IPO Note

Bukalapak IPO: Should we pay this much for getting into the hype?

July 27, 2021

Key Highlights

Despite its long history of growth, PT Bukalapak.com Tbk. (IDX:BUKA) is yet to prove its success in taping Indonesia's ever-growing e-commerce market. Its lack of market share and lack of product differentiation stand as primary challenges to making sense of the demanding valuation. We identify few of many considerable risks associated with an investment in BUKA so that investors can better judge their fair valuation towards BUKA and preventing paying too much for getting into the hype.

Company Description

BUKA is legally founded in September 2011 in Bandung by Achmad Zaky, Nugroho Herucahyono, and M Fajrin Rasyid, all colleague living in the same dorm room while studying at ITB and now all three are no longer serving BUKA. BUKA is currently planning to lists 25% of its shares post-IPO in IDX and raise up to IDR22tn, all proceed will goes to working capital use. BUKA revenue segments include marketplace, online to offline, and wholesale. The company operates and serves Indonesian market only.

Key Considerations

- How does IPO works in Indonesia and what is next for BUKA?
- Does BUKA deserves this much premium?
- What's that hype?
- Can we really hold on to the commitment of existing shareholders to not selling their shares after IPO?
- How much are you willing to pay?

Ballpark Indicative Valuation (P/S Ratio vs Global Peers)

IDR 270 to IDR 759

per share, see valuation segment for details

Ownership Post-IPO

Name	Percentage (%)
Kreatif Media Karya	23.93
API (Hong Kong) Inv.	13.05
Archipelago Inv.	9.45
Others	28.57
Public	25.00

IPO Schedule

Effective Statement	26 July
Public Offering	27-30 July
Allotment	3 August
Electronic Distribution	5 August
Refund	5 August
Listing at IDX	6 August

The PodCa$h by Nilzon Capital

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How does the IPO works in Indonesia and what is next for BUKA?

The IPO mechanism in Indonesia can be broken down into three main events: 1) the bookbuilding; 2) the public offering; and 3) the listing. The bookbuilding period is started when the company gets pre-effective statement from OJK and thus allowing the company to announce its preliminary prospectus and gather **unbinding** public interest. During this event, **anybody can submit their purchase interest without having any obligation to put any money upfront**. Some random university student with a portfolio value of only Rp1mn can submit the bookbuilding form and declares interest to buy – say – Rp10bn of BUKA shares without having to prove that he/she has the money in the bank. Even worse, he/she can still get the fixed allotment without any binding financial commitment. BUKA seems to gather so much attention during this bookbuilding period, with rumour saying the oversubscription is amounted to 4x of the initial IPO size, or in this case around IDR87trn ($6 bn).

CNBC INDONESIA
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CNBC Indonesia > Market > Berita Market

Wah! Bukalapak Disebut Patok Harga Rp 850, Oversubscribed 4x?

MARKET - Monica Wareza, CNBC Indonesia | 22 July 2021 07:30

Source: https://www.cnbcindonesia.com/market/20210722071239-17-262639/wah-bukalapak-disebut-patok-harga-rp-850-oversubscribed-4x

Does this oversubscription rumour make sense?
Unless the underwriters are willing to make official statements, anyone can guess anything. However, we need to be very critical in digesting this information. There is no universally-accepted definition of oversubscription, and oversubscription is - most of the times - self acclaimed. On every news we observed, each of the **media outlets are referring to an unnamed source** that they deem "trusted source." Relying on this "trusted source" alone in making decision to rush into BUKA IPO can expose investors to an unbearable risk of losing money.

"Trusted source" 1:

https://stocksetup.kontan.co.id/news/ipo-bukalapak-kabarnya-ovesubscribed-empat-kali-apa-kata-analis-1?page=all

STOCKSETUP
Home Bursa Emiten Indeks IPO Rekomendasi

PO Bukalapak kabarnya ovesubscribed empat kali, apa kata analis?

amis, 22 Juli 2021 | 06:35 WIB Reporter: Dityasa H. Forddanta

KONTAN.CO.ID - JAKARTA. Meski sebagian pihak menilai valuasi Bukalapak mahal, penilaian ini tak lantas membuat *initial public offering e-commerce* tersebut sepi peminat. Bahkan, IPO Bukalapak dikabarkan mengalami kelebihan permintaan atawa *oversubscribed*.

Sumber KONTAN menyebut, harga pelaksanaan ditetapkan di level Rp 850 per saham. Ini batas kanan dari rentang harga IPO yang sebelumnya ditetapkan, paling rendah Rp 750 per saham.

"Trusted source" 2:

https://www.trenasia.com/tetapkan-harga-di-batas-atas-total-pesanan-ipo-bukalapak-tembus-rp-86-1-triliun

TrenAsia

Gokil! Saham IPO Bukalapak Oversubscribed Tembus Rp86,1 Triliun

23 Juli 2021 04:01 WIB

JAKARTA – *Unicorn e-commerce* lokal, PT Bukalapak.com Tbk dikabarkan telah menerima pesanan lebih dari US$6 miliar atau setara dengan Rp86,1 triliun (asumsi kurs Rp14.350 per dolar AS) pada masa penawaran umum perdana saham (*initial public offering*/IPO).

Source???

"Trusted source" 3:

https://www.reuters.com/technology/bukalapak-raises-15-bln-indonesias-biggest-ipo-sources-2021-07-21/

REUTERS® World Business Legal Markets Breakingviews Tech

July 21, 2021
10:45 AM WIB
Last Updated 7 days ago

Technology

E-commerce firm Bukalapak prices Indonesia's biggest IPO at top end - sources

2 minute read

Anshuman Daga, Scott Murdoch

SINGAPORE, July 21 (Reuters) - Indonesian e-commerce firm Bukalapak has raised $1.5 billion in its initial public offering, the country's largest issue, after pricing it at the top of an indicated price range, three sources familiar with the matter said on Wednesday.

The IPO by Indonesia's fourth-biggest e-commerce company, which is backed by Singapore sovereign investor GIC and Microsoft (MSFT.O) among others, comes as Indonesia's $40 billion e-commerce market is benefiting from strong pandemic-driven demand.

"Trusted source" 4:

https://swa.co.id/swa/capital-market/meneropong-prospek-saham-bukalapak

SWA

SWA BUSINESS CHAMPIONS NEXT GEN YOUNGSTER INC

#Covid-19 #Entrepreneur #Fintech #CSR #CE

SWA - Capital Market & Investment

Meneropong Prospek Saham Bukalapak

by **Vicky Rachman** - July 26, 2021

Investor meminati saham Bukalapak, kendati perusahaan ini masih mencatat kerugian. Pertumbuhan bisnis e-commerce di masa mendatang diyakini investor akan memutarbalikkan kinerja Bukalapak sehingga investor mengapresiasi IPO-nya. Anda berminat beli?

Alhasil, saham ini berpotensi mencatatkan kelebihan permintaan (*oversubscribed*). Merujuk *Reuters* pada 21 Juli 2021, dua sumber yang namanya enggan dipublikasikan menyebutkan bahwa saham ini pada masa *bookbuilding* mengalami kelebihan permintaan senilai US$ 6 miliar atau setara dengan Rp 87 triliun sehingga *oversubscribed* saham BUKA mencapai empat kali lipat dari target nilai emisi itu.

Walau demikian, laju bisnis perusahaan lokapasar (*marketplace*) ini belum menggembirakan. Pendapatan bersih Bukalapak pada 2020 senilai Rp 1,35 triliun atau naik 25,55% dari Rp 1,08 triliun di 2019. Namun, perusahaan *e-commerce* yang didirikan Achmad Zaky dan koleganya di 2010 itu membukukan rugi bersih Rp 1,35 triliun. Nilai kerugian di tahun lalu itu lebih rendah 51,74% daripada rugi bersih pada 2019 senilai Rp 2,79 triliun. Adapun rugi bersih per saham yang dapat diatribusikan kepada pemegang saham entitas induk senilai Rp 171,48, lebih rendah daripada sebelumnya yang sebesar Rp 365,79.

"Trusted source" 5:

https://kumparan.com/kumparanbisnis/saham-bukalapak-disebut-banjir-peminat-dana-ipo-tembus-rp-86-9-triliun-1wBih6EVJVw/full

kumparanBISNIS

BISNIS · 23 Juli 2021 10:43 · waktu baca 2 menit

Saham Bukalapak Disebut Banjir Peminat, Dana IPO Tembus Rp 86,9 Triliun?

Dikutip dari *Reuters*, startup teknologi bidang marketplace pertama yang akan melantai di Bursa Efek Indonesia ini, disebut-sebut kelebihan permintaan alias *oversubscribed* hingga 4 kali lipat.

Minat Investor Ritel & Institusi ke IPO Bukalapak Besar, Rawan Aksi Ambil Untung
kumparanBISNIS · 19 Jul 2021

Mengutip sumber yang tak disebutkan identitasnya, *Reuters* menyebut permintaan saham di IPO Bukalapak mencapai USD 6 miliar atau setara Rp 86,9 triliun. Jumlah itu setara 4 kali lipat dari target yang dipatok, sebesar USD 1,5 miliar atau setara Rp 21,9 triliun.

Effective statement and public offering

On July 26, BUKA got the effective statement from OJK, thus moving its IPO forward into the public offering phase. During this event, public (including those who get the fixed allotment) can submit their IPO subscription form **and pay the actual amount of money** that they are willing to pay and invests. We see that the true public interests shall be measured based on the amount of money underwriters can successfully gather. The key to this event is the full payment of IPO subscription order.

What if the public (including those who gets the fixed allotment) fail to make the payment on time? At this stage, underwriters are already binded by legal deed made between BUKA and each underwriter so that each underwriter shall not fail to fulfill their commitment to deliver IPO payment and allotment on time. If they fail to do so, then they need to fill the remaining amount between the IPO target proceeds and filled amount by using their own money. This is rarely the case, most of the time the underwriters will stop the IPO process if they see there is not enough demand for the IPO. However, when this is happening, then this will become a major negative influence on stocks performance after IPO.

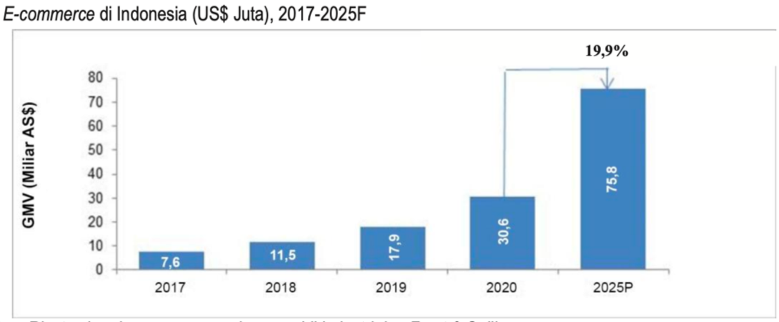
Does BUKA deserves this much premium?

Often times, market is awarding premium valuation for companies that is proven to be a dominant player in the industry, having advanced technological leads over its competitors, backing of expert management, or simply because they are first movers. Perfect example of this thesis are Tesla in EV space, Amazon in online commerce, Bank BCA in banking, Bank Jago in digital banking, Zoom in video conferencing, and Moderna for pioneering the use of mRNA for disease cure. This premium valuation may disconnect company valuation with reality, but at least investor can rest assured that their investment is performing because of company's advantages over its peers.

Does BUKA has the most market share?

Based on their own disclosure in the prospectus, Frost & Sullivan estimates that BUKA has secured a market share of 14.8% in Indonesia ecommerce business, measured by GMV. Also from Frost & Sullivan, they estimate Indonesia GMV for ecommerce shall grows by 19.9% CAGR between 2020-2025. **The base case for BUKA performance after IPO should be gaining market share**, so that they can grow their revenue faster than 19.9% per annum, or increase their "take rate," the amount ecommerce platform like BUKA charges from its merchant in order to make revenue. **Failure to do either may force investors to revisit their premium valuation over BUKA stocks**.

GMV *E-commerce* di Indonesia (US$ Juta), 2017-2025F



Sumber: Riset sekunder: wawancara dengan ahli industri dan Frost & Sullivan

Pada tahun 2020, kota tingkat 1 mewakili sekitar 70% dari pasar *E-commerce* berdasarkan GMV. Pada tahun 2025, pangsa ini diperkirakan akan berkurang hingga mencapai sekitar 52%, seiring dengan ekspansi kehadiran para pemain *E-commerce* ke kota-kota tingkat 2 dan tingkat 3.

Salah satu contoh utama adalah Bukalapak, yang menargetkan peritel mikro dan sejenisnya di segmen UMKM melalui program Mitra Bukalapak. Bukalapak adalah pemain *E-commerce* terkemuka di kota non-tingkat 1 di Indonesia, dengan pangsa pasar sebesar 35% pada tahun 2020 berdasarkan GMV, dan menguasai pangsa pasar sekitar 14,8% dari seluruh segmen *E-commerce* di Indonesia pada tahun yang sama.

Source: Prospectus

If BUKA is not winning the market share, wo does?

There is no explicit explanation in the prospectus regarding market share ranking. But, Momentum Works's research titled "**Blooming Ecommerce in Indonesia**" shows that Shopee is winning Indonesian market share with $14.2bn in GMV, followed closely by Tokopedia with around the similar GMV. Then, there is Lazada with estimated $4.5bn GMV and Bukalapak finished in the 4th place with estimated $3bn GMV. Momentum Works also says the gap between Shopee+Tokopedia and Lazada+Bukalapak is widening.

Source: *https://thelowdown.momentum.asia/indonesia-ecommerce-marketplace-gmv-reached-us40-billion-with-shopee-and-tokopedia-leading/*

What are the most likely cause of BUKA lack of market share?
To be honest, we don't know. But, based on a scientific journal published by Mykolas Romeris University in 2015, some factors influencing consumer behavior in making online purchase include ease of access, trust, and pricing. See the detail below:

Table 2. **Important factors in shopping online according to age, gender and occupation**

		Smaller price	I can find a different product	Lack of time	Greater variety of products	Easier and more convenient	Other
Overall	183	59.3	33.	42.9	39.	72.	4.4
Gender							
Man	102	51.	29.4	47.1	33.3	73.5	2.
Woman	80	70.	37.5	37.5	46.3	70.	7.5
Age							
18–24	22	54.5	40.9	36.4	54.5	68.2	4.5
25–34	86	59.3	36.	53.5	47.7	79.1	3.5
35 and more	74	60.8	27.	32.4	24.3	64.9	5.4
You are							
Entrepreneur	61	63.9	45.9	41.	52.5	70.5	6.6
Employee	100	57.	29.	46.	32.	74.	2.
Student	5	60.	0	20.	20.	60.	0
Unemployed	2	0	0	50.	0	50.	0
Other	14	64.3	21.4	35.7	42.9	71.4	14.3

Source: https://core.ac.uk/download/pdf/197248794.pdf

So, does that mean BUKA products are not the cheapest around?
This is arguable. However, based upon that research, we think it will be better if we do a little channel check on all major platforms. The following table shows index sampling for each platform and product category. A number of 100 means that the product on that category in particular platform is being sold at average price versus all platforms. **An index above 100 means that the product is being sold above the average price**, and the opposite for index below 100. It is safe to assume that the platform selling the cheapest product is having an undisputed advantage over competitors and reserves greater chance to winning market share.

Product Category	Product Description	Product Image	Price Index			
			BUKA	Shopee ID	Tokopedia	Lazada ID
Rice	DAAWAT EVERYDAY BASMATI RICE GOLD 1 KG		139.60	86.61	84.05	89.74
Meat	Champ Nugget Chicken 1 kg		95.74	100.61	100.61	103,.04
Eggs	Omega Chicken eggs		128.11	96.80	92.53	82.56
Nutrient	Vitamin c 1000 Sido muncul		97.76	99.37	103.51	99.37

Product Category	Product Description	Product Image	Price Index			
			BUKA	Shopee ID	Tokopedia	Lazada ID
Clothing	Yovis skirt, women's long sport gymnastics pants		109.68	70.40	139.17	80.76
Footwear	Larocking - Ash Vortex | Sneakers Running Gym Shoes Sports - Abu, 41		120.95	93.02	93.02	93.02
Baby wear	Happy Nappy Pants S40 M34 L30 XL26		101.89	100.50	99.21	98.41
Beauty	(small) WARDAH BB CREAM EVERYDAY BEAUTY BALM,SPF 30- 15ML - light		133.04	62.30	56.19	148.47
Bathing soap	Lifebuoy mild care refill 900ml		108.54	93.42	98.26	99.77
Personal Computer	Apple MacBook Air 2020 M1 Chip MGN63 MGN93 MGND3 13 Inch 8GB SSD 256GB		97.89	113.60	94.26	94.26
Mobile phone	iPhone 11 Pro max 256gb second		95.98	99.52	99.13	105.37
Mobile top-up	Pulsa Telkomsel 50.000		100.00	100.00	100.00	100.00
Furniture	Foam Sheet 150x100x2 cm Royal Foam D.20 Density 20 Yellow		95.36	98.41	98.99	107.24
Kitchenware	Kirana Kitchen Set Portland Wood Kitchen Cabinet Top 3 Doors Minimalist Classic Paint Duco - White		95.83	101.39	101.39	101.39
		Average	**108.60**	**94.00**	**97.16**	**100.24**

Source: Bukalapak, Shopee, Tokopedia, Lazada, Nilzon Capital. Actual price may vary across platforms and different merchant. Data shown is collected on best-effort basis by comparing the same merchant in different platforms to make the index more consistent, if any. The index is not taking into consideration the delivery fees, insurance, customer care, etc.

Using only the results of the product sample shown in the table above, BUKA's products are relatively more expensive compared to the peers in Indonesia. With an index average of 108.60, BUKA ranks the last among four. **Shopee and Tokopedia rank the best and thus consistent with the thesis on why these two are dominating the ecommerce landscape in Indonesia**. You may be eager to become a BUKA investor, but will you feel the same if you should buy groceries pricier than the store next door?

If BUKA is not the cheapest, at least they are the most well known?
To examine that question, we need to do the most exciting channel check ever: raise your phone and go to Instagram alike. The following table summarizes BUKA presence in the social media and app stores.

Metrics	BUKA	Shopee	Tokopedia	Lazada
Instagram followers	1.6M	7.7M	3.7M	2.9M
Twitter followers	215K	603K	852K	32K
Facebook likes	2.4M	21M	6.3M	31M
App Store rating	3.9	4.6	4.8	4.8
App Store reviews count	124K	629K	343K	407K
Play Store rating	4.7	4.6	4.6	4.4
Play Store reviews count	2M	8M	4M	9M

Source: Instagram, Twitter, Facebook, App Store, Play Store.

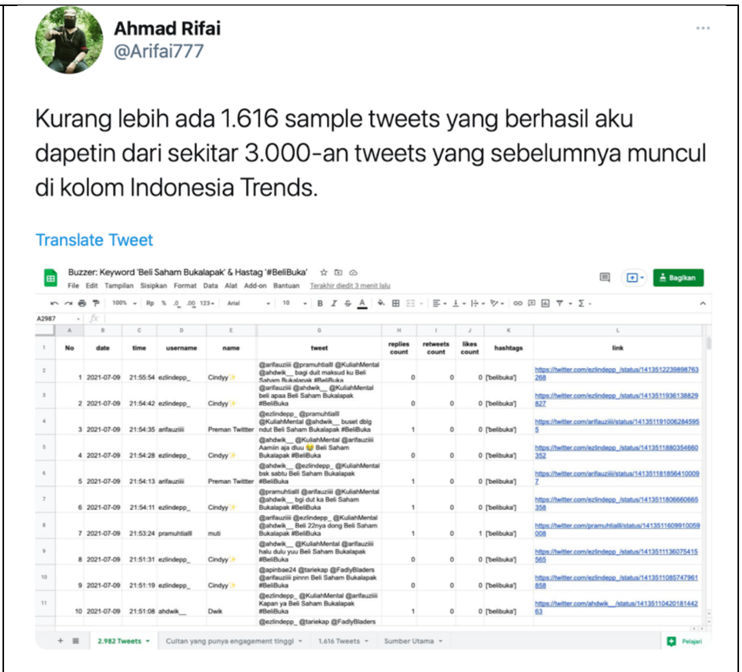
Based on the metrics highlighted above, Shopee dominates the e-commerce business in Indonesia with most followers and most reviews signifying that many people are using the platform. BUKA is almost having the least followers, reviews, and average rating compared to its peers.

What's that hype?

Right after the announcement of BUKA bookbuilding, the hashtag of #BeliBuka and keyword 'Beli Saham Bukalapak' become trending on Twitter. However, there is one account **@Arifai777 that successfully captured the moment where the hashtag and the keyword gone wrong**. It is suspected that **hundreds of BOT accounts** (a 'dead' Twitter account controlled by computer algorithm with no real human owning them, sometimes can be spotted with zero activity and has just joined Twitter less than 1 year) were deployed to populate Twitter with tweet storm that - unfortunately - containing a misleading information. **Although it is unwise and unethical to accuse anyone behind this BOT accounts deployment** - moreover if you are lacking facts - but this mishandling of BOT accounts is worth a view. Furthermore, it is unclear what is the true purpose of the BOT master by creating such a buzz, or whether it is involving economics motive.

Source: https://twitter.com/arifai777/status/1413761074554294272?s=21 accessed 27 July 2021


Ahmad Rifai @Arifai777 · 7/10/21
Dari hasil screenshot-an di jam 11.15 malam, keyword 'Beli Saham Bukalapak' jadi trending ke-13 sampai ke-12 di Indonesia dengan volume (mencakup total tweet, retweet, & reply) sebanyak 3.310 tweets.
Trends
8 · K-pop · Trending
SUHO BEST LEADER
41.5K Tweets
9 · K-pop · Trending
Hype
155K Tweets
10 · K-pop · Trending
UN VILLAGE 2nd ANNIVERSARY
20.1K Tweets
11 · Trending
Baal
69.4K Tweets
12 · Trending
beli saham bukalapak
3,310 Tweets
13 · Video games · Trending
Inazuma
94.7K Tweets
14 · Trending
Jalur
5,082 Tweets


Ahmad Rifai
@Arifai777
Kurang lebih ada 1.616 sample tweets yang berhasil aku dapetin dari sekitar 3.000-an tweets yang sebelumnya muncul di kolom Indonesia Trends.
Translate Tweet
Buzzer: Keyword 'Beli Saham Bukalapak' & Hastag '#BeliBuka'


Ahmad Rifai @Arifai777 · 7/10/21
Tweet tersebut dibuat sama @Marisa75000820 yang punya 1 following dan 0 followers.
Akun ini sendiri baru eksis sejak Maret 2021 dan sejauh ini udah bikin 34 tweets.
Marisa
34 Tweets
Follow
Marisa
@Marisa75000820
Joined March 2021
1 Following 0 Followers
Not followed by anyone you're following


Tweet
Cindyy✨ @ezlindepp_ · 15h
kalo mau beli saham tuu ya di cek duluu gimana-gimana nya perusahan itu, jangan asal beli dan pastiin perusahan ituu bener-bener sehat. Beli Saham Bukalapak #BeliBuka
Tata Cara Memesan Saham Bukalapak pada Pen...
Bukalapak adalah unicorn pertama di Indonesia yang telah memperoleh izin publikasi atas ...
youtube.com
2
12


KULIAH MENTAL @KuliahMental · 15h
Beli saham guna untuk kepentingan dimasa depan dan bermanfaat dimasa skrg.
Dengan Beli Saham Bukalapak kamu udah bantu UMKM, bermanfaat bgt kan!!!
#BeliBuka
#BerkembangBersama Bukalapak
'Sekecil' apapun kita saat ini, sebesar apapun mimpi kita untuk esok hari, jangan pernah ...
youtube.com
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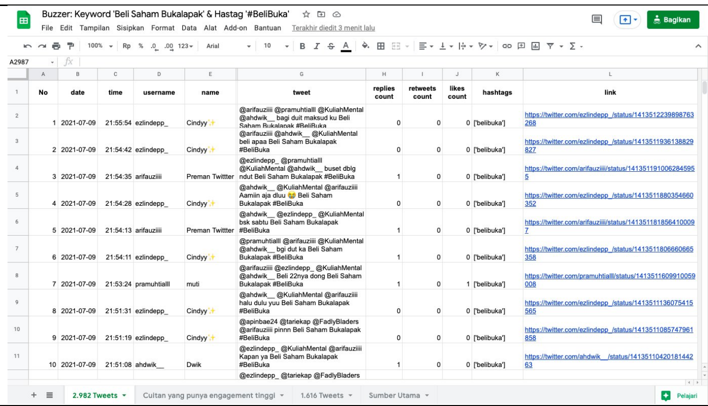
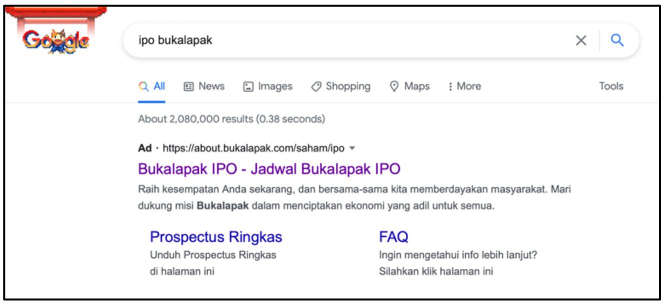

Buzzer: Keyword 'Beli Saham Bukalapak' & Hastag '#BeliBuka'

Apestor = a slang for investors who lose money. 'Apes' means bad luck.

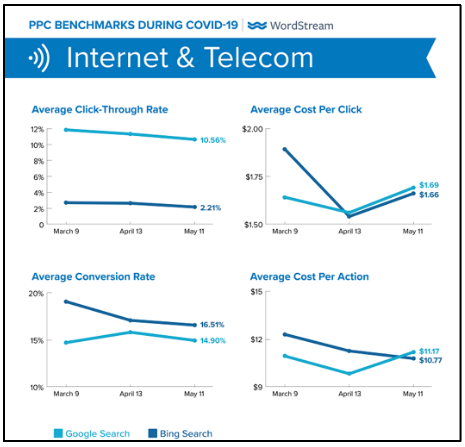
See complete list of BOT tweets and generic template deployed by the BOTs, made by @Arifai777:
https://docs.google.com/spreadsheets/d/1lfg1cw4l6YiO3n_8KvtetjibNiAwlSIjYwQ0YWpOqQQ/edit#gid=446123168

But at least BUKA doesn't have to spend much on advertising their IPO, right?

We are not an expert in valuing digital advertising value. But, based on our Google search on 27 July 2021, here's what we found by searching 'IPO Bukalapak':



Note that an "Ad" icon is shown by Google, indicating a paid promotion to reserves the top result on Google search. According to WordStream, there is no fixed pricing to show your ads in Google search, but the benchmark is under $1 per click.



Source: https://www.wordstream.com/blog/ws/2015/05/21/how-much-does-adwords-cost

Can we really hold on to the commitment of existing shareholders to not selling their shares after IPO?

Based on their disclosure in the prospectus, all shareholders except those who are binded by mandatory lockup (8 months) and RDPT Batavia, agreed to hold at least 90% of their current holdings until 8 months after the effective statement from OJK. In other words, **all 22 shareholders listed in the table are free to sell up to 10% of their holdings beginning right in the first trading day of BUKA shares,** and up to 100% shares can be sold after 26 March 2022. This translates to potential additional of IDR2.2trn in the first day of trading (scheduled on 6 August 2021) and potential additional of IDR20trn later in March 2022 from these 22 shareholders alone. By comparison, the total daily trading value for all stocks in IDX was around IDR13trn on 27 July 2021.

However, investors should highlight that such commitment is made between each investor and BUKA, with no regulators or third party that may be available to enforce such bilateral agreement.

Para pemegang saham Perseroan selain dari Para Pemegang Saham Wajib Lock-Up dan RDPT Batavia Sektoral 1 ("**Para Pemegang Saham Lock-Up Sukarela**") telah sepakat untuk tidak menjual atau mengalihkan 90% sahamnya dalam Perseroan sampai dengan 8 (delapan) bulan setelah pernyataan pendaftaran sehubungan dengan Penawaran Umum Perdana menjadi efektif berdasarkan perjanjian yang ditandatangani antara masing-masing dari Para Pemegang Saham Lock-up Sukarela dengan Perseroan kecuali memperoleh persetujuan tertulis terlebih dahulu dari Perseroan. Berikut di bawah ini merupakan rincian dari Para Pemegang Saham Lock-Up Sukarela:

No.	Para Pemegang Saham Lock-Up Sukarela	Tanggal Perjanjian	Jumlah Saham *Lock-Up Sukarela*
1.	500 Durians II, L.P.	21 Juni 2021	65.853.727
2.	500 Startups III, L.P.	21 Juni 2021	76.702.830
3.	Adi Wardhana Sariaatmadja	21 Juni 2021	691.906.951
4.	Alvin W. Sariaatmadja	21 Juni 2021	691.906.951
5.	API (Hong Kong) Investment Limited	23 Juni 2021	12.103.516.415
6.	Batavia Incubator Pte. Ltd.	21 Juni 2021	2.293.177.320
7.	Endeavor Catalyst II, L.P.	21 Juni 2021	77.351.243
8.	Endeavor Catalyst II-A, L.P.	21 Juni 2021	1.723.838
9.	IMJ Fenox Global Investment Limited	12 Juni 2021	153.350.303
10.	Irep Co. Ltd.	23 Juni 2021	460.098.354
11.	Jay Geoffrey Wacher	21 Juni 2021	76.734.460
12.	Komodo Indigo Investment Ltd.	21 Juni 2021	355.837.861
13.	Komodo Opportunity Venture 1 Ltd	17 Juni 2021	358.099.409
14.	Muhamad Fajrin Rasyid	21 Juni 2021	2.452.790.370
15.	New Hope OCA Limited	23 Juni 2021	2.933.638.024
16.	Nugroho Heru Cahyono	21 Juni 2021	1.931.108.344
17.	One Shinhan Global Fund 1	21 Juni 2021	433.884.965
18.	Pandu Patria Sjahrir	21 Juni 2021	13.371.598
19.	PT Asia Sahabat Indonesia	21 Juni 2021	65.624.410
20.	PT Rockpool Teladan Investa	21 Juni 2021	295.013.309
21.	Queensbridge Fund I, L.P.	14 Juni 2021	172.541.825
22.	Sutanto Hartono	21 Juni 2021	13.371.597

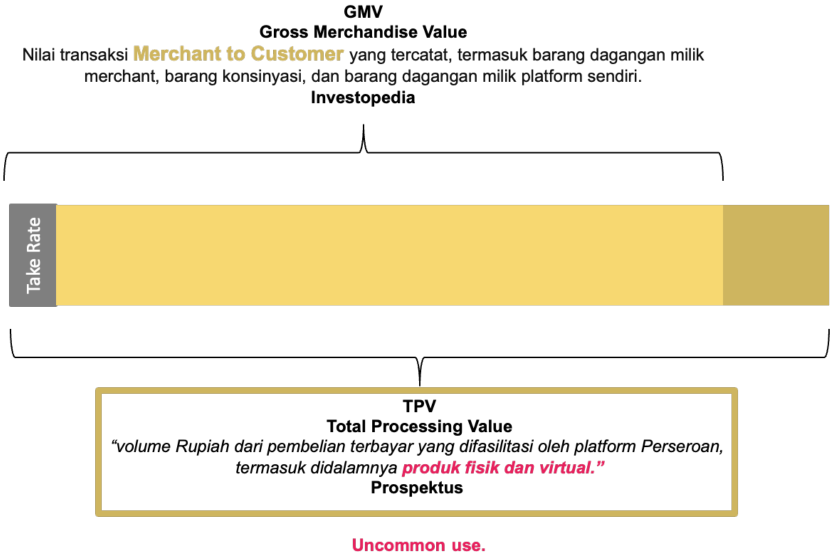
Source: Prospectus

How much are you willing to pay?

After considering all non-financial matters above, here comes the real question: how fair is BUKA value?

Company is valued primarily based on their strength to generate income or capital gain for their shareholders. However, there may be an extra consideration whether certain company can be valued at premium or should be valued at discount by considering their future growth potential. Usually, for ecommerce business, the common valuation metric to evaluate company value versus its peers is based on Market Cap to GMV multiple. However, since BUKA is not officially discloses its GMV and prefer the use of TPV instead, we can't measure BUKA valuation using this metric. Any attempt to value BUKA using Market Cap to TPV will distort the whole idea of consistent valuation among industry peers, not to mention the risk of overestimation of BUKA fair value.

What is TPV and GMV?
Based on our observation, there is no other public-listed ecommerce company in the world that discloses its TPV number, let alone having a uniform definition of TPV. Companies like Amazon, Alibaba, Pinduodo, and Mercado Libre all discloses their GMV but not mentioning TPV number whatsoever. Thus, based on what we can observe, the definition of TPV and GMV can be summarized as follows:



Our understanding of GMV is all transaction coming from sale of merchant's product to customer, sale of consigment goods, and platform-owned goods (like Amazon Fire, Amazon Alexa, etc). Meanwhile, TPV is the number of all transaction from GMV plus the sale of virtual goods (pulsa, electric bill, water works, tax payment, etc). Thus, we assume that the TPV for BUKA is greater than its GMV.

The tricky part by using TPV is that the TPV gross margin may distort the 'take rate' (revenue divided by total GMV), a measurement of how much the ecommerce platform cut from its merchant for each transaction. Plus, virtual goods like pulsa and electric bill only provides the company with a mere 0.5% gross margin. Thus, investors who assumes Market Cap/TPV ratio as the same as Market Cap/GMV may get a disastrous valuation.

Our observation shows that BUKA's take rate is at around 1.7% if they use TPV as the basis for replacing GMV, compared to those of Shopee (4%). Also, Momentum Works's report showing Bukalapak GMV at $3bn, half of those TPV claimed by the management at $6bn. This could be the explanation on why the Bukalapak takerate was considerably low.

Is there any other way to measure how much we should value BUKA?
Plenty. But, on this note we will focus only on one of the best inventions in the capital market:

Price/Sales ratio or P/S ratio is a ratio to measure how much investors willing to pay for every $1 sales that the company makes. The formula is to divide company's Market Cap with its Sales or Revenue. The use of P/S ratio can minimize the distortion that likely arises if investors are using MarketCap/GMV or MarketCap/TPV. We don't see this P/S ratio as the most accurate tools, but as long as investors can be consistent and can include other qualitative judgements on his/her valuation, then the P/S ratio shall serve him/her well.

Since BUKA is the first of its kind to lists their shares in the IDX, there is no other public-listed domestic company that can be compared head-to-head with BUKA. Thus, we need to go beyond borders by considering global ecommerce companies, including Alibaba (BABA), Pinduodo (PDD), Sea Ltd (SEA), Shopify (SHOP), and Amazon (AMZN).

The table below shows you the brief differences among the companies we mentioned:

Metrics	BUKA	PDD	BABA	AMZN	SHOP	SEA
Primary Services	e-commerce, wholesale	e-commerce, wholesale, Fresh Produce	Diversified, e-commerce, Cloud computing	Diversified, e-commerce, cloud computing, manufacturing, warehousing	Merchant solution, subscription	Diversified, Digital Finance, e-commerce, gaming, food delivery
Biggest Profit Contribution	e-commerce	e-commerce	e-commerce	Cloud Computing	Merchant solution	Gaming
Target Market	Sub-urban	Sub-urban	wide segment	wide segment	B2B	Wide segment
Country of Operation	Domestic	Domestic	Worldwide	Worldwide	Worldwide	ASEAN
Profitability (2020)	Loss	Loss	Profit	Profit	Profit	Loss

Source: 10-K, Prospectus

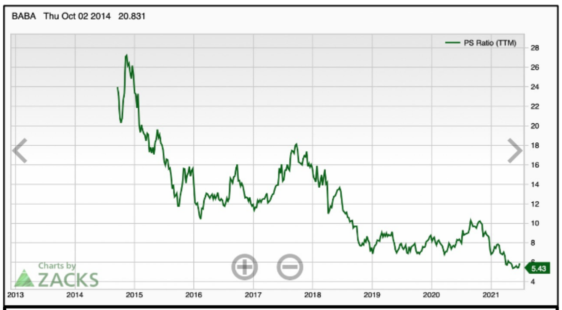
Based on the table above, we consider PDD and BABA to be BUKA's closest industry peers, due to its ecommerce business segment dominating the gross/operating profit contribution. On the contrary, most of AMZN profits are coming from its AWS (cloud computing), while SHOP is coming from merchant solution (30% of its revenue is coming from subscription service), and SEA majority of income is coming from its gaming business (Garena). Investors may be better off to eliminate all three (AMZN, SHOP, SEA) in doing peer valuation analysis, so that the multiples are not distorted by the fact that they have a different revenue model.

The table below summarizes financial data of BUKA and its peers, showing a distant P/S ratio versus PDD and BABA:

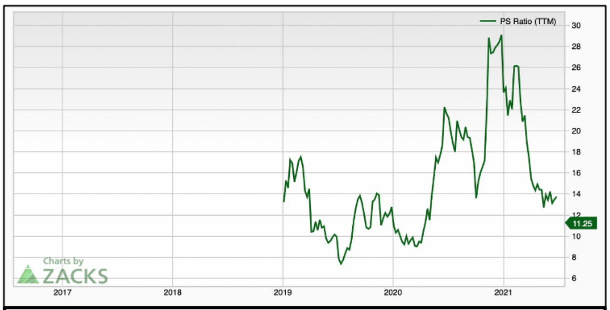
Financial Data (LTM March 2021)				
	Bukalapak (IDR)	**PinDuoDuo (USD)**	**BABA (USD)**	**Shopify (USD)**
Market Capitalization	87.6 trn	168 bn	571 bn	183.6 bn
GMV (or TPV)	85 trn	250 bn	1,124 bn	139 bn
Enterprise Value	77 trn	120 bn	661 bn	176.8 bn
Revenue	1.4 trn	11 bn	110.9 bn	3.4 bn
Gross Profit	1.3 trn	7.2 bn	45.8 bn	1.8 bn
EBIT	(1.9) trn	(1.4) bn	13.9 bn	0.36 bn
Net Income	(1.9) trn	0.92 bn	23.3 bn	1.6 bn
Mkt Cap/GMV (or TPV)*	1.03x	0.67x	0.51x	1.32x
Mkt Cap/Revenue*	**60.20x**	**14.46x**	**5.15x**	**53.26x**

**) Using IDR850/share for BUKA*
Source: Capital IQ, Prospectus

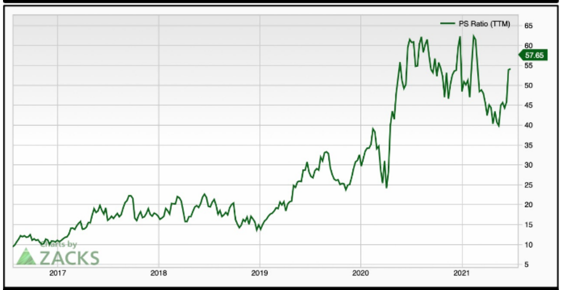
Current P/S ratio of BUKA sits around 60x, while PDD and BABA ranging from 5.15x to 14.46x. SHOP P/S ratio is excluded due to distant business model with BUKA. Historically, both PDD and BABA never touches P/S as high as 60x. The most they can get is at 28x current P/S, as seen below:



BABA (max: 28x)



PDD (max: 29x)

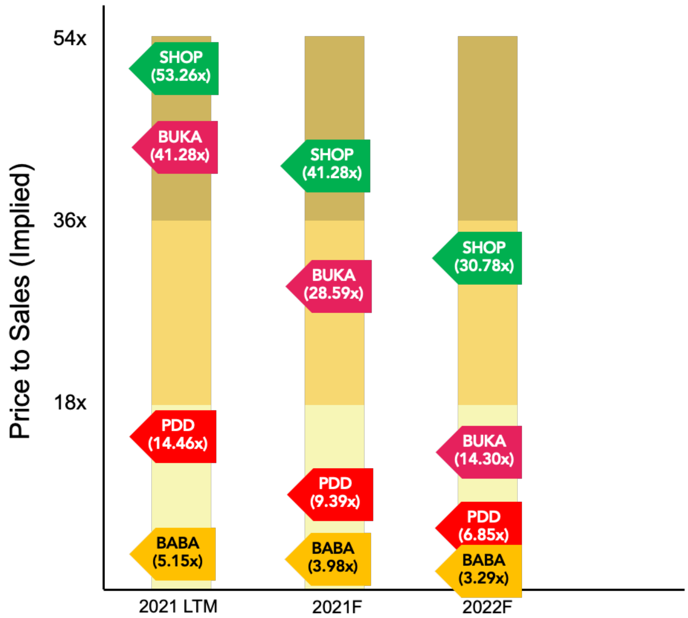


SHOP (max: 63x)

Source: Zacks

What should we expect from BUKA in order to adjust its current valuation?

In order to better simulate its current valuation, we can put any assumption on BUKA future performance, including its revenue expectation. By expecting 100% annual revenue growth between 2021-2022, we should expect BUKA to book IDR5.4trn revenue for the year of 2022. Thus, one can assume that BUKA forward 2022 P/S ratio shall sits at 14.3x in 2022, somewhat similar to current P/S ratio of PDD. However, this is still assuming that BUKA can managed to book 100% annual growth in sales between 2021-2022, and assuming BUKA market cap stays the same for the next 2 years (zero capital gain).



Source: Capital IQ, Nilzon Capital estimates

So, how much should we pay?

Before jumping into the pricing hypothesis, we need to hold the following assumption as true:

1. We need to use the current P/S ratio range for PDD and BABA (5.15x to 14.46x);
2. BUKA annual revenue growth for 2021-2022 is 100% CAGR, indicating IDR5.4trn revenue in 2022;
3. Stable take rate and no significant changes in business model; and
4. Market cap stays the same until end of 2022 (zero capital gain) and no significant corporate action.

Thus, the simulated valuation using above assumptions will results in a price range of:

IDR 270 to IDR 759

in the year of 2022.

2022 Forward		
Mkt Cap/Revenue	**Min**	**Max**
Range	5.15x	14.46x
Price per Share	IDR 270	IDR 759

Valuation is an art and shall not be taken as your only consideration in making investment decision.

Appendix

Companies with expected revenue growth of over 100%:

Company	Market Cap (USD bn)	Est Revenue Growth 1-Yr	Industry
PT Bank Jago	16	705.30%	Fintech
PT Alam Sutera Realty	0.2	128.30%	Real Estate
PT Bekasi Fajar Industrial Estate	0.083	126.40%	Diversified Real Estate

Source: Capital IQ

Indonesia's biggest public-listed companies by market cap, assuming GoTo latest valuation:

Company	Market Capitalization (USD bn)	Industry
Bank Central Asia	$ 56.0	Financials
GoTo	$ 35.0	Internet
Bank Rakyat Indonesia	$ 33.6	Financials
PT Telkom	$ 22.1	Telecom
Bank Mandiri	$ 19.3	Financials

Source: Capital IQ

Companies with Current P/S of 60x and over:

Company	Market Cap/Revenue (LTM)	Industry Classifications
PT Sumber Energi Andalan	291.6	Commercial
PT DMS Propertindo	242.7	Diversified Real Estate
PT. Bank Pembangunan Daerah Banten	191.8	Banks
PT Indosterling Technomedia	191.1	Information Technology
PT Buana Artha Anugerah	174.7	Apparel and Textile Distribution
PT Bank Bisnis Internasional	172.6	Banks
PT Sanurhasta Mitra Tbk	172.3	Real Estate
PT Bank Ina Perdana Tbk	152.8	Banks
PT Bank Rakyat Indonesia Agroniaga Tbk	133	Banks
PT Pakuan, Tbk	127.2	Consumer Discretionary
PT Royalindo Investa Wijaya Tbk	111.6	Consumer Discretionary
PT Indoritel Makmur Internasional	83.6	Alternative Carriers
PT Surya Fajar Capital	79.5	Capital Markets
PT Allo Bank Indonesia	79.4	Banks
PT Mitra Investindo	78.9	Energy
PT Pollux Properti Indonesia	73.5	Real Estate
PT Bumi Resources Minerals	71.8	Diversified Metal Ores
PT Express Transindo Utama	64.6	Bus Charter Service

Source: Capital IQ

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