

Earnings Presentation

for quarter ending June 2022



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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.

Our Core Business is to Acquire Payment Customers and Distribute Loans



Notes:

1. Monthly Transacting Users (MTU) and merchant data as of Jun 2022

Revenue Model for Payments Business



Merchants use our app to collect payments

1. Merchants pay us MDR
2. Select Customers pay platform fee

Merchants use our app to enable commerce

like selling deals, tickets etc. & advertising

Merchants use our services to collect payments on their shop or App

1. Merchant pays subscription fee
2. Merchant pays MDR
3. GOI pays UPI payments incentive

Payment services to consumers

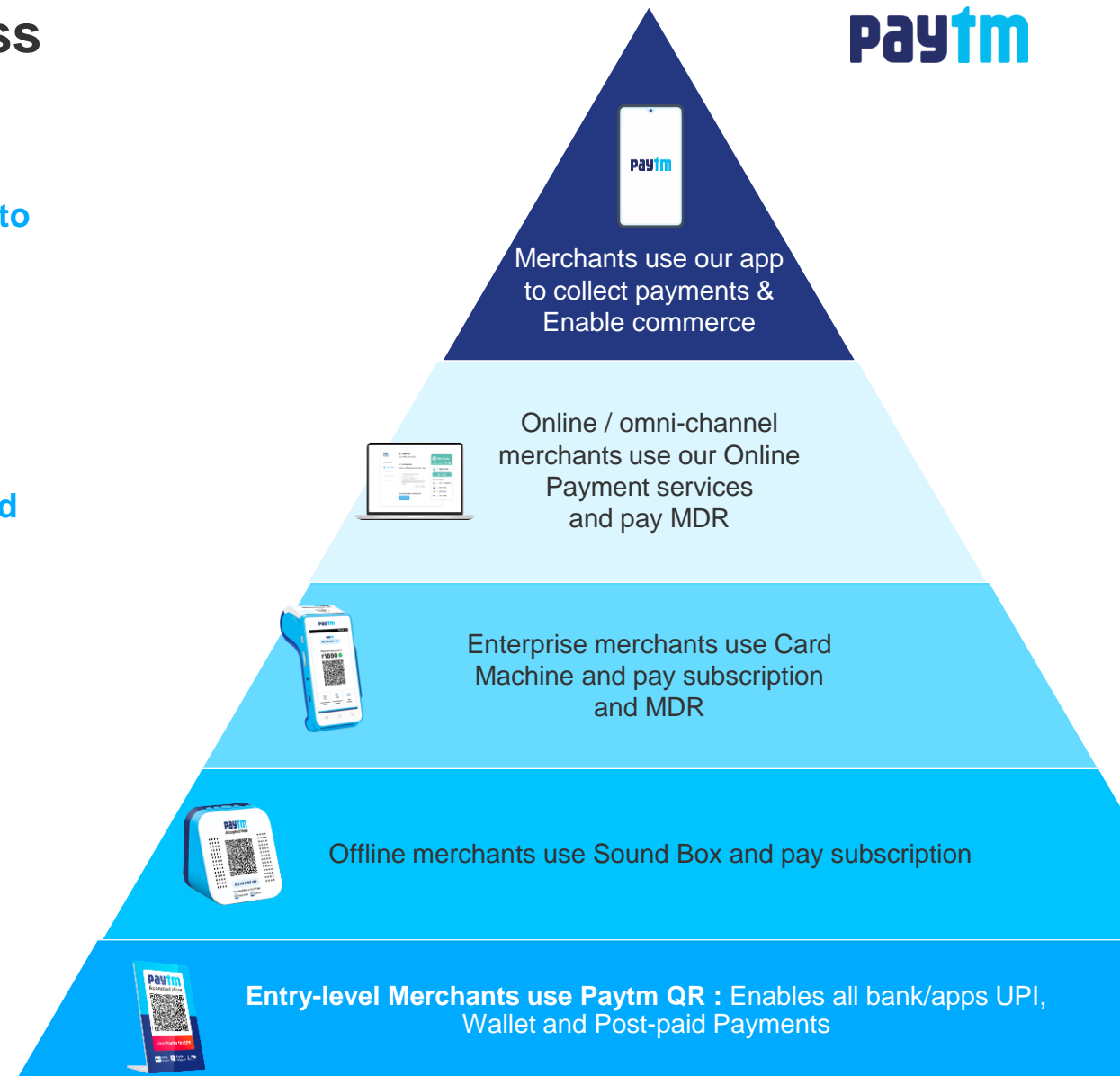
\$66 mn ▲ 73%

Commerce & Cloud Services

\$42 mn ▲ 64%

Payment services to Merchants

\$71 mn ▲ 67%



Notes:

1. Exchange Rate of 1 USD = 78.7 INR

Revenue Model for Loan Distribution and Collection Business

Lender's Scope	Paytm Scope	In Q1 FY23	Personal Loans	Merchant Loans	Paytm PostPaid
<ul style="list-style-type: none"> Customer's KYC, bureau reporting and underwriting Ownership of loan book and balance sheet Bilateral contract with borrowers Adherence to outsourcing guidelines of regulator 	<p>1</p> <p>Loan Sourcing and Cross-sell Fee</p>	Loan Amount & Tenure	~\$1,270 for ~14 months	~\$1,780 for ~12 months	~\$50 Monthly billing
	<p>2</p> <p>EMI Servicing and Collection Fee</p>	Total Disbursement & YoY Growth	\$171 mn ▲ 1,106% YoY	\$105 mn ▲ 1,031% YoY	\$430 mn ▲ 656% YoY
	Bounce Rate	11.5% to 12.5%	NA (daily installment product)	11.0% to 13.0%	
Expected Credit Loss (ECL) %	4.5% to 5.0%	5.0% to 5.5%	1.1% to 1.3%		

Notes:

1. Loans are underwritten and booked by our lending partners (NBFCs and Banks) in their balance sheets. Paytm acts as a collection outsourcing partner and the numbers are hence indicative of those efforts

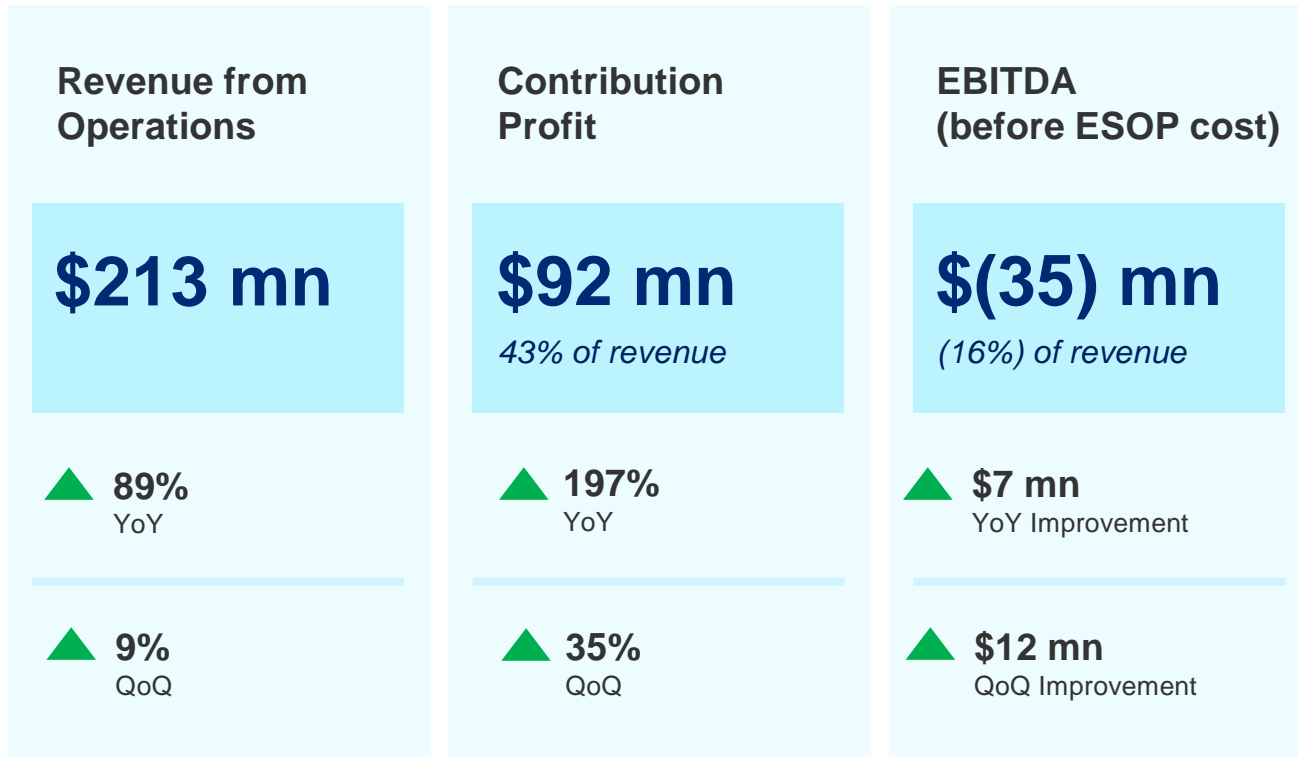
2. Being a daily installment product, monthly bounce rate is not applicable for merchant loans

3. Exchange Rate of 1 USD = 78.7 INR

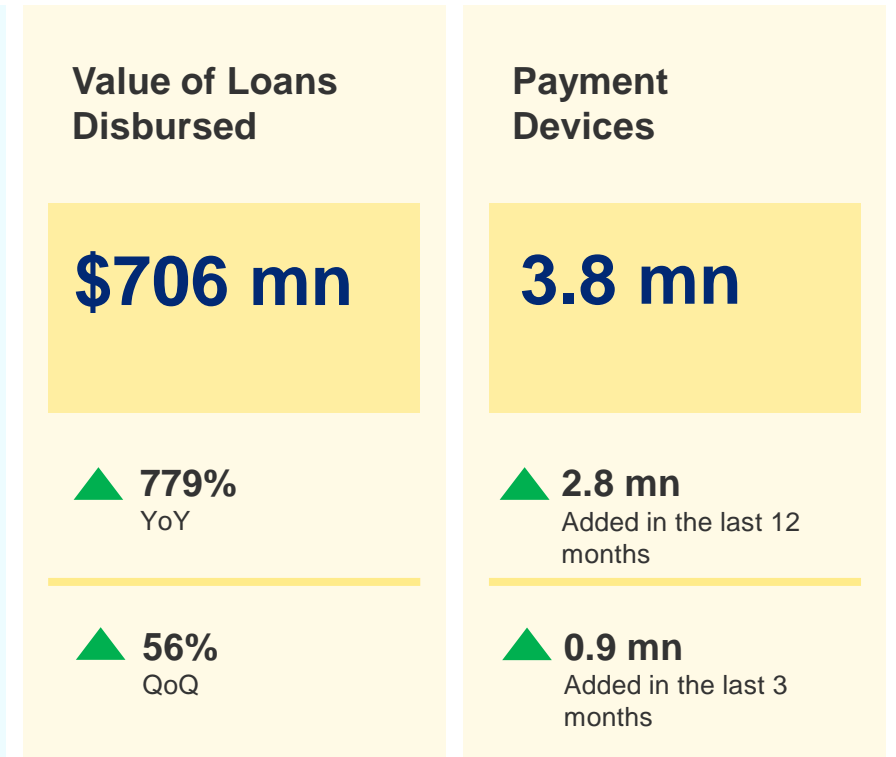
Strong improvement in revenues and profitability in Q1



Financial Highlights



Operational Highlights



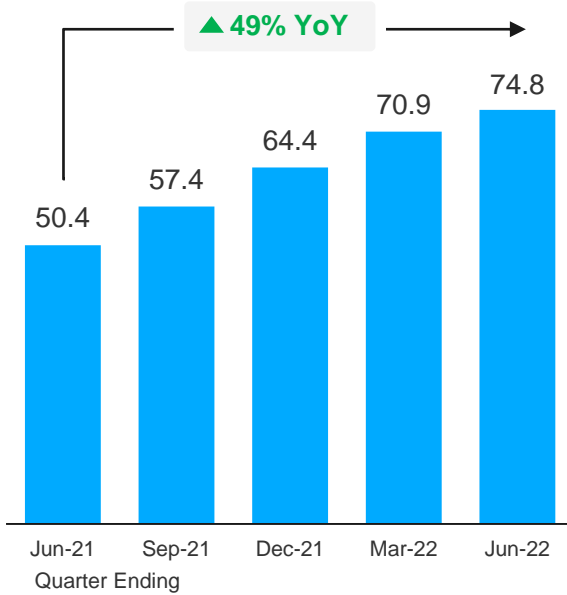
Notes:

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Sustained Momentum in Payments Key Operating Metrics

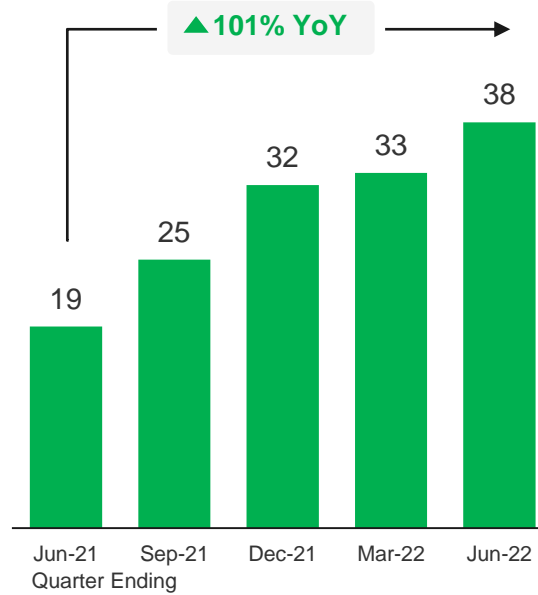


Average Monthly Transacting Users (in Million)



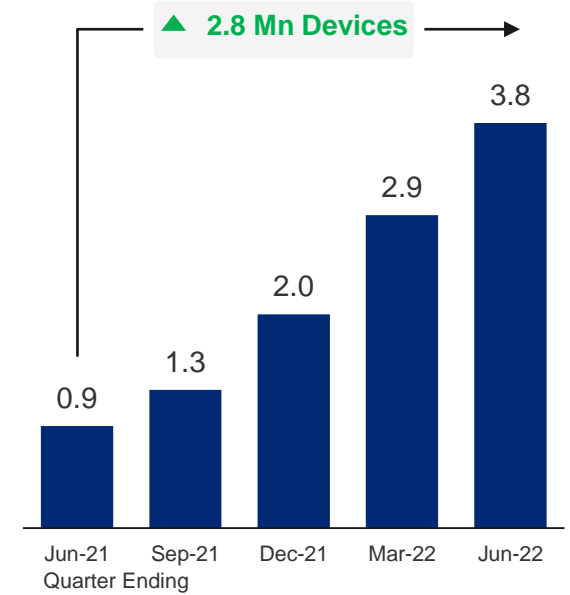
■ Sustained growth in monthly transacting users driven by customer acquisition through UPI

GMV (in \$ Billion)



■ GMV from MDR bearing instruments grew 52% YoY

Payment Devices Deployed (in Million)

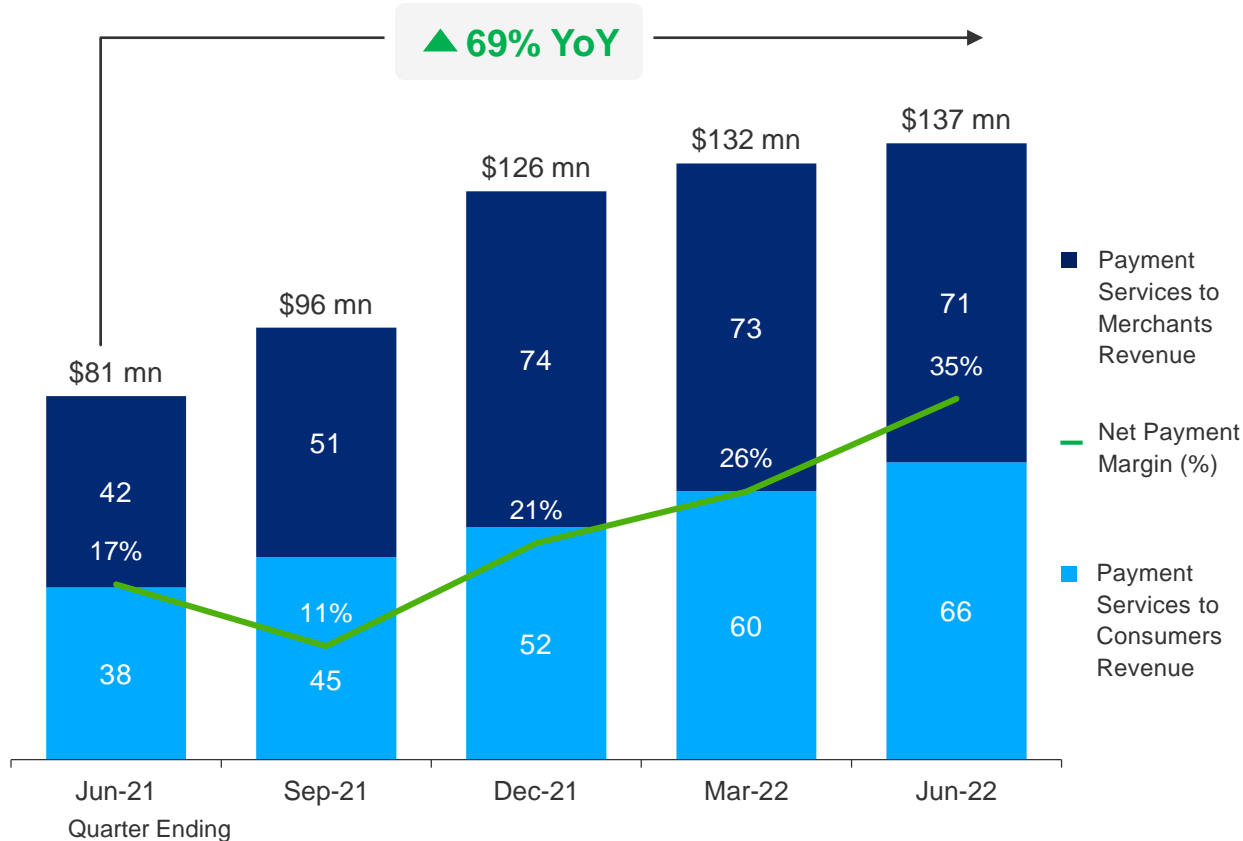


■ Device merchants accounted for over 75% of merchant loan disburseals

Notes:

1. MDR bearing instruments include Cards, Wallets, Netbanking and Paytm Postpaid
2. Exchange Rate of 1 USD = 78.7 INR

Payments Service Revenue Grew 69% YoY; Net Payments Margin Doubled YoY to 35% from 17%



Payment Services to Consumers: ▲ 73% to \$66 mn

Revenue for merchant payments collected on Paytm App. eg. Bill payments and top-ups

- a. GMV growth driven by MTU growth

Payment Services to Merchants: ▲ 67% to \$71 mn

Revenue for collecting payments on merchant's own App, Website or Shop / Store

- a. Our subscription revenues from merchants (for devices etc) continue to grow.
- b. Mar-22 quarter growth was flattish due to the impact of seasonality in Dec-21 quarter
- c. Account level rationalization among online merchants in Jun-22 quarter to focus on profitable GMV (revenue impact of \$4 mn)
- d. No UPI incentive recorded⁽³⁾ this quarter

Notes:

1. Net payment margin = (Payments revenue – payments processing charges) / payments revenue

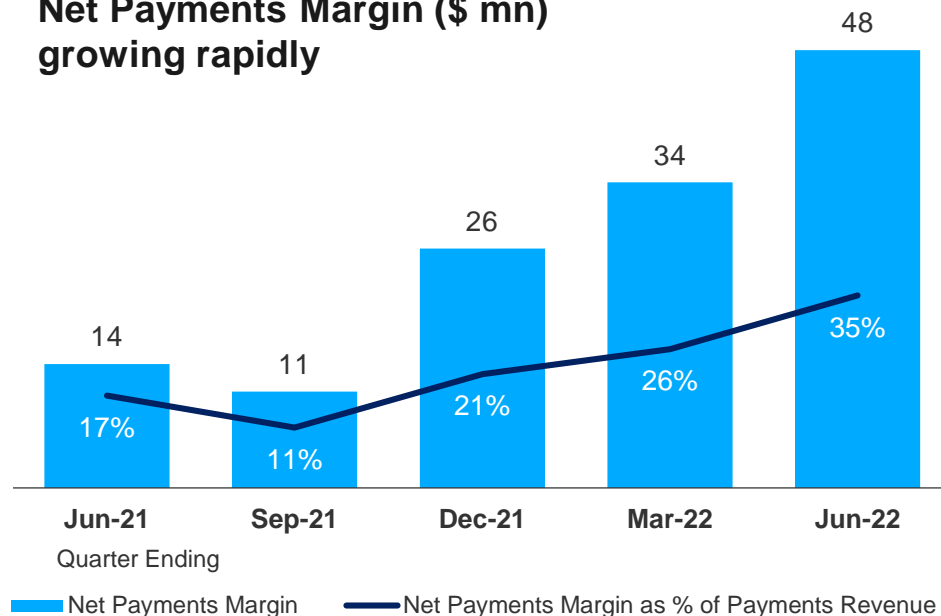
2. MDR from Postpaid is included in Payment Services and not in Financial Services

3. Although government incentives on UPI P2M transactions are announced in the annual budget, we will record revenues after the final notification is issued by MEITY. Hence, we recorded nil revenues this quarter

4. Exchange Rate of 1 USD = 78.7 INR

Net Payments Margin has Expanded with Focus on Profitable Growth and Cost Rationalisation

**Net Payments Margin (\$ mn)
growing rapidly**



(in \$ mn)	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22
Payments revenue	81	96	126	132	137
Payment processing charges	67	85	100	98	88
Net payments Margin	14	11	26	34	48
<i>as a % of revenue</i>	<i>17%</i>	<i>11%</i>	<i>21%</i>	<i>26%</i>	<i>35%</i>

Drivers of margin improvement

- Higher MTU growth driving revenue from Payment Services to Consumers
- Subscription revenue for payment devices continues to grow
- Substantial reduction in payments processing charges
 - Significant success in negotiating better payment processing rates from banks
 - Optimizations from better transaction routing
- Improved margin in online payments business: account level rationalisation to focus on profitable GMV

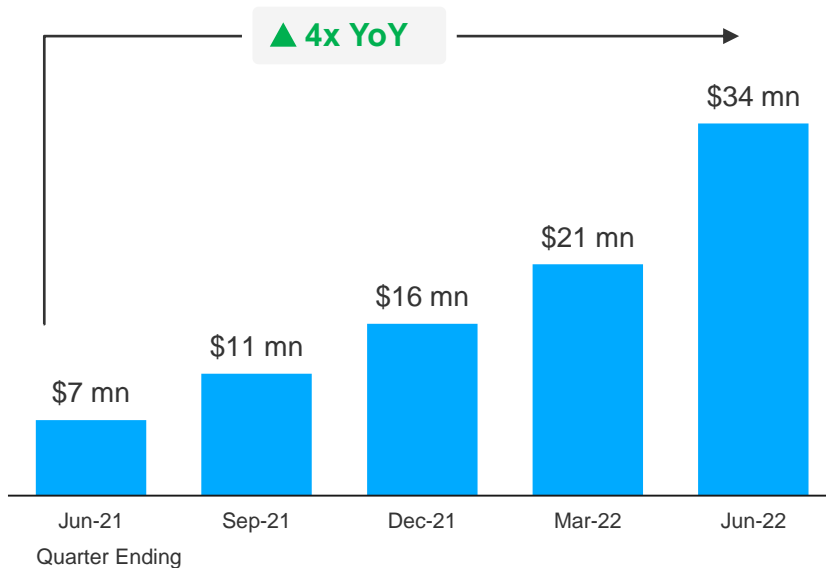
Notes:

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4x YoY growth in Financial Services Revenue, Loans Distribution at Annualized Run-rate of ~\$3 billion

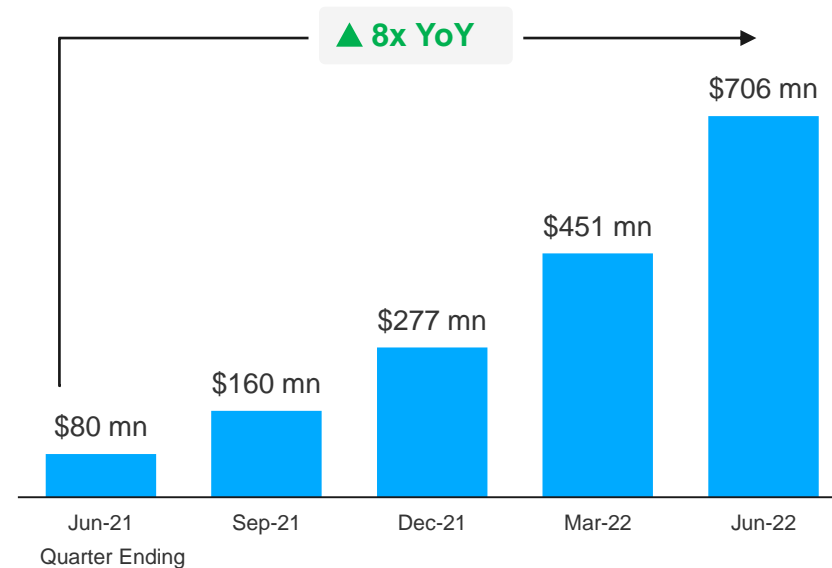


Revenue from Financial Services & Others



Financial Services revenues continue to scale; now accounting for 16% of total revenues, up from 6% in Jun 2021 quarter

Value of Loans disbursed



Strong focus on credit quality: We are being conservative on the quality of the book (especially given the possibility of macro headwinds)

Number of Loans grew 5x YoY

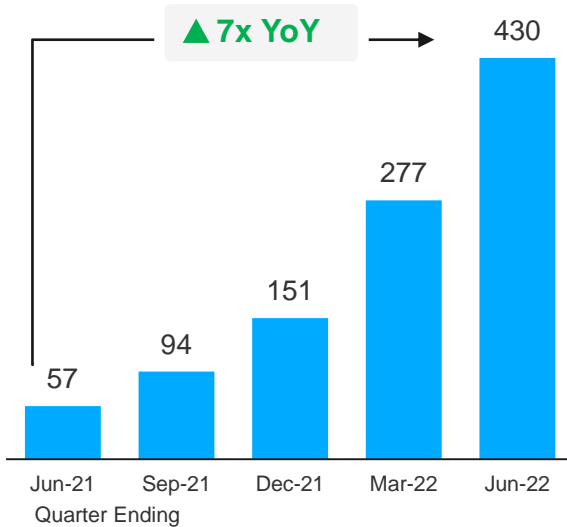
1.4 Mn	2.8 Mn	4.4 Mn	6.5 Mn	8.5 Mn
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Notes:
 1. Loans are disbursed by our financial institution partners
 2. Exchange Rate of 1 USD = 78.7 INR

Strong Growth across Loan Distribution: Significant Upside Potential from Increasing Penetration



Value of Postpaid Loans
(in \$ mn)

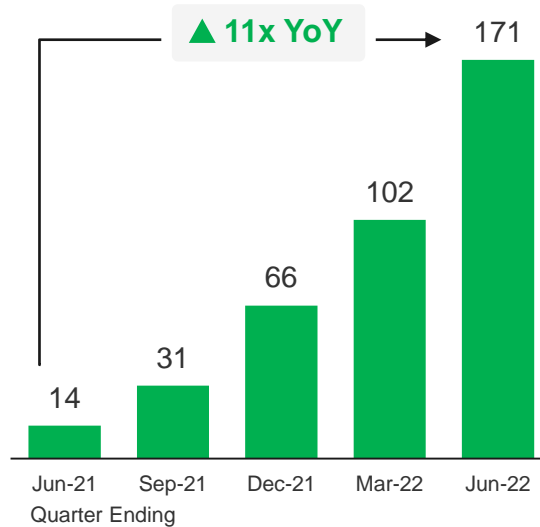


Number of Loans (Mn) grew 5x YoY

1.4	2.8	4.3	6.4	8.3
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- Postpaid is accepted at 11 Mn merchants and total base of over 5 Mn signed up users
- Penetration at 4% of MTU

Value of Personal Loans
(in \$ mn)

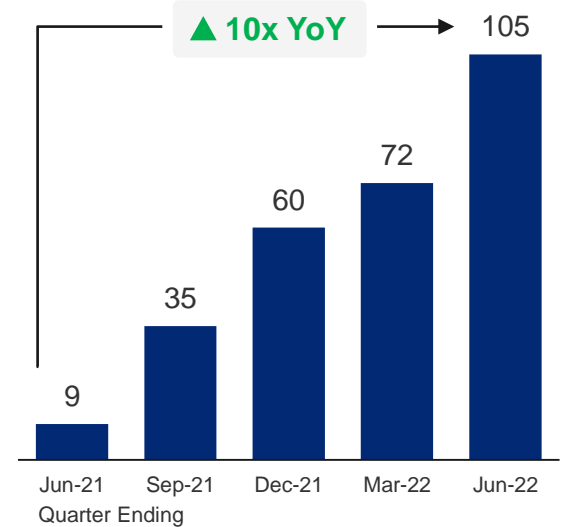


Number of Loans ('000) grew 9x YoY

13	29	60	92	132
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- Cross sell opportunities continue with over 50% of loans to existing Postpaid users
- Penetration at <0.5% of MTU

Value of Merchant Loans
(in \$ mn)



Number of Loans ('000) grew 9x YoY

6	23	35	38	60
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- Device merchants accounted for more than 75% of disbursements; Repeat rate of 45-50%
- Penetration at 4% of devices merchants

Notes:
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Our Collections Business Continues to Trend Better: Meaningful Performances Bonuses Starting to Come Through



Indicative portfolio performance for our partners ⁽¹⁾

		Personal Loan	Merchant Loan	Postpaid
All 3 products augmented through Paytm data and advanced machine learning models Continuous co-creation of risk models with our lending partners – helping scale and risk-based pricing	Bounce Rates	11.5% to 12.5%	NA ⁽²⁾	11.0% to 13.0%
Own collection technology platform aiding digital collections, better efficiency at lower operating expenses; Collection rates have remained stable with increasing scale	Bucket 1 Resolution %	89% to 92%	84% to 87%	81% to 83%
Capacity enhancement increasing with scale: increasing employees and have over 50 tie ups with on ground collection partners	Recovery Rate Post 90+	27% to 29%	31% to 33%	25% to 27%
Steady loss rates on static pool in line with Low and Grow model of scaling	Expected credit loss (ECL%)	4.5% to 5.0%	5.0% to 5.5%	1.1% to 1.3%

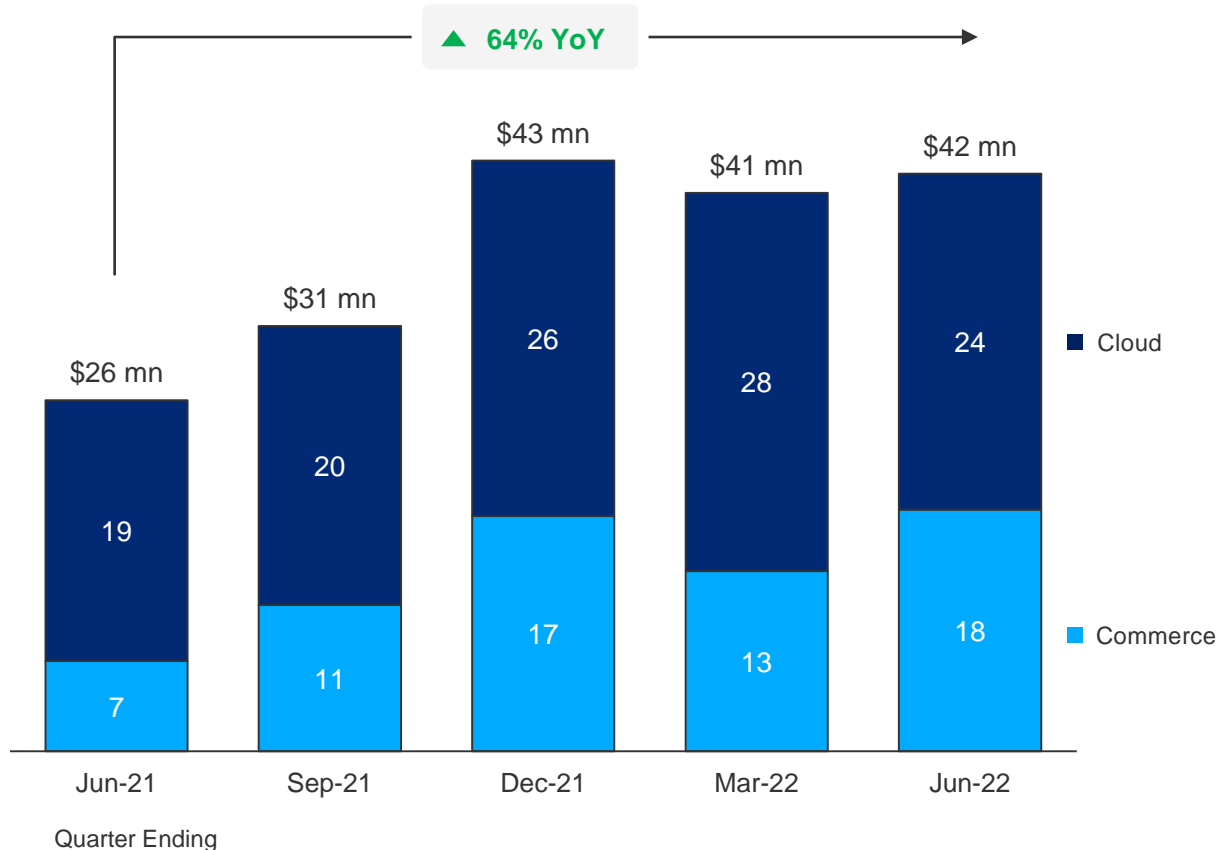
Notes:

1. Loans are underwritten and booked by our lending partners (NBFCs and Banks) in their balance sheets. Paytm acts as a collection outsourcing partner and the numbers are hence indicative of those efforts

2. Being a daily installment product, monthly bounce rate is not applicable

3. Exchange Rate of 1 USD = 78.7 INR

Commerce and Cloud Services Revenue Grew 64% YoY



Commerce Services: ▲ 168% to \$18 mn

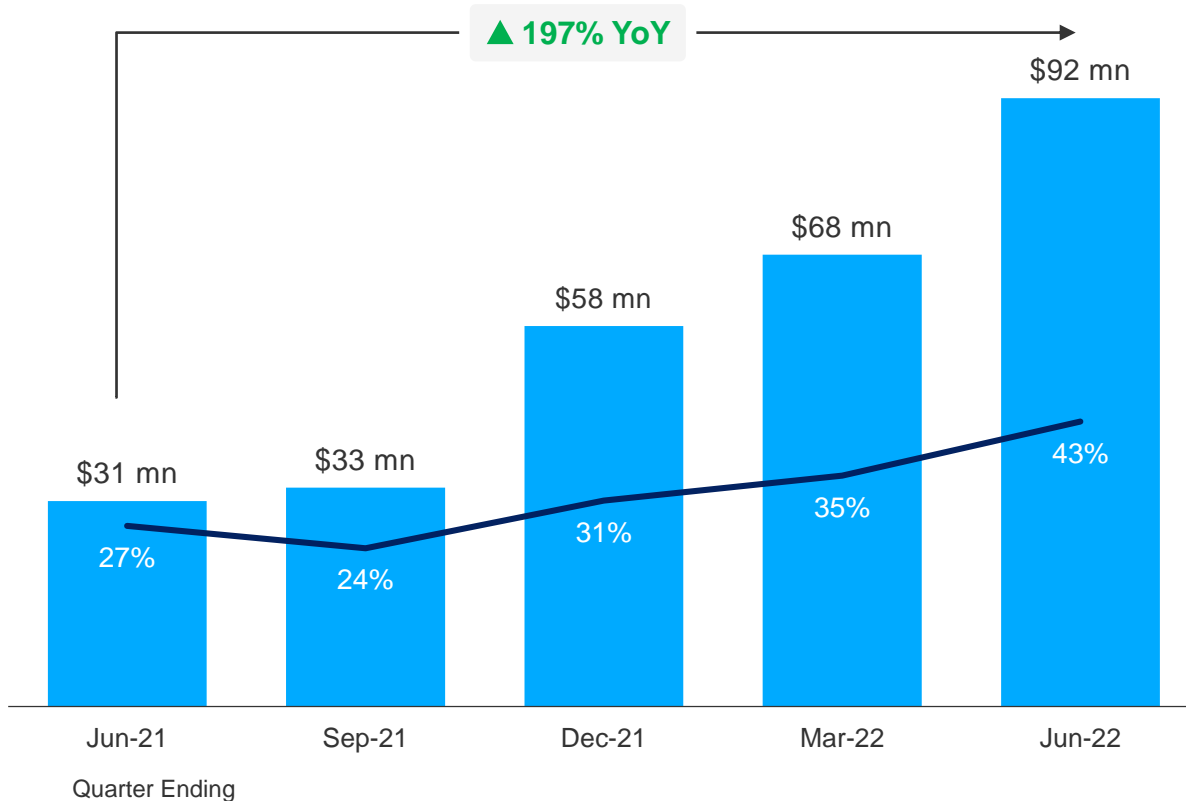
- a. Travel merchants sold more tickets QoQ driven by resurgent demand
- b. Entertainment merchants had a seasonally strong quarter driven by big movie releases, with significant growth QoQ

Cloud Services: ▲ 29% to \$24 mn

- a. Advertising is seeing headwinds due to reduced marketing spends by advertisers, particularly from consumer internet companies
- b. Started to see strong traction in credit card distribution and expect it to continue going forward

Notes:
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Focused on Profitable Revenue Growth: Contribution Profit up by 197% YoY



Drivers of contribution margin improvement

- Significant improvement in net payments margin (as explained above)
- Improvement in margins across businesses as well as change in mix of higher margin businesses
 - Financial services share has grown from 6% of total revenues to 16% YoY
 - Commerce revenues have grown 34% QoQ
- Promotional cashback & incentives and other direct costs as % of revenue have remained stable QoQ

Notes:

1. Exchange Rate of 1 USD = 78.7 INR

EBITDA (before ESOP cost) Improved by \$12 mn QoQ; Focus on Cost Rationalisation while Investing for Growth



(in \$ mn)	Quarter Ended			Change	
	Jun-21	Mar-22	Jun-22	YoY	QoQ
Contribution Profit	31	68	92	197%	35%
<i>Contribution Margin %</i>	<i>27.5%</i>	<i>35.0%</i>	<i>43.2%</i>	+16%	+8%
Marketing	A 10	17	22	127%	33%
Employee cost (excl ESOPs)	B 40	64	70	77%	10%
Software, cloud and data center	C 13	19	21	53%	7%
Other indirect expenses	10	16	14	35%	(9%)
Total indirect expenses	73	115	127	74%	10%
EBITDA (before ESOP cost)	D (42)	(47)	(35)	(17%)	(25%)
<i>EBITDA (before ESOP cost) Margin %</i>	<i>(37.3%)</i>	<i>(23.8%)</i>	<i>(16.4%)</i>	+21%	+7%

A Increase in Marketing costs almost entirely due to seasonal sponsorship spend

B 10% QoQ growth in employee costs, largely due to appraisals in Q1 FY23.

We continue to make selective investments in our sales team to drive device deployments (attractive economics + upsell opportunity), given that our overall contribution margin performance is ahead of internal plans

C Software, cloud and data center and Other indirect expenses have declined as % of revenue QoQ and YoY

D EBITDA (before ESOP cost) improved by \$12 mn QoQ. As a % of revenue, it improved to (16%) in Jun 2022 quarter from (37%) in Jun 2021 quarter

Notes:

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Key Trends in Our Business



1. Continued strong growth in users and merchants
2. Government incentives have now made UPI P2M GMV profitable; we believe Non-UPI GMV is not a relevant metric to focus on going forward
3. Loan disbursements through our platform have scaled to an annualized run rate of \$3 billion, with ample opportunity to increase penetration
4. Growing payment devices base helps us with significant engagement and monetization of merchants
5. Contribution improvement was driven by growing net payments margin and increase in high margin Financial services business (now 16% of total revenue, up from 6% YoY)
6. While we continue to invest in sales and technology, indirect expenses reducing as % of revenue
7. Prioritizing Payment Services and Lending in our resource allocation

Notes:

1. Exchange Rate of 1 USD = 78.7 INR



Annexure

Reconciliation of Non GAAP Measures

EBITDA (before ESOP cost)

(in \$ mn)	Quarter Ended		
	Jun-21 (Audited)	Mar-22 (Audited)	Jun-22 (Unaudited)
EBITDA before ESOP cost (A)	(42)	(47)	(35)
ESOP cost (B)	(5)	(46)	(46)
Initial Public Offer expenses (C)	0	0	0
Finance costs (D)	(1)	(1)	(1)
Depreciation and amortization expense (E)	(5)	(12)	(12)
Other income (F)	7	14	13
Share of profit / (loss) of associates / joint ventures (G)	(2)	(5)	(1)
Exceptional items (H)	(0)	0	0
Income Tax expense (I)	(0)	(0)	(1)
Loss for the period (J=Sum of A to I)	(49)	(97)	(82)

Notes:

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Revenue Breakdown



(in \$ mn)	Quarter Ended			Change	
	Jun-21	Mar-22	Jun-22	YoY	QoQ
Payments & Financial Services	88	154	171	95%	11%
Payment Services to Consumers	38	60	66	73%	11%
Payment Services to Merchants	42	73	71	67%	(3%)
Financial Services and Others	7	21	34	393%	61%
Commerce & Cloud Services	26	41	42	64%	3%
Commerce	7	13	18	168%	34%
Cloud	19	28	24	29%	(11%)
Other Operating Revenue	0	1	0	nm	(79%)
Revenue from Operations	113	196	213	89%	9%

Notes:

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Operational KPIs



(in \$ mn)	Units	Quarter Ended			Change	
		Jun-21	Mar-22	Jun-22	YoY	QoQ
GMV	\$ billion	19	33	38	101%	14%
Merchant Transactions	million	2,287	4,142	5,124	124%	24%
Total Transactions	million	2,785	5,029	6,126	120%	22%
MTU (avg over the period)	million	50.4	70.9	74.8	49%	6%
Registered Merchants (end of period)	million	21.8	26.7	28.3	na	na
Number of Loans Disbursed	'000	1,433	6,544	8,478	492%	30%
Devices Deployed	million	0.9	2.9	3.8	na	na
Average number of Sales employees	#	6,564	22,249	21,775	232%	(2%)

Notes:

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Focused on profitable revenue growth: Contribution Profit up by 197% YoY

(in \$ mn)	Quarter Ended			Change	
	Jun-21	Mar-22	Jun-22	YoY	QoQ
Revenue from Operations	113	196	213	89%	9%
Payment processing charges	67	98	88	32%	(10%)
<i>As % of GMV</i>	<i>0.36%</i>	<i>0.30%</i>	<i>0.23%</i>	(12 bps)	(6 bps)
Promotional cashback & incentives	8	15	18	136%	22%
Other Expenses	7	14	15	98%	6%
Total Direct Expenses	82	127	121	48%	(5%)
Contribution Profit	31	68	92	197%	35%
<i>Contribution Margin %</i>	<i>27.5%</i>	<i>35.0%</i>	<i>43.2%</i>	+16%	+8%

Notes:

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Definitions for Metrics & Key Performance Indicators



Metric	Definition
GMV	GMV is the rupee value of total payments made to merchants through transactions on our app, through Paytm Payment Instruments or through our payment solutions, over a period. It excludes any consumer-to-consumer payment service such as money transfers.
Monthly Transacting User (MTU)	Unique users with at least one successful transaction in a particular calendar month
Contribution Profit	Contribution profit is a non-GAAP financial measure. We define Contribution profit as revenue from operations less payment processing charges, promotional cashback & incentives expenses, connectivity & content fees, contest, ticketing & FASTag expenses & logistic, deployment & collection cost of our businesses.
EBITDA (before ESOP cost)	EBITDA (before ESOP cost) is a Non-GAAP financial measure. We define EBITDA (before ESOP cost) as our loss for the period, before depreciation & amortization expense, income tax expense, share based payment expense, finance costs, other income, loss for the period from discontinued operations, exceptional items, IPO expenses & share of profit/(loss) of associates/joint ventures.



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