

ASEAN GEMS CONFERENCE HIGHLIGHTS

Gojek Tokopedia (GOTO IJ)

Kitchen Sink Of Rp76.6t In Goodwill Might Clear Future Negative Surprise

GOTO disclosed that there could be a goodwill impairment charge in 4Q23. We view that if the entire balance of Rp76.6t is charged off, it will clear the negative surprise in 2024. GOTO will record a positive adjusted EBITDA in 4Q23 with the on-demand service segment continuously being EBITDA positive. Future upside will come from selling financial service and providing loans to TikTok customers. With the large impairment surprise behind us, we upgrade GOTO to HOLD with a target price of Rp73.

WHAT'S NEW

- **Potential Rp76.6t goodwill impairment to be charged in 4Q23.** Gojek Tokopedia (GOTO) informed our Taipei investors there could be a one-time goodwill impairment charge amounting to Rp76.6t in 4Q23, which is related to the acquisition of Tokopedia. GOTO believes that after the divestment of 75% of Tokopedia to TikTok Shop, the goodwill should be written off. GOTO mentioned that since its Tokopedia acquisition, it saw the valuation of other similar technology companies in the region contracting 75-80%.
- **Positive adjusted EBITDA to be reported in 4Q23.** GOTO also highlighted that it should record positive adjusted EBITDA in 4Q23. Its on demand service has consistently been in positive territory in 4Q23. The 0.4% commission of the newly enlarged entity of TikTok Shop and Tokopedia came in starting 1 Feb 24. 2023 financials will still include Tokopedia revenue and expense, and starting 1 Feb 24, Tokopedia's performance will be recorded as subsidiary income (losses).
- **Not in merger talks with Grab but this should not be a regulatory issue as new competitors have emerged.** GOTO is not in talks with Grab for a merger but mentioned that recently, new competitors have emerged including Comfort, Becar and Maxim. The merger should not be an issue with anti-monopoly regulation.
- **44% qoq rise in loan business.** In an effort to monetise its financial service business, Go Financial is pushing its GoPayPinjam and GoPayLater. From 4Q22 to 1Q23, GOTO's loan book rose 40% qoq. It also jumped by an additional 21% in 2Q23 and 44% in 3Q23.

KEY FINANCIALS

Year to 31 Dec (Rpb)	2021	2022	2023F	2024F	2025F
Net turnover	4,536	11,349	13,852	14,059	13,890
EBITDA	(17,266)	(24,504)	(4,213)	(149)	6,953
Operating profit	(22,100)	(30,330)	(12,677)	(8,003)	1,318
Net profit (rep./act.)	(23,468)	(39,571)	(87,142)	(7,767)	1,556
Net profit (adj.)	(23,468)	(29,372)	(8,934)	(7,621)	1,214
EPS (Rp)	(1,981.4)	(2,479.9)	(685.7)	(531.8)	77.0
PE (x)	n.m.	n.m.	n.m.	n.m.	0.9
P/B (x)	0.0	0.0	0.0	0.0	0.0
EV/EBITDA (x)	n.m.	n.m.	n.m.	n.m.	11.0
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net margin (%)	(517.4)	(348.7)	(629.1)	(55.2)	11.2
Net debt/(cash) to equity (%)	(20.5)	(21.3)	(41.2)	(34.1)	(41.6)
Interest cover (x)	n.a.	n.a.	n.a.	(2.2)	68.2
ROE (%)	n.a.	n.a.	n.a.	n.a.	5.8
Consensus net profit	-	-	(11,981)	(4,831)	(1,472)
UOBKH/Consensus (x)	-	-	0.75	1.58	n.m.

Source: GOTO Gojek Tokopedia, Bloomberg, UOB Kay Hian
n.m. : not meaningful; negative P/E, EV/EBITDA reflected as "n.m."

HOLD

(Upgraded)

Share Price	Rp73
Target Price	Rp73
Upside	+0.6%
(Previous TP)	Rp75

COMPANY DESCRIPTION

is the leader in Indonesia's on-demand services, e-commerce, e-wallet and digital payment gateway markets. Its on-demand services division includes GoJek, GoCar, GoSend and logistics. It also owns Tokopedia and Go.

STOCK DATA

GICS sector	Consumer Discretionary
Bloomberg ticker:	GOTO IJ
Shares issued (m):	1,150,838.0
Market cap (Rpb):	87,702.9
Market cap (US\$m):	5,589.4
3-mth avg daily t'over (US\$m):	16.9

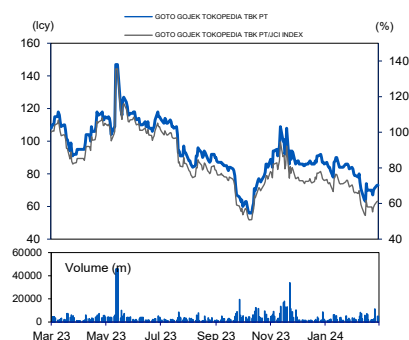
Price Performance (%)

52-week high/low	Rp147/Rp56				
1mth	3mth	6mth	1yr	YTD	
(12.0)	(15.1)	(20.7)	(37.1)	(15.1)	

Major Shareholders

	%
GOTO Peopleverse Fund	9.4
Alibaba Group	9.2
SVF GT SUBC	9.1
FY24 NAV/Share (Rp)	1,819
FY24 Net Cash/Share (Rp)	6,206

PRICE CHART



Source: Bloomberg

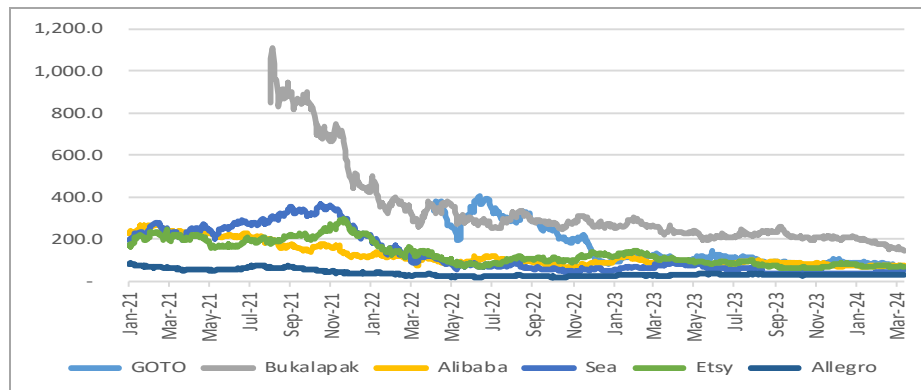
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STOCK IMPACT

- **Growth in e-commerce should translate to higher fees.** E-commerce in Indonesia is expected to rise by 14.5% CAGR from US\$62b to US\$160b. The rate charged to gross merchandise value (GMV) will be approximately 0.4% of GMV. GOTO should see its EBITDA turning positive starting 2024, from a US\$134m loss in 9M23 EBITDA.
- **Offering financial products to TikTok customers.** According to GOTO, opportunities exist in offering financial products to TikTok customers. Currently TikTok has 125m addressable customers compared with GOTO's 18m. Less than half of TikTok consumers use digital payment and the Buy Now Pay Later business is non-existent on TikTok.

MOVEMENT OF E-COMMERCE STOCKS



Source: UNVR, UOB Kay Hian

EARNINGS REVISION/RISK

- **Incorporating the Rp76.6t goodwill charge off.** We incorporate the Rp76.6t impairment charge in our model and adjust our 2023 NPAT forecast from Rp13.5t loss to Rp87.1t loss.

NEW, ORIGINAL AND CONSENSUS FORECASTS

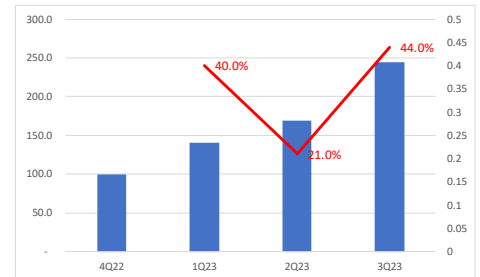
	New		Original		Difference (%)		Street		Difference (%)	
	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F
Sales	13,852	14,059	13,852	17,854	0.0%	-21.3%	15,285	16,424	-9.4%	-14.4%
Gross Profit	8,098	8,998	8,098	11,812	0.0%	-23.8%	9,814	11,947	-17.5%	-24.7%
EBITDA	(4,213)	(149)	(4,213)	(1,045)	0.0%	85.7%	(9,886)	(1,633)	57.4%	90.9%
Op Profit	(12,677)	(8,003)	(12,677)	(10,798)	0.0%	25.9%	(11,971)	(5,136)	-5.9%	-55.8%
Net Income	(87,142)	(7,767)	(13,546)	(10,577)	-543.3%	26.6%	(11,754)	(8,780)	-641.4%	11.5%
Gross Margin	58.5	64.0	58.5	66.2	-	(216)	64.2	72.7	(574)	(875)
Op Margin	-91.5	-56.9	-91.5	-60.5	-	356	-78.3	-31.3	(1,319)	(2,565)
Net Margin	-629.1	-55.2	-97.8	-59.2	(53,129)	400	-76.9	-53.5	(55,218)	(179)

Source: UNVR, UOB Kay Hian

VALUATION/RECOMMENDATION

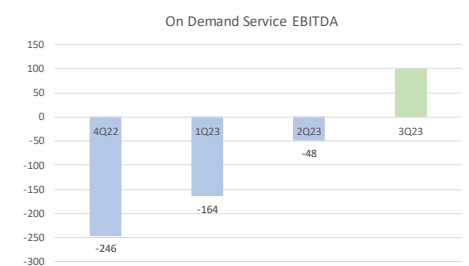
- **Upgrade to HOLD with a target price of Rp73.** Since our downgrade on 2 Jan 24, the share price declined 16.1% compared with the JCI's 0.26% return, in line with our SELL rating. We believe the worst is behind us and decide to upgrade GOTO to HOLD. We will be more bullish if there is consistency in profit improvement in 2024. Our target price is derived using fair EV/GMV of 0.18 and 25% discount from GOTO's fair value, accounting for Tokopedia sales.

LOAN BOOK



Source: GOTO

ON DEMAND SERVICE EBITDA



Source: GOTO

VALUATION

	2024F
GOTO GMV (Rp b)	733,379
Fair EV/GMV	0.18
GOTO EV (Rp b)	130,407
Minus Debt (Rp b)	4,026
Plus Cash (RpB)	13,942
GOTO Fair Value (Rp b)	140,323
No of Shares (b shares)	1,433
Discount because of Tokopedia sale	105,242
Fair Value (Rp per share)	73
Target Price	73

Source: GOTO

PROFIT & LOSS

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
Net turnover	11,349	13,852	14,059	13,890
EBITDA	(24,504)	(4,213)	(149)	6,953
Deprec. & amort.	5,826	8,464	7,855	5,635
EBIT	(30,330)	(12,677)	(8,003)	1,318
Associate contributions	(10,600)	(78,278)	101	797
Net interest income/(expense)	385	227	(69)	(102)
Pre-tax profit	(40,545)	(90,728)	(7,971)	2,013
Tax	136	2,969	150	(443)
Minorities	837	617	54	(14)
Net profit	(39,571)	(87,142)	(7,767)	1,556
Net profit (adj.)	(29,372)	(8,934)	(7,621)	1,214

CASH FLOW

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
Operating	(17,206)	(5,563)	(7,420)	2,782
Pre-tax profit	(40,545)	(90,728)	(7,971)	2,013
Tax	136	2,969	150	(443)
Deprec. & amort.	5,826	8,464	7,855	5,635
Working capital changes	804	231	(99)	247
Other operating cashflows	16,572	73,501	(7,355)	(4,670)
Investing	1,134	(3,392)	2,738	949
Capex (growth)	(348)	(146)	(160)	(176)
Investments	165	(3,246)	2,899	1,126
Proceeds from sale of assets	(46)	0.0	0.0	0.0
Others	1,363	0.0	0.0	0.0
Financing	13,374	(700)	(735)	(771)
Issue of shares	13,739	(732)	(769)	(807)
Proceeds from borrowings	1,491	1,566	1,644	1,726
Loan repayment	(1,528)	(1,604)	(1,684)	(1,768)
Others/interest paid	(329)	70	74	78
Net cash inflow (outflow)	(2,698)	(9,655)	(5,416)	2,959
Beginning cash & cash equivalent	31,151	29,009	19,356	13,942
Changes due to forex impact	556	2.3	2.4	2.6
Ending cash & cash equivalent	29,009	19,356	13,942	16,904

BALANCE SHEET

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
Fixed assets	1,457	1,603	1,763	1,940
Other LT assets	103,579	24,098	21,203	20,094
Cash/ST investment	29,009	19,356	13,942	16,904
Other current assets	5,171	6,116	6,039	5,800
Total assets	139,217	51,174	42,948	44,738
ST debt	615	3,368	3,035	3,144
Other current liabilities	11,547	11,446	11,489	11,121
LT debt	1,826	1,918	2,013	2,114
Other LT liabilities	2,505	2,630	2,761	2,899
Shareholders' equity	124,921	34,120	26,072	28,004
Minority interest	(2,198)	(2,308)	(2,423)	(2,544)
Total liabilities & equity	139,217	51,174	42,948	44,738

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	(215.9)	(30.4)	(1.1)	50.1
Pre-tax margin	(357.2)	(655.0)	(56.7)	14.5
Net margin	(348.7)	(629.1)	(55.2)	11.2
ROA	n.a.	n.a.	n.a.	3.6
ROE	n.a.	n.a.	n.a.	5.8
Growth				
Turnover	150.2	22.1	1.5	(1.2)
EBITDA	n.a.	n.a.	n.a.	n.a.
Pre-tax profit	n.a.	n.a.	n.a.	n.a.
Net profit	n.a.	n.a.	n.a.	n.a.
Net profit (adj.)	n.a.	n.a.	n.a.	n.a.
EPS	n.a.	n.a.	n.a.	n.a.
Leverage				
Debt to total capital	2.0	14.2	17.6	17.1
Debt to equity	2.0	15.5	19.4	18.8
Net debt/(cash) to equity	(21.3)	(41.2)	(34.1)	(41.6)
Interest cover (x)	n.a.	n.a.	(2.2)	68.2

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