



# Investor Presentation - INR

May 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.

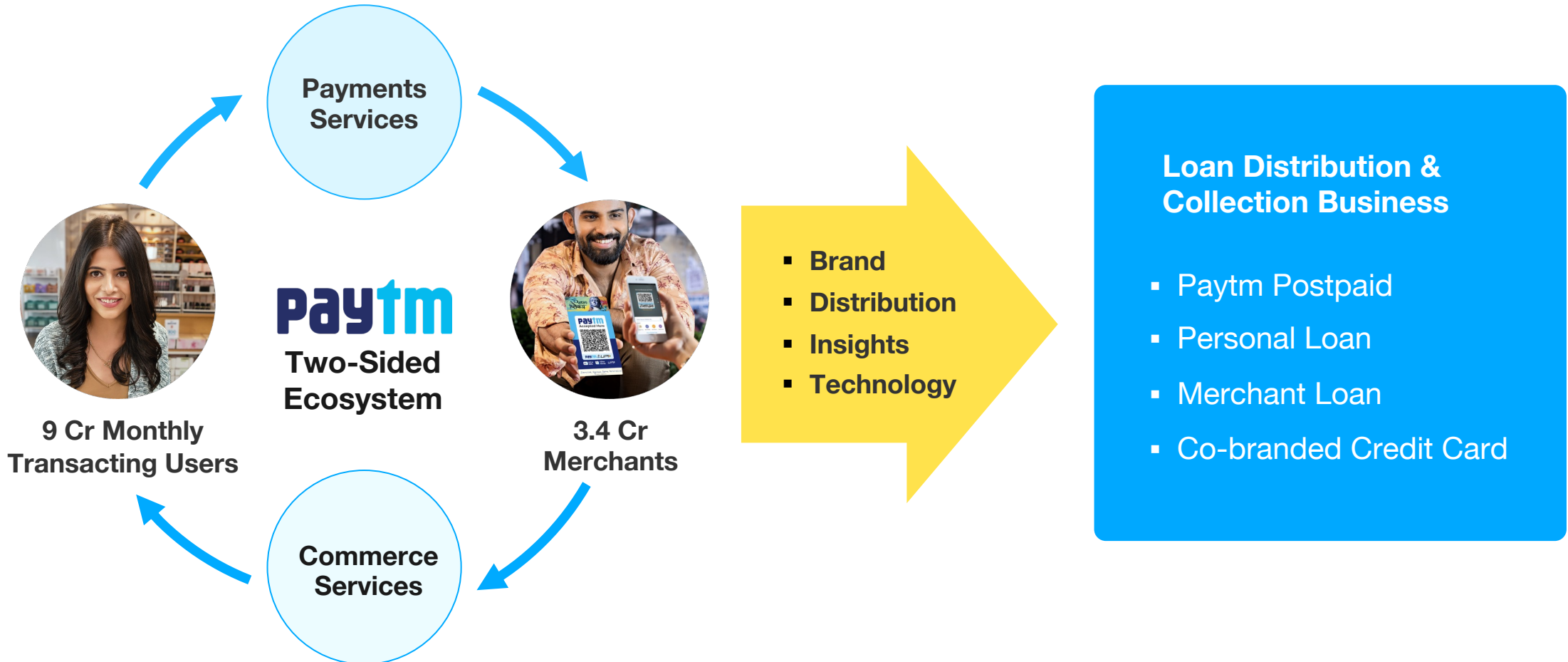
We have converted financial amounts from ₹ millions into ₹ Cr and hence there could be some totaling anomalies in the numbers.



# 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 Distribute + Collect Loans

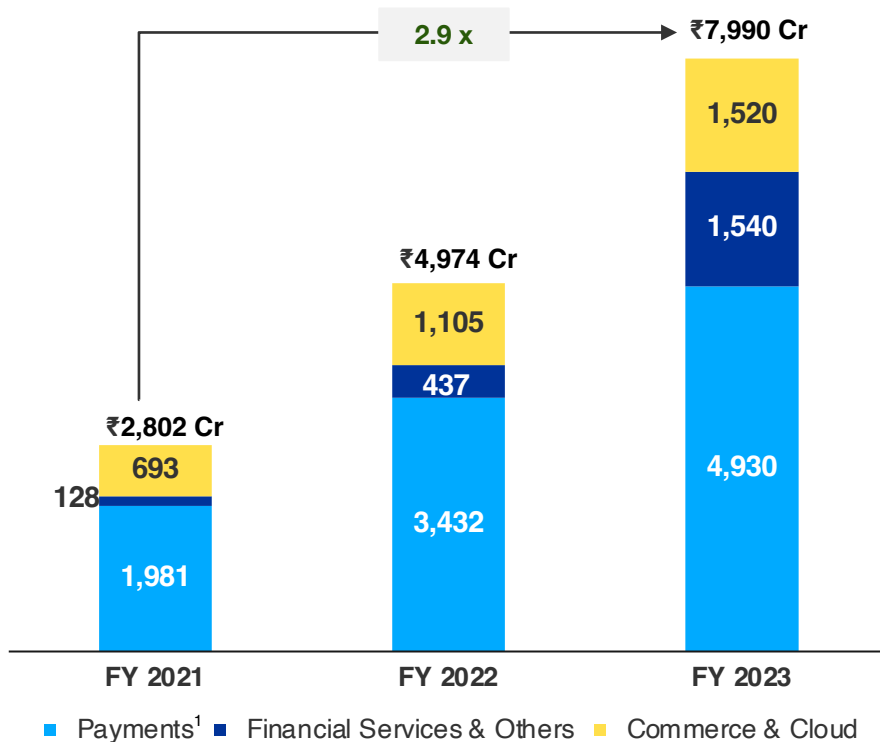


Note: Monthly Transacting Users (MTU) and merchant data for Q4 FY 2023

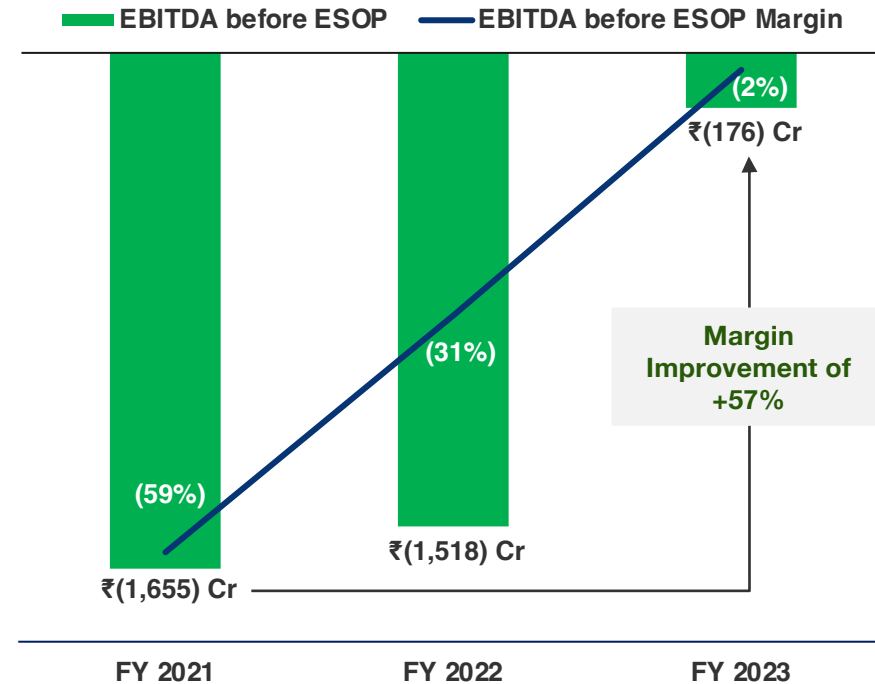
# Our Revenues have scaled multifold, while improving profitability



Q4 FY 2023 Revenues<sup>2</sup> of ₹2,334 Cr, growth of 51% YoY



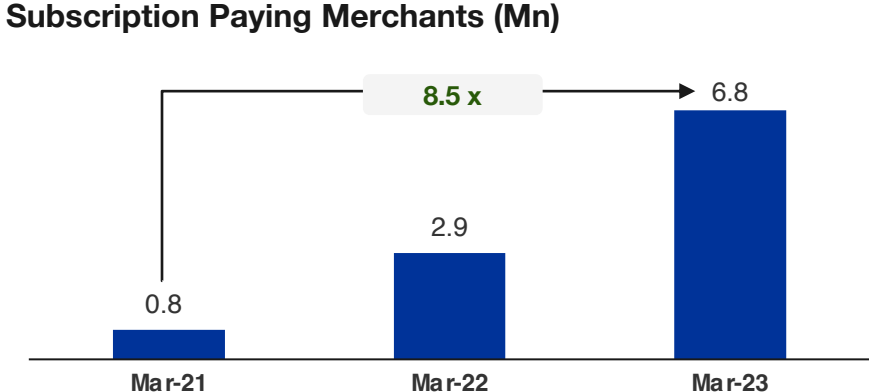
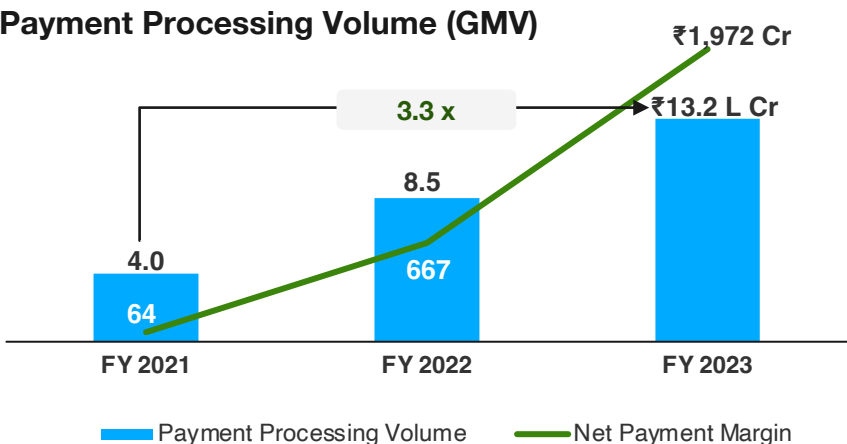
Q4 FY 2023 EBITDA before ESOP<sup>2</sup> of ₹234 Cr, improved by ₹602 Cr YoY



<sup>1</sup> 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

<sup>2</sup> Includes ₹133 Cr of UPI incentive for Q1- Q3 FY 2023

# We monetize Payments through subscription and payment processing margin



## Payment Processing Margin

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

- We make payment processing margin of 7 to 9 bps on GMV, of which UPI is 3 to 4 bps and other instruments is 15 to 18 bps
- Since UPI is growing faster than other instruments, we expect blended margin to stabilize at 5 to 7 bps



## Subscription Revenues

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



Net Payments Margin = Payments revenues (including other operating revenue) - Payments processing charges

# Our consumers and merchants offer large TAM for distribution and collection 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>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>	<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>

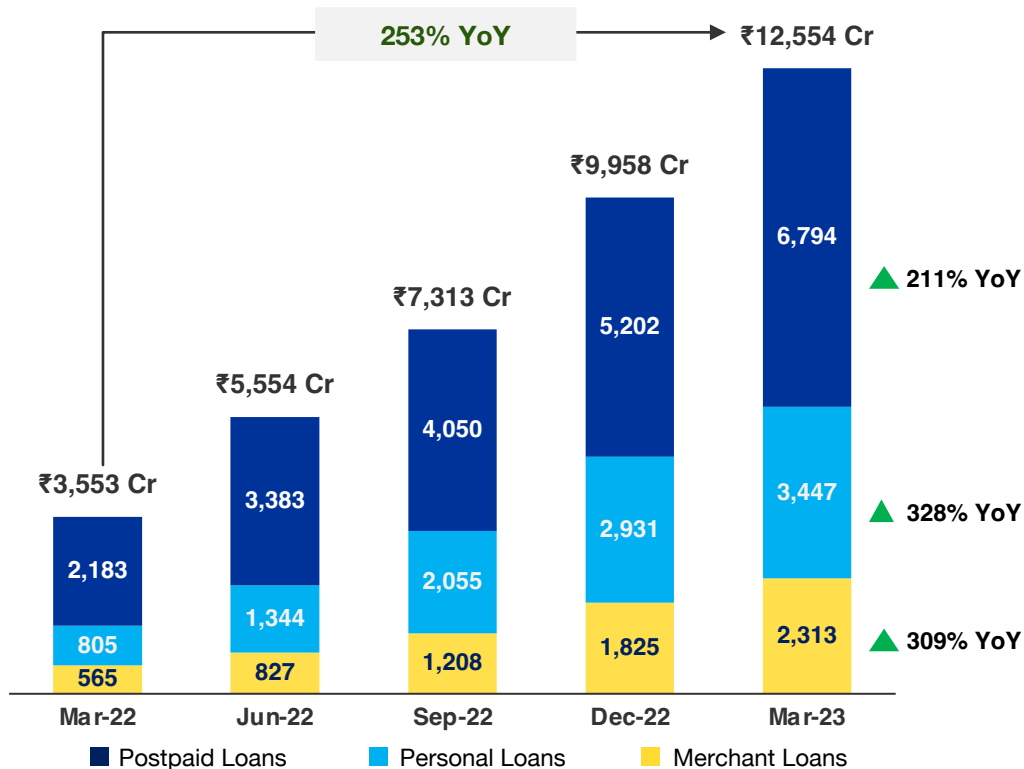
Product	Penetration <sup>1</sup>	Product Features
Postpaid	4.3% of MTU	<ul style="list-style-type: none"> <li>Consumption credit for small ticket purchases</li> <li>Average ticket size ₹6000, monthly billing</li> <li>Accepted by 1.9 Cr merchants</li> </ul>
Personal Loan	0.9% of MTU	<ul style="list-style-type: none"> <li>Average ticket size ₹130,000, 15 months tenure</li> <li>Cross sell opportunities continue with over 40% of loans to existing Postpaid users</li> </ul>
Merchant Loan	5.9% of device merchants	<ul style="list-style-type: none"> <li>Daily repayment working capital loan</li> <li>Average ticket size ₹170,000, 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 Q4 FY 2023; Merchant loans: Number of loans disbursed in last 12 months as % of devices deployed at end of Q4 FY 2023

# Better collection efficiency = Increased scale & Revenue



Value of loans distributed through Paytm platform



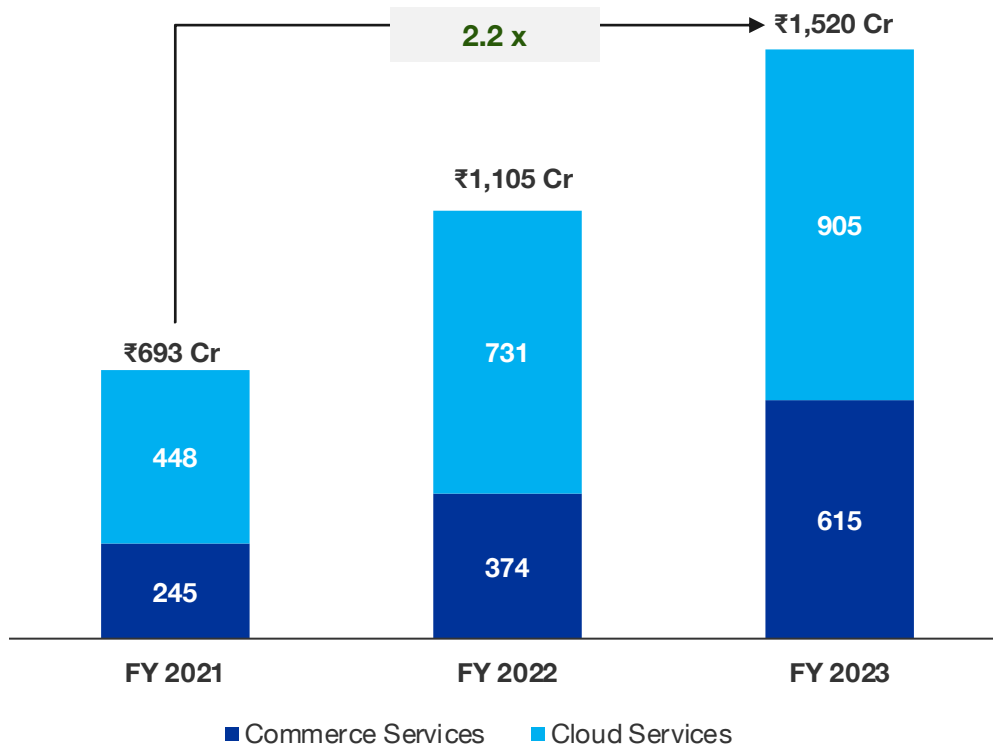
Continued focus on credit quality

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	10.5% to 12.0%	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%	80% to 85%
<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%)	0.75% to 1.0%	4.5% to 5.0%	5.0% to 5.5%

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



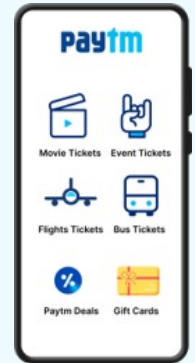
## Commerce & Cloud Revenues



### Commerce

We sell travel, movies and event ticketing and deals, gift vouchers to customers

- Paytm app is a destination for our merchants to get more business
- Commerce business is being 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

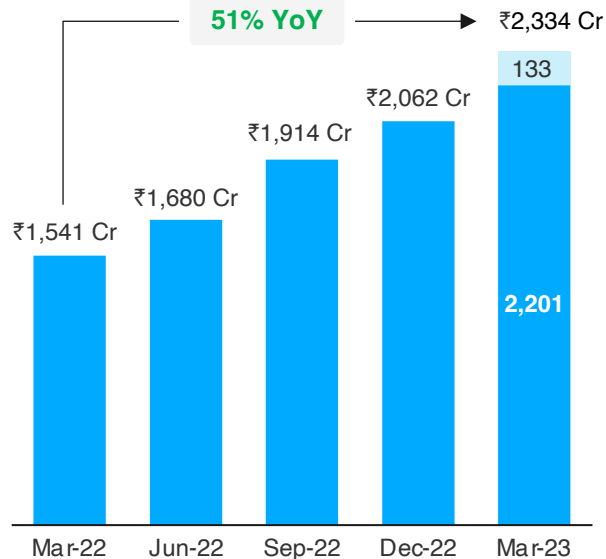
- Co-branded credit cards continue to scale well; activated ~5.9 Lakh cards till Mar 2023



# Led by revenue growth and 100% increase in UPI incentives, EBITDA before ESOP at ₹234 Cr for Q4 FY 2023

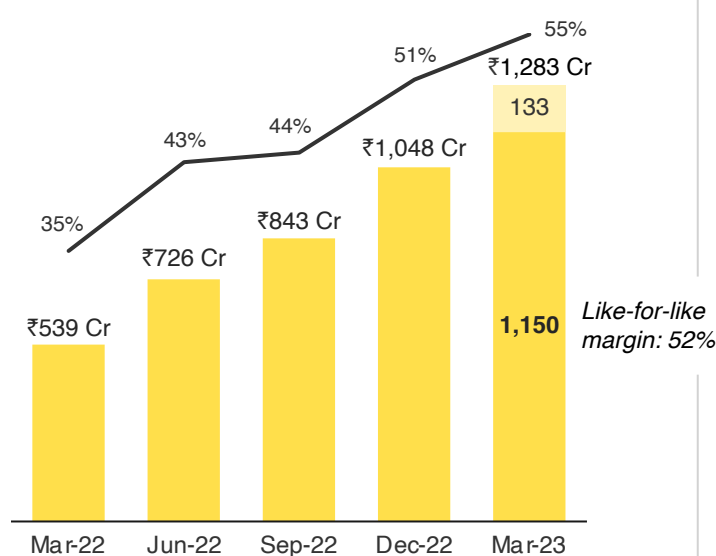


Revenue growth of 51% YoY



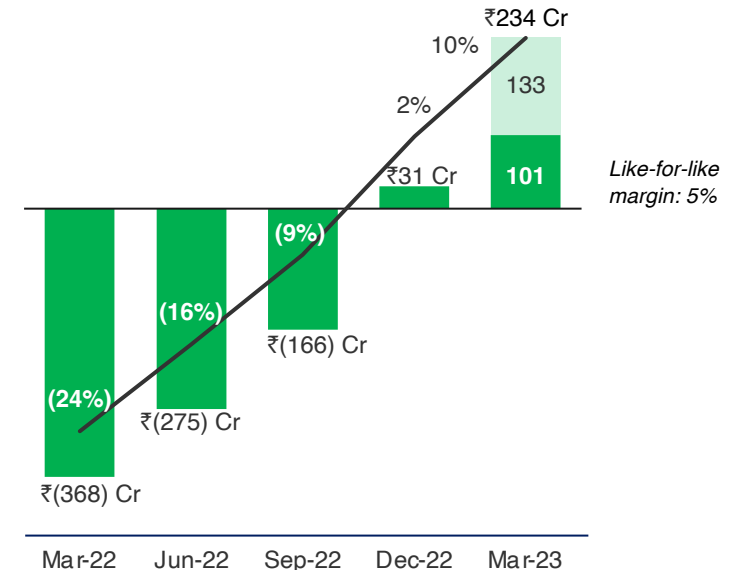
■ Total Revenue  
■ UPI incentives for Q1-Q3 FY 2023

Contribution Profit growth of 138% YoY  
Margin improvement of +20% YoY



■ Contribution Profit — Contribution Margin  
■ UPI incentives for Q1-Q3 FY 2023

EBITDA before ESOP improved by ₹602 Cr YoY  
Margin improvement of +34% YoY



■ EBITDA before ESOP — EBITDA before ESOP Margin  
■ UPI incentives for Q1 – Q3 FY 2023

# Future Growth Drivers



1. Mobile payments just took off in our country. India could have more than **50 Cr payment consumers** and **10 Cr merchants** in near term
2. **Multiple payment** instrument UPI, Wallet, Postpaid, EMI, Debit Card and Credit Card give unique advantage to Paytm over other UPI only apps
3. Our **large portfolio of devices** addresses the potential of 10 Cr merchants in India
4. **More NBFC and Bank** partners expand our opportunity to distribute loans through Paytm platform
5. **Enabling Commerce** through Paytm consumer app creates more merchant lock-in and generates more revenue for us



# Financial performance



(in ₹ Cr)	Quarter Ended					Change	
	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	YoY	QoQ
<b>Revenue from Operations</b>	<b>1,541</b>	<b>1,680</b>	<b>1,914</b>	<b>2,062</b>	<b>2,334</b>	<b>52%</b>	<b>13%</b>
Payment processing charges	774	694	746	738	780	1%	6%
Other direct expense	228	260	325	277	271	19%	(2%)
<b>Contribution Profit</b>	<b>539</b>	<b>726</b>	<b>843</b>	<b>1,048</b>	<b>1,283</b>	<b>138%</b>	<b>22%</b>
<i>Contribution Margin %</i>	<i>35%</i>	<i>43%</i>	<i>44%</i>	<i>51%</i>	<i>55%</i>	<i>+20%</i>	<i>+4%</i>
Marketing	131	175	137	136	127	(3%)	(7%)
Employee cost (Excl ESOPs)	502	552	573	584	614	22%	5%
Software, cloud and data center	151	162	173	171	188	25%	10%
Other indirect expenses	122	111	127	126	121	(1%)	(4%)
<b>Total indirect expenses</b>	<b>906</b>	<b>1,000</b>	<b>1,010</b>	<b>1,016</b>	<b>1,049</b>	<b>16%</b>	<b>3%</b>
<b>EBITDA before ESOP expense</b>	<b>(368)</b>	<b>(275)</b>	<b>(166)</b>	<b>31</b>	<b>234</b>	<b>+602 Cr</b>	<b>+201 Cr</b>
<i>EBITDA before ESOP cost Margin %</i>	<i>-24%</i>	<i>-16%</i>	<i>-9%</i>	<i>2%</i>	<i>10%</i>	<i>+34%</i>	<i>+9%</i>

