

Nazara Technologies Limited

(Formerly known as Nazara Technologies Private Limited)



August 12, 2021

**Head, Listing Compliance Department
BSE Limited**

Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai - 400 001.

Scrip Code: 543280

**Head 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 Sirs/Madam,

Sub: Transcript of the Investor/Analyst Earnings Conference Call held on August 02, 2021

We refer to our letter dated July 27, 2021 regarding the intimation of Analyst/Investors conference call on the Unaudited (Consolidated and Standalone) Financial Results of the Company for the quarter ended June 30, 2021, which was scheduled on August 02, 2021 at 09.00 AM IST.

In this regard we herewith enclose the transcript of the Investor/Analyst Earnings Conference Call held on August 02, 2021 at 09.00 AM IST pursuant to the Regulation 30 read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Pursuant to Regulation 46 the aforesaid intimation and Transcript of the Investor Call is also available in the Company's website i.e. www.nazara.com.

Please take the same on record.

Thanking You,

Yours Faithfully

For Nazara Technologies Limited

**Kiran Joshi
Interim Compliance Officer**



Encl: a/a

India | Middle East | Africa | Europe



“Nazara Technologies Limited Q1 FY22 Earnings Conference Call”

August 02, 2021

Disclaimer:

This document is subject to errors and may or may not contain words which have been included / omitted due to human error while transcribing the conference call. Any and all information should be verified with the company by the reader.



**MANAGEMENT: MR. NITISH MITTERSAIN - JOINT MANAGING
DIRECTOR – NAZARA TECHNOLOGIES LIMITED
MR. MANISH AGARWAL - GROUP CHIEF EXECUTIVE
OFFICER – NAZARA TECHNOLOGIES LIMITED
MR. RAKESH SHAH - GROUP CHIEF FINANCIAL
OFFICER – NAZARA TECHNOLOGIES LIMITED**

HOST: MR. DEPESH KASHYAP – EQUIRUS SECURITIES



Nazara Technologies Limited
August 02, 2021

Moderator: Ladies and gentlemen, good day, and welcome to the Q1 FY22 earnings conference call of Nazara Technologies Limited hosted by Equirus Securities. 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. Ritesh Kashyap for Equirus Securities. Thank you and over to you Sir!

Depesh Kashyap: Thank you, Rutuja. Good morning everyone. On behalf of Equirus Securities, I welcome you all to Q1 FY22 Earnings Conference Call of Nazara Technologies. From the management, we have with us Mr. Nitish Mittersain, Joint Managing Director, Mr. Manish Agarwal, Group CEO and Mr. Rakesh Shah, Group CFO. We will begin the call with the opening remarks from the management and then we can open the lines for Q&A. I now hold over the call to Mr. Nitish. Over to you Sir!

Nitish Mittersain: Good morning everyone and a very warm welcome to all of you at Nazara Technologies, Q1 FY22 earnings call. I hope you and your families are keeping safe. I have with me Mr. Manish Agarwal - Group CEO, Mr. Rakesh Shah - Group CFO and SGA, our Investor Relations Advisors.

We have uploaded our results presentation on the exchange, and I hope everyone has the opportunity to go through the same. It is often said, ‘Well begun is half done’ and I am pleased to say that we are off to a good start in the first quarter of FY22. Our results demonstrate the underlying strength of our core growth drivers and the opportunity to scale that ahead of us.

We have built India’s leading and only listed diversified gaming exports media company with a strong presence in India and across emerging and global markets such as Africa and North America with a plethora of offerings across the Interactive gaming, eSports and Gamified Early Learning sectors.

Nazara is now strategically placed to take advantage of the tailwinds driven by favorable macro factors that include a surging smartphone user base, low-cost and high-speed data as well as a rapidly evolving digital payment ecosystem in India. Our core market is a billion plus users and a massive opportunity.

In addition, a lot of products as well as learning can be expanded and replicated into many other geographies and to that extent, I am pleased to welcome the Publishme team to the friends of Nazara network. With this recent acquisition of a majority stake in Publishme, a

turkey-based company. Our endeavor is to lead the company's foray into the MENA region and this acquisition will help us establishing ourselves as a key player over there. We continue to pursue strategic investment and acquisition opportunities to expand our offering and geographical coverage.

I would like to thank all of our shareholders, stakeholders, customers, colleagues, partners that are a part of this exciting journey together. This really is a decade of gaming in India and together we would surely play our part in ensuring India's emergence as a top gaming company in the world. Now I would request Manish to walk through the quarterly highlight.

Manish Agarwal:

Thanks, Nitish. Thank you for this opening remark. Welcome everyone to this earnings call and what Nitish mentioned the results have been uploaded and some of you would had gone through it. For the benefit of everyone, I will give you commentary and then we can open it for Q&A.

Consolidated Performance:

We have grown 45% YoY in Q1. We delivered revenue of 131 Crores versus 90 Crores in the last financial year first quarter. That really kind of shows our ability to continue the growth momentum in revenue, which we have been demonstrating in the last two financial years and all our segments, the key growth segments if I may say, eSports, gamified learning, and freemium, they have all witnessed a great show this quarter and they have continued the momentum from the previous year.

eSports:

I will start with eSports. eSports contributes 41% of the total revenue in Q1FY22 and it has grown 100% YoY. If you would see, we have two assets in eSports. We have Nodwin and we have Sportskeeda. Both the companies have done exceedingly well.

Nodwin:

Nodwin's revenue grew by 61% YoY and Nodwin has delivered revenue of 38 Crores, out of the 53 Crores in the eSports segment. Not only the growth has happened, but the margins continue to be profitable and in spite of us being in the investment mode in Nodwin, in building more IPs, building the expansion, we have always maintained we will look at a sustainable, scalable profitable growth model and that is what we are proving our base in Nodwin.

Sportskeeda:

Our Sportskeeda has been a stellar growth story this year for us. It grew amazingly well in FY21 and it continues to grow the momentum. If you see Sportskeeda performance, its revenue grew by 436% from 2.8 Crores in Q1FY21 to 15 Crores Q1 FY22.

Not only the revenues have grown but the EBITDA margins have grown even better, and company delivered 6.6 Crores of EBITDA in Q1 FY22 versus just 40 lakhs in Q1 FY21.

So both these are companies are really kind if growing very well in eSports and the underlying consumer data is also very interesting for Sportskeeda where our monthly active user base grew from 17.1 million Avg Mau in Q1FY21 to 60.5 million Avg Mau in Q1FY22 if you were to compare Q1 FY21 versus Q1 FY22.

The growth in Sportskeeda revenue is very, very focused through Programmatic revenues which are highly scalable and if you look at our presentation, which has been uploaded you can get more color on different cuts of revenue by geography, by sports as well as by the business model.

In Nodwin media rights continue to dominate. 49% contribution of Nodwin revenues come from media rights in this quarter compared to 55% in FY21. Two to three things which I am going to highlight in this quarter we expanded our presence in South Asia as it was our strategy to replicate our playbook beyond India into South Asia and then Middle East and Africa. Nodwin expanded in Sri Lanka, Bhutan, Afganistan, Maldives.

It continues to be dominant player in India with its marquee IP like ESL India and Dew Arena. We also kind of nearly worked very close with Tencent in South Asia and we hosted PMPL event in Southeast Asia. We hosted PMCC and PMNC in those geographies and we are now running amateur professional tournaments in South Asian countries other than India with PUBG.

So very, very strong partnership with Tencent which foundation was led in last financial year and has got cemented and we are seeing that partnership expanding into more geographies. It is also noted that in this quarter we launched Valorant Conquerors Series VCC Championship with RIOT that has got very, very strong response from the Valorant community in India and that is the new IP which we have created in sync with RIOT. So was on the eSports, just a summary, just to underline this segment grew 100% YoY and has delivered 53 Crores and contributes 41% of the total revenue.

Gamified Early Learning:

The next segment I would like to move is the gamified learning Kiddopia. As you are familiar it is a subscription app aimed at 2 to 6 year old children predominantly North America focused business. This business grew 46% in revenue YoY. We did 52 Crores of revenue versus 36 Crores of revenue and the notable thing is that we have delivered an EBITDA of 21 Crores compared to a loss of 15 Crores in the same time period.

I have always maintained that this business has a very strong unit economics as most of you have interacted with us during our IPO road show and in our quarter calls, I have explained to you the underlying LTV CAC ratios. I explained that marketing is a lever which we can control to impact and influence EBITDA margins. In this quarter, very strong EBITDA margins have come in because the marketing spends have reduced considerably.

If you see marketing spends in Q1 FY21, we were doing a marketing spends of roughly 71 Crores versus we have spent 42 Crores in this quarter. Even if were to compare quarter-on-quarter, we spent 54 Crores in 2021 versus 42 Crores in this quarter.

So our marketing spends have been lesser and which is a direct impact on increase in the EBITDA margins for this segment and which has also an impact on overall EBITDA margins. The marketing spends reduction has been because of the attribution issues on new Apple's policy; however, I am very pleased to inform that we have expanded our marketing channels. We have found new channels and we believe that the whole ability to spend more dollars in the coming quarter will be very, very handy for us as we move and increase our expense in the next quarter and get two more net new subscriber growths happening.

This key KPIs in terms of cost per trial, monthly churn, activation ratios they all remain same, range bound which means that underlying business continues to be very strong and that is what really our team continues to focus day to day to ensure that our retention engagement subscription ratios are all very healthy. We had 25% growth in monthly subscribers compared to Q1 FY21 versus Q1 FY22 because of the marketing drop sequential quarter, you would see 5% decline in net subscribers but that is very understandable, given that there has been a very significant decrease in the marketing spends, but we will come back on that piece.

That is something on the gamified learning. Just to summarize, it grew by 46% YoY, contributes to 40% of the total revenue and underlying unit economics is very strong with marketing spend, we are seeing very high EBITDA margins, but the focus here is to really increase the marketing spend in coming quarters so that you can get back to net positive growth on subscriber addition.

Freemium:

The third segment which we have always maintained is strategic growth area for us it is free to play gaming where we have got World Cricket Championship. This segment grew by 38%. This contributes to 4% of total revenues. We delivered 5.8 Crores of revenue. Our EBITDA margins also increased. Here the key things which we have always maintained that in-app purchase is the key to grow the scale of revenue to attain the scale velocity from current orbit and we are happy to convey that percentage of in-app purchase conversion which is the key matrix has improved in this quarter. It has improved to 0.1% to 0.15% and that is what is giving us now a leeway to see if there is a LTV CAC equation possible for us to start paying this acquisition.

Till now we continue to grow this franchise organically and this increase in revenue I would like to highlight is also because of one month of IPO in April. So you are having a one very strong seasonality led event happening for you to compare then you compare Q1 of last year versus Q1 of this year.

Telco Subscription:

Our contribution of Telco has come down from 16.5% in FY21 to 14%. As we have always mentioned that Telco contribution will keep coming down with the growth of other three segments namely eSports, gamified learning, and freemium. Our business declined 19% in Q1 FY22 compared to Q1 FY21. It is flat on QoQ basis. The decline from 6.2 Crores in Q1FY21 to 3.8 Crores in Q1FY22 is predominantly coming from whatever remaining India business is.

We have always maintained that India business will not be there and that is the decline. The rest of portfolio outside India is pretty flat. If you look at these results, you would have seen that I have got lot of feedback in the past that the entire corporate cost is sitting in Telco segments and hence the EBITDA margins are not rightly represented. We discussed with our auditors Walker Chandiook & Co. LLP., and we have allocated corporate across segments and that is how we are going to continue to report going forward as well.

We are doing content acquisition as I mentioned in the last quarter. We are looking at integrating that with multiple telcos. Teams are working on showcasing the content and content strength to different telco and how this kind of proposition pans out in next two quarters we will come to know. Today, we continue to maintain this as an experiment and green shoots are yet to be seen on whether this experiment will get growth into this segment.

Real Money Gaming:

Sports Fantasy our view is that the fantasy we have stabilized. We are looking at the profitable or breakeven growth year. One month of IPL brought some cheer; however, it got kind of postponed after initial days of launch in April. It is going to resume again in September. Fantasy remains sub 2% contribution for us.

Our view here is that this segment is very large, and we will be playing our role in this segment but very cautiously. It is a strategically important segment for us. How can we really grow this segment profitably and how can we build liquidity without really burning too much of cash given the statutory issues. We are working on those plans and our commentary on this segment remain status quo as we have mentioned in past.

If I were to kind of summarize very, very strong growth momentum led by strong business KPIs. We see notable KPIs of freemium businesses, of World Cricket Championship showing some positivity. We are seeing a strong continuation of retention engagement in economic and gamified learning. We see very strong performance coming from Sportskeeda and Nodwin. So overall we remain confident of the overall story coupled with all the macro factors which Nitish mentioned and tailwinds in gaming across markets.

With that I will open the floor for Q&A.

Moderator:

Thank you very much. We will now begin the question and answer session. The first line of question is from the line of Mukul Garg from Motilal Oswal Financial. Please go ahead.

Mukul Garg:

Manish good morning. Just wanted to start with your commentary on Kiddopia where you are getting the confidence on resumption of paid user addition from next quarter. You mentioned that you have expanded your marketing channels, if you can elaborate a bit on that? How do you see the marketing spend going forward and can this lead to a change in CAC for you?

Manish Agarwal:

Mukul, if you look at we used to spend our money on Facebook, Google, and Apple. These were three platforms which we used to do while Google still figuring out for everyone not just for us, how to really look at attribution and solution, what has happened is that platforms such as Unity and ironSource and other direct deals, there are other game publishers which have first party data where the attribution issues are not there, we have been to look at opening of those channels, looking at our on boarding funnel, looking at our funnel optimization and that is what I meant was in terms of expansion of your touch points with your consumers and getting more consumers to come on board and what I believe is that such a large opportunity of advertising which Google will solve once it comes back

these channels also performing very well, we will have far many options to really acquire more users at scale rather than just being limited to the three touch points which we were earlier having. So we will emerge much stronger in terms of multiple touch points being available to us.

Second question to your thing is to CAC. See the way we work is that we have our boundary rates and we could change that thought process of having \$28 of cost per trial as the outside boundary condition tomorrow, but as of today we are looking at \$28 as a boundary rate and scaling our user acquisition keeping that boundary condition intact, so that is a number which we have put rather than the market driven numbers and in that number if we can get scale, that would be great but if we cannot get scale, we will not spend. So that is our theory and hence the CAC does not become a dynamic factor. What becomes a dynamic factor is the net new subscriber growth.

Mukul Garg:

Fair enough. Just a question on eSports side, we are interested to see the partnership of Rad Games on Valorant. Is this exclusive in nature for Indian market for you and second part of this was again the Krafton relationship, we recently saw an investment in a competitor in India so again how do you see Krafton's game plan and your partnership from a long-term perspective?

Manish Agarwal:

I will take the Krafton one which is simple. Krafton invested in Loco which is a streaming platform. It is a destination and Nodwin is not a destination. Nodwin is a premium professional tournament IP owner and the content creator which distributes to these platforms. So it is a complementarity rather than competitive and from Krafton's point of view, they are looking at India as their key markets as they have mentioned in their press releases and for them to really have ecosystem play in gaming and eSports is part of their thought process where we can all benefit by working together and partnering together. So that is not a competitive it is a complementarity is what you need to just understand between a content creator and a platform. To the second point on Valorant if you understand that these IPs when you create, you create from a long-term view and that is on the nature of the conversation with the publisher because publisher also wants to really build a community on a continued and sustained basis; however, you are looking for any agreement with publisher where publisher gives you right to hold exclusively that is counterintuitive for a publisher because publisher wants more and more tournaments to happen for their game to become more popular so that exclusivity that only Nodwin can hold tournaments will not happen and will never happen. However, building of IP is a different ball game where you are building VCC as an IP along with the publisher that is where the IPs can keep becoming bigger and bigger and the nature of that IP is to attract only the top professional players of Valorant while the tournaments can happen at grass route as I mentioned in the past. So you will always have publishers doing multiple grass

route tournaments with multiple players while the professional tournament would be created for the professional player as marquee IP.

Moderator: Sorry to interrupt. The next question is from the line of Mohan Kumar from JM Financial. Please go ahead.

Mohan Kumar: Congrats on a great quarter. The first question I have is with respect to the subscriber base for Kiddopia dropping but the revenues have continued to strengthen, is that on back of better pricing and do we have some strategy on what the optimum marketing spends should be to continue the subscriber growth base going forward?

Manish Agarwal: If you look at your revenue growth versus subscriber growth that is exactly the retention comes into the play of your monthly subscribers and annual subscribers. Given that the retention is very strong, and I would like to underline that numbers again which I have mentioned in the past you have year one retention of almost 33% and 24-month retention of 14%, which means that the users who are acquired continue to be paying you for a longer period of time and that is the advantage. So far example last year Q1 which users acquired 33% of them are still paying for you and you have spent roughly around 71 Crores of money in last Q1 of FY21 and that is the advantage you are carrying. It is not a value increase driven growth, but it is a continued retained user growth, and this makes the business intrinsically very strong in terms of unit economics.

In terms of your next question what the optima is where the net subscriber growth will continue to be positive. I believe mathematically it is around a million dollar spend per month is what we require for you to have a net subscriber growth to be positive, keeping in mind the cost per trial to be range bound between \$26-\$28 and your current churn which has been paid for 24 months and the acquisition issue. So I believe that a million dollars is optimal after that anything will continue to increase the velocity of net in subscriber addition.

Mohan Kumar: Again, on the Kiddopia front, so you had initially spoken about expanding into Europe and that was put on hold because the first kind put over there did not seem to as attractive in the US itself. Are we thinking about expanding into Europeans markets? Are there plans of expanding it to the age groups of above 7?

Manish Agarwal: Answering your second question first, so the 7 to 12 age group is a very different audience as I mentioned in the past. It is not a homogenous set, and it requires different offering. Kiddopia business is very focused on age group of 2 to 7 and they will continue to increase that. Their market share today in US is around 4%-5%. There is a P0 market in US. US will remain P0 market for foreseeable future for them to increase their revenues 4x, 5x to get a

14%, 15%, 12% market share. As far as expansion is concerned, we will continue to experiment with European market and any other market in this year and see where we can find the sweet spot but in terms of this year growth, I see that all happening in US.

Mohan Kumar: Thank you very much. All the best for future quarters.

Moderator: Thank you. The next question is from the line of Nitin Jain from FairView Investment. Please go ahead.

Nitin Jain: Good morning and thank you for the opportunity. If you could elaborate a little more on you know how changes in Apple's privacy policy impacts our ad spend and if you could also share the subscriber base for Kiddopia as of July 2021? This is my first question.

Manish Agarwal: July 2021 we will not be able to give you because it is not an information we share on monthly basis. As of June, we had 321,763 paid users on iOS and Google additional subscribers of 30,000- 40,000.

To answer your earlier question, how does Apple policy really affect? As you would appreciate that when you are trying to optimize your user acquisition you need to know attribution from a click to actually trial to registration, to subscription and if you are able to monitor that funnel at an individual user level and then create some kind of cohort, you will be able to optimize it. If you are not able to do it, then it becomes a leap of faith and blind spend. For a digital marketing getting that attribution is very important and if you device ID was good attribution for you to really work on that optimization aspect. In absence of getting that device ID, you need to find an alternate way to identify that unique user and that is the solution which now the ecosystems have to figure it out if Apple stops giving the device ID to the third party guys. So your spends on Apple will continue as is because you are getting that. Your spends on anybody who is a first party data which has its own attribution will continue to happen. Your spends on partners which do not have first party, they will have to find solutions in conjunction with attribution platforms like Appsflyer, Branch, Singular, Tune all of them. So you have two choices. You can continue to spend blind, or you choose to really find alternate channels of spends where the attribution is very visible and tangible to you.

Nitin Jain: My second question so BYJU is also entering to early learning aggressively, so how do we plan to tackle an aggressive competitor like them?

Manish Agarwal: If you look at it we are operating in US market where it is not a new category creation this space of 2-7 age group, in this there are anyway very big entrenched players already sitting and you have been garnering share from people like ABCmouse or taking a share of wallet

and time spent from YouTube or from Disney or Toca Boca and other players. So, you are operating in a market which is already there. We are not approaching Kiddopia as a learning first. We are approaching Kiddopia as an entertainment first, fun first for the kids, where ideas like motor skills, creative expression, self expression, history, geography, Math is consumed as a part of fun based learning versus players like BYJUs which may appeal and market this as a pure learning first curriculum-based program so there is a big difference in the approach we are doing. We are not following curriculum-based learning, EdTech or any.

Nitish Jain: Thank you.

Moderator: Thank you. The next question is from the line of Saugat Chatterjee from BNP Paribas. Please go ahead.

Saugat Chatterjee: Thank you team and congratulations on good set of numbers. Just one question on the Kiddopia side, if you could just give us some color on what has been market landscape in US as to what has been the subscriber addition or in terms of the marketing spends for ABCmouse if you have any color or thought process on that after the change in Apple's privacy policy?

Manish Agarwal: Unfortunately, I do not have exact numbers of the competitors because based on our public information but anecdotally talking to different publishers and their networks, it is an industry wide issue in terms of attribution and hence the spends. What is also happening is that April 26 is when the policy was enacted and you see couple of months now have happened. There are many more solutions are coming into the market gradually to kind of find alternate base for attribution that is the silver lining I am seeing on the horizon because every game publisher, every app publisher is kind of finding or want to find that support from Google or any other network. Secondly platforms like Unity, ironSource and others have been able to kind of ramp up and demonstrate that they could give you that attribution for doing it. So I think overall the industry is moving forward with new solutions to identify how to really work it and good thing is that it is a level playing field and its same thing for every game publisher, every app publisher big or small across the world.

Saugat Chatterjee: Just one small follow up on the eSports side, any plans on adding new IPs on the next 6-12 months and also if you could just throw some color on the white label events that may be planned for the upcoming year?

Manish Agarwal: I think both these things are business as usual for us. Working with publishers for white label, identifying partnership with them whether India or new geographies it is absolutely business as usual. Similarly, our key thing is to make our current IP bigger and launch new

IPs so that we can really have catalogue of marquee IPs in India and other geographies and it is the stated strategy and we will continue to do it. Last year we did not do it because of the COVID. This year we hope by October or November we should be seeing the COVID impact receding, and we can launch new IPs in new games in new geography. So that is what we will be looking at; however, it is a big dynamic situation given the COVID situation.

Saugat Chatterjee: Thanks a lot. All the best.

Moderator: Thank you. The next question is from the line of Deep Shah from B&K Securities. Please go ahead.

Deep Shah: Thanks for the opportunity. My first question is on the eSports business, so we saw the finals of Indian qualifiers of VCC having close to half a million cumulative views. Do you see that at least some of the premier tournament in the next two or three years maybe shifting completely to the OTT platform, or the market still remains very small for such monetization?

Manish Agarwal: I think there are two aspects of it and so that underline for rest of the people on the call. The final of the BGMI launch in India saw more people watching it than in the final match where Jović become the champion in Wimbledon. So, you can already see the kind of popularity of eSports viewership in this country is really increasing day by day. I believe monetization on OTT platforms will follow this viewership and as we continue to increase the viewership numbers, OTT platforms will be able to attract more brands whether endemic brands or FMCG brands as sponsors and I see that happening completely but the key indicator if I may say viewership numbers on these platforms and that is very encouraging.

Deep Shah: Sir the second question is on the gamified leaning space, one of your largest competitors in US raised a massive funding and now with the Chinese regulation it is unlikely that they will invest anymore in those geographies. Do you think there is a space that competition will increase predominantly in US markets or European markets?

Manish Agarwal: See US markets is already super competitive because as I mentioned we were talking to 2 to 6, 2 to 7 year old child which is spending time on screen and getting entertained. As I have defined before also if you were to look at this framework, you are looking at one side entertainment, other side learning and on the Y axis you are looking at paid and free and the third axis is if I may, is curated and noncurated so we are operating in right at the center of entertainment learning and we are in the paid version and a curated content and in that that is where you are attracting parents and autographic of parents who want safe healthy

content, where the child is having fun and there is an underlying learning which is happening and parents are happy about it. I think that is a very strong opposition of Kiddopia and that has helped us to grow, and we will continue to garner share because on the strength of the content and the engagement which is created by the content. So I am not worried about it because this is a category frankly it is not about money which can win, it is in the content engagement because the child has enough and more options and today it is not winner take or market, we are Kiddopia they spend 17 minutes per day they come 15 days a month, if the child is only using Kiddopia is only using Kiddopia they will be using 4 to 5 apps and that is the nature of this market and you are talking about share of time spent, you are talking about share of wallet and as long the parents see that child is happy and using the app again and again they see it is a good app, I do not see issue in terms of growth and continue to increase the market share and it may become household brand.

Deep Shah: Thank you Sir. I have a few follow ups, I will join back in the queue.

Moderator: Thank you. The next question is from the line of Sudheer Guntupalli from ICICI Securities. Please go ahead.

Sudheer Guntupalli: Good morning and congrats on great set of numbers. Sorry to delve on this iOS 14 privacy policy update but companies like Facebook and Twitter seem to be calling out in medium term impact both on data quality and digital advertising spends and we seem to be looking towards gaining back the marketing spends in near terms. Any thoughts on how the ROA on digital marketing spends at least on the current three major channels you called out would change going forward?

Manish Agarwal: As I mentioned the ROI is a function of two things one is your cost per trial and other is function of your activation ratio, retention numbers and your ARPU numbers. Our ARPU redemption as well as activation ratios have not changed and they continue to be the same for the last 24 months when we were spending 300,000 to 1.9 million to now 600 million copies so that is a strong product KPIs, which you have to give.

As I mentioned to an earlier question that Mukul had asked \$28 is our boundary condition and as long as we are looking at that has a fixed number and number of users acquired as a dynamic number, your LTV CAC equation is not going to change and with more numbers of years passing, LTV CAC is going to become better and better because earlier we were looking at 24 months and now we can look at 30 or 36 months so that is how we are operating as of today and in the range of \$28 we have kept our boundary condition.

Sudheer Guntupalli: Just on pricing given that our ability to spend on marketing is kind of constraint at this juncture, any thoughts on easing prices a bit because I think our pricing has gone up from

the previous quarter so any thoughts of easing the pricing a bit to encourage subscriber additions?

Manish Agarwal: I believe there is price elasticity opportunity available for us. We increased from \$7 to \$8 towards the fag end of the quarter. We have seen zero impact on any of the KPIs whether it is an activation ratio or the engagement or retention number. I believe there is elasticity and we will continue to experiment on the pricing and see that if there is any regression on the activation ratio or in the engagement but I do see a price elasticity upside for us as and when we want to exploit it.

Sudheer Guntupalli: Thanks and all the best.

Moderator: Thank you. The next question is from the line of Mayank Babla from Dalal & Broacha. Please go ahead.

Mayank Babla: Actually, I want to get some clarity on the Sportskeeda business. I think you mentioned that the customer base increased from 11 million to 16 million, am I right?

Manish Agarwal: Our monthly active user base grew from 17.1 million Avg Mau in Q1FY21 to 60.5 million Avg Mau in Q1FY22 if you were to compare Q1 FY21 versus Q1 FY22.

Mayank Babla: Ok and can you throw some light on these programmatic sales?

Manish Agarwal: Programmatic sales means that you are connected with different, different ad networks and you are sharing your inventory with those ad networks, and they find a relevant fitment for the brands and they are able to show those apps. As the consumer base keeps increasing in US or India and if your audience is relevant to their ad networks, you will continue to see the revenue uptick and hence the user base becomes a good indicator to your revenue and you are purely connected to their ad network and it is a highly scaleable non-linear method of improving your revenue and there is no manpower, direct sales cost associated attached to it and hence it is also more profitable.

Mayank Babla: That was my only question. Thank you.

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

Jinesh Joshi: I have question on gamified learning. Typically how long does it take for an app like Kiddopia to self-sustain on its own rather than rely too much on the advertising & promotional (A&P) spends to register growth and in that context if you can share what has

been the lifecycle journey of other players that are present in the US market like ABCmouse and PBS Kids when it comes to balancing the growth and so that is the first question?

Manish Agarwal: See if you look at it in my opinion for me to have much more organic users really coming into your fold, you need to have lot more word of mouth and become a household brand and for that maybe 7%, 8%, 9%, 10% share is minimum for you to really kind of get that. I do not think that Kiddopia at this juncture can expect to have an organic downloads outpacing the paid user acquisition and hence the dependence A&P would continue. When can they happen? We will have to experiment and figure it out. Today we have 321,000 paying subscribers. Can that be achieved when we have million plus paying subscribers? I think so, but it is yet to be proven. Unfortunately, we do not have the public data of other competitors otherwise we could have done some modeling to figure out where is the breakpoint we can understand from others and that is where it is bit opaque, and we have to only learn through our own experimentation.

Jinesh Joshi: The second question I have is on eSports segment where in media rights have contributed roughly 49% of our sales in 1Q. Sir this being a major chunk of our revenue can you explain what is the typical tenure of our agreements with broadcasters and how often do the escalation kick in and also it is possible to share who are our top 3 broadcasting partners?

Manish Agarwal: Media rights and licensing revenue comes from three top partners which is Viacom, Hotstar, and YouTube. Out of that Viacom is the largest partner and the agreement is for three years. Out of that one year has passed and in terms of escalation, annual escalation currently the business model is built on two ways. One is that you get the flat content fee, but you also get four minutes for every hour as ads monetization slots, which you can go ahead and sell in the market. We have not sold any of the spots in last one year because we are building the market and building the reach of it, but we believe the additional revenues will kick in once we start able to monetize those four minutes per hour, which we get as a content creator to build our upside beyond the content money which we get.

Jinesh Joshi: Just to clarify this means that eSports can have an additional revenue stream coming in from advertisement inventory sales right?

Manish Agarwal: Yes.

Jinesh Joshi: Thank you so much.

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

Divyesh Mehta: Can you share some more color on the in-app purchases on the freemium segment?

Manish Agarwal: I think in app purchase is very simple. This quarter we saw our numbers roughly around 0.12% to 0.13% from 0.06%, which was earlier and that really gives as I mentioned before in our interactions also the ratios, we need to keep increasing our in-app purchase conversion so that our average revenue per day the active user increase and it gives us a cushion for us to do paid user acquisition. So, this in app purchase increase is a constant task for us and a constant task for the game designers working on the game so that they can keep increasing. When we see in IPL, we see that this percentage in our in-app purchase conversion increases because there is an inherent tailwind and excitement around cricket and that also contributes to this increase of 0.12% to 0.13% from 0.06% to 0.07% in the month of April, which is what we are seeing in the numbers and given that we have a cricket season ahead of us in September onwards, we believe combination of the tailwinds of cricket seasons plus our own efforts should be helping us to build on the percentage conversion numbers.

Divyesh Mehta: I have two further questions, first is that can you share the percentage of revenue for IAP in our freemium for this quarter?

Divyesh Mehta: Secondly, in the post code scenario for the eSports segment so can you give some quantification of how many events you are planning to relaunch like that would be Mountain Dew Arena, which is still pending, ESL India premiership we have already done and a number of new events and in terms of the Valorant IP saying that it is your own IP but you are the official tournament partner or it is something different because either you can be the official tournament partner or it can be your own IP which you have built?

Manish Agarwal: Multiple questions and I will answer them but firstly in IAP bids let me just give you some comparison. Our IAP revenues grew by 75% from last quarter to this quarter (Q1 over Q1) and 153% Q4 over Q4 so you will see that increase revenues really been driven by IAP also. IAP contribution may be increased to 27%.

In terms of eSports if you look at Mountain Dew Arena is an IP which is done along with the Dew and as the market opens up post COVID then only that event may happen. If the markets do not happen and distribution does not happen, I do not think that event will happen, so it is again dynamic situation. It is property which we have been doing nonstop for the last five years except 2020 because of COVID we did not pursue this. So that is the status on Dew Arena.

On ESL India Premiership it is not done. It is a nine-month activity because we have three seasons, and it is a flagship and it is happening and this time we have made it even more interesting and bigger and you will see that as it starts getting into the execution and launch.

As far as new Valorant, Valorant is our IP in partnership with RIOT. As I mentioned to some other question there is no exclusivity or an official thing because what we are really looking at is a publisher and you are working with publisher to really make it big. What we get is a full support of that behind making this IP bigger because if this bigger it becomes a marquee IP. It directly benefits them.

Divyesh Mehta: Thanks a lot of. That answers the question.

Moderator: Thank you. The next question is from the line of Parthiv Johalsa from NVS Capital. Please go ahead.

Parthiv Johalsa: Good morning Sir. Sir just I had one question almost all my questions were answered. I just have one question. Sir almost over 80% of the revenues derived from two main business that is eSports and Early Learning right just wanted to understand your broader roadmap over next two to three years, how do you want to grow this business and what kind of growth as a company you perceive about this business?

Manish Agarwal: You are absolutely right. Our 81% comes from these two segments, 41% from eSports, 40% from Gamified Learning. I have always maintained that there are three segments, which we are looking as growth because Gamified Learning, eSports and Freemium. Freemium is very small today and I believe that is going to be a real cracker going forward and the fourth one is the Real Money Gaming where we are sub 2%. This is a very large addressable market. We need to find ways to acquire some scale muscle profitably and give a look at working on a strategy in Real Money Gaming going forward. So, these are the four things which we are kind of really looking at and I believe in foreseeable future what you mentioned about two to three years down the line, I do not see eSports and Gamified Learning contributing to 81%. I believe that Freemium and RMG will also kick in and you will see four competitive horses running for the contribution share of Nazara's portfolio.

Parthiv Johalsa: Can you just give some ballpark figure of how much percentage growth do you perceive whether they contribute 80% or not but how much growth percentage year-on-year do you perceive and with EBITDA kind of margin will sustain at this 20%?

Manish Agarwal: We have avoided giving guidance. We will continue to not give guidance. What we would like to do is look at the growth, which these companies have achieved in the last two to three years and look at the market competition there.

- Parthiv Johalsa:** Got it and the margins will be around the same lines give or take?
- Manish Agarwal:** On the margins, you will see a great margin this quarter because of only one reason of judicious marketing spends in Kiddopia. We would love to invest back into more marketing as we believe the market opportunity is very large and we want to have higher growth rates and with an optimal balance between growth rate and EBITDA margins.
- Parthiv Johalsa:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Sundar from Spark Capital. Please go ahead.
- Sundar:** Manish, a couple of questions. The first one is on the KPIs of the Gamified Early Learning business, CPT has become \$22 to \$28 and activation ratio at 70% and what I would like to get a confirmation from you is that last quarter we had CPT between 22% and 26%? Activation ratio higher than 70% and churn is between 4% and 6% so have these numbers slightly deteriorated or am I reading too much into these 1% to 2%?
- Manish Agarwal:** I think on the CPT it has definitely increased from 26% to 28%. Barring that, activation ratios or the churn they are range bound and there is no alarm bells which you should read into it.
- Sundar:** CPT should we get worried that it could further increase because last quarter you said \$26 was the maximum that we will stretch, and we are already at \$28 so how should we look at that?
- Manish Agarwal:** I think that is what I mentioned it is boundary condition. \$28 is a boundary condition. If we look at growth and figure out price elasticity on monthly subscriber base, we are okay to increase it even more. We are not worried about it. At the current pricing, if you see what we did that increased the monthly price from \$7 to \$8 which is an increase of 14% and thus we were very okay to take this to 28% from 26%. So, for us given that monthly subscriber base contributes to 80%, our revenue price elasticity and ability to get more users with the CPT increase goes hand in hand and if we see the elasticity really converting in revenues, we do not mind increasing from 28% also.
- Sundar:** Just an additional to that then the monthly ARPU of 6.3% to 6.5% this quarter does not factor in for the complete price increase, right?
- Manish Agarwal:** Correct.

Sundar: Perfect. My second question is on Publishme so can you throw some light in terms of the numbers how should we look at it going forward? How large can it be to the overall scheme of things here?

Manish Agarwal: I think Publishme is a capability acquisition as we have discussed in the past. This is building a capability of publishing on ground in Middle East which we do not have today. From a business point of view, today it is a publishing agency which helps gain publishers to launch their games in geographies, which make localization of content and marketing and they have done in Turkey and now they will expand their footprint into Middle East and carry their relationship with the current publishers from Turkey to Middle East. In my opinion this is a business, how big can we grow will be a function of Publishme moving from an agency to becoming a publisher in over the next two years time period so that you have already built creditability and you already have confidence of taking a game and making it big and that is the strategic direction where this would become a game changer. In the meantime, what you are doing is you are building a platform or a foundation for you to become a publisher in the Middle East. It is a slow process of building muscle rather than kind of taking a vertical uplift.

Sundar: From the current portfolio that we have, how much of those games would Publishme give an advantage going into the MENA or Pacific?

Manish Agarwal: All of them.

Sundar: Perfect. Okay Manish thank you. All the best.

Moderator: Thank you. The next question is from the line of Nemish Shah from Emkay Investment Managers. Please go ahead.

Nemish Shah: Sorry I dropped out in the middle so pardon me if I am repeating the questions? Sir my question is largely towards Sportskeeda so these programmatic revenues, can you just explain what kind of revenue that we have and are they kind of seasonal in nature so just some color on programmatic revenues?

Manish Agarwal: What does programmatic revenues mean is the key question. It means that you have an inventory on your platform, you connect it to the various ad networks which see fitment of their advertisers and the users which you have as a publisher on your platform, and they serve ads. So, it is a nonhuman intervention. It is a data which you upload it on their ad networks. They find it. They find a relevancy and hence they give you ads and the better conversion and better whatever their KPIs are if you are performing better, they will give you more and more revenue. It is a very scalable business model where you are connected

on the supply side with multiple ad networks and other exchanges and while you are focusing on growing your own demand and your demand is coming from your more users, the volume of users and the time they are spending. From a perspective if you look at it programmatic is a very scalable model and it is scalable across geographies and that is why you see our revenue growth is in conjunction with the user growth. So if your users are growing it is a good indicator that your revenue is going to follow and that is what programmatic means.

Nemish Shah: Does it also have some connection with kind with our sports mix as well?

Manish Agarwal: It has because ultimately users are here coming for their sports fans, and they are coming here to look at it. So one of the things which you would see is that Sportskeeda had WWE users and in April 2020 we launched eSports, which has very strong adjacency with WWE fans and eSports has become almost 45% of the users, 25 billion, 30 billion monthly active users and it is the largest eSports news site now and our ambition is to make it the top three globally. In India there is no competition here so what we are seeing is the advantage of having the right choice of sports and the right content whether it is headline, inshorts kind of a content or it is a long article. The beauty of Sportskeeda is that it does not have to create content from its own editorial team. It is a very strong 2,000 plus blogger network across the world, which enables it to get high quality content and the TextCat allows it to curate it and surface it for the users.

Nemish Shah: Thanks a lot.

Moderator: Thank you. The next question is from the line of Pranav Kshatriya from Edelweiss. Please go ahead.

Pranav Kshatriya: Thanks for the opportunity. My question is around freemium? If we look at the engagement, the daily active users that have not really increased despite overall gaming sort of rising so do you think that there is a scope to increase and widen the offering and try more things and look at more engagement at this juncture than the profitability in the sports engine at this juncture?

Manish Agarwal: If you look at our time spend per day for the ~2 million average daily active users, it is 46 minutes and if you were to look at this it is top 1% percentile and within that if you look at top 10% of daily active users, they are spending almost 90 minutes a day. So, time engagement is already in the top charts and we have been constantly in the top apps in terms of engagement, and I do not see that as the KPI we should really work on. The KPI we should work is how do we increase this 2 million DAUs to 5 million DAUs and for that the key lever is that how do we start doing paid user acquisition, which we are not doing today

and for us to be able to create that LTV CAC equation in a manner for a profitable scaling, we need the conversion of playing users to become paid users and that is what I mentioned earlier. So this whole conversion matrix is a key matrix for us to create that lever of paid used acquisition and increase the total to 5 million DAUs. So I think that is the KPIs we are working on. Engagement is something we are absolutely in line with the global games and just to give you a perspective typically the casual games in India have 15 to 17 minutes per day in the time spent and we are at 46 minutes at a large scale.

Pranav Kshatriya: Great. Thank you.

Moderator: Thank you. The next question is from the line of Adit Shah from Vibrant Securities. Please go ahead.

Adit Shah: Good morning. My question is followup to the previous participant on the freemium business so the first question is we have very high engagements there? Can you throw light on the retention numbers like say D1, D7, and D30 that would be simple and given that we already have a high engagement what is leading to say not so optimal LTV CAC? Is it because of the CAC is too high or we have to work more on the monetization side as well as you had alluded on deck with respect to more IAP revenues that is one number one? Number two is I want to know your broader vision for our WCC because the company has been in existence for I think more than say seven to eight years and we have acquired in 2018 may be so we have spent around three years within our fold so what is your assessment on how WCC as a franchise and the next wave of the company has evolved as a part of Nazara and will India cricket if it is a big opportunity but even the best game is making less than 20 Crores of revenues so that clearly is a very big disconnect there so what is exactly we need to do to tap that potential? That would be helpful Sir.

Manish Agarwal: If you look at our retention let me answer that. Day 30 retention is in the range of 9% to 11%, which again is in the top 5% percentile. Typically, your casual games have 3% to 4% to 2% kind of retention on day 30. If you look at day 365, we have almost 1% plus retention. Retention wise you have got your power users, which play and if you look at month four and month five you are talking about 8% to 9% retention. So, retention engagement time spent is all done. User base IP creation is all done. Your question is absolutely valid that in a country like India where cricket is a religion, why is this game just a \$3 million game and what has the company done for the last six, seven and eight years and Nazara for the last three years and why is it not scaling. There are fundamental three to four points. India in app purchase is a 2-2.5 year story after demonetization and Jio launch. It is not a 9 - 10 year old story. It is two and a half year story. Just to give you some perspective, 2018 Indian IAP revenue was \$50 million total and today that has increased by 10x. It is a half a billion. If you look at comparison to US, which is \$10 billion and China

which is \$14 billion only mobile gaming I am talking about since I am comparing mobile to mobile. So you could clearly see the India market is at a very nascent when it comes to in app purchase and then when you are talking about the games which are making this \$0.5 billion, you are having BGMI, you are having Free Fire, the global games with global communities contribute to 70% to 80% of their revenue, because it is the same phenomenon of 1990s that the TV was nominated by American content. It is a very nascent market and nascent business. What you are really looking at is a 450 million total addressable market (TAM). In that TAM you are a 70% leader with a very strong engagement retention and now the task is to cut out to unlock that value of converting paying users to paid users. The habit of paying in India is growing very fast. You have 70 to 80 million players out of 480 million people, which are paying today. Now that itself is very low conversion at a market level. Now within cricket since you get all sorts of users your conversion will be lesser than the global games because you have more affluent users kind of coming into those kind of games. So there are intrinsic, infrastructure factors, which were holding this market back. Those infrastructure factors have evolved and opened up in the last two and a half years and now as gaming paying behavior within games per minute, to 200 to 250 million people in the next three years we will see the growth of home grown formats like cricket to take off and that is where the key task is to really build an IP engagement retention and leadership and that is where a sports and nation games take lot of time because you are trying to simulate the real life experience of how you play cricket and all of us have a very strong opinion on cricket and we are very finicky about the simulating that experience so this game has got that right. Now as the market really evolves, our own capability to really improve game design and focus from an in app purchase point of view rather than just advertising point of view is what we have demonstrated in the last one where our conversions from 0.02% has moved to 0.12% by launching a new game and it is a journey we had begun and we are far, far away from saying that we have reached even our intermittent milestone.

Adit Shah: If I were to ask you say over the next five years what kind of scale you want opportunity to achieve in terms of revenues would it be possible to share that?

Manish Agarwal: I think it would be absolutely crystal ball gauging and I would avoid that.

Adit Shah: Sure just one last question WCC was really mobile game because it is a very hardcore simulation game or do you want to replicate to the platform the consol or PC?

Manish Agarwal: It is purely function of the business. It is purely function of where you see your revenues coming. The quality of the game for us it is a six to nine months effort to port to a PC and a thing because the animation graphics gameplay everything is of PC quality. The key question is why we should do that. Is there a large user base on PC in India or South Asia right? If you are saying that listen if there is a large base of people who want to play then do

it, but if you believe that the India, South Asia is going to be remaining a mobile first and mobile only large market and that is where the revenues are being built even on global games in India. I think PC becomes a debatable strategy should you really spend even very small money and effort on that.

Adit Shah: Any other genres you will be interested in within freemium say like sports or cricket or other genres?

Manish Agarwal: Our view is very simple that we have demographics of 14 plus male and we have women gamers. These are the two key demographics in which we want to acquire more and more gaming IPs and that is what we will be looking at through M&A.

Adit Shah: Thank you so much for the answers. All the best.

Moderator: Thank you. The next question is from the line of Nitin Jain from FairView Investments. Please go ahead.

Nitin Jain: Thank you for the opportunity again. So I have a question related to the Kiddopia so given that the policy change happened in April have our spends resumed to what they were prior to the policy change or will it take some more time?

Manish Agarwal: Spends are increasing every month. Have they reached to the pre policy change? No. Will they reach? Yes.

Nitin Jain: Is it possible to provide Kiddopia's market share in the US market?

Manish Agarwal: You can extrapolate it. The total viewership is around 25 million kids of 2-6 in the US. Roughly a million samplings is what Kiddopia has happened so we are roughly 4% to 5% market share in terms of sampling. That is how you can really arrive at it.

Nitin Jain: It sounds good. Thank you.

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

Depesh Kashyap: Thank you for taking my questions. Sir the media rise revenues seemed to have not grown Y-o-Y, any reasons for the same and if you can also give a comparison of the number of the number of white label events that you did in this quarter versus and what was the revenue contribution on the sponsorship and this eSports if you can give please? Thanks.

Manish Agarwal: If you look at the media revenues, it would not have increased predominately because of your COVID. Your live tournaments, your viewership for brands on the OTT platforms to really launch and go very big has been a very tame affair. So I see that really happening and increasing as the viewership continues to increase more and more money will come, into this segment. On the number of white label events, how many did we do and how many actually we did last quarter, I need to get back to you because I do not have that exact numbers with me, but SGA can give it you offline and post it as part of the earnings call transcript we can do that.

Depesh Kashyap: What was the revenue contribution sponsorship in this quarter?

Manish Agarwal: The sponsorship is purely a function of marquee events. If you see Nodwin business, it is very loaded towards Q2 and Q3 especially Q3 and that is where you will have your India premiership happening. You will have other IPs happening because that is the timeframe when the festivities are around. There are no exams. So October, November and December is always a big quarter and if you see last year also that is what you will see and then pushing into January and February. Q1 and Q2 let us say 40% first half and 60% second half is what Nodwin revenue distribution will be. There is always a seasonality.

Depesh Kashyap: Got it Sir. Secondly Sir if you can highlight what kind of partnership you have with RIOT Games for this new IP? Is there any license fee or revenue sharing arrangement you can talk about and also Valorant as I understand is a PC game so do you think it can become big in India given that we are largely a mobile based game market?

Manish Agarwal: You know my view on mobile versus PC. I think PC has a very strong dedicated community, but it is not in volume. I was myself surprised in spite of being a PC game the viewership is tight which means that you are talking about a very highly engaged game base when you are doing the eSports tournaments versus a large volume-based events which would happen in BGMI and other games. As far as the relationships with the publishers and not just the riot in this case when you build these IP it is a symbiotic relationship between publisher and you. You either pay to the publisher as revenue share or licensing fee because the popularity that when you create the best things competing for the championship of India, it really spurts more and more people to go and play their game and do more in app purchase, so truly publisher makes money while creating more aspiration and that aspiration is created by us and we make money through monetization, through brands and media apps.

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



Nazara Technologies Limited
August 02, 2021

Nitish Mittersain: Thank you. Just want to summarize by saying that we are now at the inflection point in the gaming industry where I strongly believe the Unique Nazara DNA as well as the friends of Nazara Network Strategy will help us leverage and grow on the back of strong tailwinds in the gaming industry and we really look forward to the exciting times ahead.

With this I would like to thank everyone for joining the call. I hope we have been able to answer your queries and if there is any further information required kindly feel free to get in touch with us. Thank you very much and have a good day.

Moderator: Thank you. On behalf of Equirus Securities that concludes this conference. Thank you for joining us. You may now disconnect your lines.