

Grab Holdings Limited
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Michael Grimes: Michael Grimes from Michael Stanley. Please visit the Morgan Stanley Research Disclosure website for legal disclosures regarding everything relating to that as well as Grab's filings for a discussion of the risk factors. And obviously anything that they share today is covered under that documentation and is only true as it is made. We have with us here today, Peter Oey, the CFO of Grab. Thank you so much for joining us.

Peter Oey: Thank you, Michael. Thank you for the folks who are listening in today.

Michael Grimes: For those of who -- most of you are familiar with Grab. Just for those who are new to the story, leading Super App in Southeast Asia. Food, mobility, grocery, financial services. 24 million I think as of 2021 served. With so many businesses that you're in, I think we want to really start with that journey from single function, single modality in a single country to multiple-multiple in part against the against backdrop of COVID. What's been that story of expansion across the pieces of functionality and services and geography set against COVID? What can you tell us about that journey, where you are today and where you're headed?

Peter Oey: Sure. For a lot of you who might not be aware, we serve close to 480 cities now in Southeast Asia. We actually have 28 million transacting users as of December 2021. I would say that it's kind of a unique business that we have in Southeast Asia. As a super app where you have mobility, we also have all forms of on-demand deliveries. Whether it's grocery, whether it's mart, whether it's food, whether it's a parcel that you need. And also, our financial services and we have an enterprise segment also. The last couple of years since COVID has been really interesting to watch. Obviously, the mobility business has been impacted. We had a massive lockdown in Southeast Asia in the third quarter and our mobility business had come back since then in the fourth quarter. But we still have a ways to go in terms of mobility.

What's been really amazing is to watch our deliveries business, our on-demand deliveries business. Last year we posted record GMV. We did \$8.5 billion in GMV and we grew 56% year-on-year. It continues, despite the mobility business coming back, we're still continuing that growth. Our payments business, our E-Wallets business, over 60% of our Grab users now use our E-Wallets as their main method of payments now. And so far, also folks are crossing across to mart and supermarket also at the same time as during this COVID there is this new behavior that we've seen within our cohorts.

I would say COVID has accelerated a lot of our deliveries business, which is still a very young business. It's only actually less than 4 years old, our deliveries business. And we were a lot later to coming to Southeast Asia, but yet also, we've been able to have very strong market share. Over half of Southeast Asia when it comes to deliveries, food delivery, use Grab as the main platform today, so we're quite proud of that. We've worked hard at that, but we still have ways to go also at the same time. There's still a big opportunity in Southeast Asia.

Michael Grimes: How would we talk about the competitive environment then in each of the businesses? Competitively, where do they sit today?

Peter Oey: Sure. If you look at our mobility business today, we have a very strong market share. We're up 70%+ in terms of mobility across Southeast Asia, across the 480 cities that we operate in today. If you look at our deliveries business, over half like I mentioned before. I would say that the delivery is more intense when it comes to competition. You've got multiple regions, a couple of big regional players in Southeast Asia. You've got the local players also at the same time. But competition to us actually makes it more fun. And again, makes it more intense, but also at the same time, also makes us a lot sharper in how we operate the business today.

Michael Grimes: Is this venture funded or public funded? Like will it change at all if there's any slowdown in the private funding environment? Or is that capital to burn at the core there? Or they're just well-funded and it's going to continue to be highly competitive?

Peter Oey: I think with a lot -- two of the regional players that we compete with are public companies today. We'll see how they react. We stick to current marketing environment today. A lot of the smaller players within their own countries are VC funded. Some are private. But we'll see. I mean I think at the moment, we continue just to be heads down and execute the business. Again, that category share that we have today is something that we've built over many years and we continue to execute on that. If you look at our unit economics of our business today, it continues to improve. Our average basket size continues to improve. We're up over 15% in terms of our average basket size. Our monthly transacting users also is growing again, getting back to pre-COVID levels. All those elements are important. We're also improving our unit economics of our business also at the same time. Especially our deliveries. There's such a big opportunity there in our deliveries business today.

Michael Grimes: Right. Let's finish up with the competitive environment and I guess then financial services.

Peter Oey: Sure, yeah. The financial services, mainly the space that we play in today is in the ePayment side, our digital wallet payments. In Indonesia we have a brand called OVO that penetrates the Indonesian markets. Outside of Indonesia we have GrabPay all throughout the different countries today. And we've got a fairly good market share actually. We are one of the leading E-Wallet players across Southeast Asia. And as I mentioned, over 60% of our Grab platform users today use our wallet today as their main method to transact on our platform today. Our off-platform business also, which is outside of our Grab ecosystem, is also growing and we grew 108% last year year-on-year outside of Indonesia when it comes to our E-Wallet. And also, we have now also introduced other products in financial services, whether it's buy-now/pay later, where out of two markets, Singapore and Malaysia, already that's grown 5x on a year-over-year basis. And also, we've got other countries that we're entering into. We also provide lending. We provide lending to our ecosystem, to our drivers, to our merchants today. If you think about it, we have over 2 million merchants on our platform today. We have over 5 million registered drivers on our shared fleet today across Southeast Asia. That's a big captive audience that we're also servicing.

- Michael Grimes: Advance against earnings type of thing on the lending?
- Peter Oey: That's right, yes. Sorry, the --
- Michael Grimes: You know the credit.
- Peter Oey: Exactly. And one of the beauties about the super app is that we have a lot of data on our ecosystem, the folks who are using our platform. The drivers obviously, they are on our platform. Our merchants, they are on our platform. We see a lot of interaction of the data. We have also their e-wallets on our platform. And that gives us a lot of comfort when it comes to lending. We have one of the lowest NPLs when it comes to lending in Southeast Asia today.
- Michael Grimes: We reviewed financial services. If we go to that, the driver and the consumer and the mobility business kind of apart from the competitive environment, just what's the state of that business' recovery, etc.? What can you tell us about the core mobility business?
- Peter Oey: Sure. The mobility business, the third quarter, for those who might not be familiar, Southeast Asia in the third quarter went through a massive lockdown. It was the Delta variant at that time and lot of the governments took more of a harsh measure and a lot of the cities were under massive lockdown. Obviously, the mobility business came to a grinding halt for some of the countries for us. What's been really encouraging is the strong bounce back coming out of that massive lockdown. In the fourth quarter, we saw mobility coming back 45% growth quarter-on-quarter.
- Now, as a business, we're still way off where we want to be in terms of pre-COVID. We're still, in Southeast Asia, the borders are still closed to a lot of extent. There is still no tourism coming into Southeast Asia, it's very restricted when you come in. Mobility is growing and now we're going through Omicron in Southeast Asia where actually the cases are peaking also, so we're about a quarter behind developed markets. What's encouraging though watching all of this is that the mobility business continues still to be strengthening. From a month-on-month, on a quarter-on-quarter. We are quite cautiously optimistic about the mobility business.
- And at the same time also, we are continuing to bolster our supply for our drivers also. Given that the bounce back is stronger, we want to make sure that we have enough supply out there also to meet the demand which is growing quite rapidly also at the same time. I would say that in the fourth quarter, we deployed incentive to get drivers back into our platform. We added close to about 100,000 new drivers last quarter. We're actually doing another recruitment this quarter also because we know that demand is going to come back.
- Michael Grimes: It's going to come back. Take the food business, there was a lot of growth in GMV in 2021 and in commissions in Q4, but the profitability has receded a bit. How do you balance that tradeoff and what can you share with us about that business?
- Peter Oey: Yeah, sure. The deliveries business has been quite amazing just to watch for us in the last 18, 24 months since COVID came upon us. If you look at the deliveries business today, there's 4 pieces of our deliveries business. You've got food delivery which is our core business today. You've got then our supermarket or GrabMart also which is the everyday convenience as well as a grocery shopping. E-shopping also, getting delivered to your house. And then you've got Express, which is our parcel last mile delivery, also. Anything that you need, you would order through the Grab app and get it delivered within 30 miles to your whatever destination that you choose. That business has been growing tremendously. 56% growth on a year-over-year basis and continues to grow

despite the mobility coming back.

Now, if you look at it, it is more intense, the competition landscape is more intense than the mobility business for sure. But at the same time also, given the category relationship that we have, we have been continuing to maintain our market share which is very critical. When we manage our business today, there's 3 things I would look at. One is making sure that category position is maintained. This is important in Southeast Asia. Secondly also that we're growing the business. Our GMV has been growing. Also, our average order value has been growing. Our MTU, monthly transacting users, also has been growing. And thirdly is our unit economics of our business. If you look at our deliveries business last year for an example, we finished at negative 1.5% from an EBITDA margin which is a big improvement to the year before that. If you look at where we are going in terms of our food delivery for an example, I gave guidance out that we'll be breakeven by the first half of 2023 and then our delivery segment by the end of 2023. What's been really interesting for us to watch actually is the delivery business is actually, if you look at the 2, for example 2 specific countries that we have today, it's already at 6% EBITDA margin for us today. It's already trading above our guidance today on 2 countries that we have on our medium long-term guidance. And if you look at also, we're already profitable 4 out of the 6 countries in our deliveries, so we're feeling pretty good in where deliveries is going. But we're going to continue to also make sure that we invest in the technology and also in the market share that we feel is very important in Southeast Asia.

Michael Grimes: You've added a lot of services. We just talked about them all. And you continue to add advertising, mapping, antifraud. What else? Talk about those or other things that you're adding or could or would add.

Peter Oey: I would touch on the mapping first. I think it is quite unique to Grab. If you look at Southeast Asia, it's so diverse and it's 8 markets that we operate, 8 countries that we operate in today. And we've developed our own mapping and that's intentional for us because Southeast Asia is difficult to map. Just how spread out it is, there's thousands of islands. And relying on third party maps actually makes us more inefficient. We have to rely on our own mapping to become more efficient as part of improving our unit economics. If you go to Singapore today, when you open up the app, the Grab app, it's our map that the consumer will see on the Grab app itself. When you're the driver, also has the ability to use our Grab app. And that's important because we mapped Southeast Asia effectively and we've mapped all the little streets that other third parties don't map today. Why? Because for the drivers, they want to get there as quickly as possible and the safest route also. We do that by our own mapping and it's an investment that we're continuing to make.

We also have developed our own antifraud. In Southeast Asia, unfortunately fraud is very apparent. We had to develop our own antifraud tool also that we use internally. We have one of the lowest fraud rates in Southeast Asia today when it comes to people who are using our platform today. We're continuing to invest in that.

Thirdly is advertising. Advertising is a big opportunity for us. It grew over 300% year-over-year last year for us. It's still very early days. We still have a big opportunity and a lot of our merchants are today more and more on our platform, apps platform, because they see a way for them to increase their ability to also earn at the same time also. While we have merchants on our platform also, we also have non-merchants, non-restaurant merchants on our platform today that's using the ad. Brands like Samsung, Apple, we've got also folks like Dyson using the ads platform today because we have such a big reach in Southeast Asia today.

Michael Grimes: Let's talk about the synergy among the businesses. Some of them are pretty obvious. The

land at the airport and order the food to be there at the hotel when you're there. But what are some of the nonobvious synergy cases between the various offerings since you have so many?

Peter Oey:

Yeah, if you really strip it down, while it sounds many services, actually if you break it down between the 4 segments, it's really the prime use case for Grab user is probably 4 use cases today. You've got the ride hailing, and the ride hailing for us has a plethora of different services. Whether you want the premium, you want the shuttle, you want the pool, you want the basic, you want to book for the whole day, you want the hourly rate. Whichever form of transportation you need, we provide the services across Southeast Asia today. Also, we integrate with taxis in Southeast Asia. If you want a taxi, you can use a Grab app too. We have a partnership for example in most countries today with taxi companies. We want to give the consumer the option in terms of being how to get from Point A to Point B all through the app itself.

The second point is around deliveries. You've got the second big use case is probably food delivery. And people throughout COVID, obviously that has picked up quite a fair bit. But also, people are starting to transition also now to grocery delivery also. In Southeast Asia the penetration for grocery deliveries is 1%. It's very, very small, with a huge market opportunity today. And if you notice, actually 80% of our grocery folks who are using the platform, come from food today. It's a big crossover between the food to go to grocery.

And then the third use cases would be definitely the payment side. People are using the wallets as a form of payment whether it's on our platform or when they actually go to a local store, they have the ability to use GrabPay like they do in here where they use ApplePay for an example. GrabPay is very well used across Southeast Asia.

And then the fourth use case I would say is also insurance. We have a microinsurance product. We believe in fractionalizing insurance because in Southeast Asia, folks cannot afford a full year's premium, so we've got to break it down for them. We fractionalize the insurance for them, whether it's our drivers, whether it's the consumer, so they're actually able to afford per ride, per transaction those insurance products.

Michael Grimes:

On your last earnings, you gave the growth outlook and the profitability outlook. Can you talk us through those targets and the assumptions embedded in them?

Peter Oey:

Sure. Three things I would say there. In mobility, I gave an outlook medium term of roughly 12% of our GMV, percentage of GMV margin, which is I would say best in class in the ride hailing space. Actually, we're already there. If you look at last year, we did 12.1% margin in the mobility space already and we've actually been profitable now in the mobility business for 9 quarters. We've been at it since the fourth quarter of 2019 and we feel very strong and confident that we'll continue to extend. And we still have the ability once we get back to COVID level also to continue to grow our mobility business to go deeper into Tier 2 and Tier 3 cities. We're predominantly today in Tier 1 cities, 80% of our rides today come from Tier 1 cities throughout Southeast Asia.

The second is around deliveries. I gave guidance around long term margin, medium to long-term margin of 3%. I would say that's prudent from our perspective. If you combine the advertising segment of ours which is a completely separate segment to deliveries, that has a high margin business and you've got the deliveries. And we're in the 5% to 6% margin of zip code for deliveries, that's inclusive for advertising. And like I mentioned earlier, we're already doing 6% in couple of countries today when it comes to our deliveries margin today. We feel pretty good we can get there. We have our trajectory to get there and our first priority is to make sure that the remaining 2 countries for our delivery segment becomes profitable as quickly as possible.

Then in terms of financial services, I didn't give guidance out in terms of margin. It's a longer-term investment for us. We're building out the digibank. For those of you who might not be aware, we've been awarded the digital full retail bank to operate in Singapore and it's a joint venture with Singtel in Singapore where we're the 60% owner. We also have taken a stake in a bank in Indonesia as part of our growth plans in Indonesia into penetrating financial services, as well as we have applied for a banking license in Malaysia also. This is in addition to our ePayments business as well as our traditional lending business today.

Michael Grimes: You also I think have outlined these top 3 priorities. Hearts & Minds of the users, continuing to invest in your segments, and reducing your cost to serve. What do you mean by each of those and what's the update on those 3 key priorities?

Peter Oey: Winning Hearts & Minds is critical for us. And part of that is continuing to invest in our consumer product experience. While it's important because we have a lot of ability to penetrate the market today, Southeast Asia is still in its very early days. It's 5 years behind China. We have 6 in 10 who is underserved today when it comes to financial services. Funny enough, you look at our driver base today, over 50% do not have a bank account. We are the first point of interaction for them to actually have some sort of an electronic payment mechanism today. We have a huge opportunity for us in Winning Hearts & Minds, whether it is the drivers, whether it's the merchant or the consumers. And we do that through the superapp. The consumer has their own superapp, the driver has his own superapp. Our driver base today, we treat them like a shared service fleet. As a driver, you are able to toggle between deliveries and mobility seamlessly. Your next job could be transporting someone from Point A to Point B, your next job could be transporting food from Point A to Point B and/or parcel from Point A to Point B. And that's beauty of our structure today. We've built this infrastructure today where it's a shared fleet so our drivers can basically just toggle.

Then secondly on the merchant side, it's important for us they have their own merchant super app also where they have the ability to transact on our platform. We help them to monetize their business. They have advertising also as part of that. All that is critical in making sure that earnings also are increasing. That's winning the hearts of consumers and minds across their supply chain as well as our consumer.

In terms of lowering cost to serve, there's still a lot of opportunities for us to improve our margins today and our unit economics. And that's through product and technology. We're investing into mapping like I said earlier. We're investing more in terms of batching also, the batching technology so we can actually lower their cost to serve, improve the margin. We're investing in more algorithms in terms of the way we predict our user base. We're also investing into personalization also. Because we have a lot of data on the consumer themselves, we should be in a position to be able to help them and nudge them in terms of interacting on our platform today. Again, part of that is part of our lifetime value monetization as a superapp today. So that's on the lower cost to serve.

Then just from a market, we still have a lot of opportunities in terms of getting more market share in Southeast Asia today. The penetration is still low. It's 3% mobility, 1% grocery, 12% in food delivery. And Southeast Asia has 660 million people.

Michael Grimes: You've got a ways to go.

Peter Oey: Wide open space.

Michael Grimes: We'll get a microphone keyed up for audience questions. As you're getting ready, if you queue up the first audience question, just what's the -- when you look at the near term,

let's call that 2022 or return to whatever normal means, the challenges over that timeframe and then what's the challenges over the longer arc, as we get ready for audience questions?

Peter Oey: Sure. I think for us, really focusing on continuing to be the number one consumer's choice I think is really important. If you look at our market segment that we hit today, it's middle to upper and it's critical for us to continue to do that. Our basket size is 20% higher than our peers today. If you look at our GMV per monthly transacting users, also it's growing. We're going to continue to monetize that opportunity. Going to improve the unit economics of our business. That's one critical piece.

And then as we think about longer term also, really just creating a much better product experience as a superapp also and add more services to it. Because if you look at our cohort of data today, the 2016 cohort today spends 5x where it is today. People are using and spending more on our platform and that leads to better retention. If you use 3 or more services today, you are in the 70% zip code of retention for us.

Michael Grimes: What do we have back here? Then we'll go over there next.

Audience Member: Thanks. My first question is really around financial services. Amongst all the general payment processing, financial services specifically around lending, whether to merchants or consumers, and then insurance means other products. In the near term, or I guess 2 or 3 years, how do you expect the contributions between those various products to sort of mix?

Peter Oey: Yeah, definitely more and more financial services is a big opportunity for us, especially as the Digital Bank continues to launch also in multiple countries for us. Because we know that the banking products are very sticky. Especially deposits. Loans also are very sticky products. As the journey of a consumer continues to transition to more financial services, we see better life-time value of a particular user base. The beauty of our business is we have multiple funnels today. It used to be just mobility and ride hailing, and then we added delivery services and that's another funnel for us. ePayments became another funnel. Then the digibank becomes another funnel for us. We'll continue to utilize all those different funnels for us to be able to continue to give consumers better services, but also get them to spend more also on our platform at the end of the day. But the financial services is a critical piece of that for us moving forward.

Audience Member: Just a quick follow-up on that, one of the challenges it seems like in whether it's consumer lending specifically in a competitive market, is that consumers can borrow on one platform and then go to another platform if they choose default. Which in China, the platform is consolidated, so it's harder actually for consumers to do that. How do you look to solve sort of the issue of fraud and just failure to repay in a more competitive E-Wallet market?

Peter Oey: Yeah, it's the data. If you look at our -- when we started the lending business., we deliberately started with our drivers and our merchants because we have the data. We know how much they're transacting. We've built a relationship with them. We also have a lot of consumer data. If you look at the digibank that we are creating with our partner with Singtel in Singapore, Singtel has a lot of the SMEs as well as the consumer on that platform, whether it's mobile phone or cable, whether it's landlines, etc. We have a lot of data on the ride hailing and food delivery on our consumer base. Using those data and making sure that we built very strong credit logics. If you look at our NPL today, it's one of the lowest in Southeast Asia today. That's been deliberate. Because we don't lend to everyone and we're okay with that. Because we want to take the most prudent approach, making sure also that our NPL is low.

- Audience Member: I'm just curious, on the payments business again, just long term as you build out and start to think about long-term profitability, is it assuming that you beat folks like SeaMoney and other competitors or is that you can just coexist and you can still make that a profitable long-term business?
- Peter Oey: Look, it's a big market. 6 out of 10 is underserved, underbanked in Southeast Asia. I think there is room for 2, 3, 4 players in our view. And we all also have different market segments that we're going after.
- Michael Grimes: Time for one more. Here. Running is a safety hazard, it's on my disclosure form.
- Audience Member: Take your time. Hey, Peter. Obviously, you've got a huge balance sheet. I look at increased competition from Shopee on the one side and I also see Delivery Hero of kind of like playing about in southern markets like Malaysia and Philippines. Given that your delivery profitability has been pushed out to I think second half of 2023, maybe first half of 2023, what do you think of using your balance sheet to buy a bunch of these assets maybe from Delivery Hero or executing and consolidation in that market?
- Peter Oey: We're very focused in making sure that our product experience and also unit economies improve without any M&A activities. We're very focused. If you look at the way we've developed the business so far, it's done without acquisition. The only acquisition that we did that was sizable was when you bought Uber back in 2018 in the mobility space. Now, if you look at where delivery is today, we already have a very clear trajectory to get to that profitability by the first half 2023 for our food, and then the second half of 2023 by our delivery segment. Two of our countries today are already at 6% positive EBITDA today. We have a path to get there. Now if an opportunity comes by along the way to shortcut it, we'll look at it strategically, but we're heads down in believing that we are going to continue to grow market share as well as improve the unit economics of our business without M&A.
- Michael Grimes: You do have a lot of balance sheet, a lot of cash on the balance sheet. Thank you all for attending and thank you, Peter, for joining us.
- Peter Oey: Thank you for all the questions.