"OnMobile Global Limited's Q4 FY23 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to OnMobile Global Limited Q4 FY'23 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

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

Pratik Jagtap: Thank you, Neerav. Good day, and welcome to Q4 FY'23 Earnings Call of OnMobile Global Limited.

Representing the management today, we have FC - Executive Chairman; Sanjay Baweja - Managing Director, and Global CEO; Asheesh Chatterjee - Global Group CFO; Nir - CEO of ONMO; Biswajit Nandi - Chief Business Officer.

The call will start with a brief update about the overall performance during the quarter by Sanjay Baweja; Nir will give a brief update on ONMO; Asheesh will update on financials; which will be then followed by FC, speaking on overall business activity and sharing his thoughts on future plans. Then we will open the floor for question-and-answer session.

I would like to mention that some of the statements made in today's call may be forward-looking in nature and may involve risks and uncertainties that we see. For such list of 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, now I hand over the call to Mr. Sanjay. Over to you, sir.

Sanjay Baweja: Thank you, Pratik, and thank you all for taking time to join us today. I hope you're all doing well. The results and presentation are already hosted on our website and, hopefully, all of you had a chance to look at them.

I will give a brief update on our business, especially the expectation of some targets for the next few months and quarters. And later, Nir, and after him, Asheesh, will take you through all the highlights of our financial performance, post which, of course, FC will talk about his thoughts on how the company is doing.

Let me start by saying that this has not been a good quarter for us. Our revenue has been lower than expected, and this had its impact on profitability. Additionally, with that, the onetime impact that we had due to organization transformation also added to our lacklustre performance. I will delve into this a little later.

I also have an array of good news, which are going to have a lasting effect on the company in the current financial year and beyond. First, I want to start with the launch of Gamize, our first-ever SaaS-based gamification platform for brands across industries. We aim to extend our gamification platform to over 500 enterprise and top brands across industries by 2025.

With Gamize, we intend to help enterprises drive acquisition, engagement, and user retention with a customized strategy. This is our first foray outside the telecom operator domain, and we believe over the long term, this will serve us well, both from a revenue and profitability perspective. At a steady state, this product, like the others, that we recently launched has a higher EBITDA potential than our current products.

Secondly, I want to let you know that Telefonica has extended our contract which was due for renewal in July 2024 up to July 2026 without payment of any additional upfront fees. This will have an immediate impact on our profitability and will also positively impact our cash flow over the next couple of years.

Third, we've got an order for Tones business from America Movil which involves 11 countries including Brazil and Mexico and Chile and others. This is likely to have a stabilizing effect on our legacy business this year, which has shown a declining trend over the last few years.

Now coming straight to Challenges Arena. Throughout the quarter, Challenges Arena sales saw steady growth. Revenue from Challenges Arena during the quarter grew in line with a number of customers who went live last quarter. During the quarter, cumulatively, 42 customers went live versus 35 customers at the end of Q3 FY'23, reflecting an increase of 20%. In terms of profitability, CA revenue increased nearly 3x year-on-year, and it has increased 22x in the last 8 quarters.

In Q4 FY'23, 4 new customers agreed to our terms of Challenges Arena, taking our cumulative agreements to 66. We are targeting much better movement in Q1 FY'24. In fact, as we stand today, we already have 48 customers live, and we are looking to close the quarter with 54 live revenue-yielding customers. As for customer confirmations, we expect the momentum to continue and these cumulative agreements to reach around 75 by the end of Q1 FY'24 driven by successful outbound sales efforts resulting in increased sales.

Further, out of these 66 customers, 50 of them are new logos, which is almost 76%. These do create a potential for future opportunities for cross-selling other products to them. In terms of usage and natural consumers, the cumulative gross paying subscribers at the end of current year stood at 17.56 million as compared to 13.64 million at the end of December 2022, a growth of 29%. We are targeting to touch almost 23 million subscribers in Q1 FY'24. We are continuing to see healthy pipeline and expect to be live and signed many more clients in the coming quarters. We have almost doubled our net captive base in FY'23 from a 1.66 million in Q1 FY'23 to 3.1 million in Q4 FY'23. We are targeting to touch 4.84 million subscribers in Q1 FY'24.

As mentioned in our previous earnings call, we are currently in the investment phase, investing in growth through disproportionately high marketing spend, particularly in the new geographies or operators which we are constantly going live with. We anticipate this to stabilize resulting in an improvement in profitability from Q1 FY'24. However, the marketing spend continues to trend lower as a percentage of revenue quarter after quarter. We are targeting for Challenges Arena to generate EBITDA of more than 25% in the coming years which is significantly better than our current product.

Let me talk a little about ONMO. Of course, Nir will cover more in detail. ONMO B2B business has started generating revenue from Q1 FY'23. As on Q4 FY'23, we have 19 customers who agreed to our commercial proposal. Out of these, 4 were live at the end of last quarter. Today, as I speak, we are already live with 10 of them which means in the past 2 months, we've got 6 more customers live. We expect cumulative agreements to reach around 26 by the end of Q1 FY'24. And for our revenue, it grew by 2x on a quarter-on-quarter basis and close to 11x since its inception. Our focus has been for going live with more and more telcos efficiently and smoothly. We have crossed 0.5 million subscribers' line and expect it to go up to 1 million within the next 2 quarters. In terms of products, we are making some major progresses of around B2B support onboarding and more features to drive deeper engagement and longer-term attention.

We continue to see strong traction among the prospective customers. We are confident of generating much higher revenue in FY'24. ONMO is and will continue to follow the growth path of CA in the coming quarters.

Let me update on Tones and Videos. Legacy business has been facing some challenges over the last few quarters. Tones degrow 4.6% quarter-on-quarter. This is expected to bounce back in 1 or 2 quarters, with new accounts added in the legacy business which I just talked about.

Video also saw a marginal decline of 1.1% on a quarter-on-quarter basis due to euro currency depreciation. And said that, as mentioned earlier, from customers, we are now seeing traction and we're able to cross-sell our legacy business to new logos which we have acquired through CA, and we are positive about closing more deals in the coming quarters for legacy business.

Let me come back to profitability part again and also how we are looking at revenue in the current year. We have always been concerned about our cost base, especially in the legacy business, mindful of that during the last quarter, we undertook a transformational revamp aiming at rightsizing the operations, leading to improved productivity and efficiency while riveting our focus on gaming.

This exercise though, on one side, had a onetime shift to our profitability, is expected to yield benefits starting from the current quarter, that is Q1 FY'24 itself. We believe that the worst is behind us, and in FY'24, we are targeting to achieve a revenue of much higher than INR 600 crores, like the old time in FY'18, that was like 5 years ago, when we did have revenues of more than INR 600 crores.

As per our strategy, we expect overall gaming revenue to be higher than 25% of our total FY'24 revenue as compared to 13% in FY'23, and let me reiterate, with much better margins as compared to the current year. Before I hand over to Nir, let me say that the darkest hour is just before the sunrise. For us, this quarter seems to have been that hour. So over to you, Nir. After Nir, Asheesh will talk more about the financial performance. Thank you.

Nir Efrat: Thank you so much, Sanjay. Hello, everyone, good to be with you. Again, I'm Nir, and I'm heading the ONMO products and team. So as Sanjay just described, ONMO definitely kicking up and taking off into a great start as we roll out with more and more customers. We have now gone live with 10 customers already, gone from only 4 last quarter. And we have lots of confirmations. We are planning to go into dozens of new telcos this year.

The potential of ONMO something I'm very, very excited about. As we said many times in the past, almost potentially is going to much more engaging, polished, and premium experience gaming. It's something that I know well from my gaming past at Take-Two and Zynga. And the team is working very hard now to optimize, grow and create this really engaging and exciting experience.

The focus of the team in the last quarter has been split between go live with all the customers, support the different needs and different requirements of those customers, and on the same time, build this product, which we are getting more and more excited about. We're now in conversation with many more telcos on top of the ones that we already committed in our plan. Some of them are in North America and in Europe, that show quite a lot of excitement using and showcasing their 5G network with ONMO.

ONMO is a great opportunity for telcos to really showcase how the potential of 5G in gaming. We're giving real-time experience, we're giving a truly social experience, and this is a perfect fit for telcos, this is why we're getting more and more interest.

So I'm hopeful, and I'm very excited about the rest of this year as we roll out those new customers and get new users and subscribers all over the world. Thank you so much, and I will hand over to Asheesh.

Asheesh Chatterjee: Thank you, Nir. A warm welcome, and thank you, everyone, who joined us on this call. I'll share the key highlights of our financial performance for this quarter and full year-ended March 31, 2023. In terms of the full year FY'23 performance, we reported revenues of INR 549 crores, marginal growth of about 1% on a year-on-year basis. Gross profit grew by 6.3% to INR 278 crores. And our gross margin improved by 258 basis points to reach 52.9%. The growth was primarily driven by Challenges Arena.

On the cost front, in FY'23 due to high investments in CA and ONMO, our marketing expenses have increased year-on-year. User acquisition spend and gaming segment as a percentage of gaming revenue was approximately 55% in FY'23, mainly on account of new launches detailed in this year. But this will taper out significantly in FY'24 as the business matures across geographies and across operators we have already launched.

Manpower costs saw an increase of 8.8% year-on-year and a decrease of 3.6% quarter-on-quarter. The increase was largely due to a noncash item which is the ESOP cost which is higher by INR 36 million versus FY'22. EBITDA stood at INR 12.7 crores with a margin of 2.4% for FY'23 on account of higher marketing spends on new products. Our profit after tax is INR 6.8 crores with a margin of 1.3%.

In terms of quarter 4 performance, we reported revenues of INR 135 crores, gross profit witnessed a healthy growth of 10.9% on a year-on-year basis to INR 70.2 crores, and the gross margin improved by a big 296 basis points to reach 54.8% on a year-on-year basis. EBITDA stood at INR 2.1 crores, the margin of 1.6% for the quarter. We had a loss of INR 2.1 crores. The decline in PAT was largely due to the onetime severance cost of INR 5.2 crores. But it may be noted that we have optimized our resources and our annualized savings that will accrue to us in FY'24 will be close to INR 19 crores.

Overall, DSO has improved to 115 days. Our net cash balance has improved to INR 78 crores. During the quarter, we also incurred R&D on our product development expenditures to the tune of INR 20 crores as we continue our foray into the B2B space with gaming. Gaming today, as

Sanjay mentioned, is close to 13% of our total revenues, and it's only going to go up from there. With this, I will now hand over the call to FC.

Francois-Charles Sirois: Thank you, Asheesh. Thank you, everyone, for joining. As Sanjay said, it's really not the quarter we're expecting. I think we can do way better. It was, for sure, a big quarter. I look at the efforts that the team, we looked at every single job focused on the company, that restructuring, everybody was the question, it took a good quarter. It was all done by March 31. So the team was quite quick on doing the valuation, really doing all the analysis and figure it out. It has a big impact on profitability for this year.

Unfortunately, obviously, that discussion with internal employees had an impact on the revenues on one hand. And on the other hand, when I look at the marketing spend, we did spend the marketing. So the performance on the marketing to revenues was clearly not there. Amount of money was invested for performance marketing, but not for due revenues we were expecting for multiple reasons, by the way, which are specific to that quarter. It's not something that will go on. So I think in the previous quarters, as you saw, the performance marketing was paying off the revenues. So that truly is a bit the assessment of this quarter.

On the positive news, honestly, the ONMO is going exactly as planned, is almost 100% quarter-on-quarter. The plan stays the same, does not change. What we don't see in the numbers is the split between the mobile gaming, where we have 3 new products now with Gamize ONMO, CA and Gamize and the mobile entertainment.

So when you look at the actual split, we have pretty much 90% gross margin on the gaming versus 50% in the mobile entertainment. So that's why we're spending so much effort on mobile gaming. Obviously, there's more marketing, but that's where the growth is.

And the EBITDA today, coming along. We should be doing a very good EBITDA margin on mobile entertainment with this new restructuring. That's why the team spent so much time restructuring it. And the cash, obviously, right now, the cash generated by mobile entertainment is invested for now on mobile gaming, but that's a big switch during the year, meaning that by the end of the year, our goal is to have mobile gaming at EBITDA neutral, whereby mobile entertainment is producing the EBITDA. So that big investment phase is finishing along the year.

And when I take the big year, and on discount here, really pushing all the operators worldwide. We have the goal to activate 100 operators this year, which is huge out of our 200-operator plan. I'm not changing the plan. We're not changing the plan. We have 200 operators to activate within 2025 for gaming. And the reason why we launched Gamize also is that after that, they used to get into the enterprise market with a view to get about 500 enterprises on that side.

So the plan, to me, is very solid quarter-to-quarter. And for me, I trust that the team will get there because I'm seeing the results right now right of May. It's a totally different picture. So to this, I will open the floor for questions.

Moderator: The first question is from the line of Mithun Aswath from Kivah Advisors LLP.

Mithun Aswath: A question on Challenges Arena. We saw that the net subscribers are remained flat quarter-on-quarter despite so much of marketing spend. I just wanted to understand what's the difference between the gross and the net number? And why is there such a big gap? And how do we see this progressing quarter to quarter? Are we seeing lengthening of in terms of the net subscribers? So I just wanted to get a sense my understanding on this.

Biswajit Nandi: Yes, sure. –So, I'll take your first -- second question first. So gross adds basically define the number of users that has been added in that particular month or quarter. And Net adds it means the number of users that remained at the end of the quarter, right, after all the churns.

Now while you see we have the gross adds in the quarter and decent gross adds, we had a onetime impact of a particular customer because of which our churn rate was pretty high. It is our boundary condition; we have recovered from there. And that's why our net active base remains flat between Q3 and Q4. I hope that answers your question.

Mithun Aswath: Yes. I'm just trying to understand, is there like a fatigue amongst users already because the initial spurt of demand has happened. But I'm just trying to understand the first few clients that you sign up, are you losing customers there? And the new clients that you said the customers there get activated. I'm just trying to understand on a steady-state basis, will this actually remain and provide some solid base of business? Otherwise, you would constantly need to keep spending on advertising or marketing to keep users on the platform. So I just wanted to understand this.

Biswajit Nandi: Yes, sure. So our gross adds actually constitutes from 2 kinds of customers. So one is from the old customers and then the new customers that we activate in that quarter. So we keep on adding subscribers from both these buckets from the old customers and the new customers. And we don't see any kind of fatigue in the own customer base. So no, this was just one aberration in one quarter, and we can predict pretty strong growth in the net active base in Q1.

Mithun Aswath: I'm just understanding how can the net customers remain flat quarter-on-quarter despite customer additions as well as new logo signed?

Asheesh Chatterjee: If I may add. See, what you saw was a onetime impact of a customer which where the net adds actually had a churn which we'll see revamping back in the coming quarter. And more importantly, 50 new customers are getting added this quarter. So we'll see new customers getting added or new subscribers getting added and the new operators as well.

So that's the reason the growth will come back in the coming quarter. But that one customer issue was an aberration which Nandi pointed out, is going to get regularized in the coming months, this quarter, basically. I hope that explains it.

Mithun Aswath: Yes. Just a follow-up on this. I'm just trying to understand because if you have so many more customers being added in this quarter, the marketing spend again jumps up a lot. So I'm just trying to understand is this like the initial euphoria is there, but there is nothing beyond that. So I'm just trying to understand, is there like a backup of older customers? And what is the profitability of theirs and the new customers and their profitability. Otherwise, we could be again in May of '24 and having the same discussion.

Sanjay Baweja: So let me try and answer that for you. I think the way it works is that initially when we start with a new customer, and I'm saying not the consumer, when I say a new customer, let's say, a new operator, initially, our marketing spend is higher and then it tapers down. So for a mature customer, we have been able to bring it down to in the 40s and the 30s, whereas when we start, we start with 60% to 65% marketing cost.

So progressively, if you notice, marketing spend as a percentage of revenue has continuously gone down. In fact over the last 3 quarters, 4 quarters, overall, it has gone down by about 700 basis points or 7%. And we believe that in this year itself, we will be down to 50% or even lower.

So while what you're saying happens then a new customer comes in, yes, for a new operator, initially, there is an increase as far as the ad cost is concerned. But over time, that continues to decrease. And we see a clear 20% reduction, 20% to 25% reduction, which happens from kind of mature account versus a start account. So that's a clear indication of how things are going to happen.

And once we have a much larger base, this overall number will be in 40% and like FC was mentioning, and we've been saying earlier, with the gross margin at 90%, you can do the mathematics, and we have some amount of very little manpower cost, you can imagine what kind of profitability we are talking about.

Mithun Aswath: You also mentioned in the current quarter there has been some expense towards some settlement of employees. What is the saving on an annual basis that we will see in FY'24? You mentioned it was INR 19 crores. So I just wanted to understand that.

Asheesh Chatterjee: Yes, that's right. So, the annualized savings for the coming year will be INR 19 crores. So that's a big plus coming to us in the next fiscal within FY'24.

Mithun Aswath: And my last question, if I can add, is on your Chingari investment, I just wanted to check, would you look to monetize that? Because your cash pile now has deteriorated quite a bit. And would you want to utilize that cash for the current core businesses of Challenges Arena and ONMO?

Sanjay Baweja: So yes, that's an option that we have on the table. Chingari on its own is looking to raise money. They just raised a small bit of money recently. And what we told is that within the next 6 months, they will be looking at the next phase. And at that time, we will definitely seriously consider getting monetization for it, either completely or partially at least.

Mithun Aswath: What would that amount be at cost?

Sanjay Baweja: Cost is very less, it's about INR 35 crores, INR 40 crores. But I think that's not something that we're looking at. The valuation is much, much higher.

Moderator: The next question is from the line of Jegadees Sharma, an Individual Investor.

Jegadees Sharma: So in the last quarter or this quarter, you have added four customers in the Challenges Arena, am I right?

Sanjay Baweja : Yes, that's correct.

Jegadees Sharma: So what is our next quarter you are going to do like in the next quarter you're going to add?

Sanjay Baweja: So next quarter, already, like we said, we've already added seven customers as we see because April and May came very productive for us for Challenges Arena already.

Jegadees Sharma: Okay, fine. And so sir, another question from my side is that you're getting into e-sports, right, social e-sports?

Sanjay Baweja : That's correct.

Jegadees Sharma : So, there are in the Western world, they will do a lot of marketing and e-sports thing and they invest in that and make quite a lot of money, right? So are we kind of going in that way, or we are going to not pursue that kind of thing in the e-sports?

Nir Efrat: I'll try to answer. Hopefully, I got it right. We are going for at least on the ONMO side, we are right now focusing on going live with many customers, not offering an experience for money, but offering an entertainment recreation experience of playing premium titles, experiencing them in a different way that people usually have never done. And also, collaborating, competing, viewing others.

So that's the e-sports part at ONMO. ONMO, you can watch other players game and then you can challenge them, you can compete them, you can work together with them towards a shared goal. And this is account of e-sports. And we're seeing signs and the users that were working already giving us very strong indication this is a very compelling proposition. This is the stickiness of the platform. And this is what telcos are now very excited about, and we're selling that for subscription. So this is the model right now.

We're selling an e-sports experience of titles, which are well known and loved in a way people never experienced before for a monthly subscription or weekly subscription. So this is the model in which we're going after it.

Jegadees Sharma: Okay. So, we are not going to do an e-sports kind of thing just like in the Western world, the teams are formed after two, three years and nothing?

Nir Efrat: This is the focus for right now. We could go into different many directions but right now, we're focusing on really great social e-sports experience for subscriptions.

Jegadees Sharma: Okay. So, that is the case, fine, sir. I'm just coming back to the Challenges right now, what is the growth guidance, there?

Sanjay Baweja: So, from a gaming perspective, we have the two products, ONMO and CA, we expect around a 2.5x growth in the gaming business for this year.

Moderator: Thank you. Next question is from the line of Ajay Upadhya, Individual Investor. Please go ahead.

Ajay Upadhya: I'd like to know what exactly in revenue terms is the number for Challenges Arena, ONMO and Gamize in absolute numbers, money wise not percentage?

Sanjay Baweja: Challengers is roughly around INR 58 crores in this fiscal, and Gamize has just started, so we do not see revenues in this quarter. And ONMO is close to around 10%.

Ajay Upadhya: Q4, what was the revenue?

Sanjay Baweja: Q4 is also clocking quite well, So, INR 18 crores to INR18.5 crores on Challenger Arena for this quarter.

Ajay Upadhya: ONMO?

Sanjay Baweja: ONMO is small. It's a beginning thing. It's around INR 4.5 crores.

Ajay Upadhya: So, if I was to project Q1 now, you're projecting what, 2.5x?

Sanjay Baweja: No, not for Q1. Sorry, I had said year-on-year growth of 2.5x. Yes, that was not a quarter-on-quarter.

Ajay Upadhya: Yes, so what can I expect Q1 to be?

Sanjay Baweja: I mean, we'll not be specific, but we expect robust growth.

Ajay Upadhya: So, **INR** 18 crores can be expected to be INR 40 crores.

Sanjay Baweja: I don't want to that INR 18 crores to INR 40 crores will mean more than 2x. So, in quarter-on-quarter, it's not happened.

Ajay Upadhya: What was Q1 this year?

Sanjay Baweja: Don't have it offhand, but it will be about close to about INR 10 crores. So we would have doubled from Q1 to Q4.

Ajay Upadhya: Okay, so you're expecting a 2.5x, so the growth can be maybe 1.5x to 2.5x, that kind of growth as you progress?

Sanjay Baweja: Yes.

Ajay Upadhya: Is there any seasonality involved in this?

Sanjay Baweja: No, hardly any seasonality as far as CA is concerned. We expect almost continuous growth. I mean, they're good at that…

Ajay Upadhya: Basically, marketing and your clients getting onboard that's it

Sanjay Baweja: But we should in Q4, like we talked about, but otherwise, we will see very good growth as far as CA is concerned.

Ajay Upadhya: Okay, so INR 58 crores is likely to become INR 150 crores. That's what you're trying to say.

Sanjay Baweja: Yes.

Ajay Upadhya: How would the ONMO progress?

Sanjay Baweja: The trajectory would be similar. Trajectory would be similar or better

Ajay Upadhya: No. ONMO is the different profile customers and consumption pattern, etcetera, why must it be similar?

Sanjay Baweja: Yes, right. What we have seen as of now, for example, is they are following the trajectory. If you recollect, we were about INR 10 crores for CA for last year, and we are INR 58 crores now. Similarly, we were about INR 12 crores, sorry. This year, ONMO is about INR 10 crores. So we expect similar growth happening in ONMO. It may not be INR 58 crores but would be a decent triple digit growth.

Ajay Upadhya: Triple digit will take me to INR 100 crores.

Sanjay Baweja: 100% at least. It could be 300%, 400%. So that's the level. We can't be very specific, Ajay. To be honest, we can't be.

Ajay Upadhya: I understand. You can't project into futures. If you were able to, then you would have different stories all along. But I'm just trying to get some ballpark, because I think all your shareholders would like to have some clarity.

Sanjay Baweja: Absolutely. And we want to give that transparency. And that's why we said that overall gaming for both put together, we would be about more than 2.5x. You know, it'll be from where we are this time to 2.5x. That's the broad range that we're targeting. And that's why we want to give that out very clearly.

Asheesh Chatterjee: And yes, Ajay, you're right. When ONMO starts entering the Tier 1 markets, which will naturally enjoy much higher ARPUs, we'll see a far more rampant growth that will happen more closer to, you know, the last quarter of this fiscal coming FY'24. But ONMO growth will currently follow the similar trajectory like Challenges Arena and then start peaking as we get entered Tier 1 markets.

Moderator: Thank you. Ajay, I'll request you to join back for a follow-up question. Next follow-up question is from the line of Mithun Aswath from Kivah Advisors. Please go ahead.

Mithun Aswath: So, you mentioned that you are targeting about INR 600 crores of revenues for the current year and INR 150 crores from the gaming based on the 25% you mentioned. And you mentioned that the EBITDA for the gaming would be breakeven, even at INR 150 crores revenue, is that correct what you mentioned?

And I just wanted to understand on the remaining INR 450 crores revenue, what kind of margins would we see? And plus, you know, the INR 19 crores savings. I just want to get an understanding of what would a blended EBITDA you're looking for by FY'24?

Sanjay Baweja: So, you know, while specific, we'll not give, but let me give you a sense of where we were and where we want likely to be. If you were to look at our EBITDA from the traditional businesses, we're in the range of 9%-10%, we expect now to be closer to between 18%-plus kind of level. So that's the broad change that we believe in the legacy business that's likely to be.

For Challenges Arena, till now, we were slightly in the negative territory. We will be completely positive, quarter-after-quarter from this quarter onwards. So that's the other change that we are seeing. And therefore, and every quarter, it would be a positive direction as far as EBITDA is concerned for Challenges. While we can't get specific numbers, let me just say that the trend is completely from a negative when we started with Challenges Arena to now a positive and, like we said, at the mature level, we will go 25% and beyond as far as Challenges Arena is concerned. But that may take some more time, not within this year, maybe the next year.

Mithun Aswath: Okay. So on a full year basis, you are looking at 15% margins for the company? If I assume 18%-20% on the existing business and a minor margin on the gaming business.

Sanjay Baweja: You know, Mithun, you're a Master of Mathematics, so I would just leave it at that.

Mithun Aswath: Right. And would we start seeing such improvements from the Q1 itself or it would progressively improve through the…

Sanjay Baweja: You will see improvement from Q1 itself.

Moderator: Thank you. Next follow-up question is from the line of Jegadees Sharma, Individual Investor. Please go ahead.

Jegadees Sharma: So what was the guidance for ONMO revenue, just repeat that. I missed that one thing for the next thing? 25% growth?

Nir Efrat: Sorry, please, can you repeat your question again? I couldn't understand it.

Jegadees Sharma: Yes. What is the ONMO revenue guidance, sir? So ONMO INR 10 crores, right?

Sanjay Baweja : INR 10 crores for the year, that's correct.

Jegadees Sharma: So this year also INR 10 crores. So it's like overall INR 20 crores or the same INR 10 crores?

Sanjay Baweja: No, no. Next year, it will be, like we said, it could be 300% growth or like about. It's not INR 10 crores.

Jegadees Sharma: Okay. 300% growth. Okay. Any EBITDA margins?

Sanjay Baweja: Too early to talk about EBITDA on this one, specific numbers on this.

Jegadees Sharma: Okay, sir. So and also the second thing is like, if you're guiding for INR 600 crores of revenue on FY'24, you expect any de-growth in the core business, sir?

Sanjay Baweja: See, we've had some new customers coming in, like I talked about, coming in the legacy business for this year. So we expect it to stabilize. We don't expect de-growth, but yes, the effort will be to maintain parity and maybe grow a bit as far as the legacy business is concerned. Tones especially, we expect growth coming towards the end of this year for sure.

Asheesh Chatterjee: And also, if I may add on the legacy business, we have two big improvements that we announced a little while back. One is the entire benefit of the restructuring exercise that we did, the annualized savings of that being INR 19 crores will actually accrue to the legacy business P&L. Apart from that, the Telefonica, Spain extension that we have got, which is for two years, that will see a big benefit of around INR 14 crores to our profitability. So largely, we'll see legacy business to grow at the top line, and at the bottom line, even more significant, really better on the profitability aspect.

Jegadees Sharma: So another question is like, you are saying that Challenges Arena, right now, they are early around INR 60-INR 70 crores, but in the next year, like by March'24, it will be around INR 140 crores to INR 150 crores. Am I right on that?

Sanjay Baweja: So, we are at about, we can't get specific numbers, but we will be triple digit growth for sure. Like I said, the gaming business itself together will be around INR 150 crores plus. So let's just leave it at that. We can't be very specific in terms of overall, since product by product numbers.

Jegadees Sharma: And what about EBITDA for there?

Sanjay Baweja: So positive EBITDA for sure. For Challenges Arena, it's very-very positive EBITDA as we go along in this year. We've not had very positive EBITDA last year, but this year all along, we'll have positive EBITDA for Challenges Arena. And improving by every quarter. Quarter after quarter, we'll see improvement in Challenges Arena EBITDA.

Moderator: Thank you. Jegadees, I will request to join the queue again for a follow-up question. Next question is from the line of Elesh Gopani from Gopani Securities and Investments. Please go ahead.

Elesh Gopani: Hi, thank you for the opportunity. I have two questions. We have skipped dividend for this year. So are we not eligible for giving dividend or because we have loss in the last quarter? And second question, since many years, we are facing problems only and the revenue is remaining same and we are just listening to your answers. So the promoter stake is less than 50%. Why can the promoter not buy shares from the market and make the percentage holding more than 50%, so it can become a fairer company? Thanks.

Francois-Charles Sirois: First of all, just thanks for mentioning the promoter. Just for you to understand, we've been there since day one, We created OnMobile back in 2000. And we did this with a lot of investors also So my share is about half the other half is many investors, which have been really, really patient guys to be fair. I believe, as you know, in the company and we're building, we've not sold one share in the company. We own our shares through a US holding and therefore, for a tax purpose, we kept it at just below 50%. So that's the main reason, we're not increasing, but we're not selling either. So that's the first point, I wanted to share.

Second point on dividend, as I was saying, it's a year really where we have, it's a big year for the team We have a lot of deliveries. We still have a lot of investments. CA now is moving from eating EBITDA to a EBITDA positive. The investments, we're doing, we're putting in ONMO for first quarters and our bills that are flying on its own wings, but it's still a big investment. And the decision on dividend was that, instead of calling a dividend now, we could do an interim dividend later on. So we prefer to be more cautious and make sure that, we have no issues whatsoever on cash, although we are doing big investments. So that's the balance that we've decided here. And that's why, there's no dividend in this quarter.

Asheesh Chatterjee: That other third part of your question, whether we were eligible or not, we were eligible. So that question, that Board decided differently is what we just talked about. But from a eligibility perspective, there's no issue per se.

Elesh Gopani: I'll just ask one more question. What will be the cash closing on March'24, according to your estimate?

Asheesh Chatterjee: So it will be similar. It will be slightly better than, what we have today, as we just mentioned, that we'll have good EBITDA margin coming from all our product engines.

Elesh Gopani: Okay. Thank you, sir.

Moderator: Thank you. Next follow-up question is from Mithun Aswath, from Kivah Advisors. Please go ahead.

Mithun Aswath: Yes. Sir, I just wanted to understand, obviously, with this Challengers Arena and ONMO, we seem to be building a reasonably sized gaming business. And you've given us quite aggressive guidance, both on profitability as well as revenue. We've seen guidance or promise earlier as well. I just want to understand from, the promoter's angle as well, what kind of confidence do we have this time of actually delivering, what we are trying to forecast, in terms of probability terms, so that, even if we were not to achieve, what we sought out to, what could be our life-based case sort of numbers. So, I just wanted to understand, what kind of confidence levels we have in achieving those numbers that we've set out to do.

Francois-Charles Sirois:: For me, it's clear, and it's a shame that, we can't share all the detail number, because for me, the gaming business and the mobile entertainment business are two segments. And the profitability, as we discussed, is really different, but also what you would see is that the revenues from the gaming is delivered as planned., We started back, what, 14 months with Challenge Arena. First year, was in the $1.5 million revenues. Now, we're going in the $7.5. That growth is, and it did materialize in the last year.

Same thing with ONMO. We just launched with the recent operator, our first year is in the $1 million plus range. So, it is following at least the same trend, when we launch with ONMO with operators. So, when we look at our plans for the year and deploying right now, the way we are, having traction selling to operators, deploying, going live, and getting the revenues, I am very confident on the fact that, this gaming business will be a $20 plus million dollar by the end of the year.

When I say this, the whole gaming segment. What, to be honest with you, what, you know, in some sense, deceived me for the year. And that's why we don't see any growth whatsoever. It's not that the gaming is not growing, it is growing, and it is getting material also.

If the mobile entertainment business in some segments, right, where it's underperformed, it's been there for 10, 15, 20 years, and in some cases, I don't accept that business also going down. And to be honest, I know the teams a legacy business, I hate the term legacy. I mean, for me, we're doing mobile entertainment, which is relevant today, was relevant yesterday and will be relevant tomorrow. So I don't accept the business going down.

And what really for me, the deception is not what the gaming has produced. It did produce what we've planned. It's the mobile entertainment business that did not produce the revenues that we expected, and we got hit. And when you look on a consolidated basis, the performance, it looks like we're flat, but we're not flat. And that's why I think the mobile entertainment business, yes, produced good EBITDA margin, will be even better now with the restructuring that we've done.

But I also think it can grow. And if we can just change the mindset. And obviously, the focus in the last 2, 3 years was really on gaming. So I mean it's tough to focus on multiple aspects within the company, so we did deliver that part. To me, it's really important that the mobile entertainment business in the coming year is at least stable, at least, and there's no reason it's not growing.

Now if we can just switch that back and start growing mobile entertainment and have the same growth that we plan for gaming, it's a totally different scenario here. So that's why when we do our assessments and when we did the budget this year, we're quite confident on our numbers. But I 100% agree with you, when you look at the 8 last quarters, it looks flat. And you were wondering, is the plan working? And unfortunately, I need to see 2 plans. I need to show you 2 plans for you to understand what's working and what they're not quite deliver on the mobile entertainment side.

Moderator: We move to the next participant. Next question is from the line of Elesh Gopani from Gopani Securities. Please go ahead.

Elesh Gopani: I want to understand what can be the revenue of the Gamize platform that you have launched? And are we going to tie up with the telephone operators only or telecom operators only or any other enterprises to make games?

Sanjay Baweja: So Gamize has a bright future and that's where difference the lies. The canvas for Gamize is any enterprise which is online in its business opportunity is our prospective customer, not just the telecom operators. So it's a much wider canvas.

But we're just beginning. We just started there. It will take us some time to ramp up. And we don't talk about numbers, whether it be small numbers as yet to talk about, although we've already got an anchor customer start. We are already discussing with 12, 13 more customers. But early days for us to start talking revenue in a big way, but it will be so much wider canvas than the telecom operators that we've been operating with till now.

Elesh Gopani: Can you give a number for the full year?

Sanjay Baweja: No. Like I said, we're just about starting, so it's unfair to give a number on some specific product which is starting.

Elesh Gopani: How do you charge in this Gamize business? It is free initially? Or how do you charge for them?

Asheesh Chatterjee: There will be multiple price arrangements just like a typical enterprise SaaS product. they are pricing methods both on usage and users. So we'll be charging on that basis. And as Sanjay explained, we will be establishing use cases, it will be industry centric. And that's what basically we'll kind of focus on the first year. And then once we have those established business cases, the take-off within any SaaS business would be very rampant with the incremental margins in the SaaS business are far more superior. So that's the reason we have looked at Gamize as well to one of our key aspects that we want to get into.

Moderator: Thank you. I now hand the conference over to the management for closing comments.

Francois Sirois: Thank you all. So we look forward next call. Next call is going to be first week of August. Our expectations for Q1 are certainly better. And with all the deliveries we're doing, it will be a very good discussion altogether. we'll try to present information differently also for next quarter so that we can give you better information. I think it's important that you really understand the plan and that we can better share to all investors exactly our key metrics here. So that's one thing we'll take as the first quarter to revise a bit the way we present the information today and give you more information and better metrics so that we can have a better discussion. Thank you all. See you in two months.

Management: Thank you.

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