

August 03, 2023

To,
**Listing Compliance Department
BSE Limited**
Phiroze Jeejeebhoy Towers
Dalal Street,
Mumbai - 400 001.
Script Code: 543280

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

Subject: Transcript of the Investor/Analyst Earnings Call held on Monday, July 31, 2023

Dear Sir/Madam,

In furtherance to our letter dated July 31, 2023 regarding the audio recording of the investors earnings call for the quarter ended June 30, 2023, please find enclosed herewith the transcript of the said call. The Transcript is also available on the Company's website i.e. www.nazara.com.

We request you to take the same on record.

Thanking You,

Yours faithfully,

For **Nazara Technologies Limited**

Varsha Vyas
Company Secretary and Compliance officer
Membership No. - 57238

Encl: A/a



“Nazara Technologies Limited
Q1FY24 Earnings Conference Call”

July 31, 2023



MANAGEMENT: **MR. NITISH MITTERSAIN – JOINT MANAGING
DIRECTOR AND CHIEF EXECUTIVE OFFICER**
MR. SUDHIR KAMATH – CHIEF OPERATING OFFICER
**MR. RAKESH SHAH – GROUP CHIEF FINANCIAL
OFFICER**
**MS. ANUPRIYA SINHA DAS – HEAD OF CORPORATE
DEVELOPMENT**

MODERATOR: **MR. GNANASUNDARAM SAMINATHAN – AVENDUS
SPARK**

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 31st July 2023 will prevail



Moderator: Ladies and gentlemen, good day, and welcome to Nazara Technologies Limited Q1FY24 Earnings Conference Call hosted by Avendus Spark.

This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

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. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sundar from Avendus Spark. Thank you, and over to you, sir.

Gnanasundaram: Thank you. Hi all, greetings from Avendus Spark. We welcome you all to the 1QFY24 Conference Call of Nazara Technologies Limited. The company would be represented by Mr. Nitish, Joint Managing Director & CEO; Mr. Sudhir Kamath, Chief Operating Officer; Mr. Rakesh Shah, Group CFO; and Ms. Anupriya Sinha Das, Head of Corporate Development.

Thank you, and over to the management.

Nitish Mittersain: Good morning, everyone. A very warm welcome to all of you to Nazara Technologies Q1FY24 Earnings Call. This is Nitish speaking here. We have uploaded our results presentation on the exchanges, and I hope all of you have had an opportunity to go through the same.

We are happy to share that this is our 10th quarterly results since our IPO, and we have delivered consistent year-on-year growth in revenues and profits, demonstrating the stability and long-term compounding opportunity that Nazara's diversified gaming platform provides.

For the first quarter of FY24, we have reported revenues of INR 254.4 crores, which is up 14% year-on-year, EBITDA for the quarter increased by 10% year-on-year to INR 33.1 crores and our PAT increased to INR 20.9 crores, which is up 31% year-on-year.

In the gaming segment, we owned several renowned IPs including Kiddopia, Animal Jam and World Cricket Championship, targeting diverse consumer demographics. In this quarter, we witnessed an impressive 24% year-on-year revenue growth and a substantial 41% year-on-year growth in EBITDA for our gaming segment with a healthy EBITDA margin of 24.6%.

Our strategic focus lies in owning well-recognized IPs in gaming that cater to both the Indian home market and global audiences, especially in North America. This approach enables us to build a scalable and sustainable high-margin business. The success of our games has



demonstrated India's potential to create and operate games for the global market, presenting us with a significant opportunity to capitalize on in the future. We remain committed to investing in and acquiring Indian and global gaming IPs and are currently in discussions with various gaming studios to further strengthen our portfolio.

In eSports, we saw 15% revenue growth, and we anticipate further acceleration of this growth in the coming quarters, especially in the Nodwin business due to key launches in Q2 and Q3 of our established IPs, including the recently announced BGMS, which we have partnered with Star Sports and Rooter, DreamHack, NH7, among many others. Sportskeeda delivered exceptional performance with a 52% year-on-year growth in both revenues and margins (52% year-on-year growth in Revenues and 55% year-on-year growth in EBITDA) and we look forward to our continued performance, especially in Q3 and Q4 due to important sporting events coming up like the Cricket World Cup as well as NFL season that will benefit our recently acquired Pro Football Network business.

The Adtech business is solely comprised of Datawrkz had a muted quarter and is expected to consolidate in FY24, while we lay a foundation for FY25 and beyond. We have started leveraging Datawrkz capabilities for internal user acquisition, and we are seeing very encouraging results, especially in our game, Animal Jam. I believe we now have the stage set for higher revenue growth in the coming quarters across all our business segments.

Nazara has built a well-diversified gaming platform with an established track record of acquiring and scaling businesses post acquisition. We have built an experienced internal M&A team that is looking on creating a strong pipeline of opportunities in various segments that we operate in. Again, with a strong focus on adding gaming IPs and teams to our platform.

I understand that many of you may have questions regarding the recent regulatory and tax announcements concerning the online skill-based money gaming sector in India. As stated since our IPO, we have chosen to exercise prudence and await further clarity in this area before scaling-up. This approach has been proving to be beneficial for us, especially regarding the current turbulent situation that the sector is navigating.

Now with the clarity starting to emerge, there may be opportunities for Nazara to seize in the coming days, especially as the business model, including our RMG segment settles and aligns with the new policies and regulatory framework. We closely monitor these developments and remain prepared to take action accordingly. Feel free to ask more detailed questions during the Q&A around this topic.

Finally, as you know, we have also taken an enabling resolution from our Board and now seeking shareholder approval for a fund raise of up to INR 750 crores. We intend to raise these funds at an appropriate time, and we'll keep you posted as we progress on this front.

I would now like to hand over the call to Anupriya, Head of our Corporate Development to give some highlights of our performance in this quarter. Thank you very much, and over to you, Anupriya.



Anupriya Sinha Das:

Thank you, Nitish. Good morning, everyone. Thank you for joining us today. I will cover the segmental performance, as Nitish mentioned.

Starting with our gaming segment, which includes gamified early learning, real money gaming, freemium and telco sub-segment. This segment contributed to 43% of revenue and grew by 24% year-on-year in the first quarter. The EBITDA margins for this business is a robust 24.6%. If we move to Kiddopia, the revenue grew by 10% year-on-year for the Kiddopia business, while EBITDA increased to INR 16.1 crores from INR 9.7 crores in Q1 FY23, resulting in an EBITDA margin increase from 18.4% to 28% in Q1FY24.

During the quarter, there was a technical issue with our attribution partners, which temporarily disrupted our marketing campaign and led to higher cost of user acquisitions. However, the issue has now been resolved and we expect normalized CAC and marketing spends going forward.

Moving on to Animal Jam, which we acquired in August 2022. Since acquisition, we have worked on multiple things, first and foremost, improving the analytics back-end to get actionable insights as well as improved cadence for content updates. In addition, we have optimized the non-core cost, which has led to improvement in EBITDA margin from 11.6% in Q4FY23 to 22.5% in Q1FY24.

Datawrkz has been working with Animal Jam for driving and optimizing the user acquisition spends. In the next phase of growth, we are looking to further scale-up the user acquisition spends while maintaining profitability.

Moving to World Cricket Championship. We are working on revamping the franchisee. Christopher Franklin who joined WCC as the CEO, has over 20 years of experience in game design and studio leadership across GSN, EA among others. Chris is working on several product and growth initiatives to set the stage for growth in the coming quarters.

Moving to OpenPlay, Q1FY24 revenues and EBITDA from Classic Rummy was INR 11.2 crores and INR 0.2 crores of EBITDA, respectively. As you are aware, Tamil Nadu banned all rummy games which includes skill-based real money games like Rummy in April 2023. Tamil Nadu contributed to 20% of revenues and active player base in FY23 and Q1FY24 performance saw an impact due to the same.

Reiterating our skill-based RMG business contributed to 4.7% of revenue and 0.5% of EBITDA in Q1FY24. Nazara's pragmatic approach and limited exposure to this segment have minimized impact to our consolidated financial performance. To the extent required, as Nitish mentioned, the company will proactively take steps to mitigate any further impact.

Moving to our eSports segment, which contributed to 46% of our total revenue and grew by 15% year-on-year. Looking at Nodwin, Nodwin reported revenues of INR 68.6 crores with an EBITDA of negative INR 4.8 crores in Q1FY24. Key IPs were deferred to Q2FY24 to take advantage of market opportunities of the key mobile game coming back. The revenue from this IP will reflect in upcoming quarters, including Q2FY24.

In line with the previous year, established IPs are currently planned in H2, Nodwin continued to scale newer IPs in this quarter, which is still in the investment phase. This along with increased marketing and brand spend in the gaming accessories business ahead of the upcoming festive season had a short-term impact on Q1FY24. So, for FY24, we expect Nodwin to achieve healthy growth backed by overall profitability.

Moving to Sportskeeda, which reported revenues of INR 46 crores, a 52% year-on-year growth and an EBITDA of INR 16 crores, 55% year-on-year growth in Q1FY24. Sportskeeda is among the top 10 multi-sport destination in the U.S and ranks number two among the sports websites in India. The company caters to over 80 million monthly active users across markets. PFN, the business which was acquired by Sportskeeda in Q4 FY23 has been integrated well and is geared up for the upcoming NFL season.

Our Adtech business was acquired in April 2022. Over the last year, we've been focusing on higher-margin business clients and simultaneously expanding our client base to minimize dependency on a few customers. This has resulted in overall gross margin improvement from 18.4% in Q1 FY23 to 22.9% in Q1FY24. There was a revenue degrowth of 16% in Q1FY24 due to loss of one large however, low margin contributing client. With strong emphasis on high-margin and diversified client base, we expect revenue and EBITDA growth to pick up from Q3 onwards.

With this, I'll close my remarks here, and we'd like to open the call to Q&A. I would request Nitish, Sudhir and Rakesh Shah to join me for the Q&A.

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

Nitin Jain: So I have two questions. First one is regarding Animal Jam. So can you provide the numbers on what has been the revenue growth year-on-year in this business? Because I can see quarter-on-quarter, the revenues have stayed flat.

And the next question is regarding Kiddopia. So would it be possible to elaborate on the issue faced by Kiddopia in this quarter and how it has impacted subscriber growth? And the follow-up to that is what kind of subscriber growth we can see in Q2 and Q3? And would the margins come back to the last year's same quarter level?

Nitish Mittersain: So, for Animal Jam, we did not consolidate revenues in Q1 of FY23, which is why we've not given the comparison with that. However, if I were to focus on what's happening on Animal Jam, as we have also updated in the presentation, there's been a lot of back-end work that has gone-in in the last few months since we acquired the company to enhance our insights into it as well as improve monetization features of the game so that our LTV/CAC in that business increases significantly.

On the second hand, we have been working very closely with the Datawrkz team to optimize the user acquisition. And I think we presented quite some details in the presentation on how we are doing that and the benefits that we are starting to see. In the meanwhile, what we have done surely is, focused both on the cost side of operations of this business as well as optimize our



margins. So you would have seen that even sequentially, in our margins, our EBITDA margins have increased from 11.6% to 22.5% in this quarter. And I think we should be able to at least maintain these margins going forward when we start ramping up our user acquisition and growing the overall revenues. That's on Animal Jam.

On Kiddopia, we basically had this issue with Google ad platform, where there were certain changes and that caused a temporary interruption in our ability to spend effectively. That got resolved in early June and therefore, we think we will normalize the spend as well as the CPT or the CAC that we track in coming quarters, as said positive impact of it in Q2. We believe that with this normalizing, you will again see subscriber growth happening in the coming quarters and we are also experimenting now with further monetization methods, etc., to increase our overall ARPU. I hope that answers your question. Happy to answer any follow-up questions you may have.

Nitin Jain: Yes. Just a follow-up on the margins. If we go back to our usual quarterly spends, where do we see the margins going back to?

Nitish Mittersain: I think Kiddopia is, today we should look at a 22%-23% kind of margin range because we need to kind of balance margins along with growth. So if we do get a good opportunity to scale-up at costs that we are comfortable with, will definitely prioritize growth as well. So I think 20% to 23% on a steady state is what we should look at.

Moderator: Next question is from the line of Rohan Nagpal from Helios Capital Management.

Rohan Nagpal: A couple of questions. One, there have been a number of acquisitions that have taken place over the last year. So would it be possible to break-out the growth numbers for gaming and eSports on a like-for-like or organic basis.

And my second question was on Kiddopia. Your subscriber numbers have been more or less flat. So are you seeing some sort of -- are you seeing like a plateau or a high plateau in terms of the subscriber rate or do you think there is possibility to expand this further. So those are two questions from my end.

Nitish Mittersain: On the eSports business, we are seeing a steady 30% to 35% organic growth on an annual basis. And I think we will continue to maintain that as many of our IPs start maturing. We will continue to see that. In addition to that, any M&A activity that we do, we'll add to that business. And as you also know, Nodwin Gaming has recently closed around a funding of about \$28 million from existing investors as well as Sony Corporation.

And you can expect to see more M&A activity on that front. On the gaming side, the only acquisition that was not there in the previous quarter was -- sorry, the year-on-year quarter Q1 FY23 was Animal Jam. Everything else is organic for us at this point of time. Your second question unfortunately actually broke up a bit. Can you just summarize the question for me, please?

Rohan Nagpal: Yes. On Kiddopia, you seem to have hit a sort of all in terms of subscriber growth, it sort of stayed at that 300,000, 310,000 number for a while. So are you seeing market saturation or do you see scope for sort of breaking through that into a slightly higher level?

Nitish Mittersain: Yes, sure, of course. So just to give you the perspective, right, over the last many quarters, obviously, we had hit the plateau and actually even declined due to the Apple IDFA issue. But we took several steps, which was one was doing price increases and also getting LTV/CAC that we were comfortable with to start spending more and acquiring more users. So, for Q3 and Q4 of FY23, you actually saw increase in subscriber base after a plateau for a long time.

So we saw 5% growth in Q3 and 1%-2% growth in Q4. We were expecting that momentum to continue and start growing. However, like we mentioned, Q1FY24 saw a technical interruption, which kind of held it, but we expect the growth to continue. I don't think we are anywhere close to market saturation.

There is a much larger opportunity here with to Kiddopia. We've just been very disciplined on, I would say, the LTV/CAC equation that we want to maintain. And that said, we are working on how can we scale this much higher. The team is very much on that. Just to give you a perspective, right. In the U.S., there are 23 million kids in the 0 to 5 age group, maybe a little higher that will be expanded to the 2 to 8 age group. Kiddopia has 300,000 subscribers. There's a lot more that you can cover.

Moderator: Next question is from the line of Bala Murali Krishna from Oman Investment Advisors.

Bala Murali Krishna: So regarding the Nodwin, could you see any margin improvement in the upcoming quarters of this financial year?

Nitish Mittersain: So two things. One is this quarter, you saw actually an EBITDA loss for two reasons. One is we consciously decided to defer one key launch of ours into Q2 because of BGMI coming back, we thought we would see much more traction in Q2 and we've announced a large event, BGMS where we have partnered with Star Sports, we are going to be telecasting it live from August 4 onwards and also OTT players that are broadcasting this.

So I think that impact we will see in Q2. The second thing in Q1 was that we spent aggressively on branding and marketing activities around the gaming accessories business, Wings, because Q2 and Q3 are the main peak season for them because of Diwali, etc., and they are kind of preparing for that. So you will definitely see the margins improve in Q2, Q3, Q4 as revenues grow. You will also see I can assure that our objective of running all our businesses in a profitable manner continues and Nodwin will be profitable for the entire FY24. So Q1 EBITDA loss is not representative of what will happen in the entire year.

I think for an overall perspective, our objective in FY24 still is to get the accelerator or strategic growth, creating Moats, creating an ecosystem. So we are not running for very high margin expansion for FY24. I think FY25 onwards, we will be focusing on that.

Bala Murali Krishna: And one more thing regarding Sportskeeda. So we have good growth and some good events are lined up in the next coming quarters. So what kind of growth we are expecting in coming quarters

and down the line 2, 3 years, what could be the growth potential in Sportskeeda and margins, any projections please?

Nitish Mittersain: Yes. So I don't have any specific numbers to share at this point of time. However, like I mentioned in my opening remarks as well, we believe that the rest of the year should be very good for Sportskeeda and they should continue to see growth. Also, it's important to note that Sportskeeda had acquired Pro Football Network in the U.S.

Q1 is an off-season for Pro Football Network. It starts picking up from mid of Q2 and the peak season will be Q3, Q4. So, I think that, along with the Cricket World Cup should really help us in the current FY24. I think for me, the bigger picture is that team that has done a fantastic execution up to this point. But for expansion, I believe, Sportskeeda will be a great platform to roll-up many other similar properties like they have done in PFN.

So we are really excited to see how this integration with PFN and performance of PFN after Sportskeeda investing or taking majority stake plays out. That will kind of open-up many more opportunities for us going forward and fastens scale-up that we can do.

Bala Murali Krishna: And lastly on Kiddopia. I mean, this margin can be continued for the next year, this quarter or next quarter. So is there any possibility to see a decline in margin and on freemium side, the revenue, margins are very good, but is there any -- the revenues are a little bit consistent over the last few quarters. So is there any possibility to see any uptick in these revenues?

Nitish Mittersain: So, on Kiddopia, I would say the 28% margin that you are seeing in this current quarter is also obviously a bit higher due to lower spends, right? And therefore, I would factor-in normalizing of this margin that we again increase our spends to acquire more users. So like I answered earlier, 20% to 22%-23% is the margin range we should be looking at for the entire year.

Coming to the freemium business, I believe is the own high-quality gaming IP like we have already Kiddopia, Animal Jam, World Cricket Championship. There is a lot of potential in these IPs that can be unlocked. Today, we are just monetizing the obvious ways like in-app purchases, advertising and subscription, but many more opportunities can be unlocked in terms of monetizing over a period of time.

So our focus is to make sure that we are building and acquiring very high-quality IP that can be built over a period of time. Gaming business in general should remain a high-margin, scalable, sustainable business, and that's why we're very excited about it.

Moderator: Our next question is from the line of Jinesh Joshi from Prabhudas Lilladher.

Jinesh Joshi: So my question is, for what sum have we sold the digital and TV rights for BGMI Master Series 2? And will this IP be profitable for us? And a follow-up to this is that apart from BGMI, which other game has this kind of a strong fandom from a viewership standpoint? And are we organizing any event surrounding it in the near future?

Nitish Mittersain: So as far as the BGMS deal is concerned, this is a 3 season deal with Star Sports, we are in season 2 right now. And on the digital, we have licensed it for one season with the OTT player.



The BGMS is already a profitable IP for us. You will also see it being profitable for us in Q2. We saw a fantastic response in the season 1 that we did last year, and we expect to see a much better response in this current season that starts on 4th of August. The second question, can you please just repeat it.

Jinesh Joshi: Any other game apart from BGMI, which has this kind of fandom and are we planning to organize any events around it.

Nitish Mittersain: Yes. I mean we've done a lot of work around Valorant, and we are starting to see that buildup. Of course BGMI is extremely popular in India. And there are other games that we are also expecting either to come back or become more popular going forward. So we are doing a lot of work around Valorant for example in South Asia and the whole cities. The game is going to be released at those promising is Counter Strike 2. So we'll also wait and see how that performs.

Jinesh Joshi: Sure. And sir, secondly, I have a question on the ARPU of Kiddopia. So if I remember correctly, we took one price hike in June last year. And then there was another one in the month of December as well. So I understand that the benefit of price hike will be visible over a period of time as new subscribers come in at a higher price and the old ones get weeded out. However, if I look at our ARPU over the last 4 to 5 quarters, it has been relatively stable in the band of about 6.7 to 6.8 despite seeing major price hike. So how should one think about the growth in ARPU here?

Nitish Mittersain: Yes, sure. I'll ask Sudhir, our Chief Operating Officer to answer this one.

Sudhir Kamath: Hi. I think what we're seeing is that as the price hike was taken and it takes a bit of time for it to build it because old users continue to renew at the earlier rates. There's also a small mix change from monthly to annual subscriptions where we reduce churn, then that locks in at a slightly lower rate. So what you're seeing is because of that, so far, ARPU growth has been muted, but we expect that to keep building and continuing in the coming quarters. Does that answer your question?

Jinesh Joshi: I just have one follow-up. So can you just give out the breakdown out of 3 lakh odd subscribers that we have, how much of them are on new ARPU and how much are on the old ARPU?

Sudhir Kamath: I don't think we've been breaking that percentage out. I'll get back to you on that. But so far, it is still a small percentage, which is on the new ARPU.

Jinesh Joshi: Sure. One last question from my side on the RMG front. This is for Nitish, so can you share what kind of impact are you seeing in the RMG space after the GST side, a tax of about 28% on the impact value. Because if I recollect in the last quarter, your average monthly active users in Classic Rummy was about 19,000 odds. So do we anticipate a fall over Tier 1 implementation happen and to what extent? And secondly, will this move also lead to any kind of reduction in platform fee to ensure that the price pool does not fall to a large extent?

Nitish Mittersain: I think we have an important announcement coming up on August 2 when the GST Council meets again to clarify certain points on the application of this tax, especially on what value is it going to get applied or is it going to be on entry fee or deposit, etc. So I think once we have full

clarity here, we will be in a better position to answer that. But nevertheless, I think there is definitely going to be a reset in the economics of the skill based money gaming business. We have already started playing out various scenarios depending on what the clarity comes in, and you will see a reset happening here.

In the short-term, you may see revenue impact. But I believe that over a period of time, the cost clarity would have finally emerged, there will be many opportunities as well that will be thrown up. And we should be able to take advantage of it. I will just share a quote, in the midst of chaos, there is always this opportunity, and that's what Nazara has been really focused on.

Moderator: The next question is from the line of Abhishek Kumar from JM Financial.

Abhishek Kumar: I think most of the questions have been answered. Just one question, again, around RMG and actually around capital allocation in the backdrop of what has changed in the regulation. Nitish, how do you see that? You said that there are certain clarities emerging. But in terms of capital allocation, do you see a change in your stance incrementally, would you be allocating more capital towards real money gaming given that the sector is undergoing significant change, at least on the unit economics of the business?

And also in terms of capital allocation, you have on fundraise plans, etc., and you spoke about some acquisitions lined up in the gaming side as well. So incrementally, I just wanted to understand where should the focus be of Nazara, in terms of incremental capital allocation?

Nitish Mittersain: Sure. So I think, as you know, we've always been focusing across our business segments on how we can expand through the acquire and build strategy, either at the Nazara level or even at a subsidiary level now because many of our subsidiaries are generating and accumulating their own cash. So each of our subsidiaries will continue doing their own allocation or capital allocation, which we very actively work with them.

But at the Nazara level, I think two areas that we were very focused on was one was adding gaming IP, which is well-recognized and can be build-out for India and global markets. So I think capital allocation on that front is going to be important for us. I think the other segment that we were definitely looking at doing a lot more capital allocation was in the RMG sector. This current turbulence obviously has made us paused and think and become much more clearer.

But I have a feeling that this may actually form-up many opportunities that Nazara has been waiting for on the guidelines for a long time. So I think the next few months are going to be very interesting. We need to observe very closely. We are already in touch with all the stakeholders in this ecosystem. And whether organic or inorganic, once the clarity has been fully achieved. I think this will be a large potential for us to stay into.

Abhishek Kumar: Yes. So just a follow-up here. I think I agree that this can throw-up a lot of opportunities. Just maybe if things remain status quo, just your view on how the industry can adjust itself. Do you think with status quo staying industry can actually withstand this and survive and only stronger players can stay, and therefore, we will have significant opportunities. Just your initial view, I know this is still very, very early days, but what are your thoughts?

Nitish Mittersain:

Sure. Firstly, unfortunately, there is still un-clarity of what is status quo today, but I think that will be very clear by August 2 in the next meeting announcement. So I think we are not very far away from that. But assuming an impact of the tax, right, I think clearly, this is going to impact a lot of the small players or the smaller players, and they will therefore have to consolidate if they have a chance to survive. That could be one opportunity.

The largest players will also have to relook at the way they operate their economics. Some will try and absorb some of the tax impact on behalf of the consumers. So their short-term profitability may get hurt for the next year or two as they kind of bounce back from this. But once they have stabilized it, I think the clarity will really help set a path to growth, which would be, I would say, a factor of multiple, right? It will grow significantly over a 3 to 5 year segment.

So I think that's what we are trying to look at that how do we now, we've always been on the sideline saying, we want regulatory clarity and tax clarity. Now that, that is almost here, how does Nazara navigate to grow a large scalable and sizable business here is what we are focused on.

Moderator:

The next question is from the line of Mukul Garg from Motilal Oswal.

Mukul Garg:

First, on this, if I look at your investments over the last 2 years, events have pushed quite aggressively into the U.S. market. But unfortunately, because of one or other reason a lot of U.S. properties are right now without growth, most recent being Animal Jam, which I think has come down in terms of top line from about INR 30 crores earlier. What is your kind of perception of the opportunity and focus which we have -- you guys have done a fairly handsome job of managing profitability there despite the lack of growth.

But where do you think you would like to focus more. Is the agenda more on the growth side, which clearly is more visible in the Indian market or do you think a lack of monetization limits your opportunity here? And hence, you will keep on kind of pushing more into developed markets where profitability can be relatively more achievable?

Nitish Mittersain:

So I think for us, always getting the fundamentals of the business in place is very important because we rush into scaling companies. So let's take WildWorks as an example. I think spending the last 6-7 months, getting a lot of data discipline and tools in place was very important for us because we don't like to press the accelerator if we don't have clear visibility ahead of us of what we are doing, right?

And I think that's what we are doing at whichever business we enter, we like to make sure that we are very comfortable with each metric of the business before we press on the accelerator. So of course, we are not buying any of these businesses to just run them on a steady basis and increase profitability. I don't think that's our objective. We have to grow these businesses. We've just been doing a lot of plumbing work before we are able to press the accelerate there.

So I do think some of these products can also be taken to emerging markets, including India. We've not focused a lot on monetizing that. I mean Kiddopia itself is a great example, right? All our monetization comes today, predominantly 80% plus comes from the U.S. India is a very small contributor. And we need to really find the India strategy that is going to work, something

we're very actively now working on because this can open-up large opportunities, which today we are not accessing. So I think that's how we are thinking.

From an India market perspective, I believe the IP business as well as advertising revenue business can be scaled-up, the freemium business can be scaled up. We've been doing work on WCC, for example, for quite some time. But now we have a new team there. We have a new CEO there who comes with a lot of gaming experience on design, especially Chris was a lead game designer.

And we've all along said that the design needs to be right to monetize properly. So we are again hopeful that we'll be able to demonstrate with WCC in the quarters to come that we are able to scale it, and that can open-up many more opportunities for us to kind of start pushing other games as well in the Indian market.

Mukul Garg: Sure. Also, just again, talking on the RMG side, do you see a potential scenario after obviously, the government decision on 2nd, that we might be kind of on the exit sort of the consolidation in some scenario or do you think there is only one way of us kind of being a buyer out there?

Nitish Mittersain: When you say exit scenario, what you mean?

Mukul Garg: We kind of exit the real money gaming market given the adverse kind of investment dynamics there.

Nitish Mittersain: Yes. So see, at this point of time, we don't have a view to exit the business. Like I said, we are actually looking at it as a glass half full instead of half empty and having a positive view on how can you build a business here given what it presents. But depending on how the final clarity comes in, obviously, if there is a policy that we feel may make the business unviable, then we will take a prudent call as required.

Moderator: Next question is from the line of Abhishek from ICICI Securities.

Abhishek: First, on the Kiddopia front. So exactly what happened, which boosted margin so much in this quarter? I understand that there were some pullback on the marketing spend because of the issue that came up. But there must have been some other changes also, I mean changes to the fixed cost model, which will be retained going ahead. So if you could give us some clarity on that.

Nitish Mittersain: Yes, sure. Sudhir, you want to take this?

Sudhir Kamath: Sure. Abhishek, think it's essentially two things. I think the bigger impact is actually because of the marketing spend side pull back. As I said, we had a small issue. If you look at the cost structure of Kiddopia acquisition is the biggest cost item, so a small pull back there also makes significant delta on that. But as Nitish said earlier, we do want to -- and as of early June, we're kind of back to normal spend levels will be back to normal. So that bump is more of one-off.

The second thing there is we are experimenting with a few other potential revenue sources that apart from up-gradation in U.S. subscription model. So once it is bearing fruit, I think those would be sustainable, so that's still in experiment.

- Anupriya Sinha Das:** Abhishek, if I may just add a couple of things. Anupriya here. So one is, if you look at the marketing spend, right, the digital marketing spend from this quarter versus the same quarter last year, they look similar. However, we were also experimenting more on the branding side at that point, which has an incremental cost, it's not reflective in the KPI sheet in particular, right? So that will even see a slightly lower margin in Q1FY23 when we compare to Q1FY24 in spite of the same performance marketing numbers.
- Abhishek:** So on the branding front, so Nitish just mentioned that you might look at bringing those assets down. So what would be the real investments that are going to be adapting such a developed market product towards India?
- Nitish Mittersain:** Abhishek, there's not much -- I mean Kiddopia is already popular in India in terms of user base. Just that it doesn't -- the LTV/CAC doesn't add up very well for us. So we don't spend a lot of money in marketing. But I think there will be not much localization required from an India perspective in terms of the product itself. It is going to be more around product pricing, monetization models. Do you do it more subscription or you do ad, brand monetize. So I think those are the areas that we need to really work on rather than trying to localize the product in India, whether it's Animal Jam or Kiddopia.
- Abhishek:** Understood. So going ahead, what kind of subscriber additions should one be building for Kiddopia.
- Nitish Mittersain:** We don't have a specific guidance out there right now. I think we will look at incremental growth at this point of time, but we are actively seeking at how do we break-out in the broad range that we are in. How do we kind of break out to 400,000, 500,000 subscribers is something we are still working on. Until then I think you will see incremental growth.
- Abhishek:** Okay. Now just one more question on the new celebrity endorsement which you did, with cricketer Shubman Gill for eSports. I understand Shubman Gill is pretty popular. But I did not really understand what is his connection with eSports. So if you could give some clarity on the thought process.
- Nitish Mittersain:** Sure. So he specifically has come in as a brand ambassador for our gaming accessories business which is Wings. It's an overlap between I would say youth icon and Shubman Gill is also very active gamer himself so I think a lot of the communication is going to be around that, leveraging him and his passion in gaming into the Wings gaming accessories business.
- Abhishek:** Got it. So I mean, is my understanding correct that you're trying to reach out an audience slightly larger than the hardcore gamers.
- Nitish Mittersain:** Yes. With the casual gamers also.
- Moderator:** Next question is from the line of Rohan Nagpal from Helios Capital Management.
- Rohan Nagpal:** Continuing with the theme of kind of understanding the metrics of the business. I want to go back to what you said about 30% to 35% organic growth. So if I look at Q1FY23, based on your presentation, if I add-up all of the units that are included in Gaming, you need to be or that adds



up to about 40% of the revenue. So even Q1 FY23 generated INR 89 crores in revenue. If I look at gaming in Q1FY24, and I net-out the INR 22 crores from Animal Jam at 87.5. So is it fair to say on an organic basis that revenue is actually shrunk?

Nitish Mittersain:

So 2 things, right? One is 30% to 35% growth that we spoke about or I spoke about also, -- I was alluding to the eSports business, question pertaining to the eSports business. I think largely, if you look at our Gaming IPs, right, you have Kiddopia, you have World Cricket Championship, you have OpenPlay business, real money gaming business, which is Classic Rummy and you have WildWorks now. These are the Animal Jam business. So Kiddopia has grown 10% year-on-year. WCC has been largely flat at this point of time.

And the negative impact you are seeing is on the RMG business because the Classic Rummy business took a hit in Q1 due to the Tamil Nadu ban because for that particular product you have you have almost I think about 20% of revenues come from that state, which were banned in early April. So you saw a sharp drop over there. So I think that's the current mix of the business. So you're right, it's kind of flattish on a combined basis, but we are quite hopeful with the work we are doing, we will start growing those businesses.

Rohan Nagpal:

Okay. And speaking of -- and the reason also, disaggregation on Sportskeeda as well was because in Q4 FY23, I think the revenue number was 28.7. This quarter, once you've included your -- the football network, all that number is 46. So what do the numbers look like on an organic basis over here.

Nitish Mittersain:

I don't have a breakup at this point of time, but just to give the right perspective, I think much of the growth has come organically in Q1 from Sportskeeda because you also had IPL in Q1 that took place. This is actually the lowest quarter or the lowest season for Pro Football Network. So there is some revenue contribution and 0 EBITDA contribution by Pro Football Network in Q1.

Sudhir Kamath:

If I may just add. Sudhir here. I think it's worth mentioning. Pro Football Network is a single sport kind of site, right? So it's only around American football or what we could call Rugby in India maybe, American football, that one. And that NFL, that season basically runs from September to January every year. So this quarter is completely kind of off season for them. So this season actually had a marginal maybe loss on EBITDA for them and definitely as Nitish said a very little contribution. So, most of this is organic growth.

Rohan Nagpal:

So this is primarily organic growth driven by IPL traffic?

Sudhir Kamath:

Not just IPL. If you look at Sportskeeda as well, more than half of the revenue now comes from the U.S. So IPL definitely is a factor, but they have grown on other U.S. sports quite significantly as well, and that continues.

Rohan Nagpal:

Could you just provide some color on like where that growth is coming from in the U.S. because it is a sizable job, right, even on a quarterly basis?

Nitish Mittersain:

Let me answer that. So just to break it up and shed some data. So Pro Football Network at about INR 2.5 crores of revenue out of this INR 45.8 crores that we did in Q1. So as you can see, the contribution was fairly limited. Growth has come from I think one is U.S. ad revenue, the

ECPMs that we get have grown significantly. The monthly active user base has grown, plus we have direct sales that have also grown quite a bit. So I think these are the key contributors to revenue growth in this quarter.

Moderator: Next question is from the line of Nitin Jain from Fairview Investments.

Nitin Jain: Thank you for the follow-up opportunity. So I'd like to talk about the employee expenses. So there is been a jump of around 60% over last year. So is there any one-off here like if you can clarify?

Nitish Mittersain: I think one is we've added many more teams, for example, you have the entire Pro Football team come in. And also you have some small one-off expenses I think, in the year, but they would not overall. So I think it's overall team addition and also WildWorks. The WildWorks team is in the U.S. So that entire team has also got added I think about 35 to 40 people. Those are the new additions to what would increase the employee cost.

Nitin Jain: Okay. And like do we see this trend going forward as well?

Nitish Mittersain: In terms of cost increase?

Nitin Jain: Yes, employee expense cost increase.

Nitish Mittersain: I mean if you were to acquire new businesses that come in with new teams, then obviously, those costs will get added on. Organically, we don't expect the team cost to increase much.

Nitin Jain: Okay. And just on the margins again. So at the end of Q4, the commentary was more in the direction of margins improving this year for the overall business. Now if you look at the 3 verticals other than gaming, the other two verticals, eSports and Adtech, they have seen a decent EBITDA margin decline. So how do we see the profitability for the rest of the year?

Nitish Mittersain: We are aiming for a margin that would be higher than the previous year, for sure, for FY24, which is on a blended basis. Again, I don't have a specific guidance at this point of time, but we expect the overall margins to be better than previous year.

Nitin Jain: To be better than FY23?

Nitish Mittersain: Correct.

Nitin Jain: And the last one is on the recent regulation change on GST announcement. So do we also see an impact on eSports because there is a profit pool involved there too. So if you could clarify.

Nitish Mittersain: No, there is no impact whatsoever on eSports because there is no wagering or there is no money put in by the consumers or players with taxation policy specifically for where money is put in to win money.

Nitin Jain: Okay. So no impact on eSports whatsoever?

Nitish Mittersain: Absolutely.



Moderator: Ladies and gentlemen, we'll take the last question from the line of Rahul Jain from Dolat Capital.

Rahul Jain: Just to understand what has happened in this case in this quarter from a Nodwin business point of view and how much of that is also pertaining to this ban-lift that happened on BGMI during the quarter? And how from a 12-month and beyond perspective, you see this business can change provided the status quo remain in terms of BGMI continuing as a game in India?

Nitish Mittersain: So in this quarter, Rahul as I have mentioned earlier, we have certain key launches like BGMS, which was accounted for in Q1 of FY23, which we kind of pushed into Q2FY23, so that we had enough time to take advantage of the BGMI coming back and launching with that. So, I think you would have seen lower growth of revenue in Q1 compared to FY23. We have growth, but not as fast as you expect Nodwin to, but that will come in Q2.

And also much of the established IPs, say, on DreamHack, NH7 Weekender, etc. will all come in Q3, Q4. So there is no positive impact of the ban-lift of BGMI in Q1. You will start seeing results of that from Q2 onwards. I think from a zoomed-out perspective, as far as our eSports business is concerned, especially Nodwin, as you've seen, we had a lot of confidence by existing partners in that space. Krafton, which is the owner and developer of BGMI has only recently reinvested in Nodwin.

So they are very committed to this partnership. You've had Sony come in again, which is a great validation for our business. So I think we're very much on the right track, building our eSports business profitably, building some of these IPs over the next year or 2 should pay off rich dividends to us.

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

Nitish Mittersain: Yes. Thank you, everyone, for joining the call. We will continue to strive hard and deliver good results in the coming quarters and stay on course to achieve profitable growth. There is a lot happening in the gaming world, a lot of new technologies coming. You have AI happening, you have web3 happening, virtual reality seems to be coming nearer and nearer. So it's very exciting times to be in this business.

I'd like to draw inspiration from a famous quote that said that the future belongs to those who believe in the beauty of their dreams. As you know, we have embarked on a relentless pursuit of our vision, making India the gaming capital of the world. For the past two decades, Nazara has persevered with un-wavering determination, and our commitment remains resolute as we continue to strive tirelessly until we transform our dream into a thriving reality. Thank you very much.

Moderator: Thank you very much. On behalf of Avendus Spark, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.