

Regional Company Update

Grab Holdings Ltd

Bloomberg: GRAB US | Reuters: GRAB.O

Refer to important disclosures at the end of this report

DBS Group Research. Equity

20 May 2022

HOLD

Last Traded Price (19 May 2022): US\$3.14

(Dow Jones : 31,253.13)

Price Target 12-mth: US\$2.93 (7% downside) (Prev US\$5.60)

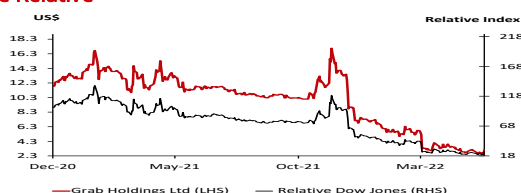
Analyst

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What's New

- Total adjusted EBITDA loss of US\$287m was higher than our US\$200m loss estimate due to higher delivery losses, lower mobility adj EBITDA and higher regional corporate costs.
- Raise FY22F/23F adjusted EBITDA losses by 37%/84% on high promotions in mobility and regional corporate costs.
- Maintain HOLD with a lower TP of S\$2.93 as we use a lower multiple of 2.8x 12-month forward EV to revenue in line with global peers

Price Relative



Forecasts and Valuation

FY Dec (US\$m)	2021A	2022F	2023F	2024F
Revenue	675	1,388	2,200	2,755
EBITDA	(1,210)	(1,000)	(706)	21.6
Pre-tax Profit	(3,210)	(1,363)	(1,095)	(393)
Net Profit	(3,319)	(1,403)	(1,128)	(404)
Net Pft (Pre Ex.)	(3,311)	(1,403)	(1,128)	(404)
Net Pft Gth (Pre-ex) (%)	(13.6)	57.6	19.6	64.1
EPS (US cts.)	(84.0)	(35.5)	(28.6)	(10.2)
EPS Pre Ex. (US cts.)	(83.8)	(35.5)	(28.6)	(10.2)
EPS Gth Pre Ex (%)	(14)	58	20	64
Diluted EPS (US cts.)	(87.3)	(33.2)	(26.6)	(9.5)
Net DPS (US cts.)	0.0	0.0	0.0	0.0
BV Per Share (US cts.)	196	163	136	126
PE (X)	nm	nm	nm	nm
PE Pre Ex. (X)	nm	nm	nm	nm
P/Cash Flow (X)	nm	26.7	32.2	16.1
EV/EBITDA (X)	nm	nm	nm	280.2
Net Div Yield (%)	0.0	0.0	0.0	0.0
P/Book Value (X)	1.6	1.9	2.3	2.5
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	(497.6)	(19.8)	(19.1)	(7.8)
Earnings Rev (%)		(7)	(6)	(55)
Consensus EPS (US)		(34.9)	(23.6)	(11.7)
Other Broker Recs:		B: 10	S: 2	H: 2

Source of all data on this page: Company, DBS Bank, Bloomberg Finance L.P.

Higher than expected EBITDA losses, negatives in the price though

Investment Thesis:

Grab's mobility promotions may hurt margins. Grab has been offering generous driver incentives and consumer discounts since early 2022 to make GoTo's mobility business irrelevant in Singapore.

Grab is losing delivery market share to Sea Ltd (SE) in Indonesia. SE captured 8% market share in Indonesia's delivery business in 2021 since its launch in March 2021 and is likely to at least double its share in 2022F.

Grab's adjusted EBITDA losses to continue for at least another 2-years. We project FY21-23F revenue CAGR of 81% and adj EBITDA loss of US\$1,000m/US\$706m in FY22F/23F compared to our estimate of US\$732m /US\$384m loss earlier.

Valuation:

Maintain HOLD with a lower TP of US\$2.93. We have revised our valuation metrics to 2.8x 12-month forward Enterprise Value (EV) to Revenue, in line with global peers. As a result, we cut our TP from US\$5.60 to US\$2.93, reiterating HOLD on the stock. Previously, we had used 5x FY22F adjusted revenue.

Where we differ:

We are at the higher end of Grab's FY22F revenue guidance. We think that Grab can achieve its revenue target owing to rising commission rate, however we project delay in achieving EBITDA breakeven for delivery segment (FY24F compared to Grab's guidance of FY23F) due to intense competition with Shopee.

Key Risks to Our View:

Higher incentives in delivery and mobility might lead to a bear-case TP of US\$1.98. As Shopee makes inroads in the food delivery business while Gojek seeks market expansion outside Indonesia, this might lead to Grab offering more incentives to its delivery and mobility partners to retain its market share.

At A Glance

Issued Capital (m shrs)	3,741
Mkt. Cap (US\$m/US\$m)	11,361 / 11,361
Major Shareholders (%)	
Softbank Group Corp	19.9
Uber Technologies Inc	14.5
Didi Chuxing	7.6
Free Float (%)	53.0
3m Avg. Daily Val (US\$m)	93.8

GIC Industry : Industrials / Transportation



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WHAT'S NEW**Delivery and mobility weakness reflected in 1Q22 total adjusted EBITDA**

1Q22 total adjusted EBITDA loss of US\$287m was higher than our expectations of US\$200m loss. Grab's 1Q22 total adjusted EBITDA loss (including regional corporate costs) amounted to US\$287m compared to US\$305m loss in 4Q21 and US\$111m loss in 1Q21. This was due to weaker mobility EBITDA, higher losses in delivery coupled with rising regional corporate costs.

Regional corporate costs came at US\$212m (+10% q-o-q, +45% y-o-y) about 27% of our FY22F estimate of US\$800m, representing 27%. This is mainly due to rising investments in product development, cloud infrastructure, talent cost and other ancillary costs.

Grab's delivery segment recorded adjusted EBITDA loss of US\$56m vs US\$84m loss in 4Q21, representing 62% of our FY22F loss expectations. Jaya Grocer stores was consolidated under the delivery segment and will be completing the consolidation in 2H22F.

Similarly, mobility segment adjusted EBITDA was recorded at US\$82m (+7.9% q-o-q), accounting for 18% of our FY22F estimate. Grab was concerned with drivers exiting from its inventory, however continued promotions and incentives have resulted in the supply of drivers increasing, which could confirm stability in 2H22F.

Financial services segment adjusted EBITDA loss stood at US\$102m vs US\$110m loss in 4Q21, which was 34% of our FY22F loss estimate. This can be attributable to the expansion of buy-now-pay-later (BNPL) feature and increasing lending penetration.

1Q22 total GMV of US\$7,048m (+6.0% q-o-q) was above our expectations supported by robust performance in financial services. Grab reported total gross merchandise value (GMV) of US\$7,048m (+6.0% q-o-q), representing 36% of our FY22F estimate, driven by resilient performance in the financial services segment. Mobility segment which was hurt by difficulties in supplying drivers to meet the rising ride-hailing demand. Mobility GMV in 1Q22 stood at US\$834m (+9.0% q-o-q) accounting for 19% of our FY22F estimate. Commission/take rates for mobility were largely stable at 23.8% vs 23.4% in 4Q21 to accommodate driver acquisition.

Delivery GMV of US\$2,562m (+5.1% q-o-q) was in line with our forecasts and comprised 24% of our full year estimates. Delivery related take rates improved q-o-q from 18.2% to 19.9% supported by rising food and grocery categories where food continues to represent the bulk of delivery GMV.

Financial services GMV during 1Q22 was US\$3,600 (+6.0% q-o-q) and comprised 67% of our full-year forecasts. Take rate also displayed quarterly improvement from 2.4% to 2.5%, largely supported by the BNPL products and other lending products.

We increase our FY22F/23F EBITDA lo losses as Grab will continue to offer promotions in mobility and financial services. We don't expect losses to narrow amidst rising commission rates as mobility is still recovering. Grab will require significant promotions to increase its supply of drivers to the rising demand following the easing of movement restrictions while financial services will continue to burn cash as it continues to promote the penetration of its lending product.

We project revenue CAGR of 81% over FY21-23F and expect a delay in achieving EBITDA breakeven to FY24F. We now project, adj EBITDA loss of US\$1,000m/US\$706m in FY22F/23F compared to our estimate of US\$732m /US\$384m loss earlier.

Maintain HOLD with a lower TP of S\$2.93. We are switching from adjusted revenue metrics to reported revenue metrics as Grab does not disclose adjusted revenue separately. Grab's global peers Uber and Doordash are currently trading at a 12-month forward EV to revenue of 2.8x and 1.4x respectively. We have applied the higher multiple of 2.8x as Grab dominates in both food delivery and mobility segments across Southeast Asia and offers superior revenue growth. However, both Uber and Doordash, generate positive adj EBITDA while Grab may take at least 24-months to reach positive adj EBITDA in our view.

Grab Valuation

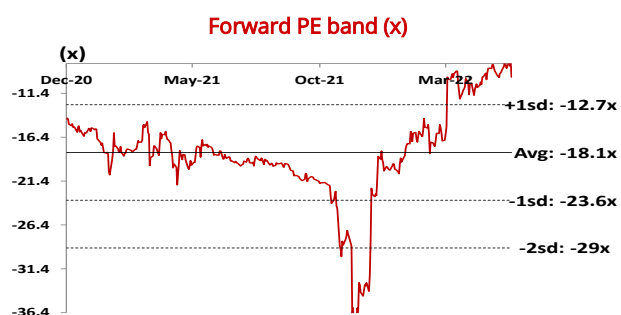
Valuation	Value (US\$m)	Revenue Multiple (x)	Our Fair Value
12m forward revenue (US\$m)	1,794	2.8	5,023
Net cash/(debt) (US\$m)			6,198
Equity value (US\$m)			11,221
Total number of shares (m)			3,831
Share price (US\$)			2.93

Source: Reuters, DBS Bank

Company Background

A Singaporean multinational company primarily engaging in offering ride hailing, food delivery and digital financial services for the Southeast Asian markets

Historical PE and PB band



Source: Bloomberg Finance L.P., DBS Bank estimates

Key Assumptions

FY Dec	2020A	2021A	2022F	2023F	2024F
Total GMV (US\$m)	12,492	16,597	20,777	26,992	33,254
Overall take rate (%)	0.12	0.14	0.15	0.15	0.15
Registered users (m)	24.5	24.0	25.2	27.1	0.0

Segmental Breakdown

FY Dec	2020A	2021A	2022F	2023F	2024F
Revenues (US\$m)					
Delivery	5.00	148	533	911	1,093
Mobility	437	456	712	1,037	1,244
Digital Financial Services	(10.0)	27.0	(120)	(142)	(134)
Enterprise	36.5	44.0	263	395	552
Total	469	675	1,388	2,200	2,755

Income Statement (US\$m)

FY Dec	2020A	2021A	2022F	2023F	2024F
Revenue	469	675	1,388	2,200	2,755
Cost of Goods Sold	(963)	(1,070)	(1,458)	(1,874)	(2,320)
Gross Profit	(494)	(395)	(70.0)	326	435
Other Opng (Exp)/Inc	(804)	(1,160)	(1,065)	(1,192)	(605)
Operating Profit	(1,298)	(1,555)	(1,135)	(867)	(170)
Other Non Opng (Exp)/Inc	(40.0)	(11.0)	(10.1)	(11.3)	(5.7)
Associates & JV Inc	0.0	0.0	0.0	0.0	0.0
Net Interest (Exp)/Inc	(1,437)	(1,636)	(218)	(218)	(218)
Exceptional Gain/(Loss)	(8.0)	(8.0)	0.0	0.0	0.0
Pre-tax Profit	(2,783)	(3,210)	(1,363)	(1,095)	(393)
Tax	(2.0)	(3.0)	0.0	0.0	0.0
Minority Interest	(137)	(106)	(40.3)	(32.3)	(11.5)
Preference Dividend	0.0	0.0	0.0	0.0	0.0
Net Profit	(2,922)	(3,319)	(1,403)	(1,128)	(404)
Net Profit before Except.	(2,914)	(3,311)	(1,403)	(1,128)	(404)
EBITDA	(911)	(1,210)	(1,000)	(706)	21.6
Growth					
Revenue Gth (%)	N/A	43.9	105.6	58.5	25.2
EBITDA Gth (%)	nm	(32.8)	17.4	29.3	nm
Opg Profit Gth (%)	nm	19.8	(27.0)	(23.6)	(80.4)
Net Profit Gth (Pre-ex) (%)	nm	(13.6)	57.6	19.6	64.1
Margins & Ratio					
Gross Margins (%)	(105.3)	(58.5)	(5.0)	14.8	15.8
Opg Profit Margin (%)	(276.8)	(230.4)	(81.8)	(39.4)	(6.2)
Net Profit Margin (%)	(623.0)	(491.7)	(101.1)	(51.3)	(14.7)
ROAE (%)	N/A	(497.6)	(19.8)	(19.1)	(7.8)
ROA (%)	N/A	(39.9)	(12.3)	(9.6)	(3.3)
ROCE (%)	N/A	(20.7)	(11.9)	(10.6)	(2.3)
Div Payout Ratio (%)	N/A	N/A	N/A	N/A	N/A
Net Interest Cover (x)	(0.9)	(1.0)	(5.2)	(4.0)	(0.8)

Source: Company, DBS Bank

Interim Income Statement (US\$m)

FY Dec	1H2021	2H2021
Revenue	396	279
Cost of Goods Sold	(507)	(563)
Gross Profit	(111)	(284)
Other Oper. (Exp)/Inc	(509)	(651)
Operating Profit	(620)	(935)
Other Non Opg (Exp)/Inc	0.0	(11.0)
Associates & JV Inc	0.0	0.0
Net Interest (Exp)/Inc	(840)	(1,149)
Exceptional Gain/(Loss)	(4.0)	(4.0)
Pre-tax Profit	(1,464)	(2,099)
Tax	0.0	0.0
Minority Interest	(42.0)	(2,201)
Net Profit	(1,506)	(4,300)
Net profit bef Except.	(1,502)	(4,296)
EBITDA	(450)	(760)
Growth		
Revenue Gth (%)	nm	(29.5)
EBITDA Gth (%)	nm	(68.9)
Opg Profit Gth (%)	nm	50.8
Net Profit Gth (%)	nm	185.5
Margins		
Gross Margins (%)	(28.0)	(101.8)
Opg Profit Margins (%)	(156.6)	(335.1)

Balance Sheet (US\$m)

FY Dec	2020A	2021A	2022F	2023F	2024F
Net Fixed Assets	384	441	410	414	430
Invts in Associates & JVs	9.00	14.0	14.0	14.0	14.0
Other LT Assets	1,294	2,048	2,048	2,048	2,048
Cash & ST Invts	3,471	8,231	8,197	8,024	8,194
Inventory	3.00	4.00	13.9	22.0	27.6
Debtors	281	440	895	1,419	1,777
Other Current Assets	0.0	0.0	0.0	0.0	1.00
Total Assets	5,442	11,178	11,578	11,942	12,491
ST Debt	140	144	144	144	144
Creditor	661	847	2,776	4,399	5,510
Other Current Liab	35.0	35.0	35.0	35.0	35.0
LT Debt	10,878	2,031	1,855	1,679	1,503
Other LT Liabilities	22.0	102	102	102	102
Shareholder's Equity	(6,399)	7,733	6,421	5,369	4,995
Minority Interests	105	286	246	213	202
Total Cap. & Liab.	5,442	11,178	11,578	11,942	12,490
Non-Cash Wkg. Capital	(412)	(438)	(1,902)	(2,993)	(3,739)
Net Cash/(Debt)	(7,547)	6,056	6,198	6,201	6,547
Debtors Turn (avg days)	N/A	194.9	175.6	192.0	211.7
Creditors Turn (avg days)	N/A	379.6	500.0	764.2	849.6
Inventory Turn (avg days)	N/A	1.8	2.5	3.8	4.2
Asset Turnover (x)	NM	0.1	0.1	0.2	0.2
Current Ratio (x)	4.5	8.5	3.1	2.1	1.8
Quick Ratio (x)	4.5	8.5	3.1	2.1	1.8
Net Debt/Equity (X)	CASH	CASH	CASH	CASH	CASH
Net Debt/Equity ex MI (X)	CASH	CASH	CASH	CASH	CASH
Capex to Debt (%)	(0.4)	2.2	5.2	9.0	12.5

Source: Company, DBS Bank

Cash Flow Statement (US\$m)

FY Dec	2020A	2021A	2022F	2023F	2024F
Pre-Tax Profit	(2,743)	(3,552)	(1,352)	(1,084)	(387)
Dep. & Amort.	387	345	135	160	191
Tax Paid	(7.0)	(3.0)	0.0	0.0	0.0
Assoc. & JV Inc/(loss)	8.00	8.00	0.0	0.0	0.0
Chg in Wkg.Cap.	75.0	(128)	1,464	1,092	747
Other Operating CF	1,628	2,393	218	218	218
Net Operating CF	(643)	(938)	464	385	769
Capital Exp.(net)	41.0	(48.0)	(104)	(165)	(207)
Other Invs.(net)	(362)	(2,717)	0.0	0.0	0.0
Invs in Assoc. & JV	0.0	(8.0)	0.0	0.0	0.0
Div from Assoc & JV	0.0	0.0	0.0	0.0	1.00
Other Investing CF	3.00	16.0	0.0	0.0	0.0
Net Investing CF	(318)	(2,757)	(104)	(165)	(206)
Div Paid	0.0	0.0	0.0	0.0	0.0
Chg in Gross Debt	(128)	1,780	(176)	(176)	(176)
Capital Issues	1,389	463	0.0	0.0	0.0
Other Financing CF	317	4,323	(218)	(218)	(218)
Net Financing CF	1,578	6,566	(394)	(394)	(394)
Currency Adjustments	0.0	0.0	0.0	0.0	1.00
Chg in Cash	617	2,871	(33.5)	(173)	170
Opg CFPS (US cts.)	(18.2)	(20.5)	(25.3)	(17.9)	0.55
Free CFPS (US cts.)	(15.2)	(25.0)	9.12	5.58	14.2

Source: Company, DBS Bank

Target Price & Ratings History



Note : Share price and Target price are adjusted for corporate actions.

S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	04 Jan 22	7.29	9.00	BUY
2:	24 Feb 22	5.50	5.60	HOLD

Source: DBS Bank

Analyst: Sachin MITTAL

DBS Bank recommendations are based on an Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

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FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

**Share price appreciation + dividends*

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