



BUY

Target Price : IDR168

Stock Data

Current Price : 104
 52wk Range H-L : 81 - 442
 Share Outstanding : 1,133.79 bn
 Free Float : 60.71%
 Mkt Capitalization : IDR123.17 tn

Major Shareholders

Taobao China Holding Ltd. : 8.84%
 SVF GT Subco (Singapore) Pte. Ltd. : 7.79%
 Goto Peoplerverse Fund : 6.75%
 Government of Singapore : 5.55%
 Public : 64.12%



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

PT GoTo Gojek Tokopedia Tbk (GOTO IJ)

Internet Services & Technology

Radical Profit Formula Successfully Executed

1Q23 Results: Solid Footing towards Profitability

In 1Q23, GOTO successfully met its goal of achieving a positive contribution margin (CM), achieving IDR636 bn (+0.4% GTV), while also growing adjusted EBITDA by +49% QoQ/+67% YoY in the prior quarter. All business segments saw growth, but the on-demand services (ODS) contributed the most significantly positive CM results. This success was fueled by a combination of higher take rates and strict cost-cutting strategies. Despite a -5% YoY decline in GTV, the take rate improved by +310 bps, and expenses associated with products and marketing were effectively decreased by -30% YoY. Adjusted EBITDA losses fell by 88% YoY, and the CM changed to a positive IDR524 bn (+173% YoY). Fintech and e-commerce both produced positive CMs (IDR19 bn/+0.02% GTV and IDR178 bn/+0.3% GTV, respectively). The e-commerce take rate increased by +72 bps YoY to 3.6% GTV, helped by improved merchant app monetization capabilities and ad offerings. The fintech sector, meanwhile, successfully increased its take rate by +10 bps YoY to 0.5% while continuing to post QoQ and YoY GTV growth. If the business can keep up a 25-30% quarterly improvement rate, GOTO's goal of having positive adjusted EBITDA by 4Q23 should be feasible. With a recent cash and cash equivalent balance of IDR26.7 tn and a reduction in cash burn of 60-65%, GOTO should have enough liquidity to meet its profitability goal.

Shifting from GTV Oriented to Solidify Business Fundamentals

A much-anticipated GTV slowdown was accompanied by a better financial results. We believe that moderating GTV growth in the 1Q23 was not only attributable to adjustment in promo & related marketing expenses cost. Given GOTO's business rely on consumers spending, the first quarter seasonality of a moderation in economic activity also affected GOTO's GTV. In spite of reporting lower LTM ATU in 1Q23 (-10% YoY), GOTO recorded +37% GTV/LTM ATU and +29% YoY LTM orders/LTM ATU reflecting high customers stickiness/dependency. Going forward, particularly in 2Q23, we expect Ramadan festive season and Eid Fitri holiday would be a positive catalyst for company's GTV, yet expect a moderation to continue to occur. By focusing more on monetization, optimizing cost and focusing on profitable customers, we believe this will bear a fruit for GOTO's fundamental.

High Margin Fintech Business to be the Key Going Forward

GOTO's fintech business became the only segment by which the GTV did not contracted in 1Q23. Given the sizeable of the GTV, fintech business turned out to be group's overall platform size growth driver last quarter. Some notable improvement include : 1) +25% YoY increase in gross revenue (+10 bps YoY take rate) and 2) CM turned to positive +0.02% GTV implying +47 bps YoY increase in take rate backed by +30% YoY increase in average spend of GoPay users. We like GOTO for its thesis to focus on rolling out consumer lending (BNPL/GoPayLater Cicil). GOTO recorded loan outstanding of IDR831 bn in 1Q23 (+40% QoQ). GOTO aspires to scale up its loan book origination going forward in a prudent manner. Considering ARTO's good capability in the segment of disbursing loan to mass market, Tokopedia's vast users base and the nature of high margin business (net margin is estimated to be ~20%), therefore fintech segment is worth focusing on business.

A Complement Thesis to Embody Unrivalled Value Proposition and Keeping Its Dominance in the Industry

GoTo Logistics (GTL) was the results of organization restructuring. This segment aims to deliver a more competitive cost-to-serve fulfilment and logistics by at least saving 30% of cost imposed to customers through leveraging company's last mile capabilities. Together with the gross revenue and adjusted EBITDA growth of +12% YoY and 37% YoY respectively, this segment is expected to complement GOTO's already vast ecosystem constituted by on-demand, e-commerce and fintech segments. The complimentary effect of owned logistic business will also drive customers stickiness due to strengthening its value proposition particularly in high quality service and thus will lead to a flywheel effect for group's business.

Opportunity in the volatility, maintain BUY

We reiterate **BUY** call on **GOTO** with **TP of IDR168/share** (~+70% potential upside from current share price) implying 10.0x EV/revenue. Indeed the share price has ever hit the highest of IDR132/share throughout 2023, yet due to the weakening sentiment driven by SVB fallout and shareholder divestment activity led GOTO's market value to plunge. However, given a more solid fundamentals, we believe GOTO to provide room for short-term volatile momentum as the stock traded slightly above IDR100/share or equal to FY23E 3.5x EV/revenue. Key upsides: 1) faster than expected profitability, 2) strong synergy and integration with Bank Jago and 3) rate cut. Key downsides: 1) higher for longer interest rates, 2) failure to keep profitability guidance and 3) sharp decline in economic activity that trigger valuation de-rating.

Key Financial Highlights

IDR bn	FY21	FY22	FY23E	FY24F	FY25F
Net Revenue	4,536	11,349	18,069	23,806	31,503
Net Income	(21,391)	(39,571)	(15,180)	(9,048)	(5,383)
EPS (IDR)	(12)	(18)	(33)	(13)	(8)
PE (x)	(9.58)	(5.18)	(13.50)	(22.64)	(38.06)
BVS (IDR)	117.38	103.62	100.23	102.01	106.89
PBV (x)	1.47	1.67	1.73	1.70	1.62
EV/EBITDA (x)	(9.08)	(6.62)	(10.45)	(19.27)	(36.60)
ROA (%)	(13.79)	(28.42)	(11.36)	(6.81)	(3.89)
ROE (%)	(15.39)	(32.24)	(12.79)	(7.49)	(4.25)

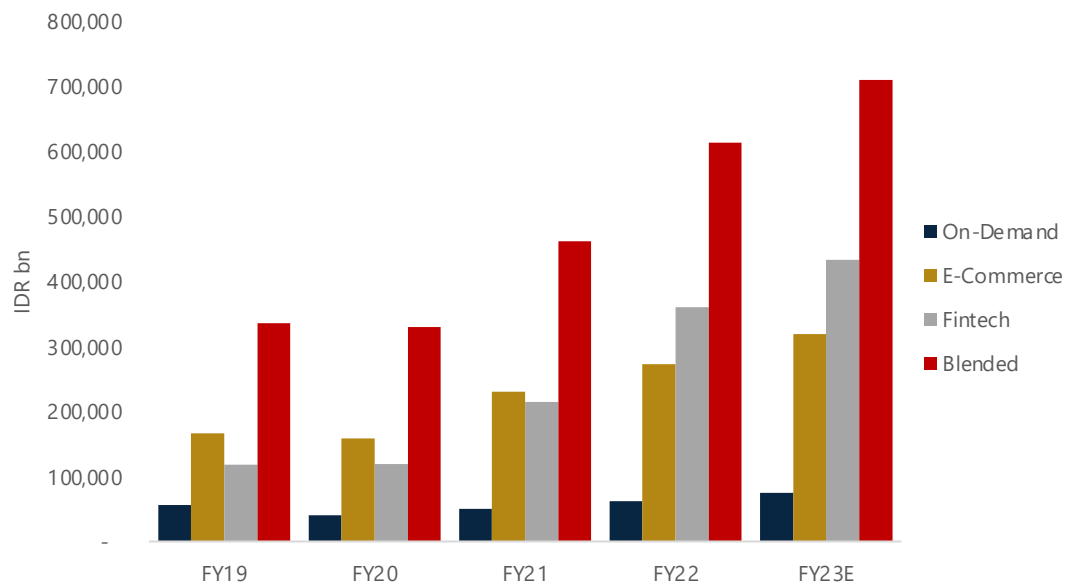
Sources: Bloomberg, MNCS

Exhibit 01. GOTO Financial Highlight

IDR tn	1Q22	4Q22	1Q23	QoQ	YoY	MNCS	% MNCS
GTV	140.0	162.0	149.0	-8.0%	6.4%	709.9	21.0%
Gross Revenue	5.2	6.3	6.0	-5.1%	14.3%	28.2	21.2%
Net Revenue	1.5	3.4	3.3	-2.0%	122.6%	16.9	19.7%
Contribution Margin	(2.5)	(0.6)	0.6	206.0%	125.1%	1.4	44.8%
Adjusted EBITDA	(4.9)	(3.1)	(1.6)	48.5%	67.1%	(3.5)	45.7%
Net Loss	(6.6)	(19.5)	(3.9)	80.0%	41.0%	(14.8)	26.3%

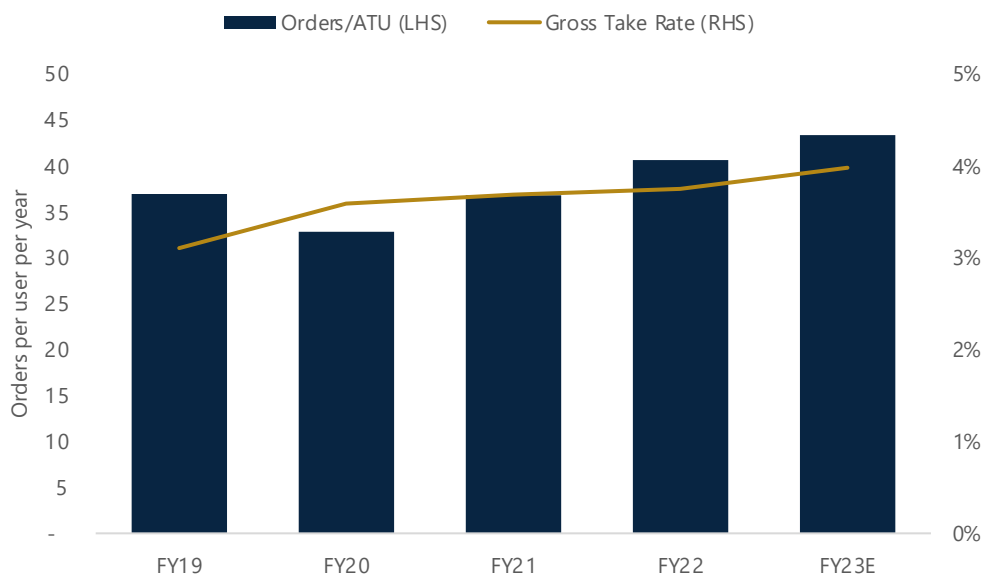
Sources : Company, MNCS

Exhibit 02. GOTO's GTV FY19-FY23E



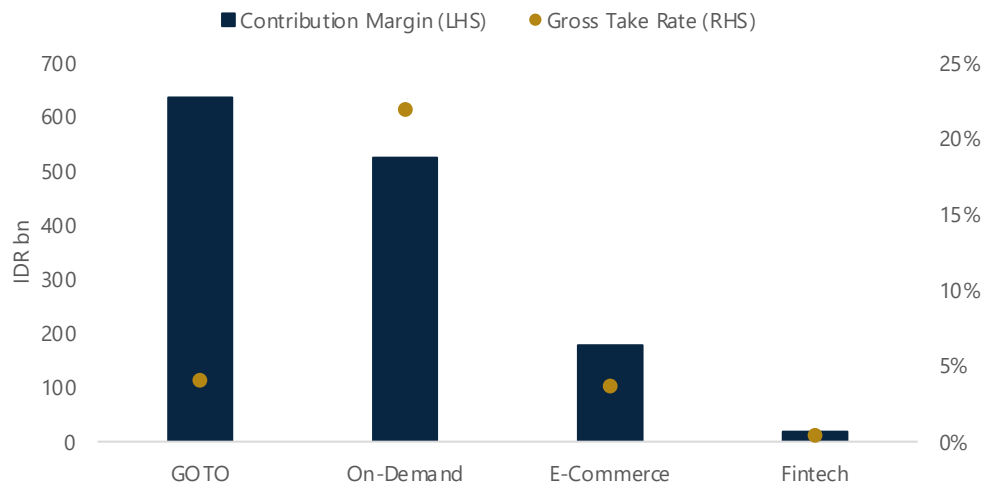
Sources : Company, MNCS

Exhibit 03. Take rate is expected to increase by 30bps in FY23E



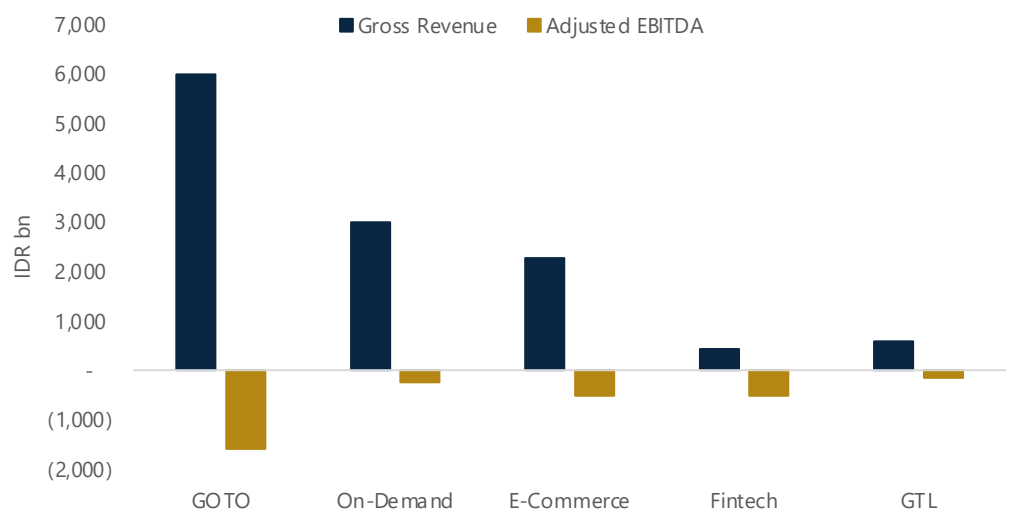
Sources : Company, MNCS

Exhibit 04. Contribution margin has been recorded positive in 1Q23



Sources : Company, MNCS

Exhibit 05. GOTO's gross revenue and adjusted EBITDA of each segment in 1Q23



Sources : Bloomberg, MNCS

Exhibit 06. Financial Projections

Income Statement	FY21	FY22	FY23E	FY24F	FY25F
Net revenue	4,536	11,349	18,069	23,806	31,503
Gross profit	760	5,869	13,190	19,045	25,360
EBIT	(19,968)	(27,417)	(17,361)	(9,414)	(4,956)
D&A expense	(2,417)	(2,913)	(1,295)	(1,350)	(1,415)
EBITDA	(19,968)	(27,417)	(17,361)	(9,414)	(4,956)
Adjusted EBITDA	(14,519)	(16,012)	(4,766)	1,835	5,289
Net finance income/(expense)	60	385	868	940	1,356
Other income/(expense)	(2,303)	(13,512)	1,796	303	(633)
Pre-tax income/(loss)	(22,211)	(40,545)	(15,992)	(9,521)	(5,648)
Minority interest	(1,038)	(837)	(799)	(476)	(283)
Attributable net income/(loss)	(21,391)	(39,571)	(15,180)	(9,048)	(5,383)

Balance Sheet	FY21	FY22	FY23E	FY24F	FY25F
Cash & cash equivalent	31,151	29,009	25,745	28,830	31,775
Receivables	507	627	650	651	689
Inventory	34	71	76	90	107
Other current	4,371	4,473	4,473	4,473	4,473
Total current	31,151	29,009	25,745	28,830	31,775
Fixed assets	1,470	1,457	1,657	1,861	2,108
Investments	10,655	9,913	10,887	10,887	10,887
Intangible	106,427	93,069	89,541	84,698	85,934
Other non-current	521	596	590	1,372	2,493
Total assets	155,137	139,217	133,618	132,861	138,466
Payables	867	1,232	729	605	726
Short-terms borrowings	1,452	615	615	-	-
Other short-term	9,974	10,315	9,489	9,300	9,114
Short-term liabilities	12,294	12,162	10,834	9,904	9,839
Long-term payables	776	1,826	1,826	-	-
Other long-term liabilities	3,043	2,505	2,254	2,141	2,034
Long-term liabilities	3,819	4,331	4,080	2,141	2,034
Total liabilities	16,113	16,493	14,914	12,046	11,874
Share capital	226,996	244,864	256,024	267,184	278,344
Retained earnings	(79,129)	(118,481)	(133,661)	(142,709)	(148,093)
Others	(7,550)	(1,462)	(1,462)	(1,462)	(1,462)
Minority interest	(1,292)	(2,198)	(2,198)	(2,198)	(2,198)
Shareholders equity	139,024	122,723	118,703	120,815	126,592

Sources : Company, MNCS Research

Cash Flow	FY21	FY22	FY23E	FY24F	FY25F
Net Income	(21,391)	(39,571)	(15,180)	(9,048)	(5,383)
Change in working capital	3	208	(531)	(139)	66
Other operating flow	5,106	239	(825)	(190)	(186)
CF from operation	(16,282)	(39,124)	(16,536)	(9,377)	(5,504)
Capex	(1,304)	(517)	(1,271)	(1,339)	(1,518)
Other investing	(103,476)	18,497	3,633	5,196	(1,086)
CF from investing	(104,780)	17,980	2,362	3,857	(2,604)
Debt changes	(325)	213	-	(2,442)	-
Equity changes	163,023	17,868	11,160	11,160	11,160
Other financing	(662)	(1,444)	(250)	(113)	(107)
CF from Financing	162,035	16,637	10,910	8,606	11,053
Net change	15,832	(2,142)	(3,265)	3,085	2,946
Cash at the end	31,151	29,009	25,745	28,830	31,775

Financial Metrics	FY21	FY22	FY23E	FY24F	FY25F
Growth (% YoY)					
GTV	39.80	32.88	15.75	14.93	9.73
Gross revenue	43.51	34.81	23.14	20.46	19.53
Net revenue	36.30	150.21	59.21	31.75	32.34
EBIT loss	120.17	35.49	(38.49)	(42.30)	(40.80)
EBITDA loss	123.86	37.31	(36.68)	(45.78)	(47.35)
Net loss	50.55	84.99	(61.64)	(40.39)	(40.50)
Profitability (%)					
Gross profit margin	16.76	51.71	73.00	80.00	80.50
EBIT margin	(493.51)	(267.25)	(103.25)	(45.21)	(20.23)
EBITDA margin	(440.23)	(241.58)	(96.08)	(39.54)	(15.73)
Net profit margin	(471.61)	(348.68)	(84.01)	(38.01)	(17.09)
Leverage (x)					
Debt/Equity	0.12	0.13	0.13	0.10	0.09
Debt/Asset	0.10	0.12	0.11	0.09	0.09
Debt/EBITDA	(1.11)	(1.03)	(3.13)	6.57	2.24
Net gearing	(0.21)	(0.22)	(0.20)	(0.22)	(0.23)
Valuation (x)					
P/GTV	0.22	0.17	0.15	0.13	0.12
P/sales	22.71	9.08	5.70	4.33	3.27
P/B	69.89	61.69	59.67	60.73	63.64
EV/GTV	0.39	0.30	0.26	0.22	0.20
EV/revenue(gross)	10.67	7.91	6.42	5.33	4.46
EV/revenue(net)	39.99	15.98	10.04	7.62	5.76

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

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