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CORPORATE PARTICIPANTS

Alexander Charles Hungate *Grab Holdings Limited - COO*

Peter Oey *Grab Holdings Limited - CFO*

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

Vivian Tong *Grab Holdings Limited - Head of US IR*

CONFERENCE CALL PARTICIPANTS

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

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

Varun Ahuja *Crédit Suisse AG, Research Division - Associate*

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 Bailey, and I will be your conference operator for this session. Welcome to Grab's Fourth Quarter and Full Year 2022 Earnings Results Call. (Operator Instructions) I will turn it over to Vivian Tong to start the call. Please go ahead when you're ready.

Vivian Tong - *Grab Holdings Limited - Head of US IR*

Good day, everyone, and welcome to Grab's Fourth Quarter and Full Year 2022 Earnings Call. I'm Vivian Tong, Head of U.S. Investor Relations for 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 fourth quarter and full year 2022 financial results.

Following prepared remarks, we will open the call to questions where Anthony, Peter and Alex will respond to the Q&A.

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 F-1 registration statement 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 a substitute 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 fourth quarter and full year 2022 financial review, which can be found on our IR website.

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

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

Thank you for joining us today. 2022 was a year of relentless execution, and we are pleased to have closed it on a strong note with solid financial fundamentals while maintaining category leadership in Mobility and Food Deliveries. We had a single objective in 2022, and that was to grow sustainably and efficiently to build our business for the long term. To this end, our teams executed on 3 main areas.

First, we focused on rebuilding our supply to capture the momentum in our Mobility business. We worked on initiatives to improve the productivity of our driver partners as well as launch more affordable services.

Second, we focused on product innovation to make our ecosystem stickier and more efficient by expanding services like Grab Unlimited. This also generates more recurring revenues to our ecosystem.

Third, we reduced our cost-to-serve by optimizing incentives and our cost structure and streamline our GrabFin business. As a result, we accelerated top line growth and narrowed our losses significantly during the year, while at the same time, reduce incentives as a percentage of GMV.

Throughout the pandemic and in 2022, we have maintained our category leadership in Food Deliveries and Mobility. As COVID eases, we have continued to maintain and are committed to maintaining our category leadership. For the fourth quarter specifically, I'm pleased to report that on a year-on-year basis, group revenue rose over 300%, while we reduced our losses by 64% from the same period a year ago.

We also saw 2 consecutive quarters of positive segment adjusted EBITDA margins for Deliveries, which expanded to 2% of Deliveries' GMV in the fourth quarter. Mobility also rebounded strongly and continues to generate steady cash flows.

Our 2022 results would not have been possible without the hard work of our Grabbers and the millions of drivers and merchant partners who operated with resilience, and agility to deliver the best possible service to our consumers. With 2022 firmly in the rear-view mirror, we look towards 2023 with confidence and optimism. While there will be macroeconomic uncertainties ahead, we are laser-focused on accelerating our path to profitability and growing our ecosystem in a way that is sustainable and resilient.

We're also optimistic on the recovery of tourism in the region and how that can benefit our business. And ultimately, our actions in 2022 and our plans for 2023, make us confident that we can achieve group breakeven on an adjusted EBITDA basis in the fourth quarter of 2023. This is much earlier than our prior guidance of achieving group breakeven in the second half of 2024.

In the long run, we remain committed in Southeast Asia's growth story. There's growing consumption in the region, a population that craves on-demand digital services and governments who recognize digitalization as an engine of economic growth and who we are open to co-creating new ways of serving our communities together.

I'll now hand over to Alex, who will cover our fourth quarter operational highlights.

Alexander Charles Hungate - *Grab Holdings Limited - COO*

Thank you, Anthony. I would like to start by sharing the business and operational highlights for Mobility, which recorded strong year-on-year revenue and GMV growth in the fourth quarter. This growth came on the back of a strong recovery in demand with post-COVID reopening continuing across the region, in addition to our own efforts to increase supply to keep pace.

We saw a particularly strong rebound in airport rides, contributing to our Mobility segment. In the quarter, airport rides registered growth of 244% year-on-year and 14% quarter-on-quarter. Overall, our Mobility GMV is now back to 74% of pre-COVID levels in the fourth quarter of 2022. So there is still plenty of headroom for growth.

In the quarter, we continue to focus on bringing new drivers onto the platform and improving the productivity of our existing drivers. We did this primarily in 2 ways. First, we made our onboarding journey even more seamless, making it easier for driver partners to join us. This resulted in a 71% year-on-year increase in the number of drivers onboarded in the fourth quarter relative to the same period a year ago.

Second, our efforts to improve productivity, such as our new shift option for drivers also bore fruit. We saw driver wait times at merchants being reduced by 27% year-on-year and 12% quarter-on-quarter. Our Grab Navigation app within Grab Maps has also shown strong results. Based on data from driver partners who have utilized grab navigation across several cities last year, we saw a 7% improvement in trips per transit hour for Mobility and a 3% improvement in fulfillment rates.

We also launched an updated version of GrabShare in the Philippines and recently in Singapore to provide more affordable mobility options for our users while optimizing supply. In addition, we will continue to work with governments to increase our pool of driver partners. For example, this month, the Philippines government announced that they would be opening up 100,000 more 2-wheel and 4-wheel licenses for all interested transportation network companies in the country.

Looking ahead, we are positioning Grab to benefit from the broader Southeast Asian reopening, especially from the rebound in the tourism sector. For example, we recently launched a partnership with WeChat to provide enhanced services to Chinese travelers and we rolled out pre-installation packages for China-based Android phones, which enables users to download the Grab app prior to arriving in Southeast Asia.

So we are hopeful that the rebound in tourism arrivals to the region will drive stronger demand for our Mobility services.

Moving into our Deliveries business. In the fourth quarter, we continued to focus on the profitability of our Deliveries segment, resulting in strong year-on-year and quarter-on-quarter margin improvement. Deliveries posted segment adjusted EBITDA margins of 2% in the fourth quarter. This puts our Deliveries segment firmly on the path to achieving our steady-state margin assumption of 3% plus.

At the same time, we maintained our category leadership in food deliveries with our focus on driving high-quality transactions, lowering our cost-to-serve and continuously improving our quality of service for our users. During the quarter, we continued to roll out our GrabUnlimited subscriptions with more targeted incentives to augment users' spending habits.

GrabUnlimited is now available in all 6 of our core markets, accounting for more than 1/4 of our Deliveries' GMV in the fourth quarter. GrabUnlimited's subscribers transact and spend over 3x more than nonsubscribers for food deliveries. This is a promising start for GrabUnlimited, and over time, we see more opportunities to evolve this subscription program as we deepen and broaden our relationship with our subscribers.

As a result of these initiatives, we managed to reduce our deliveries incentive spend to 12% of GMV in the fourth quarter from 18% a year ago. In our non-food deliveries business, we are focusing on delivering the best value proposition for our customers in a sustainable way.

In Malaysia, where we own Jaya Grocer, we have continued to enhance our groceries marketplace to bring the convenience of on-demand grocery delivery to more consumers in Malaysia.

In the second half of 2022, we also exited dark stores and GrabKitchens' operations in most countries. While these closures had an impact on GMV in the fourth quarter, we also managed to reap significant cost savings from the move, which improved our overall deliveries profitability.

Looking ahead, we will continue to improve our Deliveries segment profitability without sacrificing our category leadership position in food delivery.

Next, on to Financial Services. In the quarter, we posted strong revenue growth on the back of higher contributions from our lending business and lower incentives as a percentage of GMV. The strategic refocus we initiated in the second half of 2022 to primarily serve Grab's ecosystem is already showing results. GrabFin's cost base fell year-on-year and on a quarter-on-quarter basis. Our Lending business continues to grow and serve more driver and merchant partners. In the fourth quarter, the value of loans disbursed rose 57% year-on-year.

Last month, we also announced strategic payment partnerships in Vietnam and the Philippines. These partnerships integrate our partners' e-wallets onto our platform, giving users more e-payment choices while optimizing our cost of funds in those countries. For Digibank, we have some promising signals from our limited launch in Singapore. During this initial period, we can only operate within the SGD 50 million deposit limit set by the regulator in Singapore. But on a positive note, we are not far from this deposit limit already with no acquisition costs to date. We were also pleased to see strong ecosystem linkages with 80% of GXS users linking their GXS accounts to Grab or to a partner e-wallet.

Beyond deposits, GXS is expanding into lending, soft launching a credit product to Grab and GXS ecosystem employees earlier in January 2023. These developments in Singapore are encouraging signs as we prepare for the launch of our Indonesian and Malaysian Digibanks later this year.

Lastly, our enterprise segment continues to grow with segment adjusted EBITDA growing double digits year-on-year. This year, our teams continue to build out our advertising self-service platform that will allow more merchants to enjoy our ads offerings. We believe our advertising platform, together with the breadth of our ecosystem, could help many small merchants grow faster by reaching new customers.

Over time, this will incrementally accelerate our ads business growth and margin contribution to our overall business.

In closing, for 2023, to echo Anthony's opening remarks, we are focused on accelerating our path to profitability and driving sustainable growth for the long term, while maintaining category leadership in Mobility and Food Delivery. With a disciplined stance on costs, driving product innovation and strengthening cross-vertical synergies to reduce our cost-to-serve, we are confident we can get to group breakeven ahead of schedule.

I will now turn the call over to Peter to review fourth quarter and 2022 financials.

Peter Oey - *Grab Holdings Limited - CFO*

Thanks, Alex. We're pleased to report another strong set of results to close out 2022 on a high note. We exceeded our guidance for both revenues for the full year and adjusted EBITDA for the second half. We grew our GMV by 24% for 2022, which is in line with our guidance range of 22% to 25% year-over-year.

Revenues in the fourth quarter grew strongly by 310% to $502 million and grew 346% on a constant currency basis. Full year revenues grew by 112% to $1.4 billion or 125% growth on a constant currency basis. Both our fourth quarter and full year reported revenues were record highs for the company. The strong revenue growth came from all segments of our business.

For Mobility, revenues grew 78% in the fourth quarter and 40% in 2022, underpinned by the continued recovery in ride-hailing demand and our efforts to improve supply across the region.

For Deliveries, revenues grew strongly from contributions from Jaya Grocer and lower incentives as a percentage of GMV. There was also a change in business model for certain delivery offerings in one of our markets to address certain licensing requirements, where we transitioned from being an agent, arranging for delivery services to our principal model. To note, if the model change had not taken place in the fourth quarter, our fourth quarter group would revenues be $434 million with full year group revenues of $1.37 billion, implying growth of 255% and 102%, respectively.

Revenues from Financial Services for the fourth quarter came in at $28 million from a negative $1 million in the same period last year, and it grew 166% on a full year basis attributed to greater optimization of our incentive spend and our increased focus on lending.

For Enterprise and New Initiatives, revenues grew 10% in the fourth quarter and 37% in 2022 on the back of a stronger contribution from advertising.

Turning over to GMV. For the fourth quarter, we recorded growth of 11% to reach $5 billion. And for the full year 2022, GMV grew 24% to reach around $20 billion. On a constant currency basis, our fourth quarter GMV grew 20% and while full year GMV grew 30%. We saw a strong year-over-year growth in Mobility GMV and Financial Services TPV in the fourth quarter, coming in line and above our guidance ranges, respectively.

Deliveries' GMV in the fourth quarter came softer than guidance range with GMV declining 4% year-on-year but it grew 5% on a constant currency basis. This softness came as a result of our continued focus to drive a more sustainable and profitable Deliveries business as we substantially improved our segment EBITDA margins quarter-on-quarter.

Notably, we continued to maintain our category leadership position in Food Deliveries while reducing consumer incentive spend.

Moving on to segment adjusted EBITDA. We reported total segment adjusted EBITDA of $112 million in the fourth quarter and $65 million for the full year. In the fourth quarter, margins improved 477 basis points year-on-year and 131 basis points quarter-on-quarter. A key driver of this was the reduction of incentives as a percentage of GMV, which declined to 8.2% from 13% in the same period last year.

In Deliveries, segment adjusted EBITDA was $47 million in the fourth quarter and negative $35 million for the full year. Fourth quarter margins in Deliveries expanded by 550 basis points year-on-year and 163 basis points quarter-on-quarter to reach 2% of Deliveries' GMV. This was a substantial improvement after achieving breakeven in the prior quarter driven by greater optimization of incentive spend.

For Mobility, segment adjusted EBITDA was $152 million in the fourth quarter and $494 million for the full year. Fourth quarter margins improved year-on-year by 312 basis points to 13%.

Going forward, we continue to maintain our steady-state margins of 12% for Mobility and we will aim to reinvest incremental margins to grow into underpenetrated cities and improve platform efficiency.

For Financial Services, segment adjusted EBITDA was negative $93 million in the fourth quarter and improved 16% year-on-year. For the full year, segment adjusted EBITDA was negative $415 million. As a percentage of TPV, fourth quarter margins for Financial Services improved from negative 3% to negative 2% as we continue to streamline our cost base for GrabFin and to focus on driving ecosystem transactions.

Group adjusted EBITDA in the fourth quarter was negative $111 million, while the full year group adjusted EBITDA was negative $793 million. Group adjusted EBITDA margins in the fourth quarter improved by 454 basis points year-on-year and 94 basis points quarter-on-quarter, which sets us up on the right path towards achieving group adjusted EBITDA breakeven.

For the fourth quarter, our regional corporate costs was $223 million as compared to $192 million in the same period a year ago and $208 million in the prior quarter.

Our regional corporate costs for the full year was $858 million for 2022 as compared to $717 million in 2021. On a year-on-year basis, regional corporate costs in the fourth quarter were relatively flat, excluding a nonrecurring benefit reported in the fourth quarter of 2021. The quarter-on-quarter increase was predominantly driven by increases in seasonal direct marketing costs and professional fees.

Direct marketing costs saw an increase due to seasonally higher spend in the fourth quarter during the festive period. And for professional fees, the increase was due to higher expenses associated with being a publicly listed company such as SOX-related compliance and one-off systems implementation costs to improve automation.

Going into 2023, we'll continue to optimize our regional corporate costs to accelerate our path to profitability. There are a series of cost optimization initiatives being implemented across our organization as we used greater cost and capital discipline and cutting back on discretionary spending. For example, we anticipate cloud cost to reduce by 5% to 10% year-on-year driven by our efforts to optimize processing speeds and improve network costs. We've also implemented a series of zero-based budgeting on a number of our operating expense line items, including travel and professional fees.

We've also frozen hiring across most of our regional corporate functions which is consistent with our efforts to slow down the pace of hiring across our organization. As such, we anticipate headcount under our regional corporate costs to be lower in 2023.

Moving on to our IFRS loss. We reported a fourth quarter loss of $391 million, representing a 64% improvement from our loss of $1.1 billion in the same period last year. The reduction in our IFRS Losses was due to improving profitability on a group adjusted EBITDA basis coupled with the elimination of noncash interest expense of Grab's convertible, redeemable preference shares, which was no longer incurred when we became a public company.

Our fourth quarter IFRS loss of $391 million includes $263 million of noncash expenses below our adjusted EBITDA line. Of this, $119 million was from the revaluation of Grab's equity investments, which are mark-to-market each quarter and $90 million was from stock-based compensation.

Turning to our balance sheet. Our liquidity and cash positions continues to be strong and robust. We ended the fourth quarter with $6.5 billion of gross cash liquidity. Cash liquidity declined from $7.4 billion at the end of the prior quarter, with a substantial part of the cash outflow attributed to the repurchase of our Term Loan B for an aggregate consideration of $738 million in November.

Our net cash liquidity was $5.1 billion as of the end of the fourth quarter as compared to $5.3 billion in the prior quarter. With $5.1 billion of net cash liquidity, we expect to have sufficient net cash buffer of well over $3 billion, even after accounting for the capital required for our Digibank, upon reaching our expected group adjusted EBITDA breakeven time line.

As we look ahead to 2023, we'll continue to be focused on accelerating our path to profitability while driving sustainable growth. In Mobility, we expect our year-on-year growth trajectory to remain strong and healthy. With economies continuing to reopen, coupled with the recovery in tourism demand, and amidst our push to expand into other key cities, we expect Mobility GMV to reach pre-COVID levels by the fourth quarter of 2023.

For Deliveries, we remain bullish on our long-term prospects and are committed to operating a business focused on driving sustainable growth while solidifying our category leadership position. We believe now that we have a more sustainable deliveries business in place and a clear trajectory towards attaining our long-term expectations of Deliveries segment adjusted EBITDA margins of 3% plus.

I do also want to note that seasonally, we expect our on-demand GMV, which combines our Mobility and Deliveries GMV, to perform stronger in the second half as compared to the first half, with the latter being impacted from festivities such as Chinese New Year and Ramadan.

For Financial Services, we expect GMV to moderate down in 2023 consistent with our refocus on driving ecosystem transactions and increasing profitable transactions such as lending. As such, we expect revenues to grow healthily and for segment adjusted EBITDA losses to stabilize quarter-on-quarter despite increasing investment costs as we aim to launch our Malaysia and Indonesia Digibanks this year.

For group revenues, we expect full year revenues of $2.2 billion to $2.3 billion in 2023. This is an implied 54% to 60% year-on-year growth on a headline basis. And excluding the change in business model, our revenue growth estimates for 2023 remain in line with our prior guidance of 45% to 55% year-on-year on a constant currency basis.

On profitability, we estimate our 2023 group adjusted EBITDA loss to be in the range of negative $275 million to negative $325 million. This represents a $468 million to $518 million year-on-year reduction in our adjusted EBITDA losses. With the year-on-year improvements in group adjusted EBITDA, we are bringing forward our group adjusted EBITDA breakeven time line. We now expect breakeven to be in the fourth quarter of 2023 from our initial guidance of the second half of 2024.

In conclusion, we delivered another strong quarter where we performed on the top and bottom line and we executed on our path to profitability acceleration goals. As always, Anthony, Alex and I want to thank Grabbers for their hard work in making these results possible. And we want to express a deep appreciation for our driver and merchant partners.

While there is 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 segments sustainably.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Joining us for the question-and-answer session will be Anthony Tan, Chief Executive Officer; Peter Oey, Chief Financial Officer; and Alex Hungate, Chief Operating Officer. (Operator Instructions). The first question today comes from the line of Pang Vitt from Goldman Sachs.

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

Congratulations on a great quarter and strong guidance, both on the revenues and EBITDA for 2023. Few questions from me. #1, macro question for Anthony. How do you view the trade-off between growth and profitability right now? Can you perhaps share a little bit more in terms of the levers that you have control over versus those that you don't? We see strong GMV growth on a constant currency basis, but curious of how some of these trends will evolve as we move into 2023 and beyond.

#2, on Mobility, how has the delivery supply chain issue evolved recently? EBITDA margin has now improved strongly to 13.2% for the quarter. Are you looking to maintain it at this level or will it normalize back to 12%? If it's the latter, could you share more context on why is this the case?

And lastly, can we also have some color around your elevated expense for corporate costs in the quarter? What drove this increase? And how should we think about these cost items for 2023?

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

Thank you very much, Pang. Now on our approach on profitability versus growth. Our aim is to drive sustainable growth and we believe we have demonstrated that in our results. As we have shown in Q4, our GMV grew 20% at constant currency and revenue grew more than 300% year-on-year, while loss for the quarter has substantially improved. We've also moved our group adjusted EBITDA breakeven time line forward to Q4 of this year.

While we are proud of these achievements, we must never lose sight of the long-term potential of Southeast Asia. One of the key signals that we monitor is our category position and we are clearly customers' #1 choice. And we continue to drive towards becoming Southeast Asia's largest and most efficient on-demand platform that enables local commerce and mobility. Now as shown by the past 2 quarters, we not only grew top line rapidly but also improved bottom line significantly and gained category position, particularly for delivery.

We have different products and services from premium to affordable, targeted at different user segments. Now an example of our product for value-conscious customers is Saver delivery. We introduced this Saver delivery option across several markets. It gives consumers the lowest delivery fees in some of our markets while also improving batching rates of our operations.

Now on the second part, to your question about levers. Let me talk about our levers that we have. One, we drive down our cost-to-serve; two, we monetize more effectively with affordable products. So for Deliveries, we've rolled out a feature to reduce wait time of delivery partners at merchants when collecting their food. This has resulted in a 27% reduction in wait times year-on-year in Q4 2022. Another example on efficiency is Grab Navigation that improves the efficiency of our platform. We've seen a 7% improvement in trips per transit hour for Mobility and a 3% improvement in fulfillment rates.

So all in all, growth is important, but we intend to grow profitably and sustainably. We are driving towards becoming Southeast Asia's largest and most efficient on-demand platform.

Alexander Charles Hungate - *Grab Holdings Limited - COO*

Okay. Thanks very much, Anthony, let me take that question on Mobility. So Mobility supply in most of our countries showed strong recovery with the exception of Singapore where the cost of vehicles are still very high. One market where there was a big breakthrough in this last quarter was the Philippines, where we're grateful that the government just announced that it will increase the number of 2-wheel and 4-wheel licenses by 100,000, which is a massive breakthrough. And we're very pleased that, that will unlock the supply shortage in Philippines.

Overall, we continue to improve our onboarding processes to make it easier for driver partners to join. In fact, our driver partners that onboarded increased to 71% year-on-year for this quarter. And second, we're trying to make our existing drivers much more productive. So we've introduced shifts for drivers, which is turning out to be very popular. We're leveraging GrabMaps, as Anthony was saying in his remarks, where we saw wait times fall 27% year-on-year and 12% quarter-on-quarter for food deliveries.

The Grab Maps navigation has helped a lot in terms of productivity as well with a improvement of 7% in trips for transit hour for mobility and 3% improvement in fulfillment rates. Overall, driver earnings per transit hour, which is a really key draw for new drivers to come into the industry increased 13% year-on-year and driver retention is at 87% in the fourth quarter and 74% of our 2-wheel drivers are now doing both deliveries and mobility in the quarter.

And then finally, we've also relaunched some affordability products like GrabShare in Singapore and the Philippines. It's a carpooling service that enables us to improve the productivity of our existing fleet while offering affordability to new segments.

Peter Oey - *Grab Holdings Limited - CFO*

Pang, let me take the part one of your question around -- just the continuation of Alex on Mobility margin. And I think you also had a question around regional costs. So on the 12% margin for Mobility, we -- our expectation is we're going to continue to maintain this margin at the current 12% steady state. Part of this is also, we're going to make sure we're going to continue to grow our GMV in this segment. We've got a lot of tailwind ahead of us here, as we get back to pre-COVID levels by the fourth quarter of this year. And we've also got supply recovery that we're working at the same time also. So we feel that the margin around 12% is our sweet spot.

Now as I said in my prepared remarks, we will be reinvesting any incremental margins that we can achieve from our Mobility business. And that's important as we look at how we can continue to grow our product offerings into underpenetrated cities that we haven't touched or we want to continue to expand in those cities. There's also a lot of work that we're working around just accelerating our strategies to improve batching, allocations, all those product efficiencies that we want to continue to lower our cost-to-serve. So 12%, we feel, is the sweet spot.

Your question around regional corporate costs in terms of how -- what drove this increase and how should we think about it for 2023? So the quarter-on-quarter increase in the fourth quarter was predominantly driven by seasonal increases. There's a couple of things there. One was around direct marketing costs. Again, this is very much related to the festive period of Q4. So usually, we do see an increase in marketing costs during that fourth quarter. And also the second part is, we did see an increase in professional fees. And part of that is related to being a publicly listed company as we get ready for year-end, as well as our first year of SOX compliance.

Now how do we think about 2023? So looking into 2023, our philosophy is continuing to be disciplined and also judicious in how we manage our costs in our business today. There's been a ton of work on that front since last year, and we're going to continue that discipline in our cost structure. If you look at actually on our headcount since September 2022, we've actually trended down on our overall group headcount. And also, we've announced a number of cost discipline measures internally. I called out a few of those in my prepared remarks, whether it's cloud cost, computing that's going to come down by 5% to 10%. We expect and also other zero-based line items that we're budgeting that we have actually implemented across the organization. So as part of that profitability acceleration to get to that fourth quarter as we've committed to the -- our investors, part of this is making sure our costs also continues to be optimized and also continue to have operating leverage in our business.

Operator

Our next question today comes from the line of Venugopal Garre from Bernstein.

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

Firstly, congratulations on a good quarter and a pretty good guidance. I have 3 questions. I think first one, a part of that you already answered, but I was pretty curious to know that while the revenue growth guidance is fairly strong, to an extent, can you explain to us how it will sort of shape up across segments? I think more importantly, I would be also curious to know what is the broader outlook on GMV at this stage?

My second question is on food delivery. We've already reached about 2% EBITDA-to-GMV in this quarter. Now you have a guidance of about 3% plus for the long term. So how do we sort of see this trend sort of shaping up, especially over the next 12 to 18 months?

The third thing, a very small question. I just want to clarify the business model change, which has happened for deliveries. Did it have an impact on EBITDA? Or is it just a same revenue item sitting in cost as well for the zero impact on EBITDA? Thanks.

Peter Oey - *Grab Holdings Limited - CFO*

Thanks, Venu. Let me take all those questions. I'll take them one by one. Let me start from the top around your question around how do we think about the GMV growth. We don't break out, obviously, by segment of our revenue. But what I'll do is I'll provide a bit more color in terms of our GMV. So let me first start by saying that we expect that on-demand GMV to continue to grow year-over-year, right? As we look at now the 2 different big buckets here, let's start with Mobility. We believe that the Mobility business will continue to be another solid and strong growth year-over-year for us. We say that because we're still having -- experiencing the tailwind coming out of the COVID lockdowns from last year.

If you look at where we are today, as of the end of December, we're roughly about 74% of our pre-COVID levels when it comes to GMV. If you look at for Mobility, if you look at where airport rides is today, as of the end of last year, we're only at 65%, and airport rides is a really critical piece of our business. We're starting to see more China tourism also coming across to Southeast Asia.

Now of course, also, we're coming out of a very strong comp in 2022. So we won't be seeing obviously the rate of growth that we saw compared to 2022 over 2021. So just bear that in mind also because the base is just much bigger now. But we feel that with all those activities and demand coming into Southeast Asia, we feel very optimistic and very bullish that our Mobility business will see another strong growth year-over-year.

Now the second bucket is around Deliveries. Here, what I will say is that we're really focused on -- on really driving sustainable growth. Now Anthony mentioned part of that in his earlier question that he answered from Pang. Really, how do we continue sustainable growth and also driving EBITDA margins towards that 3% plus that we're all aiming for here. At the same time also, we're going to be very focused. We now are making sure our category leadership position like what you saw in 2022 continues to be maintained and also retained to be the #1. And that's been a very critical part of our philosophy here in Grab.

You saw how our business grew last year in Deliveries. You saw also how incentives came down but yet also we executed on category leadership position. So with those 2 mixed, we are going to be very focused in making sure our GMV business grows sustainably. What you will see though is some seasonal impact. As you think about the first half versus the second half, we should be seeing it stronger in the second half just because of all the festive season that you see in the first half in a typical cycle within Southeast Asia with all the Chinese New Year as well as Ramadan. So hopefully, that gives you a bit of color in terms of how we think about Mobility and Deliveries' GMV.

Your second question was around the food delivery segment adjusted EBITDA, the 3%. We feel that right now, where we are, Venu, our delivery business is in a very, very strong position. We've got strong CP, category position. We've driven margin improvement on a quarter-on-quarter and on a year-over-year basis. And we have a very clear trajectory towards our long-term expectation of 3% plus margin. We're actually very encouraged. If you look at today, the majority of our 6 core markets have achieved Deliveries profitability near or higher than the 3% today, which is actually a very big sign for us and a very strong signal that we have the -- all the levers, all the different building blocks for us to get to the 3%.

Now I'm not committing to a time line to you or to our investors, though we are very laser-focused of getting there as quickly as possible, making sure also the marketplace is very healthy at the same time. So balancing the 3-sided marketplace as well as making sure category position remains very strong, and we are the leader. So hopefully that gives a bit of color on 3% where we're heading and how we can get there.

Your last question is around the business model change for Deliveries. So let me -- out of the gate, saying that there is no impact on EBITDA whatsoever on this business model change. It's basically a presentation between gross versus net on the revenue and the cost of sales line. We have -- there was a licensing requirement in one of the countries that we operate in today. And to make sure that we are in compliance with those licensing requirements, the principal and agent model changed of which from an accounting standpoint, that had to follow. And that is basically just a presentation between revenue and cost of sales with no impact whatsoever to EBITDA. Hopefully, Venu, I have answered all your questions.

Operator

The next question today comes from the line of Alicia Yap from Citi.

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

I have 2 questions. First one is related to your GrabFin strategy and also the growth expectation in the coming quarters. So with our strategic shift to focus more on the on-ground platform usage, what is your go-to-market strategy to encourage higher transaction usage and product adoption by the Grab users? So can management share with us also what is your expectation of the revenue contribution potentially could come from the digital banks by the end of this year?

The second question is on the delivery business. Obviously, we're glad to see that EBITDA margin improving gradually. Is there any plans to step up the spending in user subsidy more effectively to actually drive the balance between potentially faster volume growth and also maintaining -- having the improved margin trends as well?

Alexander Charles Hungate - *Grab Holdings Limited - COO*

Thanks, Alicia. It's Alex. Let me take your question on GrabFin. You're right about the focus on the on-Grab platform. As we said at the Investor Day last autumn, this refocus does allow us to use the benefits from our ecosystem, the data benefits, the distribution advantages while deemphasizing the unprofitable off-platform transaction. So we're leveraging our embedded ecosystem use cases to drive higher transaction frequency and adoption, and we don't have to rely on consumer incentives. So we've shown that we can do that over the last several quarters and that remains our strategy. We remain confident that we can do this through embedding the use cases.

In fact, for digital payments, we plan to reduce our spend on consumer incentives because we're going to be moving from the off-platform digital payment use cases and making sure that we move to at least cost neutrality or better off-platform. A good example actually of what we've done in Vietnam with ZaloPay and also with GCash in Philippines, both of which, as you probably know, are leading e-wallets in their respective countries. That will help us to provide a more seamless payment experience to more users in each country, and it also to tap into a larger user base even while we reduce incentive costs.

We're focusing on the value add from lending and insurance, which are also very important use cases. GrabFin lending continues to grow. In fact, the value of loans disbursed rose 50% -- 57% year-on-year, and revenues improved, as you saw. And then just as we promised at the Investor Day, we have reduced GrabFin's costs as well. So excluding Digibank, GrabFin's costs reduced 4% year-on-year and 11% quarter-on-quarter. So a real big acceleration of cost reduction for GrabFin in this recent quarter.

And then on Digibank growth, we're not disclosing any specific numbers on the banks at this stage, but we are pleased with the early positive signals from the limited launch in Singapore, as I shared in my remarks earlier. And I can confirm that we're still on track to launch our Indonesia and Malaysia Digibanks later this year.

Peter Oey - *Grab Holdings Limited - CFO*

Maybe Alicia, just to add on to Alex here around, how do we think about revenue growth for Grab financial services business, especially around our GrabFin. What I can say is we do expect to see strong revenue growth year-over-year. And a lot of that is driven by, what Alex just referred to, a lot around our ecosystem lending. And also, we've got the banks coming online and especially in the second half of this year for Malaysia as well as in Indonesia. The Singapore side, as you heard from our prepared remarks, are already operational, and the deposits are already operational, our deposit product, and we've got a lending product also currently in pilot phase at the moment.

The other point I do want to probably add on to this is that on an EBITDA basis, as you -- we expect the EBITDA to stay relatively flat on our quarterly throughout 2023. You just heard from Alex, that we've driven a lot of cost out of our GrabFin business. And we saw some really nice uptick in cost reduction in that. So we're going to continue to do that in GrabFin, which will partially be offset by the launch of our Digibanks across the 3 markets.

Your second part of the question was around Deliveries. You asked about what about EBITDA margins? Is there any plans to increase subsidies? The way we think about it is -- the way -- it's a healthy marketplace that we need to make sure we maintain in our food delivery and just deliveries in general. We are going to continue to drive down the cost-to-serve. That's really important for us. We're driving efficiency in the marketplace with our drivers as well as with our merchant. And you've seen some of the waiting time improvements that we quoted earlier, and that's part of our lowering our cost-to-serve.

At the same time also, Alicia, we're going to drive volume growth while improving margins at the same time. So we don't see it as a trade-off between profitability and growth, but we don't have to use subsidy as one of the levers. There's multiple levers that we can use. We do not have to step up our subsidy spend to get that growth going at the same time also. And you saw that also in last year where we continued to make sure our category positioning in food delivery was very, very important, which is very critical to us. We were still maintaining and also retaining at #1, while we also increased our subsidies, and we improved margins. And we also reached segment profitability, all at the same time.

So with these playbooks playing nicely, we'll continue to use this. I think what we also will be focusing, Alicia, is that consumers want affordability and also not specifically subsidies. So as Alex mentioned also, we've got the --, as Anthony mentioned, we got the Saver delivery option also that we introduced. It's just an example of how we can actually bring affordability to our consumers in Southeast Asia. So -- and there's a lot of other product innovations that we're working on also to make sure that we can continue to grow in our Deliveries business.

Operator

The next question today comes from the line of Varun Ahuja from Credit Suisse.

Varun Ahuja - *Crédit Suisse AG, Research Division - Associate*

I've got 2 questions. First one, going back to the delivery business. If you look at seasonally 4Q is expected to be a strong quarter because of, obviously, festivities year-end. And as you mentioned, we had some marketing promotions also going into the quarter. So if you look at seasonally also, there's a quarter-on-quarter reduction. Obviously, I believe there is not much FX movement on a quarter-on-quarter basis. So on 4% reduction in GMVs, deliveries and merchants and gross billing, obviously, the take rates have also come down on a quarter-on-quarter -- sorry, flat on a quarter-on-quarter basis. So any reason why sequentially, there is a weakness there? Is it, I understand the focus on profitability and expansion in margins but is there any market read to into it, is there anything we should -- you can give more color on, some clarity, how much it has impacted anything that you can throw color on that front?

And sticking to the business, how should we think about some medium-term outlook. I know 2023 looks to be relatively, again, a soft year with focus on profitability. But beyond that, is it a segment that you think should grow faster than GDP growth? How should we think about, any color that would be helpful?

Secondly, on your MTUs, I think if you can provide a breakup between Mobility and Deliveries, I know that in annual report you do end up breaking up between them. So if you can provide for year-end the breakup between mobility and delivery MTUs. If you look at -- the consolidated MTUs are flat on a quarter-on-quarter basis. So how should we think about future growth? Is it more driven by higher frequencies? Or are you still seeing lot more users can come onto the platform?

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

Thanks, Varun. Let me take your first question on deliveries. So in the fourth quarter, yes, we made a conscious decision to focus on the profitability of our Deliveries segment. So Deliveries' GMV in the fourth quarter grew on a constant currency basis by 5% and then 22% for the full year, year-on-year. So we did trade off growth to drive a more sustainable and profitable deliveries business, as we substantially improved the EBITDA margins quarter-on-quarter plus 160 basis points and then year-on-year 550 basis points up to 2%.

The other thing in the fourth quarter was we did affect the closure of the dark stores and most of the GrabKitchens. So that had an impact on GMV growth in the fourth quarter, although, of course, we've been able to manage to reap some good cost savings from that, which improved the margin position as well. At the same time, as Peter was saying earlier, we continued to extend our category leadership position. So we're happy with the trade-offs that we made in the fourth quarter.

Peter mentioned earlier in his remarks that we expect the first half to be relatively seasonally weaker than the second half in the coming year. But then we are embarked on a number of initiatives, which we think will help across the year, Grab Unlimited to improve engagement, stickiness, and the Jaya Grocer and transretail partnerships will also help. And then the piloting of dine-in and takeaway, which will push us into the offline dining segment, the dining-in segment over time. That's a good mid- to long-term growth driver for us.

So we now believe that we have a sustainable deliveries business in place, and we can head towards that 3% plus margin that Peter was talking about earlier. And in fact, we're at that margin, 3% or higher in the majority of our 6 core markets already.

You asked about the longer-term perspective. We do believe that the potential is sizable in the longer term, so across those 6 core markets for us in Southeast Asia, Euromonitor estimates that the combined online market size for ride-hailing and food deliveries is about USD 35 billion by 2025. And we are the category leader, and we intend to remain the category leader in that marketplace. So there's a long runway for growth as market penetration currently is still very low. In fact, if you look at our MTUs in Q4, it's still only a single-digit penetration of the total population in Southeast Asia.

Peter Oey - *Grab Holdings Limited - CFO*

So on the MTUs, Varun. So MTUs actually grew 14% year-on-year. While we don't provide specific guidance on MTUs, we expect it to continue to grow on the back of COVID reopening and mobility recovery across our markets. Honestly, there's still a lot of potential to grow TAM, given the sizable online population in the region. Today, Grab serves 1 in 20 people in this region every month. For us, this means that there is still plenty of room for us to grow. Second, we started in the mobility market and have significantly expanded our TAM over the last 10 years by expanding into deliveries, financial, enterprise services.

Today, we are a household trusted name with multiple competitive advantages, including the strong edge of being able to leverage the power of the brand in our ecosystem.

Now Varun, you also asked how would we grow the MTUs. We have a multipronged approach to grow. We are, one, penetrating in the cities with new services and categories. Two, increasing our financial services with our own growing ecosystem; and three, evolving our product and service offerings to appeal to different user types.

So for example, Varun, we increase demand by providing affordable services. When we launched our new version of GrabShare in Philippines and Singapore, where users can save on their fares when booking our on-demand carpooling service. Another example to create new demand for corporates. We've developed a Grab For Business, a B2B SaaS solution, which basically gives companies more control, convenience and saves time and money for companies to offer employee services. So whether they are services like getting to and from the office safely or food delivery in offices.

So Grab has plenty of room to grow. We are in pole position to capture the large TAM given the power of our ecosystem. So we will execute a multipronged approach to grow our user base.

Operator

Thank you. This concludes the question-and-answer session. So I'd like to turn the conference back over to Peter for any closing remarks. Please go ahead.

Peter Oey - *Grab Holdings Limited - CFO*

Thanks, everyone, for making the time and just investing the time to ask us all your questions and thank you for supporting us. And if you have any questions, please feel free to reach out to our Investor Relations team or visit our Investor Relations website. Thanks, again, everyone, and speak to you in the next quarterly call.

Operator

This concludes Grab's Fourth Quarter and Full Year 2022 Earnings Conference Call. Thank you for your participation. You may now disconnect your lines.
