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CRGO.OQ - Q4 2024 Freightos Ltd Earnings Call

EVENT DATE/TIME: FEBRUARY 24, 2025 / 1:30PM GMT

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PRESENTATION

Anat Earon-Heilborn - *Freightos Ltd - Investor Relations*

Welcome to Freightos' Q4 2024 earnings conference call. A press release with detailed financial results was released earlier today and is available on the Investor Relations section of our website, freightos.com/investors. My name is Anat Earon-Heilborn, and I'm joined today by Dr. Zvi Schreiber, the CEO of Freightos; Teresa Carreras, Director of FP&A in the Finance team; and Pablo Pinillos, incoming CFO.

Following the prepared remarks, we will open the call for questions. We are sharing slides during the call, so we recommend using Zoom on a computer rather than dialing in by phone. The slides as well as a recording of this earnings call will be available on our website shortly after the call.

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'll be providing and referring to certain non-IFRS financial measures. You can find reconciliations to the most directly comparable IFRS financial measures, along with additional information regarding those 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.

Today's earnings call will begin with an overview of Q4 performance by Zvi. Next, Teresa will present the financial results and the guidance for Q1 and full-year 2025. Teresa is stepping in as we are between CFOs. Then Pablo will introduce himself briefly ahead of his official start next Monday. We will conclude with Q&A. (Operator Instructions)

Zvi, please go ahead.

Zvi Schreiber - *Freightos Ltd - Founder, Chief Executive Officer of Freightos Group*

Good morning, everyone, and thank you for joining us to discuss Freightos' fourth-quarter and full-year 2024 results. I'm pleased to report another quarter of strong performance, ending a fiscal year marked by a significant transformation for us, driven by our commitment to innovation and operational excellence. We've continued to advance in capturing the massive market opportunity of digitalizing international freight, underscored by our robust revenue growth for the quarter.

Before diving into the details, let me provide some high-level context of our achievements. In Q4, revenue growth of 25% year on year exceeded our expectations. We facilitated over 350,000 transactions, representing a 22% increase from last year, extending our streak of consecutive quarterly transaction records to five straight years. Most notably, we added 12 new carriers to our platform, marking the quarter with our strongest onboarding of new carriers in our history and bringing total to 67 carriers.

While this is solid growth, I want to comment that we strive to grow even faster. And we do expect that at some future point, this huge conservative industry will reach an inflection point on its digital journey, then we should be able to accelerate growth much faster. We witnessed such inflection points in other industries as they went through a digital transformation. And of course, we continue to invest in market education to encourage reaching that inflection point.

Turning to market conditions. The air cargo market saw robust demand driven by e-commerce, with Q4 volumes up 10% compared to the previous year. Air cargo rates reached year highs during peak season on many lanes with a global average price as measured by our Freightos Air Index, FAX, essentially flat on Q4 2023 and up 5% from Q3. However, our platform focuses on mainstream air cargo, not e-commerce. So our growth stems from our core business rather than being attributable to this market growth.

As you saw in the news, in early February, the US barred Chinese e-commerce goods from entering the US duty free. The US then temporarily reinstated this de minimis exemption to give US customers time to prepare. This change, if reinstated, will affect the millions of daily e-commerce parcels imported from China and will likely lead to a sharp drop in transpacific air cargo volumes and rates and place downward pressure on rates across the industry of air cargo as capacity returns to the market. Ironically, this would actually be positive for volumes booked on Webcargo by Freightos. Since we focus on mainstream air cargo rather than e-commerce, reduced e-commerce volumes from Asia should actually increase capacity available for booking via our Webcargo platform.

Regarding tariffs, we've seen transpacific shippers pull forward ocean freight shipments ahead of anticipated tariff increases, temporarily driving demand and rates up. If this trade war escalates, however, there is some risk that broader international trade volumes could be dampened. That said, the long-term digitalization of freight remains the most powerful driver of our business. We're still in the early stages of cargo booking platform adoption. And given the sheer scale of global trade, we expect any impact of tariffs on our business to be limited.

Moreover, in periods of volatility, our marketplace solutions become even more valuable, providing transparency and agility that shippers and carriers need to respond to changing circumstances. Finally, this impact is predominantly US-centric, while our platform usage is global.

Now let me address our progress across our three strategic pillars: platform, solutions, and network. Platform and solutions are the two ways we deliver our products to our customers. And these are also the segments in which we report revenue. Network effects are how we ensure continued long-term capital-efficient growth and create a competitive moat.

Let's start with platform growth and marketplace expansion. The quarter's carrier adoption was particularly notable. The 12 new carriers we added in Q4 are primarily regional and niche air cargo operators, many serving specialized markets or emerging trade lanes and are a strong result of the two-sided network effects. Our buyers attract more sellers and sellers attract buyers.

This supply expansion enhances our platform's value proposition as these carriers can instantly offer their services to most of our network of over 20,000 unique buyers -- users worldwide. Transaction growth saw a strong contribution from our airline sales portal solution, further cementing our position as a vendor-agnostic technology partner, empowering airlines to sell digitally both directly on their own websites as well as through our platform. The portal business has a higher GBV per transaction, but lower take rates than transactions on our own platform.

As this segment grows, it does influence the relationship between transactions, GBV, and revenue so we're cautious on the overall average take rate in our 2025 guidance. However, this expansion generates revenue and reinforces Freightos' role as the digital backbone of global cargo and strengthens our strategic value proposition for carriers and forwarders.

Now on the buy side, unique buyer users increased 14% year over year, breaking the 20,000 mark of unique users, reinforcing the network effects that drive Freightos' scalability. We continue adding carriers after the end of the quarter, including Canada's WestJet Cargo and Norwegian cargo. These additions reflect the growing adoption of digital freight booking and further strengthens Freightos' position as the leading platform for connecting carriers and freight forwarders globally.

Let me spend a moment talking about the ongoing development of our platform offerings as we continue to enhance our capabilities across multiple fronts. For freightos.com, our public marketplace, where small importers and exporters book directly with freight forwarders, we plan a major product upgrade this year. After reducing investment in mid-2023, we will reinvest in platform development while maintaining a disciplined approach to costs.Results should materialize in 2026 when we scale our go-to-market activities for freightos.com. We're also rolling out the next version of our airline interlining solution, which enables airlines to book with other airlines and will later enable freight forwarders to instantly book multi-carrier routes, significantly expanding network reach. This is equivalent to codeshare in passenger airlines, and we're leading the way in digitalizing it. Following early success in 2024, we believe that interlining will scale in 2025.

Now turning to our solutions segment, where we derive mostly recurring revenue from SaaS and data subscriptions. Our solutions enable freight forwarders, importers, exporters, and carriers to enhance operational efficiency and make data-driven decisions and actions, especially around rating, booking, and selling. The SaaS Solutions subsegment generated its highest quarterly revenue ever in Q4, supported by our recently acquired Shipsta business. This highlights strong demand for digital procurement and benchmarking solutions in freight management.

Our vision is very much to create a unified end-to-end solution stack, seamlessly integrating all modes, players, and functions. In 2024, we launched a major initiative to unify all our software in one modern, efficient, scalable software stack. This initiative is now known internally as Fusion and virtually all development this year will be on this modern Fusion architecture and older products will be migrated.

For example, the new generation of our Ocean SaaS for freight forwarders has already been developed on Fusion and is already serving the first customers as one of the first big wins for Fusion with a pipeline of more interested customers in this Ocean SaaS. It provides a fully integrated one stack platform from carrier booking and rate management to pricing, quoting, and digital sales. This Ocean SaaS solution enables seamless rate management for both air and ocean freight, allowing forwarders to streamline operations, optimize pricing and enhance their customer experience. With thousands of freight forwarders in 10,000 offices or so already using our air solutions, we're excited to now offer them our newest Ocean SaaS. This quarter, we advanced our AI-driven solutions, leveraging our proprietary data to optimize freight pricing and procurement. Our newly launched AI-powered airline dynamic pricing tool, which is called SkyRate, is already showing promise in the market with one airline seeing a 70% revenue increase during a test. Unlike generic generative AI, this is a proprietary machine learning solution, which analyzes millions of past freight bookings to predict customer behavior and optimize pricing for the airlines in real time with high accuracy. Embedding AI across our platform reinforces Freightos' position as a leader in digital freight, and we're on our way to doing that. The integration of Shipsta is progressing well, and we're preparing to retire the Shipsta brand and incorporate our newly acquired procurement and tender management capabilities into Freightos' Fusion solutions. We already have Freightos Shipsta cross-selling wins, including a top-five global chemicals company and a leading multinational industrial manufacturer as well as top freight forwarders.

The other part of our solutions segment is data subscriptions. We used to be mainly strong in spot pricing data, but thanks to the Shipsta acquisition and other data sources, our data capabilities now extend to freight contract rates or long-term rates, expanding our market potential for data solutions. So we'll focus this year on growing our data subscription revenue.

Related to that, last week, we announced the toolkit to support index linking for freight contracts. It's a recommended new industry business practice that we're promoting, enabling rates to adjust dynamically based on market conditions as is common in other industries. This reduces the tensions and cost of fixed price term contracts, minimizes renegotiations and supports more defensible competitive pricing. Our index-linking toolkit is now available in our Freightos terminal product, and it uses our own industry-leading indices, FBX for containerized freight and FAX for air cargo, which are built on billions of data points.

Complementing index linking, container shipping prices can be hedged via forward freight agreements, or FFAs, which are derivatives tied to our Freightos FBX index, and these derivatives are traded on the world's leading derivative exchanges, CME in Chicago and the Singapore Exchange, SGX. While volumes are still minimal, there's a lot of potential for this to grow, especially as index linking hopefully becomes more prevalent in the industry.

Now the third pillar of our growth is network. That is the network effects created within our customer base. Our cohort analysis validates this flywheel effect. Freight forwarders and carriers who join our platform not only stay active, but also significantly increase their engagement and the transactions they place over time, reinforcing the buyer brings, seller brings buyer effects and the long-term stickiness of our platform.

Anecdotally, in a recent meeting with a leading European airline, the Chief Executive shared with me that they had projected 1,000 bookings in their first year on WebCargo platform, but received 7,000 bookings, demonstrating how quickly airlines can scale digital bookings once they connect to our platform.

Looking ahead to 2025, we remain focused on executing our strategy. While potential tariff changes create slight near-term uncertainty, we continue to scale our network, expand carrier adoption, and enhance our product and technology offerings, laying the foundations for sustained long-term growth in this vast industry, which is still at an early stage of digitalization.

And now to walk us through our Q4 financial performance, I'll hand over to Teresa, our Director of Financial Planning and Analysis, who is covering while we're briefly between CFOs.

Teresa Carreras - *Freightos Ltd - Director, FP&A*

Thanks, Zvi. Our fourth-quarter results reflected solid growth, exceeding our guidance in transactions and revenue and meeting the high end of our adjusted EBITDA guidance. These results show our continued focus on scaling our platform efficiently while maintaining financial discipline and progressing towards profitability. Revenue for Q4 2024 was $6.6 million, reflecting a 25% year-over-year increase, which is the highest quarterly growth rate since going public. Growth was driven by broad strength across both transactional and subscription revenue.

Platform revenue grew 21% year over year to $2.3 million, supported by a steady transaction growth. Solution revenue increased 28% year over year to $4.3 million, benefiting from SaaS expansion and the inclusion of Shipsta. Gross margins improved once again, with IFRS gross margin reaching 68%, up from 62% in Q4 2023 and non-IFRS gross margin rising to 74% compared to 70% last year. These gains result from scale and from ongoing cost efficiencies, positioning us well for further margin expansion. For the full year, non-IFRS gross margin was 72%, increasing by 5 percentage points from 2023, demonstrating consistent efficiency gains.

Adjusted EBITDA for Q4 2024 was negative $3.1 million, within our guidance range. Excluding the impact of Shipsta's first full quarter of consolidation, adjusted EBITDA loss would have been lower than Q3 at approximately $2.7 million.

For the full year of 2024, adjusted EBITDA was negative $12.6 million, significantly improved from negative $19 million in 2023. As we move through 2025, we expect continued improvements in adjusted EBITDA, reflecting revenue growth and ongoing operational efficiencies on track for breakeven by the end of 2026. Cash and cash equivalents stood at $37.3 million at the end of the quarter, giving us all the resources we need to execute our strategy while maintaining financial discipline.

I'm pleased to present you with our Q1 outlook and introduce the full-year 2025 guidance, which underscores our expectations for continued top-line growth and improving profitability. We expect Q1 number of transactions between 362,000 and 370,000, showing year-over-year growth of 22% to 25%. We expect this trend to roughly continue throughout the year, although we remain slightly cautious with respect to global trade dynamics. We expect Q1 GBV between $272 million and $280 million, representing year-over-year growth of 41% to 45%. Additionally, our guidance reflects the evolving mix of our business, including the continued growth of our portal segment, which contributes higher GBV per transaction with more modest platform revenue.

Q1 revenue is expected to be between $6.7 million and $6.8 million, a 25% to 27% increase compared to Q1 2024. Full-year revenue is expected to be between $29 million and $30.6 million, growing 22% to 29% year over year and mirroring our views regarding transaction and GBV as well as a moderate change in business mix.

We expect Q1 adjusted EBITDA between negative $3 million and negative $3.2 million, broadly flat on Q4.While in general, we do aim to improve EBITDA every single quarter, Q1 is affected by seasonal cost increases and seasonal weak freight volume. Full-year adjusted EBITDA is projected between negative $10.9 million and negative $10.2 million, demonstrating our continued focus on improving profitability as we scale. As you can see, our annual guidance shows a gradual improvement throughout the year, and we expect losses to decline as we progress on our path to breakeven.

Let me now turn the call to Pablo, who will be joining officially next week to introduce himself.

Pablo Pinillos - *Freightos Ltd - Incoming Chief Financial Officer*

Thank you, Teresa, and thank you, Zvi. I'm thrilled to be joining Freightos at such an exciting time for the company. Freightos has built a category-defining platform that is transforming how global freight is booked and managed. Having spent my career helping high-growth technology companies scale efficiently, I've worked across finance, strategy, and operations to support companies through rapid expansion, IPO processes, and acquisitions. My experience in driving financial disciplines while enabling growth aligns well with Freightos' missions as we continue to expand and digitalize this vast industry.

As Freightos is a truly global company, I'm excited to be based in Spain with an easy access to Freightos' Barcelona headquarters. I look forward to engaging with investors and the analysts on future quarterly calls and throughout the year, virtually or in person, as we execute on our strategy, drive operational efficiencies, and work toward long-term profitability.

QUESTIONS AND ANSWERS

Anat Earon-Heilborn - *Freightos Ltd - Investor Relations*

Thank you, Pablo, and welcome. We will now open the call for questions.

Jason Helfstein, Oppenheimer.

Jason Helfstein - *Oppenheimer & Co. Inc. - Analyst*

Two questions. So I mean, one, the financial outlook looks basically in line with what we're expecting kind of solid growth and things should continue, I guess, at that level. So Zvi, you talked about the key thing is really like the industry hitting some kind of inflection point with understanding the need to embrace digital products. So when we look about going into 2025 versus going to '24, I mean, is there anything you can call out like maybe examples where you think the industry is closer to that inflection point? And if investors were to look out a few years, how they should think about it? Because to your point, this is really about kind of these secular -- or trends really are progressing as expected, but what does it take to really get the industry to the next level?

Zvi Schreiber - *Freightos Ltd - Founder, Chief Executive Officer of Freightos Group*

Yes. Thanks, Jason. I think I've sort of commented before that we're mainly looking at air and ocean, and they're in a different situation. Air is already well along the trend, but ocean, which is the bigger part of the industry, is really at the very beginning. So I think one of the key things I'm hoping to see this year is that the ocean liners finally create APIs, digital connections, like the airlines did already five years ago in many cases. So that's one major sort of milestone that we're looking for is having ocean API connectivity.

Even within air, of course, there are parts which are -- Europe is well along the way to digitalization, but Asia is at a very early stage. So I think more air bookings out of Asia would be a key trend. And then that's all sort of between freight forwarders and carriers. Then when you get to the end customer, what we call the shippers or the importers and exporters, there, we're still at a very early stage.

So as you know, our freightos.com hasn't been -- we haven't been growing it aggressively in the last 18 months. We plan to, I hope, again next year. So seeing activity on that, but also seeing even not just on Freightos, but seeing more freight forwarders selling online, more freight forwarders quoting online, more self-service by importers and exporters would be a very important sign that the end customer's adopting digital techniques. And we are seeing some progress in all of that. Everything is going in the right direction. But we're still looking, whether it's this year or next year or the following year, sometime, I do believe there's going to be a tipping point where it all gets adopted much quicker.

Jason Helfstein - *Oppenheimer & Co. Inc. - Analyst*

And then just a second question. So with the rebound in the stock price, how do you think about potentially using the stock for strategic M&A now that the stock is meaningfully higher than it was for a while? Is that something you're thinking more about? Or it's really more just about kind of heads down in day-to-day business?

Zvi Schreiber - *Freightos Ltd - Founder, Chief Executive Officer of Freightos Group*

Yes. I mean that's a great question. Look, as you know, some of our biggest investors paid $10 a share. So they're still going to be quite reluctant for us to use our stock even if it's at $4, which is a lot better than $1. So we're not actively planning any acquisitions using our stock.

But you're right, it does give us more options. So if something opportunistic comes up and the price is very attractive, so much so that we're willing to use our stock at this price. It's not impossible. But we're not dependent on any acquisitions for our growth plan. And so we're not planning any acquisitions. But if -- a bit like happened with Shipsta a few months ago, if another opportunity like that comes about and the price is great, then we'll keep an open mind for sure.

Anat Earon-Heilborn - *Freightos Ltd - Investor Relations*

George Sutton.

George Sutton

Zvi, I wondered if you could walk through, just to make sure we're clear, the potential tariff impacts that you see. My sense is, in the short term, it could be a positive because you see some accelerated shipping to avoid the tariffs, but then there's a midterm question mark. So just could you walk through what we should anticipate there?

Zvi Schreiber - *Freightos Ltd - Founder, Chief Executive Officer of Freightos Group*

Yes. Thanks, George. Very hard to anticipate. As you know from the news, this has been evolving very rapidly even in the first few weeks of the current administration. And yes, as you said, the front-loading is very short term, so we're not banking on that. It's true that when tariffs are expected in a few weeks, some people quickly ship some stuff. But that's a very, very short-term trend and not one that we welcome.

Beyond that, I sort of mentioned briefly in my remarks, I think there's two possible effects, a negative effect and a positive effect. The negative effect, of course, is that tariffs could dampen World Trade. We don't expect to have a major impact on World Trade. World Trade is very robust. We saw in the first Trump administration that there were tariffs and they didn't reduce trade with China or World Trade at all. Maybe this time, the tariffs will be more aggressive. We don't know. It keeps changing.

But supply chains are very resilient because you can't just move electronic manufacturing out of China because they've got the whole supply chain. There are thousands of components. So in most cases, if there's a tariff, then people pay the tariff and it gets passed on to the consumer. So prices go up. It normally doesn't have a major impact on World Trade, but it will have some. So we can -- that's why we've been also a little more cautious with some of our projections for this year because there could be some headwind from tariffs.

There's another aspect though, which we think will actually be good for us. One of the more aggressive, [threatens] things, I mentioned it briefly in my remarks, is canceling the de minimis, this exemption to bring in goods under $800. And it was canceled and it was reinstated, probably it will get canceled again once the customs authorities are ready for it. That actually would only impact e-commerce. It wouldn't impact the sort of commercial import and export. It would impact Temu and SHEIN and AliExpress who sends small parcels directly to consumer. And we don't see that business, so if that business goes down, it will actually create more capacity for the conventional air cargo, which is on our platform. So we actually think it could significantly help our volumes out of Asia if the de minimis cancels and there's a clamp down on the sort of e-commerce. So that may actually -- we actually project that would be good for us. Now having said that, overall, there is uncertainty, and World Trade isn't going anywhere, but it could go down a few percent. And so we have taken that into account in our projections.

George Sutton

Great. And by the way, I meant to say welcome to Pablo. So welcome to Pablo. But I did want to ask a question on AI. So you did mention in your prepared comments that there was going to be an aggressive adoption of AI. You talked about this test that you had that resulted in a 70% increase. Can you just walk through kind of the timing that you would anticipate the rollout of the AI opportunity?

Zvi Schreiber - *Freightos Ltd - Founder, Chief Executive Officer of Freightos Group*

Yes. I mean, AI is something we deal with, we look at every day. It's obviously a very fast evolving and very powerful technology. And so we look at, obviously, in two levels: one, for adoption by our own team and just to make us more efficient. And we did quite a bit of that in 2024, but I think it was still marginal. I don't think we saw a real productivity increase in 2024. This year, we're rolling out AI tools to all our developers. We're rolling out -- really encouraging every single member of our team to be using it in different ways. And I think it should start to have a measurable impact on productivity during this year, I think, for internal use.

And then in our products, we've already got at least two major features sort of live. One of them is really a product on its own. The one that's -- the two that I'll mention, one of which is what you said, one is within our Freightos terminal, which is our data product, we now have an AI report generator so that a logistics manager at Walmart can go in and say, I need to report to my management on the impact of the Trump administration tariffs or the Red Sea crisis. And it prepares an intelligent report based on the style that they want based on current data from Freightos data, based on third-party data. So that's a tool which is ready. I mean, it's quite new, but we're already seeing -- that's a feature which is getting some nice use by our customers.

And the other one, which you referenced is called SkyRate, which is our quite new -- it's still in pilot stage, but it's a very advanced product for dynamic pricing for airlines using our unique data set because we've got a history of millions of bookings. So we can really see the patterns of buying behavior. And it really is to walk you through it, as you requested. It's really a price sensitivity tool. So we can say if airline X wants to raise their price from $1.50 per kilogram to $1.70 per kilogram, how much business will they lose or if they want to raise -- lower the price to $1.20, how much will they gain? So it's trained - It's not based on ChatGPT or any generic AI - it's trained on our own data to model customer behavior, particularly freight forward behavior and freight forwarder price sensitivity. So it can, in a very sophisticated way, model the price elasticity or the price sensitivity for air cargo. And it's still at a stage where we've got some airlines who are sort of piloting it. We haven't sort of launched it as a commercial product just yet.

But as you kind of quoted from my remarks, we've already seen some very positive feedback on how it's helped their revenue and the proof of concept. And you have more of this to come. I mean, everything we do internally and every product we develop, we're at least thinking how do we use AI. Sometimes it's relevant, sometimes it isn't, but it's part of our thinking for every internal process and every product we develop.

Anat Earon-Heilborn - *Freightos Ltd - Investor Relations*

(Operator Instructions) Okay. So I'll hand it over to Zvi to close the call. Thank you all.

Zvi Schreiber - *Freightos Ltd - Founder, Chief Executive Officer of Freightos Group*

All right. Thanks, everyone, for joining. I look forward to seeing you in a quarter's time when I'll be joined by Pablo, not just as an introduction, but as a fully onboarded CFO by then. Thank you all for joining. Goodbye.