

Easy Trip Planners (EASTRI)

CMP: ₹ 395

Target: ₹ 490 (24%) Target Period: 12-18 months

May 27, 2022

BUY

Sharp rebound in air travel to keep growth momentum strong...

About the stock: Easy Trip Planners or EaseMyTrip.com (EMT) is the fastest growing and only profitable company in the online travel portal in India. The company offers a comprehensive range of travel-related products and services for end-to-end travel solutions, including airline tickets, hotels and holiday packages, rail tickets and bus tickets.

- Airline tickets accounted for 94.0% of revenues (pre-Covid levels) while hotels and other services contributed 5.4%, 0.6% of revenues, respectively

Q4FY22 Results: Easy Trip Planners reported weak results for Q4FY22.

- Adjusted revenues fell 1.7% YoY to ₹ 98.5 crore, in the wake of omicron induced restrictions while gross booking revenue (GBR) was up 29% YoY to ₹ 1171 crore
- EBITDA margins also declined 1147 bps YoY to 30% due to higher employee and marketing costs
- As a result, PAT was down 23.4% YoY to ₹ 23.4 crore

What should investors do? We like EMT for its user friendly platform, unique travel offerings, low cost business model and healthy financial position.

- Considering strong growth potential of this technology platform in travel, we maintain our **BUY** recommendation

Target Price and Valuation: We value EMT at ₹ 490/share, valuing at 45x FY24E EPS (i.e. Implied PEG ratio of 0.9x).

Key triggers for future price performance:

- Gross booking revenue (GBR) for FY22 was at ₹ 3716 crore with total domestic air passenger traffic @ 59% of pre-Covid levels. Now with full resumption, we expect GBR to grow at 39% CAGR during FY22-24E
- Lean cost model and no convenience fee strategy remain key pillars supporting such rapid, profitable growth. This has also led to customer stickiness with healthy repeat transaction rate of ~86% in the B2C channel
- Further benefits would accrue from high margin segments like hotels (Traviate - B2B technology platform, Spree Hospitality - hospitality management company, bus booking segment (Yolo - intercity mobility platform)
- This would not only help bolster its margin further but would make EMT a fully integrated player in the tourism space, going forward



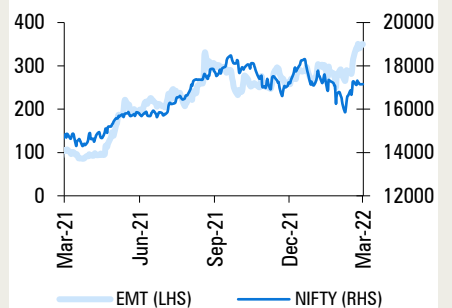
Particulars

Particulars	₹ crore
Market Capitalization	8583
Total Debt (FY22)	50
Cash (FY22)	133
EV (₹ crore)	8500
52 week High/Low	₹ 476/135
Equity Capital	43.5
Face Value (₹)	2.0

Shareholding pattern

Particulars (%)	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Promoter holding	74.9	74.9	74.9	74.9
DII	5.2	2.8	1.4	1.1
FII	1.1	2.0	1.9	2.8
Public	18.9	20.2	21.8	21.2

Price Chart



Key Risks

- Any further imposition of restrictions on travel
- Competition from other players may disrupt margins

Research Analyst

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Key Financial Summary

Key Financials	FY19	FY20	FY21	FY22	3 Year CAGR (%)	FY23E	FY24E	2 Year CAGR (%)
Gross operating revenues*	205	286	198	400	24.9	671	754	37.2
EBITDA	25	31	75	132	74.6	241	303	51.3
EBITDA (%)	12.1	10.7	38.0	33.1		36.0	40.2	
Net Profit	24	33	61	106	64.0	186	235	48.8
EPS	1.9	1.5	2.8	4.9		8.6	10.8	
P/E	212.5	260.1	139.7	81.0		46.2	36.6	
RoNW	35.3	32.6	37.7	44.9		47.8	41.2	
RoCE	36.0	33.6	36.0	37.7		44.4	40.9	

Source: Company, ICICI Direct Research *including revenue from claims w/back

Key performance highlights

- Gross revenue (including discounts and claims writeback) were at ₹ 98.5 crore (or 8.4% of GBR) vs. 11% of GBR last year
- Air segment booking grew 13% YoY to 20.49 lakh for Q4FY22 while for FY22, air segment booking was up 57% YoY to 70.85 lakh on healthy rebound post unlocking
- Net commissioned (after discounts) dipped to 5.2% of GBR vs. 6.7% in Q3FY22 and 7.3% in Q4FY21 due to lower business volumes amid omicron wave. This led to lower spread (EBITDA) of 2.5% of GBR or ₹ 29.4 crore (down 29% YoY, 43% QoQ). Other costs broadly remain stable at 2.7% of GBR QoQ, down marginally by 1 bps YoY)

Exhibit 1: Quarterly financial summary

crore	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	YoY	QoQ
Gross booking revenue	98.8	339.2	782.7	907.6	356.8	895.0	1293.0	1170.8	29.0%	-9.5%
Revenue from operations	10.5	25.8	61.5	100.2	49.0	100.9	152.1	98.5	-1.7%	-35.3%
Growth	-67%	147%	138%	63%	-51%	106%	51%	-35%		
Other income	8.4	3.1	3.1	2.8	3.0	3.1	3.6	4.6	62.7%	26.5%
Total income	18.9	29.0	64.6	103.0	52.0	104.0	155.7	103.0	0.1%	-33.8%
Expenditure:										
Discounts	6.9	6.7	17.4	33.7	17.7	44.2	65.5	37.6	11.6%	-42.6%
Advertising & Sales Promotion	1.8	2.7	-	5.6	2.8	8.3	12.9	9.0	61.4%	-30.1%
Employee costs	4.8	5.0	5.0	6.4	4.6	5.0	6.9	9.3	44.1%	33.8%
Payment Gateway Charges	0.8	2.3	-	6.4	2.8	5.9	8.6	7.4	15.9%	-13.7%
Other expenses	0.9	2.7	12.0	6.6	3.4	3.7	6.6	5.7	-13.6%	-12.7%
Total expenditure	15.2	19.4	34.5	58.8	31.2	67.1	100.6	69.1	17.5%	-31.3%
Growth	-55%	28%	78%	70%	-47%	115%	50%	-31%		
EBITDA	-4.7	6.4	27.0	41.4	17.8	33.8	51.5	29.4	-29.0%	-43.0%
Growth	NA	NA	NA	53%	-57%	90%	53%	-43%		
EBITDA margin (%)	-45.4	24.8	43.9	41.3	36.3	33.5	33.9	29.9		
Depreciation	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.7		
Finance Costs	0.0	0.5	1.1	1.9	0.1	0.3	0.7	0.8		
PBT	3.5	8.9	28.9	42.1	20.4	36.4	54.3	32.5	-22.9%	-40.2%
Tax expenses	1.0	2.7	7.0	11.6	5.4	9.3	13.8	9.1		
PAT	2.5	6.2	21.9	30.5	15.0	27.2	40.4	23.4	-23.4%	-42.3%

Source: Company, ICICI Direct Research

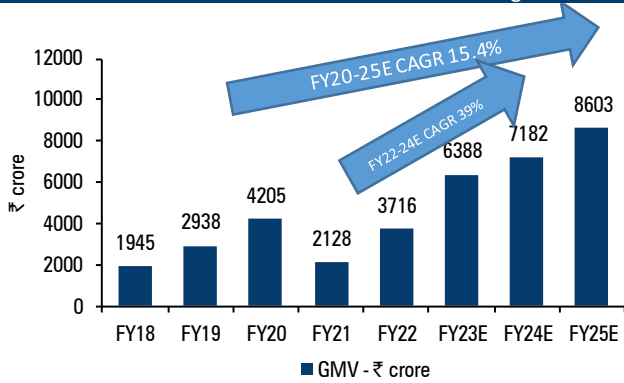
Other highlights

- Air segment contributed over 98% of revenues for Q4FY22
- Additional advance deposits given to the airline companies led to negative operating cash flow for the quarter. However, this, in turn, would lead to company getting a better commission rates in future
- During FY22, expanded non-air segment through inorganic growth by acquiring two companies across diverse segments. 1) Spree Hospitality, a 1,200 room-keys hospitality management company; YoloBus Traveltech, a next-generation premium intercity mobility platform. The revenue from these two verticals will start getting reflected from Q1FY23E onwards
- Expanded international presence to Philippines, Thailand and the US

Financial story in charts:

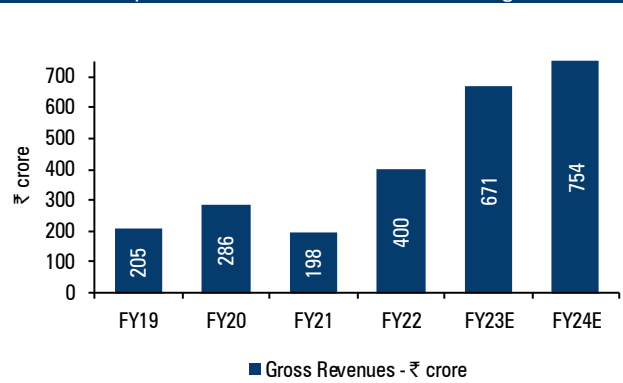
The online travel market in India is set to double over the next five years to US\$31 billion in FY25, growing at 14.1% CAGR from FY20. In line with the industry trend, we also expect the company's GBR to more than double to ₹ 8600 crore by FY25E from ₹ 4204 crore in FY20 (i.e. at 15.4% CAGR). EMT is likely to grow at a robust pace at 39% CAGR during FY22-24E on lower base of FY22 that was impacted due to delta and omicron wave. At gross take rate of ~10.5%, we expect revenue and PAT CAGR of 56.2% and 56.3%, respectively, during FY22-24E. We believe the low cost model and no convenience fee strategy would strongly support the company in gaining market share further from competitors, going ahead.

Exhibit 5: GBR to increase at 39% CAGR during FY22-24E



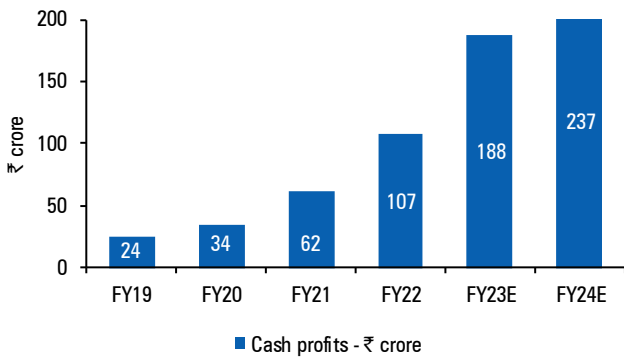
Source: Company, ICICI Direct Research

Exhibit 6: Expect revenue CAGR of 37% during FY22-24E



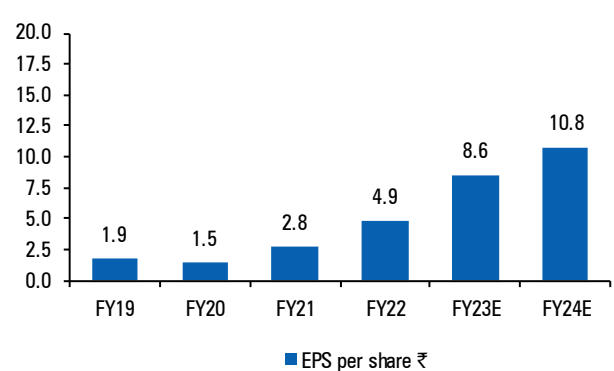
Source: Company, ICICI Direct Research

Exhibit 5: Cash profit trend



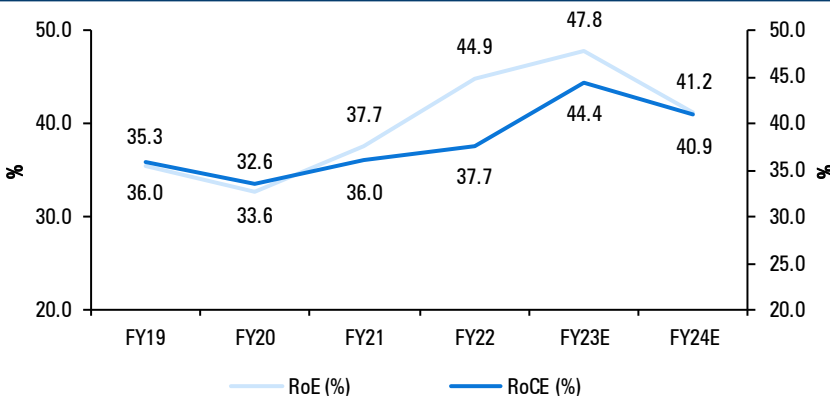
Source: Company, ICICI Direct Research

Exhibit 6: Earnings per share (₹)



Source: Company, ICICI Direct Research

Exhibit 10: Return ratios....



Strong cash generation, limited capex requirement for growth and debt free status to keep return ratios healthy

Source: Company, ICICI Direct Research

Valuations & Outlook

We like EMT for its user friendly platform, unique travel offerings, low cost model, and healthy financial position. The company is consistently gaining market share led by its two strong growth pillars and is now well placed to withstand any competition, which may appear in future given the strong liquidity and its improving brand visibility in the domestic air ticketing segment.

Further benefit is expected to accrue from segments like international air and hotel booking space over the next three to four years, which currently have online penetration below 20%.

We believe EMT remains the best proxy vs. airline or hotel companies to play on travel recovery given its low cost and negative w/cap characteristics along with strong balance-sheet. We maintain BUY rating and raise our target price to ₹ 490/share vs. ₹ 335/share earlier (implying 1.2x FY24E MCap to GBR, ~14x FY24E MCap/sales, 45x FY24E EPS).

Valuation

Exhibit 14: Valuation

Valuations based on FY24E estimates	₹ crore
Gross Booking Revenue	8603
Estimated Revenue	754
Estimated PAT	235
Target P/E multiple (x)	45.0
<u>Implied multiples (x)</u>	
Mcap / GBR	1.2
Mcap / Sales	14.0
Estimated Mcap	10555
Total o/s shares	21.7
Target price (₹ per share)	490

Source: Company, ICICI Direct Research

Key risk & concerns

Market share gains through aggressive discounts and promotions...

Higher discounts and promotional activity can drive healthy growth but may lead to fall in margins and profitability. The competitors may adopt aggressive discounts/promotions to drive their market share. If the company also chooses to pedal on growth through promotions/discounts, the profitability may get affected.

Entry of new players like Flipkart, Amazon in travel space...

The current competitive situation is most benign with the company occupying the second spot in the domestic air ticketing space. However, entry of new players like Flipkart/Amazon having larger pool of 12-14 crore online shoppers compared to ~1 crore registered customers of EMT may lead to intense competition. In April 2021, Flipkart acquired 100% stake in Cleartrip for \$40 million (~₹ 300 crore) under slump sale. Both Flipkart and Amazon have ambitions in the payment space through PhonePe and Amazon Pay, respectively. Travel is a large frequent use case that they tap through offering this on their platforms.

Financial Summary

Exhibit 18: Profit and loss statement					
	₹ crore				
(Year-end March)	FY20	FY21	FY22	FY23E	FY24E
Gross operating Income	285.7	198.1	400.4	670.7	754.1
Growth (%)	39%	-31%	102%	68%	12%
Marketing & Sales promotion	27.0	14.8	33.0	51.1	57.5
Employee costs	30.2	21.2	25.8	31.9	35.9
Payment gateway Charges	34.9	14.8	24.7	44.7	50.3
Other expenses Incl. discounts	163.1	72.0	184.4	301.7	307.3
Total Operating Expenditure	255.2	122.7	267.9	429.5	450.9
EBITDA	30.5	75.3	132.5	241.2	303.2
Growth (%)	22.7%	146.6%	75.9%	82.1%	25.7%
Depreciation	0.7	0.7	1.3	1.8	2.0
Interest	3.3	3.5	1.9	2.5	2.6
Other Income	19.4	12.7	14.4	16.0	20.0
PBT	45.9	83.8	143.6	252.9	318.6
Exceptional loss	0.0	0.0	0.0	0.0	0.0
Total Tax	12.9	22.4	37.6	67.1	84.0
Reported PAT	33.0	61.4	105.9	185.8	234.6
Adjusted PAT	33.0	61.4	105.9	185.8	234.6
Growth (%)	63%	86%	72%	75%	26%
Adjusted EPS (₹)	1.5	2.8	4.9	8.6	10.8

Source: Company, ICICI Direct Research

Exhibit 19: Cash flow statement					
	₹ crore				
(Year-end March)	FY20	FY21	FY22	FY23E	FY24E
Profit after Tax	33.0	61.4	105.9	185.8	234.6
Add: Depreciation	0.7	0.7	1.3	1.8	2.0
Add: Finance costs	3.3	3.5	1.9	2.5	2.6
(Inc)/dec in Current Assets	10.3	-11.5	-49.1	-67.5	-47.9
Inc/(dec) in CL and Def. tax	6.7	35.8	-20.9	36.8	26.8
CF from Operating activi	54.0	89.9	39.2	159.4	218.2
(Inc)/dec in Fixed Assets	2.7	-0.5	-20.0	-6.2	-17.0
(Inc)/dec in Investments	-15.0	1.2	-111.1	-25.1	-50.0
Others	-0.3	-0.3	-1.8	0.2	-5.0
CF from Investing activi	-12.6	0.4	-132.9	-31.0	-72.0
Issue/(Buy back) of Shares	0.0	0.0	21.7	0.0	0.0
Inc/(dec) in loan funds	6.8	10.6	33.1	-15.4	-25.0
Finance costs	-3.3	-3.5	-1.9	-2.5	-2.6
Others	0.0	0.0	0.0	0.0	0.0
Changes in other equity	0.3	0.4	-54.9	-32.6	-54.3
CF from Financing activi	3.8	7.4	-2.0	-50.5	-81.9
Net Cash flow	45.1	97.7	-95.8	77.9	64.2
Opening Cash	86.0	131.2	228.9	133.1	211.0
Closing Cash	131.2	228.9	133.1	211.0	275.2

Source: Company, ICICI Direct Research

Exhibit 20: Balance sheet					
	₹ crore				
(Year-end March)	FY20	FY21	FY22	FY23E	FY24E
Liabilities					
Equity Capital	21.7	21.7	43.5	43.5	43.5
Reserve and Surplus	79.5	141.3	192.4	345.6	525.9
Total Shareholders funds	101.3	163.1	235.8	389.1	569.3
Total Debt	6.8	17.3	50.4	35.0	10.0
Other financial liabilities	40.4	23.1	3.0	3.0	5.0
Minority Interest / Others					
Total Liabilities	148.4	203.5	289.2	427.1	584.3
Assets					
Net Assets	10.1	9.9	10.6	15.0	30.0
CWIP	-	-	-	-	-
Total Fixed Assets	10.1	9.9	10.6	15.0	30.0
Intangibles	2.0	2.1	20.0	20.0	20.0
Investments	15.0	13.8	124.9	150.0	200.0
Debtors	58.2	28.9	52.8	70.7	88.5
Loans and Advances	19.8	21.3	16.3	25.0	35.0
Other Current Assets	50.5	89.8	120.0	161.0	181.0
Cash	131.2	228.9	133.1	211.0	275.2
Total Current Assets	259.7	368.9	322.2	467.6	579.7
Creditors	26.6	25.6	34.6	52.2	70.7
Provisions & Others	114.8	169.0	159.2	178.4	184.7
Total Current Liabilities	141.4	194.6	193.8	230.6	255.4
Net Current Assets	118.2	174.3	128.4	237.1	324.3
Others Assets	3.1	3.4	5.2	5.0	10.0
Application of Funds	148.4	203.5	289.2	427.1	584.3

Source: Company, ICICI Direct Research

Exhibit 21: Key ratios					
	₹ crore				
(Year-end March)	FY20	FY21	FY22	FY23E	FY24E
Per share data (₹)					
Adjusted EPS	1.5	2.8	4.9	8.6	10.8
Cash EPS	1.6	2.9	4.9	8.6	10.9
BV	4.7	7.5	10.9	17.9	26.2
DPS	0.0	0.0	1.5	3.0	5.0
Cash Per Share	6.0	10.5	6.1	9.7	12.7
Operating Ratios (%)					
EBITDA Margin	10.7	38.0	33.1	36.0	40.2
EBIT Margin	10.4	37.7	32.8	35.7	39.9
PAT Margin	11.5	31.0	26.5	27.7	31.1
Inventory days	0.0	0.0	0.0	0.0	0.0
Debtor days	74.3	53.3	48.1	38.4	42.8
Creditor days	38.1	76.1	47.1	44.4	57.2
Return Ratios (%)					
RoE	32.6	37.7	44.9	47.8	41.2
RoCE	33.6	36.0	37.7	44.4	40.9
Valuation Ratios (x)					
P/E	260.1	139.7	81.0	46.2	36.6
EV / EBITDA	277.0	111.1	64.2	34.8	27.4
EV / Net Sales	29.6	42.3	21.2	12.5	11.0
Market Cap / Sales	30.0	43.3	21.4	12.8	11.4
Price to Book Value	84.8	52.6	36.4	22.1	15.1
Solvency Ratios					
Debt/EBITDA	0.2	0.2	0.4	0.1	0.0
Debt / Equity	0.1	0.1	0.2	0.1	0.0
Current Ratio	1.8	1.9	1.7	2.0	2.3
Quick Ratio	1.8	1.9	1.7	2.0	2.3

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

Sell: <-15%



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