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Full Year 2022 GoTo Gojek Tokopedia PT Tbk Earnings Call

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**Andre Soelistyo** *PT GoTo Gojek Tokopedia Tbk - President Director, CEO & Co-Founder*  
**Reggy Susanto** *PT GoTo Gojek Tokopedia Tbk - CFO & Director, Head of Investor Relations*  
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**Henry Wibowo** *JPMorgan Chase & Co, Research Division - Research Analyst*  
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### PRESENTATION

#### Operator

Good day, and thank you for standing by. Welcome to the PT GoTo Gojek Tokopedia Fourth Quarter and Full Year 2022 Earnings Call. (Operator Instructions) Please be advised that today's conference is being recorded.

I'd now like to hand the conference over to Reggy Susanto, Head of Investor Relations. Please go ahead.

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#### **Reggy Susanto** *PT GoTo Gojek Tokopedia Tbk - CFO & Director, Head of Investor Relations*

Thank you. Hello, everyone, and welcome to GoTo Group's Fourth Quarter and Financial Year 2022 Earnings Conference Call.

Joining us today from GoTo Group's senior management are Andre Soelistyo, President Director, Group CEO and Co-Founder; and Jacky Lo, Group CFO. Following the management's prepared remarks, we'll open up the call for questions.

We would like to highlight that the information presented today has been prepared solely as indicative results based on unaudited consolidated selected financial information for the year ended December 31, 2022. Currently, the consolidated financial statements as of and for the year ended December 31, 2022, are still in the process of audit finalization and will be completed in accordance with the statutory deadline by the end of March 2023.

Furthermore, as a reminder, today's discussion may contain forward-looking statements about the company's future business and financial performance. These comments are based on assumptions that are subject to risks and uncertainties that could cause actual results to differ materially from those projected in the forward-looking statements, including as a result of the factors described in cautionary statements and risk factors included in the Company's earnings release and regulatory filings to the OJK and IDX, by which any forward-looking statements made during this call are qualified in their entirety.

This call also includes the discussion of certain non-Indonesian financial accounting standard measures such as gross revenues, contribution margin and adjusted EBITDA. We believe these measures can enhance investors' understanding of our business performance when used as a complement to Indonesian financial accounting standards disclosures.

Furthermore, to assist investors in comparison of our quarterly and half year results, we have included accounts on a pro forma basis as if GoTo Group was formed on January 1, 2021.

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 Andre.

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#### **Andre Soelistyo** *PT GoTo Gojek Tokopedia Tbk - President Director, CEO & Co-Founder*

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

2022 was a challenging year as society entered the post-pandemic era and the world encountered new macroeconomic uncertainties,

including rising inflation and interest rates. It was also a defining year for GoTo as we launched our historic IPO. This was a turbulent time for us to go public, and the learning curve has been steep, but we are stronger for it. I'd like to thank everyone who helped us through our first year as a publicly listed firm.

As the year progressed, at GoTo, we quickly recognized that the macro environment will remain volatile for some time. This posed the challenge not just to us, but to all players in our industry. This is why we are taking urgent, decisive actions to steer our company through the uncertain road ahead to ultimately emerge stronger. Achieving positive operating cash flow is now the most significant objective we can achieve for our company and our shareholders while continuing to deliver the best and most relevant product experiences to our customers.

To get there, we are taking a strict approach to resource allocation as we embed a group-wide focus on doing fewer things better, prioritizing those that make the biggest impact on our customers, especially our high-quality customers. This is why we are divesting, scaling down or de-emphasizing businesses and holdings that are non-core, so we can better focus our capital and leadership bandwidth, rebasing all costs around our new strategy and ensuring our organization is appropriately structured for the road ahead.

Everyone at GoTo is focused on this, and the results are beginning to speak for themselves, with sequential quarter-on-quarter improvement across our key metrics. This gave us the confidence to bring forward our profitability forecast last month. Adjusted EBITDA, a metric that, for our company, is very close to operating cash flow, is now set to turn positive within Q4 of 2023.

The progress we made in Q4 shows that we are on track, with adjusted EBITDA improving by 52% year-on-year and 15% quarter-on-quarter to IDR 3.1 trillion. Adding to our discussion on our Q4 and full year 2022 performance, we will also talk about the first 2 months of 2023, which show that our progress towards profitability accelerates exponentially the longer we continue to execute our plan, with average monthly adjusted EBITDA for that 2-month period further improving by approximately 40% or an equivalent of approximately IDR 450 billion compared with Q4 of 2022.

Turning to our fixed costs. Our approach to fixed cost reduction is comprehensive, involving a comprehensive review of all parts of our company. And as I mentioned, we are prioritizing a smaller number of things that are core competencies and have the most outsized impact for our users in the medium and longer term. We are, therefore, divesting, winding down or hibernating businesses and portfolios that do not represent the most efficient use of capital and personnel. In fourth quarter, we wound down certain parts of Mitra Tokopedia, our B2B marketplace solution for off-line retail businesses, and we continue to evaluate non-core divestment opportunities where appropriate.

In addition, we are restructuring our business to better serve a more focused set of business needs while reducing the duplication of teams and technologies to ensure better execution. For instance, we merged GoTo Financial's merchant-facing businesses, which will allow us to deliver a better, more cohesive experience to our merchants while operating in a leaner and more cost-efficient way. We also streamlined supporting functions across business units into centralized teams to reduce redundancies and provide the highest quality support for the wider business. Together, these changes have resulted in a reduction of our employee base of 600 people, as announced earlier this month. All these initiatives will be reflected in our financial statement starting in Q2 of 2023. This is on top of the reduction of 1,300 people announced in November last year, which will be reflected in our expense reduction starting in Q1 2023.

We have also conducted a thorough analysis of all non people-related OpEx, which we continue to optimize through multiple initiatives, including streamlining our software providers, renegotiation of key vendor contracts and implementation of stricter travel and entertainment policies.

In total, the cost saving measures carried out in Q4 have resulted in an average monthly fixed OpEx cost reduction of approximately 20% or about IDR 200 billion during the first 2 months of 2023 compared to Q4 of 2022. We consider all of this to be a good start, and we will continue to rebase our costs and identifying new optimization areas.

I'll now talk through how we are accelerating profitability through a refreshed consumer strategy along with value-added offerings to merchants and driver partners, both of which allow us to monetize more effectively while reducing variable costs.

We have conducted a thorough analysis of our evolving consumer base through which we have identified the users who are most valuable to our business. By concentrating our resources on retaining and engaging users who are the most profitable and have the most favorable transaction patterns, we are able to spend more efficiently and capture better user margins as these users require less incentivization. This strategy enabled us to reduce incentives and product marketing in Q4 of 2022 by 34% or IDR 2.8 trillion year-on-year. We expect such savings to increase over future quarters as well.

The resilience in our growth is directly attributable to the increase in the proportion of quality consumers in our user base as well. During Q4 of 2022, the number of profitable consumers in our on-demand and e-commerce marketplace platforms increased by 19% year-on-year and contributed to more than 15% of total GTV. As we reduced incentives, these profitable consumers stayed with us, transacted more and even became more profitable with Q4 contribution margin for users improving by more than 50% on a year-on-year basis.

Given the benefits that profitable consumers present to our ecosystem, we're also focused on how to acquire more of them. We will continue to address the consumer segments that require higher incentivization, but rather than incentivizing them using promos, we aim to engage them with product innovation, which I will talk about shortly, as well as enhanced logistics and payment experience. This is already paying dividends as the average consumer spending on our platform grew by 24% year-on-year, reaching a record high of IDR 9.6 million per consumer per year in Q4 of 2022.

We have also improved our dynamic pricing and mapping technology to motivate driver productivity, resulting in better efficiency and higher earnings for our driver partners. Merchants have also benefited from improved features such as pricing recommendation, market insights and marketing solutions. These value-added services enable us to grow our monetization as our merchant and driver partners become more successful on our platforms. We can see this benefit clearly in our Q4 results as they directly impact our improved take rates, supporting year-on-year growth in gross revenue for On-Demand Services and E-Commerce by 13% to IDR 3.7 trillion and 24% to IDR 2.4 trillion, respectively.

To round off, I'd like to state that while we do expect to see some slowing of GTV over the first half of 2023 as we zero in on quality, we remain very optimistic on our overall long-term growth opportunities within a huge addressable market in Indonesia and Southeast Asia. It is important to remember that we are focusing on becoming profitable now, so we are well positioned to capitalize on the potential of our region later.

That's why we have been investing in foundational products and services that will enable us to grow our high-quality consumer base in a sustainable way and drive user engagement over the long term.

At heart, we will always be a problem-solving technology company with an endless obsession with finding new ways to reduce friction and improve the experience of our users. This gives us a significant confidence that we will always be able to attract and retain users without the need for heavy subsidies.

We can divide our product strategy into 2 areas.

The first area involves introducing products that help us acquire new users by expanding user segments. GoFood and GoRide Hemat are economical options for food delivery and 2-wheeler transport, designed to appeal to users who may not have transacted before. GoTransit also serves this purpose by expanding our reach to people who primarily use public transport, while GoCar Luxe and GoCorp expand our reach into a consumer base that is less price-sensitive.

The second area is about developing products that help us to retain users and convert them to high-quality consumers by reducing friction and enhancing convenience. The work we are doing to improve logistics in e-commerce, especially outside Greater Jakarta where penetration is still low, is a good example of this.

A great deal of the work in this area is also happening in our FinTech business. We will continue to scale GoPay as an e-wallet that drives

convenience and reduces payment friction, both for on- and off-platform transactions. As we do so, GoPay will continue to increase its share of wallet within our high-quality user base while maintaining organic growth with lower incentives. This will be supported by the online and offline payment units within a much leaner, consolidated, merchant business.

We're also strongly encouraged by the early traction of our consumer lending products. Our loan book grew 40% quarter-on-quarter, and the average loan disbursed by our pay-later products was profitable in fourth quarter of 2022. This year, we will continue to grow consumer lending prudently, supported by the strength of our proprietary credit scoring. We will also continue to strengthen our strategic partnership with Bank Jago, which has become a core part of our value proposition, built on our close relationship.

In summary, as I mentioned at the start, 2022 was undoubtedly a challenging year. But it was also an important inflection point. It was a year that changed our thinking and showed that how we needed to operate. We have paved a clear path for our profitable future and have more than enough cash balance to get there, as we continue to grow and make a positive impact on the lives of millions of consumers, our ecosystem touches every day. Simultaneously, we are creating sustainable, long-term value for our customers, partners, and stakeholders.

With that, I will now hand the call over to Jacky, who will talk about our group and business segment performance. Jacky, over to you.

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**Wei-Jye Lo PT GoTo Gojek Tokopedia Tbk - CFO & Director**

Thank you, Andre. Good day, everyone, and thank you for joining us on today's call.

For the fourth quarter of 2022, our group GTV increased 18% year-on-year to IDR 162 trillion, which is in line with our guidance range despite the macroeconomic uncertainty posed by a high inflation rate and the post-COVID reopening of the economy.

Our take rates improved year-on-year by 234 basis points for On-Demand Services and 32 basis points for E-Commerce. At the group level, our overall take rate remained steady year-on-year and improved by 23 basis points quarter-on-quarter. Group gross revenue grew 19% year-on-year to IDR 6.3 trillion in the quarter, which is at the high end of our guidance range.

For the full year of 2022, we increased our group GTV by 33% year-on-year to IDR 613.4 trillion and grew gross revenue by 35% to IDR 23 trillion.

As Andre discussed, in 2022, we shifted our strategy to focus on high-quality profitable users and rationalized our incentives significantly. Our incentives are now greatly reduced and far more targeted. Total incentive and product marketing costs for the fourth quarter were reduced by IDR 2.8 trillion or 34% on a year-on-year basis. This reflects a 262 basis point improvement to 3.2% of GTV.

These savings directly benefits our contribution margin, which narrowed to negative 0.4% of GTV in the fourth quarter, significantly beating our guidance. This reflects improvement of 254 basis points year-on-year and 38 basis points quarter-on-quarter, equivalent to IDR 3.4 trillion year-on-year and IDR 602 billion quarter-on-quarter betterment.

For the full year of 2022, our contribution margin improved to negative 1% of GTV, amounting to around half of the negative 1.9% of GTV we posted in the full year 2021. With our positive momentum in the fourth quarter and early 2023, we are confident we'll achieve our accelerated group contribution margin breakeven timeline in the first quarter of 2023.

For the fourth quarter of 2022, our group adjusted EBITDA improved by 52% year-on-year and 15% quarter-on-quarter to negative IDR 3.1 trillion or negative 1.9% of GTV. This represents improvement of 280 basis points year-on-year and 36 basis points quarter-on-quarter. We started to recognize the full effect of November's employee base reduction in January 2023, and we are very encouraged by the results we have seen in the first 2 months of this year, as Andre shared earlier.

To provide a more accurate reflection of our cash flow from operating activities, going forward, adjusted EBITDA will also adjust for the unrealized gain and loss from remeasuring our foreign currency denominated cash balances, as well as our share of income and loss of associated companies. The historical impact is insignificant, and we have provided the pro-forma figures in the presentation upload on

our IR website.

Overall, our approach to costs, combined with our growing revenues, will enable us to further reduce our 2023 annual cash burn by 60% to 65% compared with that in 2022. With IDR 29 trillion of cash on hand as of the end of 2022, plus approximately IDR 4.65 trillion of credit facility, of which we have only utilized IDR 1.5 trillion, our cash position and balance sheet are solid and sufficient to reach positive operating cash flow without any additional external funding.

In Q4 2022, our net loss increased to approximately IDR 19.5 trillion due to several items which are either non cash or one-off in nature and did not reflect the Group's operational performance. These items included goodwill impairment of IDR 11 trillion associated with the business combination of Gojek and Tokopedia, impairment on investment in JD, an increase in share-based compensation expenses due to an adjustment of the assumed employee turnover rate to reflect the latest historical trend and one-off restructuring costs. Excluding these items, net loss for the fourth quarter 2022 stood at approximately IDR 6.5 trillion, improving 36% year-on-year and 3% quarter-on-quarter.

I will now move on to On-Demand Services.

GTV for On-Demand Services for the fourth quarter grew to IDR 16.1 trillion, an increase of 2% year-on-year, and for the full year, GTV for On-Demand Services was IDR 61.6 trillion, up 22% year-on-year. Transport GTV fully recovered to 100% of pre-COVID levels in the fourth quarter and showed healthy growth despite the increase in fuel price and higher tariffs. The increase in Transport GTV was offset by normalization in Food deliveries due to the economy reopening, bringing about an increase in offline consumer spending. We expect this normalization trend to continue in food orders over the coming quarters.

As previously mentioned, we have rationalized our supply and demand incentives, pivoting our focus to high-quality consumers. This has led to a reduction in incentives and product marketing expenses in On-Demand Services of 38% or over IDR 1.6 trillion year-on-year in the fourth quarter. Despite the considerable incentive cuts, our high-quality consumers remain resilient and increased their spending over time.

Gross revenue for On-Demand Services once again outpaced GTV, growing by 13% year-on-year to IDR 3.7 trillion in the fourth quarter, and for the full year, On-Demand Services gross revenue grew by 32% year-on-year to IDR 13.6 trillion. Our On-Demand Services take rate improved to 23.1% of GTV in the fourth quarter, an increase of 234 basis points year-on-year and 94 basis points quarter-on-quarter. This was mainly driven by improvements in dynamic pricing, especially in Food delivery, bringing in higher service fees during peak hours.

Monetization improvements and decreased costs drove contribution margin for On-Demand Services to turn positive for the full quarter, reaching positive 1.3% of GTV, up from negative 0.5% in the third quarter, which translates into a 182 basis points quarter-on-quarter improvement.

We expect the upward profitability trend on On-Demand Services to continue into 2023 as we focus on high-quality, profitable consumers and continue to optimize incentives. Growth may slow down in the first half of 2023, but we are confident growth will recover in the second half as we continue to scale a variety of foundational products that deliver more value and convenience to customers.

Now looking at E-Commerce, GTV grew by 13% year-on-year to IDR 70.8 trillion in the fourth quarter, despite consumers spending more time offline and other macro headwinds, highlighting the resiliency of our platform. As consumer spending behavior shifts towards more discretionary spending, our "everything store" approach is working well to help capture this trend. For the full year of 2022, E-Commerce GTV grew 18% year-on-year to IDR 273 trillion.

Gross revenue for E-Commerce grew at almost twice the rate of GTV in the fourth quarter, increasing by 24% year-on-year to IDR 2.4 trillion. As we gained more commissions and advertising revenue for merchants. Our E-Commerce take rate improved by 23 basis points quarter-on-quarter to 3.4% of GTV in the fourth quarter, which tells us that merchants are willing to invest in our platform as we improve the value-added capabilities of our merchant apps and improve the sales performance of our advertising offering.

E-Commerce contribution margin improved to negative 0.7% of GTV, which shows an increase of 39 basis points quarter-on-quarter. In early 2023, E-Commerce continued to see strong momentum and recorded positive Contribution Margin for the first time in January and February on the back of increased monetization from C2C merchants and further rationalization in incentives.

In E-Commerce, we will continue to improve the availability of intra-city selections for consumers, especially those located outside of Greater Jakarta. We are making this happen by growing our fulfillment business and onboarding new local merchants to reduce delivery costs and enable consumers to use the same-day delivery offered by our 1P logistics lead. This will promote economies of scale that reduce our 1P delivery cost. The number of deliveries made from our fulfillment centers grew by 2.4x in 2022. As we increase order density in those fulfillment centers, the better we can batch and route orders, which will result in further reductions in delivery costs and shipping subsidies.

Now regarding Financial Technology.

As we continue to increase GoPay's penetration both on and off platform, we saw an increase in consumer payment volumes with GTV up 35% year-on-year to reach IDR 98.6 trillion in the fourth quarter. The quality of GoPay users has also been improving with average spend per user in the fourth quarter increasing by 32% year-on-year.

Gross revenue for FinTech increased 28% year-on-year to IDR 470 billion in the fourth quarter on a take rate that remained stable year-on-year and quarter-on-quarter. And as Andre mentioned, we are encouraged by the traction in this early phase of our consumer lending business with 40% quarter-on-quarter growth in the loan book. The average loan disbursed by our PayLater products were profitable as of the end of Q4 2022, and we also started piloting Cash Loans in October 2022. In 2023, we will grow consumer lending prudently as a key driver of Fintech's monetization.

As we continue to push for organic growth of GoPay with lower incentives per user, we have reduced consumer payment incentives in the fourth quarter by approximately 40% year-on-year. As a result, fintech's Contribution Margin reached negative 0.2% of GTV in the fourth quarter, an improvement of 10 basis points against the third quarter and 31 basis points against the second quarter last year.

Before I move to guidance, I want to highlight that the Fulfillment and 1P E-commerce delivery business has been restructured and moved under GoTo Logistics. Starting in Q1 2023, this will be reported as a separate segment in GoTo's financial statements. The change has no effect on our Group consolidated numbers. We will provide more details on this on the next quarterly earnings call.

As we conclude our presentation, we would like to reiterate our accelerated guidance for Group profitability: we are expecting the group to reach positive Contribution Margin within the first quarter of 2023 and positive adjusted EBITDA within the fourth quarter of 2023. For the full year 2023, we expect our Group Adjusted EBITDA to be between negative IDR 5.3 trillion and negative IDR 4.6 trillion.

In line with our strategies to further focus on efficiency and profitability of our businesses, we'll be suspending our GTV and Gross Revenue guidance going forward. We believe this will help us to focus on building the right foundation to capture sustainable long-term growth, which we remain very positive about.

With that, we would now like to open the call to your questions. Operator, over to you.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Our first question comes from the line of Henry Wibowo from JPMorgan.

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### Henry Wibowo JPMorgan Chase & Co, Research Division - Research Analyst

I have 2 questions from my side. Question number one, why is the revenue growth in GTF slightly lower as compared to the GTV growth? I believe the revenue growth was 28% and the GTV growth was 35%, which implied a lower take rate. It would be great if you can elaborate on that.

And a second question related to GTF. Could you please elaborate your strategy for lending business, especially given that, the NPL for P2P in the industry is picking up? I think there's news about TaniHub going into default. And at the same time, I think GoTo Financial just launched the PayLater Cicil, which I think is exciting, but it will be great if you can share more about that.

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**Andre Soelistyo PT GoTo Gojek Tokopedia Tbk - President Director, CEO & Co-Founder**

Thanks, Henry. Hopefully, you can hear my voice well. On the first one, your question about revenue and GTV growth mismatch, as you know, some part of our GTV is contributed by our merchant payments, which has considerably lower take rate against the consumer payments. While the consumer payments continue to be growing strongly quarter-on-quarter, but on fourth quarter, the merchant payments actually grew slightly higher than consumer payment. Because of the lower take rate, the blended revenue that we took from the growth of the GTV is actually slightly impacted.

But obviously, as you know, and maybe linking to your second question, in GTF, we're actually releasing new products, especially on the lending side, that actually will improve take rates going forward as this type of services generally generate higher take rates against payments business in general. So that's first question.

And the second question, I think it's a very valid point, Henry. And that's why when we spoke about how we're actually pushing for growth in our lending business, we mentioned that it's going to be done prudently. Now having said that, the reason why we're confident is because of a few things.

First is, because of the vastness of in-house insights that we have from our consumer base, we've been able to white list a selection number of users who demonstrated the right attributes based on our machine learning model that will have a great or better credit quality against the remaining of the user base. That is useful for us to invite specific sets of users to get the invitation towards the products that we have into the PayLater Akhir Bulan, PayLater Cicil or Cash Loan, and therefore, become a mitigant in terms of the risk management.

Now the beauty about that strategy as well, we can also mix portfolios because our credit scoring allows us to see which one is categorized as high credit scoring, medium credit scoring and low credit scoring. And as you know, we can only get better if we get data. So we can also do it from a portfolio mix of loan exposure perspective.

At times, when we wanted to manage risk more prudently, obviously, we will expose ourselves mostly to the high and medium credit scoring users. But at certain times, when we wanted to actually experiment with growth and understanding the types of data that we needed to be better, we will expose certain part of the loan exposure towards the lower credit scoring as well.

But again, these are all dynamic. And again, the more that we actually get the loan growth to be bigger and bigger, the better it is for us to actually perfect our credit scoring engine as well. But as mentioned earlier, so far since we launched GoPayLater Cicil in Tokopedia in Q4 of 2022, based on month-on-month and repayment cohorts, we see that a lot of this credit scoring has resulted in a positive result for us. And as Jacky mentioned earlier, the loan that we disbursed in Q4 remains to be profitable on a user basis. But we'll continue to act prudently on this. I hope that answers the question, Henry.

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**Henry Wibowo JPMorgan Chase & Co, Research Division - Research Analyst**

Andre, it does. Cheers.

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**Operator**

(Operator Instructions) Our next question comes from Ferry Wong from Citi. His question is guidance for 2023 for adjusted EBITDA and other data.

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**Andre Soelistyo PT GoTo Gojek Tokopedia Tbk - President Director, CEO & Co-Founder**

Just one second.

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**Wei-Jye Lo PT GoTo Gojek Tokopedia Tbk - CFO & Director**

Yes, our guidance for adjusted EBITDA for 2023 was between negative IDR 4.6 trillion and IDR 5.4 trillion. The second question from Ferry is take rate guidance per division for 2023. The third question is on goodwill amortization in 2023 and onwards and share-based compensation amortization.

Yes, so I think I can answer the goodwill amortization in 2023. Actually, goodwill is not subject to amortization, but we actually test it for impairment every year. So in 2022, we actually performed the impairment test on December 31. And as I mentioned, the impairment was IDR 11 trillion. So that's based on a valuation performed with the assistance of a third-party valuer.

So we determine the enterprise value of the cash generating unit containing the goodwill and comparing to the carrying value. So if the enterprise value is lower than the carrying value, then the delta will be recorded as an impairment charge.

As you recall, the goodwill balance of IDR 94 trillion was initially measured in May 2021. So at that time, the equivalent share price was about IDR 290. And when we performed the impairment test at the end of the year, the share price was IDR 91. So partly the impairment was mainly triggered because of this decline in the share price.

And on share-based compensation, I think if you look at the numbers we recognized for full year 2022, the amount was about IDR 10 trillion. And, we shared before like because of the Indonesian accounting standards, the amortization of the expense is on a double decline method. So basically, the first year, about 50% of the expense is being recognized and then the following year is reduced by half and so forth in the third and fourth year based on our 4-year vesting schedule. As you know, in 2022 that's the first year we have the IPO grant. So, over 50% of the expense was recognized in the year.

So for the existing share-based compensation in 2023, we expect this will be reduced by half to about IDR 5 trillion, but then there will be a new grant for the year. But I think we will be trying to grant at an optimized level, considering, number one, we have fewer headcount. And also the grant, there will be a performance reward, highly tied to our profitability milestone. So that's going to help drive like incentive alignment. So with that, we expect overall for 2023, share-based compensation expense will be reduced by about 30% compared to the amount in 2022.

I think the second question was on the guidance for take rate. We don't provide specific guidance, but I think we are focusing on how to increase monetization of our business. I think we shared during our prepared remarks, but I think there are multiple ways like, for example, starting with E-Commerce, we increased the C2C merchant take rate in January and as well as the B2C merchant take rate in March. And on top of that, we are continuing to look at value-added services to our merchants and driver partners. So these are ways to justify us charging a higher commission rate.

And for On-Demand Service, we increased the Singapore commission rate in February this year. And also, we are looking at improving the revenue from advertising. For both on-demand, food delivery as well as e-commerce, we are trying to improve the advertising algorithm so we can drive relevance and conversion.

And finally, for FinTech, in terms of the take rate, this year, we are looking at scaling our consumer lending products. But obviously, we will be very prudent, and conservative based on the current macro. But we expect, as the macro continues to improve, the consumer lending will continue to scale up quarter-to-quarter. So that's going to help contribute to the take rate for financial services as well.

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**Operator**

So we have 2 questions from Adrian from Mandiri Sekuritas. So second month 2023 run rate in the adjusted EBITDA improved by 40% compared to 4Q 22 monthly run rate. So this implies IDR 0.6 trillion loss run rate per month or IDR 7.4 trillion loss annualized by 12 or IDR 5.6 trillion if we assume 0 EBITDA by 4Q '23. Do we have possibilities for upside here given that there should be more savings realization in second quarter '23?

Second question is, how is the competitive landscape in first quarter of 23 across EC and ODS compared to fourth quarter 2022? Any thoughts on why one of the largest competitors in EC managed to turn profitable at EBITDA level in fourth quarter 22 across all markets in Asia despite having lower AOV and more price-sensitive user base?

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**Andre Soelistyo PT GoTo Gojek Tokopedia Tbk - President Director, CEO & Co-Founder**

Adrian, thanks for the questions. On the guidance itself, as Jacky mentioned, we provided the guidance of adjusted EBITDA of negative IDR 4.6 trillion to IDR 5.4 trillion. But having said that, while the progress that we made in Q1 has been great with evidence with the first couple of months' results that we shared earlier in the prepared remarks of about more than 40% reduction of adjusted EBITDA, we think that we will do more as evidenced by 2 things that we've done recently.

As you know, last week, we announced another headcount reduction that will start reflected in the cost reduction in Q2. In addition to that, as mentioned during the guidance revision a few weeks ago, every line item matters in GoTo, and we're doing and conducting a total review on all line items and continue to update our cost-saving measures. And therefore, every quarter, we will see more and more results coming out of it.

In addition to that, I also need to balance this with certain smaller investments that we will continue to make in new things and foundational things that we do this year. As mentioned in the past, this includes our efforts on GoTo Logistics, which Jacky has mentioned earlier, it will become a separate business unit that will be reported separately in the first quarter of 2023; and also things like lending, which we believe will create long-term value, especially for our FinTech business, but also for our group as well.

And the second question, on competitive landscape, compared to fourth quarter '22, we haven't seen any drastic movement. We continue to be market leaders in the categories that we have in the system. And to your question, why one of the largest competitors managed to turn profitable. I guess you're talking about the regional Orange company. We don't give exact comments to our competitors.

But having said that, we need to note that they have multiple different businesses, including businesses that are highly generating EBITDA in the gaming business. And in addition to that, in certain areas and geographical areas where they operate, some of those markets are a little bit more mature so that the take rate coming out of the e-commerce business, it's considerably higher versus in Indonesia.

Having said that, as we've seen and evidenced by the progress on the commission take rate increase year-over-year in our own E-Commerce company, we've seen that the areas of monetization in Indonesia is getting better and better and becoming more comparable towards the rest of the region, which we believe will continue to generate positive value for our company.

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**Operator**

We have a couple of questions from Pang from Goldman Sachs. First question, outlook for this year, can you explain a little more in terms of how your adjusted EBITDA guidance look like by segment? Any color you can share with regards to growth targets for both On-Demand and E-Commerce segments? How do you plan to defend your market share as you accelerate towards profitability? In other words, are you willing to sacrifice your market share as new?

Number two, Tokopedia GMV this year, is growth coming from across all types, physical and digital, or we still see digital goods growing much faster?

Number three, how do you plan to get to profitability? Will this come more from take rate increase or more from cutting costs? If it will be from take rate, how much more can we increase given you have quite a sizable exposure to 3C sellers?

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**Wei-Jye Lo PT GoTo Gojek Tokopedia Tbk - CFO & Director**

Yes. Pang, I don't think we provide specific adjusted EBITDA guidance by segment. But I think overall, if you look at the maturity of the different segments, obviously, On-Demand Service will be the first one reaching adjusted EBITDA positive, then followed by E-Commerce and then FinTech.

And -- but I think overall, if you look at the progress we have made throughout 2022 and the first 2 months in 2023, I think all these segments, they are seeing continuous improvement coming from both monetization improvement as well as cost optimization. I think it's a combination for all the segments, and it will be in the sequence I shared based on their maturity.

In terms of the growth target for On-Demand Service and E-Commerce segments, I think we shared a little bit, in terms of the first half, we expect there will be some moderation partly because of the overall -- we are lapping last year's COVID. So there will be some normalization, for example, especially food delivery and e-commerce. And then also in terms of transport, the recovery will continue, but it has saturated.

So -- and on top of that, we are making the decision to forgo some of the low-quality GTV growth. And also the current macroeconomics, there's still a lot of uncertainty. So a combination of all this, we expect there will be some moderation in terms of the growth for On-Demand Service and E-Commerce. Yes, but heading into the second half, we expect with all the product foundations that we shared with you earlier, like Andre mentioned, all these different new products and features, that's going to put us back on the growth trajectory.

So overall, I think for the full year, we don't provide specific guidance by segment. But I think for E-Commerce, it will be kind of moderate, maybe like flat year-on-year. But other than that, I think overall for the group, we still expect there will be double-digit growth in terms of like GTV.

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**Andre Soelistyo PT GoTo Gojek Tokopedia Tbk - President Director, CEO & Co-Founder**

On the question on defending market share on profitability, I think as I've mentioned, in the first half, again, our focus is actually on cost optimization and then being able to reduce our gap in terms of getting to profitability.

Having said that, we're putting a very specific focus on building market share parameters, especially on the parts of user segments that we wanted to continue to engage with. And therefore, tactically, any significant deviation against those guardrails, we will definitely try to react, but again, reacting in a much more sustainable manner, given a lot of the things and the tools that we've built recently have also generated a lot of efficiency in terms of the way that we target and being able to be much more effective in terms of our spending as well.

Notwithstanding, let's not forget that the hypothesis of the combined GoTo ecosystem continues to be a strong reason why we believe that our company is special. And sometimes, the way that we will be able to engage in multiple users, cross-pollinating, and also value-added services that sit on top of the basic services that we do, will generate a better result and has been generating a better result for us as well.

And this year, as Jacky mentioned, there will be multiple foundational products that also will be generated at the group level that will connect the dots between the ecosystem and then provide a much more seamless experience across the multiple apps that we have in the ecosystem. And these are something that we continue to actually invest very strongly. And hopefully, this year, we'll actually start generating those results as well.

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**Wei-Jye Lo PT GoTo Gojek Tokopedia Tbk - CFO & Director**

On the Toko GMV, in the fourth quarter, actually, the growth of digital goods is growing faster than physical goods. But I think over the long term, I think both still have a lot of room for growth. But in the near term, we expect there will be some moderation in terms of growth, as we shared, especially lapping last year's COVID tailwind.

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**Operator**

Our next question comes from Ari from Macquarie. First question is, could you share the magnitude of the GTV growth slowdown year-to-date?

And number two question, could you share more color on the latest market share in ODS and E-Commerce?

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**Wei-Jye Lo PT GoTo Gojek Tokopedia Tbk - CFO & Director**

I think as we mentioned during the prepared remarks, we are not providing guidance for GTV anymore. But we can provide some color in terms of the expectations for quarter-on-quarter and year-on-year. So overall, quarter-on-quarter, there will be some negative growth because of the seasonality impact, because Q4 typically is the strongest quarter in the year. So Q1, that will be naturally a decline quarter-on-quarter because of the festive season in Q4.

And in terms of year-on-year, I think I touched on this earlier. I think there will be some factors impacting the first quarter growth, specifically for food delivery and e-commerce. Like [corporate] is just lapping the COVID tailwind impact last year. So there will be a normalization we expect for food delivery and for e-commerce.

And also for transport, we expect the growth kind of saturated in Q4 last year because, as we mentioned, we are actually back to 100% of the pre-COVID level. And then also on top of that, our own decisions to forgo low-quality users- that's going to reduce some of these GTV growth, we made a decision to forego.

And finally, there's still the macro uncertainties, which may impact the propensity of spending from consumers. So in Q1 and Q2, we expect there will be like a moderate growth. But like I said, like second half, we expect it will be going back to the growth we have seen before. And especially heading into 2024 with all these foundational products that we have set up, we are in a good position to acquire new users as well as like enhancing the experience for our existing users.

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**Andre Soelistyo PT GoTo Gojek Tokopedia Tbk - President Director, CEO & Co-Founder**

On the question on market share, so for ODS, we continue to be the market leading player in Indonesia, both on transport and food, with market share closer to 60% against the competitors in the market.

For E-Commerce because of the different kind of types e-commerce providers, ourself is categorized as transactional, intent-driven e-commerce platform, and there's also the entrance of social e-commerce. We don't have the specific data that includes social commerce for market share. But having said that, in the transactional, intent-driven e-commerce, we continue to be the market leader, especially those that is catering for the types of users that we have in the system.

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**Operator**

Our final question comes from the line of Ranjan Sharma from JPMorgan.

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**Ranjan Sharma JPMorgan Chase & Co, Research Division - Analyst**

Two questions from my side. Firstly, in terms of the competitive environment in On-Demand Services, some of the data is showing like growth of new platforms like Maxim and inDriver in many parts of Indonesia. If you can talk about like how your expectations are embedding competitive threats from these new players?

Secondly, as you focus towards profitability, how do you consider Singapore and Vietnam? Are these 2 markets a go for you? Because I can't imagine that you would be generating much profit from them, if I can make that presumptuous statement.

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**Andre Soelistyo PT GoTo Gojek Tokopedia Tbk - President Director, CEO & Co-Founder**

Yes, thanks. On your first question on Maxim and inDrive, yes, those are new entrants, and those new entrants are more focused on the lower-tier cities in Indonesia. I think it's worth to note to begin with this, their services is completely different versus us and our nearest competitor, the other green, because the services that they do is not. To give you an example, a lot of the customer service and customer protection is not part of the services, unlike the technology that we built to actually give better sense of protection and security to our consumers, and therefore, a lot of the services offered at the cheaper price against the 2 largest players in the market. And therefore, a lot of the services only is applicable or engaging with what we believe to be lower-quality consumers. And we don't see a significant disruption in the market positioning for ourselves in the market.

But having said that, as mentioned in the earlier remarks, we're trialing out and also expanding our services to include how we will be able to deliver affordable services to lower segments of the users. And we've started trialing and experimenting with what we call GoRide

Hemat and GoCar Hemat. And the result has been quite good. It helps us to build a better understanding on what are the basic services that we can do to actually deliver those services affordably to the lower segment of the economic users. And that's something that we will continue to push this year as we are targeting to expand our user segments, as Jacky mentioned earlier as well.

On your second question, Singapore and Vietnam. So in Singapore, we're a very strong #2 player, where we've been able to grow our market positioning to what we believe to be a healthy balance between demand and supply marketplace dynamics, which allows us to deliver a fast ETA or estimated time of arrival for any bookings made by our customers. But having said that, it doesn't require a lot more incentivization. And in Q1, in our Singapore and Vietnam business, has also start generating positive CM for our business as well.

We will continue to maintain our market positioning in Singapore as a strong #2 player and in Vietnam as well as top 3 player, depending on which categories on food or transport, by providing more and expanded services and then build on better product innovation to our consumers, which we continue to actually release and launch in this market quarter-over-quarter, including various kind of options on the car offering, additional kind of types of services that we can give to different customers and stuff and also to provide various also options on the loyalty and rewards side for.

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#### Operator

Great. Thank you all very much for your questions. We have reached the end of the question-and-answer session. And with that, we conclude our conference for today. Thank you for participating. You may all disconnect.

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