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Call Participants

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Presentation

Operator

Good day, and welcome to the Mondee Second Quarter 2023 Earnings Conference Call. Please note, this event is being recorded. I would now like to turn the conference call over to Jeff Houston, Senior Vice President. Jeff, please go ahead.

Jeff Houston

Senior Vice President of Investor & Public Relations

Thank you, operator, and good morning, everyone. Welcome to Mondee's Second Quarter 2023 Conference Call. With me today is Founder, Chairman and CEO, Prasad Gundumogula; and Chief Financial Officer, Jesus Portillo, who will present our results. Also available for questions and answers is our Vice Chairman, Chief Strategy and Business Development Officer, Orestes Fintiklis; and Chief Operating Officer, Jim Dullum.

Before we begin, I'd like to remind everyone that this call may contain forward-looking statements, including statements about revenue, growth of our business, our management and government plans and other nonhistorical statements as further described in our press release. These forward-looking statements are subject to certain risks, uncertainties and assumptions, including those related to Mondee's growth, the evolution of our industry, our product development and success, our management performance and general economic and business conditions. We undertake no obligation to revise any statements to reflect changes that occur after this call. Descriptions of these and other risks that could cause actual results to have a material difference from these forward-looking statements are discussed in our reports filed with the SEC and in our press release that was issued this morning.

During the call, we also refer to non-GAAP financial measures. Reconciliations of the most comparable GAAP measures are also available in the press release, which is available at investors.mondee.com.

With that, it's my pleasure to turn it over to Prasad.

Prasad Gundumogula

Founder, Chairman & CEO

Thank you, Jeff. This morning, we are excited to welcome everyone to Mondee's Second Quarter 2023 Earnings Call to discuss our results and significant developments. We appreciate your interest, whether you are a shareholder, a client, supplier, business partners, employee, prospective shareholders or analyst.

I'll begin today's call with our business highlights and strategy and then I will turn the call over to our CFO, Jesus Portillo, for a more detailed review of our financial results and outlook. We will then conclude the session with time to answer a few questions.

Starting on Slide 4. There are 3 key points to emphasize in our second quarter results. First, Mondee is once again disrupting the travel market through AI innovation and next-gen technology deployment. We are thrilled that on the first anniversary of our NASDAQ public listing, Mondee released the first fully integrated AI travel marketplace, opening a world of new market opportunities and solidifying our status as pioneers in the travel industry.

Our journey has naturally led us to this transformational intersection. In the past 12 years, we assembled the components that disrupted a significant segment of the North American travel market and created a highly successful Mondee [indiscernible] marketplace platform. The technology marketplace for travel experts, suppliers, travelers and organizations.

With our newly released disruptive AI platform and Mondee Travel marketplace, we are broadening our addressable customer base to include the vibrant ecosystem of travel social influencers, freelancers and the tech-savvy millennial and Gen Z travelers.

Moving to Slide 5. Key elements of this transformation included a one-of-a-kind modern tech platform, extensive world-class privately negotiated content, deployed through a powerful network of experts and travelers. This positions us to generate increasingly hyper local content. For personalized experiences, as well as establishing Mondee as a technology leader when it comes to AI in travel.

Coming to the second point, now that we have all of these assets in place, we are now perfectly positioned to launch a series of robust modern marketing campaigns with the help of our expanded world-class marketing team. This strategic push aims to fully capitalize on our disruptive market position as we approach 2024. AI is not new to us. Mondee has been investing in AI technology for the past few years. Because of this, we are uniquely positioned to lead and bring a fully integrated advanced AI platform to the travel industry.

Over the past few quarters, a favorable market window opened, allowing us to leverage our established assets to position Mondee as a leader in the AI marketplace. These developments were, first, rapid popularity and proven breakthroughs in the Generative AI platform such as ChatGPT and Google Bard.

Secondly, Gen Z and Millennial travelers are receptive to -- and actively seeking AI solutions for creating personalized travel experiences. Thirdly, social media influencers have become more relevant to introduce new travel experiences to their followers. With these developments, coupled with the deployment of our advanced technology, expanded global content and innovative marketing programs, we are stepping into a new realm poised to bring travel experiences to a wider audience.

As a result, we decided to accelerate our investments in deploying the technology, building the marketing programs, the content scope and curation as well as the business delivery infrastructure. We believe that the symbiotic relationship between AI advancements and Mondee's leadership in AI travel technology justify our intensified focus on these initiatives.

Our incremental investments here will facilitate the process of engaging travelers through social media influencers, closed user groups and organizations more quickly. We fully expect our revolutionary air travel marketplace to contribute to further market share gains, improve the rate of net revenue growth and enhanced profitability in 2024 and thereafter.

The third point, we continue to grow at a fast pace and perform well financially. Turning to Slide 6. We are proud of the performance of our Mondee marketplace, which has delivered explosive organic and inorganic growth as well as positive EBITDA. Culminating into yet another stellar financial results in the second quarter, exemplifying our commitment to growth with innovation and excellence.

In Q2 of this year, with take rate, which we define as net revenue divided by gross revenue, increasing to 8% from 7.2% in the second quarter of 2022. Net revenue of \$57 million was 124% of the second quarter of '22. In the first half of 2023, we exceeded the net revenue guidance communicated to the investment community, and we remain on track to continue performing well.

On the profitability front, we delivered an adjusted EBITDA of \$4.4 million, which is 118% of adjusted EBITDA in the same period last year. We achieved this result even after investing approximately \$1 million of additional marketing and personnel expenses in anticipation of the Mondee AI marketplace launch.

Jesus will delve deeper into financial results and specific guidance numbers shortly. But first, I would like to underscore the reasons for our enthusiastic growth outlook and additional insights on the potential of our AI travel marketplace and distribution channels.

Turning back to Slide 5. Our AI travel marketplace is transforming the travel marketplace with a range of innovative features that will completely change how trips and personal travel experiences are conceived, planned and booked. We are enabling travel influencers, local experts and agents with unprecedented access and complete travel content in our unified marketplace as well as travel-centric cutting-edge technology, such as Abhi, the AI platform with conversational commerce, to conveniently create and deliver personalized travel experiences.

It adds the global knowledge of experts to their local expertise to be able to sell any type of customers well. For travelers, we have crafted immersive travel experiences using intuitive self-service exploration

tools driven by AI. But that's not all. We have taken it a step further by connecting travelers with on-demand local experts from around the world.

Through our AI-driven marketplace, these experts bring local knowledge and tap into global network to add a unique touch to inspire travel adventures. At the heart of our mission is bringing joy to the travelers' journey, making it personal, surprising and meaningful. We believe in curating localized experiences that matter.

With the only fully integrated AI travel platform today, our marketplace empowers travel experts and influencers to provide exactly what their clients desire, saving time while creating their personal travel experiences.

Our all-in-one platform offers a wide range of travel content available in about 20 languages and our customer support has been expanded with our growing always connected expert network to ensure your trip is smooth from start to finish, with assistance available via phone, chat and e-mail.

Experts and travelers are able to discover the world at their fingertips with access to over 500 airlines, 1 million hotels and vacation rentals, 30,000 rental car pickup locations and now 50 cruise lines, all at negotiated rates that guarantee exceptional value.

What truly sets the Mondee marketplace apart is our groundbreaking fully integrated AI platform. Innovation is our passion, and we have harnessed the power of Generative AI, deep learning, computer vision and the recommendation engine, along with conversational commerce to transform the travel booking process.

Our Fintech tools provide additional choices and protection for all purchases within our marketplace, ensuring your peace of mind.

Moving to Slide 7. Yesterday, we announced the acquisition of Skypass, a leading travel marketplace, specializing in international corporate and SMB travel, continuing our accretive and disciplined M&A strategy and adding content and distribution, which is enhancing our new marketplace.

This follows our 3 acquisitions announced earlier this year that strengthened our presence in LatAm, specifically Brazil and Mexico. Going forward, we plan to continue our disciplined inorganic strategy to expand our existing operations while also exploring opportunities in other regions.

We intend to leverage our platform and marketplace accretively to support sustainable growth and enhance our position as a leader in the global travel industry.

On the operations front, as a part of our continuous improvement, we are introducing all our new technology internally to our support teams as well as integrating with our new operations team across all geographies to better serve all our organization customers, marketplace influencers, experts and travelers.

The ongoing enhancements of our operation and customer service elevates customer satisfaction and supports rapid growth of our business. For example, our business to enterprise, our B2E segment, performed very well through the second quarter with 274% increase in transactions as measured in June or January.

We continue to experience momentum with joint flight and hotel transactions, providing us with increased confidence as we introduce new travel content and diversify revenue streams to our customers.

Moving on to additional net-worthy accomplishments in the quarter, back to Slide 6. First is our addition to Russell 2000 Index, as the largest travel tech additions in 2023. It serves as a testament to Mondee's strong fundamentals and business performance, reaffirming our role as a leader in the travel technology industry.

This recognition holds significant importance and is expected to support our endeavors in enhancing long-term shareholder value, raising awareness of Mondee among the investment community, bolstering stock volume and liquidity and diversifying our shareholder base.

This development is expected to enhance visibility and trading liquidity while also facilitating the entry of new institutional investors. Next, we completed a successful secondary offering for \$52.5 million, welcoming an additional 43 institutional investors to our shareholder base. It was a step forward in diversifying our shareholder base and incentivizes an environment that foster investor participation. Moreover, with management retaining over 40% ownership of shares, our interests remain truly aligned with those of our valued investors.

As I mentioned earlier, we have significantly enhanced our leadership and marketing teams in the first half of 2023. Most recently, Miten Mehta, previously a leader at Google, joined Mondee's executive team to oversee AI's strategic planning and initiatives. With a professional background of over 25 years, including a wealth of experience in the field of AI, Miten will place -- will play a crucial role in our AI marketplace.

He brings a growth-focused approach that emphasizes client-centricity, revenue generation and results-driven leadership. Furthermore, former Accenture executive, Geetika Gupta, who led a distributed workforce of 22,000 across geographies, including the United States, India, Singapore and Malaysia, joined Mondee as Chief People Officer, bringing her HR transformation experience from Accenture Consulting on Fortune 100 projects to aid in scaling Mondee's infrastructure.

Under CMO Kymber Lowe's leadership, the marketing team welcomed 14 new members with a focus to drive substantial growth of the company over the coming years. The team now includes online and social media experts from companies such as Google, Amazon and Microsoft, including Rachel Van Nortwick and Kristi Berg. The marketing team has launched a set of marketing initiatives around Abhi, Mondee's fully integrated AI platform to promote Mondee's now fully AI enabled marketplace to customers and prospects, including travel experts, influencers, organizations and SMBs.

In addition, as we round out our infrastructure for rapid scalable growth, we continue to add key executive of subject matter experts in AI strategy and roadmap development, vendor relationship management, financial discipline such as SOX compliance as well as operational program management. We are now well along the path of building an all-star team to take Mondee up significant levels of profitable growth. I will now pass the call over to Jesus for a review of our financial performance and outlook. Jesus?

Jesus Portillo

Chief Financial Officer

Thank you, Prasad, and thanks again to our audience for attending. We generated strong results in the second quarter, as Mondee continues to expand geographically, leverage our enhanced technology and capitalize on the international travel market recovery.

As we referenced, we present the summary of our second quarter results on Slide 8 of the presentation. Gross revenue of \$708 million was 112% of second quarter of '22, while net revenue of \$56.8 million was 124% of second quarter '22.

Take rate continued to be in line with our expectations and closed at 8% in the second quarter, a substantial increase from pre-pandemic levels of 4% to 5%. It also represents a substantial increase when compared to 7.2% achieved during the second quarter of '22. This expansion in take rate is driven mainly by the uptake of hotel content and the diversification of revenue streams like travel ancillaries and Fintech.

We expect this very important metric to continue expanding with the addition of cruises and a greater mix of hotels, events and activities. Furthermore, we're happy with the momentum of our business, with over 721,000 transactions in the second quarter of '23, up from 550,000 in the second quarter of '22.

Turning to expenses. GAAP sales and marketing as a percentage of gross revenue was 5.7% versus 5.1% in the same quarter last year. As we enhance our marketing function and accelerated approximately \$1 million of investment that was initially planned for 2024 to capitalize on our AI travel marketplace.

G&A, as a percentage of net revenue, was 9.2%, up from 4.4% a year ago, as we incorporated new public company expenses, provide the infrastructure to continue supporting our exceptional growth. Adjusted EBITDA was \$4.4 million for the quarter, 118% or \$3.8 million in Q2 of '22, as we continue to deliver profitable growth despite the incremental marketing of onetime expenses.

Note that reconciliation of GAAP to non-GAAP are available in today's earnings release. On a GAAP basis, the net loss was \$14.6 million including approximately \$14 million of noncash and/or nonrecurring items such as \$3.8 million of depreciation and amortization, \$4.8 million of stock-based compensation, \$2 million of tax provisions, \$0.5 million of changes in fair value earn out and liabilities, \$0.3 million of M&A costs, noncash financing cost of \$1.5 million and onetime marketing costs associated with our new AI platform launch of approximately \$1 million.

Comparatively, net loss was \$2.1 million in Q2 of '22. On a non-GAAP basis, adjusted net loss was \$5 million versus a loss of \$2.9 million last year.

Looking at our balance sheet. At the end of second quarter, we had approximately \$58 million in cash and \$153 million of debt compared to \$67 million and \$150 million, respectively, at the end of first quarter of 2023. The small decrease in cash reserves was mainly due to acquisitions and working capital increase.

Turning to our 2023 outlook and guidance. We're increasing our 2023 net revenue guidance by \$5 million and expect to continue delivering profitable growth. Our projections include both organic and inorganic growth from Mondee's recent acquisitions.

Net revenue for the 2023 fiscal year is expected to range between \$245 million and \$250 million, representing a 155% of our 2022 net revenue measured at the midpoint. As Prasad mentioned earlier, we made the decision during the second quarter to ramp up our investment in marketing and accelerated execution of our AI roadmap. We expect those investments to be around \$20 million over the course of the year. We believe this will facilitate capturing new market share, accelerating revenue growth in 2024 and disrupting the travel industry with our next-gen AI platform.

With all of this in mind, we're updating our 2023 adjusted EBITDA guidance to be in the range of \$25 million to \$30 million, which would represent a 250% of our 2022 adjusted EBITDA measured at the midpoint.

Finally, and before turning the call over to Prasad, we would like to formally welcome Deloitte as our new auditor effective July 6, 2023. We're very excited about this partnership and the capabilities and experience that Deloitte will continue to Mondee.

Thank you. And over to you now, Prasad.

Prasad Gundumogula
Founder, Chairman & CEO

Thank you, Jesus. We are excited with the initial results of the investments we are making in AI technology, marketing and infrastructure to position Mondee as a driving force in the rapidly emerging world-class social commerce travel. I'm especially proud of our entire team for making this happen while continuing to deliver a very strong second quarter and more importantly, putting us on track for an even more exciting rest of 2023 and beyond.

Mondee is truly transforming the travel industry with its modern tech platform, connecting airlines, hotels and vacation rentals with millions of travelers through an expanding network of travel experts, freelancers and social media influencers. Mondee is now best poised to capitalize on our investments and penetrate all market segments rapidly with our next-generation AI marketplace, led by the increasing traveler demand for socially based collaboration and personalization of their travel experiences.

With our rapidly expanding on segmented distribution network and AI-enabled trip creation, our comprehensive solution also provides supplier with a one-stop shop to best place excess capacity, unlike the online broadcast distribution channels. This is further enhanced by our ability to offer not only unique privately negotiated value content, but also full Fintech solution and ancillary, many of which also benefit our supply partners.

We are thrilled by the progress we expect to make over the next several quarters and the vast opportunity now before us with our next-gen AI-enabled tech platform, expanding and deepening content and

substantially enhanced and expanding distribution. We are uniquely positioned once again to continue disrupting and serving the travel market, which is approximately \$2 trillion in size.

Thanks for attending our first quarter earnings call, and we look forward to your ongoing support.

Jeff Houston

Senior Vice President of Investor & Public Relations

Operator, we're ready for questions now.

Question and Answer

Operator

[Operator Instructions] Our first question comes from Darren Aftahi from ROTH MKM.

Darren Paul Aftahi

ROTH MKM Partners, LLC, Research Division

First one, just some clarification on the commentary about the \$20 million investment in the AI marketplace. Like I guess you guys kind of called out \$1 million in the second quarter. So it does assume the bulk of that investment is going to be made in the second half. And then I'm kind of curious in the context of that number, where is that money going to besides marketing? And what is the rationale that's sort of onetime in nature?

Orestes Fintiklis

Chief Corporate Strategy & Business Development Officer and Vice Chairman

Yes. Thank you, Darren, I'll add some thoughts on -- Jim, go ahead and then I'll add.

James W. S. Dullum

Chief Operating Officer

Yes. Orestes, I'll start and then you go. Yes, Darren, I was just going to say that, look, we're -- as we go to the market now with this just this really industry-leading AI platform, we're going to be rebranding. So there is a onetime investment in branding. There are a number of very significant marketing programs that we will launch that will bring in substantial numbers of travel influencers. And obviously, behind travel influencers are all of their followers and then obviously going through our travel experts, our agents providing them with not just these tools to do the job better, but the marketing incentives to really get this going quickly.

I mean this is a market window that is substantial. We are the only ones that we believe properly positioned to take advantage of it, given our excellent tech platform. And so this is the time for us to go ahead and accelerate our investments to go in and really get significant penetration. So those are the characters of the types of things we're going to be doing. And we've put together a full budget for this that our marketing team is managing now through the end of the year and into 2024.

Orestes Fintiklis

Chief Corporate Strategy & Business Development Officer and Vice Chairman

Thank you, Jim. And just to add a few more thoughts there. I mean, the launch of the new marketplace was always a 2023 project, but the addition of the AI was always more of a '24 one. And thanks to the advancements of our own tech team, we have created what we believe to be the most powerful and the only fully integrated AI travel platform out there. So being a first-mover and having this advantage, it makes total sense to deploy additional marketing resources before a few years from now when other players may develop their own AI platforms, right?

So this is first-mover advantage and the way to capitalizing and maximize the market share is to deploy additional resources in marketing. Another element here is, as Jim mentioned, there is a clear window of opportunity. We have seen not only in the U.S., but also geographically, parts of Asia, Latin America, Europe, where we are expanding now, we have seen this movement of social media influencers and their interest in travel accelerating in the last few quarters.

And then last but not least, in addition to the marketing campaigns, you have seen, we have built a team of 14 individuals who came effectively from Amazon, from Google, from Microsoft in the last 6 or 7 months. So this is an enhancement to our marketing team to focus on the new era experts of social media influencers, freelancers, et cetera. And now that we have assembled this team, we feel much more

confident. But also we can quantify the types of marketing campaigns that are necessary to attract these new era customers of ours. I don't know if anybody else has anything to add on this.

Jesus Portillo

Chief Financial Officer

Yes. I will add. This is Jesus. I would probably also add and point out the fact that we made the decision within the context of understanding our EBITDA still 255% of 2022 adjusted EBITDA, right? So I want to make sure that we all also contemplate that.

Prasad Gundumogula

Founder, Chairman & CEO

And we anticipate to invest in implementing and continuing with our AI roadmap, which is important. We are an innovation-led company, and we continue to do that while we are reaping the benefits from the financially and/or capturing our market share, we will continue to invest into our AI platform roadmap.

Darren Paul Aftahi

ROTH MKM Partners, LLC, Research Division

That's all very helpful. Just one last one for me. Is there any way to duplicate what organic revenue and EBITDA kind of growth was in the quarter?

Jesus Portillo

Chief Financial Officer

So as you know, I mean, usually, we integrate all of our new acquisitions, get very quickly integrated in our ecosystem and platforms. So we do not track revenues or EBITDA coming out of new acquisitions simply as that.

Orestes Fintiklis

Chief Corporate Strategy & Business Development Officer and Vice Chairman

Yes. I mean, and just to highlight here, again, this is Orestes. Our strategy when it comes to acquisitions is that we are buying components that we are adding into our own marketplace, right? So say we buy a company that is giving us hotel content in Latin America and then we start selling to their customers and then they -- our own content, the flight content or they start selling to our own 65,000 customers their content, then it's very difficult -- even if you keep the performance separately by company, it's very difficult to pinpoint what is organic and -- and what inorganic. And this is precisely because we're not necessarily buying companies, but we're buying components that we plugged into one single and unified marketplace.

Operator

Our next question comes from Nick Jones from JMP Securities.

Nicholas Freeman Jones

JMP Securities LLC, Research Division

Great. I guess just kind of following up on the updated full year guidance. It looks like probably half of the revenue increase is coming from the Skypass acquisition? And then with this kind of incremental investment in the back half, it doesn't seem like you're expecting any kind of return on that investment this year. So I guess, can you help contextualize kind of how we should think about the time to return on investment of this incremental kind of second half investment around the marketplace and the AI product?

Jesus Portillo

Chief Financial Officer

Yes. Nick, thank you for your questions. So yes, obviously, as Skypass will contribute slightly to that, but would not be -- will not represent 100% of the increase of the guidance that we're providing on revenue.

James W. S. Dullum

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Chief Operating Officer

Yes. Nick, it's Jim. I'll also just add, bear in mind, when we acquire a company like that, right, we're bringing in an excellent management team, understands their market well, have tuned their operation to that market. Now there are great synergies to be had from all of this, right? We bring these businesses in, we're able to bring them -- provide them with technology they didn't have before, which then allows them to take that out to their customer base.

But what we have learned over the several years that we've been doing acquisitions successfully and accretively is that you want to do it in a very organized, disciplined and planned way. So usually, we'll look at this and say, while there are immediate synergies to be had, we're going to work off of more, like, say, a 2- to 3-quarter plan to get these things fully integrated, get the synergies so that you don't press too hard.

So I think, yes, it's somewhat additive for whatever period of months, but you just have to make sure you'd be a little, let's say, conservative in how you look at the future results and not just try to add them all in and throw the synergies on top day one. So we're generally a little more conservative, having done this so successfully time and again over the last several years.

Prasad Gundumogula*Founder, Chairman & CEO*

And remember as we integrate companies to our platform, it creates a change and change always brings its own challenges, and it takes a few months or a few quarters to settle that out and to get a good ramp in those companies. So our focus is on integration of these companies and not to expect a huge growth or synergies immediately, but to help us to fill in the components into our bigger vision.

And while we're focusing organically taking those components and to produce the results. And hence, that the increase in our guidance comes from our overall vision to continue with it while the recent acquisition adds some contribution to those results in the next 4 months.

Orestes Fintiklis*Chief Corporate Strategy & Business Development Officer and Vice Chairman*

And Prasad, just to answer that, the second part of Nick's question, I mean the first part, it has been answered sufficiently that the Skypass is adding a few million out of those 5, right? You can do the back of development. So which means that we are only adding about \$3 million-or-so from the new marketplace which, to your point, Nick, yes, we all anticipate most of the fruit of this incremental -- of this \$20 million incremental investment to come into 2024. And this is because we are targeting new era audiences.

There is a lot of learning in the process. Even when we sign up, the social media influencers, so basically, we are conservatively assuming that most of the incremental revenue will come in '24 with only a small part coming in '23.

Now it may end up being that we get more in '23. But again, it's much -- I mean, from the new marketplace, but it's much better to be conservative. And also to remind you that this is our fourth quarter that we are reporting as a public listed company and in the net revenue segment, we have been bidding and raising every single quarter since we went public, right? So there is an element to that as well.

Operator

Our next question comes from Brett Knoblauch from Cantor Fitzgerald.

Brett Anthony Knoblauch*Cantor Fitzgerald & Co., Research Division*

I guess the first one, if I look at maybe just revenue by geography. Revenue in the U.S. was down 15% year-over-year. So it looks like most of growth came from international and specifically Brazil, which, I guess, I believe is coming from the Orinter acquisition because, I guess, a, can you just talk to me about why U.S. revenues were down 15% year-over-year?

And b, I guess, if you're not tracking organic or inorganic growth and acquisitions you made, what criteria are you using to evaluate if that acquisition was successful or not? And how should we gauge if those acquisitions were success or not?

Orestes Fintiklis

Chief Corporate Strategy & Business Development Officer and Vice Chairman

Yes. Let me give you a few thoughts. I mean in the first part is that when we show the chart about the different geographies, everything is relative as well, right? So if we get more revenues from a certain geography, the percentage of revenues that comes from the U.S. or another geography reduces, right? So that's the first point. The second point with regard to the success of acquisitions, as you know, most of -- all of these acquisitions, a substantial part of the consideration is linked to future performance metrics in the form of earnouts, right?

So you will be seeing most of which start to be triggered a year ahead of -- after the acquisition itself. So one measure of the success of this acquisition will be whether those targets are met and the earn-outs are paid, right? And number three, and most importantly, for us, when we are acquiring companies, like I said before, we are acquiring contracts effectively and customers. So in the contract ends, we are valued in comparing those contracts, and whenever one of the targets that we acquired in a certain hotel or in a certain airline, they have a better contract, then we incorporate that in our own unified content hub.

So basically, from our perspective, the success is, number 1, in the ability to diversify and enrich and improve the content of the entire platform; and number 2, to keep adding new customers and new travel experts in geographies where we have been very difficult to acquire them organically, such as the U.S. and Canada? I don't know, Jim or Prasad, if you have any other thoughts?

James W. S. Dullum

Chief Operating Officer

No, I think you hit it correctly, right, at the beginning there, Orestes. I think, but it's -- you're looking at a mix issue, right? I mean there are relative growth across all of the platforms and all of the geographic platforms. It's just that if some of the areas are growing faster, the relative percentage of one geography over another is going to moderate somewhat. So I think that, that may be what you're seeing.

Brett Anthony Knoblauch

Cantor Fitzgerald & Co., Research Division

So if revenue in the U.S. is down 15%, should I assume that less people are traveling in the U.S. and more of your transactions are international transactions in the quarter?

Prasad Gundumogula

Founder, Chairman & CEO

I mean, we don't see that it's 15% down, as Jim and Orestes mentioned. It is the market share of that segment is on the market that U.S. market is down by 15%, but not the actual numbers is down. However, the other markets are growing fastly. And by the way, for us, the international is a sweet market, and we see that as a improvement there is what we wanted to anticipate and what we are working for to create a good value for our customers. And historically, which we have a good share of market share in those segments and contribute...

Brett Anthony Knoblauch

Cantor Fitzgerald & Co., Research Division

And I guess if I could -- got it. And then maybe just one last question. The second quarter from a seasonality perspective has historically been your largest quarter for the year. But I guess, your guidance implies we're going to see a relatively stronger back half of the year relative to the first half of the year, at least on a net revenue basis. I guess any puts or takes as to why it's going to be different from a seasonality perspective this year relative to the previous years?

Orestes Fintiklis

Chief Corporate Strategy & Business Development Officer and Vice Chairman

Yes. I mean let me give you a few points there. This is Orestes -- okay, Jim, go ahead and then I'll add.

James W. S. Dullum

Chief Operating Officer

I was just -- part of that, Brett, is, again, with some of these international acquisitions, that will change a little bit the seasonality because there are different seasonalities in different parts of the world. If you think about it, you even have different weather patterns as an example.

So given that, what we will see is a little shift in the seasonality. But then the second part of it is also with the -- with what we've just introduced the new technologies, the new markets that we're opening up, our seasonal pattern is probably going to be off a little bit simply because we will overwhelm that seasonal pattern with the organic growth of the business in all of these different market segments that previously we really weren't playing in very strongly.

Prasad Gundumogula

Founder, Chairman & CEO

The 2 factors that impact seasonality -- the other 2 factors that add seasonality is the prices in the second quarter, the price of this the airline tickets or the transactional cost, okay, is very high. And people have usually when the prices are high, they look for alternative options and look for the other quarters to travel, and we see that trend based on this shopping requests what we are receiving for the future periods. So this is supported and which we believe that we want to continue in the future period and may increase the transaction count there.

And the second aspect is the recovery. So remember that we are only recovered off 88% of our pre-pandemic levels. And as the international markets are opening, and that more and more travel is coming, so it is changing these dynamics day by day. So it's not a linear thing or to follow the historical trends, but also we have to factor in all these important changes and the trends into consideration and which we believe that the second and third and fourth quarter would be better than second or first quarter.

And thirdly, we are a growing business. So we are not thinking about ourselves as just following the trend of last year and doing that. It's about how we take the market share. The market may be having the same seasonality effect, but we plan to take more market share from other players, and that will increase our numbers that may be different from the previous quarters. Over to you, Orestes.

Orestes Fintiklis

Chief Corporate Strategy & Business Development Officer and Vice Chairman

Yes. And one last point. I mean I think Prasad and Jim covered all the points, but one last point is that if you look at the last 12 years of our history, Q2 is not our strongest quarter. I mean Q2 in '22 was a very strong quarter, particularly because you had Omicron in Q1. So a lot of the travel that was going to happen in Q1 happened in Q2, right?

So you have that element of the equation for 2022, in particular. But as far as Mondee is concerned, traditionally, our strongest quarters were towards the end of the year, specifically Q4. And to that, you have to add all the elements that Jim mentioned, the change in seasonality in geographies we have added, the growth that Prasad mentioned, so if you add all these 3, 4 variables, we are very confident that Q3 and Q4, which will be much stronger than Q2, which itself is an exceptional quarter.

Operator

[Operator Instructions] Our next question is from Mike Grondahl from Northland Securities.

Michael John Grondahl

Northland Securities, Inc.

Just a couple more questions on the \$20 million investment. How would you describe the mix between peer or direct marketing and personnel cost? And then secondly, would you say the marketing dollars are

more targeted at influencers for agents. And I'm just trying to understand, in the marketing, what will the hook be for each one?

James W. S. Dullum
Chief Operating Officer

So I'll -- Mike, it's Jim. I'll start. So I'll let the last part first. I mean, look, the hook here is if you think about the whole Millennial, Gen Z, buying population, which is now the most significant buying population in travel, I mean these are tech-savvy people to begin with, right?

And they are looking for -- they are the ones that have most embraced all of the Generative AI features that have come out anywhere in any industry vertical. So the hook here is, you have -- I mean, this is not just AI supporting a little bit of shopping. This is AI supporting the entire experience creation, the entire ability to go hyper-local, et cetera.

So when you think about that, the hook here is just going to be -- it's more than just the new toy. This is truly the new way of as an individual building my experiences, right, as an expert or a channel to market of facilitating that happening most effectively, most efficiently. So our hook is not just at the end traveler, it's all the way through the chain here to include the service support because this is -- I mean, the unique thing about our platform is it is fully deployed end to end.

So that's primarily on the hook side. In terms of the way we're thinking of the investment that we'll continue to make here, about 50% of it will be in the marketing programs and then the other 50% is going to be in personnel as well as continued enhancement and deployment of the AI capabilities within our platform. So it's generally in that range.

Orestes Fintiklis
Chief Corporate Strategy & Business Development Officer and Vice Chairman

And just to add little bit of color, right?

Michael John Grondahl
Northland Securities, Inc.

Sure, go ahead.

Orestes Fintiklis
Chief Corporate Strategy & Business Development Officer and Vice Chairman

So just a bit more color, Mike. So you may recall that our -- I mean before we're focusing our marketing mostly on credits, right? We would go to travel experts and tell them, "look, we'll give you a \$1,000 credit and you can use it on the first 30 transactions that you make," right? So now like you rightly mentioned, we are targeting the new era experts, which is more freelancers and social media influencers.

And the way that these new customers are making money is they're making 1% of all transactions of their followers that they book through our platform. And then for the traveler, the traveler gets a \$10 credit, et cetera, et cetera. So we need to educate the market, but for to know, how would you know? If you're an influencer, how would you know about this platform?

If you are a main traveler, how would you know about the \$10 credit? So now we have to do different types of campaigns which are more performance marketing as opposed to credits, right? So this basically explains also why we built an additional team to our existing marketing team with 14 individuals with experience in this new era expert and customer.

Michael John Grondahl
Northland Securities, Inc.

Got it. And then one more. If you look at the overall transaction and take rate in the second quarter, is there anything to call out there like air travel was better or worse, hotels, cruises, the ancillaries? Just any kind of detailed commentary on that underlying performance, if you will, whether it's transactions or take rates?

Jesus Portillo

Chief Financial Officer

I think, Mike, one of the main things to point out is that as we continue expanding on our hotel offering, that take rate is going to continue to improve. And that's probably, as you referred to second quarter is clearly the main driver for that improvement in that take rate.

Operator

That concludes the Q&A for today. I'd like to turn the call back over to Jeff Houston, Senior Vice President. Jeff, please go ahead.

Jeff Houston

Senior Vice President of Investor & Public Relations

Sure. Thank you, and thanks to all who tuned in for our second quarter 2023 earnings call, whether it was here on the live call, replay or reading the transcript, we really appreciate your interest in Mondee, and welcome the opportunity to further connect with you. If you have any questions or would like to learn more about Mondee, please don't hesitate to schedule a call with us. You can get more information at our IR site, which is investors.mondee.com or send me email to ir@mondee.com. Thank you.

Operator

This concludes today's call. Thank you for your participation. You may now disconnect your lines.

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