Payments and Fintech[1]

Operational performance

PayU wibmo LAZYPAY PaySense

Key statistics

Revenue
US$1.3bn
(FY23: US$1.1bn)
(24% YoY growth in US$)
(39% YoY growth in local currency, excluding M&A)

Number of **employees**
3 553

Trading **loss**
US$59m
(FY23: US$116m)
(-5% trading profit margin)

Adjusted **EBITDA**
-US$49m
(FY23: -US$108m)
(-4% EBITDA margin)

Stakeholder material matters

Employees
- Job security, career development and competitive benefits.

Consumers
- Optionality, convenience, trust and security.

Strategic focus

- Supporting India's growth: Building a financial ecosystem around merchants, consumers and banks by accelerating the payments and credit offering
- Focus on profitable growth in core payments and credit.

Risks

- Macroeconomic pressure, with rising inflation and interest rates leading to slowing consumption
- Increasing volume and complexity of regulatory requirements
- Cybersecurity and fraud over the platforms
- Counterparty risks (increased credit portfolio).

Value drivers

- Diversifying revenue base in payments through value-added services
- Scaling consumer credit and diversifying into merchant lending with strong governance and risk management framework
- Driving synergies between existing business to improve revenue and optimise costs.

1 In presenting and discussing our performance, we use certain alternative performance measures not defined by IFRS, referred to as non-IFRS-EU financial measures, alternative performance measures or APMs. Such measures include economic-interest-basis information; trading profit; adjusted EBITDA; headline earnings; core headline earnings; and growth in local currency, excluding acquisitions and disposals. Segment reviews in this report are prepared showing revenue on an economic-interest basis (which includes consolidated subsidiaries and a proportionate share of associated companies and joint ventures), unless otherwise stated. Numbers included in brackets represent the equivalent measure on the basis of growth in local currency, excluding acquisitions and disposals. For further explanation of the use of APMs, refer to 'About this report' in the governance section.

SDG 8 SDG 9 SDG 17

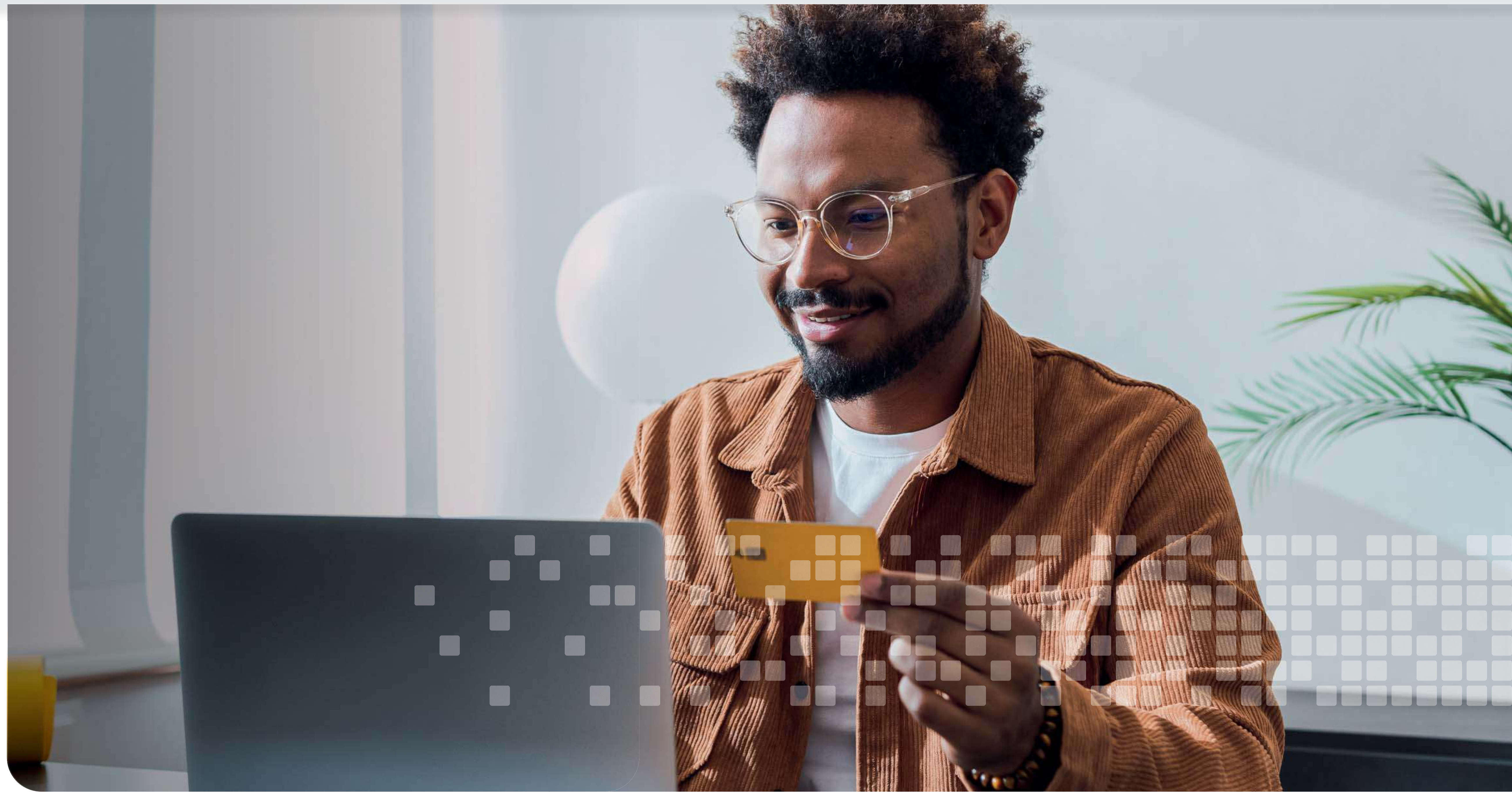
Scaling credit in India

PayU's core PSP and credit businesses delivered strong revenue and increased scale. Notably, this was achieved despite pending regulatory approvals in the Indian PSP business and new regulation impacting our Indian credit business. After an embargo of 15 months, we received in-principle authorisation by the Reserve Bank of India on 23 April to operate as a payment aggregator, allowing PayU India to onboard new merchants.

PayU grew consolidated revenue 22% (38%) to US$1.1bn in FY24, driven by the PSP businesses in Turkey (Iyzico) and India, as well as India credit. Consolidated trading losses improved by US$67m in local currency, excluding M&A, to US$31m. Profitability improvements were driven by GPO, partly relating to the once-off loss provision in FY23, closure of the loss-making digital bank offering in India and cost optimisation.

Core PSP, which accounts for 88% of the segment's revenue, primarily comprises payments operations in PayU India and PayU GPO. Core PSP grew revenue by 23% (41%) to US$975m as total payments volume (TPV) grew 22% (25%). Core PSP trading profit improved to US$19m, a margin of 2% (1 percentage point decrease excluding once-off loss provision in FY23), as GPO and Iyzico's performance was partly offset by losses in India.

India, the largest market in PayU's PSP business, accounted for 46% of core PSP revenues and 60% of TPV. India grew revenue 11% (14%) to US$444m, despite being unable to onboard new merchants due to the noted embargo during the year. Revenue growth was driven by increasing volumes from existing merchants and growing value-added services such as affordability. India grew TPV 22% (25%), ahead of revenue growth on the back of strong growth in ecommerce, financial services and government segments. While our payments business in India achieved a 3% trading profit margin in FY23, this worsened to -3% in FY24 due to the change in merchant and payment method mix (predominantly driven by the embargo).



India credit offers buy-now/pay-later (BNPL) and personal loans to consumers in India. India credit has also started a pilot to diversify its portfolio by providing loans to small and medium businesses this year. Our credit business grew revenue 29% (31%) to US$107m, despite a slowdown in loan issuances as part of a response to evaluate new regulations shared by the Reserve Bank of India. India credit widened trading losses from US$10m to US$20m, driven by continuous investment in building the merchant lending portfolio and relatively stable loss ratio[2] from 2.5% in FY23 to 3.1%. India credit issued US$873m in loans and grew its loan book to US$468m in FY24.

In August 2023, PayU announced the sale of GPO, excluding Iyzico (Turkey) and Red Dot Payments (south-east Asia), to Rapyd. The process is ongoing and expected to close in the second quarter of calendar 2024. GPO, including Iyzico and Red Dot Payments, grew revenue 36% (69%), an acceleration from FY23 to US$533m. GPO's 6% trading profit margin improved from -4% in FY23, driven by the once-off loss provision in FY23 (2% excluding once-off provision), operating leverage from enhanced scale and cost optimisation.

Iyzico remained PayU's fastest-growing PSP business, with revenues growing 119% (238%) to US$186m, driven by new and existing merchants. The trading profit margin was 9%, on par with FY23, as marketing in 2H24 offset a better customer and model mix. Iyzico grew TPV 23% (85%) on an improved and expanded service offering.

Remitly, PayU's largest associate, maintained strong revenue growth of 44% to US$944m for the year ended 31 December 2023. This was driven by 38% growth in send volume as the active customer base increased from 4.2 million at the end of 2022 to 5.9 million. Increased scale and focus on improving platform economics supported Remitly's improvement to a positive adjusted EBITDA margin of 5% from -2% in 2022. Prosus held 19.8% of Remitly at the end of the reporting period.

More information on Remitly is available at ir.remitly.com.

On an economic-interest basis, the Payment and Fintech segment grew revenue by 24% (39%) to US$1 305m and trading losses improved from US$116m to US$59m.

2 Loss ratio – implies expected credit loss provision for loans outstanding in current bucket.

Payments and Fintech

The opportunity

Payments and fintech remains one of the fastest-growing segments worldwide, with rapidly evolving technology, digital innovation and increased financial inclusion accelerated by the move online post pandemic.

We identified three key trends in payments and fintech, which all play to our strengths:

- Continued acceleration of digital payments in India
- Continued strong demand for credit in India
- Regulatory changes shaping the fintech segment in India.

India is our largest market for digital payments. The country recorded an increase of 44% YoY[4] in total number of retail digital transactions in FY24, while payment volume increased 20%.

The future for digital payments in India remains positive as peer-to-merchant digital payments volume is expected to grow over US$3tn by FY30[5]; 4x FY23.

Our credit business is also poised to benefit from growing demand for credit in India. Digital personal and consumer credit is expected to grow to US$130bn by FY30; 7x FY23[5].

Strategic priorities

Supporting India's growth

In India, PayU has built a strong position in digital payments processing for merchants, building scalable technology for banks, and is rapidly scaling its credit franchise for consumers and merchants, morphing into a holistic financial service provider.

For merchants, PayU has built a diversified product suite offering value-added services beyond core payments for the different sectors. In FY24, we processed over US$71bn in total payments volume, up 22% (24%) on last year. PayU has been scaling partnerships with banks and other financial institutions through Wibmo. Wibmo was acquired in 2019 and has strengthened the PayU platform for both banks and merchants by providing payment authentication, merchant acquiring and risk management services.

For consumers, PayU offers solutions for transactional credit to facilitate online commerce and cross-sells personal loans, successfully scaling the loan book. In FY24, issuances expanded 18% and assets under management increased 83% over last year. This scale has been achieved on the back of effective capital and risk management.

PayU also started a pilot in the current fiscal year to manage risk and diversify its loan portfolio by providing loans to small and medium merchants. The business also aims to leverage synergies with the existing payment aggregator business to enhance revenue.

India remains a highly attractive strategic market for PayU, given that it is expected to become the third-largest economy by nominal GDP within the next decade.

Focus on profitable growth in core payments and credit

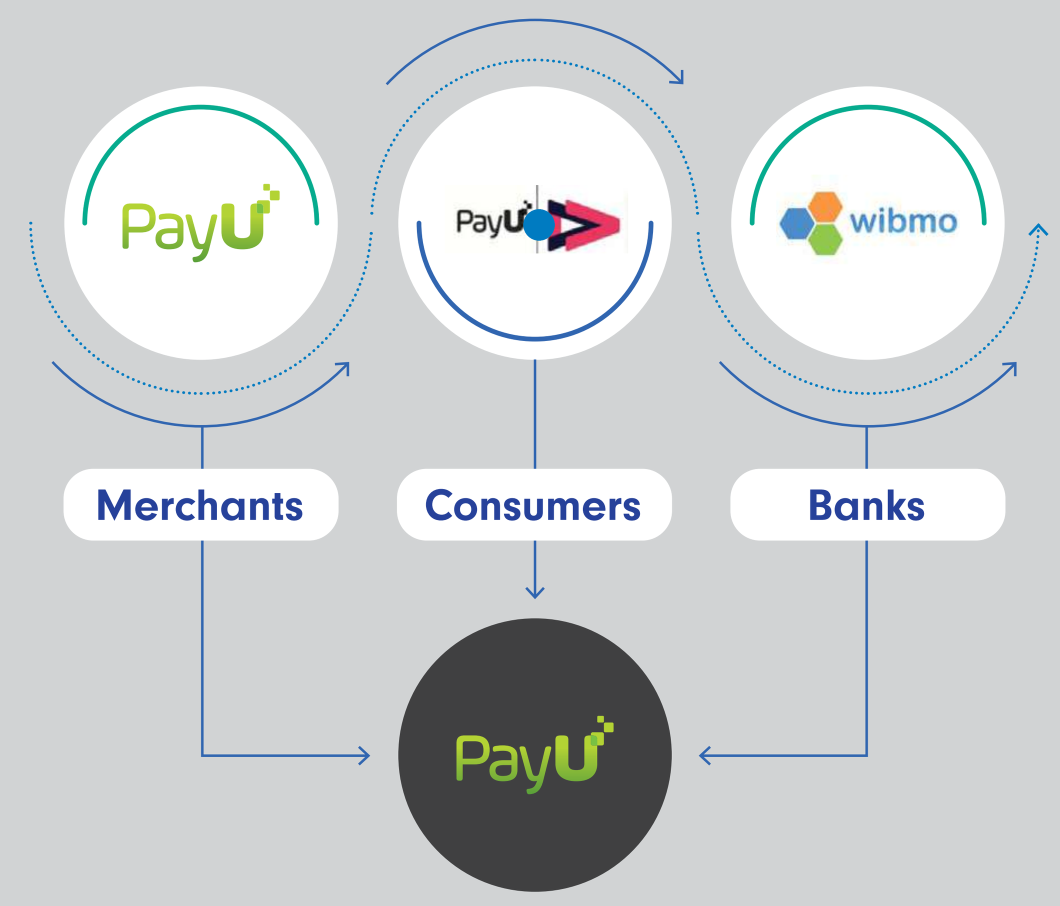
The business processed US$119bn in payments volume in FY24. It has continued investing and building new opportunities such as credit in India. The credit business revenue has grown 12x since FY21, translating into a revenue CAGR of over 128%. This growth has been coupled with cost reductions, ensuring that the trading-loss margin continued to improve YoY.

Our sustainability priorities

Sustainability is a key element of our positioning as a fintech leader in high-growth markets. Our ESG transformation roadmap is guided by our aspirational target to enable expanding circles of positive impact around PayU. While we have focused on the inner impact circles in FY24, we are building momentum to drive broader societal impact in the new year and beyond. In FY24, PayU India strengthened the board by appointing independent directors. The new PayU payments board will comprise 10 directors: five independent directors, three non-independent non-executive directors and two executive directors. The independent directors come with vast experience in the fields of business, finance, regulatory, technology, people and will help PayU scale into its next phase of growth.

As one of the world's top investors and a leader in payments and fintech in high-growth markets, we contribute to a more inclusive future for finance. By building customer-focused products and services, we enable sustainable prosperity in our markets and communities and broaden access to finance. This includes equipping merchants and their customers with the latest payments solutions.

We build an ecosystem around our platform



Looking forward

We will continue to scale our fintech ecosystem across merchants, consumers and banks.

We are present in high-growth markets and we will continue to emphasise India. With the in-principal authorisation by Reserve Bank of India to operate as a payment aggregator and on-board new merchants, India is expected to demonstrate strong growth in payments. The credit business is also likely to benefit from increasing demand for credit in India. PayU is well placed to benefit from this growth by maintaining its market position and improving profitability.

The formation of an ESG subcommittee reinforces the importance of responsible business practices, developing and maintaining global disclosure standards. Led by the diversity and inclusion council, PayU is committed to fostering an environment where every employee feels they belong, are listened to and empowered to speak up.

4 Source: RBI Payment system indicators. Retail transactions, excluding cheque-based. As of March 2024.
5 Source: Bain e-Conomy India 2023 Report.