Singapore

ADD *(initiation)*

Consensus ratings*:	Buy 15	Hold 3	Sell 4

Current price:	US$2.97
Target price:	US$3.60
Previous target:	*US$*
Up/downside:	21.2%
CIMB / Consensus:	-17.8%
Reuters:	GRAB.O
Bloomberg:	GRAB US
Market cap:	US$11,404m
	US$11,404m
Average daily turnover:	US$74.02m
	US$74.02m
Current shares o/s:	3,949m
Free float:	96.4%

**Source: Bloomberg*

Key changes in this note

- N/A

Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	17.9	3.8	-72.4
Relative (%)	11.3	8.8	-64.9

Major shareholders	% held
Softbank Group	18.9
Uber Technologies	14.5
Didi Chuxing	7.6

Grab Holdings

Time to take a Grab

- The ASEAN leader of ride hailing (71% market share) and food delivery (51%), Grab has solid potential with TAM set to triple to US$185bn by 2025F.
- Grab is at a fundamental inflection point; we see easing competition enabling rapid margin improvement across segments (esp. Mobility) starting 2Q22F.
- Equity market weakness lowers risks of aggressive new entrants; we think Grab can reach adj. EBITDA breakeven by FY24F, ahead of street (FY25F).
- Initiate coverage with an Add rating and SOP-based TP of US$3.60.

The regional leader in ride hailing and food delivery

Grab offers an ecosystem of services (ride-hailing, food delivery and financial services) addressing everyday needs via a single app. Operating in 480 cities across 8 countries, Grab commands a 71% market share for ride-hailing and a 51% market share for online food delivery in Southeast Asia (2021), according to Euromonitor. With low penetration rates of on-demand food delivery and mobility currently, the rapid digitalisation of Southeast Asia presents large growth opportunities. Grab's total addressable market (TAM) is set to hit US$185bn by 2025F (29% CAGR), according to Euromonitor.

Easing competition could accelerate Grab's path to profitability

In 2Q22F, we observed a visible shift in strategy, with ASEAN new economy players balancing growth and profitability. Our channel checks indicate easing competition across segments. We observed higher ride-hailing fares across markets YTD. In 2Q22F, fares are up 22-42% yoy in Singapore, while promotional levels reduced meaningfully (intense competition since 2H21 due to aggressive marketing by Gojek). In food delivery, we also observed lower discounting, especially in Indonesia since 1Q22 (previously saw keen competition in 2021 due to ShopeeFood entry). We believe Grab is at an inflection point with strong margin improvement potential starting 2Q22F. We forecast Grab's 2Q22F mobility GMV (+49% yoy) and segment profitability (adj. EBITDA to GMV ratio: 10.9%) to surprise on the upside, aiding the group further narrow losses qoq. Equity market weakness also minimizes risks of aggressive new entrants; we think Mobility segment can outperform Grab's longer-term target of 12% EBITDA to GMV ratio (FY23F: 13.2%), allowing Grab to achieve group-level EBITDA breakeven by FY24F, ahead of consensus.

All eyes on Grab's 2Q results; Initiate with Add

We like Grab for its super-app strategy to tap on rapid SEA digitalisation, and strong regional presence with market leadership across key segments. Initiate coverage with an Add rating and a SOP-based TP of US$3.60 – attributing US$1.6 valuation to on-demand services (2.5x FY23F EV/Adj. Sales), US$0.5 to financial services (0.1x FY23F EV/TPV), US$0.4 to enterprise segment (20x FY23F EV/EBITDA) and US$1.1 to its end-FY22F net cash position. Other potential re-rating catalysts include earlier-than-expected profitability on the back of easing competition. Key downside risks include 1) macroeconomic shocks resulting in weaker demand for Grab's services, and 2) regulatory changes, especially related to protection for gig workers.

Financial Summary

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue (US$m)	469	675	1,248	2,048	2,936
Net Profit (US$m)	(2,608)	(3,449)	(1,584)	(1,280)	(942)
Normalised EPS (US$)	(0.66)	(0.87)	(0.40)	(0.31)	(0.23)
Normalised EPS Growth	(30.4%)	32.2%	(54.7%)	(20.4%)	(27.5%)
FD Normalised P/E (x)	NA	NA	NA	NA	NA
Price To Sales (x)	25.01	17.38	9.54	5.90	4.18
DPS (US$)	-	-	-	-	-
Dividend Yield	0%	0%	0%	0%	0%
EV/EBITDA (x)	NA	NA	NA	NA	NA
P/FCFE (x)	NA	4.67	NA	NA	NA
Net Gearing	30.5%	(35.1%)	(25.8%)	(17.2%)	(9.7%)
P/BV (x)	NA	1.52	1.94	2.48	3.12
ROE	49%	(517%)	(23%)	(23%)	(21%)
% Change In Normalised EPS Estimates					
Normalised EPS/consensus EPS (x)			1.07	1.14	1.50

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Analyst(s)

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Grab: The super app of Southeast Asia

Investment thesis

A regional leader in ride hailing and food delivery »

Grab is a leading super app in Southeast Asia (SEA), offering an ecosystem of services (ride-hailing, food delivery and digital wallet payments) addressing everyday needs through a single app. Operating in 480 cities across eight countries, Grab commands a 71% market share (by value) for ride-hailing and a 51% market share for online food delivery regionally as at end 2021, according to Euromonitor. With low penetration rates of online food delivery and on-demand mobility currently, the rapid digitalisation of SEA presents large growth opportunities — Grab's total addressable market is set to reach US$185bn by 2025F (29% CAGR), according to Euromonitor.

Figure 1: Grab is the category leader across its three key segments

	Euromonitor estimated regional category share in 2021		
Segment	Grab	Next closest competitor	Grab's share relative to next largest competitor
Online food delivery	51%	24%	2.1X
Ride hailing	71%	18%	3.9X
E-wallet	21%	16%	1.3X

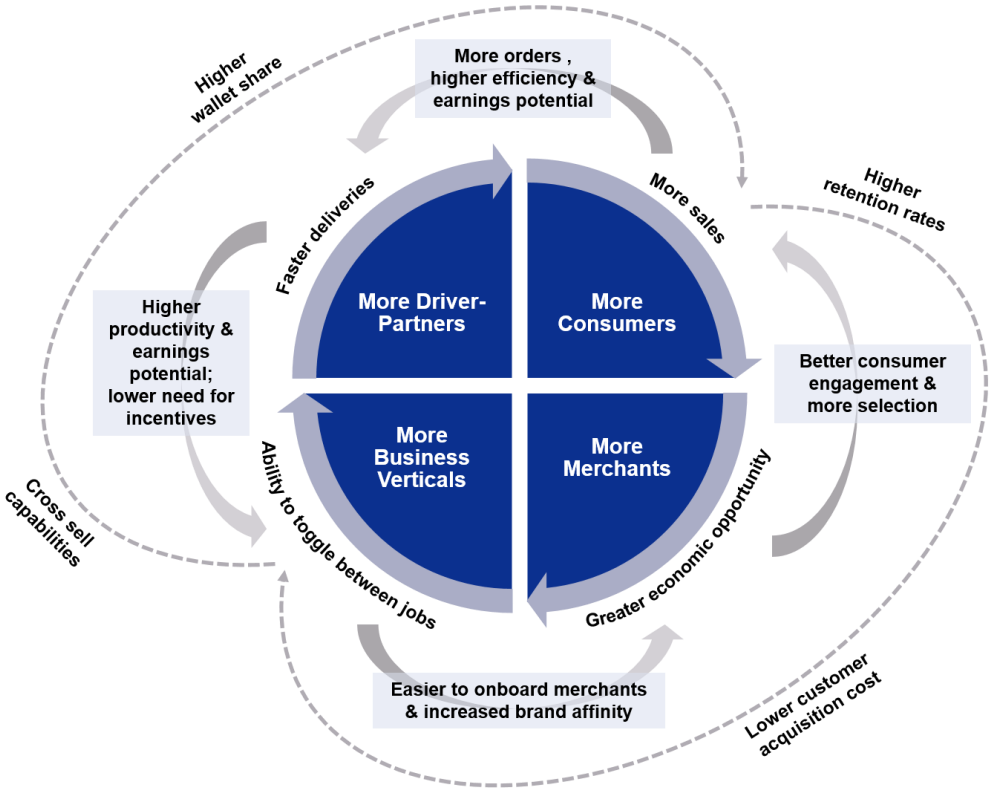
SOURCES: CGS-CIMB RESEARCH, EUROMONITOR

Figure 2: Large addressable Southeast Asia market opportunity as at end 2021

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Starting out as a ride-hailing app, Grab has since launched food delivery and financial services, and is now expanding its online grocery offerings. Super app strategy allows Grab to capture more touchpoints to increase wallet spend, while higher frequency app usage helps boost customer retention rates and lower acquisition costs. As part of the virtuous cycle, driver-partners can enjoy higher earnings from higher productivity, while the improved brand affinity and greater economic opportunity help onboard more merchants. Grab plans to venture into more segments to address the digital infrastructure gaps in SEA, according to management's presentation during SPAC merger announcement in April 2021.

Figure 3: Grab's flywheel effect



SOURCES: CGS-CIMB RESEARCH

Easing competition could accelerate Grab's path to profitability

Global market weakness has impacted valuations of both public and private companies. Cheap financing is no longer easily accessible, and new economy players have to chart a path to profitability.

We have observed a visible shift in strategy for new economy players to balance growth and profitability. Our channel checks indicate easing competition across key segments, especially the ones in Grab is operating. For mobility, we have observed higher fares across markets since 2Q22F, while incentive levels in Singapore (where Gojek has been aggressively gaining market share over the past year) started to ease meaningfully in 2Q22F. In food delivery, both Grab and Gojek have observed easing competition in Indonesia since 1Q22 (keen competition previously due to entry of ShopeeFood); this helped Gojek's on-demand segment achieve positive contribution margin in Indonesia for Feb and Mar. Similarly, Grab's food delivery segment also saw revenue as a % of GMV expand in 1Q22, reversing its past four quarters' narrowing trend.

Figure 4: Price comparison across P2P operators (1) in S$

		Grab						Gojek						Ryde					
From	To	Jun-21	Feb-22	Mar-22	Apr-22	May-22	Jul-22	Jun-21	Feb-22	Mar-22	Apr-22	May-22	Jul-22	Jun-21	Feb-22	Mar-22	Apr-22	May-22	Jul-22
Weekday Morning 9am																			
Jewel L2 Drop Off	MBS Hotel Tower 3	18.30	18.60	18.60	19.10	18.10	18.80	18.80	29.80	20.00	22.70	21.40	17.60	16.60	22.10	23.60	24.10	21.90	25.10
Singapore Zoo	Bedok Mall	23.30	23.60	23.60	24.10	24.10	23.80	17.10	20.80	22.50	22.90	23.40	23.00	21.60	29.20	31.00	31.30	28.60	33.60
Ikea Alexandra	Nex Shopping Mall	15.30	14.60	15.60	15.10	15.10	19.80	13.20	17.90	16.60	17.80	14.50	18.60	12.60	17.40	18.20	18.90	17.20	19.60
Northpoint City	USS	23.30	28.60	27.60	40.10	35.10	38.80	31.00	35.10	36.20	41.70	29.60	34.70	21.30	30.10	29.20	36.20	31.70	39.20
NUH Medical Centre	Waterway Point	21.30	23.60	22.60	23.10	24.10	23.80	21.50	21.50	22.10	22.90	23.50	21.70	17.90	28.90	30.20	31.50	28.60	32.70
Weekday Afternoon 3pm																			
Jewel L2 Drop Off	MBS Hotel Tower 3	17.30	18.60	18.60	19.10	18.10	18.80	16.20	15.70	17.60	17.70	19.00	23.60	16.20	21.00	21.00	20.60	21.70	22.10
Singapore Zoo	Bedok Mall	23.30	23.60	23.60	24.10	24.10	23.80	22.90	19.30	19.60	20.70	27.60	24.60	21.90	27.00	27.00	26.80	29.30	28.50
Ikea Alexandra	Nex Shopping Mall	15.30	16.60	16.60	15.10	15.10	14.80	13.70	13.70	13.30	14.20	15.60	21.40	16.10	16.40	16.50	16.20	18.40	18.10
Northpoint City	USS	23.30	23.60	25.60	28.10	28.10	23.80	27.40	31.50	35.40	20.80	40.80	26.20	21.10	26.40	26.40	27.10	27.80	27.90
NUH Medical Centre	Waterway Point	24.30	23.60	23.60	23.10	24.10	26.80	27.10	26.00	27.00	24.30	28.20	44.30	22.10	27.40	27.40	26.90	29.50	30.10
Weekday Evening 6pm																			
Jewel L2 Drop Off	MBS Hotel Tower 3	18.30	20.60	18.60	26.10	19.10	18.80	18.00	17.50	28.60	40.20	23.40	29.70	18.60	27.20	24.70	24.30	23.80	23.10
Singapore Zoo	Bedok Mall	24.30	23.60	23.60	24.10	27.10	23.80	35.40	22.00	33.90	32.40	44.60	34.00	25.80	35.60	33.20	31.10	34.20	31.10
Ikea Alexandra	Nex Shopping Mall	15.30	27.60	27.60	31.10	27.80	31.80	12.60	21.60	20.80	27.50	22.40	31.60	17.10	22.30	25.60	29.30	29.90	26.60
Northpoint City	USS	24.30	38.60	25.60	27.10	35.10	28.80	31.60	38.00	29.80	31.40	42.00	35.60	25.30	40.10	31.30	29.70	36.00	31.30
NUH Medical Centre	Waterway Point	24.30	41.60	38.60	43.10	43.10	42.80	38.80	32.60	40.90	59.00	49.60	48.40	23.00	36.60	38.60	41.50	45.40	34.20
Average		**20.77**	**24.47**	**23.33**	**25.50**	**25.21**	**25.27**	**23.02**	**24.20**	**25.62**	**27.75**	**28.37**	**29.00**	**19.81**	**27.18**	**26.93**	**27.70**	**28.27**	**28.21**

SOURCES: CGS-CIMB RESEARCH, INDIVIDUAL COMPANIY APPS

Figure 5: Price comparison across P2P operators (2) in S$

		Tada						Comfort Delgro (Ride)						Comfort Delgro (Meter)			
From	To	Jun-21	Feb-22	Mar-22	Apr-22	May-22	Jul-22	Jun-21	Feb-22	Mar-22	Apr-22	May-22	Jul-22	Feb-22	Mar-22	Apr-22	Jul-22
Weekday Morning 9am																	
Jewel L2 Drop Off	MBS Hotel Tower 3	16.30	20.60	18.40	20.70	20.60	20.70	12.30	17.30	16.00	16.90	15.50	16.80	20.00 - 23.00	22.50 - 26.00	23.50 - 27.00	22.50 - 26.00
Singapore Zoo	Bedok Mall	23.30	24.80	24.80	26.00	25.28	24.90	17.30	20.00	25.70	23.20	26.30	25.90	28.00 - 32.00	29.50 - 34.00	34.50 - 39.50	33.00 - 37.50
Ikea Alexandra	Nex Shopping Mall	12.60	13.90	14.90	17.00	16.21	19.50	10.60	19.70	22.90	29.40	26.90	23.50	17.50 - 20.00	19.00 - 21.50	21.50 - 24.50	20.00 - 23.00
Northpoint City	USS	22.20	30.40	25.10	32.40	30.07	32.00	22.40	43.50	46.80	50.10	49.30	40.50	29.50 - 34.00	31.50 - 36.00	36.00 - 41.00	34.00 - 39.00
NUH Medical Centre	Waterway Point	17.90	22.30	22.30	22.00	22.53	23.00	9.70	20.20	24.00	26.50	25.50	23.60	28.00 - 32.50	30.00 - 34.50	34.00 - 39.00	32.00 - 36.50
Weekday Afternoon 3pm																	
Jewel L2 Drop Off	MBS Hotel Tower 3	19.00	20.00	16.90	17.90	18.55	20.40	15.00	11.80	12.40	13.00	13.10	14.00	17.00 - 19.50	18.00 - 20.50	18.50 - 21.50	18.50 - 21.50
Singapore Zoo	Bedok Mall	24.00	21.40	22.00	22.90	24.26	23.40	29.40	16.40	19.70	21.60	36.20	27.10	23.50 - 27.00	25.00 - 28.50	25.50 - 29.50	26.00 - 29.50
Ikea Alexandra	Nex Shopping Mall	17.00	15.60	13.50	14.00	17.13	18.40	14.50	10.50	11.20	13.90	20.80	19.30	15.00 - 17.50	15.50 - 18.00	16.00 - 18.50	16.00 - 18.50
Northpoint City	USS	24.30	23.20	23.20	24.60	28.54	25.00	32.70	24.30	30.60	33.30	38.40	24.60	25.00 - 29.00	26.50 - 30.50	27.00 - 31.50	27.50 - 31.50
NUH Medical Centre	Waterway Point	23.80	22.30	18.70	20.10	25.48	25.00	32.70	19.60	22.90	25.60	35.40	31.40	24.50 - 28.00	25.50 - 29.00	26.50 - 30.00	26.50 - 30.00
Weekday Evening 6pm																	
Jewel L2 Drop Off	MBS Hotel Tower 3	17.90	19.90	19.80	27.80	24.97	22.90	15.90	14.20	15.80	20.60	16.60	16.70	22.00 - 25.00	23.00 - 26.50	28.50 - 32.50	24.00 - 27.50
Singapore Zoo	Bedok Mall	23.30	27.80	23.50	32.30	34.55	30.20	22.20	42.40	47.40	36.60	50.80	41.70	31.50 - 36.50	34.50 - 39.50	34.00 - 39.00	36.50 - 42.00
Ikea Alexandra	Nex Shopping Mall	14.90	18.90	20.50	25.40	23.34	22.20	17.10	27.30	26.70	32.20	34.30	27.70	20.50 - 23.50	23.00 - 26.50	23.50 - 27.00	24.50 - 28.00
Northpoint City	USS	23.50	32.00	26.70	26.70	45.44	31.30	23.10	45.40	47.50	38.60	52.00	39.70	33.00 - 38.00	34.50 - 39.50	35.50 - 41.00	37.00 - 42.50
NUH Medical Centre	Waterway Point	21.50	33.50	33.30	36.60	33.73	35.00	36.60	44.40	49.60	49.90	51.30	42.70	32.50 - 37.00	36.00 - 41.50	35.50 - 41.00	36.50 - 42.00
Average		**20.10**	**23.11**	**21.57**	**24.43**	**26.05**	**24.93**	**20.77**	**25.13**	**27.95**	**28.76**	**32.83**	**27.68**	**26.33**	**28.20**	**30.08**	**29.65**

SOURCES: CGS-CIMB RESEARCH, INDIVIDUAL COMPANIY APPS

Our observations are supported by commentary by key industry players. Grab's management shared during its 1Q22 results briefing that it is focused on profitability through disciplined cost management. Grab is seeing competitors taper down on incentives and that the market is rationalising. Similarly, during its 1Q22 results briefing, GoTo's management shared observations of easing competitive landscape in its operating segments – "over the last few months, we have seen some of our competitors in different verticals of the business have either increased take rates, or reduced subsidy, which is a positive kind of

progression". GoTo believes that additional burn reduction and path to profitability can be accelerated as more rational competition dynamics persist.

Based on our channel checks, we believe Grab's 2Q22F mobility GMV and segment profitability could surprise on the upside, aiding the group further narrow losses qoq. On the group level, we expect Grab to reach adjusted EBITDA positive by FY24F, and net profit by FY25F.

2Q22F preview

We expect Grab to report its 2Q results in mid-Aug 22. Overall, we forecast Grab to report a robust GMV of US$5.1bn (+6.0% qoq, +31.3% yoy), with its mobility segment especially benefiting from the reopening of regional economies. With easing competition, we believe Grab is able to scale back on its incentive levels and continue to increase monetisation; hence, we forecast revenue of US$281m (+23.2% qoq, +56.1% yoy) in 2Q22F. With better scale and easing competition, we expect adjusted EBITDA losses to further narrow on a qoq basis to US$241m in 2Q22 (1Q22: US$287m), though remain higher vs. 2Q21 (when incentive levels were lower, prior to competitors stepping up competition in 2H21).

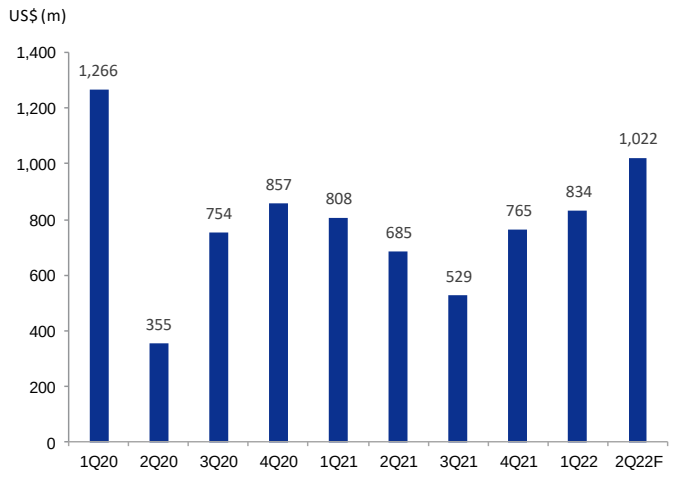
Figure 6: Quarterly financial and operating metrics

Year End Dec 31	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22F	qoq%	yoy%
Net revenue (US$ m)												
Deliveries	(99)	23	31	51	53	45	49	1	91	100	10%	123%
Mobility	123	52	118	146	145	118	88	105	112	147	31%	25%
Financial services	(21)	2	12	(4)	8	6	14	(1)	11	15	37%	151%
Enterprise and new intiatives	(2)	-	11	26	10	11	7	16	14	18	31%	67%
Total net revenue	**1**	**77**	**172**	**219**	**216**	**180**	**158**	**121**	**228**	**281**	**23%**	**56%**
Adjusted EBITDA (US$ m)												
Deliveries	(151)	(35)	(23)	(2)	(4)	(20)	(22)	(84)	(56)	(41)	-26%	106%
Mobility	81	27	86	113	115	90	64	76	82	111	36%	24%
Financial services	(117)	(74)	(58)	(82)	(78)	(85)	(76)	(110)	(102)	(100)	-2%	17%
Enterprise and new intiatives	(10)	(6)	5	20	2	1	1	5	1	2	123%	123%
Total segment adjusted EBITDA	**(197)**	**(88)**	**10**	**49**	**35**	**(14)**	**(33)**	**(113)**	**(75)**	**(27)**	-64%	95%
Regional corporate costs	(147)	(118)	(138)	(151)	(146)	(200)	(179)	(192)	(212)	(214)	1%	7%
Total adjusted EBITDA	**(344)**	**(206)**	**(128)**	**(102)**	**(111)**	**(214)**	**(212)**	**(305)**	**(287)**	**(241)**	**-16%**	**13%**
GMV (US$ m)												
Deliveries	1,141	1,309	1,420	1,599	1,702	2,073	2,318	2,438	2,562	2,575	0%	24%
Mobility	1,266	355	754	857	808	685	529	765	834	1,022	23%	49%
Financial services	1,050	725	878	1,094	1,108	1,086	1,150	1,247	1,357	1,432	6%	32%
Enterprise and new intiatives	7	5	9	23	26	34	41	51	52	62	20%	84%
Total GMV	**3,464**	**2,394**	**3,061**	**3,573**	**3,644**	**3,878**	**4,038**	**4,501**	**4,805**	**5,091**	**6%**	**31%**

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

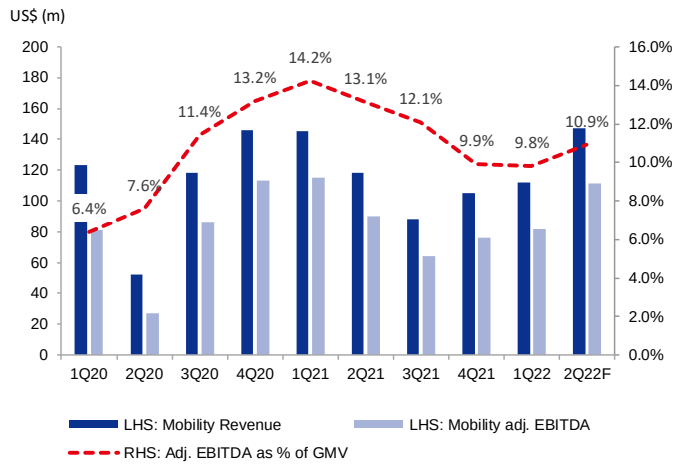
By segment, we see the mobility segment showing the strongest sequential GMV and revenue growth in 2Q22. We forecast the mobility segment to deliver GMV of US$1.02bn (+22.5% qoq, +49.1% yoy; above management guidance) and revenue of US$147m (+31.4% qoq, +24.7% yoy). With the reopening of regional economies, we expect the number of trips to improve meaningfully across countries. We also noticed that fares have increased, likely due to a stronger-than-expected rebound in demand resulting in a supply (driver-partner) shortage. In Singapore, we also noticed that the competition levels across point-to-point transport players have eased somewhat, beginning 2Q22F, with fares rising across the board, while incentive levels have been scaled back. As a result, we expect the mobility segment's 2Q22F adjusted EBITDA to improve to US$111m (+35.8% qoq, +23.7% yoy), representing 10.9% of segment GMV. We see further improvement in profitability in the coming quarters, as Grab will be able to further ease incentive levels.

Figure 7: Mobility GMV



SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

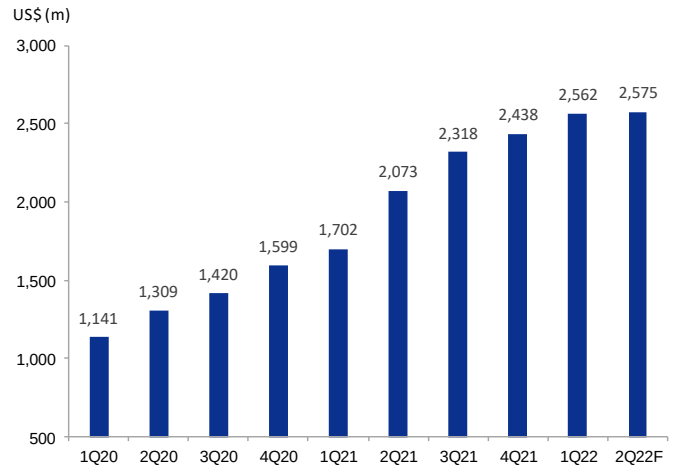
Figure 8: Mobility segment financial metrics



SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

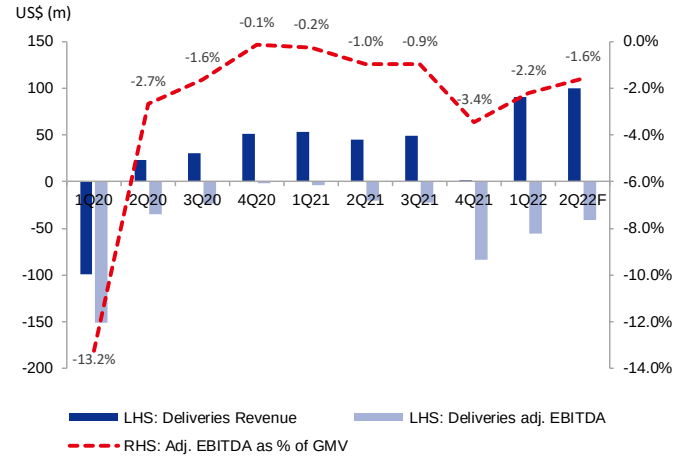
Meanwhile, we expect slower GMV growth for the deliveries segment in 2Q22, due to post-Covid-19 normalisation, as well as seasonality impact from Ramadan. We forecast the deliveries segment to deliver a GMV of US$2.58bn (+0.5% qoq, +24.2% yoy; at the mid-range of management guidance). That said, revenue growth should remain healthy; we forecast revenue of US$100m (+10.3% qoq, +123.2% yoy) as Grab scales back its incentive levels (previously elevated both due to investments to grow adoption of online food delivery, as well as to fend against aggressive campaigns by competitors). This should translate into improved profitability as well, and we forecast segment adjusted EBITDA loss to narrow to US$41m in 2Q22F (1Q22: US$56m; 2Q21: US$20m).

Figure 9: Deliveries GMV



SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Figure 10: Deliveries segment financial metrics



SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

For the financial services segment, we forecast pre-InterCo TPV of US$3.67bn (+2.0% qoq, +27.2% yoy; above management guidance). We believe the segment should recover in line with: 1) higher usage of Grab's services with the reopening of the economy, and 2) higher off-platform payment activities, with continued adoption of e-wallets as a form of payment across Southeast Asia. The higher usage of Grab's financial services off-platform, as well as continued expansion of credit offerings, bodes well for the segment's revenue (we forecast US$15m for 2Q22F). Meanwhile, we believe Grab will limit its cash burn for the financial services segment, and we expect 2Q22F adjusted EBITDA loss to narrow slightly to US$100m (1Q22: US$102m; 2Q21: US$85m).

Key things to look out for in the upcoming results briefing:

1) 3Q22F GMV guidance/commentaries on outlook
2) Signs of slowdown in view of macro slowdown
3) More details about new initiatives on subscription plans to drive user loyalty
4) Launch strategies for its digital banks in both Indonesia and Singapore
5) Timeline for groupwide profitability

Initiate with Add and SOP-based TP of US$3.60 ›

We initiate coverage on Grab with an Add rating and a SOP-based TP of US$3.60. Our valuations include: 1) US$1.6 per share for the on-demand services (Deliveries + Mobility), 2) US$0.5 per share for the Financial Services segment, and 3) US$0.4 per share for the Enterprise and New Initiatives segment. Our TP implies 4.9x FY23F P/adj. Sales (3.4x FY23F EV/adj. Sales considering the substantial net cash holdings).

We like Grab for its 1) strong regional presence with market leadership across its key segments, 2) super-app strategy to tap on rapid Southeast Asia digitalisation which could open up further potential growth in total addressable market (TAM) through new segments. We believe that at its current valuation of 5.4x FY23F EV/Sales, investors have yet to fully appreciate the easing competition in Southeast Asia, which could accelerate path to profitability for Grab.

Potential re-rating catalysts include 1) accelerated path to profitability on the back of easing competition, and 2) stronger-than-expected GMV recovery for the mobility segment riding on Southeast Asia's post-Covid-19 reopening. Key downside risks include macroeconomic shocks resulting in weaker demand for Grab's services and regulatory changes, especially related to protection for gig workers.

Figure 11: Sum-of-parts (SOP) valuation

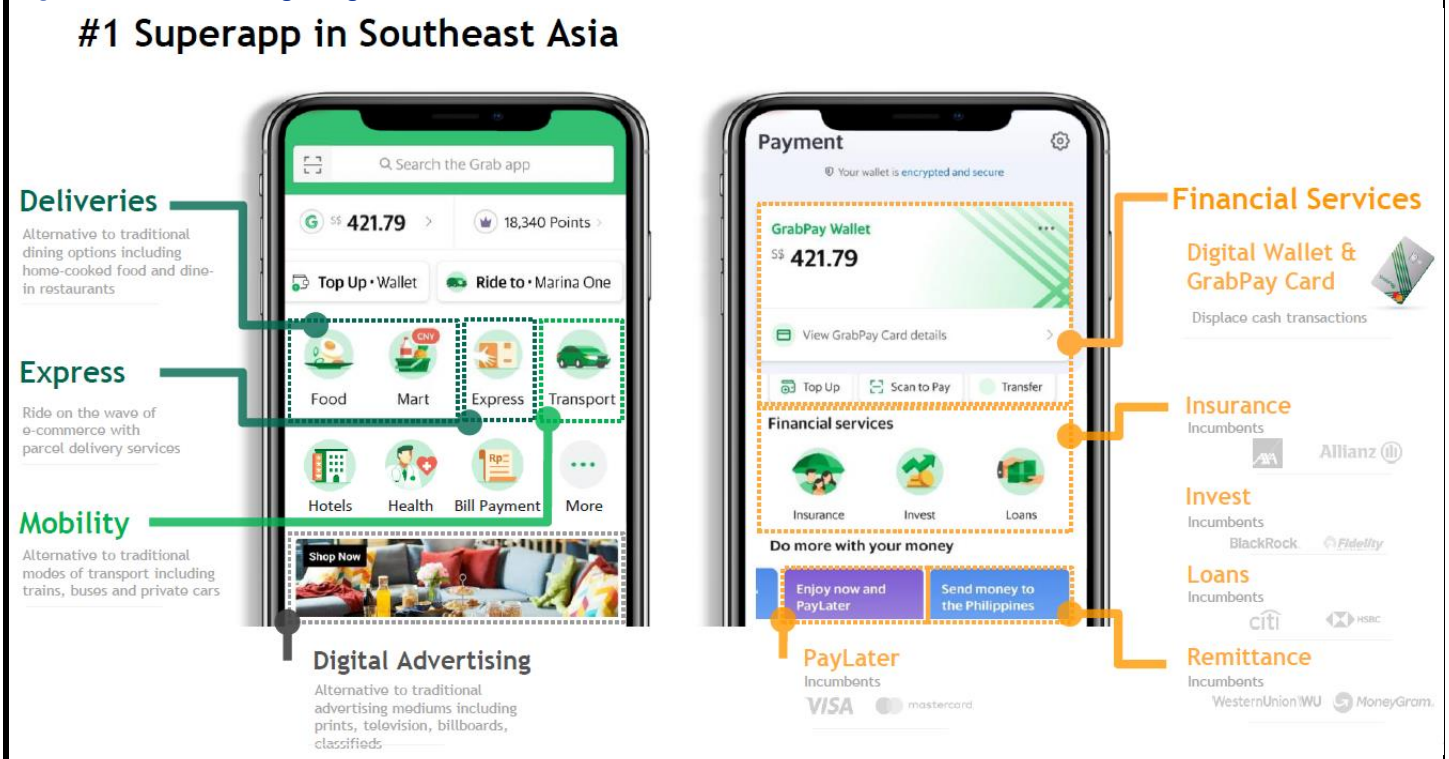
Segment	Basis	Multiple (x)	Base value (US$m)	Valuation (US$m)	Per ADR (US$)
Deliveries + Mobility	FY23F EV/Adj. Sales	2.5	2,541	6,354	1.6
Financial Services	FY23F EV/TPV	0.1	21,095	2,110	0.5
Enterprise & NI	FY23F EV/EBITDA	20.0	71	1,426	0.4
Net cash/(debt)	As of end FY22F		4,567	4,567	1.1
Total equity value				**14,457**	
No. of shares outstanding (m)				4,069	
Target price (US$)				**3.60**	

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Company background

Established in 2012, Grab is currently a leading super app in Southeast Asia, offering an ecosystem of services addressing high-frequency everyday needs through a single app (ride-hailing, food delivery and digital wallet payments). As of end-Dec 2021, Grab had presence in 480 cities in eight countries with 24m monthly transacting users. Its product is enabled by a driver network of more than 5m driver-partners and over 4m merchant-partners and Indonesian GrabKios agents, which range from local entrepreneurs, including small restaurants, convenience and grocery stores, to multinational franchises and lifestyle service providers, including hotels, travel agents, and home service providers.

Figure 12: Grab's offering at a glance



SOURCES: CGS-CIMB RESEARCH, COMPANY PRESENTATION

Grab holds the leadership position in the various services that its offers. According to Euromonitor, Grab accounted for c.71% of total regional GMV for ride-hailing, 51% of total regional GMV for online food delivery, and 21% of regional total payments volume (TPV) for digital wallet payments in 2021.

Despite Covid-19 causing significant impact on Grab's mobility segment in FY20, the company was able to drive strong growth in the deliveries segment, which helped the company book a US$12.5bn GMV in 2020, surpassing its pre-pandemic (FY19) levels and more than doubling its GMV vs. FY18. As a Covid-19 beneficiary, the deliveries segment helped Grab to achieve 29% yoy GMV growth in FY21. As of FY21, the deliveries segment is the largest GMV contributor at 53% of group total, but given the relatively higher incentive level given out for this segment, the mobility segment remains the largest revenue contributor at 68% of group total.

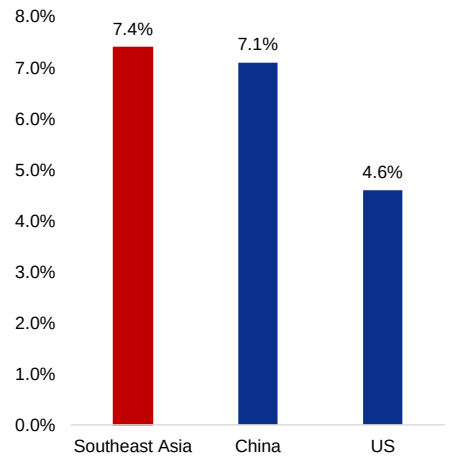
Total Addressable Market (TAM) analysis »

By 2025F, the addressable market opportunity for Grab across online food delivery, ride-hailing and digital wallet payments is forecasted to grow to US$185bn (2020: US$52bn), according to research firm Euromonitor (refer to Figure 2). Online food delivery is expected to grow from about US$9bn in Southeast Asia in 2020 to about US$28bn by 2025F, while consumer expenditure for ride-hailing is expected to grow more than 4x, from US$4bn in 2020 to about US$19bn in 2025F, according to Euromonitor.

Grab operates in eight countries as at end May 2022: Singapore, Indonesia, Cambodia, Malaysia, Myanmar, the Philippines, Thailand, and Vietnam. Being a highly underpenetrated market, Southeast Asia's digital economies offer huge growth opportunities. We have identified a few themes below that are driving Grab's industry growth in Southeast Asia:

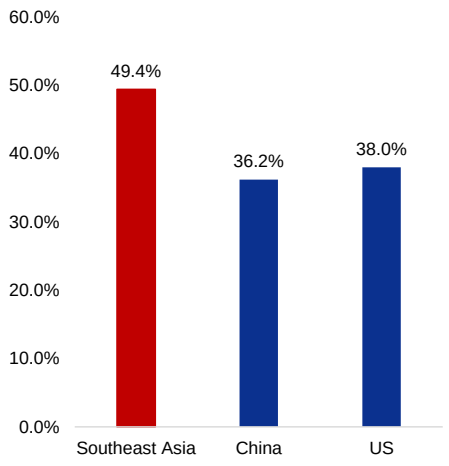
1. **Rapid urbanisation.** According to Euromonitor, Southeast Asia's GDP is expected to grow at a 7.4% CAGR during 2020-25F, ahead of China (7.1% CAGR) and the US (4.6% CAGR). The region's urbanisation rate as of 2020 is also relatively lower at 51.1%, compared with China (60.5%) and the US (82.5%). Southeast Asia's fast-growing population, together with rising disposable income, is driving rapid urbanisation and the creation of new cities, with Southeast Asian urban population projected to grow by over 35m from 2020 to 2025F, powering strong consumption growth in the region, with total disposable income expected to grow at a CAGR of 8.2% from 2020 to 2025F, according to Euromonitor.

Figure 13: Nominal GDP CAGR (2020-2025F)



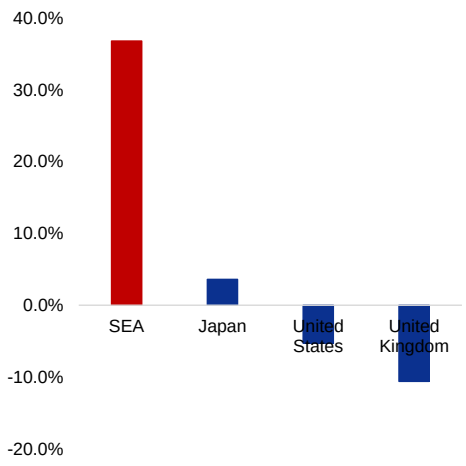
SOURCES: CGS-CIMB RESEARCH, EUROMONITOR

Figure 14: Urbanisation rate (2020)



SOURCES: CGS-CIMB RESEARCH, EUROMONITOR

Figure 15: SEA smartphone gap vs. developed economies in 2019, measured as the percent of households with smartphones, minus the percent of households with PCs



SOURCES: CGS-CIMB RESEARCH, EUROMONITOR

2. **Mobile-first population with increasing digital engagement.** The percentage of Southeast Asian households having at least one smartphone was 68% in 2020, and it is expected to reach 84% by 2025F, according to Euromonitor. The region's mobile Internet penetration was 88% in 2020, according to Ookla's Speedtest Global Index. Southeast Asians are one of the most digitally engaged populations in the world, spending on average more than eight hours a day on the Internet, which is significantly higher than the global average of 6.9 hours (calculated as the average amount of time that Internet users aged 16 to 64 spend using the Internet each day on any device, as of the third quarter of 2020), according to Hootsuite (social

media management platform) and We Are Social (social media creative agency). From 2016 to 2020, the percentage of the Southeast Asian population accessing the Internet daily increased significantly from 27% to 48%, according to Euromonitor, but there remains substantial room for usage increase as a large portion of the Southeast Asian population still does not actively use the Internet. Therefore, we should expect digital engagement to increase further in the next few years.

3. **Increasing digitalisation of services and consumption.** Consumers in Southeast Asia traditionally have limited means to engage with businesses and services outside of their nearby vicinity due to the lack of digital connectivity. Similarly, micro, small and medium enterprises (MSMEs), which are generally defined as businesses with fewer than 200 employees, face challenges in expanding consumer reach due to the lack of or limited storefront presence and technological means. With technology-enabled marketplace models, businesses are able to increase their reach and consumers are able to more easily access goods and services. Increased smartphone and Internet availability have transformed the nature of access to and consumption of goods and services. This was further accelerated by Covid-19, but digital services are still at a nascent stage in much of the region, with penetration rates for online food delivery services low at 12%, compared to 21% in the US and also 21% in China. On-demand mobility is even less common, at about 3% of the market in Southeast Asia, vs. 12% in China and 5% in the US as at end 2020.

4. **Supportive regulatory environment.** In our view, friendly policies and supportive local governments are most vital to the long-term success and sustainability of Grab's business model in each of the Southeast Asian markets it operates in. Governments in Southeast Asia have generally enacted regulations covering ride-hailing services. Such regulations provide a defined set of rules within which ride-hailing and/or ride-hailing booking services providers can operate. Food delivery operations are generally subject to less specific regulations than ride-hailing services. The region's governing bodies have demonstrated themselves to be generally receptive of pursuing public-private partnerships to digitise their economies. For example, in Indonesia, the Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia entered into a partnership agreement with Grab and PT Indonesia Digital Identity (VIDA) in May 2021 to expedite the onboarding and verification of new SMEs under the ministry onto the Grab ecosystem, so as to accelerate the digital transformation of SMEs and to enable greater participation in the digital economy.

   On digital financial services (DFS), some Southeast Asian regulators have established regulatory sandboxes that allow companies to conduct limited tests of new innovations in a defined environment, enabling products and services to be tested and ultimately brought to market at a faster rate. Several countries, including Malaysia, Indonesia and Singapore, have established nationwide standards for Quick Response, or QR, payment codes, facilitating greater interoperability between payment methods and increasing the adoption and efficiency of DFS. On the digital banking front, Singapore has granted full digital bank licences. Malaysia and the Philippines have recently approved digital banking licensing frameworks, while other countries such as Thailand, Indonesia, and Vietnam are evaluating the issuance of digital bank licences as an option to increase financial inclusion as well. We expect the regulatory environment in Southeast Asia to continue to be supportive of innovation in the DFS sector, while establishing and enforcing necessary protections for consumers and businesses.

Southeast Asia's super app ›

Grab positions itself as a super app which offers services relevant to its customers' everyday lives, from meals and transport to payments. Grab believes that this focus on daily habits allows the company to capture as many different touchpoints for wallet spend as possible on a single app, and the high frequency app usage could create habituation and trust.

Competitive landscape is evolving in Southeast Asia, where major online platforms are looking to become super apps and have been entering into new verticals over recent years. Similar to Grab, Gojek started from ride-hailing and later ventured into food delivery and other ancillary services, and in 2021, it merged with e-commerce platform Tokopedia to form GoTo. Shopee, an e-commerce company, has also ventured into food delivery in Indonesia in 2020.

Figure 16: Competitive landscape of Grab's key business segments and geographies as at end July 2022

	Business segments							Geographical reach					
Offerings	4W ride-hail	2W ride-hail	Food delivery	Parcels	Online grocery	Financial services	E-commerce	Indonesia	Singapore	Malaysia	Vietnam	Philippines	Thailand
Grab	✓	✓	✓	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓
GoTo (Gojek + Tokopedia)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗	✓	✗	✓
Sea Ltd (Shopee)	✗	✗	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓
Lazada	✗	✗	✗	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓
Line Man	✓	✗	✓	✓	✓	✗	✗	✗	✗	✗	✗	✗	✓
Now	✗	✗	✓	✗	✓	✗	✗	✗	✗	✗	✓	✗	✗
FoodPanda	✗	✗	✓	✓	✓	✗	✗	✗	✓	✓	✗	✓	✓
Region specific food delivery								Klik Eat	Deliveroo	AirAsia	Baemin	Zomato	App Man Delivery
Region specific ride-hailing								Blue Bird	Ryde, Tada	MyCar, EzCab	Be Group	Hirna, Hype	Bolt

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Grab's strength ›

Compared to other Internet peers, Grab has the following strengths:

1. **Regional business.** Grab currently operates across 480 cities in eight countries, which helps diversify Grab's market risks and creates resiliency.

Figure 17: Grab's offerings across Southeast Asian countries as at end July 2022

	Indonesia	Singapore	Malaysia	Vietnam	Philippines	Thailand	Myanmar	Cambodia
GrabTaxi	✓	✓	✓	✓	✓	✓	✓	✓
GrabMart	✓	✓	✓	✓	✓	✓	✓	✓
GrabFood	✓	✓	✓	✓	✓	✓	✓	✓
GrabKitchen	✓	✓	✓	✓	✓	✓	✓	✗
GrabExpress	✓	✓	✓	✓	✓	✓	✗	✓
GrabKios	✓	✗	✗	✗	✗	✗	✗	✗
GrabGifts	✓	✓	✓	✓	✓	✓	✓	✓
GrabAttractions	✓	✗	✗	✗	✗	✗	✗	✗
GrabTickets	✓	✗	✗	✗	✗	✗	✗	✗
GrabHotel	✓	✓	✓	✓	✓	✓	✓	✗
GrabPay	✓	✓	✓	✓	✓	✓	✓	✓
GrabPay Card	✗	✓	✗	✗	✓	✗	✗	✗
GrabInsurance	✓	✓	✓	✓	✓	✓	✓	✗
Buy Now Pay Later	✓	✓	✓	✗	✓	✗	✗	✗
GrabInvest	✗	✓	✗	✗	✗	✗	✗	✗
GrabHealth	✓	✗	✗	✗	✗	✗	✗	✗

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

2. **Category leadership.** Grab is the category leader across the three key segments it operates in — ride hailing, food delivery and financial services (in terms of digital wallet payments). The brand is closely associated with quality, reliability, safety and convenience in the minds of Southeast Asian consumers who seek to access services offered through its platform. In a consumer survey on online food delivery services conducted by Euromonitor across six Southeast Asian countries, GrabFood was found to be the top brand that came to

consumers' minds, with 44% of respondents naming the brand unprompted; 36% of respondents also selected GrabFood as the online food delivery platform that they use most frequently, ahead of all regional competitors.

Figure 18: Grab is the category leader across the three key segments it operates in

	Euromonitor estimated regional category share in 2021		
Segment	Grab	Next closest competitor	Grab's share relative to next largest competitor
Online food delivery	51%	24%	2.1X
Ride hailing	71%	18%	3.9X
E-wallet	21%	16%	1.3X

SOURCES: CGS-CIMB RESEARCH, EUROMONITOR

3. **Hyperlocal approach**. Each country is unique in its own services. For example, Grab offers two-wheel or three-wheel offerings in countries where such modes of transportation are the norm, instead of four-wheel drives, which are more common across global ride-hailing platforms. Its app interface across countries also differs with good localisation. Grab also has regular and transparent dialogues with local government agencies to navigate each countries' unique complexities.

4. **Leading technology**. Grab's technology allows it to manage dynamic real-world interactions every day, support global payment capabilities, provide multilingual real-time community safely and user support and cater to city-specific product requirements. Grab has invested in building key technology infrastructure in-house, including: 1) GrabDefence, its proprietary anti-fraud and prevention system, 2) proprietary mapping, routing, journey time prediction and point of interest capabilities, 3) GrabAds, its in-house advertising platform, and 4) GrabLink, Grab's in-house PCI-compliant secure payment gateway, which allows Grab to process card payments without third-party payment service providers.

5. **Platform-optimised cost structure.** The complementary offerings on Grab's platform provide its driver-partners more flexibility and enable them to maximise income opportunities, while creating more cost efficiencies for its platform.

Super-app strategy

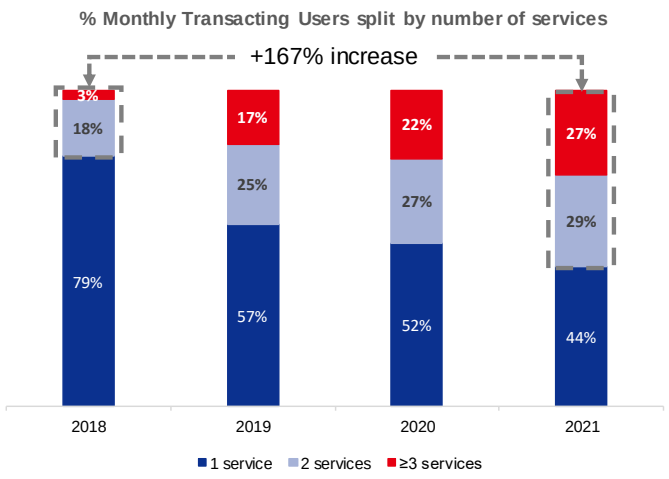
We see a strong flywheel effect (refer to Figure 3) for Grab's super app strategy, as explained below:

On the demand side, Grab's strong market share provides it a strong customer base, allowing higher sales to merchants, which helps attract more merchants to the platform to provide their offerings. The larger number of orders will also provide higher earnings potential for drivers, in turn, lowering overall delivery time and enhancing user experience.

Grab is leveraging on its success to expand its business segments. According to its FY21 annual report, 56% of Grab's customers used two or more services from Grab, compared to 49% and 42% for FY20 and FY19 respectively. The higher number of services offered allows for: 1) better cross-selling, and 2) stronger retention rate. Grab highlighted that in 1Q20 (pre-Covid-19), 56% of its GrabFood monthly transacting users (MTUs) were also mobility MTUs.

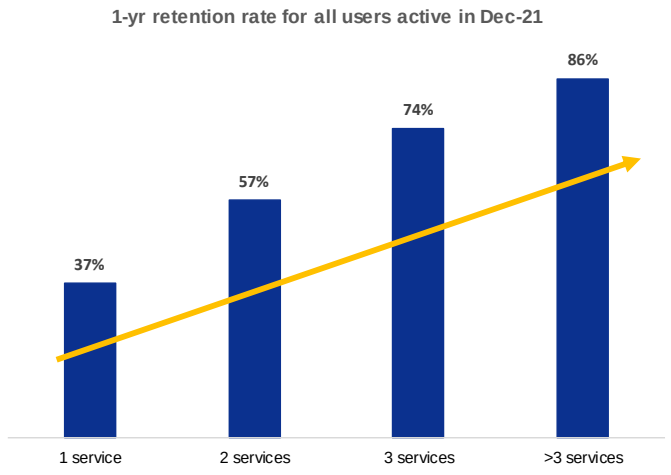
Figure below also shows the growing spend per customer across cohorts; older cohorts are still showing healthy growth in spend, likely due to the increasing number of offerings provided by Grab.

Figure 19: Users are using more services…



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 20: …which increases retention rate



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

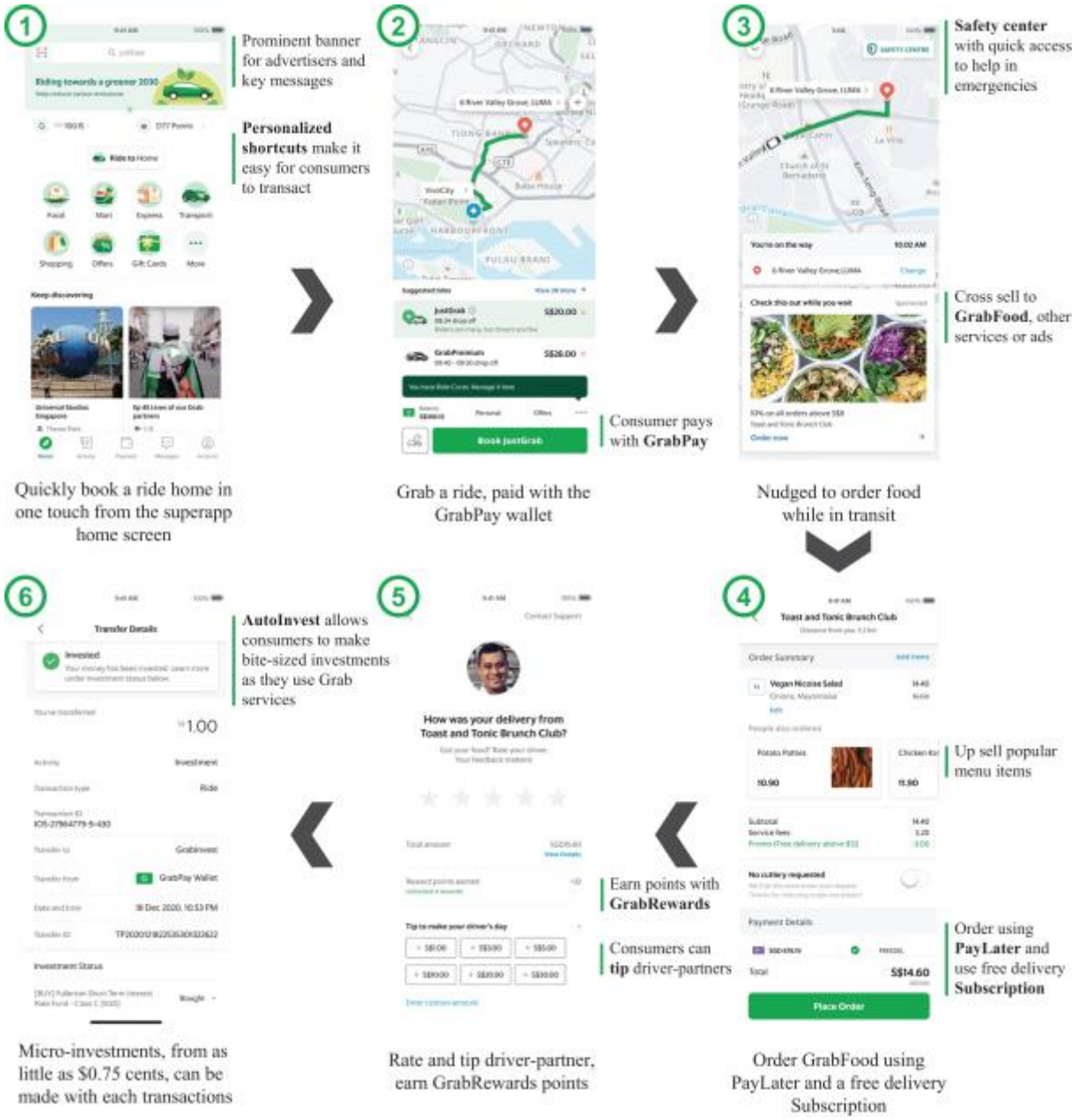
Figure 21: GMV per user per cohort in FY21, indexed to year 1

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
2016 cohort	1.00x	1.41x	1.93x	2.75x	3.63x	4.80x
2017 cohort	1.00x	1.49x	2.19x	2.78x	4.06x	
2018 cohort	1.00x	1.62x	2.06x	3.04x		
2019 cohort	1.00x	1.45x	2.13x			
2020 cohort	1.00x	1.45x				

*Calculated as Gross Merchandise Value (GMV) per Monthly Transacting Users (MTU)

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 22: Simple and seamless access to a wide range of services within Grab app



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

On the supply side, we also see clear benefits from the verticals provided under Grab's ecosystem. For example, there is an overlapping pool of drivers across its mobility and delivery segments — this was especially relevant in countries such as Indonesia, Vietnam and Thailand, where 64% of the two-wheel drivers serviced both segments interchangeably in 2021. Driver partners were able to toggle between different types of jobs, whether mobility or delivery. Because of that, they had less idle time, greater productivity and, ultimately, greater earnings opportunities throughout the day. This provided Grab with cost competitive advantage, as Grab was able to reduce incentives and subsidies — its driver-partners were earning more of their income from the fares and delivery fees, without as much subsidies and incentives.

Grab can also find it easier to onboard merchants to both its GrabFood and DFS concurrently — in 2021, Grab notes that half of its GrabFood merchants in Malaysia were also using its DFS services.

Milestones »

Figure 23: Key events since inception in 2012

Year	Market announcement	Product announcement	Milestones	Funding
2012	Started out as "MyTeksi" in Malaysia	Started out as taxi-hailing business		
2013	Expanded into Philippines, Singapore and Thailand			
2014	Expanded into Indonesia and Vietnam	Launched GrabCar and GrabBike		Series A (US$5m) - Vertex Ventures Series B (US$16m) - Vertex Ventures, GGV Capital Series C (US$54m) - Vertex Ventures, Tiger Global Management Series D (US$250m) - SoftBank Vision Fund
2015		Launched GrabExpress and GrabHitch		Series D-1 (US$20m) - DiDi
2016		Launched GrabShare		Series E (US$335m) - Coatue, China Investment Corporation Series F (US$790m) - SoftBank Vision Fund
2017	Expanded into Myanmar and Cambodia	Launched GrabPay and GrabRewards	Crossed US$1bn GMV. Acquired Kudo, an Indonesian agent network company, later rebranded to GrabKios	Series G (US$2bn) - Didi, SoftBank Vision Fund
2018		Launched GrabFood, GrabFinance and GrabAds	Share swap with Uber to acquire Uber's Southeast Asian business. Crossed US$5bn GMV. Also invested in OVO, a digital payments platform in Indonesia	Series H (US$6.2bn) - Toyota, SoftBank Vision Fund, Oppenheimer Funds, Microsoft, Ping An Capital, Hyundai, MUFG, Booking Holdings, Yamaha Raised Series A financing for GFG
2019		Launched GrabKitchen, GrabMart and GrabInsure. Also launched GrabForGood, Grab's social impact program	Crossed US$10bn GMV and US$1bn adj. net revenue. GrabPay Malaysia entered into a JV with Maybank, persuant to which Maybank acquired 30% interest in Gpay Network (M) Sdn. Bhd.	
2020		Launched GrabMerchant, GrabSupermarket, GrabMart Daily, GrabInvest, PayLater, GrabDefence and GrabHealth	Entered into strategic alliance with MUFG to create affordable financial services	
2021	Launched GrabForGood Fund	Launched GrabForGood Fund	Granted digital bank license from Singapore in collaboration with Singtel	Announced SPAC merger with Altimeter Growth Corp (AGC US), completed listing on NASDAQ in Dec
2022			Completed acquisition of majority economic interest in Jaya Grocer Acquired a minority equity interest in Bank Fama International	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Management team »

Figure 24: Grab's management team profile

Name	Position	Background
Anthony Tan Ping Yeow	Founder, Chairman and Chief Executive	Tan Chong Group, Renault
Tan Hooi Ling	Founder and Director	McKinsey & Co., Salesforce
Maa Ming-Hokng	President	SoftBank, Goldman Sachs
Alex Hungate	Chief Operating Officer	SATS, HSBC, Reuters
Peter Oey	Chief Financial Officer	Activision Blizzard, LegalZoom
Ong Chin Yin	Chief People Officer	DXC Technology, Orange Business Services

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Mobility

Grab started out in the mobility segment back in 2012, with the launch of "MyTeksi" in Malaysia. Since then, it has ventured into eight countries within Southeast Asia, and is currently the leading regional player in the ride-hailing industry. Post the exit of Uber in 2018, Grab has continued to maintain a dominant 71% market share position in Southeast Asia in 2021, according to Euromonitor.

While Covid-19 significantly impacted Grab's mobility segment, hurting its GMV in FY20, Grab was able to partially mitigate the impact through significantly increasing its take rate during the year; it was even able to achieve positive mobility segment EBITDA in FY20, a reversal from losses in FY18-19. In FY21, despite continued impact from Covid-19 (from lockdowns imposed by various Southeast Asian countries to tackle the Delta variant) which resulted in a further drop in GMV, Grab's further monetisation push resulted in the company achieving adjusted EBITDA to GMV ratio of 12.4%, a record high for the company.

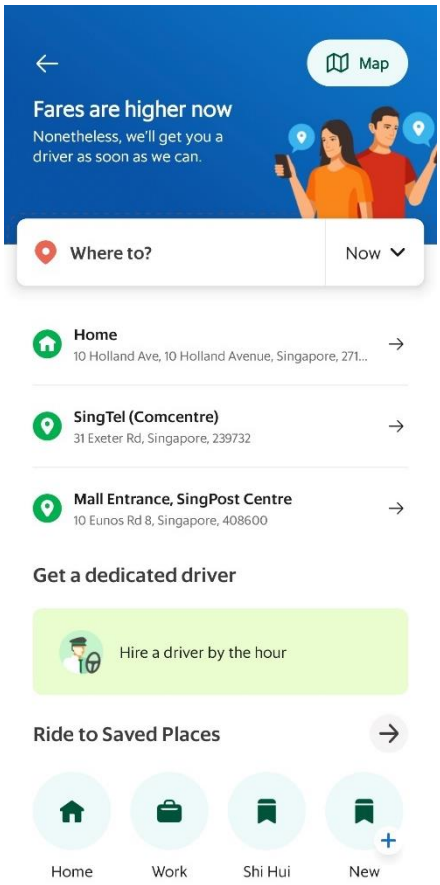
We noted some profitability pressure in 2H21 for Grab's mobility segment, which we believe were due to 1) Gojek's aggressive entry into the Singapore market, and 2) higher driver incentives with economy reopening to boost driver supply recovery. Nevertheless, signs of abating competition have been observed since 2Q22. We expect Grab to enjoy a further uptick in GMV and profitability metrics in the coming quarters.

Product offerings

Grab's Mobility services include a wide variety of localised solutions, which include basic ride-hailing and taxi booking (JustGrab), premium cars (GrabCar Premium), cars equipped to transport persons with mobility needs (GrabAssist), cars equipped with child seats (GrabFamily), cars equipped to transport pets (GrabPet), large format vehicles or premium economy vehicles (GrabCar Plus), and luxury vans for airport or business travellers (GrabLux).

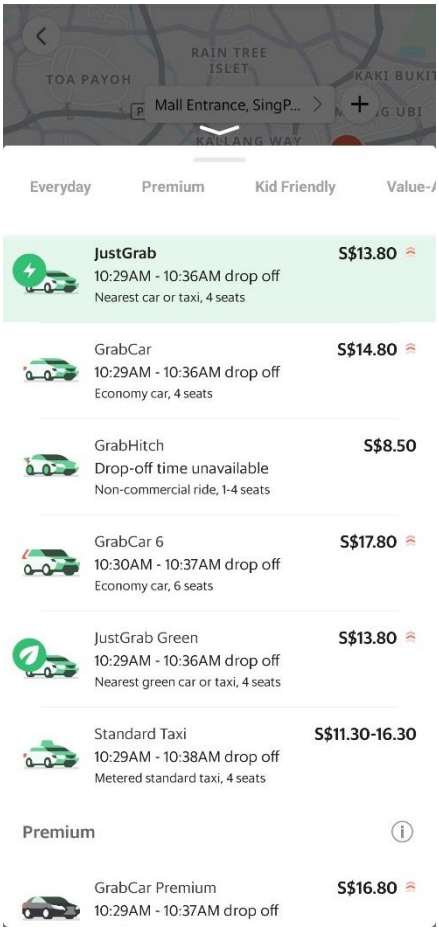
Worth mentioning is that its diverse offerings extend to two-wheeler and three-wheeler options, which are uncommon in ride-hailing platforms outside of Southeast Asia.

Figure 25: Interface of Grab's transportation section



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 26: Variety of mobility options offered by Grab



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 27: Grab's ride-hailing offerings across the region as at end July 2022

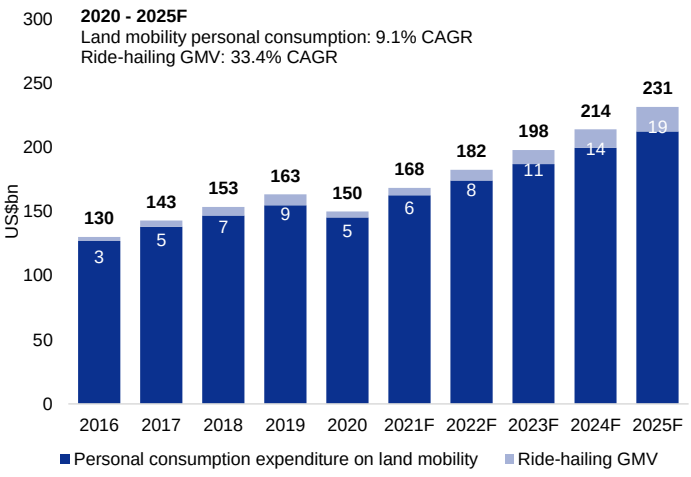
Country	4W option (private car, taxi)	2W option (motorbike)	3W option (incl. Tuk Tuk)	Car Pool	Mini-van/bus	Car rental with driver
Singapore	Yes	No	No	Yes	Yes	Yes
Indonesia	Yes	Yes	No	No	No	Yes
Vietnam	Yes	Yes	No	No	No	Yes
Malaysia	Yes	Yes	No	Yes	No	Yes
Philippines	Yes	Yes	No	Yes	No	No
Thailand	Yes	Yes	Yes	Yes	No	Yes
Myanmar	Yes	Yes	Yes	Yes	No	No
Cambodia	Yes	Yes	Yes	No	No	Yes

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Industry outlook in Southeast Asia »

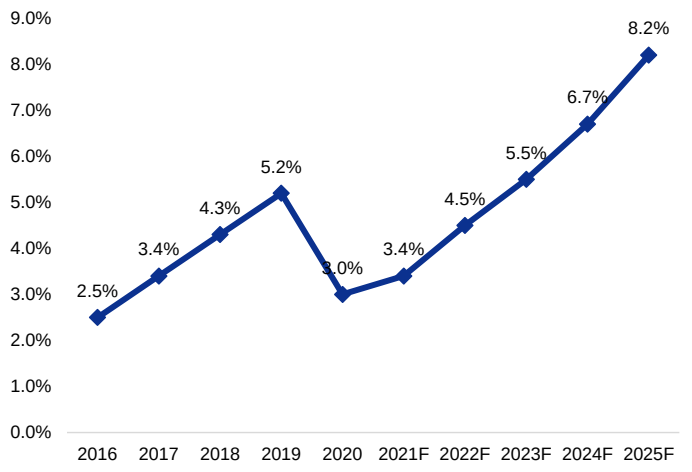
Southeast Asia's ride hailing GMV is expected to grow from US$4.5bn in 2020 to US$19.0bn by 2025F, registering a 33.4% CAGR, outpacing the region's overall growth in total personal consumption expenditure on land mobility at 9.1% CAGR over the same period, according to Euromonitor.

Figure 28: Total personal consumption expenditure on land mobility and ride hailing GMV in Southeast Asia



SOURCES: CGS-CIMB RESEARCH, EUROMONITOR

Figure 29: Penetration rate of ride hailing over total personal consumption expenditure on land mobility

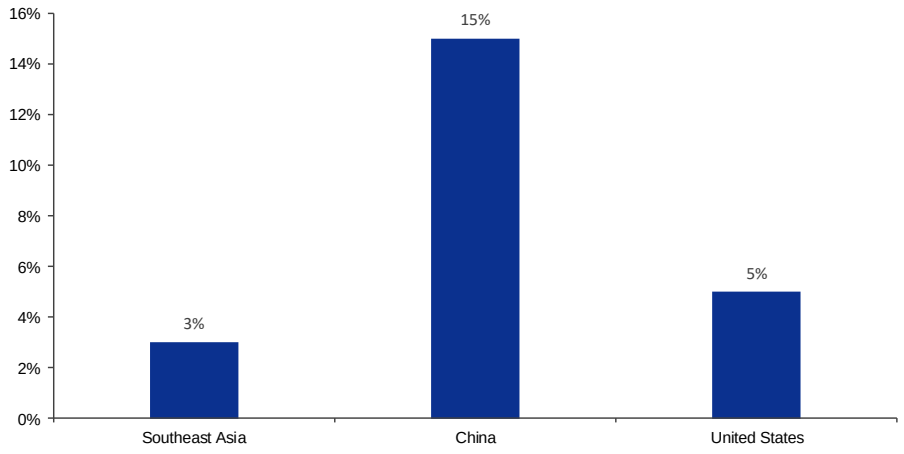


SOURCES: CGS-CIMB RESEARCH, EUROMONITOR

Challenges that exist in Southeast Asia's transportation market include the infrastructure investment gap, underdeveloped mass transportation systems, and expensive car prices resulting in low car ownership rates. Meanwhile, the traditional taxi industry has not been fully able to take advantage of technological advances to improve customer experience, with long-standing issues such as long wait times, lack of fare transparency and acceptance of cash-only payments unresolved. Technology-enabled on-demand transportation services, such as Grab's ride-hailing services, help to alleviate these challenges and could prove to be a compelling alternative to private cars, mass transportation and traditional taxis, in our view.

According to Euromonitor, Southeast Asia's ride-hailing penetration rate is expected to expand to 8.2% by 2025F, from 3.0% in 2020. The current ride-hailing penetration rate of Southeast Asia lags behind China's 15% and the US's 5%; hence, we believe that the market is still at its nascent stage, with significant runway for growth, in our view.

Figure 30: Penetration rate of online on-demand mobility (2020)



SOURCES: CGS-CIMB RESEARCH, EUROMONITOR

The Southeast Asia mobility market is unique, as consumers across different countries embrace different forms of vehicles. While four-wheelers are likely the preferred vehicle for the ride-hailing market in Singapore and Malaysia, two-wheelers are common in countries such as Indonesia, Thailand and Vietnam,

while three-wheelers are widely accepted in countries such as Cambodia and Myanmar. In contrast, on-demand transportation in China and the US predominantly offers four-wheel ride-hailing services.

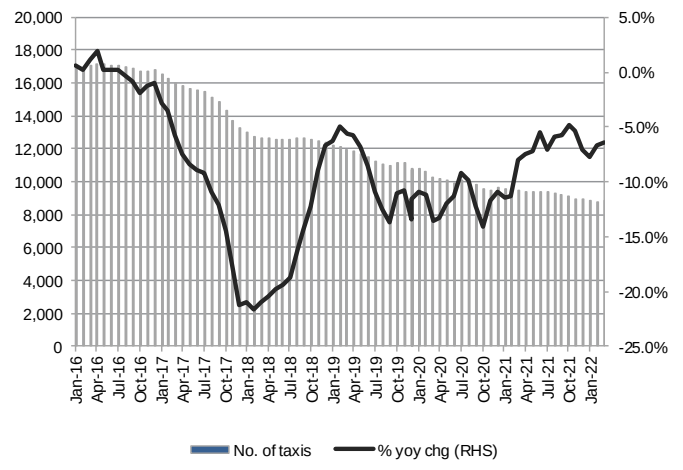
Two-wheelers offer an important alternative, given better mobility, affordability and cultural popularity. Two-wheelers also provide additional mobility driven by their ability to access unconventional routes such as narrow alleys, which form an important part of the transportation landscape, particularly outside of tier-1 cities where roads are less developed. This further expands use cases and helps integrate on-demand transportation as a preferred and integral part of daily lives as consumers increasingly adopt consumer digital services as well.

Key competitors within the Southeast Asia region include regional rival Gojek (GOTO IJ, Hold, TP: Rp396, CP: Rp306), local taxi companies (ComfortDelgro, BlueBird), and private ride-hailing startups (Ryde, Tada).

Ride hailing has resulted in tremendous disruption to the taxi industry

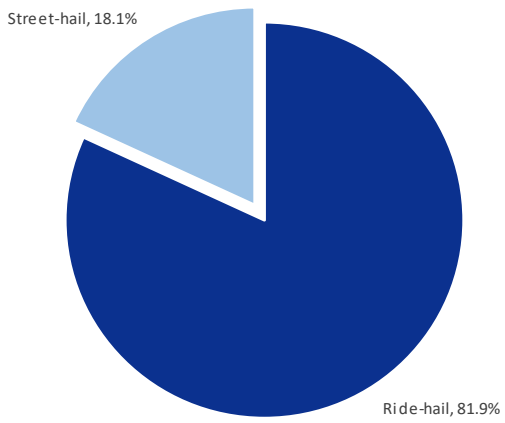
Ride-hailing apps continue to disrupt the taxi industry across geographies. In Singapore, its taxi fleet has been consistently declining over the past five years due to the higher adoption of ride-hailing apps. As of Apr 2022, ride-hailing accounted for 82% of daily point-to-point trips in Singapore (Apr 2021: 79%).

Figure 31: ComfortDelgro's taxi fleet size in Singapore



SOURCES: CGS-CIMB RESEARCH, LAND TRANSPORT AUTHORITY

Figure 32: Ride-hailing makes up 82% of daily point-to-point trips in Singapore (Apr 2022)



SOURCES: CGS-CIMB RESEARCH, LAND TRANSPORT AUTHORITY

A brief history – Grab vs. Uber »

To understand why Grab is able to achieve such a dominant market share in the Southeast Asian ride-hailing market, one will have to understand the industry's landscape prior to Mar 2018, before Grab merged with Uber's Southeast Asian operations.

In essence, a hyper-local approach allowed Grab to pull ahead of Uber. Grab started in Malaysia in 2012 as an online taxi booking service (initially called MyTeksi), with the goal of making taxi rides safer and more convenient for Malaysians. In each new market, Grab presented itself as a partner to local taxi drivers and fleet owners, rather than as a foreign competitor, offering a platform that could help them find fares more efficiently. With local expertise and cultural knowledge, Grab was able to offer a more tailored service to its users, allowing it to gain the upper hand over Uber. We list three examples below:

Mode of transport. Many cities in Southeast Asia are known for frequent traffic jams, especially Jakarta, Manila, etc. Grab was early to add motorbikes as a transport offering (GrabBike), which gave it serious advantage over rival Uber — the bikes were easily able to weave in and out of the traffic, and fares were lower vs. four-wheel vehicles. Grab first rolled out GrabBike in major cities in Vietnam, Indonesia and Thailand back in 2014-2015; Uber only caught on almost 1.5 years later.

Payment method. Southeast Asia is a cash-based economy, especially when both Grab and Uber were scaling up (e-wallet penetration was almost non-existent back then). Grab identified the pain point early on and integrated a cash payment feature in its app from day one. Meanwhile, Uber did not have any cash payment feature until 2015, mainly offering credit cards as its only form of payment. This allowed Grab to enjoy a larger pool of target audience.

Public perception; cooperation with government. Grab emphasised safety and reliability in cities where many people were once wary of even getting into a taxi. For example, there is a "Share my ride" function for consumers to inform friends and family of their live location. Grab also courted local investors and hired local tech and admin staff, which paved the way for it to secure hard-to-obtain ride-sharing and payment licences. Comparatively, Uber adopted a more aggressive expansion strategy of "go in, think later". It did not actively seek cooperation with governments, when regulatory frameworks were not as welcoming. Uber was also involved in multiple controversies worldwide then, facing protests from traditional taxi drivers who felt threatened.

Easing competition

We believe that ride-hailing apps have achieved good customer acceptance in Southeast Asia (especially in urban areas), with key platforms no longer providing significant discounts vs. traditional taxi operators in order to grow their scale.

Case study: Singapore

Two moves in Singapore reflect Grab's strategy in driving further monetisation in 2021:

Firstly in Dec 2020, Grab started charging a platform fee of S$0.30 per booking for its ride-hailing service, after the Competition and Consumer Commission of Singapore (CCCS) released its two-year hold over Grab after the new Point-to-Point Transport Regulatory Framework took effect in Oct 2020. Grab said that two-thirds of the platform fee will go towards improving and covering the costs of ensuring the safety, security and quality of its services, while the other one-third will be used for benefits and training allowances for drivers. The platform fee comes on top of a commission that Grab collects from each trip, which is typically c.20% from the fare of every ride. We note that Grab's platform fee is not the highest in Singapore — Gojek has already been levying a S$0.70 platform fee, Ryde charges S$0.30, while Tada charges up to S$0.50 depending on the fare. Looking abroad, Lyft charges a service fee (varies by city) in the US and Canada, while Uber also charges its riders a booking fee.

In May 2021, Grab further announced that it will raise its base fare by S$1 across all of its transport offerings in Singapore (except for Standard Taxi, GrabHitch and GrabCoach) from Jun 2021 onwards, to keep up with drivers' rising costs of providing the service. This was the first time Grab revised its fares since 2017.

While Gojek's aggressive entry into the Singapore market in mid-2021 caused incentive levels to increase temporarily, we see signs of abating competition since 2Q22. We expect Grab to enjoy further uptick in GMV and profitability metrics in the coming quarters.

We observed that Gojek has been aggressive on driver and consumer incentives in Singapore since it halved driver commissions from 20% to 10% starting Jun 2021. It has also launched multiple campaigns, such as loyalty bonuses for drivers (based on monthly trips completed) and "925" promotions, which offer 50% off rides during 9am-5pm on weekdays (capped at S$5 per ride) as Singaporeans gradually return to office with the relaxation of Covid-19 measures.

We noticed that promotional intensity of the mobility industry started to ease in 2Q22 with 1) rising petrol costs, and 2) strong demand recovery with significant relaxation of Covid-19-measures resulting in demand-supply mismatch. Since Mar 2022, taxi and private hire car operators in Singapore have adjusted base fares, or imposed temporary fuel surcharges to help ease the cost burden on the drivers. Based on our channel checks, dynamic pricing for point-to-point transport operators has risen significantly YTD, and is currently 22%-42% higher than Jun 21's levels.

Figure 33: Latest driver and consumer promotional campaigns offered by key ride-hailing platforms

Grab		Gojek	
Driver incentives	**Consumer incentives**	**Driver incentives**	**Consumer incentives**
Jul 2020: Grab introduced performance rebate programme to offer quarterly commission rebates to its top 18,000 driver-partners based on commissions. Eligible drivers are entitled to 12% commission rebate (GrabRentals Hirer-Partners are entitled an additional 8% commission rebate). This programme ended 31 Dec 2021.	Jan 2022: Grab started offering 50% off rides between 6am-11:59pm on weekdays (limited redemption), capped at S$5 per ride. Promotion was limited in Jan 2022.	Jun 2021: Gojek announced that it is halving driver commissions from 20% to 10%, effective Jun-2021 till at least end-2022.	May 2021: Gojek provided each customer with 2 free Gojek rides (capped at S$15 each) to or from vaccination centre
Jan 2022: Grab offered a new Grab Streak Bonus pilot scheme to all driver-partners for 6 months (4 Jan 2022 to 30 Jun 2022). Depending on the number of auto-accept trips completed by each driver-partner, they will be able earn commission rebates between 25%-100% in the following month (for 200th trip onwards for the month).	Feb 2022: Grab started offering 30% off rides on weekdays (limited redemption), capped at S$3 per ride. Promotion was limited in Feb 2022.	Mar 2022: Up to S$420 in monthly loyalty bonuses with minimum monthly trips completed	Sep 2021: Gojek started offering 50% off rides between 9am-5pm on weekdays (limited redemption), capped at S$5 per ride. Promotion is currently still ongoing.
		Apr 2022: New monthly loyalty service fee rebates to replace monthly loyalty bonus programme. Drivers can earn monthly service fee rebates of up to 25% and up to 10% in weekly fuel rebates from Gojek.	Apr 2022: For the month, Gojek is offering S$3 vouchers (limited redemption) to/from malls

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 34: Ride hailing companies have been raising fares to combat rising fuel prices

Date	Event
01-Mar-22	ComfortDelGro announced raised fares for the first time in 10 years. Flag-down fares will rise by 20 Singapore cents across its entire fleet from Mar 1, bringing the rates to between S$3.90 and S$4.10 from its current range of S$3.70 to S$3.90. Meanwhile, metered charges will increase by 2 cents to S$0.24 for normal taxis and 3 cents to S$0.33 for limousine taxis. All other fare tariffs will remain unchanged. As a result, the company estimates that a 10 km off-peak normal taxi trip, for example, will increase by 7.7 per cent or S$0.84 to S$11.82 from S$10.98.
31-Mar-22	Gojek raised its trip start fare by S$0.50 for GoCar trips under 10km and S$0.80 for longer distance trips temporarily (31 Mar to 31 May). The temporary fees go towards supporting driver-partners' earnings to help them cope with rising fuel and operating costs.
01-Apr-22	Grab started to implement a temporary flat fee of S$0.50 on all trips (except for standard taxi services) from 1 Apr to 31 May. The amount will go fully to its driver-partners. Grab also announced an additional one-time fuel discount, and is providing a 5% commission rebate for eligible driver-partners for first 199 completed trips from 1 Mar to 31 May.
04-Apr-22	TADA implemented a temporary flat fee of S$0.50 on all trips S$18 and below, while a S$0.80 flat fee will be added to rides with fares S$18.10 and above (from 4 Apr to 31 May). All increment will go directly to the drivers. TADA also launched a driver campaign, offering fuel rebates to drivers who complete trips on a daily basis. First driver campaign will run from 4-17 Apr, offering drivers a S$10 rebate per day if they complete 19 trips daily.
04-Apr-22	ComfortDelGro raised distance fares temporarily for all taxis to cushion impact of the recent increase in fuel prices. Distance and waiting time fares are raised by 1 cent. This means the distance-timed rates - which are currently 24 cents for regular taxis and 33 cents for limousine cabs - will go up to 25 cents and 34 cents respectively. The distance-timed rates are calculated based on every 400m thereafter or less up to 10km, every 350m thereafter or less after 10km, and every 45 seconds of waiting or less. The proposed revision will see fares increase by about 32 cents for a 10km trip, ComfortDelGro said.

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 35: Price comparison across P2P operators (1) in S$

		Grab						Gojek						Ryde					
From	To	Jun-21	Feb-22	Mar-22	Apr-22	May-22	Jul-22	Jun-21	Feb-22	Mar-22	Apr-22	May-22	Jul-22	Jun-21	Feb-22	Mar-22	Apr-22	May-22	Jul-22
Weekday Morning 9am																			
Jewel L2 Drop Off	MBS Hotel Tower 3	18.30	18.60	18.60	19.10	18.10	18.80	18.80	29.80	20.00	22.70	21.40	17.60	16.60	22.10	23.60	24.10	21.90	25.10
Singapore Zoo	Bedok Mall	23.30	23.60	23.60	24.10	24.10	23.80	17.10	20.80	22.50	22.90	23.40	23.00	21.60	29.20	31.00	31.30	28.60	33.60
Ikea Alexandra	Nex Shopping Mall	15.30	14.60	15.60	15.10	15.10	19.80	13.20	17.90	16.60	17.80	14.50	18.60	12.60	17.40	18.20	18.90	17.20	19.60
Northpoint City	USS	23.30	28.60	27.60	40.10	35.10	38.80	31.00	35.10	36.20	41.70	29.60	34.70	21.30	30.10	29.20	36.20	31.70	39.20
NUH Medical Centre	Waterway Point	21.30	23.60	22.60	23.10	24.10	23.80	21.50	21.50	22.10	22.90	23.50	21.70	17.90	28.90	30.20	31.50	28.60	32.70
Weekday Afternoon 3pm																			
Jewel L2 Drop Off	MBS Hotel Tower 3	17.30	18.60	18.60	19.10	18.10	18.80	16.20	15.70	17.60	17.70	19.00	23.60	16.20	21.00	21.00	20.60	21.70	22.10
Singapore Zoo	Bedok Mall	23.30	23.60	23.60	24.10	24.10	23.80	22.90	19.30	19.60	20.70	27.60	24.60	21.90	27.00	27.00	26.80	29.30	28.50
Ikea Alexandra	Nex Shopping Mall	15.30	16.60	16.60	15.10	15.10	14.80	13.70	13.70	13.30	14.20	15.60	21.40	16.10	16.40	16.50	16.20	18.40	18.10
Northpoint City	USS	23.30	23.60	25.60	28.10	28.10	23.80	27.40	31.50	35.40	20.80	40.80	26.20	21.10	26.40	26.40	27.10	27.80	27.90
NUH Medical Centre	Waterway Point	24.30	23.60	23.60	23.10	24.10	26.80	27.10	26.00	27.00	24.30	28.20	44.30	22.10	27.40	27.40	26.90	29.50	30.10
Weekday Evening 6pm																			
Jewel L2 Drop Off	MBS Hotel Tower 3	18.30	20.60	18.60	26.10	19.10	18.80	18.00	17.50	28.60	40.20	23.40	29.70	18.60	27.20	24.70	24.30	23.80	23.10
Singapore Zoo	Bedok Mall	24.30	23.60	23.60	24.10	27.10	23.80	35.40	22.00	33.90	32.40	44.60	34.00	25.80	35.60	33.20	31.10	34.20	31.10
Ikea Alexandra	Nex Shopping Mall	15.30	27.60	27.60	31.10	27.80	31.80	12.60	21.60	20.80	27.50	22.40	31.60	17.10	22.30	25.60	29.30	29.90	26.60
Northpoint City	USS	24.30	38.60	25.60	27.10	35.10	28.80	31.60	38.00	29.80	31.40	42.00	35.60	25.30	40.10	31.30	29.70	36.00	31.30
NUH Medical Centre	Waterway Point	24.30	41.60	38.60	43.10	43.10	42.80	38.80	32.60	40.90	59.00	49.60	48.40	23.00	36.60	38.60	41.50	45.40	34.20
Average		**20.77**	**24.47**	**23.33**	**25.50**	**25.21**	**25.27**	**23.02**	**24.20**	**25.62**	**27.75**	**28.37**	**29.00**	**19.81**	**27.18**	**26.93**	**27.70**	**28.27**	**28.21**

SOURCES: CGS-CIMB RESEARCH, INDIVIDUAL COMPANIY APPS

Figure 36: Price comparison across P2P operators (2) in S$

		Tada						Comfort Delgro (Ride)						Comfort Delgro (Meter)			
From	To	Jun-21	Feb-22	Mar-22	Apr-22	May-22	Jul-22	Jun-21	Feb-22	Mar-22	Apr-22	May-22	Jul-22	Feb-22	Mar-22	Apr-22	Jul-22
Weekday Morning 9am																	
Jewel L2 Drop Off	MBS Hotel Tower 3	16.30	20.60	18.40	20.70	20.60	20.70	12.30	17.30	16.00	16.90	15.50	16.80	20.00 - 23.00	22.50 - 26.00	23.50 - 27.00	22.50 - 26.00
Singapore Zoo	Bedok Mall	23.30	24.80	24.80	26.00	25.28	24.90	17.30	20.00	25.70	23.20	26.30	25.90	28.00 - 32.00	29.50 - 34.00	34.50 - 39.50	33.00 - 37.50
Ikea Alexandra	Nex Shopping Mall	12.60	13.90	14.90	17.00	16.21	19.50	10.60	19.70	22.90	29.40	26.90	23.50	17.50 - 20.00	19.00 - 21.50	21.50 - 24.50	20.00 - 23.00
Northpoint City	USS	22.20	30.40	25.10	32.40	30.07	32.00	22.40	43.50	46.80	50.10	49.30	40.50	29.50 - 34.00	31.50 - 36.00	36.00 - 41.00	34.00 - 39.00
NUH Medical Centre	Waterway Point	17.90	22.30	22.30	22.00	22.53	23.00	9.70	20.20	24.00	26.50	25.50	23.60	28.00 - 32.50	30.00 - 34.50	34.00 - 39.00	32.00 - 36.50
Weekday Afternoon 3pm																	
Jewel L2 Drop Off	MBS Hotel Tower 3	19.00	20.00	16.90	17.90	18.55	20.40	15.00	11.80	12.40	13.00	13.10	14.00	17.00 - 19.50	18.00 - 20.50	18.50 - 21.50	18.50 - 21.50
Singapore Zoo	Bedok Mall	24.00	21.40	22.00	22.90	24.26	23.40	29.40	16.40	19.70	21.60	36.20	27.10	23.50 - 27.00	25.00 - 28.50	25.50 - 29.50	26.00 - 29.50
Ikea Alexandra	Nex Shopping Mall	17.00	15.60	13.50	14.00	17.13	18.40	14.50	10.50	11.20	13.90	20.80	19.30	15.00 - 17.50	15.50 - 18.00	16.00 - 18.50	16.00 - 18.50
Northpoint City	USS	24.30	23.20	23.20	24.60	28.54	25.00	32.70	24.30	30.60	33.30	38.40	24.60	25.00 - 29.00	26.50 - 30.50	27.00 - 31.50	27.50 - 31.50
NUH Medical Centre	Waterway Point	23.80	22.30	18.70	20.10	25.48	25.00	32.70	19.60	22.90	25.60	35.40	31.40	24.50 - 28.00	25.50 - 29.00	26.50 - 30.00	26.50 - 30.00
Weekday Evening 6pm																	
Jewel L2 Drop Off	MBS Hotel Tower 3	17.90	19.90	19.80	27.80	24.97	22.90	15.90	14.20	15.80	20.60	16.60	16.70	22.00 - 25.00	23.00 - 26.50	28.50 - 32.50	24.00 - 27.50
Singapore Zoo	Bedok Mall	23.30	27.80	23.50	32.30	34.55	30.20	22.20	42.40	47.40	36.60	50.80	41.70	31.50 - 36.50	34.50 - 39.50	34.00 - 39.00	36.50 - 42.00
Ikea Alexandra	Nex Shopping Mall	14.90	18.90	20.50	25.40	23.34	22.20	17.10	27.30	26.70	32.20	34.30	27.70	20.50 - 23.50	23.00 - 26.50	23.50 - 27.00	24.50 - 28.00
Northpoint City	USS	23.50	32.00	26.70	26.70	45.44	31.30	23.10	45.40	47.50	38.60	52.00	39.70	33.00 - 38.00	34.50 - 39.50	35.50 - 41.00	37.00 - 42.50
NUH Medical Centre	Waterway Point	21.50	33.50	33.30	36.60	33.73	35.00	36.60	44.40	49.60	49.90	51.30	42.70	32.50 - 37.00	36.00 - 41.50	35.50 - 41.00	36.50 - 42.00
Average		**20.10**	**23.11**	**21.57**	**24.43**	**26.05**	**24.93**	**20.77**	**25.13**	**27.95**	**28.76**	**32.83**	**27.68**	**26.33**	**28.20**	**30.08**	**29.65**

SOURCES: CGS-CIMB RESEARCH, INDIVIDUAL COMPANIY APPS

Figure 37: In-app feature comparison

	Grab	Gojek	Ryde	Tada	ComfortDelgro
Private car and/or taxi option	Yes	Yes	Yes	Yes	Yes
Street hail option	No	No	No	No	Yes
6-seater option	Yes	Yes	Yes	Yes	Yes
Luxury option	Yes	Yes	Yes	Yes	Yes
Kid-friendly option	Yes	No	No	Yes	Yes
Mobility friendly option	Yes	No	No	No	Yes
Pet friendly option	Yes	No	Yes	No	No
Coach rental	Yes	No	No	No	No
Car pooling	Yes	No	Yes	No	No
Driver hire	Yes	No	Yes	No	No
Advanced booking	Yes	No	Yes	No	Yes
Multiple locations	Yes	Yes	Yes	Yes	Yes
Pick-up notes to drivers	Yes	Yes	Yes	Yes	Yes
Emergency contacts	Yes	No	No	No	No
Priority matching option	Yes	No	Yes	Yes	No
Payment options	Cash, GrabPay, Paypal, Bank account, Credit or debit card	Cash, GoPay, PayLah, Credit or debit card	Cash, RydePay, Credit or debit card, Bitcoin	NETS, Bank account, Credit or debit card	Cash, NETS, Cabcharge, Credit or debit card, PayLah
Ride insurance	Yes	Yes	No	No	Yes
Rewards/loyalty program	Yes	No	Yes	Yes	Yes
Other features	Food delivery, Grocery delivery, Parcel delivery, Attractions and hotel booking etc.	N/A	Parcel delivery	Grocery delivery	No
Business profile	Yes	No	Yes	Yes	No

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 38: Fare model comparison (Singapore) as at end July 2022

	Grab (JustGrab)	Gojek (GoCar)	ComfortDelgro (Metered)	ComfortDelgro (Fixed fee via booking app)
Base fare	S$3.50	S$3.20	S$3.90	S$2.80
Per km fare	S$0.50	S$0.65	S$0.24 (for every 400m thereafter or less up to 10km, every 350m thereeafter or less after 10jm)	S$0.50
Per minute rate	S$0.16	na	S$0.24 (for every 45 seconds of waiting time)	S$0.15
Dynamic pricing	Adjust according to market demand and supply	Adjust according to market demand and supply	na	Adjust according to market demand and supply
Surcharges	na	na	For peak periods, late night and certain areas	S$5 for additional stop/distance travelled for 5km thereafter or less
Platform/admin fee	S$0.30	S$0.70	For cashless payments made via physical terminal, admin fee ranges from S$0.30 to 10% of total metered fare	na
Commission charged to drivers	Up to 20%	Up to 10%	na	na

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Comparing driver incentives in Singapore, Grab has scaled back its incentive bonuses for drivers since its merger with Uber in 2018 given its strong market share position. Back in 2018, Grab was giving out generous benefits including:

- Hourly Guarantee: Up to $33 per hour guaranteed if drivers achieve a certain number of trips during peak hours.
- Average Fare Guarantee: A base fare of $12 per trip guaranteed after a driver achieves a minimum number of trips per week.
- Total Fare Guarantee: Guaranteed minimum fare after reaching a set number of trips during peak hours.

Currently, Grab is only offering a significantly scaled down performance rebate scheme, the “Grab Streak Bonus” (effective since Jan 2022). Depending on the number of trips completed within the month (and monthly streaks which are determined by the number of trips completed over past months), drivers are able to enjoy commission rebates on trips completed.

Figure 39: Earnings guarantee for drivers (expired Sep 2019)

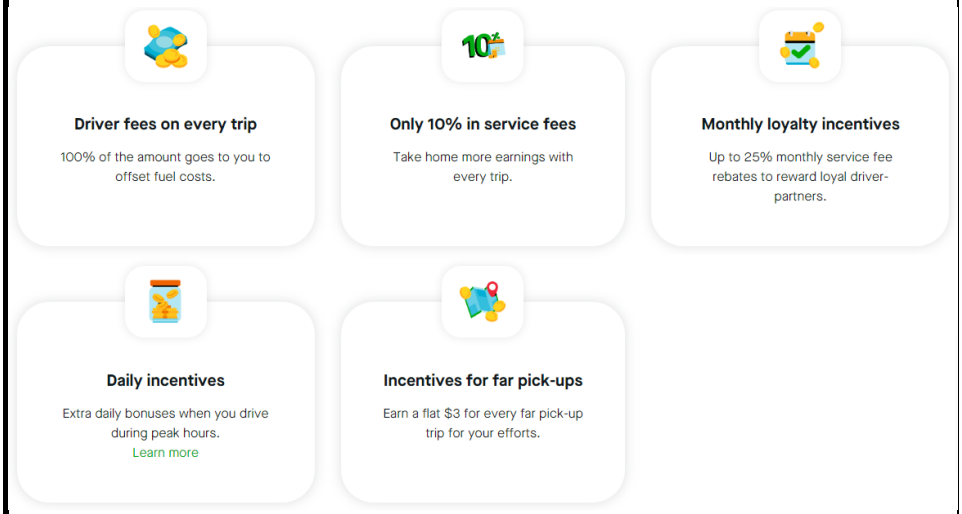
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 40: Latest performance rebate programme (Grab Streak Bonus, effective Jan 2022)

Trip Tier	0-199	200-399	400-599	600-700	701 onwards
Streak 1	Not Eligible	25%	30%	35%	50%
Streak 2		30%	35%	40%	60%
Streak 3		35%	40%	45%	70%
Streak 4		40%	45%	50%	80%
Streak 5		45%	50%	55%	90%
Streak 6		45%	50%	60%	100%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 41: Latest Gojek driver incentive programme in Singapore (launched Jun 2021)



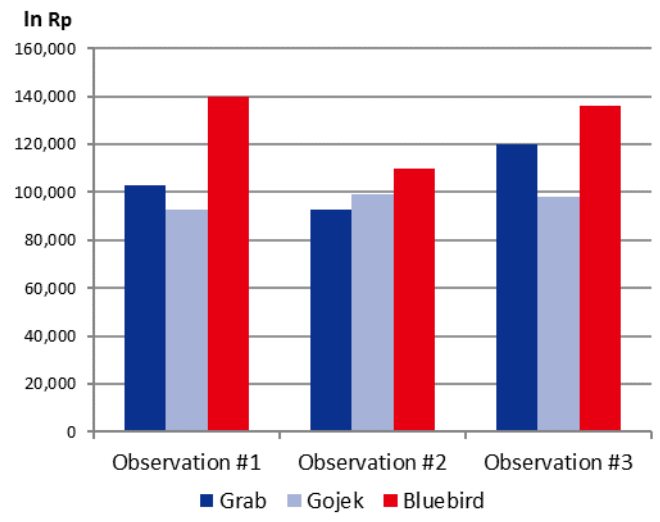
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Case study: Indonesia

In terms of market share in Indonesia specifically, we believe that Gojek and Grab are neck and neck, with each company claiming to be the market leader in Indonesia. According to consumer data provider Measureable AI, Gojek had 45% market share vs. Grab's 55% market share (in terms of value) in 2021. Another third-party research provider RedSeer mentioned that Grab has the second-largest market share after Gojek, based on gross transaction value (GTV).

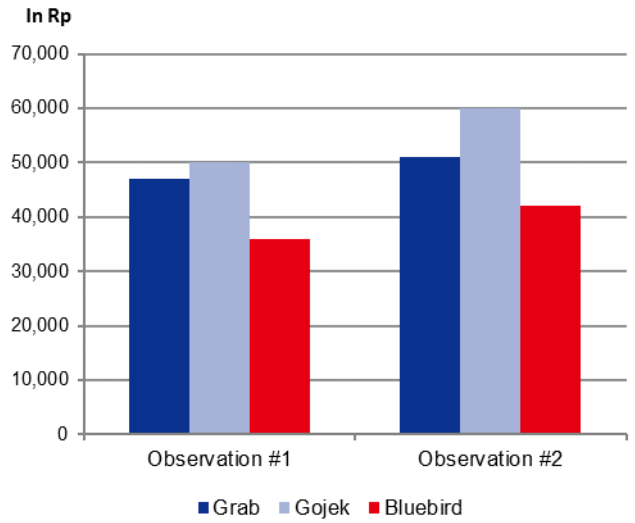
Our channel checks show that Gojek and Grab fares are higher than the conventional taxi operator, Blue Bird (Figs 44-45) for <5km trips, but are more affordable for longer trips (>5km). We believe the fare discrepancy is caused by Gojek's and Grab's algorithms, which often impose a fare surcharge during peak hours, unlike Blue Bird.

Figure 42: Gojek 4W fare for >5km distance – as of 22 May 2022



SOURCES: CGS-CIMB RESEARCH, GRAB, GOJEK, BLUE BIRD

Figure 43: Gojek 4W fare for <5km distance – as of 22 May 2022



SOURCES: CGS-CIMB RESEARCH, GRAB, GOJEK, BLUE BIRD

Figure 44: 2W-4W fare comparison between Grab, Gojek and Blue Bird in May 22

In Rupiah/Trip		Grab		Gojek		Blue Bird
Greater Jakarta Area		**2W**	**4W**	**2W**	**4W**	**4W**
Weekday Morning 8am						
Mall Kelapa Gading	Pacific Century Place	57,000	103,000	55,000	93,000	140,000
Sudirman Station	Indonesia Stock Exchange	19,000	47,000	27,000	50,000	36,000
Tokopedia Tower	Tebet Station	21,000	51,000	27,000	60,000	42,000
Pondok Indah Mall	Margo City Depok	60,000	93,000	61,000	99,000	110,000
Gandaria City	The Breeze BSD	79,000	120,000	81,000	98,000	136,000
Weekday Afternoon 12pm						
Mall Kelapa Gading	Pacific Century Place	54,000	88,000	54,000	75,000	102,000
Sudirman Station	Indonesia Stock Exchange	19,000	36,000	18,000	38,000	36,000
Tokopedia Tower	Tebet Station	19,000	33,000	25,000	54,000	58,000
Pondok Indah Mall	Margo City Depok	60,000	82,000	58,000	81,000	110,000
Gandaria City	The Breeze BSD	77,000	109,000	102,000	99,000	136,000
Weekday Afternoon 5pm						
Mall Kelapa Gading	Pacific Century Place	46,000	82,000	54,000	87,000	109,000
Sudirman Station	Indonesia Stock Exchange	18,000	40,000	20,000	59,000	35,000
Tokopedia Tower	Tebet Station	14,000	43,000	32,000	88,000	58,000
Pondok Indah Mall	Margo City Depok	51,000	82,000	56,000	101,000	110,000
Gandaria City	The Breeze BSD	66,000	107,000	75,000	147,000	133,000

SOURCES: CGS-CIMB RESEARCH, GRAB, GOJEK, BLUE BIRD

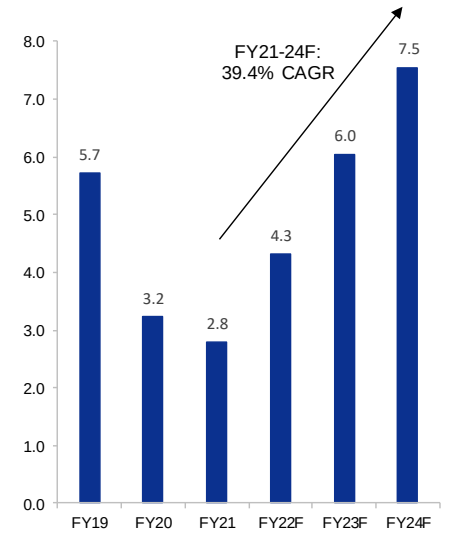
Segment performance

Grab's mobility division suffered in FY20 and FY21 due to Covid-19. As a result, its GMV declined more than 40% to US$3.2bn in FY20, and saw further decline to US$2.8bn (-13.8% yoy) in FY21. Nevertheless, despite the macro challenges, Grab was able to significantly raise its gross take rate — from 12% in FY19 to 21% in FY21, through the implementation of platform fees across more markets. Net take rate also rose from 0.2% in FY19 to 16.4% in FY21, mainly driven by a sharp reduction in incentives and discounts, which started post its merger with Uber in Mar 2018, and further escalated during the pandemic years. As of FY21, Grab's mobility segment adjusted EBITDA was 12.4% of GMV, which we think is a sustainable margin for the longer term.

During its 1Q22 results announcement, Grab highlighted that it has seen signs of recovery coming especially from countries like Singapore, Indonesia and the Philippines, which were among the first few to loosen Covid-19-related restrictions in the region this year (amid Omicron impact). With mobility demand rebounding sharply, there was a supply gap, as driver supplies declined over the past 2 years due to the pandemic. With mobility segment recovering from the depth of Covid-19, we forecast segment GMV to rebound strongly by 55% yoy in FY22F, and show a 3-year CAGR of 39% during FY21-24F.

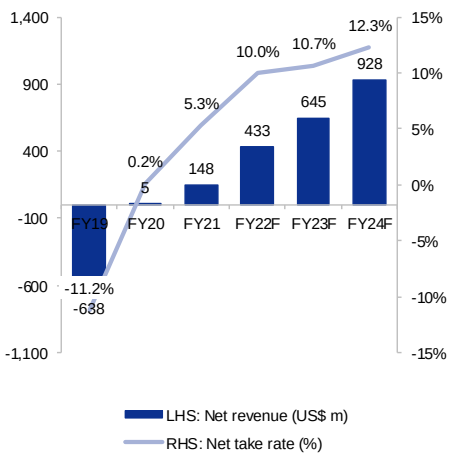
While segment margins have been impacted in the near term (from 3Q21 to 1Q22), we attribute this to 1) Gojek's aggressive entry into the Singapore market, and 2) higher driver incentives with economy reopening to boost driver supply recovery. We believe margins should show sequential improvement trends from 2Q22 onwards, with our channel checks showing easing fare competition, and driver supplies likely returning to more normalised levels by end-1H22.

Figure 45: Mobility segment GMV (US$ bn)



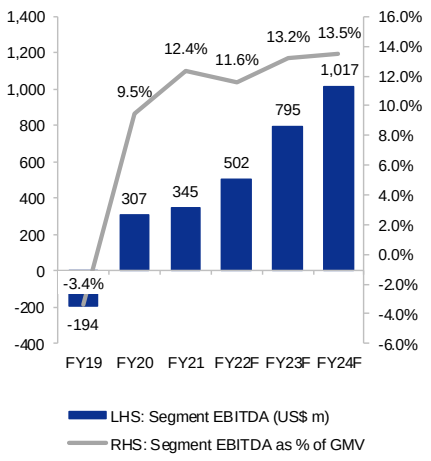
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 46: Mobility segment net revenue and take rate (%)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 47: Mobility segment EBITDA



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Across peers, there are generally two methods how ride-hailing companies recognise revenues: 1) gross basis, and 2) net basis. Gross basis is typically used when the ride-hailing platform acts as the principal in providing mobility services to consumers; while net basis is typically used when the platform acts as an agent by facilitating driver-partners providing services to consumers. Figure 50 below illustrates the economics of a typical ride for Grab:

Figure 48: Grab recognises revenues on a net basis for its mobility segment

Consumer

Cost of Ride	$13.00
Tolls and Other Fees	$0.80
Grab Platform Fee	$0.20
GMV (Total before incentives)	**$14.00**
Consumer Incentives	$(1.00)
Consumer pays	**$13.00**

Driver-Partner

GMV (Total before incentives)	**$14.00**
including Grab Platform Fee	*$0.20*
including Consumer Incentives	*$1.00*
Commissions	**$(2.60)**
Driver-Partner Incentives	$1.00
Driver-Partner Receives	**$12.40**

Grab

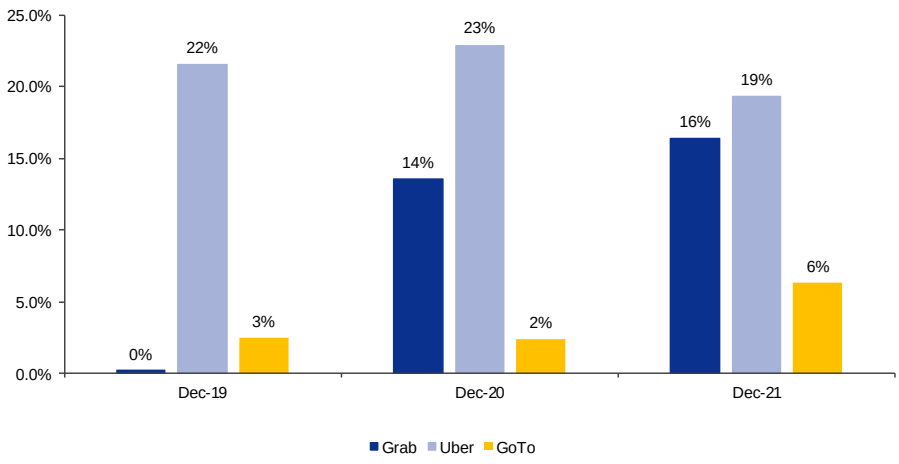
GMV (Total before incentives)	**$14.00**
Commissions	**$2.60**
Driver-Partner Incentives	$(1.00)
Consumer Incentives	$(1.00)
Revenue	**$0.60**

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Operational and financial metrics vs. peers »

While Uber's ride-hailing net take rate is higher vs. peers, we noticed that Grab has been rapidly shrinking its incentives levels provided over the past 3 years, resulting in a significant ramp-up in take rate vs. peers. Note that the take rate in the figure below is computed using GAAP revenue divided by Gross Bookings; in this regard GAAP revenue recognition for Grab and Uber differs slightly. More on this on Figure 122 below.

Figure 49: Comparing ride-hailing net take rate vs. peers



*GoTo's take rate reflected here is the take-rate for the on-demand segment (includes both Mobility and Deliveries)

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

In terms of profitability, on a segment-specific basis, Grab looks to be recording the highest EBITDA profile across peers. As of FY21, Grab's mobility segment adjusted EBITDA of S$345m represented 12.4% of GMV. This compares to

Uber's mobility segment adjusted EBITDA at 3.9% of its gross bookings (FY21). Grab longer term guidance for the mobility segment is to achieve an adjusted EBITDA-to-GMV ratio of 12% (a feat that it has already achieved in FY21), higher than Uber's longer-term target of 11.3%.

On a company basis, online ride-hailing peers have not yet established a strong profit track record. Didi Global (DIDI US, Not Rated), the market leader in China's ride-hailing industry, recently achieved profitability in 1Q21 (net income attributable to ordinary shareholders of Rmb196m). Didi's losses in FY19 and FY20 could be mainly attributable to its investments in "other initiatives", which include bike and e-bike sharing, auto solutions, intra-city freight, and autonomous driving, etc. Nevertheless, Didi is still the only online ride-hailing player which has achieved positive operating cash flow — the company has been recording a positive operating cash flow on an annual basis since 2019.

Deliveries

The deliveries segment is a relatively newer segment (established in early-2016 when Grab diversified into food delivery), which has seen a rapid 70.1% CAGR for its GMV between FY19 and FY21, driven by sustained growth in food delivery (benefiting from Covid-related restrictions), a ramp-up in its grocery delivery business, as well as growth in its parcel delivery business, which has benefitted from the strong growth of e-commerce in Southeast Asia.

Despite being a late entrant, Grab is now the largest food delivery company in Southeast Asia with a c.49% market share in terms of GMV. Foodpanda stands at second place with a c.22% market share, Gojek has 13% market share, while LineMan and ShopeeFood each have a c.5% market share, according to Momentum Works, a venture builder.

While we expect GMV growth for the food delivery segment to decelerate in FY22 due to post-Covid normalisation, we believe FY22 will be a year of quality revenue growth for food delivery players, balanced with GMV growth, higher take rates and lower incentives. Our channel checks suggest that the competitive landscape for food delivery verticals in Indonesia (where ShopeeFood's aggressive push into the market in 2021 intensified competition) has started to ease starting 1Q22. While ShopeeFood entered new markets (Malaysia, Thailand) in 4Q21, both markets are relatively smaller compared to Indonesia, hence we do not expect this to derail the trend of path to profitability for food delivery players across the region. We also note that ShopeeFood has seen some layoffs in Jun 2022, which could signal scaled-back ambitions for some of the newer market initiatives.

The easing competition has helped GoTo achieve a positive contribution margin for its on-demand services in the Indonesia market in Feb and Mar 2022. During its 1Q22 earnings call, GoTo said it will continue to focus on incentive rationalisation, with the rollout of a spending cap on its on-demand services (food delivery, mobility), as well as eliminating spend on cohorts of profitable users. According to management, these initiatives will help to significantly narrow incentives per order for on-demand services and help drive sequential improvement of contribution margins.

The improvement in the competitive landscape is visible in Grab's 1Q22 financial results. In 1Q22, Grab's deliveries segment's revenue expanded as a percentage of GMV to 3.6% (+3.6% pts qoq, +0.5% pt yoy), a strong reversal from the past four quarters' declining trend. We expect the profitability profile for Grab's food delivery segment to further improve in the coming quarters. Grab publicly guided during its 4Q21 results briefing that it expects core food deliveries to achieve adj. EBITDA breakeven by 1H23F, and for the deliveries segment to achieve segment adj. EBITDA breakeven by end-FY23F.

Product offerings

Under this segment, the food ordering and delivery service (GrabFood, which offers on-demand delivery, scheduled deliveries and pick-up orders) is currently the main revenue contributor, making up c.90% of the segment's topline in FY20, according to management. Aside from food delivery, Grab also sees opportunities in its grocery delivery business (GrabMart), as well as parcel delivery (GrabExpress).

Figure 50: Service offerings under GrabFood

	GrabFood Delivery	Self Pick-up	Grab Online Shop
	Service Fee up to **30%** Service Fee subject to discussion. End-to-end food delivery platform.	All New Rate **15%** Convenience for takeaway via digital channel.	SME Service Fee 2021 **0%** (10% for non-SME) Your own branded online shop, integrated with Grab services.
Platform Marketing Demand Generation	✓	✓ Nearby Merchant Discoverability	
Digital Menu Hostings & Updates	✓	✓	✓
Delivery / Fulfillment	✓		✓ By GrabExpress; Delivery
Customer Service, Disputes & Live Support	✓	✓	✓
Payment & Loyalty Points	✓	✓	✓

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Grab is continuing to build upon its last-mile distribution infrastructure, with the eventual goal of building the largest and most efficient on-demand delivery network for Southeast Asia, in order to tap into the future of e-commerce, which is same-day, instant delivery.

GrabMart. GrabMart is an on-demand grocery delivery service offered by Grab. Consumers can buy groceries, packaged food, healthcare products, etc, via the Grab app and have it delivered within an hour. This initiative serves as an entrance by Grab into the e-commerce industry, which has large TAM potential. In some countries such as Singapore, Malaysia and Indonesia, Grab also operates GrabSupermarket and GrabMart Daily, which enable the delivery of a wide range of fresh produce and household products from dark stores that it operates. In Jan 2022, Grab also completed the acquisition of a majority economic interest in Jaya Grocer, which operates over 40 supermarkets in Malaysia.

GrabExpress. GrabExpress is an on-demand delivery service that helps consumers send items such as documents and parcels. Consumers can choose between instant or same-day delivery services. Currently, it is one of the main growth verticals in Indonesia, as e-commerce last-mile deliveries are made more accessible through this service.

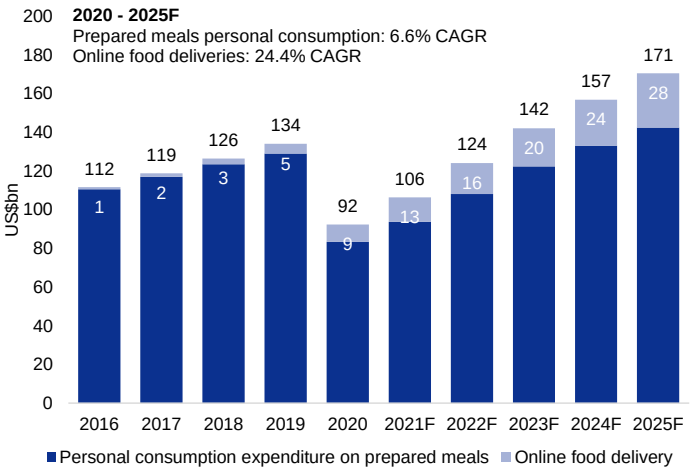
GrabKitchen. Offers centralised food preparation facilities. First introduced in Jakarta in 2018, GrabKitchen has expanded to over 80 cloud kitchens throughout Southeast Asia as of 1Q21. F&B operators can partner with GrabKitchen to expand their operations to grow their business more efficiently, at lower capital cost. Consumers ordering from GrabKitchen can also enjoy more variety of food through “mix and match” orders from over 10 brands, while paying just one delivery fee.

GrabKios. Offered in Indonesia, GrabKios acts as an offline channel to sell digital goods, including mobile airtime credits, bill payment services and e-commerce purchasing services. Grab is currently focusing on expanding its digital goods and financial services offerings, by facilitating services such as mobile top-ups, driver-partner top-ups, bill payments, domestic money remittances and insurance products, through the consumer and driver-partner super apps and GrabKios agents.

Industry landscape in Southeast Asia (food delivery) »

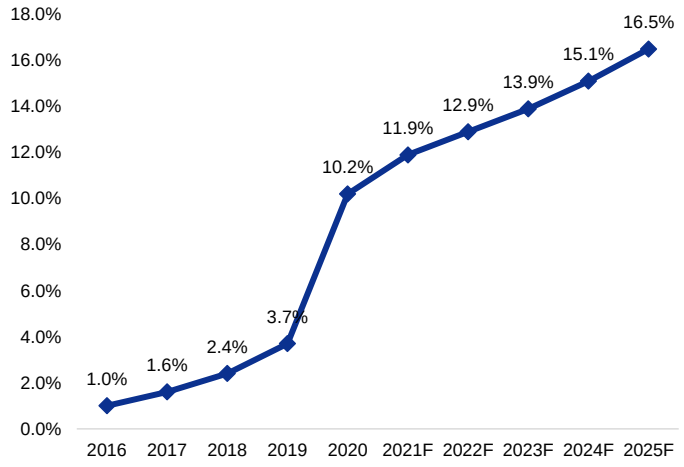
According to Euromonitor, Southeast Asia's online food delivery market is set to deliver a CAGR of 24.4% between 2020 and 2025F to reach US$28.1bn. This growth will be supported by: 1) rising urbanisation rates, 2) growing disposal incomes and evolving consumer lifestyles to outsource cooking, and 3) increasing adoption of an omni-channel presence by merchants to build their online sales. As of 2020, Euromonitor estimates the penetration rate of online food delivery in Southeast Asia at 10.2% (lagging behind that of China and the US's 21%) and expects it to rise to 16.5% by 2025F.

Figure 51: Total personal consumption expenditure on prepared meals and online food delivery market value in Southeast Asia



SOURCES: CGS-CIMB RESEARCH, EUROMONITOR

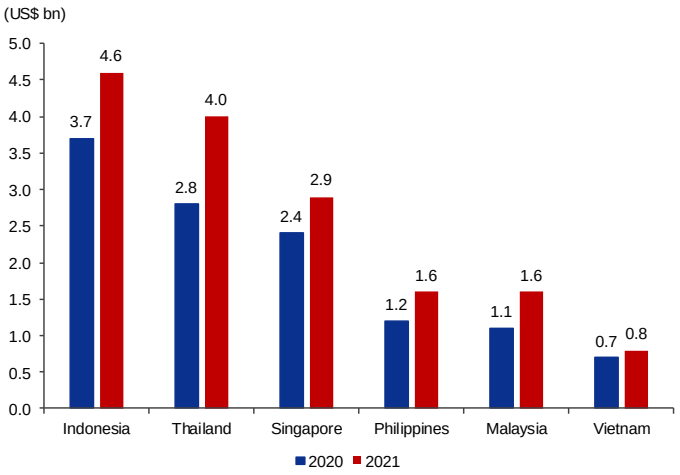
Figure 52: Penetration rate of online food delivery in Southeast Asia



SOURCES: CGS-CIMB RESEARCH, EUROMONITOR

Momentum Works estimated that in Southeast Asia, Indonesia was the biggest market for online food delivery, with a GMV of US$4.6bn in 2021, above Thailand's US$4.0bn, Singapore's US$2.9bn and the Philippines' US$1.6bn. The e-Conomy report by Google, Temasek and Bain & Co suggests that by 2025F, Indonesia is expected to remain the largest market for online food delivery and transport, but Thailand is highlighted as having the strongest growth potential, with a 45% CAGR from 2020 to 2025F.

Figure 53: Food delivery GMV by country



SOURCES: CGS-CIMB RESEARCH, MOMENTUM WORKS

Figure 54: Estimated market share of food delivery players across countries

Indonesia	2020	2021
Grab	53%	49%
Gojek	47%	43%
ShopeeFood	na	8%

Thailand	2020	2021
Grab	50%	47%
Foodpanda	23%	22%
LineMan	20%	22%
Robinhood	na	5%
ShopeeFood	na	3%
Airasia Food (acquired Gojek TH)	7%	1%

Singapore	2020	2021
Grab	42%	54%
Foodpanda	34%	34%
Deliveroo	24%	12%

Philippines	2020	2021
Grab	56%	52%
Foodpanda	44%	48%

Malaysia	2020	2021
Grab	52%	49%
Foodpanda	48%	48%
ShopeeFood	na	3%

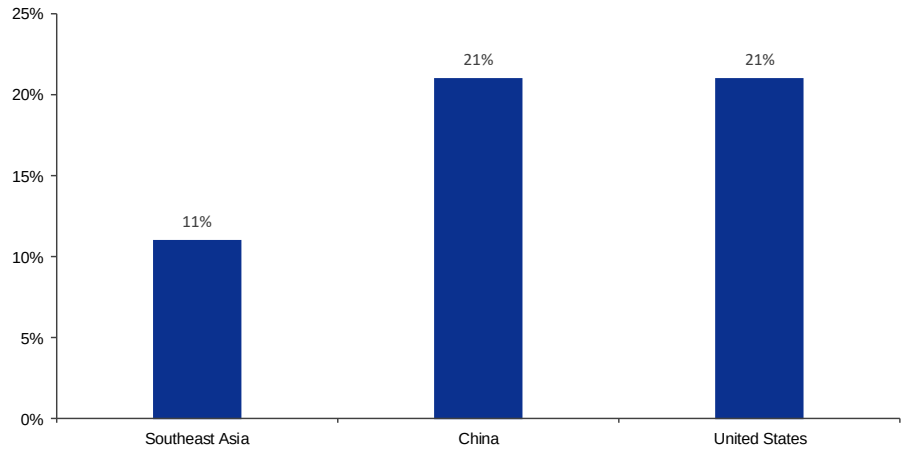
Vietnam	2020	2021
ShopeeFood (previously Now)	42%	41%
Grab	40%	41%
Baemin	9%	15%
Gojek	9%	3%

*Estimates does not include food delivery orders not placed through platforms above, including smaller platforms which occupy less than 5% market share

SOURCES: CGS-CIMB RESEARCH, MOMENTUM WORKS

The online food delivery market in Southeast Asia is in fairly early stages of scale-up. According to Euromonitor, the percentage of consumer foodservice that is ordered online in Southeast Asia averaged 10.2% in 2020, lagging China's 21% and the US's 21%.

Figure 55: Penetration rate of online food delivery (2020)



SOURCES: CGS-CIMB RESEARCH, EUROMONITOR

Key competitors of the online food delivery market within the Southeast Asia region include international brands, such as Foodpanda (DHER GR, Not Rated) and Deliveroo (ROO LN, Not Rated), as well as regional rivals, such as Gojek (Unlisted), ShopeeFood (SE US, Add, TP: US$150, CP: US$77), and LINE Man

(backed by Line Corp, 3938 JP, Not Rated). Grab has a leading market share position in five out of six of the key countries in Southeast Asia (Singapore, Malaysia, Philippines, Thailand and Indonesia), while ranking neck-to-neck with ShopeeFood in Vietnam, according to Momentum Works.

Figure 56: Competitive landscape of the online food delivery industry in Southeast Asia (2021)

	Grab	foodpanda	gojek	ShopeeFood	LINEMAN
Presence	ID, PH, VN, TH, MY, SG, MM Southeast Asia-focused	PH, TH, MY, SG, LA, MM, KH Global markets	ID, VN Primarily in Indonesia	ID, VN, TH, MY Southeast Asia-focused	TH Thailand-focused
Other business areas	Mobility; Payment; Financial services; Groceries & other deliveries; Enterprise	Groceries delivery (expanding into 'quick commerce')	Mobility; Payment; Financial services; Groceries & other deliveries; Ecommerce (Under GoTo group)	Digital entertainment; Ecommerce (including groceries); payment; Financial services	Social / messaging (LINE); Online reviews; Payment; taxi & other local services
Group strategy	Superapp: multi-vertical, regional-focused strategy - low acquisition cost, high retention; Mobility is dominant & profitable, focuses on growing merchant services and deliveries including food, market and supermarket	Deep focus on the ecosystem around food to offer more value to consumers and merchants; Pioneering the 'quick commerce' concept	Secure & maintain strong footing in Indonesia (largest market in Southeast Asia); Superapp approach; Build synergies with Tokopedia, C2C ecommerce platform it merged with in 2021	Leverage large user base and transactional infrastructure built through ecommerce; food delivery (and later groceries) seen as complementary to the broad ecommerce platform.	Synergy between LINE MAN (delivery) with Wongnai (restaurant reviews) and leverage on LINE's dominance in social/chat in Thailand; Akin to WeChat-Meituan-Dianping synergies in China;
Food delivery approach	Mass market service with differentiated offerings[1]; Rationalise to improve profitability	Aim strong / long tail city coverage; Promotion strategy to educate market[2] Rationalise to improve profitability	Focus on growing order value[3] Rationalise to improve profitability	Focus on growing order volume rather than order value; Promotion strategy	Conversion of LINE user base; Long tail merchants, very local[4]
Strengths	Lower user and partner acquisition cost - can tap into shared mobility fleet / customer base across ride hailing, food, express (and increasingly mart); Local leadership with strong product & operational localisation in each country; Strong relationship with local governments; Public company with strong cash position ($5.2B cash liquidity)	International expertise from Delivery Hero group, with decentralised, empowered local team for fast execution; focused on food without competing priorities in the group; Access to public market funding (listed in Frankfurt); First mover in unexplored markets (e.g.: Cambodia, Laos and Myanmar).	Focused on Indonesia without competing regional priorities - can deploy product and operational resources in more targeted manner; Shared mobility fleet / customers between ride hailing, food, express; Potential synergies with Tokopedia, 2nd largest ecommerce player in Indonesia which Gojek merged with in 2021.	Only expanding in 2021 but have accumulated food delivery experience from Foodie / Now in Vietnam since 2017; Public company (largest market cap); raised more than $6b cash in 2021; Strong, aggressive execution in competitive markets often as latecomer - and track record of copying proven models from China.	Strong focus on Thailand, with direct access to a very large pool of consumers and merchants (for conversion); Convenient and cheaper user acquisition through parent LINE (dominant social app in TH >50 million active users); Strong connection with local restaurants (Wongnai has accumulated big merchant base over 10+ years).
Challenges	Manage growth and scale under multi-country environment in hyperlocal approach; Balance the product, technology and data needs of different business units under a super app.	Pure play approach at risk of sustaining losses against multi-vertical players, which can derive profits and spread investments across many streams; Allocation of people & resources as a global group	Allocate resources and defend Indonesia market (in both food and ecommerce); To go public and raise capital; allocate capital well and realise the synergy between Gojek and Tokopedia.	Focus and resource allocation on food delivery, relative to other segment (e.g.: ecommerce); Manage increasingly complex business across multiple continents (Asia, Europe, Latin America etc.).	Thailand is a very competitive market; need to figure out how to effectively manage strategy and operations to deliver the synergies akin to WeChat - Meituan - Dianping in China in a market where much is different

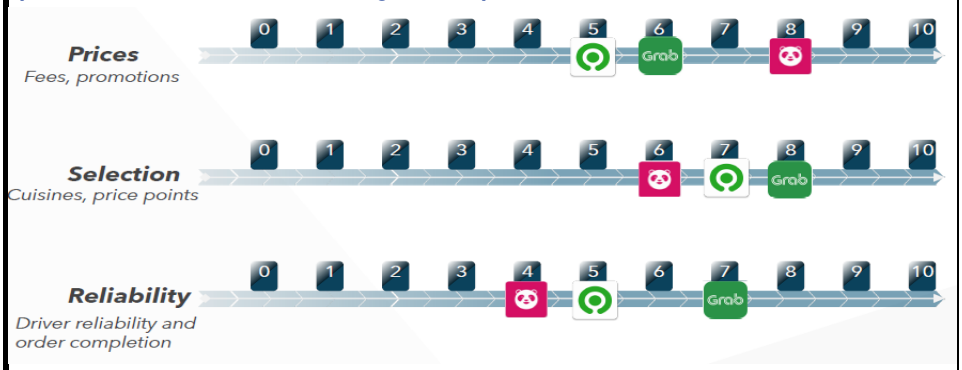
SOURCES: CGS-CIMB RESEARCH, MOMENTUM WORKS

According to a consumer study done by Momentum Works, the key differentiation across food delivery platforms is concentrated on four factors:

1) Selection of restaurants and menu items,
2) Fulfilment speed,
3) Quality of food and reliability of fulfilment, and
4) Prices.

Momentum Works concluded that for a food delivery platform to remain sticky, it needs to consistently perform better than its competitors in at least two of the four factors above (not practical to outperform in all aspects, as it will lead to an unsustainable cost structure). Based on Momentum Work's ranking, Grab is a leading regional player in both: 1) selection, as well as 2) reliability.

Figure 57: Dimensions of service experience and quality of food delivery platforms (ranked from 0 to 10, with 10 being the best)



Note: Based on information collected from publicly available sources and customer feedback

SOURCES: CGS-CIMB RESEARCH, MOMENTUM WORKS

As an extension to online food delivery, Euromonitor also views online grocery delivery markets as a beneficiary of the shift in consumer lifestyle. Euromonitor estimates that the online grocery delivery market would grow at a CAGR of 23.8% over 2020-2025F to US$11.9bn, with a penetration rate of 2.5%. Cloud kitchens could also rise as they provide a cost-efficient and effective way for food merchants and restaurants to create a digital storefront and expand their kitchen space, allowing them to grow their business at a lower cost.

The online grocery space is still in the nascent stage of development, and we observed that industry players are still experimenting the most effective business models for each city. Momentum Works has identified three key operating models on trial in Asia:

- **Integration of online and offline (through ownership of storefronts).** Shoppers can either order online for offline pick-up or delivery; or shop offline and have the goods delivered to the doorstep. In China, examples include Hema by the Alibaba Group, or 7Fresh by JD.com. Grab is also experimenting with this business model in Malaysia with the acquisition of Jaya Grocer in Jan 2022. This business model has high capital expenditure and operational costs. However, the offline stores are revenue/profit generating on a standalone basis and offers branding/exposure for the platforms.
- **1P business model (through ownership of inventory and warehouses).** Under this business model, platforms set up high density, small-sized warehouses in high-demand areas to ensure prompt delivery to customers. Platforms will need to have direct relationship with suppliers to obtain lower costs and better quality control. However, investments are needed to own inventories and real estates; this business model is inherently operationally demanding.
- **3P business model (marketplace business in partnership with third-party players).** This is the fastest and cheapest way to scale, given the lower capital expenditure required (no need to own inventory and operate warehouses). However, this business model would have structurally lower margins and requires higher purchase frequency and average order value to achieve positive unit economics.

Case study: Indonesia

GoFood (by Gojek) is the early mover in Indonesian food delivery services; it was first established in 2015. GrabFood (by Grab) followed in 2016. ShopeeFood (by SEA Group/Shopee) was introduced in May 20 but has gained traction of late due to heavy promotions.

According to Momentum Works, GrabFood led the food delivery services with a market share of c.49% in Indonesia in 2021, tailed by GoFood's c.43% and ShopeeFood's c.8%.

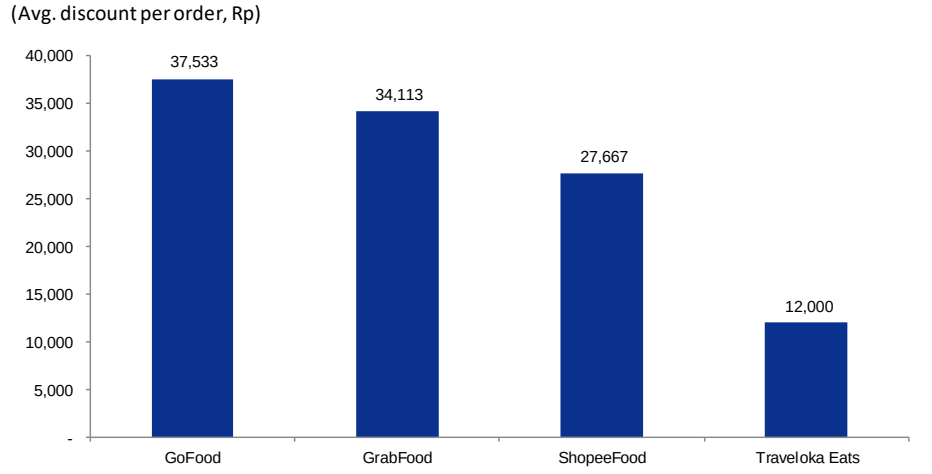
Our channel checks suggest that the competitive landscape for food delivery verticals in Indonesia has started to ease starting 1Q22. The easing competition has helped GoTo achieve a positive contribution margin for its on-demand services in the Indonesia market in Feb and Mar 2022. During its 1Q22 earnings call, GoTo said it will continue to focus on incentive rationalisation with the rollout of a spending cap on its on-demand services (food delivery, mobility), as well as eliminating spend on cohorts of profitable users. According to management, these initiatives will help to significantly narrow incentives per order for on-demand services and help drive sequential improvements of contribution margins.

The improvement in the competitive landscape is visible in Grab's 1Q22 financial results. In 1Q22, Grab's deliveries segment revenue expanded as a percentage of GMV to 3.6% (+3.6% pts qoq, +0.5% pts yoy), a strong reversal from the past four quarters' declining trend. We expect the profitability profile for Grab's food delivery segment to further improve in coming quarters. Grab publicly guided during its 4Q21 results briefing that it expects core food deliveries to achieve adj. EBITDA breakeven by 1H23F, and for the deliveries segment to achieve segment adj. EBITDA breakeven by end-FY23F.

While discounting in Indo has eased YTD in 2022, we believe that competition would remain strong in the medium-term and the path to profitability would be challenging for the market, given a lack of a sizeable gap in market share between the top two players. That being said, we note that there has been some form of competition rationalising, for example, Gojek's recent introduction of platform fees in Tier-2 and Tier-3 cities to drive monetisation.

Note: Average discount on 5 orders with order value of Rp100k, with the same menu, location, and time

Figure 58: Discounting for food deliveries still common in Indonesia, as of May 22



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 59: Comparison between GoFood, GrabFood and ShopeeFood

	GoFood	GrabFood	ShopeeFood
# of food merchants	>1mn (Jan-22)	na	>500 as of Oct-20
# of drivers	2.5mn	>5mn (2019)	>1mn (est. based on the number of download of 'ShopeeFood Driver' app in Google Play)
# of apps downloaded	>100mn (Google Play, Gojek in-app) >155mn users (as per gobiz website)	>100mn (Google Play, Grab in-app)	>100mn (Google Play, Shopee in-app)
GMV (2021)	SEA: US$2bn Indonesia: US$1.98bn	SEA: US$5.9bn Indonesia: US$1.96bn	SEA: US$900mn Indonesia: US$368mn
Partnership with food merchant	Yes - Super Partner: resto confirms item availability, get curated campaigns, resto starts cooking right away, food is delivered to customers faster, fixed menu prices and discounts - GoFood Partner: get a delivery discount, food promos, and up-to-date menu and prices.	Yes Preferred Merchants: restaurants that start preparing food once customers order and get curated campaigns.	Yes ShopeeFood Partner: gives their customers the benefit of purchase discounts, food is dlivered to customers faster, and free delivery with curated campaigns. Meanwhile, regular merchants can only offer free delivery promotions.
Delivery fee per km (Jakarta)	Min. Rp11,000, Rp4,000-5,200/km	Min. Rp11,000, Rp3,400-5,500/km	Rp1,500-3,000/km
Service and other fees	Rp3,000-4,000 per order	Rp2,000-Rp3,000 per order	Rp5,000 per order
Delivery time (our survey is based on 4km)	31 minutes	30 minutes	50 minutes
Price - well established merchant	Similar among peers	Similar among peers	Similar among peers
Area coverage	74 cities	32 big cities	11 cities
Commission fee charged from mechants as a % of each sales	20% + Rp1,000 and Rp800 per order for Greater Jakarta Area and outside Greater Jakarta Area, respectively.	30%	20%
% of delivery fee obtained by the drivers	100%	100%	80%
Payment method	Cash GoPay GOPayLater Credit or debit card (Visa, mastecard AMEX, JCB) LinkAja Jago Pockets	Cash Debit card OVO OVO Points LinkAja	Cash ShopeePay ShopeeCoin
Vehicle	Motorcycle	Motorcycle and car (for large quantities and only in 10 cities)	Motorcycle

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 60: Additional features among the three players – ShopeeFood has fewer features as it is relatively new

	GoFood	GrabFood	ShopeeFood
Near Me	Yes	Yes	Yes
Kitchen	Yes Dapur Bersama	Yes GrabFood Kitchen	No
Explore	Yes	Yes	Yes
Recommended items	Yes	Yes	Yes
Dishes on promotion	Yes	Yes	Yes
Category of restaurants	Yes	Yes	Yes
Self pick-up	Yes	Yes	No
Order again	Yes	Yes	Yes
Customized messages to drivers	Yes	Yes	No
Flash Sale	No	No	Yes

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 61: Promotional campaigns or subscription plans offered

	GoFood	GrabFood	ShopeeFood
Promotion	-Rp2,000 delivery discount More food rewards available, from up to Rp15,000 - Rp117,000 with min. order.	- Rp3,000 delivery discount More food rewards available such as: '- 10% discount up to Rp30,000 - 20% discount up to Rp20,000 - 35% discount up to Rp30,000 - 40% discount up to Rp60,000	- Free delivery up to Rp7,000; - 60% discount up to Rp23,000 with min. order of Rp40,000; - Buy one get one campaign for selected merchants.
Promotion package (subscription)	"Rp10,000-20,000 delivery discount for any craving" package: - Price at Rp19,900-Rp59,900 (valid for 14 days); - Rp15,000 off delivery on orders above Rp40,000; - applicable for 3 orders per day - applicable at GoFood Partners.	"Grab Unlimited" food benefits package by paying Rp1,000 every two weeks: - Delivery discount up to Rp10,000; - Valid for two weeks.	No

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 62: App interface and user experience compared

	GoFood	GrabFood	ShopeeFood
Methods to order	Via apps	Via apps and desktop	Via apps
Orders are made immediately for available drivers found for merchant partner	Yes	Yes	No
Pick-up	Yes	Yes	No
Menu category feature that directs customers to the food	Yes	Yes	Yes
Customized delivery time	No	Yes	No
Additional information	- Currently offers the most aggressive promotions compared to peers; - Super Partner merchants are more likely to be featured in the curated campaigns and front page; - Overall has compelete features though still lags behind GrabFood.	- Super Partner merchants are more likely to be featured in the curated campaigns and front page; - The only one that can place order through website and customized delivery time.	- Has many curated campaigns and the only one that has gimmick such as flash sale; - Has less merchant options compared to peers; - Longer delivery time as number of drivers are limited; - Customers can see how many times the food has been purchased and how many users liked the food.

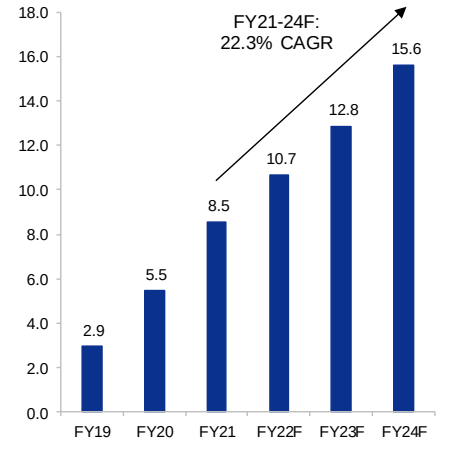
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Segment performance »

Grab has benefited from an acceleration of consumer adoption of online food delivery due to Covid-19. As a result, GMV rose 86% yoy to US$5.5bn in FY20, and by a further 56% yoy in FY21. Grab was also able to achieve a gross take rate increase to c.17% in FY21 (FY19: 9%), leveraging on strong demand and its market leadership position. With Covid tailwinds, net take rate also improved to 1.7% in FY21 (FY19: -21.6%), given the massively reduced incentives required to educate consumers.

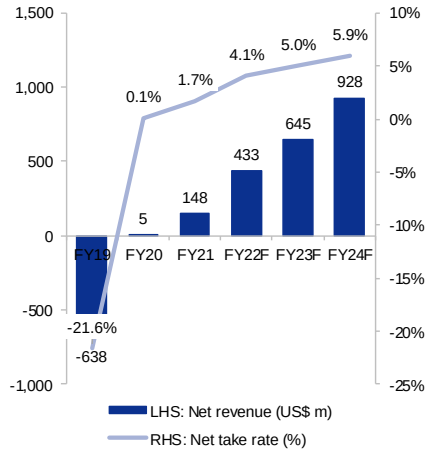
According to Grab, it has achieved positive deliveries segment EBITDA in four of its six core markets in FY21. Grab expects core food deliveries to achieve adj. EBITDA breakeven by 1H23F, and for the deliveries segment to achieve segment adj. EBITDA breakeven by end-2023F. In the steady state, Grab believes it can achieve an adj. EBITDA-to-GMV ratio of above 3%.

Figure 63: Deliveries segment GMV (US$ bn)



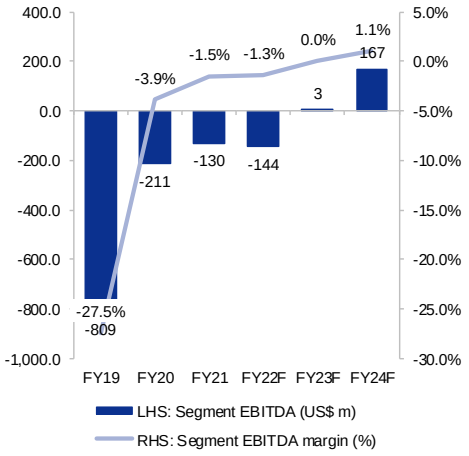
SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Figure 64: Deliveries segment net revenue and take rate (%)



SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

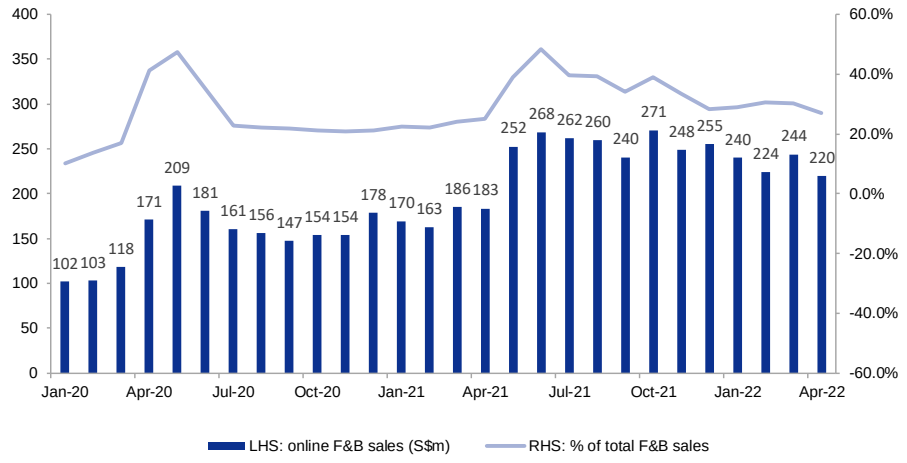
Figure 65: Deliveries segment EBITDA



SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Covid-19 brings structural changes to online food delivery consumption. The use of food delivery apps in Singapore has spiked since the onset of Covid-19 in early-CY20, as consumers increasingly prefer the convenience offered by such channels. Despite tapering off slightly post-lockdown, demand for online food delivery remains strong, at c.3x higher compared to pre-Covid-19 norms.

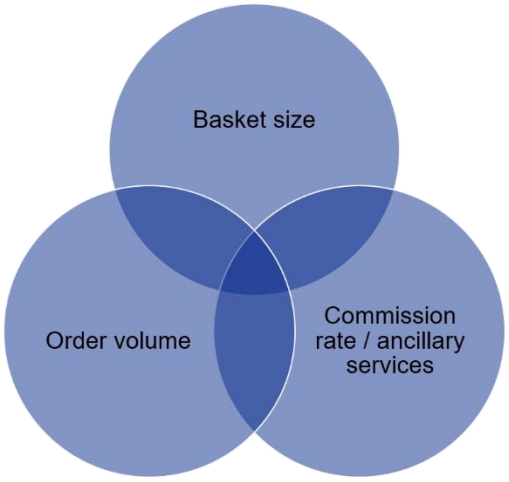
Figure 66: Online F&B sales are still at elevated levels



SOURCES: CGS-CIMB RESEARCH, SINGSTAT

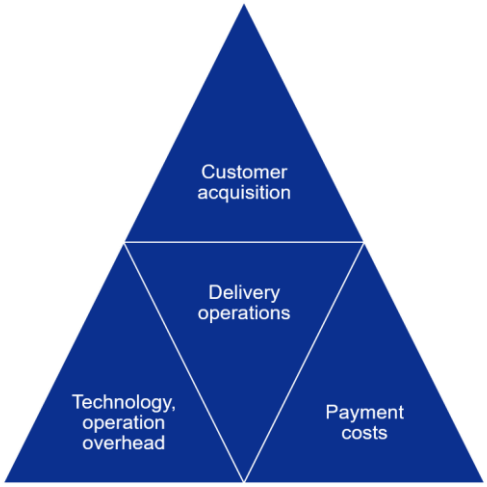
Key revenue drivers for its food delivery segment include: 1) order volume, 2) average basket size, and 3) commission rate. Grab has achieved a gross take rate of c.19% in 1Q22, which we think is sustainable in the long run. Looking ahead, we believe revenue growth drivers for food delivery will be: higher order volumes, higher average order values, and lower consumer incentives.

Figure 67: Revenue drivers for food delivery business



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

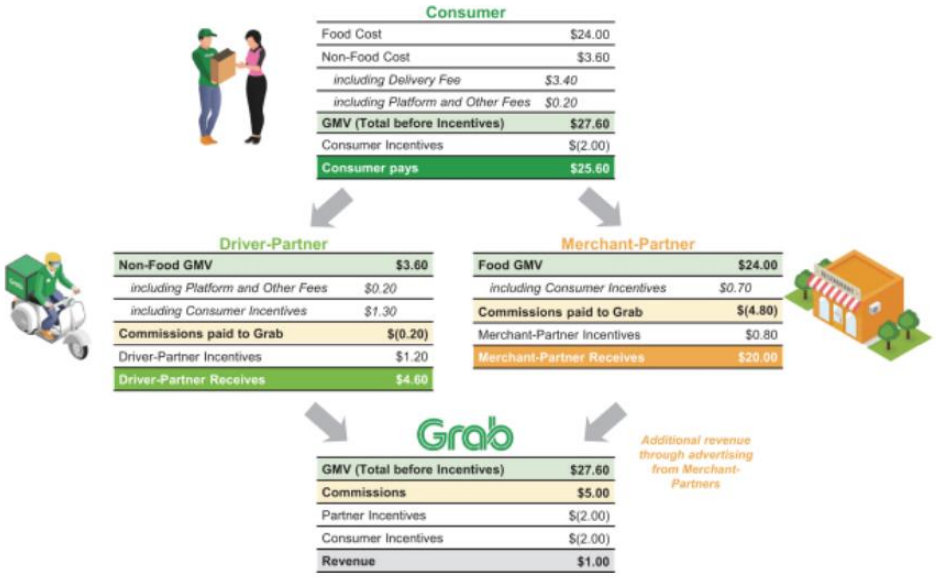
Figure 68: Cost drivers for food delivery business



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

According to Grab's website, the current average order value in Singapore is around S$15-20, while Grab charge merchants a 25%-30% commission on the order value for deliveries (the take rate for takeaways is lower).

Figure 69: Per unit economics for food delivery



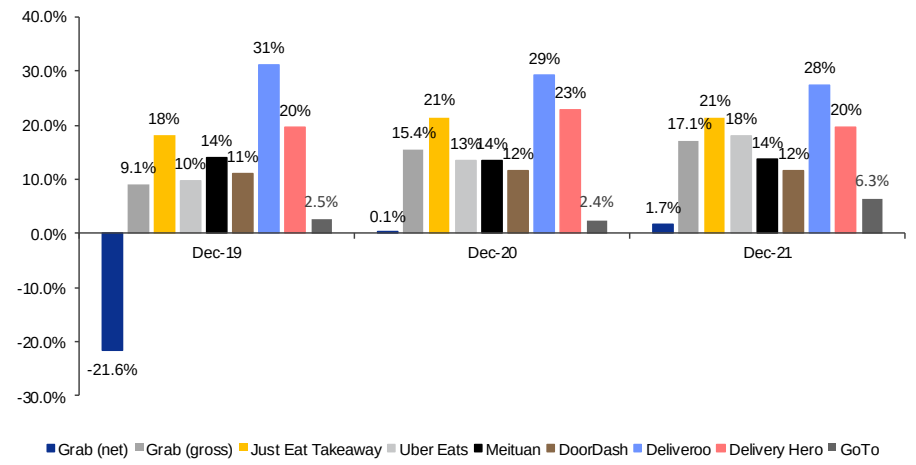
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

From the per unit economics above, we believe that the bulk of Grab's COGS is the delivery fees. Remaining key costs include: 1) customer acquisition costs, 2) technology and operation overheads, as well as 3) payment costs.

Operational and financial metrics vs. peers »

Comparing take rates across listed online food delivery peers, we note that there is an increasing trend over the past 2 years, reflecting the stronger pricing power due to the Covid-19 impact. Given Grab's different revenue recognition (more on this on Figure 122), we displayed both its gross take rate as well as net take rate in the figure below.

Figure 70: Comparing online food delivery take rate (net) vs. peers



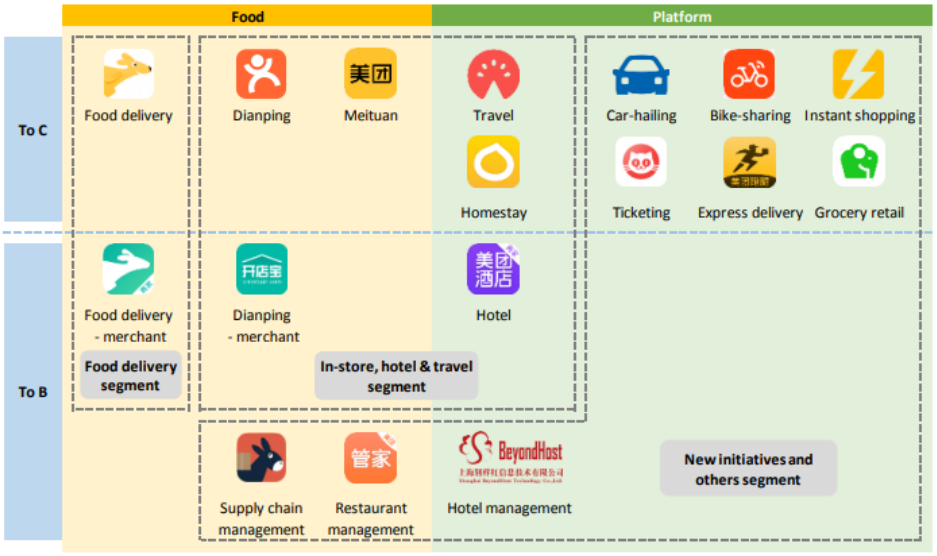
*GoTo's take rate reflected here is the take-rate for the on-demand segment (includes both Mobility and Deliveries)

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

In terms of profitability, looking at global peers, we note that many other online food delivery peers remain loss-making currently. We note that the online food delivery player that has managed to achieve profitability earliest was Meituan (3690 HK, Add, TP: HK$220, CP:HK$178), a Chinese super app. DoorDash achieved EBITDA profitability as of end-FY21; other food delivery peers have also similarly guided for path to profitability in the next 3 years.

Founded in 2010, Meituan is now a leading online-to-offline (O2O) platform in China, offering a "food + platform" ecosystem in the local lifestyle market, with its catering business as the core business to attract traffic volume, while its travel, local retail and B2B services form complementary services. As a leading local lifestyle platform, Meituan has plenty of cross-selling services. While its food delivery business has low margins (FY20: 4.3% operating margin), its high-frequency characteristic has brought significant traffic volume to Meituan's other businesses, allowing the platform to reap benefit from other higher margin categories, including its hotel booking business. Meituan has been profitable in both FY19 and FY20, despite heavy investment in new initiatives, recording net margins of 2.3% and 4.1% for both years, respectively.

Figure 71: Meituan's business structure and segments



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Nevertheless, Delivery Hero believes that food delivery is a profitable business model. The company has a long-term adj. EBITDA margin target of 5-8% of GMV, according to the company's latest 1Q22 company presentation. While Grab's longer-term target for Deliveries segment is to achieve adj. EBITDA as a % of GMV of c.3%, lower than some peers, management explained that this is mainly due to Grab separately accounting for the higher-margin advertising sales that could accompany food delivery services in a different operating segment (Enterprise and New Initiatives segment).

Inherently, we believe that food delivery is a low-margin business and is heavily dependent on scale (volume and density) to drive profitability. There is a strong network effect for food delivery, where more users attract more merchants and selections, which, in turn, attract more users. Market leaders will be able to continue growing at the lowest customer acquisition costs, arriving at better unit economics, which would drive profitability improvements.

Comparing the online food delivery players, we can roughly split them into two broad categories: 1) pure-play online food delivery players (e.g. Deliveroo, Foodpanda), and 2) super app strategy players (Grab, Gojek, Meituan). We believe the food delivery business fits well in a super-app model, given the ability for platforms to cross-sell across different services to the same customers and merchants, leveraging on the same delivery infrastructure. This allows super apps to be able to acquire customers at lower cost, retain customers, and turn profitable in a faster, more sustainable way compared to pure-play platforms.

Digital Financial Services

The DFS segment is a core part of Grab's offering and is used by its existing customer base to pay for Grab's services. Grab has also been actively growing its off-Grab payment channels in recent years, leveraging on its strong customer base across Southeast Asia. Growth in FY20 was slowed by Covid-19, which negatively impacted mobility segment GMV and lowered offline spending, resulting in Pre-Interco TPV growth of only 14% yoy. However, aided by the growth of the delivery segment, Pre-Interco TPV growth reaccelerated to 37% yoy in FY21. As of FY21, c.38% of the TPV was derived from off-Grab services.

The DFS landscape remains fragmented in Southeast Asia; nevertheless, we believe Grab is a leading player in the region, behind Sea Limited. According to Boku's 2021 mobile wallets report, Grab is especially successful in Malaysia (no. 1 market share at 38.3%) and Singapore (no. 1 market share at 35.3%).

We believe the fintech industry in Southeast Asia is entering an exciting growth phase and expect an accelerated rollout of non-payment financial services in coming years. We believe regional players' efforts over past years to drive adoption of e-wallets (akin to building up core infrastructures) have borne fruit, and players are now shifting gears to offer more credit services — Buy Now Pay Later (BNPL), merchant loans etc. — to better monetise their user base. We expect more financial products (insuretech, wealth management, etc) to follow suit, helping fintech players drive higher monetisation of their e-wallet customer base.

Product offerings

Other than being an e-wallet/payment infrastructure, Grab has expanded its offerings to include a host of financial services, as highlighted below:

Figure 72: Products and services offered by Grab's financial services arm as at end July 2022

Category	Service offerings	Singapore	Malaysia	Philippines	Thailand	Vietnam	Indonesia
Payments & rewards	E-wallet	✓	✓	✓	✓	✓	✓
	Rewards program	✓	✓	✓	✓	✓	✓
	GrabPay Mastercard	✓	-	✓	-	-	-
Lending	PayLater	✓	✓	✓	-	-	✓
	Smartphone financing	✓	✓	✓	✓	✓	-
	Driver cash loan / incentive advance	-	✓	✓	✓*	✓*	-
	Merchant working capital loan	✓	✓	✓	✓	In progress	✓
	Merchant invoice financing	✓	✓	✓	✓	-	✓
Insurance	Driver insurance	✓	✓	✓	✓	✓	✓
	Consumer insurance	✓	✓	✓	✓	✓	✓
Wealth	Cash management	✓	-	-	-	-	✓

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

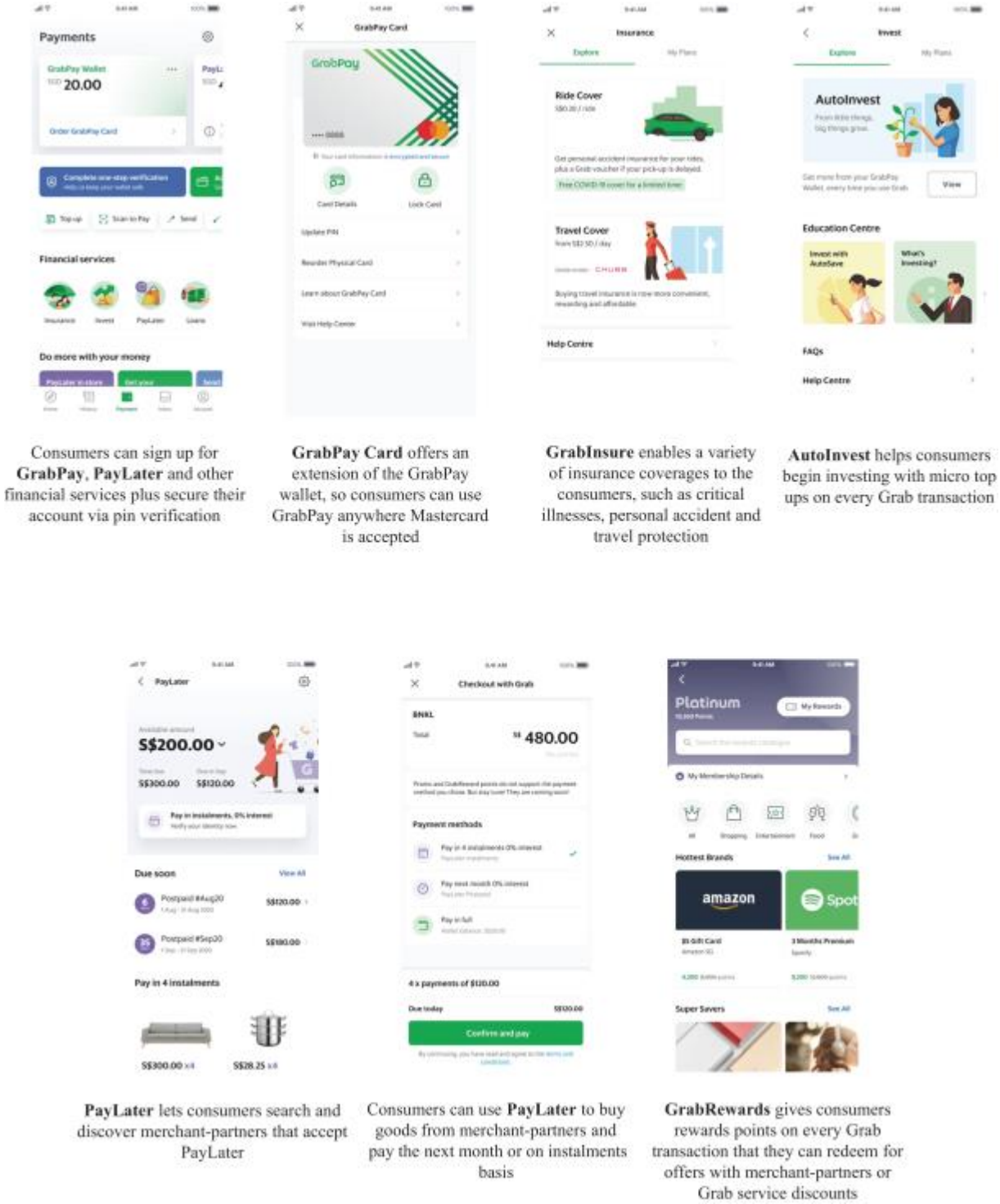
Payment: GrabPay is a payment option (e-wallet) for all Grab services, and is open to facilitating payments for third-party services (including offline) and is available in Indonesia (through OVO), Malaysia, the Philippines, Singapore, Thailand and Vietnam (as Moca). Consumers can store money in their GrabPay Wallet, and payments done through GrabPay can earn consumers GrabRewards points, which can be redeemed for discounts and vouchers. In 2019, GrabPay card (in partnership with Mastercard) was launched in Singapore and the Philippines; payments will be deducted from consumers' GrabPay wallet.

Rewards: GrabRewards is Grab's loyalty platform, providing consumers that use the platform with a large catalogue of point redemption options, including offers from both popular merchant-partners and Grab.

Lending: For businesses, GrabFinance provides working capital loans (business loans) of S$10k-100k in Singapore, for example. Other financing

offerings include digital and offline lending, white goods financing, receivables factoring etc. Grab also offers PayLater, enabling merchant-partners to offer customers the option to pay for goods and services on a later date or in installments (available in Malaysia, the Philippines, and Singapore). The service is offered for purchases made in Grab, as well as with third-party vendors.

Figure 73: Grab's financial services offerings



Consumers can sign up for **GrabPay**, **PayLater** and other financial services plus secure their account via pin verification

GrabPay Card offers an extension of the GrabPay wallet, so consumers can use GrabPay anywhere Mastercard is accepted

GrabInsure enables a variety of insurance coverages to the consumers, such as critical illnesses, personal accident and travel protection

AutoInvest helps consumers begin investing with micro top ups on every Grab transaction

PayLater lets consumers search and discover merchant-partners that accept PayLater

Consumers can use **PayLater** to buy goods from merchant-partners and pay the next month or on instalments basis

GrabRewards gives consumers rewards points on every Grab transaction that they can redeem for offers with merchant-partners or Grab service discounts

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Insurance: Grab provides insurance covers to drivers against loss of income from illness and accidents, auto maintenance and critical illnesses (available in Singapore, Indonesia, Malaysia, the Philippines and Vietnam). In Singapore for example, these policies are rolled out in association with Chubb, NTUC Income and ZA Tech. Grab also offers Ride Cover to its passengers, where they can opt in to spend S$0.30 per trip to receive an additional claim of up to S$100k for

death or permanent disability, on top of Grab's existing coverage. There will also be a S$5 Grab ride voucher if a passenger's pickup is delayed for more than 10 minutes after the estimated arrival time.

Wealth management: Grab offers GrabInvest, a micro-investment solution to allow its customers to turn spending into an investing habit. Currently, the service is being offered in Singapore and Indonesia. In Singapore, the solution is offered in partnership with Fullerton Fund Management and UOB Asset Management. Customers who opt in to this service will have a pre-determined dollar amount of their choice transferred from their GrabPay Wallet into GrabInvest every time they use eligible Grab services. This will be invested into a portfolio of money market and short-term fixed-income mutual funds, with a potential return of 1.18% p.a. net of fees.

Payment service gateway: GrabLink is aimed at reducing dependency on third-party providers to help Grab reduce its cost of funds across Grab transactions. As of end-FY21, almost all card transactions on Grab's platform in Malaysia, Singapore and Thailand are processed using GrabLink.

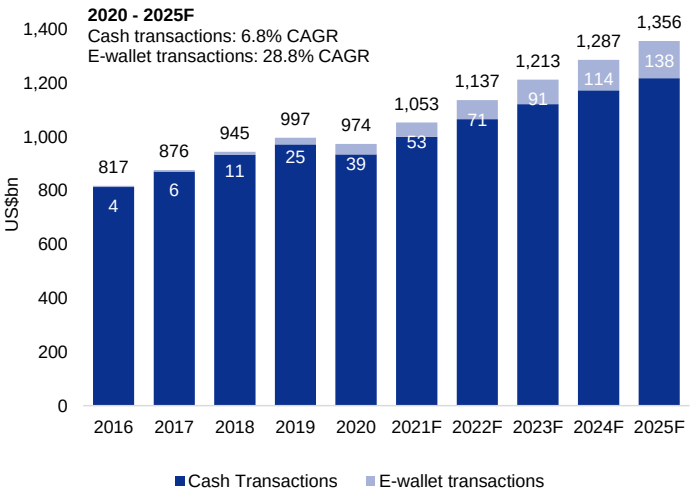
Digital bank: Grab, through its joint venture with Singtel, has been granted a digital bank licence in both Singapore and Malaysia. Such licence, subject to approval being obtained to commence business activities, will permit Grab to provide a wide range of financial services, including lending services and taking deposits from retail consumers and businesses. The joint venture has not yet obtained approval to commence business activities as of end-June 2022. In Indonesia, Grab has also invested Rp500bn in Bank Fama International (back in Dec 2021) for a minority stake of 16%.

Industry landscape in Southeast Asia

Southeast Asia is the world's fastest-growing region for mobile wallets, followed by Latin America and Africa and the Middle East, research from London-based fintech company Boku Inc shows. The number of mobile wallets in use is predicted to grow 311% from 2020 (141m) to almost 440m by 2025F across Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam, reflecting an e-commerce boom, according to a global study on the industry by Boku. According to Boku, Southeast Asia is one of the most rapidly digitalising regions in the world, with 70% of the region now online. In 2020, the region added 400m new Internet users. The consumption trends brought about by the lockdowns during the pandemic have also led to a familiarity with e-commerce and an exponential rise in mobile wallet use.

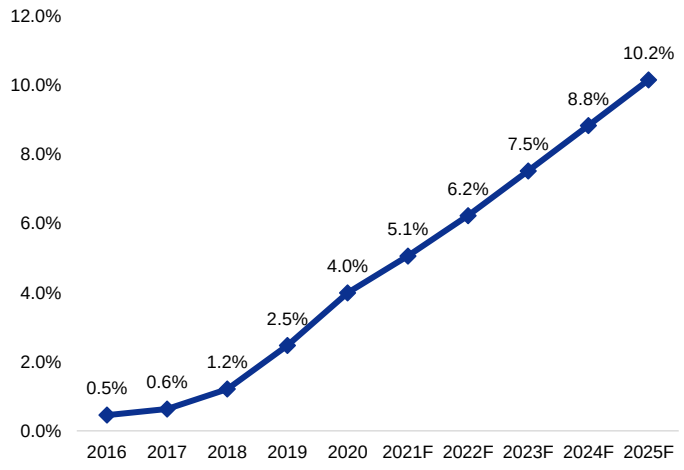
As the Southeast Asia region was heavily dependent on cash and bank transfers before mobile wallet use, the convenience and accessibility of e-wallets, especially with stored value mobile wallets, will see Southeast Asia leapfrog the rest of the world in mobile payment adoption, contributing to rapid growth in the region. E-wallet transactions are expected to grow at a rapid pace over the next 5 years, with Euromonitor forecasting a CAGR of 28.8%, from US$38.9bn in 2020 to US$137.8bn by 2025F, to drive e-wallet penetration rates from 4.0% to 10.2% over the same period. This outpaces total cash transactions' CAGR of 6.8%, according to Euromonitor. The faster growth is expected by Euromonitor to be supported by: 1) strong government promotion for a cashless society, 2) growing smartphone and Internet penetration rates, 3) rising merchant acceptance, and 4) attractive incentives for consumers, such as cashbacks over use of physical cash.

Figure 74: Cash transactions and e-wallet transactions in Southeast Asia



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, EUROMONITOR

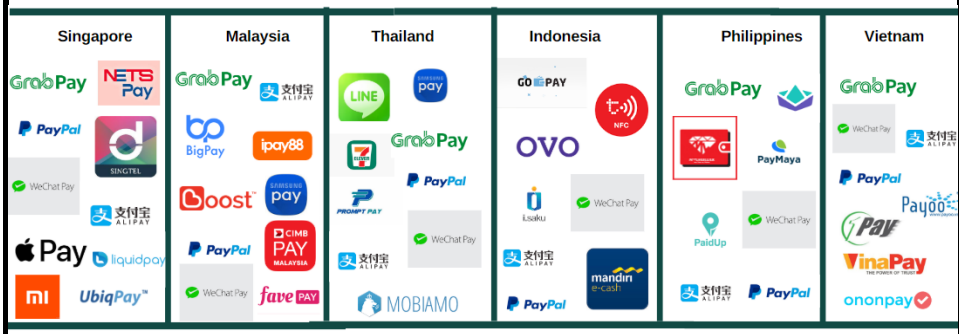
Figure 75: Penetration rate of e-wallet over cash transactions in Southeast Asia



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, EUROMONITOR

Within the fintech space lies different pillars, ranging from digital payments (e-wallets) to lending and asset management. Based on its current service offerings, Grab's DFS business faces competition from both traditional credit and debit card providers and other electronic payment system operators. The mobile payment industry in Southeast Asia is highly fragmented — in 2019, there were at least 150 e-wallet licence holders, including firms such as Grab, Go-Jek and other fintech firms, according to Reuters. Competition is fierce within this space as incumbents and new entrants compete for market share, either through investing heavily on customer acquisition or M&A to scale up. In addition, within each country, there are various digital wallet providers from several different players adding to further fragmentation, unlike in China, where 90% of the payment market is controlled by two major players, AliPay and WeChat Pay, according to Speeda, an Asia-focused financial database.

Figure 76: The mobile payments market is highly fragmented in Southeast Asia (2019)



SPEEDA

Source: By UZABASE based on various industry sources

SOURCES: CGS-CIMB RESEARCH, SPEEDA, UZABASE

GrabPay is one of the leading players in the mobile payment space in Southeast Asia. Going forward, we think the industry is likely to enter a consolidation phase, and payment companies that are well-funded will have the gunpower to acquire smaller players and customers. Those that can enhance customer stickiness and expand their market share will emerge the longer-term winners, in our view.

Figure 77: GrabPay and WeChat Pay dominated the payments market, in terms of mobile payment app downloads, in 2019

GrabPay	Grab rides, in-store purchases and GrabFood Delivery	+100 million*
WeChat Pay	Mobile payments, send money between WeChat contacts	+100 million*
PayPal	Mobile payments and send money online	+50 million*
OVO	Official e-wallet for Grab	+5 million*
支付宝 ALIPAY	Third party online payment solution	+1 million*
PayMaya	Secured mobile payment app	+1 million*
fave PAY	Secured mobile payment app	+1 million*

SPEEDA

Source: By UZABASE
*-Represent Global App Download Numbers

SOURCES: CGS-CIMB RESEARCH, SPEEDA, UZABASE

Digital payments – QR code payments lead the way. In Boku's study, it was reported that DFS from lending to asset management are expected to generate at least U$38bn in annual revenue across Southeast Asia by 2025F, more than tripling from U$11bn in 2019. Specifically for digital payments, Bain & Co forecasted that transaction value could grow from US$0.6tr in 2019 to US$1tr by 2025F, as the percentage of cashless transactions grows and financial account inclusion improves.

Governments in Southeast Asia have been promoting a shift towards a cashless society recently.

In Malaysia, the government launched the e-Tunai Rakyat initiative in Jan 2020 to drive adoption of digital payments in Malaysia and distributed US$107m to its eligible citizens via e-wallets. Subsequently, it partnered with the top three e-wallets to distribute US$178m as part of the ePenjana Economic Recovery Plan post-movement control order.

In Singapore, the government has also recognised the importance of digital payments in its path to become a Smart Nation. The introduction of PayNow (a peer-to-peer transfer service) in 2017 was a crucial step in setting the foundation for e-wallet acceptance in recent years.

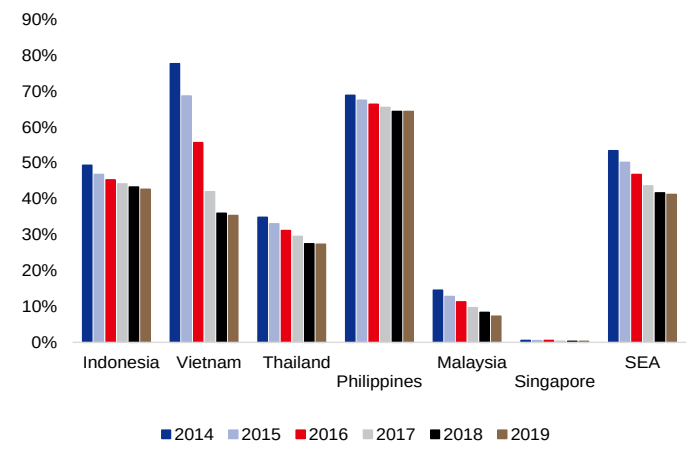
In other Southeast Asian countries such as Thailand, Indonesia, the Philippines and Vietnam, the e-wallet adoption journey started with use cases such as mobile top-ups, utility bill payments and remittance, where digital payment options have helped to bring more convenience to consumers who traditionally needed to travel to a physical payment counter to make such payments.

QR code payments are fundamentally suited to the Asian market. For the most part, card payments are not well established, meaning that to roll out card infrastructure, such as point-of-sale (POS) terminals, would require high cost. Comparatively, a QR code payment solution using a payment label or smartphone is much simpler and cheaper.

The majority of Southeast Asia's population has limited access to financial services. Digital transformation of societies has not only brought more opportunities to the connected, but also improved access to public services such

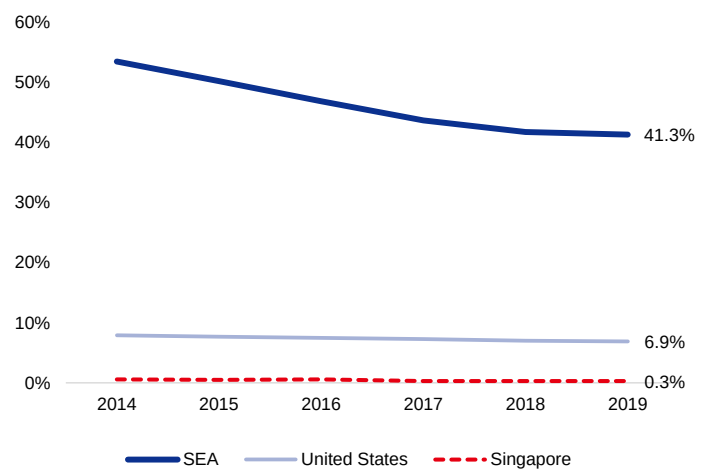
as education and financial services, including mobile payments, insurance and credit. However, Southeast Asia is still lagging behind major economies like the US, in terms of percentage of population with bank accounts, credit cards or debit cards, and a mismatch between Internet and banking penetration continues to exist. A 2019 study by Bain & Co, Google, and Temasek Holdings found that more than 70% of the adult population in Southeast Asia are either underbanked or unbanked, and many SMEs face significant funding gaps. This creates the need for alternative banking and lending methods, paving the way for new DFS players like GrabPay and SeaMoney to establish themselves in these markets to meet the unfulfilled demand.

Figure 78: Southeast Asia unbanked population in 2014–2019



SOURCES: CGS-CIMB RESEARCH, EUROMONITOR

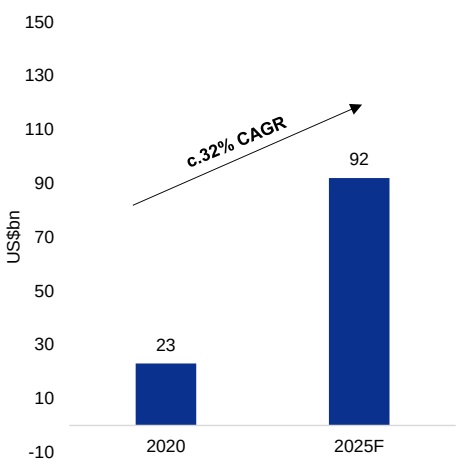
Figure 79: Unbanked population in Southeast Asia vs. developed economies



SOURCES: CGS-CIMB RESEARCH, EUROMONITOR

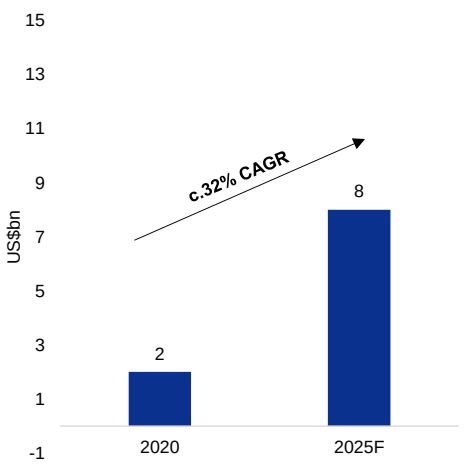
Huge growth potential for online digital financial services. Euromonitor expects the total value of loans made via the digital lending market in Southeast Asia to grow by a c.32% CAGR, from US$2bn in 2020 to US$8bn by 2025F. It also expects the total value of online insurance purchased in Southeast Asia to grow by a c.32% CAGR, from US$23bn in 2020 to US$92bn by 2025F, and the total value of online investments in Southeast Asia to grow by a c.32% CAGR, from US$21bn in 2020 to US$84bn by 2025F.

Figure 80: Digital lending



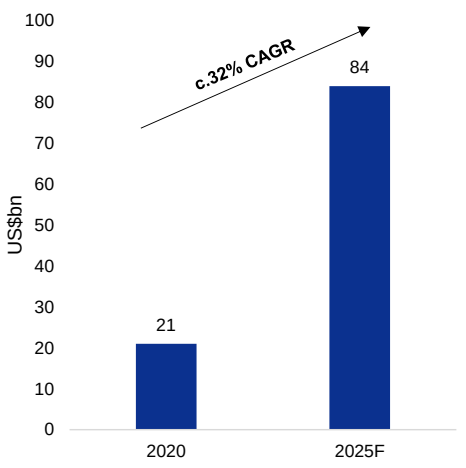
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, EUROMONITOR

Figure 81: Insurance purchase online



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, EUROMONITOR

Figure 82: Online investment



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, EUROMONITOR

The overall digital lending market remains under-penetrated. MSMEs and participants in the informal economy are especially under-served by the conventional banking system, given the lack of traditional financial records or credit history. As digital adoption by consumers and MSMEs continues to rise, the digital penetration of lending should increase too, in our view. Supportive regulatory frameworks are a key driver for the growth of digital lending.

Across the region, regulators are working to establish relevant frameworks to improve access to lending for the underserved and unserved segments. For example, in Nov 2020, the Malaysian Ministry of Housing and Local Government announced the approval of eight digital lending licences (with Grab being one of the successful applicants); we expect the commencement of digital lending platforms to improve access to smaller loan amounts with more affordable interest rates for the MSMEs and the bottom-40% income group households. In Thailand, the Bank of Thailand has approved the use of a wider range of alternative data, such as utility bills and online shopping information, for digital loan assessments, enhancing the ability of digital lending platforms to build more robust credit profiles.

Grab's ability to access how much its driver- and merchant-partners earn on its platform enables it to form a thorough credit profile, which greatly supports its ability to provide responsible lending offerings and differentiates Grab from other digital lending platforms.

Covid-19 driving digital insurance adoption in Southeast Asia. Face-to-face sales of insurance policies were largely suspended for extended periods in 2020 amid movement restrictions. Online channels helped to facilitate sales of insurance policies during the pandemic, and the digitalisation trend is expected to stay, according to Euromonitor. There has been increased interest from consumers to purchase insurance digitally due to the convenience and value it provides compared to the traditional way of purchasing insurance, especially for simple products that are easier to understand and do not require medical underwriting. In addition, several micro-insurance products have been launched on the Grab platform in partnership with various insurance underwriters that further serve the underserved population. For example, Grab's driver-partners are able to pay a micro-premium per trip for products such as critical illness protection, so they can accumulate coverage and protect their ability to earn a living.

Digital wealth management still at a nascent stage in Southeast Asia. With consumers becoming more open to the concept of making investment decisions online, growth potential is expected to be strong, in our view. One of the key drivers is the introduction of innovative products and services by robo-advisors and digital wealth management platforms, which focus on lowering the barriers for investment and increasing the perceived value to consumers as compared to conventional means of investing. Consumers now also have access to a wide range of portfolios that are easy to understand and suit their risk appetite. To cater to consumers' need for flexibility, some digital wealth management service providers have removed lock-in periods to give consumers peace of mind and better control over their finances. In addition, service providers have been actively running educational campaigns to raise consumers' awareness on investment concepts, benefits and options.

Digital banking – Indonesia leading the pack. While other Southeast Asian markets are currently still in the development process to establish and operate pure digital banks, Indonesia already has several pure digital banks competing in retail and SME segments.

Singapore announced four issuances of licences for pure digital banks at end-2020 but the banks have not become operational yet. Meanwhile, Bank Negara Malaysia recently awarded digital bank licences to five companies — 3 conventional and 2 Shariah — out of 29 applicants, and the central bank expects these banks to become fully operational over the next 9-12 months. Thailand has yet to issue the legal framework for digital banks and may allow existing lenders and new applicants to apply for digital banking licences. At the same time, the Philippines capped the number of digital banking licences at six and has provided a window of three years to establish digital banks. Meanwhile, Vietnam currently does not have a legal framework for digital banking.

For Indonesia, unlike other countries, the Financial Services Authority (OJK) has not issued dedicated digital bank licences as of now. Digital banks only need to comply with POJK 12/2021, which regulates the whole banking sector. The requirements include the need to comply with the latest capital requirements. Banks' minimum core capital needs to reach at least Rp3tr by end-2022, and this applies to all commercial banks in the country (including existing banks that want to convert to digital banks). Meanwhile, for new banking licences, their core capital needs to be raised to at least Rp10tr (no deadline). The digital banks also need to comply with the following criteria set by OJK:

- Have a business model using innovative and safe technology to serve customer needs;
- Have the ability to manage a prudent and sustainable digital banking business model;
- Have adequate risk management;
- Fulfil the governance aspects, including board of directors with competence in information technology and other competencies;
- Protect customer data security; and
- Contribute to developing the digital financial ecosystem and/or financial inclusion.

Figure 83: Digital banking frameworks in several Asian countries (part 1)

	China	Hong Kong	South Korea
Business scope	-Cover personal banking, corporate banking, and international banking -Focus on lending to individuals and small business -Can only manage type II Bank Account and type III Bank Account which restrict account holder services, cap transaction and deposit limits, and does not allow incoming wire transfers	Targeting the retail segment and SMEs	-Can't loan to corporate bodies other than SMEs -Shall not loan more than 15% of its equity capital to the same individual or corporation, nor 20% of its equity capital to any persons or companies with whom the individual or corporation shares credit risk. Exemptions are provided for a change in the bank's equity capital or the borrower's composition -Shall not grant credit to its large shareholders
Number of licenses	4 licenses have been issued	8 licenses have been issued	3 licenses have been issued
Players	1. WeBank 2. MYBank 3. XW Bank 4. aiBank	1. Livi VB 2. Mox 3. ZA Bank 4. WeLab Bank 5. Ant Bank 6. Fusion Bank 7. Airstar Bank 8. Ping An OneConnect Bank	1. Kakao Bank 2. K Bank 3. Toss Bank
Minimum capital	RMB2bn (USD285m)	HKD300m (USD38.6m)	KRW25bn (USD20.6m)
Asset restriction	No specific requirement	No specific requirement	No specific requirement
Shareholder structure	Max shareholding limit is 30%	-No foreign ownership restrictions -If virtual bank is not owned by bank/FI, applicant to be held by intermediate holding company in Hong Kong, under regulator purview	-A non financial investor may hold not more than 34% of the total outstanding voting stocks of an internet-only bank -A company applying to possess more than a 10% stake in an internet only bank must not have violated laws related to fair trade or taxes in the past five years
Capital and liquidity rules	-Subject to the same regulatory requirements as any existing banks -Minimum core tier 1 capital adequacy ratio (CAR) 7.5%, minimum tier 1 CAR 8.5%, minimum CAR 10.5%	-Subject to the same set of supervisory requirement applicable to conventional banks -Maintain adequate capital commensurate with the nature of their operations and the banking risks -Certain types of risk could be more accentuated. Appropriate controls to be set up for 8 basic risk types	-Granted a 2-3 years grace period to implement Basel III regulations -Allowed to operate under Basel I capital regulations in the first 3 years of operation -LCR: 80% or above in the first year; 90% or above in the second year; full implementation (100% or above) from the third year
Physical presence	No physical branches	Must have physical place of business in Hong Kong to deal with customer complaints/queries, but not expected to establish physical branches	Offline branches are approved exceptionally

SOURCES: CGS-CIMB RESEARCH

Figure 84: Digital banking frameworks in several Asian countries (part 2)

	Malaysia	Singapore	Philippines	Indonesia
Business scope	Products offered should explain how it will address target segment needs	DFB - Deposit cap: SGD50m in aggregate or SGD75k per individual, only solicit deposits from limited scope of customers. DFB will be rquired to be a member of the Deposit Insurance Scheme DWB - DWB will be allowed to offer SGD account for business uses including to sole proprietors and partnerships. These accounts can be interest bearing	Digital bank largely offers financial products and services that processed end to end through a digital platform and/or electronic channels with minimal to no reliance on physical touchpoints	No specific requirement
Number of licenses	5 licenses have been issued (3 conventional and 2 Sharia)	4 licenses have been issued (2 DFB and 2 DWB)	6 licenses have been issued	No dedicated digital bank license
Players	Conventional: 1. Boost - RHB Bank 2. GXS Bank - Kuok Brothers 3. SEA Group - YTL Sharia: 1. AEON Credit Service, AEON Financial Service, and MoneyLion 2. KAF Investment Bank	DFB: 1. Grab and Singtel 2. SEA Group DWB: 1. Ant Group 2. Greenland consortium	1. Overseas Filipino Bank 2. UNOBank 3. GOTYME 4. Union Digital 5. Maya Bank 6. Tonik Digital Bank	1. Bank Jago 2. Bank Neo Commerce 3. Bank Raya 4. Bank Aladin Syariah 5. Seabank 6. blu by BCA Digital 7. Allo Bank 8. Motion Bank 9. Line Bank 10. Amar Bank
Minimum capital	Foundational phase: RM100m (USD24m), Post foundational phase (by year end of 5th year): RM300m (USD71m)	DFB- Entry: SGD15m (USD10.7m) to progressively increase to SGD1.5bn (USD1.1bn) DWB- at SGD100m (USD71.6m)	Minimum capital at PHP1bn (USD20m), though BSP may subject a digital bank to a higher minimum capital requirement and capital ratio based on its assessment of the bank's risk profile.	Minimum core capital Rp3tr (USD205m) by Dec2022 if converted from current existing bank; for the new banking license the minimum core capital at Rp10tr (USD690m)
Asset restriction	Total size of assets do not exceed th limit of RM3bn during foundational phase	No specific requirement	No specific requirement	No specific requirement
Shareholder structure	Single shareholders that owns >50% stake may be required to organise financial and financial related subsidiaries under a licensed institution or financial holding company	DFBs limited to applicants anchored and headquartered and controlled by Singaporeans. DWBs are open to foreign companies as long as they are locally incorporated	Foreign individuals and non-bank corporations are allowed to hold 40% of the voting shares of a digital bank, while foreign banks are allowed to hold up to 100% of the voting shares	-Foreign investor can own up to 99% of stake but it will be reviewed by OJK and could be done in stages
Capital and liquidity rules	Capital: Should maintain a minimum total capital ratio (TCR) of 8% Liquidity: Should hold an adequate stock of unencumbered level 1 and level 2S high quality assets (HQLA) equivalent to 25% of its total on-balance sheet liabilities	Capital: same as domestic systemically important banks (D-SIBs) - CET 1 ratio 6.5%, total CAR 10%, capital conservation buffer 2.5%, and up to 2.5% countercyclical capital buffer Liquidity: Minimum liquid asset (MLA) or liquidity coverage ratio (LCR) requirement as set out in MAS notice 649		Subject to the same regulatory requirement as the conventional banks
Physical presence	-Required to have registered office in Malaysia -Permitted to have physical offices for admin purposes but not allowed to establish a branch (e.g. fixed place of business to facilitate customer transactions). -ATMs, cash deposit machine, cash recycler machines, and cheque deposit machines are allowed -Agent banking is also allowed	-Only allowed to operate one physical place of business -Not allowed to access ATMs or CDMs network, but will be able to offer cashback services through EFTPOS terminals at retail merchants	Not allowed to establish a branch or branch-lite unit. Required to maintain a principal/head office in the Philippines to serve as the main point of contact for stakeholders. Digital bank may likewise offer financial products and services through cash agents and other delivery partners subject to regulator guidelines	At least need 1 physical presence

SOURCES: CGS-CIMB RESEARCH

Case study: Indonesia

Boku, a mobile payment company, expects mobile wallet penetration in Indonesia to triple over the next five years, with transactions growing nearly 10-fold. According to Boku's 2021 mobile wallet report, Indonesia is a country with extremely low credit card penetration, and the adoption of mobile wallets in Indonesia is facilitating the shift of customers to digital commerce. Competition is fierce due to rapidly growing market opportunities, with infusions of foreign venture capital funding aggressive promotional campaigns. For example, ShopeePay, a relatively new entrant in the market, has become the second most widely used mobile wallet in Indonesia as the result of the high rebates and promotions it offers to consumers.

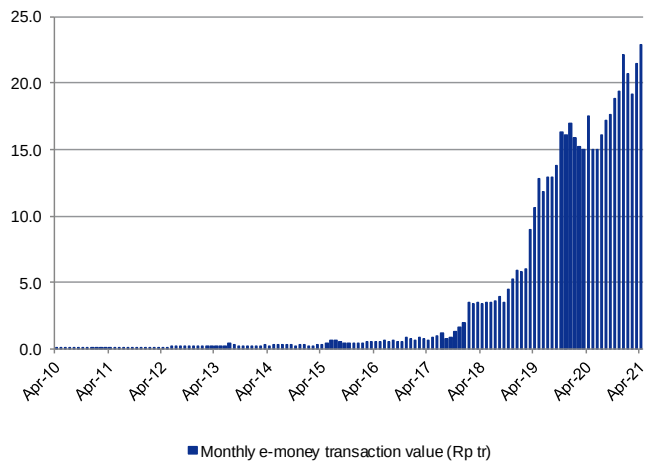
Figure 85: Overview of mobile wallet landscape in Indonesia (US$)

MOBILE WALLET USERS	MOBILE WALLET PENETRATION
2020: 63.6M — 2025: **202M**	2020: 25.6% — 2025: **76.5%**
MOBILE WALLET TRANSACTION VOLUME	**MOBILE WALLET TRANSACTION VALUE**
2020: 1.7B — 2025: **16B**	2020: $28B — 2025: **$107B**

SOURCES: CGS-CIMB RESEARCH, BOKU

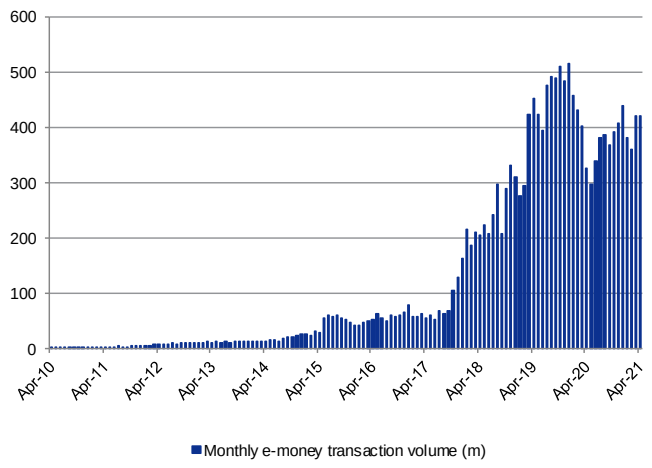
Indonesia has seen rapid changes in its financial services space over the past few years. Previously, conventional banks enjoyed exclusive rights to customers' deposits, which resulted in cheap funding for transaction purposes. However, in the early-2010s, telcos (T-Cash, now part of LinkAja) and tech start-ups (Go-Pay, Ovo) launched their e-wallets, where customers could make deposits. E-money transactions have surged in recent years.

Figure 86: Monthly e-money transactions (Rp bn)



SOURCES: CGS-CIMB RESEARCH, CEIC

Figure 87: Monthly e-money transaction volumes (m)

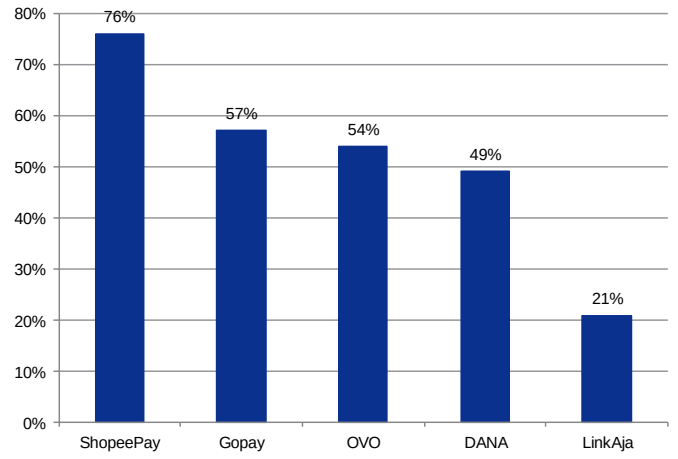


SOURCES: CGS-CIMB RESEARCH, CEIC

Boku's consumer survey in Indonesia (conducted in 2021) found its respondents using an average of 3.2 wallets. With the increased prevalence of mobile wallets, cash, bank transfers and debit cards are the payment types most displaced. Boku's survey found that while payments and mobile top-ups are the top use cases of mobile wallets (at 83% of survey respondents each), consumers are using mobile wallets for peer-to-peer (P2P) transfers, bill payments, receiving payments and withdrawing cash at high rates — a sign that mobile wallets are being used as a proxy for bank accounts.

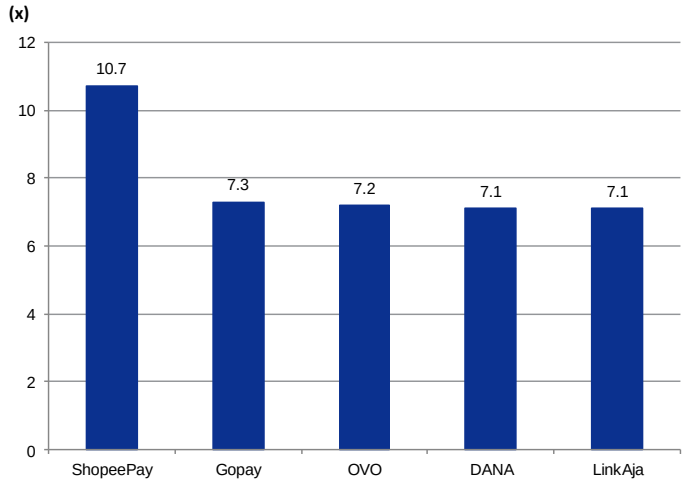
According to Snapcart (a cashback app), the top five e-wallets in Indonesia as of end-2020 were ShopeePay, GoPay, OVO, DANA and LinkAja.

Figure 88: E-wallets ranked by usage as at end-2020



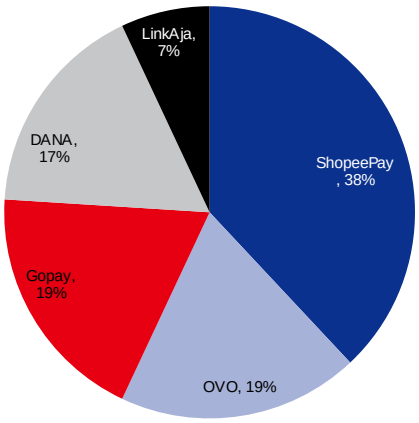
SOURCES: CGS-CIMB RESEARCH, SNAPCART

Figure 89: E-wallets ranked by frequency as at end-2020



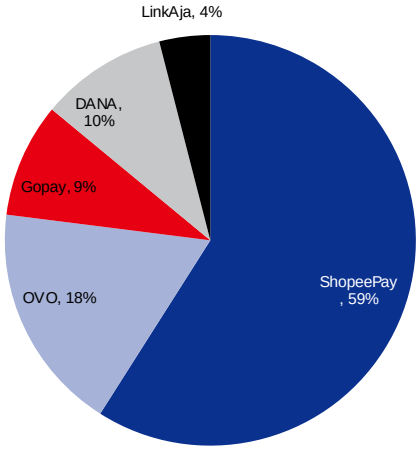
SOURCES: CGS-CIMB RESEARCH, SNAPCART

Figure 90: E-wallet by market share end-2020



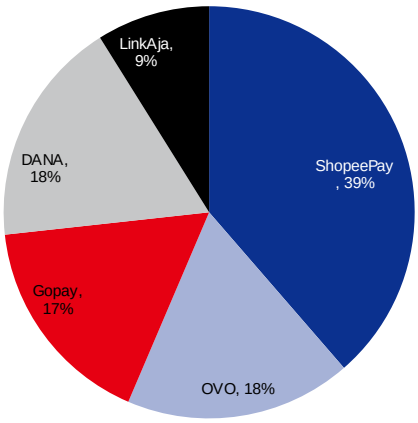
SOURCES: CGS-CIMB RESEARCH, SNAPCART

Figure 91: E-wallet by consumer choice end-2020



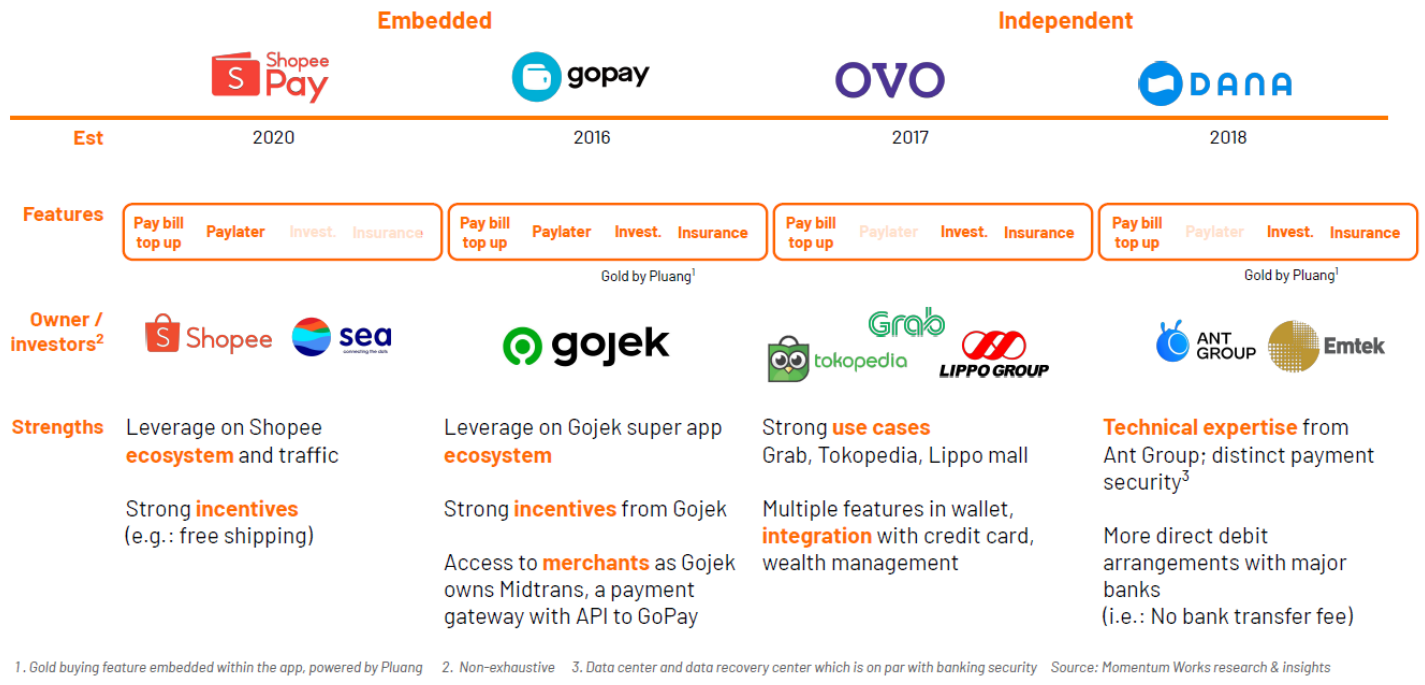
SOURCES: CGS-CIMB RESEARCH, SNAPCART

Figure 92: Most trusted e-wallet brands end-2020



SOURCES: CGS-CIMB RESEARCH, SNAPCART

Figure 93: Major e-wallet players

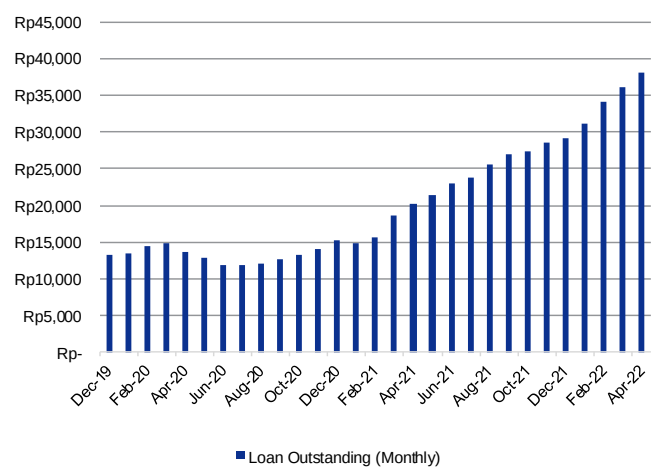


SOURCES: CGS-CIMB RESEARCH, MOMENTUM WORKS

P2P: lending access to less bankable customers. Conventional banks' share of the lending market is not as high as its share of the deposit side (multi-finance companies also disburse loans, focusing on the purchase of vehicles and white goods, among others). Fintech P2P arrived at Indonesia in 2016. The P2P industry is attractive as Indonesia is estimated by the World Bank to have a significant unbanked population. The ability to cost-effectively tap the unbanked population using mobile phones and digital technology has resulted in a proliferation of P2P lending platforms.

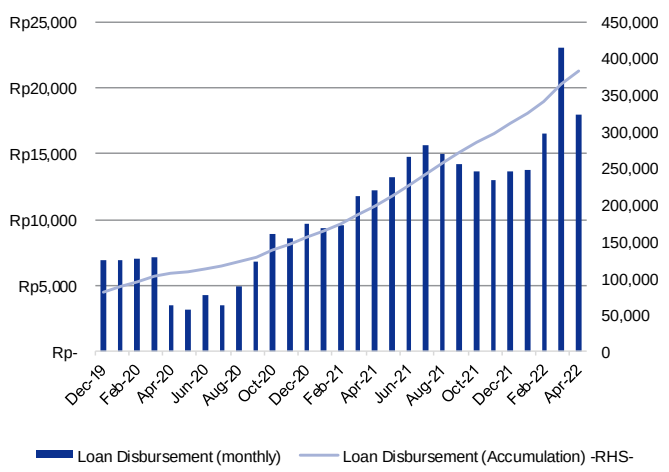
According to OJK data, 81.96% of total fintech loans outstanding were from institutional lenders as of Mar 2022, with banks contributing 24.74%, non-bank financial institutions contributing 5.77%, and other legal institutions contributing the rest.

Figure 94: Fintech loan outstanding (monthly) in Rp bn



SOURCES: CGS-CIMB RESEARCH, FINANCIAL SERVICES AUTHORITY (OJK)

Figure 95: Fintech loan disbursements (in Rp bn)



SOURCES: CGS-CIMB RESEARCH, FINANCIAL SERVICES AUTHORITY (OJK)

Figure 96: Diversified tech players and banks joining the BNPL space in recent years

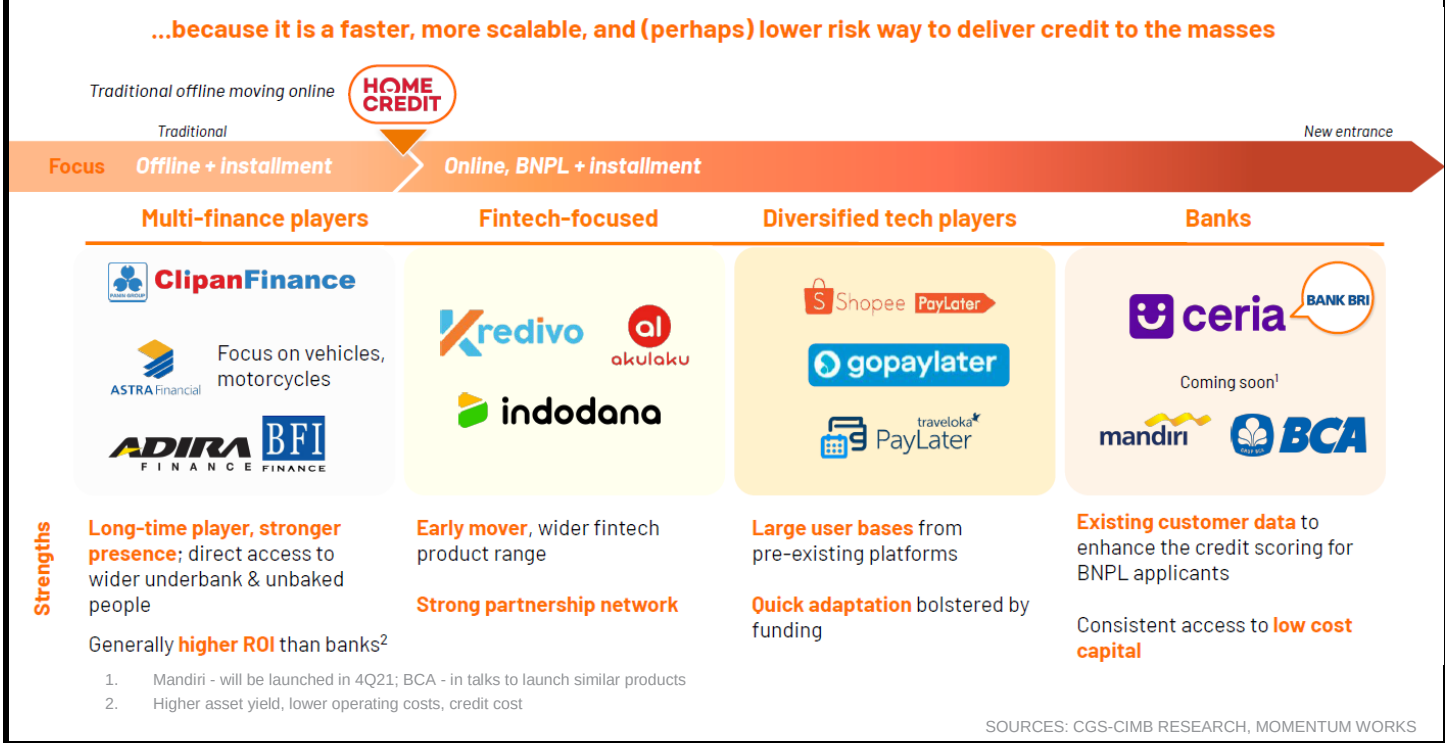
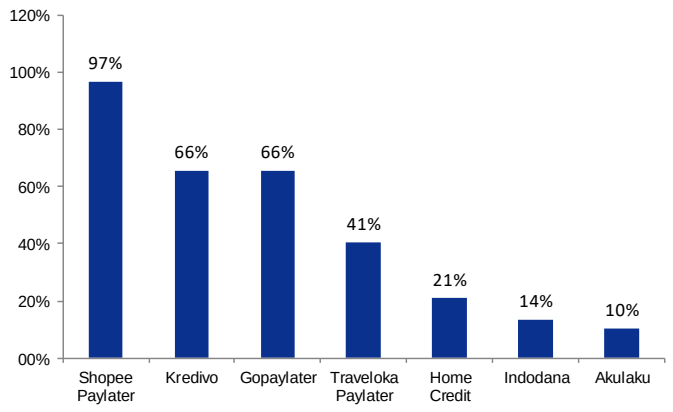
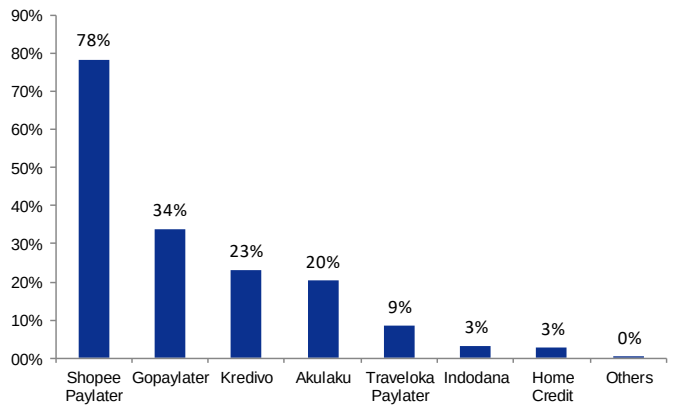


Figure 97: Total awareness of pay later products as of 2021



SOURCES: CGS-CIMB RESEARCH, DAILYSOCIAL

Figure 98: Frequency of use of pay later platforms as of 2021



SOURCES: CGS-CIMB RESEARCH, DAILYSOCIAL

Digital banks: Fully licensed banks with fintech features. While e-wallet and P2P players have their advantages over conventional banks, as previously mentioned, there are lots of disadvantages as well.

As fintech players are fairly new in the financial market, regulators have imposed relatively strict regulations for fintech players to mitigate any potential systemic risks, in our view. Regulators are still finding the right balance between encouraging fintech development to drive financial inclusion and a cashless society, while protecting the stability of the financial system.

Digital banks, however, are fully licensed banks. Existing digital banks in Indonesia were formed through the acquisition of small banks. Hence, technically, the digital banks are using the same licence as conventional banks.

In the past few months, there have been a lot of developments and acquisitions in the digital banking space in Indonesia. Conglomerates, fintech, e-commerce and technology companies are all looking to enter the pure digital banking space in Indonesia, given the huge population base and low financial penetration.

To date, our compilation suggests that more than five banks aspire to transform their business models into full digital banks. This is on top of more than 15 banks that operate as digital banks (including the digital arms of existing conventional banks). (Note that our definition of a full digital bank is a bank that has at least launched a mobile banking app to the public).

We find it interesting that many fintech companies, especially those with P2P business models, are becoming more aggressive to own a stake in a bank before it becomes a digital bank. This is in contrast to the past, when conventional banks were largely owned by conglomerates or foreign entities.

For instance, Investree (one of the leading P2P productive lending companies) announced that it bought an 18.4% stake in Bank Amar Indonesia (AMAR IJ – non-rated) in May 22. Before that, many fintech companies have acquired stakes in digital banks, such as Akulaku, Kredivo, Modalku and Xendit, among others.

We believe this trend could continue in the coming months, as many small banks need to increase their capital to comply with regulatory requirements. Hence, many of these small banks are riding the growing trend of investments into digital banks in Indonesia to attract investments. Note that there are around 30 small banks with capital levels below Rp3tr at this point.

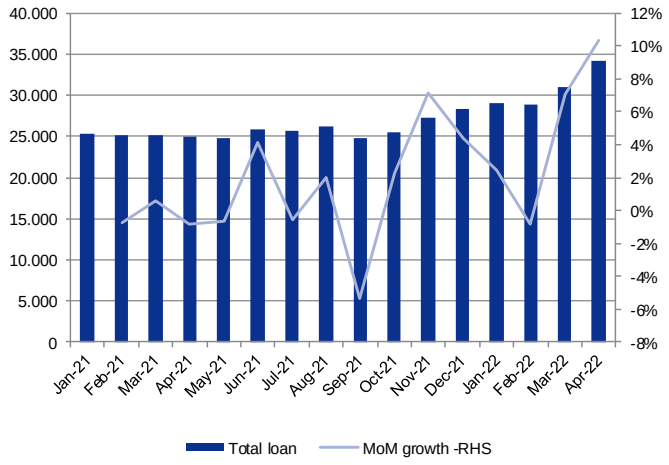
Figure 99: Start-ups and fintech going into digital banks

Start-up/Fintech	Bank	Investment amount	Date	Shareholding stake
Ajaib	Bank Bumi Arta	Rp746bn	21-Nov-21	24%
		Rp596bn	12-Apr-22	40%
Xendit	Bank Sahabat Sampoerna		21-Apr-22	14,96%
Kredivo	Bank Bisnis Internasional	Rp551bn	21-May-21	24%
		Rp439bn	21-Oct-21	40%
		-	04-Apr-22	75%
Modalku	Bank Index		26-Apr-22	10%
Carro	Bank Index		26-Apr-22	5%
WeLab	Bank Jasa jakarta		07-Dec-21	24%
Akulaku	Bank Yudha Bhakti (now Bank Neo Commerce)		21-Mar-19	5.2%
			22-Mar-19	14.24%
			17-Nov-21	24.98%
			31-Jan-22	25.12%
			18-May-22	25.64%
SEA Group	Bank Kesejahteraan Ekonomi (now Seabank)			87,19%
Line	KEB Hana Bank (now Line Bank)		26-Oct-18	20%
Investree	Bank Amar		10-May-22	18.4%
Gopay	Bank Artos (now Bank Jago)			21.4%
Traveloka	Bank Harda Internasional (now Allo Bank)	Rp727bn	19-Jan-22	7%
Bukalapak	Bank Harda Internasional (now Allo Bank)	Rp1.19tr	19-Jan-22	11.49%
Carro	Bank Harda Internasional (now Allo Bank)	Rp71bn	19-Jan-22	0.69%
Grab	Bank Harda Internasional (now Allo Bank)	Rp215bn	19-Jan-22	2.07%
Grab	Bank Fama Internasional	Rp500bn	Dec-21	16.26%

*Through a co-lending arrangement

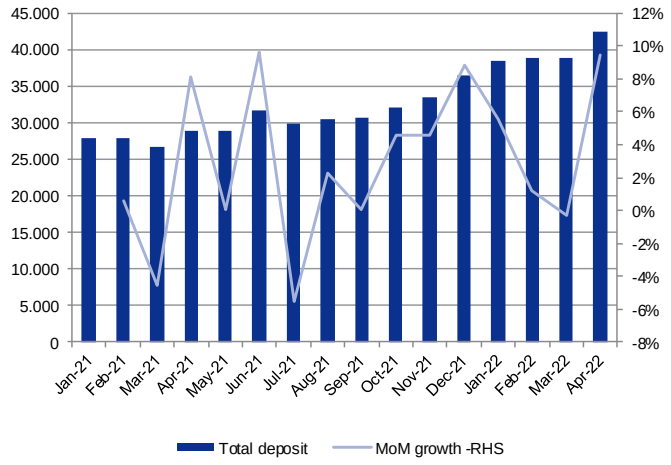
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, MICRO CAPITAL REPORT

Figure 100: Total digital banks' combined loans (Rp bn)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 101: Total digital banks' combined deposits (Rp bn)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 102: Monthly summary of key digital banks and mom trend

	BBYB		ARTO		Seabank		BANK		AGRO		blu by BCA Digital	
(In Rpbn)	Apr-22	MoM	Apr-22	MoM	Apr-22	MoM	Apr-22	MoM	Apr-22	MoM	Apr-22	MoM
Interest Income	147	9%	120	-1%	306	22%	4	16%	86	-11%	25	5%
Interest Expense	49	-12%	10	-1%	75	11%	1	-43%	27	-13%	8	19%
NII	98	24%	109	-1%	232	25%	3	58%	59	-10%	17	0%
Non-II	34	-15%	3	-23%	8	-23%		-96%	(39)	-85%	1	16%
Operating expenses	186	14%	86	1%	83	15%	20	-10%	43	-3%	16	-30%
PPOP	(54)	23%	26	-11%	157	27%	(17)	15%	(23)	-91%	1	-121%
Provisioning	55	-6%	20	-1%	155	26%		5667%	6	-102%	0	-90%
Net Income	(109)	2%	5	-32%	2	1479%	(17)	17%	(28)	-222%	1	-112%
Loan	5,459	14%	6,663	8%	11,474	22%	18		9,428	-1%	1,076	0%
Deposit	9,907	6%	4,464	6%	14,683	21%	371	62%	9,620	-5%	3,445	24%
Current account	581	-5%	440	31%	563	-56%	0		1,155	-8%	-	
Savings account	1,772	21%	2,128	9%	11,817	22%	32	-38%	3,120	-6%	1,094	25%
Time deposit	7,555	4%	1,896	-1%	2,303	94%	339	92%	5,345	-4%	2,351	23%
Annualized NIM 4M22 (%)	7.9		10.6		11.8		1.8		5.6		2.7	
Annualized CoC 4M22 (%)	11.3		3.6		11.6		3.1		0.2		0.7	
LDR (%)	55.1		149.3		78.1		4.8		98.0		31.2	
CASA (%)	23.7		57.5		84.3		8.7		44.4		31.8	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Segment performance »

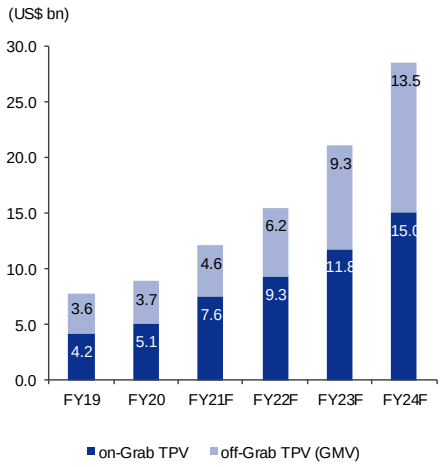
Grab's financial services segment has been growing hand in hand with its other core offerings. Growth in FY20 was slowed by Covid-19, which negatively impacted mobility segment GMV and lowered offline spending, resulting in Pre-Interco TPV growth of only 14% yoy. However, aided by the growth of the delivery segment, Pre-Interco TPV growth reaccelerated to 37% yoy in FY21. As of FY21, c.38% of the TPV was derived from off-Grab services.

We forecast Grab's Pre-Interco TPV to see a 33% CAGR between FY21 and FY24F, riding on the continued growth of the Grab platform, as well as increased proliferation into offline payments. We expect off-Grab TPV to account for c.48% of its total TPV by 2024F, as it accelerates the growth of its off-Grab payment network. In May 2021, Grab announced a new collaboration with Stripe to

deepen their existing partnership to expand GrabPay offerings, enabling more regional businesses to accept the GrabPay Wallet as a payment method. With this new collaboration, Grab is able to onboard more merchants and provide its consumers with more places they can use GrabPay, including more e-commerce and online shopping options. This also enables Stripe's existing merchants to tap into Grab's large and engaged user base as they continue to grow their businesses.

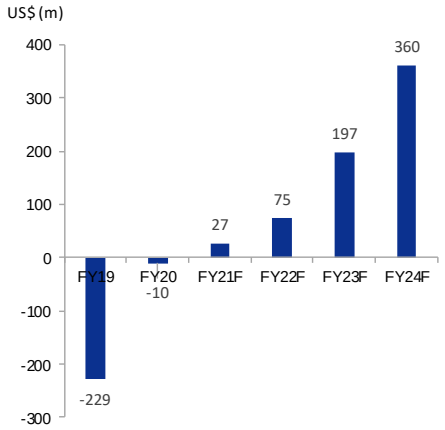
Grab has also been driving increased monetisation of its financial services segment over the past few years. We note that financial services revenue as a % of GMV has rose from -6.4% in FY19 to +0.6% in FY21, and we forecast a continued expansion to +2.7% by FY24F. We expect this to be driven by revenue derived from non-payment financial products growing exponentially. We note that Grab has started rolling out its BNPL offerings in multiple markets in FY21, and it has been promoting its GrabInvest feature in Singapore in recent months.

Figure 103: Financial services segment TPV



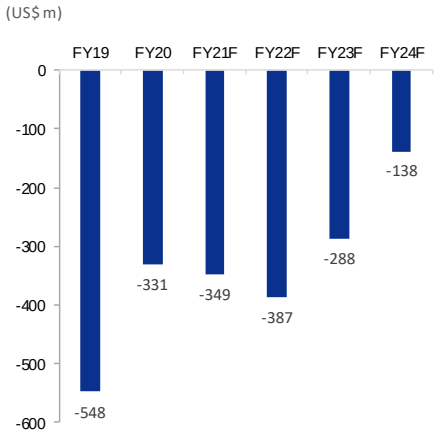
SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Figure 104: Financial services segment revenue



SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Figure 105: Financial services segment EBITDA



SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

We expect Grab's financial services segment to remain EBITDA negative for the next three years. Grab is a relatively latecomer to the already crowded Indonesian digital banking space, which could result in higher customer acquisition costs to drive adoption of its services there. Meanwhile, Grab's digital bank services in Malaysia and Singapore will be subject to tight regulatory limits in the initial phases of launch, which could constraint their ability to scale rapidly to become profitable.

Operational and financial metrics vs. peers »

The best comparable for Grab's financial service segment is Sea Limited's digital financial services segment, given both players' regional presence in Southeast Asia. However, disclosures are still rather scarce at the current juncture, given that the financial service segments for both companies are still at early stages of growth.

As of FY21, Sea's DFS segment has overtaken Grab's in scale. Sea's DFS segment saw TPV growth of 120% yoy to US$17.2bn, exceeding Grab's Pre-Interco TPV, which grew 37% yoy to US$12.1bn.

SE's DFS segment also achieved stronger monetisation, with a GAAP revenue of US$470m (2.7% of TPV). This is significantly higher compared to Grab's segment revenue of US$27m (0.6% of TPV).

However, Grab's financial services segment was incurring lower losses compared to Sea. Grab's adjusted EBITDA for FY21 was US$349m, compared to Sea's US$617m.

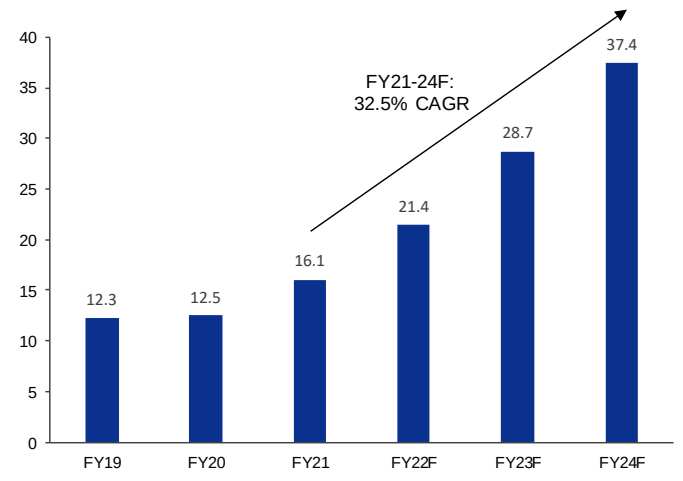
In Mar 2022, during its 4Q21 results announcement, Sea announced guidance that it expects its DFS segment to achieve positive cashflow by FY23F. Grab has yet to announce any guidance on timeline to profitability for its financial services segment. Nevertheless, we believe this signals that regional players' efforts over the past years to drive adoption of e-wallets (akin to building up core infrastructures) have borne fruit, and players are now shifting gears to offer more credit services (BNPL, merchant loans, etc.) to better monetise their user base. We expect more non-payment financial products to follow suit, helping fintech players to drive higher monetisation of their e-wallet customer base in the coming years.

Financials

We project a 32.5% GMV CAGR over FY21-24F

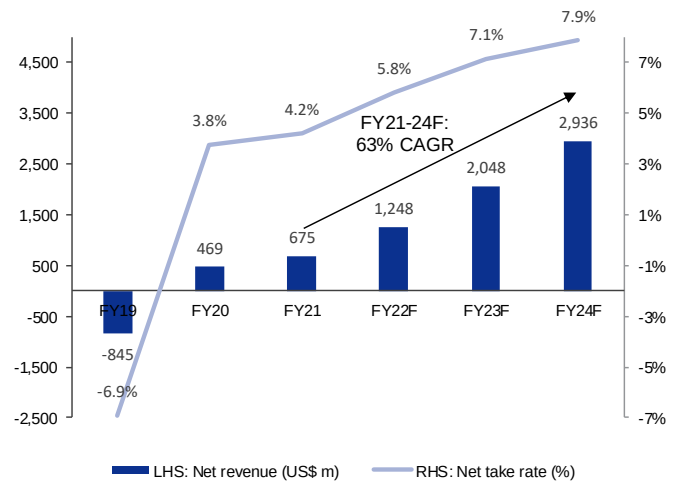
We forecast Grab to achieve a 32.5% GMV CAGR between FY21 and FY24F. We expect its deliveries segment to see a 22.3% GMV CAGR over the period (a slower pace compared to the group's growth, given post-Covid normalisation), and remain Grab's largest GMV contributor. We expect the mobility segment to see a 39.4% GMV CAGR between FY21 and FY24F as it recovers from the impact of Covid-19 lockdowns. We forecast the financial services segment to see a 43.3% GMV CAGR, riding on: 1) off-platform payments growth with the reopening of the economy post-Covid, and 2) launch of more financial services as Grab increasingly looks to monetise its existing user base. Lastly, we forecast Grab's Enterprise and New Initiatives segment to see a 68.1% GMV CAGR, as Grab looks to ramp up its advertising services, which currently are in the very early stages of growth.

Figure 106: GMV (US$ bn)



SOURCES: CGS-CIMB RESEARCH ESTIMATES

Figure 107: Net revenue (US$ m)



SOURCES: CGS-CIMB RESEARCH ESTIMATES

Easing competition to help fuel faster net revenue growth trajectory; we forecast 63.2% CAGR between FY21-24F

We believe Grab still has much room to grow, in terms of better monetising its user base; and easing competition across new economy verticals YTD should allow Grab to see a faster pace of net revenue growth. We forecast Grab to achieve a 63.2% net revenue CAGR in FY21-24F, faster vs. its GMV growth trajectory, as it continues to: 1) adjust monetisation levers (especially in its financial services segment through the launch of higher take rate offerings), and 2) lower incentive levels.

Figure 108: Delivery business segment forecast (US$ m)

Deliveries	FY19	FY20	FY21	FY22F	FY23F	FY24F
GMV	**2,947**	**5,468**	**8,531**	**10,679**	**12,847**	**15,616**
yoy change (%)		***85.5%***	***56.0%***	***25.2%***	***20.3%***	***21.6%***
Gross Billings	322	908	1,553	2,121	2,527	3,041
Commission rate (%)	*10.9%*	*16.6%*	*18.2%*	*19.9%*	*19.7%*	*19.5%*
Base incentives	-53	-64	-91	-60	-64	-78
as % of GMV (%)	*1.8%*	*1.2%*	*1.1%*	*0.6%*	*0.5%*	*0.5%*
Driver- and merchant-partner excess incentives	-424	-402	-513	-616	-708	-859
as % of GMV (%)	*14.4%*	*7.4%*	*6.0%*	*5.8%*	*5.5%*	*5.5%*
Consumer incentives	-483	-437	-800	-1,012	-1,110	-1,176
as % of GMV (%)	*16.4%*	*8.0%*	*9.4%*	*9.5%*	*8.6%*	*7.5%*
Revenue	**-638**	**5**	**148**	**433**	**645**	**928**
as % of GMV (%)	***-21.6%***	***0.1%***	***1.7%***	***4.1%***	***5.0%***	***5.9%***
Segment Opex	-171	-216	-278	-577	-642	-761
Opex as % of GMV	*5.8%*	*4.0%*	*3.3%*	*5.4%*	*5.0%*	*4.9%*
Total Segment Adjusted EBITDA	**-809**	**-211**	**-130**	**-144**	**3**	**167**
Adj. EBITDA margin (%)	*-300.7%*	*-25.0%*	*-8.9%*	*-7.0%*	*0.1%*	*5.6%*
Adj. EBITDA as % of GMV	**-27.5%**	**-3.9%**	**-1.5%**	**-1.3%**	**0.0%**	**1.1%**

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Figure 109: Mobility business segment forecast (US$ m)

Mobility	FY19	FY20	FY21	FY22F	FY23F	FY24F
GMV	**5,715**	**3,232**	**2,787**	**4,323**	**6,043**	**7,545**
yoy change (%)		***-43.4%***	***-13.8%***	***55.1%***	***39.8%***	***24.9%***
Gross Billings	1,146	688	652	1,015	1,420	1,773
Commission rate (%)	*20.1%*	*21.3%*	*23.4%*	*23.5%*	*23.5%*	*23.5%*
Base incentives	-464	-114	-66	-115	-131	-152
as % of GMV (%)	*8.1%*	*3.5%*	*2.4%*	*2.7%*	*2.2%*	*2.0%*
Driver- and merchant-partner excess incentives	-279	-37	-48	-93	-101	-114
as % of GMV (%)	*4.9%*	*1.1%*	*1.7%*	*2.2%*	*1.7%*	*1.5%*
Consumer incentives	-394	-100	-83	-152	-181	-226
as % of GMV (%)	*6.9%*	*3.1%*	*3.0%*	*3.5%*	*3.0%*	*3.0%*
Revenue	**9**	**438**	**456**	**654**	**1,007**	**1,281**
as % of GMV (%)	***0.2%***	***13.6%***	***16.4%***	***15.1%***	***16.7%***	***17.0%***
Segment Opex	-203	-131	-111	-152	-212	-264
Opex as % of GMV	*3.6%*	*4.1%*	*4.0%*	*3.5%*	*3.5%*	*3.5%*
Total Segment Adjusted EBITDA	**-194**	**307**	**345**	**502**	**795**	**1,017**
Adj. EBITDA margin (%)	-28.4%	53.5%	58.8%	55.8%	61.7%	62.7%
Adj. EBITDA as % of GMV	**-3.4%**	**9.5%**	**12.4%**	**11.6%**	**13.2%**	**13.5%**

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Figure 110: Financial services business segment (US$ m)

Financial services	FY19	FY20	FY21	FY22F	FY23F	FY24F
Pre-InterCo TPV	**7,773**	**8,856**	**12,149**	**15,521**	**21,095**	**28,541**
GMV	**3,579**	**3,748**	**4,591**	**6,173**	**9,303**	**13,498**
yoy change (%)		*4.7%*	*22.5%*	*34.5%*	*50.7%*	*45.1%*
GMV as % of Pre-InterCo TPV	*46.0%*	*42.3%*	*37.8%*	*39.8%*	*44.1%*	*47.3%*
Gross Billings	29	72	106	159	265	416
Commission rate (%)	*0.8%*	*1.9%*	*2.3%*	*2.6%*	*2.8%*	*3.1%*
Base incentives		-1	0	0	0	0
Driver- and merchant-partner excess incentives	-11	-2	0	0	0	0
Consumer incentives	-244	-80	-80	-84	-68	-56
Revenue	**-229**	**-10**	**27**	**75**	**197**	**360**
as % of GMV (%)	***-6.4%***	***-0.3%***	***0.6%***	***1.2%***	***2.1%***	***2.7%***
Segment Opex	-319	-321	-376	-462	-485	-498
Opex as % of TPV	4.1%	3.6%	3.1%	3.0%	2.3%	1.7%
Total Segment Adjusted EBITDA	**-548**	**-331**	**-349**	**-387**	**-288**	**-138**
Adj. EBITDA margin (%)	-2029.6%	-466.2%	-326.8%	-243.5%	-108.7%	-33.2%
Adj. EBITDA as % of GMV	**-7.1%**	**-3.7%**	**-2.9%**	**-2.5%**	**-1.4%**	**-0.5%**

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Figure 111: Enterprise and new initiatives business segment (US$ m)

Enterprise and New Initiatives	FY19	FY20	FY21	FY22F	FY23F	FY24F
GMV	**9**	**44**	**152**	**274**	**485**	**722**
yoy change (%)		***388.9%***	***245.5%***	***80.2%***	***77.2%***	***48.8%***
Gross Billings	9	38	147	260	461	686
Commission rate (%)	*100.0%*	*86.4%*	*96.5%*	*95.0%*	*95.0%*	*95.0%*
Base incentives		0	0	0	0	0
Driver- and merchant-partner excess incentives	-4	-2	0	0	0	0
Consumer incentives	5	0	-103	-175	-262	-318
Revenue	**13**	**36**	**44**	**85**	**199**	**368**
as % of GMV (%)	***144.4%***	***81.8%***	***28.9%***	***31.2%***	***41.1%***	***50.9%***
Segment Opex	-16	-27	-35	-72	-128	-188
Opex as % of GMV	*177.8%*	*61.4%*	*22.8%*	*26.1%*	*26.4%*	*26.1%*
Total Segment Adjusted EBITDA	**-3**	**9**	**9**	**14**	**71**	**179**
Adj. EBITDA margin (%)	*-33.3%*	*23.7%*	*6.3%*	*5.3%*	*15.5%*	*26.2%*
Adj. EBITDA as % of GMV	***-33.3%***	***20.5%***	***6.1%***	***5.0%***	***14.7%***	***24.8%***

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

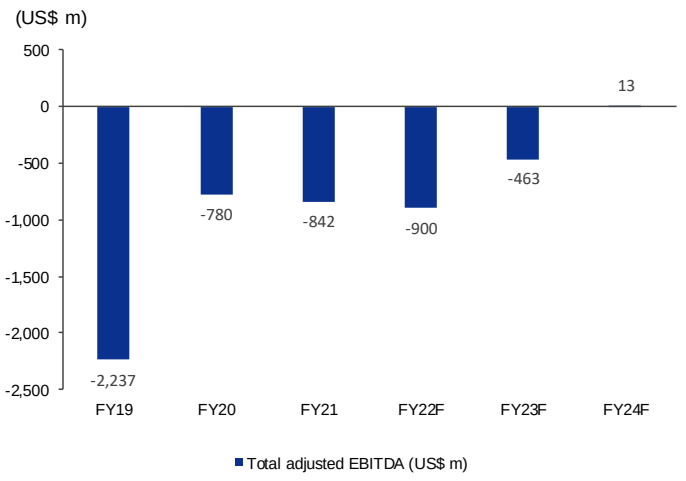
We expect Grab to achieve EBITDA positive by FY24F and break even by FY25F

The mobility segment was Grab's largest adj. EBITDA contributor at US$345m in FY21, while the deliveries and financial services segments were in the red, with adj. EBITDA losses of US$130m and US$349m, respectively.

With: 1) continued scale expansion, 2) lower incentives level with easing competition, and 3) technological improvements, we expect Grab's deliveries segment to turn adj. EBITDA positive by FY23F. Meanwhile, we expect its financial services segment to only turn adj. EBITDA positive in FY25F, with Grab's plans for continued investments to grow this business.

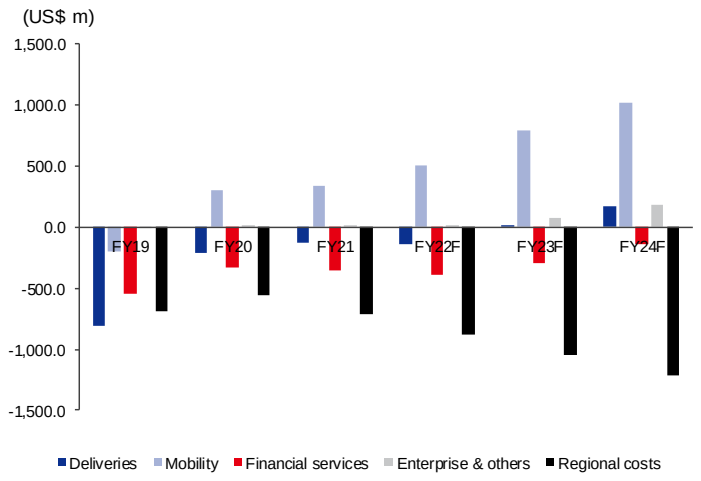
On the group level, we expect Grab to be adj. EBITDA positive by FY24F and achieve net profit by FY25F.

Figure 112: EBITDA post regional costs (US$ m)



SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Figure 113: We expect Mobility segment to remain the key EBITDA contributor by FY24F



SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

By FY24F, we expect Grab's mobility segment to remain the key adj. EBITDA contributor of the group at US$1.02bn. We expect the deliveries segment to contribute adj. EBITDA of US$167m by FY24F, while the financial services segment's adj. EBITDA losses narrow to US$138m.

Figure 114: Grab's financial forecasts by segment

FYE Dec (US$ m)	FY19	FY20	FY21	FY22F	FY23F	FY24F
GMV by segment						
Deliveries	2,947	5,468	8,531	10,679	12,847	15,616
Mobility	5,715	3,232	2,787	4,323	6,043	7,545
Financial services	3,579	3,748	4,591	6,173	9,303	13,498
Enterprise and new intiatives	9	44	152	274	485	722
Total GMV	**12,250**	**12,492**	**16,061**	**21,449**	**28,679**	**37,382**
Revenue by segment						
Deliveries	(638)	5	148	433	645	928
Mobility	9	438	456	654	1,007	1,281
Financial services	(229)	(10)	27	75	197	360
Enterprise and new intiatives	13	36	44	85	199	368
Total revenue	**(845)**	**469**	**675**	**1,248**	**2,048**	**2,936**
			67.6%			
Adj. EBITDA by segment						
Deliveries	(809)	(211)	(130)	(144)	3	167
Mobility	(194)	307	345	502	795	1,017
Financial services	(548)	(331)	(349)	(387)	(288)	(138)
Enterprise and new intiatives	(3)	9	9	14	71	179
Total segment adjusted EBITDA	**(1,554)**	**(226)**	**(125)**	**(15)**	**582**	**1,225**
Regional corporate costs	(683)	(554)	(717)	(885)	(1,044)	(1,212)
Total adjusted EBITDA	**(2,237)**	**(780)**	**(842)**	**(900)**	**(463)**	**13**
Regional corporate costs % of GMV	*5.6%*	*4.4%*	*4.5%*	*4.1%*	*3.6%*	*3.2%*
Incentives:						
Base incentives						
Deliveries		64	89	60	64	78
Mobility		114	66	115	131	152
Financial services		1	0	0	0	0
Enterprise and new intiatives		0	0	0	0	0
Total		**179**	**155**	**175**	**195**	**230**
Excess incentives						
Deliveries		402	513	616	708	859
Mobility		37	48	93	101	114
Financial services		2	0	0	0	0
Enterprise and new intiatives		2	0	0	0	0
Total		**443**	**561**	**709**	**809**	**973**
Consumer incentives						
Deliveries	483	437	800	1,012	1,110	1,176
Mobility	394	100	83	152	181	226
Financial services	244	80	80	84	68	56
Enterprise and new intiatives	-5	0	103	175	262	318
Total	**1,116**	**616**	**1,065**	**1,423**	**1,621**	**1,777**
Partner incentives	**1,234**	**621**	**717**	**884**	**1,005**	**1,203**
As % of GMV	*10.1%*	*5.0%*	*4.5%*	*4.1%*	*3.5%*	*3.2%*
Consumer incentives	**1,117**	**616**	**1,065**	**1,423**	**1,621**	**1,777**
As % of GMV	*9.1%*	*4.9%*	*6.6%*	*6.6%*	*5.7%*	*4.8%*
Total incentives	**2,351**	**1,237**	**1,782**	**2,307**	**2,625**	**2,979**
Total incentives as % of GMV	***19.2%***	***9.9%***	***11.1%***	***10.8%***	***9.2%***	***8.0%***

*Regional corporate costs comprise staff costs, rewards (Grab engineering team, corporate finance team, C-suite etc.), subscription costs, and other operating costs that are not allocable to a segment.

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Figure 115: Grab's income statement

FYE Dec (US$ m)	FY19	FY20	FY21	FY22F	FY23F	FY24F
Revenue	**(845)**	**469**	**675**	**1,248**	**2,048**	**2,936**
Cost of revenue	(1,320)	(963)	(1,070)	(1,304)	(1,588)	(1,910)
Gross profit	**(2,165)**	**(494)**	**(395)**	**(57)**	**460**	**1,027**
Other income	14	33	12	3	-	-
Sales and marketing expenses	(238)	(151)	(241)	(293)	(330)	(371)
General and administrative expenses	(304)	(326)	(545)	(697)	(754)	(816)
Research and development expenses	(231)	(257)	(356)	(490)	(531)	(575)
Net impairment losses on financial assets	(56)	(63)	(19)	(8)	-	-
Other expenses	(30)	(40)	(11)	-	-	-
Operating profit/(loss)	**(3,010)**	**(1,298)**	**(1,555)**	**(1,542)**	**(1,154)**	**(735)**
Finance income	85	53	65	49	-	-
Finance costs	(1,056)	(1,490)	(1,701)	(120)	(110)	(110)
Share of loss of equity-accounted investees	-	(8)	(8)	(1)	-	-
Share listing and associated expenses	-	-	(353)	-	-	-
Profit/(loss) before income tax	**(3,981)**	**(2,743)**	**(3,552)**	**(1,613)**	**(1,264)**	**(845)**
Income tax expense	(7)	(2)	(3)	(16)	(52)	(123)
Non-controlling interests	(241)	(137)	(106)	(45)	(36)	(27)
Net profit attributable to shareholders	**(3,747)**	**(2,608)**	**(3,449)**	**(1,584)**	**(1,280)**	**(942)**
Stock based compensation	34	54	357	499	540	584
Non-GAAP net profit attributable to shareholders	**(3,713)**	**(2,554)**	**(3,092)**	**(1,085)**	**(740)**	**(357)**
Reconciliation						
Revenue						
Deliveries	(638)	5	148	433	645	928
Mobility	9	438	456	654	1,007	1,281
Financial Services	(229)	(10)	27	75	197	360
Enterprise and New Initiatives	13	36	44	85	199	368
Total Revenue	**(845)**	**469**	**676**	**1,248**	**2,048**	**2,936**
Segment Adjusted EBITDA						
Deliveries	(809)	(211)	(130)	(144)	3	167
Mobility	(194)	307	345	502	795	1,017
Financial services	(548)	(331)	(349)	(387)	(288)	(138)
Enterprise and new initiatives	(3)	9	9	14	71	179
Total reportable Segment Adjusted EBITDA	**(1,554)**	**(226)**	**(125)**	**(15)**	**582**	**1,225**
Regional corporate costs	(683)	(554)	(717)	(885)	(1,044)	(1,212)
Adjusted EBITDA	**(2,237)**	**(780)**	**(842)**	**(900)**	**(463)**	**13**
Net interest income (expenses)	(977)	(1,391)	(1,675)	(110)	(110)	(110)
Other income (expenses)	13	10	12	2	-	-
Income tax expenses	(7)	(2)	(3)	(16)	(52)	(123)
Depreciation and amortization	(647)	(387)	(345)	(140)	(152)	(164)
Stock-based compensation expenses	(34)	(54)	(357)	(499)	(540)	(584)
Unrealized foreign exchange loss	(4)	-	(1)	1	-	-
Impairment losses on goodwill and non-financial assets	(60)	(43)	(15)	(3)	-	-
Fair value changes on investments	(3)	(57)	37	39	-	-
Restructuring costs	(1)	(2)	(1)	-	-	-
Legal, tax and regulatory settlement provisions	(31)	(39)	(12)	(4)	-	-
Share listing and associated expenses	-	-	(353)	-	-	-
Consolidated profit or loss after tax	**(3,988)**	**(2,745)**	**(3,555)**	**(1,629)**	**(1,316)**	**(968)**

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Figure 116: Grab's balance sheet

FYE Dec (US$ m)	FY19	FY20	FY21	FY22F	FY23F	FY24F
Current assets						
Inventories	5	3	4	4	5	6
Trade and other receivables	381	281	440	470	589	717
Other investments	1,243	1,298	3,240	2,916	2,624	2,362
Cash and cash equivalents	1,511	2,173	4,991	3,826	3,046	2,575
Total current assets	**3,140**	**3,755**	**8,675**	**7,216**	**6,264**	**5,659**
Non-current assets						
Property, plant and equipment	534	384	441	441	443	450
Intangible assets and goodw ill	1,180	913	675	463	271	99
Associates and joint ventures	33	9	14	13	13	13
Other investments	132	377	1,241	1,241	1,241	1,241
Other receivables	5	4	132	132	132	132
Total non-current assets	**1,884**	**1,687**	**2,503**	**2,290**	**2,101**	**1,935**
Total assets	5,024	5,442	11,178	9,506	8,365	7,595
Current liabilities						
Loans and borrow ings	161	140	144	144	144	144
Provisions	3	35	35	35	35	35
Trade and other payables	619	661	847	804	979	1,177
Total current laibilities	**783**	**836**	**1,026**	**983**	**1,158**	**1,356**
Non-current liabilities						
Convertible redeemable preference shares	8,256	10,767	-	-	-	-
Loans and borrow ings	184	111	2,031	2,031	2,031	2,031
Provisions	3	3	18	18	18	18
Other payables	16	18	81	81	81	81
Deferred tax liabilities	6	1	3	3	3	3
Total non-current liabilities	**8,465**	**10,900**	**2,133**	**2,133**	**2,133**	**2,133**
Total liabilities	9,248	11,736	3,159	3,116	3,291	3,489
Equity						
Share capital and share premium	79	140	21,529	21,529	21,529	21,529
Reserves	3,612	3,951	606	606	606	606
Accumulated losses	(7,982)	(10,490)	(14,402)	(15,986)	(17,266)	(18,208)
Non-controlling interests	67	105	286	241	205	178
Total equity	**(4,224)**	**(6,294)**	**8,019**	**6,390**	**5,074**	**4,105**

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Figure 117: Grab's cashflow statement

FYE Dec (US$ m)	FY19	FY20	FY21	FY22F	FY23F	FY24F
Operating activities						
Loss before income tax	(3,981)	(2,743)	(3,552)	(1,613)	(1,264)	(845)
Adjustments for:						
Amortization of intangible assets	538	261	236	212	191	172
Depreciation of property, plant and equipment	109	126	108	120	124	125
Impairment of intangible assets and goodwill	28	28	8	-	-	-
Impairment of property, plant and equipment	32	15	7	-	-	-
Equity-settled share-based payment	34	54	357	-	-	-
Finance costs	1,056	1,490	2,054	120	110	110
Net impairment loss on financial assets	56	63	19	-	-	-
Finance income	(85)	(53)	(65)	(49)	-	-
Loss on disposal of property, plant and equipment	1	9	(1)	-	-	-
Loss on disposal of intangible assets	1	-	(2)	-	-	-
Share of loss of equity-accounted investees (net of tax)	-	8	8	1	-	-
Change in provisions	(1)	31	15	-	-	-
Operating cash flow before WC changes	(2,212)	(711)	(808)	(1,209)	(839)	(438)
Working capital changes:						
Inventories	2	2	(1)	0	(1)	(1)
Trade and other receivables	(75)	31	(264)	(30)	(119)	(128)
Trade and other payables	181	42	137	(43)	175	199
Cash used in operations	(2,104)	(636)	(936)	(1,282)	(784)	(368)
Income tax paid	(8)	(7)	(3)	(16)	(52)	(123)
Net cash used in operating activities	**(2,112)**	**(643)**	**(939)**	**(1,298)**	**(836)**	**(491)**
Investing activities						
Acquisition of property, plant and equipment	(98)	(22)	(73)	(120)	(126)	(132)
Purchase and origination of intangible assets	(42)	(18)	(12)	-	-	-
Proceeds from disposal of property, plant and equipment	6	63	25	-	-	-
Acquisition of businesses, net of cash acquired	(22)	(3)	-	-	-	-
Acquisition of equity accounted investee	(10)	-	(16)	-	-	-
Net proceeds from / (acquisitions of) other investments	579	(359)	(2,709)	324	292	262
Restricted cash	(99)	(30)	-	-	-	-
Interest received	79	51	28	49	-	-
Net cash (used)/from in investing activities	**393**	**(318)**	**(2,757)**	**253**	**166**	**130**
Financing activities						
Proceeds from exercise of share options	6	5	46	-	-	-
Proceeds from bank loans	-	8	6,405	-	-	-
Repayment of bank loans	(69)	(106)	(199)	-	-	-
Payment of lease liabilities	(28)	(30)	(24)	-	-	-
Proceeds from issuance of convertible redeemable preference shares	1,938	1,389	463	-	-	-
Acquisition of non-controlling interests without change in control	(203)	-	(460)	-	-	-
Proceeds from subscription of shares in a subsidiary by non-controlling interests	327	329	443	-	-	-
Interest paid	(20)	(17)	(108)	(120)	(110)	(110)
Net cash from financing activities	**1,951**	**1,578**	**6,566**	**(120)**	**(110)**	**(110)**
Net change in cash	232	617	2,870	(1,165)	(781)	(471)
Beginning balance	**1,128**	**1,372**	**2,004**	**4,837**	**3,672**	**2,892**
FX effect	12	15	(37)	-	-	-
Ending balance	**1,372**	**2,004**	**4,837**	**3,672**	**2,892**	**2,421**

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Valuation and recommendation

Initiate with an Add rating and TP of US$3.60 »

We initiate coverage on Grab with an Add rating and an SOP-based TP of US$3.60. Our valuations include: 1) US$1.6 per share for the on-demand services (deliveries and mobility segments), 2) US$0.5 per share for the financial services segment, and 3) US$0.4 per share for the enterprise and new initiatives segment. Our TP implies 4.9x FY23F P/adj. Sales (3.4x FY23F EV/adj. Sales, considering the substantial net cash holdings).

We like Grab for its: 1) strong regional presence with market leadership across the key verticals it operates in, and 2) super-app strategy to tap on rapid Southeast Asia digitalisation and open up further potential growth in TAM through new verticals. We believe that at its current valuation of 5.4x FY23F EV/sales, investors have yet to fully appreciate the easing competition in Southeast Asia, which could accelerate the path to profitability for Grab.

Potential re-rating catalysts include: 1) accelerated path to profitability on the back of easing competition, and 2) stronger-than-expected GMV recovery for its mobility segment, riding on Southeast Asia's post-Covid reopening. Key downside risks include weak macro economy resulting in weaker demand for Grab's services and regulatory changes, especially on protection for gig workers.

Figure 118: Sum-of parts (SOP) valuation

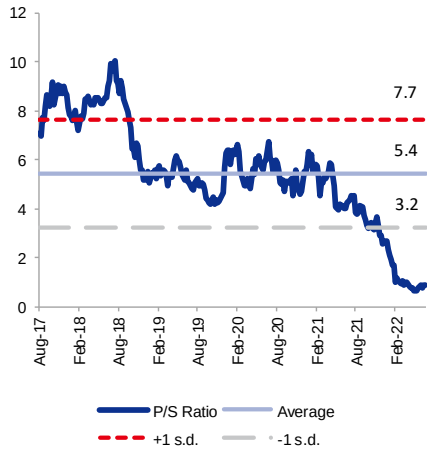
Segment	Basis	Multiple (x)	Base value (US$m)	Valuation (US$m)	Per ADR (US$)
Deliveries + Mobility	FY23F EV/Adj. Sales	2.5	2,541	6,354	1.6
Financial Services	FY23F EV/TPV	0.1	21,095	2,110	0.5
Enterprise & NI	FY23F EV/EBITDA	20.0	71	1,426	0.4
Net cash/(debt)	As of end FY22F		4,567	4,567	1.1
Total equity value				**14,457**	
No. of shares outstanding (m)				4,069	
Target price (US$)				**3.60**	

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Our valuation for the on-demand services (mobility and deliveries) are pegged to 2.5x FY23F EV/Adj. sales, approximately 1.5 s.d. below historical average of peer group. This is because many of the peers also have a rather short listing history, hence, the historical mean could be skewed towards the higher end due to cheap financing, spurring higher valuations over the past 2 years.

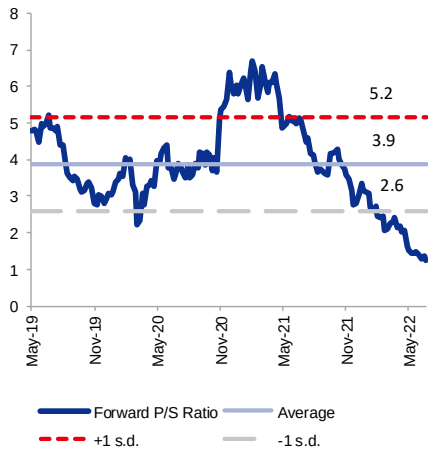
Note that for our valuation of Grab's on-demand services, we made adjustments to Grab's reported net revenue, given the differing revenue recognition across peers. For the deliveries segment, we add back driver and merchant-partner excess incentives (to the net revenue line), so that Grab's revenue would be more in line vs. peers like Delivery Hero and Meituan. Meanwhile for the mobility segment, we add back consumer incentives (to the net revenue line), so that Grab's revenue would be more in line vs. peers like Uber and Lyft.

Figure 119: Delivery Hero's historical price/sales



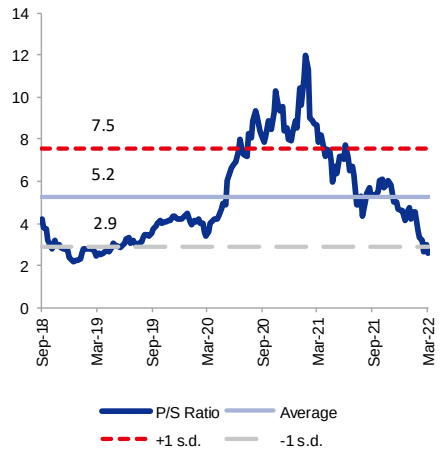
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 120: Uber's historical price/sales



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 121: Meituan's historical price /sales



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 122: Revenue recognition of on-demand services (Grab vs. peers) as at end July 2022

	Summary	Driver Incentives	Merchant Incentives	Consumer Incentives
Grab	Revenue is net of Driver/Merchant and Consumer Incentives	Contra Revenue	Contra Revenue	Contra Revenue
Uber	Revenue is net of Driver/Merchant Incentives	Contra Revenue	Contra Revenue	Sales & Marketing Expense
Lyft	Revenue is net of Driver Incentives	Contra Revenue	*N/A*	Sales & Marketing Expense
Door Dash	Revenue is net of Driver/Merchant and Consumer Incentives	Contra Revenue	Contra Revenue	Contra Revenue
Delivery Hero	Revenue is net of Merchant and Consumer Incentives	Operating Cost	Contra Revenue	Contra Revenue
Deliveroo	Revenue is net of Merchant and Consumer Incentives	Operating Cost	Contra Revenue	Contra Revenue
Just Eat	Revenue is net of Merchant and Consumer Incentives	Operating Cost	Contra Revenue	Contra Revenue
Meituan	Revenue is net of Partial Merchant and Partial Consumer Incentives	Operating Cost	Contra Revenue but if Revenue Negative, then Sales & Marketing	Contra Revenue but if Revenue Negative, then Sales & Marketing
Sea Ltd	Revenue is net of Merchant and Partial Consumer Incentives	*N/A*	Contra Revenue	Contra Revenue but if Revenue Negative, then Sales & Marketing

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

We value Grab's financial services at 0.1x FY23F P/TPV, in line with global fintech peers. For Grab's enterprise and new initiatives segment (which mainly consists of its high-margin advertising business for now), we peg the valuation at

20x FY23F EV/EBITDA, which we think is reasonable, given the segment's high growth rate of a 68% GMV CAGR in FY21-24F.

Figure 123: Peer comparison

Company name	BBG ticker	Recom	Price (lcl curr)	Target price (lcl curr)	EV/Revenue CY22F	EV/Revenue CY23F	EV/Revenue CY24F	EV/EBITDA CY22F	EV/EBITDA CY23F	EV/EBITDA CY24F	Rev CAGR 2020-2023F	EBITDA CAGR 2020-2023F
Grab Holdings Ltd	GRAB US	Add	2.97	3.60	8.3	5.4	3.9	na	na	na	63.4%	-2.7%
Uber Technologies Inc	UBER US	NR	23.31	NA	1.8	1.5	1.2	40.6	17.2	10.7	48.3%	-199.3%
Lyft Inc	LYFT US	NR	13.88	NA	0.9	0.7	0.6	14.8	6.6	4.6	30.6%	-174.8%
Meituan	3690 HK	Add	176.30	220.00	3.7	2.9	2.1	na	49.2	21.5	31.6%	17.3%
DoorDash Inc	DASH US	NR	70.07	NA	3.9	3.1	2.6	101.2	51.7	26.2	38.6%	-262.2%
Just Eat Takeaway.com	JET LN	NR	1,404	NA	0.9	0.8	0.7	na	87.5	17.3	48.0%	-29.7%
Deliveroo PLC	ROO LN	NR	89.68	NA	0.2	0.2	0.2	na	na	9.6	26.7%	-23.4%
Delivery Hero SE	DHER GR	NR	45.08	NA	1.5	1.2	0.9	na	829.6	23.5	51.6%	-130.0%
On demand average					**2.3**	**1.7**	**1.3**	**52.2**	**174.2**	**17.0**	**42.4%**	**-100.6%**
On demand median					**1.7**	**1.3**	**1.1**	**40.6**	**52.1**	**17.3**	**43.3%**	**-79.8%**
Sea Ltd	SE US	Add	76.78	150.00	2.1	1.6	1.2	na	na	41.8	61.7%	-34.6%
GoTo Gojek Tokopedia	GOTO IJ	Hold	306.00	396.00	36.6	22.0	13.9	na	na	na	61.2%	36.5%
Bukalapak.com PT Tbk	BUKA IJ	Add	300.00	350.00	3.9	3.3	2.7	na	na	na	42.3%	-8.2%
Amazon.com Inc	AMZN US	NR	122.28	NA	2.5	2.2	1.9	18.4	14.2	11.5	16.1%	20.3%
eBay Inc	EBAY US	NR	48.21	NA	3.0	2.9	2.8	9.0	8.6	8.3	3.9%	2.8%
Etsy Inc	ETSY US	NR	104.92	NA	5.9	5.3	4.6	22.1	18.9	15.6	17.3%	16.6%
Shopify Inc	SHOP US	NR	35.91	NA	7.1	5.7	4.6	#N/A N/A	263.1	86.2	33.4%	-10.8%
Alibaba Group Holding Lt	BABA US	Add	93.10	151.00	1.6	1.5	1.1	11.6	9.2	6.7	19.8%	1.4%
JD.com Inc	JD US	Add	233.80	339.00	0.4	0.4	0.3	14.6	12.3	8.5	19.2%	-233.5%
Vipshop Holdings Ltd	VIPS US	NR	9.60	NA	0.3	0.2	0.2	4.3	3.9	3.5	3.9%	-1.6%
Pinduoduo Inc	PDD US	Add	50.91	106	3.0	2.2	1.6	22.4	13.8	8.1	30.7%	-233.5%
MercadoLibre Inc	MELI US	NR	803.75	NA	4.1	3.1	2.5	46.0	29.6	20.3	50.0%	72.1%
momo.com Inc	8454 TT	NR	814.00	NA	1.6	1.3	1.1	31.0	24.5	20.0	24.7%	32.2%
Zalando SE	ZAL GR	NR	25.94	NA	0.7	0.6	0.5	16.1	11.7	8.5	14.9%	3.5%
E-commerce average					**4.9**	**3.4**	**2.6**	**7.2**	**33.1**	**18.9**	**28.5%**	**-24.1%**
E-commerce median					**2.9**	**2.2**	**1.8**	**18.4**	**14.3**	**11.5**	**22.3%**	**2.1%**
PayPal Holdings Inc	PYPL US	NR	85.86	NA	3.6	3.1	2.7	16.0	13.2	11.1	14.9%	16.5%
Kakaopay Corp	377300 KS	NR	61,600	NA	12.3	8.7	6.5	224.4	74.2	39.8	43.6%	-496.9%
Pagseguro Digital Ltd	PAGS US	NR	10.93	NA	1.1	1.0	0.8	4.3	3.3	2.7	38.1%	32.7%
Block Inc	SQ US	NR	74.68	NA	2.5	2.1	1.8	61.6	38.4	24.9	29.3%	-296.3%
Adyen NV	ADYEN NA	NR	1,705	NA	35.7	26.7	20.2	56.0	41.3	30.9	-20.4%	43.6%
StoneCo Ltd	STNE US	NR	9.66	NA	1.8	1.5	1.4	5.0	3.8	3.4	48.3%	34.6%
Affirm Holdings Inc	AFRM US	NR	25.83	NA	4.8	3.5	2.8	na	609.8	na	na	na
Worldline SA/France	WLN FP	NR	41.95	NA	3.8	3.5	3.1	14.8	12.9	11.0	24.2%	16.7%
Q2 Holdings Inc	QTWO US	NR	43.48	NA	4.8	4.1	3.4	65.0	43.8	27.9	19.4%	-241.1%
Global Payments Inc	GPN US	NR	122.51	NA	5.3	4.9	4.5	11.2	10.1	9.5	7.5%	14.0%
Mastercard Inc	MA US	NR	352.45	NA	15.7	14.0	12.3	26.0	21.8	18.4	17.6%	21.9%
Visa Inc	V US	NR	211.35	NA	15.4	13.7	12.2	23.2	19.2	16.9	15.8%	15.9%
Western Union Co/The	WU US	NR	16.94	NA	1.7	1.7	1.7	7.1	6.8	6.7	-2.2%	-3.8%
Payments average					**8.4**	**6.8**	**5.6**	**42.9**	**69.1**	**16.9**	**19.7%**	**-70.2%**
Payments median					**4.8**	**3.5**	**3.1**	**19.6**	**19.2**	**14.0**	**18.5%**	**16.2%**

SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG, COMPANY REPORTS
Note: Estimates for Not rated companies are based on Bloomberg consensus estimates
DATA AS AT 28 July 2022

DCF valuation

We cross check our valuation using a DCF methodology, which implies a per share value of US$4.00. Our DCF valuation assumes a WACC of 11.6% and terminal growth assumption of 3%.

Figure 124: DCF valuation

DCF valuation (S$ m)	FY21	FY22F	FY23F	FY24F	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F	FY31F	FY32F
GMV (Deliveries)	8,531	10,679	12,847	15,616	18,981	22,597	26,337	30,037	33,507	36,539	38,933	40,880
yoy change (%)		*25%*	*20%*	*22%*	*22%*	*19%*	*17%*	*14%*	*12%*	*9%*	*7%*	*5%*
GMV (Mobility)	2,787	4,323	6,043	7,545	9,234	11,081	13,020	14,973	16,845	18,529	19,919	20,915
yoy change (%)		*55%*	*40%*	*25%*	*22%*	*20%*	*18%*	*15%*	*13%*	*10%*	*8%*	*5%*
GMV (Financial Services)	4,591	6,173	9,303	13,498	18,339	24,757	32,803	42,644	53,305	65,299	78,358	92,071
yoy change (%)		*34%*	*51%*	*45%*	*36%*	*35%*	*33%*	*30%*	*25%*	*23%*	*20%*	*18%*
GMV (Enterprise and new intiatives)	152	274	485	722	913	1,141	1,397	1,677	1,970	2,266	2,549	2,804
yoy change (%)		*80%*	*77%*	*49%*	*26%*	*25%*	*23%*	*20%*	*18%*	*15%*	*13%*	*10%*
Total GMV	**15,909**	**21,175**	**28,194**	**36,659**	**46,554**	**58,435**	**72,160**	**87,654**	**103,657**	**120,367**	**137,210**	**153,866**
Adj. EBITDA (Deliveries)	-130	-144	3	167	431	678	790	901	1,005	1,096	1,168	1,226
yoy change (%)	*-2%*	*-1%*	*0%*	*1%*	*2%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*
Adj. EBITDA (Mobility)	345	502	795	1,017	1,247	1,330	1,562	1,797	2,021	2,223	2,390	2,510
yoy change (%)	*12%*	*12%*	*13%*	*13%*	*14%*	*12%*	*12%*	*12%*	*12%*	*12%*	*12%*	*12%*
Adj. EBITDA (DFS)	-349	-387	-288	-138	51	99	148	213	293	392	509	644
yoy change (%)	*-8%*	*-6%*	*-3%*	*-1%*	*0%*	*0%*	*0%*	*1%*	*1%*	*1%*	*1%*	*1%*
Adj. EBITDA (Enterprise)	9	14	71	179	311	456	559	671	788	906	1,020	1,122
yoy change (%)	*6%*	*5%*	*15%*	*25%*	*34%*	*40%*	*40%*	*40%*	*40%*	*40%*	*40%*	*40%*
Regional corp costs	-717	-885	-1,044	-1,212	-1,424	-1,753	-2,093	-2,454	-2,799	-3,130	-3,430	-3,693
Adj. EBITDA	**-842**	**-900**	**-463**	**13**	**615**	**810**	**966**	**1,127**	**1,309**	**1,488**	**1,657**	**1,809**
Taxes	-3	-16	-52	-123	-215	-202	-217	-225	-262	-298	-331	-362
Funds from operation	-845	-916	-515	-110	400	607	749	902	1,047	1,191	1,326	1,448
Change in net working Capital	-128	-73	55	70	87	95	105	115	127	140	154	169
Cash flow from operation	-973	-989	-460	-40	487	703	854	1,017	1,174	1,330	1,479	1,616
Capex	-73	-120	-126	-132	-139	-153	-168	-185	-203	-224	-246	-271
Free cash flow from operation	**-1,046**	**-1,109**	**-586**	**-172**	**348**	**550**	**686**	**832**	**971**	**1,106**	**1,233**	**1,346**
FCF growth		6%	-47%	-71%	-302%	58%	25%	21%	17%	14%	11%	9%
Terminal free cash flow (S$ m)	16,212											
Total discounted free cash flow (S$ m)	2,597											
Present value of terminal free cash flow (S$ m)	5,434											
Total present value of forecasted free cash flows (S$ m)	8,031											
Add: Net cash as of end-FY21 (S$ m)	8,231											
Equity Value (S$ m)	16,262											
No. of outstanding shares (millions)	4,069											
Per share Equity Value (S$)	**4.00**											
WACC	**(%)**											
Cost of equity	13.5%											
Risk free	3.5%											
Market risk premium	8.0%											
Beta	1.25											
Cost of debt	5.0%											
Kd (after tax)	3.8%											
Target Debt / (Debt + Equity)	20.0%											
Target Equity / (Debt + Equity)	80.0%											
WACC	**11.6%**											
WC Growth	10%											
Capex Growth	10%											

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Key risks

Regulatory risks

Grab operates its deliveries, mobility and financial services segments across eight countries, and each of its segments is subject to various regulations in each of the jurisdictions it operates in. Focus areas of regulatory risk that Grab is exposed to include, among others: i) evolution of laws and regulations applicable to its service offerings, ii) various forms of data regulation, iii) gig economy regulation, iv) anti-trust regulation, v) economic regulations, such as price, supply, safety, health and environment, vi) foreign ownership restrictions, vii) artificial intelligence regulation, and viii) regulations regarding the provision of online services. Because the industries Grab operates in are relatively new and disruptive, the relevant laws and regulations, as well as their interpretations, are often unclear and evolving in certain jurisdictions, which could make it difficult for Grab to assess which licenses and approvals are necessary, or the processes for obtaining such licenses in certain jurisdictions. Some segments that are currently unregulated could also become regulated in the future, or be subjected to new and changing regulatory requirements, which could increase Grab's cost of regulatory compliance or impact its offerings. Actual or perceived failure to comply with applicable regulations could also expose Grab to regulatory actions, including fines, orders to cease business activities, a prohibition on taking on new customers, driver-partners or merchant-partners, and the implementation of mandated remedial measures, thereby impacting Grab's business operations and prospects.

Intensifying competition

Grab operates in competitive segments and markets. It competes both for driver- and merchant-partners, and for consumers accessing offerings through its platform. From time to time, new competitors may emerge, causing Grab to reduce prices or fees and commissions, and increase driver-partner, merchant-partner or consumer incentives and marketing expenses, which could negatively impact Grab's revenues and costs. Furthermore, the rise of nationalism, coupled with government policies favouring the creation or growth of local technology companies, could favour Grab's competitors and impact Grab's position in its markets.

Inflationary pressures

Factors such as inflation, increased fuel prices, and increased vehicle purchase, rental, or maintenance costs may increase the costs incurred by the driver-partners providing services on Grab platform. Meanwhile, factors such as inflation, increased food costs, increased labour and employee benefit costs, increased rental costs, and increased energy costs may increase merchant-partners' operating costs. The increased costs may cause driver-partners to spend less time providing services on the Grab platform or to seek alternative sources of income. Likewise, merchant-partners could look to pass on costs to consumers by increasing prices, which may negatively impact demand for the services on Grab's platform.

Classification of driver-partners

The independent contractor status of drivers is currently being challenged in courts by government agencies, non-governmental organisations, groups of drivers, labour unions and trade associates all around the world. There has been growing interest in this area recently from regulators in Southeast Asia, where Grab operates in. Changes to laws or regulations governing the definition or classification of independent contractors (requiring reclassification of driver-Grab's partners as employees), or imposition of additional requirements on Grab with respect to independent contractors (requiring increased insurance coverage, providing minimum wages, or make contributions to the statutory contribution

accounts of gig workers etc.), could potentially result in substantial additional expenses for Grab to provide additional benefits to independent contractors. For more discussion, please refer to Appendix.

Fluctuations in currency exchange rates

Grab operates in 8 countries, which exposes it to the effects of fluctuations in currency exchange rates. Grab earns revenue denominated in Singapore dollars, Indonesian rupiah, Thai baht, Malaysian ringgit, Vietnamese dong and Philippine pesos, among other currencies, with a substantial majority of its revenue denominated in emerging markets currencies. Meanwhile, its reporting currency is in US dollars; hence, fluctuations in foreign currency exchange rates will affect Grab's financial results.

Equity dilution

We project Grab to remain loss-making in FY22-24F and expect continued net cash outflow from operating activities for the same period, as Grab continues to invest significantly in: i) expanding its deliveries, mobility and financial services offerings; ii) increasing the scale of the driver- and merchant-partner base and consumer base; iii) developing and enhancing its super app, iv) enhancing the tools that it provides for its driver- and merchant-partners, its payments network and other technology and infrastructure, and v) recruiting of quality industry talent. While Grab has strong cash liquidity of US$8.2bn as of end-1Q22, higher-than- expected capital investments to support its business growth in coming years could lead to issuances of equity or convertible debt securities, which could cause existing shareholders to suffer dilution.

ESG in a nutshell

We think Grab has done well on the ESG front as the group has shown a clear commitment to becoming a triple bottomline company. Grab creates positive social impact via providing jobs to local communities and financially empowering businesses and individuals via its financial products. The group remains committed to promoting environmental sustainability and has set forth a 20-year decarbonisation roadmap in its 2021 ESG report. Grab has received several awards for its ESG efforts, a notable one being the MSCI ESG AA rating awarded on 13 Jun 2022. Should Grab continue to deliver on its sustainability efforts and raise its ESG profile further, we believe that the group could enjoy greater interest from ESG-focused investors.

Keep your eye on	Implications
On 12 May 2022, Grab released its FY21 ESG report and announced three ESG-related goals: 1) doubling the number of marginalised individuals earning income on its platform by 2025, 2) reaching 40% female leadership by 2030, and 3) achieving carbon neutrality by 2040.	We like that Grab has set long-term targets in its first ESG report since IPO, reaffirming the group's commitment to ESG efforts. From a social lens, increasing the number of marginalised employees is strongly positive, as this improves standards of living and empowers local communities. Likewise, greater female diversity and carbon neutrality are positive for the group's environmental and governance aspects.
ESG highlights	**Implications**
On 13 Jun 2022, the group was awarded an MSCI ESG rating of AA, the second-highest ESG rating attainable by an organisation. Grab was also ranked among the world's top 100 female-friendly by Forbes in 2021.	We like that Grab is being commended for its commitment in the sustainability space. With the group having only recently listed in Dec 2021, we believe that this is positive for Grab as it could further elevate the group's profile among ESG-focused investors.
Trends	**Implications**
Grab reported a 28% yoy reduction in road accident rates in 2021, with overall road accidents per million km declining from 0.224 in 2020 to 0.161 in 2021. On the environmental front, Grab powers all its corporate offices with 100% renewable energy sources via the purchase of unbundled renewable energy certificates (RECs). As of end 2021, renewable energy constituted 42.8% of the group's total energy consumption, up from 0% in 2020.	As a leading mobility and delivery service provider, we believe safety is an imperative aspect for management to focus on. Grab provides mandatory training on safe driving for its driver partners and provides in-app safety tools to help reduce risk of road accidents. Continued improvement in safety metrics is a key indicator of management's emphasis on promoting road safety. We believe Grab's pivot to renewable energy consumption underscores its commitment to promoting a greener future. This is further corroborated by the group's decarbonisation roadmap, outlining strategies for reducing and neutralising emissions over the next 20 years. While we have not factored this into our valuations just yet, we think Grab's clear environmental commitment could garner greater interest from ESG-focused investors going forward.

SOURCES: CGS-CIMB RESEARCH, REFINITIV

Appendix

Shareholding structure

Figure 125: Major shareholders

	Class A Ordinary Shares (m)	Class B Ordinary Shares (m)	% of total ordinary shares	% of voting power
Directors and Executive Officers				
Anthony Tan Ping Yeow	0.0	136.8	3.6%	62.4%
All executive officers and directors as a group	**2.8**	**136.8**	**3.6%**	**62.5%**
Principal shareholders				
Softbank	699.2	0.0	18.3%	7.3%
Uber Technologies	535.9	0.0	14.0%	5.6%
Didi Chuxing	280.2	0.0	7.3%	2.9%
Toyota Motor Corp	222.9	0.0	5.8%	2.3%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

SWOT analysis

Figure 126: SWOT analysis

Strengths:
1) Strong regional market share in both mobility and deliveries
2) Super-app flywheel allows stronger retention and more cross-selling
3) In-depth knowledge of local ASEAN markets allows targeted tailoring of services
4) Well supported by a robust technology infrastructure

Weaknesses:
1) High levels of incentive spending required to grow customer stickiness. This is a key drag on margins
2) Revenue dependent on the Southeast Asian market
3) Unclear path to earnings profitability

Opportunities:
1) Digital financial services represents an opportunistic area of growth in underbanked Southeast Asia
2) Shifting adoption towards food delivery
3) Drive higher DFS monetization by introducing more non-payment financial services

Threats:
1) Intensifying competition from newer ride-hailing entrants
2) Inflationary pressures eroding margins

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Issues with gig worker welfare in Singapore

Since the onset of Covid-19, the number of gig workers in Singapore has seen steady growth. Gig workers refer to individuals working part-time, in a temporary position, or as independent contractors; their income is not fixed and is dependent on “gigs” completed. Examples of such workers include delivery workers and drivers who work with ride-hailing apps.

While gig workers do enjoy flexibility in their work, they do not have the same level of welfare benefits that full-time employees enjoy. One key area under scrutiny is Central Provident Fund (CPF) contributions by employers; CPF is a compulsory retirement savings plan for Singapore citizens and permanent residents. For full-time employees, employers are required by law to make monthly CPF contributions for its Singaporean and permanent resident employees. In contrast, gig workers do not enjoy CPF contributions from their employers, given that these individuals are classified as self-employed workers. A comparison of welfare benefits received by various types of employees is shown below.

The Singapore government has been working on improving gig worker welfare. The Advisory Committee on Platform Workers was formed in Aug 2021, aimed at addressing three key issues faced by gig workers; 1) retirement and housing

adequacy, 2) injury compensation, and 3) worker bargaining power. The committee aims to deliver recommendations by 2HCY22.

Findings from research conducted by Blackbox

In March 2022, advisory firm Blackbox published a research report on food delivery drivers in Singapore. The group surveyed 175 Singapore food delivery riders to better understand their views on current policies surrounding gig work. We summarised the key findings of the report below.

1) **Most food delivery riders already enjoy insurance coverage**. According to Blackbox, 74% of its survey respondents are already covered by their own personal accident insurance medical plan. Respondents also preferred to have the flexibility in choosing the level of insurance coverage, as compared to mandatory insurance being imposed by the government.

2) **CPF contributions are an issue for many food delivery riders**. Riders surveyed by Blackbox were somewhat reluctant to make CPF contributions, with only 55% of respondents making regular contributions to their CPF MediSave account. This is driven by two main reasons: 1) not having a monthly fixed income, and 2) the negative impact of CPF contributions on personal disposable income. The group highlighted that compulsory CPF contribution for gig workers could be difficult to implement given the variable nature of their monthly income. In addition, the group opined that forceful CPF implementation would face resistance from gig workers and could potentially restrict the sector's growth.

Comparison with other countries

United Kingdom

Self-employed individuals are not eligible for most traditional employee benefits. However, the UK Supreme Court ruled (in 2021) that Uber drivers should be treated as workers instead of independent contractors, entitling them to minimum wages, holiday pay and automatic pension contributions. That said, workers are still not considered full-time employees; "workers" is a hybrid category with: 1) lesser labour rights compared to full-time employees, and 2) more benefits compared to independent contractors. While the court ruling has only affected Uber thus far (as of Apr 2022), this could pave the way for further structural changes in the UK gig economy.

United States

Gig worker benefits vary across different US states. On Jan 2020, Proposition 22 was passed in the California state: app-based drivers are classified as independent contractors (rather than full-time employees) and are granted a limited set of benefits (e.g. mandatory earnings floor, health insurance stipend, medical and disability coverage, and protection against discrimination and termination). Similarly on Mar 2022, Washington State signed into law a welfare bill, allowing app-based drivers to maintain their status as independent contractors while enjoying a range of benefits (e.g. minimum per-trip payments, paid sick leave, worker compensation coverage, and protection against discrimination and termination). As of Apr 2022, the US has yet to implement relevant legislation at the federal level.

China

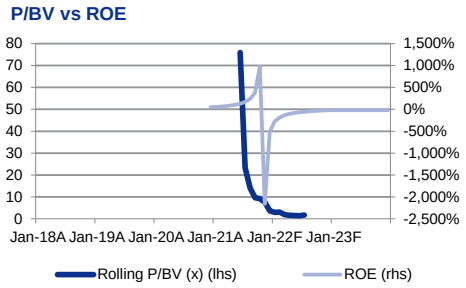
In Jul 2021, China's State Administration for Market Regulation introduced new rules to improve the welfare of app-based platform drivers. Areas tackled include guaranteed base income (higher than local minimum wages), injury insurance coverage, less stringent performance evaluation systems and deadlines, and allowing delivery drivers to join labour unions. The push for better worker welfare

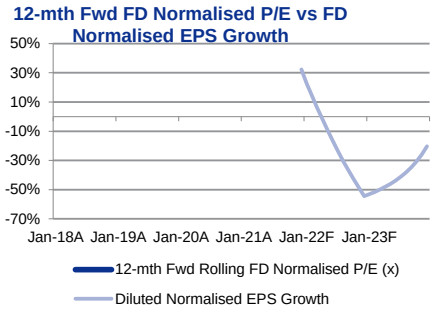
comes on the back of President Xi Jinping's push for "common prosperity", which aims to reduce the nation's social inequality and income gap.

Malaysia

Gig workers enjoy social protection via the Self-Employment Social Security Scheme (SPS Lindung) under the Social Security Organisation (SOCSO). Benefits provided include coverage for temporary and permanent disabilities, medical benefits, educational benefits, and funeral benefits. The Malaysian government subsidises 80% of the insurance costs incurred under the scheme.

BY THE NUMBERS





Profit & Loss

(US$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Net Revenues	**469**	**675**	**1,248**	**2,048**	**2,936**
Gross Profit	**(494)**	**(395)**	**(57)**	**460**	**1,027**
Operating EBITDA	**(911)**	**(1,211)**	**(1,209)**	**(839)**	**(438)**
Depreciation And Amortisation	(387)	(344)	(332)	(315)	(297)
Operating EBIT	**(1,298)**	**(1,555)**	**(1,542)**	**(1,154)**	**(735)**
Financial Income/(Expense)	(1,437)	(1,989)	(71)	(110)	(110)
Pretax Income/(Loss) from Assoc.	(8)	(8)	(1)	0	0
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	**(2,743)**	**(3,552)**	**(1,613)**	**(1,264)**	**(845)**
Exceptional Items					
Pre-tax Profit	**(2,743)**	**(3,552)**	**(1,613)**	**(1,264)**	**(845)**
Taxation	(2)	(3)	(16)	(52)	(123)
Exceptional Income - post-tax					
Profit After Tax	**(2,745)**	**(3,555)**	**(1,629)**	**(1,316)**	**(968)**
Minority Interests	137	106	45	36	27
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Preference Dividends (Australia)					
Net Profit	**(2,608)**	**(3,449)**	**(1,584)**	**(1,280)**	**(942)**
Normalised Net Profit	(2,745)	(3,555)	(1,629)	(1,316)	(968)
Fully Diluted Normalised Profit	**(2,608)**	**(3,449)**	**(1,584)**	**(1,280)**	**(942)**

Cash Flow

(US$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
EBITDA	(911)	(1,211)	(1,209)	(839)	(438)
Cash Flow from Invt. & Assoc.	8	8	1	0	0
Change In Working Capital	75	(128)	(73)	55	70
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	1,682	2,096	119	110	110
Net Interest (Paid)/Received	(1,490)	(1,701)	(120)	(110)	(110)
Tax Paid	(7)	(3)	(16)	(52)	(123)
Cashflow From Operations	**(643)**	**(939)**	**(1,298)**	**(836)**	**(491)**
Capex	(22)	(73)	(120)	(126)	(132)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	(3)	(16)	0	0	0
Other Investing Cashflow	(293)	(2,668)	373	292	262
Cash Flow From Investing	**(318)**	**(2,757)**	**253**	**166**	**130**
Debt Raised/(repaid)	(98)	6,206	0	0	0
Proceeds From Issue Of Shares	1,389	463	0	0	0
Shares Repurchased					
Dividends Paid					
Preferred Dividends					
Other Financing Cashflow	287	(103)	(120)	(110)	(110)
Cash Flow From Financing	**1,578**	**6,566**	**(120)**	**(110)**	**(110)**
Total Cash Generated	617	2,870	(1,165)	(781)	(471)
Free Cashflow To Equity	**(1,059)**	**2,510**	**(1,045)**	**(671)**	**(361)**
Free Cashflow To Firm	**529**	**(1,995)**	**(926)**	**(561)**	**(251)**

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS… cont'd

Balance Sheet

(US$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Cash And Equivalents	2,173	4,991	3,826	3,046	2,575
Total Debtors	281	440	470	589	717
Inventories	3	4	4	5	6
Total Other Current Assets	1,298	3,240	2,916	2,624	2,362
Total Current Assets	**3,755**	**8,675**	**7,216**	**6,264**	**5,659**
Fixed Assets	384	441	441	443	450
Total Investments	386	1,255	1,254	1,254	1,254
Intangible Assets	913	675	463	271	99
Total Other Non-Current Assets	4	132	132	132	132
Total Non-current Assets	**1,687**	**2,503**	**2,290**	**2,101**	**1,935**
Short-term Debt	140	144	144	144	144
Current Portion of Long-Term Debt					
Total Creditors	661	847	804	979	1,177
Other Current Liabilities	35	35	35	35	35
Total Current Liabilities	**836**	**1,026**	**983**	**1,158**	**1,356**
Total Long-term Debt	111	2,031	2,031	2,031	2,031
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	10,789	102	102	102	102
Total Non-current Liabilities	**10,900**	**2,133**	**2,133**	**2,133**	**2,133**
Total Provisions	0	0	0	0	0
Total Liabilities	**11,736**	**3,159**	**3,116**	**3,291**	**3,489**
Shareholders' Equity	(6,399)	7,733	6,149	4,869	3,927
Minority Interests	105	286	241	205	178
Total Equity	**(6,294)**	**8,019**	**6,390**	**5,074**	**4,105**

Key Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue Growth	N/A	43.9%	84.8%	64.1%	43.4%
Operating EBITDA Growth	(61.4%)	32.9%	(0.1%)	(30.6%)	(47.8%)
Operating EBITDA Margin	(194%)	(179%)	(97%)	(41%)	(15%)
Net Cash Per Share (US$)	0.49	0.71	0.41	0.21	0.10
BVPS (US$)	(1.62)	1.96	1.53	1.20	0.95
Gross Interest Cover	(0.87)	(0.91)	(12.90)	(10.49)	(6.68)
Effective Tax Rate	0%	0%	0%	0%	0%
Net Dividend Payout Ratio	NA	NA	NA	NA	NA
Accounts Receivables Days	258.3	194.9	133.1	94.4	81.4
Inventory Days	1.52	1.19	1.11	1.00	1.01
Accounts Payables Days	243.2	257.2	231.0	204.9	206.6
ROIC (%)	(47.7%)	(71.2%)	(38.4%)	(33.5%)	(27.6%)
ROCE (%)	25.1%	(71.8%)	(15.9%)	(14.6%)	(10.9%)
Return On Average Assets	(25.0%)	(18.8%)	(15.1%)	(13.4%)	(10.6%)

Key Drivers

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total GMV	12,492.0	16,061.0	21,448.6	28,679.0	37,381.7
Total adjusted EBITDA	(780.0)	(842.0)	(899.8)	(462.8)	13.3

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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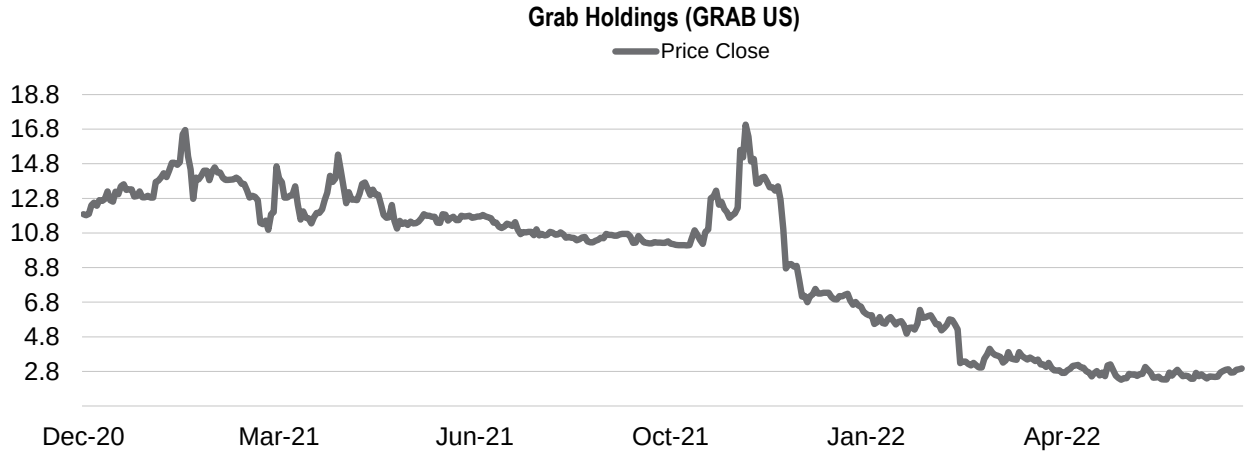
Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2022
643 companies under coverage for quarter ended on 30 June 2022

	Rating Distribution (%)	Investment Banking clients (%)
Add	68.4%	0.8%
Hold	24.6%	0.0%
Reduce	7.0%	0.2%

Spitzer Chart for stock being researched (2 year data)



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