

Grab Holdings

4Q preview: Strong momentum + Steady outlook for 2024

Maintain Rating: BUY | PO: 4.70 USD | Price: 3.17 USD

4Q: 8% qoq growth; adjusted EBITDA to improve further

We expect the business momentum of both mobility and delivery to remain strong going into 4Q. We estimate GMV of the mobility business to be back to around pre-covid levels in the seasonally strong 4Q and estimate mobility EBITDA margins to be flat qoq to 12.8%. While mobility GMV growth is low at 2-3% qoq, we lower incentives and EBITDA margins to improve 18 bps qoq to 3.6%. We expect financial services losses to increase qoq led by launch of Digi-bank in Malaysia in December. We hence est. 98 mn losses (up from 68 mn in 3Q). Overall, we expect \$664 mn revenues in 4Q and adjusted EBITDA of 38 mn. Grab is our preferred pick in SE Asia internet and we maintain our Buy rating.

2024 outlook: Growth steady but HQ costs may rise...

In 2024 while we expect mobility business to be strong, we don't expect the growth to be as strong as 2023 (around 33%) mainly led by the base-effect. We model in mobility GMV of 14%/14% for 2024/25 with risks to the upside if tourism led travel improves. For delivery, we expect 9%/9% GMV growth for 2024/25. While this is not as strong as mobility, we see momentum driven by steady rise in addressable market and uptake of quick commerce/grocery services also. We expect Grab to show continued margin improvement & estimate the company to be EBITDA break-even in 2024.

We also consider 1Q to be soft led by seasonality led by festivals Chinese New Year & Ramadan. These will likely impact both mobility and delivery, with slightly more impact on delivery business given fasting around Ramadan. We don't expect competitive intensity to increase despite GoTo mgmt now having more bandwidth (as they don't have now to focus on e-commerce). We consider GoTo to be a rational operator and expect focus more towards growing the market. We expect the HQ (head quarter)/ regional costs to increase yoy in 2024/25 rather than declining. This is because c. 25% of the costs grows in sync with GMV. We tweak our 24-26E EPS by -0.2 to 4%. Our PO remains unchanged at \$4.7.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
Net Income (Adjusted - mn)	(3,449)	(1,683)	(506)	(34)	367
EPS	(0.873)	(0.439)	(0.132)	(0.009)	0.096
EPS Change (YoY)	95.3%	49.8%	70.0%	93.3%	NM
Dividend / Share	0	0	0	0	0
Free Cash Flow / Share	(0.256)	(0.229)	(0.133)	(0.048)	0.072
Valuation (Dec)					
P/E	NM	NM	NM	NM	33.12x
EV / EBITDA*	NM	NM	NM	44.90x	17.45x
Free Cash Flow Yield*	-8.41%	-7.30%	-4.24%	-1.53%	2.31%

* For full definitions of *IQmethod*SM measures, see page 7.

29 January 2024

Equity

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Stock Data

Price	3.17 USD
Price Objective	4.70 USD
Date Established	23-Oct-2023
Investment Opinion	C-1-9
52-Week Range	2.65 USD-3.92 USD
Mkt Val / Shares Out (mn)	12,017 USD / 3,791.0
Average Daily Value (mn)	55.88 USD
Free Float	72.6%
BofA Ticker / Exchange	GRAB / NAS
Bloomberg / Reuters	GRAB US / GRAB.OQ
ROE (2023E)	-7.7%
Net Dbt to Eqty (Dec-2022A)	-8.82%

Exhibit 1: Grab key est. changes

Tweak our 24-26 EPS slightly

	Old	New
FY24E EPS	(0.0)	(0.0)
FY25E EPS	0.1	0.1
FY26E EPS	0.2	0.2
FY24E EBITDA	157.6	156.7
FY25E EBITDA	632.1	630.7
FY26E EBITDA	1,177.8	1,175.7

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

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Refer to important disclosures on page 8 to 10. Analyst Certification on page 4. Price Objective Basis/Risk on page 4.

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Timestamp: 28 January 2024 05:48PM EST

iQprofileSM Grab Holdings

Key Income Statement Data (Dec)

(US\$ Millions)

	2021A	2022A	2023E	2024E	2025E
Sales	675	1,433	2,371	2,831	3,584
Gross Profit	(395)	77	892	1,517	2,106
Sell General & Admin Expense	(785)	(926)	(818)	(876)	(980)
Operating Profit	(1,536)	(1,315)	(525)	11	485
Net Interest & Other Income	(2,016)	(419)	4	(79)	(70)
Associates	NA	NA	NA	NA	NA
Pretax Income	(3,552)	(1,734)	(521)	(69)	415
Tax (expense) / Benefit	(3)	(6)	(20)	0	(83)
Net Income (Adjusted)	(3,449)	(1,683)	(506)	(34)	367
Average Fully Diluted Shares Outstanding	3,949	3,838	3,838	3,838	3,838

Key Cash Flow Statement Data

Net Income	(3,449)	(1,683)	(506)	(34)	367
Depreciation & Amortization	345	150	146	146	146
Change in Working Capital	(128)	(44)	(46)	(152)	(91)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	2,294	758	5	(35)	(35)
Cash Flow from Operations	(938)	(819)	(400)	(75)	387
Capital Expenditure	(73)	(58)	(110)	(110)	(110)
(Acquisition) / Disposal of Investments	(2,717)	(683)	0	0	0
Other Cash Inflow / (Outflow)	33	(321)	(7)	(7)	(7)
Cash Flow from Investing	(2,757)	(1,062)	(117)	(116)	(116)
Shares Issue / (Repurchase)	463	0	0	0	0
Cost of Dividends Paid	NA	NA	NA	NA	NA
Cash Flow from Financing	6,566	(1,122)	750	1,750	750
Free Cash Flow	(1,011)	(877)	(510)	(184)	277
Net Debt	(2,816)	(587)	(570)	(1,879)	(2,650)
Change in Net Debt	(1,030)	2,150	17	(1,309)	(771)

Key Balance Sheet Data

Property, Plant & Equipment	441	492	473	453	434
Other Non-Current Assets	2,062	2,990	2,980	2,969	2,959
Trade Receivables	440	554	650	776	835
Cash & Equivalents	4,991	1,952	2,185	3,744	4,765
Other Current Assets	3,244	3,182	3,182	3,182	3,182
Total Assets	11,178	9,170	9,469	11,124	12,175
Long-Term Debt	2,031	1,248	1,498	1,748	1,998
Other Non-Current Liabilities	102	168	168	168	168
Short-Term Debt	144	117	117	117	117
Other Current Liabilities	882	980	1,030	1,004	972
Total Liabilities	3,159	2,513	2,813	3,037	3,255
Total Equity	8,019	6,657	6,616	8,048	8,880
Total Equity & Liabilities	11,178	9,170	9,429	11,084	12,135

iQmethodSM - Bus Performance*

Return On Capital Employed	-13.4%	-8.1%	-0.1%	1.9%	4.8%
Return On Equity	-517.1%	-23.5%	-7.7%	-0.5%	4.4%
Operating Margin	-227.6%	-91.8%	-22.1%	0.4%	13.5%
EBITDA Margin	-124.7%	-55.3%	-0.8%	9.2%	18.6%

iQmethodSM - Quality of Earnings*

Cash Realization Ratio	NM	NM	NM	NM	1.1x
Asset Replacement Ratio	0.7x	0.4x	0.9x	0.9x	0.9x
Tax Rate (Reported)	NM	NM	NM	NM	20.0%
Net Debt-to-Equity Ratio	-35.1%	-8.8%	-8.6%	-23.4%	-29.8%
Interest Cover	-0.7x	-2.1x	-1.1x	0.7x	2.9x

Key Metrics

* For full definitions of iQmethodSM measures, see page 7.

Company Sector

Internet/e-Commerce

Company Description

Grab is a Southeast Asia superapp operating primarily across the deliveries, mobility, and digital financial services sectors in eight countries in the region. Grab had 5mn+ registered driver partners and 4mn+ registered merchant partners as of Dec 2022. Grab is one of the category leader by GMV in food deliveries and mobility and by TPV in the e-wallets segment of financial services in Southeast Asia.

Investment Rationale

We rate Grab Buy & find it well positioned to focus on revenue growth with profitability in mobility & deliveries biz. Being a super-app helps Grab cross-utilize and amortize acquisition costs across multiple use cases. In SE Asia, we think that Grab will benefit from strong growth tailwinds due to its low penetration of 3% in mobility, 1% in grocery and 12% in food delivery. Grab's super-app flywheel gives it MOAT as ecosystem helps unlock synergies across the four businesses.

Stock Data

Price to Book Value

1.8x

4Q Preview

Exhibit 2: Grab 4Q preview

Est 8%/32% qoq/yoy increase in revenue

Grab Holdings (\$mn)	4Q22	3Q23	4Q23E	% qoq	% yoy
Revenue	502	615	664	8%	32%
Deliveries	268	306	329	8%	23%
Mobility	189	231	251	9%	33%
Financial Services	28	50	50	0%	79%
Enterprise and new initiatives	17	28	33	19%	97%
GMV	4,997	5,340	5,446	2%	9%
Deliveries	2,350	2,608	2,664	2%	13%
Mobility	1,149	1,407	1,494	6%	30%
Financial services	1,452	1,275	1,233	-3%	-15%
Enterprise and new initiatives	46	50	55	10%	20%
EBITDA	(197)	(56)	(7)	87%	96%
Adjusted EBITDA	(111)	29	38	30%	134%
Net Income	(386)	(91)	(36)	61%	91%

Source: BofA Global research estimates, Company

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Glossary:

GMV: Gross merchandise value

MTUs: Monthly transacting users

TPV: Total Payments Volume



Price objective basis & risk

Grab Holdings (GRAB)

We calculate our \$4.7 PO as the average of DCF and SOTP valuations

SOTP: In this method, we value Grab's delivery and mobility segments on EV/GMV, and financial services on EV/TPV on 2024 numbers. We use 0.6X EV/GMV on 2024 numbers for food delivery and 0.6X EV/GMV on 2024 numbers for mobility given TAM and take-rates. For financial services, we use 0.1X 2024 EV/TPV given the nascent stage of business. Our SOTP value is \$4.0.

DCF: As Grab is currently in early stages of its evolution, we expect the company to be EBITDA profitable in 2024 on a consolidated level. We hence use a 10-year DCF to capture the longer-term cash flow when company evolves into a steady-state company. Our WACC and TGR are largely in line with peer internet companies. The TGR of 5% factors sustained growth for Grab given lower penetration of mobility, delivery and fintech services across ASEAN. Our DCF value is \$5.4.

Risks: 1) Potential material stake sale by pre-IPO holders limiting upside, 2) loss of market share in mobility Singapore business impacting overall profitability, 3) higher than expected cash-burn in the financial services, and 4) Adverse 4Q quarter/guidance.

Analyst Certification

I, Sachin Salgaonkar, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

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APR - Internet, Media and Software Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Agora	API	API US	Daley Li, CFA
	AiHuiShou	RERE	RERE US	Joyce Ju
	Alibaba Group	BABA	BABA US	Joyce Ju
	Alibaba Group	BABAF	9988 HK	Joyce Ju
	Alibaba Health	ALBHF	241 HK	Miranda Zhuang, CFA
	Baidu.com	BIDU	BIDU US	Miranda Zhuang, CFA
	Baidu.com	BAIDF	9888 HK	Miranda Zhuang, CFA
	Bilibili	BILI	BILI US	Lei Zhang
	Bilibili	BLBLF	9626 HK	Lei Zhang
	CAR Group	CRSLF	CAR AU	Sriharsh Singh
	Chinasoft International	CFTLF	354 HK	Daley Li, CFA
	Cloud Music	XWJF	9899 HK	Lei Zhang
	Com2uS Corp	XOYAF	078340 KS	Jeehoon Jeong, CFA
	DBAPPSecurity	XDBAF	688023 CH	Daley Li, CFA
	Delhivery	XDVL	DELHIVER IN	Sachin Salgaonkar
	Dingdong	DDL	DDL US	Joyce Ju
	East Money	XEQTF	300059 CH	Michael Li
	Grab Holdings	GRAB	GRAB US	Sachin Salgaonkar
	Hello Group	MOMO	MOMO US	Lei Zhang
	Huntsun Technologies	XYTGF	600570 CH	Daley Li, CFA
	HYBE	XBGOF	352820 KS	Susie Lee
	iQIYI	IQ	IQ US	Lei Zhang
	JD Health	JDHF	6618 HK	Miranda Zhuang, CFA
	JD.com	JD	JD US	Joyce Ju
	JD.com	JDCMF	9618 HK	Joyce Ju
	JYP Entertainment	ALNNF	035900 KS	Susie Lee
	Kingdee International Software	KGDEF	268 HK	Daley Li, CFA
	Kingsoft Corporation	KSFTF	3888 HK	Daley Li, CFA
	Kuaishou	KUASF	1024 HK	Lei Zhang
	Makemytrip Limited	MMYT	MMYT US	Sachin Salgaonkar
	Meituan	MPNGF	3690 HK	Lei Zhang
	Naver Corporation	NHNCF	035420 KS	Susie Lee
	NetEase	NETTF	9999 HK	Lei Zhang
	NetEase, Inc	NTES	NTES US	Lei Zhang
	Nine Entertainment Company	NNMTF	NEC AU	Alice Lei, CFA
	Paytm	XUXBF	PAYTM IN	Sachin Salgaonkar
	Pinduoduo Inc.	PDD	PDD US	Joyce Ju
	Plan B Media PCL	XMKTF	PLANB TB	Thititthep Nophaket
	PT Bukalapak.com	BKLPF	BUKA IJ	Sachin Salgaonkar
	PVR-Inox Ltd	PVRLF	PVRINOX IN	Sachin Salgaonkar
	REA Group	RPGRF	REA AU	Sriharsh Singh
	Tencent Holdings	TCTZF	700 HK	Miranda Zhuang, CFA
	Tencent Music	TME	TME US	Lei Zhang
	Tencent Music	XWFWF	1698 HK	Lei Zhang
	Tongcheng Travel	TNGCF	780 HK	Janet Yang
	Trip.com Group	TCOM	TCOM US	Joyce Ju
	Trip.com Group	TRPCF	9961 HK	Joyce Ju
	TUHU Car	XTCRF	9690 HK	Miranda Zhuang, CFA
	Venustech	XVCGF	002439 CH	Daley Li, CFA



APR - Internet, Media and Software Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Vipshop Holdings	VIPS	VIPS US	Joyce Ju
	Xero Limited	XROLF	XRO AU	Sriharsh Singh
	YG Entertainment	XYEIF	122870 KS	Susie Lee
	Yonyou Network	XYNIF	600588 CH	Daley Li, CFA
	YY	YY	YY US	Lei Zhang
	Zomato Limited	XMWRF	ZOMATO IN	Sachin Salgaonkar
NEUTRAL				
	AfreecaTV	WNTHF	067160 KS	Susie Lee
	Autohome	ATHM	ATHM US	Miranda Zhuang, CFA
	Autohome	XXYZF	2518 HK	Miranda Zhuang, CFA
	Baozun	BZUN	BZUN US	Joyce Ju
	Coupang	CPNG	CPNG US	Susie Lee
	Glodon Company	XGCOF	002410 CH	Daley Li, CFA
	GoTo Group	GTOFF	GOTO IJ	Sachin Salgaonkar
	Huya	HUYA	HUYA US	Lei Zhang
	Kakao Corp.	DAUCF	035720 KS	Susie Lee
	KE Holdings	BEKE	BEKE US	Miranda Zhuang, CFA
	KE Holdings	XSQRF	2423 HK	Miranda Zhuang, CFA
	Kingsoft Cloud	KC	KC US	Daley Li, CFA
	Kingsoft Cloud	KCLHF	3896 HK	Daley Li, CFA
	Krafton	XKINF	259960 KS	Susie Lee
	NCSOFT	NCSCF	036570 KS	Susie Lee
	Nykaa	XQQGF	NYKAA IN	Sachin Salgaonkar
	PB Fintech	XPFXF	POLICYBZ IN	Sachin Salgaonkar
	PropertyGuru	PGRU	PGRU US	Sachin Salgaonkar
	Sea Limited	SE	SE US	Sachin Salgaonkar
	Seek Limited	SKLTF	SEK AU	Sriharsh Singh
	Seven West Media	WANHF	SWM AU	Alice Lei, CFA
	The ONE Enterprise	XUFCF	ONEE TB	Thititthep Nophaket
	VGI Public Company Limited	XZQHF	VGI TB	Thititthep Nophaket
	Weimob	WEMXF	2013 HK	Daley Li, CFA
	WiseTech Global Limited	WTCHF	WTC AU	Ware Kuo
	XD Inc.	XDNCF	2400 HK	Lei Zhang
UNDERPERFORM				
	Altium Limited	ALMFF	ALU AU	Ware Kuo
	Appen Ltd	APPEF	APX AU	Ware Kuo
	BEC World	XBJHF	BEC TB	Thititthep Nophaket
	CJ ENM	CJHOF	035760 KS	Susie Lee
	Douyu	DOYU	DOYU US	Lei Zhang
	Indiamart InterMesh Limited	XEITF	INMART IN	Sachin Salgaonkar
	Info Edge	IFOEF	INFOE IN	Sachin Salgaonkar
	Kakao Games	XKKGf	293490 KS	Susie Lee
	Kingsoft Office	XBKOF	688111 CH	Daley Li, CFA
	Ming Yuan Cloud	XWTAF	909 HK	Daley Li, CFA
	NavInfo	XWLHF	002405 CH	Daley Li, CFA
	Netmarble	XLGHF	251270 KS	Susie Lee
	Pearl Abyss Corp	XEPAF	263750 KS	Susie Lee
	Ping An Healthcare and Technology	PANHf	1833 HK	Miranda Zhuang, CFA
	Qi An Xin	XQTDf	688561 CH	Daley Li, CFA
	Technology One Limited	THNOF	TNE AU	Ware Kuo
	ThunderSoft	XSTSF	300496 CH	Daley Li, CFA
	Weibo Corporation	WB	WB US	Miranda Zhuang, CFA
	Weibo Corporation	WEIBF	9898 HK	Miranda Zhuang, CFA
	Zee Entertainment Enterprises	XZETF	Z IN	Sachin Salgaonkar
	Zip Co Limited	ZIZTF	ZIP AU	Ware Kuo
RVW				
	Dada Nexus	DADA	DADA US	Lei Zhang

iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

Numerator

$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) \times (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

$\text{EV} = \text{Current Share Price} \times \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} +$

Other LT Liabilities

Enterprise Value

Denominator

$\text{Total Assets} - \text{Current Liabilities} + \text{ST Debt} + \text{Accumulated Goodwill}$

Amortization

Shareholders' Equity

Sales

N/A

N/A

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

$\text{Market Cap} = \text{Current Share Price} \times \text{Current Basic Shares}$

Sales

Basic EBIT + Depreciation + Amortization

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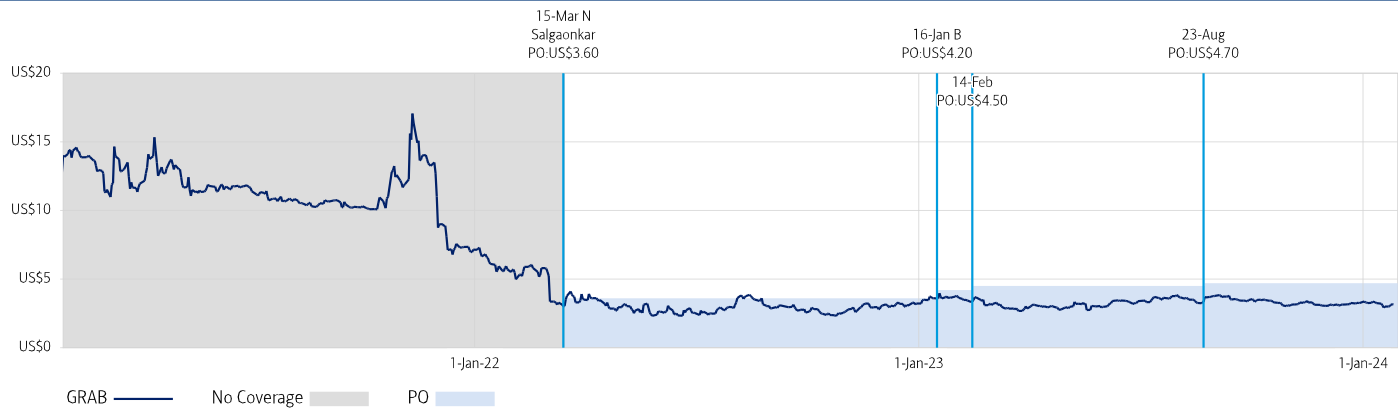
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Disclosures

Important Disclosures

Grab (GRAB) Price Chart



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Equity Investment Rating Distribution: Technology Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	215	53.09%	Buy	111	51.63%
Hold	97	23.95%	Hold	45	46.39%
Sell	93	22.96%	Sell	24	25.81%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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