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Q2 2022 PT GoTo Gojek Tokopedia Tbk Earnings Call

EVENT DATE/TIME: AUGUST 30, 2022 / 12:00PM GMT

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PRESENTATION

Operator

Good day and thank you for standing by. Welcome to the PT GoTo Gojek Tokopedia Tbk 2Q 2022 Results Call and webcast.

At this time, all participants are in listen-only mode. After speakers' presentation, there will be a question and answer session. To ask a question during this session, you'll need to slowly press star one and one on your telephone. You will then hear an automated message advising that your hand is raised. Please note that today's conference is being recorded.

I would now like to hand the web to your speaker, Mr. Ernest Fung, Head of Corporate Development and Investor Relations of GoTo. Please go ahead, sir.

Ernest Fung *PT GoTo Gojek Tokopedia Tbk - Head of Corporate Development and Investor Relations*

Thank you. Hello everyone. And welcome to GoTo Group's Second Quarter and First Half '22 Earnings Conference Call.

Joining us today from GoTo Group's senior management are Andre Soelistyo, President Director, Group CEO and Co-Founder. Patrick Cao, Group President, and Jacky Lo, Group CFO.

Following the management's prepared remarks, we'll open up the call for questions.

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 Standards 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 comparisons of our quarterly and half year results, we have included accounts on a pro forma basis as if GoTo Group was formed on January 1st, 2021.

During this earnings call, we will be going through our results of operations and earnings presentation, which can be found on our website. The flow of the call will track the first two sections of the presentation, and we will be referencing specific slides throughout the call.

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.

And with that, I will turn the call over to Andre.

Andre Soelistyo PT GoTo Gojek Tokopedia Tbk - President Director and CEO and Co-Founder

Hello, everyone. And thank you for joining today's call. For GoTo Group, our second quarter was all about efficiency. We continued our focus on improving margins while at the same time using the competitive advantages of our ecosystem to drive high quality, sustainable growth.

As a result, we saw strong GTV and gross revenue growth on a year-on-year basis while our focus on monetization and cost optimization ensures we continue to make progress on our path to profitability.

This progress was achieved amidst external headwinds in second quarter including ongoing international geopolitical and economic issues and seasonality fluctuation from the extended Ramadan holidays, particularly in Indonesia.

Throughout our industry, we also see rationalization of marketing and incentive spending. We are using this as an opportunity to increase emphasis on product-led growth and to solidify our leadership in Indonesia by leveraging the comprehensive offerings of our ecosystem across on-demand e-commerce and financial services.

We're pleased to share that as a result of this progress, we've accelerated along our path to profitability, bringing breakeven guidance forward by three or four quarters ahead of consensus estimates. And at the same time, we've also made progress on our ESG initiatives.

As part of our commitment to deliver long-term value for our stakeholders, and to reinforce our commitment to reaching three zeros by 2030, which are zero emissions, zero waste, and zero barriers, we've continued to integrate ESG best practices into our governance structure and operation of business lines.

In second quarter of 2022, we published our first group-wide ESG report, becoming the first Southeast Asian internet company to issue an assured sustainability report in line with global reporting standards which are GRI and SASB, using the United Nation Sustainable Development Goals as a framework.

The report encompass Gojek, GoTo Financial and Tokopedia's performance on material ESG issues and show we are serious about being transparent and accountable for the integration of ESG best practices into our business.

Let me now provide an overview of our performance before turning the call over to Jacky who will share details of our financial performance and future outlook.

In the second quarter, both Group GTV and gross revenue grew at the higher end of the guidance ranges shares last quarter. Group GTV grew 39% year-on-year to Rp151 trillion and gross revenue continued to outpace GTV growing by 45% year-on-year to Rp5.5 trillion, driven by increased monetization in both our on-demand and e-commerce businesses.

Furthermore, we aim to grow our base of high quality customers through increasing cross pollination as well as launching new product initiatives. Key example in the second quarter include the rollout of our common rewards currency, GoPay Coins, this enables us to increase the number of cross platform users or those who use both Gojek and Tokopedia by more than 80% year-on-year, comprising about 25% of transacting users in second quarter of 2022.

This is important because cross platform users are more resilient and have higher lifetime value. As an average, they spend more and have higher retention as well, as we shared last quarter.

We also invested in deepening GoPay penetration on Tokopedia and Gojek. GoPay user penetration reached a new high of 52% on Tokopedia and 57% on Gojek. This is important because Tokopedia and Gojek customers who use GoPay are more productive, on

average spending 2.1 times and 2.5 times more respectively compared to those that use other payment methods.

Product innovation is very much at the heart of who we are and what we do. The breadth of our ecosystem provides us with significant opportunities to find new ways to enhance the customer experience. As a result of our second quarter initiatives, we saw increased customer engagement with order growth of 34% year-on-year to 690 million orders in second quarter.

We also saw growth in average spend per user measured by GTV divided by ATUs of 17% year-on-year to Rp8 million, while annual transacting users as well grew by 28% year-on-year to 67 million. We were able to achieve this despite headwinds from macroeconomic uncertainty, extended holidays, and users increasingly returning to offline shopping and dining as well.

This result was a testament to our strategy of driving growth by focusing on our high quality customers, a strategy that we shared last quarter as well.

Providing new and integrated entry points for our products is one way we drive innovation throughout our highly scalable ecosystem. We're continuing cross platform integration beyond the initiative launch in second quarter. For example, we recently launched GoFood on the Tokopedia app earlier this month to provide more demand channels for food merchants, increase F&B selection on Tokopedia, and build more cross platform experiences for customers across our ecosystem.

Furthermore, we recently launched our subscription offering, GoTo PLUS on Tokopedia as well. Consumers look for frictionless free shipping and by providing this as part of a subscription that is bundled with multiple partner services, like medicine and teleconsultation provided by Halodoc or discounted vouchers to stream the World Cup 2022 provided by Vidio, there is a real opportunity to drive consumer loyalty by adding more value to their lives.

Although we are starting with Tokopedia, we envisage that a GoTo subscription offering will ultimately bundle multiple ecosystem services with additional partners as we go forward.

On the efficiency side, we reduced incentives as a percentage of GTV by 52 basis points quarter-on-quarter, which combined with stronger monetization, had the group contribution margin improving by 47 basis points and adjusted EBITDA margin improving by 69 basis points quarter-on-quarter as a percentage of GTV.

We expect this trend will accelerate our path to profitability. The progress on the efficiency side was supported by five main factors: first, improvement in monetization in our e-commerce and on-demand segments whose take rates increased by 18 basis points and 60 basis points quarter-on-quarter to 3.1% and 21.6% respectively.

This was driven by changes in our merchant take rates and the introduction of platform fees to consumers and e-commerce, as well as enhanced monetization and mobility and food.

Second, reduction in total incentives as a percentage of GTV by 52 basis points quarter-on-quarter to negative 3.5%, supported by our continued focus on driving quality organic growth through our product and feature investments.

Third, driving better data utilization and machine learning models to drive more precise targeting and spend ROI.

Fourth, ecosystem synergies such as greater adoption of GoPay Coins which have shown promising signs of driving efficiency and incremental contribution margin per user.

And fifth, margin improvement from our OpEx optimization exercise including slower hiring across our businesses without compromising our growth strategy, streamlined support functions through the centralization of resources, and reduced structural cost in technology, marketing, and outsourcing.

With that in mind, we will bring forward our contribution margin breakeven timelines. We expect that contribution margin for the group

will reach breakeven by first quarter of 2024. And for the core on-demand and e-commerce businesses to reach breakeven by first quarter 2023 and fourth quarter of 2023.

While heading into the second half of 2022, we've been mindful of macroeconomic conditions in our markets. Although Indonesia continues to show resilience with GDP growth of 5.4% and core inflation of 2.9%, we will remain watchful on how geopolitical tensions, rising fuel costs and inflation and higher interest rates will unfold.

Let us now discuss each business segment in more detail, starting with on-demand services.

In second quarter, Gojek GTV grew 30% year-on-year driven by a sustained recovery in mobility services. With mobility GTV growing 80% year-on-year and recovering to 86% of pre-COVID levels. We expect this positive trend to continue in the second half of 2022 as economies reopen.

During second quarter, we initiated integration with KCI, the largest commuter rail network in the greater Jakarta area. With this integration, consumers can now purchase KCI tickets on our platform. We're seeing strong adoption which will be the key to expanding to our multimodal solutions for consumers' mobility needs.

And in the midst of recovering return to office trends, we scaled GoCorp, our mobility offering for corporate clients. GoCorp GTV grew approximately 2.5 times quarter-on-quarter as we sign on new clients and formed deeper partnerships with existing clients as well.

On GoFood, GTV grew by 17% year-on-year and this was despite the holidays in May and the rising trend of consumers reverting to restaurant dine in. This was driven by our focus on engaging high quality consumers where our average basket sizes are typically higher than peers. We also piloted new features such as Mode Hemat or economy mode in two cities, which allows us to cater to more price-sensitive users.

Our second quarter gross revenue on on-demand services was Rp3.2 trillion, a 41% growth year-on-year in second quarter driven by higher take rates in logistics and food delivery. Our on-demand take rate was up 173 basis points as compared to second quarter of 2021.

For mobility, monetization has been driven by scaling of premium services and platform fees. For food delivery, we continue to improve monetization from merchants through value-added services which helped increase take rates by 195 basis points year-on-year.

Let us now shift to e-commerce. In second quarter, Tokopedia GTV grew 20% year-on-year despite the extended Ramadan holidays in May, which was longer than last year. And a general shift from online to offline as the pandemic eases.

The fashion and automotive categories were beneficiaries of the economic reopening while the health category has normalized. Other long tail categories such as home and living, food and beverage, and mom and baby also continued to grow robustly as we drove availability of local assortment through Dilayani Tokopedia or fulfilled by Tokopedia and the onboarding of local merchants as well.

Tokopedia gross revenue grew 59% year-on-year, more than twice the size as GTV growth in second quarter as we continue to improve monetization and capitalize on value-added services such as logistics, advertising and marketing tools.

We saw that take rates improved by 76 basis points year-on-year to 3.1% in second quarter of 2022, mainly driven by our upgraded commissions scheme for C2C merchants, introduced in June 2022 post Ramadan.

Our focus on providing more value-added services and commission steered by category margins resulted in less than 1% of merchants opting out of the new commission scheme. Revenue contribution from advertising also continues to be strong with ads revenue growing at more than 50% year-on-year.

We continue to make progress with our hyperlocal strategy to make deliveries more convenient, reliable, and cost competitive. In the past year, we've been able to increase fulfilled by Tokopedia orders by more than 2.9 times year-on-year, and increased fulfillment

penetration from 1.5% to 3.6%.

Combined with the trial deployment of our in-house delivery in fulfillment hubs, we've seen promising earlier results with reduction in same day delivery cost of north of 30%. On the merchant side, fulfillment helps reduce stocking and delivery costs, as well as boost sales as their goods are highlighted in the marketplace drawing more attention from the consumers. This allows us to derive more recurring value-added services revenues from merchants as well.

We also began experimenting with consumer monetization on Tokopedia this month, this includes the introduction of a Rp1,000 platform fee per physical goods transaction, as well as the launch of our GoTo PLUS subscription program.

Moving on to financial services, we continue to focus on deepening penetration across the ecosystem and driving stronger user behavior. As of the second quarter, user penetration reached a new high of 52% on Tokopedia. Meanwhile, GoPay user penetration on Gojek reached 57%.

These milestones are important for two reasons: first, customers that use GoPay on Tokopedia and Gojek on average spend 2.1 times and 2.5 times more respectively compared to those that use other payment methods. In addition, consumers that transact using GoPay have significantly higher engagement with average month-on-month retention up to 82% on Tokopedia and 78% in Gojek. Combined, this leads to a better customer lifetime value while the penetration on the user side has reached all-time highs, we're focused on driving higher GTV penetration.

And with that this month, we have launched our e-wallet pilot in Gojek, a step above our e-money product offering which most of our competitors operates today. E-money refers to the deposit of a finite amount of funds which can be used for transactions. Our e-wallet strategy will enable users to store any type of payment source including debit and credit cards, direct transfer from bank accounts and also tokenized flow with Jago account pockets for a seamless direct debit experience for users with Jago bank accounts.

These payment forms will be directly linked, meaning users will only have to input their payment details once and thereafter they can draw seamlessly from these options for future transactions.

Every time a user wants to make a payment, they can choose from not just their e-money balance but any funding sources their e-wallet contains. This has the potential to increase GTV for two reasons: first, payments through our e-wallets are no longer constrained by the finite amount of e-money balance, directly linking multiple payment methods significantly reduces the number of steps and therefore friction of making payments.

And this month, we launched the GoPay e-wallet as a pilot on Gojek. And secondly, deeper GoPay penetration provides more data to improve credit scoring and more users for us to white list for lending.

And lastly, we introduced GoPayLater Cicil, our installment lending product to select Tokopedia users in July, which we believe will have increased spend per user and also serve as a new key lever for revenue and monetization growth.

I will now hand it over to our CFO, Jacky, to discuss the financials and guidance in more detail. Jacky, over to you.

Jacky Lo PT GoTo Gojek Tokopedia Tbk - CFO

Thank you Andre. And good day to everyone who join our call today. As Andre mentioned, we saw positive momentum despite some headwinds. Looking at GTV and gross revenue in the second quarter, GoTo's GTV increased by 39% year-on-year to Rp150.5 trillion exceeding the high end of our guidance range.

Gross revenue further reflected the gains we achieved from our monetization initiative with GoTo's overall take rate improving 15 basis points year-on-year. This has resulted in gross revenue growing faster than GTV at 45% to Rp5.5 trillion, coming in just below the high-end of our guidance range.

Our take rate improvements driven by on-demand and e-commerce highlight our ongoing efforts to be a sustainable business. As an example, for food delivery, we continue to move merchants into refreshed contracts that bundle base commission rates with value-added services. We also refine our technology through initiatives such as an early detection system that allow us to proactively identify and target high quality users in order to improve efficiency.

For e-commerce, last quarter we mentioned a revised e-commerce commission scheme to accommodate our merchants' various scales and category margins, in addition to providing them with enhanced value-added services. We have seen high adoption from our merchants with less than 1% churn from active merchants in the power merchant and power merchant pro categories. As a result, e-commerce blended take rate increased by 76 basis points from 2.4% to 3.1% year-on-year.

Moving forward, we continue to see further room to improve monetization as we enhance our value-added services across the ecosystem. Our path is clear and we are moving towards profitability through product-led growth.

In Q2, we refined the definition of contribution margin to include only variable cost, and exclude non-variable cost such as general sales and marketing expenses to be more aligned with peers and better reflect the underlying economics of our core products.

Ending the quarter, we continue to see sequential improvements in our contribution margin. We consciously reduced incentives to customers as well as marketing spend and also eliminated promotion spends on cohorts of unprofitable users through a spending cap, resulting in a quarter-on-quarter improvement of 47 basis points of our contribution margin to negative 1.3% as a percentage of GTV which is the equivalent of Rp513 billion.

We want to highlight that we achieved these results while maintaining our market leadership position despite seasonal and macro headwinds.

In on-demand services, the combination of monetization and optimization initiatives we have pursued allowed us to achieve 160 basis points quarter-on-quarter improvement of our on-demand contribution margin to negative 3.9% as a percentage of GTV in the quarter, excluding the impact of the one-time share based incentives to our drivers during the IPO of Rp293 billion.

The q-on-q improvement of on-demand contribution margin will be even better as 356 basis points as a percentage of GTV. In e-commerce, we improved our ability to monetize through advertising and introduce a new C2C commission rate as we previously mentioned.

We optimized our marketing and promotional spend, by reducing incentives in new buyer acquisition and dormant buyer reactivation. These efforts led to a 65 basis points quarter-on-quarter improvement of our e-commerce contribution margin to negative 1.4% as a percentage of GTV in the quarter.

Before we discuss adjusted EBITDA trends, we want to note that adjusted EBITDA figures are based on management accounts. And in Q1, we previously reported adjusted EBITDA at negative 5.4 trillion rupiah. After reviewing during the Q2, we found an error and have corrected the Q1 2022 adjusted EBITDA to negative Rp4.8 trillion. The adjusted EBITDA figures presented today reflect these corrections.

So, in Q2, our rationalization and optimization activities positively impacted our adjusted EBITDA, which achieved a 69 basis points improvement quarter-on-quarter in adjusted EBITDA to negative 2.8% as a percentage of GTV, which is the equivalent of Rp670 billion.

We started implementing a comprehensive end-to-end cost optimization exercise in Q1 of 2022. This involves aligning on the operating models, unifying processes, consolidating vendors and renegotiating contracts of various cost items.

We identified more than 30 work streams that's segregated into over 130 initiatives. And we have completed roughly half of the initiatives by the end of the quarter, achieving approximately Rp800 billion in structural cost savings in areas such as technology, marketing and outsourcing. This optimization exercise is a multi-year journey, and is aimed at structural savings that will improve our cost basis and drive long-term sustainability.

As we look ahead for the third quarter, we expect group level GTV to be between Rp151 and 156 trillion and gross revenue to be between Rp5.7 and 6 trillion.

Our top priority is to accelerate our path to profitability and expect to see continuous sequential improvement in both contribution margin and adjusted EBITA. To put further emphasis on this important milestone, we added our forecasts of contribution margin in the third quarter guidance, which we expect to be between negative 1.3% and negative 1.2% as a percentage of GTV.

Moving forward, we'll focus on increasing high quality GTV transactions, reducing our incentive spend and optimizing our cost basis in order to drive sustainable growth and an improved profitability profile for each of our segments. We do anticipate continuing macroeconomic uncertainty, which may lead to some quarter-on-quarter volatility.

Next, I would like to provide more color to our contribution margin breakeven guidance for the group on-demand and e-commerce.

It is worth noting that we are pulling forward our on-demand and e-commerce contribution margin breakeven targets compared to consensus by three and four quarters respectively. We project the group contribution margin to turn positive starting Q1 2024, driven by cost of revenue efficiency and promotion optimization.

We expect our on-demand contribution margin to turn positive by the first quarter of 2023, primarily due to improvement in take rates, and further rationalization of promotion spend for the Indonesian market, offset by potential headwinds from the new government tariff on transport and also inflationary macro conditions.

Similarly, e-commerce is expected to turn contribution margin positive by the fourth quarter of 2023, driven primarily by reduction of cashback and free shipping, in addition to improved take rates.

With that, I'll pass the call back to Andre for closing remarks for our presentation.

Andre Soelistyo PT GoTo Gojek Tokopedia Tbk - President Director and CEO and Co-Founder

Thank you, Jacky. In summary, we're making steady headway across each of our core business segments, and are maintaining a positive trajectory towards our breakeven targets. 2022 has been a volatile year in our markets and the macro conditions driving this may persist for some time.

Consumer confidence is down worldwide, while global economies grapple with supply chain issues and inflation. Indonesia has been relatively resilient so far, but this can always change and if it does, we will be ready.

At the start of this presentation, I mentioned that second quarter was all about efficiency, maximizing quality, sustainable growth, coupled with a focus on monetization and profitability. Going forward. We will continue in this vein, as we aim to satisfy our high quality customers with product innovation, and focusing on our ecosystem synergies that reinforce our long-term strategy, resilience, and competitive advantages.

Continued uncertainty in our commitment to quality growth will come with more moderate GTV growth in the future, as we reduce investment on lower quality promotion driven customers. This is consistent with our commitment to sustainability and profitability, to drive long-term shareholder value.

In the face of near-term challenges, we believe that we have the right team, foundation and products in place to meet our objectives, and maintain our leadership position in Indonesia and Southeast Asia as well.

This concludes our prepared remarks. Thank you very much for your time. We will now open the call for questions.

QUESTIONS AND ANSWERS

Operator

Thank you. (Operator Instructions). Please stand by while we compile the Q&A roster, this will take a few moments.

The first question comes from the line of Adrian Joezer from Mandiri Sekuritas, please ask your question, your line is open.

Adrian Joezer Mandiri Sekuritas - Head of Equity Research

Thank you. Thank you, Andre and Jacky for the opportunities. So I think...

Operator

... is open.

Adrian Joezer Mandiri Sekuritas - Head of Equity Research

Thank you. Thank you Andre and Jacky for the opportunities. So I think I'll just -- let me just ask the first two to three questions. So the first one is actually with regards to your new guidance on the contribution margin breakeven by the first quarter of 2024.

If you can provide us some color into the guidance for EBITDA for different timelines if there is any? I'll start with that question first. Or should I just ask the entire three questions that I have? Hello? Hello? Hello, can you hear me?

Andre Soelistyo PT GoTo Gojek Tokopedia Tbk - President Director and CEO and Co-Founder

Hi, Adrian.

Adrian Joezer Mandiri Sekuritas - Head of Equity Research

Oh, hello, sorry.

Andre Soelistyo PT GoTo Gojek Tokopedia Tbk - President Director and CEO and Co-Founder

Hey, Adrian, do you mind going through your remaining questions, so we can actually answer it all together?

Adrian Joezer Mandiri Sekuritas - Head of Equity Research

Okay, thanks. Thanks. Yes. So, the second question is on the e-commerce. Out of the 20% growth in the GTV in the second quarter. So if you can actually provide us some color into the split of the growths between physical goods and also virtual goods?

And how is actually the growth going into the second half, I mean, take into account that some of the pandemic driven e-commerce penetration has actually been fast forwarded in the last two to three years.

And the last question is actually just, actually, regards to the competitive landscape, if you can actually provide us with some color across the on-demand services, and also e-commerce and specificity into account on some of the new entrants, thank you.

Jacky Lo PT GoTo Gojek Tokopedia Tbk - CFO

If you'll maybe, I'll answer the first question on EBITDA guidance. So, yes, we do not provide EBITDA guidance on this call. Yes, but as we mentioned, we are fully committed to high quality, sustainable profitability.

And so, we expect to continue to see improvement in terms of monetization with high take rates, and also optimization of our incentive spend. And also we talk about the very comprehensive cost optimization exercise.

So that's going to have better cost structure going forward. So that's going to help to accelerate our path to EBITDA positive. And so -- but yes, we do not share guidance on this call. But we will look forward to sharing that in a future call.

Patrick Cao PT GoTo Gojek Tokopedia Tbk - Group President.

Adrian, this is Patrick. On your second question about the growth in terms of physical and digital goods. Q-on-Q and year-on-year, it's quite consistent with last quarter, depending on the month, the contribution of digital goods is roughly 18% to 20% of GTV.

Andre Soelistyo PT GoTo Gojek Tokopedia Tbk - President Director and CEO and Co-Founder

Hey, Adrian, on your third question on competitive landscape, I'll start with on-demand service. As you know, we are mainly competing with two players, one on transport and two others, mainly in food.

So we saw that there's actually generally a change behavior in terms of -- more kind of a rationalization in terms of spending, either from increasing take rates or fee charges and also the incentive spending as well.

So this is actually, obviously, a good trend so far that actually normalizes the competitiveness. And we saw, based on our internal data, that our leadership position in both categories continues to be the case.

And then that's actually an area that we will continue to actually protect by using a lot of the product innovations that we have actually done as well in the first quarter -- as in the second quarter of 2022.

Now, having said that, as you mentioned, there's also new entrants, so new players in the food market, but the primary competition is within the three players that already existed in the market so far. For e-commerce, I think, similarly, we have a few players in the market, as you know. And then each has actually a different kind of model. In Tokopedia, we adopted the everything store concept, where our selection is always the -- and also our focus on delivering best-in-class logistics, in terms of speed and also reliability has always been our focus area.

And since then, we continue to be able to navigate in terms of continuing to actually record growth. Again, despite that this quarter -- last quarter in second quarter, has actually been affected by extended Ramadan. And also, there's also a rebalancing in terms of consumer spending in offline as well.

And this is actually -- maintain our market position in the market, and then be able to actually engage with the high quality customers as well. In case of your question on new entrants, I would probably, kind of, predict that it's also some of the social media players that actually recently went into live shopping, using their social media platform.

I think for that, we obviously didn't see any significant changes in our market position and how we engage with our customers. Because in some categories, including social media, the intent to actually go into each platform is quite different.

So, it's actually quite complementary, because, for instance, in Tokopedia, the intention is actually to buy something. And we obviously do really focus in terms of building a personalization and recommendation to our customer, so that they can actually get the best recommendation of merchants or SKUs that fits what they wanted to buy.

Whereas in social media, the first intention is actually to browse and actually to see what's happening in your social circle. And then sometimes being presented with, you know, kind of eventualities of product being offered in social media, a lot of times it's accidental.

So in a sense, it's actually capturing two different intentions going into the motion in each of the platforms. And we and again, as we mentioned, it's actually complementary, and we do have different ways for us to engage with our customer with similar formats as well.

As you know, we also have what we call Tokopedia Life. And this is actually one way to actually engage differently with our customers. Hopefully that answers your questions, Adrian, and maybe we can take another -- the next question.

Adrian Joezer Mandiri Sekuritas - Head of Equity Research

Thank you, Andre. Thanks.

Operator

We will now proceed with the next question, please stand by. The next questions come from the line of Ferry Wong from Citi, please ask your question. Your line is open.

Ferry Wong Citigroup - Director and Head of Research

Yes. Hi. Good evening. Yes. I just have two quick questions. Can you please elaborate more on the possible impact on the fuel price hike towards your -- the three divisions?

And then could you also elaborate the second one on the tariff adjustment that's currently been postponed? Well, this is the second time it's actually been postponed. Yes. Initially, it's supposed to be like the 14th of August, but they postponed it again on the 29th of August.

So, yes, if you can actually explain and elaborate a little bit more on the impact on this. I know that, yes, you cannot explain it in detail. But yes, just basically, some of the explanation on the possible impact on GTV, and then the consumer purchasing power. Thank you.

Andre Soelistyo PT GoTo Gojek Tokopedia Tbk - President Director and CEO and Co-Founder

Thanks, Ferry. Let me take that question. So your first question is on fuel price increase in potential impact? Yes, as you pointed out, the government announced last week that they are considering to increase the Pertalite and also diesel prices.

Obviously, we're still waiting in terms of what the actual increase will be. But in the meantime, we are already starting to do some analysis in terms of looking at different cost buckets of our mainly delivery and also transport parts of our equation, and see what the impact is, overall, to cost and whatnot.

So this analysis is continuing. And something that obviously, once it's announced, we will actually share, some sort of analysis based on that as well. But having said that, obviously, it is something that's happening macro-wise.

And we do believe that there will be some impact overall, from a macro economy perspective in Indonesia. But we also believe that what we saw, even in the first and second quarter where, actually, some costs have already started to creep up, including some costs of basic goods.

We continue to see resilience in our customer base as well, mainly because a lot of the high quality customers continue to spend, as evidenced by the continued increase in GTV per spend per user, as we discussed earlier during the script trip.

And this is actually, again, a continuing strategy that we have in focusing on this high quality customers, and then also invest in better product experiences, so that they continue to actually engage with our platform.

So, we will continue that strategy to mitigate some of this risk. And also in addition to that, as we discuss, one of the key synergy areas that we're continuing to investing into is our logistics capabilities.

While the inherent costs and because of fuel price will increase, but in reality, if we continue to actually be able to make our logistics to be more productive, and hence, a better efficiency, we will actually pass it through to our customers, well, so that for them to actually buy things in our platform online, can continue to be the case.

So, there's actually controllable events that we will continue to invest and innovate. And there's also uncontrollable events, doing proper analysis towards it.

Now to your question on tariff, similarly, I guess the main reason for postponement is also because of the fuel price increase. So I guess the announcement comes pretty much, it's more or less at the same time and hence, more analysis needs to be done across the board. And we are in constant discussion with the government to actually also share how this will actually impact our driver partners, but also on the consumer side, in terms of navigating towards what the actual price increase, we will be taking into account all that analysis. So, again, similarly, it's not been finalized yet, in terms of what the actual increase will be, but there's actually already a range towards it.

So, similarly, obviously, whatever that tariff is, we will apply that in our platform. Many of our competitors will be as well. So, the impact will be overall. And then, so far, based on the analysis, obviously, we will kind of think about and see what the impact is on consumer demand. But similarly to my comment on the fuel price, again, our focus on high quality customers will continue to have some buffer in

terms of the impact overall in consumer confidence and demand towards it, with more analyses, we will share in subsequent months as well, Ferry. Hopefully that answers your question.

Ferry Wong Citigroup - Director and Head of Research

Alright. Thank you, Andre. Cheers.

Operator

(Operator Instructions).

The next questions come from the line of Henry Wibowo from JPMorgan. Please ask a question, your line is open.

Henry Wibowo JP Morgan - Equity Research Analyst

Hi, thank you, Andre, and GoTo team for the presentation and congrats on the strong results. I have a couple of questions from my side. Could you please share some new medium term strategy for Go Pay Later Cicil and also the lending product. I saw that in your website, there is a partnership with Atome. Could you please share more about the economics for this, and also the partnership with Jago?

The second question is regarding the third quarter GTV guidance for the group. It seems like I think there's a flattish Q on Q guidance of growth between having zero to 5%.

If we look at the GoTo financial it's very strong, right? But if the group has flattish guidance, does this mean that there could potentially be a slowdown in other segments? Thank you.

Andre Soelistyo PT GoTo Gojek Tokopedia Tbk - President Director and CEO and Co-Founder

I was talking on mute, thanks for your question. I'll take the first one. And Jacky, you can help me on second question.

So on your question on Go Pay Later Cicil, as we disclosed, and also, hopefully, as a user, you'll also start trying this as well, if you're the lucky few X number of users that's actually invited for the launch in Tokopedia. So as in July, we actually have launched Go Pay Later Cicil. And so far, we're taking a step by step approach in terms of increasing the size of white-listed users to get invited, and also to actually experiment with different limits to see based on that data, what sort of risk related metrics that actually we can actually analyze.

Obviously, a lot of this is to ensure that, number one, from a functionality perspective, the product works well, which so far, it's actually been executed well. And second, to also be slightly more cautious in terms of how the, some of the macroeconomic backdrops, especially in relation to some of the things that we discussed, to be taken into place as well. And once we are much more confident based on the data, we will continue to actually increase the size of the users whitelisted, and also the size of the actual loan itself, to be able to capture the overall opportunity in Tokopedia.

Now pertaining to your question as well on partnership, we cannot actually specifically mention about this, in terms of a question on economics and stuff. But as you know, our approach in releasing a specific product is always done with a partnership driven mindset because we know that to actually do end to end flow into one product, we'll actually have multiple partners that, again, that can actually be leveraged to ensure that we provide the best quality product to our consumers as well.

I think the perfect case for this was our relationship with Jago, where we play a different role in the same product flow, to ensure that what Jago can provide to us, and also what we can provide to the consumer can be complementary to deliver the experience. So we're taking the same approach in this case, as well. But that, I think this is kind of the most that I can share at this stage on this question as well.

To the second question, Jacky, you want to?

Jacky Lo PT GoTo Gojek Tokopedia Tbk - CFO

So, Henry, on your questions regarding Q3 guidance on GTV. So first of all, we are fully committed to the high quality, sustainable growth that we talk about. And so more importantly, we focus on high quality GTV growth. So if you look at the guidance, what we guide for Q3 is Rp151 to 156 trillion. So, as you point out, like for FinTech, we expect to see strong growth quarter on quarter. And I can provide some additional colors, in terms of on demand and also e-commerce.

So first one on demand, if you look at transport, we talk about the continued recovery. So especially in Q3, we have back to school. So we expect that trend will continue in Q3. And in terms of food, there's continuous demand for food delivery. But there's some potential headwinds that we talked about, like for example, people just like because of the relaxation of the COVID restriction, so people are going back to dining out. And also keep in mind last year, we actually have the Delta variant tailwind in Q3. So we are actually lapping that in Q3 this year.

And also e-commerce, I guess, like we talked about the new platform fee, and also the full quarter impact on the C2C commission implementation, so all of this is going to help with the gross revenue quarter on quarter and year on year growth. But in terms of headwinds is also like we are lapping last year's Delta variant tailwind. And also, we talked about during the prepared remarks, there's a shift from online to offline because of the COVID restriction ease. And lastly, because of the overall just the inflationary market conditions. So that's kind of some of the headwinds for the e-commerce business.

Henry Wibowo JP Morgan - Equity Research Analyst

Got it. Thank you, Jacky, and Andre, very helpful.

Operator

We are going to proceed with the next question. Please stand by. The next questions come from the line of Norman Choong from CLSA. Please ask a question, your line is opened.

Norman Choong CLSA - Investment Analyst

Hello, can you hear me?

Andre Soelistyo PT GoTo Gojek Tokopedia Tbk - President Director and CEO and Co-Founder

Yes, we can. Yes, we can.

Norman Choong CLSA - Investment Analyst

Yes. Hi, Andre and team. Thanks for the opportunity and congrats on the very strong results. So three questions for me. I think in terms of first question is in OPEX, we can see that sales and marketing has actually declined QoQ but can I have some clarification on total cash OPEX first q versus second quarter and how that is trending?

The second question is on your breakeven guidance. I think that is very encouraging. Can I get a sense on your stance towards funding at this point? As you know, are you very comfortable in saying that you don't need more funding until you're EBITDA breakeven, or you're looking at a scenario where you're getting a secondary listing later on? And my third question is on monetization, as you rightfully mentioned a lot of initiatives only happened towards the end of 2Q and 3Q. I know you have a guidance in place, but I just want to know your stance on should we expect the acceleration in net revenue growth further from these already very strong second quarter, how should we be looking at it? Yes, thanks.

Andre Soelistyo PT GoTo Gojek Tokopedia Tbk - President Director and CEO and Co-Founder

Yes. Thanks, Norman. Okay, let me try to answer your second question first. And then Jacky will help on first and third question.

So I think the second question was related to the acceleration of profitability and funding needs. I think, first of all, I think the company's focus is to accelerate the path to profitability. And hopefully by the guidance that we shared earlier, it's clear how we are, A, progressing really well, in terms of our last quarter's results. And also, obviously, be able to use that as a trajectory that we track against our breakeven guidance. So our focus is to continue to actually do that in the ways that we can, and obviously, that this is not stopping in the

contribution margin or variable expenses level, but also a lot of execution, and also plans are being put in place for also making our OPEX much more efficient as well, as we speak.

This is actually the primary focus, but having said that, what we've also always said that we will review all of our options when it comes to additional funding. This includes what was mentioned during the IPO, a potential international offering issuance of non-preemptive shares, as per our public disclosure, and also other opportunities based on market demand and conditions as well. So we will always explore these options as well. And, I think this is probably the answer that we can give for your second question at this stage.

Jacky, over to you.

Jacky Lo PT GoTo Gojek Tokopedia Tbk - CFO

Yes. So, Norman, on your questions regarding net revenue, so that's actually highly correlated to our take rate, and also the incentive spend. So as you know, net revenue that's based on gross revenue, minus the incentive spend to arrive at net revenue. So it's highly correlated to both monetization and also the optimization of incentive.

So you have seen here the gross to net ratio. It has been improving roughly about six to seven percentage points each quarter. So that's coming from better take rates, and also just optimization of the incentives. So if you look at our group net revenue, so if you look at the last three quarters, the ratio actually improved from 21% in Q4, last year, to 29%, last quarter, and then 35% in this quarter. So it's improving sequentially, and the same for our different segments.

So maybe I'll just share a little bit like for on-demand service, the net revenue or net to our gross revenue ratio, it went from 29% last quarter to about 37% this quarter. Similarly, for e-commerce it's improving. So it was about 45%, last quarter, and then it increased to 51% this quarter. So you can see here, because of the better monetization, and also our conscious effort on just optimizing our incentive spend, net revenue is actually trending up.

And on your first question regarding OPEX, so I think the Q2 comparing to Q1, the absolute dollar amount went up, it's mainly because of a couple of reasons. So we have our annual merit increase in Q2. And also we continue to add tech, like resources in strategic areas to drive synergies and different initiatives. Yes. But then also, there was roughly about Rp260 billion for one time, founder tax because of the IPO. So if you take that out, it's actually more or less similar quarter to quarter. Yes.

But I think overall, if you look at the OPEX exercise that we talked about, we achieved about Rp800 billion savings. And that's just coming from different areas like technology, marketing, and also outsourcing. So maybe I'll share a little bit of what we are doing here.

So in terms of marketing, we are looking into online and offline media buying, we are consolidating, even vendors. So these are all actually helped to actually have a lower, like cost basis going forward. And this is what we call our structural OPEX savings. And in terms of technology, we talk about the cloud service last quarter. So we are consolidating the Google and Amazon Cloud. And also this quarter, we are looking into different software, and apps. So basically, if there's any software or applications, that we will just, eliminate those that we don't use to actually lower the cost basis going forward.

And on outsourcing, that's basically we are looking at different types of outsourcing. But this last quarter, for example, we look at customer care. And so, we are actually looking at the overall just operating model for customer care, how we can actually -- structure going forward. So these are all like structural savings that's going to result in lower OPEX going forward.

I hope I answered your questions, Norman.

Norman Choong CLSA - Investment Analyst

Thank you, Andre and Jacky. I think just one follow up on the OPEX. Can I clarify if there is any seasonality involved in the OPEX in 2Q because Indonesia company we typically have this THR right the lebaran extra salary and compensation and all that or this is just normal.

Andre Soelistyo PT GoTo Gojek Tokopedia Tbk - President Director and CEO and Co-Founder

Just one second. So your question was whether there's seasonality, including the THR payments, right?

Norman Choong CLSA - Investment Analyst

Yes, THR or maybe bonuses in 2Q. I just want to make sure if you capture that.

Andre Soelistyo PT GoTo Gojek Tokopedia Tbk - President Director and CEO and Co-Founder

Yes, there's no seasonality and we've accrued all kinds of the one-time bonus and stuff is being accrued accordingly in the way that we prepare quarter on quarter. But I think what Jacky mentioned it's actually some of the explanation, i.e., some additional resources spent, but also one-time expenses relating to our IPO.

Norman Choong CLSA - Investment Analyst

Okay. Thank you.

Andre Soelistyo PT GoTo Gojek Tokopedia Tbk - President Director and CEO and Co-Founder

Hello, did you catch that

Operator

We are now going to proceed to the next question. Please stand by. The next questions come from the line of Ranjan Sharma from JP Morgan. Please ask your question, the line is open.

Ranjan Sharma JP Morgan - Analyst

Hi, good evening, and thank you for the presentation management. Two questions from my side. I'm sorry if I missed this earlier. But if I look at your cash flow statements, and I look at the cash flow from operations, there seems to be a jump of more than 100% in terms of negative cash flow from operations, if you can please explain what's behind that.

The second thing is how should we think of your EBITDA expectations for the longer term in terms of the breakeven. You have lower incentive spend and more focus to profitability. But you also have slower GMV growth, which produces the glide path of losses, corporate costs, or overhead as a percentage of GMV. So just on those two conflicting sides, how should we think about adjusted EBITDA breakeven? Thank you.

Jacky Lo PT GoTo Gojek Tokopedia Tbk - CFO

I think in terms of the EBITDA questions, yes, like, like I said, I mean, we are working on this structural savings on our different operating expense items. So just like as I mentioned we have over 130 different initiatives. And I mean, just finishing half of the initiatives, generate roughly about 800 billion rupiah of savings. So that's an ongoing process, that's going last, like all the way through next year. So that's going to help us actually accelerate the breakeven points to EBITA. And at the same time, we will continue to monetize the top-line, and also just continue to have more efficiency in terms of incentive spend.

So that's kind of like the way we look at EBITA. But as I mentioned, to Adrian at the beginning, we don't provide EBITDA guidance on this call. Yes, but obviously, we are very committed to getting to first of all the contribution margin breakeven, and then afterwards is the EBITDA breakeven point.

And on your questions regarding the cash flow, so in Q1, there was actually a disposal of an investment from our divestment, the gain was actually, that the cash was classified under cash inflow from operations. So that should be actually under investing. We actually fixed that in the Q2 or the first half cash flow statement. So if you actually normalize that the actual cash operations in Q1, and Q2 it's actually more or less the same.

Ranjan Sharma JP Morgan - Analyst

Okay, thank you. So it's around 5 trillion cash outflow from operations. Is that how we should think about it?

Jacky Lo PT GoTo Gojek Tokopedia Tbk - CFO

Roughly about 4.5 to 5, yes, for both quarter.

Ranjan Sharma JP Morgan - Analyst

Okay. Yes. Thank you. Thank you. I appreciate it. Thanks.

Operator

We will now like to thank everyone for your time. We regrettably cannot answer any more questions due to time constraints. Please reach out to GoTo directly for any inquiries. Thank you.

That does conclude today. Thank you for participating. You may now disconnect your lines. Thank you.

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