

A groundbreaking deal

12 December 2023



GOTO IJ	BUY
Sector	Technology
Price at 11 Dec 2023 (IDR)	86
Price target (IDR)	97
Upside/Downside (%)	12.8

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)	92,873
Shares outstanding (mn)	1,060,729
52-week range (IDR)	93 - 147
3M average daily vol. ('000)	5,719,736
3M average daily val. (IDR mn)	475,438,843

Shareholders (%)

GOTO Peopleverse	9.0
SVF GT Subco	8.7
Est. free float	64.4

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance	13.2	(3.3)	(1.2)

Analyst

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GOTO has officially announced an acquisition of ByteDance's TikTok over its e-commerce service, Tokopedia worth of USD1.5bn in value. This allows Tiktok to take over controlling stake at 75.01% on Tokopedia, while GOTO retains 24.99% of the stake. Despite GOTO's minority stake, it will not reduce the ownership stake from TikTok's future funding. Maintain BUY with target price of IDR97 per share.

Landmark deal on e-commerce

GOTO's Tokopedia and ByteDance's TikTok Shop have formally announced combination of their e-commerce business under existing entity of Tokopedia. The transaction is valued at USD1.5bn or IDR23.4 tn, allowing TikTok Shop Indonesia to be controlling stakeholder of Tokopedia with a stake at 75.01%, while GOTO will hold a 24.99% of Tokopedia stake. Despite GOTO's minority stake over Tokopedia, the agreement excludes dilution of stake by TikTok's future funding. However, due to its minority stake, Tokopedia will consequentially no longer be consolidated under GOTO, along with goodwill writing off.

Furthermore, the shopping feature on Indonesia's TikTok app will be operated under the enlarged entity, which is also part of the deal also includes Tokopedia acquisition TikTok Shop Indonesia business valued at USD340mn on top of USD1.5bn commitment. The overall transaction is expected to close in 1Q24.

Gauging market reaction on the deal

GOTO's share price plunged c.20% as market reacted negatively on the deal formalization, which we deem to be understandable on top of profit taking. Tokopedia's value of acquisition is perceived to be undervalued (at 0.12x of GMV compared to peers that should also have taken synergy value into account. Meanwhile, Shopee's Indonesia valuation is estimated at c. 0.3x of GMV.

What we think about the transaction

We think that the groundbreaking deal could overall be positive for GOTO, especially for profitability standpoint, as it will still enjoy revenue stream from the platform, while diverting Tokopedia funding to TikTok, thus lowering risks. Tokopedia has a slim gross/net take rate at c. 3/2%, indicating lower monetization due to stiff competition, also in comparison to on-demand service at c.20/10%+ of gross/ net take or e-commerce peers such as Shopee's overall take rate at est. c. 10% in. Yet, with collaboration with TikTok (est. GMV of USD2bn), it should be able to seize more market share, while further executing cost efficiency. On the other hand, GOTO may potentially lose Tokopedia's GTV that contributes c. 40% of overall GTV, though it should increase GOTO's overall take rate and accelerate profitability going forward.

In addition, the acquisition is expected to allow GOTO to re-deploy its resources for on-demand services, and fintech segment. Meanwhile, the collaboration will enable it to address different type of e-commerce market; a) impulsive customers, fueled by social media presence and b) higher value customers of Tokopedia. This also on top of potential synergy on GOTO's logistics and e-wallet as well as TikTok's strength on algorithm. We expect the collaboration will allow it to explore more opportunity such as for digital loans/ BNPL that probably will only be made available on TikTok platform as well.

Re-shaping e-commerce landscape?

On e-commerce market, however, we believe the collaboration may trigger intensifying competition in the industry at least for short to medium term. TikTok, with strong support from its parent company, is expected to further pursue its market share in the country which has become its key to its Southeast Asia's ambition. This, in our view, could result in narrowing competition, putting TikTok Shop-Tokopedia head-to-head with current market leader, Shopee. On the other hand, the deal could re-shape Indonesia's e-commerce market where live-commerce could become more significant amidst growing popularity of social media and affluent Gen Zs.

Reiterate BUY with current TP

We maintain our BUY call with a target price of IDR97 per share as we are still evaluating and anticipating further details to emerge on the deal. Note that our target price implies P/revenue 8.0x of '24E.

Exhibit 1 : Key Statistics

Year end Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Revenue (IDR bn)	4,536	11,349	14,372	17,499	20,033
EBITDA (IDR bn)	-19,968	-27,417	-8,055	-2,557	198
Net profit (IDR bn)	-21,391	-39,571	-10,906	-3,909	-1,807
EPS (IDR)	-18.9	-39.0	-10.7	-3.9	-1.8
EPS growth (%)	n/m	n/m	n/m	n/m	n/m
ROAA (%)	-23.1	-26.9	-8.1	-3.0	-1.4
ROAE (%)	-26.7	-29.8	-9.1	-3.4	-1.6
PER (x)	-4.8	-2.3	-8.5	-23.6	-51.1
PBV (x)	0.8	0.9	0.9	1.0	1.0
EV/EBITDA (x)	-5.4	-3.9	-13.4	-42.2	544.5

Sources: Company, KBVS Research

FINANCIAL TABLES

Exhibit 2: Profit & Loss summary

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Net Revenue	4,536	11,349	14,372	17,499	20,033
Cost of revenue	(3,776)	(5,480)	(4,944)	(4,694)	(4,726)
Gross profit	760	5,869	9,428	12,805	15,308
Operating expenses	(36,199)	(20,065)	(17,605)	(18,053)	(18,006)
Operating profit	-22,385	-30,330	-10,637	-4,800	-2,745
EBITDA	-19,968	-27,417	-8,055	-2,557	198
Other income/expenses	173	(10,215)	(617)	835	913
Pretax profit	(22,211)	(40,545)	(11,254)	(3,965)	(1,832)
Income tax/benefit	(218)	136	290	40	18
After tax	(22,429)	(40,408)	(10,963)	(3,925)	(1,814)
Non-controlling shareholders	(1,038)	(837)	(58)	(16)	(7)
Attributable profit	(21,391)	(39,571)	(10,906)	(3,909)	(1,807)

Source: Company, KBVS Research

Exhibit 3: Balance sheet

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Current Assets					
Cash and cash equivalents	31,151	29,009	20,882	22,985	20,089
Trade receivables	507	627	810	190	812
Other current assets	4,406	4,544	4,721	2,934	4,289
Total Asset	36,064	34,180	26,413	26,109	25,190
Non-current assets					
Fixed assets	1,470	1,457	1,361	1,750	2,003
Other non-current assets	117,603	103,579	101,627	101,050	100,069
Total non-current assets	119,073	105,036	102,989	102,800	102,072
Total assets	155,137	139,217	129,401	128,909	127,262
Current liabilities					
Trade payables	867	1,232	745	1,354	1,786
Escrow and other payables	4,678	5,719	5,438	7,510	5,671
Accruals	3,541	3,499	3,372	2,625	3,005
Short term debts	1,452	22	0	0	0
Other current liabilities	1,755	1,691	2,098	2,078	2,634
Total current liabilities	12,294	12,162	11,652	13,567	13,096
Non-current liabilities					
Long-term debts	1,816	776	724	667	700
Other non-current liabilities	2,003	3,554	3,294	4,835	5,243
Total non-current liabilities	3,819	4,331	4,018	5,502	5,943
Minority interests	-1,292	-2,198	-2,102	-2,242	-2,209
Shareholders' equity	139,024	122,723	113,731	109,839	108,223
Total liabilities and equity	155,137	139,217	129,401	128,909	127,262

Source: Company, KBVS Research

Exhibit 4: Cash flow

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Net profit	(21,391)	(39,571)	(10,906)	(3,909)	(1,807)
Depreciation	(2,417)	(2,913)	(2,582)	(2,243)	(2,943)
Changes in working capital	5,072	600	(861)	4,216	(2,958)
CF from operating activities	(18,736)	(41,884)	(14,349)	(1,936)	(7,708)
Investment in fixed assets	(2,906)	1,947	113	181	145
Others	(103,167)	15,003	4,517	2,250	3,526
CF from investing activities	(106,073)	16,950	4,630	2,431	3,671
Net change in debt	715	(1,431)	(22)	0	0
Change in capital	139,616	23,270	1,914	17	190
Dividend payment	0	0	0	0	0
Others	310	952	(300)	1,591	951
CF from financing activities	140,641	22,792	1,592	1,608	1,141
Change in cash flow	15,832	(2,142)	(8,127)	2,103	(2,896)
Cash and cash equivalents, beginning	15,319	31,151	29,009	20,882	22,985
Cash and cash equivalents, ending	31,151	29,009	20,882	22,985	20,089

Source: Company, KBVS Research

Exhibit 5: Ratio analysis

Year End Dec	2021A	2022A	2023F	2024F	2025F
Gross profit margin (%)	16.8	51.7	65.6	73.2	76.4
Operating profit margin (%)	-493.5	-267.2	-74.0	-27.4	-13.7
EBITDA margin (%)	-440.2	-241.6	-56.0	-14.6	1.0
Net profit margin (%)	-471.6	-348.7	-75.9	-22.3	-9.0
Receivable turnover (days)	11.61	20.01	20.00	35.00	40.00
Inventory turnover (days)	98.4	103.6	80.0	80.0	90.0
Sales/Assets turnover (days)	5.0	5.2	5.0	4.5	3.0
Payable turnover (days)	-23.1	-26.9	-8.1	-3.0	-1.4
ROAA (%)	-26.7	-29.8	-9.1	-3.4	-1.6
ROAE (%)	1.1	1.2	1.2	2.2	2.7
Debt/ Equity (x)	-21.1	-22.0	-16.8	-18.3	-15.5
Net debt/Equity (x)	1.5	1.0	2.4	8.0	-86.3
Sales/ Asset turnover (x)	0.03	0.08	0.11	0.14	0.16
Interest coverage (x)	-75.7	-117.7	-23.9	-6.7	0.5
BV/Share (IDR)	117.4	103.6	96.0	92.7	91.4
DPS	0.0	0.0	0.0	0.0	0.0

Source: Company, KBVS Research

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