



November 8, 2022

BSE Limited

Department of Corporate Services,
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai - 400 001

Scrip Code: 543396

National Stock Exchange of India Limited

The Listing Department,
Exchange Plaza,
Bandra Kurla Complex,
Mumbai - 400 051

Symbol: PAYTM

Sub.: Earnings Conference Call - Presentation

Dear Sir / Ma'am,

In furtherance to our letter dated October 14, 2022 and in terms of regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed copy of the presentation made during the earnings conference call held today i.e. November 8, 2022.

This presentation will also be hosted on the Company's website viz. <https://ir.paytm.com/financial-results>.

Kindly take the same on record.

Thanking you,

Yours Sincerely,
For **One 97 Communications Limited**

Amit Khera
Company Secretary & Compliance Officer

Encl. as Above



Earnings Presentation

For quarter ending September 2022

Disclaimer



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Forward-looking statements and financial projections include, among other things, statements about: our expectations regarding our transaction volumes, expenses, sales and operations; our future merchant and consumer concentration; our anticipated cash needs, our estimates regarding our capital requirements, our need for additional financing; our ability to anticipate the future needs of our merchants and consumers; our plans for future products and enhancements of existing products; our future growth strategy and growth rate; our future intellectual property; and our anticipated trends and challenges in the markets in which we operate. Forward-looking statements are not guarantees of future performance including those relating to general business plans and strategy, future outlook and growth prospects, and future developments in its businesses and its competitive and regulatory environment. These forward-looking statements represent only the Company’s current intentions, beliefs or expectations, and no representation, warranty or undertaking, express or implied, is made or assurance given that such statements, views, projections or forecasts in the Presentation, if any, are correct or that any objectives specified herein will be achieved.

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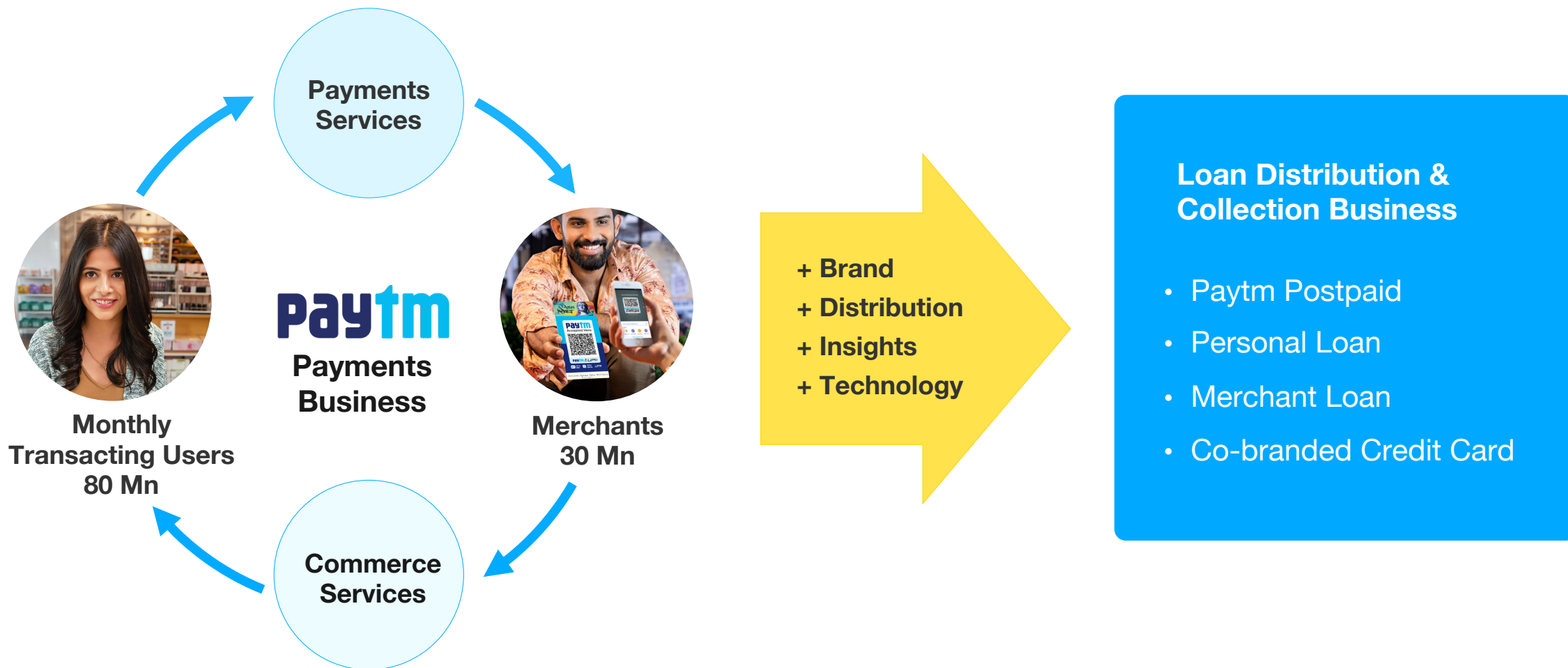
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Use of Operating Metrics

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



Revenue from Payments and Commerce & Cloud Services at ₹1,550 Cr in Q2 FY 2023 (up 55% YoY)



	Services merchants use	Revenue Model	Revenue (Q2 FY 2023)
 Enabling commerce for merchants	Advertising, selling gift vouchers and tickets	Advertising revenues and commission	Commerce and Cloud ₹ 377 Cr ▲ 55% YoY, ▲ 14% QoQ
 Online Merchants use our app to collect payments	Bill Payments	Merchants pay us MDR Select Customers pay platform fee	Payment Services to Consumers ₹ 549 Cr ▲ 55% YoY, ▲ 6% QoQ
 Online / Omni-channel Merchant	Online payment services	MDR and subscription	Payment Services to Merchants ₹ 624 Cr ▲ 56% YoY, ▲ 12% QoQ
 Enterprise Merchant	Card machine	MDR and subscription	
 High Volume Offline Merchant	Soundbox for Paytm Wallet and UPI	Subscription and Government subvents UPI MDR	
 Entry level Offline merchant	Paytm QR for Paytm Wallet and UPI	Government subvents UPI MDR	

Loan Distribution and Collection: ₹7,313 Cr of Disbursements in Q2



Paytm Strengths	Paytm Revenue Model	In Q2 FY23	Personal Loans	Merchant Loans	Paytm PostPaid
<ul style="list-style-type: none"> • Loan Sourcing: from Paytm's large consumer and merchant base • Deep Insights • Fully Digital • Instant disbursement • Collections: built on Paytm's payments rails 	1 Loan Sourcing and Cross-sell	Loan Amount & Tenure	~₹110,000 for ~14 months	~₹150,000 for ~12 months	~₹4,500 Monthly billing
		Total Disbursement & YoY Growth	₹2,055 Cr ▲ 736% YoY	₹1,208 Cr ▲ 342% YoY	₹4,050 Cr ▲ 449% YoY
	2 EMI Servicing and Collection	Bounce Rate	11.5% to 12.5%	NA (daily instalment 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

Revenue growth of 76% YoY, EBITDA before ESOP cost improved by 61% YoY



Financial Highlights

Revenue from Operations

₹1,914 Cr

▲ 76%
YoY

▲ 14%
QoQ

Contribution Profit

₹843 Cr

44% of revenue

▲ 224%
YoY

▲ 16%
QoQ

EBITDA before ESOP cost

₹(166) Cr

(9%) of revenue

▲ ₹259 Cr
YoY Improvement

▲ ₹108 Cr
QoQ Improvement

Operational Highlights

Value of Loans Disbursed

₹7,313 Cr

▲ 482%
YoY

▲ 32%
QoQ

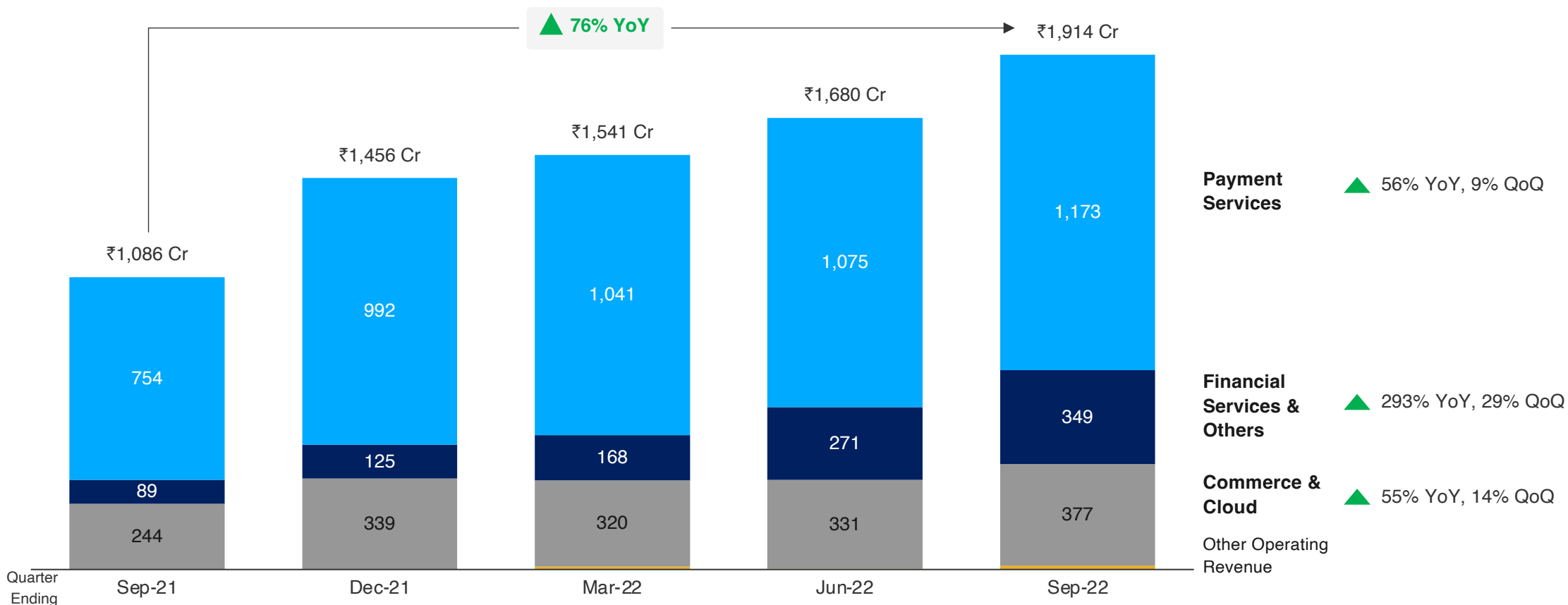
Merchant Subscriptions
(Payment Devices)

4.8 Mn

▲ 3.5 Mn
Added in the last 12 months

▲ 1.1 Mn
Added in the last 3 months

Revenue growth led by platform expansion and increased monetization across businesses



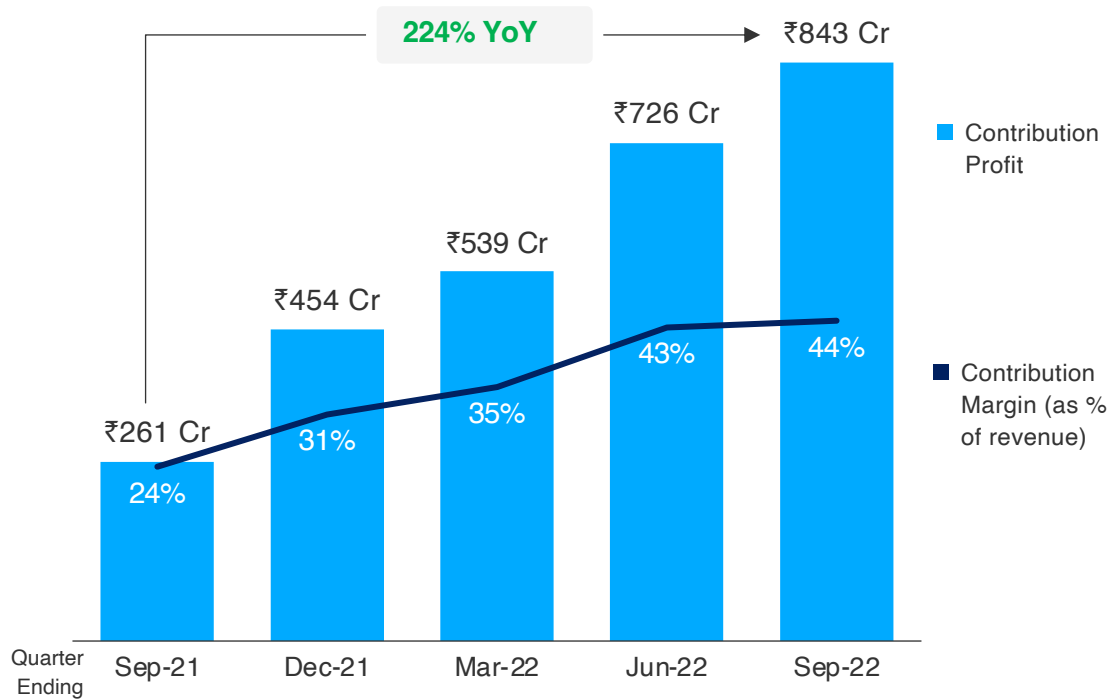
Notes:

1 Other Operating Revenue is ancillary revenue of Payments and was ₹15 Cr in Q2 FY 2023, ₹2 Cr in Q1 FY 2023, ₹12 Cr in Q4 FY2022 and nil in Q3 FY 2022 and Q2 FY 2022

Contribution Profit expansion led by growth in net payments margin and loan distribution revenues

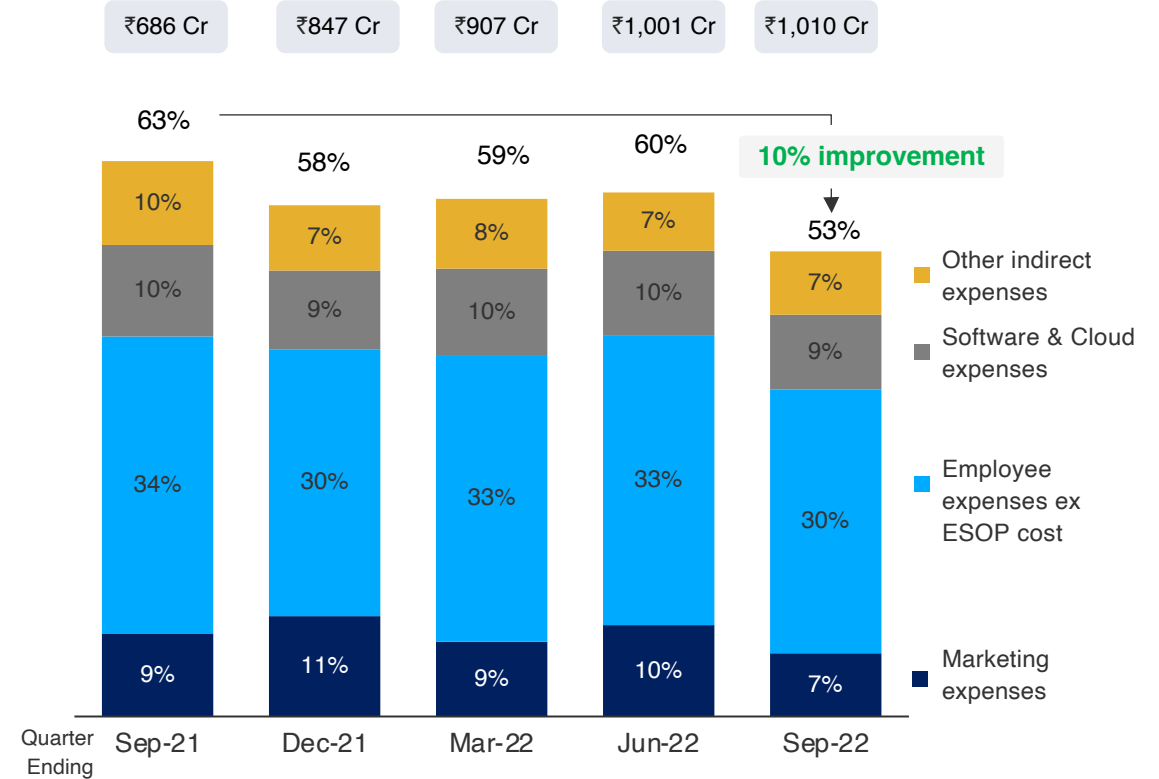


Contribution profit and margin



- Payments is more profitable: net payments margin grew to ₹443 Cr
- High margin Loan distribution has driven better mix

Indirect cost (as % of revenue)

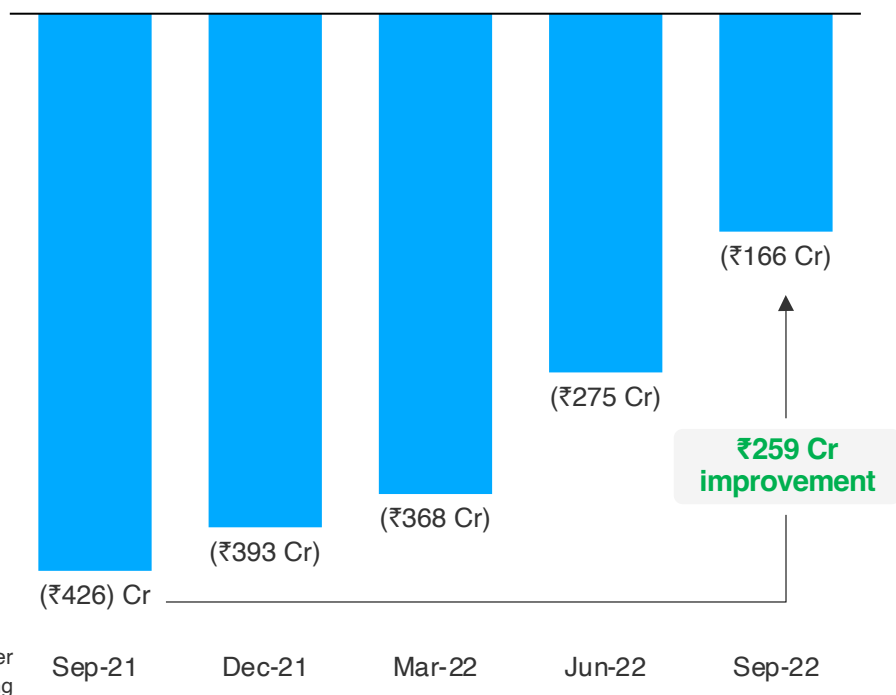


- Improvement in indirect costs despite investments in technology, sales and marketing (for eg, investments in sales team was ₹172 Cr in the quarter vs ₹94 Cr in Sep-21 quarter)

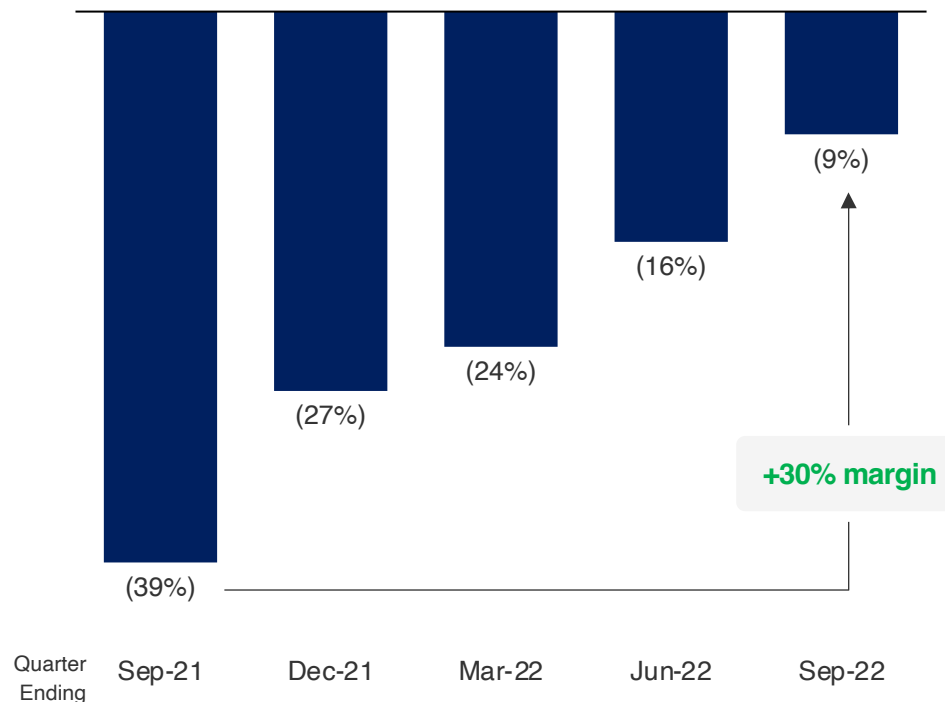
61% YoY improvement in EBITDA before ESOP cost



EBITDA before ESOP Cost



EBITDA before ESOP cost margin

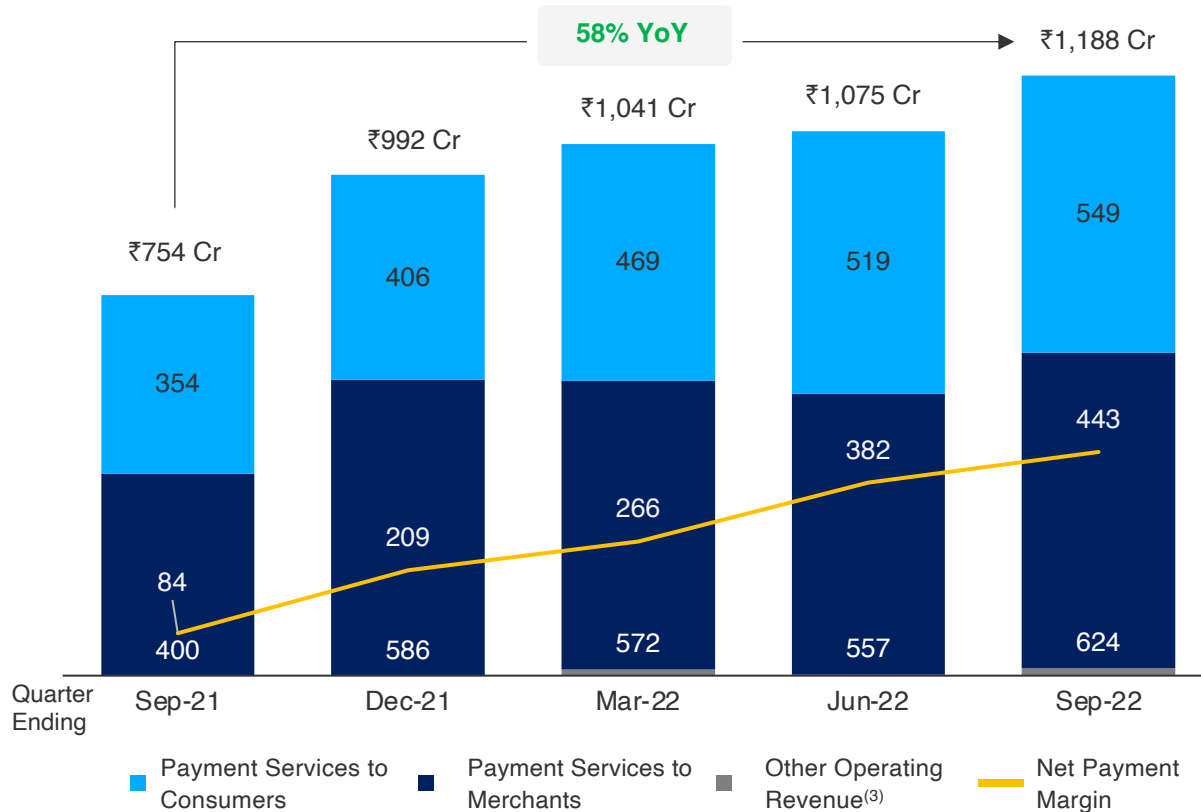


- Sharp improvement in EBITDA before ESOP cost due to huge operating leverage, despite continued investments

Drivers of +30% EBITDA before ESOP cost margin improvement:

- 20% YoY improvement in Contribution Margin
- 10% reduction in indirect expenses (as a % of revenue)

Continued Payments Services revenue growth with higher profitability



Payment Services to Consumers revenue (up 55% to ₹549 Cr)

- a. Continued growth in MTU and GMV

Payment Services to Merchants revenue (up 56% to ₹624 Cr)

- a. Subscription and MDR revenues from offline merchants continue to grow
- b. Growth in revenues from online merchants, primarily e-commerce
- c. No UPI incentive recorded⁽²⁾ this quarter

Net Payments margin (up 428% YoY to ₹ 443 Cr)

- a. Focus on reduction in payment processing charges, in addition to revenue momentum

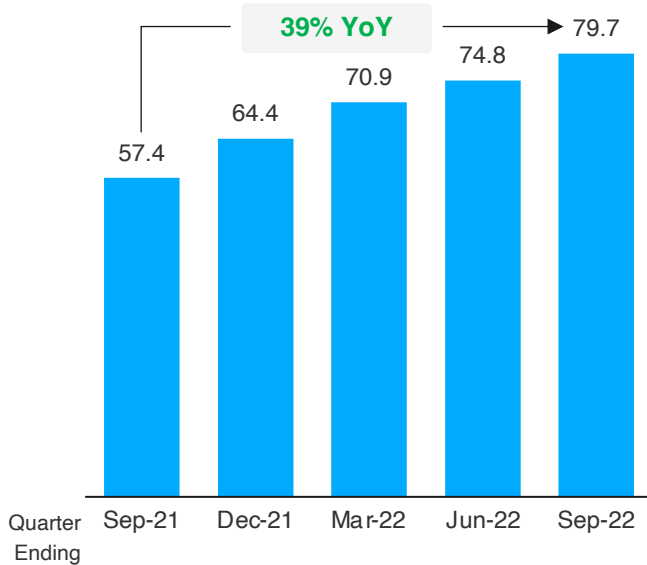
Notes:

- MDR from Postpaid is included in Payment Services and not in Financial Services
- 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
- Other Operating Revenue is ancillary revenue of Payments and was ₹15 Cr in Q2 FY 2023, ₹2 Cr in Q1 FY 2023, ₹12 Cr in Q4 FY2022 and nil in Q3 FY 2022 and Q2 FY 2022
- Calculation of Net Payment Margin includes other operating revenue in Q2 FY 2023, and does not include it in previous quarters

Momentum in Payments key operating metrics driving revenue growth

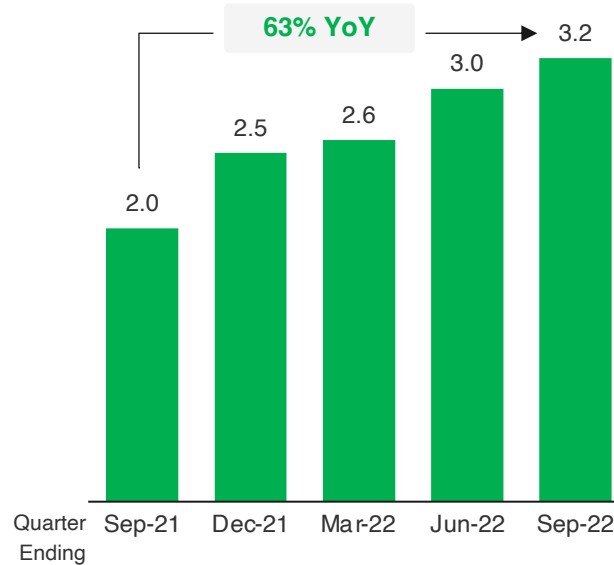


Average Monthly Transacting Users (in Million)



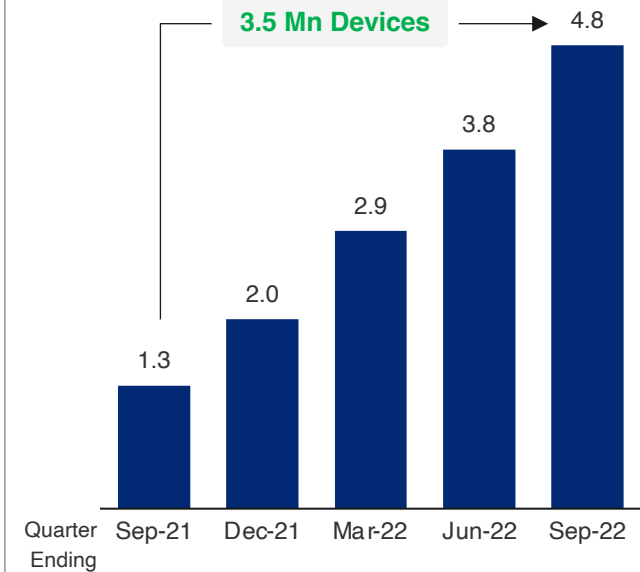
- Sustained growth in monthly transacting users driven by increasing customer acquisition
- Improvement in customer retention

GMV (in ₹ Lakh Cr)



- Driven by MTU growth and increased use cases
- Offline merchants GMV growth higher as devices business gains scale

Merchant Subscriptions (Payment Devices) (in Million)

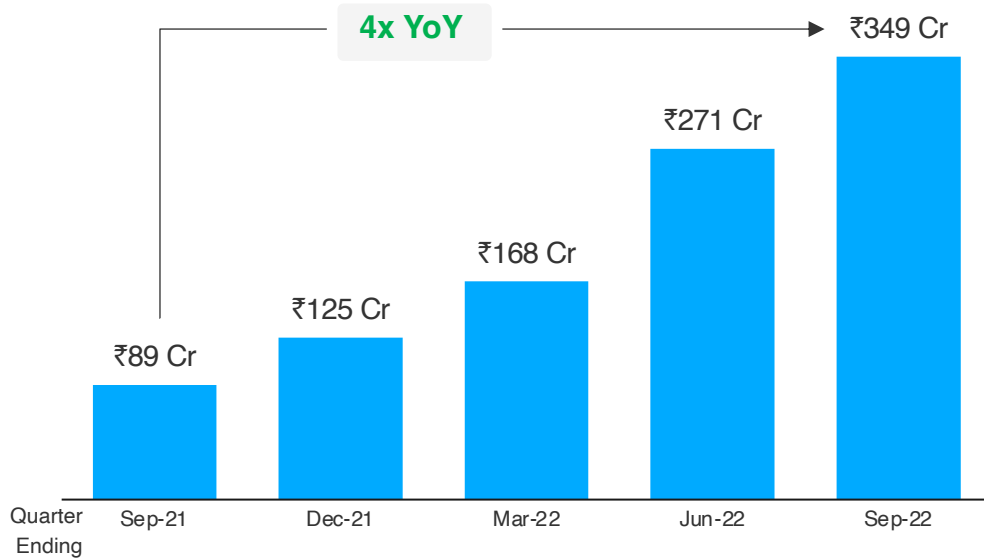


- 1.1 million devices deployed in the quarter
- Device merchants accounted for over 85% of merchant loan disbursements

Led by Lending, Financial Services revenue has grown 4x YoY



Revenue from Financial Services & Others



- Financial Services revenues continue to scale; now accounting for 18% of total revenues, up from 8% in Sep-21 quarter

Lender's Scope

- Customer's KYC
- Capital deployment
- Underwriting and risk ownership
- Bureau reporting
- Regulatory compliance (including digital lending guidelines)

Paytm Scope

- Loan Sourcing
- Deep Insights
- Fully Digital
- Instant disbursement
- Collections

Lending Products

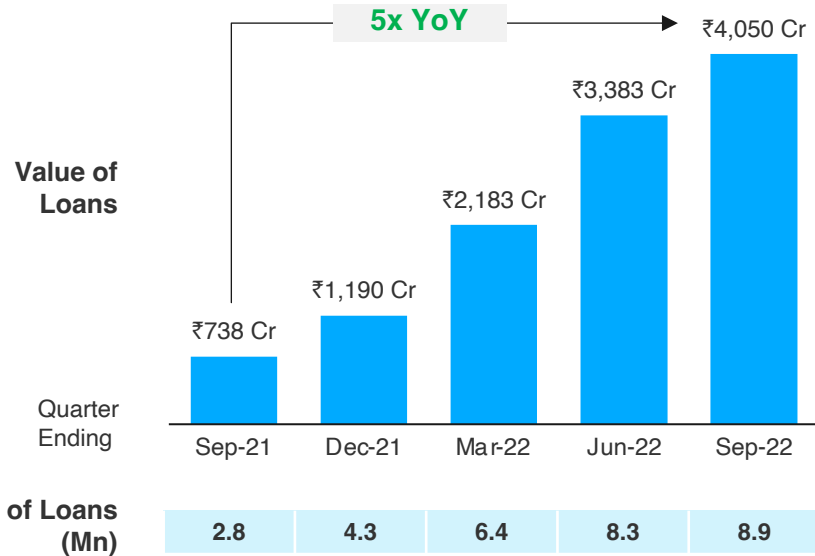
- Paytm Postpaid (Consumption BNPL)**
 - Small-ticket everyday purchases
 - Acceptance network (15 mn merchants)
- Personal Loans**
 - Fully digital
 - Convenience
- Merchant Loans**
 - For working capital requirements
 - Linked to payment acceptance behavior
 - Daily repayment

Offering small ticket credit disbursement and collection in partnership with lenders



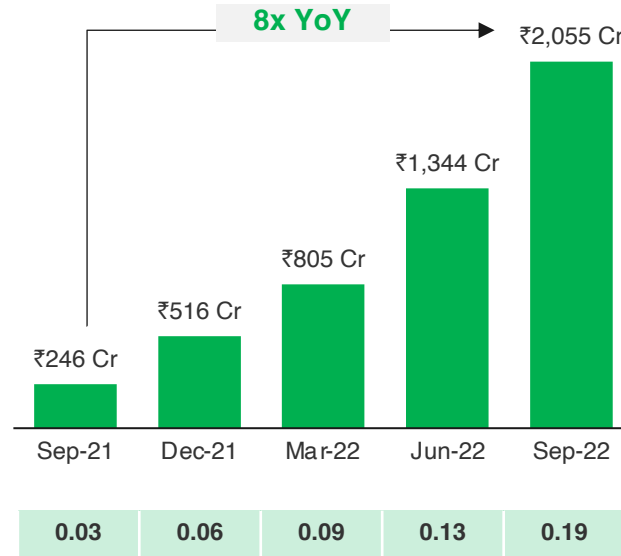
Postpaid Loans

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



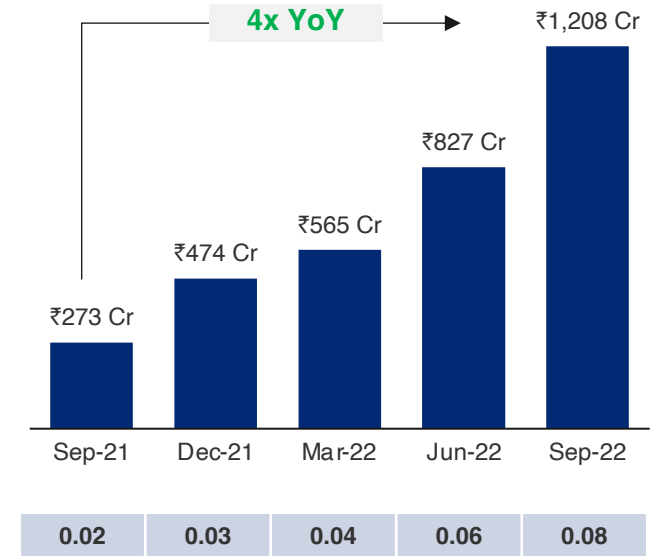
Personal Loans

- 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

Sustained trends in Loan Collections



Indicative portfolio performance for our partners ⁽¹⁾

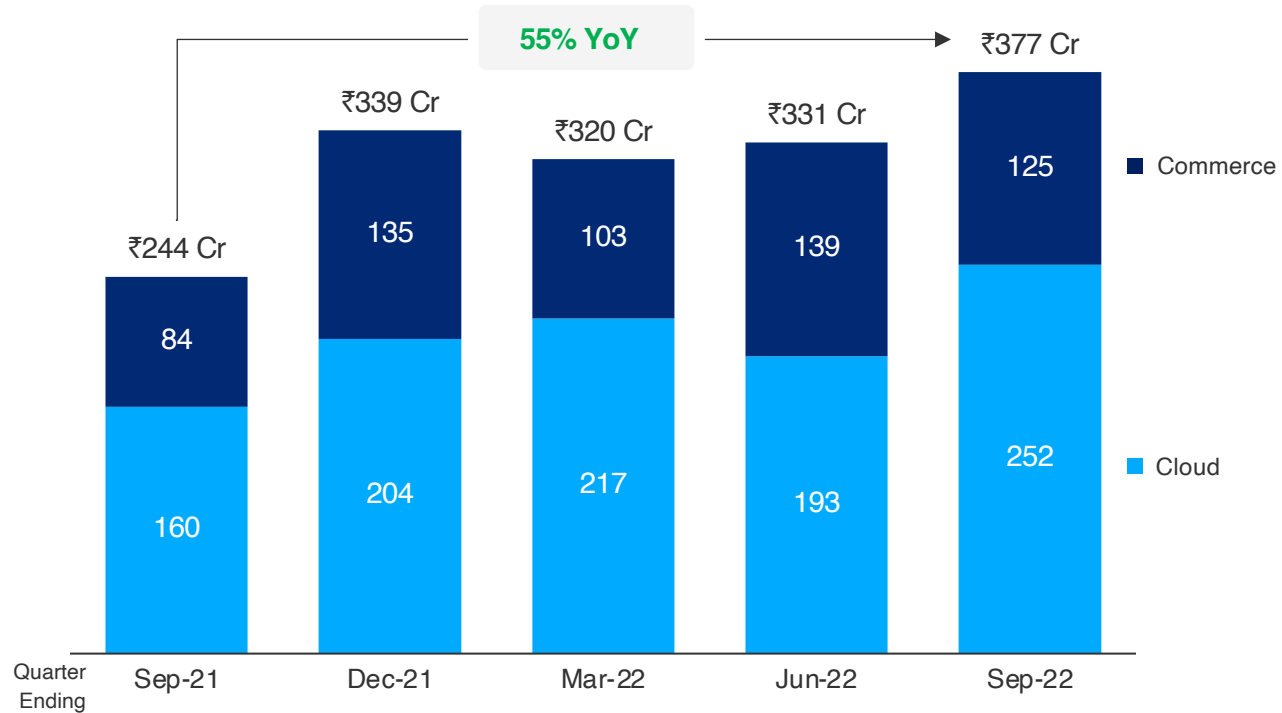
		Personal Loan	Merchant Loan	Postpaid
<p>All 3 products augmented through Paytm data and advanced machine learning models</p> <p>Continuous co-creation of risk models with our lending partners – helping scale and risk-based pricing</p>	Bounce Rates	11.5% to 12.5%	NA ⁽²⁾	11.0% to 13.0%
<p>Own collection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

Steady growth in high margin Commerce & Cloud revenue



Commerce Services: up 49% to ₹125 Cr

- a. Travel merchants sold more tickets QoQ driven by resurgent demand
- b. Entertainment merchants had a seasonally weak quarter

Cloud Services: up 58% to ₹252 Cr

- a. Started to see recovery in advertising revenue
- b. Growth in credit card distribution as well as PAI cloud revenues

Improvement in EBITDA before ESOP costs while continuing investments in scale and growth

(in ₹ Cr)	Quarter Ended		YoY Growth
	Sep-21	Sep-22	
MTU (mn)	57.4	79.7	39%
Devices deployed (mn)	1.3	4.8	+3.5 mn
Value of loans disbursed	1,257	7,313	482%
Revenue from Operations	1,086	1,914	76%
Payment Services to Consumers	354	549	55%
Payment Services to Merchants	400	624	56%
Financial Services & Others	89	349	293%
Commerce & Cloud	244	377	55%
Contribution Profit	261	843	224%
<i>Contribution Margin</i>	<i>24%</i>	<i>44%</i>	<i>+20%</i>
Indirect Expenses	(686)	(1,010)	47%
<i>As % revenues</i>	<i>(63%)</i>	<i>(53%)</i>	<i>+10%</i>
EBITDA before ESOP cost	(426)	(166)	+259
<i>EBITDA before ESOP cost Margin</i>	<i>(39%)</i>	<i>(9%)</i>	<i>+30%</i>

Platform Expansion =
Higher Monetization Capacity

Revenue growth across all
businesses

Improving unit economics
+
Operating leverage while
continuing investments
=
Improvement in EBITDA before
ESOP cost



Annexure

Revenue Growth of 76% YoY



(in ₹ Cr)	Quarter Ended			Change	
	Sep-21	Jun-22	Sep-22	YoY	QoQ
Payments & Financial Services	843	1,346	1,522	81%	13%
Payment Services to Consumers	354	519	549	55%	6%
Payment Services to Merchants	400	557	624	56%	12%
Financial Services and Others	89	271	349	293%	29%
Commerce & Cloud Services	244	331	377	55%	14%
Commerce	84	139	125	49%	(10%)
Cloud	160	193	252	58%	31%
Other Operating Revenue	-	2	15	nm	525%
Revenue from Operations	1,086	1,680	1,914	76%	14%

Contribution Profit up by 224% YoY



(in ₹ Cr)	Quarter Ended			Change	
	Sep-21	Jun-22	Sep-22	YoY	QoQ
Revenue from Operations	1,086	1,680	1,914	76%	14%
Payment processing charges	670	694	746	11%	8%
<i>As % of GMV</i>	<i>0.34%</i>	<i>0.23%</i>	<i>0.23%</i>	(11 bps)	(0 bps)
Promotional cashback & incentives	83	143	191	128%	33%
Other Expenses	72	117	134	85%	15%
Total Direct Expenses	826	954	1,071	30%	12%
Contribution Profit	261	726	843	224%	16%
<i>Contribution Margin %</i>	<i>24.0%</i>	<i>43.2%</i>	<i>44.1%</i>	<i>+20%</i>	<i>+1%</i>

EBITDA before ESOP cost improved by ₹108 Cr QoQ



(in ₹ Cr)	Quarter Ended			Change	
	Sep-21	Jun-22	Sep-22	YoY	QoQ
Contribution Profit	261	726	843	224%	16%
<i>Contribution Margin %</i>	<i>24.0%</i>	<i>43.2%</i>	<i>44.1%</i>	+20%	+1%
Marketing	102	175	137	34%	(22%)
Employee cost (excl ESOPs)	367	553	573	56%	4%
Software, cloud and data center	113	162	173	53%	7%
Other indirect expenses	104	111	127	22%	14%
Total indirect expenses	686	1,001	1,010	47%	1%
EBITDA before ESOP cost	(426)	(275)	(166)	(61%)	(39%)
<i>EBITDA before ESOP cost Margin %</i>	<i>(39.2%)</i>	<i>(16.4%)</i>	<i>(8.7%)</i>	+30%	+8%

Reconciliation of Non-GAAP Measures



EBITDA before ESOP cost

(in ₹ Cr)	Quarter Ended		
	Sep-21 (Unaudited)	Jun-22 (Unaudited)	Sep-22 (Unaudited)
EBITDA before ESOP cost (A)	(426)	(275)	(166)
ESOP cost (B)	(19)	(359)	(371)
Initial Public Offer expenses (C)	(8)	0	0
Finance costs (D)	(10)	(6)	(5)
Depreciation and amortization expense (E)	(50)	(97)	(104)
Other income (F)	48	102	100
Share of profit / (loss) of associates / joint ventures (G)	(7)	(6)	(9)
Exceptional items (H)	0	0	0
Income Tax expense (I)	(2)	(5)	(15)
Loss for the period (J=Sum of A to I)	(474)	(645)	(571)

Operational KPIs



(in ₹ Cr)	Units	Quarter Ended			Change	
		Sep-21	Jun-22	Sep-22	YoY	QoQ
GMV	₹ Lakh Cr	2.0	3.0	3.2	63%	8%
Merchant Transactions	million	2,692	5,124	5,752	114%	12%
Total Transactions	million	3,316	6,126	6,885	108%	12%
MTU (avg over the period)	million	57.4	74.8	79.7	39%	7%
Registered Merchants (end of period)	million	23.0	28.3	29.5	na	na
Number of Loans Disbursed	'000	2,841	8,478	9,192	224%	8%
Value of Loans	₹ Cr	1,257	5,554	7,313	482%	32%
Payment Devices (cumulative; end of period)	million	1.3	3.8	4.8	na	na
Average number of Sales Employees	#	11,225	21,775	24,703	na	na
Cost of sales employees (including training)	₹ Cr	94	161	172	83%	7%

Number of sales employees includes on-roll and off-rolls employees. Cost relates to on-roll employees only

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.
Net Payments Margin	Payments revenues (including other operating revenue) less payments processing charges
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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