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CORPORATE PARTICIPANTS

Douglas Eu *Grab Holdings Ltd - Director, IR & Strategic Finance*

Anthony Tan *Grab Holdings Ltd - Chief Executive Officer and Co-Founder*

Alex Hungate *Grab Holdings Ltd - Chief Operating Officer*

Peter Oey *Grab Holdings Ltd - Chief Financial Officer*

CONFERENCE CALL PARTICIPANTS

Pang Vitt *Goldman Sachs - Analyst*

Alicia Yap *Citigroup - Analyst*

Sachin Salgaonkar *BofA Global Research - Analyst*

Piyush Choudhary *HSBC Singapore - Analyst*

Ranjan Sharma *JPMorgan - Analyst*

Mark Mahaney *Evercore - Analyst*

Jiong Shao *Barclays - Analyst*

PRESENTATION

Operator

Ladies and gentlemen, thank you for joining us today. My name is Aida, and I will be your conference operator for this session. Welcome to Grab's second quarter 2024 earnings results call. After speakers remarks, there will be a question-and-answer session.

I will now turn it over to Douglas Eu to start the call.

Douglas Eu - *Grab Holdings Ltd - Director, IR & Strategic Finance*

Good day, everyone, and welcome to Grab's second quarter 2024 earnings call. I'm Douglas Eu, Director, Investor Relations and Strategic Finance at Grab. And joining me today are Anthony Tan, Chief Executive Officer; Alex Hungate, Chief Operating Officer; and Peter Oey, Chief Financial Officer.

During the call today, Anthony will discuss our key strategic and business achievements, followed by Alex, who will provide operational highlights, and Peter will share details of our second quarter 2024 financial results. Following the prepared remarks, we will open the call to questions.

During this call, we will be making forward-looking statements about future events, including our future business and financial performance. These statements are based on our current beliefs and expectations. Actual results could differ materially due to a number of risks and uncertainties as described on this earnings call, in the earnings release and in our Form 20-F and other filings with the SEC. We do not undertake any duty to update any forward-looking statements.

We will also be discussing non-IFRS financial measures on this call. These measures supplement but do not replace IFRS financial measures. Please refer to the earnings materials for a reconciliation of non-IFRS to IFRS financial measures. For more information, please refer to our earnings press release and supplemental presentation available on our IR website.

And with that, I will turn the call over to Anthony to deliver his remarks.

Anthony Tan - *Grab Holdings Ltd - Chief Executive Officer and Co-Founder*

Thanks, Doug. Thank you for joining us today. During the quarter, we focused on leveraging our platform scale to drive profitable growth. On-Demand GMV, group monthly transacting users and group revenues hit new all-time highs. While our On-Demand transactions actually grew strongly at 22% year-on-year. We also delivered our 10 consecutive quarter of group adjusted EBITDA improvement even as we invested into new products and faced foreign currency headwinds. This underscores our relentless focus on generating sustainable and profitable growth at scale in the long term.

And as we balance growth and cost discipline, we achieved our second quarter of positive adjusted free cash flow, giving us the confidence for adjusted free cash flow to turn positive for the full year of 2024. As a company, we're committed to deliver the best value and service quality for our platform users and partners. Our strategy to be product and tech-led has been key to unlocking platform growth. During the quarter, we rolled out more affordable and high-value offerings across mobility and deliveries to meet the diverse needs of our users.

We also focused on providing more tailored solutions to our users. For example, family accounts, advanced booking, group orders and dine-out deals are nascent products today, but have begun to gain strong traction and bring greater convenience for our users. At the same time, GrabUnlimited, our subscriptions program hit a new all-time high in total subscribers in the quarter.

On the banks, we had a public launch of Superbank in June, our digital bank in Indonesia. With all the three digital banks now fully operational, together with GrabFin, our fintech platform, we are very excited about our opportunities to continue driving financial inclusion across the region. Our Digibank deposits, lending disposals and total customers across GrabFin and our Digibanks continue to demonstrate robust growth, reflecting the trust our users have placed in us.

Deposits in GXS Bank in Singapore and GX Bank in Malaysia grew substantially by over 50% quarter-on-quarter to $730 million with total loan disbursals across GrabFin and our Digibanks hitting an annualized run rate of $2 billion in the second quarter. The strong growth across our financial services platform is underpinned by the ability to leverage the scale of the Grab ecosystem.

For Digibank in Malaysia, for instance, approximately one in two GXBank users transact on Grab with their GXBank account. And in less than a year since its public launch, GXBank has over 750,000 deposit customers, which include more than 500,000 GXBank debit card holders as of July 2024. Superbank also crossed 1 million deposit customers in August in less than two months following its public launch in June.

As we look towards the second half of 2024 and beyond, we will embrace a three-pronged approach to continue out-serving our users and ecosystem partners across the region. First, we will continue dedicating our efforts to scaling our ecosystem. We are bullish on the long-term growth outlook of Southeast Asia with economists forecasting mid-term GDP growth rates in the region to be faster than the world average, and against a backdrop of stronger inbound tourism flows and strengthening domestic demand.

To capture this growth, we will leverage all of our assets to our advantage, be it improving the selection of affordable or high-value offerings on our On-Demand platform and driving cross-sell opportunities across our various services.

Second, and as we have actually shared previously, we will continue to be AI-led in driving platform and profitable growth. By doing so, we will solve the most impactful everyday problems in Southeast Asia in the fastest way possible to deliver value creation for our shareholders and generate sustainable free cash flow. At the same time, we are continuing our investment into generative AI to drive efficiency gains across our business and deliver innovative customer and partner experiences.

For example, we have rolled out AI-powered DISH descriptions in five out of eight markets at scale. Our experiments have shown a significant improvement in checkout rates from our long-tail merchant partners that used AI-generated descriptions. This is about one of many examples of the way we are leveraging foundational AI capabilities and generative AI to continue to improve our marketplace.

And finally, we will continue to drive cost discipline across our business. Regional corporate costs in the second quarter declined 14% year-on-year. So our intention here is clear; by striving to build a lean and agile organization, we will be in pole position to out-serve not only our ecosystem and users, but also improve shareholder returns by continuing to generate profitable growth and sustainable free cash flow.

Before I pass the time over to Alex, I'm also pleased to announce that we published our latest ESG report, demonstrating our steadfast commitment to delivering a triple bottom line business. We firmly believe the long-term success of business is intricately linked to the welfare of the communities we serve and the health of our planet. And in this regard, my heart goes out to all those who are affected by Typhoon Gaemi and other adverse weather events across the region.

Grab's commitment during challenging times like this is to respond quickly in any way we can to help governments, our driver and merchant partners, as well as our users and to play our part in supporting recovery post calamity. For our communities in the Philippines, that were particularly hard hit by typhoon, we activated our calamity assistance program to provide support to our partners affected by the severe weather.

Additionally, we utilized Grab maps and real time reports from our fleets to help our partners navigate safely through affected areas. Now as Gaemi has moved on, we are partnering organizations like Jollibee Food Group and McDonald's and Red Cross for our users to donate their grab rewards points towards recovery efforts. From our hearts, we are grateful for all these partners who came together quickly to serve our communities during and post calamity.

I will now hand over the time over to Alex, who will cover our second quarter operational highlights in more detail.

Alex Hungate - *Grab Holdings Ltd - Chief Operating Officer*

Thanks, Anthony. Over the next few minutes, I will share our operational highlights and the underlying drivers of these results, starting with deliveries. We generated strong deliveries growth in the quarter by improving the affordability and reliability of our services with some significant tech and product initiatives, along with strong growth from Jaya.

On a year-on-year basis, Deliveries GMV grew 14% on a constant currency basis, as we drove food transactions growth by 11% year-on-year. Segment adjusted EBITDA margins remained stable even as we invested in these new product rollouts. Saver deliveries gained further traction, reaching 28% of deliveries transactions from around 10% a year ago, creating meaningful uplifts for our ecosystem with Saver users exhibiting average order frequency levels 1.9 times higher than non-Saver users.

Saver also attracted new users to Grab with 15% of new deliveries monthly transacting users joining the platform through Saver delivery. Concurrently, at the high end of the pricing ladder, we grew adoption of priority deliveries to 7% of deliveries transactions. We see a lot more potential in this relatively pricing sensitive segment. We particularly focused on innovating new ways to support large social gatherings and return to the office.

For example, we revamped and relaunched group orders. So we've seen group orders driving basket sizes that were 2 times higher than average Grab food orders. And by enabling our users to connect seamlessly with each other on the platform, we're able to amplify new user growth and leverage our scale to drive improvements in retention, basket sizes and batching rates. This allows us to pass on cost savings to users in the form of lower delivery fees, which in turn accelerates growth.

We strive to be the partner of choice for Southeast Asia's most loved merchants. We've increased median urgent -- median earnings for our deliveries merchant partners by 15% year-on-year by making our powerful self-serve advertising platform available to merchants of all sizes. The total number of monthly active advertisers who joined our self-serve platform increased 56% year-on-year to 168,000, while average spend by monthly active advertisers on our self-serve platform increased by 26% year-on-year.

Revenue generated from our advertising business as a percentage of Deliveries GMV was 1.5% in the second quarter, recovering back to fourth quarter 2023 penetration levels despite the latter typically being the seasonally strongest quarter for advertising. From here, we see plenty of headroom for advertising penetration to grow further.

Looking ahead to the rest of the year, we will continue to build our position as the leading On-Demand platform in the region. And while the third quarter is typically impacted by adverse weather conditions in Southeast Asia, for example, Typhoon Gaemi in the Philippines that Anthony just mentioned, we see demand levels in July remaining robust, nonetheless. And as such we expect that to drive sequential growth for our Deliveries segment heading both into the third quarter and the fourth quarter of this year.

Moving on to the Mobility now. Newer product rollouts and deepening adoption of our existing affordability and high value offerings powered Mobility GMV to 25% year-on-year growth on a constant currency basis. Similar to the Delivery segment, this strong GMV growth was led by increased transaction volumes, which grew 38% year-on-year, while Mobility MTUs also expanded by 26%.

One of the new products that is driving this transaction and MTU growth is Saver ride-hailing, which is now available in five markets. Saver offers more affordable options alongside our established GrabCar or GrabBike products. And while these products may involve some trade-offs for passengers in the quality of the vehicles or the longer waiting times, they have enabled us to expand our addressable market, all while upholding our core value propositions of safety and reliability.

Adoption of safety transport rides has increased to around a quarter of Mobility transactions in the second quarter from 15% in the same period last year, with 14% of Group MTUs joining the Grab platform transacting on a Saver Mobility offering. Saver transport rides also drive loyalty and engagement uplifts. 8% of MTUs who joined the Grab platform through Saver transport rides were cross sold to food in the same month. And in Indonesia, for example, users of our Saver ride-hailing model recorded frequency levels which were 1.9 times higher than non-Saver users.

Similarly, Move It, our two-wheel offering in the Philippines that was relaunched last year continues to display strong momentum. Today, Move It users comprise almost a third of mobility MTUs in the Philippines, underpinning the strong growth of mobility MTUs in the Philippines, which grew 92% year-on-year. We balance this growth of affordable ride-hailing solutions with high value differentiated services that further maximize convenience and reliability for the less price sensitive users.

Our high value offerings such as Grab Premium generated revenues per ride that were over 2 times higher than standard rides. One of such higher value products is the advanced booking ride-hail product, which was relaunched earlier this year as a product where passengers have no doubt that the driver will be there waiting for them. This enabled us to drive over 3 times higher driver earnings per ride compared to our conventional Mobility products.

Similarly, we have focused on growing adoption of our premium end offerings to travelers and corporate users, which today comprise a smaller proportion of Mobility volumes. The net effect of new product launches and changing product mix such as the growth of Saver rides and Move It did result in segment adjusted EBITDA margins for Mobility declining in the second quarter. This was in line with our expectations as we made a strategic decision in the quarter to prudently invest it to deepen market penetration and drive growth for the longer term. We remain committed to achieving our long-term segment adjusted EBITDA margin guidance of 9% plus for mobility.

Finally, in line with our mission, we also continue to improve productivity of drivers on our platform. During the quarter, we increased active driver supply while optimizing our existing driver supply to meet the strong demand growth. In the second quarter of 2024, monthly active driver supply increased by 13% year-on-year and 5% quarter-on-quarter, while quarterly active driver retention rates remained healthy at 90%.

Our efforts to improve driver supply and efficiency resulted in an 11 percentage-point reduction in the proportion of surge Mobility rides year-on-year. Mobility fulfillment rates also improved sequentially given the strong demand levels and increased driver supply. We are confident on the long-term trajectory of our Mobility business and see ample room for volumes and user penetration to grow as we continue to roll out new products and services. Going into the third quarter, Mobility continues to pace strongly in spite of the adverse weather conditions, and we expect to drive sequential growth in the coming quarters.

Now finally, our financial services segment. This segment continues to grow fast with revenues growing 61% year-on-year on a constant currency basis, while segment adjusted EBITDA losses narrowed by 44% year-on-year. We continue to scale up our lending business to serve ecosystem partners and users, where we have a strong underwriting, customer acquisition and collective advantage in relation to traditional banks and other Fintech and Digibank peers.

Total loans disbursed in the second quarter grew 43% year-on-year to reach $500 million or an annualized run rate of $2 billion. And we ended the quarter with a loan portfolio of $397 million, underpinned by the continued growth of ecosystem lending in GrabFin and growing FlexiLoan volumes from GXS Bank in Singapore. And remember, we have yet to launch our lending products in GXBank in Malaysia.

We continue to maintain a prudent stance on credit risk with 90-day non-performing loans stable at around 2% and we're generating healthy risk adjusted returns on our loan portfolio even after accounting for allowances for credit losses. Customer deposits across GXBank and GXS expanded to $730 million at the end of the second quarter, rising by 52% from $479 million in the prior quarter.

The strong growth was driven by an increased number of deposit customers for GXBank in Malaysia, as the bank continued to acquire more users from the Grab platform. In less than a year since its public launch, GXBank has over 750,000 deposit customers, which include more than 500,000 GXBank debit card holders as of July 2024. We have also serviced more customers in GXS Bank in Singapore as regulatory caps on deposits were raised again.

Overall, then our financial services business continues to be a strong driver of ecosystem growth and cross-sell opportunities. As an example, I spoke earlier about the growth of our two-wheel offerings in the Philippines. So the expansion of Move It has resulted in nearly 2 times increase in our active driver supply pool year-on-year. So that enables us to drive cross-sell opportunities to other Grab services such as lending. We saw Philippines driver cash advances hitting a new monthly record high in June.

Concurrently, driver partners and merchant partners with active loans recorded higher transit hours and higher retention. Regionally, merchant partners with an active loan exhibited six-month retention rates that are 1.4 times higher than merchants without a loan and driver partners with an active loan exhibited almost 2 times higher average earnings as compared to drivers without a loan. Going forward, our financial services business continues to be fast growing, and we see significant opportunities for further growth ahead across both our GrabFin and Digibank businesses.

And in closing, we will continue to scale our platform by leveraging product, tech driven initiatives to maximize marketplace efficiencies, reliability, and convenience, enabling Grab to drive greater cost efficiencies across our business. We are dedicated to capitalizing on our scale advantage and our leadership in the mobility and food delivery sectors to create value for all stakeholders, particularly the 41 million monthly transacting users currently on our platform.

With that, let me turn the call over to Peter.

Peter Oey - *Grab Holdings Ltd - Chief Financial Officer*

Thanks, Alex. Before going to our results, it's important to highlight that Southeast Asia saw foreign exchange translational impacts that led to a divergence between our headline and constant currency growth rates. As the Southeast Asian currencies weakened against the US dollar year-on-year, this translated to an impact of 528 basis points on the year-on-year On-Demand GMV growth rates and 549 basis points on revenue growth rates. Now withstanding these FX headwinds, our underlying demand in the region remains strong, as seen in the positive year-on-year GDP growth across Southeast Asia in the first half of 2024. This is driven by strong domestic demand and continued tourism recovery in the region.

Now turning to our Q2 financial results, let me start with revenues. Group revenues in the second quarter grew 17% year-on-year, or 23% on a constant currency basis to reach an all-time high of $664 million. On a year-on-year basis, Mobility revenue was up 19% or 23% on a constant currency basis as we recorded strong growth in Mobility MTU and transactions. Our deliveries revenue grew 11% or 17% on a constant currency basis.

Deliveries MTUs continued to grow as we drove top-line growth in food deliveries, advertising, and Jaya Grocer. Incentive spend as a proportion of Deliveries GMV was down 40 basis points year-on-year. And financial services revenue was up 54% or 61% on a constant currency basis, driven growth by mainly from lending across GrabFin and GXS Bank and further optimization of payments incentive spend.

Moving on to On-Demand GMV. Year-on-year second quarter On-Demand GMV grew 13% or 18% on a constant currency basis to $4.4 billion. On a segment level and year-on-year basis, Mobility GMV continues to grow strongly at 20% or 25% on a constant currency basis and Deliveries GMV growing by 9% or 14% on a constant currency basis to $2.9 billion.

Segment adjusted EBITDA for the quarter was $148 million, which grew by 84% year-on-year from the same period last year. Mobility segment adjusted EBITDA grew 14% year-on-year to $129 million. Mobility segment adjusted EBITDA margins were 8.2% in the second quarter of 2024 and declined from 8.6% in the same period last year. Now this is mainly driven by product mix and also consistent with our efforts to invest in rolling out new products and services.

Delivery segment adjusted EBITDA grew over 4 times to reach $42 million, while delivery segment adjusted EBITDA margins on GMV expanded by 110 basis points year-on-year to 1.5%, driven by lower overhead expenses, greater optimization of our incentive spend as a percentage of Deliveries GMV and also increased contributions from advertising.

Our Financial Services segment adjusted EBITDA losses narrowed by 44% year-on-year to negative $24 million. The reduction in losses were attributed to the improved monetization of our lending products that drove higher revenues and reductions also in overhead expenses.

Overall, we remain committed to achieve our long-term segment adjusted EBITDA margin guidance of 9% plus for Mobility and 4% plus for Deliveries. And for the banks to break even by no later than the end of 2026, while at the same time also investing in new growth initiatives strategically across the business.

On regional copper costs for the quarter came at $84 million compared to $98 million in the same period in 2023 and $91 million in the prior quarter. We focused on driving cost efficiencies across our organization with regional copper costs declining 14% year-on-year coming from both fixed and variable cost components. Our commitment towards driving both top and bottom-line improvements is demonstrated by our 10 quarter of sequential group adjusted EBITDA growth. Group adjusted EBITDA was $64 million for the quarter, an improvement of $81 million from the same period last year.

On net cash from operating activities, we recorded a positive $272 million cash inflow for the quarter, an improvement of $323 million year-on-year. This was attributed to reduction in losses before income tax combined with positive momentum in customer deposits for our banks. Adjusted free cash flow was $36 million in the second quarter and negative $67 million on a trailing 12 months basis. On a year-on-year basis, this represents an improvement of $56 million following increased profitability and a reduction in CapEx.

As for our second quarter operating loss on a year-on-year basis, it improved by $121 million to negative $56 million, attributable mainly to increase in revenue and lower restructuring expenses. IFRS net loss for the quarter improved by $79 million to negative $68 million, largely driven by improvement in our operating losses, offset by increases in income tax expense and net foreign exchange loss of $53 million year-on-year. The IFRS loss of $68 million is inclusive of $153 million of non-cash expenses below the adjusted EBITDA line of this $82 million was from share-based compensation expenses.

Moving on to our balance sheet and liquidity position. Gross cash liquidity stood at $5.6 billion at the end of the second quarter, which is an improvement of $267 million as compared to the prior quarter with a substantial part of the cash inflow attributed to the growth in deposits from customers in GXS Bank and GXBank, which increased to $730 million from $479 million from the prior quarter. Net cash liquidity similarly increased to $5.3 billion at the end of the second quarter compared to $5 billion at the end of the prior quarter.

As to our authorized $500 million share repurchase program, we repurchased an additional 9.6 million shares in the aggregate principal amount of $34.6 million over the second quarter. Cumulatively, we have repurchased and retired 40 million shares in the aggregate principal amount of $131 million.

As we look ahead to the second half of 2024, we expect to drive sequential On-Demand GMV and group adjusted EBITDA growth. We will continue to innovate and expand our product offerings across our platform to serve new users while improving the loyalty and engagement among our existing users. We expect revenue growth to accelerate beyond 2024 as such initiatives, along with the new contributions from the banks and advertising, both ramping up as they scale.

On our guidance for 2024, we are maintaining our full year 2024 revenue guidance of $2.7 billion to $2.75 billion and an adjusted EBITDA guidance of $250 million to $270 million. And we expect to land at the upper end of our EBITDA guidance range. I also want to call out that our revenue growth outlook of 14% to 17% year-on-year assumes roughly 3.5 percentage-point currency headwind to total reported year-on-year growth.

On overhead costs, we will continue to maintain discipline in managing our cost base and now we expect regional copper costs to improve year-on-year, improving from our prior expectations for regional copper costs to remain stable. As for the full year adjusted free cash flow, we remain committed to driving substantial improvement year-on-year and now expect to achieve positive adjusted free cash flow for the full year 2024.

To conclude, we remain committed to growing our business sustainably, anchored on generating profitable growth and free cash flow while delivering top line growth. It is also important for us to continue strategic investments on our product offerings and innovate in order to ensure our competitiveness and deliver value to our stakeholders in the long term. As always, Anthony, Alex and I would like to express gratitude to our partners, our users, our shareholders and to our Grabbers for your continued trust and partnership.

Thanks very much for your time, and now we'll open up the call to questions. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Pang Vitt, Goldman Sachs.

Pang Vitt - *Goldman Sachs - Analyst*

Good evening, and thank you very much for the opportunity. Also, congratulations on a solid quarter. I noted that your second quarter GMV and revenue were hampered as a result of the FX weakness against the US dollar. If not for that, growth actually looked quite strong in the second quarter.

Could you also share some color on what you are seeing in the second half of the year in terms of this macro competitive and also on the industry perspective? Are you actually seeing improving sign in your market, which gives you the confidence to meet the upper end of your guidance items or even there is some room for you to potentially even beat on the guidance still? That's question number one.

Question number two on Mobility. Can you explain and provide more color on the dip in EBITDA margin quarter-on-quarter? What is the reason behind this and also could you also provide some color on how these margins will trend in the coming quarters? Thank you.

Alex Hungate - *Grab Holdings Ltd - Chief Operating Officer*

Thanks, Pang. Great questions. Let me start, then I'll hand to Peter to just confirm the guidance. So yeah, you're right, the US dollar strengthening did have a big impact on the headline growth in the second quarter. The good news is that so far this quarter, as you know, US dollar has weakened, I think around 4% quarter-to-date. So those headwinds from the second quarter are kind of turning into tailwinds for us here in the third quarter.

The macro outlook looks strong in Southeast Asia. So foreign direct inflows, Asian economies are at strong robust levels. Singapore recently upgraded its GDP forecast as well for the full year 2024. And on the ground, we're seeing tourism continuing to grow, particularly, European visitors and then Indian visitors as well, although China is still behind where it was pre-COVID.

And then your question on competition, I guess our markets have always been competitive, so there's no change there. We continue to main our category -- maintain our category leadership, both in the region and in every market. So our strategy is quite simple. We use this scale advantage along with our consistent investment in product and tech to drive improvements in both reliability and affordability, while growing profitability at the same time, as you've seen from our 10 quarter of improving profitability, that seems to be gaining traction at the same time as we're growing CP.

Features like mapping, hyper batching and just-in-time allocation, they're all unique to Grab's and none of our competitors have that and we believe that makes us consistently more reliable as well as more affordable. As well as obviously attracting consumers because of the reliability with the group MTUs now at an all-time high. So it's very difficult for any local competitors in our -- in any of our markets to replicate that strategy because they simply don't have that scale and the technology to show sustainable profitability in the same way as we are.

The trading update is positive. I hope that came across in comments in the prepared remarks. So demand for both Deliveries and Mobility has been strong in the first half of this quarter despite those difficult typhoon conditions that we referred to in several countries. So we do expect to drive sequential GMV growth for both Deliveries and Mobility as well as group adjusted EBITDA growth. And Peter, you want to talk about the guidance?

Peter Oey - *Grab Holdings Ltd - Chief Financial Officer*

Yeah. So yeah, Pang, if you heard Alex there, we are at the sequential GMV growth, both Deliveries and Mobility, as well as also on the financial services front, we're picking up traction there on our lending book, and the banks are starting to scale. We're confident that on the EBITDA side, we will land at the upper end, which implies that our second half will be stronger than the first half. And let's not also forget that the free cash flow generating in the business is now in momentum.

We expect adjusted free cash flow positive for the full year. So all these estimates are already baked-in in the -- all the competitive elements and the product investments plans that we make throughout the year. So we're feeling pretty good at how the second half will shape up for us with a lot of these investments that we made in the first quarter and the second quarter translating to the second half.

Alex Hungate - *Grab Holdings Ltd - Chief Operating Officer*

Thanks, Peter. And then Pang, your second question was on Mobility margins, the dip in this particular quarter and reasons behind this, and trends in the next coming quarters. Well, our main observation on Mobility is that there's a long runway for growth for Mobility in Southeast Asia that we just literally scratching the surface, we believe. So we want to target with more affordability along with reliability. We want to target a growth of the TAM basically by continuing to attract new users.

So we have been rolling out those innovative affordable new products. They are unlocking new users. So the strategy is working. So in the quarter, Mobility GMV grew 25% year-on-year on that constant currency basis similar to the delivery segment. And then that growth was led by transaction volumes, which is what you'd expect obviously with an affordability strategy. And so the transaction volumes grew even faster at 38% year-on-year.

And then the MTUs growing at 26% year-on-year. So the strategy is working is exactly what we had planned. So the net effect did lead to a reduction in segment adjusted EBITDA margins in the second quarter, but very much in line with our expectations and we -- but we expect the EBITDA to improve sequentially from here in third quarter and fourth quarter, and we remain committed to our long-term margin expectations of 9% plus for Mobility.

Operator

Alicia Yap, Citigroup.

Alicia Yap - *Citigroup - Analyst*

Hi. Good evening, management. Thanks for taking my questions. Two questions. First is wanted to get management comment how we perceive these potential disruptions of the On-Demand service given the entrants and partnership of the Shop Video platform with other On-Demand peers. How will Grab plan to defend the threat and how will that impact the EBITDA margin, if we need to fight back with more subsidy?

Second is that if we can get some update on, I know you rolled out some products offering like the corporate, the premium cars and also those airport pickups. Any progress on that? And also any update on the Trans-cab acquisition? Thank you.

Anthony Tan - *Grab Holdings Ltd - Chief Executive Officer and Co-Founder*

Okay . Thanks, Alicia for those three questions. The first one, yeah, we do work with all the major social media partners ourselves as well. We use it to drive top of funnel user acquisition and to reduce our CAC. So there's a lot of optimization that we do as we go from one to the next to drive top of funnel. But we are confident that consumers do prefer Grab's in-app experience further down the funnel because of course, that reliability and affordability that we offer due to our scale.

And there's deep functionality in the Grab app, as you're aware with the ability, for example, for the user to communicate with driver and merchant directly throughout. And those product advantages like the largest driver partner network in the region, we use GrabMaps across all the markets, about 90% of the drivers use GrabMaps to navigate.

And then, of course, the SuperApp ecosystem, including the banks now, leveraging GrabUnlimited, our subscription program and GrabRewards to cross-sell. So that scale advantage along with that consistent investment in product and tech means that the in-app experience and the reliability and affordability is very hard for social media players to replicate. And so in our view, the social media players will not impact our long-term margins and growth prospects, and we are maintaining the outlook for those long-term margins.

So I hope we sound confident. It's not that we are complacent. We are monitoring very, very carefully what those interactions are between the social media players and other players in the industry. But we think that the relationship we have with many of them allows us to optimize acquisition, but provide the best possible combination of reliability and affordability once in our app.

And then your next question was about the premium offerings. Thanks for that. Yeah. We're very excited about the premium offerings. So high value rides, it really creates a win-win situation because the GrabPremium generates about twice or in fact, even more than twice the revenue per ride that the standard rides generate. So that's very beneficial for the driver partners and it's helping us to attract more limos, more luxury cars, and drivers onto our platform.

And typically, in the past, those platforms have stayed away from all of the On-Demand platforms. But I think with this advanced booking ride-hailing product, which was just relaunched, they see that now as very appropriate for them in terms of ability to attract travelers and to attract executives. And this is helping our supply at the high end. It's enabling us to drive over 3 times higher driver earnings per ride. So those individuals who own their own limos are actually now much more interested in driving with us.

Travelers account for about 20% of our premium mobility MTUs regionally. And then the average basket size is about 1.5 times higher in both transport and food for tourists. So we maintain our view that this traveler tourist segment is extremely attractive for our services, and we are deliberately targeting them at airports, as you can see from some of our out-of-home advertising. And what you may not see is, we're also advertising digitally in those -- in the outgoing markets like India, North Asia, etc coming into this region.

It's still early days for our premium offerings. I'm glad you asked the question. The launches are a bit behind the launches that we did for Saver. So the Saver is reaching critical mass a bit earlier, but we do expect a considerable growth from the premium offerings for the next two quarters as they start to gain scale as well in the region.

And then on lastly on Trans-cab, I think probably most of you are aware, the CCCS in Singapore decided not to clear our proposed acquisition. We had hoped to use it to accelerate new supply or to create more productivity from the taxi fleet that we were acquiring, so it would in fact essentially add supply to the Singapore market.

But in the meantime, we've been actually working on supply enhancement in Singapore in many, many different ways most particularly obviously through our technology where we are getting higher and higher productivity from the drivers in Singapore, with a lot of new initiatives.

And then we've also been attracting new fleets to work with us in Singapore. So I think -- I hope consumers will realize that they're still able to book taxis through the Grab app. We continue to be open to working with the other taxi companies. And in fact, we already work with Trans-cab. So we're basically taking in our stride and enhancing supply in other ways to compensate. So I think we -- everything, business as usual, we continue.

Alicia Yap - *Citigroup - Analyst*

Thank you.

Operator

Sachin Salgaonkar, Bank of America.

Sachin Salgaonkar - *BofA Global Research - Analyst*

Hey, thank you for the opportunity. I have two questions. First question is on our Delivery EBITDA margin. We see the last couple of quarters, it's hovering in the range of 1.5%, 1.6% versus, let's say, in 4Q, it was high at 2.1%. I do understand there's a bit of a seasonality associated with that. But apart from that, anything else which is impacting it? And general thoughts on how we should look at the margin, should we see a near-term improvement in this margin? Any changes to your long-term guidance out here?

Second question is on your financial services. Clearly now all Digibanks have been launched in all three countries. You do expect your second half to be better than first half. So in that context, any change in terms of guidance and breakeven in financial services?

Peter Oey - *Grab Holdings Ltd - Chief Financial Officer*

Sachin, let me take the questions on both of them here. Look on Deliveries margin, we were continuing to invest in products at the same time. You've seen some if you look from a quarter-on-quarter perspective, we -- our margin slightly ticked up. If you look from a year-over-year basis, our margin for Deliveries improved by about 110 basis points. So overall, I think we're making all the right decisions in investing into new products also in Deliveries.

We spoke a lot about Mobility. We shouldn't forget about Deliveries also. There's a ton of stuff that's going on in the Deliveries side. We've got also dine-out features now prominent in our app. The users are using it. There's other initiatives also that were in the works. Our grocery delivery, as well as our mark delivery continues to see good momentum. And so we'll continue to make those investments. So we're continuing to make those investments and also balance profitability at the same time.

So we continue to grow the EBITDA of our Deliveries business. It's important that we do that and we feel pretty good in where we are today and we'll see -- you'll see sequential growth in both our GMV revenue and our EBITDA dollars from that perspective. We're committed to the 4% plus in terms of margins. You'll see margins swing from one quarter to a quarter. Some of that it could be just the product mix in the business and also how advertising comes in also into the business. But where we are today, the EBITDA -- the margin for Deliveries, we feel is in a good spot and we are shooting for that 4% plus from a long-term margin perspective.

Second question around the banks itself. You saw all the statistics that in the prepared remarks, what you saw there was the momentum that we're seeing in both Singapore and Malaysia and also including Indonesia in the deposit base. We're starting to see now momentum in our loans business, both across especially our GrabFin as well as in our banks. And in my remarks, I alluded that we remain committed for our banks to breakeven by no later than the second half of 2026.

And we're seeing some good momentum in where the users are leveraging the banks within Grab ecosystem. Over 80% of our Grab users are actually leveraged in terms of the deposit holders and those who are using the bank products today, there's a good 80% portion of them are Grab users and that's healthy and that's what we want to see. And we're continuing to get more products out also for our banks and also as we drive the profitability to come for no later than 2026.

Sachin Salgaonkar - *BofA Global Research - Analyst*

Thank you.

Peter Oey - *Grab Holdings Ltd - Chief Financial Officer*

Thanks, Sachin. Next question, operator.

Operator

Piyush Choudhary, HSBC.

Piyush Choudhary - *HSBC Singapore - Analyst*

Yeah. Hi. Thanks for the call. Two questions, please. Firstly, could you talk a little bit about competitive landscape across both the ride-hailing and Delivery segment. Reason to ask is what has led to increase in incentive spends in On-Demand segment? It rose to around 10.1% of GMV in 2Q versus 9.7% in first quarter? And that's the first question.

Secondly, you've explained on the Mobility margin drop, but what is the breakup of how much of the drop is due to new rollout of -- new product rollouts and how much is due to change in product mix? And how long will these investments into new product initiatives would persist in the Mobility segment? Thank you.

Alex Hungate - *Grab Holdings Ltd - Chief Operating Officer*

Thanks, Piyush. Yeah. There's a lot of new launch activity going on in this quarter, not just in Mobility, but also Deliveries, Peter was referring to the omni services that we've been launching, as well as Saver there. And then, we've got Saver and advanced booking in the Mobility space. So those incentives were largely associated with supporting those launches. The competitive activity is there, but it's always been there, as I was saying earlier.

So we don't see any particular intensification of competitive activity. The product mix is a factor. Obviously, the Saver launches went ahead of the premium launches. So that has changed the product mix in the short term. But like I was saying earlier, we are expecting the premium launches to get more traction in the second half because they were launched only very recently.

Peter Oey - *Grab Holdings Ltd - Chief Financial Officer*

Another thing I'm going to add, Piyush. We don't break up the split-up between what's new product and product mix because there are some seasonal impact in terms of what type of rides people take in different months also. And also there is also tourism that comes into it. As Alex mentioned earlier, the tourism market also attracts much of a high valued ride for us. So I think overall, while what we're doing is a balance between new products and product mix and new products as well as incentives, also growing the supply base also at the same time.

We are anticipating a strong second half Mobility business. We're ramping up our driver supply base. We are ramping up premium driver supply base also as we anticipate the traveler segment also growing here in Southeast Asia. So from a margin perspective, we'll continue to be committed to the long-term margin of 9% plus for Mobility. And we expect also to continue to drive EBITDA growth in our Mobility business, especially in the second half versus the first half.

Operator

Ranjan Sharma, JPMorgan.

Ranjan Sharma - *JPMorgan - Analyst*

Hi. Good evening, and thank you for the presentation and the opportunity. So I just have two questions. Firstly, on your stock-based compensation, I see the first half is running at a higher level compared to the first half of last year and even the quarter is running much higher than the quarterly run rate that you had from the second to third quarter -- second to fourth quarter last year. Now when your corporate -- when your headcount is getting optimized, like why is your stock-based compensation running high if you can share more color around that?

And secondly -- and the second question is on your free cash flows. Your guidance is maintained on EBITDA. So -- but you see an inflection in adjusted free cash flow. So if you can help us understand what is the moving part? Thank you.

Peter Oey - *Grab Holdings Ltd - Chief Financial Officer*

Sure, Ranjan. If you look at our stock-based compensation, if you look at the first half and I'm going to compare it to the last half of last year, we're roughly about $8 million higher than last year. And there's always timings when it comes to vesting periods. Yes, we do have a lowered headcount. But if you also remember that the headcount that we made the reduction was in the second half, that was in June last year when we did the restructuring. So a lot of the benefits that you'll see will flow in the second half. So I don't think first half is a good comparison.

What I'll say is that from an SBC perspective as a percentage of revenue, it will be lower, roughly about 200 basis points to 300 basis points on a year-over-year basis. And it's a cost that we're also obviously watching very closely here. And on dilution, just to give another perspective on SBC, it's currently pacing at roughly about 2% and we're very judicious when it comes to that. Actually, if you include the share buyback program, our dilution is roughly about 1.3% and we're planning to actually deploy our share buyback program more judiciously also to manage our overall share dilution.

Second question around the free cash flow. Look, the really the difference between our -- the delta between EBITDA and free cash flow, all of the components is really on working capital and CapEx itself. So if you look at our CapEx in the first half is roughly running about $50 million and then the other part is working capital. Our working capital in the second half is traditionally much more positive than the first half.

And also the third component probably is a little bit more different than last year's taxes. So our income tax expense is higher than last year, but that's also natural just given the profitability profile of our business and just in certain countries, the way our NOLs are also being utilized and also some entities are just achieving profitability much faster than the other countries from a tax perspective.

Operator

Mark Mahaney, Evercore.

Mark Mahaney - *Evercore - Analyst*

Hey, thanks. I'll just ask one question. These group MTUs, I think they rose about $2.4 million sequentially. I think that's the biggest increase you've had in the last two plus years or something like that. So just go through what, what were the big inflection point drivers of the growth in group MTUs? Thank you.

Alex Hungate - *Grab Holdings Ltd - Chief Operating Officer*

Hi, Mark. Thanks for the question. The biggest driver was the push for affordability. So we specifically made this decision to use our scale to drive affordability and that's allowed us to attract new users to the platform. So we're seeing 14% and 15%, respectively, new users to Deliveries and Mobility through those Saver products first and then we cross sell from there. So that's been a big injection of new MTUs.

And then the transaction volumes are coming and therefore boosting MTUs as well. So we're getting higher frequency from existing users and that's boosting MTU. So this was an intentional strategy. We flagged it at the start of this year and we talked about the new product launches that would underpin it, and we're delighted that we are seeing the MTU increase. In our view, this is a leading indicator for future revenue and profitability growth. So we think it's a good investment for us to make for shareholders.

Mark Mahaney - *Evercore - Analyst*

Thank you very much.

Operator

Jiong Shao, Barclays.

Jiong Shao - *Barclays - Analyst*

Thank you for taking my question. My apologies for getting a bit late if I ask you already answered my apologies. I saw you had a nice improvement in regional cost this quarter. Could you talk about sort of your outlook for the next two quarters as well? There was a nice reduction quarter-over-quarter in Q2.

Lastly on the regional cost, I know already you have talked about the sort of the competition of potential competition from TikTok, but I want to flip to the other side because obviously, some of your peers only really have the business for delivery in one country in a way. Do you think the potential revenue opportunities or partner opportunities with TikTok in the other countries in the region where you have a very high market share. Thank you.

Peter Oey - *Grab Holdings Ltd - Chief Financial Officer*

Hey, Jiong. Let me take the first one on regional corporate costs and I'll turn it to Alex on competition. So on regional corporate cost, as you know, and I've been speaking this now for many quarters, we've been really focused in driving our cost structure down. And it's -- as we scale this business, we want to drive more operating leverage. Our regional corporate cost was down 14% on a year-over-year basis in the second quarter.

And in terms of how we're thinking for the rest of the half here, what I did say earlier was our regional corporate cost for the year 2024 will be lower than 2023. And that gives you the perspective how to model that for the rest of this year. Now, we see -- we're going to continue to find ways in optimizing our cost structure, whether it's fixed or variable because again as we drive scale, we want to drive more operating leverage in the business.

Alex Hungate - *Grab Holdings Ltd - Chief Operating Officer*

And let me answer the second question about kind of the potential upside from the growth of social media in the region. It is true actually. Yeah. I think that the online commerce is growing as a category, and we work with all of the social media platforms as marketing partners to attract top of funnel. The most direct impact that we would see outside of food delivery is our GrabExpress services and GrabExpress, which is a last-mile delivery service, is growing. It's one -- it's the largest instant delivery service in the region. And we do see upside there as our merchant partners work with social media platforms and as we ourselves use it to attract users into the platform. Thanks for the question.

Jiong Shao - *Barclays - Analyst*

So could I please follow up on both questions. One is that, Peter, do you have comments about I know in the past, you may have talked about corporate cost to be kind of flattish next year. Any update there? And back to the social media, I also want to follow up that just curious if you already start discussing about trials in terms of working with them. I know they have started trials in Indonesia with another company as you probably know. Thank you.

Peter Oey - *Grab Holdings Ltd - Chief Financial Officer*

Yes, Jiong. We're not providing guidance yet for next year. We'll do that in due time. We'll continue to optimize our costs. And that's my commitment to the business. It's always been, and we'll find ways to do that. So what you'll see is -- and you can see the trend of our corporate cost structure of our business, and we'll continue to find ways to it. And again, this is not just fixed cost, right, you also got variable costs into those components. So again, we're -- when we look for every opportunity where we can.

Alex Hungate - *Grab Holdings Ltd - Chief Operating Officer*

And Jiong, I won't comment on any specific discussions as I'm sure you'll understand. But the way we work with the social media platforms is we use them for demand generation. And there are many -- there are several very large and successful platforms for us to choose from. So we work with all of them and we optimize our marketing efforts across them to make sure that we manage our acquisition costs accordingly. Thanks.

Jiong Shao - *Barclays - Analyst*

Thank you very much.

Peter Oey - *Grab Holdings Ltd - Chief Financial Officer*

Thanks everyone for your time. Thanks very much guys for listening to the call. I hope it was helpful. And if you have any questions, please address it to our Investor Relations team. More than happy to have more conversations with all of you. So thanks again for your time. Appreciate it and talk next quarter.

Operator

This concludes Grab's second quarter 2024 earnings conference call. Thank you for your participation. You may now disconnect.