

Israel-Hamas war impacts Freightos operations as losses persist

Disruption in West Bank offices is possible, FreightTech company acknowledges

[Eric Kulisch](#)

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Freightos facilitates global trade by allowing freight transportation providers to market their capacity in one digital space, similar to how consumers reserve airline tickets and hotels on Expedia. (Image: Jim Allen/FreightWaves)

Freightos, a digital marketplace for international ocean and air shipping, saw losses widen in the third quarter despite a cost initiative last summer while the freight sector's prolonged downturn keeps a lid on revenues and the war in Gaza clouds its future.

The Israeli tech company posted an operating loss of \$9.2 million for the three months ending Sept. 30 compared to \$5.3 million in 2022. The loss was also greater than the \$5.9 million in the second quarter. In July, Freightos laid off 13% of its staff, or about 50 people, and implemented other cost controls.

Freightos (NASDAQ: [CRGO](#)) operates a neutral platform that helps importers or exporters compare, book and manage shipments across multiple forwarders, who separately reserve space with international ocean carriers and airlines. The company makes money through a combination of flat fees and taking a small percentage of each transaction.

The company has lost about \$26 million for the first nine months of the year.

On an adjusted basis, before stripping out taxes and other accounting costs, the company lost \$4.1 million, down from the average \$5.85 million loss in each of the prior two quarters but an increase from negative earnings of \$3.4 million in the third quarter of 2022. The losses looked better using traditional U.S. accounting principles than the international standard, especially after excluding items such as severance costs and a large increase in share-based compensation. Freightos said the reorganization and other efficiencies boosted gross margin by 4.5 points to 69%.

The outlook is for full-year adjusted earnings before interest, taxes, depreciation and amortization just shy of negative \$20 million compared to losses of \$14.6 million and \$12.4 million in 2022 and 2021, respectively.

In addition to challenging market conditions, the Jerusalem-based tech company is trying to function in the middle of Israel's war against Hamas, which continues to fire rockets into Israel. The Israeli economy is expected to slow as people and resources are devoted to the war effort. Freightos

said in a securities filing that one manager and several other employees in the army reserve have been called to active duty. Several family members of employees have also been called to serve.

“Shelter-in-place and work-from-home measures, government-imposed restrictions on movement and travel and other precautions taken to address the ongoing conflict may temporarily disrupt our management and employees’ ability to effectively perform their daily tasks,” management said in the document.

The conflict has also caused tension between the team in Jerusalem and employees who operate from offices located in the West Bank towns of Ramallah and Nablus.

“If the war with Hamas spreads to the West Bank, our team in Ramallah would likely be severely impacted. The Palestinian Authority, which governs the areas where the Ramallah and Nablus offices are, has recently called several general strikes during which our teams did not perform their duties. Should our teams in Ramallah be unable or unwilling to continue to perform their functions, whether due to violence, strikes or otherwise, the company will suffer significant negative effects that could adversely impact our results of operations, liquidity and cash flows,” Freightos said.

A company official, who asked not to be identified, told FreightWaves, “It’s business as usual, even if some of it happens after hours when kids are asleep. The reality outside our windows is heavy but deadlines are being met and the work is getting done.”

Freightos said it facilitated a record 269,000 transactions during the quarter, a 40% jump year over year that put it on track for 1 million transactions this year. The platform added about 870 individual users across many logistics companies during the quarter. It has more than 17,300 total users, and management said the customer retention rate is extremely high.

Revenue was \$5.1 million, up 9% from the prior year. The company lowered the high end of full-year guidance from \$21.2 million, saying it now expects revenue to range from \$20.1 million to \$20.3 million. Revenue projections have contracted from \$26.6 million in the summer of 2022.

Freightos' revenue mix has shifted as a result of the efficiency plan, with platform revenue flat y/y while the business selling white-label booking engines to power freight forwarders' websites grew 14% to \$3.3 million.

Most of Freightos business so far is in air cargo, which is undergoing a painful cooldown after the market overheated during the pandemic. Demand began falling by double digits in September 2022. This year the rate of decline has gradually slowed until bottoming out in late summer. Global volumes were flat year over year during the third quarter and remain below 2019 levels, with some seasonal upticks evident in the current quarter.

"We're encouraged by the progress toward profitability in the third quarter, which confirms the effectiveness of our operational efficiency plan launched in July," said CFO Ran Shalev in the earnings announcement. "The third quarter's results are a testament to our strategic balance of driving growth and managing expenses. This trend together with our solid cash position, keeps us on course to reach profitability with the capital on hand."

The company, which raised \$80 million by going public on the Nasdaq exchange in January through a reverse IPO, said it has \$55 million in liquid assets versus \$61 million in June.

Gross booking value, a metric Freightos promotes as indicating the scale of its platform and ability to generate revenue based on the value of freight moved plus fees, was \$160.7 million, up 1% from the same 2022 period.

Two more air logistics companies began selling freight space on Freightos' WebCargo platform during the quarter: passenger airline Norse Atlantic

Airways and charter broker Chapman Freeborn. There are now 39 cargo airlines and resellers that participate on WebCargo, which is a global distribution system freight forwarders use to access capacity the way travel agents use Amadeus to book airline tickets and hotels for customers. In the third quarter, more airlines offered shipments of pharmaceutical products.