"RateGain Travel Technologies Q2 FY '25 Earnings Conference Call"

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

Moderator: Ladies and gentlemen, good day, and welcome to RateGain Travel Technologies Q2 FY '25 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 guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need any assistance during this conference call, please signal for an operator by pressing "*" followed by "0" on your touch tone telephones. Please note that this conference call is being recorded.

I now hand the conference over to Mr. Bhanu Chopra. Thank you and over to you, sir.

Bhanu Chopra: Thank you very much. And a very good afternoon to everyone and thank you very much for joining the earnings call for RateGain Travel Technologies Limited for the second quarter of Fiscal Year 2025. It's great to connect again with all of you and I am excited to share some key updates from the quarter.

So, joining me on the call are Mr. Tanmaya Das – our CFO and Mr. Divik Anand – our Head for Investor Relations. We announced our second quarter and H1 Results for the Fiscal Year 2025 earlier today, and I hope you have 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 happy to report that the Company has delivered another notable quarter marked by balanced growth, record margins and healthy performance across key operating metrics, underlining the strength of our business model. A balanced and disciplined approach has been key to delivering a strong operational performance, leading to another record operating margin of 21.7%, demonstrating the resilience and efficiency of our SaaS based model.

Our commitment to sustainable growth remains a core focus. Our AI powered SaaS solutions continue to empower leading hospitality and travel brands, providing actionable insights that drive profitability and optimize decision making. We continue to make inroads into key accounts, forging partnerships and enhancing footprint in emerging markets.

Looking ahead, we are dedicated to advancing customer excellence through strategic investments in product innovation and forming partnerships that yield long term value. With a robust pipeline and clear vision, we are well positioned to capture new opportunities and strengthen RateGain's role as a leading technology partner with our tailored data-driven solutions powered by AI.

With that, I would like to capture some of the key operating and financial metrics from the past quarter. Our annual recurring revenue ARR now stands at a new high of Rs. 1,109 crores, growing at over 18%. We continue to see steady traction across all our three segments with a strong pipeline as we look to drive value for our customers. Revenues for Q2 grew by 18.1% compared to the same period last year, with well-balanced growth across all three verticals.

Our new contract wins came in at Rs. 127.6 crores as we deepen our presence across some of our long standing relationships, continue to add new customers who seek to drive better outcomes, and maximize revenue with our AI-driven solution. We continue to see improvement across the key operating and financial metrics. Our LTV to CAC stands at an industry-leading number of 15.1x, with a steady revenue per employee capturing healthy employee productivity and the ability to scale-up in a sustainable manner.

At RateGain, we are approaching Gen-AI as a cultural change instead of looking it as a product or tech innovation. Throughout the organization, across functional, internal customer facing as well as our customers, we are working to create an AI-first mindset to ensure that our product sales, marketing in people, teams think of AI as an alternative to existing problems.

Some highlights of the innovation that our product teams are incorporating on the customer side.

We are now using Gen-AI summaries on our DaaS products to help summarize key highlights and actionable insights for our customers.

We have launched now Rate behavioral Intelligence, which uses AI to determine patterns of competitive pricing behavior on price changes. revAI, our RMS tool for car rental companies, we continuously improve the revAI's algorithm for better demand forecasting, and thus improved pricing recommendation.

As part of our RevMax platform, we have recently launched the voice module where we are building an assistive channel, and they have AI agents for taking reservations and handling customer queries on behalf of hotels.

In our paid digital marketing, we are using end-to-end AI-enabled platforms to drive better RoAS on behalf of our customs. Internally, we are using AI in the following ways. There is an extensive use of Copilot, leading to higher developer productivity. This developer productivity will help us focus on creating better products and faster deployment.

We are using AI in our marketing and sales function for increasing reach, better targeting and capturing intent, as well as improving conversion. Finally, we are using AI in HR in helping us find the right talent, determining employee sentiment and taking proactive action. We are also proud to be working with Google and AWS' workshops as well as we partner for Gen-AI hackathon in building solutions for the travel industry.

On the state of the industry, global travel industry continues to hold steady in the face of evolving situations in some pockets. Skift Travel Index stood at 107 in September, showing steady growth in APAC geography, with all countries growing year-on-year basis, and Europe demand continue to hold steady as well. The summer of 2024 was unique for industry, with both political and global events impacting travel demand. Few trends that have emerged in 2024 are –

Asia Pacific continues to show growth year-on-year with some Middle East destinations still growing in spite of the ongoing uncertainty, providing an opportunity to grow in new markets.

Leisure travel is seeing resilience as travelers speak memorable experiences. Luxury travel continues to show growth across markets, providing a significant opportunity to capture their marketing spends.

Business travel is slowly climbing back to pre-pandemic levels, with a stronger focus on cost control, presenting an opportunity to grow the need for competitive intelligence. Large hotel chains are looking to expand into newer markets and reach new audiences, giving an opportunity for new travel aggregators to streamline B2B distribution.

I am also extremely proud to mention that RateGain was featured as a case study by the New York University School of Professional Studies, Jonathan M. Tisch Center of Hospitality. It's a great honor for NYU USPS to have captured the growth of RateGain into a global technology player in the rapidly evolving travel industry. Building a global brand requires synergy across different stakeholders, along with identifying the right opportunity. We are trying to bring the industry together to address the problems we face today and the challenges we can expect tomorrow, and we are just getting started.

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

The DaaS business contributed to 32% of the total revenue for H1 FY ‘25. This vertical grew at a healthy pace, with continued traction across key enterprise accounts, in addition of new logos across airlines, OTAs, car rentals and cruise. As you might have seen from recent press releases, we have added some great logos in our air segment, including Thai Airways and some fast-growing airlines including TAAG Angola, Fly Arystan and Flight Centre Travel Group. We continue to make inroads within this space and air vertical continues to be a key growth driver within our DaaS vertical.

We also continued to deepen relationships with key customers across hospitality and OTA. With a newly launched navigated platform, we are seeing traction and have had some win-backs here, and have a healthy pipeline. Given our ability to deliver large volumes of data, we have continued to see incremental volume demand coming from our existing enterprise customers, driven by evolving customer behavior, steady travel demand and product innovation.

Our distribution segment accounted for 20.6% of our total revenue. We were recognized as a strategic partner by Agoda, and as a preferred partner by Trip.com, which is a validation of the high-quality connectivity solutions we enable for our hotel partners. This enables our hotel partners to grow further with a reliable partner and drive efficiencies on how they distribute their inventories. These recognitions are a validation of the strength and reliability of the platform and the values we are driving for our customers and partners. We are also integrated with TCA now, a leading PMS in Latin America, that will enable us to further enhance our footprint in the LatAm region.

We have had some key new deal wins in this segment along with expansion with some of our existing partnerships. We are confident of healthy growth within our distribution segment going forward.

We continue to make inroads with our RevMax platform across mid-sized chains in their APAC and Middle East and are focused on scaling up in the coming quarters. We continue to add features and enable further integrations to help create the best-in-class product.

Our MarTech business contributed to 47.7% of our total revenues for H1 FY '25, backed by healthy growth in the paid digital marketing segment, and steady traction in our social media engagement segment, with some leading hospitality brands in the North American geography.

With the continuous focus from hotels on driving direct ROI, a PDM offering that we refer to as demand booster, continues to see increased traction with hotel chains across Europe and APAC region. Given the integrated offering we have on this with our RevMax platform, we are excited about the prospects of a holistic offering where we will help drive more direct bookings for hotel partner.

A PDM offering in the Adara continues to deliver strong performance on the back of brands looking to drive better outcomes from their digital marketing campaign. In fact, we had our best sales quarter in Q2, signing 89 new logos in the quarter, and expect this trend to continue into Q3. The value we are driving for these brands basis the strength of the travel intent beta, a strong product proposition, is really allowing us to drive growth within the DMO segment and close deals with enterprise customers across retail, financial services, entertainment parks, airports, airlines and hotels, making RateGain Adara is our other partner of choice. With the added measurement capabilities and partnerships that we have established, we continue to strengthen our product proposition.

With that, I also have some key updates in milestones on the people front. We continue to see an improved attrition rate now at a new low of 10.3%, which reflects our strong commitment to retaining and nurturing top talent. At RateGain, we proudly report a workforce composition of 72% male and 28% female. While this progress is notable, we recognize the importance of further enhancing gender balance across our organization. A commitment to diversity stems from a belief that diverse perspectives drive innovation and better decision making, enriching our Company culture, and we strive to create a more balanced and inclusive workplace.

This quarter, we celebrated the graduation of participants from RG GOLD Program, our flagship RateGain global organizational leadership development program in collaboration with NMIMS. This reflects our commitment to building a strong talent pipeline and nurturing leadership from within, ensuring we have the depth and diversity of talent to propel us forward.

With that, I would like to now ask our CFO – Mr. Tanmaya Das, to take you through the performance of Q2 and H1 of the Fiscal Year.

Tanmaya Das: Thank you, Bhanu. And a very warm welcome to everyone on this call. I am delighted to report that the Company has delivered another quarter with healthy operating performance, marked by healthy broad-based revenue growth, coupled with a strong margin expansion of 190 basis points, demonstrating operational excellence and in line with the guidance given at the start of the year. This has helped us deliver a 19-quarter high EBITDA margin of 21.7%.

We maintain a focus on profitable growth while investing strategically to drive sustainable value for our customers and stakeholders. This balanced approach enables us to deliver strong results and build a solid foundation for long-term success.

Some of the key financial and operating highlights from the quarter gone by:

The Company reported a record revenue of Rs. 277.3 crores with year-over-year growth of 18.1%. This was on the back of healthy growth across all three segments. Given the evolving landscape unchanged in customer behavior, the data volumes or enterprise clients continue to rise. And as we continue to add new logos on the air side, our DaaS segment grew at 20.2%. Our PDM offering continues to find flavor with travel and hospitality brands, who are seeking to drive better returns from the digital dollars they are spending, aiding a growth of 18.3% in our MarTech segment. And with a steady rise in volumes, growth picked up in our distribution segment to 14.6% for Q2.

EBITDA grew ahead of revenue at 30% to 60.2 crores for Q2 FY '25 with the margins improving to a new high of 21.7%, up from 19.8% last year. This is on the back of operating leverage kicking in, and a balanced approach. Our PAT grew by 73.8% to Rs. 52.2 crores, compared to Rs. 30 crores in the previous year.

For the first half of the year, the Company reported revenue of Rs. 537.3 crores, with year-over-year growth of 19.6%. This was on the back of strong growth from all three verticals at DaaS growing at 19%, distribution at 10% and MarTech at 25% for the first half.

EBITDA grew by 31% to Rs. 110 crores for H1, with margins coming at 20.5%, up by 180 basis points from the same time last year. The H1 EBITDA expansion is added by healthy growth in our high margin business DaaS vertical, and with continued traction in PDM MarTech offerings. Our PAT grew by 77.6% in H1 compared to the same time last year, coming Rs. 97.6 crores from Rs. 55 crores.

The Company continues to have strong customer relationships with low churn, and a focus to expand existing relationships to build sustainable and reliable revenue streams. Our gross revenue retention improved to 91% and our net revenue retention study 105%. Our customer base currently stands at 3,225 customers. We continue to have a strong balance sheet with our net worth currently at Rs. 1,557 crores, and our cash and cash equivalents balance as at quarter end stood at Rs. 1,131 crores.

With that, I would like to close my remarks and we are happy to open the floor for questions. Thank you.

Moderator: Thank you very much, sir. We will now begin with the question-and-answer session. The first question is from the line of Karan Uppal from PhillipCapital. Please go ahead.

Karan Uppal: Congratulations on a broad based growth as well as strong margins. So, the question is to Bhanu. So, Bhanu, travel market is largely looking normalized now after two and a half to three years of very strong growth. But RateGain's growth continues to be in strong double-digits, almost 20% growth in H1. So, is this reflective of the increased market share given the small size of ours? And also, is it also reflective of the good cross-sell and up-sell which we are doing across the portfolio? So, how do you characterize the growth and what's the sustainability of this growth?

Bhanu Chopra: Yes. So, thank you. So, as you rightly noted, we have had some very, very robust growth. And also, frankly, on a much larger base, from the time we listed we are now almost three time the size, from Rs. 300 crores now we are run rating at, our ARR is at Rs. 1,100 crores. So, I think I would give credit to the entire RateGain team with then just focused heads down on execution. I also believe that the strategy to build out additional capabilities to realize that vision of having one integrated tech stack is also paying dividends, now that we have multiple products set and capabilities.

And I believe each of these product areas have huge headroom for growth, and we continue to invest in adding adjacent features or capabilities that help us position as a far superior partner to our customers because we are being viewed as a one-stop-shop instead of having to deal with multiple vendors. And the fact that all our solutions talk to each other and are seamlessly integrated, there is a huge value we can drive in terms of actionable insights in driving more revenue for our customers.

Karan Uppal: Secondly, the guidance was missing in the prepared remarks, so shall we assume the last guidance is intact on both growth and margins?

Bhanu Chopra: Yes. So, let me take a minute to talk about the future guidance. So, as you also noted, there are several things that are happening, and I would like to address each one of them. So, as you know, US is one of our biggest market. And we saw, because of the elections our contract wins have not been satisfactory. So, we expected some large wins to come in, but I think because of the delayed decision making, we believe that some of this, now that Trump in back in power, some of these decisions should get taken and we should be able to realize some of the larger deals that have been awaiting signatures.

The second thing that has happened is, which was sort of unexpected, that we lost a very large client on our MarTech side. It was equivalent to almost 4% of our revenue. I had alluded to this in the last quarterly call also, and we were able to sort of put a size on the amount of loss. So, obviously, 4% loss is a big loss and that impacts our ability to continue to grow at like 20%. So, all efforts are to build back this loss because it was kind of unexpected. And the loss was really this German Company, it was a mid-sized chain, got acquired by a very large US chain. So, we did not lose the business to a competitor, but this larger chain, it was on our MarTech side and they were using one of our MarTech solutions. And the US chain already had this capability in-house.

And the third sort of, I would say, trend that we are seeing is, on couple of our larger DaaS contracts we are seeing some pricing pressure. So, it's yet to be known on what will happen to those contracts in terms of the pricing concessions we might need to give. So, definitely there are both macro level challenges, as you noted, that travel has kind of normalized, especially in NorAm and in Europe also, in APAC we continue to see growth. And also, some micro challenges that I mentioned about losing a larger client.

But on the flip side, I should also share with you all the positive news where we, as I mentioned in my commentary, we have had a great quarter on the Adara side, it was the best sales quarter ever. And just last week we won a very large contract with one of the larger chains, it was almost close to $2.5 million. So, that gives me a lot of encouragement and optimism that there is an opportunity to again surpass all previous records on the Adara side on sales in Q3. And similarly, we are seeing some very, very good traction on our RevMax platform that we are now calling Uno, where we have one some large deals, including one that we have. And I feel very confident that given this unexpected loss that we had that we are able to recover. But net net, just on the conservative side, we have been guiding now for like a 15% growth.

Karan Uppal: 15% growth for the full year?

Bhanu Chopra: That is correct.

Karan Uppal: And just lastly on Adara, so if you can share what's the annualised run rate and the margin profile currently?

Bhanu Chopra: I will defer that to Tanmaya.

Tanmaya Das: Here also annualized run rate will be close to around $48 million to $49 million we expect to close, and the margin profile is around 18%.

Moderator: Thank you. The next question is from the line of Anmol Garg from DAM Capital. Please go ahead.

Anmol Garg: Just a couple of questions. Firstly, if I look at our total number of customers, there you indicated that we have added 89 new customers in this quarter. However, despite that, the total number of customers has reduced by around 74, 75 during the quarter. Is this intentional in terms of cutting down the non-profitable tail accounts? Or is this something that we have seen as a trend during the quarter?

Bhanu Chopra: So, let me clarify, the commentary that I talked about adding 89 logos, that were only specific to Adara. Now, to your overall question of some reduction in overall customers. So, in case of, as I mentioned, in some cases when we account for large hotel accounts, we sometimes, depending on how we do the invoicing, we count the number of customers basis the number of invoices, even if it's part of the same chain. So, there was, as a result of that, because of that loss of big account that we had, we see some reduction. And on our brand monitoring and brand engagement also we saw some non-profitable accounts that we had cut down as well.

Anmol Garg: And secondly, we have seen strong traction coming back in our distribution business this quarter. If you can indicate what had this led by? And will this traction continue going ahead as well?

Bhanu Chopra: Yes. So, our distribution business comprises of the large hotel chains that we do connectivity for, for demand partners, and we also come to Uno, our RevMax platform, which is the integrated tech stack also as part of our distribution business. And something that I have been saying all along is, the big growth driver for us is going to be Uno. And we saw some very, very good traction in the past sort of couple of quarters where now we have released the product and we have had some large wins. So, I do see distribution to be a very, very big growth driver for us in the next couple of years.

We have not reached that tipping point on Uno, but I do believe that market potential is quite significant. And compared to our competitors, our AI-first mentality and how we are rolling out this product, like how I talked about in my commentary about our voice module, which is truly AI based module which can handle reservations and customer queries on behalf of hotels which a lot of these mid-market and smaller hotels don't have, good products in a very, very unique position.

So, there is a very healthy and robust pipeline that we have on Uno and we are very confident about the go-to-market strategy we are using where we are using what's popular in SaaS called land and expand, where we land with one module and then sell the entire tech stack to the customer. And it's working quite well. So, yes, to answer your question, I do see continued traction. And hopefully in the next sort of two, three quarters down the line, also expecting larger numbers to flow in on account of Uno.

Anmol Garg: And just one last one is that, as you indicated that we have lost our larger customer, can you also indicate the profitability of this particular customer? And how should we look at our EBITDA margins going forward, will this have a larger impact in Q3?

Bhanu Chopra: Yes. So, on the EBITDA margins, from a customer perspective, I will not be able to disclose that. But I can tell you that the numbers in Q2 account for almost 70% of this loss of this customer. And as you have seen in our margin profile, it did not impact our margins. In fact, our margins are continuously going up, and we were at 21.7%. So, I am pretty confident that our guidance on margin stays intact and that's the beauty of the SaaS model, as you increase revenue, most of that revenue falls to the bottom line and you have the power of operating leverage.

Anmol Garg: And just one last thing, because of the reduction of the customers, would there be any decline in revenues in the third quarter or will have growth quarters for third and fourth one?

Bhanu Chopra: That is correct. We continue to expect growth in Q3 and Q4. I think my point about, as I mentioned earlier, it impacts our growth. So, as we were guiding 20% growth and we lost the customer that makes about 4% of our revenue today, that's why I am indicating a lower growth for the full year, which is more around 15% now.

Moderator: Thank you. The next question is from the line of Miten Shah, an Individual Investor. Please go ahead.

Miten Shah: Thank you for giving me the opportunity and congratulations on posting a good set of numbers. Sir my question would be a little bit non-technical, not related to the performance per say. The question I would like to pose is that, if you see our IPO came out with the face value of Rs. 1, face value of Rs. 1. So, I mean, just a question, if in case future the share price increases and all those things to a very high-level support fur digit figure would be optimistic, why is it placed at the face value of Rs. 1 compared to industry standard of Rs. 10, any specific reason for that?

Bhanu Chopra: So, at the time of the IPO we had announced, actually we had done the bonus shares right before the IPO. And as a result of which it came down to Rs. 1. And your point about it going to four digits, and it absolutely will, or higher four digits and how do we tackle that? Well, look, I am sure, as a Company do I have a solution on that question today? No. But do I feel confident that we will find a solution that would be favorable to all stakeholders? I am very confident. So, yes, I may not be answering your question now, but at the appropriate time I am confident that we will be able to find the right solution.

Miten Shah: Sure. And just one more question. Is it possible to give a breakdown of the margin of customers like who fits into the $1 million category and how many customers that are into $1 million category or $500,000 or $100,000 category, is it possible to give a break up like that in the subsequent presentations?

Bhanu Chopra: No. We will not be very comfortable sharing that information because as a public Company our competitors also have access to that data then. So, unfortunately, we will not be able to give you that break up. But yes, maybe we can on a one-on-one give you some color on it.

Miten Shah: Sure. I mean, that answers my query, I really appreciate it. Thanks a lot for answering and congratulations again.

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

Prolin Nandu: A few questions from my side. Now you mentioned that since IPO you have grown to three times, 3x the size. If I look at the trend right even before IPO, what happens is that you have an organic growth of, let's say, 15%, 20%. When you acquire an asset, the growth inches up because of that acquisition one-time, and then again there is a lag effect of that acquisition for a couple of more years. And again, the growth increased back to 15% to 20%. Now, given our size, right, in terms of how small we are in overall travel tech market, and also versus our peers, when you look at the organic part of your business, let's say over the last five years period, are you satisfied with the kind of growth that you have seen? And some of the operating metrics that you report on a consolidated basis, it could be NRR, it could be CAC, cost of acquisition and LTV, etc., etc., how would they look if we only were to evaluate the standalone business?

Bhanu Chopra: Yes, it's a great question. So, there are a couple of questions there, and I will answer one by one. So, your first question about our organic growth, am I satisfied with it? The answer is, absolutely not. I feel that there is a huge amount of headroom for us to grow. As a composite Company looking at across all of products, we are at Rs. 1,100 crores but there are lots of products that we have that individually are at maybe Rs. 10 crores or Rs. 20 crores. And I see the potential for each one of those smaller products, and in another call I had referred to them as baby or teenagers, I see the potential for them to also be hundreds of crores. So, I am very confident of the RateGain's strategy on a go-forward basis. I am very confident of the simple people that we have a set of customers that we need to sell to and we need to gain their trust and sell them more and more products.

That's the entire thesis on which we are building the Company and we have a number of products that can see a much larger attach rate with these customers. So, I am confident about our strategy. I do think that we need to implement a better execution and we need to continuously get better execution whether it is on the product side, largely around how we onboard customers and making it quite frictionless and seamless. But also, on the go-to-market motion, how we sell to enterprise customers versus mid-market, what are the different nuances to be taken care of from a go-to-market motion for each of the geographies. So, there is calibration going on continuously.

So, just as an example, we are now calibrating to help create a better sales pipeline by using a lot of AI tools, but also complementing that with what is called in SaaS, an SDR function. So, up until now we did not have an SDR function, but in the last sort of two, three months we have invested quite heavily in building out an SDR function and we now have got 20 people whose sole job would be to help create sales pipeline and opportunity.

In addition to that, we have added, as I have talked about earlier, a lot of, I see a lot of opportunity in the APAC region, so we have added a bunch of salespeople in APAC region. So, I do believe the strategy is right, the execution needs to continuously be calibrated. But even the bases of all the products that we have, I do think that we should see acceleration of our growth. Obviously, all of us would like to see the acceleration of that growth happen sooner than later, but I am fairly confident that if we are putting our heads down, executing well, we can be well north of 20% on an organic growth basis alone.

Prolin Nandu: Bhanu, thank you so much for an elaborate answer. Now, second question is on acquisition, right, while we completely respect you being very, very, conscious about the price that you pay and maybe some of the past acquisitions that we have made on price-to-sales multiple might be difficult, but in some of the past meetings that we have had, you had mentioned that some of your targets have still not been acquired. So, from a sellers' point of view, is there no urgency as such because I do not think so they are, I mean, on its own they are not that great businesses in terms of the return ratio profitability. So, is there no urgency? And most of the packets that are there in the market still available?

And we have a very successful template in terms of Adara and other acquisition as well, so is it, I mean, since we are not able to find a price, is there a midway or change in our strategy where we make some of the sellers also maybe you buy 70%, 80% and give that 20% kind of an upside to the sellers? Is there a requirement for change in strategy which is there in the market? Because, I mean, those kinds of multiples are difficult to come back to, right, in terms of what we have acquired. So, anything on your M&A if you can help in the context of whatever I mentioned?

Bhanu Chopra: Yes. So, as I told you, all read and heard, 90% of M&As fail. And while at RateGain here we have been very, very successful, and not just us, I have also referred to Constellation Software and other serial acquirers that do it quite well. And one common theme amongst good serial acquirers is just one, it's discipline. So, I do not look at is the seller eager to sell now because he's not been able to sell and is there an urgency? What is the change in environment? To me, none of those factors are as important as having a template, having a discipline of chasing value creation to these acquisitions, what is the strategic value and how does that translate into numbers.

And I have talked about this, we have our IRR target, our payback period threshold. And I am very confident that we will continue to do acquisitions within those thresholds, because we have not done one, we have done four, and we will continue to do that. And it may also happen that we have not done anything now for two years, but there is a chance that we might end up doing one or two together, as long as our thresholds and internal metrics are being matched. So, my point around this is, I think M&A is really a story of patience and discipline. Having done it successfully and looking at our pipeline, I feel confident that we will be able to consummate something soon. And it may also happen that, like I said, we may do more than one in quick succession as we find deals that fit our matrices.

Prolin Nandu: Sure. And one last point, Bhanu, right. I mean, last quarter we heard some pricing pressure in distribution, this time you are talking about some pricing pressure in DaaS, right. Is there something more to read in these as to the value that we are offering, it's not being filled by the customer and hence they are asking for price cut? Is it more to it? And do we here pricing pressure more going forward or how should one think about it?

Bhanu Chopra: So, as one of the other analysts asked about, the overall travel has now normalized. So, if you look at the big hotel companies and their revenues, these are all listed companies like Hyatt, IHG, Marriott, etc. So, there is definitely pressure on them in terms of growth. And as a result of which, when things are growing really, really well, there is a tendency to overlook. And as things tighten up, people usually tighten up their purse strings. So, as a as a result of that we are seeing more pricing discussions. But fortunately, the value that we provide and the place that we are at, there are not too many other options that are available to these customers. So, we are trying to hold tight and create more value.

The other benefit that we have is, again, the benefit of adding more products, so providing better value to the customer. So, if we are negotiating on one product, we have the ability to say, okay, I will give you a 5% discount but buy this other product. So, it's creating those kinds of opportunities also. So, it's not all doom and gloom, it's also creating some opportunities for us from a cross-selling perspective. And on the overall impact, I would just like to be cautious and set the right expectations, but I do not see this to be an overarching concern. If you ask me what keeps me up at night is, as I talked about the strategies there, is honing in on our execution.

Moderator: Thank you. The next question is from the line of Rishi Jhunjhunwala from IIFL Institutional Equities. Please go ahead.

Rishi Jhunjhunwala: Sir just one question, mathematically, so I think Bhanu you mentioned 70% of the impact of the client loss has already come in 2Q, given that it was 4% of revenues, that's about 300 bps. So, effectively, in 1H we have grown at almost 20%, including the impact in 2Q on a Y-o-Y basis also. In your guidance you are implying about 10% to 11% kind of Y-o-Y growth in second half. And including the 400 bps also we are talking about 15% growth. So, there is still slowdown in our revenue growth even if we do not take into account the impact of client loss. So, one, is this 10% to 11% math seem correct? And two, if you can just comment on the slowdown in revenue growth ex of this in the second half given that some of the headwinds around elections and other things are behind us?

Bhanu Chopra: Yes. So, Rishi, it's a cautionary note given our contract wins for the first half has slowed down year-on-year. And although the pipeline has grown quite healthy, it's up almost 20%. It's more of a cautionary note to investors. But like I said, good things also emerge. Like we did the largest deal for Adara last week which was about $2.4 million. So, there are some very large deals that are awaiting signatures. If those happen, that should make us look very, very good and also backfill this customer loss that we have had.

The math that you were doing, I did not quite follow, but maybe we can arrange a follow-up call. But net of net, I do see some slowdown in our growth on the back of lower contract win, because our contract wins year-over-year are at 6%, which is quite low. And that will definitely impact. But I do see, I am hoping and optimistic about acceleration of our contract wins. As I said, there are a bunch of contracts up there and we did have a positive surprise last week also because that recovers now that elections is behind. Because largely if I see, also just to give you a geographic breakdown as well, we are doing extremely well in Europe, in APAC, LatAm, it's really the US that we have seen the impact. I mean, rest of the region, even from contract wins as well as revenue growth, it's been north of 20%.

Rishi Jhunjhunwala: And just very quickly, so in case I missed earlier, if you can give the reason for that client loss and have you lost it to another vendor, to in-house, or the business has gone wrong? And secondly, any updates on acquisitions?

Bhanu Chopra: Yes. So, on your first question about losing the last customer, so basically it was a mid-sized chain in Germany and it got bought over by one of the larger chains in the US. And we were selling a MarTech product to them and the large chain was using an in-house, basically they run all their paid digital campaigns in-house. So, as a result of which we lost this to an in-house team. But at the same time, again, I am not factoring any of these potential positives. But very recently we heard from the chain that they are not seeing the same level of traction on those campaigns as they were seeing from us. So, there is an opportunity that they might come back and start again with us in the new year. So, let's see, we will keep you informed.

On your second question around M&A, so the pipeline is quite robust. We are in very active conversations with a couple of prospect. And you can say we are doing our preliminary due diligence. On the valuation side we are in sort of ballpark numbers, but now it's really about us doing our due diligence. And I do not want to commit to anything because just very recently also we were in a place where, so it's more always about valuations. We had agreed on the valuation with this other Company, but we found things that we were not comfortable and willing to take on more as risk, as a result of which we had to move forward. So, yes, so there are a couple of companies where, from a valuation perspective, pricing perspective, we are in the ballpark range. We just need to be comfortable with whatever the discoveries we are doing and our ability to mitigate those risks.

Moderator: Thank you. The next question is from the line of Deepak from Sundaram Mutual Fund. Please go ahead.

Deepak: Bhanu, I had a couple of questions, one was regarding the total pipeline. So, what I could see is last quarter we had reported a pipeline of Rs. 555 crores, and this quarter we have mentioned in our PPT at Rs. 469 crores. So, is this because of all the reasons which we have discussed thus far, the slow down and client loss and etc., or is there something else to it?

Tanmaya Das: So, obviously the pipeline, if you see year-over-year, has growth of more than 20%. But we do periodic cleaning of the pipelines because sometimes the pipeline does not reflect the true picture. So, we have been doing those cleansing in the last quarter. So, now it's more accurate pipeline that can be depicted. Obviously, there are closures who had a large quarter of closure of contract wins last quarter, so some of the pipeline has gone into closed won, but it's a combination of both of them.

Deepak: In H1 we have already reached highest ever margins and we are at around 20.5% odd, so in H2 do you expect with this 10% to 12% growth, means what could be the EBITDA margin trajectory for H2?

Tanmaya Das: Look, at the start of the year we had given a guidance of 200 basis point improvement over last year, so that guidance remains same.

Moderator: Thank you. The next question is from the line of Madhuchanda Dey from MCPro. Please go ahead.

Madhuchanda Dey: I have two questions. These topics have been touched upon by many other participants as well. See, you had raised capital quite some time back and looking for an acquisition. Now that the travel industry has done exceedingly well, stabilized fully, have you found the price very expensive or is it out of your budget which kind of limits the possibility of a deal happening in the near future?

Bhanu Chopra: Yes. So, as I had noted earlier, there have been deals which have been in the ballpark valuations, but we were uncomfortable with some systematic risks that existed in the business that we were willing to take, and as a result of which we had to pass on them. In other cases, look, we have evaluated almost 10 companies and made 10 offers in the last 12 months. A couple of them we did go forward but had issues and due diligence. For the rest of them we could not arrive on the right valuation. And as I mentioned earlier, I know a lot of investors are expecting from us to do something. But I need to remind everyone that, I will repeat myself, M&A is a game of patience and discipline, and I am not just optimistic, I am supremely confident that we will do the right deals at the right price to continue to create the success that we have demonstrated in the past.

Madhuchanda Dey: My second question is again on your guidance. There are three factors, please correct me if I am wrong. You always have mentioned that 4Q is a very strong quarter for you. Second, overall with US elections behind, that is a big uncertainty. US, there's kind of a soft landing in the US. Most of the technology companies are alluding to tech demand looking to come back in a big way. And you have already delivered a 20% kind of growth in the first half. And as you mentioned that the client loss, which is 4% of the revenue, 70% of that is already there in the numbers of Q2, which means that about 100, 120 basis points is kind of a spillover into H2. With your guidance growth in the second half, according to my calculation, is quite abnormally low at 10%, 11%. So, how do I reconcile this?

Bhanu Chopra: Yes. So, the way to think about a SaaS business and trying to bridge future numbers is really looking at the churn rate, which are very, very healthy at RateGain. So, our churn is about 10%. And the other important thing that you need to look at is the new sales number. And then the third is the minor point, is looking at how quickly do we monetize our sales number or our order book. So, what you see in H1 is a result of the rate share wins previously. But as you would notice, our sales numbers have not that great in H1, it is only 6% if I do a H1-to-H1 comparison year-over-year. So, it's really a result of lower sales. And as I mentioned, even if you ask me, where did you not sell, it is really the US that where we are not selling. And we have taken a lot of steps also.

So, while we have a good pipeline, some of it could be blamed on macro conditions, I talked about elections, etc. But I do also feel that there is improvement we need to do on our go-to-market motion, and that we talked about how we are doing, improvising, calibrating our sales motion by investing into this SDR team, we have also ramped up on our marketing efforts, we are participating in more shows. We are also looking to revamp and hire more people in the sales team. So, there is a lot of focus in building that in increased sales function to solve for the lower wins that we have had in the upcoming quarter. And like I said, there is a good pipeline, there is a very large deal that we did last week with one of the biggest entertainment resorts in America, it was close to $2.3 million, $2.4 million. And similarly, we are negotiating and have caused verbal agreement on a multimillion dollar deal on our distribution side. Again, how we have it delivered signatures yet, makes me a bit cautious and we want to set up the right expectations.

Madhuchanda Dey: Thank you. I hope you kind of reach your guidance fully in the second half. Thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Bhanu Chopra for closing comments.

Bhanu Chopra: Yes, thank you everyone for giving us the opportunity and participating in the call. I feel very, very optimistic about the future. The building blocks at RateGain have never been stronger. I feel very strongly about the team that we have built, the innovations that we are doing on our products, and the value we are bringing to our customers. And with that, we continuously work tirelessly every day to realize the vision of building into $1 billion revenue Company. So, thank you, everyone.

Tanmaya Das: Thank you.

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