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Q1 FY2021 Investor's Conference Call
August 10th, 2020

SPEAKERS: Mr. François-Charles, Chairman;
Mr. Krish Seshadri, Chief Executive Officer;
Mr. Sanjay Baweja, Chief Financial Officer;
Mr. Sanjay Bhambri, President and COO.

Moderator: Good evening, ladies and gentlemen. I am Ranjitha, the moderator of this call. Thank you for standing by and welcome to Onmobile Q1 FY2021 Investors Conference Call. For the duration of the presentation, all participants' line will be in listen-only mode. There will be an introduction to the results followed by a Q&A session. Joining us today on the call are Mr. FC, Chairman; Mr. Krish Seshadri; Mr. Sanjay Bhambri and Mr. Sanjay Baweja from management team.

Before we begin, I would like to mention that some of the statement made in today's call maybe forward-looking in nature and may involve risk and uncertainties. For a list of such consideration, please refer to the earnings presentation. Onmobile Global undertakes no obligation to publicly revise any forward-looking statement to reflect future likely events or circumstances. Please be advised this conference is being recorded today.

I would like to now to hand over the call to Mr. FC. Thank you. And over to you, sir.

François-Charles Sirois: Thank you. Thank you all for joining this Q1 call. A good quarter. I'm quite happy. First, let me start by welcoming Krish on board. Very happy he joined. Krish has, as you've seen, a very deep experience in media, which really complements with our telecom expertise, being at Zynga for many years on the gaming side, really Krish will help us launch this new gaming offer. And I'm quite happy he accepted to join as a CEO. So Krish is onboard with us now. Welcome Krish.

Also I am quite happy we have two new Board members. Geeta, very experienced Board member in India. She is on the Board of many key companies. And Steven Roberts, who is actually Global VP at Sony PlayStation, in charge of Competitive Gaming. And Steven has been actually involved in esports for the last ten years at ESL, which is one of the first esports league, one of the biggest one in the world. So Steven is probably the person who has the most experience in esports globally. So I was very happy that he joins our Board, also will help us in this endeavor.

The quarter, if I come back on the results on the quarter, as you can see, we really have a good profitability in the quarter, 14% EBITDA margin. Excluding the investment in gaming and the losses in LATAM, we're actually at 19% EBITDA margin. From my point of view, this is where we should be as our core business should always produce around 20% EBITDA margin. So we're at 19% excluding these investments, 14% in all.

It will be a bit tough to maintain in the coming quarters. But from my view really this is the benchmark for our core business to be able to be around 20% on the core business EBITDA margin.

Now let me just touch a bit on the gaming. I know there is a lot of excitement not just in the market, also in the team. Everybody is really working hand in hand to deliver this new gaming platform.

Last quarter, we announced investment in Rob0. And for all investors just to touch base on Rob0. Rob0 they have an AI-based system that analyze the video feeds of every video game that obviously that we have our system onto. So basically they analyze the feed of the game and they know exactly the players' issues that can arise while playing the game and understanding when they drop off and what's the issue exactly.

So that's the whole engine that we actually leverage for our new platform also. And we also use it in multiple ways. I must say I'm really happy with the Rob0 onboarding. The team have been quite very good here in Montreal. Rob0 is also helping us ramping up the team in Montreal for gaming in both end.

But they are already starting developing all this layer that goes on top of our cloud gaming, which is developed by Appland. Appland is really working hard to deliver this – the cloud gaming infrastructure. And the third aspect to it is really all the contest platform, in digital contest platform that we have, which will be integrated also in the wallet – all the wallet integration, all the contest engine will be integrated into the gaming platform also. So it's really a very good collaboration between Sweden, Montreal and India in bringing this platform all together. So quite happy so far.

And also we pitched it through some of the game developers to get their collaboration and the feedback has been very good. They've not seen anything like this in the market and they're really excited to start the journey with us.

So to that, I'm going to transfer to Krish the mic. So Krish can talk a bit about himself and what he views about gaming. Krish, please?

Krish Seshadri: Great. Thanks FC. Thrilled to be here and meet you all virtually. I'm really excited to join Onmobile at this transformational point. As FC mentioned, a large part of my background over the last 10, 15 years has been in building out digital content and gaming properties across India, US, Europe at pioneers like Zynga and AOL, which had a lot of content.

And to me, joining Onmobile at this transformational point made absolute sense. Onmobile being a leader in the media and telecom industry for decades and got tremendous global reach and it's a preferred partner for some of the most prominent Operators. And now there has been a lot of focus on digitizing our products and in particular building out the gaming business. As FC mentioned, the acquisitions of Appland which brings us cutting edge video streaming technology and the acquisition of Rob0, the digital game analytics, it further strengthens and reaffirms the importance of Onmobile's strategy to become a leader in the global bidding market.

And the global gaming industry is just taking off and it's got huge potential, especially given the millennial audience both in India, Asia and the rest of the Western markets. So for me, in summary, Onmobile is fantastic platform to go and build out and pursue these great opportunities.

A little bit about what's been happening in the gaming side. I've been here just for a week, but have already seen us on the B2B2C side working on upgrading the B2B games with streaming technology and social features. And as you know, our focus is mobile first. So mobile has been fueling the growth of gaming. There is a focus on cloud gaming. And, of course, the social aspect of gaming will definitely come into play. Gamers are more likely to stay in games because of social connections.

And on the esports and competition side, that's driving a lot more audience as we see over 50% of esports audience don't play a game but they watch a game and they participate. And we are also working on the direct-to-consumer gaming product and building it out. As FC mentioned, there is huge cooperation between the teams in Sweden, Montreal and in India.

We have a target market launch with our data products by Q3 December, that's on track. And we're working on building this out. And that said, I'm really looking forward to working with the global team and building out these products working on their momentum and pursuing all the huge opportunities ahead.

I'll hand it over to Sanjay now.

Sanjay Baweja: Thank you, Krish. Good evening and a very warm welcome to all of you on the call. I will quickly run through the financials, although I'm sure most of you would have seen the investor deck that has been mailed to you and also put on the Onmobile and the Exchange website. If anyone is not on our mailing list, please do drop in a mail to us and we will add you to our distribution list.

Our Q1 revenues for FY21 were at INR147 crores, marginally lower than the Q4 of FY'20 and grew however by 5.3% year-on-year basis. As FC alluded, while globally our revenues remain flat, we saw some headwind in both India and Bangladesh due to the COVID pandemic. And this is the key reason for the marginal de-growth.

From a product perspective, the tones de-grew by about 6.2% whereas the games remains flat quarter-on-quarter. The gross margins improved a little over 100 basis points as we indicated during our last call that they will stabilize over time. However, the stand out numbers were the EBITDA margins did jumped up to 14%, an increase of 580 basis points over the last quarter. EBITDA actually grew by over 4 times on an year-on-year basis. The key factor that caused this jump in profitability is the cost rationalization that we've undertaken, and we've also – must say we've also got some help from savings due to the complete reduction in tariff costs that were curtailed as a result of the pandemic.

We would, however, caution our investors not to model this jump in EBITDA for all subsequent quarters. Having said that, we remain focused on cost rationalization and we'll clearly continue to conserve our savings and create alternate permanent savings to sustain the high EBITDA margin. Operating profit as a consequence was also higher at 11.6% as compared to 5.8% in the last quarter and we registered many-fold growth on an year-to-year basis.

This is a result of our sustained effort in the direction of headcount rationalization and achieving operational efficiencies. Profit after tax was INR12.1 crore. This is not strictly comparable with last quarter numbers since we had one-time exceptional gain of 8.2 crores in Q4. Excluding one-time gains, the fact margin is at 8.6% as compared to 6.6% in the last quarter.

We are focusing on the Latin American businesses and we would be walking away from countries where we do not have right pricing power. Clearly, our focus is to show an improved profitable revenue growth in our legacy businesses. The efforts are on to completely reduce the loss from LATAM countries, which would be one of the big drivers for EBITDA margin at the company level as we move forward through this year.

A quick word on the buyback process. We have bought back about 2.2 million shares as of 3rd August 2020. Cash on books stood at INR265.9 crores. This is a reduction as compared to INR274.5 crores at the end of Q4. The decrease is due to the investment of about

INR5.4 crores in Rob0 and the buyback cost of about 6.5 crores. Our DSO also improved in this quarter and headcount stood at 697.

A lot of other operating matrixes and data is in the presentation deck, and I'm sure all of you would have either access it or will look at it.

Let me now give it to Ranjitha for Q&A session. Thank you. Over to you, Ranjitha.

Moderator: Thank you. Ladies and gentlemen, if you would like ask question, please signal by pressing star one on your telephone keypad. If you're using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. A voice prompt on the phone line will indicate when your line is open. Please state your name before posing your question. Once again, ladies and gentlemen, please press star one to ask a question. We will pause for just a moment to allow everyone an opportunity to signal for questions. We will take the first question. Caller, please go ahead.

Speaker: Hello? Hello?

François-Charles Sirois: Yes. Hi.

Speaker: Hi. Thank you for the opportunity and congrats for the great set of numbers. I wanted to know how many Operators are using our gaming platform, and what can the revenue be per month from one Operator? It is based on subscription based, or there is a fixed fee by – we get by using our platforms?

François-Charles Sirois: Yeah. Keep in mind that the current deployment that we do are going to be upgraded with the new service. And the new service comes with the new agreements, meaning that it's not going to be the same revenue shares and the same type of revenues.

In terms of deployment today, we have about 38 games club that are live with Operators. So that's the current footprint. So they will be upgraded over time. But we have to decide – today when you subscribe to a game club, you pay $5 a month for all you can use 500 games with no advertising and no in-app purchase, which is very different than what we're thinking about doing now in the new service, which is more angled towards paying for cloud gaming but on the funding able to esports and the other items. So that's what we'll be upgrading both the clubs but also the business model will be upgraded.

Speaker: So at present, is any Operator using our platform or only – means we are providing games or we are providing platforms?

François-Charles Sirois: No, we're providing a platform that includes games that is sold with the subscription fee to users and they can login and download the games. And the issue I have today is that people pay for the subscription but to download the game because of the app stores rules, they get the warning be careful, if you download this game, you might have a bad app or something. So lot of people are careful. So the user experience from my end is not satisfying. So although we're getting some users, I'm not – that's why we're not pushing anything too much on marketing right now with gaming. So if you see the gaming revenues are pretty much flat because we're really winning for new service to upgrade and making sure that we market a service that has a very good user experience.

Speaker: So we have launched this gaming platform in which, which countries?

François-Charles Sirois: Sanjay, you want to – in which countries did you launch it, Sanjay?

Sanjay Bhambri: So fundamentally for Onmobile we would have some Middle Eastern countries, North African country one and one would the Central Africa. There would be also few countries in Europe.

Speaker: Which country? Hello?

Sanjay Bhambri: Yes.

Speaker: So we're not – I'm not getting your voice properly. Please repeat the answer.

Sanjay Bhambri: Okay. What I said was we have two countries in Middle East, one country in North Africa. We will have one country in Central Africa. We will have two countries in Europe. And we will have one country in LATAM.

Speaker: Okay. Thanks. Thank you very much.

Sanjay Bhambri: Yeah.

François-Charles Sirois: Now keep in mind that's on the Onmobile front. The Appland already had its network also of Operators through other service providers. So that's why in total we have about 38 game clubs deployed.

Speaker: Okay. Thank you. Thanks for that.

François-Charles Sirois: Thank you.

Moderator: We will now take the next question. Caller, please go ahead.

Speaker: Thank you for the opportunity. I have three questions. First one is your net revenue has grown by 3%, but the EBITDA grew more than 3x due to cost cutting measures. How much of these cost cuts are sustainable and rather which cost do you see coming back as the economy normalizes? This is my first question.

Sanjay Baweja: Yeah. I'll take that. So I think the one benefit that we've got from the overall reduction and rationalization of manpower, that's a permanent reduction. While you're right, the pandemic did impact our travel. So the travel cost which we've been able to reduce is because of that.

But having said that, like I mentioned in my opening statement, it is our endeavor and we are looking at various things, for example, we are rationalizing our office space, etc. We're continuously looking – from an overall perspective that's the big change. We are looking at the Latin American countries where there is loss – some of the countries are loss making. So we are trying to – so we are likely to sustain over the next three quarters. We are likely to sustain the profitability margins that we've been able to get.

Speaker: So is it fair to assume that we can continue the similar kind of margins for the next two, three quarters?

Sanjay Baweja: So the rental changes, for example, are – don't go into EBITDA. So they go into operating margin level because for the new accounting policy you're probably aware that you have to put it in the lease accounting and that's a separating, although it comes into operating margins, it doesn't get into EBITDA. It comes as financial cost and everything. But having said that, on a broad basis, over the next two, three quarters, we'll make sure that our profitability does not suffer. We will get back some of the costs like traveling but we will make sure there will be other savings which will ensure that the profitable margins will be in the same ballpark.

Speaker: Okay. My second question is, could you provide some more info about revenue growth visibility over the coming quarters? That means which verticals do you think would contribute to the growth in revenue over FY21 and specifically any targeting any particular growth segment?

François-Charles Sirois: Yeah. We're really – sorry, go ahead.

Sanjay Baweja: No, I'm saying from our perspective, it's difficult to give a clear indication in terms of the growth. But our focus, as FC mentioned and Krish talked about, towards the end of the year focus on gaming, which could be the big driver for revenue. Our legacy business will continue to grow, but not at the pace at which the potential of gaming is there and that's our big focus area for growth by the end of this year. But the other division otherwise tones and contest both would grow slowly but not as fast as gaming would. FC, if would want to add.

François-Charles Sirois: Yeah. What I want to add is that we're doing a very big switch in the company. We're moving from a pure B2B. Most of our revenues are B2B. As we say, we have 100 million subscribers but they're all done through Operators right? So they're all done branded through the Operators brand, the call center of the Operator, everything is through the Operator, although it's all our service behind.

Now we're launching a gaming platform that's completely D2C on one end. And I might say B2B2C to other end. When I say B2B2C is that our brand will have to remain because of the social gaming aspect, which is a pitch to the Operator, whether they're selling a games club branded name of the Operator, it has to be co-branded now. So that's a big pitch to the Operators, but that's a big switch to the company also because now we're really having our brand out there. And as you know, the KPIs on D2C is completely different than the KPIs that we have on B2B. So that's the switch over and that's why Krish is sitting on board also to make sure that we do that switch over in the right manner. So that will bring obviously different set of KPIs, different set of customers, direct key customers. And the revenues obviously will be totally different also.

So I think we should expect the D2C to really add success, but we have to be patient also on the actual growth of D2C. Contrary to an Operator when we launch we have the whole marketing of the Operator. Now when we launch D2C, we'll have to do our own marketing. So although I think we'll have a very, very good platform, we still need to be thoughtful that we still have to invest the money. And obviously, on the other front, we'll have to convince the Operator to push a brand that's not 100% their brand. So that's the big switch over that we're doing in the coming quarters.

Speaker: Okay. And my third question would be – this is last. You have mentioned investments to be made in cloud and social gaming. What would these entries and any amount for the same like addressable markets for these planned investments? Thank you.

François-Charles Sirois: Yeah. Well, addressable market just so you know, we have one in three person actually play mobile games on their phone. So the mobile game market is probably the biggest market out there for mobile and mobile entertainment. So from our view, we really want a platform the addresses the casual gamers. And not just the esport professional because also we mention also esport, but I just want to make sure we understand. I mean the esport market right now is really a professional gamer. So when you have a casual gamer, the reason why they only want to watch is that they don't want to lose money also playing with guys who are so good that they're going to lose.

So we have to bring a platform that's really for everybody for that casual gamer, which includes the 50% women playing games in that category also in India. And in terms of deployment, as we mentioned, the key – for me the Indian market is so important and that's why we would really want to launch first in India, make sure that we address this market at large. And for me in terms of target market, one in three person in India is a potential customer. So that's going to be the first launch.

Then the deployment will go on as a D2C model in Europe and the US as a second phase. But the first phase I really want to make sure we hit it good and also it will help also to be able to see the product and comment on the product. So hopefully by next investor call, we'll have shown at least the better to you so that you can see the platform and judge for yourself on what's the quality of service that we have and what's from your point of view the target markets here.

Speaker: Yeah. Thank you for taking my questions. Thank you.

François-Charles Sirois: Thank you.

Moderator: Ladies and gentlemen, once again, please press star one to ask questions. We will take the next question. Caller please go ahead.

Gautam Trivedi: Hi. My name is Gautam Trivedi. I'm the co-founder of Nepean Capital. We invest in listed mid and small cap companies. First of all, I want to congratulate Krish for coming onboard, a very impressive resume and we hope that this is something that you're going to make a significant change and impact on Onmobile. The question I had was as follows. Your gaming revenues as you said have not significantly increased as yet, but globally gaming is a very, very big business, online gaming that is. And a lot of companies are getting great valuations, getting a lot of funding. What is the five-year plan for the gaming business? And how big could that become as a percentage of revenue?

François-Charles Sirois: We're not supposed to share projections here. But all I can say is that the current revenues are mostly B2B as I was just mentioning. And for me, we're really going very hard on gaming. So although video today is a big part of our revenues and the gaming is quite small compared to videos and tones, I really view gaming taking over most of the revenues in five years, not that the video and tones are not good. I mean, tones for me are going to maintain. I mean, it's not a market.

I really view tones as helping us launching for gaming not sure with the launch of AdRBT that will help also, we'll use our own capabilities on AdRBT in India to be able to promote our gaming service. But in terms of revenues, if you ask me in five years, I would say 80-20, 80% gaming and 20% the rest.

Gautam Trivedi: Excellent. The other question I had was with respect to videos. Do you have a product or are you developing a product which is similar to TikTok?

François-Charles Sirois: No, we don't have a TikTok product honestly. Having known the ban, we would have planned for it, but that we can't know in advance obviously and the places for video services is a bit crowded as you know and what we have is really a subscription service where you subscribe to 150 categories of content and content providers. And we have many categories in many aspects, which is very different than how TikTok works today. So even if I would say, okay, we're going to reshuffle the resources to come out with a TikTok product as soon as possible, first I think that the total focus of our team is on gaming. Second, I think that we would get beaten out in the market with all the others currently doing that. So unfortunately, we will not address this market.

Gautam Trivedi: Okay. And I just – my other question really is, can I assume that a lot of your customers are already in 4G or are seeking to launch 4G because I assume that because for gaming to actually effectively be cross-border, or for that matter, monthly user, you do need a 4G technology. So can you give us a sense – I mean, 60% of your revenues are from Europe and I assume a lot of those Operators there have already launched 4G. But is that important element of your business?

François-Charles Sirois: For gaming, it's going to be very important now. Keep in mind that in India lot of people – and actually not just in India, here also in Montreal, if I look at my kids and everybody, a lot of people are playing on Wi-Fi, especially for the games like PUBG, Call of Duty, all the games that actually have a lot of video streaming, everybody is on Wi-Fi.

The big change out there is 4G here – we did the test and 4G here in Canada is about seven times faster than 4G in India. So for me the Indian market is really – yes, it will be 4G but it will be a lot of Wi-Fi gaming also, whereby when we commit to the US, for example, 5G, the cloud gaming solution that we have today is probably one of the best for 5G cloud gaming out in the market. So that's again the loop back to Operators. I really think that we can focus our team to go back and see all the Operators launching 5G and making sure that they launch with our gaming service because that's where we really make a difference.

Obviously for latency and bandwidth 5G really solves the issue here. And especially, if you wanted to compete with your friend, the last thing you want is to have a slowdown or a screen lockup while you're competing. So yeah, the good mix is we need a 5G with the Operators and the Wi-Fi, or – yes, 4G also depending where you are with your 4G connection.

Gautam Trivedi: Understood. I have one final question. I don't see United States on your geography, so is that an area that you want to pursue, or is there already too much competition there or what's your view on entering the US market?

François-Charles Sirois: For sure. We were waiting for the US market to have the right products to really invest in the US. We have today – we have Sprint that we're doing music service on Sprint that we've been having for many years in the US. But the key to the US is we'll come back with this gaming solution as soon as we launch in India to launch in a US market.

Now keep in mind that in the US we have pretty much a cost of acquisition that's going to be almost ten times more than in India. Now the ARPU will be probably ten times more too or eight times more. So it all goes together. So that's some thing to keep in mind. But still in terms of absolute marketing budget, you need way bigger budget to launch in the US a D2C solution than what we need in India. So that's why we were going to launch first in India and then we have to loop back on key partners to make sure we have the right marketing budget to launch in the US. Today, I really view that we have at least six months advance on the market on what's out there. Nobody has the solution like we will announce. So I want to keep that six months advance. So the US market will follow on pretty fast right after we launch India.

Gautam Trivedi: Understood. And have you, in India, tied up with Reliance Jio or not yet?

François-Charles Sirois: Not yet.

Gautam Trivedi: Okay. Understood.

François-Charles Sirois: We're keen to having discussion with Jio not the forefront, but we don't have any contracts yet with Jio.

Gautam Trivedi: Understood. Okay. Wish you all the best.

François-Charles Sirois: Thank you.

Moderator: We will now take the next question. Caller, please go ahead. Since we do not have an audio from this line, we'll move on to the next question. Caller, please go ahead.

Speaker: Hello guys. Thanks a lot. My question is in terms of your buybacks. So if you are so bullish on the markets, you bought back at INR28. So what's your take on buyback, right? Because if you grow revenues five times, then 80% of your revenue gaming five years down the line which is 10% being now. So you grow your revenues by five times. So what is your take on buyback?

François-Charles Sirois: As you know on buyback, once you agree to do a buyback at a specific price, you cannot increase it. So unfortunately it's going to be very tough to complete our buyback and we cannot change the pricing. So now with that being said, on back on the valuation of the company, as you know, if you just look at today's trend in the quarter, we're at least on USD 10 million EBITDA trend on the year. I don't know any media companies with that scale that trades at 10 times EBITDA and let alone five times. So I'm not going to do the math for you but this stock price should have never been that low and I keep repeating this year-over-year but anyways.

And on terms of buyback, yeah, we could've made the buyback higher. Now in terms of cash management, we have many projects that will require cash. When we're talking about launching D2C, we have many other initiatives that we're looking at in terms of – so when I look at cash management versus the buyback, as you know, when you do a buyback, you cannot emit cash for one year. So I cannot raise more money. So now it's a tricky position while we really believe in the company and the stock price is low, I believe also that cash position in the current situation is important. So that's a bit the current situation with this.

Speaker: I have two more questions. What about your marketing costs. So will your marketing cost double or do you pay a fixed marketing cost or variable marketing cost? How is your marketing cost?

François-Charles Sirois: For sure, marketing cost will increase when we launch D2C in India. Now the reason why also I want to launch in India is that we already have a lot of partners in India. As you know, we're dealing with all the Operators, except Jio. So my expectation that we strike a deal with these Operators that they are happy to push our new service, we're dealing with a lot of wallets. We're using a lot of OEMs, phones like Samsung, Xiaomi. We're dealing with OTP players. So my view is that we get the clear partnership line up where we have lot of people pushing our product and that we at least share our marketing. But for sure we have to expect that we will invest in marketing in the Indian markets and that will show in our P&L obviously.

Speaker: Okay. What I meant is your content cost, right? Today, content cost is 45% of your pay. So you 150 CR which is Indian revenue, right? And your content cost of around 65, which is like 45%. So in the next two years, what is your content cost, because for any media company, right, 45% content cost is a very high number. So let's say tomorrow your subscribers double, will your content cost be 45% of your sales or will it come down?

François-Charles Sirois: Yeah. We have many lines of revenues. One of them obviously is sharing revenues with the game developers. So – and some of them are key developers. So obviously they want to make sure of that, right. You're right, our content cost and percentage revenue is high. I still plan that we should be able to reduce it a bit. Now keep in mind also that our hosting cost will increase. One of the line that we don't have here is hosting today. Now doing cloud gaming is quite expensive on servers and hosting. So that's a line that's going to increase. So in the overall mix, it's probably going to be the same sort of cost. It's just going to be split between content and hosting.

Speaker: I disagree with that François. I disagree to that because once your cloud cost increases, right, your depreciation cost will decrease, because the moment you move from a owned server to a leased service, which is cloud, ideally capex is down, right? Your cost of ownership should come down drastically if you move to cloud?

François-Charles Sirois: Yeah. But now it goes in the OpEx, right?

Speaker: But what about the depreciation cost? That will also lower down, your depreciation will reduce.

François-Charles Sirois: Yeah. Now we have a lot – we already have a lot of servers today and they're mostly depreciated. So they're already – so we buy some every year. But now that – for the cloud gaming, it's all going to be in the cloud, all in the OpEx. So anyways I think those are – and we are really working today on reducing the cost that we have today on our cloud gaming to be able to get the market with the reasonable cost. But keep in mind that the initial cost of hosting will be higher than once the volume really kicks in, in percentage or dollar per sub. The key will be to reduce that. All I'm saying is that we'll have – to your point, yes, we'll work on reducing the content cost, but that will come also on the fact that the hosting cost should increase.

Speaker: But I think you pay cloud as you go, right? So cloud is not a fixed expense. So unless you don't have lot of users, there's no fixed cost on a cloud, whether it is Azure or AWS or any cloud you work on, right? So I am still not able to follow why your cloud cost is one-time operating cost. It's more of a variable cost, but as a user and user so the cost will increase. But I'm not able to follow how it's an OpEx cost and it's a fixed cost.

Sanjay Baweja: So it will be a kind of a semi-fixed cost, where you take some – so while if we go completely on the cloud basis to the service provider, yes, you're right, but there will be something some minimum guarantees, etc., which we will have to pay for when we ask for some large space or large requirement on an ongoing. To that extent, it will be semi-fixed, but otherwise you're right, it would vary based on the kind of volume that we generate with our gaming strategy.

Speaker: So I happen to work on cloud infrastructure, right, and we handle petabytes of data, right, and application. And the very reason why people moved to cloud is because there's no fixed cost, right? So frankly I'm not able to follow what you are saying, right, because you pay as we go. It's not a fixed model and that is why people move to cloud.

Sanjay Baweja: Correct. Yeah.

Speaker: So the second question I have is like lot of the other customers, right, Jio and others, so why don't you get a credible investor on both? Today whole management team is like a business team, right? You hardly have technical people on board or you have hardly developed products, right? So even for that matter, whatever you have done, Appland and every company, right, you've acquired. So what is the strength of Onmobile? Can Onmobile develop in-house products or it will always acquire companies like Rob0 also? So every company any skill you need, right, IT or a dev ops company whose only ability is to execute what is develop. Some I'm not able to follow what is the strength of Onmobile. Will you just be an acquisition company and a rollover company, who is just doing sales? Because I'm not able to follow what you are as a company? Are you a product company or you are a service company?

François-Charles Sirois: So just we've been having this discussion in the past. But again for me Onmobile today is purely a service company with Operators. We're doing sort of managed services and all the services that we have are branded with the Operators and name on it. And we're very good at servicing Operators and doing large scale operation, very secure at the Operator's premises.

Now we're switching all this over to a D2C operation on gaming. And we needed a gaming platform. That's why when we did the two years ago the Appland acquisition, we needed the gaming platform. And yes, we could have used our product team to start from scratch a new gaming platform, but honestly I thought it was way better and I know Appland has been in the market since 2011 and they have pretty much the – one of the best gaming platform to start with.

Once we got that gaming platform, we had to migrate it on the cloud. So now Appland has been working for the last year full time on upgrading everything on having the best cloud-based solutions. And now that we wanted to launch with new social gaming features on top of that platform and esport features, that work it comes – we looked at the Rob0 investment and really view what Rob0 has as a B2B service, because again Rob0 is a B2B service. We could leverage to launch our B2C solution. So that's why we did the Rob0 investment.

I'm not using Onmobile as a VC arm here and taking some VC calls. That would be very different. So we did it because we had a clear need. We knew exactly where we're going and we needed the Rob0 technology to do that. So that's why we've done that. And today when you look at the actual service that we'll launch, it integrates actually from the contest at backend that we have with all the integration with wallets, carrier billing and all the contest engine on top of the Appland gaming platform and cloud gaming platform using the Rob0, esport and all the analysis that goes on top of it, so that we can have the social features and esport features enable.

So all that combination together make sure that we have a great – honestly I really feel that we have a great product. I really look forward to next call so that I can show you the product and then we have a more a clear discussion on what we're launching, what the revenue model and – but your view is clearly a D2C product. And now we have to convince our B2B operations to actually push our products with our brand co-branded certainly and with some conditions that the Operators will ask us. But that's the key. And I really want to leverage the current relationship.

We have over 100 Operators that we have relationship with. So if we can really translate our new gaming offer and really convince the Operator to push it, I think we'll have a very successful D2C business in gaming and still maintain and grow our B2B business servicing Operators and wallets and OEMs. So that's the combination. That's what is Onmobile about today, and I really think we have a great future.

Speaker: So you're branding ONMO. So basically the brand name for Onmobile sales, right? So tell me the brand value, let's say, tomorrow you plan to sell one of the platform. So what is the share of branding Onmobile gets, because I think this is the biggest mistake Onmobile did over the years where your branding like you're selling your services under your cost until the branding order is Operator. So let's say tomorrow you – what is your branding, like what is the value you get out of the sharing, right, of the branding? So tomorrow you sell, let's say, ONMO India. What percentage of share comes to Onmobile?

François-Charles Sirois: Today – tomorrow when we launch a gaming platform, it's going to be branded ONMO, you're right, but it's going to be our brand. So depending if we go direct-to-consumer, if we sell it through an Operator, obviously the Operator will have a share of selling our service, but it's our brand. And you're right. We could have launched our brand one year ago. I didn't feel we had the product for doing that.

Speaker: Okay. I think this is great news. So I think with this in mind, why don't you bring a credible investor, right, because now if you're able to brand it under your name and this gives you credibility, why don't you – let's say you under-price your share and sell it, right? But why can't you get a good investor to give credibility to your management team?

François-Charles Sirois: Sorry, that's – yeah. Go ahead, please.

Moderator: Sorry for the interruption. We have some more lines in the queue for question and answer. So if you'd like to ask question once again, I would like you to come to the queue. So we will take the next question from the next caller.

François-Charles Sirois: Sorry, Moderator, I just want to answer the question before we move to next question.

Moderator: All right, sir. Please go ahead.

François-Charles Sirois: If I may, 100% I want to get credible investors on board. Now to add credible investors, you have to have a very good product which we're getting along. And for me it's very important. We do launch the product before we get investors so they can see it, they can see the results and everybody can judge for it first-hand. Second hand, it helps when you get credible investor on board to have a good stock value, so now I'm happy the stock increases but, for me, it's still really not at the mark where it should be. So my objective it's to – in the coming quarters is clearly to get a clear investors that understand the market, that earn that space and that technology space that you'll judge for yourself oh wow, they're great investors. But to do that, I want to launch. So next quarter we'll have the product and then we'll work on investor that can join the company to support that growth. So that's the timeline.

Thank you. Now we can move to the next question, please?

Vicky Rajesh: Hi. It's Vicky Rajesh from Valiant Capital. I am a new shareholder, so pardon my some basic questions. First one on the video side. If you can just give a little bit more description on what exactly is the business model. From your comments I did pickup that we are selling to the categories of video content to the end consumer. But if you can just describe the business model, that'll be helpful.

François-Charles Sirois: Yeah. So the business models that we have – one of the key components we have about 150 content providers in many segments. So we have sport content, we have women content, kids content. We have many content categories where people go and subscribe to it, so pricing varies depending if it's in Africa, if it's in Europe. In Europe for example we get an average revenue per user of about €8 a month and they subscribe to services. Some of them subscribe to one, two, three, four, five services a month and it's a mix of video and editorial content. And we get the live value of about six to eight months rating on that. And it's really done – again most of it is done again on the brand of the Operators. So we use the Operator's relation in billing to be able to bill the subscriber and we use the first page of the browser. So as you soon as you open your browser, we have that first page where we preview video content that you can actually subscribe to in one click. You subscribe and now you subscribe to the service that you want to see. So let's say 90% of the business of video that's exactly how we do it.

Vicky Rajesh: I see. That's helpful. So why is the content cost going up? I'm assuming that most of this cost is related to your videos business.

François-Charles Sirois: A lot of cost is related to the video business. 80% of the video business is offered by outside content providers and they take a big part of the revenues. That's why it's very costly. When you talk about sports content or – a lot of content is pricey, in some cases we actually manage to get very low content cost because we are almost – like news for example, we do our own news and we fetch our own news and we manage to sell a news service where we have full margin. So it's a mix of the two.

If you look at the music, for example, we don't – we almost make no margin on music when we're selling music and music video. So those are categories that we don't push at all. So the categories where we don't make margins, we don't push too much, but ones where we make a lot of margins, we push the most. But in the mix obviously, we cannot just push our categories. We have to get a good mix because the Operators are asking us also to get a good mix of content not just push our content here.

Vicky Rajesh: Okay. That's helpful. On the gaming side, you said that you have invested in Rob0 because it is a good B2B platform. So my question is as you – as we think about the gaming side, do you have an option or intention to acquire rest of Rob0 or why invest in them? You could have just done a partnership also. So just trying to get some clarity about this investment.

François-Charles Sirois: Yeah. You know the – what we've done with Rob0 actually is really a co-development agreement. And just a small investment would not have cut it because we have the whole mindset of the whole management team actually developing our platform for today. So they sort of didn't put pause on their B2B business, but a lot of the development, the joint development whereby what they developed, they'll need for Rob0. And some of the development they will not need, so they're really doing for us.

We have an option to actually grow to 50% of Rob0 so a 50-50. My view is really to let them – entrepreneurs, let them grow their business; and their business model is signing game developers to help them monetize and find problems in their app, in their game experience. And everything they do on the business to business front, obviously they are signing game developers. It helps us including game developers on our side and vice versa when we sign our own game developers.

So it's really a very – a true collaboration and it's always risky to do that kind of deals, but we've moved pretty fast on that deal. And I was really, really surprised to see the quality of team that we have and how helpful they are in building our solution, so they're – so that does the plan. Will one day it makes sense for us to integrate all of Rob0? Maybe. The plan today is we're at 25% and we have an option to grow at 50%. But I like the 50-50 partnership here

Vicky Rajesh: I see. And just the last question. So the remaining 25% that you can buy, will it be at the same price or at a different price?

François-Charles Sirois: Same price.

Vicky Rajesh: Okay. Thank you so much.

François-Charles Sirois: Thank you.

Moderator: We will now take the next question. Caller, please go ahead.

François-Charles Sirois: Hello?

Moderator: Looks like caller has walked away.

Speaker: Yeah. Hello.

François-Charles Sirois: Hi. Yeah.

Speaker: Yeah. Hi. Thank you for fantastic result. May I know, I mean, what was the reason behind like making the price at INR28 for the buyback?

François-Charles Sirois: Yeah. Well keep in mind that – yeah, Sanjay, you want to answer that? Go ahead.

Sanjay Baweja: Yeah. So I think if you look at the way that the share price was at that time and considering at around INR14, INR15, we thought INR28 was a very big jump in terms of the amount of money that we could offer for a share. And that's the reason – and that we were advised like that by the people whom we were taking advice from. Clearly, the INR28 and the Board decided that INR28 was the right price to go in for at that time.

François-Charles Sirois: And if I can add also, on two hands, I want to make sure we manage our cash also for what's coming ahead. But also with this pandemic, it was really not obviously where the economy would go, although I really believe it was underpriced and it's still underpriced, the economy going back.

Sanjay Baweja: Yeah. FC the value is a market determinant. Let's not comment on that, but we thought it's best at 28 bucks and the Board decided that's it's best at 28 bucks.

François-Charles Sirois: Yeah.

Speaker: Yeah. Because my concern was like if we can invest actually 1.5 as a dividend, why we can't buy actually at higher end, because I'm basically an investor from like past six, seven years and price remains in INR35, INR40.

Sanjay Baweja: So I think clearly while we understand where you're coming from, but clearly the performance of the company I think will drive the value rather than anything else. And we are focused on value creation through profitability of the company. And as you've noticed in this year's – this quarter's result, it's seen a substantial improvement. We expect that we will continue to improve as a company as we grow and we get into gaming and that investment will need money. So our focus is to create value through operations and profitability of the company. Buyback is one of the issues where we saw the price of the share was very low and we thought does not reflect the full value. And the Board decided to buyback at particular value.

Speaker: Okay. Thank you.

François-Charles Sirois: Okay. Thank you.

Moderator: There are no further questions at this time.

François-Charles Sirois: No further questions. Okay, thank you.

Sanjay Baweja: Yeah, I think one more question maybe. Yeah, please go ahead.

François-Charles Sirois: So thank you very much for everybody for joining this call. Again, I really look forward to next investor call in November and we will have a better version for you so that every investor can see exactly what we're launching. And I really look forward to that discussion. So thank you again and thanks for your support. Bye-bye.

Sanjay Baweja: Thank you.

Moderator: This concludes today's conference call. Thank you for your participation. Ladies and gentlemen, you may now disconnect your lines.