

7 February 2023

Technology | Technology

GoTo Gojek Tokopedia (GOTO IJ)

Not Rated

Well On The Road To Profitability

- **Leading digital ecosystem company.** GoTo Gojek Tokopedia, by far, is the largest digital ecosystem company in Indonesia. Offerings consist of on-demand services, e-commerce, and financial technology – which, in total, account for 2% of Indonesia's GDP. As of 9M22, its annual transacting users totalled 67m (+21.8% YoY), boosting gross transaction value (GTV) to IDR451trn (+38.9% YoY). Contribution margin also improved to -0.7% in 3Q22, from -2.2% in 1Q22, and therefore we believe it will be able to meet its 4Q22 target of -0.5% to -0.6%.
- **Ride-hailing take rate down due to changes in government regulations but...** A recent amendment in government regulations decreased ride-hailing apps' commission percentage by 50bps (-25%) to 15% at maximum, from 20% previous. This should dampen GOTO's on-demand segment take rate. However, aside from capping the maximum commission fee, the Indonesian Government also increased the ceiling of its rates by 6-13% (Figure 2). We believe the higher price ceiling should partly offset the lower commission fees – so GOTO's gross revenue from ride-hailing should still show stable growth in 2023F, backed by growing demand.
- **... e-commerce commission rate increment should expand GOTO's total take rate.** As of 2 Jan, GOTO's e-commerce division, Tokopedia, raised its commission fee by 50bps to 150bps, or up by 50% to 108% YoY (Figure 3). The change in commission fee rate should not significantly impact merchants' stickiness as major competitors such as Shopee also have to comply with the same government policy. Therefore, we expect the group's take rate to rise in 2023F, given that its e-commerce GTV contributes 39.7% of total GTV vs its on-demand services' 8.9%.
- **Cash generation in the near term.** As of 3Q22, GOTO recorded cash burn of IDR3.96trn (-12.8% QoQ), while its cash balance stood at IDR31.6trn. We believe its cash balance should still be sufficient to finance its cash burn for the next two years, assuming that the burn rate does not change. However, we expect GOTO's profitability to improve on the back of: i) The higher take rate contributed by the e-commerce segment, ii) lower promotion costs, and iii) better opex. As such, we think it would not be necessary for the group to undergo another round of fundraising.
- **FV at IDR125.** GOTO is trading at 5.79x 2023F EV/sales, which is at an 80.5% premium to its peer average (Figure 4). Our fair value of IDR125 is based on 6.0x 2023F EV/sales – this is at a 87% premium to the peer average, given its high weighting in the JCI and potentially higher-than-expected net revenues in 2023. We believe GOTO should book stronger revenue in 2023, given the higher take rate from the e-commerce segment and stable growth from the ride-hailing unit – which should shave down its EV/EBITDA.

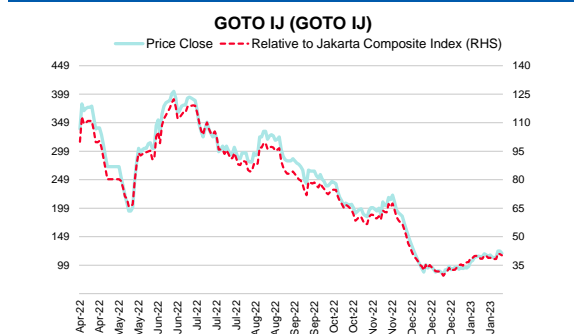
Fair Value (Return): IDR125 (+4%)
Price: IDR120
Market Cap: USD9,542m
Avg Daily Turnover (IDR/USD) 289,938m/18.9m

Analyst

Indonesia Research
+6221 5093 9888
rhb.id.research@rhbgroup.com

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	31.9	26.3	(40.0)	(59.5)	0.0
Relative	31.6	23.5	(37.6)	(56.5)	0.0
52-wk Price low/high (IDR)	82.0 – 404				



Source: Bloomberg

Forecasts and Valuation	Dec-19	Dec-20	Dec-21
Total turnover (IDRb)	2,304	3,328	4,536
Recurring net profit (IDRb)	(20,032)	(10,181)	(21,663)
Recurring net profit growth (%)	102.5	(49.2)	112.8
Recurring P/E (x)	na	na	na
P/B (x)	8.4	7.1	1.0
P/CF (x)	na	na	na
Dividend Yield (%)	na	na	na
EV/EBITDA (x)	na	na	na
Return on average equity (%)	(131.9)	(76.5)	(26.7)
Net debt to equity (%)	net cash	net cash	net cash

Source: Company data, RHB

Financial Exhibits

Asia	Financial summary (IDR)	Dec-19	Dec-20	Dec-21
Indonesia	Recurring EPS	(16.91)	(8.60)	(18.29)
Technology	BVPS	14.37	16.98	118.47
GoTo Gojek Tokopedia	Return on average equity (%)	(131.9)	(76.5)	(26.7)
GOTO IJ				
Not Rated				
Valuation basis	Valuation metrics	Dec-19	Dec-20	Dec-21
EV/sales	Recurring P/E (x)	na	na	na
	P/B (x)	8.4	7.1	1.0
	FCF Yield (%)	(16.5)	(10.0)	(10.2)
	EV/EBITDA (x)	na	na	na
	EV/EBIT (x)	na	na	na
Key drivers	Income statement (IDRb)	Dec-19	Dec-20	Dec-21
i. Ramped-up growth of e-commerce;	Total turnover	2,304	3,328	4,536
ii. Increasing digitalisation;	Gross profit	(477)	889	760
iii. Strong growth potential.	EBITDA	(20,062)	(8,920)	(19,968)
	Depreciation and amortisation	(962)	(1,247)	(2,417)
	Operating profit	(21,024)	(10,167)	(22,385)
	Net interest	135	26	60
	Pre-tax profit	(24,160)	(16,789)	(22,211)
	Taxation	78	53	(218)
	Reported net profit	(22,762)	(14,209)	(21,391)
	Recurring net profit	(20,032)	(10,181)	(21,663)
Key risks	Cash flow (IDRb)	Dec-19	Dec-20	Dec-21
i. Increasing competition;	Change in working capital	(509)	(23)	4,630
ii. Negative effect of any changes in government regulations;	Cash flow from operations	(22,150)	(12,625)	(13,139)
iii. Merchant and driver partner stickiness.	Capex	(1,361)	(1,655)	(1,332)
	Cash flow from investing activities	201	(758)	(109,863)
	Cash flow from financing activities	22,247	22,597	138,834
	Cash at beginning of period	5,806	6,104	15,319
	Net change in cash	298	9,215	15,832
	Ending balance cash	6,104	15,319	31,151
Company Profile	Balance sheet (IDRb)	Dec-19	Dec-20	Dec-21
GoTo Gojek Tokopedia is the largest digital ecosystem in Indonesia. Its mission is to "empower progress" by offering technology infrastructure and solutions that help everyone to access and thrive in the digital economy	Total cash and equivalents	6,104	15,319	31,151
	Tangible fixed assets	675	827	1,470
	Total investments	6,440	4,852	10,655
	Total assets	21,393	30,109	155,137
	Short-term debt	983	697	1,410
	Total long-term debt	45	1,816	776
	Total liabilities	6,529	9,309	16,113
	Total equity	14,864	20,799	139,024
	Total liabilities & equity	21,393	30,109	155,137
	Key metrics	Dec-19	Dec-20	Dec-21
	Revenue growth (%)	60.4	44.4	36.3
	Recurrent EPS growth (%)	102.5	(49.2)	112.8
	Gross margin (%)	(20.7)	26.7	16.8
	Operating EBITDA margin (%)	(870.8)	(268.0)	(440.2)
	Net profit margin (%)	(988.0)	(427.0)	(471.6)
	Capex/sales (%)	59.1	49.7	29.4
	Interest cover (x)	(188)	(55)	(85)

Source: Company data, RHB

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Figure 1: 3Q22 and 9M22 results (actual for 2022 and *pro forma* numbers for 2021)

IDRbn	3Q21	2Q22	3Q22	QoQ %	YoY %	9M21	9M22	YoY %
LTM ATU (in m)	55	67	67	-	21.8%	55	67	
Orders (in m)	542	690	693	0.4%	27.9%	1,524	2,039	33.8%
GTV/ order	222,667	218,169	232,237	6.4%	4.3%	213,214	221,420	3.8%
GTV	120,685	150,536	160,940	6.9%	33.4%	324,938	451,475	38.9%
Gross revenue	4,519	5,507	5,892	7.0%	30.4%	11,712	16,630	42.0%
Net revenue	1,444	1,903	4,569	140.1%	216.4%	4,026	7,969	97.9%
Contribution margin	(2,072)	(1,539)	(1,186)	-22.9%	-42.8%	(4,824)	(5,746)	19.1%
Group EBITDA	(6,604)	(6,940)	(6,189)	-10.8%	-6.3%	(13,543)	(19,072)	40.8%
Adjusted EBITDA	(4,175)	(3,510)	(3,714)	5.8%	-11.0%	(9,976)	(12,671)	27.0%
Take rate %	3.7%	3.7%	3.7%			3.6%	3.7%	
CM % of gross revenue	-45.9%	-27.9%	-20.1%			-41.2%	-34.6%	
CM % of GTV	-1.7%	-1.0%	-0.7%			-1.5%	-1.3%	
Adj. EBITDA margin %	-92.4%	-63.7%	-63.0%			-85.2%	-76.2%	

Source: Company data

Figure 2: Ministry of Transportation guidelines on ride-hailing rates for motorcycles (for services requested by apps)

Price/km	2020	2022	YoY Growth (%)
Max Apps. Commission	20%	15%	-25%
Zone 1 (Sumatera, Java ex-Jabodetabek, Bali)			
Price floor	1,850	2,000	8.1%
Price ceiling	2,300	2,500	8.7%
Zone 2 (Jabodetabek)			
Price floor	2,250	2,550	13.3%
Price ceiling	2,650	2,800	5.7%
Zone 3 (Kalimantan, Sulawesi, Nusa Tenggara, Maluku, Papua)			
Price floor	2,100	2,300	9.5%
Price ceiling	2,600	2,750	5.8%

Source: Ministry of Transportation

Figure 3: Commissions charged according to e-commerce company

	2022	2023	YoY Growth (%)
<u>Tokopedia</u>			
Power merchant & Pro			
Category A	3.0%	4.5%	50.0%
Category B	2.5%	3.8%	52.0%
Category C	1.8%	3.1%	77.1%
Category D	2.5%	1.8%	-28.0%
Category E	1.5%	2.0%	33.3%
<u>Regular Merchant</u>			
Category A	2.5%	3.8%	52.0%
Category B	1.7%	3.0%	76.5%
Category C	1.3%	2.6%	108.0%
Category D	1.7%	1.6%	-5.9%
Category E	0.5%	1.0%	100.0%
<u>Shopee</u>			
Star +/- Star			
Category A	3.2%	4.7%	46.9%
Category B	2.5%	3.2%	28.0%
Category C	1.8%	2.8%	60.0%
Non-Star			
Category A	2.5%	4.0%	60.0%
Category B	1.7%	3.2%	88.2%
Category C	1.3%	2.8%	124.0%
<u>Blibli</u>			
Fashion	-	8%	
All category (ex. fashion)	-	2-5%	

Source: Company data, Various sources

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Figure 4: Peer comparison for 2023F

Company	Ticker	M cap (USDm)	EV/sales		EBITDA margin %
			2023F	2024F	
E-commerce					
Amazon.com	AMZN US	1,059,464	2.02	1.79	15.4%
Alibaba Group	BABA US	281,512	1.74	1.56	19.7%
JD.com	JD US	91,035	0.45	0.39	3.4%
Shopify	SHOP US	57,374	8.11	6.55	0.9%
Sea	SE US	39,586	2.76	2.34	-2.4%
eBay	EBAY US	27,491	3.22	3.08	34.1%
Etsy	ETSY US	18,539	7.32	6.47	26.4%
GoTo Gojek Tokopedia	GOTO IJ	9,352	5.79	4.31	-96.0%
Global Digital Niaga	BELI IJ	3,680	2.44	1.70	-16.4%
Bukalapak.com	BUKA IJ	2,021	1.57	1.19	-25.4%
Weighted average		1,590,056	2.22	1.95	
Food delivery & ride-hailing					
Meituan	MPNGF US	129,514	3.02	2.42	7.7%
Uber Technologies	UBER US	65,995	1.99	1.68	8.5%
DoorDash	DASH US	22,920	2.49	2.11	7.3%
Grab Holdings	GRAB US	13,672	4.40	3.33	-22.5%
Lyft	LYFT US	6,273	1.15	1.00	11.0%
Deliveroo	ROO LN	2,030	0.30	0.26	-0.1%
Weighted average		240,404	2.69	2.18	
Financial services					
Visa	V US	486,520	15.1	13.6	70.1%
Mastercard	MA US	357,458	14.5	12.8	61.0%
PayPal	PYPL US	97,495	3.2	2.9	24.5%
Adyen	ADYEN NA	52,359	24.7	18.7	60.8%
Block	SQ US	50,663	2.5	2.2	6.4%
Global Payments	GPN US	30,572	5.0	4.6	48.7%
Kakaopay Corp	377300 KS	6,613	10.8	9.1	3.0%
Western Union Co	WU US	5,515	1.7	1.7	24.2%
Pagseguro Digital	PAGS US	3,177	0.8	0.8	25.6%
Weighted average		1,090,371	13.3	11.7	

Source: Bloomberg, RHB

Figure 5: Summary of GOTO's 3Q22 and 9M22 results

IDRbn	3Q21	2Q22	3Q22	QoQ %	YoY %	9M21	9M22	YoY %
GTV	120,685	150,536	160,940	6.9%	33.4%	324,938	451,475	38.9%
Gross revenues	4,518	5,507	5,892	7.0%	30.4%	9,889	16,630	68.2%
Net revenues	1,443	1,903	4,569	140.1%	216.4%	3,405	7,969	134.0%
Gross profit	403	647	3,184	391.8%	690.5%	876	4,113	369.6%
Promotion	(4,717)	(5,229)	(4,729)	-9.6%	0.3%	(8,980)	(15,563)	73.3%
EBIT	(5,671)	(7,989)	(6,974)	-12.7%	23.0%	(13,044)	(22,756)	74.5%
EBITDA	(4,945)	(7,212)	(6,237)	-13.5%	26.1%	(11,479)	(20,480)	78.4%
EBITDA (company)	(6,604)	(6,940)	(6,189)	-10.8%	-6.3%	(13,543)	(19,072)	40.8%
Adj. EBITDA (company)	(5,833)	(3,510)	(3,714)	5.8%	-36.3%	(9,976)	(12,671)	27.0%
Other income/ expenses	(13)	430	165	n.m.	n.m.	737	1,762	
Pretax income	(5,684)	(7,559)	(6,809)	-9.9%	19.8%	(12,307)	(20,994)	70.6%
Tax expense	48	3	66	1958.0%	37.6%	53	82	53.0%
Net income	(5,636)	(7,556)	(6,743)	-10.8%	19.6%	(12,254)	(20,912)	70.7%
Take rate	3.7%	3.7%	3.7%			3.0%	3.7%	
Promotion % to gross rev.	-104.4%	-95.0%	-80.3%			-90.8%	-93.6%	
EBIT margin %	-392.9%	-419.9%	-152.6%			-383.1%	-285.6%	
EBITDA margin %	-342.6%	-379.0%	-136.5%			-337.1%	-257.0%	
EBITDA margin % (Company)	-457.6%	-364.8%	-135.5%			-397.7%	-239.3%	
Adj. EBITDA margin % (Company)	-404.1%	-184.5%	-81.3%			-293.0%	-159.0%	

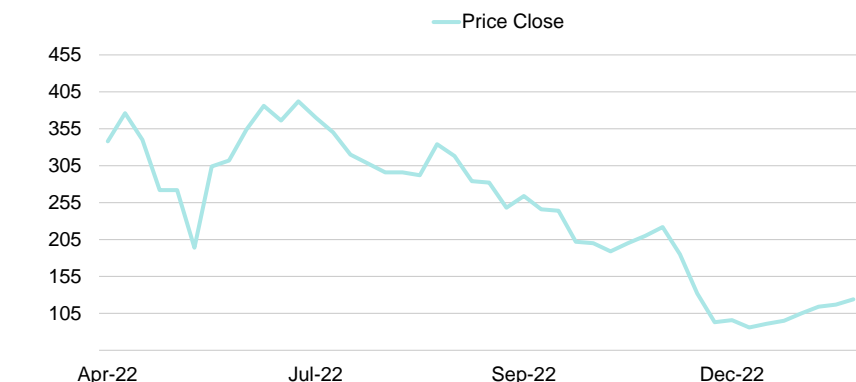
Source: Company data

Figure 6: Segmental breakdown of GOTO's 3Q22 and 9M22 performance

IDRbn	3Q21	2Q22	3Q22	QoQ %	YoY %	9M21	9M22	YoY %
On-demand								
GTV	12,632	14,941	15,682	5.0%	24.2%	34,514	45,511	31.9%
Gross revenues	2,659	3,229	3,480	7.8%	30.9%	6,986	9,836	40.8%
Promotion	(2,063)	(2,534)	(234)	-90.8%	-88.7%	(5,059)	(5,368)	6.1%
Net revenues	596	695	3,246	367.4%	444.7%	1,926	4,468	131.9%
Segment expenses	(3,045)	(4,940)	(6,381)	29.2%	109.5%	(9,449)	(15,582)	64.9%
EBIT	(2,449)	(4,245)	(3,135)	-26.2%	28.0%	(7,523)	(11,114)	47.7%
Gross take rate	21.1%	21.6%	22.2%			20.2%	21.6%	
Net take rate	4.7%	4.6%	20.7%			5.6%	9.8%	
EBIT % of GTV	-19.4%	-28.4%	-20.0%			-21.8%	-24.4%	
EBIT % of gross revenue	-92.1%	-131.5%	-90.1%			-107.7%	-113.0%	
Fintech								
GTV	54,703	87,317	97,097	11.2%	77.5%	142,001	261,865	84.4%
Gross revenues	293	401	433	8.0%	47.8%	795	1,193	50.1%
Promotion	(74)	(2)	(16)	673.3%	-78.1%	(94)	(60)	-35.8%
Net revenues	220	399	417	4.5%	90.0%	701	1,133	61.6%
Segment expenses	(1,063)	(1,636)	(1,621)	-0.9%	52.6%	(2,786)	(4,788)	71.8%
EBIT	(843)	(1,237)	(1,204)	-2.7%	42.8%	(2,085)	(3,655)	75.3%
Gross take rate	0.5%	0.5%	0.4%			0.6%	0.5%	
Net take rate	0.4%	0.5%	0.4%			0.5%	0.4%	
EBIT % of GTV	-1.5%	-1.4%	-1.2%			-1.5%	-1.4%	
EBIT % of gross revenue	-287.4%	-308.2%	-277.8%			-262.5%	-306.4%	
E-Commerce								
GTV	60,737	67,343	69,879	3.8%	15.1%	167,710	202,357	20.7%
Gross revenues	1,752	2,098	2,224	6.0%	26.9%	2,485	6,235	150.9%
Promotion	(938)	(1,068)	(1,073)	0.5%	14.4%	(1,331)	(3,233)	143.0%
Net revenues	815	1,030	1,151	11.7%	41.2%	1,155	3,002	160.0%
Segment expenses	(3,152)	(3,495)	(3,769)	7.8%	19.6%	(4,473)	(10,890)	143.4%
EBIT	(2,337)	(2,465)	(2,618)	6.2%	12.0%	(3,319)	(7,888)	137.7%
Gross take rate	2.9%	3.1%	3.2%			1.5%	3.1%	
Net take rate	1.3%	1.5%	1.6%			0.7%	1.5%	
EBIT % of GTV	-3.8%	-3.7%	-3.7%			-2.0%	-3.9%	
EBIT % of gross revenue	-133.4%	-117.5%	-117.7%			-133.5%	-126.5%	

Source: Company data

Recommendation Chart



Source: RHB, Bloomberg

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Not Rated:	Stock is not within regular research coverage

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KUALA LUMPUR

RHB Investment Bank Bhd
Level 3A, Tower One, RHB Centre
Jalan Tun Razak
Kuala Lumpur 50400
Malaysia
Tel : +603 9280 8888
Fax : +603 9200 2216

JAKARTA

PT RHB Sekuritas Indonesia
Revenue Tower, 11th Floor, District 8 - SCBD
Jl. Jendral Sudirman Kav 52-53
Jakarta 12190
Indonesia
Tel : +6221 509 39 888
Fax : +6221 509 39 777

BANGKOK

RHB Securities (Thailand) PCL
10th Floor, Sathorn Square Office Tower
98, North Sathorn Road, Silom
Bangrak, Bangkok 10500
Thailand
Tel: +66 2088 9999
Fax :+66 2088 9799

SINGAPORE

RHB Bank Berhad (Singapore branch)
90 Cecil Street
#04-00 RHB Bank Building
Singapore 069531
Fax: +65 6509 0470