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Mondee Holdings, Inc.

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Eric Bradbury: I'm Eric Bradbury with J.P. Morgan. I have the privilege of hosting the Mondee team today at the encore session of the conference.

With me is Jim Dullum, Mondee's current chief operating officer and member of the advisory board since 2012. Jim has over three decades of travel tech experience. In the 1990s, he ran a 34,000-person travel business at EDS, an HP company.

Several of the leading travel tech companies today were spun out of this group, including household names such as Expedia, Amadeus, and BCD. He's been applying technology in commercially successful ways since the early applications of the Internet and technology to travel. Jim, welcome, and looking forward to our discussion today.

Jim Dullum: Eric, thank you, and thank you very much to J.P. Morgan for having us here.

Eric: Great. Mondee is a recently public company, started trading last year. For many investors and individuals who may not yet be familiar with Mondee, why don't we start with maybe an overview of the business and how you guys think about where you fit into the travel ecosystem today.

Jim: Mondee, at its very heart, is a tech company, a travel tech company. We develop state-of-the-art tech platforms. Our founder comes out of that business, having had two previous exits, one to Mercedes Benz, one to Lowe's, with tech companies that he developed, grew, and sold before he started Mondee.

He brought that tech expertise to the party. We apply transactional technology platforms to the complex travel industry. By the way, we've grown a three to four-billion-dollar gross revenue marketplace off of that tech platform. We continue to grow the business. We are a high-growth company.

We have a very large North American presence, and we are now taking that global with a lot of our plans. We believe we have a very differentiated position in the marketplace. We believe that we are in the middle of broadcast, not in broadcast, but in narrowcasting travel transactions to the marketplace.

We think we enable, and we'll talk about, that we enable the modern travel ecosystem. We think we have the platform, the combination of content to be able to execute on that as the business goes forward.

Eric: Can you maybe talk about, at your core, you're matching travel suppliers or content providers with users or distributors of that travel content? Can you maybe talk a little bit about who your customers are, who your content partners are, how you're sourcing them, and then how you're serving the customer on the other side?

Jim: Our tech platform in the middle sits between the content suppliers, who, in this case, are today the airlines, the hotel companies, cruise lines, and all other providers of trip-related or experience-related content.

We connect them through basically the state-of-the-art platform out to the content consumers, but we connect it through these, as I mentioned before, narrowcast channels. Those are travel distributors of one sort or another, experts, influencers, travel agencies.

We connect through those channels to their targeted consumer sets who could be millennial or other travelers, Millennial, Gen Z travelers. We connect all of those folks across basically a state-of-the-art platform.

Eric: Can you maybe talk a little bit about when you guys set out to build Mondee, what was the problem that you were trying to solve? What were these travel agents and travel influencers using before?

Jim: There are a few different problems that exist. First of all, the travel industry, for very understandable reasons, is fraught with tech debt. You have a complex process that are going

across big supplier systems that are hard to change.

You're solving the problem of continually bringing improving technology to this marketplace to enable both the distribution and consumption. We were trying to solve the problem of the platform itself, which we did very successfully, for the suppliers who are very high fixed cost, low variable cost entities.

We're solving the problem of potentially perishable inventory. They have, whether it's an airline seat, a hotel room, a berth on a cruise ship, whatever it is, we're trying to help position that over the lifecycle of that product so that they don't have perishable inventory against their very significant fixed cost base.

For the suppliers, we're giving them channels to market that are not competitive with their own broadcast channels. Whatever it is, the Delta.coms of the world, the Marriott.coms of the world, we're not competitive with those because we're going to specific channels to target user groups.

For the distributor with the platform, we are solving the problem of efficiency and of access to unique and differentiated content. For the consumer, who is our customer's customer, for the most part, we are giving them access to a tech platform that enables them very easily, very efficiently to acquire this inventory and also to curate it.

Eric: There's other companies out there that talk about content aggregation and making that available to the travel agent channel. Think about Amadeus, or Expedia, or even what Booking offers on the B2B side.

How do you think about Mondee vis-à-vis those other offerings if you're the travel agent? What is the selling point or the value proposition for the travel agent in using Mondee over one of those alternatives?

Jim: I'll expand the question a little bit, Eric, not just to the travel agent, but the travel intermediary in general. Companies like Amadeus, and these are all great companies in their own right, but companies like Amadeus, they are mostly the connection pipes.

They're simply aggregating some set of demand and some set of supply, but it's all published rate, published price supply. It tends to be that part of a broadcast channel. We're not in that business. We sometimes can use some of those GDS, those global distribution systems, the Sabres, the Travelports, the Amadeuses.

We will sometimes transact across those pipes. For the most part, we're not competing with them in any way directly. We're simply going past that, because what we're doing is help with the actual curation of the content, putting it together in the right way.

When we get to the intermediary, the travel agent, the travel expert, etc., we are able to give them a set of tools that give them access to this content, which is, in most cases, a negotiated rate, a discounted rate of some sort. We're able to give them access to that.

We're able to give them the tools curated, and we're able to give them the, we'll call it conversational commerce or collaboration commerce set of applications with which they can then work with their customer, their traveler, or their groups of travelers.

We're helping them with doing this. It's not just aggregation. It's creation of that experience that, at the end of the day, is what the consumer is purchasing.

Eric: Travel, an enormous market, over two trillion dollars by some estimates. How do you think about which part of the travel market you're serving with your current solution? How do you define your current TAM?

Maybe talk a little bit about the product mix that you're offering and how you're going after that [inaudible] spend pool.

Jim: First of all, great question. The travel market itself is about a two trillion-dollar space. That two trillion-dollar space is pretty evenly divided between what you can think of as the self-service space and the assisted and affiliated space.

The self-service space is where all of the published fares, the published rates, the supplier websites, the other general broadcast channels, where they exist, and where they operate. That was a big growth coming out of the '90s, early 2000s.

That was a big growth area as the simple part of the business or the more straightforward travel part of the business went to the Internet. The other part of the space is one most people don't recognize. It is the assisted affiliated.

This is where people, they need some help. It's a more complex trip. There are some studies recently that even show that when somebody with, say, a family of four is trying to curate a family

trip, they will literally go, if they try to do it on their own, they'll literally go to 26 websites.

We tend to look at that and say, "Here's a tool that allows you to go to one place, have all of that built and provided for you with the ability to move the pieces and parts around." In that assisted affiliated space, we went after initially a 70 billion subsegment of that market, which was North American discounted airfare.

We dominate, we disrupted, and dominate that segment of the market. We are the biggest player by far in that space. If you think about it, that was our starting TAM. Since then, we've added all kind of content. We've gone way past air now.

We've added hotel, we've added car, we're adding cruise, we're adding tours, we've added theme parks, events, etc. We now have the full spectrum of content when somebody's curating that experience, that personal trip for themselves, their family, their coworkers.

If they're curating that, they have access to all of that. We've now gone past that. We're now playing in that full one trillion TAM, and we've expanded our distribution channels as well.

Eric: You could say it's a misperception that the unassisted category is going to subsume the assisted category as tech solutions become more prevalent. Can you maybe talk about your outlook for, how do you see this two trillion dollars split across assisted and unassisted over time?

Jim: There's an interesting study that came out. You can look at it. It came out maybe almost a year ago now. For the next three to four years, it's projecting that while the marketplace is going to grow in general at nine percent, the assisted affiliated segment is going to grow at 11.

The assisted affiliated segment is growing faster. That's because of a number of the current trends. Everybody talks now about things going hyperlocal. We might talk a little bit here about our technology platform and so forth, but that's where Mondee plays.

We have the ability to make things hyperlocal. We have the ability to amass user-generated content and provide it back into our marketplace that we underpin. That's where we play. That's the next generation, if you will, of where we're going.

Eric: Can you maybe talk a little bit about your different revenue streams? You've done a number of acquisitions over the years that have allowed you to move maybe beyond just B2B distribution to have B2B2C, some direct-to-consumer-facing offerings.

Can you maybe talk a little bit about the different products that you offer in the monetization model?

Jim: Absolutely. The history I mentioned a little while ago, we started in North American wholesale airfare, we graduated to hotel, cruise, etc. Initially, our revenue streams were coming from basically consumer-based consumer economics, which were where we take it and we're buying it, we're acquiring it at the time...We don't take inventory risk, by the way.

We're acquiring it at the time of purchase at a discount. We're marking it up to our distributor, our distributor is marking it up to the consumer, who is then getting a better deal than they would otherwise because they are a targeted consumer, not a broadcast consumer. They're targeted.

That was part of our economics, that sort of consumer economics. Then, there was a supplier economics. The suppliers are using us as this private channel to push inventory that might otherwise be perishable. They're paying us overrides and fees for performance in that segment.

Then, I mentioned before, we put some of these things through the GDS pipes, and when we do that, they pay us a segment fee. By the way, with our technology platform, we're also directly connected to a whole raft of suppliers, but we have an algorithm that decides which channel to put it down at any given point in time.

Those were our economics. Since then, those economics have graduated. Obviously, that was all related to air. Now, you add hotel, which tend to carry higher take rates, higher markups than air. Cruise, even more so, etc. We've diversified that part of the revenue stream.

We've also added to it with the tech platform during the pandemic. We doubled down on our tech platform and we invested in it. Through that, we added to the booking path. If you think about it, we've acquired the customer. We're now taking them through a booking. We've added ancillaries, so upgrades, etc.

We can sell those in our booking path directly. We've added fintech solutions. Fintech will give us a percentage of the actual transaction that goes through. We're doing that on a virtual or card, or we're providing different wallets, etc.

We've added insurtech, so we have insurance that we can now sell across the platform. You have this expanding set of things that we get to do in any given transaction. If you look at our

revenue stream now, it started as just the three components of air.

We then have added those components with other content, cruise, hotel, and so forth. We've now added to that during the booking path all of these ancillaries, fintech, insurtech, MarTech, things that we charge for. We've diversified the revenue stream that way as we move forward.

Eric: Regarding product mix, so you're predominantly air today. You've stated that your target is to be 50 percent hotel. How do you plan to get there? Do you need more supply acquisition of hotel inventory? Do you need to do other M&A? What is the strategy for reaching this diversification target?

Jim: I would correct one thing. It's not that we're going to be 50 percent hotel. We think we'll be 50 or less air, which we've been predominantly air. The rest of it will be these other things we've talked about. Part of it is acquiring the content, which we now have.

We have that full suite of content is now available. Yes, we will continue to build on that. As things get more localized, more hyperlocal, etc., you will see us, through our inorganic programs as an example, expand our more local content, where we may not have it today or have access to it.

The biggest driver of this is going to be our technology and our technology platform, where it is now convenient and easy for our intermediary customers and their consumers to buy all of these things, to procure all of them, and to curate them.

With that, that's where you will see the biggest explosion of the diversification, that type of diversification across the set of content that we bring to the marketplace now.

Eric: Maybe talk about where you're at in the recovery. COVID obviously had varying impacts across the travel sector. Some sectors did better, some did far worse. You guys historically have been more levered towards air a lot of international travel, thinking about who's doing the ultimate selling and distribution of your content.

Can you maybe talk about where you're at in the recovery curve? What's going to propel your near-term opportunity as trends normalize across the travel space?

Jim: Certainly. Look, we, as Mondee, we have several levers of growth. One of them obviously over the last couple of years has been the recovery. There are parts of the recovery that quite honestly are in the rearview mirror.

There's still some very interesting ones that we can look at through the windshield. Domestic travel as an example has pretty fully recovered. As you noted earlier, we are primarily North America outbound today. That's changing, but today, that's what we are.

There are still a few international markets that are just opening or opened and are just starting to blossom. Probably, the biggest one of those is China. If you look historically, China in that part of Asia was about 20 percent of Mondee's business.

We see that as now the next tailwind for us, because China is opening up and we will be able to take advantage of that. We see international travel in general as only mid-70s percent recovered. We have that additional, say, 25-ish percent left to go on international. Again, the biggest part of our business.

Those are tailwinds for us going forward. I know you see a lot of things in the press that say a lot of people are, "China's opened up." That's domestic China for the most part. When people are planning trips to China right now, you don't plan a trip to China overnight.

You do it over a six to nine-month period, generally, between visas and making sure you're doing the right type of thing if you're taking that long of a trip. If you think about that, there's that six to nine-month lead. As that market has opened up, you're just at the beginning cusp of that, if you will, the next upswing here.

Those are the headwinds for us as the international market flushes out. That will be the fulfillment of the recovery component of the growth curve. As I said, there's several other elements to it, but that's just the recovery component holding.

Eric: Maybe we switch gears a little bit and talk about the product roadmap and some of the product features that you're excited about. Maybe start with the Mondee Affiliate Network. Can you maybe talk about, what is the strategy for launching that, why you're excited about it?

In particular, you're targeting the gig travel worker or the travel influencer, however, you want to describe it with this offering. Maybe speak to what role you see that individual or group playing in the way travel is discovered and booked going forward.

Jim: A couple of different elements to the affiliate network program. Number one is if you think about the existing customer base, we provide a lot of the content and a lot of the transactions for

the existing customer base.

Within the Mondee Affiliate Network, we are allowing those current distributors, those current customers to put more of their business through Mondee as an exclusive affiliate. By doing that, we can share more economics with them.

Right off the bat, as we bring people into that affiliate network that are current customers, we're going to pick up maybe a component of their business that we don't have today. That will be an immediate growth in revenue from that piece.

Having said that, though, to the core of your question, the more interesting thing is, as this market morphs, as it evolves and changes, as you get more influencers and experts, and as you pointed out, the gig workers coming into the space and doing things that way, the affiliate network allows us to tap into them.

Maybe easiest or best for me to give you an example or a couple of examples of that. We recently announced within the last few weeks the signing of an arrangement with TISSINI. TISSINI is a company that has 50,000 single Hispanic mothers in the United States as their network.

They provide a set of products through that network into their local communities. What that means is there's 50,000 of these basically local experts, local influencers in their communities with their micro-networks.

We are now working with TISSINI, and we're providing them with the tools for them to sell travel into their communities. Now, we have this network of 50,000 influencers, if you will, in a particular community, so the target communities. We can target certain products there.

We give them all the tools they need to sell very effectively in there. That's the type of thing that the affiliate network is bringing, because they now come on as Mondee affiliates and will push all of that business through us.

Those are the types of ways that we'll use, and there are other examples, but they're types of ways we will use the affiliate network to continue to grow the penetration of the various markets.

Eric: Can you speak to other things that are on the product roadmap that you're excited about and how those maybe specifically are addressing what you see as where the puck is headed in

travel, whether it's how content is aggregated or distributed, or from the consumer side, how consumers are looking to discover and book travel?

Jim: I love that question, because it speaks right to the heart of Mondee, our technology prowess. During the pandemic, when we looked at where the market is going, as you say, where's the puck going, how do we skate to it, we looked at the fact that the largest set of procurers of travel are going to be the Millennial/Gen Z generation.

In that generation, there are certain things that they're looking for. They're looking for everything to be mobile. They're looking for it to be curated. They're looking for it to be something that they can share on social media or replicate what they see on social media.

We worked on the platform during the pandemic to ensure that we provide everything that they need. Or, if it's the influencer, that the influencer has the transactional platform that they can provide very conveniently to their followers, whether it's hundreds of thousands or even millions of followers in some cases.

We provided that. We designed that. We've developed that through the pandemic, and we've released or are releasing all of that functionality now. That was the most immediate step in the roadmap.

Obviously, from there, the next step in the roadmap is to go ahead and take advantage of all of the current and modern technologies. AI is a big buzzword out there. We've been doing machine learning with our algorithms for years.

What we've done, now AI brings us the great engines, commercially available engines now that you can adopt and apply to what is a complex travel process, and not just in the selling of it, but in the servicing of it.

In our roadmap, we are looking at, how do you apply this? Those will be some of the things that we will be working on as we go forward. Our platform now is capable of conversational, collaborative commerce.

We're releasing it into the marketplace that will have experts, influencers, curators, travelers, suppliers, all on this platform. It's able to connect them in almost a very conversational and collaborative way, so that we create this community marketplace that allows even user-generated content. Think about it.

Every trip that happens, with the Mondee platform, we're able to look at what that trip is and see, are there components here that we now put into the platform? User-generated content beyond the traditional content.

We can now provide that so people can look at that and curate it as well in ways that don't invade anyone's private by any means, but it certainly allows them the ability to do very interesting things, have very interesting experiences that before, they may not have even been aware of. That's where our roadmap's going.

Eric: I'm glad you brought up AI. It would not be a fireside chat at this conference without a discussion on AI. Can you maybe talk a little bit more specifically around AI and Mondee, whether you're incorporating it into your solution today?

How AI, you see it impacting the travel industry overall, and maybe how you're positioned for how this is going to play out over the next couple of years? What are threats, what are opportunities?

Jim: I probably won't say a lot, Eric, about our current AI roadmap and AI releases in any way, but let me talk about it generically in the industry. You can't pick up any article these days that doesn't talk about somebody applying ChatGPT, or Bard, or something into the initial sales process.

I would assume, since Mondee is a tech-forward company, that you would make a natural assumption that we've got that part. Having said that, it applies across the whole experience. The hyperlocal experience. How do you take some of this technology to digitize what is currently static local content?

If you are able to do that, now you have that real-time, live, user-generated content. Those AI engines should be able to provide that. If you think about where the industry is going, we see it as the proper application of AI is where the big win is.

It is being applied today by a number of people at one component of the whole process. We think it goes across the entire process. Clearly, as we think about our roadmap, those are the types of things that we're looking and planning.

Eric: We're at the five-minute mark here. Maybe want to do a quick check and see if any questions from the audience.

[pause]

Eric: All right, we'll keep going. Let's maybe switch gears here and talk about your M&A strategy. It's been a core part of how you've built the platform over the years. You've done a number of recent acquisitions that I know you guys are very excited about.

Can you maybe talk about, how are you identifying targets? How are you balancing targets across technology, across content, across distribution as you think about the three pillars of your platform? What are you going to be focusing on in the near term across those different categories?

Jim: You're right, anything we do is going to be building on those three pillars. The history of the businesses, we acquired seven companies to get started. That was what gave us the content in the first place, and then we built the platform.

We acquired seven more. We're up to 14 now that we acquired right at the pandemic. Those were to give us broader distribution channels, different types of content. Hotel content would be an example. We launched that during the pandemic, starting to add that, etc. That was the next seven.

Then, we acquired in the first quarter of this year, we acquired three more companies. This now starts the geographic and the footprint expansion as well as content addition. We acquired two companies in Brazil, one in Mexico, because we see LATAM, the whole Central and South America, we see that as great growth market for the future.

Our acquisition strategy is based on we want to start getting content access, although the platform provides a lot of that. There is this more local content that you can get. That's always part of the acquisition strategy. The distribution footprint, where we can get great cross-selling leverage.

We have over 50,000 travel agents just in the historic Mondee base. We've acquired 15,000 more approximately in our current acquisition. We're now up to about 65,000 of these distribution points, these intermediaries.

Our content that we've had in Mondee typically can be shared with some of these acquisitions that we've made. Similarly, they have local content that would be interesting to our 55,000 base,

so we can share it back that way. We get those types of synergies.

We buy profitable companies, we buy them at a good price because they're stuck without the technology, so we bring the technology. The second piece of our acquisition strategy is it needs to fit right onto our platform.

These things come on, they come on very synergistically, and they come on very accretively, not just because of the prices that we're buying at, because they're a little bit stuck without the tech. Also because we put them in, we get these cross-selling synergies, etc.

It makes for a great accretion story very quickly. You said it correctly, it's the three pillars that we're building on. Because we are such a tech-based company, we don't stay away from acquiring tech, but we don't see a lot of it that makes sense to acquire. Most of it tends to be on content, distribution, geographic footprint.

Eric: Probably, final question here. It's pretty comprehensive in terms of the offering and how you've gotten from the starting point to where you are today. What's your strategy and plan for scaling from here? What is it going to take to 2X, 3X revenue in the next decade or so?

Jim: The 2X or 3X part of that would be organic. The organic business is, again, growing. We were growing at a 40 percent CAGR coming into the pandemic organically.

That, obviously, during the pandemic, took a little bit of a hiatus, but we're back there now with the recovery and with the market penetration that we've been able to do, with the leverage that we're getting from the acquisitions, etc., because once we bring them in, they very quickly become part of the ecosystem and continue to grow.

We see that part of the growth. Acquisitions will create some of the inorganic, but bear in mind, once we stick them in our platform, within a year or so, they are part of organic growth at that point. That flywheel effect takes over.

Those are the things that are the foundation of growth. The real gravy on top of it is the market, what the market's doing. As the market explodes and the marketplace explodes to these influencers, the experts, etc., that part is where this market will go, much like if you think about the example of an Uber.

Before Uber, there were hundreds of thousands of taxi drivers, and there were millions of people

who were driving around in their cars, just didn't know that they would become the modern taxi driver.

With the implementation of that app and the connection to the marketplace, that's where they went. Same thing is happening here. It just happens to be in travel. We have the system for it, that complex system [inaudible] .

Eric: Great. Jim, it's been a pleasure.

Jim: Eric, thank you very much. We appreciate it.



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