Maybank

Technology

Regional

ASEAN Internet

Firm growth, but not without resistance

POSITIVE *[New]*

Downgrade Grab to HOLD, reinitiate Sea at BUY

We downgrade Grab to a non-consensus HOLD and trim our TP by 11% to USD4.0. While the structural growth drivers are in place and Grab has a scale advantage, we believe mild headwinds are likely to cap monetization - Xanh SM's entry, tight driver supply and consumer spending pressure. We see limited room for long-term improvement in the take-rate. We raise Sea's TP to USD90 (from USD62) as we see it reaping the benefits of rationalization in competition and firm growth in the e-commerce space by leveraging its scale advantage and competitive moats while room remains for structural improvement in take-rates. We find management's Free Fire ever-greening strategy as credible. We maintain our BUY ratings on GoTo and Bukalapak. We transfer coverage of Grab and Sea to our Asean Internet analyst Hussaini Saifee.

2.7-2.8x GMV growth in the 'post post-Covid phase'

After 4 years marked by the Covid boom and post-Covid reset, internet names have entered a steady 'post post-Covid phase'. We estimate GMV for the ASEAN internet sector across e-commerce and on-demand services (ODS) at 15-19% CAGR from 2023-30. Within Fintech, we estimate payments services to grow at 12% CAGR, but a bigger revenue growth contributor would be digital lending, wealth and insurance (20-34% CAGR). This combined suggests room for GMV to increase by 2.7-2.8x by 2030 from the 2023 level.

ODS monetization likely capped; upside from e-com

Grab's ODS take-rates at 20-22% are already inline-higher vs global peers. Our channel checks suggest consumer spending pressure in ODS (65% of consumers are looking to trim usage frequency due to rising prices) while channel checks with drivers/unit-economic analysis reflects income pressure, which in turn could impact driver supply. This suggests a potential capping of ODS take-rates/incentive reduction. Meanwhile, we expect Sea's Shopee take-rate to rise to 12.0% by 4Q25 from 11.2% in 4Q23. We note that e-commerce seller take-rates in ASEAN are at 5-7% vs global markets at 10-15%. Competition remains benign, creating room for take-rate improvement and/or subsidy reduction.

Key debates and our take

1) The relaunch of TikTok shop in Indonesia is less forceful than feared. 2) Limited risk from Temu/Shein in EM markets. 3) Potential risk from XanhSM entry in Vietnam/Indonesia. 4) Credible Free Fire ever-greening strategy.

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Abbreviations
TAM - Total addressable market
GMV - Gross market value
BNPL - Buy now pay later
AOV - Average order value
3PL - 3rd party logistics
MAU - Monthly active users
PvP - Player versus Player
ODS - On demand services
OFD - Online Food Delivery

Company	BBG Code	Mkt Cap USDm	EV/GMV (x) FY1	EV/GMV (x) FY2	GMV CAGR 2023-26F	EVGMVG	EV/Sales (x) FY1	EV/Sales (x) FY2	Sales CAGR 2023-26F	EVSG	EV /EBITDA (x) FY1	EV /EBITDA (x) FY2
Grab	GRAB US	14,361	0.60	0.51	11%	5.6	3.85	3.18	17%	22.9	41.9	22.7
Sea	SE US	42,258	0.43	0.37	14%	3.1	2.64	2.24	15%	18.0	26.1	17.6
GoTo*	GOTO IJ	3,800	0.19	0.17	7%	2.8	0.00	0.00	3%	0.0	-0.0	-0.0
Bukalapak	BUKA IJ	740	-0.02	-0.02	5%	-0.3	-0.00	-0.00	16%	-0.0	0.0	-0.0

**Proportionate On demand EV (based on Maybank IBG Research SoTP) divided by on demand GMV*

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1. Executive summary: Steady growth but not without turbulence in the 'post post-Covid phase'

In the past 4.5 years, ASEAN's Internet space underwent four distinct phases catalyzed by Covid. In the pre-Covid phase, ASEAN's Internet space was under the radar due to the small scale and absence of investment avenues. Covid turbo charged the sector, leading to accelerated growth and high cash burn. In the post-Covid phase, the sector underwent the reset phase. Both Covid and post-Covid phases masked the fundamentally driven real growth potential of the sector.

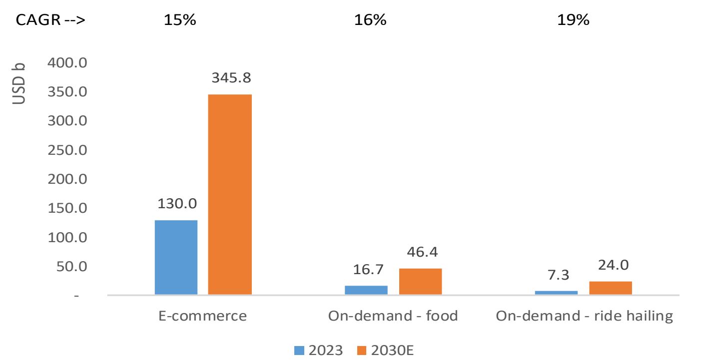
Fig 1: Recent phases and evolution of ASEAN's Internet sector

Phase	Phase 1 Pre-Covid	Phase 2 Covid	Phase 3 Post-Covid	Phase 4 Post post-Covid
Key dynamics	- Limited scale and visibility - Strong growth but from a low base	- Accelerated digital adoption - Cheap capital/cash burn - New entrants - Public listings	- Growth reset with post-Covid re-opening, - <u>Shift towards self sufficiency</u> - start of industry consolidation, Scaling down by marginal players - TikTok Shop was an outlier - Improving competition and monetization - High cost of capital	- Growth normalization to a steady state - Steady monetization - Inflationary concerns in certain sub segments - Room for residual consolidation
Private funding (USD b)		USD22b/yr	USD12b/yr	
GMV Growth	2015-19 CAGR: 32%	2020-3Q22 CAGR: 120%	3Q22-3Q23 CAGR: 9%	- mid-high teens
Competition		- Land grab - New competitors but limited competitive concerns	-- Started improving save for TikTok Shop's aggression in ecommerce space	- Xanh SM entry in Vietnam & Indonesia - Limited risk from Temu/Shein
Take rate			Improved 230-270bps	2023-2026E Ecommerce: 80bps On-demand: 10bps
Adj EBITDA/Margins		Adj EBITDA losses expanded	Adj EBITDA/GMV Improved 380-420bps	Adj EBITDA/GMV to improve 120-240bps by 2026E from 2023 levels

Source: Maybank IBG Research

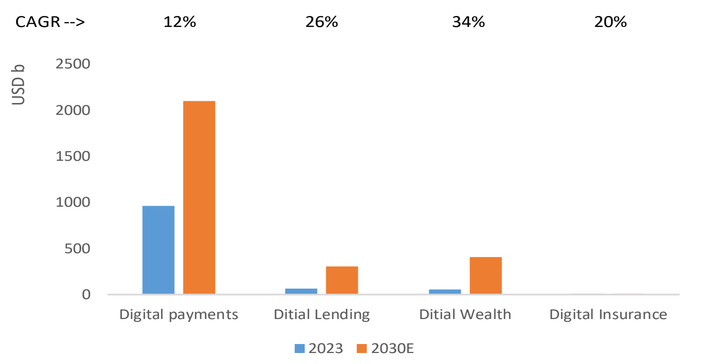
As the anomalies induced by Covid and post-Covid normalization are behind us, the sector has entered into the 'steady growth state', led by underlying economic/social fundamentals and technology driven developments. We define the current state of the sector as '<u>post post-Covid phase</u>'. Based on our top-down analysis, we estimate various sub-sector <u>GMV within the ASEAN Internet sector to grow by low-high teens</u> over the medium term or expand by 2.6x by 2030 from current levels.

Fig 2: ASEAN digital TAM (ex-financial services) of USD416b by 2030E - 2.7x the 2023 level



Source: Maybank IBG Research, Google, Temasek and Bain, Statista, Euromonitor

Fig 3: ASEAN financial services TAM of USD2.8t by 2030E - 2.6x the 2023 level



Source: Maybank IBG Research, Google, Temasek and Bain, Statista, Euromonitor

We think <u>Sea and Grab have emerged as winners from the post-Covid phase.</u> They are aggressively tapping the growth induced by Covid as well as vigorously defending their market share (from the onslaught of new competitors). In the meantime, they have also built formidable competitive moats to profitably operate at lower unit economics then their peers, which in turn would allow them to defend/further growth in market share. As such, we believe Sea and Grab have entered the 'post post-Covid phase' from a position of strength.

On the competition front, we see e-commerce competition rationalizing and there are avenues to further improve monetization; ASEAN take-rates are on the lower side vs global markets. While there are new entrants in various markets, our channel checks suggest limited aggression from them while TikTok Shop's take-rates have narrowed vs Shopee's. We also find unit economics for cross border platforms as unviable in the low AOV EM markets. On the other hand, our channel checks suggest consumer spending pressure in ODS (65% of consumers are looking to trim usage frequency due to rising prices) while channel checks with drivers/unit-economic analysis reflects income pressure, which in turn could impact driver supply. Moreover, Grab's Online food delivery (OFD) take-rates at 22% are already on the higher side of more evolved markets such as the US and China, while ride-hailing services are in line. This suggests a potential capping of rates.

Fig 4: Key conclusions based on top-down analysis

- ✓ ASEAN Digital TAM (ex fintech) of USD416b by 2030E – 2.7x of 2023 levels
- ✓ ASEAN Ecommerce penetration at 12% vs. 22-33% in US and China
- ✓ ASEAN Ecommerce take-rate is second lowest globally
- ✓ ASEAN 2-3x below China and Korea on online food delivery to GDP ratio
- ✓ Ride hailing and online food delivery take-rates are inline/ahead of global average

Source: Maybank IBG Research

Fig 5: Key conclusions based on bottom-up analysis

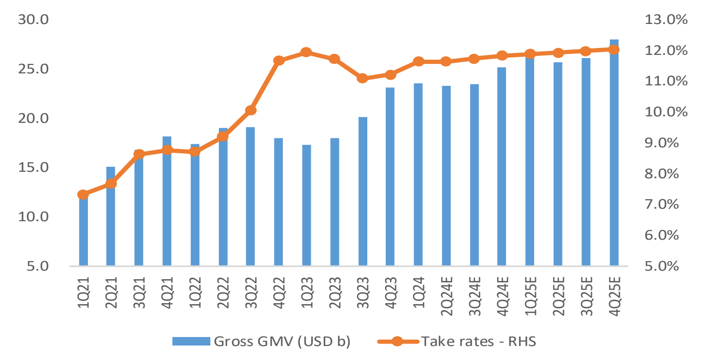
- ✓ Competition in Ecommerce remain benign.
- ✓ Take-rate improvement is expected to slow
- ✓ TikTok shop Indo relaunch less forceful than feared/limited risk from Temu/Shein
- ✓ Consumer spending and driver earnings pressure in on-demand services
- ✓ Keep an eye on Xanh SM entry in Vietnam and Indonesia
- ✓ Free Fire: A slow and steady gaming franchise

Source: Maybank IBG Research

Re-initiate Sea to BUY; Raise TP to USD90 (from USD62)

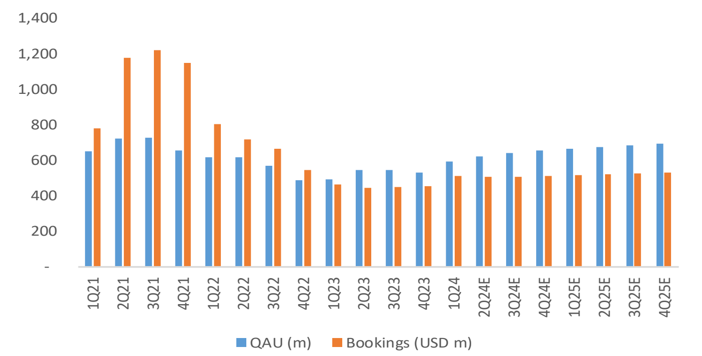
We re-initiate coverage of Sea Ltd with a BUY and a SOTP-based TP of USD90. We see Sea entering the 'post post-Covid phase' from a position of strength (multiple competitive moats, scale advantage and financial muscle) to tap the 15% CAGR in the ASEAN e-commerce and fintech space. Its gaming business has stabilized and we find management efforts to make Free Fire an evergreen franchise as credible. We estimate Sea's revenue to expand at 16% CAGR over FY23-26E while a healthy mix of scale benefits and steady monetization improvement drives our 24% EBITDA CAGR expectation. Sea is trading at 0.4x EV/GMV and 3x EV/sales for FY24E; valuations are at 25-30% discount to MELI.

Fig 6: Expect firm GMV growth and take rate improvement….



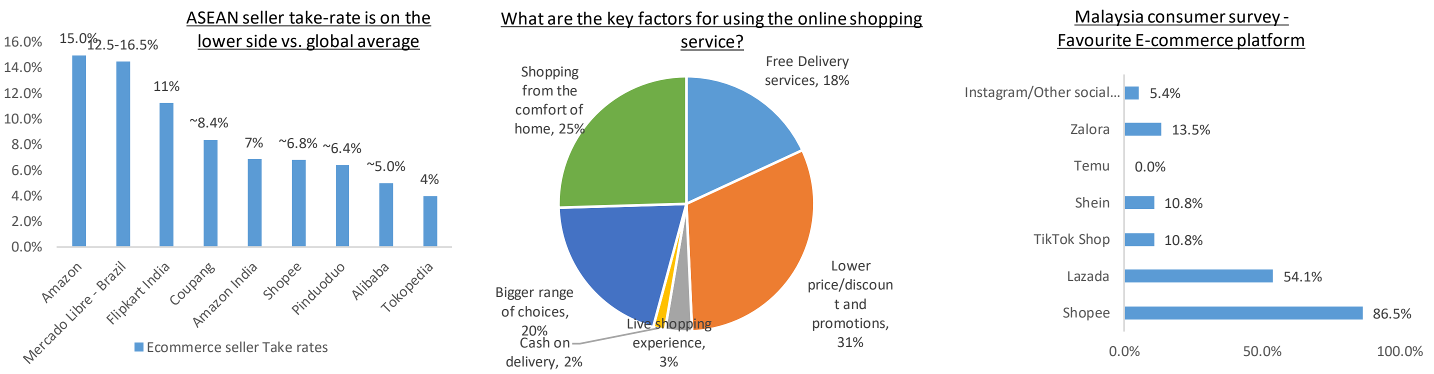
Source: Company, Maybank IBG Research

Fig 7: ….and Free Fire stabilizing



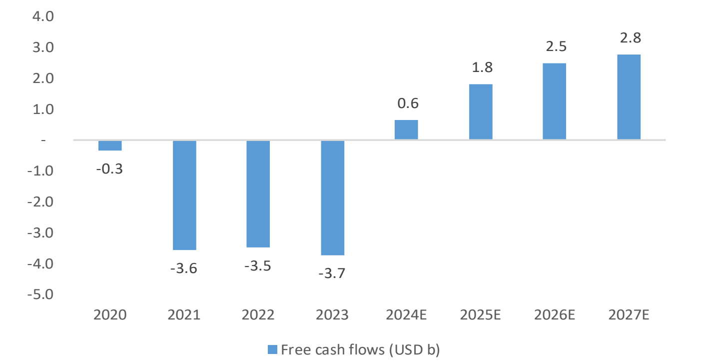
Source: Company, Maybank IBG Research

Fig 8: ASEAN e-commerce take rate comparisons and key takeaways from e-commerce consumer survey



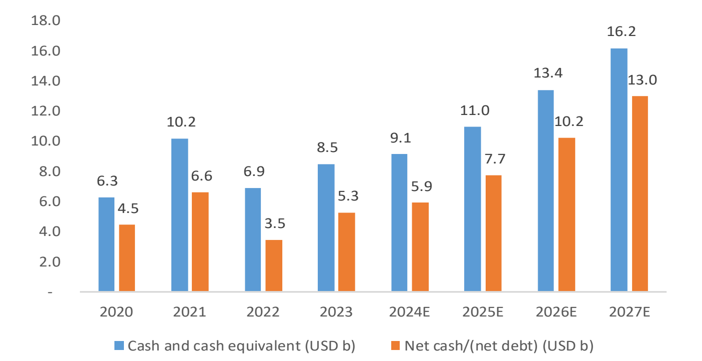
Source: Company, Maybank IBG Research

Fig 9: Positive free cash flows from FY24E….



Source: Company, Maybank IBG Research

Fig 10: ….leading to an even stronger net cash position



Source: Company, Maybank IBG Research

Fig 11: Sea - Maybank vs Street estimates

USD m	Maybank			Street			% var		
	2024E	2025E	2026E	2024F	2025F	2026F	2024E	2025E	2026E
Revenues	15,391	17,496	19,556	15,265	17,416	19,508	1%	0%	0%
Adj EBITDA	1,458	2,277	2,914	1,440	2,213	2,962	1%	3%	-2%
NPAT	671	1,436	2,002	718	1,342	1,933	-7%	7%	4%

Source: Company, Maybank IBG Research, Bloomberg

Fig 12: Sea SOTP valuation

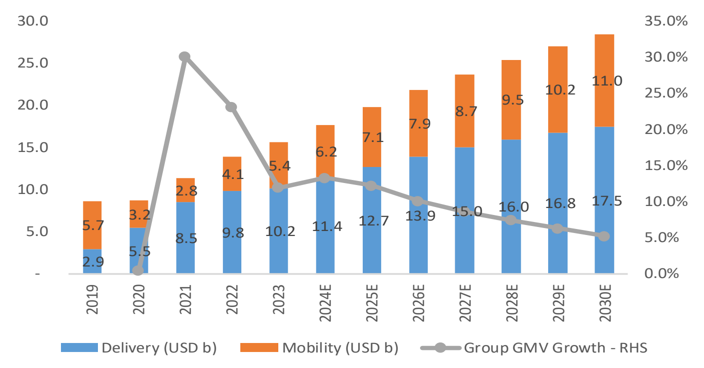
Business		Multiple
Ecommerce	**EV/Sales**	**Comments**
Target EV/Sales	2.70x	Based on cluster analysis
FY25E Revenue	12,655	
Value of business	34,168	
Digital Entertainment		
Approach #1	DCF	Assume a continuous deterioration in the revenues at the rate of -5% to -13% over 2025-35 with a 60% passthrough of deteriorating bookings on EBIT
WACC	8.10%	
LT growth	0.00%	
Value of business	4,855	
Approach #2	EV/EBITDA	
Target EV/EBITDA	5.0x	
FY25E EBITDA	1,092	
Value of business	5,461	
Digital financial services	**EV/EBITDA**	
Target EV/EBITDA	8.5x	
FY25E EBITDA	749	
Value of business	6,367	
Net cash	5,232	1Q24 balance sheet. Includes ST investments
Equity value	**50,925**	
Number of shares (m)	564	
Value per share (USD)	**90**	

Source: Company, Maybank IBG Research

Downgrade Grab to HOLD; trim TP to USD4.0 (from USD4.5)

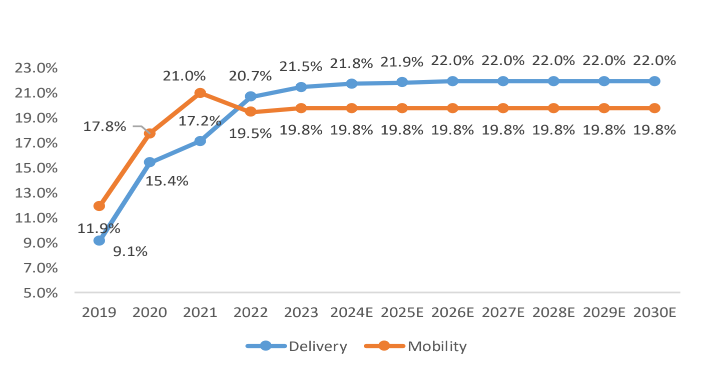
We downgrade Grab to a non-consensus HOLD and reduce our TP by 11% to USD4.0. While the structural growth drivers are in place and Grab has a scale advantage, we see mild growth headwinds and monetization to take a pause. This is owing to: 1) take-rates are already in line-high vs the more evolved markets; 2) rising cost/inflation pressures weighing on consumers' discretionary spending and driver-partners' take-home earnings are non-competitive. We also see risk of a slight flare-up in competitive intensity due to a better capitalized Gojek and XanhSM's entry into multiple markets.

Fig 13: Expect firm GMV growth....



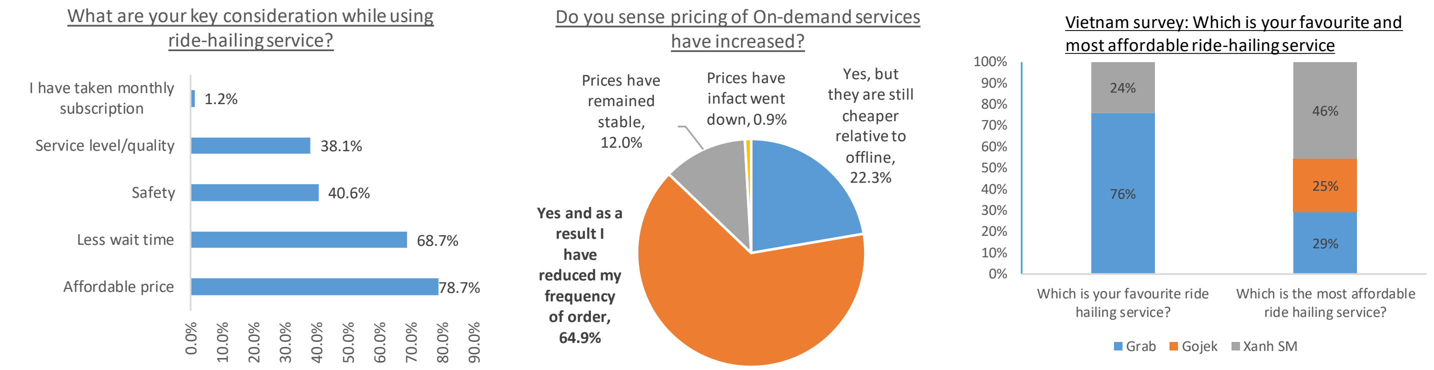
Source: Company, Maybank IBG Research

Fig 14: ....but take rates likely capped



Source: Company, Maybank IBG Research

Fig 15: Key takeaways from on-demand consumer survey and Vietnam channel checks



Source: Maybank IBG Research

Fig 16: Grab: Maybank estimates vs Street expectations

USD m	Maybank			Street			% var		
	2024E	2025E	2026E	2024F	2025F	2026F	2024E	2025E	2026E
Revenues	2,747	3,158	3,565	2,782	3,250	3,760	-1%	-3%	-5%
Adj EBITDA	243	484	772	256	472	752	-5%	3%	3%
NPAT	-137	128	269	-136	146	291	1%	-12%	-7%

Source: Company, Maybank IBG Research

Fig 17: Grab SOTP valuation

SOTP Valuation	Methodology	Target multiple	Target metric	Value of metric (USDm)	Value of business (USDm)	Per share (USD)	% of SoTP	Comments
On Demand	EV/GMV	0.5x	FY25E GMV	19,818	9,651	2.45	61%	Inline with global peers weighted average ex India
Financial Services	EV/Sales	2.0x	FY25E Revenue	366	713	0.18	5%	Target EV/Sales multiple of 2x in-line with peers
Others	EV/Sales	1.5x	FY25E Revenue	245	368	0.09	2%	Target EV/Sales multiple of 1.5x
Net Cash					5,027	1.28		
SoTP					15,759	4		
# of shares						*3,935*		

Source: Company, Maybank IBG Research

GoTo: Retain BUY with a reduced TP of IDR95

We expect GOTO to maintain its cost efficiency, projecting adjusted EBITDA of -IDR109b in FY24E (vs. GOTO's target of adj. EBITDA breakeven, and our previous forecast IDR516b in FY24E), as cost-saving in 1Q24 was softer than our initial forecast. We maintain our BUY rating with a new target price of IDR95 as we trim down P/S multiples for the ODS and Fintech.

Fig 18: GoTo SOTP valuation

	Multiple (x)	Revenue (IDRb)	Mkt Cap (IDRb)	%	Notes
On-demand services	2.5	10,975	27,438	27%	We downgrade our multiple to 2.5x (vs. prior 5.0), aligning with peers.
e-commerce			44,140	43%	Based on the deal value of service fees
Fintech	7.8	3,257	25,405	25%	We downgrade our multiple to 7.8x P/S (vs. prior 12x) aligning with peers.
Bank Jago Value			5,930	6%	Assuming ARTO IJ price of IDR2,000/share
Total Market Cap (IDRb)			102,914	100%	
Shares outstanding (b)			1,062		
Target Price (IDR)			**95**		Implies 7.0x P/S and 3.4 P/BV for FY25E.

Source: Company, Maybank IBG Research

Bukalapak: Maintain BUY due to undemanding valuation

We maintain our BUY Call due to undemanding valuation. We maintain our TP at IDR160 as BUKA's operation expanded in 1Q24 in line with our forecasts. We think BUKA's valuation is undemanding as: 1) it's cash rich (IDR19t, plus its long-term investments); 2) financial income can cover 99% of its cash expenses in FY24E; and 3) trading at below its cash level.

e-commerce competition and cash management are still our concerns. We think BUKA needs to address operational challenges in the C2C marketplace (i.e the number of active sellers), to maintain customer traction. In addition, BUKA needs to address its cash position, which we think can provide a glimpse of its vision (growth company vs asset yield). We believe BUKA needs another growth driver, in addition to the O2O (Mitra) segment, as we think the market still perceives BUKA as a 'growth company'.

Fig 19: Bukalapak SoTP

SOTP	IDRb
Marketplace	12,654
Allo Bank	2,823
Allo Fresh	778
Market cap	16,254
Shares outstanding (b)	103
Target price (IDR)	**160**

Source: Maybank IBG Research

Fig 20: Valuation Comps - Global internet peers

Company	BBG	Mkt Cap	EV/GMV (x)		GMV CAGR	EVGMVG	EV/Sales (x)		Sales CAGR	EVSG	EV /EBITDA (x)	
	Code	USDm	FY1	FY2	2023-26F		FY1	FY2	2023-26F		FY1	FY2
Grab	GRAB US	14,361	0.60	0.51	11%	5.6	3.85	3.18	17%	22.9	41.9	22.7
Sea	SE US	42,258	0.43	0.37	14%	3.1	2.64	2.24	15%	18.0	26.1	17.6
GoTo*	GOTO IJ	3,800	0.19	0.17	7%	2.8	0.00	0.00	3%	0.0	-0.0	-0.0
Bukalapak	BUKA IJ	740	-0.02	-0.02	5%	-0.3	-0.00	-0.00	16%	-0.0	0.0	-0.0
Zomato	ZOMATO IN	19,659	2.52	1.82	34%	7.4	8.86	6.53	36%	24.9	158.0	61.4
Nykaa	NYKAA IN	5,977	2.57	2.03	24%	10.6	6.21	4.93	26%	23.8	88.3	57.3
Mercado Libre	MELI US	80,129	1.50	1.22	17%	8.8	3.97	3.10	25%	15.6	23.0	16.7
Amazon	AMZN US	1,913,050	2.36	2.18	10%	24.4	3.10	2.84	11%	27.4	14.7	13.1
Alibaba	BABA US	183,008	1.03	0.94	4%	28.8	1.19	1.04	8%	14.5	6.6	5.7
JD	JD US	44,989	0.54	0.47	6%	9.4	0.25	0.22	7%	3.9	6.5	5.2
PDD	PDD US	209,802	1.86	1.31	15%	12.4	2.97	1.85	40%	7.5	10.3	6.2
Doordash	DASH US	46,522	0.67	0.60	15%	4.5	5.03	4.42	17%	29.3	30.2	23.1
Uber	UBER US	148,063	0.93	0.77	16%	5.8	3.50	2.90	16%	22.3	24.2	17.4
Delivery Hero	DHER GR	8,548	0.24	0.21	8%	3.1	0.99	0.85	13%	7.6	15.3	9.1
Meituan	3690 HK	91,557	0.22	0.17	17%	1.3	1.81	1.44	16%	11.1	14.6	10.0
Just Eat	TKWY NA	2,778	0.12	0.11	3%	3.9	0.61	0.53	5%	12.5	7.0	5.2
Lyft	LYFT US	5,842	0.32	0.25	15%	2.1	0.94	0.74	18%	5.2	14.6	9.2
Deliveroo	ROO LN	2,727	0.20	0.18	8%	2.4	0.72	0.64	9%	8.2	12.7	8.4
Allegro	ALE PW	10,201	0.65	0.56	12%	5.6	3.68	3.07	13%	28.7	13.9	11.1
Vipshop	VIPS US	8,715	1.12	0.85	7%	15.7	0.30	0.24	3%	11.0	3.0	2.3
Coupang	CPNG US	40,659	na	na	na	na	1.14	0.95	18%	6.3	27.6	16.5
Ocado	OCDO LN	3,812	na	na	na	na	1.43	1.38	9%	16.4	31.5	19.4
Weighted average			*1.95*	*1.76*	*11%*	*20.22*	*2.95*	*2.57*	*14%*	*23.0*	*16.3*	*12.9*

**Proportionate On demand EV (based on Maybank IBG Research SoTP) divided by on demand GMV*

Source: Maybank IBG Research

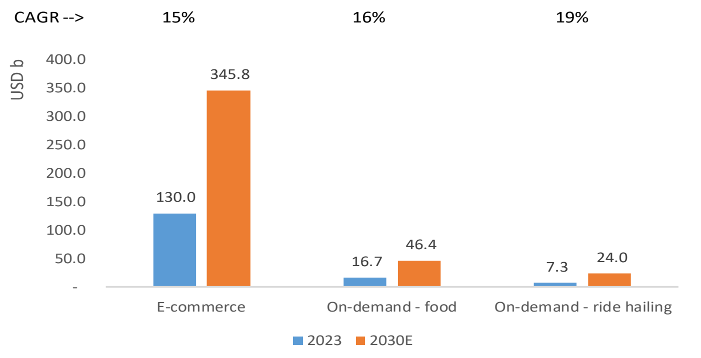
In the following sections, we discuss key industry dynamics (and consequentially investor debates) and top-down analysis of key Internet verticals to uncover investment opportunities and implications.

2. Long runway for growth: ASEAN remains low on most digital counts

Room for TAM to grow 3x by 2030

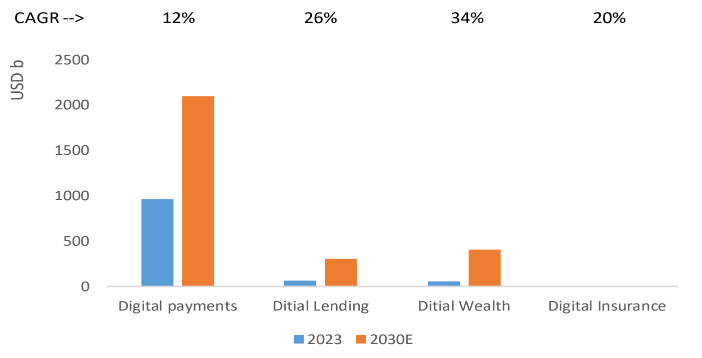
We estimate TAM for the ASEAN Internet sector across e-commerce and on-demand (ride hailing, food/package delivery) to reach USD416b by 2030E from USD154b in 2023. This represents 15% CAGR. Within this, we expect e-commerce GMV to grow from USD130b in 2023 to USD346b by 2030, reaching 18% of total retail sales. We expect food delivery and ride hailing to contribute USD46b and USD24b of GMV by 2030E, expanding at a CAGR of 16-19%. We estimate the size of the fintech market in ASEAN to exceed USD2t by 2030, mainly on the back of payments but a bigger revenue growth contributor would be digital lending, wealth and insurance. This combined suggests room for GMV to increase by 2.7-2.8x by 2030 from 2023 levels.

Fig 21: ASEAN digital TAM (ex-financial services) of USD416b by 2030E – 2.7x of 2023 level



Source: Maybank IBG Research, Google, Temasek and Bain, Statista, Euromonitor

Fig 22: ASEAN financial services TAM of USD2.8t by 2030E - 2.6x of 2023 level



Source: Maybank IBG Research, Google, Temasek and Bain, Statista, Euromonitor

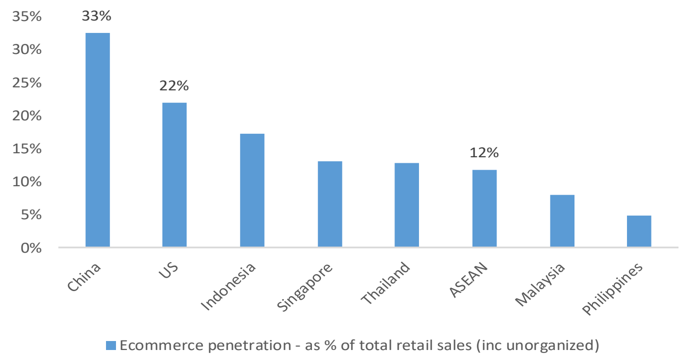
Key growth drivers: under-penetration and organic shift

While digital penetration grew at a faster clip in ASEAN, especially post-Covid, penetration levels are still only nearly half of the more evolved markets like the US, China and South Korea. This is adjusting for the low per capita income in ASEAN, suggesting only the higher end of the economic strata are the target customers/users currently.

For instance, ASEAN online food delivery spending as a % of GDP is at 0.5% compared to 1.2-1.3x in China and South Korea. Even at 60% of China's and South Korea's level, online food delivery spending as a % of GDP reflects a 1.7x increase in TAM. On the other hand, e-commerce spending as a % of total retail spending in ASEAN is 2-3x below that of the US and China.

We expect e-commerce and on-demand GMV to grow by double-digit levels in evolved markets like the US and China, suggesting an even bigger growth impetus in ASEAN.

Fig 23: e-commerce penetration rate - ASEAN at the lower end



Source: Maybank IBG Research, Google, Temasek and Bain, Statista, Euromonitor

Fig 24: Online food delivery - ASEAN 1.7-1.9x below even after adjusting for lower income

	OFD GMV as % of F&B spending	OFD GMV as % of GDP
US	24%	
China	36%	1.30%
Korea	27%	1.20%
Average (A)	**29%**	**1.30%**
	F&B spending	**GDP**
ASEAN (USD b) (B)	115	3,744
ASEAN TAM computation	C = A x B	C = A x B x 60%
ASEAN TAM (USD b)	**33.3**	**28.6**
Potentail OFD upside vs. current GMV (USD b)	**1.9x**	**1.7x**

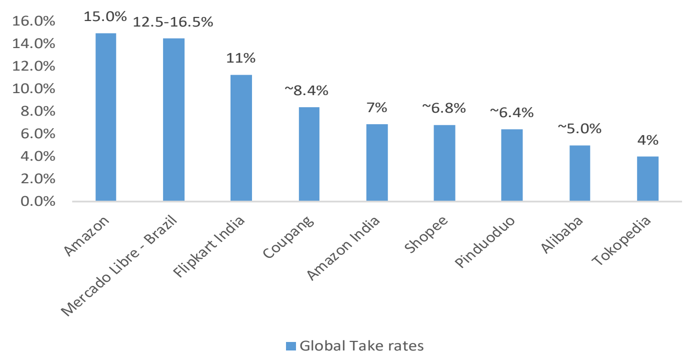
Source: Maybank IBG Research, Google, Temasek and Bain, Statista, Euromonitor

Areas of monetization: e-commerce take-rate increases and VAS expansion; on demand take-rates likely capped

Besides penetration-led growth potential, we also note that ASEAN markets have multiple room to improve monetization. E-commerce take-rate in ASEAN is low compared to the US, Latin America and India. This suggests room for potential increase in take-rates. As companies have raised take-rates over the past 2 years, we think the near-term focus is on growing GMV rather than further increasing take rates. Besides, we see room for growth in value-added services, such as advertising, seller analytical tools and inventory storage, which have the potential to double from 1% of GMV currently to 2-3%.

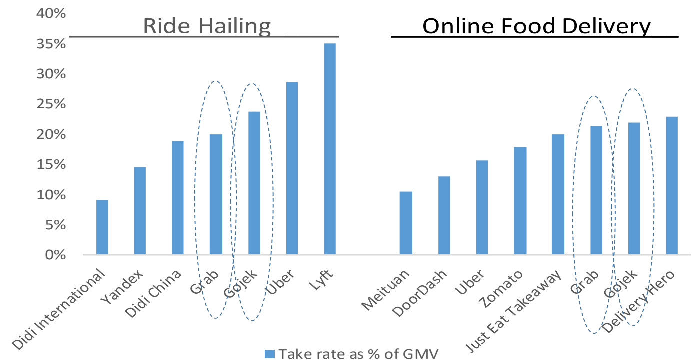
ODS take rates are already on the higher side in ASEAN compared to other markets. Besides, we see limited room to either increase prices or driver/merchant commission, as reflected in our consumer survey and driver unit economics analysis.

Fig 25: ASEAN e-commerce take-rates relative to global peers



Source: Company, Maybank IBG Research

Fig 26: ASEAN on demand take-rates relative to global peers



Source: Company, Maybank IBG Research

3. E-commerce

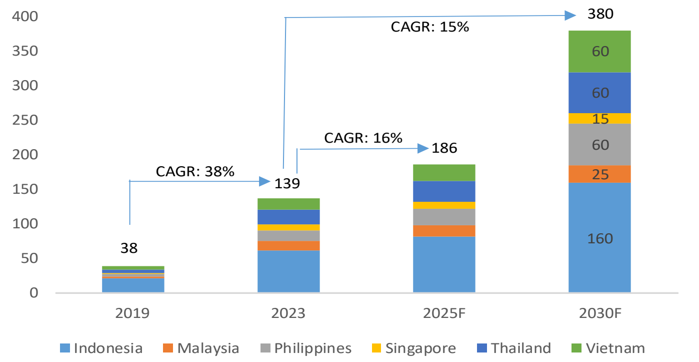
Key conclusions first

- ASEAN e-commerce GMV to grow at a 7-year CAGR of 15%. Drivers: under penetration and favourable macro.
- Competition remains stable even with TikTok Shop-Tokopedia merger in Indonesia. Survey shows consumers are not highly price conscious.
- Seller take-rates in ASEAN are ~40% below global averages (ex China). This leaves room for upside revision.
- We see limited risk from the new entrants like Temu and Shein – Cross-border economics don't work in low-ticket-size EM markets.
- Shopee's logistics infrastructure remains a structural competitive moat. Live streaming is desirable, but not a unique differentiator in our view.

ASEAN e-commerce addressable TAM: We expect GMV to expand by 14-16% CAGR over the next 5-7 years

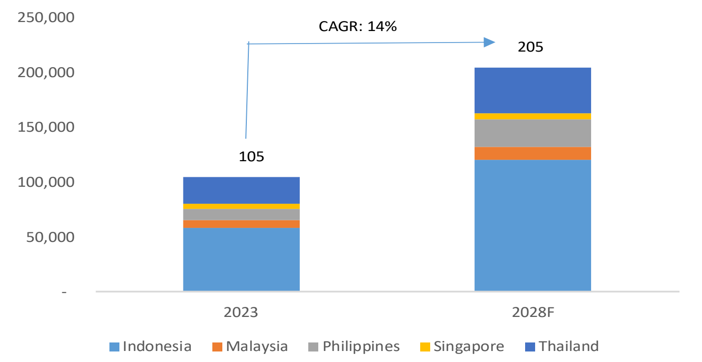
ASEAN e-commerce reached a GMV size of ~USD130b in 2023, with the largest contribution coming from Indonesia. Based on our compilation of growth projections from multiple industry/research houses, we expect ASEAN e-commerce to expand at a CAGR of 14-16%, reaching total GMV of USD350b by 2030E.

Fig 27: e-Conomy forecasts: ASEAN e-commerce is estimated to expand by 15-16% CAGR over the next 2-7 years (USD b)



Source: Maybank IBG Research, Google, Temasek and Bain

Fig 28: Euromonitor* forecasts: ASEAN^ e-commerce is estimated to expand at 14% CAGR over next 5 years (USD b)

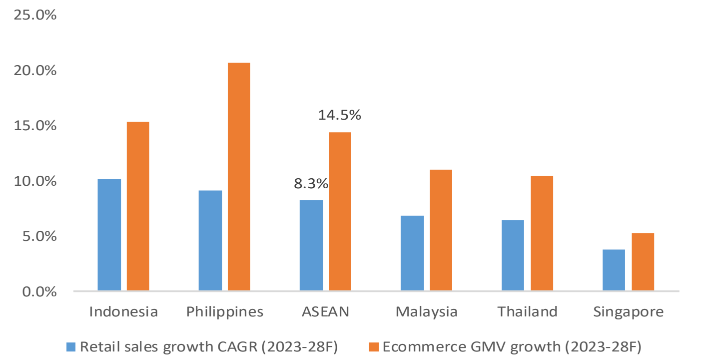


**Retail portion, ^ex Vietnam*
Source: Maybank IBG Research, Euromonitor

Factors underpinning robust growth expectations are:

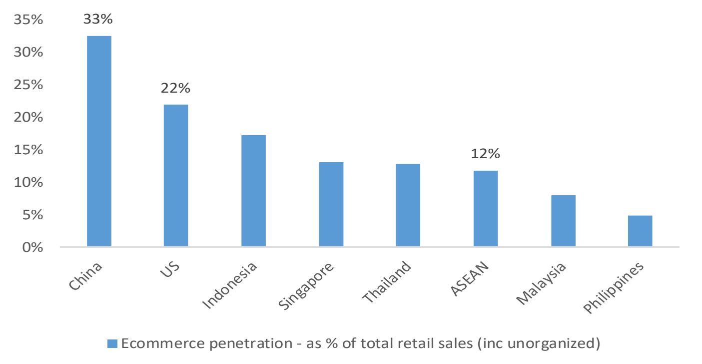
1) **Under-penetration, taking market share from offline/unorganized** – Based on Euromonitor data, we estimate e-commerce penetration rate is at just 12% of total retail sales in ASEAN (organized + unorganized). While it has increased from 6% in 2019, ASEAN markets are still 2-3x below that of the more evolved markets like the US and China. This leaves room for further deepening of e-commerce penetration rate in ASEAN markets. Based on Euromonitor data, we estimate e-commerce to reach 20% penetration rate in ASEAN by 2028.
2) **Favourable macroeconomy** – we expect ASEAN's economy to expand at a CAGR of 5% over the medium term. This positions ASEAN among the fastest growing economic blocks globally. On the other hand, we expect inflation to remain at a relatively manageable level of 3%. We expect organized retail revenues to expand at a CAGR of 8%, which should be in line with nominal GDP growth.

Fig 29: Total organized retail sales is estimated to expand at 8% CAGR in ASEAN



Source: Maybank IBG Research, Euromonitor

Fig 30: e-commerce penetration rate - ASEAN still on the lower side



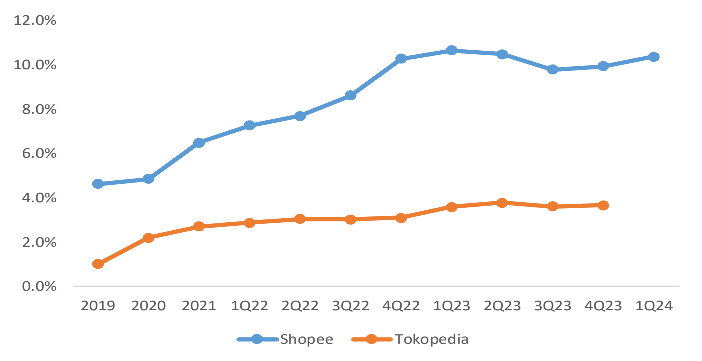
Source: Maybank IBG Research, Euromonitor

Take-rates have increased materially, but still room to expand

Post-Covid era (2022-23) is underscored by take-rate improvements. Shopee and Tokopedia's take-rates have improved 3-4ppt in the past 3-4years. While Shopee raised the competitive ante a fair bit in 2H23, we note that the commission rate increase initiatives picked up in 1H24. Based on our compilation, Shopee has announced merchant commission increase of 1-3ppt on a blended basis, and Lazada by 1-2ppt. More importantly, TikTok Shop also increased its take-rates by ~2ppt.

This is besides improvement in other areas such as shipping subsidies as well as cost-rationalization initiatives (Lazada reportedly let go of >20% of its staff). Such concerted efforts indicate rational competition will continue. Curtailing cash burn amid higher cost of capital and limited funding, relative market maturity and stabilizing competition were the factors that drove the monetization, in our view. In the meantime, GMV growth also slowed but we think it's mainly owing to post-Covid normalization rather than higher take-rates. That said, further increase in take-rates would be more modest, in our view (discussed below).

Fig 31: Take-rates trajectory of ASEAN e-commerce players



Source: Maybank IBG Research, Company reports

Fig 32: Shopee seller commission rate changes

Market	Commission rate Prior	New	ppt increase	Effective from
Indonesia	1.25-3.2% + Rp1000	3.5-6.5% + Rp1000	2.3-3.3ppt	Dec-23
Malaysia	2.5-4.0%	4.0-8.0%	2.5-4.0ppt	Mar-24
Philippines	2.0% + 2.24% transaction fee	5.0-6.5% + 2.24% transaction fee	3.0-4.5ppt	Apr-24
Singapore	2.0% + 2.0% transaction fee	2.0-3.5% + 2.0% transaction fee	0.0-1.5ppt	Jan-24
Thailand	4.0-5.0% + 3.00% transaction fee	5.0-6.0% + 3.0% transaction fee	1.0ppt	Apr-24
Vietnam	3.00% + 4.00% transaction fee	4.00% + 4.00% transaction fee	1.0ppt	Jan-24

Source: Maybank IBG Research, Company Website

Fig 33: Lazada seller commission rate changes

Market	Commission rate Prior	New	ppt increase	Effective from
Indonesia	1.7-4%	3.5-6.0%	1.9ppt	Dec-23
Malaysia	2-6%	4-7%	1.5ppt	Apr-24
Philippines	3.24-7.24%	6.24-8.74%	2.3ppt	May-24
Singapore	2.0%	4.0%	2ppt	May-24
Thailand	4-6%	5-7%	1ppt	Oct-23

Source: Maybank IBG Research, Company Website

Fig 34: TikTok Shop seller commission rate changes

Market	Commission rate Prior	New	ppt increase	Effective from
Indonesia	1.9-4.3%	4.0-6.5%	2.1-2.2ppt	May-24
Malaysia	1.5-3.0%	2.5-4.0%	1.0ppt	Mar-24
Philippines	0.7-2.5% + 2.24% transaction fee	2.0-5.2% + 2.24% transaction fee	1.3-2.7ppt	Jun-24
Singapore	1.00% + 2.00% transaction fee	2.18% + 2.18% transaction fee	2.36ppt	Jan-24
Thailand	4.00% + 3.00% transaction fee	4.00-5.35% + 3.21% transaction fee	1.2-1.6ppt	Apr-24
Vietnam	2.00% + 3.00% transaction fee	2.00% + 4.00% transaction fee	1.0ppt	Sep-23

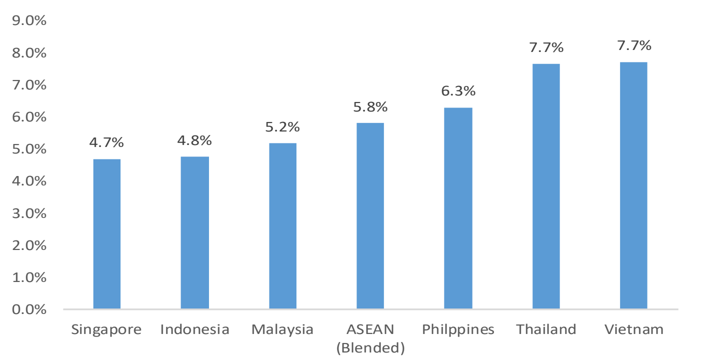
Source: Maybank IBG Research, Company Website

How ASEAN take-rates fare vs global peers?

We estimate blended merchant take rates in ASEAN at 4-8ppt. Outside of China, we find that the take-rates in ASEAN remain on the lower side vs global peers. This suggests still a material increase in take-rates.

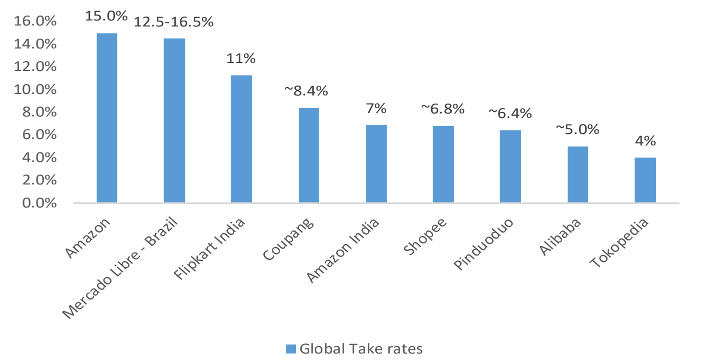
We think the heavy lifting on the commission rate increases is behind us and as such we expect only a moderate increase in take-rates going forward even with our view of rational competition.

Fig 35: e-commerce (merchant) take-rates across ASEAN markets



Source: Maybank IBG Research, Company websites, eCommerce insights

Fig 36: ASEAN e-commerce take-rates relative to global peers



Source: Maybank IBG Research, Company reports, Company websites

In light of a slow take-rate increases, what could drive revenue growth?
Recent company action (Shopee's tactical increase in competitive ante) and management commentary suggest that the focus is shifting to driving GMV growth and service differentiation (live streaming, faster delivery and return policy) in a bid to take incremental growth market share of the industry.

We also see a bigger focus on growing adjacencies, such as advertisements, delivery services, Buy-now-pay-later (BNPL) as well as optimization in cost to serve as a way to improve unit economics. We estimate ad revenue contributes only 1% of Shopee's GMV, which is on the lower side vs Amazon, MELI and Alibaba.

Shopee is ahead on the take-rates. We think it can maintain the premium.
Based on our compilation, Shopee's take-rate is 0-2.5%pt ahead of Lazada and 0.6-2.8%pt higher than TikTok's. We think Shopee can maintain a premium take-rate on the back of its scale and competitive moat: 1) a combination of shelf based and livestreaming; and 2) decisive lead in logistics. Shopee Express is already servicing more than 50% of Shopee orders and is in fact claimed to be bigger than third-party logistics (3PL) operators like J&T.

Fig 37: e-commerce (merchant) take-rates across ASEAN markets

Market	Shopee	Lazada	Shopee vs. Lazada	TikTok shop	Shopee vs. TikTok Shop
Indonesia	3.5-6.5% + Rp1000	3.5-6.0%	1.3%	4.0-6.5%	0.7%
Malaysia	4.0-8.0%	4.0-7.0%	0.5%	2.5-4.0%	2.8%
Philippines	5.0-6.5% + 2.24% transaction fee	6.24-8.74%	0.5%	2.0-5.2% + 2.24% transaction fee	2.2%
Singapore	2.0-3.5% + 2.0% transaction fee	4.0%	0.8%	2.18% + 2.18% transaction fee	1.4%
Thailand	5.0-6.0% + 3.0% transaction fee	5-7%	2.5%	4.00-5.35% + 3.21% transaction fee	0.6%
Vietnam	4.00% + 4.00% transaction fee	7.99%	0.0%	2.00% + 4.00% transaction fee	2.0%

Source: Maybank IBG Research, Company websites, eCommerce insights

Merchant economics superior on Shopee despite premium take-rates. Assuming a merchant's net gross profit margin target is 10% on the platform with the lowest seller commission (this suggests a lower gross margin on Shopee owing to higher commission). This in turn implies that the Shopee merchant needs to sell 15% more merchandise (in dollar value) than Lazada and TikTok Shop combined to make up for the premium. Shopee's ASEAN market share is at ~48% compared to 44% for Lazada and TikTok Shop combined. Assuming Shopee has 50% more unique sellers than Lazada and TikTok Shop, this suggests that a unique Shopee seller is still selling nearly 45% more merchandise (in dollar value) than Lazada and TikTok Shop combined. <u>As such, gross profit margin may be lower on Shopee, but the absolute gross profit is higher owing to higher volumes.</u>

Fig 38: Merchant unit economics analysis - Shopee offers better absolute seller earnings

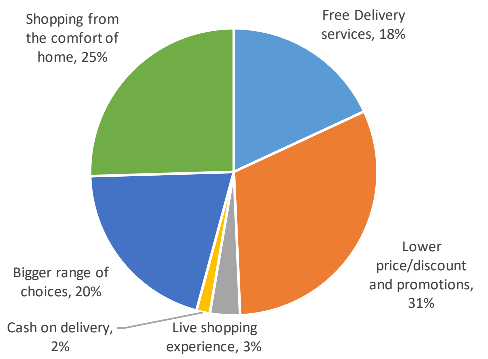
		Shopee	TikTik Shop	Lazada
GMV rebase to 100	a	47.9	22.8	20.1
Take rate	b	6.9%	5.6%	5.7%
Net seller revenues	c = a * (1-b)	44.6	21.5	18.9
Cost of goods sold	d	40.7	19.4	17.1
Gross profit	e = c - d	3.9	2.2	1.9
Gross profit margins		8.7%	10.0%	9.9%
Total sellers (rebased to 10)	f	15	10	10
Per seller gross profit	c = e/f	0.26	0.22	0.19

Source: Maybank IBG Research, Company websites, eCommerce insights

Takeaway from our consumer survey: conducive for growth and Shopee takes a massive lead

- For 31% of the survey respondents, cheaper pricing remains a primary consideration for shopping online but not with a very wide margin. Other factors are also of material importance, such as shopping from the comfort of home (25%), bigger product range (20%) and free delivery service (18%).
- Live streaming is not a material pull factor at just 3% of survey respondents.
- Shopee leads by a wide margin both in terms of being the favourite and most affordable e-commerce shop. Even in Indonesia, where TikTok Shop had taken a more aggressive stance till end-2023, we see Shoppe maintaining a decisive lead on consumer perception.

Fig 39: What are the key factors for using the online shopping service?

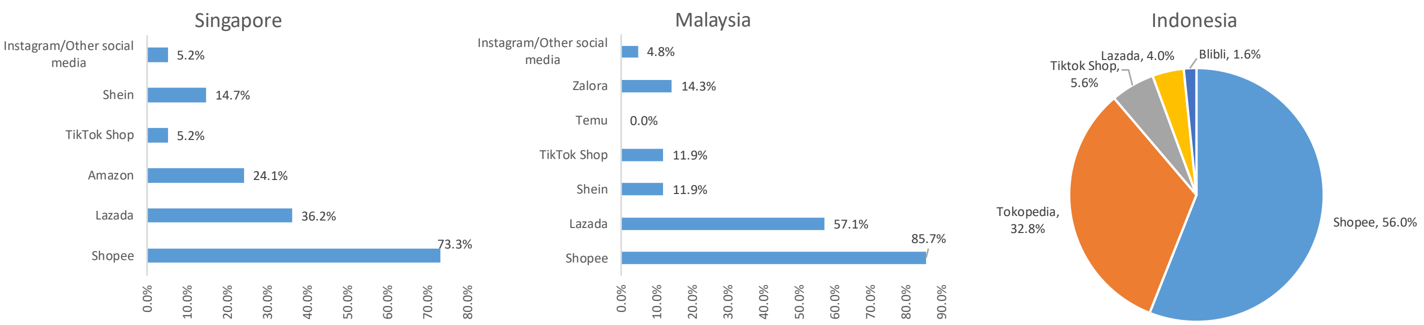


Source: Maybank IBG Research

Fig 40: Frequency of online shopping expected to remain stable

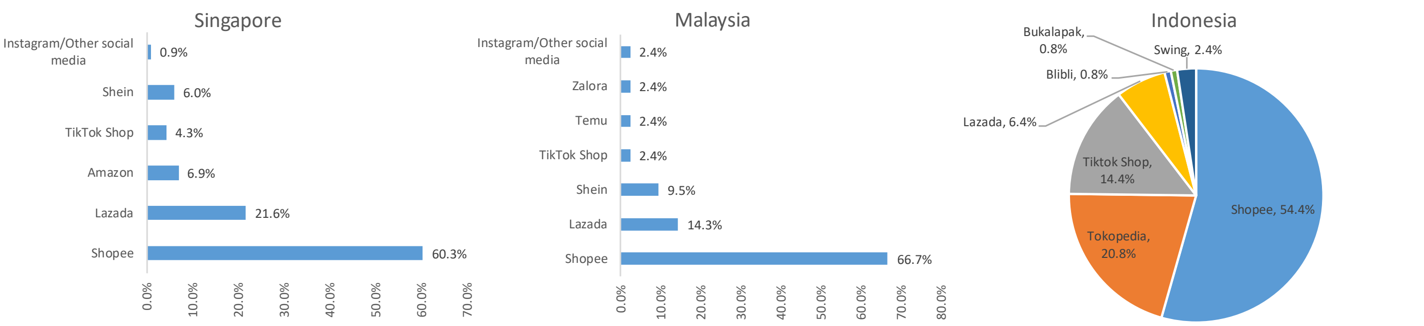
Source: Maybank IBG Research

Fig 41: Which is your favourite e-commerce shop?



Source: Maybank IBG Research

Fig 42: Which is the most affordable e-commerce shop?



Source: Maybank IBG Research

Fig 43: Shopee unit economics and margins analysis

	2023	2024E	2025E	2026E	2027E	2028E
GMV (USDm)	78,500	94,842	105,450	115,904	126,272	136,306
% YoY	7%	21%	11%	10%	9%	8%
Orders (b)	8,100	10,582	11,824	13,006	14,177	15,311
% YoY	7%	21%	11%	10%	9%	8%
USD						
GMV per unit	9.7	9.0	8.9	8.9	8.9	8.9
Take rate	11.5%	11.7%	12.0%	12.5%	12.5%	12.5%
Revenue per unit	1.11	1.05	1.07	1.12	1.12	1.12
Delivery cost per unit	0.89	0.91	0.78	0.77	0.75	0.75
% change YoY		-9%	-3%	-2%	-2%	-1%
S&M cost per unit	0.11	0.10	0.10	0.10	0.09	0.09
% change YoY		-5%	-5%	-2%	-2%	-1%
Other variable costs per unit	0.14	0.13	0.13	0.12	0.12	0.12
% change YoY		-5%	-5%	-2%	-2%	-1%
Adj EBITDA	**-0.03**	**0.01**	**0.06**	**0.13**	**0.15**	**0.16**
As % of Revenue per unit	-2%	1%	6%	11%	13%	14%

Source: Maybank IBG Research

3.1 e-commerce - key developments and our take

TikTok Shop-Tokopedia takeover: more competition or rationalization?

Key conclusions first

- No changes in user experience in both TikTok Shop and Tokopedia post-merger.
- Competition normalizes among Shopee and Tokopedia-TikTok Shop.
- Our survey revealed that Shopee maintains a lead on consumer perception by a wide margin.

TikTok shop relaunch less forceful than feared

TikTok Shop's Indonesia relaunch is panning out as less forceful than initially feared and as such competition remains benign. TikTok Shop has raised the take-rates from May 2024 to a similar level to that of Shopee but more aggressive than Lazada. On percentage terms, new TikTok take-rate has narrowed vs Shopee's compared to the past. Our channel checks also suggest that the listings on TikTok Shop are not that aggressive; bigger consumer buying is centred around household items, which are not ideal for live streaming or impulse buying and more importantly Shoppe has a decisive lead in terms of consumer perception.

What has changed since TikTok Shop's relaunch?

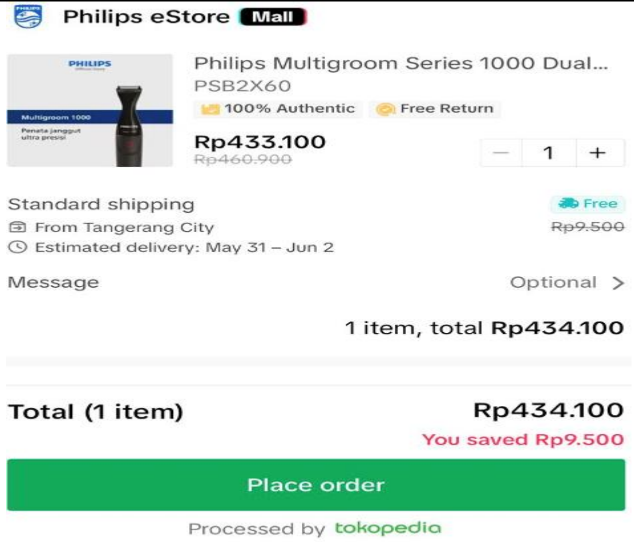
a) Buyers can still finalize transactions on the TikTok app

- Customers can directly process transactions in TikTok's app, with a notification that Tokopedia processes the transaction. We think there have been no significant changes in user experience post-TikTok Shop Indonesia's acquisition of Tokopedia. We believe the user experience is seamless, as most changes are at the platform's backend.
- While go-Pay is the primary payment option, customers have a wide range of choices, including popular e-wallets (OVO, Dana and Link Aja), bank transfers, and credit card payments. This variety of options is expected to benefit GOTO IJ, especially as Midtrans is the payment gateway partner.
- Regarding logistics services, the platform in TikTok Shop Indonesia decides on logistics delivery. Meanwhile, customers can still select logistics services on other platforms.

Fig 44: TikTok Shop Indonesia user interface

Source: Maybank IBG Research, TikTok Application

Fig 45: Orders in TikTok Shop are processed by Tokopedia



Source: Maybank IBG Research

b) Both TikTok and Shopee have increased the take rates

We think the industry is moving in the right direction, as both Tokopedia and Shopee increase their take-rate. Tokopedia's take-rate is ranging from 2.0-6.5% (vs prior 1.0-4.5%), while Shopee's take-rate is ranging from 4.0-6.5% (vs prior 3.3-4.7%).

Fig 46: Tokopedia's take-rate trend

	Jan-23		May-24
Tokopedia	Regular Merchant	Merchant Pro	
Category A	3.8%	4.5%	6.5%
Category B	3.0%	3.8%	5.5%
Category C	2.6%	3.1%	4.5%
Category D	1.6%	1.8%	3.1%
Category E	1.0%	2.0%	2.0%

Source: Maybank IBG Research, various sources

Fig 47: Shopee Indonesia's take-rate trend

Shopee Indonesia	Previous	Dec-23	Mar-24
Category A	4.7%	6.5%	6.5%
Category B	4.0%	5.5%	5.5%
Category C	4.0%	5.5%	4.0%
Category D	3.3%	4.0%	
Category E	3.3%	4.0%	

Source: Maybank IBG Research, various sources

c) Competition is active, but no clear aggressor

We compared prices on the e-commerce platforms across multiple categories and price points. We observe that prices vary across e-commerce platforms suggesting competition remains active. However, we don't see a clear aggressor to suggest elevated competition.

Fig 48: Price comparison of Indonesia e-commerce platforms across categories

IDR 000	TikTok Shop	Tokopedia	Shopee	Lazada
Philips Multigroom 1000				
Listed Price	433,100	433,100	429,600	433,100
Shippine and other charges less discount	1,000	1,000	1,000	-14,000
Net Purchase price	**434,100**	**434,100**	**430,600**	**419,100**
Wardah Colorfit Lip Paint				
Listed Price	62,100	53,820	65,550	60,720
Shippine and other charges less discount	1,000	1,000	1,000	1,000
Net Purchase price	**63,100**	**54,820**	**66,550**	**61,720**

IDR 000	TikTok Shop	Tokopedia	Shopee	Lazada
Mini Ironing board				
Listed Price	65,000	41,000	38,000	37,380
Shippine and other charges less discount	10,500	0	1,000	1,000
Net Purchase price	**75,500**	**41,000**	**39,000**	**38,380**
JBL Flip 6 Bluetooth Speaker				
Listed Price	1,999,200	1,949,000	1,998,000	1,999,200
Shippine and other charges less discount	-123,652	11,800	-4,000	-5,000
Net Purchase price	**1,875,548**	**1,960,800**	**1,994,000**	**1,994,200**

Source: Maybank IBG Research

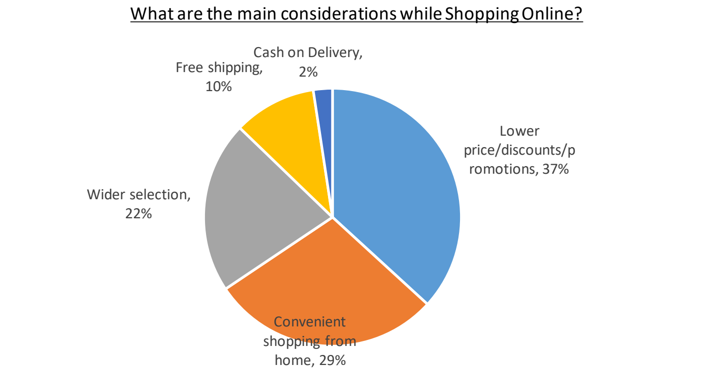
What do we learn from Indonesia ecommerce survey?

Price is a bigger consideration, but not by a wide margin. 37% of the survey respondents prefer shopping online due to discounts and promotions. 29% think it is more convenient while 22% prefer online as it provides a bigger range to choose from. Surprisingly, only 10% believe free shipping is a crucial decision factor. These combined suggests online shopping customers in Indonesia are not highly price sensitive and as such bodes well for rationalization of competition.

Shopee remains the preferred and most affordable. 54-56% of the survey respondents say Shopee Indonesia is their favourite and the most affordable. This is followed by Tokopedia at 33-21%, respectively. TikTok Shop is the favourite of only 6% of the survey respondents, although a bigger 14% feels that it is the most affordable. Interestingly, only 4% and 2% of respondents consider Lazada Indonesia and Blibli.com as their favourite online shops, respectively.

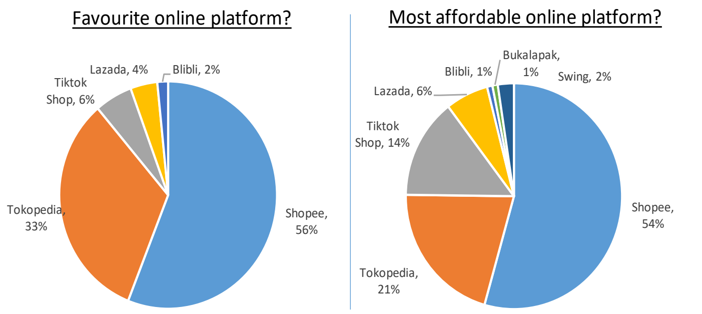
Only 6% shop online daily, and 33% and 60% do so weekly and monthly, respectively.

Fig 49: Pricing is a bigger consideration, but not by a wide margin



Source: Maybank IBG Research

Fig 50: Shopee leads as being the most favourite and most affordable online platform, according to survey respondents



Source: Maybank IBG Research

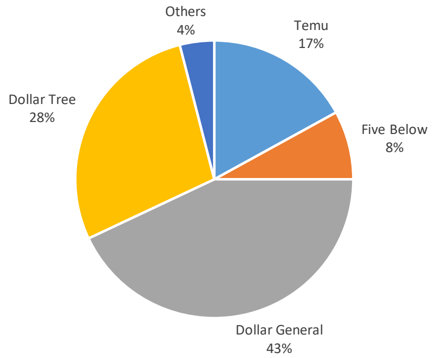
What is the risk of disruptive new entrants in ASEAN?

Temu and Shein are disruptive in the US. Does that create risk in ASEAN? Not in our view.

Temu and Shein are among the fastest growing and in fact disruptive e-commerce companies in the US selling fast fashion, electronics and other products for low prices. Just launched in the US in Sep'22, Temu is estimated to have clocked up a user base of ~60m and USD16b in revenue in 2023 and has almost captured 17% market share within one year of its launch within the discount store categories, according to Earnest Analytics. On the other hand, Shein accounted for 50% of all fast-fashion sales in the US, ahead of brands like H&M and Zara. Temu is estimated to have spent USD2-3b in marketing in 2023. According to Wired, Temu loses USD30 per order and USD0.6-1.0b annually.

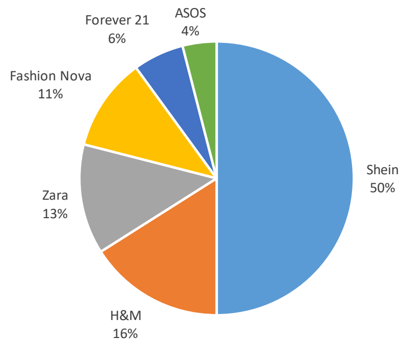
According to Tech Buzz China, Temu sells products like department stores with an average order value (AOV) of USD30-50, whereas Shein mainly sells clothing with an AOV of USD80.

Fig 51: Temu's market share of discount store category in US



Source: Maybank IBG Research, Earnest Analytics

Fig 52: Shein's market share of fast-fashion sales in the US



Source: Maybank IBG Research, Earnest Analytics

High AOV makes the unit economics work in the US. While cash burn could be a short-term strategy to gain market share, we think Chinese e-commerce players' US foray emanate from relatively high AOV in the US coupled with low-cost sourcing from China, which makes the unit economics work even with relatively high shipping costs.

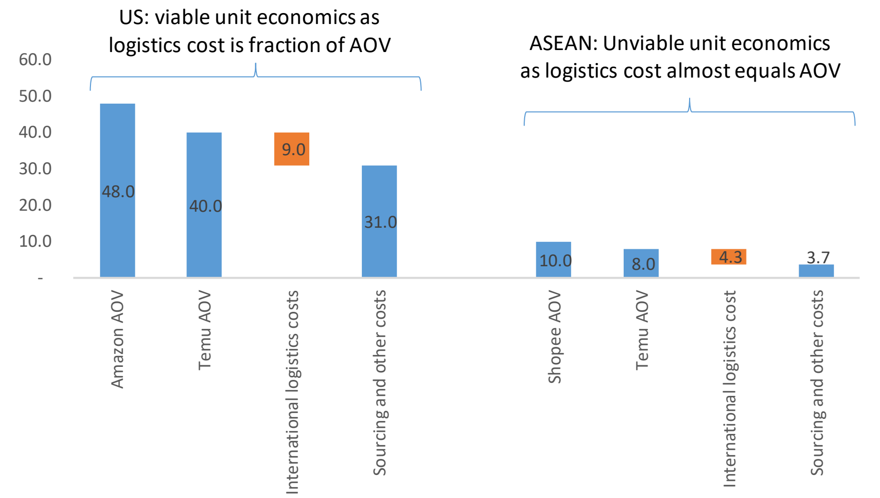
Note that the majority of products available on the e-commerce website of Shein and Temu are directly shipped from Chinese suppliers and factories, tapping into their parents' extensive domestic network of factories and supply lines.

Based on industry sources, AOV for Amazon US in 2Q23 was USD48, whereas for Temu it's ~USD40 (even though average item cost is below USD5) and USD75 for Shein. On the other hand, the cost of shipping from China to the US is estimated at ~USD9. Even with high cash burn, logistics cost is <25% of the AOV in the US for Temu and even lower for Shein. This makes the cheap China-sourcing model sustainable.

Questionable Temu/Shein unit economics in emerging markets. AOV for Shopee is USD9, which is ~70-80% lower than that for e-commerce players in the US. Based on our channel checks, in-country logistics costs offered by 3PL partners in ASEAN is ~USD1-2. This translates to a logistics cost of ~20-25% of AOV, making the in-country logistics cost viable in the emerging markets. On the other hand, international logistics costs in ASEAN is closer to USD4-6 for a less than 1 kg package, making it unviable unit economics for cross-country platforms.

Conclusion. High international logistics cost as a % of AOV remains a barrier for cross-country platforms like Temu and Shein to go mass market in emerging market ASEAN. Temu's unit economics is likely to work in Singapore within ASEAN, although this platform has not been rolled out yet.

Fig 53: Unviable unit economics for Temu for a US-like disruption in ASEAN



Source: Company, Maybank IBG Research

Temu is highly rational so far in ASEAN

Within ASEAN, Temu rolled out in the Philippines in Aug'23, followed by Malaysia in Sep'23. Expectations remain that Temu would rollout in Thailand and Singapore too, but there is no update on this so far. Based on our channel checks in Malaysia, we find Temu as being less aggressive compared to Shopee, but more aggressive compared to Lazada. All in all, we find Temu as relatively non-disruptive.

We find Shopee more competitive than Temu in Malaysia

We explored the Shoppe, Temu and Lazada apps in Malaysia to analyze how they stack up on pricing competitiveness, shipping subsidies and promotions. Here are our key findings:

Promotions

Shoppe offers multiple promotions while entering the app. We find lack of specific offers in Temu and Lazada's apps.

Shipping

Temu offers free shipping for all orders, irrespective of order size. Shopee has multiple shipping fee categories. For a few products, it offers free shipping (but with a slow delivery, likely fulfilled by its own logistics) while a standard delivery charge is MYR5.19. Not all products are eligible for free shipping. It offers shipping discount of MYR1 for minimum spending of MYR30, and free shipping for a minimum spending of MYR50.

Pricing

We analyzed multiple product categories to gauge the average pricing of the first 12-16 products displayed. We also analyzed specific brands within multiple categories to analyze the pricing.

We found Shopee has the most competitive products within the first 12-16 products displayed.

On specific-product comparison, prices in the Shopee app is 24-25% cheaper compared to Temu, whereas Lazada is comparable to Temu.

Fig 54: Assortment of lipsticks and average price for the first 16 options

Lipstick assortments (MYR)	Temu	Shopee	Lazada
Option 1	1.86	1.00	4.53
Option 2	3.81	2.18	17.72
Option 3	5.24	18.69	3.85
Option 4	5.37	12.52	4.90
Option 5	6.33	9.66	3.72
Option 6	6.74	0.99	5.70
Option 7	6.99	3.10	4.74
Option 8	7.94	5.97	2.80
Option 9	7.99	2.15	5.08
Option 10	9.88	2.99	1.25
Option 11	10.34	2.94	12.57
Option 12	12.49	2.99	1.06
Option 13	18.44	2.77	4.09
Option 14	20.99	5.61	13.49
Average	*8.89*	*5.25*	*6.11*

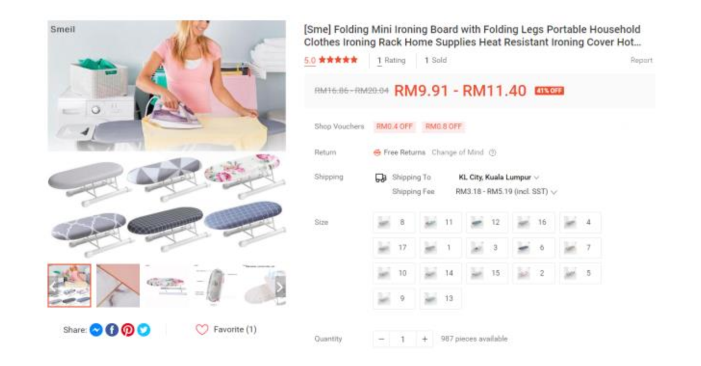
Source: Maybank IBG Research, Company websites

Fig 55: Assortment of Bluetooth speakers and the average price for the first 16 options

Bluetooth speaker assortments (MYR)	Temu	Shopee	Lazada
Option 1	31.59	9.90	4.70
Option 2	32.36	12.51	6.90
Option 3	33.14	12.90	9.54
Option 4	44.08	14.75	9.79
Option 5	49.09	14.90	11.90
Option 6	52.25	19.00	11.90
Option 7	61.22	19.99	12.90
Option 8	66.71	22.00	17.16
Option 9	67.19	23.90	17.32
Option 10	69.99	25.99	21.90
Option 11	76.39	29.90	23.39
Option 12	83.69	32.80	23.43
Option 13	140.47	37.73	27.99
Option 14	185.71	55.00	28.99
Average	*70.99*	*23.66*	*16.27*

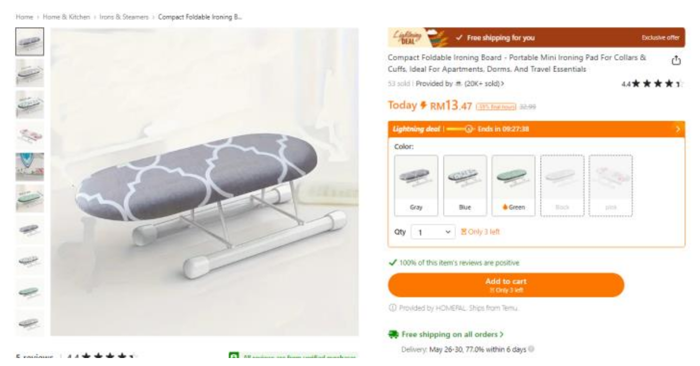
Source: Maybank IBG Research, Company websites

Fig 56: Mini ironing board - Shopee



Source: Company website

Fig 57: Mini ironing board - Temu



Source: Company website

Fig 58: Bluetooth speaker - Shopee

Source: Company website

Fig 59: Bluetooth speaker - Temu

Source: Company website

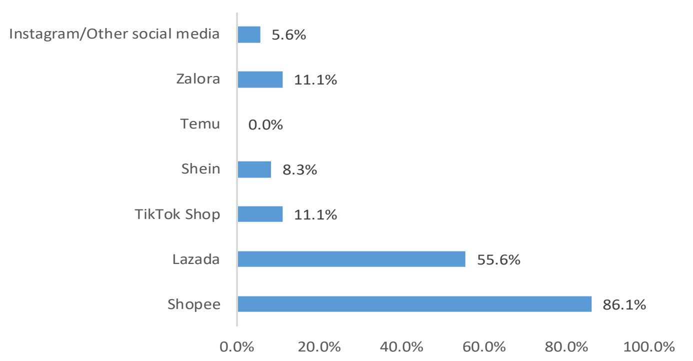
Learning from Malaysia's e-commerce survey – limited traction for Temu/Shein

Our consumer survey in Malaysia as well found Shein and Temu have limited tractions in the country. Shopee, followed by Lazada, remains consumers' favourite e-commerce shop. All the other e-commerce platforms remain at high single digit to low double digit on consumers' preference ladder. Surprisingly, none of the survey respondents prefer Temu.

In terms of affordability, Shopee again leads, followed by Lazada, whereas all the other platforms are not viewed as affordable.

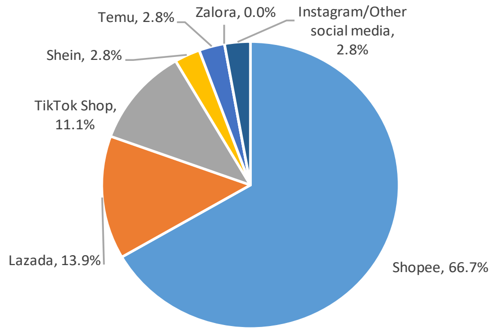
In conclusion, based on our Malaysia survey, we see very limited traction for Temu and Shein in Malaysia. Specifically, they are not viewed by consumers as low-price disruptors.

Fig 60: Which is your favourite e-commerce shop?



Source: Maybank IBG Research

Fig 61: Which is the most affordable online shopping platform?



Source: Maybank IBG Research

Temu's entry in Brazil - Unviable cross border unit economics

Temu officially rolled out in Brazil on 5 June 2024. According to media reports, Temu's inaugural offers comprise of items as low as IDR1.99 (USD0.2) in price, with free shipping and pre-approved credit as a guarantee against delivery delays.

Among the e-commerce operators in Brazil (Mercado Livre, Amazon, Magalu, Shopee and Shein), we see Shopee is at a relatively bigger risk as it operates mainly in the budget-conscious/low AOV segments, which Temu is attacking first. We estimate ~8-9% of Shopee's GMV comes from Brazil, which could be at risk depending on Temu's competitive intensity.

We think the competitive and regulatory dynamics, as well as logistical economics, are bit more un-favourable for Temu in Brazil compared to Malaysia, a market in which we find Temu as relatively inconsequential.

We estimate AOV of Shopee in Brazil at ~USD10, which is similar to that in ASEAN. Temu is likely to operate within this customer segments/AOV range. Whereas cross border shipping costs in Brazil (from China) could be similar to that of US in the USD8-10 range. This in our view makes the unit economics un-favourable for Temu.

Brazil's parliament as well passed a regulation that applies 37% duty on imports below USD50. This in turn takes away more than the benefits of Temu's cheap sourcing from China (vs. domestic sourcing).

Rising regulatory risk against cross-border platforms

Cross-border platforms tend to invite regulator's scrutiny as they grow larger in scale due to potential negative impact on local businesses.

Chinese e-commerce players are facing heightened scrutiny in the West

While Tiktok, Temu and Shein had been taking off aggressively and in fact had been disruptive in a few of the Western markets, we see increasing scrutiny or restrictions being imposed on their cheap-product strategy.

France's "kill bill" legislation. In Mar'24, France's lower house of parliament unanimously approved a "kill bill" that targets e-commerce players such as Shein and Temu engaged in fast fashion and ultra-fast fashion. The measure is to ban the advertising of fast-fashion companies to counter the industry's impact on the environment.

Brazil's "Mover" legislation. In June 2024, Brazil's senate approved a bill (PL 914/2024) that includes a proposal to impose a 20% import tax on items that cost under USD50 purchased from international e-commerce companies. The lower chamber had already approved the bill in May 2024. This duty is on top of the 17% ICMS already charged.

Limited risk from cross-border platforms entering into Indonesia

In a bid to protect MSMEs (micro, small and medium-sized enterprises), Indonesia has limited online sales of imported goods to items valued at not more than USD100. Note that there is increasing emphasis among Indonesian e-commerce operators on sourcing domestically. TikTok-Tokopedia, which recently merged and relaunched the TikTok Shop app, started with the *Beli Lokal* campaign (English translation: Buy local).

This essentially means there's limited room for sourcing from China for e-commerce players like Temu and Shein who rely on cheap Chinese imports rather than sourcing from domestic merchants. Note that Indonesia represents ~50% of the ASEAN e-commerce market.

3.2 e-commerce – what are the key competitive moats companies have built for sustained growth?

Sea: owns logistics, a source of sustained competitive moat; Live streaming not a unique differentiator

Owns logistics: a source of long-term sustained advantage

Over the past 1-2 years, Shopee has significantly invested to strengthen its own logistics - Shopee Express - and fulfilment infrastructure. Management during the 1Q24 briefing noted that by having its own logistics network, the cost per order in Asia decreased by 15% YoY and by 23% YoY in Brazil. Having its own logistics allows the company to offer return-on-spot services and to expand premium services, such as next-day delivery, enhancing customer experience and sales.

On the other hand, in large markets like Indonesia, 3PL is highly competitive and oversupplied with international companies such as NinjaVan and J&T competing against local players like Sicepat. Our channel checks suggest intra-city cost per parcel of just IDR15-20k, which remains low by global comparison.

Shopee is mostly bearing the logistics cost if the customer decides to return on spot, although such instances are ~1% of its order volume.

Fig 62: 1PL/3PL logistics providers in ASEAN and Taiwan – non-exhaustive list

	Indonesia	Singapore	Malaysia	Philippines	Thailand	Vietnam	Taiwan
	TokoCabang	SPX Express	SPX Express	SPX Express	SPX Express	SPX Express	SPX Express
	Dilayani						
1PL	Tokopedia	Lazada Express	Lazada Express	Lazada Express	Lazada Express	Lazada Express	Momo Logistics
	SPX Express					Tiki Now	
	Lazada Express						
	J&T	SingPost	Ninja Van	Ninja Van	Ninja Van	Ninja Van	DHL
	Ninja Express	Ninja Van	J&T Express	J&T Express	DHL	J&T Express	Chunghwa Post
	TIKI	J&T Express	POS Laju	2GO	New Cainiao	GHTK	Hei Mao
	Si Cepat	uParcel	DHL	YTO Express	SCG Logistics	ViettelPost	Xinju Freight
	Pos Indonesia	Flash Express.	BEST Express	Ximex Delivery	Kerry Express	DHL	
3PL	JNE	Ximex Delivery Express.	NinjaVan	Worklink Services	Flash Express	Vietnam Post	Taiwn Home Delivery
	RPX	YTO Express	Citylink	Flash Express	Global Jet	Netco	
	Alfatrex		ABX express		TNT Express	VNC Post	
	Paxel		Flash Express		Best Logistics	Ship60	
	Janio				Nim Express	Speedlink	
	Wahana				Thailand Post	GHN	
	Lion Parcel				CJ Logistics		

Source: Company, Maybank IBG Research

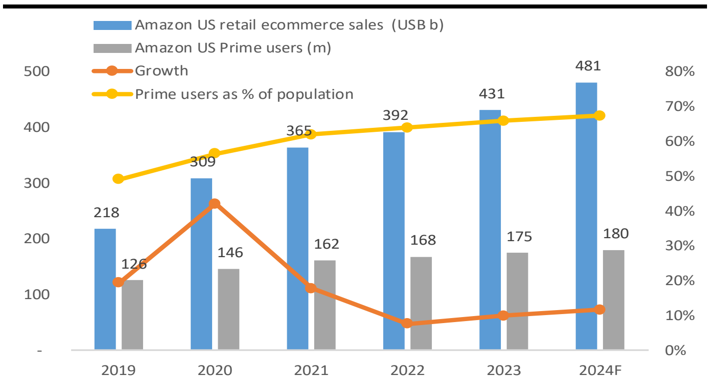
Such debates raise questions as to whether Shopee's investment in its own logistics infrastructure will be a source of sustained competitive advantage or just a low ROI differentiator. Our case study of companies globally found that having a competitive in-house logistics system does help in sustaining competitiveness and cost advantage, and thus produces desired results in the long run. Although 3PL provides competitive pricing at the moment, there remains risk of consolidation in the highly fragmented 3PL space, which in turn could lead to price escalations. As such, having one's own logistics provides defense against such risks.

Global case studies - Amazon and Mercado Libre benefitted, as having their own logistics network gave them a competitive edge

Amazon Prime started out in 2005 by offering free two-day shipping for over 1m items, with an annual membership fee of USD79. Thanks to its timely investment in a logistics network and distribution centres, it enabled it to offer quick and reliable shipping to customers. Fast forward to 2024, Amazon Prime subscription cost has increased to USD139 and Prime subscribers soared to 180m. Around 300m items are included with Prime with nearly 60% of the orders placed through its Prime membership arriving the same or next day. From 2019, Amazon has tripled its shipping volumes from 2b to 5.9b in 2023 and it's now only second to USPS (6.6b) in terms of parcels delivered while ahead of UPS (4.6b) and FedEx (3.9b). Amazon CEO Andy Jassy wrote in his letter to shareholders in early Apr'24: *"As we get items to customers this fast, customers choose Amazon to fulfill their shopping needs more frequently, we can see the results in various areas including how fast our everyday essentials business is growing (over 20% y/y in Q4 2023)."*

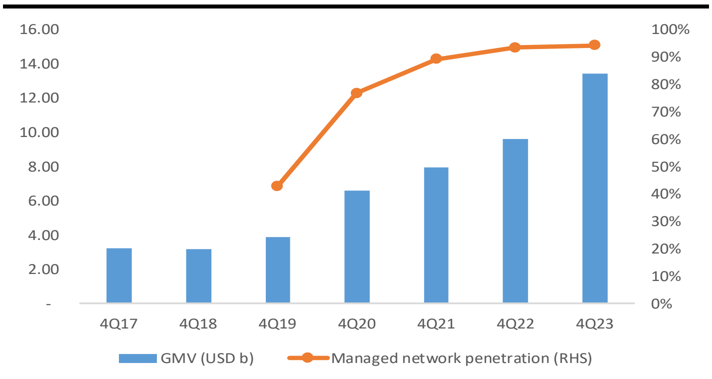
Mercado Libre (MELI) is a market leader in Latin America with ~40% share, according to Bloomberg. Similar to Amazon, MELI decided to build its own logistics network in 2016 (Mercado Envios) across the countries in which it operates, which remains its key competitive moat for fending off new competitors. By the end of 2023, the managed network penetration, representing the percentage of items shipped through MELI's own logistics network, reached 94%. Furthermore, the fulfillment by MELI, which is similar to Amazon's fulfillment, accounted for 50% of all shipments. This contributes to a shorter delivery time for customers (almost half the time of Shopee), which has helped it to position within the premium customers in Lat America. Shopee noted that its order volumes are more than MELI in Brazil but GMV share is just one third, which to an extent is owing to MELI's strong logistics network/faster deliveries.

Fig 63: Amazon's GMV growth and Prime user penetration



Source: Maybank IBG Research, Amazon

Fig 64: MELI's GMV growth and managed network penetration



Source: Maybank IBG Research, Mercado Libre

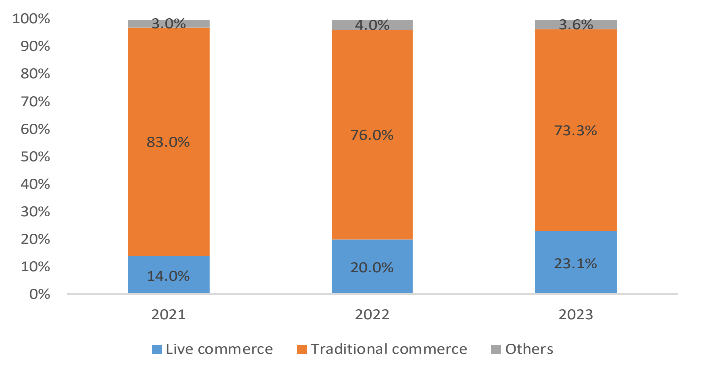
Own logistics (1PL) optionality remains a defense against consolidation in the 3PL space Proliferation of e-commerce and social commerce drove a similar proliferation in the 3PL service providers, leading to overcapacity and price wars in most of the ASEAN markets. As with most of the highly fragmented industries, this in turn could lead to an eventual consolidation, according to Ion Analytics (link). Consolidation in the 3PL space leading to higher delivery cost remains a risk for the e-commerce companies and as such having a competitive 1PL logistics infrastructure remains a source of long-term competitive advantage, in our view.

Live streaming: desirable but not a unique differentiator

Shopee has placed significant emphasis on building its live streaming capabilities and noted that ~15% of its order volume in 1Q24 came from live streaming channels. While a growing live streaming platform helps to accelerate growth, we don't see it as a source of sustained competitive advantage owing to:

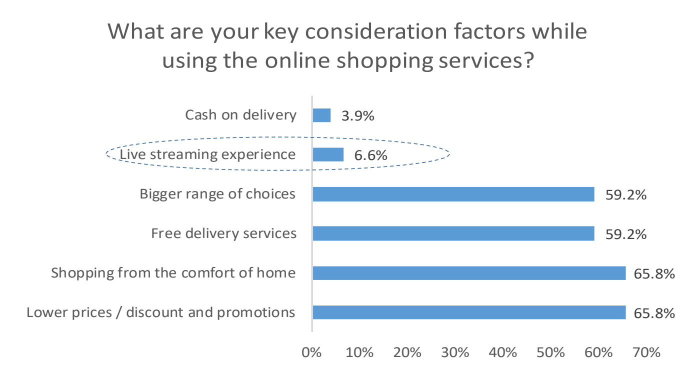
- TikTok is better positioned to leverage live streaming capabilities. Users are drawn to TikTok for entertainment and knowledge acquisition, and the e-commerce functionality built into the platform allows users to make spontaneous purchases.
- Only selected SKUs are suitable for selling through the live streaming model, capping its reach.
- Live streaming successes are scant outside of China. According to Forbes magazine, live streaming contribution was just 2% in the US in 2022 compared to 20% in China in the same year. Meta platforms like Instagram and Facebook exited the live commerce services in 2023.
- Even in China, we find the penetration of live streaming within the e-commerce basket slowing down in 2023. Tencent in late 2023 announced to close live-streaming services. Shopee's own live streaming orders as a % of total orders remained stable in 1Q24 (vs 4Q23 levels).

Fig 65: Live stream penetration levels in China vs the US



Source: Maybank IBG Research, Syuntun

Fig 66: Live streaming is not a big differentiator to consumers' shopping experience - according to MBIG's e-commerce consumer survey



Source: Company report, Maybank IBG Research

With Shopee's Live streaming order volume already hitting 15% by end 2023, we see the gap vs China is narrowing. On unit economics of live streaming, Sea's management during the 4Q23 post-results call noted that it's currently below non-live stream part as it's ramping up the service, however, over the longer term management expects it to be similar.

That said, having a combination of shelf-based and live streaming products gives Shopee an engaging platform and helps it to narrow the gap with TikTok Shop, which leverages its entertainment platform. It also gives

Shopee an edge over predominantly shelf-based offerings of Lazada and Temu.

Pillar of strength: cash war chest and cash flows from Garena

Sea's cash balance stands at USD8.6b while its e-commerce cash burn is partially offset by Garena's cash flow. This puts Shopee in a position of strength to respond to escalation in competition as well as investments in technology, scale and infrastructure. Moreover, based on our channel checks, investor expectations of a company to turn cash flow positive or for potential capital management remains low, providing management more wiggle room to increase cash burn if required.

That said, Shopee's large competitors are also operating with a strong balance sheet. From a game-theory standpoint, Shopee's strong balance sheet remains a deterrent to irrational competitive behavior by competitors.

4. On-Demand

Key conclusions first

- ASEAN online food delivery TAM estimated at USD29-31b. Potential 1.7-1.8x upside vs 2023 GMV of USD17b
- Take-rates are inline or above global averages, which in turn caps further upside, in our view.
- Survey findings show 65% of consumers are looking to trim usage frequency in response to price increases (ex Vietnam)
- Driver partner channel checks suggest income pressure and hence supply pressure
- We see slight competitive pressure in Indonesia. Ride hailing operator, Xanh SM's entry in Vietnam and Indonesia could add further competitive pressure - a headwind for Grab.

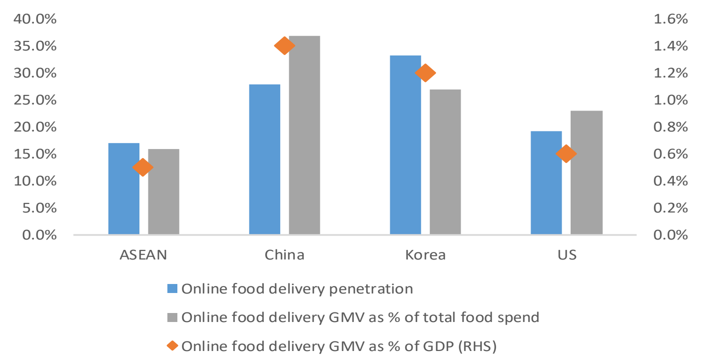
4.1 Food delivery

Addressable TAM of online food delivery market in ASEAN

According to Momentum Works, ASEAN online food delivery reached a GMV of USD17b in 2023. This puts ASEAN 2-3x below markets like China and South Korea on an online food delivery to GDP ratio, and 3-4x on an online food delivery to total food spending ratio. While ASEAN penetration looks comparable to the US on food delivery GMV to GDP basis, we note that the spending on food as a % of GDP and as a % of GDP per capita in the US is just 25-50% of that in ASEAN.

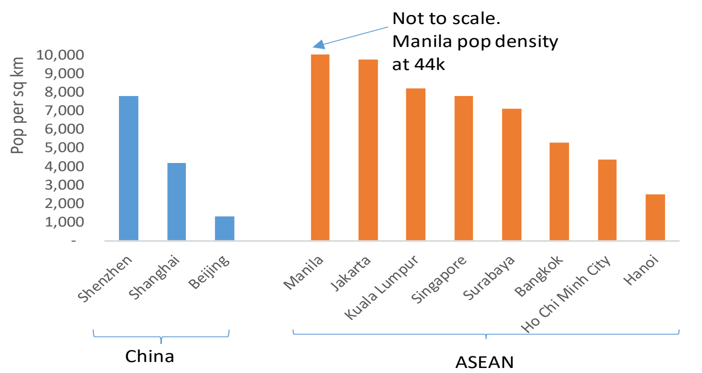
While the more evolved markets China, the US and South Korea remain the benchmark for ASEAN, we note that there are material differences such as per capita income, restaurant density and preference for outside food etc. On the other hand, the majority of online food delivery demand emanates out of cities. While restaurant density plays a role - so does population density. On this count, we find major ASEAN cities are ahead.

Fig 67: Online food delivery penetration in ASEAN vs global markets



Source: Maybank IBG Research

Fig 68: Urban density comparison across China and ASEAN cities



Source: Maybank IBG Research

ASEAN online food delivery TAM estimated at USD29-33b. Potential 1.7-1.9x upside vs current GMV. Our framework to estimate online food delivery (OFD) TAM in ASEAN is based on:

- **ASEAN OFD GMV reaching same % of out of home food and beverage (F&B) spending as it is in highly evolved markets like the US, China and South Korea.** Simply put, if consumers are willing to spend on outside food then they would be willing to spend on ordering food as well in a similar proportion. As such, this metric eliminates idiosyncrasies like preference for outside food and discretionary spending etc. Based on this, we estimate ASEAN OFD TAM at USD33b.

- **ASEAN OFD GMV to GDP ratio reaching only 60% as it is in highly evolved markets like China and Korea.** We take out US from the equation given its very high per capita disposable income lowering the proportionate spend on food. We take a lower ratio for ASEAN to factor in for the lower GDP per capita compared to China and Korea. Based on this, we estimate ASEAN OFD TAM at USD29b.

Note that our TAM computation is based on current ratios in the US, China and South Korea. We potentially see it as a lower bound as TAM is expected to increase in the evolved markets as well as increasing disposable income levels in the ASEAN markets.

According to Momentum Works, ASEAN food delivery markets grew at a modest pace of low single digit in 2023. This, in our view, was mostly owing to post-Covid normalization. Vietnam was the exception, which grew at 30% YoY in 2023. We also see the post Covid normalization phasing out steadily in 2023 as reflected in a steady pick-up in Grab's GMV through-out 2023 (Fig 68).

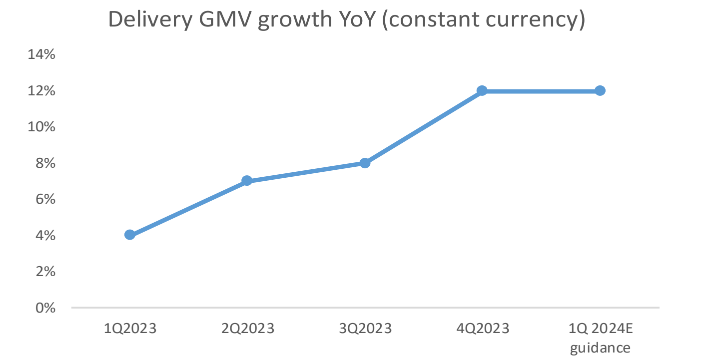
Grab management's comment from 4Q23 transcript: *Looking ahead, I'm confident that our deliveries top and bottom lines will continue to grow healthily in 2024. While our deliveries business performance is typically impacted by seasonal factors in the first quarter, I do want to call out that deliveries demand has held up resiliently so far this year and we expect GMV to be relatively stable now on a quarter-on-quarter basis. We also anticipate year-on-year growth rates in the first quarter to remain north of 12% and for demand to grow sequentially in the second quarter.*

Fig 69: ASEAN online food delivery TAM framework

	OFD GMV as % of F&B spending	OFD GMV as % of GDP
US	24%	
China	36%	1.30%
Korea	27%	1.20%
Average (A)	**29%**	**1.30%**
	F&B spending	GDP
ASEAN (USD b) (B)	115	3,744
ASEAN TAM computation	C = A x B	C = A x B x 60%
ASEAN TAM (USD b)	**33.3**	**28.6**
Potentail OFD upside vs. current GMV (USD b)	**1.9x**	**1.7x**

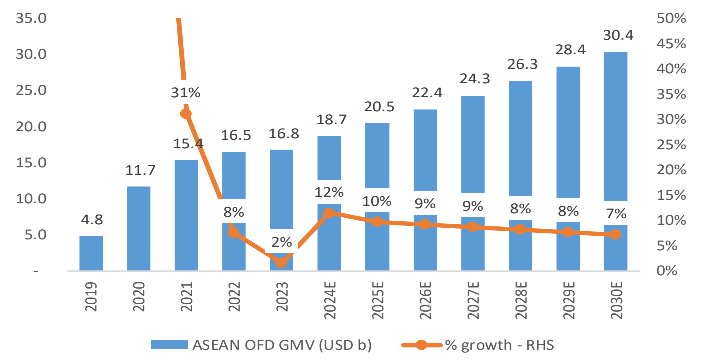
Source: Maybank IBG Research, Euromonitor

Fig 70: Improvement in Grab GMV with post-Covid normalization



Source: Company, Maybank IBG Research

Fig 71: ASEAN online food delivery TAM model



Source: Maybank IBG Research, Momentum Works

OFD competitive landscape in ASEAN. Mostly an oligopoly, but still room for consolidation. Grab leads in all the markets

- We see the ASEAN OFD market as mostly an oligopoly with the top 2 players controlling 83-100% GMV market share. Grab remains the #1 operator in all the markets while the market share lead vs the #2 operator is also significant at 11-35ppt except for in Vietnam. In Vietnam, Shopee Food is a close #2 challenger with 45% market share vs Grab's 47% market share. Grab has consistently grown its GWV over the years.
- While OFD is mostly an oligopoly, we note that certain markets have sub scale #4 and #5 operators and as such there remains room for consolidation. In fact, the #3 operator as well remains sub-scale in most of the markets with <10% market share.
- Delivery Hero (Foodpanda's parent) in Feb 2024 announced its discussions to divest Foodpanda is terminated but stated it remains open to M&A and will continue to assess potential strategic alternatives. This suggests potential for further consolidation in ASEAN.

Fig 72: ASEAN online food delivery GMV by markets (2023)

Indonesia	
GMV size	USD4.6b
YoY Growth	
Key players	
Grab	50%
Gojek	38%
Shopee Food	12%

Malaysia	
GMV size	USD2.4b
YoY Growth	
Key players	
Grab	65%
Food Panda	30%
Shopee Food	5%

Philippines	
GMV size	USD2.5b
YoY Growth	
Key players	
Grab	61%
Food Panda	39%

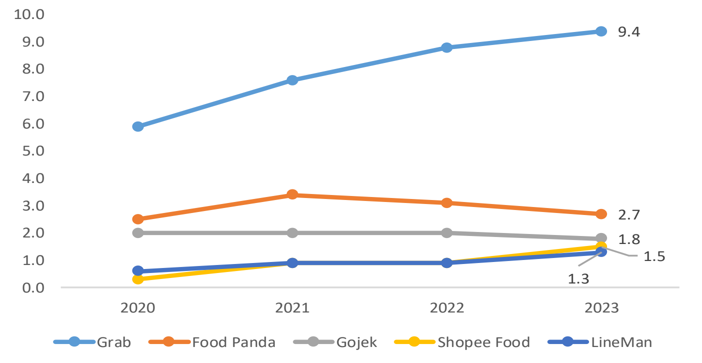
Singapore	
GMV size	USD2.5b
YoY Growth	
Key players	
Grab	63%
Food Panda	28%
Deliveroo	9%

Thailand	
GMV size	USD3.7b
YoY Growth	
Key players	
Grab	47%
LineMan	36%
Food Panda	8%
Shopee Food	6%
Robinhood	3%

Vietnam	
GMV size	USD4.6b
YoY Growth	
Key players	
Grab	47%
Shopee Food	45%
Baemin	5%
Gojek	3%

Source: Maybank IBG Research, Momentum Works

Fig 73: ASEAN online food delivery GMV by operators - USD b (2023)



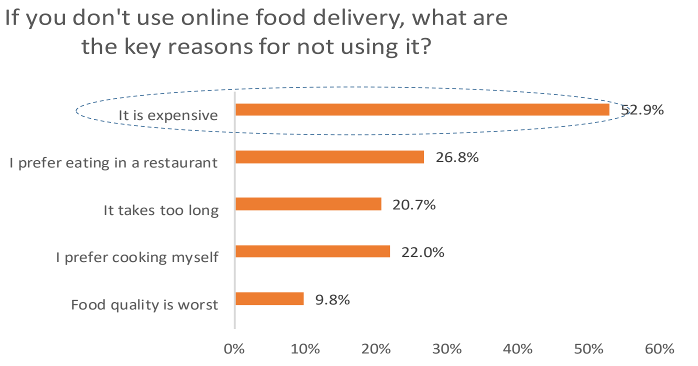
Source: Maybank IBG Research, Momentum Works

What are near-term trends in OFD? Affordability and price inflation remain key concerns

Our consumer survey reflects rising-cost-of-living pressure in the current inflationary environment to weigh on online food delivery (OFD) growth.

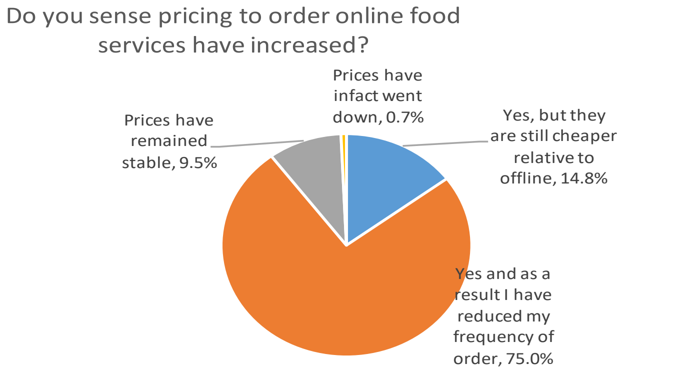
- 53% of the respondents who are not using online food delivery is because they find it expensive.
- 75% of the respondents are looking to trim their spending on online food delivery due to price increases.
- Survey respondents who were ordering food daily are expected to reduce their frequency of order. However, we see a slight increase in users within the weekly and monthly bucket. This is owing to the non-users looking to order food online going forward.

Fig 74: Consumers feel pinch from rising cost of food delivery



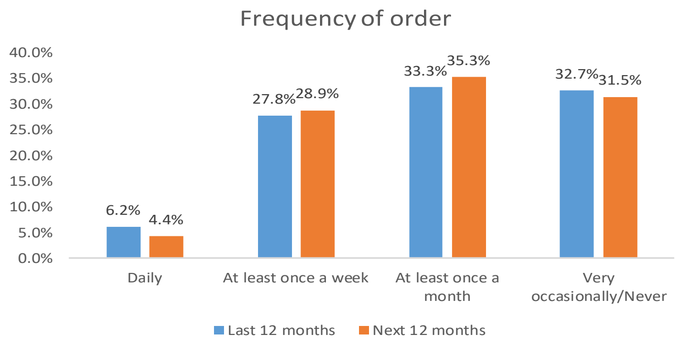
Source: Maybank IBG Research, Momentum Works

Fig 75: Consumers feel pinch from rising cost of food delivery



Source: Maybank IBG Research, Momentum Works

Fig 76: Frequency of orders likely to decrease slightly



Source: Maybank IBG Research

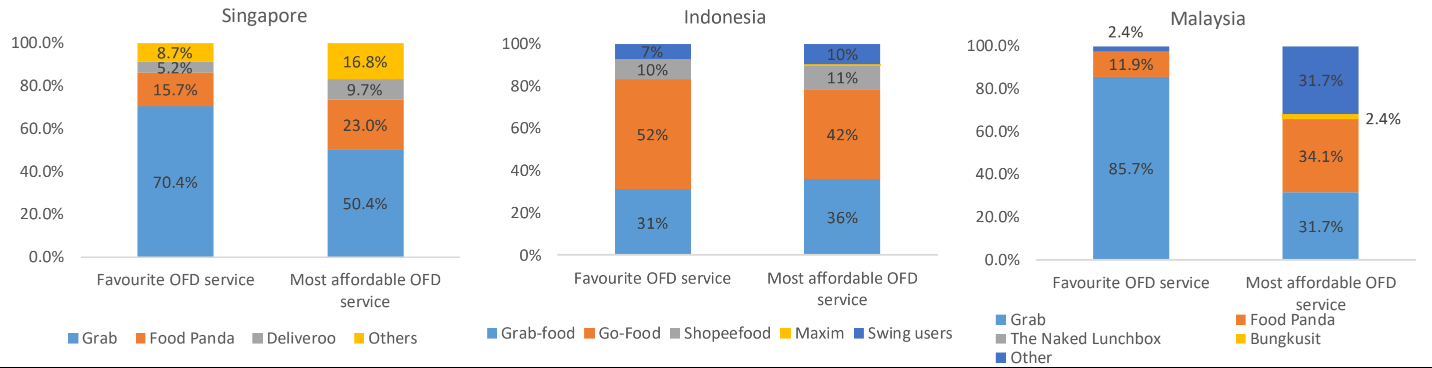
Delivery fee remains a hurdle. The vast majority of consumers in Singapore are only willing to pay less than SGD5.0 as delivery fee. Based on our channel checks, we hardly find any instances of orders with less than SGD5 in delivery fee. In Indonesia and Malaysia, respondents are relatively bit more generous on the delivery fees.

Fig 77: Takeaway from our OFD survey - Delivery fee remains a hurdle

Source: Maybank IBG Research

Favourite food delivery service is not seen as most affordable. Grab is the favourite food delivery service in Singapore and Malaysia but lags considerably on the affordability perception. Nevertheless, Grab is ahead on the consumer likings relative to its actual market share. In Indonesia, Go-Food is the favourite OFD service for 52% of the respondents, ahead of its GMV market share of 38%, whereas Grab lags relative to its market share.

Fig 78: Vast majority of survey respondents wish to pay the lower end of the delivery fee



Source: Maybank IBG Research

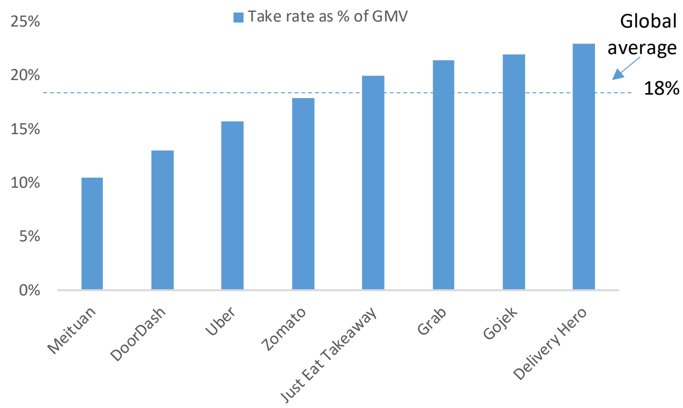
Unit economics

Unit economics of OFD is primarily driven by AOV, commission from restaurants, delivery fee, delivery staff cost and drop density etc. Factors such as advertising, platform/service fee, and packaging charges are also some of the ways platform companies have started to increasingly utilize/levy to improve unit economics while discounts are the levers used to drive demand/MAU/GMV. Here are our key observations of the key unit economic drivers in ASEAN based on local dynamics and global comparisons:

Take-rates (commission from restaurants). Both Grab and Gojek are at the higher side of gross take-rates compared to the global peers. This suggests that further uptick in gross take-rate is limited. However, we note that part of the take-rate is reverted to merchant partners in the form of partner incentives and that's where we see room for improvement.

Delivery fee. We estimate delivery fee (charged to customers) at 9-10% for Grab and Gojek based on our channel checks. On global comparison, Meituan is on the lower side at ~5%, followed by Indian operators like Zomato and Swiggy at ~6%. Based on our channel checks, Indian operators are subsidizing the delivery fee by almost 50%. On the other hand, US operators like Uber and DoorDash is north of 10%.

Fig 79: Global OFD take rate (commission from restaurants) compilation



Note: Take-rate excluding delivery fee
Source: Company, Maybank IBG Research

Delivery cost. Delivery cost is usually not published by the companies. Based on our channel checks and based on Delivery Hero presentation, we estimate delivery cost to be ~15% of GMV. We see room for delivery costs to improve on the back of order batching as well as differentiated delivery time.

Other revenues, charges and discounts. We see this as an area that companies could leverage to improve monetization. As discussed in the section below, ad revenues remain potential monetization avenues and we see it to potentially double from 1% to 2% of GMV. Other areas of monetization include service fees, platform fee and packaging charges etc. Similarly, we see room for other costs (ex-delivery costs) to come off on the back of rational competition (merchant/partner and consumer incentives) and operating leverage (customer support, payment gateway charges etc).

Adjusted EBITDA and margins trajectory. Based on the above discussions, we estimate key driver for Grab's adjusted EBITDA growth to be commission revenues on the back of GMV growth, further aided by increased ad penetration. On the margins front, we see uplift from high margin ad revenues, reduction in incentives and other costs (on the back of rational competition and operating leverage).

Fig 80: Grab delivery business - key assumptions

USD m	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E
GMV	2,947	5,468	8,531	9,827	10,173	11,699	13,287	14,921	16,525
Growth (% YoY)	395%	86%	56%	15%	4%	15%	14%	12%	11%
Adjusted Revenue	269	844	1,464	2,038	2,189	2,574	2,890	3,208	3,553
Growth (% YoY)		214%	73%	39%	7%	18%	12%	11%	11%
Take Rate	9.1%	15.4%	17.2%	20.7%	21.5%	22.0%	21.8%	21.5%	21.5%
As % of GMV									
Partner base incentives	1.8%	1.2%	1.0%	0.7%	0.8%	0.8%	0.8%	0.8%	0.8%
Partner excess incentives	14.4%	7.4%	6.2%	5.4%	3.6%	4.2%	4.1%	4.0%	4.0%
Consumer incentives	16.4%	8.0%	9.2%	8.6%	6.2%	5.8%	5.8%	5.8%	5.6%
Adjusted EBITDA	-809	-211	-130	-34	313	414	450	547	686
% of GMV	-27%	-4%	-2%	0%	3%	4%	3%	4%	4%
% of adjusted revenue	-301%	-25%	-9%	-2%	14%	16%	16%	17%	19%

Source: Maybank IBG Research, Momentum Works

Fig 81: Gojek on demand business - key assumptions

IDR b	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E
ODS GTV - forecast	56,061	40,181	50,313	61,611	54,336	58,140	62,209	65,942	69,898
ODS GTV Growth (%YoY)	69%	-28%	25%	22%	-12%	7.0%	7.0%	6.0%	6.0%
Gross revenue		7,483	10,270	13,560	12,110	12,791	13,686	14,507	15,378
Gross take rate		18.6%	20.4%	22.0%	22.3%	22.0%	22.0%	22.0%	22.0%
Promotions		(4,945)	(8,198)	(7,135)	(6,145)	(3,247)	(2,711)	(2,544)	(2,338)
Promotion as % GTV		-12.3%	-16.3%	-11.6%	-11.3%	-5.6%	-4.4%	-3.9%	-3.3%
Net revenue	1,347	2,538	2,072	6,425	5,965	9,544	10,975	11,963	13,040
ODS Net revenue growth	64%	88%	-18%	210%	-7%	60%	15%	9%	9%
ODS Net take rate	2.4%	6.3%	4.1%	10.4%	11.0%	16.4%	17.6%	18.1%	18.7%

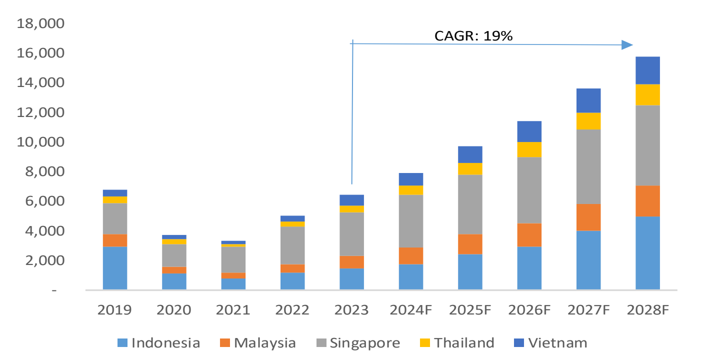
Source: Maybank IBG Research, Momentum Works

4.2 Ride Hailing

Market size of ride hailing business

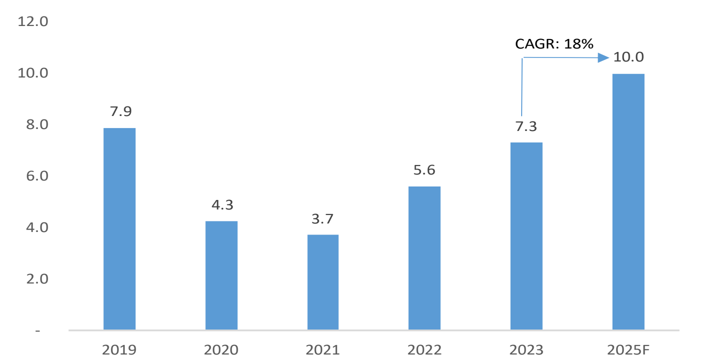
According to Euromonitor, Southeast Asia ride-hailing GMV is expected to expand at a CAGR of 19% over 2023-28F. On the other hand, according to Google, Temasek and Bain's 2019 e-Conomy SEA research, ASEAN ride-hailing GMV is expected to expand at a CAGR of 18% over 2023-25E. As a comparison, the size of the US and Chinese markets in 2023 stood at cUSD98b and cUSD55b respectively vs USD8-9b in ASEAN.

Fig 82: Euromonitor forecasts: ASEAN ride-hailing GMV is estimated to expand at 19% CAGR by 2028 (USD b)



Source: Maybank IBG Research, Euromonitor

Fig 83: e-Conomy forecasts: ASEAN ride-hailing GMV is estimated to expand at 18% CAGR by 2025 (USD b)



Source: Maybank IBG Research, Google, Temasek, Bain & Company

Key growth drivers

According to Statista and Euromonitor estimates, penetration of ride-hailing in ASEAN remains low at 14% of the urban population vs. China at c50% and US at c33% - suggesting ample room for growth.

This is further helped by dense urban settings across ASEAN, rising income levels, relatively low vehicle ownership and increased concerns over safety (especially after the pandemic), creating a conducive environment for growth in the coming 3-5 years.

Private car ownership is more expensive in Southeast Asia than in the US. According to Euromonitor, the ratio of car prices to average gross income in Southeast Asia is on average 6-18x that in the US in 2020. Evidently, the average vehicle ownership rate is just 140 per 1,000 in Southeast Asia, compared to 228 per 1,000 in China and 860 per 1,000 in the US.

Outside of Singapore, ASEAN markets lag in public transport infrastructure as well, which creates a conducive backdrop for ride-hailing growth. On the top 60 cities ranking of public transport robustness, Singapore is ranked #4, followed by Kuala Lumpur at #23. Other bigger metropolis like Jakarta (#38), Bangkok (#39) and Manila (#56) rank below that of other Asian EM cities like Beijing (#27), Shanghai (#32) and Delhi (#35). Even in Singapore, where the public transport system is more developed as compared to other countries in the region, the adoption of ride hailing has been strong due to low car ownership, convenience as well as the reduction in traveling time.

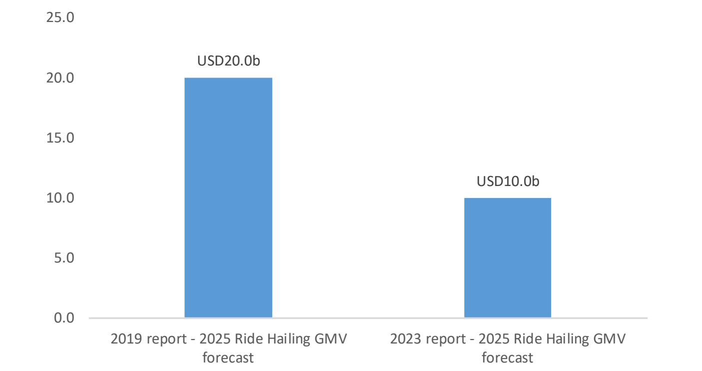
As a result of rapid urbanization and increasing population density in key Southeast Asian cities, traffic congestion is among the worst in the world. According to Euromonitor, the average commute time within major cities such as the Greater Jakarta area is approximately 132 minutes compared to 67 minutes in New York.

A bigger push for return to office remains a tailwind

Covid weighed heavily on the ride-hailing services. While the volumes are coming back with re-openings, full recovery is not expected until this year, e-Conomy forecasts. Amid the Covid disruption, ride-hailing TAM expectations were structurally revised down owing to the onset of hybrid working culture post-Covid. In Google, Temasek and Bain's 2019 e-Conomy SEA research, ASEAN ride-hailing GMV was forecasted to hit USD20b by 2025. But in the 2023 report, GMV was revised down to USD10b by 2025, likely owing to hybrid work culture post-Covid needing less commuting infrastructure.

However, after initial flexibility with hybrid work culture, we see an increasing push by employers demanding their employees to return to the office. Based on ResumeBuilder's survey of 1,000 corporate decision-makers in Aug'23, 9 out of 10 companies will require employees to return to the office. Here are the key findings from the ResumeBuilder return-to-office survey. We see this creates a structural growth runway for ride-hailing services.

Fig 84: ASEAN ride hailing GMV: e-Conomy forecast revision



Source: Maybank IBG Research, Google, Temasek, Bain & Company

Fig 85: Key findings from the ResumeBuilder return-to-office survey

90% of companies will return to the office by 2024.

Only 2% say their company never plans to require employees to return to work in person

72% say return to office has improved revenue

28% will threaten to fire employees who don't comply with return to office policies

Source: Maybank IBG Research

Ride-hailing competition landscape in ASEAN. Mostly oligopoly and Grab continues to solidify its position

We see ASEAN's ride hailing market as being mostly an oligopoly with the top 2 players controlling ~80% GMV market share. Grab remains the #1 operator in all the markets. Grab's lead in terms of GMV market share over the #2 operator is also significant.

Fig 86: ASEAN ride hailing GMV by markets (2023)

Indonesia	
GMV size	USD1.5b
YoY Growth	24%
Key players	
Grab	~50%
Gojek	~50%

Malaysia	
GMV size	USD0.8b
YoY Growth	45%
Key players	
Grab	96%

Philippines	
GMV size	na
YoY Growth	na
Key players	
Grab	91%

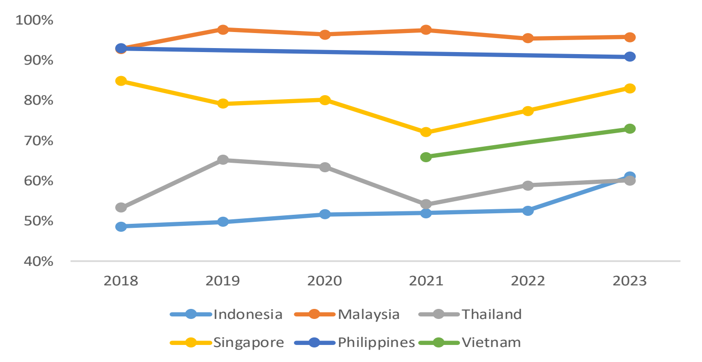
Singapore	
GMV size	USD3.0b
YoY Growth	18%
Key players	
Grab	83%
ComfortDelg	8%
Gojek	7%

Thailand	
GMV size	USD0.5b
YoY Growth	38%
Key players	
Grab	60%
Bolt Tech	7%
Others	26%

Vietnam	
GMV size	USD0.9b
YoY Growth	na
Key players	
Grab	69%
Gojek	24%

Source: Maybank IBG Research, Euromonitor, Statista, Measurable AI

Fig 87: Key findings from the ResumeBuilder return-to-office survey



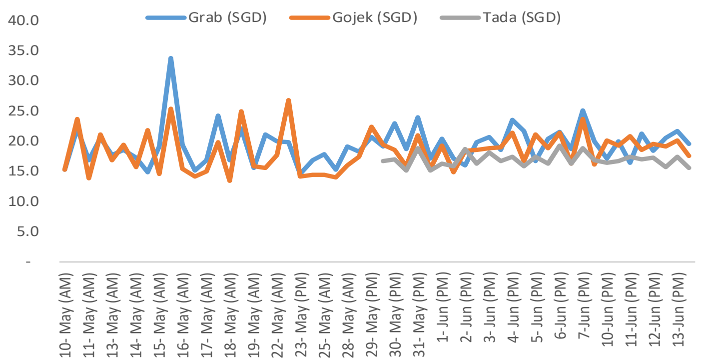
Source: Maybank IBG Research, Euromonitor, Statista, Earthweb, Philippine Competition Commission

Takeaways from our pricing trackers

Singapore. In Singapore, we tracked Grab, Gojek and Tada pricing between four different locations (CBD-airport, suburb-CBD, suburb-airport and CBD-CBD) since early May. Our tracker found: 1) Grab on an average is 18% more expensive than Tada and 6% more expensive than Gojek; 2) certainty of finding a car is high with Grab while Gojek once in while failed to find a driver after multiple tries and usually leading to upward pricing revision.

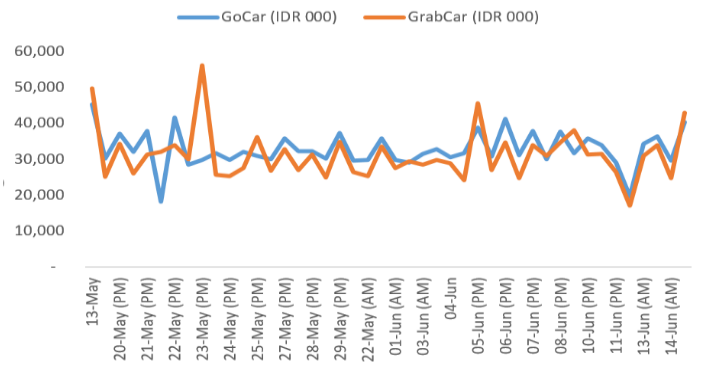
Indonesia. In Indonesia, we tracked Grab and Gojek's pricing between three different locations since early May. Our tracker found: 1) GoCar on an average is 5% more expensive than Grab Car; and 2) Grab Bike on average is 36% more expensive than GoRide (motorcycle).

Fig 88: Price tracker - Singapore



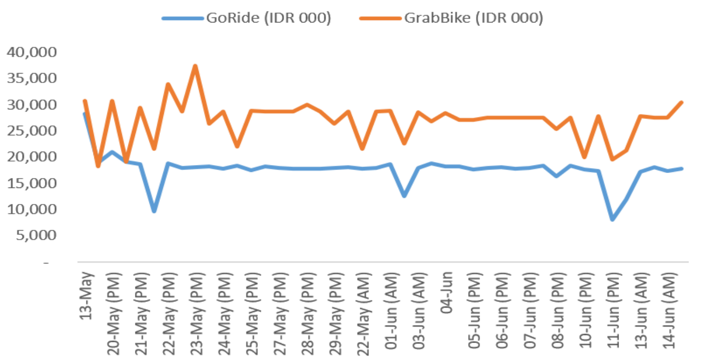
Source: Maybank IBG Research

Fig 89: Price tracker - Indonesia (car hailing)



Source: Maybank IBG Research

Fig 90: Price tracker - Indonesia (bike hailing)

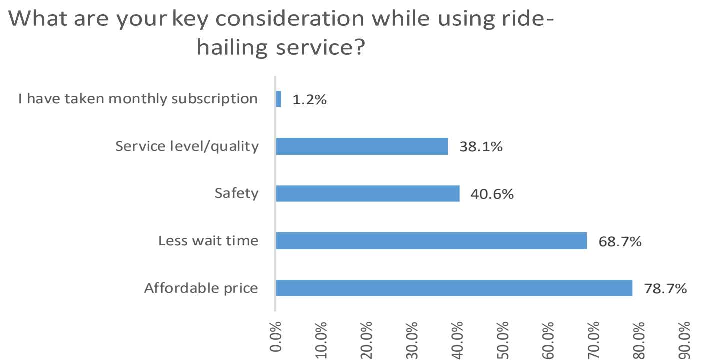


Source: Maybank IBG Research

What are the near-term trends in ride-hailing? Affordability and wprice inflation remain key concerns

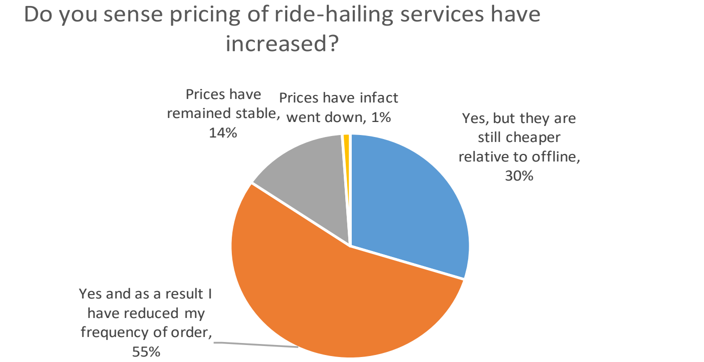
- Affordable pricing, followed by less wait time, remain the key considerations for ordering online car services. Affordability is a bigger concern in Singapore while wait time is a bigger factor in Malaysia.
- 85% of the survey respondents feel prices have increased in the past 12 months. 55% of the respondents are looking to reduce their usage in response to price increases compared to 30% who although feel prices have increased but would keep their usage stable.
- Frequency of usage is also expected to dip. Among the surveyed consumers, we see a shift is usage frequency from 'once a week' to 'once a month'
- Grab is the favourite in Singapore and Malaysia. Gojek leads in Indonesia.

Fig 91: Affordability remains the key consideration



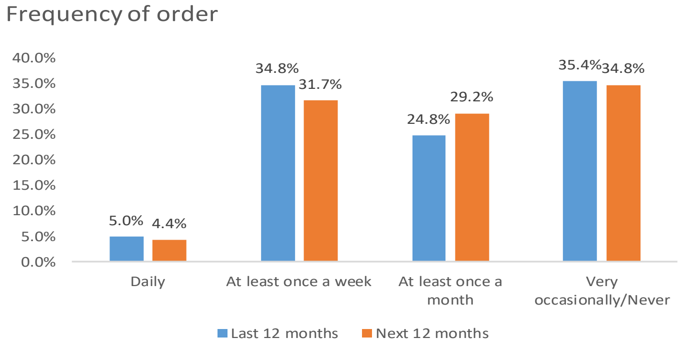
Source: Maybank IBG Research

Fig 92: Consumers feeling the pinch from rising cost of ride-hailing services



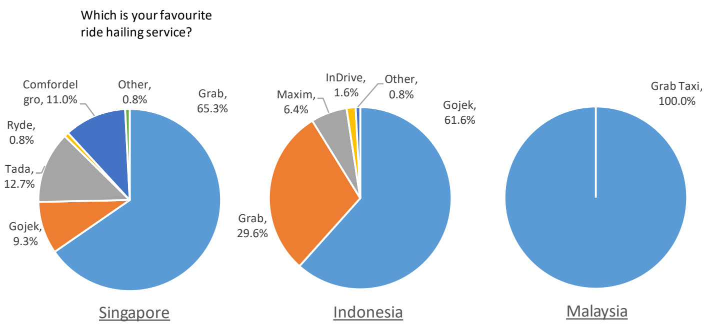
Source: Maybank IBG Research

Fig 93: Frequency of order likely to decrease



Source: Maybank IBG Research

Fig 94: Grab is the favourite in Singapore and Malaysia. Gojek leads in Indonesia



Source: Maybank IBG Research

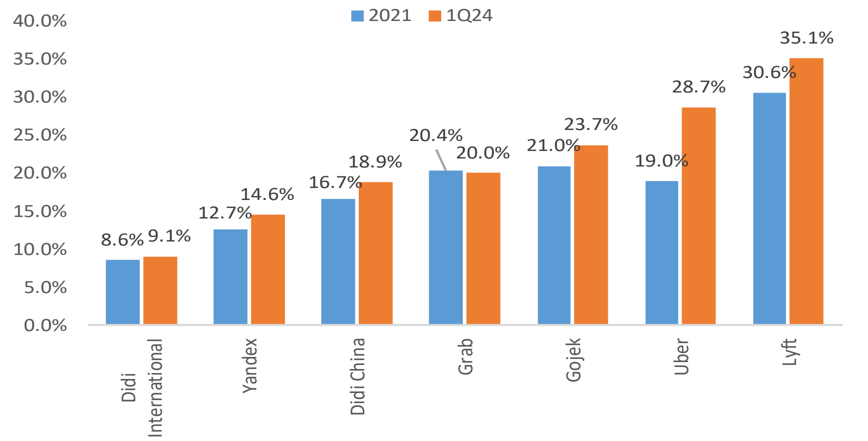
Take-rates already on the higher side of EM average. Limited room for further expansion

Based on our compilation of the globally listed ride-hailing companies, we note that Grab and Gojek's take-rates at 20-24% are already on the higher side of the EM average. Over the past 2-3 years, we note that globally take-rates have increased on average by 3ppt. Grab is an exception as its take-rates have remained stable while for Gojek it has increased in line with the global average.

We think further upside to the take-rates is unlikely. Based on our discussion with Grab management, its focus is shifting to product deepening. Moreover, a bigger mix of services like Grab Unlimited could weigh on the take-rates as it is devised to stimulate the frequency of usage. Grab management noted that it targets a long-term ride-hailing margin of 9% (8.9% in 1Q24). While it suggests room for a very slight upside, we think it will likely come on the back of operating leverage rather than headline take-rate increases.

Our survey results as well suggest that consumers remain highly sensitive to pricing, which in turn indicates a limited room to increase the take-rates.

Fig 95: Global ride-hailing companies take rates by companies



Source: Company reports, Maybank IBG Research

Unit-economics analysis points to take-rate being capped

Singapore. Based on our channel checks, we estimate a Grab driver earns a net salary of SGD2.4k/month assuming a 9-hour shift and working 25 days a month. This compares to an indicative salary of SGD2.0k of an NTUC FairPrice cashier.

Indonesia. We estimate drivers' revenue can reach IDR7-9m/month (~45% higher than the minimum wage in Jakarta of IDR5.5m/month). Driver revenue is subject to travel distance and average price (Go-Jek implements dynamic pricing). Based on our channel check, gross revenue for drivers range from IDR4,583 to IDR5,432 per km, depending on the demand and traffic (vs. taxi fare of IDR5,400/km). Go-Car also provides incentives subject to points achievement, ranging from IDR70,000-120,000 (based on an interview with a driver), but this is hard to achieve during peak hours. Drivers said they can earn about IDR8-9m per month. They said their income is lower than pre-Covid, as back then they could easily earn IDR400,000/day from the incentives alone.

Fig 96: Grab Singapore - driver-partner unit economics

	SGD	Comments
Number of trips per day	19.5	Based on our channel checks
Per trip price (SGD)	14.5	Based on our channel checks
Net kms per trip	10.9	
Gross kms per trip	13.1	Additional kms before pick-up
Total time to complete one trip (mins)	30.0	Based on our channel checks
Per day earning	282	
Working days in a month	25	
Total gross revenue per month	7,055	
Net revenue per month	**5,644**	
Driver incentive	288	4% based on last Grab report
Total revenues	**5,932**	
Costs		
Car rental	2,677	Grab rental
Petrol	818	Assuming fuel efficiency of 15km/L
Other costs	75	Coffe break etc
Total costs	**3,570**	
Net home salary	**2,362**	

Source: Maybank IBG Research

Fig 97: Gojek Indonesia - driver-partner unit economics

Non-busy hour		Busy hour	Comments
49,500	Trip Price (IDR)	100,500	based on our channel check
20%	Take Rate portions	35%	including 11% VAT tax
39,600	Driver's revenue (IDR)	65,000	Driver's portion
10.8	Net kms	18.5	
4,583	Gross revenue (IDR/km)	5,432	Bluebird fare is about IDR5,400/km
	Costs		
(833)	Petrol (IDR/km)	(833)	Fuel efficiency of 12km/liter
(668)	Depreciation costs (IDR/km)	(668)	Calya Price of IDR167.3m Assuming 250,000km milage
(340)	Others (IDR/km)	(340)	Tyre price IDR2.0m/50,000km Oil changes IDR500,000 per 5,000 kms Fast-moving spareparts budget IDR2.0m/10,000 km
(1,841)	Cost per km (IDR)	(1,841)	
2,742	Net revenue per km (IDR)	3,591	
22	Working Days/month	22	
120	Average mileage per day (km)	120	average speed in Jakarta is about 19km/hour (6 hours of driving)
7,238,880	Revenue per month	9,480,502	1.3-1.7x minimum wage of Jakarta (IDR5.0m/month)

Source: Maybank IBG Research

Based on the above analysis, we believe further increase in take-rate of driver-partners is limited. On the other hand, our survey responses as well suggest that consumers are already concerned about ride-hailing fares.

Fig 98: Grab mobility business key assumptions

USD m	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E
GMV	5,715	3,232	2,787	4,104	5,419	6,033	7,120	8,258	9,424
Growth (% YoY)	24%	86%	56%	15%	4%	15%	14%	12%	11%
Adjusted Revenue	682	575	586	801	1,073	1,195	1,410	1,635	1,866
Growth (% YoY)		-16%	2%	37%	34%	11%	18%	16%	14%
Take Rate	11.9%	17.8%	21.0%	19.5%	19.8%	19.8%	19.8%	19.8%	19.8%
As % of GMV									
Partner base incentives	8.1%	3.5%	2.4%	3.7%	3.8%	2.1%	1.9%	1.8%	1.8%
Partner excess incentives	4.9%	1.1%	1.9%	1.2%	0.5%	0.3%	0.3%	0.3%	0.3%
Consumer incentives	6.9%	3.1%	2.7%	2.8%	3.3%	3.2%	3.1%	3.0%	2.9%
Adjusted EBITDA	-194	307	345	494	677	772	918	1,072	1,232
% of GMV	-3.4%	9.5%	12.4%	12.0%	12.5%	12.8%	12.9%	13.0%	13.1%
% of adjusted revenue	-28.4%	53.4%	58.8%	61.7%	63.1%	64.6%	65.1%	65.6%	66.0%

Source: Company, Maybank IBG Research

Fig 99: Gojek On demand business key assumptions

IDR b	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E
ODS GTV - forecast	56,061	40,181	50,313	61,611	54,336	58,140	62,209	65,942	69,898
ODS GTV Growth (%YoY)	69%	-28%	25%	22%	-12%	7.0%	7.0%	6.0%	6.0%
Gross revenue		7,483	10,270	13,560	12,110	12,791	13,686	14,507	15,378
Gross take rate		18.6%	20.4%	22.0%	22.3%	22.0%	22.0%	22.0%	22.0%
Promotions		(4,945)	(8,198)	(7,135)	(6,145)	(3,247)	(2,711)	(2,544)	(2,338)
Promotion as % GTV		-12.3%	-16.3%	-11.6%	-11.3%	-5.6%	-4.4%	-3.9%	-3.3%
Net revenue	1,347	2,538	2,072	6,425	5,965	9,544	10,975	11,963	13,040
ODS Net revenue growth	64%	88%	-18%	210%	-7%	60%	15%	9%	9%
ODS Net take rate	2.4%	6.3%	4.1%	10.4%	11.0%	16.4%	17.6%	18.1%	18.7%

Source: Company, Maybank IBG Research

4.3 On demand – key developments and our take

Competitive skirmishes on the rise in Indonesia

With GoTo separated from incurring e-commerce losses and leveraging an enlarged Tokopedia-TikTok ecosystem, we anticipate a strategic shift towards accelerating growth and market share in the On Demand Services (ODS) and fintech divisions. Note that GoTo currently holds reserves of IDR24t (USD1.2b). This in turn raises concerns that if more resources are deployed towards the expansion of ODS and fintech services, it could entice a similar response from Grab (ala Shopee's response in 2H23 in e-commerce), leading to elevated competition.

What do we learn from Indonesia ODS survey?

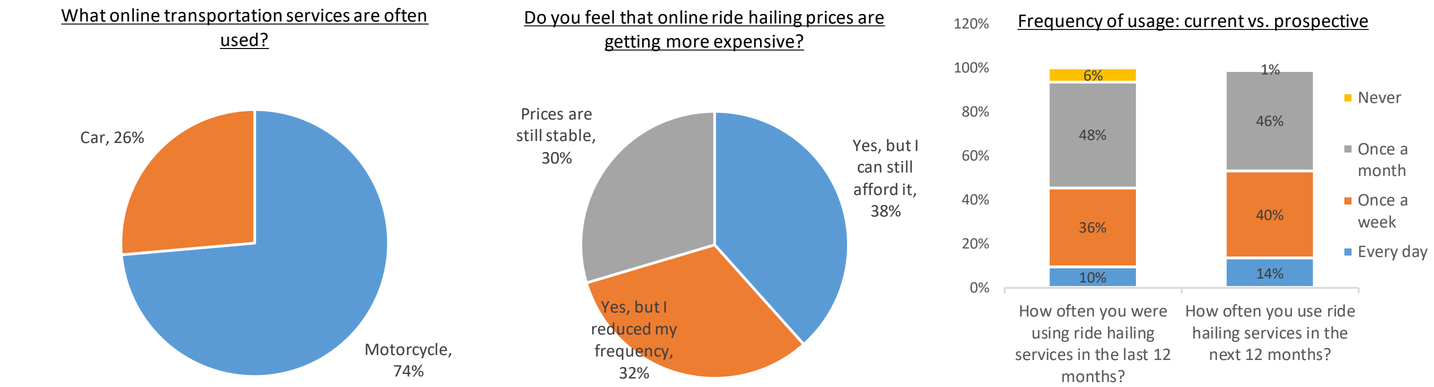
Risk on the online food delivery side. Spending on online food delivery remains a concern with 72% of the consumers looking to trim frequency of orders/spending in response to price increases. Moreover, a material 46% of the survey respondents who are not using OFD services is because of the pricing. 95% of the survey respondents only wish to pay less than USD1.25 for food delivery (44% of the survey respondents only wish to pay less than USD0.7 for food delivery).

Fig 100: Learning from Indonesia online food delivery survey

Source: Maybank IBG Research

Relatively stable ride-hailing spending outlook but affordability concerns are there. A vast majority (74%) of survey respondents prefer motorcycle over car, suggesting affordability concerns. Contrary to pressures on food delivery, we see a relatively stable outlook for ride hailing. 70% of the survey respondents have noticed price increases and 55% among them will maintain stable usage. In our Malaysia and Singapore survey, the vast majority of the survey respondents are looking to reduce usage due to price increases. Survey respondents are looking to slightly increase their frequency of usage in the next 12 months compared to the past 12 months.

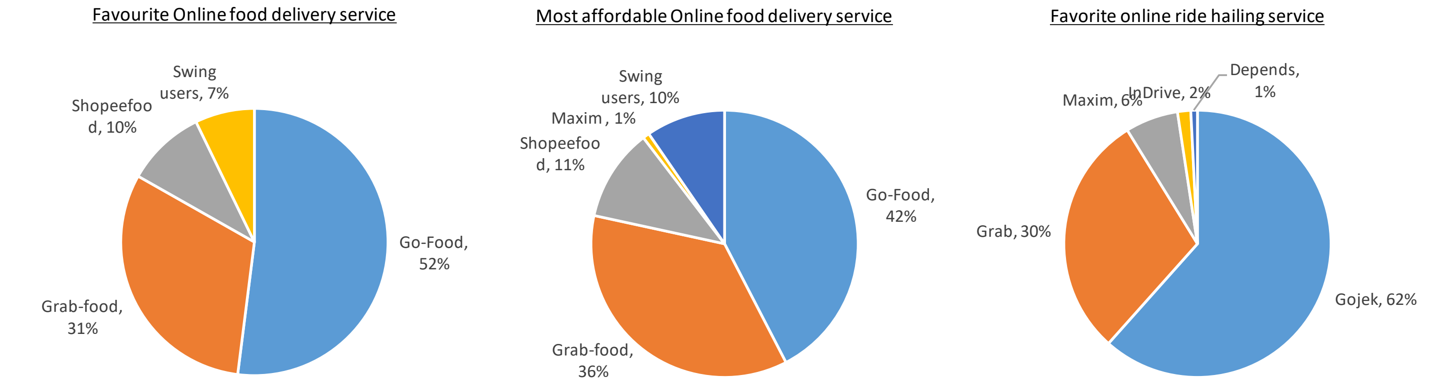
Fig 101: Findings from Indonesia online ride-hailing survey



Source: Maybank IBG Research

Gojek is the favourite for both food delivery and ride hailing, followed by Grab. Gojek is also perceived as being the most affordable but by a less % of survey respondents compared to its favouritism ranking. Shopee Food has a decent 10-11% preference share.

Fig 102: Findings from Indonesia online fool delivery survey



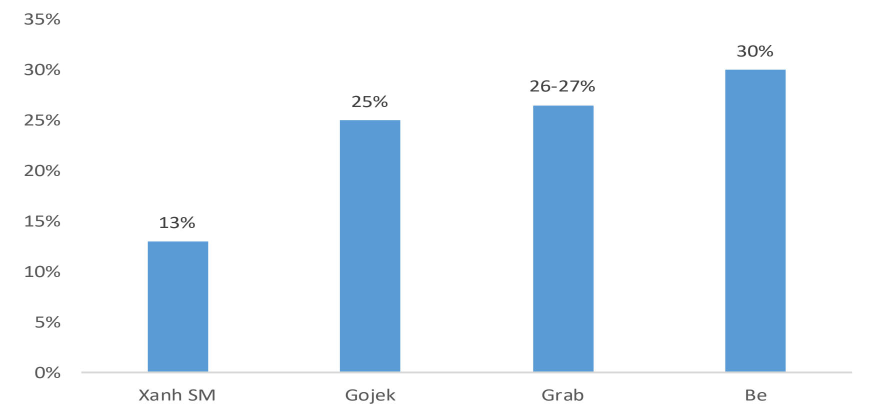
Source: Maybank IBG Research

4.4 New Entrant risk – XanhSM in Vietnam and likely in Indonesia

XanhSM ride-hailing - Early days but worth keeping an eye

XanhSM is first electric taxi service launched in Vietnam in Apr 2023 leveraging VinFast's ecosystem. XanhSM is backed by VinFast, the automotive division of Vingroup, one of Vietnam's largest private conglomerates. According to media reports, XanhSM offered services in 29 out of 63 provinces and municipalities across Vietnam, with more than 30,000 cars and ~22,000 motorbikes. In Dec'23, XanhSM rolled out xpress package delivery services. XanhSM is setting up operations in Indonesia as well (refer to: https://www.xanhsm.com/id/). According to media reports, XanhSM has already taken ~20% market share in Vietnam. Xanh SM's driver commission at 13% is almost half of that of Grab and Gojek besides the mileage benefits (discussed below) and attractive financing offers which it is using to grow the car supply.

Fig 103: Vietnam driver commission comparison

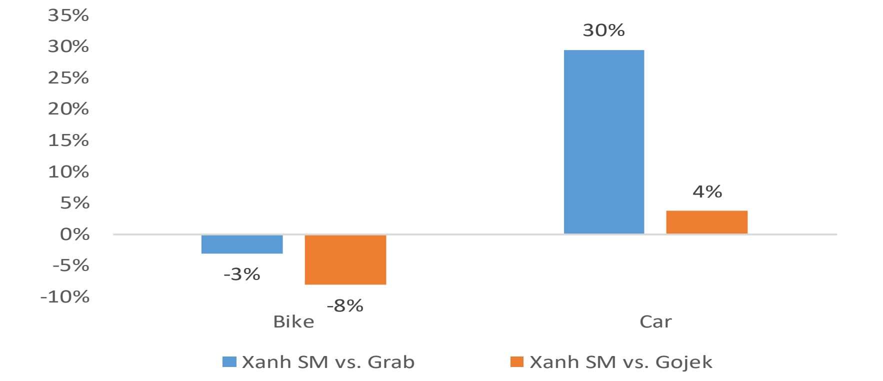


Source: Maybank IBG Research, cafef.vn

How competitive is XanhSM vs Grab and Gojek

As per our compilation of ride-hailing price tracker in Vietnam, Xanh SM's bike hailing services are 3-8% cheaper vs. Grab and Gojek. On the other hand, Xanh SM's car hailing services are 4-30% more expensive vs. Grab and Gojek.

Fig 104: XanhSM pricing vs Grab and Gojek



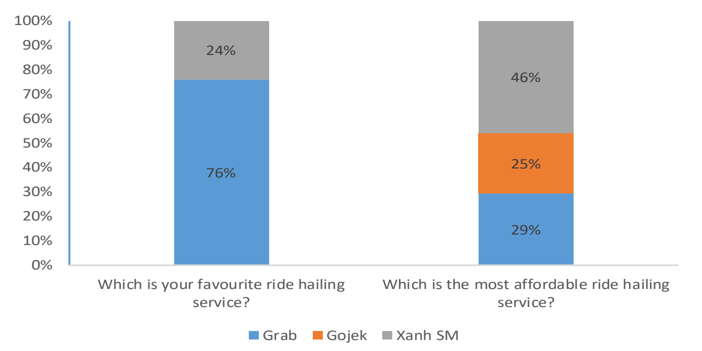
Source: Maybank IBG Research, Momentum Works

Take-away from Vietnam ride-hailing survey

1-year old Xanh SM is already the favourite of 24% of the survey respondents. On the other hand, a bigger 46% of the survey respondents find Xanh SM as providing more affordable services.

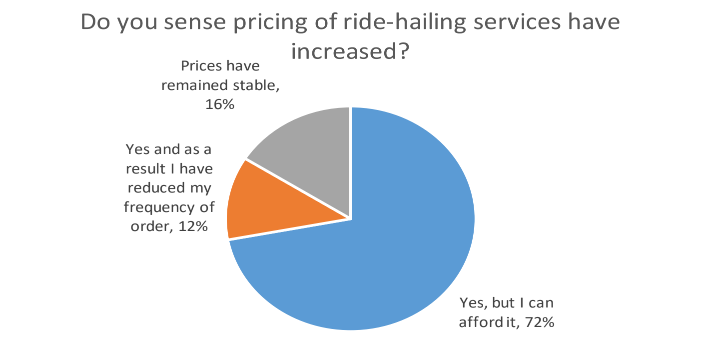
Resiliency to price increases is high with 72% of the survey respondents not looking to cut frequency despite price increases. This is contrary to our survey findings in other ASEAN markets where a significant portion of survey respondents were looking to cut usage in response to price increases.

Fig 105: Vietnam survey - favourite and most affordable ride hailing operator



Source: Maybank IBG Research

Fig 106: Vietnam survey - resiliency to price increases is high



Source: Maybank IBG Research

XANH SM - Will it be expanding with a partnership in Indonesia?

Xanh SM, an Online Ride-Hailing Company from Vietnam, is setting up an office in Indonesia, located in Axa Tower, 45th floor, South Jakarta. The company name is XanhSM Green and Smart Mobility Indonesia. Xanh SM is an online taxi and utilises 100% electric vehicles.

We see three comparative advantages should it expand in Indonesia:

1. **Free mobility in city centers.** Electric vehicles are exempted from odd-even plate regulations (06.00-10.00 and 16.00-21.00). ICE (internal combustion engine) cars must follow this regulation, limiting operational time for online ride hailing.
2. **EV has lower road tax in Indonesia.** EV only pays about 10% of an ICE car with similar price.
3. **Better cost per km compared to ICE.** We estimate Xanh SM cost per km is about IDR1,641/km, 14% cheaper than the Toyota Sigra (common fleet in Indonesia).

Fig 107: VinFast e34 vs. Toyota Cayla cost per km comparison

VinFast e34	Comparison	Toyota Calya	Comments
315,000,000	Price (IDR)	167,300,000	Based on listed price
325,000	Distance (km)	250,000	5 years usage, EV 30% more mileage (no odd-even policy)
90,000,000	Battery	-	Battery rental is IDR1.5m for 3000+km/month
81,421,053	Electricity	-	42Kwh, 285 km range. Charging costs IDR1700/kWH - home charging
-	Fuel price	208,333,333	Fuel efficiency 12km/l - price at IDR10,000/l
1,250,000	Road tax	13,750,000	Road tax Calya assumption IDR2.75m/year Road tax assumption for VinFast at 250,000/year
45,500,000	Maintenance	85,000,000	Calya: Oil changes IDR500,000 per 5,000km, Fast moving IDR2.0m/10000 Vinfast: fast moving IDR1.0m/10,000 - less fast moving components
533,171,053	Total Expenses	474,383,333	
1,641	**Cost per km**	**1,898**	**-14%**

Source: Maybank IBG Research

Aggressive promotion is likely for introduction. We think that Xanh SM can do aggressive promotions to attract customers in Indonesia. But we think this is temporary, as price is regulated by the Ministry of Transportation which clusters the operations into three categories.

Each province can regulate its own tariffs. For example, in East Java (188/290/KPTS/013/2023) the minimum fare is about IDR15,200 (for the first four km), with fare per km of IDR3,800-6,500/km for car. Meanwhile, the minimum fare for motorcycles is IDR8,000-10,000 (for the first four km) and the additional fare is about 2,000-2,500/km, excluding revenue share from the application.

Will Xanh SM set up a partnership in Indonesia? We think Xanh SM has two options to expand its operations in Indonesia: 1) internal expansion, 2) partnership model. On partnership model, XanhSM may collaborate with an existing Online-Ride Hailing operator. This in turn could add to competition given the advantages Xanh SM's cars bring. Based on media reports, at the moment Xanh SM is looking to expand solo.

Not an immediate risk but worth keeping an eye on

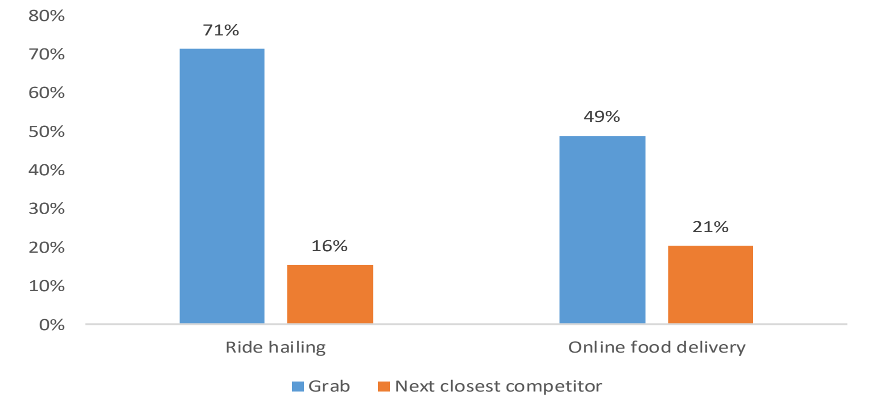
We estimate Vietnam ride hailing market share to be <10% of the overall ASEAN market and, as such, immediate risk is limited. On the other hand, XanhSM is yet to make its mark in Indonesia. However, we think development in the space is worth keeping an eye on, especially in light of the strong parental backing and the significant foothold XanhSM is able to make in Vietnam in the short span of time

4.5 On Demand – what are the key competitive moats companies have built for sustained growth?

Grab: Superapp drives strong retention and sustained synergies

Grab has a strong leadership in ride-hailing and food-delivery services in ASEAN with an estimated market share of 50-70% in both the categories across the markets.

Fig 108: Grab market share relative to its closest competitor

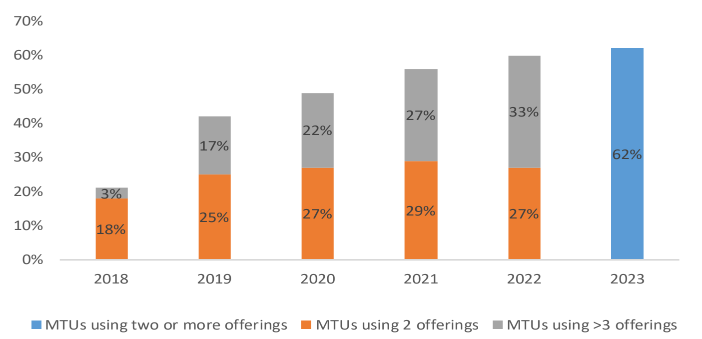


Source: Maybank IBG Research, Euromonitor, Momentum Works

Grab's scale and superapp ecosystem provides it a structural competitive moat and cost advantage over its peers with fewer services and geographical limitations.

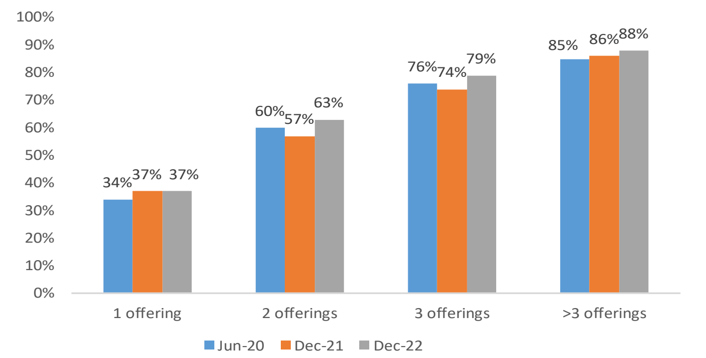
Service deepening allows for higher retention rate. Grab users that use more services tend to stay engaged in the Grab ecosystem for longer. Moreover, as users stay longer and more engaged, they tend to spend more.

Fig 109: Grab MTUs split by number of offerings



Source: Company report, Maybank IBG Research

Fig 110: Retention rate on a rising trend, particularly for highly engaged users

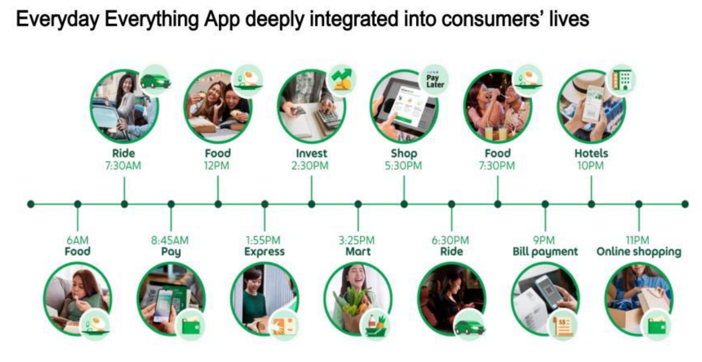


Source: Company report, Maybank IBG Research

Cross pollination allows for superior partner utilization/earnings. As Grab offers more services and deepens user engagement, this spurs a virtuous cycle for consumers to spend more. Diversified yet complementary offerings allow Grab to better tap users (offering dual services), resulting in higher earnings for its driver/delivery/merchant partners.

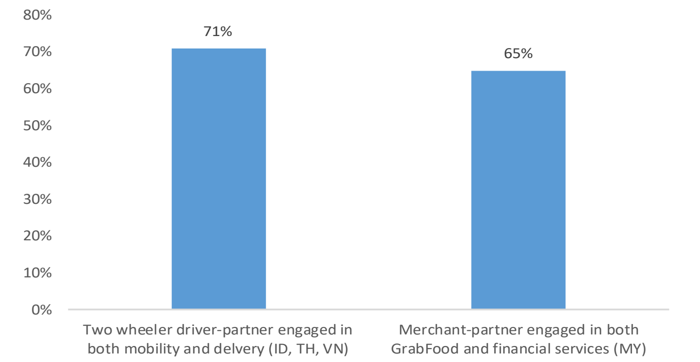
As peak times for various services such as transportation, food delivery and groceries are different throughout the day, Grab, being a platform that caters to all of these services, is able to adapt and deploy resources matching consumer demand throughout the day. This helps minimize driver-partners' downtime, maximizes earnings and lowers churn level for delivery/driver partners.

Fig 111: Grab's illustration of various services that can be performed on its platform throughout the day



Source: Company report, Maybank IBG Research

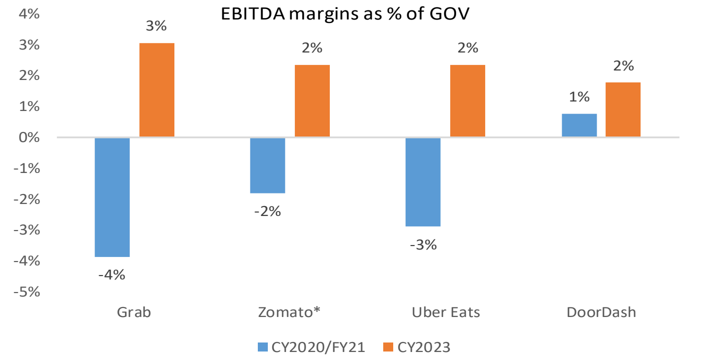
Fig 112: Diversified offerings allowing for better partner utilization/earnings



Source: Company report, Maybank IBG Research

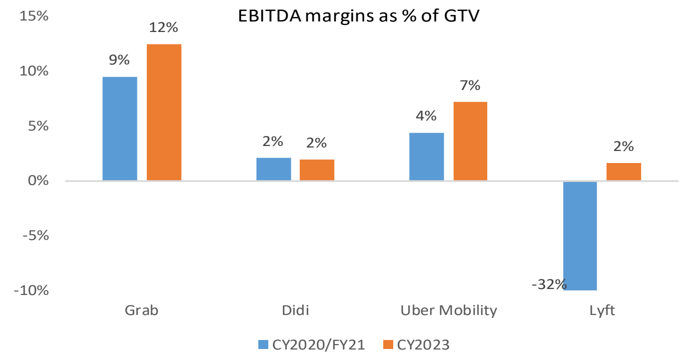
Grab has made the most significant margins improvement among global peers. As Grab offers more services and deepens user engagement, this spurs a virtuous cycle for consumers to spend more. Diversified yet complementary offerings allow Grab to better utilize driver-partners (offering dual services) resulting in higher earnings for its drivers/delivery workers.

Fig 113: Grab has made the most significant margins improvement among global food delivery peers



Source: Company report, Maybank IBG Research

Fig 114: Grab has made a significant margins improvement among global mobility peers despite its high margins profile



Source: Company report, Maybank IBG Research

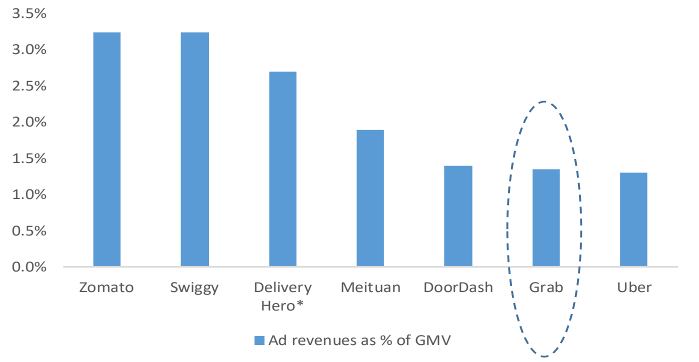
Network effect helps to extend new verticals and cost synergies. As demonstrated in the case study above, we see the network effect puts Grab in a position of strength to grow verticals where it is under indexed (vs. peers), grow complementary verticals at little incremental costs and drive cost synergies through cross pollination. We see below opportunities where Grab can make significant inroads on the back of its superapp ecosystem.

- **Grab's ad revenues** is an attractive revenue segment, which is still in the early stage of development and is largely untapped. Opportunities particularly exists in the food delivery and quick commerce space. Our global observation of on-demand platforms found that advertising remains the fast growing space and management see a long runway for growth. More importantly, it comes with a high margin of 70-80%.
- **Package and groceries delivery** services are still relatively nascent in ASEAN. We think Grab's superapp platform is better suited to grow the regional package/grocery delivery service while we also see room for the deliveries space to further consolidate while further benefiting Grab. We forecast Grab's deliveries revenues to expand at a 2023-26E CAGR of 30%.
- **Financial services.** We forecast Grab's fintech revenues to grow at a CAGR of 29% over 2023-26E. Again, we see Grab's superapp ecosystem

of massive user/partner/SME base, wealth of user data and technology prowess to help triangulate growth within the fintech space.

- **GrabUnlimited** is a paid loyalty programme. Grab's high frequency services (food, parcel deliveries and mobility) create opportunities for subscription services to take-off. Successes of Uber One and Amazon Prime in the subscription space point to potential opportunities for Grab.

Fig 115: Ad revenues as a % of GMV



Source: Company report, Maybank IBG Research

Fig 116: Ad and subscription success stories of global on-demand companies

Advertising opportunity: Global observations

Swiggy and Zomato ad-revenues are at 3-3.5% of GMV

Delivery Hero ad revenues reached an annualized RR of EUR1bn in Q423
Management expect it to hit >EUR2bn by FY24/25. LT target: 3-5% of GMV
Delivery Hero: Ad revenues come with very attractive adj. EBITDA margins of ~70%

Uber exited 2023 with an ad revenue run-rate of USD900m, 1% of delivery GTV.
Management expect it to hit 2% over the LT.

DoorDash 1Q24 release: The Y/Y increase in Net Revenue Margin in Q1 2024 was due primarily to an increasing contribution from advertising.

Subscription opportunity - Uber CEO Dara Khosrowshahi comments from Uber's 3Q23 post results call:

Uber One consumers spend four times the amount that non-members do monthly basis.

And retention is more than 15% higher for members versus non-members.

Source: Company transcript/reports, Maybank IBG Research

5. Financial Services

Key conclusions first

- Under penetration and ecosystem synergies remains the structural drivers for the superapps
- Fintech sub-sectors (payments, investments, insurance etc) are expected to grow at a CAGR of 20-30% over 2023-30E.
- BNPL is a key growth area for Sea leveraging Shopee ecosystem. Company also looking to expand in off-Shopee areas but mainly sticking to instant consumer loans at the moment
- Grab's focus is to grow mainly within the Grab/Singtel ecosystem.
- GoTo
- GCash evolved as a pure-play fintech operator in Philippines mainly on the back of its ubiquitous payments ecosystem. Remains a rare profitable fintech operator.

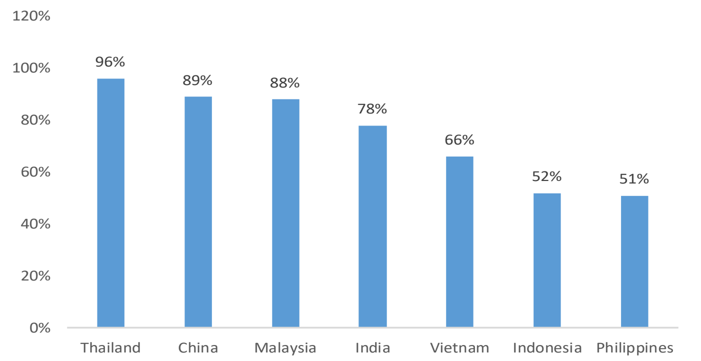
ASEAN fintech addressable TAM

ASEAN also offers a material opportunity within the fintech space, mainly owing to relative under-penetration. In markets like Indonesia, the Philippines and Vietnam, low banking penetration rates leave significant room for upside. Super-apps are looking to tap the unbanked/underbanked population within their ecosystem (such as SME merchant partners).

EM ASEAN markets also remain low on more advanced financial services, such as lending, insurance and investments etc. While such services grow in line with economic prosperity, we note that it leaves a long runway for growth and room for technological intermediation.

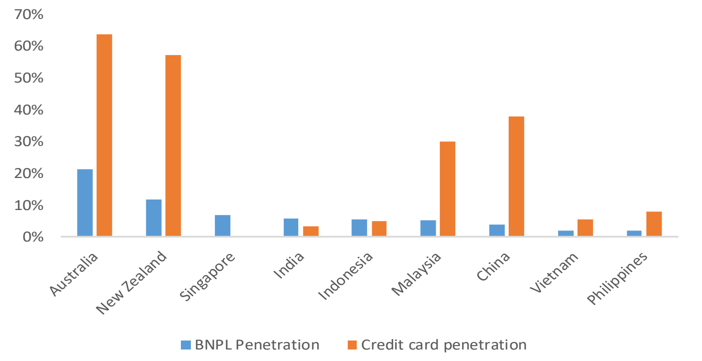
For instance, rising e-commerce and low credit card penetration are proving to be strong drivers for BNPL services in EM markets. As per Global Data (link), in India, BNPL share as a percentage of e-commerce sales in India increased from 0.1% in 2019 to an estimated 5.8% in 2023. Markets such as Indonesia, the Philippines and Malaysia remain far below on BNPL penetration and as such should benefit from deepening of BNPL in e-commerce sales besides growing alongside e-commerce growth.

Fig 117: Asian EM markets banked population (% of adult population)



Source: World Bank Findex report, Statista

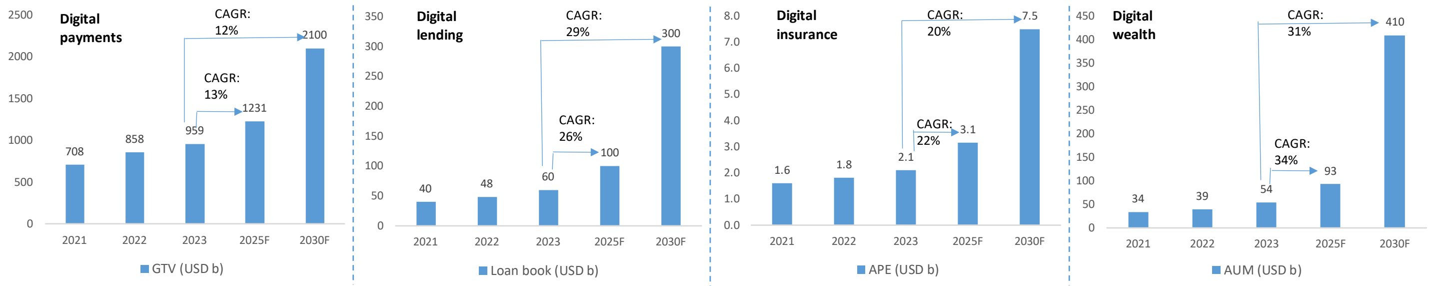
Fig 118: ASEAN BNPL share in e- commerce sales and credit card penetration



Source: OJK

According to the e-Conomy 2023 report, fintech TAM in ASEAN was USD1.1t, which is expected to grow at a 2-year CAGR of 13% and 7-year CAGR of 12%. Excluding digital payments, which offer a low merchant discount rate (MDR), advanced financial services such as online lending and online insurance is expected to grow at a 2-7 year CAGR of 20-30%.

Fig 119: Digital financial services adoption forecasts



Source: Maybank IBG Research

Payments provide the rails; Monetization through advanced financial services

Digital payments (online/offline) remain a highly crowded space while monetization remains limited. Monetization avenues are further arrested by central bank initiatives/regulations, which have effectively made peer-peer and in many markets online/offline merchant payments take-rate free. However, pure-play fintech companies (such as GCash in the Philippines) are using that as a platform to grow the advanced financial services (which include digital lending, insurance and digital wealth), which have a more visible path to monetization. On top, super-apps such as Sea, Grab and GoTo are also leveraging the payments platform (at times as a loss leader) to grow the marketplace business besides tapping the advanced financial services.

Advanced financial services offers a better unit economics and a better monetization path. For instance, for a pure-play digital insurance (Policybazaar) and digital lending (Paisabazaar) marketplace in India, 4Q24 take-rates were at 21% and 3-4% respectively. As such, advanced financial services in the offline market also has a high take-rate and as such the online market places are able to charge a meaningful take-rate, which is still competitive compared to selling it through offline channels.

5.1 Main operator's fintech strategies

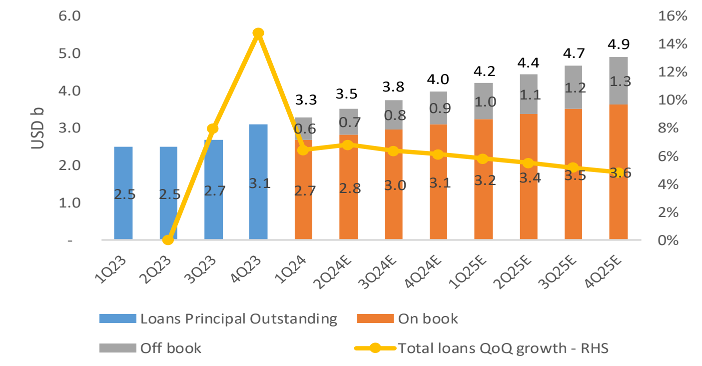
Sea DFS: tapping both Shopee and off-Shopee for growth

Sea's digital financial services (DFS), operated as SeaMoney, are available in six markets across ASEAN plus Taiwan and are available under various brands, including ShopeePay, SPayLater, and other brands. SeaMoney's offerings include payment and payment processing, credit offerings, cash loans and related digital financial services and products.

Besides payments, Sea's e-commerce ecosystem had been the bigger driver of DFS growth in the recent years serving Shopee users and merchants. Its credit business such as *Buy Now Pay Later (BNPL)* is currently the primary driver of SeaMoney's revenue and the profit growth benefitting from Shopee's transaction volume and user base.

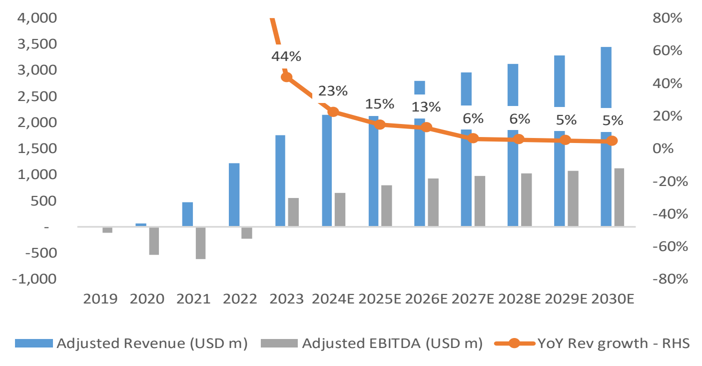
In the recent quarters, management has increased investments to penetrate into non-Shopee users, tapping off-Shopee/offline transactions in various markets. SeaMoney is seeing strong growth in off-Shopee loans, which include buy cash loans and pay-later-consumption loan. By the end of 1Q24, off-Shopee loans accounted for over 40% of total consumer and SME loans outstanding. Management noted that it anticipates further growth for digital financial services business in FY24. As it expands the user base and linked user credit data, management noted it will broaden the set of financial services (we anticipate advanced financial services like insurance and investments etc).

Fig 120: Sea's loan book growth outlook



Source: Company, Maybank IBG Research

Fig 121: Sea's DFS financial outlook



Source: Company, Maybank IBG Research

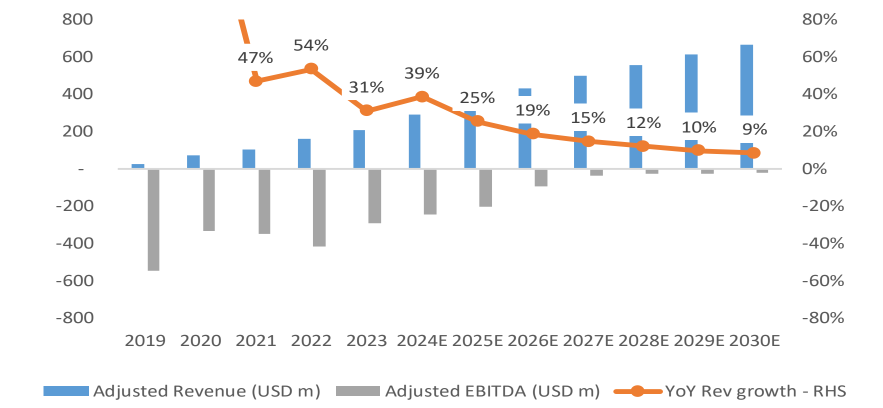
Grab: Focusing on ecosystem-led growth

Unlike Sea, which is looking to grow both on- and off-Shopee financial services, Grab is highly focused on ecosystem-led growth. While a high percentage of the underbanked population in ASEAN offers an opportunity to capture high TAM, we think Grab's ecosystem-led focus limits the scope but at the same time also the cash burn as well as credit risk. Moreover, financial services is also seen as a means to deepen on-demand penetration.

Grab had been de-emphasizing off-platform payments as the unit economics were not working out. As such, the growth in the payments business should be in line with its GMV growth. As such, the payment business is seen as the platform to build new financial use cases, increase ecosystem engagement and lower the payment cost by having its own payment platform.

That said, Grab is increasingly focusing on the lending business where the unit economics are more favorable. Management had noted that the majority of growth within its financial services business is led by GrabFin and Digibank segments.

Fig 122: Grab DFS financial outlook



Source: OJK

Financial services as a means to deepen on-demand penetration. Grab's financial services growth focus is also seen as a means to grow ecosystem engagement/retention. From that standpoint, it limits the relative TAM of the business but also suggests limited cash burn.

Fig 123: Grab management's commentary on how financial services is helping to deepen on-demand growth/user retention

Management commentary (3Q23 call)
We continue to see strong ecosystem uplifts from our payments and lending business, with users from GrabPay spending 4 times more and having 1.5 times higher retention rates than cash users.

Our driver partners who take on a loan with us also recorded 1.5 times higher retention compared to drivers without a loan.

Management commentary (1Q24 call)
[Payments business] Helps us manage our cost of funds down. But eliminating cash off the network, which allows us to grow the marketplace.

Source: Maybank IBG Research

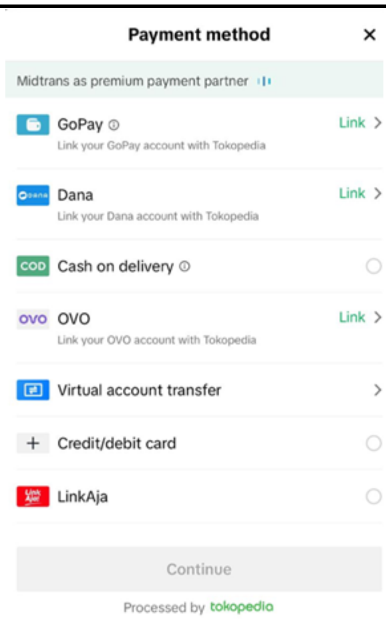
GoTo: a more promising GoTo financial outlook post Tokopedia-TikTok Shop merger

With GoTo no more burdened with e-commerce cash burn, we see a strategic pivot to accelerate growth in fintech and on-demand services. We forecast GoTo's fintech segment GTV to expand at a CAGR of 14% over 2023-27E, led by a bigger uptake of GoPay and potential inclusion of GoPayLater (BNPL offering) in the TikTok Shop.

In a Dec 2023 analyst call, GoTo's management noted that, in Indonesia, Shopee has ~15% BNPL penetration rate compared to GoTo at mid-high single digit.

How GoTo fintech is fitting in the TikTok Shop? Post the merger, Gopay is flagged as the first payment option. That said, TikTok Shop is still offering other payment options, such as Ovo, Dana, bank transfer and cash on delivery etc. We also note that payment promotions are available from multiple payment providers suggesting that GoPay is preferred but doesn't have exclusivity.

Fig 124: Screenshot of TikTok Shop payment options



Source: Maybank IBG Research, TikTok website

Fig 125: GoTo fintech FS

IDR b	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E
Fintech GTV	117,792	119,515	214,907	360,400	379,739	410,118	451,130	505,266	565,897
Fintech GTV growth (% YoY)	91.9%	1.5%	79.8%	67.7%	5.4%	8.0%	10.0%	12.0%	12.0%
Fintech gross revenue	0	1,179	1,161	1,663	1,878	2,461	2,797	3,284	3,678
Fintech gross take rate	0.00%	0.99%	0.54%	0.46%	0.49%	0.60%	0.62%	0.65%	0.65%
Fintech promotions	-	-143	-104	-73	-141	145	460	624	621
Fintech promotions	0.00%	-0.12%	-0.05%	-0.02%	-0.04%	0.04%	0.10%	0.12%	0.11%
Fintech net revenue	899	1,036	1,056	1,590	1,737	2,606	3,257	3,908	4,299
Fintech revenue growth	28.4%	15.2%	2.0%	50.5%	9.3%	50.0%	25.0%	20.0%	10.0%
Fintech net take rate	0.8%	0.9%	0.5%	0.4%	0.5%	0.6%	0.7%	0.8%	0.8%

Source: Company, Maybank IBG Research

GCash: platform-centric growth

GCash is the largest pure-play fintech operator in the Philippines with 81m monthly active users or MAUs (as per link). According to Globe Tel's (owns 36% stake in GCash) disclosure, GCash has 5x more MAUs than the second competitor Maya. It is also a rare profitable fintech operator in the region.

GCash evolved as a mobile wallet and didn't apply for a digibank license. This raised questions about its ability to scale up the lending franchise in the absence of a deposit base.

However, GCash had maintained a strong lead in the Philippines fintech space, leveraging its massive payments platform. High active user base on its payments platform allowed GCash to offer/cross sell advanced financial services and thus it has evolved into the largest operator in various sub categories - insurance, investments and BNPL etc.

Its massive platform advantage, coupled with its in-house credit-scoring engine, has allowed GCash to onboard multiple traditional and digital banks on its platform to offer lending services. Based on our analysis, users can avail credit facilities from Unobank, CIMB and BPI etc through GCash platform.

Fig 126: GCash snapshot

GCash	1Q24	Growth YoY	Peer company
Active users	81mn		
Earnings (USD m)	46.3	138%	
Adv financial services			
Policies sold (LTD)	23.1mn	165%	Policy Bazzar Policies sold LTD: 42.1mn
Loans Disbursed (LTD)	P135bn	84%	Kakao Bank
Lending users	4.5mn	27%	
Gsave users	10mn		
Gstocks users	500k		

Source: Globe Tel, campaignasia.com

6. Garena: Bottomed out but can it maintain an upward growth trajectory?

Key conclusions first

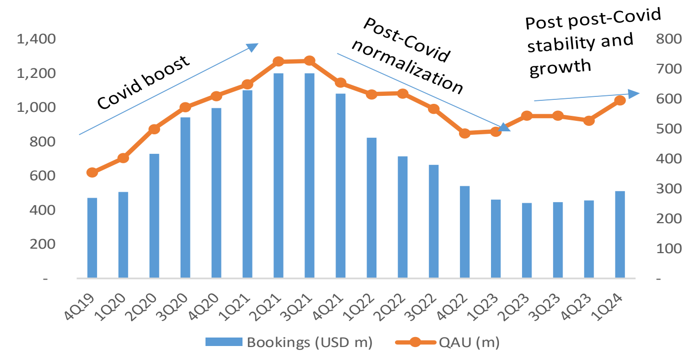
- Garena is well entrenched in the less-crowded EM markets and among the budget-conscious users – adds to its defensiveness
- We find a credible Free Fire ever-greening strategy – sacrificing short-term monetization for long-term user growth/retention/engagement
- We expect Garena's bookings to grow 12% in 2024 and 2%/yr over 2025-26E

6.1 Covid lift and post-Covid normalization was starkly visible

While Garena is predominantly driven by Free Fire, we think it went through the same cycle as e-commerce in the wake of Covid and post-Covid period. During Covid, Free Fire had a strong run in user growth due to lockdowns. Monetization came easy as new features/skins released prompted user spending while user engagement was organically driven by lockdowns.

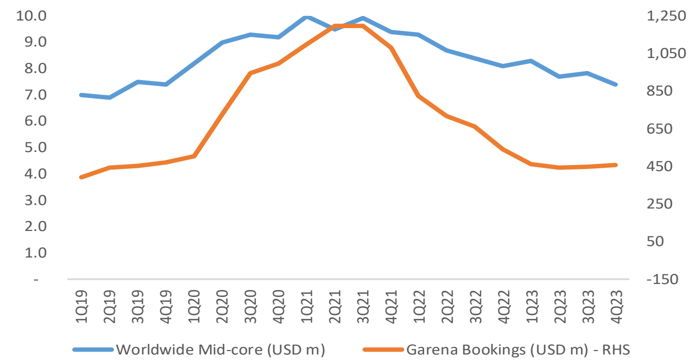
This was followed by reopening, which negatively impacted the usage. As users and usage dropped, focus shifted to engagement while monetization took a backseat. This coincided with the ban in India as well. MAUs declined while revenues had an even bigger hit owing to bigger emphasis on engagement and softer monetization.

Fig 127: Garena QAU and bookings trajectory during different Covid phases



Source: Company, Maybank IBG Research

Fig 128: Worldwide mid-core gaming revenues (FF genre) as well went through the Covid ups and downs but not as stark as Garena



Source: Company, Naavik

6.2 Free Fire remains a defensive gaming franchise

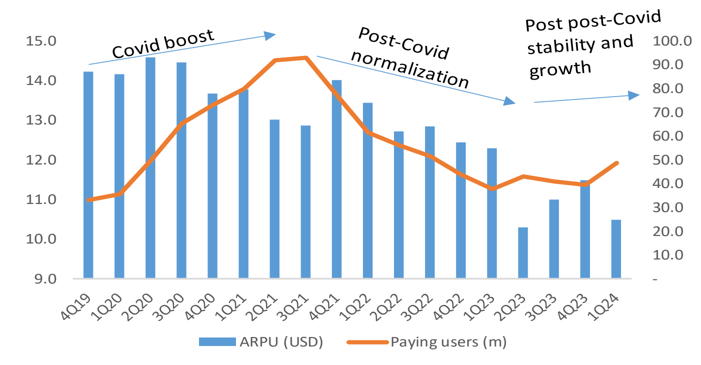
Focus to make Free Fire an evergreen franchise

In its seventh year, Free Fire is still one of the largest mobile games in the world by user scale, and remains highly effective in attracting new users. According to Sensor Tower, Free Fire was the most downloaded mobile game globally in 1Q24.

De-emphasized monetization; focus on user engagement/retention. Given the post Covid impact, Garena has de-emphasized monetization in a bid to improve engagement and retention. In 1Q24, ARPU's per paying user declined 22% from the Covid peak levels. In a 'post post-Covid phase', we see the paying users have stabilized and in fact are on an improving trend. However, ARPUs are still stable with focus still on engagement and retention in a bid to make Free Fire an evergreen franchise.

Frequent new content and feature upgrades. One of the key strategy to extend the franchise and longevity of Free Fire is by expanding in-game content and features. Sea observes that an increasing number of gamers spend time on the Free Fire platform not just for core Battle-Royale gameplay, but also to enjoy other features. In Jan'24, Sea launched Chaos, a major version update allowing players to vote for key events in the game setting. In Apr'24, Sea launched the Mechadrake version update, allowing players to team up to combat a mechanical monster in addition to the usual PvP gameplay.

Fig 129: Garena de-emphasised monetization in a bid to improve engagement and retention



Source: *Maybank IBG Research, Naavik*

Fig 130: Free Fire's Mechadrake version update

Source: *Company website*

Free Fire rooted within less crowded EM markets

Garena is still highly dependent on Free Fire and often being considered as a "one-trick pony". That said, Free Fire is still one of the top grossing and top ranked games in the markets. While Garena does lack visibility as it doesn't have strong game pipeline (unlike its gaming peers like Tencent or Netease), the diversified markets it operates in (Southeast Asia, Latin America and MENA) suggests its revenue streams are more diversified than expected.

More importantly, Garena places considerable efforts in developing Free Fire to run on low-end devices from the standpoint of actual size of the game as well as its data stream requirements. Additionally, its Android leaning bent helped it to attract a bigger download share from the Android-centric EM audience. As per Naavik, Free Fire's share of Android downloads is ~90% of cumulative downloads compared to <65% for PUBG.

Given its bigger EM market leaning, Free Fire's revenue market share within the Battle Royale genre is a mere 11% despite enjoying a 40% downloaded share (among the top 10 games). As per Naavik, China, the US and Japan control ~66% of the Shooter game's revenue market share and as such attract higher competition (and marketing spend) from new game launches (PC/Console/IOS centric games). This in turn suggests limited competition for Free Fire and a longer shelf life.

Fig 131: Free Fire's minimum requirements are the least onerous among popular Battle-Royale games, widening its audience to players in emerging countries

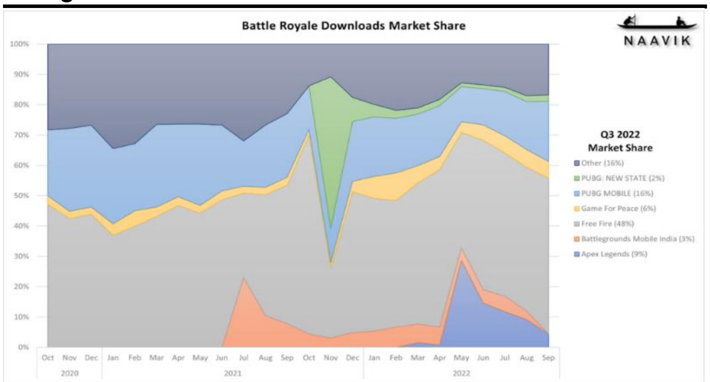
	Free Fire	PUBG	COD: Mobile	Fortnite	Battlel-Royales
Android (Min Requirement)	OS: Android 4.4 CPU: Dual Core 1.2GHz RAM:1 GB Storage: 1.5GB+	OS: Android 5.1.1 CPU: Snapdragon 425 (1.4GHz) RAM:2 GB Storage: 2 GB+	OS: Android 5.1 CPU: Dual Core CPU 1.2Ghz RAM:2 GB Storage: 3 GB+	OS: Android 8.0 CPU: 64 - bit Android on an ARM 64 processor RAM:4 GB Storage:	OS: 4.1.0 CPU: Dual Core 1.2GHz RAM:1 GB Storage: 1.5GB
IOS (Min Requirement)	OS: IOS 9 CPU: Iphone 5s RAM: 1GB Storage: 1.5GB+	OS: IOS 9 CPU: Iphone 5s RAM: 1GB Storage: 2GB+	OS: IOS 9 CPU: Iphone SE RAM: 2 GB Storage: 2 GB	Not Available in the Apple Store	OS: IOS 9 CPU: RAM: 1 GB Storage: 1 GB
Android (Good Performance)	OS: Android 7 CPU: Dual Core 1.8GHz RAM:3 GB Storage: 3 GB+	OS: Android 5.1.1 CPU: Snapdragon 636 (1.8GHz) RAM:4 GB Storage: 2 GB+			OS: Android 6 CPU: Snapdragon 625 (2 GHz) RAM:2 GB Storage: 1.5
IOS (Good Performance)	OS: IOS 11+ CPU: Iphone 7 RAM: 3GB Storage: 3GB+	OS: IOS 9 CPU: Iphone 7 RAM: 2GB+ Storage: 4GB+			

Source: Various sources

Free Fire well entrenched within Battle-Royale genre

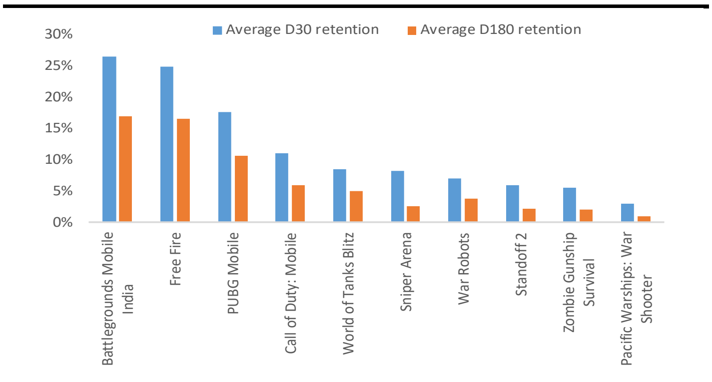
While Free Fire revenues have declined, we note that the overall Battle Royale growth has also slowed in the last couple of years, albeit at a lower pace compared to Free Fire. That said, Free Fire continues to dominate the download share while its Day-30 and Day-180 retention rate is also best within the genre. As per Naavik's analysis, new games are not easily able to make a dent due to the massive moats that PUBG and Free Fire have built. As per Naavik, new games struggle to either attract new audiences or permanent swaps in player loyalty, which includes big IPs like Apex Legends (refer to Fig 129).

Fig 132: Battle Royale downloads market share - Free Fire continues to dominate while new launches fizzle out after a strong start



Source: Maybank IBG Research, Naavik

Fig 133: Average D30 and D180 retention (Nov 2021-Oct 2022)

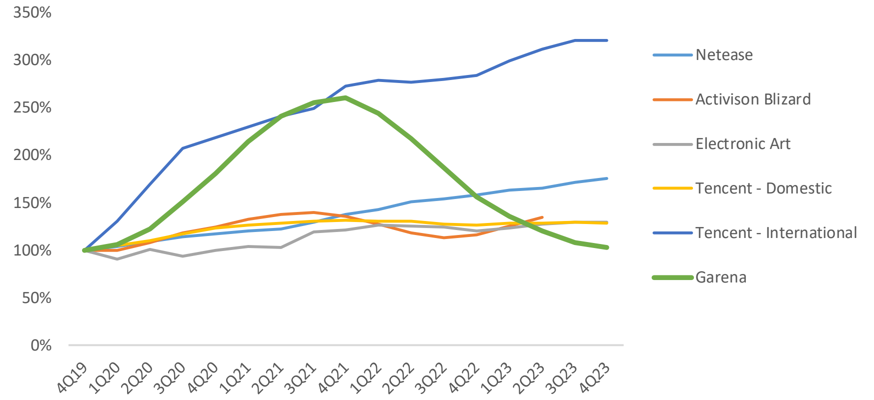


Source: Maybank IBG Research, Naavik

6.3 Next break-through remains a question mark

While Garena underwent a Covid and post-Covid phase, we see a starkly different trajectory for its competitors in China and the US. Revenues for leading gaming companies like Tencent (domestic gaming revenues), Activision Blizzard and Electronic Arts did increase during Covid, however, post-Covid normalization was not as steep as that for Free Fire. On the other hand, for NetEase (China's second largest gaming company) and Tencent (international gaming revenues), revenues continued to grow at a firm clip even in the post-Covid era. We attribute this to US and Chinese counterpart's continuous pipeline of new games, which kept the momentum ticking. On the other hand, relative absence of in-house new games did weighed on Garena leading to a sharp revenue decline.

Fig 134: Garena bookings growth relative to the global gaming companies - rolling four quarter average



Source: Company, Maybank IBG Research

Fig 135: Tencent 2024 games pipeline – not an exhaustive list

Game	Genre
Honor of Kings	- a mythological and lore MOBA game
Age of Empires Mobile	- a fast-paced combat, base-building, and online multiplayer PvP
V Rising	- a vampiric action RPG survival game
Alara Prime	- a free-to-play competitive tactical FPS
Dungeon & Fighter Moile	- an anime, side-scrolling action RPG

Source: Tencent, Media reports

Fig 136: NetEase 2024 games pipeline – not an exhaustive list

Game	Genre
Where Winds Meet	- an open-world action-adventure RPG
NARAKAK: BLADEPOINT MOBILE	- a melee-focused hero battle royale
Once Human	- a supernatural open-world survival game
Ashfall	- a cross-platform post-apolalyptic MMORPG
Lost Light	- an endless loot shooting game
Order & Chaos: Guardians	- a medieval fantasy team-based RPG

Source: NetEase, Media reports

Sea management's approach to its gaming business

Sea's management have noted that although Garena has a new game pipeline, it doesn't see it as a financial booster but as a supplement/complement to Free Fire. Management as well have noted that it doesn't want to invest heavily in developing multiple new games (unlike Tencent and NetEase) which is expensive and comes with high level of uncertainty.

We estimate Sea's gaming revenues beyond 2024 to grow at a low single digit with stable margins. While lack of new game development suggests lower costs, we think the company will keep investing in new gaming features in a bid to elongate the life of Free Fire.

Fig 137: Sea's Digital Entertainment financials

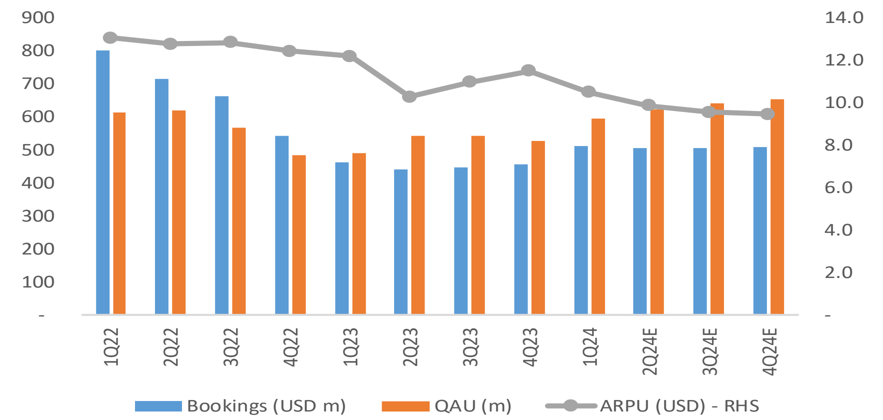
USD m	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E
Bookings	1,767	3,186	4,331	2,728	1,810	2,033	2,092	2,143	2,175
Growth YoY		80%	36%	-37%	-34%	12%	3%	2%	1%
Adj EBITDA	1,022	1,983	2,776	1,135	921	1,061	1,120	1,138	1,145
Growth YoY		94%	40%	-59%	-19%	15%	6%	2%	1%
QAU - m	355	611	654	486	529	656	693	710	724
Paying users - m	33	73	77	44	40	54	57	58	59
ARPU - USD	53.1	43.6	56.1	62.4	45.6	37.8	36.8	36.8	36.6

Source: Company, Maybank IBG Research

Can Garena deliver double-digit growth in 2024?

Yes in our view. We think Garena is benefitting from the 'post post-Covid' normalization in the global gaming sector. In 1Q, Garena revenues increased 11% YoY and user levels remain on the rising trend in 2Q. On top, going into subsequent quarters, Garena will benefit from the low-base effect of last year. Even with our stable bookings outlook for the rest of the year (same as 1Q24), we estimate 2025 revenue to grow 13% YoY.

Fig 138: Digital entertainment: QAU, ARPU and booking expectations



Source: Company, Maybank IBG Research

Fig 139: Valuation Comps - Global internet peers

Company	BBG	Mkt Cap	EV/GMV (x)		GMV CAGR	EVGMVG	EV/Sales (x)		Sales CAGR	EVSG	EV /EBITDA (x)	
	Code	USDm	FY1	FY2	2023-26F		FY1	FY2	2023-26F		FY1	FY2
Grab	GRAB US	14,361	0.60	0.51	11%	5.6	3.85	3.18	17%	22.9	41.9	22.7
Sea	SE US	42,258	0.43	0.37	14%	3.1	2.64	2.24	15%	18.0	26.1	17.6
GoTo*	GOTO IJ	3,800	0.19	0.17	7%	2.8	0.00	0.00	3%	0.0	-0.0	-0.0
Bukalapak	BUKA IJ	740	-0.02	-0.02	5%	-0.3	-0.00	-0.00	16%	-0.0	0.0	-0.0
Zomato	ZOMATO IN	19,659	2.52	1.82	34%	7.4	8.86	6.53	36%	24.9	158.0	61.4
Nykaa	NYKAA IN	5,977	2.57	2.03	24%	10.6	6.21	4.93	26%	23.8	88.3	57.3
Mercado Libre	MELI US	80,129	1.50	1.22	17%	8.8	3.97	3.10	25%	15.6	23.0	16.7
Amazon	AMZN US	1,913,050	2.36	2.18	10%	24.4	3.10	2.84	11%	27.4	14.7	13.1
Alibaba	BABA US	183,008	1.03	0.94	4%	28.8	1.19	1.04	8%	14.5	6.6	5.7
JD	JD US	44,989	0.54	0.47	6%	9.4	0.25	0.22	7%	3.9	6.5	5.2
PDD	PDD US	209,802	1.86	1.31	15%	12.4	2.97	1.85	40%	7.5	10.3	6.2
Doordash	DASH US	46,522	0.67	0.60	15%	4.5	5.03	4.42	17%	29.3	30.2	23.1
Uber	UBER US	148,063	0.93	0.77	16%	5.8	3.50	2.90	16%	22.3	24.2	17.4
Delivery Hero	DHER GR	8,548	0.24	0.21	8%	3.1	0.99	0.85	13%	7.6	15.3	9.1
Meituan	3690 HK	91,557	0.22	0.17	17%	1.3	1.81	1.44	16%	11.1	14.6	10.0
Just Eat	TKWY NA	2,778	0.12	0.11	3%	3.9	0.61	0.53	5%	12.5	7.0	5.2
Lyft	LYFT US	5,842	0.32	0.25	15%	2.1	0.94	0.74	18%	5.2	14.6	9.2
Deliveroo	ROO LN	2,727	0.20	0.18	8%	2.4	0.72	0.64	9%	8.2	12.7	8.4
Allegro	ALE PW	10,201	0.65	0.56	12%	5.6	3.68	3.07	13%	28.7	13.9	11.1
Vipshop	VIPS US	8,715	1.12	0.85	7%	15.7	0.30	0.24	3%	11.0	3.0	2.3
Coupang	CPNG US	40,659	na	na	na	na	1.14	0.95	18%	6.3	27.6	16.5
Ocado	OCDO LN	3,812	na	na	na	na	1.43	1.38	9%	16.4	31.5	19.4
Weighted average			*1.95*	*1.76*	*11%*	*20.22*	*2.95*	*2.57*	*14%*	*23.0*	*16.3*	*12.9*

**Proportionate On demand EV (based on Maybank IBG Research SoTP) divided by on demand GMV*
Source: Maybank IBG Research

Fig 140: Valuation Comps - Global gaming and fintech peers

Company	BBG	Mkt Cap	Price	P/S (x)		Sales CAGR	EV /EBITDA (x)		Sales CAGR	P/E (x)		EPS CAGR
	Code	USDm	(LC)	FY1	FY2	2023-26F	FY1	FY2	2023-26F	FY1	FY2	
Digital entertainment												
Tencent	700 HK	457,392	380	5.0	4.5	9%	13.8	12.4	11%	17.2	15.3	17%
Electronic Arts	EA US	36,193	136	4.8	4.5	4%	14.1	12.5	6%	18.6	16.3	9%
Take Two Interactive	TTWO US	27,031	158	4.8	3.4	16%	51.6	16.5	42%	61.2	21.7	55%
Netease	NTES US	59,484	92	3.8	3.5	9%			10%	12.9	12.1	6%
NCSoft	036570 KS	2,907	183,300	2.3	2.0	8%	11.4	6.5	18%	22.3	15.2	13%
Netmarble	251270 KS	3,471	55,900	1.7	1.6	7%	21.2	18.1	39%	56.0	38.6	nm
Nexon	3659 JP	15,475	2,898	5.4	5.0	7%	14.1	10.8	5%	23.1	20.5	24%
Bandai Namco	7832 JP	12,627	3,011	1.8	1.7	5%	9.8	9.0	18%	20.2	18.9	5%
Average				*4.8*	*4.3*	*9%*	*14.1*	*11.3*	*12%*	*19.2*	*15.6*	*17%*
Payments and fintechs												
Visa	V US	556,759	271	15.5	14.0	10%	22.1	19.9	11%	27.3	24.3	13%
Mastercard	MA US	413,689	445	14.8	13.2	12%	24.4	21.2	13%	31.2	26.9	16%
Paypal	PYPL US	64,374	62	2.0	1.9	8%	9.5	8.8	0%	14.7	13.2	0%
Square	SQ US	38,479	62	1.5	1.4	12%	13.5	10.5	36%	18.0	14.2	45%
Average				*13.9*	*12.5*	*11%*	*21.9*	*19.4*	*12%*	*27.7*	*24.3*	*15%*

Source: Maybank IBG Research

June 18, 2024

Maybank

Sea Ltd (SE US)

Firing on multiple cylinders

Internet

Singapore

BUY

Share Price	USD 74.42
12m Price Target	USD 90.00 (+21%)

Re-initiate at BUY, TP of USD90

We re-initiate coverage of Sea with BUY and SOTP-based TP of USD90. We see SE entering the 'post post-Covid phase' from a position of strength (multiple competitive moats, scale advantage and financial muscle) to tap the 15% CAGR in the ASEAN e-commerce and fintech space. Its gaming business has stabilized and we find management efforts to make Free Fire an evergreen franchise as credible. We estimate Sea's revenues to expand at 16% CAGR over FY23-26E, while a healthy mix of scale benefits and steady monetization improvement drive our 24% EBITDA CAGR expectations. Trading at 0.4x EV/GMV and 3x EV/sales for FY24E, valuations are at 25-30% discount to MELI.

E-commerce: growth tailwinds and multiple moats

We see a confluence of factors to drive 15% GMV in ASEAN: i) a healthy 8% growth in ASEAN retail sales while e-commerce penetration is just half of the US and China's; ii) rational competition; and iii) limited risk of disruptive entrants. On top, Shopee's scale, logistics and live streaming competitive moat place it in a position of strength to maintain its leading market share. Our consumer survey reflects Shoppe is favourite and cheapest even in Indonesia where TikTok Shop had led an aggressive growth strategy till last year. >50% of GMV is supported by its own logistics, which allows for superior unit economics and customer experience (short delivery time, return policy). Case studies suggest that having their own logistics had been the key source of differentiator for players like Amazon and Mercado Libre. We estimate Sea's GMV to expand at 15% CAGR over 2023-26E.

Free Fire: A credible ever-greening strategy

Post post-Covid reset, Garena revenues have turned the corner with 3 straight quarters of improvements. While lacking new games pipeline, management's strategy is to elongate Free Fire's life by de-emphasizing monetization, improve engagement/retention and grow the new user base. We find management's strategy to be credible and see potential for a sustained Free Fire franchise given: i) its dominant position in the less crowded EM markets; ii) budget-conscious EM gamers; and iii) frequent new content & feature upgrades. We estimate Garena bookings to grow 12% in 2024E and by 2% CAGR over 2024-26E with stable margins.

Take-rates: Slow but a more emphatic improvement

ASEAN market seller take-rates at ~5-7% is 30-50% below other markets (ex-China). This creates room for improvement, although we note that the near-term focus remains on deepening penetration and boosting GMV growth. We estimate take-rates to rise by 80bps in 2024-25E. However, we see room for S&M intensity to fall in light of improving competition and rolling back of elevated live streaming spending.

FYE Dec (USD m)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue	12,450	13,064	15,563	17,565	19,500
EBITDA	(704)	783	1,024	1,835	2,417
Core net profit	(1,296)	269	669	1,438	1,998
Core FDEPS (cts)	(227.7)	45.6	113.6	244.3	339.5
Core FDEPS growth(%)	nm	nm	149.0	115.0	39.0
Net DPS (cts)	0.0	0.0	0.0	0.0	0.0
Core FD P/E (x)	nm	88.8	65.5	30.5	21.9
P/BV (x)	5.1	3.5	5.5	4.5	3.6
Net dividend yield (%)	0.0	0.0	0.0	0.0	0.0
ROAA (%)	(7.3)	1.5	3.4	6.7	8.4
EV/EBITDA (x)	nm	29.6	41.5	22.7	16.6
Net gearing (%) (incl perps)	net cash	net cash	net cash	net cash	net cash

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Company Description

Sea is an internet company that has businesses in gaming, e-commerce and digital financial services.

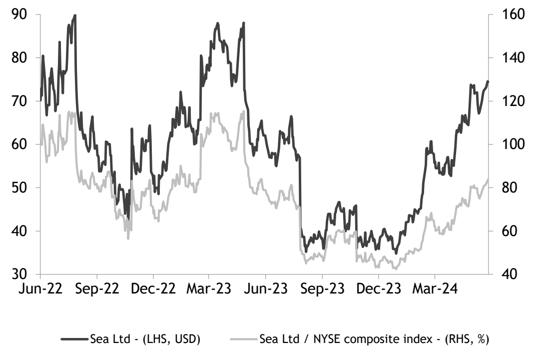
Statistics

52w high/low (USD)	74.56/34.82
3m avg turnover (USDm)	66.6
Free float (%)	100.0
Issued shares (m)	564
Market capitalisation	USD41.9B
	USD41.9B

Major shareholders:

Tencent	18.6%
Li Xiaodong	17.1%
Gang Ye	6.1%

Price Performance



	-1M	-3M	-12M
Absolute (%)	12	23	17
Relative to index (%)	15	23	3

Source: FactSet

ESG@MAYBANK IBG
Tear Sheet Insert

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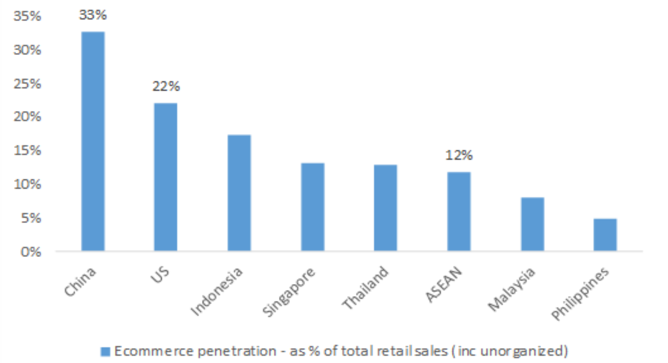
MICA (P) : 099/03/2012

Value Proposition

- Sea is a Singapore-founded Internet company with businesses in digital entertainment, e-commerce, and digital financial services. It has dominant E-commerce market share in ASEAN and Taiwan
- Sea is a beneficiary of digitisation in the under penetrated (2-3x below evolved markets) ASEAN e-Commerce space. We estimate ASEAN GMV to grow at a 15% CAGR over 2030E.
- Own logistics & strong balance sheet remains key competitive moat. Risk of TikTok disruption is abetting while cross border platforms have unfavourable unit economics in ASEAN
- Although Sea's gaming business is highly dependent on Free Fire, we see it is a defensive franchise with its position in less crowded and budget conscious EM markets.

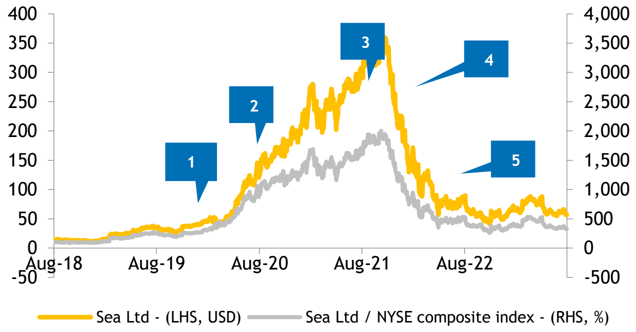
Shopee is exposed to fast-growing ASEAN e-commerce GMV



Source: Euromonitor

Price Drivers

Historical share price trend



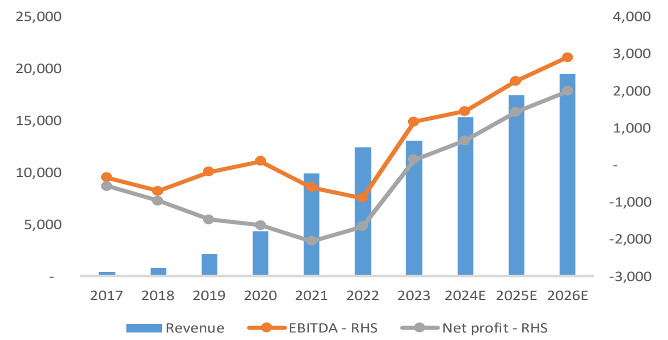
Source: Company, Maybank IBG Research

1. Strong 4Q18 and 1Q19 results on continued success of Free Fire.
2. 2Q19 loss widened despite results beat.
3. Sea was beneficiary of Covid-19, and share price rallied alongside e-commerce peers.
4. Stronger-than-expected 2Q21 results, driven by Garena and Shopee, and company raising guidance.
5. Sell-off due to concerns of normalising growth for Garena Free Fire, as well as broader weakness for pre-earnings growth companies amid hawkish Fed outlook.

Financial Metrics

- We forecast FY23-26E revenue CAGR of 14%, mainly driven by e-commerce and digital financial services.
- Adj EBITDA is expected to grow at 35% CAGR helped by E-commerce business and digital financial services while expect gaming adj EBITDA for FY25-26 to grow at low single digit
- Expect company to turn FCF positive in FY24E
- Cash balance as of 1Q24 stand at USD8.6be.

Revenue, EBITDA and net profit projections (USD m)



Source: Company

Swing Factors

Upside

- Stronger-than-expected user growth (across all businesses).
- Stronger topline growth as Shopee could potentially capture more market share, especially with key peer GoTo looking to rapidly scale its business towards profitability.

Downside

- Weaker-than-expected consumer spending in the region amid macro uncertainties hurting Shopee's GMV growth.
- Slowing user growth metrics, especially if this is due to increasing competition across Sea's offerings.
- Higher-than-expected credit costs for SeaMoney due to a slowdown in economic growth.
- New entrants which could intensify competition in the Southeast Asia e-commerce industry.

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Risk Rating & Score[1]	3.0
Score Momentum[2]	-0.0
Last Updated	14 June 2024
Controversy Score[3] (Updated: 14 June 2024)	0 - No reports

Business Model & Industry Issues

- As an Internet business, we believe social issues is the most relevant, followed by governance and then environmental.
- In the e-commerce business, driving social good (e.g. providing and teaching merchants how to use services) is integral to sustainably grow the platform and to retain merchants while monetising them. For instance, in Indonesia, 57% of MSMEs reported that they generated higher profits on Shopee than on other marketplaces.
- We believe the key issues for Garena are: i) addiction; and ii) compliance to local laws. For instance, Bangladesh is reportedly trying to ban Free Fire (alongside other addictive apps like PUBG and TikTok). Garena's response to appease authorities is important.
- The financial sector is also a highly regulated one. In our view SeaMoney's growth will be in part influenced by not just adherence to local laws, but how SeaMoney advances government agendas (e.g. facilitate roll-out of financial assistance in Malaysia and regulatory support for digital banking initiatives in ASEAN).
- Data security is also a critical ESG factor. Sea has employed various security measures to ensure this. (e.g. encryption of sensitive data, monitoring for unauthorized access etc).

Material E issues

- Aside from the increased use of packaging materials associated with e-commerce as compared to traditional commerce, we do not see much environmental issues as the remaining businesses are digital based (i.e. gaming and digital financial services).
- We believe carbon emissions from running the computer servers that Sea uses is also a key environmental footprint, although not much has been discussed in Sea's sustainability report pertaining environmental factors.

Material S issues

- Of Sea's >30,000 global workforce, 44% are females. Furthermore, 46% of the middle to senior management positions are held by females. SEA also boast a diverse culture of over 50 different nationalities in its company.
- Sea strongly believes in hiring and grooming local talent, and is one of the largest employers of fresh graduates across Southeast Asia.
- During the pandemic, Shopee provided financial support and relief to SMEs by easing operational costs and attracting new customers. Shopee also provided the SMEs with online courses to help them to scale their business in the long run. Furthermore, SEA committed more than USD35m worth of COVID-19 Seller Support Packages across their markets, and provided donations of more than USD510,000.

Key G metrics and issues

- The board has 10 members, 3 of which are non-executive.
- From a data-security standpoint, Sea is committed to ensuring that the processing of personal data of consumers, employers and other stakeholders are carried out lawfully. Sea states that it uses its data collected to improve products to better serve its communities.
- Given a large part of Sea's competitive advantage is derived from the network effects from its large user base across multiple markets, compliance with laws is of utmost importance.

[1]***Risk Rating & Score*** - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. [2]***Score Momentum*** - indicates changes to the company's score since the last update - a negative integer indicates a company's improving risk score; a positive integer indicates a deterioration. [3]***Controversy Score*** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

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	Quantitative Parameters (Score: 58)					
	Particulars	**Unit**	**2019**	**2020**	**2021**	**2022**
E	Scope 1	tCO2e	NA	NA	36,333	70,782
	Scope 2	tCO2e	NA	NA	112,014	193,739
	Total	**tCO2e**	**NA**	**NA**	**148,347**	**264,521**
	Scope 3	tCO2e	NA	NA	NA	NA
	Total	**tCO2e**	**NA**	**NA**	**148,347**	**264,521**
	Total Energy usage	kWh	NA	NA	NA	NA
	Renewable Energy	kWh	NA	NA	NA	NA
	Emission per revenue	tCo2e /USDm	NA	NA	14.9	21.2
	Emission per employee	FTE	NA	NA	2.20	4.14
	Net water consumption	m m3	NA	NA	NA	NA
	Use of recycled water instead of portable water	m m3	NA	NA	NA	NA
	Water Intensity	M3/SGDm	NA	NA	NA	NA
	Waste saved from operation	m tons	NA	NA	NA	NA
	Customer E-waste Recycling	tons	NA	NA	NA	NA
S	% of women in workforce	%	NA	46%	46%	44%
	% of women in management roles	%	NA	46%	44%	46%
	No. of nationalities among employees	number	NA	50	70	NA
G	CEO salary as % of net profit	%	NM	NM	NM	NM
	Key management salary as % of profit	%	NM	NM	NM	NM
	Independent director on board	%	0%	0%	0%	0%
	Women directors on board	%	9%	9%	9%	10%

Qualitative Parameters (Score: 33)

a) Is there an ESG policy in place and is there a standalone ESG committee or is it part of the risk committee?

The company has various policies covering different aspects of ESG. There are KPIs, business objectives, governance enablers and risks for each of the segments.

b) is the senior management salary linked to fulfilling ESG targets?

No

c) Does the company follow the task force of climate related disclosures (TCFD) framework for ESG reporting?

Yes

e) Does the company have a mechanism to capture Scope 3 emissions - which parameters are captured?

No

f) What are the 2-3 key carbon mitigation/water/waste management strategies adopted by the company?

The company has initiated various measures to manage waste and carbon emission, such as the Energy Efficiency Programme and the Unilever Green Delivery Project.

g) Does carbon offset form part of the net zero/carbon neutrality target of the company?

Yes

Target (Score: 0)

Particulars	**Target**	**Achieved**
No Targets	NA	NA

Impact

NA

Overall Score: 3

As per our ESG matrix, Sea Ltd has an overall score of 3.

ESG score	**Weights**	**Scores**	**Final Score**
Quantitative	50%	-11	-6
Qualitative	25%	33	8
Target	25%	0	0
Total			**3**

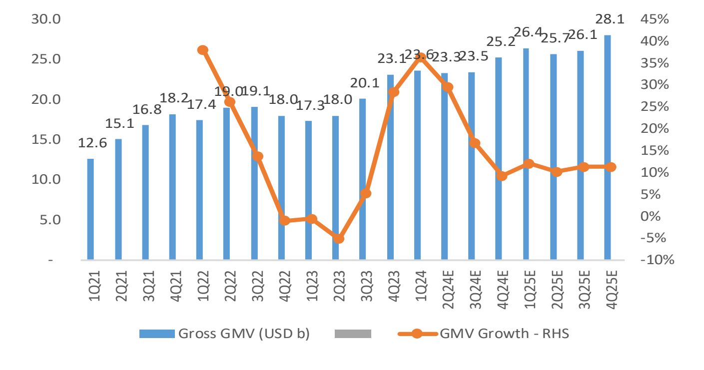
As per our ESG assessment, Sea has established sustainability policies but there are no time-based targets set for the period. Its quantitative disclosures on 'E' parameters on emissions, resource usage as well as 'S' parameters on workforce and management diversity are limited. Sea's overall ESG score is 37, which makes its ESG rating below average in our view (average ESG rating = 50).

1. Firing on multiple cylinders – reinitiate at BUY, TP of USD90

Key driver growth assumptions

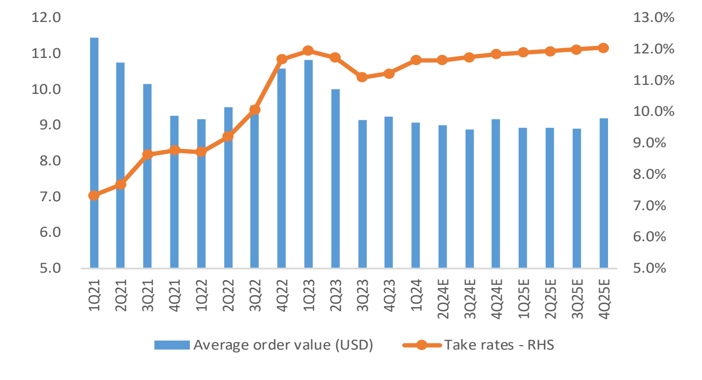
e-commerce. We expect e-commerce GMV to expand at 15% CAGR in 2023-26E, mainly on the back of rising orders, while expect average order value (AOV) to slightly trend downwards. We expect e-commerce take-rate to improve to 12.3% by 2026E from 11.6% in 1Q24. Seller take-rates in ASEAN are still on the lower side compared to US, Latin America and India e-commerce platforms and as such creates room for further improvement. In 2Q24, we expect e-commerce GMV to decline by 7% QoQ owing to high 1Q24 seasonality. Our GMV expectations are 3% below Bloomberg consensus.

Fig 1: e-commerce GMV and GMV growth trajectory



Source: Company, Maybank IBG Research

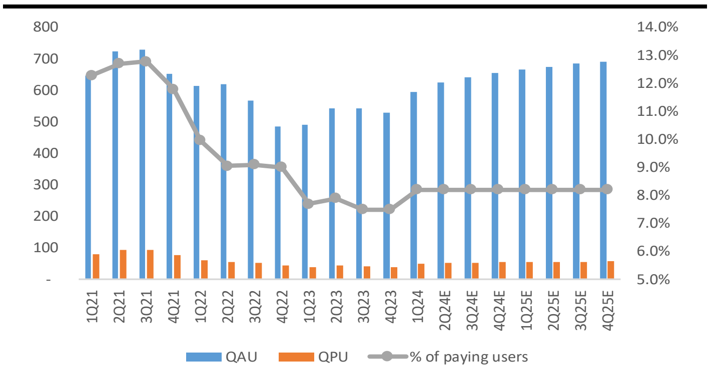
Fig 2: e-commerce AOV and take-rate trajectory



Source: Company, Maybank IBG Research

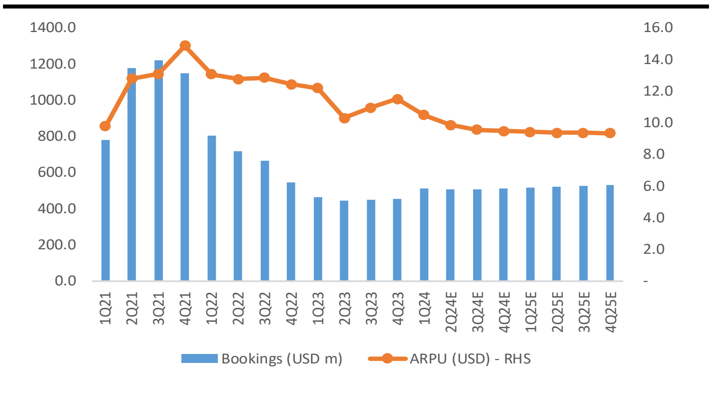
Digital entertainment. We expect digital entertainment QAU to improve at 10% CAGR over 2023-26E. This is factoring in the company's strategy to grow engagement/retention while being slow on monetization in a bid to make Free Fire an evergreen franchise. We expect the % of paying users to remain stable at 8.2%, similar to 1Q24 levels. Given Garena is de-emphasising monetization, we expect ARPU's to be on a slightly downward trend. As such, we expect digital entertainment bookings to post 12% growth in 2024E owing to the low-base effect of last year. We expect 2-3% bookings growth over 2025-26E.

Fig 3: Digital entertainment QAU and QPU



Source: Company, Maybank IBG Research

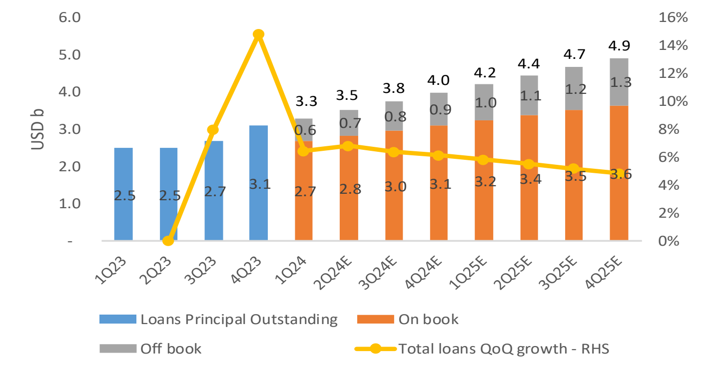
Fig 4: Digital entertainment bookings and ARPU



Source: Company, Maybank IBG Research

Financial services. Besides payments, Sea's e-commerce ecosystem had been the bigger driver of Digital Financial Services (DFS) growth in recent years serving Shopee users and merchants. Its credit business, such as *Buy Now Pay Later (BNPL)* is currently the primary driver of SeaMoney's revenue and profit growth benefitting from Shopee's transaction volume and user base. In the recent quarters, management has increased investments to penetrate into non-Shopee users, tapping off-Shopee/offline transactions in various markets. SeaMoney is seeing strong growth in off-Shopee loans, which include buy cash loans and pay-later-consumption loans. We expect the loan book to expand at 26% CAGR over 2023-25E with a bigger growth helped by off-Shopee loans (61% CAGR).

Fig 5: Sea's loan book growth outlook

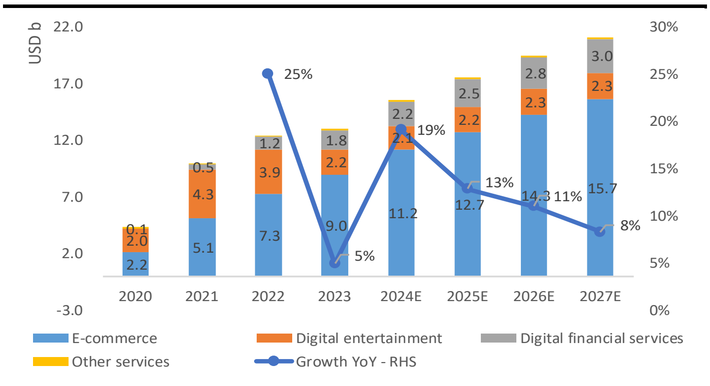


Source: Company, Maybank IBG Research

Group revenue growth assumptions. We expect e-commerce GMV to grow at 15% CAGR of over 2023-26E. We expect GAAP revenue to see a CAGR of 14%, mainly helped by 17% CAGR in e-commerce and DFS services. We expect digital entertainment GAAP revenue to expand at a CAGR of 2% over 2023-26E.

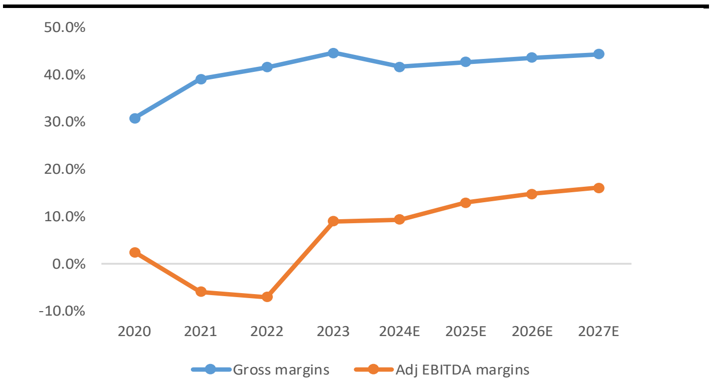
Profitability and opex. We expect sales & marketing and R&D expenses to normalize on the back of operating leverage, a slowdown in live streaming spending and a lower gaming business R&D budget. We expect an upward moving margins trajectory.

Fig 6: Segmental revenue growth trajectory



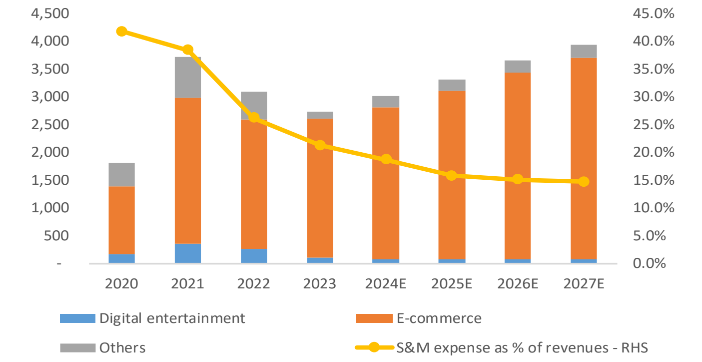
Source: Company, Maybank IBG Research

Fig 7: Gross and adjusted EBITDA margin profile



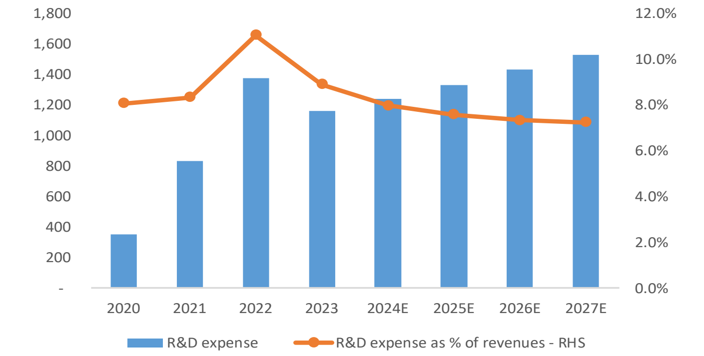
Source: Company, Maybank IBG Research

Fig 8: Sales and marketing expenses (USD m)



Source: Company, Maybank IBG Research

Fig 9: R&D expenses (USD m)



Source: Company, Maybank IBG Research

Fig 10: Sea - key assumptions

Drivers	2020	2021	2022	2023	2024E	2025E	2026E	2027E
E-commerce								
Gross GMV (USDm)	35,533	62,659	73,500	78,500	94,146	105,724	117,864	128,996
% growth		76%	17%	7%	20%	12%	11%	9%
Orders (m)		6,120	7,600	8,100	10,420	11,748	12,923	14,151
AOV (USD)		10.2	9.7	9.7	9.0	9.0	9.1	9.1
Take rate (%)	6.1%	8.2%	9.9%	11.5%	11.7%	12.0%	12.1%	12.3%
Revenue (USD m)	2,167	5,123	7,289	9,001	11,035	12,655	14,312	15,922
Digital Entertainment								
Bookings (USD m)	3,186	4,331	2,728	1,810	2,033	2,092	2,143	2,175
Revenue GAAP (USD m)	2,016	4,320	3,877	2,172	2,082	2,231	2,295	2,341
Qtrly active users (QAU) - m	611	654	486	529	656	693	710	724
% change in QAU		7%	-26%	9%	24%	6%	2%	2%
Qtrly paying users (QPU) - m	73	77	44	40	54	57	58	59
QPU as a % of QAU	12%	12%	9%	8%	8%	8%	8%	8%
Booking per QAU (USD)	5.2	6.6	5.6	3.4	3.1	3.0	3.0	3.0
Revenue per QPU (USD)	43.6	56.1	62.4	45.6	37.8	36.8	36.8	36.6
Digital financial services								
On book (USD b)					3.1	3.6	4.2	4.6
QoQ growth						-3%	0%	-1%
Off book (USD b)					0.9	1.3	1.6	2.0
QoQ growth						44%	28%	24%
Loans Principal Outstanding (USD b)				3.1	4.0	4.9	5.8	6.6
QoQ growth					28%	23%	18%	14%
Revenue (USDm)	61	470	1,222	1,759	2,158	2,477	2,798	2,968
Adjusted EBITDA								
E-commerce	-1,295	-2,554	-1,691	-214	57	743	1,389	2,118
Digital entertainment	1,983	2,776	1,135	921	1,024	1,092	1,109	1,115
Digital financial services	-532	-617	-229	550	639	749	870	922
Other P&L items as a % of revenue								
Sales and marketing expenses	41.8%	38.5%	26.3%	21.3%	18.7%	15.8%	15.1%	14.7%
General and admin expenses	15.0%	11.1%	12.2%	8.7%	8.2%	8.2%	8.2%	7.8%
R&D expenses	8.1%	8.4%	11.1%	8.9%	8.0%	7.6%	7.4%	7.3%

Source: Company, Maybank IBG Research

Fig 11: Sea Ltd P&L

USD m	2020	2021	2022	2023	2024E	2025E	2026E	2027E
Service revenue								
Digital entertainment	2,016	4,320	3,877	2,172	2,082	2,231	2,295	2,341
E-commerce and other services	1,777	4,565	7,463	9,770	11,923	13,666	15,479	17,108
Sales of goods	582	1,071	1,109	1,121	1,386	1,599	1,782	1,951
Total revenues	4,376	9,955	12,450	13,064	15,391	17,496	19,556	21,399
				10,892			17,261	
Cost of service								
Digital entertainment	-702	-1,230	-1,077	-672	-709	-760	-781	-797
E-commerce and other services	-1,744	-3,826	-5,194	-5,530	-6,932	-7,735	-8,535	-9,262
Cost of goods sold	-581	-1,004	-993	-1,027	-1,316	-1,517	-1,691	-1,851
Total costs of revenues	13.3%	10.1%	8.0%	7.9%	8.5%	8.7%	8.6%	8.7%
Gross profit	1,349	3,896	5,185	5,834	6,435	7,484	8,549	9,489
Other operating income	190	288	279	221	181	206	230	252
Sales and market expenses	-1,831	-3,830	-3,269	-2,779	-2,876	-2,772	-2,955	-3,148
General and admin expenses	-657	-1,105	-1,518	-1,135	-1,256	-1,442	-1,601	-1,667
Provision for credit losses	0	0	-433	-634	-664	-748	-826	-895
Research and development expenses	-354	-832	-1,377	-1,164	-1,231	-1,329	-1,438	-1,552
Operating income/(loss)	-1,303	-1,583	-1,488	225	590	1,398	1,960	2,480
D&A	-181	-279	-428	-441	-436	-435	-460	-480
EBITDA	-1,123	-1,304	-1,059	666	1,026	1,833	2,420	2,961
Net Interest income/(expense)	-123	-103	70	290	310	321	332	343
Income/(loss) before income tax	-1,483	-1,710	-1,489	425	935	1,715	2,288	2,820
Income tax expense	-142	-333	-168	-263	-252	-267	-274	-278
Net income/(loss) after minority	-1,618	-2,047	-1,651	151	671	1,436	2,002	2,530

Source: Company, Maybank IBG Research

Maybank vs Street estimates

Our estimates are slightly on the higher side vs Street.

Fig 12: Maybank vs Street estimates

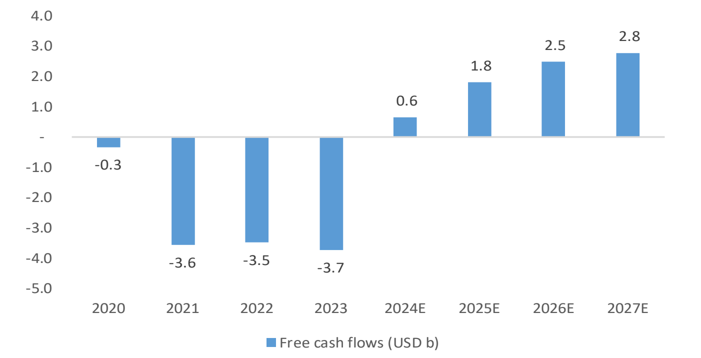
USD m	Maybank			Street			% var		
	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
Revenues	15,391	17,496	19,556	15,265	17,416	19,508	1%	0%	0%
Adj EBITDA	1,458	2,277	2,914	1,440	2,213	2,962	1%	3%	-2%
NPAT	671	1,436	2,002	718	1,342	1,933	-7%	7%	4%
Ecommerce									
Revenues	11,035	12,655	14,312	11,053	12,717	14,340	0%	0%	0%
Adjusted EBITDA	57	743	1,389	39	733	1,428	47%	1%	-3%
GMV	94,146	105,724	117,864	93,719	105,575	116,529	0%	0%	1%
Digital Entertainment									
Bookings	2,033	2,092	2,143	2,012	2,082	2,127	1%	0%	1%
Revenues	2,082	2,231	2,295	2,044	2,225	2,264	2%	0%	1%
Adjusted EBITDA	1,024	1,092	1,109	1,046	1,067	1,099	-2%	2%	1%
Quarterly active users - m	656	693	710	599	622	635	9%	11%	12%
Digital financial services									
Revenues	2,158	2,477	2,798	2,152	2,460	2,759	0%	1%	1%
Adjusted EBITDA	639	749	870	642	813	945	0%	-8%	-8%

Source: Company, Maybank IBG Research, Bloomberg

Balance sheet and cash flow

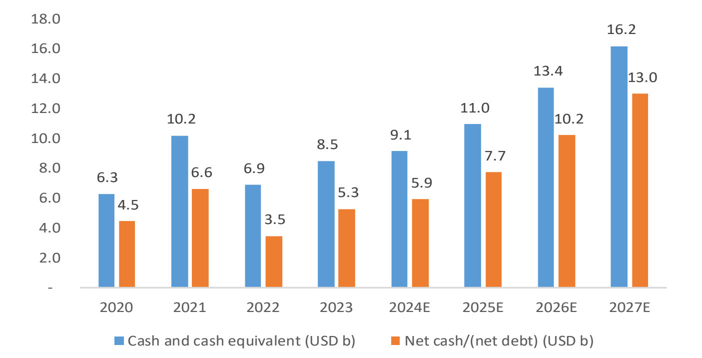
From a balance sheet perspective, we continue to expect Sea to be in a net cash position. We forecast capex to be 3% of revenue from 2024-26E. We expect Sea to turn free cash flow (FCF) positive from 2024E. This implies that we largely expect Shopee to turn FCF positive while SeaMoney investments to be largely funded by Garena/Shopee. As Sea is currently focused on growing its businesses and wishing to keep the flexibility to respond to competition, we expect that there will be no dividend payments throughout our forecast period. That said, we see room for potential capital management initiatives such as share buybacks in the event of heightened stock volatility.

Fig 13: Free cash flow assumptions



Source: Company, Maybank IBG Research

Fig 14: Cash and net cash/(debt) position



Source: Company, Maybank IBG Research

2. SOTP-based TP of USD90.0

Our TP of USD90 is based on an SOTP approach.

We value the e-commerce business at 2.7x FY25E EV/sales, which is at a discount to MELI at 4.0x given Shopee's slightly slower GMV growth potential, although room for take-rate improvements remains.

We value the digital entertainment/gaming business using a combination of DCF and EV/EBITDA. For our DCF, we assume the segment runs till 2035 with a continuous -5% to -13% decline in revenues over 2025-35. Given a predominately fixed-cost model, we assume a pass-through of the declining revenues on EBIT at 70%. For our relative valuation, we use an EV/EBITDA multiple of 5x, which is at 20% discount to the global peers.

We value the digital financial services business at 8.5x FY25E EV/EBITDA, which is at a discount to Paypal and Square at 10-14x. We apply a discount as we think the scope of growth within the DFS business is still highly tied to Shopee's ecosystem.

Our TP implies FY25E EV/EBITDA of 20x, which is at a premium to the global average of 12x, which we think is justified given its superior EBITDA growth CAGR of 35%.

Fig 15: Sea SOTP valuation

Business		Multiple
Ecommerce	**EV/Sales**	**Comments**
Target EV/Sales	2.70x	Based on cluster analysis
FY25E Revenue	12,655	
Value of business	34,168	
Digital Entertainment		
Approach #1	DCF	Assume a continuous deterioration in the revenues at the rate of -5% to -13% over 2025-35 with a 60% passthrough of deteriorating bookings on EBIT
WACC	8.10%	
LT growth	0.00%	
Value of business	4,855	
Approach #2	EV/EBITDA	
Target EV/EBITDA	5.0x	
FY25E EBITDA	1,092	
Value of business	5,461	
Digital financial services	**EV/EBITDA**	
Target EV/EBITDA	8.5x	
FY25E EBITDA	749	
Value of business	6,367	
Net cash	5,232	1Q24 balance sheet. Includes ST investments
Equity value	**50,925**	
Number of shares (m)	564	
Value per share (USD)	**90**	

Source: Company, Maybank IBG Research

3. Risks

Free Fire concentration. The digital entertainment business is the primary driver of group gross profit. Free Fire contributed a significant portion of the gaming revenues. While the focus is to make Free Fire an evergreen franchise, decline in Free Fire users due to gamer fatigue, regulation or competing game remains a risk. We understand the company is not investing heavily to develop new titles.

e-commerce competition. While Sea is a leader in the e-commerce business within each of its Southeast Asia markets, its competitors are backed by deep-pocketed parents while it also sees risk from similarly deep-pocketed new entrants. Temu and Shein's entry into Thailand and Singapore also remains a risk. An escalation in competitive intensity could result in increase in sales and marketing spending by Sea. This poses downside risk to our earnings forecasts and valuation multiple.

Credit risk in the DFS business. Fintech business profitability has improved significantly while credit risk remained low at 1.4% of outstanding loans. If credit quality weakens/NPL rises, it could lead to downward revision in our forecasts.

Regulatory risk. Sea's businesses are subjected to laws and regulations including game operation, marketing & advertising, privacy, personal information, content restriction and digital financial service regulations. Failure to adhere to regulations may subject Sea to financial penalties or disruptions in business operations, which may in turn materially adversely impact business performance.

FYE 31 Dec	FY22A	FY23A	FY24E	FY25E	FY26E
Key Metrics					
P/E (reported) (x)	nm	121.3	64.3	30.6	22.5
Core P/E (x)	nm	85.8	64.3	30.6	22.5
Core FD P/E (x)	nm	88.8	65.5	30.5	21.9
P/BV (x)	5.1	3.5	5.5	4.5	3.6
P/NTA (x)	5.1	3.5	5.5	4.5	3.6
Net dividend yield (%)	0.0	0.0	0.0	0.0	0.0
FCF yield (%)	nm	8.0	1.6	4.2	5.6
EV/EBITDA (x)	nm	29.6	41.5	22.7	16.6
EV/EBIT (x)	nm	67.6	72.3	29.8	20.5
INCOME STATEMENT (USD m)					
Revenue	12,449.7	13,063.6	15,562.9	17,565.1	19,500.3
EBITDA	(704.2)	783.5	1,024.0	1,835.2	2,416.9
Depreciation	(428.3)	(440.8)	(436.7)	(435.3)	(460.8)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	(1,132.6)	342.7	587.3	1,399.9	1,956.1
Net interest income /(exp)	70.1	290.2	310.1	320.6	331.5
Associates & JV	11.2	(7.0)	(3.5)	(3.5)	(3.5)
Exceptionals	0.0	0.0	0.0	0.0	0.0
Other pretax income	(83.1)	(82.6)	38.6	0.0	0.0
Pretax profit	(1,134.4)	543.2	932.5	1,717.1	2,284.1
Income tax	(168.4)	(262.7)	(251.7)	(267.3)	(273.7)
Minorities	6.4	(12.0)	(12.0)	(12.0)	(12.0)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	(1,296.5)	268.6	668.8	1,437.8	1,998.4
Core net profit	(1,296.5)	268.6	668.8	1,437.8	1,998.4
BALANCE SHEET (USD m)					
Cash & Short Term Investments	7,579.4	4,221.4	4,870.1	6,681.1	9,172.1
Accounts receivable	268.8	262.7	596.9	721.9	801.4
Inventory	109.7	125.4	152.9	174.5	192.7
Property, Plant & Equip (net)	1,387.9	1,207.7	1,252.9	1,359.6	1,498.8
Intangible assets	65.0	50.8	65.8	80.8	95.8
Investment in Associates & JVs	0.0	0.0	0.0	0.0	0.0
Other assets	7,592.0	13,015.2	13,284.1	13,450.9	13,618.0
Total assets	**17,002.8**	**18,883.2**	**20,222.7**	**22,468.7**	**25,378.9**
ST interest bearing debt	88.4	146.7	146.7	146.7	146.7
Accounts payable	258.6	342.5	274.4	210.3	135.3
LT interest bearing debt	3,338.8	3,069.1	3,069.1	3,069.1	3,069.1
Other liabilities	7,506.0	8,627.0	8,778.0	9,054.0	9,384.0
Total Liabilities	**11,192.0**	**12,185.6**	**12,268.2**	**12,479.9**	**12,735.0**
Shareholders Equity	5,715.7	6,593.8	7,838.8	9,861.2	12,504.2
Minority Interest	95.1	103.8	115.7	127.7	139.6
Total shareholder equity	**5,810.8**	**6,697.6**	**7,954.5**	**9,988.8**	**12,643.9**
Total liabilities and equity	**17,002.8**	**18,883.2**	**20,222.7**	**22,468.7**	**25,378.9**
CASH FLOW (USD m)					
Pretax profit	(1,134.4)	543.2	932.5	1,717.1	2,284.1
Depreciation & amortisation	428.3	440.8	436.7	435.3	460.8
Adj net interest (income)/exp	0.0	0.0	0.0	0.0	0.0
Change in working capital	(1,275.0)	359.5	(551.6)	(105.1)	(13.3)
Cash taxes paid	0.0	0.0	0.0	0.0	0.0
Other operating cash flow	925.4	736.1	328.0	320.8	374.5
Cash flow from operations	(1,055.7)	2,079.7	1,145.5	2,368.0	3,106.0
Capex	(924.2)	(241.6)	(466.9)	(527.0)	(585.0)
Free cash flow	(1,979.9)	1,838.1	678.7	1,841.0	2,521.0
Dividends paid	0.0	0.0	0.0	0.0	0.0
Equity raised / (purchased)	0.0	0.0	0.0	0.0	0.0
Change in Debt	(11.6)	177.6	0.0	0.0	0.0
Other invest/financing cash flow	(2,431.2)	(1,998.8)	(5,337.6)	30.1	28.1
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	(4,422.7)	16.9	(4,658.9)	1,871.1	2,549.1

FYE 31 Dec	FY22A	FY23A	FY24E	FY25E	FY26E
Key Ratios					
Growth ratios (%)					
Revenue growth	25.1	4.9	19.1	12.9	11.0
EBITDA growth	nm	nm	30.7	79.2	31.7
EBIT growth	nm	nm	71.4	138.4	39.7
Pretax growth	nm	nm	71.7	84.1	33.0
Reported net profit growth	nm	nm	149.0	115.0	39.0
Core net profit growth	nm	nm	149.0	115.0	39.0
Profitability ratios (%)					
EBITDA margin	nm	6.0	6.6	10.4	12.4
EBIT margin	nm	2.6	3.8	8.0	10.0
Pretax profit margin	nm	4.2	6.0	9.8	11.7
Payout ratio	0.0	0.0	0.0	0.0	0.0
DuPont analysis					
Net profit margin (%)	nm	2.1	4.3	8.2	10.2
Revenue/Assets (x)	0.7	0.7	0.8	0.8	0.8
Assets/Equity (x)	3.0	2.9	2.6	2.3	2.0
ROAE (%)	na	na	na	na	na
ROAA (%)	(7.3)	1.5	3.4	6.7	8.4
Liquidity & Efficiency					
Cash conversion cycle	3.4	(1.8)	3.2	10.7	14.4
Days receivable outstanding	9.5	7.3	9.9	13.5	14.1
Days inventory outstanding	5.6	5.9	5.5	5.9	6.0
Days payables outstanding	11.7	15.0	12.3	8.7	5.7
Dividend cover (x)	nm	nm	nm	nm	nm
Current ratio (x)	1.8	1.4	1.6	1.8	2.1
Leverage & Expense Analysis					
Asset/Liability (x)	1.5	1.5	1.6	1.8	2.0
Net gearing (%) (incl perps)	net cash	net cash	net cash	net cash	net cash
Net gearing (%) (excl. perps)	net cash	net cash	net cash	net cash	net cash
Net interest cover (x)	16.2	na	na	na	na
Debt/EBITDA (x)	nm	4.1	3.1	1.8	1.3
Capex/revenue (%)	7.4	1.8	3.0	3.0	3.0
Net debt/ (net cash)	(4,152.3)	(1,005.7)	(1,654.3)	(3,465.3)	(5,956.4)

Source: Company; Maybank IBG Research

June 18, 2024

Maybank

Grab Holdings (GRAB US)

Monetization hurdles; Downgrade to HOLD

HOLD [Prior:BUY]

Share Price	USD 3.60
12m Price Target	USD 4.00 (+11%)
Previous Price Target	*USD 4.50*

Downgrade to non-consensus HOLD; Trim TP to USD4

We downgrade Grab to a non-consensus HOLD and lower our TP by 11% to USD4.0. While the structural growth drivers are in place and Grab has a scale advantage, we see mild growth headwinds and monetization pausing. This is owing to: 1) take-rates are already in line-high vs global peers; 2) rising cost/inflation pressures weighing on consumers' discretionary spending and driver-partners' take-home earnings are non-competitive. We also see risk of a slight flare-up in competitive intensity with a better capitalized Gojek and XanhSM's entry into multiple markets.

Cost-of-living concerns place multi-faceted pressures

Grab's OFD take-rates at 22% are already on the higher side of more evolved markets of the US and China while ride-hailing services are in line. This suggests a potential capping of the rates. More importantly, we find Grab services could face pricing/commission pressure both from the consumers as well as driver-merchant partners. Based on our survey, 65% of the consumers intend to lower usage in response to price increases. Driver-partner unit economic analysis (based on channel checks) suggests relative driver earnings pressure, which exerts supply side pressure.

Risk of slight flare-up in competitive intensity

We see slight risk of competitive intensity in Indonesia to flare up. Our survey results reflect a 20-30% higher preference for Gojek over Grab vs. flat-12% higher market share of Grab over Gojek. Moreover, we do note entry of XanhSM in Vietnam and Indonesia may prompt competitive reactions from the incumbent operators (ala e-commerce experience). Our survey in Vietnam suggest XanhSM is already ahead on consumer preference relative to its market share.

Why HOLD? Mild pressures already within expectations

Grab's 2024 revenue growth guidance of 14-17% is conservative and we see room for upward revision. Underpenetrated ASEAN markets coupled with Grab's material competitive moats leave room for sustained high growth despite competitive skirmishes. On the valuation front (EV/GMV, EV/S), Grab is in line with its global peers, offering a similar growth CAGR.

FYE Dec (USD m)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue	1,433	2,359	2,747	3,158	3,565
EBITDA	(1,165)	(253)	(101)	256	444
Core net profit	(1,683)	(434)	(137)	128	269
Core EPS (cts)	(44.1)	(11.1)	(3.5)	3.3	6.9
Core EPS growth (%)	nm	nm	nm	nm	110.8
Net DPS (cts)	0.0	0.0	0.0	0.0	0.0
Core P/E (x)	nm	nm	nm	109.7	52.0
P/BV (x)	1.9	2.0	2.2	2.2	2.1
Net dividend yield (%)	0.0	0.0	0.0	0.0	0.0
ROAA (%)	(16.5)	(4.8)	(1.6)	1.5	3.1
EV/EBITDA (x)	nm	nm	nm	46.2	25.7
Net gearing (%) (incl perps)	net cash	net cash	net cash	net cash	net cash

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Company Description

Grab is a leading Southeast Asian superapp with care verticals in delivery, mobility and financials services.

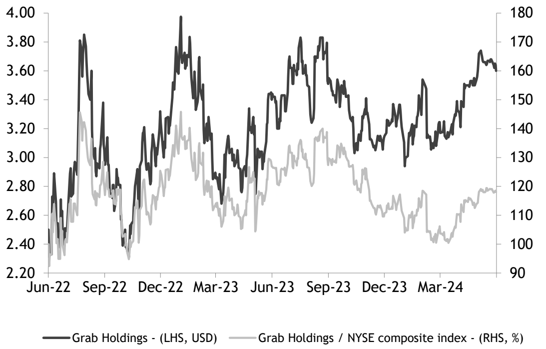
Statistics

52w high/low (USD)	3.83/2.94
3m avg turnover (USDm)	22.6
Free float (%)	57.3
Issued shares (m)	3,840
Market capitalisation	USD13.8B
	USD13.8B

Major shareholders:

Uber Technologies, Inc.	14.0%
SB Investment Advisers (UK) Ltd.	11.0%
Toyota Motor Corp.	5.8%

Price Performance



	-1M	-3M	-12M
Absolute (%)	1	11	6
Relative to index (%)	3	11	(7)

Source: FactSet

Internet

Singapore

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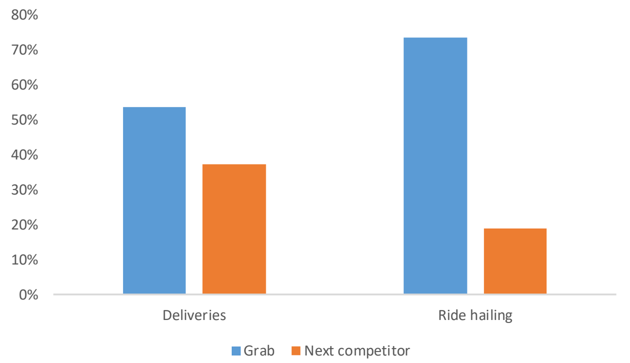
Tear Sheet Insert

Co. Reg No: 198700034E
MICA (P) : 099/03/2012

Value Proposition

- Structural growth drivers are in place in an underpenetrated ASEAN market. Grab has leadership position in all the markets it operates in and enjoys structural scale advantage.
- We see mild growth headwinds and monetization pausing owing to: 1) take-rates are already in line-high vs global peers; 2) rising cost/inflation pressures weighing on consumers' discretionary spending and driver-partners' take-home earnings are non-competitive.
- We also see risk of a slight flare-up in competitive intensity with a better capitalized Gojek and XanhSM's entry into multiple markets.

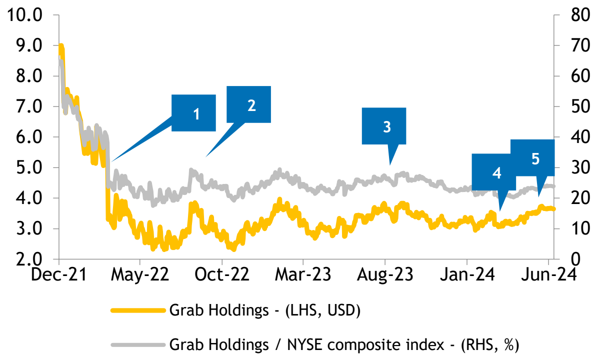
Grab's GMV market share relative to its next competitor



Source: Euromonitor, Momentum Works, Statista

Price Drivers

Historical share price trend



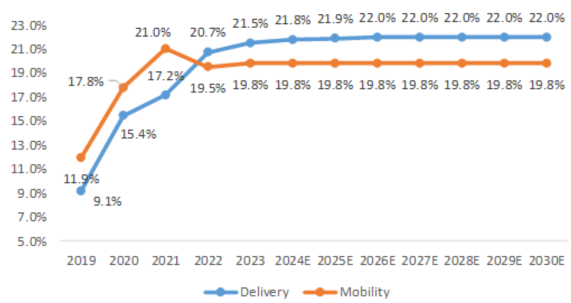
Source: Company, Maybank IBG Research

1. 4Q21 revenue missed consensus expectations and fell 44% due to promotions and driver incentives.
2. 1Q22 results exceeded expectations due to reopening recovery.
3. 2Q23 results exceeded expectations.
4. Share price drops after the FY23 results announcement on the softer-than-expected FY24 growth outlook.
5. Share price recovers after 1Q24 results and EBITDA guidance raised. Improvement in share price after the FY23 results announcement and the softer-than-expected FY24E growth outlook.

Financial Metrics

- We project adjusted EBITDA breakeven in FY24E and net income breakeven in FY25E.
- We forecast 2023-26E on-demand GMV CAGR of 12% and adjusted net revenue CAGR of 13%.
- We expect take-rates to remain relatively stable.
- We forecast FCF of -USD223m in FY24E and FCF breakeven in FY25E.

Grab: take-rate assumptions



Source: Company, Maybank IBG Research

Swing Factors

Upside

- Softer-than-expected competition from the entry of XanhSM in Vietnam and Indonesia.
- Better macroeconomy allowing for higher discretionary spending.
- Limited driver-supply pressure leading to continuous reduction in incentives.
- Better-than-expected ecosystem benefits within the financial services segment.
- Easing to monetary policy by the US Fed.

Downside

- Fierce-than-expected competition from the entry of XanhSM in Vietnam and Indonesia.
- Increase in incentives in response to tightening driver-supply.
- Drop in on-demand usage frequency owing to price increases and higher inflation.
- Elevated stake divestment by Softbank Group leading to excess stock liquidity.

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Risk Rating & Score[1]	na
Score Momentum[2]	na
Last Updated	na
Controversy Score[3]	na

Business Model & Industry Issues

- Grab established to be both a viable business while creating a social impact.
- Grab's mobility and delivery businesses are fundamentally sharing economy businesses, which have a positive impact environmentally by reducing car ownership and greenhouse gas emissions.
- As a whole, Grab has been promoting digitisation of businesses and the gig economy, creating livelihoods for people across the region. Notwithstanding, the economic security of gig-workers is likely to continue to be a key social issue.

Material E issues

- Grab reported that it avoided more than 349,986 tonnes of GHG emissions in 2023 and made contributions to reducing congestion in its markets.
- In 2023, 6.3% of all distance travelled was on low or zero emission modes of transport (EVs, hybrid vehicles, cyclists and walkers). Since 2021, Grab has also introduced a carbon offset feature, which allows consumers to contribute USD0.10 per ride to reforestation and conservation efforts in their country.
- Grab signed on to the WWF-Singapore (Plastic Action) Pact in 2020 committing to the 'No Plastic in Nature by 2030' pledge and encouraging the adoption of eco-friendly packaging and reduction of single-use plastics.

Material S issues

- Grab has proliferated the gig economy across the region, opening up new employment opportunities. Notably, 46% of driver-partners did not earn an income before joining Grab and there are 1,100 deaf and physically impaired partners on the platform.
- Grab's promotion of price transparency in ride-hailing has helped to curtail profiteering by unscrupulous taxi drivers.
- On the flipside, gig economy workers are not currently considered as employees under most laws and are not entitled to certain protections, such as for work injury, but legislation to reform this is underway in some markets.
- Grab has aided in F&B establishments and street food sellers/hawkers to digitise in order to survive.
- However, Grab charges up to a 30% commission and requires partners to charge the same price on their platform as their physical stores, which the media reported was resulting in consistent losses for hawkers in Singapore. This situation has been mitigated somewhat through rebates by Grab and the Singapore government since the issue was raised. However, we remain concerned whether these issues will rise again when these rebates are curtailed.

Key G metrics and issues

- The board consists of 7 members, 5 independent and the remaining 2 are co-founder Anthony Tan and Ong Chin Yin. There are 2 women and 5 men on the board.
- There are 2 tranches of shares, with Class B carrying 45 votes and class A shares carrying 1 vote. As of March 2024, Mr. Tan controlled approximately 64.1% of the total voting power of all issued and outstanding ordinary shares voting together as a single class, even though he and his permitted entities only beneficially owned 3.9% of outstanding ordinary shares.
- KPMG is and has been Grab's auditor since 2015.

[1]***Risk Rating & Score*** - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. [2]***Score Momentum*** - indicates changes to the company's score since the last update - a negative integer indicates a company's improving risk score; a positive integer indicates a deterioration. [3]***Controversy Score*** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

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Quantitative Parameters (Score: 37)						
	Particulars	**Unit**	**2020**	**2021**	**2022**	**2023**
E	Scope 1	tCO2e	nm	nm	14,913	36,186
	Scope 2	tCO2e	9,414	10,338	51,208	59,090
	Total	**tCO2e**	**9,414**	**10,338**	**66,121**	95,276
	Scope 3	tCO2e	1,475,107	1,489,200	3,317,244	2,382,927
	Total	**tCO2e**	**1,484,521**	**1,493,248**	**3,383,365**	2,478,203
	Total Energy usage	kWh	13,972,485	16,651,127	78,461,833	90,496,000
	Renewable Energy	kWh	0	7,127,538	8,944,649	10,135,552
	Emission per revenue	tCo2e /USDm	NA	2,222	2,366	1,051
	Emission per employee	FTE	NA	169	182	234
	Net water consumption	m m3	NA	NA	NA	NA
	Use of recycled water instead of portable water	m m3	NA	NA	NA	NA
	Waste saved from operation	m tons	571	774	810	NA
	Customer E-waste Recycling	tons	NA	NA	NA	NA
S	% of women in workforce	%	NA	NA	43%	44%
	% of women in management roles	%	NA	NA	34%	36%
	No. of nationalities among employees	number	NA	58	57	56
	Total compensation of women to men	ratio	NA	98%	98%	98%
G	CEO salary as % of net profit	%	NM	NM	NM	NM
	Key management salary as % of profit	%	NM	NM	NM	NM
	Independent director on board	%	NA	67%	67%	67%
	Women directors on board	%	NA	33%	33%	33%

Qualitative Parameters (Score: 83)

a) Is there an ESG policy in place and is there a standalone ESG committee or is it part of the risk committee?

The company has various policies covering different aspects of ESG. There are KPIs, business objectives, governance enablers and risks for each of the segments.

b) Is the senior management salary linked to fulfilling ESG targets?

No

c) Does the company follow the task force of climate related disclosures (TCFD) framework for ESG reporting?

Yes

e) Does the company have a mechanism to capture Scope 3 emissions - which parameters are captured?

Yes. Scope 3 includes Purchased Goods & Services, Capital Goods, Business Travel and Use of sold products.

f) What are the 2-3 key carbon mitigation/water/waste management strategies adopted by the company?

The company has initiated various measures to manage carbon emission such as switching to low-emission vehicles, and fully electric vehicles, using renewable energy for Grab's premises, carbon avoidance and removal programmes.

g) Does carbon offset form part of the net zero/carbon neutrality target of the company?

Yes

Target (Score: 60)		
Particulars	**Target**	**Achieved**
Zero Packaging Waste by 2040	0%	
Carbon Neutral by 2040	0%	
More than 4,200 number of partners with disabilities by 2025	4,200	3,184
100% renewable energy by 2030 for all electricity used in premises occupied and under direct control	100%	11%
Increase women in leadership to 40% by 2030	40%	36%
Less than 0.5 accidents per 100,000 trips	0.5	0.08

Impact

NA

Overall Score: 46

As per our ESG matrix, Grab Holding (Grab US) has an overall score of 46.

ESG score	Weights	Scores	Final Score
Quantitative	50%	0	0
Qualitative	25%	83	21
Target	25%	100	25
Total			**46**

As per our ESG assessment, Grab has established sustainability policies with various time-based targets set for the period. Its quantitative disclosures on 'E' parameters on emissions, resource usage as well as 'S' parameters on workforce and management diversity are robust. Grab's overall ESG score is 54, which makes its ESG rating above average in our view (average ESG rating = 50).

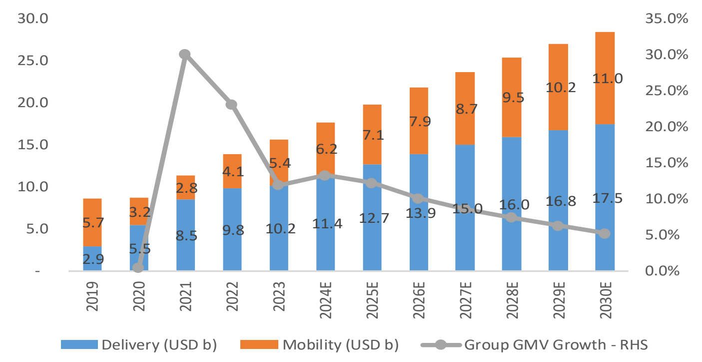
1. Key drivers and growth assumptions

GMV growth assumptions. We expect on demand GMV to see a CAGR of 12% to USD22b over 2023-2E. Of this, we expect deliveries and mobility GMV to expand at a CAGR of 11%/14%, respectively, over the same timeframe. Grab's 1Q24 deliveries and mobility GMV grew at 13% and 27% YoY respectively. High mobility GMV growth was helped by the base effect as well as concerts in Singapore.

Take-rate assumptions. We expect mobility take-rates to remain stable at the current levels of ~20% while expect mobility take-rates to slightly inch up from 21.5% in 2023 to 22.0% by 2026E. Street take-rates are at 22.6% for delivery and 21.1% for mobility. Our slower-than-Street take-rate improvement expectations is based on: 1) take-rates in ASEAN are already comparable to global averages; and 2) merchant/driver partners' earnings and consumer spending concerns.

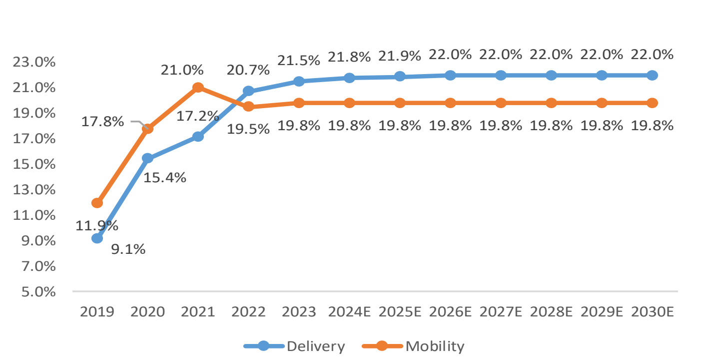
Financial services. We expect Grab to see a robust financial services segment, driven by under penetration leading to the proliferation of online loans and distribution of advanced financial services. The launch of digibank especially in the EM should provide further impetus to growth. We expect 27% financial services GAAP revenue CAGR for 2023-26E.

Fig 1: GMV growth assumptions



Source: Company, Maybank IBG Research

Fig 2: Take rates assumptions

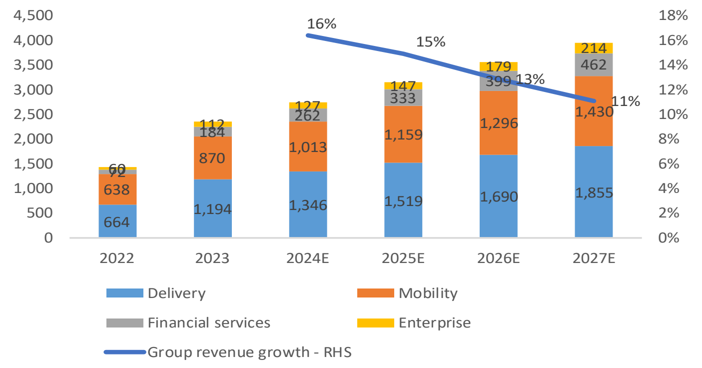


Source: Company, Maybank IBG Research

Group revenue growth assumptions. Over 2023-26E, we expect GAAP revenues to see a CAGR of 15%, as growth from financial services (CAGR: 27%) outpaces growth from deliveries (CAGR: 12%) and mobility (CAGR: 14%).

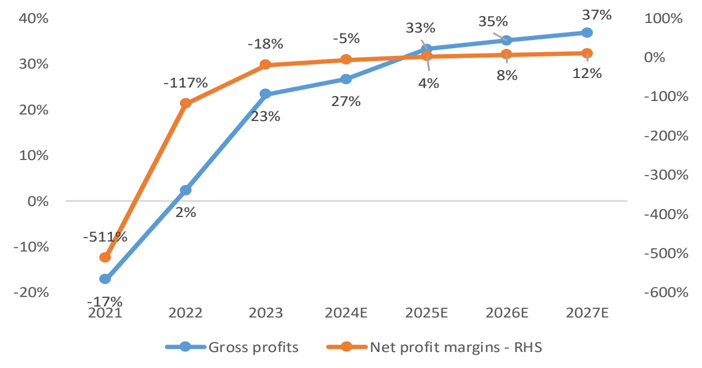
Profitability and opex. We are expecting Grab to approach breakeven by 2025. We expect gross margin to expand from 23% in 2023 to 35% by 2026. We assume sales & marketing expenses as a % of GMV to fall from 1.4% in 2023 to 1.2% in 2026E and G&A as a % of GMV to go from 3.5% in 2023 to reach 3.2% in 2026.

Fig 3: GAPP revenue assumptions (USD m)



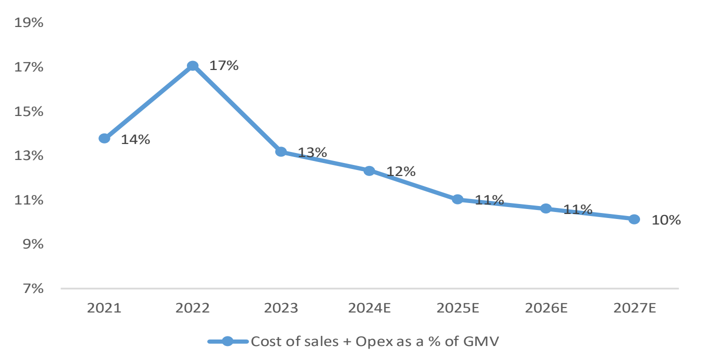
Source: Company, Maybank IBG Research

Fig 4: Gross and net margin



Source: Company, Maybank IBG Research

Fig 5: Cost of sales + Opex as a % of GM



Source: Company, Maybank IBG Research

Fig 6: Key assumptions

	2021	2022	2023	2024E	2025E	2026E	2027E
GMV - Deliveries (USDm)	8,531	9,827	10,173	11,434	12,687	13,890	14,996
Growth - YoY	56%	15%	4%	12%	11%	9%	8%
GMV - Mobility (USDm)	2,787	4,104	5,419	6,232	7,131	7,924	8,694
Growth - YoY	-14%	47%	32%	15%	14%	11%	10%
GMV - On-demand (USDm)	11,318	13,931	15,592	17,665	19,818	21,814	23,690
Growth - YoY	30%	23%	12%	13%	12%	10%	9%
Take rate							
Take rate - Deliveries	17.2%	20.7%	21.5%	21.8%	21.9%	22.0%	22.0%
Take rate - Mobility	21.0%	19.5%	19.8%	19.8%	19.8%	19.8%	19.8%
Adjusted net revenue - Deliveries	1,464	2,038	2,189	2,489	2,775	3,052	3,295
Growth - YoY	73%	39%	7%	14%	11%	10%	8%
Adjusted net revenue - Mobility	586	801	1,073	1,234	1,412	1,569	1,721
Growth - YoY	2%	37%	34%	15%	14%	11%	10%
Adjusted net revenue - Financial Services	104	160	210	292	366	434	498
Growth - YoY	47%	54%	31%	39%	25%	19%	15%
Adjusted net revenue - Enterprise	147	186	194	216	245	275	304
Growth - YoY	286%	27%	4%	12%	14%	12%	11%
Adjusted net revenue - Group (USDm)	2,301	3,186	3,666	4,231	4,798	5,330	5,819
Growth - YoY	51%	38%	15%	15%	13%	11%	9%
S&M as a % of GMV	1.5%	1.7%	1.4%	1.3%	1.3%	1.2%	1.1%
Growth - YoY	58.9%	15.8%	5.4%	10.4%	8.6%	5.9%	4.3%
G&A as a % of GMV	3.4%	4.0%	2.6%	2.5%	2.4%	2.2%	2.1%
Growth - YoY	67.2%	18.5%	-14.9%	10.4%	8.6%	5.9%	1.5%

Source: Company, Maybank IBG Research

Fig 7: P&L assumptions

USD m	2021	2022	2023	2024E	2025E	2026E	2027E
GAAP Revenues							
Deliveries	148	664	1,194	1,346	1,519	1,690	1,855
Growth - YoY	2860%	348%	80%	13%	13%	11%	10%
Mobility	456	638	870	1,013	1,159	1,296	1,430
Growth - YoY	4%	40%	36%	16%	14%	12%	10%
Financial Services	27	72	184	262	333	399	462
Growth - YoY	-370%	166%	156%	43%	27%	20%	16%
Enterprise	44	60	112	127	147	179	214
Growth - YoY	22%	36%	87%	13%	16%	22%	20%
Group revenues	675	1,433	2,359	2,747	3,158	3,565	3,961
Growth - YoY	44%	112%	65%	16%	15%	13%	11%
Gross profit	-395	77	860	1,132	1,600	1,876	2,147
Gross profit margins	-17%	2%	23%	27%	33%	35%	37%
Sales and marketing	-240	-278	-293	-323	-351	-372	-388
General and administrative	-545	-646	-550	-607	-659	-698	-708
Research and development	-357	-465	-421	-465	-504	-534	-542
Other income/expenses	1	-3	6	0	0	0	0
Operating income/(loss)	-1,536	-1,315	-398	-263	86	272	509
Net interest income/(expense)	-1,636	-353	60	47	43	40	47
Income/(loss) before income tax	-3,552	-1,734	-466	-216	129	312	556
Income tax expense							
Net income/(loss) before minority							
Minority interests	1.5%	1.7%	1.4%	1.3%	1.3%	1.2%	1.1%
Net income/(loss) after minority	-3,449	-1,683	-434	-137	128	269	461
AEBITDA deliveries	-130	-34	313	367	458	564	669
AEBITDA mobility	345	494	677	791	905	1,014	1,121
AEBITDA financial services	-349	-414	-294	-187	-119	-36	47
AEBITDA enterprise and new initiatives	9	20	75	90	105	132	162
Regional corporate costs	-717	-858	-793	-818	-865	-902	-922
Adjusted EBITDA	-842	-792	-22	244	484	772	1,078

Source: Company, Maybank IBG Research

Maybank estimates vs Street expectations

Maybank 2025-26E earnings estimates are 7-12% below the Street's. Our estimates are mostly below the Street's for mobility GMV. Versus the Street, we are mainly below on: 1) mobility GMV – we expect mobility GMV to expand by 14% CAGR over 2023-26E vs the Street at 16% CAGR; and 2) delivery take-rate – our deliver take-rates are improving only 20bps vs 60bps for street.

Fig 8: Grab: Maybank estimates vs Street expectations

USD m	Maybank			Street			% var		
	2024E	2025E	2026E	2024F	2025F	2026F	2024E	2025E	2026E
Revenues	2,747	3,158	3,565	2,782	3,250	3,760	-1%	-3%	-5%
Adj EBITDA	243	484	772	256	472	752	-5%	3%	3%
NPAT	-137	128	269	-136	146	291	1%	-12%	-7%

Source: Company, Maybank IBG Research

Limited room for positive surprises. Upward revision in guidance is within expectations

Grab's 2024 revenue growth guidance of 14-17% is conservative, especially with 1Q24 momentum at 24% YoY. However, we think the likely upward revision in guidance is already in the Street expectations. As such, room for positive surprise is limited, in our view.

Fig 9: Grab's 2024 guidance vs Maybank and Street expectations

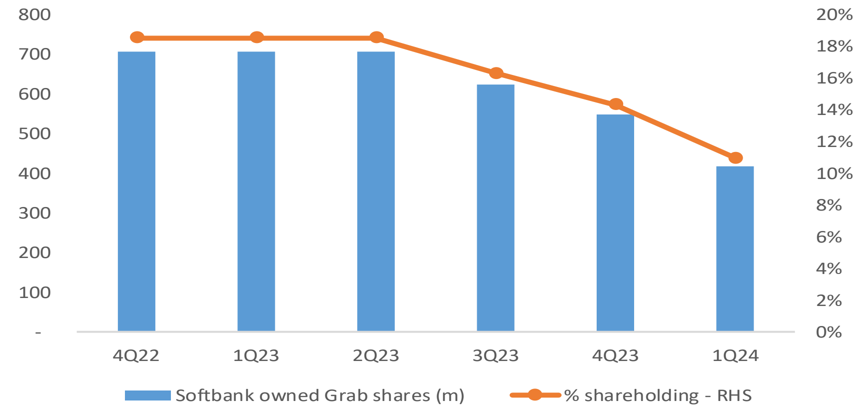
	Company	Street	MBIG
Revenue growth	14-17%	17.90%	17.70%
Group Adjusted EBITDA	USD250-270m	USD256m	USD256m

Source: Company, Maybank IBG Research

Softbank divestment offset by share buyback program but still caps upside

Among the largest shareholders of Grab, we note that Softbank Group had been consistently divesting over the past 5 quarters. In March 2024, Grab also launched an USD500m buyback which could help to absorb the excess liquidity. In March, Grab bought back shares worth USD97m. As per Bloomberg, Softbank sold 130m Grab shares in March, which is estimated at ~USD400m.

Fig 10: Softbank stake change in Grab



Source: Company, Maybank IBG Research

2. SOTP-based TP of USD4.0

We use an SoTP methodology to value Grab. We apply 0.5x FY25E EV/GMV for the on-demand business, in line with global peers (ex Zomato). Our on demand GMV growth outlook for Grab (2023-26E CAGR of 12%) is below the global peer average (2023-26E CAGR of 16%). We value the financial services business using 2x FY25E EV/sales. This is in line with global peers like PayPal and Square.

Our TP implies 22.5x FY25E EV/EBITDA, which is at a premium to the global average of 1x.

Fig 11: Grab SOTP valuation

SOTP Valuation	Methodology	Target multiple	Target metric	Value of metric (USDm)	Value of business (USDm)	Per share (USD)	% of SoTP	Comments
On Demand	EV/GMV	0.5x	FY25E GMV	19,818	9,651	2.45	61%	Inline with global peers weighted average ex India
Financial Services	EV/Sales	2.0x	FY25E Revenue	366	713	0.18	5%	Target EV/Sales multiple of 2x in-line with peers
Others	EV/Sales	1.5x	FY25E Revenue	245	368	0.09	2%	Target EV/Sales multiple of 1.5x
Net Cash					5,027	1.28		
SoTP					15,759	4		
# of shares						*3,935*		

Source: Company, Maybank IBG Research

Fig 12: Valuation comps

Company	BBG Code	Mkt Cap USDm	EV/GMV (x) FY1	EV/GMV (x) FY2	GMV CAGR 2023-26F	EVGMVG	EV/Sales (x) FY1	EV/Sales (x) FY2	Sales CAGR 2023-26F	EVSG	EV /EBITDA (x) FY1	EV /EBITDA (x) FY2
Grab	GRAB US	14,361	0.6	0.5	12%	5.1	3.9	3.2	17%	22.9	41.9	22.7
Zomato	ZOMATO IN	19,659	2.5	1.8	34%	7.4	8.9	6.5	36%	24.9	158.0	61.4
Doordash	DASH US	46,522	0.7	0.6	15%	4.5	5.0	4.4	17%	29.3	30.2	23.1
Uber	UBER US	148,063	0.9	0.8	16%	5.8	3.5	2.9	16%	22.3	24.2	17.4
Delivery Hero	DHER GR	8,548	0.2	0.2	8%	3.1	1.0	0.9	13%	7.6	15.3	9.1
Meituan	3690 HK	91,557	0.2	0.2	17%	1.3	1.8	1.4	16%	11.1	14.6	10.0
Just Eat	TKWY NA	2,778	0.1	0.1	3%	3.9	0.6	0.5	5%	12.5	7.0	5.2
Lyft	LYFT US	5,842	0.3	0.3	15%	2.1	0.9	0.7	18%	5.2	14.6	9.2
Deliveroo	ROO LN	2,727	0.2	0.2	8%	2.4	0.7	0.6	9%	8.2	12.7	8.4
Weighted average			*0.7*	*0.6*	*17%*	*4.3*	*3.4*	*2.8*	*17%*	*19.5*	*30.3*	*18.4*
Weighted average (ex Zomato)			*0.6*	*0.5*	*16%*		*3.1*	*2.6*	*16%*		*22.5*	*15.8*

Source: Company, Maybank IBG Research

3. Risks

Competition and weaker than expected network effects. In mobility and delivery, Grab competes for driver- and merchant- partners, as well as for consumers. Grab acknowledges that the entry barriers for its segments and markets are low. Consumers may favour platforms with the lowest cost or highest convenience. Meanwhile, driver- and merchant- partners may opt for platforms that provide them the opportunities for earnings. While network effect is its key value proposition, if Grab fails to keep consumers satisfied in the segments it competes in, it has to slow cross selling initiatives or improve service level agreements (SLA) on initiatives like Grab Share or saver delivery. It may also need to increase the merchant/driver incentives to increase the supply, which in turn could dilute the network effects.

Grab's financial services business may not be successful. The intersection of finance and digital services is a relatively recent phenomenon and comes with an abundance of uncertainty. As Grab grows and/or evolves its financial services offerings, it will be exposed to regulatory risk as well. Incumbents, be it existing banks or other financial services providers, may have greater experience, better access to capital or lower cost of capital than Grab.

Risk of reclassification of driver-partners as employees, or requirements for additional pension contributions. Grab believes that its driver-partners are independent contractors based on current frameworks. If there are changes in laws or regulations requiring Grab to classify driver-partners as employees, Grab would have to incur significant additional expenses.

Excess stock liquidity. Among the largest shareholders of Grab, we note that Softbank Group had been consistently divesting over the past one year. Excess selling pressure from large shareholders remains a downside risk.

FYE 31 Dec	FY22A	FY23A	FY24E	FY25E	FY26E
Key Metrics					
P/E (reported) (x)	nm	nm	nm	109.7	52.0
Core P/E (x)	nm	nm	nm	109.7	52.0
P/BV (x)	1.9	2.0	2.2	2.2	2.1
P/NTA (x)	2.1	2.4	2.6	2.5	2.4
Net dividend yield (%)	0.0	0.0	0.0	0.0	0.0
FCF yield (%)	nm	0.1	nm	0.7	3.0
EV/EBITDA (x)	nm	nm	nm	46.2	25.7
EV/EBIT (x)	nm	nm	nm	nm	41.9
INCOME STATEMENT (USD m)					
Revenue	1,433.0	2,359.0	2,747.1	3,157.5	3,564.8
EBITDA	(1,165.0)	(253.0)	(101.3)	256.0	444.2
Depreciation	(129.0)	(128.0)	(147.7)	(159.1)	(163.5)
Amortisation	(21.0)	(17.0)	(13.6)	(10.9)	(8.7)
EBIT	(1,315.0)	(398.0)	(262.6)	86.0	272.0
Net interest income /(exp)	(353.0)	60.0	47.0	42.5	39.8
Associates & JV	(8.0)	(56.0)	0.0	0.0	0.0
Exceptionals	(58.0)	(72.0)	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	(1,734.0)	(466.0)	(215.7)	128.5	311.8
Income tax	(6.0)	(19.0)	43.1	(25.7)	(62.4)
Minorities	57.0	51.0	35.7	25.0	20.0
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	(1,683.0)	(434.0)	(136.9)	127.8	269.4
Core net profit	(1,683.0)	(434.0)	(136.9)	127.8	269.4
BALANCE SHEET (USD m)					
Cash & Short Term Investments	1,952.0	3,138.0	2,879.1	2,951.0	3,348.5
Accounts receivable	554.0	676.0	780.1	884.7	884.6
Inventory	48.0	49.0	49.0	49.0	49.0
Property, Plant & Equip (net)	492.0	512.0	455.9	386.6	311.1
Intangible assets	904.0	916.0	902.4	891.5	882.8
Investment in Associates & JVs	0.0	0.0	0.0	0.0	0.0
Other assets	5,220.0	3,501.0	3,420.8	3,454.5	3,488.0
Total assets	**9,170.0**	**8,792.0**	**8,487.4**	**8,617.4**	**8,964.0**
ST interest bearing debt	117.0	125.0	125.0	125.0	125.0
Accounts payable	0.0	0.0	0.0	0.0	0.0
LT interest bearing debt	1,248.0	668.0	668.0	668.0	668.0
Other liabilities	1,148.0	1,531.0	1,399.0	1,426.0	1,523.0
Total Liabilities	**2,513.0**	**2,324.0**	**2,191.9**	**2,219.1**	**2,316.3**
Shareholders Equity	6,603.0	6,449.0	6,312.1	6,440.0	6,709.4
Minority Interest	54.0	19.0	(16.7)	(41.7)	(61.7)
Total shareholder equity	**6,657.0**	**6,468.0**	**6,295.4**	**6,398.3**	**6,647.7**
Total liabilities and equity	**9,170.0**	**8,792.0**	**8,487.4**	**8,617.4**	**8,964.0**
CASH FLOW (USD m)					
Pretax profit	(1,734.0)	(466.0)	(215.7)	128.5	311.8
Depreciation & amortisation	150.0	145.0	161.3	170.0	172.2
Adj net interest (income)/exp	0.0	0.0	0.0	0.0	0.0
Change in working capital	(117.0)	188.0	(156.0)	(111.2)	63.9
Cash taxes paid	0.0	0.0	0.0	0.0	0.0
Other operating cash flow	0.0	0.0	0.0	0.0	0.0
Cash flow from operations	(798.0)	86.0	(131.5)	186.7	505.5
Capex	(58.0)	(71.0)	(91.6)	(89.8)	(88.0)
Free cash flow	(856.0)	15.0	(223.2)	96.8	417.5
Dividends paid	0.0	0.0	0.0	0.0	0.0
Equity raised / (purchased)	0.0	0.0	0.0	0.0	0.0
Change in Debt	(810.0)	(572.0)	0.0	0.0	0.0
Other invest/financing cash flow	(1,316.0)	1,744.0	(35.7)	(25.0)	(20.0)
Effect of exch rate changes	(57.0)	(1.0)	0.0	0.0	0.0
Net cash flow	(3,039.0)	1,186.0	(258.9)	71.9	397.5

FYE 31 Dec	FY22A	FY23A	FY24E	FY25E	FY26E
Key Ratios					
Growth ratios (%)					
Revenue growth	112.3	64.6	16.5	14.9	12.9
EBITDA growth	nm	nm	nm	nm	73.5
EBIT growth	nm	nm	nm	nm	216.2
Pretax growth	nm	nm	nm	nm	142.5
Reported net profit growth	nm	nm	nm	nm	110.8
Core net profit growth	nm	nm	nm	nm	110.8
Profitability ratios (%)					
EBITDA margin	nm	nm	nm	8.1	12.5
EBIT margin	nm	nm	nm	2.7	7.6
Pretax profit margin	nm	nm	nm	4.1	8.7
Payout ratio	0.0	0.0	0.0	0.0	0.0
DuPont analysis					
Net profit margin (%)	nm	nm	nm	4.0	7.6
Revenue/Assets (x)	0.2	0.3	0.3	0.4	0.4
Assets/Equity (x)	1.4	1.4	1.3	1.3	1.3
ROAE (%)	na	na	na	na	na
ROAA (%)	(16.5)	(4.8)	(1.6)	1.5	3.1
Liquidity & Efficiency					
Cash conversion cycle	nm	nm	nm	nm	nm
Days receivable outstanding	124.9	93.9	95.4	94.9	89.3
Days inventory outstanding	6.9	11.6	10.9	11.3	10.4
Days payables outstanding	nm	nm	nm	nm	nm
Dividend cover (x)	nm	nm	nm	nm	nm
Current ratio (x)	5.2	3.9	4.2	4.3	4.3
Leverage & Expense Analysis					
Asset/Liability (x)	3.6	3.8	3.9	3.9	3.9
Net gearing (%) (incl perps)	net cash	net cash	net cash	net cash	net cash
Net gearing (%) (excl. perps)	net cash	net cash	net cash	net cash	net cash
Net interest cover (x)	na	6.6	5.6	na	na
Debt/EBITDA (x)	nm	nm	nm	3.1	1.8
Capex/revenue (%)	4.0	3.0	3.3	2.8	2.5
Net debt/ (net cash)	(587.0)	(2,345.0)	(2,086.1)	(2,158.0)	(2,555.5)

Source: Company; Maybank IBG Research

Maybank
Sekuritas Indonesia

Internet

Indonesia

GoTo Gojek Tokopedia (GOTO IJ)

GoJek: There is always a way

BUY

Share Price	IDR 52
12m Price Target	IDR 95 (+83%)
Previous Price Target	*IDR 110*

Maintain BUY with lower TP of IDR95

We forecast 3.4% revenue CAGR for FY23-26E to IDR16.3t in FY26E. We expect GOTO to maintain its cost efficiency, projecting adjusted EBITDA of -IDR109b for FY24E (vs GOTO's target of adjusted EBITDA breakeven, and our previous forecast of IDR516b), as cost-savings in 1Q24 were less than our initial forecast. Maintain BUY with a lower target price of IDR95 as we apply lower P/S multiples for its ODS and fintech units.

Net take-rate improvement driven by price rationalization and less direct discounts

We forecast only modest revenue CAGR of 3.4% for FY23-26E to IDR16.3t as GOTO is no longer consolidate Tokopedia. We forecast 26% FY23-26E ODS revenue CAGR to IDR11.9t in FY26E. We believe GOTO will increase its net take-rate (less direct discounts) from 11% in FY23 (vs 16.6% in 1Q24) to 16.4%/17.6%/18.1% in FY24/25/26E. To adapt to competitive dynamics, we think GOTO will maintain marketing expenses at 0.6-0.7% of its GTV in FY23-26E. Moreover, we estimate GOTO's fintech revenue to expand at a 31% CAGR in FY23-26 to IDR3.9t in FY26E (24% of revenue), driven by higher GTV (10% CAGR FY23-26E to IDR505t) and higher net-take rate assumption (from 0.5% in FY23 to 0.8% in FY26E).

Path to profitability on track, with slight delay

Meanwhile, we expect net loss to widen to IDR2.1t in FY24E (vs previous forecast of -IDR1.5t), which translates to adjusted EBITDA loss of IDR109b in FY24E (vs GOTO's target to break-even). But we expect it to be temporary; we forecast adjusted EBITDA of IDR981b for FY25E, due to rising economies of scale.

Lowering multiple targets to align with the market

We think a longer, high interest rate environment can impact risk appetite for tech-enabled companies: we lower ODS P/S multiple to 2.5x (from 5.0x) and fintech to 7.8x (from 12x). Our TP implies 7.0x P/S and 2.8x P/BV for FY25E. Downside risks: 1) slower revenue growth; and 2) poorer-than-expected performance in ODS and fintech businesses; and 3) valuation de-rating in the tech industry.

FYE Dec (IDR b)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue	11,349	14,785	12,775	14,760	16,344
EBITDA	(38,057)	(88,241)	(2,025)	(840)	(411)
Core net profit	(28,971)	(9,774)	(2,074)	(652)	(212)
Core EPS (IDR)	(24)	(9)	(2)	(1)	(0)
Core EPS growth (%)	nm	nm	nm	nm	nm
Net DPS (IDR)	0	0	0	0	0
Core P/E (x)	nm	nm	nm	nm	nm
P/BV (x)	0.9	2.4	1.6	1.5	1.4
Net dividend yield (%)	0.0	0.0	0.0	0.0	0.0
ROAA (%)	(19.7)	(10.1)	(4.1)	(1.4)	(0.4)
EV/EBITDA (x)	nm	nm	nm	nm	nm
Net gearing (%) (incl perps)	net cash	net cash	net cash	net cash	net cash
Consensus net profit	-	-	(3,989)	(2,120)	(98)
MIBG vs. Consensus (%)	-	-	48.0	69.2	(115.5)

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Company Description

GOTO provides online ride-hailing and food delivery (GoJek), digital financial services (GoPay), and has 24.99% non-diluted shares in Tokopedia

Statistics

52w high/low (IDR)	118/52
3m avg turnover (USDm)	12.9
Free float (%)	68.6
Issued shares (m)	1,062,288
Market capitalisation	IDR55.2T
	USD3.4B

Major shareholders:

Alibaba Group Holding	8.4%
SVF GT Subco (Singapore) Pte Ltd	7.3%
Goto Peopleverse Fund	5.8%

Price Performance

	-1M	-3M	-12M
Absolute (%)	(20)	(26)	(55)
Relative to index (%)	(16)	(18)	(55)

Source: FactSet

Abbreviations
ODS - On demand services (Go-Jek)
OFD - Online food delivery

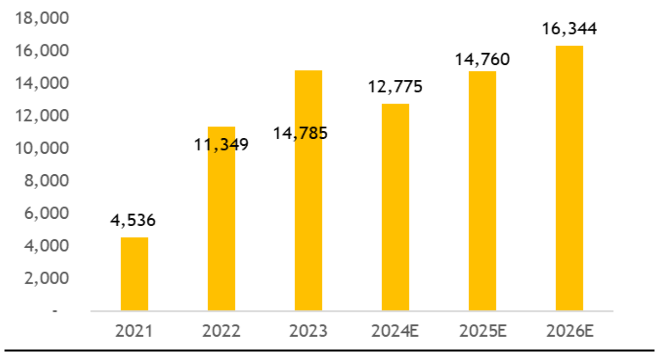
Other listed companies mentioned
Grab Holdings (GRAB, CP USD3.16, HOLD, TP USD4.00)

ESG@MAYBANK IBG
Tear Sheet Insert

Value Proposition

- GOTO is the most integrated digital service provider in Indonesia, offering on-demand services (food delivery: GoFood, online ride-hailing: GoCar and GoJek), e-commerce (minority share in Tokopedia), and digital financial services (e-wallet: Go-Pay, digital bank: Bank Jago).
- GOTO is in a high-growth phase, fuelled by aggressive marketing and promotions.
- We think the digital economy in Indonesia is heading towards consolidation with two leading players, GOTO and Grab. We believe GOTO will become the leader in on-demand services (competing with Grab), while fintech (Go-Pay) can be the next source of growth.

Net revenue trend (IDRb)



Source: Company, Maybank IBG Research

Price Drivers

Historical share price trend

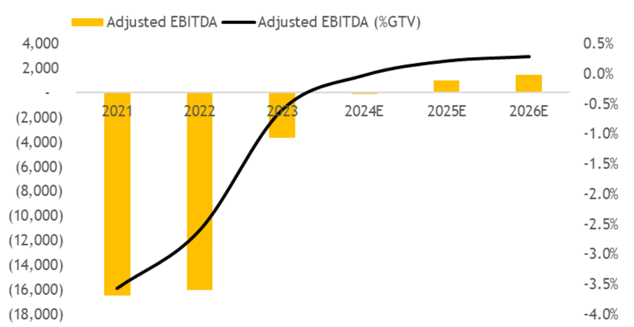
Source: Company, Maybank IBG Research

1. Sector de-rating and concerns about when it will become profitable and the sustainability of the business.
2. Management plans to improve efficiency and targets Adjusted EBITDA positive in 4Q23.
3. TikTok acquiring Tokopedia.
4. GOTO achieves its first positive adjusted EBITDA in 4Q23.

Financial Metrics

- GTV and the net-take rate (i.e. fees) are critical for measuring the outlook for GOTO.
- Marketing and promotions are necessary expenses. Therefore, monitoring the marketing expense-to-GTV ratio is also important.
- We think adjusted EBITDA margin is also an important metric to track the path towards profitability.
- Cash balance is important for monitoring its run rate, as the company is still making an operating loss.

Adjusted EBITDA (IDRb)



Source: Company, Maybank IBG Research

Swing Factors

Upside

- Higher GTV, take-up rate, and revenue growth, driven by rising income per capita.
- Efficiency in discounts and promotions can lead to a better profit outlook.
- The US Fed pivoting to a lower interest rate environment could spur a sector re-rating.

Downside

- Steeper-than-expected promotions to retain market share.
- Slower-than-expected growth as price normalization may affect GTV growth and GOTO's ability to improve take-up rate and revenue.
- The company is still in the red. However, we forecast adjusted EBITDA to turn positive by FY24E.
- High inflation could accelerate pace of interest rate hikes and may lead to sector de-rating

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Risk Rating & Score[1]	21.1 (Medium Risk)
Score Momentum[2]	-0.0/+0.0
Last Updated	26 September 2022
Controversy Score[3]	0 - No evidence of controversies

Business Model & Industry Issues

- GOTO is a leading tech-enabled consumer-facing company in Indonesia, with the most integrated ecosystem, ranging from on-demand services of food delivery (GoFood) to online ride-hailing (GoCar – four-wheeler, and GoRide – two-wheeler). In addition, it owns e-wallet (Go-Pay) under digital financial services. GOTO also owns 21.4% of a digital bank (Bank Jago, ARTO IJ). GOTO also owns minority stake (non-diluted share) in Tokopedia (C2C marketplace).
- We think operating loss is a structural risk for GOTO IJ, caused by its high discount and marketing expenses. We believe the industry is still in the growth stage, with intense competition. But we expect no significant contenders in the near term due to the high initial investment required (i.e. customer acquisition costs).
- We believe revenue multiple is the proper method for valuing this counter, as the company is still at an operating loss. We project positive adjusted EBITDA margin is imminent, possibly in FY24E.

Material E issues

- GOTO indirectly produces plastic waste from merchants' packaging.
- GOTO produced 335,089 MT of waste in FY22, 64,534 MT of which came from GoFood (19.3% waste) and 268,891 MT from Tokopedia's merchants (80.2% of waste).
- The company produced 1,508 tCO_2e in scope 1 emissions, 9,946 tCO_2e in scope 2, and 965,497 tCO_2e in scope 3 in FY22.
- GOTO targets zero carbon emission, zero waste, and zero barriers by 2030.
  GOTO started its electric vehicle pilot project in 2021 with 500 electric motorcycles and targets 100% EVs by 2030.

Material S issues

- GOTO makes a significant social impact in Indonesia, as it provides job opportunities for workers (as driver partners) and SMEs in digital commerce (Go-Food and Tokopedia).
- It had 2.7m drivers and 17.7m sellers in FY22, and GOTO's ecosystem GTV was equal to 1.8-2.2% of Indonesia's GDP.
- GOTO trained 3,100 SMEs to be adaptable to the digital economy in FY22.
- The company employed 3,375 women, equal to 35.6% of permanent employees in FY22.

Key G metrics and issues

- GOTO has nine members on the Board of Commissioners and seven on the Board of Directors in 2022. In addition, the company has an audit committee and internal audit. Three directors are women in 2022 (43% of the BOD).
- Compensation for the key management in FY22 was IDR4.95t, of which IDR4.92t (99%) was in shares. Short-term employee benefits were IDR37.7b, equal to 0.3% of revenue. Total compensation (including shares-based compensation) was equal to 43.6% of revenue.
- EY was the auditor for GOTO in FY22.
- GOTO has multiple voting rights. Each series B share has 30 voting rights. For example, the multiple voting shares holders own a 6.08% stake but had 58.3% voting rights in FY22.
- GOTO improves privacy and safety by hiding customers' and drivers' phone numbers.

[1]***Risk Rating & Score*** - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. [2]***Score Momentum*** - indicates changes to the company's score since the last update - a negative integer indicates a company's improving risk score; a positive integer indicates a deterioration. [3]***Controversy Score*** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

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	Quantitative Parameters (Score: 33)					
	Particulars	**Unit**	**2020**	**2021**	**2022**	**GRAB US (FY22)**
E	Scope 1	tonCO2eq	-	1,483	1,508	14,913
	Scope 2	tonCO2eq	617	4,712	9,947	51,208
	Total scope 1 + 2	tonCO2eq	617	6,195	11,455	66,121
	Scope 3	tonCO2eq	1,043,350	816,703	965,498	3,317,244
	Total	tonCO2eq	1,044,584	829,093	988,407	3,383,365
	Emission intensity (GTV/total emission)	IDRm/tonCO2eq	316	561	628	N/A
	Energy consumption intensity	IDRm/GJ	-	5	9	N/A
	RE as % of electricity consumption	%	N/A	N/A	N/A	N/A
	% of low carbon vehicles in fleet	%	N/A	N/A	N/A	N/A
	Waste diverted away from landfill	mt	-	7	28	N/A
	Waste intensity (IDRb/mt)	GTV/mt	-	1.4	1.8	N/A
	Nox	ton	-	-	1,054.4	N/A
	Sox	ton	-	-	45.4	N/A
	PM	ton	-	-	165.3	N/A
S	% of women in workforce	%	33%	36%	36%	52%
	% of women in management roles	%	-	26%	28%	34%
	Average training hours	x			17.5	N/A
	Working hours/work-related injuries	hours	187,324	135,623	109,468	N/A
	Number of MSME merchants	million	-	15	18	N/A
	Customer Satisfaction (average CSAT score)	%	-	92	91	N/A
	Rate of fatalities due to work-related injuries	x	0.02	0.04	0.01	N/A
G	Key management compensation to GTV	%	0.0%	0.2%	0.8%	N/A
	Female commissioner on the board of commissioners	%		0%	11%	33%
	Independent commissioners (tenure <10 years) as % of BOC	%		29%	43%	67%
	Breach of customer privacy & losses of customer data	x	0	0	0	N/A

Qualitative Parameters (Score: 67)

a) Is there an ESG policy in place and is there a standalone ESG Committee or is it part of the Risk committee?

GOTO has a sustainability function under the Director of On Demand Services, e-commerce and fintech.

b) Is the senior management salary linked to fulfilling ESG targets?

N/A.

c) Does the company follow the task force of climate related disclosures (TCFD) framework for ESG reporting?

The company follows Global Reporting Initiative Standards (GRI) and the Sustainability Accounting Standard Board (SASB). Ernst & Young Global Limited also provides an assurance statement of specific parameters of the ESG reporting. The company does not follow the TCFD reporting framework.

d) Does the company have a mechanism to capture Scope 3 emissions - which parameters are captured?

The company has a detailed category to capture Scope 3 emissions.

e) What are the 2-3 key carbon mitigation/water/waste management strategies adopted by the company?

The company targets three zeros by 2030: zero emission, zero waste, and zero barriers. The company launched e-bikes (500 units in 2021), repurposes used cartons at Dilayani Tokopedia Warehouse, and financial literacy for drivers.

f) Does carbon offset form part of the net zero/carbon neutrality target of the company?

Yes, the company would use carbon offset for residual carbon emissions, which cannot be reduced or avoided using emission reduction efforts.

Target (Score: 100)

Particulars	Target	Achieved
Three zero (zero emission, zero waste, and zero barriers) and zero waste to landfill by 2030	N/A	N/A

Impact

NA

Overall Score: 58

As per our ESG matrix, GoTo Gojek Tokopedia (GOTO IJ) has an overall score of 58.

ESG score	Weights	Scores	Final Score
Quantitative	50%	33	17
Qualitative	25%	67	17
Target	25%	100	25
Total			58

GOTO is the most integrated tech company in Indonesia. GOTO's drivers are using fuel-based internal combustion engines, which generate pollution. Pivoting to EVs would increase its ESG score, and GOTO has started to introduce e-bikes to its drivers. GOTO's overall ESG score is 58, which is above our average ESG rating of 50.

1. Key drivers and growth assumptions

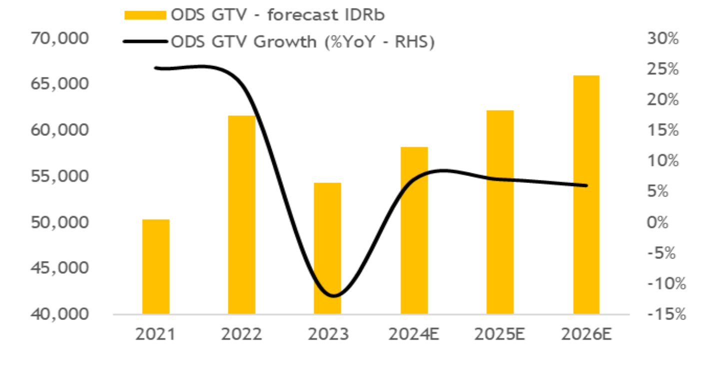
Go-Jek is the soul of GOTO, and it has three business lines: on-demand services, fintech and service revenue from Tokopedia.

On-demand business. We expect on-demand services (ODS) gross transaction value (GTV) to expand by 6.7% CAGR in FY23-26E to IDR65.9t (USD4.12b at IDR16,000/USD), as it has limited exposure to Singapore and Vietnam.

We think the catalysts for ODS are: 1) higher income per-capita; 2) rising income of the middle class; 3) rising urbanization rate; 4) improving public transportation; and 5) more people willing to pay for convenience. In FY23, GOTO had 2.7b transactions, with an average order value (AOV) of IDR204,000 (or an AOV of USD14 at IDR16,000/USD1).

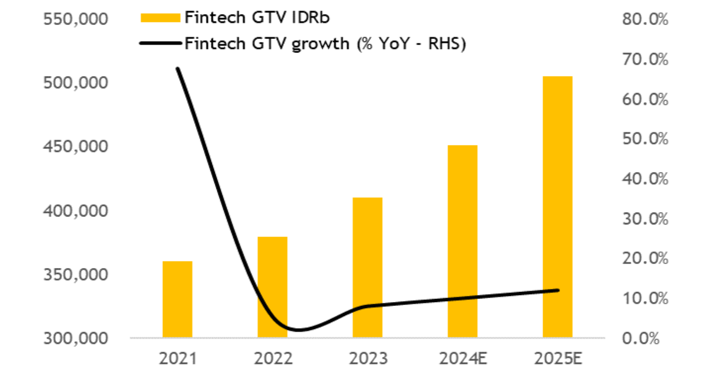
We believe GOTO's low transaction per capita of 10x will provide room for the business to grow in the future. GOTO offers budget-friendly services with Mode Hemat for food delivery by combining delivery orders within the same area.

Fig 1: ODS GTV trend (IDRb, % YoY)



Source: *Company, Maybank IBG Research*

Fig 2: Fintech GTV trend



Source: *Company, Maybank IBG Research*

Financial services. We expect fintech GTV to see a CAGR of 10% to IDR505t (USD32b at IDR16,000/USD) over FY23-26E. We believe e-wallet is becoming a digital culture in Indonesia as restaurants, shopping centres, and even event street vendors are keen to accept QR code payments. In addition to e-payment, we also believe GOTO's GTV can be driven by Buy Now Pay Later (BNPL) services.

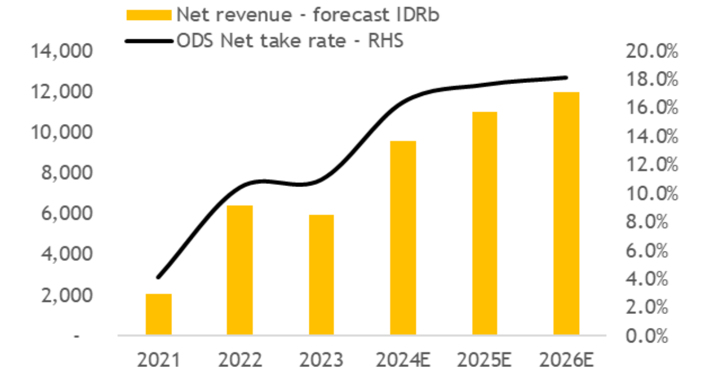
Take rate assumptions. GOTO's ODS gross take-rate in FY23 was at 22.3% (vs. 24% in 1Q24). We expect GOTO to maintain gross take-rate at c.22% in FY24-26E as we believe consumers are price sensitive due to moderate economic growth and rising inflation.

We focus on the net take-rate, which we expect to increase from 11% in FY23 (16.3% in 1Q24) to 16.4%/17.6%/18.1% in FY24/25/26E. We think the industry is pivoting its focus towards profitability. Hence, there's likely to be less direct discounts and promotions.

Meanwhile, we expect the net take-rate from fintech to gradually increase from 0.5% in FY23 to 0.6%/0.7%/0.8% in FY24/25/26E, respectively. We expect BNPL to drive higher take-rate, as the e-payment take-rate is regulated by the central bank.

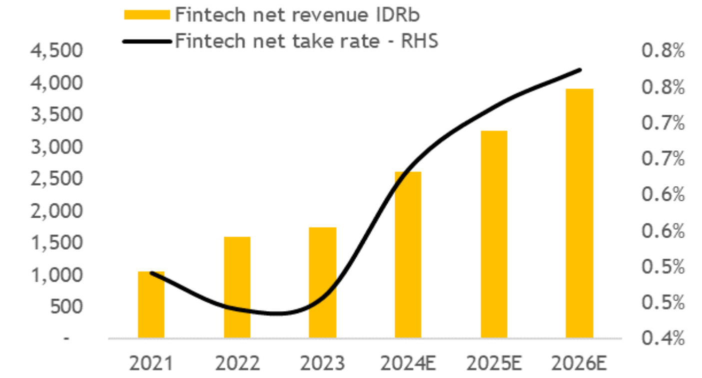
We think GOTO will continue to use its marketing activation to maintain price competitiveness and market share. Hence, we maintain our S&M expense forecasts at 0.6-0.7% of GTV for FY24-26E.

Fig 3: ODS net revenue forecasts



Source: Company, Maybank IBG Research

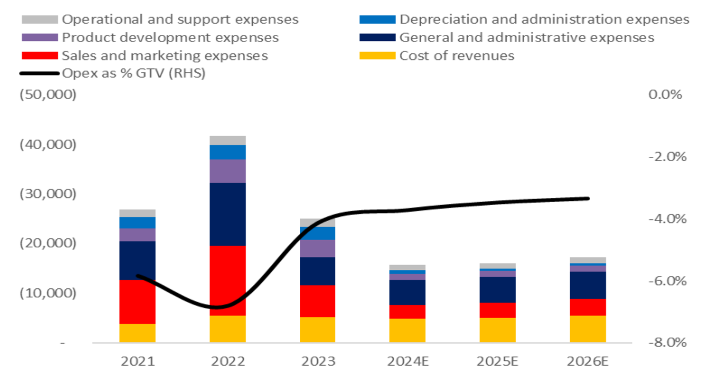
Fig 4: Fintech net revenue forecast



Source: Company, Maybank IBG Research

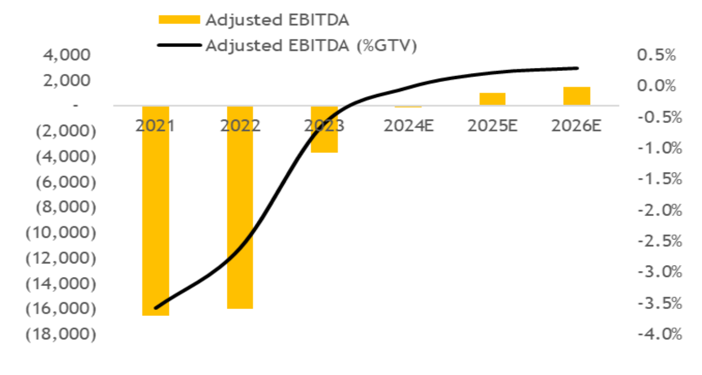
Profitability and opex. We expect GOTO to achieve EBITDA of IDR981b for FY25E (vs management's target of break even in adjusted EBITDA in FY24E and MIBG's forecast of –IDR109b in FY24E). We believe GOTO's path to profitability is subject to its cost efficiency, which is driven by market dynamics, especially on the demand side.

Fig 5: Opex trend (%GTV)



Source: Company, Maybank IBG Research

Fig 6: Adjusted EBITDA trend



Source: Company, Maybank IBG Research

2. 1Q24 results review – solid top line, but opex was higher than our old forecast

Our analysis of the 1Q24 results was as follows:

- 1Q24 top line was strong at IDR4.1t (-4.6% QoQ, +22% YoY), achieving 37%/30% of our full-year forecast of IDR11.1t, and Bloomberg's forecast of IDR13.8t.
- Group GTV rose 20% YoY to IDR116.5t, but contributed mainly by GoTo Financial (GTF), up 21% YoY to IDR111t (95% of the GTV). GTF has an adjusted EBITDA loss of IDR248b, mainly due to revenue of only IDR0.7t (0.6% take-rate due to regulation for e-wallet), while it has not achieved economies of scale yet. Hence, we think future GTF revenue will be driven by lending, as loan disbursement was only IDR2.7t in 1Q24 (NPLs of 1.3%).
- Opex was higher than our forecast, at IDR5.0t in 1Q24 (-12.7% QoQ, -32% YoY), which formed 38% of our forecast. This was mainly due to the higher cost of revenue at IDR1.9t (+41 % QoQ, +38% YoY), which accounted for 65% of our old forecast.
- Adjusted EBITDA loss was IDR102b in 1Q24 (vs IDR139b in the prior format). Management maintains its target of achieving adjusted EBITDA break even in FY24E.

Fig 7: GOTO's 1Q24 results

IDRb	1Q23	2Q23	3Q23	4Q23	1Q24	%QoQ	%YoY	2024E	%MIBG	% Cons
Net revenues	3,332	3,551	3,627	4,275	4,079	-4.6%	22%	11,113	37%	30%
Cost of revenues	(1,353)	(1,222)	(1,201)	(1,317)	(1,862)	41.4%	38%	(2,873)	65%	
Sales and marketing expenses	(1,629)	(1,667)	(1,525)	(1,611)	(723)	-55.1%	-56%	(2,262)	32%	
General and administrative	(2,293)	(634)	(1,678)	(1,042)	(1,494)	43.4%	-35%	(3,492)	43%	
Product development	(933)	(890)	(924)	(771)	(353)	-54.2%	-62%	(2,662)	13%	
Depreciation and administration	(706)	(673)	(658)	(634)	(340)	-46.4%	-52%	(871)	39%	
Operational and support expenses	(464)	(530)	(332)	(379)	(249)	-34.4%	-46%	(1,224)	20%	
Operational and support expenses	(7,377)	(5,615)	(6,318)	(5,754)	(5,021)	-12.7%	-32%	(13,383)	38%	
Loss from operations	(4,045)	(2,064)	(2,690)	(1,479)	(942)	-36.3%	-77%	(2,271)	41%	22%
Finance income	163	147	154	171	188	9.4%	15%	400	47%	
Finance costs	(76)	(90)	(77)	(126)	(129)	2.7%	70%	(250)	52%	
Other income (expenses) - net	(177)	(1,315)	196	(79,327)	(76)	-99.9%	-57%	-		
Loss before income tax	(4,135)	(3,322)	(2,417)	(80,760)	(960)	-98.8%	-77%	(2,121)	45%	23%
Income tax benefits (expenses)	236	8	31	(160)	23	-114.1%	-90%	46	49%	
Profit (loss) for the year	(3,899)	(3,313)	(2,387)	(80,920)	(937)	-98.8%	-76%	(2,074)	45%	
Minority interest	(37)	(14)	0	(73)	(75)	3.2%	105%	(625)	12%	
Net income to parent	(3,862)	(3,299)	(2,387)	(80,847)	(862)	-98.9%	-78%	(1,450)	59%	22%
Core Net income	(3,685)	(1,985)	(2,584)	(1,520)	(786)	-48.3%	-79%	(1,450)	54%	

Source: Company, Maybank IBG Research

3. Forecast revisions

We revise our key assumptions as follow:

Fig 8: Our key assumptions

		Old forecasts		New forecasts			% Chg	
		FY24E	FY25E	FY24E	FY25E	FY26E	FY24E	FY25E
GTV assumption								
ODS GTV	IDRb	58,140	62,209	58,140	62,209	65,942	0%	0%
Fintech services	IDRb	410,118	442,928	410,118	451,130	505,266	0%	2%
e-Commerce GTV	IDRb	-	-	-	-	-		
Elimination	IDRb	-46,826	-50,514	-46,826	-51,334	-57,121	0%	2%
GTV	IDRb	421,432	454,623	421,432	462,005	514,087	0%	2%
GTV growth	%	-30.50%	7.90%	-30.50%	9.60%	11.30%		
Net take rate assumptions								
ODS net take rate	%	12.00%	12.90%	16.40%	17.60%	18.10%	4.40%	4.70%
Financial technology services	%	0.50%	0.50%	0.60%	0.70%	0.80%	0.20%	0.20%
e-commerce net take rate	%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net revenue to GTV	%	2.60%	2.70%	3.00%	3.20%	3.20%	0.40%	0.50%
Key summary								
Net Revenue	IDRb	11,113	12,394	12,775	14,760	16,344	15%	19%
Net revenue growth	%	-25%	12%	-14%	16%	11%	0.11	4.00%
Net revenue to GTV	%	2.60%	2.70%	3.00%	3.20%	3.20%	0.40%	0.50%
Contribution Margin	IDRb	6,230	7,364	5,535	7,160	7,944	-11%	-3%
Contribution margin to GTV	%	1.48%	1.62%	1.30%	1.50%	1.50%	-0.20%	-0.10%
Adjusted EBITDA	IDRb	516	1,614	-109	981	1,464	-121%	-39%
Adjusted EBITDA to GTV	%	0.10%	0.40%	0.00%	0.20%	0.30%	-0.10%	-0.10%
Net Income	IDRb	-1,450	-19	-2,074	-652	-212	43%	3322%
Net margin	%	-13.00%	0%	-16.20%	-4.40%	-1.30%	-3.20%	-4.30%

Source: Company, Maybank IBG Research

Impact of our new assumptions is as follows:

Fig 9: New forecasts for the income statement

IDRb	Old forecasts		New forecasts			%Chg	
	FY24E	FY25E	FY24E	FY25E	FY26E	FY24E	FY25E
Net revenue	11,113	12,394	12,775	14,760	16,344	15%	19%
Cost of revenue	-2,873	-2,950	-4,800	-5,000	-5,400	67%	69%
Sales and marketing expenses	-2,262	-2,350	-2,800	-3,000	-3,500	24%	28%
General and administrative	-3,492	-3,600	-5,000	-5,300	-5,500	43%	47%
Product development	-2,662	-2,500	-1,200	-1,200	-1,200	-55%	-52%
Depreciation and administration	-871	-457	-871	-457	-455	0%	0%
Operational and support expenses	-1,224	-1,200	-1,000	-1,100	-1,155	-18%	-8%
Operational and support expenses	-13,383	-13,057	-15,671	-16,057	-17,210	17%	23%
Loss from operations	-2,271	-663	-2,895	-1,296	-866	27%	96%
Finance income	400	300	400	300	315	0%	0%
Finance costs	-250	-220	-250	-220	-405	0%	0%
Others income (expenses)	-	-	-	-	-		
Loss before income tax	-2,121	-583	-2,745	-1,216	-957	29%	109%
Income tax benefits (expenses)	46	1	47	2	239	1%	47%
Profit (loss) for the year	-2,074	-581	-2,699	-1,214	-718	30%	109%
Minority interest	-625	-562	-625	-562	-506	0%	0%
Net income to parent	-1,450	-19	-2,074	-652	-212	43%	3322%

Source: Company, Maybank IBG Research

4. Maintain BUY with a lower TP of IDR95

We maintain our valuation for Tokopedia. We estimate the deal value for the new Tokopedia at about IDR44.1t. Our valuation for the new Tokopedia is as follows:

Fig 10: Assumptions for Tokopedia valuation

		FY24E	FY25E	FY26E	FY27E	FY28E
Discount factor	7%					
Long-term growth	5%					
Service fee from Tokopedia	IDRb	988	1,039	1,067	1,197	1,352
Service fee growth	%YoY		5.2%	2.7%	12.2%	12.9%
Terminal value						70,964
Service revenue	IDRb	988	1,039	1,067	1,197	72,316
Discount factor		0.93	0.87	0.82	0.76	0.71
Present value	IDRb	923	908	871	913	51,560
Total present value	**IDRb**	**55,175**				
Discount factor	%	-20%				
Deal value	**IDRb**	**44,140**				

Source: Company, Maybank IBG Research

We apply lower valuation multiples to our SOTP-based valuation. Details of our valuation are as follow:

Fig 11: Valuation summary

	Multiple (x)	Revenue (IDRb)	Market Cap (IDRb)	%	Notes
On-demand services	2.5	10,975	27,438	27%	We apply a lower P/S of 2.5x (vs 5.0x previously) to align it with peers.
e-commerce			44,140	43%	Based on the deal value of service fees.
Fintech	7.8	3,257	25,405	25%	We apply a lower P/S of 7.8x (vs 12x previously) to align it with peers.
Bank Jago value			5,930	6%	Assuming ARTO IJ price of IDR2,000/share
Total market cap (IDRb)			102,914	100%	
Shares outstanding (b)			1,062		
Target Price (IDR)			**95**		Implies 7.0x P/S and 3.4x P/BV for FY25E.

Source: Maybank IBG Research

Risks

Risks to our call: 1) competition; 2) failure to monetize its core business; 3) legal and regulatory risks; 4) macro-related risks (economic growth, inflation and exchange rate); 5) technology changes; and 6) privacy laws.

FYE 31 Dec	FY22A	FY23A	FY24E	FY25E	FY26E
Key Metrics					
P/E (reported) (x)	nm	nm	nm	nm	nm
Core P/E (x)	nm	nm	nm	nm	nm
P/BV (x)	0.9	2.4	1.6	1.5	1.4
P/NTA (x)	0.9	2.4	1.6	1.5	1.4
Net dividend yield (%)	0.0	0.0	0.0	0.0	0.0
FCF yield (%)	nm	nm	nm	nm	3.0
EV/EBITDA (x)	nm	nm	nm	nm	nm
EV/EBIT (x)	nm	nm	nm	nm	nm
INCOME STATEMENT (IDR b)					
Revenue	11,349.2	14,785.5	12,775.3	14,760.3	16,344.1
EBITDA	(38,057.0)	(88,241.0)	(2,024.7)	(839.7)	(410.9)
Depreciation	(2,912.9)	(2,671.1)	(870.5)	(456.7)	(455.4)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	(30,329.6)	(10,279.0)	(2,895.2)	(1,296.4)	(866.4)
Net interest income /(exp)	384.8	266.5	150.0	80.0	(90.4)
Associates & JV	0.0	0.0	0.0	0.0	0.0
Exceptionals	0.0	0.0	0.0	0.0	0.0
Other pretax income	(10,599.8)	(80,621.9)	0.0	0.0	0.0
Pretax profit	(40,544.6)	(90,634.4)	(2,745.2)	(1,216.4)	(956.7)
Income tax	136.1	115.7	46.7	2.0	239.1
Minorities	(837.3)	(123.1)	(624.8)	(562.3)	(506.0)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	(39,571.2)	(90,395.6)	(2,073.8)	(652.2)	(211.6)
Core net profit	(28,971.4)	(9,773.7)	(2,073.8)	(652.2)	(211.6)
BALANCE SHEET (IDR b)					
Cash & Short Term Investments	29,009.2	27,369.7	20,802.7	20,165.5	21,537.8
Accounts receivable	2,460.8	2,813.5	4,500.0	4,700.0	4,935.0
Inventory	71.2	71.4	90.0	100.0	120.0
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	1,457.3	1,038.6	765.6	660.0	546.4
Intangible assets	93,069.0	12,101.9	1,546.7	1,295.6	1,253.8
Investment in Associates & JVs	4,151.6	3,480.3	13,200.0	13,600.0	14,012.1
Other assets	8,997.4	7,221.7	6,431.9	7,105.7	7,373.2
Total assets	**139,216.6**	**54,097.3**	**47,336.9**	**47,626.8**	**49,778.3**
ST interest bearing debt	616.0	487.7	600.0	650.0	682.5
Accounts payable	6,950.9	6,839.3	5,000.0	4,300.0	4,515.0
Insurance contract liabilities	0.0	0.0	0.0	0.0	0.0
LT interest bearing debt	1,826.3	3,432.6	3,500.0	3,800.0	3,876.0
Other liabilities	7,100.0	7,618.0	5,160.0	4,700.0	4,935.0
Total Liabilities	**16,493.2**	**18,377.3**	**14,260.0**	**13,450.0**	**14,008.5**
Shareholders Equity	124,921.1	37,930.3	35,353.5	36,521.7	38,185.1
Minority Interest	(2,197.8)	(2,210.3)	(2,276.6)	(2,344.9)	(2,415.2)
Total shareholder equity	**122,723.3**	**35,720.0**	**33,076.9**	**34,176.8**	**35,769.8**
Total liabilities and equity	**139,216.6**	**54,097.3**	**47,336.9**	**47,626.8**	**49,778.3**
CASH FLOW (IDR b)					
Pretax profit	(40,544.6)	(90,634.4)	(2,745.2)	(1,216.4)	(956.7)
Depreciation & amortisation	2,912.9	2,671.1	870.5	456.7	455.4
Adj net interest (income)/exp	(384.8)	(266.5)	(150.0)	(80.0)	90.4
Change in working capital	1,844.8	(464.5)	(3,544.3)	(910.0)	(40.0)
Cash taxes paid	136.1	115.7	46.7	2.0	239.1
Other operating cash flow	16,745.8	83,815.6	1,916.2	1,820.4	1,875.0
Cash flow from operations	(21,286.8)	(4,527.4)	(5,105.1)	(900.5)	1,762.2
Capex	(312.0)	(290.6)	(100.0)	(100.0)	(100.0)
Free cash flow	(21,598.8)	(4,818.0)	(5,205.1)	(1,000.5)	1,662.2
Dividends paid	0.0	0.0	0.0	0.0	0.0
Equity raised / (purchased)	17,867.7	6,141.2	(2,373.4)	0.0	0.0
Change in Debt	60.2	1,478.0	179.7	350.0	108.5
Other invest/financing cash flow	1,529.2	(4,440.7)	831.8	13.3	(398.4)
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	(2,141.7)	(1,639.5)	(6,567.1)	(637.2)	1,372.4

FYE 31 Dec	FY22A	FY23A	FY24E	FY25E	FY26E
Key Ratios					
Growth ratios (%)					
Revenue growth	150.2	30.3	(13.6)	15.5	10.7
EBITDA growth	nm	nm	nm	nm	nm
EBIT growth	nm	nm	nm	nm	nm
Pretax growth	nm	nm	nm	nm	nm
Reported net profit growth	nm	nm	nm	nm	nm
Core net profit growth	nm	nm	nm	nm	nm
Profitability ratios (%)					
EBITDA margin	nm	nm	nm	nm	nm
EBIT margin	nm	nm	nm	nm	nm
Pretax profit margin	nm	nm	nm	nm	nm
Payout ratio	0.0	0.0	0.0	0.0	0.0
DuPont analysis					
Net profit margin (%)	nm	nm	nm	nm	nm
Revenue/Assets (x)	0.1	0.3	0.3	0.3	0.3
Assets/Equity (x)	1.1	1.4	1.3	1.3	1.3
ROAE (%)	na	na	na	na	na
ROAA (%)	(19.7)	(10.1)	(4.1)	(1.4)	(0.4)
Liquidity & Efficiency					
Cash conversion cycle	(321.4)	(418.1)	(334.9)	(215.8)	(180.4)
Days receivable outstanding	85.6	64.2	103.0	112.2	106.1
Days inventory outstanding	3.5	5.0	6.1	6.8	7.3
Days payables outstanding	410.5	487.4	444.0	334.8	293.8
Dividend cover (x)	nm	nm	nm	nm	nm
Current ratio (x)	2.8	2.6	2.6	3.0	3.0
Leverage & Expense Analysis					
Asset/Liability (x)	8.4	2.9	3.3	3.5	3.6
Net gearing (%) (incl perps)	net cash	net cash	net cash	net cash	net cash
Net gearing (%) (excl. perps)	net cash	net cash	net cash	net cash	net cash
Net interest cover (x)	78.8	38.6	19.3	16.2	na
Debt/EBITDA (x)	nm	nm	nm	nm	nm
Capex/revenue (%)	2.7	2.0	0.8	0.7	0.6
Net debt/ (net cash)	(26,566.9)	(23,449.4)	(16,702.7)	(15,715.5)	(16,979.3)

Source: Company; Maybank IBG Research

Internet

Indonesia

Bukalapak.com (BUKA IJ)

Operations in line; U/G to BUY due to undemanding valuation

BUY *[Prior:HOLD]*

Share Price	IDR 130
12m Price Target	IDR 160 (+23%)
Previous Price Target	*IDR 160*

Maintain SOTP-based TP of IDR160; U/G to BUY

U/G to BUY from HOLD due to undemanding valuation. We maintain our TP at IDR160 as BUKA's operation expanded in 1Q24 in line with our forecasts. We think BUKA's valuation is undemanding as: 1) it's cash rich (IDR19t, plus its long-term investments); 2) financial income can cover 99% of its cash expenses in FY24E; and 3) trading at below its cash level.

Operational improvement in 1Q24

1Q24 TPV (total payment value) of IDR41.8t (+3% YoY) is in line with our forecast; revenue rose 16% YoY to IDR1.2t, and the net take rate improved to 2.8% (vs 2.5% in 1Q23). Adjusted EBITDA was IDR15b (+107% YoY, 133% QoQ), representing an encouraging trend. We believe BUKA will achieve its FY24 target of >IDR200b adjusted EBITDA (vs our FY24E forecast IDR494b). Furthermore, we see BUKA is still a cash-rich company, with cash of IDR11.8t in 1Q24 and long-term investments of IDR7.8t.

Cautiously optimistic: e-commerce competition and cash management are still our concerns

We think competition in e-commerce remains. BUKA needs to address operational challenges in the C2C marketplace (i.e the number of active sellers), to maintain customer traction. In addition, BUKA needs to address its cash position, which we think can provide a glimpse of its vision (growth company vs asset yield). We believe BUKA needs another growth driver, in addition to the O2O (Mitra) segment, as we think the market still perceives BUKA as a 'growth company'.

Attractive valuation - trading at below cash

BUKA has a market cap of IDR13.2t, below its cash value. Our SOTP-based TP of IDR160 is unchanged. Our TP implies 2.4x P/S and 0.6x P/BV for FY25E. Risks to our call include: 1) slower revenue growth; 2) diminishing competitiveness compared to its peers; 3) changes in the behaviour of MSMEs [micro, small & medium enterprises] and its customers; 4) rising logistics costs; 5) execution risks; and 6) valuation trap.

FYE Dec (IDR b)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue	3,618	4,438	5,564	6,660	7,394
EBITDA	1,853	(2,056)	(381)	697	576
Core net profit	(1,951)	(135)	1,201	1,268	1,314
Core EPS (IDR)	(19)	(1)	12	12	13
Core EPS growth (%)	nm	nm	nm	5.6	3.6
Net DPS (IDR)	0	0	0	0	0
Core P/E (x)	nm	nm	11.2	10.6	10.2
P/BV (x)	1.0	0.9	0.5	0.5	0.5
Net dividend yield (%)	0.0	0.0	0.0	0.0	0.0
ROAE (%)	7.9	(5.3)	1.9	6.0	5.3
ROAA (%)	(7.2)	(0.5)	4.6	4.6	4.5
EV/EBITDA (x)	5.8	nm	nm	nm	nm
Net gearing (%) (incl perps)	net cash	net cash	net cash	net cash	net cash
Consensus net profit	-	-	385	790	1,104
MIBG vs. Consensus (%)	-	-	23.7	101.6	34.8

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Company Description

Bukalapak is the leading O2O company in Indonesia

Statistics

52w high/low (IDR)	262/116
3m avg turnover (USDm)	2.0
Free float (%)	50.4
Issued shares (m)	103,090
Market capitalisation	IDR13.4T
	USD838M

Major shareholders:

Elang Mahkota Teknologi	57.9%
Ant Group	24.6%
Government of Singapore	13.0%

Price Performance

	-1M	-3M	-12M
Absolute (%)	5	(19)	(35)
Relative to index (%)	4	(18)	(39)

Source: FactSet

Other companies mentioned:
Global Digital Niaga (BELI IJ, Not Rated, CP IDR456)
Shopee Indonesia (non-listed)
Tokopedia (non-listed)
Lazada Indonesia (non-listed)

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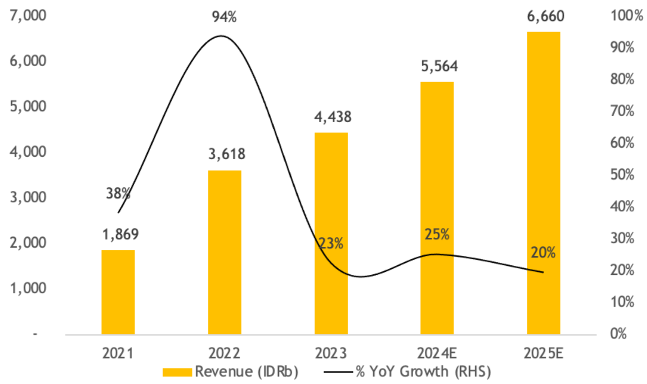
Tear Sheet Insert

Value Proposition

- BUKA is an e-commerce marketplace that focuses on helping MSMEs to go online and be adaptable to the digital era.
- As of FY22, BUKA had 6.9m online merchants, 130m users, and 16.1m Mitra (9M23: 17.9m) across Indonesia.
- BUKA is cash rich and has conservative cash management.
- BUKA is on track to achieve positive adjusted EBITDA.
- Leading O2O company with ample room to improve its gross margin.
- Potential partnership with local conglomerates and Grab.

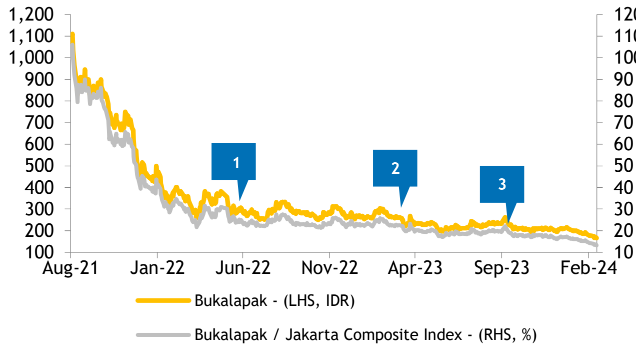
BUKA's revenue trend



Source: Company

Price Drivers

Historical share price trend



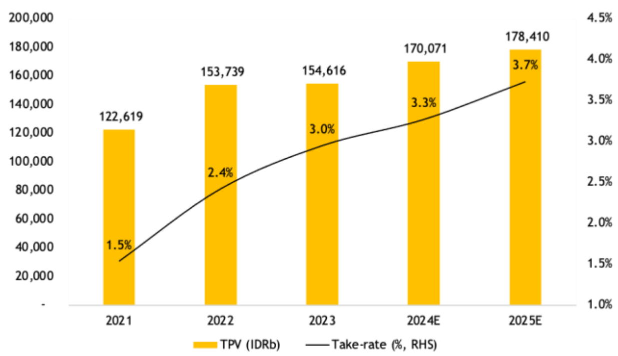
Source: Company, Maybank IBG Research

1. Interest rate hike exceeded market forecast
2. Release FY22 results
3. Release 9M23 results

Financial Metrics

- FY18-22 revenue saw CAGR of 88% to IDR3.6t. We forecast revenue to expand at a 23% CAGR over FY22-25E to IDR6.7t.
- BUKA's adjusted EBITDA loss narrowed to -IDR95b in 3Q23 from -IDR327b in 3Q22. We target positive adjusted EBITDA of IDR58b/197b in FY24/25E.
- We foresee capex to remain low at IDR70b/75b/80b for FY23/24/25E.
- Core net loss narrowed from -IDR1.7t in FY21 to -IDR69b in 9M23. We forecast net income of IDR95b/361b/525b for FY23/24/25E, respectively.

BUKA's TPV and take-rate



Source: Company

Swing Factors

Upside

- Higher TPV, take-up rate, and revenue growth, driven by rising income per capita in Indonesia.
- Efficiency in cost management can lead to a better profit outlook for BUKA.

Downside

- Steeper-than-expected promotions to retain market share.
- Slower-than-expected growth as price normalization may affect TPV growth and BUKA's ability to improve take-up rate and revenue.
- High inflation could accelerate pace of interest rate hikes and may lead to sector de-rating.

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Risk Rating & Score[1]	29.2 (Medium Risk)
Score Momentum[2]	+4.6
Last Updated	25 October 2023
Controversy Score[3] (Updated: 01 Jan 2024)	10 (Medium Risk)

Business Model & Industry Issues

- BUKA strives to improve financial inclusivity by empowering and digitalizing micro retail stores in Indonesia.
- BUKA has been focusing on building a sustainable business by implementing various strategies, including creating specialized platforms, increasing product offerings, and deepening as well as expanding its partnerships with product providers.
- The company is in compliance with the applicable laws in Indonesia. It has recorded no legal violations pertaining to any social and environmental issues.

Material E issues

- BUKA used over 1.7m KWh renewable energy certificates from Perusahaan Listrik Negara (National Electricity Company/PLN) to offset its carbon footprint.
- Total energy consumption (electricity and fuel) increased to 2,874 gigajoules (GJ) in FY22 from 1,024 GJ in FY21.
- Total emissions reached 529-tonne CO2-eq in FY22, while emission absorption from planting over 200 mangrove trees reached 4,000 kg Co2-eq.
- Paper usage rose from 149 rims in FY21 to 232 rims in FY22.

Material S issues

- BUKA has over 2m female partners.
- Total training hours provided to employees reached 2,410 hours in FY22.
- Beneficiaries of its CSR and community development programmes reached 10,625 people.
- Approximately 26.5% of its senior and middle management are females.
- Reduces the level of poverty by actively helping people to improve their standard of living as one of the largest MSME business enablers in Indonesia and providing products at affordable prices.
- Reduces inequality by expanding its market access by providing digital services and financial services to people and communities across Indonesia that were previously underserved.
- Promotes gender equality by encouraging more than 2m women to run businesses and it has provided training to 40,602 women.

Key G metrics and issues

- The Board of Commissioners (BoC) is responsible for general and specific supervision of BUKA, based on the Articles of Association and assists the Board of Directors (BoD) with advice. BUKA's BoC consists of four of members: three males (75%) and one female (25%).
- The BoD manages the company in accordance with the objectives set by the company. BUKA's BoD consists of five members: four males (80%) and one female (20%).
- Total remuneration of the BoC was IDR4.1b, equivalent to 0.1% of FY22 revenue.
- Total remuneration of the BoD was IDR435b, equivalent to 12% of FY22 revenue.
- BUKA's audit committee consists of three members: the chairman and two members, all of whom are males.
- The largest shareholder of BUKA is PT Kreatif Media Karya with 24.63% stake as of 9M23.
- BUKA seeks to support local businesses and to empower MSMEs to improve their livelihood.

[1]***Risk Rating & Score*** - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. [2]***Score Momentum*** - indicates changes to the company's score since the last update – a **negative** integer indicates a company's improving risk score; a **positive** integer indicates a deterioration. [3]***Controversy Score*** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

1. Three reasons why we are cautiously optimistic:

1.1 Operational improvement in 1Q24

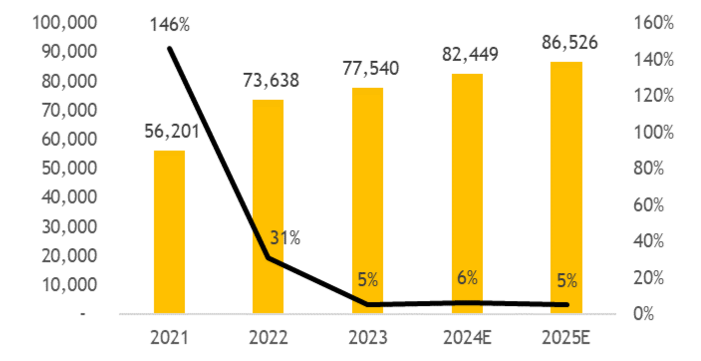
BUKA's 1Q24 TPV of IDR41.8t (+3% YoY) is in line with our forecast, achieving 25% of our full-year forecast. Revenue increased by 16% YoY to IDR1.2t (21% of our old forecast), and we expect it will accelerate in 2H24 mainly due to improvement in the overall take rate from 2.5% in 1Q23 to 2.8% in 1Q24 (vs 2.6% in 4Q23 and our FY24E of 3.3%).

O2O (online-to-offline/Mitra)

The O2O (Mitra) segment is in line with our forecast: Mitra's TPV of IDR20.2t in 1Q24 (+8% YoY, -3% QoQ) achieved 24% of our FY24 forecast of IDR82.4t.

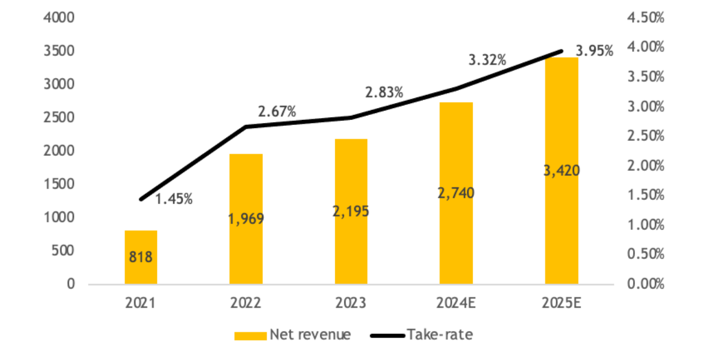
Mitra's take rate also rose to 3.2% in 1Q24 (vs. 2.75% in 1Q23 and 2.88% in 4Q23, on track to achieve our 3.3% forecast for FY24E). We believe take rate in Mitra still has room to improve, due to the economies of scale of its supply chain.

Fig 1: O2O TPV trend (IDRb) and growth YoY (RHS)



Source: Company, Maybank IBG Research

Fig 2: O2O net revenue and take rate (IDRb)

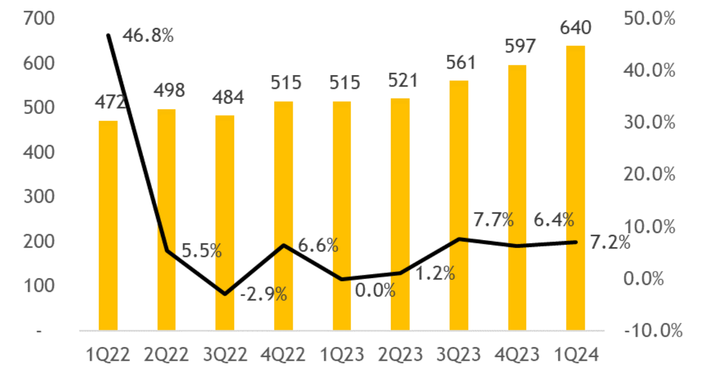


Source: Company, Maybank IBG Research

1Q24 O2O revenue of IDR640b (+24% YoY, +7% QoQ) achieved 23% of our IDR2.7t FY24 old forecast. Gross margin also improved to 7.6% in 1Q24 (vs. 6.4% in 1Q23 and 6.6% in 4Q23).

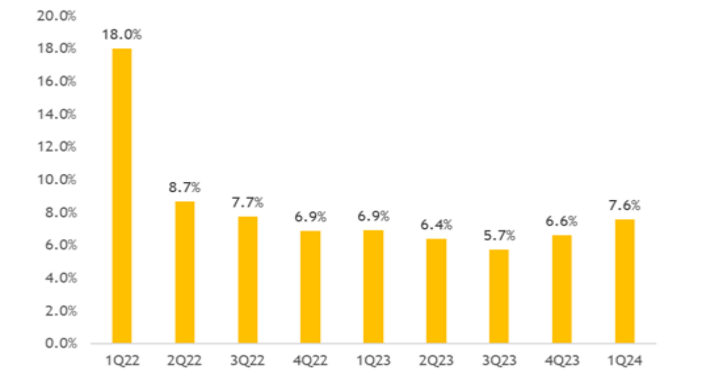
Furthermore, BUKA booked operating income of IDR3.3b for 1Q24, which we think is positive. We expect gross margin to be 6.5% for FY24E.

Fig 3: O2O quarterly revenue (IDRb) and growth YoY (RHS)



Source: Company, Maybank IBG Research

Fig 4: O2O gross margin (%)



Source: Company, Maybank IBG Research

We believe O2O will drive BUKA's growth and profitability in the future. This is mainly because we think the O2O segment has a less crowded market (albeit scattered), and BUKA only needs to compete with the traditional distribution companies (mostly focused on profitability).

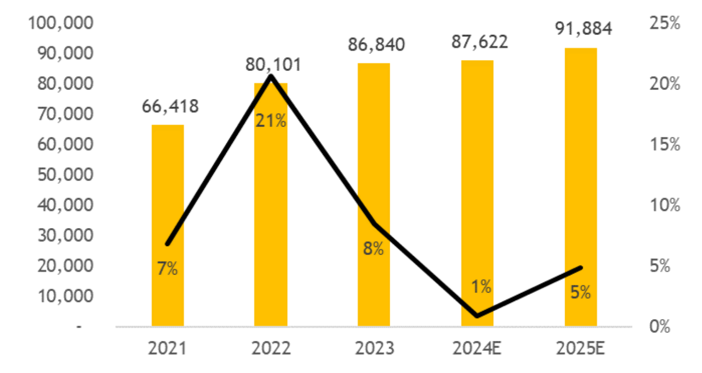
In our view, the strongest e-commerce competitor in O2O segment is Blibli.com (BELI IJ), as we view Shopee Indonesia, Tokopedia and Lazada Indonesia as being focused on the C2C marketplace.

Marketplace

BUKA's marketplace operating performance is in line with our forecast. 1Q24 TPV reached IDR21.6t (+0% YoY, +3% QoQ), achieving 25% of our IDR87.6t FY24 forecast.

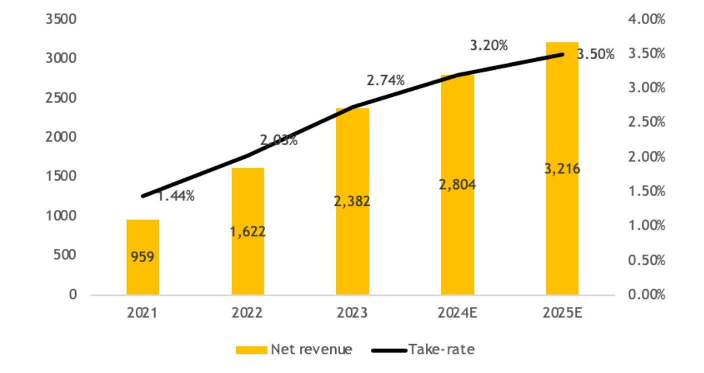
Marketplace's take rate is also stable, at 2.6% in 1Q24 (vs. 2.6% in 4Q23, but higher than 2.4% in 1Q23). We are expecting an improvement in 2H24, and likely to achieve our forecast of 3.2% take rate for FY24E, mainly as its peers are starting to increase e-commerce take rate.

Fig 5: Marketplace TPV trend (IDRb) and growth YoY (RHS)



Source: Company, Maybank IBG Research

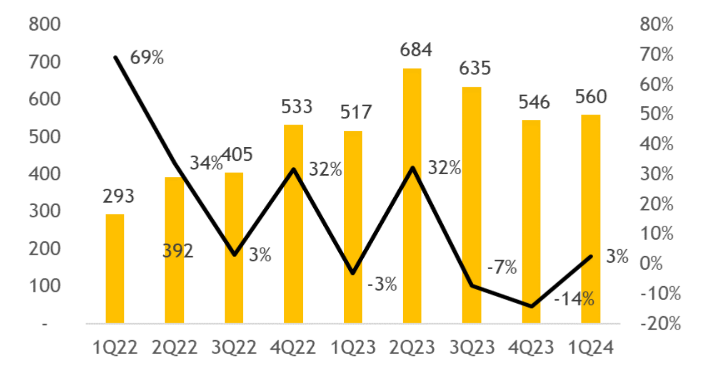
Fig 6: Marketplace net revenue and take rate (IDRb)



Source: Company, Maybank IBG Research

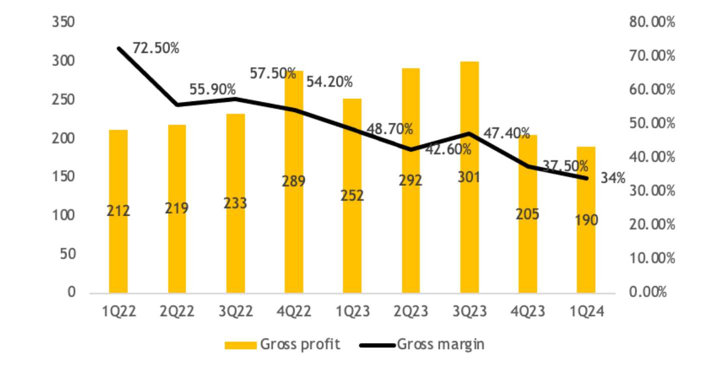
Marketplace booked revenue of IDR560b (+8% YoY, +3% QoQ), achieving 20% of our ID2.8t FY24 forecast. But gross margin declined to 34% in 1Q24 (vs. 48.7% in 1Q23 and 37.5% in 4Q23), likely due to competition in the C2C marketplace, which pushed management to maintain its service level to reap growth momentum during Eid.

Fig 7: Marketplace revenue trend (quarterly data) - IDRb



Source: Company, Maybank IBG Research

Fig 8: Marketplace gross profit and gross margin trend



Source: Company, Maybank IBG Research

We believe competition is moving in the right trajectory as peers are currently raising their take rate; Tokopedia increased its take rate to 2-6% starting May 2024 from 1.0-4.5% in December 2023.

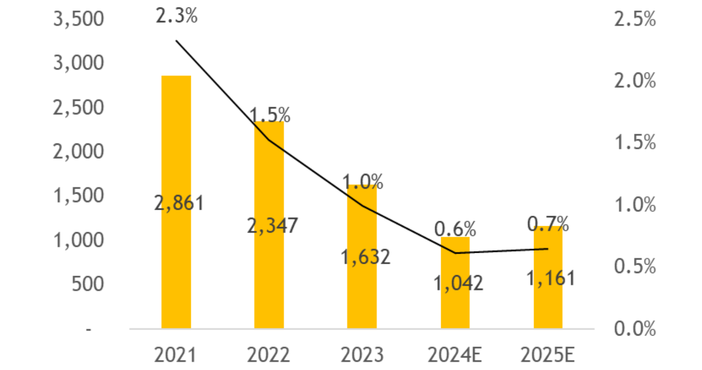
We think BUKA needs to maintain marketplace growth, mainly as it needs to: 1) maintain active sellers (to improve the shopping experience); 2) improve marketing/promotional campaigns; and 3) have competitive logistics. We see that discounts and promotions rank highly among the considerations of customers making purchasing decisions.

1.2 Still a cash-rich company

BUKA is still a cash-rich company, with cash of IDR11.8t in 1Q24 and long-term investments of IDR7.8t, which is predominantly in debt instruments (IDR6.3t, 81% of its long investments). Hence, we think the cash and its equivalent is about IDR19.6t in 1Q24 (excluding investment in current financial assets, mostly in listed shares).

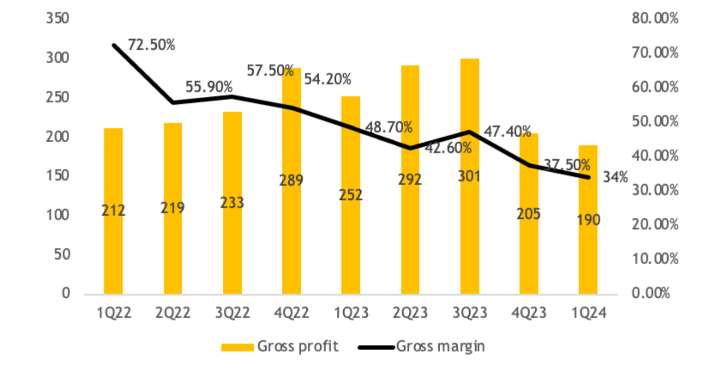
We estimate cash cost of IDR1.0t in FY24E; we think financial income itself can cover about 99% of its cash cost. Hence, we believe BUKA can run its operation for more than 19 years (assuming ceteris paribus).

Fig 9: Operating cash cost (IDRb) and % TPV (RHS)



Source: Company, Maybank IBG Research

Fig 10: Financial income and as % of cash cost

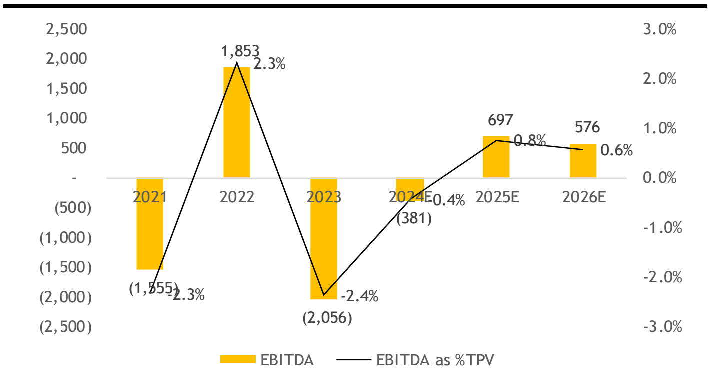


Source: Company, Maybank IBG Research

1.3 Adjusted EBITDA positive in 1Q24

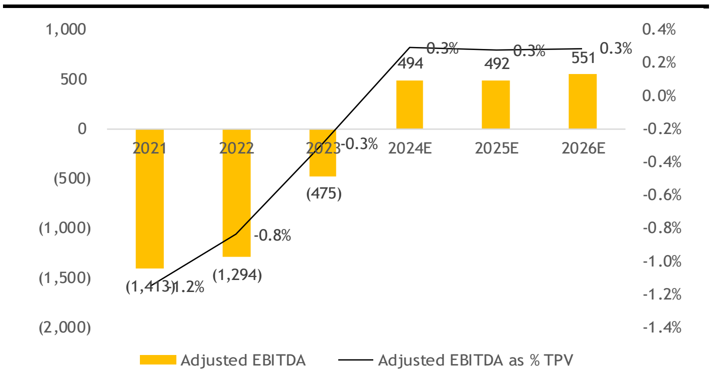
BUKA recorded IDR15b in adjusted EBITDA, in line with our previous forecast of IDR58b. Management targets adjusted EBITDA of above IDR200b in FY24E, which we see is possible as we forecast adjusted EBITDA of IDR494b for FY24E.

Fig 11: EBITDA trend (IDRb, % TPV)



Source: Company, Maybank IBG Research

Fig 12: Adjusted EBITDA trend (IDRb, % TPV)



Source: Company, Maybank IBG Research

1.4 Forecast revisions

Key changes to our assumptions are as follow:

Fig 13: Changes in our forecasts

	Old forecast			New forecast			Changes		
IDRb	**FY24E**	**FY25E**	**FY26E**	**FY24E**	**FY25E**	**FY26E**	**FY24E**	**FY25E**	**FY26E**
Sales	5,564	6,660	7,394	5,564	6,660	7,394	0%	0%	0%
Cost of revenues	-4,006	-4,828	-5,112	-4,208	-5,087	-5,640	5%	5%	10%
Gross profit	1,558	1,832	2,282	1,356	1,573	1,754	-13%	-14%	-23%
S&M expenses	-365	-430	-443	-380	-435	-485	4%	1%	9%
G&A expenses	-1,424	-1,480	-1,555	-879	-918	-1,026	-38%	-38%	-34%
Unrealized and realized (loss) gain on investments	375	300	100	-724	325	175	-293%	8%	75%
Other operating income/expenses	35	45	46	150	50	50	329%	11%	9%
Income (loss) from operations	179	266	431	-478	595	467	-367%	124%	8%
Finance income	650	683	717	1,029	1,075	1,100	58%	57%	53%
Finance expenses	-8	-8	-9	-5	-3	-2	-40%	-60%	-82%
Share of loss of associates	-26	-27	-28	-32	-34	-36	25%	26%	28%
Income (loss) before tax	795	914	1,111	514	1,633	1,530	-35%	79%	38%
Income tax (expenses)/benefit	-50	-100	-60	-50	-54	-56	0%	-46%	-7%
Loss for the year	745	814	1,051	464	1,579	1,474	-38%	94%	40%
Minority interest	-11	-11	-12	-13	-13	-14	16%	22%	18%
Net Income	756	825	1,063	451	1,565	1,460	-40%	90%	37%
EBITDA	179	266	431	-381	697	576	-313%	162%	34%
Adjusted EBITDA	58	197	598	494	492	551	751%	150%	-8%
Operational assumption									
Mitra TPV	82,449	86,526	89,079	82,449	86,526	89,079	0%	0%	0%
Marketplace TPV	87,622	91,884	101,072	87,622	91,884	101,072	0%	0%	0%
Overall TPV	170,071	178,410	190,151	170,071	178,410	190,151	0%	0%	0%
Mitra net take rate	3.30%	4.00%	4.30%	3.30%	4.00%	4.30%	0.00%	0.00%	0.00%
Marketplace net take rate	3.20%	3.50%	3.50%	3.20%	3.50%	3.50%	0.00%	0.00%	0.00%
Overall net take rate	3.30%	4.00%	4.30%	3.30%	4.00%	4.30%	0.00%	0.00%	0.00%

Source: Company, Maybank IBG Research

2. Valuation

We upgrade BUKA from HOLD to BUY. We maintain our SOTP-based TP of IDR160. Our TP implies 2.4x P/S and 0.6x P/BV for FY25E.

Fig 14: Marketplace valuation

Marketplace	IDRb
Revenue FY25E	6,660
Price to sales multiple	1.9
Market Cap	12,654

Source: Company, Maybank IBG Research

Fig 15: Allo Bank valuation (BUKA owns 11.5% of Allo Bank)

Allo Bank	IDRb
Shares outstanding (b)	2.5
Market price (IDR)	1,130
Allo Bank valuation (IDRb)	2,823

Source: Maybank IBG Research

Fig 16: SOTP valuation

SOTP	IDRb
Marketplace	12,654
Allo Bank	2,823
Allo Fresh	778
Market cap	16,254
Shares outstanding (b)	103
Target price (IDR)	160
Enterprise value	
Market cap (IDRb)	16,254
Interest-bearing liabilities (IDRb)	20
Cash (IDRb)	(21,903)
Enterprise value (IDRb)	(5,629)
Sales (IDRb)	6,660
EV/sales (x)	(0.8)

Source: Maybank IBG Research

3. Risks

Main risks to our call include: 1) slower-than-expected revenue growth; 2) diminishing competitiveness compared to its peers; 3) changes in the behaviour of MSMEs and its customers; 4) rising logistics costs; 5) execution risks; and 6) valuation trap.

FYE 31 Dec	FY22A	FY23A	FY24E	FY25E	FY26E
Key Metrics					
P/E (reported) (x)	16.0	nm	28.1	8.4	9.0
Core P/E (x)	nm	nm	11.2	10.6	10.2
P/BV (x)	1.0	0.9	0.5	0.5	0.5
P/NTA (x)	(3.2)	(20.7)	(6.3)	17.5	16.0
Net dividend yield (%)	0.0	0.0	0.0	0.0	0.0
FCF yield (%)	nm	nm	nm	nm	0.3
EV/EBITDA (x)	5.8	nm	nm	nm	nm
EV/EBIT (x)	6.2	nm	nm	nm	nm
INCOME STATEMENT (IDR b)					
Revenue	3,618.4	4,438.3	5,563.9	6,659.9	7,394.3
EBITDA	1,852.6	(2,056.3)	(380.6)	696.7	575.7
Depreciation	(93.0)	(72.7)	(97.2)	(101.6)	(108.4)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	1,759.6	(2,129.0)	(477.8)	595.1	467.4
Net interest income /(exp)	534.0	817.0	1,023.8	1,071.8	1,098.4
Associates & JV	(23.3)	(30.9)	(32.4)	(34.0)	(35.7)
Exceptionals	0.0	0.0	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	2,270.2	(1,342.8)	513.6	1,632.8	1,530.0
Income tax	(292.6)	(34.7)	(50.0)	(54.0)	(55.7)
Minorities	(6.0)	(12.2)	(12.8)	(13.4)	(14.1)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	1,983.6	(1,365.4)	476.4	1,592.3	1,488.4
Core net profit	(1,951.5)	(135.4)	1,200.8	1,267.5	1,313.6
BALANCE SHEET (IDR b)					
Cash & Short Term Investments	16,256.1	15,180.3	13,038.7	13,803.3	14,639.3
Accounts receivable	69.3	126.6	161.7	197.2	223.0
Inventory	71.0	106.2	134.6	162.9	182.9
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	23.1	17.5	17.3	12.6	31.2
Intangible assets	40.6	210.5	391.0	549.9	691.7
Investment in Associates & JVs	776.2	760.5	900.0	1,000.0	1,100.0
Other assets	10,170.1	9,723.3	11,927.8	12,492.5	12,870.9
Total assets	**27,406.4**	**26,124.8**	**26,571.1**	**28,218.5**	**29,739.0**
ST interest bearing debt	39.2	30.2	30.0	20.0	10.0
Accounts payable	270.5	261.7	50.0	60.0	61.8
Insurance contract liabilities	2.0	0.0	0.0	0.0	0.0
LT interest bearing debt	25.8	8.3	0.0	0.0	0.0
Other liabilities	570.0	492.0	708.0	790.0	858.0
Total Liabilities	**907.9**	**792.0**	**788.0**	**870.0**	**930.2**
Shareholders Equity	26,487.4	25,308.4	25,759.1	27,324.5	28,784.7
Minority Interest	11.1	24.4	24.0	24.0	24.0
Total shareholder equity	**26,498.5**	**25,332.7**	**25,783.1**	**27,348.5**	**28,808.7**
Total liabilities and equity	**27,406.4**	**26,124.8**	**26,571.1**	**28,218.5**	**29,739.0**
CASH FLOW (IDR b)					
Pretax profit	2,270.2	(1,342.8)	513.6	1,632.8	1,530.0
Depreciation & amortisation	93.0	72.7	97.2	101.6	108.4
Adj net interest (income)/exp	(534.0)	(817.0)	(1,023.8)	(1,071.8)	(1,098.4)
Change in working capital	(9,526.3)	280.6	(2,403.1)	(636.6)	(453.9)
Cash taxes paid	(292.6)	(34.7)	(50.0)	(54.0)	(55.7)
Other operating cash flow	1,132.6	162.2	150.0	120.0	150.0
Cash flow from operations	(6,857.1)	(1,679.1)	(2,716.2)	92.1	180.4
Capex	(15.0)	(61.3)	(97.7)	(102.7)	(137.7)
Free cash flow	(6,872.1)	(1,740.4)	(2,813.9)	(10.6)	42.7
Dividends paid	0.0	0.0	0.0	0.0	0.0
Equity raised / (purchased)	0.0	(27.9)	0.0	0.0	0.0
Change in Debt	(1,989.8)	(26.5)	(8.5)	(10.0)	(10.0)
Other invest/financing cash flow	417.6	719.0	680.8	785.2	803.3
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	(8,444.3)	(1,075.8)	(2,141.6)	764.6	835.9

FYE 31 Dec	FY22A	FY23A	FY24E	FY25E	FY26E
Key Ratios					
Growth ratios (%)					
Revenue growth	93.6	22.7	25.4	19.7	11.0
EBITDA growth	nm	nm	nm	nm	(17.4)
EBIT growth	nm	nm	nm	nm	(21.5)
Pretax growth	nm	nm	nm	217.9	(6.3)
Reported net profit growth	nm	nm	nm	234.2	(6.5)
Core net profit growth	nm	nm	nm	5.6	3.6
Profitability ratios (%)					
EBITDA margin	51.2	nm	nm	10.5	7.8
EBIT margin	48.6	nm	nm	8.9	6.3
Pretax profit margin	62.7	nm	9.2	24.5	20.7
Payout ratio	0.0	0.0	0.0	0.0	0.0
DuPont analysis					
Net profit margin (%)	54.8	nm	8.6	23.9	20.1
Revenue/Assets (x)	0.1	0.2	0.2	0.2	0.2
Assets/Equity (x)	1.0	1.0	1.0	1.0	1.0
ROAE (%)	7.9	(5.3)	1.9	6.0	5.3
ROAA (%)	(7.2)	(0.5)	4.6	4.6	4.5
Liquidity & Efficiency					
Cash conversion cycle	(36.8)	(10.9)	6.3	16.3	17.4
Days receivable outstanding	6.1	7.9	9.3	9.7	10.2
Days inventory outstanding	5.1	9.4	10.3	10.5	11.0
Days payables outstanding	48.0	28.3	13.3	3.9	3.9
Dividend cover (x)	nm	nm	nm	nm	nm
Current ratio (x)	27.2	28.1	24.3	24.0	24.0
Leverage & Expense Analysis					
Asset/Liability (x)	nm	nm	nm	nm	nm
Net gearing (%) (incl perps)	net cash	net cash	net cash	net cash	net cash
Net gearing (%) (excl. perps)	net cash	net cash	net cash	net cash	net cash
Net interest cover (x)	na	2.6	0.5	na	na
Debt/EBITDA (x)	0.0	nm	nm	0.0	0.0
Capex/revenue (%)	0.4	1.4	1.8	1.5	1.9
Net debt/ (net cash)	(16,191.1)	(15,141.7)	(13,008.7)	(13,783.3)	(14,629.3)

Source: Company; Maybank IBG Research

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