

# PT GoTo Gojek Tokopedia Tbk (GOTO)

Company Focus

December 18, 2023

## Deal of the year TikTok feat Tokped cementing GOTO's positive profitability outlook.

BUY

**Rumor has turned into reality.** Recently, GOTO finally announced that Tokopedia and TikTok Shop Indonesia's business will collaborate under the existing PT Tokopedia entity in which TikTok will take a 75.01% controlling stake equivalent to USD 1.5 billion. After this transaction, GOTO's ownership in Tokopedia will be diluted to 24.99% from the previous 99.99%. However, there is a clause of the non-dilutive shareholder's scheme, that if there is a further capital injection in the combined entity, GOTO's stake will remain at 24.99%, meaning no further dilution going forward. The transaction is structured as follows: 1). TikTok will spend USD 840 million to acquire new shares issued by Tokopedia. 2). Tokopedia will receive USD 1 billion from TikTok in the form of a promissory note, which will be used for Tokopedia's working capital needs in the future. 3). Tokopedia will buy the exclusive rights to own and operate the TikTok Shop in Indonesia from TikTok for USD 340 million. Following this collaboration, Tokopedia will gain a powerful customer acquisition funnel due to TikTok's massive 125 million monthly active user base in Indonesia, which presents a valuable top funnel for Tokopedia and GOTO to convert and cross-sell across various product categories.

**Service fees will boost GOTO'S EBITDA.** GOTO will receive a cash flow from a service fee after the transaction is completed (The overall transaction is expected to be completed in 1Q24). The service fee will be charged to TikTok Shop+Tokopedia in regard to the GMV size of the enlarged entity. GOTO potentially receives >USD 100 million e-commerce service fee p.a. The "service fee" would be at ~40 bps of GMV and paid quarterly basis. **Assuming TikTok Shop+Tokopedia market share at 40% by 2024F, the annual service fee is estimated to reach USD 138 million or equivalent to IDR 2.1 trillion (USD/IDR at 15,500).** Hereafter this should immediately accretive to GOTO's cash-flow and EBITDA. (Fig.1)

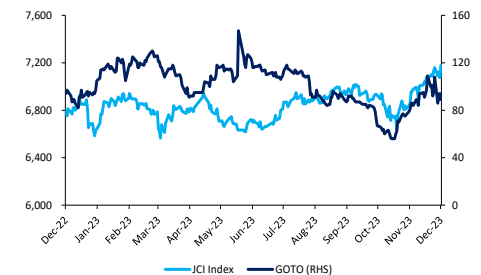
**Tokopedia's deconsolidation should relieve pressure on its bottom-line significantly.** Positive GOTO's adjusted EBITDA in FY24F will be achievable on the back of this deal as GOTO no longer needs to fund the e-commerce unit (Tokopedia), which has sustained a high cash burn but at a lower incremental contribution margin than its other core business, on-demand services. In 9M23, most of GOTO's costs and expenses come from the e-commerce business at 31.6% of total cost and contributing 23.6% to GOTO's operating loss. However, GOTO's adjusted EBITDA loss in 3Q23 worth IDR 942 billion, dramatically declined by 74.5% YoY. Cumulatively, the adjusted EBITDA loss GOTO reached IDR 3.75 trillion in 9M23, while the management's guidance expected FY23E group Adjusted EBITDA loss to be between IDR 4.5 and IDR 3.8 trillion. After TikTok acquired Tokopedia, GOTO will be able to expand its resources and capital toward its market-leading on-demand services business, and financial technology business. Therefore, we think the divestment could protect GOTO from increasing costs in sizeable amounts, as burning money strategy will remain occur due to tight e-commerce competition, especially from Shopee and Lazada. **We calculate adjusted EBITDA without the contribution from Tokopedia which came in at ~USD 306mn or equivalent to IDR 4.75 trillion, compared to our estimation which still including Tokopedia only at IDR 598 billion. Stripping Tokopedia, GOTO could reduce operational loss by 24% YoY in FY24F due to operational efficiency.**

Current Price (IDR) (15/12)	93
Target price (IDR)	109
Upside/Downside (%)	17%
52 Week High (IDR)	147
52 Week Low (IDR)	54

### Major Shareholders:

Taobao China Holding Limited	8.72%
SVF GT Subco (Singapore)	7.62%
Goto Peoplerverse Fund	5.63%
Public and others	78.03%

### Stock Price Movement



Source: Bloomberg, Shinhan Sekuritas Indonesia

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**TikTok Shop+Tokopedia to create more GMV.** Tokopedia succeeded in becoming the vehicle for TikTok Shop to come back to Indonesia which has the largest consumer market in SEA with ~280mn population. It is a quick-win strategy for TikTok Shop to regain and solidify its presence in Indonesia. **We expect the enlarged entity of TikTok Shop+Tokopedia's GMV could reach USD 35 billion by 2025F, making a market share in domestic GMV of 43%.** Under this scenario, the combined entity could overtake Shopee's position as a market leader in 2024F (current Shopee market share at 36%). This is highly visible given TikTok Shop GMV growth of >2x in 2023E despite the shutdown due to regulation. Furthermore, with an access capital of at least USD 1.5 billion, Tokopedia could invest more in customer acquisition. Importantly, the synergy could be realized since TikTok Shop and Tokopedia have contrasting customer bases (Tokopedia is more affluent and TikTok Shop is mass market) making them complementary when combined. Even though profitability should be the main focus for hi-growth tech companies, particularly e-commerce, GMV remains significantly essential as more GMV generated means more revenue created.

**Valuation.** Under the scenario of no deal with TikTok, GOTO's FY24F fair value using SOTP at IDR91/share or relatively in line with the current market price (Fig.2). However, we anticipated a higher transaction growth from on-demand service & fintech business as a result of TikTok Shop+Tokopedia as GOTO is the most preferred partner for TikTok in Indonesia despite the dilution. Considering this deal **we re-calculate the fair price of GOTO to be at IDR109/share or 19% higher than in the no-deal scenario and 17% potential upside from the current price.** Our TP (after the synergy) implies EV/Sales FY24F at 2.90x.

**Fig 1. Estimated service fee TikTok Shop + Tokopedia.**

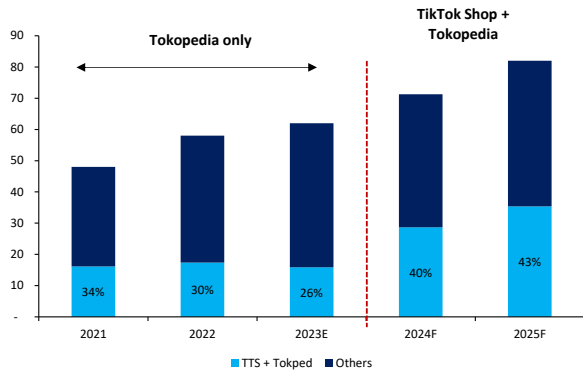
Estimated GMV 2024F (USD Bn)	28.7
%Core GMV	30%
Core GMV (USD Bn)	8.6
Quarterly service fee	0.4%
Annual service fee	1.6%
<b>Net service fee (USD Mn)</b>	<b>138</b>
Est exchange rate ('000 IDR)	15.50
<b>IDR bn</b>	<b>2,132</b>

Source: Company, Shinhan Sekuritas Indonesia

Core GMV = settled GMV, excludes Digital Goods, certain extraordinary high-value items, and other excluded items as may be agreed between the two parties.

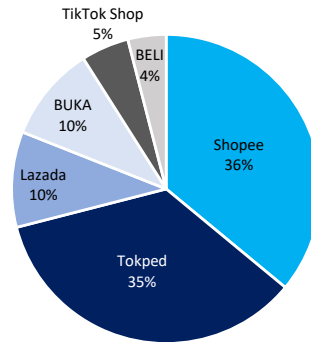
We are conservative in determining %core GMV at 30%, while according to the company's disclosure information, core GMV of ~USD 2.9 billion in 3Q23 for TikTok Shop + Tokopedia, representing %core GMV ~49% of total GMV.

### Tokopedia GMV size forecast & market share



Source: Google, Bain, Temasek, Shinhan Sekuritas Indonesia

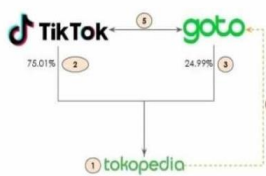
### Current e-commerce market share in Indonesia



Source: Momentum Works, Shinhan Sekuritas Indonesia

### Transaction overview

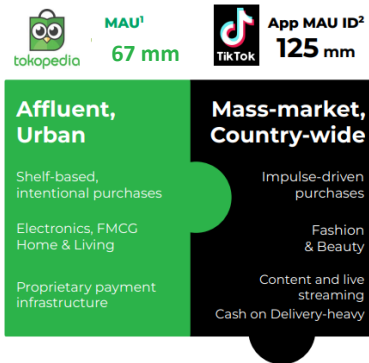
#### Post-Transaction Structure



- Tokopedia and TikTok Shop will combine and TikTok Shop will operate its Indonesian business under PT Tokopedia. In which TikTok will take a controlling stake
- TikTok has committed to invest USD 1.5bn in the enlarged Tokopedia entity, while also providing any future funding required by Tokopedia, without dilution to GOTO.
- GOTO to retain 24.99% ownership in the enlarged Tokopedia entity, which will **not be diluted** by any future funding by TikTok.
- GOTO to receive an ongoing revenue stream commensurate with the scale and growth of Tokopedia, which will directly contribute to GOTO's EBITDA.
- GOTO will remain as an ecosystem partner to Tokopedia, providing delivery and fintech services through Gojek and GTF to a much broader ecosystem of users. GOTO and TikTok continue to have discussions for future collaborations.

Source: Google, Bain, Temasek, Shinhan Sekuritas Indonesia

### TikTok will be completing GOTO's business portfolio



Source: Momentum Works, Shinhan Sekuritas Indonesia

### Fig.2 GOTO's valuation

Key Segments	Valuation Method	2024F valuation w/o deal			2024F valuation with deal		
		Ownership	Multiple	Value	Ownership	Multiple	Value
On-demand services	EV/Sales	100%	4.3	54,979	100%	5.2	81,766
E-commerce	EV/Sales	100%	2.4	28,731	25%	3.6	16,287
Financial technology	EV/Sales	100%	5.5	16,389	100%	6.5	23,227
ARTO	Mark to Market	21%	N/A	9,633	21%	N/A	9,633
<b>Implied Equity Value</b>				<b>109,732</b>			<b>130,912</b>
Share Outstanding (bn)				1,201			1,201
<b>Price Target (IDR/Share)</b>				<b>91</b>			<b>109</b>

Source: Company, Shinhan Sekuritas Indonesia

### Income Statement

Year-End 31 Dec (Bn IDR)	2021	2022	2023F	2024F
<b>Revenue</b>	<b>4,536</b>	<b>11,349</b>	<b>14,471</b>	<b>18,640</b>
Cost of Revenue	-3,776	-5,480	-5,065	-5,033
Gross Profit	760	5,869	9,406	13,607
Operating Expenses	-23,145	-36,199	-21,364	-22,165
<b>EBIT</b>	<b>-22,385</b>	<b>-30,330</b>	<b>-11,958</b>	<b>-8,558</b>
D&A Expense	-2,417	-2,913	-2,552	-2,593
<b>EBITDA</b>	<b>-19,968</b>	<b>-27,417</b>	<b>-9,406</b>	<b>-5,965</b>
<b>Adjusted EBITDA</b>	<b>-16,500</b>	<b>-16,000</b>	<b>-4,370</b>	<b>598</b>
Profit before income tax	-22,211	-40,545	-11,508	-8,086
Income tax benefits	-218	136	39	27
<b>Net Profit</b>	<b>-21,391</b>	<b>-39,571</b>	<b>-11,470</b>	<b>-8,058</b>
EPS (IDR)	-159	-39	-11	-8

Source: Company, Shinhan Sekuritas Indonesia

### Balance Sheet

Year-End 31 Dec (Bn IDR)	2021	2022	2023F	2024F
<b>Assets</b>				
Cash & Cash Equivalents	31,151	29,009	28,445	21,808
Accounts Receivable	2,937	2,461	3,216	3,644
Inventories	34	71	68	72
Other Current Assets	1,941	2,639	3,049	3,043
<b>Total Current Assets</b>	<b>36,064</b>	<b>34,180</b>	<b>34,777</b>	<b>28,567</b>
Net Fixed Assets	1,470	1,457	1,258	1,059
Other Assets	117,603	103,579	99,068	97,000
<b>Total Assets</b>	<b>155,137</b>	<b>139,217</b>	<b>135,103</b>	<b>126,626</b>
<b>Liabilities and equities</b>				
Accounts Payables	5,546	6,951	11,872	11,797
Other Short-Term Liabilities	6,748	5,212	5,345	5,356
<b>Total Current Liabilities</b>	<b>12,294</b>	<b>12,162</b>	<b>17,218</b>	<b>17,153</b>
Long-Term Borrowings	776	1,826	1,348	995
Other Long-Term Liabilities	3,043	2,505	2,307	2,307
<b>Total Liabilities</b>	<b>16,113</b>	<b>16,493</b>	<b>20,872</b>	<b>20,454</b>
<b>Minority Interest</b>	<b>1,292</b>	<b>2,198</b>	<b>2,120</b>	<b>2,120</b>
<b>Total Equity</b>	<b>139,024</b>	<b>122,723</b>	<b>114,231</b>	<b>106,172</b>
BVPS (IDR)	1,032	120	112	104

Source: Company, Shinhan Sekuritas Indonesia

### Cash Flows

Year-End 31 Dec (Bn IDR)	2021	2022	2023F	2024F
Net Profit	-21,391	-39,571	-11,470	-8,058
Change in Working Capital	7,800	3,185	6,531	2,091
<b>CFs from Operating</b>	<b>-13,591</b>	<b>-36,386</b>	<b>-4,939</b>	<b>-5,967</b>
<b>CFs from Investing</b>	<b>-110,726</b>	<b>11,453</b>	<b>2,158</b>	<b>-326</b>
<b>CFs from Financing</b>	<b>140,147</b>	<b>22,572</b>	<b>2,217</b>	<b>-343</b>
Net Inc./((Dec.) in Cash	15,830	-2,362	-564	-6,637
Cash at Beg. Period	15,319	31,151	29,009	28,445
<b>Cash at End. Period</b>	<b>31,151</b>	<b>29,009</b>	<b>28,445</b>	<b>21,808</b>

Source: Company, Shinhan Sekuritas Indonesia

### Key Ratio

Year-End 31 Dec	2021	2022	2023F	2024F
<b>Profitability</b>				
Gross Margin	16.8%	51.7%	65.0%	73.0%
EBIT Margin	-493.5%	-267.2%	-82.6%	-45.9%
EBITDA Margin	-440.2%	-241.6%	-65.0%	-32.0%
Adjusted EBITDA Margin	-363.8%	-141.0%	-30.2%	3.2%
Profit Margin	-471.6%	-348.7%	-79.3%	-43.2%
ROE	-15.4%	-32.2%	-10.0%	-7.6%
<b>Growth</b>				
GTV	39.8%	32.9%	0.0%	10.5%
Gross Revenue	28.1%	51.0%	2.6%	18.1%
Net Revenue	36.3%	150.2%	27.5%	28.8%
Gross Profit	-14.5%	672.2%	60.3%	44.7%
EBIT	120.2%	35.5%	-60.6%	-28.4%
EBITDA	123.9%	37.3%	-65.7%	-36.6%
Adjusted EBITDA	N/A	-3.0%	-72.7%	-113.7%
Net Profit	50.5%	85.0%	-71.0%	-29.7%
<b>Solvability</b>				
DER (x)	9.5	0.7	2.0	1.5

Source: Company, Shinhan Sekuritas Indonesia

**Note: Financial projection before the deconsolidation of Tokopedia**



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