"RateGain Travel Technologies Limited
Q4 and FY '23 Earnings Conference Call"
May 19, 2023

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Moderator: Ladies and gentlemen, good day and welcome to the RateGain Travel Technologies Q4 and FY23 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 participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on a 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 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 fourth quarter and full year ending March 31, 2023. It's great to connect with all of you again and we're excited to share some key highlights from our past quarter and past fiscal year. Joining me on the call are Mr. Tanmaya Das, our CFO, Mr. Divik Anand, our Head for Investor Relations and Mr. Thomas Joshua, our Company Secretary of RateGain.

We announced our fourth quarter results for the fiscal year 2023 earlier today and I hope you've had a chance to go through our financial results, the press release and investor presentation that are available on the stock exchanges and also on our company website.

It has been a spectacular year for us on many fronts. It has been a record year in terms of revenue for the company with well-rounded, robust growth across all segments. Our revenue for FY23 stood at INR565 crores with a growth of 54%. Margin improvement has been strong as we reported a 17.6% EBITDA margin in our Q4 and 15% for the full year, well ahead of the guidance given at the time of the IPO of 200 to 300 basis points expansion from the 8.3% margin we reported last year.

We had our best quarter ever in terms of new contract wins and for the year as a whole with a record 543 customers added over the course of the year.

We completed the acquisition of Adara, our fourth acquisition in the past five years to build the world's most comprehensive travel intent and pricing data platform to help the travel industry improve their marketing ROI. I'm happy to report that the initial integration has gone off very smoothly with the Adara team pumped up with another great quarter of new business closings for them. The growth potential associated with Adara seems significant and our low hanging fruit is to bring back Adara to its pre-COVID glory days of being a $100 million company. Adara's addition has also been a significant milestone and addition to our leadership team with Stellar team members from Silicon Valley with great pedigree. This has also been a significant event in terms of building leadership and talent capacity at RateGain.

We have a very strong pipeline of INR381 crores as we move into the next year with a host of conversations underway with our customers as we look to capture the opportunity and deepen relationships with them with our white product offering. We continue to invest into the future growth of our business by using AI as the challenges that our customers face continues to evolve rapidly because of both internal and external factors.

We continue to work towards a vision of providing revenue maximization opportunities that helps our customers to acquire guests, engage and retain them and have a wallet share expansion with them. Building towards this vision, we launched our virtual concierge service this past year, our equivalent of chat GPT, which is called Engage AI to help our hotel partners to have an easier communication medium with their guests. We continue to work on some other significant opportunities, which we will be launching later this year under RG Labs. We are also exploring the use of generative AI to drive operational efficiencies within the organization to help solve for customer queries, extract data more efficiently and also specifically enhance certain products around brand engagement.

We generated three times the free cash flows as opposed to the previous year with the free cash flow for the year being at INR52 crores.

It truly has been a great year for us and I would like to commend and congratulate the entire RateGain team who has been the driving force behind it and I'm confident in their ability to continue to do so in this current fiscal as well. This past year is also a validation of the faith shown by our longstanding relationships with industry leaders that continue to trust us as we help them unlock new revenue.

We posted another quarter of healthy growth across all three verticals with strong performance on the margin front with an operating margin of 17.6% on the back of operating leverage and some cost optimization measure taken to drive healthier performance across business lines have started to bear fruit with early signs of stabilization in those business lines. Our business lines, DaaS and Distribution, which are also our high margin businesses, continue to witness good traction with good volume growth with existing clients, steady travel demand and continued monetization of new logos added in the past quarters. MarTech segment continues to find flavor with healthy client additions in the quarter gone by and continued focus of customers on direct guest engagement.

On a run rate basis, our annual recurring revenue is now around 100 million, another significant feat as we continue to scale up. While the global technology environment continues to be challenging, RateGain continues to be one of the few global SaaS companies that's growing sustainably and profitably and exceeding the rule of 40 benchmark comfortably.

Global travel recovery continues to remain strong and we have also seen healthy booking volumes on our connectivity platform for the summer with the opening of Asia/Pac. The global travel health by Skift holds steady at 97% with all key geographies improving over 2022. Despite inflationary fears looming, booking trends remain favorable but we continue to maintain a cautiously optimistic outlook that travel's growth will continue to remain steady.

The business and technology world has been buzzing with the use and implications of Generative AI. We believe that we are now entering a new era of technological disruption, which will end up transforming the way consumers and travellers engage with brands and products. The travel industry is getting ready to embrace this new AI revolution and move away from legacy technology and RateGain being one of the pioneers of AI and cloud technologies is emerging as a trusted partner to help our customers leverage AI to transform their existing revenue management, distribution and brand engagement to drive better outcomes.

RateGain has been at the forefront of using AI for the last decade and a half, using it for driving operational efficiency in our products and engineering teams, as well as using it to enhance outcomes for our customers. Across our DaaS distribution and MarTech business units, we've been using AI to give actionable insights instantly from millions of rates to automatically recommending demand partners on our connectivity platforms, as well as tracking real-time travel intent for leading brands. These are just a few ways we are driving innovation using AI and are continuing to invest in finding new cases to solve.

The key differentiator in travel for the success of generative AI would be the quality of data it has to access for training its model. RateGain has a huge advantage over its peers as we have a huge data lake with billions of price points that gives us an advantageous position. RateGain is now using Generative AI to solve for multiple use cases.

1. Improve our GTM by utilizing Generative AI tools.

Number two, optimizing inversion in the traveler journey by generating hyper-personalized content and solving for issues of car dependence in cases of incomplete purchase.

Number three, using generative AI to act as an automated QA tool for content creation.

Number four, provide self-training on different products using the ChatGPT platform.

We continue to make calibrative investments in growing our sales team in certain geographies. We've added more sales folks at all geographies including US, Latin America, Middle East, and APAC. These investments will have about 6 months lag, but should show up in accelerating our sales numbers two quarters down. From a marketing perspective, we continue to accelerate our digital spend as well as participation at events worldwide. All of this goes towards contributing to the strong pipeline of INR380 crores in growth potential for our company.

With that, I will now briefly touch upon the performance across our three business units starting with the Distribution segment. This division accounted for 34.4% of our total revenue. We've witnessed healthy volumes growth in the past quarter with demand across OTA and GDS channels along with growth across the mid-size hotel chain segment. Expedia's recognition of RateGain as an elite connectivity partner is a validation of the reliability of services we are providing to our partners as we help them grow their businesses on the Expedia marketplace.

Our MarTech business continues to grow at a healthy pace contributing to 37% of our total revenues for FY23. We continue to make inroads into the APAC and Middle East region and our brand engagement business witnessed good traction in the North America region. We've onboarded multiple properties with our comprehensive paid digital media solutions. Our end-to-end digital marketing further strengthened by the relevant audiences from Adara really make a value proposition to our hotel partners, even more compelling, helping drive higher ROI for them.

The DaaS business unit grew at a strong pace on the back of increased volume demand and expansion within our existing enterprise customers. Healthy traction across OTAs, car rentals, and airline segments with new logo additions, including onboarding the world's largest vacation ownership business to help optimize their pricing strategy. DaaS contributed to 28.6% of the revenue for FY23.

Our M&A strategy continues to be one of the key pillars of our growth strategy here at RateGain. With the completion of the recent acquisition and integration on track, we continue to focus on building on the pipeline and have various engagements underway as we look to further strengthen our value proposition to our customers. We believe that the current environment is having companies hold out. However, as the increasing interest rates and its pressures catch up, it will create great opportunities for M&A and we are all geared up to capitalize on such opportunities.

On the people front, we saw a healthy improvement in our iteration rate, quarter over quarter to 21.3%, and we continue to adopt best practices for an engaging and conducive work environment focused on employee welfare and growth. We continue to launch various initiatives, including a newly launched LearnGain portal and restarting the Trailblazers Club, which recognizes top performers across the company. All of these with the focus to build a sustainable HR focus on improving employee experience of our diverse workforce and making RateGain the employer of choice.

In terms of awards and recognition, we were awarded the SaaS Startup of the Year by SaaS Boomi amongst 10,000 SaaS companies in India. SaaSBOOMi, as you know, is an equivalent of NASSCOM for SaaS companies. This is a great recognition of RateGain as putting Indian SaaS on global map. This award is equivalent to winning the Best Movie at Oscars and a validation of the efforts that our teams put in towards building a sustainable SaaS business model.

I would like now to ask our CFO, Mr. Tanmaya Das, to take you through the performance of Q4 and the fiscal year 2023.

Tanmaya Das: Thank you, Bhanu, and a very warm welcome to everyone on this call. I'm proud to report that the company has posted another strong quarter with robust revenue growth and margin expansion, along with a very successful integration of Adara, our newly acquired entity. It really has been a standout year for the company in terms of performance across all key areas, contributing to record revenue with commendable margin improvement. This is a validation of the underlying business fundamentals and the value we continue to drive for our customers and stakeholders.

We've witnessed healthy growth across all our three verticals with an improvement across all key metrics, contributing to a stellar year. It's a true reflection of the efforts of the entire team. It is worthwhile to note that we consolidated Adara financials for two and a half months in this quarter as the entity was acquired around mid-January in 2023. For the year as a whole, the company reported a revenue of INR565.1 crores with a year-over-year growth of 54.2%.

We had a well-rounded growth from all three verticals with DaaS growing at 54%, Distribution at 37% and MarTech at 74% for the year. EBITDA grew by 177% to INR84.6 crores for the year at 15%, as against last year 8.34%. With such strong operating leverage, the company has its operating cost increased by 43% as against revenue growth of 54%. The EBITDA achievement is significantly ahead of the guidance given at the start of the year, which was around 12.5%. Worthwhile to note that the 15% EBITDA was after consolidating Adara, the newly acquired entity, and amounts spent on completing the transaction on legal and professional expenses. Our new acquisition, Adara, which was loss-making before the acquisition, registered a 10.35% EBITDA for the quarter due to a successful integration which was completed in a record time in 75 days.

Our PAT grew significantly last year to 68.6 crores from INR8.4 crores almost eight times, resulting in similar improvement in EPS which increased from INR0.83 to INR6.3 rupees per share.

In terms of headline numbers for Q4, which is historically a strong quarter for us, the company has registered a 70% year-over-year growth and 32% sequential revenue growth with Q4 FY '23 revenue at INR182.9 crores.

Our EBITDA stood at INR32.2 crores, which more than doubled from last year and grew 40% sequentially. Operating margins stood at 17.6% this quarter versus 14.2% in the same quarter last year and improving over the previous quarter as well. Proud to mention that the margin did not dip sequentially despite the integration of Adara and the one-time cost incurred in closing the transaction.

In terms of PAT, it almost tripled from INR11.6 crores in Q4 FY '22 to INR33.8 crores in the quarter gone by. Sequentially, it was up from INR13.2 crores. However, we have benefited by one-time positive impact due to creation of a default tax asset in our U.S. entities worth INR12.2 crores. In the U.S., due to the higher amortization cost and acquisition, brought forward losses and lower profits till last year, we are not required to create default tax assets. However, this year, as profits have showed up to comply with accounting standards, we have to recognize the default tax asset. Without this one-time positive impact, the PAT should have been INR21.6 crores for the quarter.

The company continues to have strong customer relationships that are helping in building scalable, predictable, and sustainable revenue streams. Gross revenue retention and net revenue retention stood at 90.1 and 110.4% respectively for the year. One of the key metrics that we track is revenue per employee, which was 68% increase over last year at INR1.16 crores. And this was aided by high revenue per employee from Adara, as well as organic growth without much addition to headcount. Our annual recurring revenue stands at INR774.3 crores and pipeline continues to be strong and stands at INR381 crores.

We continue to have a strong balance sheet where our net worth saw an increase of 15% as compared to last year and stood at INR709.7 crores. Our cash and cash equivalent balance for the quarter stood at INR341.3 crores. Our cash from operations generated during the year increased three times from INR16.8 crores last year to INR51.2 crores this year.

In terms of guidance for financial year 2024, we expect to grow around 55% to 58% and end up around INR875 crores to INR890 crores revenue in FY '24. On the margin front, we expect to see a 200 basis point expansion year-over-year to 17%. Our Q1 is a soft quarter, both in terms of revenue and EBITDA due to seasonality of the business and also the annual pay review impact starts kicking in in Q1. Our EBITDA margin in Q1 will be around 13.5% and gradually increase to 20% in Q4, delivering an average 17% EBITDA for the year. We expect to deliver a PAT of around 12% and EPS around INR10 per share next year.

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

Moderator: Thank you very much. Our first question is from the line of Manan Poladia from MKP Securities. Please go ahead.

Manan Poladia: First of all, congratulations on posting a great set. My first question is, sir, what would be the revenue for RateGain Console X of Adara for the previous quarter which you said you integrated Adara for two and a half months worth?

Tanmaya Das: So, Adara revenue for two and a half months was around INR41 crores. So, ex Adara, we would be registered around INR141 crores.

Manan Poladia: Understood, sir. Also, sir, you said you mentioned that Adara was loss making last year, correct?

Tanmaya Das: Yes.

Manan Poladia: Okay. And what are we targeting like with our turnaround and integration for the next full year? What sort of profit would we target on the Adara acquisition?

Bhanu Chopra: Our target is to continue to grow the business what we guided last time around, which is around, 15% growth and 15% EBITDA margin.

Moderator: Thank you. Our next question is from the line of Karan Uppal from Philip Capital India. Please go ahead.

Karan Uppal: Thanks for the opportunity and congratulations on a very strong numbers yet again. The first question is on margins. So, the margin improvement continues to be really strong since last four quarters. So, could you help me with the organic margins of the business, the core margin ex of Adara and what led to such sharp increase?

Tanmaya Das: So, the organic margin, if I exclude Adara, we would register around 15.8% without Adara. With Adara, it's around 15% because Adara registered around 10.35% EBITDA margin. Yes, there has been. So, the reason for expansion in margin, like last year, we're around 8.3%. It improved to 15.4%. On the count of the high level of operating leverage we have in the business, because we have a 75% gross margin business. So, majority of the 75% gross margin flows to EBITDA once the revenue organically grows. And most of our costs like headcount, in tech core operations, etcetera are not directly related to revenue growth. So, that's why the margin expansion is possible.

Karan Uppal: Okay. And any outlook you can give segment wise, DaaS Distribution and MarTech? What sort of growth are you looking in FY '24? And just a bookkeeping question in terms of the tax rate, what should we assume in terms of the tax rate for the company?

Tanmaya Das: On the tax rate, effective tax rate, we're around 16% to 17%, which is a good benchmark for Indian global companies, Indian headquartered global companies. I think 17% effective tax rate is a good benchmark. We are on that only and we expect to be in that range going forward for next couple of years.

In terms of growth, guidance, obviously, we have got Adara also, but from an organic perspective, we expect DaaS to grow around 30% because we are seeing great traction in terms of our existing account expanding their volume requirements. We expect distribution to grow around 15%, MarTech to grow around 20%. But with Adara, I think we should be able to expand, grow around 55% to 56% next year.

Karan Uppal: Okay. And in terms of DaaS, particularly in last couple of quarters, we have seen good addition of the airline customers. We are seeing press releases of Akasa, Air India and then some airlines from Middle East as well as other geographies. So, what is happening in terms of overall contribution of airlines in the DaaS segment?

Tanmaya Das: Yes, I think airlines is a relatively new segment for us. We are in this business for last two, three years only. There are around 300 plus airlines who can buy this data solution from us. And we currently have like 40 odd airlines in our PD. There is only one competitor that we're competing with. And so, we are seeing a very good traction in terms of new logo addition in airlines. Like if you see all the Indian logos are added at this point of time and in different geographies also, we are continuing to add new logos.

We're also seeing volume uptake by the large airlines. For example, Singapore Airlines and all the account size are also increasing quarter over quarter because of the, because of there is more travel, they require more data, right? So, it's all related. So, from both new logo addition perspective and existing account expansion perspective, it looks pretty well. It really grew well this year. So, we expect similar kind of growth next year as well.

Moderator: Thank you. Mr. Karan Uppal, may we request that you return to the question queue for follow-up questions as there are several participants waiting for their turn. Our next question is from the line of Rohan Nagpal from Helios Capital India. Please go ahead.

Rohan Nagpal: Hi. Thanks for the opportunity. One of the things that came out a few, a couple of weeks ago was that Expedia and booking turned out record numbers as far as room nights booked. I think their sequential growth or quarter-on-quarter was about, the sequential growth numbers were about 30%.

So, that being said, RateGain distribution number seems flat as it has gone from about INR54 crores last quarter to about INR55 crores this quarter. So, why is there the disconnect, especially since a decent chunk of the distribution revenue comes from transaction-based or contract? Can you just give some insight into that? Was, were you able to hear my question?

Bhanu Chopra: Yes. I heard your question. Tanmay, do you want to take that?

Tanmaya Das: Yes, sure. So, the booking, in terms of the way our business is organized, so the planning of the, so basically Q3 and Q3 is our, the biggest quarter for distribution segment because all the planning of the bookings happen in Q3. And Q3 and Q4 are more or less similar in terms of historically from a seasonality perspective. Look, Booking.com and Expedia, Yes, I agree they have, you know, reported a record number of bookings, but all bookings are not through our systems.

You know, we are, limited to certain supply and demand side pairings. So, from a historical perspective, my Q3 and Q4 are always neck to neck, whereas you will see a lot of growth in from Q1 to Q2 and then Q2 to Q3. So, that's how the historically it has happened. The other, I think that's it, Bhanu. Do you have anything, any other thoughts?

Bhanu Chopra: Yes, I, in terms of, you know, the overall growth, I think that a number of bookings that we did in terms of new business happened in Q3 and Q4. And some of the larger deals that we, that we signed on have not really contributed, meaning they're in our order book, but they haven't been monetized. And some of that reliance is on our partner's ability to, enable some of those pairings as well. So, a large monetization of our business will happen really effective Q3 of this year of that order book. And that's when we should see a big bump up in revenue as well.

Tanmaya Das: But overall, if you see, you know, the annual growth of distribution business is impressive, is around 37%. So, it's a little bit cyclical for us, when we compare year-over-year. So, 37% growth is kind of in line with the bigger ones.

Rohan Nagpal: Right. But I mean, if the bulk, if most of the, if most of the OTA room nights booked in the world go through Expedia booking, and they have recorded 30% sequential increases, it's natural to expect at least some of that to flow through, right? So, is it just like, I mean, it seems a little odd that these guys are channeling 30% extra, 30% growth in volumes, and you were reflecting almost like 2% growth in distribution revenue sequentially?

Tanmaya Das: That's true. I think booking and Expedia, if you talk about like, most of the bigger chain, bigger hotels or supplier side, they are kind of directly connected to Expedia and booking. We connect Expedia and booking to some of the suppliers, which are not that big. And also, we connect the supplier side to other, you know, OTAs, like Hotwire and, you know, Traveloka, etcetera. So, Yes, booking and Expedia had a great year. We have this pairings that we want to connect to, you know, do the pairings for the supplier side and demand side. And once those pairings are live, then we probably will be more sync with how the OTAs are reporting to the numbers. So, there is still a somewhere to go to completely relate a OTA growth to our growth.

Rohan Nagpal: Okay. And tell me this, if you're telling me that Expedia and booking are directly connected to the enterprise customers, then how are you, from where are you unlocking this growth that will get you in sync with those numbers moving forward? Like, how are you going to, are you breaking pairings or like, how are you going to demonstrate revenue growth?

Bhanu Chopra: Yes. There are a couple of avenues for growth. One is, so our distribution business is, you know, of course, pairings to the big OTAs, but we also do a bunch of, mid-tier and tertiary OTAs that are sort of regional players. So, and with the big enterprises, that's sort of been our green field as new and emerging OTAs appear, we are sort of first in line to do those kinds of connectivity. And a lot of our growth has come from that.

The second area of focus for us has been to expand, you know, sort of horizontally in terms of moving up the value chain and not just connecting these hotel chains to OTAs, but also becoming the, you know, complete distribution system, whether it's connecting to GDSs, that is more of the offline channels on our travel agents book, or the direct channel, which is the hotel's website. So, part of our efforts has gone into building this, overall portfolio or holistic platform for distribution, where we can, you know, own the entire distribution for some of these mid-market chains.

So, we're seeing some very, very good early signs of traction where we are piloting, you know, this integrated tech stack with some of the mid-markets. And I do think that it can be a game changer in terms of our distribution business, but we will only see, because it's going to take some time as we're building and getting traction and we have to solve sort of some of the teething issues as we go. But I do expect this to really accelerate in next year. So, it's not an FY ‘24 story, but more of an FY ‘25 and FY ‘26 story.

Moderator: Thank you. Mr. Rohan Nagpal, may we request you to rejoin the question queue for follow-up questions? Thank you. Our next question is from the line of Aditya Jhaver, an individual investor. Please go ahead.

Aditya Jhaver: So, I'm asking on the Adara acquisition. So, currently, we are doing INR40 crores of revenue from 2.5 months. And where do you see the potential in the scaling of Adara as a maximum capacity maybe next year or down the line in three years? How big the revenue can be in the Adara and the margin part?

Bhanu Chopra: So, I think I understood the question to be what is the growth prospect and margin profile for Adara. So, as I indicated earlier on the call and something that we guided last time around also, we are aiming at the conservative number of 15% growth and 15% margin. And we are almost like 45 days into the first quarter. And I'm happy to report that I think we should internally, though we've set those targets, but I'm quite optimistic that as we learn more and we unlock newer opportunities that those numbers could get accelerated. But that's what we're guiding the market.

Aditya Jhaver: So, it will be roughly around INR300-odd crores in the next year or INR350-odd crores for Adara, and thereon 15%...

Bhanu Chopra: Yes, so it's basically $27 million as of March 31, and if you do the 15% on 27 million, that's roughly about $31 million, 32 million. So, converting it into by 82, so it's more like INR250 crores to INR260 crores. And then a 15% margin on that.

Aditya Jhaver: Okay. And the second question is regarding the tech and exciting work you're doing at the rate that I just wanted to understand what kind of work in Adara as well as your own team Rate Gain. And what are the things, like, can you share some, any details regarding this, the tech work? What are you excited about this next year? Next couple of years?

Bhanu Chopra: Yes. So, in terms of tech investments, I would bucketize them in two categories, right? So, one is, some of our mature products we continue to invest in, launch newer features in each of our product lines based on what the customer needs are. And then, the second bucket, which always gets me excited is our RG Labs, which is, all the new product initiatives that we launch. You know, this includes Rev AI, Demand AI, Content AI, Engage AI, and then the integrated tech stack that we are working on that I talked about, a holistic distribution platform.

So, these investments we made, really, we sowed the seeds two years ago. So, we are not launching anything more new, because we already have our hands full. And our focus is now really on accelerating the go-to-market on some of these new products, because they're already live, and continuing to accelerate the feature development so that, greenfield opportunities that we are creating in some of the markets, we're able to see that. And as I noted in my comments as well, we have been, we made a good degree of investment in this quarter in hiring sales folks across different geographies. But as you can imagine, there's always a lag between making those investments and seeing, some fruit of them. So, I do imagine two quarters down, we will begin to see some fruits of these investments that we've made into sales and marketing as well.

Moderator: Thank you. Mr. Aditya Jhaver, may we request you to rejoin the question queue for follow-up questions? Thank you. Our next question is from the line of Ashwani Agarwal, individual investor. Please go ahead.

Ashwani Agarwal: Yes. Firstly, congratulations for a great set of numbers. I just wanted to know how the response of the latest product which we built announced Engage AI**.** What kind of customers are showing interest in the product? Are they mostly like bigger hotel chains or hotel chains selling hotels in single digits? What kind of hotels are showing interest in the product?

Bhanu Chopra: So, anytime we launch a new product, we are very, very careful about piloting that product in a certain key market. So, as of now, we are focusing the product largely in Middle East and Asia PAC. And we've had a combination of both, independent property sign-up as well as, large international chains that are very, very active in the region, subscribe to one or two hotels, to test out the product.

And the initial feedback that we have from the hotels is quite encouraging because this product is really to help engage with the guests at the property, but also use it as a channel to cross-sell and upsell, different things at the property to the guests. So, your spa or, your restaurants, etcetera, or room upgrades. And what we have seen in the initial adoption is that, people are able to get more than like a 10x ROI in terms of just the cross-sell upsell that they've been able to do with the platform. We are, however, experiencing challenges in terms of integrating with the local systems that they use at the property. So, it's, so we're working hard on solving for some of those challenges so that we can scale this product.

Ashwani Agarwal: All right. Thank you.

Moderator: Thank you. Our next question is from the line of Miten Shah, individual investor. Please go ahead. Mr. Miten Shah has left the queue. We'll move on to the next participant**.** The next participant, the next question is from the line of Mr. Nilesh Jethani from Bank of India Mutual Fund. Please go ahead.

Nilesh Jethani: Yes, hi, Bhanu and team. Congrats for the great set of number and thanks for giving me the opportunity to ask the question. First question was on the Adara itself. It also asked by the previous participant, but I wanted to understand before acquisition, somewhere a few years back, I believe Adara was doing revenue of around $100 million. Is the understanding right? And if it is, I wanted to understand when do you see that number to be recouped, maybe in a one, two, three, five year period? What is the thought process on that?

Bhanu Chopra: Yes, so that understanding is absolutely correct. Pre-COVID, it was $100 million and as I indicated on previous calls, the company actually could never recover from COVID and as a result of which the revenues were subdued. But in terms of the platform that is built, it is built and has seen generate $100 million in revenue. So, in fact, I see that as the biggest opportunity for Rate Gain as well and really see it as a low hanging fruit to bring it back to $100 million. And I do see it going back to that number.

Your question on how long will it take? Well, our endeavor is to get there as soon as possible. But I want to set ourselves up for success and I want to build the right set of expectations. So, I believe whatever indications we are giving you are conservative and as we sort of get the integration in play and learn more, we'll be able to accelerate these growth numbers to get back to that $100 million.

Nilesh Jethani: Okay, but any number on it, two year, five year, what can be the period for recouping that $100 million again?

Bhanu Chopra: Like I said, the endeavor is to get there as soon as possible. But we still feel like we are learning more and given the company is running on a very disciplined manner and as you are seeing margin expansion happen, we are taking a relook at our numbers and recalibrating investments on a quarter-on-quarter basis. So, in fact, the way I look at our business right now is although we have an annual budget that we are heading towards, there isn't really an annual budget for Adara, so to speak, because we are looking to accelerate whenever we see the opportunity and recalibrate investments. So, it's hard for me to give you a number, but internally, that's the goal that we have set ourselves that we want to recoup to that $100 million as soon as possible. And I think over the next two, three quarters, I'd be able to give you a much more meaningful timeline.

Nilesh Jethani: Got it. That's really helpful. Second question was on the margin piece**.** With the broad expectation of INR250 crores, INR260 crores kind of revenue from Adara in FY '24 and today overall business clocking a revenue of around…

Moderator: Sir, the line for the participant has dropped**.** May I request the management, we'll move to the next question.

Bhanu Chopra: Okay.

Moderator: Our next question is from the line of Mr. Rahul Jain from Dolat Capital. Please go ahead**.**

Rahul Jain: Yes. Hi. So, first of all, congratulations on strong numbers. I just wanted to clarify if you shared the EBITDA margin outlook for FY '24 and also if you could break-up the revenue of Adara in the distribution and MarTech segment?

Tanmaya Das: Sure. So, talking about FY '24, margin is 17%. Sorry, you said, you want margin breakup between Adara and Ex-Adara?

Rahul Jain: No. So, the first was related to your outlook if you have shared for FY '24 margin expectation?

Tanmaya Das: Yes. So, we did 15% this year, consolidated everything. I think we expect to deliver 17%, which is 200 basis point improvement next year.

Rahul Jain: Sure. And secondly, on the Adara breakup into distribution and MarTech for the quarter?

Tanmaya Das: It is actually Adara breakup between DaaS and MarTech. So, it's almost, currently it's a 50%-50% breakup, 49%-51%, 49% to DaaS and 51% on to MarTech.

Rahul Jain: Right. And Yes, my second question is your MarTech guidance for '24 is, I guess what I heard is 20%, which is good, but this looks a bit slower compared to the comment that we hear from AdTech majors at the straight desk. It is talking about tripling of budget from travel players. So, any thoughts on what you're witnessing in your conversation with clients or is it like some part of your portfolio within MarTech is not seeing that kind of a momentum post you're acquiring that?

Tanmaya Das: Yes. So, in MarTech, we have got two segments. One is brand engagement and brand monitoring and the other is paid digital media. So, the paid digital media side, we are seeing good traction both in our MHS solution as well as Adara. So, from paid digital media solution, we'll be expecting around 30% growth. But from brand engagement and monitoring, as we have been indicating to the market that we have experienced some discounts and waivers that we had given during COVID and those contracts were not profitable. So, there will be voluntary churn of some accounts that is happening. And for that aspect, we'll see a subdued growth in that area, which will lower the growth percentage in MarTech. But from a paid digital media perspective, I think the traction is pretty good.

Rahul Jain: Right. So, any mix that we have for FY '24 for these two sub-segments?

Tanmaya Das: Mix in the sense, I think the paid digital media is much bigger, larger than the brand engagement and monitoring. I think paid digital media will be around INR140 crores, whereas brand engagement and monitoring will be around INR60-odd crores. But I do be expecting a 30% growth there and the brand engagement more flattish.

Rahul Jain: Right. Thanks for the color. And just last bit from my side, any update on the RevMax platform? How we are seeing where we are on the tech side, where we are looking from a go-to-market side? Any from that?

Bhanu Chopra: Yes, Rahul. So, as I mentioned, we have launched the first release of the platform is already out in the market. We've got a couple of customers and the attraction is quite good. And what excites me also is the fact that how we have moved our distribution platform to being the full RevMax platform. So, the ticket size has gone up quite substantially, almost 3x. So, it gives me the confidence that as we sign more customers, the deal sizes will be significantly higher. So, it's a work in progress. It's something that I mentioned earlier as well. I think this year is going to be a lot about learning on both go-to-market as well as how do we fructify and iron out any of the teething issues that we have on the product. But real substantial scale and meaningful movement of the needle would really happen in FY '25-FY '26.

Rahul Jain: Right. Thanks for the color. Just last bit, if I could ask on this, the LLR or Generative AI, you said we have this concierge thing that we have started, a virtual concierge. And what is the initial acceptance in the market? And what kind of overall monetization we could see around our initiatives on this Generative AIs?

Bhanu Chopra: Yes. So, that's the Engage AI product, Rahul. And as I was mentioning to the other participant as well, it's initial days we are, we just launched it in Middle East. We have a few clients. In terms of monetization capability, it's a hybrid model. There is a minimum fee of, depending on the size of the hotel, anywhere between $3,000 to $5,000. And also because it's a channel to cross-sell and upsell, there is a revenue share for whatever additional ancillary revenue we bring to the hotel.

So, I would say that the potential is at each unit, this can be anywhere between $5,000 to $20,000, depending on the size of the hotel. But it's early days. I do have to submit that a lot of the investments we made into building new products.

And this endeavor started in the days of COVID. I think I underestimated the challenge and how long it will really take for them, for these products to fructify and really have an impact on revenues. And as you can see, given the data acquisition and a great year that we've had, our revenue base has also increased quite significantly. We are now over a $100 million company. So, for any of these new products, for me to talk about and for it to create meaningful impact, they need to be generating tens of millions of dollars. So, I have to say that some of these investments will take time.

But I am confident that these can be multi-baggers for us. But these investments will take time. And the focus now is also to really accelerate on these new products that we are building. So, we are no longer launching any more products. But the focus is to accelerate the investments and developments of these products so that they can create a meaningful impact to our overall revenue.

Moderator: Thank you. Our next question is from the line of Pratyush Agarwal from White Oak. Please go ahead.

Pratyush Agarwal: Congrats on a good set of number. So, I have one question sort of related to Sabre, especially on the booking side and some of the traction that we've seen overall. How much this year has it been a function of some of these international players, even Sabre not executing well, having problems with debt and so on. And I mean, what is our revenue overlap and have we seen traction because of this particular reason in our growth and bookings

Bhanu Chopra: Yes. So, it's a great point. You're absolutely right. They were actually announced cutting almost 15% of their staff and they're having very, very large issues on execution, especially when it comes to distribution. So, our Revmax platform will enable us to capitalize on this window of opportunity that's been created. However, our product, as I mentioned, is still quite new, but this is a few hundred million dollar opportunity and Sabre is one of the current incumbents that is struggling, not innovating.

So, although we've launched the product, like I said earlier, it will take us some time before we can really capitalize on this opportunity. So, all efforts are because these windows where others are struggling, don't necessarily last forever. So, we are doing everything that we can to capitalize on this opportunity, but I don't see any currently any meaningful impact that is yielding because they're suffering. Other than the fact that we have a bunch of resumes that are flowing to us given the companies in trouble.

Pratyush Agarwal: Sure. That's helpful. And finally, on the DHISCO piece, on the distribution part. So, within DHISCO, from what I understand, there's OTA, GDS, content, and let's say others. So, within that, have all these individual segments rebounded above their pre-COVID sort of levels, or is there still a rebound left in any of these segments within DISCO?

Bhanu Chopra: Yes. So, I would say for the most part, it has come back. And if your question is, you know, are more transactions, that the kind of volume growth that we saw coming out of COVID because of the revenge travel, I feel like that's sort of now normalized. But I still feel that the demand is quite robust and strong, and we will, you know, continue to see acceleration. And it's largely because of the change of people's attitudes and behavior towards travel and having experiences. So, a bunch of consumer surveys that have been run, they continue to suggest that, you know, people will not buy cars and clothes, but will not sacrifice anymore on having these experiences, which entails travel.

So, and that's very, very reflective on our numbers. But do I, you know, foresee that we will just organically grow because of the growth in volume? No, it will not be as significant as we saw it in the last year or two coming out of COVID. But I do see that, you know, the growth may not be through volume growth as much, but I do see a lot of new customer wins and pairings that we have, you know, like I was saying earlier that we already have in our order book that we are monetizing, and some of these are very, very large pairings that will have a significant impact on our revenues on the upside in Q3 and Q4 of this year.

Pratyush Agarwal: And just sort of a follow up on what you mentioned, right? So within DHISCO has the mix of DHISCO content gone up? And is that a reason for margin increase, right? Because compared to the GDS part, the content would be significantly higher margin and higher fees, right, in that sense. Is that a contributor here?

Management: Yes, so our, Yes, our content revenue is, in fact, pretty much everything in enterprise connectivity, which, you know, earlier referred to as DHISCO, is seeing great expansion on margins, because as I also pointed out, you know, this is the beauty of the SaaS model. Once you do the connectivity and it generates more volume, and given the high margin profile that we have, everything sort of flows onto the EBITDA. I mean, just to give you another reference point, most of our mature products actually generate north of 30% margin. And why we, you know, still show 15% is all these investments that we are making into new products, because we don't capitalize them, we expense them.

So, and I, as we continue to scale, I just see that margin profile continuing to expand. But given our growth aspirations, we take some of that and reinvest into the business by, you know, looking ahead and launching additional products. So even for distribution, you know, to get like a huge kick, we, you know, have focused on this holistic distribution platforms that I refer to as the Revmax platform that can be a game changer for us, because the opportunity is a few hundred million dollars there.

Moderator: Thank you. We move to the next question. Our next question is from the line of Rohan Nagpal from Helios Capital India. Please go ahead.

Rohan Nagpal: Hi, thanks for the follow-up. So you said, your Adara revenues hit roughly evenly. So that means your, that means organic revenue for your market business was on the order of INR45 crores, you know, which is a sequential decline. So could you just comment on that? Is there a lot of headwinds in brand management or like, what exactly is going on over there?

Bhanu Chopra: So I'll let Tanmaya respond to part of the question. I'll respond to part of the question. So I didn't follow the numbers that you mentioned, but you know, the way to think about our MarTech business is really twofold. Even Adara falls into this, these two buckets that I'm going to talk about. So one is sort of brand engagement and monitoring and the other is really performance marketing, right?

So helping our customers maximize the ROI on the digital standards that they do. So the brand engagement and monitoring, which is more sort of people and service oriented, you know, we are actually struggling there given, you know, given coming out of COVID, we had discounted and given the fiscal discipline that we have that we had to turn out some of those customers because it wasn't profitable. So we're still figuring out, you know, how to sort of move forward with that business and productize it such that we can scale.

And that's the part of the business that, you know, not growing. The performance marketing, which is the paid digital media solution, you know, that has that is experiencing very, very healthy growth. So, you know, even in the coming year, we're targeting, you know, pre-Adara, we are targeting 30%, but on the Adara side, we're targeting 15% growth.

Moderator: Thank you. Due to time constraints, that was the last question of our question and answer session. I would now hand the conference over to Mr. Bhanu Chopra for closing comments.

Bhanu Chopra: Yes, thank you everyone for participating on the call today and giving us your time. We had a very, very stellar year and I'm very confident going into the next year, given all the investments that we are making into sales and marketing, the innovative product line that we have lined up. And, you know, the team that we've added through Adara, it is a great combination to continue to see stellar results in the upcoming fiscal as well. Thank you.

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