Nazara Technologies Limited

August 05, 2022

Listing Department
BSE Limited
Phiroze Jeejeebhoy Towers Dalal Street,
Mumbai - 400 001.

Scrip Code: 543280

Listing Department
National Stock Exchange of IndiaLimited
Exchange Plaza, Plot No. C/1. G Block,
Bandra -Kurla Complex, Bandra (East),
Mumbai- 400051.
Scrip Symbol: NAZARA

Dear Sir/Madam,

Sub: Transcript of the Investor/Analyst Earnings Call held on Monday, August 01, 2022

In furtherance to our letter dated August 01, 2022 regarding the audio recording of the investors earnings call for the quarter ended June 30, 2022, please find enclosed herewith the transcript of the said call. The Transcript is also available on the Company's website i.e. www.nazara.com.

Kindly take the above said information on record.

Thanking You,

Yours Faithfully
For **Nazara Technologies Limited**

Pravesh Palod
Company Secretary & Compliance Officer
M. No. A57964

NAZARA TECHNOLOGIES LIMITED Nazara™ MUMBAI

Encl: a/a

“Nazara Technologies Limited
Q1 FY 23 Earnings Conference Call”

August 01, 2022

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 1st August 2022 will prevail.

MANAGEMENT: **MR. NITISH MITTERSAIN - JOINT MANAGING DIRECTOR, NAZARA TECHNOLOGIES LIMITED**
MR. MANISH AGARWAL - CHIEF EXECUTIVE OFFICER, NAZARA TECHNOLOGIES LIMITED
MR. RAKESH SHAH - CHIEF FINANCIAL OFFICER, NAZARA TECHNOLOGIES LIMITED
MS. ANUPRIYA SINHA DAS - HEAD OF CORPORATE DEVELOPMENT, NAZARA TECHNOLOGIES LIMITED

MODERATOR: **MR. RISHI JHUNJHUNWALA - IIFL SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good morning, and welcome to Nazara Technologies Limited Q1 FY23 Earnings Conference Call hosted by IIFL Institutional Equities. 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 touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rishi Jhunjhunwala from IIFL Securities Limited.

Rishi Jhunjhunwala: Thank you, Michelle. Good morning, ladies and gentlemen. Thanks for joining us today on the first quarter of fiscal '23 earnings call of Nazara Technologies. On behalf of IIFL Institutional Equities, I'd like to thank the management of Nazara for giving us the opportunity to host the call.

Today we have with us, Mr. Nitish Mittersain, Joint Managing Director, Mr. Manish Agarwal, Group's Chief Executive Officer, Mr. Rakesh Shah, Group Chief Financial Officer, and Ms. Anupriya Sinha Das, Head of Corporate Development.

With that, I will hand it over to Nitish to take the proceedings forward and start with the opening remarks. Thank you and over to you, Nitish.

Nitish Mittersain: Thank you. Good morning, and a very warm welcome to all of you to Nazara Technologies Q1 FY23 earnings call. I have with me, Mr. Manish Agarwal, our CEO, Rakesh Shah, our CFO and an Anupriya Das, who was recently joined as Head of Corporate Development and SGA our IR firm we have already uploaded our results presentation on the exchanges and I hope everyone has had an opportunity to go through the same.

On behalf of Nazara, I'm happy to share that for the quarter we generated revenues of INR2231 million, up 70% year-on-year and EBITDA of INR301 million and the PAT of INR165 million which is up 22% year on year. We are glad to report that the key business segments are all profitable, and we continue to focus and drive growth, while maintaining profitability and strong cash flows, which has been our strategy since day one. Our strategy to leverage opportunities that are coming our way and synergize with existing offerings throughout our network is yielding positive traction, and I'm happy to share that we are on track to achieve our targets for the year.

We continue to remain committed to building multiple growth engines across gaming value chain, comprising of eSports, Gamified Learning, Freemium, Ad-Tech and skill based real money gaming. We will continue to deliver 50% plus growth from our existing portfolio, and we will also continue to cover pre-identified white spaces in the above segments via inorganic acquisitions. This strategy, which we call the 'Friends of Nazara' Strategy has worked well for us in the last four to five years and we expect to double down on the same.

I would like to extend and thank all of you, our customers, colleagues, investors, business partners who have allowed us to evolve. We are on a great journey to build something phenomenal and everlasting together. I'm looking forward to the most exciting years ahead of us.

I will request Manish to walk through the quarterly highlights. Manish, over to you.

Manish Agarwal: Thanks, Nitish. Thanks, Rishi, and thanks Michelle for organizing this and hosting us. And good morning to everyone for tuning in to Nazara's Q1 earnings call. I will like to just kind of again reiterate that our Q1 performance, we are very pleased and we hope that you will be pleased with the revenue numbers, with the profitability growth, as well as the segment wise performance which we have duly delivered. We are happy to kind of note and share that this is a great testament to the large addressable markets which we operate, the tailwinds which we see in each of our segments, and that's why we have created a multi growth engine kind of strategy, which is diversified across business models, across consumer cohorts across geographies. I will take you through each other business segment.

Our eSports segment, which contributes to 46% of our revenue grew by 92% year-on-year. As all of you are aware, that the seasonality in this segment is pretty high for us. H2 has always been much higher than H1. And some of you have already noticed that our Q1 performance is not just 92% year-on-year growth, but we have also delivered a sequential quarterly growth of 12%, which means that our Q1, which is typically a low quarter is kind of bigger than a Q4 of previous year. And this segment is poised for massive growth this year.

Both opportunities here, Nodwin and SportsKeeda are doing exceedingly well. SportsKeeda has grown by 103% year-on-year. This on back of 130% growth, which they did last year. Nodwin has grown very, very handsomely. Again, on account of amazing amount of IPs which has been created, as well as the inorganic acquisitions, which are made, and Anupriya will cover companywide performance in detail subsequently. The segment has not only kind of grown for us 92% year-on-year but has also delivered 24% year on year growth in EBITDA, and we continue to be very, very mindful of investments which we are doing both in SportsKeeda, as well as in Nodwin to build our IPs, to expand our portfolio of offerings, and to really kind of build our brand.

We do not have a concept of adjusted EBITDA, as many other players give. If the adjusted EBITDA concept were to be done, the margins would be much- much higher, because we do not do Capex in this business at all. And everything is treated as an Opex.

The second segment, which is a new entry to our segment thing is Ad-Tech, with the consolidation of Datawrkz from April 13th, we have added this segment. The segment as you all know that it's a $700 billion opportunity. The digital spends are increasing. More and more advertisers are shifting their spends to digital from traditional media. U.S. leads the way in terms of spends, and Datawrkz entire revenue, or the bulk of the revenue really comes from U.S. markets. And as of this quarter, this segment contributes to 14% of our revenues. Datawrkz has grown 67% year-on-year, and we believe this is just the beginning of the huge market which lies ahead of us. This segment can be a very, very big growth driver, while maintaining to deliver 10% to 12% EBITDA margins.

We are also working together with different companies within the group, as this Ad-Tech is a capability acquisition for us, and how do we really work with SportsKeeda? How do we work with Paper Boat? How do we work with Next Wave, Nodwin, Open Play, we are all in the discussions and initiations have been initiated. And the results of those synergies, we will see down the line as we keep really working together and founders working together.

The third segment, which has been the segment of Gamified Early Learning is a 26% contribution for us. Most of you had really very, very familiar with this segment in terms of strong product engagement, retention data, strong LTV, 24-month LTV which this Kiddopia product has. We continue to be the top two in the Apple Store kid's category two to seven ranks. Our relative position has not changed.

This segment, not just for us, but really for the entire industry had seen massive amount of headwinds since last year, April, where the Apple changed its policy and we have on this call, and many other calls have discussed that ad nauseam, the entire industry has faced the brunt of increased consumer acquisition cost, which has kind of put a margin pressure, as well as the growth rates have come down because your ability to spend on the performance marketing is very limited. And this is true for the entire industry, not just Gamified Learning but whether you are a gaming publisher, you are a subscription service, you are an ad network or you are a Gamified Early Learning operator.

After one year of all experimentation, iterations, tribulations, I think everybody in the market is very clear that the Apple policies and increase in cost is a new normal. That's not really going to change. And hence, how do we really go back to the growth? How do we really create positive unit economics which were existing before Apple policies? And one of the things, which Gamified Early Learning as a category has shown a high amount of resiliency where consumers are willing to pay higher price and our competitors have taken a price increase of 35%, 25% to 35%. Kiddopia, we also took a price increase of 10% to 15%. I'm very happy to know that there is no regression on our KPIs in the month of June when we did it. What it really delivers for us are $38, $39 of CPT, cost per trial, which is a new normal. We are able to spend $900,000 to $1 million per month, which also kind of paves the way for growth of subscribers in coming quarters.

As the new subscribers which are coming in, they're coming in at an $8.4 ARPU, while the blended ARPU would be lesser because the past users do not see them, you do not get the impact of a price increase from past users. But at $8.4 of ARPU, $38, $39 of cost per trial, our product strength ensures that our LTV CAC are again in the order of two and greater than two, which was the case when we were looking at pre-Apple days. So, there is a very, very strong positive news coming from this Gamified Learning segment. We are far more comfortable and confident of really ushering that into growth path, leveraging the headroom which we have on the price increase as compared to our competitions.

The last the other segment, which is very, very important and we are very closely watching is skill based real money gaming. Lot of activities and interactions of industry environment are happening both on the GST as well as on what defines game of skill and putting regulation in place. We are very hopeful and optimistic that these discussions will yield a clarity, which will assure a massive amount of investment into the segment. As we have mentioned in past, this is a consolidation play for us in really money gaming, to do scale, to create a network effect. We are very much on it. As we are really hopeful that this opportunity on policy clarity will emerge, we will look for consolidation.

Our OpenPlay business has continued to grow. For those who do not understand, in the month of IPL, the sports fantasy really kind of grows big, and the poker and rummy businesses take a hit. But we have been, because of our very strong cohort based, player retention and engagement, we have been able to grow sequentially in Q1 over Q4 and we have also improved our EBITDA margin considerably, because we are not aggressively stepping up on user acquisition cost on account of GST overhang.

Our Freemium business, we continue to be marketing leader on World cricket on cricket simulation games. The segment has performed very well, but the scale is relatively low. And in order to kind of really make this segment much, much larger and large revenue and EBITDA contributor for us, we are aggressively looking for M&A. We have now dedicated M&A team, which is looking at game studios across the world, especially in Europe, where you get very good quality studios. We also believe in the current trends are opportunity to get very solid companies, high quality companies at a relatively better value, is very much on the cards and we are actively working towards that.

Last but not least, the Telco-Subscription business, is flat quarter-on-quarter and continues to be same on EBITDA.

With that. I'll take a pause and I will request Anupriya to take you and walk you guys through the company-wise performance before we come to Q&A. Over to you, Anupriya.

Anupriya Sinha Das: Thank you, Manish. Good morning, everyone. Moving to eSports segment. Nodwin Gaming revenues grew by 68% year-on-year in Q1 FY23. This increase is driven by distribution-led organic growth in own IP, increased monetization across all IPs, as well as increase in eSport focus D2C revenue. The company invested in multiple growth initiatives, including scaling of its own Ips, leading to EBITDA margin of 1.2% in Q1 FY23 versus 6.3% in Q1 FY22. Adjusting for these growth initiatives, EBITDA margin will be much higher for the quarter. Benefits of operating leverage will kick in as we scale revenue, as own Ips and media rights revenue will show nonlinear EBITDA growth. Also, D2C business becomes margin accretive once the brands are established.

Moving on to SportsKeeda. SportsKeeda has delivered growth of 103% in revenues in Q1 FY23. U.S. revenues which are 57% of total revenues in this quarter grew by 423%. SportsKeeda is growing its U.S. footprint and expanding its WWE playbook to new sports such as American Football and Basketball. In India, the company is focusing on growing branded video content business. Due to these content investments, the company's EBITDA margin declined to 34% in Q1 versus 43.9% in Q1 FY22.

Moving to Gamified Early Learning. Kiddopia has very high product strength. The app is a number two grossing app in its category and continues to maintain very high rating. The category has shown that consumer propensity to pay is high in this and players across the board have increased subscription pricing to pass on the higher marketing costs, post increased CPT, post Apple IDFA. In June 2022, Kiddopia subscription pricing was increased to $8.99 for monthly subscription, and $69.99 for annual subscription. Even post this increase, our pricing is lowest versus competitors, leaving significant headroom for any further price increase in the coming quarters. I'm very happy to announce that post this price increase our LTV CAC increased to two times for the new customers, and the unit economics model for this business has stabilized.

Now going forward, assuming 80% monthly subscribers in line with the past trends, average ARPU is $8.4. As the old subscriber churn out and the proportion of new subscriber increases, our ARPU will keep increasing in the coming quarter till it reached $8.4.

Moving to Datawrkz. We have added a new growth engine with Datawrkz, a U.S. based programmatic advertising and monetization company. Datawrkz operates in a large $700 billion addressable market and the company has seen good growth in the past quarter with 65% revenue growth year-on-year. Datawrkz works with around 57 brands. And out of the total revenue, 67% of revenue is from retained clients. This retained revenue has grown by 18% year-on-year in Q1 FY23. In terms of growth initiatives, the company is establishing an on-ground sales presence in the U.S., as well as Europe and APAC as well.

Ad-Tech companies with deep data processing capabilities and first-party data ownership will emerge as well as in game focused Ad-Tech and will help Datawrkz to create value for itself, as well as for Nazara shareholders.

Moving to the Freemium segment. The business has demonstrated good growth on the back of IPL season. The retention metrics are strong. Day one retention of 48%. Day seven retention of 18% and day 30 retention of 6% for WCC.

Now moving to skill-based Real Money Gaming. Despite events like IPL and others, which lead to a drop of revenue of Rummy segment, the company managed to achieve a revenue growth of 18% year-on-year in Q1 FY23. EBITDA margins increased to 16.7% in Q1 FY23 on back of various tech optimization and marketing optimization initiatives. Like Manish mentioned before, we're looking at consolidation led scaling once clarity emerges for the sector.

Moving to our Telco business. The business has declined by 16% over Q1 FY22. The drop in revenue is mainly due to decline in revenue from India business, while revenue from non-Indian geographies has remained flat. As of Q1 FY23, we are live with 75 operators in over 41 countries.

In terms of our M&A strategy, we will continue to drive growth in Gamified Learning and Freemium via M&A. We have augmented our team with an experienced person coming from gaming to build funnel of potential companies outside India. As quality of prospects, as well as the value multiples are far more promising in international markets. Real money consolidation is work in progress and will pick up pace with clarity on GST, as well as having a PAN India regulatory framework on game of skills.

I'll close my remarks here and would like to open for Q&A. I request Manish and Nitish to join me for the same.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Nitin Jain from Fairview Investment Services. Please go ahead.

Nitin Jain: Thank you for the opportunity, and congratulations on the great set of numbers. So, my question is regarding the volatility in margins that we're seeing with every quarter. Now, I know that the management has repeatedly guided that it would prioritize growth over margins.

But at the same time, the composition of revenue has changed significantly in the last two years or so. So, for example, Ad-Tech, that was nowhere in the picture, about three to six months ago, is a decent contributor to revenue now, and also eSports, which is slightly lower margin business compared to Gamified Learning is now the largest revenue segment. So, in this context, how should we be thinking of margins for FY23 and beyond? Thank you.

Manish Agarwal: Thanks for asking that question. As you rightly pointed out, our stance always has been, and I will just summarize that, A) We will look for an aggressive revenue growth. B) We will not have the revenue growth coming at the cost of EBITDA, we are not going to be a loss-making company ever. C) we are not maximizing EBITDA. We believe a 12% to 13% range is a good EBITDA range in a market like ours, in a high growth company like us. That's what we really strive for. And then that's the similar stance, we will continue to maintain these over a period of time.

Moderator: The next question is from the line of Mukul Garg from Motilal Oswal Financial Services. Please go ahead.

Mukul Garg: Manish, a couple of questions from my side. First, on this BGMI ban which came last week, how should we see the impact on eSports, the Nodwin business particularly from this ban and how should we read this more in terms of the impact on Nodwin going forward given that there will be obviously follow through impact on other gaming houses as well.

Manish Agarwal: So, shall I, you want to put all questions for me or I keep answering and then you keep asking?

Mukul Garg: Sure. No, I can. So, the other question was on the Paper Boat business. Interesting to know about the price hike, but how should we read this in terms of growth going forward? Does this mean that you now have cost per trial will increase, will enable you to resume a very strong growth rate in that business? And how will this impact your investments which can really attract more suitable parents to the platform without reducing the conversion rate? So, if you can just give us a sense of you know how we should think about the impact of a price increase going forward.

Manish Agarwal: Understood. And anything else, then I will just start answering.

Mukul Garg: Yes, just these two.

Manish Agarwal: Got it. So, BGMI, the takedown of the BGMI game from Google, there are two parts of it. And I'll address the Nodwin part first since you asked about it. If you look at from the Nodwin revenue, BGMI last year has very little contribution. BGMI this year, we wanted to strengthen that partnership and MasterPro Series and the current thing which is going, we were looking at building more IPs or the strategic relationship which we have with BGMI.

In terms of our revenue, which we are planning for this year, and what we were looking and what is in the back, BGMI does not contribute anything. So that's a zero impact on revenue, which we are looking at internally in terms of achieving our annual guidance of 50% plus growth rate or even slightly higher in case of Nodwin growth rates. So BGMI revenue impact is zero, nil.

Second, the eSports industry is very, very important industry and BGMI really was the number one game today, but if you want to kind of look in the history, PUBG ban happened, Free Fire came in. Free Fire happened, BGMI came in. Now BGMI is done, I think it's a great opportunity for Call of Duty mobile and other games to fill that void.

Gaming is now, is basically a social immersive platform and where this genre of players of mobile will find something other to play. That transition may take its own time because there is an affinity and there is a hope that the game may come back and hence, people will hang on to what they have because they have built their ratings, reputations inside the game. If the game is not coming back for a longer period of time, then the moment and transition to new games will happen. And hence, it's a temporary setback on the growth of eSports business or viewership in this country. But the habit of multiplayer eSports tournaments, as well as viewership is far more deeper and the shift will happen from A game to B game as we've seen in past.

As far as Nodwin is concerned, if you look at it, impact of PUBG ban, people thought it's going to be very adverse on Nodwin, but we kind of really continue to work and grow with other publishers, because we are a diversified publisher, diversified geography, diversified business model company as part of Nodwin, and hence, besides the temporary or transient impact on the eSports ecosystem, there is going to be nil, zero impact on Nodwin .

To answer your second question on Kiddopia, I think after a long one year, we are very comfortable and confident that there is a path to growth because of three reasons. One, your new user headroom of $8.4 ARPU versus $6.7 blended ARPU of today gives you enough and more cushion on LTV CAC, because as you appreciate, we as a company always like to have 10, 11 months of ROCE in terms of breakeven and then 24-month LTV CAC of two and upwards of two. With the current price increase itself for the new user cohort, we are achieving that KPIs. As more and more new users keep coming in, the past users are churning out, our ARPUs will keep increasing, and that creates more cushion.

Second, we have only taken a 10% to 13% price hike versus our competitors, which gives us a headroom to experiment in three, four months with further price increase. And we didn't want to do it in one shot, because we wanted to do a gradual, so that our KPIs don't regress. And that again gives us more confidence about growth.

The third thing is your base has reduced and your ability to kind of grow because churn is constant of 5.5% to 5.7%. Now, if you're able to find a stabilization of $38, $39 and able to spend $900k-1 million, your ability to acquire new users is going to be slightly higher than your people were churning out. And hence your subscriber growth will also start happening in the coming quarters. So, I think it is the, if I were to kind of summarize, stabilization at $38, $39 and the ability to spend $900 million per month is now very well established, and we are confident about it. Second, there is headroom for further price increase to improve our LTV CAC, which gives us slightly more advantage to kind of really grow. And third thing is, the old users as they keep churning out, your unit economics will keep improving. So that's how we are seeing the business of Kiddopia.

Mukul Garg: Manish, just to follow up on the Kiddopia part, you are now below 300K subscribers there. How should we think about the volume growth? Is that something which will resume the pre-IDFA growth which you are witnessing given that you are now able to spend a million dollar to kind of get them back? And second, on profitability, this quarter was flattish versus last quarter. The expectation was that you will be kind of trialing out some other areas of expansion of visibility. And that margins, that cost did not flow through or how should we kind of see profitability going forward?

Manish Agarwal: So, Mukul, very good question and thanks for pointing that piece out. This quarter, as I mentioned last quarter, and this quarter are the quarters where we wanted to experiment with the brand marketing. We wanted to experiment with YouTube marketing, because we were seeing that what are other ways for us to really grow and grow fast, because that's what we like about it.

However, we have seen that the brand marketing has not had the desired impact, as well as YouTube marketing, getting CPTs in the range of $48 to $52 and we didn't want to spend. Both of those experiments are already in the base. The coming quarter, we are back to, what I'm talking about 900K billion is a performance, which we know pretty well. That's an area which we know how to optimize and efficiently do it. And hence you will see an improved margins in Q2 from Kiddopia.

Mukul Garg: Sure. So, on the subscribers part, the growth on the…

Manish Agarwal: Oh, I am sorry. On the subscriber part, I think it's very simple math's. As you rightly said, as subscribers base which was let's say 350 is now 300. Now in 300, if I am talking about 5.5%, then you're talking about 15,000 to 16,000 people churning out and your ability at a billion with 38 and 0.7, you will start seeing first, they coming together, just marginal growth, and then you are kind of really seeing a future more growth happening. Because if you're continuing to spend $38, $39, your unit economics is in control, your ability to spend in line $900k-1 million is in control. Your churn is constant. And since your base is lower, you will continue to grow up.

Moderator: The next question is from the line of Jinesh Joshi from Prabhudas Lilladher Private Limited. Please go ahead.

Jinesh Joshi: I have a question on eSports. I think the EBITDA margin in this quarter was 1.2% and that is predominantly because we invested in some growth initiatives. Can you let us know what these initiatives were and for how long this will continue? And secondly, if I also look at our contribution to media rights in this quarter, I guess it was at about 35% odd which is lower than 49% percent, which we reported in 1Q of FY22, despite the fact that the content views were higher and so were distribution hours. So, can you just explain the reason behind this dip?

Manish Agarwal: So, Jinesh. Just a clarification, before I answer, you are referring to Nodwin, not eSports, because the EBITDA margin of eSports are much higher than 1.2%.

Jinesh Joshi: My bad.

Manish Agarwal: So on the Nodwin piece, if you were to look at it, we have expanded Nodwin's horizon to touch the 14- 25 gamer life in multiple ways. We have expanded besides just kind of really having a large IP base tournaments. We have expanded ourselves into gaming accessories business, we have expanded ourselves into creating on demand content, scripted reality shows. We have expanded ourselves into a merchandising business. We are trying to really build Nodwin as a flank ring offering to a gamer, in the life of a gamer, how many more touch points can be created. In that context, if you see, in this quarter, we have got gaming accessory business, Wings, which was consolidated. And that business is --- last year was doing at INR22 crore of run rate. In this quarter, broadly it is INR3.5 crore per month. So, you can see a clear growth in quarter one.

We were expecting that to be an EBITDA loss, but we really worked on your operational efficiencies to make it an EBITDA breakeven. So, you're seeing a revenue mix changing on gaming accessory and we believe the consumer business of getting consumer transaction, unlocking the gamer community will keep growing and contribution and that is how, why you will also see a media contribution which was the main bell-weathered for the entire revenues, their contribution will get balanced with the gaming accessory business. And in future, this market of gaming accessory is going to be very, very big and we believe that this year itself, we will be able to achieve and exceed our AOP of INR70 crore and hence, the revenue mix of Nodwin will keep looking different than what it was looking last year.

The other parts of what you need to note is that our own IP businesses are more in the second half, not in first half, which is where your media contributions will be different. We are working to create and that's what I mentioned to Mukul's response, we're working to create a year-round IPs which can have a media partnership like Pro Master series which we didn't start in this quarter, overlapping quarter one, quarter two. Those are the kinds of initiatives we are doing so that we do not have our second half, much stronger than the first half and we can normalize the revenues across the quarters.

On the overall EBITDA margins, as we have always mentioned, this is a very small nascent market, which has a massive potential of building viewership. With Nodwin being a market leader, it is our job to reinvest in IPs. It is our job to create more adjacencies which can have growth. We will continue to really drive that and invest on it. Our overall year guidance of 5%, 6% EBITDA margins absolutely remains the same for Nodwin. But because of seasonality of H1 and H2, you are seeing a lesser EBITDA in Q1.

Jinesh Joshi: Thanks for the elaborative response. One last question from my side. I think in Kiddopia we have done well predominantly because of the price increase. And I believe there is further headroom, given the fact that the peers are at a slightly higher level which appears to be positive. But what I wanted to know is that, how have we fared on the market share side considering the fact that IDFA changes have been around for quite some time? Is our subscriber loss better off or worse than peers? And whatever corrective actions they have taken to be with the situation, how have they faired on this particular parameter? So, your comments would help on this?

Manish Agarwal: Yes, Jinesh. Jinesh, if you look at it, Anupriya mentioned when she was covering Paper Boat, Kiddopia, we are maintained number two ranked in the App Store Kid category, which is a clear, clear, you know, milestone to understand have we, how are we doing relatively to the rest of the market. If our loss of subscribers or velocity of people or velocity of churn is much lesser, we will not be able to hold on to number two rank. We have been in consistently for last two, two and a half years on the same position, which means that we are neither worse off no better off than the market. And everybody in the market is in the same boat. And that's the great testimony for the product engagement retention, which we see as well as our ability on the marketing front to continuously keep on iterating and optimizing and seeing that how do we really have a balance between new subscribers and unit economics.

Moderator: The next question is from the line of Depesh Kashyap from Equirus Capital. Please go ahead.

Depesh Kashyap: Sir, on eSports first, if I try to exclude the revenues of OML, Publishme and other new acquisitions from Nodwin's this quarter revenue right, then it seems that the revenue growth of the existing portfolio is more of a flattish to a low growth scenario. So just want to check if my better understanding is correct, and where are we in terms of the growth in terms of own IPs?

And secondly, on BGMI, you said there is no revenue back. So just wanted some more clarity on the Master series? Was it Nodwin's owned IP event or a co-owned or a white label event that you created and will the partnership with Star Sports continue even after this ban? Thanks.

Manish Agarwal: So, Depesh, two, three questions you've asked and I will answer. Partnership with Star Sports is a function of Star Sports wanting to really tap into in its audience base with eSports as they see eSports as a format really becoming very, very important for them to engage with audience. And in that context, that secular trend of eSports viewership growth is not going away.

As I mentioned in my response to Mukul, that there will be a transient flip because a new game will like to build, will become big, and when the game becomes big, then the viewership becomes big. BGMI was 100 million kind of a download game with a lot of viewership. Will there be a temporary vacuum? Yes, there will be a temporary vacuum. Will that game vacuum get filled? Yes, that will get filled. The active conversation between Krafton and government must be happening or other games will come into picture. But as far as Star Sports or us or anyone is concerned, the secular trend of eSports, tournaments, people excitement and viewership is not going away. And hence, we do not really see any challenges to long-term or mid-term partnerships. In the immediate term, there may be certain amounts of headwinds on which kind of game has that kind of reach and scale for it to be a legit game on the TV platform.

Second piece on the Nodwin partnerships, if you want to look at it, I mentioned before, we do not be in Nodwin we are acquiring some opportunities for capabilities building and we are acquiring certain opportunities as a pure B2C play. We do not see an OML and we do not track it separately, that what is OML business, what is not OML business because the teams of sales, influencers, content creators are all kind of intermixed with the Nodwin team and that's how Nodwin has acquired capability.

So, keeping saying that we will look at Nodwin and remove businesses of OML or XYZ and then look at business is not the way we look at it. And if any acquired for capabilities, capabilities help you in growing your business overall.

In terms of our own IP, as I mentioned, our own IP typically have the quarter one is not the thing which we really do. We were trying to build and we built very successfully in the ProMaster series, which kind of really broke the viewership records on Star Sports 2 and other platforms. And we are balancing the quarterly calendar. Our own IPs will have a Q2, Q3, Q4 kind of play out more predominantly in Q3, Q4 rather than Q1, Q2.

Depesh Kashyap: Sir, just a follow up. So, this Master series was an owned IP of Nodwin, right and the entire the media rights, the sale that happened that will come to Nodwin? Is that correct?

Manish Agarwal: Yes. Yes. Great.

Moderator: The next question is from the line of Mansi Desai from Dalal & Broacha Portfolio Managers Private Limited. Please go ahead.

Mansi Desai: My question was about Kiddopia. Just wanted to understand when have the prices when have the price hikes happened? Is it during the start of the quarter, or towards the end of the quarter? I'm asking this because you know, I want to get a sense of do we see improving margins going ahead from the levels that they are right now, because now we are passing on the higher marketing costs?

Manish Agarwal: So, just two things that you should understand that this price increase applies to new subscribers, not the old subscribers. Correct. And if you're talking about 300,000, total monthly subscriber base, and you are requiring 16,000 to 18,000 new subscribers, your impact of the new price increase on an overall base will take time to reflect. So, in this quarter, for example, Q1, we were at $6.7. It may increase based on the percentage of churn and that is a very simple mathematical equation. But for it to reach to $8.4, which is the blended average of just new users cohort, that's going to take time.

For us, when we are looking at unit economics, because we are spending on new users. it is not right to look at the blended, because blended is passed through to your EBITDA straight up, because the cost has been incurred in past. It is the new user, which we should look at. And that's the unit economics ARPU is $8.4. with ROAS of 11 months, 12 months today, and LTV CAC 24 months of two. That's the math which we are looking at.

To answer your question, when did this happen? This happened in the early part of June. And we have seen the whole month of June, we wanted to see what was going on, if at all, any impact on our conversion from trial to subscription, or any impact on our retention. We have seen none, which gives us amazing amount of confidence that we are on the right track, plus there is a headroom for further price increase down the line as and when we become more comfortable with there is more data around consumer behavior after three, four months.

Mansi Desai: Understood. Second is on again, on Kiddopia. What are the new initiatives like I have heard of new ad campaigns that have been done for Kiddopia and how that is panning out, what's the kind of response that we are getting in terms of new subscriber additions, at least starting this quarter?

Manish Agarwal: So we ran a Brand campaign in Q1 and Q4, some part of Q4 and broadly in Q1, first two months, we have not seen great results of brand campaign. Whether the brand campaign can give you a result in three months, that's also in itself a question mark. But given that we have been able to now stabilize our performance marketing spends at an $38 or $39 for spending $800 to over a million dollars per month, we are also opinioned that let's not spend on brand marketing and take that leap of faith. So, we have stopped doing that.

Second, any kind of new experimentation on new channels, we have done a lot in the last four quarters. And now again, stabilization on which channel is working well, which is not we are very clear. And hence, our marketing budget is going to directly be attributable to performance. Marketing, where we understand what are we really optimizing for and hence, our Q2 are both things will improve, our unit economics will improve at an overall level as well as the EBITDA margins.

Mansi Desai: Okay. And my last question was on the guidance that we're giving for 50% growth, can you just help us understand or elaborate a little bit on what are the factors that is going to attribute, because eSports is one category. Both Nodwin and SportsKeeda has been doing absolutely well. So, which is going to be the next growth lever considering Kiddopia is still going to take some time to give that kind of accelerated growth?

Manish Agarwal: So, our revenue growth of 50% plus is predominantly being driven by eSports, by Ad-Tech, and by your Real Money Gaming portfolio. These are the three things which are driving from a revenue growth point of view in a meaningful manner. And then I'm talking about 50% plus, I'm not talking about any further M&A. And this is without any M&A, we are very confident of delivering 50% plus growth.

Moderator: The next question is from the line of Divyesh Mehta from Investec. Please proceed.

Divyesh Mehta: My first question is regarding the acquisitions. You have shared a slide on Slide 14, where you're showing scaling of revenues where I can see 2x – 3x versus acquisition current rate. Can you share while acquisition were you using quarterly annualized and current estimates are the again quarterly analyzed part? So, I want to understand how are these numbers scaled up? What is the calculation behind it?

And my other question is regarding the Freemium game, WCC. We have not seen any improvement in terms of the IAP penetration rates? Can you give any update on that what is going on?

The last question is globally, digital ad-tech are declining? Is Datawrkz seeing any impact and which verticals are they largely presented? That’s it.

Manish Agarwal: I didn't understand the first question but let me answer the first two and then I'll come back, second two. On the Freemium, our IAP purchase has been flat, which is roughly, broadly 80% coming from ad revenue 20% coming from in app purchases for last 18, 24 months. It is predominantly attributable to the overall India market where in-app purchases are very concentrated to very few games. And the games which are local, whether it's Cricket, or whether it's Ludo or whether it is any other game, we have not seen too much of in-app purchase, because the Indian user behavior has been predominantly that wherever there is a multiplayer social community kind of a thing, the in-app purchases happen. For example, whether it's the BGMI or Free Fire, whether it's Call of Duty Mobile or any other such games. In cricket, predominantly, we remain to be a single player game for the reasons of, a, infrastructure which does not allow again like okay to have a very real multiplayer experience. Also, because of the propensity of large number of people who are coming are not midcore, hardcore guys. And third, there is no social community aspect in the game today. And hence in app purchases continue to be the level where they are.

Our view is the market evolution will take its time. And hence, we are very focused on looking at the acquisitions of other game development studios, which are offering multiplayer experience and in and creating a social context. And the markets could be outside India, because those are markets which are far more evolved, but quantitative, and if we can find a great product, we can replicate a story like the Kiddopia story in the U.S. So that's on Freemium.

On the global digital ad-tech, as Anupriya mentioned, it's a $700 billion dollar business, and we are talking about hardly $15 million of Datawrkz. So, we are very, very small, not even a drop in the ocean. And the headroom on the growth, on the verticals, on the consumer demographics of young male audiences, which they cater to invest is very high, because that's the audiences which are people are multiple jobs, multiple use cases are attracting, whether it's consumer delivery businesses, or it's education businesses or gaming businesses. And hence, building that competency in the young male demographic is very important for us. And gradually, we like to build more and more first party data so that we can become very strong use case there.

Second, Datawrkz operates on ethnic communities in U.S., talking to Chinese community, Indian community, Hispanic community, and that's where they really worked with a lot of publishers from those countries and bring them to U.S. So, they have a very strong, very, very clear niche identified and those niches are big, propensity to pay is big, and hence, I don't see any issues on Datawrkz, future growth projections.

I didn't understand Slide 14, please. So, if you can, either…

Divyesh Mehta: Can you just explain how the Slide 14 data is calculated? That at acquisition and the current estimates? And perhaps what is driving that growth, particularly in Planet Superheroes, have the offline stores started?

Manish Agarwal: Just a second. I'm opening Slide 14 to see what is Slide 14, and so, that I can answer it. I don't have it memorized in terms of what it's like slide number. Give me second. Slide 14 is Nodwin growth, right?

Divyesh Mehta: Nodwin gaming inorganic playbook.

Manish Agarwal: Correct. So, if you look at it, as I mentioned in my earlier comments, the way we are looking at Nodwin catering to a gamer and a gamer can be attracted in tournaments, gamers can be attracted around viewership platforms. Gamer can be touched upon through merchandising, through accessory business, and through Fest and collegiate activities which are happening. So how do we present in the life of a gamer in multiple touchpoints. That's what we are looking for. And hence some of these initiatives, like when Planet Superheroes is in very, very early, early stage, where we need to really define what is the strategy going forward, how they really work? We are not very the purpose of really getting into this is to unlock your own community touch points and reach. The offline stores maybe just a few. And they may--- that not going to be thrust for us in terms of growth. Our growth will remain a digital led growth for a considerable amount of time, because that's where our community is coming to our platform for tournament’s participation, and any kind of physical touch points, it's much easier for us to establish in the events where a lot of footfalls are already coming.

If you want to kind of have a look at Rusk, Rusk is where we are very excited about the whole entertainment meets gaming opportunity, where our playground IP, which we created as a first season has been tremendous hit, which is like a Big Boss meeting gaming community and you're creating a scripted reality show and we are going to create many such events so that there is an entertainment spice, there is one audience which is looking for a live sports events. And then there is another audience, which is looking at gaming meets entertainment kind of spices. So that's what we are going to look at and figure that piece out. And that's the content pieces we are looking for.

Third, influencer ecosystem is very important because they are the new distribution vehicles, certification for whether you create a live content or on-demand content or scripted reality content. And that becomes your, not just a sword, but also a shield so that you can continue to dominate the Indian market. And we are actively working on how do we keep building or consolidating the influencer ecosystem in India.

Moderator: The next question is from the line of Abhishek Kumar, from JM Financial. Please go ahead.

Abhishek Kumar: Congratulations on a very good quarter. A couple of questions first, when we had come out at the end of towards the end of the last quarter and guided for 55% to 60% growth, is there anything specifically that surprised us since our growth was significantly ahead of the upper end of that band? So that was the first question.

The other one I have is on SportsKeeda, which is one of the primary growth driver this quarter. Looks like the volumes have not grown that fast. If I just look at the monthly active users, it is 16%. YoY. However, the direct sales have grown. So, is that a function of the growth in cricket, which is in India, where you're seeing more of direct sales and how much more scope is there to expand direct sales and hence, blended pricing in SportsKeeda?

I have one bookkeeping question that I'll ask after these two questions.

Manish Agarwal: So SportsKeeda, for us, the way if you look at it, our portfolio of sports is really kind of increasing. And our strategy is to keep adding newer sports, which are more catering to U.S. audience and for a very simple reason that your inventory in U.S. is 6x of India inventories. And if you want to kind of a take a new sports and get to a 4 million, 5 million miles number, you make it a profitable and at least business which could be INR10 crore, INR12 crore on an ARR basis in a very quick time period with relatively very less investment. So that's the strategy which we have been following. And that, coupled with direct sales, as you rightly pointed out in India during peak season, has really helped us to have a far higher revenue growth than the MAU growth.

The second point is, we are buoyed by the success of direct sales in the last 18 months in India. We are actively considering putting feet on ground in U.S. for Direct Sales, and then monetizing the current inventory even more, so that we can really have a much faster growth. And then we can really use that cushion to really create more video content and create more faster velocity of addition of new sports, which we can really do. So from a SportsKeeda perspective, the revenue, in my opinion will continue to exceed the growth of MAUs, because of your shift of mix happening between India and U.S. and your contribution of direct sales increasing.

On 55%, 60% growth guidance versus 70% growth which we have achieved, there is nothing surprised. It's also only something which we have been really working hard. And we can like to kind of really carry, with your permission, keep some buffers in our pocket, so that we really can live and sleep peacefully.

Abhishek Kumar: Sure. That's always helpful. So, one last question is, have we consolidated Rusk Media also, because one of the slides says that Nodwin revenue includes Rusk Media.

Manish Agarwal: I think the wording there is slightly misrepresenting. Rusk Media, and Nodwin holds 6% and we can't consolidate. Right. There is a revenue of Rusk Media. So, there are two parts of Rusk Media. One, this whole playground IP, which is being created is creating as a subsidiary of Rusk, where Nodwin holds the majority, because that's the reason for us to invest in Rusk, was to build gaming, and gaming, entertainment content business, where Nodwin owns 51%, and the Rusk owns 49%. And the monetization of entire gaming is done by Nodwin.

What Nodwin has really done? Nodwin has done a capability through OML to really go to brands and sell of such kind of concepts, because that's the strength which Nodwin has always demonstrated. And that's what we're using to really leverage the content creation capability and distribution capability of Rusk and the monetization capability of Nodwin. So that's part one.

Part two, the Rusk itself some of the IPs, Nodwin's sales team is selling. And that business, I'm assuming, will keep growing, because this is just initially understanding of our sales teams, how do we really go and pitch to the same brands, the same demographics, which Rusk is kept capturing? And how can we really create more revenues for them and those revenues, again, we will consolidate. It is not that we are consolidating Rusk.

Moderator: The next question is from the line of Amit Chandra from HDFC Securities, please go ahead.

Amit Chandra: So, my question is on the RMG segment. So, I know it's a very small segment for us, almost 6% of revenue, and we have now increased our presence through the Open Play acquisition. But as a segment, RMG is a very, very big segment. And if I'm not wrong, in the total Indian gaming industry, as predicted, it can be around $3.5 billion of total industry, the RMG segment. So, what are our plans here to increase the scale here because still we are very small as compared to the competitors there. So, if I take MPL or Team11 Cricket24/7, so are we competing with them? And in terms of our electoral portfolio, like where we stand in terms of online Rummy and Fantasy sports there?

Manish Agarwal: So, Amit, thanks for bringing in. I'll just again reiterate what I did in my opening remarks on segment. First of all, MPL, Dream11 is not a competitor to us. Nazara believes in having a very diversified portfolio play across consumer cohorts, across different drivers, business models and countries. So, I don't really see Nazara competing because we are very unique African Indian market, which nobody really has.

Second point on the on the Real Money Gaming piece. Yes, you're absolutely right. This is one of the largest segment in the Indian gaming market. And we are a very, very insignificant player there. And that is out of choice which we have maintained in our portfolio only 6%, because we have been working to get a statutory clarity on this segment both on a framework for defining game of skill, which is clear and PAN India common. Second, which is a GST clarity.

The positive thing is that lot of interest and interactions with government industry are happening as we speak to really create clarity on both these items, and we believe that as the clarity really happens at this, our capital allocation decision will become much easier. we are very well, our approach of Friends of Nazara network, and our interactions and rapport with other Real Money Gaming companies in this market is amazingly high. And our ability to kind of really bring them into Friends of Nazara Network to consolidate RMG is very, very well proven and possible. But we want to really kind of go into it, once we have a semblance of clarity emerging on both these aspects.

Amit Chandra: Okay. And in terms of the plans, are we planning for an organic growth either or we have plans for inorganic, because a lot of consolidation can happen in this segment?

Manish Agarwal: So, if you look at it, Rummy is growing, and Rummy continues to grow, in spite of us not really accelerating the user acquisition on account of GST overhang. We have really improved our revenue growth from our current users, and which you can see reflected in our EBITDA margins, which are 28% for this quarter have for Open Play. We will continue to grow that as soon as we see clarity emerging on GST. We are very confident of growing not just the Rummy business, but also growing the overall segment through a combination of organic and inorganic.

Moderator: The next question is from the line of Rahul Jain from Dolat Capital. Please go ahead.

Rahul Jain: So, what I was essentially trying to understand is that this pricing hike that we have taken, and we are saying there is some more room and this is what the peers are also following, so essentially, the impact of this IDFA thing, is eventually coming on to the consumer. So, do you think this may itself impact the privacy side mindset by the App Store, or there is more about monetization at their end?

Manish Agarwal: I don't think that. See fundamentally, what I'm really seeing consumer is okay to pay for privacy. And that's the headline news, which at least I can understand from the behavior in this category, because you're talking about the safety of the child in an environment where the child can have fun and can also learn, and parents are okay to kind of they do that. But they are always worried about the privacy of such interactions. And hence, it's a trade-off which they are comfortable.

Rahul Jain: Right, and I think you mentioned a bit but I could not follow it so much. So does that mean now since we will increase the price and the portfolio price would come on its own and there is room for more, so, the entire mathematics that we were having about LTV CAC, itself take a higher base. So, subscription growth can be targeted in a couple of quarters, if not immediately?

Manish Agarwal: You're absolutely bang on.

Rahul Jain: So, although it may look a little far off, right, can we say that FY'24, our thought process in the business could be similar to what we were having in the business year back or let's say at the time of IPO?

Manish Agarwal: Rahul, the mindset has not changed. There was constraint which has changed, but whether we will grow 5% month-on-month or we will grow 8x in a year, I do not know today, right. But what I'm very confident and comfortable that there will be a growth in few quarters down the line as the new user base keeps coming in and hence the blended ARPU keeps increasing.

Rahul Jain: Yes. So, the whole point is that if there is enough demand in terms of number of people and there's enough demand even at a higher price, then one should try to spend more and get the market rather than trying to stabilize the margins? because if we're not sure about the subscriber then of course, saving the margin was an optimum way to go about it. But if we don't address price level changes.

Manish Agarwal: After a lot of experimentation, we have found a stability around $38, $39 CPT. We like to kind of run it on it for some time before we really have a rethink on our strategy. But as we understand today, that is a stabilization, which is really come in after a lot of experiments, and we do not want to kind of upset that rhythm.

Rahul Jain: Right. Right. Appreciate it. That's why I think FY24 become a more way to look at it. Okay. Secondly, I think there was one comment in the opening remark by Anupriya related to some talent addition driving the inorganic capability in the global market. If you could explain that bit more than that, and anything more on the RMG consolidation side, are we seeing any pipeline there to add?

Manish Agarwal: So, we have got somebody to lead M&A for Freemium and Gamified. A person comes from having a four- or five-years years' experience in the gaming companies, and has good relationship with the networks in Europe and U.S. He's working on building a pipeline of studios, which we could really look at. And that's where now a dedicated source who understands gaming drama and understands how to evaluate gaming companies and then bring a curated funnel to Nitish and myself, is that really asset which we were missing, and we have added it. And we are having a very good now healthy discussions across the globe, where at least people know Nazara, is interested in looking at such themes, whether it's this cohort of boutique gaming bankers, or the companies and founders directly.

So, I think that's something which is what Anupriya kind of mentioned about. We have also kind of added Chief Strategy Officer in SportsKeeda, because we are sitting on a lot of cash there, the company is cash generating what can be done to really drive in an organic growth in SportsKeeda also, while organically, they are doubling every year. So key people in geographies, in different companies is what we are continuously adding. Anupriya herself is a great support to me, so that I can spend more time on business operations and she could really take that burden off my shoulder. So augmenting leadership teams at corporate, as well as subsidiary is the task which we'll keep doing here as we speak.

You had another question?

Rahul Jain: Which was on RMG. So, we've been talking about just consolidation.

Manish Agarwal: So, Rahul as I mentioned to in answer to Amit, the players in RMG are very well known to us. Multiple times, we have had discussions with them. The desire to come under one RMG and network effects of that are very clear and pronounced to us and to them. So, the pipeline is not an issue there. It is about when to press the green button to kind of really go ahead and do this. And that's where we believe that we have waited for too long. We are optimistic that the clarity will emerge both on a framework of game of skill, as any GST very soon.

Rahul Jain: But I guess the valuation will change much faster once the clarity emerges.

Manish Agarwal: My personal belief is, of the binary risks versus a clarity, a premium which you can pay in a market like India, which is very large and will continue to grow, I don't see an issue of premium being paid. Because then there is no clutter in your mind. And you can go with free you couldn't go and press the growth accelerator.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Rishi Jhunjhunwala for closing comments.

Rishi Jhunjhunwala: Yes, so just wanted to thank the management Manish, Nitish and team for letting us give the opportunity to host the call. With that, I'll just pass it over to Nitish to close the call with his remarks. Thank you.

Nitish Mittersain: Thank you, everyone for joining us early morning on Monday and for all the insightful questions. We remain committed to drive growth over the years in Nazara, in very stable company that remains profitable, generates strong cash flows and creates value. We look forward to your continued inputs as we continue to evolve. Thank you very much and have a good day.

Moderator: Thank you. On behalf of IIFL Institutional Equities, that concludes this conference. Thank you for joining us and you may now disconnect your lines