November 18, 2024

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001, Maharashtra, India
Scrip Code: 544174

National Stock Exchange of India Limited
Exchange Plaza, 5th Floor, Plot No. C/1
G Block, Bandra-Kurla Complex, Bandra (E)
Mumbai - 400 051, Maharashtra, India
Scrip Symbol: TBOTEK

Sub: Transcript of Earnings Conference Call

Dear Sir/ Madam,

Pursuant to the provisions of Regulation 30 read with Schedule III of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached the transcript of Earnings Conference Call held on November 12, 2024, in relation to the un-audited financial results of the Company for the quarter and half year ended September 30, 2024.

Kindly take the same on record.

Thanking you,

Yours faithfully
For and on behalf of TBO Tek Limited

NEERA CHANDAK

Digitally signed by NEERA CHANDAK
Date: 2024.11.18 17:07:30 +05'30'

Neera Chandak
Company Secretary

TBO Tek Limited
Q2 & H1 FY25 Earnings Conference Call

November 12th, 2024

MANAGEMENT: MR. ANKUSH NIJHAWAN, CO-FOUNDER AND JOINT MD
MR. GAURAV BHATNAGAR, CO-FOUNDER AND JOINT MD
MR. VIKAS JAIN, CHIEF FINANCIAL OFFICER
MR. ANIL BERERA, PRESIDENT-STRATEGY
MR. AKSHAT VERMA, CHIEF TECHNOLOGY OFFICER
MR. RAJIV KUMAR, HEAD INVESTOR RELATIONS

MODERATOR: MS. AASHVI SHAH, ADFACTORS PR – INVESTOR RELATIONS

TBO Tek Limited
Q2 & H1 FY25 Earnings Conference Call
November 12, 2024

Aashvi Shah: Good evening, everyone. I am Aashvi Shah from Adfactors IR. On behalf of TBO Tek Limited. I would like to welcome you all to the Earnings Conference Call for Q2 and H1 FY25. Today on this call, we have with us from the management Mr. Ankush Nijhawan, Co-founder and Joint Managing Director; Mr. Gaurav Bhatnagar, Co-founder and Joint Managing Director, Mr. Vikas Jain, Chief Financial Officer; Mr. Anil Berera, President, Strategy; Mr. Akshat Verma, Chief Technology Officer, and Mr. Rajiv Kumar, Head-Investor Relations.

We will begin the call with brief opening remarks from the management followed by a Q&A session. Please note 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.

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 of 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 now like to hand over the call to Mr. Gaurav Bhatnagar for his opening remarks.

Thank you and over to you, sir.

Gaurav Bhatnagar: Thank you, Aashvi and good evening, everyone. Welcome to our investor concall for Q2 & H1 FY25.

I'll start with the executive summary for the current quarter. Now, we had a very strong quarter. And in fact, if you compare our H1 numbers and Q2 numbers, you will observe that Q2 was stronger than Q1. Overall, we saw a YoY growth of 6% on our monthly transacting buyers and we had more than 28,400 buyers, travel agents buying from us on the platform in this quarter. GTV grew very strongly by 24% YoY to hit almost Rs. 8,000 Cr. Revenue grew by 28% and GP grew by 35%. Revenue and GP are growing faster than GTV because a lot of our growth is coming from the hotels business which as you all know is a higher margin business and we will talk a little bit more about it in subsequent slides. On the whole, compared to Q2 of last year, our EBITDA has grown by 24% and there is similar growth for H1 as well.

The big highlight for this quarter has been the increasing saliency of the hotels business. 59% of GTV was driven by hotels. This corresponded to 79% of revenue being driven by the hotels and non-air business and 84% of our gross profit is now driven by the hotels and non-air business. The hotels business grew in both India and international segments. In India, the hotels GP was up 26% YoY compared to Q2 of last year. Outside of India's source markets, the GP grew even faster at 49% YoY. A lot of this growth is driven by some key initiatives that we've been running in H1 of this year, and I'll talk about those in the coming slides. Our international footprint expansion is also on track. We've recently incorporated a new subsidiary in Australia to expand our operations over there.

Finally, before I delve further into the numbers, I just want to welcome two new members to our board. Mr. Shantanu Rastogi has joined the Board of the company. Mr. Rastogi is the MD & Head for India at General Atlantic. As you would know, General Atlantic is a large shareholder in TBO. Apart from that, Akshat Verma, who is the CTO for the company, has also joined the Board. We welcome them to the Board and their diverse experience will enrich the Board and strengthen our corporate governance as well.

Looking at the KPIs, we track growth in active agents as a North Star metric. Our active agent base grew by 6% compared to the same quarter last year. Our active bookers grew by 9%, which is a promising metric, and we talked about it in the past as well. The difference between agents and bookers is that an agency will have multiple bookers using our platform. So, if number of bookers grows faster than number of active agents, it usually means that existing agents are increasing their engagement with the platform, which is a fair proxy for increasing the share of wallet as well. So, while the active agents grew by 6%, active bookers actually outpaced that growth and grew by 9%.

As I mentioned, this is one of the, probably the first quarter where hotels at the GTV level have been majority of our business and there's a sharp increase in saliency of the hotels business. Q2 of last year, we were at 47% of the GTV being driven by hotels. It's crossed to 59% this quarter. Just to kind of double click a little bit more on that. Talking about the hotel segment now, you will see that there's a very sharp growth in monthly transacting buyers buying hotels from us. So, this number is up by 13% on a YoY basis. If you look at the growth in the international market, which is source markets other than India, this growth is actually quite steep at 26%. So, we added nearly 2,000 more active monthly transacting buyers compared to the same period last year. Similarly, the GTV growth in hotels is at an enterprise level is 56%, 9% growth in India as a source market and 64% growth in the international source markets which includes Jumbonline as well. The revenue grew by 36% and again you would see a very sharp growth of almost 40% in revenue in the international source markets and a 48% increase in hotels' gross profit. So, just to reiterate, the numbers on this screen are for the hotels business only which is driving most of the enterprise growth.

Also, there's been a couple of key initiatives that we've been working on and investing in the last six months, and they're starting to show results now. We had briefly talked about the H-Next platform, which is our new state-of-the-art booking engine built on the latest technology. This program was in a small pilot last time we presented. So, roughly 3% of our users in the international source markets were using the platform. We expanded coverage to now 13% of our users and overall, we are seeing better engagement metrics and better conversion metrics on this platform. A few key things that I want to highlight. It's a very fast one-click discovery platform. Some of the key search criteria on the hotel's platform that we are enabling are complex searches. For example, if a customer asks a travel agent to book a hotel in Dubai in the Palm area, with a sea view with a 2-bedroom suite, but a refundable rate and breakfast and dinner included these kinds of complex queries are very hard to solve even on B2C OTA platforms today. So, the way we have built this platform, such queries are enabled at an extremely fast pace. The whole thesis is that when customers go to travel agents, they are looking to book complex itineraries, and these are the questions they often have for travel agents. So, our belief is discovery and bookability of hotels will become much more efficient compared to our previous booking engine with this new platform.

We've been also working on incorporating artificial intelligence and big data technology into various functions. Two specific experiments that I want to talk about today, because both of them are starting to show meaningful results now. The first one is AI-driven pricing. So, on our enterprise business, which is a business where we sell to large customers via API, we've rolled out an AI-driven dynamic pricing platform. This is a real-time signaling platform which decides how much markup to put on every search in real time based on a variety of data signals. Right now, it is rolled out for 25% of our wholesale customers or enterprise customers in the international source markets and we've seen promising results. Also, we've seen some improvement in our take rate for this cohort. This remains a key focus area for us because the international wholesale business is a significant portion of the business. And this business is extremely price sensitive because it is largely driven through API connectivity. So, our belief is that in the long run, as we continue to invest in this program, we will see some improvement in our take rate for the overall enterprise hotels business.

The second initiative I want to talk about is using some new AI tools, specifically LLM-driven voice bots, to automate some of our call center and back-office processes. The early results on this are very promising. So, we've done about 7,000 calls in the last couple of weeks since this rollout, and what we've seen is a 60% success rate, which essentially means that in 60% of these 7,000 calls, the outcome was similar or better to what would be the outcome if a human being was making that call. So, very early days on this program, but our hope is that this will allow us to improve our customer experience, make it more consistent, and help us reduce cost of customer surveys as a function of our GTV in the long term. But I must caution these are both early-stage projects and it will take several quarters before we see material difference in our P&L because of these initiatives.

Finally, I want to give you a quick update on our Jumbonline integration. As you would remember, we had completed this acquisition in December of last year. Jumbo Online is an aggregator of hotel supply in Spain, Italy and other Mediterranean coastal destinations, primarily serving tour operators in the US, UK and Europe. So, the business has shown meaningful growth in the last 12 months and now contributes almost 8.5% of our enterprise GTV and 7.6% of our revenue. The supply integration between Jumbonline and TBO is progressing well. This is where TBO supply is being pushed into Jumbonline customer base and vice versa Jumbonline supply is being pushed into TBO's customer base. We have done approximately $10 million of GTV so still numbers are small, but the growth trajectory looks promising. You may recall that the Jumbonline project integration has a two-year window where we have staggered payments this year and end of next year, which was linked to a shared service agreement which we had with the seller. Now, given the promise that the project is showing, we have fast-tracked this integration by a full year. So, the integration that was supposed to be completed by 1st November 2025 has been fast-tracked and completed by 1st November of this year. Essentially, what this means is that we have taken over the back office and mid office for Jumbonline within the TBO ecosystem. So, the whole back-office process, the operations, customer service, finance ERP, all those processes are now streamlined and combined with the TBO operations. This will allow us to one, standardize our back-office processes for Jumbonline, have some cost optimization, and set up the business for future growth. So, our belief remains, the investment thesis remains consistent, what we have committed to in the past.

Now I will hand it over to Vikas, to talk about the detailed financial performance for the quarter. Vikas, over to you.

Vikas Jain: Thanks Gaurav. Good evening and a very warm welcome to everyone on this call. I am pleased to share our financial results for Q2 and first half of FY2025. For the quarter ended 30th September 24, at an enterprise level, we saw good growth in key performance matrices. Our monthly transacting buyer base expanded by 6%, driving a 24% YoY increase in GTV. Our revenue from operations reached Rs. 450.7 Cr, up 27.9% YoY. Our enterprise take rate improved from 5.51% to 5.68% YoY. Breaking this down further, the airline business take rate rose from 2.46% to 2.6% while the take rate for the hotels and ancillary services saw a decline from 8.67% to 7.59% YoY, primarily due to the consolidation of Jumbo numbers. Jumbo operates on the markup model with minimal incentive passed to the buyers and thus the take rate and gross profit are similar. Gross profit as a percentage of GTV for the quarter improved from 3.54% to 3.86% on a YoY basis. This enhancement was largely driven by the increased share of hotels and ancillary services within our GTV which rose from 47% to 59% year-over-year.

On the profitability front, adjusted EBITDA reached Rs. 89.6 Cr representing a 24.5% YoY growth while Profit after Tax came in at Rs. 60.1 Cr showing a 7.1% increase over the previous year. For the quarter, our adjusted EBITDA margin stood at 19.89% and PAT margins as 13.33%.

Turning to our performance for the first half FY2025, cumulative GTV for H1 grew by 19% YoY, driven by a consistent growth in our buyer base by 6.6%. Our revenue from operations totaled Rs. 869.2 Cr, marking a growth of 24.7% compared to the first half of last year. For the first half of the year, adjusted EBITDA reached 174.7 Cr up 23.9% YoY and PAT totaled at Rs. 121 Cr reflecting a 17% increase. Our adjusted EBITDA margin for H1 stood at 20.1% and PAT margin at 13.92%. Additionally, it is important to note that income tax is now applicable to our wholly owned subsidiary in UAE from the beginning of the financial year and thus, H1 tax expense includes provisions for that liability. Our balance sheet remains robust with a net worth of Rs. 1,075.9 Cr as of 30th September 2024. Notably, our working capital continues to remain negative. Our cash and bank balances are also strong, standing at Rs. 1,372.8 Cr as of September 30th, 2024.

Thank you everyone and we will now hand over the call back to Aashvi.

Aashvi Shah: Thank you, sir. We will now begin the Q&A session. Participants are requested to raise their virtual hand to ask the question, post which we will unmute you. Request you to introduce yourself and this firm you represent before going ahead with your question. We will wait for a minute till the question queue assembles.

We have the first question from Mr. Karan Upal. Mr. Karan Uppal, please unmute yourself and go ahead with your question.

Karan Uppal: So, Gaurav, first question is on the international markets. So, the GTV growth in international is quite strong at 60% plus on YoY basis. Even on an organic basis it is very healthy at 26%. So, just wanted to check with you from which markets or countries are you seeing very strong traction. And also, we have heard from US listed players that they are seeing some moderation in leisure travel. Are you sensing the same? That's my first question.

Gaurav Bhatnagar: Karan, the growth has been quite secular actually. Most markets, for example, Middle East has shown strong double-digit growth even on a larger base, while APAC has shown very high growth on the base. In terms of overall share, Europe as a source market has now become our largest source market, both with Jumbonline definitely, but even if you were to exclude Jumbonline business, the core business in Europe has become very large and we continue to see traction over there. We've seen the commentary from other players on some headwinds in the market. I think while the macroeconomic picture is clear, there is geopolitical stress in certain markets, some of our source markets as well. Here we just want to reiterate what we said last time as well, ultimately, our business is aggregating existing demand. So, we are hoping that we will be able to continue to grow until unless we see very significant headwinds come in. So, far what we see is that we should be able to continue the growth momentum into Q3 as well. That's the picture that is visible to us.

Karan Uppal: Secondly, regarding the take rates, if I look at the hotel take rates, so on a quarter-on-quarter basis since last two quarters, we are seeing steady increase in the take rates. Now it is at 7.6%. So, do you think 7.6 is a ceiling or it can increase further from there on?

Gaurav Bhatnagar: So, Karan, the whole focus right now, especially in international markets is on topline growth. We are a platform business so any significant increase in take rate is often at the expense of our travel agent partners. So, generally, the view remains that we try and maintain our take rates where they are. The whole thesis is that EBITDA should grow via operating leverage not from take rate expansion.

Karan Uppal: And lastly, monthly transacting buyers have seen a small drop in India. So, what led to that, you can explain?

Vikas Jain: Basically, India, if you see as a high, very high base of transacting buyers. So, in this quarter, the growth was muted. However, we are focusing in current year to penetrate more into the tier 4 and tier 5 cities to increase our buyer base in India.

Ankush Nijhawan: But Karan, on the hotel side, our buyer base increased by almost 4% because what you're seeing is obviously one number. Yes, we kind of lost about 300, 400 long tail agents because of reasons mostly in the domestic airlines. But overall, our top 1,000 agents, there's no churn there at all, which are obviously the significant contributor in our business.

Aashvi Shah: Thank you. The next question we can take from Mr. Manik Taneja. So, please unmute yourself and go ahead with your question.

Manik Taneja: This question was with regards to the progress that you are making with Jumbonline..You spoke about fast tracking integration and certain focus on cost efficiencies going forward. Would be great to essentially understand today when I look at your operating expenses below gross margins, they add up to close to about 2.8% of GTV and this number has actually increased compared to the first half of the year as well as FY24. When do you think we start to see some operating leverage flow at this level, and which should basically translate into higher EBITDA profitability as a percentage of GTV?

Gaurav Bhatnagar: I think it's a fair question and look, I think it's a very measured call on part of the management to continue to invest into growth. As you know, a lot of our growth is dependent on market expansion and increasing coverage of travel agents globally. That's a North Star metric that we are tracking for. So, what we typically do is that to make sure that we can sustain the growth that we're showing right now, we continue to front load a lot of our sales hiring because there's a lag between when you open a market, when you hire people say in a region, and when they start to meaningfully contribute to growth, right? Especially in the retail business, you have to sign up hundreds of small customers before they kind of make a dent on the big number. So, what's likely going to happen is that our focus will remain on GTV growth, active agent growth, and hence we will continue to invest a lot of the cash that we are generating from operating leverage back into the business. So, while you would see that the EBITDA margin is still pretty strong about 20% EBITDA margin, we would be quite happy if we can maintain the 20% EBITDA margin while continuing to invest into the growth initiatives we are taking. So, no immediate plan to focus on expanding EBITDA margin now, given the runway for growth is so long.

Manik Taneja: Second question was a clarification question for Vikas. If I'm doing the math correctly, it appears that on an organic basis, our GTV growth was about 13.5%. Could you just confirm that?

Vikas Jain: For the quarter?

Manik Taneja: For the quarter.

Vikas Jain: Yes, around 14%.

Aashvi Shah: Thank you, sir. The next question is from Mr. Swapnil. Sir, please unmute yourself and go ahead with your question.

Swapnil Potdukhe: My first question is on the air ticketing side. So, we have been seeing this slowdown for quite a while now and we have called out saying that there were some pressures on the domestic air ticketing side. How long will it take to see a turnaround in this business and what will be the share of domestic ticketing right now to your GTV within airlines? Thanks.

Vikas Jain: So, in terms of the share of the domestic ticketing in the Air GTV, it contributes around one-third in terms of GTV per se. So, yes, we have seen marginal decline in GTV in terms of the air numbers YoY and primarily, we are working on the same. So, this quarter we are looking at least we should be end up flat or some single digit growth in GTV numbers in here for the coming quarter.

Swapnil Potdukhe: The second question is on Jumbonline. So, the number that you mentioned 8.5% of the total enterprise GTV that adds up to around Rs. 670 Cr of GTV from Jumbo. If I am not wrong, last quarter that number, I mean the previous quarter it was around Rs. 800-Rs. 900 Cr. So, is there any particular reason why the decline in that number?

Gaurav Bhatnagar: I think it's a very important question because to explain how the Jumbonline business operates. The Jumbo online business is very heavily dependent on the summer inbound traffic into Spain, Palma, Balearic Islands and rest of the Mediterranean destinations. Because the way our accounting works is that we book revenue when we complete the online transaction but not on check-in. So, the Jumbonline business has revenue gets booked much earlier than the check-ins because in Europe largely people are booking their summer holidays in our FYQ3 and FYQ4. Q2 is actually when bulk of the check-ins happen but the revenue was already booked because the bookings happened much earlier. So, in the Jumbo business the seasonality is going to be slightly different from our core business and you will see more revenue outside of the heaviest check-in season because most of the bookings will happen in Q3 and Q4.

Swapnil Potdukhe: How should we see the trend playing out next quarter? Because it's holiday season.

Gaurav Bhatnagar: For Jumbonline?

Swapnil Potdukhe: Jumbo, yes.

Gaurav Bhatnagar: I think broadly look, we don't know specific guidance and the business is also very new for us. It's the first full year for us in the business. But our sense is that it should continue to remain steady. We are not expecting too much of variation either way.

Swapnil Potdukhe: And just last question on the hotels organic growth. So, that would be around 33% if I'm not wrong for this particular quarter. It was slightly lower last quarter. But again, then there are some talks about leisure travel headwinds. How should we think it from the near term? I mean, next 1 or 2 quarters? How should we be projecting those numbers? Thanks.

Gaurav Bhatnagar: See Swapnil, during the last call we discussed that Q2 is typically heavier than Q1 and that kind of played out for us because of seasonality. Similar to that Q3 in our business is usually the weakest quarter because it's end of summer, so if you look at October-November-December except for the Christmas and New Year, largely no major triggers for leisure bookings. So, you would expect historically, and you would see historical numbers as well. Q3 is usually weaker than Q2. We expect a similar trend, but on a year-on-year basis, we expect to continue the momentum on the international source markets.

Aashvi Shah: Thank you. The next question is from Mr. Prateek Kumar. Sir, please unmute yourself and go ahead with your question.

Prateek Kumar: My first question is on take rate in hotel business. So, we have seen some improvement on a quarter-to-quarter basis in hotel business. So, last two quarters had impact of integration of Jumbonline but we are sort of looking at like 7.2% kind of take rate there so, it has improved 30 bps there. So, any specific reason?

Vikas Jain: So, Prateek, again, as you see this quarter the Jumbo contribution in overall GTV is lower than what it was in the last quarter. That's the key impact coming in the take rates. It is primarily due to the mixed impact of the Jumbo consolidation. On the core business, we are kind of keeping or managing the similar kind of take rates quarter-on-quarter.

Prateek Kumar: So, likely it should like sort of revert back to that 7.2% kind of number like going forward?

Vikas Jain: Yes, it should remain in the range, you may see cyclic movements, but it should remain in the range of between 7.2 and 7.6.

Prateek Kumar: Also, can you suggest like after H1, what is your employee base move to and how is your international employees in your overall mix?

Gaurav Bhatnagar: The employee base is roughly about 2,100 odd including contractors. I don't have a split handy with me. So, about 200 employees have been added or employees/contractors have been added in the current year. A lot of manpower growth in the business is happening either front facing sales teams in international markets. Some of ops to support that and a lot of investment is also happening in our tech and product teams as well So, this is where most of our investment is going, but I don't have specific numbers handy with me.

Prateek Kumar: We have already talked about like around 400 to 500 people on non-India payrolls. That number still stays?

Gaurav Bhatnagar: My guess is it probably has grown from there, because bulk of the new investment is happening in international source markets. So, headcount is increasing much faster outside of India compared to what is going in India.

Prateek Kumar: Next question is on like you have Rs. 1,400 Cr of like cash and cash equivalents. So, any thoughts on acquisition or utilization of cash on the next six months basis?

Gaurav Bhatnagar: I think we are constantly evaluating opportunities, acquisitions inorganic growth with a stated objective but like we have said in the past we are very value conscious of new opportunities and how we evaluate them. So, there is nothing to share at this point in time in the short term immediately. But rest assured, there is a pipeline that we are evaluating as we speak.

Prateek Kumar: Conceptually asking, like in some kind of global travel slowdown, there will be more opportunities or that would be the case right there like more such small agents or a company might be wanting to sell their business this point?

Gaurav Bhatnagar: No, Prateek, I think entirely possible, and which is why we are patient, right? So, we are not rushing into anything. We want to be sure that we do a good deal, and we do the right deal. There is a lot of learnings as well from Jumbonline, which is just preparing us better for a subsequent acquisition, when and if it comes. In terms of, look, the only thing we have to keep in mind is that doing something very small may not be very incrementally valuable for the company, given that the management bandwidth that goes into evaluating, due diligence and consuming and integrating a business is quite large. So, we will probably shy away from doing something very small. But having said that, we are actively evaluating opportunities of various sizes.

Prateek Kumar: And last question, after like Middle East, Africa and Europe as source markets, which should be like, you see as the third largest fastest growing market for you?

Gaurav Bhatnagar: So, third largest, I would say Latin America as it stands today. The fastest growing would be Asia Pacific, but on a smaller base.

Aashvi Shah: Thank you so much. The next question is from Mr. Manik. Mr. Manik, could you please unmute yourself and go ahead with your question.

Manik Taneja: Basically, one was a request for data point. If you could, while you provide the GTV split between India and international markets, it will be great if you can start breaking that up between Europe, Middle East, the way you did it as part of your IPO process, because like last quarter when you spoke, you said there were some timing challenges in the Middle East market and thereby some of those were expected to resolve in the current quarter. So, it will be great to simply get that data straight. The second point was with regards to some of our global aggregators have spoken about challenges in the European market and while your commentary essentially seems to be slightly more optimistic, it will be great to get your perspective as to what do you think may be impacting some of the competition and what may be working to our advantage in that geo.

Gaurav Bhatnagar: Manik, firstly on your request for data, we'll definitely consider it and figure out in what form and manner we can share a bit more color on where the growth is coming from. Second on Europe source market, Manik, I think very hard to comment on competition. But you have to keep in mind, some of our competitors are significantly larger than us in Europe as a source market. Some orders are in larger magnitude than us. So, they would get far more constrained for growth when their macroeconomic headwinds hit a region. Our business is coming from a small base and hence growing faster. Our belief remains that one, we have invested a lot in building out solid local leadership in Europe. As you would see, within Europe also divided buyers into three different regions. We look at UK-Ireland separately, we look at Eastern Europe and CIS countries separately, and we look at Southern and Western Europe separately, and then Jumbo runs separately as well. So, there is significant investment in leadership and people on the ground buyers in Europe as a source market. Having said that, look, I think it will be foolish to say that we will be completely immune to any major geopolitical or macroeconomic headwinds that may happen. Our only comment remains that we are coming from a small base in a very large TAM. So, hopefully, in the short to medium term, we should be able to find ways to grow in spite of some of these headwinds.

Manik Taneja: And do you think there might be some sort of risk to the take rates given the growth challenges that competition essentially is facing?

Gaurav Bhatnagar: Manik, hard to comment at this point in time. As it stands today, our sense is that the take rates should more or less remain where they are, at least for this quarter. We're not trying to actively expand them. We do work very hard to protect them. So, we want to make sure that we don't have to discount too much. So, very hard to comment on it. But as it stands right now, we are maintaining take-rates at least in the current quarter.

Aashvi Shah: Thank you. We have the next question from Ms. Sagarika Chetty. Ma'am, please unmute yourself and go ahead with your question.

Sagarika Chetty: Hi, I'm Sagarika from Anand Rathi. First question is on Jumbo. First of all, just require a clarification that in your presentation, 7.6% of revenue is solely the hotel revenue, right?

Gaurav Bhatnagar: Jumbonline is all hotel revenue, yes. But 7.6% of the enterprise revenue is coming from Jumbo Online. Not 7.6% of the hotel revenue but 7.6% of the enterprise revenue.

Vikas Jain: That too for Q2 FY25.

Sagarika Chetty: And secondly, can you again just briefly touch on, I know that someone asked about the Jumbo seasonality, if you can just repeat it because there was slight confusion. So, what are the two quarters where you know it's stronger compared to the others? If you can just put some color on that.

Gaurav Bhatnagar: Jumbonline largely depends on European leisure traffic coming to the Mediterranean beach destinations. Europe books much in advance. So, you will start to see summer bookings happen, already starting to happen in November, December and you will see heavy booking windows in January to March quarter as well. Because the way our revenue recognition works is on booking and not on actual date of check-in. So, the Jumbo business seasonality from a revenue perspective will be a heavy Q4, our Q4, but a lighter Q2 because that is when the actual check-ins are happening. So, from here on we would see hopefully improving the numbers in terms of revenue for Q3 and Q4, but then we'll see some slowdowns happen in Q1 and Q2.

Sagarika Chetty: And next in terms of acquisition, which geographies will you be specifically targeting for? I mean, can you give some color on that as well?

Gaurav Bhatnagar: See, we are agnostic to geography because the business is global. We are present in pretty much every continent and pretty much every country. The bigger question for us always is what is the figment, and you know, we have this small playbook on acquisitions on in terms of if we supply complimentary or is the demand complimentary? Do we have a belief that the business will integrate wealth into the TBO business and drive some new synergies? Do we believe that business is easy to diligence and build confidence on the numbers that we are seeing? And then fifth is we getting good value for the business and we will be able to meaningfully expand EBITDA post-acquisition. So, those are the criteria that we look at, but we remain fairly agnostic to which part of the world the business operates in.

Sagarika Shetty: And finally in terms of the monthly transacting buyers, so in India is it safe to assume that the transacting buyers' growth would come from international and on India we have already seen some level of saturation or is there some room to grow in India per se?

Ankush Nijhawan: I think the headroom for growth in active buyers in India is still there, but one thing you must notice that the active base is very high. It is in 5% or a single digit. It is a significant addition to our active buyers, but yes, obviously India still remains a very buoyant market and the whole outbound story has just started to roll out now. So, we are very confident we will add buyers and continue to add buyers as we move forward.

Gaurav Bhatnagar: Karan, are you next?

Karan Uppal: So, just want to check on corporate travel. So, we are we are basically hearing news flows of corporate or business travel picking up in India as well as internationally. So, just wanted to check what's the rough split between corporate and leisure travel for us? And are we seeing any uptick because of corporate travel?

Gaurav Bhatnagar: So, Karan, largely our business relies on leisure travel because the whole thesis is on outbound leisure. Having said that, there is a fair portion of business that comes through corporate, and which is because travel agents would typically, any mid-size or large travel agents, is typically running a corporate travel desk separate from leisure. Corporate business is slightly more year on and slightly more consistent but possibly lower margin and lower GTV for travel agents. Leisure is much more profitable but happened in spurts, there is a strong seasonality to it. So, we do benefit from that if you look at our data. So, the proxy is looking at how many bookings are happening, where there's a single passenger for it as an example, and we would think of it as a proxy for there's probably a corporate traveler, especially if it's a small, short haul or a short stay booking. So, with that, I would say there is a fair portion of business that comes from corporate, but bulk of our business is largely driven by leisure. We do believe that at least in the short term, this will continue to remain so. The value proposition of travel agents and value proposition of what we bring on the table, which is the differentiated hotel supply at a global scale, is far more relevant for a leisure traveler, especially because a lot of premium luxury sells on leisure, which is where we specialize in.

Karan Uppal: But if I have to just assume a number, so would 80-20 be a fair split, 80% leisure and 20% travel? Not an exact number but just a ballpark?

Gaurav Bhatnagar: I would not comment on that, Karan, because it would be misleading and also, I think from a perspective of our financials, I think there is no difference in margin profile or growth profile irrespective. I can say that the majority of the businesses is leisure but whether it is 80-20 or 60-40 is very hard to articulate that.

Karan Uppal: And the second question is you mentioned that the momentum in the international markets will continue, so if I just look at the GTV growth rate or organically I think it has grown by north of 30%. So, if the take rates remain where they are, which you mentioned that it will not increase meaningfully. So, 30% is a fair assumption in terms of the growth from here on?

Gaurav Bhatnagar: We don't comment on it, we don't provide any outlook. But our only hope is that we will just be able to maintain momentum from where we are.

Karan Uppal: The next thing is on the Jumbo. So, you mentioned that Q3 and Q4 are seasonally strong for Jumbo, but for TBO's organic business Q3 is weakest. How should we think about Q3 because there are multiple factors which are playing out? And this is the first time which you are going to report it publicly. So, any comment there?

Gaurav Bhatnagar: Karan, I think Q3 is definitely historically the weakest in our business. We would definitely expect similar outcomes this quarter as well. Yes, Jumbo will probably have slightly stronger Q3 compared to Q2, but in the big scheme of things, Jumbo is still small, right? So, it is meaningful, but it is not material enough to move the numbers. So, our view will still remain that, historically Q3 is somewhat lower than Q2. I would not expect it to change this quarter this year as well.

Aashvi Shah: Thank you, Karan. Yes, Mr. Prateek, please unmute yourself and go ahead with your question.

Prateek Kumar: Just one follow up question on acquisitions again. What kind of metrics would you use like in current environment for evaluating acquisition? It should be like GTV to EBITDA or EV to EBITDA. I am not sure how profitability would be impacted for smaller companies in the current market situation, but what is the general matrix which you would like to be pursuing for any M&A?

Gaurav Bhatnagar: Prateek, this answer changes case by case because our industry is quite niche. It's a small industry. There are no established benchmarks in B2B, especially at subscale businesses, which are not very large. Our thesis will always remain on what is our return on investment and what is our payback period. That is why we are quite conservative when it comes to assigning value to potential acquisitions.

What we largely look for is that, is it just additive or is it going to be significant synergy to increase meaningful value on both sides, the core business and the business that we're acquiring. On the whole, we want to be sure that we have a fairly reasonable payback just from the cash flows of the business rather than looking at EBITDA or revenue multiples.

Aashvi Shah: We have a question from Ms. Vidhi Shah. Ma'am, please unmute yourself and go ahead with your question.

Vidhi Shah: Yes. Hi, so I am from Yes Securities. Just two questions. First is in the last quarter, you had mentioned you have closer to 35% of income from hotels coming in from direct sourcing. So, wanted to understand how we are in terms of the mix for direct sourcing and the third-party distribution that we have typically, where we are on that side?

Gaurav Bhatnagar: Vidhi, the number is pretty much at the same level right now, about a third, about 33%-35% of our businesses coming from direct sourcing. And we do not expect to change it very materially either way in the short to medium term. As we discussed in the past, look, as a platform business, third party supply is equally important for us. In fact, one of our strengths vis-à-vis many of our industry peers is that we have a very strong playbook both on tech and on operation, on being effectively able to use third party supply and service our travel agent partners. It gives us the maximum depth and breadth compared to many of our industry peers. So, how we look at it is that we want to maintain a healthy mix of direct business where it makes sense because there is an additional cost of acquiring direct business with third-party business. Though sometimes, not always, sometimes it is slightly more margin accretive, also creates a competitive edge vis-a-vis our competition. So, we believe we are at a good steady state right now. This number may inch up or down depending on seasonality, depending on the sheer mix of destinations. But we are not expecting any significant material movement on this number in the short term.

Vidhi Shah: And what would be the typical sustainable levels for hotel take rate like you mentioned including Jumbo the take rate for hotels is looking at 7.6. So, is it fair to assume that closer to 7.5-8 would be the sustainable levels on the hotel side?

Vikas Jain: So, as I mentioned as an answer to the other question as well, that we expected depending on seasonality mix etc. it should remain in the range of 7.2% to 7.6%.

Vidhi Shah: This is just Jumbo, this is including everything?

Vikas Jain: This is overall.

Vidhi Shah: One more question if I can squeeze in. Last quarter, the active agent growth, if I'm not wrong, was over 20% on a YoY basis. So, that for this quarter is 6%. So, if you can just give some color on this?

Gaurav Bhatnagar: Vidhi, I think at an enterprise level, year-on-year growth was similar last year, last quarter as well, about 6% or 7%. The growth you're looking at is the growth in the international source markets, where yes it was close to 20% and in fact it's higher than 20% in this quarter.

Vidhi Shah: So, if I am looking at the consolidated level is that 6%, even in the last quarter?

Gaurav Bhatnagar: Yes, it is pretty consistent and slightly higher in the international.

Vidhi Shah: And that momentum would continue in this quarter as well, as you mentioned 20% was there in last quarter?

Vikas Jain: Vidhi, again no firm guidance on this and to keep in mind if there are a lot of holidays in a quarter then this number is sometimes lower because they are just fewer working days. But rest assured this is the North Star metric we are chasing; this is where all the investment is going. So, we have a very strong eye on this number.

Aashvi Shah: Thank you, Vidhi. Since there are no further questions, we would like to end the call. I would like to give it to Mr. Gaurav for his closing remarks.

Gaurav Bhatnagar: Thank you, Aashvi and thank you, everyone for joining this call and for all the insightful questions. We've taken your feedback on some additional data points. We'll discuss internally and decide how we can give you more color on the business. Thank you.

Aashvi Shah: Thank you so much, everyone. In case of any queries, please reach out to us. Thank you so much. We can now end the call.