

PT GoTo Gojek Tokopedia 3Q23 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*

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

Conference Call Participants

Ferry Wong *Citi*

Adrian Joezer *Mandiri Sekuritas*

Ryan Winipta *Indopremier*

Henry Wibowo *J.P. Morgan*

Thomas Chong *Jefferies*

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 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 Sutjahyo, our President of On-Demand Services; Melissa Siska Juminto, President of E-commerce; Hans Patuwo, President of Financial Technology Services; and Kevin Widlanski, 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 3 months ended September 30, 2023. We have also submitted and published our consolidated financial statements as of and for the 9 months ended September 30, 2023.

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 the 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 Patrick.

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

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

Last quarter, we promised that we would act with precision and urgency as we aim to continue our progress towards profitability while returning to growth by expanding our total addressable market. Despite the challenging competitive environment, I am pleased to report that group GTV is returning to positive quarter-on-quarter growth, following 2 quarters of sequential decline, driven primarily by improvements in our E-commerce and On-Demand businesses.

This is due to our broader strategy to expand our addressable market through the development of products and services that are useful and accessible for everyone, particularly by the price-conscious consumer segments.

Our On-Demand affordability offerings are both spurring user growth and boosting driver productivity. For instance, in Q3, drivers who took GoFood Hemat orders on top of regular orders more than doubled their orders per hour, while GoCar Hemat has increased drivers hourly orders by over 35%. This uplift in productivity will enable us to provide Hemat in a sustainable manner in more areas while keeping driver income stable. This will allow us to broaden our ODS consumer base by 50% to 60% in the medium term as per our original thesis.

In E-commerce, we have pursued a co-investment program with core merchants, which increased the average GTV of participating merchants by over 40%, enabling us to increase overall GTV while maintaining profitability.

In Fintech, the GoPay app has reached more than 5 million downloads. Approximately 50% of transacting users are either new or reactivated and around a quarter of them have subsequently transacted on either Gojek or Tokopedia. We have also focused on our loan book, which has returned to a 44% quarter-on-quarter trajectory reaching IDR 1.4 trillion, equivalent to triple increase year-on-year, while maintaining profitability with NPL levels well below comparable products in the market.

In Logistics, our technology has allowed us to ramp up in-house delivery in high-density areas and aggregate third-party deliveries elsewhere at the lowest possible cost order. This efficiency has further reduced shipping subsidy cost for order by 22% quarter-on-quarter on top of the 15% savings we achieved during the first half. These total savings of 33% year-to-date means we have already exceeded our saving targets of 30% for this year, as indicated in our last earnings call.

More broadly, from a group perspective, we have delivered additional OpEx improvements as we further rightsized our structure, merging functions to eliminate redundancies and leveraging our technology to reduce cost of revenue, which Jacky will pass later. We have achieved much in a short time, but we are at the beginning of our transformation, and there is a long growth that happens.

Last quarter, I announced a top-to-bottom strategy review. Initial results have cast some additional light on the path forward as a group. As mentioned previously, by cutting back on incentives, we make products and services within our platform less accessible. This has meant that to date, we have not been able to effectively address price-conscious consumers who are the biggest segment of the market.

As such, our strategy going forward can be described based on 3 priorities. Firstly, to broaden our addressable market, particularly among value-conscious consumers; secondly, to increase monetization and thirdly, to strengthen synergies that will fuel our ecosystem flywheel.

With regard to broadening our addressable market, in ODS, we are building out our affordable products tactically in priority areas. GoCar Hemat, which is already profitable, is being rolled out in more cities and we are also expanding the low-cost selection on offer within GoFood Hemat while streamlining its operations. This means increased density, better batching, a reduced cost to serve as well as improved driver productivity, all of which will benefit our customers. Additionally, earlier this month, we officially launched GoRide Transit, the first and only platform in the world to seamlessly blend public transport and ride hailing in 1 booking, and we were honored to have this current breaking innovation recognized by the

President of Indonesia and his government. Also to further expand our 2-wheel offerings to budget consumers, we are piloting GoRide Nego, which allows consumers and drivers to communicate directly and agree a trip fare with each other. This is the latest example of our continuing innovation designed to unlock new customers.

Tokopedia is highly resonant with our core consumers, those who prioritize and are willing to pay for convenience and reliability. This consumer profile fundamentally sets our platform apart from the competition. However, we acknowledge that by optimizing for this audience, we have lost market share. To reverse this trend and win the market perception battle, we have effectively bolstered our business model, enhanced our products and technology, reduced platform fees and reinvested in marketing efforts. To expedite our growth trajectory, we must persistently pursue such tactical investment, streamline execution and explore strategic opportunities that will fortify our market positioning.

With that in mind, we are supercharging our budget-friendly consumer appeal with a greater assortment of products geared towards this group while also investing in a better core platform experience that makes it easier for them to find deals that appeal to them. Underpinning this, our drive to improve the discovery process for all users. We continue to invest in predictive AI to capture real-time consumer insights for data-driven decision-making. This will improve our ability to evolve our SKU assortment, so we stay ahead of consumer needs while also personalizing content.

Moving on to monetization. We have identified large untapped market opportunities in the advertising space, and we are using this to fuel merchant growth and monetization across our ODS and E-commerce platforms.

Our FinTech business is also key to accelerating monetization. Our lending business is gaining traction and we expect this to accelerate as we prudently scale up our cash loan product, which has the highest margin of all our lending products. We launched cash loans on Tokopedia in July and in the GoPay app in September. At the same time, our BNPL product has become the #1 BNPL on Tokopedia.

We have also launched GoPay Tabungan or savings by Jago, a first of its kind collaboration in Indonesia combining the simplicity of money with the benefits of a bank account. This helps unlock the value of GoPay as a payment method because consumers can have an unlimited balance with no transaction limits.

GoPay Tabungan has recorded more than 1 million transactions and 200,000 users since its launch less than 2 weeks ago. The product will increase Bank Jago current and savings

accounts directly translating to lower cost of funds for both Jago and GTF within our loan channeling partnerships, ultimately resulting in higher margins. Today, close to 60% of our loan book is funded by Bank Jago and increasing. Our partnership with Jago remains central to our strategy. We recently worked with them to migrate the payroll of GoTo group employees over to Bank Jago, and we will continue to look for new ways to deepen our collaboration.

Finally, the real potential in our business lies and its ecosystem synergies that create a multiplier of flywheel effect that delivers value for our component businesses that goes beyond their individual fundamentals.

The recent launch of GoTo Passport marks a new milestone in the integration of the GoTo Ecosystem, considerably strengthening our competitive advantage. GoTo Passport is a unifying technology that underpins all of our platforms, giving us a much deeper understanding of our consumers and how they interact across our ecosystem. This will power our unified ad strategy to increase personalization and relevance among other possible use cases. In early October, we began experimenting with a universal subscription program efficiently combining the existing benefits of free delivery across Tokopedia and GoFood to faster user engagement across food and E-commerce. Ours is the only platform in Indonesia with this unique capability, and we intend to do much more in this space.

GTL's role in the reduction of shipping subsidies, as mentioned earlier, as exponential value for Tokopedia users, and this is expected to increase further driven by expansion of our in-house deliveries to include merchant fulfill orders. To support continued aggregation and cost reduction, we will continue investing in fulfillment to drive supply chain efficiency by creating more high-density delivery corridors.

All these initiatives are critical to create differentiated long-term competitive advantage. There will require time and investment financially as well as resource and talent wise across all our business units, particularly within GTF and GTL.

At the same time, if we are to win the market perception battle, we must preserve tactical flexibility in the immediate term. This will enable us to keep growing our top line giving us a strong base from which to grow as our strategic plan bears fruit. The increasingly competitive operating environment in the ODS and E-commerce spaces, which started to intensify in the third quarter means we must invest to maintain our market leadership.

We have and will continue to act prudently on this. As a result, although we continue to work towards our goal to reach positive Adjusted EBITDA at the group level within Q4, there is now

some additional risk with respect to this timeline because the profit pool of ODS and E-commerce is likely to narrow compared to what was originally expected.

That said, we remain confident that we will end the year within our fiscal year 2023 Adjusted EBITDA guidance range that we set in the previous quarter. Despite the investments we are making, ODS and E-commerce are still on track to achieve Adjusted EBITDA positive within Q4. In fact, ODS Adjusted EBITDA was already positive in the third quarter at IDR 17 billion if we exclude allocated corporate costs.

We will continue to optimize OpEx to create additional margin. Our cash position remains strong, and we have ample liquidity and runway regardless of the current competitive environment with no immediate need for further external funding. This is why today, we are also announcing that we no longer intend to execute on the international IPO that was disclosed in the company's IPO prospectus and approved by shareholders at the 2023 AGMS. Should we decide to carry out an international IPO in the future, we will seek a renewed shareholder approval.

In summary, over the last 3 months, we have been on a fast track to institute our growth while honing on profitability. We will further accelerate our initiatives to more effectively tap into Indonesia's best market opportunities.

I will now turn the call over to Jacky to review our business performance for the period. Jacky, please go ahead.

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

Thank you, Patrick. Good day, everyone. During the quarter, amidst intensifying competition, we regained our growth momentum as group GTV improved by 5% quarter-on-quarter, while we continued to narrow our losses with another quarter of sequential improvement to our Adjusted EBITDA, which improved by 22% quarter-on-quarter.

On a year-on-year basis, GTV for the period declined 6% to IDR 151.3 trillion due to the tightening of incentives that we have been implementing since early this year. While adjusted EBITDA improved 74% to negative IDR 942 billion or negative 0.62% of GTV.

Our group level contribution margin remained positive at IDR 1.1 trillion or 0.75% of GTV, a year-on-year improvement of 149 basis points. Improvements in profitability are underpinned

by disciplined management of incentives and product marketing, which were reduced by 36% year-on-year, reflecting total quarterly savings of IDR 2 trillion. Competition in the market meant that we needed to slightly increase our spending by 2% quarter-on-quarter. But as Patrick mentioned, certain increases are always carried out strategically in a way that returns the most value for the business.

Monetization improvements across our business are also ongoing as the number of profitable users and the share of GTV they brought to the group remained stable quarter-on-quarter. Gross revenue grew by 1% year-on-year, reaching IDR 6 trillion and the group take rate increased by 29 basis points year-on-year, reaching 4% of GTV.

Last quarter, we mentioned that we have reduced fixed OpEx by around IDR 1 trillion on an annualized basis. And this quarter, we have recognized further savings. On a year-on-year basis, we delivered a 19% reduction in fixed OpEx and a reduction of more than 25% in cloud and IT infrastructure costs, which is the largest part of our cost of revenue. These 2 translate into IDR 2.5 trillion in annualized fixed OpEx and cloud and IT cost savings. In addition, during this quarter, we identified further annual savings of around IDR 450 billion across these 2 cost groups, which will be recognized over time.

I'll now walk you through each of our 4 core segments.

In On-Demand Services, adjusted EBITDA and contribution margin continued to improve on a year-on-year basis. Adjusted EBITDA reached negative IDR 48 billion. As a percentage of GTV, this represents a narrowing of 596 basis points year-on-year to negative 0.4%. Contribution margin grew to IDR 675 billion or 5% of GTV, which is an improvement of 527 basis points year-on-year.

Margins for GoCar Hemat remained positive in Q3, while we continue to invest in GoFood Hemat to drive adoption and scale. The GoFood plus subscription program has encouraged consumers to transact more frequently with subscribers now ordering almost 3x more frequently than non-subscribers. In October, we also decided to lower the commission rate for our 4-wheel business in Singapore from 15% to 10% to drive supply growth. This should have minimal impact on our group take rate and expect our international business to remain contribution margin positive.

We also reduced our IT costs, thanks to our in-house mapping technology, which has enabled us to gradually lower our reliance on third-party mapping technology, resulting in around 40% quarter-on-quarter savings on mapping cost. GTV for On-Demand services increased by 1% quarter-on-quarter to IDR 13.4 trillion and gross revenue improved by 5% quarter-on-quarter to

IDR 3 trillion, showing sequential improvement as we work to reactivate our growth momentum. Year-on-year comparisons showed a decline of 12% in GTV, while revenues remained flat. Yet we are optimistic that our sequential top line recovery will continue to gain momentum, supported by the adoption of our affordability offerings.

Turning to our E-commerce business. During the quarter, we decided to strategically invest in the growth of our top funnel traffic to maintain market share by increasing marketing exposure and reducing platform fees. As a result, E-commerce GTV improved by 6% quarter-on-quarter, while revenue improved by 1%, reaching IDR 62 trillion and IDR 2.2 trillion, respectively.

We also kept our contribution margin stable on a quarter-on-quarter basis with adjusted EBITDA improving by 3% quarter-on-quarter. On a year-on-year basis, these metrics continue to improve as we invest in a prudent manner, including the leveraging of merchant co-funding programs. Adjusted EBITDA narrowed to negative IDR 222 billion on negative 0.36% of GTV, an improvement of 157 basis points year-on-year.

Contribution margin reached IDR 415 billion or 0.67% of GTV, gaining 156 basis points year-on-year. GTV declined by 11% year-on-year due to attrition of low-quality users resulting from significant incentive reductions over the past year. However, gross revenue improved by 6% year-on-year as a result of various monetization improvements. Similar to On-Demand service, we remain optimistic that our top line recovery momentum will continue.

Looking now at financial technology. Adjusted EBITDA reached negative IDR 388 billion or negative 0.41% of GTV, an improvement of 47 basis points. Contribution margin reached a record IDR 77 billion or 0.8% of GTV, which is an improvement of 38 basis points year-on-year. Our payment business also became contribution margin positive, driven by continuous efforts to drive promotion efficiency and optimization of IT costs, which reduced spending on cloud service by 12% quarter-on-quarter.

Over the course of 6 weeks in the third quarter, we launched 4 new products and features, the GoPay app, cash loans on Tokopedia, cash loans on the GoPay app itself and most recently, GoPay Tabungan or GoPay savings by Jago. All of these launches represent continued sustainable growth for Fintech on the payment and lending side of the business.

GoTo Financial's GTV reached IDR 94.5 trillion in Q3, a quarter-on-quarter improvement of 4% despite a slight moderation of 3% on a year-on-year basis. Gross revenue reached IDR 450 billion, up 13% quarter-on-quarter and 5% year-on-year as we continue to grow our lending products, which have higher take rates. This increase will be 25% year-on-year if the impact of

intercompany transaction is excluded. We will continue to increase open loop expansion, especially now that we have launched the GoPay app to drive further budget consumer penetration in our financial service offerings.

Finally, turning to logistics. Adjusted EBITDA continued to improve on a year-on-year basis, increasing by 63% in Q3 to reach negative IDR 113 billion. Gross revenue declined year-on-year by 9% to IDR 530 billion, mainly driven by lower volume from E-commerce due to rationalization of incentives, which impact low-quality transactions. In addition to optimizing our fulfillment capability, we will continue to further drive down the cost of delivery by onboarding more third-party delivery partners and further development of our in-house routing technology.

To conclude, as Patrick mentioned, our cash position remained strong with more than IDR 25.2 trillion in cash and cash equivalents and short-term time deposits, while net cash burn also declined significantly by 76% year-on-year. This means we have more than enough capital to sustain our business as we execute our group strategy to increase our target market, improve monetization and strengthen synergies that will fill our ecosystem flywheel.

Looking forward, we'll continue to focus on achieving profitability while investing in sustainable long-term growth. With that, we would 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 and ask your question.

Ferry Wong *Citi*

Yes, congratulations on a decent set of results. I have several questions. First, basically, Patrick, as you mentioned that there is some additional race on achieving the group adjusted EBITDA target by fourth quarter as competition is intensifying. Could you basically elaborate more on how confident you are to achieve adjusted EBITDA positive by the fourth quarter for the overall group?

And second, are you changing your current guidance due to this risk, basically competition from other companies (inaudible) and et cetera. And then practically, do you expect that 2024 will be adjusted EBITDA positive? That's my first question.

Second question, could you share a bit more color on the Fintech lending progress, including the fourth quarter of this year and also outlook for 2024. And what will be your strategy in terms of increasing the penetration across the go to ecosystem, given that you just launched the GoTo Tabungan starting this month. And just to basically -- well, for your GoTo financial loan, basically, you're mentioning 60% market share. So if I were to take back from the data from Bank Jago, IDR 850 billion to GoTo financial loan, that means that you are achieving around IDR 1.4 trillion. So it's about a 44% increase.

And are you still basically expecting another 44% increase every quarter over the next several quarters? And lastly, on GoRide Nego, is this to compete directly with Maxim or inDrive. Will this be take rate or contribution -- and contribution margin dilutive? And how can you ensure that there'll be more cannibalization impact?

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

I think there are 3 parts of your questions. One is about confidence level and guidance in terms of profitability for quarter 4 and for the full year. And then the second question is around Fintech, which I will ask Hans to address. And then the last question is about GoRide Nego, which I will ask Catherine to discuss.

In regard to your first question, first of all, we are not changing our guidance of adjusted profitability for the full year. As I mentioned, there is an increased risk in terms of our achieving our Q4 adjustable profitability target mainly because of 2 reasons. The first reason is that competition remains very tough. And after seeing -- after experiencing sequential GTV growth in previous quarters, we feel that it is very important for us to maintain tactical flexibility to preserve our GTV healthiness, if you will. Because what we have learned is that once we lose momentum, it is a lot more expensive for us to regain that.

And we -- in doing so, at the same time, we will keep in mind that we have to be prudent and we have to be disciplined but again, I just want to emphasize that it is absolutely critical for us to maintain that tactical flexibility in the fourth quarter.

The second reason is that after doing the full strategic review about our products and where our businesses stand, we take a very strong view that we still do make some investments in

our core products to make ourselves more competitive and this is true innovation, changing some of the business models, introducing new avenues for monetization. Advertising is going to be very important to us and that's an area that we need to invest in as well as completing our -- basically addressing our talent gaps, balance and whatnot.

So those are the 2 reasons why we think that the Q4 profitability target now is at risk, the narrowing profit pool from ODS and E-commerce than what we originally anticipated presents a risk to us. But again, I would like to emphasize that -- emphasize that we are not changing our target profitability for the full year. In terms of your question about 2024, we cannot comment at this moment. We will get back to you at the right time.

And with that, I'll hand it over to Hans to address the question about Fintech.

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

Thank you, Patrick. Thank you, Ferry, for the question. Your math is accurate. We have grown loan outstanding approximately 44% Q-on-Q and approximately about IDR 1.4 trillion in loan outstanding. Year-on-year, this represents a 3x growth and we have done so while maintaining NPL levels below comparable products in the market. Towards your question about forward-looking, we are, let's say, quite encouraged with the speed of new products that we have just launched.

As mentioned, cash loans on the GoPay app was just launched in September. Cash loans in Tokopedia was just launched a couple of months ago. So we are looking at these new products to power our growth into the future. Cannot comment as to whether it will continue at a 44% clip, but only can say that we expect it to continue to grow at a healthy level moving forward. Hopefully, that answers your question.

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

Thank you, Hans. And Cath, would you be able to give a response on the question about GoRide Nego.

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

Thanks for the question. So yes, GoRide Nego is currently in the pilot stage. This is very much well aligned with our affordability strategy as you see on our GoCar Hemat, Food Hemat and

Transit as well. GoRide Nego will allow both our users and drivers to have more control on their pricing as the name implies Nego, which we believe will improve the attractiveness of the product, given both users feel that they have more control on it.

And as part of the affordability strategy, we believe this will help increase our user base as well. It is, however, not CM dilutive because the pricing is coupled between what the drivers offer and what the customer receives. I hope that explains and answers your question.

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

Our next question comes from the line of Adrian Joezer from Mandiri Sekuritas. Your line is now open. Please unmute your microphone to ask your questions.

Adrian Joezer *Mandiri Sekuritas*

Yes, just 3 questions from me. The first 1 is actually as regards to the founder shares sale. Can you actually comment as to the reasons why they had to sell at the current depressed valuation level? And whether the process of the remaining sale has actually been done. And also related to this question, do you actually intend to keep the current MVS structures going forward. So that's my first question first. The second question is actually as regards to your GTV. Can you actually share more color as regards to the current run rate up to the end of October across the key segments and what level of GTV growth are you actually looking to deliver in 2024. And the last question is actually as regards to the gross revenue take rate as your group level and segment-by-segment gross revenue take rate at the exit of the third quarter, so just in September?

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

Thank you, Adrian. And I think you have 3 questions. The first one is about the impact or the background of some of our partners selling the shares. And then the second question is about GTV outlook. And I think the third question was about take rates right? I will hand it over to Tom to answer your first question about the founder's sales.

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

Thanks, Patrick. Adrian, nice to speak with you again. Thank you for the question. So let me cover the MVS issue. So we recently disclosed to the IDX that a number of the MVS shareholders have indicated that they may sell a small portion of their shares in the medium term. If they make that decision, it would really be based on their own personal circumstances and that's unrelated to the company's performance. Should this occur, each of them would remain a significant shareholder in GoTo. And we have been having ongoing discussions with them. And based on those latest discussions, they've clearly stayed up if they have no plan to sell beyond what has been disclosed.

And the disclosure percentages were very small, if you recall, they remain committed to GoTo and most importantly, Andre and William are active members of the BOC and continue to work closely with management. So I hope that addresses the bulk of the question. Patrick, let me hand it back to you.

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

Thank you, Tom. Jacky, would you be able to address the last 2 questions

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

Adrian, so I think on your questions regarding the GTV outlook in Q4. So as you know, we actually do not provide any guidance on quarterly GTV, but we can share some color commentary in terms of the GTV growth outlook or momentum we have seen so far. So just going back to Q3 first, right? So as we pointed out during the prepared remarks, we have been able to go back to seeing sequential growth particularly for On-Demand service and E-commerce. So we reversed that quarter-on-quarter decline from the previous 2 quarters.

And at the same time, we were able to achieve improvement in our profitability. So if you look at overall contribution margin and adjusted EBITDA, that's an improvement. So we believe the momentum that we have seen in the top line will continue into the fourth quarter. So I think so far, in October, that confirms our observation.

But for -- let me just go through each of the segments real quick. So first of all, on demand service. So as Catherine mentioned, we are moving forward with the affordable strategy. So that would be, for example, for GoCar Hemat that will be coming from geographic expansion. So we are looking at increasing penetration and rolling out in more cities. And for Food

Hemat, so that will be just coming from adding more affordable selections and low-cost assortments. So that's going to continue to help drive the expansion of our GTV.

And in terms of E-commerce, we aim to sustain the progress we have made in Q3. So we went back to a sequential improvement of 6% on the top line. And at the same time, we'll continue to make fundamental improvements that appeal more to the budget consumers. So I think during the prepared remarks, we talked about just investing and improving the assortment of the products. We are investing in the overall platform experience especially on the discovery process for all the users. So I think all this is going to help continue to gain positive traction and drive GTV growth.

And so I think also, keep in mind, like the fourth quarter typically is a stronger quarter on demand service and E-commerce because consumers have a higher capacity to spend during the holiday season. And for the Fintech business, we expect GTV will be driven coming from a couple of areas. First, on the consumer payments. So that will be from both the open and closed loop. So the growth momentum in ODS E-commerce continues. So that's going to help drive consumer payments for Fintech.

At the same time, with the GoPay app, that's going to help us acquire new users as well. And last but not least, the scaling of the lending business, especially on the cash loan, that's going to help continue to drive GTV. And in terms of your questions on the 2024 outlook. So as we mentioned, we just recently finished our strategic review. And we are actually in the process of finalizing our next year's budget. So at this point, we cannot comment on the 2024 outlook. Yes, but we will provide more color on the next call.

And I think your last question is on the take rate at the end of Q3 and kind of like what we expect from the runway in October. So let me just go through the segment by segment. So first on demand service and Fintech, the actual take rate increased in Q3. So on demand service, it went from about 21.7% to 22.5%. So especially that coming from a couple of initiatives, for example, Indonesia, continued higher insurance penetration and also in Singapore, the tier platform fee. So that drove the increase in the take rate for on demand service.

For Fintech, it went from 0.44% to 0.48% and that's mainly driven by consumer lending. And for E-commerce, the take rate actually declined slightly in Q3 from 3.8% to 3.6%. So the reduction is actually coming from a couple of reasons. The first is because of the reduction of the platform fee in Q3 and also because of the category mix shift. So the digital goods and

also some other categories with lower take rate actually increased quarter-on-quarter higher than the other higher take rate categories.

And so if you look at the overall group take rate, it was down about 11 bps, but that's impacted by the change in the mix. So as mentioned, on demand service, the GTV growth was about 1%, but this is historically the higher take-rate segment. So it grew actually slower than the other 2 segments like E-commerce and Fintech, but looking ahead to Q4, I think we believe, first of all, on demand service, the take rate is kind of at the optimal level but we believe ads will continue to help contribute to a higher take rate. But in Q4, that will be offset by the reduction in the commission rate in Singapore.

And for E-commerce and Fintech, we believe there's still room for growth. So first on E-commerce, I think that will be primarily driven by advertising. So Patrick mentioned this is a key priority for our future growth. So right now, advertising only contributes roughly about 1/4 of the overall revenue. So -- and that translates into about 1% of the 3.6% of the take rate. So that's like below our global peers. So we believe that's room for growth specifically coming from advertising.

And for Fintech, yes, that will be primarily driven by consumer lending, so especially on the cash loan because the take rate will be much higher. So that will be the primary driver for our monetization for the Fintech business. Yes. I hope I answered your question, Adrian.

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

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

Ryan Winipta *Indopremier*

Just have 3 questions. I think the first one, I think you mentioned about the tough competition happening. Just wondering what's the strategy from management to having what you mentioned about actually winning the market perception battle from the existing competitions, both in ODS and E-commerce. I think this is put aside from the initiative. And just wondering what's actually the elephant in the room that management saw in these 2 segments? And should we expect more inflection in market share as well as GTV as a result of that?

I think my second question would be on -- I think this is regarding the chatter in the market regarding Tokopedia partner with TikTok Shop.

And I'm just wondering how realistic it is for Tokopedia to actually partner with TikTok Shop in the Life Commerce segment? And the third one, I just wanted to ask about the recent updates on the overseas operation, which is in Singapore in Vietnam. Are you looking to spend more in those 2 countries or just making the status quo for now? That's all for my questions.

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

Thank you for your question. I'll probably address both of them. Let me just first answer your last question. Unfortunately, we cannot comment on rumor speculation in regard to the TikTok shop. In terms of live commerce or live streaming, I would like to share with you that about 10 days ago, we started having a pilot with Instagram Live, Tokopedia piloting with Instagram Live doing livestream collaboration. Still very early days. We are still experimenting, but that's space to watch.

Your first question is about market share growth of our businesses. I think what I would like to say is that, from my perspective, we have probably seen the bottom of our -- in terms of our GMV or GTV growth last quarter because this quarter, as we explained to you, our ODS and E-commerce businesses all show growth on a top line basis. Obviously, we want this growth to be higher. If this growth is not faster than market growth, that implies that we are still winning the market. We are still losing market share. But what's important now is that we believe that we have cracked what it takes to grow again.

And that is on enhancing the quality of our business execution, addressing all the strategic initiatives that we need to do to improve our competitiveness and also to work better among our business units. As you heard, we had a lot of new products that address more mass market segments, something that in the past few quarters, we have become less competitive. We think that there's been a significant contributor to our growth.

The team is also taking new initiatives in E-commerce. As I mentioned early on, our colleagues at Tokopedia are now working very closely with our core merchants to work together, to offer better deals to our customers. And that's -- we've seen very positive results and the momentum continues in October, we still have numbers across our 2 business units to improve. And in GTF, they have become the -- BNPL has become the biggest BNPL

provider in the Tokopedia. Loan book is increasing at a very healthy rate. And we are introducing cash loans in both ODS and in Tokopedia.

So the operation is working a lot better. And now with GoTo Passport, we have a much better tool to be able to harness the synergy among business groups. So I would say that I'm quite optimistic that if we continue to execute this way, we should be able to maintain or increase our market share. And then -- there's a question about ODS overseas. So maybe Catherine, you may want to address that.

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

Sure. Thanks a lot for the question, Ryan. So very quickly, both Singapore and Vietnam businesses have turned contribution margin positive as well. So we will continue to exercise prudent growth, sustainable growth as we see appropriate for this to market. Hopefully, I answer your question.

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

Thank you, Ryan. Our next question comes from Henry Wibowo from JP Morgan. Your line is now open. Please unmute your microphone to ask your questions.

Henry Wibowo *JP Morgan*

I have 2 questions from my side. Firstly, what do you think is the impact from the new regulation Permendag 31/2023? And especially with the recent, I think, shutdown of TikTok Shop, how do you see the impact to Tokopedia?

Secondly, still related to that topic within E-commerce, if you can maybe do a deep dive kind of commentary. So I think there are a few segments in Tokopedia, right home and appliances, electronic fashion. As we understand, I think fashion is a bit small. I think about 10% of total GMV. What is the strategy for the fashion category going forward? Because it seems like fashion relates to live shopping, this could basically have a bigger take rate in the future, but competition is definitely the toughest. So I was wondering what's your take on this?

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

Henry, thank you. Good questions. I will pass it on to my colleague, Melissa, to answer your questions.

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

Henry, thanks for the question. So to answer your first question, which is in regards to Permendag impacting us. And second, have we seen competition rationalizing post shutdown of TikTok shops? First of all, the Permendag 31/2023, does not actually have any negative impact on Tokopedia because as of today, we also do not serve any cross-border E-commerce business or social commerce. So this regulation does not have any impact on Tokopedia thus far.

And in regards to how we've been seeing rationalization, quarter 4 has always typically been one of the most awaited shopping seasons by our consumers. So usually, this is the time where consumers spend a lot to prepare for the holidays or pretty much all the fastest season that is happening. And with that, we've also seen competition pretty much competing aggressively to appeal to these consumers during this season. So we have not seen competition very much subsided, but it is also mainly driven through the seasonality within Q4 itself, which normally is much more so a shopping season across the globe and not just Indonesia.

And in response to your second question, I'll let Jacky actually take that.

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

Yes. So I think, Henry, on your questions regarding our strategy on fashion. So I think it goes back to the strategy Patrick mentioned earlier, right? I mean we are trying to expand our addressable market and category selections. So -- and we talk about making investments to improve the assortment on our platform overall discovery like the channels on our platform to enhance user experience. So all this naturally will help drive growth in different categories, yes. So fashion and beauty will be one of the categories that will be coming from that overall strategy, yes. So -- and let's go back to our answer earlier regarding how to increase the take rate. So not only advertising, but I think also like all these different categories, lower AOV, but higher take rate, that will be part of the strategy.

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

If I may, I would like to add Henry. As I mentioned early on, we see the GTV growth momentum continuing in October. And we also see improved take rate and positive profitability in our E-commerce business. And this is also helped by different category mix and our business more moving geared towards higher products with higher take rate. But having said that, I think you are right that in fashion, our platform still has a long way to go. This will require time and investment.

This is not something that will happen overnight. And we are also being very cautious because we first need to build our talent pool and expertise before we go big in this area.

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

Thank you, Henry. Our next question comes from Thomas Chong from Jefferies. Thomas, your line is now open. Please unmute your microphone to ask your questions.

Thomas Chong *Jefferies*

I think my first question is related to our AI investment. Given that it's very personalized and improves the ROI, I just want to get some color with regard to your thoughts about the investment spending. It can be quite big if we are really dedicated to it. And my second question is about the live streaming side. Given that we have been doing some experiments on live streaming. And if we're looking into different markets, how should we think about the GMV contribution from live streaming in the long term?

And that also comes to my third question is about our long-term margin outlook, if any. And my final question is about the user side. Can management comment about how we should think about the transaction users coming into Q4 and next year?

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

Thomas, thank you for your question. I think that for parts of your question, the first one is about AI investment. Second 1 about live streaming, third question about long-term margin, and then the fourth one is about growth of -- users growth on our platform. Let me first address the first question. I think AI means different things when it comes to the underlying

utilization of AI on our platform. We have been investing in that for a long time, but it's not something that our users can see directly and fill directly.

But when it comes to things like machine learning and whatnot, this is an area that we have been investing heavily in for many years. If we are talking about generative AI, the way that people recently have experienced, it is also something that we go to, especially Tokopedia, is actually at this moment, already has a live product, but it is still on limited users for us to make sure that we can offer a good experience for our customers and also we can control the costs. You are right that the investment or the cost can be quite high. So we are still experimenting. We are still experimenting with that. But in terms of capability, we believe that we already have that, and we will continue to improve on it.

In terms of live streaming, I would make one comment and I will let Melissa comment on it. I think we will continue to be an E-commerce platform where people come with an intention to purchase. We are not coming from a platform with the DNA of content creation or live streaming, if you will. So we have a lot of things to catch up to be able to offer a similar or close to similar experience for people who are more accustomed to this type of experience on different platforms. And we feel that the marginal return on investments that we can get is better in improving our core products as what we have discussed and offering more affordable products to a larger audience to make sure that we improve our advertising engines and drive monetization and so forth.

We feel that those are the key areas that we should be focusing on. But we are open to work with partners who understand this area better, and hence, that's the reason why we are working with partners like Meta or Instagram and doing live streaming. Melissa, do you want to add to that?

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

Yes. So let me also add parts of live streaming. So we've actually seen live streaming as more of a tool or so-called the feature for merchants to actually share and share stories about their own product and at the same time being able to describe their products better. So live streaming has always been pretty much a very effective tool to be able to drive more impulsive behavior, discovery as well as review.

And with that said, it is like what Patrick had mentioned, it is a tool that we actually look to collaborate with others. And at this level, we do see that us focusing on the cost -- experience

within commerce will actually be very key, and at the same time, being able to actually do much better in terms of improving experience to search, to discover, to browse through a live streaming would also be key for brands and for any shops to be able to share their products in a much more creative way.

So we actually do see this feature picking up and doing pretty well also in Tokopedia, and this will also continue to be a feature that will be used by brands to actually describe their story much better.

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

I think on the second question about long-term margin, I will hand it over to Jacky.

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

Yes. Thomas, as you know, we actually do not provide specific guidance on the long-term margin or steady state margin. But I think given the structure of our business, it's not very different from our global peers. So I think at a steady state, it should be at least at the level of our peers. But keep in mind, we have a very comprehensive ecosystem. So there's a lot of synergistic value we can extract from that ecosystem. So that's an advantage for our business.

And I think on your last question on ATU or transacting users. As you know, we shared before like we have been focusing on optimizing our incentive spend. So we have been shifting away from the less profitable users.

So in the last few quarters, we have seen like the unprofitable users kind of churn from our ecosystem. So ATU numbers continue to decline. But if you look at this quarter compared to last quarter, it's kind of stabilized. So it went from IDR 53 million to about IDR 52 million. But also, we didn't share the MTU numbers, but actually in Q3, the MTU numbers went up. So this goes back to our overall strategy to expand the total addressable market tap into like the budget users. So always the ATU will try a little bit on the MTU. But given Q3, we already see the MTU going up. So we expect the ATU will naturally come.

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

I think I would like to add that using growth is an area of focus for us. And this is the reason why I stress that we have to maintain tactical flexibility in the fourth quarter to make sure that our user number continues to grow. We experienced a decline in the past, and we feel that we need to address this, but we are directing this with discipline and with caution, and we have a comprehensive plan to -- we have a comprehensive plan to address our user's growth.

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

Thank you Thomas. 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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