



**“TBO Tek Limited
Q4 & FY24 Earnings Conference Call”**

June 06th, 2024

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**MODERATOR: MR. SNIGHTER A. – ADFACTORS PR – INVESTOR
RELATIONS**

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Moderator: Ladies and gentlemen, good day and welcome to the investor call of TBO Tek Limited to discuss the Q4 & FY24 Results.

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 *, then 0 on your touchtone phone. Please note that this conference is being recorded.

I now hand over the conference to Mr. Snighter Albuquerque from AD factors PR, Investor Relations. Thank you and over to you.

Snighter Albuquerque: Thank you, Yashasree. Good evening, everyone. On behalf of the Company, I would like to welcome you all to the maiden earnings conference call for Q4 & FY24.

I would like to mention that the Earnings presentation has been uploaded on the exchanges and the Company website, so you can access it as we take you through the opening remarks and the call.

Today on this call, we have with us from the management of TBO Tek Limited, Mr. Ankush Nijhawan – Co-Founder and Joint Managing Director, Mr. Gaurav Bhatnagar - Co-Founder and Joint Managing Director, Mr. Vikas Jain – Chief Financial Officer, and Mr. Anil Berera – President, Strategy. We will begin the call with brief “Opening Remarks” from the management followed by a Q&A session.

Please note that certain statements made during this call may be forward-looking in nature. Such forward-looking statements are subject to certain risks and uncertainties that could cause the actual results or our projections to differ materially from those statements. TBO Tek will not be in any way responsible for any actions taken based on such statements and undertakes no obligation to publicly update these forward-looking statements.

I would like to hand the call over to Mr. Gaurav Bhatnagar for his Opening Remarks. Thank you and over to you, Gaurav.

Gaurav Bhatnagar: Thank you, Snighter. Good evening everyone. On behalf of the Company, I welcome you all to our first Earnings conference call after our listing. We are overwhelmed by the response we received at our listing and would like to thank each and every one of you for making it a grand success.

The Company was listed on May 15th on both the NSE and the BSE. The total size of the IPO was INR 1,550 Crore, with INR 400 Crore being the primary infusion of capital. This capital injection will enable us to fulfill our funding requirements to achieve our future goals.

For those of you who are looking at the Company for the first time, let me provide some insights into TBO.

TBO operates in the global outbound travel space. Outbound travel refers to when people travel from their country to another country. Outbound travel is a very large and growing segment. In 2019, nearly 1.5 billion outbound trips took place. Post COVID, revival in outbound travel has been strong and full recovery is expected by the end of this year. Historically, outbound travel has grown at a pace of 5-6% every year. So, global travel spend is expected to reach nearly US \$2.7 trillion by the year 2027.

Now, the growth in outbound travel has been spurred by two significant demographic changes happening in the world. On one hand, the emerging economies such as India, Indonesia, Brazil and China have sizable young population travelling overseas for the first time. These first-time travelers need assistance with booking their travel and hence, often take the help of offline travel agencies. On the other hand, in the developed economies such as US, UK and Western Europe, there is a much older demographic with significant time and resources to spend on travel. Their itineraries are long and complex and involve several destinations and various services in those destinations. Hence, this segment also prefers booking their travel via offline travel agencies.

Now, TBO provides an online platform to travel agents globally, which allows them to search and book travel supply worldwide. The platform acts as a bridge between travel suppliers such as airlines, hotels, car rental providers, sightseeing providers on one side and travel buyers such as travel agencies, OTAs and tour operators on the other side.

The platform solves for points of friction that are prevalent in the outbound travel planning and booking process. Since travelers are increasingly travelling to newer destinations, travel agents face significant challenges in discovering supply at a global scale. Our platform allows travel agents to access real-time inventory for a wide range of travel products across the world at the click of a button. Beyond discovery, establishing trust between the buyers and sellers is also important. Typically, travel buyers and travel suppliers are small businesses in different parts of the world who may have never done business with each other before. Our platform acts as a source of trust between them by ensuring that the supplier will provide the service promised by them, while the buyer will pay for those services. TBO also solves for the payments. The suppliers like to be paid in their own local currency while the travel buyers like to collect payments in their own currency. Our platform acts as a bridge, facilitating all stakeholders to transact in the local currencies. Today, we support more than 55

currencies worldwide. Finally, our platforms solves for service. Outbound travel involves high touch high service. Plans change, travel needs to be cancelled or rescheduled, or there are challenges in the destination which need to be resolved. Since the travel agent and the travel supplier are sitting in different parts of the world, they speak different languages and operate in different time zones, TBO platforms serve as a common interface through which buyers and suppliers can communicate and seek service from each other.

So, in a nutshell, TBO operates a global travel distribution platform connecting travel buyers and suppliers worldwide, solving for discovery, trust, payments and service.

I will now speak a little bit about our go-to-market strategy:

To aggregate demand, we operate a global feet-on-street sales team. This team's primary objective is to sign up travel agencies in their regions on the TBO platform. Once the travel agency is onboarded on the platform, they use an online access to search and make travel bookings themselves.

Our supply aggregation is also led by feet-on-street supply onboarding team. This team works with hotels and key destinations and presents a TBO value proposition to them. The actual contracting and onboarding is tech enabled through an advanced proprietary stack developed in-house.

TBO makes money on every transaction on the platform. Some suppliers, primarily airlines, operate on a commission model where we receive commission on every booking made on the system. Other suppliers, primarily hotels, operate on a net rate model where we receive a wholesale rate which we mark up and sell further. At an enterprise level, hotels and ancillary business contribute 75% of the gross profit, while airline sales contribute roughly 19% of our gross profit.

Our business is very global and we operate in more than 100 countries. We count our GTV or gross transaction value based on the origin of travel. Roughly, 76% of our gross profit is derived outside of India, which means that the travel agent is located outside of India and is selling destinations across the world.

Being a platform, our business demonstrates strong operating leverage. Our travel agents tend to continue to transact on the platform for many years after joining the platform. Furthermore, there are significant buyer-supplier networks in the platform. As we add more supply on the platform, our existing travel agents become productive. Likewise, as we add more travel agents on the platform, our existing suppliers receive more bookings. Platform stickiness along with network effects ensures that our GTV grows much faster than our buyer base. Further, since the incremental cost of serving additional transactions is very low, there is strong operating leverage in our business.

Let me spend some time talking about our growth strategy.

So, in terms of strategy as a platform business, our growth plan is based on three pillars: Expanding our buyer network. Our GTV grows much faster than the number of active buyers on the platform and therefore, we invest significant money into growing our buyer network.

Second, we focus on strengthening our supply base by increasing penetration and developing a strong local supply ecosystem. That comes in two forms- One is just adding more hotels on the platform and getting better rates and second, adding new lines of supplies such as cruise lines, Europe rail transfer, sightseeing etc.

Third, we invest significantly in continuously improving our platform where we have a strong team of more than 300 engineers constantly working on data and tech to make sure that the experience on the platform remains excellent.

Finally, acquisitions play a crucial role given the fragmented nature of this industry. Over the last 5 years, we have completed 4 acquisitions, enhancing our global reach and market position. Most recently, we had acquired Jumbonline, which is an aggregator of Southern European Beach Hotel supply. We will continue to look for more opportunities for inorganic growth.

Now I will hand over to my Co-Founder and Joint Managing Director, Ankush to share key insights on the India business.

Ankush Nijhawan:

Thank you, Gaurav, and good evening, everyone for dialing this evening.

I would like to now talk about the India travel market:

India is witnessing significant tailwinds in both our outbound hotels and air sectors. Overseas travel spending has surged to US \$17 billion in this last financial year, marking a notable 24% increase over the previous year. Projections indicate an anticipated growth in international air passenger traffic by 8% to 11%. Notably, both Indigo and Air India have placed fresh orders for ATRs and wide-bodied aircraft, signaling optimism in the aviation sector. Additionally, the announcement of new international routes, such as those to Mauritius and Central Asia, underscores the expanding global connectivity in today and in the medium term as well. There was record-breaking demand in the Schengen visa applications, which further reflects the growing outbound travel interest in India.

India's ascent in the global tourism landscape is evident, with its ranking climbing from 54th to 39th position on the World Economic Forum's Travel and Tourism Development Index in 2024. Moreover, the domestic travel market is poised for exponential growth, set to double by 2030.

The remarkable trajectory of our Company aligns with the robust growth observed in the broader travel industry. The Government initiatives like UDAN Scheme, coupled

with significant investments in the airport infrastructure amounting to US \$1.83 billion by 2026, are poised to fuel both our Company's and the industry's growth.

Our plan to grow in India is the following:

We would like to now expand taking advantage, which I just mentioned to you, the tailwinds of the India travel market. We would like to expand our reach beyond the Tier-1 and Tier-2 cities. We would now like to grow into Tier-3 and Tier-4 with our commitment to enroll agent optimization beyond the major cities in India because we believe this is where the next growth is going to happen and come from.

Cross-selling opportunities, leveraging our existing buyer base, which we are now going to be focusing both and in our outbound hotel business, which we will leverage on what our dominance is in the airline business across India.

Enhancing customer engagement by prioritizing efforts to increase the wallet share of our active buyers. We aim to deepen customer relationships, foster loyalty and drive sustainable growth.

Exploring strategic acquisitions, we will remain vigilant in evaluating potential acquisitions within India, aligning with our overall growth objectives and bolstering our market position in India.

I would now like to hand over the call to Mr. Vikas Jain, our Chief Financial Officer.

Vikas Jain:

Thank you, Ankush and a very warm welcome to everyone on this call. I am delighted to present the robust financial performance of TBO for the quarter and year ended 31st March 2024.

In the quarter ended 31st March 2024, our revenue from operations surged to INR 369 Crore, marking a growth of 31% YoY. Our adjusted EBITDA stood at INR 69 Crore, an impressive growth of 76% YoY, while our PAT is at INR 46 Crore, demonstrating a growth of 64% over previous year.

Now coming to the full year financials. We had a great fiscal year 2024. We delivered growth on all the key parameters. Our monthly transacting buyers outside of India grew by around 20%, which led to a growth of 31% in GTV in our international business. At an enterprise level, our monthly transacting buyer base grew by 8%, which led to an overall increase in GTV by 19%.

Our enterprise take rate improved from 4.77% to 5.25%. This was largely driven by the increasing share of GTV of hotel and ancillary businesses from 45% in FY23 to 50% in FY24.

Our revenue from operations reached INR 1,393 Crore, delivering a YoY growth of 31%, led by strong growth in GTV on our platform.

Our adjusted EBITDA of INR 270 Crore delivered growth of 35% YoY. Our PAT stands at INR 201 Crore, marking a solid 35% YoY growth. Adjusted EBITDA margins and PAT margins for FY24 stood at 19.35% and 14.40%, respectively.

Gross profit as a percentage of GTV for the full year improved to 3.47% from 3.28% last year. EBITDA grows faster than gross profit because of operating leverage, which is quite well demonstrated this year.

We continue to have a strong balance sheet with a net worth of INR 545 Crore compared to INR 337 Crore last year. Our cash and bank balance as of 31st March 2024 stood at INR 854 Crore. Post the year end, we have also raised INR 400 Crore as primary capital in IPO.

Notably, our working capital continues to remain negative.

As of March end 2024, there has been a substantial increase in trade receivables and trade payables amount as compared to the past year. This has been primarily due to consolidation of financial numbers of our new acquisition Jumbonline as well as due to the increase in the overall mix of hotel business. I would like to highlight that the booking window for Jumbonline business is longer than our existing business, as summer bookings in Europe source market start getting booked as early as from January, and thus both receivables and payables gets accounted for in the books.

As of FY24, our Debt/ Equity ratio stands at a healthy 0.4 times with our ROE at 45% and ROCE at 39%.

Thank you, everyone, and I would now like to open the floor for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session.

We'll take our first question from the line of Manik Taneja from Axis Capital. Please go ahead.

Manik Taneja: Hi, thanks for the opportunity. So, Gaurav, I have a couple of questions. The first question was with regard to some of the data metrics that you provided. Just wanted to understand what has driven the sequential drop in terms of take rates on the airline side as well as the lower gross profit margins on the airline side. The second question was a broader level question. Do you think at some point of time, given the fragmented nature of the industry, scale starts to essentially limit our growth?

Vikas Jain: So, Manik, Vikas, this side. I will take the question on the take rate and the GP for sequential drop in air for Q3 versus Q4. In Q3, the take rate for air was higher primarily because of actualizations of the incentives that get booked, which are the airline incentive which gets from January to December calendar year, PLB incentives, those get actualized. So, due to this reason, the Q3 take rate was a bit higher. However, overall, the take rate is around 2.6% and Q4 was more or less in line with that. In

terms of the lower Q4 GP margin than the rest of the year, this is primarily because we ran technical experiments to increase incentive parting to travel buyers to measure the impact of the same in GTV growth. We had a growth of around 27% quarter-on-quarter, which is good as Q3 is high season as compared to Q4. Now even after reducing the incentive parting, we are able to maintain the similar numbers of GTV in the current year as achieved in last quarter at a higher GP of around 1.2%.

Manik Taneja: So, how should we be thinking about this metric on a go forward basis? Will 2.5% as take rate on the airlines see the steady state? And then similarly, how should we be thinking about the incentives for the air business on a go forward basis?

Vikas Jain: So, considering the current situation, we believe that 2.5% should be a steady state growth or the take rate number for air business and similarly, for the gross profit numbers, we expect to maintain it between 1.5% to 1.2%.

Manik Taneja: Thank you, Vikas.

Moderator: Thank you. We'll take our next question from the line of Swapnil Potdukhe from JM Financial. Please go ahead.

Swapnil Potdukhe: Hi, thanks for the opportunity. So, I have 2 or 3 questions. First, on your organic growth, would be helpful if you could breakdown our GTV basis organic business as well as the Jumbo which got consolidated in this quarter for the first-time full quarter. That would be the first question.

Gaurav Bhatnagar: So, Swapnil, there was only INR 36 Crore of revenue that was contributed by Jumbo in the last FY numbers. So, we will see some material impact in the Jumbonline in the coming year, but it was not very material for last year. In terms of PAT, the contribution was about INR 3.5 Crore from the Jumbonline business.

Swapnil Potdukhe: If you could break it down by the Q4 quarter as well, it would be great.

Vikas Jain: This is for the fourth quarter only, Swapnil, because Jumbo acquisition happened on 18th of December last year. It was not much of a contribution during the last quarter.

Swapnil Potdukhe: And secondly, can you help us understand the seasonality in the business. How should we be looking from a modeling perspective, the different quarters, because your business is well diversified and then holiday seasons play out differently in different geographies?

Gaurav Bhatnagar: So, there is definitely seasonality in travel, but there are two factors which make it a little bit harder to split into quarters. One is a lot of travel seasonality is dependent on when the festival happens. So, for example, Middle East is a large market for us and the dates for Ramadan and Eid will move every year and hence, some high seasonality will move along with that. Similarly in India, Diwali will come at a different time, so it will often split between Q2 and Q3 and hence, it will cause some

impact on seasonality. Broadly speaking, you would see that the Indian summer is Q1. So, Indian summer starts early, and you would see that starting March, we will start to see Indian leisure traffic movement all the way till June and in fact, now going to July as well. European or the northern hemisphere summer largely impacts our Q2 numbers and typically, you would see Q2 would be heaviest in terms of topline, which would be July-August is the peak season for international leisure travel. Q3 is typically slowest because September-October is post summer and usually quiets down, though we will see some upticks happen in December for Christmas. And then Q4, we see two factors coming into Q4; one is that the full year growth from all the travel agents that we had through the year, they will start impacting Q4 from that perspective; and second again depending on when Easter is, Q4 will also see some business coming because of Easter.

Swapnil Potdukhe: And one more question I wanted to ask was with respect to your international business, since you have done well ex of MENA. If you could just take us through, how should we look at MENA region performing going ahead. I know this Ramadan effect over there, but if you could just explain it in detail and how should we look at it going forward?

Gaurav Bhatnagar: So, it is a large region for us, but it is also a region which is just growing organically. If you see both the leisure segment and the large domestic segment, intra-regional segment, both are growing at a healthy pace as an industry. So, at a minimum, we should grow with the industry, but we also see that there is a lot of untapped opportunity that we are tracking into. For example, in Saudi tourism, both domestic inbound and outbound has really kicked off in the last couple of years, which was very quiet because of COVID. So, we are making good headways over there. And second is if you look for us, MEA includes the whole of Africa as well, and historically, our penetration in Africa like Sub-Saharan Africa has been quite low. So, we are making some good inroads over there, especially in Southern Africa.

Swapnil Potdukhe: And the last one, if I can squeeze in, how should we look at your India business because air ticketing growth has been pretty muted at around high single digits this year, how should we see it next year onwards? I think there was a base effect over there in the pricing that has affected, but next year onwards?

Ankush Nijhawan: Swapnil, our GTV growth YoY was about 8% and as a Company, our theme is always the outbound market and travel where we grew at about healthy double digit around 14%-15% in the international air business. Our domestic business low-cost carrier is important for us as a hook, but our prime focus will remain in the outbound business, which is obviously going to help us building our air as well as the outbound hotel business, which is obviously high margin business.

Swapnil Potdukhe: So, will it be low double digits growth that one should look at or mid-teens kind of a growth, if you could just quantify a bit?

- Ankush Nijhawan:** Market projections for outbound is about 8% to 11%. So, we should be either at the similar trend or a little better, as we move forward this financial year.
- Swapnil Potdukhe:** Thank you, Ankush. Thanks a lot for giving this opportunity.
- Moderator:** Thank you. We will take our next question from the line of Anirudh Agarwal from Valuequest Investment Advisors. Please go ahead.
- Anirudh Agarwal:** Thanks for the opportunity and congratulations on the successful IPO. Few questions from my side. The first one was on the hotel segment; so, if you could specifically speak a little bit about the opportunities that you are seeing in both Europe and North America going ahead. So, Europe seems to have scaled up a bit this year, I am assuming aided by the acquisition, but what kind of opportunity size do you see in that business in 2-3 years, as well as some of the initiatives that you would be taking in the North America market to make inroads there?
- Gaurav Bhatnagar:** Yes, you are right, Europe has scaled up nicely for us for a couple of reasons. Both on supply as well as on buyer and demand side, we made significant investments in building out a strong management leadership team in Europe. We have also done some tech work to make sure that the platform is localized to work in Europe, especially around payments; in Europe, payments work in a very different way. We have also invested in building out some key supply integration, which allow us to aggregate and quickly on board a lot of key European supply. That along with the fact that we have done two acquisitions in Europe has given us a significant presence over there. But it is very important to keep in mind that it is also very large travel market, runs in the hundreds of billions of dollars. So, from that perspective, the headroom for growth is massive in Europe. We structure Europe into three different distinct regions because it is so large and important for us and we have three different regional leaders running Europe, in different parts of Europe is a testament to the fact that we have very high hopes from this market. North America is also scaling up nicely. The nature of the market is slightly different from Europe and the rest of the world. So, we are making a couple of investments this year. One is that we are again localizing the platform to work better with the way the North America travel industry is organized. That industry is organized in a very different form of consortium and host agency. So, we are making some investments in making sure that our platform works in that model. Second is there is investment planned especially in the latter half of this year in building out a bigger feet-on-street sales team in the region. So that is a broad outlook, but we believe both North America and Europe will become very key revenue drivers for us in the coming years.
- Anirudh Agarwal:** And what is it in terms of profitability, in terms of take rates and margins etc., would those markets be better than what we do in Middle East, LATAM and so on?
- Gaurav Bhatnagar:** See traditionally and in the industry, it has been seen that take rates are typically higher in Europe and North America because of the nature of those markets. Just in general, how we look at the business on take rates is that as an intermediary business,

it is never a good idea to be an intermediary, which is very expensive. So, while there is going to be margin for improving your take rates, as a Company we might still take a call to keep ourselves as a low-cost distribution platform to make sure that we don't turn away any supply or any buyers from using the platform just because of higher margins. So, yes, we can expect to see high margins over there, but it is also quite likely that we will pass on a lot of that benefit of those margins to our buyers and suppliers.

Anirudh Agarwal: The third one was on acquisitions. So, you mentioned that you are looking for potential acquisition candidates, but if you could expand a little bit more in terms of which geographies, which segments, and kind of companies that you would be evaluating.

Gaurav Bhatnagar: See, we are quite agnostic to geographies, and we are open to acquisitions pretty much anywhere in the world. The thesis is very simple, either that acquisition adds to our buyer base, which means we get either more travel agents or more operators buying from us. Or it adds to our supply base, which for example, Jumbonline fits in that category where we get access to this new supply, which we did not have access to before. So, that is broadly the theme at which we value acquisitions, they have to be complementary, add either to the buyer side of the network or to the supply side of the network and they can be anywhere in the world.

Anirudh Agarwal: Final question from my side. Any guidance that you would be giving in terms of expected growth margins etc., going ahead?

Gaurav Bhatnagar: No, we will not be doing any forward guidance.

Anirudh Agarwal: Perfect, thanks, and that's it from my side.

Moderator: Thank you. Next question is from the line of Madhuchanda Dey from MC Pro Research. Please go ahead.

Madhuchanda Dey: Hello, I am a little new to the Company. So, my question is a little basic. You mentioned that you deal with 55 currencies, and you pay everyone in their local currency. So, just wanted to understand in terms of business model, how do you manage your currency risk?

Vikas Jain: So, in India business, primarily for the airlines, we collect in INR and we make payment in INR even for the international airlines, so there is no forex risk. For the international outbound hotel wherein, we would be collecting in INR, but we would be making payment primarily in USD, we do take plain vanilla forwards to hedge our currency risk basically. In our international business, a majority of our business is naturally hedged because we are selling in so many countries and buying from so many countries from different suppliers. So let us say, for example, selling in USD and also collecting in USD and making payment to suppliers in USD. So, around 85%-90% of my business in currencies like USD, GBP and Europe is naturally hedged. Only a

small portion of business, like in BRL etc., is there wherein we try to make payments on a bi-weekly basis to hedge our risk. So, that is the kind of approach we take to monitor our forex risk.

Madhuchanda Dey: So, just let me clarify this, this means when you are booking tickets for international airlines also, the payment is settled in Indian rupee?

Gaurav Bhatnagar: If the travel is from India, yes. The airlines will collect in Indian rupees from us.

Madhuchanda Dey: Ok, thanks a lot and all the best.

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

Darshil Jhaveri: Hello, thank you for taking the question. Congratulations on the great results. Sir, you have spoken a bit about seasonality right now and the market conditions. So, I just wanted to know that we have been growing quite fast right now. So, will we be able to maintain the growth rate that what we have done in past, like maybe this year also we have grown 30%. So, our GTV we want to go double digit, but then what would be the correlation of that with our sales and profit, that is something just wanted to know how does it work in our industry?

Gaurav Bhatnagar: Broadly, the business grows basis the number of active travel agents on the platform, right, so that is kind of how we measure the business. And even for this year, you would have seen that with Europe, the GTV or the topline grows faster than the number of travel agents on the platform. So, that is the growth lever that we focus on, which is basically driven by market development. If I look at it from a perspective of headroom for growth, it is a \$2 trillion industry, we are roughly about somewhere like between \$3 and \$4 billion right now. So, the headroom for growth is very large. Since we are not doing any specific guidance, I don't want to comment on what growth rates to expect, but all I can say is that the topline growth requires slightly lesser growth in number of active travel agents and the overall headroom for growth is very massive because as a percentage of the total market, we are still very small.

Darshil Jhaveri: And sir, with regards to margins, the current margins that we are doing are sustainable, right, like our EBITDA is around 19%. So, as we are growing more it will get leveraged also, so we can aim for 20% plus margins, right?

Gaurav Bhatnagar: Yes, there is operating leverage in the business, but we also have to keep in mind that it is a fast-growing business, where we may choose to reinvest some of the EBITDA into growth plan for the next year. So, I don't want to comment on where exactly the EBITDA will go in the short run. But yes, on a fairly long period of time, we would expect EBITDA margins to expand.

Darshil Jhaveri: But in the near term, it won't go below what we are doing, right?

- Gaurav Bhatnagar:** Again, we are not doing forward guidance, so I don't want to comment on that.
- Darshil Jhaveri:** And sir, I just wanted to know like maybe from a risk perspective like what could you see as a speed breaker to our part of growth or something that you see because industry is doing good, but any specific thing that you could call out that can hamper us?
- Gaurav Bhatnagar:** Travel is highly volatile. It doesn't take long for travel to be doing well and then some global macro event to happen and disrupt travel. So, that is definitely a risk. We are also exposed to a very global travel industry. So the chances of something going wrong in some part of the world is always there, though it also adds a hedge for us because we are not overly concentrated in a certain market, but I think all travel businesses suffer this fundamental risk that travel is volatile, very sensitive to macroeconomic and political situations.
- Darshil Jhaveri:** Fair enough. That's it from my side Sir. Thank you.
- Moderator:** Thank you. Next question is from the line of Chintan Shah from JM Financial Family Office. Please go ahead.
- Chintan Shah:** Hi. Thank you so much for the opportunity. So, I have 2-3 questions. First one is in terms of growth. So, if you look at monthly transacting buyers, basically this year that growth rate has declined to around 8%. And what I understand is this is a key parameter for us to drive growth. If we look at the metric that you report, the customer retention is approximately around say, 37% odd in 5th or 6th year. So, keeping all these 2-3 things in perspective, is there a case or should we believe that the growth from here on should be lower versus what we have done over the last 2-3 years?
- Gaurav Bhatnagar:** See, we have to look at the growth from two perspectives, especially on monthly transacting buyers. If you kind of double click on the numbers, you will see that in markets outside of India, there is a 20% growth, which is primarily dependent on the fact that we have been opening in new markets and we are still very early in many of the markets that we operate in. It is a very strong base effect because India is already sitting on a very large base of monthly transacting buyers. In fact, in 2024, out of roughly 26,500 buyers, 18,500 are sitting in India. So, while that number has grown, that number is growing at a slow percentage because of the base effect. So, hence the enterprise growth number looks lesser. From a revenue growth perspective, I think 2-3 things come into play. One like we talked about outbound travel grows 6%-7% every year that is organic growth, which means that the travel agents were on the platform, organically, will probably see a similar growth in their business without anything changing. Second is increasing share of wallet of the travel agents. Now, if you have observed the cohort, you would see that a travel agent who stays with the platform for 5 years there is 5x more business on the platform, which means they put more and more of their business on the platform. So, stickiness on the platform plays an important role in growing share of wallet from the existing customers. And the

third bit is that we continue to add new lines of business or new lines of revenue. For example, recently launched Europe Rail in certain markets, we are doubling down on car rental as a product line, we are doubling on transfers as a product line, which means that they will create new lines of revenue with the existing customer base. So, with all of this and the fact that as a percentage of the total outbound market, we are very small, we do not see significant headwinds in the business or any slowdown in growth.

Chintan Shah: Got it. One more question on OTAs versus travel agents. So, in the opening remarks you explained pretty well, but apart from that in terms of pricing or costing, is there any benefit that accrues for choosing the travel agents that would actually help us grow this segment?

Gaurav Bhatnagar: Yes, I think travel agents add multiple points of value to the booking process, especially on outbound travel, and especially in emerging markets like India. Starting from Visa, right; and this summer you would see news about how hard it is to get a visa and how much paperwork is required to get visa. So, for a lot of first-time travelers starting with sometimes even getting a passport, then getting a Visa, arranging for FOREX, figuring out where to stay, getting them good rates, sometimes better rates, what they would get themselves directly, travel agents add significant value. Then we talked about payments, right. Like for a lot of travelers trying to book directly with the hotel is very problematic because hotels expect to be paid in their own currency, which is very hard to do, especially in country like India, and people do not even have international credit cards or credit card with significant credit on them. So, we see travel agents having significant value addition to the travelers' booking and travel journey and hence, they remain relevant. So, price is one factor but that is not the only factor.

Chintan Shah: Understood, but just to understand this better, so when we deal with the supplier like say hotels, etc., is it fair to say that we get a better rate versus OTAs or that is not the case? How should we understand this?

Gaurav Bhatnagar: Hotels usually provide differentiated pricing for the online channels like OTA and B2B channel like ours because our channels serve different kind of traveler. Typically, a travel agent will package the hotel rate along with the flight and ancillaries and give a package to their end customer, which allows hotels a bit of a flexibility on providing lower rates because those rates don't have to necessarily compete with the rates on their own website. Yes, in certain situations that is possible.

Chintan Shah: Ok, understood. That's it from my side. Thank you.

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

Pratyush Agarwal: Hello. Congratulations on the great set of numbers. I have two questions. The first question is on outbound, especially on hotels. So, on sort of the pent up which was

due to let us say visas or supply of airlines, especially in outbound not coming through, how much of that would you reckon is still left, both for this year and maybe next year, or do you think most of these are already in the numbers?

Gaurav Bhatnagar: See, I think at this point, we are significantly kind of over the COVID hump, right. It has been now almost three years since COVID reopening. So, our view is that we are probably in a new normal now, in terms of just the demand as well as the pricing for various travel products, including airlines and hotels. Some impacts will always happen. For example, if elections happen in a certain country or if some weather or climate issue happens in a destination, it will cause some ups and downs, but broadly our view is that demand remains very robust. There is no major pressure on hotel pricing as such and if you see the number of visa applications; for example, for Schengen country this year from India, it has been like a record number. So, obviously overall demand even for premium destinations like Europe remains high.

Pratyush Agarwal: Got it, thank you. And second, so if I look at both your employee cost and other expenses, right; on employee cost, last 1-2 years before this period, at least on the technology space, there was wage inflation and so on. So, have we calibrated and reached sort of new normal in those costings or some of that is yet to still play out in terms of cost optimization?

Gaurav Bhatnagar: No. I think there is no cost optimization possible, Pratyush, and tech resources remain expensive. So, our significant investment will continue to go into building out the technology and data teams. From the perspective of how we should look at this going forward, we do intend to increase the number of people in the tech team. So, you will see some increase in costs on those heads going forward.

Pratyush Agarwal: Got it and in terms of new geographies, are there clear white spaces that we see? If you could talk about that in terms of both increasing supplies, especially in Europe or otherwise?

Gaurav Bhatnagar: As the industry is so large and so fragmented, there is just a plethora of opportunity everywhere. In terms of supply, while we have brought coverage of supply, we can definitely build more depth in almost every market, right. I would say in every destination like Europe itself, there is no destination as such as Europe. Europe is divided into so many sub-destination and each of those destinations are so large that in many places where we primarily depend on third party supply, we always have an opportunity to improve our margin and competitiveness by directly contracting, right. So, that just exists pretty much everywhere. Same on the demand side, right. Global outbound travel is a very secular phenomenon. It is growing at a high pace, whether it is a developing world or the developed world. So, just from an opportunity perspective, there is absolutely no dearth and plenty of white spaces everywhere.

Pratyush Agarwal: Got it, thank you. That is all from my side.

Moderator: Thank you. We will take the question from the line of Miyush Gandhi from Cognizant Capital. Please go ahead.

Miyush Gandhi: Hi, thank you for taking my question. Sir, if you could spend some time on your acquisition strategy, both in terms of business and also in terms of new travel agents on our site?

Gaurav Bhatnagar: So, Miyush, the organic growth on the travel agent side is largely driven through a feet-on-street sales team. We run a sales team across the globe where the primary objective of the team is to introduce the value proposition of a platform to travel agencies, do a demo of the platform, and sign them up on the system. Once they are on the platform, then obviously they make their bookings themselves. So, it is largely feet-on-street sales team driven. On inorganic, like I mentioned earlier, the thesis is quite simple. We need more travel agents on the platform, or we need more supplies on the platform. So, either if a target allows us to add differentiated supply, which was already not present on the platform, then that is very useful for us and conversely, if a target allows us to get access to new kind of travel buyers, travel agents in a different geography or in a geography where our presence is pretty limited, that works very well for us.

Miyush Gandhi: Is there any benchmark valuation or numbers that you are okay to spend in acquiring companies like price to sales or what would ideally go into deciding the value at which you will acquire something?

Gaurav Bhatnagar: I think that varies a lot case by case. It's very hard to put a specific number on it. It depends on the size of the asset, geography, growth potentials, synergy with our business, how competitive is the situation; so very hard to put a specific number.

Miyush Gandhi: Ok and would it be fair to say that a large portion of the travel agents that we report are from India or are they from abroad? You said that a large part of the business is getting booked abroad, but where is the source? Is it in India or outside?

Gaurav Bhatnagar: I think this is an important point. When you look at our numbers, when we report GTV, what we call international business is where the travel agent is based outside of India and the destination may be anywhere in the world. So, the traveler may be traveling to US or Brazil or India or wherever. So, that is the larger part of the business, especially the hotels where the revenue largely comes from that part of the business. However, the number of monthly transacting buyers or the number of active travel agents is much larger in India, which is a function of the fact that one as an Indian Company, we have been in India market much longer. We are far deeply penetrated in this market. Also, the average ticket size in India is small because of the nature of the economy. So, while there are more active travel agents in India, revenue is largely driven from outside of India.

Miyush Gandhi: And you mentioned over time, margins can expand. Like most platform companies are topline driven, right; the higher the topline, the margins and the OPEX. So, that

kind of optionality will be there with our business as well or do you think we need substantial investments to maintain the top line?

Gaurav Bhatnagar: I think operating leverage has played out in the past and should play out in the future as well. It is very hard to quantify how much and when, because like I mentioned earlier, we are a growth phase business. There is always an opportunity to invest some of the accrued benefits of operating leverage into market development and investments into the same year. A lot of these investments have a lag. So, you can invest in market development today and it will lead to GTV growth maybe 12, 18, 24 months hence, so these are measured calls keeping the long term in mind. But yes, at least our belief is that the business model does demonstrate operating leverage.

Miyush Gandhi: And any thoughts on how to use the cash? We have raised substantial cash in the IPO and your business is also growing quite a lot, so most of it would be used for inorganic growth?

Gaurav Bhatnagar: So, yes, I think 2-3 opportunities. One, we can accelerate market development, like I said, sometimes if you are using accrued cash versus primary capital raise through equity, we can definitely accelerate market development, both on the buyer acquisition as well as demand acquisition. There are significant investments happening in technology. We ultimately are an Internet technology business, significant investment in technology as well as in data. So, that is the second and third absolutely looking at inorganic opportunities globally and seeing if we can look at businesses which can meaningfully accelerate our growth. That is the third pillar.

Miyush Gandhi: Fair enough. I will get back in the queue. Thanks for taking my question.

Moderator: Thank you. We will take our next question from the line of Manik Taneja from Axis Capital. Please go ahead.

Manik Taneja: Thank you. So, I have a couple of broad level questions. The first question was with regards to the expansion in some of the international geographies. Would we essentially need acquisitions to accelerate our expansion in some of the international geographies, especially when you think about the North American market. That is question number one. The second question was with regards to operating leverage in the business. If I am thinking about our cost below gross margin, if you could take a stab in terms of helping us understand what proportion of those costs essentially could increase with the volume of business and what proportion of cost may be fixed cost because when I look at your P&L, you end up making closer to 3.4% to 3.5% of GTV as gross margins and close to about 1% of GTV as EBITDA. So if you could just give us some sense on that metric?

Gaurav Bhatnagar: So, I will take the first one Manik and Vikas can come on the second one. Look, broadly our thesis is that we can demonstrate organic growth in pretty much all the geographies because we already have. If you look at split of the business all the way from whether it is Australia, Indonesia, Malaysia, India, Middle East, all parts of

Europe, Latin America, North America, we have been growing organically with the same platform, with the same playbook in pretty much every region, both on supply side as well as on demand side. Having said that, acquisitions do help accelerate that, but these are opportunistic, right. So, we are not dependent, or we don't think we will stall our growth if we don't acquire. So, we will be patient and we will look for the right assets which can accelerate growth in certain parts of the world. But we don't think our ability or inability to acquire would have a significant impact on the ability to grow.

Vikas Jain: So, Manik, as you pointed out that our gross profit is around 3.5% and our EBITDA as a percentage of GTV is around 1%. So, the SG&A cost is at around 2.5%. Two components in the SG&A cost, which is hosting and bandwidth as well as the payment gateway cost, which is prima facie semi-variable or variable in nature basically, which will grow in line most probably with the growth of GTV or the revenue. This amount currently contributes around 0.5%. So, out of the 2.5% of the SG&A, 2% is primarily fixed, and that is where as the business grows over a long period of time there in the operating leverage would get generated.

Manik Taneja: And Vikas, if I can chip in one more, just wanted to understand how should we be thinking about our ESOP cost as well as tax rate going forward?

Vikas Jain: So, ESOP cost, basis the current plan we have, the yearly cost is around INR 9 Crore and obviously there will be some vesting etc. So, the cost would be in the similar range YoY, but would depend on the future vesting as well as the other conditions. With respect to the tax rates basically, so currently we were not having any taxes for our international business in Dubai or UAE, but from the current financial year, those profits would get taxed at a rate of 9%. So, our overall effective tax rate would increase from what currently we are having.

Manik Taneja: And the quarterly run rate of depreciation, amortization that would include the amortization on account of Jumbo asset and thereby, this should probably be the truncate on a go forward basis?

Vikas Jain: Yes. So, basically the Q4 numbers include the amortization cost for the Jumbo acquisition, but having said that, this would be the new normal. Based on the capitalization, etc., which we will be doing in future, these numbers may increase or decrease in future.

Manik Taneja: Thank you and wish you all the best.

Moderator: Thank you. Ladies and gentlemen, we will take that as the last question for today. I now hand the conference over to Mr. Ankush Nijhawan for closing comments. Over to you, sir.

Ankush Nijhawan: Thank you everyone for joining us and listening to our results. I really appreciate your time and look forward to seeing you in the near future very soon. Thank you so much.

Moderator: Thank you. On behalf of TBO Tek Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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