

### Acquisition Doubles Scale; Synergy Delivery to Be Monitored

- Rategain announced the acquisition of Sojern, a U.S based hospitality & travel marketing and guest engagement (MarTech) platform. The target's revenue run-rate is approximately **1.35x Rategain's** own.
- Sojern operates an AI-driven Martech platform that leverages real-time traveler insights to enable targeted audience segmentation, multi-channel campaign activation, and guest-experience optimization for global travel brands. It's demand-generation capabilities & marketing tools complement RateGain's existing strengths in distribution, analytics, and revenue optimization, while offering an opportunity to deepen its presence in the U.S. market.

### Deal Details and Contour: Sojern

- Founded in 2007 and headquartered in San Francisco, Sojern operates an AI-powered travel marketing platform that helps hospitality businesses acquire and engage guests. It serves 13,000+ customers globally, including hotels, DMOs, attractions, and airlines. The company reported CY24 revenue of \$172mn (with a 2-year CAGR of 7.4%) and EBITDA margin of 11% with current year growth estimated at ~3-4%.
- Sojern has 2 key business segments: **a) Property Segment** (~40% of revenue), that serves independent hotels and chains through AI-led digital campaigns and guest-experience tools offered under commission-based and SaaS models. **b) Destinations & Corporates** (~60% of revenue) who partner with DMOs, airlines, and cruise brands via AI-driven audience targeting and performance marketing solutions.

### Transaction to Scale Revenues, but EPS Gain Likely Limited

- The combined **RateGain + Sojern** entity is projected to deliver over \$310mn, with EBITDA above \$50mn (implies~16%+ EBITDA margin in FY26), prior to synergies. Management also aims to improve the profitability of Sojern to 17-19% over next 6 quarters (FY27 exit basis).
- The \$250 mn acquisition values Sojern at ~1.45x its CY2024 revenue. Acquisition will be funded through a mix of a) \$125mn in internal cash (\$145mn+ as of Jun-25), and b) \$125mn in SOFR-linked term debt (Secured Overnight Financing Rate).
- The deal also includes \$30mn in earnouts (Cash+SARs), contingent upon meeting certain financial targets over 3 years.

**View:** The Sojern acquisition marks a significant scale-up for RateGain with a greater revenue base, technological capabilities, and cross-sell opportunity across a large, diverse client portfolio. While acquisition appears strategically sound and fairly valued, it remains a large and complex integration, given business size, warranting a wait-and-watch approach for synergy execution and margin expansion to play out. Taking cues from the optimization plans, we expect our earnings estimates will remain unchanged for FY26/FY27E. But, **given the recent sharp stock rally & risk involved in large acquisition integration, we revise our rating to 'Reduce'** with a DCF-based TP of Rs. 750 (implies 38x on FY27E EPS).

#### Key Data

Nifty	25,078
Equity / FV	Rs 118mn / Rs 1
Market Cap	Rs 84bn
	USD 942.5mn
52-Week High/Low	Rs 854/ 418
Avg. Volume (no)	876,038
Bloom Code	RATEGAIN IN

#### Stock Performance (%)

Particulars	1M	3M	12M
Absolute (%)	15	54	(4)
Rel to NIFTY (%)	14	55	(4)

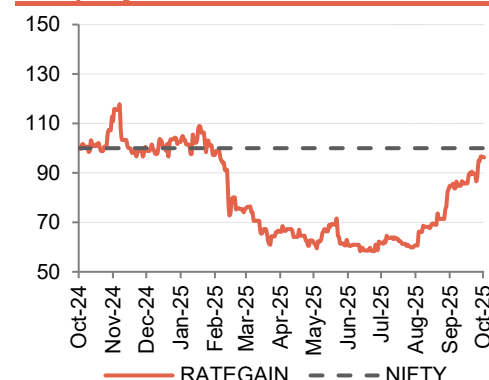
#### Shareholding Pattern

Particulars	Mar'25	Jun'25	Sep'25
Promoters	48.2	48.2	48.2
MF/Banks/FIs	23.0	23.5	23.5
FIIIs	7.6	5.5	5.5
Public / Others	21.2	22.8	22.8

#### Financials (Rs bn)

Particulars	FY24A	FY25A	FY26E	FY27E
Revenue	10	11	15	29
Growth (%)	69.3	12.5	42.3	87.5
EBITDA	2	2	3	5
OPM (%)	19.8	21.6	17.8	17.5
PAT	1	2	2	2
Growth (%)	112.6	43.7	1.4	8.9
EPS (Rs.)	12.8	17.7	18.0	19.6
Growth (%)	103.9	38.1	1.3	8.9
PER (x)	55.3	40.0	39.5	36.3
ROANW (%)	13.5	13.3	11.8	11.5
ROACE (%)	13.8	13.6	13.1	12.1

#### Company relative to NIFTY



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### Margin Aspirations Achievable, but Timeline May Extend

- Post acquisition, management aspires to raise Sojern's margins from 11% now to 17-19%, primarily led by G&A savings, office consolidation & shared services cost optimization. The entire scale-up may take up to 6 quarters (100bps+ gains per quarter) to reach the targeted level.
- While management remains optimistic about achieving these savings within the first year, the integration complexity could stretch timelines modestly. With standalone Rategain's margin band being 18-21%, the aspiration for the combined entity would be to achieve 19%+ EBITDA margin over the medium term, post FY27.

### Additional points

- Transaction is dependent on U.S anti-trust go-ahead, which is typically assumed to go ahead if no concern has been conveyed in 30 days. The overall completion timeline for the deal is expected to range between 30-90 days.
- Over the next 12-24 months, Rategain is expected to focus on de-leveraging, which may be achieved through internal accruals or an eventual equity fund raise.

### Change in Estimates

**For FY26E/FY27E:** Given the fact that the acquisition is likely to be consolidated around Q4FY26, we have assumed integration effective 1<sup>st</sup> Jan'26. Based on management's inputs regarding modest revenue growth (3-4%), margin improvement through SG&A optimization, and accounting for amortization (partly goodwill, balance other intangibles) as well as incremental leverage (estimated at SOFR + 300bps), our revised model factors in the following:

Increase in FY26/FY27E revenue estimates by 32%/116%, but it may lead to smaller growth in EBIT by 21%/65% respectively. Earnings, however, remain broadly unchanged, as operating profits would get negated by financing and amortization charges.

#### Exhibit 1: Change in Estimates

Particulars (Rs. mn)	FY24A	FY25A	FY26E			FY27E		
	Actual	Actual	Old	New	Chg.(%)	Old	New	Chg.(%)
INR Revenue	9,570	10,767	11,602	15,318	32.0	13,267	28,726	116.5
YoY growth (%)	69.3	12.5	7.8	42.3	3451 bps	14.4	87.5	7318 bps
EBIT (Rs mn)	1,487	1,971	1,974	2,377	20.5	2,259	3,743	65.7
EBIT Mgn (%)	15.5	18.3	17.0	15.5	(149 bps)	17.0	13.0	(400 bps)
PAT	1,454	2,089	2,118	2,118	(0.0)	2,304	2,305	0.0
EPS (Rs)	12.8	17.7	18.0	18.0	(0.0)	19.5	19.6	0.0

Source: Company, Dolat Capital

## Key Slides from Presentation

### Exhibit 2: Sojern's marketing platform delivers data-driven performance



Source: Dolat Capital, Company

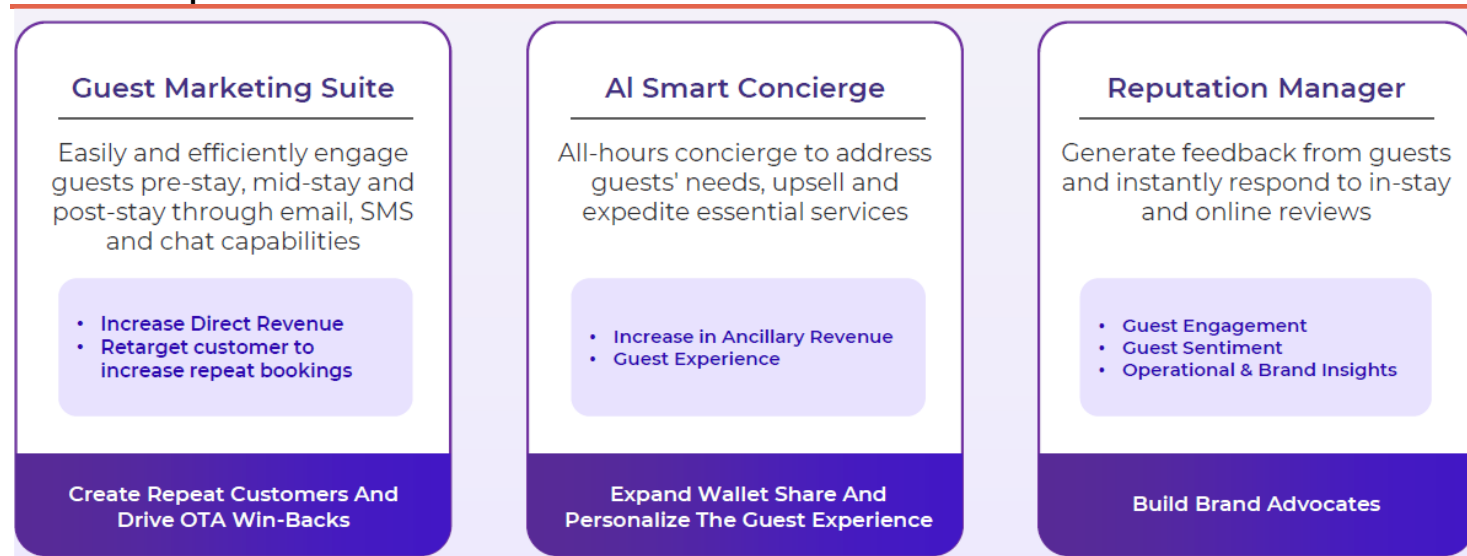
As per data shared by Rategain, Sojern ingests billions of real-time data signals across 500+ data sources where the AI-powered platform builds and activates custom audiences, then auto-optimizes bids and budgets across advertising and marketing channels to drive performance.

### Exhibit 3: Sojern's solutions capture traveler audiences via 2 primary business lines.

Particulars	Property	Destinations & Corporates
<b>Revenue Mix</b>	40% of Rev	60% of Rev
<b>Clients</b>	Independent / Boutique Hotels and Larger Groups & Chains	Destination Marketing Organizations (DMOs), Attractions, Hotels, Airlines & Cruise Brands
<b>Services Provided</b>	Increases revenue & profitability by driving traffic via AI led campaign management to direct channels	Cost effectively identifies, attracts & engages travelers for Destination Marketers
	Guest Experience Platform to engage guests throughout the journey to drive revenue	Custom AI powered audiences & activation strategies at scale and meeting managed media & self-serve needs
<b>Solution / Pricing Model</b>	Commission (Pay On The Stay) Paid Digital Marketing Guest Experience (GEP): SaaS	Paid Digital Marketing Optimize audience with custom AI tools

Source: Dolat Capital, Company

## Exhibit 4: Capabilities



Source: Dolat Capital, Company

- **Guest Experience Platform:** Sojern's AI-led Guest Experience Platform enables hoteliers to engage guests seamlessly across every stage of their journey, from pre-stay to post-stay. The suite integrates personalized email, SMS, and chat interactions with an AI-powered concierge that manages queries, upsells, and service requests in real time. Its built-in reputation management tool captures guest feedback and automates review responses, helping drive satisfaction and repeat bookings.

## Valuation

RateGain's acquisition of Sojern underscores its ambition to scale its MarTech and AI-led hospitality platform while broadening its customer base and enhancing its value proposition. Management remains confident of driving revenue synergies through cross-selling opportunities across Sojern's 13,000+ clients. However, given Sojern's comparatively lower margin profile, potential interest cost impact, and the time required for synergy realization, we expect near-term profitability to remain moderated, with valuation upside dependent on execution and integration progress.

We expect a Revenue CAGR of 28% (from 12% earlier) over FY25-FY30, with Avg OPM of 21% (from 23% earlier) over FY26E-FY40E. Factoring all this, **we revise rating to 'Reduce' with a DCF-based revised TP of Rs. 750 per share** (implies ~38x on FY27E Earnings).

## Financial Performance

### Profit and Loss Account

(Rs Mn)	FY24A	FY25A	FY26E	FY27E
<b>Revenue</b>	<b>9,570</b>	<b>10,767</b>	<b>15,318</b>	<b>28,726</b>
<b>Total Expense</b>	<b>7,673</b>	<b>8,446</b>	<b>12,587</b>	<b>23,695</b>
COGS	3,799	3,988	5,952	10,896
Employees Cost	0	0	0	0
Other expenses	3,874	4,459	6,635	12,799
<b>EBIDTA</b>	<b>1,897</b>	<b>2,321</b>	<b>2,730</b>	<b>5,031</b>
Depreciation	410	349	353	1,288
<b>EBIT</b>	<b>1,487</b>	<b>1,971</b>	<b>2,377</b>	<b>3,743</b>
Interest	14	13	197	744
Other Income	416	764	613	34
Exc. / E.O. items	0	0	0	0
<b>EBT</b>	<b>1,889</b>	<b>2,722</b>	<b>2,793</b>	<b>3,033</b>
Tax	435	633	675	728
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
<b>RPAT</b>	<b>1,454</b>	<b>2,089</b>	<b>2,118</b>	<b>2,305</b>
Adjustments	0	0	0	0
<b>APAT</b>	<b>1,454</b>	<b>2,089</b>	<b>2,118</b>	<b>2,305</b>

### Balance Sheet

(Rs Mn)	FY24A	FY25A	FY26E	FY27E
<b>Sources of Funds</b>				
Equity Capital	118	118	118	118
Minority Interest	0	0	0	0
Reserves & Surplus	14,387	16,709	18,826	21,132
<b>Net Worth</b>	<b>14,505</b>	<b>16,827</b>	<b>18,944</b>	<b>21,250</b>
Total Debt	0	0	0	10,625
Net Deferred Tax Liability	(206)	(226)	(226)	(226)
<b>Total Capital Employed</b>	<b>14,299</b>	<b>16,601</b>	<b>18,718</b>	<b>31,649</b>

### Applications of Funds

Net Block	3,663	3,478	3,185	20,098
CWIP	0	0	0	0
Investments	2,801	2,054	2,154	1,154
<b>Current Assets, Loans &amp; Advances</b>	<b>10,641</b>	<b>13,283</b>	<b>16,336</b>	<b>15,213</b>
Current Investments	0	0	0	0
Inventories	0	0	0	0
Receivables	2,050	2,123	3,106	5,745
Cash and Bank Balances	2,675	3,474	7,861	4,731
Loans and Advances	12	24	24	24
Other Current Assets	5,903	7,663	5,345	4,714
<b>Less: Current Liabilities &amp; Provisions</b>	<b>2,805</b>	<b>2,214</b>	<b>2,957</b>	<b>4,816</b>
Payables	803	983	1,414	2,532
Other Current Liabilities	2,003	1,231	1,543	2,284
<i>sub total</i>				
Net Current Assets	7,835	11,069	13,379	10,397
<b>Total Assets</b>	<b>14,299</b>	<b>16,601</b>	<b>18,718</b>	<b>31,649</b>

E – Estimates

### Important Ratios

Particulars	FY24A	FY25A	FY26E	FY27E
<b>(A) Margins (%)</b>				
Gross Profit Margin	60.3	63.0	61.1	62.1
EBIDTA Margin	19.8	21.6	17.8	17.5
EBIT Margin	15.5	18.3	15.5	13.0
Tax rate	23.0	23.3	24.2	24.0
Net Profit Margin	15.2	19.4	13.8	8.0
<b>(B) As Percentage of Net Sales (%)</b>				
COGS	39.7	37.0	38.9	37.9
Employee	0.0	0.0	0.0	0.0
Other	40.5	41.4	43.3	44.6
<b>(C) Measure of Financial Status</b>				
Gross Debt / Equity	0.0	0.0	0.0	0.5
Interest Coverage	108.8	155.2	12.0	5.0
Inventory days	0	0	0	0
Debtors days	78	72	74	73
Average Cost of Debt	8.0	7.8	123.2	13.6
Payable days	31	33	34	32
Working Capital days	48	39	40	41
FA T/O	2.6	3.1	4.8	1.4
<b>(D) Measures of Investment</b>				
AEPS (Rs)	12.8	17.7	18.0	19.6
CEPS (Rs)	16.5	20.7	21.0	30.5
DPS (Rs)	0.0	0.0	0.0	0.0
Dividend Payout (%)	0.0	0.0	0.0	0.0
BVPS (Rs)	128.1	142.8	160.7	180.2
RoANW (%)	13.5	13.3	11.8	11.5
RoACE (%)	13.8	13.6	13.1	12.1
RoAIC (%)	16.9	15.9	19.8	19.8
<b>(E) Valuation Ratios</b>				
CMP (Rs)	710	710	710	710
Mcap (Rs Mn)	83,679	83,679	83,679	83,679
EV	81,004	80,205	75,817	89,573
MCap/ Sales	8.7	7.8	5.5	2.9
EV/Sales	8.5	7.4	4.9	3.1
P/E	55.3	40.0	39.5	36.3
EV/EBITDA	42.7	34.6	27.8	17.8
P/BV	5.5	5.0	4.4	3.9
Dividend Yield (%)	0.0	0.0	0.0	0.0
<b>(F) Growth Rate (%)</b>				
Revenue	69.3	12.5	42.3	87.5
EBITDA	124.1	22.3	17.7	84.3
EBIT	204.5	32.6	20.6	57.5
PBT	180.8	44.1	2.6	8.6
APAT	112.6	43.7	1.4	8.9
EPS	103.9	38.1	1.3	8.9

E – Estimates



## Cash Flow

Particulars	FY24A	FY25A	FY26E	FY27E
<b>Profit before tax</b>	<b>1,889</b>	<b>2,722</b>	<b>2,793</b>	<b>3,033</b>
Depreciation & w.o.	410	349	353	1,288
Net Interest Exp	(387)	(731)	(415)	710
Direct taxes paid	(156)	(920)	(675)	(728)
Change in Working Capital	(374)	(373)	1,577	(649)
Non Cash	136	152	0	0
<b>(A) CF from Operating Activities</b>	<b>1,518</b>	<b>1,200</b>	<b>3,632</b>	<b>3,654</b>
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	(37)	(65)	(60)	(18,200)
<b>Free Cash Flow</b>	<b>1,481</b>	<b>1,135</b>	<b>3,572</b>	<b>(14,546)</b>
(Inc.)/ Dec. in Investments	261	651	400	1,500
Other	(5,903)	(1,040)	613	34
<b>(B) CF from Investing Activities</b>	<b>(5,679)</b>	<b>(454)</b>	<b>953</b>	<b>(16,666)</b>
Issue of Equity/ Preference	6,003	6	0	0
Inc./(Dec.) in Debt	0	0	0	10,625
Interest exp net	0	0	0	0
Dividend Paid (Incl. Tax)	0	0	0	0
Other	(190)	(24)	(197)	(744)
<b>(C) CF from Financing</b>	<b>5,814</b>	<b>(17)</b>	<b>(197)</b>	<b>9,881</b>
Net Change in Cash	1,676	799	4,388	(3,131)
<b>Opening Cash balances</b>	<b>999</b>	<b>2,675</b>	<b>3,474</b>	<b>7,861</b>
<b>Closing Cash balances</b>	<b>2,675</b>	<b>3,474</b>	<b>7,861</b>	<b>4,730</b>

E – Estimates

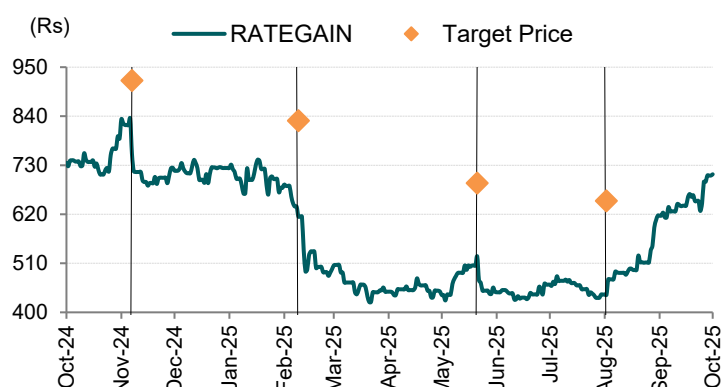
## Notes

## Dolat Rating Matrix

Total Return Expectation (12 Months)

<b>Buy</b>	<b>&gt; 20%</b>
<b>Accumulate</b>	<b>10 to 20%</b>
<b>Reduce</b>	<b>0 to 10%</b>
<b>Sell</b>	<b>&lt; 0%</b>

## Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Nov-24	Accumulate	920	755
Feb-25	BUY	830	615
May-25	BUY	690	525
Aug-25	BUY	650	439

\*Price as on recommendation date

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