



RateGain Travel Technologies Limited  
Q3 FY22 Earnings Conference Call

**February 14, 2022**

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**MANAGEMENT: RATEGAIN TRAVEL TECHNOLOGIES LIMITED**

- **MR. BHANU CHOPRA – CHAIRMAN & MD**
- **MR. TANMAYA DAS – CHIEF FINANCIAL OFFICER**
- **MR. ANKIT CHATURVEDI - HEAD OF MARKETING**
- **MR. THOMAS P JOSHUA – COMPANY SECRETARY**

**Moderator:** Ladies and Gentlemen, Good day and welcome to the Q3 FY22 Earnings Conference Call of RateGain Travel Technologies Limited. This conference call may contain forward-looking statements about the Company which are based on the belief, opinion 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 '\*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Bhanu Chopra – Chairman and MD, RateGain Travel Technologies Limited. Thank you and over to you, Sir.

**Bhanu Chopra:** Thank you! Good afternoon everyone and thank you for joining the Earnings Conference Call for RateGain Travel Technologies Limited for the quarter and 9 months ended 31<sup>st</sup> December 2021.

I am super excited given this is our 'First Ever Earnings Call' post our listing on the stock exchanges recently and it gives us immense pleasure to be interacting with you and giving you a sense of who we are, what we do and take you through our business updates for the year till date.

Joining me on the call are Mr. Tanmaya Das – CFO of RateGain, Mr. Ankit Chaturvedi – our Head of Marketing, Mr. Thomas P Joshua – Company Secretary of the Company and alongside we have our investor relations partner's Strategic Growth Advisors (SGA).

I hope you have had a chance to go through our Financial Results recently related 'Business Update, Press Release and Investor Presentation' that are available on the Stock Exchanges and on our Company website. These collaterals would help you appreciate journey thus far, the performance of this quarter and the growth trajectory lying ahead in even better light.

We are confident about our future growth as we delivered our biggest quarter in terms of new sales ever and continue to improve on our key KPIs. The key to our growth is effectively capturing the new use cases that have emerged in the post COVID world and through our new AI-powered products as well as our recent acquisition of Myhotelshop (MHS) as we look at expanding both our mindshare and wallet share with our customers.

I am also happy to announce that we have been recognized in four categories at the recently concluded 2022 Hotel Tech Awards organized by Hotel Tech Report where over 1,000 tech products companies compete to take home the top honors.

In Hotel Tech Awards the most competitive year yet RateGain continue to maintain the number one position on social media with BCV. While our 'Rate Parity Product, Parity Plus and Rate Intelligence Product – OPTIMA' finished as 'First Runner Up' in their respective categories.

RateGain's Channel Managers ended up as the second runner up in most of the most competitive product categories in the competition.

So, let me start by giving you an introduction to RateGain, for those who have recently discovered us and would like to get an idea of who we are and what is RateGain about:

So, basically we provide SaaS solutions to travel in hospitality industry. RateGain's vision is to be the leading revenue maximization operating system which offers an integrated tech stack that enables the travel industry to accelerate their revenue through acquisition, retention and wallet share expansion.

Our customer include the top 23 out of the top 30 hotel chains, the top 25 out of the top 30 OTAs, all the leading car rental companies and cruise lines, so pretty much all the leading suppliers and intermediaries in the travel ecosystem are RateGain customers.

Our business works across three major segments that our customers need – 'Data as a Service' (DaaS) that really provides competitive insights around pricing, around travel demand and now, we also launched a new product called REV AI that is an end-to-end pricing platform.

Our second business line as 'Distribution' that basically provides connectivity to hoteliers to get travel demand from OTAs and GDSs.

Our third business line is 'MarTech' which is an end-to-end digital marketing platform to digitally acquire customers, alleviate brand equity through brand education awareness and engagement.

Let me now give you a sense on how the industry is faring:

So, from an industry standpoint while the impact of COVID was felt the hardest in the sector of travel and hospitality up until December we have been seeing green shoots over the past couple of quarters and revenge travel was quite evident as per our numbers as well. As Omicron was hit, we did see some pause in December and January, but we began to see things look up again. As you might have seen also in the news quite a few countries are doing away with the requirement of pre-departure COVID test as most experts are suggesting that we are now moving into the endemic stage.

Even though we also saw some pause in travel bookings in month of December and January, we are seeing demand rise again and if you look at our product Demand AI, we are already witnessing a 10% to 14% increase in demand in February in key cities like New York, London, Barcelona, Delhi as international travel takes center stage and this will only further improve as we approach spring. This makes us believe that the travel industry set to rebound in 2022 and witness a CAGR of 26% by calendar year 2025 as per Premier Research from **Phocuswright**. The multiple options of vaccine booster doses and over the counter medication available in government and private hospitals, individuals are better prepared to tackle COVID-19. We are

confident that these factors will help in lesser disruptions in travel and substantially impact demand in a positive way.

As most experts predict the rebound could largely be driven by leisure travel which constitutes 96% of RateGain's business and is a core focus driving our MarTech business.

While the industry is bouncing back, I also want to talk about some structural shifts that are happening in the industry. So, there is clearly an acceleration of digitization and automation just like other industries. Hospitality and travel is seeing much larger adoption of technologies.

Secondly, especially in western economies there is a massive shortage of labor in this industry. A great resignation trend that has been talked about, has hit hospitality and travel industries especially in the US. So, we believe that RateGain is going to be a big beneficiary of the structural shifts in the industry.

So now let me comment on each of our business lines and talk about how we performed last quarter and 9 months:

Most of the growth has been driven really by our MarTech business which now contributes 34% of our overall revenue which is a 110% growth when compared with the previous fiscal and witnessed higher new bookings than ever pre-pandemic levels. The business increased its number of properties by 65% and has 99.9% recurring revenue. This continues to be a strategic growth driver and we continue to be bullish as we move towards the next fiscal year.

Our acquisition of Myhotelshop in Germany completes our MarTech offering as we are able to offer an end-to-end platform for digital customer acquisition. We can now enable our hotel customers to maximize the ad dollars ROI through a combination of data analytics, AI connectivity all powered by RateGain. We are now taking this offering to RateGain customers and have a huge opportunity to sell within our customer base.

In our DaaS business, our traditional BI business is now biggest business backed by the need of businesses to consume more intelligence as travel rebounds across our key market.

The second reason why we are witnessing growth in volumes as we predict that with international travel opening up will continue to see travel behaviors which are unlike 2019 and people will not look to travel only during the specific season and therefore the industry would need to continuously monitor changing demand patterns. This is reflected in the increase of our subscriptions across all our BI products where we see 120% to 160% growth in volumes.

Some segments in DaaS are now above pre-COVID levels in each of our segments, hotels, cars, airlines, OTAs by using a combination of new products like Demand AI, REV AI as 10x differentiators and also in our GTM approach is looking at new partnerships to enable gaining larger market share.

Our innovations in Demand AI and REV AI being well received and are enabling us to move up the value chain to provide an end-to-end pricing platform to our customers specifically focusing on certain customer segments to enable a laser sharp focus from a go-to market perspective. It is yielding results as in our REV AI product we have already on boarded one of the largest franchises in the United States which is Budget Rent A Car from Las Vegas.

We continue to see a lot of excitement by a number of car franchises for our REV AI product and really it is now on to us to deliver on to the client expectation, as when I think about product markets fit, we have nailed it.

In our distribution business – Our distribution business had transaction levels drop to about 55% because of Omicron as compared to the pre-pandemic levels. Although, it had reached prior to Omicron up to 65% which means that the volume growth as things open up should come. Our gross margin in this business continues to improve at 92%. Strength of the business continues to be our portfolio of large hotel chains with extensive network of both global and regional demand partners. We are continuing to focus on connecting new demand partners to all our large chains that are connected to us in the United States and Europe. There are also new cases that we have identified that are helping us differentiate this business and displace our existing competition, making us bullish on this business unit.

As a result, we ended up signing some large deals in this last quarter where we are connecting a large US based chain to a big OTA. We have also achieved Premier Connectivity status with Expedia and Booking.

Our new platform another AI-enabled system which is called Content AI, enables content management distribution and an augmentation platform is again seeing a lot of traction with these big chains and helping act as a 10x differentiator to win clients in this segment.

So, let me also reflect on our revenue model again:

We are getting 75% of our revenue through subscription and the remaining 25% is transactional revenue while we saw softening in the last two weeks of December and a little bit of January due to Omicron, the dip really only lasted for bit of December and January and we see things have started to move up again. The launch of the three new products that I have talked about in the IPO Road Show has really been unprecedented for RateGain in terms of innovation in 2021. It gives us great confidence given the market reception that we had for these products that we have truly become the innovative leader in the industry. We would continue to invest, solving new needs of the industry through our solutions to help our customers engage better with guess and also lead to wallet share expansion. I would love to share those details with you around these exiting new developments that are going on in the upcoming quarters as they brew for now.

In the next few quarters, we are looking to sustain growth through the following initiators. We are really ramping up our investments in sales and marketing in MarTech given the excellent sales trajectory that we see, as well in our REV AI platform as I mentioned that we have seen a product market remain great reception by car rental franchise.

Also, when I talk about our new booking numbers US has started to really do well a couple of quarters ago, but Asia and Europe continue to be in lockdown, but what we are seeing now is things are really opening up in Asia and Europe as well and just to capture that additional demand, we have really expanded our sales and marketing infrastructure in these regions as well and looking to gain a larger market share.

It is also a great opportunity for us to cross-sell our newly acquired product suite from Myhotelshop to the mid-market customers in our MarTech business.

Now coming to the most important asset of the Company, which are our employees, we added about 182 employees at the end of Quarter 3 and 50% of all the people that join were women and since we are actively promoting gender diversity in the Company and trying to overall improve the representation of women in the Company. We have now a total of 630 employees across all our business units even though our total number of employees have increased as compared to the last fiscal, our revenue per employee contribution has improved by 17% year-on-year. As an organization, we continue to invest in our employees to help them grow and do meaningful work in the industry. Our continuous efforts to proactively address employee concern saw our employee NPS improve year-on-year by over 60% from 19 to 33, a validation of the several steps we have taken to engage, nurture and retain them.

At RateGain, I have always said that we have a strong leaf of developing talent in house and providing them, new opportunities. To put this belief into action, we launched two key initiatives that are focused on up-skilling as well as cross-skilling our existing employees. We introduced an internal product management school in collaboration with University of Maryland which threw virtual classroom training lessons will train existing employees who are willing and suitable for moving into product management. These initiatives are aimed at giving internal employees who have deepened our industry knowledge, get the right skills to apply in building the right products for the industry.

I would now like to ask our CFO – Tanmaya Das to take through the performance for the quarter and the 9 months ending 31<sup>st</sup> December 2021 and give you the post-IPO updates.

**Tanmaya Das:**

Thank you Bhanu and very warm welcome to everyone on this call. It has been a remarkable quarter and one of the best for the Company in terms of new sales. The top line of the Company is gradually returning to its pre-COVID levels, based on Q3 run rate we are almost at par with FY20 annual revenue. RateGain has always done it in a responsible manner with a very balanced approach of maintaining a benchmark profitability level while pursuing growth aggressively.

In terms of SaaS metrics, we have followed and comfortably beaten the rule of 40 in most periods. Rule of 40 is the aggregation of EBITDA percentage and growth percentage.

Talking about the financial highlights of the quarter ended 31<sup>st</sup> December, 2021:

Our top line registered a growth of 57.4% year over year. Our adjusted EBITDA margin achieved was 10.7% as against 5.7% in the same quarter in previous fiscal indicating margin

expansion due to growth. The growth is aided by 215% growth in new contract wins compared to the same quarter in the previous fiscal and some large contracts signed in each of our businesses.

On similar lines the revenue for 9 months ended 31<sup>st</sup> December 2021 registered a growth of 44% over the same period in the previous year. Adjusted EBITDA margin improve to 9.7% as against 8.2% in the corresponding previous year. One of the metric that we track is revenue per employees as Bhanu said, we saw a 17% increase from last year and it stood at Rs. 6.91 million per employee.

We registered a small PAT profit in Q3 FY22, after few years, on account of again margin expansion due to growth and we have a gross margin majority of our growth flows down to bottom line. Further, as we repaid our loan, we will observe minimal finance cost in future which should help us being PAT positive, going forward. Our adjusted PAT stood at 6.3% which is basically PAT plus amortization of our acquisition cost.

We have been utilizing the proceeds for its ear-marked purposes. We repaid our loan to Silicon Valley Bank worth Rs. 900 million, with the cash that have flowed in, and optimally ran the operations at the Company, with positive cash flows from operations even though in slowdown and with a net cash and cash equivalent level of Rs. 4,200 million we have a very strong liquidity position. In 9-month FY22, we generated Rs. 178 million of cash from operations as against Rs. 107 million in corresponding previous period.

Our revenue model remains highly predictable, scalable, recurring and resilient. The gross revenue retention is at 92%, while the net revenue retentions stands at impressive 120% indicating lower churn and expansion of our existing relationships.

The recurring revenue across all our businesses ranges from 97% to 99%, 75% of our revenue came from subscription revenue, leisure travel contributes a 95% this is changing or changed landscape that Bhanu referred to. US remained our largest market with 64% revenue contribution and followed by Europe at 21%. Another metrics that we are still extremely proud about is the LTV-to-CAC ratio which stands at 11.3 which is far better than the benchmark of SaaS companies at 3.

With this, I would like to open the floor for questions. Thank you.

**Moderator:**

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Praveen Sahay from Edelweiss Financials. Please go ahead.

**Praveen Sahay:**

So my first basic question is, in the presentation and earlier in RHP also, you mentioned about the geographic mix of a revenue. So, for example 65% of the revenue comes from North America, so is it on the segregation of the clients, based the clients are sitting there or is it they are doing a business in that region. So, if suppose you have some OTA clients doing business in India, but they are based out of North America so you book it as a North America business or how is it?

- Tanmaya Das:** It is more where the revenue is coming from. So, we have a central contract with a customer of a car rental Company in US then I will consider it as a North America operation irrespective of where the cars are. Similarly, if a central contract is with a large hotel chain based out of US and they are paying us, so I will consider it as a North America operation and as you know, the US has all the big companies, big hotel chain so our ticket size with them is larger that is why the percentage for North America is higher.
- Praveen Sahay:** Second question as you had also mentioned about the revenue per employee in metrics you track and also, you have added 180 plus employees this quarter, so is it on a sequential basis there is a significant down per revenue per employee and if it is why it is so?
- Tanmaya Das:** We increased the revenue per employee metrics by 17% as compared to last year, so there has been a gradual increase in that. The addition also was coupled by the fact that we acquired MHS in October and which added around 60 more people. So, organically we added around 110 people and 60 through the MHS acquisitions. I hope, I have answered your question.
- Praveen Sahay:** Just wanted to know the acquisition has led to this reduction, that is because of sequential basis. I have seen a reduction in that, so our EBITDA expected to improve because in the sequential there is a dip from a 0.8 crore to 0.69 crores what is the reason for that?
- Bhanu Chopra:** Sequential basis you are talking about last quarter.
- Praveen Sahay:** Q2 FY22 and if I am just considering 180 added for the quarter, you have to improve, revenue per employee was around 0.87 crore versus this time is a 0.6 crore?
- Tanmaya Das:** 180 I would say this is a gross addition in terms of like how many employees we hired in last quarter or so. So, there is obviously attrition, but sequentially as well as last year, we have been improving this metrics, it is not a reduction.
- Praveen Sahay:** And the next question is about the IPO proceeds, you had mentioned about 94 crore related to general corporate purpose, so what is that and this number is quite high so what is that for?
- Tanmaya Das:** In all IPO proceeds 25% is earmarked for general corporate purposes. So, Company can utilize that money in any manner that they want to, in terms of whether it is organic growth or inorganic growth, so that is 25% earmarked in all IPOs basically.
- Moderator:** Thank you. The next question is from the line of Sanjay Awatramani from Envision Capital. Please go ahead.
- Sanjay Awatramani:** Sir my question was on the current attrition rate in Q3 and the second part is on the margins, I mean what are the sustainable margins we can expect in the future?
- Tanmaya Das:** So, you are talking about attrition rates in terms of customer's right.
- Sanjay Awatramani:** No sir, in terms of employees?



- Tanmaya Das:** Currently, obviously the tech market is pretty hot at this point of time. So, we are seeing similar attrition rates that other tech companies are also seeing on 20% plus and in terms of margins, look we have currently the adjusted EBITDA is around 10%, at this point of time, and as we grow further in the next two to three years, there will be gradual improvement to the EBITDA margins because we are a very high gross margin business. So, majority of our growth will flow down to bottom line and that is how the gradual increase will happen in the EBITDA margins, but I think we as a habit, follow a rule of 40 where we are aggressively investing for growth, but we will be maintaining certain benchmark of the profitability as well.
- Sanjay Awatramani:** So this rule of 40 is like we are planning for revenue to grow by 40%, EBITDA by 40 and net profit by 40, is this my understanding correct?
- Tanmaya Das:** The rule of 40 is aggregation of percentage of EBITDA plus percentage of growth. So, if your growth is 30% and your EBITDA margins are 15%, then you get the rule of 40. So rule of 40 is a SaaS benchmark which many SaaS companies follow.
- Sanjay Awatramani:** Any future plans for CAPEX and if you can highlight some numbers on that CAPEX part?
- Tanmaya Das:** We have not, DaaS and MarTech business is very asset light business because everything is hosted and not a lot of infrastructure cost is required. In our distribution business, if you see our IPO proceeds, we have a data center – a state of the art data center in Dallas and we raised around 30 crore to refurbish the data center though we are still evaluating that, we have not utilized anything, but we are still evaluating how do we proceed on that, but other than that we are pretty much an asset light Company.
- Sanjay Awatramani:** And last question from my end, if you can give us guidance on revenue for FY23 this will be great?
- Tanmaya Das:** So currently this is our first Earnings Call our all efforts are to have a great Q4. We have currently also picked up our budgeting process and I think we will be able to give you a much better guidance in our annual call in the next quarter.
- Moderator:** Thank you. The next question is from the line of Dhwanil Shah from Hingraj Capital. Please go ahead.
- Dhwanil Shah:** I have a couple of questions, the first one is compared to FY20 in the DaaS. I think the revenue was about 125 crores and in the 9 months in this FY22 it is about 76 crores and I think 98% of that is subscription based recurring, and we have added a lot of new clients since then till now, so what has been the reason that we do not cross the FY20 revenue in terms of DaaS and is it because that we have decreased any pricing for the existing clients?
- Tanmaya Das:** So, you are talking about the annual the 9 months revenue for FY20 right?
- Dhwanil Shah:** The full year is about 125 crore in FY20 and the 9 month of this current year FY22 is about 76 crores and I think, even if we take in the next quarter and consider about 40 crore which we did

this quarter, it should still lag behind FY20 in spite of adding lot of new clients across all three of our segments?

**Tanmaya Das:** DaaS constitutes of multiple business lines in terms of like OTA, car rentals, airlines and hotels all constitutes DaaS segment and each segment has its one story and obviously yes during the pandemic, we had to give discount as well as waivers, etc., which are slowly now coming up because we are now revising contracts and increasing our prices to go back to the pre-COVID levels. So, that is why there is a little bit of lag but if you talk about OTA business, it is already at more than the pre-COVID levels at this point of time. Car rentals is where we have given certain discounts and all which is now coming back, but it is taking a little bit more time and that is why the levels are low, but if you see Q3 run rate basis, we will be at par with the pre-COVID levels so these are 9 months numbers. So, if you see Q3 run rate basis we will be at par with FY20 levels.

**Dhwanil Shah:** And going forward the pricing should normalize and waiver should go back, so we should probably outperform in the next quarter comparison to FY20?

**Tanmaya Das:** That should be the right thing. So most of the contracts are now back to the pre-COVID terms bearing one or two where we are negotiating at this point of time, but yes.

**Dhwanil Shah:** Sir, I have another question what would be the net added contract value of the client that you added in this quarter. So I think, we added clients in all three of our segments like, what is the annual contract value of all this plan?

**Tanmaya Das:** For this quarter, it was in the range of closer to \$4.9 million which is in terms of Indian Rupees probably around 40 crore, which is the annual contract value of those contracts that was won.

**Moderator:** Thank you. The next question is from the line of Karthikeyan VK from Suyash Advisors. Please go ahead.

**Karthikeyan VK:** One question relates to what was asked just before me, so can you take us through the pricing trends that one should assume and also, some perspective on the customer mix between distribution and DaaS that split you do not give, so can you give us the number there also?

**Bhanu Chopra:** You are talking about how many DaaS customer use distribution in that right.

**Karthikeyan VK:** Exactly.

**Tanmaya Das:** So, it is same for DaaS and distribution like 25% of DaaS customers currently use distribution around similar 25%, 26% distribution customers currently use DaaS and this is one of the growth levers as well and distribution business the major distribution business DHISCO was acquired just two years back to three years back. So, we have got almost 70%, 75% cross sell opportunities that can be grabbed and this is why one of the reasons why the growth prospects for distribution as well as DaaS we are looking for. Sorry what was the first question?

- Karthikeyan VK:** So what I mean to say, you reported 2,264 clients for your business at the end of Q3 of which 373 you identified as market customer and excluding cross selling for the moment, so can you give the split of customers for DaaS and distribution separately?
- Tanmaya Das:** Yes there will be overlaps obviously and so, 373 is BCV, but again there is MHS as well in which we added around 600 more and rest at DaaS and Distribution.
- Karthikeyan VK:** And in terms of pricing, you had mentioned in interviews earlier that while one of the segment is at \$90,000, one is at 69 and MarTech is at 27, how to think about pricing trends in these segments, you obviously talked about the reasons for the churn. Also, you may try to give us a structural perspective on what to think about in terms of pricing in these segments?
- Tanmaya Das:** The distribution segment where we experience lot of pricing leverage that we can implement because it is a production software. So, without it the hotels cannot really book these reservations. So, we increase the prices every year on a CPI increase basis. So, we enjoy a lot of leverage there. Next is DaaS where the data that we provide is core to the business of OTAs and car rental companies and hotels they cannot live without that data. So there as well we also obviously have to give discounts during pandemic times, but now most of the contracts are back to the pre-pandemic levels and we will continue to apply CPI wherever we can in this segment. BCV business comes out of the digital marketing budget, but ironically there is no scaled competitors for us. So, we do not have a lot of pricing pressure in BCV as well.
- Moderator:** Thank you. The next question is from the line of Ranjithgopal KA from HSBC Asset Management. Please go ahead.
- Ranjithgopal KA:** I had two questions, first one is on the organic growth trends for this quarter, so basically around 23.6 crore came in via the acquisition of Myhotelshop. I mean although that I think it was more 4 months, the integration was for 4 months, so can you give the color on the organic growth for this quarter both in terms of YoY as well as on a quarter-on-quarter basis that will be helpful?
- Tanmaya Das:** So, the 9 months ended FY22 is we saw organic growth of 31% and 13% of inorganic growth and for the quarter ended it was 35% organic growth and 22% inorganic growth.
- Ranjithgopal KA:** And in terms of the number of customers added also, there would be a component of acquisition coming through in terms of the number of customers that we have added this quarter and so what has been the organic addition and one coming through the acquisition?
- Tanmaya Das:** So we added total 778 customers in this quarter out of that around 600 was through MHS acquisition and that is a great opportunity for us to cross sell our existing products to those 600 customers.
- Ranjithgopal KA:** And you also had mentioned that the revenues from this acquisition has been accounted for in MarTech, but there is also a distribution element in the acquisition, so everything has been accounted as part of the MarTech revenue in terms of the segmental opportunity?

- Tanmaya Das:** Yes, at this point of time it is clubbed in the MarTech business, it is more compatible with MarTech business than the Distribution business.
- Ranjithgopal KA:** The second question is on the profitability front, so obviously we are seeing some bit of an improvement in the EBITDA margin trajectory, but I wanted to understand from an amortization cost point of view because you gave the number or the bottom line number both I mean pre and post amortization, so on a post amortization basis are we basically looking at the improvement in the PAT number going forward also because there is something which has been impacting our bottom line in the past. So, now will the growth in the amortization cost will be much lower than the growth in PBT that we are going to see?
- Tanmay Das:** That is true, look amortization currently is a fixed number, so as your revenues grow and your percentage of EBITDA in absolute terms, your profit before amortization grows and that is bound to improve the PAT level that is why you see the 9 months ended is almost maybe 1 crore loss as against large loss that we had last year. So as we grow, it is a function of growth as well as EBITDA margins and accordingly the PAT will be positive based upon that.
- Ranjithgopal KA:** And this includes any acquisition related impact as well, so this includes everything all kind of amortization cost?
- Tanmay Das:** So what we have done is that, we have just taken out amortization on all the acquisitions currently we are incurring. So, it includes DHISCO, BCV and MHS all three acquisitions that we have done till now.
- Ranjithgopal KA:** And what will be that percentage of revenue number right now?
- Tanmay Das:** So, currently it is around 4%.
- Ranjithgopal KA:** So, we expect in an absolute term this number to remain where it is and there is a revenue growth coming through then we will see much larger kind of a profitability.
- Tanmay Das:** Absolutely.
- Ranjithgopal KA:** If I can squeeze in one last question on the demand environment post the current wave, so how are we seeing the initial trends in terms of opening up of the travel industry especially in the US and also in the context that some bit of fiscal stimulus will be withdrawn, so how are we seeing that trends from a US market point of view and also to some extent Europe, so how are we seeing the initial trends post the current wave?
- Bhanu Chopra:** So you know, as I sort of mentioned in my opening remarks as well, we are seeing a structural shift happening in our industry in terms of the acceleration of digitization, there are acute labor shortages especially when it comes to the US, so we were seeing faster adoption of technology and that is why, I mentioned that we are looking to sort of accelerate our sales and marketing investments. So, that we can capture the additional demand that comes as a result of the structural shifts that we are seeing in our industry. So, we are actually in an investment mode and we do

see sales activity to pick up. What is also heartening to see, is that in terms of the overall lockdown restrictions going away especially in Europe. So, while our numbers looked good most of the contribution was from the US and now that things are opening up in Europe and Asia, we have really expanded our sales teams in Europe as well to capture that additional demand. So, we are seeing, when we look at sort of what is your leading indicator is sort of your pipeline generation so we continue to see significant pipelines being created in these regions and the fact that now we have this one platform it is becoming extremely compelling and one of the things that indicated also in my comments is that we are the only Company that focus that sort of double down on innovation and launched all these new products like REV AI, Demand AI and content AI and we are seeing great reception on these products. So, as demand sort of comes back the overall travel demand our customers open up their purse strings. We are quite hopeful that we would be good beneficiaries of the fact that we were able to launch products that were the need of the hour.

**Ankit Chaturvedi:**

I will just give some more detail on the demand question that you specifically high just to give more context on what Bhanu was saying. So, we did this analysis around two weeks gap using our demand gap product which even you can find up and look at demand for almost 60 cities and we saw that for cities like Barcelona and Las Vegas as well as New York demand had already started going up in a range of around 10% to 14% as per the data that we were processing by the end of January and first week of February which means and this is a trend that we saw in almost all cities including in India where Omicron actually came on much later and what we have concluded is that the overall impact of the wave was just for two weeks, two weeks is when it kind of went down and then bookings started picking up and resultantly demand started picking up, as we are seeing across major cities in the US and Europe and we only feel that as we get to spring, this will only build up further because now people are out of this wave they will start planning vacation. So in March, April obviously we will see much bigger surges in demand just in a way we saw in last year in the US. So, I think that should give you more clarity on how demand will recover.

**Ranjithgopal KA:**

And mix of revenues currently, we have transformed from I think larger proportion coming in from more than half a proportion coming from distribution. Now, the 40% distribution and less than a third each from DaaS and MarTech, so is this the mix which will remain at least in the medium term or would we think that the distribution platform will grow much lower compared to the other two segments and hence the mix can move more in the direction of MarTech and DaaS going forward?

**Tanmaya Das:**

I think directionally go more towards MarTech because we are seeing a lot of traction in the MarTech business and there is a huge stamp that you were going after and investing. As Bhanu talked about that you have kind of starting investing a lot in the sales and marketing of MarTech business because we clearly see the opportunity. So, it will more tilt towards MarTech than other two businesses.

**Moderator:**

Thank you. The next question is from the line of Ankit Kanodia from Smart Sync Services. Please go ahead.

- Ankit Kanodia:** So just wanted to understand your strategy as I look at your presentation and see the customer data, as in we have put down our name of your marquee customers. As, I understand you are predominantly in US and Europe what is your strategy for the upcoming markets in Asia specifically India and how are you positioned there, what do you see as a market in India?
- Bhanu Chopra:** When we talk about our customers 80% of our revenue mix is through hotels and we focus largely on the mid-market and enterprise segment, so just to give a sort of lay of the land we are about a million hotel out there and the ones that are organized as part of our hotel chain or some sort of a management group is about 300,000, so we call this constituency is about 1,400 potential prospects and when we look at the distribution of these prospects they are largely in US and Europe. So I think somebody else also pointed out so while the headquarters might be in the US they might have operations in India or South East Asia, but the decision making for the most part happens centrally through the headquarters which is either based in Europe or US. So in terms of our focus, I think we will continue to be focus on these key markets of US and Europe because as I mentioned the mid-market and enterprise customers decision making it out of these regions. We do see in terms of new hotel development a larger portion is actually happening now in Asia. So, we will see acceleration, but if I had to give you a sense on what will be the revenue mix geographically in the near to midterm I do not see it changing it will continue to be the way it is.
- Ankit Kanodia:** Is it fair to assume that the way we are positioned in our business something like club Mahindra or a Sterling would be a too smaller customer for us, given the way we are positioned with our US and Europe customers?
- Bhanu Chopra:** Yes, I think that is fair when we look at the solutions that we have, it is largely target to sort of the mid-scale or I would say upper luxury especially when it comes to our MarTech business line. We do however, operate with budget hotels like for instance Oyo is one of our largest customers and as you know, they have a lot of international footprints. So, we are the ones who do provide connectivity for all their international hotels across all the international OTAs. So our sweet spot continues to be more sort of the mid-scale to upper luxury and if you look at even the overall ticket size the potential to gain a much larger wallet share resides with that given the higher budgets that they have per unit basis.
- Moderator:** Thank you. The next question is from the line of Pritesh Vora from Mission Holding. Please go ahead.
- Pritesh Vora:** So, can we have breakup of your revenue based on the three businesses which you are undertaken, I mean approximately what kind of breakup we can assume? Also the sector wise where do you see the larger growth coming up? Is it your Daas or MarTech or Distribution? Where do you see going forward the organic revenue wise where do you see the most growth coming from?
- Tanmaya Das:** We obviously look at our MarTech business is the biggest growth driver because currently there are around 100,000 hotels that we can sell this solution to and we are currently have only 400 close to 400 hotels using this solution. So, there is a huge addressable market to cater to. Our

immediate goal is to raise to a 1,000 hotel to sell to and then obviously, this business has got very low competitive intensiveness and how we are seeing the traction in last 9 months we have increased our number of properties by 65% and the last quarter has been a stellar quarter in terms of new sales for this business. So, this business is where the majority of growth will come in the business. In terms of distribution of revenue by this three segments obviously in the 9 months ended we had a large portion like 40% came from Distribution, 30-30 each from DaaS and MarTech. In Q3 DaaS and MarTech contributed more the Distribution contributed less because of the Omicron impact, but I think going forward, if you want us to end on which segment, I think the MarTech will be the largest segment say one year down the line because of the growth that you were currently seeing.

**Pritesh Vora:** And where do you see the most margin will come from, which business? I mean distribution, I am sure it will be a steady business where you may not be seeing much, but where do you see the margin improvement will come from?

**Tanmaya Das:** So the margin improvement we will have with scale, it will automatically come, but currently DaaS is our most profitable business unit followed by distribution and MarTech is still in a growth investment mode that is why the margins are lower there, but with the growth all these businesses will see margin improvement because in all three businesses the gross margins are higher as compared to say services Company.

**Pritesh Vora:** Can you bifurcate your revenue on subscription base vis-a-vis actual usage based, so what I am trying to understand is how much of revenue will pick up based on the travel sector opening vis-a-vis it is just a subscription revenue? Where you do not get benefitted by number of bookings I mean to say the hotel number of booking increases, what is the percentage of revenue coming from this two segments?

**Tanmaya Das:** So, currently our 25% of revenue comes from a transaction-based revenue models where especially in our distribution DHISCO business, where we take a cut from each booking that OTA provides to the hotel. So with natural bookings or the demand coming back will see a increase in this 25% of our business. 75% is subscription in nature, but out of that 32% is in a hybrid model. So 32 hybrid model in the sense that we have a minimum subscription, but we also charge for excess usage. So there also we will see that though the minimum subscription money is safe, but once the volumes increased in terms of demand for data and all there we will also see uptake as well.

**Moderator:** Thank you. The next question is from the line of Nikhil Chandak from JM Financial Family Office. Please go ahead.

**Nikhil Chandak:** I had only one question, so when I see the presentation, etc., it is whether the EBITDA margins are in the range of 9% and PAT margin in the range of 5%, 6%. So, from a longer-term perspective what would be your target EBITDA margin. I understand there is lot of investment which happens in sales and marketing, should one assume these are the sustainable margins or is there a significant scope of improvement from where this number is?

**Bhanu Chopra:** In terms of how we think about growth versus profitability clearly as we have noted we see opening up of this sector we will sort of got a number of new products that we build over the last year and just a whole trend suggests to us that there is a huge opportunity for us to grow. So, what we use as a guiding principle where the RateGain has to look, which is what a lot of SaaS investors look at, which is the rule of 40 which is an aggregate of your growth percent and EBITDA percent. We see that there is a huge opportunity to grow and that is why, we will continue to ramp up our sales and marketing infrastructure which is what I talked about we are doing that in the US and Europe and in the near term to midterm. Yes, we will continue to see similar margins and as we continue to get scale, I do see marginal improvement in margins every quarter, but the focus will continue to be in this 10% to 12% range and if we see opportunity to invest and grow let us just continue to do that and that is how, I see it definitely for the next few quarters and as we sort of our goal is to hit in terms of revenue the 100 million as we get to that number, I do see the scale will flow down directly to our EBITDA and the margins will expand quite significantly. So, net-net near to midterm similar margins improving marginally every quarter and then sort of mid to long term we can be between 20% to 25%.

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

**Bhanu Chopra:** Thank you everyone. I hope we have been able to give you a good overview about our Company and insight on the performance thus far and the growth story that lies ahead. Moreover, I hope we have answered all your questions appropriately. However, should you need any further clarification or would you like to know more about the Company please feel free to contact our team or SGA our Investor Relations Advisors and thank you everyone for being on the call today.

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