Nazara Technologies Limited



February 01, 2023

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

Scrip Code: 543280

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

Scrip Symbol: NAZARA

Mumbai- 400051.

Dear Sir/Madam,

Sub: Transcript of the Investor/Analyst Earnings Call held on Wednesday, January 25, 2023

In furtherance to our letter dated January 25, 2023 regarding the audio recording of the investors earnings call for the quarter ended December 31, 2022, please find enclosed herewith the transcript of the said call. The Transcript is also available on the Company's website i.e. www.nazara.com.

Kindly take the above said information on record.

Thanking You,

Yours Faithfully For Nazara Technologies Limited

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

Encl: a/a



"Nazara Technologies Limited

Q3 & 9M FY23 Earnings Conference Call"

January 25, 2023







MANAGEMENT: Mr. NITISH MITTERSAIN – CEO & JOINT MANAGING

DIRECTOR

MR. SUDHIR KAMATH – CHIEF OPERATING OFFICER

MR. RAKESH SHAH – GROUP CHIEF FINANCIAL

OFFICER

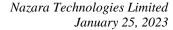
MS. ANUPRIYA SINHA DAS – HEAD OF CORPORATE

DEVELOPMENT

MODERATOR: Mr. KARAN TAURANI – ELARA SECURITIES PRIVATE

LIMITED

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 25^{th} January 2023 will prevail



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Moderator:

Ladies and gentlemen, good day, and welcome to the Nazara Technologies Q3 & 9M FY23 Earnings Conference Call, hosted by Elara Securities Private Limited. 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 and then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Karan Taurani. Thank you, and over to you, sir.

Karan Taurani:

Thank you, Mike. Hi, everyone. Good morning, and welcome to this call of Nazara Technologies Q3 FY23& 9M results con call. Please join me in welcoming the management of Nazara Technologies, which is represented by Mr. Nitish Mittersain, who is the CEO & Joint Managing Director, Mr. Sudhir Kamath, who is the Chief Operating Officer, Mr. Rakesh Shah, Group Chief Financial Officer, and Ms. Anupriya Sinha Das, who is the Head of Corporate Development.

I would now like to hand over the call to Mr. Nitish for his opening comments. Over to you, sir.

Nitish Mittersain:

Good morning, everyone, and a very warm welcome to all of you to Nazara Technologies Q3 & 9M FY23 Earnings Call. I would like to start by wishing all of you a very Happy New Year and a fantastic 2023 ahead. I have with me Sudhir Kamath, our Chief Operating Officer; Rakesh Shah, our Chief Financial Officer; Anupriya Das, our Head of Corporate Development; and SGA, our Investor Relations firm. We have uploaded our results presentation on the exchanges, and I hope everyone has had the opportunity to go through the same.

Coming straight to our financial performance, we reported revenue of INR 8,017 million in 9MFY23, which is up 80% year-on-year. Our EBITDA came in at INR 820 million for the Nine Months and PAT of INR 558 million, which is up 22% year-on-year. For Q3 FY23, we generated revenue of INR 3,148 million, up 69% year-on-year. Our EBITDA came in at INR 306 million and the PAT of 224 million, which is up 31% year-on-year. This performance is in line with our stated goal of driving fast growth through reinvestments into the businesses while maintaining healthy profitability and positive cash flows.

As we anticipated earlier and also mentioned in the last earnings call, it is heartening to see that our flagship product for young children, Kiddopia, came back on a growth path. Kiddopia subscribers grew by 3.7% in this quarter, while revenue grew by 21% aided by the price hike we had taken in the earlier quarter. We also undertook another price hike in this quarter on December 1, and we have not seen any material negative impact in our core KPIs that we track. And this makes us confident that the benefits of this action will accrue to us in the coming quarters.

I also want to highlight that our recent acquisition of Datawrkz in the ad tech space is performing well and has seen its revenues increase by 55% year-on-year to INR 1,182 million for the first Nine Months of FY23. Our businesses in Nodwin, Sportskeeda, NextWave and OpenPlay



continue to perform well. And we are working closely with the WildWorks team to ensure that they get on to a fast growth track at the earliest.

A lot of the work we do with these businesses is instilling the Nazara DNA in each of them. This includes focus on profitability, our long-term mindset and enhanced governance. As long as we continue to drive these aspects, I fully believe each of these businesses will continue to drive long-term compounding of value for us. We have also made several key hires across our business over the last few months as we see the present market downturn as a good opportunity to attract good talent for ourselves. We have recently created a special projects team that will work closely to analyze and execute new opportunities that we want to pursue, including new tech trends such as Web 3 and generative AI with an intent to use them to our advantage across our businesses.

We also continue to evaluate various M&A opportunities across the five verticals we operate in, and we will not hesitate to make fresh investments if opportunities fit our value creation framework. I look forward to the continued support of all our stakeholders as we continue to pursue our long-standing commitment of Nazara playing a significant role in India's journey towards becoming a global gaming powerhouse.

Now I will request Anupriya to talk about each of the businesses in detail. And thereafter, we will be happy to answer all your questions in detail. Over to you, Anupriya.

Anupriya Das:

Thank you, Nitish. Good morning, everyone. In terms of our segment performance, eSports contributed to 49% of revenue, while gamified early learning and Adtech contributed to 24% and 14% of revenue, respectively. Freemium and skill-based real money gaming contributed to 2% and 5%, respectively, in 9M FY23.

Now moving to eSports. For our eSports vertical, which consists of Nodwin, Sportskeeda and Publish Me, our revenue grew by 84% for 9M FY23 and 40% for Q3 FY23. During the same period, Nodwin revenue grew by 98% in 9M FY23 and 53% year-on-year growth in Q3 FY23. Nodwin witnessed growth in revenues led by offline events such as DreamHack and NH7 weekender as well as creation of new international IPs. EBITDA margins in Nodwin were lower due to significant investment made in creating these new IPs as well as negligible margin contribution by the gaming accessories business that is still in high growth track. Benefits of operating leverage will kick in as we scale revenue. Our own IPs and media rights revenue to show nonlinear EBITDA growth as IPs scale. Also, the D2C business will become even more margin accretive once brands are well-established.

Revenue growth of 59% in 9M FY23 compared to 9M FY22, owing to strong growth in revenue from the US market, where both Sportskeeda scale its video business and strengthen its offering in core American sports like basketball, American football, Tennis, etc. We saw 28% growth in MAU in December 2022 versus December 21. We also saw a significant increase in time spent from 2 minutes 48 seconds in Q3 FY 22 to 5 minutes 3 seconds in Q3 FY23.



Gamified early learning, this vertical consists of Paper Boat and Wildworks. As Nitish mentioned, we are very excited to report that Kiddopia is back on the growth track, both in terms of subscriber growth and revenues. Subscriber growth for the quarter has been 3.7%. The increased marketing spend to \$3.4 million in Q3 FY23, while maintaining CPT of \$37 per user through time optimization for the user acquisition spends.

Kiddopia has taken another price hike in the beginning of December, and we have not seen any of our metrics regress. In fact, churn has declined from 6.5% in Q2 to 5.9% in Q3. Our revenue growth for Q3 FY23 has been 21% year-on-year. Like Nitish mentioned, WildWorks is a work in progress. We have reported revenues of INR 298 million with EBITDA of around INR 19 million in 9M FY23. We are working on optimizing user spend across channels and working on product level updates to drive higher engagement and monetization.

Moving to Adtech. The Adtech revenue grew by 55% year-on-year in 9M FY23. 31 new clients were added in Nine Months period, contributing 31% of total revenue during the same time.

I now move to the Freemium segment. The revenue grew by 38% in 9M FY23 over 9M FY '22, driven by 48% growth in ad revenues and 14% growth in IAP revenues. EBITDA margin increased to 29.9% in 9M FY23 on account of revenue growth as operating expenses remained constant. We are in the process of ramping up the core team in NextWave to help drive the next stage of growth for our business.

Moving to the skill-based real money gaming asset called OpenPlay. Revenue growth of 28% in 9M FY23 as OpenPlay works on optimization of products. We also know that the new proposed IT rules, which are the first steps towards clearer regulation of this sector. As part of the public consultation, we have shared our feedback on some aspects that need further clarity. But overall, this is a great step.

Moving to the telcos. For 9M FY23, the revenue has declined by 16%, while EBITDA grew by 2%. We have been able to continue optimizing cost in this segment to drive higher EBITDA. I will close my remarks here, and we'd like to open the call for Q&A and request Nitish, Sudhir and Rakesh Shah to join me for the Q&A.

Moderator:

We have the first question from the line of Abhishek Kumar from JM Financial.

Abhishek Kumar:

Good to see growth back in Kiddopia. The first question I have is on Kiddopia. First, it looks like the growth has come at the expense of margin, which is not bad. But I just wanted to understand, we have been taking price hikes for the last couple of years. However, the blended ARPU seems to be quite stable. So I just wanted to understand what is driving this? And second, are we now comfortable with this kind of CAC, which seems to have stabilized and therefore, we can push for more user acquisition through higher marketing spend.

Nitish Mittersain:

Abhishek, this is Nitish. I will answer both your questions. So, I think if you see the ARPU, the most recent prices hikes have happened in the last quarter and starting of December. What is to



understand here is that the price hikes impact only new users that we acquire and not existing subscriber base. So you will see a trend up of ARPUs over a period of time, which you're actually seeing. If I look at Q3 FY21, we were at \$6.3 average monthly ARPU, now increase to \$6.8 on an average in Q3 of FY23. We're seeing a gradual increase. And I think the back-to-back price increases that we've done in the last few months probably shows a faster increase in ARPUs in the coming year. I think that's one point.

I think on the CAC side, we are quite comfortable with the current range of CAC, especially adjusted for the price hikes that we have done. If you also see our CAC was \$39.3 in Q1 of FY23 on a spend of \$2.7 million. We increased our spend to \$3.1 million in Q2, and the CAC actually came down to \$37.9. And in the current quarter, the CAC was down to \$37.3 on an increased spend of \$3.4 million. So I think both these trends are very positive. We're increasing our marketing spend quarter-on-quarter and at the same time, being able to optimize our CAC, which will also lead to margin expansion.

So I think overall, we are quite satisfied with the way things are playing out for Kiddopia and are very hopeful that this growth will pick up pace in the coming quarters.

Abhishek Kumar:

So just to clarify before I move on to my next question, should we build in the same level of marketing spend going forward every quarter? Or would you increase or decrease it as we go along?

Nitish Mittersain:

We would like to increase it provided we are within our guard rails of CAC. So I think if the opportunity does arise, and we are able to efficiently spend the money to acquire users, we will surely increase it.

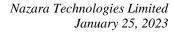
Abhishek Kumar:

Now my next question is on eSports. So sequentially, the growth was not very strong, given Q3 is traditionally a seasonally strong quarter. And my understanding, if you can correct me if I'm wrong, is because last quarter was seasonally strong for the accessory business. So given that accessory business is not very margin accretive, there should be a strong margin expansion, which has not come through. So if you can just explain me why the margins have still not gone up? And when can we expect margins to go back to historical levels of 6% to 7% in this business?

Nitish Mittersain:

So I think there are multiple things happening here at Nodwin, which is kind of suppressing the margins in the interim period. One is even in this Q3 quarter, we've seen revenues come from the gaming accessories business as well as some of the new IPs that we've launched, such as Playground, which remain today margin neutral, I would say. So there's a significant growth come from those areas, which have not contributed to margins.

Now the other aspect is really speaking, many of the real life/physical events are also coming back after a long time. And they will take I think a few quarters to get back completely up to speed in terms of efficiencies. We have introduced new games in these events because of some of the games that kind of banned earlier in the year. We focused on new games and new development of IPs around that. So I think that has also kind of hurt the margins a bit.





Our focus on Nodwin right now is to develop multiple businesses around that, putting the gamer in the center and make sure that we were able to go through that business and kind of cater to his needs on a 360-degree basis. So from our overall Nazara portfolio perspective, the way we are looking at Nodwin is to continue to drive market leadership in the key areas that they are operating in, while many of our other businesses right now focus on contributing to margins. So I don't have immediate visibility on when margins on Nodwin are going to really come back to where they were. So I would not like to give any guidance.

The last point here is also for addressing a lot of these areas that Nodwin got into. Nodwin has been hiring some senior teams and key hires over there, which have also kind of added the costs on the team side. So, I would think of these as medium to long-term investments, and we are very happy to support this business to continue to grow strategically for us.

Moderator:

We have the next question from the line of Jinesh Joshi from Prabhudas Lilladher.

Jinesh Joshi:

Sir, I have a question on eSports. I think recently, the government of India recognized eSports as a part of a multisport event. So basically, what is the implication here? I mean will there be any budgeted support from the government to train the players? Or is this move basically just a veto, so that more people take up professional gaming as a career option?

Nitish Mittersain:

Jinesh, so I think any step taken by the government to recognize eSports is a highly positive step for us. I think the multisport recognition is just one step towards what we would fairly like to see is eSports recognized as a stand-alone sport on its own feet. And I think we will get this sooner or later. And this is a good step towards that.

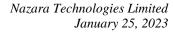
I think just categorizing and calling eSports as part of a sport, right, allows a whole ecosystem to build around it, which includes professional athletes, better training, serious participation in global events, which then would lead to increase in fan base in India. Which would mean increase in viewership, potentially helping us on media rights, etc. So I think it's a whole ecosystem building. And this is certainly a step in the right direction, and there's a lot more we want to happen.

Jinesh Joshi:

Sir, my second question is on OpenPlay. If I look at our MAU, they have declined from 27,000-odd in September to approximately 23,000-odd in December. And this is despite the fact that Google has now allowed Rummy App to be listed on Play Store. So is there any specific reason for this decline, which you would want to highlight?

Nitish Mittersain:

I think our focus has been on kind of OpenPlay, on deep diving on our valuable customers and really enhancing their ARPUs and setting our systems and our processes and our funnels right. So that as we scale our user base, we are very efficient in our operations. The update on the Google Play really is it's a work in progress. We've launched our Google Play app. However, there was a lot of friction on the KYC process, which means there's still some enhancements being done there for us to really gain benefit of it. Early signs are very positive.



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We think that the quality of customers we are getting from Google Play, the ARPUs are much better. We are recovering kind of 20% of our first-time depositor cost on Google Play app versus we normally may recover 10% in the first month when it's off Google Play. So we are very positive about this, but this hasn't gone mainstream for us. We are hoping that maybe by next quarter, we will really be able to scale up the Google Play opportunity and start showing better results from then.

Jinesh Joshi:

Can you give us some color on how WildWorks has been doing, especially in terms of KPIs because I think it had a subscriber base of about 1 lakh with an ARPU of about \$18.5. So has there been any improvement here like we have seen for Kiddopia and any specific numbers you would like to give on marketing spends here as well?

Nitish Mittersain:

In WildWorks, I would say it's completely a work in progress right now. We are trying to bring a lot of the learnings of Kiddopia to WildWorks, we are working very closely with the team. The first thing we did was bringing someone senior in the data analytics team. There were a lot of fixing to be done in terms of how we are capturing the data, a lot of the data that we were capturing earlier was not accurate.

So I think they have been kind of fixing the hygiene over there while also creating a strong product road map that we feel will be valuable to the end consumer. And lastly, we are also evaluating pricing strategy over there because WildWorks has not increased prices for a really long time and we see a low-hanging opportunity there.

So all in all, I would say there's still a lot of work going on and, therefore, a lot of the data points that we have or that we have shared in the past also and not with the right reference point. I think we are hopeful that by next quarter, we will be able to show more accurate data over here as well as positive momentum and traction.

Overall, this quarter, contribution in revenues have been strong for us, and we've seen good growth. But underlying, we see a lot of opportunities where we can work on and improve. We continue to be very excited about this opportunity with Animal Jam being a fantastic IP. And we're very hopeful that FY24, we will really see Animal Jam and WildWorks perform very well for us.

Moderator:

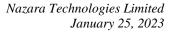
We have the next question from the line of Rahul Jain from Dolat Capital.

Rahul Jain:

Firstly, on the Kiddopia side of the business. Since now, the churn is stable declining rather despite the price hike and CAC is also getting optimized. Now what kind of growth one should see in the subscriber? What kind of anticipation one should build going into this calendar or next fiscal? Any input on that would be helpful.

Nitish Mittersain:

Yes. Rahul, it's a bit early for us to make a forward guidance on that because this is the first quarter where we kind of come back on growth. But like you rightly said, all the parameters are indicating a lot of potential declining cost per trial, increasing ARPUs and reducing churn. The





team has also done a lot of work on the product side. So I think it's not just a pricing strategy, but also the efforts that in the last year, we have put in on the product that has started to show benefits.

So, I think right now, the guidance to the team is let's not be in a large hurry to spike spend. Let's just keep doing what we're doing. As long as we are acquiring quality users at the right price that we are willing to pay, we can surely increase the amount of money that we are spending, which as you can see also in the last three quarters, every quarter, we've gone from \$2.7 million to \$3.1 million to \$3.4 million in this quarter. You've seen about a 10% increase in spend every quarter, and we will try and continue to do that.

Rahul Jain:

On the profitability side, some of this investment in the Nodwin and also the mix change that has happened. You said it is difficult to gauge how these things will keep moving. In that light, will it be a better idea to share the Nodwin core business margin separately to understand how that business is shaping up? And either identifying the revenue and margin for OML, WINGS, Playground as a separate data. Probably, that could give us a better idea. And also, any change in seasonality of this business that you foresee now given that offline is also on and now some of these businesses may not be as seasonal. So how should we see the seasonality here in Nodwin?

Nitish Mittersain:

Sure. So I think two things, like the business mix of what Nodwin right now is changing very rapidly quarter-on-quarter because there have been multiple new businesses and new business lines that have been introduced. We would like to see it stabilize before we start carving out and sharing individual line items. But surely, in the coming quarters, we will intend to do that.

In terms of seasonality, I think it's broadly the same. H2 will always be more than the H1 in terms of revenues. Although there will be some balancing because of the game accessories business, which has Q2 as the largest driver of revenues. So I think it will normalize to a certain extent. But this October, the Q3 and Q4 is the time when most of the physical events also take place because of the better weather, etc., in the country. So I think broadly, the seasonality will still continue.

Rahul Jain:

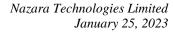
And Animal Jam I'm sorry, I missed your comment. So, when will we see the margin and growth coming back into this business, the way we would like it to?

Nitish Mittersain:

Like I said earlier, we are very actively working with the team on multiple fronts. And I think I would give it one or two quarters to stabilize before we have very clear visibility on growth. But the more we work on this product to the more we see low-hanging opportunities for ourselves. So we remain convinced that this was a great IP to buy, and there's a lot that we'll be able to do here. Hopefully, by next quarter, I will give more visibility on more specifics around that.

Rahul Jain:

So you're saying for one or two quarters, probably the margin would be low and growth would be stable? And then probably some of the action that we are taking would fructify over the coming period?





Nitish Mittersain:

Yes, because we want to make sure that we get the hygiene right? We have full grip on data. We have the right customer acquisition channels. Now we have completely given user acquisition of Animal Jam to DataWorks, which is an internal team now starting to work very actively on. So, I think the whole idea is before we start really scaling this business, we want to make sure we have a complete grip on all the levers of the business, and then we would like to do that. So I think by next quarter, we should be able to, at least, be very comfortable ourselves that we have all levers in place. We kind of addressed all the low-hanging opportunities.

And then once we are satisfied with the potential LTV, lifetime value and the cost of customer acquisition across multiple channels, we will start scaling this business up.

Rahul Jain: Lastly, if I can just squeeze in one, which is on the Adtech side of the business. Here, we are

seeing consistent growth but margin is coming off. Is it because of some pricing pressure given

the macros we are in?

Nitish Mittersain: No, we've not seen pricing pressure, but I think a lot of new customers have been added as new

customers scale, where we see overall better margins. So I don't think it's much to do with pricing pressure. The company has grown fast introductorily we do better pricing for customers until

they get to a certain scale. So I think that's what's being demonstrated on the margins.

Rahul Jain: So 8% to 10% is the range that we should keep in our mind for this business?

Nitish Mittersain: At this point of time, yes. I think there will be many ways for us to optimize and increase its

margins. We will focus on this in the coming year.

Rahul Jain: I think you've done exceptionally well on the gamified business side and the metrics are very

encouraging. I hope you have a very great year forward.

Moderator: We have the next question from the line of Mukul Garg from Motilal Oswal Financial Services.

Mukul Garg: A very broad-based growth and a good job this quarter. Had a couple of quick questions. First,

the core growth in Q3? Because Q3 historically, is the strongest quarter. But this time, you had mastered in Q2, you had accessory seasonality, which played out. While Q3, NH7 and multiple other offline events also started. So how should we look at seasonality? Q4 has been the low season because of exams and other issues, which kind of acted as headwind. Has that been going away now and will it be more broad-based? So with the kind of performance in the Nodwin

a bit following up on Rahul's comment on Nodwin. Is it possible to give a sense of what was

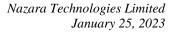
business being more broad-based than Q3, heavy kind of impact given the multiple events, which

will be there across that year in the offline model?

Nitish Mittersain: Yes. I think more or less, yes, I would say, Q4, for example, with more events will also do better.

Q1, Q2, we'll also see better. So I think overall, like I was saying earlier as well, we will see more normalization across quarters. We still think, at least, into FY24 Q2 were larger share, but

if you see the percentage may drop vis-a-vis H2 vs H1 and in a sense, may normalize a bit.





The mix is rapidly evolving. We think events will continue to grow especially now with as you were discussing earlier that better recognition of eSports, you will see much more audience coming in, much more players coming in. So I think, overall, we are very positive on physical events, online events, media rights as well as the other businesses that Nodwin has got into.

Holistically, I think this business should continue to grow into FY24. At the right time, we will, Mukul, also focus on margins. It's not that we don't want to make margins on this business. And we will keep a strong eye over there and see whatever we can do, but at the right time.

Mukul Garg:

Completely agree with you. Just a second part on the recognition angle. As far as, obviously, there has been a lot of here in the industry due to the kind of mixing up of RMG with eSports. How receptive is government to look at them separately and not do a mandatory, your registration or validation of the users?

Nitish Mittersain:

I think we are, obviously, engaging with the government and the entire industries is engaging with the government. I think a lot of the regulation right now is focused on where money in, money out is involved. And it specially focuses in that activity or the regulatory activity on the skill based RMG side. And I think that's really the key focus. I think some better definition comes out in the regulation once it's out, will be good. But I don't see eSports or our freemium business or other businesses impacted by this regulation. I don't think they are the target at all.

Mukul Garg:

So, you expect the regulations final wants to come out a bit differently from the current clubbing?

Nitish Mittersain:

Yes. I mean they put out for public opinion feedback, including the industry. And I'm sure they're incorporating reviewing all suggestions and believe the final guidelines will address concerns that have been raised.

Mukul Garg:

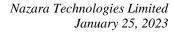
One question on Kiddopia, how should we see that flow through the price hike and the new users coming into revenues? Will the average pass-through happen over a six-month period or will it be a longer impact as previous pricing kind of gets into revenues?

Nitish Mittersain:

Yes, I think as you are seeing quarter-on-quarter, there has been an increase in ARPUs. I think over the next couple of quarters, at least, you will continue to see that because we've increased we took on price hike in the previous quarter and one price hike in this quarter. So I think we've made some good 30% increase over there, which is surely going to play out. As new subscribers come in at higher price this also therefore we, for example, aggressively scale up our marketing spend and once we are able to raise our marketing spend the ARPUs will also rise faster because the mix of the old users or these new users will change. But I think trend-wise, we are absolutely in the right direction in Kiddopia.

Mukul Garg:

Sorry, if I may take one last question on the Freemium side as most of the discussion happens on that. Your DAUs and MAUs has been fairly stable there now. I know the dynamics are not extremely favorable in that space, but you have been able to maintain a very high profitability





there. Why not pour that back into to higher advertisements to drive topline growth, given the pace that is the industry is growing?

Nitish Mittersain:

Yes, Mukul, we are making many changes and enhancements in that product right now. And you're absolutely right, in the coming months, we are very keen to increase our marketing spend and scale up the user base there. There are a lot of new updates that are going to be coming out after that. We are already starting to actually experiment with advertising. Again, we have Datawrkz set up a focus team to help us achieve that. And so one of our targets is to see how we can really scale WCC to the next level and not remain plateaued as it has been in the past.

Moderator:

We have the next question from the line of Deep Shah from B&K Securities.

Deep Shah:

Nitish, if you could just explain or rather highlight some of the events which you plan to do in this year. So I see a slide in your presentation, but what are the games that we're looking to target and scale up, given that I don't think BGMI is coming back and then soon. So one was that? And which games in India are we going to now target? Or are we looking to scale them up or create IPs? And games like BGMI where we have a good hold, they have a massive international audience also. So are we looking to host these events outside India? Any plans on that if we could just share.

Nitish Mittersain:

Yes. So two things. I think one is on what games are we focusing right now on. New State has been one game that has been well. Valorant, I think there's a big opportunity and Nodwin team is doing a lot around that. Interestingly enough, even in DreamHack, we saw a lot of success with online chess so we're also looking at that opportunity. So I think we have many games that we can play with. On the global opportunity, we are evaluating and also trying to work with publishers to do international events with them on a larger scale and perhaps those events would be also broadcast in India. So I think that's the line we are trying to take on the games that are not very active in India today.

Deep Shah:

But if I can just ask a follow-up here. So we've been organizing international events already maybe not standalone, but in partnership with others. So is that the right assessment or we've not had international events done? I mean, what has been international presence in organizing IPs?

Nitish Mittersain:

No. We have always been active in doing international events outside of India as well. And we did, for example, even the PUBG event for South Asia in Q3 of FY23. So it's not something new that we are going to do. We have always been active on it. We are doing it as we speak. And we supported Tencent in Dubai for PUBG. So I think there is a lot of activity there and a lot of growth opportunity for us there.

Deep Shah:

Nitish, secondly, on this real money gaming space. So yes, I completely buy your point that there is a lot of flux right now. But given that how polarized space has become, where do you find our sweet spot is because cricket is completely dominated by one large player and then I think they are trying to enter in other sports also. What is that sweet spot that we are looking in, Rummy or create a platform, so what is kind of blue-sky scenario there?

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Nitish Mittersain:

Yes. So I think, obviously, today Classic Rummy business that we have under OpenPlay. It's approximately INR 5 crores a month business, which from our R&D scale is extremely small. What we are really focusing on is building a very powerful platform. We brought in a new CEO in that business in the last quarter, who has also come in and worked a lot on the tools and the data that we are operating with really enhancing the funnel that we operate in.

So I think we have two thoughts here. One is how can we accelerate the growth of the business, the existing business by being more efficient by being able to target users better, by being able to generate higher ARPUs, by taking advantage of the Google Play opportunity that is presented in front of us, etc. There are many things we can do to accelerate this core business.

But at the same time, everything that we are doing to accelerate this core business, that has also become a launch pad for many other games that we can drive alongside. So that's one thing. That's an organic part of the RMG growth. The second is, I think as over the next few months as both regulatory clarity emerges as well as taxation clarity emerges, we will not shy away from consolidating other games and other players on this OpenPlay platform. Because I think in this case, liquidity sharing, etc., could be very powerful. Cost efficiencies will be there and we could actually create one plus one equal to three. So I think scaling up RMG is very much on our mind as the regulatory clarity is coming out. And we will see how we evolve this into FY24. In the meantime, organic growth is the strong force for us.

Moderator:

We have the next question from the line of Nitin Jain from Fairview Investments Private Limited.

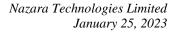
Nitin Jain:

Yes. So first of all, congratulations on the execution. My first question is on the overall business. So since the IPO of the company has maintained that it would be prioritizing growth over margins, but also make sure that the growth is profitable. But if you look at the consolidated numbers this quarter and strip out the other income we have actually made a loss at the PBT level. So my question is like going forward, how far would we be comfortable allowing the margins to dip to achieve growth? And my next two questions are on the gamified learning business.

So the pleasant surprise this quarter has been the growth in the Kiddopia business and assuming that the decline in Kiddopia subscriber base has bottomed out now. Does your revenue guidance for the year include a growth in the subscriber base? And regarding WildWorks, can you talk a little about the unit economics of WildWorks business and whether we see any opportunity for price hikes here as well?

Nitish Mittersain:

I'll answer all three questions for you. The first one, I'm not sure I grasped properly because our EBITDA was INR 30.6 crores at the consolidated level and other income is not included in EBITDA. So I'm not sure whether I misunderstood your question. I'll just answer the other two also and then we can come back to the first, if you wish. The second one in terms of Kiddopia. Yes, absolutely, we've grown 3.7% on our subscriber base this quarter, after many quarters of





flatting out in some couple of quarters of drifting. So I think we are very excited about seeing the growth coming back.

Given all the units are trending positively, we have encouraged the team to scale spends and grow the subscriber base. So we should continue to see subscriber base growth. I won't be able to put specific numbers there right now because it's the first quarter of growth. And we need to see how this is trending over the next quarter or two.

In terms of WildWorks unit economics. Like I said previously, there's a lot of work in progress, a lot of different things happening and a lot of moving parts. So I think it's a bit premature to get into a lot of specific unit economic survival. But at the right time, once things are stable, we will start presenting almost exactly the same KPIs and unit metrics that we provide for Kiddopia, given that both businesses are very similar.

Lastly, I very much think that there is a lot of potential to increase pricing in WildWorks. It's been untouched for maybe the last two, three years, and there are many different ways to do it, and it's all work in progress right now.

So just to clarify my first question. So while we have been flat at the EBITDA level, so at the PBT level, if I strip out the other income on its own, the business has like made a loss this quarter. So because of the significant margin decline. So if you can just clarify that, please?

Nitish Mittersain:

Nitin Jain:

Moderator:

Ankit Zope:

I think there are two things here. One is on the EBITDA level, we are flat. That I think is okay for us. We've done INR 306 million or INR 30.6 crores consolidated EBITDA versus INR 30.3 crores EBITDA at the previous quarter year-on-year. Our thinking seems as long as we are going in the right strategic direction, while maintaining profitability and cash flows, we are okay with it. I think one thing is on the back, you must realize that we take a fairly large amortization of the acquisitions that we have done, which are non-cash amortization. So I think from a PBT perspective, that kind of colors it a bit. But even then, I'm seeing on my numbers, I'm seeing a PBT of INR 285 million or INR 28.5 crores, other income of INR 11.5 crores. It is still positive. So I'm not still very clear why you're seeing the loss.

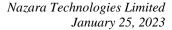
Nitin Jain: I'll take it offline, thanks.

We have the next question from the line of Ankit Zope from JM Financial.

Congratulations on a great set of numbers. I have couple of questions. First one, on the unique wagerers count in the RMG segment for last quarter, it was around 27.7k. I think this quarter you did not disclose that in the presentation. Can you give the number for the recent quarter that

ended?

Nitish Mittersain: It's already in the presentation of 23,690.



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Ankit Zope:

And then second question on the Adtech front. So Adtech is usually, this business is seasonal. Third quarter, it seems to be a seasonal quarter for all the businesses. So, in the fourth quarter, would that growth remain there? Or what is the growth that you are targeting?

Nitish Mittersain:

So Adtech, you're right, October- December because our Adtech business that has focused in the US and the October to December runs up into Christmas. So brands are spending the most during this and then they drop off the spends in the first quarter of the year or for Q4 for us, the spend definitely drop off. So there is seasonality that builds up in Q3 and then normalizes in Q4. And you will see the same thing happen this year as well. But on an overall basis, we will continue to see a good growth year-on-year on this business.

Moderator:

We have the next question from the line of Pranav Mashruwala from Dolat Capital.

Pranav Mashruwala:

Just a quick question on Sportskeeda. So I think the revenue runrate for Sportskeeda could have been better given the seasonality. And even the margin profile when we compare on a Y-o-Y basis, they have declined a bit. So can you just give a sense of how you're seeing Sportskeeda? Any takeaways were specific to this Q3 quarter?

Nitish Mittersain:

Yes. I think we continue to see good growth overall on Sportskeeda and we're satisfied with that. The margins are, I think we've also opened a new sports where we have built teams on some new areas that we are investing in. So I think some of the margins are potentially, would be slightly lower because of new investments that we are making in teams and content, etcetera. If you see our growth in terms of the average MAU that has also steadily increased. Even in this quarter, it's 76.9 million, up from 72.8 million. So I think overall, it's a healthy business. We continue to be very happy with it. And we continue to invest in new areas within that to see how we can drive growth for FY24.

Sudhir Kamath:

This is a Sudhir, here, Nitish, can I just add a bit here?

Nitish Mittersain:

Please.

Sudhir Kamath:

So I just want to make a point that on Sportskeeda, we also had a change in the management this quarter. As you know, with Porush stepping out and Ajay step-in as the CEO or stepping up. And with that, there's also been a lot of new ideas and new directions in which we can grow this business. And therefore, there's a bit of investment, which goes along with that. And that's reflecting already in terms of the MAUs and so on. But over time, I think it will start showing in the margins as well. So just wanted to add that point.

Moderator:

Thank you. That was the last question. I would now like to hand it over to the management for closing comments.

Nitish Mittersain:

Thank you, everyone, for all the questions today and for listening in. We look forward to continuing with our work and coming back to you in the coming quarter with good numbers and all the strategy for FY24. Thank you, again.



Moderator:

Thank you. On behalf of Elara Securities Private Limited, that concludes the conference call. Thank you for joining us, and you may now disconnect your lines.