Freightos Limited (CRGO)

Freightos Q1 2023 Annual Earnings Transcript

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Eytan Buchman - *Chief Marketing Officer*

Hello, all.

Welcome to Freightos's Q1 2023 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 Q1 2023 was released earlier today and is available at freightos.com/investors.

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 Q1 2023. He will be followed by Ran, who will provide our Q1 2023 financial results. We will then return to Zvi for Q2 2023 guidance and for an overview on current market conditions, followed by a brief overview of a newly launched product connecting freight forwarders to multinational retailers or manufacturers from Ian Arroyo, Freightos.com's Chief Commercial Officer. Following the prepared remarks, we will open the call to questions. We are sharing slides during this call so we recommend using Zoom instead of dialing in by phone.

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 in the press release on our website at freightos.com/investors. The company undertakes no obligation to update any information discussed in this call at any time.

As I mentioned, 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 - *Chief Executive Officer*

Thank you, Eytan, and thank you all for joining. Our mission is to make the international flow of goods smoother, by creating a vendor-neutral digital platform for procuring global freight. This mission made significant progress again in Q1, seeing yet another quarter of record transactions, more buyers, more carriers, and many other exciting developments. Crucially, all our results beat or were in line with the high end of management's expectations.

Our total transactions in Q1 grew to 229 thousand transactions, double the number of transactions we handled in Q1 2022, and reached $168.7 million dollars of Gross Booking Value. Our take rates in each individual platform segment continued to grow as well, with particularly strong growth on our air cargo booking platform, which remains our fastest growing segment.

Of course, this is all taking place in a contracting freight market, which creates some strong headwinds. I'll address this shortly.

The transactions continue to exhibit a strong marketplace growth flywheel of buyers attract sellers attract buyers. Alongside industry-leading carriers available on our platform like Qatar Airways Cargo, Emirates Sky Cargo, China Southern Airlines, Turkish Airlines,and LATAM Cargo, some of whom work with us exclusively, we also saw new types of carriers offer capacity on WebCargo by Freightos, such as JetBlue Cargo, via Aeronex, which offers domestic US cargo services, and multiple Chinese master loaders offering import bookings. Similarly, while ocean digitization has lagged behind air cargo digitization, this quarter also saw early growth of ocean carriers and consolidators offering bookings through our platform.

Freightos' growing supply has attracted more buyers, as evidenced by the number of unique users buying on our platform. In Q1 2023, over 16 thousand individual users booked freight services on Freightos, a 29% year over year growth. We're also making some significant headway in extending our platform to multinational manufacturers and retailers. Just yesterday we announced that we've partnered with Electrolux, a major global appliance manufacturer, to enable them to price and book air cargo in real-time via their chosen freight forwarders. This is a powerful example of the full scope of Freightos' platform - instant tripartite booking communications between a supply chain company, their freight forwarders and airlines. More on this later.

On the demand side, another important development has been platform integrations, which mean that our digital infrastructure is getting baked into the industry. Our air cargo pricing and booking capabilities are now embedded in a growing number of multinational and regional transportation management systems or TMSs - the operating systems that freight forwarders use on a day to day basis. So, for example, a freight forwarder using CargoSoft or dbh in Germany, Xinerji in Turkey, Neurored via Salesforce or others can seamlessly pull real-time rates from WebCargo and book them right inside of their existing platform.

As I mentioned earlier, this is a cyclical industry, and this year we are obviously facing some significant headwinds in the international shipping industry. For example ocean freight rates from China to the United States, tracked by our bellwether FBX01 index, are down more than 90% from their peak, and air rates as tracked by our FAX - global Freightos Air Index - are down some 40% from their peak

We are continuing to ensure that Freightos is well-positioned to contend with any market condition. Despite these headwinds, we exceeded our guidance for Revenue and Adjusted EBITDA, positing a 9.9% increase in revenue year over year.

One other way we're increasing our revenue is in our data business, which is part of our Solutions segment. A recent survey we conducted across over 200 carriers, freight forwarders, and importers found that over 90% of them expect to be as engaged *or more* with supply chain market intelligence in the wake of the COVID supply chain crisis. To address this growing need, we've launched Freightos Terminal, which includes unique lane-level pricing and transit time data, access to our air and ocean freight indexes - the Baltic Freight Index FBX and the Freightos Air Index FAX - and a push feed of market-moving events. We've seen strong demand for this and already count top tier organizations like Amazon, Mitsubishi, UPS and many others as customers. From a revenue perspective, this product is a high profit margin product that nicely augments our platform offering.

It has always been our goal to build a capital efficient business with sustainable profitability and I believe we are on track to do that. Our market share in the cargo booking space, continued rapid growth of transactions, and current cash on hand, together with our positive unit economics are positioning us well to execute on this vision and I do believe that the public markets will come to appreciate our positive trajectory and huge total addressable market. Of course, let me reassure you that we will continue to monitor both our burn and our growth carefully, much like we always have, and transparently share progress.

With that, let me hand you over to our CFO, Ran, after which I will be back to talk about our Q2 guidance and current freight market conditions using our own Freightos Terminal data. Ran.

Ran Shalev - *Chief Financial Officer*

Thanks, Zvi, and thank you to everyone for joining.

Here's a brief overview of our Q1 2023 quarterly results:

- So revenue for Q1 2023 was $4.8 million, an increase of 9.9% compared to Q1 2022 and 11.3% on a constant currency basis.
- Freightos had an IFRS Gross Margin of 58.3%, compared to 61.7% in Q1 2022, and a Non-IFRS Adjusted Gross Margin of 65%, compared to 66.5% in Q1 2022
- Note that Freightos had an exceptionally high IFRS operating loss of $58 million in the quarter, compared to an operating loss of $4.2 million in Q1 2022. This is primarily due to a one-time $46.7 million Share listing expense and $3.7 million Transaction-related costs related to the SPAC business combination transaction we closed in January.

- Adjusted EBITDA in Q1 2023 was negative $5.8 million, compared to negative $3.3 million in Q1 2022 due to the costs of being a public company and increased investment in growth. The majority of this investment is in ongoing R&D as well as customer acquisition. On the customer acquisition front, our platform continues to have very strong retention rates on both our platform and solutions business and is complemented by both our growing data sales and an increased take rates.

I want to assure you that we are managing our expenses very carefully with the aim of reaching breakeven with the cash on hand. To that end, we’ve already made significant cuts in our hiring plans and expect our cash burn to decline as our revenues increase.

Let me hand back to Zvi to give some context for our Q2 2023 guidance.

Zvi Schreiber

As I mentioned before, the freight industry has slowed down over the past year, volumes are down and shipping prices have crashed. Despite this slowdown, we were able to achieve our high end of quarterly guidance.

In terms of Q2, we expect to continue to grow the total transactions across our platform, reaching between 239,500 and 244,500 total Transactions. This would represent a year over year growth rate of approximately 110%. This outstanding growth rate, with only modest capital investment, is again a function of a strong marketplace dynamic in which Buyers bring sellers bring buyers, and of strong retention due to our excellent value proposition. We expect to break past the $5 million dollar mark in quarterly revenue with adjusted EBITDA losses of $5.7 million to $6 million dollars. As mentioned above, despite market conditions we reaffirm our expectations for 2023’s revenue, adjusted EBITDA and total number of transactions. That said, given lower freight price levels, we are adjusting our annual guidance for the total GBV, which is the value of Transactions to between $659 million to $739 million dollars. One of the reasons the revenue expectations remain unchanged is that today the majority of our transactions have a fixed fee so as long as our transactions continue to grow as we expect, we will be able to meet our financial guidance.

Now is a good time to take a quick look at what the industry looks like today, using our newly launched Freightos Terminal as a window into the sector.

We can start with our FBX data and see that rates have fallen significantly since a year ago with rates to the West Coast now at about $1,400 per forty foot container, which is known as FEU, and to the East Coast at $2,400/FEU, both more than 85% lower than last May. In March, West Coast rates dipped to an FBX record all time low of less than $1k/FEU to the West Coast, but in April we can see carriers were able to push rates up to about $1700/FEU. A rebound in demand will likely come when inventories run down and if consumer spending holds up and we get closer to peak season. But more supply is also coming with new ships.

On Asia - North Europe trade, where importers are likewise dealing with inventory surpluses and falling demand, ocean rates have fallen 87% since a year ago and have been stable at about

$1,400/FEU since mid-March. Transatlantic demand and rates - as seen in purple here and alongside transpacific rates for comparison – proved more resilient; although they declined to $2,200/FEU, 78% lower than a year ago, these rates are still about 10% higher than 2019.

In air cargo, the combination of decreased demand and increased capacity, as passenger travel recovers and passenger planes get in the air, are pushing rates down, and there is not a lot of optimism for a rebound in demand at least until peak season in the fourth quarter.

The latest IATA volume data from March shows global volumes of shipping continued their long slide and decreased 8% year on year and are still 8% lower than in 2019. Air cargo rates have fallen too, but are still above pre-pandemic levels, probably because of higher fuel and labor costs, with the Freightos Air Index showing Asia - Europe rates 57% lower than a year ago, Asia - N. America rates more than 70% lower than last year, and transatlantic prices 40% lower than last May.

As I said, despite these market conditions, we continue to execute successfully on one of the biggest business opportunities in today's world - becoming the digital platform for international freight. I look forward to sharing progress with you next quarter.

I want to touch on one other recent Freightos development. As I mentioned above, yesterday we announced an industry-first public rollout of an air cargo procurement platform connecting carriers to forwarders and those forwarders to a retailer or manufacturer and we announced that with the launch of Electrolux's air cargo procurement platform in partnership with their chosen freight forwarder FedEx. This is a revolutionary offering that connects our full ecosystem for improved efficiency in air cargo procurement. Of course, we maintain our position as a vendor neutral platform and are doing the same with other freight forwarders who are not in the press release but are working with us, both in the shape of private portals and in forwarder-specific portals.

I'm proud that we continue to innovate and expand our technology, so before I turn this call over for questions, let me share a quick video walkthrough of our new Freightos Enterprise offering from Ian Arroyo who heads up freightos.com.

IAN ARROYO - *Chief Commercial Officer, Freightos.com*

I wanted to take two minutes to walk you through Freightos Enterprise, our digital global freight procurement platform geared towards multinational importers, exporters, manufacturers, and retailers. As pricing volatility continues, and more attention is paid towards both controlling costs and internal governance, the importance of centralized procurement is more important than ever. Combined with carriers and forwarder digitization, it's also something that can be dramatically improved today.

Freightos Enterprise helps global supply chain organizations instantly price and book their door to door air cargo via their existing logistics providers, who, in turn, leverage our platform to access and book with carriers in real-time.

Using Freightos Enterprise, procurement teams connect directly to their global logistics providers, who access real-time air freight rates and capacity from over 35 global airlines, which collectively represents well over half of global air cargo capacity. The result is instant door-to-door comparison and booking of all-in shipping options, spanning both contract and spot rates, across a company's existing logistics providers. Once they find the right option, they can book in seconds with unprecedented confidence in available capacity, transit times, and pricing. This is backed by powerful governance functionality, workflow management, analytics and market data.

We've seen Freightos Enterprise save multinational organizations significantly on their global air procurement and we're looking forward to doing the same with other organizations. If you're interested in learning more about how Freightos Enterprise's procurement platform and market intelligence solutions can help improve your supply chain, head to freightos.com/enterprise.

Eytan Buchman

All right, well, 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're dialing in from a cell phone or telephone, you can press star nine to raise your hand and when you are given the floor, you can press star six in order to unmute yourself.

For those that prefer to submit a question in writing, you can enter it using the Q&A feature on Zoom. And if you are participating via dial-in, you can email ir@freightos.com.

Our first question comes from Jason Helfstein from Oppenheimer. Jason, your line is open.

Jason Helfstein

There we go, thanks, can you hear me.

Eytan Buchman

Yep, we got you.

Jason Helfstein - *Oppenheimer*

Great, okay, so three questions. So first, just broadly, how should we think about the consolidated take rate improving over time. I think the full year guide implies it's basically flat with last year. Just broadly talk about just how you move that up over time. That's the first question.

Second question, can you give us some color between platform versus solutions. I think the last time we got that update was the first half of last year. I think platform is about 31% of revenue. Maybe let us know if it like the mix has changed meaningfully.

And then lastly, are there any one time OPEX to call out that will not be kind of replicated in the second quarter and the rest of the quarters for the year. Thank you.

Zvi Schreiber

Okay, thanks Jason.

So we had the take rate and the solutions versus a platform, just making a note of the [inaudible].

So, Jason, in terms of take-away, there's a slightly complicated, a good but slightly strange dynamic here, and that is that the mix keeps changing. So, in actual fact, we have two main parts of our platform, Freightos.com, which is door-to-door for the shippers and WebCargo, which is for mostly air cargo for the professional freight orders booking.

freightos.com already enjoys a high take-rate. We don't break out the details, but freightos.com already has enjoyed a high take rate for a while. WebCargo has an improving take rate, but it's still a lot lower. And Webcargo is also growing very fast. So the mix, the one with a lower take rate keeps becoming a higher proportion because it's growing so strongly. And that brings down the average.

So you're right, overall, I mean, this quarter there was an uptick, but overall for the year, we're not expecting a big change in the take rate but that actually belies the fact that, Although the overall take rate hasn't changed, in each individual business unit, the take rate is good and improving. So it's one of those strange situations where it's improving in both business units, but you put them together and you don't see that improvement because the mix keeps changing in favor of the faster growing era of bookings. Does that answer your first question?

Jason Helfstein

And if you wanna talk broadly about how you think take rate changing maybe over the next five years.

Zvi Schreiber

Well, upwards, what's happening nicely, eventually that mix will even itself out. And it's growing in WebCargo where the take rate is lower 'cause it's a much newer platform. The take rate is going the whole time in a nice direction. It's grown in that business unit, tens of percent from a year ago. So it's growing nicely in the right direction.

We see the take rate constantly improving because as we expand, we become an important channel for the airlines and the airlines are willing to, you know, to pay for the valuable distribution that we provide them. So, you know, when we first started, it was only four years ago, the airlines really, they kind of saw us as replacing, they didn't see us as a sales channel.

They saw us as a way to replace phone calls and a slight efficiency thing, but there was a limit to how much they were willing to pay for that. But now we've got quite some volume in some, where we disclosed that in a few European countries, we're already well over 10% of the entire market. We're like 70, 80% of the digital market and 10% of the entire air cargo market. And that's growing every quarter. You see that in the numbers.

So we're becoming an important distribution channel for the airlines and that makes it easier for us to negotiate a fair fee. So going in the right direction for sure.

Regarding solutions versus platform, I think I need to go to Ran with that one. Ran, when do we disclose the breakdown of the revenue into the two segments?

Ran Shalev

So we do it on a yearly basis, but Jason, to answer your question, we are seeing a nice trend of moving between solutions to a more of a platform, number of, sorry, revenues that are seeing as part of our overall revenue.

Zvi Schreiber

Yeah, so you're definitely gonna see platform growing faster because that's just the nature the business, it's got the marketplace flywheel and we'll disclose the exact breakdown on an annual basis.

Regarding the last question,Ran you correct me if I'm wrong, but I'm not aware of any real OPEX which is, we're not expecting any big one-time cost, there was of course the cost of going public, which is now behind us, there was a huge charge for going public but that's not a cash cost. That's a charge for taking uh

Ran Shalev

So as we went public in January, obviously, our Q1 financials did include some one-time, non-recurring expenses that hit the P&L. You can see them as part of the P&L report that we have provided, as well as the adjusted EBITDA tables that we have there. They sum up to about $4 million of one-time expenses relating to the despac transactions which we will not see in the future.

Thank you.

Eytan Buchman

Okay, thanks Jason. Our next question comes from George Sutton at Craig Hallam. I'm opening your line now, George.

Zvi Schreiber

Is George open?.

Eytan Buchman

Yeah, George.

Zvi Schreiber

George, you there.

George Sutton - *Craig Hallum*

I should be there.

Zvi Schreiber

Oh yeah I can hear you.

George Sutton

So congrats on the Electrolux deal. I wondered if you could just walk us through the pilot process, what they learned and then just give us a picture into your pipeline of similar type opportunities.

Zvi Schreiber

Yeah sure thanks George. So it's interesting, you know if you're not from the industry you wouldn't believe how old-fashioned the process of buying air cargo is.

Up to now, when a company like Electrolux wanted to ship something by air, which they do often, they would call or email their freight forwarder, they would wait for a human being to look at it. That human being would then either phone up the airlines or preferably they'd use our WebCargo platform.

Then they might call back to Electrolux and it could take a day or two and say, "Okay, do you want to pay more to get it on Tuesday's flight or do you want to on Lufthansa or do want to send it on American Airlines on Thursday or, you know, they might give them some options. So there was some human back and forth for a day or two or sometimes three for every single shipment And that's, that's still how air cargo is done, believe it or not. And it's particularly crazy because air cargo people air cargo is an expensive product. So when people are shipping something by air, it's because it's urgent.

So I always say in ocean also there's time wasted, but you're anyway going to wait in a weeks for ocean shipping. So you wait and waste another couple of days. It’s bad, but in air cargo it's critical.

So this is really a very serious flaw in the way the industry has been working.

I think we've finally shown that we can change it, you know, Electrolux with their freight forwarders that they chose, and particularly the one who's chosen to be public about it is FedEx Logistics, but we work with other freight forwarders as well.

We're completely neutral in that respect.

And those freight forwarders have used our technology to give Electrolux visibility, where they can see the flights and the rates and they can book it themselves onto, you know, whatever it is, Delta's flight on Friday.

And still it's going through the freight forwarder, so there's still a freight forwarder involved, but there's not a freight forwarder involved, there's no freight forwarder human involved in the booking.

The booking is fully end to end from the shipper, as we call it, from the importer or exporter to the freight forwarder to the airline, all instantaneously on our platform.

So it's really an exciting change.

During the pilot, Electrolu found that they saved time and they saved money and they saved uncertainty. They knew exactly which flight it's going to be on and when it's going to take off, when it lands. So they got more visibility, also more agility if they needed to change flight. If they had to make a change, they could do that in seconds. They didn't have to wait for a human being to get back to them.

So that was great and yes there's a nice pipeline. I'm not in a position to give any details except to say that we're speaking to a number of other enterprises and we hope the fact that Electrolux really kindly they've been a good partner for us together with their freight forwarders particularly FedEx Logistics in this case have been willing to go public with the benefit they're getting and we very much appreciate their partnership with that and we hope that them going public yesterday will give a push to several other opportunities which are in our pipeline.

George Sutton

Great, and then you mentioned early growth in ocean, could you just give us some more specifics there.

Zvi Schreiber

No… but I want to be careful not to overstate that.

I mean it's still very small numbers, it reminds me of where air was in sort of 2019, you know, and back in 2019, which isn't that long ago, we had we had three airlines, we had, I don't know, you know, we counted the bookings like per week, now we have thousands of bookings every day. But at that point, it was a few dozen per month or something, or I don't remember exactly. But it's that order of magnitude.

So it's a nice, you know, it's a nice proof of concept with the ocean. But but it's and it's showing some signs of life, but it's still very small and it will still take a while.

Honestly, it could take a year or two till that becomes financially significant, but obviously in the long term, it's a huge opportunity. In the long term, it's a bigger opportunity than air, to be honest.

George Sutton

Gotcha. And then finally, you mentioned cuts in hiring plans. I'm just curious if you can give us a sense of any changes that that might impact in terms of your strategic tactical opportunities you're pursuing.

Zvi Schreiber

Yeah, so it's, you know, we're going to be there. That's a great question. You know, we have a good-sized team. We have about 400 people. There were a few areas which we plan to double down on higher this year. We've decided not to, out of, you know, sort of a fiscal caution to make sure that our cash reserves last.

The impact will be marginal. You know, we do have a good team. We do have the team that we need to execute in some areas we hope to to accelerate, particularly in development. We hope to put a few more software engineers. So of course, there will be some impact, but we believe it will not be a major impact. We'll still do all the things we want to do. Some of them will take a little longer.

George Sutton

All right, thank you for the time.

Zvi Schreiber

Yeah, thank you, George.

Eytan Buchman

All right, and our next call, uh, question comes from Brian Dobson of Chardan. Brian, your line is open. Brian, can you hear us? You might need to unmute.

Brian Dobson - *Chardan*

Apologies about that. So thanks for taking my questions this morning. Again, congratulations on the Electrolux agreement. That's very exciting.

You know, you've covered it here in the Q&A, but I guess one more question would be, what's the feedback been like from that agreement with your air shippers? Are they keen for more of the same?

Zvi Schreiber

Yeah, I think the feedback's been excellent. I mean, it is a sort of a change, so it's been an adjustment. It's an adjustment for the freight forwarders because they're used to having a human being check each shipment before it's passed through to the airline, for example. So, you know, we went through some iterations. We've been working on this for a while and there were many lessons learned.

For example, you know, we've got to be careful that's, let's say, Electrolux or another shipper, you know, who we're piloting with doesn't go in and book something for tomorrow morning's flight and maybe the freight forwarder doesn't have enough time to get it to the airport.

So we've had to put various checks and balances to make sure now that the forwarder is trusting the the shipper to book blindly in some case if they want to, then they also want us to put in some checks, you know, some sort of checks to make sure the shipper doesn't book something which isn't feasible on an airline they don't work with or an airport which they think is, etc, etc.

So we've been adding various business rules, you know, we've had to mature this through experience and that's why we took some time on the pilots. But having said that, once we're done with that, the feedback is excellent across the board.

I mean, the shipper as we call it, the importer or exporter, gets more visibility, they can choose exactly the flight they want, they can optimize the time or optimize the price, they save time and money and they get visibility.

The freight forwarder, now it's an adjustment for the freight forwarder but actually once they get experience they find that they're saving cost because the whole booking process is much more automated and they're spending less back office costs on human beings, you know, talking to the shipper, talking to the airlines, all of that is automated. So it works very well for the forwarder and it allows the forwarder to provide a differentiated service.

There are many freight forwarders out there and the ones who can offer the shippers this kind of digital air cargo are differentiating themselves by giving a superior service. And the airlines like it as well because they always kind of regretted that the end customer doesn't actually see which doesn't get to choose which carrier it's on and now there's a lot more visibility.

So if Electrolux develop a preference for one airline or the other, I'm not saying they do, but if they do, they have that visibility and they can make that choice. So the airlines like the fact that they have more visibility as well. So I think, you know, this is a win for everyone.

It's taken a long time for the air cargo industry to get there, but I think we're going to see a lot of excitement and expansion around that.

Brian Dobson

Yeah, certainly exciting. And we, you know, we look forward to seeing I guess the next evolution of this process. Your transaction growth has been impressive. Can you give us an idea of penetration rates within some of the marquee air shipping partners that you have on the platform?

Zvi Schreiber

Yes. That varies. I can give you a vague idea for sure. It varies quite a lot because some of the airlines have given us all the countries and all the products some airlines don't give us that are not yet able to digitalize pharma or are not able to digitalize certain countries or are not able to digitalize weights above one ton or three tons.

So, there are various limitations. In fact, none of the airlines give us all their capacity. There's always some limitations, but some more than others. So that makes the question that you asked a little bit complicated, Brian.

But to give you an idea, in Europe, Western Europe is our best market and then the US and Canada are catching up and Asia is still at a much earlier stage. I would think that in some of our best countries, like Spain and Germany maybe, we account for up to 30-40 percent of bookings for a given airline, in the best cases.

So in our best countries with the best airlines, we may be like 30-40 percent of all their bookings, in a case one or two occasions more. But again that's the best case if you go to other countries where we have less where we're less strong so far or some of the airlines have given us less capacity it could be it could be much less than that. But that's just to give you a flavor. The good news is at least in some countries with some airlines will become a very significant you know partner and channel. And again those numbers are just a rough indication order of magnitude i'm I'm not reading that. It's not a specific statistic, but I think it's the right order of magnitude.

Brian Dobson

Yeah, excellent. Thank you very much.

Zvi Schreiber

Thanks, Brian.

Eytan Buchman

Okay, we'll move on to some of the questions we had submitted by email or by chat, and combined somewhere makes sense.

I think Zvi this first one will be for you. What went better and what went worse with the flotation?

Zvi Schreiber

Do we know who's asking that or did they not ask that.

Eytan Buchman

That one's from Michael Stern.

Zvi Schreiber

Michael, what went better and worse in the IPO or the deSPAC process? Look, firstly, we did it. Not many companies did this here, and that's a big compliment to our partner, Gesher - Ezra as the CEO of the team at Gesher, and to our investment bank and our lawyers. And we got it done. And that was, in some ways, we thought we'd get it done.

But I can't tell you how many people told us, when are you going to announce the cancellation? I have to be perfectly honest, because many, many SPAC deals were canceled in the last month. So firstly, we did expect it, but it was great to see we got it done.

Second, we got it done at a reasonable cost. We spent-- I mean, look, the legal and accounting cost of these deals are very high. We produced a prospectus of hundreds of pages.

So you know that that's heavy but relative to other SPACs, you know, deSPAC transactions, we got it done cheaply. We got it done well. We haven't had any, you know, litigation or anything like that.

So it's gone well, it got done.

Most importantly, the quality of the investors, you know, we had an excellent long-term investment from M&G, which is the biggest or second biggest, you know, financial institution in the UK. We got some more strategic investment from Qatar Airways, the biggest air cargo airline. So we got, you know, quality investors who are gonna be with us for a long time. So that was also really good. Again, all of that in a tough market. So overall, it's been a very successful transaction.

The negative side, I don't need to tell you, we've found ourselves in the public markets, which are cynical. And we're still gonna have to, still gonna take us time. I mean, you've seen our share performance. It's not what we hoped.

Again, we're focused on the long term, so it doesn't affect us in the short term, but we hoped for better. So we need to keep telling the story and keep people understanding there's fast growth there, there's a massive total, you know, TAM, massive addressable markets, and we've got real momentum. So even in this cynical market, you know, we need to find, and we are to some extent, and we need to find more investors who care about the long term and care about huge opportunities, which are gonna take a few years and I believe we're going to keep performing consistently and keep telling the story.

And I believe we'll find that the investors, even in today's cynical markets, we'll find the investors who still believe in a fantastic growth story with huge long-term potential.

Eytan Buchman

Okay, our next question, I'm going to combine a couple right here. And I think, Ran, this is best for you. What is your current total of cash and money market deposits next to any borrowing and what are our approximate annual public company costs?

Ran Shalev

Sure. So as you all know, and also what was written in the F4 and the 20F later on, we have raised slightly above $82 million, which was just what we wanted to raise, even a bit higher according to our business plans, that would be sufficient for us to get to a breakeven point, not more and not less, we're in good shape there. We had some IPO, oh, sorry, deSPAC expenses relating to that, and we've also repaid a small loan that we had with an Israeli bank of $2.5 million dollars.

And that all brings us to around $60 million of free cash right now. We don't have any borrowings. So this is the current cash that we are at hand right now between money markets and deposits and cash, sitting in the commercial accounts.

As for being public, and that's not cheap as well. Zvi had mentioned some of the expenses we've had while going public, but also being public is not cheap between lawyers and accounting and D&O insurance, which also was much more than what we had as a not-publicly traded company. All in all, it would be between the $3-3.5 million dollars a year.

Eytan Buchman Thanks, Ran. Zvi, next question.

Zvi Schreiber

Thanks, Michael, for those questions.

Eytan Buchman

Yeah, and this next question also from Michael, given the trend of shippers to acquire or integrate forwarders into their operations with the implication that they're providing door-to-door services, uh, using, solo using their own operations. Does this provide a threat to your effective addressable market.

Zvi Schreiber

Now, interesting question.

I'm not sure I would call it a trend that there have been a few cases of, um, big shippers, you know, big retailers or manufacturers who've brought their logistics in-house. A few well-publicized case, but it's still a teeny proportion. I mean, the vast, vast majority of manufacturers and retailers are using third-party logistics.

So I don't know if it's a trend or not, but there have been a few cases. And, you know, honestly, we're agnostic to that.

We're happy to work with logistics companies which are in-house. For many years we've worked with the logistics arm of Inditex Zara. They've done that in-house for many years and they've been a customer of ours for many years.

So I think we're actually indifferent. Whether the logistics is third-party logistics or in-house, they still need a booking platform, they still need some of our technology for doing door-to-door pricing. So I think either way is great for us.

Eytan Buchman

Okay, well seeing that there's no more questions, let me just turn this over quickly to Zvi for some closing comments. Before that, I just want to thank everybody here and remind you that a recording of this webcast will be available at our website at freightos.com/investors. Zvi, over to you.

Zvi Schreiber

Well, yeah, just to say thank you all for your time. Thank you for those of you who are investors or taking the time to research and analyze Freightos. And yeah, rest assured that we're working hard to keep growing even in a tough market. And remember, this industry is cyclical, you know, so we've had that, we've been around long enough. We know there are tougher years, we work hard to grow even during the tough years. And then, you know, next year or the year after, we'll suddenly have a fantastic tailwind as the market goes through an upswing. So the good news is we're working hard to keep growing through both parts of the cycle. Thank you, all.

Eytan Buchman

Thank you everybody. This concludes this call.

Participants

- Eytan Buchman - Chief Marketing Officer
- Zvi Schreiber - Chief Executive Officer
- Ran Shalev - Chief Financial Officer
- Ian Arroyo - Chief Commercial Officer, Freightos.com
- Jason Helfstein - Managing Director - Head of Internet Research, Oppenheimer & Co.
- Brian Dobson - Managing Director, Disruptive Technologies, Equity Research, Chardan
- George Sutton - Senior Research Analyst, Craig Hallum