PT GoTo Gojek Tokopedia Tbk (GOTO IJ)

Internet Services & Technology

Go Far, Go To Profit

BUY

Target Price : IDR168

Stock Data

Current Price	:	117
52wk Range H-L	:	81 - 442
Share Outstanding	:	1,133.79 bn
Free Float	:	60.71%
Mkt Capitalization (IDR tn)	:	138.57

Major Shareholders

Taobao China Holding Ltd.	: 9.24%
SVF GT Subco (Singapore) Pte. Ltd.	: 9.10%
Goto Peopleverse Fund	: 7.99%
Government of Singapore	: 5.60%
PT Saham Anak Bangsa	: 2.37%
Public	: 64.83%
Treasury stock	: 0.87%

The Beginning of the Turnaround Story

GOTO is one of the technology company in Indonesia, formed after the merger between Gojek and Tokopedia in May-21. The company aims to become profitable going forward and plans to achieve positive adjusted EBITDA by 4Q23F through three strategies: increasing monetization, optimizing costs, and growing the ecosystem-based product. To maximize monetization, we expect GOTO to increase its take rate by +30bps annually up to FY25F. The increase of the take rate was achieved by adjusting the tariff of the on-demand segment and increase of platform fee in the on-demand and e-commerce segments, as well as the integration of the digital ecosystem. GOTO also intents to grow its ecosystem-based product by developing new products such as GoPayLater Cicil with its high margin. Additionally, the company benefits from having a comprehensive portfolio in the digital ecosystem, which could further enhance monetization while also maintaining customer loyalty as the company recorded a higher ATU compared to peers.

GOTO's Liquidity Should Not Be Underestimated

GOTO is generally viewed having the shortest cash runway for up to 7 quarters adequacy to fund their operation. Despite that, GOTO's ability to maximize funding through equity instruments is superior given recent hostile environment, as the company managed to record the lowest gearing ratio. In fact, Sea has received funding through equity and debt financing, with 60% of the USD16bn raised in the last five years coming from convertible notes. Meanwhile, Grab has mostly been funded through equity, but in 1Q21, it issued USD2bn worth of non-convertible bonds and repurchased around USD850mn. In the digital bank services, GOTO is the pioneer, owning 21.4% stake of ARTO, while Sea has Seabank, and Grab has Bank Fama upon collaboration with EMTK. Yet, in terms of capital size, Seabank and Bank Fama are still relatively small and categorized as KBMI I bank, unlike Bank Jago who is categorized as KBMI II. Thus, to catch up with ARTO, both Sea Bank and Bank Fama still need at least IDR3tn additional capital. Furthermore, with Bank Fama being the last to tap into the digital bank segment, there still remains a need for portfolio clean-up and technology investment, by which Grab needs to have more restricted cash to support its digital business expansion.

4 Reasons We like GOTO

- **FTSE inclusion.** GOTO will be included in the FTSE Global Equity Index Series (GEIS) Asia Pacific Ex-Japan Ex-China as a large cap stock, effective March 20, 2023. With the global inclusion, there is a possibility for increased foreign flow and could be a positive catalyst for the stock price.
- **Liquidity.** GOTO's liquidity was affected by a lock-up period on some of its pre-IPO shareholders. The lock-up period has now expired, increasing GOTO's free float to 60.7% and increasing liquidity in the secondary market. This is further justified from GOTO being the top 10 most actively traded stocks in Indonesia.
- **Proxy of Indonesia's digital economy.** Due to its size and comprehensive ecosystem, GOTO is referred to as the proxy of Indonesia's digital economy, which benefits the company as Indonesia's digital economy is expected to grow at a CAGR of 19% from FY22-FY25F, primarily driven by e-commerce. The drivers of the growth include: 1) the shift in consumer behavior towards e-commerce, transport, and food delivery; 2) growing digital financial services, including digital payments; 3) willingness to pay more for sustainable products or services.
- **The Most Complete Digital Ecosystem.** GOTO has a comprehensive digital ecosystem in Indonesia, with on-demand, e-commerce, and fintech segments. The on-demand segment has the highest take rate among other segments, while e-commerce could be the integrated ecosystem enabler through Tokopedia as well as the potential high AOV. Meanwhile, the fintech segment has the highest growth among other segments and could be monetized.

Initiate Coverage on GOTO IJ with a BUY call; TP: IDR168

We initiate coverage of **GOTO** with a **BUY** rating and a **Target Price of IDR168/share (+43.6% upside)**, implying an EV/revenue of 6.3x/5.3x in FY23F/FY24F using SOTP. We use revenue multiple rather than GTV or other platform size key metric as company shifted orientation from growth focus to deliver profitable business mindset. Downside risks: 1) possibility of valuation de-rating as systematic risk increase due to SVB liquidity and solvency problem; 2) startup funding squeeze; 3) interest rate hike; 4) slower-than-expected increase of monetization primarily in high-margin business such as lending.

Key Financial Highlight

	FY20	FY21	FY22E	FY23F	FY24F
Net Revenue (% YoY)	44.4%	36.3%	151.7%	48.4%	40.5%
EBITDA (% YoY)	-51.6%	120.2%	15.0%	-38.1%	-48.7%
Net Income/loss (% YoY)	-37.6%	50.5%	98.6%	-61.0%	-44.6%
P/GTV (x)	0.4	0.3	0.2	0.2	0.2
P/sales (x)	43.1	31.6	12.6	8.5	6.0
P/B (x)	6.9	1.0	1.2	1.3	1.3
EV/GTV (x)	0.4	0.3	0.2	0.2	0.1
EV/revenue (gross) (x)	10.3	7.2	5.3	4.3	3.6
EV/revenue (net) (x)	36.6	26.9	10.7	7.2	5.1

Sources: Bloomberg, MNCS

Research Analyst
Andrew Sebastian Susilo
andrew.susilo@mncgroup.com

Tirta Widi Gilang Citradi
tirta.citradi@mncgroup.com

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GOTO at a Glance

PT GoTo Gojek Tokopedia Tbk (GOTO) was established after the 2021 merger of Indonesia's two largest tech startups, Gojek and Tokopedia. GOTO's establishment also marked the birth of largest digital ecosystem in Indonesia with 3 main businesses : 1) on-demand; 2) e-commerce and 3) fintech. On April 11, 2022, GOTO officially listed on the IDX receiving IDR13.7tn (~USD1bn) of fresh funds after issuing 40bn shares (~3.4% outstanding shares). It was the largest IPO by size in 2022. Worth-noting that GOTO successfully managed an IPO even with the challenging market backdrop during the early phase of monetary tightening.

Exhibit 1. GOTO group structure

Sources : Company, MNCS Research

Gojek – the on-demand arm of GOTO

Gojek was founded by Nadiem Makarim who currently serves the country as Minister of Education. Gojek has started its journey as a ride hailing provider back in 2010, when it only operated through a conventional style of call center based employing 20 drivers in Jakarta. Later it became the first Indonesian startup to be valued ~USD1bn (unicorn) in 2016. At that time, Gojek expanded its operation from on-demand only to tapping into digital payment by launching GoPay. A year before, Gojek mobile app launch has gained traction from users with the core offering 4 main services : 1) GoRide; 2) GoSend; 3) GoFood and 4) GoMart. In 2018, Gojek expanded to Vietnam and Thailand and hitting a milestone of 100mn transaction per day. In 2019, Gojek hit new milestone with >20 products and ~2mn driver partners. A year later, in 2020, Gojek app has been downloaded 190mn times.

Exhibit 2. Notable on-demand services portfolio

Gojek	Services Description
GoRide	Offer 2-wheel ride hailing services
GoCar	Offer 4-wheel ride hailing services
GoBluebird	A taxi order service in partnership with the largest private transportation operator Blue Bird
GoSend	A goods delivery service owned by Gojek
GoBox	A freight services covering 16 large cities in Indonesias

Sources : Company, MNCS Research

Tokopedia – the e-commerce arm of GOTO

Tokopedia is founded by William Tanuwijaya and Leontinus Alpha Edison in 2009 and at that time the company launched a web-based C2C commerce. In 2014, Tokopedia mobile application was launched. Tokopedia became a unicorn in 2017, a year after Gojek. At that time Tokopedia also launched official store to facilitate B2C transactions. As of the end 2018, Tokopedia's value was estimated to be around USD7bn.

Exhibit 3. Notable e-commerce services portfolio

Tokopedia	Services Description
E-commerce	Povides a variety of product for consumers through marketplace, official store, instant commerce, interactive commerce and rural commerce
Logistic & Fulfillment	Works with 13 leading logistics & fulfillment partners with an integrated system and warehouses services
Marketing & Ads Tech	An advertising technology to promote merchants scale up its business performance through Pay for Performance (P4P) ads, display ads & customized marketing packages services

Sources : Company, MNCS Research

GoTo Financial – the fintech arm of GOTO

The third GOTO's business segment is GoTo Financial which previously a fintech arm of Gojek with the main product of GoPay. Currently, GoTo Financial owns 3 services portfolio offered both to consumers and merchants : 1) payment (GoPay and Midtrans), 2) financial services (gopaylater, goinvestasi, gomodal, gosure and GoPaylater Cicil); 3) merchant financial solution (gobiz and Moka).

Exhibit 4. Notable fintech services portfolio

GoTo Financial	Services Description
GoPay	A versatile e-wallet and consumer payment service
Midtrans	A payment gateway for merchants and businesses
goinvestasi	Help consumers to have investing mindset and saving habit
GoPaylater Cicil	A BNPL product in partnership with Bank Jago
gobiz	One stop solution app for merchants to grow their business offering orders record, providing payment system and attracting consumers
Moka	A Point of Sales (POS) for merchants and business solution

Sources : Company, MNCS Research

Understanding GOTO

GOTO: a super-app provider

GOTO aspires to be a super-app, interestingly, there is no firm definition of super-app and thus it should be arbitrary and vary from one and another. Here we define super-app to be an app or platform by which provide all customer' needs (one stop solution in a platform). A super app must convey a set of products/services portfolio from basic to additional which related to experience and entertainment needs. Based on our assessment, GOTO is by far a company which resembles a super-app. The detail about our super-app framework can be seen as follow:

Exhibit 5. GOTO by far has met MNCS super-app model framework given its comprehensive products/services offering that meet customers' needs along their journey and experiences

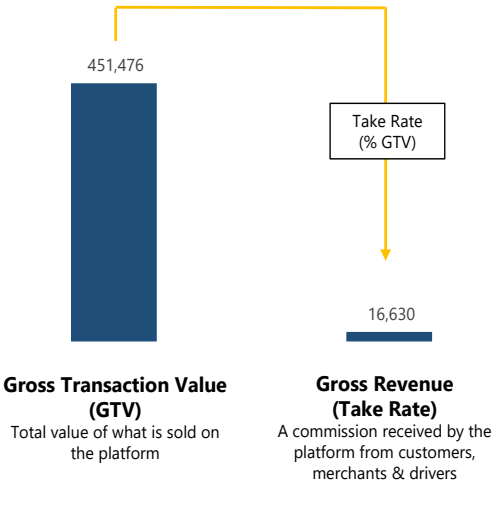
Type of Consumer Needs		Availability in GOTO's Platform			Notes
		On-Demand	E-commerce	GoTo Financial	
Basic	**Consumption Needs**				
	Food-Delivery	✓			gofood is a food-delivery service within Gojek app with 1.4mn merchants (99% are MSME)
	Food-Purchase		✓		Tokopedia facilitate consumers to buy food & ingredients from its merchants which offer a wide-range of product (19 product category)
	Shoping Experiences				
	Electronics		✓		Tokopedia platform offers a wide-range of electronics product from audio, camera, HP and PC/laptop
	Kitchen-related		✓		Consumers can purchase a kitchen-related product such as food-processing to storage apparatus in Tokopedia platform
	Fashion & Clothing		✓		All fashion styles (kids, male & female wear) are available in the Tokopedia platform
	Mom & Kids		✓		Mom & kids care are also available in the Tokopedia platform
	Health & Medical	✓	✓		Health and medical products can be accessed either from Gojek or Tokopedia depends on consumer needs
	Stationary		✓		Consumers can buy office & stationery products from Tokopedia
	Automotive		✓		Accessories & sparepart are available on Tokopedia
	Carpentry & Appliances		✓		Consumer can easily find and buy carpentry and appliances from Tokopedia
	Property		✓		Tokopedia also provides property services such as booking fee, full payment property and property rent
	Mobility	✓			Through Gojek app, user can access 2/4-wheeler ride hailing services (goride, gocar, gobluebird, and now gotransit)
	Logistics	✓			To facilitate goods mobility, Gojek also provide gosend (a more limited size of goods) and gobox (larger size of goods/freight)
	Payment/transactional		✓	✓	Tokopedia also facilitate bill payments (electricity, gas, internet, etc)
	Payment tools/solution	✓	✓	✓	GoPay is embedded within Gojek and Tokopedia platform, while for merchant GoTo Financials provide Midtrans (gateway) and Moka (POS)
	Financing needs	✓	✓	✓	GoPaylater is embedded within Gojek app, while GoPaylater Cicil is a BNPL product for selected Tokopedia users
	Financial protection			✓	Insurance-related products (health, life, gadget, travel and disaster) are available
Additional/Advance	**Knowledge-Based**				
	Books		✓		To accommodate customers needs for knowledge, Tokopedia also provide books and magazines
	Entertainment-Based				
	Film & Music	✓	✓		GoTix & Goplay from Gojek and this service is also provided by Tokopedia
	Gaming		✓		Gaming products (console, mobile, VR) and accessories are available in Tokopedia
	Party & Craft		✓		All parties need and craft can be found and purchased from Tokopedia
	Wedding		✓		A comprehensive wedding needs (from fashion, souvenir, WO, planning & stylist) are offered by Tokopedia
	Lifestyle-Centric				
	Beauty & Personal Care		✓		A comprehensive offering of beuaty & personal care products are provided in Tokopedia platform
	Pet Care		✓		Grooming and care products for customers needs are also available on Tokopedia platform
	Tour & Travel		✓		Tokopedia provides travel document, tour package, international sim card & wifi, ticket & voucher travel
	Investment				
	Gold		✓		Investors can now buy Gold from Tokopedia

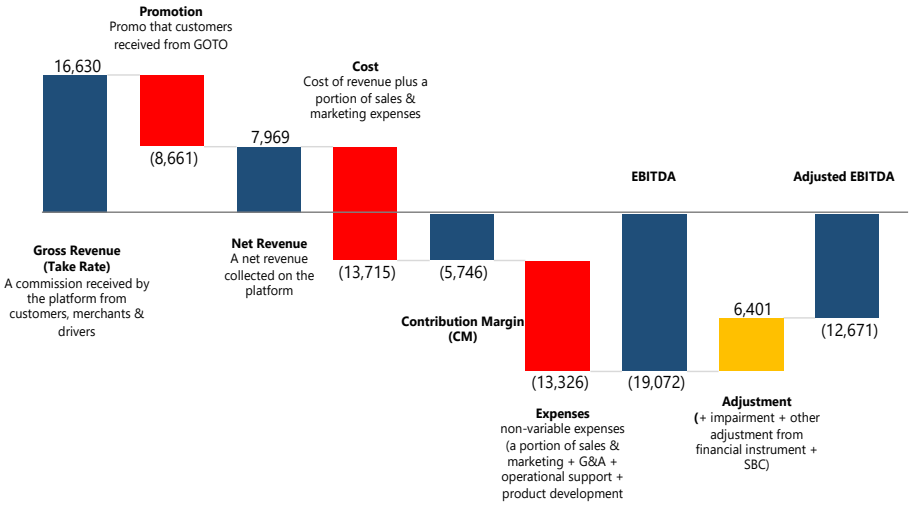
Sources : Company, MNCS Research

GOTO follows a commission-based revenue model like other digital startups

As a platform, GOTO measures the transactions metric with terms of Gross Transaction Value (GTV), which then company can collect revenue based on commission charged to consumers, merchants and drivers. The percentage of commission charge from the transaction within the platform is then recorded as a take rate, and the nominal value is GOTO's gross revenue. After subtracting to promotion, GOTO report this as a net revenue. Like any other startups, GOTO prefer Contribution Margin (CM) and adjusted EBITDA as a profitability metrics. CM is calculated by subtracting variable cost to sales, while adjusted EBITDA comes from any adjustment to impairment and other financial instrument.

Exhibit 6. Understanding the business model (how GOTO makes money)



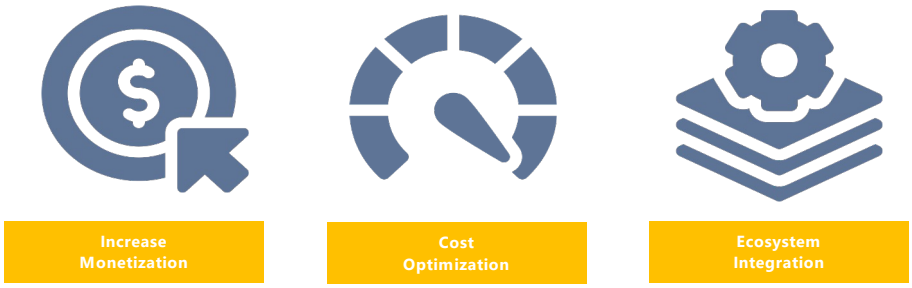


Notes : data as of 9M22. Sources : Company, MNCS Research

The Promise : Fast-Tracking Profitability

GOTO operates like a widely-known startups. It focuses more on growth and scalability rather than profit on its exponential phase. In order to scale up, GOTO relies on burning money to attract customers. As a result, company borne a huge loss throughout its existence. Nevertheless, as GOTO embarked the second-year after its establishment (since merger) and more than decade of operation, the company orients itself to accelerate the profitability. To fast-track the profitability, GOTO has set 3 main strategies namely : 1) increasing monetization; 2) aggressive cost cutting measures and 3) innovative product and ecosystem integration.

Exhibit 7. GOTO's radical profit formula

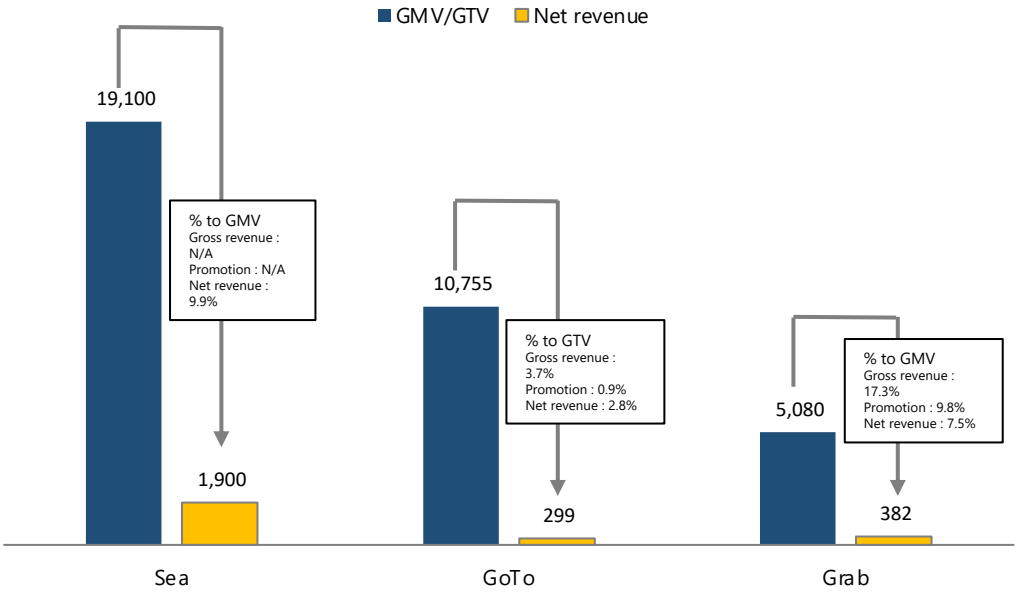


Sources : Company, MNCS Research

Increase monetization

Take rate is a commonly used metric to depict how much money a platform provider company like GOTO generate revenues. It simply indicates the commission fee company can collect from customers, merchants and driver partners. GOTO is so far having the largest digital ecosystem in Indonesia compared to its closest competitors such as Grab and Sea. As of 3Q22, GOTO's GTV was USD10.8bn, the second largest after Sea (Shopee), nonetheless, GOTO's net take rate (net revenue/GTV) was the lowest as it only accounted 2.8% from GTV (Grab 7.5%; Shopee 9.9%).

Exhibit 8. Currently, GOTO's ecosystem monetization still lag behind its closest competitors

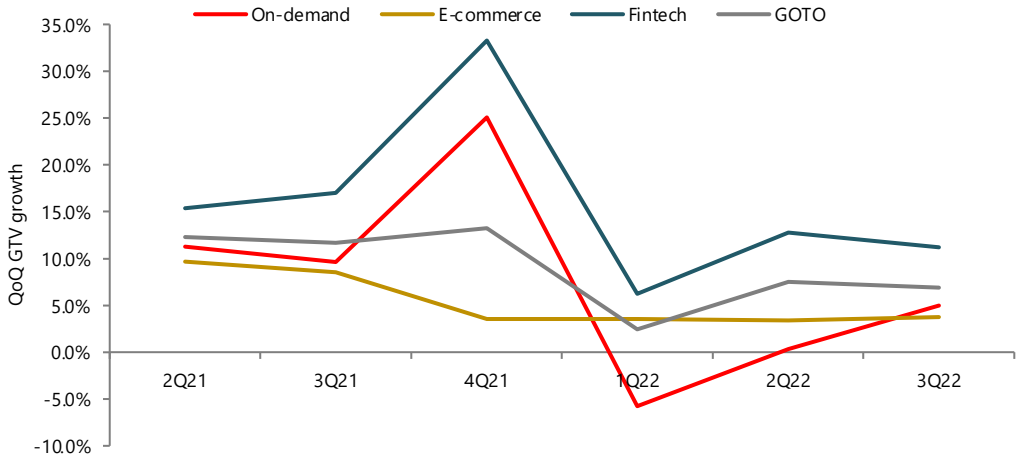


Notes : as of 3Q22 and the values are the total of its business segments. Sources : Company, Grab, Sea, MNCS Research

Current Condition

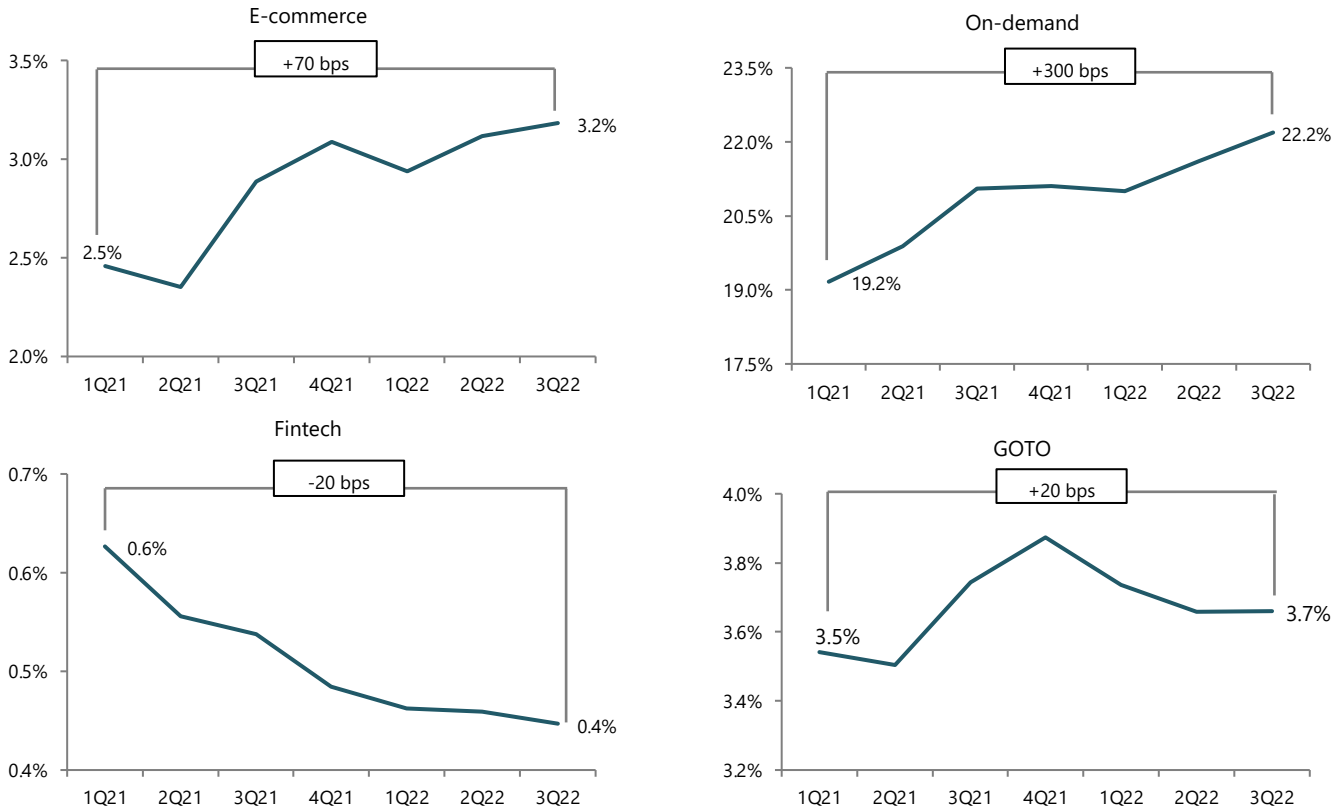
When looking at each GOTO's business segment, the take rate differed significantly with the on-demand services (Gojek) has the highest and fintech business became the lowest. The on-demand GTV has risen 31.9% YoY in 9M22 and at the same time, on-demand's GTV increased by +160 bps YoY to 21.6%. Gojek successfully managed to increase the take rate on average by +50 bps QoQ since 1Q21-3Q22. On the other hand, Tokopedia (e-commerce) take rate increased cumulatively +70 bps during 1Q21-3Q22 or averaging +10 bps in every quarter along with its GTV growth reaching +20.7% YoY in 9M22. Yet the fastest growing fintech business, unfortunately experiencing a decline on its monetization at the same time. As such, overall GOTO's take rate was steady at 3.7%. We think GOTO's will focus to further increase take rate in e-commerce and fintech business given its large contribution to group's GTV.

Exhibit 9. Quarterly GTV growth moderation post economic activities pick-up after Covid-19



Sources : Company, MNCS Research

Exhibit 10. Quarterly GTV growth moderation post economic activities pick-up after Covid-19

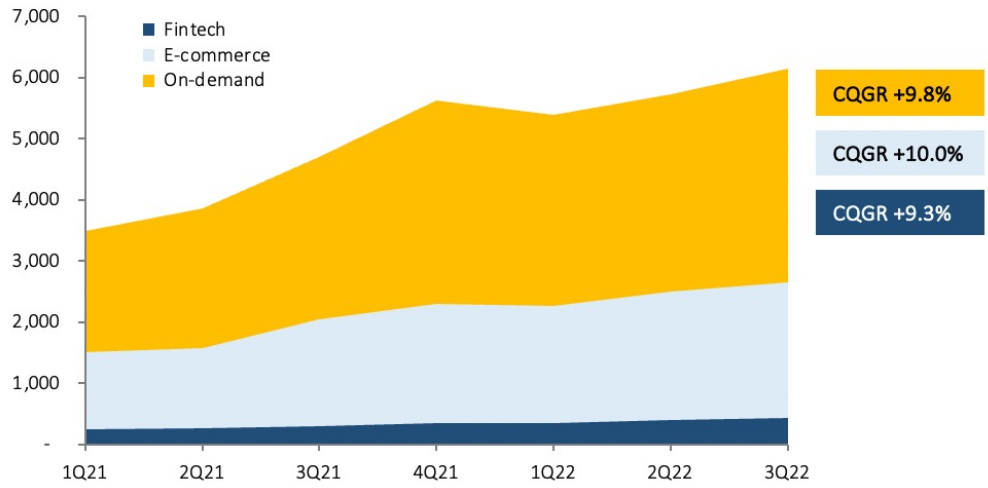


Sources : Company, MNCS Research

A Closer Look at Take Rate Improvement

- **On-demand** increase in monetization driven by 8% tariff adjustment (in-line with industry), furthermore Gojek has charged a platform fee to customers from IDR1,000-3,500 based on distance.
- **E-commerce** platform also introduced a platform fee to customers charged at IDR1,000 later on August 2022. Furthermore, Tokopedia also implemented a new commission scheme in 1Q22 with 150-200 bps higher.
- **Fintech business** growth driven by GoPayLater user penetration, yet unlike the other business segments, the fintech monetization turned out to be the slowest both in-terms of nominal value growth and take rate improvement. Despite having Compounded Quarterly Growth Rate (CQGR) of 9.3% (1Q21-3Q22), substantial fintech GTV growth could offset its monetization effort and resulting in a lower take rate.
- Group revenue optimization was also reinforced through promotion/customer incentives rationalization. GOTO has undertaken promotion cut from 3.0% GTV in 4Q21 to only 0.8% GTV in 3Q22 bringing the net take rates to 2.8% in 3Q22 from 0.8% in 4Q21.
- **New royalty program roll-out**. GOTO's key success factor in delivering promotion cost-saving approach was GoPay Coins roll-out and adoption, as company's reward currency has enabled GOTO to increase cross platform users.

Exhibit 11. GOTO's fintech business turned out to be the lowest monetized segment

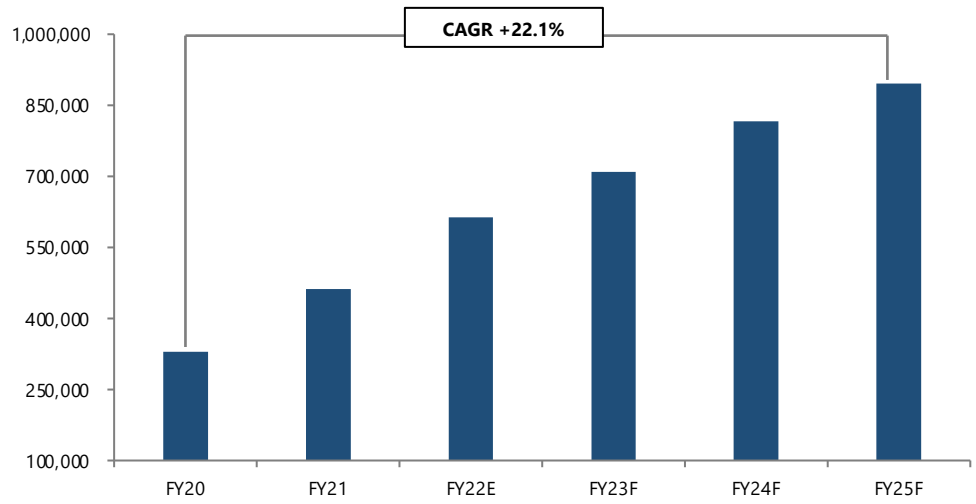


Sources : Company, MNCS Research

Future Outlook Sustaining High Quality Growth with a More Rational Cost

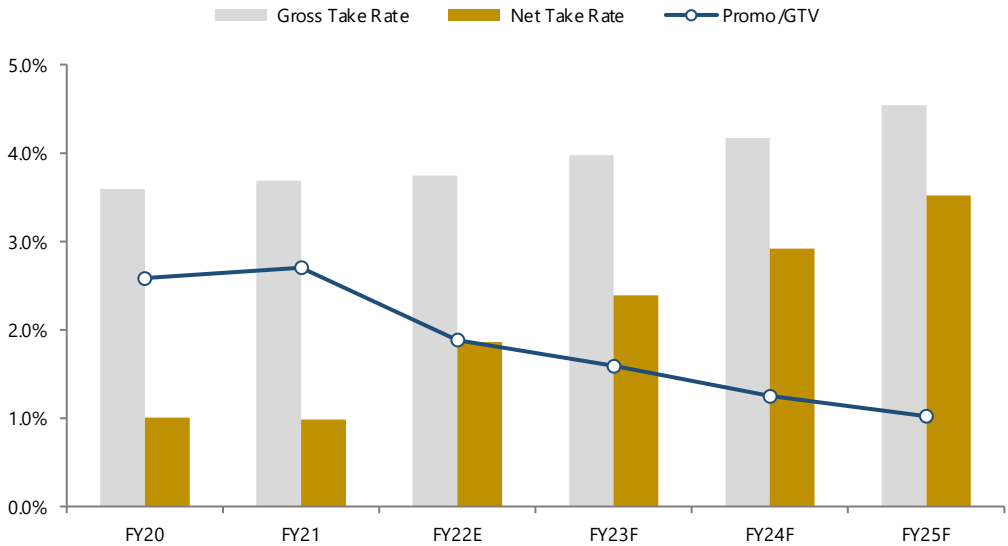
We projected GTV to grow +22.1% CAGR FY20-25F and likely to experience a moderation from FY23F onwards. GOTO has stated to focus on its loyal customers rather than continuously burning money to attract more customers. Gross take rate is likely to increase +30 bps annually under our base assumption. Furthermore, we expect GOTO to continue to revamp its customers engagement policy by leveraging data analytics and focus more on cost cutting enabled by continued penetration of GoPay Coins across platform. Hence, this would result in promotion/GTV cut by at least to a half causing promotion/GTV to be 1.0% by FY25F and bringing gross revenue/net revenue conversion to 78% by FY25F from only ~50% in FY22E based on our base-scenario.

Exhibit 12. GOTO's GTV is estimated to grow +22.1% CAGR FY20-25F



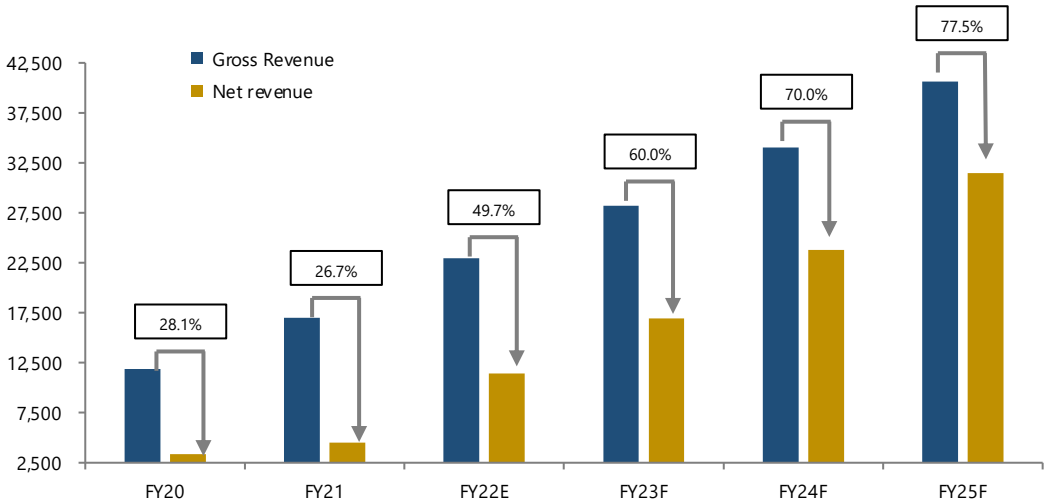
Sources : Company, MNCS Research

Exhibit 13. GOTO's Take Rate is Estimated to Increase at Least 30 bps Annually



Sources : Company, MNCS Research

Exhibit 14. GOTO gross/net revenue is projected to grow at +28.0%/56.8% CAGR FY20-25F



Sources : Company, MNCS Research

Key Enabler : Customers Stickiness

We think what can sustain GOTO's ecosystem growth going forward relies on its customers stickiness. Based on our observation in the last 2 years, Grab for instance as one of its closest competitor spends more promotion on average accounting to 6.4% of its platform size (1Q21-3Q22), whereas GOTO only spends only 2.2% of its platform size for promotion during the same period. Both, GOTO and Grab have rationalized promotion cost in 2022.

Throughout 9M22, GOTO's promotion to platform size has declined by -220 bps, while Grab experienced a sharper drop of -270 bps. However, Grab's platform size/ATU fell 2.2% at the same time giving a stark contrast to GOTO's platform size/ATU (Annual Transacting Users) increased by 15.4%. Indeed, in order to give an apple-to-apple benchmark is quite tricky as we also need to consider that Grab operation rely on deliveries, mobility and fintech, whilst GOTO has a more comprehensive portfolio with the existence of e-commerce business. Yet, given GOTO's unrivaled ecosystem completeness should benefit the company to lever it for further monetization, even compared to Sea which compete in e-commerce universe. By having a comprehensive portfolio across its digital ecosystem, we believe GOTO is far better in maintaining customers stickiness.

Exhibit 15. Comprehensive Portfolio should Benefit GOTO's Customers Loyalty and Thus Sustaining a High-Quality Growth with A More Rational Promotion Cost

Period	GOTO		Grab	
	Platform size/users (IDR mn)	Promotion (% platform size)	Platform size/users (USD)	Promotion (% platform size)
1Q21	6.6	1.2%	130.1	5.1%
2Q21	7.0	2.4%	133.3	6.3%
3Q21	8.0	2.5%	155.9	6.7%
4Q21	7.8	3.0%	152.1	8.1%
1Q22	7.8	2.7%	155.5	7.2%
2Q22	8.0	2.4%	155.1	6.2%
3Q22	9.0	0.8%	151.6	5.5%

Notes : platform size refers to GMV/GTV by which company reported, while users indicates transacting users of platform. Sources : GOTO, Grab, MNCS Research

Cost Optimization

GOTO aspiration to build a lean, agile and productive organization is also tightly linked to its operational efficiency. In Nov-22, GOTO followed an opex cost optimization approach mainly through downsizing its headcount. According to the available information, company's measure impacted 1,300 employees. This measure continues in Mar-23 which is said to impact 600 roles/employees. Based on 9M22 financial report, GOTO spent IDR11.3tn for salaries and employee benefits that accounted 39.7% of direct cost linked to company's operation. GOTO's total headcounts was 10,541 as of Sep-22 meaning that GOTO's expense for salaries and employee benefits was IDR119mn/month. Yet, one should be noted that some of employee benefit is share-based compensation (SBC) and could not be treated as a cash paid to employee. Thus, we believe using operating cash flow to employee to better reflect cash spent for its talents which based on our calculation GOTO paid employees averagely IDR48mn/month. Taking into account the downsizing headcount measures in Nov-22 and Mar-23, we expect GOTO could save IDR91bn/month or IDR274bn/quarter and IDR1.1tn/year. Note that this is not include pay severance, which could lead a result to be more conservative, yet still have sizeable impact on company's operating cash flow.

Exhibit 16. GOTO could save IDR3.3tn annually after downsizing its headcount.

	FY20	FY21	9M22
Operating cash to employee	2,633	4,097	4,558
Employee opex	3,647	8,734	11,288
Non-cash	1,014	4,637	6,731
No of employee	4,895	9,044	10,541
Cash cost (full)	538	453	432
Cash cost (monthly)	45	38	48
Headcount reduction phase I	1,300		
Headcount reduction phase II	600		
Total reduction	1,900		
Cost-saving/month	91		
Cost-saving/quarter	274		
Cost-saving/year	1,096		

Notes : cash cost in full and monthly are in IDR mn, while others are in IDR bn except for number of headcounts. Sources : Company, MNCS Research

Product-Based Ecosystem Integration

The third strategy to accelerate profitability is ecosystem product growth. We have observed several product initiatives to acquire new customers, customers portfolio expansion and higher margin business which we believe could sustain high quality growth going forward. In e-commerce segment, Tokopedia launched 'Dilayani Tokopedia' as a logistic fulfillment. In on-demand services, Gojek introduced GoTransit, GoCar luxe and GoCorp aiming to provide mobility solution for customers and in fintech business GOTO has GoPayLater and GoPayLater Cicil. Those products initiatives are summed up below.

Exhibit 17. GOTO's Ecosystem Product Growth and Its Impact

	Product Initiatives	Description	Impact to customers/merchants	Impact to GOTO
E-commerce	Dilayani tokopedia	A hyperlocal logistic fulfillment through Tokopedia's smart warehouse located in Jakarta, Bandung, Surabaya, Makassar, Palembang & Medan	**For merchants :** easy way to expand business as it provide reception, packaging to delivery offering a cost-saving approach **For customers :** quicker delivery, high quality services that could increase satisfaction	A more loyal customers due to increase in satisfaction, merchants business growth will also have a positive impacts on GOTO's ecosystem
On-demand	gotransit	A collaboration of Gojek with PT KCI to provide first-last mile customers mobility	Better customers experience and solution for better customers mobility	Fostering customers base expansion as well as stickiness to use the platform
	gocar LUXE	A premium taxi services launched by Gojek in Dec-22 and already rolled-out in Jakarta	Gocar luxe gives a premium services and experiences to customers	Gocar luxe could increase GOTO monetization particularly in on-demand services
	gocorp by gojek	Services offered by Gojek for corporate clients to help improve their employees mobility	GoCorp help corporate clients to solve their needs to support employees mobility and transportation in an easiest way	Expanding Gojek customers base benefitting from a huge needs in the corporate segment
Fintech	gopaylater	GoPayLater is payment solution (post-paid) for selected customers	Alternative payment solution for customers and better customers experience and platform engagement	Expanding customers base benefitting from a high transaction needs and platform GTV
	gopaylater cicil	GoPayLater Cicil is payment solution (post-paid) for selected Tokopedia customers	Alternative payment solution for customers and better customers experience and platform engagement	A high margin fintech business that could increase not only GTV but also revenue

Sources : Company, MNCS Research

What We Find Interesting from GOTO's Ecosystem Product Growth ? (BNPL)

Given its vast digital ecosystem size, GOTO aims to go beyond product growth. The company also try to step in Buy Now Pay Later (BNPL) product through GoPayLater Cicil in collaboration with Bank Jago (ARTO IJ) which could offer higher margin. Unlike the existing product of GoPayLater, this BNPL is offered to selected Tokopedia's customers. Furthermore, GoPayLater Cicil also has some basic characteristics that differ from GoPayLater.

Exhibit 18. GOTO's Ecosystem Product Growth and Its Impact

	GoPayLater Cicil	GoPayLater
Maximum limit	up to IDR15mn	IDR3mn
Payment scheme	Based on tenure	end of month
Cost	Cost vary based on maturity 1 month : 2.00% 3 months : 3.58% 6 months : 3.42% 12 months : 3.33%	applicable if used
Accessible on	Tokopedia	Gojek and other partners
Bill payment	through Tokopedia	through Gojek

Sources : Company, MNCS Research

Customers could convert their payment from cash to periodic installment charged with 2.0-3.3% fee based on tenure chosen. The scheme for BNPL could be achieved through credit channeling and GOTO will record a net revenue after deducting from Cost of Fund (CoF) and Cost of Credit (CoC). We believe that GoPayLater Cicil would be GOTO's next growth engine and next game changer driven by several reasons :

- Sizeable Tokopedia users. Based on our discussion with management, currently there are ~4mn customers eligible to access this product.
- Higher average order value (AOV). Tokopedia is by far also known for its association with electronic product leading to higher AOV and thus customers may prefer an installment payment rather than cash given the price is quite expensive. This should open up higher probability of BNPL adoption.
- Lending business is lucrative as it gives high margin. Lending, particularly in consumer segment has attractive margin. OJK decided to cap fintech lending interest rates at 0.4% for short-term maturity.
- A close relation with prominent digital bank in Indonesia. As we know, GOTO has 21.4% stake in Bank Jago (ARTO IJ), a leading and already profitable digital bank in Indonesia. Despite the cooperation is not exclusive, yet, nurturing collaboration between two entities is worth the effort.
- Data driven decision-making to be core risk management strategy. Every transaction in GOTO's platform will generate customers data that could be empowered through analytic approach and brings business insights on customers behavior such as preference. This could also be employed to generate a credit scoring that will optimize risk-adjusted return for credit portfolio.

Assuming that blended BNPL portfolio has 35% gross annual interest rates, with CoF of 5%, LDR 100% and CoC at 5%, the risk adjusted NIM for GoPayLater Cicil would be 25%. It is indeed promising, such a margin is even higher than current on-demand gross take rate at 22% and given huge Tokopedia GTV. In addition, we also believe CoC could be reduced if appropriate credit scoring framework is undertaken.

Exhibit 19. We Estimate GoPayLater Cicil to Have A High Risk-Adjusted Margin

Variables			
Tokopedia white-list (thousands)			4,000
Penetration			10%
GoPayLater Cicil users (thousands)			400
Gross interest rates			35%
LDR			100%
Cost of Fund (CoF)			5%
Cost of Credit (CoC)			5%
	Scenario 1	**Scenario 2**	**Scenario 3**
Order value (IDR thousands)	1,000	3,000	5,000
BNPL outstanding (IDR bn)	400	1,200	2,000
Gross revenues	140	420	700
Cost component			
CoF (IDR bn)	(20)	(60)	(100)
CoC (IDR bn)	(20)	(60)	(100)
Total Cost	(40)	(120)	(200)
Net revenues	**100**	**300**	**500**
Net margin			**25%**

Sources : Company, MNCS Research

Firming Profitability Orientation through New Management

At the EGMS which was held on 6 March 2023, GOTO received approval from shareholders to appoint new commissioners and directors. Agus Martowardojo (ex-central bankers), Patrick Walujo (PE practitioner), Winoto Kartono (PE practitioner) and Marjorie Lao who previously had a track record as executives in startups and global management consultants are appointed to be new commissioner. Meanwhile, on the board of directors is Pablo Malay, a former lawyer who is experienced in cross-border and large size corporate transactions who also help Gojek & Tokopedia merger in 2021. Apart from that, there is also Nila Marita who is assigned to handle external affairs and government relations who has experience in public relations for >2 decades. We see that the new management composition can enable GOTO to be more agile and fulfill its promise to accelerate profitability given a proven track record of new personnel. It is worth noting that Agus Martowardojo and Patrick Walujo also have good experience in executing smooth turnaround strategies, especially in the financial industry.

Exhibit 20. GOTO's new face of BoC & BoD

GOTO's new Board of Commissioner

- **Garibaldi Thohir** — *Co-Chairman*
- **Agus D. W. Martowardojo** — *Commissioner*
- **Winato Kartono** — *Commissioner*
- **Dirk Van den Berghe** — *Independent Commissioner*
- **Marjorie Lao** — *Independent Commissioner*
- **William Tanuwijaya** — *Co-Chairman*
- **Patrick Sugito Walujo** — *Commissioner*
- **Wishnutama Kusubandio** — *Commissioner*
- **Robert Holmes Swan** — *Independent Commissioner*

GOTO's new Board of Directors

- **Andre Soelistyo** — *CEO*
- **Wei-Jye Jacky Lo** — *CFO*
- **Pablo Malay** — *Chief Corporate Officer*
- **Nila Marita** — *Chief External Affairs*
- **Catherine Hindra Sutjahyo** — *President (On-Demand)*
- **Melissa Siska Juminto** — *President (E-Commerce)*
- **Hans Patuwo** — *President (Fintech)*

Sources : Company, MNCS Research

Putting It All Together, A Radical Profit Formula is Set to Bear Fruit

GOTO's effort in take rate improvement and cost cutting measures have been undertaken throughout 2022. We also have seen some notable impact on its fundamental. Here are some of the aforementioned impacts.

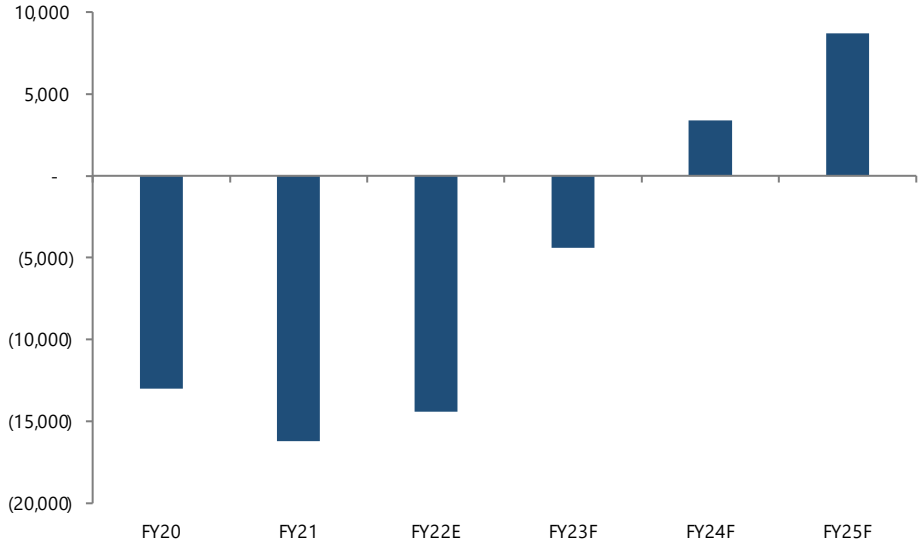
- Worth-noting that some of GOTO's opex is non-cash basis as company offers a share-based compensation (SBC) for employees by granting an option and thus after deducting IDR6.8tn of SBC and IDR412bn one off item, GOTO's fixed opex as of 9M22 was IDR7.5tn. During that period GOTO has implemented personnel related and non-related saving amounting at >IDR1tn or equivalent to 14% saving.
- GOTO's adjusted EBITDA (preferred profitability metric) also increased from -4.6% GTV in 4Q21 to -2.3% GTV in 3Q22. Its monthly cash burn also decrease from IDR1.6tn in 1Q22 to IDR1.3tn in 3Q22.

For 4Q22, we expect opex to increase due to one off items related to headcount downsizing. We also estimate that GOTO's net loss will likely to widen significantly as we expect company to conduct goodwill impairment test. GOTO recorded IDR93tn goodwill on its balance sheet driven by business combination (Gojek-Tokopedia merger). At that time Tokopedia was valued at USD8bn or equivalent to 33.8x EV/revenue. Goodwill needs a special treatment in accounting.

Companies such as GOTO which carry a sizeable goodwill value will need to conduct periodic impairment test. Given unfavorable macro-condition and challenging market environment in FY22, there will be adjustment on Tokopedia value which under our estimate could result in impairment of its value driven by lower market valuation of tech companies across the globe. Notes that peer like Sea Group also reported a goodwill impairment of USD178mn in 4Q22. Yet this would not impact on GOTO's cash flow.

We believe GOTO's profit acceleration will be observed in FY23F. Under the scenario of at least +25bps increase in overall take rate and discipline cost saving approach positive adjusted EBITDA in 4Q23F is achievable. Expect FY24F GOTO's adjusted EBITDA to be IDR3.4tn.

Exhibit 21. GOTO's positive adjusted EBITDA in 4Q23F is achievable if take rate improvement continue and company follow a discipline cost optimization approach



Notes : value in IDR bn. Sources : Company, MNCS Research

What matters more than just guidance is execution. Our model showed that for every +25bps increase in overall take rate will improve GOTO's adjusted EBITDA by IDR1.8tn if all else are equal using assumption that total cost (cost of revenues + opex) at 194% of net revenue. While for every increase of +2.5 percentage point in opex would result in IDR423bn lower of adjusted EBITDA.

Exhibit 22. Sensitivity model of take rate improvement and its impact on GOTO's adjusted EBITDA

Sensitivity	Base Scenario	-75bps	-50bps	-25bps	+25bps	+50bps	75bps
GTV	709,937	709,937	709,937	709,937	709,937	709,937	709,937
Take rates	*4.0%*	*3.2%*	*3.5%*	*3.7%*	*4.2%*	*4.5%*	*4.7%*
Gross revenue	28,233	22,908	24,683	26,458	30,008	31,783	33,557
Promo/GTV	*-1.6%*	*-1.6%*	*-1.6%*	*-1.6%*	*-1.6%*	*-1.6%*	*-1.6%*
Net revenue	16,940	11,615	13,390	15,165	18,715	20,489	22,264
EBIT	(15,935)	(21,259)	(19,484)	(17,709)	(14,160)	(12,385)	(10,610)
Adjusted EBITDA	**(4,416)**	**(9,741)**	**(7,966)**	**(6,191)**	**(2,642)**	**(867)**	**908**

Sources : Company, MNCS Research

Exhibit 23. Sensitivity model of total cost under different scenario and its impact on GOTO's adjusted EBITDA

Sensitivity	Base Scenario	-75bps	-50bps	-25bps	+25bps	+50bps	75bps
GTV	709,937	709,937	709,937	709,937	709,937	709,937	709,937
Net revenue	16,940	16,940	16,940	16,940	16,940	16,940	16,940
Total cost	*-194%*	*-202%*	*-199%*	*-197%*	*-192%*	*-189%*	*-187%*
Total expense	(32,874)	(34,145)	(33,721)	(33,298)	(32,451)	(32,027)	(31,604)
EBIT	(15,935)	(17,205)	(16,782)	(16,358)	(15,511)	(15,088)	(14,664)
Adjusted EBITDA	**(4,416)**	**(5,687)**	**(5,263)**	**(4,840)**	**(3,993)**	**(3,569)**	**(3,146)**

Notes: Total cost = cost of revenue + opex / net revenue. Sources : Company, MNCS Research

Answering Concern : A Closer Look at Cash (Liquidity)

Recently, the role of liquidity has become increasingly essential. The era of high interest rates that started last year has increased liquidity risk for corporations, particularly for startups that their life heavily rely on burning money and funding from investors. Investor appetite for startups and technology companies has been deteriorated throughout 2022 as hostile environment lingers. The Nasdaq Composite as a proxy for US technology stocks recorded its worst annual performance since the 2008 GFC. Amid these conditions, startups primarily in Southeast Asia such as GOTO, Sea and Grab change their orientation from growth to profitability. However, what has not escaped the spotlight is the extent to which the company can fund their operation until they are able to make a profit when liquidity in the market runs dry. We tried to do an assessment of the condition and adequacy of the liquidity of each startups with the following results.

Compared to Sea and Grab, GOTO is generally considered to have the shortest cash runway and is only able to support its operation for up to 7 quarters. However, looking at startup liquidity condition needs to be carefully taken with a more comprehensive approach, especially with regard to source of liquidity. This is important considering the cash obtained from the funding round with will have an impact on future business performance and further funding needs. Apart from the general view that GOTO has the shortest cash runway, we see that there are several interesting points that are worth understanding.

- **Funding history & momentum**. GOTO, Sea and Grab are public companies that clearly receive funding from the capital market. Of the three, Sea was the first to go public in the US market by issuing ADSs and managed to raise ~USD1bn in 2017, followed by Grab, that went public Nasdaq with the SPAC scheme at the end of 2021 and managed to raise USD4.5bn. The last was GOTO, that undertook IPO corporate action in the domestic stock exchange and raised funding from investors of USD1bn. Historically, Sea is one of the most active in conducting post-IPO funding rounds. Since FY17-21 Sea has obtained additional liquidity of up to USD16bn and this is what makes Sea Group having the thickest pocket. However, Sea is benefited due to high investors' appetite for startups at that time. It was clearly in stark contrast to Grab and GOTO, which faced unfavorable conditions when inflation increased followed by aggressive rate hikes causing funding with premium valuations is less likely.
- **Funding scheme**. Historically, particularly since the IPO, Sea has received funding through equity and debt financing. Of the USD16bn raised in those 5 years, 60% came from debt instruments-convertible notes which have interest bearing characteristics offering annual interest rates of 0.25-2.375%. Unlike Sea, most of Grab's funding is in the form of equity, largely coming from IPO through SPAC. However, in 1Q21 Grab issued USD2bn worth of non-convertible bonds and has repurchased around USD0.85bn. On the other hand, GOTO has successfully managed funding through equity financing and thus in our view, in the current situation, GOTO is superior. We further conducted analysis by calculating the net cash liquidity approach (cash & cash equivalent + short-term investment - interest bearing liability and after excluding restricted cash). The results showed that the three startups possess a similar cash runway. In our opinion, this metric is far better and more credible in explaining a company's liquidity condition as funding model clearly impact on whether cash received from funding will result in liabilities in the future.

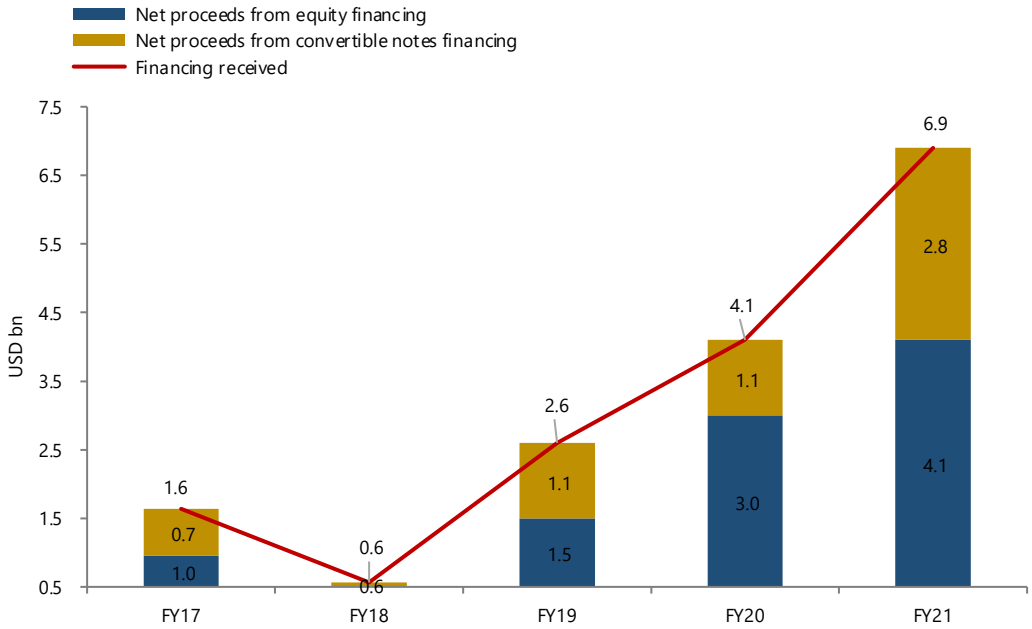
Exhibit 24. After taking a look at net liquidity, the 3 startups (GOTO, Sea and Grab) would have a quite similar runway.

Liquidity Comparison	GOTO	Sea Group	Grab Holdings
Cash & cash equivalent	2.1	6.3	2.3
Short-term investment & deposits	0.0	1.0	4.1
Gross liquidity	2.1	7.3	6.4
Interest bearing liabilities	0.1	4.2	2.1
Net liquidity	2.0	3.1	4.3
Quarterly cash burn	0.3	0.5	0.3
Cash & cash equivalent runway	**6.8**	**13.6**	**9.0**
Gross liquidity runway	**6.8**	**15.9**	**25.2**
Net liquidity runway	**6.5**	**6.7**	**16.9**

Notes : the data as of 9M22, all values in USD bn except for runway in quarters, restricted cash is excluded and quarterly cash burn is calculated using quarterly operating cash flow. Sources : GOTO, Grab, Sea, MNCS Research.

We further look at Sea Group as it provides funding details. In Sea's case, there will be USD575mn convertible notes issued in 2018 maturing on July 2023 with a 2.25% coupon rate. Most of bond holders have converted it, leaving only USD31.3 million as of FY21. Most of principal amount was converted due to the lower conversion price than the current market price of USD19.8bn. Further in 2024 there is USD1.15bn of convertible bond maturing with a coupon rate of 1.00% p.a and most of them have been converted to equity due to lower conversion price at USD50.1/share. However, Sea's convertible notes that are mature in 2026 worth of USD 2.88bn have a premium conversion price of USD 477.1/share. Furthermore, coupled with Sea's anti-dilution policy, we see the probability for conversion to be small and hence the liquidity space to be allocated expansion has become more limited. After all, GOTO's ability to maximize funding through equity instruments is ultimately superior given recent hostile environment. On top of lower interest rate risk, GOTO does not necessarily experience earnings volatility due to changes in the fair value of the debt instruments recorded in the P&L.

Exhibit 25. Sea Group historical funding activities FY17-21



Sources : Sea, MNCS Research.

Exhibit 26. Details of Sea's post-IPO funding round (debt-financing focus)

Convertible Notes	FY17	FY18	FY19	FY20	FY21
Amount issued	675	575	1,150	1,150	2,875
Maturity	3-year	Jul-23	Dec-24	Dec-25	Sep-26
Interest rates p.a	5%	2.25%	1.00%	2.38%	0.25%
Convertion price (USD/ADS)		19.8	50.1	90.5	477.10
Market price as of conversion date/recent					
Notes	All notes are converted to ~50mn ADS class A in Mar-20	Between May-Oct 2020 USD378.5mn principal amount was exchanged with USD50mn cash and 18.5mn ADS. As of Apr-22 holders aggregate of USD165.2mn preferred to convert and leaving USD31.3mn principal amount remain outstanding	As of April 5, 2022 holders of USD998mn preferred to convert and USD152mn remains outstanding and the cap price set at USD70.36 per ADS in regards to anti-dilution policy	As of April 5, 2022 holders of USD0.5mn principal have elected to convert and remaining USD1.1 remains outstanding	As of April 2022 all the amount principles remain outstanding

- **Tapping into fintech businesses and digital banks will require startups to have more restricted cash**. As we all know, GOTO, Sea and Grab have fintech and digital banking businesses. GOTO has a 21.4% stake in Bank Jago (ARTO). Sea Group acquired PT Bank Kesejahteraan Ekonomi (BKE) in 2021 and Grab partnered with Emtek Group and Singtel by acquiring Bank Fama. All of them operate in Indonesia as a promising market in the digital banking business with a large underbanked and unbanked population. However, in Indonesia, banking sector is a capital-intensive industry, as with OJK policies that seek to consolidate and strengthen banking capital. In comparison, Grab turned out to be the laggard in tapping in to the digital banking business while GOTO is a pioneer. Grab's journey to form a digital bank must go through at least the initial phase which is costly, a portfolio clean-up phase before it turns to be digital bank. The clean-up stage is expensive due to high probability of additional capital requirement given the considerable losses borne during the process plus the initial investment in technology. Both Sea Bank and Bank Fama have met the OJK capital requirements of at least IDR3tn. Yet, in contrast to Bank Jago, Sea Bank and Bank Fama capital still relatively small and categorized as KBMI I bank. In terms of capital size, under the scenario of OJK encouraging KBMI I banks to achieve a core capital of IDR6tn, both Sea Bank and Bank Fama still need at least IDR3tn additional capital or in other cases to reached the size of the already profitable Bank Jago.

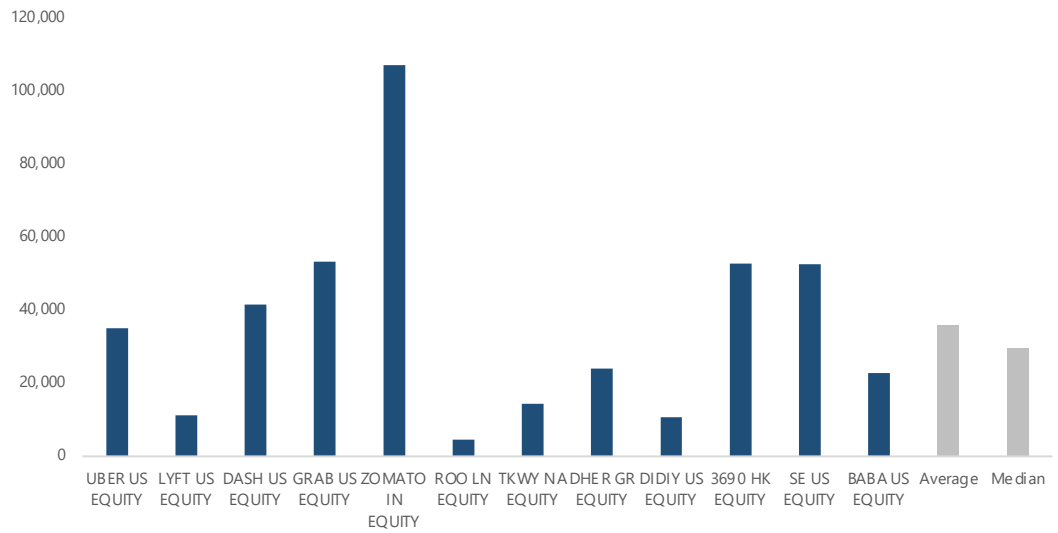
After taking a careful assessment we believe that GOTO's cash and liquidity position could not be underestimated. Moreover, GOTO pledges to deliver positive adjusted EBITDA positive by the end of this year indicating that GOTO could fund operation using its own cash without external funding needs. Management also reiterated that any external funding would be opportunistic.

Valuation

We approach our valuation by separating GOTO into its three pillars of business, namely on-demand, e-commerce, and financial technology, and assess its intrinsic value by using SOTP. For each line of business, we use EV/revenue by comparing GOTO to its global and domestic peers as many of the companies are pursuing towards profitability. With most of the tech companies have shifted its focus away from growth, using GTV as a metric of valuation does not seem to be appropriate as it only measures the size of platforms, rather than the revenue generated from the business. Back to our model, based on our findings, we assess GOTO's EV by:

- **On-Demand**: We found that the segment is traded at the range 0.3x-6.3x EV/sales, yet we found GRAB has the most similar business model, ecosystem, platform growth, and take rate with GOTO. Therefore, we use GRAB's forward FY23F EV/sales of 3.2x for GOTO's valuation in the on-demand segment.

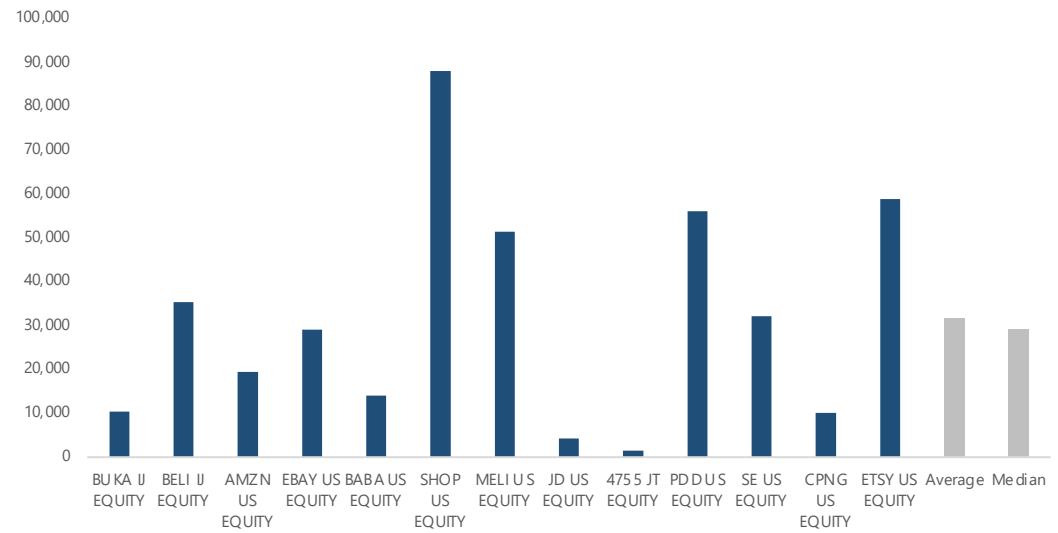
Exhibit 27. GOTO's On-Demand EV using Comparables



Sources : Bloomberg, MNCS Research

- **E-Commerce**: We found that the segment is traded at the range 0.2x-8.5x EV/sales. From the merger of Gojek and Tokopedia in FY21, Tokopedia's valuation with EV/revenue during the period was comparable with Shopify who had a metric of 33.9x. Currently, in our model, we give a premium valuation for GOTO's e-commerce segment (Tokopedia) with 14% higher than the forward FY23F EV/revenue of 8.5x as Tokopedia's projected revenue growth is higher than Shopify with 22.6% YoY.

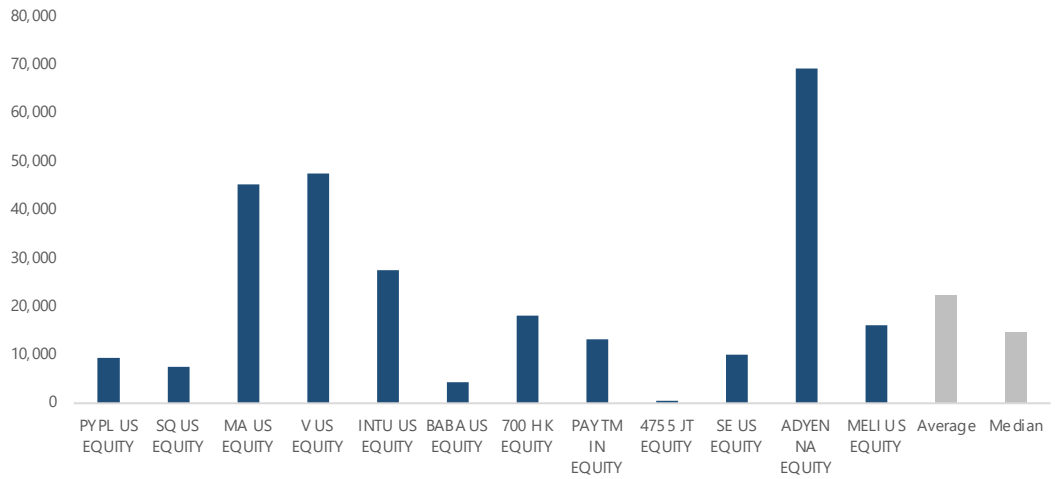
Exhibit 28. GOTO's E-Commerce EV using Comparables



Sources : Bloomberg, MNCS Research

- **Fintech**: We found that the segment is traded at the range 0.2x-21.4x EV/sales, however we found that Sea Group has similar business model with GOTO in terms of the availability of e-wallet, digital bank, and both recorded a significant growth in revenue in FY22E. Yet, going forward, we expect GOTO's fintech lending to be more premium with the addition of GoPayLater Cicil, as well as high average order value of Tokopedia, thus making GOTO's ecosystem to be more comprehensive compared to Sea.

Exhibit 29. GOTO's Fintech EV using Comparables



Sources : Bloomberg, MNCS Research

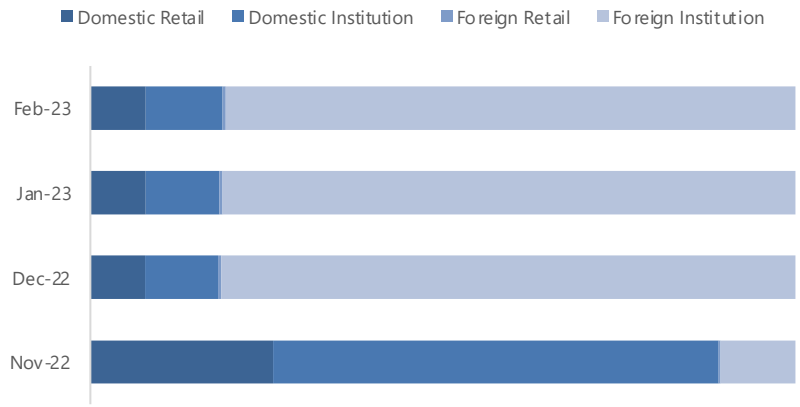
In total, GOTO's implied EV/sales is recorded at 6.3x in FY23F, while in FY24F, it is recorded at 5.3x, with ARTO included in our calculation. This valuation deemed to be more premium than its peers due to its comprehensive portfolio, customer stickiness, and its domination in Indonesia. With the expected net cash of IDR19.7tn in FY23F, GOTO's share price is targeted at IDR168/share (+43.6% upside).

Key Investment Thesis: 4 Reasons We Like GOTO

Global Index Inclusion

In Feb-2023, GOTO is reported to be included into the FTSE Global Equity Index Series (GEIS) Asia Pacific Ex-Japan Ex-China as large cap stocks, which will be effectively traded on March 20, 2023. With the inclusion of GOTO into the index, the company is benefitted from being exposed on the global market, which in turn increase its liquidity and foreign inflow.

Exhibit 30. GOTO's Domestic and Foreign Ownership Before and After the Lockup Period

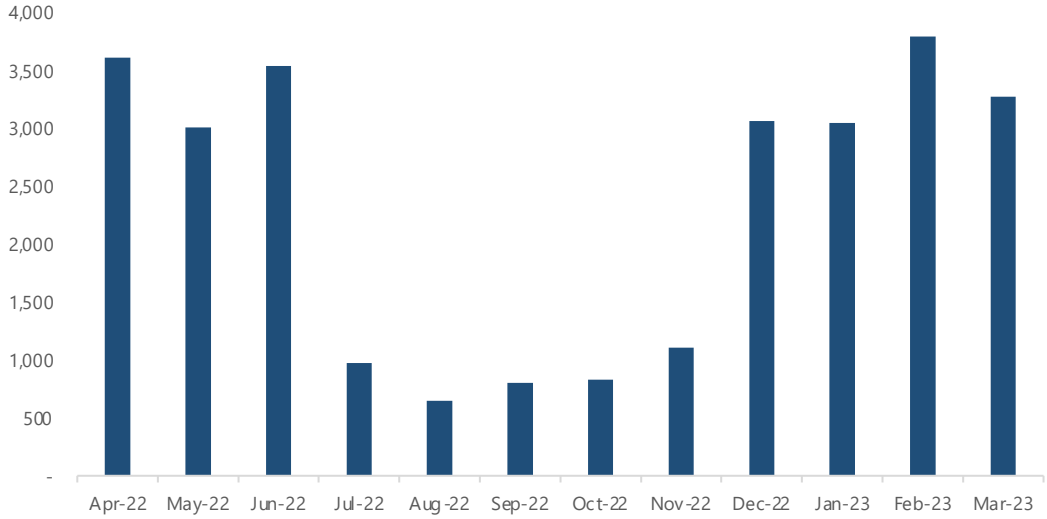


Sources : KSEI, MNCS Research

Liquidity

GOTO's liquidity has been affected by the lock up period imposed on some of its pre-IPO shareholders. From the prospectus, GOTO has two classes of shares: series A and series B, where up to Dec-2022, these shares can be traded freely in the secondary market. Therefore, after the lockup period expired, GOTO's free float rose to 60.7% free float (vs 4.4% during IPO), thus increasing the liquidity, as seen in graph below. This increased of liquidity can act as a positive catalyst for the company as GOTO becomes top 10 most actively traded stocks in the JCI.

Exhibit 31. GOTO's Average Trading Volume Shows that the Stock is Actively Traded On Dec-22 after the Expiration of the Lockup Period

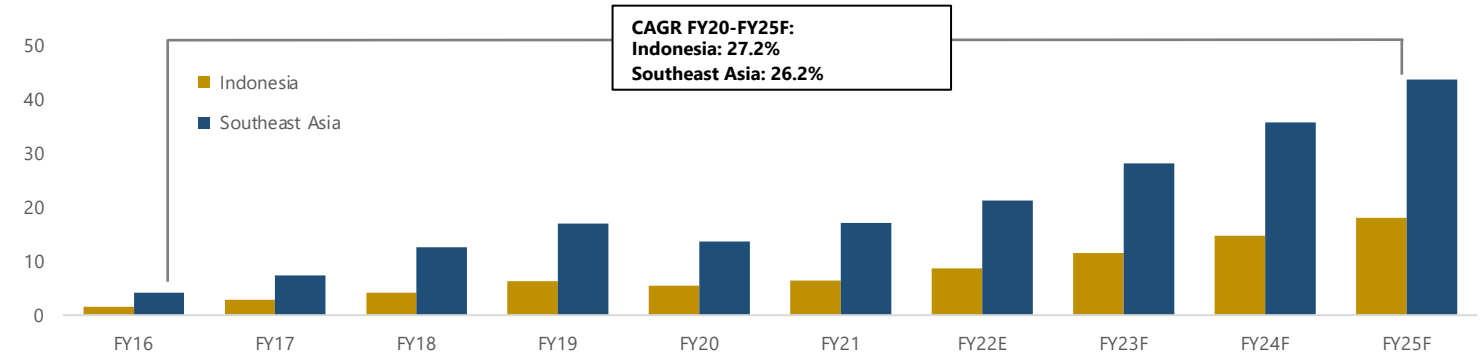


Sources : Refinitiv, MNCS Research

Proxy of Indonesia's Digital Economy

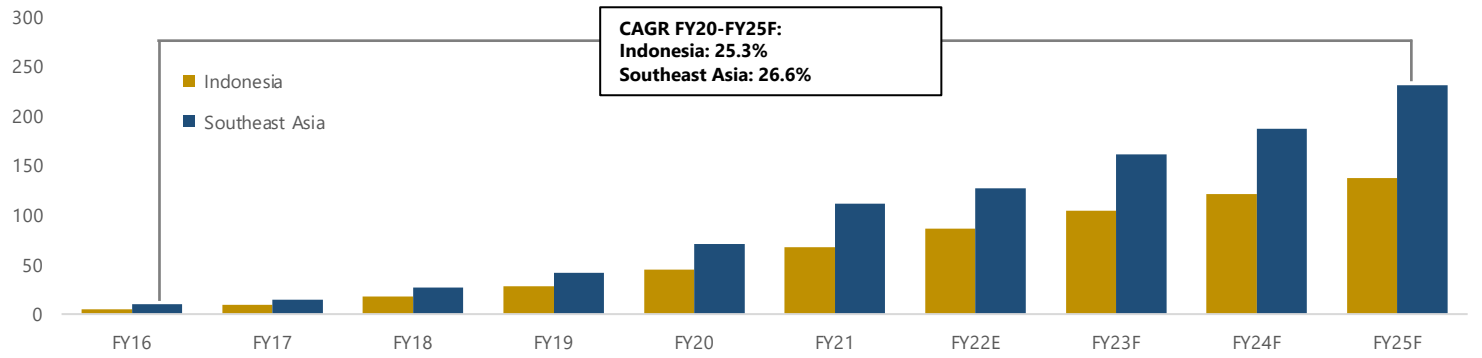
According to a research report by Google, Temasek, Bain & Company in FY22, Indonesia's digital economy is expected to grow with CAGR of 19% from FY22-FY25F to USD130bn, the highest in the Southeast Asia, which is driven primarily by the e-commerce, which contributes 73.1%. Moreover, Indonesia also recorded a high adoption rate of e-commerce, transport, and food delivery in FY22 with >75%, and with the shift of behavior of the consumers, the rate is expected to rise further in the future. Additionally, the growth of digital financial services is also expected to grow up to FY25F, with digital payments showing a CAGR of 17%. As a result, the growth of the digital economy benefits GOTO as the company being the proxy for the country's digital economy with its sheer size and comprehensive ecosystem, which will benefit GOTO going forward. Moreover, according to the research, 48% of Indonesians willing to pay more for a sustainable service or products, thus benefiting GOTO in the long run from the increase of take rate going forward.

Exhibit 32. On-Demand Segment Market Size GTV (USD bn)



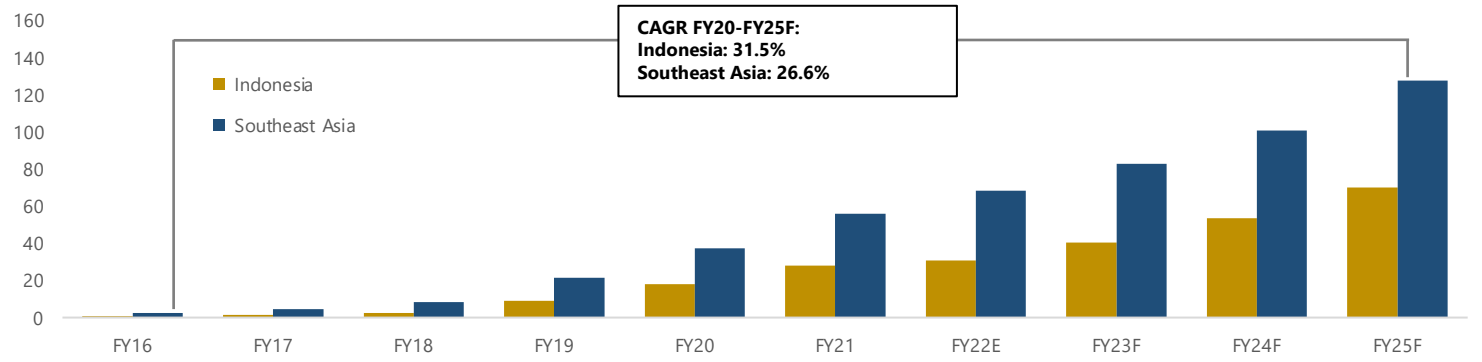
Sources : Redseer, MNCS Research

Exhibit 33. E-Commerce Segment Market Size GTV (USD bn)



Sources : Redseer, MNCS Research

Exhibit 34. Fintech Segment Market Size GTV (USD bn)



Sources : Redseer, MNCS Research

The Most Complete Digital Ecosystem

GOTO has the most comprehensive digital ecosystem in Indonesia through its on-demand, e-commerce, and fintech segments.

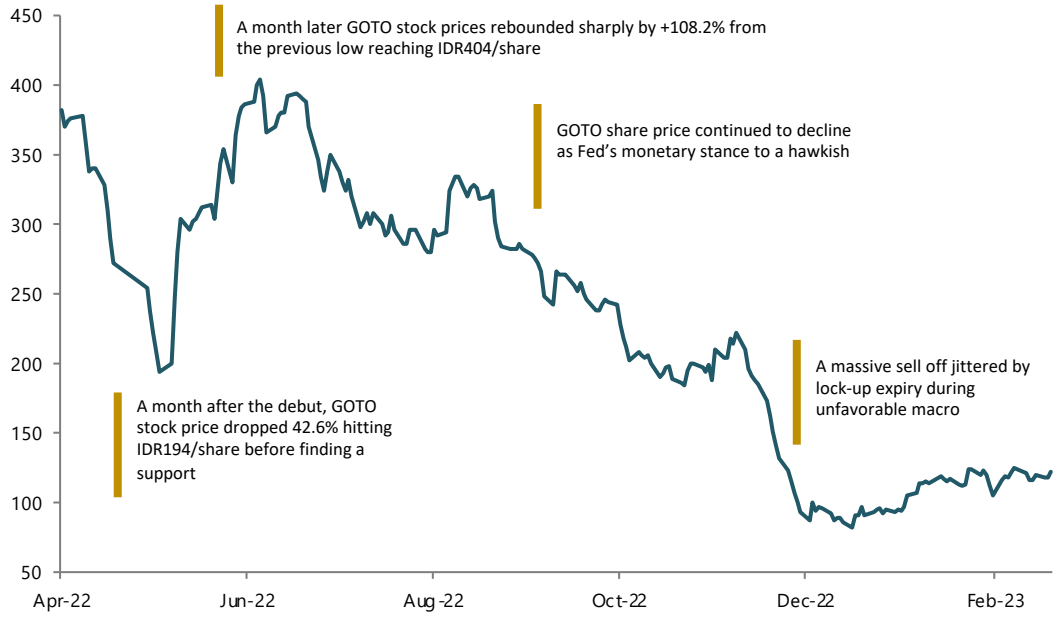
- **On-demand**: This segment has the biggest take rate compared to other segments with 21.6% in FY22E, which implies the highest gross profit contributor, thus resulting in a positive contribution margin. Moreover, with the economic recovery post pandemic, GOTO's GoCorp and GoTransit is expected to contribute significantly, while GoFood reported its customer loyalty proportion increased from 38% to 52%.
- **E-Commerce**: According to data by SimilarWeb, Tokopedia achieved the highest data traffic in Indonesia compared to other e-commerce platforms with average monthly visit reaching 158.3mn in 6M22. With the e-commerce segment in Indonesia projected to grow at CAGR of 17% up to FY25F, Tokopedia is expected to further grow, considering that the platform is the market leader in the segment and becomes a proxy for the e-commerce market in Indonesia. Moreover, the addition of GoPayLater Cicil into Tokopedia can potentially increase total transaction in the platform and further improve customer loyalty.
- **Fintech**: In the segment, the integration of Gopay to Gojek and Tokopedia has increased GOTO's user penetration to new highs in 9M22, indicating more users are making payments through GoPay. Specifically, in 3Q22, GoPay user penetration in Tokopedia went up from 52% to 58%, while in Gojek, it increased from 55% to 60%. In the meantime, GTV per GoPay user recorded a rise of 47%, implying more spending and frequent using GoPay.

Meanwhile, comparing with its peers, Sea Group and Grab, GOTO has more comprehensive ecosystem as Sea Group relies mostly on its e-commerce platform, Shopee, contributing 58.9% of its total GAAP revenue in FY22. On the other hand, Grab depends heavily on its mobility and deliveries segments, where they contributed 90.9% of the total revenue. Additionally, GOTO's 21.4% ownership of ARTO further compliments GOTO's services in the digital bank segment.

Thinking About Risk

We identify a macro & micro risks for GOTO. First, from macro perspective, given current challenging macro backdrop, markets and investors would demand a more rational and somewhat a cheaper valuation for growth companies like tech startups. Therefore, this also open up possibility for valuation de-rating. By taking a look at GOTO stock price movement since IPO, we could see how global macro factors has imposed a systematic risk to domestic tech stock like GOTO. Since the debut, GOTO stock price in the secondary market fluctuated a lot with the highest closing price at IDR404/share and the lowest of IDR82/share. And as of 1 March 2023, GOTO's stock price was closed at IDR122/share reflecting -64% from the IPO price. GOTO's share price drawdown was triggered by unfavorable interest rate hike that demand a more rational growth-stock companies' valuation which reflected a systematic risk and also partially driven by irrational market behavior particularly during post lock-up expiry period. Yet, since the beginning of 2023, the share price uptrend was also attributable to Nasdaq & Hang Seng rebound from the worst performance as well as company's maneuver to fast-track profitability.

Exhibit 35. GOTO price movement since IPO



Sources : Bloomberg, MNCS Research

Another macro risk that we closely monitor is the development of SVB collapse due to liquidity and solvency problems. SVB is recognized as startups banks which unlike other banks that raise funding from traditional retailers, its balance sheet is dominated by institutional and VC funds from its USD177bn funding. On the other hand, SVB also recorded a huge losses on securities investment (~USD17bn as of 4Q22). SVB bank run and regulator's closure cause market volatility. We believe the contagion risk to Asia and Indonesia is likely to be minimal as domestic banking sector remains healthy characterized by strong CAR (~25%) and high CASA ratio from retail funding invested in loan and a more resilient bond market supported by monetary & fiscal authority stabilization policy. Yet, SVB collapse impact on startups could not be underestimated as some of VC funds having a liquidity problem. Given such a circumstance, startups may experience a significant funding squeeze and they need to think carefully on liquidity management by focusing on investment/project that could generate cash flow to reduce external funding dependence. As such we also think that investors are likely demanding a lower valuation for growth companies and tech startups. Again, this should result in the possibility of de-rating.

On the other side, we also believe that key risk for GOTO is on fundamental side. Slower than expected execution to increase monetization particularly on a high margin business such as lending may trigger GOTO's valuation de-rating. We have performed an assessment of GOTO's valuation sensitivity that tightly linked to its monetization under different scenario of systematic risk and strategy execution.

Exhibit 36. Sensitivity model of take rate and valuation multiple and its impact on GOTO's target price

		Valuation Multiple FY23F				
		-20%	-10%	Base	+10%	+20%
Take Rate	-20bps	131	146	160	174	189
	-10bps	134	149	164	179	193
	Base	137	153	168	183	198
	+10bps	141	156	171	187	202
	+20bps	144	159	175	191	207

Sources : Company, MNCS Research

As mentioned before, take rate affects GOTO's ability to generate sales, meaning that the higher the take rate is, the higher the sales after each transaction, hence accelerating the company's path towards profitability. Valuation multiple or the EV/sales also plays a significant role in determining the company's target price as the higher the ratio is, the more people are willing to pay premium for the company's future growth prospect. As seen in the table above, the lower the take rate and the valuation multiple, the lower the target price is, implying that the company is seen to have limited growth prospect. In the take rate, we use the base case at 4.0%, while in the valuation multiple, the base case is set at 6.3x. When the take rate is lower by 20bps while its valuation multiple is kept lower by 20%, the target price for GOTO is at IDR131/share. Meanwhile, when the take rate is increased by +20bps from the base case with EV/sales greater by 20%, the target price is higher at IDR207/share (58.0% disparity).

Exhibit 37. Financial Projections

Income Statement	FY20	FY21	FY22E	FY23F	FY24F
Net revenue	**3,328**	**4,536**	**11,415**	**16,940**	**23,806**
Gross profit	889	760	6,161	12,009	19,010
EBIT	**(10,167)**	**(22,385)**	**(25,737)**	**(15,935)**	**(8,169)**
D&A expense	(1,247)	(2,417)	(2,548)	(2,966)	(3,246)
EBITDA	**(8,919)**	**(19,968)**	**(23,189)**	**(12,968)**	**(4,923)**
Adjusted EBITDA	**(13,016)**	**(16,208)**	**(14,410)**	**(4,416)**	**3,387**
Net finance income/(expense)	26	60	353	143	146
Other income/(expense)	(10,875)	265	(19,128)	(1,522)	(1,501)
Pre-tax income/(loss)	(16,789)	(22,211)	(44,512)	(17,314)	(9,525)
Minority interest	(2,527)	(1,038)	(2,062)	(804)	(446)
Attributable net income/(loss)	**(14,209)**	**(21,391)**	**(42,479)**	**(16,574)**	**(9,183)**

Balance Sheet	FY20	FY21	FY22E	FY23F	FY24F
Cash & cash equivalent	15,319	31,151	28,554	23,002	25,638
Receivables	275	507	755	851	1,025
Inventory	42	34	59	57	52
Other current	3,890	4,371	4,130	4,251	3,779
Total current	19,526	36,064	33,498	28,161	30,494
Fixed assets	827	1,470	1,470	1,440	1,471
Investments	4,852	10,655	12,559	12,559	12,559
Intangible	3,382	106,427	84,186	82,246	80,305
Other non-current	1,522	521	1,021	1,272	1,147
Total assets	**30,109**	**155,137**	**132,736**	**125,679**	**125,976**
Payables	640	867	1,240	828	1,643
Short-terms borrowings	738	1,452	1,545	1,545	1,545
Other short-term	4,386	9,974	10,575	12,041	12,363
Short-term liabilities	5,764	12,294	13,360	14,414	15,551
Long-term payables	1,816	776	929	906	926
Other long-term liabilities	1,729	3,043	2,880	2,746	2,845
Long-term liabilities	3,545	3,819	3,809	3,652	3,771
Total liabilities	**9,309**	**16,113**	**17,169**	**18,066**	**19,322**
Share capital	692	1,144	1,184	1,184	1,184
Additional paid-in	63,281	225,852	239,907	239,907	239,907
Retained earnings	(57,740)	(79,129)	(121,608)	(138,181)	(147,364)
Others	13,882	(7,550)	(2,530)	6,317	14,527
Minority interest	683	(1,292)	(1,387)	(1,614)	(1,600)
Shareholders equity	**20,799**	**139,024**	**115,567**	**107,613**	**106,654**

Sources : Company, MNCS Research

Cash Flow	FY20	FY21	FY22E	FY23F	FY24F
EBITDA	(8,919)	(19,968)	(23,189)	(12,968)	(4,923)
Working capital change	582	3	100	(507)	646
Net finance & tax	(28)	278	382	208	249
Other operating flow	1,004	5,432	601	1,310	166
CF from operation	**(7,361)**	**(14,691)**	**(22,105)**	**(11,957)**	**(3,861)**
Capex	(1,430)	(1,304)	(582)	(996)	(1,059)
Other investing	(3,876)	(89,946)	(1,904)	-	-
CF from investing	**(5,305)**	**(91,251)**	**(2,486)**	**(996)**	**(1,059)**
Debt changes	1,722	(812)	93	-	-
Equity changes	2,594	168,578	22,364	8,309	8,309
Other financing	19,471	(46,235)	(462)	(908)	(753)
CF from Financing	**23,787**	**121,531**	**21,994**	**7,402**	**7,556**
Cash at the beginning	6,104	15,319	31,151	28,554	23,002
Net change	9,215	15,831	(2,597)	(5,552)	2,636
Cash at the end	**15,319**	**31,151**	**28,554**	**23,002**	**25,638**

Financial Metrics	FY20	FY21	FY22E	FY23F	FY24F
Growth (YoY)					
GTV	-1.6%	39.8%	32.8%	15.8%	14.9%
Gross revenue	13.8%	43.5%	35.0%	22.9%	20.5%
Net revenue	44.4%	36.3%	151.7%	48.4%	40.5%
EBIT loss	-51.6%	120.2%	15.0%	-38.1%	-48.7%
EBITDA loss	-55.5%	123.9%	16.1%	-44.1%	-62.0%
Net loss	-37.6%	50.5%	98.6%	-61.0%	-44.6%
Profitability (%)					
Gross profit margin	26.7%	16.8%	54.0%	70.9%	79.9%
EBIT margin	-305.5%	-493.5%	-225.5%	-94.1%	-34.3%
EBITDA margin	-268.0%	-440.2%	-203.1%	-76.6%	-20.7%
Net profit margin	-427.0%	-471.6%	-372.1%	-97.8%	-38.6%
Leverage (x)					
Debt/Equity	0.1	0.0	0.0	0.0	0.0
Debt/Asset	0.1	0.0	0.0	0.0	0.0
Debt/EBITDA	(0.3)	(0.1)	(0.1)	(0.2)	(0.5)
Net gearing	(0.6)	(0.2)	(0.2)	(0.2)	(0.2)
Valuation (x)					
P/GTV	0.4	0.3	0.2	0.2	0.2
P/sales	43.1	31.6	12.6	8.5	6.0
P/B	6.9	1.0	1.2	1.3	1.3
EV/GTV	0.4	0.3	0.2	0.2	0.1
EV/revenue(gross)	10.3	7.2	5.3	4.3	3.6
EV/revenue(net)	36.6	26.9	10.7	7.2	5.1

Sources : Company, MNCS Research

MNC Research Industry Ratings Guidance

OVERWEIGHT: Stock's total return is estimated to be above the average total return of our industry coverage universe over next 6-12 months

NEUTRAL: Stock's total return is estimated to be in line with the average total return of our industry coverage universe over next 6-12 months

UNDERWEIGHT: Stock's total return is estimated to be below the average total return of our industry coverage universe over next 6-12 months

MNC Research Investment Ratings Guidance

BUY : Share price may exceed 10% over the next 12 months

HOLD : Share price may fall within the range of +/- 10% of the next 12 months

SELL : Share price may fall by more than 10% over the next 12 months

Not Rated : Stock is not within regular research coverage

PT MNC SEKURITAS

MNC Financial Center Lt. 14 – 16

Jl. Kebon Sirih No. 21 - 27, Jakarta Pusat 10340

Telp : (021) 2980 3111

Fax : (021) 3983 6899

Call Center : 1500 899