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GRAB.OQ - Q3 2023 Grab Holdings Ltd Earnings Call

EVENT DATE/TIME: NOVEMBER 09, 2023 / 12:00PM GMT

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PRESENTATION

Operator

Ladies and gentlemen, thank you for joining us today. My name is Adam, and I will be your conference operator for this session. Welcome to Grab's Third Quarter 2023 Earnings Results Call. After the speaker's 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 Limited - Head of Asia Investor Relations*

Good day, everyone, and welcome to Grab's Third 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, Alex will discuss our operational highlights, followed by Peter, who will share details of our third quarter 2023 financial results, and Anthony will then discuss our strategic outlook. Following the 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 is described in our Form 20-F for the year ended December 31, 2022, and out 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 third quarter 2023 financial review which can be found on our IR website.

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

Alexander Charles Hungate - *Grab Holdings Limited - COO*

Thanks, Doug, and thanks for joining us today, everybody. I'm pleased to share that we reported a strong set of results this quarter. Grab has reported positive group adjusted EBITDA for the first time. And while this is an important milestone, it represents just one step in our journey as a public company.

At the same time, our top line continues to grow from strength to strength. Revenues are up 61% year-on-year and 8% quarter-on-quarter, while group MTUs hit another all-time high. Over the next few minutes, I will share the operational highlights across each of our segments and the underlying drivers of these results.

So starting with Deliveries. Last quarter, we reached an all-time high for Deliveries GMV and mentioned that we expected to achieve sequential growth this quarter. In the third quarter, we not only continued to drive sequential GMV growth to another all-time quarterly high, but at the same time, we continue to improve profitability with Deliveries adjusted EBITDA margins improving to 3.4%, all the while maintaining our leading category position across the region.

Our ability to drive both top line and bottomline improvements while deepening the market penetration is a result of the following key initiatives. First, we've made progress on reducing our cost to serve to improve the affordability of our products and services for users while enhancing partner earnings. We've built a strong competitive moat by leveraging our scale, category leadership position and tech advantage to create the best-in-class experiences for our users and partners.

For example, batched orders, which now account for over 1/3 of Deliveries orders, provided average delivery fees for users that were 8% lower than unbatched orders and resulted in 5% higher driver earnings per transit hour compared to unbatched orders. Improved allocation and navigation efficiencies, among other factors, also resulted in a corresponding reduction in driver wait times by 72% year-on-year and 47% quarter-on-quarter.

Second, we continue to deepen user engagement through Grab Unlimited, our subscription program. Grab Unlimited subscribers continue to account for 1/3 of Deliveries GMV during the quarter and spent 4.2x more on food Deliveries than nonsubscribers. We also saw frequency and retention uplifts among subscribers, with 6 months retention of subscribers on the program continuing to be around 2x higher than non-subscribers. We will continue to expand our suite of affordability features at different price points to appeal to more consumer segments, all without compromising on our service quality and reliability.

Saver delivery is now available in all 6 of our core markets and in over 130 cities. In Malaysia and Singapore, where the services were first launched, the penetration of Saver has now reached over 1/3 of Deliveries' MTUs. We've shown that more affordable features not only benefit consumers, but also expand revenue streams for our merchant and driver partners who benefit from an increased demand for our services.

Looking ahead to the fourth quarter, we expect to drive another quarter of sequential Deliveries GMV growth to achieve another quarterly record high. As we continue to strike a balance between growth and profitability, we expect segment margins in the fourth quarter to be consistent with those in the third quarter.

Now moving on to Mobility. Mobility GMV and revenue in the third quarter grew strongly year-on-year while we maintained margins at 12%-plus. Demand continues to be robust as we see quarter-on-quarter and year-on-year growth in Mobility's MTUs. We are also encouraged by Mobility transactions growing 37% year-on-year and 12% quarter-on-quarter, which gives us the confidence that our affordability-led strategies are paying off.

Domestic demand continues to pick up across our markets while international travel demand also continues to recover. Airport rides grew 9% year-on-year to reach 84% of pre-COVID levels. Our efforts to capture the rebound in tourism through traveler features that we launched earlier this year has started to bear fruit with a number of rides booked through Alipay, WeChat, Kakao, Trip.com and Booking.com growing 61% quarter-on-quarter.

Overall, Mobility GMV is now at 91% of pre-COVID levels. When we compare Mobility MTUs between third quarter of 2023 and the same period in 2019, the majority of our core markets have surpassed those levels already.

Our efforts to improve driver supply to meet the growing demand continues to gain traction. During the third quarter, monthly active driver supply grew 9% year-on-year, with supply levels now at 87% of pre-COVID.

Following our agreement to acquire 100% of the shares in Trans-cab in July, the acquisition remains under review in Singapore. We believe that the proposed acquisition is a win-win situation for consumers and drivers in Singapore. For Trans-cab taxi drivers, Grab will continue to preserve their flexibility to earn through Grab or other ride-hailing platforms as well as to conduct street hail while investing in tech solutions to serve them better. And for our passengers, by boosting the number of drivers on our platform and helping them to operate more efficiently, we can also improve how quickly and reliably we find a ride for our passengers whenever they need one.

Additionally, we continue to enhance the affordability of our services through greater efficiencies while improving driver earnings on our platform. The relaunch of Move It, our 2-wheel Mobility offering in the Philippines, has gained meaningful traction, driving Mobility MTUs and transactions growth in that market by 18% and 28% quarter-on-quarter, respectively.

Our efforts to enhance driver efficiency by leveraging our technology continue to bear fruit. Surge Mobility rides further reduced by 243 basis points year-on-year and 111 basis points quarter-on-quarter. Driver earnings per transit hour continue to increase by 8% year-on-year and quarterly retention rates of our active driver partners remained healthy at 90%.

We expect sequential growth for Mobility heading into the year-end as we drive demand from travelers and local commuters. We maintain our expectations for Mobility to exit 2023 around pre-COVID GMV levels while we maintain segment adjusted EBITDA margins at a similar level as the third quarter.

Next, on to Financial Services. Revenues more than doubled year-on-year and grew 24% quarter-on-quarter as we scaled up our ecosystem payments and lending business. Total loan disbursements year-to-date grew 52% year-on-year to around $1 billion, and we ended the quarter with $275 million of loans outstanding supported by a continued pickup in ecosystem lending from GrabFin and new FlexiLoan volumes from GXS Bank in Singapore, while NPL ratios continue to be stable at low single digits.

Customer deposits in GXS, our Singapore digibank continue to track upwards quarter-on-quarter reaching $362 million, following the increase of the maximum depositor amount per account from SGD 5,000 to SGD 75,000 in July.

Segment adjusted EBITDA losses narrowed year-on-year and quarter on quarter on the back of cost savings in GrabFin. We continue to see strong ecosystem uplifts from our payments and lending business, with users from GrabPay spending 4x more and having 1.5x higher retention rates than cash users. Our driver partners who take on a loan with us also recorded 1.5x higher retention compared to drivers without a loan.

I also want to provide some operational updates on our upcoming digibank launches which remain on track for this year. In September, our Malaysian digibank, GXBank, received approvals by the regulators in Malaysia to commence operations. And last month, KakaoBank, South Korea's leading digital bank, also announced that invested in a 10% stake in Superbank, our Indonesian bank affiliate.

We're excited about this strategic partnership. KakaoBank ranks first in terms of loans and deposit amongst the Korean digital banks and has 21.7 million customers and 17.4 million monthly active users, higher than any other bank in South Korea. We look forward to leveraging KakaoBank's domestically proven competitiveness in digital finance and platform expertise to boost Superbank's proposition and drive digital banking innovation in Indonesia.

Finally, on our Enterprise and New Initiatives segment. Year-on-year, revenues nearly doubled while segment adjusted EBITDA almost tripled as we continue to drive adoption of our Advertising self-service platform amongst our merchant partners while improving monetization. During the quarter, we saw the total number of active advertisers joining our self-service platform grow by 83% year-on-year, which highlights the value that our ads platform brings to our merchant partners. We also saw average advertising spend from merchants on our self-service platform increased 44% year-on-year, while return on ad spend has also stabilized at healthy levels.

Looking ahead, we remain focused on deepening merchant engagement with our advertising services and driving value uplift for our merchant partners and other top brands. We are also confident that we will be able to push Advertising revenues above 1% of Deliveries GMV in the medium term.

Now as we look to the remainder of 2023 and into 2024, we remain optimistic that we can sustain the growth trajectory of our Mobility and Deliveries businesses as we drive affordability by leveraging the scale of our leading category position. We also see ample opportunities to drive ecosystem uplifts through our Advertising and Financial Services offerings to better serve our users and partners.

And with that, let me turn the call over to Peter.

Peter Oey - *Grab Holdings Limited - CFO*

Thanks, Alex. We delivered on our commitment to achieve adjusted EBITDA breakeven this quarter, driven by improved profitability across all our segments even as we continue to grow our top line. Let me start by providing some color on our revenue growth.

Group revenues in the third quarter grew 61% year-on-year and 8% quarter-on-quarter to reach $615 million. On a constant currency basis, revenues grew 62% year-on-year and 10% quarter-on-quarter. The strong revenue growth was driven by all segments of our business.

Mobility revenues were up 31% year-on-year and 11% quarter-on-quarter to hit $231 million. Our efforts to deepen user penetration via more economical service offerings have enabled us to capture the growth in demand.

Deliveries revenues grew 79% year-on-year and 5% quarter-on-quarter to reach $306 million as we continued to grow GMV and reduce incentives.

Financial Services revenue grew by 156% year-on-year and 24% quarter-on-quarter to $50 million, underpinned by improved monetization of our payments business, increased contribution from lending and lower incentive spend.

And Enterprise and New Initiatives revenues grew 83% year-on-year and 4% quarter-on-quarter to reach $28 million. This was supported by increased monetization of our advertising business.

Turning now to group GMV. We recorded year-on-year growth of 5% to reach $5.3 billion in the third quarter. This was supported by a 7% year-on-year increase in group MTUs and 5% increase in average order frequency of our services. Our on-demand segments of Mobility and Deliveries recorded GMV growth of 14% year-on-year and 3% quarter-on-quarter. Mobility GMV grew strongly by 30% year-on-year and 7% quarter-on-quarter, and we remain on track to exit 2023 around pre-COVID GMV levels. Deliveries GMV continued to expand further as we rolled out more affordable offerings, increasing 7% year-on-year and 1% quarter-on-quarter to $2.6 billion.

Moving on to segment adjusted EBITDA. Our total segment adjusted EBITDA was $221 million in the third quarter, improving by $47 million in the same period last year. Our segment margins expanded 320 basis points year-on-year and 86 basis points quarter-on-quarter. We continue to optimize total incentives as a percentage of GMV, which improved to 7.1% in the third quarter from 9.4% in the same period last year.

Deliveries segment adjusted EBITDA grew to $88 million, achieving 3.4% EBITDA margin. This is an expansion of 302 basis points year-on-year and 71 basis points quarter-on-quarter. In Mobility, segment adjusted EBITDA grew 33% year-on-year to $180 million. EBITDA margins for Mobility were 12.8% for the quarter, up from 12.4% in the prior quarter.

For Financial Services, segment adjusted EBITDA improved to negative $68 million, representing a 35% year-on-year and a 10% quarter-on-quarter improvement. The reduction in losses was primarily driven by lower overhead expenses in our GrabFin business as we improve operational efficiencies that more than offset higher cost of funds to support the increased transaction volumes on our payment platform and increases in our digibank-related costs.

Now on cost of funds, which is a variable expense within GrabFin that supports our payments platform, comprises roughly about 30% of our Financial Services cost structure. Digibank-related costs grew about 11% quarter-on-quarter as we prepared to launch in our remaining markets.

Finally, for Enterprise and New Initiatives, segment adjusted EBITDA more than doubled year-on-year with margins increasing to 41% in the third quarter from 16.5% in the same period last year. The profitability expansion is mainly attributed to [efforts] to improve advertising monetization and to deepen advertising penetration within our active merchant base.

On regional corporate costs, this was lower by $16 million at $192 million as compared to the prior year period of $208 million and was flat from prior quarter. The current regional corporate cost run rate reflects cost savings from the restructuring exercise we conducted in June. Centralized support regional costs, such as direct marketing and cloud costs, comprising approximately half of our regional corporate costs, and it continues to improve as a percentage of group revenues on a year-on-year basis. We also drove further cost optimizations across our regional fixed cost base in the third quarter. Our staff costs continued to decline 6% year-on-year, and this was attributed to lower headcount levels across various functions. Other overhead expenses also declined 14% year-on-year as we continue to drive greater operating leverage.

As a result of the strong top line growth and greater focus on profitability, we recorded our first quarter of positive adjusted EBITDA at $29 million, representing a year-on-year improvement of $190 million and $48 million improvement quarter-on-quarter.

On IFRS losses, we reported a third quarter loss of $99 million, representing a 71% improvement from a loss of $342 million in the same period last year, due to improving profitability on a group adjusted EBITDA basis, lower share-based compensation expenses and lower fair value losses and investments.

Turning now to our balance sheet and liquidity position. We continue to maintain a strong liquidity position, ending the quarter with $5.9 billion of gross cash liquidity, an increase from $5.6 billion in the prior quarter which was driven by an increase in GXS Bank customer deposits. Notably, customer deposits from GXS Bank in the third quarter was $362 million while our total loan book outstanding stood at $275 million. Our net cash liquidity was $5.2 billion at the end of the third quarter compared to $4.9 billion in the prior quarter.

Now as we look to the remainder of 2023, we remain committed to growing our business in a sustainable and profitable manner. In Deliveries, we are confident of sequential [GMV] growth into the fourth quarter. Demand continues to display positive momentum with GMV growth carrying into October. We expect Deliveries segment adjusted EBITDA margins in the fourth quarter to be consistent with that of the third quarter.

Similarly, with Mobility GMV recording another strong quarter, we aim to capitalize on these growth tailwinds and are confident of sequential growth heading into the fourth quarter. We continue to see robust demand trends in October, and we remain on track for Mobility GMV to exit 2023 around pre-COVID levels while maintaining segment adjusted EBITDA margins of between 12% to 13%.

With all segments performing strongly in the third quarter, we are raising our full year group revenue target to between $2.31 billion to $2.33 billion. This is above the top end of our previous guidance of $2.2 billion to $2.3 billion. At the same time, we are also revising up our group adjusted EBITDA target to a loss of $20 million to $25 million. This is an improvement from our previous guidance of negative $30 million to negative $40 million.

With Grab now achieving positive adjusted EBITDA, we will manage the business with 3 key financial guardrails: First, by continuing to generate sustainable adjusted EBITDA; second, achieving our next milestone of positive free cash flows; and third, continue to drive operating leverage in the business.

I will now pass the time to Anthony to share more on this as well as to provide his thoughts on our longer-term outlook to close our earnings call.

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

Thank you very much, Peter. We are proud to have achieved adjusted EBITDA breakeven this quarter. That said, we are clear that it represents just one milestone of many in our journey as a company. As such, even as we adapt our business to the evolving market environment, we will remain laser-focused in driving both growth and profitability and stay true to our mission. And that mission is to drive Southeast Asia forward by creating economic empowerment for everyone.

Despite operating in this region for over a decade, we still see abundant opportunities to untangle complex societal problems in the region. We still have a long way to go in achieving our mission. There is so much more we can do to serve beyond 1 in 20 Southeast Asians that use our platform every month and empower the millions of everyday entrepreneurs currently on our platform.

Now in order to achieve this, we have to provide our consumers with more affordable services while enabling our driver and merchant partners to earn more. Hence, we need relentless innovation, and that's something we will continue to strive for, to build a sustainable and thriving marketplace that balances the interest of our users and partners for the long term.

We will continue to focus on investing to develop hyper-local innovations and leveraging our scale advantage to solve problems for Southeast Asia. Three main factors will guide us on how we decide where to focus our investment efforts.

Firstly, these investments have to improve the health of the marketplace and solve an actual problem. This will ensure that we never compromise on being the #1 choice for our users and partners. And examples of these will be the rollout of Saver Deliveries and improvements to batching rate, which reflect how we are offering more affordable delivery fees to users while at the same time increasing earnings potential for our driver partners.

Additionally, ecosystem lending is another example of how we deepen partner engagement and loyalty while driving financial inclusion, which is very close to our hearts, as many of our partners are underserved by traditional banking institutions.

Secondly, we need to have confidence that we can execute and scale these investments. We continue to be very selective in the key investments -- we are constantly raising the bar higher with people and technology to maximize success. We have a strong and robust balance sheet today. And while this provides us with financial flexibility, we must maintain discipline and a high hurdle rate when deploying our capital across both organic and inorganic opportunities.

Third, these initiatives must be able to generate sustainable unit economics for us in the long term. And we have demonstrated this with Mobility and Deliveries improving profitability on a segment adjusted EBITDA basis for 7 consecutive quarters, and we remain committed to continue improving on our profitability levels as we strive to provide the best selection to users while maintaining a healthy and thriving marketplace.

For Financial Services, we are confident that it remains on track to replicate the successful transition to profitability that both our Mobility and Deliveries segments have achieved.

While our New Initiatives and Innovations to serve the region such as affordability, such as reliability push, or our efforts to scale up our digibanks, they may not result in immediate returns. We will continue to operate the business with discipline and with a long-term view in mind to achieve 3 outcomes: Firstly, drive towards a steady pace of adjusted EBITDA growth and generate free cash flows; secondly, establish strong competitive advantages that can reinforce our reliability and service quality to our users and partners; and finally, stay true to our commitment to deliver a triple bottom line, which is to simultaneously deliver financial performance for our shareholders and create a positive social and environmental impact for our home, Southeast Asia. Only by building a financially profitable business will we be able to deliver impact not just for this current generation but for the generations to come.

In closing, Grab delivered a strong set of results where we grew on our top line and achieved positive adjusted EBITDA for the first time. Alex, Peter and I would like to thank fellow Grabbers, our users and partners, for all their contributions and support. Without it, these results would not have been possible. As Grab continues to take steps towards its mission, I am very excited about what lies ahead. I look forward to sharing many more milestones and successes with all of you in the future.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) The first question today comes from Navin Killa from UBS.

Navin Killa - *UBS Investment Bank, Research Division - Analyst*

I guess 2 questions from me. First of all, I guess I wanted to touch on the elephant in the room, which is the foodpanda proposed sale in Southeast Asia. What can you comment on this? And I guess, in particular, how do you think about it between acquiring it versus not acquiring it and competing potentially, I guess, with a more aggressive competitor?

Can you, I guess, also help us understand how you're thinking about this with regards to your overall capital allocation principles?

And I guess the second question, I know you briefly touched upon this a little bit. But with the business now achieving positive EBITDA, how are you thinking about balancing growth and profitability going forward? And how should we think about your adjusted EBITDA margin going forward?

Alexander Charles Hungate - *Grab Holdings Limited - COO*

Thanks, Navin. Alex here. I'll start on the question about foodpanda Southeast Asia. As you know, we won't comment on rumors, but I will say that we don't operate for M&A. We operate to provide the best experience and the best services for our customers, merchants and drivers while trying to be profitable as a platform, as you can see from our strategy.

So I think some of the outstanding numbers this quarter, if you ask me what are the operational numbers. Batched order is now accounting for over 1/3 of Deliveries orders, reduction in driver wait times improving by 72% year-on-year and 47% quarter-on-quarter with the proprietary mapping that we have. And then that's all translating to higher earnings per hour for our drivers, which means that we get much better loyalty and much better supply than smaller competitors.

So that translates into affordability, quality of selection. So we just keep increasing wallet share and engagement as well with the financial services that we add on. So that multi-segment approach is also super important. So I would say that our main focus is on continuing to double down on that scale advantage so that we increase value for consumers, drivers and merchants on our platform.

Peter Oey - *Grab Holdings Limited - CFO*

Navin, on your question around just capital allocation. Look, I think Anthony summed it up well during his remarks where he said, while we have a very strong balance sheet today, we're going to continue to maintain very disciplined. We have a high hurdle rate when deploying our capital, both organic and inorganic opportunities. So no change in terms of how we view our capital deployment principles. We will continue to be prudent. We'll continue to have high -- very high hurdle rate when it comes to deploying those capital. And we're very focused on making sure that we have a healthy cash balance and adopt that discipline that we've been executing, taking a balanced approach towards that capital allocation.

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

Yes. On growth and profitability or balancing them, we'll constantly be pushing for both growth and profitability while staying on track with our mission of driving economic empowerment for everyone. As you now see, we have achieved positive group adjusted EBITDA for the first time this quarter. While this is just one achievement, there are many, many more that we are shooting for.

So looking ahead, we are focused on driving this steady pace of adjusted EBITDA growth and generating resilient free cash flows. And we have, and we will continue to focus on investing and developing hyper-local solutions that solve real problems in this region.

But how we think about investments we will do. One, criteria, does it improve the health of our marketplace? Two, are we able to successfully scale up in a very capital-efficient manner? And three, it must be able to generate sustainable unit economics for the long run.

So in short, we are actually very excited of this journey and especially what lies ahead. We still see plenty of headroom to grow in the region. So we will do this in a sustainable and profitable manner, and we will do so generating a steady pace of adjusted EBITDA growth.

Peter Oey - *Grab Holdings Limited - CFO*

And I mean just -- you had a question around adjusted EBITDA margin also as part of that. Look, we're not guiding long-term EBITDA margins as yet, group EBITDA margins.

Here's what I can say, is the way we approach it is really continue to drive operating leverage in the business and also making sure that we can continue to grow also our top line. So we'll be balancing that and we'll be managing our business to long-term EBITDA growth and also free cash flow generation. So that's how we're going to balance the growth and profitability.

Operator

Next question comes from Alicia Yap from Citigroup.

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

Anthony, Alex and Peter, congratulations on the strong set of results. Two questions. First, can management share your view, how you see the overall competitive landscape for the delivery business? Do you think there is still room for new players to enter by building their presence gradually and then taking share from some of the players who might scale back their focus in the region?

And then second question is, given your New Initiative Enterprise business is doing very well. So if you can share your aspiration for the online ad business. What is your specific KPI or milestone that you have set for yourself in the near term and medium term? How fast, how big you hope to achieve in the ad revenue?

Alexander Charles Hungate - *Grab Holdings Limited - COO*

Thanks, Alicia, for both those questions. Let me take those. Firstly, the deliveries market has always been competitive, as you know. We think our multi-segment approach to on-demand is -- gives us an advantage, and the focus on the ecosystem scale I was speaking about earlier to Navin's question.

If you look at the way we've been able to reduce our Deliveries total incentives down 444 basis points to 9.8% now, down year-on-year by 444 basis points. And then the Deliveries consumer incentives within that down 249 basis points year-on-year to 5.6%. So I think that's a proof point that we're not dependent on incentives to grow. We can actually fundamentally drive the cost to serve down to create affordable services, and that in itself can drive growth.

If you look at the -- back to the financials for this quarter, we've now got Deliveries margins reaching 3.4% and with revenue growing 79% year-on-year and 5% quarter-on-quarter, then I think you can see that we're getting both growth, margin improvement, but with reducing incentives. EBITDA margin expanded 302 basis points year-on-year over the same period. So this is about driving affordability. And I reckon therefore, if people do drop out of the market, I think we're optimistic that it will be Grab and not the new entrants who will take their share.

So going back to your second question, which was on the ads business. Yes. The year-on-year improvement in ads is one of the big stories, I think, this quarter and last quarter. We are confident in our endemic ads proposition because although there are other platforms out there, so platforms that have larger audiences than we do, we uniquely can offer that closed loop on -- for performance marketing that endemic advertisers want. And we're dealing with first-party data in our case as well with the transaction associated with it.

So this is a kind of a recession-proof because it's performance marketing, which tends to outperform in difficult times. So we think it's the right thing to focus on.

In the quarter, you can see that our self-serve advertisers -- merchant advertisers was up 83% year-on-year. So that's a reflection of the strategy we've shared with you over the last couple of quarters to focus on self-serve. But it's still in early days. We do -- we can see that we've still got lots of headroom to penetrate the long-tail advertisers further. And we've got great return on advertising sales for them. We're at about 7 to 9x ROAS, even for the long-tail mix that we're serving.

In terms of where that could end, we're not giving guidance at this point, but I will say that we're watching carefully some of the external benchmarks, which as you probably know are in excess of 2% as a percent of -- the revenue as a percent of Deliveries GMV. So that's more than double where we are at this point.

Operator

The next question comes from Pang Vit from Goldman Sachs.

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

Congratulations for a good set of results. So question for me, please. Number one, on the on-demand market share trends. We noticed it's very strong this quarter, especially in Indonesia. You continue to deliver in mid-teens in terms of year-on-year trend versus your peers that seem to contract on mid-teens as well. What have you done differently there that led to this strong growth trends? And more importantly, can you also comment on how management sees the current competitive landscape into fourth quarters over there, with your competitors signaling that they are moving to protect their market share now? That's question number one.

Question number two related to the Financial Services segment. Growth materially picked up in the quarter. Can you share with us more on the trend going forward? How much of this growth come from payment and how much of this is now coming in from lending? With your loans outstanding amounted to around $275 million, in the quarters, how should we see this trend going forward as well?

Alexander Charles Hungate - *Grab Holdings Limited - COO*

Okay, Pang. Thanks so much for both questions. Let me take the question on Indonesia first. You're right, we've grown strongly in Indonesia, both -- in both Mobility and Deliveries. I guess there are no secret ingredients, but I think a strategy that's working for us is to have a laddered pricing. That means we've got a -- our economy saver service that helps us drive the base of the pyramid and bring new people into the platform. And it's layered with ads, so it helps to drive our -- we get ads margin enhancement from that. And then we've got premium services to cater for our business community, which obviously come with higher margins.

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And then the price laddering between the economy, the standard and the premium is optimized all the time using machine learning, city by city, time slot by time slot. So this is working for us. It's allowing us to grow healthily and at the same time maintain our margins at or above the long-term targets that we shared with you.

In addition, I think we have an advantage in Indonesia because of our geographical diversification. We get scale by being consumer choice, #1 choice in multiple markets. And so the tech that we can roll out, like our mapping tech, our payments and a lot of our other optimization tech that's driven the great operational performance in this quarter is built for multiple markets and so we can amortize the cost for the Indonesian market.

We've been able to lower the consumer incentives. So as I talked about earlier to Alicia's question, you can see that we demonstrated that we can use cost-to-serve initiatives to provide affordable services without using incentives. And I think that will be our strategy, to continue to do that in Indonesia. You asked about how do we see the fourth quarter I think more of the same. We'll continue to double down on extracting cost to serve benefits, which we can then use to benefit our drivers to improve supply and benefit our merchants because we'll be consumer #1 choice, which makes us a source of strong income growth for them.

And your second question on Financial Services growth. Yes, we're really happy with the traction we're getting from lending, both through GFin and through the FlexiLoan product of GXS in Singapore. The success we're having is based on basically data science because we're using huge amounts of data, both conventional and unconventional lending data, to do the underwriting. And we're getting -- able to provide loans to a wide segment of users, some of whom have not borrowed before, and yet be able to maintain our NPL losses at stable low levels. So our data science advantage in lending is going to be the driver for Financial Services, both for the bank and nonbank lending.

The majority of our revenue growth came from lending. So the payment strategy is to focus on our own ecosystem. You'll remember, going all the way back to September 2022 when we had the Investor Day, we talked about moving away from the off-platform payments business where the transaction margins were not contributing to our path to profitability. That's been ongoing. Off-platform transactions continue to fall, and that means that the margin mix improves for our payments business.

But the payments business, therefore, tends to grow at the rate at which our GMV grows because it's all about payments on the ecosystem. And that means that the very outstanding growth numbers that we shared earlier are primarily driven by lending.

Operator

The next question comes from Divya Kothiyal from Morgan Stanley.

Divya Gangahar Kothiyal - *Morgan Stanley, Research Division - Equity Analyst*

I had 2 questions. The first one was continuing with the Financial Services segment. Just wondering, the narrowing of losses that we've seen in this quarter despite higher digibank-related costs, can we just explain the drivers of this? And what would your outlook for the fourth quarter and beyond be? Do we expect these losses to continue tapering now? Or should we expect it to be bumpy as you launch into new markets?

And my second question is around corporate costs. We noticed this was flat quarter-on-quarter. Once again, I would be keen to know your comments on how you see this trending, whether we are depending more on operating leverage now, or do we have more levers to pull to reduce this?

Peter Oey - *Grab Holdings Limited - CFO*

Divya, it's Peter. Let me take both those questions. So on Financial Services, that you did -- we did see a narrowing of the losses on a Q-on-Q basis. So let me provide a bit of color on that. If you look at our GFin business, and that's where we're continuing to optimize the cost structure of our GFin business, and we're going to -- and then we've seen some really good traction.

And we also have see it very similar previous quarter. And if you look at also the variable cost, which is about 1/3 of the GFin -- of our fintech business today, that's a variable piece which is actually supporting our payments platform. So as the volume transactions grow, you're going to see an uptick of the payment costs on the cost of funds to support our growing Mobility and Deliveries business.

But setting that aside, the cost structure of GFin continues to be -- continue to come down, it continues to be optimized in the business. On the digibank side, we're getting ready for a couple of big launches in a couple of remaining countries in this quarter. So we're very excited about that. And some of the cost structure, 11% increase that we talked about, is leading up to those launches that we have.

And as you think about this quarter overall, I would say probably in terms of our cost structure for our overall fintech business, is slightly higher just given that we are going in with those key launches in those couple of markets that we have.

Alexander Charles Hungate - *Grab Holdings Limited - COO*

I'll just add some numbers to illustrate Peter's comments. So cost of funds represents about 30% of our Financial Services costs. And that obviously increases in line with the GMV growth. So that's what Peter referred to as variable, so that's the 30%. The other segment costs, if you do the sums from the numbers we shared this quarter, the other segment costs actually reduced by about 5% year-on-year, and that's despite the increase in the build cost for the digibanks, which is up 11% quarter-on-quarter. So we've managed to absorb that build cost for the digibanks and at the same time reduce the total cost by 5%.

Peter Oey - *Grab Holdings Limited - CFO*

Yes. And then on regional corporate costs, going to continue to look for operating leverage in the business. And as you saw in the third quarter, it was flat on a quarter-to-quarter basis, but it was down on an 8% year-over-year basis. If you un-peel that, what we did see is headcount cost was down 6% year-over-year and also on Q-on-Q basis, and our fixed overhead -- non-headcount fixed overhead was down 14% year-over-year or 9% quarter-on-quarter.

So that continues to -- we're going to continue to look for opportunities to optimize costs, but also at the same time that we also want to balance the need for us to also grow the business and to run the business at the same time. So we're going to be very disciplined in terms of how we hire. We're going to be very disciplined in terms of what costs we take on as a business.

But it is important that we do have operating leverage in the business, and we're seeing that also, and we're going to continue to make sure that operating leverage continues to drive both growth in the business but also margin improvements overall.

Operator

The next question comes from Piyush Choudhary from HSBC.

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

Congrats Anthony and entire team on a good set of results and turning adjusted EBITDA positive. Two questions. Firstly, you've talked a lot about affordable solution in both Mobility and Deliveries. Can you give some color what percentage of incremental users are coming because of such solutions, and what percentage of incremental GMV growth is driven by that? And is the margin profile of these new product solutions similar? That's the first one.

Secondly, in the Deliveries segment, you have already reached 3.4% segment margin. So any revisions to your midterm margin expectation? Can the segment reach 5% segment margin by 2025?

Alexander Charles Hungate - *Grab Holdings Limited - COO*

So Piyush, thanks for your questions. Yes, the saver solution now is responsible for about 1/3 of the GMV. So imagine that equates to about 1/3 of the MTUs. On the margin impact, what we are able to do -- because of the laddered pricing approach that I described earlier, is because we're optimizing the pricing between the Saver offering, the standard offering and the premium offering, we're able to manage the margin to the same stable end result that you saw. So over 12% for Mobility and the 3.4% for Deliveries. It's the same optimization that we use, as I mentioned, using machine learning.

The products are distinctly differentiated. So for example, on the Saver product, you'll see more ads layered in there as an example. And then on the premium product, you'll get better vehicles, so the physical product is different. And then also, you get a more reliable, faster pickup for airport rides, for example, which is something we've been growing very, very rapidly. So net-net, that the margin is stable across that despite the fact we're now able to target the affordable segment.

Peter Oey - *Grab Holdings Limited - CFO*

Piyush, on your Deliveries margin of 3.4%, we've always said that we're -- from a steady state perspective, our Deliveries margin will be 3% plus, and we've achieved that. And if you look at our ads business also, last Q3, from a margin perspective, it's roughly about 40%, 41%. So we're going to continue to balance.

In terms of growing the Deliveries business, we still see a lot of opportunities in our Deliveries business. As Alex mentioned, 1/3 of our Deliveries users are tapping into our affordable options, which is great. 1/3 of our Deliveries GMV comes from subscribers, which is critical also. So we're going to drive frequency, we're going to drive growth also at the same time. But also, we're going to be very disciplined also in making sure that the margin for Deliveries continues to be that 3%-plus that we've said in prior quarters before.

Operator

The next question comes from Reena Bhasin from Deutsche Bank.

Reena Verma Bhasin - *Deutsche Bank AG, Research Division - Research Analyst*

Can you hear me?

Alexander Charles Hungate - *Grab Holdings Limited - COO*

We can hear you, go ahead.

Reena Verma Bhasin - *Deutsche Bank AG, Research Division - Research Analyst*

Thank you for the improved disclosure on your Financial Services business. I have a few questions. Firstly, on the digibank side, can you please help us understand what metrics we should use to evaluate the effectiveness of your digibank strategy? I know you've given numbers on the Singapore deposit base, where you've completed a year. But could we know how much of the loan book is coming from the digibank or at least in terms of origination transactions? If you could share some color on that front, please?

My second question is actually with regard to Anthony's comments about the aspects that look -- that are key to long-term growth. I found it kind of just easy to accept that any M&A will more or less improve the health of marketplace and help to scale up the business in an efficient way. And with the treasury which is earning some 5% income, I think the hurdle rate to deploying more money into businesses doesn't seem that high. So

I'm just trying to think, why would you ever say no to any M&A? Could you just please share some clarity on what kind of metrics you're using besides improving health of the marketplace?

I guess my third question is just if you could shed any light on what kind of commitment could you make to the regulator in Singapore to kind of ensure that the Trans-cab transaction does go through smoothly? Is that something you're considering, making commitments to the regulator?

Alexander Charles Hungate - *Grab Holdings Limited - COO*

Thanks, Reena. Yes, let me take your first and third question. So the first one on the digibanks. As you probably saw, the loans outstanding in total between GFin and digibank is at $275 million. And the loan dispersal year-to-date has reached $1 billion.

Now we don't break out within that, what is the digibank. The main reason is because the digibank has just started lending, as you know, with the FlexiLoan product. But as that portfolio gets larger, it is likely that some time next year, we'll start to break this out so you'll be able to see GFin on the one hand and then the digibank FlexiLoan portfolio size on the other hand.

The main reason -- the main method for judging the success of the digibank is, at this stage, is the consumer take-up. We're very pleased that the take-up of deposits has been strong and the take-up of the FlexiLoan product also strong. We're obviously monitoring the credit models to make sure that the FlexiLoan is performing, seems to be performing well. And then we'll work with the regulators to understand how to move out of the progressive phase that we're in to ultimately end up as a full digital bank, where we can grow both sides of the balance sheet faster.

I'll just jump to your third question as well. We are working closely with CCS to answer all their questions. We provided a lot of information to them. We'll continue to be very open with them. We are committed to making sure that drivers can openly drive on any platform that they want to drive on. There will be no lock-in to the Grab platform. And I think beyond that, there shouldn't be any need for commitments to the regulators because, in our view, this transaction is good for the drivers, helps them to improve their earnings and efficiency and productivity. And it's good for consumers because it increases the availability of supply in Singapore by making those drivers more available using better technology.

Peter Oey - *Grab Holdings Limited - CFO*

And your question around M&A and how we think about it. So there's a few things when we look at inorganic opportunities. You mentioned that there's hurdle rates that we use, while there's financial guardrails that we use, but also we look at others. And a couple of those which are very important to us is, how does it impact the ecosystem or the marketplace that we have today? So it's really important that whichever -- whatever we look at any opportunities, that it has to benefit the marketplace.

Great example of that is Jaya Grocer that we did. So if you look at the Jaya Grocer today, we've managed to increase their online delivery, which was hardly any when we took up the business. And that's benefited our consumers in Malaysia and it's benefited also our driver partners also at the same time.

We look at also what opportunities will those targets also can add into our -- whether it's our merchant base or how we can drive more demand for our driver partners. So those are really important. While financial accretion is also as critical as important to us, we look at all those dynamics when we evaluate an M&A opportunity overall as a package.

So I hope that helps to give a bit of a color on how we think about it.

Reena Verma Bhasin - *Deutsche Bank AG, Research Division - Research Analyst*

May I just quickly follow up on your last point about the financial accretion part. The -- can you please comment on the treasury strategy as you kind of surface in the news more often than before with regard to a potential large outflow towards M&A. How is the treasury strategy changing? And is 4%, 5% kind of income going to just kind of vanish from the balance sheet if you were to indulge in big-ticket M&A?

Peter Oey - *Grab Holdings Limited - CFO*

Were -- the cash in the balance sheet that we have, we're going to be very good stewards of our capital. And whatever the treasury yield is today, we'll make sure we'll maximize it. But also at the same time, we're going to make sure that every dollar that stays on our balance sheet also is off to good use, whether it's investing in whatever we can, in treasuries or whatever other investment products. But I think what's really important is we've been very prudent in terms of how we deploy our capital at the end of the day. And that's really what's critical to the shareholders, so that we are being very careful in terms of how we deploy it.

Operator

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