

10th May 2024

TBO Tek – SUBSCRIBE

Investment Thesis

TBO Tek Ltd. (TBO Tek) is coming out with an initial public offering (IPO) on May 8, 2024. The issue comprises of fresh issue of 4,347,826 equity shares at highest price band worth Rs.4,000mn and offer for sale of 12,508,797 equity share worth Rs.11,508.1mn. Objective of the issue is to fund expansion of the supplier and buyer base, amplification of platform by adding new lines of businesses, inorganic growth through selective acquisitions and building synergies with existing platform and leveraging data procured to offer travel solutions to buyers and suppliers.

TBO Tek facilitate travel distribution by connecting over 750 airlines and ~10 lakhs hotels worldwide with buyers such as travel agencies and independent travel advisors. Its modular structure allows for tailored solutions, while its asset-light model ensures scalability. This platform's ability to introduce new offerings fosters a network effect, enhancing its market presence and efficiency. Its robust business model addresses key challenges in the travel industry, including discovery, reliability, transactions, and service, by consolidating global travel supply and demand on a single platform. This platform seamlessly facilitates transactions between buyers and suppliers, addressing the highly fragmented landscape in both segments. In addition to hotels and airlines, ancillary services like car transfers and sightseeing also have similar fragmentation.

TBO Tek is a leading travel distribution platforms in terms of Gross Transactional Value (GTV) and revenue for FY23, providing a wide range of offerings and operating in over 100 countries. TBO Tek simplifies the business of travel by centralizing transactions on a single user-friendly platform. By using TBO Tek's platform, suppliers such as hotels, airlines, car rentals, transfers, cruises, insurance, rail, and others can connect with buyers such as travel agencies, independent travel advisors, tour operators, travel management companies, online travel companies, super-applications and loyalty applications, thereby streamlining the entire process. Instead of dealing with multiple platforms and systems, buyers and sellers can use TBO Tek's single platform to conduct transactions.

TBO Tek has two key revenue models for its transactions: the B2B Rate Model, where the company receives inventory from suppliers on which it applies a certain mark-up and passes it on to the buyers, and the Commission Model, where suppliers fix the price at which they want to sell to the end traveller and TBO Tek receives a commission from the supplier, part of which is retained and part of which is shared with the buyer.

Financials

- During the past 4 years, revenue of TBO Tek grew at a CAGR of 24.7% while PAT grew at CAGR of 54.1% in same period.

Consol. (Rs.Mn.)	FY21	FY22	FY23	9MFY24
Revenue	1,418	4,833	10,646	10,238
EBITDA	-214	351	1,890	1,927
EBITDA Margin(%)	-15.1%	7.3%	17.7%	18.8%
PAT	-341	337	1,485	1,542
EPS (Rs.) #	-3.1	3.1	13.7	14.2
P/E (x) *#	-292.5	296.2	67.3	
RoE (%) #	-16.0%	14.5%	44.3%	

* At highest price band # Post listing

IPO Details

Issue Open Date	8 May 2024
Issue Close Date	10 May 2024
Price Band (Rs.)	Rs.875 – Rs. 920
Issue Size*	Rs. 15,508.1 Mn
Issue Size (Shares)	16,856,623
Market Lot	16 Shares
Listing Exchanges	BSE and NSE
Face Value (Rs.)	Rs. 1/-

* At highest price band

Key Details

Fresh Issue*	Rs. 4,000.0 Mn
Issue Type	Book Building
Book Running Lead Manager	Axis Capital, Jefferies India, Goldman Sachs (India) and JM Financial
Issue structure	QIB: 30% Non Institutional: 15% Retail: 10% Anchor Investors: 45%
Credit of Shares to Demat Account	14 May 2024
Issue Listing Date	15 May 2024

* At highest price band

Key Business Highlights

- TBO Tek is a travel distribution platform that offers travel inventory as per the needs of its customers and supports a wide range of currencies along with forex. The company simplifies the travel business for suppliers such as hotels, airlines, car rentals, transfers, cruises, insurance, rail companies and others.
- TBO Tek also provides support for retail customers such as travel agencies and independent travel consultants, and corporate customers such as tour operators, travel management companies, online travel companies, super apps, and loyalty apps through their two-sided technology platform that enables suppliers and customers to connect seamlessly.
- TBO Tek's platform enables sellers to show and market their inventory and set prices for buyers. For buyers, the platform is an integrated, multi-currency, multi-lingual, one-stop solution that helps them discover and book travel to destinations worldwide, across various travel segments such as leisure, business, and religious travel.

Valuation

- TBO Tek generated ~32% of its revenue from the Middle East market in FY23 which grew from 17.4% in FY21 as it is concentrating on the high growing travel industry market in Middle East. To benefit from the growth, the company launched Zamzam for Umrah travel and Paxos for the corporate travel market. Also, the Umrah travel market is expected to grow at a CAGR of ~17.7% during 2023-27. In 2023, the Umrah travel market stood at US\$7.2bn with ~18.9mn international Umrah pilgrims.
- TBO Tek has demonstrated its ability to acquire and integrate complementary travel assets to boost its partner network and enhance capabilities, while being judicious with investments. In FY22, TBO Tek, through its subsidiary Tek Travels DMCC, acquired BookaBed, a B2B accommodation supplier. The synergies between BookaBed and TBO Tek has increased the overall market share in Ireland and the United Kingdom. Also, TBO Tek has also acquired the online business of Jumbo Tours Espana S.L.U. (Jumbo Tours), which is based in Spain, having more than 40 years of experience in the tourism sector. Its businesses include an online bedbank platform for travel agents and tour operators, a distribution platform with direct connection to suppliers and channel managers, and a transfer platform. The acquisition of Jumbo Tours is expected to help TBO Tek expand its operations in Europe and gain access to direct hotel supply. TBO Tek will continue to identify target companies based on two investment criteria oriented around value creation, to use inorganic growth as a key lever to grow market share and cement its industry-leading position.
- With a leading travel distribution platforms in terms of Gross Transactional Value, facilitate travel distribution by connecting over 750 airlines and ~10 lakhs hotels worldwide, generated ~32% of its revenue from the Middle East market and demonstrated its ability to acquire and integrate complementary travel assets to boost its partner network, we are recommending **SUBSCRIBE** rating to the IPO of TBO Tek Ltd. (TBO Tek) for medium to long term perspective.

Risk & Concern

- Worldwide travel and tourism industry is highly sensitive to general economic conditions and trends, including trends in consumer and business confidence, interest and exchange rates, fuel prices, unemployment levels and the cost of travel.
- TBO Tek's business depends on its relationships with a limited range of Suppliers, and any adverse changes in such relationships, or inability to enter into new relationships, may adversely affect future growth of the company.

Graphs & Charts

Figure 1: Net Sales Trend

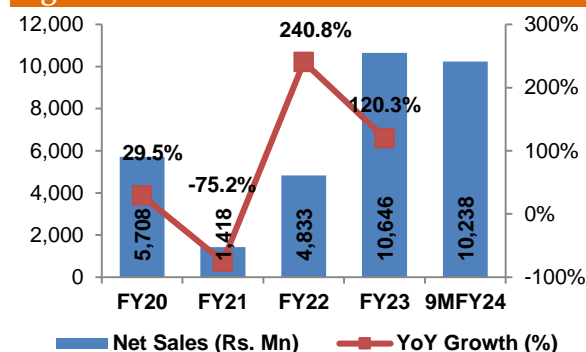


Figure 2: EBITDA & EBITDA Margin Trend

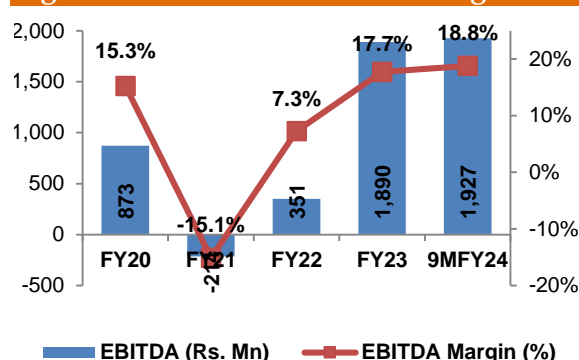


Figure 3: PAT & PAT Margins

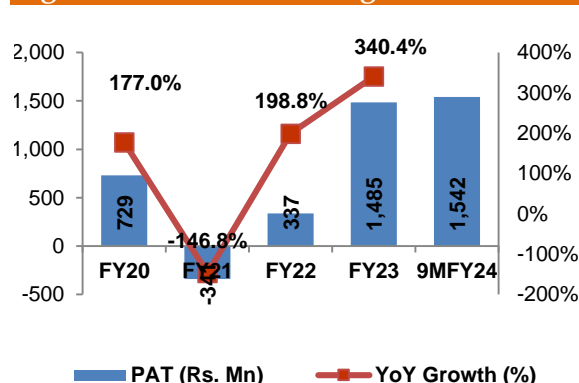
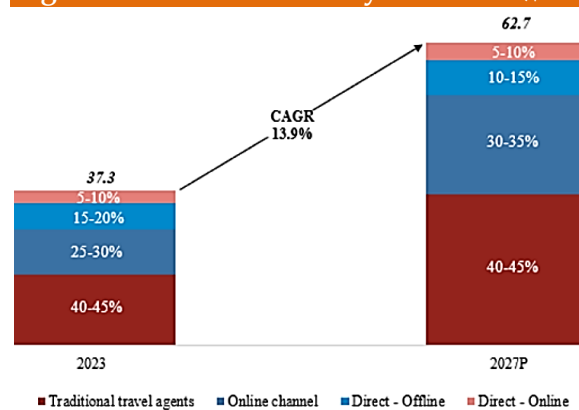


Figure 4: Indian Travel Buyer Market (\$ Bn)



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