

# Tracxn Technologies Limited

Q1 FY25-Earnings Conference Call

**July 31<sup>st</sup>, 2024**

**Management:**

Ms. Neha Singh, Chairperson and Managing Director

Mr. Abhishek Goyal, Vice Chairman and Executive Director

Mr. Prashant Chandra, Chief Financial Officer

**Host and Moderator:**

Mr. Sidharth Agrawal, Systematix Shares and Stocks (India) Ltd

Mr Sameer Pardikar, Systematix Shares and Stocks (India) Ltd

**Moderator:** Good evening, ladies and gentlemen. Thanks for joining us today on the Q1 FY25 Earnings Call of Tracxn Technologies Limited on behalf of Systematix, Sameer Pardikar and Sidharth Agrawal would like to thank the management of Tracxn for giving us the opportunity to host this Earnings Call. Today on the call we have with us Ms. Neha Singh, Co-Founder, Chairperson, and Managing Director, Mr. Abhishek Goyal, Co-Founder, Vice Chairman, and Executive Director, and Mr. Prashant Chandra, Chief Financial Officer. I would now like to hand over the call to Neha to give her opening remarks and take us through the PPT and after that we will open it up for the Q&A session. Please use the raise hand option to ask the question or you can also submit your questions in the Q&A box at the bottom of your screen. Thanks, and with that over to you, Neha.

**Neha Singh:** Thanks, Siddharth. Welcome everyone. Thanks a lot for joining us today for our Earnings Call for the first quarter of the financial year 25. We are very excited to present our results. We would like to run through a short presentation and share some of the key highlights for the period. I will also give some commentary along, which will be helpful for the overall understanding and then we'll follow it up with the Q&A session as Sidharth had mentioned. Request you to go through the standard disclaimers for this presentation. Quick recap on our business. So, Tracxn is a data and software platform for the private markets globally. If you look at the public market, it has created multiple large companies, many of which are highly cash rich profitable companies. As private markets are becoming large and important, it will also create platforms like these and we are building a global platform in this space. Our customers include Venture Capital Funds, Private Equity Funds, Investment Banks as well as M&A and innovation teams of large Fortune 500 corporations. Also, it's a global platform in terms of both customer base as well as data. So, nearly 60% of our revenue is international and we have customers from over 50 countries. I would like to begin by summarizing the financial performance of Q1 FY25.

To set the context, we have one business, one legal entity, so you'll not see terms like standalone or consolidated. All the numbers that I talk about in this presentation is for the business overall. Revenue from operations for Q1 FY25 was 20.5 crore. Total income was 21.9 crore, which is an annualized run rate of about 87.8 crores. Coming to profitability, EBITDA for the quarter was positive 0.3 crore. Also to add this EBITDA includes all the non-cash expense also like ESOP charge. PAT for the same period was positive 1.3 crores. Moving on, EBITDA margin was 1.4% and PAT margin was 6.2%. The business continued to generate positive free cash flow. The free cash flow for Q1 FY25 was 3.6 crore.

Cash and cash equivalents stood at nearly 80.4 crore, which is an increase of about 30% on a year-on-year basis or an increase of 18.4 crores in absolute terms on a year-on-year basis. In the subsequent slides, I'll be covering each of the metrics we talked about in the summary in more detail, starting with revenue. Revenue from operations is essentially

revenue from platform subscriptions. 100% of our revenue is subscription based. There is no services or one time implementation component. So, it's a fairly high-quality revenue. Also please note that this is the accrued revenue. So, though we do prepaid billing and collections like most of the financial data platforms you may have used, we only recognize revenue for the time duration falling within the reporting period for which the service was made available. As discussed earlier, revenue from operations in Q1 FY25 was 20.5 crore, which is a growth of about 4% on a year-on-year basis. Total income for Q1 FY25 was 21.9 crore, which is a growth of 6% on a year-on-year basis. So, the good news is that we had seen sequential Q on Q growth in the revenue after two quarters of decline. We've also added historical data for the last four financial years for reference here.

Moving to profitability, so, we continue to have profitable operations in Q1 FY25. EBITDA for the quarter was 0.3 crore. Please note that this includes a non-cash expense, primarily ESOP expense. If we exclude these non-cash expense, the adjusted EBITDA for the period was 1.3 crore. PAT For Q1 FY25 was 1.3 crore. If we exclude the non-cash expense, primarily ESOP expense, the adjusted PAT is 2.6 crore. Just a point to note here, in the PAT calculations you will see a tax component, which is a tax amount set off with the deferred tax asset. This is a non-cash component as we don't have to pay taxes as we have accumulated losses. However, this is a non-cash expense, so is included in the PAT calculation.

Coming to margins, the EBITDA margin for Q1 FY25 was 1.4%, which is an expansion of 1.3% on a year-on-year basis. PAT margin for Q1 FY25 was 6.2%. One of the other metrics that we also track closely for the business is what part of the incremental revenue is going into bottom line. So, we saw this metric in line with what we had seen in the last period. In FY21 and FY22, this metric was close to nearly 80%. In FY23. We saw this metric decreased to 31% and then again increased back to 43%, the subsequent year going back to the norm. In Q1, FY25, this percentage of incremental revenue going into bottom line was 37%, which was higher than the same period last year.

Coming to expenses, total expense for Q1 FY25 was 20.3 crore, which is a 2% increase over the same period last financial year. If you see this expense growth is lower than the CAGR you had seen across the last two years, which is what we had indicated in the previous quarters. On the right-hand side of the slide, we have given the expense breakup into the key components. The key components are the same as what we had seen previously. Just to summarize, first, bulk of the revenue is team cost. So, in Q1 FY25, this was 87% of the total expense, which has been in the same range across the last three financial years. So, in FY22, 23, and 24, this was 89%, 88%, and 88% respectively of the total expense. Also note that all our team is in house, so there's no outsourced or contract workforce. The second largest item is cloud hosting, which accounts for 2.8% of the total

expense as we do a lot of data processing and analytics. This is followed by rental expense.

The other interesting aspect is that we do not have a large paid marketing expense line item because we do not have a large paid marketing spend either digital marketing or offline based typically required for customer acquisition. The reason for this being because we are a data company, we produce a lot of content and hence are able to use that to get a lot of organic traffic. So, we are able to acquire leads fairly efficiently, which is reflected in our expense breakup.

Continuing on the revenue side, I wanted to talk a little bit on the market. In line with what we had indicated previously, 2023 calendar year overall was a very muted year for the private markets. I'm sure you would have already seen some commentary on this in press, but just to put into perspective about the deal activity among the private market investors. So, if you see the global tech funding, it was at a near 6-year low in 2023. Global funding in 2023 was down nearly 40% from the previous year. Similar was the trend in India, where it was down nearly 60% in 2023 over the previous year. In 2024, the run rate is slightly better than 2023 though it is still the second lowest across the last seven years. This is more stark in the later stage. One proxy for the late stage activities, the number of new Unicorn startups that got created or the number of new private companies that got valued at over a billion dollars. In the first half of 2024, there were 46 new unicorns created globally. India saw three new unicorns in the first half of 2024. The current year's run rate is the second lowest across the last seven years.

Even if you look at the M&A activity, it has been very muted. So, if you look at the M&A deal value last year that is 2023, it was the lowest in the last decade. Even if you look at the IB fee, the investment banking, M&A advisory fee in 2023, it was one of the lowest in the last 10 years. On the question of when will the private markets bounce back, you know, when will that happen? So, the overall funding recovery is still awaited. However, if you look at more granular quarterly data, you can see improving momentum. So, you can see signs that recovery has started happening. If you see the year-on-year growth rates, the declining trend which was happening for the last few quarters has started to reverse. This is also something that we are seeing anecdotally around. So, the general consensus is that the bottom is behind us and that we should see further recovery in the second half of this year.

Coming to some of the business metrics, we are seeing green shoots. Here on the left hand side you can see the quarter-on-quarter trend of the number of customer accounts and on the right hand side you can see the number of net customer accounts that got added each quarter. If you remember last quarter, which was Q4 of the last financial year, we saw a very high number of customer accounts getting added. So, you'll be happy to hear that Q1 FY25 was even higher than that. So, Q1 for the highest

number of customer accounts getting added till date. In terms of numbers, Q1, saw 101 accounts getting added, which is a very high momentum as compared to the previous quarters. In fact, the number of accounts that got added in this quarter alone was higher than the number of accounts that got added in the entire last financial year. Coming to the deferred revenue, we saw very healthy expansion. Also, in terms of the year-on-year growth rate of the quarter ending deferred revenue, the declining trend, which was happening across the last two quarters, saw reversal and we saw the growth rate increase.

In terms of numbers, the deferred revenue for Q1 FY25 was 35.7 crore, which is a 16% year-on-year increase. Coming to platform engagement metrics, they continue to look very healthy and following a historical upward trend. If you look at the platform usage which here is in terms of number of exports and my analyst data queries that the customers have sent. So, this number has grown 1.6X across the last two years. Engagement has increased both at the overall level as well as on a per user level. So, this is a very healthy trend that we continue to see. Apart from these, we at our end have been investing very heavily across various growth initiatives. These span across the go to market funnel of marketing, sales, account expansion. We believe that as the markets open-up further we should see more acceleration in the new customer acquisition as well as customer expansion. I'll also take a couple of minutes to share some of the growth initiatives we are aggressively working on and we are very excited to share the results that we are seeing from those. So, one of the very interesting growth initiatives that we've talked about previously is scaling our organic traffic. So, because we are a data company, we are able to use a lot of data that we own to launch large set of public pages you know, in terms of millions, we generate a lot of customer traffic. For instance, if someone is searching for say fintech companies in Sweden, or SaaS companies in California, they come across our pages and we are able to generate leads through that.

If you look at the organic search traffic that we got across all our pages that was over 4 million in Q1 FY25. So, three things regarding that. One is that it's a very large traffic funnel that we've been able to build. Second, it has grown rapidly as you see across. The last few quarters. For instance, it has grown about three times in the last three years. Thirdly, we continue to work on this aggressively and we expect it to increase even further. For instance, the current traffic's annualized run rate has reached nearly 18 million, which is higher than last year's. Another very interesting new growth initiative is the launch of Tracxn Lite. So, we launched Tracxn Lite this year for product lead growth to increase the awareness about the richness of the platform amongst potential customers. With Tracxn Lite, we are able to get access. Users are able to get access to the entire platform when they sign up, with obvious limitations such as restricted daily limits or for profile views, exports and certain platform modules. So, we're seeing very good traction from this. Over 36,000 users have signed up for Tracxn

Lite within just the first six months of launch and the monthly active users has now crossed 13,000. This helps us in building a very good acquisition pipeline as part of our users express interest in upgrade.

Moving on, we have also set up specialized teams for select high potential customer segments. A good example being universities. So, you set up a specialized team with cumulative experience of over 20 years in selling to universities. Majority of our relevant customer segment come from top universities globally, which is also a great avenue for them to get to know about the platform like ours. More than a revenue segment, university is also a great marketing and Discovery Channel for us. You can see some of the university accounts that have signed up as customers.

Moving to the next segment, we've set up a specialized sales team for private equity. So, private equity is a large and cash rich segment. We currently have lower penetration in this segment as compared to venture capital segment. So, this is a very close adjustment segment that we can look to acquire customers in.

To better tap into the segment, in addition to a specialized sales team, we've also doubled down on the data production for the PE customer segment. We cover the increased data production subsequently and we believe this should help us close more accounts in the segment. We've also set up a specialized sales team for startups. So, you've seen very high volume of inbound leads from startups and even though startups are served by the same platform, they have slightly different use case and workflow requirements. So, it is more focused on sales and marketing data, market intelligence, and investor outreach. It's a very high-volume segment, but it has a lower price point than the investors. So, cumulatively this can become a very sizable segment served by the same platform. Traditionally, we have not catered to this segment, but more recently we have set up a separate go to market strategy for this segment as we've been getting a very high volume of inbound from this segment. This includes a special team to focus on acquisition and expansion of customers in this segment, differentiated pricing, separate billing and collection process. Through these initiatives, we are seeing very good initial success in terms of the pace of customer acquisition in this segment.

Another interesting growth initiative is that we are expanding coverage in financials and captable data sets of private companies on the platform. These data sets were particularly in demand by certain customer segments like private equity and investment banks, among others. So, we've invested in significantly increasing the throughput of these data production engines and we believe this will help us accelerate the revenue growth in future, particularly in the segments of private equity and investment banks. So, talking about financials, today we cover financials of private companies across over 20 countries globally. The number of detailed financials on the platform has increased at a fairly rapid pace. Last year in 2023, we had

increased this number by 5X on the platform if you remember and you'll be very excited to hear that we have furthermore than doubled the number of detailed financials or an increase by 2.4X in a span of just six months since 2023 end. So, this is an increase by more than 10X in just two years and obviously there's a lot of automation and intelligence that we've built to be able to do that without increasing much headcount. As of July 24, we had over 1.3 companies with revenue data and of 140,000 companies with detailed financials available on the platform.

Coming to another data set of captables, so captables are requested by investors to see the detailed shareholding valuation latest as well as historical share price of private companies. Today, we tracked captables in over 15 countries. The number of companies with captables have increased by 1.4X in just one year. As of July 24, we had over 47,000 companies with detailed shareholding available on the platform. So, we had also launched the new legal entity database recently. This helps investors to screen through the legal entities registered in various countries for specific high growth metrics like revenue threshold, growth rate, profitability, employee count, etc. This data has increased at an amazing pace as you can see from the numbers. At the end of 2023, this number was only 11 million. In the previous quarter, if you remember, we had mentioned that our plan was to increase this database to more than 50 million. So, you'll be very excited to hear that as of July 24, we had increased this database coverage to over 61 million entities on our platform. Major countries by coverage include US, UK, Japan, India, Australia, Brazil.

Another set of initiatives underway, are for improving paid customer engagement as well as account expansion to enhance growth of revenue from existing customers. A separate team has been set up to increase the penetration of paid licenses within existing accounts, thereby moving from reactive upgrades to getting upgrades done more proactively. One of the examples of initiatives under account expansion is curbing logging sharing within an account. So, this is working very well and we plan to continue to scale this. We've also set up a separate team within our customer success for various engagement initiatives aimed at increasing user level as well as account level engagement through initiatives like better platform education, periodic touch points, hero features, personalization, and more.

Another interesting growth initiative that we have talked about in the past is press mentions. So, we mentioned previously that whenever media talks about data on private companies or startups or emerging technology sectors, we want them to quote data from Tracxn. Our recent initiatives like launching reports with media, data contribution, regular column in some newspapers etc., have resulted in multi-fold increase in press mentions that we have received across various respective media outlets. Advantage of press mention is that a lot of people discover our data for the first time through media and then come to our website and generate a very high intent lead. Also, we believe this goes a long way in building a brand as a

data company. Also, it helps in sales conversion and helps in the revenue growth.

Moving to some of the other financial metrics, the company generated positive Free Cash Flow of 3.6 crore in Q1 FY25. If you see, this is an increase of 3 crore over Q1 FY24 which is last year. This includes a receipt of pending tax refunds which we had previously mentioned about. Cash and Cash Equivalent stood at 80.4 crores, a very healthy increase of 18.4 crores on an year-on-year basis or a 30% increase on a year-on-year basis.

In the subsequent slides, we have covered some of the other KPIs of the business. In the first slide we cover the number of customer accounts and the number of user accounts. We closed June '24 at 1,413 accounts and 3,906 users, which is a 14% and 13% growth on a year-on-year basis respectively. You'll be glad to hear that Q1 FY25 was the highest net addition in terms of both, number of customer accounts as well as number of users.

In terms of some of the other KPIs, contract price or the invoicing amount for Q1 FY25 was 22.9 crore which is a 7% increase over same quarter last year. The last graph talks about the number of entities profiled, which is a proxy to the amount of data being added on the platform. So, today we track data of more than 3.3 million profiles, which includes private market companies, funds, etc., globally.

Coming to some of the other interesting characteristics of the business. So 61% of the revenue for Q1 FY25 was from outside India. These customers span over 50 countries. The top 5 countries within this, show a very similar spread to where you have large corporates as well as private market investors. So, the top 5 countries for us by number of customer accounts are - India, US, Singapore, Germany, and UK.

Additionally, we also serve a diverse and rich customer base across the investment industry including venture capital funds, private equity funds, investment banks, as well as corporates across M&A teams, innovation teams, etc., and others like government agencies, universities. This gives us a very large addressable market to tap into.

So, this covers most of the key updates we had in the recent period. In the subsequent slides, we cover the business overview. I'll skip going over these slides, but please feel free to check it out offline. Subsequently, we have also added some slides for the detailed financials, and you may go through this for more details.

Thanks, that's all the items that I wanted to cover. Passing it back to Sidharth for any Q&A that the team might have.

**Moderator:** Yeah, thank you Neha for the wonderful introduction. So, we'll start the Q&A session now. Participants who would be interested in asking questions

may kindly raise their hand. And just in case they're not audible, they can also type it on the webinar chat. Actually, we already have Sougata Roy with his first question. So, why don't we take his turn, and then we'll move on to other questions, whether raised hands or typed.

Yeah, so we can start with Sougata. Yeah, Sougata, would you? Okay, let me try to unmute him.

**Sougata Roy:** Can you hear me now? Thanks, Sameer. Hi Neha, hi Abhishek. Very interesting set of numbers. Seen growth in this quarter, at least on the customer side and on the deferred revenue side as well. I have a few questions. I think the first one would be interesting to understand the 101 customer accounts that you added, which is a net number. What is the kind of churn that you've seen? What is the gross number and what is the churn that you've seen in this quarter?

And I can take it one by one. Do you want me to ask all the questions upfront, or we can do it one by one?

**Neha Singh:** Or you can ask. Yeah, I'll note it down.

**Sougata Roy:** So, that's one. The second is essentially between the 101 customer accounts that you've added. What is the split between VCs, PEs, universities, and let's say some of the other focus areas like consulting and IBs? It would be interesting to understand that as well.

Another question would be very similar to what I asked around customer accounts. What is July tracking like? Are we seeing the same momentum now in July as well in terms of 30-35 customer accounts being added every month?

Then on the PLG side, since now you have an MAU of 13,000 sort of customers, what is the converts that you're seeing there? Have you started seeing some of the conversions happen to paid customers now? And what is the sort of ratio that you're seeing, given the fact that this has been live now for, I think, two quarters of it?

**Neha Singh:** Right, got it

**Sougata Roy:** And last two questions will be around one, live deals. There are a few live deals that we see. Are you guys tracking how the converts are happening in the live deals in terms of fundraising?

And my final question is around buyback plans. What are your buyback plans now, given the fact that from 1st October, you'll see a new tax regime? And has there been any thinking around the same?

**Neha Singh:** Right right. No, thanks so much, Sougata, for those questions. I'll just take it in the same order. So essentially, the first question was around the net customer addition. As you know, the net customer addition is around 101.

And what is the gross addition that we saw? And what is the split across the key categories that we are seeing? That was one. So just to give perspective on the net dollar, on the gross and the net one, the way that we actually capture that is more in terms of net dollar retention, which is, we typically give that on an annualized basis. Which is essentially revenue from... So in addition to number, actually, the more interesting metric to look at it would be the revenue, that if you look at any financial year, how much revenue or within this financial year was contributed by the revenue of customers, which were acquired previously, and how has that grown? So this is one numbers, for instance, that we sort of tracked closely. So if I were to just give some sense of how this has sort of trended, it was 115% in the year when we grew more than 40%, then reduced to 103%. Last year, for instance, this was nearly 100% for India and Americas and lesser for EMEA, wherein we saw most impact, which is there. So this is one number overall that we track, and that we also use internally for any of the other things that we're doing. So hopefully, this answers the first question, which is sort of more interesting metric

**Sougata Roy:** What is the number, QoQ on this? Q1 versus Q4?

**Neha Singh:** So we don't actually do that on a quarterly basis, we do that on an annualised basis. Our sense is that, for instance, if I were to give last year that we ended up, so India and America were slightly less than 100%, and Europe was the one wherein we had seen most impact, which was lower. So we have started doing some initiatives, specifically for Europe, for instance, which probably it's one or two quarters early on. We are seeing some results. Maybe we have to wait for one or two more quarters to see the numbers, but hopefully, that should be better than what it was last year.

**Sougata Roy:** Understood, I think it'd be useful to probably track this going forward, just so that we understand dollar-to-dollar how that is moving for your existing customers. Because typically, you should not see a lot of churn in this, until and unless there's a funding winter, and you see some of the M&A teams and VC teams actually shutting shop.

**Neha Singh:** Yeah. And it's also a function of how much expansion that we are seeing. So here, we are also seeing... we have also started to work on a lot of initiatives for expansion, wherein we are also seeing some results. So yes, that's a good point. We'll probably just take that up. That we can do.

And in terms of the split of how we are seeing, so the vertical sales team that we talked about, which is across universities, IBs, universities, PEs, and other corporates... So, we are seeing good results in it. But I would say this is still small in terms of the overall funnel. The core continues to be the leads that we acquire in the core segments, which is your VCs, etc. That continues to be the large. We'll probably also have... so I don't have this thing handy, but we'll probably have more data around... when this customer segment looks like... how does this split looks like right now, across these segments. Hopefully, that answers the first two questions.

And coming to the third question, which is how July tracking is? So, July is in line with last quarter. So the momentum that we'd seen in terms of growth in terms of new customer acquisition, that actually continues.

**Sougata Roy:** Good. So you're tracking that 30-35 in July as well.

**Neha Singh:** Right. It should be. Yeah. It's in the same range. This is one. And then coming to Tracxn Lite, which is a product led growth initiative, wherein... So just to add more context here. So historically, we have had multiple 100,000 customers sign up on the platform, but they were not able to experience the platform beyond like a couple of days that the sales team would give access to them on. And whenever a person like customers would see the platform, they would actually really like the data that we have added, they really like a lot of things that have got done on the platform. So this is the feedback that we were getting. So that was why we launched Tracxn Lite, which is, which is a way in which they can experience the platform and they can continue to experience the data and the platform. And part of it in a limited manner, and then a part of it will actually upgrade. So the usage, the signups have been fairly good. So we've signed up more than 36,000 organic people that have signed up in just the first six months. And the monthly actives are also increasing in a good way. We have signups, like we do get signups every week from the funnel that got engaged through Tracxn Lite, and then our sales team are able to convert them. I think we'll start giving numbers probably after one or two quarters where we have had more data around this, because it's only about two quarters into this. And ideally, we would want to track sort of cohorts and where they signed up. But maybe in one or two quarters, we'll have better visibility on how these numbers sort of pan out.

**Sougata Roy:** Understood. You know, just one more question. Now that you have increased the database to legal entities, etc, what are the couple of segments of customers that you're planning to target that would potentially become bigger and offset some of the funding winter-led pieces that have happened historically on the VC side or even on the PE side? What I mean by that essentially is that, is there a case for you to go to, let's say some of these marketing companies, etc? Right? So would like to understand that in terms of some of the newer cohorts that you guys are tracking, and how is that shaping up for Quarter 2, Quarter 3 and maybe Quarter 4 as well?

**Neha Singh:** Right. Yeah. So, so that's an interesting point. And actually, through this, we are also getting... a lot more interesting segments are signing up. So, so two things. In addition to the core segments that were... So the core segment continues to be... the large segment continues to be either private market investors, VC, PE, as well as corporates. But there are other newer segments wherein we are also seeing activity and we can potentially go more deeper. So, for instance, in terms of legal entity, like even if we look at the existing customers, like penetration in private equity, though, it's very close to VC, has been lower. And one of the requirements of private equity customers as

well as IBs have... that they're looking at sort of more offline sectors as well, or they're looking at larger companies, and they would want to be able to search companies by revenue. And this is across geographies that we've got this feedback. And so, this is one segment wherein, though, it's very close to the VC segment that we started off with, but like our penetration in PE segment is still lower. And now, we are also signing up a lot more interesting logos, the large customer accounts through that, right? So, this is one segment that in wherein we are seeing sort of good conversion, because of the increased data of both on the revenue side, as well as the legal entity database side. That is one.

The second segment that we can potentially go more, which currently it's probably very small, and we can eventually go more larger, is basically banks. So, banks also require data about corporates, about legal entities when they are giving either loans or when they are starting to do business with them. So, they want to have a set of checks for these companies. And for this, we are actually getting a few more data sets as well which customers have requested, that is sort of very essential for them in their workflow. So this can be a large segment, which we've currently not factored into any of the narrative that we had. But in the financial data only, this very close to the segment that we are currently penetrated. And their requirement is actually... we already have a good set of data that they require. So that is one.

And the third is obviously sales and marketing, wherein we are also getting some customers which are looking at, for instance, selling to a particular type of company. Like a company who is selling to a CPG company either in a particular region or globally, they can actually get more... very curated data out of it. So this is another segment that we are actually getting some customers into. And over time, we can actually go more deeper into this. Hopefully that answers the question.

**Sougata Roy:** And does, do you also cover family offices? A lot of these single family offices in India, and outside India specifically?

**Neha Singh:** So we do have some customers and family offices, but we plan to have a separate vertical sales team just catering to family offices in some time, because they have slightly nuanced use case, their pricing needs to be slightly different because private asset is a is one of the asset classes that they are sort of looking at. So it's slightly different from the pure... the funds, private market funds. And we plan to, so we have some customers, but we plan to have a separate vertical sales team also catering to them in some time so that we are... because we have seen a lot of activity from them as well in this market.

**Sougata Roy:** Got it. And any, any plans of tapping into the pharma market with some addition to the product from a data point of view?

- Abhishek Goyal:** Right So we have recently brought a lot of FDA approval data. So we are working towards that. And once that is live, we will create a separate team for that also in terms of...
- Sougata Roy:** And Abhishek, when do you think that can be live? Will it be Quarter 2? Quarter 3?
- Abhishek Goyal:** Maybe more like three to four months is what we are thinking. But you'll know when it's live.
- Sougata Roy:** Got it. Understood.
- Moderator:** Sougata, we have participants waiting.
- Sougata Roy:** Sure, sure, sure. Just the last question on buyback maybe.
- Neha Singh:** Right. So buyback is... as you know, we have now 80 crores of cash in that and buyback is one of the interesting options because we cannot give... like in terms of the mechanism, we cannot do dividend unless we have utilized all the accumulated losses, which is probably about at least over the next one to two years, we may not be able to give dividend. Buyback is something that we can do, and we have been sort of planning for that. But I guess once we have more clarity around the recent tax change, which sort of makes buyback lesser lucrative... So once we have some more clarity, then we will be able to execute it. So I think we'll probably wait for some clarity around that.
- Sougata Roy:** Okay, I think it is fairly clear given the fact that your timelines are 1<sup>st</sup> October, but maybe that's a conversation for later.
- Neha Singh:** Yeah.
- Sougata Roy:** Thanks a lot, Abhishek, Neha.
- Moderator:** Next, we have a question from Vidit. Vidit, you can go ahead with your question.
- Vidit Shah:** Hi, thank you so much for taking the question. Just a couple of questions from my side. One was around the other expenses, which where you give the breakdown of the remaining other expenses after employee expenses, web hosting and rent. We saw that drop to 0.7 crores last quarter and then increase back to 1.5 crores in 1Q. So just wanted to understand what has caused this and what is a sustainable level of other expense that we expect going forward?
- And the second one I wanted to ask was on the ESOP policy. What is the number of ESOPs granted and when do we expect these to vest and what sort of dilution can we expect?
- Neha Singh:** Got it. So for the first question, I'll direct it to Prashant, which is basically the other expenses and what is the trend that we have seen?

**Prashant Chandra:** Right Good evening, Vidit. Hope you're doing well. So the increase in expense that you see on Q4 versus Q1 basis, so it is largely because of we are systematically trying to bring down our trade receivables to reduce any bad debts, and also increase the quality of revenue. So the change is largely on account of reversal of some of the accounting provisions. So while there is no cash based expenses increase, it is mostly due to those bad debts getting cleaned up and the reversal of the provisions which we had created earlier for the bad debts. So both these expenses are more of accounting processes, and going forward, will not be at this level.

**Vidit Shah:** A reversal of provisions would be actually a reduction in expense, right?

**Prashant Chandra:** Right.

**Vidit Shah:** Here we are seeing an increase in expenses.

**Prashant Chandra:** That's correct because... So yeah, it's in Q4, the reversal was much more higher versus what is in Q1. So directionally it is in the same line, but the quantum was a little bit more higher in Q4. So that's why we saw that.

**Vidit Shah:** So there was a one-off in Q4 and now in Q1 we've normalized this and we can expect this levels...

**Prashant Chandra:** Yeah, that's correct.

**Vidit Shah:** Okay, got it. Thanks.

**Neha Singh:** And on the second, the question on the ESOP policy. So just to summarize before I hand it over to Prashant to give more details. So in terms of the ESOP, it's the same pool that was created earlier. We don't plan to create an additional pool immediately. I think that will last us for some time. And for the so it's the same ESOP pool that was there earlier, which is about 11% of the overall cap table, and part of it keeps getting vested. And I'll also let Prashant sort of share more details around that.

**Prashant Chandra:** So on the ESOP, we are granting on a quarterly basis and sort of the levels have remained the same. So in terms of the dilution, I think roughly close to 6% is what is like outstanding in terms of pending, vesting and everything included. So beyond that, either it is either not granted or have already been exercised. So what you see from the current levels is that kind of...

**Vidit Shah:** Okay. Got it. And this pool vesting will happen over how many years?

**Prashant Chandra:** The vesting is over four years.

**Vidit Shah:** Okay. Yeah. Got it. Thanks. Thanks so much for answering this. Just one last question was actually on the number of employees. The employee count at the end of the quarter. Just a data point that would be useful.

**Neha Singh:** Yeah. So in terms of... Yeah, I'll just add to that. So in terms of the ending headcount, that was nearly 690 people. And the way it's split across the key

departments are about 100 in product and technology, about 350 in analysts and data operations, about 180 in sales, marketing, customer success, and about 60 in business support.

**Vidit Shah:** Okay. Thanks so much, and all the best.

**Neha Singh:** Thanks.

**Moderator:** Yeah. Next question is from Mr. Naman. Naman, please go ahead with the question.

**Naman Bhansali:** Hi. So my first question is, we've seen a good growth in the volume, but on the second end we have seen a declining trend for the revenue per customer or the contract price, which have not grown as fast as the volume. So in your experience on the past, whenever this has happened, so what is the time when these revenue per customer starts picking up at a faster pace? Is it with more of a private market recovery? And what is the outlook on this?

Second question is on the use case of Tracxn. So we have seen multiple platforms available wherein the use case is different. Suppose there are platforms like Probe or VC Circle or Private Edge which have a different use case. Some are dominant and legal or all those stuff. But in terms of Tracxn, if you have to say what is the USP or the differential from these platforms and where Tracxn stands out?

And lastly, third question is on your mention about low marketing spend. And you've also mentioned at the end of the PPT that there have been efforts being made over the marketing side, creating teams. So how would it affect in the future going forward the marketing expenses with these initiatives picking up? So these are three questions.

**Neha Singh:** Got it. Thanks a lot Naman. So I'll just take them. So one is basically on the account growth and how does it translate into other ones. So the current account growth that you see is actually based on a lot due to internal initiatives. Actually, it's not so much on the market. And we expect that once the market sort of opens up, we should see further acceleration in some of the ones. And these are all the initiatives that we talked about, which is either launch of verticalized sales team or Tracxn Lite, or expansion or coverage of our data, or streamlining some of the processes that we have on customer onboarding, collection, etc., as well as working on expansion of customers. So we have also seen sort of upgrades happening through that due to more proactive upgrades. So, this is based on a lot of the internal initiatives that we have done. Coming to the second part, I think once we see the volume growth, the value growth should follow, maybe after some lag, which is there, but you see some of the other ones, right? Like you see for instance, the deferred revenue grow at a fairly healthy pace and the year-on-year growth rate that sort of accelerate. So I think we see a

lot of interesting leading indicators so that to indicate that they should also translate into value growth soon. Hopefully that answers the first question.

Coming to the second question, which is how does Tracxn compare. So actually Tracxn, so in terms of there are few, you know, regional players, which is there. So Tracxn is firstly a global platform and globally there are about, you know, four or five players that we run into. But that's about it, right? In the whole private market, you know, just having global data across so many countries, you only have just a very small set of handful of customers. In terms of specific customers, for instance, in India that you sort of mentioned about. So this is actually one thing that we are sort of aggressively working on. So we entered with more of a very, you know, wide sort of sector coverage, etc. data sets. Right now we're also augmenting some of the regulatory data sets which customers have requested, be it financials. So these are very point solutions, I would say, like, you know, just some regulatory data in a particular country and we don't run into them a lot. But this is also some of the data sets that our customers have requested that instead of, you know, can you also add this data point on your platform. So that is something that we are aggressively working on and that is why you also see the results in terms of the numbers as well as the revenue sort of grow over here. So hopefully that answers the second question.

The third question, how the marketing spend. So all the initiatives that we talked about, actually in terms of the direct expense item is going to be very limited, right? Like all the organic traffic that we increased. That is actually no cost to us. It's very minimal cost of just managing those millions of pages, which is there. There's no direct paid marketing, it's free traffic which is there. So that's one. Tracxn Lite again, it's not a paid product. So there's a lot of organic traffic which we are getting. So, you wouldn't find that impact on the P&L, which is there. The third team which is there, which is verticalized sales team, which is now about, you know, little less than about like around 25 people or so. There you will see probably few more headcount getting added as we add more specialized verticalized teams. But that will only be linear. So that is why you don't see direct impact on the P&L and it is going to be only linear as we sort of increase headcount in some of these teams, right?

Hopefully that answers the questions Naman:

**Naman Bhansali:** Got it. That was really helpful. That's it from my end.

**Neha Singh:** Thanks Naman.

**Moderator:** Yeah, the next question is from Pradeep which is in a chat box, what explained the good customer growth for this quarter.

**Neha Singh:** So thanks a lot, Pradeep. So, as I was sort of alluding to, so a lot of these account growth that you see is because of the internal initiatives and not so

much on the market. And hopefully, once the market sort of opens up, we should see further acceleration. So we did a lot of other things that we have been working on for the last few quarters on the sales and marketing side. One is like having verticalized sales team in which we are also doing outbound. So if you look at it, for instance, traditionally, a lot of our customers used to be from inbound. Now we have also, in some of the segments that we have sort of prioritized, we also started to do outbound. That is one interesting new initiative. Another one is basically we started doing city trips, for instance, wherein we are able to wherein we meet customers for both sales as well as existing customers for expansion, wherein we are also getting results. So we are able to see sort of upgrades happen when we are meeting sort of customers for, during the city trips. That is one.

The third initiative is like just the increase in data coverage that you saw, very rapid increase in terms of financial regulatory data, essentially. That's one big focus area. There we have also...because of it, we have also increased the conversion in some of the segments, right? And, so these are some of the reasons why we have sort of also seen a lot of growth in terms of the accounts.

**Moderator:** Yeah. Next question is from Prateek. How many accounts are accessing full financials versus accessing only basic financial information, like revenue?

**Neha Singh:** Thanks, Prateek. So I think we would I think we would have anecdotal data on this. So I think people require both. So when they are filtering companies, for instance, you know, like people say, I want to look at B2C brands which have crossed 50 crores or particular revenue threshold there, they use the leading revenue numbers, which we have it for much larger set of companies. The second thing is that when they are evaluating a particular company, then they go into more details of the financials, right? Then they would want to look at more financials, they would want to look at historical share price, they would want to look at how the investor shareholding moved across the rounds, etc. So there they would go into more granular data. But we actually see, you know, sort of a requirement for both these data sets, I would say, from the customers.

**Moderator:** Siddhesh Matre, are you there?

**Moderator:** Okay, Vikas you can ask your question.

**Vikas Kasturi:** Hi, Neha. Hi, Abhishek. I had two simple questions. One is what is the customer retention rate? And my second question is, I noticed that with each passing year you've been adding more and more entities that are being profiled, more number of users are accessing and so on. But the cloud hosting charges are pretty much at the same 2.4 crores or something like that. So how So what explains this while you're adding a lot of data, but the cloud hosting charges etc. is the same? So these are my two questions.

**Neha Singh:** Thanks a lot, Vikas. I'll take those. So the first on the customer retention. So the way we measure the customer retention is more is looking at the revenue retention, which is a proxy for net dollar retention. The way we calculate is that like across in a particular financial year, how much revenue came from the customers in the previous that we had acquired previously in the earlier financial years without any incremental sales support. And what is the expansion that we have seen? So that's a proxy for the net dollar retention. That number, for instance, across the last three years, it has trended from like 115% to 103% to...last year was probably the one that we had seen most impact wherein we saw specific impact in Europe that we mentioned above. So in their case, India and America was nearly 100% and EMEA was much lower. So that's how so we believe that's the right way to sort of look at the customer retention more in terms of the revenue rather than in terms of the numbers. That is one.

On the second part, which is coming to the number of entities. Yes, we have sort of added the entities at...you know, they've increased a fairly good pace, but the cloud hosting cost has sort of remained, not increased as much. You know, I'll probably also let Abhishek comment on this. But one of the reasons is that we continue to do a lot of optimizations. So even if you look at our backend, like the backend, we probably add...today we have more than 700 million entities on the backend. This was probably a few years back only like half a billion. So there are millions of companies, the backend that we continue to add on a weekly basis. So it's not just the data that you see on the front end. There's a lot more data that we process in the backend to be able to synthesize data. And both of them have been increasing. But there's also a lot of optimization that keeps happening across the whole tech infrastructure so that the cost isn't increased linearly.

**Abhishek Goyal:** So absolutely. I think, Neha, you covered most of it. So I think big part of our cloud cost is actually data processing, which happens at the backend instead of the usage run by customers. And two other things play a role. I think the cloud costs are inherently different in nature, which means every year the cost of that same compute goes down. So that helps in our favour and we do regular optimization with respect to how we use our infrastructure. So these factors have helped us maintain our cost and practically it has gone down a bit marginally every year, despite a significant increase in customers that have been using our platform.

**Vikas Kasturi:** Thank you. Can I just ask a follow up question? So by adding more data, does the richness of the platform increase as in, of course you will process it and show it in the form of reports, but does the richness of the platform increase by adding more entities?

**Abhishek Goyal:** Absolutely. So I think as Neha mentioned, you tracked like 700 million domains at our backend. Only a fraction of that is put on the front end where we think that company is interesting for us to cover and publish. And regularly we keep adding data points to a company to make the profile

richer. So in the presentation we did cover about number of increase or the financials have increased like three to five times in within like last some time, cap tables have significantly increased. So all this increase have made the profiles richer over time.

**Vikas Kasturi:** Thank you, Abhishek. Thank you, Neha

**Moderator:** Yeah, thank you, Vikas. We have a question on chat box from Pradeep Rawat. How much percentage of incremental revenue can we expect to fall to the bottom line in coming years? How much percentage of incremental revenue can we expect to fall to the bottom line in the coming years?

**Neha Singh:** Thanks. To answer that, so as we have sort of indicated, you know, it's in line with that we expect, you know more than 50%, for us to reach more than 50% of the revenue to be going into bottom line on a steady state basis. So if you look at previously also we mentioned that, you know, it had reduced marginally in FY23 when we had increased sort of budget in a few of the initiatives. But, you know, we expected it to go back to more than 50%. So that is probably closer to the norm and we expect that, you know, it should go back to that fairly soon.

**Moderator:** Sorry I was not able to unmute myself. Next, we have Prateek's question this is regarding the pricing for new accounts that you have added during Q1, both in overseas and Indian markets. I'll just repeat it this is regarding the pricing for new accounts that you have added during Q1, both in Indian and overseas markets.

**Neha Singh:** Sure, Prateek. So thanks a lot for the question. So as we had indicated previously, if you look at it, whenever we acquire customer, the typical customer starts small and grows over time, right? So to give an example, on an average, our users have about three users per account. So per billing account, we have about three users on an average across all our 1300 plus accounts. However, if you look at the new user, typically a lot of them would start with like a single user account. So more than 90% of the incoming new users would start small and then grow over time, which is a typical behaviour that we see. And so, this is the same thing that is also there in this quarter. Like a lot of the accounts that, you know, start, they actually start with like a single user or a two user, you know, primarily like more than 90% single user accounts that they start with.

On the positive side, this also gives us a very large base of users to upgrade over time, right? So recently, for instance, we've been doing a lot of other things and we've getting success in upgrading our accounts, like people like accounts which are sort of users. And once we have acquired a lot more accounts, this also gives us a very good sort of account base for our expansion team to work on and get more users over time.

So hopefully that answers the questions, for Prateek.

**Moderator:** Yeah, sure. Now, we take Sriram Rajan's question next. Sriram Rajan, are you there on the call?

**Sriram Rajan:** Yes I'm there, Can you hear me?

**Moderator:** Yeah loud and clear

**Sriram Rajan:** Okay Superb, thank you and thanks for taking my question. Neha and Abhishek, wonderful presentation as usual. And actually, today's Economic Times carried an article on the space ecosystem of entrepreneurs and I think they referenced Tracxn's inputs. So that quite resonates with your presentation as well. So maybe just a question here. Perhaps you covered it in your previous calls, but the EBITDA margin has been, if you look at Q2 of FY24, the EBITDA margin has been, was about 9.5% and then it's now come down to 1.4. It's been declining quarter-on-quarter. Is there some reason for that?

**Neha Singh:** So, thanks a lot firstly, Sriram, for the kind words. So, yes, that's our endeavour that whenever you hear data about start-ups or tech ecosystem or private markets, we should be present there, we should have data from Tracxn. So coming to your question about EBITDA margin. So yeah, the EBITDA margin is there but there is a slight variation that happens on a Q-o-Q basis. But you know, there's no reason for us to believe that this year would be lesser than last year. You know, ideally it should continue to see some expansion over there in this year as well. And, you know, I think you'll have better clarity on this number in the coming quarters. But so there's some variation that happens on a quarter-on-quarter basis. But, you know, there's no reason for us to believe that, you know, it will be sort of lower than last year. And, you know, hopefully you should see some expansion this year.

**Sriram Rajan:** Great! That answers. The user addition has been approximately 300 for Q1. Can we assume that a similar addition based on your internal initiatives? I'm not saying the market is opening up yet. Can we kind of forecast that kind of a growth every quarter?

**Neha Singh:** Right. No, that's an interesting question. So if you look at the user addition, this was also at a very good momentum at nearly all time high. To give you, just to put into context, like if you look at across the last three years, on an average, we would have added like 300 to a maximum of say, like, 700 users in the whole year, in the whole financial year. And in this year, in the first quarter itself, we have added more than 300 users. So obviously that's a very good number that's there and, that's a function of both. So the user growth is a function of both new accounts getting added as well as expansion initiatives. So, the expansion initiative are also giving sort of results which is also seeing growth in users in the existing accounts, right? So that is something that we continue to sort of work on. We continue to sort of work on more proactive upgrades like login sharing, curbing on login

sharing, for instance, was one of the ways in which we are able to sort of get upgrades and a few other ways. So, yes, this is driven by some of the internal initiatives that we are doing, and we continue to see good momentum even through this quarter, through the beginning of this quarter for these. And the other thing is that as we add a lot more accounts, it also gives us good base to sort of upgrade users from, right? So, there also we continue to sort of see good momentum in terms of the user growth.

**Sriram Rajan:** Okay. So thanks, Neha. I was looking for some guidance in an indirect way, but you said you are doing well and you haven't given me sense of what it will be, but I understand. I appreciate it.

In terms of average revenue per user, what would it be? You've got a lite and a full-fledged model. What do I take the blended rate for this, for this 313 users?

**Neha Singh:** Right. So the lite is basically not accounted in the paid users. So the lite is basically only the marketing funnel that is there that unless a customer starts paying, you would not have that account included either in the number of accounts or in the number of paid users, right? So that is not there. Coming to that part of what's the average realized pricing that we're having. So if you see, last year this was around 6.5 lakhs per account and 2.4 lakh per user, right? This quarter, if you see, because, you know, this quarter is a reduced marginal because the momentum of account addition has been higher, right? But our sense is that it should come back to the same level between 6 lakhs to 6.5 lakhs per user per account or/and about, you know, 2.2 lakh-2.3 lakh per user.

**Sriram Rajan:** That helps me. And can we assume that whatever users you have signed in in Q1 will...so you have three full quarters going for on a conservative basis, something you might have realized some revenue in Q1 itself, but you'll have three full quarters to burn this, right? Is that the right assumption?

**Neha Singh:** Right. So if you look at typical our collection, so nearly about 65% of the customers pay us annual upfront and the remaining pay as quarterly upfront. So it's all prepay, you know, about 65 pay as annual upfront, remaining quarterly upfront. So, yes, we would have that much time to sort of accrue this revenue.

**Sriram Rajan:** Okay, excellent. Thank you, Neha and Abhishek, wonderful presentation and wish you the very best for Q2 and FY25.

**Neha Singh:** Thanks a lot, Sriram.

**Moderator:** Yeah, thank you so much. I think in the interest of time, probably we'll have to close this call now. In case you have any further questions, you can reach

out to the management at investor.relations@tracxn.com. Now I will pass on to Neha and Abhishek to give their closing remarks.

**Neha Singh:** Thanks a lot, Sidharth, and thanks, everyone, for joining us today. I hope you got a good understanding of our recent business update and we were able to address some of your queries. As Sidharth mentioned, if you have any follow up queries, please feel free to reach out to us. I am neha@tracxn.com or you can reach out to Abhishek or Prashant or you can reach out to our investor relations teams at investor.relations@tracxn.com. Thanks again and hope you have a good rest of the day. Thanks a lot.

**Abhishek Goyal:** Yeah thank you very much.

**Prashant Chandra:** Thank You everyone

**Moderator:** Thank you team Tracxn.

Disclaimer: This transcript has been edited to remove and / or correct any grammatical inaccuracies and inconsistencies in language that might have occurred inadvertently while speaking.