

Internet - ASEAN

Year Ahead 2024: Profit visibility key

Industry Overview

2024: Steady fundamentals; Largely stable competition

While we are positive on Asia internet sector, we expect diverse performance in stock prices led by companies with strong visibility on revenue & earnings growth likely to outperform. Competition is stable across sectors in most markets except China & SE Asia e-com. Regulations continue to evolve with some downside risks (Exhibit 2). Travel & Fintech companies are estimated to show strongest 3-year CAGR growth rates. We think faster than expected Fed rate-cut bodes well for the sector. Catalysts: Naver's live streaming launch in Korea; Normalized AI/DX investments led profits at CyberAgent Japan; E-com competition decline in SE Asia

Themes: Ad recovery, Streaming strong; value key in ecom

In **China**, industry growth in various sub-sectors is likely to remain under pressure; users will likely focus on value for money. We hence expect companies with strong leadership & focus on consumer value proposition to do well. In **India**, we remain optimistic on the fundamentals given strong growth & improving profitability; some regulatory risks likely for Fintechs. In **Japan**, we expect internet ad demand recovery, continued corporate investment in digital transformation & animation/game IP business expansion. In **Korea**, we expect online ad recovery, acceleration of live streaming & stable e-com growth. We think competition from Chinese peers is key to watch in **SE Asia** & in **Australia**, classifieds' outperformance will continue back of ad yield expansion.

AI a theme more in mature markets like China & Korea

We believe impact from generative AI/LLM are in still in nascent stages in Asia. Initial traction is likely for listed Chinese/Korean companies as they are ahead in the curve for developing and applying generative AI and LLM. In China, Baidu, BABA, and Tencent are three front-runners in LLM. Indeed, Baidu is using AI to upgrade its ad platform and we expect AI to start bringing in incremental ad revenues. In Korea, Naver continues to expand HyperCLOVA X-based services (including personalized experiences). AI monetization & qualification will be key investor focus in these two markets.

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APAC Internet: Competition, regulation & key incremental catalysts to watch out

Exhibit 1: Competitive dynamics mapped across various sub-sectors & countries

Competition rising in SE Asia; stable to reducing in most markets

Competitive dynamics	e-commerce	Gaming	Food delivery	Travel	Online ad
China	<ul style="list-style-type: none"> - Expect Douyin, Kuaishou and PDD to gain share - Expect BABA's and JD's GMV growth to accelerate in single-digit% YoY 	<ul style="list-style-type: none"> - As the supply is restricted by license approval, competition environment is favorable for large companies - Overseas expansion becoming an increasingly important driver 	<ul style="list-style-type: none"> - Meituan remains dominant but will be increasing investments to drive growth - Douyin is still trying food delivery. 	<ul style="list-style-type: none"> - Competition stable; Douyin gaining traction but still small; limited supply chain capabilities. - TCOM, Meituan & Tongcheng are still largest platforms. 	<ul style="list-style-type: none"> - Short video continues to take share in ad dollar; Tencent Video Account is ramping up fast. - Generative AI is applied to increase ad conversion.
India	<ul style="list-style-type: none"> - Amazon/Flipkart also focusing on social commerce, target Tier 2/3 users - Meesho, AJIO gaining traction 	<ul style="list-style-type: none"> - Real money gaming traction good; - PUBG/Free Fire still banned 	<ul style="list-style-type: none"> - Duopoly to continue; - Quick commerce scaling well 	<ul style="list-style-type: none"> - Pent-up demand behind; - Competition down; Plane supply an issue 	<ul style="list-style-type: none"> - Online ads gaining share - Meta/Google dominate market; Jio Platforms could gain
Japan	<ul style="list-style-type: none"> - Rakuten: GMV expected to grow at a 10% yoy - Est. increase in ads space on e-com sites 	<ul style="list-style-type: none"> - Multimedia expansions for game IP biz (SQEX Nintendo, Capcom) - Nintendo: likely year for launch of next-gen console 	<ul style="list-style-type: none"> - Economic reopening impact to subside from May-24; could impact food delivery industry. - Demae-can: Est. 6% yoy GMV in FY8/24 & profit inflexion in FY8/25 	<ul style="list-style-type: none"> - Rakuten Travel could face high yoy hurdle due to travel support effect - Kakaku.com: High expectations for Tabelog restaurant reservations for further recovery 	<ul style="list-style-type: none"> - Est. an internet ad demand recovery due to supply chain restoration, sentiment recovery etc. - CyberAgent: Est. internet ad OP to grow 20% in FY9/24.
Korea	<ul style="list-style-type: none"> - Est. digital ad market to moderately rebound; catalysts like Olympics/election - Naver and Coupang to benefit from online retail consolidation 	<ul style="list-style-type: none"> - Game developers have strategically focused on genre & platform diversification - Competition to move on to PC & console platforms 	<ul style="list-style-type: none"> - Dominated by Baemin, yet competition heightened on Coupang Eats' promotion - Overall market growth is expected to decelerate further 	<ul style="list-style-type: none"> - Saw hyper growth during 2023, but spend may reverse in 2024 	<ul style="list-style-type: none"> - Est. digital ad market to moderately rebound
SE Asia	<ul style="list-style-type: none"> - Rising competition from TikTok re-entry, Shopee also getting aggressive 	<ul style="list-style-type: none"> - Signs of Garena's Free Fire stabilizing; Watch for India re-entry 	<ul style="list-style-type: none"> - Competition stable; Risks for new name as FoodPanda looks to exit 	<ul style="list-style-type: none"> - Tourism rebounding well, particularly in Thailand & Bali; Traveloka in dominant position 	<ul style="list-style-type: none"> - Dominated by Google/Meta; Yields relatively low; Rol's improving now

Source: BofA Global Research

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Exhibit 2: Our thoughts on competition & regulation going into 2024

Mostly policies balanced/stable

Country	Competition	Regulation	Our thoughts
China	<ul style="list-style-type: none"> - Intense competition, especially in e-com, as overall online traffic and penetration both get mature. - Content platforms with strong user traffic continue to drive monetization & gain share 	<ul style="list-style-type: none"> - Regulation landscape expected to be largely stable as policy directions have been set; - Online games may face regulatory uncertainty on monetization restrictions, despite overall encouraging tone from regulators; - Online video and live-streaming platforms may face more scrutiny in terms of content regulation 	<ul style="list-style-type: none"> - A recovery of macro and overall consumption environment in 2024 could help ease competition impact - Prefer companies with strong competition positioning and overseas growth potential
India	<ul style="list-style-type: none"> - We see risks at BPC for Nykaa & for IndiaMart 	<ul style="list-style-type: none"> - Incremental Regulations likely in Fintech and on gig-economy workers 	<ul style="list-style-type: none"> - Reducing competition from unlisted peers; listed companies have stronger competitive positioning with better market shares & good balance sheets
Japan	<ul style="list-style-type: none"> - Largely stable; expect intensifying competition among corporate groups offering loyalty programs due to re-expansion of points ecospheres 	<ul style="list-style-type: none"> - Look out for Electronics Books Maintenance Act, mandatory for corporates to preserve transaction data exchanged electronically Jan'24, expecting initial installment cost of systems among corporates 	<ul style="list-style-type: none"> - Competition/regulation should remain largely same. With potential re-expansion of points ecospheres, competition would intensify amongst Rakuten Group, major web search groups, telecom carrier groups (d Points, etc.) and start-up internet groups (Mercari, etc.).
Korea	<ul style="list-style-type: none"> - Stable mostly; a key risk to eCom sector is the rise of cross-border competition 	<ul style="list-style-type: none"> - Potential regulatory concerns: Platform Competition Promotion Act (by Fair Trade Committee) & revised Game Industry Promotion Act 	<ul style="list-style-type: none"> - Competition between major names to remain stable
SE Asia	<ul style="list-style-type: none"> - Intense in e-commerce; stable in other sectors 	<ul style="list-style-type: none"> - Watch out for any regulatory changes post elections & govt's approval on pilot launch of Toko-TikTok 	<ul style="list-style-type: none"> - Grab better placed given strong positioning. Sea's Shopee likely well placed in medium term, but faces near-term competition

Source: BofA Global Research

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Exhibit 3: Key incremental catalysts to watch out for in 2024

Remain watchful of potential positive & negative catalysts

Country	Key positive catalysts	Negative Catalyst
China	<ul style="list-style-type: none"> - Chinese New Year timing key to watch for e-com and travel trends, a high season for games, and post-Chinese New Year property market is key to watch for online property vertical - AI: watch for potential product launches and visibility for AI monetization 	<ul style="list-style-type: none"> - Weaker macro affecting ad fintech business, regulation affecting game business for Tencent
Korea	<ul style="list-style-type: none"> - Naver- Expands into live streaming with launch of CHZZK beta. CHZZK could help increase video ads, penetrate younger generation - For AI, Implemented CUE, based on HyperCLOVA X, to its Search. CUE: works with Naver's Shopping and Local 	<ul style="list-style-type: none"> - Regulatory changes in ecosystem policies (related to advertising, commerce, fintech etc), softer ad sentiment and weaker domestic consumption, heightened competition triggered by cross-border entities
Japan	<ul style="list-style-type: none"> - Normalization of AI and DX investment that have been depressing the CyberAgent profit YoY - Economic reopening impacts to subside in Japan from May 2024 	<ul style="list-style-type: none"> - Slowdown of the game segment performance for CyberAgent
India	<ul style="list-style-type: none"> - Watchful of inflexion points and key metrics to track across coverage names (refer India section) - Clarity on potential IPOs as next set of tech-companies may look to list 	<ul style="list-style-type: none"> - Uptake in competition for listed companies' vs benign competition in most sub-sectors. We see risks at BPC for Nykaa & for IndiaMart
SE Asia	<ul style="list-style-type: none"> - Likely scaling up of Fintech businesses for Sea, Grab and GoTo in 2024 led by digital banking licenses and uptake of lending - Steady-state cashflows at Sea's gaming business Garena based on where subs stabilize 	<ul style="list-style-type: none"> - Competition from Chinese names in e-commerce and potentially in ride-hailing / Aggression of TikTok post its re-entry

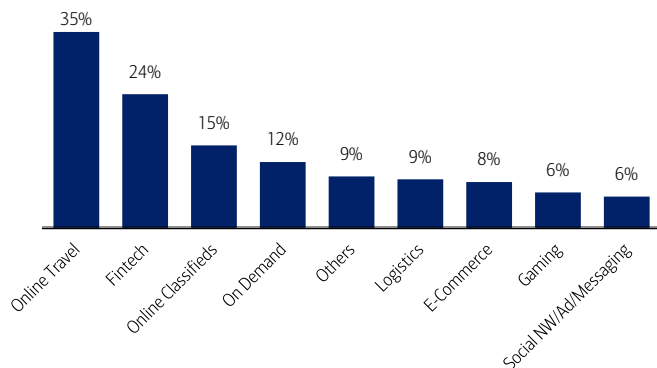
Source: BofA Global Research

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Key trends & 2023 review in charts

Exhibit 4: Sector wise sales CAGR (CY22-25E)

Online Travel & Fintech expected to show highest top-line growth

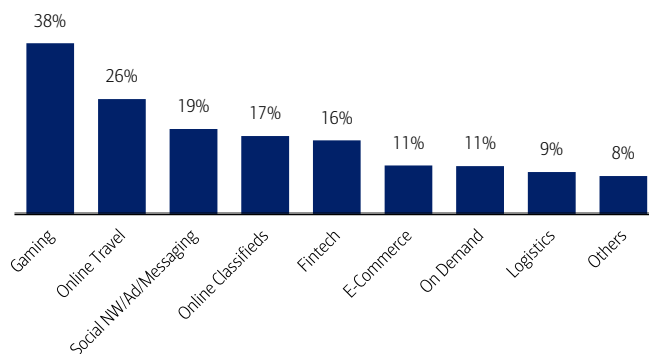


Source: BofA Global Research estimates

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Exhibit 5: Sector wise EBITDA margin (CY24)

Gaming & Online travel likely to post highest margins in CY24

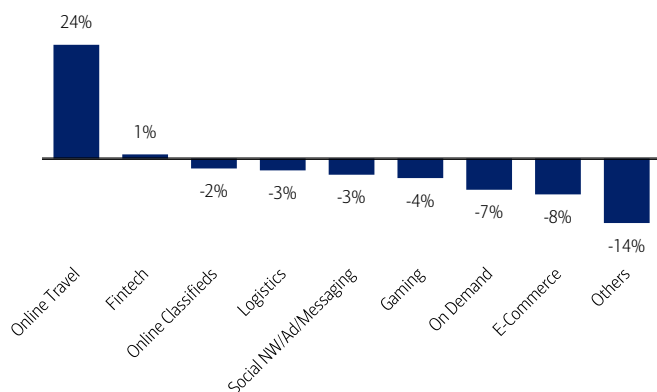


Source: BofA Global Research estimates

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Exhibit 6: 2023 sector wise revenue consensus revision for CY24

Online travel saw highest upward revision

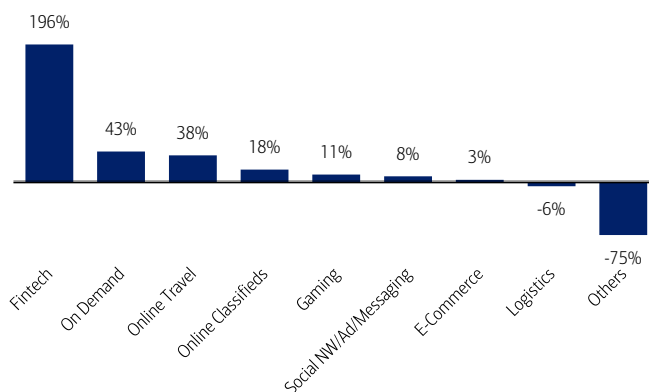


Source: Bloomberg

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Exhibit 7: 2023 sector wise net income consensus revision for CY24

Fintech & On-demand services saw highest upward revision of bottom-line



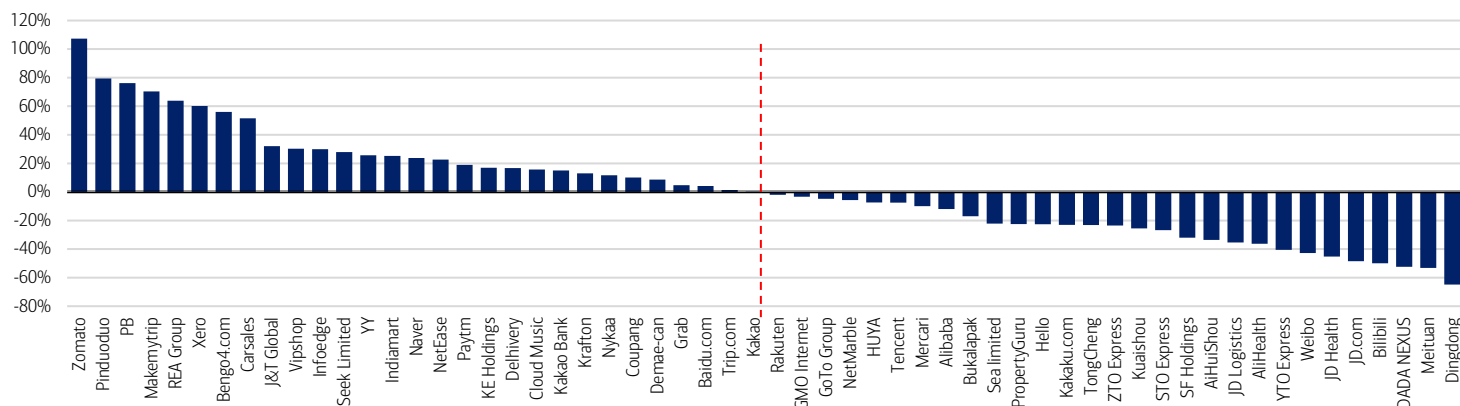
Source: Bloomberg

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Companies for sub-Sector classification taken here can be referred at Exhibit 50

Exhibit 8: APAC Internet companies' price performance (CY23)

Zomato delivered highest return in CY23, while Dingdong underperformed the most

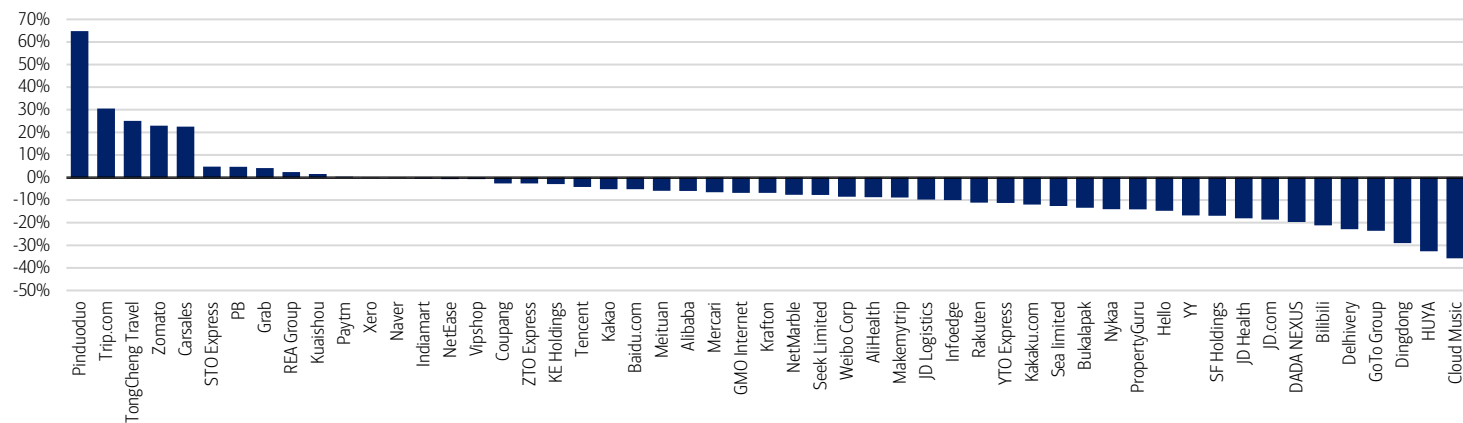


Source: Bloomberg

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Exhibit 9: APAC internet companies' CY24 revenue consensus revision

PDD saw highest CY24 revenue upward revision, while Cloud Music saw highest downward

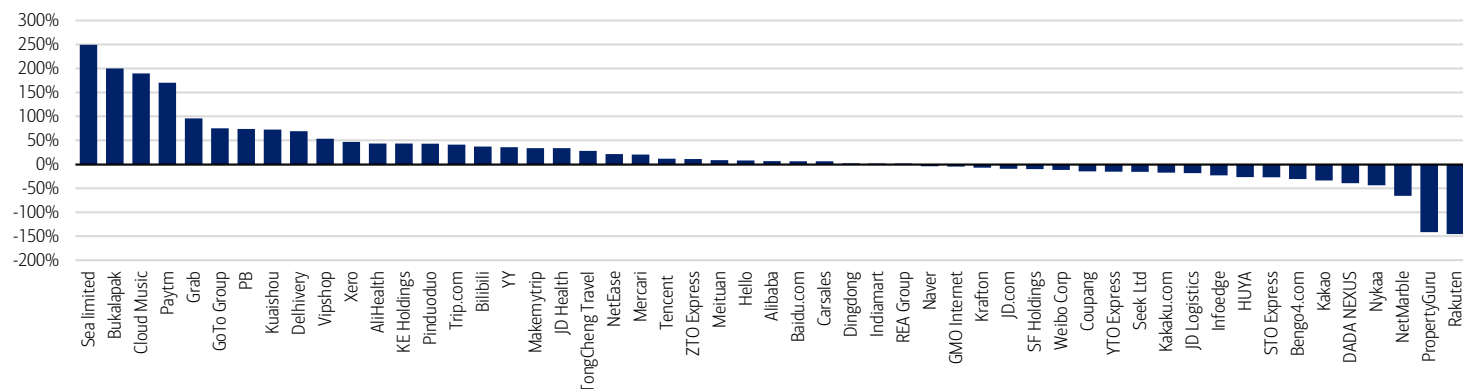


Source: Bloomberg

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Exhibit 10: APAC internet companies' CY24 EPS consensus revision

Sea limited saw highest CY24 EPS upgrade, while Rakuten saw highest downgrade



Source: Bloomberg

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Exhibit 11: Quadrant analysis & triple momentum charts for APAC Internet names

Zomato, MMYT and PB Fintech are having strong momentum



Source: BofA Global Quantitative Strategy, MSCI, IBES, FactSet, RavenPack; Note: All the ranks are relative to Asia Pac including Japan stocks

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Australia: Steady growth for Classifieds

Key things to watch-out for in 2024:

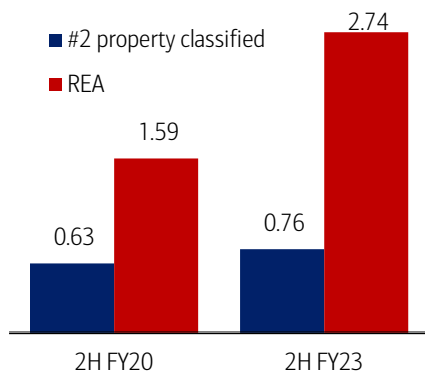
- Australia is seen avoiding a recession and the fundamental factors that drove classifieds' outperformance in 2023 continue to hold true. Outlook for 2024 is positive with steady momentum for most companies.
- In Classifieds, we expect ad yield expansion trend to continue into 2024/25. This is likely on the back of the significant market dominance, which renders strong pricing power, leading to 60%+ EBITDA margins for top classifieds

Dominant market positions render strong pricing power/ business resiliency...

- The Australian classifieds sector enjoys an attractive market structure with dominant leaders in each vertical (REA in property, CAR in autos and SEK in jobs) and limited competition from horizontal classifieds. 2023 saw REA and CAR extend their market leadership over their closest competitors while SEK continues to hold its lead. Dominant market leadership positions (in terms of audience), continued re-investment into their platforms and extensive customer relations in Australia drives strong pricing power for all three classifieds, driving strong EBITDA margins (60%+ in core markets) and cash profile.
- Over the last five years, REA and SEK have lifted their avg ad yield at 11-12% CAGR, while CAR has delivered 6% CAGR in dealer lead yields and 12% CAGR in private ad yields. We expect this trend to continue into 2024/25, with majority of classifieds revenue growth in their core markets in 2024/25 seen coming from yield expansion (while volumes remain largely muted).

Exhibit 12: REA –daily unique audience (m)

3.6x lead over nearest competitor

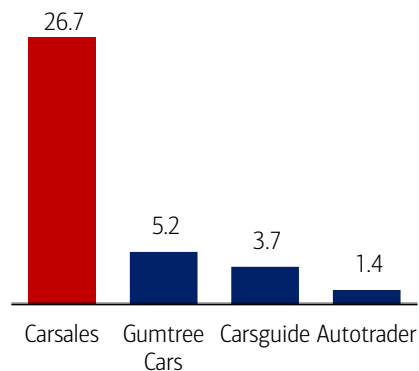


Source: Company

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Exhibit 13: CAR – monthly sessions

>5x audience lead by no. of sessions

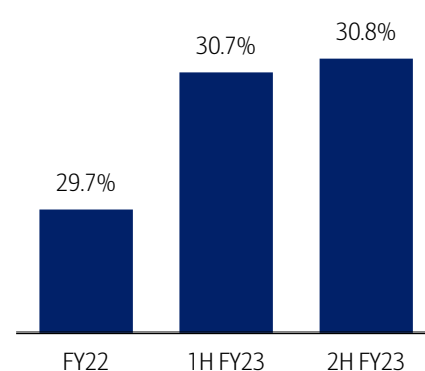


Source: Company

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Exhibit 14: SEK – placements share

Placements share continue to hold



Source: Company

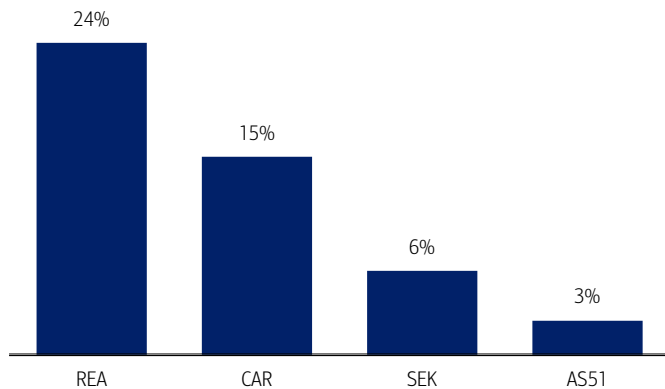
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...leading to classifieds delivering materially higher growth vs. the broader index

Strong pricing power, countercyclical yield offsets (particularly for REA and CAR) and stronger growth in their international markets would enable the classifieds stocks to deliver materially stronger EPS growth FY23-25E vs. the broader market (ASX 200), which in our view will support their premium valuations.

Exhibit 15: Classifieds – FY23-25E EPS CAGR (%)

Classifieds to deliver higher EPS growth FY23-25E vs ASX200 index

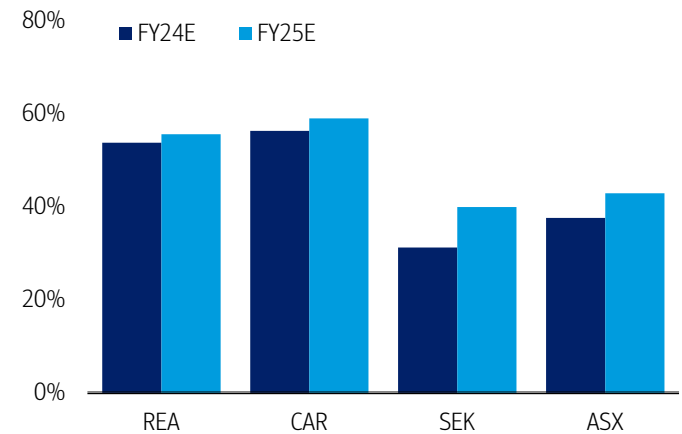


Source: Company, BofA Global Research

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Exhibit 16: Classifieds – FCF/EBITDA conversion (%)

REA and CAR rank higher on FCF/EBITDA conversion vs SEK and ASX200



Source: Company, BofA Global Research

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Classifieds stocks continue to screen well on quality and growth vs. ASX 200

According to our Quant Team's Asia PAC Quantessential Style, classifieds score highly on both the quality and growth categories.

- In Quality, CAR and REA rank 12th and 20th respectively among ASX 200 companies. Seek ranks above average at 93rd amongst ASX200 companies.
- For Growth, REA and CAR also rank ahead of SEK. REA and CAR rank 30th and 37th while Seek ranks 105th.

Exhibit 17: ASX200 – Quality rankings

CAR and REA rank highly on "quality" metrics among ASX200 companies

Quality rank	
TNE	5th
CAR	12th
REA	20th
ALU	24th
WTC	66th
SEK	93rd
XRO	152nd

Source: BofA Global Research

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Exhibit 18: ASX200 – Growth rankings

CAR and REA rank highly on "growth" metrics among ASX200 companies

Growth rank	
XRO	4th
WTC	13th
ALU	19th
TNE	29th
REA	30th
CAR	37th
SEK	105th

Source: BofA Global Research

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China: The year of building resilience

Key things to watch-out for in 2024:

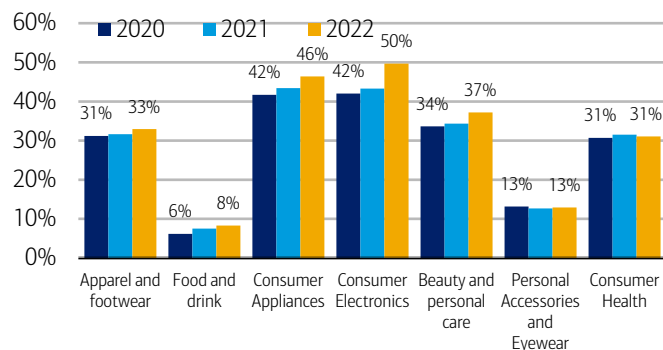
- **Value-for-money consumption:** Consumers are becoming more pragmatic and increasingly emphasize value-for-money. We think eCommerce platforms that have an edge in inexpensive and discounted products would be the beneficiaries.
- **Solid competitive positioning is key:** As industry growth in various sub-sectors are likely to remain under pressure due to macro economy, for 2024, we like market share gainers or companies with solid market leadership.
- **Profit visibility gets more important:** Profitability and earnings visibility become increasingly important in a time of uncertainty, so we look for companies that can expand margin and have better profit visibility.
- **AI: look for catalysts, eyes on monetization:** We see AI as the alpha-play and we expect AI monetization to be the key investor focus in 2024. We expect more internet companies to communicate to the market about their monetization strategies, scale, and timeline.

#1: eCom: Moderate sales recovery & weak sentiment

We forecast China's eCommerce market growth of 8.5% in 2023 in RMB (or, 3.3% YoY in USD), slightly accelerating from 6.5% in 2022 thanks to 2022's low base. The growth was meaningfully slower than the high teens % before 2022, reflecting legacy impact of pandemic on consumer sentiment and overall economy, but still above total retail growth of 7.6%, despite a recovery of offline consumption during 2023. Particularly, high ticket-size discretionary categories such as home appliances and electronics, home furnishing, both of which have high correlation with property sales, have been most affected by the weak macro. Offline services and apparels, suffered the most during the COVID lockdowns, outperformed this year on pent up demand. Staples like food and beverage saw a slowed growth to mid-single digit amid a broad consumption downgrade.

Exhibit 19: China eCommerce penetration rates by product category

Home appliances, consumer electronics, cosmetics and apparel are top four penetrated categories

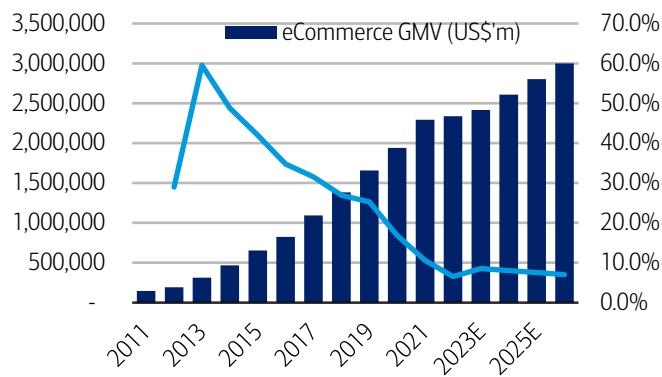


Source: Euromonitor, BofA Global Research

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Exhibit 20: China eCommerce industry market size

Expect eCommerce growth to stay at high-single-digit % in 2023-26E



Source: NBS, BofA Global Research

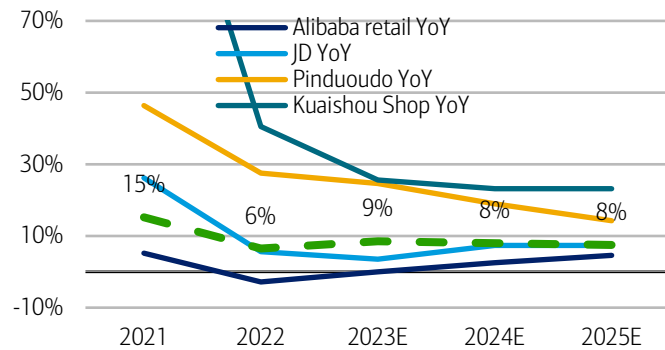
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- At the same time, on a positive note, the regulatory environment for the industry has been largely stable as we expected and ceased to be a major swing factor. We expect this relatively stable regulatory environment of eCommerce to sustain as policy makers' focus now shifting to stimulate consumption and stabilize employment.
- We expect China eCommerce industry growth to keep a steady growth of high single-digit by 2026, driven by gradually recovery of consumer sentiment from the COVID disruption and rising penetration especially due to companies' competitive price strategy and omni-channel approach that offers attractive price point and comprehensive fulfillment options to consumers.



Exhibit 21: Estimated GMV growth rates (FX neutral) by platform

Estimated GMV growth rates (FX neutral) by platform

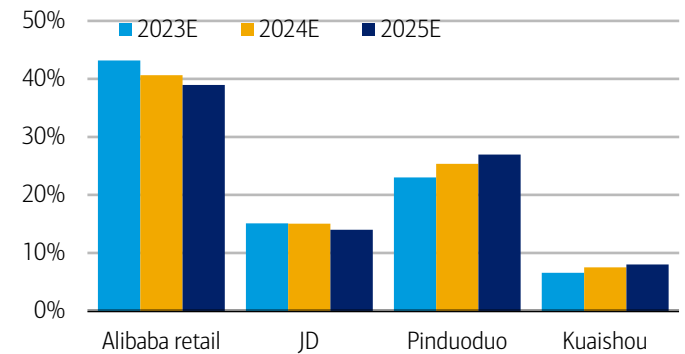


Source: Company data, BofA Global Research

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Exhibit 22: Estimated market share trend by platform

We expect PDD and Kuaishou to gain share in the coming two years



Source: BofA Global Research estimates

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eCommerce streaming continues to gain momentum

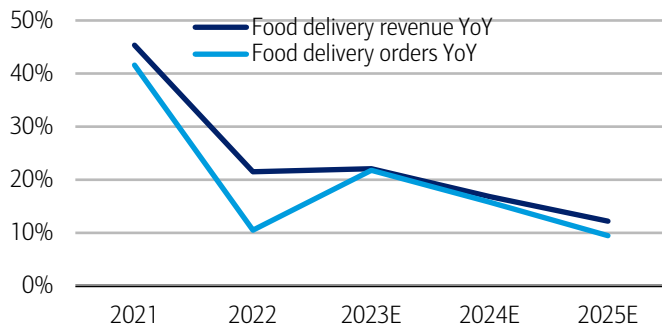
- With Douyin and Kuaishou achieved 700/400m+ MAU in 2022, monetization across different biz model is the most important focus for eCommerce (eC) streaming platforms currently. eC live streaming has already become the new battlefield, with Douyin and Kuaishou surpassing RMB1 trillion GMV in 2023E. Bilibili also started to test eC function in certain niche and customized categories, but it is more likely to be monetized via advertising. Tencent Video Accounts launched eC streaming with light monetization in 2022.
- We expect eC streaming market to quickly grow share in China's eCommerce market from 12% in 2021 to 24% in 2023, driven by re-opening trend and rising penetration due to omni-channel approaches. Emerging eC platforms such as Bytedance and Kuaishou will likely gradually gain eCommerce market share mainly from Alibaba. We expect short video platforms are also building e-shopping malls to attract users shop outside of live streaming shows. Therefore, we expect merchants' ad spend to follow the shift in the eCommerce competition landscape, and the eC streaming penetration rate could eventually reach 30% of total eC GMV in the long run.

#2: Food delivery/local service: Focus on competition

- Offline services consumption outperformed online sales in 2023 with the NBS restaurant/catering industry growing at 19% YoY vs. 7% of retail sales and 8% of online physical goods sales in Jan-Nov 2023. Hence, we estimate 20%+ YoY of food delivery market growth in China in 2023 with over 20% YoY in both food delivery order volume and revenue growth, despite some slowdown of food delivery order volume in 2H23. Our expert data also indicated that Meituan is gaining market share in 2023 with 70%+ market share in food delivery and Ele.me with 20%+ market share. We see macro could continue to have a certain impact on the food delivery business and expect food delivery market growth to lower to teens YoY in 2024, while still outperforming retail sales and online consumption.
- For local services, the market saw 100% YoY+ in GTV and 30% YoY+ in revenue based on our own estimates and we expect the growth momentum to continue in 2024E and estimate Meituan to deliver over 30% /20% YoY in GTV/revenue, off a high base, in 2024E. However, competition remains a key focus for local services and, to some extent, for food delivery as well. We expect to see Douyin with a new leadership in the local and food delivery business and continue to be a strong competitor and Meituan, as the only leader, is likely to maintain its incentives and subsidies, whose investment scale and margin impact remain uncertain.

Exhibit 23: Meituan food delivery order and revenue growth YoY

Meituan food delivery order and revenue growth to slowdown in 2024E

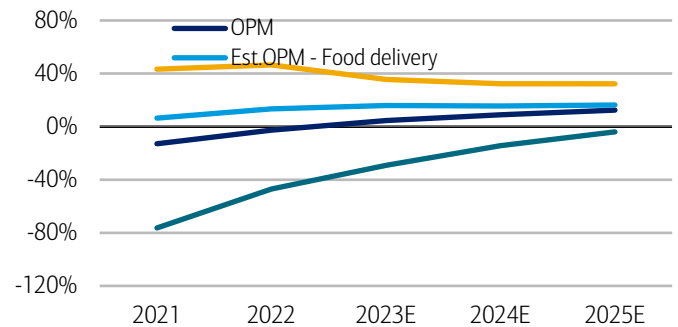


Source: Company data, BofA Global Research

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Exhibit 24: Meituan OPM by segment

We expect new initiatives Op margin to improve in 24-25E



Source: Company data, BofA Global Research

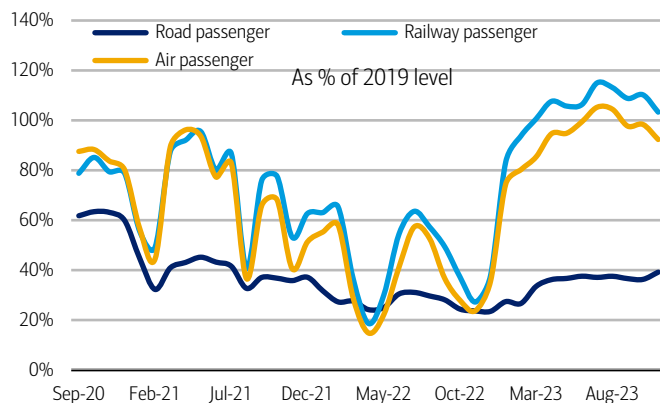
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#3: Online Travel: Remains a bright spot even in 2024

Online travel agencies (OTAs) benefitted from the revenge travel in 2023 after three-years of COVID controls. Key OTAs such as Trip.com and Tongcheng already saw revenue surpass 2019 level. In 4Q23, travel momentum cooled down slightly, partly due to seasonality. However, we think in 2024 the online travel sector should continue to be a relatively resilient and bright spot among other sub-sectors in our industry, given **1)** international travel is still far below pre-COVID level (international air passenger volume was only 58% of 2019 level in November 2023); **2)** increasing domestic travel infrastructure and hot spots driving up diversified travel demands; and **3)** increasing online penetration, especially in accommodation reservation.

Exhibit 25: Passenger traffic as of 2019 level

By November 2023, railway passenger level surpassed 2019 level

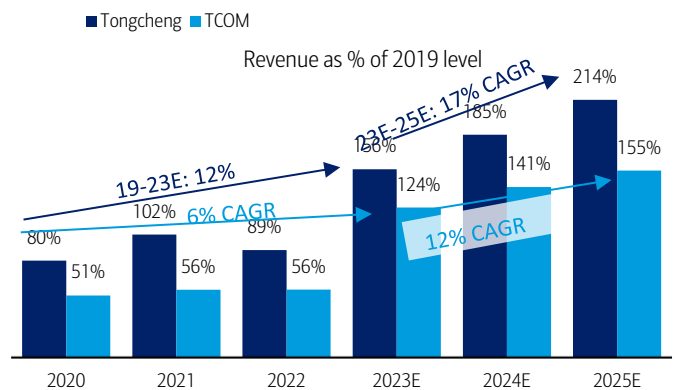


Source: Ministry of Transportation, CAAC, CEIC, BofA Global Research

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Exhibit 26: Revenue growth rates of key OTAs

We expect key OTAs to continue DD% revenue growth during 23E-25E



Source: Company data, BofA Global Research

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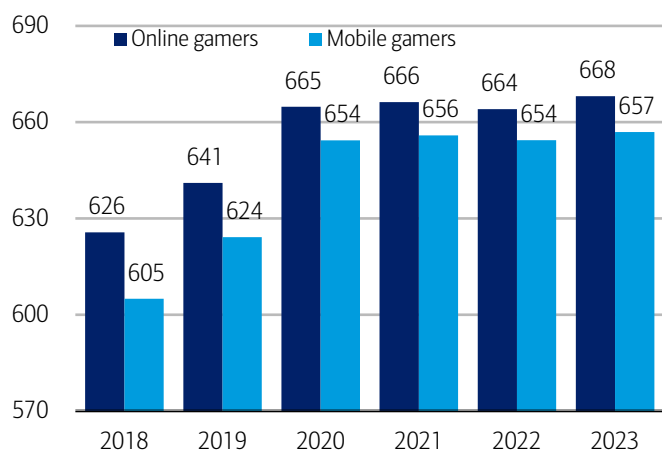
#4: Online game mkt rebounds; eyes on regulatory changes

- Chinese game market has seen a rebounding trend in both per user spending and sales in 2023 amid a more friendly game-approval environment. According to the Chinese Game Publishing Committee (GPC) and Gama gaming (CNG), Chinese online gamers have expanded to 668mn (up 1% YoY) in 2023, hitting a new historical high, and the total domestic game gross billing has rebounded to the positive growth territory at 14% YoY, achieving RMB303bn in 2023, driven by more new game launches and resilient user spending. Mobile games continued to dominate the market, accounting for 75% of total game revenues in 2023 with higher growth at 18% YoY, supported by the revitalization of existing games and the launch of new games (e.g Egg Party on party game genre). While PC games also saw resilient growth at 8% YoY to 22% of total game revenue in 2023.

- We see the recent regulatory draft measures regarding a wide range of game control on 22nd Dec-23 came as a surprise, considering the regulatory environment for the game market is relatively friendly after the reopening of the game approval process in 2023. However, we believe the government is still supportive of the game market with normalized game approval at end-Dec 2023 and the recent government announcement also indicated an open-minded view for the draft measures. We expect to see more detailed and rationalized measures in the official version and expect regulator to continue be supportive of the Chinese game industry. Hence, we still expect positive growth trend for the Chinese game industry in 2024 at roughly 10% YoY in total game sales and higher growth of mobile game sales (low-teens YoY), assuming no significant changes in regulatory environment with normalized game approval process.

Exhibit 27: Online gamers and mobile gamers trends

Online gamers scaled a new height of 668mn, up 1% YoY

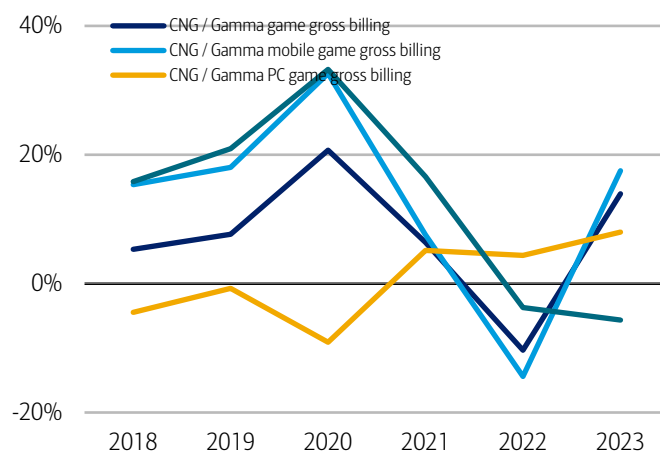


Source: Gamma Data, BofA Global Research

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Exhibit 28: Game gross billing YoY

China's online game industry rebounded in 2023



Source: CNG, BofA Global Research

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#5: Online verticals: Stabilizing trends...

- Property market: not easy:** We expect overall housing market demand to largely stabilize in 2024E with risk coming more from housing price. Therefore, we expect existing home market's sales value could grow in the range of 5-15% YoY, offsetting the 10-18% YoY decline in new home market value, and representing over 40% of the total home market transactions.
- Online auto: exposure to ICEV?** We expect auto sales volume in China to stabilize at 1% YoY in 2024E, with a 22% YoY in NEV (New Energy Vehicle), offsetting 9% YoY decline of ICEV (Internal Combustion Engine Vehicle). Therefore, we expect the ICEV OEMs' ad spend to decline in 2024, dragging the overall online auto ad market.
- Online healthcare: Exit tough comp base:** In 2023, online pharmacy vertical suffered from a tough comp due to COVID, and the tough comp base will be behind us after 1Q24. We expect online pharmaceutical products sales growth to accelerate to teens % YoY in 2024 and grow online penetration to 27%. We believe demand for pharmaceutical products to be more resilient amid soft macro. We also expect the increasing consumer health awareness to drive consumer spending for health protection and supplement products.

India: Balancing growth with profitability

Key things to watch-out for in 2024:

- Inflexion points in key businesses like quick commerce for Zomato, Rs 50K+ loan book for Paytm, Fashion biz for Nykaa and IT hiring trends for InfoEdge
- Any uptake in competition for listed companies as competition is benign in most sub-sectors. We see risks at BPC for Nykaa & for IndiaMart.
- Regulatory updates on financial/Fintechs and on gig-economy workers
- Clarity on potential IPOs as next set of tech-companies may look to list.

We remain optimistic on India internet names going into 2024, given strong growth & improving profitability for most companies. We are reaffirming our India internet order preference. **1)** We are now more optimistic on Paytm (after recent weakness) & Delhivery (Buy); **2)** We remain constructive on Zomato and MakeMyTrip but see lower margin of safety, after strong outperformance; **3)** We find risk-reward balanced for Nykaa & PB Fintech and **4)** maintain U/P on IndiaMart and InfoEdge. Below we highlight key KPIs for each company to watch out in 2024 that could determine performance.

Exhibit 29: India Internet coverage snapshot & investment summary

Highlighting key drivers, competition & regulation summary

		Industry driver	Competition	Regulation	FY25 growth BofA est.
Paytm	Fintech	Merchant & unsecured lending	Low in merchant; Medium in lending	High; could reduce post elections	29%
Delhivery	e-Logistics	3PL shipment increase Consolidation in PTL/FTL	Low; more from insourcing	Stable	22%
Zomato	Food tech	MTU's rising; quick commerce scaling up	Low	Low; some risks to gig economy rules	36%
MMYT	OTA	Growth beyond pent-up demand	Low	Low	34%
Nykaa	BPC & fashion	Omni-channel growth & reducing return parcels	Increasing in BPC Steady in fashion	Low	26%
PB Fintech	Fintech	Online insurance penetration uptake	Low but see risks	Stable; risks to web aggregator rules	28%
IndiaMart	Classifieds	New age verticals getting stronger	Risks from new-age businesses	Low	21%
InfoEdge	Classifieds	IT hiring	Low	Low	16%

Source: BofA Global Research estimates

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Key KPIs for each stock to watch in 2024

Paytm- Lending book growth: With change in strategy where Paytm is de-focusing on low ticket loans and focusing more on Rs 50K+ unsecured loans, we believe the market would be watching on how this book would scale up in coming quarters. In a scenario, the book scales slowly and Paytm still shows steady EBITDA growth (on back of cost cutting), we don't think the stock would re-rate materially given the quality of growth i.e. growth driven by cost-control versus driven by revenue growth. Refer: Revisiting Paytm after strategy shift, structural story intact, room to surprise

Delhivery- Extent of in-sourcing by Flipkart/Meesho: In our view, the primary driver for Delhivery's stock price is the value of its express parcel business. We are optimistic around the industry growth picking up, helping overall shipment growth. However, if Flipkart/Meesho in-sources more business, then we see risks of that to Delhivery's express revenue growth.

Zomato- Food MTUs & Quick-commerce: We see room for Zomato to increase platform fees to c. Rs 9-10 over next 6-9 months, without much pushback from users. However, the key KPI in our view which would matter over next 12 months is how MTUs move. This is because the size of addressable market for food remains a key concern for investors. We think that the stock is largely pricing in lower competition and improving profitability. We also think quick-commerce uptake matters as not many investors are



currently giving credit to quick-commerce business' potential to become meaningfully big in next 2-3 years. In 2024, we will likely get clarity on potential of Blinkit to scale-up i.e. is it gradual or we could see a sharp inflexion point.

MMYT- FY25 revenue growth: The key thing to watch out from MMYT's perspective is the growth rate for FY25/FY26. We note that consensus is factoring c. 23%/22% yoy growth despite pent-up demand being behind. Any impact on this could also lead to cut in multiples. Key risk to growth could also come from supply at airlines, if more Indigo planes are grounded, potentially leading to higher ticket prices and pressurizing demand. Refer: [Momentum likely to sustain in CY24 +3Q preview](#)

Exhibit 30: Key data points & current consensus estimates

Snapshot of key monitorable items across coverage

	Key metric to watch out for	Visible Alpha Consensus estimates		Key metric to watch out for	Visible Alpha Consensus estimates
Paytm	Lending Book/loans disbursal growth	FY25/26E loan disbursal growth: +34%/+36%	Nykaa	EBITDA margin impact from eB2B/Fashion biz	FY25/26E margins: 7.6%/9.1%
Delhivery	Express parcel biz revenue growth	FY25/26E express parcel revenue growth: +20%/+20%	PB Fintech	Quality of premium book leading to better profitability	FY27E PAT: Rs 10.1bn
Zomato	Food delivery biz MTUs & Blinkit scale-up (gradual or accelerated)	FY25/26E food MTUs: 21.5mn/24.4mn FY25/26 Blinkit adj. EBITDA: Rs 1.6bn/6.3bn	IndiaMart	Quarterly paying subscription suppliers net adds	Quarterly adds FY24/25E: 4.4K/7.8K
MMYT	Headline growth rate for revenues	FY25E Revenue: \$1bn; +23% yoy growth	InfoEdge	Standalone biz revenue growth rate, IT hiring trends	FY25/26E standalone revenue growth: +15%/+16%

Source: BofA Global Research, Visible Alpha

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PB Fintech- Quality growth: PB Fintech has guided the market for FY27 net income of Rs 10bn. Some of the factors which would aid this are upside from treasury income and renewals, with ESOP related costs coming down. In our view, the primary datapoint to watch out is quality of the premium book i.e. will it be driven by high margin business like health & term or low margin ones like motor and PoSP. Refer: Upgrade to Neutral: Path to positive net income gets closer; risk-reward balanced

Nykaa- Margin impact from eB2B and fashion: Unlike recently listed peers, Nykaa has not shown a meaningful margin improvement (in fact consensus estimates for margins have been dragged down). For this year, we think EBITDA margin would be the primary factor to watch out for as eB2B scaling up would have negative impact – likely to be offset by BPC scaling up, private label improvement and declining fashion losses.

IndiaMart- Net adds: IndiaMart's net adds in 2Q slowed down to c. 2K, well below mgmt. guidance of 8K and its near-term target of 5K. In 3Q also, we expect net adds to be slow at c. 2K. If these numbers don't pick-up and churn levels remain high, then we see downside risk to IndiaMart's estimates. On the other hand, net adds accelerating to 8K could positively surprise the market. Refer: Downgrade to U/P: Risk-reward skewed to downside as risks remain to slower adds

InfoEdge - IT hiring trends: The primary value driver for InfoEdge's core Naukri business is IT hiring. Any trends towards upside or downside would be the primary factor to watch-out for. While Naukri is looking to diversify away from IT hiring, we believe that IT hiring would remain the likely key driver for FY25 revenues.

Pre-IPO shareholders could add stock volatility

While majority of pre-IPO shareholders have sold stakes in these companies, we see risks of some supply in 2024. We would watch-out for any index additions and F&O inclusions for some of these names giving improving free-float & liquidity.

Exhibit 31: Zomato -Pre IPO shareholding (%) as of Dec'23

InfoEdge remains the largest shareholder in Zomato

Key Shareholders	Shareholding (%)
InfoEdge	13.7%
Antfin Singapore	6.3%
Deepinder Goyal (Mgmt.)	4.2%
Alipay Singapore	3.4%
SoftBank	2.2%
Temasek	2.0%

Source: Bloomberg

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Exhibit 32: Paytm pre-IPO investors' shareholding as of Dec'23

Paytm founder is the largest shareholder

Key Shareholders	Shareholding (%)
Resilient Asset Mgmt + Paytm Founder	19.4%
Elevation Partners	15.4%
Antfin Singapore	9.9%
SoftBank	7.0%
Axis Trustee (on behalf of founder family)	4.9%

Source: Bloomberg

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Exhibit 33: Delhivery pre-IPO investors' shareholding as of Dec'23

Softbank remain the largest shareholder in Delhivery

Key Shareholders	Shareholding (%)
SoftBank	11.8%
Nexus Ventures	7.8%
CPPIB	6.0%
Times internet & Bennett Coleman	4.9%
Sahil, Suraj & Mohit (Mgmt.)	4.6%
FedEx	2.9%
AlphaWave	2.0%
GLC	1.7%
SteadView	1.6%

Source: Bloomberg

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Exhibit 34: PB Fintech pre-IPO investors' shareholding as of Dec'23

InfoEdge remains the largest shareholder in PB fintech

Key Shareholders	Shareholding (%)
InfoEdge	13.3%
Tencent	6.3%
Temasek	5.4%
Yashish Dahiya (Mgmt.)	4.6%
Premji Invest	2.1%
Tiger Global	1.8%
Alok Bansal (Mgmt.)	1.7%
BlackRock	1.4%
SteadView	1.4%

Source: Bloomberg

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Japan: Resurgence of Internet ad and DX

Key things to watch-out for in 2024:

- An internet advertising demand recovery
- The re-expansion of points ecosphere
- Continued corporate investment growth in digital technologies and security and earnings improvement in digital transformation (DX) and software companies
- Animation and game intellectual property (IP) business expansion

2024 industry outlook: With respect to **Theme 1)** the recovery in Internet advertising demand is expected to be driven mainly by an increase in advertising space placed on e-commerce sites on the supply side. Whilst on the demand side, autos, telecoms, beverages, and cosmetics/toiletries are expected to be the main drivers of the domestic advertising demand in 2024 due to the completion of product price increases, the restoration of supply chains, and the recovery of consumer sentiment due to wage increases.

Theme 2) implies intensifying competition among loyalty programs offered by the Rakuten Group, major web search groups, telecom carrier groups (d Points, etc.), and start-up internet groups (Mercari, etc.). In 2024, we expect a progress on the bundling of loyalty points with mobile carrier services, mobile payment services and other services to result in natural selection among corporate groups that offer loyalty programs and be more prominent than usual.

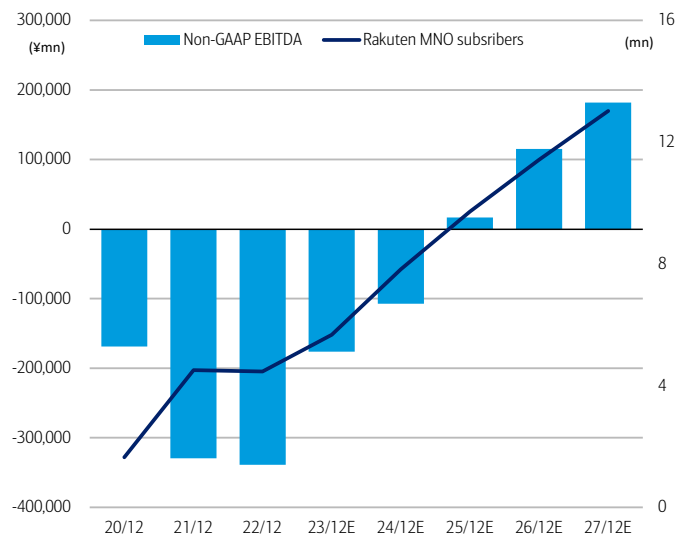
Theme 3) follows on a trend that started in 2023. However, in 2024, we forecast acceleration in earnings improvement at software-as-a-service (SaaS) companies supplying software and DX-related products. From the perspective of maintaining a healthy balance sheet, we expect management focus to shift from acquiring potential customers to raising profitability by improving unit economics.

Theme 4) refers to a further global development of animation businesses and multimedia strategies for game IP businesses. The growth of video distribution platforms has made it easier for animation businesses to attract fans worldwide. We expect companies to expand business models to incorporate anime-related games, merchandise, and theme parks, etc. In addition, we expect companies to leverage game IP, not only via traditional games, but also through other business domains, including animation, movies, and theme parks.

Long-term themes: A long-term theme is the use of AI to improve business processes and service quality. From a strategic perspective, we view generative AI's use by game companies during software development to improve business processes as particularly promising. Furthermore, the importance of "content" is expected to increase further in the future due to the global expansion of video and game distribution platforms triggered by the smartphone diffusion. From this perspective, the acquisition of content companies by platforms and content company realignment are expected to accelerate.

Exhibit 35: Rakuten MNO subscribers and Non-GAAP EBITDA

Expect Non-GAAP EBITDA to turn positive in FY12/25

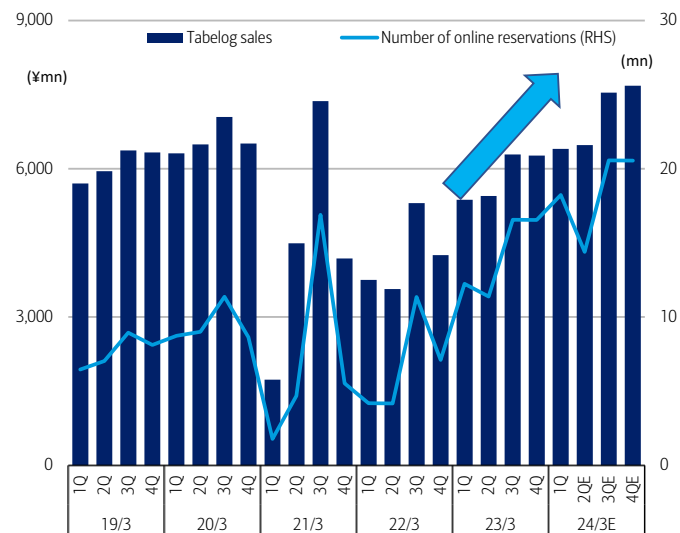


Source: Company, BofA Global Research Estimates

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Exhibit 36: Tabelog sales and number of online reservations

Expect ramp-up demand from year-end parties



Source: Company, BofA Global Research Estimates

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Exhibit 37: Nintendo Switch line-up from May 2023

A flurry of Mario-based releases

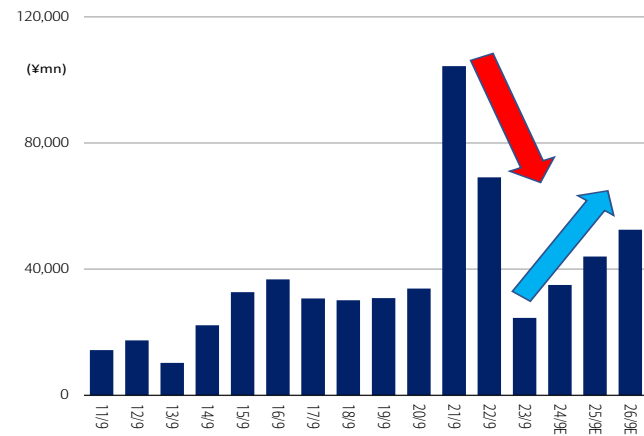
Release date	Title	Company
5/12/2023	The Legend of Zelda: Tears of the Kingdom	Nintendo
6/30/2023	Master Detective Archives: Rain Code	Spike Chunsoft
7/21/2023	Pikmin 4	Nintendo
7/25/2023	Hogwarts Legacy	Warner Bros. Japan
9/12/2023	SUPER BOMBERMAN R2	Konami
9/28/2023	Ys X -NORDICS-	Falcom
10/20/2023	Super Mario Bros. Wonder	Nintendo
11/17/2023	Super Mario RPG	Nintendo
2/16/2024	Paper Mario RPG	Nintendo
3/22/2024	Princess Peach: Showtime!	Nintendo
2024 summer	Luigi's Mansion 2 HD	Nintendo
2024	Mario vs. Donkey Kong	Nintendo
TBA	Suikoden 1&2 HD remaster	Konami

Source: Company, BofA Global Research

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Exhibit 38: CyberAgent full-year OP

Expect earnings recovery from FY9/24



Source: Company, BofA Global Research Estimates

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Korea: Streaming strong; Ad recovers...

Key things to watch-out for in 2024:

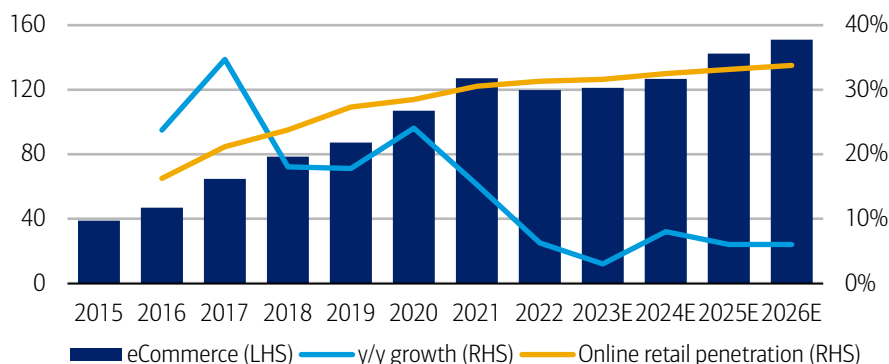
- **Online ad recovery** – we estimate digital ad market to moderately rebound on easier comps and led by a couple of specific catalysts such as Paris Olympic (on 26 Jul – 11 Aug) and national election (on 10 Apr) in 2024. Jan 2024 Korea Advertising Index (KAI) indicated an expected moderate increase in ad spending from Dec 2023.
- **Korea eCommerce growth continues** – we project 2024 Korea eCommerce sales (excluding service) to reach \$132bn (8% y/y in FX-neutral basis), up from \$122bn (3% y/y in FX-neutral basis) in 2023. We expect online penetration of applicable retail sales to expand 90bps y/y to 32.5% in 2024, an acceleration from 30bps y/y in 2023 (and largely similar to 80bps y/y in 2022). Slowing domestic consumption growth could be a headwind to retail sales growth, but we would expect tailwinds from improving eCommerce service levels and an improvement in discretionary spends.
- **Leveraging AI as a sales and productivity driver** – though hard to quantify at early stage, we see that generative AI technology as an opportunity to unlock incremental value. Market-leading Naver will continue to launch HyperCLOVA X-based services (including personalized experiences), expand globally including Southeast Asia, Middle East and Europe (i.e. building a digital twin platform in Saudi Arabia), and incorporate generative AI into technologies such as Internet of Things (IoT).
- **Live streaming accelerates** – triggered by Twitch's official exit from Korea (on 27 Feb), local competitors are leaping forward to fill the space. While AfreecaTV continues to operate in Korea, Naver's CHZZK started open beta test on 19 Dec and plans for a full release sometime in 2024. We believe some streamers could find it attractive that CHZZK supports full HD 1080 resolution, COD service of broadcast, international and diverse audience.

#1: Korea eCommerce growth continues...

We project 2024 Korea eCommerce sales (excluding service) to reach \$132bn (8% y/y in FX-neutral basis), up from \$122bn (3% y/y in FX-neutral basis) in 2023. We expect online penetration of applicable retail sales to expand 90bps y/y to 32.5% in 2024, an acceleration from 30bps y/y in 2023 (largely similar to 80bps y/y in 2022). Slowing domestic consumption growth could be a headwind to retail sales growth, but we would expect tailwinds from improving eCommerce service levels and an improvement in discretionary spends.

Exhibit 39: Korea eCommerce

We project 2024 Korea eCommerce sales (excluding service) to reach \$132bn (8% y/y in FX-neutral basis), up from \$122bn (3% y/y in FX-neutral basis) in 2023.



Source: National Statistics Organization, BofA Global Research estimates

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#2: AI focus by Korean companies...

Domestic names, Naver and Kakao, operate the biggest internet/mobile platforms in Korea. The two names have been making investments into and preparing AI solutions, and we believe Naver to deliver meaningful progress around AI this year. Naver implemented CUE, based on HyperCLOVA X, to its Search (Nov 2023). CUE works with Naver's Shopping and Local. Additionally, Naver is offering Clova Studio to its corporate clients from Oct 2023. It enables clients to create custom AI models with their datasets.

Exhibit 40: HyperCLOVA X-based AI products

Naver's AI products are targeting users, sellers/advertisers and corporates

Users/Creators			Sellers/Advertisers		Corporates		
Clova X	Clova for Writing	HyperCLOVA on vertical services	CLOVA X Smartstore Center	CLOVA for AD	CLOVA X	CLOVA Studio	Project Connect X
CUE:			Commerce AI solutions	CLOVA X Advertisement Center		Neurocloud for HyperCLOVA X	
			CLOVA Smartplace				

Source: Naver

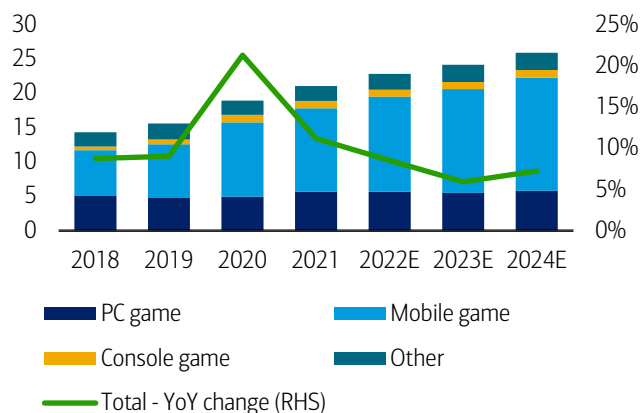
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#3: Gaming: difficult year but PC/console transition ahead

Despite heavy capital requirements and incumbent competition, the PC/ console market clearly offers monetization advantages, thanks to hardcore gamers, being a primary mode of entertainment, and immersive and social game play – a total package for the MMORPG genre. We expect the Korea gaming market to also see some growth from the PC/ console market, driven by a series of blockbuster title launches in mid-2023.

Exhibit 41: Korea gaming market size (Wtn; 2018A-2024E)

Korea gaming market size is expected to have grown 6% YoY in 2023 (vs. 8% in 2022)

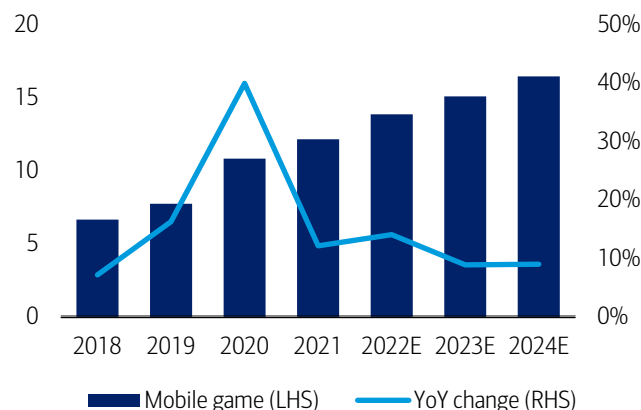


Source: KOCCA

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Exhibit 42: Korea mobile game market size (Wtn; 2018-2024E)

It is expected to show +9%/+9% YoY growth in 2023/2024E



Source: KOCCA

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Regulatory risks

The regulatory outlook in 2024 will likely be impacted by the enactment of Platform Competition Promotion Act (by Fair Trade Committee) at the 21st National Assembly (by 29 May 2024). On 28 Dec, Korea Newspaper Association filed a complaint with the Fair Trade Commission, regarding Naver's use of news content in training HyperCLOVA X. They demanded revisions to the terms of Naver's news partnership, deeming the current practice unfair.

Exhibit 43: Key points of the Platform Competition Promotion Act

Promotion Act will enforce penalties on unfair practices done by designated dominant operators

Key points	Description
Designation of Dominant Platform Operators	- Comprehensive assessment integrating both quantitative metrics (revenue, user base, market share) and qualitative factors (market impact).
Prohibition of Unfair Practices	- Favoring own products: Prohibits preferential display of proprietary products/services over competitors. - Demanding preferential treatment: Restricts demands for more favorable pricing compared to competing platforms. - Bundling: Forbids compulsory bundling of own services with other offerings. - Restricting multihoming: Restricts platform users from engaging with competing platforms.
Regulatory Measures for Non-Compliance	- Enforcement of corrective orders and fines. - Provision for operators to demonstrate the legitimacy of their actions for exemption.

Source: FTC, Press report

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Potential risks in 2024:

- **Cross-border competition** – a high-profile risk to Korea eComm sector is the rise of cross-border competition. While cross-border GMV remains relatively small (total cross-border accounted for ~4%; Chinese ~2% of total online retail during Jan-Sep 2023), rapid growth driven by aggressive marketing could impact peers in 2024. Cross-border GMV from China increased 106% YoY, much faster than online retail growth of 4% during the same period. Categories more focused on fashion and food & beverage.
- **Regulatory hurdles around AI** – we think a large focus for regulators in 2024 will be around AI, particularly for targeting advertising and AI generated media. On 28 Dec, the Korea Newspaper Association filed a complaint to the Fair-Trade Commission, regarding Naver's use of news content in training HyperCLOVA X. They demanded revisions to the terms of Naver's news partnership, deeming the current practice unfair.
- **Platform Competition Promotion Act** – the regulatory outlook in 2024 will likely be impacted by an enactment of Platform Competition Promotion Act (by Fair Trade Committee) during the 21st National Assembly (which ends on 29 May 2024). The core objective of the legislation is to proactively designate key platform operators with market-controlling monopoly power and to strengthen supervision to prevent the operators from abusing their dominant market positions.

SE Asia: Sustained threat of China peers?

Key things to watch-out for in 2024:

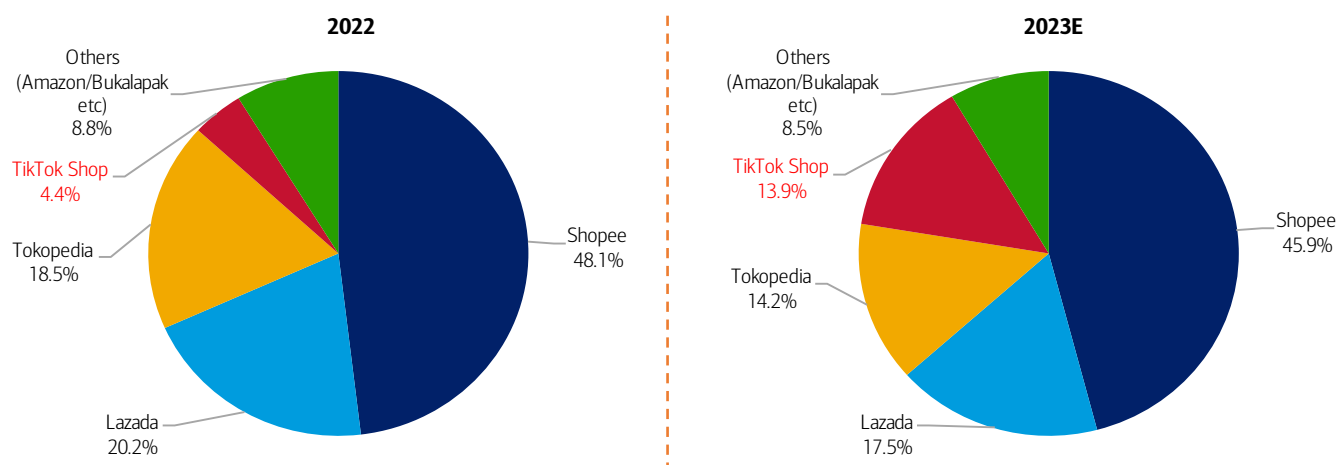
- Competition from Chinese names in e-commerce and potentially in ride-hailing.
- Aggression of TikTok after its re-entry and any signs of stabilization of competition in near future
- Likely scaling of Fintech businesses for Sea, Grab and GoTo in 2024 led by digital banking licenses and uptake of lending.
- Steady-state cashflows at Sea's gaming business Garena based on where subs stabilize.

E-com: Competition high in 1H; Largely to stabilize in 2H

We expect e-commerce competition to remain high 1H24 as 1) TikTok-Tokopedia remains aggressive to gain GMV share and 2) Shopee continues to invest in Shopee Live to acquire KOLs, merchants leading to higher discounts/shipping subsidies for industry. We think competition in 2H should gradually normalize as 1) TikTok will be at reasonable scale, 2) Shopee Live investments will likely moderate as they are front-loaded. This should likely lead to Shopee EBIT est. bottoming sometime in 1H. We are not as concerned on competitors like Lazada as its rational and new entrant Temu given its single international strategy focused towards cross-border (vs customizing it for countries)

Exhibit 44: E-com GMV share in Indonesia region

Momentum Works estimates c.46% share for Shopee/14% for TikTok Shop in 2023



Source: Momentum Works; projections as of Oct'23

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Mobility/delivery: Steady fundamentals; Grab well placed

We find fundamentals of mobility & delivery sector to be strong in CY24. For mobility, while we expect the pent-up demand to be behind, we remain positive on double digit GMV growth for sector (est. 14% yoy for Grab) led by stable competition & improving penetration. For delivery, we expect quick commerce & grocery to show traction (in pockets), aiding food growth and est. sector growth to be 8-10% (est. 9% yoy for Grab). With Foodpanda potentially looking to exit (as stated in media), we expect competition to continue to reduce in the delivery space. We expect Grab's margins to improve in delivery & to be largely stable in mobility. Grab remains our top pick in SE-Asia, maintain Buy. Key risks: 1) If GoTo gets aggressive in Indo mobility & delivery market and 2) If a new entrant potentially buys Foodpanda's asset.

Fintech: Likely to scale & improve profitability in 2024

We think 2024 could turn out to be an inflexion year Fintechs in SE Asia and find the Fintechs arms of Sea, Grab and GoTo to scale up and potentially surprise. We note that competition amongst Fintechs is down materially with all focusing to balance growth with profitability. These companies have already curtailed back on unprofitable GMV. We expect BNPL/unsecured lending to happen more via balance sheet for Fintech arms of these e-com cos as regulators want them to have skin in the game. This should also help in profitability as its funded by deposits (though margins could fluctuate on qoq basis).

Exhibit 45: ASEAN ride hailing market landscape

Likely to witness strong growth across geographies

\$mn	2021	2022	2023E	2024E	2025E	2026E	CAGR 2023-26E
Indonesia	854	1,336	2,254	3,167	4,228	5,080	31%
% yoy	-26%	56%	69%	40%	33%	20%	
Vietnam	440	647	980	1,332	1,723	2,150	30%
% yoy	-29%	47%	52%	36%	29%	25%	
Singapore	1,735	2,476	3,075	3,606	4,110	4,564	14%
% yoy	18%	43%	24%	17%	14%	11%	
Malaysia	381	574	860	1,091	1,322	1,557	22%
% yoy	-21%	51%	50%	27%	21%	18%	
Thailand	233	329	624	918	1,339	1,875	44%
% yoy	-37%	41%	90%	47%	46%	40%	
Philippines	173	267	342	480	651	778	31%
% yoy	-19%	54%	28%	40%	36%	19%	

Source: Euromonitor

BofA GLOBAL RESEARCH

Exhibit 46: ASEAN food delivery market landscape

Decent growth across geographies

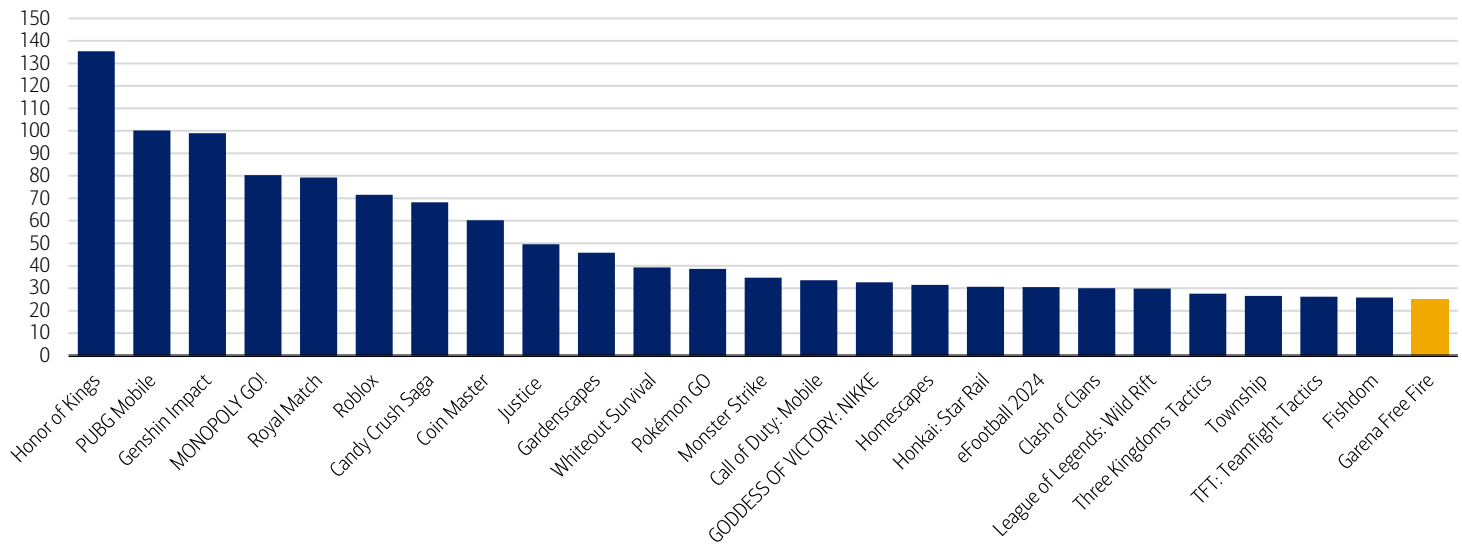
\$mn	2021	2022	2023E	2024E	2025E	2026E	CAGR 2023-26E
Indonesia	5,602	4,450	4,963	5,512	5,965	6,310	8%
% yoy	-19%	-21%	12%	11%	8%	6%	
Vietnam	2,694	1,301	1,502	1,699	1,887	2,082	11%
% yoy	71%	-52%	15%	13%	11%	10%	
Singapore	2,797	2,911	3,033	3,219	3,399	3,550	5%
% yoy	46%	4%	4%	6%	6%	4%	
Malaysia	2,541	2,853	3,290	3,732	4,144	4,554	11%
% yoy	125%	12%	15%	13%	11%	10%	
Thailand	4,466	4,310	4,367	4,434	4,504	4,674	2%
% yoy	69%	-3%	1%	2%	2%	4%	
Philippines	1,909	2,302	2,728	3,070	3,377	3,656	10%
% yoy	37%	21%	19%	13%	10%	8%	

Source: Euromonitor

BofA GLOBAL RESEARCH

Exhibit 47: Top 25 mobile gaming apps by absolute app revenue estimates, \$mn – Global (Nov'23)

Garena Free fire placed at #25 spot

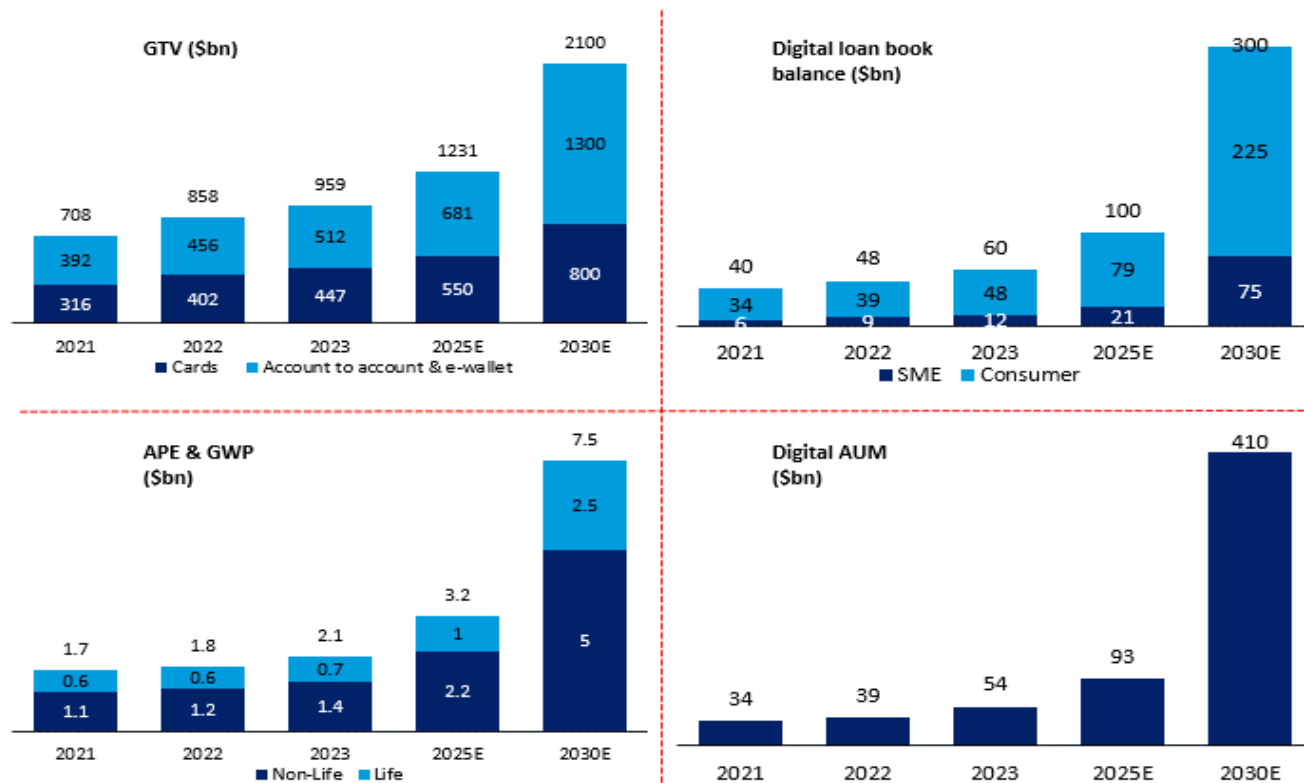


Source: Sensor Tower

BofA GLOBAL RESEARCH

Exhibit 48: Digital financial services adoption is accelerating across business in SE Asia

Overall DFS market size could reach ~\$1.5tn by 2025E



Source: Google, Bain & Temasek e-Economy report 2023

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APAC Internet comp-sheet

Exhibit 49: APAC Internet peers – compsheat

Highlighting key valuation metrics across coverage names & sectors

Company	Country	M. Cap US\$	2 yr CAGR 2023-25E			EBITDA Margin 2024	Price / Sales (x)		EV / Sales (x)		P / E (x)		EV / EBITDA (x)		FCF yield
			Revenue	EBITDA	EPS		2024	2025	2024	2025	2024	2025	2024	2025	2024
E-Commerce															
Pinduoduo Inc.	China	197,468	32%	26%	36%	20%	4.1x	3.4x	3.6x	3.0x	21.1x	14.1x	18.6x	11.5x	7.3%
Alibaba	China	182,720	9%	3%	11%	17%	1.3x	1.2x	1.3x	1.2x	10.0x	8.7x	7.8x	7.0x	10.9%
JD.com	China	38,816	5%	8%	6%	4%	0.2x	0.2x	0.2x	0.2x	10.0x	9.1x	6.1x	5.5x	10.2%
Coupang	Korea	29,945	12%	24%	55%	6%	1.1x	1.0x	1.0x	0.9x	42.0x	26.9x	18.0x	12.9x	2.5%
Sea Limited	Singapore	20,341	17%	31%	56%	11%	1.4x	1.1x	1.1x	0.9x	18.1x	12.8x	10.0x	7.3x	-0.9%
Vipshop	China	9,032	4%	0%	5%	8%	0.6x	0.5x	0.6x	0.5x	9.0x	8.3x	6.8x	6.7x	7.6%
Nykaa	India	6,459	26%	55%	194%	7%	6.3x	5.0x	6.3x	5.0x	NM	118.5x	NM	56.4x	0.5%
Bilibili	China	4,574	9%	133%	NM	12%	1.3x	1.2x	1.5x	1.3x	NM	53.3x	12.0x	6.7x	3.6%
Mercari	Japan	2,851	7%	28%	47%	12%	2.1x	2.0x	1.7x	1.6x	25.1x	15.2x	14.0x	8.6x	3.6%
Kakaku.com	Japan	2,427	13%	12%	20%	45%	4.6x	4.1x	4.1x	3.7x	15.3x	13.0x	9.1x	7.8x	7.0%
PT Bukalapak	Indonesia	1,326	18%	NM	NM	0%	4.0x	3.2x	1.0x	0.8x	NM	NM	NM	20.4x	0.5%
Average			14%	32%	48%	13%	2.5x	2.1x	2.0x	1.7x	18.8x	17.9x	11.4x	13.7x	4.8%
Fintech															
Xero Limited	New Zealand	11,101	17%	14%	37%	29%	8.9x	7.7x	8.6x	7.3x	77.9x	59.5x	31.5x	25.3x	2.3%
Paytm	India	5,301	26%	NM	NM	2%	3.4x	2.8x	2.9x	2.2x	NM	40.7x	25.7x	16.3x	0.5%
PB Fintech	India	4,634	28%	NM	38%	4%	7.5x	5.9x	7.3x	5.6x	77.9x	50.1x	67.3x	45.3x	0.5%
Average			24%	14%	38%	12%	6.6x	5.4x	6.3x	5.0x	77.9x	50.1x	41.5x	29.0x	1.1%
Gaming															
Tencent Holdings	China	349,739	9%	10%	21%	40%	3.7x	3.4x	4.1x	3.7x	16.5x	14.1x	10.1x	8.9x	6.7%
NetEase	China	58,268	9%	10%	6%	30%	3.5x	3.3x	3.5x	3.4x	13.7x	12.2x	11.7x	10.3x	8.4%
NetEase	China	57,979	9%	10%	6%	30%	3.5x	3.3x	3.5x	3.4x	13.7x	12.2x	11.7x	10.3x	7.7%
Krafton	Korea	7,418	10%	4%	13%	39%	4.8x	4.4x	4.5x	4.2x	18.6x	15.4x	11.4x	10.4x	3.8%
Netmarble	Korea	3,802	5%	35%	NM	13%	1.8x	1.8x	2.7x	2.7x	46.4x	43.5x	21.5x	20.7x	-0.4%
Average			8%	14%	11%	31%	3.5x	3.3x	3.7x	3.5x	21.8x	19.5x	13.3x	12.1x	5.3%
Logistics															
SF Holding	China	26,552	12%	6%	13%	9%	0.6x	0.6x	0.8x	0.7x	23.1x	19.7x	8.3x	7.5x	4.8%
J&T Global Express	Hong Kong	18,075	20%	NM	NM	10%	1.7x	1.4x	2.3x	1.9x	62.7x	28.0x	23.8x	17.1x	3.8%
ZTO Express	China	15,510	8%	10%	15%	36%	2.6x	2.4x	2.3x	2.1x	10.4x	9.1x	6.3x	5.5x	5.1%
JD Logistics	China	7,445	10%	19%	42%	4%	0.3x	0.3x	0.3x	0.3x	20.2x	15.4x	7.8x	5.9x	16.0%
YTO Express	China	5,762	9%	6%	12%	12%	0.7x	0.6x	0.6x	0.6x	9.6x	8.7x	5.2x	4.8x	1.9%
Delhivery	India	3,645	22%	233%	NM	5%	3.0x	2.4x	2.7x	2.1x	NM	35.0x	52.0x	25.8x	0.0%
STO Express	China	1,629	11%	20%	69%	5%	0.3x	0.2x	0.4x	0.3x	15.5x	9.8x	7.3x	5.6x	-7.9%
Average			13%	49%	30%	11%	1.3x	1.1x	1.3x	1.1x	23.6x	18.0x	15.8x	10.3x	3.4%
On-Demand															
Meituan	China	60,089	14%	34%	86%	12%	1.3x	1.2x	1.4x	1.2x	15.3x	10.1x	11.2x	8.0x	9.3%
Zomato	India	14,660	30%	NM	205%	4%	10.6x	7.8x	9.5x	6.8x	NM	48.5x	NM	46.8x	1.0%
Grab	Singapore	12,532	23%	NM	NM	11%	4.4x	3.5x	4.2x	3.3x	NM	33.4x	36.9x	14.9x	-1.5%
GoTo Group	Indonesia	7,031	-2%	-47%	NM	-29%	9.4x	8.0x	7.3x	6.1x	NM	NM	NM	NM	-0.4%
Demae-can	Japan	551	13%	NM	NM	0%	1.2x	1.1x	0.7x	0.6x	NM	15.6x	NM	8.6x	0.0%
Average			16%	NM	NM	0%	5.4x	4.3x	4.6x	3.6x	15.3x	26.9x	24.0x	19.6x	1.7%
Online Classifieds															
KE Holdings	China	18,188	14%	9%	-2%	9%	1.5x	1.3x	1.2x	1.1x	14.4x	13.5x	13.7x	12.6x	8.4%
REA Group	Australia	16,078	13%	11%	19%	58%	14.8x	13.2x	14.7x	13.0x	42.1x	36.5x	25.4x	22.3x	2.7%
Info Edge	India	8,283	17%	21%	23%	42%	20.0x	17.4x	21.0x	18.1x	52.2x	37.2x	64.2x	51.3x	1.1%
CAR Group	Australia	8,010	11%	8%	14%	55%	10.1x	9.2x	10.9x	9.8x	30.6x	26.9x	20.3x	18.1x	3.9%
Seek Limited	Australia	6,181	9%	8%	18%	44%	7.1x	6.5x	8.2x	7.5x	34.3x	29.4x	18.6x	16.7x	4.7%
CyberAgent	Japan	3,126	6%	17%	32%	8%	0.6x	0.5x	0.6x	0.5x	16.8x	13.4x	7.6x	6.7x	10.4%
IndiaMart	India	1,876	21%	25%	24%	28%	10.7x	8.8x	8.6x	6.7x	41.3x	34.0x	30.3x	22.9x	3.1%
PropertyGuru	Singapore	573	15%	48%	NM	17%	4.5x	3.9x	2.8x	2.4x	NM	53.9x	16.8x	9.6x	1.0%
Average			13%	19%	32%	32%	8.7x	7.6x	8.5x	7.4x	34.0x	31.0x	24.8x	20.1x	4.2%
Online Travel															
Trip.com Group	China	24,425	12%	10%	14%	28%	3.5x	3.2x	4.0x	3.6x	17.4x	14.6x	14.1x	12.4x	8.6%
MMYT	India	5,025	33%	56%	31%	15%	4.6x	3.5x	4.0x	3.0x	26.3x	19.5x	27.6x	17.7x	3.6%
Tongcheng Travel	China	4,718	17%	12%	19%	23%	2.5x	2.1x	2.2x	1.9x	18.6x	14.4x	9.4x	7.7x	7.7%
Average			21%	26%	21%	22%	3.5x	2.9x	3.4x	2.8x	20.8x	16.2x	17.0x	12.6x	6.7%
Others															
JD Health	China	13,150	21%	51%	24%	3%	1.5x	1.2x	1.1x	0.9x	18.8x	14.8x	33.2x	19.2x	7.7%
Rakuten Group	Japan	9,681	5%	52%	NM	13%	0.7x	0.6x	6.0x	5.4x	NM	28.6x	47.1x	30.5x	6.0%

Exhibit 49: APAC Internet peers – compsheat

Highlighting key valuation metrics across coverage names & sectors

Company	Country	M. Cap US\$	2 yr CAGR 2023-25E			EBITDA Margin 2024	Price / Sales (x)		EV / Sales (x)		P / E (x)		EV / EBITDA (x)		FCF yield 2024
			Revenue	EBITDA	EPS		2024	2025	2024	2025	2024	2025	2024	2025	
AliHealth	China	6,351	15%	31%	16%	2%	1.3x	1.1x	0.9x	0.8x	38.0x	29.7x	40.0x	27.2x	4.8%
Cloud Music	China	2,507	28%	NM	NM	2%	1.0x	0.8x	1.4x	1.2x	49.6x	11.9x	60.2x	14.5x	4.6%
GMO Internet	Japan	2,007	6%	9%	-15%	23%	1.1x	1.1x	1.6x	1.5x	23.3x	20.0x	6.9x	6.0x	14.2%
Bengo4.com	Japan	664	28%	29%	50%	30%	6.5x	5.1x	6.3x	5.0x	33.6x	23.9x	20.7x	15.0x	3.3%
Average			17%	34%	19%	12%	2.0x	1.7x	2.9x	2.5x	32.6x	21.5x	34.7x	18.7x	6.8%
Social NW/Ad/Messaging															
Baidu.com	China	38,145	9%	10%	8%	23%	1.8x	1.7x	2.2x	2.0x	11.1x	9.8x	9.5x	8.5x	11.1%
Naver Corporation	Korea	28,497	13%	10%	21%	20%	3.4x	3.0x	3.5x	3.1x	28.1x	24.6x	17.2x	15.1x	4.4%
Kuaishou	China	26,945	10%	42%	80%	14%	1.5x	1.4x	1.3x	1.3x	13.2x	8.0x	9.3x	6.3x	9.1%
Kakao Corp.	Korea	20,454	13%	11%	44%	14%	2.8x	2.5x	3.0x	2.7x	35.9x	30.3x	21.8x	18.9x	2.5%
Weibo Corporation	China	2,191	5%	4%	0%	30%	1.2x	1.1x	0.5x	0.5x	4.4x	4.2x	1.7x	1.6x	26.1%
Average			10%	15%	30%	20%	2.2x	2.0x	2.1x	1.9x	18.5x	15.4x	11.9x	10.1x	10.6%

Source: BofA Global Research estimates, Bloomberg

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Exhibit 50: Companies taken in classification charts

Classified APAC internet names broadly across 9 key categories

E-Commerce	Fintech	Gaming	Logistics	On Demand	Online Classifieds	Online Travel	Others	Social NW/Ad/Messaging
Alibaba	Paytm	NetEase	Delhivery	Dingdong	KE Holdings	MakeMyTrip	Cloud Music	JOYY
AiHuiShou	Kakao Bank	HUYA	J&T Global Express	DADA NEXUS	Carsales	TongCheng Travel	AliHealth	Baidu.com
Bilibili	PB Fintech	Krafton	JD Logistics	Demae-can	Cyber Agent	Trip.com	Bengo4.com	Hello
Bukalapak	Xero	NetMarble	SF Holdings	GoTo Group	IndiaMart		GMO Internet Group	Kakao
Coupang		Tencent Holdings	STO Express	Grab	InfoEdge		JD Health	Kuaishou
JD.com			YTO Express	Meituan	PropertyGuru		Rakuten	Naver
Kakaku.com			ZTO Express	Zomato	REA Group			Weibo Corporation
Mercari					Seek Limited			
Nykaa								
Pinduoduo								
Sea limited								
Vipshop								

Source: BofA Global Research

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Glossary

DX: Digital transformation

IP: Intellectual property

AI: Artificial intelligence

LLM: Large language models

GMV/GTV: Gross merchandise/transaction value

BPC: Beauty & personal care

MAU: Monthly active users

KPI: Key performance indicators

MTU: Monthly transacting users

OTA: Online travel agents

PoSP: Point of sale person

MNO: Mobile network operators

MMORPG: Massive Multiplayer Online Role Playing Game

KOL: Key opinion leaders

BNPL: Buy now pay later

DFS: Digital financial services

B2B: Business to business

PDD: PinDuoDuo

TCOM: Trip.com

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

We, Sachin Salgaonkar, Jeehoon Jeong, CFA and Susie Lee, hereby certify that the views each of us has expressed in this research report accurately reflect each of our respective personal views about the subject securities and issuers. We also certify that no part of our respective 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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BofA Securities is currently acting as Financial Advisor to Tencent Holdings Limited in connection with its proposed investment in Global Blue Group Holding AG, which was announced on November 16, 2023

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	XVWJF	9899 HK	Lei Zhang
	Com2uS Corp	XOYAF	078340 KS	Jeehoon Jeong, CFA
	DBAPPSecurity	XDBAF	688023 CH	Daley Li, CFA
	Delhivery	XDVLf	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
	Hundsun Technologies	XYTGF	600570 CH	Daley Li, CFA
	HYBE	XBGOF	352820 KS	Susie Lee
	iQIYI	IQ	IQ US	Lei Zhang
	JD Health	JDHIF	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
	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
	Zee Entertainment Enterprises	XZETF	Z IN	Sachin Salgaonkar
	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

APR - Internet, Media and Software Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	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
	Zip Co Limited	ZIZTF	ZIP AU	Ware Kuo

RVW

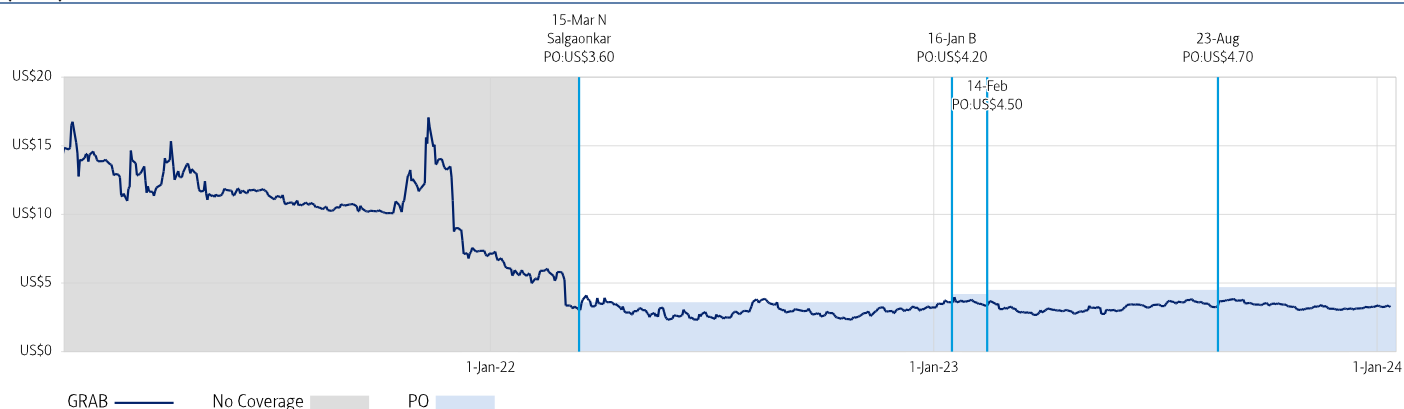
	Dada Nexus	DADA	DADA US	Lei Zhang
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Important Disclosures



Grab (GRAB) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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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}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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