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GRAB.OQ - Q2 2023 Grab Holdings Ltd Earnings Call

EVENT DATE/TIME: AUGUST 23, 2023 / 12:00PM GMT

CORPORATE PARTICIPANTS

Alexander Charles Hungate *Grab Holdings Limited - COO*

Douglas Eu

Peter Oey *Grab Holdings Limited - CFO*

Anthony Tan *Grab Holdings Limited - Co-Founder, Chairman & CEO*

CONFERENCE CALL PARTICIPANTS

Alicia Yap *Citigroup Inc., Research Division - MD & Head of Pan-Asia Internet Research*

Mark Stephen F. Mahaney *Evercore Inc. - Senior MD & Head of Internet Research of Evercore ISI*

Pang Vittayaamnuaykoon *Goldman Sachs Group, Inc., Research Division - Research Analyst*

Piyush Choudhary *HSBC, Research Division - Telecoms Analyst, South East Asia*

Sachin Shrikant Salgaonkar *BofA Securities, Research Division - MD in Equity Research & Head of Asia Telecom*

Thomas Chong *Jefferies LLC, Research Division - Equity Analyst*

Venugopal Garre *Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst*

PRESENTATION

Operator

Ladies and gentlemen, thank you for joining us today. My name is Ellen, and I'll be your conference operator for this session. Welcome to Grab's Second Quarter 2023 Results Call. (Operator Instructions) I will now turn the call over to Douglas Eu to start the call. Douglas, please go ahead, whenever you are ready.

Douglas Eu

Good day, everyone, and welcome to Grab's Second Quarter 2023 Earnings Call. I'm Douglas Eu, Head of Asia Investor Relations 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 2023 financial results. Following prepared remarks, we will open the call to questions.

As a reminder, today's discussion contains forward-looking statements about the company's future business and financial performance. These statements are based on our beliefs and expectations as of today. Actual events and results could differ materially due to a number of risks and uncertainties, including macroeconomic, industry, business, regulatory and other risks, which are described in our Form 20-F for the year ended December 31, 2022 and other filings with the SEC. We do not undertake any obligation to update any forward-looking statements. The discussion today also contains non-IFRS financial measures which should be considered together with, rather than as substitutes for, IFRS financial measures. A reconciliation of non-IFRS to IFRS financial measures is included in this quarter's earnings materials.

For more information and additional disclosures on recent business performance, please refer to our earnings press release and supplemental presentation for a detailed second quarter 2023 financial review, which can be found on our Investor Relations website. And with that, I will turn the call over to Anthony to deliver his opening remarks.

Anthony Tan - *Grab Holdings Limited - Co-Founder, Chairman & CEO*

Thanks, Doug. Thank you for joining us today. Our second quarter results reflect our ability to execute strongly as we balance growth, category leadership and profitability. Our focus on expanding our marketplace through affordability initiatives, as well as strengthening engagement through our flagship subscription program called GrabUnlimited continues to yield results. More people are using Grab now than ever before with group MTUs at an all-time high, growing by 7% year-on-year and 5% quarter-on-quarter. And at the same time, we further extended our category leadership across the region for ride-hailing and food deliveries. We continue to deliver a solid set of financials, with revenues up 77% year-on-year.

Even as we reduced group adjusted EBITDA losses for the sixth consecutive quarter. I also want to call out that our deliveries GMV hit a record high this quarter. With the first half firmly in the rear-view mirror, we look towards the second half with confidence and optimism. There are 3 key areas I want to call out. Firstly, we expect to drive sequential growth in our deliveries and mobility segments. Demand is robust in July as we continue to drive key affordability initiatives to unlock a greater segment of the market to cater to more users, while deepening engagement and loyalty with GrabUnlimited.

Secondly, we expect to scale up new opportunities in financial services and advertising, where we see strong demand potential and benefits for our overall ecosystem. In financial services, we continue to focus on driving up ecosystem transactions. Our lending business is growing strongly, yet in a prudent manner. For GXS Bank in Singapore, we've also seen a strong uptick in deposits, despite minimal customer acquisition costs after opening up the savings account to more individuals and increasing the maximum allowable deposit per account. Ecosystem linkages are also healthy, with 1 in 2 GXS customers linking their accounts to the Grab wallet.

For advertising, we hit a milestone with advertising revenues scaling up to 1% of our deliveries GMV and achieving an annualized revenue run rate of over $100 million. Looking ahead, we will continue to increase ads penetration and improve the monetization of our ads platform.

Third, we continue to focus on driving tech innovations to unlock greater operational efficiencies, while enhancing the overall user experience. Generative AI will play an increasingly important role in these efforts. For example, we've been using Generative AI to augment internal workflows and processes, so that Grabbers can debug codes and conduct queries faster. For our users, we also introduced LLM powered features such as translated menus and improved GrabChat translations.

Overall, we remain optimistic on our longer-term growth prospects and are committed to operating our business anchored on sustainable growth. Southeast Asia is still under penetrated across our products and services, and we see plenty of headroom to serve beyond the 1 in 20 users and the millions of driver- and merchant-partners in the region that are on our platform today. And we will aim to do so sustainably as we track toward becoming Southeast Asia's largest and most efficient on-demand platform that enables local commerce, mobility, and access to financial services.

I'll now hand over the time to Alex to cover our second quarter operational highlights in more detail.

Alexander Charles Hungate - *Grab Holdings Limited - COO*

Thank you, Anthony. I'll go deeper into the business and operational highlights by segment, starting with mobility.

Mobility GMV and revenues in the second quarter continued to grow strongly year-on-year, with Grab further extending its category leadership across the region, while our segment adjusted EBITDA margins remained in line with our steady state guidance. Demand remains strong, and we are seeing continued quarter-on-quarter and year-on-year increases in mobility MTUs, as well as average frequency per user, with the latter growing 12% year-on-year.

International traveler demand continues to recover. We increased airport rides by 64% year-on-year to reach 77% of pre-COVID levels. Several months back, we made a strategic decision to focus on improving traveler experiences on the Grab app to capture the post-COVID travel rebound. We rolled out guest browsing and traveler homepages and continue to see meaningful traction from our partnerships with WeChat, Alipay and Kakao. Domestic demand also further normalized across our markets, with mobility GMV now 85% of pre-COVID levels. When we compare mobility

GMV levels between second quarter 2023 and the same period in 2019, several of our core markets such as Malaysia, Singapore and Thailand have either reached or surpassed these levels.

To support this growth in demand, we continue to focus on improving driver supply. In the second quarter, monthly active driver supply increased by 10% year-on-year, with supply levels now at 84% of pre-COVID. We also announced the signing of an agreement to acquire 100% of the shares in Trans-cab, Singapore's third largest taxi operator. This could further supplement our supply base in Singapore upon the expected completion of the deal [in the fourth quarter] (added by the company after the call). We also continue to drive product innovation to enhance the overall user and driver experience on our platform. We are enhancing the affordability of our services to cater to more users, such as rolling out car pooling options in Malaysia and Indonesia, building on the successful relaunch of GrabShare in Singapore and the Philippines, and integrating Grab's product and tech into a relaunched Move It app to enhance our 2-wheel offering in the Philippines.

We are also focused on improving driver productivity to enhance their earnings potential. A key example of which is our Grab navigation app within GrabMaps. This feature is now being utilized for 1 in 2 bookings. And based on data from driver partners who have utilized Grab Navigation, we saw improvements in trips per transit hour and fulfillment rates as compared to third-party apps. As a result of our efforts, we have seen the proportion of surged mobility rides being further reduced by 460 basis points year-on-year, and fulfillment rates increasing by 733 basis points over the same period.

Driver earnings per transit hour also increased by 9% year-on-year and 4% quarter-on-quarter, while quarterly retention rates of our active driver partners is healthy at 90%. Over the rest of this year, we expect to drive a continued increase in demand from travelers and local commuters. As such, we reiterate our expectations for mobility to exit 2023 at pre-COVID GMV levels, while we maintain segment adjusted EBITDA margins at our steady state.

Now moving on to deliveries. Last quarter, there were questions about the growth prospects for deliveries. We said that we expected a rebound in growth in the second quarter, with continued sequential growth in the second half. We're pleased to report that deliveries GMV grew 10% quarter-on-quarter to reach an all-time high, while at the same time we continue to expand our segment adjusted EBITDA margins. The year-on-year growth was the result of 2 main initiatives. First, we focused on reducing our cost to serve and driving key affordability initiatives to better serve our users. To improve driver efficiency, we continued to enhance our batching technology and expanded just-in-time allocation to more markets to further reduce driver wait times when picking up orders at merchants.

For the quarter, trips per transit hour for our driver partners further increased by 8% year-on-year, while driver wait times at our merchant partners reduced 52% year-on-year.

Second, we continued to deepen engagement with our user base, primarily through GrabUnlimited, our subscriptions program. GrabUnlimited subscribers have grown to account for approximately 1/3 of deliveries GMV in the second quarter and spent 3.8x more on food deliveries than non-subscribers.

GrabUnlimited subscribers also had average retention rates that were approximately 2x higher than non-subscribers over the first half.

In addition, in Malaysia, the Jaya Grocer loyalty program has been a key lever in improving customer retention and engagement. In June, members of the loyalty program represent 36% of the total customer base and on average, spent 1.4x more than non-members.

For our merchant partners, we continue to focus on deepening engagement levels and helping them increase their earnings potential. As our marketplace grows, so do our merchants, and we are pleased to see that the median earnings for our deliveries merchants increased by 5% quarter-on-quarter.

We've also announced the beta launch of GrabFood Dine-in across several markets, providing our merchant partners with the ability to cater to our users' dine-in, self pickup and delivery needs within a single platform. For users, dine-in allows them to prepurchase Dine-in vouchers, view restaurant menus and consumer reviews as well as book rides to restaurants.

Looking ahead to the third quarter, we expect to drive further GMV growth to achieve yet another quarterly record high and we expect to drive growth sequentially into the fourth quarter as well. In fact, I can share with you now that our performance in July continues to be robust with deliveries MTUs at its highest point this year and GMV growing month-on-month and year-on-year. So we are optimistic on growth. At the same time, we are driving this growth in a sustainable manner as we progress towards our steady-state margins of 3% plus for deliveries.

Next on to Financial Services. During the quarter, revenues grew year-on-year and quarter-on-quarter as we executed our strategy to focus on-platform for both Payments and Lending. 43% of our Financial Services revenue was generated by Grab's lending activities. Total loan disbursements grew 47% year-on-year. We focused on lending to our own ecosystem, where we have deep data insights to better manage and control credit costs, while providing positive uplift to our ecosystem.

I'm also pleased to share that regulators allowed our digital bank in Singapore, GXS Bank, to increase total deposits. So in July, GXS increased the maximum deposit amount for individual savings accounts to SGD 75,000 from SGD 5,000 prior. And at the same time, we opened up the GXS savings account to more eligible individuals in Singapore. As a result, we have seen a strong uptick in deposits with minimal to no customer acquisition costs. And at current levels, we are able to adequately finance our loan book. Furthermore, ecosystem linkages are healthy with 1 and 2 GXS users linking their GXS accounts to Grab.

While we have reduced segment adjusted EBITDA losses year-on-year on the back of cost savings in GrabFin, we did record a slight increase in losses quarter-on-quarter. This was mainly driven by an increase in Digibank investments, consistent with what we had shared during our Investor Day last year, where we expect Digibank losses to peak in 2023 this year, before reducing to reach breakeven by 2026.

For GrabFin, our spend was flattish quarter-on-quarter, with the increase in variable expenses attributed to a higher cost of funds to support platform payments, being offset by further savings in overhead expenses as we improved operational efficiencies.

Finally, on our enterprise and new initiatives segment. Year-on-year revenues nearly doubled while segment adjusted EBITDA also tripled. The strong performance was attributed to advertising, underpinned by our efforts to increase advertising penetration among our merchant partners and improve monetization. As such, we hit a new milestone in the second quarter with advertising revenues, as Anthony mentioned earlier, comprising around 1% of our deliveries GMV and attaining an annualized revenue run rate of more than $100 million.

We remain confident in our advertising services and in driving value uplifts for our merchant partners and other top brands. For instance, in a Brand Lift study conducted for Lotteria Vietnam, a fast food restaurant chain belonging to the Lotte Group, we were encouraged to see the brand recording a 9.3x return on ad spend, as well as increases in ad awareness and purchase intent by 13% and 8% respectively, after completing a full funnel campaign inside the Grab app. In another example, Amazon Singapore ran a campaign with Grab Ads during Black Friday, which resulted in a unique reach of 1.8 million users in Singapore, along with a 16% increase in ads awareness.

So, as we look to the rest of 2023, we are focused on continuing our growth trajectory and our path to profitability, while maintaining or improving our category leadership position in ride-hailing and food deliveries. I will now turn the call over to Peter to review the second quarter financial results.

Peter Oey - *Grab Holdings Limited - CFO*

Thanks, Alex. We're pleased to report another strong set of results across both the top line and bottom line. Our group revenues in the second quarter grew 77% year-on-year or 81% on a constant currency basis and 8% quarter-on-quarter to reach $567 million. We continued to record strong revenue growth across all segments of our business. Mobility revenues were up 29% year-on-year, or 31% on a constant currency basis, and 7% quarter-on-quarter to hit $208 million. Our efforts to improve supply across the region have enabled us to capture the recovery in tourism demand and growth in domestic demand.

Our deliveries revenue grew a 118% year-on-year, or 126% on a constant currency basis, and 6% quarter-on-quarter to reach $292 million. This was primarily driven by a reduction in incentives and GMV growth.

Financial Services revenue grew by 223% year-on-year, or 230% on a constant currency basis, and 6% quarter-on-quarter to $40 million, underpinned by improved monetization of our payments business and increased contributions from lending.

Finally, Enterprise and New Initiatives revenues grew 95% year-on-year or 99% on a constant currency basis and 51% quarter-on-quarter to hit $27 million. This was supported by the continued growth in advertising revenues.

Turning now to Group GMV. We recorded year-on-year growth of 4%, or 6% on a constant currency basis to reach $5.2 billion in the second quarter. This was supported by an increase in group MTUs, which achieved a new all-time high for the quarter. Our on-demand segments of mobility and deliveries recorded GMV growth of 11% year-on-year or 14% on a constant currency basis. Mobility GMV grew strongly by 28% year-on-year or 30% on a constant currency basis, and we remain on track to exit 2023 at pre-COVID GMV levels.

Deliveries GMV bounced back towards growth and saw an increase of 4% year-on-year or 7% on a constant currency basis to $2.6 billion. This was also a new record for our deliveries GMV.

Moving on to segment adjusted EBITDA. Total segment adjusted EBITDA was $172 million in the second quarter, improving from a negative $19 million in the same period last year. Segment margins improved 366 basis points year-on-year and 26 basis points quarter-on-quarter. We continue to deliver reductions in total incentives as a percentage of GMV, which declined to 8% in the second quarter from 10.4% in the same period last year.

Deliveries segment adjusted EBITDA grew to $69 million, representing an EBITDA margin of 2.7%. This is an expansion of 404 basis points year-on-year or 10 basis points quarter-on-quarter. In the second quarter, the majority of our core markets continue to have margins exceeding the 3% steady-state target. In mobility, segment adjusted EBITDA grew 31% year-on-year to $163 million in the second quarter. EBITDA margins were 12.4% in the second quarter, broadly in line with our steady state margin target of 12%. For Financial Services, segment adjusted EBITDA improved to negative $75 million, representing a 35% year-on-year improvement but declined 8% quarter-on-quarter. As Alex mentioned, this was mainly driven by increased levels of investments for our Digibank operations.

Finally, for Enterprise and New Initiatives, segment adjusted EBITDA tripled year-on-year with margins expanding to 30.3% in the second quarter from 9.7% in the same period last year. The increase in profitability is mainly attributed to our efforts to improve monetization of our advertising services and to deepen advertising penetration with our active merchant base.

For the second quarter, our regional corporate costs improved to $192 million as compared to $214 million in the prior year period and $216 million in the prior quarter. On a year-on-year basis, we drove cost optimization across several line items. Our variable expenses declined 31% year-on-year from increased operational efficiencies, specifically driven by lower cloud costs and direct marketing costs. Staff costs, which accounts for slightly over half of our regional corporate costs, declined 6% year-on-year and 13% quarter-on-quarter. This was driven by lowered headcount levels across various functions and a reversal of fixed costs recognized from the restructuring exercise conducted in June.

On this latter point, we estimate that the restructuring exercise will result in $80 million of annualized cost savings above the adjusted EBITDA line. 60% of these cost savings are expected to be realized in regional corporate costs, with the remainder in the business segments. Looking ahead, we will continue to be disciplined on costs and we anticipate regional corporate costs in the second half of 2023 to improve from the first half.

As a result of the strong top line growth, and greater focus on profitability, Group adjusted EBITDA improved to negative $20 million, representing a year-on-year improvement of $214 million. Group adjusted EBITDA margins also improved to negative 0.4% for the quarter. With a focus on driving cost optimizations and profitable growth across our business, we are well on track towards achieving group adjusted EBITDA breakeven. As such, we are revising up our breakeven timeline to the third quarter of 2023 from our prior expectations of the fourth quarter of 2023.

Moving on to IFRS loss. We reported a second quarter loss of $148 million, representing a 74% improvement from a loss of $572 million in the same period last year. This is due to improving profitability on a group adjusted EBITDA basis, lowered share-based compensation expenses and lowered fair value losses on investments. On the back of the restructuring exercise we announced in June, I do want to call out that our IFRS losses in the second quarter also included $50 million of restructuring charges. Correspondingly, some of the reduction in our share-based compensation expenses were due to reversal of expenses from the restructuring.

Turning to our balance sheet. Our liquidity and cash position continues to remain strong. We ended the second quarter with $5.6 billion of gross cash liquidity, which declined slightly from $5.8 billion at the end of the prior quarter. Our net cash liquidity was $4.9 billion at the end of the second quarter as compared to $5.0 billion in the prior quarter.

As we look to the rest of 2023, we remain focused on driving towards profitability while scaling the business sustainably. In deliveries, we are confident that GMV will grow sequentially in the third quarter. Demand continues to hold up strongly as our strategies to increase affordability and improve engagement continues to benefit the marketplace, with GMV growth momentum carrying into July. While we are optimistic on growth, we will also balance this sustainably as we drive towards our near-term steady-state segment adjusted EBITDA margin target of 3% plus.

Similarly, with mobility GMV recording another strong quarter, we aim to capitalize on the sustained growth tailwinds and are confident of sequential growth heading into the third quarter. We remain on track for mobility GMV to reach pre-covid levels by the end of this year, while maintaining steady state segment adjusted EBITDA margins of 12%. As mentioned earlier, we are also tracking well towards achieving group adjusted EBITDA breakeven in the third quarter of 2023, earlier than our prior expectations of the fourth quarter of 2023.

With all segments performing strongly on adjusted EBITDA in the second quarter, we are revising up our full year group adjusted EBITDA target to a loss of between $30 million and $40 million. This is an improvement from our previous guidance of negative $195 million to $235 million. At the same time, we maintain our 2023 revenue expectations of 54% to 60% year-on-year growth to hit $2.2 billion to $2.3 billion.

In conclusion, we delivered another strong quarter where we executed on the top and bottom line with now a clear line of sight to achieving our profitability milestone. As always, Anthony, Alex and I would like to thank Grabbers for their hard work in making these results possible, and we want to express our deep appreciation for our driver and merchant partners. While there's still a lot of work ahead of us, we are confident that our strong balance sheet, cost discipline and strategies will enable us to continue to grow our business and marketplace sustainably.

Thank you very much for your time, and we will now open up the call to questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Venugopal Garre from Bernstein.

Venugopal Garre - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst*

Firstly, congratulations on the good quarter and thanks for the very detailed opening remarks. So quite a few of the questions do get answered. I still have 2 broad questions. Firstly, on food delivery, I was curious to know, given that we have seen a growth in this quarter. And I think the commentary also appears to be fairly decent wanted to understand that what is primarily driving this growth? How much of it is actually basket size driven? And also on the profitability side of the food delivery segment, I wanted to understand the broad thought process and sustainability of that given that we haven't really seen any market consolidation yet in the sector?

And my second question is on your Digibank GXS with now having done a full-fledged launch in Singapore. When do we really expect it to start incrementally contributing to profits and also, I was curious to know that with the interest rates being offered on deposits last year that was, I think, about 2.48% or 2.4%, which is actually quite low compared to the normal banking system, are we able to gather deposits? And what is the broader plan with respect to lending products around this? Any update on that will be great.

Alexander Charles Hungate - *Grab Holdings Limited - COO*

Thanks, Venu. This is Alex. Let me take those -- both those questions. On food deliveries, it is sustainable because what we've been doing, the 2 things that I mentioned in the remarks, like driving using scale to drive down cost to serve and then passing that on in terms of affordability. And then the second part about deeper engagement, particularly using GrabUnlimited. Both of those are sustainable. We think they're working well and given that we're barely penetrated into single-digit penetration of the Southeast Asia market at this point, we think there's plenty of growth upside for us to continue to -- with that same strategy. In the quarter, there was an increase in spend per user, which drove the increase. And so we will continue to execute that strategy.

You mentioned consolidation. We are the category position leader. Therefore, we do those scale advantages do accrue to us more than others. So we're going to continue to focus on execution and make sure that our customers benefit from those advantages. We're sticking to our long-term guidance on margin, which is 3% plus and you've seen that there's also the advertising business, which generates good margins on the back of growth in deliveries as well. So there's additional benefit financially from advertising on top of that.

Let me turn to your question about the Digibank's and the competition for deposits and then the breakeven. So I confirm what we said this time last year at the Investor Day that we expect the 3 banks collectively to breakeven in 2026. We are still on track for that. For deposits, we recently had the bank regulator raise the cap on deposits. So we were able to raise deposits very fast after that. So that happened in July and we were able to raise deposits very fast. In fact, since then, as you probably noticed, we've reduced the interest rate on our savings account to slow down the rate of new deposits coming in. So it seems like our brand, our ecosystem and the ease of use of our banking app have all contributed to that success. So we'll continue to double down on all of those things as we seek to grow the bank in, not just in Singapore, but in the second half, we expect to launch in Malaysia and Indonesia as well.

You asked specifically about the lending product. The lending product in Singapore that we've launched is called FlexiLoan. It has a market-leading NPS score. So we're very happy -- the customers are very happy with the product. With this product, we are now growing our steady -- our loan book steadily and redeploying those deposits that we've raised. And so as we deepen our credit models, we will be able to progressively accelerate the availability and the marketing of that loan in Singapore. We've been able to thus far, lend to both traditional bank customers and also to the underbanked that are part of our ecosystem. So we're very pleased that this is helping us also to pursue our mission to serve the underbanked in Southeast Asia. And we expect that, that market segment in particular, will be very large when we move to markets such as Indonesia. Thanks, and hopefully, I covered all of your questions.

Operator

Our next question comes from Piyush Choudhary.

Piyush Choudhary - *HSBC, Research Division - Telecoms Analyst, South East Asia*

Congratulations to the management team for such a strong set of performance. A couple of questions. Firstly, on restructuring, can I confirm the $80 million annualized savings will be cash OpEx savings? And in addition to that, how much share-based compensation would come down? Or what would be the savings over there? Secondly, in mobility, similar to Trans-cab, would you be open or looking for similar opportunities in other countries? Or was it a Singapore-specific strategy to solve the supply problem? And if you can give us an update on the competitive landscape and mobility, particularly in Singapore, Thailand and Indonesia, that would be helpful.

Peter Oey - *Grab Holdings Limited - CFO*

Hi, Piyush, let me take the first one and then Alex will take the Trans-cab as well as the competitive landscape. So on the restructuring, your question is the $80 million cash savings? Yes, it is. And that's annualized for -- and of which 60% of that will hit regional corporate costs from a savings perspective and 40% from -- across our business segments. And in terms of stock-based compensation, the second quarter, SBC was roughly about

$65 million. Now there was some onetime reversal from -- in the SBC line, driven from the restructuring. So the way to think about our stock-based compensation on a go-forward basis, if you look at our Q4 number, roughly about $90 million will be below that $90 million mark, and that's a number that you could use from a modeling perspective.

Alexander Charles Hungate - *Grab Holdings Limited - COO*

Let me talk about the Trans-cab. Yes, Singapore, the (inaudible).

Piyush Choudhary - *HSBC, Research Division - Telecoms Analyst, South East Asia*

Hi, Sorry we can't hear you.

Alexander Charles Hungate - *Grab Holdings Limited - COO*

Yes. Just let me pick up on your question on Trans-cab. So we are interested in leveraging the taxi license to drive down our cost to serve. So Singapore cost of vehicles is very high, as you know. And there is an advantage to taxi license holders that they can purchase at a lower COE. That will allow us to keep on doubling down on affordability and reducing cost to serve in Singapore. So those special circumstances in Singapore make this a particularly attractive proposition. It's not that we would be close to other such transactions, but we have a very high bar on M&A in general. And so it would have to be a very attractive acquisition to reproduce the kinds of strategic synergies that we saw in the Trans-cab situation.

Competitive landscape, let me pick that up for. You asked about Singapore, Thailand, Indonesia, in particular. I would say that it's the same playbook that we talked about for deliveries in many ways because we're seeing meaningful regional scale across all markets, and we're able to translate that using some of the great tech tools that we've built into better reliability and better affordability. No silver bullets, but a just a whole bunch of really powerful tech capabilities, which is creating advantages using machine learning, large language models like Anthony was saying earlier to help us serve customers better. And that means that we are improving our category position even further in mobility in markets like Singapore, Thailand and Indonesia. So we'll continue to double down on that execution strategy because we think there's more to go and more customers to serve.

Operator

We will now take our next question from Pang Vitt from Goldman Sachs.

Pang Vittayaamnuaykoon - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

Thank you very much for the opportunities and good evening the management on the call. Two questions from me, please. Firstly, I noticed from the market trends that your market share for the on-demand services have improved considerably in the quarter, especially in Indonesia, GMV holding up stronger than peers, while you also managed to deliver a margin expansion on a sequential basis. Can you share with us what have you done differently than your peers to achieve this? Are you planning to continue to your market share? Or will you try to expand your margins now? That's question number one.

Question number two, with regards to your MTU. We are now at all-time high going into the month of July as well. Just want to understand what have you done to achieve this? Does new users come from Tier 1 expansion to continue to penetrate deeper into the metro area. Or have you already managed to successfully expand into an underserved reasons?

Alexander Charles Hungate - *Grab Holdings Limited - COO*

The market share -- thanks, Pang, for your question. The market share, I think I would refer to my earlier answers in terms of our playbook. It's our scale as category position leader together with the powerful platform capabilities that we've built. When I think of GrabMaps, it's a very powerful competitive advantage that other platforms don't have. You think about our payments platform, our ads platform all coming together, generating more and more data and allowing us to serve customers better and to help our partners and our merchants to earn more than they do in other platforms. All of that helps us to generate more loyalty and all of that helps us to penetrate deeper city by city.

We have expanded in outer cities of Indonesia over the quarter. And we think there are plenty of more cities into which we can grow, so that is part of the growth. But I would say that we've also seen growth in the big Tier 1 cities that have been our traditional stronghold in Indonesia. So the growth has been balanced between both of these.

In terms of margin versus growth, we are at already our steady-state margins for mobility. And so we don't feel that we need to go higher than that. We're comfortable with those as sustainable. So you'll see our focus continuing on driving to grow the market through greater affordability and better reliable services. Like I was saying earlier, we only serve a single-digit share of the total Southeast Asia market. So we feel that we still have lots of growth upside.

MTUs are at an all-time high. We are confident that the affordability push is the main driver of that. So there are plenty of untapped segments both in the large cities and then the outer cities that we haven't been able to penetrate up until now. So we feel like affordability is really going to help us to continue to grow MTU. So there's no magic to that. Again, it's more of the improving reliability and affordability, city by city and really pushing through optimized marketing. Not so much the promotion side. You can see we've refined our promotions even further and continue to optimize in this quarter as we have over the last 18 months quite consistently. So we've been able to do more of that. But this time, it's more about everyday low pricing, making our services more affordable, getting people to make them part of their daily routines.

Anthony Tan - *Grab Holdings Limited - Co-Founder, Chairman & CEO*

I'll comment beyond just the shorter-term MTUs, the longer term. Alex is completed, right? It's not just 1 or 2 silver bullets. We're looking at many 1% improvements, whether it's in affordability, whether it's in reliability, whether it's in better fulfillment. And we've seen that. This multipronged approach of fundamental investments into the basic, most fundamental 1% and many of these has helped us really become the most reliable and go to choice.

Longer term, we are seeing this multipronged approach across services. So as we evolve the services, whether it's saver deliveries, whether it's carpooling options, we're seeing it reaches a broader range of users. Then you alluded just now as well paying to the outer city our expansion. You're right. Now with more affordable services, we can reach better and we have better product market fit out of city, but how do we do it? As we are driving costs, we're passing that savings on to our consumers. And then it's not just that, we also looked at increasing our product offerings and lending within the Financial Services segment, and that really helps uplift our ecosystem partners. So all that plus this constant product innovation on affordability and reliability has given us that long growth while even margin expansion is taking place more engagement, more loyalty, as Peter talked about as well. So we are actually confident. We see still a large TAM. We see tremendous headroom to grow. We see given our power of our ecosystem and scale our platform and a multipronged approach, we're going to grow that user base.

Operator

Our next question comes from Thomas Chong from Jefferies.

Thomas Chong - *Jefferies LLC, Research Division - Equity Analyst*

Thanks management for taking my questions and congratulations on a very strong set of results. My question first is about the macro environment, how is management looking into the macro trend coming into the second half? And also on the -- about our strategies on the reinvestment side.

Given that we are seeing other players in Southeast Asia are looking to reinvest to grow -- to drive the growth and gain market share. So that's number one.

And then number two is, regarding Generative AI, we talk about the pricing in the prepared remarks. So I just want to get some color with regard to our Generative AI and strategies going into the future, should we expect there would be a big change in the Southeast Asia Internet sector.

Anthony Tan - *Grab Holdings Limited - Co-Founder, Chairman & CEO*

Great questions, Thomas. Really appreciate it. So of course, let me comment on macros for second half. So the right thing to do for us is to closely monitor any risk on inflation, any macro weaknesses in the region. But overall, we remain confident in our ability to execute and continues to drive growth and profitability. And why can we do that? Through our ecosystem advantage through our category leadership through our platform scale. And we will quickly adapt, regardless of this ever-changing, ever-evolving macroeconomic environment. And you saw this in the second quarter, we grew MTUs, and Alex talked about this at an all-time high at around $35 million, while we narrowed EBITDA losses. So I can't overemphasize this. There's no secret, no silver bullet, just lots of fundamental little, little improvements. And we've talked about hundreds of little, but very important initiatives. Again, thanks to the Grabbers all out there, who are continuously driving for more affordability, more reliability, so we can pass on more savings to our users and our partners. And that's the only way to outserve all the people we serve in a sustainable manner.

Now if I may quickly jump on your G AI question. The honest truth is for applications for AI specifically for Grab, AI is incredibly vast, it's what powers the user and partner experience in our app. And we've been very blessed. We've been at the forefront of this region with machine learning and AI. And we already thanks to, again, the -- all our wonderful tech teams that they have built the data infrastructure to continue to innovate, to continue to enhance our platform experience efficiently for the communities we serve. And specifically on generative AI. This will continue to play an increasingly important role in everything we do.

Now today, we've already been using generative AI to augment our internal workflows and processes. I talked about it. It helps us debug. It helps us do data queries much faster. We talked about how it's helped to translated menus and improved our GrabChat. For us, we will continue to leverage tech, we'll continue to leverage G AI to unlock the operational efficiency out there while enhancing the overall user experience.

Alexander Charles Hungate - *Grab Holdings Limited - COO*

And Thomas, maybe I'll just jump in on your question on reinvestment. There have been some statements about reinvestment on the e-commerce front recently. In our space, not so really, most of the competitors are focused on profitability and driving to profitability. So we haven't really seen that in our space. As far as we're concerned, as we said earlier, we're comfortable with where our margins are, very close to our steady state long-term margins in deliveries. And then we're already at our comfortable long-term sustainable margin for mobility. So we are actually focusing on affordability and growing the market.

Operator

Our next question comes from Alicia from Citigroup.

Alicia Yap - *Citigroup Inc., Research Division - MD & Head of Pan-Asia Internet Research*

So congrats on the solid results. I have 2 quick questions. Number one, if management can share a bit on the advertising business in terms of, for example, the numbers of paying advertising that you have? And what are the industry verticals that we're able to attract and contribute to the growth? And then also on the medium term, what is the GMV, a percentage of GMV of this ad revenue that you expect could reach.

And then second question quickly, given all these improving GMV growth and also out performance in revenue. Just curious that why management decided to keep the full year revenue target unchanged? Or is it just trying to be more conservative or leave a little bit room. So any colors on that would be appreciated.

Alexander Charles Hungate - *Grab Holdings Limited - COO*

Thanks, Alicia, for your questions. Let me take the advertising one. Yes, the advertising performance is one of the highlights of the quarter. We are now at 1% of GMV for advertising. And we've done that by pushing our self-serve tools out to the very large long tail of merchants that we serve across the region. We're still -- we're not disclosing how many we've reached, but we're still, I can tell you at a very low penetration rate. So there's lots of upside that we can generate by continuing to push those tools out. We know that the [ROEs] that we can create, as I mentioned, some of the case studies earlier is very attractive. And we're also improving the tools within that self-serve capability further as well, so that will help us.

So far, we focus primarily on endemic advertising. You asked about the segments that we are focusing on. So endemic advertising, meaning the F&B merchants driving demand within the ecosystem. We can do further endemic advertising within the mobility side and potentially other verticals like financial services. So that's yet to be tapped, which will help us to grow a deeper penetration of GMV. And then as I mentioned, within food itself, we can also penetrate further.

We do also serve brand advertisers, who are not endemic on the platform. So these are brand owners. You can see the selection as you use the Grab app. For those, we can't close the loop on the advertising. So we can't show them the performance of the ads that they place like we can for the endemic advertisers. But we still have a very attractive audience for them. So they'll go into our digital audience for the reach and for the first-party, ability to reach first-party authenticated users on the platform. So we're also attractive for them.

For that audience, it's almost unlimited because they're actually targeting the demographic and the reach. So there's no particular constraint in terms of which segments when we have advertisers across a wide range from FMCG to Auto, Consumer goods, et cetera.

Peter Oey - *Grab Holdings Limited - CFO*

Alicia, on your revenue question, that's right. Yes, we're maintaining our 2023 revenue guidance. If you look from a year-over-year growth, it's about a 54% to 60% year-on-year growth on a headline basis. We're seeing good traction on the revenue front. July was also strong for us. Now, what I can say is, we'll continue to update as we need to, but we're at this stage, we're maintaining our revenue guidance. We are looking strong, and we're probably going to be ending up probably at the upper end of the range, and that should give you some color and perspective on how we're tracking.

Operator

Our next question comes from Mark Mahaney from Evercore.

Mark Stephen F. Mahaney - *Evercore Inc. - Senior MD & Head of Internet Research of Evercore ISI*

I'd like to ask about GrabUnlimited and then about incentives. On GrabUnlimited, how do you think -- what's your framework for figuring out how big you think the GrabUnlimited base could be, the subscriber base could be? Like are there regions where you see the GrabUnlimited customers as 30% or 50% of total users? How do we know how big that segment can be? And then on incentives, what I want to ask is, where do you think incentives can go long term? I know they've come down nicely year-over-year in almost every segment, although not in mobility. So just overall as a company, where do you think incentives can go, there at 8% now -- does that trend to 7% or 6% or 5% long term? Is that what you want to do? And then just explain why the mobility incentives kind of ticked back up this quarter, at least on a sequential basis.

Alexander Charles Hungate - *Grab Holdings Limited - COO*

Thanks, Mark. Let me take the GrabUnlimited question. GrabUnlimited is successful financially for us for 2 reasons. One is, it drives retention -- significantly drives retention. Of course, when we run the long-term value models, that's one of the biggest drivers of value for the platform. And then the other thing is, it drives the GMV for customer further. So people spend more once they're in the program.

There's a third lever, which is that it allows us to reduce the amount of promotion money, which is spent on promotion hunters, people that aren't really interested in loyalty, they'll just skip from promotion to promotion. So it allows us to filter those out as well. So net-net, it's an important driver of profitability. We don't believe that it's right for everybody. So we don't have a target of 100% penetration. We -- as you heard earlier, we're something like 1/3 of the GMV now. So it's quite highly penetrated. There are some countries which are higher than that and some which are lower because they started at different times in the rollout. But it would be hard to see this representing the majority of our customers. So as it starts to grow, there are plenty of ways in which we can tweak it, the value packages that we offer, the subscription price that we offer in order to manage the loyalty and the retention that we're seeking to achieve without impacting our ability to target all segments those who naturally have the inclination to use us many, many times. And those that probably don't naturally have that opportunity that will use us less frequently. So we have to be able to cater for the whole market. Hope that's helpful. I think Peter is going to talk about the guidance on the incentives.

Peter Oey - *Grab Holdings Limited - CFO*

Sure, yes. So on mobility incentives, Mark, you highlighted that it was up 50 basis points on a Q-on-Q perspective. Yes, we did some -- we did make some reinvestments in those incremental margins in mobility. And a lot of that is really driving platform efficiency. We talked about a lot of the new product use cases, especially around affordability, things like GrabShare, things like also the 2-wheel that we launched in the Philippines and these are critical as we continue to enhance the marketplace given that demand is strong in our mobility business. At the same time also, we're balancing the high incentives Q-on-Q with the margin. So we're keeping one eye on how we can make sure we enhance the platform efficiency but also making sure that the margin liquidity, it is equal, so maintaining our margin targets. As you can tell on mobility, we landed at 12.4% for the quarter. And that theme, actually, if you think through to your other question around how do we think about incentives and it's very similar in whether it's mobility or deliveries, it's balance that we take between the marketplace efficiency regarding our platform while there will be some quarters where you may see incentives go up or down. But overall, we're balancing that on the other side with margin -- target margins, whether it's the 12% of mobility or deliveries of 3% plus. Hope that answers your question Mark?

Operator

Our last question today comes from Sachin Salgaonkar from Bank of America.

Sachin Shrikant Salgaonkar - *BofA Securities, Research Division - MD in Equity Research & Head of Asia Telecom*

Congrats for a great set of numbers. Two questions from me. One, I wanted to understand how you guys are looking in terms of utilizing the cash on your balance sheet? Clearly, you guys mentioned that you have a high bar on M&A. And now that we are already very close to adjusted EBITDA breakeven. I just wanted to understand [you're now] there. And second, I wanted to understand a bit more on the delivery take rate declined a bit on a Q-o-Q basis. Anything to read here? And directionally, how could one expect that to look at this going ahead?

Peter Oey - *Grab Holdings Limited - CFO*

Sure, Sachin. Let me take both questions. So on the cash position, as you can tell, we're -- we always take a very prudent approach in terms of how we deploy our capital. As Alex mentioned earlier, we do have a very high hurdle rate when it comes to deploying our capital. We want to do a particular transaction unless there's a high degree of conviction and also how you can enhance the long-term shareholder value. So we'll continue to take that approach when it comes to maintaining our capital allocation framework and will be prudent. Cash preservation is also critical and important for us. And that high hurdle rate will continue to be maintained.

In terms of take rate, look, there's not a lot to read into it. Our take rate continues to be strong. There's obviously different mixes in terms of how a take rate can fluctuate from quarter-on-quarter. But overall, there was no big swings, and we're on track.

Sachin Shrikant Salgaonkar - *BofA Securities, Research Division - MD in Equity Research & Head of Asia Telecom*

Got it. And sir, just a small clarification I wanted to get. There are some comments on the regional corporate costs. And I think one of the comments was regional corporate costs to improve going ahead. Do I read it correctly? Do you expect that to increase in second half or decrease?

Peter Oey - *Grab Holdings Limited - CFO*

What I said was the regional corporate costs will be lower in the second half versus the first half.

Operator

Thank you. This now concludes our question-and-answer session. I would now like to turn the conference back over to Peter for any closing remarks.

Peter Oey - *Grab Holdings Limited - CFO*

Well, thanks, everyone, for taking the time to join our call today. If you still have questions, please feel free to reach out to our Investor Relations team or you can visit our Investor Relations website. Great. Thank you, everyone.

Alexander Charles Hungate - *Grab Holdings Limited - COO*

Thank you.

Anthony Tan - *Grab Holdings Limited - Co-Founder, Chairman & CEO*

Thank you.

Operator

This concludes Grab's Second Quarter 2023 Earnings Conference Call. Thank you for your participation. You may now disconnect your lines.
