

## PT GoTo Gojek Tokopedia 3Q24 Earnings Call Transcript

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### 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*

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

**Hans Patuwo** *PT GoTo Gojek Tokopedia Tbk - Group COO*

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

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

### Conference Call Participants

**Adrian Joezer** *Mandiri Sekuritas*

**Ari Jahja** *Macquarie*

**Ferry Wong** *Citi*

**Ryan Winipta** *Indopremier*

**Divya Ganghar Kothiyal** *Morgan Stanley*

**Pang Vittayaamnuaykoon** *Goldman Sachs*

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### 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 third-quarter 2024 earnings conference call. Please be advised that today's conference is being recorded.

Joining us today are Patrick Walujo, President Director, and Group CEO, and Simon Ho, 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, and Catherine Hindra Sutjahyo, our President of On Demand Services. 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 nine months period ended September 30th, 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 US Dollar equivalent by applying an exchange rate of 15,138 Rupiah to \$1 based on the middle rates published by Bank Indonesia as of the end of September 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 proforma figures assume that Tokopedia and GoTo Logistics were deconsolidated on January 1st, 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 Patrick.

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

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

We are pleased to report another quarter of strong performance across GoTo, with all cylinders firing as our business accelerates. Our strategy works because each part of our ecosystem adds value to the others, giving us a competitive edge that our peers cannot replicate. This model is increasingly bearing fruit as we aggressively pursue new users and enhance profitability across our rapidly expanding platform.

We are seeing real success in terms of user acquisition, with monthly transacting users increasing by 21% year on year. This, along with the quality and depth of monetization across our platforms, has driven 74% year on year growth in Group Core GTV, as well as 34% year on year growth in gross revenues.

As our top line has increased, we have maintained strong discipline in managing our costs, with recurring cash fixed costs declining by 3% year on year, creating significant operating leverage for the business and helping to drive today's positive results. Further savings will be

realized as we migrate to the new cloud service providers announced last month, which I will discuss shortly.

Group Adjusted EBITDA turned positive in the third quarter, reaching its highest ever level of 137 billion rupiah or 9 million US Dollars, an improvement of 696 billion rupiah or 46 million US Dollars year on year. We expect this to remain positive in the fourth quarter. And we are squarely on track to hit our target of adjusted EBITDA break even for the full year, a target that we communicated to the market back in March of this year. The significant improvements were driven by contributions within both our Fintech and On Demand businesses, each of which I will now discuss.

Moving first to Fintech, we are seeing great progress as our strategy is turning the segment into a driver of both growth and profitability.

Just over a year ago, we launched the GoPay app to better serve the mass market by increasing access to our services, particularly among non Gojek users. Our goal was to grow our business by reaching more users who could ultimately benefit from lending services.

This strategy is now delivering promising results as consumer loans outstanding tripled on a year on year basis, reaching 4.3 trillion rupiah or 287 million US Dollars. NPL has remained stable as we focus on responsible lending and reducing risk using our comprehensive ecosystem data, which allows us to effectively assess credit worthiness.

This shows that our ecosystem is working as designed, with our range of products and use cases driving user growth while deepening loan penetration.

As I mentioned, our ecosystem model means that each vertical must add value to the others. This is very much exemplified by our loan book. Roughly 45% of loans outstanding originated from ecommerce users. 40% from On Demand Service users and the remainder from GoPay app users. This diversification across our platforms highlights the cross selling potential we have.

More broadly, monthly transacting users in the Fintech segment grew 35% year on year to 18.8 million. Core GTV was up 82% year on year as the prevalence of the GoPay app drove growth in consumer payments in addition to the scaling up of our lending business. Despite launching just 15 months ago, the GoPay app is proving to be a highly effective channel for cross selling financial services. Its growth momentum is strong and we see a great deal of room for further growth across Indonesia's large population, providing an increasing source of fuel for our payments and lending businesses.

Significantly, we are not generating growth by burning cash. Instead, we are becoming more efficient in customer acquisition and more disciplined in managing costs. Our revenues were up 128% year on year. While at the same time, recurring cash fixed costs grew significantly less at 26% year on year.

The success of our strategy has led to a sharp narrowing of adjusted EBITDA losses from 388 billion rupiah or 26 million US Dollars a year ago, to just 65 billion rupiah or 4 million US Dollars this quarter. Due to this rapid business progress. We now foresee the Fintech segment delivering positive adjusted EBITDA for the whole Q4 2024, one year ahead of our previous guidance.

We are pleased with this early success and believe far more can be achieved, especially as we continue to focus on mass market products. Loan penetration is low at just a few percent of total users and can go much further as demand for credit is substantial with one in seven transacting users of GoPay and Gojek services over the last 12 months applying for credit. We therefore see significant additional upside in this business, as we drive further adoption and believe loans outstanding could double versus September 2024 levels by the end of next year.

Moving to On Demand Services, our strategy is to focus on user growth through mass market products, while utilizing premium products to deepen wallet share among affluent users. We saw solid performance this quarter as orders grew 30% , and GTV increased by 25% year on year. These numbers exclude Vietnam due to the closure of our Vietnamese operations on September 16th. All products are going well with particularly strong progress in our mobility segment. And this growth was achieved while keeping our incentive and product marketing spend stable.

In addition to growth, we have also focused on margin improvements as promised last quarter. By actively managing our portfolio of On Demand products, balancing growth and profitability across the product range, we have improved adjusted EBITDA margin by 36 basis points versus the second quarter, in line with our guidance. Margin improvements came from three main areas. The optimization of mass market products, the expansion of premium products, and the growth of our advertising business. To take each of these in turn;

First, as mentioned, mass market products in both Fintech and ODS, were developed primarily to drive growth, but we must also ensure they contribute to our bottom line. We are doing this by optimizing our incentive spend while personalizing the product experience so it aligns with user preferences.

Second, our effort to deepen wallet share to our premium offerings also continues to yield results. Premium offerings not only enhance user satisfaction, but also carry higher margins than standard offerings. One such premium offering is GoFood Express, which launched in the second quarter, allowing users to pay extra for faster food delivery times. GoFood Express is growing rapidly, accounting for 22% of GoFood GTV in the third quarter.

Finally, advertising is another avenue for enhanced monetization within our ODS business. Our advertising revenue grew 96% year on year to 1.3% of food GMV in the third quarter, supplementing margins across the business.

We are confident that our On Demand Services business is on the right track and we are moving closer to the ideal balance that will allow us to continue to grow the business while improving profitability across the segment.

If we take a step back and look at the On Demand Services and Fintech segments together, we can see how the two businesses are increasingly complementing each other, ensuring the whole is greater than the sum of the parts.

In the GoPay and Gojek apps, we have two extremely powerful tools to help us acquire new users, particularly in the mass market segment. The GoPay app was designed from the beginning to service the mass market with its simple, lightweight design. While the Gojek app has been recalibrated over the past year to offer broader appeal to the mass market audience.

As user numbers across our ecosystem increase, so too does the opportunity to responsibly cross-sell lending services, driving the growth and profitability of the Fintech segment.

Ultimately, we want users to enjoy the benefits of everything our payments and On Demand products can offer, and for this to act as a funnel through which the right users find and benefit from our lending products. As our ability to monetize through On Demand Services and loans increases, this in turn will provide us with the firepower we need to drive additional growth throughout the ecosystem.

At the group level, we announced the signing of five year cloud contracts with Alibaba and Tencent in September. Over the next nine to 12 months, we will be migrating our cloud infrastructure to their platforms, which will result in a reduction in cloud cost of more than 50 percent once fully implemented. This is a key part of our broader strategy to improve efficiency and optimize our cost structure, ensuring that we can continue to scale our services without sacrificing profitability. These new contracts will allow us to reinvest the cost savings

from cloud into advanced technologies such as AI, while also ensuring that our user data is held onshore to support data localization in Indonesia.

In addition, Alibaba has reaffirmed its commitment to our long term partnership by committing to maintain its current shareholding in GoTo for at least the duration of this five year agreement. This is significant for us as working with world class partners such as Alibaba as well as Tencent, TikTok and many others bring significant benefits for our business.

Looking ahead, we remain confident in the strength of our business and the value of our ecosystem. Our financial results this quarter underscore the progress we have made, and we believe there is still significant room for growth. Indonesia is a compelling market with a population of over 280 million, and our confidence is increased by the new administration and the president Prabowo Subianto and its vision for the country. As demonstrated in our results, we have the capability to accelerate user acquisition while monetizing effectively. We will continue to grow in the mass market, expanding our total addressable market while staying focused on customers by striving to provide them with value, convenience, and delight.

Thank you. And I will now hand it over to our CFO Simon for the financial review.

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

Thank you, Patrick. It's a pleasure to speak with everyone today, and thank you all for joining our call. As a reminder, I will be discussing pro forma financials to facilitate like-for-like sequential and year on year performance comparisons. Our proforma figures assume Tokopedia and GoTo Logistics were deconsolidated on January the 1st, 2023. For your reference, as reported operating and financial results are included in the appendix of today's presentation.

As Patrick discussed, our business is accelerating, while we continue to be prudent in terms of cost management. This is clearly reflected in our top line growth and bottom line improvements, both by business segment and at the group level, with the third quarter marking our ninth consecutive quarter of year on year adjusted EBITDA improvement.

Group GTV has grown year on year each quarter in 2024, reaching 137.4 trillion rupiah, or 9.1 billion US Dollars in the third quarter, up 37% year on year. Our core GTV grew even faster at 74% year on year to 72 trillion rupiah or 4.8 billion US Dollars. Gross revenues increased 34% year on year to 4.7 trillion rupiah or 311 million US Dollars.

Spending is now more disciplined and aligned with our goal to grow our business sustainably. In the third quarter, we reduced our recurring cash fixed costs by 3% year on year, to 1.4 trillion rupiah or 89 million US Dollars. Reported recurring cash corporate costs also declined by 37% year on year to 117 billion rupiah or 11 million US Dollars. The steps we are taking to manage our expenses, including the measures we are taking to reduce our cloud costs, will allow us to invest in the customer experience, helping us to grow our business in a highly competitive environment.

Under this strategy, which is generating significant operating leverage, group adjusted EBITDA returned to positive for the period at 137 billion rupiah, or 9 million US Dollars from negative adjusted EBITDA a year ago. As Patrick mentioned, we expect adjusted EBITDA to remain positive in the fourth quarter, and we are confident of hitting our target of break even for the full year.

Taking a closer look at our financial performance by segment, I'll start with our financial technology business.

The segment has grown substantially in a relatively short period of time. GTV grew by 38% year on year, with core GTV up 82% year on year, led by rapid growth in consumer payment volumes, especially in use cases, such as online and offline payments, and fund transfers, as well as the scaling up of our loan book. As a result, Fintech recorded gross revenue growth of 128% year on year to 1 trillion rupiah, or 68 million US Dollars. Lending revenues grew significantly by over six times year on year, driven by the tripling of loans outstanding, and accounted for 14% of group net revenues in the third quarter. Roughly 80% of total loans outstanding originated by us are funded by Bank Jago. This percentage has been relatively stable in the third quarter.

As Patrick mentioned, while we continue to actively invest in growth, our ongoing cost management efforts have resulted in significant operating leverage contributing to the reduction in our adjusted EBITDA loss by 83% year on year to 65 billion rupiah or four million US Dollars. This has prompted us to change our profitability guidance for Fintech, which is now expected to reach positive adjusted EBITDA for the fourth quarter of 2024.

In On Demand Services, GTV, excluding Vietnam, was up 25% year on year, demonstrating the success of our strategy to expand our reach in the mass market, while deepening wallet share among affluent users. Gross revenues continue to grow, increasing by 15% year on year on a like for like basis, which excludes Vietnam, and adjusted for the change in our delivery services model from an agency to a principal model, which took effect in January 2024.

We remained disciplined with our costs, as recurring cash fixed costs decreased by 3% year on year to 640 billion rupiah, or 42 million US Dollars. This supported an adjusted EBITDA of 156 billion rupiah or 10 million US Dollars, an increase of 204 billion rupiah or 13 million US Dollars year on year.

In e-commerce, we have now recorded a second full quarter of e-commerce service fee revenue from Tokopedia of 191 billion rupiah or 12.6 million US Dollars for the third quarter. Excluding VAT, the net total amount was 172 billion rupiah, or 11.4 million US Dollars.

Our total cash balance remains strong as of September 30, we had 21 trillion rupiah or 1.39 billion US Dollars in cash, cash equivalents, and short-term time deposits.

We continue to return value to our shareholders through the 200 million US Dollar share buyback program that was approved by shareholders in June. As of September 30th, we have repurchased around 14.1 billion shares amounting to approximately 743 billion rupiah or 49 million US Dollars, meaning there is still flexibility in terms of buyback deployment. I'm also pleased to announce that all measures at our August Extraordinary General Meeting of Shareholders passed, including the cancellation of Treasury shares, which we expect to complete in early November. This will result in a reduction in the number of Series A shares in circulation, amounting to around 10 billion shares in total.

Looking ahead, we expect to continue on our growth trajectory over the coming months, while managing costs effectively and solidifying improvements in our bottom line. Our disciplined approach, along with the resilience we are hardwiring into our ecosystem, means we are well prepared for the road ahead.

With that, we would now like to open the call to your questions. Reggy, please go ahead.

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## Q&A Segment

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

Thank you, Simon. 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 Adrian Jozer of Mandiri Sekuritas. Please go ahead, Adrian, and ask your question.



**Adrian Joezer Mandiri Sekuritas**

Thank you, Reggy. I hope you can hear me. Okay. Thank you. And congratulations, Patrick and Simon for very strong results. So I have 3 questions. The first one is actually with regards to the latest status of the partnerships synergies with TikTok ecosystem across not just the Fintech, but also on the food delivery.

And the second question is, I think you mentioned the drivers of the strong growth for ODS GTV being the penetration into the mass market, and also deepening wallet shares on the premium segments. But the question is actually, as you continue to develop your mass market products, will this lead to margin dilution going forward and can you actually mention any long term margins for ODS in the future?

And the last one is I think in the previous earnings call, it was mentioned that there was an agreement to actually acquire the multi voting shares, the series B shares by Patrick Walujo and can you give us some updates on this one? Thank you.

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

Thank you, Adrian. Maybe I'll answer the last question first. The discussions with the MVS holders are progressing. We are actively consulting with relevant regulators to make sure full compliance throughout the transfer process.

And, your first question is about the status of our partnership with TikTok and Fintech and food delivery. In Fintech, we launched our BNPL product in Shop Tokopedia a few months ago. At this moment the contribution of this product to our loan book is still small, and we are in constant discussions with the TikTok team. Our performance on the platform is improving. However, there are a few things that one needs to bear in mind. Number one, the penetration of Paylater in Shop Tokopedia is still relatively small. And second, the average order values on TikTok shop are typically smaller than Tokopedia. And finally, there are in total three Paylater providers, and we are the newest provider. Having said that, our performance is improving. In food delivery, the contribution from TikTok to food delivery is still small. And we are ready to scale up once this service becomes a priority for TikTok.

And in regard to your questions about ODS growth margins, I will hand it over to Catherine, the President of ODS to address.

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

Thanks, Pat. Hi, Adrian. Thank you for your question. So let me try to address your question, right? The first one is the driver. You are absolutely right. As mentioned earlier, this quarter, our GTV grew by 25% year on year. The users grew by 30% year on year. As you correctly pointed out, it's a multiple prong approach.

The first one we continue to add users into our platform, both on our mass market affordable product, as well as the premium segment. What is interesting to highlight here is actually as per our hypothesis, it's proven that the affordable, the mass-market product is basically becoming the acquisition engine that brings the customer through our ecosystem. And then once they enter and start trying the product and using it in our ecosystem, it helps to also cross sell to the more premium; convenience kind of product.

So this combination of these use cases, not only help us to increase the frequency, but also the retention of the users. And in fact, most of the users engage with this multiple product portfolio. It's a majority of the users. So regarding the question on the margin, as we pointed out last quarter, we will continue to improve our margin. We will optimize further. So yes, in this third quarter, as Simon shared earlier, the margin has improved. At the same time, we managed to also continue the growth. So this is done by carefully managing our incentive efficiencies, driving the balance between our mass market and more convenience/ premium offerings, the cross selling that I mentioned earlier, as well as growing our advertising business.

So the way you look at it is our mass market/ affordable product is the funnel, is the acquisition engine opening up our ecosystem for the user to start being part of our ecosystem. And then once they enter, once they experience our product, we start to kind of like up-sell, cross-sell them. And one thing I would like to highlight here, it is not only to other ODS products, but also importantly here also to the lending products in Fintech. Therefore, this investment that we are doing will be accretive to the profitability of the group. Further, the affluent segment itself, as Pat mentioned, we continue to develop that to expand our wallet share.

GoFood Express was mentioned earlier. This continues to increase the frequency and of course the margin of the business. On the long term margin target, we have not disclosed this since we believe at this time our focus remains to be growing the market, particularly Indonesia, where there is still significant potential and large total addressable market remaining in the country. Hope that answers the question. Thank you.

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

Thanks, Adrian. Our next question comes from the line of Ari Jahja of Macquarie. Ari, your line is now open. Please unmute your microphone to ask your question.

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**Ari Jahja *Macquarie***

Thank you, Reggy, for taking my questions. And hi, Patrick, Simon, GoTo team. Well done for the solid quarter. So first question on ODS, good to see the strong growth there. And can you please share color on the latest competitive dynamics for both the food delivery and mobility?

And second question on Fintech. Previously, you mentioned that it is targeted to reach breakeven by the end of next year, which is accelerated to the fourth quarter of this year. What will be the main drivers of this accelerated profitability guidance? And can you please provide more color on the profitability of each of the payments and lending businesses within GTF? Thank you.

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

Thank you, Ari. Maybe I will let Cath answer the question about ODS competitive dynamic and Tom Husted will answer the questions regarding Fintech. So, Cath, please go ahead.

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

Sure, Pat. Hi, Ari. So, yeah, competitive dynamic in ODS, we believe it remains intense, the competition as we see here. But I think I would like to highlight again, this is something that we continue to pay attention to by the same time, despite that fact. As you see this quarter, happy to share that not only we continue to grow but also managed to improve our margin this quarter.

This is all attributed to our ability to continue to optimize, to improve our efficiencies, our segmentation and stuff in our incentive and discount. Going forward, we will definitely continue to manage this balance between growing our user, managing the product use case portfolio balances, as well as capture the market opportunity while optimizing between this growth and margin. I'll pass it to Tom for the Fintech question.

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

Hi, Ari. Thanks for the question. So just as a recap, I think you wanted to understand some of the main growth of the drivers. And then also some color on profitability.

So let me start with the first one. So this year, as Patrick and Simon discussed in their opening remarks, we've been able to grow the consumer loan book by about 3 times over the last year, and the strategy there has really been a focus on customer acquisition, as mentioned by Cath, Simon and Pat. And the customer acquisition has focused on the channels on both the GoPay app, ODS and TikTok Tokopedia. And this year, what I think has really changed is as we've acquired those customers, we've purposefully started to cross sell financial services and especially our loan products. And this integrated approach, I'd say, is fairly new for 2024. And frankly, I think we're encouraged by the overall results. In 2025, the plan is to double down on this strategy of customer acquisition being via all of the channels, and then continue to cross sell the financial services.

We've been tightly coordinated this year, particularly thinking about the GoPay app, which is really an open loop app, and also the Hemat products on ODS. And I think the results really speak for themselves. We're very pleased, and the strategy going forward is we're going to double down on that. We think that on the loan book, we're comfortable to think we're going to double the loan book, from about 4.3 trillion this quarter. I think we can double it by the end of next year.

And then on the overall overall subject to the loan book. The expectation is that we're going to be able to roll out this vehicle financing pilot project; we've been working on this with BFI. So, my sense is, we're going to be able to roll that out for the overall platform in mid 2025, so I think those are the main drivers of growth.

And then a little bit of color on profitability. I think first, let me give a little bit of historical context. The payment business, as many of you know, was really set up originally to solely support the ODS business. And then last year, we went ahead and I think it was really 15 months ago. We launched our standalone GoPay app and frankly, this has been a game changer for both GTF and the payments business. The core app, the core product in that app was originally payments and transfers. But if you've been following or using the GoPay app, what we've done is we've steadily rolled out additional products over the last year.

So, the additional products now include things like automated bill pay. There's a savings function, which is, you know, an integration with Jago on the back end. We're offering BNPL, cash loans, insurance, and as I previously mentioned, we're going to start to roll out some vehicle financing on the entire product.

So, when we step back and really think about where we are, what we've seen is a significant increase in transacting users each month. And then those users are adopting more products at a faster rate. And this monetization journey is allowing us to reinvest and grow the business without burning cash. And again, I think this is really the first year where we've put these pieces of the puzzle together and it's a good result. So that's, that's kind of the macro picture now on.

Some of the color of profitability, particularly around payments and lending. This is something that Simon, Patrick and I have been speaking about where we've received fairly consistent feedback from investors that we need to increase the color and some of the detail of the disclosures for the product set in GTF. And we're going to work with Simon and create that. So I think you can expect to see more details in 2025 as we get into the full year 2024 review in March. I hope that addresses the questions.

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

Thanks Ari. Our next question comes from the line of Ferry Wong of Citi. Ferry. Your line is now open. Please unmute your microphone to ask your questions.

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**Ferry Wong *Citi***

Yeah, thanks, Reggy. Yeah, hi GoTo management. Yeah, I have 3 questions, the 1st one is on the e-commerce division. From the e-commerce service, it seems that the GMV of Tokopedia and Shop Tokopedia grew by close to 9.5 %quarter on quarter in the third quarter. Could you provide some color on the competition dynamics in e-commerce? And is there any outlook for the growth going forward? And could you please comment on the TEMU potential entries into the Indonesian market.

And the second question is on the GoTo financial loan book. You mentioned that you're gonna double it in 2025, from about like 4.3 trillion this year. Could you provide some color in terms of the composition of the lending book for 2025? Whether it's going to be like BNPL or cash loan? What's going to be the proportion of that this year and also next year?

And then my third question is on the credit quality on this financial loan. What is the cost of credit, NTL, and what do you think will be the trend moving forward over the next one to two years? Thanks.

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

Thank you, Ferry. I'll answer your question about e-commerce. As we are all aware, TikTok is the controlling shareholder of Tokopedia and has full control of Tokopedia and shop Tokopedia. We are in constant discussions. We are very happy with the partnership. However, we are unable to comment on their behalf. On our side as a shareholder of the e-commerce entity, we are extremely happy with the development of the business and we are confident that the business is in good hands and our partner, namely TikTok, will continue to execute well. And with that, maybe I will hand over your questions about Fintech to Tom.

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

Hi, Ferry. Thank you. Thank you for the question. So the first question was in regards to our ability to double the loan book in 2025 and some color on the composition and what are the drivers going to be? So when we look, I think Patrick and Simon covered in the intro comments. What we're seeing, and I think this is part of the surprise and part of the reason why we've adjusted a number of our assumptions and have been able to pull forward the profitability of GTF so aggressively. What we're surprised about was the demand of the lending business on the ecosystem, particularly in both the ODS platform and the GoPay app on the cash loan side.

The BNPL product remains strong, but the growth on the cash loan side has been remarkable. And, you know, that is the more profitable product. And I think from a management perspective, we've been trying to optimize how we run the book. And to make sure that we are working in a construct where we're thinking about growing responsibly, but also profitably. And we're going to continue to do that.

On the color of the composition of the book, we have been aggregating the book as one number and this is some of the feedback that we've received from investors where they want us to start to think about aggregating and providing more detail on that. And that was my

reference for the last question that Ari asked in regards to, you know, how are we thinking about it going forward? And we will provide a more incremental color on that.

And then on the NPL side, the second part of your question was NPL. And happy to report, I think this is a kind of a continuing theme. Similar to previous orders, we are seeing significant loan book growth with stable metrics on the credit side. NPLs at this point continue to remain around 1%. And we continue to do the monitoring of both the Indonesian macro economy as well as the competitors that we see in the market. And, you know, in terms of disclosure, we've been benchmarking ourselves to the competition. And this is where we're going to be reflecting more and thinking about how we can provide incremental exposure so that we analyze, you know, not incremental exposure, but incremental data so that people can look at the business and understand a bit more.

I do want to underscore, we do have very detailed reviews on the credit side. And we have not seen any significant deterioration. If we do, we're going to move quickly and prudently to adjust the credit acceptance criteria for our customer base. And really the number one goal, as mentioned, and this is kind of the north star, is that we want to grow the loan book responsibly first and absolutely maintain profitability. We could have grown significantly faster, but we didn't feel comfortable that we could do that in a responsible manner. So we're going to maintain those kinds of guardrails of responsibility and profitability as we go forward. Thank you Ferry.

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

Thanks Ferry. Our next question comes from the line of Ryan Winipta of Indo Premier. Ryan, your line is now open. Please unmute your microphone to ask your questions.

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**Ryan Winipta *Indopremier***

Yeah, thanks to the GoTo team for the opportunity. I'm Ryan from Indopremier. I think just one question from my side regarding the growth and also profitability outlook.

I'm just wondering what kind of growth that we should be looking at for 2025, especially for the ODS business and regarding adjusted EBITDA margin. I know earlier from Adrian's question that you don't provide any sustainable or long term margins. But would we be able to get a sense on what kind of adjusted EBITDA margin that we should expect in 2025, for both ODS as well as the Fintech business. Thank you.

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

Thank you for your question. We are still in the middle of the budgeting process for 2025. We believe that ODS will continue to grow its user base, increase users frequency, increase retention, drive product adoption and improve efficiency and incentives and spending. In regard to your question about long term margin, I think we will address that in the next earnings call, once we are done with the budgeting process. And in Fintech we will continue to grow our lending book as Tom mentioned, we will accelerate our payments business as well. And we believe that loans outstanding could double by the end of next year.

In regard to the remaining of the year Q4, we think we will continue to grow on quarter by quarter basis. We start seeing some headwinds in the macro environment, which may temper performance, especially in the ODS segment. But having said all of that, we still have strong confidence on the performance of the two business segments.

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

Thanks, Ryan. Our next question comes from the line of Divya Kothiyal of Morgan Stanley. Divya, your line is now open. Please unmute your microphone to ask your questions.

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**Divya Ganghar Kothiyal *Morgan Stanley***

Thank you so much, Reggy. A couple of questions from me. The first one is on the On Demand Service business. You had a very strong GMV growth in the third quarter. Could you give us some color between mobility and food as well as trends in October? You just mentioned some headwinds in year on year growth comparison, so just wanted to get a sense on how things have been.

The second question is on advertising. I understand the advertising doubled year on year, but what was the trend quarter on quarter? And could you give us the context on what would be the target for this and the implications on margins should be pretty strong. So is there any offset on margins, which is why we haven't seen the margins go back to the 1.2% levels that we saw previously, despite this higher margin segment contributing so well.

And then just the last question is on the Fintech business. You did mention the NPL is only 1% and you're clearly managing that well. But curious to know what the target market for this



growth has been. You know, where, what kind of loans, what kind of demographics are taking these loans? If you can give some color on where this incremental growth that surprised you is coming from, that would be very useful. Those are my three questions. Thanks.

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

I hope somebody's taking down all the questions so we can track them. But anyway, Divya, on your question about ODS, we don't provide breakdowns of our mobility and food businesses. But as we mentioned early on, transportation has been a star performer for us. As a matter of fact, I think we in certain segments, we actually have to increase supply to meet the level of demand. I will probably hand it over to Catherine to add more color.

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

Sure. Hi, Divya. Thank you for the question. Yeah, as Pat mentioned, actually, quarter three has been a very strong quarter. All our three key products-- car, ride and food, actually grew. Although, as Pat mentioned, that the transport, the mobility segment grew faster compared to the deliveries. Having said that, we see your question on , how do we see it on the quarter? This is the current quarter. We mentioned the headwind a little bit. I think this is due to the macro situation. We see a little bit of a tempering, but, so far we still see the growth, the quarter on quarter growth, as Pat mentioned. We will still see strong quarter on quarter growth.

In the advertisement, yes. So this has doubled year on year as you heard earlier. This is definitely the area that we started focusing more and more the past few quarters. It's also growing, mainly from the number of merchant participants that continue to use this product of ours and then the retention of them as well. We'll continue to focus on this. This is actually going to be like one of the levers for us to continue to push to improve our margin going forward as well.

Your question is there any offset? No, I think because this is like, we are, we are looking at it, but we disclosed earlier is the total 1.3, I believe, ads revenue as a percentage of food GMV. This is also contributing to our margin improvement on the quarter by quarter.

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

Okay, and on Fintech, the question is about a target market in terms of demographics, tenures, NPL. Tom, please take this question.

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

Sure. I'm happy to take it. Divya, thanks for the question. I think, you know, contextually, I think it's important for everybody to remember that the lending business is really new. We had made some furtive efforts in 2022, early 2023, but I'd say we really got serious about the business in 2023. And that seriousness corresponded with a few really critical events inside of the company.

One was the TikTok Tokopedia transaction that was done, and making sure that as part of that transaction, we locked in channels there for, for both cash loans and BNPL and the Tokopedia app, and then BNPL on the TikTok platform. Likewise, the GoPay app was launched last year, and that targeted a completely different segment from the ODS business, historically. ODS was largely considered to be a premium product, and the GoPay app was designed for the mass market. So when we, when we think about the diversity of the channels that we really have, we can kind of reach across many of the demographics within Indonesia through these diverse channels. And then we made a decision to invest in systems and people and really try to push on this business.

So, when I think about the product mix, which is what you asked about, BNPL, the way we think about it is largely an acquisition tool and a customer engagement tool. It will never be tremendously profitable. But it's a critical part of the portfolio because it retains customers in the ecosystem and then we can start to sell incremental products, from financial service products, including cash loans. So, when I think about it, BNPL and Toko and ODS are good. They've been established for quite some time now for a number of quarters. On BNPL on TikTok, it has just started. And I think as Patrick alluded to in his comments earlier, this is a business where we're going in with three competitors. And, these are small, so we see there's opportunity there. We need to manage the credit risk because the customer base is different. And we're being very scientific and working with the TikTok folks in a very collaborative way to make sure that we can grow that business sustainably.

In the cash loan business, this is the primary driver of profitability. And we've seen very strong demand, both within ODS, Toko, and also the GoPay app. And the GoPay app has been, you

know, the most interesting. I think earlier there was a quote, like, you know, 1 out of 7 of the people in the ecosystem are applying for loans. So this is where we are the most encouraged. Now we're thinking, we're doing all the usual things that you do when you run a large credit portfolio or a growing credit portfolio. We're thinking about how we make sure we maintain the cost of credit appropriately. And then we're thinking about things like, how do we add duration? Right? If you have short term loans of, say, 1 to 2 months only, it feels like you're constantly on this, this kind of, let's call it a treadmill, right? Because you're just trying to disperse to keep up with the growth. As you add duration, you can slow down that pace because then the loan book will naturally grow and the fall off will be less so.

That's in part where we're looking at vehicle financing, because by definition, that's a significantly longer tender product. And we're putting in some development efforts there. And then on the cash loan within our credit scoring ecosystem, we're looking at a subset of users that have high credit ratings. They have had lending experience with us in the past, and then we're going to start rolling out significantly longer tenure loans that are effectively priced based on their credit portfolio credit history with us. So, this is how we want to try to continue to grow the book responsibly: convert people from BNPL on to cash loans, and add tenure to the overall mix. As I referred earlier, I think we will, as part of the disclosure going forward, we will start to think about how to disaggregate some of these with numbers so that way people can get a better feel about, you know, how big is his cash loan versus BNPL versus vehicle financing. And that's something that Simon and I will continue to work on. We'll be ready to share. I'm hoping that answers the question.

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

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

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**Pang Vittayaamnuykoon *Goldman Sachs***

Hi, thank you very much for the opportunities and congratulations for the solid set of results. Couple of questions from my side.

Number one, on the On Demand segment, can you explain a little bit more in terms of your adjusted EBITDA change quarter on quarter, given that from a contribution margin

perspective, percentage wise, it hasn't really changed materially quarter on quarter. But EBITDA improved quite substantially. Can you walk us through a little bit on what has changed in the quarter that led to this? Is there any contribution or makeshift around your country breakdown Indonesia, Singapore, and of course, the departure from Vietnam that may have led to some of these movements around EBITDA? That's question number one.

Question number two is around the top line and particularly on the management previous comment around macro concern. Can you walk us through or provide more color what exactly are you seeing right now that led to this comment that there is a certain sign or signals of this macro happening, the overall growth and whether or not we have to be concerned that these trends may carry forward into next year. That's question number 2.

Last question will be on the digital financial services segment. Of course, I understand that cannot provide too detailed, but just wanted to have a better understanding around some of the trends here, particularly we did notice that when it comes to the differences of growth on revenue coming in from lending versus your actual loan principal growth year on year, the revenue portion is growing at a much faster rate versus the actual loan growth. So wondering whether, is there any kind of like profiles or anything you can provide to us that would help us understand a little bit better whether it's on use, whether it's on the makeshift of customers or makeshift of some of the loan products.

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

Sure. Thank you for the questions. Maybe I'll address the macro environment. At this moment, I think the way we were addressing our forecast of Q4, we are still going to see robust growth quarter on quarter. Having said that, one year ago, we had an exceptional fourth quarter. I think it's a combination of strong macro and a lot of initiatives that we did. So if we compare Q4 this year versus Q4 last year, we think that growth will temper, but there's no real reason for concern. Maybe I will hand it over to Cath to elaborate more. And also there's a question about the profitability.

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

So I'll continue on in the second question in the macro. Basically, what we see is here again, as we mentioned, we remain confident the quarter on quarter number will continue to grow. What we are cautioning here is because we started seeing a little bit of a dampening on the

macro in terms of the market spending. This is especially compared to last year. That's why we are saying that though the quarter and quarter number will remain strong, there might be a slight kind of a softening on the year on year number. While in the EBITDA, yes, as you correctly pointed out, Pang, it is indeed, in line with our continuous cost optimization, cost discipline effort.

So this quarter, while we managed to achieve the growth while maintaining the efficiency of the spending or slightly improving that, we also managed to reduce our OPEX, right? This is what delivered the better performance overall on our EBITDA number. So our OPEX, we continue the disciplined effort line by line, seeing how else we can further improve our cost efficiency. And this is basically what you see in our last quarter.

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

Tom, would you please take the question about the growth of revenues for Fintech, whereby the revenue is growing faster than loan outstanding?

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

So, Pang, I think this is something that we're working on and thinking about internally. You know, the majority of these loans are relatively short in duration. So what happens is, you know, over the course of a year, your disbursements are significantly higher as a ratio than what your OSP is at any one point outstanding loans. Because the turnover is quite there and there are a few components here. So what you're seeing is that you have an outstanding loan balance at the end of a balance sheet date, but within any quarter, or, like, half a year, the number of loans originated and repaid is significantly higher and you get to recognize some of those fees.

And this is where I think, from a management perspective, we want to make sure that we're adding value to the customer. And this is in part where I referred earlier in one of the questions where we want to think more tactically about how the customer engagement is over the longer term, especially around you know, we're adding longer tenure loans with reduced interest rates, which would actually help us build a very sustainable business model. So these are some of the analyses that we're going through right now and again, I want to underscore this is a new business for us. I mean, we've been at this for a year.

We've learned a tremendous amount and I think we probably could have grown the book significantly faster. But we've been prudent, especially around making sure that we're managing the credit risk appropriately. And overall, I would say as a management team, we're very happy with the fact that we're now we now clearly see that we have operating leverage inside of GTF, meaning we can have significant top line growth, and really, for kind of the first time, you know, we don't have the corresponding increase in RPL or customer incentives. So we see margins opening up across the board. And this is why we're able to announce the going forward EBITDA, adjusted EBITDA so much. So it's encouraging. We've got a lot of work to do, but I feel like we've got our arms around it and it's going well.

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

Thank you, Pang. 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.

For more information, please see [www.gotocompany.com](http://www.gotocompany.com).

**Contacts:**

**Media**

GoTo Group: [corporate.affairs@gotocompany.com](mailto:corporate.affairs@gotocompany.com)

**Investors/analysts**

GoTo Group: [ir@gotocompany.com](mailto:ir@gotocompany.com)

Piacente Financial Communications: [goto@thepiacentegroup.com](mailto:goto@thepiacentegroup.com)