

Open Analysis:

Will GOTO Book Tokopedia Goodwill Impairment Loss in Q4 2022?

30 November 2022



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01

Executive Summary

GOTO and Its Goodwill

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- **PT GoTo Gojek Tokopedia Tbk.** (IDX: GOTO) is claimed to be one of the most successful startups in Indonesia, delivering IDR 619 trillion in GTV from its three core businesses: on-demand services, ecommerce, and fintech.
- GOTO listed its shares in IDX earlier this year, raising IDR 13.73 trillion from the public amidst rising uncertainties in geopolitics, inflation, and significant pullback in private fundraising markets.
- A year before its IPO, Gojek and Tokopedia combined their business in which Gojek acquired Tokopedia shares and transforming into GOTO, the company as we know today.
- As a result of that transaction, GOTO booked IDR 93.11 trillion in goodwill that it carries up to date, arising from differences between Tokopedia purchase consideration and its net identifiable assets and acquired liabilities.
- The amount of GOTO goodwill arising from Tokopedia is so significant that it singlehandedly consists of more than 60% of GOTO total assets as of 30 September 2022.
- Given its significant impact to determine GOTO success, we tried to assess whether there is any possibilities of goodwill impairment, given some considerable headwinds that we see as significant determinant influencing the impairment test.
- This presentation is prepared using publicly available information and involving estimates and forward looking statements, which may be limited to our proprietary assumption and may not be perfectly accurate.

GOTO Stock Price Performance Since Its IPO on 11 April 2022 (IPO Price @ IDR 338)



Enterprise Value (EV)	IDR 175.73 trillion
Market Cap	IDR 204.89 trillion
Forward 2022 Gross Revenue	IDR 22.93 trillion
Forward 2022 Net Revenue	IDR 9.86 trillion
EV/Forward 2022 Net Revenue	17.82x
Employees (Q3 2022)	10,541

Source: GOTO management guidance, Refinitiv, Yahoo Finance, Nilzon Capital

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02

About Goodwill and Impairment Test

Goodwill is an Excess Payment

If you are new to the concept, a [blog from Shopify](#) website describe goodwill concept comprehensively:

- In the world of accounting, **goodwill refers to extra monetary value that exceeds the net book value on a company's balance sheet.** The net book value is the value of all combined assets, with consideration for any accumulated depreciation.
- All goodwill assets are intangible. However, not every intangible asset is a goodwill asset. The distinction between the two is:
 - **Non-goodwill assets.** Possessions like intellectual property, domain names, patents, and copyrights tend to have quantifiable values and can be amortized over time. They also may have historical costs that help establish their value on a financial statement. That makes these intangible assets have a clear value on a balance sheet—one that isn't tied to a buyer's personal perception of the company.
 - **Goodwill assets.** A goodwill asset—like brand reputation—has a less quantifiable price tag, yet it matters enough to affect a brand's resale value. Crucially, these goodwill assets cannot be separated from the company. A business can sell off its patents; it cannot sell off its brand reputation. Despite this, the brand reputation adds value to the company, and thus enhances the company's sale price.
- Five examples of goodwill:
 - **Talent.** A company's workforce talent counts as goodwill. If the workforce is continually innovative and competent, it improves the chances of long-term success and higher future cash flows.
 - **Company reputation.** A company's reputation helps it hire new talent, reach new markets, garner good feedback, and win trust.
 - **Customer loyalty.** When calculating goodwill, many accounting firms gauge a company's customer loyalty. Whether the brand has a rabid fan base or a low-key stable of customers who intrinsically trust it, loyalty adds value to the company.
 - **Trade secrets.** Some companies have a deep working knowledge of their industry, harboring skills that the average worker might not know. This particularly applies to technical fields, like manufacturing and resource extraction, that have high barriers to entry.
 - **Brand recognition.** Some brands are nearly synonymous with their industries. Think of Kleenex and tissues or Band-Aid and bandages with a sticky backing. When the public automatically associates your company with your industry, your company has monetizable goodwill.
- **Goodwill = Cost of acquisition – Value of net assets**

How Much Goodwill Does GOTO Has?

Snapshot of GOTO 3Q 2022 Balance Sheet

	Catatan/ Notes	30 September 2022	31 Desember/ December 2021	
ASET				ASSETS
ASET LANCAR				CURRENT ASSETS
Kas dan setara kas	4	31,616,987	31,150,908	Cash and cash equivalents
Piutang usaha	5			Trade receivables
- Pihak ketiga		556,141	345,608	Third parties -
- Pihak berelasi	29c	93,768	161,333	Related parties -
Piutang lain-lain	6			Other receivables
- Pihak ketiga		1,148,732	2,384,378	Third parties -
- Pihak berelasi	29c	44,737	45,748	Related parties -
Persediaan	7	54,052	34,497	Inventories
Uang muka	8a	677,280	570,773	Advances
Biaya dibayar di muka	8b	491,505	227,501	Prepayments
Pajak dibayar di muka	9a			Prepaid taxes
- Pajak penghasilan badan		17,071	10,307	Corporate income taxes -
- Pajak lain-lain		542,142	390,628	Other taxes -
Investasi lain-lain	14	185,432	404,701	Other investments
Aset lancar lain-lain		29,761	88,988	Other current assets
		35,457,608	35,815,370	
Aset tidak lancar yang dimiliki untuk dijual	10	-	248,327	Non-current assets held for sale
Jumlah aset lancar		35,457,608	36,063,697	Total current assets
ASET TIDAK LANCAR				NON-CURRENT ASSETS
Piutang lain-lain	6	432,790	313,828	Other receivables
Aset takberwujud	11	10,767,738	12,590,005	Intangible assets
Aset tetap	12	1,530,120	1,470,250	Fixed assets
Investasi pada entitas asosiasi	13	5,122,811	5,391,601	Investment in associates
Investasi pada ventura bersama		724,549	745,799	Investment in joint ventures
Investasi lain-lain	14	6,718,061	4,517,751	Other investments
Aset pajak tangguhan	9d	46,317	41,212	Deferred tax assets
Goodwill	33a	93,836,931	93,836,931	Goodwill
Aset tidak lancar lainnya		159,073	165,959	Other non-current assets
Jumlah aset tidak lancar		119,338,390	119,073,336	Total non-current assets
JUMLAH ASET		154,795,998	155,137,033	TOTAL ASSETS

- As of 30 September 2022, GOTO recorded IDR 93.84 trillion in goodwill.
- The amount of goodwill is so significant that it singlehandedly comprises **60.62% of GOTO total assets**.
- The most significant contributor of GOTO goodwill balance is coming from Tokopedia acquisition during the first half of 2021, adding IDR 93.11 trillion in goodwill balance (more than 99% of total goodwill).

Source: GOTO

How GOTO Ended Up with So Much Goodwill?

Snapshot of GOTO Final IPO Prospectus

C. ACQUISITION OF SHARES IN PT TOKOPEDIA

The Company acquired 99.99% effective ownership in Tokopedia, in May 2021 with the acquisition objective to develop e-commerce business in Indonesia. The acquisition was carried out for an aggregate consideration of Rp113,205.4 billion, consisting of: i) 1,406,287 of the Issuer shares with a fair value of Rp108,871,8 billion ii) replacement of share-based awards with a fair value of Rp1,846.4 billion and iii) cash payment to tax authorities of Rp2,487.1 billion. This acquisition has been approved by Minister of Law and Human Rights through its Decision Letter No. AHU-AH01.03.0307940 dated 17 May 2021.

The Company followed the provisions in IFAS 22 “Business Combinations,” in which the Company’s shares issued in this transaction must be measured at fair value. The fair value of the Company’s shares is measured based on an assessment carried out by an independent valuer, PT Ernst & Young Indonesia in its report dated December 14, 2021 with a valuation date of May 17, 2021. This approach measures the value of equity based on the expected returns from possible scenarios including but not limited to (i) Initial Public Offering, (ii) liquidity events and (iii) liquidation events. This fair value measurement technique belongs to the level 3 fair value hierarchy.

Furthermore, the Company measures the fair value of the identifiable assets obtained from this business combination transaction. Based on the results of the valuation, the fair value of identifiable assets and liabilities obtained from this business combination transaction amounted to Rp22,651.4 billion, consisting of the fair value of: i) cash and cash equivalents of Rp8,894.7 billion; ii) trade receivables amounting to Rp336.9 billion; iii) other assets amounting to Rp6,277.1 billion; iv) fixed assets amounting to Rp700.6 billion; v) intangible assets amounting to Rp11,190.3 billion consisting of trademark, software and customer relations; and vi) other payables amounting to Rp4,748.3 billion. The deferred tax liability recognized was Rp2,535.6 billion. Goodwill, which is the difference between the consideration transferred and the net amount of identifiable assets acquired and liabilities assumed at the acquisition date, amounted to Rp93,107.5 billion. To measure the fair value of the identifiable assets obtained from this business combination transaction, the Company engaged an independent valuer, PT Ernst & Young Indonesia to release a final valuation report of the fair value of identified assets:

Source: GOTO Final IPO Prospectus

- GOTO massive goodwill is the result of Gojek and Tokopedia business combination in May 2021, in which Gojek acquired Tokopedia shares and transform the company into GOTO as we know today.
- Total purchase consideration at that time was IDR 113.21 trillion, comprises primarily by 1) equity fair value, then followed by 2) share-based awards replacement and 3) cash payment of tax.
- At the acquisition date, the value of net assets were around IDR 20.10 trillion, leaving the excess IDR 93.11 trillion to be recorded as goodwill.

About Impairment Test



An [article from Investopedia](#) describes impairment and impairment test comprehensively:

- Under generally accepted accounting principles (GAAP), assets are considered to be impaired when their fair value falls below their book value.
- Any write-off due to an impairment loss can have adverse effects on a company's balance sheet and its resulting financial ratios. It is, therefore, important for a company to test its assets for impairment periodically.
- **Certain assets, such as intangible goodwill, must be tested for impairment on an annual basis in order to ensure that the value of assets is not inflated on the balance sheet.**
- GAAP also recommends that companies take into consideration events and economic circumstances that occur between annual impairment tests in order to determine if it is "more likely than not" that the fair value of an asset has dropped below its carrying value.

Not only in GAAP, the IAS 36 and PSAK 48 also advise companies to assess at the end of each reporting period whether there is any indication that an asset may be impaired.

Impairment Test Guiding Standards

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IAS 36

“Impairment of Assets”

Issued by International Accounting
Standards Board



PSAK 48

“Penurunan Nilai Aset”

Issued by Ikatan Akuntan Indonesia

IAS 36 and PSAK 48 Statements Regarding Impairment Testing

IAS 36

An entity shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. (Paragraph 9).

Irrespective of whether there is any indication of impairment, an entity shall also (Paragraph 10):

- a. test an intangible asset with an indefinite useful life or an intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test may be performed at any time during an annual period, provided it is performed at the same time every year. Different intangible assets may be tested for impairment at different times. However, if such an intangible asset was initially recognised during the current annual period, that intangible asset shall be tested for impairment before the end of the current annual period.
- b. test goodwill acquired in a business combination for impairment annually in accordance with paragraphs 80–99.**

PSAK 48 (unofficially translated from Bahasa Indonesia)

At the end of each reporting period, the entity assesses whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the asset's recoverable amount. (Paragraph 9).

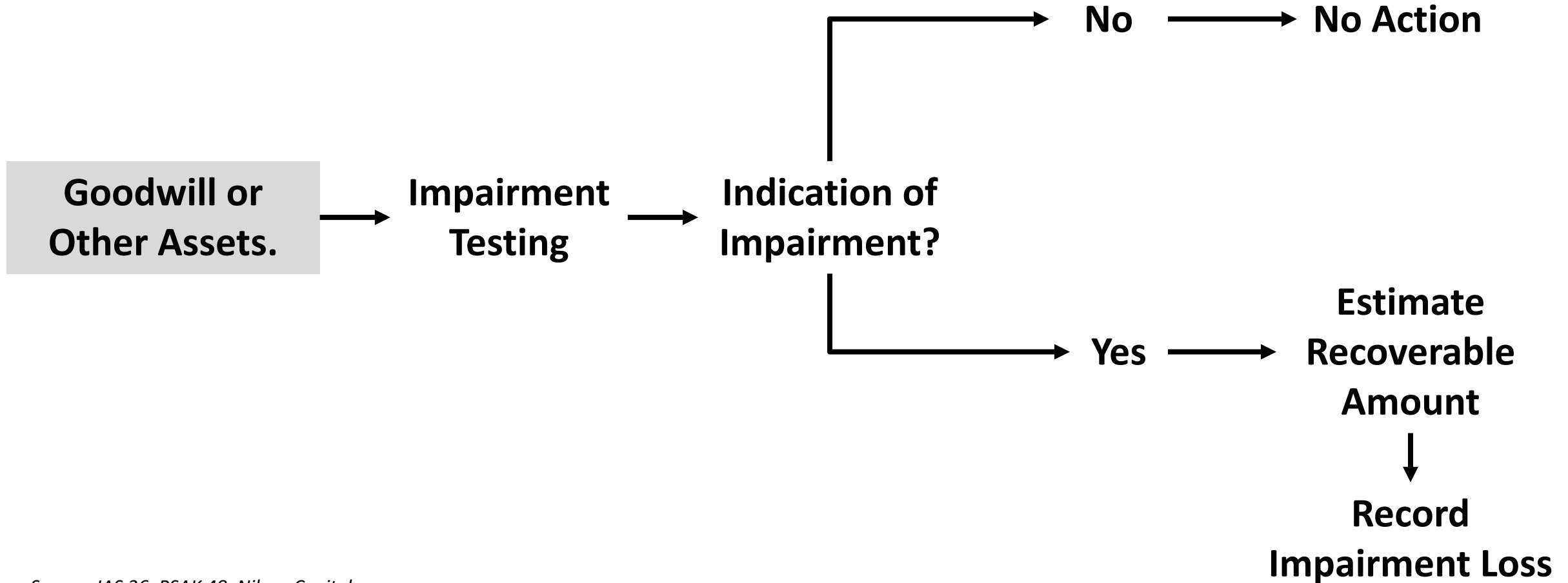
Regardless of whether there is any indication of impairment, the entity also: (Paragraph 10):

- a. test for impairment of intangible assets with an unlimited useful life or intangible assets that yet to be used, on an annual basis, by comparing their carrying amount with their recoverable amount. This impairment test can be performed at any time during an annual period provided it is performed at the same time each year. Different intangible assets can be tested for impairment at different times. However, for intangible assets that are recognized only in the current annual period, the intangible assets are tested for impairment before the current annual period ends.
- b. test for impairment of goodwill acquired in a business combination on an annual basis in accordance with paragraphs 80-99**

Both standards have identical statements regarding company's duty to perform impairment testing.

Impairment Test Overview

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Source: IAS 36, PSAK 48, Nilzon Capital

What Triggers Impairment?

Both IAS 36 and PSAK 48 stated that the following factors play critical part on determining whether there is any indication of impairment (we cited IAS 36 as it is identical with PSAK 48 and to minimize translation error):

External Factors

- there are observable indications that the asset's value has declined during the period significantly more than would be expected as a result of the passage of time or normal use.
- significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in **the technological, market, economic or legal environment** in which the entity operates or in the market to which an asset is dedicated.
- **market interest rates** or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.
- the carrying amount of the net assets of the entity is more than its market capitalisation.

Internal Factors

- evidence is available of obsolescence or physical damage of an asset.
- significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

GOTO is Expected to Perform Goodwill Impairment Test This December

6. Pada tanggal 31 Desember 2021, Grup telah menyelesaikan perhitungan pengukuran aset teridentifikasi untuk transaksi kombinasi bisnis dengan TOKO. Untuk pengujian penurunan nilai tahunan goodwill pada tanggal 31 Desember 2021, Grup telah melakukan pengujian atas goodwill yang diperoleh dari akuisisi TOKO yang sementara dialokasikan ke UPK e-commerce. Grup tidak mengidentifikasi adanya penurunan nilai untuk tahun yang berakhir pada tanggal 31 Desember 2021. Grup memperkirakan bahwa akuisisi TOKO akan mengarah pada sejumlah sinergi lebih lanjut di berbagai UPK di dalam Grup, oleh karena itu Grup akan melanjutkan pengalokasian goodwill tersebut ke berbagai UPK yang diperkirakan akan memperoleh manfaat dari sinergi atas akuisisi TOKO. Pada tanggal 30 September 2022, Grup masih mengukur manfaat yang diterima oleh UPK lain dari sinergi kombinasi bisnis. Grup memperkirakan proses alokasi akan selesai sebelum akhir periode tahunan pertama setelah tanggal akuisisi.

6. As at 31 December 2021, the Group has completed the calculation of measurement of identifiable assets for the business combination transaction with TOKO. For the purpose of annual goodwill impairment testing as at 31 December 2021, the Group had tested the acquired goodwill from TOKO's acquisition which was provisionally allocated to e-commerce CGU. The Group did not identify any impairment for the year ended 31 December 2021. The Group expects that the acquisition of TOKO will lead to a number of further synergies across the CGUs within the Group, therefore the Group will continue to allocate the goodwill across the CGUs that are expected to benefit from the synergies of TOKO's acquisition. As of 30 September 2022, the Group is still measuring the benefit received by other CGUs from the synergies of the business combination. The Group expects the allocation process will be completed before the end of the first annual period beginning after the acquisition date.

- Based on its latest disclosure, GOTO stated that the last time they tested for any impairment in acquired goodwill from Tokopedia acquisition is as at 31 December 2021.
- Based on IAS 36 and PSAK 48, **GOTO is required to perform annual testing on its assets for any indication of asset impairment, including IDR 93.11 trillion of its acquired goodwill from Tokopedia acquisition.**
- We conclude that GOTO's next impairment testing will be performed for its assets as at 31 December 2022.
- **Due to its massive size, we only focus on assessing the potential impairment of goodwill acquired from Tokopedia acquisition.**

Source: GOTO

03

Decoding Tokopedia Exit Multiples

GOTO Management Used Comparable Transactions Approach



Perhitungan nilai terpulihkan *goodwill* dan aset takberwujud yang timbul dari akuisisi TOKO pada tanggal 31 Desember 2021 ditentukan berdasarkan model analisis **pendekatan pasar yang setara**. Asumsi kunci yang digunakan untuk perhitungan nilai terpulihkan adalah **Enterprise Value to Revenue sebesar 17,97 (Comparable Transactions)** dan biaya untuk menjual sebesar 3%.

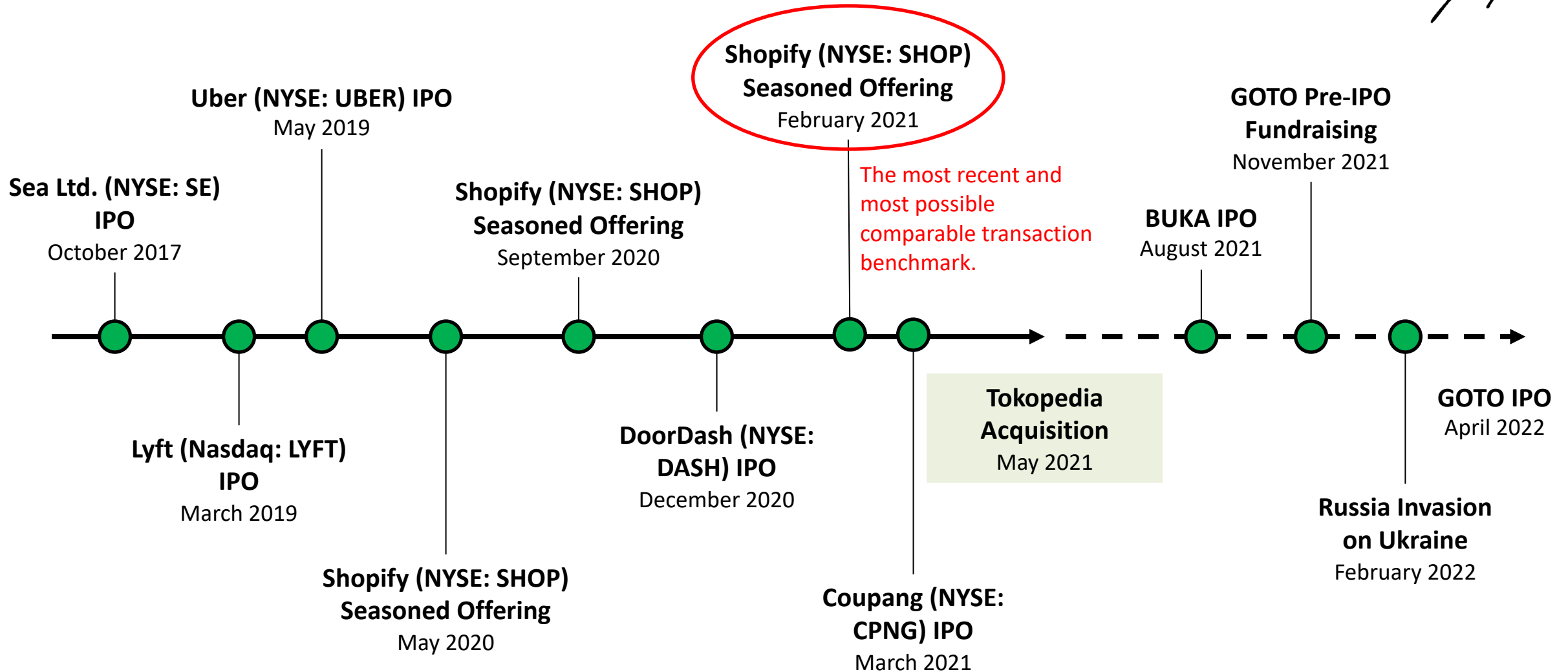
Source: GOTO

*The recoverable amount calculation of goodwill and intangible assets arising from acquisition of TOKO as at 31 December 2021 was determined based on comparable **market approach analysis model**. Key assumption used in recoverable amount calculation is **Enterprise Value to Revenue of 17.97 (Comparable Transactions)** and cost of disposal of 3%.*

- Based on its latest disclosure, GOTO impairment testing for goodwill acquired from Tokopedia acquisition is based on market approach analysis, or in essence, by comparing Tokopedia's fair market value with the comparable precedent transactions.
- **We want to emphasize on the “comparable transactions”, which means that the assessor may likely to use a preferred and most recent transaction that he/she deem suitable to be compared with with Tokopedia, particularly in the ecommerce sector.**
- Due to very limited information available publicly to assess Tokopedia pricing consideration, we see it is important for investors to trace back Tokopedia acquisition from the date of the business combination up to date.

What Happenned with the Market before Gojek and Tokopedia Merges?

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Source: Company filings, Nilzon Capital, timeline not for scale

GOTO is Likely to Use Shopify EV/Revenue Multiple as Pricing Benchmark

- When Gojek and Tokopedia merged, there were no unicorn startups listed in the IDX. The closest one was Bukalapak.com IPO (IDX:BUKA) but it was on August 2021, months after the business combination actually happened.
- The comparable transactions in Indonesia's private fundraising market were also very limited and mostly did not reliable enough to be used as valuation benchmark.
- We estimate that both companies' management used comparable transactions from companies outside of Indonesia, particularly by benchmarking to the biggest ecommerce companies worldwide.
- **Based on our observation, Tokopedia EV/Revenue multiple may likely to be derived from Shopify's February 2021 seasoned offering of \$1,315.00 per share with estimated enterprise value of USD 156.35 billion and EV/Revenue multiple of 33.90x.**

Shopify's Enterprise Value Breakdown During February 2021 Secondary Equity Offerings

Offering Price per Share (USD full amount)	\$1,315.00
Outstanding Shares (All Class, million shares)	122.72
Market Capitalization (USD bn)	\$161.38
Net Debt (USD bn)	(\$5.03)
Enterprise Value (USD bn)	\$156.35
FY21 Forward Revenue (USD bn)	\$4.61
EV/Revenue	33.90x

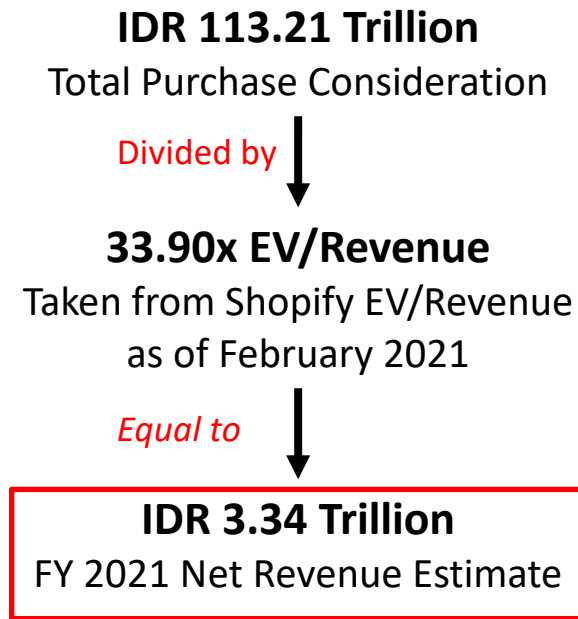
About Shopify:

Shopify Inc. (NYSE:SHOP) provides a cloud-based, multi-channel commerce platform designed for small and medium-sized business. The company offers subscription solutions and merchant solutions. The Company's software is used by merchants to run their business across all of their sales channels, including web and mobile storefronts, physical retail locations, social media storefronts and marketplaces.

Our Estimates of 33.90x EV/Revenue Multiple Matched with Tokopedia Net Revenue in 2021

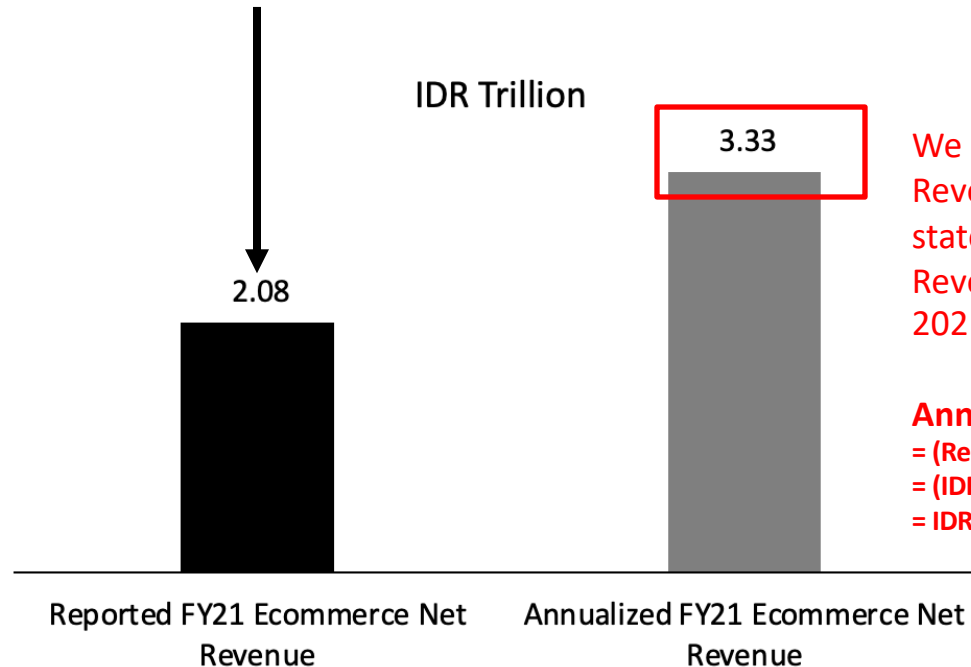
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Tokopedia EV/Revenue Multiples Breakdown



Source: Company filings, Nilzon Capital

GOTO Reported IDR 2.08 Trillion Ecommerce Net Revenue in FY 2021, which Only Constitutes Operation between 17 May to 31 December 2021



We extrapolate GOTO Ecommerce Net Revenue because GOTO FY 2021 financial statement did not include Tokopedia Net Revenue prior the acquisition on 17 May 2021.

Annualized FY 21 Net Revenue Formula
= (Reported FY 21 Net Revenue / 7.5 months) x 12 months
= (IDR 2.08 Trillion / 7.5) x 12
= IDR 3.33 Trillion

Source: GOTO IPO prospectus, GOTO financial statement, Nilzon Capital

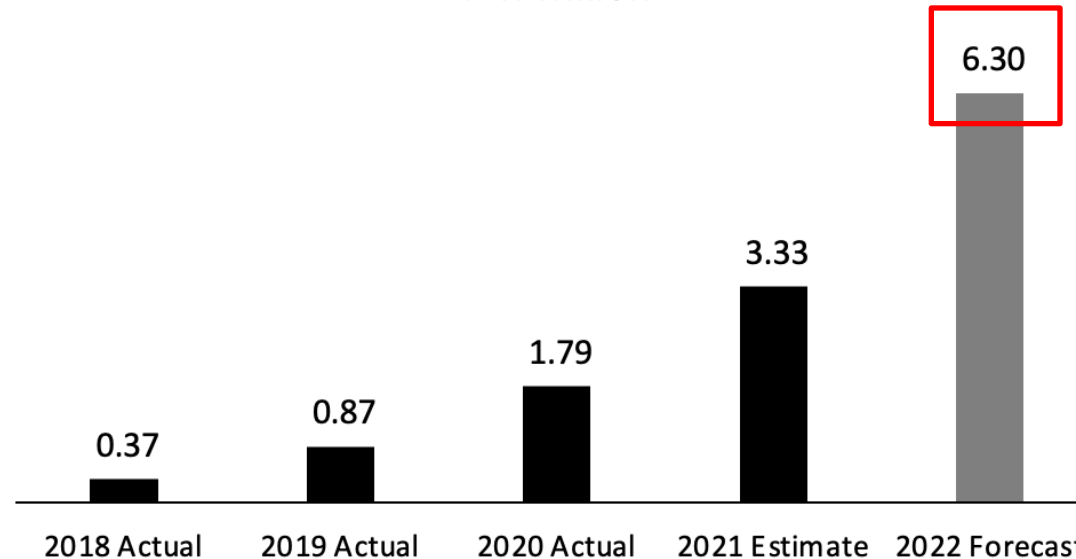
Using the Same Approach, We Estimate that GOTO is Expecting Its Ecommerce Business to Book IDR 6.30 Trillion Net Revenue in 2022

Tokopedia EV/Revenue Multiples Breakdown



Source: Company filings, Nilzon Capital

Tokopedia Historical Net Revenue and 2022 Target Estimates IDR Trillion



Source: GOTO IPO Prospectus, Nilzon Capital

We assume that GOTO management is forecasting IDR 6.30 trillion in FY 2022 revenue just to meet the minimum total IDR 113.21 trillion in initial purchase consideration of Tokopedia. Thus, if Tokopedia failed to deliver the revenue forecast, they may need to reconsider the current fair value of Tokopedia.

04

Measuring Tokopedia Current Valuation and Potential Goodwill Impairment

We're About to Leave the Challenging Year of 2022 Behind



-17%

MSCI World
Index YTD

9.1%

US June 2022 Inflation
Rate, Highest in 40 Years

-16%

Leading Global
Currencies Against the
US Dollar

138k

Global Tech
Workers Lose Their
Job

4.5%

US 10 Year Treasury Yield
at Peak, versus 1.62%
when Tokopedia
Acquisition Happened

All of the external factors above are sufficient to meet what is defined as substantial **market, economic,**
and interest rates considerations in IAS 36 and PSAK 48 to trigger asset impairment testing.

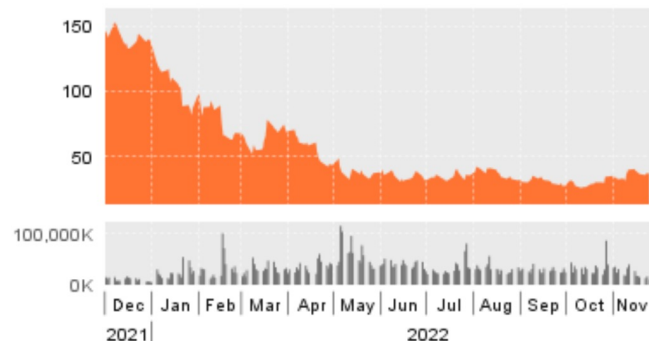
Source: CNBC, Statista, Bloomberg, Layoffs.fyi

Global Ecommerce Stars are Falling

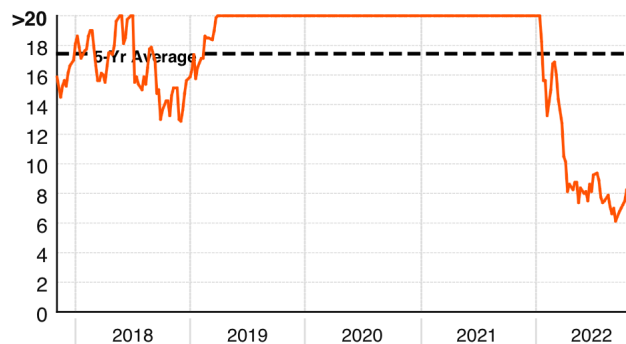
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Shopify Inc.

1-Year Return: -77.4%

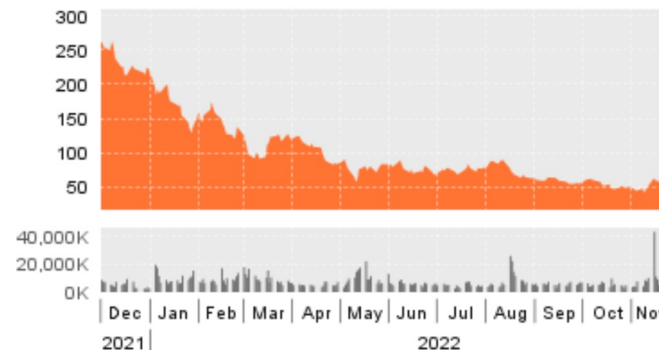


Price to Sales: 7.8
5-Year Average: 17.5
S&P 500 Index Average: 2.2
Online Services Industry Average: 2.0

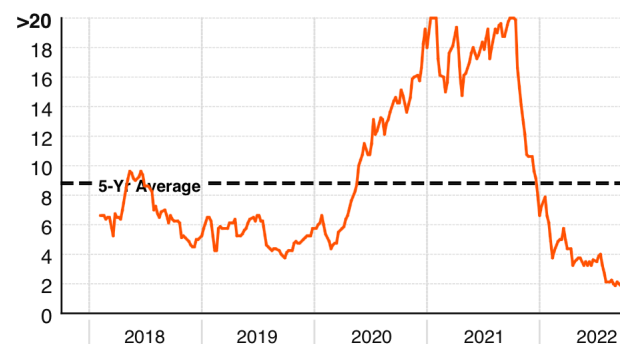


Sea Ltd.

1-Year Return: -81.2%

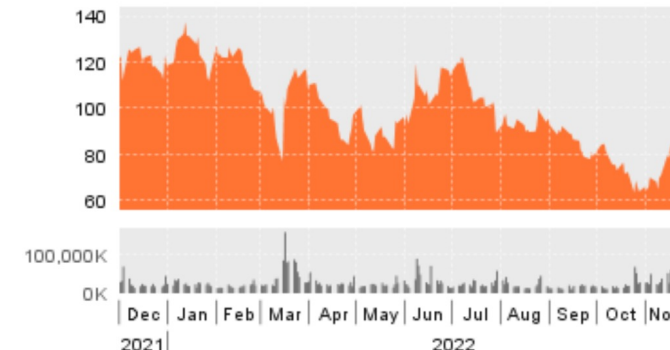


Price to Sales: 1.8
5-Year Average: 8.9
S&P 500 Index Average: 2.2
Software Industry Average: 6.7

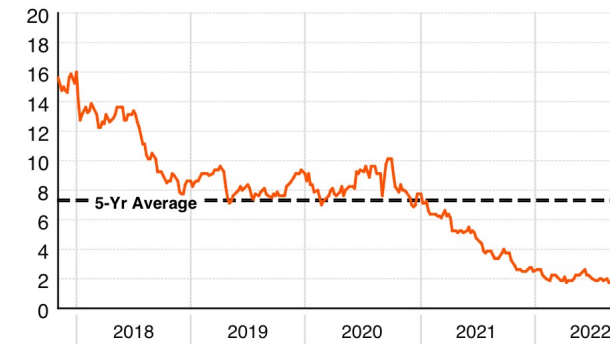


Alibaba Group Hldg.

1-Year Return: -44.7%



Price to Sales: 1.7
5-Year Average: 7.4
S&P 500 Index Average: 2.2
Online Services Industry Average: 2.0



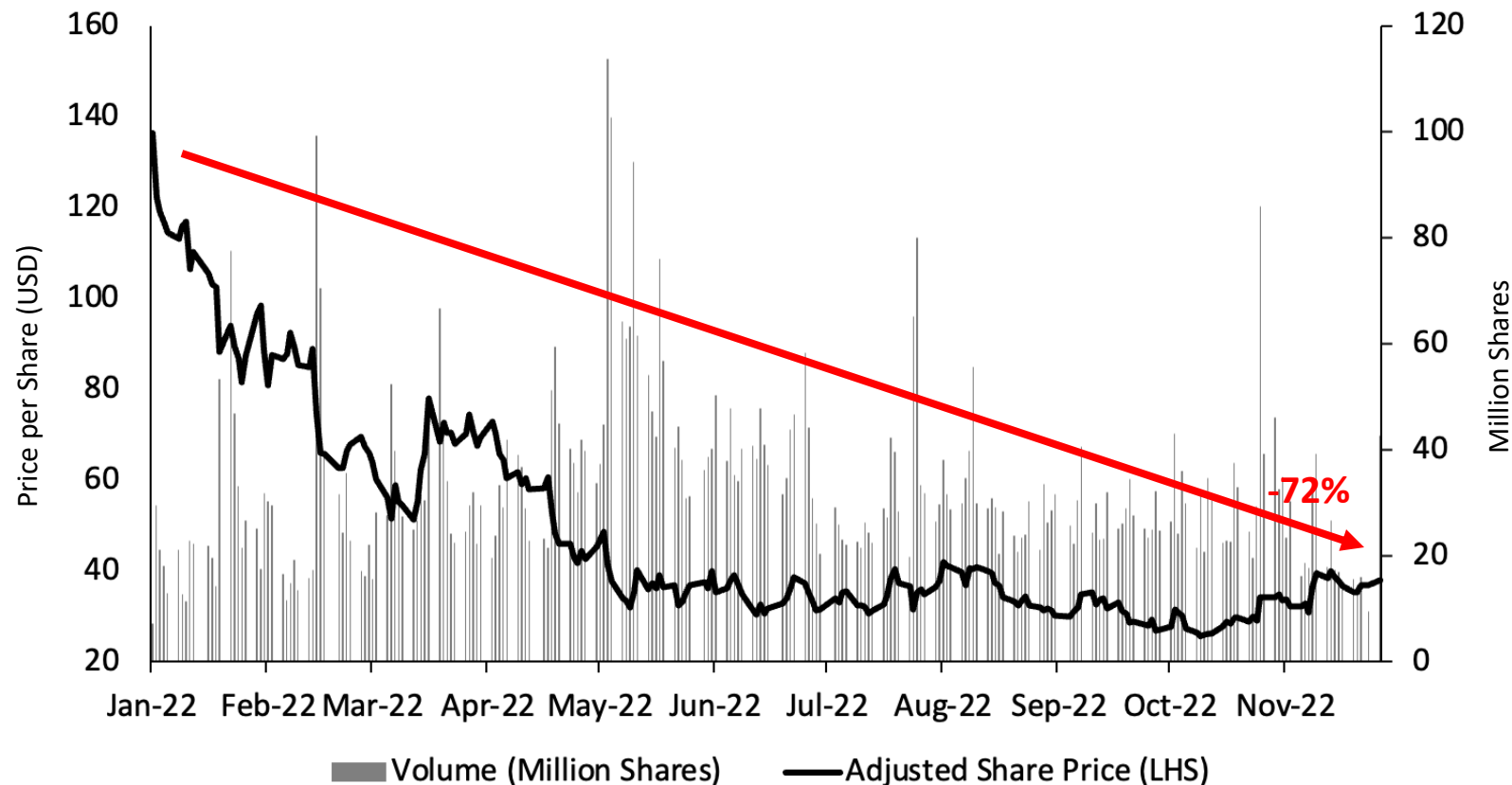
Source: Refinitiv

Readers shall not take/use this article as an investment advice. Please do your own proper research. See important disclaimer at the beginning of this document. Investing involves risks. Tersedia dalam Bahasa Indonesia. Kunjungi nilzoncapital.com untuk mengunduh.

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Shopify, Which We Believed as Tokopedia's Valuation Benchmark, Is Down 72% YTD

Nilzon Capital



Source: Yahoo Finance

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Nervous Market Sends Shopify's EV/Revenue Multiples to the Rock Bottom

- Due to multiple headwinds in the market including high inflation, The Fed tightening policy, and rising geopolitical tension, investors are dealing with high uncertainties that incentivizing them to run for safety.
- The risk-off sentiment is crushing all assets, except US dollar and commodities.
- One of the most significantly impacted sector was technology, especially the unprofitable ones.
- Shopify, one of the poster child of emerging ecommerce companies, is experiencing a slower growth and having a hard time to meet its profitability target.
- **As a result, the market sends the stock significantly lower and thus leaving its multiple crumbled. Its current EV/Revenue multiple is estimated to be around 8.13x, compared to 33.90x during February 2021 fundraising.**

Shopify's Current Enterprise Value

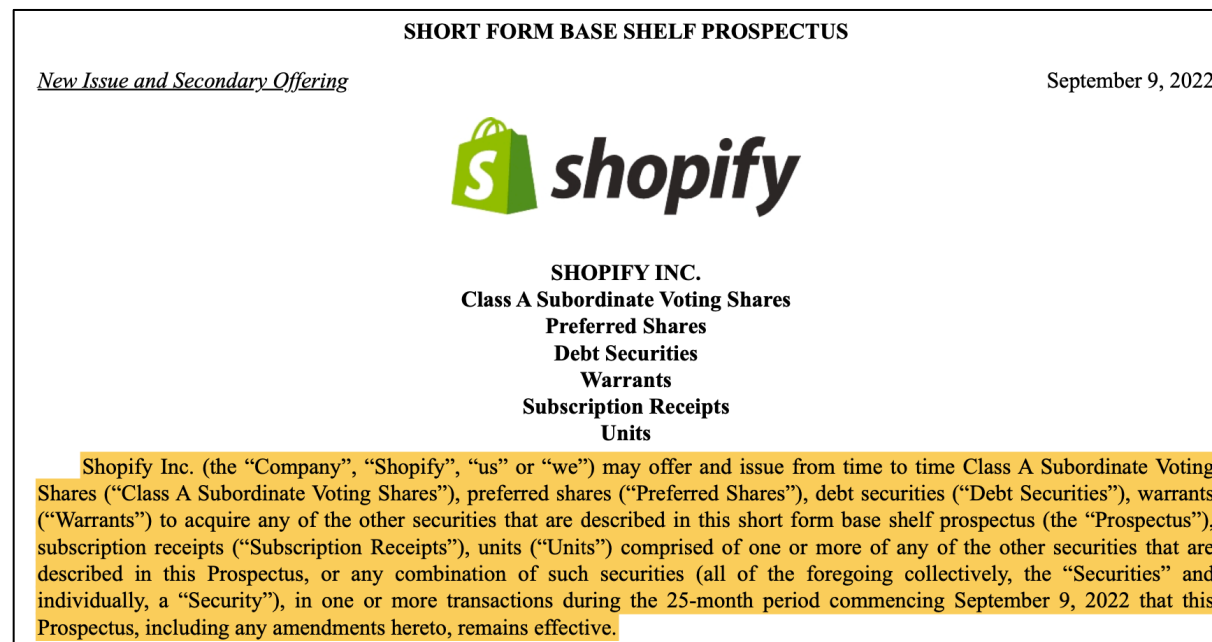
Latest Price per Share (USD full amount)	\$38.03
Market Capitalization (USD bn)	\$48.38
Net Debt (USD bn)	(\$3.64)
Enterprise Value (USD bn)	\$44.74
FY22 Forward Revenue (USD bn)	\$5.50
EV/Revenue	8.13x

Source: Refinitiv, Nilzon Capital

Shopify is Set to Regularly Issue New Shares via Shelf Public Offering

*Nilzon
Capital*

A Snapshot of Shelf Prospectus Cover from Shopify's Proposed Shelf Registration



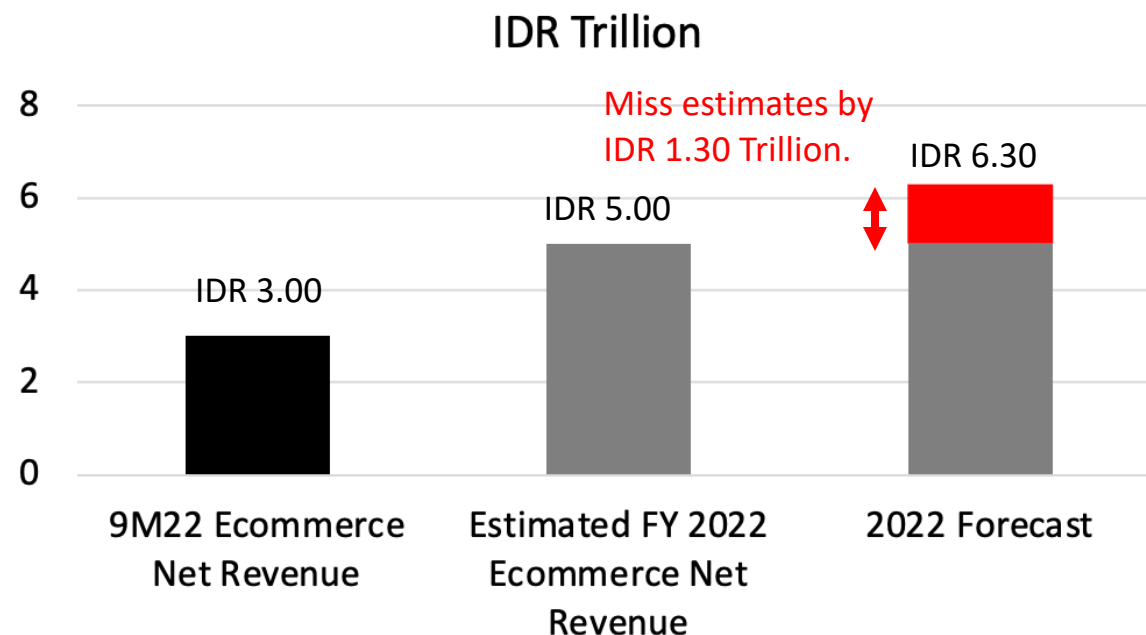
- During 25 months period starting September 2022, Shopify is set to issue multiple new equity securities.
- This makes Shopify a reliable source of information for fair value assessment of similar companies, especially if the comparable transaction approach is being used.
- **This shelf public offering will retain Shopify's reliability as Tokopedia comparable transaction benchmark in the future.**

Source: Shopify SEC filing, September 2022

In the First Nine Months of 2022, GOTO Ecommerce Business Is On Track to Miss Our Estimated Net Revenue Target

Nilzon Capital

GOTO Ecommerce FY 2022 Net Revenue Estimates

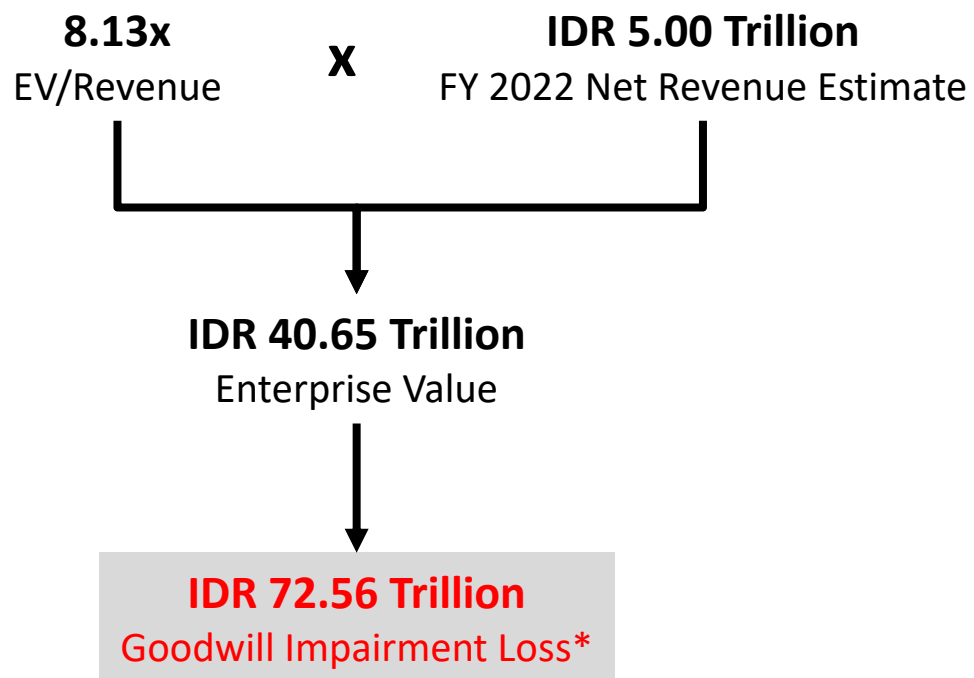


Source: GOTO, Nilzon Capital

- For the first nine months of 2022, GOTO reported that its ecommerce business booked IDR 3.00 trillion net revenue, equal to 47.62% of our earlier full year estimates.
- We see that Tokopedia is aggressively improving its profitability by imposing order fees on its platform, giving lesser discount, and taking higher commission.
- Thus, we estimate that Tokopedia (GOTO Ecommerce business) to book additional IDR 2.00 trillion in net revenue during 4Q 2022 and close the year with IDR 5.00 trillion in annual net revenue.
- **Despite our upbeat forecast, we see that GOTO Ecommerce business is still lagging the earlier net revenue forecast by IDR 1.30 trillion in 2022.**

Revisiting Tokopedia's Fair Valuation

GOTO Ecommerce Business Fair Valuation



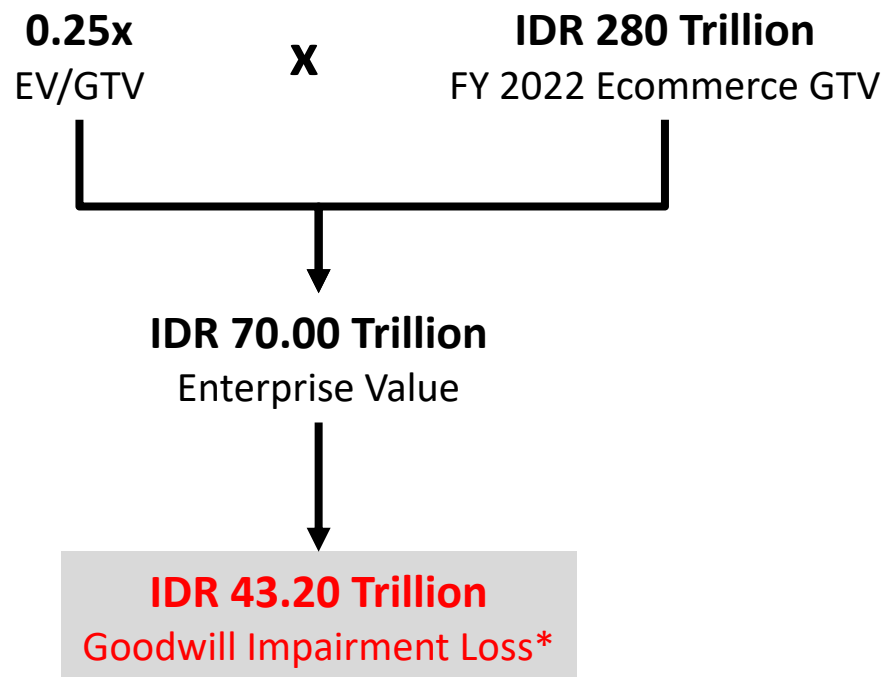
Source: GOTO, Nilzon Capital

*) Goodwill Impairment Loss = Initial Purchase Consideration - Current Recoverable Amount
= IDR 113.20 Trillion - IDR 40.65 Trillion
= IDR 72.56 Trillion

- We assume that Tokopedia enterprise value is similar with its equity value given its historically-low debt balance and ebbing cash effect from April 2022 IPO. It is almost impossible to calculate net assets due to lack of publicly available information.
- According to IAS 36 and PSAK 48, any impairment in asset value shall be reducing goodwill balance first, before further reducing its tangible assets.
- **Thus, we see that GOTO is likely to book IDR 72.56 trillion in goodwill impairment by using this valuation approach**, which is the same approach which they used for 31 December 2021 impairment test.
- However, IAS 36 and PSAK 48 allow the company to make multiple calculation using different valuation approaches to improve assessment quality, including discounted cash flow model (DCF).
- We see that DCF is not practical and almost impossible to construct due to lack of publicly available information and separated reporting of GOTO Ecommerce business segment.

Alternative Approach: EV/GTV of Shopify

GOTO Ecommerce Business Fair Valuation



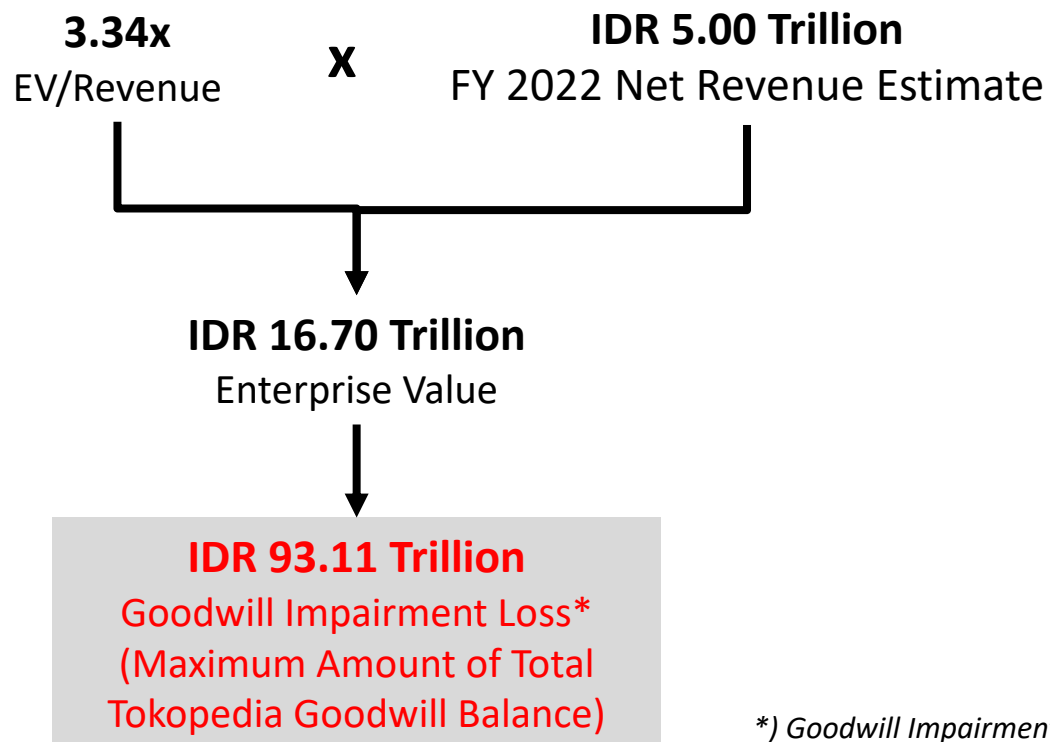
Source: GOTO, Refinitiv, Nilzon Capital

*) Goodwill Impairment Loss = Initial Purchase Consideration - Current Recoverable Amount
= IDR 113.20 Trillion - IDR 70.00 Trillion
= IDR 43.20 Trillion

- Current Shopify EV/GTV multiple is 0.25x.
- We assume GOTO's GTV is equal to Shopify's GMV to simplify our calculation, which may not be the case since material differences in calculation method may persists.
- We discourage readers to use this approach as there is no uniform formula in calculating GTV or GMV or TPV, and based on our experience, the basis for calculating GTV/GMV/TPV may be significantly different between one company to another. For example, GTV in Indonesia may includes airtime reload, electricity bill payment, tax payment, and other services that has nearly 0% take rate.

Alternative Approach: EV/Revenue of BUKA

GOTO Ecommerce Business Fair Valuation



Source: GOTO, BUKA, Refinitiv, Nilzon Capital

- To the extreme level, we see Tokopedia business model is somewhat similar to those of BUKA.
- Given BUKA huge cash reserve from its IPO last year, the EV is likely to be distorted and thus undermining BUKA true valuation multiple if not considering the remaining cash balance.
- If Tokopedia fair value consideration is compared with BUKA current EV/Revenue multiple, all of GOTO goodwill balance acquired from Tokopedia acquisition is likely to be impaired entirely.

*) Goodwill Impairment Loss = Initial Purchase Consideration - Current Recoverable Amount
= IDR 113.20 Trillion - IDR 16.70 Trillion
= IDR 96.50 Trillion

However, goodwill impairment loss **can not exceeds** the initial book value of goodwill of IDR 93.11 trillion.

Alternative Approach: Comparable Companies

Comparable Companies in the Ecommerce Segment

Ticker	Company	Market Cap (USD bn)	EV/Revenue (x)
SHOP	Shopify Inc.	48.38	8.13
SE	Sea Ltd.	30.48	2.33
CPNG	Coupang Inc.	33.56	1.65
MELI	MercadoLibre Inc.	44.73	6.59
PDD	Pinduoduo Inc.	99.17	6.28
BABA	Alibaba Group Holdings Ltd.	213.40	1.34
BUKA	Bukalapak.com Tbk PT	1.84	3.34
BELI	Global Digital Niaga Tbk. PT	3.65	3.84*
Average			4.19

**) Estimated EV/Revenue during BELI November IPO*

Source: Refinitiv, Nilzon Capital

- Our earlier EV/Revenue multiple comparison between Tokopedia and Shopify is already on top-end of the comparable peers in the industry.
- Shopify's EV/Revenue multiple is almost twice the average of our sample companies.
- **If Tokopedia purchase consideration is calculated using average EV/Revenue from comparable companies, the resulting enterprise value calculation will be IDR 20.95 trillion, nearly wiping out GOTO goodwill balance entirely.**

05

Conclusion

More Likely than Not, GOTO May Book Impairment Loss on Tokopedia Goodwill in 2022

Possible Impairment Loss based on Each Valuation Approach

Comparable
Transactions

Results: IDR 43.20 Trillion to
IDR 72.56 Trillion in Possible
Impairment Loss.

Comparable Companies

Results: Up to IDR 93.11
Trillion (Entire Goodwill) in
Possible Impairment Loss.

DCF
?

Results: No sufficient
reliable publicly-available
data for DCF assessment.

- Our analysis and numbers mentioned above are based on key assumptions and estimates using publicly-available data, which may differ materially from the actual performance.
- IAS 36 and PSAK 48 allows the company to use the highest possible fair valuation, thus allowing GOTO to book the least amount of impairment loss available. In this case, the least possible impairment loss is IDR 43.20 trillion using EV/GMV multiple from our earlier assumptions.
- However, we discourage the use of EV/GMV as it is not a standardized formula and GMV/GTV/TPV calculation method may be different between one company to another.

Goodwill Impairment Likely to Limit GOTO Ability to Pay Dividend

Nilzon Capital

Projected Pro-Forma Balance Sheet as of Sep-2022 (IDR Trillion)

Current Assets	35.46
Goodwill	93.84
Adj.: Tokopedia Goodwill Impairment	(43.20)
Other Non-Current Assets	25.50
Total Assets	111.60
Total Liabilities	15.80
Fully Paid Capital - Net	238.35
Accumulated Loss	(99.35)
Adj.: Projected Additional Loss from Tokopedia Goodwill Impairment	(43.20)
Total Liabilities and Equity	111.60

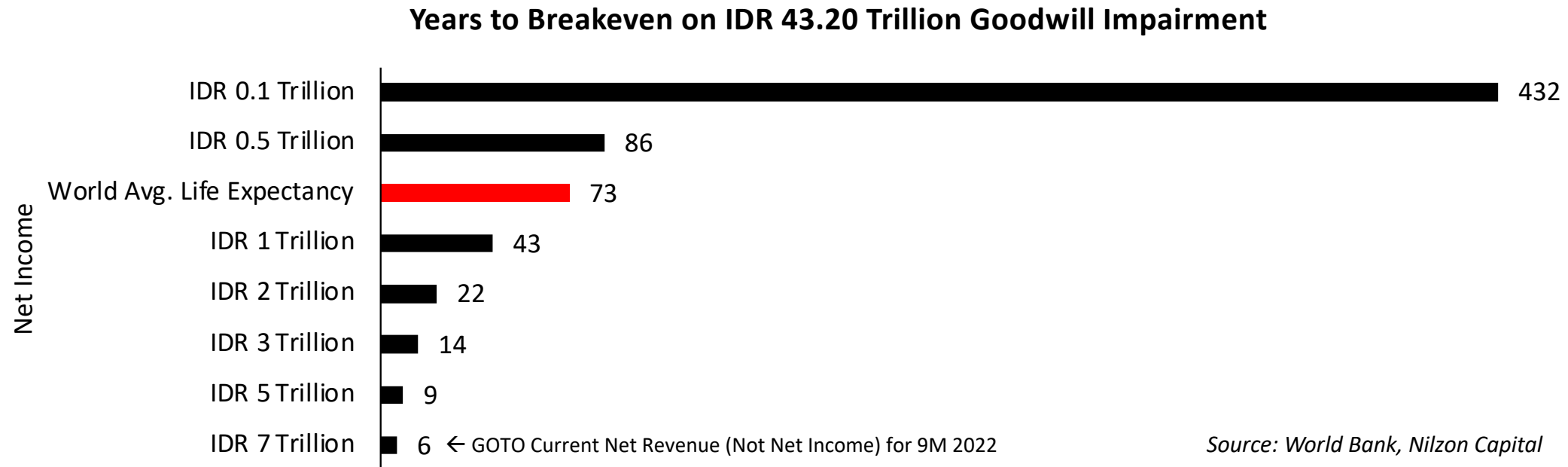
Projected Pro-Forma Income Statement for 9M 2022 (IDR Trillion)

Net Revenues	7.97
COGS	(3.86)
Operating Expenses	(25.10)
Adj. Projected Additional Loss from Tokopedia Goodwill Impairment	(43.20)
Pre-Tax Income (Loss)	(64.19)

- Any possible impairment loss will be recorded in the income statement as an additional costs to the company.
- Further possible loss will be accumulated in the balance sheet as Accumulated Loss, a negative account under equity section.
- The bigger the accumulated loss, the more hurdle that GOTO has from distributing any potential dividend in the future.
- Indonesian corporate law requires companies to book positive earnings, plus to retain 20% of fully-paid capital before paying any dividend to the shareholders.
- **Based on IAS 36 and PSAK 48, goodwill can't be recovered once impairment is recognized.**

Source: GOTO, Nilzon Capital

Goodwill Impairment Likely to Limit GOTO Ability to Pay Dividend (2)



- If the IDR 43.20 trillion goodwill impairment loss is likely to happen, GOTO management needs to be more aggressive in improving their profitability going forward. Otherwise, it will take decades just to breakeven on the goodwill impairment loss alone.
- This is excluding the accumulated loss of IDR 99.35 trillion that already included in their 30 September 2022 balance sheet.

GOTO Management Needs to Unlock Tokopedia's Value in the Market

- If the annual impairment testing resulting in possible losses, GOTO management still have several alternatives to retain Tokopedia's perceived value using several options:

Private Placement in Tokopedia

This will requires GOTO to perform private equity offerings to the sophisticated investors using any best possible valuation investors willing to take.

Tokopedia IPO

This will requires GOTO to perform public equity offerings to Tokopedia shares, so that the management can unlock the true value of Tokopedia and leave it to the market mechanism.

World's Biggest Goodwill Impairment Cases in 2020

Baker Hughes Co. NYSE:BKR \$14.8 bn	AT&T Inc. NYSE:T \$10.5 bn	Berkshire Hth NYSE:BRK \$10.0 bn	Marathon Petro. NYSE:MPC \$7.4 bn	DXC Tech NYSE:DXC \$3.9 bn
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Source: Kroll

Limitation on Our Assessment



- We realized that our estimates and assumptions are limited to our ability to discover publicly-available data that we deem reliable to construct this presentation. Thus, we encourage readers to perform their own research and use this presentation only limited to the boundaries that we set for making any estimates, assumptions, conclusion or opinion.
- Readers should be aware that there may be additional information with significant influence that we failed to consider.
- We take no responsibility for any losses that readers may suffer as a result of his/her investment decision. Readers shall not take/use this article before making any investment decision.
- Impairment testing is subject to independent review by certified public accountant and the actual conclusion may be significantly different from our estimates and assumptions.
- See further important disclaimer at the beginning of this document.

06

About Nilzon Capital

Meet Your Advisors

*Nilzon
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Frizon Akbar Putra Principal Advisor, President

Indonesian citizen, currently 29 years old. License holder of WMI No. No. KEP-210/PM.211/WMI/2016, WPEE No. KEP-18/PM.212/WPEE/2017, and WPPE No. KEP-397/PM.212/WPPE/2016.

Highly experienced in the capital market and investment banking business since the start of his career at PT RHB Sekuritas Indonesia in 2015 through 2021. Experienced in handling 11 IPO from various industries, involved in the issuance of Rp20 trillion bonds & sukuk, and engaged in various regulatory discussion with OJK, BI, and capital market SROs.

Currently member of Association of Indonesian Investment Manager Representatives and Association of Indonesia Capital Market Professionals.

Graduated with bachelor's degree in Accounting from Fakultas Ekonomi Universitas Indonesia in December 2014.



John Octavianus Principal Advisor

Indonesian citizen, currently 37 years old. License holder of WPEE No. KEP-45/BL/WPEE/2011.

Highly experienced in the capital market and investment banking business for more than 10 years. Currently also serving as President Director at PT Marvel Investama Asia since 2019 and CEO at PT OrigN Teknologi Indonesia. Previously served as Head of Investment Banking at PT UOB Kay Hian Sekuritas (2018-2019), Vice President Investment Banking at PT RHB Sekuritas Indonesia (2016-2018), Senior Manager Investment Banking at PT UOB Kay Hian Sekuritas (2013-2016), Senior Manager Investment Banking at PT Maybank Kim Eng Sekuritas (2012-2013), and Associate at PT Indo Premier Sekuritas (2010-2012).

Graduated with bachelor's degree in Accounting from Fakultas Ekonomi Universitas Indonesia in 2008 and passed CFA Level 2 exam.

About Nilzon Capital



We Are	• An investment and wealth advisory firm based in Indonesia. • Registered and supervised by Otoritas Jasa Keuangan Republic of Indonesia. • Established in 2020 during the worst economic crisis since The Great Depression of 1929. • Led by a highly-skilled management team with years of experience and certified qualification in investment banking and asset management. • Targeting sophisticated high-net-worth individuals and institutions with investment horizon of 5 years or beyond.
Our Business	• Asset allocation advisory through stocks, ETF, fixed income securities, and alternative investments. • Corporate action advisory via private placement, rights issue, convertible notes, takeover, etc.
Our Track Record	• Seek to outperform index benchmark with clear, risk-balanced asset allocation strategy. • Unique investment strategy tailored for each client. • Put client's privacy as the outmost priority.

Registered Investment
Advisor at Otoritas Jasa
Keuangan Indonesia,
License No. KEP-
74/D.04/2021

Nilzon Capital Business Coverage

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Portfolio Modeling, Assisted Trading, and Investment Planning & Strategy

Investing is about finding the best opportunity. Your sophisticated advisors will guide you to build an investment portfolio that suits your financial goals, investment style, and personal preferences while navigating through the short-term volatility. We will act in your best interest, and because our advisors don't sell products for commissions, you can always count on getting objective advice.



Our ESG Investment Philosophy

We are prioritizing investment in securities issued by firms that are highly committed to the environment, social and governance causes. Investing to profit from irresponsible exploitation is easy, but investing while building a sustainable economy, improving the quality of life for the society and respecting transparency requires more than just hard work. It needs our support and our capital. We carefully pick securities that meet our ESG score standards.



Family Offices

Build and manage your multigenerational wealth with our hand-picked investment strategy across multiple asset classes, including finding an optimum structure for your Family Offices that enables you to preserve wealth beyond times. Family Offices can take advantage of economic and tax benefits that can not be enjoyed by investing individually. Plus, its definitive legal structure enables for a more flexible and a more accountable capital allocation, all for better next generations.



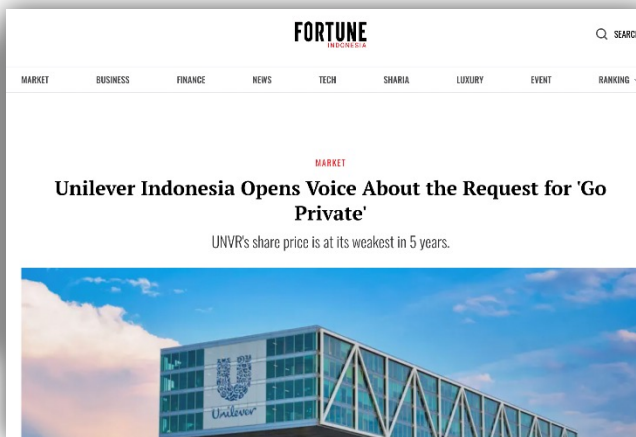
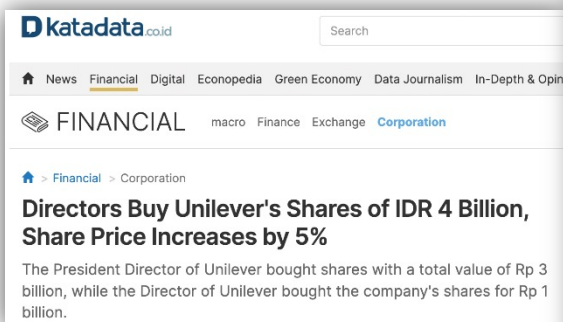
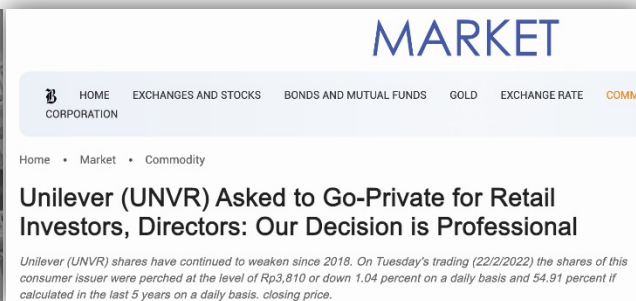
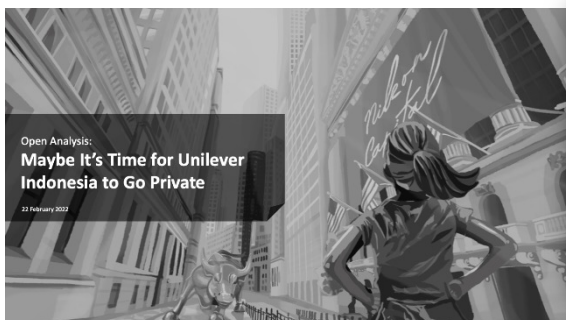
Investment Research

Our advisors are certified investment professionals with deep knowledge and understanding about the capital market. With multiple years of practicing investment banking and sell-side securities businesses, our advisors have what it takes to put professional skepticism at works. Our priority is to always using fundamental analysis and relative valuation in every investment opportunity we evaluate. In order to support fair and efficient capital market, we also actively issuing public and private analysis that even fifth grader can understand.

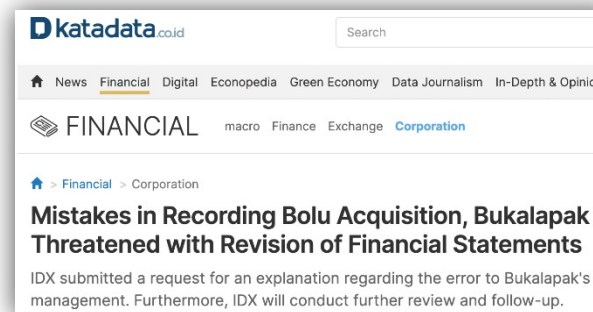
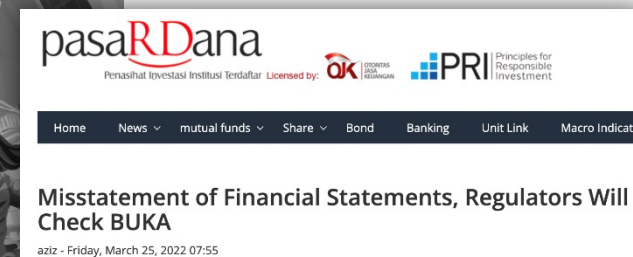
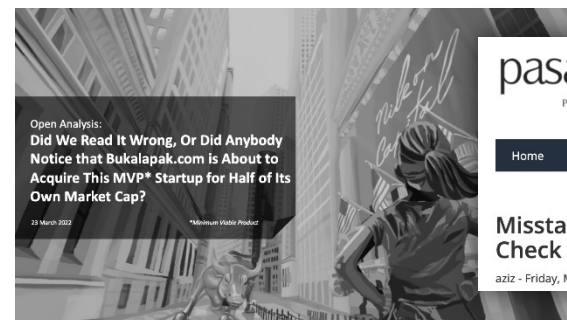
Nilzon Capital's Opinion Moves the Market

Nilzon
Capital

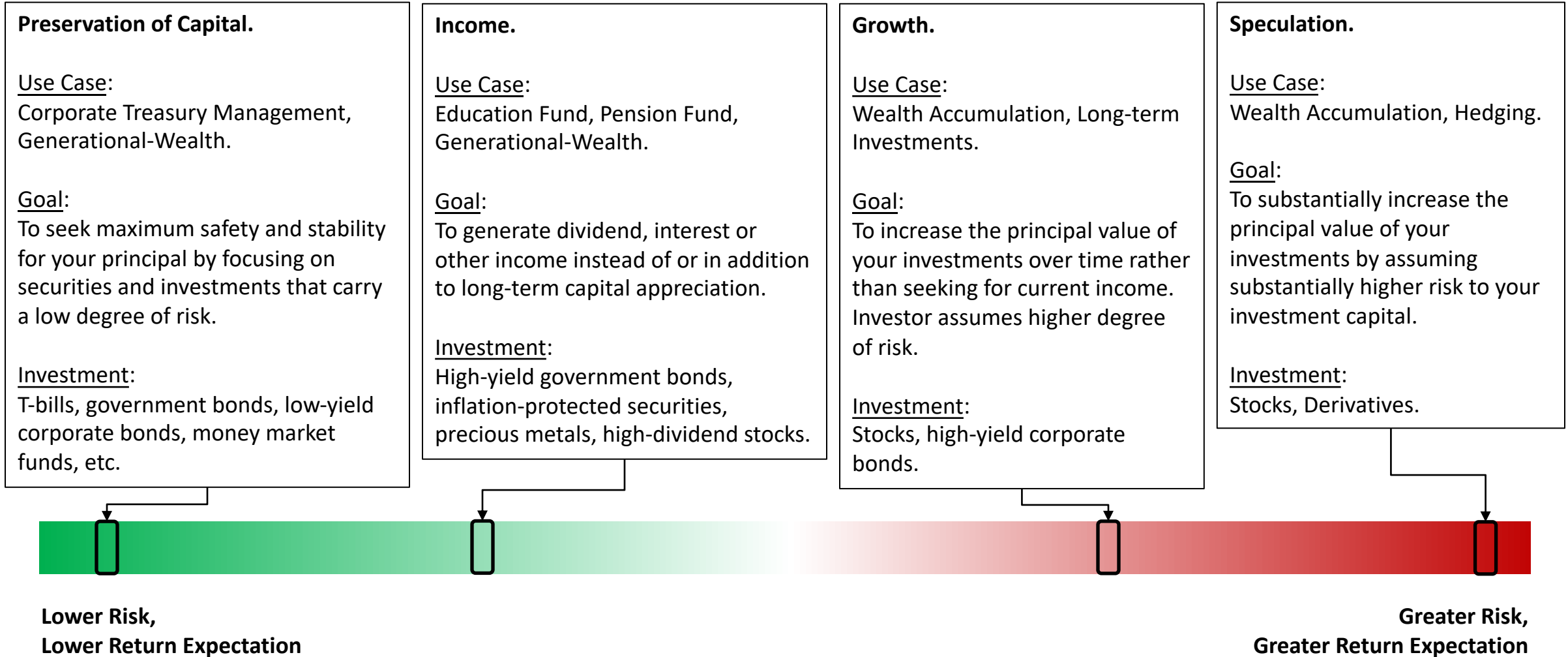
Commentary on Unilever Indonesia Go Private Recommendation



Commentary on Bukalapak Acquisitions and Valuation (turns out to be a massive \$1 billion typo on the financial report)



Nilzon Capital Portfolio Allocation Model Spread Across All Risk Spectrum



Nilzon Capital Key Person Ownership on the Highlighted Companies



Key Person	Role	Ownership in GOTO
PT Nilzon Kapital Advisor	Company	Yes*
Frizon Akbar Putra	Principal Advisor, President	Yes*
John Octavianus	Principal Advisor	Yes*

*) All key person is expected to effectively settle their shares on 1 December 2022. All key person may or may not increase/decrease their ownership in the company mentioned anytime after the date of issuance of this report.

This article is written by:

Frizon Akbar Putra

John Octavianus

Nilzon Capital

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