



“OnMobile Global Limited
Q2 FY '25 Earnings Conference Call”

November 12, 2024



MANAGEMENT: **MR. FRANÇOIS-CHARLES SIROIS – EXECUTIVE
CHAIRMAN AND CHIEF EXECUTIVE OFFICER**
**MS. RADHIKA VENUGOPAL – GLOBAL CHIEF
FINANCIAL OFFICER**
**MR. BIKRAM SHERAWAT – PRESIDENT AND CHIEF
OPERATIONS OFFICER**

MODERATOR: **MR. PRATIK JAGTAP – ERNST & YOUNG – INVESTOR
RELATIONS**

Moderator: Ladies and gentlemen, good day, and welcome to the OnMobile Q2 FY '25 Earnings Conference Call. As a reminder, all participant lines will be in the listen only mode. And there will be an opportunity for you to ask questions after the presentation. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Pratik Jagtap from E&Y Investor Relations team. Thank you, and over to you, sir.

Pratik Jagtap: Thank you, Sam. Good day, and welcome to Q2 FY'25 Earnings Call of OnMobile Global Limited. Representing the management today, we have FC, Executive Chairman and CEO; Radhika Venugopal, Global CFO; Bikram Sherawat, President and COO. The call will start with a brief update about the overall performance during the quarter and business activity by FC, then Bikram will address the investors. Radhika will update on financials, and then we will open the floor for Q&A session.

I would like to mention that some of the statements made in today's call may be forward-looking in nature and may involve risks and uncertainties that we see. For a list of such considerations, please refer to the earnings presentation. OnMobile Global undertakes no obligation to publicly revise any forward-looking statement to reflect future or likely events or circumstances.

Having said that, I now hand over the call to FC. Over to you, FC.

Francois Sirois: Thank you, Pratik. Thank you all for joining this Q2. Good growth on the Gaming with 27%. As we mentioned last quarter, we're aiming at around 20% growth a quarter. We have 114 accounts with Gaming that are deployed. We optimized the number of accounts from 46 to 53. We still need to do a big job, honestly, on optimization of accounts and cost of marketing. I personally find our cost of marketing too high. So in the coming quarters, it's going to be a focus to decrease our cost of marketing and optimize even more accounts so that we can yield better results on the marketing front and obviously getting more revenues for the marketing dollars that we invest. As you can see from the presentation, we have almost 8.5 million subscribers. We grew basically 2x in the last five quarters. That's why we crossed over this quarter \$1 million recurring revenue and when I look on the next quarters, we should expect to have this base, which is only subscription revenue base, which is only driven by marketing, which is only driven by the optimized accounts and the 114 deployed accounts. We should expect that within the 6 to 8 quarters coming up that we have doubled the revenues that we have today on that front. So I think it's secure to say on that front.

We've also shared some new perspective on the deals. I've mentioned in the last quarters, the importance of signing big deals, \$1 million deals, as I call them. And the mobile story has always about signing deals directly with the operators. Everything that we do today with ONMO and Challenges Arena is only subscription-based, only driven by marketing, where basically it's a relationship of B2C where we do the direct marketing to end users, and we use the operators as a billing. So almost like an app store like Apple and Google, the operator replaced that billing.

We are adding key products to sell directly to the operators to be able to have licenses and not just revenues driven by subscription, which is directly linked with marketing. So we are pushing very much on the gaming platform, we'll discuss a bit more, which we're selling and pushing across the 100 operators that we have now.

And as we can see, we've announced a new deal with DeOSphere. It's a key partnership. Honestly, I was quite happy with the technology that DeOSphere has. We've been in streaming now and really assessing with our own team the performance of streaming and the cost to operate. And with the DeOSphere system installed across all our current data centers and network, we expect to have an increased performance, increased quality of streaming. We see a decrease in all the cost to actually stream and the cost to operate the ONMO service and the cost to actually operate our current service. So all our servers today will be able to gain efficiencies. So obviously that has an impact directly on cost, but that's obviously a new revenue source, as you can see. DeOSphere is paying for us for a minimum fee. And as they grow and as they onboard their own customers on our network, we will gain from this new revenue. So it's a good mix. Really happy with the transaction. Now it's a matter of growing this relationship together, making sure that they onboard customers on our network and that we can actually leverage our infrastructure across the board.

So in a nutshell, that's what happened in the quarter. From this point, I'm going to pass it to Bikram to go in more details on operations.

Bikram Sherawat:

Thank you, FC. Good afternoon to everybody. Pleasure to be here and addressing all you folks. I'll give you a little more details about the operations of the organization in Q2 and some of the areas which we are focusing on. A little bit about the numbers by the line of product. Like FC mentioned, Gaming has done 321.8 million for us. Tones is around 315.6 million and Videos was 625 million.

Now what we have done as a part of this business is we have looked at each line of business and seen which are the metrics we are focused on. So I'll give you a little bit detail in terms of Tones. Tones, our subscriber base has grown from 54 million to 55 million. In a day, we are able to play 410 million Tones, for all our existing subscribers.

We are working with a very large operator in Latin America, where we are expected to go live in the remaining part of this quarter. So that's something which we are really working on with the operators. As we spoke about the cost of marketing for our ONMO and CA subscribers. So we are really looking at very closely going forward that what we can do. And we are also exploring use of Artificial Intelligence to see how we can optimize our cost of marketing. So that's an initiative which we are working on as we go along.

Some of the important engagements, which we are working on with our existing customers are on Gaming platform. Gaming platform is a natural progression of our ONMO and CA proposition, and we are getting a good traction from our customers, and there are multiple discussions, which we are doing with our customers, and we feel that we should be in a position to announce something to the people in the coming quarters.

In Europe, in addition to that, we are working on key video services, premium video services, which we are working with our partners and content providers to provide to our customers. So all in all, across our line of products from an operations perspective, we are looking at where we can add value to our potential customers and grow our business.

I will hand it over to Radhika who will take us through the financials for the quarter, and then we'll open the floor for Q&A.

Radhika Venugopal:

Thank you, Bikram. Welcome, everyone, and thank you, everyone for joining this call. I'll share the key highlights of our financial performance this quarter. Quarter 2 FY'25, we reported a revenue of INR 131.9 crores, which was a growth of 4.7% over the last quarter. This growth was mainly driven by the Gaming revenues, which increased by 27.3% quarter-on-quarter and our active subscriber base on Gaming increased to 8.49 million, which is a growth of 11.6%.

Gross Profit stood at INR 66 crores, which is up by 4.9% on a quarterly basis, and the gross margin percentage is at 51.2%. EBITDA for the quarter is higher than last quarter, and it stood at INR 1.8 crores. Overall DSO is at 113 days. And during the quarter, we also incurred R&D expenses amounting to INR 3 crores.

That was a short update on the financials for the quarter. With this, I will now open the floor for Q&A session.

Moderator:

We will now begin with the question-and-answer session. The first question is from the line of Prakash Ramaseshan from Pragya Consulting.

Prakash Ramaseshan:

Congratulations on a good quarter. In terms of growth on the new business, which is the Mobile Services business. Just getting a flavour of when you see EBITDA stabilizing and just some understanding of the EBITDA in the erstwhile or the legacy business and the EBITDA in the new business? Because 6, 8 quarters from now, hopefully, the optimization will reach a point where the marketing spend will stabilize? So what kind of EBITDA do you see overall as a company and some kind of flavour of breakup of this? And from there, we can perhaps get some estimates or some projections around the profitability of the company.

Francois Sirois:

Thanks, Prakash. As I mentioned in a couple of quarters back, right, I mean it's key that we've done so much investment in Gaming. So much investment to onboard 114 operators and now it's time to start bringing this business to a profitable state. As we said, the Gaming business will be breakeven in Q4 on the EBITDA level.

So the key is really to start growing and be profitable, both. I believe in both things. You can grow and be profitable at the same time. Although we are doing investments with the number of investments and the R&D is really lowering down. So my view is that -- as we expressed here in the Slide also, right, we see that this business should be quite profitable. We should do a good 25% EBITDA margin with the business in the next 18 to 24 months.

And as we plan, right, as we grow the rest of the revenues are actually accretive, so they're actually adding to the EBITDA. So, when we say that the Gaming revenues, which today are at 24% of our revenue should be at 50% by FY'26. Well, then obviously, they yield a good

EBITDA margin also. So that's the plan here. So to give exact number, I don't want to get an exact how much EBITDA will be generated. But the goal is to be clearly EBITDA positive starting next year on all business lines.

Prakash Ramaseshan: So would it be fair to estimate that let's say 18, 24 months from now, we should be at 25% EBITDA on a weighted basis?

Francois Sirois: My goal is that within 18 months, we should yield about that percentage, 25% EBITDA within 18 months. And I know it would be a private company, I'd be a bit more bold. But as a public company here, everybody is telling me to be very careful with the forecasting statements.

As you can see, and for me, it's important to be committed also. We have to be all on the same boat, also as investors, we have to understand each other. When you look at the Slides, and I just want to be clear with it. We have doubled basically in our numbers of subscribers in 5 quarters.

On the subscription revenues, what we say is that we will double in the next 6 to 8 quarters. I could have said 5 quarters also, obviously, But to be just careful and make sure that we don't induce anybody with false statement and manage expectations, we've said 18 to 24 months, so 6 to 8 quarters.

I think in the same way, by the end of that line, we should certainly yield the 25% EBITDA and have a profitable business to that sense. Platform revenues do yield a good margin. The DeOSphere deal that we just did, as we grow, obviously, right now it's small, but as we grow, we already have all the infrastructure in place. So the additional revenues on it is already some cost for us because we already have a global network.

So the cost of building a network from scratch like we have would be humongous, but it's sunk in our 20 years of building and linking to all the telecom operators So as we grow revenues on it, this will obviously hit the bottom line pretty fast.

Prakash Ramaseshan: Now your international revenue is almost 95% of your overall revenue. So we've had in a few quarters back, some bad news from the domestic clients, but basically, that's behind us now. So everything else is incremental from here?

Francois Sirois: Yes. The operator that we unfortunately had to stop operations in India, yes. I don't forecast any operators like this. Now we have a good variety across the board. We have some operators that are getting quite big, honestly in some regions, but I really don't forecast any hiccups like this, right? Can we have issues? We always have issues, that's part of business.

Out of 120 operators that we have live and across it's more than this, across all services, there's always an issue somewhere, right? But that's part of our job to say, what we have to forecast the fact that there will be issues and there will be good news, right At the end, you need to manage your business.

Moderator: The next question is from the line of Ashish Waseem, an Individual Investor.

Ashish Waseem: My query is that we need to know the breakup of ONMO and CA in terms of revenue. So this INR 32.2 crores, how much is ONMO and how much is CA? Can you please let us know?

Francois Sirois: Yes. We've decided to consolidate all the Gaming revenues. So we don't split the two, especially that now we're actually playing in the accounts, , when we see, for example, some accounts where CA is not as performant as ONMO because ONMO sometimes has a better ratios so we just swing the marketing from one another and sometimes it's the other way around. In some accounts, CA is making more money than ONMO and we swing it. So we don't separate it anymore. And actually, we've integrated all the teams now. So the CA and ONMO are actually running on the same platform right now. We used to have two different teams within OnMobile running CA and ONMO. Now it's only one team, one platform, and the marketing gets mixed from one account to the other. So although they still are two products on the end-user side, the actual platform is the same and the team is the same and the marketing so that's why we blend the revenues now.

Ashish Waseem: See one more question is that on March 31, 2024, the CA subscriber was 5.3 million, whereas after 6 months, it is only at 5.85 million. So there is hardly any growth in CA. So is there any issue -? Is there any sum emission you are witnessing in terms of CA in terms of number of subscribers?

Francois Sirois: Yes, that was the hiccup that we had with the operator in India that unfortunately had to stop operations. That's what happened. That's why there's a gap.

Ashish Waseem: One other question is that you gave an update 200 operators, so is the 200 cumulative for ONMO and CA or like 200 operators each for ONMO and CA? Just to understand the overall market.

Francois Sirois: Yes. That was initially when we thought about it, that was 200 ONMO and or CA, right, separately. Now to be real honest with you, I mean, we have so many operators deployed and not optimized. My target is to optimize the operators right now. So we're not pushing, although I know we can get to that 200 mark, and I could even say that we can get to 200 with only combined products.

For now, my objective is not that much pushing up the number of operators. It's really to optimize the current accounts and really grow the revenues that we should get within the accounts that we have. Keep in mind for the last 3 years, most of the team did deployments of ONMO and CA products, all customized for each operator and integration into billing system, customizing of the Google campaign. For us, it's cost, cost, cost. Right now, I want to make revenue, revenue, revenue. So now I mean, we will have some key operators, but we're really looking to make sure that we have all the winning conditions every time we add an operator to make sure that we are optimizing them very rapidly that we can yield the profit and manage the marketing costs as more as possible. So it is an objective, right? So to your question, right, was it the ONMO or CA -- ONMO, CA together, it's still a target to get to 200 eventually. But right now, for me, it's really getting the revenues and making sure we're profitable.

Ashish Waseem: Just last question. This new vertical or the new line of business, what we are exploring is leasing out of our surplus capacity. So what kind of revenue do you expect from this going forward?

Francois Sirois: Well, that's why we did the Slide there on platform revenues. Just to say as a combined basis, the Gaming platform that we will sell to operators which we're selling basically, we sold with ONMO and CA 114 deals, actually, 115 and we're deployed to 114, 116.

For me the Gaming platform, we can sell it to all these operators. Now you're talking about the DeOSphere transaction. For me also, when I say 45% will be platform revenues, we include the DeOSphere customers in there and the capacity that they will add because every single customer that they signed will need additional servers and we need to add these servers, and these servers are the same servers we need for ONMO. So our capacity is being paid by outside customers. So that's the advantage in this deal. But as a revenue top line, what we see is that it's basically going to be 45, 55 by the end of 2026.

Moderator: We have a question from Bhavesh Patel from Patel Investments.

Bhavesh Patel: I see great growth in the Gaming as well. Now that we have the platform, what is our strategy to incrementally strengthen the platform? And are we, in fact, going to invest to add features so that more partnership like DeOSphere can be onboarded to the platform?

Francois Sirois: Our network is the private network. The only reason we opened it up to a partner like DeOSphere is because they had an exceptional technology. So the way we manage it, DeOSphere is actually installing their own operating system and their own edge computing technologies on our network. And that's what gives us additional capacity on our current servers and the way they manage resource planning and edge computing, that's how we share all the current points of presence POPs that we have across the globe. So the way DeOSphere is going to do is DeOSphere will be managing the new customer, getting onboarded and wanting to use capacity on our network, we will not.

So for now, the partnership is made this way. We focus on our current business and DeOSphere will get customers. DeOSphere's customers are big gaming companies or AI companies or entertainment companies that need server capacity and that need access points. Just to give you a thought, Amazon have a lot of capacity, but mostly in developed markets. They don't have a lot of points of presence across the emerging markets, where we have currently all our server deployed.

So it really gives them access points in regions where there's no capacity right now. So the objective for us is really to deal this through DeOSphere. So DeOSphere will be managing that side of the business, and we will manage the network and manage additional capacity required by these customers. But I'm not planning to do other deals with other directly. We'll leave it to DeOSphere to do that.

Bhavesh Patel: That is great. And also good to know the Gaming revenue and also at least even in India and other context, Gaming has shown great growth despite of the GST challenges and all. Hoping that same momentum continues.

Moderator: Thank you. As there are no further questions, I would like to hand the conference call back to the management for closing comments. Please go ahead.

Francois Sirois:

Thank you, Sam. Thank you all for joining the call, and I look forward to the next results. For once, we are doing the call in Mumbai, I met a lot of investors. So I look forward to do spend more time also in the next quarters. And then we'll try to do this practice also. Bikram and Radhika will be available in person. And I'll try if I am in town for the next quarters to be in person also. I think it helps to meet you directly. But in the meantime, I thank you for joining this call, and I look forward to the next one in February. Have a good day.

Moderator:

Thank you so much. On behalf of OnMobile and E&Y Investor Relations team that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.