2 December 2024

TBO Tek

Rating: Buy
Target Price (12-mth): Rs.2070
Share Price: Rs.1563

Revenue growth momentum to sustain; maintaining a Buy

TBO Tek's H1 FY25 revenue grew ~24.7% y/y to ~Rs8.7bn (organic growth ~17.1% y/y). The overall take rate rose from ~5.2% in H1 FY24 to ~5.5%, with monthly transacting buyers growing ~6.8% y/y to 28,252. EBITDA grew ~18.3% y/y to ~Rs1.6bn, with the margin at ~18.6% (~19.6% in H1 FY24), down ~100bps y/y, as the company is prioritizing GTV and buyer-base expansion over margins in the near term. On the hotel front, management expects the growth momentum to continue (~33.1% y/y growth in H1). However, in airlines, it expects flattish or low single digit growth in GTV, as the company's focus is largely on India outbound. Outside India It plans to treat airline as a complimentary service, along with hotels to sell the entire package. Factoring in low H1 margins, we cut our FY25e/26e earnings 12.8%/8.3% and introduce our FY27e. We retain a Buy rating, with a 12-mnth TP of Rs2,070 (earlier Rs2,150), ~48x FY27e EPS (60x FY26e EPS).

Management guidance. 1) The lower hotels' take rate in H1 (~7.4% compared to ~8.2% in H1FY24) was due to contribution from Jumbonline, which has a lower take rate as it deals only with enterprise customers and not retail. Management expects this rate to hover at ~7.2-7.6% in the near term. **2)** Focus is on ancillary offerings like car rentals, sightseeing, airport transfers, etc., and the recently introduced Euro rail offerings in the international segment. **3)** The company aims for the EBITDA margin to sustain at current level as it prioritizes GTV and buyer-base expansion in the near term. **4)** It has Rs12.3bn cash and is eyeing acquisitions on the supply/demand side, especially in the US or Europe.

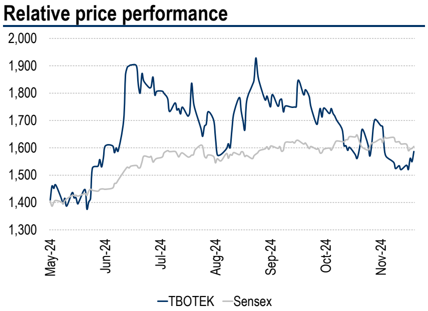
Outlook. Over FY24-27, we expect overall revenue to grow at a 29.2% CAGR, largely led by 36.4% growth in hotels and ancillary revenue, whereas the airline segment would remain flat. Further, we expect the EBITDA margin to increase ~170bps from 18.5% in FY24 to 20.2% by FY27, leading to a 30% EPS CAGR over FY24-27. **Risks:** Inability to retain buyers, discontinuing supply of inventory; external factors curbing travel.

Key data	TBOTEK IN / TBOT.BO
52-week high / low	Rs2001 / 1229
Sensex / Nifty	79803 / 24131
3-m average volume	$1.6m
Market cap	Rs172bn / $2039m
Shares outstanding	109m

Shareholding pattern (%)	Sep'24	Jun'24
Promoters	44.4	44.4
- of which, Pledged	-	-
Free float	55.6	55.6
- Foreign institutions	35.5	42.8
- Domestic institutions	6.6	6.6
- Public	13.5	6.2

Estimates revision (%)	FY25e	FY26e
Revenue	(3.5)	(0.2)
EBITDA	(6.5)	(2.1)
PAT	(12.8)	(8.3)

Relative price performance



Source: Bloomberg

Key financials (YE Mar)	FY23	FY24	FY25e	FY26e	FY27e
Sales (Rs m)	10,646	13,928	17,536	22,796	30,009
Net profit (Rs m)	1,485	2,006	2,546	3,554	4,679
EPS (Rs)	14.2	19.2	23.4	32.7	43.1
P/E (x)	112.5	80.3	63.7	45.7	34.7
EV / EBITDA (x)	85.3	60.1	46.8	33.7	25.6
P / BV (x)	47.7	29.8	13.6	10.5	8.1
RoE (%)	51.9	45.3	29.4	26.0	26.3
RoCE (%)	37.6	32.3	20.9	20.7	21.9
Dividend yield (%)	-	-	-	-	-
Net debt / equity (x)	-2.0	-1.4	-1.2	-1.2	-1.2

Source: Company, Anand Rathi Research

Shobit Singhal
Research Analyst

Quick Glance – Financials and Valuations

Fig 1 – Income statement (Rs m)

Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
Net revenues	10,646	13,928	17,536	22,796	30,009
Growth (%)	*120.3*	*30.8*	*25.9*	*30.0*	*31.6*
Direct costs	3,319	4,707	5,787	7,523	9,903
Gross profit	7,326	9,221	11,749	15,273	20,106
Gross margins (%)	*68.8*	*66.2*	*67.0*	*67.0*	*67.0*
SG&A	5,507	6,638	8,435	10,668	14,044
EBITDA	**1,819**	**2,583**	**3,314**	**4,605**	**6,062**
EBITDA margins (%)	*17.1*	*18.5*	*18.9*	*20.2*	*20.2*
Depreciation	-246	-362	-509	-661	-870
Other income	241	155	456	593	780
Interest expenses	-72	-106	-175	-228	-300
PBT	1,742	2,269	3,086	4,308	5,672
Effective tax rates (%)	15	12	18	18	18
+Associates / (Minorities)	-	-	-	-	-
Net income	1,485	2,006	2,546	3,554	4,679
WANS	104.2	104.2	108.6	108.6	108.6
FDEPS (Rs)	14.2	19.2	23.4	32.7	43.1

Fig 2 – Balance sheet (Rs m)

Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
Share capital	104	104	109	109	109
Net worth	3,403	5,448	11,902	15,456	20,135
Debt	64	1,351	1,351	1,351	1,351
Deferred tax liability	109	138	138	138	138
Lease & long-term liabilities	595	1,074	711	416	121
Capital employed	**4,140**	**8,010**	**14,101**	**17,360**	**21,744**
Net tangible assets	96	130	129	128	127
Net intangible assets	289	1,944	1,923	1,896	1,860
Goodwill	361	886	886	886	886
Right of use assets	612	669	669	669	669
CWIP (tang. & intang.)	-	-	-	-	-
Investments (strategic)	-	-	-	-	-
Investments (financial)	160	186	186	186	186
Current assets (excl. cash)	17,448	36,219	42,902	51,647	63,630
Cash	6,613	8,541	15,252	19,324	24,819
Current liabilities	21,440	40,564	47,847	57,376	70,434
Working capital	-3,992	-4,345	-4,945	-5,729	-6,804
Capital deployed	**4,140**	**8,010**	**14,101**	**17,360**	**21,744**

Fig 3 – Cash-flow statement (Rs m)

Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
PBT	1,742	2,269	3,086	4,308	5,672
+ Non-cash items	302	413	228	296	390
Oper. prof. before WC	2,044	2,682	3,314	4,605	6,062
- Incr. / (decr.) in WC	-558	152	-600	-784	-1,075
Others incl. taxes	-228	-265	-540	-754	-993
Operating cash-flow	2,374	2,265	3,374	4,635	6,144
- Capex (tangible + intangible)	70	387	487	633	834
Free cash-flow	2,304	1,878	2,886	4,002	5,311
- Acquisitions	-918	-1,278	-363	-295	-295
- Div. (incl. buyback & taxes)	-	-	-	-	-
+ Equity raised	-	-	3,907	0	-0
+ Debt raised	-3	1,301	-	-	-
- Fin investments	185	28	-	-	-
- Misc. (CFI + CFF)	-373	-56	-281	-365	-480
Net cash-flow	1,570	1,928	6,711	4,072	5,496

Source: Company, Anand Rathi Research

Fig 4 – Ratio analysis

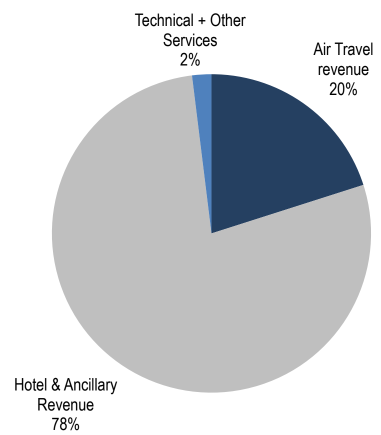
Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
P/E (x)	112.5	80.3	63.7	45.7	34.7
EV / EBITDA (x)	85.3	60.1	46.8	33.7	25.6
EV / Sales (x)	14.5	11.0	8.8	6.7	5.1
P/B (x)	47.7	29.8	13.6	10.5	8.1
RoE (%)	51.9	45.3	29.4	26.0	26.3
RoCE (%) - after tax	37.6	32.3	20.9	20.7	21.9
DPS (Rs)	0.0	0.0	0.0	0.0	0.0
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Dividend payout (%) - incl. DDT	-	-	-	-	-
Net debt / equity (x)	-2.0	-1.4	-1.2	-1.2	-1.2
Receivables (days)	26	45	45	45	45
Inventory (days)	-	-	-	-	-
Payables (days)	29	50	50	50	50
CFO: PAT (%)	164.5	112.0	132.5	130.4	131.3

Source: Company, Anand Rathi Research

Fig 5 – Price movement

Source: Bloomberg

Fig 6 – Revenue contribution, H1 FY25



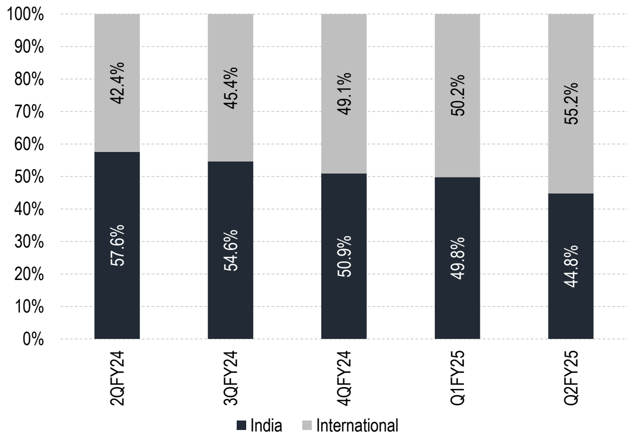
Source: Company

Fig 7 – Consolidated quarterly results

(Rs m)	H1 FY25	H1 FY24	% Change
Revenues	8,692	6,969	*24.7*
EBITDA	1,615	1,366	*18.3*
EBITDA margins, %	*18.6%*	*19.6%*	*-101 bps*
EBIT	1,365	1,236	*10.5*
EBIT margins, %	*15.7%*	*17.7%*	*-203 bps*
PBT	1,468	1,167	*25.8*
Net profit	1,210	1,042	*16.2*

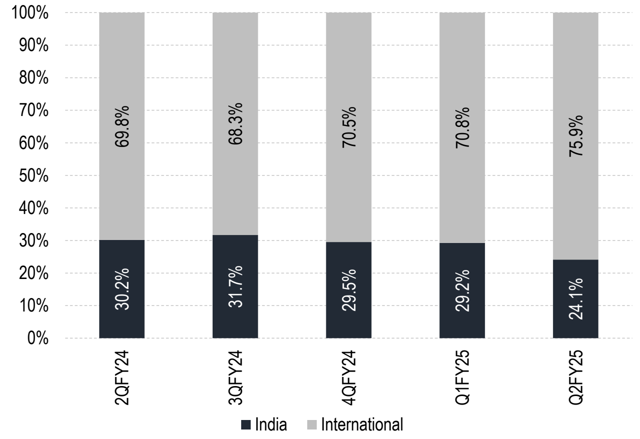
Source: Company, Anand Rathi Research

Fig 8 – India-international GTV



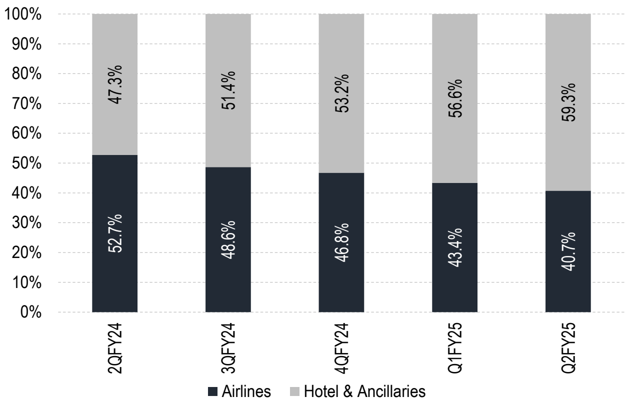
Source: Company, Anand Rathi Research

Fig 9 – India-international revenue bifurcation



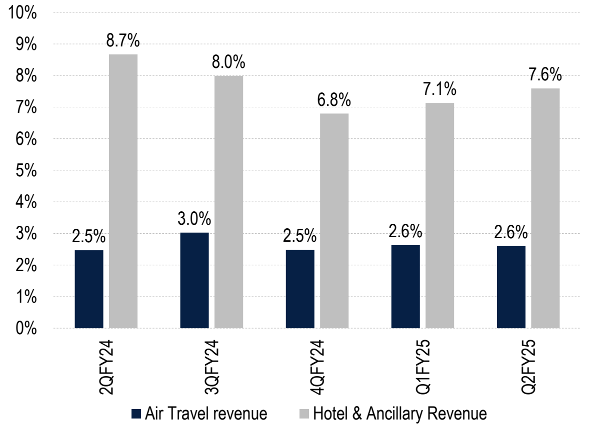
Source: Company, Anand Rathi Research

Fig 10 – Segment-wise GTV bifurcation



Source: Company, Anand Rathi Research

Fig 11 – Segment-wise take rate



Source: Company, Anand Rathi Research

Management meeting KTAs

Outlook and guidance

- The lower hotels' take rate in Q2 (~7.6% vs. ~8.7% in Q2 FY24) was due to contribution from Jumbonline; to remain at ~7.2-7.6% in the near term.
- The company aims to sustain margins at current levels as it is prioritizing GTV and buyer-base expansion.
- Although seasonality-wise, Q3 is weaker than Q2, the company expects the y/y revenue growth momentum to continue in Q3 (Q2 saw ~27.9% y/y revenue growth), particularly on the international side.
- Focus to remain on successful onboarding of retail and enterprise travel agents as opposed to other players, who are mainly focused on the enterprise side.

Q2 FY25 key points

- The ~2.3% y/y decline in monthly transacting buyers in India was due to loss of longtail agents for domestic airlines.
- Pressure was seen in the domestic airline business (contributed ~1/3rd to overall airline GTV of ~Rs32.3bn); flattish or single-digit growth in segment GTV is anticipated ahead.
- In the hotel segment, most of the sales is for 4-5-star hotels.
- ~33-35% revenue came from direct sourcing and the rest from third-party distribution; to remain at same levels ahead.
- Region-wise, the fastest-growing is APAC (lower base), whereas LATAM remained as the third-largest source market after Europe and MEA.
- The company is also catering to enterprise customers in China.

Jumbo's seasonality

- Jumboline's business largely comes from European leisure traffic, particularly Mediterranean countries.
- It is present more on the enterprise side, wherein it deals with tour operators.
- The company books revenue at the time of processing of online transaction and not at the time of check-in; hence, Jumbo's revenue is seasonal: Q3 and Q4> Q1>Q2.

Employee base

- The company added ~200 employees/contractors in H1 FY25, resulting in the employee count at ~2,100.
- Manpower growth predominantly happened for international frontline sales staff and the tech team.

Valuation

An aggregator, Travel Boutique Online (TBO Tek) helps travel distribution between suppliers (e.g. >750 airlines, ~1m hotels globally) and buyers (travel agencies, independent travel advisors, etc). Travel suppliers need a way to market their inventory efficiently to buyers, who in turn need access to these to meet their customers' travel requirements. Being modular (offering need-specific modules) and asset-light, this platform is scalable with the potential to launch new solutions, thereby creating a network effect.

Factoring in low margins in H1, we cut our FY25e/26e earnings 12.8%/8.3% and introduce our FY27e. We retain a Buy rating with a 12-mnth TP of Rs2,070 (previously Rs2,150), ~48x FY27e EPS (60x FY26e earnings).

Fig 12 – Change in estimates

	FY25e			FY26e		
(Rs m)	New	Old	% change	New	Old	% change
Revenues	17,536	18,176	*(3.5)*	22,796	22,840	*(0.2)*
EBITDA	3,314	3,545	*(6.5)*	4,605	4,705	*(2.1)*
EBITDA margins %	*18.9*	*19.5*	*-60 bps*	*20.2*	*20.6*	*-40 bps*
EBIT	2,806	3,163	*(11.3)*	3,944	4,225	*(6.7)*
EBIT margins %	*16.0*	*17.4*	*-140 bps*	*17.3*	*18.5*	*-120 bps*
PBT	3,086	3,416	*(9.7)*	4,308	4,543	*(5.2)*
Net profit	2,546	2,919	*(12.8)*	3,554	3,877	*(8.3)*

Source: Company, Anand Rathi Research

Key risks

- Inability to retain buyers and loss of agents.
- Suppliers changing terms and discontinuing supply of inventory.
- External factors curbing travel.

Appendix

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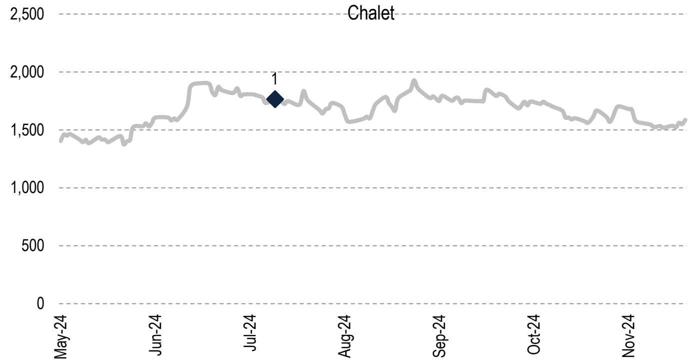

	Date	Rating	TP (Rs)	Share Price (Rs)
1	22-Jul-24	**Buy**	2,150	1,726

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