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Moderator: Jed Kelly
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OPERATOR: This is Conference #1678717

Operator: Good afternoon, my name is (Ariselly) and I will be your conference operator today. At this time, I would like to welcome everyone to the online travel conference call. All lines have been places on mute to prevent any background noise. After the speaker's remarks, there will be a question and answer session.

If you would like to ask a question during that time, simply press star, then the number one on your telephone keypad. If you would like to withdraw your question, press the pound key. Thank you, I will now turn the call over to senior analyst covering online travel, Jed Kelly. Sir, you may begin.

Jed Kelly: Thank you, (Ariselly). So with me today, we have Dhruv Shringi, who's the cofounder and CEO of Yatra. Dhruv leads the company's business initiative after founding Yatra in January of 2006, and has grown it from a three member organization to 2,400 people and making it one of India's leading travel brands.

Also on the call is who is Manish Hemrajani who is Yatra's corporate finance and head of investor relations. So welcome Dhruv, welcome Mainsh.

Dhruv Shringi: Thanks, Jed, good to be here.

Manish Hemrajani: Thank you, Jed.

Jed Kelly: All right. Great. So Dhruv, for those on the call that are new to the story, can you start by providing a brief introduction to Yatra and what gets you excited about the company's growth opportunity over the next five years?

Dhruv Shringi: Sure, Jed. Good morning to everyone. For those of you who are not familiar with Yatra, Yatra is one of the leading online travel companies in India.

(We started) back in 2006 and as Jed mentioned today, employ almost 3,000 people actually. Our business has been growing at a (inaudible) (risk pace); we've been growing at a CAGR at about 25 percent in terms of revenue growth over the last three years.

We are one of the most well recognized home grown internet (websites), and what differentiates Yatra to a certain extent is that as opposed to taking a pure play, consumer playbook, we have taken the approach of having multiple channels of going to market.

We not only have a strong consumer (dialect) position, we also have a very strong enterprise (in place). Today we are the largest player in the corporate travel market in India and we have a fast platform for corporate customers and we can talk about that further down the call.

But in terms of the market itself, the (India in aviation) market has been going (inaudible). Travel in India is growing at about 12 to 14 percent. So it's a great time overall to be a travel company in India.

In India, we are witnessing a trend where disposable income growth is happening, where macroeconomic growth is happening. And on the back of that, travel is growing, as I mentioned, at about 12 to 14 percent.

It's also a market which has its own nuances and on the back of the corporate travel product, that we've built out, we've been very successful in deploying this (inaudible) across a number of larger organizations in India; in fact, 700-plus large customers use our travel technology platform.

And that has worked really well for us. So we are very excited about this opportunity. It's a large market, we (are a leading) player in a large market and its going at a very brisk pace.

Jed Kelly: OK, great. And this is going to touch on the corporate opportunity, but I think since you've listed on NASDAQ, there's kind of been a misconception with some investors that Yatra is just an OTA and some of them may prefer to own the category leader and make my trip. But can you talk about sort of what you found a little bit more on the corporate segment and what makes Yatra unique with its multi channel offerings?

Dhruv Shringi: Sure. So Jed, because I delve into that, I'm maybe going to take a step back to give you and the other listeners on this call a sense of the macroeconomic environment in India.

And India is a market today where disposable income growth is happened at a (risk pace), but absolute amount of GDP per capita is still only about $2,000. We don't think this per capita GDP today is large enough to sustain a (really big fuel ledger to the market).

The reason we set out to build out a business travel platform is that in any emerging market we've seen, the first leg of travel ends up being business related. So people like myself included, who grew up in (little slab houses within) India.

Our first exposure to travel happened when we got a job. So what we have decided to do over the course of the last three of four years is (put) out a platform that is hopefully allowing us to capture customers (at source).

So by deploying our technology platform into large corporations, these corporations then end up pushing our platform to the end consumer to download and book their business travel, we are looking at capturing these customers at (source) as they come into the travel category.

And then to a combination of innovative rewards program, we look at deploying the rewards and migrating these customers from not just being business (inaudible) onto our platform, but also (inaudible). So when you

really think about this, what we are trying to do today, and this is what differentiates us from (inaudible).

We are trying to look at a platform which addresses all the (three channel) categories of travel in India which are consumer, corporate and trade. And this multi channel platform actually acts as a great (feeler) by acquiring customers from the business travel platform for us, and then migrating them into leisure travelers onto the (outset) platform.

So we feel by putting this kind of a model in place, we've found an appropriate way of being able to subsidize the cost of customer acquisitions. In India again, lined to the lower disposable income, the outreach ticket and transaction prices in India tend to be on the relatively low side.

The cost of acquisition however, continues to be high given the competitive landscape. So by having a third (vector) in terms of employees of corporate organizations being consumers for us on the leisure travel/(inaudible),we think we've solved this problem of bang able to acquire customers at a significantly lower cost than any of our (competitors).

And that's wherein (the secret source) for Yatra. The symbiosis that we are creating between travelers and leisure travelers is what really differentiates us, and we think this model is much better suited through emerging markets where disposable income is still in a relatively early stage of growth.

Jed Kelly: Interesting. And just circling back on that GDP per capita, as you said, $2,000. Where in India in its travel -- where is India versus China? Is it still 10 years behind?

Dhruv Shringi: Yes, I think if you look at a number of metrics, its anywhere five to 10 years behind, depending on the metrics that you're looking at. But in terms of the disposable income growth, I think it's definitely at a (10 year) kind of (back result) to where China is today.

Jed Kelly: And where do you think it needs to be to sort of -- where you actually see some reacceleration or acceleration to the build up? Larger leisure travel OPA?

Dhruv Shringi: So when we've looked at (sales) for Chinese (peers) we've seen that around the $2,500 mark -- so somewhere between the $2,500 and $3,000 mark per capita GDP, is then you to see travel to begin to inflict.

So I think there may be -- in a three to five year horizon, we will definitely see strong inflections happening on the leisure travel side. The business travel side continues to grow very strongly today because the underlying macroeconomy is growing at 7- plus percent from a GDP point of view.

Jed Kelly: OK, and then on your comments on the corporate travel and the cross selling opportunity, can you share some metrics on how many members you currently have in your rewards program?

And then can you talk about the profitability trajectory of the corporate travel segment and then sort of what the margin profile looks like right now and how should we maybe view the margin profile of the corporate segment three to five years out?

Dhruv Shringi: Sure. So let me share some metric on that. In terms of the cumulative customers – and this is just to put things into perspective – there are about 8.3 million customers who are cumulatively transacted with the (outset).

Now, on the back of the business travel platform that we built, these 700 large organizations employ about 4.2 million people. And when you really think about this, each earning member supports a family of four to five.

You are looking at between 16 to 20 million (who are our captive customers.) In a market like India where our estimates put the total number of unique travelers at between 60 to 70 million, we think we have an opportunity to be able to capture 25 to 30 percent of this customer at a much lower cost of acquisition versus our peers.

So we think this is from a customer acquisition point of view and reach point of view a very, very efficient tool of customer acquisition and reach penetration at a very low cost per touch for us.

Jed Kelly: Interesting. All right, in your recently…

Dhruv Shringi: Sorry, the other part of your question was around the profitability.

Jed Kelly: Yes.

Dhruv Shringi: So maybe I can address that at this point as well that in terms of operating profile on the corporate travel segment, there are a couple of things that come into play, and I want to just give the listeners a sense of how the P&L literally stacks up.

So on this side, the operating margin and the take rate work in different directions. So the take rate works as the consumer business on corporate is slightly lower because you don't have a consumer (inaudible) (which is there.)

But on an operating margin basis given that you don't have a (fame and gateway) cost or a marketing cost, at an operating margin this business tends to be very healthfully profitable.

We are – we haven't given exact numbers on this, but from an operating margin point of view we are between the 15 to 20 percent mark out here, and we feel this is an area where as skill continues to increase we should continue to see operating margin improving at a very healthy pace.

We think there's a lot of work that can be done using natural language search processing, using automation of some of the call center processes so we can really turn this into a full fledge platform with very, very healthy operating margins.

Jed Kelly: OK, and then I think in your latest press release you recently announced that your corporate segment won three contracts – Essel Group, Bridgestone, and TaT Consulting. Can you talk about the factors that caused the company to win those contracts and why did they chose you over the competition?

Dhruv Shringi: Sure. So in terms of this (prologue), Jed, in the market today, we think we've achieved a very good product market fit.

And what I mean by that is when we look at the competitive landscape out here, the two kinds of competitors that we compete with. One is the multinational players like American Express and Carlson Wagonlit, and then there are a couple of home-grown players like Thomas Cook and (Cochran Kings).

(Versus Amex and Carlson), our pitch is usually a localized technology platform with a lot more local content. So to give you a sense on the domestic hotel front we have over 90,000 hotels on our platform, and most of the foreign peers would have a few hundred or at max a couple of thousand.

Versus the home-grown players, out pitch is on the back of a technology platform, which is unique to Yatra and has been successfully deployed across a large number of both Indian and multinational organizations.

And from a price point perspective, we are quite aggressively priced. The reason being that our technology platform cost development is allocated between both our consumer business and our corporate business. And given that large part of it is focused towards consumers, the corporate part is built on a marginal costing basis.

So it allows us to be much better priced with much more domestic content, and the technology platform that is highly customizable and has been delivering consistently for a number of large customers.

So these are some of the key USPs we bring to the table. In terms of the customers that you spoke about, which are some of the recent wins, each of these customers would have their own unique reasons for choosing the Yata platform.

But the key thing amongst all of that, the two key parameters why customers choose us, one is the technology platform itself which is highly customizable. It's a platform that integrates deeply into the ERP systems of the organizations, into the HR systems.

It allows the workflows to be tailor-made around it. So it really streamlines the entire travel booking and reconciliation process for organizations, and that's a key strength that we bring to the table

The other which is there is the depth of the domestic hotel content that we have. As I mentioned, we've got an industry leading 90,000 plus hotels on our platform, and for a large number of our customers today, that is a key proposition.

They want a wide breadth of hotel inventory coverage especially for their field staff which is travelling across the country and is not staying in four and five-star hotels.

So a combination of our highly customizable, adaptable, technology platform, which is atuned to a very deep inventory base of domestic hotels is the key pitch with (gels) in very well with most of these organizations.

Jed Kelly: Interesting. And since you've really been building a nice competitive moat with your corporate segment, and we get this question from investors. Are you going to restrict yourself to just India domestic corporate companies on corporate travel? Or do you see and opportunity to expand beyond India such as (nearer shore) India markets, the Middle East, or Southeast Asia?

Dhruv Shringi: Jed, we think there's a very large opportunity in India itself which is currently (untouched), so we've gone deeper into India.

But what we've also witnessed over the course of the last few months is that a lot of these other emerging markets have attributes which are very similar India, and there are some inbound requests on inquiries which have come in from people in other emerging market, travel companies in other emerging markets who want to look at our technology platform.

So I think there is an interesting opportunity for us to expand beyond India as well. The shape and (fall) of these partnerships will evolve as we go forward, but I think the success story of Yata in the Indian market just by word of mouth is spreading into other near shores as well, near India markets.

So I wouldn't be surprised if over the course of the next six months we see some traction happening in a few of these markets.

Jed Kelly: And do you think you could build out this – do you think you could expand just organically or would you continue to do acquisitions like you did with ATP?

Dhruv Shringi: I think we will continue to explore interesting M&A opportunities where we feel there are companies who have either (way) of a strong captive customer base or they've got some specialized product knowledge that can allow us to improve our cross sell. So those are areas where we will continue to look for M&A opportunities.

Jed Kelly: OK, and then just switching over to the OPA segment. I mean, you mentioned earlier how you're utilizing cross selling in the leisure segment and competition does remain intense.

But what's your strategy in terms of attracting new India consumers that you necessarily can't acquire through your corporate segment. I mean, how are you competing with MakeMyTrip and some of the larger players in India or just your leisure traveler that's not going to find it through the corporate segment?

Dhruv Shringi: Sure. Jed, in India we are one of the most well acuminated brands in the travel space. There is a favor of investment that we've done over the course of the years in terms of building out the brand. And that brand allows us to be able to see are very healthy and a lot of data traffic coming in to the company.

But on the back of that, we also have partnerships running with some of the – the larger banks in terms of custom which enable us to retrieve and improve our customer acquisition. We have some partnerships which are running with Amazon Pay and PayPal as well as they are expanding.

And more importantly, we also have reliance in (inaudible), which is a strategic shareholder of Yatra. But alliance in (inaudible) has rolled out the Jio mobile network in India, which is today the largest mobile network in India with over 250 million subscribers.

And there are some things that we are doing with Jio, which allow us to penetrate deeper in to the (TO2), TLC markets from where the next wave of customers are coming in to the online travel guide.

So, I think a combination of the partnership with Jio and the employee base that we have on the corporate travel side are two of the key ingredients for us that help drive consumer growth on the leisure travel side as well.

Jed Kelly: OK. And then I think last week, OYO group made – there was a Wall Street Journal article about OYO group raising a significant amount of capital from SoftBank. I mean, how is Yatra working with OYO group? And do you see this more as an opportunity or should investors view this as a more – another well capitalized competitor to start dealing with?

Dhruv Shringi: See for us, OYO has evolved over the course of the last few years, (intervening) the hotel chain. So they have taken a much more deeper approach to managing properties stating on the assets renovating them and then running them as pretty much any other hotel chain would do.

So for us, the other supplier, they partner with the Yatra, the Yatra platform and they remain (key) to work with us, especially for our corporate customer base.

See the corporate customer base, because it sits on our – on our platform, they literally act as the gate keepers for that. And it enables us to be able to generalize the demand in conjunction with our profit partners in to certain set of hotel chains.

And that's where the (leverage) comes from. So, people like OYO are key to partner with Yatra to get access to the corporate customer base that is there on our (inaudible) platform. So, OYO works well with us.

It also helps us on the consumer side, because if these – if I look at this over the next four to five year horizon, there is a large need for standardization of hotel and entry in India. The hotel supply in India is extremely fragmented. 90 plus percent of it is independent (mom and pop) properties.

So the fact that there are some homegrown chains like OYO, which are emerging, it's a good thing because it does standardize the supply and make it easier for customers to book hotels online because they know at least what kind of experience they will get when they reach these properties.

Jed Kelly: And then, just sort of on the macro backdrop. I mean, India is one of the fastest growing economies in the world. But, we're experience – you're also to experience some rising oil prices and a weakening rupee.

That probably does impact the travel industry in India more than it does in developed nations. So, how should we – how should we view Yatra's positioning as the company in an environment of rising oils and oil pricing and a weakening rupee?

Dhruv Shringi: I think, Jed, those are both very good observations. And those are things which our macro had evinced that the industry is facing. But if you just look at within the industry, given that Yatra has a much heavier skew towards business travel, the risk of these macro trends is the least for us we believe amongst any of our peers.

And we have seen this in the past as well. Business travel does tend to be a lot more resilient and much more – from a pricing point of view, the demand of what there tends to be inelastic.

On the consumer side, we have seen that if price movements happen, consumers tend to fall back on traveling by rail. But business travelers hardly ever do that.

For them, time is money. Si we feel given that we've got a much more heavier skew towards business travel, (where as many of our) peers in the travel industry, in the (OTA) travel community, be a much (inaudible).

Now, obviously the macro list of currency and oil prices is there. And that's something that we are keeping a close eye on. But at least at this point in time, the impact of that on our business has been very limited.

Jed Kelly: Interesting. OK. And then, how is the government supporting the India's travel industry?

Dhruv Shringi: The government is saying to – they're looking at this from a couple of initiatives. One, the government obviously has been very active in terms of populationalizing, airports in tier two, tier three markets. We now have over a 100 airports, which are operationally in the country.

And that's almost a 25 percent growth over the last three years. So there is a lot more emphasis being laid out on building out airport infrastructure. And then over and above that, the government also realizes that domestic tourism lays a very important role in terms of creating employment at grass root levels.

So, a lot of the state tourism bodies are working to a close deal of people like Yatra, in terms of developing the tourism infrastructure in these states, whether this takes the shape of far more promoting, particular destinations, whether it works – whether it's work that we are doing in terms of upkeep if monuments and building out local tours and activities.

There's a lot of that stuff which is happening with the support of the state government at the grass root level for driving domestic tourism, which is resulting in employment at the local level.

So, both of these factors in terms of them driving aviation by improving the infrastructure on the ground and increasing the number of airports, and increasing and providing incentives for driving more domestic tourism are steps that the governments are taking at the center and state levels.

Jed Kelly: OK. And we'll just dive in to the financial here a little bit as we – as we finish up. So, when I look at my model, I have EBITDA margins improving by 1,800 basis points for fiscal year, 2019. Can you guys speak to some of the – the factors that are going to drive the margin improvement this year?

Dhruv Shringi: Sure. So the margin improvement this year, Jed, is coming from a few areas. One, on the cost side, there is a significant amount of work which is being done in terms of putting in place bots and automating the customer service

and response efforts. And there is a meaningful (cost) of reduction which is happening in our employee cost on the back of that.

The other area of where we are seeing employee cost reduction is happening on the back of the integration of the workforce between (ATB) and the (inaudible). So that's another important data where there is cost saving coming there on the back of the (post) margin integration process and work that's going on.

And then on the revenue side, we are seeing the new improvement happening on the back of (cross sale), so we are seeing significant cross sell out (jury) coming up on the customers that we've acquired has followed the (TB) acquisition.

We've seen initial demand being fairly strong in terms of driving our hotel product into that customer base – our insurance (product) into that customer base, so that's another (idea) which is helping us drive up margins.

And what we are also seeing Jed, to a certain extent, is the advantage of the scale benefit on the B to C side, so (as we came here) to increase our scale (over a year), there is healthy operating leverage that we are getting on our B to C part business as well.

So there are multiple factors between both B to C business and our B to B business, which are driving the improvement and the operation performance.

Jed Kelly: OK and I've got a couple more questions, but operator do you want to open it up for any questions for anybody on the line.

Operator: At this time I'd like to remind everyone in order to ask a question press "star" "one" on your telephone key pad. Again, that is "star" "one" to ask a question. We'll pause for just a brief moment to compile a Q&A roster. Once again ladies and gentlemen, it is "star" "one" to ask a question.

Dhruv Shringi: And Jed, while we are waiting for questions just one other incremental data point to look at is on the marketing side.

We are seeing significant improvement in terms of return on the marketing investment that we are making and if we look at our ratio of marketing to revenue in the last quarter of the current year we were at 50 percent and that compares to about 71 percent in the same quarter last year and 56 percent for the full year last year.

So we are seeing meaningful improvement in our marketing cost spenders (vow) as we are able to drive more and more customers from the corporate travel side to becoming ledger travelers as well on the platform, so that is helping us offset some of the cost of acquisition on the marketing side.

Operator: And there is a question from the phone line. The question is from Alec Bullen.

Male: Hey Dhruv, Tom Bushey and Alec Bullen from Sunderland Capital here. Can you just help us understand where you stand on the corporate travel side versus any competitors?

What that scale looks like and also your profitability on that portion of the business separately from the overall combine results with the leader side please.

Dhruv Shringi: Sure. In terms of size and scale we believe we are the larger (player) in the country on the corporate travel side in terms of gross bookings.

The next player after us will be about 85 percent of our size, which would be one of the multi-national companies. The next one after that would be about a third of our size and the rest would be about half our size and below.

In terms of the operation profitability, we are seeing operating margins in this business ranging between 15 to 20 percent.

So there is fairly healthy operating margin on this side of the business and we think going forward on the back of some of the work that we are doing on the automation side and our able to cross sell, especially our hotel product to customer base that we've acquired (PEE) side.

We should see meaningful improvement happening in the operation margins of this business over the course of the next 12 to 18 months as well.

Male: Great, thank you.

Dhruv Shringi: Sure.

Operator: And once again if you have a question, press "star" "one" on your telephone key pad. And there are no further questions at this time.

Jed Kelly: OK, so I've got a couple more before you wrap up. Just I guess – when are you targeting EBITDA reach and break even and then how should we view actually breaking even on the free cash flow basis and then can you talk about on how investors should view the air segment and hotel segment performing this year – just what's implied by your guidance.

Dhruv Shringi: Sure, so in terms of EBITDA break even we are (sure) targeting that in about 12 months from now we should be at EBITDA break even, but from a cash flow break even point of view, given that the corporate part of our business does consumer incremental working capital we think it'll take us at least to further 12 months to get to break even from a cash flow point of view. So on the 12 months from an operating break even point of view and about 24 months from a cash flow break even point of view.

In terms of the lines of business between air and hotel, we expect both of them to grow at increasingly healthy rates. Our guidance is for overall 20 plus percent growth in terms of revenue (less) service cost.

Within the two categories we would see air growing at a slightly lower rate than hotels and packages, but both of them are – we think should be written as a fairly healthy growth leaving us at a (blended) 20 plus percent.

Jed Kelly: That's good. All right, so my final question – can you just give us the elevator pitch on Yatra and why investors should own your stock?

Dhruv Shringi: Sure, so in terms of Yatra the key things to look out for – we are one of the most well recognized consumer brands in the Indian travel space. The Indian

travel economy and travel market is growing at a very healthy 12 plus percent rate.

We are differentiated in terms of having a very strong (sas) platform (plat), which connects deeply into 700 plus organizations and forms a very healthy, long-term (mode) for us. This business even today is healthily profitable and continues to scale up the 20 plus percent rate.

In addition, if you look at our track record of growth we've been growing at a CAGR of 25 plus percent in an environment where the competitive landscape has been fairly intense. We don't think for a minute that India is a winner takes all market.

We think the travel industry will continue to have multiple players operating in the segment, and Yatra being one of the most recognized (plans) is going to be on of those players which will succeed in the long term Indian travel market.

Jed Kelly: OK, well thanks for your time Dhruv and (Manish) and we're going to have a replay that we'll send out and yes, so I appreciated everyone's time and stay tuned for the reply if some of our clients missed it and have a good day.

Dhruv Shringi: Sure, thanks Jed, appreciate you setting this up.

Jed Kelly: All right, thanks (Manish), thanks Dhruv.

Dhruv Shringi: Thank you. Bye.

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