

PT GoTo Gojek Tokopedia 2Q23 Earnings Call Transcript

Corporate Participants

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

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

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

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

Hans Patuwo *PT GoTo Gojek Tokopedia Tbk - President, Financial Technology*

Melissa Siska Juminto *PT GoTo Gojek Tokopedia Tbk - President, E-Commerce*

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

Conference Call Participants

Ferry Wong *Citi*

Ryan Winipta *CGS-CIMB*

Pang Vittayaamnuaykoon *Goldman Sachs*

Sachin Salgaonkar *Bank of America*

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 2023 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 Jacky Lo, Group CFO.

Also present are Thomas Husted, our Chief Operating Officer, Catherine Hindra Sujathyo, our President of On-Demand Services, Melissa Siska Juminto, President of E-Commerce, Hans Patuwo, President of Financial Technology Services, and Kevin Widlansky, Head of GoTo Logistics.

Following Management's prepared remarks, we will open up the call for questions. We would like to highlight that the information presented today has been prepared solely based on unaudited, consolidated, selected financial information for the three months ended June 30th, 2023. We have also submitted and published our consolidated financial statements, as of, and for the six months, ended June 30th, 2023, that have been reviewed.

The limited review was conducted to fulfill our internal standard operating procedures to improve the implementation of good corporate governance by the company. As a reminder, today's discussion may contain forward looking statements about the company's future

business and financial performance, as well as the discussion of 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 this earnings call, We will be going through our results of operations and earnings presentation, which can be found on our website.

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 earnings call together. Many of you know me already and are aware of my long history with GoTo, as well as my belief in its potential. I was an early investor in Gojek and have been close to its founding management, as well as that of Tokopedia, from the early days all the way to the formation of GoTo. GoTo is very close to my heart, and I am humbled and grateful for the trust and support that shareholders, employees and partners have shown in me as their new CEO as I embark on a singular mission to accelerate GoTo's trajectory as Indonesia's leading tech company and national champion.

Over the past 12 months, GoTo has confronted significant challenges, particularly around our cash burn. The extensive cost cutting we undertook in response to this has impacted our growth because by cutting back on incentives, we have skewed our total addressable market away from the masses, towards consumers who value convenience over affordability. At the same time, integration issues have meant we were not fast enough to capitalize on the promise of the Gojek-Tokopedia merger.

If we are to win, we must address all of this with urgency, as time is of the essence, and competition is intensifying. As such, there are three key points I would like to convey today.

First, have no doubt that we remain committed and are on track to deliver positive adjusted EBITDA within Q4 2023, as per our guidance. As a reminder, our adjustments for EBITDA primarily consist of share-based compensation and changes in the carrying value of our investments.

Second, we understand that achieving adjusted EBITDA breakeven is not the end goal. We must go on to deliver sustainable and profitable growth. If we are to win, we must increase our total addressable market by expanding our consumer base, particularly among budget customers who demand value for money. We must do this without turning to the unsustainable use of incentives, and we must also accelerate the pace of our ecosystem integration to solidify our long term competitive advantage. To achieve all this, I have initiated a comprehensive review of our strategy. And we'll provide an update on his progress on our next earnings call.

Thirdly, in almost around 45 days that I have been here, we have wasted no time and started to take decisive actions across three main areas.

First, we are acting with extreme discipline when it comes to costs. GoTo has reduced its workforce by 24% over the past three quarters, while also reducing its non personnel fixed OPEX by around 10% over the same period. This equates to around 1 trillion rupiah in annualized savings. But there is more to do. I have asked Tom, our COO, to identify further savings to make our company even more efficient. Additionally, we are in the process of exiting our entertainment businesses as these are no longer a core part of our strategy, and we will continue to look for opportunities to divest other non core assets.

We have also reduced our shipping subsidy cost per order by around 15% year to date. I am taking steps to double this by year end by increasing the penetration of GoTo Logistics, which currently supports around one fifth of Tokopedia deliveries. This will enable us to drive down costs further and provide affordable or even free shipping sustainably.

Second, we are improving synergies across our ecosystem, executing faster and building stronger symbiotic relationships with our strategic partners. We have accelerated the integration between FinTech and e-commerce with the launch of cash loans on Tokopedia while offering our consumers competitive buy now pay later products.

On the partnership side, we are strengthening our collaboration and deepening our integration with Bank Jago. Building additional financial products for our users, which directly translate to the expansion of bank accounts for Bank Jago, long term reduction in the cost of funds for GoTo and accelerated loan disbursement.

Underpinning all of this is a focus on cultivating a shift in our internal culture to foster accountability as well as faster decision making and execution under a GoTo-first approach. What do I mean when I say GoTo first? We are an ecosystem that is greater than the sum of its parts. All of our employees must feel and believe this. No more silos. No more thinking about

business units in isolation for everyone in this company, including myself. GoTo must be our absolute priority. I have been very focused on achieving the one GoTo vision by breaking down organizational barriers, having everyone working from the office full time and committing all teams to the common goal of putting our customers first.

Lastly, we have already begun adjusting our product mix, making it more mass-market focused. As I mentioned, due to the focus on profitability over the past 12 months, our consumer base now naturally skews toward consumers who prioritize convenience over affordability. To drive sustainable long-term growth, we must increase our total addressable market profitably by expanding our product offerings to address the needs of budget consumers as well.

As we develop a comprehensive strategy for this over the coming weeks, significant work is already taking place. Within our On-demand business, we are leveraging our Hemat products for four-wheel transport and food delivery to provide a more affordable option for consumers, ultimately resulting in a higher order density and value creation to both drivers and GoTo. By providing these Hemat offerings, we estimate that we can grow our consumer base by 50-60%.

We are also in the process of launching our Go Transit multimodal feature, the first and only in the region, which provides a seamless end-to-end booking experience for public transport consumers who can be persuaded to also utilize our dual services as part of their journey.

Meanwhile, in FinTech, we have launched the GoPay app. We designed this app not only to make life more convenient for our existing users, but also to make GoPay more accessible to budget customers by making it light in size for people for whom data and phone storage resources might be limited. We also introduced a cash loan feature that will drive the expansion of our lending portfolio far beyond existing Gojek and Tokopedia consumers.

So far, we have recorded over 1.5 million downloads with zero marketing spend, showing the demand that exists for our product. In closing, I remain strongly optimistic about the outlook for GoTo. We know what we must do. We are focused on executing with precision and urgency. And we are committed to keeping you up to date as we progress.

I'd like to give particular thanks to our employees and partners who have continued to work in the best interest of our business throughout the ongoing change. It is thanks to their efforts that we will succeed. I will now turn the call over to Jacky to review our business performance. Jackie, please go ahead.

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

Thank you, Patrick. Good day, everyone. And thank you for joining us on today's call. Incremental improvements to our group adjusted EBITDA are ongoing. We are on track with our timeline to achieve positive adjusted EBITDA within Q4 2023. In the second quarter, group adjusted EBITDA narrowed by 72% year on year to negative 1.2 trillion Rupiah or negative 0.84% of GTV.

This is underpinned by ongoing improvement in contribution margin, which remains positive at the group level in Q2, in line with our previously communicated timeline. The contribution margin as a percentage of GTV was 0.73%, amounting to 1 trillion rupiah. This equates to an improvement of 207 basis points year on year and 30 basis points quarter on quarter.

Profitability improvements are mainly underpinned by disciplined management of incentive and product marketing spend, resulting in a 43% reduction in associated costs. Reflecting total quarterly savings of 2.7 trillion rupiah year on year. We also continue to improve monetization across our businesses, resulting in gross revenue growth of 6% year on year to 5.8 trillion rupiah in Q2 as our group take rate increased by 40 basis points year on year, reaching 4.1%.

Net loss also improved and came in at 3.3 trillion rupiah, narrowing by 15% quarter on quarter and 56% year on year. This includes 1 trillion rupiah in losses arising from the impairment of our investments in joint ventures and associates as well as changes in the fair value of our investments.

Net cash burns reduced by more than half year on year. Our cash and cash equivalents of 25.4 trillion rupiah at the end of the second quarter, and 3.1 trillion remaining in our 4.65 trillion rupiah credit facility provide us with ample cushion to become self-sustaining. As Patrick mentioned, ongoing improvements in profitability continue to impact our short term growth.

GTV slightly declined by 5% year on year to 143.7 trillion rupiah, mainly as a result of reduced incentives and product marketing, but also due to increased number of holidays in Indonesia during April and June. The number of profitable users and overall profitability per user remains stable, with profitable users contributing close to 75% of total GTV. User engagement has improved, as shown through an increase in spending per user of 42% year on year.

I'll now walk you through each of our four core segments.

In On-demand Services, adjusted EBITDA was negative 164 billion rupiah, an improvement of 89% year on year. And as a percentage of GTV, it improved to negative 1.24% in the second quarter, up 874 basis points. With ongoing incentive rationalization, total On-demand Service incentive spending declined by 35% year on year, which is equivalent to 1 trillion rupiah in savings for the quarter. Our focus on profitability and monetization supported increased gross revenue, which reached 2.9 trillion rupiah, up 3.5% year on year. Subsequently, our bottom line also saw significant improvement. Our international markets became contribution margin positive this quarter, as On-demand Service contribution margin reached 623 billion rupiah and improved to 4.7%, up 853 basis points year on year as a percentage of GTV.

The targeted rationalization of incentives has impacted participation from low quality users resulting in lower GTV from this user group. As a result, GTV for On-demand Services declined 8.6% year on year to 13.2 trillion rupiah. There's also some seasonality in Q2 owing to a higher number of public holidays in Indonesia during which consumer activity slows down. We see the brunt of this impact in our mobility and food delivery services.

As mentioned by Patrick, On-demand Service will aim to address the need of budget consumer segments through three key products, Food Hemat, Car Hemat, and Go Transit. Our Hemat products are cheaper, not because we subsidize them, but because the inherent business model is more efficient, thanks to order batching and a managed assortment in the case of food, and more economical vehicles with more efficient routing in the case of cars.

In addition, GoTransit Multimodal helps drive incremental demand to our two-wheel business by targeting users who normally use public transportation and subsequently onboarding them to GoRide for the first and last mile. These three products have generated new users and reactivated dormant users during Q2, proving our hypothesis that they can broaden the use base for GoTo.

Turning to our E-commerce business, adjusted EBITDA was negative 229 billion rupiah, an improvement of 86% year on year. As a percentage of GTV, E-commerce adjusted EBITDA improved to negative 0.39%, up 203 basis points year on year. E-commerce contribution margin reached 413 billion rupiah, and contribution margin as a percentage of GTV improved to 0.7%, up 201 basis points year on year. This bottom line progress is attributable to our incentive rationalization, which brought about a decline in incentive spend of 48% year on year, equivalent to 1.2 trillion rupiah of quarterly savings. Strong progress has been made in monetization as the commission adjustments we implemented earlier in the year have started to bear fruit.

As a result, E-commerce gross revenue increased by 8.5% year on year amounting to 2.2 trillion rupiah. The increase in revenue is a testament to merchant loyalty to our platform, which has come about as a result of the competitive mode we are building for our E-commerce business, including the value of GoTo's unique ecosystem for merchants and users.

E-commerce GTV declined 13% year on year to 58.7 trillion rupiah in the second quarter due largely to our incentive rationalizations, which result in fewer transactions from low quality users. The increase in the number of public holidays during the quarter also caused merchants to take longer recess periods and consumers to shop offline. The winding down of parts of our Mitra Tokopedia business, which we announced in March, also plays a factor. Excluding Mitra Tokopedia, our GTV decline will have been 10% instead of 13%.

Throughout the first half of 2023, we experimented with GoTo Logistics' in-house logistic capabilities. Results have been very promising, with GTL enabling a reduction in overall logistic costs for our E-commerce business, and therefore will continue to ramp up GoTo Logistics penetration in Tokopedia. Additionally, we'll immediately improve our personalized discovery through engaging content that caters to budget consumers. At the same time, we'll help our merchants to reach these consumers while supporting them in making the advertising more powerful and engaging, using new formats. Finally, our FinTech Pay Later products will also support Tokopedia by further driving product affordability and consumer engagement.

Looking at GoTo Financial, we have continually improved our incentive spending efficiency, particularly in our consumer payment products, while still growing sustainably. This is not a coincidence, but a result of our conscious effort to provide more use cases for GoPay users, which enable us to grow through increased user engagement instead of inorganic incentives.

Adjusted EBITDA for FinTech was negative 508 billion rupiah, an improvement of 45% year on year, and as a percentage of GTV it improved to 0.56% negative, up 50 basis points. FinTech contribution margin shows an improvement of 99% year on year, and as a percentage of GTV, contribution margin improved 45 basis point year on year to approximately break even. FinTech incentive spend improved by 59% year on year or equivalent to 367 billion rupiah in savings for the quarter. This has contributed to our bottom line improvement and allowed us to reinvest strategically into our profitable growth strategy.

GTV increased 4% year on year to 90.5 trillion rupiah in the quarter. Gross revenue also increased by 2% year on year, to 399 billion. We remain very prudent in lending. We grew our

loan book by 21% quarter on quarter to 1 trillion rupiah while maintaining a positive contribution margin.

Our strategic partnership with Jago remains crucial, with the majority of our loan book financed by Bank Jago. On top of being profitable, our lending products are also more competitive because we are able to manage our credit risk very effectively. We are still in investment mode for our fintech business. As we scale our lending in both closed and open loop systems, we expect fixed costs for the segment to increase in the short to medium term.

For GoTo Logistics, adjusted EBITDA was negative 94 billion rupiah, an improvement of 62% year on year and gross revenue increased by 10% year on year to 562 billion rupiah. Early results from our efforts to improve the logistics business cost structure are also showing. In the second quarter, we reduced incentive spending for logistics by 64% year on year equivalent to 122 billion rupiah of savings for the quarter.

The first priority for GoTo Logistics upon formation was lowering logistic costs for e-commerce business by scaling up our highly efficient in-house delivery service and our fulfillment capacity, as well as allocating orders to the most cost effective third parties using our in-house engine for orders that are better served by external vendors. The more we can lower user paid logistic costs, the more significantly we can reduce our shipping subsidies to incentivize budget consumers, bringing a multiplier effect that supports profitability and business sustainability as well as growth.

Similar to GoTo financial, we are still in investment mode for GoTo Logistics, given the strategic importance of lowering delivery costs for e-commerce business as we scale up fulfillment and conventional delivery, we expect to [00:36:00] see some cost increase in the short to medium term. That said, we'll continue to aim to stay as asset light as possible.

Before opening the call to your questions, we would like to reiterate our guidance. We continue to expect to reach positive adjusted EBITDA within the fourth quarter of 2023, and for the full year 2023, we are revising our guidance due to significant, significant progress we have made in the first half. Our group adjusted EBITDA is now expected to be between negative 4.5 trillion and negative 3.8 trillion per year, an update from our previous guidance of between negative 5.3 trillion and negative 4.6 trillion.

To conclude, our cash position is strong and we will continue to focus on achieving profitability while investing in sustainable long term growth. With that we will now like to open the call to your questions. Reggy, over to you.

Q&A Segment

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

Thank you, 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 go ahead Ferry and ask your question.

Ferry Wong *Citi*

Thanks, Reggy. I have three questions, and thanks for the opportunity. The first question is that there seems to be a slower improvement on profitability in this quarter compared to the previous quarter. You mentioned that you are still confident to achieve the fourth quarter 2023 adjusted EBITDA break even. Could you, please highlight the main driver to achieve this target?

Second, basically as we approach adjusted EBITDA profitability by the end of the year, do we expect that the margin take rate will improve further, or should we expect investment to maintain at current level to defend market shares, especially with the intensifying competition from TikTok and Lazada and potential entrance of Temu? And what is your estimated long term adjusted EBITDA margin potential for each of the segments?

And the third question is more on the GoTo Financial loan outstanding. As of June, could you provide more color into that, because in the first quarter, you mentioned that the loan outstanding from GoTo Financial ecosystem rates around 831 billion, and from Bank Jago we heard that it's around 1 trillion rupiah as of June. What will be the number basically by the end of the year, and what's your expectation also in 2024 for this GoTo Financial loan ecosystem? Thank you.

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

Ferry, thank you for the questions. Pleased to hear your voice here. In regard to your first question and if I can just recap, that you have a question about the slowing down of our path to profitability; this quarter versus the previous quarter. And how confident we are that we will achieve our target of EBITDA breakeven by the fourth quarter.

Firstly, let me say that we are committed and we believe we are on track to deliver positive adjusted EBITDA within the fourth quarter this year. And due to the significant progress we have made in the first half, we have improved our group adjusted EBITDA guidance for the full year of 2023. In order to achieve this, we are disciplined in terms of cost. We have 1 trillion rupiah annualized savings through the reduction of personal costs and non personal costs. We continue to be very selective in spending incentives. We have decreased 43% year on year this quarter. Furthermore I have asked the P&L optimization committee to continue identifying further savings, reviewing cost items line by line that will make our business even more efficient as well as exiting our non core businesses. I'll give the opportunity to Tom Husted to elaborate further on this matter. If you will.

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

Great. Thank you, Patrick. And thank you Ferry for the question. Good afternoon, everybody. It's great to be here and to join the call for the first time. So as Patrick mentioned, we've made very good progress on cost cutting so far.

However, I really want to highlight here that we're going to remain laser focused on reducing our fixed cost base in the coming months. And to this end, we're working on three distinct work streams internally. So first, we're going to continue to right size the expense base. And this is really focused primarily on reducing the costs that are not essential to the core businesses. Patrick alluded to some asset sales earlier in his remarks and we will continue to do those and the benefit of doing those asset sales is that we also reduce the associated OPEX.

The second strategy, and this is something that I think everyone is focused on now internally, is revisiting the Toko-Gojek post merger integration work. This goes back to 2021 and really what we want to do here is double down on streamlining how these businesses work together, including GTF. And our view on this is that we have to realize a lot more savings from this work stream. And frankly, at the same time, we have to drive the associated revenue opportunities and the flywheels. I think Patrick and Jacky will speak a bit more about this going forward.

And then finally, we have a third strategy, which is to focus on technology independence. And really what this means is that we want to decrease our reliance on 3rd party tech solutions. We've done a deep dive on how much we're spending on these solutions, and it's big. So we're going to redeploy some of our internal tech team and work on solutions that make us a

more lean operation. And the goal here, overall goal is to reduce the costs on a per transaction basis. This will help us increase the TAM and get more customers in on a profitable basis. So I think that summarizes the overall cost strategy. Thank you. And Patrick, Jacky, back to both of you.

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

Thank you, Tom. Moving on to the second question from Ferry. I think the question is around our view about EBITDA profitability and margins going forward for each of the business segments.

As I mentioned earlier, achieving adjusted EBITDA breakeven is not the end goal. We need to go on to deliver sustainable and profitable growth. We believe there's still a lot of room to improve our margins for the beyond breakeven. And maybe I can talk about a few observations that we have made in the company.

In On-demand Services based on our hypothesis and early results, our Mode Hemat products have better profitability than our existing products. We will take time to test this hypothesis. And once we are convinced of the results, we are going to invest in more products.

For E-commerce, our hypothesis is that we will need to improve our assortment. We need to appeal to budget customers and expand our total addressable market. By doing this, we will also be able to open new opportunities for our lending products to tap into this budget customers. Overall, by improving our offering to address the needs of budget customers, we will increase our total addressable market and at the same time improve our profitability.

And as I mentioned in the first part of this presentation, we are in the process of doing a comprehensive study on GoTo strategy, and we will provide an update in the coming quarters.

The third question is about GoTo Financial. I have Hans, who is the President of GoTo Financial. Hans, if you can address Ferry's question, that would be great.

Hans Patuwo *PT GoTo Gojek Tokopedia Tbk - President, Financial Technology*

Will be happy to, thanks, Patrick. Hey Ferry thank you for your question. The loan outstanding in Q2 was about 1 trillion Rupiah, and this reflects about a 21% increase quarter on quarter. This is a little lower than it was in previous quarters, partially because we continue with our prudent approach, but also partially impacted by the negative growth in the ODS and

E-commerce businesses. If you look at a 20% quarter on quarter growth, this is still significantly higher and implies a higher penetration rate compared to the overall negative growth in the ODS and E-commerce businesses.

Moving forward, we remain very confident. As we have more and more experience on the cost of credit, we are monitoring and continuing to improve and optimize our prudence, which means we are able to bring on more borrowers. In addition to that, we have launched two new products. We have launched cash loans in Tokopedia, fairly recently, and we are also now in the process of launching cash loans on the GoPay app. So, two additional new channels for cash loans have been opened up this quarter. Hence, we expect an acceleration in the loan outstanding in the quarters to come. Everything that we do, we work together in our strategic partnership with Bank Jago to manage the cost of funds and also to accelerate the loan disbursement. Hopefully that answers your questions, Ferry.

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

Thanks Ferry. Our next question comes from the line of Ryan from CGS-CIMB. Your line is now open. Please unmute your microphone to ask your questions.

Ryan Winipta *CGS-CIMB*

Thanks, Reggy and also the management team for the opportunity. I have three questions from my side. My first and second questions would be specifically to Patrick as the new CEO. I'm just wondering whether there's any potential key changes in the strategic direction and action from you, Pak Patrick, and what do you think needs to be resolved quickly? And what kind of problems and concerns did you see previously as a shareholder before and now as the CEO of GoTo Group.

And my second question would be that, given that you are also the founder and also the managing partner of the Northstar Group, do you see your role as CEO in GoTo as a full-time commitment? And how should we think about that?

And my third question would be, I think it's just a reiteration of what Ferry mentioned previously is regarding how management can balance between the growth and also profitability at the same time in the second half onwards because of the intensifying competition. I'll stop there. Thank you.

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

Thank you, Ryan. Maybe I'll address the second question first. And because that's about my commitment to GoTo. I would just like to give everybody an assurance that my effort and attention are 100% devoted to GoTo. I will commit to GoTo as far as it takes.

A lot of the things; the initiatives and all the push that we are making in the company are long term in nature. And again, I'm fully committed to push that. But at the same time, if there's somebody who walks in and can do a better job than I can, I would be more than happy to work with that person to hand over and bring this company to the next level. But again, at this moment, I'm fully committed to GoTo.

Your first question is about changes in strategic direction, and the problems that I see need to be fixed immediately or resolved quickly.

Generally, I think our strategic direction remains the same in the sense that we are still committed to deliver EBITDA breakeven by 4th quarter. The bigger challenge is how do we actually grow profitably from here on amid intensifying competition. As we have discussed, we are looking to further reduce our fixed costs, and then we will use the savings to invest in areas that matter, for us to be able to achieve profitable growth. And the second thing is that, and I cannot stress this enough, that we are cultivating a GoTo-first approach, improving synergies across our ecosystem and strengthening collaboration with our strategic partners.

GoTo is unique because we have a suite of products that none of our competition has in an ecosystem, and it is up to us as to how we want to leverage that and how fast we want to get there. And therefore as I mentioned earlier, that sharp and speedy execution is critical. And the third component of this is we need to augment our total addressable market. We need to be able to make our products appeal to people who are seeking affordable products, and we continue to be focusing on that.

And I think the last question that you have is about competition and how we react to it, and our strategy to get to growth while staying on track on the path to profitability. Today, apart from Hans, I have Catherine, who is the President of our On-demand Services, and Melissa, the President of our E-commerce, also known as Tokopedia.

On that note, I would actually give the opportunity to each of them to share with you their strategy. Cath, why don't you start first?

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

Thanks, Patrick. Thanks, Ryan for the question. Catherine here, nice to meet everyone. So on On-demand Services as you notice as well, Ryan that we have seen in the recent month competition has been growing more aggressive. A few things I would like to mention on the On-demand Service that we mostly know as Gojek. First thing is we are still maintaining market leadership in both our Indonesia transport and food delivery market. Secondly, Patrick alluded to this earlier as well, that we are now going after ways to augment our user base by going after this affordability strategy to address the budget consumers.

Our analysis shows that we can drive our market potential growth by expanding our reach to this segment of users. And as Jacky mentioned briefly as well, that the economics of this, what we call the Hemat product, which is translated to value for money, has been proven to be good as well. Therefore, we will continue to focus on our strategy to make our services more accessible, to be more suitable for the affordable segment. Both our food delivery through GoFood Mode Hemat and our GoCar through GoCar Hemat, are providing a cheaper entry point for our consumers if they are willing to sacrifice/compromise on a few things. For example, to wait a little bit longer, to take a slightly smaller car, to choose for a more nearby assortment for food.

Similarly as well on our two-wheeler services, we are launching our GoTransit multi modal, which is a very seamless way, first of its kind, integrating between the public transport and ride hailing with one tap. So this is going to be our strategy that we will push aggressively to address this affordable segment. With that, I'll pass it to Mel to address a little bit on the E-commerce side as well.

Melissa Siska Juminto *PT GoTo Gojek Tokopedia Tbk - President, E-commerce*

Thanks, Catherine and also thanks Ryan for the question. So for E-commerce overall around 60-70% of our market share in Indonesia is actually shared between the two largest players. Both players have been reducing incentives, although we have seen our competitors becoming more aggressive in recent months.

I also would like to mention that there are two types of E-commerce. The first one is traditional E-commerce with search based product discovery. The second one is E-commerce focusing

on content based business utilizing live streaming to drive transactions, especially in the area of impulsive transactions.

So far, we have been focusing a lot on our core strength and capabilities in traditional commerce. We are building product propositions to appeal more to budget consumers through improving our assortments, especially doubling down on AI to actually improve on personalizations. As well as using go pay later to make our products more affordable and appealing to much more budget consumers. We internally are conducting a strategy review and will provide more color in the next, our next earnings call.

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

Thank you, Ryan. Our next question comes from Pang Vittayaamnuykoon, from Goldman Sachs. Pang, your line is now open. Please unmute your microphone to ask your questions.

Pang Vittayaamnuykoon *Goldman Sachs*

Hi, good afternoon all the management and thank you very much for the opportunities. Can we also go back to the questions, I know that we've been asking about here a couple of times, the dynamic in the E-commerce segment. Just wanted to have a clear understanding here in terms of the focus for Tokopedia.

As we move towards the second half of the year and as you just mentioned that some of the competitors actually began to be more aggressive toward the later part of the second quarter and into 3Q as well, are you going to focus on turning profitable first still? Or the plan is also to a certain extent to defend market share as well. That's question number one.

Question number two for the On-demand segment, the dynamic that you've seen between mobility and food deliveries, if there's any color you can provide in terms of GTV growth between the two products. How do you foresee this trend into the rest of the year, given also that the number of orders seem to have come down and as you push toward profitability as well, same here - will you focus on profitability first or defending market share first?

And lastly, can we also have more colors around the Hemat strategy that you are introducing and you know, being, seeing some success. What is the margin profile for this Hemat? Was it your legacy products?

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

To answer your question, Pang and if it is not clear, please ask again, because I may have forgotten some of the questions, but in terms of E-commerce, the way we look at the business is that the market actually still has a lot of potential.

If we look at the penetration of E-commerce in Indonesia compared to China, we are only half of the rate of the penetration. And in terms of frequency, we are one-third off what Chinese consumers are consuming today. So the market is still wide open. And yes, we recognize that we have a lot of competition in existing and new ones. But there are certain things that Tokopedia still has a lot of potential to improve. The first one is that we need to make our assortment larger and more appealing to a larger base of the population. If you look at our type of customers, Tokopedia today appeals most to the most affluent market in big cities like in Jabodetabek especially because of the integration that we have with our On-demand Services where we can deliver products to our consumers within two hours. And I still believe that we are probably the only one that can offer that kind of service. Tokopedia has a special appeal to that customer base. However the biggest growth potential is what we call the budget consumers or the mass or the mass market. And apart from assortment, the second thing that Tokopedia is reviewing is also about category strategy.

We are strong in certain categories. We are, we have a lot of potential in other categories where we are not present. So what I'm trying to say is that even within our current business, we still have a lot of levers that we can pull. Now, it all comes down to the delivery of that. It all depends on execution quality. And I think, you know, sitting here. I have been here for only 45 days. I think I'm reassured that the team in Tokopedia is capable of pulling this off, not to talk too much details because we will talk about this in the next earnings call. I have personally seen early signs that the team has found new levers for growth. And together with the team, we are taking comprehensive study to see where the gaps are and then we will fill those gaps. We are not perfect. We have a lot of things to catch up on, but we will address them and we hope to provide you with more details in the coming quarters.

Now I don't remember the second question. Sorry. The dynamic between mobility and food delivery. Okay, maybe I'll hand this over to Catherine to address.

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

Hi Pang. good to hear from you. Maybe I'll address your second question. I'll come back to that one. You're asking how does the Hemat work? So let me take a little bit of an example.

For example, Car Hemat, basically what we are providing to the customer are options, options of a very clear value proposition of a GoCar regular versus GoCar Hemat.

So regular is the product that we always have before, so for GoCar regular, if you order a GoCar, the car that is being assigned to you is the normal regular car. But if you order a GoCar Hemat, we will assign to you what we call an economical car, this is a smaller car. Similarly, as well, your waiting time for the car will be five to seven minutes slightly longer. That will allow us to allocate a more cost efficient car as well for us. Lastly, is also the distance with a Car regular, you can travel, pretty long distance. But for a GoCar Hemat, you can only travel up to 10 kilometers. This is to make sure we can create such a density for our car driver. So they can increase the productivity of the driver as well. Then with that, basically the proposition is if as a customer, you're willing to go for a smaller car, you are willing to wait slightly longer, your price can come down by 15-20% cheaper compared to the Car regular. This is back to Jacky's point earlier that this model that we are doing the Hemat is economically sustainable, and thus we will be able to expand them and scale them very fast after this.

Similarly, for the Food Hemat as well, customers can have a choice between the assortment. If you choose Food Hemat, you can only choose an assortment within the first two kilometers; your nearby merchants, similarly to promote the density of the order. The second is also the waiting time. If you order the GoFood regular, the average waiting time is 25 minutes, but when you order go for time the waiting time can be up to 45 minutes. This will help us to increase the probability for us to be able to order-batch and improve the driver productivity by increasing the density. Similarly, with that, the delivery price for our GoFood and for the regular typically ranges from 9,000 - 11,000 rupiah. Now with GoFood Hemat you can lower down the delivery price by a 3rd of it, which is 3,000- 5,000. So again, this is this is basically how we are doing it to provide a sustainable kind of a growth lever for us to expand our customer base.

Question on the margins. Yes. Lower price does not mean that it's going to be a lower profitability margin. Again, as I mentioned, because using the car, for example, because it's an economical car. As you can imagine, the driver's main cost is their fuel. And second is their installment for their car payment. As you can imagine, when the car is smaller, more economical, the fuel efficiency typically is better, and as well as their monthly installment is lower. This is what allows this win-win-win combination that the driver can take on slightly less, that still helps them to maintain their take home income still. But at the same time, we will be able to pass on some of the savings for the customer to allow them to have a cheaper

product. It's not necessarily mean that because it's more affordable, it is less in term of profitability.

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

Yeah, I think generally speaking, all of the drive to affordability does not necessarily mean that we are going to have inferior unit economics for those products, because we are creating those products with a fundamental change of the business model or the way that we are doing business. Our cost structures would also go down commensurately with higher volume. And therefore from a unit economics perspective the early signs convinced us that these products are actually more profitable for GoTo.

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

Thanks, Pang. Our next question comes from the line of Sachin Salgaonkar from Bank of America. Sachin, your line is now open. Please unmute your microphone to ask your questions.

Sachin Salgaonkar *Bank of America*

Thanks, Reggy. Congrats on a good set of numbers. I have three questions. First question was, when do we see GTV bottoming out from a year on year growth? Listening to all the comments from management, it's very, very clear the focus on cost control is there and clearly there is a visibility of further cost control, but just wanted to understand if it is coming at the expense of GTV growth, and when do we see that growth sort of bottoming out.

Number two, I wanted to understand the impact on competition. We did see a bit of an improvement in take rate this quarter for E-commerce; largely flattish for On-demand Services. Directionally, do we see further room for improvement in take rate? Or given where competition is, we don't see much of a pace of improvement?

And third question, just wanted to understand your thoughts on the government looking to regulate the cross border commerce by imposing a 100 dollar cap.

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

For your questions, the first part is about GTV growth, right? And when it's bottoming out, and how that would be affected by competition. So let me just say that there are things that we have control over, and there are things that we don't have any control - what our customers, our competition is going to do going forward. I think my answer is that if they depart significantly from the practice that we have seen in the past few months and become more aggressive, and the capital market of the investors tolerate that, obviously, that would put more pressure on our GTV growth, or improvement.

I think I would not want to comment on exactly when we are going to see our GTV turning around if you will, from this level. But what I can say is that all the initiatives that we just talked about, we are seeing early signs that it will generate GTV growth from our level where we are today. But again we think that it is still too early to predict. But hopefully by next earnings call, we will be able to give you a little bit more clarity on that.

And then Jacky, would you like to take the second question?

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

Sure. in terms of the take rate of On-demand Service, it was flat quarter on quarter. I think the major reason is because of the holiday season. So that was shifting the mix towards the enterprise merchant for food delivery. That kind of impact, because the take rate is lower, and offset by the increase in the mobility side, resulting in a flat quarter on quarter. And in terms of E-commerce. I think as you know we increased the B2C commission rate in March. So that's the full quarter impact in Q2, but there's also a shift in Q2 - slight increase in the Digital goods. I think that's offset that improvement. But overall, I think going forward, we will continue to leverage value added services, such as ads, to drive specifically for e-commerce. I think that's has been a contributor and growing at a fast pace, so we will continue to leverage that to drive the E-commerce take rate.

And for On-demand Service, the ads contribution is still relatively small, but we see a lot of opportunities in that area. So that will help to drive the On-demand Service take rate as well.

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

I think, just a general comment. I don't think that we are banking on increasing the take rate from our On-demand Services to drive growth. And that is actually contrary to our strategy to

make our pricing, our services more affordable to our customers. At some point, the products have become too expensive for the general population. So as we mentioned a few times in this call, the engine for growth is actually going to be about our products, new products that are going to be more affordable to our customers.

And I think that is true for E-commerce. I think the focus on E-commerce is not only to make the assortment more affordable and shifting categories to those that are more lucrative for Tokopedia. But also working with our merchants to make sure that by working with Tokopedia, they can generate more sales and more profit to their business.

The third question is about the government regulation on cross border, about the limit of the goods that can be directly imported. At GoTo, we're not doing any cross border transactions. We are monitoring updates to the regulations and the implementation of it and generally speaking, we are going to continue to be compliant with all prevailing regulations.

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

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

About GoTo Group:

PT GoTo Gojek Tokopedia Tbk (GoTo Group, IDX: 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 consists of on-demand services (mobility, food delivery, and logistics), e-commerce (third party marketplaces + official stores, instant commerce, interactive commerce, and rural commerce), and financial technology (payments, financial services, and technology solutions for merchants) through the Gojek, Tokopedia, and GoTo Financial platforms.

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