

Goto Gojek Tokopedia (GOTO)

Seeing light at the end of the tunnel

27 March 2023



GOTO IJ	BUY
Sector	Technology
Price at 24 Mar 2023 (IDR)	113
Price target (IDR)	150
Upside/Downside (%)	32.7

Stock Information

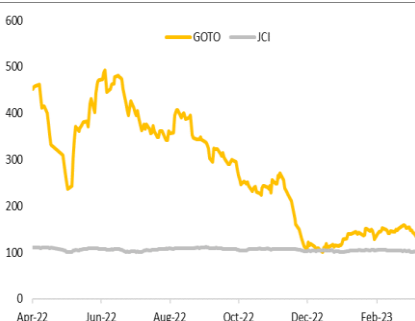
GoTo Group is the largest digital ecosystem in Indonesia, whose ecosystem comprises of on-demand transport, e-commerce, food and grocery delivery, logistics and fulfillment, and financial services through the Gojek, Tokopedia and GoTo Financial platforms.

Market cap (IDR bn)	130,280
Shares outstanding (mn)	1,184,363
52-week range (IDR)	86 - 392
3M average daily vol. ('000)	3,699,037
3M average daily val. (IDR mn)	423,059

Key Shareholders (%)

Taobao China	8.8
SVF GT Subco	8.7
GOTO Peopleverse	6.9
Public	64.8

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance (%)	(9.1)	(23.6)	-

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A hawkish monetary stance by global central banks did not turn out all bad for GOTO as we have witnessed it moving into profitability faster than previously anticipated. During 4Q22 call, management emphasized initiatives for cost rationalization and monetization to continue. Those initiatives are seen to have borne fruit as it reported improvement in the quarter. We initiate GOTO with BUY on SOTP-based target price of IDR150/share.

Still on the track

GOTO 4Q22 Contribution Margin (CM) came in at IDR0.6 tn or -0.4% of GTV, which was better than management's lower range guidance of -0.5%. An improvement in CM was mostly derived from the significant reduction in sales and marketing expenses by nearly 50% qoq. Meanwhile, GTV growth was mostly flattish +0.6% qoq to IDR161.9 tn, driven by financial service and e-commerce, while gross take rate increased to 3.9% in 4Q22 compared to 3.7% in the previous quarter. Furthermore adj. EBITDA loss was improved at -IDR3.1 tn or -1.9% of GTV, on-track with management's aspiration to turn positive by 4Q23. However, GOTO's net loss tripled to IDR19.6 tn in 4Q22 on loss of goodwill impairment and share-based compensation.

Seeing improvement across the board

The company's operational improvement was largely driven by on-demand service that turned positive CM in 4Q22, or rising 180bps qoq. This, unfortunately, is accompanied with GTV growth slowdown +0.4% qoq amid moderation in food delivery. On e-commerce, take rate increased from 3.2% in 3Q22 to 3.4% in 4Q22 as Tokopedia expanded value-added service offerings and take-rate, reflected by improvement in CM at -0.7% compared to -1.1% in 3Q22. Fintech GTV rose 1.5% qoq to IDR98.6 tn, while take rate slightly improved to 0.5% in 4Q22.

Here comes 'year of efficiency'

GOTO's grand strategies come down to two things: cost rationalization and optimized monetization. **On cost rationalization:** It strives for leaner and more efficient organization, opening possibility of headcount reduction going forward, as well as winding down non-core business such as Mitra Tokopedia and seeking divestment opportunities. Meanwhile, **to optimize monetization:** GOTO aims to tap deeper into high value customers by rolling-out GoCarLuxe and GoCorp for on-demand service; enhancing VAS offerings e.g advertising on Tokopedia, continued monetization for merchants and sharpening promotion target; as well as taping into digital lending business offered through synergized Gojek and Tokopedia platforms.

Such strategies, however, may come with a caveat that management expects to see moderation in 1H23, yet it could accelerate in 2H23 as product scale up starts to kick in. On fintech service, we see that GOTO's strength lies on its superior AI technology and synergies with Bank Jago (ARTO, non-rated), to ensure prudence in risk management and optimum credit scoring. On top of that, low take rate should provide an ample room for growth over the long run amid large population of unbanked and unbankable.

Initiate with BUY on healthier and more sustainable growth

We initiate GOTO with a BUY and target price of IDR150/share. We employ SOTP (Sum of the Parts) based valuation where we exercise separate method of valuations for each segment. We use a 4.3x for FY2023E P/revenue for on-demands, 0.2x FY2023E P/GTV for e-Commerce and 0.1x FY2023E P/GTV for financial services. The stock is currently trading at '23E P/GTV of 0.17x and '23E P/Revenue 7.3x.

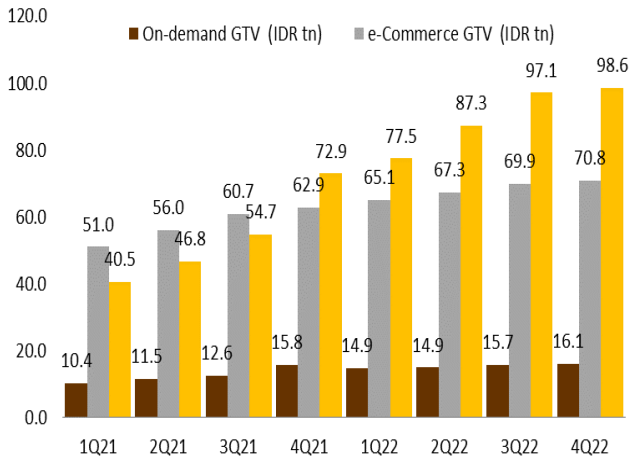
Exhibit 1: Key Statistics

Year end Dec	2020A	2021A	2022F	2023F	2024F
Revenue (IDR bn)	3,328	4,536	11,383	18,016	25,234
EBITDA (IDR bn)	(8,920)	(19,968)	(27,150)	(17,375)	(10,979)
Net profit (IDR bn)	(14,209)	(21,391)	(27,633)	(19,489)	(13,851)
EPS (IDR)	(12.5)	(18.9)	(27.2)	(19.2)	(13.6)
EPS growth (%)	n/m	n/m	n/m	n/m	n/m
ROAA (%)	(55.2)	(23.1)	(17.8)	(13.1)	(9.9)
ROAE (x)	(76.5)	(26.7)	(20.2)	(15.7)	(12.6)
PER (x)	(8.8)	(5.8)	(4.0)	(5.7)	(8.1)
PBV (x)	6.3	0.9	1.0	1.1	1.2
EV/EBITDA (%)	(14.6)	(6.5)	(4.8)	(7.5)	(11.9)

Source: Company, KBVS Research

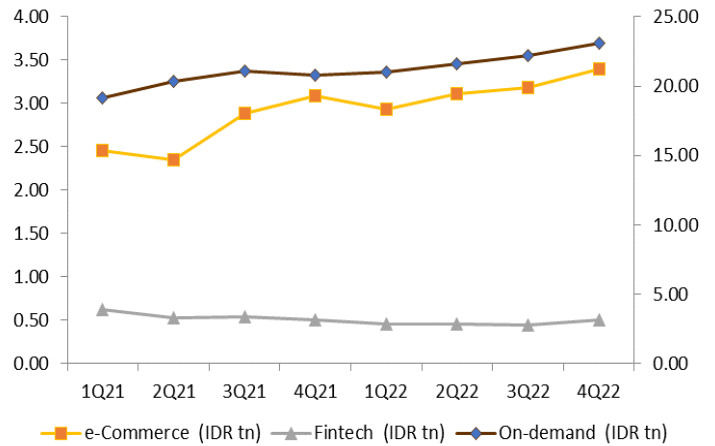
Goto Gojek Tokopedia (GOTO)

Exhibit 2: GTV per segment



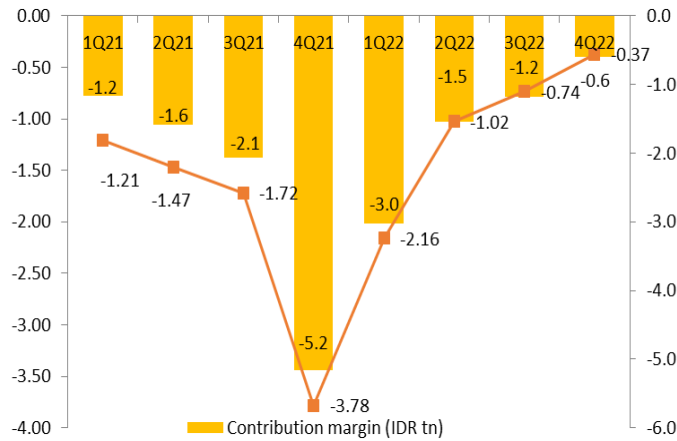
Source: Company, KBVS Research

Exhibit 3: Take rate per segment



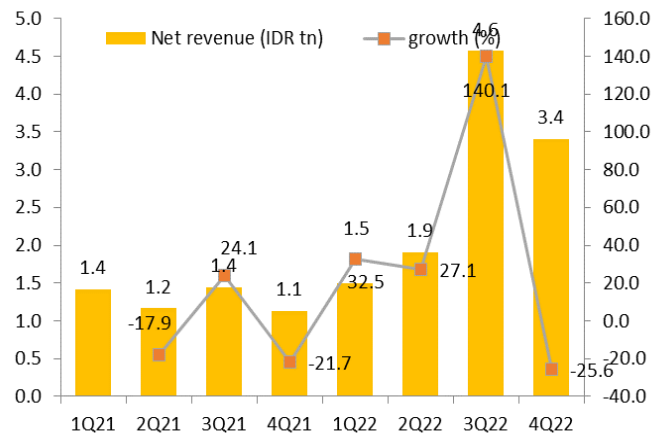
Source: Company, KBVS Research

Exhibit 4: GOTO contribution margin



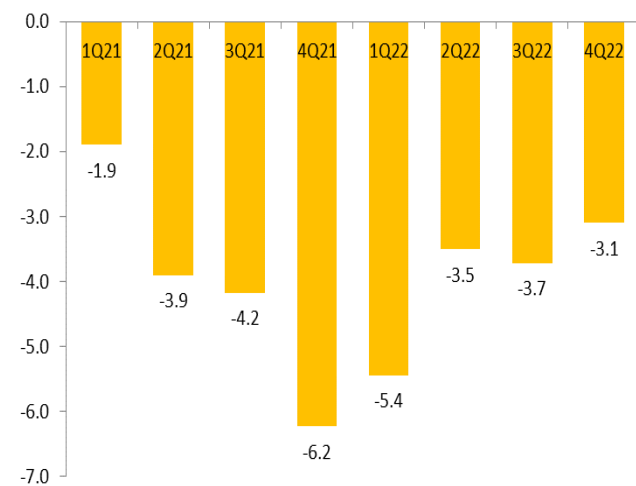
Source: Company

Exhibit 5: Net revenue and growth (%)



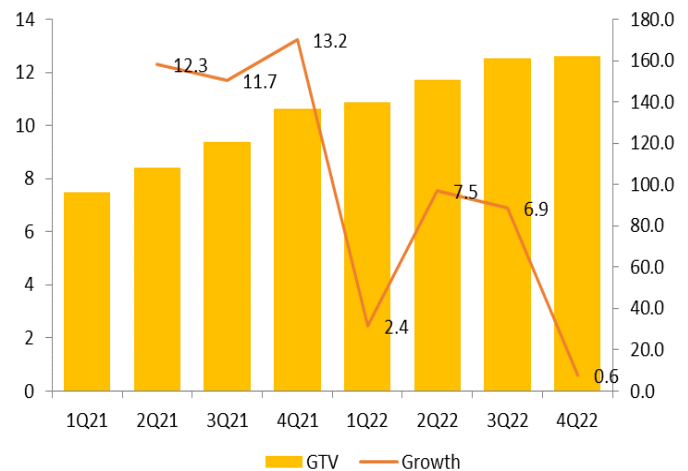
Source: Company

Exhibit 6: Adj EBITDA Pro-forma



Source: Company, KBVS Research

Exhibit 7: GOTO Group GTV and growth



Source: Company, KBVS Research

Goto Gojek Tokopedia (GOTO)

Exhibit 8: Key Statistics

(IDRbn)	FY2022	FY2021	YoY (%)	4Q22	4Q21	YoY (%)	3Q22	QoQ (%)
GOTO Group GTV	613.4	461.6	32.9	161.9	136.7	18.4	160.9	0.6
On demand services	61.6	50.3	22.5	16.1	15.8	1.9	15.7	2.5
e-Commerce	273.1	230.6	18.4	70.8	62.9	12.6	69.9	1.3
Financial technology service	360.4	214.9	67.7	98.6	72.9	35.3	97.1	1.5
Other segments	0.9	0		0.2	0		0.2	-
GOTO Group gross revenue	22.9	17	34.7	6.3	5.3	18.9	5.9	6.8
On demand services	13.6	10.3	32.0	3.7	3.3	12.1	3.5	5.7
e-Commerce	8.6	6.3	36.5	2.4	1.9	26.3	2.2	9.1
Financial technology service	1.7	1.2	41.7	0.5	0.4	25.0	0.4	25.0
Other segments	0.3	0.2	50.0	0.1	0		0.0	233.3
GOTO group net revenue	11.3	5.2	117.3	3.4	1.1	209.1	4.6	(26.1)
Cost of revenue	-5.5	-4.2	31.0	-1.6	-1.2	33.3	-1.4	14.3
Non variable expenses	-21.1	-14	50.7	-6.4	-4.5	42.2	-5.0	28.0
Sales & Marketing expenses	-12	-9.7	23.7	-2.3	-3.8	(39.5)	-4.3	(46.5)
Other income/expenses	-10.6	0		-12	-0.6	1,900.0	0.5	(2,500.0)
GOTO Group EBITDA	-38.0	-22.8	66.7	-19	-9.1	108.8	-6.2	206.5
Contribution margin	-6.3	-8.8	(28.4)	-0.6	-4.0	(85.0)	-1.2	(50.0)
Adj. EBITDA	-16.0	-16.5	(3.0)	-3.1	-6.5	(52.3)	-3.7	(16.2)
Adj. EBITDA to GTV (%)	-2.6	-3.6		-1.9	-4.8		-2.3	
GOTO Group take rate	3.70	3.70	-	3.9	3.9	-	3.7	0.2
On demand service take rate	22.00	20.40	1.6	20.8	23.1	(2.3)	22.2	(1.4)
E-commerce take rate	3.2	2.7	0.5	3.4	3.1	0.3	3.2	0.2
Fintech service take rate	0.5	0.5	0.0	0.5	0.5	-	0.4	0.1

Source: Company, KBVS Research

Exhibit 9: Forecasts (Pro-forma)

	2021A	2022E	2023E	2024F	2025F
GOTO Group					
GTV	461,602	613,376	746,463	864,811	976,001
Take rate (%)	3.7	3.7	3.7	3.8	3.9
Net take rate (%)	1.0	1.9	2.4	2.9	3.1
On-demand					
On-demand GTV	50,313	61,611	68,757	75,280	81,923
Take rate (%)	20.4	22.0	23.2	23.4	23.6
Net take rate (%)	3.1	9.8	14.6	17.7	18.5
e-Commerce					
On-demand GTV	230,599	273,157	299,975	324,516	347,778
Take rate (%)	3.1	3.2	3.5	3.7	3.9
Net take rate (%)	0.9	1.5	1.8	2.3	2.5
Fintech					
Fintech GTV	214,907	360,465	469,071	570,775	659,463
Take rate (%)	0.5	0.5	0.6	0.8	1.0
Net take rate (%)	0.3	0.3	0.6	0.8	1.0
Gross revenue	15,184	22,930	27,987	32,729	37,732
Net revenue	4,536	11,383	18,016	25,234	30,245
Contribution margin	-9,992	-6,327	-3,465	4,702	7,898
Adj. EBITDA	-16,208	-15,942	-2,025	6,619	12,410

Source: Company, KBVS Research

Goto Gojek Tokopedia (GOTO)

Company Profile & Business outlook

Goto Gojek Tokopedia (GOTO) is a leading technology company, serving customers through comprehensive ecosystem, comprising on-demand services, e-commerce and financial technology services. Aside from its presence in its country of origin, GOTO also expands into other Southeast Asian countries, including Vietnam and Singapore, especially for on-demand services.

Exhibit 10: GOTO scope of business



Source: Company

GOTO’s ecosystem is mainly focused on three platforms, namely:

1) Gojek

Comprising of mobility services (GoRide, GoCar, GoTransit, GoBluebird, GoCorp), food delivery (GoFood, GoMart, and cloud kitchen) and on-demand logistics (GoSend, GoKilat, GoBox and GoShop)

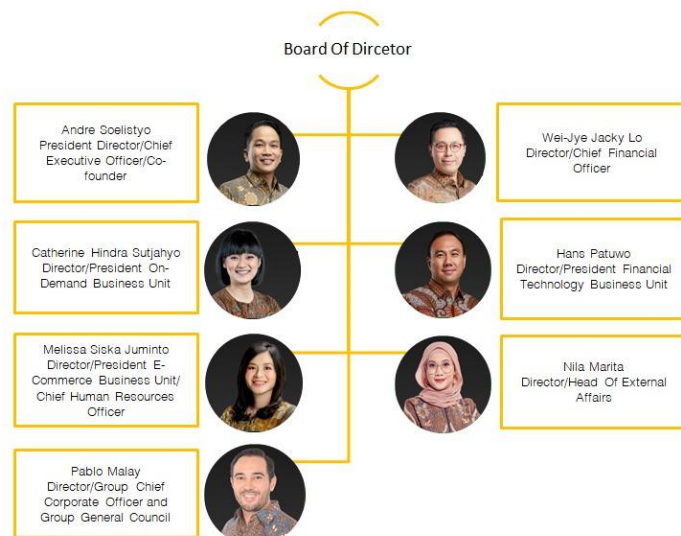
2) Tokopedia

An e-commerce platform that available in mobile app and website, comprising of third party marketplace, official store, instant commerce, interactive commerce and rural commerce.

3) GoTo Financial

Comprising of wallet, payment gateway (GoPay, Midtrans, and Iris); financial services (Gopaylater, GoInvestasi, GoModal, and GoSure); and merchant solutions (GoStore, GoBiz, and MOKA).

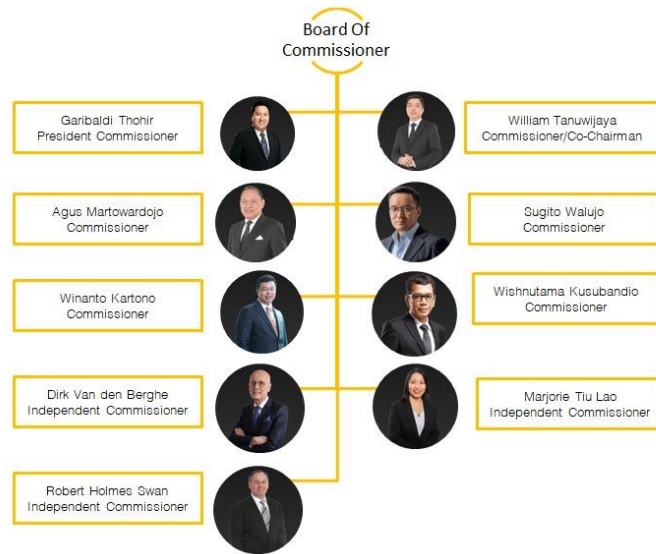
Exhibit 11: Company board of director



Source: Company

Goto Gojek Tokopedia (GOTO)

Exhibit 12: Company board of commissioner



Source: Company

On-demand service – Leading new commuting trend

GOTO’s on-demand service comprises of mobility through Gojek apps with offerings namely GoRide, GoCar, GoTransit, GoBluebird and GoCorp that is also made available in Singapore and Vietnam. In Vietnam, on demand operations are limited to GoRide, GoCar, GoFood and GoSend, while in Singapore available on-demand services are GoCar, GoTaxi and GoCorp.

Exhibit 13: Gojek scope of business



gojek
On-Demand Services

Source: Company

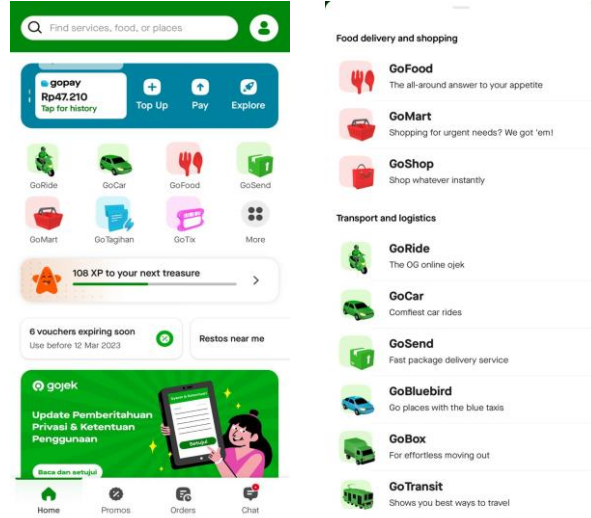
Aside from mobility, the application also provides food delivery through GoFood, GoMart and Cloud Kitchen. Gojek application also caters logistic demands through GoSend, GoKilat, GoBox and GoShop. GOTO’s mobility encourages synergies across its platforms, especially through Tokopedia, and also Gopay as its primary option of payment. During Covid-19 pandemic, on-demand services, particularly for food delivery and logistics, played an important role in ensuring smooth logistics delivery in physical goods and bringing offline business to reach its customers.

GOTO was in leading position of Indonesia’s ride-hailing market share with 52% in July 2022, according to Statista. The company’s superiority in mobility business was owed to its status as a pioneer in Indonesia’s ride hailing app, having established in 2010. In addition, GOTO’s on-demand has also vast network of driver-partner that also covers 167 cities/ regencies, while partners under GoFood partnership also stood at 1.4mn as of October 2022.

Goto Gojek Tokopedia (GOTO)

GOTO earns commissions from driver-partners based on take rate of the bookings and a flat rate fee from customers. For GoFood merchant partners, the company applies a 20% commission fee + IDR1,000 for an order. The launch of more premium products such as Protect+ and GoCar-L products have helped increase the segment's take rates over time.

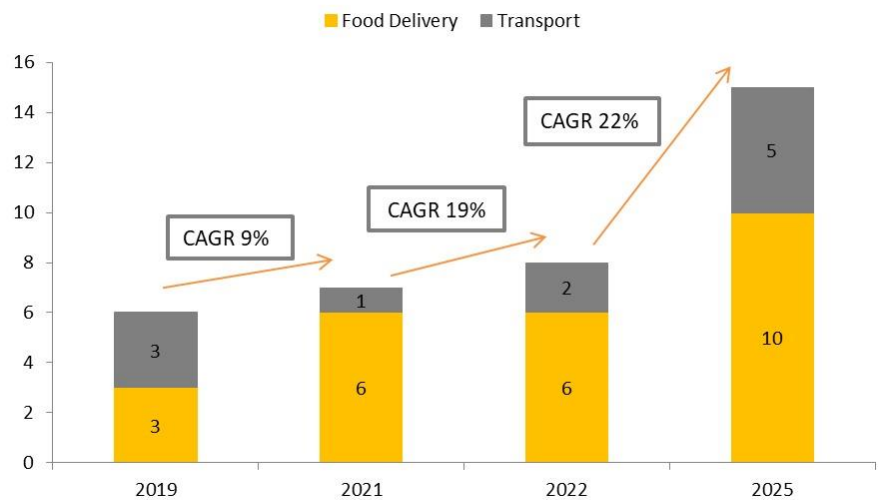
Exhibit 14: Gojek application interface



Source: Company

For mobility, we are of the view that government's decision to officially lift Covid-19 restrictions at the end of last year should become a boost for on-demand services, particularly for mobility as we witnessed congested traffic even higher than pre-covid era as more employers encourages employees to fully return to office, although hybrid working is still considered popular in particular sectors. Conversely, for food delivery, we opine that the restriction lifting may change customer behavior, as they are more willing to dine out, on top of gradual increase in delivery fares and take rates for restaurant owners, affecting their willingness to join merchant-funded program amid renormalization. With GOTO's aspiration to accelerate profitability, it discourages the company to give discounts for food delivery, which may decelerate GTV growth on food delivery, although popularity of the service to remain. Amid the normalization since last year, a study conducted by Momentum works, value of Indonesia's online delivery GTV is expected to reach USD4.5bn or equal to 27.6% of Southeast Asia's total GMV.

Exhibit 15: On-demand GMV growth projection

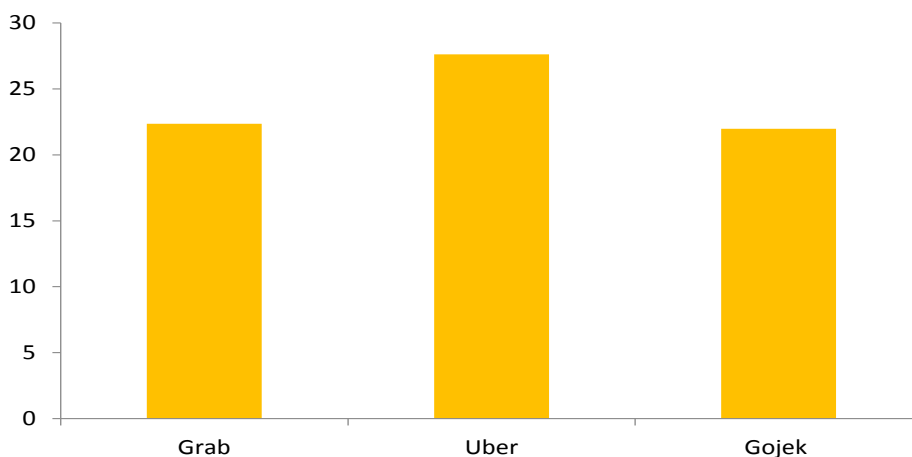


Source: Google, Temasek, Bain & Co, KBVS Research

Goto Gojek Tokopedia (GOTO)

For logistics, meanwhile, we expect the GTV growth to be mostly in line with transactions volume growth of Tokopedia, in addition to strong demand from high urgency delivery. Furthermore, the normalization of mobility has also attracted smaller on-demand players to increase their presence in bigger cities especially in Jakarta with lower fares and order fees, leading competition landscape to be more unfavorable way, in our view. Although, we believe Grab and Go-Jek are still be able to maintain their dominance especially in the bigger cities and relatively undisturbed by the smaller players, thanks to their superior apps reliability and supplies of driver-partners. To improve take rates, GOTO has diversified its Go-Jek product mix, by rolling out GoCar Luxe intended for premium users and Go-Ride Hemat for less than 5 km distance trip, whose operational are limited in selected areas.

Exhibit 16: Take rate comparison with other ride hailing companies in FY2022



Source: Companies, KBVS Research

Nevertheless, with GOTO's aspiration to accelerate its path to profitability, it should encourage the company to continue its incentives rationalization and shift their promotion strategy from customer acquisition to improve customer stickiness through GoCoin rewards and subscription programs, while gradually adjusting take rates.

Meanwhile, we see that deliberation of ERP (Electronic Road Pricing) policies set to be implemented this year aiming to reduce severe congestions on major roads in Jakarta could be a downside risk for particularly on-demand. Although we are waiting for more clarity and details on technicalities, based on media reporting, Blue Bird (BIRD, non-rated) and Maxim are planning to pass ERP tariff to customers, which we expect similar scheme could be followed by other tech-based on-demand players. However, such ERP fare pass-on, if implemented, may negatively impact on-demand GTV as an industry.

On-demand services contributed 10.9% of 2021 Groups's GTV compared to 12.2% previous year, with take rate clocked in at 20.4 %, o increasing from 18.6% in previous year, indicating consistency towards profitability. To accelerate profitability, the company is expanding value-added services for on-demand services such as insurance/safe trip with extra fees, tapping into higher-value segments such as GoCorp and GoLuxe.

Exhibit 17: On demand service's KPI and forecasts

	FY2021	2022E	2023E	2024F	2025F
GTV (IDR tn)	50.3	61.6	68.8	75.3	81.9
Gross revenue (IDR tn)	10.3	13.5	16.0	17.6	19.3
Net revenue (IDR tn)	1.6	6.0	10.0	13.3	15.2
Take rate (%)	20.4	22.0	23.2	23.4	23.6
Net take rate (%)	3.1	9.8	14.6	17.7	18.5

Source: Company, KBVS Research

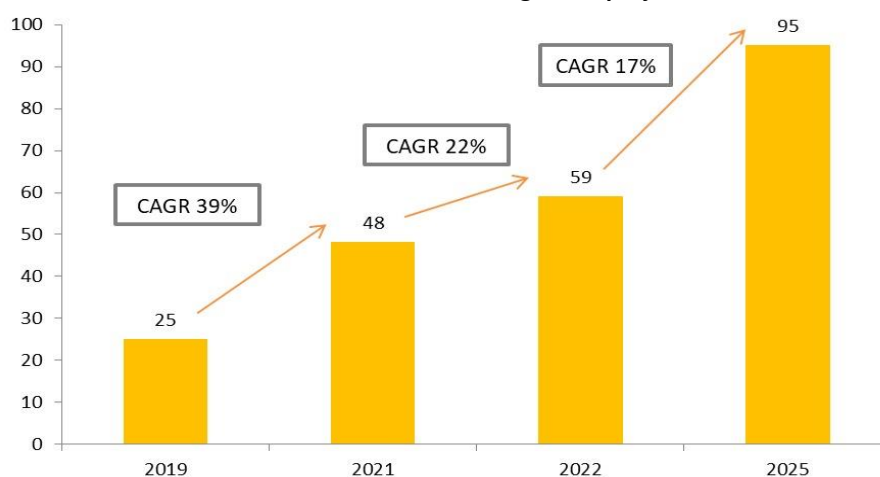
Goto Gojek Tokopedia (GOTO)

Tokopedia E-commerce - Optimizing seamless synergy

Established in 2009, Tokopedia aims to close disparities to make goods and services available across archipelago. Following Gojek-Tokopedia merger back in 2021, Tokopedia has since enjoyed a boost on its logistic service with seamless integration with its on-demand and e-wallet, Gojek and Gopay, prompting its leading position in Indonesia's e-commerce, head-to-head with SEA's Shopee. Aside from Shopee, Tokopedia mostly compete with other 3P e-commerce players, such as Bukalapak (BUKA, non-rated) and 1P, Blibli (BELI, non-rated).

Tokopedia has covered 99% districts across the country with 12mn merchants and over 865 mn SKUs on its platform. With the superiority of wider coverage of Gojek fleets relative to the competitors, it helps the company's implementation of hyperlocal strategy, one of which enabling seamless and instant delivery. With the integration with Gojek, the company is also encouraged to speed up e-grocery delivery within in just less than two hours. According to the company, 60% orders are delivered next day, implying the needs of enormous support from reliable courier and fulfillment services.

Exhibit 18: E-commerce GMV growth projection



Source: Google, Temasek, Bain & Co, KBVS Research

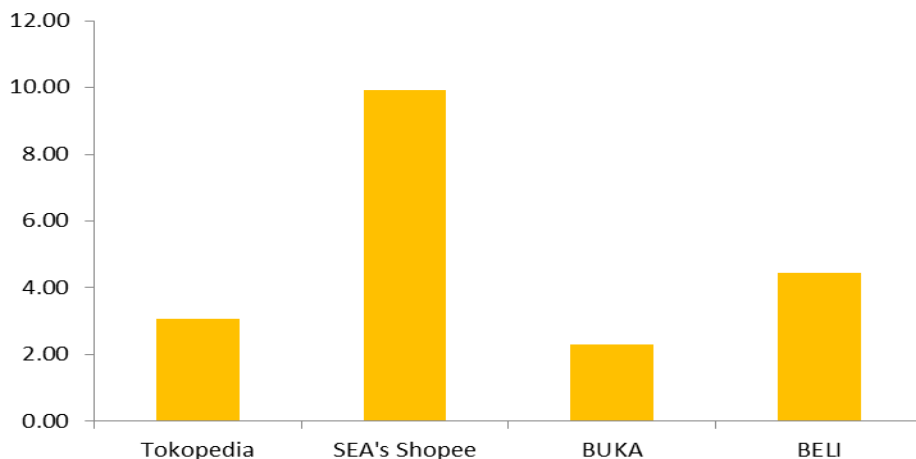
In addition to physical goods, Tokopedia has also put on virtual goods ranging from mobile balance payment to utilities and health insurance in the platform with payment options mainly through Gopay which is also made available as the main option of payment for any items. The e-wallet platforms also play a pivotal role in enforcing customer loyalty program mainly through Gopay Coins that will allow cross payment on the platforms, which we view as the main selling point of Tokopedia compared to its competitors in the market.

Tokopedia earns revenue by charging commissions to merchants for transactions and other value-added services, comprising of ads, logistics and fulfillment and other services. To further expand monetization, the company will continuously improve its value added services which also helps merchants to grow and scale up their businesses.

Goto Gojek Tokopedia (GOTO)

We witness that e-commerce is especially thriving and most-benefit business during the height of Covid-19 pandemic in 2020 to mid '22. Following government's announcement on Covid-19 restriction lifting in December 2022, it is expected e-commerce may experience flattish growth, as more people prefer to visit offline stores. This, however, does not mean e-commerce popularity will be fading, especially in ex-Jakarta regions where growth opportunity still huge. To tackle high delivery costs in ex-Jakarta region, Tokopedia employs aggregate logistics through "Kurir Rekomendasi" (recommended courier) which combines Gojek fleet and third-party services for last point of delivery combined with its fulfillment center "Dilayani Tokopedia" (served by Tokopedia).

Exhibit 19: Commission rate comparison in 9M22



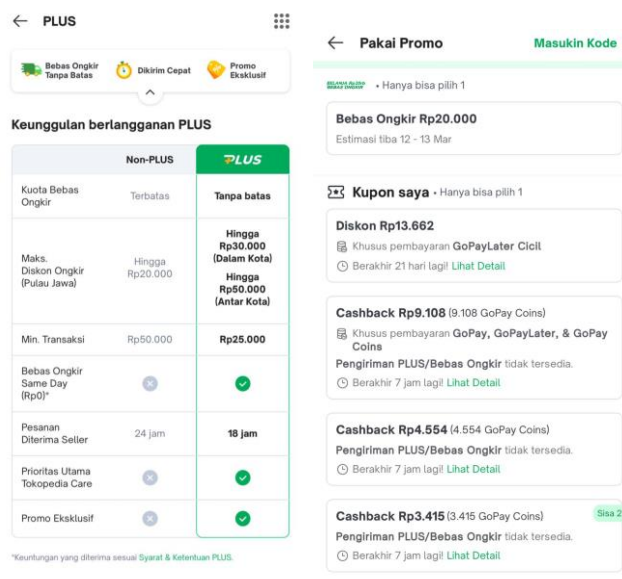
Source: Companies, KBVS Research

Normalization of Covid-19 restriction also coincides with e-commerce startups' efforts to accelerate profitability and improve efficiency, which may prompt take-rates to go higher. For Tokopedia, particularly, it has gradually increased commission fees across merchant categories that recently for apply for C2C merchants namely regular, power and power merchant pro to 1-4.5% in Jan '23. This is also followed by another increase for B2C merchants or Official Store to 4.0-6.5% commission fee. In addition to commission increase, Tokopedia also applies an extra fee of 2% for its own fulfillment service called "Dilayani Tokopedia" for all of merchants starting in March '23. For customers, Tokopedia has introduced a flat charge of IDR1,000 per goods transaction, while charging IDR1,000-IDR2,500 for electronic transactions from bill of utilities, e-money, post-paid mobile payment to land and vehicle taxes.

To accelerate profitability while enhancing customer engagement, it aims to enrich Tokopedia features especially on value-added services such as ads for merchants based on relevance, diversification, and addition of item category such as food products and live shopping for social-media like shopping experience. These efforts are aimed to drive product-led initiatives from promotion-led. In addition, Tokopedia also uses tiered loyalty programs comprising from silver, gold, platinum, and diamond based on value spent on the platform to strengthen brand loyalty.

Goto Gojek Tokopedia (GOTO)

Exhibit 20: Tokopedia Plus benefits compared to standard account



Source: Company

On top of that, it has also rolled out a paid subscription feature Tokopedia PLUS, where customers be able to enjoy discounts, unlimited free delivery service on lower minimum purchase value of IDR25,000 compared to regular customers of IDR50,000 of minimum purchase value. The feature also provides more perks to customers such as customer service priority and other exclusive promotions, in exchange of IDR37.5K of monthly membership fees for minimum 6 months of subscription term.

To GOTO, e-commerce service contributed 40-50% of its GTV in 2021-2022, with its gross revenue made up c.35% of its gross revenue. Along with initiative to enhance value added service, monetization and improving efficiency, Tokopedia’s take rate could reach 3.7% with net take rate of 2.3% thanks to its efforts to slash promotion costs. However, such strategies may result in flattening GTV growth that also coincides with post-pandemic normalization.

Exhibit 21: E-commerce KPI’s and forecasts

	FY2021	2022E	2023E	2024F	2025F
GTV (IDR tn)	230.6	273.2	300.0	324.5	347.8
Gross revenue (IDR tn)	6.3	8.6	10.6	12.1	13.6
Net revenue (IDR tn)	2.0	4.1	5.3	7.4	8.6
Take rate (%)	2.7	3.2	3.5	3.7	3.9
Net take rate (%)	0.9	1.5	1.8	2.3	2.5

Source: Company, KBVS Research

Goto Gojek Tokopedia (GOTO)

Financial services – Banking on the unbanked

GOTO financial services comprises of e-wallet, transaction payment and other financial services including customer and business lending as well as merchant solution. The company's financial arm is centered around GoPay, whose main role is enabling customers to use it for transaction across its platforms, Gojek and Tokopedia. Growing popularity and adaption of Gopay is also supported by large unbanked and underbanked population in Indonesia, which is estimated to stand at c. 48% of adult population, according to World Bank data. This is also underpinned by accelerating internet penetration.

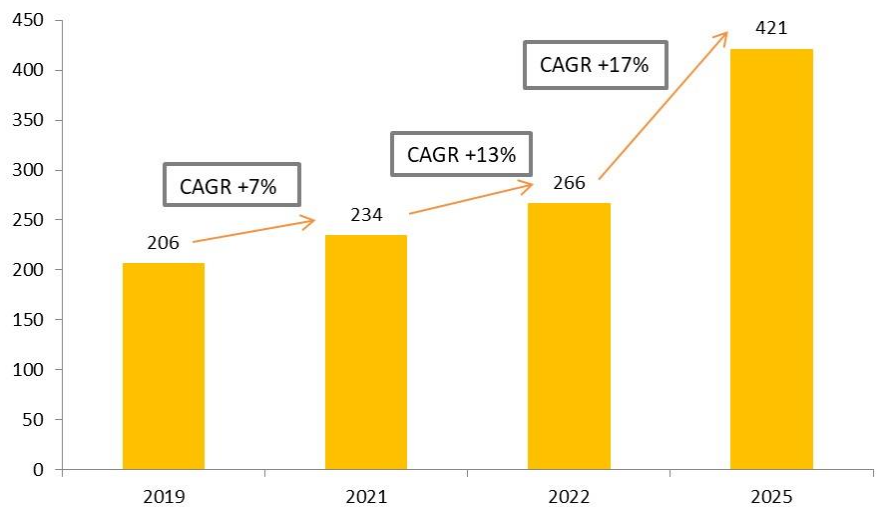
Exhibit 22: GOTO financial segment



Source: Company, KBVS Research

GOTO financial services comprises of e-wallet, transaction payment and other financial services including customer and business lending as well as merchant solution. The company's financial arm is centered around GoPay, whose main role is enabling customers to use it for transaction across its platforms, Gojek and Tokopedia. Growing popularity and adaption of Gopay is also supported by large unbanked and underbanked population in Indonesia, which is estimated to stand at c. 48% of adult population, according to World Bank data. This is also underpinned by accelerating internet penetration. In addition, Bank Indonesia's QRIS (Quick Response Indonesia Standard) initiative since 2019 proves to have revolutionized digital payment ecosystem.

Exhibit 23: Payment GTV growth projection



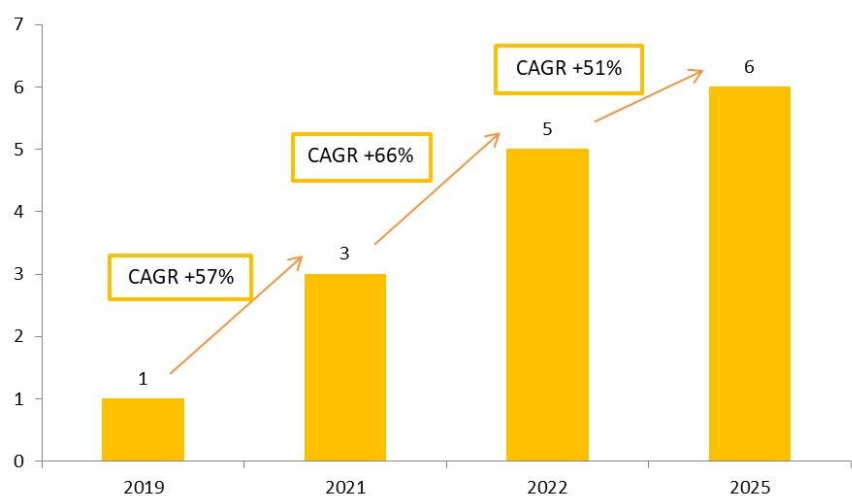
Source: Google, Bain & Temasek, KBVS Research

Goto Gojek Tokopedia (GOTO)

Aside from Gopay, GOTO also incorporates Midtrans into its financial ecosystem since its acquisition in 2017. This platform is payment gateway solutions that support both offline and online transactions, designed for merchant partners. The platform is integrated with Iris, GOTO's disbursement engine.

The company also tapped into lending business through various products namely, Gopaylater for one-month lending tenor accessible through Gojek; Gopaylater cicil for one-to-12-month tenor of lending accessible through Tokopedia, Gopay Pinjam for 2-6 month tenor of lending accessible through Gojek and GoModal for UMKM (micro, small and medium enterprises) through GoBiz for 1 to 12 month of lending tenor. According to management, gross interest rate of these lending products is between 30 and 40%, while for Gopay Pinjam is ranging 40-50% on the back of higher risk perception compared to BNPL.

Exhibit 24: Lending loan book on DFS projection



Source: Google, Temasek, Bain & Co, KBVS Research

In addition, GOTO owns 21.4% of stakes in Bank Jago (ARTO, non-rated) that enables both companies to synergize and further drives mutual benefits. ARTO also disburse parts of its loan through GOTO ecosystem which is expected to amount at USD200-USD300 million this year, according to the latter's management. This also coincides with GOTO's aspiration to boost its lending business. On the other hand, to manage risks, management plans to optimize credit scoring and maintain its conservative approach as lending feature is only made available to select users, mostly for frequent users. We believe that GOTO's superiority in IT infrastructure mostly through artificial intelligence and synergy with ARTO should be able to result in better credit scoring and prudence for lending products.

Furthermore, GoInvestasi is a platform that allows customers to invest in broad investment products. Subsequently, GoSure is a platform for insurance product purchase by customers. On merchant solutions, GOTO has rolled out Moka, which is aimed at cloud-base point of sale ranging from small kiosks to large enterprise, enabling them to help manage their businesses.

GoPay's competitive advantage also lies on its brand equity and seamless synergies across its platform, Gojek and Tokopedia that are both in leading position in on-demand service and e-commerce platform.

Goto Gojek Tokopedia (GOTO)

Payment gateway segment is believed to gain benefits from growing digitalization of offline business, internet penetration and government efforts to further democratize financial access through QRIS. It has also become a key in ensuring smooth electronic transactions. Gopay takes percentage of the transaction on fixed fee to make money. However, the main challenge of GOTO's financial service mainly lies on its small take rate, in order to expand customer's use and penetration. The take rate is quite minuscule compared to other tech-based digital payment whose mostly range around 2%.

On the bright side, low take rate could provide more room for an upside potential going forward.

Exhibit 25: Financial services KPIs and forecasts

	FY2021	2022E	2023E	2024F	2025F
GTV (IDR tn)	214.9	360.5	469.1	570.8	659.5
Gross revenue (IDR tn)	1.2	1.7	2.9	4.7	6.8
Net revenue (IDR tn)	0.7	1.1	2.7	4.5	6.4
Take rate (%)	0.5	0.5	0.6	0.9	1.0
Net take rate (%)	0.3	0.3	0.6	0.8	1.0

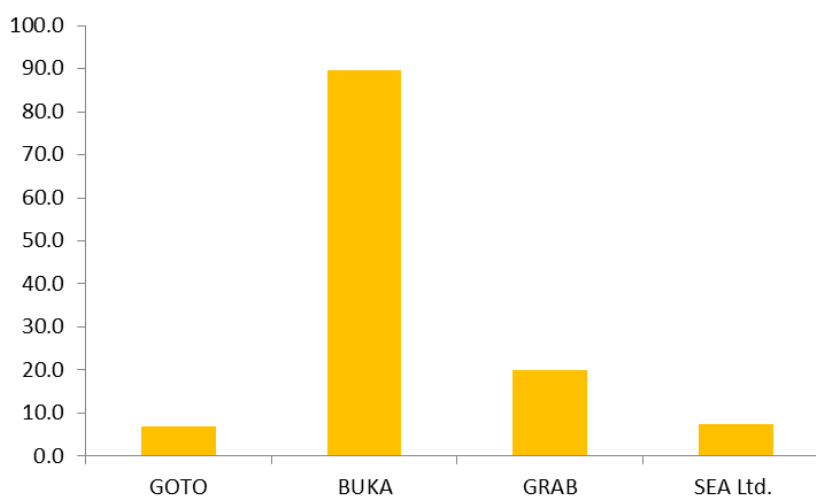
Source: Company, KBVS Research

Despite growing financial services' GTV, its take rate was relatively stable QoQ. Meanwhile, financial services' GTV contributed 51.3% of Group's total GTV. The growth of the segment's GTV is mainly dependent on transactions through Gojek and Tokopedia platforms.

Cash burn runway

As of 9M22, GOTO had a USD31.62tn in gross cash liquidity, comprising of IDR29.11 cash in hand and the remaining was time deposit. Netting off non-bank loans worth IDR31.60bn, it brought net cash liquidity at IDR31.59tn. With 9M22 operating cash flow of IDR13.84tn, or -IDR4.61tn in quarterly basis, it could be adequate for 6.9 quarters for cash burning. Under such condition, GOTO may have needed to raise fresh fund by at least 2025. However, since management has reiterated efforts to accelerate Adj. EBTIDA by 4Q23, with an expected 60-65% reduction in annual cash burn in 2023 as it carries out aggressive cost saving measures, it should be sufficient without external funding, according to management.

Exhibit 26: Burn rate comparison as of 9M22



Source: Companies, KBVS Research

Goto Gojek Tokopedia (GOTO)

Valuation Overview

Exhibit 27: Benchmark of valuation

Companies	Ticker	Market	Country of operations	Market cap (USD bn)	P/ Revenue (x)		P/GMV (x)		
					2023	2024	2023	2024	
On-demand									
Uber	UBER	US	US	62.8	1.9	1.6	0.5	0.4	
Lyft	LYFT	US	US	5.5	1.1	1.5	0.3	0.3	
Grab holdings	GRAB	US	SG	14.0	4.7	3.6	0.5	0.4	
Door dash	DASH	US	US	22.1	2.5	2.1	0.6	0.6	
Meituan	3690	HK	China	139.4	3.3	2.6	0.8	0.7	
<i>Average</i>						2.7	2.3	0.5	0.5
<i>Median</i>						2.5	2.1	0.5	0.4
e-Commerce									
Amazon	AMZN	US	US	1000.1	2.1	1.8	1.6	1.4	
Alibaba	BABA	US	China	319.2	0.3	0.2	0.2	0.1	
Sea/ Shopee	SE	US	Singapore	30.5	2.7	2.3	0.3	0.3	
Bukalapak	BUKA	IJ	Indonesia	2.07	1.7	1.3	0.04	0.03	
Blibli	BELI	IJ	Indonesia	3.772	2.5	1.7	0.6	0.5	
<i>Average</i>						2.9	2.3	1.3	1.1
<i>Median</i>						2.1	1.7	0.3	0.3
Financial services									
Paypal	PYPL	US	US	92.13	3.1	2.8	0.1	0.1	
Block / Square	SQ	US	US	48.56	2.5	2.2	0.3	0.3	
Visa	V	US	US	475.85	15.2	13.7	0.03	0.027	
Mastercard	MA	US	US	362.7	14.5	12.8	0.03	0.028	
<i>Average</i>						8.8	7.9	0.1	0.1
<i>Median</i>						8.8	7.8	0.05	0.05

Source: Bloomberg, KBVS Research

We employ sum-of-parts (SOTP) valuation method by assessing the value of the segments separately. Our valuation for on-demand services is based on FY2023E EV/Revenue with a 4.3x multiple, which contributes 22.2% of our SOTP. For comparison, GOTO's on-demand service valuation is lower than Grab's valuation which stands at 4.7x, yet it is higher than average and mean at 2.3x and 2.5x 2023E P/Revenue.

Exhibit 28: GOTO SOTP valuation

GOTO group									
Segments	Basis	multiple (x)	base value	value	Per share	% SOTP	Remarks		
On-demand	FY2023E P/Revenue	4.3	9,990,902	42,960,879	36.3	24.2%	In line with average		
e-Commerce	FY2023E P/GTV	0.2	299,975,273	59,995,055	50.7	33.7%	Lower than average		
Financial services	FY2024 P/GTV	0.1	469,070,695	46,907,070	39.6	26.4%	In line with average		
Bank Jago	Bloomberg '23E			18,351,872	15.5	10.3%	IDR6,808 (valued IDR83.42 tn)		
Matahari Putra Prima	Current price			163,706	0.1				
Net debt	Rolling forward			10,633,802	9.0				
Minority interest				-1,145,361	-1.0				
Equity value				177,867,023	150.2				
Target price:					150.0				

Source: Bloomberg, KBVS Research

Furthermore, we use FY2023E price/GTV for e-commerce with 0.2x multiple, which is lower than SEA's Shopee at 0.3x 2023E P/GMV. However, our e-commerce valuation is more undemanding compared to average and mean at 1.3x and 0.3x of 2023E P/GMV. The e-commerce valuation represents 33.7% of SOTP, taking the largest portion in our weighting.

Meanwhile, for financial services, we utilize FY2023E price/GTV as our basis with a multiple of 0.1x, making 23.6% of our SOTP valuation. In addition, we also take GOTO's 21.2% stakes in Bank Jago (ARTO) into account based on Bloomberg FY2023E consensus price target, which is currently worth at IDR6,080/share.

Goto Gojek Tokopedia (GOTO)

FINANCIAL SUMMARY

Exhibit 29: Profit & loss summary

Year End Dec (IDR bn)	2020A	2021A	2022F	2023F	2024F
Net revenue	3,328	4,536	11,383	18,016	25,234
Cost of revenue	(2,439)	(3,776)	(5,520)	(5,859)	(5,621)
Gross profit	889	760	5,863	12,157	19,613
<i>Gross profit margin</i>	26.7	16.8	51.5	67.5	77.7
Operating profit	(10,167)	(22,385)	(30,235)	(20,675)	(14,266)
<i>Operating profit margin</i>	-305.5%	-493.5%	-265.6%	-114.8%	-56.5%
EBITDA	(8,920)	(19,968)	(27,150)	(17,375)	(10,979)
<i>EBITDA margin</i>	-268.0%	-440.2%	-238.5%	-96.4%	-43.5%
Other income/expenses	(6,622)	173	1,782	668	618
Pretax profit	(16,789)	(22,211)	(28,452)	(20,007)	(13,648)
Income tax/ benefit	53	(218)	156	120	68
After tax profit	(16,735)	(22,429)	(28,297)	(19,887)	(13,579)
<i>Non-controlling shareholders</i>	(2,527)	(1,038)	(664)	(398)	(272)
Attributable net profit	(14,209)	(21,391)	(27,633)	(19,489)	(13,851)

Source: Company, KBVS Research

Exhibit 30: Balance sheet

Year End Dec (IDR bn)	2020A	2021A	2022F	2023F	2024F
Current assets					
Cash and cash equivalents	15,319	31,151	23,422	24,325	21,158
Trade receivables	275	507	794	807	963
Other current assets	3,932	4,406	8,620	7,224	7,388
Total current assets	19,526	36,064	32,836	32,356	29,510
Non-current assets					
Fixed assets	827	1,470	1,480	1,802	2,523
Other non-current assets	9,756	117,603	121,746	107,830	105,836
Total non-current assets	10,583	119,073	123,225	109,632	108,359
Total assets	30,109	155,137	156,061	141,988	137,869
Current liabilities					
Trade payables	640	867	1,324	820	1,310
Escrow and other payables	1,330	4,678	5,520	5,859	5,621
Accruals	1,030	3,541	8,886	10,809	12,617
Short term debts	738	1,452	1,541	1,626	1,707
Other current liabilities	2,026	1,755	3,320	3,955	4,924
Total current liabilities	5,764	12,294	20,591	23,069	26,180
Non-current liabilities					
Long-term debts	45	1,816	776	965	1,022
Other non-current liabilities	3,500	2,003	3,111	4,389	5,865
Total non-current liabilities	3,545	3,819	3,888	5,354	6,887
Minority interests	683	-1,292	-1,918	-1,147	-1,059
Shareholders' equity	20,799	139,024	131,583	113,564	104,802
Total liabilities and equity	30,109	155,137	156,061	141,988	137,869

Source: Company, KBVS Research

Goto Gojek Tokopedia (GOTO)

Exhibit 31: Cash flow

Year End Dec (IDR bn)	2020A	2021A	2022F	2023F	2024F
Net profit	(14,209)	(21,391)	(27,633)	(19,489)	(13,851)
Depreciation & amortization	(1,247)	(2,417)	(3,085)	(3,300)	(3,286)
Changes in working capital	(192)	5,072	3,700	3,768	2,695
CF from operating activities	(15,648)	(18,736)	(27,018)	(19,021)	(14,443)
Investment in fixed assets	1,990	(2,906)	(300)	287	(147)
Others	763	(103,167)	(767)	16,607	4,706
CF from investing activities	2,754	(106,073)	(1,067)	16,893	4,559
Net change in debt	(268)	715	89	85	81
New capital	20,144	139,616	20,192	1,470	5,089
Dividend payment	0	0	0	0	0
Others	2,233	310	76	1,475	1,548
CF from financing activities	22,109	140,641	20,357	3,030	6,717
Change in cash flow	9,215	15,832	(7,728)	902	(3,167)
Cash and cash equivalents, beginning	6,104	15,319	31,151	23,422	24,325
Cash and cash equivalents, ending	15,319	31,151	23,422	24,325	21,158

Source: Company, KBVS Research

Exhibit 32: Ratio analysis

Year End Dec	2020A	2021A	2022F	2023F	2024F
Gross profit margin (%)	26.7	16.8	51.5	67.5	77.7
Operating profit margin (%)	-305.5	-493.5	-265.6	-114.8	-56.5
EBITDA margin (%)	-268.0	-440.2	-238.5	-96.4	-43.5
Net profit margin (%)	-427.0	-471.6	-242.8	-108.2	-54.9
Receivables turnover (x)	5.79	11.61	17.50	22.50	28.50
Inventory turnover (x)	42.8	98.4	98.5	98.5	190.0
Payable turnover (x)	3.7	5.0	5.0	5.5	5.3
ROAA (%)	-55.2	-23.1	-17.8	-13.1	-9.9
ROAE (%)	-76.5	-26.7	-20.2	-15.7	-12.6
Debt/ Equity (x)	11.5	1.1	1.3	1.6	1.8
Net debt/Equity (x)	-64.6	-21.1	-16.3	-19.6	-18.2
Net debt/ EBITDA (x)	1.5	1.5	0.8	1.3	1.8
Sales/ Asset turnover (x)	0.11	0.03	0.07	0.13	0.18
Interest coverage (x)	-47.9	-75.7	-114.8	-67.8	-32.6
BV/share (x)	17.6	117.4	111.1	95.9	88.5
DPS (%)	0.0	0.0	0.0	0.0	0.0

Source: Company, KBVS Research

Goto Gojek Tokopedia (GOTO)

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