Earnings Release

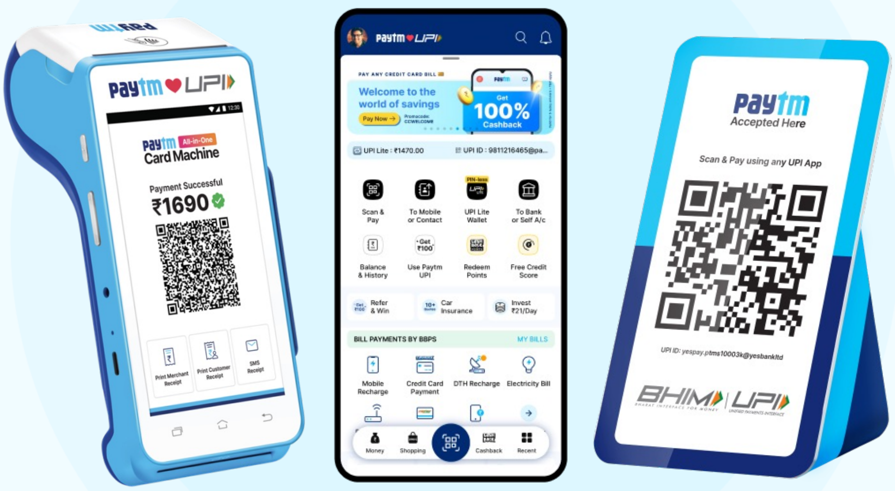
For quarter and year ending March 2024

22 May 2024

The All-New
Paytm Pebble Soundbox

The All-New
Pocket Pebble Soundbox

Pioneering & Innovating for
Paytm Customers & Merchants



Shareholder Letter

Dear Shareholders

FY 2024 has been a landmark year for the company as we achieved our first full year of EBITDA before ESOP profitability (since IPO) of ₹559 Cr. We demonstrated strong revenue momentum (up 25%) and continued our disciplined focus on profitability (EBITDA before ESOP margin up by 8%), in spite of regulatory action on our associate entity, Paytm Payment Bank Ltd. (PPBL).

I am happy to share that we have successfully transitioned our core payment business from PPBL to other partner banks. This move de-risks our business model and also opens up new opportunities for long-term monetization, given our platform's strength around customer and merchant engagement. It has been possible in such a short period of time with extensive support from the Regulator, NPCI, Bank partners and our committed team mates. The unwavering commitment of our government and regulator to support innovation and financial inclusion, keeps us true to our mission and committed to our long-term sustainable growth opportunity.

We expect near-term financial impact to our revenue and profitability, due to disruptions faced in our business in Q4. This includes steady state impact due to pausing of PPBL wallet. We had also paused a few other payments and loan products to our customers during the last quarter, and I am happy to share that many such products have been restarted or in the process of starting soon.

Led by capabilities of AI and focussing on core business, we are also working on significant cost efficiencies including leaner organization structure. Our ongoing experiments and learnings in AI promise to revolutionize customer and merchant care for the financial industry, while also unlocking new avenues for revenue generation and cost savings. We anticipate tangible results from these initiatives in the coming quarters, further bolstering our competitive advantage in the market.

We are fully committed towards building our business according to regulatory compliances and prudent operations risk policies.

We are also taking various steps to strengthen the governance framework across our group entities (especially regulated entities) by appointing subject matter experts as advisors or independent directors, reviewing various processes etc. I am ensuring that we have greater regulatory engagement and have higher focus on compliance, in letter and in spirit.

I am proud of the talent we have in our company, the culture of resilience and entrepreneurship. We remain more committed than ever towards growth, profitability, and maintaining robust governance and compliance.

Regards,
Vijay Shekhar Sharma

FY 2024 revenue up 25% to ₹9,978 Cr; since IPO, first full year EBITDA before ESOP profitability of ₹559 Cr

- Continue to build payment led ecosystem and distributing financial services
- Added focus on large consumer opportunity of insurance and wealth products
- Credit growth to be led by distribution-only disbursement model

Key Financial Highlights for FY 2024:

- Paytm reported revenue of ₹9,978 Cr, 25% growth
- Contribution profit up 42% to ₹5,538 Cr (margin of 56%, up 7 percentage point)
- EBITDA before ESOP of ₹559 Cr (up ₹734 Cr), EBITDA margin at 6% (up 8 percentage point)

Payment Business:

- Revenue from Payment services up 26% to ₹6,235 Cr
- Net payment margin was up 50% to ₹2,955 Cr; GMV up 39% to ₹18.3 Lakh Cr
- Merchant paying subscription for devices has reached 1.07 Cr as of March 2024, an increase of 39 Lakh

Financial Services Business:

- Revenue from financial services and others up 30% to ₹2,004 Cr
- Value of loans distributed was up 48% to ₹52,390 Cr

Update on transition from PPBL:

Following the RBI's direction to our associate entity PPBL, we have successfully commenced partnerships with other banks and partners. We are now offering / distributing all products that we had in partnership with PPBL, excluding Paytm wallet and Paytm FASTag. The key new partnerships comprise the following:

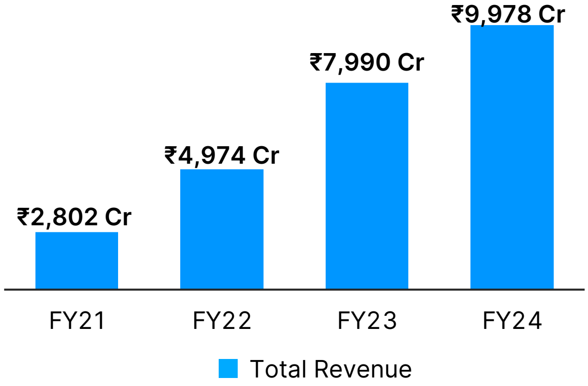
1. Operating UPI services as TPAP to existing UPI customers and merchants, and onboarding of new merchants
2. Card acquiring and BIN sponsorship for card acceptance offering to merchants
3. Nodal / escrow accounts for settlement of funds to merchants
4. FASTag distribution of other banks
5. Bharat Bill Payment Services (BBPS)

FY 2024 Results update

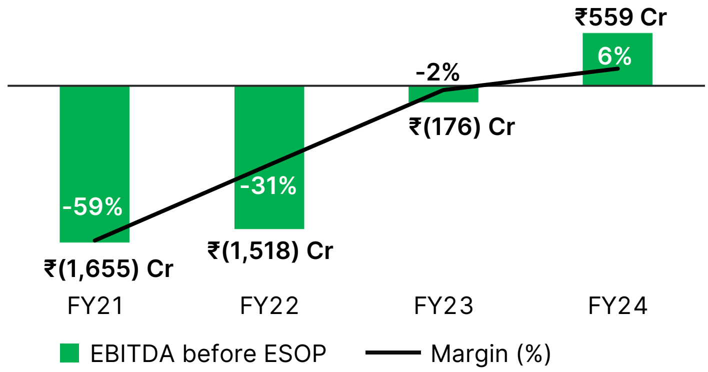
For FY 2024, the company reported 25% increase in revenue, due to GMV growth, device additions, and growth in the financial services distribution business. Net payment margin has gone up 50% to ₹2,955 Cr due to increase in payment processing margin and increase in merchant subscription revenues. We have received UPI incentives of ₹288 Cr for FY 2024 (recorded in Q4 FY 2024), as compared to ₹182 Cr in FY 2023 (recorded in Q4 FY 2023). The Financial services business reported a 30% revenue increase due to growth in the value of loan distributed on our platform. The Marketing services business reported 14% growth to ₹1,738 Cr, impacted by the lower MTUs in February and March.

Contribution profit increased by 42% to ₹5,538 Cr, driven by growth in net payment margin and higher-margin financial services business. On the back of growth and improvement in contribution margin, FY 2024 EBITDA before ESOP increased to ₹559 Cr (up ₹734 Cr).

Operating Revenue



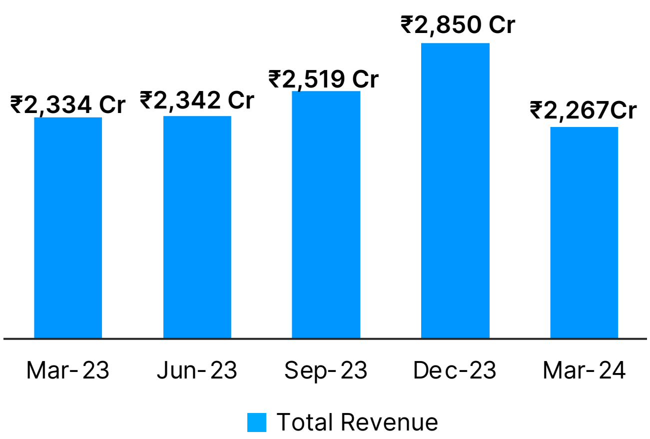
EBITDA Before ESOP and margin



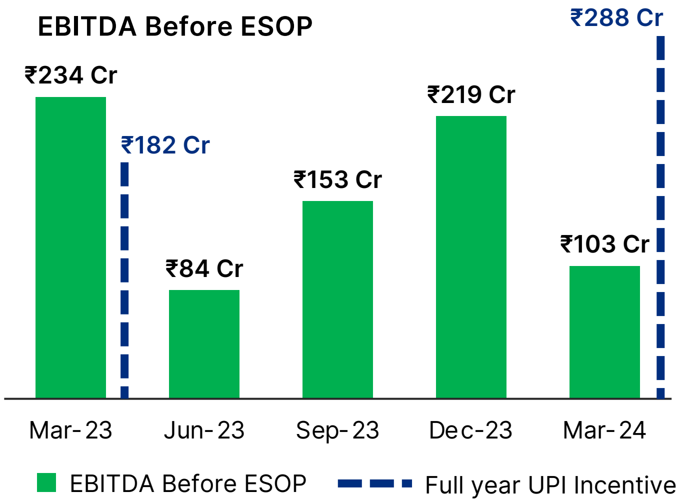
Q4 FY 2024 Results update

Our Q4 FY 2024 results were impacted by temporary disruption on account of UPI transition etc. and permanent disruption because of PPBL embargo. Paytm reported a revenue of ₹2,267 Cr, a modest decline of 3% YoY. Our contribution margin was 57% including UPI incentives, and 51% excluding UPI incentives. Our EBITDA before ESOP was ₹103 Cr, including UPI incentives and ₹(185) Cr. excluding UPI incentives.

Operating revenue



EBITDA Before ESOP



During the last quarter, we experienced several steady state and temporary disruptions:

1. PPBL products like the Paytm wallet and FASTag were distributed by Paytm. Due to the current embargo on these products, we anticipate the steady state annualised direct impact on EBITDA to be ~₹500 Cr, as previously disclosed. Most of this impact will be in Q1 as these products were operational during most part of Q4 FY 2024.
2. Temporary disruptions in operating metrics (MTU, merchant base, payment GMV) during February and March. This is expected to have an incremental EBITDA impact of ₹100- ₹150 Cr, in Q1 FY 2025 and should start recovering from Q2 as we are seeing stabilization or growth in consumer and merchant base metrics from April/May. We are confident of achieving erstwhile growth trends in the merchant and consumer base. We are in discussions with NPCI for confirmation of signing up new UPI consumers for our TPAP App.
3. During the quarter, we have taken various prudent measures in line with regulatory guidance and circulars, in the credit and payment business. Due to this and temporary disruption in our operating metrics, we have taken a conservative view, and paused certain payments and loan distribution businesses. With emerging regulatory clarity and the recalibration of these products, we have started or will be starting these products soon. These changes are expected to have an incremental EBITDA impact of ₹75- ₹100 Cr, in Q1 FY 2025 and should start recovering in subsequent quarters.

In Q4 FY 2024, we had lower marketing spends, as we paused most of the user growth spends in the month of February and March. We expect to reinvest in these areas in the coming financial year.

While we experienced financial impact in Q4 due to the above disruptions, the full financial impact will be seen in Q1 FY 2025. We expect Q1 FY 2025 revenue of ₹1,500 - ₹1,600 Cr and EBITDA before ESOP of (₹500) – (₹600) Cr. We are confident of seeing meaningful improvement starting from Q2 FY 2025, based on restarting certain paused products and achieving steady growth in operating metrics.

Optimizing our cost structure

We are optimizing our cost structure, leveraging AI capabilities, and focusing on our core business will enable us to achieve significant cost efficiencies. This includes creating a leaner organization structure and pruning non-core businesses. All recent changes are aligned with pre-approved succession plans discussed with the Board in previous financial years. We will continue to reward our high-performing talent by promoting them into leadership roles and welcome new senior executives who will contribute to the next wave of growth.

In recent years, our employee costs have increased due to investments primarily in technology, merchant sales, and financial services. For the coming year, while we continue to invest in the merchant sales team, as well as risk and compliance functions, we expect reductions in other employee costs. We expect annualized people cost savings of ₹400 - ₹500 Cr.

Update on RBI direction to PPBL

In continuation to various filing on the PPBL matter, we have impaired the carrying value of company's investment in PPBL. Detailed audit note is submitted in the audited financial results.

Operational KPIs – Quarterly trends

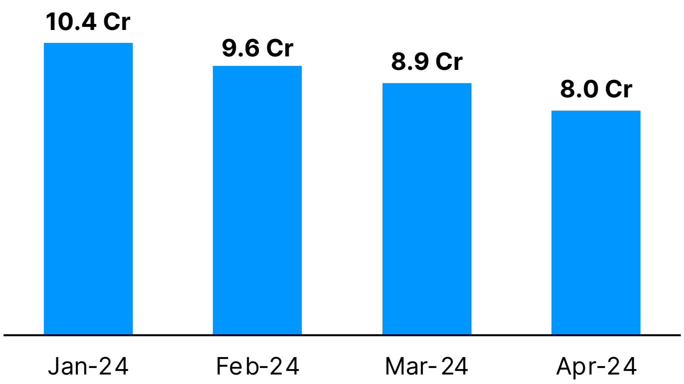
	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	YoY %
Average MTU (Cr)	9.0	9.2	9.5	10.0	9.6	**7%**
Gross Merchandise Value (₹ Lakh Cr)	3.6	4.0	4.5	5.1	4.7	**30%**
Merchant Subscriptions (Lakh)	68	79	92	106	107	**58%**
Value of loans distributed (₹ Cr)	12,554	14,845	16,211	15,535	5,776	**(54)**%

Payment Services

Stabilization in User Metrics

Our MTU in April was lower by 24% compared to January, due to the pause in new user sign-ups for the TPAP app and voluntary user attrition resulting from RBI action on PPBL. However, in May MTD, we are seeing stabilization in transacting user count on a month-on-month basis. We have now restarted user campaigns and marketing, which have resulted in improvements in both retention and reactivation. We plan to drive further marketing campaigns once we start onboarding new users, which should lead to a rise in MTUs.

Monthly Transacting Users
(Month ending)



Subscription merchant additions to fully recover by Q3 FY 2025

In Q1 FY 2025, our focus will be on acquiring new merchants, reactivation of inactive merchants, and redeployment of devices from inactive merchants to new merchants. While there will be a smaller net addition of device merchants in Q1 FY 2025, we expect net additions to improve from thereon and recover to past trendlines by Q3 FY 2025.

On the merchant side, while the device merchant base has increased marginally, the active device base has declined by ~10 Lakh due to higher attrition in February and March, compared to our regular trend and no new merchant addition from February. Subscription revenue was also impacted due to lower new merchant addition (resulting in lower revenue from device deployment incentive and set-up fees), lower active device merchants and temporary rental waiver for ring fencing certain cohorts of merchants.

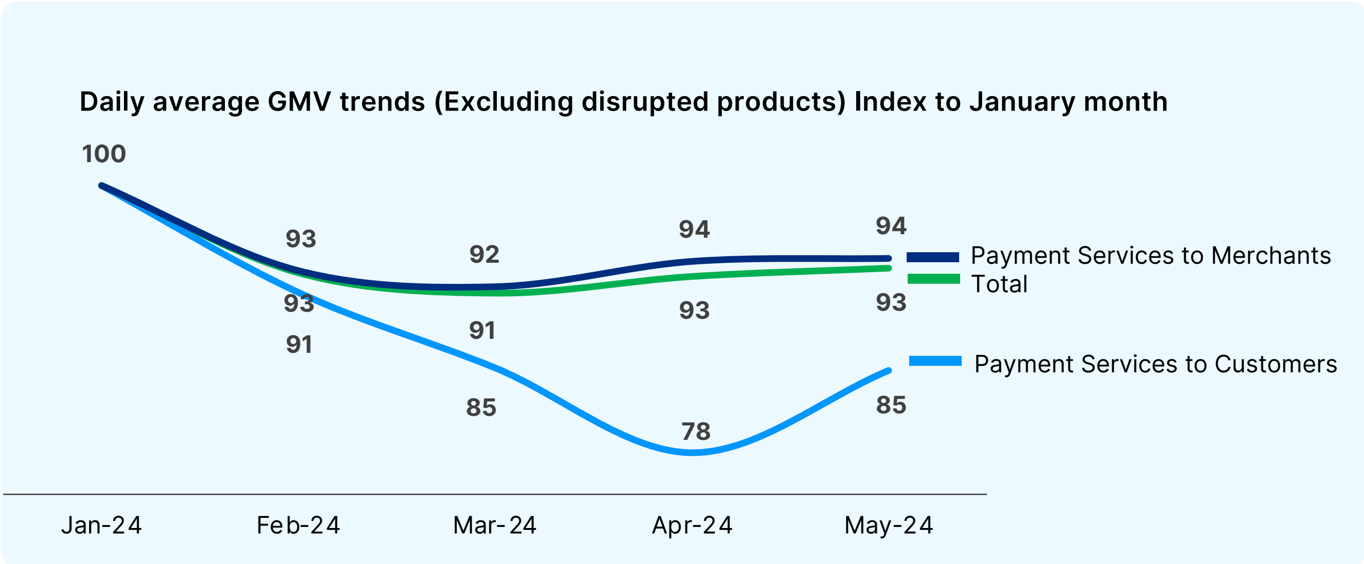
Further, the active rate and per device subscription revenue has been impacted. Merchant subscription revenue in Q4 was ~₹90 per device per month and we expect it to bottom out at ~₹80 in Q1 FY 2025, post which it should increase towards ₹100 by Q4 FY 2025.

We continue to address our merchants' needs through innovative product launches and are backed by a large distribution and service network. We recently launched two more "Made in India" soundboxes which are customized to the needs of our merchants, with louder speakers and longer battery life

GMV sees a comeback in April / May

Daily average GMV for the month of April 2024 has declined by 19% over January 2024. Majority of the decline is on account of disruption in wallet (both add money to wallet, and usage of wallet at merchants), and reduction in other payment business due to prudent measures, which contributed to 12% of GMV in January.

Excluding these disrupted products, we are now seeing a positive growth trend in Payment GMV since the month of April.



*May-24 numbers are MTD (till 19th May) and benchmarked similarly with Jan (till 19th Jan)

Payment processing margin

With 80-85% of our payments GMV now coming from UPI, our payment processing margin, including UPI incentives, is expected to settle at 5-6 bps. UPI payments have different MDR and interchanges depending on payment source (for eg, linked bank account, RuPay credit card, etc). For payments made directly from a bank account, we receive an incentive from the government at the year end. However, MDR for Prepaid on UPI, Credit/Overdraft on UPI, or charges for Credit card on UPI for amounts exceeding ₹2,000 are paid by merchants from settlement.

While the overall payment processing margin for the year is expected to be 5-6 bps of GMV including UPI incentives, quarterly payment processing margins, without UPI incentives, are expected to be more than 3 bps.

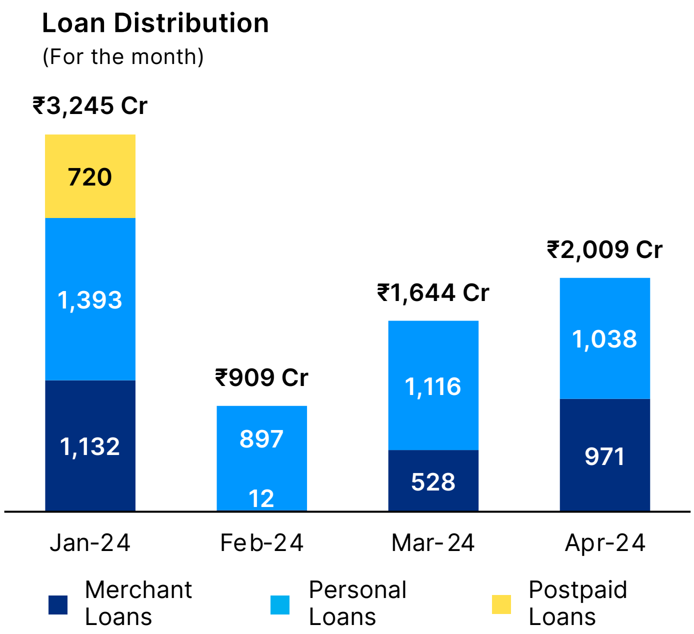
Expanding Loan Distribution with Diverse Partnerships

Consumer Loans

For personal loans, we distribute two type of loans 1) Distribute loans where we also help the lenders with collection; 2) Distribution-only loans where our lending partner is responsible for the collections.

For the small personal loans where we do distribution as well as collections, given the asset quality deterioration for the industry, we have decided to pause this business till the credit cycle plays out.

The distribution only loans have continued to scaled well and we have added more lending partners during the quarter, including pilots with banks. This type of loan contributed the vast majority of consumer loans this quarter, and is our key focus as it has bigger TAM, wider interest from large banks and non-banks, easier tech integration and more regulatory clarity.



In light of industry data suggesting deterioration in the asset quality, we are targeting prime and super prime category customers, and offering them a better user experience and competitive interest rates. This segment of borrowers are more price sensitive, which will result in lower take rates (as a % of disbursal value) for Paytm.

We were disclosing collections data on various loan products where we do the collections for the lenders and thereby, have potential to earn incremental collection bonus. Given industry asset quality deterioration for small ticket personal loans, accordingly we will not receive a collection bonus on existing books of personal loans and Postpaid loans and have decided to pause these products till credit cycle plays out. Since we do not expect to do personal loans with collections or Postpaid loans in the near future, and we do not expect any collections bonuses on the existing Postpaid loans or such personal loans, the collections data on existing books is not relevant.

Aside, on the merchant side, we continue to help disburse loans where we help with collections and expect collections bonuses on these in the future, we will continue to track and report collections data only of such loan disbursements. More details are shared below.

Merchant Loans

Currently for our merchants, we help lender disburse and collect the loans. In continuation of our conservative stance, we paused this business in February due to transition of Paytm UPI merchants to other banks. This business resumed in March and is seeing good demand. Going forward, we are also expanding by offering larger ticket business loans through distribution only model where the lender is responsible for collections.

For the loans where we do distribution as well as collections, we are going to remain cautious even on merchant loans, to avoid any asset quality deterioration beyond our partners' thresholds.

Indicative portfolio performance for our partners
(Where we help lenders collect the loans)

	Merchant Loan
Bounce Rates	NA
Bucket 1 Resolution (%)	78% to 83%
Recovery Rate Post 90+	30% to 35%
Expected credit loss (ECL%)	4.75% to 5.25%

Asset quality for merchant loans has remained stable as GMV on these merchants was not impacted as they were our most engaged merchants, and we prioritized them for retention.

For clarification, the asset quality metrics is only for the loan book (of our partners), where we assist with collections. In the model where the lenders do their own collections, we are unable to share asset quality metrics, since that is not a KPI that we track.

Take rate has further increased this quarter as share of Postpaid loans (lower take rate) has gone down and we continue to receive collection bonus on our erstwhile portfolio. Going forward, we expect the take rate to gradually settle down to 3-3.5% range considering we will have a higher share of distribution-only loans and focus on the prime customers.

Key Focus Areas

We are focusing on following areas to drive sustainable growth and profitability. These initiatives will strengthen the company's foundation, expand its core business, and unlock new opportunities for the future.

- Enhancing governance structure across Paytm and its group entities by appointing subject matter experts as advisors or Independent directors, have greater regulatory engagement and higher focus on compliance, both in letter and spirit
- Reaffirm our commitment to payments as our core business by focusing on recovering the consumer and merchant base, making targeted investments to bring them back to the Paytm platform
- Focus on monetisation by cross-selling financial services, in line with regulatory guidelines. Expand offerings through Insurance and Equity broking & distribution
- Achieve significant cost efficiencies through AI led capabilities, a leaner organization structure and the pruning of non-core businesses

Key Metrics for the year ending March 2024 (FY 2024)

Revenue from Operations

Driven by increase in merchant subscription revenues, increase in GMV and growth of financial services business

₹9,978 Cr

▲ 25% YoY

Contribution Profit

Increased by 42% YoY, on the back of growth in net payment margin and higher margin financial services business

₹5,538 Cr

▲ 42% YoY

EBITDA before ESOP Cost

Margin improved to 6%, an expansion of 8 percent points YoY, owing to revenue growth and improvement in contribution margin

₹559 Cr

▲ 734 Cr YoY

Loans Distributed through Paytm

Paytm active user & MTU base continues to offers us tremendous upsell & lifecycle benefits across financial services

₹52,390 Cr

▲ 48% YoY

Merchant Subscription (including devices)

Our leadership in payment monetisation continues. We added 39 Lakh new subscriptions in last year driven by comprehensive and innovative merchant solutions

₹1.07 Cr

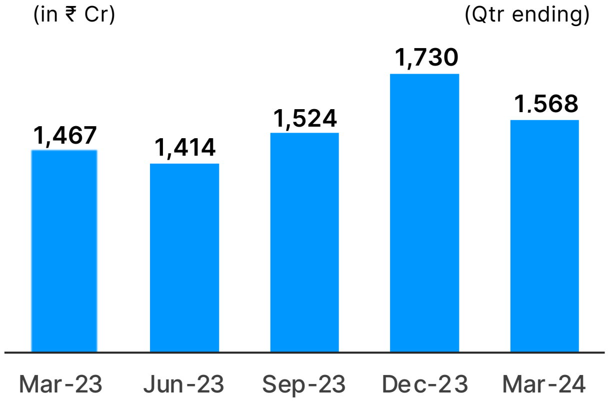
▲ 39 Lakh QoQ

Financial Update for quarter ending March 2024 (Q4 FY 2024)

Payment Services: Economics trends towards long-term guidance

In Q4 FY 2024, payments revenue grew by 7% YoY to ₹1,568 Cr, but was down by 9% QoQ, due to: 1) Disruption of PPBL products; 2) Temporary impact on account of conservative approach taken for certain businesses; and 3) Temporary disruptions in operating metrics (MTU, merchant base, GMV). In Q4 FY 2024, we received UPI incentive of ₹288 Cr, versus ₹182 Cr received in Q4 FY 2023.

Payment Services Revenue



Net payment margin increased 24% YoY to ₹853 Cr. Excluding UPI incentive, growth was 12% YoY. Net payment margin is comprised of:

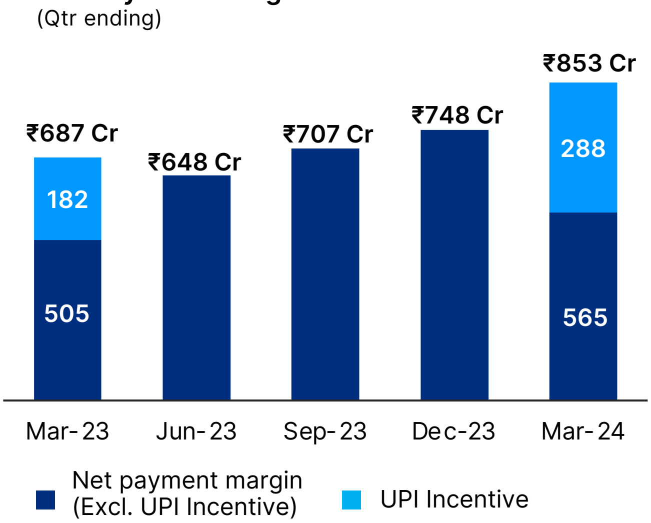
1. Payment Processing Margin:
In Q4 FY 2024, GMV grew 30% YoY to ₹4.7 Lakh Cr.

Payment processing margin for Q4 FY 2024, including UPI incentives pertaining to this quarter only, was at the lower end of the guided 7 to 9 bps bps range due to impact on some of the high margin products as explained above. With the increase in share of UPI to 80-85%, our payment processing margin will be in the range of 5-6 bps (including UPI incentive), with quarterly payment processing margin of more than 3 bps as UPI incentive is received in Q4.

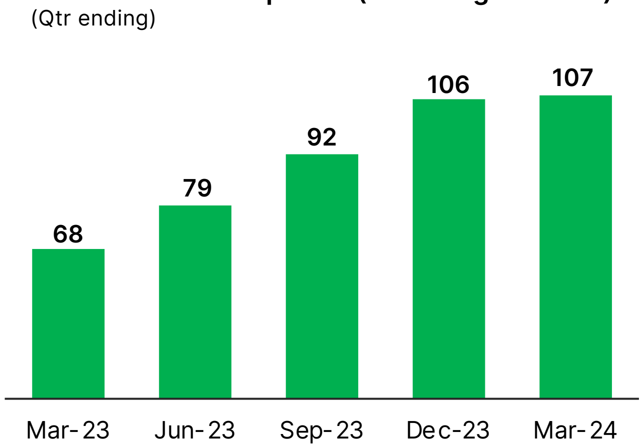
2. Subscription revenues:
As of March 2024, merchant subscriptions were 1.07 Cr, increasing 39 Lakh YoY. Subscription revenue in this quarter was impacted due to 1) Lower new merchant deployment translated into lower revenue from incentive for deployment and set-up fees, and 2) Lower active merchants during the quarter.

Merchant subscription revenue in Q4 was ~₹90 per device per month and we expect it to bottom out at ~₹80 in Q1 FY 2025, post which it should increase towards ₹100 by Q4 FY 2025. We continue to address our merchants' needs through innovative product launches and are backed by a large distribution and service network. We recently launched two more "Made in India" soundboxes which are customized to the needs of our merchants, with louder speakers and longer battery life.

Net Payment Margin



Merchant Subscriptions (including Devices)



Financial Services and Others: Higher focus on distribution of Loans, Insurance and Equity

In Q4 FY 2024, revenue from financial services and others declined 36% YoY to ₹304 Cr, on account of lower loan distribution. Non-lending revenue increased YoY, but was down marginally QoQ due to business disruption.

Financial services take rate has further increased this quarter as share of Postpaid loans (lower take rate) has gone down, we continue to receive collection bonus on our erstwhile portfolio and other financial services revenue was only down marginally QoQ. For loan distribution, the majority of the loans were towards the distribution only model (where collection is done by the lender). We will continue to have a higher focus on these loans going forward.

Expanding Insurance Offerings with Innovative and Customer-Centric Products:

We are seeing a strong product market fit for our insurance business, where we can leverage merchant insights to co-create shop insurance. There is a significant opportunity on the customer side by offering embedded insurance and DIY products. We recently launched a unique Health Insurance product combining Healthcare, OPD & cashless hospitalization on a monthly subscription. Our focus remains on product innovation for seamless distribution and claims experience.

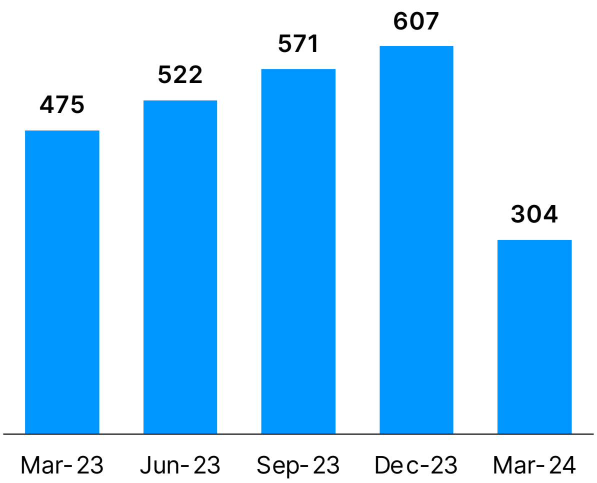
Elevating Our Equity Broking and Mutual Fund Distribution:

Our Equity broking and Mutual Fund distribution business continues to scale well as we deliver best-in-class user experience at a low cost transparent price.

Our focus is on retention of trading customers by offering a high quality trading platform. We are also looking to expand distribution of mutual funds by leveraging SIPs, and other wealth management products through Paytm Services Pvt Ltd (PSPL)..

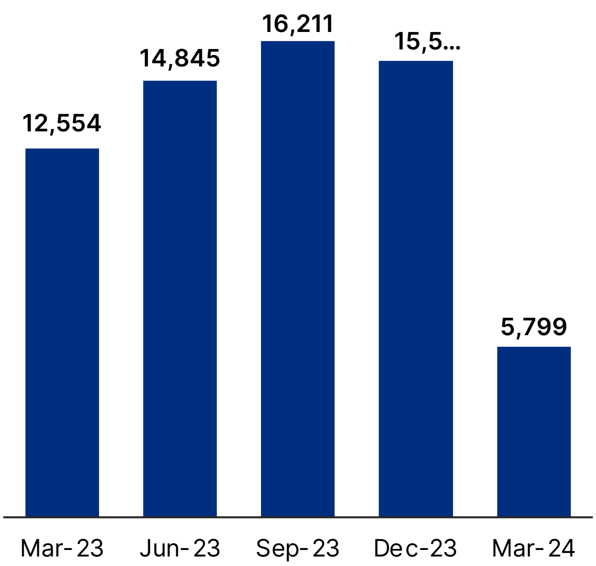
Revenue: Financial Services and Others

(in ₹ Cr) (Qtr ending)



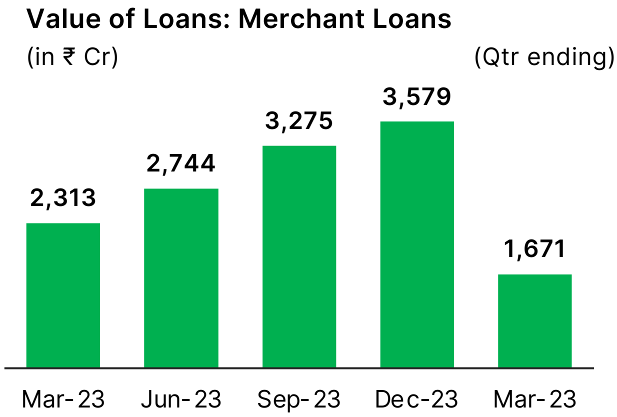
Value of Loans Distributed through Paytm

(in ₹ Cr) (Qtr ending)



Merchant Loans

The value of Merchant Loans distributed declined by 28% YoY to ₹1,671 Cr as it was paused in February and has seen good latent demand once it was resumed in March end. Our repeat rate (the proportion of loans by value to merchants who have taken a loan before) remains at a healthy level of ~50%. The average ticket size has increased to ~₹205,000 from ~₹170,000 a year ago, with an average tenure of 13 months, the same as a year back. Penetration[1] for Merchant Loans is at 5.5% of device merchants.



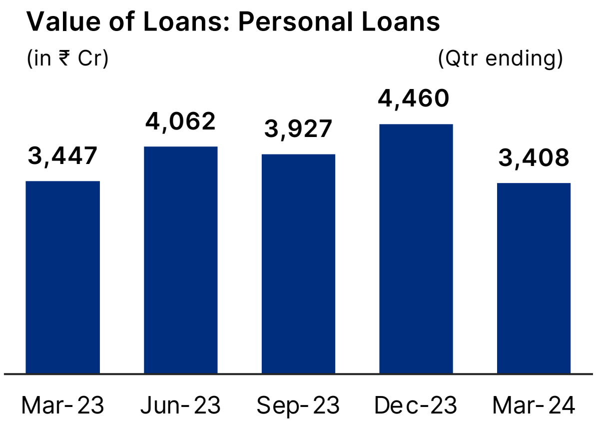
# of Loans (Lakh)

1.4	1.4	1.8	1.8	0.8

Personal Loans

The value of Personal Loans distributed declined 1% YoY to ₹3,408 Cr as the distribution only loans continued to scale well during the quarter, and is our focus going forward.

Average ticket size has increased to ~₹140,000 from ~₹130,000 a year ago, with the average tenure increasing to 16 months compared to 15 months a year ago. Penetration[1] for Personal loans is at 1.1% of MTU.

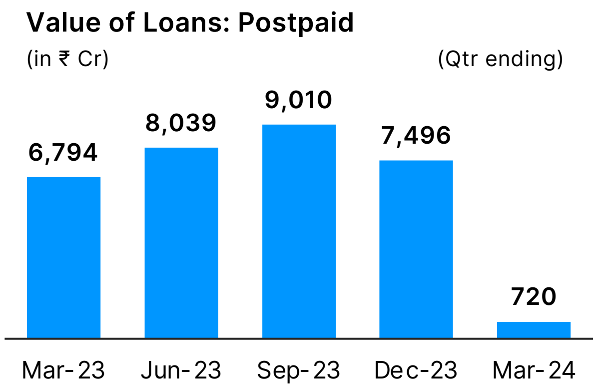


# of Loans (Lakh)

2.7	3.0	2.3	2.5	2.4

Postpaid Loans

The value of Postpaid loans distributed declined 90% YoY, as we reduced Postpaid loan distribution based on our guidance in December 2023 and paused it completely in February, taking a conservative view on certain businesses.



Note - The MDR from merchants on Postpaid and the revenues from our credit card partnerships is not recorded in Revenue from Financial Services and Others. MDR is recorded in Payment Services, whereas revenue from our credit card partnerships is recorded in Marketing Services revenues. 1Calculation of penetration

PPersonal Loans: Number of loans distributed in last 12 months as a % of avg MTU in Q4 FY 2024; Merchant loans: Number of loans distributed in last 12 months as % of devices deployed at end of Q4 FY 2024

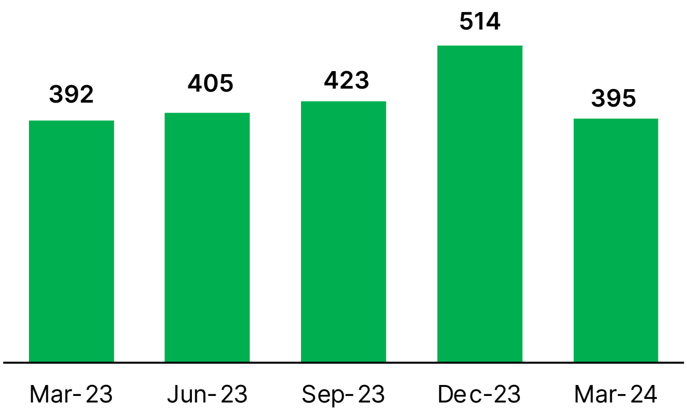
Marketing Services: Driving additional monetization from Merchants

Our Marketing Services business primarily includes ticketing (travel, movie, events etc.), advertising, credit card marketing, and deals and gift vouchers. In Q4 FY 2024, Marketing Services revenue grew by 1% YoY to ₹395 Cr.

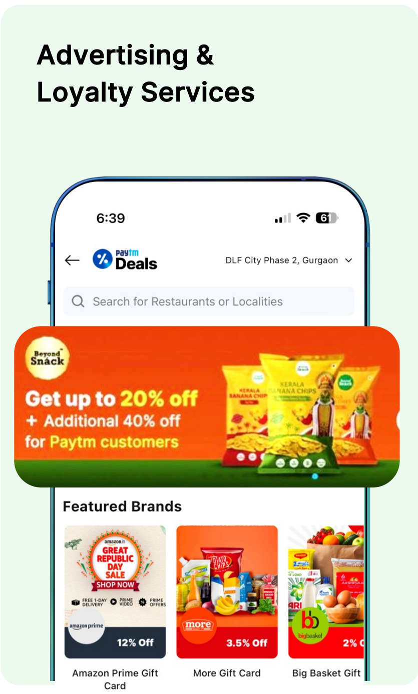
- GMV for ticketing, deals and gift vouchers etc. grew by 28% YoY to ₹2,804 Cr, driven by an increase in market share in travel (despite disruption) and higher volumes in the events business. Although there was a QoQ drop in revenue due to decline in MTU, we are confident of growing the business in the coming quarters. The take rate for Q4 FY 2024 was above guided 5-6% range due to higher contribution of the events business which has higher take rate as well as high direct costs.

Revenue: Marketing Services

(in ₹ Cr) (Qtr ending)



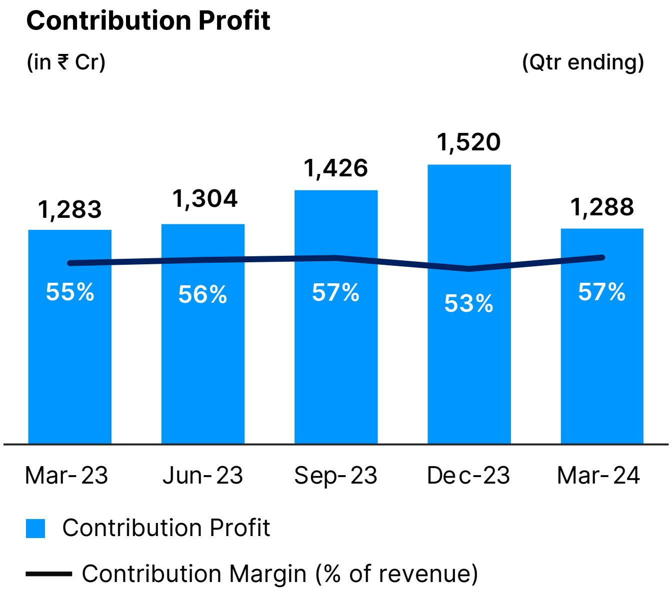
- Credit card marketing continues to scale with 11.8 Lakh activated credit cards as of March 2024, compared to 5.9 Lakh last year. While the long-term prospects of this business are strong, our partners are taking a cautious stance in the near term on account of increased delinquency in the industry.
- While Advertisement business grew on YoY basis, the decline in MTU resulted in QoQ drop.
- Marketing cloud has seen a sharp decline YoY, and its contribution to overall revenue has become insignificant now. Excluding marketing cloud, marketing services revenue grew by 17% YoY.



Contribution Profit

Our Q4 FY 2024 contribution profit of ₹1,288 Cr remained flat YoY. Excluding UPI incentives, contribution profit declined 9% YoY. Contribution margin improved to 57% from 55% a year ago, while excluding UPI incentives, the contribution margin was at 51%, flat YoY. Our contribution margin in this quarter was impacted due to sharper decline in high margin business, such as financial services, and decline in payment processing margins.

Going forward, we expect contribution margins to remain in the 50-55% range (including UPI incentives) with some variations from quarter to quarter due to seasonality and UPI incentives timing.



Payment processing charges were ₹715 Cr, down 8% YoY, due to impact of PPBL products, and temporary impact on account of conservative approach taken for certain payment products.

Promotional cashbacks & incentives were down 41% YoY to ₹46 Cr, which is 1bps of GMV. Decline was on account of lower focus on user growth and lower cash-back on wallet. With user growth coming back, we expect promotional cashbacks & incentives to remain in 1-2 bps range of GMV.

Other direct expenses were ₹219 Cr, 13% YoY increase on account of higher collection costs and volume growth of the events business, which has high take rate but also high direct costs.

Indirect Expenses

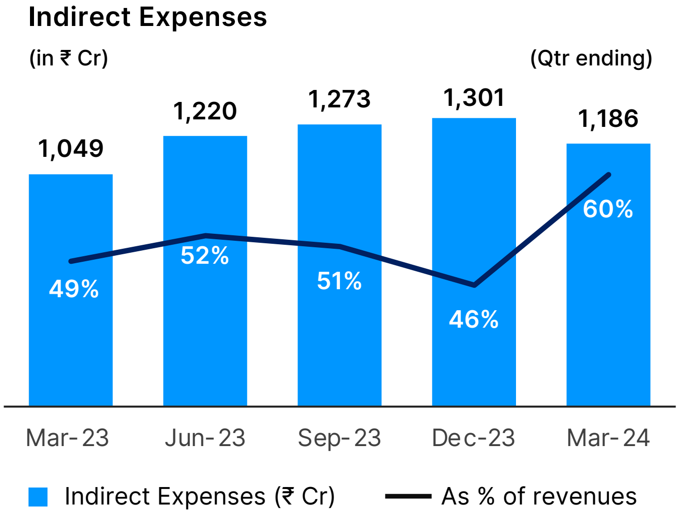
For Q4 FY 2024, Indirect Expenses (excluding ESOP cost) has increased 13% YoY to ₹1,186 Cr. However, they have declined 9% on a QoQ on account of employee cost reduction and temporary reduction in marketing costs as we have stopped direct user onboarding since February 2024. Indirect expenses (as a % of revenues, excluding UPI incentives), has increased to 59% in Q4 FY 2024, from 49% in Q4 FY 2023 and 46% in Q3 FY 2024, largely due to decline in revenue due to disruption.

In the last few years, our employee costs have grown due to investments primarily in technology, merchants sales and financial services. For the coming year, while we will continue to invest in the merchant sales team, risk and compliance functions, we expect reduction in other employee costs.

We will increase our marketing investments in coming quarters as we will focus on reactivating and acquiring new customers.

Given the focus on merchant acquisition, we will continue to invest in the sales team while having a higher focus on productivity.

Software cloud and data center cost was ₹162 Cr, down 14% YoY and 5% QoQ. This cost has gone from 9% of revenues a year ago to 7% in the most recent quarter, as a result of optimization of our cloud architecture and discipline on costs. We expect these costs to grow in line or lower than payment volume growth. We may have some costs in the near-term due to migration to the TPAP model.



* For like-for-like comparisons, Mar-23 and Mar-24 revenue in the above chart (for calculating % of revenue) excludes ₹182 Cr and ₹288 Cr UPI incentives received in those quarters, respectively

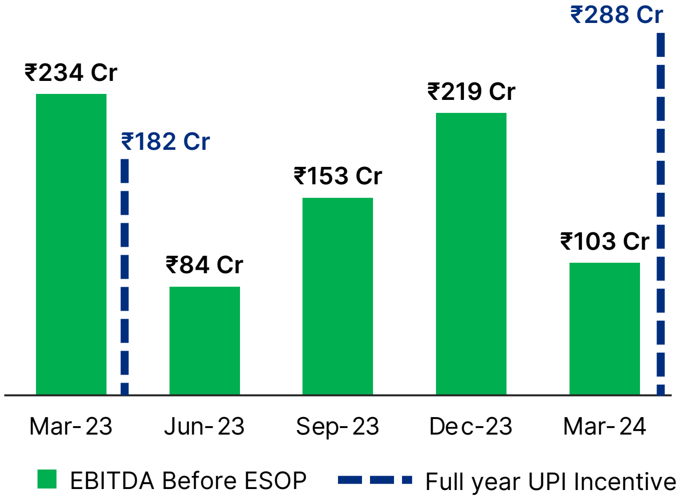
(in ₹ Cr)	Mar-23	Dec-23	Mar-24
Cost of building platform: Employee (excluding sales)	427	542	525
Cost of expanding platform:	313	436	340
Marketing	127	169	83
Sales employees	186	267	257
Software & Cloud expenses	188	170	162
Other indirect expenses	121	153	162
Total Indirect Expenses	**1,049**	**1,300**	**1,186**

EBITDA before ESOP of ₹103 Cr

In Q4 FY 2024, our EBITDA before ESOP was ₹103 Cr as compared to ₹234 Cr in Q4 FY 2023. Excluding the UPI incentives, our EBITDA before ESOP was (₹185 Cr) as compared to ₹52 Cr in Q4 FY 2023. Excluding UPI incentives, EBITDA before ESOP margin, stands at (9%) for Q4 FY 2024, versus 2% in Q4 FY 2023.

As explained earlier, full financial impact will be seen in Q1 FY 2025. We expect revenue of ₹1,500 - ₹1,600 Cr and and EBITDA before ESOP of (₹500) – (₹600) Cr in Q1 FY 2025. We expect it to start improving from Q2 FY 2025 as we restart certain paused products and see steady state growth of operating metrics. Profit after tax for Q4 FY 2024 was (₹550 Cr), as compared to (₹168 Cr) in Q4 FY 2023. Profit after tax was impacted due impairment of ₹227 Cr towards the carrying value of company's investment in PPBL. Excluding this, profit after tax would have been (₹323 Cr).

EBITDA Before ESOP
(Qtr ending)



Cash Balance

Our cash balance is ₹8,650 Cr as of quarter ending March 2024, as compared to ₹8,901 Cr as of quarter ending December 2023. The above includes Paytm Money Ltd (PML) customer funds of ₹462 Cr for December 2023 and ₹339 Cr for March 2024. Cash balance (excluding change in PML customer funds) has come down in line with EBITDA before ESOP (excluding UPI incentive). We have received UPI incentive for FY 2024 in April 2024. For FY 2024, we have added ₹375 Cr cash (₹254 Cr excluding PML customer funds)

ESOP Cost and ESOP Pool Schedule

The below table illustrates expected ESOP cost for all ESOPs granted so far, as of March 31, 2024. The cost assumes all granted ESOPs are vested and no new ESOPs are granted. For any lapses of unvested ESOPs, normally on attrition, the cost of unvested ESOP recorded so far is reversed in that quarter. Actual charges might be different based on incremental issuances as well as lapses. For new ESOP grants, the total estimated charge would be the number of options granted times the fair value per share, which is based on the share price on the day of the grant, among other factors. The charge is front-ended with approximately 38% in Year 1, 28% in Year 2, 18% in Year 3, 11% in Year 4 and 5% in Year 5. Movements of share price after the date of the grant do not affect the ESOP charge for already granted ESOPs. Q4 FY 2024 ESOP cost was lower than Q3 FY 2024 on account of ESOP lapses at the time of employee separation.

ESOP Cost

(₹ Cr)	Q1	Q2	Q3	Q4
FY 2025	376	316	269	213
FY 2026	182	178	101	97
FY 2027	92	89	23	21

ESOP Pool Schedule

As of Mar 31, 2024	(in Cr.)
Basic shares outstanding	**63.5**
ESOPs vested and unexercised	0.1
ESOPs granted and unvested	3.7
ESOPs available for distribution	0.6
Estimated fully diluted shares	**67.9**

Summary of Consolidated Financial Performance

Particulars (in ₹ Cr)	Quarter Ended					Year Ended		
	Mar-24 (Audited)	Mar-23 (Audited)	Y-o-Y	Dec-23 (Unaudited)	Q-o-Q	Mar-24 (Audited)	Mar-23 (Audited)	Y-o-Y
Payments & Financial Services	1,858	1,918	(3)%	2,285	(19)%	8,132	6,385	27%
Payment Services to Consumers	438	524	(17)%	598	(27)%	2,168	2,105	3%
Payment Services to Merchants	1,117	918	22%	1,081	3%	3,960	2,739	45%
Financial Services and Others	304	475	(36)%	607	(50)%	2,004	1,540	30%
Marketing Services	395	392	1%	514	(23)%	1,738	1,520	14%
Other Operating Revenue	14	25	(45)%	51	(73)%	108	86	26%
Revenue from Operations	**2,267**	**2,334**	**(3)%**	**2,850**	**(20)%**	**9,978**	**7,990**	**25%**
Payment processing charges	715	780	(8)%	982	(27)%	3,280	2,958	11%
As % of GMV	0.15%	0.22%	(6) bps	0.19%	(4) bps	0.18%	0.22%	(4) bps
Promotional cashback & incentives	46	78	(41)%	106	(57)%	310	502	(38)%
Other Expenses	219	193	13%	242	(10)%	850	630	35%
Total Direct Expenses	**979**	**1,051**	**(7)%**	**1,331**	**(26)%**	**4,440**	**4,090**	**9%**
Contribution Profit	**1,288**	**1,283**	**0%**	**1,520**	**(15)%**	**5,538**	**3,900**	**42%**
Contribution Margin %	57%	55%	183 bps	53%	349	56%	49%	669 bps
Indirect Expenses	**1,186**	**1,049**	**13%**	**1,301**	**(9)%**	**4,979**	**4,076**	**22%**
Marketing	83	127	(35)%	169	(51)%	612	574	7%
Employee cost (Excl ESOPs)	779	614	27%	809	(4)%	3,124	2,323	34%
Software, cloud and data center	162	188	(14)%	170	(5)%	643	694	(7)%
Other indirect expenses	162	121	34%	153	6%	600	485	24%
EBITDA before ESOP cost	**103**	**234**	**(56)%**	**219**	**(53)%**	**559**	**(176)**	**(418)%**
Margin %	5%	10%	(551) bps	8%	(316) bps	6%	(2)%	780 bps

Summary of Key Operational Metrics

Operational KPIs		Quarter Ended			
	Units	Mar-24	Mar-23	YoY	Dec-23
GMV	₹ Lakh Cr	4.69	3.62	30%	5.10
Merchant Transactions	Cr	962	685	40%	999
Total Transactions	Cr	1,129	835	35%	1,185
MTU (average over the period)	Cr	9.6	8.9	18%	10.0
Registered Merchants (end of period)	Cr	4.06	3.35	21%	3.93
Loans	Cr	0.16	1.19	(86)%	1.15
Value of Loans	₹ Cr	5,799	16,219	(54)%	15,535
Payment Devices (cumulative; end of period)	Lakh	107	68	58%	106
Average number of Sales Employees*	#	36,521	28,479	58%	40,028
Cost of sales employees (including training)	₹ Cr	255	186	37%	267

Reconciliation of EBITDA before ESOP with Loss for the period

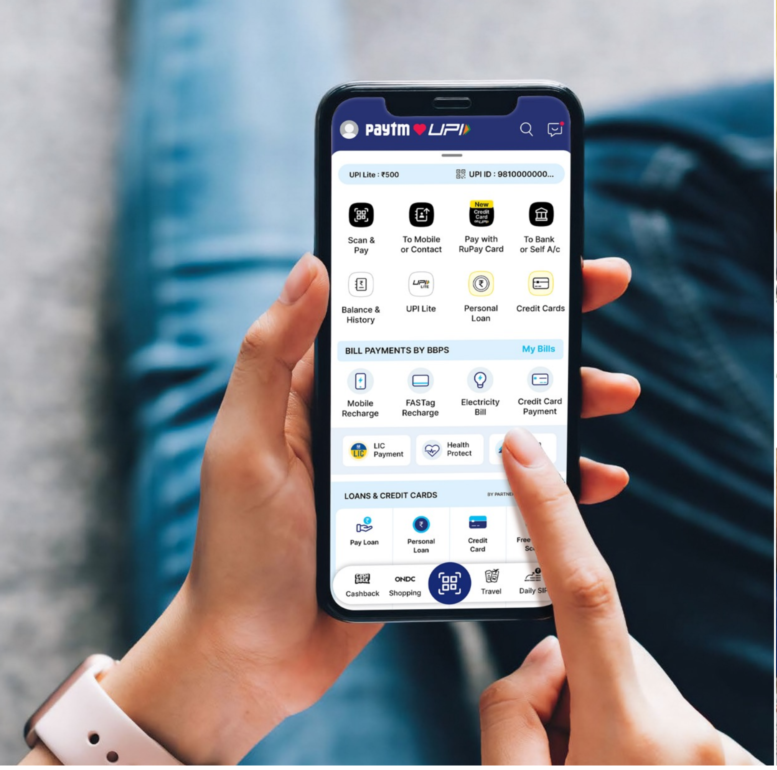
Particulars (in ₹ Cr)	Quarter Ended					Year Ended		
	Mar-24 (Audited)	Mar-23 (Audited)	Y-o-Y	Dec-23 (Unaudited)	Q-o-Q	Mar-24 (Audited)	Mar-23 (Audited)	Y-o-Y
EBITDA before share based payment expenses (A)	**103**	**234**	**(56)%**	**219**	**(53)%**	**559**	**(176)**	**(418)%**
Share based payment expenses (B)	(326)	(363)	*(10)%*	(379)	*(14)%*	(1,466)	(1,456)	*1%*
Finance costs (C)	(5)	(7)	*(27)%*	(5)	*(4)%*	(24)	(23)	*4%*
Depreciation and amortization expense (D)	(196)	(160)	*22%*	(201)	*(3)%*	(736)	(485)	*52%*
Other income (E)	132	130	*1%*	149	*(11)%*	547	410	*33%*
Share of profit / (loss) of associates /joint ventures (F)	(17)	(2)	*626%*	(4)	*339%*	(38)	(13)	*202%*
Exceptional items (G)	0	0	*nm*	0	*nm*	(6)	0	*nm*
Income Tax expense (H)	(14)	1	*(2114)%*	(1)	*1914%*	(32)	(34)	*(5)%*
Loss on Impairment of Associate (I)	(227)	0	*nm*	0	*nm*	(227)	0	*nm*
Loss for the period/year (J=sum of A to I)	(550)	(168)	*228%*	(222)	*148%*	(1,423)	(1,777)	*(20)%*

Breakup of available Cash and investable balance (Net Cash Balances)

Particulars (in ₹ Cr)	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Cash and Bank Balances in Current Accounts (Net of Borrowings)	2,737	1,678	1,831	1,873	3976
Deposits with banks	4,328	3,996	4,203	4,443	2329
Current Investments (Mutual Funds and Commercial Papers)	1,209	2,693	2,719	2,584	2,345
Total Balances	**8,275**	**8,367**	**8,754**	**8,901**	**8,650**
Paytm Money Ltd (PML) customer funds	218	316	319	462	339
Total Balances (excluding PML funds)	**8,057**	**8,051**	**8,435**	**8,439**	**8,311**

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)	Number of unique users in a particular calendar month who have successfully completed a transaction on the Paytm App or have used the Paytm for Business App
Net Payments Margin	Payments revenues (including other operating revenue) less payments processing charges
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 & logistics, deployment & collection cost of our businesses



Paytm

Pioneer of India's mobile payment revolution

Paytm is India's leading mobile payments and financial services distribution company. Pioneer of the mobile QR payments revolution in India, Paytm builds technologies that help small businesses with payments and commerce. Our mission is to serve half a billion Indians and bring them to main stream of economy with help of technology.

Q4 FY 2024 Earnings Call Information

Paytm will hold its earnings conference call for shareholders, investors and analysts on **Wednesday, May 22, 2024 from 4:00 P.M. to 5:00 P.M. (IST),** to discuss financial results of the Company for the quarter ended March 31, 2023.

Please see below the mandatory pre-registration link for attending the earnings call https://paytm.zoom.us/webinar/register/WN_nA6ZFFz7R5e3MYWoOuz3yg#/registration

The presentation, conference call recording and the transcript will be made available on the Company website subsequently. This disclosure is also hosted on the Company's website viz. ir.paytm.com

Notes and Disclaimers for Earnings Release

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The information contained in this earnings release is a general background information of the Company and there is no representation that all information relating to the context has been taken care of in the earnings release. We do not assume responsibility to publicly amend, modify or revise any information contained in this earnings release on the basis of any subsequent development, information or events, or otherwise. This earnings release includes certain statements that are, or may be deemed to be, "forward-looking statements" and relate to the Company and its financial position, business strategy, events and courses of action.

Forward-looking statements and financial projections are based on the opinions and estimates of management as on the date such statements are made and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those anticipated in the forward-looking statements and financial projections. Representative examples of factors that could affect the accuracy of forward looking statements include (without limitation) the condition of and changes in India's political and economic status, government policies, applicable laws, international and domestic events having a bearing on Company's business, and such other factors beyond our control.

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 earnings release, if any, are correct or that any objectives specified herein will be achieved.

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

Notes and Disclaimers for Earnings Release

We, or any of our affiliates, shareholders, directors, employees, or advisors, as such, make no representations or warranties, express or implied, as to, and do not accept any responsibility or liability with respect to, the fairness, accuracy, completeness or correctness of any information or opinions contained herein and accept no liability whatsoever for any loss, howsoever, arising from any use or reliance on this earnings release or its contents or otherwise arising in connection therewith. The information contained herein is subject to change without any obligation to notify any person of such revisions or change and past performance is not indicative of future results.

This document has not been and will not be reviewed or approved by a regulatory authority in India or by any stock exchange in India. No rights or obligations of any nature are created or shall be deemed to be created by the contents of this earnings release.

Use of Operating Metrics

The operating metrics reported in this earnings release 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.

Non-GAAP Financial Measures

In addition to our results determined in accordance with Ind AS, we believe the following Non-GAAP measures are useful to investors in evaluating our operating performance. We use the following Non-GAAP financial information to evaluate our ongoing operations and for internal planning and forecasting purposes. We believe that Non-GAAP financial information, when taken collectively with financial measures prepared in accordance with Ind AS, may be helpful to investors because it provides an additional tool for investors to use in evaluating our ongoing operating results and trends and in comparing our financial results with other companies in our industry because it provides consistency and comparability with past financial performance. However, our management does not consider these Non-GAAP measures in isolation or as an alternative to financial measures determined in accordance with Ind AS.

Non-GAAP financial information is presented for supplemental informational purposes only, has limitations as an analytical tool and should not be considered in isolation or as a substitute for financial information presented in accordance with Ind AS. Non-GAAP financial information may be different from similarly-titled Non-GAAP measures used by other companies. The principal limitation of these Non-GAAP financial measures is that they exclude significant expenses and income that are required by IndAS to be recorded in our financial statements, as further detailed below. In addition, they are subject to inherent limitations as they reflect the exercise of judgment by management about which expenses and income are excluded or included in determining these Non-GAAP financial measures. A reconciliation is provided below for each Non-GAAP financial measure to the most directly comparable financial measure prepared in accordance with Ind AS. Investors are encouraged to review the related Ind AS financial measures and the reconciliation of Non-GAAP financial measures to their most directly comparable Ind AS financial measures included below and to not rely on any single financial measure to evaluate our business.