



February 6, 2023

**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 January 24, 2023 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. February 6, 2023.

This presentation will also be hosted on the Company's website viz. <https://paytm.com/investor-relations/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 December 2022

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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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## Use of Operating Metrics

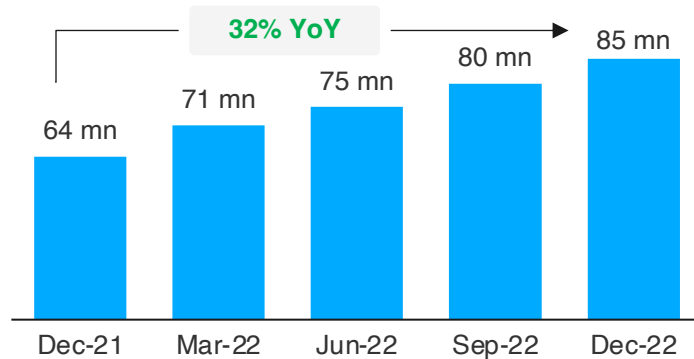
The operating metrics reported in this Presentation are calculated using internal Company data based on the activity of our merchants, consumers and other participants in our ecosystem. While these numbers are based on what we believe to be reasonable estimates of engagement, for the applicable period 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.

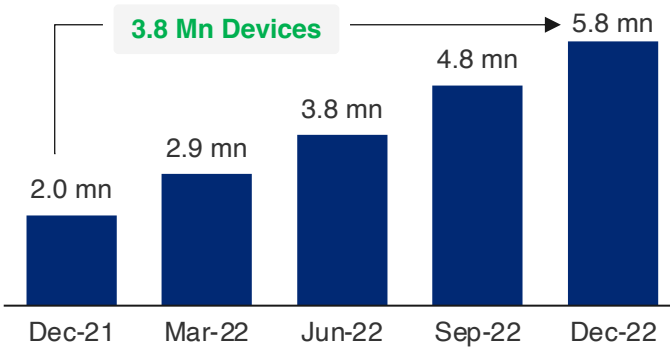
# Sustained momentum in Payments & Credit business



### Average Monthly Transacting Users



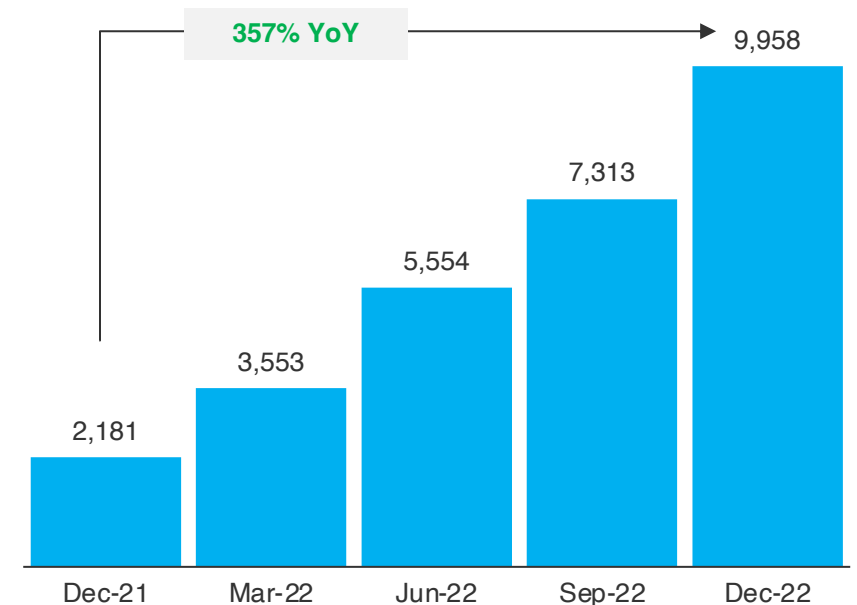
### Subscription Paying Merchants



Merchants pay subscription for our devices



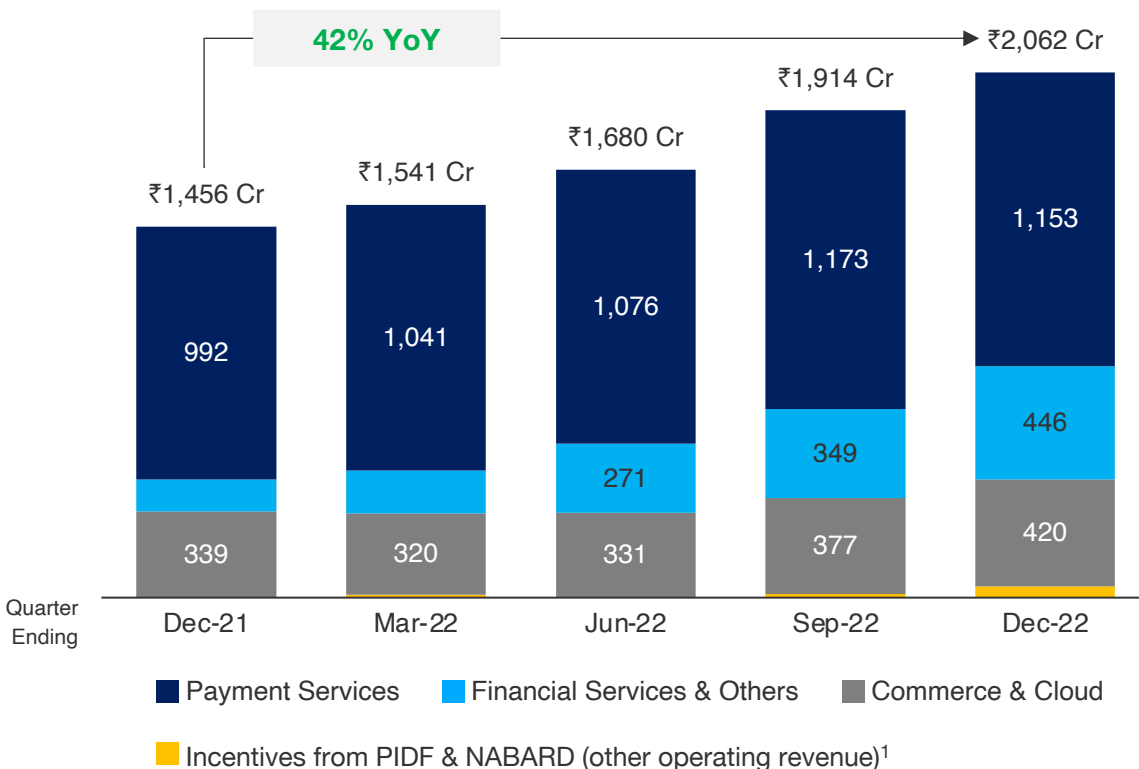
### Value of loans disbursed through Paytm (₹ Crore) (Qtr ending)



### # of Loans (Mn)

4.4	6.5	8.5	9.2	10.5
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# Revenue growth driven by continued platform expansion & increased monetization across businesses



## Payments revenue<sup>2</sup> ▲ 21% YoY to ₹1,197 Cr

1. On a like-for-like basis, i.e. including UPI incentive, growth would be 34% YoY (Detailed explanation on Slide 6)
2. Reported revenue growth (YoY & QoQ) impacted by timing of e-commerce festive sales (which were mostly in Q3 FY 2022 and Q2 FY 2023) and focus on profitable GMV

## Financial Services revenue ▲ 257% YoY to ₹446 Cr

1. Driven by loan distribution business
2. Now accounts for 22% of revenues (9% in Q3 FY 2022)

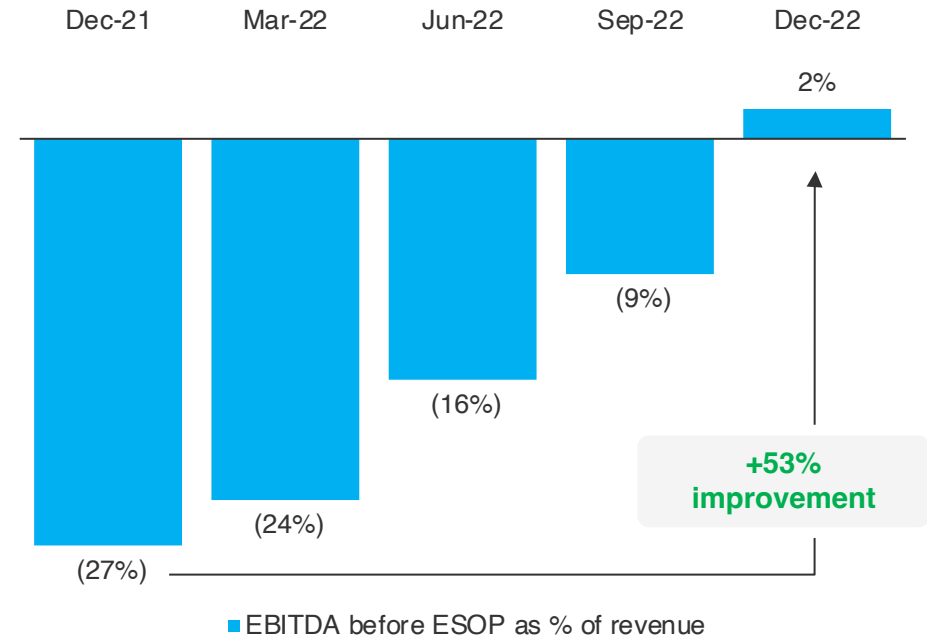
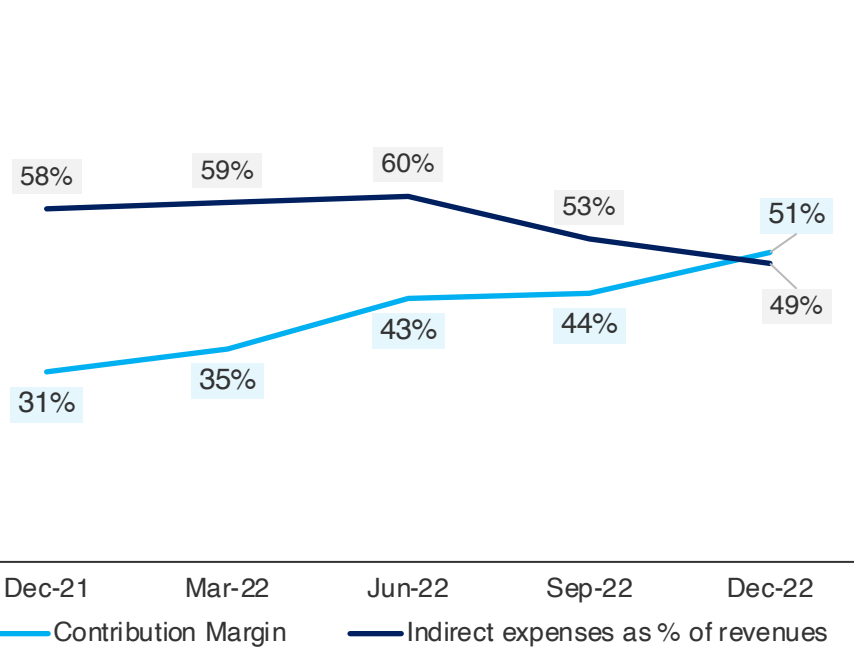
## Commerce & Cloud revenue ▲ 24% YoY to ₹420 Cr

1. Continued scale in credit card and commerce revenues
2. High volumes in events business driving Commerce take-rate to 8% versus 6% steady-state

Notes:

- 1 Other Operating Revenue is revenue relating to the Payments business and was ₹44 Cr in Q3 FY 2023, ₹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
- 2 Includes Other Operating revenue, as it relates to the Payments business

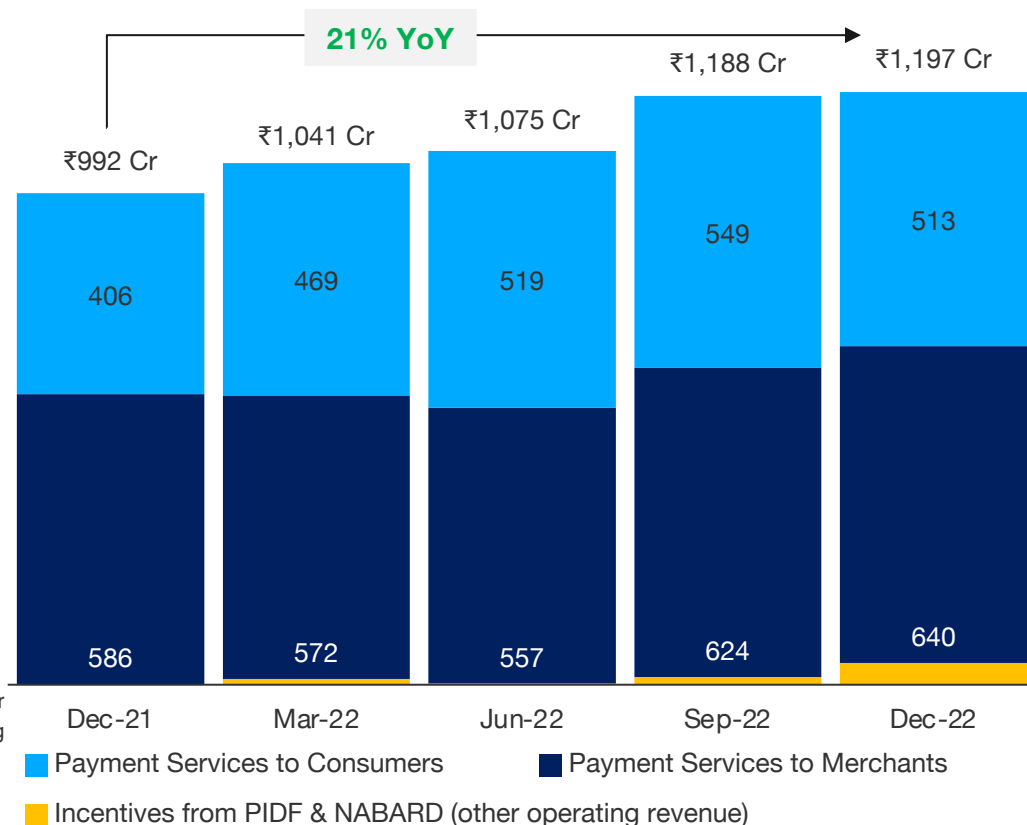
# Growth in contribution profit + strong operating leverage = Improved Profitability



- Consistent improvement in contribution margins:** higher payments profitability; increase in mix of high-margin loan distribution business
- Operating leverage** as demonstrated by indirect expenses (as % of revenue), indirect expenses were up 20% YoY, flat for past three quarters

- Achieved operating EBITDA profitability **three quarters ahead of guidance**
- Driven by revenue growth across businesses, disciplined cost management and operating leverage

# Payments business: Revenue growth with improved profitability



## Payment revenue grew by 21% YoY to ₹1,197 Cr

1. On a like-for-like basis, i.e. including UPI incentive, growth would be 34% YoY
2. No UPI incentive recorded in this quarter (given the timing of the accrual of UPI incentive) whereas ₹68 Cr of incentives was recorded in Q3 FY 2022 (for Q1 - Q3 FY 2022)
3. We estimate that for Q1-Q3 FY 2023, we will receive ₹130 Cr<sup>1</sup> of incentives in Q4 FY 2023

(in ₹ Cr)	Dec-21	Dec-22	YoY %
Reported payments revenues	992	1,197	21%
Add: UPI incentive for 3 quarters	Included*	130	
<b>Like-for-like Payments Revenue</b>	<b>992</b>	<b>1,327</b>	<b>34%</b>

\*Reported revenues for Q3 FY 2022 includes ₹68 Cr of UPI incentives

4. Reported revenue growth (YoY & QoQ) impacted by timing of e-commerce festive sales (which were mostly in Q3 FY 2022 and Q2 FY 2023) and focus on profitable GMV

<sup>1</sup>This is management estimate as per notification received on January 11, 2023. It is based on internal data and is subject to confirmation from NPCI/acquirer banks.

# Payment business generated ₹459 Cr of Net Payments Margin



## Payment Processing Margin

1. Margin on payment processing in Q3 was within the range of 7-9bps (of GMV) as indicated in December 2022
2. This is proforma for Q3 FY 2023 UPI incentive and despite inclusion of interchange costs for Paytm Postpaid
3. Since UPI is growing faster than other instruments, we expect payment processing margin to stabilize at 5-7 bps

## Subscriptions

1. Merchant subscriptions for payment devices were 5.8 mn, increasing 3.8 mn YoY
2. We continue to see good traction and earn more than ₹100 per month per device
3. Further, we have received additional incentive on select installations from partner banks, RBI and NABARD etc, which could be lumpy in nature

## Net Payments Margin grew 120% YoY

(in ₹ Cr)	Dec-21	Sep-22	Dec-22
Reported payments revenue	992	1,188	1,197
Payment processing charges (excluding interchange cost for Postpaid)	(783)	(746)	(660)
<b>Net Payments Margin (like-for-like)</b> (excluding interchange cost for Postpaid)	<b>209</b>	<b>443</b>	<b>537</b>
Interchange cost for Postpaid	na	na	(78)
<b>Reported Net Payments Margin</b>	<b>209</b>	<b>443</b>	<b>459</b>

1. Net Payments Margin is calculated as total payments revenue less payment processing charges
2. On a like-for-like basis (i.e., excluding interchange cost for Paytm Postpaid), Net Payments Margin for Q3 FY 2023 would have been ₹537 Cr, increasing 21% QoQ
3. Starting this quarter, we are now incurring interchange costs which are included as a part of Payment Processing Charges (detailed explanation in the earnings release)
4. Interchange cost for Paytm Postpaid was ₹78 Cr, resulting in reported net payments margin at ₹459 Cr

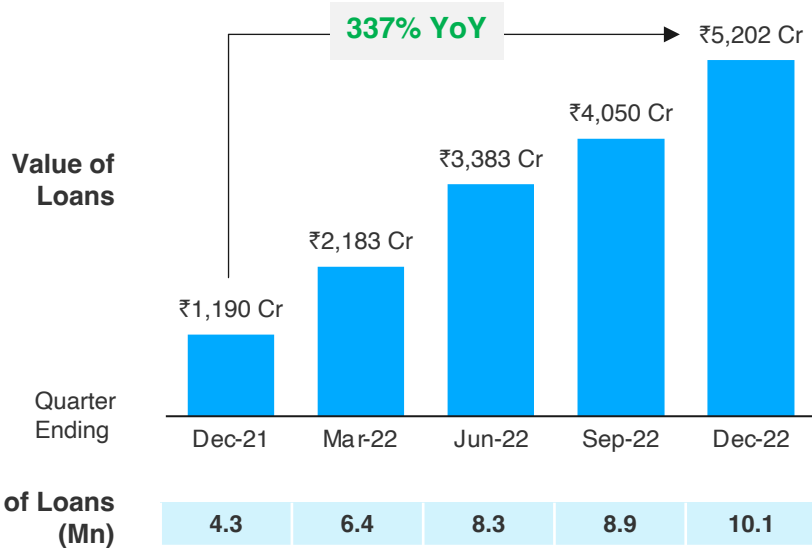


# Acceleration in consumer & merchant credit



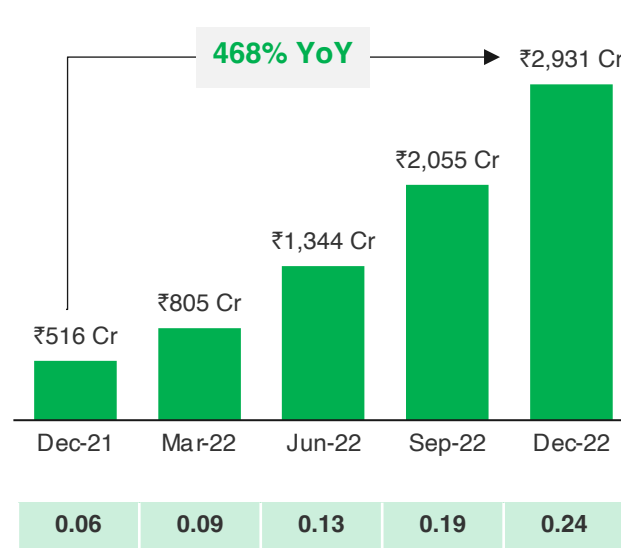
## Postpaid Loans

1. Accepted at 17 Mn merchants
2. Penetration at 4.0% of MTU



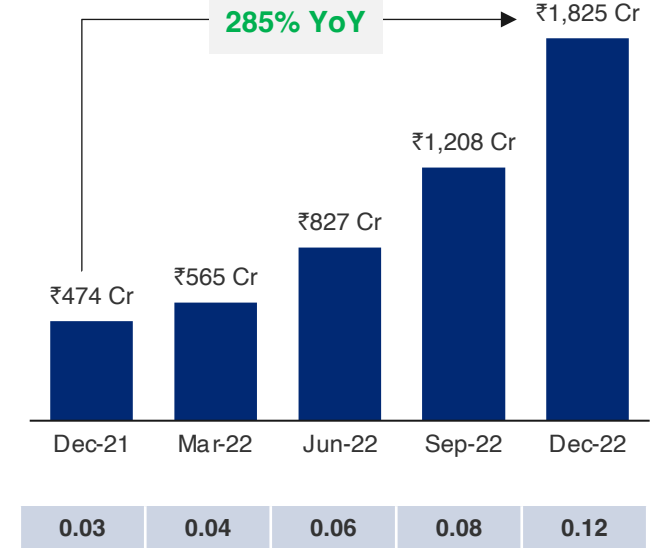
## Personal Loans

1. Cross sell opportunities continue with over 40% of loans to existing Postpaid users
2. Penetration at 0.8% of MTU



## Merchant Loans

1. Device merchants accounted for more than 85% of disbursements; Repeat rate of 45%
2. Penetration at 5.2% of devices merchants



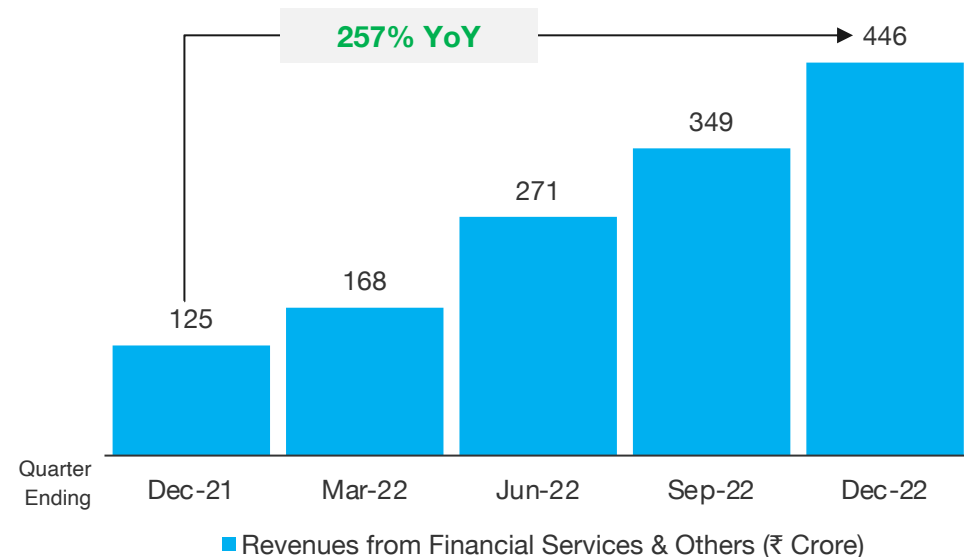
Calculation of penetration

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 Q2 FY 2023; Merchant loans: Number of loans disbursed in last 12 months as % of devices deployed at end of Q2 FY 2023

# Better Collection Efficiency = Increased Scale & Revenues



## Scale up driven by loan distribution

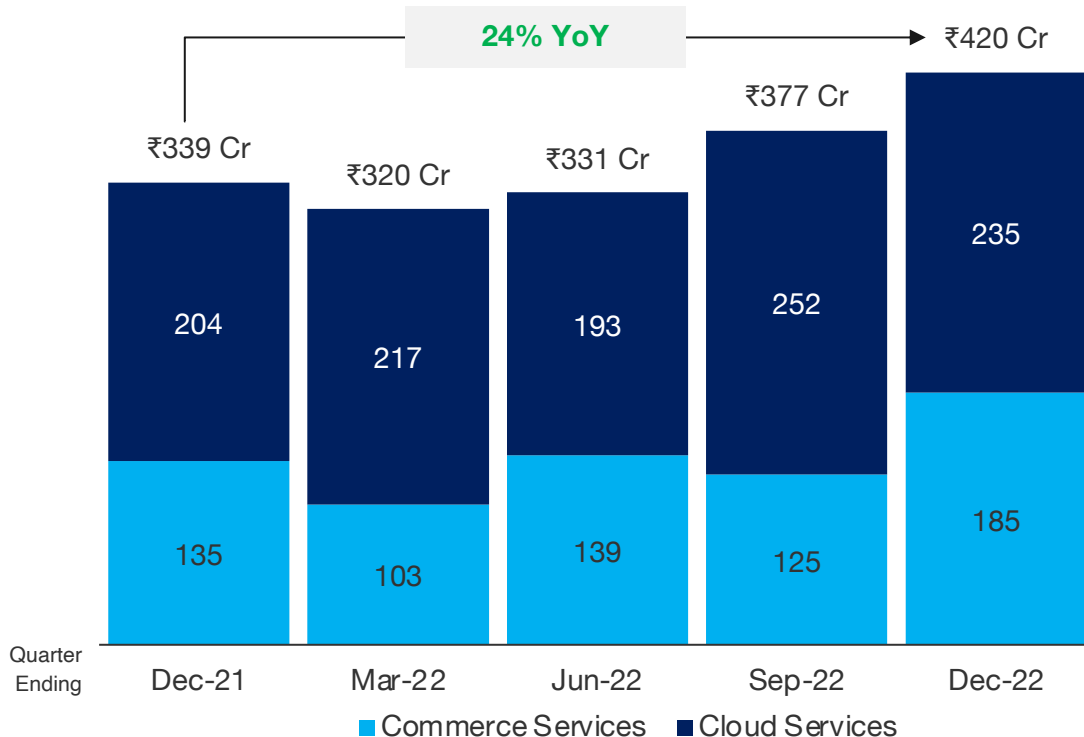


- Total 8.1 mn unique borrowers who have taken a loan through our platform, increasing 1.4 mn in the quarter
- Revenue drivers of loan distribution business:
  - Sourcing: 2.5% - 3.5% of loan value
  - Collection: 0.5% - 1.5% of current disbursement value. Typically received post portfolio closure
- Financial Services now accounts for 22% of total revenues versus 9% in Q3 FY 2022

## Continued focus on credit quality

Indicative portfolio performance for our partners <sup>1</sup>	Personal Loan	Merchant Loan	Postpaid	
	<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	11.5% to 12.5%	NA <sup>(2)</sup>
<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 %	89% to 92%	84% to 87%	81% 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+	27% to 29%	31% to 33%	25% to 27%
<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%)	4.5% to 5.0%	5.0% to 5.5%	1.1% to 1.3%

# Commerce & Cloud: Credit cards and Commerce driving growth



## Cloud (including co-branded credit cards)

1. Co-branded credit cards continue to scale well
2. Total 4.5 Lakh activated cards as of December 2022
3. Revenues grew 15% YoY to ₹235 Cr, with advertising and credit card distribution scaling well
4. Revenues were (7%) QoQ as Q2 FY 2023 was a strong quarter for PAI cloud

## Enabling Commerce

1. GMV was ₹2,299 Cr, increasing 6% YoY and 11% QoQ
2. Revenues were ₹185 Cr, resulting in take-rate of 8%, driven by travel demand and high volumes in the events business
3. We provide a full stack of services for certain events in the entertainment business, with high take-rates but also higher direct costs. On a steady state basis, our take rate is 6%, similar to Q2 FY 2023

# 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) **Launching UPI Lite**, allowing instant, multiple small-value UPI payments, which will lead to increased adoption of digital payments
  - b) **Launching Credit Card on UPI**, enabling users to link their credit cards to UPI
2. Potential of 10 Crore merchant and more than 50 Crore 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 on building scale with highest focus on operational risk and compliances



# Annexure

# Revenue breakdown: Overall growth of 42% YoY



(in ₹ Cr)	Quarter Ended			Change	
	Dec-21	Sep-22	Dec-22	YoY	QoQ
Payments & Financial Services	1,117	1,522	1,599	43%	5%
Payment Services to Consumers	406	549	513	26%	(7%)
Payment Services to Merchants	586	624	640	9%	3%
Financial Services and Others	125	349	446	257%	28%
Commerce & Cloud Services	339	377	420	24%	11%
Commerce	135	125	185	37%	48%
Cloud	204	252	235	15%	(7%)
Other Operating Revenue	-	15	44	nm	192%
<b>Revenue from Operations</b>	<b>1,456</b>	<b>1,914</b>	<b>2,062</b>	<b>42%</b>	<b>8%</b>

# Contribution Profit up by 131% YoY



(in ₹ Cr)	Quarter Ended			Change	
	Dec-21	Sep-22	Dec-22	YoY	QoQ
<b>Revenue from Operations</b>	<b>1,456</b>	<b>1,914</b>	<b>2,062</b>	<b>42%</b>	<b>8%</b>
Payment processing charges	783	746	738	(6%)	(1%)
<i>As % of GMV</i>	<i>0.31%</i>	<i>0.23%</i>	<i>0.21%</i>	(10 bps)	(2 bps)
Promotional cashback & incentives	117	191	91	(22%)	(52%)
Other Expenses	103	134	186	81%	38%
<b>Total Direct Expenses</b>	<b>1,002</b>	<b>1,071</b>	<b>1,015</b>	<b>1%</b>	<b>(5%)</b>
<b>Contribution Profit</b>	<b>454</b>	<b>843</b>	<b>1,048</b>	<b>131%</b>	<b>24%</b>
<i>Contribution Margin %</i>	<i>31.2%</i>	<i>44.1%</i>	<i>50.8%</i>	<i>+20%</i>	<i>+7%</i>

# EBITDA before ESOP cost improved by ₹424 Cr YoY



(in ₹ Cr)	Quarter Ended			Change	
	Dec-21	Sep-22	Dec-22	YoY	QoQ
<b>Contribution Profit</b>	<b>454</b>	<b>843</b>	<b>1,048</b>	<b>131%</b>	<b>24%</b>
<i>Contribution Margin %</i>	<i>31.2%</i>	<i>44.1%</i>	<i>50.8%</i>	<b>+20%</b>	<b>+7%</b>
Marketing	167	137	136	(19%)	(1%)
Employee cost (excl ESOPs)	442	573	584	32%	2%
Software, cloud and data center	130	173	171	31%	(1%)
Other indirect expenses	108	127	126	17%	(1%)
<b>Total indirect expenses</b>	<b>847</b>	<b>1,010</b>	<b>1,016</b>	<b>20%</b>	<b>1%</b>
<b>EBITDA before ESOP cost</b>	<b>(393)</b>	<b>(166)</b>	<b>31</b>	<b>(108%)</b>	<b>(119%)</b>
<i>EBITDA before ESOP cost Margin %</i>	<i>(27.0%)</i>	<i>(8.7%)</i>	<i>1.5%</i>	<b>+29%</b>	<b>+10%</b>



# Reconciliation of Non-GAAP Measures

## EBITDA before ESOP cost

(in ₹ Cr)	Quarter Ended		
	Dec-21 (Unaudited)	Sep-22 (Unaudited)	Dec-22 (Unaudited)
EBITDA before ESOP cost (A)	(393)	(166)	31
ESOP cost (B)	(390)	(371)	(362)
Initial Public Offer expenses (C)	(6)	0	0
Finance costs (D)	(13)	(5)	(5)
Depreciation and amortization expense (E)	(61)	(104)	(124)
Other income (F)	77	100	78
Share of profit / (loss) of associates / joint ventures (G)	11	(9)	5
Exceptional items (H)	0	0	0
Income Tax expense (I)	(6)	(15)	(15)
Loss for the period (J=Sum of A to I)	(779)	(571)	(392)

# Operational KPIs



(in ₹ Cr)	Units	Quarter Ended			Change	
		Dec-21	Sep-22	Dec-22	YoY	QoQ
GMV	₹ Lakh Cr	2.5	3.2	3.5	38%	9%
Merchant Transactions	million	3,477	5,752	6,284	81%	9%
Total Transactions	million	4,266	6,885	7,634	79%	11%
MTU (avg over the period)	million	64.4	79.7	84.9	32%	7%
Registered Merchants (end of period)	million	24.9	29.5	31.4	na	na
Number of Loans Disbursed	'000	4,414	9,192	10,473	137%	14%
Value of Loans	₹ Cr	2,181	7,313	9,958	357%	36%
Payment Devices (cumulative; end of period)	million	2.0	4.8	5.8	na	na
Average number of Sales Employees	#	18,691	24,703	29,569	na	na
Cost of sales employees (including training)	₹ Cr	128	172	178	39%	3%

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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