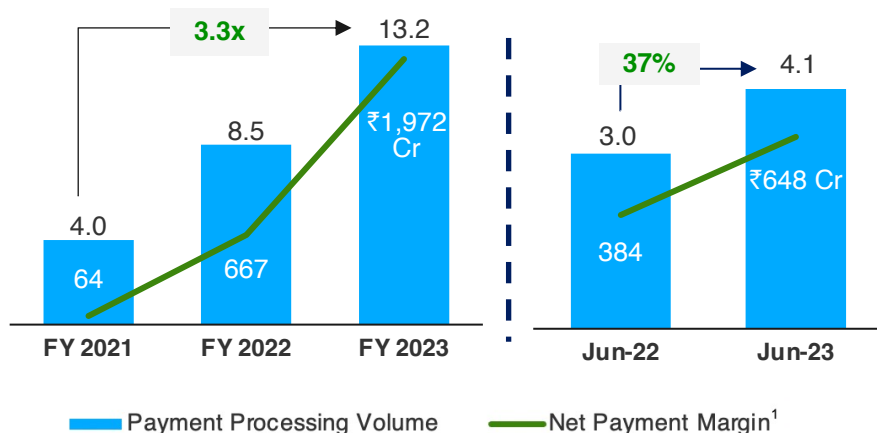


Note: We have excluded UPI incentives of ₹182 Crore from Mar-23 revenues, contribution profit and EBITDA before ESOP for like-for-like comparison

# We monetize Payments through Payment Processing Margin and Subscription



## Payment Processing Volume (GMV in ₹ Lakh Cr)



## Payment Processing Margin

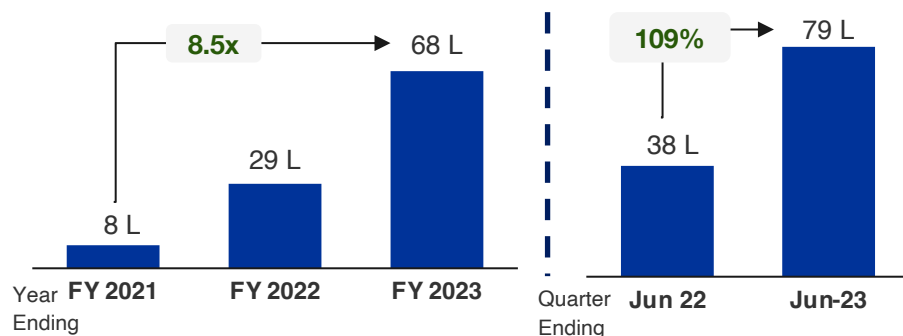
(Transaction fees charged to merchant less charges paid to the issuer)

For online and offline merchants, we process payments using UPI, Wallet, Postpaid, Cards and EMI

- In Dec'22 we stated that our payment processing margin is 7 to 9 bps of GMV, of which UPI is 3 to 4 bps and other instruments is 15 to 18 bps. In Q1 FY 2024, it is at the high end of 7-9 bps even without UPI incentive
- In medium to long term, we expect payment processing margin to settle at 5 to 7 bps as share of UPI increases



## Subscription Paying Merchants (Lakh)



## Subscription Revenues

- We earn subscription revenue of ₹100 to ₹500 per month per device
- Various additional incentives from bank partners, regulators (RBI, NABARD etc.) are also earned for select deployment



<sup>1</sup> Net Payments Margin = Payments revenues (including other operating revenue) - Payments processing charges

# Our consumers and merchants offer large TAM for distribution of loans from our lender partners



Partnership Based Business Model		
Paytm strengths and revenue model		Lender Scope and Responsibilities
Loan Sourcing	Collections	
<ul style="list-style-type: none"> <li>Fully digital</li> <li>Instant disbursement</li> <li>Leverages expanding consumer &amp; merchant base</li> <li>Low and grow strategy</li> <li><b>Sourcing fee</b> : 2.5% to 3.5% of loan value</li> </ul>	<ul style="list-style-type: none"> <li>Built on Paytm's payment rails</li> <li>Predominantly digital through                             <ul style="list-style-type: none"> <li>Notifications- Campaigns</li> <li>Cloud telephony</li> <li>Credit bureau score alerts</li> </ul> </li> <li><b>Collection fee</b>: 0.5% to 1.5% of current disbursement value. Typically received post closure</li> </ul>	<ul style="list-style-type: none"> <li>Capital deployment</li> <li>Underwriting and risk ownership</li> <li>Credit bureau reporting</li> <li>Regulatory reporting &amp; compliance (including digital lending guidelines)</li> <li>Customer's KYC</li> </ul>

Product	Penetration <sup>1</sup>	Key attributes
Postpaid	4.5% of MTU	<ul style="list-style-type: none"> <li>Consumption credit for small ticket purchases</li> <li>Average ticket size ₹6,500, monthly billing</li> <li>Accepted by 1.9 Cr merchants</li> </ul>
Personal Loan	1.1% of MTU	<ul style="list-style-type: none"> <li>Small ticket with quick disbursal</li> <li>Average ticket size ₹135,000, ~15 months tenure</li> <li>Cross sell opportunities continue with over 40% of loans to existing Postpaid users</li> </ul>
Merchant Loan	6.2% of device merchants	<ul style="list-style-type: none"> <li>Daily repayment working capital loan</li> <li>Average ticket size ₹190,000, ~13 months tenure</li> <li>Device merchants accounted for more than 85% of disbursals; Repeat rate of 45%</li> </ul>

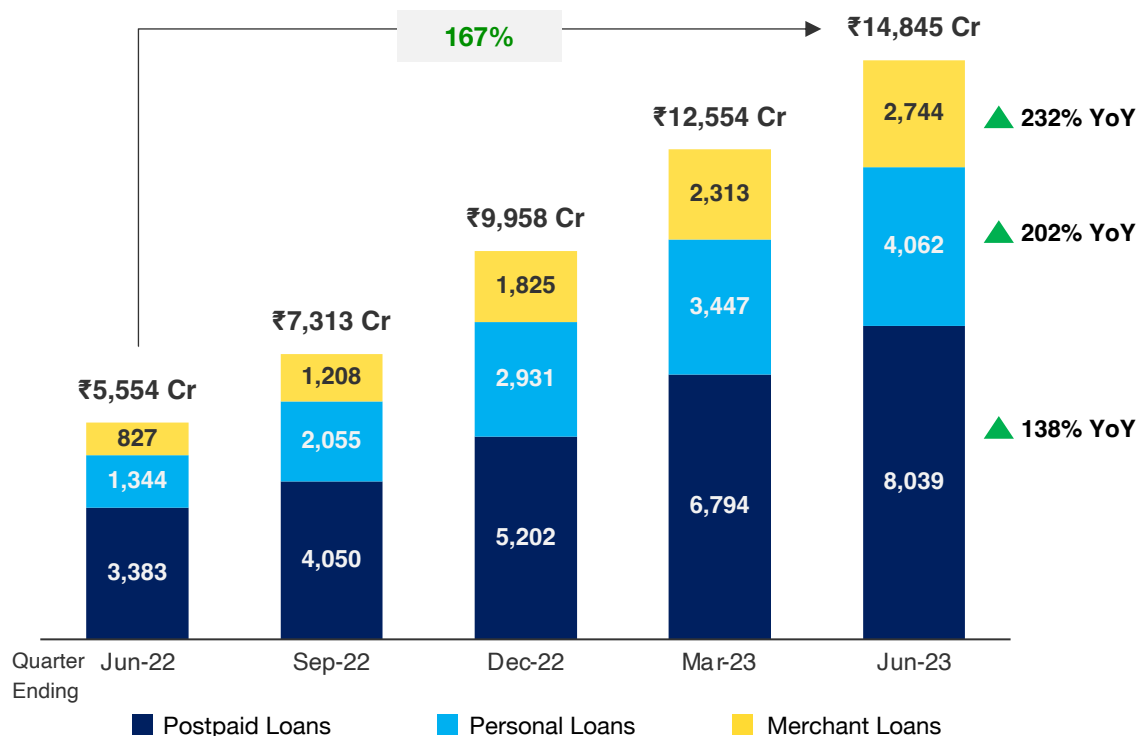
<sup>1</sup>Calculation of penetration- Postpaid: Avg monthly number of loans in a quarter as a % of that quarter's avg MTU; Personal Loans: Number of loans disbursed in last 12 months as a % of avg MTU in Q1 FY 2024; Merchant loans: Number of loans disbursed in last 12 months as % of devices deployed at end of Q1 FY 2024



# Improving Portfolio Quality = Increased Scale & Revenue



## Value of loans distributed through Paytm platform



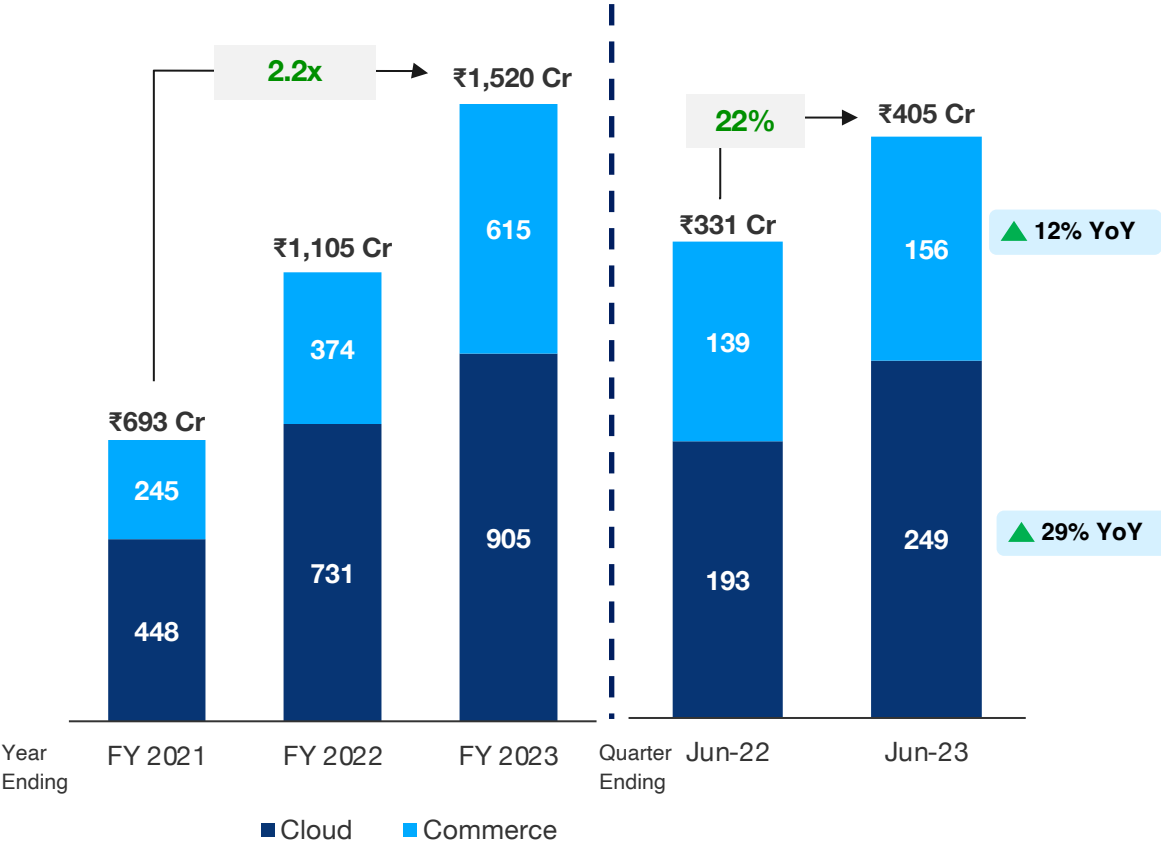
## Continued focus on credit quality

Indicative portfolio performance for our partners		Postpaid	Personal Loan	Merchant Loan
<ul style="list-style-type: none"> <li>Augmented through advanced machine learning models</li> <li>Helping lending partners scale with risk-based pricing</li> </ul>	Bounce Rates	9.75% to 11.25%	10.75% to 11.75%	NA
<ul style="list-style-type: none"> <li>Own collection technology platform aiding digital collections</li> <li>Lower operating expenses and scaling well</li> </ul>	Bucket 1 Resolution %	82% to 84%	88% to 92%	78% to 83%
<ul style="list-style-type: none"> <li>Capacity enhancement with increase in employees and over 50 tie ups with on ground collection partners</li> </ul>	Recovery Rate Post 90+	30% to 35%	27% to 29%	30% to 35%
<ul style="list-style-type: none"> <li>Steady loss rates on static pool in line with Low and Grow model of scaling</li> </ul>	Expected credit loss (ECL%)	0.65% to 0.85%	4.5% to 5.0%	5.0% to 5.5%

# Commerce & Cloud: We enable commerce and offer marketing services to businesses



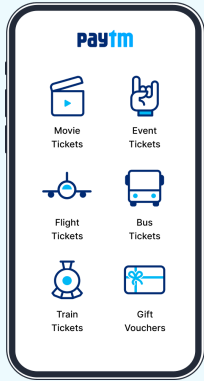
## Commerce & Cloud Revenues



### Commerce

We sell travel, movies and event tickets along with deals and gift vouchers to customers

- Paytm app is a destination for our merchants to get more business
- Commerce business is run with cash profitability
- Commerce revenue take rate is ~5-6% of GMV



### Cloud

We offer advertising, marketing loyalty services to various enterprises and distribute co-branded credit cards

- Co-branded credit cards continue to scale well; activated ~7.5 Lakh cards till Jun 2023



# Growth Drivers in Our Business

- On the merchant side India could have more than 10 Cr mobile payment merchants. Current penetration of mobile payments is low and is increasing with adoption of technology, such as Soundbox, Card Machines etc.
- Multiple payment instruments, such as UPI, Wallet, Postpaid, EMI, Debit Card and Credit Card, give unique advantage to Paytm over other UPI only apps. We remain at the forefront of innovation with launch of UPI Lite, RuPay Credit Cards on UPI, Multi-Bank/Brands EMI aggregation, etc.
- Scale up of loan distribution supported by regulatory clarity on digital lending, addition of new lending partners and low penetration
- Enabling Commerce through Paytm consumer app creates more merchant lock-in and generates more revenue for us
- Future bets: Deals and gift vouchers and Stock brokerage offerings



# Financial performance



(in ₹ Cr)	Quarter Ended					Change	
	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	YoY	QoQ
Payment Services	1,078	1,188	1,197	1,467	1,414	31%	(4%)
Financial Services	271	349	446	475	522	93%	10%
Commerce & Cloud	331	377	420	392	405	22%	3%
<b>Revenue from Operations</b>	<b>1,680</b>	<b>1,914</b>	<b>2,062</b>	<b>2,334</b>	<b>2,342</b>	<b>39%</b>	<b>0%</b>
Payment processing charges	694	746	738	780	767	10%	(2%)
Other direct expense	260	325	277	271	271	4%	0%
<b>Contribution Profit</b>	<b>726</b>	<b>843</b>	<b>1,048</b>	<b>1,283</b>	<b>1,304</b>	<b>80%</b>	<b>2%</b>
<i>Contribution Margin %</i>	<i>43%</i>	<i>44%</i>	<i>51%</i>	<i>55%</i>	<i>56%</i>	<i>1,248bps</i>	<i>72bps</i>
Marketing	175	137	136	127	181	3%	43%
Employee cost (Excl ESOPs)	552	573	584	614	730	32%	19%
Software, cloud and data center	162	173	171	188	155	(4%)	(18%)
Other indirect expenses	111	127	126	121	155	40%	28%
<b>Total indirect expenses</b>	<b>1,000</b>	<b>1,010</b>	<b>1,016</b>	<b>1,049</b>	<b>1,220</b>	<b>22%</b>	<b>16%</b>
<b>EBITDA before ESOP expense</b>	<b>(275)</b>	<b>(166)</b>	<b>31</b>	<b>234</b>	<b>84</b>	<b>+359 Cr</b>	<b>-150 Cr</b>
<i>EBITDA before ESOP cost Margin %</i>	<i>-16%</i>	<i>-9%</i>	<i>2%</i>	<i>10%</i>	<i>4%</i>	<i>1,995bps</i>	<i>(644bps)</i>

Note: March 2023 financials include ₹182 Cr UPI incentives reported during the quarter; Hence QoQ financials are not comparable

Payments revenue includes Other Operating revenue, as it relates to the Payments business

# Reconciliation of Non-GAAP Measures



## EBITDA before ESOP cost

(in ₹ Cr)	Quarter Ended				
	Jun-22 (Unaudited)	Sep-22 (Unaudited)	Dec-22 (Unaudited)	Mar-23 (Audited)	Jun-23 (Unaudited)
EBITDA before ESOP cost (A)	(275)	(166)	31	234	84
ESOP cost (B)	(359)	(371)	(362)	(363)	(377)
Initial Public Offer expenses (C)	0	0	0	0	0
Finance costs (D)	(6)	(5)	(5)	(7)	(7)
Depreciation and amortization expense (E)	(97)	(104)	(124)	(160)	(159)
Other income (F)	102	100	78	130	123
Share of profit / (loss) of associates / joint ventures (G)	(6)	(9)	5	(2)	(18)
Exceptional items (H)	0	0	0	0	0
Income Tax expense (I)	(5)	(15)	(15)	(1)	(4)
Loss for the period (J=Sum of A to I)	(645)	(571)	(392)	(168)	(359)

March 2023 financials include ₹182 Cr UPI incentives reported during the quarter; Hence QoQ financials are not comparable



# Cash Balance



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

Particulars (₹ Cr)	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23
Cash and Bank Balances in Current Accounts (Net of Borrowings)	1,768	1,399	1,953	2,737	1,678
Deposits with banks	6,991	5,875	5,311	4,328	3,996
Current Investments (Mutual Funds, Treasury bills and Commercial Papers)	652	1,908	1,692	1,209	2,693
<b>Total Balances</b>	<b>9,411</b>	<b>9,182</b>	<b>8,957</b>	<b>8,275</b>	<b>8,367</b>



Thank you!

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