

PT GoTo Gojek Tokopedia 2Q24 Earnings Call Transcript

Corporate Participants

Patrick Walujo *PT GoTo Gojek Tokopedia Tbk - President Director, Group CEO*

Thomas Husted *PT GoTo Gojek Tokopedia Tbk - Vice President Director, President, Financial Technology*

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Catherine Hindra Sutjahyo *PT GoTo Gojek Tokopedia Tbk - President, On-Demand Services*

Reggy Susanto *PT GoTo Gojek Tokopedia Tbk - Head of Investor Relations*

Simon Ho *PT GoTo Gojek Tokopedia Tbk - Incoming Group CFO*

Conference Call Participants

Ferry Wong *Citi*

Henry Wibowo *J.P. Morgan*

Ryan Winipta *Indopremier*

Adrian Joezer *Mandiri Sekuritas*

Pang Vittayaamnuaykoon *Goldman Sachs*

Presentation

Reggy Susanto *PT GoTo Gojek Tokopedia Tbk - Head of Investor Relations*

Hello, everyone. This is Reggy Susanto, Head of Investor Relations. Welcome to the PT GoTo Gojek Tokopedia Tbk second-quarter 2024 earnings conference call. Please be advised that today's conference is being recorded.

On today's call, Patrick Walujo, President, Director, and Group CEO; and Jacky Lo, Group CFO, will deliver prepared remarks. Following their commentary, we will open up the call for questions and be joined by Thomas Husted, our Vice President, Director, and President of Financial Technology; Hans Patuwo, our Chief Operating Officer; Catherine Hindra Sutjahyo, our President of On-Demand Services, and Simon Ho, our incoming Group CFO.

We would like to highlight that the information presented today has been prepared solely based on unaudited, consolidated, selected financial information for the three and six months period ended June 30, 2024 and 2023. As a reminder, today's discussion may contain forward-looking statements about the Company's future business and financial performance, as well as certain non-Indonesian financial accounting standard measures as complements to the Indonesian Financial Accounting Standards disclosures. Before using and/or relying on

these measurements and forward-looking statements, please take note of our disclaimer and cautionary statements disclosed in our earnings presentation and press release.

During the earnings call, we will review the results of our operations and earnings presentation, which can be found on our website. Our reporting currency is the Indonesian Rupiah, and we will denote the U.S. dollar equivalent by applying an exchange rate of 16,421 Rupiah to \$1 based on the middle rates published by Bank Indonesia as of the end of June 2024.

We will refer to pro forma figures to facilitate like-for-like sequential and year-on-year comparisons of our performance following the closing of our announced agreement with TikTok and the deconsolidation of GoTo Logistics. These pro forma figures assume that Tokopedia and GoTo Logistics were deconsolidated on January 1, 2023.

For more information and additional disclosures on our recent business and financial performance, please refer to our earnings press release and supplemental presentation, which can be found on our IR website.

With that, I will turn the call over to Pak Patrick.

Patrick Walujo *PT GoTo Gojek Tokopedia Tbk - President Director, CEO*

Thank you, Reggy. Hello, everyone. And thank you for joining us today.

On our first quarter call in April, we informed you that having greatly improved profitability throughout 2023, our focus has turned to business growth. I am happy to report today that in the second quarter, our growth accelerated as our strategic focus on mass market consumers continued to pay off. Addressing the needs of our consumers, whether they seek value or convenience, will provide the foundation for our growth over the rest of the year as we aim to increase our top line while remaining committed to adjusted EBITDA breakeven for the full year.

All of the cylinders within our business are firing, with strong performance from GoPay, the lending business and On-Demand Services. Second quarter Group Core GTV was up 54% year on year, underpinned by a 20% year on year increase in monthly transacting users. Both of these results are at their highest since we began pursuing profitability in early 2023. They were achieved while we also steadily improved adjusted EBITDA compared to the previous quarter, demonstrating our ability to grow the business while maintaining our bottom line.

Growth has come about as a result of our mass-market strategy, product innovation and our relentless approach to execution, as we expanded and deepened our customer reach with new products that appeal to more people, while lowering our cost to serve.

Turning to On-Demand Services, in the second quarter, we saw significant growth and increasing market share as we cemented our market leadership in Indonesia, with GTV and completed orders in Indonesia growing by 18% and 24% year on year respectively, reaching all time highs. For the business as a whole, GTV was up 14% and completed orders grew by 20% year on year. Both metrics also reached their highest since we began our profitability journey in early 2023.

As part of our mass market strategy, we launched an affordable two-wheel ride product and improved our affordable food delivery service. By leveraging products rather than incentives in this way, we are driving profitable growth among new, as well as previously dormant users. A quarter of our new and reactivated users, over the past few months, were mass-market product users. This is good for us because people that use both mass-market and affluent products transact significantly more often and are more loyal to the platform. Frequent mass market product users are also more likely to use our lending products.

At the same time, our rapidly growing subscription offering is an effective tool for deepening wallet share. On average, subscribers spend about three times more in GTV versus non-subscribers. They use a wider range of services, and they have higher retention rates. For this reason, we expanded Gojek PLUS in Q2 to include all ODS services. As a result, subscriber numbers have doubled since the beginning of the year, with GTV from subscribers now accounting for 20% of our total On-Demand GTV in Indonesia.

Progress in Singapore is also supporting growth in On-Demand Services. By combining our data with official statistics from Singapore's Land Transport Authority, we estimate that our market share increased by 3-percentage-points in Q2. This gain in market share was aided by our partnership with ComfortDelGro, which we launched in late April, helping us to address local driver supply challenges.

Turning now to our Financial Technology business, the ongoing growth in both our payments and Lending Services drove Core GTV up by 65% year on year. GoPay App downloads have now cumulatively reached over 30 million, while the cost per install continues to decline.

Our loan book grew around three-and-a-half times compared to last year, reaching 3.5 trillion Rupiah, and we maintained a healthy NPL at a similar level to last quarter. The GoPay App, ODS and e-commerce use cases continue to act as strong drivers for our lending business.

We have also launched our BNPL product as an installment payment method for users who shop on Shop|Tokopedia on the TikTok platform.

GoTo Financial is still in its early stages. We are confident that it is gaining growth momentum, and we are focused on investing in its expansion. Our financial products are highly competitive, giving us real advantages as we work to expand our products and increase our penetration in financial services, where we have massive room to grow. At the same time, we will continue to act prudently, ensuring we maintain optimal asset quality within the current macro environment.

I'd like to pause here to take a step back. I was appointed GoTo CEO one year ago in June 2023. Having spoken about the quarter, I'd now like to take a few minutes to speak more broadly about our progress over the period that I have been CEO. I will briefly summarize our achievements, and the challenges that lie ahead.

Most importantly, we aggressively cut our cash burn, meeting our target to turn Adjusted EBITDA positive in the fourth quarter of 2023. This was a huge achievement that meant reported Group Adjusted EBITDA losses in 2023 were cut by 12.3 trillion Rupiah or close to 800 million US Dollars compared to 2022, as we relentlessly focused on cost reduction. The sustainability of our business was further enhanced by our ground-breaking partnership with TikTok, which immediately turned our e-commerce segment into a cash generating engine that is growing again.

We have also focused our attention on growth to ensure our business is sustainable over the long term. We have taken a product-focused approach to this, expanding our product range, while lowering our cost to serve. As I mentioned, we have increased our range of affordable products, broadening our appeal to the mass market, while also increasing usage by growing our Gojek Plus subscription offering. The GoPay app, which launched in July last year, has been a run-away success, acting as a standalone channel to acquire mass market users, while our lending business has gone from strength to strength.

We have achieved a lot. This considerable operational and financial turnaround was made possible by strong and tireless execution from our employees. I'm fortunate to have inherited an excellent team, while attracting strong new talent that has helped drive us forward. As a result, GoTo is in a healthier and more sustainable financial and competitive position today than it was just 12 months ago. The company's fundamentals have never been stronger and I am proud to have played a role in bringing about such great improvements.

Many of our biggest hurdles are behind us, but our work is far from done. Competition will continue to be intense across all segments as our peers attempt to capitalize on the potential of Indonesia. Indonesia is our home, and as the local incumbent, we are well armed and fully prepared for this. At the same time, there are huge opportunities for growth. The On-Demand market in Indonesia remains underpenetrated and our loan book, though growing rapidly, is still nowhere near the scale we believe we can achieve.

We will realize this growth potential with urgency by focusing relentlessly on what our customers want and expect of us. For us, growth must not come at the expense of customer experience. Our powerful platforms together must strive to offer Value, Convenience and Delight to them as we unleash the full potential of our ecosystem, which is unique compared to our competitors.

Looking ahead to the second half of 2024, we will accelerate further still, building on the strong foundation we have developed. Thanks to our efforts over the past year, GoTo now has two critical new user funnels in the form of our affordable ODS products and the Gopay App. The GoPay App's Total Addressable Market alone is approximately 150 million people, and we are still in the early stages of what is possible.

With our current momentum, we will leverage all of the tools in our arsenal to drive user growth and provide more value. This will include driving greater cross-selling, as our ability to match mass-market consumers with lending products is a key benefit of our ecosystem that our peers do not share.

Artificial Intelligence will also play a significant role. We recently announced the formation of GoTo AI, a long-term program for the development and utilization of AI across the GoTo ecosystem. We think about AI through the lens of our customers and will use it to make sure we are ahead of the curve in leveraging this critical emerging technology in a way that provides benefits to them. For example, we recently launched Dira, the world's first AI-enabled fintech voice assistant in Bahasa Indonesia on the GoPay app. This will have an immediate impact on user experience and provide first-time access to the technology for many non-English speakers in Indonesia. There is much more in the pipeline as we seek to use our considerable internal expertise as well as partnerships in the most efficient way possible.

Finally, I'd like to emphasize that as always, we will continue to work hard to balance growth and investment, with disciplined cost management, ensuring we remain on track to achieve our goal of full-year Adjusted EBITDA breakeven.

With that, I'll turn the call over to Jacky to review our financial performance for the period. As you know, this will be Jacky's last call with us. I'd like to thank him for all his hard work and support in getting us to where we are today. I'd also like to welcome our incoming CFO Simon Ho, who has already joined the company and will officially assume the CFO position in August. He will also join our Board of Directors in August subject to shareholder approval. He's been liaising closely with Jacky to get up to speed and is on the call with us today.

Jacky, please go ahead.

Wei-Jye (Jacky) Lo *PT GoTo Gojek Tokopedia Tbk - Group CFO*

Thank you Patrick, and thank you all for joining our call. As a reminder, I will be discussing pro forma financials today that assume the deconsolidation of Tokopedia and GoTo Logistics took place on January 1, 2023, to facilitate like-for-like sequential and year-on-year performance comparisons. Additionally, we have included as-reported operating and financial results in the appendix of our presentation for reference.

As Patrick mentioned, our second quarter financial and operating results reflect an acceleration in growth, coupled with prudence in our spending. We have shown revenue growth and reduced marketing expenses this quarter. We have also improved our reported Adjusted EBITDA year on year for the eighth quarter in a row.

At the Group level, GTV reached 121.5 Trillion Rupiah or 7.4 billion US Dollars, up 26% year-on-year. This is on top of the double-digit year-on-year uplift we saw in the first quarter. Our core GTV grew even faster at 54% YoY to 63.2 Trillion Rupiah. Gross revenues increased 39% year on year to 4.3 Trillion Rupiah or 260 million US Dollars. If the change in ODS business model from an agency to a principal model is applied to the second quarter of 2023, our revenue growth is 25% year on year on a stable take rate.

We remain highly committed to disciplined cost management. Our recurring cash fixed costs were 1.3 trillion rupiah, or 78 million US Dollars, decreasing 5% year-on-year. We also reduced our reported recurring cash corporate costs by 44% year-on-year to 201 billion Rupiah, or 12 million US Dollars.

Group Adjusted EBITDA was negative 48 billion rupiah or 2.9 million US Dollars, as we reduced our losses by 95% year-on-year and 53% quarter-on-quarter. These improvements in Adjusted EBITDA were reached while we continued to grow our top line and invest in both ODS and Fintech's growth during the period.

Now, let's look at our financial performance in each segment.

In On-Demand Services, GTV was up 14% year on year underpinned by our mass market strategy as explained by Patrick. Gross revenues also grew by 17% year-on-year, or 5% on a like-for-like basis accounting for the change in our business model enacted last quarter. Recurring cash fixed costs decreased by 14% year-on-year, as a result of our cost savings initiatives. On-Demand Services was Adjusted EBITDA positive again this quarter at 90 billion rupiah or 5.5 million US Dollars, an uplift of 254 billion Rupiah, or 15.5 million US Dollars year-on-year.

Turning to Fintech, we are seeing substantial growth. GTV grew by 27% year-on-year and our Core GTV was up 65% year-on-year, led by growing payments adoption through the GoPay App. Our consumer lending book grew around three-and-a-half times year-on-year to reach 3.5 trillion Rupiah, or 210 million US Dollars. Around 80% of our total loan outstanding as of 2Q24 is channeled through Bank Jago. Gross revenues grew 97% year on year to 788 billion rupiah or 48 million US Dollars and our take rate increased by 24 basis points year-on-year due primarily to growth in our lending products.

Ongoing investment in the Fintech business is beginning to bear fruit, with revenue doubling while recurring cash fixed costs decreased 7% year on year, driven mostly by IT infrastructure cost reduction. Adjusted EBITDA loss narrowed by 67% year on year to 168 billion Rupiah, or 10 million US Dollars, as we recognized increased revenue from scaling the lending business.

In e-commerce, we received a full quarter of E-commerce service fee from Tokopedia in Q2, a cash inflow for the e-commerce segment amounting to 171 billion Rupiah or 10.4 million US Dollars. The net total is 157 billion Rupiah or 9.6 million US Dollars when VAT is excluded.

In addition, the divestment of a number of businesses under GoTo Logistics associated with Tokopedia, was completed in early May. GoTo Logistics was completely deconsolidated from our financial reporting at that time.

Our cash balance remains strong. As of June 30, we had 22 trillion Rupiah or 1.34 billion US Dollars in cash, cash equivalents and short-term time deposits. Looking to the remainder of the year, we are in an optimal position to continue our growth and reach our Adjusted EBITDA breakeven target for the full year of 2024.

I'd now like to give a quick update on our buyback program and the corporate actions we are undertaking to return value to our shareholders. As you know, our shareholders approved a share buyback program in June for a maximum amount of 200 million US Dollars, valid for a

12 month period. As of June 30, 2024, we have conducted a buyback of 3.8 billion shares in total, amounting to approximately 12 million US Dollars, or 198.4 billion rupiah with the applicable exchange rate for the period.

We also announced last week that as part of the Extraordinary General Meeting of Shareholders we plan to conduct in August, we will seek approval for the cancellation of treasury shares relating to historical buyback initiatives. Subject to shareholder approval, the Company will reduce capital by canceling over ten billion Series A shares, all of which were acquired in 2021 and 2022 through pre-IPO buybacks, as well as the company's IPO-related greenshoe program. This will add value to our shareholders by reducing the number of shares in circulation.

We will also seek our annually recurring approval to increase capital through a Non-Pre-emptive Rights share issuance. As an administrative matter, this is an application we make every year to maintain flexibility should an opportunity that is in the Company's interest arise or as a safety net in the event that an unexpected change in the macroeconomic environment necessitates additional funding. Applying for Non-Pre-emptive Rights share issuance does not mean we intend to execute on it should it be approved and the Company currently has no plans that would require additional funds. We will continue to make this application every year, without necessarily executing on it, as we deem flexibility in this regard to be prudent as this puts us in line with global peers who are not subject to this requirement.

Before we open the call to your questions, I would like to thank everyone at GoTo for their support and partnership and introduce you to your new, incoming CFO, Simon Ho. Simon and I have been working together closely to ensure a seamless transition, and you are in very capable hands. Welcome, Simon, and please go ahead.

Simon Ho *PT GoTo Gojek Tokopedia Tbk - Incoming Group CFO*

Thank you, Jacky and Patrick. I'm delighted to join the Group and support the next phase of the Company's growth. GoTo has overcome significant challenges over the past year, emerging with a stronger foundation, a sound strategy and a vastly improved financial profile. Having worked as CFO at a public fintech company, I can assure you that these achievements were no small feat. This is an exceptional Company with an outstanding leadership team with a clear vision who are adept at strategic execution. We have tremendous opportunities ahead, remarkable products and a vast market in which GoTo can thrive. I look forward to helping

further build this business together and engaging with everyone at GoTo and the investment community in more depth over the coming months. With that, I'll hand the call back to Reggy to open the call up for questions. Reggy?

Q&A Segment

Reggy Susanto *PT GoTo Gojek Tokopedia Tbk - Head of Investor Relations*

Thank you, Simon and Jacky. We will now start our Q&A section. Please use the raise hand function to ask your questions. Please wait a moment while we assemble our roster.

The first question comes from Ferry Wong from Citi. Please unmute your microphone to ask your question.

Ferry Wong *Citi*

Hi. Thank you, management. Thanks for the opportunities and congratulations on your strong second quarter result. Basically, I have 3 questions. The 1st one is on your target on the adjusted EBITDA on the group level. Basically, in the 1st quarter and 2nd quarter, your adjusted EBITDA is still negative. What is the plan to reach positive adjusted EBITDA in the second half? Basically, I think in order to achieve the break even adjusted EBITDA, you need to be, well, to record a positive adjusted EBITDA. Can you elaborate on that more for the second half outlook?

Second question is with regards to the growth outlook on your consumer loan, the GoTo Financial loan. Is there any plan for more innovative businesses to accelerate GoTo Financial's loan product? Basically, you have achieved 3.5 trillion, which is actually commendable. How's the outlook for the second half and also 2025?

The third one is on TikTok. Basically on the news we heard that TikTok is looking to enter into local service, including food delivery. What are your thoughts on this? And will TikTok be a competitor to GoFood? That's all. Thanks a lot.

Thomas Husted *PT GoTo Gojek Tokopedia Tbk - Vice President Director, President, Financial Technology*

Thank you, Patrick. And thanks, Ferry, for the question. So the question was on growth and innovation. So just to recap, we did have strong growth so far. The loan book now sits at 3.5

trillion and we are up 3.5 times since last year and 26% in the second quarter. So when I think about this, I do believe we can continue the strong growth, especially for the medium term.

As I look at the current loan book, it feels small relative to the overall market opportunity. And what we've been focusing on over the last year is really to expand the use cases for our lending. So, for example, we have now successfully rolled out BNPL on both Gojek and Tokopedia. And I'm sure you saw in the news that we've launched BNPL on TikTok's Shop Tokopedia in June. That's obviously very nascent, but we expect that that should be successful. Similarly, on the GoPay, on the cash loan product, we've taken a similar approach about trying to launch this on as many use cases as possible. So the cash loan is now available on both GoPay app, Gojek and Tokopedia.

And in the near term, we're going to continue to look for use cases of these products going forward. On specific future plans I think you've probably heard from some of our partners that we are piloting a vehicle financing project with BFI. To start, this product is going to focus on our drivers. The use case will be both for two and four-wheelers. And if that is successful, then the plan is to launch this product to our GoPay customers. I do want to stress this project is in the development phase. It's looking good. We are disbursing more and more each month and we're working closely with both BFI and Jago to make sure that it's a seamless execution, and we're making sure that the drivers have control of the overall process. So it feels like we've made good progress there, but we're not in a position to give any guidance. My expectation is that we'll be able to talk about this product in detail in early 2025. So that will be a growth area to look at. And then finally, we are going to revisit our merchant lending product in 2025 and try to use that as a growth engine as well.

Patrick Walujo *PT GoTo Gojek Tokopedia Tbk - President Director, CEO*

And on the third question about TikTok's local services business, maybe Cath, you can address that.

Catherine Hindra Sutjahyo *PT GoTo Gojek Tokopedia Tbk - President, On-Demand Services*

Sure. Thanks, Pat. Hi, Ferry. Thank you for the question. Catherine here. I'm actually happy to share that for GoFood we are partnering with TikTok actually in Indonesia as part of our pilot task for its local services delivery feature.

So the users in TikTok actually can tap on the, you know, they have that point of interest tag, in TikTok video? So when they tap on that, they will be able to discover food delivery and essentially what it will do, it will direct it to the GoFood page where the user will be able to initiate and complete the transaction. What this partnership is with them is basically allowing TikTok users to now be able to purchase, order food from all of our GoFood merchants. So this is basically a part of our continued collaboration with them.

Reggy Susanto *PT GoTo Gojek Tokopedia Tbk - Head of Investor Relations*

Thanks Ferry. Our next question comes from the line of Henry Wibowo of JP Morgan. Henry, your line is now open. Please unmute your microphone to ask your question.

Henry Wibowo *J.P. Morgan*

Hi, everyone. Thanks, Patrick, Jacky, Reggy, Simon for the presentation, maybe three questions from my side.

Firstly, regarding the MVS, you know, at the moment, I think, based on the latest cap table, there are four individuals and one entity that are holding the MVS. Given that the four individuals have recently left the company, what is the management's plan to have a better alignment of the company's vision and mission going forward to have a better alignment of interests?

Secondly, on GTF loans, I think there has been lots of deterioration of credit quality in the mass market segment, the bottom of the pyramid, especially if you look at Bank Rakyat numbers. So any color on this, and if it's impacting your loan? That'll be appreciated.

And lastly, I think this is more to Patrick. When you look at the TikTok and Tokopedia numbers, right? So let's say the net loss in Tokopedia, is higher net loss better for you or smaller net loss better for you? And specifically on that number, it seems like if you look at the e-commerce service fee, if you look at month on month basis, it's actually declining between February and March versus the second quarter number, but the net loss in PT Tokopedia is increasing. So any color on that will be appreciated as well. Thank you.

Patrick Walujo PT GoTo Gojek Tokopedia Tbk - President Director, CEO

Thank you, Henry, for your questions. In regard to the MVS shares, I would like to share that at the last EGMS the shareholders had approved myself to become one of the holders of MVS. This is as per OJK's requirement, for me to be able to become one of the MVS shareholders. And the current MVS holders and I had agreed that I will acquire MVS shares subject to regulatory process at the appropriate time. We will give more updates as we make progress on this front and with myself becoming an MVS holder. I hope this ensures alignment of the company's vision and mission with the MVS holders.

And on your question about TikTok, Tokopedia, I think I would like to first say that both the teams at TikTok and GoTo are happy with the progress of our joint venture and our commerce business. There is a seasonality factor at play in regard to the Q2 results. In response to your question about net losses, obviously, as you know, they are a component of cash payment made by TikTok Shop to GoTo as a percentage of GMV and that's cash that is paid to us on a quarterly basis. And that is a meaningful amount that we help to grow over time. So I would say that that is a core interest for GoTo. And then in terms of net losses we will say that it is obviously important. At this moment it is still an accounting loss, but it is something that I believe all parties have common interest to make sure that the commerce business becomes profitable.

And then in regard to your question about GTF's credit quality, I'll have Tom address that.

Thomas Husted PT GoTo Gojek Tokopedia Tbk - Vice President Director, President, Financial Technology

Sure. Thanks, Patrick. And hi, Henry. Thanks for the question on the credit quality. It's interesting that we received a similar question on our last earnings call and frankly, I expect this is going to be a recurrent theme. Going forward, given the macroeconomic environment, we have been closely following what peers are reporting and we are aware of the BRI numbers. We've looked at others, we've compared notes closely with Jago because they lend to a number of companies that are very similar in terms of the profile that we have. The good thing is on our side, and it's fortunate. I'm happy to report that, similar to last quarter, the credit quality of the portfolio remains strong and the NPLs have not deteriorated from the 1.3% level that we reported last last quarter. What's interesting, I think, is that when we think about our portfolio, the duration of our loan book is short, right? Because it's BNPL and cash loans. So, as we grow the book quarter over quarter, we're actually onboarding a number of new customers, significant new customers each quarter.

And I think we haven't seen any deterioration here at this point. I think this is in part, credit to the data that we have on our customers. And also the credit process and policies that we go through. We do have a robust monitoring process, and I can assure you that we are ready to make adjustments and tighten the credit standards if we see any negative movements. We don't at this point but given the environment and the news from other lenders, we are ready to make those changes. And for the time being. We are focused on growth for the second half of the year for the loan book. And if this changes, we're going to make an adjustment. But in terms of growth. We do continue to expect to see growth from the loan book across all products going forward.

Reggy Susanto *PT GoTo Gojek Tokopedia Tbk - Head of Investor Relations*

Thanks, Henry. Our next question comes from the line of Ryan Winipta of Indopremier. Ryan, your line is now open. Please unmute your microphone to ask your question.

Ryan Winipta *Indopremier*

Yeah, thanks, Reggy. Hi, GoTo management. Thank you for the opportunity today. I have 3 questions from my side. I think that my first question is in regards to the progress of the potential integration, especially with the ShopITokopedia on the BNPL as well as the On-Demand Services side. I think you mentioned it earlier in the Q&A session, but I just wanted to know whether there's any short to medium target as well as timeline from management.

And then my second question, I think if you look at the share price, it has been quite I would say stagnant at around 50 rupiah per share. I just wanted to ask about management's plan to improve the investor confidence. And will it be possible for GoTo to facilitate the stake sale for some of its shareholders through the negotiation market instead of the regular market?

And my 3rd question, I think, in regards to the competitive landscape in E-commerce as well as ODS, but just wanted to know how the current intensifying competition landscape in ODS would affect the adjusted EBITDA target of break even in 2024. That's all from my side. Thank you.

Patrick Walujo PT GoTo Gojek Tokopedia Tbk - President Director, CEO

Thank you, Ryan. In regard to the integration of ShopITokopedia and our financial or lending products as well as ODS side, let me just say that you know, we have achieved an important milestone following our partnership with TikTok, with the launch of our BNPL product as an installment payment within ShopITokopedia. It is a business that we have strong confidence in. It is still small, it's growing and our focus is to make sure that our product is competitive and is acceptable by the consumers. So I think we are striving to make our product perform well within ShopITokopedia.

And then for GoFood as mentioned by Catherine early on, we are doing a pilot program. To integrate GoFood delivery option with the local services of TikTok. And I would say that the partnership between GoTo and TikTok is strong and we are confident that we will be able to find more ways to collaborate on a win-win basis. Obviously, anything that we do with TikTok, we need to make sure that it resonates well with their users and their customers and it brings value for both parties.

In regard to your question about our share price and our plan to facilitate discussion with existing shareholders that wish to divest their stake. Let me just say that we at GoTo and I personally, have been disappointed by our share price performance. We feel that it doesn't reflect the strong performance of the underlying business, as we have shared with you earlier today and we also have confidence that the business will continue to perform well. I think as we stress internally, our sole focus is to make sure that we continue to execute well to innovate and to deliver performance and growth that we believe in the long run will create shareholders value. And we're still a strong believer that in the long run, the share price will accurately reflect the company's fundamentals. In regard to the facilitation question we observed that, yes, there is an overhang in our stock, relating to the situation of some of our shareholders that we believe has nothing to do with the performance of the company.

And as we have obtained the shareholders approval for share buyback, our position is that we are open and we are always open to find the optimal solution. And we will continue to conduct the buyback in the interest of all shareholders. Maybe I'll stop there.

And then there is a question about the competitive landscape in E-commerce and ODS. As we mentioned, the level of competition across business segments continues to be intense. I am not in a position to comment too much about E-commerce. And this is a business that obviously our partner at TikTok shop is managing but having said that our belief is that the market in Indonesia continues to grow and the opportunity to create value is still significant.

We are highly confident in the outlook of the E-commerce business that our partner TikTok is managing. And on ODS, our focus is that we will continue to try to capture the market opportunity. We think that the penetration of our services is still low relative to the potential and we will innovate, we will create products, we will execute to make sure that we can serve our customers well. We believe that we have grown in the recent quarter faster than our competitors, and we hope to continue to maintain this leadership position and to continue to improve our business performance.

Reggy Susanto *PT GoTo Gojek Tokopedia Tbk - Head of Investor Relations*

Thanks, Ryan. Our next question comes from the line of Adrian Jozer of Mandiri Sekuritas. Adrian, your line is now open. Please unmute your microphone to ask your question.

Adrian Joezer *Mandiri Sekuritas*

Thank you Reggy. Thank you for the opportunities to ask questions. So my first question actually is just regards to the Gojek side. So I think you've achieved an impressive turnaround in ODS GTV growth to 14% in the second quarter. So my question is the aspiration mentioned at the Q1 call that you actually wanted to achieve low-to-mid teens growth for the full year 2024. Is this still within this guidance, considering that if you want to get the full year growth to 15%, you need to achieve about 23% growth in the second half?

And the second question is related also to ODS, just wanting to get some explanation with regards to the sequential decline in the profitability margins, such as the take rate as well. I mean, will this continue going forward? And do you have any sort of like a target and also some thoughts as regards to the reasons behind the declining in the margins.

And the last question is with regards to cost efficiencies. I think Patrick mentioned also that there will be some further cost efficiencies that you still intend to actually deliver in the second half. So can you actually elaborate as regards to the key drivers on and the key strategies on you know, further enhancing the efficiencies and the costs? Thank you.

Patrick Walujo *PT GoTo Gojek Tokopedia Tbk - President Director, CEO*

Thank you, Adrian. I will hand this over to Cath, to address your questions regarding Gojek.

Catherine Hindra Sutjahyo PT GoTo Gojek Tokopedia Tbk - President, On-Demand Services

Sounds good. Hi, Adrian. Thank you for the question. So let me start by addressing your question on the growth. Let me start by saying that yes, we are still committed to achieve our target that we shared last quarter, to achieve the mid-teens year on year GTV growth for the full year while maintaining profitability.

As you see in the second quarter we have made good progress on this by achieving 14% year on year GTV growth and specifically for Indonesia at 18% while again still maintaining the adjusted EBITDA, as Patrick mentioned earlier during the call. Second half of the year has always had that seasonality kind of uplift as well. That's number one.

Number two is also that as you can imagine, right, the flywheel of growth, the moment we start hitting that momentum, we believe it will continue to roll and roll faster. And this is what we are seeing as well. As we mentioned earlier about the Gojek Plus, the Hemat products, so on and so forth. So we are actually at this point confident that we will be able to achieve what we promised earlier to achieve this mid teen year on year growth while maintaining profitability. We will continue to invest selectively, aligning with our aim to grow the market, expanding our user base.

Your second question about the margin. How do we see that? Before I start explaining that, allow me to note that there is a year on year compatibility issue for the first and second quarter compared to last year due to the change of the business model that Jacky mentioned earlier. Meanwhile, on the quarter for quarter, as mentioned, we continue to invest selectively in the business to drive growth while managing the bottom line.

I think in the earlier call, Patrick mentioned as well, our targeting the affordable mass market strategy has shown the ability to build the critical funnel to allow us to expand to the next segment of users. It has the ripple effect, the snowball effect of this strategy to allow us to create in the medium term, higher quality users, better frequency, higher frequency, better retention, as well as help to build the funnel for the GTF lending product as well. So we are looking at it a little bit more holistically that way. We expect the adjusted EBITDA margin for ODS to be similar to slightly better for the rest of the year. Just to note that, and we are committing to continue to our group break even guidance. We specifically have not shared our long term margin target. This is as you can understand is to allow us to continue to focus on the growth as mentioned. We truly believe the headroom for growth in Indonesia especially, is still quite big. We believe there is big time there for us still to get that opportunity as well as you see the last quarter, actually, our focus has been in growing and tapping into

this, into this next segment of users. So this is basically what I can explain on this one. I believe your next question is on the cost efficiency.

Patrick Walujo *PT GoTo Gojek Tokopedia Tbk - President Director, CEO*

Yeah, I think on the cost efficiency, I'll let Jacky address the question.

Wei-Jye (Jacky) Lo *PT GoTo Gojek Tokopedia Tbk - Group CFO*

Sure Pat. Adrian, thank you for your question. I just want to reiterate we are focused on accelerating growth in the second half, but at the same time, we are focused on improving our profitability sequentially. As mentioned multiple times, our goal remains to achieve adjusted EBITDA breakeven for the full year in 2024, and as you know, cost management is one of the key strategies to help us achieve this goal.

So we remain very disciplined on cost management. If you look at the second quarter, recurring cash fixed costs actually declined about 5% year on year and the corporate costs decreased about 44% year on year. So we'll continue to assess where we can optimize our cost base and we'll execute accordingly.

But I think for the second half, you can expect maybe a slower pace than what you have seen in the previous quarters, but still like this is a discipline from a cost management standpoint, and we'll continue to execute that.

Reggy Susanto *PT GoTo Gojek Tokopedia Tbk - Head of Investor Relations*

Thanks, Adrian. Our next question comes from the line of Pang Vittayaamnuaykoon of Goldman Sachs. Pang, your line is now open. Please unmute your microphone to ask your questions.

Pang Vittayaamnuaykoon *Goldman Sachs*

Hi, thank you very much for the opportunities. A few questions from my side. The first question is on ODS. I think also a follow up from the earlier questions. Just wanted to understand overall in terms of the growth profiles that we've seen in the quarters. Where is it

largely coming from between the Mobility or the Delivery segment? If you can provide further colors, that would be really helpful.

And also on the ODS segment, can we also understand the overall strategies here? You have mentioned that part of the reason we see weakened EBITDA margins on a quarter on quarter basis was due to a push toward the affordable offerings that you've done, and I think that's part of the reason. So as we move ahead toward the rest of the year, how are you planning to maintain margins to be on a similar level? Would there be any potential pressure that we have to be worried of? That's on the ODS.

Secondly, on the E-commerce service fee. Just wanted to have a broad sense on how and where we are tracking versus your initial expectation that you shared in the beginning of the year.

And lastly, just wanted to also understand in terms of the international business that you have. I think you mentioned a little bit that Singapore has seen market share expansion with the partnership that you've done with Comfort. But is there anything you can share with regards to your business development in Vietnam that would be very helpful. Thank you.

Patrick Walujo *PT GoTo Gojek Tokopedia Tbk - President Director, CEO*

Thank you. Maybe before I hand it over to Catherine, I will address your question about our E-commerce fee as well as the ODS margin. In terms of the E-commerce fee it's in line with our initial projection and again, we are happy with the progress and having worked with the TikTok and Tokopedia teams closely I'm also confident that we will see improvement in their growth in coming quarters. In regard to ODS focus on going to mass market and the fact that we have a different composition of product mix that may have resulted in a lower EBITDA margin in the short term.

I would also like to stress that we also see evidence that the new mass market consumers that we have boarded onto the platform have a higher propensity to use our other financial products, especially on the lending side. So I think you need to ask if we have the ability to cross market our lending products and we are quite excited about this potential for GoTo and I will let Catherine explain more about the questions pertaining to ODS.

Catherine Hindra Sutjahyo PT GoTo Gojek Tokopedia Tbk - President, On-Demand Services

Sure. Thanks. Thanks Pang for the question. So let me try to address one by one. The first one is about the growth in a quarter. Where is it coming from? Between the Mobility transport and then the Food as well. So we are happy to share that actually it's across the board. Our data also shows that our market share gained is on all of our three key products, which is the two-wheel transport, four-wheel transport as well as food.

So yeah, it's our strategy, which is linked to your second question. Our strategy - there is a connection among the strategy between our Ride, Car and Food product. Essentially what we are trying to do, we believe that by providing offers of an option for the users to have multi choices of affordable, Hemat in Bahasa, we call it affordable selection to the Regular. Also, some of our products have slightly premium offerings. This allows the users to have flexibility, allows the user to have choices depending on their particular use case at that point. So in quarter two, actually what we've seen is, even though some users, for example, started entering our platform trying out and using our affordable product, but having these choices among these three different strata of a product offerings, depending on their use case, they started using a different product.

So as a result, as I think Pat mentioned in an earlier call as well, not only does it increase the user frequency monthly, but also a better retention rate. On top of that, the one that is really, really good. It also started increasing the cross pollination between different products, including the lending product that was just explained. So this is where the whole ecosystem, if I may call it, right, the ecosystem within the ODS-GTF starts being stitched together and we are the one that can offer this kind of holistic offering to our customer. I believe this is the power of the GoTo platform. So our questions, how do we see that in terms of the impacting the margin? That's why I mentioned earlier, we are confident we will be able to maintain the same level, if not slightly higher, just at the level. Because as you see right here, the customer quality is being maintained, if not even improved. And then the profitability on the user level, given the frequency retention actually will also continue to improve. That's to address your second question I believe.

Lastly, is your question on our other market as mentioned. Yes, Singapore. We are happy to share that based on our data as well as LTA data that we've gained three percentage points in our GoCar business in Singapore. We'll continue to accelerate this. We believe this is a good market for us.

Vietnam, we know that it remains a competitive market. It's multiplayer. We remain there to maintain our core competency, as mentioned, our strength in our product innovation - our strength in introducing some of our affordable products as well in Vietnam. It shows good traction as well to help us be able to target some of the segments that previously we were not able to reach in Vietnam. I think that's probably from me. Thank you so much Pang.

Reggy Susanto *PT GoTo Gojek Tokopedia Tbk - Head of Investor Relations*

With that, we have reached the end of the question and answer session and we conclude our conference call for today. Thank you everyone for participating.

About GoTo Group:

GoTo is the largest digital ecosystem in Indonesia. GoTo's mission is to 'empower progress' by offering technology infrastructure and solutions that help everyone to access and thrive in the digital economy. The GoTo ecosystem provides a wide range of services including mobility, food delivery, groceries and logistics, as well as payments, financial services, and technology solutions for merchants. The ecosystem also provides e-commerce services through Tokopedia and banking services through its partnership with Bank Jago.

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