RateGain

Stock Discussion

- Utkarsh Rai

Agenda

- What is RateGain?
- Promoters.
- Key business verticals.
- Valuations.
- Unique propositions.
- Key risks.

What is RateGain

B2B technology company providing various solutions to travel tech companies in distribution, marketing and pricing domains.

Key customers are - hotels, airlines, OTAs, cruises, etc.

Industry Size and TAM

- Total size of the travel tech market - 30 billion USD
- B2B SaaS booking TAM - 2 to 5 billion USD.
- RateGain has penetrated - 150 million USD.
- Company’s goal is to increase their wallet share in the TAM.

Key Business Verticals

Year	DaaS %	Distribution %	MarTech %
FY19	49.5	50.5	–
FY20	31.4 (Product rationalization, discontinuation of loss-making; Distribution gains from DHISCO acquisition)	50.0 (Boost from DHISCO acquisition)	18.6 (First year of MarTech, due to BCV Social acquisition)
FY21	37.2 (Subscription model softened decline; slowest to recover from COVID)	48.6 (Severe hit due to global COVID travel halt, but remained largest contributor)	14.2 (Hotel clients paused subscriptions in pandemic)
FY22	28.6 (Qualified and slower rebound after pandemic lows)	38.6 (Healthy post-pandemic recovery in bookings/transactions)	32.8 (Surge in digital marketing demand as travel recovers)
FY23	28.6 (Growth from new enterprise accounts; Adara acquisition impact starts)	34.4 (Growth slows vs. other segments; Distribution expansion stalls)	37.0 (Accelerated growth; integration of Adara and more digital campaign business)
FY24	33.3 (Significant benefit from Adara acquisition, AI/intent data traction in hotels/airlines)	20.5 (Flat growth, share declines as other segments surge ahead)	46.2 (Explosive growth from broad adoption, scale-up of new digital/intent-driven marketing solutions)

Competitors

1. Distribution
    a. SiteMinder (1b USD, listed in Australia)
2. DaaS
    a. Amadeus (370m USD, listed in Spain)
    b. Duetto
3. MarTech
    a. Cedyn

How to evaluate SaaS businesses

1. **Churn Rate** - Percentage of revenue lost in a year.
2. **Net Revenue Retention** - How much revenue is retained from existing customers including up-sells and downgrades.
3. **Lifetime Value / Customer Acquisition Cost** - Revenue generated by a customer versus the cost of acquiring the customer.

Reinforcing business fundamentals

60.7%
Subscription revenue

90.1%
Gross revenue retention

113.2%
Net revenue retention

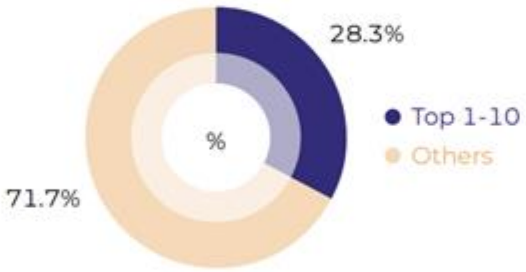
337
Customers added

₹ 2,847.8 million
New contract wins

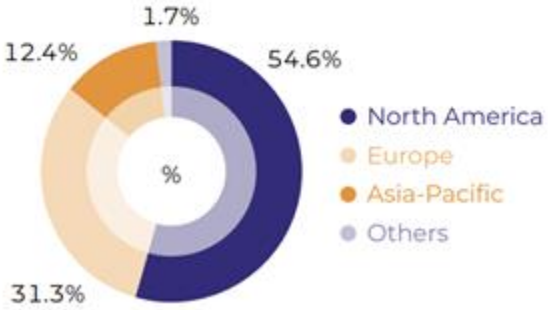
14.1
Lifetime value (LTV) to customer acquisition cost (CAC)

Revenue by Business Segment

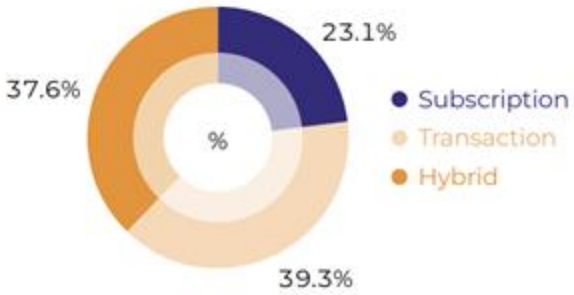
Revenue by Customer Type



Revenue by Geography



Revenue by Engagement



Promoter

Mr Bhanu Chopra

Graduate from Indiana University.

Started his career at Deloitte Consulting in Chicago and later founded his own company called Riv Consulting.

During this time he identified gaps in online travel agency's pricing methods and RateGain was founded.

Promoters hold 48.17% of the company.

Valuations

Rategain Travel Technologies Ltd

₹ 471 -2.10%
11 Jul - close price

rategain.com BSE: 543417 NSE: RATEGAIN

Market Cap	₹ 5,559 Cr.	Current Price	₹ 471	High / Low	₹ 859 / 365
Stock P/E	26.6	Book Value	₹ 143	Dividend Yield	0.00 %
ROCE	17.3 %	ROE	13.3 %	Face Value	₹ 1.00
Debt to equity	0.01	Int Coverage	215	Promoter holding	48.2 %
Market Cap to Sales	5.16	Intrinsic Value	₹ 429	PEG Ratio	0.43
Return on assets	11.5 %	PE to Industry PE	0.90	Price to book value	3.30
ROIC	13.4 %	Inven TO		Pledged percentage	0.00 %
CF Opr 3Yrs	₹ 324 Cr.	Dividend yield	0.00 %		

Sales and Earnings Growth

Compounded Sales Growth	
10 Years:	%
5 Years:	22%
3 Years:	43%
TTM:	13%

Compounded Profit Growth	
10 Years:	%
5 Years:	62%
3 Years:	212%
TTM:	44%

Balance Sheet

Balance Sheet

Consolidated Figures in Rs. Crores / View Standalone

CORPORATE ACTIONS

	Mar 2019	Mar 2020	Mar 2021	Mar 2022	Mar 2023	Mar 2024	Mar 2025
Equity Capital	0.65	0.65	0.66	11	11	12	12
Reserves	142	137	244	608	699	1,439	1,671
Borrowings +	54	144	117	18	18	17	16
Other Liabilities +	87	116	78	140	208	255	205
Total Liabilities	**285**	**397**	**440**	**777**	**936**	**1,722**	**1,904**
Fixed Assets +	106	216	168	222	396	364	348
CWIP	0	0	0	0	1	2	0
Investments	41	45	129	165	140	179	319
Other Assets -	**138**	**136**	**143**	**390**	**399**	**1,177**	**1,238**
Trade receivables +	63	78	67	101	161	205	212
Cash Equivalents	45	24	57	245	201	391	350
Loans n Advances	11	15	9	10	12	24	4
Other asset items	19	20	9	34	24	557	672
Total Assets	**285**	**397**	**440**	**777**	**936**	**1,722**	**1,904**

Some P/E Calculations

- **P/E** - 26.6
- **Market Cap - Reserves = (**5559 - 1671) cr = 3888 cr
- **Other Income - Taxes =** (76 - 23% of 76) cr = 58 cr
- **PAT - Other Income (after taxes) = (**209-58) cr = 151 cr
- **True P/E =** 3888/151 = 25.74 ~ (fairly valued?)

More PE Calculations

- **FY26 Revenue Growth Guidance -** 6 to 8%
- **FY26 EBITDA Margin Guidance -** 15%

- **FY26 Revenue -** 1163 cr
- **FY26 EBITDA -** 174 cr
- **FY26 PAT -** 174 cr - 23% tax = 134 cr
- **FY26 PE (today's market cap) -** 3888 / 106 = 29 (~overvalued?)

Unique Propositions

1. Under-promise and over-deliver.

Guidance vs Actual Results

Guidance

In respect of guidance for FY'23, We expect to grow our revenue by around 30% organically. In terms of EBITDA margins, we expect to improve our margins to around 12.5% for FY'23 as against 10.3% in FY'22.
-Mr. Bhanu Chopra, Managing Director, Q4FY22 Conference Call

Actual Results

54% Growth
EBITDA margin crosses 15%

Guidance

In respect of guidance for Q3 FY23, we expect to continue our growth around 30% year- over-year and our margins level would be similar to Q2. With this I thank you and give it back to you.
-Mr. Bhanu Chopra, Managing Director, Q2FY23 Conference Call

Actual Results

40% Revenue Growth
17% EBITDA Margins

Guidance

And as per guidance for Q2 and FY23, we expect to continue our growth north of 30% year-over-year and expand our margins to 12% next quarter.
-Mr. Bhanu Chopra, Managing Director, Q1FY23 Conference Call

Actual Results

47% Topline Growth
15% EBITDA Margins

Guidance

In terms of guidance for financial year 2024, we expect to grow around 55% to 5[illegible]% 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%.
-Mr. Bhanu Chopra, Managing Director, Q4FY23 Conference Call

Actual Results

69% TOPLINE Growth
EBITDA Margins of 20%

Source: SOIC Video

Unique Propositions

2. Acquisition Specialists

- **DHISCO** - Increase scale in Distribution vertical.
- **BCV Social** - Entry into Hotel MarTech vertical.
- **MyHotelShop** - European expansion in Distribution and MarTech verticals.
- **Adara** - Bought at 0.7 times sales. Main revenue contributor in MarTech and DaaS verticals.

Unique Proposition

3. Honest Management

- Underestimating Sales and GTM investments. Course correction by 5 million USD investment in GTM and SDR.
- Acknowledged leadership gaps in US and APAC. Course correction by hiring Rohan Jain, Anurag Mittal and Toby March.
- Admitting organic growth is below-par. Fixing issues by more cross selling and newer products like - UNO, VIVA, DemandBooster and Smart ARI.

Unique Propositions

4. Resilient and adaptive to technological developments.

- Data is the new oil - Has one of the biggest data sets for travel intent and pricing intelligence. There is nothing concrete yet, but their next leg of growth might come from this.
- VIVA - AI Agent for hotel reservations has been shipped to top hoteliers. This would decrease the percentage of dropped calls and increase reservation rates.
- Increase usage of AI will increase operational efficiency.

Organic Growth Roadmap

1. 3 engines of organic growth
   a. Product innovation
      i. Launching AI enabled products to address customer pain-points
      ii. Examples - UNO, VIVA and Smart ARI.
   b. Geographical expansion
      i. GTM investments with focus on Middle East and APAC.
      ii. Revenue contribution from these regions has grown from 11% to 14% in 2 years.
   c. Cross-selling
      i. Building sales and software capabilities to increase up-selling and existing client revenue.
      ii. NRR is consistently more than 110%.

Key Risks

1. **Geographical concentration** - 55% of revenue comes from North America. Though it has been declining from 65%.
2. **Industry Risk** - Travel is a discretionary spend, company’s revenue is directly tied to economic downturns. Transaction based revenue which accounts for approximately 40% of company’s revenue might be at risk.
3. **High Competition** - Technology is a rapidly evolving space with lower barriers to entry. Can be easily disrupted by other players.
4. **Acquisition Risk** - Company’s inorganic growth strategy might backfire if an acquisition goes wrong.

THANK YOU!