"RateGain Travel Technologies Limited

Q4 FY '24 Earnings Conference Call"

May 21, 2024

MANAGEMENT: **MR. BHANU CHOPRA – CHAIRMAN AND MANAGING DIRECTOR – RATEGAIN TRAVEL TECHNOLOGIES LIMITED**
MR. TANMAYA DAS – CHIEF FINANCIAL OFFICER – RATEGAIN TRAVEL TECHNOLOGIES LIMITED
MR. DIVIK ANAND – HEAD OF INVESTOR RELATIONS – RATEGAIN TRAVEL TECHNOLOGIES LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the RateGain Travel Technologies, Q4 and FY '24 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantee of future performance and involve risks and uncertainties that are difficult to predict.

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

I now hand the conference over to Mr. Bhanu Chopra, Chairman and Managing Director of RateGain. Thank you and over to you, sir.

Bhanu Chopra: Thank you, ma'am. Very good afternoon to everyone and thank you very much for joining the earnings call for RateGain Travel Technologies Limited for the fourth quarter and fiscal year 2024. It's great to connect to you, connect again with all of you and I'm excited to share some key updates on the quarter.

Joining me on the call are Mr. Tanmaya Das, our CFO, and Mr. Divik Anand, our Head for Investor Relations. We announced our fourth quarter and year-end results for the financial year 24 earlier today and I hope you've had a chance to go through our financial results, press release, and investor presentation that are available on the stock exchanges and on our company website. I am proud and truly heartened by the performance of the company in the year gone by and the collective efforts of our global teams, that continue to drive value for our customers and made this possible. FY '24 has been a transformative year for RateGain as the company continues to build and capture the opportunity across the travel and hospitality industry.

While performance across some of the business verticals has been particularly strong as RateGain continues to capture growing share of the wallet across key customers, one of the key standouts in the past year has been the performance of Adara, which has been a great outcome of our focused M&A strategy. This will continue to be a key growth driver for us as we continue to see interesting opportunities become available in line with our vision to build an integrated tech stack focused on maximizing revenue for our customers.

As we set our sights on bigger goals, our culture of innovation, collaboration, and focus on operational excellence will be critical to drive the next leg of growth and driving value for our customers, people, and other key stakeholders. With that, I would like to capture some of the key operating and financial metrics from the past quarter and year gone.

Our new contract wins more than doubled in the past year to INR285 crores as we continue to cross-sell and up-sell across our enterprise client base and our new clients. Our expansive portfolio of products allows us to do more with clients and deepen our relationship with them, and with our continued investments in key geographies, we are starting to see some traction.

Our annual recurring revenue, ARR, now stands at INR1,023 crores, and we continue to see healthy traction across our three segments with a healthy pipeline of over INR486 crores, and we look to drive value for our customers.

Revenues for the full year grew by 69% to INR957 crores compared to the same period last year. Strong revenue growth was complemented by improved operational performance with our margins coming in at 19.8% for the full year 2024 and 21.2% in Q4. It's a validation of the SaaS-based business model and execution excellence across the organization.

We continue to see improvement across some key operating and financial metrics. LTV to CAC stands at an industry-leading number of 14.1, and the revenue per employee now is at INR1.3 crores, improving 22% year-on-year, capturing improved productivity and ability to scale up in a sustainable manner.

Generative AI and its adoption by travel brands continues to be at the forefront to improve customer experience, provide personalized experiences, and optimize revenue. Our expertise in providing accurate intelligence at scale and driving ROI for large brands is helping drive incremental revenue from existing relationships and new client acquisition. The investments related to developing the right solutions are underway, and we continue to be beneficiaries of the same.

We've also adopted certain use cases of utilizing AI for more efficient data analysis to be able to handle more volumes, and within our brand engagement offering, leveraging the vast repository of social media data to drive better outcomes for our customers and do it efficiently. To generate more targeted travel intent audiences for running more effective performance marketing campaigns. And in our new investments, we launched Navigator products, a pricing intelligence tool for hotels, which leverages Google BigQuery platform to provide advanced analytical capabilities.

On the state of industry, global travel industry continues to see steady demand buoyed by easing macro conditions, and people's growing inclination towards travel and having new experiences continues to be a priority. Recent surveys, including one by leading global consultancy, represents a healthy increase in consumers' wallet share towards recreation and leisure travel over the previous year. Skift Travel Index continues to hold steady despite some seasonal softness in March, with Asia, Pacific, and other key countries showing healthy traction. Overall outlook for the rest of the 2024 appears to be on track, with signs of continued growth and stabilization across different regions and sectors.

The shifting industry dynamics include data privacy laws and evolving consumer behaviour is driving change along with adoption of new technologies and attracting new investments into the industry, which is further unlocking new opportunities for players like RateGain to consolidate their position through product innovation and acquisitions, and to have a larger share of a thriving market as the industry looks at adopting technology to more effectively engage with travellers.

With that, I will now briefly touch upon the performance across each of our business units.

The DaaS business contributed to 32.9% of the total revenue for fiscal year '24. This unit grew at a strong pace on the back of healthy traction with key enterprise accounts in addition of new logos across airlines, OTAs, car rentals, and cruise liners. As you might have seen from recent press releases, we've added some great logos in our air segment, and it continues to be a key growth driver within our DaaS vertical. We continue to make inroads with key clients across both OTA and Car segments, deepening relationships with large enterprise brands.

As I mentioned, we launched a unified rate insight platform for hotel navigators. And with this, we have in place a more wholesome offering for commercial teams at hotels to maximize their RevPAR and for us to make inroads within this space. Given our ability to deliver large volumes of data, we continue to see incremental volume demand coming from our existing enterprise customers, driven by strong travel demand and product innovation. We expect this trend to continue to drive growth for our DaaS segment in the near term.

Our distribution segment accounted for 22.1% of our total revenue. We were recognized as an elite connectivity partner by Expedia for the second year in a row, which is a validation of the high-quality product and customer service we provide to our hotel partners. Along with this, we also established key partnerships with HotelKey and Oracle Marketplace that will further expand our footprint.

We continue to see further opportunity with large hotel chains as they undertake digital transformation projects to modernize their distribution ecosystem and optimize their presence across channels. We've witnessed good traction for our RevMax platform with midsize change in the APAC and Middle East and continue to focus on scaling this up in the coming quarters. We continue to add further features to create best-in-class products.

Our MarTech business contributed to 45% of our total revenues for fiscal year '24, backed by healthy growth in the paid digital marketing segment and continued traction in our social media management segment with some leading hospitality brands in the North America geography. This is focused efforts from the team we carry forward the sales momentum with key closures and healthy pipeline growth.

As there is an increased focus from owners and C-suite on driving direct ROI, our paid digital media offering continues to see increased traction with hotel chains across Europe and APAC regions. Also with recent changes to Digital Markets Act and Google changing settings on campaign management, there is an opportunity for our product around performance marketing and how we can help drive more traffic for our hotel partners.

As we move towards having an integrated paid digital media offering, the value we are driving for large travel brands based on the strength of the travel intent data is really allowing us to drive market share within the DMO segment and across large enterprise brands, across airlines, car rentals, entertainment, parks and hotels, making RateGain the partner of choice.

Adara recently also won an ETSY award for the best emerging technology integration for our innovative digital marketing solution for our PMO client within St. Pete/Clearwater. We continue to make investments towards our product, including the recently launched measurement capability that helps differentiate our offering and further strengthen our unique value proposition for our DMO client.

We've strengthened our senior leadership team in the past year as we look to drive the next leg of growth for the company. I've announced several hires in the past few calls and recently we've hired Hari Palapati as the Senior VP Technology at Adara. Hari is a seasoned technology leader with over two decades of experience driving innovation across diverse industries. He's a proven track record of success working with and consulting for leading organizations like IBM, the World Bank, Cisco, Big Basket.com and Azira.

As we complete another quarter with remarkable achievements, I'm thrilled to share our outstanding milestones of the People's Fund. We continue to see improved attrition rates, which now stand at a new low of 11.6%, reflecting our strong commitment to retaining and nurturing top talent. Our focus remains to nurture talent, promote from within and creating a diverse, inclusive and equitable culture that propels us forward. We're building a future ready workplace with a new age HR information system and bringing innovation in all areas.

My heartfelt gratitude goes to our dedicated employees for their unwavering commitment and hard work, which continues to drive RateGain success. We look forward to an exciting future and the journey ahead.

With that, I'd like to now ask our CFO, Mr. Tanmaya Das, to take you through the performance of Q4 and the fiscal year.

Tanmaya Das: Thank you, Bhanu, and a very warm welcome to everyone on this call. I'm delighted to report that the company has delivered another quarter of strong performance with robust revenue growth, coupled with strong margin expansion, clearly demonstrating the value we are delivering to our customers.

The resilience of our business model with strong execution from the team has seen significant improvement across key operating metrics, including customer retention, revenue diversification and improving free cash flow. With focused execution, we witnessed doubling of our contract wins in the past year, powered by healthy growth from key markets and a strong demand for our products in emerging markets, positioning us well for future growth opportunities.

As Bhanu mentioned earlier, a clear standout for us in the past year has been the exceptional performance of Adara, which has been a great complementary addition to the RateGain ecosystem. The turnaround and the synergies from this acquisition is a validation of our M&A playbook and focused inorganic growth strategy to further consolidate our leading position within the travel tech space and drive value for our customers.

Some of the key financial and operating highlights from the past fiscal year are below. At the start of the year, we had given a guidance of 55% growth, happy to say that company reported a record revenue of INR957 crores with a year-over-year growth of 69.3%. This was on the back of strong growth across our DaaS and MarTech verticals, growing at 94% and 106%, respectively. Our distribution vertical witnessed a lower growth of 9% on the back of certain one-time fees on integration that were booked last year and volume pressure on the certain demand partners. With recent monetization of large contract win and distribution underway and a healthy order book and pipeline, we expect growth to pick up going into FY'25.

Again, at the start of the year, we had given a guidance of 17.5% EBITDA margin, delighted to state that EBITDA grew by 124% to INR189.7 crores for FY'24, with margins coming on 19.8%, as against 15% recorded last year. The significant improvement in EBITDA margins is on the back of high growth in our high margin DaaS business and strong performance in Adara, and with operating leverage playing out as we scale up in a sustainable manner. Our total operating expenses grew by 59.7% in the past year compared to over 69% revenue growth, and our total headcount increased by only 8%.

Our PAT more than doubled to INR145.4 crores compared to INR68.4 crores in the previous year.

For the fourth quarter of 2024, the company reported a revenue of INR255.8 crores with a year-over-year growth of 40%. EBITDA grew by 68.5% to INR54.3 crores in the quarter as compared to INR32.2 crores in the same period last year. EBITDA expansion continues at a healthy pace to 21.2% margin in this past quarter compared to 17.6% last year and 20.3% in the prior quarter.

Our PAT grew by 48.1% to INR50 crores compared to INR33.8 crores in Q4 FY'23. The company continues to have strong customer relationships with low churn and focus to expand existing relationships to build sustainable and reliable revenue streams.

Our gross revenue retention stood at 90% and our net revenue retention improved to 113%, representing us further deepening our relationship with existing customer base. Our customer base expanded in the past year to 3,279 customers. We closely track and strive to outperform on key operating SaaS metrics and for FY'24, our revenue per employee stood at INR1.33 crores, growing at 22.3% over last year. With continued traction across key customer segments and sharpened focus from our teams, our current pipeline stands at INR486.2 crores.

We also improved the quality of our revenue and further diversified our revenue base with top 10 customers, contributing to 28.3% total revenue, down from 32.2% in the previous year, and subscription-based revenue improving to 60.7% of total revenue.

Our cash flow generation has improved significantly compared to last year. The cash flow from operations stood at INR151.8 crores for FY'24, up 2.9x compared to the INR52 crores generated in the previous year. Our DSO improved from 100 days in last year and 78 days in last quarter to 73 days at the end of this year.

We continue to have a strong balance sheet with our net worth up over 2x to INR1,450 crores compared to last year. On the back, increased profitability and recent capital raise of INR600 crores. Our cash and cash equivalent balance as at quarter end stood at INR1,082 crores.

In terms of guidance for FY '25, at a larger base now, we expect to grow 20% in FY '25 and improve our EBITDA margins by 100 to 200 basis points. M&A playbook plays a significant strategy in our – is one of the significant strategies and we hope to add further through M&A for revenue growth. With that, I would like to conclude my update and we are happy to open the floor for questions.

Moderator: Thank you very much. The first question is from the line of Sanidhya from Unicorn Assets. Please go ahead.

Sanidhya: Yes, hi. Congratulations on a great set of numbers. So, a couple of questions. So, firstly, on the LTV to CAC, so it has come down from 21 to 14. Like it was earlier in the same way in 16 something. So, how do we see that? Like what are the changes which brought this number to this?

Tanmaya Das: I think the 22 was a little bit abnormal because I think on particular that quarter, we had won a significantly high margin deal and a bulky deal, multi-million-dollar deal and that doesn't happen every quarter. So, on an average, if you have seen our track record over the last two, three years, the LTV to CAC per year has been around 12 to 15x. So, I think 14.1x is a normalized LTV to CAC.

Sanidhya: Okay. So, we see that going forward, this number should be in about 12 to 16 range only, right?

Tanmaya Das: Right.

Sanidhya: Yes, which is a good number. So, I was surprised to see 21 suddenly and dropped to 14. That's why the question. Okay. Secondly, on the same slide, there's a substation revenue, which was last year to be 75%, now to 60%, right? So, do we see this revenue declining since other revenues are pacing up?

Tanmaya Das: No. I think the decline from 75% to 60% is primarily because of Adara business as a combination of subscription and transaction-based revenue. So, Adara media revenue is transaction based, whereas the data revenue is subscription based. But I believe now we have one year consolidated numbers. So, I think 60% will be a steady state number.

Sanidhya: So, we are saying that 60% is a steady state number going forward for Adara. We are not expecting that the transaction value would be much larger than the subscription model, right?

Tanmaya Das: Yes. I mean, look, if the transaction – I think it's the optimum balance. I think both, because we are growing in all segments, projected to grow in all segments in a similar manner. So, I would say that 60% should be a steady state number.

Sanidhya: Okay. And can I get the segment-wise PAT or percent gross margin percentage for MarTech and distribution and us?

Tanmaya Das: We do not disclose segment-wise EBITDAs and all, because competitors are watching and all. So, maybe we can take that offline.

Sanidhya: Okay. So, I will not ask the numbers directly. I was just trying to get the hint. So, like distribution businesses, we are expecting some like 7%, 8% to 10% growth going forward as well, right? Where the other business, which is MarTech and DaaS are like a good business.

Moderator: Sorry to interrupt you, sir. May I request you to rejoin the queue for your follow-up question?

Sanidhya: Yes. No, just to get my question correctly. Just finishing.

Tanmaya Das: I got your question. So, look, my high margin, all of them are like DaaS distribution are both high margin businesses. And it's not that distribution is going to grow in a single digit as it grew last year. The FY '25, as in my transcript, I told that we have got good order book and pipelines. So, distribution is slated to grow higher than what we experienced in FY '24. So, both DaaS and distribution are high margin business. So, if we see good growth there, the margins will expand.

Moderator: Thank you. The next question is from the line of Ankit Kanojiya from Smart Synk Services. Please go ahead.

Ankit Kanojiya: Yes. Thank you for taking my question and congratulations on good set of numbers. The CFO, as you also mentioned in your opening remarks, has become 3x from INR50 crores to INR150 crores in FY '24. So, do we see that sustainable or further increase from here? Or was there some one-offs in FY '24? And if you can give more colour on that.

Tanmaya Das: No, I think, as I said, the DSO has decreased dramatically from 100 days to 73 days. And we have now concentrated effort on decreasing this DSO. And that is one of the major KPIs that we carry. So, currently, it is around 80% to EBITDA. I think anything 70% to 80% to EBITDA, CFO is a good benchmark. And it should continue that way.

Ankit Kanojiya: Got it. Sir, my next question is related to acquisition. So, acquisition has been very important for our business growth in the past. So, would you like to give some more colour as to how we are placed on acquisitions currently? And how do you see FY '25 standing up from an acquisition angle?

Bhanu Chopra: Yes. So, as you rightly said, we are actively, we run an active M&A program, and we have a team that actively scouts for opportunities. And over the past one year, we have evaluated almost a dozen opportunities and we've come very, very close to them. But as you also know, we are very disciplined buyers.

So, because of valuation mismatch, we haven't been able to consummate any deals yet. But as we speak today, we are, again, actively looking at 2-3 deals. And also, in terms of valuation expectations, the gap is very, very narrow now. So, I feel very confident that in the coming quarter or next two quarters, we should be able to do something.

Ankit Kanojiya: Yes, that was very helpful. One follow-up related to that. So, in all our acquisitions in the past, we have been very, very, very conservative on the valuation front. And in quest of growth, are we willing to maybe pay up a little for the valuation if we don't get any deal at our price? If you can share some thoughts on that?

Bhanu Chopra: Yes. So, we take a different dimension in terms of how we value the business. We look at – we basically build a model internally just like you investors do. We look at the cost synergies that we can get as well as the revenue synergies that we can get. And based on that, we build our own projections for the business over the next 5 to 10 years. And then build an IRR model and a payback period.

So, our usual threshold is that the IRR should be north of 20% and payback should be anywhere between 5 to 7 years, depending on the synergistic value and strategic value that the business has. Those are the dimensions with which we value the business. And we will continue to be very, very disciplined.

So, even though we raised the QIP money for M&A now over 6 months ago, but we'll continue to be patient to do the right deal. And I'm quite confident given we've had a history of doing four deals that we will get the right deal. Given the high interest rates and sustained high interest rates in the Western market which is where most of our acquisitions occur. I do feel that people who I hope have been holding back will come more forward and something should happen.

Ankit Kanojiya: Thank you so much. That was very helpful. All the best. And I'll come back in the next week. Thank you.

Moderator: Thank you. The next question is from the line of Ranodeep S from MAS Capital. Please go ahead.

Ranodeep S: Thank you for the opportunity. I wanted to understand is we are now close.

Moderator: May I request you to please use your handset.

Ranodeep S: Thank you for the opportunity. I wanted to understand we are close to INR1,000 crores revenue now. And if I have to marry this to the point of global tech travel industries at $90 billion what are our aspirations from a market share point of view in the near term?

Bhanu Chopra: So, you're absolutely right. The overall tech spend is about $90 billion and the area of tech that we operate in usually there is front office, mid office and back office. We operate in the front office arena and the time for that is about $7.5 billion. So, if you look at our size it's still quite low compared to the $7.5 billion time that we are after. So, I would say our penetration is quite low and the aspiration is to gain significant more growth and ultimately the aspiration is to grow this company into a billion dollars in revenue.

Ranodeep S: Okay. My next question was I think if I'm not wrong between 2020 and 2023 we've seen a 50 million talent exit from the hospitality travelling. Have you seen an impact positively for RateGain given it has led to adoption of more tech in this industry?

Bhanu Chopra: Sorry, I missed the first part of your question.

Ranodeep S: I was mentioning, I think we've seen around 50 million talent exit the travel hospitality industry in 2020 and 2023. Has this trend positively impacted RateGain given the adoption of tech in travel has gone up?

Bhanu Chopra: If I heard you correctly you said the travel tech spend has been significant over the last 3 years and have you seen an impact of that?

Tanmaya Das: No, Bhanu what he is trying to say is that since there is attrition in the travel tech industry does that impact?

Bhanu Chopra: Okay. I got it. So yes, we've been actually big beneficiaries of that because people want to rely less on labour and be more digitized. So, if you look at all the solutions whether it's around pricing, revenue management, digital marketing, creation of social content all those areas we enable digitization and be more tech enabled. So, we've been big beneficiaries of that trend and as a result you see it in our numbers as well.

Ranodeep S: And if I can just squeeze in one last question. Bhanu, I think you had mentioned sometime back in 2023 in one of the calls, we have access to 1.7 billion traveller profiles which is definitely impacting our MarTech business. Have you seen any incremental growth in that number?

Bhanu Chopra: Their number has been constant, but what we've been able to do is enrich that data with other data partnerships that we have. So, we have now much more precise information on travel intent of those profiles that we are able to leverage to our customers and do more precision-based marketing for them.

Ranodeeep S: Sure. Thank you. I appreciate all the responses and wishing you all the best. Thanks.

Moderator: Thank you. The next question is from the line of Karan Uppal from PhillipCapital India. Please go ahead.

Karan Uppal: Yes, thanks for the opportunity and congratulations on a very strong FY24. Now coming to the quarter firstly on employee cost. So, Tanmaya employee cost declined in absolute terms while the number of employees increased on a quarter-on-quarter basis. So, can you please clarify what happened there?

Tanmaya Das: So, one is that also we have a bonus scheme which is linked to company performance and especially revenues and EBITDAs. And it depends upon which segment and the people falling in a particular segment their KPI is dependent upon their revenues and EBITDAs, and we have been updating that bonus provisions quarter-over-quarter. So, at the end of Q4, certain business units, for example, like distribution business unit did not meet their projected volume. So, we have to reverse those bonuses payouts. So that's why you would see a screw-up in Q4.

Karan Uppal: Okay got it. Second question is on the guidance. So, you had mentioned if I can ask it is 14% growth guidance for FY25?

Tanmaya Das: 20% organic and if we can do as Bhanu was saying in inorganic acquisitions during the year that will add further to that 20%.

Karan Uppal: Okay 20% organic growth guidance?

Bhanu Chopra: Our aspiration, as indicated in a few last calls is to take the revenue from about a INR1000 crores to INR2000 crores in the next 3 years. So, that's about 26% CAGR. So, our aspiration is that this year also we meet or beat that number. Organically we should do 20% and then given the robust pipeline that we have the rest 6% should come inorganically.

Karan Uppal: Okay. Thanks for that clarification. So, amongst the segments DaaS distribution and MarTech which one do you think will lead the growth in this 26% CAGR which you are aspiring for?

Tanmaya Das: I think all the segments will be more or less similar some will be around say, 22%, 23%. Some will be like 18% to 19%, but more or less all three segments will be around 20% range.

Karan Uppal: Okay. And if I can just squeeze in the last question that's on Adara. So, I believe that Q4 is seasonally weak for Adara. So, what was the contribution in terms of revenue, and can we expect a bounce back in Q1 and Q2?

Tanmaya Das: Absolutely s yes, you're right. I think I had in the last call also I had given a hint that Adara has a seasonally soft quarter in Q4 and yes Q1 looks pretty strong the numbers that we are seeing and it's like that. The seasonality in Adara is Q1 is stronger than Q4 and Q3 is stronger than Q2. So, you are right. And that is also one of the reasons of the first question you had because it's seasonally low revenue for Q4 the commissions on sales was also low. So, that's why the salary cost was also both from bonus and commission the salary cost was lower than Q3.

Karan Uppal: Thanks for answering all my questions and all the best.

Tanmaya Das: Thank you.

Moderator: Thank you. The next question is from the line of Shobit Singhal from Anand Rathi. Please go ahead.

Shobhit Singhal: Thank you. So, congrats on a good set of numbers. So, I have got two questions. So, if I see geographical wise, so North America region this quarter have declined by around 14% even Q-on-Q. So, is it because of the seasonality or are we seeing some slowdown in that region?

Tanmaya Das: No, we are not seeing slowdown in the region. I think what we did is that, we did, so earlier we used to report numbers based upon invoicing. But I think now what we have done is that based upon the actual position of the client, whether they are in Europe or America, we have kind of recalculated that number. So, that is a more accurate representation than the earlier one. So, that was the change basically. But both North America and Europe are seeing strong growth momentum.

Shobhit Singhal: Okay. And sir, second, on the last quarter, you said that from Q4, we will see much better growth in the distribution due to the monetization of one large contract that we signed last year. So, is it got delayed or what's the status now?

Tanmaya Das: No, it is fully operational at this point of time. Yes, there is still some volume growth that needs to be attained. But I think it will see more, you will see faster growth in FY25. Also, there is more order book and pipeline that is still yet to be monetized in the distribution segment, which will come in from Q1 onwards.

Shobhit Singhal: Okay. And last question, sir, on the inorganic one. So, in what area are we looking for this M&A?

Bhanu Chopra: Well, it's the, there's a couple of opportunities that we evaluate all opportunities in DaaS, Distribution and Martech. But the couple of active conversations that we have right now are both around DaaS and distribution.

Shobhit Singhal: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Darshil Jhaveri from Crown Capital. Please go ahead.

Darshil Jhaveri: Yes. Hi, congratulations team on a great set of results and thank you for taking my question. So, just wanted to ask, currently the organic opportunity that we are looking at, roughly what kind of size are we looking at, sir?

Bhanu Chopra: Sorry, I didn't follow the question.

Darshil Jhaveri: What kind of deal size are we looking at for the inorganic opportunity currently? What kind of range?

Bhanu Chopra: The revenue signs that we are evaluating, there are a couple of opportunities in the $5 million to $10 million range and there is a couple that is around $20 million dollar range.

Darshil Jhaveri: Okay, sir. And, sir, I just wanted to ask, so currently in Q4, what will be the contribution from Adara to our revenue, sir?

Bhanu Chopra: So, we do not, what we've done is because Adara really forms, you know, part of our Martech solution now and we've integrated into what I refer to as paid digital marketing. So, we're no longer reporting just Adara numbers. We're doing a consolidation at a Martech level. And as I had indicated in my transcript, Martech contributes about 45% of our revenue now.

Darshil Jhaveri: Okay. Fair enough, sir. So, just one clarification, if you may. So because of Adara, will our Q1 number and Q3 numbers be more skewed? So, will we now have more seasonality in terms of a bit of our revenue or that would not be a major impact to us, sir?

Bhanu Chopra: I'll let Tanmaya comment, but, you know, as Tanmaya mentioned, what will it do to our revenue in terms of overall at a consolidated level, I'll let Tanmaya address. But specifically on the PDM, which includes Adara, yes, Q1 and Q1 will always be stronger than Q4 and Q3 will be stronger than Q2.

Darshil Jhaveri: Okay.

Tanmaya Das: Yes, I think that I don't have anything to add there.

Darshil Jhaveri: Yes. Okay. And this is my last final question, sir, with regards, so our tax rate would continue at around 25% or just like, or what would be our tax?

Tanmaya Das: Yes, currently it's around 22%.We are making all our efforts to reduce how we can overall in the regulatory environment. But as of now, it's around 22%.

Darshil Jhaveri: Okay. Perfect. Yes. Thank you, sir. All the best, sir. Thank you.

Moderator: Thank you. The next question is from the line of Harshad Mehta from Safetech. Please go ahead.

Harshad Mehta: Yes. Hi. Congratulations on a good set of numbers and thanks for taking my call. This is a follow-up question on the previous participants. I wanted to understand the kind of size that we're looking for the acquisition in terms of revenue and in terms of the price to sales that we're going to, might be willing to pay for it.

Bhanu Chopra: Yes. So we're looking at a couple of opportunities that are in revenue size between sort of $5 million to $10 million and then one in particular around $3 million. In terms of what we're willing to pay, something that I talked about earlier also is that we, we don't look at the company on a standalone basis. We look at the company, what is it, where does it, how does it fit in with us and what are the cost synergies and what are the revenue synergies and basis that we determine what is the IRR and we look for a payback of, like I said, between 5 to 7 years and the synergistic value.

If you look at our historical transactions, we paid anywhere between 0.75X to up to 2X of sale and we believe that we can continue to get deals in that sort of range.

Harshad Mehta: Okay. And the second follow-up question on the same. We've already raised INR600 crores, and I believe we have over INR150 crores, INR200 crores in the kitty at the moment. So, considering that if you're looking at something around $20 million, that translates into a sale of about INR170 crores. So, two times is hardly about 350, 400. So, are we looking at multiple acquisitions or what are we like?

Bhanu Chopra: So, you know, you're right. We're actually sitting on more cash. We're sitting on around INR1,100 crores and we are evaluating deals and where we see synergistic value, we will consummate them. Do I think that we can do multiple deals? Yes, we can. But like I said, I think the fact that we are very disciplined about what we're willing to pay because like I said earlier in my opening remarks, we've given 12 offers.

So, given what we are willing to pay, I find it hard to believe that we will, we'll be able to do multiple deals because we are very stringent on what we are willing to pay. So, my sense is it will be one deal at a time more because of the value that we look for.

Harshad Mehta: Got it. Got it. Thank you so much for taking the call. Good luck to you.

Moderator: Thank you. The next question is from the line of Prolin Nandu from Edelweiss Public Alternative AN. Please go ahead.

Prolin Nandu: Yes. Hi, Bhanu. Thank you for taking my question. A couple of questions. First one is on Adara. So while you're not giving out the numbers in terms of what Adara did, but when you acquired Adara and the kind of use case that you had in mind for Adara, now since then there have been few quarters which have been, which has passed and in terms of regulatory environment in developed markets or in the rest of the places, it has only got stringent when it comes to data privacy, data protection.

So do you think that, I mean, Adara acquisition and the kind of use cases or the opportunity size that we had in mind when we acquired it and right now there has been a growth in terms of opportunity size and also where are we in terms of in terms of extracting the synergic benefit from that deal? Are we 50% there, 70% there? Just some rough idea would help me.

Bhanu Chopra: Yes. That's a great question. So first off, in terms of meeting our expectations, I would say it's exceeded our expectations to the power of two because the growth has been pretty fantastic and we acquired the company, it was declining in revenue and also was at minus 20% EBITDA and the whole business case that, I continue to make around these acquisitions and deal capabilities is that RateGain is a great platform because we work with all the top…

Moderator: Sorry to interrupt you, sir. There is a break in your voice. Are you near to your mic?

Bhanu Chopra: Yes. I was saying that A, that the Adara expectations have been exceeded by a power of two and the fact that we have this platform where we have on the top OTAs, car rental companies, hotel chains, as our customers, we're able to bring that capability to the universe of our customers very quickly.

So, in terms of driving synergy, we've been able to drive a lot of synergistic value in taking out a lot of the cost synergies by taking shared services out in terms of HR finance and marketing out of India. And also now we're building our capability set in terms of bringing out and augmenting our tech teams.

In terms of driving synergy on go-to-market perspective, as also we have achieved, and that's why we were able to achieve a lot of revenue growth because we were able to lead the conversations with all these customers. We already had that previously had relationships with COVID.

And I think the piece that we're working now is integrating the platform into something that I refer to as a paid digital media offering, because what we are doing is we are helping now a customer basically get performance across all channels, whether it's Google search, whether it's meta search, display, or meta, because we already had social meta and search, and with Adara we got display. So, now we have one unified platform that we can take to the customer, engage up and down any of these channels to drive the maximum return on ad spend. So, that unification of the platform, that process is underway, and that's where we've been able to drive a lot of synergistic value for our customers also.

Prolin Nandu: Thanks a lot, Bhanu, for giving me that clarity. Now, the second question is again on mergers, M&A and you have done a fantastic job in the past in integrating and growing some of these mergers and acquisitions. Now, you did a QIP, which helped you to gain INR600 crores, but that also led to a dilution of your own stake, or promoter's stake by around 4.5%.

So, going ahead, do you want to ensure that you can probably acquire the businesses through the cash flow that is generated from the business, so you don't have to dilute the stake, or any other minority investor do not have to dilute the stake? And generally, what is the template that you have in mind? Because some of these tech companies have done acquisition and grew tremendously.

They are serial acquirers, so to say. So, what do you have in mind in terms of what is the template, which is the company that you look up to in terms of integrating these acquisitions and ensuring that there is a value for both the players? Because as you mentioned, you have a platform which helps the company you are acquiring also to probably grow. So, just some thoughts, some qualitative colour on your thought process in original acquisition would be great.

Bhanu Chopra: Yes. So you asked what's a company that we admire. So, there is a company called Constellation Software. I think they've done a remarkable job. I think they acquire like a company every other day. They do over 100 acquisitions a year. And the company is now, I believe, 60 billion in market cap. And a lot of our inspiration comes from how they integrate.

But our playbook is very clear. We have three phases. Phase one is we drive out cost industries by taking out share services and HR finance and marketing. Our phase two is driving revenue synergies to leveraging our go-to-market teams we have. So, let's say we acquired Adara. They had 20 salespeople. We have 100 salespeople in RateGain. So, we're able to really ignite the conversation through our sales team and vice versa, use also the Adara sales team for RateGain products.

So, second phase is sort of the go-to-market synergies because the beauty of our platform is it's the same customer that we are selling to. And it allows us to also deepen our relationship with them. And then our phase three of our playbook is, like I talked about in Adara's case, also is the unification of the platform where we are able to drive that vision of one integrated tech stack to our customer where they also only have to deal with one vendor instead of multiple vendors and also drive a lot of synergistic value because you make this as one platform and make these systems interoperable and you can drive a lot of insights and drive a lot of actions from those insights to drive value for the customer. Thank you.

Prolin Nandu: Thank you. Just to follow on, do you have any kind of floor of your own stake in mind below which you don't want to go even if there is a good acquisition which is there in the pipeline?

Bhanu Chopra: So, if you compare my stake to a lot of the new-age companies where the founders are on single digit, I still hold over 48%. So, I am very comfortable to continue to grow the company. My aspiration with the company is to be a billion dollars in revenue. So obviously, I want to be mindful about my dilution from here on because as you mentioned, I have diluted now, and I do believe that the company is extremely cash-generative. We have INR1100 crores of cash and if you look at our past quarter performance, we did INR50 crores.

So, we are at a INR200 crores PAT run rate and zero debt. So, I do believe with additional acquisitions, I do see our PAT growing quite substantially and that our PAT will continue to feed any other, any further acquisitions because if you look at the sweet spot also most deals, we have done is around that $20 million range. Not that we won't do larger because we are sitting on a larger cash fund, but I do believe that in future, a lot of the acquisitions will come because our model is, it's almost like a flywheel.

We acquire, we use our platform to grow the business to our set of customers, drive cost synergies using India Cost center, make it extremely cash-generative and if we continue to do that, I think it will generate enough cash for us to consummate additional, companies in the future.

Moderator: Thank you. The next question is from the line of Dhruv Agarwal from Navasia. Please go ahead.

Dhruv Agrawal: Good afternoon, sir. I wanted to ask a question, sir. In the DaaS segment, sir, from where are we able to get this pricing data that the competitor is charging and is it legally correct to get this data, sir?

Bhanu Chopra: Yes. So, the sources of this pricing data, there are three sources. One is, we call the public sites and given it is publicly available, it's public information and we've been doing this for 20 years. We haven't had any legal dispute with any site owner. Second is the subscribers themselves. So, when somebody subscribes to our data, we often ask them to share their data with us through APIs. And third is they are third-party data aggregators through which we buy this data as well.

Dhruv Agrawal: Okay. So, can you just highlight, sir, what are these data aggregators? Like everyone can be able to get this data, no, sir? Like if any individual hotelier is able to get this data through this data aggregator, then why would anyone choose the RateGain, sir?

Bhanu Chopra: Yes. So, it's a great question. So, the data aggregators would only have subset of the data that hotel wants. So, data aggregators won't be able to give them a wholesome offering where they're able to cover, OTA side, the GDSs, as well as the brand websites. Most often, the data aggregators that we use is for GDS data. So, if you look at pricing information, it's largely three sources. One is the travel agent, which is powered by the GDS. Second is the hotel's own website. And the third is OTAs. And the fourth are metas. Metas like Trivago and Kayak.

Dhruv Agrawal: Okay. Right, sir. And the second question would be, sir, the gross revenue retention is 90% since last many quarters, sir. Why is the reason you, think that it is not going ahead of 90% to say 95% or so? And where is this client going if they're not selecting the RateGain? And what steps are we taking to increase the GRR? Can you please highlight that as well, sir?

Bhanu Chopra: Yes. So, in SaaS, a GRR of 90% is actually pretty healthy. If I were to talk about the benchmark number is more like 85%. But yes, our endeavours is to continue to take this number north. I would say we do enjoy a much higher GRR when it comes to certain business lines as well as type of customer.

So, I would say our Distribution and DaaS business enjoys a much higher GRR. And also, we see more churn in the SMB segment. So, if I look at our enterprise customers, we have, I want to say, maybe close to 100% in terms of GRR with our enterprise customers, which are the larger customers.

In fact, our first big customer that I signed 20 years ago, which is a very large OTA, is still our customer. So, it depends on really the customer segment and the type of business. Martech is more discretionary. So, we do see some churn there. And if they're not using us, who are they using? Well, again, on the SMB segment, sometimes the business, the SMB themselves are having challenges.

So, their operational viability may be of an issue and that's why they don't continue. And yes, we do have competition, but I would say the fact that we are able to retain 90% of our business, it's still significantly higher than the industry and our competition.

Moderator: Thank you. The next question is from the line of Dhruv Agrawal, who is an individual investor. Please go ahead.

Dhruv Agrawal: Yes. So, as you said, one of the participants called that quarter 1 is generally stronger than quarter 4 and quarter 2 is stronger than quarter 3. So, can you please explain the reason for the same and what kind of growth so we can expect in the quarter 1, sir?

Bhanu Chopra: So, in terms of quarterly performance, that wasn't really actually for all of RateGain, it was really subject to Adara, which is more sort of in the Marctech area and that's just the nature of the beast that advertising dollars or additional marketing dollars are seasonal depending on the upcoming holidays. So, for instance, Q1 is better because in the Western markets, you're approaching summer. So, you would obviously want to be stronger than Q4.

And similarly, Q3 is stronger than Q2 because if it's the end of year holiday, then these travel brands will get out their story more and be in front of people as they're planning the leisure travel. I think you asked another question. Can you repeat that?

Dhruv Agrawal: I was asking, sir, and what kind of growth one can assume for the quarter one for the financial year '25?

Bhanu Chopra: So, as we've guided 20%, we should be able to achieve similar kinds for Q1 as well.

Dhruv Agrawal: Okay. And the second question will be, sir, as you said in the last con call, that the top 20 customers can give you $20 million revenue each, 20-100 customers can give you $5 million each, and 10-1,000 customers can give you around $1 million each. So, from each of these categories, right now, how many customers are we catering to in each of these divisions? And going ahead, how do you see the growth prospects in each of these divisions, sir?

Bhanu Chopra: So, amongst our top 20 customers, we've seen significant growth. A couple of our customers are now approaching close to the $10 million mark. But to give you exact details on how many people have come into each of those buckets, and we can connect offline and get you that data.

Dhruv Agrawal: Okay. Thanks. And, sir, just one last question. In quarter one con call, you said, sir, that we are just scratching the surface and there is a lot of growth that should come in the coming years. So, can you please throw some light on the thing, that is, in which of the segments do you think the growth will be coming? And going forward, which segment do you think will become the major contributor to you? And what kind of peak revenue company would be able to achieve?

Bhanu Chopra: Yes. So, I continue to see in the near term, which is for the next year, the growth trajectory to be very similar across all the business lines. And I continue to reinforce that I see a very, very large opportunity in front of us. It will all boil down to our ability to execute. I do see RateGain to be $1 billion in revenue. And that's our aspiration. And that's what we're running towards.

Moderator: Thank you. Ladies and gentlemen, we will take that as the last question. I would now like to hand the conference over to Mr. Bhanu Chopra for closing comments.

Bhanu Chopra: Thank you, everyone. I want to take this opportunity to thank the incredible team at RateGain for delivering a great FY '24. And I'm pretty confident that we will continue to march our journey towards achieving this $1 billion in revenue and look forward to getting everybody's support.

Moderator: On behalf of RateGain Travel Technologies, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.