THE RISE OF PAY-AS-YOU-GO SMARTPHONE FINANCE: A CONVERSATION WITH PAYJOY

The webinar will begin at 9 a.m.

January 15, 2020
Speakers

Tom Jahnes
Business Development Director
PayJoy

Max Mattern
Financial Sector Specialist
CGAP
Smartphone ownership can narrow the digital divide

2 billion
People use only smartphone to access internet

34%
Smartphone penetration in Sub-Saharan Africa

>50%
Cost of an entry-level smartphone as a share of monthly income in many countries
Innovation is unlocking asset financing for the poor

1. Solutions like remote sensing and digital payments unlock new business models

2. Business model innovation overcomes obstacles to serving BoP customers by reducing cost and risk of financing

3. Excluded BoP customers are able to access financing for assets
A new, inclusive approach to financing smartphones

• Same pay-as-you-go approach used to finance solar home systems is being applied to low-value movable assets like smartphones

• Technology allows low-income customers to qualify for financing with flexible repayments, while also helping lenders to manage risk

Photo Credit: Anindy Majumdar, CGAP Photo Contest
AGENDA

- PayJoy Vision and Value & Infographic
- PayJoy Lock
- Case Studies
- Working with PayJoy
VISION & VALUE
VISION

PROBLEM:
Lending to the underbanked is difficult and risky due to the absence of collateral.

SOLUTION:
PayJoy’s locking technology turns smartphones into collateral.
To enable credit within prepaid, you need ability to pay and willingness to pay. Both can be enabled by a smartphone.

Locking smartphones creates collateral, increases willingness to pay, and reduces the potential for churn.

Reducing churn while simultaneously increasing ARPU, puts Maxis in position to grow their market share.
Turning Smartphones into Smart Collateral


3x more predictive
more approved
(compared to legacy used approval methods)

50% fewer payment
defaults

In Mexico, where PayJoy runs its own smartphone financing service, customer satisfaction rose at world-class levels. PayJoy gathered a Net Promoter Score of 80 (based on 796 responses).

Comparison

<table>
<thead>
<tr>
<th></th>
<th>Price</th>
<th>Detractor</th>
<th>Promoter</th>
<th>Net Promoter Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phones</td>
<td>$37</td>
<td>40</td>
<td>80</td>
<td></td>
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</tbody>
</table>

Average handset selling price up 33% to $200 compared to typical ASP of $150.

PayJoy Lock technology right on the device makes smartphones accessible to customers unable to purchase one with cash in full.

GRATITUDE = Exceptional NPS score

End users are embracing this PayJoy Lock technology, which makes smartphones accessible to customers unable to purchase one with cash in full.

What happens if a customer misses a payment?

98% come back to make next payment

1 Facebook account + 5 minutes

1 new smartphone on credit for 1 prepaid user

92% - 250% increase* in sales, ROI of 14%. Is profit margin in Year 1

Finance unlocked

Turning smartphones into smart collateral.
LOCK

BLOCKS ALL APPS WHEN CONSUMER MISSES A PAYMENT

- Shows terms to the customer in a simple and co-branded experience
- Can be linked back to lender application
- Survives or blocks typical mechanisms to remove app (factory reset, reflash, app uninstall, etc)
- Bricks device if there’s unauthorized tampering
- Updated remotely and continually as we find new exploits
- Patented and trademarked
- Underpinned by OEM agreements
CONSUMER EXPERIENCE

PAYJOY APP ON THE PHONE

PayJoy displays on the phone as any other application but cannot be removed. If all payments are made on-time, the consumer may never interact with the PayJoy app.

PAYMENT OVERDUE

When a consumer is past due, all apps on the phone are blocked and any action is redirected to the PayJoy app. Only emergency and support calls to PayJoy are allowed.

ACCOUNT CURRENT

When a customer is current, the PayJoy app allows full use of the phone. The app can be used to access account details and make payments.
CASE STUDIES
LARGE SMARTPHONE DISTRIBUTOR IN MEXICO
GREW SALES AND ACCESSED NEW CONSUMERS

COMPANY PROFILE
130 Retail Stores
Most Customers are Prepaid + Unbanked

INITIAL CHALLENGES
Desire to increase market share
Low profit margins
No underwriting function

100% YEAR OVER YEAR INCREASE IN SAME STORE SMARTPHONE SALES

33% INCREASE IN AVERAGE SELLING PRICE

We recommend that prospective clients speak with our existing clients once we have a Mutual Engagement Plan in place.
LARGE LATIN AMERICAN CARRIER
CUT DEFAULTS IN HALF

COMPANY PROFILE
Largest carrier in Mexico, nearly 60% market share
62M prepaid customers

INITIAL CHALLENGES
Mitigate risk within prepaid financing product

7%
DEFAULT RATE
DECREASED FROM 13%

80%
REPAYMENT RATE
ONCE DELINQUENT
INCREASED FROM 45%

Default Rate = Proportion of consumers failing to make a payment by a certain date.
We recommend that prospective clients speak with our existing clients once we have a Mutual Engagement Plan in place.
PANAMANIAN FINANCE COMPANY
GREW THE TOP LINE AND CUT DEFAULTS IN HALF

COMPANY PROFILE
Online cash lender
Interested in launching device financing
Use their own balance sheet

INITIAL CHALLENGES
Underwriting specialized in cash loans, not smartphones
No physical distribution channel

We recommend that prospective clients speak with our existing clients once we have a Mutual Engagement Plan in place.
PAN-AFRICAN PAY AS YOU GO SOLAR PROVIDER
GREW TOP LINE REVENUE

COMPANY PROFILE
Deployed across multiple markets for 10+ years
Impacting 10 million users
Distributed field sales in multiple markets

INITIAL CHALLENGES
Desire to cross sell pay-as-you-go smartphones to existing consumers
Wish to integrate multiple payment mechanisms
Wish to scale quickly with multiple OEMs at multiple price points

We recommend that prospective clients speak with our existing clients once we have a Mutual Engagement Plan in place.
MFI & DISTRIBUTOR IN ZAMBIA
GREW SALES AND ACCESSED NEW CONSUMERS

COMPANY PROFILE
20 retail stores
Most consumers are prepaid + unbanked

INITIAL CHALLENGES
Desire to increase market share
Low profit margins
No underwriting function
Low applicant approvals

We recommend that prospective clients speak with our existing clients once we have a Mutual Engagement Plan in place.
MFI & MNO IN WEST AFRICA
GREW TOP LINE REVENUE

COMPANY PROFILE
10 retail stores
Most consumers are prepaid & unbanked

INITIAL CHALLENGES
Need data revenue growth supported by an increase in active data subscribers as well as more smartphones on their network
No underwriting function

We recommend that prospective clients speak with our existing clients once we have a Mutual Engagement Plan in place.
ENGAGEMENT MODEL & NEXT STEPS

**Today**
- Information Sharing
  - Share information about the Lender Growth Program.
  - Learn about your current reality and aspirations.

**10 Days**
- Mutual Engagement Plan
  - Assessment
  - Financial Impact Calculator & Pricing
  - Project Plan

**1 to 90 Days**
- Optimization
  - Work together to improve less optimal conditions.
  - Access the PayJoy Developer Kit.

**3 Days**
- Witness
  - See the impact of PayJoy first hand at PayJoy University in Mexico.
  - Observe and learn from best practices.

**10 Days**
- Sign Contract
  - Finalize all commercial terms and execute an agreement.

**60 Days**
- Launch
  - Phase 1: Implementation & Testing
  - Phase 2: Pilot
  - Phase 3: Commercial Launch

*It is highly recommended that we establish standing weekly tactical check-ins and monthly strategic check-ins to manage this project.*
# PAYJOY LOCK PRICING

<table>
<thead>
<tr>
<th></th>
<th>30 DAY FREE TRIAL</th>
<th>BUNDLE 1</th>
<th>BUNDLE 2</th>
<th>BUNDLE 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PRICE</strong></td>
<td>FREE</td>
<td>$1,000</td>
<td>$7,000</td>
<td>$45,000</td>
</tr>
<tr>
<td><strong>NUMBER OF LOANS</strong></td>
<td>UNLIMITED</td>
<td>100</td>
<td>1,000</td>
<td>10,000</td>
</tr>
<tr>
<td><strong>PRICE PER LOAN</strong></td>
<td>$0</td>
<td>$10</td>
<td>$7</td>
<td>$4.50</td>
</tr>
</tbody>
</table>

Fees are payable up front. Prices are subject to change and exclude taxes and fees.
Globally, 1.7 billion adults lack an account
Adults without an account, 2017

Source: Global Findex database.
Note: Data are not displayed for economies where the share of adults without an account is 5 percent or less.
Mobile money accounts have spread more widely in Sub-Saharan Africa since 2014
Adults with a mobile money account (%)

Source: Global Findex database.
Note: Data are displayed only for economies in Sub-Saharan Africa.
Two-thirds of unbanked adults have a mobile phone
Adults without an account owning a mobile phone, 2017

Sources: Global Findex database; Gallup World Poll 2017.
Note: Data are not displayed for economies where the share of adults without an account is 5 percent or less.
Today, 69 percent of adults around the world have an account
Adults with an account (%), 2017

Source: Global Findex database.
A billion adults who have an account still pay utility bills in cash
Adults with an account paying utility bills in the past year in cash only, 2017

Source: Global Findex database.
People in high-income economies are more likely to be able to raise emergency funds—and to do so through savings
Adults able to raise emergency funds (%), 2017

Source: Global Findex database.
Note: Other includes all respondents who chose “selling assets,” “other sources,” “don’t know,” or “refuse” as their response for main source of emergency funds.
Globally, more than half of adults who save choose to do so at a financial institution

Adults saving any money in the past year (%), 2017

Source: Global Findex database.
Note: People may save in multiple ways, but categories are constructed to be mutually exclusive. Saved formally includes all adults who saved any money formally. Saved semiformaly includes all adults who saved any money semiformaly but not formally. Data on semiformal saving are not collected in most high-income economies.
Borrowers are more likely to rely on formal credit in high-income economies than in developing ones
Adults borrowing any money in the past year (%), 2017

Source: Global Findex database.
Note: People may borrow from multiple sources, but categories are constructed to be mutually exclusive. Borrowed formally includes all adults who borrowed any money from a financial institution or through the use of a credit card. Borrowed semiformally includes all adults who borrowed any money semiformaly (from a savings club) but not formally. Borrowed from family or friends excludes adults who borrowed formally or semiformaly.
More people who have an account are using it for digital payments

Adults with an account (%)

Source: Global Findex database.
The gender gap in account ownership persists in developing economies
Adults with an account (%)

Source: Global Findex database.
Q&A

Please share your comments and questions in the chat box. Remember to send them to “All Participants” so everyone can read them. Thank you!

Tom Jahnes
Business Development Director
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Max Mattern
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CGAP
Thank you

To learn more, please visit
www.cgap.org