

### RG: Product's Demo Day showcases its differentiating offerings

Rategain showcased some of its key products offerings viz. Adara, Revenue Maximization Platform, Competitive Rate Intelligence (Optima) and Comparison. Management continue to focus on strengthening its products across its three business line segments with single point agenda of 'Revenue Maximisation' for the customers. We believe Rategains' key products help customers unlock new revenue streams leveraging digital channels and also its data led decision making offerings can further optimize efficacy.

#### Key Product highlights:

- Adara (Impact and Cortex):** Key USP here lies in that it has deepest reach in terms of having Consented Travel Data leveraging deeper SDKs links with most travel transacting points. The product is Data Privacy compliant (post Apple IDFA), and has done deep traveler profiling (types- family, biz, etc, & themes – food travel, concert, vacation) which is difficult to replicate due to privacy concerns. Thus, helps solve problem of travel ecosystem to drive higher ROI by addressing customer pain-points, providing real-time optimization and access to verified transactional data. TAM is very big.
- Revenue Maximization platform (UNO):** It helps in optimizing pricing function with robust forecasting engine. Eg: Hotel Channel Manager provides Dashboard View with Key features – Interoperability (across different systems/tools in existing systems), Automation (set price bands and raise prices w/o intervention), and Direct sale to Hotel (vs. via OTAs). Induct Loyalty programs with tie-ups of 3rd party brands. DHISCO and RevGain both continue to focus on improving automation capabilities and direct bookings. TAM opportunity here ranges from \$500mn to \$1.6bn.
- Competitive pricing intensity (Optima):** RG's intelligence funnel help getting insights from intent to booking and create perfect pricing strategy and improve personalization. 'Cluster revenue dashboard' with best quality data covering 300+ channels is unmatched and is big differentiator.
- Rev-AI (Car Rental Solution):** It is AI revenue management dashboard for car rental companies that help uplift Revenue, process, technology for a Car Rental company. The solution provides price recommendation, peer insights, over next 30-90 days. It majority customers are US based and competitive intensity is minimal in this segment due to few players. This segment is fast growing segment and has TAM of around \$50-60mn.

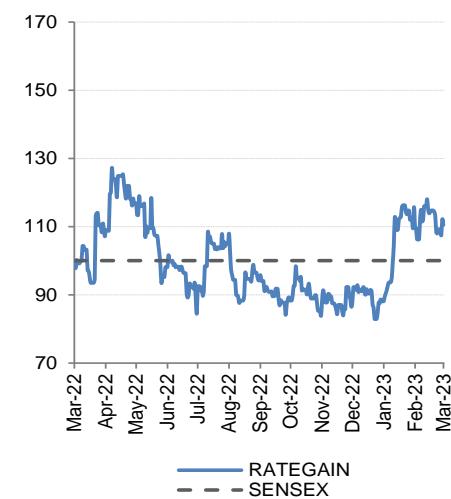
#### FINANCIALS (Rs Mn)

Particulars	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue	2,508	3,666	5,724	9,034	10,924
Growth(%)	(37.1)	46.2	56.1	57.8	20.9
EBITDA	62	306	811	1,482	1,969
OPM(%)	2.5	8.3	14.2	16.4	18.0
PAT	(286)	75	497	869	1,286
Growth(%)	LTL	LTP	564.7	74.8	48.0
EPS(Rs.)	(3.1)	0.7	4.6	8.0	11.9
Growth(%)	(62.9)	(122.3)	565.1	74.8	48.0
PER(x)	(113.1)	507.3	76.3	43.6	29.5
ROANW(%)	(14.9)	1.9	7.7	12.2	15.7
ROACE(%)	(6.8)	3.0	8.0	12.4	15.9

Note: LTL – Loss to Loss, LTP – Loss to Profit

CMP	Rs 350		
Target / Upside	Rs 440 / 26%		
NIFTY	17,451		
<b>Scrip Details</b>			
Equity / FV	Rs 109mn / Rs 1		
Market Cap	Rs 38bn		
	USD 459.5mn		
52-week High/Low	Rs 418/ 235		
Avg. Volume (no)	421,933		
Bloom Code	RATEGAIN IN		
<b>Price Performance</b>			
1M	3M	12M	
Absolute (%)	0	13	21
Rel to NIFTY (%)	1	19	14
<b>Shareholding Pattern</b>			
	Jun'22	Sep'22	Dec'22
Promoters	55.9	55.9	55.9
MF/Banks/FIs	8.1	8.1	8.1
FIs	8.5	8.5	8.5
Public / Others	27.5	27.5	27.5

#### Company Relative to SENSEX



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## Expanding products portfolio and client stickiness to drive growth

Overall, we believe Rategain core strength of cross-selling its existing products, Strong positioning in niche SaaS offerings, client stickiness and high addressable market of its product portfolio will help drive growth. Positive megatrend in travel spends makes it a good proxy play. Maintain 'Buy' with a DCF based TP of Rs.440 (implies 37x of FY25E earnings).

### Exhibit 1: Provides Offerings across travel Journey

#### Across the traveler journey, the modern-day traveler...



Source: DART, Company

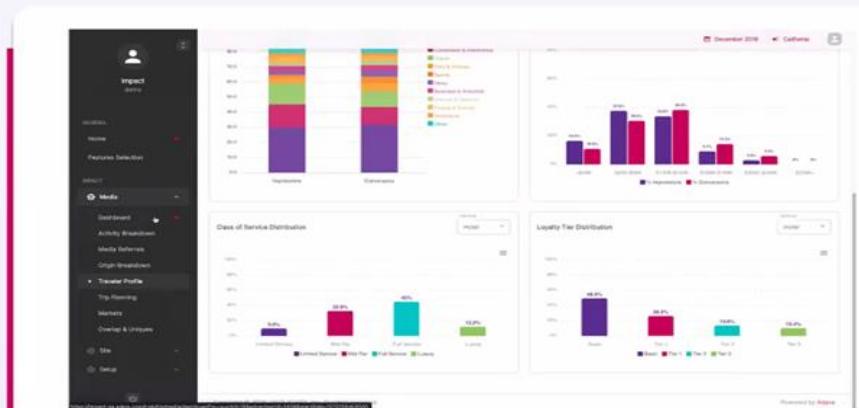
- Based on Exhibit 1, Rategain showcased 6 chunks of a traveler's journey, and shared that company has 13 products that serve each part of the journey, i.e., from dreaming stage, date finalization, booking, till actual destination and experience. **We believe Rategain's presence provides a 360 degree feedback loop that churns out actionable data trends makes it a critical partner for all relevant travel industry value chain.**

## Exhibit 2: Adara Provides Confirmed Travel Intent using Consented Data

### Build a Profile of the Most Valuable type of Visitor to Book Travel

In-depth view of the travelers & their booking patterns from seeing an ad or visiting the webpage to book:

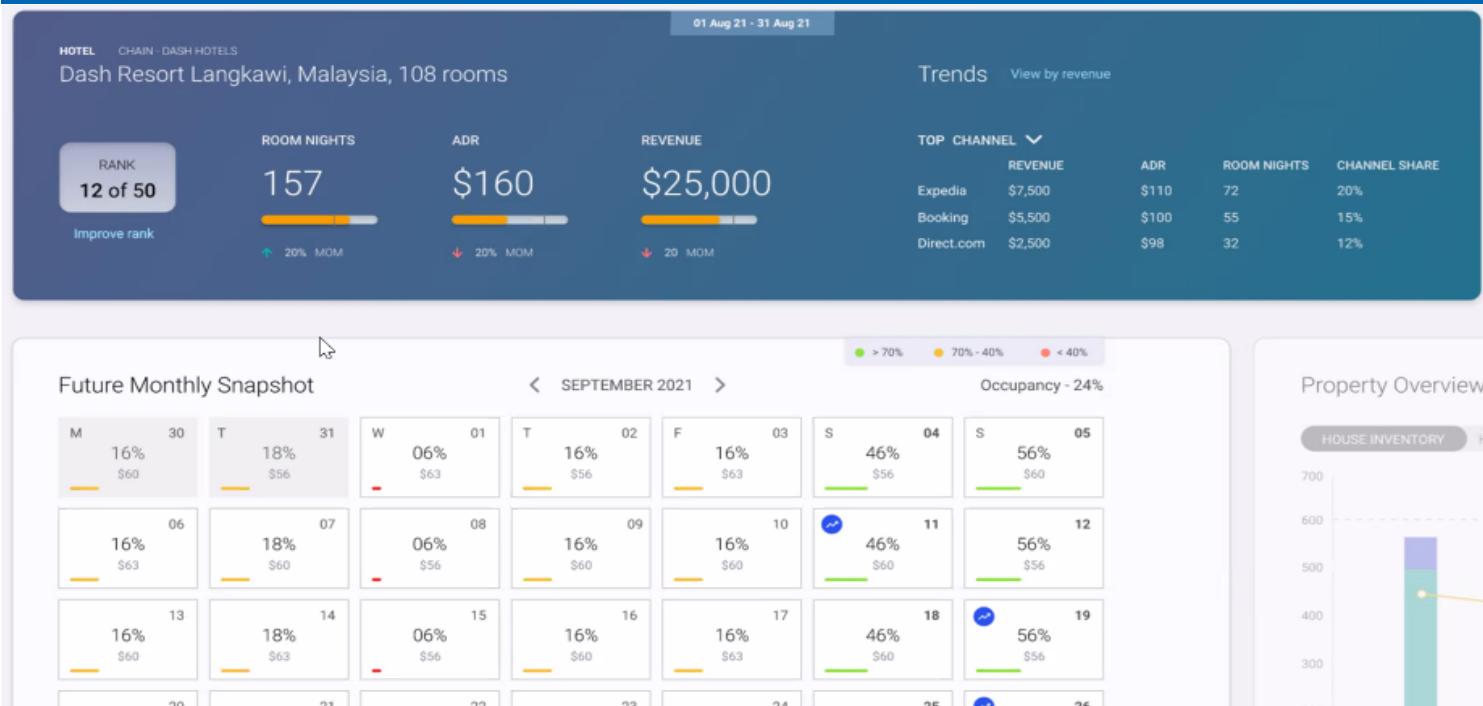
- Origin Market
- Demographics
- Hotel Daily Rate
- Length of Stay
- Search to Booking Days
- Advance Purchase Days
- Hotel Revenue



Source: DART, Company

- Adara's confirmed, travel transaction data is distinct in industry, giving valuable insights on travelers profile (Business visits, concert goers, family trips), as well as travel intent (exploring unique foods for a location, visiting national park). It is also noteworthy that Adara's data is based on actual transaction data and not cookies, and this data is collected using its proprietary AI engine. Hence, Adara is well placed to complement Rategain's portfolio and drive overall growth.

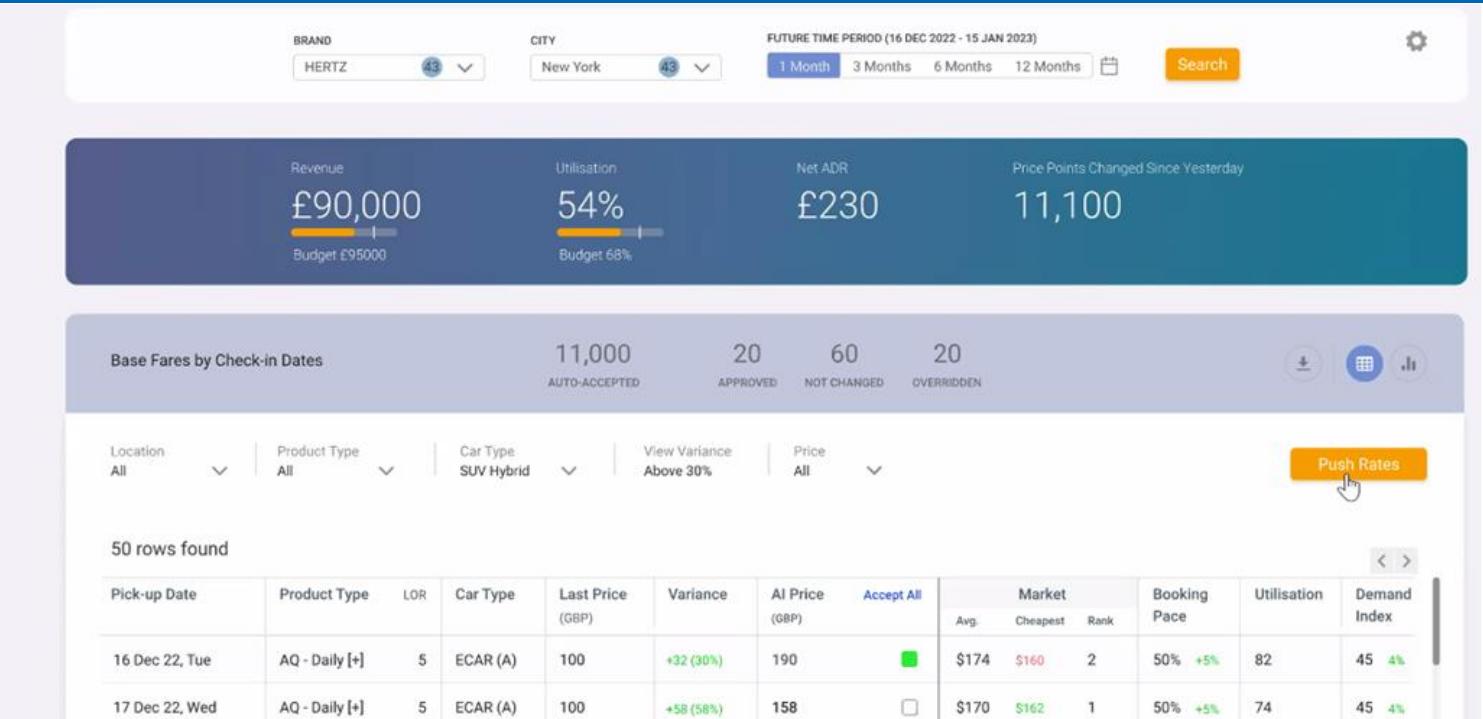
## Exhibit 3: Revenue Maximization cluster dashboard



Source: DART, Company

- Rategain's Revenue maximization solution, Uno, provides 3 key features – Interoperability (work with seamlessly with existing tools/systems), automation (lowering decision making for manager/right intervention, and API/booking engine for hotels. In the above exhibit, Rategain was able to showcase dates that has potentially high demand (blue tick), where a Revenue manager can take a pricing decision.

#### Exhibit 4: Rategain's Car Rental Solution- Rev.AI

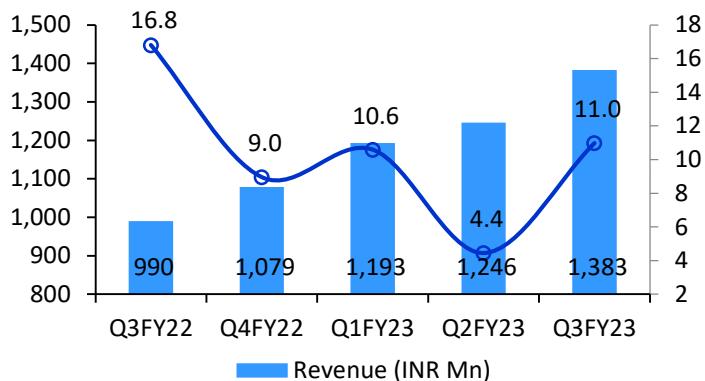


Source: DART, Company

- Rategain's offering for Car rental solution is an industry first solution for car rental franchisees. Rev.AI not only helps better revenue, but also brings in improved processes, visualization and potential cost savings. Above exhibit showcases a dashboard, that can provide fleet utilization, competitor analysis, and pricing outlook upto next 12 months.

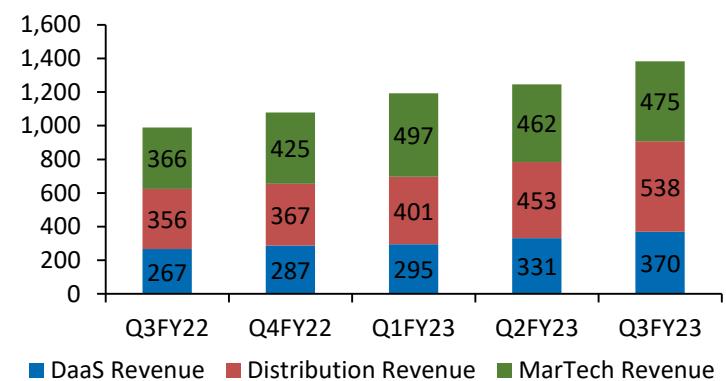
## Charting the story

**Exhibit 5: Revenue grew by 11% QoQ in Q3FY23**



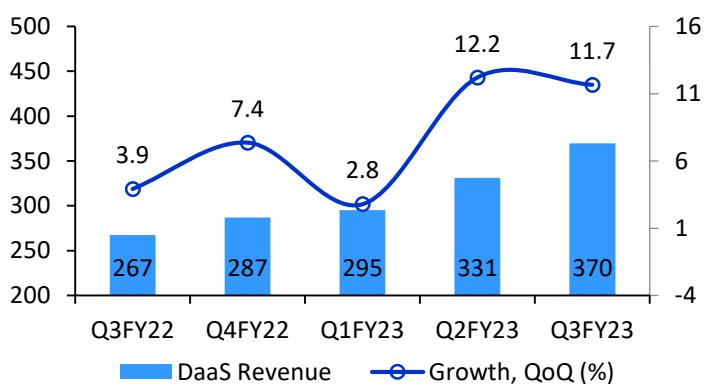
Source: Company, DART

**Exhibit 6: Q3 Revenue Mix: Broad-based growth**



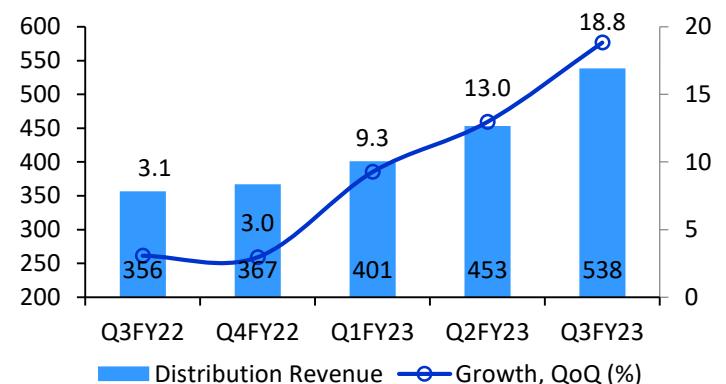
Source: Company, DART

**Exhibit 7: DaaS Revenue Grew 11.7% QoQ**



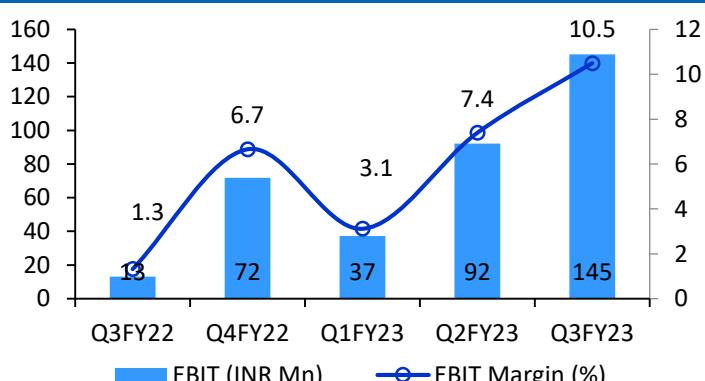
Source: Company, DART

**Exhibit 8: Distribution Revenue grew 18.8% QoQ**



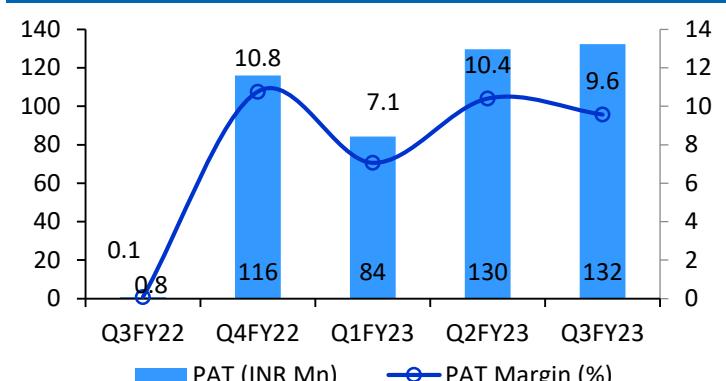
Source: Company, DART

**Exhibit 9: OPM Expanded Sharply 310bps to 10.5%**



Source: Company, DART

**Exhibit 10: PAT Margin stood at 9.6%**



Source: Company, DART

## Financial Performance

### Profit and Loss Account

(Rs Mn)	FY22A	FY23E	FY24E	FY25E
<b>Revenue</b>	<b>3,666</b>	<b>5,724</b>	<b>9,034</b>	<b>10,924</b>
<b>Total Expense</b>	<b>3,360</b>	<b>4,913</b>	<b>7,552</b>	<b>8,955</b>
COGS	1,914	2,607	3,997	4,743
Employees Cost	0	0	0	0
Other expenses	1,447	2,306	3,555	4,212
<b>EBIDTA</b>	<b>306</b>	<b>811</b>	<b>1,482</b>	<b>1,969</b>
Depreciation	301	376	462	442
<b>EBIT</b>	<b>5</b>	<b>435</b>	<b>1,020</b>	<b>1,527</b>
Interest	52	14	11	11
Other Income	165	161	91	141
Exc. / E.O. items	9	0	0	0
<b>EBT</b>	<b>108</b>	<b>582</b>	<b>1,100</b>	<b>1,656</b>
Tax	24	85	231	370
RPAT	84	497	869	1,286
Minority Interest	0	0	0	0
<b>Profit/Loss share of associates</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>APAT</b>	<b>75</b>	<b>497</b>	<b>869</b>	<b>1,286</b>

### Balance Sheet

(Rs Mn)	FY22A	FY23E	FY24E	FY25E
<b>Sources of Funds</b>				
Equity Capital	107	109	109	109
Minority Interest	0	0	0	0
Reserves & Surplus	6,084	6,581	7,450	8,736
<b>Net Worth</b>	<b>6,192</b>	<b>6,690</b>	<b>7,558</b>	<b>8,845</b>
Total Debt	0	0	0	0
Net Deferred Tax Liability	(42)	(47)	(52)	(52)
<b>Total Capital Employed</b>	<b>6,149</b>	<b>6,642</b>	<b>7,506</b>	<b>8,792</b>

### Applications of Funds

Net Block	2,225	3,280	3,511	3,524
CWIP	0	0	0	0
Investments	3,528	2,578	2,378	2,178
<b>Current Assets, Loans &amp; Advances</b>	<b>2,016</b>	<b>2,753</b>	<b>4,218</b>	<b>6,124</b>
Inventories	0	0	0	0
Receivables	941	1,427	2,228	2,693
Cash and Bank Balances	341	502	1,030	2,389
Loans and Advances	5	5	5	5
Other Current Assets	729	819	956	1,037
<b>Less: Current Liabilities &amp; Provisions</b>	<b>1,619</b>	<b>1,968</b>	<b>2,601</b>	<b>3,034</b>
Payables	418	606	952	1,129
Other Current Liabilities	1,201	1,363	1,649	1,905
<i>sub total</i>				
Net Current Assets	397	785	1,617	3,091
<b>Total Assets</b>	<b>6,149</b>	<b>6,642</b>	<b>7,506</b>	<b>8,792</b>

E – Estimates

**Important Ratios**

Particulars	FY22A	FY23E	FY24E	FY25E
<b>(A) Margins (%)</b>				
Gross Profit Margin	47.8	54.5	55.8	56.6
EBIDTA Margin	8.3	14.2	16.4	18.0
EBIT Margin	0.1	7.6	11.3	14.0
Tax rate	22.3	14.6	21.0	22.3
Net Profit Margin	2.3	8.7	9.6	11.8
<b>(B) As Percentage of Net Sales (%)</b>				
COGS	52.2	45.5	44.2	43.4
Employee	0.0	0.0	0.0	0.0
Other	39.5	40.3	39.3	38.6
<b>(C) Measure of Financial Status</b>				
Gross Debt / Equity	0.0	0.0	0.0	0.0
Interest Coverage	0.1	30.2	92.7	136.5
Inventory days	0	0	0	0
Debtors days	94	91	90	90
Average Cost of Debt	9.4			
Payable days	42	39	38	38
Working Capital days	39	50	65	103
FA T/O	1.6	1.7	2.6	3.1
<b>(D) Measures of Investment</b>				
AEPS (Rs)	0.7	4.6	8.0	11.9
CEPS (Rs)	3.5	8.1	12.3	15.9
DPS (Rs)	0.0	0.0	0.0	0.0
Dividend Payout (%)	0.0	0.0	0.0	0.0
BVPS (Rs)	57.1	61.7	69.7	81.6
RoANW (%)	1.9	7.7	12.2	15.7
RoACE (%)	3.0	8.0	12.4	15.9
RoAIC (%)	0.1	7.3	16.2	23.7
<b>(E) Valuation Ratios</b>				
CMP (Rs)	350	350	350	350
P/E	507.3	76.3	43.6	29.5
Mcap (Rs Mn)	37,901	37,901	37,901	37,901
MCap/ Sales	10.3	6.6	4.2	3.5
EV	37,560	37,399	36,871	35,512
EV/Sales	10.2	6.5	4.1	3.3
EV/EBITDA	122.9	46.1	24.9	18.0
P/BV	6.1	5.7	5.0	4.3
Dividend Yield (%)	0.0	0.0	0.0	0.0
<b>(F) Growth Rate (%)</b>				
Revenue	46.2	56.1	57.8	20.9
EBITDA	396.1	165.5	82.7	32.9
EBIT	(101.7)	8761.9	134.4	49.7
PBT	(144.0)	436.8	89.0	50.6
APAT	(126.2)	564.7	74.8	48.0
EPS	(122.3)	565.1	74.8	48.0

E – Estimates

**Cash Flow**

Particulars	FY22A	FY23E	FY24E	FY25E
<b>Profit before tax</b>	<b>108</b>	<b>582</b>	<b>1,100</b>	<b>1,656</b>
Depreciation & w.o.	301	376	462	442
Net Interest Exp	1	(147)	(80)	(129)
Direct taxes paid	(33)	(85)	(231)	(370)
Change in Working Capital	(342)	(232)	(310)	(114)
Non Cash	134	0	0	0
<b>(A) CF from Operating Activities</b>	<b>168</b>	<b>494</b>	<b>941</b>	<b>1,485</b>
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	(1,835)	(1,431)	(693)	(455)
<b>Free Cash Flow</b>	<b>(1,667)</b>	<b>(937)</b>	<b>248</b>	<b>1,030</b>
(Inc.)/ Dec. in Investments	29	950	200	200
Other	(1,145)	161	91	141
<b>(B) CF from Investing Activities</b>	<b>(2,951)</b>	<b>(320)</b>	<b>(403)</b>	<b>(114)</b>
Issue of Equity/ Preference	3,782	1	0	0
Inc./ (Dec.) in Debt	(1,126)	0	0	0
Interest exp net	0	0	0	0
Dividend Paid (Incl. Tax)	0	0	0	0
Other	(257)	(14)	(11)	(11)
<b>(C) CF from Financing</b>	<b>2,399</b>	<b>(13)</b>	<b>(11)</b>	<b>(11)</b>
Net Change in Cash	(197)	161	528	1,360
<b>Opening Cash balances</b>	<b>538</b>	<b>341</b>	<b>502</b>	<b>1,030</b>
<b>Closing Cash balances</b>	<b>341</b>	<b>502</b>	<b>1,030</b>	<b>2,389</b>

E – Estimates

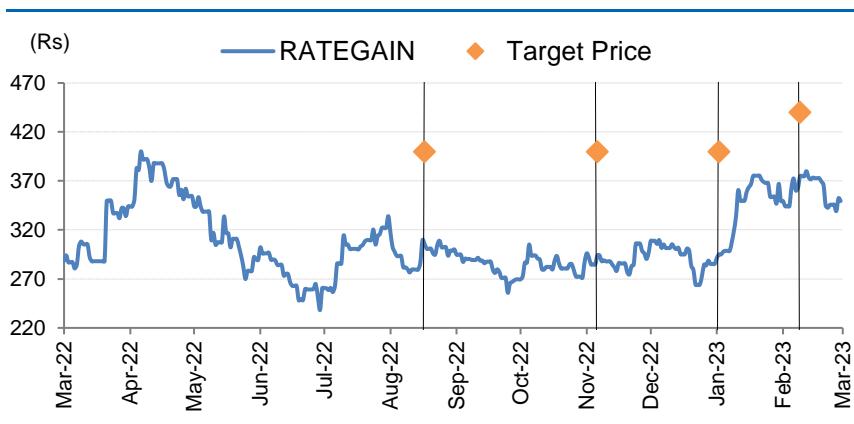
**Notes**

### DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

### Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Aug-22	BUY	400	306
Nov-22	BUY	400	294
Jan-23	BUY	400	295
Feb-23	BUY	440	375

\*Price as on recommendation date

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