

PT GoTo Gojek Tokopedia Tbk
1Q 2022 and FY 2021 Earnings Conference Call
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Speakers:

Ernest Fung, Head of Corporate Development and Investor Relations
Andre Soelistyo, President Director, Chief Executive Officer, Co-Founder
Patrick Cao, Group President
Jacky Lo, Director, Chief Financial Officer

Analysts

Pang Vittayaamnuykoon, Goldman Sachs
Adrian Joezer, Mandiri
Ferry Wong, Citi
Ranjan Sharma, JP Morgan
Thomas Chong, Jefferies

Presentation

Operator: Good day, ladies and gentlemen. Thank you for standing by, and welcome to GoTo Group's First Quarter 2022 and Full Year 2021 Earnings Conference Call. (Operator Instructions). After today's presentation, there will be an opportunity to ask questions. (Operator Instructions).

I'd now like to turn the conference over to your speaker host, Ernest Fung, Head of Corporate Development and Investor Relations, GoTo Group. Thank you, and over to you, sir.

Ernest Fung: Thank you, Vikram. Good day, everyone, and welcome to GoTo Group's first quarter 2022 and fiscal year 2021 earnings 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 prospectus, earnings release, annual report, Sustainability Report 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 IFAS Standards disclosures.

Furthermore, to assist investors in comparisons of our full year and quarterly 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. The flow of the call will track the first two sections of the presentation, where 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 to deliver opening remarks.

Andre Soelistyo: Thank you, Ernest, and thank you, everyone, for joining today's call. On behalf of the entire GoTo team, we are pleased to host our first earnings call as a public company. Despite continued global uncertainty, we can look back on 2021 with pride in our execution and business resilience. The formation of GoTo, through the combination of Gojek and Tokopedia, puts us in a better position to serve customers, as we are the only ecosystem that integrates market-leading businesses across on-demand, e-commerce, and fintech services. These diverse and highly complementary offerings allow us to serve the majority of household consumption in Indonesia.

As a company that was built with purpose at its core, it is vital for us that this long-term value fully integrates our financial performance with credible, measured environmental and social impact. We believe growth can and must balance the needs of everyone in the ecosystem. We are an industry leader for our efforts on climate and decarbonization. Both Gojek and Tokopedia's headquarters are 100% powered by renewable energy, and we continue to make progress on transitioning to electric vehicles within our driver-partner ecosystem.

We were also recognized as a regional leader in 2021 for our ESG reporting, as the Best Employer for diversity and inclusion, and for our continued efforts to ensure our platforms have a positive impact on the livelihoods of our millions of drivers and merchants. It was in this spirit that we launched one of the most inclusive and globally unique share programs as part of our historic IPO in April. The Gotong Royong Share Program was designed to ensure that the people responsible for our success, which are our driver-partners, merchants, consumers and employees, were given the opportunity to benefit from the IPO through a combination of share grants and priority allocation.

Details of this and all of our ESG efforts are disclosed in our latest Sustainability Report released today. By operating with the wellbeing and interests of all stakeholders in mind, we believe we can deliver stronger, more enduring business growth over the long term.

Next, I'm going to talk about our priorities. At GoTo, we are focused on building quality, sustainable growth that strengthens our path to profitability. This is especially important given current market uncertainty. We will continue to solidify our leadership in Indonesia and deepen

customer engagement by investing in our trusted brands, products and infrastructure. This will continue to be focused on mid-to-affluent users, who have been, and will likely remain, more resilient during these unprecedented times. We believe our scale will give us stronger operating leverage as we continue to increase monetization and reduce incentives, to optimize the efficiency of our core products.

We will also leverage the competitive advantages from our ecosystem and related synergies, including cross-pollination, hyperlocal infrastructure, and fintech. This will further enhance our ability to monetize and optimize costs.

All of the above will be critical to accelerate our path to profitability. To strengthen our capital position further, we actually have been disciplined with divesting noncore assets, including the disposal of OVO, and our operations in Thailand and the Philippines in 2021. You will see us continue to be disciplined and leverage these funds to reinvest in the above focus areas.

From a growth perspective, we achieved solid growth across each of our on-demand, e-commerce and financial technology businesses in the first quarter of 2022. Our overall GTV grew 46% year-on-year to Rp140 trillion. The strong focus on monetization led to year-on-year gross revenue growth of 53% to Rp5 trillion, which outpaced GTV growth.

Let me share key segment highlights from the first quarter of 2022. Mobility GTV grew 73 % year-on-year and recovered to 70% of pre-Covid levels, as traffic flows began to normalize towards the end of the quarter. On-Demand services GTV as a whole grew by 44% between the first quarter 2021 and the first quarter 2022.

In Indonesia, On-Demand services were contribution margin- positive in February and March, and are expected to be contribution margin-positive in Q2. This excludes one-off costs relating to the Gotong Royong share program. We expect this profitability trend for On-Demand services in Indonesia to continue in subsequent quarters as well.

E-commerce GTV grew 28% year-on-year, and exceeded fourth quarter 2021 results. This is despite the first quarter typically being a seasonal low for e-commerce, and the fourth quarter a seasonal high.

Finally, our payments and financial services business continues to capitalize on the captive use cases in the ecosystem. We achieved record GoPay user and GTV volumes. Our on-platform volumes or within the GoTo ecosystem grew by 200% year-on-year, while our off-platform volumes grew by 74% year-on-year in first quarter 2022.

Let me go through the operating metrics. We saw solid growth in key business drivers and customer engagement in the first quarter. We continue to see strong growth in our customer base. In the first quarter of 2022, LTM, or last 12 month, annual transacting users grew 29% year-on-year to 65 million. At the same time, we have seen average spending per user increase, with LTM GTV per user growing 18% year-on-year. Similarly, orders grew by 41% year-on-year to over 650 million in the first quarter of 2022.

Moving to the next slide, this table shows the growth in pro forma GTV per user based on annual new user cohorts. It's encouraging to see that our users on average continue to spend more and

more every year after they join the GoTo ecosystem, with longer-term users spending more and showing greater GTV growth on our platforms. Users who joined us in 2018 are now spending 6.8 times -- I repeat 6.8 times -- more in 2021 than when they actually first joined the platform. Given the power of our ecosystem, it is powerful to see that the longer a user is with us and the more services they utilize, the greater the growth in their GTV and the depth of their engagement and retention.

In this slide, I would like also to highlight our strong recovery in transport. As restrictions ease in Indonesia and the country opens up, our on-Demand Services transport segment is approaching pre-Covid levels. Our global transport GTV grew 73% year-on-year and recovered to 70% of pre-Covid levels, as traffic flows began to normalize towards the end of the quarter.

Given our diversified portfolio base, we have a balance of products that has generated growth pre-and-post-Covid, as can be seen from our transport business. As recovery continues in Indonesia, we will continue to see the benefits of our diversified portfolio.

On to monetization. As I mentioned previously, we are continuing to increase monetization initiatives as a group. As shown in this slide, we have demonstrated our ability to continuously increase monetization with gross revenue growth outpacing strong GTV growth.

GoTo Group's take rate increased from 3.5% to 3.7% year-on-year. This is driven by the increase in on-demand services and e-commerce take rate to 21% and 2.9%, respectively. This is as a result of our continued focus around building a sustainable business with a clear path to profitability.

If we go to the next slide, I will give an example of how we are optimizing further on monetization.

Let's take a look at e-commerce as an example of how we are optimizing further on our monetization. Tokopedia has four merchant tiers: regular merchants, power merchants, power merchants pro and official stores. As part of our upcoming monetization activity, we recently communicated a revised commission scheme for e-commerce merchants that will commence next week. This will put Tokopedia closer to, or at parity with, other 3P marketplaces in Indonesia on a blended average take rate basis. The key differentiator, however, will be that our commission will be staggered to accommodate different scale and category margins of our merchants.

In addition, we will continue to be focused on providing enhanced value-added services to merchants as well. We expect this new commission rate can increase by as much as 200 basis points depending on the merchant category

What I want to highlight next is our continuous focus in reducing expenses and improving margins. In addition to our focus on optimizing our monetization levers and demonstrating top line growth, we are also focused on rationalizing expenses. We have reduced both incentives to customers, as well as sales and marketing expenses, as a percentage of GTV by 90 basis points and 40 basis points quarter-on-quarter respectively.

Furthermore, our continued focus on monetization and cost reduction initiatives translated into improving margins quarter-on-quarter as a percentage of GTV. Our contribution margin improved by 100 basis points while our adjusted EBITDA margin improved by 70 basis points quarter-over-quarter.

We completed our combination 1 year ago, and we will continue to invest prudently in our unique ecosystem synergies that focus on generating additional economies of scale and improving efficiencies. We believe this will form an important foundation for us to capture growth while optimizing for operating efficiencies.

I will now hand over to Patrick, our Group President, to elaborate further on our synergy focus areas. Patrick, over to you.

Patrick Cao: Thank you, Andre. As Andre mentioned, we have three key synergy focus areas: cross-pollination, hyperlocal and fintech. On cross-pollination, historically, Gojek and Tokopedia have had low user overlap, as they were part of different ecosystems and GoPay was not accepted on Tokopedia. Since our combination, we have leveraged cross-marketing and GoPay integration to increase cross-platform penetration.

Cross-platform users, or users that transact on both Gojek and Tokopedia, grew to 21% of our overall Indonesia ATUs in 2021, up from 17% in the same period in 2020. In terms of absolute ATUs, this resulted in a 37% increase in cross-platform users year-on-year. This is important for two reasons. First, user cross-pollination between platforms enables us to acquire customers more efficiently and enhances monetization. For instance, groceries can be bought on Tokopedia, delivered by Gojek, paid for by GoPay and BNPL, covered by insurance, and processed by our payment gateway.

Second, once a consumer transacts on both platforms, their engagement is significantly stronger, which results in better customer lifetime value. The annual spending per user is 8x higher on average for a cross-platform user versus a single platform user, and their average month-on-month retention is up to 94%. We aim to accelerate the rate of cross-platform engagement over the next few quarters using our common rewards currency, GoPay Coins. This will be fully rolled out across the ecosystem by the end of the second quarter.

Our second synergy focus area is around hyperlocal. Hyperlocal is a key pillar of our logistics strategy. GoTo is the only e-commerce player with a fleet powered by a market-leading on-demand platform. Our deep data and operations integration has allowed Tokopedia to grow on-demand orders from 18% to 26%. Over 80% of these orders are delivered by the Gojek fleet, and the increased utilization generated 10% savings in cost per kilometer. This will be a multiyear journey for us. We will continuously invest to deepen integration with our assets, such as fulfillment centers, to improve density and proximity as well as enhance routing and batching technology.

The third synergy focus is fintech. We launched GoPay acceptance on Tokopedia in Q4 2021, and the results have exceeded expectations. GoPay was first accepted on Tokopedia in October 2021, and quickly overtook the incumbent e-payment provider on Tokopedia. By the end of the same quarter, GoPay accounted for 76% of total e-payment GTV volumes, and this further grew

to 93% of GTV in the first quarter of 2022. Together with our new e-wallet license, we will work to deepen digital wallet penetration across the ecosystem to drive more seamless payments for our customers.

Tokopedia also integrated BNPL in Q4. We have seen promising initial results in lending, on the back of our captive e-commerce use case and enhanced credit scoring, which we will continue to grow thoughtfully and share more detail in coming quarters. We are pleased with these early synergy results in our first year as a Group. Each are differentiated competitive advantages for us to serve customers, power growth, and enhance our monetization and cost optimization initiatives.

I will now hand the call over to our Chief Financial Officer, Jacky, for more details on our financial performance.

Jacky Lo: Thank you, Andre and Patrick, and hello to everyone who has joined the call. For the financial update, to make it more convenient for you to evaluate our company's business performance and prospects, we will be primarily discussing pro forma results and focusing on Q1 2022 on today's call.

At the Group level, we saw positive momentum. First, I want to highlight a couple of key metrics. Looking at GTV and gross revenue in the first quarter, GoTo's GTV increased by 46% year-on-year to Rp140 trillion. Gross revenue further reflects the gains we have achieved from combining and integrating our platforms. GoTo gross revenue grew faster by 53% year-on-year to Rp5.2 trillion.

GoTo's overall take rate has improved with gross revenue outpacing GTV growth. This could be attributed to monetization initiatives such as higher take rates, platform fees, and the release of new premium product offerings. We see Q1 2022 take rate improved to 3.7% compared to 3.5% a year ago. Moving forward, we see further room to improve monetization as we enhance value-added services across the ecosystem.

We will now discuss in detail the results of our different segments. First is Gojek, our on-demand services business that includes mobility, food and grocery delivery, and on-demand logistics. We have seen our mobility business recovered to 70% of pre-Covid levels by the first quarter. We also observed demand rebounding once social distancing restrictions were eased. As the Delta variant progressed to Omicron, the impact on demand became lower with each round of restrictions.

Despite the Covid challenges we faced, we see commendable growth rates in Q1 2022. Our on-demand services GTV grew 44% year-on-year to Rp14.9 trillion.

With traffic resuming to normal across Indonesia, we expect that mobility will continue to improve in the following quarters. We launched premium offerings like Protect+ for more hygiene protection in Indonesia and premium six-seater car offerings in Singapore. Our Q1 2022 gross revenue for on-demand services was Rp3.1 trillion, up 58% year-on-year. This is primarily attributed to the increase in merchant commissions bundled with value-added services, additional platform fees, and strength of our logistics business. As a result, take rate for on-demand was up 180 basis points year-on-year.

As Andre mentioned, the combination of monetization and optimization initiatives we have pursued has allowed us to achieve a positive contribution margin for our on-demand services in Indonesia in February and March. And we expect this profitability trend to continue in the subsequent quarters.

For our e-commerce segment, Tokopedia, we saw continued growth driven by new user adoption and increased consumer engagement. For example, transaction frequency per user grew 10% year-on-year in the first quarter. The proportion of on-demand orders also increased as a result of consumers' increased demand for convenience, which we were able to serve as a result of the deep integration between Tokopedia and Gojek's on-demand logistics fleet.

We also saw strong growth in long-tail categories such as FMCG and Mom & Baby, which saw their orders grow more than 50% in Q1 2022 year-on-year. As a result, first quarter GTV from our market leading e-commerce platform was Rp65.1 trillion, up 28% year-on-year

The e-commerce segment's Q1 2022 gross revenue was Rp1.9 trillion, up 53% year-on-year. Take rates also improved from 2.5% in Q1 last year to 2.9% in Q1 this year. This was driven by our continued focus on monetization initiatives, especially value-added services. For example, our advertising revenue grew 62% year-on-year, driven by improvements in our ads targeting engine, improved search relevance and sales conversion.

As Andre shared earlier about the upcoming monetization initiatives, we will commence a revised merchant commission scheme for e-commerce merchants next week, that will put Tokopedia at parity with other 3P marketplaces in Indonesia on a blended average take rate basis.

Finally, financial technology services under GoTo Financial. We recorded strong performance and also released a number of key new products in Q4 last year, which extends our efforts towards being the ubiquitous payments and fintech solution in Indonesia. GoPay's integration on Tokopedia quickly gained a majority market share versus incumbent e-money payment options.

We also launched Tokopedia's first captive revolving credit facility product with Buy Now Pay Later. In November last year, we integrated Bank Jago on the Gojek application, allowing users to open a Jago account within the Gojek App. As a result, GoTo Financial's Q1 2022 GTV was Rp77.5 trillion this year, which grew 91% year-on-year.

And notably, more and more users are using GoPay to pay for products and services in the GoTo ecosystem. For example, users who used GoPay to pay for our mobility or food delivery services increased from 43% in Q1 last year to 55% in Q1 this year. We have continued to deepen integration and adoption of these products across the ecosystem, and will continue to invest in subsequent quarters given early penetration.

Fintech's Q1 2022 gross revenue was Rp358 billion, up 47% year-on-year, while take rate remained stable. Over the past 2 years of the pandemic, our payments team seized the opportunity to deepen our presence in online and digital merchants. The reopening of the economy from Covid has reinvigorated growth in offline payments. While these are typically lower payment processing take rates than online payments, the volume growth and multiplier effect in accelerating GoPay's ubiquity in Indonesia is important.

Also, we continue to grow our online digital payments channel. We had a strong year with the onboarding of high-growth merchants such as invest-tech platforms and health-tech platforms. Merchant payments as a whole nearly doubled in GTV volumes from Q1 2021 to Q1 2022 and turned EBITDA positive. As we ramp up and extend more high-margin lending products to our consumers, we should see an improvement in our take rates and make progress towards profitability for Financial Technology.

Turning to our contribution margin trends, our contribution margin saw a 24 percentage point Q-on-Q improvement in Q1, which translates to a savings of Rp1.3 trillion.

It is worth noting that ahead of the formation of GoTo Group in May 2021, we made a conscious decision to suppress incentives and subsidies in order to deploy these for our cross-platform growth initiatives upon the launch of the Group. In the second half of 2021, we accelerated investments in incentives and subsidies to increase cross-pollination and expand our cross-platform user base. Heading into Q1 2022, we saw sequential improvement in our contribution margin, as we continue to focus on incentives rationalization with the rollout of spending cap across Food & Mobility, as well as eliminating the spend on cohorts of unprofitable users.

We are also accelerating our path to profitability through cost optimization efforts. We have made progress on a number of initiatives across the ecosystem. So let me share some examples. First, we started consolidating and streamlining support functions at the holding company. Second, we established a centralized procurement function to maximize contract negotiation with vendors and achieved significant cost savings on IT expenditures.

And as Pat mentioned earlier, the direction of our promotions and marketing campaigns is now cross-platform focused. We want every dollar to be stretched to promote multiple GoTo services in a single transaction. For instance, incentivizing a Tokopedia user so they order food on Gojek and pay using GoPay. This will be further enhanced as our common rewards currency, the GoPay Coins, gains more ubiquity, and is able to be earned and redeemed across more use cases in the ecosystem. And we also leveraged our consolidated consumer data with machine-learning technology to more efficiently allocate incentives and subsidies.

Our optimization exercise has positively impacted our adjusted EBITDA. We have achieved 14 percentage point improvement on adjusted EBITDA margins between Q4 last year and Q1 this year. Furthermore, we have generated savings on overhead costs such as rental, office, travels, meals and entertainment, and refocused our international operations to just Vietnam and Singapore. Our team is exercising prudence in the review of cost items, which is one of our low-hanging fruits, to accelerate our profitability time table.

As of the end of Q1 2022, we had Rp27 trillion of cash on our balance sheet. We additionally raised Rp13.7 trillion during the IDX IPO in April. We believe that we have sufficient cash to execute on our plan to reach EBITDA breakeven. This view is supported by the promising early results of our investments in synergies which has helped us reduce burn quarter-on-quarter.

In addition, the upcoming monetization and cost optimization plans which we shared, will allow us to continue reducing burn each quarter. Additional burn reduction and path to profitability can be accelerated as more rational competitive dynamics persist.

As we look ahead for the second quarter, we expect group level GTV of Rp142 trillion to Rp150 trillion, and gross revenue of Rp5.3 trillion to Rp5.6 trillion. Our top priority is to accelerate our path to profitability and expect to see continued sequential improvement in both contribution margin and adjusted EBITDA.

We are focused on generating sustainable high-quality revenue growth and optimizing cost structure. After we update our optimization planning exercise for the latest market dynamics, we look forward to providing the full year 2022 guidance, as well as additional profitability milestones by segment on the next earnings call.

I will pass the call back to Andre for closing remarks.

Andre Soelistyo: Thank you, Jacky. All in all, we are very pleased with the growth that we have achieved since the formation of the GoTo Group. We are making steady headway across each of our business segments, and have positioned ourselves to continue on a positive trajectory for the remainder of 2022 and beyond. We believe that we have a clear and viable roadmap to achieve sustainable profitable growth through our optimization and monetization efforts. We also see great potential to meaningfully grow our blended take rate as our business evolves.

In addition, we will continue to take a robust and thorough approach to cost optimization that supports our growth and investment objectives, allowing us to generate additional value for everyone in our ecosystem and investor communities. With the rationalization we are observing, we believe we have the right measures in place to continue to grow as a company and accelerate our path to profitability.

This concludes our prepared remarks. Thank you very much for your time, and we will now open up the call to questions. Thank you.

Questions and Answers

Operator: Thanks very much. We will now begin the question-and-answer session. (Operator Instructions). First question from [Pang Vittayaamnuykoon] with Goldman Sachs.

Pang Vittayaamnuykoon: So two questions for me. Firstly, can we discuss a little bit more on your second quarter guidance? What does your guidance mean on the segment (indiscernible) basis if we look between on-demand, the e-commerce and then the fintech? If we look at these both ways, the GTV implies quite a low comparing to your first quarter growth; and on Q1Q basis, it suggests quite a flat Q1Q as well with growth (indiscernible), that's why we having a (indiscernible) opening. So can you give us a little bit of color on what went into the expectation? That's my number one.

Question number two, can we also get an update on the current competitive landscape across your different segments? How has that evolved over the last few months? And how does that

impact your incentive for the consumer and drive (indiscernible) with that, how should we think about the current cap you have on the balance sheet with balance between growth and cash burn?

Andre Soelistyo: So maybe I'll take the first questions in terms of the Q2 guidance. So what we provide is at the Group level, but in terms of each segment, we don't provide the exact numbers. But I can provide some like commentary in terms of how we look at the business in Q2. So start with on-demand service, so yes, on this for transport, we expect to see continued like positive Q-on-Q growth just from recovery in general because as you know, in Q1, we have the Covid lockdown. So based pretty much from February to early March, so with that, like being more relaxing. In terms of the transport business, we expect to have like recovery in Q2.

And for food, yes, as you know, that's affected by the Ramadan fasting in April, so that will be -- Q-on-Q, there may be some pressure on that in terms of quarter-on-quarter growth. Yes, but overall, I think for the on-demand business, we still trending upward.

And in terms of like the take rate, yes, we continue to expect to have monetization and keep take rate improving quarter-on-quarter. And we emphasize this many times on the prepared remarks, in terms of profitability, we expect the on-demand service in Indonesia continue to be profitable. In terms of like CM, we'll be CM-positive. And also just overall in terms of like promotion spending and like marketing, sales and marketing expenses, all these are going to see significantly improvement Q-on-Q.

And in terms of the e-commerce segment, so we have seen very strong momentum like from the Ramadan in April. So also, yes, we expect to continue to see MPU continue to grow. And yes, pretty much like the fashion and food and beverage segment, we have seen very strong growth, so we expect that's going to contribute to the growth in Q2.

And in terms of take rate, again, like we mentioned about the revised merchant commission fee, so that's going to contribute to that monetization and increase in take rate for our e-commerce business. And similarly, like with ODS, like e-commerce, we expect to see contribution margin improvement because we'll be leveraging all the data for machine-learning personalized marketing. So all this is going to contribute to better profitability in terms of the contribution margin.

And lastly for fintech, yes, this is the fastest-growing across the three segments, so we expect to continue to see this improving, especially for offline, as the general market like opening up. So we expect the GTV, that we see growth there. And in terms of take rate, we also expect to see improvement there with better just overall take rate and gross revenue growth.

Patrick Cao: On the second question, let me take that. So I guess -- I think just to repeat, the questions was on competitive landscape across different segments and the evolution over time. Maybe I start with probably repeating what's unique about our system approach. What our focus area is to provide hyperlocal experience to our users and as a result, our user segment [defers] versus some of our competitors. I'll give you an example. The significant part of our GTV contribution comes from mid-to-affluent users in top-15 cities in Indonesia. That's actually proven to be much more resilient, especially during these unprecedented times on potential cost inflation and whatnot.

So with that, let me then translate that into each of the segments. So for e-commerce, again, our focus area is really about hyperlocal. As a background, 67% of our deliveries is delivered within 24; whereas our closest competitors, 70% of their orders is delivered 2 to 3 days. So it's actually very different in terms of user experience and product quality. And our focus on the Tokopedia side and really observing the mid-to-affluent users that actually value convenience versus cheap, has been the focus area.

And the synergy within Gojek [versus] the delivery for hyperlocal, has been our special recipe. So therefore, we've been able to actually report quarterly growth between Q4 and Q1 where some of our competitors have a declining quarter-on-quarter GTV growth for e-commerce. This is actually as one of the results of our focus area and hyperlocal and providing it.

For on-demand, we continue to have market leadership in Indonesia based on internal data and also third-party data. We do see a lot of positive momentum and trends since the market is opening up, especially Indonesia post the pandemic, especially post the Omnicron Covid pandemic. We saw, as mentioned, recovery, fast recovery, on our transport business, about 73% year-on-year, and we continue to see that in subsequent quarters to come as well. In addition, note that -- it's worth noting to also give a little bit of context, that despite our food business from a GTV has overgrown versus pre-pandemic from a GTV perspective.

We also believe that the opening up of our office use cases will add additional users that used to buy snacks during office times, which has been the culture of Indonesia to actually be part of the recovery potential as well in our food business. And therefore, again, the platform that actually focuses on convenience factor and delivering things with higher quality, we do believe that the opportunity from a market positioning perspective is also going to improve over time.

And then lastly on the fintech business, the focus area is actually to be able to cross-pollinate across the GoTo ecosystem. And Tokopedia integration has been a focus area. We launched payment, e-money integration, and then we're going to launch e-wallet very soon. That actually will further expand our positioning within the GoTo kind of platforms, as well as kind of putting our investment into the opening up of the offline use cases through QR payments and stuff.

We don't have any specific comments on competitive landscape because a lot of the growth is actually within our platform, which we have the ability to prioritize our fintech and payment proposition into the way that we will be able to kind of provide short-term growth for our fintech business.

And lastly, I think from a competitive perspective, I wanted to actually also note that we've seen a progression in terms of the focus area and employee [rationalization]. Over the last few months, we've seen some of our competitors in different verticals of the business have either increased take rates or use subsidy, which is a positive kind of progression. That means that obviously, from a competitive perspective, we do see a fast progression utilization as well.

And again, our focus area is really to focus on product like growth. This is actually an opportunity for us where we innovate and invest in many infrastructure and tools that actually uniquely GoTo to be able to kind of engage with our users better. And therefore, as mentioned

during the beginning of the call, this is actually one of the paths for us to actually accelerate our fast profitability as well. So hopefully, that answers the question. Thank you.

Pang Vittayaamnuykoon: Thank you very much.

Operator: Adrian Joezer with Mandiri.

Adrian Joezer: So just two questions from me. The first is actually in terms of the first quarter results in terms of the contribution margin by segment. If you can actually provide us some color into it?

And the second question is actually, Andre, you mentioned about the excellent path to profitability. Can you elaborate more in terms of how will be actually arrive at this in terms of, for example, whether we will see more from the monetization, i.e., the take rate, or is it more from the cost savings? You can probably split the delta of the incremental changes.

Andre Soelistyo: On the first question, Adrian, let me hand it over to Jacky.

Jacky Lo: Yes, Adrian, in terms of the contribution margin by segment, so quarter-over-quarter, we talk about overall improving about 24 percentage points. But a majority of that is actually coming from ODS, particularly on food and mobility. I think during the prepared remarks, we talk about some of these initiatives we implement, right? So we actually introduced like a spending cap on mobility and also the food business. And also especially for food, we actually eliminate a lot of the spending on the unprofitable research. So all these actually help to significantly improve in terms of incentives per order for mobility and food.

So if you look at just the contribution margin improvement for on-demand service, quarter-on-quarter, it was 37%, yes, so it's actually higher than the Group. And that's kind of like the overall drivers behind the (inaudible) Group CM improvement. For e-commerce, it's actually kind of similar quarter-on-quarter, because we are coming out of the high season in Q4 for e-commerce business. And also we are also investing a lot in just realizing synergies and also investing in like [human] (indiscernible) which is a key focus for us. So that's why we are making some investment in ecosystem as far as like new initiative.

So for e-commerce, the contribution margin was kind of flat quarter-on-quarter. And for e-commerce -- for fintech, we also see significant improvement quarter-on-quarter, so that's also roughly about like 38%, 39% contribution margin improvement for our [CM] business. So that's, yes, pretty much, yes, what -- if you want to break down by segment for the CM improvement.

Patrick Cao: Then Adrian, for your second question about [after] profitability, then if you look across the business, and we've been able to demonstrate continued operating leverage. From the back of that, you've seen us increase our take rates across each of the operating segments. And we'll continue to be able to do that. Secondly, in terms of monetization, we also talk a lot about our value-added services, so taking the e-commerce business as an example, as we discussed previously, the majority of that comes from ads, logistics, and payment services.

And if you reflect on what we shared in terms of the synergies in those value-added services, they go hand-in-hand. So our ability to monetize on both platform fees as well as value-added services will take place across the Group.

On the cost optimization side then, I think Jacky mentioned a few specific examples. Number one, leveraging technology, including AI and ML, to better personalize and allocate promotion; number two, working with merchants to provide more merchant-funded promotions to grow their business; and number three, the broader cost optimization exercise that we're initiating, that should carry through for the next few quarters, and then Jacky and I will be able to share in subsequent quarters.

And then if you look at the synergy areas that Andre mentioned, I think that's where we have that competitive advantage. So if you think about hyperlocal as an example, the more we're able to improve those services, the more frequency or volume we can help our merchants sell. And they're more than willing to pay for those logistics and fulfillment services, and with higher utilization across the Group use cases. And you're also seeing us continue to be able to optimize on costs per kilometer.

Similarly, if you look at it from a payments perspective, as we expand the payment use cases, both on the consumer and the merchant side, we're able to create more seamlessness; that leads to higher conversion and to better customer behavior that Andre mentioned in terms of spend, frequency and retention. So I think those combination of things will help really pave the way to path to profitability.

In terms of the balance between monetization versus cost savings, I think we'll be very balanced there. And I think that'll continue to evolve dynamically as the quarters progress, in addition to some of the market rationalization dynamics that Andre mentioned.

Adrian Joezer: Thank you.

Operator: Ferry Wong with Citi.

Ferry Wong: Just wanted to have two quick questions. Firstly, on the volatility of your [DTV], practically, during the Ramadan and then during the Christmas, are usually your DTV practically increase. Will there be any volatility on the first quarter, second quarter, third quarter earnings, and fourth quarter? And then if we were to compare first half compared to second half, what's your experience in the past several years? That's my first question.

The second question is with regards to your collaboration on your GoTo Financial? Could you elaborate a little bit more on the GoTo Financial with the Bank Jago? And then what sort of collaboration that you will be -- that you can actually share and elaborate on that front? Yes, that's basically my two questions.

Andre Soelistyo: Thanks, Perry. Let me try to answer those questions. You're right, our volatility of GPV, especially during big [festive] season. To give you an example, last Q2, we entered into a Ramadan season where the first part of the 1-month period has always been the highest kind of growth from e-commerce perspective. Even people are saving up and buying things for their family members, especially family members outside of their hometown. We've seen similar kind

of a trend of continued growth for that festive season, which is quite consistent increase year-over-year.

But having said that, there is some volatility in terms of the other parts of our business, especially the lead -- related to our transport and food delivery business. During the time of Ramadan itself, especially higher proportion of increase in reduced supply hours because a lot of the drivers whom last year, if you remember, couldn't actually go back to their hometown because of the restriction of lockdown during the Covid period. Now, we've actually had the opportunity to do so, and therefore, we actually saw a little bit extended of downtime in terms of supply hours to actually get it back to the normal curve compared to last year.

Having said that, obviously, as for today, we've seen already premium a recovery in terms of supply hours for our on-demand services. So it's actually something that's unique for this year. Again, I would call this a revenge holiday or a revenge trip kind of a season because really, last year, it filled with restrictions because of the lockdown of Covid.

From a remaining of the quarter's perspective, we don't see much volatility, although Q4 is always, from a seasonality perspective, obviously the highest in terms of contributions to the year's growth. So we expect that this will continue to be the same consistency towards 2022 as well.

To your second question on collaboration between GTF and Bank Jago, I think let me start with saying that is Bank Jago is our strategic partner for a lot of this fintech kind of initiative that we have. As you know, we own slightly more than 20% of Bank Jago's ownership through GTF. Now, the areas where we actually collaborate, it probably can be described into three pillars. On the first one is on the lending side. In GTF, we will continue to be the one that actually will be able to instrument the product, underwrite the credit and then have the first user engagement with any fintech products that GTF actually issued.

Now, having said that, we are not a bank and we need balance sheet. So what the first kind of collaboration that happens is that Jago will be our preferred and prioritized channeling partner, so that all that loan that we underwrite and also created for the GTF products, can actually be carried by mainly Jago, and including other banks when there's actually obviously the requirement. So and obviously, we were doing all this with the highest degree of compliance to whatever compliance is required under the different licenses that we utilize for the loans, we will be able to comply with that. So that's the first area.

The second area is on the accounts and payments. Since we don't believe that given our e-wallet, obtaining of e-wallet license early part of this year, we will actually progress from a prepaid wallet payment towards direct bank account payments. And in this case, we're the first in the country that actually produce direct debit payment use cases, together with Jago, called the Jago Bucket, Jago GoPay Bucket.

We do believe that the ability to provide direct-to-bank account payment will increase the propensity of our users to spend because the inconvenience of [Top Up] is one [friction] away from the seamless payment that we wanted. And this is a trend that we also see in China, India, and when you actually do a direct-to-bank-account payment, we see a lot of GTV increase and

whatnot. And through the e-wallet license, we will be able to do so, and therefore, Jago GoPay has one account that we're actually kind of -- sorry -- Jago GoPay has kind of a one product that we created inside the Gojek (inaudible) Tokopedia to help our users to open up this bank account, to be able to make the direct-to-bank account payment.

And then lastly, I think during the IPO presentation, I did mention about our plan to actually release separated (inaudible) this is not for facilitating to our users a way to pay, because if it's only a way to pay, GoPay can lift inside the Gojek and Tokopedia app. But our primary premise is to actually push for helping our users to manage their money on a daily and weekly household expenses, and also growing their investment.

So you can imagine that inside the GoPay app, we will have functionalities that everything money, starting from saving, spending, growing and also be able reconcile everything through our personal finance management dashboard and whatnot. A lot of these capabilities will be supported by Jago because again, many of those needs to be provided by a banking capability, and therefore, a lot of functionalities that help users to actually manage their accounts better, is actually going to be surfaced together with Jago's capabilities as well.

And these three areas, in summary, will give you a perspective of some of the strategy in partnership with Jago as well. Hopefully, that answers your questions, Perry.

Ferry Wong: Yes, very clear. Thanks, Andre.

Operator: Ranjan Sharma with JP Morgan.

Ranjan Sharma: Two questions from my side. Firstly, if I look at the on-demand services, I find that EBIT loss, as opposed to (inaudible) on-demand GMV close to 25%. That's significantly higher than any of the listed peers. If you can just share like what's driving that number to be that high, and where do you see it evolving over the next 2 to 3 years?

Secondly, on your e-commerce take rate, there was a lot of discussions on value-added services. So if you could also share like how does the take rate break down into commissions, logistics, revenues and 1Q sales?

Andre Soelistyo: I'll take the first question. Thanks, Ranjan. So I think on the on-demand services, it's worth to note a few things. Obviously, on our side, the on-demand segment includes both mobility and also food delivery and groceries delivery and logistics on-demand. So unlike some of our peers who have different segments and have that number to be broken out, this is actually a combination of all the products that I mentioned earlier.

Now, having said that, as mentioned during the opening remarks, if we break it down into key geographies, in Indonesia, that number from an EBIT perspective as percentage to GMV, has been positive in the last couple of months of the quarter. But having said that, we do still invest in key areas, especially in Vietnam and Singapore. We just recently launched few new products. For instance in Vietnam, we launched for the first time GoCar business because previously, we only operate on the [2-wheeler] transport of food delivery in Vietnam. We just recently actually launch in a 4-wheeler transport as well, as well as expanding our services to premium and large service for Singapore as well.

And as a result, while obviously, we needed to invest into incentives and user acquisition, but the resulting in terms of growth has been quite significant. And as you saw, for transport, we grew 73% year-on-year and for on-demand for our overall distance, we grew about 44% year-over-year, so it was actually a trend. But having said that, as mentioned, I think the Indonesia on-demand EBIT as percentage of GTV will continue to be increasing in terms of margins.

And then we also believe that we have the ability to be much more efficient in our international market as well by introducing a lot of the new technology to actually increase efficiencies in those markets, as well as continue to increase monetization as we kind of increase our share of wallet in terms of the usage of our customer in those markets as well. So we do believe that the efficiency will actually only get better quarter-over-quarter, and hopefully, in a subsequent quarter, we will be able to kind of see some of the results that I mentioned earlier.

On the second, let me hand it over to Patrick.

Patrick Cao: Ranjan, for the e-commerce take rates, then roughly 1/3 is attributed to commissions; and the other 2/3 is for the value-added services that I mentioned previously. But even in the 1/3 commissions, when we are building the tiers between, for example, regular power merchant and power merchant pro, then that factors in the size and scale of the merchant, as well as different sophistication of tools that we're providing them to manage and grow their business.

So for example, what kind of shipping or delivery services can we provide; campaign and promotion tools around the merchant-funded promotions that I mentioned; pricing and demand analytics; fulfillment services, etc. So even the way that we do commissions is focused on value to the merchant. And as Andre and Jacky alluded to, we're taking that a step further to do it in a more staggered manner to cater for different categories of merchants and their respective margin profiles.

On the second half of your question, you asked about the split between 3P and 1P. We are a pure marketplace, Ranjan, so we have only 3P GTV in revenue, and we do not do 1P or import like China, like some of our peers.

Ranjan Sharma: Thank you so much.

Operator: Thank you. Ladies and gentlemen, due to time constraint, we'll take the last question from the line of Thomas Chong with Jefferies.

Thomas Chong: I have my first question about the on-demand business. Should we think about any potential offline M&A in the future, given that we have seen our peers also doing similar acquisitions to strengthen the on-demand business?

And my second question is about the e-commerce side. Given that the impact of Covid in 2021 vary in different quarters. So just want to get a sense about how we should think about the year-on-year growth rate for the e-commerce business in the first half and the second half.

Andre Soelistyo: Thank you, Thomas. I'll take the first question. So our focus is continue to invest in our products, core products, so that we can actually accelerate our path to profitability. A lot of this investment is done by AI technology, so a lot of -- while capital is one that more

importantly, we do prioritize a lot of our resources towards these areas that was mentioned. We don't have any specific kind of initiatives to think about M&A at this stage. Again, the core focus area is to really focus within.

But having said that, I think you've seen it in the past that when there's actually opportunities that's compelling for us to consider, we always kind of explore M&As in the past. But again, at this time around, we can say very clearly that we don't have any targets, and this is not the focus area. But the focus area has really been invest in our product capabilities so that we can accelerate this monetization and efficiencies.

Patrick Cao: And maybe, Thomas, to add to that, you've also seen us be very disciplined on the opposite side to divest where we don't see high ROI, and where we can leverage that resource to recommit or reinvest back into the core products and markets that Andre mentioned. So as we alluded to, we've sold out of Thailand, we've sold out of the Philippines. You'll continue to see us be disciplined there to really strengthen our capital position and focus on that path to profitability that Andre mentioned at the top of the presentation, as well as in his remarks just now.

And then your second question was around the accelerating trend for e-commerce. Can you clarify what you mean by the second part? Due to --

(Cross-Talk)

Thomas Chong: Yes, I'll clarify, yes. Thank you. Yes, my second question is regarding the impact of Covid in different quarters in 2021 is quite different like what we are seeing like in the first half. So Covid may be a bit more versus the second half. So because the base of comparison might be distorted by Covid last year. So just want to get a sense about how we should think about the year-on-year growth rate in the first half and second half for this year.

Patrick Cao: Okay. That's helpful. Thank you, Thomas. Yes, so I think you're right, and I think Jacky sort of alluded to this in the sense that the first half of last year was impacted by Covid, including the Delta variant. And then things eased up in the second half and then Omicron hit. But I think the way you should look at the business as a whole is that the diversification of use cases and complementary use cases for us to continue to be quite resilient and agile to grow the business. Now for e-commerce specifically, what we've seen is when Covid -- when Omicron hit versus Q4 when there wasn't as major a Covid event, we still grew Q-on-Q.

And I think that's evidence of a few things. I think number one, the everything-store approach that we've been taking is very powerful. So when the economy is more opened up, you're seeing a shift in categories to more discretionary, like fashion, like beauty. So then when Omicron hit, then those categories shift back to more essentials like FMCG and home and living. So that's one.

I think the second is also the customer can start to see the benefit of the ecosystem approach, and whether you're in a pre or post-Covid situation, that convenience or hyperlocal factor, getting your deliveries faster and cheaper is quite important. And that's a big thing that we've been able to deliver on with quite promising early results from the hyperlocal side, but as well as just generally providing a more seamless payment experience, combined with Buy Now Pay Later.

So I think if you look at it from an individual basis, combined with the synergies that provide a better overall customer experience, that's what's driving the sort of Q-on-Q growth that we saw that our competitors didn't see. And I think if you look at it on a more forward-looking basis, we'll continue to invest in all the things that Andre, myself and Jacky have talked about, so that we can continue to build that resilience and agility, and provide that better customer experience for our e-commerce customers.

Thomas Chong: Got it. Thank you, very clear.

Operator: Thank you. The conference has now concluded. Thank you for attending today's presentation. Ladies and gentlemen, you may now disconnect your lines.