



# THE FUTURE OF OYO: PROSPECTS AND CHALLENGES AHEAD

BY: ALTIUS INVESTECH

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# Ritesh Agarwal, **Founder & CEO: OYO**

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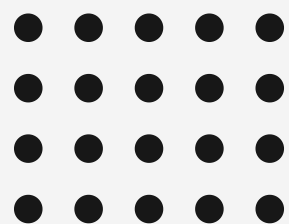
- Received multiple awards, including the Business World Young Entrepreneur Award.
- Featured in Forbes' "30 Under 30."
- Recognized as a Thiel Foundation fellow.





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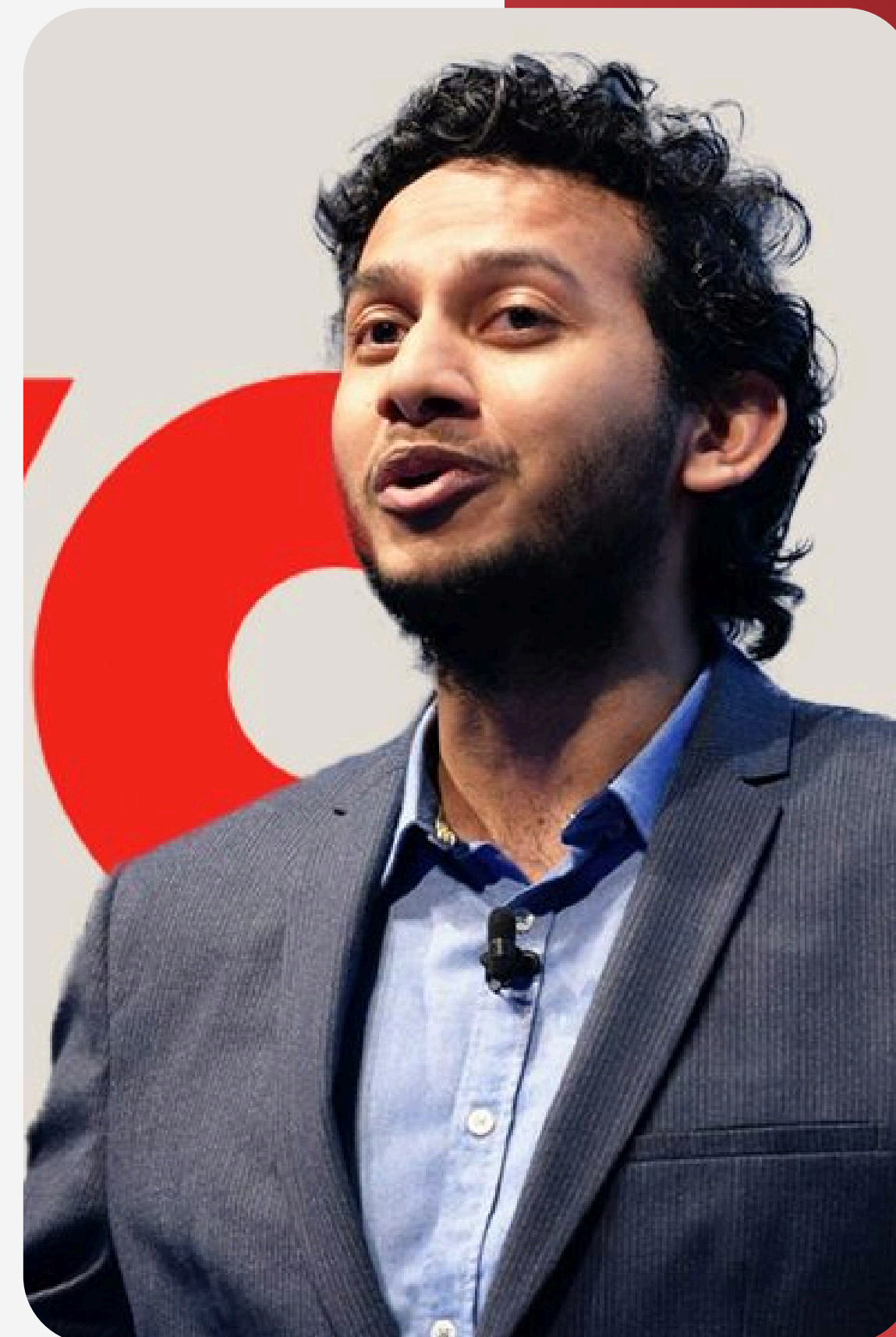
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## BRIEF INTRODUCTION TO OYO

- Founded as a hospitality startup, Oyo soared to a **\$10 billion (₹83,431 crores)** valuation.
- The COVID-19 pandemic hit Oyo hard, necessitating significant restructuring.
- Oyo is now making a concerted effort to regain its footing and grow its business.







# FUNDRAISING EFFORTS

## A NEW STRATEGY FOR GROWTH

- Oyo aims to raise **\$80-90 million (₹667-750 crores)** from HNIs and family offices.
- Commitments already reaching **\$24-30 million (₹200-250 crores)** as of early June.
- Discussions with larger investors, such as Malaysia's Khazanah, could bring the total round size to **\$150 million (₹1,251 crores)**.





# CURRENT VALUATION AND MARKET POSITION

- Oyo's current valuation stands at **\$2.3 billion (₹19,189 crores)**, a sharp decline from its peak.
- The company is optimistic about regaining its decacorn status through aggressive business growth.
- **Focus areas:**
  - Hotel aggregation primarily in India.
  - Home rentals largely in Europe.
- **Projections:**
  - Forecasted gross booking value growing from **\$1.3 billion (₹10,846 crores)** in FY24 to **\$3.8 billion (₹31,704 crores)** by FY28.





# FINANCIAL HEALTH AND PROFITABILITY

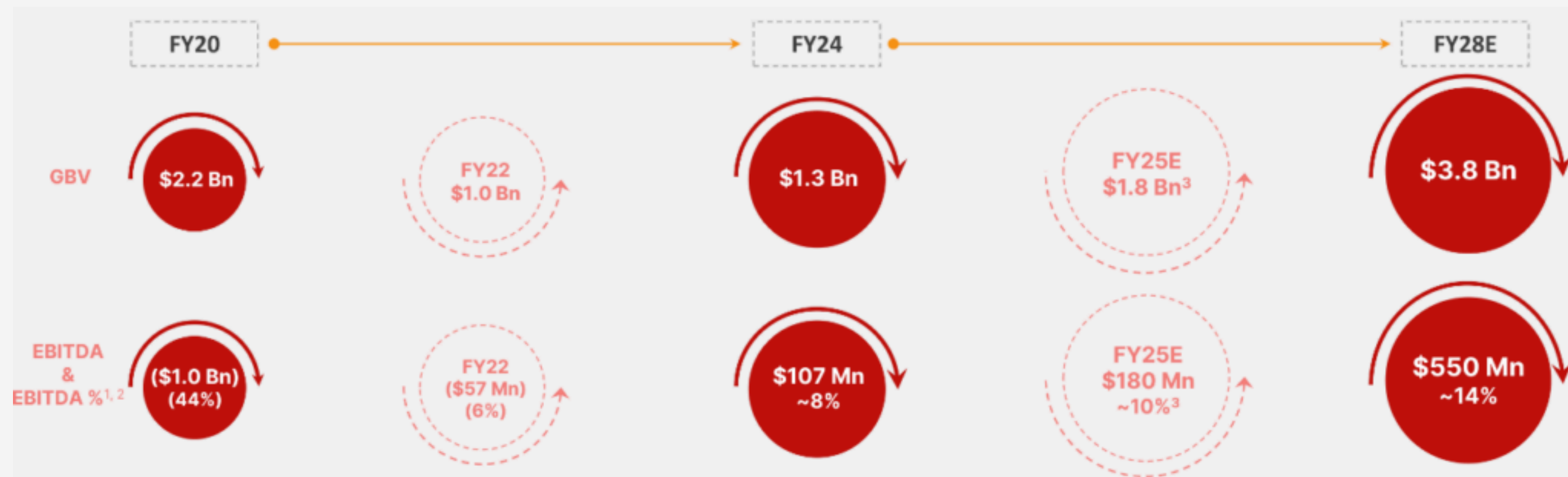
Particulars (IN Rs. Crore)	FY24	FY23	FY22
Gross Booking Value	10,700	9,599	8,100
Revenue	5388	5,463	4,781
EBITDA	707.17	-373.88	-1159
PAT	229	-1,286	-1,942
EPS	0.36	-	-





# FUTURE PROJECTIONS

- Focused on EBITDA growth by ~5x in the next 4 years:



- **Gross Booking Value Projections:**

- FY25: ₹15,016 crores
- FY26: ₹19,690 crores
- FY28: ₹31,704 crores

- **Debt-Free Target:**

- Oyo aims to be debt-free by FY26.





# OYO: TRANSFORMING GLOBAL HOSPITALITY THROUGH UNPRECEDENTED SCALE AND STRATEGIC EXPANSION

## A market leader with an extensive selection of hotels & vacation homes globally

	Hotels	Homes
Core Market TAM (\$ Bn)	\$41 Bn (CY23) → \$64 Bn (CY28)	\$55 Bn (CY23) → \$68 Bn (CY28)
4Yr CAGR	~12%	~5%
TAM (Storefronts)	~370 – 380K Hotels (India & SE Asia)	~15Mn Homes (Europe)
OYO's Presence <sup>1</sup>	~18K Hotels	~85K Homes & ~73K Listings
FY24 GBV <sup>2</sup>	\$809 Bn	\$473 Bn

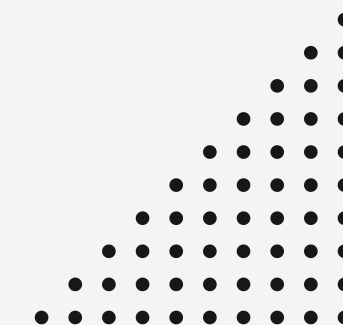
## A \$1.7 Tn growing fragmented market



### Positioned for rapid scalability with expertise in managing high volumes through a zero-capex model:

- Guaranteed 100% exclusivity with hotels within the OYO ecosystem, ensuring higher revenue assurance.
- Operating on a zero-capex model.
- Maintaining control over pricing decisions for storefront inventory.
- Ensuring strong collection efficiency with the OYO Secure Model (mandatory prepaid wallet) for continuous patron bookings.
- Pre-COVID network of over 20,000 patrons as a ready avenue for expansion.

Minimal operating expenditures at the storefront level for enhanced efficiency.







# BUSINESS MODEL ADJUSTMENTS



- **Cost-Cutting Measures:**
  - Refocused on key markets.
  - Centralized operations in India.
  - Scaled back non-core businesses (e.g., wedding services, cloud kitchens).
- **Strategic Shifts:**
  - Transitioned to a franchise model in the hotel business.
  - Reduced capital expenditure needs.
- **Positive Outcomes:**
  - EBITDA improved from -44% in 2020 to +9% in 2024.
  - Projected adjusted EBITDA of ₹4,588 crores by 2028.



# FOCUS ON GLOBAL EXPANSION

The company is **currently present in more than 30 countries**, which include Europe, Southeast Asia, the USA and the UK.

Global expansion has become the primary objective of the OYO. The company underlined that in its most recent fundraise, which **raised Rs 1,457 crore** in August 2024.

The **revenue from Europe businesses has increased by 2.1 times** compared to **1.8 in India**.

**OYO has expanded its footprint in the US** since its launch, in the region in 2019 and it **operates over 320 hotels across 35 states**.



## Inorganic Growth

- On Sept, 2024 OYO has acquired iconic **American budget hotel chain Motel 6 and Studio 6** brands for **USD 525 million**.
- In August, **OYO acquired French-based Check my guest**, which manages rental properties, for **\$27.4 million**.
- OYO started the **U.S. expansion with the acquisition** of US-based hotel **Casino Las Vegas for \$135 million**.







# OYO'S TRANSMORMATIVE INITIATIVES TOWARDS PROFITABILITY

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- **Streamlining Operations:**
  - Focused on core growth markets with established leadership.
  - Leaner operations in non-core geographies.
  - Centralization of functions in India for hotels and homes markets.
  - Scaled down non-accommodation businesses like weddings and cloud kitchens.
- **Revamped Commercial Arrangements:**
  - Transitioned to revenue share agreements, eliminating fixed payout commitments.
  - Nearly all storefronts on revenue share in FY23 (compared to 85% in FY20).
  - Shifted to a nearly 100% franchise model, eliminating capex requirements.
  - Implemented “OYO Secure,” a prepaid wallet for patrons, improving collection efficiency.
- **Integrated Technology Usage:**
  - Adopted tech-led, asset-light business models with tools like Yo! Chat and Co-OYO.
  - Delayering initiatives and alternate supply channels.
- **Systematic Cost Optimization:**
  - Optimized costs across key functions including tech/cloud cost optimizations.
  - Restructured office spaces and centralized vendors to optimize G&A expenses.
- **Optimized Marketing Spend:**
  - Focused marketing spend on online performance marketing, moving away from offline channels







# CHALLENGES AND CONCERNS

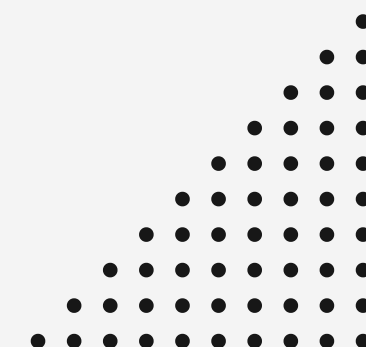


- **Revenue Recognition Concerns:**

- Questions about recognizing booking value as revenue in its hotel business in India.
- Oyo claims a 33% take rate, higher than industry peers (e.g., Treebo, MakeMyTrip).

- **Legal Issues:**

- Lawsuits filed by hoteliers over unpaid dues.
- Disputes often related to previously promised fixed payouts.
- Resolving these legal challenges is crucial for Oyo's public offering plans.







# LOOKING AHEAD

- Oyo's future hinges on its ability to sustain growth, manage costs effectively, and resolve outstanding legal issues.
- The company's ambitious projections and strategic shifts indicate a potential for significant growth.
- Navigating challenges in a competitive and complex industry is crucial for success.



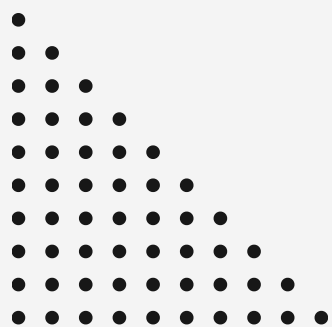




# CONCLUSION



- Oyo's current status shows both potential and challenges.
- The company's strategic shifts and growth projections are promising.
- Successful execution of plans and addressing challenges can restore Oyo to its former glory in the global hospitality market.





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# THANK YOU

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