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Q1 FY'22 Investor's Conference Call August 9, 2021

Speakers:

Mr. François-Charles, Chairman;
Mr. Krish Seshadri, Chief Executive Officer;
Mr. Sanjay Baweja, Chief Financial Officer;

Moderator:

Ladies and Gentlemen, Good Day and Welcome to the OnMobile Global Limited Q1 FY'22 Earnings Conference Call. As a reminder, all participants' 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, 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 Ms. Asha Gupta from Christensen IR. Thank you and over to you.

Asha Gupta:

Thank you Melissa. Good Evening, Good Morning to all participants on the call depending on the geography you are in. Welcome to the Q1 FY'22 Earnings Call of OnMobile Global Limited.

Representing the Management today, we have FC - Executive Chairman; Krish Seshadri - CEO; and Sanjay Baweja - Chief Financial Officer. The call will start with brief update about the quarter gone by and a business update by FC and Krish, which will be then followed by financial performance by Sanjay Baweja. We will then open the floor for Q&A session.

I would like to mention that some of the statements made in today's call maybe forward looking in nature and may involve risk 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 floor to FC. Over to you, FC.

Francois-Charles Sirois:

Thank you all for joining. Good traction this quarter on gaming side for both ONMO and Challenges Arena. We all saw the beta version in May that we launched on ONMO, a lot of testing, lots of good feedback. The team has been working very, very hard to get the real money in gaming and cash aspect on to the platforms. So, a lot of changes are about to happen with the UI and user experience considering cash and the way the flow will go. So, this will be coming live in the next month. We are right on track, quite happy for the team worked very hard on this one. Most of the people have tried and on which we discussed with are very happy with the division's pretty unique vision. Nobody out there has something like we do and real the feedback from operators and gamers, again, is quite good and they are experienced gamers, so we are on the right track, right on par as we have said on that front. Challenges Arena, which is a different product is really, really gaining more traction than we had, lots of operators are

launching Challenges Arena, so in the coming quarters we should see a good growth on that front happen also.

Let me pass this to Krish for more details.

Krish Seshadri:

Thank you FC. Good Afternoon everyone, warm Welcome to you all. Thanks for making time. I would like to share progress in Q1 FY'22. As usual, I will start by touching upon high level performance and specific product highlights and our key priorities going forward especially on the gaming side, so our key highlights in the core business revenue in Q1 was more or less stable at about Rs 135 crores roughly a small 1.4% decline. EBITDA was double digits at about 11.3% margin and our PAT grew year-on-year 35.8% and about nearly 10% QOQ. I just want to get straight into our products because that is where most of the key insights are, so on a core existing product we continue to digitally transform many of them including the operating model and especially on the videos and editorial side, revenue was stable quarter-on-quarter about Rs 659 million. We mentioned last quarter that we had an operator that had taken specific measures that capping customer acquisition and that had impacted revenue in Q4. We were discussing with operator to remedy the situation. I am happy to state that that has happened and that is why we are seeing revenue stabilization over there. On the Tones side, there was a slight decline in overall revenue about 2%, but as we continue to digitally transform that business, digital tones showed robust growth of about 12.5% quarter-on-quarter and nearly 17% year-on-year. Much of that revenue growth is primarily driven by more digital app installs, so digital app installs grew about 54% year-on-year to about 21.4 million installs and that is roughly an 8% quarter-on-quarter growth, so what is happening in that business is we are just seeing migration of users and revenue to digital, even in our core legacy business and this transition is in process and looking good.

Coming to our games unit as FC said, lots of progress. I think this is our future growth business. We saw very good traction with customer sign ups and progress in just the first quarter of our launch with Challenges Arena. I will start with Challenges Arena first, excited that this within the mobile quiz gaming genre, we have seen more traction than we had actually originally planned and telcos feel that Challenges Arena is a cutting-edge product with very good gamified experience.

If you look at the past quarter that went by Q1, we have had about six customer sign-ups and two live customers with total gross subscribers of about 490,000, and Q2 estimates roughly 12 customer signups, seven live, three more deployments are in

progress. We hope to have more than a million cumulative draw subscriber additions, and by Q4, our estimate as many of you would have seen in our earnings presentation, we are on track for 25 customer signups and likely 20 live customers. As I mentioned this is fantastic trajectory for the next two quarters. It is more traction than we originally planned and thought and that is primarily because of a lot of things that we have done on the product side.

While we talk about revenues, it is also important that the product is a good product that customers and telcos value. We enhanced the product over the last quarter and telcos and their customer have been very happy. Right now, we have about 17,000 questions on the Challenges Arena platform. I think we started last quarter with about 12,000, so we have added roughly 5000 more questions and we think we will continue adding at that same pace and likely end up with about 40,000 questions in our question bank. What is even more important is we also added local language capability, so last quarter we had just English and now we have moved into most of the prominent Indian languages. We have added Hindi, Tamil, Telugu, Kannada etc. and we will be adding more Indian languages over the course of the next quarter or two. We are also adding other European languages for our European customers. Also, from an end-user player standpoint, returning payers of Challenges Arena are playing roughly 75 to 80 quiz questions a month and that is a lot for just the first quarter of launch. It is a very, very healthy sign of player engagement with the product in the first quarter itself. I think all this is contributing to telcos adopting this product easily as they see their subscribers engaging with the product, so I think what is key is customers and payers need to engage with the product. It is not just about sales and we very keenly track some of those metrics to see if customers are engaging with the product, so 75 to 80 questions a month is not a small number. We hope to keep increasing that, but that is just for start.

On the ONMO B2C cloud gaming platform again, huge progress on multiple fronts in the last few months. When we last talked, we had just about to release the beta version of the product on May 20th and that was, over the last two months, we have had several conversations with telcos once that product was ready. In just over 60 days, we are already in 15 advanced conversations with telcos and three of them have already reached signup stage, so we are on track as we said last time for the Q3 launch with the telcos. We said this last quarter, two-three months back, when we had just started those conversations, but today we are even closer and we have greater visibility and confidence based on these conversations for a Q3 launch with quite a few telcos. I think that

said what is important is what the telcos feel after having seen the product and having had these conversations and that has been phenomenal. FC had said it is a differentiated product and that is resonating really, really well and strongly with the telcos because they feel that our cutting-edge vision, artificial intelligence technology starts gaining moments that we have on our platform combined with cloud streaming makes it a cloud-gaming platform that is unparalleled and something that they have never seen before. All these telcos are obviously across Europe and across Asia and they have been talking to a lot of different gaming platforms. For them to engage with us and give that validation is very, very strong indication that this is a truly differentiated cutting-edge global product.

I think we will see very similar traction in customer adoption on ONMO like we are seeing with Challenges Arena. The only difference is it is starting two quarters later and I think by Q4, we will expect to have about 12 telco sign ups and maybe eight to 10 of them live, and the trajectory over the next three-four quarters for ONMO is likely to be the same or even better than Challenges Arena, so I do not want to look four quarters down the road, but we are very confident that we will have about 20 customers over the next four quarters. What is that giving telcos this confidence, of course we mentioned about cutting-edge vision, AI technology, our short gaming moments, and cloud streaming, all these are very key differentiators, but over the last quarter you know we also had a lot of content on the platform. When we launched this in May, we had about 29 games and 850 unique challenges on the platform. In just the last two-and-a-half months, now we have got about 55 games and over 2500 unique AI driven challenges on the platform that means in about 60 to 70 days, we nearly got 2X the number of games and 3X the number of challenges and this is the pace at which we think we are going to move over the next three quarters, which means that by Q4. we will definitely have more than 150 games and 10,000 challenges and that will make it by far one of the largest sets of unique challenges that you can find globally in the gaming space. These 10,000 unique challenges will also make ONMO the first challenges creation engine powered by artificial intelligence. This is vision AI technology, which pretty much reads all the scores and creates short interesting game moments out of larger games. We launched the virtual currency product in May '21 and as FC said, the team has really focused on getting the cash battles and monetization out, that is also on-track as we said last quarter and we continue to go as per our estimates that we will have this out by September. This will be tested for a few weeks with multiple payment mechanisms and we should see monetization of that starting early October. So once again it is more B2C but on B2B

as I said we are definitely on with the telco launches in Q3. I think to a large extent we have seen some good, interesting usage of the product, average session duration of players. On an average any incoming player is playing the product for about 25-30 minutes a day, which is really, really good for a product that is still just about two to three months into the market, and once we add all these compelling cash battles and the change in UI, which FC mentioned, the engagement is just going to go even more further beyond the 25 to 30 minutes, so if we can get to about 45 minutes, I think that will be really good in the next quarter or two.

We are really optimistic right, so with all these things that we are doing with ONMO, it is going to be the dominant social e-sports cloud-gaming platform. If you look both our gaming products are global in nature and the mobile gaming space is expected to grow from roughly INR 78 to 80 billion in 2020 to about INR 110 billion, and that is the market that we are playing and it is a huge market, and we are investing in a space that is growing double digits and rapidly. We have a world class gaming products team backed by excellent product and engineering talent across India, Sweden, and Canada working on this. We will continue investing in these teams and hiring people from the best internet and gaming companies globally. So that kind of summarizes everything about our gaming products which we are on track to deliver as we have been saying with the days.

On the organization side, we continue to emphasize employee safety, they are still predominantly working from home. It has been a challenging few months for us just getting gaming products out into the market although I think about three-quarters back, we thought we are going to launch just one product, but today we have launched two products pretty much globally and that too with teams that are working remotely, and frankly, we are just excited about the opportunities that lie ahead of us because the first leg of getting the product out is done. I am very encouraged by the technology building and the product focus and the quality of talent that we have and the acceleration and momentum we have seen in this quarter. Few quarters back, we said we are just going to launch ONMO. This was the first for OnMobile, it was an audacious goal, but we have done it and now we have launched not just one, but two gaming products out there, so we are off to a great start. In this year, we started it with a clear strategy, now we are incredibly focused on our execution, product innovation, and our customer and telco growth over the next few quarters. So with that I will hand it over to Sanjay Baweja, our CFO, for his comments on the financial performance for Q1. Sanjay, over to you.

Sanjay Baweja:

Thank you Krish, and Good Evening and a very warm Welcome to all of you on the call. Hope all of you and your families are safe and healthy. Let me quickly run through some more details on the financials. I am sure most of you would have already seen the investor deck that has been mailed to you and also hosted on our website and exchanges as well. If anyone of you is not on our mailing list, please feel free to mail or connect to the investor relations team and we will add you to our distribution list.

However, before I start with financials, I would like to really talk about the comments made by Krish and I am really happy and excited to see what that we have considerable traction for Challenges Arena and have started generating revenue from this quarter. We will continue to remain focused, of course in our endeavor to create considerable revenue opportunity for our overall gaming business, Challenges Arena and the ONMO part. Our Q1 FY'22 revenue was stable on a quarter-on-quarter basis at about Rs 135 crores. As mentioned in our earlier calls as well, the reduction as compared to last year same quarter came from Europe and a bit from the MEA region. Europe and MEA revenue declined mainly due to some operator policies. We have now sorted those issues and things are already showing an uptick and we are expecting and will improve further from a revenue front as we go along in this quarter and the next one to follow.

In line with our strategy to shut down any business entity that does not measure up to our stated goals of revenue and profitability, we are continuing to focus on unprofitable Latin American businesses and I am in the process of exiting from those countries. As mentioned earlier, in the calls also, I would like to reiterate that we have completed this process substantially last fiscal year and the full closure of entity is expected in the current fiscal of 2022.

On the cost front, our manpower cost declined 11.8% on quarter-on-quarter and about 11.6% year-on-year. Primarily due to our cost rationalization efforts, our long-term stated targets for manpower cost is 20% of revenue, we are currently at about 23%. This is both function of cost decrease and revenue increase. I must reiterate we continue to acquire employees for our gaming business while we right size the legacy business requirement. We expect to achieve this target within the next 12 months of our manpower cost as a percentage of revenue. Our marketing cost increased by about 30% quarter-on-quarter and 52% year-on-year mainly due to one-time activities involving one of the large customers in Europe. Other OPEX declined by about 22% year-on-year, however, the increase of 10.4% quarter-on-quarter is

due to a subdued quarter last year which had certain one-time reversals in the previous quarter.

EBITDA for the quarter stood at INR 14.5 crores and the double-digit margin of 11.3% mainly due to the above-mentioned manpower cost saving. Our endeavor is to maintain and improve the current margin levels with continuous focus on cost optimization. Operating profit stood at INR 11.9 crores with a margin of 9.2% during the quarter. Our profits after tax at INR 16.4 crores reflecting a growth of 9.8% quarter-on-quarter and 36% approximately on year-on-year basis with a 12.7% margin. This also included a one-time exceptional gain of about INR 7 crores. Our DSO, again we improved to 122 days in Q1 FY'22 from 137 days in Q1 FY'21. The cash on books stood at about INR 227 crores for the quarter as compared to INR 266 crores at the end of Q4'21. This decrease is mainly due to our investment in Chingari of INR 31.8 crores and other R&D costs of INR 7.1 crores. R&D is mainly on the ONMO products. As mentioned by Krish, we will continue to invest in our gaming products and we are progressing well, and we will start yielding revenue within this fiscal. A lot of operating metrics and data have already been shared in the presentation deck. I am sure all of you would have had access to the same. With this now, I will hand over the call to the operator to open the floor for Q&A. Thank you very much.

Moderator:

Thank you. Ladies and Gentlemen, we will now begin the question-and-answer session. We have the first question from the line of Jay Prakash Maheswari, an Equity Advisor and Investor. Please go ahead.

Jay Prakash Maheswari:

Congratulations team OnMobile for another good quarter, I wanted to know about the customer base of Challenges Arena, it is 4,90,000 right now and what part of it is paid and what part of it is premium?

Krish Seshadri:

On Challenges Arena that is across subscriber additions of 490,000 and the net paying subscribers at end of the quarter was all of them are the paying base, but the net paying subs at the end of the quarter was about 140,000.

Jay Prakash Maheswari:

You mentioned about the average time per user spend on the app, so is it based on the average per user in a one-month scale or like when a customer enters the app then it is 20 to 30 minutes?

Krish Seshadri:

That number I gave you was for ONMO not for Challenges Arena, but these numbers are on a daily basis, it is not monthly. The number of questions that they answered which is what I gave was

on a monthly basis, so that is roughly between 75 to 85 game plays that they have in the first month.

Jay Prakash Maheswari: As Cash Battle are going to launch in September, so I wanted to know about the economics behind it like suppose I am battling with a friend of mine, so if I win, will I get the complete sum or there will be a part of commission in ONMO and what part will be in tax, so what is the margin per user if you can explain?

Krish Seshadri: I think as we described the business model or the revenue model for ONMO, so it is essentially let us saying you are playing against there is a player A and a player B and each puts in let us say 50:50, so the total gross transaction value on the platform is a 100 and ONMO would take a certain percentage of it, which would broadly roughly be around 10%, I cannot tell you exactly what that number is, but it will roughly be around 10%. The rest of the money goes towards the winner, of course there are payment processing cost and tax and associated things there, but this is a fairly common model out in the industry, it is not very different from what many of the other real money gaming platforms do.

Jay Prakash Maheswari: So, are you also looking for funding, are you in talks with any one for marketing expense as you mentioned last quarter?

Sanjay Baweja: We are continuing our discussions with some strategic investors and the bankers who are talking across, whenever there is any further development we will come back to you guys, but as of now the discussions are on and these are the kind of discussions which continue to happen all the while. Whenever we have some more development, we will come back but yes that effort is there.

Jay Prakash Maheswari: Great, my final question is regarding the ESOP policy of the company, so whenever there is an ESOP announced is there any lock-in period for the employee or they can sell their shares post getting?

Sanjay Baweja: Generally, the way the ESOP policy works is, any employees who get ESOP, there is a three-year vesting period which happens after one year, two years, and three years, and that is when how, after the vesting is done then the employees are at liberty to sell.

Moderator: Thank you. We have the next question from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Thank you very much Sir, firstly I wanted to understand in terms of the gaming, the entire business size so what is the potential that we see in this particular arena as compared to our existing

business which is let us say INR 500 crores odd top line business over next maybe few years, three to five years?

Sanjay Baweja:

Actually, Challenges Arena will be incremental revenue and we do not want to give forward-looking numbers specifically. Like Krish mentioned, we have already got many customers who signed up. By the end of this year, we will have about between 20-25 telcos who we expect to target. The numbers while we cannot talk about it, but will be decent numbers and more importantly it will have decent profitability more than our current profitability levels, so I would stop here because I do not think we can give specific numbers as to what is the size that we would look at but having said that, we just started and we expect that within this year between 20 to 25 customers will be signed up and would be live on this and I think that is our target. As we go along, we will continue to be lot more transparent about what the revenue is looking like and how it is tracking, just wait for a couple of quarters, you will get all the data.

Deepak Poddar:

Sir, like you do not want to share any specific numbers that is fine, but in terms of like can it be one to two times at least of existing business?

Sanjay Baweja:

For Challenges Arena may not be, the ONMO business will be much larger. Challenges Arena will not be one or two times of the current business, but ONMO gaming product it could be a very different scale altogether which we were talking about.

Deepak Poddar:

I am talking about both together?

Sanjay Baweja:

Both together yes that could like I have mentioned, the ONMO business could be much larger than our current business.

Deepak Poddar:

Fair enough, understood, and secondly on the marketing budget, so how do we plan to spend on increasing awareness of this product, so what is our strategy on those fronts?

Sanjay Baweja:

Clearly, the major expense is about the customer acquisition cost, the marketing is more about customer acquisition and we believe while in India the customer acquisition cost per customer would be lower. In US and other European markets, the acquisition cost will be higher. Having said that, the revenue per customer or ARPU is also commensurate with the acquisition cost, so to that extent we will end up. Most of the \$100 million that we talked about over the next three-four years, most of that will be spent on from a customer acquisition perspective. Also of course branding will be a big part of it, and we expect to start that within this year itself, but substantial part of the spend will be on the customer

acquisition part. We believe that over the next three-four years, we will end up spending about \$100 million.

Deepak Poddar:

So, three to four years \$-100 million would be approximate on your customer acquisition or the market?

Sanjay Baweja:

Obviously these things go with the business, depending on the business and the way our strategic and other investors are so confident, it could be a substantially different numbers but as of now that is our target.

Moderator:

Thank you. We have the next question from the line of VP Rajesh from Banyan Capital. Please go ahead.

VP Rajesh:

Thanks for the opportunity, congratulations on the progress you guys have made on both the platforms, so where there any revenues from the Challenges business in this quarter or that will come in the next two-three quarters?

Sanjay Baweja:

The revenue has started let me say that, it is not a substantial number to talk about but it has started in good earnest and we believe this current quarter and the next will really throw up much larger numbers, but yes it has started clearly this quarter was the first quarter with one telco in India and we expect now that the other telcos which are non-Indian and also joined in, the pace of growth of this revenue will just catapult over the next two-three quarters.

VP Rajesh:

My next question, Sanjay is around the gross margin, so can you just describe whether our gross margin has now bottomed out or do you see more pressure on it, it used to be 56% of the quarter?

Sanjay Baweja:

I think it has bottomed out, we are making sure that, at the gross margin level and at both at EBITDA level, we are ensuring that whatever we had in terms of lower margin is off the table. While there will be always a mix in terms of some places where the gross margin will be lower, but some places they are higher but with Challenges Arena coming in and growing in stature over the next two-three quarters, we believe that at EBITDA level the profitability will be higher. At the gross margin level, it may be slightly lower, but since the other OPEX is very minimal in that, at the EBITDA level will show a much better traction so that is how I will phrase it.

VP Rajesh:

My last question for Krish on the ONMO platform I heard you say you are approaching it via telcos, but if I remember you were planning to go direct to the consumers also, so has something

materially changed in that strategy or if you can just give more color on that please?

Krish Seshadri:

Our strategy has been the same, which is both telco and direct to consumer. The telco conversation have started and we said that launch will be in Q3 and with direct to consumer, our beta version is already out there and as FC also mentioned they are adding the Cash Battle and Monetization in September and consumers will also be able to play Cash Battle on that and you will see some revenue coming in October, so that strategy of B2C is still there, it is in fact our product is, already the beta is already out in the market.

VP Rajesh:

Which one do you think will be a better source of revenue for us and more importantly profitability, the telco side, or the direct-to-consumer side?

Krish Seshadri:

It is a bit too early for us to look three-four years down the road. Right now, I think the prospects are very good on both sides because as you know there are over a hundred telcos out there looking to partner with gaming platforms so B2B looks very promising. At the same time, B2C the e-sports market is one of the primary drivers of mobile gaming and that could be a multibillion-dollar market in itself, so I would say that we are terribly focused on both, it is not either or.

Moderator:

Thank you. We have the next question from the line of Vinay Bathija from Favilo. Please go ahead.

Vinay Bathija:

Can you throw some color on the virtual currency that you all have launched and is it in the form of crypto currency where you can get it outside? Second question is on the financials, if I go to the receivables and payables say from at least the debtors they are around INR 2000 million and if I go to see the yearly revenue would be around INR 6000 million so that is around one-third of the sales and even payables seem to be higher, so if you could please explain the reasons for the same?

Krish Seshadri:

I could not hear it properly, can you repeat the first question, it was not audible?

Vinay Bathija:

Can you give me the economics behind the virtual currency that you all have launched, would it be an internal usage and there was this currency that was launched in Japan that is the crypto currency and they utilize it all over the country and it is a gaming currency, so is it on that lines or what does the virtual currency out over there?

Krish Seshadri:

Virtual currency or these ONMO coins that you will see on our platform, so it is like a parallel economy, people play us when they come in, they get a little virtual currency to play with the product and engage with the product and go through a few iterations of maybe playing a few moments, so that is what we have right now. Cash Battle are what we are waiting for that is real revenue that actually comes in, so that is what we have planned for in September, so virtual currency is just our own internal ONMO economy with its own virtual wallet per se, but cash is when you will hook up your external wallet whether it is a Paytm wallet or a Google Pay or add cash, real money on to the platform to then battle with someone and then when you win, you get that money out so those are two parallel economies out there. Your second question was for Sanjay, I guess!

Sanjay Baweja:

If you were to compare our receivables from last year to this year, our DSO in fact which was between 140 and 150 in the last year, we have been able to bring it down to about 110 to 120, so that is in fact has been reduced our receivables, and yes you are right, 120 as the one-third of the 360 is one-third of our revenue to that extent, but also from a payables perspective most of that is content payment which we generally pay after we get our money in place from the customer so to that extent both will remain high. On one side, we will have receivable but till we get our receivables in place, we do not generally pay for the content, so we need to balance our working capital to that extent so therefore you will see high numbers on both sides, but yes there are some generally most of the customers are paying us well expect there are few sticky ones, sometimes in Africa which takes slightly longer but otherwise they have. If you were to look at our numbers, we have not had major delinquencies across over the last two-three years or four years at all, so we have not been getting cash from the customer has not been the issue for us. Yes, from a DSO perspective it is slightly it was at 140, we have brought it down to now 110-120 range and that is where we are.

Vinay Bathija:

Just a small one, I know that you touched up on the delinquencies, but what would be the delinquencies expected in these spaces and what has been the footfalls?

Sanjay Baweja:

Very, very miniscule. We have not had delinquency like I said in the last two-three years at all, so it is hardly anything. I mean delinquency is not there, that is what I am saying.

Moderator:

Thank you. We have the next question from the line of Bhagulal Choudhary, an Investor. Please go ahead.

Bhagulal Choudhary:

Good Morning and Good Evening, I have very basic question so first is like on sixth of, actually I had seen that presentation for investor so in that presentation one interesting line although it is like 0.5%, it comes as INR 7 million shown as Challenge Arena revenue right and in revised presentation for investor posted on August 8th it is removed that part, what I am trying to point here is like we all look for the information on new ONMO and Challenges Arena and all those things, so then what is the intention to just remove that part because that look good actually from an investor point of view like we are actually making some progress although it is INR 7 million, so what is the intention to remove actually that from presentation?

Sanjay Baweja:

You are right it is so small that we did not want to mention. Like we have been talking, I think the traction has just begun, it started in this quarter. We reached from a zero-end user to about 490,000 end users, this is just the beginning from our perspective and the numbers of revenue are very, very small. Imagine this and imagine that over the next two quarters or three quarters, we are going to have 25 new customers or telecom operators who will be having Challenges Arena, that is the time we give numbers and they will look decent and we will be happy and you will be happier.

Bhagulal Choudhary:

There is any reason actually why Challenges Arena is removed from Google play store that you will go with B2B and that is reason it is removed for B2C?

Krish Seshadri:

Yes, Challenges Arena as the brand goes is with the telco, so when you put it out in the B2C placed over the same brand name, people get confused because there are some 5000 downloads. We do not have B2C product there, so there was no point putting the same product with the same brand name there when that is more a B2B telco product.

Bhagulal Choudhary:

So, Challenges Arena will be B2B, not B2C right?

Krish Seshadri:

It is B2B right now and that is our plan. If there are any changes, we will let you know.

Bhagulal Choudhary:

Last point is like we invested actually almost INR 35 crores in Chingari app right last quarter, so what is the reason behind, previously actually we are able to see some gains on that Chingari app but not now, any reason behind that?

Krish Seshadri:

Our investment was primarily distribution of our gaming products ONMO so once Cash Battle of ONMO is ready and then we will be ready to integrate ONMO with Chingari and distribute, and

Chingari already has 70 million installs in the Indian market, so that is a huge number and it literally ensures that we do not have huge customer acquisition costs and the Chingari audience base which is primarily millennial and the gaming audience base for us is also primarily millennial so it was a good distribution channel for us.

Bhagulal Choudhary: But in that case we would have added more games rather than removing?

Krish Seshadri: Who removed?

Bhagulal Choudhary: What I am trying to say is like one month back when I actually downloaded Chingari app I saw actually few games from actually ONMO and all those things, but now very less or I do not see actually games on that particular?

Krish Seshadri: We have not put our games there as yet, they might have had something previously which they might have removed because we are going to integrate our games, so we never had our ONMO game inside Chingari, that has not yet happened, but it will happen shortly.

Moderator: Thank you. We will take the next question from the line of Jainam Shah from India Advantage Securities. Please go ahead.

Jainam Shah: Hi team, my first question is regarding the ARPUs of Challenges Arena, so I just wanted to like check from the team if this calculation is sound, so can we take 490K as the average user base for the quarter and revenue as pointed out around INR 7 million, so you know dividing that and then maybe taking it extrapolating it from the quarter to the year, can we get the ARPUs and then compare it to the target ARPUs which we had put in last presentation?

Krish Seshadri: Let me answer on the ARPUs and this is obviously going to differ by telco, by partnership and by region, so it is too early for me to say what ARPU will be when we have 10 telcos or 20 telcos because each one the ARPU is different, but I will give you some broad indications of what those ranges could be across regions. If you look at the India, Asia, Middle East region, the ARPU can be anywhere between about INR 25 to INR 40 in terms of what OnMobile makes. When you look at Europe, it is going to be much more roughly INR 400 to INR 500 range, so that is broadly the numbers, so it is too early to, I know what you are trying to do that backhand calculation, but it is too early for us to do that projection because we need more data and that will come out in

the next quarter or two because these ARPUs vary by region and by telco.

Sanjay Baweja:

Just to add that 490,000 is as of date towards the end and not necessarily the average, so you will have to be careful when you look at averages.

Krish Seshadri:

Yes, that was end of Q1, in fact that was end of June and our gross subscriber additions have already increased since June.

Jainam Shah:

My second question was regarding the revenue from ONMO, so B2C I understand that we will have Cash Battle for customer will have to buy some money and then participate in Challenges and maybe there we will get our cut, what will be the revenue terms for B2B site?

Krish Seshadri:

With most of the telcos, it will with heavy telco we have a business discussion on the revenue model and in most cases, it is primarily a subscription model and that is how they enter into partnerships with gaming platforms especially in Europe and advanced countries. If you look at the subscription rates of therefore cloud gaming platforms, it is anywhere from \$ 10 to \$ 20 per sub, so it is much higher, so it is a much higher ARPU then even Challenges Arena as a product.

Moderator:

Thank you. We have the next question from the line of Prakash Ramasesan from Pragya Consulting. Please go ahead.

Prakash Ramasesan:

Thank you Sir for taking my call, congratulations on the excellent set of numbers, I guess from all the questions I can hear in my own questions as well, we are struggling with understanding how the numbers are going to look financially for the development in the new business and this is where I have done some math of some of your competitors to see whether their numbers can be used to extrapolate on what you are doing. I looked at a company called Skillz, could you give us names of any other companies we could look at so we could get an understanding of where your business is going to be 3years from now?

Krish Seshadri:

I mean still there is definitely a good kind of comparison but let me also point out that the comparison kind of starts and stops in the basic revenue model which is e-sports and real money gaming. We are also a little different from them because we are more a product that is cloud streamed and we are not on the play store or the app store, so it is slightly different, but if you look at Skill then how they are scaled and try to form some comparisons, it would not be a very bad comparison, but there are some obvious differences between the products.

Prakash Ramasesan:

Thank you Sir, frankly I think everybody is extremely enthusiastic about the way your new business is developing but very few people are able to actually tabulate that to how the numbers are going to look, that is where the market is really struggling. I know that two-three quarters from now, we will have better indications for your own numbers but we are just looking for answers, looking for any comparative, so apart from Skillz could you point us to any other companies which is similar to that we could look at?

Krish Seshadri:

I can point out to companies in that space, but from a product perspective we are all very different and I will probably point that to you, so you have got MPL which is also into e-sports, you have got Skillz which is into e-sports but the basic difference is we do not host an entire game. We are focused more on short gaming moments, the best gaming moments that you can find, so there is a fundamental difference in terms of how the user comes and engages with your product, so we are going to have probably people coming in more often and playing short gaming moments. Also, we are not a downloadable APK which is an Android Packet file like MPL or an SDK that you need to download like Skills, so in both these platforms, you will have to kind of download. In our case, the consumer experience is very different, you do not need to download, but they both play in that same overall mobile gaming, e-sports space, so if your question is more is that the space and the larger ecosystem that ONMO is going to be playing in, that is absolutely right. We are in the e-sports space which is a very, very key driver, but let me also say that there are other monetization models that will be coming down the road, especially on the social side. We have not even added some of our social features out there and you are going to see other monetization models and revenue streams added into ONMO going into year two, so this is just our start, but we do start adding new revenue streams going in and as the product matures.

Prakash Ramasesan:

Very well Sir, as I mentioned the market is struggling to understand how the financials are going to work out, maybe we will just take the broad-brush feedback that three years from now the revenue from the new business are going to be substantially larger than the revenues from the old business?

Krish Seshadri:

Absolutely.

Moderator:

Thank you. The next question is from the line of Abhishek Kapoor, an Investor. Please go ahead.

Abhishek Kapoor:

Thank you for the opportunity, Good Evening to everyone, I have basically two questions, first one is on the ONMO, when we say

that we want to sign up with telco and I understand that our platform which provides gaming, so how does telco help us in getting the subscribers?

Krish Seshadri:

It is just like what we have done with Challenges Arena, the partnership with the telcos is to market it to the telcos and host it and in the case of ONMO, it is also cloud streaming, so we are having discussions on the telco hosting it on some kind of a hybrid model, so the telcos get involved in a more intermit way in ONMO than on Challenges Arena, so they have got a captive audience base of hundreds of millions of subscribers and cloud gaming is a application which they feel is very, very sticky and engaging for their customer base, so that is how these partnerships happen at a very rudimentary level because there is a strong need for cloud gaming and the telcos want to partner with cloud gaming platforms, and ONMO is one of the few cloud gaming platforms and definitely the first one from India.

Abhishek Kapoor:

Can we say that the telcos send SMS or messages to their subscriber and invite them to play on our platform?

Krish Seshadri:

Sure, yes absolutely that will also be one way that they do it which is to market to their own subscriber base and lead them to ONMO.

Abhishek Kapoor:

My second question is what is our marketing strategy to attract the direct to consumer when we say that we would like to have direct to consumer approach, what is our marketing strategy where all are we advertising about the ONMO and the special advantage that this is a kind of a platform and they do not need to download several apps to play those games like we have multiple games?

Krish Seshadri:

Yes, I think as Sanjay mentioned, we will be spending close to about \$100 million plus on marketing and customer acquisition. So, on customer acquisition it will be a combination of digital marketing to acquire customers in very specific regions where we are operating and also in select regions where we have partnerships like what we have done with Chingari, we will obviously bring in customers through that channel, so it will be a combination of these partnerships plus digital customer acquisition.

Abhishek Kapoor:

Not like direct advertising on YouTube or where the players come and play the game?

Krish Seshadri:

Yes, that is also part of digital customer acquisition, so when we talk about digital customer acquisition it will be through

Facebook, Google, YouTube and wherever the gaming population are engaged and visit.

Moderator:

Thank you. We have the next question from the line of Subrata Sarkar from Mount Intra Finance. Please go ahead.

Subrata Sarkar:

I have a very basic question like Sir you are talking about the real money game, so there are lot of things need to be clarified in terms of legal issues and all those things regarding real money game, so any thought on that and like what are the methods we are taking to counter that?

Sanjay Baweja:

We will be on the right side of the regulatory framework always. We will make sure that anything because our, what the challenges with each player throws to the other are all games of skill, so from that perspective we are clear in our mind and whatever is the Government mandate on this in India and of course in the other countries across the globe where we are going to launch, we will follow the rules of the law. We are very sensitive to the requirement from the regulatory perspective and we will make sure nothing, we will be on the plus side rather than on the minus side.

Subrata Sarkar:

Sir, just to clarify on this like in terms of India, do we have a clarity regarding in our case the kind of real money game we are talking about, is it legally okay, what is the legal status as of now?

Sanjay Baweja:

As of now it is allowed, there are a couple of States where there was some issue for example Tamil Nadu had an issue, but I think the Supreme Court just last week has upturned the judgment etc., so we are closely following that. Maybe separately we can engage with you and tell you specifically State by State as to what is the status, but we will follow it to the T, every requirement from a gaming perspective, but yes, the real money gaming is allowed. Gaming when I say the game of challenging one person versus the other that is allowed in a lot of States in India.

Moderator:

Thank you. We have the next question from the line of Doctor Charanjeet Seghal, Shareholder. Please go ahead.

Dr. Charanjeet Seghal:

Good Evening, excellent conversation with respect of current status and future plans of the company. My question pertains to as during question hour you said that there is a base of about 490,000 users, can you kindly indicate in respect of region, region wise percentage of subscribers please?

Krish Seshadri:

This is primarily India, the base that we gave the numbers for Q1. Q2 obviously as we said, we are launching with more telcos

globally so those numbers obviously will come out in a couple of months.

Dr. Charanjeet Seghal: So currently it is based only in India?

Krish Seshadri: No that was Q1, we have already moved and launched with telcos outside of India, that is not part of the Q1 results.

Dr. Charanjeet Seghal: Okay, prima facie currently in respect of users if you can kindly give an indication, region wise percentage and also the window size in respect of revenue window size each region as we had said in one of the question and answers that in India the fast end user might be INR 30 to INR40 even as the same in Europe will be INR 300 to INR 400, from that perspective just from a clarity I would like to have some input from your end?

Krish Seshadri: I mean at this stage it is too early for us to take Challenges Arena revenue by telco, by region and give it to you because as I said we got about seven or eight live customers that we will go live with in Q2 across the globe not just in India, but in other countries plus their ARPUs are all very different, so we will have more clarity on this as this quarter gets over, we are in the middle of it. Does that answer your question!

Dr. Charanjeet Seghal: It does because rather in the development stage in respect of expanding to other regions, at initial applicability to our region that is how I understood from the answer, am I right?

Krish Seshadri: Yes, we have expanded the region base, in Q2 we have gone beyond India and to other international geographies.

Dr. Charanjeet Seghal: But the numbers are not very clear as of now, I understand it, it takes a while to get data and...

Krish Seshadri: I cannot give you Q2 numbers this early, but once the quarter gets over, we will be able to share.

Moderator: Thank you. We have the next question from the line of Piyush, an Investor. Please go ahead.

Piyush: Sir, just wanted one clarification on the high number of allowances for trade receivables and financial assets as well on the balance sheet?

Sanjay Baweja: We have not given the balance sheet with this quarter.

- Piyush:** I was looking at the earlier annual report balance sheet for March '20 and '19 as well so I see a high amount of allowances, so could you just clarify that?
- Sanjay Baweja:** When you say allowances, you mean the allowances for receivables?
- Piyush:** Bad debts, so from trade receivables I could see an allowance?
- Sanjay Baweja:** Our policy is time-based policy, we have sometimes and there is a delay in receivables. We continue to make provisions and they continue to get around as we get paid and our last delinquency like I was telling in one of the earlier questions was some eight-nine years ago. We have not had major significant increases in our bad debts per se, but yes, we continue to make provisions based on policy which is a time-based policy. For example, anything over 360 days we tend to make some provisions, but then it continues to be in a cycle kind of situation and when we get collected because there are some customers who pay us later at sometimes the payment gets stuck but we do receive the payment, that is how this works, but otherwise we have not had delinquencies like I said. They get reversed once we collect and then based on the cycle of payment, we provide again and we keep reversing as we go along.
- Piyush:** Sir, one more clarification on receivable from subsidiary, so what is your policy on the same?
- Sanjay Baweja:** Subsidiaries are 100% subsidiaries, so there is no challenge from that account.
- Moderator:** Thank you. We have the next question from the line of Vinay Bathija from Favilo. Please go ahead.
- Vinay Bathija:** Sir, just a small follow up, you said that there is a company policy that you follow based on which you provide for the debtors and after that you reverse them, so I am just asking the timeframe, what would be the timeframe?
- Sanjay Baweja:** We will provide for example after 360 days of a receivable not coming, we will provide for it and if once the money is received, we will reverse it that is how we would do it.
- Vinay Bathija:** Can we say that these INR 2000 million is outstanding for more than a year, there would be a cycle in the pool on an annual basis, this would only be provided if there is a delinquency of a year, right?

- Sanjay Baweja:** There are certain very old provisions, which are there like I said, which are constantly there and unless we write it off completely that will stay. Once we do that, they will go up but as for the other provisions are concerned, it is done on a 365-day basis, anything above 365 days we create a provision for that. We keep the provision for a few years, but whenever the money gets paid, we reverse it that is how we do. We collected almost everything; like I said over the last four-five years, there has been zero delinquency over the last four years. There is just a provision that gets created and then reversed and then the cycle follows.
- Vinay Bathija:** So how many years do you take to collect these, when you said that you had collected everything in last four to five years, how many years would you take to collect on an average?
- Sanjay Baweja:** Our average DSO is 120 days like I just mentioned, earlier it used to be 140 days till last year. We have now reduced it to 120 days, which means that most of our receivables beyond 120 days are collected, but there will be some few sticky ones which stay on for which there will be a provision which is made in the books. There are a few very old ones like I said which are there five years ago, six years ago, which we have created a provision, we have not written them off. The day we write them off they will be gone with no impact on the P&L.
- Vinay Bathija:** And what would be that amount?
- Sanjay Baweja:** Whenever we assess each account and we find that this is not going to get received now, we will write it off, but the provision is already made so that we continue to make provision so that there is no hit on the P&L.
- Vinay Bathija:** Sir, I do get that point, but any ballpark figure that you can give to analyze with when you would be making?
- Sanjay Baweja:** Let me say that we do not expect any P&L hit because of this provisions over the next three quarters for this year, there will be no additional hit to the P&L because of our delinquency, let me say that very unequivocally but if there is a big challenge which comes up now we do not know yet, but as of now there is nothing to say that there will be a hit to our P&L because of delinquency.
- Vinay Bathija:** Right, so the data point that you have already provided for it?
- Sanjay Baweja:** Correct.

Vinay Bathija:

I accept that point of yours, going forward there could be the rate that we are going on the way that we are going to provide it on which rate are we going to provide the further debtors?

Sanjay Baweja:

If there are any receivables which comes to us, for example any receivable of last year which we have not received, we will continue to provide and we will continue to write back whatever we received. Let me give you an example, suppose there was a payment of last year May we are saying May 2020 which we have not received till now, we would have provided in this quarter in June, but whatever we would have received out of that we would have reversed, that is how we do.

Moderator:

Thank you. Ladies and Gentlemen, that was the last question. I would now like to hand the floor back to the Management for closing comments, please go ahead.

Francois-Charles Sirois:

Thank you all. Thank you for your questions, I think it shows your interest as much as we have been through the gaming business. We will try also next quarters to make sure we are very transparent on all the metrics so we can have a good discussion. As much as possible, we will identify the right metrics and share on both Challenges Arena and ONMO. By next time, we speak in November we will have the Cash Battle live with ONMO, so it is going to be a very interesting discussion on that front and we should have also some of our first operators for the ONMO site, so thank you very much. We look forward to your discussion coming up in November. Thank you.

Moderator:

Thank you Gentlemen. Ladies and Gentlemen, on behalf of OnMobile Global Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.