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## **Q4 FY2021 Investor's Conference Call May 31<sup>st</sup>, 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 Q4 FY'21 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 '\*' then '0' on your touchtone phone. 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, ma'am.

**Asha Gupta:**

Thanks Lizann. Good evening, good morning to all the participants in the call depending on the geography you are in. Welcome to the Q4 FY'21 Earnings Call of OnMobile Global Limited.

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

I'd like to mention that some of the statements made in today's call may be forward-looking in nature and may involve risks and uncertainties that we see. For the 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 event of circumstances.

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

**Francois-Charles Sirois:**

Thank you everybody for joining this call. Let me start with ONMO, the beta launch was done on May 20th in three specific series. So, if you are in India, it's remotely in Mumbai, it's really to introduce a product and make sure everything is ready for the subscription and gaming up in the coming quarter. Many-many items are going to come. If you try to service, it's a beta I just wanted you to know that there are many features are coming during the year. We are also in discussion with a lot of 5G operators for launching the services which so far has good traction on that front. So, quite happy with that first beta launch with India did a good job and now many-many items to come on that front.

The second item as you saw Challenges Arena was launched in Q4, also had some good traction on subscription activation in April and May. We had two deployment; one with an operator, one with an OTT, one which subscription, one free with advertisement. So, it's a good trial also to start and we have many deployments right now

going on and new operator discussion also for launches. So that also is a good start. Quite happy with the product on this side..

And last one I just want to bring up about the quarter, as you saw, there was a dip in our Q4 revenue, which was not planned to be fair with everybody, most of it is a specific issue what our main operator in Europe which had some issues in the call center and had to implement some restrictions on many levels and this specific issue is being worked with the operator to be able to address and rectify the situation. So it's an unfortunate event but we are working on it.

So thank you. I'll pass it to Krish now. Thank you.

**Krish Seshadri:**

Great. Thank you, FC. Good afternoon, everyone. Warm welcome to you all. Thanks for making the time to be on this call. I'd like to share the progress in Q4 and also year ending FY'21. I'll start by touching upon our high level performance and specific product highlights and get into some of the three key priorities which FC just outlined on ONMO.

So for FY'21, as you saw revenue had a slight 2.1% decline and ended at about Rs.576 crores. Our EBITDA, operating profit and profit after tax grew this year more than about 1.5x. On a QoQ basis revenue witnessed a slight drop of 6.2% mainly from Europe as FC said it wasn't planned, one operator taking very specific measures and we are discussing with operator to remedy the situation. EBITDA margin was down a bit from 12.7% to 11.8% but as you saw profit after tax grew nearly 32%. As I mentioned, it's a quarter where we've been digitally transforming, several efforts across the company and the quarter saw further digitization of our core products.

So let me get straight into the Products. I will start with our existing core products which is Tones and Contests. So as you saw in FY'21, our overall revenue was more or less flat, slight decrease of about 0.7% and QoQ decreased 4.9%. The decrease is all primarily due to non-digital, while digital has actually been growing, the transition this quarter is in progress and looking very optimistic. So Digital Tones revenue for the year grew about 400% with our installed base growing to nearly 20 million. And that shows the growth of about 60% to 62% over the last fiscal in our Digital Tones install base.

Same story is kind of consistent even with our Contests business. As I mentioned last quarter, even in Contests, our focus is to grow revenues in this business through continued digitization of this product. So if you look at the overall Contests revenue, it decreased by about 3.3% over the fiscal and 8.9% QoQ. Once again, all of this

decline was primarily from non-digital. So customers are moving to digital and we are migrating them out there. So that's the transition that we are seeing.

And if you look at our Digital Mobile Contest product, FY'21 versus FY'20, our revenue grew 186% and QoQ, we grew about 30%. The true metric that we also look at is the number of quiz questions that people play and that grew quarter-on-quarter by 30%. So we are seeing this very healthy migration of our user base from some of our legacy non-digitized products to our mobile products.

And in the Contests space with the launch of Challenges Arena which is our Mobile Gaming Quiz App, we are very confident that revenue is going to grow by leaps and bounds over the next few quarters.

As FC mentioned, we launched Challenges Arena with one telco and one OTT App in April. And in just two months we've had over 350,000 gross additions. That's on the telco and about 1.1 million users on the OTT in two months. We are in conversation with several telcos, about 10 of them across Asia, Europe and Middle East and we continue to be really excited about Challenges Arena and the Mobile Gaming Quiz space and you'll see our continued focus and investment in that area.

Coming to our third product which is Videos and Editorials, overall, for the fiscal it was reasonably good with the revenue growing by about 5% but on a quarterly basis we did have a 5% decline primarily due to that one operator in Europe which was a very unplanned event.

Moving to ONMO, which is our Cloud Gaming product which went into beta on May 20th. We are really excited by the progress that we made since last quarter. I think many of you saw the screens in our visual presentation and we had a video during the last quarterly update.

And for those who are not there and are new to ONMO, I'd like to reiterate a few things from that presentation. ONMO is built on three huge trends that we are seeing in mobile gaming and mobile gaming is a massive \$80 billion dollar market. The three key trends that ONMO is built on is, one is social media and networking and the second is eSports. eSports was a very small industry and it's grown to about 0.5 billion in audience. And the third big trend in mobile gaming is casual short gaming sessions. So if you notice, on the ONMO platform, we don't host complete games but we have these short gaming sessions. That's for the casual player. And we are seeing a large number of people adopting that because of

shorter attention spans and people like to play these short gaming sessions between activities. So I think that's here to stay. So, those three disruptive trends are definitely the building blocks of our product.

Supporting that is two key technologies: One is our cloud streaming product. Some of you asked if this product is out in the web in the play store. It's not in the play store. You don't need to download it from there. So it's a cloud streaming product, no need to install and uninstall. I think the biggest problem in mobile gaming has been uninstall rates which are roughly between 40% to 60% of all mobile games that get uninstalled in the first 30-days. So in our case you don't need to keep installing and uninstalling because all the updates are happening in real-time and you don't need to get out of ONMO to go and play another game. You can seamlessly move between games on our app itself.

The second big technology that's driving our product is AI. And all these short gaming sessions that I mentioned are fundamentally driven by our visual AI engine which helps in the creation of these unique challenges. So that said since the last time we kind of gave you an update on the product, we've seen huge progress on multiple fronts. The beta of course launched on May 20th with about 30 games and 850 unique movements or challenges and we have over a thousand unique challenges so far and we'll continue adding and we should get to a few thousand unique challenges by end of year. Also, during that time period we've added very compelling features like challenges and leaderboards and virtual currency battles. We've also improved the accuracy of our Artificial Intelligence engine. And soon we'll be launching B2C, cash battles and monetization in Q2 and we are also talking to different telcos for B2B partnerships so those conversations have started with about 20 operators across Europe, Asia and Middle East.

So in summary about ONMO, I think this is perhaps the first Indian company to launch a mobile cloud stream gaming platform for the global audience with AI driven technology and that's a very audacious goal that we had and we kind of pretty much on the path to fulfilling that. And I want to say that the quality and level of technology powering ONMO is unparalleled. It took us some time last year to get it right but we now have a world-class product backed by an engineering team across India, Sweden and Canada that is definitely an A-list team. We will continue investing in the product and the teams and hiring people from top internet companies and very confident that ONMO will be a dominant social eSports Cloud Gaming platform going into the future. That's pretty much on ONMO.

On the organization side, we continue to emphasize on employee safety as most of our employees continue to work from home globally. It's been a challenging few months for us but I want to thank all of them for the incredible hard work and commitment in the face of this adversity and we also managed to have a global launch of ONMO during this time period. I'm quite excited frankly by the opportunities that we are seeing in mobile gaming that lay ahead for us in India, in Europe and North America. Very encouraged by the technology building that's going on, the product focus, the quality of global engineering talent that we have and I think we've entered into this fiscal with a much clearer strategy and we are incredibly focused on day-to-day execution.

So, with that I hand it over to Sanjay Baweja, our CFO for his Comments on the Financial Performance. 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 during these very challenging times. Let me quickly elaborate a little more on the financials. Most of you may have already seen the Investor deck that has been mailed to you as well as hosted on our website and the exchanges. If any one of you is not on our mailing list please feel free to mail us or connect with our investor relations team and we will add you to the distribution list.

I will start with key financials for the financial year '21 and then I will move on to Q4 FY'21. So, FY'21 as compared to last year our revenue remains stable. EBITDA grew by a solid 67% and margins stood at 12.4%. Operating profit grew again by walking 148% and operating margin was at 10.1%. PAT also grew considerably by 67% and PAT margin was at 8.3%. The key drivers for the profitability growth are reduction in manpower costs and OPEX costs. Our cash stood at about Rs.266 crores despite our investments in Rob0 and also the share buyback. And this has been mainly due to our collection efficiency on a yearly basis; our DSO is down from 144 to 116 days. Full year growth evidence is the decent improvement in profitability and we are aspiring to maintain in the current years as well.

Coming to Q4 FY'21, the revenue was at Rs 137 crores, the drop of 6.2% quarter-on-quarter and about 9.7% year-on-year. The reduction as Krish and FC both mentioned is coming from Europe and a bit from the ME&A region. Europe and ME&A revenue was down mainly due to Operator policies. We are engaged with them and hopefully things will improve as we go along.

As per our stated strategy to shut down any business, that does not measure up to our stated goals of revenue and profitability. We are

continuing to focus on unprofitable Latin America's business. And we are in the process of exiting from those countries is what I've been saying all along where of course we do not have the right pricing power. As mentioned earlier in the calls also, I would like to reiterate that we have completed this process substantially in FY'21 as far as operations are concerned but closure of the entities is expected in the current year.

On the cost front, our manpower cost declined by 4.1% quarter-on-quarter and 6.1% year-on-year basis, primarily due to our cost rationalization efforts. Our marketing cost declined by about 10.9% quarter-on-quarter and 5.8% year-on-year. This is a result of optimum marketing investments. Other OPEX cost has also declined by about 6.8% quarter-on-quarter and 48.3% year-on-year. Costs are lower mainly on account of travel, modification or termination of leases of our offices as per the new norms of work from home and other things, even software costs, etc.,

During the quarter, EBITDA witnessed a 28% year-on-year growth to INR15.4 crores with the double-digit margin of 11.8% mainly due to the above-mentioned cost saving parameters. Our endeavor is to maintain the current margin levels along with continuous focus on cost optimization. Operating profits grew by 47.6% year-on-year to Rs.12.5 crores and the margin of 9.6% during the quarter. Our profit after tax was Rs 14.9 crores, a growth of 31.9% quarter-on-quarter and 11.4% margin during the quarter. And also our DSO improved from last quarter of 120 to 160, as I said earlier 144 for last year end to 116 now.

As mentioned by Krish, we will continue to invest in our gaming projects which is expected to be launched within this fiscal. A lot of operating metrics and data have already been shared in the presentation deck. I'm sure that all of you 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.

**Moderator:**

Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Jaiprakash Maheshwari from Lifeguard Pharmaceuticals. Please go ahead.

**Jaiprakash Maheshwari:** I think that a lot of products are in pipeline and have been launched. So, what is the marketing expenditure budgeted for the launch and what is the expected revenues and top line growth from these products in this fiscal?

**Sanjay Baweja:** So, as per policy we do not generally give statements which define our specific strategies for the current year, but let me say that on an overall basis and I think that's important, we expect that over the next four - five years we'll probably end up spending more than \$100 million dollars for marketing alone as we go along. Obviously if that is the level of marketing expenditure we are expecting to work on, you can imagine what kind of revenue growth we are expecting. But that's a broad four - five year thing. We don't want to give specifics for current year in the next six months what are we going to do because I think that's something a lot more tactical and we'll leave it for the moment.

**Jaiprakash Maheshwari:** My another question was that you have recently invested in Chingari App. So how are you looking to integrate your services with Chingari and what is the revenue share with Chingari App?

**Krish Seshadri:** So, our partnership with Chingari is a marketing distribution partnership. So ONMO will be integrated into Chingari and serve as a destination for games for Chingari users. At the same time, some of the user base will be redirected from Chingari straight on to ONMO. So it's a combination of two things. You'll have people playing the ONMO games on Chingari and then you'll have some of them being diverted straight into ONMO. So I can only say that the numbers at Chingari are very impressive; I think they're close to about 65 million installs to 70 million installs this month, the user base has been growing consistently month-over-month and those numbers are probably going to get to about 40 to 50 million monthly users very soon. So that's the base of users that will potentially be exposed to our ONMO product today. And if that growth continues into the next two, three years, you can get a sense for the scale of the exposure that we'll have.

**Jaiprakash Maheshwari:** My final question is are you guys also looking for Gamified Learning because I can see one app called ONMO Kids in the play store?

**Krish Seshadri:** Not specifically but our Challenges Arena is about quizzes, so there might be elements of our product and content strategy out there which might kind of also encourage some learning around that quiz. So, we're looking into that space very keenly.

**Moderator:** Thank you. We'll move on to the next question that is from the line of Prakash Ramseshan from Pragma Consulting. Please go ahead.

**Prakash Ramseshan:** Just two short questions. Firstly, just a statement I'm looking to just seek your confirmations on this. The legacy business that you were in which is Tones and Contests you're looking to move from non-digital to digital revenues increasingly. As that happens and your unprofitable geographies get closed down, would you see a steady



state business at current levels and an EBITDA of somewhere at 15% which is what you used to have or you're looking at growth in that business?

**Sanjay Baweja:** So, while there will be a move and there will be a transition phase, yes, the numbers which you mentioned are very-very plausible in terms of the legacy business profitability.

**Prakash Ramseshan:** You'll be looking at growth also there's about 10%, 15%, something like that?

**Sanjay Baweja:** While our target would be the numbers which you mentioned, but I would rather bet for stability and see because if you've noticed over the last couple of years we've had some erosion due to various reasons. We think we'll stem that and we will start the growth fast as we start this new year, but as of now stability is the main thing which we want to first achieve and then go for growth. Our main growth engine is going to be ONMO and Challenges Arena and Challenges Arena while Krish has given you a lot of aspect of that, that's really a highly profitable venture when it stabilizes and that stabilization will take a couple of quarters. At that time the profitability of the Challenges Arena as a product will at least be twice as much as our normal products. So, let me say that it will stabilize in the first two quarters, I think the third and fourth quarter could see significant numbers from Challenges Arena and the profitability like I said is far superior to our current products.

**Prakash Ramseshan:** Are you speaking about the \$100 million marketing expenditure? Are you looking to get into innovative financial structures such as subsidiarization and equity there, etc., to ensure that a big burden of that does not come out of the balance sheet upon now, is that the plan?

**Sanjay Baweja:** Yes, as we mentioned last time also, the intention is to get some equity and that equity will be from people who are focused on the VC kind of players rather than the normal investors, you're right, so that there is no pressure on the current balance sheet while we have already invested a substantial bit when we acquired Appland, when we've invested in Rob0, when we've invested in the product still today, going forward as we move into the marketing aspect, we will go to the market and get funding for it. The intention is it should happen within this year.

**Moderator:** Thank you. The next question is from the Mithun Aswath from Kivah Advisors. Please go ahead.

**Mithun Aswath:** Just on both of your gaming propositions, I just wanted to understand how much of that content is proprietary or what you're

trying to create is just a platform of other contests manufacturers will provide those games on your platform, if you could just throw some light on that?

**Krish Seshadri:**

If you go to play.onmo.com, you'll see about 30 games out there. So, we are not the builders of those games. We host other people's games. And that's fundamentally the structure and nature of that business. What we do is on top of the games, we provide features which are social in nature, our monetization models hinge around eSports and Battles and Challenges. And at a very high level that's the platform that ONMO is. If you go look at valuations, I think there's something that people should realize game development companies, their valuation multiples are much lower than usually game platform companies. So a lot of our money is not going to go into content development and game development, it's more in building the platform which has network effects. So that's fundamentally key to what we do which is we're not a game development company at this stage. We are a platform, we are a network.

**Mithun Aswath:**

That would be the same for the Challenges as well?

**Krish Seshadri:**

To a large extent. There are some elements of those quick questions on Challenges Arena with some of them we obviously own that and in some cases in some countries we may have content, that is being hosted by others but the gaming product by themselves don't lend themselves into a lot of expenditure from our side into content development and content expenditure. That's why as Sanjay said the margins in this business is significantly higher than existing business.

**Moderator:**

Thank you. The next question is from the line of Pari Sabia, an investor. Please go ahead.

**Pari Sabia:**

In Gaming platform margin is much higher than gaming development?

**Krish Seshadri:**

I said the way game platform companies are valued is very different from how game development companies are valued globally.

**Pari Sabia:**

How much cash flow generated last year and use of this cash flow in future?

**Sanjay Baweja:**

From a gaming perspective, per se we did not generated cash flow because gaming we've yet to launch, so from that aspect cash flow is not generated, but otherwise we continue to be profitable and we generate significant cash, for example, for the financial year, our profit after tax is Rs.46 crores. So to that extent there is considerable

amount of cash that we generate and we are sitting on about Rs.266-odd crores of cash.

**Pari Sabia:** Where do you use this cash flow of Rs.250 crores in future?

**Sanjay Baweja:** There is a focus on growth. There will be investments a little bit in ONMO which we've already done. And we will continue to look at inorganic ways of growth and I think that's something that is very key to our strategy, we will focus on some inorganic growth over time. Our expectation is that growth being our true target for us whether it's in the legacy business or otherwise we will look at some inorganic mechanism to grow. And that could be one big use of our cash.

**Pari Sabia:** This cash flow is a total investment of \$100 million?

**Sanjay Baweja:** So, the total cash that we have is about Rs.266 crores. We can't exactly tell how much we will invest over the next 12-months, but yes there could be opportunities for us to look at.

**Pari Sabia:** Any acquisition plan?

**Sanjay Baweja:** We are always open like I said to inorganic growth. There is no specific thing that I can talk about now.

**Pari Sabia:** Are you a competitor of Nazara Technologies?

**Krish Seshadri:** Not really. First, Nazara is a game development kind of a holding company, they've acquired four or five games, they're not a gaming platform like us. So, we're not necessarily in the same space.

**Moderator:** Thank you. The next question is from the line of Arun Kumar, an investor. Please go ahead.

**Arun Kumar:** Krish, a question which is on to you directly as you are the CEO of the organization. So essentially this company is from 2,000 and last 21 years the domain and the DNA of this company has been B2B and very less in terms of B2C. While we understand that the transformation is from only B2B to now B2C and the B2C definitely if we see the kind of the gaming entire business and entire industry volume for the entire world and for the North America market, ME&A market, Europe and obviously in India. So essentially that all the growth parameters in terms of top line and bottom line at some part of time almost gaming platform will overtake the traditional business. So that means necessarily we are talking about huge kind of transformation of a company essentially for us 21 years from B2B towards B2C. Now we also understand this B2C is altogether a very different ball game. So would like to understand that what is the

company's going ahead strategy, be tactical or strategic in nature, how you are going to build ONMO on B2C because nobody knows ONMO in B2C, everybody probably knows on B2B and that is the reason we find that the downloads are significantly low even if we are into beta for last six, seven months?

**Krish Seshadri:**

I think there were multiple questions. I'll try and answer most of them. So, as you said, the company is transforming, that's right, but the core of our business is still our B2B business, so those businesses still exist, they are revenue generating, it's not like they are going away. ONMO is a B2C platform and that's a platform that the company has built over the last 12 to 18 months. And we've just launched it the Beta version one week back, not seven months back. So, the team that has built ONMO predominantly comes from the gaming industry we've got about 35, 40 people there right now and we are aggressively hiring from other B2C gaming company. So, it should be looked at as a venture where we've been very focused in developing that capability. You mentioned that the revenues from B2C from ONMO could potentially be much higher than the rest of OnMobile. That could be the case in a few years from now. As Sanjay said, we take a very long-term perspective. We invested significant amount of money and effort into building ONMO. And it's a very big market that we're going after and building that core capability took the last 12 months, right. So right now, you have probably a very-very rock-solid team across Canada, Sweden and India working on this product. That doesn't mean our B2B revenues are not our focus, that's also going to be the case. So, transition that we are looking at and over the next few years you'll see our revenues from ONMO really growing because that's our focus, we're going to probably have more than \$100 million going into marketing. So, you'll see the existence of those capabilities within the company over the next 24-months.

**Arun Kumar:**

Probably I'm a bit aware, following very closely about all your quarter wise updates from the management. I was asking that what is the initiative in terms of marketing you are planning or going to take most probably for the current year so that your downloads increases and that everybody ONMO games. Currently, people are talking about some of the games of Nazara or somebody else, but what is that we are going to do significantly different that will make everybody in India talk about the ONMO game, so anything on that scale?

**Krish Seshadri:**

Maybe I'll just touch a little bit. First is we're not on the app store or play store, it's Cloud stream onto a progressive web app. So you just need to go to our website and it's kind of one click and you play. From a marketing standpoint, let's look at our timeline, we just launched our Beta product right now and then in Q2 we launch with

cash battles/monetization Subscription, etc., and that's when a lot of the digital marketing and customer acquisition spend will be far more aggressive going into the rest of the fiscal year and post that you're going to see a lot of cash infusion into marketing happening. So most of this should kick off starting sometime around Q2 when cash and subscription start. So that's when you'll see some marketing happening.

**Arun Kumar:** Just to reconfirm that Q4 does not include any cash flow or revenue of gaming platform?

**Sanjay Baweja:** It does not.

**Arun Kumar:** So Q4 is all about legacy business and the drop in Q4 is because of some issue with one of the operators which happened in Europe, am I right?

**Sanjay Baweja:** That's correct.

**Moderator:** Thank you. The next question is from the line of Yash Chaudhary from Param Capital. Please go ahead.

**Yash Chaudhary:** Sir, in your presentation you have mentioned the target ARPU for Challenges Arena. So can you just give us some brief idea about what exactly it is, what are the economics behind it?

**Krish Seshadri:** At a very high level we gave you a target range. So roughly it's about 20 cents in this region in India and when you look at Europe the monthly subscription model would be at around \$6. So that's how we are going with many of the telcos. This is after revenue share that happens will probably be in that range.

**Yash Chaudhary:** So like will this be starting from this particular quarter or how exactly because we have already launched this Challenges Arena with one telco and one OTT, telco is mostly Vodafone-Idea?

**Krish Seshadri:** Can't tell you exactly who at this stage but we've launched with one telco and one OTT right now and then there are conversations with 10 plus operators across Asia, Europe and Middle East. and those deployments and subscriber base will kick off starting Q2 in addition to the one that we already have.

**Yash Chaudhary:** So, these 110,000 paying subscribers that we have mentioned in our presentation, so will we be able to see the revenues in this Q1 FY'22?

- Sanjay Baweja:** So, there will be some amount of revenue for Q1. Since it's just come onboard you will see a small amount of revenue but like Krish was mentioning Q2 and Q3 will be far bigger in that sense, but yes, we will see a shade of revenue because April and May they're just two months and it has now come to a level of as Krish was mentioning 110,000-odd paying subscribers. So it'll take some time for it to build up and we'll see revenue in a big way over time.
- Yash Chaudhary:** And our ONMO platform, the revenue generation model will be based on the subscribers only, right?
- Krish Seshadri:** On ONMO, its subscription and predominantly eSports or Battles and Challenges and Money Gaming because that's completely a B2C product. We've got one customer; we've seen the paying subscribers and we are in conversation with 10 plus operators out there. So, if you do the math you can actually kind of get a sense for how this could potentially scale over the next 18 months.
- Yash Chaudhary:** Hopefully, the investment in Chingari will also benefit us like the ONMO platform going ahead?
- Krish Seshadri:** Absolutely, as I said Chingari is close to hitting 70 million users and they're only growing on a monthly basis, they're adding several million a month. So, all that means free distribution for us. Someone was asking about marketing in India. You'll see that we don't need to spend that much and we'll spend, but we will get a lot of exposure in the country.
- Yash Chaudhary:** Only from the accounting point of view, there is exceptional gain of Rs.4,66,00,000 in our books in this Q4. Can just throw some light on it?
- Sanjay Baweja:** That was a writeback that we did for the Appland, some payment which was due to them which we believe we don't have to pay them, so we've written that back.
- Moderator:** Thank you. The next question is from the line of Ghanshyam Rathi from SAP. Please go ahead.
- Ghanshyam Rathi:** Regarding the dividend. Why have you announced dividend as your aspiration with gaming would require significant investment? Would it require that due to product launch and fuel future growth of teams instead of you could have gone for the investment?
- Sanjay Baweja:** I like FC to talk about it but let me just add, we just mentioned that for the new products, ONMO, we are going to raise money separately and there have been people who have been invested in our company for the last 20-years and there is a certain amount of

expectation that they have from a dividend perspective. And board in their mind thought that this is best to keep giving as a dividend since our profitability was in fact much better than last year, so they in their mind thought that it's best that they recommend that but I like FC if he wants to say something on the dividend part, so that's a board decision that...

**Francois-Charles Sirois:** We've been paying dividends for many, many years. I truly believe in both a growing company and a profitable company. So, profit comes with dividend and now it's a bit special. And I'm going to address also the fact of going B2C versus B2B now. When we did our research on all the 5G operators, the main service that mobile entertainment that most 5G operator wants is the 5G card gaming. So whether will go with the B2C, we don't know, but keep in mind we are going with ONMO on B2B 5G cloud gaming also which we're addressing. And my expectation although we are spending an interesting amount of money to grow this brand globally because this is truly a global play. My expectation is to still continue as a profitable company and continue pay dividend. And we have a good cash position right now as you know. My view is not to use all the cash for the B2C. The view is really to be able to raise money for ONMO separately, get an interesting valuation, but most importantly, get some investors and venture that would invest with us to grow the ONMO side. While we use the rest of the money to consolidate our position in some markets on the B2B side and make sure that we continue on making money. So, it's a balance between two. We're right into the equilibrium right now because we're launching ONMO, we will use a bit of our cash to spend on marketing, we've already used a bit of our cash to do the investments in Chingari and the other acquisitions that we've done that are for ONMO but give us some value also on the side. That's the beauty of the Chingari investment, right, because we have the value of the investment but we get the value of the marketing also which serves the ONMO needs for marketing. But to answer your question on cash and dividend from my view, I obviously want to maintain and hopefully increase the dividend in the coming years while the profitability increase throughout the company.

**Moderator:** Thank you. The next question is from the line of JNM Shah from India Advantage Securities. Please go ahead.

**JNM Shah:** My first question is regarding our core B2B product business. So as we know that from last two, three years we have witnessed maybe flat to declining trends here in terms of top line around 3% to 4% average decline and I understand this is due to winding off business in certain geography. Going ahead, I wanted to understand what should be the expectation of investors from this legacy business? I understand Krish mentioned previously in the call that we are first

aiming stability here and to maintain the current run rate of revenue but would just like to have more light here given that team focus will also shift towards the new products as they launch?

**Sanjay Baweja:**

The idea is that we want stability in the current business and we are looking at growth. As of now, we can say that that could happen inorganically, but clearly as of now like you rightly mentioned over the last two, three years, there has been certain changes in the environment from the operator side and therefore it has led to a small erosion. Our first aim is to make it stable and continue to be more and more profitable. Our idea is that profitability if you saw probably not the year just ended, but the year before that our EBITDA margins were in the range of about 6% to 7%, we brought it up to 12%, 13%. Our aim is to continue to be in double digit and good double digit going forward. And like we mentioned Challenges Arena which is a B2B product and part of our digitalization of this entire gaming and contest in that sense is much more profitable and therefore towards the end of this year Q4 we could see significantly higher profitability as we go along depending on how much growth we are able to establish for this and I think that will be the key from our perspective. The aim is to continue to grow and yet maintain considerable profitability for that we will continue to work on whether it's cost and also from the revenue side on sales growth.

**JNM Shah:**

Given that both Challenges Arena and ONMO will be monetized if you look at the full FY'22, so at a broad level what is the revenue proportion we are aiming to get from these new businesses of Challenges Arena and ONMO as a percentage terms, I'm not really looking for the hard core numbers here but at a broad level in percentage terms if you could give investors some idea for this year or you can say for FY'23 or '24 where you are seeing...?

**Sanjay Baweja:**

I think let me say a couple of years from now. Our target is that ONMO will dwarf our existing business, that's all I'll say, I'll not go specific in numbers, but I can say that the existing revenue would look small in front of ONMO revenues if we were to look at three years down the road.

**JNM Shah:**

Just two more very questions. First is very technical. In analyst presentation you have mentioned ARPU numbers. We are operating on the subscription with both telcos and OTT. So is it on a monthly basis the 20 cents and \$6?

**Krish Seshadri:**

Yeah, that's on Challenges Arena, that's right, it's on a monthly basis with operators.



- JNM Shah:** Secondly Krish, as you mentioned in the call that we are sort of not a development company but a gaming platform company. So any other comparable global names you could give from the gaming platform companies?
- Krish Seshadri:** Absolutely. I'll name maybe three of them and you should look up their valuation multiples. The first is Skillz, second one would be DwarfKings, third one would be Roblox which just went IPO sometime back. So these are all what people call as platform companies, they don't build the game themselves and that's what ONMO is and ONMO is a platform company and platform companies traditionally get valued several times more than game development companies and that's why someone asked a question on Nazara. My sense is valuation on ONMO will be multiple times given that it's a platform company.
- Moderator:** Thank you. The next question is from the line of VP Rajesh from Banyan Capital. Please go ahead.
- VP Rajesh:** My question is that there was some specific issue with one of the operators in Europe in Q4. So is that situation rectified or when we expect it to be corrected by?
- Sanjay Baweja:** So we are working with them and we expect resolution pretty soon.
- Krish Seshadri:** A specific operator post COVID changed certain policies and we're discussing with them and the operator to remedy the situation and I think that should happen pretty soon.
- VP Rajesh:** The ARPUs that you mentioned 20 cents in India and \$6 dollars in Europe, those are net to us or that is to be charged to the customer, I'm not sure if I got that right?
- Krish Seshadri:** This is the net revenues, yes.
- VP Rajesh:** In terms of the fundraising for ONMO platform, any update on the timelines that will get done and where we are? You had said in the last call that we're approaching VCs in the US and the other places, so when do you think it will get done?
- Krish Seshadri:** I think it will happen within this financial year which has just begun.
- Moderator:** Thank you. We will move on to the next question from the line of Maheshwar Peri from Pathfinder. Please go ahead.
- Maheshwar Peri:** Krish, someone asked moving from B2B to B2C, right. Do you think that you need a lot more investments in a sense because you're

launching the product without the money coming in from the VCs as you said, it might be a problem in terms of the launch itself?

**Krish Seshadri:**

Launches happen over time. So, as I said we're launching our B2C cash battles and monetization in Q2 and we will invest that quarter and the quarter after that and as Sanjay said we are planning on raising funds this year. So that's our timeline and we're looking at significant...

**Maheshwar Peri:**

I get that, Krish. All I'm worried about is that because see as a listed company you are always judged quarter-on-quarter whereas here it is a game where you need to be investing for the future and striking that balance might just pull you down is what my worry is. I'll be more than happy to spend more money, that's a different matter, but yeah.

**Sanjay Baweja:**

You're right, as a listed company we will be judged quarter-on-quarter, but I think what I'm sure the investors would also be interested in how is our new products progressing and if we are able to connect with the investors that this is a separate stream which will in future over the next two, three years going to give us substantial profitability and I'm sure they will like it. And like you mentioned we're to have a different set of investors who will invest in this and we are working on a structure to make that happen. The aim is to segregate the two businesses in that sense although we all work together in it, but it is to segregate the B2C part and we all know gaming really from the other legacy which will continue to be our cash flow or the cash generator. The aim is to continuously have stability and little growth in the B2B and make it heavily profitable and to invest into the ONMO through the VC funding and otherwise and make sure it's growth. We've already invested quite a bit if you were to look at all our investments in Appland, in Chingari and otherwise in development of the product, we've invested quite a bit out of our current resources but going forward very soon we will look at a VC funding happening within this year like we said and that should help us generate a separate business in that sense.

**Moderator:**

Thank you. The next question is from the line of Chintan Siddhani from VOIS. Please go ahead.

**Chintan Siddhani:**

By when do you think the ONMO and the Challenges Arena will start contributing towards the top line and the bottom line?

**Sanjay Baweja:**

So, Challenges Arena has started although in a small way in this quarter which is the Q1 and it will grow because there's accumulated growth as we continue to talk to other operators and it'll expand. The ONMO we expect the launch next quarter and from there on let's say Q3, Q4 we should see some revenue in that.

**Chintan Siddhani:** Just a couple of quick questions. With the cash surplus what the company has got, are there any plans for further buybacks or any bonuses?

**Sanjay Baweja:** This is for the board to decide, but as of now we just finished some buybacks just last year. There is no such intention immediately. Bonus has nothing to do with cash, so that is one aspect. But we will look at cash to look at some inorganic growth and our focus is on that to grow. And whether that's part of the legacy or some other way, but we will continuously look at that, we actively engage ourselves in that activity and hopefully within this year we should see some usage of these funds.

**Chintan Siddhani:** Which is your competitor in cloud gaming in India and in global?

**Krish Seshadri:** I'll answer it and then also hand it over to FC. I haven't seen any cloud gaming platforms in India that have really taken off in a big way, although there are a few which are from the global big players, but they're all cloud streamed onto either your consoles or your PCs and then you use a controller or some wireless adapter to move it onto mobile. So, in our case we are directly cloud streaming it onto your mobile with our proprietary technology. So, in a sense from that perspective I don't see anyone directly competing. Also, the business models are all very different, most of the cloud streaming platforms you see are primarily just subscription-based, we've got a different monetization model in addition to subscription. So two big differences of that.

**Francois-Charles Sirois:** When we started this venture here in cloud gaming, there was a company called Hatch, that was from Rodeo, they were pushing to operator that kind of sprint, they signed up some operators everywhere and their subscription model didn't quite work, they were doing the full game, they had a different technology, they had to adapt every game, every game developer had to do some modification to their game to be on it. That's where the importance of really being strategic here and exactly what kind of service we want and we decided to combine multiple technologies, right, we went with cloud gaming but we also went with Moments and how do we create Moments and challenges without any integration on the game, right, and that's a new acquisition. And if you combine both, the way we're doing it very short moments, there's actually no competitors have been doing this, nobody has combined these two technologies together to be able to produce very small moments that are the best moments of a game and being able to compete on them. So, on a worldwide level, that's quite unique. When you look at the other platform for cloud gaming, obviously, there's Google Stadia which is actually really for hardcore gamers,

streaming the full game, same thing with Facebook, right, Facebook launched cloud gaming again, they are very different, they're not doing eSport, they're not doing the best moments of the game. So, everybody out there has got something really more towards the full game streaming and nobody has done what we've been doing and actually that's a big feedback we have from operators because a lot of the operators we approached for 5G cloud gaming today, first of all, they've never seen moments, now once they get the moments part they say "Wow! Nobody's there." So, it's an easy place for us to be able to sign a deal. Now to activate subscription that's what we'll have to really push and be dependent between subscription and real money gaming because that's exactly where we are right in between the two. But honestly, no real competition for now.

**Chintan Siddhani:** Any plans to go towards the app in Android or Apple from Cloud to the apps in future?

**Francois-Charles Sirois:** Just so you understand also why we took this decision to go with no app is that today if you see a banner ad in the acquisition you click and you play one click like a playable ad which if you look at different funnel you mark it, you do a banner ad, you click, you get to the app store, you click, you download the app, you wait till the app is downloaded, you click, you go and subscribe to the app, once you subscribe to the app, you click in the game menu, once you click in the game menu you start the game. So, you have a 10-step process to play a game whereby we have a one-step you click and you play, right. So that's a very key advantage here now. It's a different funnel, right, as you know because now you need to subscribe, you need all the operator billing or you still need to put your credit card in, right, whereby you have the app store billing which we don't have today. So to answer your question, yeah, we could probably do it, there's a lot of restrictions on iOS which stops us from being able to do it, but yes we could do an app eventually also which is in the future development but the funnel we've taken right for cloud gaming to really leverage that one click play and that's a big advantage for activating new subscribers.

**Moderator:** Thank you. The next question is from the line of Nitin Agarwal from Shriya Investments. Please go ahead.

**Nitin Agarwal:** The question is to Krish. This is for the ONMO gaming platform that you've been speaking around. So what is your aspirational number for number of users say five years from today and the average revenue per user from this?

**Krish Seshadri:** See, we've done some analysis and we've got some internal goals which we can't completely share, but we're looking at revenues

which are as Sanjay said multiples of what our current revenue base is, right, just coming in from ONMO. From a user base standpoint, it depends, in some geographies like North America and Europe it'll be different, in India it'll be different, but we plan to take significant market share in the space that we operate. You asked about ARPU, most of our monetization is likely going to be eSports, Battles and Challenges. So from that standpoint it's not necessarily on an ARPU basis. The amount that players spend in India versus Europe versus US changes significantly. So it's going to be a combination of all those three things, but we're looking at a very large user base.

**Moderator:**

Thank you. The next question is from the line of Alok Churiwala from Churiwala Securities. Please go ahead.

**Alok Churiwala:**

My question is around the app store that was basically just answered some time back, but I have a follow-up question on that. From what I understand is that you still aren't on the app store, on the play store and we heard five minutes back saying the fact that it's a multi-step process, etc., So, my question basically is that (a) Are there any thoughts to get onto the app store and the play store? (b) Do you believe the fact that you're worse off of not being on the app store because that discovery is going to be taking a little longer? And (c) interrelated to the same question, we heard about Skillz and Dwarf Kings and so on and so forth, I'm familiar of those platforms. From what I know is that all of those are already on the app store. So I'm a little intrigued to know the fact that you're not on the app store and from what I also know from Apple and this is publicly disclosed data by Apple saying the fact that they actually do not charge these gaming companies a 30%. So I'm a little intrigued as to why you still aren't on these platforms?

**Krish Seshadri:**

Just a couple of things. One is there are several large companies that have been built outside the app store. MPL is not necessarily on the app store and a lot of other gaming companies in India have been building side loaded APK. So the first thing I want to say is you can build large enterprises, large gaming companies outside the app store and we are also seeing that trend across the globe where there are alternate distribution channels. So this notion that you have to be on the play store or the app store to get discovered and be a large company. I think that myth is slowly going away. The second point was about Apple. It's not that Apple reduced it, they reduced it for certain companies making less than a million, so they've reduced the percentage payout only if you're a very-very small company. And the third point is there are certain things that we can do when we are not in the app store, there are certain Google's policies which kind of don't lend itself well towards eSports. So those are those are two or three things. I'll probably

hand it over to FC who will give us a much better context on the decisions over the last one year.

**Francois-Charles Sirois:** I don't want to get too technical here, but initially when we built the service, we really looked at all the app store policies and what we can do, what we cannot do. And I just want to highlight on Apple. Skillz is all mostly on Apple. Skillz signs up game developer, each game developer has to redo a game, republish a game separately in the app store because one of the iOS policy is to actually publish one game per game, you can't recreate sort of an app store within an app store. So the way we present it, when you jump from one game to the other, this is impossible to do within one app, so we would need to point out back to our cloud gaming platform which is not permitted from Apple, just to be clear. So that was one constraint from Apple. On the other side, Apple permits eSports and Google was not permitting eSports, they just changed the policy but when we were developing, they were not. So that's why companies like MPL for example they have very burdensome issues about having their Android app downloaded because that's for the warning signs, it's not supported by Google as you know. So that's why we went with a clean way of really focusing on having a PWA which is only an app that's downloaded from the web which never goes on an app store. So when you click on onmo.com, the first thing you do, you can add icon on your phone as an app, but it's not an app that comes from the iPhone and from that point you can actually play, but it's really one click play which we saw really the advantage of having this versus the whole steps that takes you to the app store and all the warning signs and all the other restrictions that we have to live with.

**Moderator:** Thank you. Ladies and gentlemen due to time constraint, we'll be taking the last question, that is from the line of Mr. Irfan Karimi, an investor. Please go ahead.

**Irfan Karimi:** I have a couple of questions. I see your downloads for Challenges Arena on play store, is just around 10,000. So what are you going to do to increase those downloads? Second question is how much cash do you have on the balance sheet right now and how much have you utilized it for a stake in Chingari? And third one is you mentioned in the presentation that you have around 1.1 lakh paid subscribers. So can you give me a number as to how much top line can we expect in the Q1 from those subscribers? And I'm sure that more are getting added recently in the coming months. Maybe small, but what kind of number can we expect from Challenges Arena?

**Krish Seshadri:** I'll answer the first question and then Sanjay can jump in. So the Challenges Arena on the app store, you should ignore that, that's

more Challenges Arena, B2C they were experimenting something, Challenges Arena is distributed through the telcos and the OTT players. So all the data and subscription, the downloads are happening on that side. You're not going to see that data out on the play store.

**Sanjay Baweja:** To give the number, we got 110,000 paying and 350,000 gross.

**Krish Seshadri:** So, that's all on the B2B side.

**Irfan Karimi:** But what kind of cash do you have right now on the balance sheet and how much did we utilize for Chingari?

**Sanjay Baweja:** We have as of now Rs.266 crores cash on our books. Chingari investment is already done although not reflected here, but I am not sure we've made that public. Sorry, we will not be able to share that.

**Irfan Karimi:** What kind of revenue can we expect in Q1?

**Sanjay Baweja:** We don't give any guidance like this. Like I said, in fact, Krish said and FC has mentioned, our attempt is to be stable in the current quarter and then consolidate over Q1, Q2. The Challenges Arena really comes into its own over Q3, Q4 and that time also ONMO starts to progress well. So that's the time we should look for the growth from Q3, Q4. Q1, Q2 is more going to be stability as we indicated.

**Moderator:** Thank you. Ladies and gentlemen that was the last question. I now have the conference over to the management for the closing comments.

**Francois-Charles Sirois:** I just want to thank everybody for joining this call. A lot's happening as you can see, we're going in the right direction, really happy with the team, I think they're doing a good job. So let's look at next quarter looking forward to give you some great news coming up. Thank you, pleasure.

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