

BUY | TP : IDR102
Stock Price Data

Last Price	:	IDR70
52wk High	:	IDR226
52wk Low	:	IDR54
Share Out	:	1.2 tn
Market Cap	:	IDR79.3 tn

Stock Price Performance

1-Day	:	+5.5%
1-Week	:	+15.8%
1-Month	:	-22.4%
3-Month	:	-39.5%
Year-to-Date	:	-27.5%

Shareholders

Taobao China Holding Limited	:	8.8%
SVF GT Subco (Singapore) Pte. Ltd.	:	7.7%
Goto Peoperverse Fund	:	5.9%
Public	:	77.6%

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PT GOTO Gojek Tokopedia Tbk (GOTO IJ)
A Transformative Stride Towards Achieving Profitability
Substantial Adjusted EBITDA Improvement

- GOTO scored an exceptional 9M23 performance, securing a gross revenue of IDR17.8tn, growing 7.0% YoY (vs IDR16.6tn in 9M22). This breakthrough can be largely attributed to GOTO's jump in their take rate to 4.0% (vs 3.7% 9M22).
- The contribution margin (CM), as a result, reached a positive value of IDR2.8tn (vs IDR-5.7tn in 9M22), accounting for 0.6% of the total GTV. Growth was seen in every business segment of GOTO, with the e-commerce segment taking the lead with a +11.4% YoY, trailed by the fintech segment (+10.2% YoY), on-demand services (+4.9% YoY) and logistics (+3.9% YoY).
- The commendable CM growth was accompanied by a substantial slash in sales and marketing expenses; only IDR3.8tn was incurred during the period (vs IDR9.7tn in 9M22), and thus paved the way for a dramatic +70.9% YoY boost in 9M23's adjusted EBITDA.
- GOTO also managed to trim their fixed operational costs by 19% as well as their cloud and IT infrastructure-related expenses by 25%, which shares a huge chunk of the total cost of revenue. Overall, this saved the firm IDR2.5tn, or covered 2023's cost-saving target and enables the firm to halt their opex cutting in order to keep up especially in the midst of a ferocious competition landscape.

Expediting Integrations and Enhancing Synergies within the Ecosystem

- The GTV posted a 5% leap in 3Q23**, after having experienced declines in the two previous quarters, credits due to the product and services innovations by GOTO which catered to the budget consumers' segment; consumers that prioritizes favorable pricings. Another highlight was the launching of GOTO Passport, an inter-platform integration technology adopted by the firm to gain deeper insights into the consumers' behaviour within the GOTO ecosystem.
- ODS Affordable Offering is gaining traction**, and this is well-reflected from the driver-partner's improved order-observation frequency per hour by +36% to 2.6x/hour in the GoCar Hemat and GoFood Hemat services segment. GOTO has also rolled out the first multimodal, bike-train-bike ride hailing service in the world called GoRide Transit, involving the KAI commuter line in their partnership. Adding value through time-saving and cost-cutting conveniences to an already existing ride-hopping behavior, we view to be right on the money as KRL commuters make up a considerable portion of the total addressable market. The rampant recovery in the number of commuters, expected to grow at least 46.9% from 2022's cumulative KRL commutes of 215mn, scales the potential of this new service and thus should contribute to more GTV growth.
- The fintech segment grew 44% QoQ**, with the buy-now-pay-later loan outstanding value having reached IDR1.4tn, accompanied by a maintained NPL level. Almost 60% of GOTO's loan book is funded by Bank Jago. Their strategic collaboration bore **GoPay Tabungan by Jago**, successfully attracting 200k users and have recorded >1mn transactions since its launching in Oct-23. GoPay Tabungan's loan services faces further growth considering the overall domestic demand for credit is expected to grow in 2023 by 10.4% YoY, with the 4Q23 demand to gain on a QoQ basis as reflected by BI survey's higher weighted balance scoring of 96.4% (vs 94.4% in 3Q23). This should drive GOTO's GTV and along with it hoist their take rate monetization, bolstered by an advantaged market share standpoint (GoPay dominates 58% of the e-wallet market share according to InsightAsia's latest 2022 survey).
- GOTO logistics**, managed to trim their net free shipping cost/order by c. 22% QoQ, translating into a 33% YTD cost-saving. GOTO seeks to continue lowering their subsidy costs by scaling-up their in-house deliveries as well as through investing in fulfilments. This will, in turn, also drive the supply chain to be more efficient through the heightening of delivery frequency, whilst arriving with a cheaper delivery cost per order.

GOTO's fierce contestation towards an EBITDA comeback amid cutthroat competition

We assess that GOTO has prudently maneuvered and put in place accurate strategies in facing the hyper-competitive market of the digital sector; in particular within the e-commerce segment ever since TikTok Shop's debut in Indonesia, and against barrages of promo and incentives by competitors. GOTO, for instance, have suppressed their consumer and partner incentive expenses down by IDR400bn from its 11-quarter average of IDR2.8tn, as opposed to Grab that has geared up their incentive distribution by 3.4% on a quarterly average since 2021. Compared to Sea that trimmed their selling and marketing expense by 15.6% on a quarterly basis since 2022, GOTO slashed their selling and marketing expenses by 26.4% during the same period to expedite their adj. EBITDA breakeven. GOTO has achieved considerable progress towards that goal; its adjusted EBITDA have improved by a hefty 24% on a compounded quarterly growth rate in the past consecutive 7 quarters. That said, management is comfortable with reinvesting their revenues in order to keep their market share in check which is crucial for the long-term ride.

The abandonment of international IPO plans bodes well

Management elaborated that the abortion of the international IPO was due to their improving financial performance, providing the company with sufficient cash reserves. GOTO possesses a solid balance sheet posture, with their cash, cash equivalents and short-term deposits amounting to IDR25.2tn in total as of 9M23. The net cash burning has significantly declined 76% from the previous period, and thus provides GOTO with adequate working capital to carry-out their business operations and execute their plans. Other positive sentiments to arise from the IPO cancellation would be the firm has averted the risk of dilution and is hedged against other external risks.

Recommendation: BUY with TP IDR102/share

We recommend BUY on GOTO with a lower TP of IDR102/share (+46% upside) given the unfavorable macro factors, notably the era of high interest rate. GOTO targets budget consumers with 'Mode Hemat' products and enhances the GoPay app, anticipating growth in the fintech sectors. Downside risks: 1) sustained high interest rate, 2) failure to maintain profitability guidance.

Key Financial Highlight (IDR bn)	FY20	FY21	FY22	FY23E	FY24F
Net Revenue	3,328	4,536	11,349	18,069	23,806
Net Income (loss)	(14,209)	(21,391)	(39,571)	(15,180)	(9,048)
EPS (IDR)	(20)	(12)	(18)	(13)	(8)
P/E (x)	(8)	(5)	(3)	(8)	(13)
BVS (IDR)	18	117	104	98	95
P/B (x)	5	1	1	1	1
EV/Sales (x)	22	9	6	4	3
ROA (%)	(47)	(14)	(28)	(11)	(7)
ROE (%)	(68)	(15)	(32)	(13)	(8)

Source : MNCS

Exhibit 01. GOTO's 9M23 Results

IDR tn	1Q23	2Q23	3Q23	QoQ	YoY	9M22	9M23	% YoY	MNCS	% MNCS
GTV	149	144	292	103%	97%	451	444	-2%	710	62%
Gross Revenue	6	6	12	103%	98%	17	18	7%	28	63%
Net Revenue	3	4	7	94%	107%	8	11	32%	18	58%
Contribution Margin	1	1	2	61%	-164%	(6)	3	149%	1	198%
Adjusted EBITDA	(2)	(1)	(3)	-132%	-76%	(13)	(4)	70%	(5)	79%
Net Loss	(20)	(4)	(2)	39%	88%	(20)	(5)	75%	(15)	294%

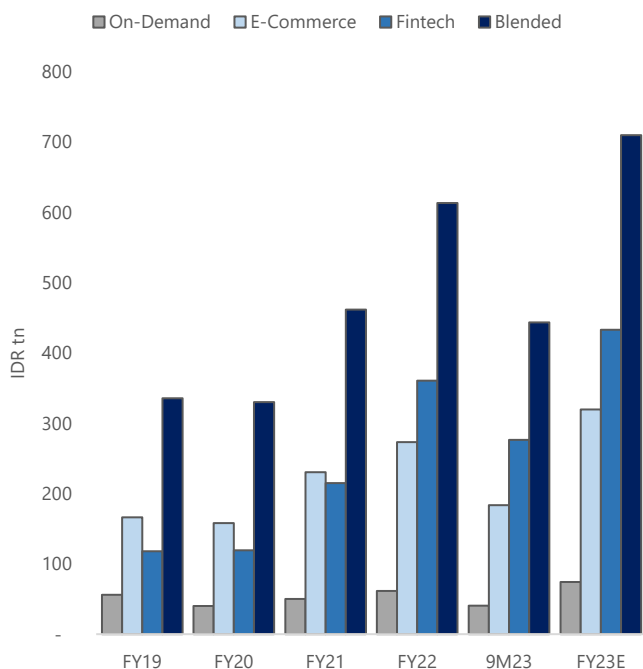
Sources: Company, MNCS

Exhibit 02. 9M23 Gross Take Rate

	1Q23	2Q23	3Q23	QoQ	YoY	9M22	9M23	YoY	MNCS
Blended	4%	4%	4%	-11 bps	0 bps	4%	4%	+3 bps	4%
On-demand	22%	22%	22%	+73 bps	-4 bps	22%	22%	+4 bps	23%
E-Commerce	4%	4%	4%	-17 bps	0 bps	3%	4%	+6 bps	3%
Fintech	0%	0%	0%	+4 bps	0 bps	0%	0%	0 bps	1%

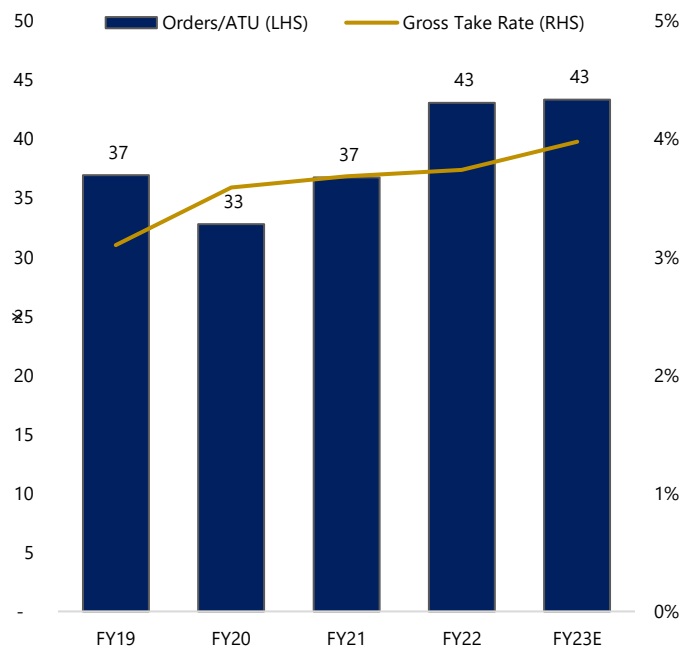
Sources: Company, MNCS

Exhibit 03. GOTO's Business Segment GTV



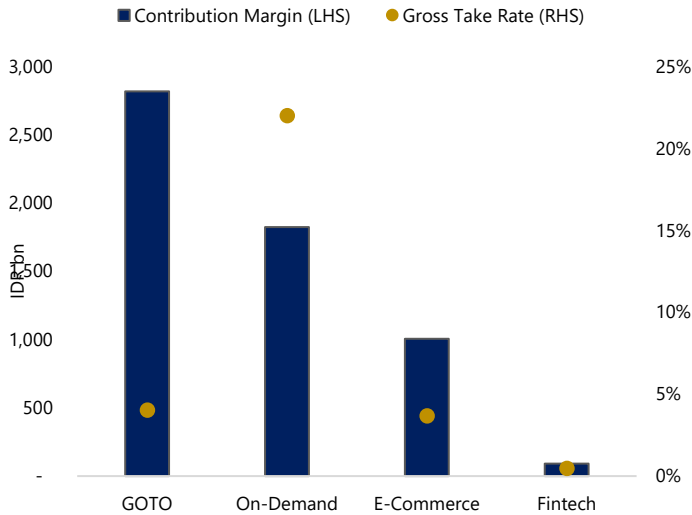
Sources : Company, MNCS

Exhibit 04. Orders/ATU (Average Transacting Unit) vs Gross Take Rate



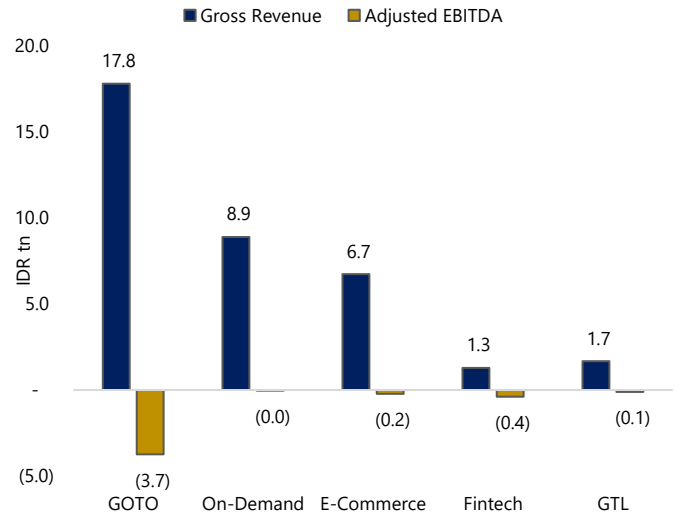
Source : MNCS

Exhibit 05. Positive Contribution Margin in 9M23



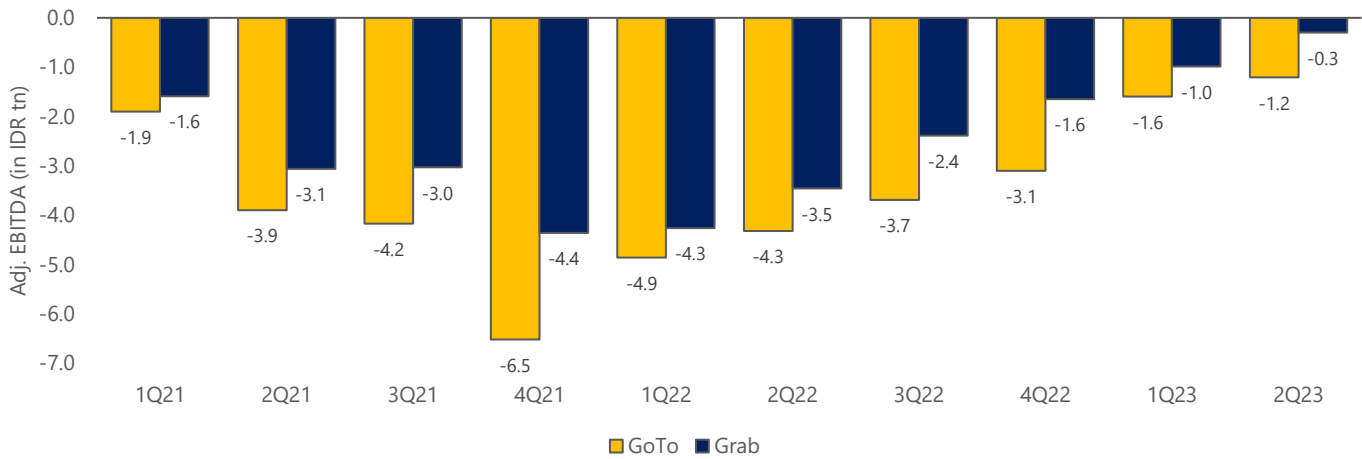
Sources : Company, MNCS

Exhibit 06. GOTO's Business Segments Gross Revenue and Adjusted EBITDA in 9M23



Sources : Company, MNCS

Exhibit 07. Post-pandemic race towards adj. EBITDA breakeven between the two biggest ride-hailing companies both are now zeroing in



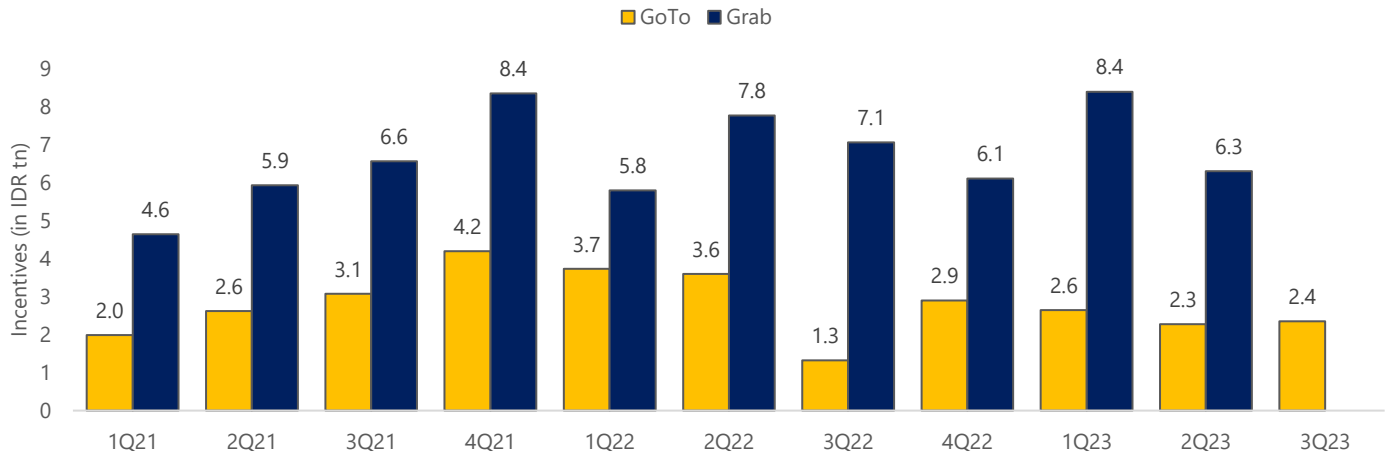
Source : Companies, MNCS

Exhibit 08. GOTO's adj. EBITDA margin's progress had always been ahead of Grab, until recently



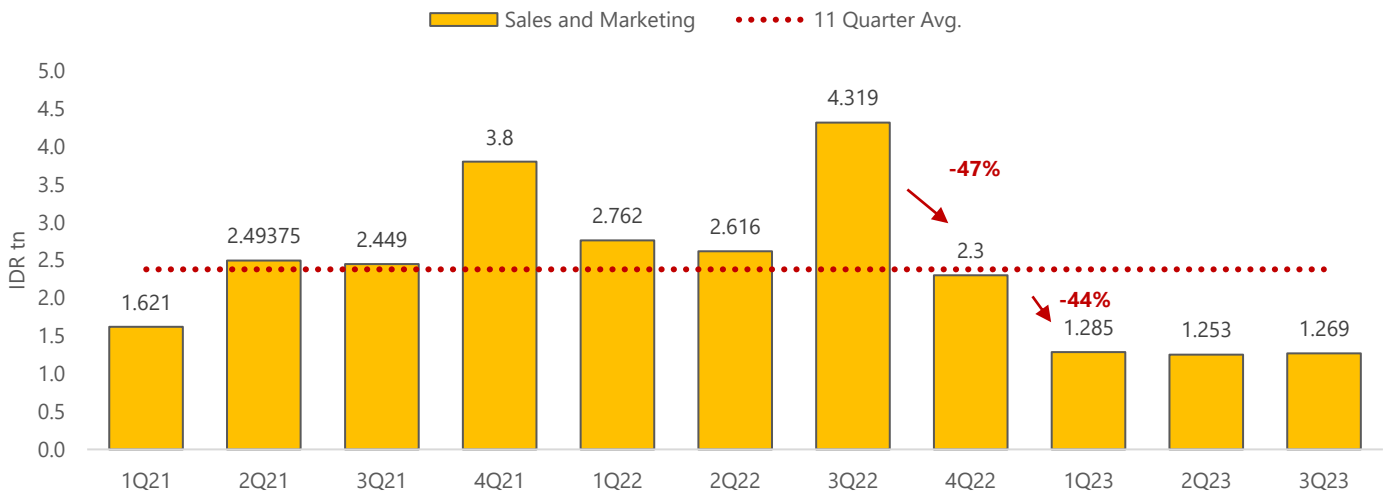
Source : Companies, MNCS

Exhibit 09. As a means of expediting the adj. EBITDA breakeven, GOTO has subdued their consumer and partner incentive spendings...



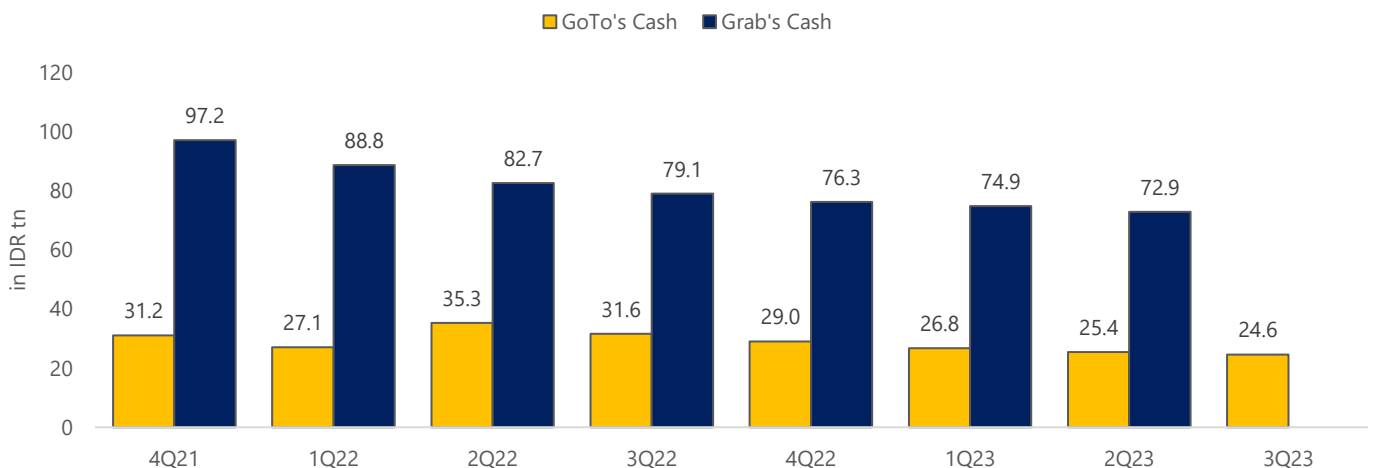
Source : Companies, MNCS

Exhibit 10. ...as well as slashed their selling and marketing expenditures down by -2.4% on a compound quarterly basis



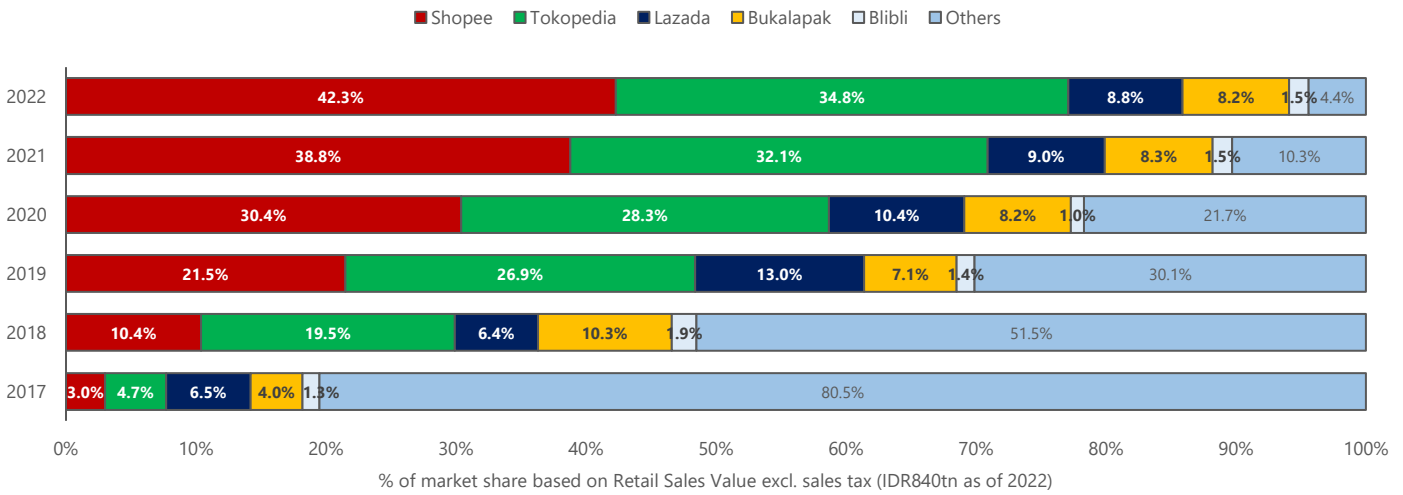
Source : Companies, MNCS

Exhibit 11. GOTO holds a more conservative burn rate of 3.3% compared to Grab's aggressive 4.7% for a sustainable runway



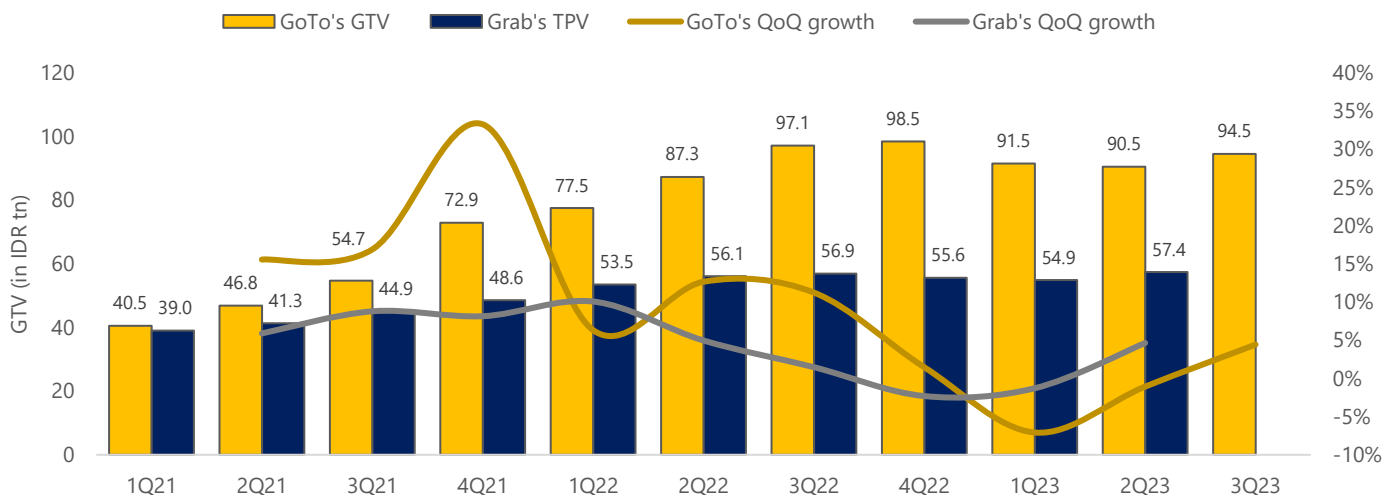
Source : Companies, MNCS

Exhibit 12. E-Commerce: Tokopedia remains one of the top holders of the Indonesian market share; head-to-head with Shopee



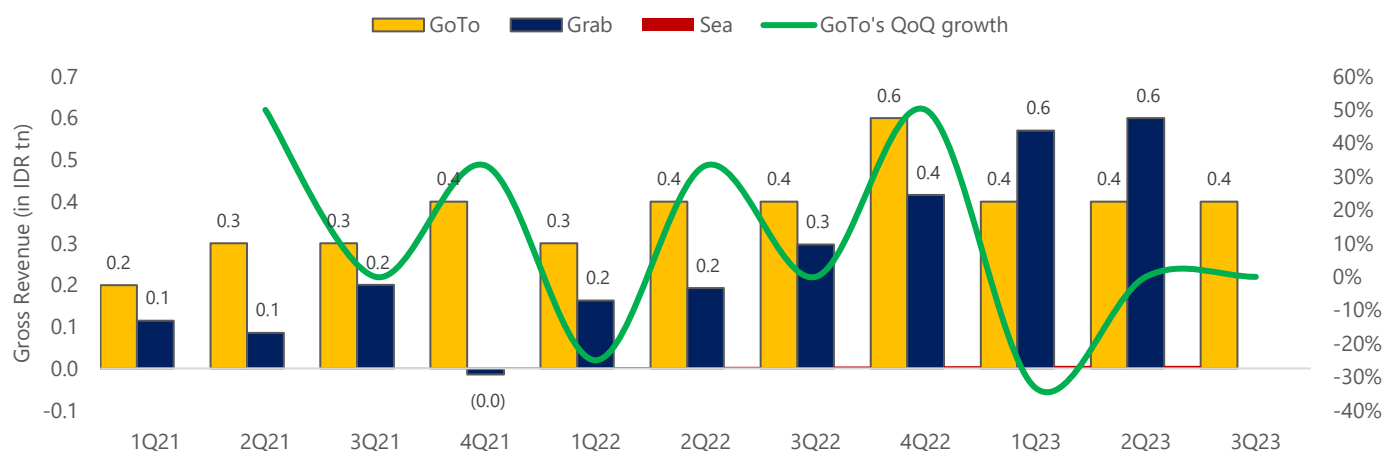
Source : Euromonitor Intl. , MNCS

Exhibit 13. Fintech: GOTO's edge; it has booked a solid 133% growth since 1Q21



Source : Companies, MNCS

Exhibit 14. Fintech: Gross revenue had a good head start; now maintained at stable levels



Source : Companies, MNCS

Exhibit 15. GOTO's Valuation

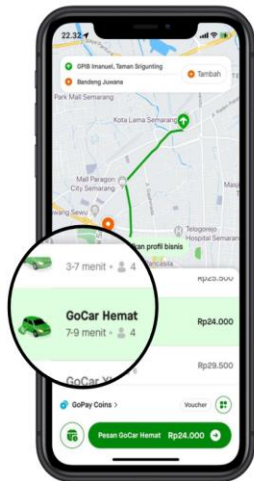
IDR bn	EV/Sales (x)	FY23E Sales	EV
On-demand	2	20,066.96	34,289
E-Commerce	3	12,851.23	39,129
Fintech	7	4,047.12	27,739
ARTO (24.1% Stake)	-	-	7,415
Total			101,157
Debt			1,760
Cash & Cash Equivalent			21,476
Minority Interest			476
Market Cap			120,397
Outstanding Shares (bn)			1,184
Target Price (IDR)			102
EV/sales (x)			2

Source: MNCS

Exhibit 16. GOTO's New 'Mode Hemat' Feature

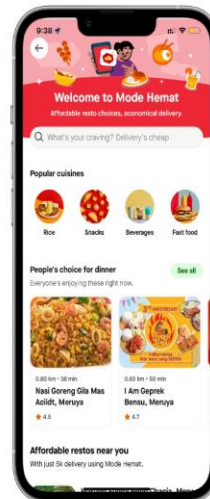
GoCar HEMAT

Lower pricing, served by **Economical cars**
 Captures consumers who **Prioritize affordability**
 Covers all tier-1 cities as of **June 2023**

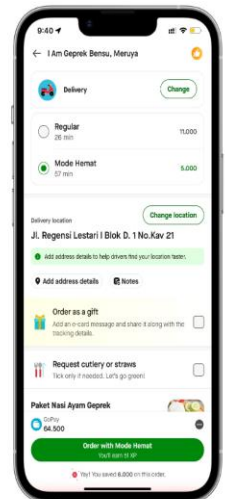


GoFood HEMAT

Affordable delivery costs for users willing to accept reduced speed and assortment
 Increased order density allows **Optimized allocation**
 Increased driver partners' **Productivity**



Curated assortment with low logistics cost



Longer ETA and significantly cheaper delivery fee

Source: Company

Exhibit 17. New GoPay App



Increased access to budget consumers and new avenue for monetization through lending

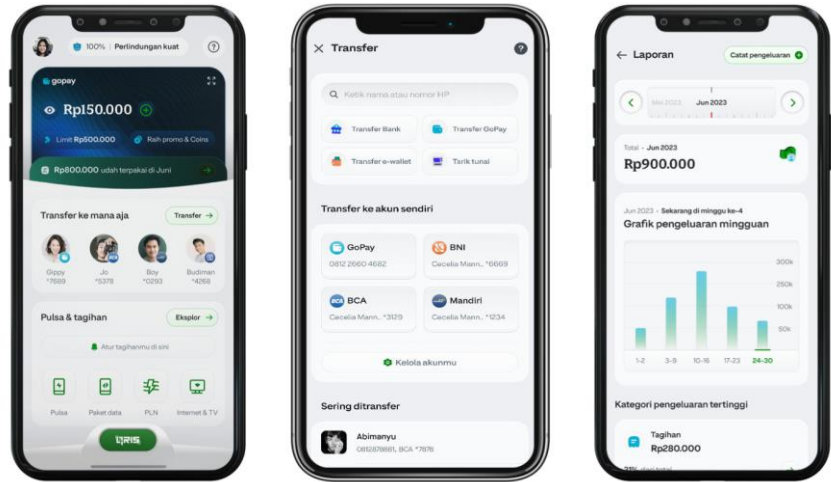
Light size app for transfers and payments.

100x free and instant transfers anywhere in Indonesia

Always get a special price for pulsa and data packages

Automatic expense tracking for better financial planning

Multi-layered security five steps to secure your account

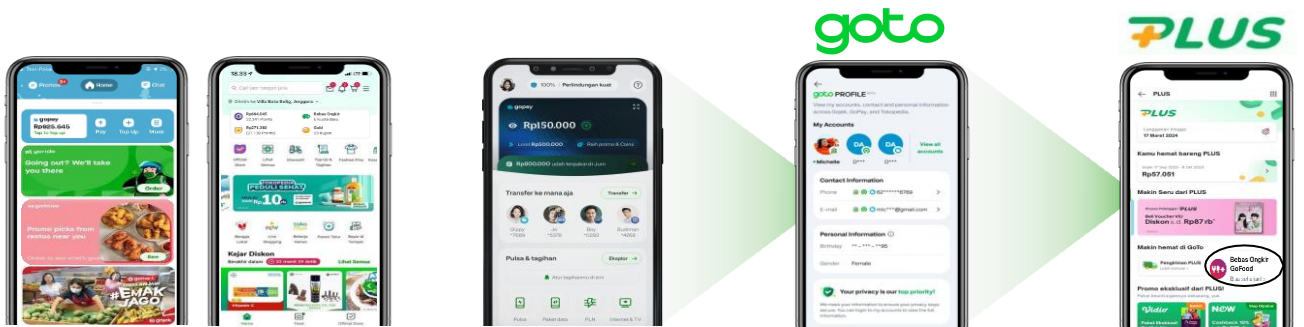


>1mm downloads¹ with zero marketing budget

Source : Company

Exhibit 18. Tactical Adaptations in Place to Preserve Market Share Dominance with GOTO Passport

GOTO Passport: First Step in Unlocking Ecosystem Value



Unique identifier for each user across 3 applications

Tokopedia PLUS and GoFood PLUS combined under one subscription plan

Source : Company

Exhibit 19. Financial Projections

Income Statement						Balance Sheet					
IDR bn	2020	2021	2022	2023E	2024F	IDR bn	2020	2021	2022	2023E	2024F
GTV	330,176	461,602	613,362	709,937	815,951	Current Assets	19,526	36,064	34,180	29,542	27,400
Gross Revenue	11,851	17,007	22,927	28,233	34,008	Cash & Cash Equivalents	15,319	31,151	29,009	24,187	21,476
Net revenue	3,328	4,536	11,349	18,069	23,806	Receivable	275	507	627	650	651
Gross profit	889	760	5,869	13,190	19,045	Inventories	42	34	71	76	90
EBIT	(10,167)	(22,385)	(30,330)	(18,655)	(10,764)	Others current Assets	3,890	4,371	4,473	4,629	5,184
D&A expense	(1,247)	(2,417)	(2,913)	(1,295)	(1,350)	Non-Current Assets	10,583	119,073	105,036	103,140	99,430
EBITDA	(8,920)	(19,968)	(27,417)	(17,361)	(9,414)	Fixed Asset-net	827	1,470	1,457	1,657	1,861
Adjusted EBITDA	(13,017)	(14,519)	(16,012)	(4,766)	1,835	Investments	4,852	10,655	9,913	10,887	10,887
Net finance income	26	60	385	868	940	Intangible Assets	3,865	106,427	93,069	89,541	84,698
Other income	(7,895)	(2,303)	(13,512)	1,796	303	Other Non-Current Assets	1,038	521	596	1,055	1,985
Pre-tax income	(16,789)	(22,211)	(40,545)	(15,992)	(9,521)	TOTAL ASSETS	30,109	155,137	139,217	132,682	126,831
Minority interest	(2,527)	(1,038)	(837)	(799)	(476)	Current Liabilities	5,764	12,294	12,162	10,994	9,032
Net income	(14,209)	(21,391)	(39,571)	(15,180)	(9,048)	Account Payable	640	867	1,232	1,005	932
						ST Debt	738	1,452	615	603	591
						Other current liabilities	4,386	9,974	10,315	9,386	7,509
						Non-Current Liabilities	3,545	3,819	4,331	3,715	3,197
						LT Debt	1,816	776	1,826	1,461	1,169
						Other Non-Current Liabilities	1,729	3,043	2,505	2,254	2,029
						TOTAL EQUITY	20,799	139,024	122,723	117,972	114,602
						TOTAL LIABILITIES & EQUITY	30,109	155,137	139,217	132,682	126,831
Cash Flow						Ratios					
IDR bn	2020	2021	2022	2023E	2024F	IDR bn	2020	2021	2022	2023E	2024F
CFO Total	(14,284)	(16,282)	(39,124)	(16,519)	(11,569)	GTV Growth (%)	(2)	40	33	16	15
Net Income	(14,209)	(21,391)	(39,571)	(15,180)	(9,048)	Gross Revenue Growth (%)	14	44	35	23	20
Change in Working Capital	582	3	208	(255)	(88)	Net Revenue Growth (%)	44	36	150	59	32
Change in Others	(657)	5,106	239	(1,084)	(2,432)	EBIT Growth (%)	52	(120)	(35)	38	42
CFI Total	4,118	(104,780)	17,980	1,896	3,709	EBITDA Growth (%)	56	(124)	(37)	37	46
Capex	(1,430)	(1,304)	(517)	(1,271)	(1,339)	Net Profit Growth (%)	38	(51)	(85)	62	40
Change in Others	5,548	(103,476)	18,497	3,167	5,048	Gross Margin (%)	27	17	52	73	80
CFF Total	19,497	142,579	23,631	9,801	5,148	EBIT Margin (%)	(306)	(494)	(267)	(103)	(45)
Net Change in Debt	1,502	(325)	213	(378)	(304)	EBITDA Margin (%)	(268)	(440)	(242)	(96)	(40)
Equity Financing	2,291	163,023	17,868	11,160	11,160	Net Profit Margin (%)	(427)	(472)	(349)	(84)	(38)
Others	15,704	(20,119)	5,550	(981)	(5,708)	ROA (%)	(47)	(14)	(28)	(11)	(7)
Net Cash Increase	9,215	15,832	(2,142)	(4,822)	(2,711)	ROE (%)	(68)	(15)	(32)	(13)	(8)
Closing Balance	15,319	31,151	29,009	24,187	21,476						

Sources : Company, MNCS

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

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