

Initiating Coverage

RateGain Travel Technologies Ltd.

June 05, 2023





RateGain Travel Technologies Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
SaaS - Travel Technology	Rs 384.1	Buy in the band of Rs 380-388 & add more on dips to Rs 338-344 band	Rs 421	Rs 451	2-3 quarters

HDFC Scrip Code	RATEGAIN
BSE Code	543417
NSE Code	RATEGAIN
Bloomberg	RATEGAIN IN
CMP Jun 02, 2023	384.1
Equity Capital (Rs cr)	10.8
Face Value (Rs)	1
Equity Share O/S (cr)	10.8
Market Cap (Rs cr)	4,160
Book Value (Rs)	65.5
Avg. 52 Wk Volumes	387936
52 Week High	424.9
52 Week Low	235.0

Share holding Pattern % (March 2023)	
Promoters	55.8
Institutions	18.7
Non Institutions	25.5
Total	100.0



HDFCsec Retail research
stock rating meter

for details about the ratings, refer at the end of the report

* Refer at the end for explanation on Risk Ratings

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Our Take:

RateGain Travel Technologies Ltd is a global provider of SaaS solutions for travel and hospitality industries that works with 2900+ customers and 700+ partners in 100+ countries, helping them accelerate revenue generation through acquisition, retention, and wallet share expansion. The company offers travel and hospitality solutions across a wide spectrum of verticals including hotels, airlines, car rental companies, online travel agents (OTAs), vacation rentals, package providers, travel management companies, among others.

Starting its operations with a single price-comparison product that offered competitive-intelligence on hotel rates, the company has diversified to offer revenue optimisation, distribution and marketing technology solutions as well as expanded to adjacent segments of the hospitality and travel sector. It is one of the world’s largest processors of data points - hotel bookings, pricing intelligence, customer travel-intent data; providing reliable, scalable and innovative AI-powered solutions supporting better decision making for its clients. Rate Gain helps travel and hospitality players on customer acquisition by creating social media awareness (‘MarTech’), by gauging prices empowered by its ‘Data as a Service’ and help conversion from its wide ‘Distribution’ channels.

RateGain has a wide customer base of 2900+ active customers that use one or two products. In the past couple of quarters, the company secured contract wins by cross-selling new products to some of its existing customers. From 2-3 products in 2018, the company has 12+ products; much of the growth would come from company’s ability to cross-sell and upsell new products and capabilities to large enterprises. Given the fragmented nature of the industry, inter-operable products that can integrate across a single platform allows customers to maximize its revenue. The company has presence in key developed markets including the US (56% of sales), Europe (30%) and has marquee client base to grab a large piece of the serviceable addressable market, which is expected to grow at CAGR of 18% to US\$ 8.45 bn in 2025. The company continues to have strong customer relationships that are helping in building predictive, stable, and sustainable revenue streams. Its gross revenue retention (GRR) ratio has remained consistently high at 90% resulting in high renewal business from existing customers.

The company has been able to scale its operations via inorganic acquisitions—DHISCO, BCV Social, Myhotelshop and Adara. These acquisitions are aimed at driving growth by enhancing capabilities, providing access to newer market segments/clients, expanding addressable market and gaining wallet share from peers. Together Adara and RateGain will become a comprehensive travel-intent platform that processes over 200 bn availability, rates, inventory updates, manages close to 30bn data points, and works with 700+ partners across 100+ countries – giving the industry a single source to understand intent; to target and convert customers.



Valuation & Recommendation:

MarTech segment has potential to grow at rapid pace given the low penetration within the addressable market, cross selling ability with existing offerings and strong positioning by leveraging domain knowledge and platform capabilities. Additional, Adara acquisition makes digital marketing more intelligent and effective, by adding a layer of travel intent; thereby delivering better return on ad spend. Recent commentaries of travel companies across segments (hotels, airlines, OTAs, cruise lines) are positive on travel demand sustaining, despite macro uncertainties in the US and Europe. Both DaaS and distribution (high margin business) continue to witness good traction, with good volume growth from existing clients and continued monetization of new logos which were added in the past couple of quarters.

RateGain is well placed in the hospitality tech industry and is poised to see high teen organic growth over FY23-25E. Company's management has guided for 55-58% revenue growth in FY24E (organic growth of 17-20%). Strong organic growth guidance is on the back of strong order book, pipeline and high GRR. Being a SaaS player, the company benefits from positive operating leverage resulting in margin expansion. The management is growth focused yet profitability oriented. Moreover, its healthy balance sheet supports strategic investments through acquisition in certain companies/ brands, complementary technologies and product lines. Rategain writes off R&D expenses in the year of spend and hence its PAT is to be viewed in light of this background. **We think the base case fair value of the stock is Rs 421 (35x FY25E EPS; 4.05x FY25E EV/Sales) and the bull case fair value is Rs 451 (37x FY25E EPS; 4.37x FY25E EV/Sales) over the next two-three quarters. Investors can buy the stock in the band of Rs 380-388 and add more on dips to Rs 338-344 band (28x FY25E EPS; 3.22x FY25E EV/Sales). At CMP, the stock trades at 31.5x FY25E EPS; 3.66x FY25E EV/Sales.**

Financial Summary

Particulars (Rs cr)	Q4FY23	Q4FY22	YoY-%	Q3FY23	QoQ-%	FY21	FY22	FY23P	FY24E	FY25E
Total Operating Income	182.9	107.9	69.6	138.3	32.3	250.8	366.6	565.1	887.2	1,036.9
EBITDA	32.2	15.4	109.5	22.9	40.5	6.2	30.6	84.7	149.9	183.5
PAT	33.8	11.6	191.0	13.2	155.4	-28.6	9.4	68.4	105.1	132.2
Adjusted PAT	33.8	11.6	191.0	13.2	155.4	-28.6	8.4	68.4	105.1	132.2
Diluted EPS (Rs)	3.1	1.1	188.3	1.2	155.3	-39.6	0.8	6.3	9.7	12.2
RoE-%						NA	2.0	10.3	13.8	15.0
P/E (x)						NA	488.9	60.8	39.6	31.5
EV/EBITDA (x)						13.8	127.5	47.0	26.1	20.7

(Source: Company, HDFC sec)

Q4FY23 Result Review

RateGain posted decent topline growth of 69.6%/32.3% YoY/QoQ to Rs 182.9cr. The company consolidated Adara's financial during the quarter; its organic growth was 31.6%/2.6% YoY/QoQ. Organic revenue growth was aided by DaaS and distribution segments while



MarTech revenue declined on sequential basis. It reported EBITDA of Rs 32.2cr (+110.1%/40.5% YoY/QoQ). Operating efficiency contributed to higher margins; up 340bps/102bps YoY/QoQ to 17.6%. The company clocked PAT of Rs 33.8cr, +192%/155.4% YoY/QoQ. The company has strong pipeline of Rs 381cr and has been maintaining high gross revenue retention (GRR) ratio providing healthy visibility. Management expects to clock revenue of Rs 875-890cr in FY24E; implying 55-58% YoY growth (organic growth of 17-20% YoY). The company expects DaaS segment revenue growth at 30%, distribution at 15% and MarTech growth at 20% on organic basis in FY24E. EBITDA margin could expand by 200 bps to 17% in FY24E.

Key Triggers:

Leading global SaaS provider in hospitality and travel – addressing large high growth TAM/SAM:

RateGain is a global provider of Software as a Service (SaaS) solutions for the hospitality and travel sector. The company serves a large total addressable market (TAM), which is estimated to grow at CAGR of 18% to US\$11.47 bn by 2025. In the third party travel and hospitality technology space, the serviceable addressable market (SAM) of enterprise applications focused on guest acquisition, distribution, revenue maximization and wallet share expansion is also expected to grow at CAGR of ~18% to US\$ 8.45 bn in 2025 (Source: Phocuswright Report). The increase in technology spends would be driven by higher cloud adoption, faster pace of travel technology adoption, and shift of in-house IT spend to third-party vendors. Given the current size, the company has a large opportunity to scale up its revenue by cross selling & leveraging its wide interoperable offerings. The company has presence in key developed markets including the US (56%), Europe (30%) and has marquee client base to grab a large piece of this serviceable addressable market.

US\$ bn	2021E	2022E	2023E	2024E	2025E
OTA Revenue	17	23	28	32	34
Airlines Revenue	266	396	499	571	616
Hospitality Revenue	307	406	479	522	554
Vacation Rentals Revenue	71	85	95	101	104
Car Rental Revenue	36	43	49	53	56
Cruise Revenue	7	19	25	30	34
Holiday Parks Revenue	45	51	54	56	57
Total Revenue	749	1023	1229	1365	1455
Technology spend @ 3.94%	29.5	40.3	48.4	53.8	57.3
Third Party Spend @29%	8.6	11.7	14	15.6	16.6
Ex Hardware Spend @31%	5.9	8.1	9.7	10.8	11.5
SAM for Rategain Products					
Current products	3.7	5.1	6.1	6.8	7.2
Future Products	0.7	0.9	1.1	1.2	1.3
Total SAM	4.4	5.9	7.1	7.9	8.5

(Source: Company, Phocuswright, HDFC sec)



In a highly fragmented landscape of travel technology providers, the company has built a data lake using Artificial Intelligence, deep industry expertise, processing travel pricing data and transaction. Over the last couple of years, the company expanded its product offerings through slew of new launched products and acquisitions. Inter-operable products that leverage data across internal and external sources help unlock value to its clients. RateGain holds a strong platform advantage, offering product across the customer lifecycle as against other travel tech vendors which are present in a just few product segments. The company is also working on to build 'Single Platform' to emerge as key partner of choice for maximizing revenue.

Broad suite of SaaS products having presence across the entire value chain – providing high degree of interoperability:

From Travel-intent to Guest Satisfaction, RateGain is one of the few platforms that powers commercial teams to add value at each step of the guest journey, helping them deliver the perfect experience at every trip. RateGain helps travel and hospitality players on customer acquisition by creating social media awareness ('MarTech'), by gauging prices empowered by its 'Data as a Service' and help conversion from its wide 'Distribution' channels.



(Source: Company, HDFC sec)

RateGain has developed a comprehensive product portfolio that caters to large enterprise and mid-market customers for revenue management decision support, competitive intelligence, distribution & social media marketing, online reputation and brand engagement.



It offers travel and hospitality solutions across the spectrum of verticals - hotels, airlines, OTAs and METAs, vacation rentals, package providers, car rentals, rail, travel management companies, cruises and ferries. Over the years, the company has scaled its operations by launching new products and through inorganic acquisitions. Starting its operations with a single price-comparison product which offered competitive-intelligence on hotel rates, the company has diversified to offer revenue optimisation, distribution and marketing technology solutions as well as expanded to adjacent segments of the hospitality and travel sector. It introduced custom-created pricing-intelligence products: AirGain, CarGain and FerryGain, which complements its pricing insights and competitive-intelligence products. RateGain expanded its product range to include artificial-intelligence and machine-learning capabilities. The company has made strategic acquisitions to nurture the MarTech segment, which benefits from RateGain's historically strong capabilities in DaaS products.

This wide product portfolio makes it easier to sell adjacent products to same customer, build new products & enhance existing by using database of other existing products. With this advantage, RateGain can easily expand their wallet share in its customer base.

Present across entire the three segments

	Rategain	TravelClick	Siteminder	OTA Insight	Fornova	Derbysoft	Infare	Casual Fridays	Destination Think
DaaS	✓	✓	✓	✓	✓				
Distribution	✓	✓	✓			✓	✓		
Martech	✓	✓	✓					✓	✓

(Source: Company, HDFC sec)

Leveraging cross-selling capabilities would help in expanding wallet share:

RateGain integrates its products with major property management systems (PMS), central reservations systems (CRS) and revenue management systems (RMS) and long-tail channels such as tour operators, GDS, bedbanks, wholesalers and OTAs, which allows it to access data and forecast demand. While each of the products has value as a standalone offering but each of them contribute to the larger capabilities of its product suite. Data created by one set of products feeds into other products. The end-to-end coverage provides the advantage to leverage insights and data from each of the platforms. For example, how the MarTech products leverage Demand AI's forecasting index to inform hoteliers about the right time to start campaigns and advertising and promotional activities; which helps in getting direct bookings and improve their Return on Ad spends. By virtue of its presence across the travel segment the company has a wide inter-operable dataset on multiple touch points across Airline, Train, Hotel, Car Rental, etc. which builds a strong network effect for the whole product. High degree of interoperability makes it easy for RateGain to differentiate its products as well as solve new use cases.

The company has a wide customer base of 2900+ active customers which use one or two products. In the past couple of quarters, the company secured contract wins by cross-selling new products to some of its existing customers. From 2-3 products in 2018, the company



has 12+ products; much of the growth would come from company's ability to cross-sell and upsell new products and capabilities to large enterprises. The company has started works of building one platform to help cater diverse service offerings.

Innovating new-age AI-driven SaaS Offerings:

RateGain is one of the largest aggregators of travel pricing data in the world. Over the years, it has levered large data to offer rate-intelligence, cognitive revenue-management and distribution products to its customers. The scale of its operations and strength in analytics has helped it grow and monetise its offerings. It intends to continue to leverage its extensive data by introducing additional products based on the latest technologies. RateGain expanded its product range to include artificial-intelligence and machine-learning capabilities that leverages in-house data to offer products in rate-intelligence, cognitive-revenue management, smart distribution and brand-engagement. The company has set up RateGain labs, an in-house incubator, to enhance product development abilities. As of Mar'22, RG labs had 39 full-time employees. The company launched Demand.AI (hyperlocal demand forecasting tool), Rev.AI (revenue management tool), primarily focused on car rentals, holiday parks and cruises, which provides data across 25 demand indicators, 75 days of demand forecast in the DaaS segment, Content.AI (content management platform targeted at mid-market chains) within Distribution, and Engage.AI which acts as a virtual concierge service and helps in guest engagement. With these AI-driven solutions, the company offers competitive rate intelligence, distribution of online inventory and social media management to enhance and personalize brand experience. All of these products help it to create its own Data-lake, allowing them to leverage these insights to deliver better decisions to its customers. The company is increasingly capitalising these features to curate bundled offerings as a value-added offering; which results in growing share of customers, expand mindshare and wallet share. Given the fragmented nature of the industry, inter-operable products that can integrate across a single platform allows customers to maximize its revenue.

Sticky and high-quality client base:

RateGain has a global and diverse customer base; with customer base of 2942 customers covering 8 F500 companies, 23 of top 25 OTAs, 23 of Top 30 Hotel chains (Six Continents Hotels, Inc., an InterContinental Hotels Group Company, Kessler Collection, Lemon Tree Hotels & Oyo), all leading car rentals, several large airlines, large travel companies. Product launches, foraying into new segments through acquisition has expanded its addressable market and acquire more customers. The company added ~1000/ 600 customers in FY22/23. Expansion into agencies in travel and hospitality sector, drives stickiness in its relationship with an already high-quality client base. It typically enters into annual contracts, and has auto renewal at the year-end. Broad range of products and platform offerings ensures cross-selling; and the company has gained market share from standalone players with limited product offerings. Moreover, its client base is fairly diversified; client concentration is relatively low (Top 10 customers contribute just 32.2%). Clients' churn is also fairly low and its gross revenue retention (GRR) ratio has remained consistently high at 90% resulting in high renewal business from existing customers. The relationships with its high quality clients have been sticky, with 80+ customer relationships being over 10 years in vintage and 450+ customers being partnered with for over 5 years. LTV-to-CAC (a measure of value creation from new customer) is 4X that of the industry



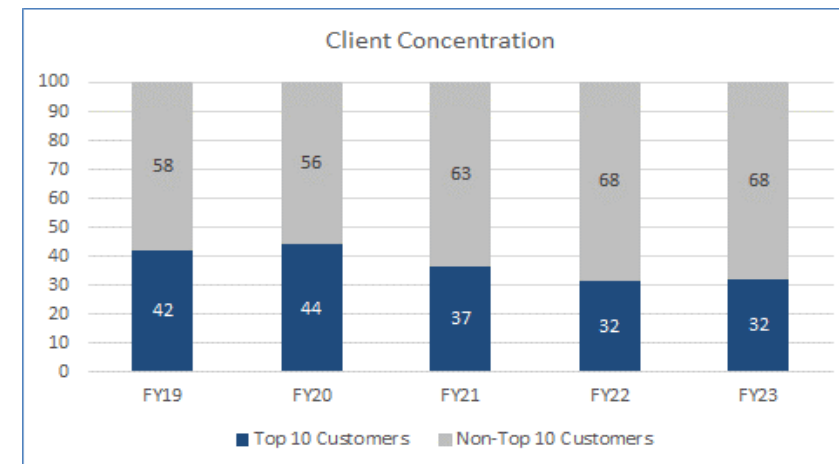
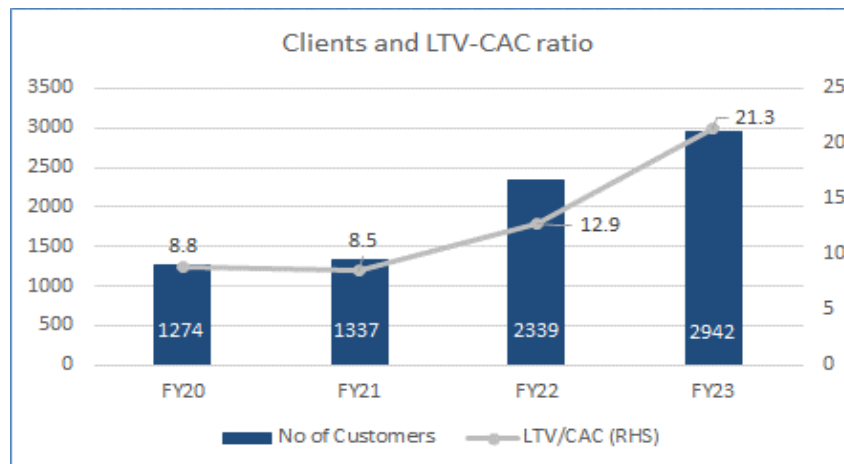
average. Well curated range of bundled offerings that delivers value, enables higher customer retention and growth in customer Lifetime Value (LTV).

RateGain serves customers across the entire travel industry value chain



(Source: Company, HDFC sec)

RateGain's partnership ecosystem consisting of all the top OTAs and over 400+ demand partners have been built over the last 15 years. Each partnership requires extensive technology effort to establish and manage as well as sustained business operations. The existence of such an ecosystem allows hotels and OTAs to connect with RateGain's ecosystem easily for growth and expansion. The company seeks to continuously increase revenues from customers by offering additional products that address their requirements. Its broad range of products and platforms helps it cross-sell to existing customers and to acquire new customers.



(Source: Company, HDFC sec)

Strategic acquisitions - integral part of scaling up and expanding addressable market:

In the past 4 years, the company has been growing aggressively via inorganic acquisitions. These acquisitions are primarily aimed at driving growth by enhancing capabilities, providing access to newer market segments/clients, expanding addressable market and gaining wallet share from peers. The company acquired four companies: DHISCO in 2018, BCV in 2019, MyHotelShop (MHS) in 2021 and Adara in 2023. With DHISCO, the company augmented RezGain and created a supply and demand network, one of the biggest distribution networks globally. BCV and MHS helped the company to enter into the MarTech space by driving more direct bookings through social media and metasearch websites, becoming a one-stop shop for distribution. Adara, is the largest travel-intent-data platform using first-party permissioned data sourced from brand and offers excellent returns on campaign adspends, that can boost RateGain's DaaS and MarTech business verticals. Together Adara and RateGain will become a comprehensive travel-intent platform that processes over 200 bn availability, rates, inventory updates, manages close to 30bn data points, and works with 700+ partners across 100+ countries – giving the industry a single source to understand intent, and target and convert customers. The purpose of these acquisitions was to augment capabilities and move toward the vision of becoming a single platform for hoteliers to maximise their revenue.

Date	Company Name	Business	Transaction value (US\$ mn)
Jul-18	DHISCO	Hotel distribution technology company	14
Jul-19	BCV Social	Marketing technology company	14.8
Sep-21	Myhotelshop	Reporting, bid-management & campaign-intelligence platform for metas and OTAs	8.6
Jan-23	Adara	Travel data exchange platforms	16.1

(Source: Company, HDFC sec)



RateGain has been prudent with its capital allocation and have acquired quality but troubled companies at relatively cheap valuation. To realize synergies from the acquisitions, it has retained key personnel from the acquired businesses, thereby enabling smoother integration. The company has a track record of integrating assets, cross-sell as a portfolio offering and adopting a prudent approach to improve the profitability of these acquired business. RateGain will continue to pursue inorganic acquisitions to scale up its operations and offerings.

MarTech segment to be key growth driver over medium term:

RateGain has entered into MarTech space inorganically by acquiring BCV Social and Myhotelshop. In travel and hospitality sector, marketing technology has lagged behind as traditional way of bookings – corporate events, corporate travel, group bookings, and tours – formed bulk of the bookings. However, there has been significant increase in online bookings. Social media is evolving fast to become the medium of choice for travel-related discovery, consideration and conversion. The MarTech segment contributes to around US\$ 2.5 billion in total addressable market (TAM) and is poised to be the high growth vertical and the estimated servicable addressable market (SAM) for these offerings is about 92,000 hotels globally while RateGain has 1000+ Active Customers in the BCV offering. Hotels are also focused on getting more of bookings from digital channels, as many travellers use search engines, social media, and review sites to research accommodation options for upcoming trips, travel industry is now actively monitoring social media, replying reviews and improving email marketing. But given the limited availability of talent, as well as understanding of new technologies – hotels are unable to get the best returns from their investments in digital marketing. RateGain has an edge over in-house teams of large clients (who lack access to billions of data points), agencies and tech companies (who would have an edge in creative elements but do not have strong domain understanding). RateGain's MarTech Offerings aim to drive profitable growth for hotel partners by helping them innovate their digital marketing to acquire guests from their channel of preference.

Its end-to-end digital marketing offering covers all essential customer acquisition channels, including Google, Meta, social media, including Facebook, WhatsApp, TikTok, Snap, etc. Post-conversion, offerings allow hotels to personalize the guest experience by understanding their needs through a 24x7 monitoring solution that allows hotels to manage all queries, complaints, and specific needs in real-time and mitigate adverse experiences to improve guest loyalty. Solving this key problem for hotels helps in driving retention and expand their wallet share. RateGain intends to expand its offerings of social-media monitoring, reputation management, social-media-influencer engagement and management, social-media advertising, and social platforms.

The company is well-positioned to leverage demand and pricing-related insights from its DaaS offering to drive growth in the business. It will use its demand forecasting and rate prediction capabilities to improve ad campaign outcomes. To boost its offering in MarTech, RateGain acquired MyHotelShop in Sep'21, which has expertise in reporting, bid management and campaign management for Metas and OTAs. Complementing its MarTech and Distribution businesses, it will help in driving direct bookings for Hotels through Google,



TripAdvisor and Metasearch platforms. Recently, the company has made inroads into the APAC and Middle East region and has onboarded multiple properties with our innovative brand engagement and paid distributor solutions. It is also cleaning up its client base, which are low margin accounts acquired during covid.

MarTech segment has potential to grow at rapid pace given the low penetration within the addressable market, cross selling ability with existing offerings and strong positioning by leveraging domain knowledge and platform capabilities. Additional, Adara acquisition makes digital marketing more intelligent and effective, by adding a layer of travel intent; thereby delivering better return on ad spend.

Improved data intelligence capabilities to enhance competitive positioning in DaaS; healthy outlook on travel to support distribution:

Revenue growth in DaaS business would be driven by new product launches and richness of data platform. RateGain is among the largest aggregators of data points globally for the hospitality and travel industry, tracking 6 bn price points annually from over 500+ sources in real-time and deliver accurate and high-quality data to revenue managers to understand their market position and take quick decisions on their pricing strategy. Using proprietary technology and API partnerships with all the leading OTAs, RateGain is able to process forward-looking pricing data to help hotels and travel suppliers stay competitive and optimize their revenue. This product segment serves across multiple levels of the value chain, offering solutions to hotels, OTAs, airlines, cruise liners, car rentals, vacation rentals, etc. making RateGain one of few software providers with access to data from each segment in the industry.

The interoperability of its products allows RateGain to displace point solutions and offer bundled offerings to customers. For instance, to assist customers who require rate intelligence and distribution abilities, Demand.AI was launched, providing aggregated, real-time view of demand based on data mining across various silos, incl. internet searches, flight activity, local lockdown rules, etc. This enables hotel customers gauge predicted demand for particular properties. Customers are also able to generate granular information to manage demand fluctuations in its vicinity and for similar category of hotel rooms. The company is also focusing on car rental and vacation rental segments. The vacation rental industry is a US\$ 71 bn industry, with over large number of unique properties globally and 628 million customers which remains largely unorganized. The company expects to build partnerships and alliances in this space which would be key growth lever. It intends to cost-effectively expand into adjacent verticals and new geographies through partnerships with existing revenue management solution providers to expand offerings. With the rising popularity of online bookings, the need for DaaS products should increase, as demand and supply partners would require pricing intelligence to compete effectively. Although DaaS segment is competitive space with multiple competitors already having comparable offerings for the hospitality and airlines sectors; the recent acquisition of Adara enriches its data intelligence with 1.5 bn verified digital identities enabling the capture of travel intent of consumers. Adara + Rev.AI provides a huge market opportunity.



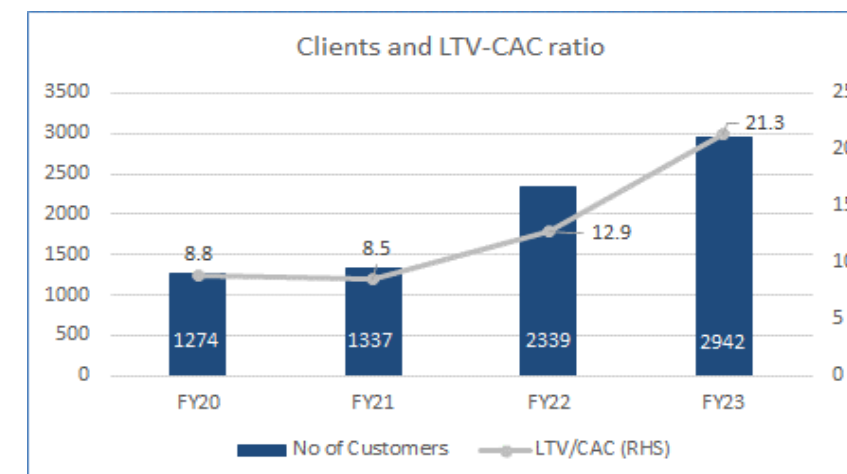
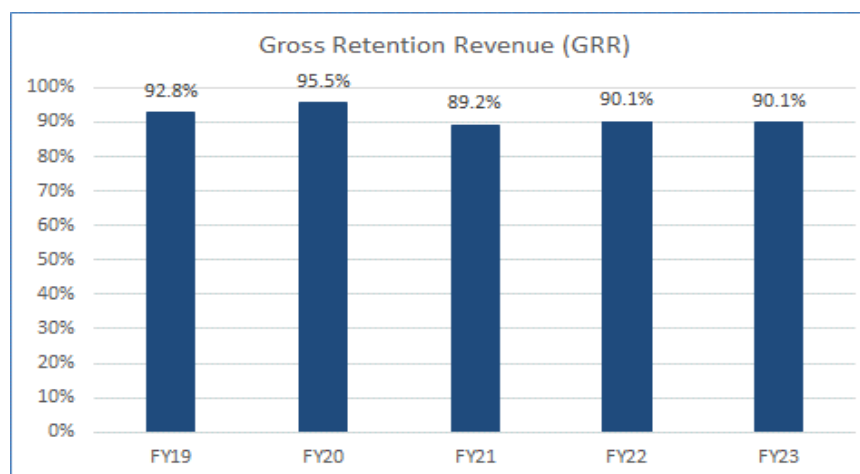
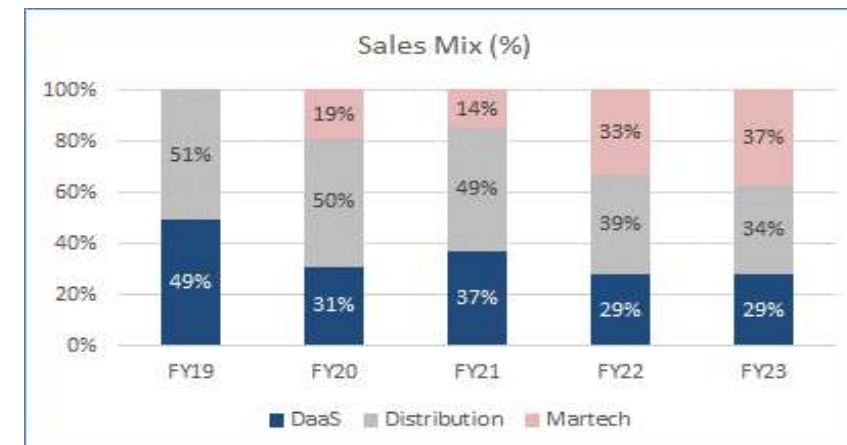
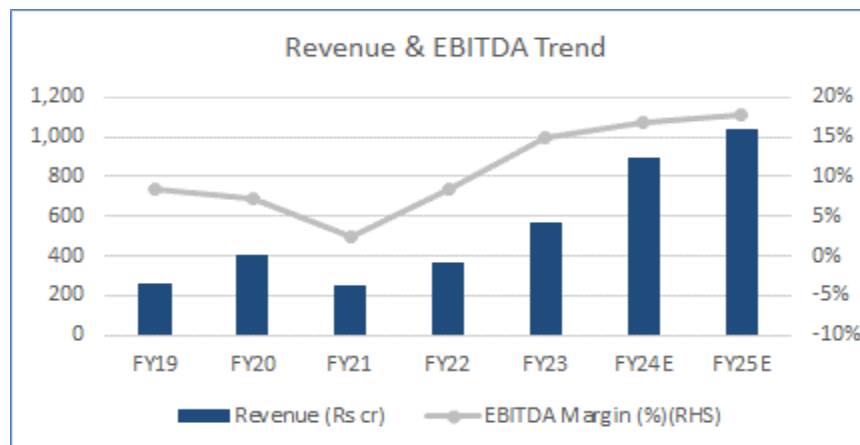
Within the distribution business, RateGain offers a bridge that helps in communicating the availability, rates, inventory and content from the accommodation providers to the OTAs and seamlessly relays back the information transfer from the OTAs. Its distribution platform processes over 200 billion transactions annually and is trusted by the Top 23 of 30 Hotel Chains and Top 25 of 30 OTAs. It connects close to 1,91,000 properties to around 400 channels that cover the major source markets in the world. This provides hotel chains the opportunity to expand in new source markets easily and allowing new OTAs to access large chains seamlessly. Travel booking has been witnessing steady volume. The company is seeing healthy volumes growth in OTA and GDS channels along with growth across mid-size hotel chain segments. The company continues to expand its footprint with its connectivity platform and the integration of content AI with Booking.com for seamless and efficient content distribution for hotel chains.

Recent commentaries of travel companies across segments (hotels, airlines, OTAs, cruise lines) are positive on travel demand sustaining, despite macro uncertainties in the US and Europe. Both DaaS and distribution (high margin business) continue to witness good traction, with good volume growth from existing clients and continued monetization of new logos added in the past couple of quarters.

Healthy growth and margin expansion driven by strong fundamentals; balance sheet strength support inorganic plans:

RateGain reported robust topline growth of 54.2% YoY to Rs 565.1cr in FY23 driven by healthy growth across all verticals DaaS/Distribution/Martech posting growth of 54.3%/37.3%/73.9%. The company posted healthy improvement in operating margin from 8.3% in FY22 to 15% in FY23; on the back of operating leverage playing out and driving cost efficiencies across different businesses. Its ability to innovate and consistently drive outcomes at scale for customers has helped in recording new contract wins of Rs 130.8cr in FY23 and has a healthy pipeline of Rs 381cr as at Mar-end. The company continues to have strong customer relationships that are helping in building predictive, stable, and sustainable revenue streams. Its gross revenue retention (GRR) ratio has remained consistently high at 90% resulting in high renewal business from existing customers. The Annual Recurring Revenue (ARR) stands at an all-time high of Rs 774.5cr and LTV/CAC at 21.3x for FY23 which is 7x higher than the benchmark for SaaS companies.

RateGain is well placed in the hospitality tech industry and is poised to see high teen organic growth over FY23-25E. Company's management has guided for 55-58% revenue growth. Strong organic growth guidance is on the back of strong order book, pipeline and high GRR. Being a SaaS player, the company benefits from positive operating leverage resulting in margin expansion. Rule of 40, is a financial metric used to evaluate the financial health and performance of software as a service (SaaS) companies. As per this rule, a SaaS business is considered to be healthy if the sum of annual revenue growth and margins is at least 40%. RateGain is one of the few companies that has been consistently able to post above 40 threshold. The management is growth focused yet profitability oriented. Moreover, its healthy balance sheet supports strategic investments by acquiring stakes in certain companies/ brands, complementary technologies and product lines.



(Source: Company, HDFC sec)

Concerns:

Lower discretionary spends: Concerns on global slowdown and high inflation could hurt consumer discretionary spends; impacting travel and hospitality industry. Recurrence of Covid like pandemic can impact the travel industry adversely.



Higher competitive intensity: High competitive intensity in the space could impact wallet share gains for the company. Vendor consolidation measures by larger hotel chains could impact its business growth. Martech segment witness higher competition and hence lower growth and relatively lower margins.

Client concentration: Hoteliers of large chains, OTAs contribute large portion of its revenue. Top 10 clients make ~32% of topline. Although it has been declining; company's business could impact by loss of key clientele.

Technology disruption: Although Rategain uses AI & ML to sharpen its product offerings, it is exposed to technology disruption by unique use and implementation of these by its competitors/customers.

Inability to integrate & cross sell services at large scale: Delay in execution of plans to monetise the opportunities could lead to slower than expected growth in revenues/profits.

About the company:

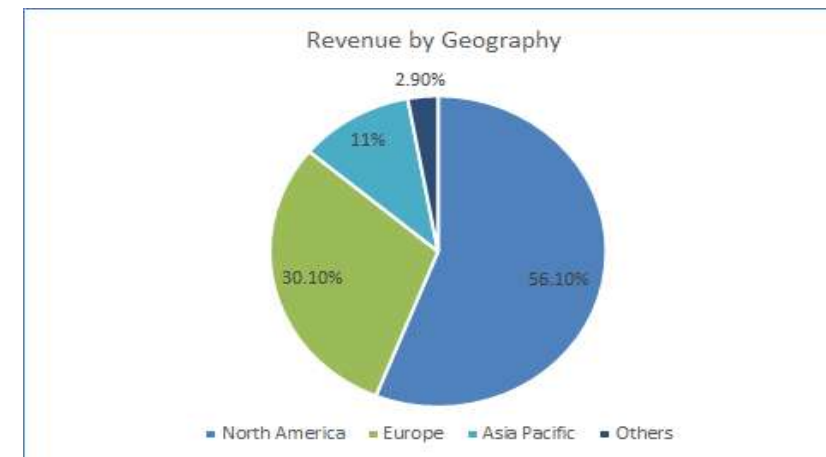
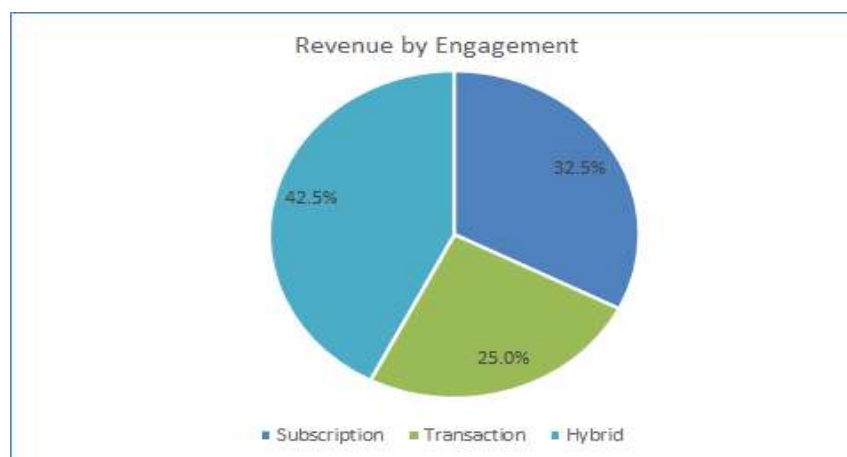
RateGain Travel Technologies Ltd (RGTTL) is a global provider of SaaS solutions for travel and hospitality that works with 2900+ customers and 700+ partners in 100+ countries, helping them accelerate revenue generation through acquisition, retention, and wallet share expansion. The company offers travel and hospitality solutions across a wide spectrum of verticals including hotels, airlines, car rental companies, online travel agents (OTAs), vacation rentals, package providers, travel management companies, among others. RateGain works with Top 23 of 30 Hotel Chains, Top 25 of 30 Online Travel Agents, and all the top car rentals including 8 Global Fortune 500 companies.

The company started its operations in 2004 with a competitive intelligence price comparison product for hotels and has expanded the product portfolio over the years both through organic and inorganic means. It has expanded its product offerings in areas of rate intelligence, cognitive revenue management, smart distribution, brand management across verticals by leveraging its in-house data lake. It is one of the world's largest processors of data points - hotel bookings, pricing intelligence, and customer travel-intent data; providing reliable, scalable and innovative AI-powered solutions supporting better decision making for its clients. The company has been able to scale its operations via inorganic acquisitions—DHISCO, BCV Social, Myhotelshop and Adara. These acquisitions are aimed at driving growth by enhancing capabilities, providing access to newer market segments/clients, expanding addressable market and gaining wallet share from peers. The company has strong inter-operability across products driving insights across its three verticals – Data as a Service (DaaS) (28.6% of sales), Distribution (34.4%), MarTech (37%).



Data as a services (Daas) which provides data and information on competitive rate and rate parity to Hotels, Airlines, OTAs, Car Rentals, among others. Distribution which provides seamless connectivity between hotels and their demand partners including OTAs, GDS (global distribution system) and others. Martech (Marketing Technology) which provides end-to-end digital marketing suite to manage brand presence for hotels across social media and meta-search platforms.

The company has the right innovation focus to create relevant products powered with AI, ML & existing product datasets. It has built three new AI-powered products as part of its RG Labs initiative – Rev.AI, Content. AI and Demand.AI. It is now working on offering a ‘Single Revenue Maximisation Platform’ to create its supremacy in the fragmented Travel tech industry. The scale of its operations and strength in analytics have led to growth in operations and enabled to monetize its offerings.



(Source: Company, HDFC sec)



Business Segments:

RateGain offers a suite of inter-connected products that manages the revenue creation value chain for hospitality customers by leveraging data lake and data analytics capabilities and integration with other technology platforms helping its clients to gauge demand, engage, acquire, retain guests and maximize revenue.

	DaaS (2005)	Distribution (2008)	Martech (2019)
Overview	<ul style="list-style-type: none">• Provide data and information to players across the travel & hospitality industry• Deliver insights including competitive and rate parity intelligence• AI led Products to gauge Demand and optimise pricing	<ul style="list-style-type: none">• Seamless connectivity between Hotels and their demand partners including OTAs, GDS and others• Communicate availability, rates, inventory and content• AI led product to standardise content distribution	<ul style="list-style-type: none">• End to End Digital Marketing Suite to manage Brand presence for Hotels across Social Media and Metasearch platforms• To Optimize Direct Bookings• Monitor Guest Engagement 24x7• Performance marketing operation leveraging the travel-intent data
Revenue Model	Subscription model & Hybrid model	RezGain- Subscription model DHISCO-Transaction model	Subscription model
Total SAM (CY25E)	USD 1.1 Bn	USD 1.9 Bn	USD 5.5 Bn
Acquisitions	Adara (2023)	DHISCO (2018)	BCV Social (2019) MyHotelShop (2021) Adara (2023)
New AI based Products	Rev AI Demand AI	Content AI	Engage AI

(Source: Company, HDFC sec)

Data-as-a-Service (DaaS):

Rate intelligence, price parity and demand forecasting capabilities are core capabilities offered by the company. It is among the largest aggregators of data points globally for the hospitality and travel industry, tracking 6 bn price points annually from over 1100 data sources. Price data points include pricing, ratings, rankings, availability, room descriptions, cancellation policy, payment policy, discounting and package inclusions. It acquires data through various sources, including strategic partnerships, purchase, and web data acquisition.

It enables hotels, car rentals, and ferries plan their demand and pricing strategy using the automated AI powered pricing recommendation platform as well as a demand forecasting solution. It provides its clients with actionable insights and predictive intelligence to drive better



marketing ROI with the help of aggregated real-time travel-intent data. Using its services, hotels are able to rank higher and secure more bookings. The company provides customers with differentiated pricing strategy based on historical rates, business on books, pace, demand, competitive context, events and weather information. It also provides dynamics pricing recommendations based on proprietary AI and machine learning demand forecasting algorithms. The segment operates on a subscription model for hospitality customers (for Optima and Parity products) while OTA, airline, car rental and vacation packages customers avail their services based on a hybrid model where a minimum subscription fees is charged with a pay-per-use charge for accessing additional data. Adara acquisition would allow RateGain to leverage its data lake of consumers' travel intent and integrate it with DaaS products to target custom audiences and influence booking behavior.

Distribution:

The company has one of the world's largest networks of supply and demand partners connecting the entire ecosystem of hotel chains, OTAs, GDS (global distribution system). It powers distribution for over 1,90,000 properties, which includes 180+ chains across the world and connect to 700+ demand partners (such as OTAs, GDS and tour operators). It provides data regarding availability, rates, inventory and process bookings between leading accommodation providers and their demand partners. It also enables the delivery of reservations back to hotel systems to ensure smooth operations and accurate reporting by hotels. RateGain's distribution platform processes over 200bn transactions annually. It also has a content distribution tool, Content.AI, tracks content related KPIs for hotels such as amenities, images and room types to identify potential gaps and provides actionable insights. It is able to transform content and augments imagery that can increase the chances of conversion on demand platforms. The company mainly has two management products within this segment – DHISCO and RezGain. DHISCO (acquired in 2018) operates on transaction model (~80% of distribution business) which addresses the requirements of larger hotel chains. RezGain caters to mid-market hotels and is priced on subscription basis.

MarTech:

Increased digitization, focus on customer experiences and traction in direct bookings rather than relying on third-parties for bookings have led to the growing interest on MarTech in hospitality space. The company started the MarTech vertical through acquisitions. RateGain provides end-to-end digital marketing suite to manage brand presence for hotels across social media and metasearch platforms. It engages with value driven travelers to convert on metasearch such as Google and TripAdvisor, monitors customers' in real-time with 24x7 social listening, mitigating any negative experience, personalize guest experience. It effectively manages hotels' social media handles and run promotional campaigns. It also optimises and updates content across all demand partners to increase chances of conversions. It caters to over 1,000 active customers in this segment.



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The company acquired BCV social in 2019, which focused on social media management for the hospitality sector, offering social listening for reputation management, improving sentiment and guest communication; campaign management to increase awareness, engagement and sales; and drive personalization of guest experience. Another acquisition in MarTech business vertical, MyHotelShop, in Sep'21, which connects hotel partner's website to all major meta-searches such as Google Hotel Ads or Trivago and runs Google Ads marketing campaigns in order to push hotelier's website to be a successful distribution channel. It also offers a website optimization to enhance the conversion (direct booking) potential on the website. Myhotelshop connects hotels to key META Search Engines and thus allowing live price comparison with a link to direct booking.

Martech segment operates on a subscription model, charging on an average \$20,000-\$27,000 per property per annum. The solutions are tailor-made for each property/ hotel chains and the charges vary based on the number of Social media involved (Facebook, Instagram, Twitter) and depending upon the scope of the work (monitoring, engaging, ad campaigns, etc). MarTech capabilities, coupled with the travel intent data platform capabilities acquired from Adara, could enable the company to run targeted advertising campaigns, enhance ROI on marketing spends and improve client stickiness.



Financials

Income Statement

(Rs Cr)	FY21	FY22	FY23P	FY24E	FY25E
Net Revenues	250.8	366.6	565.1	887.2	1036.9
Growth (%)	-37.1	46.2	54.2	57.0	16.9
Operating Expenses	244.6	336.0	480.5	737.3	853.3
EBITDA	6.2	30.6	84.7	149.9	183.5
Growth (%)	-78.5	395.9	177.1	77.1	22.4
EBITDA Margin (%)	2.5	8.3	15.0	16.9	17.7
Depreciation	35.9	30.1	35.8	46.9	48.8
EBIT	-29.7	0.5	48.8	103.0	134.7
Other Income	13.3	16.5	19.9	28.4	34.2
Interest expenses	8.2	5.2	1.5	1.6	1.6
PBT	-24.6	11.8	67.3	129.8	167.3
Tax	4.0	2.4	-1.1	24.7	35.1
RPAT	-28.6	9.4	68.4	105.1	132.2
APAT	-28.6	8.4	68.4	105.1	132.2
Growth (%)	42.1	-129.5	711.4	53.7	25.7
EPS	-39.6	0.8	6.3	9.7	12.2

Balance Sheet

As at March (Rs Cr)	FY21	FY22	FY23P	FY24E	FY25E
SOURCE OF FUNDS					
Share Capital	0.8	10.7	10.8	10.8	10.8
Reserves	244.1	608.4	698.9	804.0	936.2
Shareholders' Funds	244.9	619.2	709.7	814.9	947.0
Minority's Interest	0.0	0.0	0.0	0.0	0.0
Long Term Debt	100.7	14.7	14.0	14.0	14.0
Net Deferred Taxes	-3.0	4.4	-6.4	-6.4	-6.4
Long Term Provisions & Others	3.3	9.0	19.9	24.1	28.1
Total Source of Funds	345.9	647.3	737.2	846.6	982.8
APPLICATION OF FUNDS					
Net Block & Goodwill	131.0	153.7	223.5	191.6	157.7
CWIP	0.0	0.0	0.0	0.0	0.0
Other Non-Current Assets	38.5	94.9	201.4	204.7	205.9
Total Non Current Assets	169.5	248.6	424.9	396.3	363.6
Current Investments	129.0	141.8	116.0	166.0	216.0
Inventories	0.0	0.0	0.0	0.0	0.0
Trade Receivables	66.9	94.1	160.8	223.6	250.0
Cash & Equivalents	57.3	245.1	201.5	271.0	381.4
Other Current Assets	14.0	47.2	26.4	53.7	57.1
Total Current Assets	267.3	528.2	504.7	714.4	904.5
Short-Term Borrowings	16.4	3.3	3.7	3.7	3.7
Trade Payables	24.3	41.8	82.3	114.2	122.2
Other Current Liab & Provisions	50.2	84.5	106.4	146.2	159.5
Total Current Liabilities	90.9	129.6	192.3	264.1	285.3
Net Current Assets	176.4	398.7	312.4	450.3	619.2
Total Application of Funds	345.9	647.3	737.2	846.6	982.8

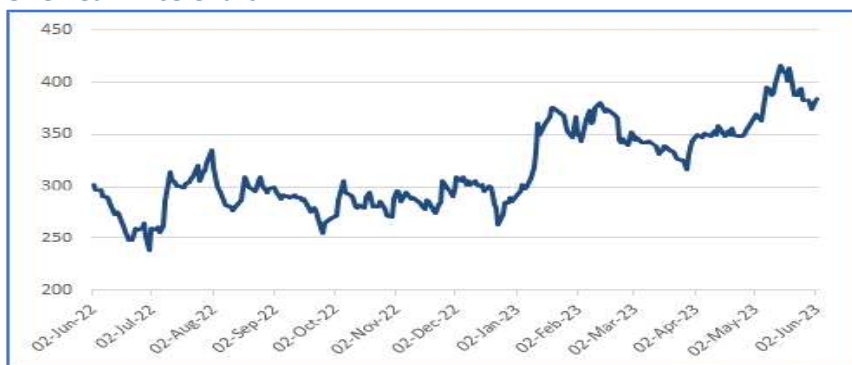


RateGain Travel Technologies Ltd.

Cash Flow Statement

(Rs Cr)	FY21	FY22	FY23P	FY24E	FY25E
Reported PBT	-24.6	10.8	67.3	129.8	167.3
Non-operating & EO items	10.4	13.4	9.0	0.8	2.1
Interest Expenses	7.4	0.1	-15.1	1.6	1.6
Depreciation	35.9	30.1	35.8	46.9	48.8
Working Capital Change	-6.2	-34.2	-33.2	-18.3	-7.8
Tax Paid	-2.3	-3.3	-11.8	-24.7	-35.1
OPERATING CASH FLOW (a)	20.6	16.8	51.9	136.2	176.9
Capex	-0.7	-3.5	-4.2	-15.0	-15.0
Free Cash Flow	19.9	13.3	47.7	121.2	161.9
Investments	-81.0	-32.0	25.8	-50.0	-50.0
Non-operating income	1.1	-240.9	-9.1	0.0	0.0
INVESTING CASH FLOW (b)	-80.7	-276.4	12.6	-65.0	-65.0
Debt Issuance / (Repaid)	-3.9	-114.1	-4.9	0.0	0.0
Interest Expenses	-6.9	-6.4	-1.4	-1.6	-1.6
FCFE	9.0	-107.2	41.4	119.6	160.3
Share Capital Issuance	0.0	377.8	2.2	0.0	0.0
Dividend	0.0	0.0	0.0	0.0	0.0
Others	103.7	-17.7	2.4	0.0	0.0
FINANCING CASH FLOW (c)	92.8	239.5	-1.7	-1.6	-1.6
NET CASH FLOW (a+b+c)	32.8	-20.1	62.8	69.6	110.3

One Year Price Chart:



(Source: Company, HDFC sec)

Key Ratios

	FY21	FY22	FY23P	FY24E	FY25E
PROFITABILITY RATIOS (%)					
EBITDA Margin	2.5	8.3	15.0	16.9	17.7
EBIT Margin	-11.9	0.1	8.6	11.6	13.0
APAT Margin	-11.4	2.3	12.1	11.9	12.7
RoE	NA	2.0	10.3	13.8	15.0
RoCE	NA	0.1	7.2	13.2	15.0
Solvency Ratio (x)					
Debt/EBITDA	19.0	0.6	0.2	0.1	0.1
D/E	0.5	0.0	0.0	0.0	0.0
PER SHARE DATA (Rs)					
EPS	-39.6	0.8	6.3	9.7	12.2
CEPS	10.1	3.6	9.6	28.1	33.4
Dividend	0.0	0.0	0.0	0.0	0.0
BVPS	339.8	57.7	65.5	150.5	174.9
Turnover Ratios (days)					
Debtor days	105	80	82	79	83
Inventory days	0	0	0	0	0
Creditors days	46	33	40	40	42
VALUATION					
P/E (x)	NA	488.9	60.8	39.6	31.5
P/BV (x)	1.1	6.7	5.9	2.6	2.2
EV/EBITDA (x)	13.8	127.5	47.0	26.1	20.7
EV/Revenues (x)	0.3	10.6	7.0	4.4	3.7
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0
Dividend Payout (%)	0.0	0.0	0.0	0.0	0.0

(Source: Company, HDFC sec)



HDFC Sec Retail Research Rating description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicity of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

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