# Freightos Annual FY 2022 Annual Report - Transcript

## Company Participants

Eytan Buchman - Chief Marketing Officer

Zvi Schreiber - Chief Executive Officer

Ran Shalev - Chief Financial Officer

## Transcript

**Eytan Buchman**

Hello, all.

Welcome to Freightos's 2022 Fiscal Year Earnings conference call. My name is Eytan Buchman and I'm the Chief Marketing Officer at Freightos. A press release with detailed financial results for fiscal year 2022 was released a few minutes ago and is available at freightos.com/investors. There you can also find our investor presentation and other materials.

Today I'm joined by Zvi Schreiber, the CEO of Freightos, and Ran Shalev, Freightos' CFO. During the call today, Zvi will discuss key strategic and business achievements from 2022. He will be followed by Ran, who will provide our full year 2022 financial results. We will then return to Zvi for 2023 guidance. Following the prepared remarks, we will open the call to questions.

Please be aware that today's discussion contains forward-looking statements, which are subject to a number of risks and uncertainties. Actual results may differ materially due to various risk factors. Please refer to today's press release and our SEC filings for more information on risk factors, and other factors which could impact forward-looking statements. Copies of these reports are available online. In discussing the results of our operations, we will be providing and referring to certain non-IFRS financial measures. You can find reconciliations to the most directly comparable IFRS financial measures in the press release along with additional information regarding these non-IFRS financial measures. The company undertakes no obligation to update any information discussed in this call at any time.

We recommend using Zoom's desktop or mobile applications to submit questions during the course of the call. If you are using the Zoom client, questions can be submitted in writing during the call by using the Q&A feature in Zoom. If you would like to ask a live question during the Q&A portion of this webcast, please click Raise Your Hand. If you are dialing in from your phone and not using the Zoom app, you can raise your hand to request to speak by pressing *9.

With that, let me please introduce Dr. Zvi Schreiber, the CEO of Freightos.

**Zvi Schreiber**

Thank you, Eytan, and thank you all for joining our very first earnings call. As you can see from the results, we've had a strong year of growth and continue to execute successfully on the strategy which we presented in our prospectus when we went public just about 6 weeks ago.

Since this is our first earnings call, let me start with a quick reminder of what we're about.

At Freightos we're digitalizing the international freight market. Global trade is about *23*% of the world economy. An estimated 90% of products purchased in the West are imported, so it's a *huge* part of our economy and of our lifestyles. The third-party logistics industry, which includes air and ocean shipping of goods, is worth over a *trillion* dollars.

But this vast and critical industry is surprisingly offline, creating tens of billions of dollars of waste, and the offline, highly intermediated nature of global freight is a factor in *all* the supply chain problems we've experienced in recent years.

At Freightos, we're pursuing the same business strategy that was *so* successful in digitizing passenger travel, retail, and other industries, the strategy of being the vendor-neutral, digital platform that *connects* industry players. And a central function of our platform is being the *marketplace* that matches buyers and sellers of freight services.

Now, the power of a two-sided marketplace is the flywheel effect. Buyers attract sellers and sellers attract buyers. This flywheel can create decades of sustainable, defensible growth at a very low cost of growth.

We've actually taken it a step further, Freightos is a *three*-sided marketplace, connecting carriers, like airlines and ocean liners, freight forwarders, and importers or exporters.

I'm happy to report that the numbers show that we have successfully created a marketplace flywheel. Although we may still be small in terms of revenue, we believe we have created the dynamics and foundation to grow fast now, and to continue to grow, with excellent capital efficiency, for many years to come.

How do we track that growth? In common with most marketplaces, we consider the most important measure of our progress to be the volume of transactions that are booked on our platform. The two primary KPIs we will typically report on, and guide on, are number of transactions, and the *value* of transactions, which we call Gross Booking Value.

The number of transactions is the purest indication that our platform is growing. Number of transactions on the Freightos platform grew *154*% reaching nearly 670 *thousand* bookings in 2022.

The *value* of these transactions - our Gross Booking Value - or GBV - grew by 102%, reaching 611 million dollars. In terms of GBV, we had a headwind in that freight prices dropped sharply in the latter part of last year. And even with that, our GBV more than doubled.

So our marketplace is growing fast. We'll drill into that more later to show you why we think this is a sustainable marketplace-growth flywheel.

But you're probably - and rightly - wondering about revenue and profit. We earn fees on almost every transaction on our platform. Depending on the type of the transaction, it's either a flat fee or a percentage of the transaction value.

Our revenue overall grew by more than 70%, year over year to about $19m. We operate in two segments - platform and solutions. I would emphasize that our platform segment revenue doubled from $3.3 million in 2021 to $6.6 million in 2022, partially from acquisitions. Going forward, you will see our platform revenue growing as the number of transactions and GBV grow, and as our monetization capabilities improve.

We'll talk about the Solutions segment soon, but first, two important points about our marketplace. We really have excellent capital efficiency. Our sales and marketing spend on the platform is less than 2% of the GBV and trending even lower. Other marketplaces spend much more than that to fuel growth, with some B2B marketplace leaders spending upwards of 5% of GBV on sales and marketing. Some marketplaces have poured *billions* into promotions to buy growth. But Freightos is growing its platform organically based on buyer and seller demand with modest spend on customer acquisition.

And secondly, we have excellent unit economics from an operations perspective, better than many mature marketplaces. In 2022, we showed platform gross margin of 37%, or 45% on a non-IFRS basis, a significant improvement over 2021. So our platform revenue is producing a healthy gross profit and that gross margin keeps improving.

As for our second segment, our growing Solutions business consists of Software as a Service subscriptions, data subscriptions and related services. This is strategic in that our Solutions actually support platform use. For example, freight forwarders can use our software to automate their routing, pricing and quoting to their customers, and that readies them to sell electronically on our platform . Our Solutions segment doesn't have the same growth flywheel as the platform, but it is growing and it's a profitable business. In 2022 we sold $12.4 million in Solutions, mostly recurring software-as-a-service subscriptions, with a gross margin of 73%.

OK. So if both our platform and Solutions are generating healthy gross profits, you may be wondering why we aren't yet generating a net profit and free cash flow.

And the answer of course is that during this growth stage we've made a strategic decision, together with our board of directors, to prioritize investment in our product, and in our growth. We spent over $10 million on research and development last year and almost $13 million on sales and marketing, as well as G&A expenses. That's really a small investment compared to the size of the opportunity that we have, and it is paying off in spades.

You can see the trend. Last year our gross profit grew by 67% but our total operating expenses, excluding IPO transaction costs, only grew by 42%. Provided we continue the underlying growth, it's inevitable that our gross profit should exceed our expenses and we will become a profitable company and, as the growth continues, a *highly* profitable company.

So if you're invested in Freightos and are betting we become a big highly profitable company, I think the main thing you will want to verify is that the growth of our transaction volumes is sustainable.

So let's drill down on our platform transaction growth.

Firstly, we have seen substantial growth in the number of transactions on our platform every quarter for 12 consecutive quarters. Overall quarterly transaction volumes are up *28 times* from the first quarter of 2020. In order for you to verify that we have a supply-brings-demand-brings-supply flywheel, we published two more KPIs - the number of carriers - that is the number of air and ocean carriers selling on our platform, and the number of unique buyer users buying on our platform, which includes the number of unique individuals as importers, exporters or freight forwarders who logged in and made a booking.

On the supply front, we've been continuing our efforts to bring leading carriers - primarily airlines - online and connect them to the thousands of freight forwarders on the platform. The total number of airlines on the platform 35 in 2022, with some initial growth in ocean liners, as well. By the end of 2022, our platform airlines representing over *50*% of global air cargo capacity, including some leaders that are only available on our platform, like China Southern Airlines and Emirates SkyCargo. I think it's a huge milestone to have airlines- representing more than half of the world-market available on our platform. True, the vast majority of air cargo is still booked, in practice, offline but that actually means there is a huge growth opportunity. To give you some context, just 5 years ago there was zero air cargo available electronically.

Moving on from supply, we continued to expand **demand** on the platform . The number of unique individual business users booking freight service on our platform rose from about 11,000 in the fourth quarter of 2021 to almost 16,000 in the fourth quarter of 2022. Even better, on average each unique user placed 18 bookings in Q4 2021 and **43** in Q4 2022. That's more than double the transactions per user. In fact, there are at least five large countries in Europe where our data indicates that over *10*% of *all* air cargo shipments are booked on WebCargo by Freightos.

So the marketplace flywheel is alive and well, supply is attracting demand and demand is attracting supply.

Finally a word about the state of the freight industry. Freightos has actually become a leading publisher of indexes for the freight industry - so we're well positioned to comment on industry trends. We publish the FBX index of containerized shipping rates. You can find the FBX on your Bloomberg screens. You can even trade futures of the FBX index on the CME and Singapore's SGX, or see more granular data at data.freightos.com. The headline *FBX* global index is down more than 80% from a year ago. FBX01, the bell-weather trans-pacific index is down a staggering 94%. Our Freightos air index - FAX global - shows that air cargo prices are also down some 25% in the market from a year ago. In addition to prices being down, volumes are down, too.

Now, to a large extent this massive adjustment is simply a reversion to pre-pandemic prices and volumes, but it still represents a dramatic drop in price levels and a drop in volume too. I think it's a wonderful testament to the strength of our platform that we're able to project strong growth this year, even in an industry which is going through a contraction cycle.

With that, let me hand you over to our CFO, Ran, after which I will be back to talk about 2023 briefly.

**Ran Shalev**

Thanks, Zvi, and thank you to everyone for joining our first annual call.

One thing that is clear from what Zvi discussed is that we've demonstrated our capability to scale in a capital-efficient manner. One of my main focal points as CFO of Freightos is to ensure that every single metric in every department is trending towards more efficiency as we scale.

Freightos is unique in the international freight tech sector in that we are a scalable platform, not a logistics provider, which allows us to scale without massive headcount increases. And we are unusual compared to many platforms, in that we are scaling through capital-efficient growth rather than by buying market share.

By continuing with these principles, and always driving for economies of scale, we ensure that we become highly profitable once we reach a certain scale.

Here's a brief overview of our 2022 annual results:

- Revenue for 2022 was $19.1 million, an increase of 71.7% year-over-year, or 76.2% on a constant currency basis. This growth includes the integration of the two businesses - Clearit and 7LFreight - which we acquired at the end of 2021 and early in 2022, as well as organic sales growth.
- Our IFRS Gross Margins were 58.8% compared to 58.7% in 2021 and our non IFRS Gross Margins were 65.2% compared to 60.5% in 2021. These improved margins are a product of our economies of scale, and constant drive for efficiency through automation.
- Our Adjusted EBITDA in 2022 was negative 14.6 million dollars, compared to negative 12.4 million dollars in 2021. As a proportion of our revenue, this is an improvement from negative 111% in 2021 to negative 77% in 2022. That is another indication that as we scale we are constantly trending towards profitability and positive free cash flow.

I want to assure you that we are managing our expenses very carefully and we expect to reach profitability with the cash we already raised.

Let me hand back to Zvi to give some context for our 2023 guidance.

**Zvi Schreiber**

OK, so what about 2023? As mentioned, the freight industry has started this year with volumes down and prices down by tens of percent. Even so, our underlying platform growth is so strong that we expect the Number of Transactions to grow by over 50%this year, to exceed a million transactions. GBV, platform revenue and platform gross profit are expected to grow, but that growth will be modest because of lower freight prices and volumes. Still, even with the freight industry going through a contraction phase of its business cycle, 2023 should see revenues increase to between 22.3 and 23.6 million dollars, and at the end of 2023 we will have even more supply, more demand and more liquidity in our marketplace and we will of course be a year closer to the milestone of profitability and positive free cash flow. And the freight industry is cyclical, so volumes and prices are expected to recover at some point giving us a nice tail wind.

Overall, we continue to execute one of the biggest business opportunities in today's world - becoming the digital platform for international freight.

With that, I'll turn the call back to our CMO Eytan.

**Eytan Buchman**

Thank you, Zvi and Ran. We'll now open the floor for questions. As I mentioned in the beginning, if you are using the Zoom client, please click "Raise your hand" to ask a question. If you are dialing in from a cellphone or telephone, you can press *9 to raise your hand. When you are given the floor, press *6 to unmute yourself. For those that prefer to submit a question in writing you can enter it using the Q&A feature on the Zoom application. If you are participating via dial-in, you can email ir@freightos.com. Our first question is from Brian Dobson from Chardan. Brian, your line is open. He actually seems to just have dropped off over here. Okay.

So we'll move on to our next question, which is from George Sutton of Craig Hallum. One second. Oh, sorry. I see that, Brian's back in. Handing it over to Brian. Brian, your line is open. Brian, you see that you were muted?

**Greg Pendy, Chardan**

Hi. Can you hear me? Yep, we can hear you. Hi. I guess my first question is Greg Pendy in for Brian Dobson, but can you just kind of compare the similarities and differences relative to the digitization that took place in your industry, versus the OTAs?

**Zvi Schreiber**

Sure. Yeah. Thanks for that.

That's a complicated question because you know, these are different industries. There are some, the similarities I guess, are easy in the sense that the carriers that we work with in many cases are the airlines, and, and also the ocean liners. But some of the most important, carriers we work with are airlines.

And it's the very same airlines who sell on the OTAs. You know, most cargo travels on airlines, which are also passenger airlines, American Airlines, Lufthansa, Qatar, et cetera. So in that respect, you know, the carriers overlap, and the supply overlaps in terms of who the suppliers are. Now as you go, you know, to the, sort of the, the intermediaries, there are some similarities.

A travel agent has some similarities to a freight forwarder, but freight forwarding is really a lot more complicated because when you buy an airline ticket, you walk yourself on the plane, you walk yourself off the plane. Cargo doesn't do that. So, people are much less quick to try to disintermediate freight forwarders because they have a much more complicated job, they have to get things to the port. And, from the port and through customs brokerage. So it's just a rather more complicated function. And then of course, when you get to the end customer, for the OTAs, the end customer is a consumer, in most cases it could be a business as well, of course, but, but it's sort of, I believe the majority of the business there is b2c, whereas our customers are always businesses. They may be small businesses, but we only work with professional importers and exporters as the end customer. So overall, I think they have in common that there's a lot of supply and a lot of demand, and it changes and there's a massive opportunity for a marketplace kind of play. So that's why we do use that as an analogy and I think it's a useful analogy but as you hinted in your question, it's not a, not a perfect analogy. There are certainly differences as well. Does that, does that answer your question?

**Greg Pendy**

Yeah, no, that's, that's very helpful. And then just one more, I know you gave a lot of color, which I appreciate on the penetration of existing accounts and KPIs you're focused on. But can you just, kind of discuss the take rate a little bit and sort of the growth outlook if, if any, over the next couple of years? How should we should we think about?

**Zvi Schreiber**

Yeah, that's a great question. And the answer is, slightly complicated. and the reason for that is that we have a couple of segments within our marketplace, which are different levels of take rate And so the good news is in both our major segments. One is sort of freightos.com, which is, which is, used by the end customer, by the importers and exporters. The other, major sort of, part of our marketplace is WebCargo, which is, connecting freight forwarders to carriers. So we've got those. sort of major buckets of transactions and the take rates long term is increasing in both of them.

So it's always going in the right direction. The thing that complicates slightly is the mix. So freightos.com is a alreadymore mature and has a higher take rate. WebCargo is newer it's growing much faster. It has a lower take rate. So even as the take rate improves over time in both of those parts of the marketplace, the mix is also shifting to WebCargo, which is growing faster, but still has a lower take rate.

And that's why, you will see, this year, and Ran correct me if I say something wrong, but I think the take rate will be largely similar this year in last year, order of magnitude. but that actually hides back that underlying, the take rate is actually improving in both parts of the marketplace and it's just the mix, which is, which means that you don't see that improvement. But over time, you know, as we grow, we're really seeing a great dynamic, that as we grow people value our marketplace more. You know, it's a more important channel for the sellers. It's a more important, procurement platform for buyers and we definitely see that over time, we're adding more and more value and that allows us to extract a bigger fee over time. So, the trend, long-term, is definitely towards a higher take rate.

**Greg Pendy**

That's very helpful. Thanks a lot. That's all.

**Eytan Buchman**

Okay. And our next question here is from George Sutton of Craig Hallum. George, opening up your line right now. Go ahead. Sorry, you're going to need to unmute yourself.

**George Sutton, Craig Hallum**

Zvi and, and Ran, congratulations on your first call. So, I wondered if we could talk about the air carrier side first. There would seem to be natural growth, as you grow, as you see larger shipments coming, I wondered if you can discuss that relative to your position in the market and then. Secondly, on the ocean side, my belief is you're starting to see accelerated interest, given the challenges in their market.  Can you just talk about those dynamics?

**Zvi Schreiber**

Sure, yeah. Thanks, George. So, Yeah, I think that's right.

I mean, we, but if you look at the air market, first of all, we're adding more carriers, we added several big carriers in the last year. We mentioned in the press release that we, in my comments I mentioned that we now have carriers who account for more than 50% of the world market. Still, they're doing a lot of offline stuff. Bu, and what you also said is correct that, there is a trend where a lot of carriers, when they first digitalize, they say, okay, only up to 500 kilos. That's just a bit of, that's about 1,200 pounds. but, or 1,100 pounds. But then they increase it as they get confidence in digitalization. Then they say, you know, one ton, two tons.

Some carriers have already started to offer refrigerated shipments, which is a higher value service. So there is a trend that as it matures, we get a mix of some bigger shipments or, or more specialized shipments. Having said that, as I said honestly in my comments and those of you know, the industry, that this is not a positive part of the natural business cycle.

I mean, the air, the rates are down in air, in ocean more dramatically, but also air rates are down and our volumes are down. Fortunately, digitalization continues apace. So we're managing to grow nicely, last year, and we're predicting growth this year, even though the market is going through a down cycle. So, that will be the issue when you look at the for this year, yes, there is some trend that we're starting to get bigger shipments or more specialized shipments, but overwhelming that, is the fact that rates are down. And, and so, you'll see, you know, we plan to grow the number of transactions well over 50% this year, even in a down market, which is great. But the value of the transactions, the GBV will lag behind that cause of the cyclical drop in the, industry, which is we're going through now, and then, who knows, you know, maybe next year that we're, we're on an up cycle and we get a tailwind from, from, from the cycle.

**George Sutton**

Yeah. when we started talking a little over a year ago. The market was on fire. So the competitive landscape was a big question mark. I'm just curious with the market very different today, your relative position would be particularly more impressive. Can you just talk about the competitive dynamics that you're currently seeing?

**Zvi Schreiber**

Yeah, I think that's right. I think also you hinted in your first question you asked about, I think I didn't really address the second part about ocean versus air. So air, like you said, digitalization has now got fantastic momentum. Ocean was tougher last year and, and I think part of the reason was that the ocean liners, their ships were full, they were over full. They were charging $20,000 at one point to ship a container Trans-Pacific. Now it's about $1,000, just to give you an. and there was little appetite for, for innovation, amongst the ocean liners when the market was so hot. And now of course things are different. The ships are not, they're struggling a little bit to fill the ships. There are more ships on the order book, rates are much, much lower. So, I believe there will be an improved appetite this year, you know, for the ocean liners, to digitalize.

And then in terms of your follow up question on competition - look, we're, we're fortunate. This is not a, not an easy task that we're taking on, and it is attracted to remarkably little competition. I don't wanna say there's no competition. There are people competing with parts of what we do, but in air bookings, which is our biggest part of our platform, we're by far the leader. and we've got a leadership position in other segments as well.

So, this is a complex conservative industry. It took, let's be honest, it took us many years to get to the momentum. We've got to, this was not something that could be done quickly. This industry doesn't have digital infrastructure. I was asked before about the OTAs and travel, but in travel there was, as I've said before, there was Sabre and Amadeus, there's digital infrastructure which allowed the OTAs to, to come on quickly and compete with each other.

We do not have that same dynamic in freight. The barriers to entry are much, much higher. And, we've been fortunate. I believe that we have even pulled further. In fact I have data to show that our substantial lead of a competition has even increased further in the last few months.

**George Sutton**

Great to hear.

One, one other question if I could. Can you just talk about the payments beta launch and, and progress you're seeing there?

**Zvi Schreiber**

Yes. So, payments are an important part of our strategy for - this relates also to the earlier question about take rates. So, payments are one of the ways that we improve our take rate.

We're able to, you know, the other way is we grow, we become more valuable. We have value added services, we provide data. There's many ways where we can become a more valuable channel for the sellers. But handling payment is also a very substantial way of monetizing. It's easier to monetize and extract fees when you're handling the payments, it adds more value. We're able to take care of issues of cross-border credit and, and, foreign exchange, which are big issues in our industry. So, it's still, because it's still at an early stage, we're not publishing specific numbers, but I can tell you that, there's been good growth. It's, in fact, exceeded our expectations in the last few months and I hope that, you know, going into next year, it will be big enough that perhaps we'll report specific numbers on that.

**George Sutton**

Perfect. Thank you. Okay.

**Eytan Buchman**

Thank you George. Our next question comes from Jason Helfstein of Oppenheimer. Jason, your line is open.

**Jason Helfstein, Oppenheimer & Co**

Thanks. Few questions I'll, I'll kind of ask them one at a time.

So first, how are you thinking about solutions, the percent of revenue mix over the next two years?

**Zvi Schreiber**

Hi Jason. Well the solutions will grow  but it will reduce as a mix. So we've always said that we see ourselves primarily as a platform company and the reason for that is what I spoke about in my opening remark that marketplaces, platforms and specifically platforms which are marketplaces which are matching supply and demand, have a very, strong growth dynamic.

They've got this network effect and that they grow like a flywheel. And we're experiencing that, especially with the airlines, but not, not only. And, therefore, it's kind of inevitable that over the years, the platform revenue will grow faster than the solutions revenue and, and become a higher percentage of our, of our revenue.

**Jason Helfstein**

Okay. Thank you. And then, maybe just talk about how you're thinking about terminal margins, terminal EBITDA margins and how, how large does revenue need to be to reach terminal margins?

**Zvi Schreiber**

Well, you can see that our, our gross profit margin, Ran just jump in with the exact number, the non-IFRS gross margin that we…

**Ran Shalev**

65%, Zvi, for non-IFRS for 2022.

**Zvi Schreiber**

Yeah. Thanks. So we're already at 65%. So that gives you an idea. You know, our other expenses grow slower than revenue. The cost of goods sold, of course, you know, by definition pretty much grows together with the revenue. But our other expenses will be growing slower. G&A will normally grow slower, okay, this year we've got the cost of being public, so that's a, that, that's sort of, additional, cost, which we have from this year onwards.

But other than that, we've always been able to grow our team less quickly than our, than our, you know, sort of gross bookings and number of transactions. and so you can, you can, based on that, the terminal, you know, we break the, sort of the asymptote  where we break even is when the, when, when the re 65% of the revenue, you know, covers our expenses.

**Jason Helfstein**

Uh, and then maybe last, last question. Uber's talking about spinning off Uber Freight as an independent company. do you think there's like, you know, any impact to Freightos if, if that happens, you know, positive or negative and just, just maybe for investors, cuz they're maybe kind of, you know, new to this area. How do, like, just broadly, how do you think about the Freightos business versus the Uber freight business? Thanks.

**Zvi Schreiber**

Yeah, thanks for that question. It's a good opportunity to clarify for those who are not in the freight industry. Although Uber used the word freight and we used the word freight. We're talking about two separate industries. we're talking about international freight, primarily air, oceans, and they're talking about domestic trucking now. Now there are touchpoints between those industries. Those are, you know, let's say sister industries or adjacent industries for sure.

Um, and there's some overlap because once the container gets off a ship, it has to go on a truck. so there's a little bit of overlap in touchpoints, but, but by and large, these are two separate adjacent industries. They're domestic trucking. And air and ocean. Now, Uber Freight is just one of multiple marketplaces for domestic trucking. Transfix is another and several others. So the barriers to entry for being a marketplace for domestic trucking in the US or indeed another country are not as high. It's all in dollars, it's all zip code or zip code, and there are a few competitors there. I'm not saying it's easy, but, but there are a few competitors there.

We specialize in the adjacent industry of international air and ocean, which is rather more complicated. It has to be global by its nature and where there's a lot less competition. So yeah, we welcome whether Uber spins it off or not. We, we, you know, we we're, we're, we're finding the way, we don't see it as a competitor. We see them as a potential partner for sort of the last mile and, yeah, you know, it's, it's always good to see, the similar models succeeding in adjacent industries. Does that answer your question?

**Jason Helfstein**

Yep. Yep. Thanks.

**Eytan Buchman**

Okay. Our next question comes from Thanat Wongwaisayawan of Bangkok Bank.

**Thanat Wongwaisayawan, Bangkok Bank**

Hi, thanks so much for your time. My first question is that I see in the outlook that compared to your forecast back in June 2022, your outlook for 2023 in terms of revenue was almost cut in half. I just want to understand, which portion was cut in terms of comparing between the marketplace and the data service?

And secondly, potentially this question has been asked already, but I just want to understand. What is the key competitive advantage that Freightos has over other platforms such as Flexport, which would be the key to Freightos success. Thanks.

**Zvi Schreiber**

Sure. Thanks Dan. So let me take those in order. So, yes, if you compare to June, the revenue was cut significantly.

Um, and the primary reason for that, as you can imagine, is a very, very dramatic change in our industry. And you know ocean rates are down sort of 90% since June, from June till now, in less than a year, air rates are down probably 25%. In addition, volumes are down. So the industry has obviously changed beyond recognition. I'm delighted to say that we're still growing despite, you know, companies like freight forwarders -  I'll talk about Flexport in a moment, your second question, but if I can relate the two questions - companies like Flexport, freight forwarders are actually providing a service, are talking about revenue down substantially this year. I can't talk for them specifically, but other freight forwarders are gonna make, you know, their revenue's gonna be down 60% or 70%.

So the fact that we're able to still grow more modestly, but still grow when the industry's gone through a dramatic, down cycle, and it's a cyclical industry and this one is particularly strong because it's sort of post COVID.So, I think yes, we have to be honest that that does affect us. but I'm very proud that we're able to grow because digitalization is so strong. We're able to grow even with that very substantial headwinds, by the way, We did give an update in October. So we already, in October already, the prices had started to drop and we updated our projections that we gave to our SPAC partners. And so we already gave the market, well, we already gave us SPAC partners and the market was able to see the update then. But then even since October, rates have dropped in tens of percent more. And as I say, that's part of the business cycle, and I'm just pleased that we're able to keep growing, more modestly, but keep growing, substantially even when there's such a strong, down part of the cycle.

Second question, slightly related. you know, Flexport is not a competitor to us, in fact, they're, they're a customer of ours and I understand why you asked the question that way, because

Flexport is also digitalizing freight and we're digitalizing freight, but, but they're digitalizing freight as a service provider. They actually provide the service of shipping goods, from A to B. and they're a freight forwarder. They don't compete with us, they compete with our customers. They compete with freight forwarders like Expeditors and FedEx Logistics and Kuehne Nagel. That's flexport's competition. And we see all the freight forwarders as customers of ours, because our strategy is to be vendor neutral. So we're connecting the carriers to the forwarders, the forwarders, to the importers and exporters. And we're happy to work with forwarders who are traditional. We're happy to work with forwarders who are more digital, like Flexport. And in any, in either case, you know, we don't see them as a competition, if that makes sense.

**Thanat Wongwaisayawan**

Thanks. Perhaps just one more question then, in your view, who do you see as your closest competitor?

**Zvi Schreiber**

So, you know, we're taking a comprehensive approach for connecting airlines to forwarders, starting to connect version liners to forwarders, forwarders to importers and exporters providing data. The reason why I mentioned that is we don't have any one competitor who competes with our whole stack, with our whole footprint. But we do have competitors in specific areas so for the airline booking, there's a startup cargo.one who competes with us. For data, there's a company called Xenata who compete with us. Um, so there's, you know, some competitors to different parts of it, but I think the exciting thing about Freightos is we are taking a full view in digitalizing the whole industry. And we, we don't see anyone, competing with our whole.

**Thanat Wongwaisayawan**

I see. Thank you so much.

**Eytan Buchman**

Thank you Zvi. Thank you. Hey, see, one question that came in, via the Q&A section. Um, it seems that historically a lot of growth has come from acquisitions. Can you speak about that and what we should expect going forward, both organically and potentially from acquisitions?

**Zvi Schreiber**

Yeah. look, I'll be honest about this, the acquisitions that we did, they have been very, very good for us. In fact, WebCargo, which is a very substantial part of our business, started as an acquisition six years ago. So we've had good success in integrating acquisitions. But having said that, they were all, to some extent, opportunistic. We have a solid, you know, growth plan, which is primarily based on organic growth. And then if a, if a company comes up for sale which gives us a shortcut in a certain market or a certain technology segment. We're always looking out for that. We're pleased that we've, you know, done that now three times, successfully. And, and that means that we have the skills to source and create a deal and integrate acquisitions. But it's always hard to predict which companies will be available to buy at a reasonable price and, therefore we don't make that a central part of our growth strategy. That's just an opportunity to, when that, when that comes up, it's an opportunity to take a shortcut and grow even faster.

**Eytan Buchman**

Okay, well, seeing no more questions here, I'd like to thank everybody here. A recording of this webcast will be available on our website at freightos.com/investors and before we conclude, I'll just turn the floor back to Zvi for a final comment.

**Zvi Schreiber**

Great. Well, really good to have everyone on the call and I think, you know, what we're doing with the help of our investors is something very exciting. We're really taking a very big, very important industry and digitalizing it. And I think we'll need a bit of patience this year because the industry goes through its cycles and this year's gonna be, so far, looking like a down cycle, but we're growing despite that. I'm very pleased to have you all on board. Thank you.

**Eytan Buchman**

Thank you everybody. That concludes this call.