



“OnMobile Global Limited
Q3FY24 Earnings Conference Call”
February 09, 2024



MANAGEMENT: MR. FRANCOIS-CHARLES SIROIS – EXECUTIVE CHAIRMAN
MR. SANJAY BAWEJA – MANAGING DIRECTOR & GLOBAL CHIEF EXECUTIVE OFFICER
MS. RADHIKA VENUGOPAL – VICE PRESIDENT (FINANCE)
MR. BISWAJIT NANDI – SENIOR VICE PRESIDENT (GLOBAL SALES)

MANAGEMENT: MR. PRATIK JAGTAP – ERNST& YOUNG – INVESTOR RELATIONS

Moderator: Ladies and gentlemen, good day and welcome to the OnMobile Global Limited Q3 FY'24 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 concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Pratik Jagtap from EY. Thank you and over to you, sir.

Pratik Jagtap: Thank you, Seema. Good day and welcome to the Q3 FY'24 Earnings Call of OnMobile Global Limited. Representing the Management today, we have FC Executive Chairman; Sanjay Baweja Managing Director and Global CEO; Radhika Venugopal Vice President (Finance); Biswajit Nandi Senior VP (Global Sales).

The call will start with a brief update about the overall performance during the quarter by Sanjay Baweja, Radhika will update on financials, which will be then followed by FC speaking on overall business activity and sharing his thoughts on future plans," then we will move to the "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 the risks and uncertainties that we see. For 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 Mr. Sanjay. Over to you, sir.

Sanjay Baweja: Thank you, Pratik. Thank you all for taking the time to join us today. A Very Happy and Prosperous New Year to Everyone.

The Results and Presentation is already hosted on our website and hopefully all of you have had a chance to look at them. As always, I'll give you a brief update on our products and business and then Radhika will take you through all the highlights of our financial performance.

Let me start by acknowledging that it was a bad quarter for us. We saw a full impact of VI and also this quarter we were unable to recur one of the billings that we were able to get in Q2 with some customers to positively impact our revenue and profitability. Having said that, we are slated for growth from now on in terms of revenue, especially for gaming. Every successive quarter will be better than its preceding quarter.

Let me now update you specifically on Mobile Gaming Segment":

During this quarter, overall gaming saw a slight uptick in revenue. The revenue generation pace has slowed down during the last quarter because of the VI impact. We are focused on regaining our earlier growth momentum. At the end of the quarter cumulatively, 89 customers are live as against 75 customers in Q2 FY'24, reflecting an increase of about 19%. Further, in Q3 FY'24, 12 new customers agreed to our terms for overall gaming segment taking our cumulative

agreements to 129, Needless to say, we continue our discussion with potential customers around the globe.

In terms of usage and actual consumers, the cumulative gross paying subscribers at the end of the current quarter stood at 33.2 million as compared to 29.29 million at the end of September 2023, a growth of 13%. We are targeting to reach close to 38 million subscribers in Q4 FY'24. Overall, the mobile gaming segment's net active base saw steady growth from 4.91 million in Q2 FY'24 to 5.34 million at the end of Q3 FY'24. This shows an increase of more than 400k in a quarter. We are targeting to reach 6.2 million subscribers at the end of Q4 FY'24.

As highlighted in prior earning calls, we are on the phase of investment, channeling funds into the growth by allocating a disproportionately large budget to marketing, especially in new regions or operators which we are continually launching with. We anticipate that mobile gaming will produce an EBITDA exceeding 20% once it is stable. And as you're aware that will significantly enhance our profitability in the subsequent quarters.

Talking about mobile entertainment, mainly video and tones, video had a decent growth of 9% year-on-year for the nine months despite a decline of 7.5% on a quarter-on-quarter basis. Tones on the other hand had a major impact due to VI and a full impact of that is there in this quarter, leading to a decline both quarter-on-quarter and year-on-year.

We anticipated a much better H2 FY'24, but due to VI's impact and delayed launches, we've had a sizable impact on top line profitability in Q3. But it's our continuous endeavor to achieve better revenue with better profitability in the coming quarters.

Now, a word on cash. The cash balance is down from INR 87 crores to INR 58 crores as of end of December, mainly due to our investments in the R&D development in mobile gaming. Further, we had a large advance collection from one of our customers by the end of September Q2 and therefore, balance is comparatively depleted in Q3. If we were to compare Q1 end versus Q3, you'll have comparative figure.

At this point, I would like to extend our gratitude to our outgoing CFO, Mr. Asheesh Chatterjee. His contributions have left an indelible mark OnMobile global. We wish him the very best in his future endeavors. At the same time, congratulations to Radhika on getting appointed as the new CFO effective from 1st of April 2024. She's been associated with OnMobile for more than a decade and has been a part of the growth and transformational phases. All the very best for your journey, Radhika.

With this, I would like to hand over the call to Radhika to talk more about the Financial Performance. Thank you.

Radhika Venugopal:

Thank you, Sanjay. A warm welcome and thank you, everyone for joining this call. Wish You a Very Happy and Prosperous New Year.

I will now share the key highlights of our financial performance” for the third quarter and nine months ended 31st December 2023:

Regarding nine months FY'24 performance, we reported a revenue of INR 398 crores, a decline of 4% on a YoY basis, while our gaming revenues which contributes to 15% of our revenue have grown by 38.8%. The gross profit margin also improved by 89 basis points to 53.2% on a YoY basis. Manpower cost reduced by 19.9% as we continue to drive efficiency and productivity across our business line. Marketing cost, on the other hand, grew by 20.1% on a YoY basis, mainly due to increased spending on gaming products.

Our cost optimization measures have resulted in improved EBITDA this year till date where our EBITDA stood at INR 24.8 crores, which is more than two times on a YoY basis. EBITDA margin for the nine months stood up 6.4% as compared to 2.7% last year. Our YTD PAT increased by 80.7% on a YoY basis to INR 16 crores with a margin of 4.1%. And our EPS is higher at INR 1.5 versus INR 0.8 as compared to last year.

Now, coming to the quarterly performance:

We reported a revenue of INR 122 crores which is down 10.3% on a quarter-on-quarter basis. This is because in Q2, we had certain one-off and reconciliation adjustments with customers, which we recognized in the last quarter, but which is absent in the current quarter. Now, international revenues constitute 92% of our total revenues. The gross margin declined by 443 basis points to 49.4% on a YoY basis, mainly due to the change in revenue mix. On the cost front, manpower cost as well as OPEX reduced by 19.2% and 23.7% YoY respectively.

EBITDA for this Q3 stood at INR 0.1 crore, which is significantly down on sequential as well as YoY basis. This is mainly due to the impact of Voda Idea. We are hopeful of recovering from this impact in the coming quarters and getting back to our growth momentum. We reported a net loss of INR 2.4 crores as compared to a PAT of INR 4.1 crores in the previous year same quarter. Overall, our DSO remains around 100 days in Q3.

In terms of geography, LATAM leads the highest revenue growth. LATAM leads in revenue growth, which is the highest amongst all other geographies. And during the quarter, we also incurred R&D cost amounting to INR 15 crores as we continued foray into the gaming space.

With this, I will now hand over to FC. Thank you.

Francois-Charles Sirois: Thank you, Radhika. Thank you all for joining the call. Let me just start by congratulating Radhika for becoming our new CFO. For all of you on the call to know, Radhika joined us right after the IPO a couple of months after in 2008. She knows the organization inside out and I'm proud to say that's really an internal growth program that we have somebody that's really grown within OnMobile to become a key executive of the company. So, congrats, Radhika and I'm sure you'll do a fantastic job.

Now, the Results: I'll be very honest with everybody. I do not accept these results; I find this unacceptable. They don't represent at all our plan and the potential of the plan and what the team can do. So, that gives you my state of mind right now. As we mentioned before and as all of you know, we're crossing over 100 operators that we're putting into operation now. You don't operate 100 operators the same way we would operate with like last year 20 operators. The priority of the team is really to put in place all the tools necessary so that we have optimal operation within each geographies and each operator so that we maximize the impact of marketing and that we get the optimal revenue generation for each deployment. So, as we grow and we continue to add operators, it's very key that we do get optimal operation for each of them also. So, I'm going to stop here. I think it's pretty clear to me that these results do not reflect what we can do. And with this, I'm going to open it to the floor for the questions.

Moderator: We will now begin with the question-and-answer session. We take the first question from the line of Darshil Jhaveri from Crown Capital. Please go ahead, sir.

Darshil Jhaveri: I just wanted to understand a bit better what was the value of order reconciliation that impacted us? I think you mentioned it impacted us around INR 20 crores I think in the press release. So, then could you just clarify what happened? Also, just wanted to get a brief feeling that what do we see going forward because we were expecting a much better H2, so now how are we recalibrating and what is what is in our size for FY'25, something on those lines?

Sanjay Baweja: First of all, INR 20 crores is not a one-off, INR 18 to 20 crores is the impact of VI on a quarterly basis that what we declared in the last quarter itself and also which has impacted completely this quarter. What we've managed to do was, there is some revenue opportunities that keep coming when you start an operation in a particular geography, we get some one-off possibilities to happen there, reconciliations where data, sometimes from the operators comes late. So, those were the ones which we did recognize because last time was the first time that we got the impact of VI in our crammer for making sure that we do our best, we were able to get those data sheets from the customers and we were able to reconcile with them and we got the credits as we went along. So, that impact is about INR 3 crores in one case and another INR 3 crores. So, that's not a INR 20 crores impact and therefore we went down. If you notice in video and tones, etc., we've gone down, but not necessarily in gaming. So, in the gaming business we've been stable, we did not grow. And therefore, we were not able to cover up the deficit that we got from VI and also some part in tones because if you see while the INR 18 crores impact should have been there last quarter itself in Q2, our Q2 revenue was not down by INR 18 crores, our Q2 was just about at the same level as Q1, maybe 1 or 2 crores less. But this quarter saw the full impact of VI going down because also part of the quarter VI was there in Q2. This now has the full impact of VI and now on that therefore becomes the base and we will continue to grow as I said and also Radhika mentioned. This is clearly from here on we will continue our growth specifically in our gaming products. We've done 38% year-on-year. We believe we will show you good growth as we go along.

Darshil Jhaveri: If I can understand, gaming currently maybe is around 15% of our revenue because of VI we lost around 15% of our terms, which maybe not coming back right now. So, even if gaming is

going to grow back, this is going to take time to cover it up, So, what kind of future do we foresee right now currently like around INR 110, 120 crores or if you just quantify maybe what FY'25 revenue and margin look like?

Sanjay Baweja: The VI impact was on all the fronts, so VI impact was there on gaming, both our products and on tones, so VI had an impact across the board because VI was a major customer, like you said rightly, it was about close to 15% of our overall revenue. Having said that, now, we will very clearly recover the entire VI impact on the gaming very quickly within this quarter or two. But those business we have to recover from elsewhere and that's what our aim is. We told you earlier, we are looking at launches in LATAM which is taking some time, but hopefully sometime in the next quarter, we'll see that launch happening and revenue will start coming into tones business also. So, we see opportunity of growth coming in from LATAM as a geography and there are 11 or 12 countries where we have contracted already. We see that happening for all our products whether it's tones whether it's both the gaming products also. I can't put a number to the scale at which we'll grow, but definitely the thought is, and the target is to grow quarter-after-quarter every quarter from here on.

Darshil Jhaveri: So, we have bottomed in this quarter. So, just like wanted to know if I want to just maybe put it in a different way, maybe another quarter or two we will get back to what we were and then start our growth journey again. So, the gaming 25% EBITDA that would stabilize and will that happen in FY'25 will be that or it might take more time?

Sanjay Baweja: Actually gaming has two products as you all are aware. One is CA, which we launched more than a couple of years ago and one is ONMO which is launched in one year. We will be stabilizing CA much earlier like it is lead and a year at least on ONMO. So, we will get to stabilization for CA within this year in terms of the profitability and it will continue to grow, I think ONMO will take slightly more time, maybe three quarters or four quarters extra after CA stabilizes. The real stabilization of both the products, we should look at the next financial year following the '24, '25.

Darshil Jhaveri: I wanted to summarize everything, maybe we have bottomed out right now and might take a one, two quarters to stabilize and then we'll be back on track, is that a fair assessment?

Sanjay Baweja: Yes, that's a fair assessment.

Moderator: The next question is from the line of Nishid Shah from Ambika Fincap Consultants. Please go ahead.

Dhruv Shah: This is Dhruv Shah here. Sanjay, my first question is on your cash balance. Two quarters back, you said that we have bottomed out as far as the cash balance is concerned. And again, this quarter you guys have used up INR 15 crores. Can you just say when our cash position is going to bottom out and when can we see cash generation?

- Sanjay Baweja:** So, cash generation two quarters ago we were in Q1 and at that time we were doing really well. And then we had the episode from VI, which really has impacted us across the line, whether it's profitability, whether it's revenue. So , clearly the moment profitability suffered, the cash suffered. But having said that, we believe that over the next two quarters is the stabilizing period like that we just mentioned and post that we should see growth happening. We are trying to make sure that we generate cash, but as of now, you're right, we are using cash I think for the next two quarters is when we will use some amount of cash. We will be close to not using a lot of cash, but yes, we will be using some amount of cash.
- Dhruv Shah:** Sanjay, if I recollect, when I was even there was a conversation with Asheesh, LATAM deal was supposed to start in Q2. This has been delayed to this quarter and now we are saying it has been delayed to another quarter. Why has there been so much delay in the LATAM deal?
- Sanjay Baweja:** A lot of it is also dependent on how the customer goes on. If you remember, tones customer and we have a big customer who has 11 to 12 geographies there. This will be a process of migration from an existing operator to us. And all of that is taking slightly more time. In fact, they were keen to announce it and therefore we announced it at the time when we signed the deal. So, it's a matter in progress. It has taken us more time than we expected. Clearly, our expectation was that we will launch it as quickly as we could. But yes, it's taken more time but it's more to do with the way they are setting up themselves for the migration.
- Dhruv Shah:** I have two more questions. One is on VI. Will it be fair to understand our VI's revenues would have been around INR 80 crores with 60% to 70% kind of gross margins?
- Sanjay Baweja:** INR 80 crores, yes, gross margin. Let's not talk about, but yes, INR 80 crores is a correct number.
- Dhruv Shah:** Because we have taken a hit on the gross margins also this quarter. So, definitely it would be better than our company margin.
- Sanjay Baweja:** I mean, gross margin impact is also based on the mix change which happens consequent to the gaming part going down back, the gross margin will get impacted because the normal business if you recollect, we used to have a gross margin about 48%, 49%, it's because of gaming that it went up now. Since the percentages changed, so the mix change, but this is just a very temporary thing. As gaming continues to grow, we will see gross margin improving again. It's a mix issue, nothing more than that. And we are at 52%, 53%. We will see it changing again positively as we go on increasing the size of gaming in our total portfolio.
- Dhruv Shah:** And in this INR 80 crores, how much would be the gaming part if you can just quantify that?
- Sanjay Baweja:** We'll give you a sense of how much gaming is.
- Dhruv Shah:** Actually this is just out of the blue question because recently Netflix also started gaming and they are seeing very good traction in gaming, and I understand that in CA, you don't see any competition from Netflix, but definitely in ONMO because your crowd as such would be one of the same because you were looking at an ARPU which is as much as a Netflix ARPU. So, you

don't see any competition coming because they are going very fast as far as the users are concerned even before your launch technically in the US and Europe.

Sanjay Baweja: So, we've not noticed any competition. I'll let Nandi also address this part from Netflix per se.

Radhika Venugopal: On your question on what percentage was gaming in Voda, it was 45%.

Biswajit Nandi: In the markets that we operate in Asia, Africa, LATAM, Middle East and Europe, we don't see competition from Netflix on gaming primarily because we do the B2B2C model, we partner with the telco to distribute the gaming product. So, it's a very kind of a closed user group to whom you distribute. In that group we don't see competition from Netflix gaming per se.

Dhruv Shah: But if I can just come across that, geographies you said right now is primarily for CA, right? As far as when you go for ONMO, it will be more developed markets, right?

Biswajit Nandi: No, in this market also there are markets which are pretty developed right, So, when I speak of Africa, this is South Africa is very developed completely covered 80% on 5G. So, ONMO is pretty popular in that market or let's say Kenya, which is also 5G market, ONMO is also pretty popular. So, in this geography also markets which are pretty advanced, covered well by 5G. That's where we kind of position ONMO and then the rest of the markets which are developing now, it's CA. And when those markets evolve to being a developed market, we go with ONMO, that has been the strategy for CA and ONMO.

Dhruv Shah: Right now, we are not seeing any competition, but going forward we'll have to see how it goes?

Biswajit Nandi: Yes, absolutely. We'll keep an eye on it. And since Netflix also does a lot of partnership with the telcos, so we will also kind of get to know from the telco or telco partners as well if you see that kind of a competition coming on.

Moderator: The next question is from the line of Darshil Jhaveri from Crown Capital. Please go ahead.

Darshil Jhaveri: One question I wanted to ask like right now, do you see any more unforeseen risks that can again hamper us?

Sanjay Baweja: Unknown, unknowns are obviously we can't foresee, but otherwise generally from a competition perspective, there's not much risk that we see. We usually have some currency fluctuations here and there, which is a normal quarter-on-quarter process. Other than that, there's not much overall risk or a very, very large risk that we see.

Darshil Jhaveri: No, I was just asking that LATAM partnership, because you're going to go in 11 to 12 geographies, So, what kind of revenue potential does that hold for us and will it start by Q1 FY'25?

Sanjay Baweja: LATAM for CA has already started in a small way. But yes, the potential is huge for CA, ONMO and Tones, all three products we have large potential, we have many customers there. While they

said their geographies, but it would be multiple customers that we may have in the same geography. So, I mean it's not fine for me to give specific numbers whether it's for LATAM, but the potential is large, and we really see good potential happening in LATAM and quarter-after-quarter we'll see growth happening from revenue as far as LATAM is concerned.

Darshil Jhaveri: Full-fledged operations of LATAM can come in FY'25, right, because out of all the details, we think that by FY'25 optimistically, we will be able to do it, right, sir?

Biswajit Nandi: So, we are already live in a few markets with our first gaming product, which is Challenges Arena. Now we have gone live with one market with ONMO, and we'll go in further markets Challenges Arena and ONMO. Tones is the one which we are now in the kind of a 70% done with the deployment of the project and continue. So, that will go live towards the end of Q1. Eventually in Q2 is when the full-fledged LATAM operations, multi-country, multi-customer, multi-product will be live. And that will be the kind of full-fledged operations from Q2 onwards.

Moderator: We take the next question from the line of Divyang Upadhyay, an individual investor. Please go ahead.

Divyang Upadhyay: A bit of my question has already been answered, but I wanted to understand the competitive landscape and your views around how ONMO plans to play because a couple of calls back, FC has mentioned that ONMO is kind of an app store for games and as the previous caller mentioned that Netflix has entered this space, plus there are players like Xbox who can enter fairly easily. So, it kind of seems to me that any app with the captive user base is the trend. My question is how do you perceive these threats and what is the user acquisition and more importantly, what is our retention play here?

Biswajit Nandi: So, first thing first. In gaming, we are in the business of mobile gaming. So, we don't compete with, let's say, Xbox or GeForce now because there is more console large screen gaming. That's the first thing. Second thing is we are not direct-to-consumer, we are B2B2C. So, we have a telco with whom a partner and together we are taking these products to the consumer. So, now in mobile gaming, yes, we have certain competitions coming from across the globe like for example in case of ONMO we have a competition Blacknut which is a French company. So, we constantly kind of monitor what the competition is doing and build more unique propositions into a product which makes the product very distinct and exciting for our telco partners and exciting for their users to kind of come, use, register, view, subscribe and pay for the product, right. That's a continuous process that we're following, which is working well for us and that's why you see the number of line ups or the number of like customers that we're going with keeps on increasing quarter-on-quarter and that's a continuous effort, right, of monitoring competition globally.

Divyang Upadhyay: But sir, the channel might be different, it might at B2B2C but at the end of the day, it is still the consumer and at the end of it, there is still enough competition there, right, the channel might be different, but like there are B2C products in the market which are fairly competitive?

- Biswajit Nandi:** Absolutely, at some point in time we also need to compare ourselves with direct-to-consumer gaming propositions that are there, and the same process applies that how do we build more unique propositions and experiences in our product which the user won't find in the direct-to-consumer product that they can kind of use. Again, that's a process that we do follow and we're pretty kind of strong at that and in our gaming products we have been able to build pretty unique experiences across ONMO and Challenges Arena.
- Moderator:** The next question is from the line of Alkesh Jain, an individual investor. Please go ahead with your question, sir?
- Alkesh Jain:** The thing is that I would like to ask you on this one-time billing, which has the revenue impact because of VI. It is only because of VI or there is some other clients also where we have done some one-time billing? And the other thing I would like to ask is that since this quarter we are hit because of the VI revenue impact, but consistently for the last three, four quarters we have not been growing on revenue side. What is the take of the management on that?
- Radhika Venugopal:** So, I will take the first part of the question. VI impact and one-time billing impact, both are separate. So, VI we have a full quarter impact of INR 20 crores. We have some revenues coming from CA. The deduction in revenues because of VI is INR 20 crores. That apart, last quarter we had some one-offs and reconciliation adjustments. So, we had some data reconciliation pending with some of the telecom operators wherein there was a difference in data between what we had and what they have. The reconciliation was completed in the last quarter, and we recognize the differential revenues. So, that is the extra revenues which we got in the last quarter, but full quarter impact of VI is INR 20 crores, which is separate from this.
- Alkesh Jain:** What was the other impact of the other data discrepancy?
- Radhika Venugopal:** It's not a discrepancy, it is a difference. So, what happens every month is, we reconcile the data with OnMobile versus telecom operators and this reconciliation had some differences which were pending to be adjusted and closing.
- Alkesh Jain:** What was that amount?
- Radhika Venugopal:** That amount was around INR 4 crores. On top of this, we also had some license fee and platform opportunities in Middle East and Europe which we recognized.
- Alkesh Jain:** So, this data difference will be recurring again, or it is just one-time?
- Radhika Venugopal:** No, it will not be recurring again. This is one-off instance. It may happen once in a year, but reconciliations are done quite fast within a quarter, so that will not reoccur again.
- Alkesh Jain:** My other question was about the stagnation of the revenue for the company for the last three, four quarters. Now since we have that VI impact, this quarter was really bad. When do you think that we can get back to the -?

- Sanjay Baweja:** While the exact numbers we can't say, but clearly, our endeavor and what we believe will happen now onwards from quarter-after-quarter is we see growth happening and most of this growth will come from our gaming products. So, we've seen growth in gaming. Even if you look at this year, we've had about 38% growth, but we believe that growth in gaming will get us growth across the board and we will see a total growth happening quarter-after-quarter from now onwards. That's our belief, that's our target.
- Alkesh Jain:** The other thing is that why is there so much of ESOP selling, doesn't give a confidence to the investors in the company, that can be a personal prerogative of anybody?
- Sanjay Baweja:** You are right. There has been selling, but please remember, these people have got shares which is like five, seven, eight, nine years ago, I mean everybody manages their cash flow in a certain manner. When somebody needs cash, then we don't say no to it because technically we can't say no to anybody to sell. So, I think every individual need for cash and it just so happened that two, three people got bunched in a particular quarter, otherwise it's not that -
- Alkesh Jain:** That doesn't give good confidence among the investors to be very frank to you.
- Sanjay Baweja:** There are people who continue to hold, people like me, who continue to hold and given a chance, will hold more and more shares. So, don't worry about that. We have faith and we believe that we can take this company to a different level altogether.
- Alkesh Jain:** The other thing is that I've been attending the concall for the last three, four years. The thing is that we are promising lots of things, but I don't know somehow where are we missing that we are not able to scale up?
- Sanjay Baweja:** You're right. We were progressing well in this year if you were to look at our Q1, and then Q2 onwards, we could have really gone up in revenue, but if you were to add to our numbers, let's say INR 20 crores or INR 18 crores or INR 15 crores even for a quarter, you can see where we would have been and we would have gone much ahead. But these things happen, I'm not trying to justify but we believe that now we are at this level that from hereon we will focus on growth. I don't want to therefore have tall claims and say what, we'll see every quarter-after-quarter, huge growth, but we will see growth is what I'm saying.
- Moderator:** The next question is from the line of Chetan Dhruva, an individual investor. Please go ahead.
- Chetan Dhruva:** One question is on gaming. Looking at the revenue split you have given on slide 15 and if I take the percentage you've given for gaming, then Q3 FY'24 would come to approximately INR 18.3 crores, Q2 would be INR 17.7 crores and Q3 FY'23 would be INR 20.5 crores. So, given gaming, it doesn't seem to be growing fast in terms of revenue. Am I reading something wrong here or is there an issue that at least even on the gaming side in terms of revenue recognition?
- Sanjay Baweja:** No, you're not reading anything wrong. I think you've made a correct assessment. Like I said from very beginning and FC also said, this has not been the greatest of quarters. We've had multiple challenges. VI was one of them and then we had some stunted growth if I might call it,

but very temporary which happened for at least two months out of the last quarter. We've seen it jump back in December and the trend is continuing in January and February. So, yes, we had a slight challenge in October, November, which is past us. We don't see that repeating again and we believe that going forward, you will see a different level of growth against what you've seen in Q3.

Chetan Dhruva: If I may ask, what is the kind of issue that was impacting was the internal one, was it an external demand side issue?

Sanjay Baweja: No, no, it was nothing to do with the market forces, it was more a technical issue that we had with some of the large customers that we had where updates that keep happening from a technology angle, had given us some disruption.

Chetan Dhruva: So, it was transitory, and it's done and dusted?

Sanjay Baweja: Yes, very transitory. Absolutely transitory.

Moderator: The next question is from the line of Mr. Balaji, an individual investor. Please go ahead, sir.

Balaji: Sir, even though Netflix is not a direct competitor, we may have a small competition even though the final consumer is the user of the games, so in the small part there will be a competitor, but I want to know if another online streaming content platform at Amazon or Disney decide to partner with someone like you who has some 100 telcos partnership, is there competition against like Netflix or something like for them to start from scratch and to partner with you, what will be the difference in the scale?

Sanjay Baweja: If an OTT player like that wants to partner with us, obviously, they have their own go-to-market strategies. But we will bring them absolute complete quick access across the globe. And I think that's the biggest difference that we will make to that partnership. Yes, I'm sure at some point in time we will look at that. But as of now, there is nothing that we can talk about. But, yes, if an OTT player wants to come and partner with us, it could be a different dimension to what we can do with the operators across the globe.

Moderator: We take the next question from the line of Dhruv Shah from Ambika Fincap Consultants. Please go ahead.

Dhruv Shah: I just had one follow up, Sanjay. How do we see the marketing cost going ahead because as we scale up the gaming, you had mentioned that the marketing expenditure will also increase, so how do we see that?

Sanjay Baweja: From a process perspective, when we initially launch in any geography, the marketing cost is higher, and then as we settle that geography, it kind of continuously comes down. So, on an overall basis, since this part of the business will continue to grow, you will see an overall increase in the marketing in absolute, but as a percentage of gaming, our endeavor will be that as the base continues to increase, marketing cost as a percentage of revenue will continue to come down

and that's where our profitability will stabilize and that's why we keep saying that we will go up to a level of 25%, etc., when we are at the mature stage. So, the mature stage is when we have large enough base and even if a few new customers join in, in a particular geography in a particular year or in a particular quarter, it would not impact my overall percentages, it may impact a little bit some basis point but on the overall trend, we will continue to optimize this on an ongoing basis, and when we stabilize, it will be at a much lower level, so which will lead to a very high probability, because if we look at the gross margin level, the gross margin for gaming is around 90% and even if we were to spend, let's say 30%, 40%, 50% on marketing, we'll have a huge net EBITDA at those levels.

Dhruv Shah: So, if we are saying that the gaming revenues from here should go up, so technically we should see this gross margin has bottomed out and also the EBIT front?

Sanjay Baweja: That's correct.

Dhruv Shah: Will that be a fair understanding, right, from here?

Sanjay Baweja: That would be the correct understanding, yes. As the mix changes in favor of gaming, the gross margin will go up and that's what we saw, right, if you were to leave out Q3 and look at till Q2 for example, you'll see our gross margin had gone to 46%, 47% level, it has gone back up to 54%, 55%, then it's come down because suddenly we had that upheaval. But now again, it will start creeping back up as the amount of gaming products increases. So, like we say, operating leverage for gaming is very, very high, and therefore as we grow in gaming, we will see our profitability at the end growing.

Moderator: We take the next question from the line of Ashish Mehta, an individual investor. Please go ahead.

Ashish Mehta: I would like to ask about mobile gaming revenue. We were earlier targeting 30%, 40, 50% growth on mobile giving revenue quarter-on-quarter or maybe half yearly. Now, since the last two quarters since we see a pretty flattish growth, is it fair to assume that the growth levels from here on would be lower than what we were projecting earlier?

Sanjay Baweja: So, if you look at the YTD growth, they're at about 38%. So, this quarter, like I've said is an aberration. But we believe that we will continue to grow. I don't want to give future numbers, but we will see definitely much better growth than what we've seen in this quarter. This quarter is an aberration. It's very transitory like we said, and we expect much better growth in gaming here on back to the norm that we have or very close to that.

Ashish Mehta: Is it fair to assume we will still grow by say around 40% that we've grown on nine months FY'23 in the same fashion henceforth?

Sanjay Baweja: Like I said, I would not want to give numbers.

Ashish Mehta: Yes, I mean a ballpark likewise, I mean maybe a similar range. I understand the delta you are in there, but at least not a revision of the growth that we're expecting, correct?

- Sanjay Baweja:** Ignore this quarter and then all others will probably be in those levels, yes.
- Ashish Mehta:** Out of the marketing costs that we have, how much is spent towards mobile gaming revenue, if you can point that out for me?
- Sanjay Baweja:** I think about 80%, 85% is mobile gaming. So, most of our focus is mobile gaming, while mobile entertainment has some amount of marketing but much lower. So, most of our spend is towards mobile gaming.
- Ashish Mehta:** I think you're pointing out if marketing cost to be around 30%, 35% of mobile gaming revenue on a maturity level, so I would assume that mobile gaming revenue would have to grow much, much more for marketing cost to be around 35% of the mobile gaming revenue, correct?
- Sanjay Baweja:** I think a little different than what we are saying. What we are saying is, percentage revenue of revenue that the marketing cost continuously comes down. So, while you are looking at it in absolute and saying therefore it has to grow much higher, you're right, it will grow higher, there's no doubt in our minds of that. But for example, when VI went away they had reached a mature state to be honest, and therefore the profitability impact was what it was, because they were our oldest customer. Because each geography, each operator is a different market altogether and therefore they have a life of its own in terms of the marketing cost trend. So, to make a generic, this thing may not be correct, but geography-by-geography, we start high and then we trend downwards and at the mature state will be between 40% and 50% is what we'll say.
- Ashish Mehta:** Someone pointed about Netflix is starting gaming for B2C. Is there any chance possible that Netflix can also do B2B easily and probably be a competitor or primarily they would be B2C only?
- Biswajit Nandi:** So, if you at even on the Netflix core OTT video platform, they have not done anything on B2B, right. They have been pretty much B2C. So, at that scale what Netflix operate, we don't think even on gaming they'll come on a B2B model and will follow the current model that they have, which is purely direct-to-consumer.
- Ashish Mehta:** I'm just assuming maybe for an operator to go to Netflix and do a tie up wouldn't be that difficult, right, if they really want to?
- Biswajit Nandi:** Those kinds of partnerships keep on happening. So, if look at India for example, and if you're on any of the network, you'll see some of the plans Netflix offer in your plan for free for a period of let's say three months or six months. It's a pretty partnership driven, that's not an offering that the telco promotes whereas when they do a product through someone like OnMobile, they actually take that product as their own white label product to the consumer. So, that's a very different go-to-market approach.
- Moderator:** The next question is from the line of Anupam Jain, an individual investor. Please go ahead.

- Anupam Jain:** One question I wanted to ask was, there are 59 customers that you have onboarded live. How many have you in percentage terms if you can quantify how many have you cross-sell or up-sell anything apart from gaming in ring tone, video, entertainment, anything apart from that, that was our focus some time back?
- Biswajit Nandi:** See, on the cross-selling side gaming like we have two products, right, Challenges Arena and ONMO
- Anupam Jain:** Not in gaming. In ringtones, videos and contest.
- Biswajit Nandi:** So, outside gaming, we keep on exploring opportunity for cross-selling let's say video or RBT platform and that's where we have been successful in Latin America as an example, where we actually started off with Challenges Arena, and then the same customer base, we started discussing RBT and we've been successful and now in a deployment stage. So, that evaluation we keep on continuously doing.
- Anupam Jain:** What will be the customers number or a percentage number if you can give that?
- Biswajit Nandi:** Not kind of right to give the percentage that it's going to cross-sell, but I give an example of a customer in Latin America where we have cross-sold, let's say RBT for 13 markets, that's a good example for cross-selling abilities and opportunities.
- Anupam Jain:** Any revenue percentage that you can quantify that would have come from this?
- Biswajit Nandi:** That I think we should be able to do post we go live which would be like I said towards the end of Q1.
- Anupam Jain:** Secondly, are you exploring any other telcos in India for gaming something like that as VI has gone?
- Biswajit Nandi:** Yes, we're in conversation with telcos in India. But it is very early stage to make any comment there, but we are in conversation.
- Anupam Jain:** Any timeline for something like that to happen to fructify that?
- Sanjay Baweja:** It's unfair for us to say anything like this because unless we sign something, we can't talk about it. And see these talks happen across the globe and specifically in India at all time. As and when we are coming out with it, we will let all of you know. So, as of now, we can't comment on timelines and things of that, but yes, we continuously discuss tie-ups with all the operators.
- Anupam Jain:** And one more question that I had was, you were looking for a strategic investor a year before. Is there any tangible effect or have you dropped like that has gone in the backside?
- Sanjay Baweja:** So, as a product strategy for ONMO, we were wanting to go direct-to-consumer. That has taken a backstage as of now. So, direct-to-consumer we thought we will consolidate our position in a

B2B2C and then at some stage we will go for the D2C. So, as of now, that's not something that we are looking for because our product strategy itself has kind of pivoted in that sense. So, we're waiting for us to consolidate our position in the B2B2C and then we will look at the D2C and therein a strategic investor with us.

Moderator: The next question is from the line of Chetan Dhruva, an individual investor. Please go ahead.

Chetan Dhruva: Sir, I had one more question on gaming. This is related to the vision you had outlined around a year back or so where you had said that in, say, three to four years' time, you're looking at Challenges Arena and ONMO, each of them getting to the size of the current business at that time which was the traditional business you had, right? Is that still something that you're targeting from the overall growth standpoint?

Sanjay Baweja: So, we believe there is the potential for it to grow rapidly. From a timeline perspective, we wouldn't put a finger on it. But I think that opportunity still exists. It's our continuous endeavor to focus and get to higher levels. Yes, we continue to target the higher numbers what we had talked about earlier, but it can take time.

Chetan Dhruva: So, in terms of growth as well, this time, I think you've grown 38% YoY, right, in gaming. And this is in spite of all the challenges that you had, you said two months of stunted growth out of three and so on. So, would that be right in assessing that if not for this issue that you had you would probably be growing at a much faster YoY growth rate?

Sanjay Baweja: So, this 38% is for the full nine months, but yes, we wish to grow rapidly, but I would not put a number to that, and I will not say, we are going to do better or whatever, we will grow, our gaming business will continue to grow. I think it's best that we wait for another couple of months before we say this is what we've done for this quarter and that's what will be the reality in our sense, we are putting numbers here and then trying to match them with what the actuals will be like.

Moderator: Ladies and gentlemen, as there no further questions, I would now like to hand the conference over to the management for closing comments.

Francois-Charles Sirois: Thank you all for joining this call. Happy to turn the page on this quarter and I really look forward to next quarter call, which should be second week of May. So it's planned for the second week of May right now, so it's going to be mid-May. So, thank you all and talk to you in mid-May.

Moderator: On behalf of OnMobile Global Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.