

Goto Gojek Tokopedia (GOTO)

Big leap towards profitability

17 May 2023



GOTO IJ	BUY
Sector	Technology
Price at 16 May 2023 (IDR)	118
Price target (IDR)	150
Upside/Downside (%)	27.1

Stock Information

GoTo Group is the largest digital ecosystem in Indonesia, whose ecosystem comprises of on-demand transport, e-commerce, food and grocery delivery, logistics and fulfillment, and financial services through the Gojek, Tokopedia and GoTo Financial platforms.

Market cap (IDR bn)	124,263
Shares outstanding (mn)	137,386
52-week range (IDR)	86 - 392
3M average daily vol. ('000)	3,918,487
3M average daily val. (IDR mn)	443,072

Shareholders (%)

Taobao China	9.2
SVF GT Subco	8.1
GOTO Peoplerverse	7.7
Est. free float	64.8

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance (%)	24.7	(0.0)	(44.2)

Analyst

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GOTO has been included in MSCI Global Standard effective in June '23, which was widely expected. In order to stay in path of profitability, Tokopedia has raised platform fee to IDR2,000-IDR3,000, on top of continued cost efficiency that have resulted in CM positive in 1Q23, one quarter faster than we expected. Beside efficiency, GOTO eyes to expand consumer lending that will play important role in maintaining customer spending and loyalty across its platforms. Maintain BUY

Expects more influx from MSCI inclusion

GOTO has officially got added in Morgan Stanley Composite Index (MSCI) Global Standard on the latest quarterly review on May 11. The inclusion of GOTO in the index was widely anticipated in line with rebound of stock price +19.8% in 1Q23/+28.6% YTD, boosting its market cap. GOTO's inclusion in the index should bolster more inflows amid higher of confidence, along with potential The Fed's policy pivot expected in 3Q-4Q23.

Increasing fee is just normal part of business

Tokopedia has raised platform fee to IDR2,000 for less than IDR1 mn worth of transaction and IDR3,000 for transaction valued IDR1mn and above starting May 1 from previously flat fee of IDR1,000 for all transactions. This is on top of IDR1,000 service fee for non-Gopay payment. Previously, it has also increased commission fees from C2C and B2C merchants in Jan-Mar '23, lifting e-commerce take rate to 3.6% from 3.4% in 4Q22 and CM of +0.3% in 1Q23 (VS -0.7% in 4Q22).

While we haven't seen any similar move from its closest competitor, Shopee, except for top-up fee adjustment on its e-wallet platform for VA and instant debit from IDR0-IDR500 to IDR1,000, we expect hike of platform fees are likely followed in the near future. Shopee's flat platform fee is currently retained at IDR1,000 per transaction.

Fruitful cost efficiency

GOTO achieved CM positive in 1Q23 or one quarter faster than we have anticipated, supported mainly by e-commerce and fintech that also recorded CM positive for the first time on the back of significant cuts in operational costs esp. sales and marketing from 1.4% to GTV in 4Q22 to 0.9% in 1Q23. As a result, Adj. EBITDA improved to -1.1% in 1Q23, helped by improvement in on-demand service that recorded +976bps YoY. On flip side, however, GTV dropped 8.3% qoq to IDR161.9 tn, especially on e-commerce.

Meanwhile, it is worth noting that financial technology segment have shown significant progress and we believe it will play an important role in GOTO's push toward profitability, banking on its superior AI technology to optimize credit scoring, strong ties with Bank Jago (ARTO) and multiplier effect it brings across its platforms. GOTO's consumer lending rose 40% QoQ to IDR831bn in 1Q23 with manageable asset quality, according to management.

Maintain BUY on improvement towards profitability

Reiterate our BUY call with a BUY and target price of IDR150/share as we have factored in inclusion of GOTO into MSCI index. We note several upside risks to our recommendation include 1) easing competition, thus providing headroom for more commission hikes; and 2) better-than-expected cost efficiency.

Exhibit 1: Key Statistics

Year end Dec	2021A	2022F	2023F	2024F	2025F
Revenue (IDR bn)	4,536	11,349	14,062	18,570	23,004
EBITDA (IDR bn)	-19,968	-27,417	-11,816	-6,490	412
Net profit (IDR bn)	-21,391	-39,571	-13,389	-8,377	-2,123
EPS (IDR bn)	-18.9	-39.0	-13.2	-8.3	-2.1
EPS growth (%)	n/m	n/m	n/m	n/m	n/m
ROAA (%)	-23.1	-26.9	-10.1	-6.7	-1.7
ROAE (%)	-26.7	-29.8	-11.3	-7.7	-2.1
PER (x)	-5.7	-2.7	-8.1	-13.0	-51.2
PBV (x)	0.9	1.0	1.1	1.2	1.3
EV/EBITDA (x)	-6.3	-4.6	-10.7	-19.5	307.3

Source: Company, KBVS Research

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Exhibit 2: Financial Summary

(IDRbn)	1Q23	1Q22	YoY (%)	4Q22	QoQ (%)	1Q23E	% to 1Q23	2023	% to 2023
Net revenue	3,332	1,497	55.1	3,380	(1.4)	4,216	79.0	14,062	23.7
Cost of revenue	(1,353)	(1,216)	10.1	(1,624)	(20.1)				
Gross profit	1,979	282	85.8	1,756	11.3	2,740	72.2	8,805	22.5
EBITDA	(3,339)	(7,032)	(110.6)	(6,936)	(107.7)	(4,213)	79.2	(11,816)	28.3
Operating profit	(4,045)	(7,794)	(92.7)	(7,574)	(87.2)	(4,999)	80.9	(14,518)	27.9
Other income (exp.)	(90)	1,167	1,394.8	(11,977)	(13,183.8)				
Pre-tax income	(4,135)	(6,626)	(60.2)	(19,551)	(372.8)				
Taxes	236	12	94.8	54	77.0				
Net Income	(3,862)	(6,471)	(67.5)	(19,250)	(398.4)	(4,603)	83.9	(13,389)	28.8
Margins (%)									
Gross margin (%)	59.4	18.8		51.9		65.0		62.6	
Operating profit (%)	(121.4)	(520.5)		(224.1)		(118.6)		(103.2)	
EBITDA margin (%)	(100.2)	(469.6)		(205.2)		(99.9)		(84.0)	
Net margin (%)	(115.9)	(432.1)		(569.5)		(109.2)		(95.2)	
On demand									
On demand GTV	13,738	14,417	(4.9)	16100	(14.7)	16,664	82.4	53,127	25.9
Take rate (%)	21.7	18.5		23.1		23.15		21.9	
e-Commerce									
e-Commerce GTV	62,800	65,135	(3.7)	70,800	(11.3)	72,924	86.1	239,028	26.3
Take rate (%)	3.6	2.9		3.4		3.45		3.7	
Fintech									
Fintech GTV	91,521	77,450	15.4	98,600	(7.2)	106,488	85.9	359,177	25.5
Take rate (%)	0.5	0.4		0.5		0.55		0.6	
GOTO group GTV									
GOTO group GTV	148,538	139,998	5.7	161,900	(8.3)	174,694	85.0	576,145	25.8
Take rate (%)	4.0	3.7		3.9		3.8		4.2	
CM to GTV	0.4	-1.8		(9.7)		-0.2		0.6	67.1
Adj. EBITDA (IDR bn)	(1,597)	(4,859)	(204.3)	(3,100)	(48.5)	(551)		(3,317)	
Adj. EBITDA to GTV (%)	(1.1)	(3.5)		(1.9)		(0.3)		(0.1)	

Sources: Company, Bloomberg, KBVS Research

Goto Gojek Tokopedia (GOTO)

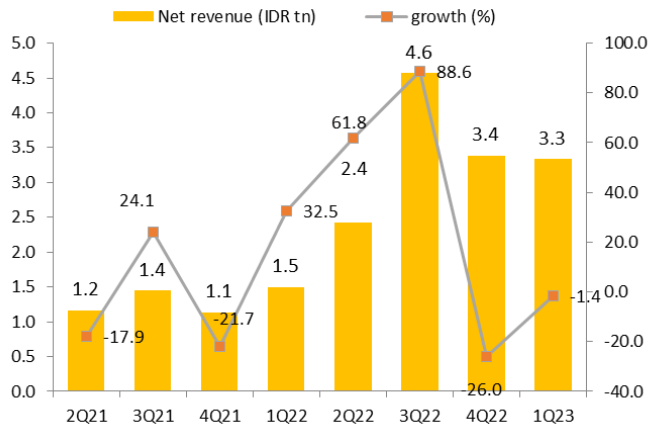
Exhibit 3: Forecasts (Proforma)

	2023E	2024E	1Q23	2Q23E	3Q23E	4Q23E
On-demand GTV	53,127	55,264	13,738	12,914	13,172	13,304
e-Commerce GTV	239,028	244,771	62,800	57,776	58,932	59,521
Fintech GTV	359,177	396,735	91,521	86,030	89,471	92,155
Other segment	1,852	4,401	68	89	111	139
<i>Elimination</i>	<i>(77,040)</i>	<i>(82,738)</i>	<i>(19,832)</i>	<i>(18,541)</i>	<i>(19,125)</i>	<i>(19,542)</i>
GOTO Group GTV	576,145	618,433	148,538	138,583	142,954	146,069
On-demand gross revenue	11,634	12,499	2,988	2,828	2,885	2,933
e-Commerce gross revenue	8,958	9,732	2,260	2,167	2,239	2,292
Fintech gross revenue	2,167	3,531	424	516	582	645
Other segment	406	981	68	89	111	139
Logistics gross revenue	2,287	2,550	580	553	569	585
<i>Elimination</i>	<i>(1,289)</i>	<i>(1,465)</i>	<i>(339)</i>	<i>(308)</i>	<i>(319)</i>	<i>(323)</i>
GOTO gross revenue	24,163	29,292	5,981	5,845	6,066	6,271
<i>Take rate (%)</i>	<i>4.2</i>	<i>4.5</i>	<i>4.0</i>	<i>4.2</i>	<i>4.2</i>	<i>4.3</i>
Promotions	(10,101)	(9,258)	(2,649)	(2,422)	(2,501)	(2,293)
<i>Promotion to GTV (%)</i>	<i>(1.75)</i>	<i>(1.50)</i>	<i>(1.78)</i>	<i>(1.75)</i>	<i>(1.75)</i>	<i>(1.57)</i>
Net revenue	14,062	18,570	3,332	3,422	3,565	3,978
<i>Net take rate (%)</i>	<i>2.4</i>	<i>3.0</i>	<i>2.2</i>	<i>2.5</i>	<i>2.5</i>	<i>2.7</i>
Cost of revenue	(5,257)	(5,327)	(1,353)	(1,303)	(1,303)	(1,315)
S&M costs	(5,133)	(5,566)	(1,285)	(1,247)	(1,247)	(1,315)
Others	-	-	(58)	-	-	-
Contribution margin	3,672	7,677	635	872	992	1,349
<i>Contribution margin to GTV (%)</i>	<i>0.6</i>	<i>1.2</i>	<i>0.4</i>	<i>0.6</i>	<i>0.7</i>	<i>0.9</i>
G&A and other non-vc	(15,309.0)	(13,774.9)	(3,975)	(3,769)	(3,840)	(3,725)
Other income/expenses	(2,321)	(3,092)	(183)	(693)	(715)	(730)
Group EBITDA	(13,958)	(9,190)	(3,523)	(3,590)	(3,563)	(3,106)
Adj. EBITDA	(3,317)	1,947	(1,597)	(905)	(817)	(185)
Adj. EBITDA to GTV (%)	(0.6)	0.3	(1.1)	(0.7)	(0.6)	(0.1)

Sources: Company, KBVS Research

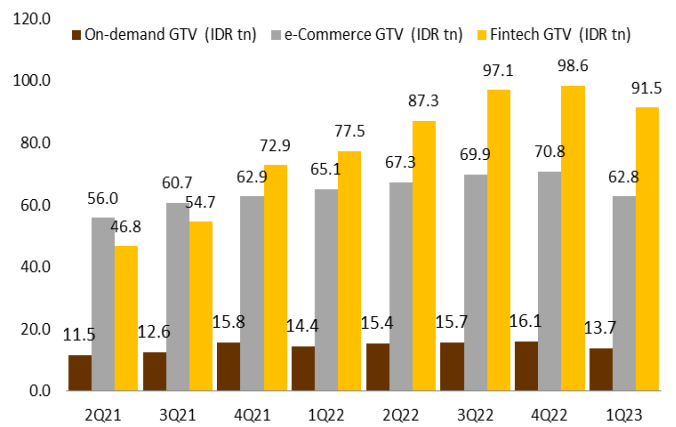
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Exhibit 4: GOTO net revenue & growth (%)



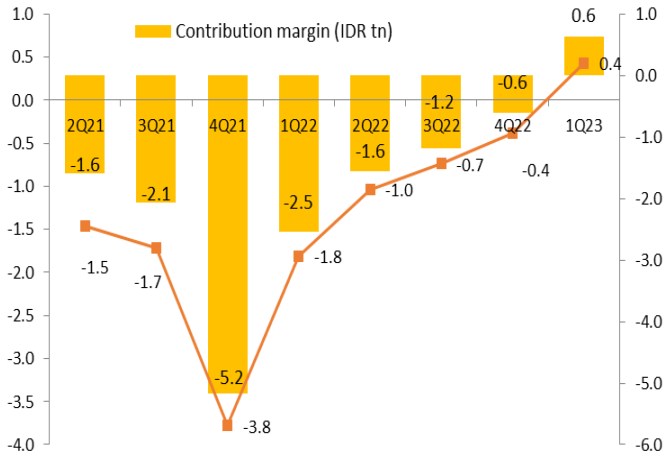
Source: Company, KBVS Research

Exhibit 5: GTV per segment quarterly



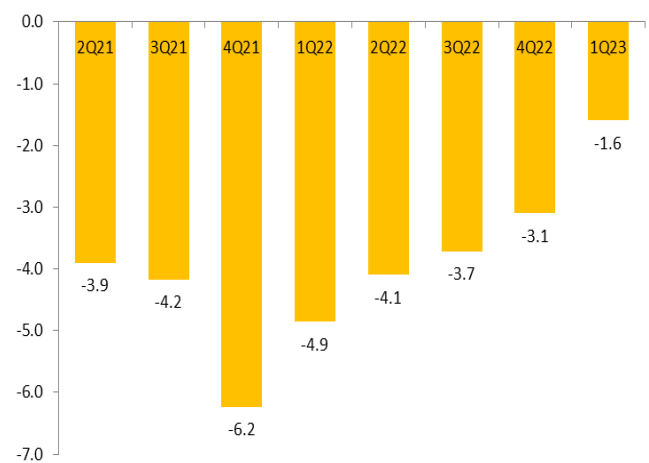
Source: Company, KBVS Research

Exhibit 6: GOTO contribution margin



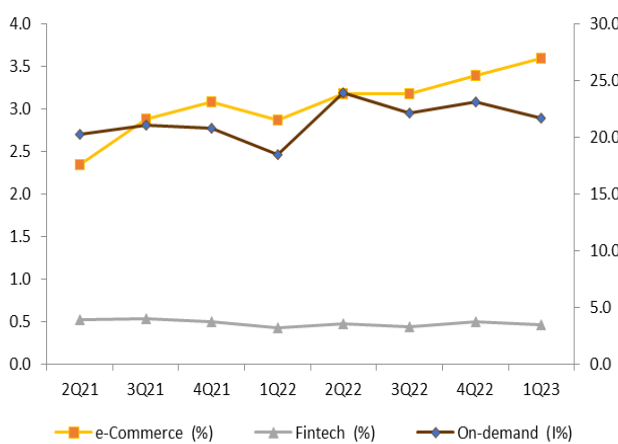
Source: Company, KBVS Research

Exhibit 7: Adj. EBITDA



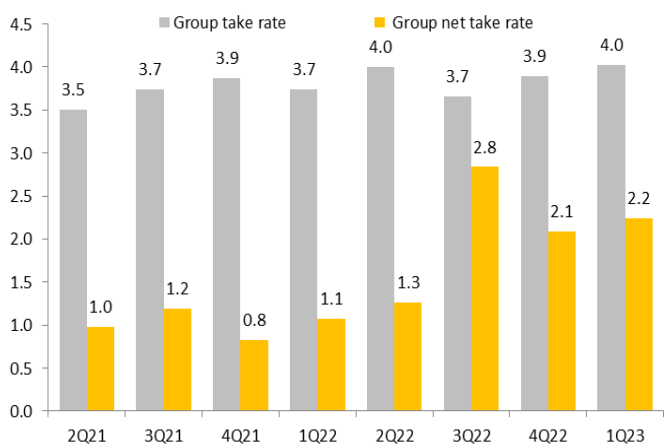
Source: Company, KBVS Research

Exhibit 8: Per segment take-rate (%)



Source: Company, KBVS Research

Exhibit 9: GOTO Gross and net take-rate (%)



Source: Company, KBVS Research

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FINANCIAL TABLES

Exhibit 7: Profit & loss summary

Year End Dec (IDR bn)	2021A	2022F	2023F	2024F	2025F
Net revenue	4,536	11,349	14,062	18,570	23,004
Cost of revenue	(3,776)	(5,480)	(5,257)	(5,327)	(4,480)
Gross profit	760	5,869	8,805	13,243	18,524
Operating profit	(22,385)	(30,330)	(14,518)	(9,273)	(2,980)
EBITDA	(19,968)	(27,417)	(11,816)	(6,490)	412
Net Other income/expenses	173	(10,215)	658	743	818
Pretax profit	(22,211)	(40,545)	(13,860)	(8,530)	(2,162)
Income tax/benefit	(218)	136	294	43	11
After tax profit	(22,429)	(40,408)	(13,566)	(8,488)	(2,151)
<i>Non-controlling shareholders</i>	(1,038)	(837)	(176)	(110)	(28)
Attributable net profit	(21,391)	(39,571)	(13,389)	(8,377)	(2,123)

Source: Company, KBVS Research

Exhibit 8: Balance sheet

Year End Dec (IDR bn)	2021A	2022F	2023F	2024F	2025F
Current assets					
Cash and cash equivalents	31,151	29,009	16,411	15,751	9,764
Trade receivables	507	627	779	282	868
Other current assets	4,406	4,544	4,581	3,311	4,735
Total current assets	36,064	34,180	21,772	19,345	15,367
Non-current assets					
Fixed assets	1,470	1,457	1,361	1,857	2,300
Other non-current assets	117,603	103,579	103,540	102,588	102,630
Total non-current assets	119,073	105,036	104,901	104,445	104,931
Total assets	155,137	139,217	126,673	123,790	120,298
Current liabilities					
Trade payables	867	1,232	870	1,503	1,498
Escrow and other payables	4,678	5,719	5,257	8,523	5,376
Accruals	3,541	3,499	3,372	2,785	3,451
Short term debts	1,452	22	0	0	0
Other current liabilities	1,755	1,691	2,229	2,169	2,175
Total current liabilities	12,294	12,162	11,727	14,980	12,500
Non-current liabilities					
Long-term debts	1,816	776	724	667	700
Other non-current liabilities	2,003	3,554	4,006	6,011	6,891
Total non-current liabilities	3,819	4,331	4,730	6,677	7,592
Minority interests	(1,292)	(2,198)	(2,222)	(2,084)	(2,045)
Shareholders' equity	139,024	122,723	110,215	102,132	100,206
Total liabilities and equity	155,137	139,217	126,673	123,790	120,298

Source: Company, KBVS Research

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Exhibit 9: Cash flow

Year End Dec (IDR bn)	2021A	2022F	2023F	2024F	2025F
Net profit	(21,391)	(39,571)	(13,389)	(8,377)	(2,123)
Depreciation & amortization	(2,417)	(2,913)	(2,702)	(2,783)	(3,392)
Changes in working capital	5,072	600	(707)	5,002	(4,501)
CF from operating activities	(18,736)	(41,884)	(16,798)	(6,158)	(10,015)
Investment in fixed assets	(2,906)	1,947	45	57	(108)
Others	(103,167)	15,003	2,791	3,183	3,014
CF from investing activities	(106,073)	16,950	2,837	3,239	2,906
Net change in debt	715	(1,431)	(22)	0	0
Change in capital	139,616	23,270	881	295	197
Dividend payment	0	0	0	0	0
Others	310	952	505	1,964	925
CF from financing activities	140,641	22,792	1,364	2,259	1,122
Change in cash flow	15,832	(2,142)	(12,598)	(660)	(5,988)
Cash and cash equivalents, beginning	15,319	31,151	29,009	16,411	15,751
Cash and cash equivalents, ending	31,151	29,009	16,411	15,751	9,764

Source: Company, KBVS Research

Exhibit 10: Ratio analysis

Year End Dec	2021A	2022F	2023F	2024F	2025F
Gross margin (%)	16.8	51.7	62.6	71.3	80.5
Operating margin (%)	-493.5	-267.2	-103.2	-49.9	-13.0
EBITDA margin (%)	-440.2	-241.6	-84.0	-34.9	1.8
Net profit margin (x)	-471.6	-348.7	-95.2	-45.1	-9.2
Receivables turnover (x)	11.61	20.01	20.00	35.00	40.00
Inventory turnover (x)	98.4	103.6	80.0	80.0	90.0
Payable turnover (%)	5.0	5.2	5.0	4.5	3.0
ROAA (%)	-23.1	-26.9	-10.1	-6.7	-1.7
ROAE (%)	-26.7	-29.8	-11.3	-7.7	-2.1
Debt/ Equity (x)	1.1	1.2	1.3	2.4	2.4
Net debt/Equity (x)	-21.1	-22.0	-13.3	-12.7	-7.1
Net debt/ EBITDA (x)	1.5	1.0	1.3	2.0	-17.6
Sales/ Asset turnover (x)	0.03	0.08	0.11	0.15	0.19
Interest coverage (x)	-75.7	-117.7	-35.6	-16.1	0.9
BV/share (x)	117.4	103.6	93.1	86.2	84.6
DPS	0.0	0.0	0.0	0.0	0.0

Source: Company, KBVS Research

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