Management Discussion

Pratik Jagtap - Investor Relations, E&Y LLP
Good evening everyone and welcome to Q2 FY '27 earnings call of OnMobile Global Limited. Representing the management today we have FC, Executive Chairman and CEO, Radhika Venugopal, Whole-time Director and CFO, Bikram Sherawat, President and COO. The call will start with a brief update about the overall performance during the quarter by FC. Bikram will then share insights on operation, and then Radhika will update on financials. After that, we will open the floor for Q&A session. Before we start, I would like to mention that some of the statements made in today's call may be forward-looking in nature.

And may involve risks and uncertainties that we face. For such risks and uncertainties, please refer to the earning presentation. OnMobile Global undertakes no obligation to publicly revise any forward-looking statement to reflect future or likely events or circumstances. Having said that, I now hand over to FC. Over to you, FC.

Francois-Charles Sirois - Executive Chairman and Chief Executive Officer, Onmobile Global Ltd.
Thank you, Pratik. Thank you all for joining. This Q2, up 3.4% quarter on quarter. We see both entertainment and gaming revenues up. Subscriber base is up on gaming subscription. So we're back up with most services. One big thing we don't see in the results, which I know everybody's anxious to hear about, right, is the ONMO++ results, which we don't see here. We don't see also all the back work that's been done in the last months, a lot of work. You've seen we announced yesterday the Savex distribution deal.

Savex is a very big deal for us as a partner because they will really push across retailers. You had seen the Poorvika announcement also. Actually, if you pass by a Poorvika store, we're in 70 stores, where we have our boxes right now. And next week, Savex is deploying in many other retailers, both quick commerce, other e-commerce providers, and other retailers. So deployment of retail is going along. I must say also that for Spain, we're all ready. Servers are here, boxes arriving next week. We have a lot of retailers ready to launch in November for Black Friday, which is last week of November.

We have all types of retailers. Over 350 stores will have our boxes. So it's a very interesting time for us because as we wanted to measure both, especially during the festive period for the next two months, we wanted to be able to really assess the difference between India where most people, it's their first gaming console purchasing, whereby here in Spain most people have already a gaming console and have interest in buying our console. So really interesting market. As we know, in the global perspective, the market- a lot of subscribers globally do not have access to consoles because of the price point.

So that's really, when we look in discussions, we're in multiple markets right now. A lot of markets is again the first console of most of these users. And yet, the key global markets in gaming today, we see a lot of potential there also. So it's really a dual phase that we're doing, which is part of this initial launch. Our plan is really to make sure that we do a great job marketing in India and in Spain first, right? We have two agencies, two very senior agencies for each market working a bit differently.

So it's interesting to see the difference also and see how it will translate in number of units for each market. So this is what's happening with ONMO++. And I know you're not seeing anything in the results, but a lot is happening on the back. To this, I'm going to leave Bikram to explain a bit more the operations and what happened also on the traditional business. So, Bikram.

Bikram Singh Sherawat - President and Chief Operating Officer, Onmobile Global Ltd.
Yeah, thank you, FC. thank you, FC. Good afternoon, everybody. I'll take you through the, business, for OnMobile. FC has touched upon gaming subscription, a little bit more detail on that. This quarter we had- we ended it with around 14.5 million subscribers, active subscribers, which is a growth of around 5.4%. A lot of that growth came from Asia and other regions equally. In fact, we saw upwards of 20-plus+ customers contributing to around significant revenue. So what we've tried to do in that line of business, spread our growth across multiple operators.

So that's something very, very heartening for us. In this line of business, we are also evaluating the use of AI. How it can help us in our digital marketing efforts. I think we are improving on our models as we go along. It shows where we need to deploy. So I think going forward, in a few more quarters, it'll take us to improve further. We should be in a position to really leverage on technology to start making even more efficient decisions. So that's something on gaming subscription. Entertainment and comms, as you see that we have done around $877 million.

This remains stable. We grew the revenue by 3.5%. In this business, we have tones, we have videos, we have our master aggregator business. So on tones, we are in an advanced discussion with an operator in the emerging markets to be able to replace their incumbent vendor. That's something progressing really well. In Latin America, Brazil and Ecuador are set to go live for us. So that's something which we are looking at. Forward. And I think in the last call I had explained that we are really improving our efficiency by deploying a new platform for our tones business.

So that's something which we are now going to start rolling out across our operators. Given the fact that the world has moved from traditional legacy-based systems to a lot of cloud-based technologies, tones being a two-decade-old service, we are trying to revamp and really become efficient It is going to take us a few quarters to roll it out across all our deployments. So that's something which we are going to initiate and that's going to help us run this very smoothly and efficiently. On Buzzmo, our enterprise communication suite, we are in advanced discussion with two groups of two telcos basically in Africa, one group and one individual.

I think we would be in a very good position to go live sometime in the next quarter with few of them. Emotion [Phonetic] was stable. We are in discussion to launch newer services with our operators in Europe as well. Now on Smart Console, FC mentioned that this is our top priority, and I think the next few months, four or five months, are very, very crucial for us in terms of whatever we've been able to learn once we have been able to go live. And given our announcements which we have done with Savex and whatever we are doing with Poorvika, We are also banking on improving our footprint within the country to be able to improve the distribution in the market.

On the B2B front, advanced discussions with telcos in Southeast Asia, Middle East, Africa, Europe, where we are actually in back and forth on almost on a weekly basis with our telco partners on the kind of models they are looking at. What is the kind of subscriber base they want to commit to for this service? How they want to bundle the controllers in their existing plan? Those are the kind of discussions we have reached. Now, please be very mindful of these discussions only happen once you showcase the product, the capability, you do either a pilot or a proof of concept.

They understand, they try it themselves for weeks at length. So we've made significant progress when we talk about B2B business there. And overall, as a sales pipeline, it stays healthy. We are looking at closures over the next three to five months across our lines of business. Our priorities are clear. We are looking at accelerating business through new deals across our lines of business. Thank you. I will hand it over to Radhika, who will take us through financials.

Radhika Venugopal - Whole-time Director and Chief Financial Officer, Onmobile Global Ltd.
Hi everyone, on the Q2 performance, Q2 performance review, we delivered a revenue of INR128 crores, which reflects around 3.4% of a quarter-on-quarter growth in terms of percentage. Entertainment and communication business grew by 3.5% quarter-on-quarter to INR87.7 crores. Gaming business continued its momentum, delivering 3.2%. To INR40.7 crores, supported by a 5.4% quarter-on-quarter increase in the gaming subscription base to 14.5 million. Gross margin improved to 52.9% in Q2. This was- this comparable number was 51.7% in the previous quarter.

This contributed to improving operating profitability. EBITDA improved to INR2.4 crores from INR1.5 crores in the previous quarter. This is despite all the incremental increments in costs and salaries driven by revenue growth and improved profitability. During the quarter, we closed deals with distribution partners for ONMO+ Console, expanding our reach across e-commerce, e-commerce, and a wider retail network across India. Cash remains our priority and focus, and we look forward to the coming quarters for, and expecting a growth in ONMO+ Gaming Plus.

Thank you.

Questions & Answers

Pratik Jagtap - Investor Relations, E&Y LLP
Thank you, FC. Thank you, Bikram, and thank you, Radhika. Now we will open the floor for questio-and-answer session. So participants, those who have any questions, they can raise their hand. So we have the first question from Nishita. Nishita?

Nishita - Analyst
Yes, hello, am I audible?

Pratik Jagtap - Investor Relations, E&Y LLP
Yes, you're audible.

Nishita - Analyst
Yeah, I just, I just want you to understand, so Q-o-Q, we are getting, growth and that is all good, but bio-wise we are still degrowing. So when can we expect to see Y-o-Y growth? And like, can we expect FY '27 to have some growth, or is it going to degrow or stay flat compared to FY '26?

Francois-Charles Sirois - Executive Chairman and Chief Executive Officer, Onmobile Global Ltd.
two things to consider, right, is that we, need for the launch of ONMO+ Plus, we need, some investments, quite a bit of investment in marketing, right? It's a D2C product now, which is very different than what we've been doing in the past, right? Retail, to see, we have to invest in the network, we have to invest in the actual marketing launch. That's why I was saying we have two agencies, right? So this makes it that the ONMO++ plan, which is very exciting by the way, needs some money. And when we combine the actual operation and launch of ONMO++ to our current operation, the blended rate makes it that EBITDA is very limited.

And the PAT, actually, if you look at it, it's negative because of depreciation, which was done on the gaming investment also, which is the main impact on PAT. So this is why when you look at it into a combined basis, the actual return on investment or EBITDA profitability PAT doesn't show, right? And, as we go along, this is one of the objectives to really see how we will fund ONMO++ going along. We will need to raise money, that's for sure, for really supporting the global growth of

ONMO++.

We'll have to decide, do we do it within OnMobile or in a separate entity? That's a different discussion. But to answer your question today, this- the forecast that we have now as a combined basis, yes, the EBITDA and PAT will be impacted because of the ONMO++ launches across the world.

Nishita - Analyst
Oh, I understand that EBITDA and PAT will stay impacted. But what about the revenue? So from ONMO+ Plus, when can we see the revenue coming in?

Francois-Charles Sirois - Executive Chairman and Chief Executive Officer, Onmobile Global Ltd.
Yeah, right now you're not seeing any revenues coming in because of the way we account, but also because the way we're deploying, right? And that's all combined. You will see it in the coming quarters for sure. But yes, as of Q2, I 100% agree, you don't see any ONMO+ Plus in there.

Nishita - Analyst
Right. So like in FY '27, can we see any sort of revenue coming in from ONMO+ Plus?

Francois-Charles Sirois - Executive Chairman and Chief Executive Officer, Onmobile Global Ltd.
So FY '27, there's two quarters left. We will see some revenues. The biggest impact obviously will be in FY '28. Everything is delayed, right? And the accounting makes it delayed also. But yes.

Nishita - Analyst
Right. So like from my understanding, once the revenue from ONMO+ Plus starts coming in, we should get some operating leverage on the investment on marketing and advertising spend that we're already doing, so our margins then should get a little better than what they currently are, right?

Francois-Charles Sirois - Executive Chairman and Chief Executive Officer, Onmobile Global Ltd.
Our margins, our margins will get better than they are, that's for sure.

Nishita - Analyst
Okay, thank you so much. Yeah, that is it for my end.

Pratik Jagtap - Investor Relations, E&Y LLP
Thank you, FC. Thank you, Nishita. So participants, those who have any question, they can raise their hand and ask your question. In the meantime, we have a question in the chat box from Shailendra Agarwal. So he's asking broadly, what is the approach to pricing of ONMO+ Console in Spain? Is it similar to India or is it materially different given expected volumes?

Francois-Charles Sirois - Executive Chairman and Chief Executive Officer, Onmobile Global Ltd.
It is more expensive in Spain than India. the target that we're taking is that the base entry unit price for three months, including the controller, including hundreds of games is priced just below a PlayStation controller. So normally a PlayStation controller sells for $65 --, EUR65. We priced it here in Spain at EUR59 as a product launch. If you look in India, we're at INR4,999, which is about INR50-something. But there will be always a price increase between Spain, Europe, America, and India, Indonesia, Africa, and other markets where we decide to launch.

So that's the gap between the two, and that's the pricing strategy. The 12-month box also will have, one of the value we have with ONMO+ is really to give a lot of value. So it's ease, of usage, quality

of the whole service, both the controller and the server performance, and value, right? Value is really key. You get a lot in that box. So we're going to push even more games and better, the 12-month box total offer will have way more value than the 3-month box so that we can get obviously more users on the 12-month pack than the 3-month pack.

Pratik Jagtap - Investor Relations, E&Y LLP
Answers your question, Shailendra. So next question is from Ashish Basim. So he's asking, there is absolutely no growth in legacy business, even subscription revenue are not growing. What's your view on this?

Francois-Charles Sirois - Executive Chairman and Chief Executive Officer, Onmobile Global Ltd.
Yeah, subscription revenue, I just want to, as we mentioned last quarter, one thing what we are really focused on right now is profitability rather than just growth for growth. Lots of accounts were costing very high on marketing versus the actual ROI. And when you actually look at investment in marketing, the growth, but the collection that we need to do and the time it takes to collect and the currency impact in some countries versus the dollar we put, some markets were really not efficient.

And that's the trade-off because we put all the focus on ONMO++ for growth. We did sacrifice some growth on ONMO+ and Challenge Arena. Gaming subscription, that's for sure. And actually, we had the board yesterday, we were discussing some other accounts where we're re-questioning why we're putting so much marketing again for long-term growth, but sometimes it's a bit further down and cash-wise it's not the best investment. And you're right, there's an impact on profitability. We still see a year-on-year growth.

We grew the gaming subscription business above 30% last year, 30-35%. We're still targeting a 15% to 20% growth year-on-year. So that's more like, as I was saying last quarter, and I still believe it this quarter, right? We have to view this business more as a yearly growth rather than a quarter on quarter. You know, you can see the actual growth on subscribers is a bit higher than the actual growth on revenues, and it keeps on going. So depending when we acquire the subscribers and where, right, that has a bigger impact the quarter that follows.

So we're expecting this quarter a bigger growth than, the last quarter. But in the meantime, we are optimizing some accounts where we, don't think to keep the revenues makes sense. So, this is why you can't just look at the actual revenue. We have to look at the profitability, which is key, and that's what we're looking into.

Pratik Jagtap - Investor Relations, E&Y LLP
Next question is how many units we have sold in India for Console. How much we need to sell to reach breakeven?

Francois-Charles Sirois - Executive Chairman and Chief Executive Officer, Onmobile Global Ltd.
We're guys, I'm never going to disclose the for many strategic reasons. We had the same question last quarter, right? We're never going to say how many units we sold and how much money we're actually making selling these units. And for many strategic reasons, we're not at least for the next few quarters for sure we're not. All I can say is the market that we discussed last time, which I still see. Big time. It's a market in millions of units that we could sell. We're not going to be alone in the market.

When you look at global players, if you look at the growth, right, I'm just talking about cloud gaming because we actually package a controller with games and a cloud gaming offer into one box. We're

still yet the only one in the market who has done that. Even Microsoft, PlayStation have not done that. When you look at players globally, we are one of six, seven players. The estimate is that within the next five years, so by 2031, there will be about 150 million paying subscribers on cloud gaming. The industry looks at it between an $8 to $15 a month pack.

In our case, I prefer to sell units as we do it with 12-month pack and 3-month pack. We see that we will take a share of the global market. So we're not talking about selling 10,000 units or selling 100,000 units. We're talking about selling, in the millions. How much marketing has to be done for getting there? You know, we've done our plans and that's why I'm saying we have to invest. Obviously we have to invest, right? It's not just putting the boxes on the shelf. It will not sell by itself.

You know, the big learnings that we have in the last months is that, just even on when we start selling into a store, most people initially don't understand that we're not just selling a controller here, right? Because people are used to buying controllers. This is not a controller. It comes with a controller, but it's a complete console experience. Once the actual sales reps in the store understand what comes in that box and actually look at the performance of the PlayStation and our performance on the screen, they understand that they have something really performing.

And that's where they understand what to sell, right? So there's a bit of learning curve, right? For us, it's so obvious because we've been working on the tech for many years and it's a natural. And the box says that it's a smart console, so people should understand it's a smart console. But the reality is that there's a learning in the market, right? We cannot just expect everybody to wake up one day and say, okay, yes, I always wanted a PlayStation or an Xbox. This is equivalent. This has- the product is equivalent, but people has to get the learning, right?

So this is what's happening, and that's why we believe we'll, we'll have to invest, in, marketing and learning and promoters, training the, the salespeople in stores. And that's what we're doing, right? So, and that has to be done the same way. And, that's where also when I say we're launching Spain at the same time, in Spain, it's very interesting. We have stores where we'll have people trained. We'll have stores where it's only on display and we'll see the conversion, right?

How does it work when somebody explains to you the product where, people used to buy Console? Can they just understand it's a smart console and they just buy it or they actually need this explanation? And we need to also invest in the market and the actual learning for people, right? But so far from feedback that we have from tests in Spain, it's very different dynamic than what we have in India. And that's why we have to go through the learning, guys, right? We're all impatient saying, hey, can we move this faster?

It's normal. These steps have to be taken, right? So, this is what's happening. Thank

Pratik Jagtap - Investor Relations, E&Y LLP
You, FC. Thank you, Ashish. So next question is from Prajwal. Prajwal, you can unmute your line and go ahead and ask your question.

Prajwal - Analyst
Hi, good evening, everyone. I have a couple of questions to pose. I understand that the ONMO+ Console was launched three months ago, and even today the only single e-commerce platform it is available is on Flipkart. My question is, why is it not available on Amazon? And the second question is, I understand that you're gonna release this product in Spain as well, so I'd like to know what is the strategy. It is going to be exactly like the Indian one wherein We just had one e-commerce website doing it all, or are we going to go for some physical locations?

Francois-Charles Sirois - Executive Chairman and Chief Executive Officer, Onmobile Global Ltd.
Thank you for your question. Let me just get back to what happened also, right? We, when we launched initially, there were big questions, right? We did a lot of tests with pro gamers, did tests in lab, but, doing a test in lab is not the same as a market test, right? So when we launched with Flipkart, It was a new category. There was a discussion within Flipkart. Do they- are we sold in accessories with other controllers? Are we sold with PlayStation as a console? And they tried to do a bit of both, which, was one thing.

But for us, in terms of learning what is the customer reaction on the service, what is the data, what comes out, right? All this learning was really, key to see how we take next steps, right? When- and you're right, we didn't sell it directly on our website, right? Actually, we will. Our website will be ready in a couple of weeks and we're going to be selling directly also and investing directly on online campaigns, marketing campaigns to sell directly the units, right? Which is different than e-commerce.

You were asking about Amazon discussion with Savex. Savex is a very big distributor, right? They distribute the metal glasses, they distribute the HP product, Lenovo products, Apple products. So this discussion took some time. Savex wants to have some exclusivity in some markets and some channels. So Amazon is part of the Savex deal and will be coming along in the future weeks. So that's coming. So again, when I say everything takes time, for us it's new. It's not that we've been in retail. We've never been in retail before.

What I can tell you though is the retail reception in both India and Spain is fantastic. And even the market test that we did for ads, the agency that did the ad test here with what ad works better in Spain with conversion, it's beating the number that the interest that we get from this kind of product with not much explanation other than what we give online is actually converting better than other type of product that they sell in Spain, right? So again, this learning in Spain, will it be the same in India?

How does it react online ads versus in-store retail versus having stores with promoters, having stores with no promoters selling the products, right? You know, this is all the work that we've been doing now for the last three months since we launched on Flipkart. And now we're activating across multiple channels in November and two countries, right? Just to give you a difference on packs here, we'll have actually in Spain a pack which includes 48-month package and two controllers. It's gonna be retailing at EUR240.

Obviously, when you get to a EUR200 pack, you're now closer to actually selling a full console right in that price versus selling a EUR59 controller or a INR4,999 unit, right? So those are all the tests that we're still doing in this market. So it's not because you don't see it here that we're not working on it, right? So all this is being deployed. The e-commerce store will be- the ONMO+ Plus web store will be live also in Spain in November in Spanish, obviously, versus English in India. So all this is getting along, right?

I have the Spanish box here in Spanish, right? So details, but we have to redo the box in Spanish. You have to make sure it's custom made for Spain. So we can't just take the inventory going to India and sending to Spain. We have to have a special specific inventory for Spain, right? With different codes on the box. And so all this is getting in place.

Prajwal - Analyst
Any plans of bundling it with existing mobile operators?

Francois-Charles Sirois - Executive Chairman and Chief Executive Officer, Onmobile Global Ltd.
You know, it's interesting, and I'm really happy that we actually launch retail. Having known, I would have probably launched it retail before. Mobile operators are mobile operators, meaning that they will- they have a checklist and all the analysis has to be done. And even if you're live, even if you tell them real live data of real life people, right, they take forever. We're in discussion with a lot of mobile operators. Some of them should have taken the decision to go ahead already.

I must say it's actually going faster with broadband providers. Right. So that, those discussions are more advanced. But yes, right now we're in multiple B2B discussions, but signing POs for retailers is more obvious. The retailer looks at the price per unit they're getting, how much they're going to sell, how much profit per unit, and they take the risk, they tick the boxes, and they're training their promoters and they're selling, which is quite surprising because the lead time for closing a retailer is probably 1/10 of the time of closing a B2B operator or broadband provider.

Prajwal - Analyst
Okay, thank you. All the best for your Spain launch.

Francois-Charles Sirois - Executive Chairman and Chief Executive Officer, Onmobile Global Ltd.
Thank you.

Pratik Jagtap - Investor Relations, E&Y LLP
Thank you, Prajwal. So, Prakash Ramaseshan would like to ask a question. Prakash, you can unmute yourself and ask your question.

Prakash Ramaseshan - Investor
yes, thank you for giving me the opportunity to ask this question. I've been an investor for quite a while in OnMobile. A little bit disappointed with the numbers, but not so disappointed with the progress you're making. I tell you what I'm viewing as an investor. You unfortunately or fortunately are a listed company. And in listed companies, like stability of revenue, predictability, and cash flows, that's what the market likes. Unfortunately, we're not getting there on any of our segments.

Let me just say what I believe. Our legacy business, our entertainment business, and our ONMO+ business. If you can give the market clarity as to in each of these businesses, what's the top line, what's the EBITDA, and where do you want to go, then the market will be a bit clearer on the plans. What's happening right now is that you're giving an overall consolidated number which is continuously coming, not positive. And obviously this is because of the investments you're making in the business for a better tomorrow.

But that cycle has to get over in the market. The company has to get to profitability and growth before the market starts to reward you. So we are extremely excited about your plans going forward, but, with continuing negative PATs, the market's not going to reward you and the share price is not going to move. So I would say one of the two- either we do this at a parent level that we give clarity to the market Or we figure a way that wherever the business requires capital, we create subsidiaries, raise equity in the subsidiary.

And there are today, at least in the Middle East, options to raise equity with a strategic side as well, saying if you are able to bring businesses to the Middle East, the Middle East is able to give you capital because of the in-country value play as well. So I'm happy to discuss this offline on a call as well. But I think that you have to find a way to raise capital at a subsidiary level to be able to build a business without burdening the cash flows of the parent. So, some solution has to be found there for

the parent to- for the market to know the parent will stop investing cash and there will be net cash returns in the parent.

That's my broad thought. We are very excited about the businesses we are going into, but they all have long cash flow cycles in terms of, investing upfront in marketing and returns happening two years down the line. And I don't know if the market has the patience to wait that long. So you'll have to do some kind of a capital restructuring to be able to address how much cash you use to raise for which business. You know, that would be a solution. Yeah.

Francois-Charles Sirois - Executive Chairman and Chief Executive Officer, Onmobile Global Ltd.
Prakash, thanks. And yes, I didn't forget about you. Next time I'm in the UAE, I will certainly have a coffee with you again. You're totally right, Prakash. I'm not happy with the results. Overall, right, when you look at it combined, that's not where we're going. Even just the top line right now, ONMO+ Plus has nothing to do with this top line. So it's not-I mean, it's really the core business that should be higher. To be honest, we do sign contracts. Every time we sign a contract, we lose a contract from an operator in Africa somewhere, right?

I mean, I'll spare you the details, but this quarter there were two small operators in Africa that we lost. But those impact directly profitability and a bit of revenues, right? So you just see it, right? So. I agree, right? And we have two businesses within one, basically. It's very simple, right? I mean, the ONMO++ business should not be there. And when I say I don't want to share the results with you, it's not because I don't want to share our plans. I'd love to share the plan, right? It's just that strategically, it's not a good thought to just put public all the planning that we're doing on ONMO++, especially when we're competing against $5 trillion companies in that market.

I just want to realize for everybody, right, in this entire market, there's only a few players, right? And the opportunity we have right now, the market is going to grow 5x in the next five years. Huge growth. If you're not in the market today, you're not there in five years. We are in the market today, right? So that means the players that are here, the players are here. We're not going to have new players popping up, right? It's a very complex offer to do. You know, we've invested a lot of capital into it to make it work.

The whole chain is complicated to do and there's not that many players. So it's great news for this ONMO+ Plus thing, right? Obviously on the path that we see negative, that's the most of it is the depreciation from gaming that got us to ONMO+ Plus, right? So yes, I totally agree, Prakash. We should just separate the two and be able to have the two. But if I separate the two, I have to give the direct numbers of ONMO+ Plus, which I don't want to give, right, for strategic reasons. So Then I have to fund ONMO+ Plus separately to do this. And we have a couple of challenges.

Prakash Ramaseshan - Investor
You can subsidize ONMO+ Plus, maintain majority holding by ONMO+, which is OnMobile Global, and raise capital there with a plan, with a 5-year plan. And when it gets to profitability and, the certainty of revenue, certainty of profitability, growth, and all those parameters are there, then you can figure a way to merge it back. I mean, these things are possible.

Francois-Charles Sirois - Executive Chairman and Chief Executive Officer, Onmobile Global Ltd.
Totally agree. Now, the auditors will tell you that if we keep majority, we have to consolidate the results. So these results will be exactly the same, right? And just that we'll have additional investments. All the losses will still going to come for the next two years, right?

Prakash Ramaseshan - Investor
No, but irrespective, if you just show those numbers separately when you're then it'll be clear that these are losses being funded by another partner. Yes. There's a longer term play there, and at least the parent cash flows will stay protected. I mean, these are just thoughts I'm giving you. I'm happy to take them offline. Yeah, for sure.

Francois-Charles Sirois - Executive Chairman and Chief Executive Officer, Onmobile Global Ltd.
Let's take it offline, Prakash, and thank you for. Still joining this call. And yes, we will discuss how we can optimize this and get funding in UAE.

Prakash Ramaseshan - Investor
Fine, sir. And thank you for your insights on ONMO+ and good luck for the opportunity in Spain. I think if you crack one global market, then you'll have proof of the pudding that you can do a lot more there. But yes, let's have a conversation offline, please. Thank you, sir. Very

Francois-Charles Sirois - Executive Chairman and Chief Executive Officer, Onmobile Global Ltd.
Good. Thank you, Prakash. Thank

Pratik Jagtap - Investor Relations, E&Y LLP
You, FC. Thank you, Prakash. So next question is from Ashish in the chat box. How many percentage of people renewed the subscription where three months initial period is over?

Francois-Charles Sirois - Executive Chairman and Chief Executive Officer, Onmobile Global Ltd.
Yeah, again guys, we're not going to share this data, but one thing I want to share with you, and that's, my observation, right? People on subscription always, there's a fatigue of subscription everywhere, right? When we launched the pack We did announce that there was a subscription and there is at the end, but our objective is actually to be able to sell a new pack, right? I see more value in selling 3-month, 12-month packs than selling a monthly subscription with renewals. And that's where we're aiming towards unit sales per year, right?

Renewal packs rather than just a pure monthly. But again, we're not sharing for now any strategic Numbers on ONMO+ Plus. All I can say, as you can see though, is that the usage of ONMO+ Plus is way above our competitors. And the other thing I want to mention, right? You saw probably that Xbox cap make a cap, Nvidia's making wait line. We don't have wait lines. We don't have caps, and the product is actually cheaper than both of them, right? So

Pratik Jagtap - Investor Relations, E&Y LLP
So the one more question he has was. Any plans of fundraising from private equity investors as window for expansion for Console is very small before competition kicks in?

Francois-Charles Sirois - Executive Chairman and Chief Executive Officer, Onmobile Global Ltd.
Yeah, again, competition is going to be the competition we know, but they're big competitors, right? So that's, true. We need money for sure, guys. This- I mean, as much as I try to use all the money we have in OnMobile to invest and get there, I must tell you, we got further than I thought we could with what we have as cash flow. But to Prakash's point and to what we see here, we need real investments in ONMO+ Plus. And that can be funded again through fundraising in OGL or fundraising in subsidiaries like we could do in UAE.

We could do a subsidiary in India, a subsidiary in the US, a subsidiary in Spain. We could for Europe.

And split the regions. But we have to see where we raise the money. But in the next months, yes, we will be meeting investors to raise money.

Pratik Jagtap - Investor Relations, E&Y LLP
Thank you, FC. So we have another question in chat box from Bharat. So he's asking, beyond your distribution tie-ups with Flipkart, Poorvika, Savex, What direct marketing and consumer acquisition plan do you have for ONMO+ Plus Smart Console in India, and what CSC are you targeting per console?

Francois-Charles Sirois - Executive Chairman and Chief Executive Officer, Onmobile Global Ltd.
So we have a unit economic per box. Obviously, we make more per 12-month box than a 3-month box. We will sell, aside from all the partners, retailers, e-commerce, quick commerce, We will sell, as I was saying earlier, directly from our website. And the reason is to be able to have a direct touch to the market so we can do our direct ads, see how much it costs for an acquisition, and close the sale on that front. Obviously, if we don't have to pay a retailer commission, it gives us more money to put in marketing.

All in all, we have a unit economic for every single channel that we use. And each of these economics have different parameters depending on how much marketing we have per channel, how much We need to invest in promoters and others. The only parameters across all is the brand marketing, how much brand marketing we need to do on top of all the performance marketing. But right now, the results that we're getting from direct ads in Spain is that the cost of acquisition could be somewhat reasonable without brand marketing or without much brand marketing.

We have to see if we can just scale that front versus what retailers expect. Retailers expect that we do invest in the also so that when people walk in the store, they actually have an impression of what is ONMO++. And to break a bit that cycle that we're just selling a controller, this is not just a controller, right? So this is what we have to educate the market. Now, education in the market, as we know, can be various activities. I can share we did a coffee shop activity where we had 20, 30 people test out the product in a coffee shop with the screens and the post that they did actually triggered virality and some sales directly on Flipkart.

So it's interesting to see that small activities like this can actually trigger and create a bigger marketing impact than just going all out and doing billboards with brand marketing, right? So for now, we're trying to manage the brand marketing accordingly, not to put too much, but we still have to put a bit versus what we're going to do directly in terms of performance marketing.

Pratik Jagtap - Investor Relations, E&Y LLP
Thank you, FC. Thank you, Bharat. We have a follow-up question from Nishita in the chat box. Just wanted to clarify, PlayStation in Spain is priced at EUR650 and ONMO+ is priced at

Francois-Charles Sirois - Executive Chairman and Chief Executive Officer, Onmobile Global Ltd.
EUR59. Exactly. The price is too low, guys. right, that's good news, right? Because we can increase the price anytime. We're going to wake up one morning, increase it. we did a killer entry price because first we could afford it, and, and second we, wanted to have an impact on the market. Now when we do that price, that low price, the, price is not a It's not in link with the quality of the product because we have very high-quality products. And normally a high-quality product does not have a very low price.

We compensated on the price because we have no brands right now, right? The brand ONMO++ is

not known versus PlayStation. So this is why it's for sure we will increase the price. And this is what we have in the financial models that we will slowly increase the price next year to make sure. But if you just look at the PlayStation increase, right, because of the chipset and all the costs on hardware, that really doubled in the last year. The PlayStation now is really costing more money and the Xbox, not just the PlayStation.

And just the actual price increase of the PlayStation pays for a 3-month box. Now you have to keep in mind that when somebody buys a PlayStation, he amortizes this PlayStation at least on four or five years, right? So the price of it, the yearly price of it is in the hundreds of dollars, which is what we could probably price this service in Spain, right? EUR99. That, could be a pricing, right, depending what we include in that first three months, in terms of value, game value into it. but we have a lot of flexibility to play on the price right now, which at least is the good news, right?

so first now let's get our first sales and then we'll see how we and by how much we increase the price.

Pratik Jagtap - Investor Relations, E&Y LLP
Thank you, FC. Thank you, Nishita. So participants, those who want to ask a question, they can raise their hand and ask a question. So we have one more follow-up from Ashish. What is the EBITDA margin expected on console?

Francois-Charles Sirois - Executive Chairman and Chief Executive Officer, Onmobile Global Ltd.
EBITDA margin on console, it depends directly on our ambition to capture the top 50 gaming markets or to just stick with a strategy that could be a limited D2C market with extended B2B strategy. And the reason I'm saying this is that obviously to go full-fledged retail with brand and performance marketing in 50 markets, obviously there's a lot of investment and it carries on, over time. If we have to do it, we have to do it within the next two years because that's when the S-curve happens and that's where people will actually be more open to a new product like we have.

This is why we have a very good reception today from retailers because this product doesn't exist, right? Back to the last question, the retailers today are selling a EUR600 or EUR650 PlayStation and our box is EUR59. For a- and by the way, the PlayStation at EUR600 does not come with hundreds of games. We have hundreds of games, right? So big, big difference, right? Having a box like this enables a lot of partnerships also, right? This is like a partnership box, which a PlayStation at $600 is not a partnership box.

We cannot bundle a PlayStation with multiple items. We can. So depending on the angle of what we take, my answer is going to be it's between a 15% to 25% EBITDA margin, but With huge revenue metrics here, right? It's not it's not a small business; it's a big business.

Pratik Jagtap - Investor Relations, E&Y LLP
FC, so we have a follow-up question from Prakash. Prakash, you can unmute your line and ask the question.

Prakash Ramaseshan - Investor
No, FC, if I'm hearing you clearly, it's just giving me a thought that what you actually need is a partner, whether it's a pure equity partner or equity plus strategic, because some of these large telcos have their own. part of cash as well. And they should be able to give you significant size over a period of time through a B2B relationship, which will support your marketing efforts on the other side, because then you can go out and say so-and-so partner with access to 220 million customers

has been able to take us on as a strategic partner.

And that kind of communication will help you develop your relationships because the ability to spend substantially on the retail side and blow up cash for marketing is always going to be a constraint if you're competing with much larger companies. So the product has to speak for itself, which is why, a B2B partner who's strategic and who can give you scale will support your efforts on the B2C side. But anyway, we can discuss this offline as well.

Francois-Charles Sirois - Executive Chairman and Chief Executive Officer, Onmobile Global Ltd.
But keep in mind also that this B2B partner does not need to be a mobile operator. Actually, I see more value in other types of partners and a retailer, a global retail chain also can be a partner, right? So depending on what we qualify as a partner, right? Partner is somebody that's willing to step in and really help us distribute this box everywhere, right? And we'll cover for marketing volume and what they have already in the- No, no, absolutely.

Prakash Ramaseshan - Investor
The question is who can influence a customer to give you scale?

Francois-Charles Sirois - Executive Chairman and Chief Executive Officer, Onmobile Global Ltd.
Exactly.

Prakash Ramaseshan - Investor
If you can get scale with one partner, then that becomes a talking point for everybody else.

Francois-Charles Sirois - Executive Chairman and Chief Executive Officer, Onmobile Global Ltd.
Yes,

Prakash Ramaseshan - Investor
Fine. Okay, thank you,

Francois-Charles Sirois - Executive Chairman and Chief Executive Officer, Onmobile Global Ltd.
Thank you, thank

Pratik Jagtap - Investor Relations, E&Y LLP
You, FC. Thank you, Prakash. So we have the follow-up question from Shailendra in the chat box. Are the latest blockbuster games now available on ONMO+ console, or are you going to sell specific packs for the same? Can you limit the sale of these packs to your website alone?

Francois-Charles Sirois - Executive Chairman and Chief Executive Officer, Onmobile Global Ltd.
Obviously we make more money. I'll answer the last point, right? Can we sell it only on our website? We could have a strategy to just do web and sell web-based, right? And I'll just give an example also. We could enlarge the markets like Spain, right? Yes, we have boxes in Spanish, but we can take the English box also and do web sales across Europe, right? Because Europe has multiple languages. But we could actually sell online with the specific language and ship out boxes in English to them. It doesn't matter that when they log in, the interface could be in their local language without going retail.

When you go retail, you actually have to print out the boxes and actually get the boxes in the store in that country. So yeah, web could be an option and a strategy. But to be honest with you, right now we really need partners, like different channels, because we learn a lot from partners. And although

the margin in some others are very small compared to others that are more interesting, it's a mix of everything, right, guys? When we talk about getting in the millions of units, right, I think we need partners.

And that's the whole message. And that's why we signed Poorvika. That's why we've signed Savex. That's why we're going direct. That's why we have a very big global agency in India helping us to say, okay, how do we get directly on our website hundreds of thousands of boxes sold on our website? While other partners do sell a lot, right? So it's a mix of everything. We can't, right now I'm not willing to say that we know already which channel is going to be very performing and which one is not.

We have to do it. We have to see the economics and say, oh wow, this channel is actually great, right? And, it's worth the effort. When we sell direct, we have to take returns also, right? So we need another partner to take returns whereby when we sell through a partner while the partner takes the return, partner manages this, right? So depending on the scenarios, this is why we're not closed today. We're just enlarging the number of partners and seeing which really is gonna pay off.

And then obviously which one pays, brings us most profitability and EBITDA margin, right, at the end. And then we can decide, okay, which one we keep, which one we don't keep.

Pratik Jagtap - Investor Relations, E&Y LLP
Thank you, FC. Hope that answers your questions, Shailendra. So participants, those who want to ask the question, they can raise their hand and ask question. So we have one question in the chat box from Balaji. What is Savex partnership? Can you elaborate?

Francois-Charles Sirois - Executive Chairman and Chief Executive Officer, Onmobile Global Ltd.
Yeah, as I was saying earlier, Savex is one of India's biggest retail distributors. They distribute HP, all the HP products, all the Lenovo products, all the Meta glasses, all the Apple products. So they know distribution. They distribute into over 1,000 retail locations across India, actually more than 1,000, sorry, 1,000 cities. So I mean, it's the number of actual stores and e-commerce and quick commerce. So that's what their organization does. So, that Savex says, what, this is a key product and we're going to push it across India is a great partnership, guys.

We need people that are specialized in retail. And again, I'm repeating it, right? We're not specialized. Not because we managed to do a box here that I know how to get the box on the shelf and get that rolling and all this. So we need real partners. And Savex is probably one of the best partners we could find in India as a retail distribution partner. So really happy that we got this signed. And, yeah, starting next week we will start seeing some Savex partners and retailers having our boxes in stores.

Pratik Jagtap - Investor Relations, E&Y LLP
Thank you, FC. So participants, those who have questions, they can raise their hand and ask your question. As there are no further questions, I would like to hand it over to FC for closing comments. So we have just a last question in chat box. Do we have any targets of growth? So I think We have already answered, but FC, over to you.

Francois-Charles Sirois - Executive Chairman and Chief Executive Officer, Onmobile Global Ltd.
Yeah, and I'll answer the, just in steps, right? The, entertainment and communication business should grow, between, 2% and 5%. That's, the goal. The, gaming subscription business, the target for this year is between 15% and 20%. We grew 30% last year, so that's, the goal. Both of them

have to be, product EBITDA positive. You know, we're targeting, as we mentioned in the deck, about 25% EBITDA margin, for entertainment and comms.

And the current stage on gaming subscription is 10%. We have to get it to 25%. That's the goal while we still grow and invest in marketing. We still have to get it to the 20-25% mark. And that's the cash that we're using today to fund for ONMO+ Plus. Now, ONMO++, right, the growth in the next quarters coming along will be obviously visible in the next quarters. Now, by how much, it really depends on the way and how much marketing we invest and how much our partners and how many partners we're getting.

So back, just to summarize, guys, we will need fundraising obviously to support that growth. And that's what we're going to do in the next quarter to make sure we can continue and push along for FY '28 next year.

Pratik Jagtap - Investor Relations, E&Y LLP
So thank you, FC. Thank you, Bikram. Thank you, Radhika. I think we'll conclude this call on behalf of OnMobile Global Limited. Thank you everyone for joining. And for the remaining questions, we'll get in touch offline. Thank you. Thank you, everybody. Thank you.

Francois-Charles Sirois - Executive Chairman and Chief Executive Officer, Onmobile Global Ltd.
Thank you all. See you next quarter.