February 23, 2022

To

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

Scrip Code: 543280

Listing Compliance Department
National Stock Exchange of India Limited
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 Conference Call held on Monday, February 14, 2022

With reference to our intimation dated February 07, 2022 regarding schedule of earnings call to discuss on the Unaudited (Consolidated and Standalone) Financial Results of the Company for the quarter and nine month ended December 31, 2021, which was held on Monday, February 14, 2022, at 9:00 a.m.

The transcript of the aforesaid Investor/Analyst Earnings Conference call is enclosed herewith.

Further, the aforesaid intimation and Transcript of the earnings call is also available on the Company's website i.e. www.nazara.com

Request you to kindly take the same on record.

Thanking you,
For **Nazara Technologies Limited**

NAZARA TECHNOLOGIES LIMITED Nazara MUMBAI

Pravesh Palod
Company Secretary and Compliance Officer
M. No.: A57964
Encl: a/a

“Nazara Technologies Limited
Q3 and 9M FY22 Results Conference Call”

February 14, 2022

ANALYST:	**MR. RAHUL JAIN – DOLAT CAPITAL**
MANAGEMENT:	**MR. NITISH MITTERSAIN – JOINT MANAGING DIRECTOR**
	MR. MANISH AGARWAL - GROUP CEO
	MR. RAKESH SHAH – GROUP CFO

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY22 earnings conference call of Nazara Technologies, hosted by Dolat Capital. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rahul Jain from Dolat Capital. Thank you and over to you Sir!

Rahul Jain: Thank you Rutuja. Good morning, everybody on behalf of Dolat Capital. I would like to thank Nazara Technologies for giving us the opportunity to host this earning call. The management team is represented by Mr. Nitish Mittersain who is Joint MD, Mr. Manish Agarwal who is Group CEO, and Mr. Rakesh Shah who is Group CFO. Now I would like to hand the conference over to the Nitish to take the proceeding forward. Over to you guys!

Nitish Mittersain: Thanks Rahul. Good morning and a very warm welcome to all of you to Nazara Technologies Q3 and 9M FY22 earnings call. I hope you and your families are keeping safe and healthy. I have with me **Mr. Manish, our Group CEO, and Rakesh Shah, our Group CFO and Strategic Growth Advisors, our Investment Relation Advisors**.

We have uploaded our results presentations on the exchanges, and I hope everyone has had an opportunity to go through the same.

It is the golden decade of gaming for the Indian Gaming Industry. It is right on track to achieve stupendous heights in this decade. We are expecting to scale faster and become a meaningful contributor to the global gaming industry with a significant spike in the number of online gamers in India expected to reach nearly half a billion in the next few years.

In 2021, gaming startups in India attracted approximately $1.6 billion in investments in the first nine months exceeding the total value of investments in the sector in the past five years. We believe that gaming in India will get further acceleration with very positive and concrete announcements made in recent budget by our Honorable Finance Minister Sitharaman Ji, like 5G auctions, setting up of a dedicated task force for gaming and focused SEZs in partnerships with State Governments etc. It is heartening to see the positive steps being taken by our government towards the gaming industry.

Nazara has already established itself as a leader in the Indian gaming business and it is now strategically positioned to capitalize on the positive trends. With over a billion consumers and enormous potential, India will remain our primary core market we are going to focus on.

The results for the first nine months of FY22 demonstrate our company's strong operating performance and I am happy to share that Nazara has declared revenue of Rs.4,466 million in the first nine months of FY22 versus Rs. 3,308 million for the same period last year, a growth of 35% on a year-on-year basis. Our 9MFY22 EBIDTA surged by 141% to Rs. 797 Mn as compared to Rs. 331 Mn in 9MFY21. For Q3FY22, Nazara reported revenue of Rs. 1,858 Mn vs Rs. 1,304 Mn in Q3FY21, a growth of 42% on YoY basis, and our Q3 EBITDA came in at Rs 302 Mn as compared to Rs. 273 Mn in the same quarter of the previous year.

Overall, we are pleased with our growth in strategic areas of focus while we continue to maintain healthy profitability and cash flows as has been our stated goal.

Coming to specific business segments:

Esports segment lead growth in 9M and in Q3 with 75% YoY growth for 9MFY22 and 89% growth in Q3 with strong growth in revenue across all subsegments in Nodwin and SportsKeeda. The addition of original IPs such as NH7 Weekender and expansion of our esports business into the Middle East via our acquisition of Publishme will further accelerate the growth momentum in coming quarters in this very exciting space.

Nazara's strategy of having a diversified portfolio across business segments in gaming continues to provide us with a very stable and strong platform on which we can continue to build future growth and success.

We remain committed to building multiple growth levers across gamified learning, freemium, esports and skill-based real money gaming via growth in its current portfolio and the addition of more offerings in the "Friends of Nazara network".

We will continue strategic investments and acquisitions to extend our company's offerings as well as use current strategic alliances to improve our capabilities and market position. Increasing stakes in existing assets, growing a user base, enhancing market penetration, and expanding our products and solutions into complementary categories and new markets is what we are intending to do in the foreseeable future.

I would like to extend a thank you to all our customers, colleagues and business partners, our shareholders and we believe, we are on a great journey to build something substantial and lasting together and looking forward to our most exciting years ahead of us.

Now, I would request Manish to walk through our quarterly highlights in more detail. Thank you.

Manish Agarwal: Thanks, Nitish for the opening remarks. A very good morning to all of you. It is indeed my pleasure to share another quarter of stellar performance from friends of Nazara network and I am happy to kind of really take you through the numbers on behalf of the entire group and all the efforts of all the founders and the team together which we are presenting here. So, this is an outcome of a collective effort. I am privileged to be sharing with you and taking you through it.

I will just reiterate what Nitish said is that we delivered 446.6 Crores of revenue in the first nine months which is 35% growth year-on-year. We also delivered 79.7 Crores of EBITDA which is 141% growth over last year in the first nine months.

We delivered a PAT of Rs.42.8 Crores versus 9.4 Crores of PAT which is a growth of 355% in the first nine months. This is the first nine months performance, and we have always kind of really requested all of you to look the company in YTD basis because we have M&A impacts, we have seasonality impacts and we also have certain big cost items like marketing and advertising spends variability across quarters; however, we do not want to shy from taking it through quarter performance also, we have grown 42% Q3 vs Q3. We delivered 185.8 Crores of revenue in Q3 versus 130.4 Crores of revenue last year same quarter. We have also looked at our businesses from EBITDA lens as we have always said and Nitish mentioned that. We delivered 30.2 Crores of EBITDA versus 27.3 Crores.

Now, I just want to kind of highlight two things here on the quarter performance which have come to my attention in the over weekend some of the press release picked up. There is a decline as per our numbers of 17% impact which needs to be explained and put in context

If you were to look at our reported PAT for Q3 is 14.8 Crores versus 17.9 Crores in Q3 FY21 which is indeed a decline of 17%; however, just to give two data points, one, these numbers in Q3 there is a change in accounting policy in Paperboat, Kiddopia where we are now recording revenues based on the day the subscriber came in that month versus taking the whole month because we were earlier not getting a full day wise data, now Apple and Google is providing us day wise data.

Our auditors Walker & Chandiok requested us that as per the right accounting policy we need to take only the revenue, let us say if the subscriber has come on 12th of month, you should only take 18 days of revenue not 30 days of revenue. So, there has been a normalization in the revenues which has impacted 6.1 Crores of revenue impact translating to 4.6 Crores of impact on EBITDA and that if you add back to the PAT, you will go to 19.4 Crores versus 14.8 Crores which means that you have grown 8%, so, this is one step.

The second step is that there have been acquisitions of OpenPlay, Publishme and OML which come in the amortization as somebody will go through our balance sheet and go through the notes and you would see that there is an additional 3.8 Crores of impact which is not apple to apple between Q3 of last year and Q3 of this year, which if you were to add back, you get an adjusted PAT of 23.2 Crores which means that you will grow 30% year-on-year on PAT also versus kind of decline which has been from the accounts numbers, it appears that we have declined 17% year-on-year for the same quarter.

I just wanted to address it upfront, and these are all part of our notes in financial and those who wish to really double click and validate that, please do so. So, overall if you see across all markers, our revenue growth, our EBITDA growth, our PAT everything is doing really well in nine months as well as on quarter and this is exactly built on a very strong foundation which we have led after a very diversified portfolio of the four growth engines of esports, our gamified learning, freemium and skill based real money gaming. This quarter and first nine months, esports has really led the performance with 75% year on growth in esports segment. I will walk you through the esports segment now.

If you look at, esports segment grew delivered 212.3 Crores versus 121.5 Crores compared in the first nine months which is a growth of 75%. What is even more heartening for me is that this has been coming on top of a very strong growth for last two years. We did 102% growth in esports segment last year and before that we again grew by almost 100%, so it is a very, very strong growth momentum which we are carrying forward and if you were to look at this growth momentum in Q3, Q3 of FY22 over Q3 of FY21, we grew 89%, so the momentum continues but the growth is not coming at the cost of EBITDA.

We have grown 71% in EBITDA also in first nine months. The segment delivered 38.2 Crores of EBITDA versus 22.3 Crores of EBITDA which means the margins have been broadly the same from 18.4% to 18% but your growth is not coming at the cost of your

EBITDA margins and that is where we are really, really very, very happy and pleased with the performance. As I mentioned, we have a 70% CAGR over last three years and the esports segment is now contributing to 48% in first nine months versus 37% in the last year nine months. So, our conviction around esports is further kind of really gets solidified that the way we see esports really becoming the second largest sports entertainment in this country in coming years, we are firmly further reinforced and validated with our performance here but I am very happy and pleased to share that with the inclusion of esports into Asian games, Commonwealth games with government really interacting with the industry and saying that, how do we really send the best team and the athletes so that they can win medals and we are looking at National Sports Championships working on esports Championship working with government. I think the future is really bright about how do we really create an ecosystem which can create athletes**,** coaches, game houses, teams, brands.

When I really go into subsegment, if you look at **Nodwin** which is the largest company in the esports segment, Nodwin grew 48% in nine months, they delivered 141.8 Crores versus 95.6 Crores. This is coming on top of 79% growth last year which they delivered and not only Nodwin has delivered a 48% growth in revenue, Nodwin has also delivered a 76% growth in EBITDA which means that EBITDA margins have improved from 8.6% to 9.4%.

If you look at from momentum generated with acquisition of IPs, which Nitish also alluded to, across event IPs, talent IPs etc. and the capabilities of production and sales with the OML business transfer which we did in the September time frame. We believe with hopefully, fingers crossed, COVID is behind us and this will really give massive impetus to this business because we had a real negative delta of couple of million dollars last year because of no offline events.

We did not conduct our India premiership, we did not do Dreamhack, we did not do Dreamarena, which are all existing established IPs with the revenues, and we did not do all of it, similarly on the OML business, NH7 Weekender there is a very big property and has not happened. So, we believe there is a massive latent demand for offline events within the community, within gamers, teams, brands, and that is going to give a huge momentum going forward.

We are very committed on building our own IPs and we have been able to launch some of our own IPs like Chess Super League, and then with the addition of OML we have got new more IPs plus we have been able to talk to our publishing partners like Penzance in South Asia and create that from a white label to a IP where we now will have monetization rights and that really makes it almost a joint IP kind of a structure. So, overall, it is really going nicely, and the momentum continues on Nodwin and some of the innovative ideas like PVR partnership like partnership with EISL, with Sports FIFA, EA Sports for FIFA in India, these are all building blocks for future in terms of building more touch points with the consumers and more offerings.

The second one **Sportskeeda** some of you have really in my interactions have said, this is kind of a big surprise which most of you had not looked at it during IPO and have not really deep dived. Our view is these are the kind of companies which we work together, we like to build them, out of the public layer and once they bring some scale and size, the analyst community will do a lot of scrutiny on them, and we would like to keep building these companies while continuing to have an air cover of big partners in the same portfolio driving the growth momentum.

The Sportskeeda has grown 127% in first nine months. 58.9 Crores of revenue versus 25.9 Crores and that is also really not coming at the cost of EBITDA again. They have delivered 23.8 Crores of EBITDA versus 14.1 Crores which is 69% growth. That is the power of when you really have a right product, right unit economics, right cost structures, you can really grow very fast. The 59% or 54% margins are very high but expecting a 30%-35% margins as you continue to grow from here would be a good number, but the team continues to surprise us with very high growth and high EBITDA margins.

What is driving the growth here? The growth is driven by three sports viz esports, Cricket and WWE. That is really continues to drive the growth and now we have found a playbook and we want to expand our offering into more sports which are adjacent to us like MMA and then monetize them and there is green shoots of good growth in user data as well as of the revenue that is really what is very encouraging for us in the coming quarters next year where we are very, very confident of this growth momentum continuing. So, that was the esports segment.

I will quickly cover the **Kiddopia.** Kiddopia, as you all know April 26, 2021 Apple changed its policy and after that the Kiddopia business which had grew 8x in FY21 over FY20 has really seen some headwinds in our ability to spend marketing dollars. However, what is encouraging is that your consumer engagement, retention, conversion from trial to activation, nothing has changed, so, your product is very strong, that gives me huge confidence which also means that our ability to find solutions to get more and more consumers to try this product is what is needed to be cracked and there is no other problem statement which we need to really figure out.

I am pleased to inform that we grew 3000 added net subscribers in Q3 over Q2 which is a 4% growth. If you see here, the revenue numbers with some of you would have seen 153 Crores is what they delivered versus 125 which is 22%. However, whenever you are looking at these numbers, you should look at the one-time normalization impact of 6.1 Crores in revenue and 4.6 Crores in EBITDA when you are doing your analysis because that is only a one-time effect and the next quarter onwards, it gets normalized because the rollover of the revenues happens. So, if you were to really look at somebody here, consumer KPIs of churn, engagement, retention, ARPUs are all constant.

Our cost per trial, I want to highlight here, the cost for trial is still 33-34. We do not see that 33-34 really coming down till we have found a track and solution with Google at a global level. So, we will continue to operate at 33-34 cost per trail level which is also fine with us because that does not regress any kind of unit economics for us and as you would have seen, the EBITDA growth is 843%, so this is amazing annuity business with your high retention it leads as more and more consumers continue to pay you while you are still figuring out how to grow not just 4% quarter-on-quarter but 5% to 6% month-on-month.

Our marketing spends are the key reason why the EBITDA spend is down. For the first nine months, if you see we have spent $7 million versus $9.4 million last year which is 25% reduction from the same time and that is directly attributed to our a) Apple attribution policy and our approach of having some kind of guard rates not really going and taking a blind faith on marketing spends and that is directly reflecting in your EBITDA margins which is also why I really urge people to look at a nine-month data and not a quarterly data.

I will move to **Skill based Real Money gaming**. Our acquisition of OpenPlay, we did in September month. This is the first quarter of full consolidation. We are really working here with the team to do two things. One, how do we really build a huge amount of data analytics platform so that we can increase our ARPU from existing users as well as create predictive modeling to optimize our user acquisition on different platforms. So, we have seen a great result and that effort of building a very, very strong data platform under led by the founder and he has kind of picked up very strong team of Chief Data Science Officer and the CTO that is what is really helping us.

Second thing which we are doing is we are in work-in-progress of integrating HalaPlay platform into OpenPlay platform so that we have one view of users, we really are able to harness all the kind of the tech stack strength which attracted us to OpenPlay into HalaPlay and then kind of be ready for us to leverage that into growth of fantasy but we are not going to really look at HalaPlay only just fantasy as we have mentioned in my previous call also, this is going to become a super gaming app where you will have multigame offerings and fantasy will be one and again OpenPlay has built that platform and will integrate it in couple of months going forward. This segment if you see, I had also promised that we will not like to have this a loss making segment and if you see in Q3 it is a breakeven, in the full year nine months it is 1.9 Crores versus 18 Crores of revenue and this is only Q1 of OpenPlay, as we move along we will like to keep this as a breakeven or positive EBITDA and not have this segment as a loss-making segment.

Freemium commentary on the business continues to be the same where we have the World Cricket Championship as our IP**,** consumer metrics in terms of MAU, DAU, retention, time spent everything remains same. We continue to be the market leaders in the kids sports simulation genre and it is a kind of flattish number because we are not spending marketing dollars and why are we not spending because we still do not see a paid user acquisition being supported by the LTV and that is why this business continues to remain in this own orbit and we are still working out how the find out escape velocity for this orbit.

Last **Telco subscription** business has seen a decline of 17% year-on-year for the first nine months. Predominantly it is coming from India operations. The India operation is declined while rest of the world is flat. We continue to maintain that this is not the business today for us to really look at as a growth driver. This is for us a cash flow business and our four growth businesses continue to be gamified learning, freemium, skill-based real money, and esports.

With that, I would like to open it for Q&A because that really helps you to get more flavor of the business, more color of the business.

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 Advisor. Please go ahead.

Nitin Jain: Thank you for the opportunity. So, the nine-month EBITDA growth has been strong, and the margins have come in around 18%, so this is comfortably above our FY22 guidance which you gave last quarter of around 13% to 15%, so would you still stick to your earlier guidance for FY22 or is there any revision here?

Manish Agarwal: I would like to stick to that guidance.

Nitin Jain: Okay. Is there any particular reason like do we see the margins dipping this quarter, can you please elaborate?

Manish Agarwal : Our view is we would like to continue to work from a revenue growth point of view and not really maximize or optimize EBITDA. So, as a DNA, we like to have a very frugal spend and very judicious spend but for me to look at that is my EBITDA margins of the maximum priority or the first priority, I would like to have first priority as revenue growth rather than saying that I would really throttle my growth to deliver an 18% EBITDA.

Nitin Jain: Okay, you also mentioned that you would continue to operate the Kiddopia business with the cost per trial around 33 to 34 and it will not impact the unit economics, so can you please elaborate how it will not impact the unit economics.

Manish Agarwal : No, slight correction in statement, I said we will continue to operate at 33-34$ cost per trial. It will not impact the EBITDA in the near term because we have got a very high retention, annuity business which is giving us that EBITDA equation. It definitely does impact unit economics.

Nitin Jain: Yes, that is what I thought, okay and the follow-up on that is like is there any reason we are moving away from our last quarter position where we thought it would come down to 26 to 29 in the near term?

Manish Agarwal : We were seeing some green shoots in the Google partnerships but those have not been sustainable and that is why I am not confident about reiterating my statement about 26-28-29 CPT (cost per trial) and I do not want to exactly have this question in the subsequent quarter. I would rather be far more conservative and once I have seen a quarter performance of sustained growth, scale then only I will guide you guys.

Nitin Jain: Okay, makes sense. Last quarter in the Media Rights business, you mentioned that you would start selling the ad monetization slots like around 4 minutes per hour or something, so, have you started that yet, is there any revenue flowing in from there?

Manish Agarwal : No, that is still not done and for us to build that competency of media selling is what we are really working on and the addition of the Sales Team from OML should help us.

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

Mukul Garg: Thanks. Manish, first on the Kiddopia business, I think this was supposed to be a seasonally better quarter but you continue to remain fairly flat land on this space, is there anything you would like to highlight compared to last quarter which are working on and which can help you recover growth in this particular business and also do you expect the near-term margin pressure to continue or as you are offsetting IDFA impact or are there levers where margins can start improving from current levels?

Manish Agarwal: Mukul, two questions and I will answer them separately. One is, what are you really looking at, let me break down your question into three parts. One is the seasonality of this quarter which is supposed to be very good, second question is around the unit margin and third what are we doing really differently to get back to growth correct? You are absolutely right on the seasonality that this quarter is the holiday season and all of it but I think the challenge there is how do we get more parents and children to really sample our app and that is the crux of the challenge and as I mentioned, our consumer KPIs are absolutely same and they are very strong and very, very attractive for any unit economics if we were to go back to 26-28. So, the challenge is about how many people can you really create a sampling and on sampling through performance marketing as you were aware that we are figuring out multiple options but we have not been able to crack at scale so that we can spend more marketing dollars even at $33 or $34 of CPT and that is a key bottleneck for us to really see this December quarter as a big 40%-45% kind of a quarter for overall revenues.

Our margin pressure if you see because of the monthly retention numbers and annual numbers, in the near future, I do not see a pressure there in fact I would like to sacrifice the margin for growth and not keep such high margins which are being delivered by Kiddopia because I would rather have a 5%-6% month-on-month growth rather than 4% growth in net subscribers over quarter, Net subscriber growth is very important for us to keep building because we are a four-five share player, we need to get to a 15 share player and that can only happen when we have a lot of people sampling us and we are very confident of the conversion thereafter and hence, I would like to find options.

Now the third thing which we are looking at, we are seeing the performance marketing, we have tried in Q2, Q3 all options, this is where we are, let us do and we have spoken to lot of industry folks everybody is doing a combination of performance and brands not just performance like we were doing and we are embarking on a strategy of building out brands for the first time and then taking it on the different right media mix in US in the April time frame and are already in this quarter Q3 our 3 Crores of media production budget has been built, so we are very well on the course too and we have engaged the top-notch creative agencies which understand this cohort of audiences to really help us with creating with the media fame.

Mukul Garg: Sure, thanks. One question on freemium if I may, you have been talking about LTV CAC dynamics as a getting factor to scale up investment for a while, do you see a risk with the focus on LTV CAC might lead to missing or kind of being delayed and catching up the opportunity as you retain or hold your aggression in the space, we recently saw that Krafton invested in Nautilus and real cricket obviously has been coming up quite well on the app store, so any thoughts on how to look at the freemium space?

Manish Agarwal: I will answer it in three parts. First, let me answer your Krafton and real cricket part. Real cricket when you say, it is coming up just to put in perspective whether it is look at DAU, MAU or revenue, it is still not half of us. Even if you look at other parameters of community, community channels, community engagement, they are still very, very behind for us but that does not mean that we should be complacent and sit back on our laurels and say that nobody will catch us, you are absolutely right, on World Cricket we need to find more aggression and aggression in a different manner rather than saying that we will spend money on Facebook, Google and try to kind of do Brute Force, how do we really work through building more community and word of mouth for esports and other partnerships is what we are really looking at this year and ramping up our temperature.

The third point is freemium for Nazara is not going to be limited only to World Cricket Championship as I mentioned before. We are looking at a few more additions to friends of Nazara network in freemium space so that this opportunity as you rightly identified is super big and cricket is just a very tiny part of this opportunity, how do we really play into this whole freemium space which is $140 billion business globally and India also it is almost now half a billion+. How do we partake in that opportunity and that can only happen through finding good game development studios which have found the product market fit and we can do growth capital investment and then work with founders like we have done with Nodwin, Sportskeeda and Paperboat. So that is the job which we need to do, and you are absolutely right. We need to really accelerate on that rather than saying that cricket is something which we are waiting for it to LTV CAC to happen for us to say freemium is the growth driver for us.

Mukul Garg: Great, thanks for answering my question. I will get back into the queue.

Moderator: Thank you. The next question is from the Mohan Kumar from Emkay Financial. Please go ahead.

Mohan Kumar: Manish, a couple of questions from my side. The first one is with respect to the esports segment, the Nodwin and Sportskeeda like a fairly strong bump up this quarter, do we expect this trend to continue on for the foreseeable future too which is when we think about the overall revenue of December last year was really strong quarter and then the next three quarters we had revenue lastly in line but on Q-o-Q basis but this quarter we have had a really strong quarter, is that a trend we can continue to see or is it like a one-time subscriber?

Manish Agarwal: Two things again here, one Q3 of December quarter is always very strong quarter of Nodwin, for very simple reasons that this is the time where the brands and publishers want to really open their strength and activate community because of no exams, festive all of that. So Q3 will always be very strong quarter for Nodwin. This time Sportskeeda also became a very strong quarter because of addition of one half like of IPL and the World Cup Cricket which is where we got a lot of direct sales, revenue coming from our efforts with fantasy players which wanted to really attract this the same audience for building their brand. So, combination of cricket as well as the traditional Q3, you will see a very strong bumper, now if you add a further element of M&A, Nodwin has been very aggressive on their M&A because they raise funds in January, February types, transaction closing April-May time frame and then the pipeline building, so Q3 you saw OML really happening and then after that you would have seen some more announcements going in future and all of those activities will really add to the revenue of Nodwin going forward and which is where I am very, very confident that you would see a very strong growth trajectory in this segment with a combination of organic growth as well as synergies from inorganic growth.

Mohan Kumar: Is it possible for you to break down what the organic growth and what the inorganic growth was in Q3?

Manish Agarwal: So, we do not look at like that because we are not buying a company here, we are buying the business capabilities, so if you look at, we have got sales, we have got content production, we have got some Ips, we have got talent and that permeates into different lines of business of Nodwin which is about white label IPs, joint IPs, content production, media revenue. So, this is not a separate company which is running the team. It has been merged into different functions and that is why we do not look at it understandable.

Mohan Kumar: Got it and with respect to the advertising spend, Kiddopia business, have you thought about approaching it on a cost to converted user basis because I understand that with Apple and Google that is not the effort that they take with respect to advertising, so do you think that is probably a better way to engage the advertisers and customers?

Manish Agarwal: When you talk more about cost to converting, what do you mean by that before I answer?

Mohan Kumar: With respect to advertising spending, we got either cost per click where you create the advertiser for the number of clicks that they are generating versus other cost to converting users, you pay the advertiser based on the conversion that you are getting, so if thousand people click.

Manish Agarwal: So, essentially what you are talking about is affiliates, so affiliates is what really take the risk of cost of conversion, most of the publishers do not want to take risk of cost of conversion, they talk about click or even just impression a step above. So, impression in clicks is what publisher likes to do, let us say in Nextwave or in Sportskeeda, we do not take cost of conversion at all because that is not our risk, that is the guy who is running the service their risk, so when you take the cost of conversion, it is an affiliate and typically the affiliate business is not something which is a very scalable business.

Mohan Kumar: So, we are seeing the lights of Byju's in India and in Zomato, Swiggy, all of them have seen some success over here, that is the reason why asking?

Manish Agarwal: They are very different models, Byju's is a more push model, Kiddopia is a very pull model, there is a very intrinsic inherent difference, second, you are selling 20,000-40,000-60,000 kind of a transaction in Byju's while we are sending an $8.0 a monthly subscription.

Mohan Kumar: Got it and you emphasize that you expect a strong growth to come in within the Kiddopia side over the path, so the coming quarters you are 5% to 6%, is that something that which you have already started to see in January this quarter or is it something that you hope that you are coming forward?

Manish Agarwal: No, I am not seeing a 5%-6% growth month-on-month, that was the growth we had planned for this year before 26th April'21 IDFA issue and we are right now seeing a net new subscriber growth of 4%-5% the quarter-on-quarter which is the desire thing is to get them a month-on- month, are we out of goods on that, no; are we working towards multiple other options not just performance marketing and keep breaking ahead on this problem, yes that is what we are doing and to answer your question, that may also lead to some EBITDA margins decrease because when you launch brand films or spend on brand films, your immediate performance is not something you can count on, these are top of mind recall or share of mind recall investments which have a lag effect on your values.

Mohan Kumar: Got it. Thank you and just one final question, so the way that esports and that side of the segment is growing, would you expect that will become probably 55%-60% of the total revenues in the coming quarters?

Manish Agarwal: If you look at first nine months it's already 48%, if you look at Q3 it is I think 53% but my limited point here is take back one year, we were talking about gamified learning in 41% in the largest segment and we were deep diving, the way we look at our businesses there are four growth drivers, gamified learning freemium, skill based real money, and esports and they all are operating in very strong tailwinds and large time and different times of quarters or years, they will start having a rocket ship of a phenomenon and hence I am not really worried about the revenue mix but broadly we are looking at that this is a great decade of gaming and we are in the right segments which are all going to grow. As Mukul asked on the question that you guys need to do something on freemium so that that also becomes a very strong growth driver and couple of acquisitions there with very strong product markets, it will just change this mix because that non-linearity capability in freemium businesses is same as what you have seen in gamified learning. It is a product driven and once you really take word as iceberg you can grow it very fast.

Mohan Kumar: Sir it sounds good. Thank you. Take care and all the best for the coming quarters.

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

Depesh: Good morning and thanks for taking my questions. Sir, firstly on esports, the media revenue proportion you have given for Q3, so just wanted to know the contribution of the white label events and your own IP events in the overall revenues and secondly with the recent change in ownership of ESL, do you think there is any change in your licensing agreement?

Manish Agarwal: Depesh, on the ESL as I mentioned in the past on other calls, ESL was a very, very important partnership for Nodwin when they started seven years back to build credibility, today with Nodwin having established its own IPs, its own name in the market, does not require those crutches of ESL. Having said that ESL partnership is absolutely a discussion which you will have and happen, Ralph who is the founder of ESL is not going anywhere, he is also a board member of Nodwin and ESL is also an investor in Nazara. So I do not see an apprehension at all on that front, however, do we have a dependency on ESL; no, we do not, so I just wanted to clarify that on first point.

On the second print, on the media revenue, if you look at Q3 as I think in the earlier question which I answered, the seasonality of Q3 is very strong and our partner base and as you would have read in our presentation has increased from 20 odd to 60+ partners and that includes more publishers also coming on the way, our ability to kind of create more white-labeled or joint IPs plus addition of OML with more brands wanting to reach to this audience through gaming, all of that has contributed in the increase in the white level as well as the joint IP or own IP kind of businesses. To answer your question, Depesh our three or four bulk like, data services flat constant which you have seen in past, it is about white label, own IPs, media revenues and now what we are building is a D2C business within Nodwin, so at the right juncture, I will start giving you the breakup of it, at this juncture, I would like to continue with the media revenue as a contribution and then kind of not get into the second level of details because that also has some competitive info which I do not want to diverge.

Depesh: Got it Sir. On Kiddopia, given our reduced marketing activities and increasing pricing that you have done, have you seen any drop in the rankings or markets from Kiddopia in the US?

Manish Agarwal: No

Depesh: Lastly like what is the net cash position at the end of December and which segment are you aiming for acquisition apart from freemium that you already talked about?

Manish Agarwal: I have a very simple thought process that freemium, gamified, esports as well as real skill based real money, all of them are grow drivers and we will buy and as Nitish also articulated in his opening remarks. We will buy capabilities, capacities, geography expansion, synergies and users and in these segments, there is very large white spaces which we can really go and look at and it is not a particular segment we want to focus on, on a particular thing or a particular geography we want to focus on. The beauty of our model is that this Friends of Nazara network is constantly looking off plugging those white spaces within a portfolio whether at corporate level or whether at the subsidiary level wherever there is a cash and our group has a lot of cash whether it is Paperboat which is sitting I think on 50 odd Crores of cash or Nodwin which is sitting on some 60 odd Crores of cash or we are sitting ourselves in 500 Crores of cash, so cash is not an issue plus the liquid stock attractiveness for the founders and their investors has always played out much better for us than cash because every investor and founder which has come to Nazara taking as our equity has founded minimum 2x – 2.5x returns of their investments or their swap of Nazara equity with their own equity. So, we have seen that the attractiveness and the desire to own Nazara share is very, very high and that really helps us to not just look at the cash on balance sheet but the total ability to do the right acquisition. One thing which is very clear Depesh as you know that for us the founder connect and comfort is very important because we truly believe it is Friends of Nazara network and that is why any discussion, any deal will not happen in haste, it will happen with the due comfort built on the founder and their thought process and vision besides the tangible growth levers

Depesh: Thank you.

Moderator: Thank you. The next question is from the line of Divyesh Mehta from Dolat Capital. Please go ahead.

Divyesh Mehta: Thank you for taking my question. Can you share the OpenPlay, can you explain the OpenPlay KPI which you have shared and can you link specific revenue post tax which you have said how is it linked to this normal revenue and also the OpenPlay founder has some other investments in his own company so, how are those going to get managed because he has several of his own investments in some companies right and because he is going to manage our RMG business and the last question is related to super planets acquisition, so here from what I get a sense of is that if you scale this partnership even in the Friends of Nazara network like putting fuel in the freemium space or esports, you could easily cover up the investment amount which you have done but when I look at the merchandise space as a whole, it is very competitive like anyone can open and there are many people who have rights, it is not that anyone has exclusive rights and anyone can open a website and start selling stuff because everything is manufactured in local common plants right?

Manish Agarwal: Let me answer the last one first, two things one, reason for us to really look at merchandising is very simple that we see a huge amount of community which we touch through Nodwin, to Sportskeeda to WCC and more importantly very, very engaged and immersed community in Nodwin, over the years through variety of tournaments and they all come to the platform to participate to register to really kind of play so there is a very strong contextual entry point which you have where you can make your CAC zero and you can put in your merchandise.

Second thing, we work with publishers very closely and merchandise for a publisher is nothing but a community building activity, community engagement activity. Our abilities when we are working so closely with global leaders, our ability to work with them as a merchandising partners, licensing partners in this country also becomes much easier because we already have their trust, they have trusted their brand, they have trusted with the community with us, so for anyone to really do that, they do not have these things and they will have to really constantly figure out how to really make an unit economics scalable, sustainable and that is what we do not need to worry because we have so much of consumers touch point already existing to us for us to create this D2C business.

Third thing, if you see we are already building in D2C we have almost have 10 Crores to 12 Crores of business coming in every year now which has started at one year to one and a half years back on selling e-pins and that is really help us big time on unlocking communities. Our thought process is going forward while the IPs are being built and the purpose of IPs building is they have stickiness of viewers, the stickiness of players and community, how do we unlock that community and start looking at an ARPU of community in next two years, three years, four years' time and while media revenues, partnership revenues continue to grow. So, we are creating multiple growth levers in Nodwin from the activities which we are already doing. However, the more of it, I would love to talk about in Q4 end when we come meet again because by that time we would have understood this business, started working on it, looking at what is our strategy and plan, this is as we speak the money has also not been transferred, so the transaction is not closed and for us to really build a vision for this thing why we are doing I explained to you, what is what I would like to discuss when we announce the full year result.

On the OpenPlay part, OpenPlay part is a very simple business. It's like any other real money gaming business where you need to look at two parts, one, what is your return on advertising spends in terms of months break even and second is how do you really look at your LTV CAC while you are growing paying user base. So that is a very simple three KPIs growing paying user base growth, return on networking spend in terms of months and your predicted LTV CAC based on your initial 30 day, 60 days, 90 days data. If you are seeing those three and everybody in the team needs to work on their respective functions to drive these three KPIs and optimize them and that is the work we have been doing and we have seen good success on all of these parameters for us to really put more fuel for growth in the coming quarters and as far as the founder is concerned on his investment, he has declared that in our SHA (Shareholders' Agreement) also. There is also a very strong leadership team in OpenPlay which has been old, has been there and which has been very, very capable team which is running it, from operations point of view, that is how really the company is run.

Divyesh Mehta: So, I have a follow-up, what I meant by explaining the OpenPlay KPI is that in slide 52 and 53, you have given a net gaming revenue post tax, I wanted to understand what does that exactly mean and how do I link it to the normal revenue?

Manish Agarwal: So, you get your platform commission which is called gross gaming revenue which is what most of the gaming real money gaming companies really quote in their numbers when you hear about the investment, private gaming companies really quote when you hear about their numbers coming out. What we are doing is gross gaming revenue has a 18% GST so we have reduced that from the gross revenue and then there is bonuses which you give to your players for first time users or coming users, we reduce that from the gross revenue because then you have the real visibility of what business you are getting into and that is the slide number 52 or 53 because net gaming revenue is a true picture of your consumer data, gross gaming revenue is gross minus GST, minus bonus, so you may see it net gaining revenue CM1 level rather than the gross number.

Divyesh Mehta: Okay, that answers my question and in terms of Planet Superhero, so what do you explain me on that? I completely get that in the Friends of Nazara ecosystem itself that we have a lot of entry points where you can easily monetize it also you have existing relationships where it is easy to get access to but if you look at the whole merchandising space for the like marvel and all other things what is happening around is that people are still able to get a lot of exclusive contracts, even if you scale up in a matter of two years eventually other people will also look there, they will also get those contracts and then it is just a pricing game because you can easily manufacture the Tshirt so the only advantage you will get is that you have your own offline presence advantage in planet superheroes plus your offline presence advantage in esports segments and WCC?

Manish Agarwal: So, you are absolutely right, our game is not dependent on quote-unquote Marvel kind of deals. If you look at publisher, publisher is not looking at marvel when they are kind of really looking at here are setting up the whole merchandising business from as a business P&L point of view. When a publisher is looking at, they are looking at a community, engagement and building more brand and cult around it. So, the objectives of a game publisher are different than a marvel which has a merchandising team which is only looking at the P&L. For us to really work with publishers, it is very important that we are not looking at the T-shirt deal or as a lunchbox deal, we are looking at how do we help you in getting more indoors to the community. Second, we are also looking at how do we work with licensing, for example, we worked with PUBG for mountain dew and created cans which is inside the game and where people can really do that, so that kind of relationships is what we really want to do that, publisher needs a trusted partner where they can give their merchandising. If we can create a business out of it, that is great. However, that is not something which is going to be a key driver of revenues, that is just a head or a search engine or a relationship, whatever you want to call it.

Second thing is the business is not about just T-shirts, merchandising is not equal to T-shirt, merchandising with the way we are looking at is we are looking at entire gamer life cycle and what are the things which a gamer really needs and how can we cater to that, it could be headphones design for gaming, it could be a mouse pad design for gaming, it could be a mouse design, so all of that stuff is what our thought process is, our thought process is not just a T-shirt, T-shirt business I completely agree in Bandra you can find lot of fakes and that is not something that you want to complete.

Divyesh Mehta: Okay, got it. Thanks.

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

Jinesh Joshi: Thanks for the opportunity. Sir, I have a question on OpenPlay, I think it had an annual revenue run rate of about 80 Crores odd and you also mentioned in the opening remarks that in this quarter we saw the full consolidation impact, yet the revenue accretion was only about 8.6 Crores which appears to be lower, so if you can just explain this part to me?

Manish Agarwal: I think that is exactly the question which Dolat guy was asking was gross versus net.

Jinesh Joshi: Sorry to interrupt Sir but that is the case in the base as well, right? When you mentioned that figures in the past, whatever numbers are given that is there in the base as well, right?

Manish Agarwal: No, so that is what I am saying, the 80 Crores is not the number which is in their P&L. 80 Crores is the gross revenue.

Jinesh Joshi: Okay, so if I net off, I mean whatever you have explained so, what is the net revenue run rate which was 80 at a gross rate?

Manish Agarwal: It is roughly 3.5 Crores per month.

Jinesh Joshi: Sir one small clarification, I think the Kiddopia pricing is at about $8 but in the presentation you have stated that the monthly ARPU is at about $6.7 so, if you can clarify on that part and secondly also with respect to revenues of esports, we have given the revenue of Nodwin which is about 81 Crores but I think the consolidation impact of OML is also there in this quarter, so if you can share the quantum of OML business as well?

Manish Agarwal: So, on the Kiddopia piece, we have 70% contribution broadly coming from monthly and 30% coming from annual. Annual is a $60 while your monthly is $8, as a weighted average you will get $6.5- $6.6

Manish Agarwal: On the esports piece, as I mentioned in the earlier call, OML is a business integration, not a company, so we are not reporting OML separately, Nodwin separately, OML different businesses lines have got merged into different lines of Nodwin and hence a consolidated number is of 141.8 Crores is what we are really talking about in Nodwin, so 141.8 Crores versus 95.6 Crores nine months to nine months.

Jinesh Joshi: Okay, fair enough and Sir, one last question I think there was some media article which stated that Nextwave is going to launch in NFT, so any progress on that front and how do you see the NFT market shaping up in India considering the fact that the count of mid and hardcore gamers is not very high, so any thoughts on that?

Manish Agarwal: Absolutely, I have thoughts on Web 3.0, I believe that Web 3.0 done rightly has a huge opportunity for low per capita income countries like India because now when you buy an item inside the game, you are just not buying it for progression in the game but you can really have a secondary market where you can sell and that is really creates a money-making opportunity for the player of a mobile game which today it is not there and if you juxtapose this with India market, 80% of the Indian market is real money gaming why because there is a money making opportunity while 20% is a non-real money because it is played for entertainment. Now, if you can mix a very clean kosher entertainment with money making opportunity, the magic really happens because you are talking about 400 million people playing entertainment-based games but no money-making opportunity. So, I believe that 3.0 Blockchain based solutions if done right, will open up the monetization, potential of this 400 billion people which is still very small compared to anywhere in the world.

Now as far as we at Nazara are concerned, we do not want to have a fomo and rush into some kind of just a marketing positioning and then kind of really look at because we want to really dominate the space and focus on execution operation like always and that is what we are working and building internally our own strategy and once we have complete thinking on that, we will come back to you guys but we truly believe that this is a very important area for us to look at, how we start working and operating on this because it is evolving but it is going to be a huge money making or money generation or a revenue unlocking business model in future.

Moderator: Thank you. The next question is from the line of the Dipesh Mehta from Emkay Global. Please go ahead.

Dipesh Mehta: Thanks for the opportunity. I have two questions, first, can you give some number about the operating case generated in nine months consolidated; second question is about the change in accounting we have made in gamified learning, do we expect it has any implication on case conversion in that business? Thank you.

Manish Agarwal: I will answer the second one first, just to simplify this, if a subscriber has come on 12th of a month, previously we were not getting a data whether he comes on 12th or not because we were getting a monthly report and of the total subscribers which we have got and as you understand the money is received upfront for annual and monthly payment, so cash flow is not impacted but when you are accounting for it, you are accounting for full month. In case of monthly subscriber in annual, we were accounting for 1/12, now in case of month also since we have started receiving day wise reports, our auditors have said that given that information is there if the consumer is coming on 12th you cannot take 30 days, you have only serve the consumer for 18 days and hence just take 18 days of revenue and that 12 days of revenue goes into balance sheet as contract liability and will come into P&L in the next month, so this is the revenue normalization based on day wise data rather than month wise data which is really has a rollover impact of 6.1 Crores but at some quarter you will have to take a hit and in Q3 we have taken it as 6.1 Crores of revenue hit and 4.6 Crores as the EBITDA hit but this is a non-cash hit, it is an accounting policy hit, it does not impact cash flows and also going subsequent quarters, this is roll, it will get normalized because it starts rolling it. On the operating cash flows generated, I will just ask my CFO Rakesh, do we declare nine months cash flows, or this is only done because it is not an audited number, hence I am kind of refraining?

Rakesh Shah: No, no Manish, we do not declare.

Manish Agarwal: Because it is first half and then it is a full year that is what we do as an audited number I do not want to see a non-audited number here on the call.

Dipesh Mehta: Okay, thank you.

Moderator: Thank you. The next question is from the line of Prateek Kumar from Antique Stock Broking. Please go ahead.

Prateek Kumar: Good morning, I have couple of questions, firstly, are we seeing any signs of offline gaming events starting in any way or any meaningful way in near term?

Manish Agarwal: We had planned in February-March. On November 30th when we sat down we thought life is coming back normal and we had already planned and thankfully we did not booked venues and all of it, it would have costed us. We are very, very hopeful that the offline events will start given that now most of the states are opening up, today morning Bihar has removed all RTPCR things and other states are also following, Delhi has done that so I believe that is happening, but you are in the same boat as me, these things keep surfacing so, I cannot say with 100% certainty but as of I am very optimistic about that happening.

Prateek Kumar: Thank you and my second question given they have a bit of challenges around growth and economics in US business for Kiddopia business, the other expansion to other geographies would still be slow right?

Manish Agarwal: Yes, so there are two parts of it, one is our own focus on the US and we want to sort it out. What are the other large opportunities that need the subscription plays out and combination of those two is what we will decide as I mentioned in the previous call after the US the largest market is China which requires an amazing amount of thinking, planning, partnership all of it, at this juncture, we believe that may be a distraction and hence we want to just double down on the US.

Prateek Kumar: Sure. Thank you, Sir.

Moderator: Thank you. Ladies and gentlemen, due to time constraints that was the last question for today. I would now like to hand the conference over to the management for closing comments.

Nitish Mittersain: Once again thank you very much for spending your time on Monday morning with us. We look forward to continuing to make a maximum effort with our best positive intent to grow this business, we see large opportunities ahead of us and we will continue to strive to deliver. Thank you again very much.

Moderator: Thank you. On behalf of Dolat Capital that concludes this question. Thank you for joining us and you may now disconnect your lines.