



# Investor Presentation - USD

March 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.

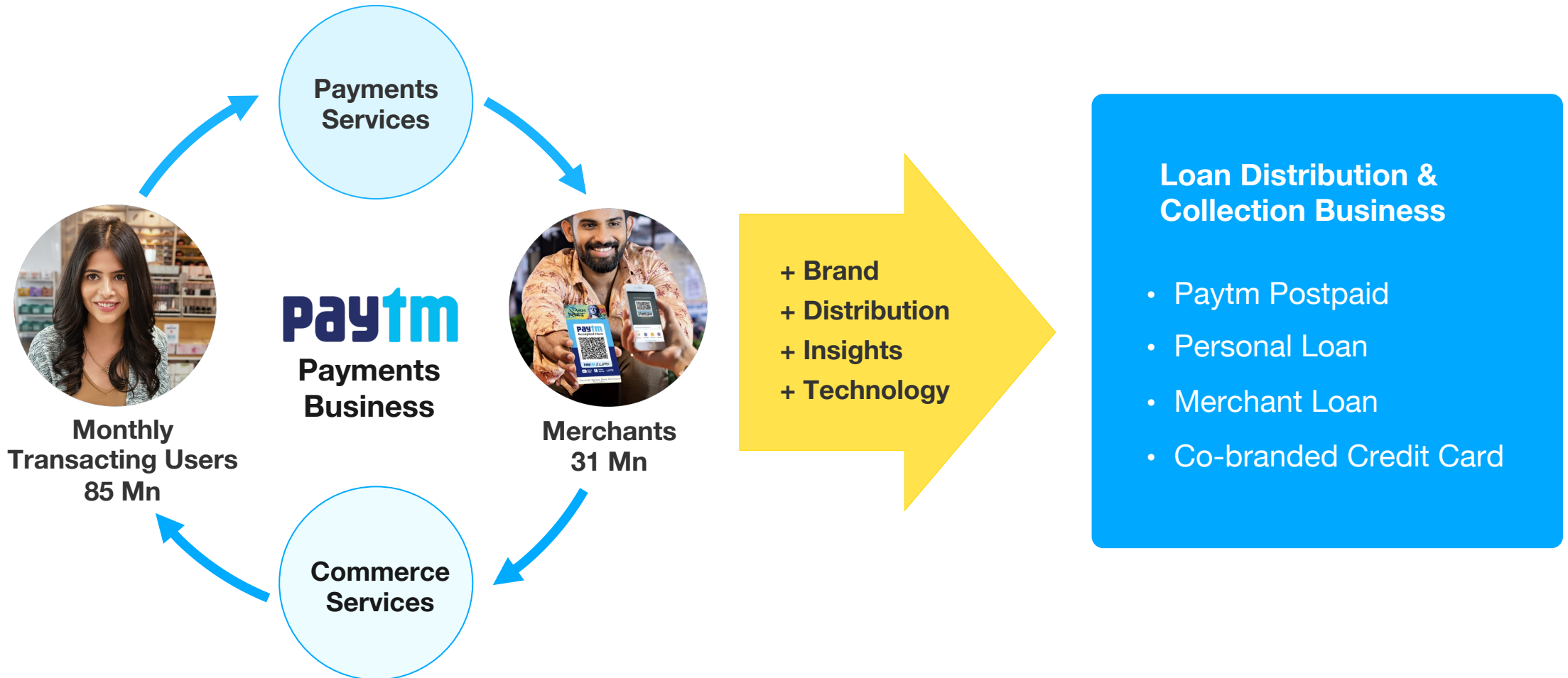




# To bring Half-a-Billion Indians to the Mainstream Economy through Technology-led Financial Services



# We Acquire Customers for Payments and Distribute & Collect Credit

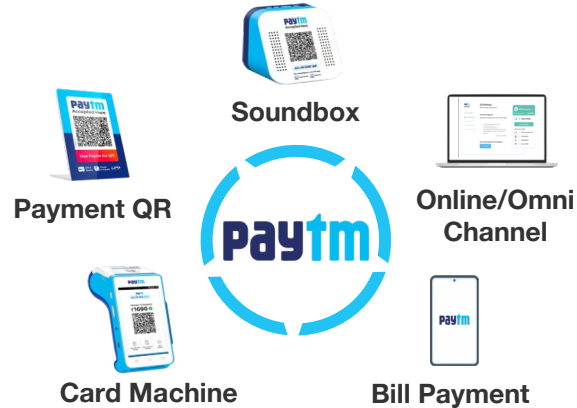


Note: Monthly Transacting Users (MTU) and merchant data for Q3 FY 2023

# Payments Business: Growth with improved profitability



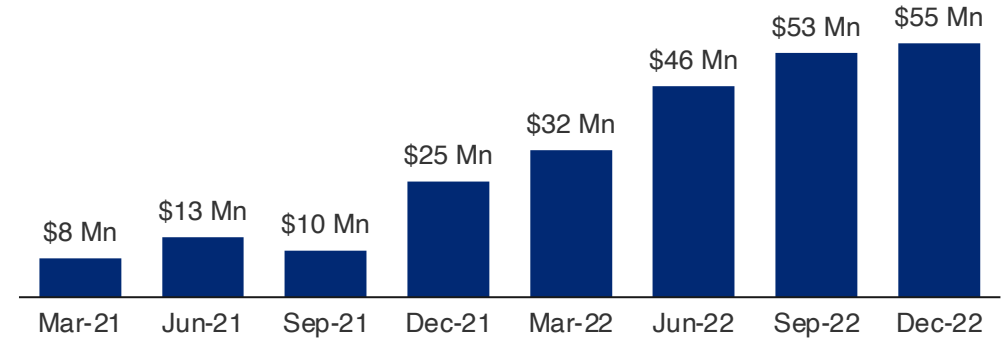
## Enabling merchants to accept payments



## Payments revenue model

- MDR from merchants
- Subscription revenue from merchants
- Convenience fees and platform fees from customers
- Incentives from Govt. for UPI, Rupay and payment infrastructure

## Net Payments Margin



## Key drivers of net payments margin improvement

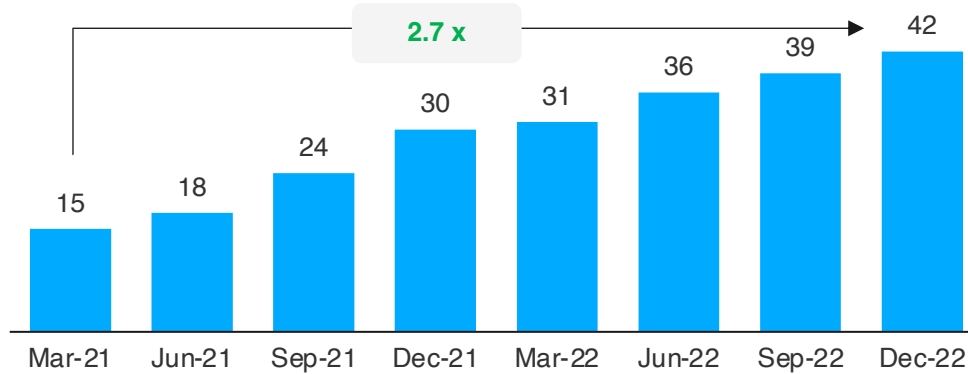
- Higher subscription revenue from devices
- Negotiating better payment processing rates from banks
- Optimizations from better transaction routing
- Improved margin in online payments business: account level rationalization to focus on profitable GMV

Notes:  
1. Net Payment Margin a non-GAAP financial measure calculated as Payment revenues (including other operating revenue) less payments processing charges  
2. Exchange rate of 1 USD = 82.8 INR

# Net payments margin has two components



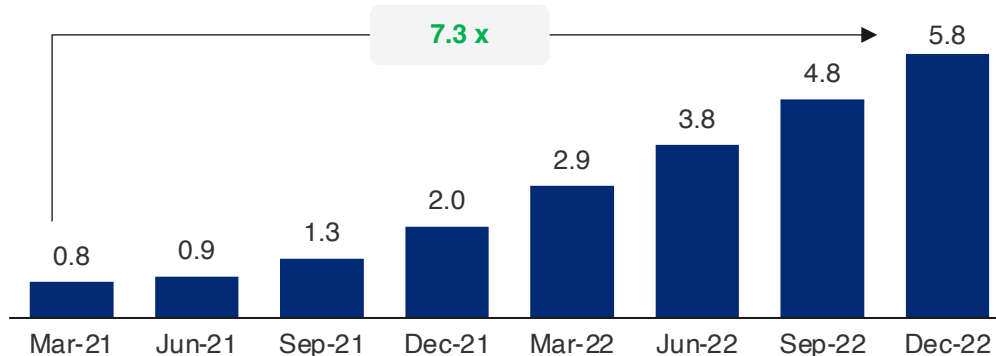
GMV (\$ bn)



## Payment Processing Margin

- We make net payments margin of 7 to 9 bps of GMV on processing
- UPI gives us 3 to 4 bps and other instruments give us 15 to 18 bps
- UPI is growing faster than other instruments we expect blended net payment margin to stabilize at 5 to 7 bps in the long term

## Subscription Paying Merchants (Mn)



## Subscription Charges

- Rental: \$1.2 per month per active device (up to \$3 for high-end devices)
- Additional incentives from partner banks, RBI, NABARD etc. for select installations
- Aggressive depreciation on devices (2 years for Soundbox and 3 years for EDC)

# Financial Services driven by partnership model



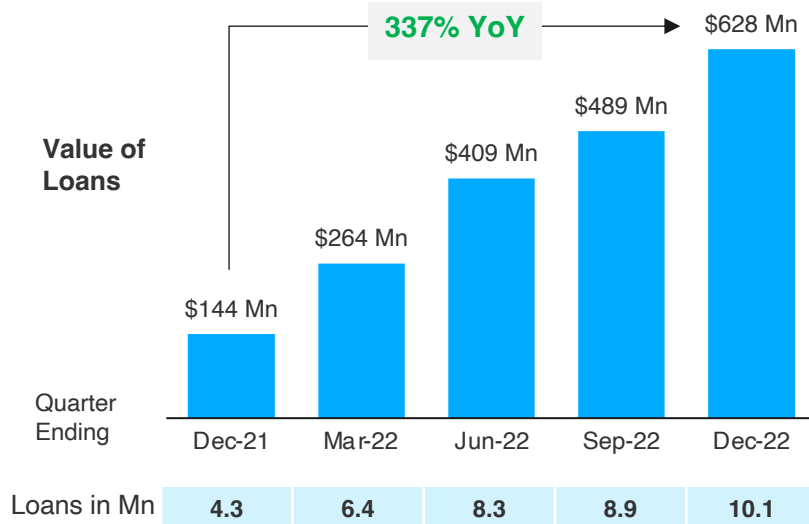
Paytm strengths and revenue model		Lender Scope and responsibilities
<b>Loan Sourcing</b> <ul style="list-style-type: none"><li>• Fully digital</li><li>• Instant disbursement</li><li>• Leverages expanding consumer &amp; merchant base</li><li>• Deep insights on payment behavior</li><li>• Low and grow strategy</li><li>• <b>Sourcing fee</b> : 2.5% to 3.5% of loan value</li></ul>	<b>Collections</b> <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</li><li>- 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>

# Sizeable and expanding lending business driven by low penetration, high repeat rate and upselling opportunity



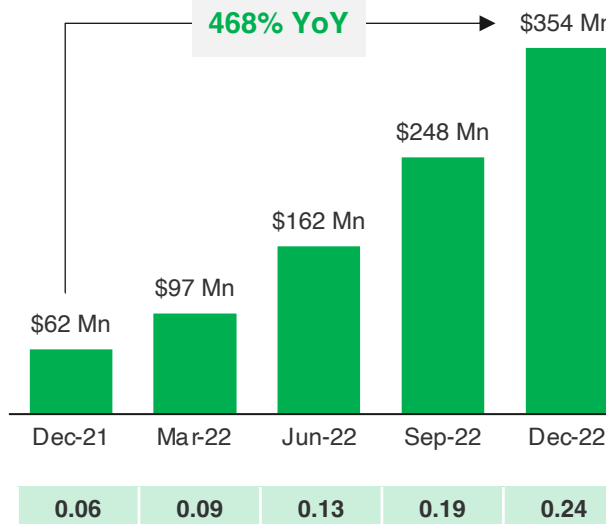
## Postpaid Loans

- Average ticket size \$60, monthly billing
- Penetration at 4.0% of MTU
- Low and grow strategy
- Upsell opportunities



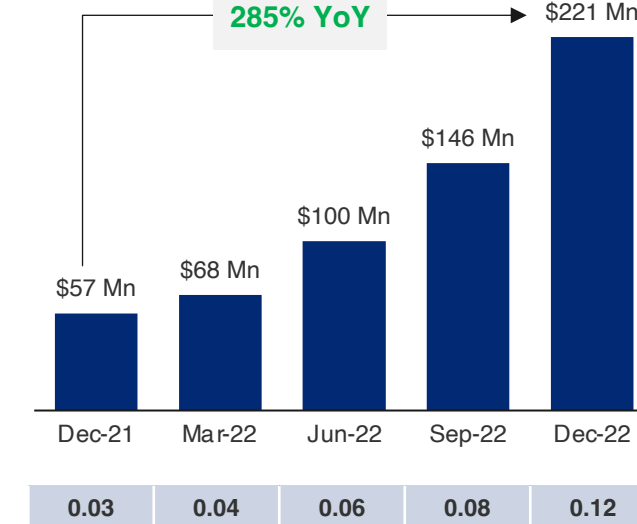
## Personal Loans

- Average ticket size \$1,500, 15 months tenure
- Cross sell opportunities continue with over 40% of loans to existing Postpaid users
- Penetration at 0.8% of MTU



## Merchant Loans

- Average ticket size \$1,800, 12 months tenure
- Device merchants accounted for more than 85% of disbursals; Repeat rate of 45%
- Penetration at 5.2% 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 Q3 FY 2023; Merchant loans: Number of loans disbursed in last 12 months as % of devices deployed at end of Q3 FY 2023

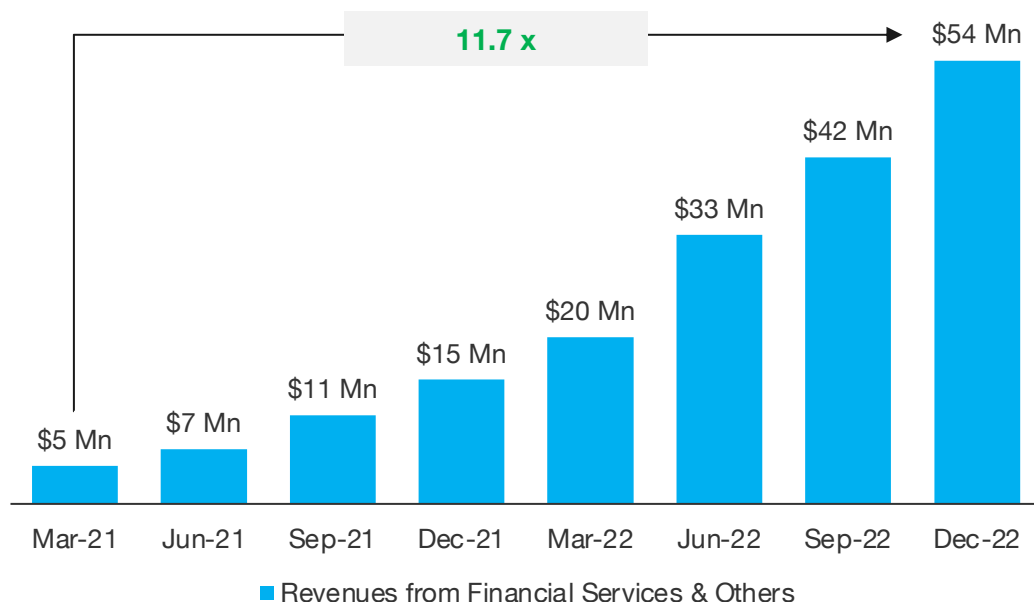
Exchange rate of 1 USD = 82.8 INR



# Financial Services Revenue: Scale driven by loan distribution



## Scale up driven by loan distribution



- Total 8.1 Mn unique borrowers who have taken a loan through our platform, increased 1.4 Mn in the quarter ended Dec 2022
- Financial Services in quarter ended Dec 2022 accounted for 22% of total revenues versus 9% in quarter ended Dec 2021

Note:  
1. Exchange rate of 1 USD = 82.8 INR

## Continued focus on credit quality

### Indicative portfolio performance for our partners

- Augmented through advanced machine learning models
- Helping lending partners scale with risk-based pricing

- Own collection technology platform aiding digital collections
- Lower operating expenses and scaling well

- Capacity enhancement with increase in employees and over 50 tie ups with on ground collection partners

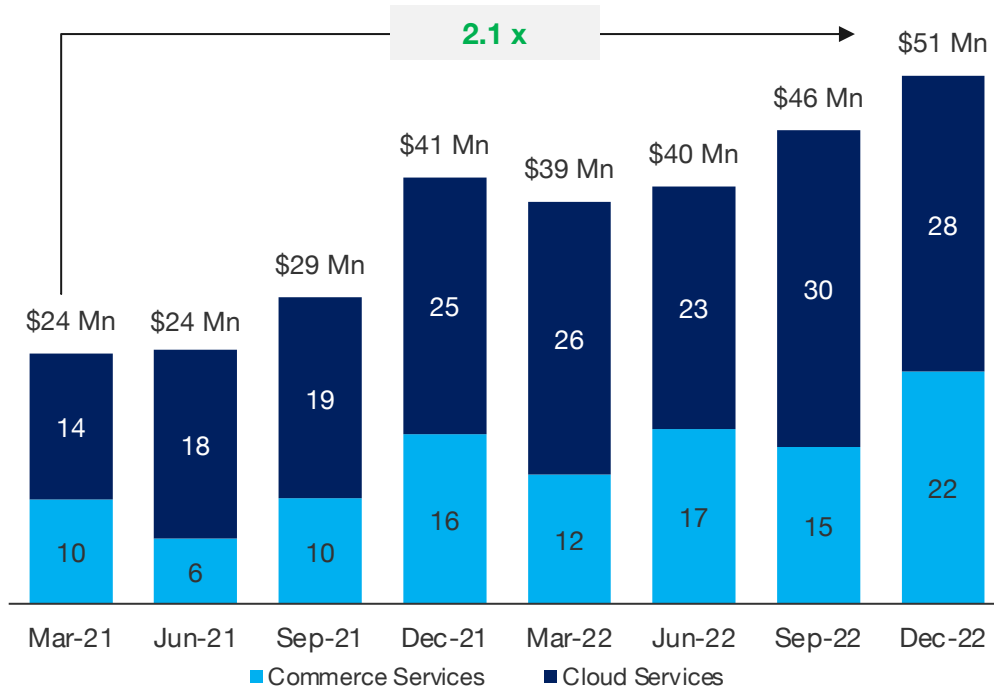
- Steady loss rates on static pool in line with Low and Grow model of scaling

		Personal Loan	Merchant Loan	Postpaid
Bounce Rates	<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>	11.5% to 12.5%	NA	11.0% to 13.0%
Bucket 1 Resolution	<ul style="list-style-type: none"> <li>Own collection technology platform aiding digital collections</li> <li>Lower operating expenses and scaling well</li> </ul>	89% to 92%	84% to 87%	81% to 83%
Recovery Rate Post 90+	<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>	27% to 29%	31% to 33%	25% to 27%
Expected credit loss (ECL%)	<ul style="list-style-type: none"> <li>Steady loss rates on static pool in line with Low and Grow model of scaling</li> </ul>	4.5% to 5.0%	5.0% to 5.5%	1.1% to 1.3%

# Commerce & Cloud: Monetize Paytm app traffic by providing market services to other businesses



## Commerce & Cloud Revenues



Note:  
1. Exchange rate of 1 USD = 82.8 INR

## Cloud (including co-branded credit cards)

- Co-branded credit cards give both upfront revenue and lifetime usage fees. Strong cross-sell opportunity from our existing user base who have taken loans through our platform
- Activated ~0.15 Mn cards in the quarter ended Dec 2022, totaling cumulative activated cards to ~0.45 Mn till Dec 2022
- In addition to credit cards, cloud business has advertising and marketing offerings



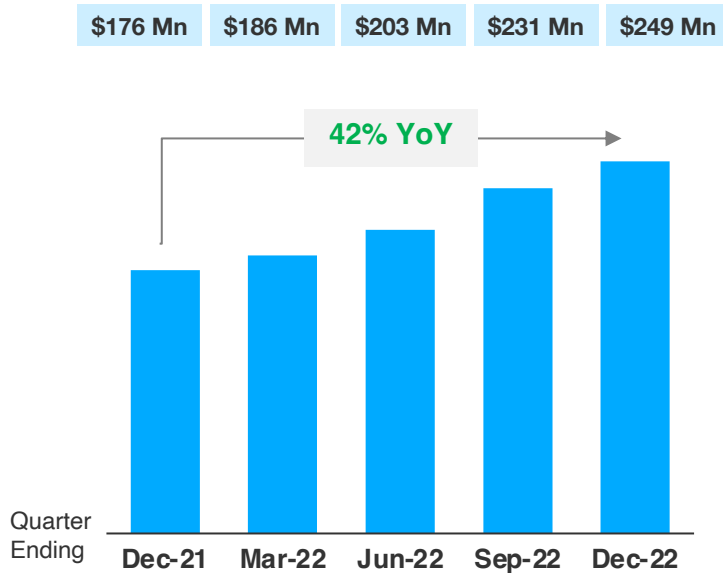
## Enabling commerce for merchants

- Paytm app is a destination for our merchants to get more business. We help them sell their tickets, gift vouchers and deals, etc.
- Commerce business is being run with cash profitability
- Commerce revenue take rate is ~6% of GMV

# Revenue growth with improving profitability

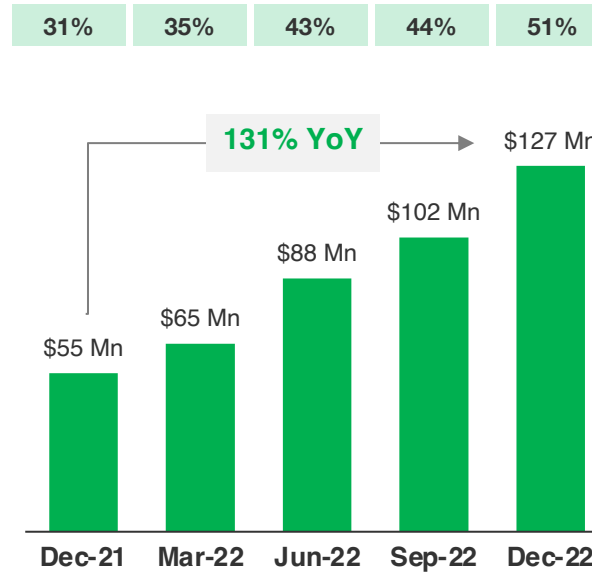


## Revenue



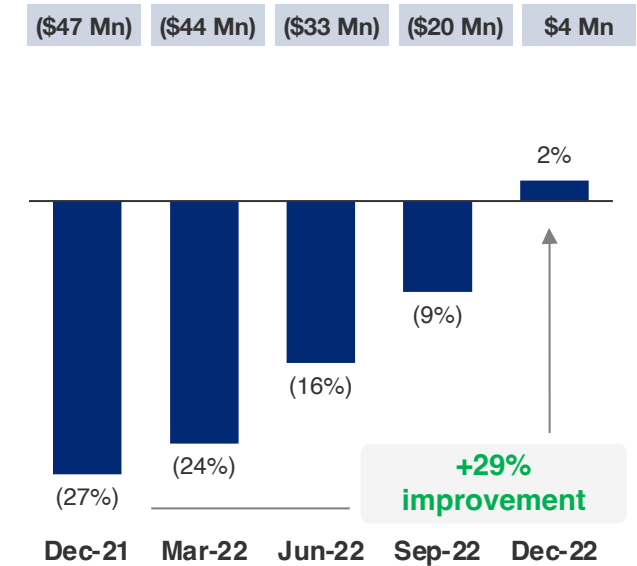
Revenue growth driven by subscription revenues, loan distribution and momentum in commerce

## Contribution Profit and Margin



Contribution Margin positive due to improved payments profitability and growth of higher margin loan distribution business

## EBITDA before ESOP and Margin



Significant operating leverage in our fixed cost. While investing for long term growth

### Notes:

1. Contribution profit is a non-GAAP financial measure calculated as revenue from operations less payment processing charges, marketing and promotion charges, connectivity, content fees and logistics cost and contest, event and FASTag expenses
2. Exchange rate of 1 USD = 82.8 INR

# Financial performance



(in \$ Mn)	Quarter Ended					Change	
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	YoY	QoQ
<b>Revenue from Operations</b>	<b>176</b>	<b>186</b>	<b>203</b>	<b>231</b>	<b>249</b>	<b>42%</b>	<b>8%</b>
Payment processing charges	95	94	84	90	89	(6%)	(1%)
Other direct expense	26	28	31	39	33	26%	(15%)
<b>Contribution Profit</b>	<b>55</b>	<b>65</b>	<b>88</b>	<b>102</b>	<b>127</b>	<b>131%</b>	<b>24%</b>
<i>Contribution Margin %</i>	<i>31%</i>	<i>35%</i>	<i>43%</i>	<i>44%</i>	<i>51%</i>	<i>+20%</i>	<i>+7%</i>
Marketing	20	16	21	17	16	(19%)	(1%)
Employee cost (Excl ESOPs)	53	61	67	69	71	32%	2%
Software, cloud and data center	16	18	20	21	21	31%	(1%)
Other indirect expenses	13	15	13	15	15	17%	(1%)
<b>Total indirect expenses</b>	<b>102</b>	<b>109</b>	<b>121</b>	<b>122</b>	<b>123</b>	<b>20%</b>	<b>1%</b>
<b>EBITDA before ESOP expense</b>	<b>(47)</b>	<b>(44)</b>	<b>(33)</b>	<b>(20)</b>	<b>4</b>	<b>+51 Mn</b>	<b>+24 Mn</b>
<i>EBITDA before ESOP cost Margin %</i>	<i>-27%</i>	<i>-24%</i>	<i>-16%</i>	<i>-9%</i>	<i>2%</i>	<i>+29%</i>	<i>+10%</i>

Note:

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# Growth Drivers in Our Business



1. India's digital payments are in early days. Growth in UPI, cards and EMI-led payments are yet to reach the masses
  - a) **UPI Lite**, allowing instant, multiple small-value UPI payments, which will lead to increased adoption of digital payments
  - b) **Credit Card on UPI**, enabling users to link their credit cards to UPI
2. Potential of 100 million merchant and more than 500 million payment customers in near term
3. We continue to integrate large NBFCs and Banks to leverage the full potential of small, digital credit through Paytm platform
4. We remain focused on working with the RBI regarding Paytm Payments Bank and Paytm Payments Services Ltd
5. Highest focus accorded to compliance and operational risk to build sustainable scale



