



## **Q4 FY22 Earnings Conference Call of Nazara Technologies**

**Hosted by Prabhudas Lilladher Pvt. Ltd.**

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**MANAGEMENT: MR. NITISH MITTERSAIN – JOINT MANAGING DIRECTOR**

**MR. MANISH AGARWAL - GROUP CEO**

**MR. RAKESH SHAH – GROUP CFO**

- **Host:**
- Ladies and gentlemen, good day and welcome to Q4 FY22 earnings conference call of Nazara Technologies Ltd. hosted by Prabhudas Lilladher Pvt Ltd. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity 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. Jinesh Joshi from Prabhudas Lilladher Pvt Ltd. Thank you, and over to you Mr. Joshi.
- **Mr. Jinesh Joshi – Prabhudas Lilladher Pvt. Ltd:**
- Thank you so much. Good morning everyone. On behalf of Prabhudas Lilladher, I welcome you all to the Q4 FY22 earnings call of Nazara Technology.
- We have with us the management represented by Mr. Nitish Mittersain – JMD, Manish Agarwal – Group CEO and Mr. Rakesh Shah – Group CFO. I would now like to hand over the call to the management for opening remarks. Thank you, and over to you sir.
- **Mr. Nitish Mittersain – Founder & JMD, Nazara Technologies:**
- Good morning everyone, this is Nitish Mittersain. Welcome to all of you for Nazara Technologies, Q4 FY22 earnings call.

- We have uploaded our results' presentation on the exchanges, and I hope everybody has had an opportunity to work with the same.
- Nazara has already established itself as a leader in Indian gaming industry, and it is now strategically positioned to capitalise on the tailwinds in our industry. Despite challenges caused by changes in Apple policy, regulatory disturbance in real-money gaming and the negative impact of COVID-19 in live Esports events, Nazara has still delivered a strong performance in FY22. This is a great demonstration of our diversified platform strategy that allows us to continue to grow and remain resilient to any temporary headwinds in a particular segment of our business.
- In FY22 we generated revenues of Rs. 6.21 billion, up 37% YoY, EBITDA of Rs. 946 million, up 109% YoY, and a PAT of Rs. 507 million up 273% YoY.
- We are glad to report that all of our business segments are profitable, and we have added significant cash balances which now totally amount to Rs. 7.3 billion as of March end. The company remains free of debt. The above has been achieved without incurring any significant burn or losses, and all our companies are driving growth along with profitability. However, it is important to understand that in the phase of growth we are, growth and market leadership far outweighs near term margin optimisation. And, we are very clear that we will continue with such strategy of prioritising growth over margins into FY23, while remaining profitable and cash flow generative in every segment of our business.
- In FY22, we have added many new friends to our friends of Nazara Network. These include Publishme, Datawrkz, Openplay, the events IP from OML including NH7 Weekender, and most recently Wings gaming accessories. We have also made successful investments in Rusk Media with whom we are launching a unique gaming entertainment show called Playground, as well as investments made in global gaming funds Griffin Gaming Partners and Bitkraft, through which we intend to drive multi-formed collaboration.
- Finally, I would like to conclude by saying that Nazara has a 22-year track record of creating value for its shareholder who have belief in our vision of making India a world gaming powerhouse. We have been through many cycles right from 2000 onwards, and our DNA is well adapted to make us anti-fragile in such times.
- As a gesture of our appreciation towards our shareholders' faith in us and to commemorate our first anniversary as a publicly traded business, we are pleased to announce a bonus issue in the ratio of 1 bonus share for every 1 equity share held.
- Now, I would like to request Manish to walk through the financial highlights. Thank you very much.
- **Mr. Manish Agarwal – CEO, Nazara Technologies:**
- Thanks Nitish. Good morning everyone. Welcome to Nazara's Quarter 4 and full year call, and we look forward to interacting with you in the Q&A.

- I will quickly summarise the information which is also uploaded in the presentation available on our website.
- As Nitish has also kind of given you a flavour of the numbers, in the full year we delivered 621.7 crores, growth of 37%. We delivered 946 million in EBITDA, 109% up, and we delivered 507 million in PAT, which is 273% up. The resiliency of our portfolio, the momentum which we have seen in gaming, makes us very very happy to say that this is a guidance which we had given in September end to all of you, saying that we will grow roughly 35-40% in revenue and 12-15% EBITDA margins, and we are happy to report that we have exceeded and met the guidance's which we gave you in September.
- As you are all aware that we have had few headwinds. We had issue of Apple changing its policy in April 2021, which impacted our gamified segments growth. We had on and off, COVID-19 continued to really impact the offline events, which had a negative impact on our ability to generate revenues from brands, sponsorships for live events and also kind of accelerate the penetration of Esports and then, it also has a negative impact on Sportskeeda as well as NextWave which really get a bump up when there are not a lot of sporting events happening in the country. So inspite of that, we have been able to take all of this in our stride and delivered on numbers which we had kind of projected and guided all of you.
- We're also happy that we not just really look at what is the revenue growth, but all our businesses are cash generative, profitable, and as of 31<sup>st</sup> March 2022 we have 7,231 million INR of cash across the group, and while the current portfolio has its own momentum and is growing, we believe that the flywheel of M&A will now also start at corporate as well as subsidiaries as you have seen with Nodwin last year. And, with the cash we have generated with most of the subsidiaries, we are looking at how to deploy that cash to drive organic and inorganic growth.
- I'll quickly take you through segments. Esports has become our largest segment. It contributes to 49% of our revenues. Over the last 3 years, this segment has delivered 90% CAGR with margins growing over 65% If you look at the full year performance, the segment has grown 79%. And, it has not just grown in revenues, but it has also grown in your absolute EBITDA numbers by 43%. As Nitish highlighted, this is a segment which is very important for us to build; we're the market leader here. We need to constantly keep building the ecosystem, keep investing in the ecosystem whether it's IPs around events, IPs around content, IPs around talent and forge new partnerships. Here, our objective is to continue to have this high growth momentum and not just really at this junction, start looking at EBITDA maximisation. And, that is very important to note, because in Esports our conviction has been very very strong always and we believe that Esports will be the biggest viewed sports entertainment format in the next 5 to 7-10 years, and we don't want to be losing this amazing and massive opportunity in India, South Asia and other emerging markets as we really look at. We have seen how the Esports viewership is growing in the ecosystem. The data point is that BGMI (Battleground Mobile India) launch was concurrent viewership was as good as the first match of IPL, which kind of underlines the conviction we have on the Esports viewership in the coming years, that it's going to

be really really important. And hence, building those IPs and investing on those IPs across India and other emerging markets is very important for us. We believe that with the economy opening up, offline events opening up, cinema, malls, restaurants everything opening up, offline events are going to be a reality, keeping fingers crossed. And with that, we believe that our IPs like India Premiership, Dreamhack, NH7, Bacardi Vivid Shuffle, Youtube Funfest all of those IPs will see the light of the day this year, and those are all kind of long-term properties with sustained brands and advertisers backing them. We see them, a very healthy upside come into the business this year.

- Now this segment, as all of you know, is broadly driven by two companies – Nodwin and Sportskeeda. Nodwin continues to really remain very stellar growth. It delivered 2,108 million in FY22 which is 55% increase. It delivered an EBITDA of 157, 29%. And if you look at from the business upside as I mentioned, in this coming year, we see a very very clear strong business upside coming from the offline events which will add 70-80 crores to the Nodwin revenue numbers this year. Media revenues have increased by 84% in Q4, and it accounts for 20% of the overall business. We are also kind of embarking on building a D2C strategy, where we have done acquisitions of merchandising company Planet Superheroes, gaming accessory company Wings, and we are also selling of e-pins business doing great. With a combination of that, we believe we can really unlock the community which comes to Nodwin in terms of participation of the tournament, in terms of viewership to really create a very robust gaming D2C business which is as an of opportunity is currently abegging for in a country like India with the growth of overall gamers as well as hardcore and mid-core gamers.
- We also kind of created an amazing partnership this year with Gameloft for Esports in this, with Fifa for EISL, and we have also increased our partners from 27 to 103, which clearly demarcates or demonstrates the excitement in the ecosystem comprising of brands, OTT platforms, publishers all around Esports, and everybody wants to work and talk to us on how they can really reach to this community through Esports.
- Sportskeeda is the other one. Sportskeeda believers have a 792 million INR, 130% growth with a 64% increase in EBITDA delivering 274 INR million. So, these are the numbers, but the story really behind these numbers is amazing. A company from India is now really in the Top 10 sports sites in US as per Comscore. We are No. 7, we used to be No. 17 a year back, and thats what's we're inching up. We're seeing some amazing traction in terms of users across US sports. We are seeing traction of monetising them programmatic, and we are also really looking at our Esports business contributing 20-25% of the overall now for Sportskeeda. And, we are by far, the largest Esports site in India by any stretch of parameters which you can think of. If you look at our growth, it's on a very very solid ticket. Growth has really happened from addition of content, high quality content which allows you to get more index search, social content sharing happens which has delivered an increase in amounts of 13%. We are also going to increase more US-based sports. We are also going to really increase user-based formats. And overall, this business has a very very strong

momentum, and the combination of Nodwin and Sportskeeda really puts us in a very pole position in Esports business, not just in India, but globally. And, it's a complete dominance in leadership.

- A small line about Publishme. We acquired that in September. We are now happy to note that we have created a very very strong team in the Middle-east, a very capable team which we have now put together, so that this year we should start seeing discussion with a lot of game publishers and brands, about partnerships in UAE and in Saudi Arabia, and that's what we're kind of really looking at. This business, because we set up the whole team, as you would all appreciate, a team doesn't really become productive from Day 0 in the Middle-east, and this business is in investment phase. And, over the years, we will be working on this business to ensure that we have meaningful partnerships and we can really become a go-to game marketing agency in Middle-east for global publishers and global gaming brands, and also create synergy between Nodwin and Publishme to really expand our esportsfootprint in the Middle-east.
- I'll move to Kiddopia which is a gamified segment. All of you who are on the call have kind of discussed this. We delivered a 16% growth in revenues, the growth momentum has slowed down. If you look at Q4 YoY it's almost flat. It's purely because of the news and acquisition which is becoming challenging on account of the Apple IDFA policy. We are doing multiple experiments here to ensure that our growth momentum can come back, including the mix of the channels, which at the beginning of the year last year to now has completely changed, and that speaks volumes about the resiliency of the team where lot of global players have demonstrated drop in their revenues including Netflix, Zynga, Facebook, Unity. We have been able to really change the mix of our advertising spends and ensure that we delivered 16% growth or we have not declined in QoQ, and that's what we're really doing.
- This has also taken its load on cost per trial which is increasing, and it will stay at that level for some quarters, where we are really looking at more experiments. But the important thing is, we have launched a brand campaign in US. We believe that the performance marketing can play that much role in the new normal of Apple policy and hence we're looking at how to build an enduring relationship with the kids and their parents who are very very warm brand campaign; that has been launched. Any brand campaign is not a magic pill which will create immediately, but we are really looking at some of the lead indicators of searches, of organic downloads; all those parameters we'll be keeping a watch. But, we are now looking at also merchandise. We have Captain Kidd which is our own IP. We have looked at how do we reward our loyal users through some kind of merchandising and build brand affinity. So, there are many experiments happening on this particular IP, so that we can really look at it from a growth point of view.
- I will cover lot of the nuances in the Q&A, because I'm sure there will be lot of Q&A on marketing spends, LTV, ARPUs and we can do that.

- Freemium business, we had a modest growth of 9% YoY, 21 crores or 213 million of revenue, 19% EBITDA margin. There are two things which I want to highlight. We believe that the massive amount of community cult following which this IP has will be proven game engine model. Our foray into Web3 can be very successful, and we are actively working on that to really create a cricket offering in Web3 by leveraging our strengths. Given that some of the new crypto native developers which are coming, do not have approved game engines, do not have proven communities, it kinds of puts us into pole position to really capture cricket industry and that's where we are really working actively, and we are setting up a blockchain team to really look at what kind of form-shape we will be doing and you will hear very soon from us.
- In terms of our M&A, in Freemium we have mentioned that before, this segment needs to be really a much larger and bigger segment, not just 213 million revenue, and our M&A will be the biggest focus this year in terms of M&A, and we will be looking at game based studios who are doing in the vicinity of 3-5 million dollars and have high growth potential, and that's what we would be looking at in M&A this year.
- On the Openplay which we acquired in September, I'm very very pleased to inform you that we have grown the company. When we acquired, there was net revenue run rate was around in the vicinity of 42-45 crores, now that run rate is almost 65-70 crores. So, that is something which has been achieved through a very strong data driven tech platform, which has looked at operational efficiencies of increasing our pools of repeated users, creating a predictive modelling in terms of new user acquisitions, and that has resulted in growing almost like 14-15% month on month. Our underlying ratios of cost per player has also come down, and we are looking at ROIs which used to be breakeven in terms of 8-9 months, has come to 6-7 months, which is quite a very difficult task given that we are a challenger in a highly cluttered ecosystem of rummy operators where top 3-4 guys are very very large. In spite of that, we have been able to kind of achieve it, and we proudly say that in the industry, we would be same as some of the best top players in terms of ROIs on breakeven. And that gives us a strong footing to increase our user spends as we keep moving post IPL scenario, and that's what we're discussing with the teams. Positivity on the database automated systems has also ensured that we have an uptick in EBITDA. However, at this juncture, I want to underline that if I can get unit economics of 5-6-7 months of breakeven and then LTV-CAC which we have in this business, I would rather kind of press the accelerator on growth than try to maximise EBITDA.
- As we have mentioned that we have really looked at product and tech capability of this team. We're glad to inform that now we have built an underlying platform which can consolidate any number of brands with one data view, one common tech platform, and the first company which we're integrating is our own company HalaPlay. Our integration will be finished after the IPL; we didn't want to touch the HalaPlay during the IPL season, but all the underground work as already happened, and we are kind of amalgamating into one common tech platform. And, that will be

a good test and confidence for us as we go into consolidation in this area in the year forward.

- Our telco segment has declined by 17%. We delivered 624 million. The EBITDA margins as you can see, have improved from last year. It is 22.8% v/s 15.2%. The absolute EBITDA has also grown by 25%. This is cash cow. However, the question is, are we really writing it off in terms of decline? No. We're working with new partners to see if we can really stem the decline and get it back to a growth phase. In couple of next quarters, we will be able to tell you more concretely whether this should be taken as a growth driver or should it be taken as status quo or should you budget some decline of 5-7-10%. So, we'll come back to you.
- Datawrkz, some of you were aware, we finished the acquisition in the April. The consolidation will happen from April onwards for this business. This is an enabler capability building play for Nazara, so that we can really be a strong publisher in the years to come with the help of a deep AdTech stat which can help us optimise user acquisition as well as ad monetisation. The company is doing fantastically well, and in the 1<sup>st</sup> Quarter results we will talk more about Datawrkz. And, during this quarter I will give you more KPIs of Datawrkz and I will give you more insights on Datawrkz. But however, the company is doing very very well. And, the integration with some of the subsidiaries which are national integrations, whether it's Sportskeeda, whether it's NextWave, then Openplay, Paper Boat, the discussions are happening between the leadership teams, and depending upon the experiments which will start, we'll know how and where we will be successful and where we will not be successful in driving the synergies. So, in a couple of quarters, you will come to know on Datawrkz, on both the synergy side and on the KPIs and its growth. In Q1 onwards we will start sharing more details.
- Last but not the least, I have mentioned this multiple times on M&A, our current portfolio is super strong, it will deliver lot of growth. But, we do not want to kind of just sit and look at the current portfolio as some of you would like to do, we believe there are opportunities for gaming, and the segments in which we are in, there's amazing opportunity in front of us, and we want to really plug white spaces which we have seen, whether it's white spaces in gamified learning, whether it's expansion of Esports into other emerging markets, whether it's acquiring of more game based studios in Freemium, or whether consolidating RMG, or on the influencer building capability side, we would love to do an M&A because we believe those are essential white spaces for us to fill and create a very very strong friends of Nazara network as a platform which we can really drive completely.
- The capital allocation discussion for us is very simple. All our companies are really generating cash. If they need to kind of really look at, they can deploy their own cash. If they need more than that, we can always sit down, so that's not an issue for them. Our capital allocation will be on the M&A side or increase in some equity in downstream subsidiaries. Wherever we think it's an amazing opportunity for us to kind of a) increase our equity b) reward the founder for the great performance they have delivered. Our capital allocation predominantly would be on M&A, and the M&A at the subsidiary level as well as corporate level will be a constant.

- To summarise, I think this is supremely important for you to understand that this is a company which is on a very high growth path. We are a company which is really looking at white spaces and the growth of our own portfolio, and we're on a very very strong ticket. We have a DNA, and I'd like to reiterate, a DNA of anti-fragile, where we always believe that keep doing the work from first principles, look at businesses from first principles, and keep your head down and keep delivering the performance year after year. Some of you may look at sequential quarters, I would urge you to look at it on a year on year basis because of the seasonality so that you get the right picture and you do not frustrate yourself looking at the numbers.
- So, I will hand it over to Mr. Joshi for Q&A.
- **Host:**
- Thank you very much. We will now begin the Question & Answer session. Anyone who wishes to ask a question may press \* and 1 on your touchtone phone. If you wish to remove yourself from the question queue, you may press \* and 2. Participants are requested to use handsets while asking a question. Anyone who may like to ask a question, please press \* and 1 at this time. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Nitin Jain from FairView Investments. Please go ahead.
- **Mr. Nitin Jain – Fair View Investments:**
- Thank you for the opportunity. My question is on the Nodwin business specifically. If I do a deepdive, like we can see a drop in profitability for the quarter as well as for the full year. For FY22 we have dropped from high single-digits to mid single-digits. So, if you could clarify is there some structural change in our approach or in the market? That is the first question. The second one is, with the increased competitive intensity from players like Sky esports, what is the path for this business going forward? Thank you.
- **Mr. Manish Agarwal - CEO, Nazara Technologies:**
- Good morning Nitin, thanks for the question. Let me just answer both of them. Nodwin if you look at it, in FY21 they delivered a 9% margin, in FY22 it was a 7.4% margin. I think in the presentation which we uploaded, it also includes Publishme numbers, and I will ask my IR team to segregate them so that you can get a clear picture. So, it's a 9% to 7.4%, while the revenue has grown by 55%. I've always maintained, Nodwin would be a 6-7% business kind of number. Your 9% was predominantly because of no offline events really happening in FY21. In FY22 had we had NH7 in March and still we have not have more and more offline events. Going forward, I would say, you should peg Nodwin in the vicinity of 6-7% because we would like to a) do more and more offline and builds Esports ecosystem b) we will invest in new IPs and also augment the current IPs. So, that is where I would really urge you to look at from a Nodwin perspective. We are not really looking at the operating leverage hitting in the market right now. The operating leverage will come in when there are two factors you'll be driving, One factor is, multiplicity of OTT

platforms bidding for the same content. We are already starting to see that happening between LOCO & Rooters fighting and bidding with each other for similar content. And, we are also seeing more and more platforms emerging. And in the next 3-4 years, that should drive the pricing of the content and the IPs if your IP is big.

- The second piece is more and more games. If you see, you have predominantly have very few games in India which can really have esports viewership and can say that we can command our viewership which is worthy for some OTT platforms and brands to look at. As more games kind of come into India in the next 2 years, you will have far more opportunities to create more combinations of games and events for you to drive your margins. So, I think that is where we are. One the competition piece, my two cents are very simple. We are kind of talking about 210-211cr of business, revenue. I am not sure if you have checked the sky numbers, maybe it's sub 5-6cr. or maybe 7crs.
- 2<sup>nd</sup> thing is, I would really look at all the esports, more and more tournaments to come, because the more tournaments happen at grassroots, better it is for... feeder for eyeballs viewership for us. As I have always mentioned, Nodwin is in the business for building IPs in the top 200 players and grassroots is what we do with publishers to increase our attachment for viewership. And many such players which will come in the market will only increase the grassroot of the large IP to have more and more concurrent viewership as well as overall viewership. So it is a welcome thing for us to have in market.
- **Mr. Nitin Jain – FairView Investments:**
- Great!! That's quite helpful. If I could just slip in a follow-up to the 1<sup>st</sup> question, so are you hinting that due to a competition between the platforms, Loco and the other one that you mentioned, are you hinting that there could be a pricing leverage here going forward? Some kind of pricing power?
- **Mr. Manish Agarwal – CEO, Nazara Technologies:**
- Any sports IP always works on a pricing power coming out of the IT strength and the viewership increase. And the case in point is very simple, if you look at the media rights of IPL, in the last 3 bidding rounds, you will yourself will see the pricing power which is coming or you take any kind of sports IP which is happening whether it's a FIFA Broadcasting rights or it's a Wimbledon Broadcasting rights. So fundamentally whenever sports IP becomes or keeps becoming bigger, bigger and larger than life, the pricing power comes in because the platforms will like to have head content to create them early as users come into the platform.
- **Mr. Nitin Jain – FairView Investments:**
- Right. Ok, that's it from my side. Thank you.
- **Mr. Manish Agarwal – CEO, Nazara Technologies:**

- Thanks Nitin.
- **Host:**
- Thank you. The next question is from the line of Mukul Garg from Motilal Oswal Financial Services. Please go ahead.
- **Mr. Mukul Garg - Motilal Oswal Financial Services:**
- Thank you. Hi Manish, good morning. Manish, the 1<sup>st</sup> question was on Kiddopia. You mentioned in the presentation that we are looking at an incremental of almost 1.6mn spent on over YouTube as well as brand building next quarter. Can you help us with any thoughts on – what are the targets you have internally which will decide the success or failure of the exercise? Is this something which will be, right now on a trial basis? Or do you expect it to continue over the next few quarters as well? And also are they being done outside the IOS, given that they have been done outside the IOS ecosystem, is there a way to monetize them outside as well without compromising on user experience or you still don't think better than optionality which is there with you?
- **Mr. Manish Agarwal – CEO, Nazara Technologies:**
- Hi Mukul, good morning! Nice to hear from you. Mukul on the 2 things which you mentioned about. So if you look at, broadly we do 800K on a month if you would see as business as usual and a mix of that, from the last year we used to have 60% on Google, 30% on Apple and 10% on Facebook has considerably changed, Apple remaining the same but Facebook and Google have gone out and unity, ISOs and all other challenge has come in. So that's where your current stable bread butter is coming from 800K. We believe, roughly around 300K odd, we can spend on Youtube because Youtube used to be one of the big component within Google of 60%, that used to kind of drive lot of scale. We are seeing some green shoots, it's still on a trial experimental phase to kind of quote your words but if can really kind of get that back, the growth can be much higher because Youtube as you know is great channel for us to give us a lot of volumes if we are able to crack it. That's the that part.
- And roughly 300K is what we are putting for the brand campaign which we are really wanting to create, a more mark on the funnel trials for Kiddopia. We are running it across multiple touch points whether its connectivity, whether its broadcasting or even on Youtube or other publishers which are relevant for this. And how we measure a brand campaign? Youtube campaign is still fairly straightforward because you will be able to figure out your cost per trial but on a brand campaign, you cannot have a direct co-relation for a cost trial so there are indicators which we are going to look at. We are going to look at how are the organic searches of Kiddopia as a brand is increasing. We are going to look at if there are increase in visitors on the page of app store and Google from these campaigns. That is the kind of indicator which we would like to track to see the efficacy of the brand campaign.
- **Mr. Mukul Garg - Motilal Oswal Financial Services:**

- Sure and the other point was about given that these are outside the IOS ecosystem. Is there a way to build them outside and save that 30%?
- **Mr. Manish Agarwal – CEO, Nazara Technologies:**
- I don't know Mukul on that. Right? I don't know on that because is that is not the problem we are solving now, the problem statement we are solving is, how do we get more and more velocity of new subscriber addition into the business. At this juncture, I don't think the 30% commission payout to app stores is a problem statement we should be really looking at. That's a good problem to solve once we have seen let's say our marketing campaign working or Youtube working and then we come to the efficiency of optimization of margins. And that's where we will come into it. Right now our single mind focus is, how do we get velocity of new subscribers increasing without compromising on their retention, basically without compromising the quality of users.
- **Mr. Mukul Garg - Motilal Oswal Financial Services:**
- Sure. The 2<sup>nd</sup> question, I think broadly during your introductory remark, over multiple statements you have kind of peppered at but how you are looking at the M&A strategy after the recent price correction. Do you expect the interest of potential targets to be more on cash deals, given that a lot of market price has been corrected so much and how much of the cash you will earmark for M&A?
- **Mr. Manish Agarwal – CEO, Nazara Technologies:**
- Mukul, correction has happened across the market, not just for Nazara, right And I am sure, if you talk to a lot of people who do in the private deals, the valuation expectations or the excitement, exuberance over the valuation even in the private space has come down sharply. That is also giving us an opportunity to look at more and more studios outside and also in India because the same discussions which were happening at different multiples are happening or can happen based on my understanding in bankers and some of the founders with the lower numbers because the investors sitting there, also have kind of re-aligned their expectations so I think it's an overall correction which is really going to help. It's relative. It's not absolute for Nazara and somebody else.
- The 2<sup>nd</sup> thing is, we are also kind of really looking at these, where we can really create combination of let's say, lets just to give you a perspective, if in Real money gaming space, we are kind of really saying to the founders that you can merge your equity with OpenPlay and take that equity, rather than Nazara's equity because that's where you can snub and scale and the companies which are needing to grow, they really need to look at 1:1 becoming 2.5 or 3 or 5 and they understand that. So lot of your equity dilution which you could avoid by having a downstream consolidation happening while you can pay some cash which you have raised at a higher value and put it to use for your deals. So these kind of discussions, we will be doing that. We believe that Nazara's goodwill and the track record of scaling

companies after taking them over really is a very very strong goodwill which we have among the founders and that will really help us in doing these M&As.

– **Mr. Mukul Garg - Motilal Oswal Financial Services:**

– That's was really useful, thanks. Just a small clarification, if I may. There was this small 10 Crs investment in Kiddopia. Was there a requirement for cash infusion or is there something which more cash requirement can come in from that side?

– **Mr. Manish Agarwal – CEO, Nazara Technologies:**

– No, Mukul, it was secondary and this was as per our shareholder agreement. The founders have achieved the targets which I remember was 170 odd crores, if they have done it within the time period, they were entitled for 10cr secondary of Nazara and that's what we did. And as I mentioned in my opening remarks, we will be happy to have founders who are hitting the ball out of park and if they need some secondary earnings, we will not hesitate because that's our way to kind of really demonstrate our endorsement of their great efforts.

– **Mr. Mukul Garg - Motilal Oswal Financial Services:**

– Fair enough!! Thanks a lot for taking my question and best of luck for 2022.

– **Mr. Manish Agarwal – CEO, Nazara Technologies:**

– Thanks. Look forward to many more interactions.

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– **Host:**

– Thank you. Ladies and gentlemen, in order to ensure that the management will be able to address the questions of all participants we would request you to please limit your questions to 2 at a time. If you have a follow-up question, please re-join the queue. Thank you. The next question is from the line of Deep Shah from B&K Securities. Please go ahead.

– **Mr. Deep Shah – B&K Securities:**

– Thanks Manish for the opportunity and the detailed clarification at the start. Manish, 2 questions from my side, both on the e-sports business. One is about your own IPs and the events you do for others whereby some events were streamed on our channel and then some are not. Is there a way, you could help us better understand the differences and their respective contribution because where I am coming from is, one how do we read the content or metric that you provided and second when you talked about share of distribution money or broadcast money, I think a lot of it will only go to us in our own IPs or rather events which are on our own screening platforms. So if you help us better understand, that will be really helpful.

– **Mr. Manish Agarwal – CEO, Nazara Technologies:**

- Perfect!! And I think a lot of clarity lies in your answer and I will just kind of pull that out. So we do two types of payments. One we do white label, what we call white label events which we work with Indian publishers or let's say brand or let's say platform which wants to kind of really attract more and more people at the grass root level. Now grass root level will not kind of really attract so much of viewership because we are not having the best of the players will be playing. So that becomes a cost plus model for us. And that's why it is called white label and that's very important for us because it seeps the market, it builds the e-sports market and it becomes a feeder for our viewership for top IPs where our best players are playing. Now what are our IPs? Our IPs are IPs which we are organizing, which we are investing, which we are defining the price pool and which we are taking a risk. It's not a cost plus model, you are investing in execution, you are investing in price pool and you are investing in the marketing of it and you are investing in building a kind of long term brand out of it. Those are the IPs as you rightly said. They will have a price premium over a period of time and that's the sporting IP is our moat, the millennium moat and hence it is important for us to keep strengthening our current IP and building more IPs, across different cohorts and segments of consumers, players, games, geographies etc. And that is where this business is all about.
- One thing that you mentioned and I want to correct, our Nodwin is not into a channel. It's not having a streaming platform of its own because we don't believe that's a path to create a profitable business, at least for the next 3-5 yrs. and hence what we have done is, we have kind of restricted ourselves to create premium IPs and content thereof and then we partner with OTT platform, which I am wanting to have that content and player for their viewership on their platform exclusively. So we don't have any channel. Our IPs, since the market is still at a nascent space, we kind of try and build it on YouTube because YouTube has the biggest reach and the widest reach and it creates more and more viewership and the IPs strength keeps increasing. Until or unless there is a significant amount of money on the table for us to really take our IP onto some platform which has much more reach, we will not be very open to doing that. We would continue to build our IP viewership and IP strength on YouTube or any other channel which can give us far reaching reach.
- IPs which we are creating like watch hours which you spoke about, those are the IPs we are working with publishers to create them and these are long term relationships because Valorent is a game which is very popular in PC users. As and when mobile happens it can be popular. You cannot just be dependent on one game for your viewership. You need to co-invest along with the game publisher to really build that ecosystem and that's where we really come into picture as a long term partner for any game publisher.
- **Mr. Deep Shah – B&K Securities:**
- Fair enough!! The 2<sup>nd</sup> question is on, we had earlier spoken about trying to get in live advertisements in our streams and I think, in February we also acquired 51% in the Rusk distribution. So any updates on that?
- **Mr. Manish Agarwal – CEO, Nazara Technologies:**

- 2 different questions. Rusk for us is content play and as Nitish made an opening remark. We are working in the rusk to capture one area of gaming which are not yet with us as gaming entertainment content but with a very very strong context of gaming and that's where the rusk capability has come for creating content, distributing content, monetising content and that's why this investment and partnership is there where the entire gaming monetisation will be kind of coming to us and we will be working very closely with rusk to really give gamers insights, the influencers which they need and co-create these kind of IPs. That's where the rusk is.
- In terms of streaming and advertising of the streaming, as you would appreciate, when you do an exclusive deal with let's say a LOCO or Rooter, it's like a IPL thing given to Hotstar or Star Sports, then the broadcasters' job is to figure out what ads they want to insert and when they want to insert. Similarly on YouTube, we do not have much say on the live streaming or a content ad insertion. However, we can always add sponsorships and that's what we do.
- **Mr. Deep Shah – B&K Securities:**
- Thanks Manish for this clarification. I will join back the queue for further question on growth.
- **Mr. Manish Agarwal – CEO, Nazara Technologies:**
- Perfect!!
- **Host:**
- Thank you. Request participants to please limit their questions to 2 at a time. The next question is from the line of Rahul Jain from Dolat Capital. Please go ahead.
- **Mr. Rahul Jain - Dolat Capital Pvt. Ltd.:**
- Hello? Am I audible?
- **Mr. Manish Agarwal – CEO, Nazara Technologies:**
- Yes, Rahul. Good morning!!
- **Mr. Rahul Jain - Dolat Capital Pvt. Ltd.:**
- Ya, good morning. So firstly, just a small extension to a question which has already been asked on the Kiddopia side. We have mentioned that our rankings are more or less secured and you have clearly mentioned that you want to top it up with the higher scale with their subscription growth as in mind-set. Just wanted to understand your thought that, will it be more of a Q1, Q2 kind of a thing or that is something you have to get a subscriber's growth irrespective of the cost kind of a mind-set because I guess our consumer side from the demand perspective must be still very robust given the category it is in. Then why to shy away from going for a big term growth when our rankings are intact and we can afford to spend in the existing

opportunities as we are equally looking strong on the inorganics, then why not put big money in the inorganic opportunity itself?

– **Mr. Manish Agarwal – CEO, Nazara Technologies:**

– Rahul, you are absolutely right and that why if you see, I mentioned that 800K is business as usual. We are almost putting 600K extra on aggressive growth per month. On seeing that how we can really take it forward with a combination of YouTube and brand. We would really like to do it, start from May and then continue it for at least May, June, evaluate ourselves on how we are doing. Trust us, if we are seeing the positive side, we are not going to shy away from investing into that business because in this business we have huge amount of conviction, all the head room it has for growth and as you rightly said, the robustness of the product reflected in its credential engagement continues to be very good. We will look at that in June and even if its 80% ok, we will continue to do it in Q2. So there will be a constant review and take kind of a step on the next quarter and if I tell you that next whole year we are going to do this, am just kind of making a blind statement but the intent is what you articulated and our intent is exactly the same.

– **Mr. Rahul Jain - Dolat Capital Pvt. Ltd.:**

– And we don't have any constraint from the founders in terms of any potential valuation, if there is a need for infusion to do that?

– **Mr. Manish Agarwal – CEO, Nazara Technologies:**

– Rahul, if you understand, the founders are the guys who are really passionate about their product and that's why their structure works beautifully and they are spending endless hours to get back to growth because no founder likes to not see growth and in this process, if they have to take money, they will take money. Just for your information, Kiddopia already has 75 crs of cash with them. So it's not that they are non-cash. They are also a positive working capital business barring the brand campaign. So from all of that perspective, they have the cash and if they need the cash, neither they nor us will shy from putting in money.

– **Mr. Rahul Jain - Dolat Capital Pvt. Ltd.:**

– Right, right. If I am ask one more, on the RMG side, we have shared couple of very interesting matrix in terms of how we have done the reduction in the breakeven time period. I would appreciate if you could share the right KPIs for us to follow in this space to understand how these things will play out and how the monetization will play out and what kind of synergies we plan to bring by getting everyone onto one platform. So more inputs here would be helpful.

– **Mr. Manish Agarwal – CEO, Nazara Technologies:**

– Rahul, on the KPIs, there is a bit of sensitivity, competitive information vs. public information. It is something very confidential information because it kind of really exposes you from other challenges which can come after you and this is a very

competitive business. In spite of that, we came out with the few datapoints, we also told you cost issue and looked at what's happening. Let me look at what KPIs I can share with you so that it helps you and also kind of get confidence on lead indicators. But also not kind of time the business competitive advantage which we might be creating. So let me come back to you over the next few weeks on what we created out there. Otherwise the growth in their user base, growth in their revenues and growth in their unit economics which can be at a high level but it's an outcome. So let me come back to you on that.

- On the synergies, as I mentioned on the opening remarks, building one tech platform which can really power multiple brands at the consumer facing level is the goal of this product extract. We have built it now HalaPlay is the 1st one and as we move along talking to other RMG players which can be complimentary and add value. This is the common tech platform which will come today and this is the same kind of positive impacts which we have seen on the increasing ARPUs of repeated users or retain users having a primitive modelling on the user acquisition will be given off the shelf on any other platform which will come as a part of it besides removing the friction which the user may have on their login or on their registration or in their deposit.
- **Mr. Rahul Jain - Dolat Capital Pvt. Ltd.:**
- Right, right, much appreciated. Just a clarification, you said something on the Nodwin offline events this year would add some incremental revenue. I missed that number, if you could share that again.
- **Mr. Manish Agarwal – CEO, Nazara Technologies:**
- 70 odd crores is what the addition you would see this year.
- **Host:**
- Thank you. I would request Mr. Jain to re-join the queue for follow-up questions. Request participants to please limit their questions to 2 at a time. The next question is from the line of Karan Uppal from Caleb Capital. Please go ahead.
- **Mr. Karan Uppal:**
- Ya, thanks for the opportunity. Hi Manish. Firstly a clarification on Kiddopia. The revenue last quarter got impacted by Crs due to accounting change which was expected to be added in Q4 but if I look at Q4 incremental revenue addition, it's just 4 crs. So does that mean that on a quarterly basis Kiddopia has declined?
- **Mr. Manish Agarwal – CEO, Nazara Technologies:**
- No, no, I think you are reading it wrong. It was not 6 crs to be added back to the next quarter. It is just the roll over number. What you were doing earlier is that, because you were getting monthly data, your monthly subscribers, whether your subscriber has come on 28<sup>th</sup> or he has come on 1<sup>st</sup>, you are taking it as month revenue. Now

that you have started getting daily data, you have to take a onetime hit and that was Q3, the 6 cr. hit that you took. It is not to be added back, so if you look at the real numbers, it is 53 versus 54, is what you will look at.

– **Mr. Karan Uppal:**

– Ok, got that, thank you. Secondly on Kiddopia, Manish if you look at the CAC is now at 36 vs. 26 a year back. So how high it can go from here? What's the upper limit for LTV: CAC to breakeven and also anything on the subscriber growth for FY23?

– **Mr. Manish Agarwal – CEO, Nazara Technologies:**

– I think what Rahul was asking is a similar thing. The choices in front of us is that we look at bringing it down to \$28,29,30 and throttle the subscriber growth. The choice is to continue to be at \$36 and that 800k which I said, is broadly at that same level is to continue to get what we are getting today. And the other thing is completely remove the guard range or cost per trial and go for aggressive growth and kind of we look at. Today our breakeven in terms of advertising spends comes in 12-13 months which used to be 10 months. We can take a call that when the market is very big and strong and you can really go beyond CPT. I don't think we are at that stage in our mind-set. We are saying that the cost per trial remain at \$36,37,35, whatever number but in that range. As far as the performance marketing is concerned, when I will tell you the numbers from next quarter, I am not going to add the brand marketing to it because brand marketing cannot be just added to a performance marketing and arrive at cost per trial. So I will kind of report it to a separate number and give it to you. So that's what we are kind of really looking at. Are we going to go back to \$28,29,30 level or \$24, no, we are not because we believe that the product is very strong, market is very large and we do not want to throttle review subscriber addition, just because we want to maximize our EBITDA.

– **Mr. Karan Uppal:**

– So based on your understanding as well as the experiments which we are doing with marketing, what kind of a subscriber growth can we do in FY23?

– **Mr. Manish Agarwal – CEO, Nazara Technologies:**

– Honestly, the brand marketing, nobody can predict. YouTube as I mentioned, let's say in a couple of months when we talk about June quarter, we will be able to give some insights on YouTube, whether it's working or not working. Right? As of now, let's see them as an experimental idea from a business as usual perspective, you can look at 5-6% increase in the subscriber numbers. But that's what, without any experiment, if we are not to do an experiment, if we were to just sit idle or sit tight on our cash, I don't see that as an optimal activity for us to be ok with.

– **Host:**

- Thank you. I would request Mr. Uppal to re-join the queue for a follow-up question. Then next question is from the line of Subrata Sarkar from Mount Intra Finance. Please go ahead.
- **Mr. Subrata Sarkar - Mount Intra Finance:**
- Hello?
- **Mr. Manish Agarwal – CEO, Nazara Technologies:**
- Hi Subroto!
- **Mr. Subrata Sarkar - Mount Intra Finance:**
- My question has been answered. Thank you.
- **Host:**
- Thank you. The next question is from the line of Kapil Agarwal from Itus Capital. Please go ahead.
- **Mr. Kapil Agarwal - Itus Capital:**
- Hi Manish. Manish, I wanted to understand the thought process behind the bonus issue that you have come up with. I just wanted to understand your thought process behind that.
- **Mr. Manish Agarwal – CEO, Nazara Technologies:**
- I would like Nitish to come in. It's his product to answer this and I would request him to do that.
- **Mr. Nitish Mittersain – Founder and JMD, Nazara Technologies:**
- Ya sure. Happy to share that. Like I said in my opening statement, Nazara has had 22yr. history of creating value for its shareholder and we just felt that to appreciate our shareholders as well as to commemorate first anniversary being a listed entity, this is something we wanted to do for the shareholders.
- **Mr. Kapil Agarwal - Itus Capital:**
- Understood, thank you.
- **Host:**
- Thank you. The next question is from the line of Anand Vij from Astute Investment Management. Please go ahead.
- **Mr. Anand Vij – Astute Investment Management:**
- Ya, good morning Manish. My first set of question is on the eSports side, basically on Nodwin. So you mentioned that 21% contribution for this full year was from media

side. So if you break the remaining 80% and if you can also talk about the growth. The 2<sup>nd</sup> part of the question is on the number of events we are planning for FY23 to come to that 70-80cr. number which we are targeting and if you could talk about this year?

– **Mr. Manish Agarwal – CEO, Nazara Technologies:**

– Ya, very good question, both of them. So if you look at, I will answer the 2<sup>nd</sup> one very easily. If we look at pre-covid, we used to have India premiership which was roughly million dollar property, we used to have DreamHack half a million, we used to have NH7 generating around 20-30 odd crores. So we are talking about 30,37,42 and then you had other properties which we acquired for more than 20-25 odd crores. And that's the break-up between Bacardi Shuffle, YouTube Funfest and one or two more properties. So these are all established properties, long term properties, 7-8yrs. vintage but the brands that has been backing them up and that's where, it's just a low escalation in sponsorship, it's just coming from what we used to do in 2019 or OML used to do in 2019.

– On the non-media piece, your question of 20%, there are 4 lines of business which we have besides media. I think somebody else had asked about IPs. So we have white label business, we have our own IP business, we have a D2C business. These are the other 3 businesses besides the media business which we have in our portfolio and roughly white label business, the breakup, we have not given of each of them individually and we would not like to kind of do that. But that's the 3 lines of businesses, besides the media business which we have in our portfolio.

– **Mr. Anand Vij – Astute Investment Management:**

– If you can talk about the growth, if not the actual numbers but how much growth we have seen?

– **Mr. Manish Agarwal – CEO, Nazara Technologies:**

– Absolutely!! So if you look at the overall growth, around 55pc is what we have generated in Nodwin. And if you see media business, then it has grown 84% in Q4. All our businesses have broadly grown in a single line, give and take some percentages here and there and it is not that one line of business is creating or driving the overall growth. In this year, FY22-23, with the addition of Wings, a gaming accessory brand and Planet superheroes and the e-pins business, we believe that could become a significant contributor to growth besides the offline events which I spoke about. And the D2C business can itself emerge as a great community unlocking exercise for us in going next 3-4yrs. This year, we may be in investment mode on the gaming accessory business but going forward as the scale really happens, our operating leverages are very strong and you should be able to see that this could be a good margin driver as well.

– **Mr. Anand Vij – Astute Investment Management:**

- Sure. My 2<sup>nd</sup> and final question is on that M&A side. If you can talk about, what will be the total outflow and divide it also in terms of cash outflow as well as the share based outflow for FY22 as well as FY23 and our target really for FY23?
- **Mr. Manish Agarwal – CEO, Nazara Technologies:**
- I don't have our target for FY23. As I mentioned, we don't take a target and say that this is the chunk of money allocated for M&A because we are not doing an opportunistic M&A. We are looking for good teams first and good products first and then really deploy our cash. So there is no target but there are white spaces as I mentioned and those white spaces, things are working to pull back. However, are we kind of desperate to do a M&A to drive our growth? No. Our M&A is predominantly coming from (01.03.01 voice breaks) and we continue to have our leadership and dominance so far and that's where we are. To answer your question in FY22, total investments in cash and equity, I can ask the IR team to give it to you. I don't have a handy table in front of me but we can quickly put it and send it to you.
- **Mr. Anand Vij – Astute Investment Management:**
- Sure Manish. That's it from my side.
- **Host:**
- The next question is from the line of Dipesh Kashyap from Equirus. Please go ahead.
- **Mr. Dipesh Kashyap – Equirus:**
- Hi sir!! Thanks for taking my question. Sir, just to clarify on the 70-80cr number that you mentioned happened additional this year, so that is mainly from the OML events right? Because they were not happening but when I consider your IP events, they were already happening in the online mode. When you do it in the offline mode, how does the revenue change? I just want to understand that.
- **Mr. Manish Agarwal – CEO, Nazara Technologies:**
- Dipesh, 2 things – India Premiership and Dream Hack didn't happen, even in online, if you see FY 21-22. So those events didn't happen at all.
- And 2<sup>nd</sup> thing to answer your question – how does it change? I am sure you have attended lot of online consensus and you know the engagement and energy on online vs. offline and the brands really shy away from sponsoring online concerts vs. what they want to put in money in offline because that's where the real energy, excitement, interaction and everything happens. And which is why you would see many more events happening where the brands will be more and more ok and either in your line of field or in my line of field business conferences are starting to happen with sponsorships coming along. We didn't do our events and that's what we will do now.
- **Mr. Dipesh Kashyap – Equirus:**

- Sir, any number you can give to Dream Hack and -ESL India event, how much revenue they generate per year?
- **Mr. Manish Agarwal – CEO, Nazara Technologies:**
- DreamHack is roughly around 3.5-4cr. or 4.5cr kind of a number, India Premiership used to be 5-7cr., those are the numbers we need to go and secure from our driver to driver. There has been a gap of 2yrs. and the brands have also kind of moved on. So let's really kind of work on those things.
- **Mr. Dipesh Kashyap – Equirus:**
- Got it. Lastly on the M&A you mentioned that the Freemium segment will be your focus area this year. So does it also mean that given the headwinds you are facing on Kiddopia side, the acquisition in the gamified learning segment that is 7-12 years age, that you have talked about, that has taken a back seat?
- **Mr. Manish Agarwal – CEO, Nazara Technologies:**
- No, not really. Just that the opportunities in Freemium are far more because it's a game like studio. Opportunities in 7 to 12 are lesser and that why we don't want to kind of do sequentially saying that we will first do this, follow this and then do this. It's purely a function of what is your ability to fill those white spaces across segments. Now at the e-sports level, Nodwin has its own team and they can drive their own white spaces. Similarly in Kiddopia, we are now looking at them driving their own white spaces. The Freemium at the corporate level we need to drive because that segment is very small and likewise in the real money gaming. So the other 2 segments have their own strength. They have their own team and now they are strengthening their teams down below for M&A. So there is no back seat there. It's a function of what we really kind of pickup and move forward from the opportunity available in the market.
- **Mr. Dipesh Kashyap – Equirus:**
- Got it sir. Thank you.
- **Mr. Manish Agarwal – CEO, Nazara Technologies:**
- Thank you.
- **Host:**
- Ladies and gentlemen, due to time constraints, that was the last question for today. I now hand over the conference to the management for closing comments.
- **Mr. Nitish Mittersain – Founder and JMD, Nazara Technologies:**
- Thank you everyone for spending time with us. We look forward to be in touch and delivering strong results in the year FY 23. Thank you very much.
- **Host:**

- Thank you. On behalf of Prabhudas Liladhar Pvt. Ltd., that concludes this conference. Thank you for joining us and you may now disconnect your lines.
- **Mr. Nitish Mittersain – Founder and JMD, Nazara Technologies:**
- Thank you. Thanks everyone.

***END OF TRANSCRIPT***