# Southeast Asia New Economy

## Understanding ASEAN's Super Apps

- **Grab and Gojek started as ride hailing companies and have expanded to food and parcel delivery, e-wallet and other daily services, solidifying their "Super App" status in ASEAN.**
- **Bloomberg reported in April 2019 that both companies had joined the "decacorn" ranks, valuing Grab at US$14bn and Gojek at US$10bn.**
- **Both Grab and Gojek have stated their intentions to list by 2023/24.**

*Building on our June 14, 2020 ASEAN Who's Who report, we take a closer look at Grab and Gojek, two prominent Southeast Asian app providers that achieved Super App status.*

**Practicality vs. time spent:** The ASEAN population spends 7-10 hours online daily (Global Web Index as of 3Q19), of which 80% is on social media and video streaming sites. While ride hailing services command relatively low usage hours, the provision of a reliable alternative to ASEAN's (except for Singapore's) underdeveloped public transport has made both "must own" apps. Based on June 2020 App Annie data, 29% and 27% of the ASEAN population had downloaded the Grab and Gojek apps, respectively.

**Merchant acquisition moving to center stage:** A price war and exorbitant incentives/ subsidies characterized customer acquisition strategies until Grab acquired Uber's Southeast Asian operations in March 2018. We now see broader ride hailing pricing discipline. Grab and Gojek have turned to merchant acquisition as their focus shifts to online food delivery business (and beyond).

**ASEAN TAMs for ride hailing of US$25bn and online food delivery of US$20bn by 2025E:** Our sector models focus on ASEAN's middle 40% household income segment, which we see as the target audience for both businesses. We believe Grab and Gojek have only captured 30% of ASEAN ride hailing TAM. Moreover, we see growth potential in ride hailing and food delivery TAM as ASEAN's middle class grows alongside its economy.

**E-wallet: the path to profitability?** *Gojek's CEO* stated his intention in a May 2019 interview to focus on building the food delivery and finance (ie, e-wallet) businesses. We believe Grab could possibly adopt a similar strategy. In 2Q19, Singapore and Malaysia each took measures toward establishing a digital banking framework. Alipay provides a read-across for e-wallet potential for Super Apps.

**Legislation is evolving:** After Grab was fined for anti-competition infringement in Singapore in Sep 2018, many ASEAN countries introduced laws to level the playing field for the ride hailing industry. Singapore and Malaysia have also drafted Fintech licensing frameworks as e-wallet deposits are on the rise. While many governments in the region have supported new economy development, we find others have been slower to legislate.

**Gojek and Grab both plan to list:** Gojek stated in an Oct 2019 *interview*that it targets to list by 2023-24 and aims to be profitable before then. Gojek further stated that it hopes to list on the Indonesia Stock Exchange (IDX) and other major foreign exchanges. Grab plans to list once it is profitable, according to a Nov 2019 *CNBC* report, noting some of its markets are already in the black. Moreover, 23% shareholder Uber can redeem its stake for US$2.2bn by March 2023.

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## ASEAN Super App landscape

- **Practicality vs. time spent:** The ASEAN population spends 7-10 hours online daily according to Global Web Index (as of 3Q19), of which 80% is on social media and video streaming sites, predominantly Facebook, WhatsApp and YouTube. While Grab and Gojek's ride hailing services command relatively low usage hours, the provision of a reliable alternative to ASEAN's (except for Singapore's) underdeveloped public transport systems has made both "must own" apps. Indeed, according to App Annie, as of June 2020, Grab and Gojek had 187mn and 170mn downloads, respectively, meaning 29% and 27% of the ASEAN population have the apps on their mobile phones. The apps top App Annie's 2019 ASEAN top ten most active users list.

- **Looking beyond customer acquisition; focus shifting to merchants:** Since *Grab acquired Uber's* Southeast Asian operations in March 2018, we have observed a cooling off in the price war and the exorbitant incentives offered to acquire users and drivers. Looking at ride hailing pricing trends (based on users' experience as per our past survey), from 2019 to the present, we see pricing discipline was maintained even after Gojek entered the Singapore ride hailing market in early 2019. Gojek now has 36mn MAU in four countries (Grab does not disclose MAU data). As the ride hailing sector matures, both players are turning to merchant acquisition as key to growing their online food delivery businesses. Grab reported *0.2mn merchants* as of Sept 2019, while Gojek reported *0.5mn merchants* as of June 2020.

- **We estimate the ASEAN total addressable market (TAM) for ride hailing will reach US$25bn and online food delivery at US$20bn by 2025E:** Our sector models focus on ASEAN's middle 40% household income group which, in our view, is the target audience. We believe both players have only captured 30% of the region's ride hailing TAM. Moreover, we see room for growth in sector TAM for both ride hailing and food delivery as ASEAN's middle class is growing alongside its economic growth. Note that our industry dynamic derivation model does not yet account for the TAM of other services provided by Grab and Gojek, such as lifestyle solutions and e-wallet market size, as we do not have sufficient data. (Please see Exhibits 20 and 22 for our TAM calculation breakdown.)

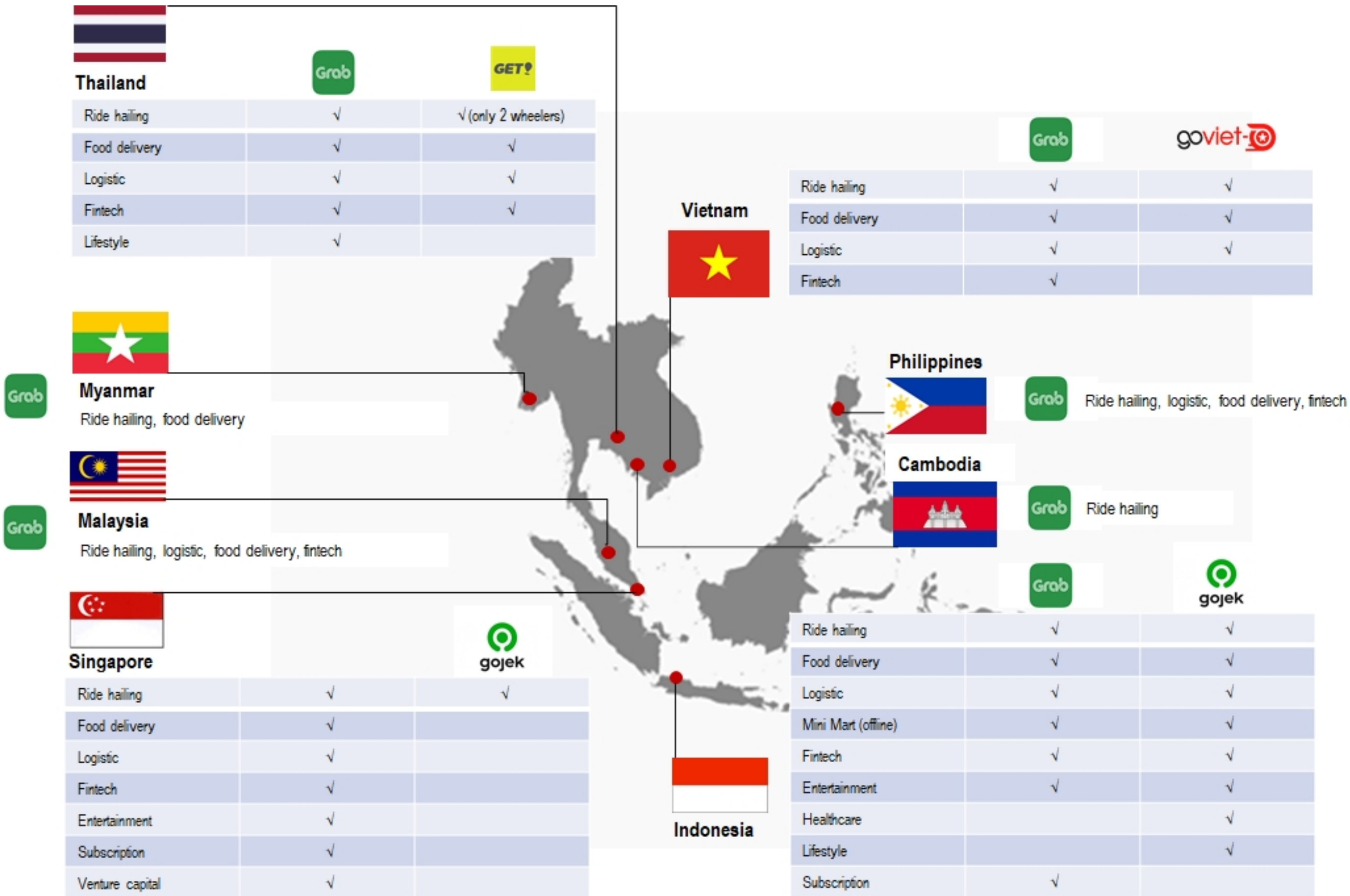
- **E-wallet might be path to profitability:** *Gojek's CEO* stated in May 2019 *(Nikkei Asian Review)* that he aims to build pockets of profit in Gojek's food delivery and finance (ie, e-wallet) businesses, arguing that Gojek does not need its founding ride hailing business to make money when it goes public. We believe Grab could possibly adopt a similar strategy. In 2Q19, Singapore announced that it would issue five digital bank licenses and it has already attracted 12 applicants. Malaysia's central bank will be issuing up to five licenses to qualified applicants to establish digital banks but offered no details on applicants. We will discuss ASEAN e-wallet trends and outlook in a future report.

- **Legislation is evolving amidst development of the new economy:** After Grab was fined for anti-competition infringement in Singapore in September 2018, many ASEAN countries (see Exhibit 25) introduced new laws to level the playing field for the ride hailing industry. Singapore and Malaysia have drafted a licensing framework to regulate the fintech industry, too, as e-wallet deposits rise. While many governments in the region have supported new economy development, we find others have been relatively slower in legislating.

- **Gojek and Grab both plan to list:** Gojek stated in an October 2019 *interview* that it targets to list by 2023-24 and aims to be profitable prior to its IPO. Gojek further stated that it hopes to list on the Indonesia Stock Exchange (IDX) and other major foreign exchanges. Grab plans to list once it is profitable, according to a November 2019 report by *CNBC*. Its CEO said that some of its markets are already in the black. Moreover, its 23% shareholder Uber can redeem its stake for US$2.2bn by March 2023.

# Grab and Gojek – Operational and key statistics comparisons

**Exhibit 1 - Grab and Gojek: Operations geographical overview**




**Thailand**

| | Grab | GET |
|---|---|---|
| Ride hailing | √ | √ (only 2 wheelers) |
| Food delivery | √ | √ |
| Logistic | √ | √ |
| Fintech | √ | √ |
| Lifestyle | √ | |

**Vietnam**

| | Grab | goviet |
|---|---|---|
| Ride hailing | √ | √ |
| Food delivery | √ | √ |
| Logistic | √ | √ |
| Fintech | √ | |

**Singapore**

| | Grab | gojek |
|---|---|---|
| Ride hailing | √ | √ |
| Food delivery | √ | |
| Logistic | √ | |
| Fintech | √ | |
| Entertainment | √ | |
| Subscription | √ | |
| Venture capital | √ | |

**Indonesia**

| | Grab | gojek |
|---|---|---|
| Ride hailing | √ | √ |
| Food delivery | √ | √ |
| Logistic | √ | √ |
| Mini Mart (offline) | √ | √ |
| Fintech | √ | √ |
| Entertainment | √ | √ |
| Healthcare | | √ |
| Lifestyle | | √ |
| Subscription | √ | |

Source: Official company websites; CRSHK compiled

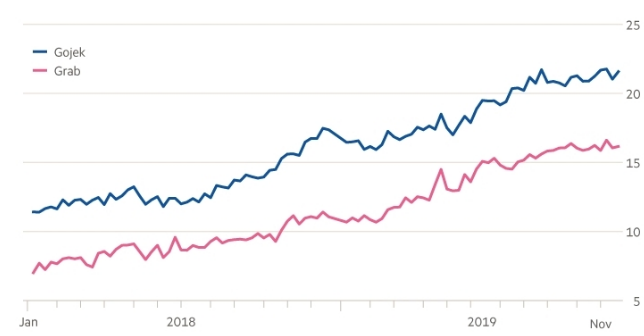
- **Branding:** Grab has unified branding across ASEAN, but Gojek's operations are known as GET in Thailand and as GoViet in Vietnam. Gojek announced in July 2020 that it will unify its brands and all operations will be known as "Gojek" effective immediately post the announcement.
- **Cross-country usage:** Grab's app uses a single platform, which enables customers to use Grab throughout the region. With brand and platform unification at Gojek, its users will also be able to use the same app across Indonesia, Singapore, Thailand and Vietnam; this replaces what were separate operating apps in GET and GoViet.
- **Operating countries:** Grab is headquartered in Singapore and operates in seven other countries – Malaysia, Thailand, Indonesia, Vietnam, Philippines, Myanmar and Cambodia. Gojek is based in Indonesia and operates in three other countries – Thailand, Vietnam and Singapore. See details on TAM in Exhibits 20 and 22.
- **Product offerings:** Both companies aim to use technology to improve the user experience by providing solutions to transport and logistics challenges in the region. Consequently, both offer ride hailing, as well as food and parcel delivery, as their core services. E-wallet has also become a core business for both players. Gojek has expanded into lifestyle solutions and healthcare in Indonesia, as well.

**Exhibit 2 - Grab and Gojek - Key operating statistics**

| | Grab | Gojek |
|---|---|---|
| Number of app download (as of June 2020) | 187mn | 170mn |
| Monthly active users, MAU (as of November 2019) | n.a | 36.3mn |
| - Indonesia | n.a | 29.2mn |
| - Vietnam | n.a | 4.3mn |
| - Thailand | n.a | 2.0mn |
| - Singapore | n.a | 0.8mn |
| Number of merchants* | 200,000 | 500,000 |
| Number of countries (as of June 2020) | 8 | 4 |
| Number of cities | 339 | 207 |
| - Indonesia | 224 | 203 |
| Rides per day (as of January 2019) | 6mn | n.a |
| Number of drivers (as of March 2020) | 2.8mn | 2mn |
| Number of employees (as of July 2020) | 6,840 | 4,370 |

Source: Official company websites, Nikkei Asian Review, CNBC, Fortune.
*Merchant data - Grab as of Sept 2019, Gojek as of June 2020

**Exhibit 3 - Grab vs. Gojek - Indonesia: ride hailing daily ridership**




Source: Financial Times, App Annie, CRSHK compiled

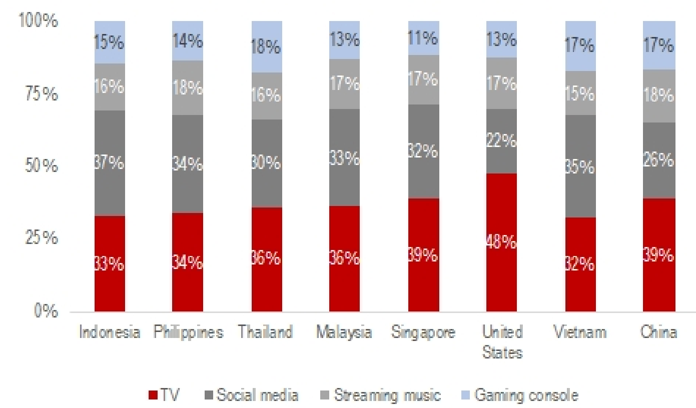
- **Source of data:** As both companies are private, neither offers any operating statistics. All data above have been published and are collected via the companies' official websites, news media interviews, and third-party data collectors.
- **Number of downloads:** As of June 2020, the Grab app had been downloaded 187mn times and Gojek's app had 170mn downloads, according to App Annie.
- **Monthly active users (MAU):** Converting downloads to active usage is important for revenue generation. While there is no official data, Gojek's CEO Andre Soelistyo stated in an interview with *Nikkei Asian Review* the company's MAU as of 3Q19. Grab, however, does not offer MAU data and no data collection agency provides it.
- **Operations are Indonesia-focused:** While Grab operates in eight countries, 66% of the cities where it operates are in Indonesia. Meanwhile, more than 90% of the cities where Gojek operates are in Indonesia, despite recent expansion into Singapore, Thailand and Vietnam.
- **Gojek shows more weekly active users in Indonesia ride hailing:** According to App Annie, Gojek ranks consistently higher than Grab in terms of weekly active users. However, Grab stated in a *Financial Times* (Dec 26, 2019) article that the data failed to reflect total transactions on its platform.
- **Rides per day:** Gojek does not provide any data on this metric. Grab stated in its January 2019 *newsletter* posted to its website that it took six months for ridership to increase to the 3bn ridership mark from 2bn. This implies daily average ridership of c.5.5mn (1 billion rides divided by 182 days).
- **Number of employees:** Before COVID-19, Grab had 7,200 *employees*, excluding drivers. It is building a new headquarters in Singapore to accommodate more employees, according to management. Gojek's *combined workforce* before COVID-19, including GET and GoViet, was 4,800 people, according to management.
- **Impact of COVID-19:** In early June 2020, according to a company press release, Grab laid off 360 people or 5% of its employees across its eight markets to reduce expenses due to the pandemic. Two weeks later, Gojek also announced in a press release that it was letting go of 430 workers or 9% of its total headcount.

## Penetration via practicality

**Exhibit 4 - Daily time spent online**

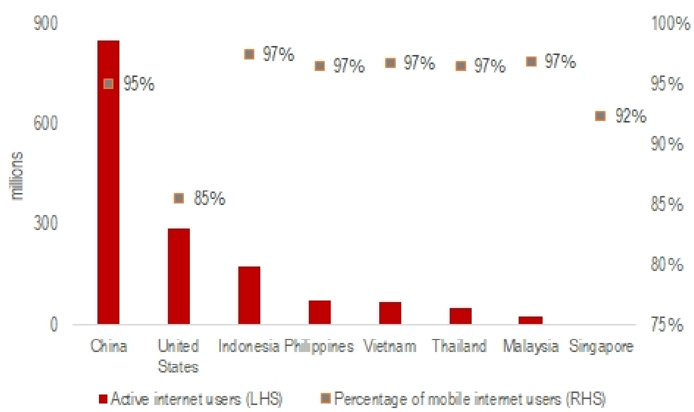

Source: Global Web Index (3Q 2019)

**Exhibit 5 - Breakdown of daily time spent online**



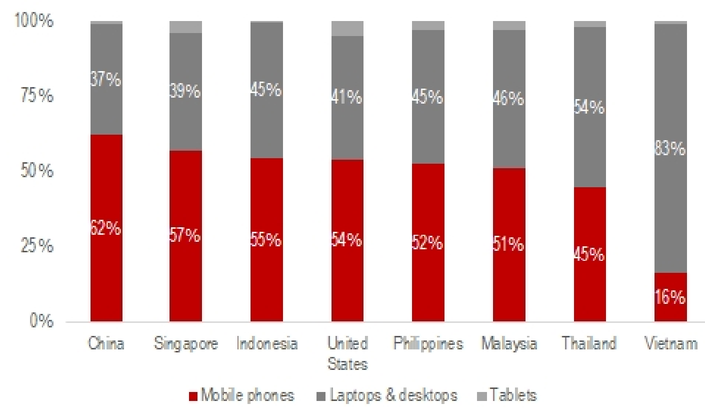

Source: Global Web Index (3Q 2019)

**Exhibit 6 - Total internet users and mobile internet users**




Source: Global Web Index (3Q 2019)

**Exhibit 7 - Share of web traffic by devices**




Source: Stat Counter (2019 data)

### ASEAN is a heavy mobile internet usage region...

- **ASEAN spends more time online than China and the US:** ASEAN internet users spent 7 to 10 hours per day online, while China only spent 6 hours online daily in 3Q19, based on data from Global Web Index.
- **ASEAN users spent most time on video streaming and social media,** which accounted for nearly 70% of the time spent, 5ppt higher than in China.
- **Majority of ASEAN internet (ie, online access) users are mobile-based:** As shown in Exhibit 6, 97% of ASEAN internet users use mobile devices as their main source of internet access, according to Stat Counter data.
- **Devices used to access websites (ie, browser-based internet usage) are mixed:** In China, 62% of web traffic was accessed via mobile phones in 2019. But usage of mobile phones and laptops in ASEAN is still equally split, except for Vietnam where laptops and desktops dominate.
- **ASEAN could rely more on apps to access content:** Given ASEAN's high mobile internet usage, we are surprised that web (ie, browser usage) access remains heavily

dependent on laptops. We thus believe ASEAN relies heavily on apps to access content and this traffic may not be captured or compiled by data aggregators, which could imply the share of web traffic by mobile phones metrics is understated.

## ...but ASEAN mobile devices are dominated by established apps

**Exhibit 8 - Mobile app ranking by most active users, 2019**

| Indonesia | Vietnam | Thailand | Malaysia | Singapore |
|---|---|---|---|---|
| WhatsApp | Facebook | Line | WhatsApp | WhatsApp |
| Facebook | Facebook Messenger | Facebook | Facebook | Facebook |
| Instagram | Zalo | Facebook Messenger | Facebook Messenger | Instagram |
| Facebook Messenger | Zing MP3 | Instagram | Instagram | Facebook Messenger |
| Line | Grab | Lazada | Waze | Grab |
| Shareit | Viber | Shopee | Wechat | Carousell |
| Gojek | VTC Now | K Plus | Lazada | Spotify |
| Shopee | Shopee | SCB Easy | Shopee | Wechat |
| Tokopedia | Instagram | My AIS | Telegram | Lazada |
| MyTelkomsel | Lazada | Twitter | Grab | Telegram |

Source: App Annie, *data not available in Philippines

**Exhibit 9 - Mobile app ranking by most downloads, 2019**

| Indonesia | Vietnam | Thailand | Malaysia | Singapore |
|---|---|---|---|---|
| Facebook | Facebook | Facebook Messenger | Facebook Messenger | Gojek |
| Facebook Messenger | Facebook Messenger | Facebook | Facebook | WhatsApp |
| WhatsApp | Tik Tok | Line | WhatsApp | Facebook Messenger |
| Shareit | Zalo | Tik Tok | Shopee | Grab |
| Shopee | Zing MP3 | Shopee | MiChat | Shopee |
| Instagram | Shopee | Lazada | Grab | Facebook |
| Tik Tok | Ulike | 4Shared | Shareit | Tik Tok |
| Youtube | Hago | Wallet by Truemoney | Tik Tok | Lazada |
| Likee | B612 | Joox Music | Instagram | SingPass |
| UC Browser | Tiki | Instagram | Touch' n Go | Netflix |

Source: App Annie, *data not available in Philippines

We looked at data collected by App Annie to gauge the MAU and downloads for Grab and Gojek as of 2019. Our takeaways from the data are as follows:

- **Grab and Gojek: penetrate via practicality:** Ride hailing helps solve daily travel bottlenecks for many ASEAN urbanites, likely contributing to the download popularity of both apps. Once both companies acquired a sufficient user base, they extended their product offerings to other practical services such as food delivery that could leverage their existing technology and app infrastructure.

- **Grab and Gojek not top-ranked in MAU, but remain key apps in ASEAN:** While neither company appears in the top three MAU in ASEAN countries, both are within the top ten ranking, except in Thailand. In our view, this signifies the importance of Grab and Gojek as ride hailing-cum-Super Apps in ASEAN.

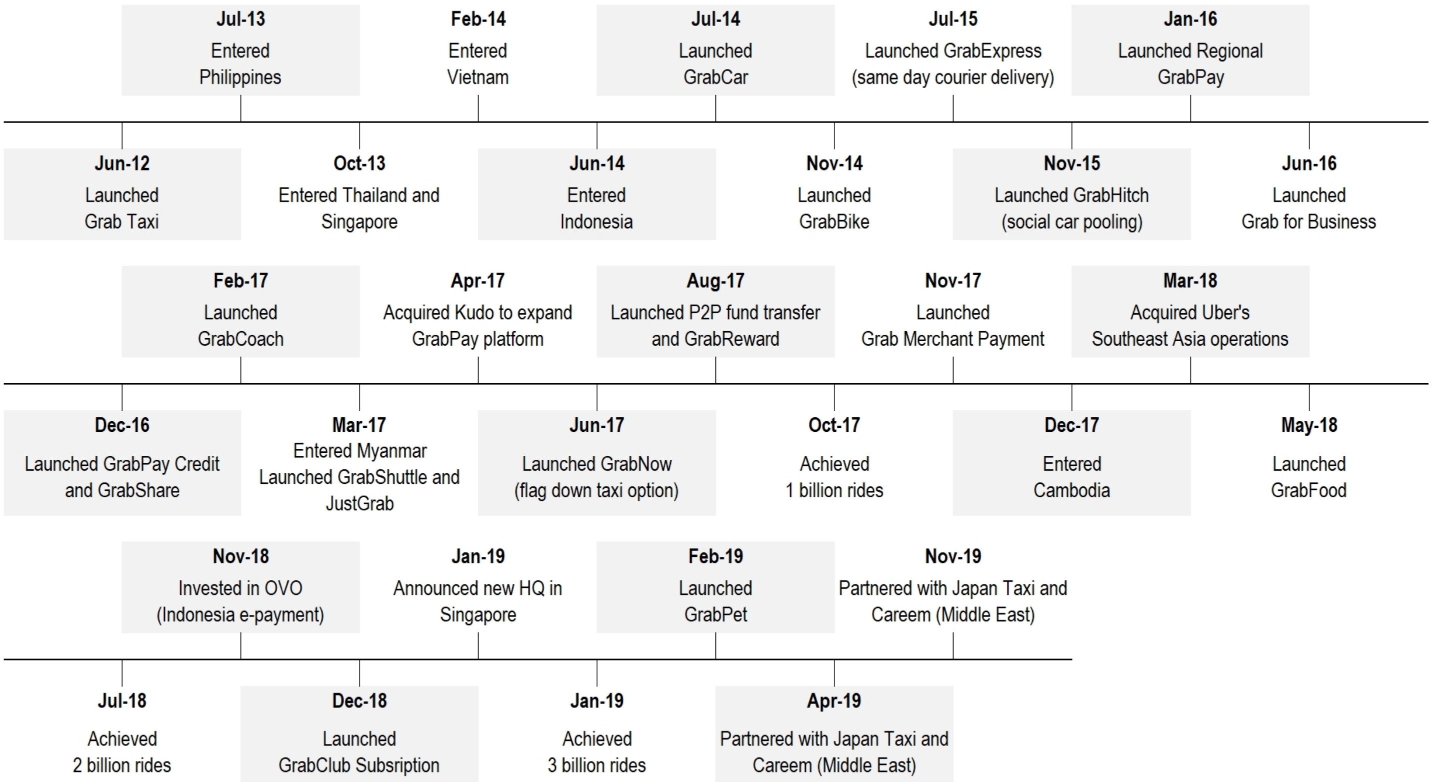
- **Still attracting new downloads in Malaysia and Singapore:** Although Grab and Gojek's total downloads already accounted for – and implicitly reached – 30% of the ASEAN population, both still rank in the top ten downloads in Malaysia and Singapore.

- **Communication is dominated by US and Japanese companies' apps:** WhatsApp (US), Line (Japan) and Facebook Messenger (US) are the most used communication apps in ASEAN, thus we believe replicating China's Super App WeChat on a region-wide basis would likely prove challenging in ASEAN.

- **Established brands dominate social media and content-based apps:** Instagram, Tik Tok, Netflix and Spotify likely limit ASEAN companies' ability to penetrate social media and content-based industries, in our view, except in Vietnam, given their prevailing large market shares in most ASEAN countries where they are present.

## Grab's penetration strategy and timeline

**Exhibit 10 - Grab's operations development history**




Source: Grab official website

- **Empowering ASEAN via technology**. Southeast Asians throughout the region face challenges related to traffic congestion and underdeveloped public infrastructure that impact quality of life. Grab's stated aim on its website is to solve these issues via its app, creating income opportunities for drivers and merchants who leverage its platform.

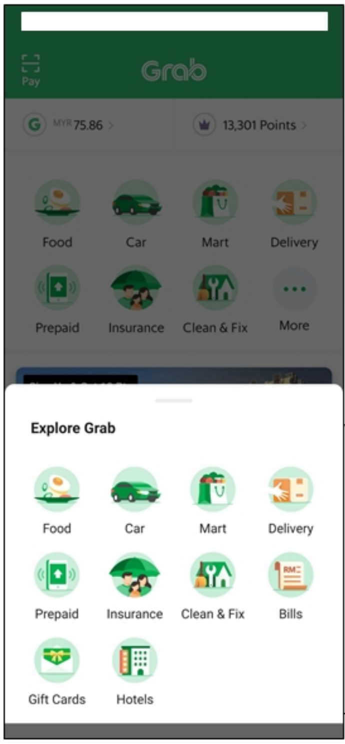
- **"Hyper-local" strategy has provided competitive edge:** Grab entered ASEAN's ride hailing market a year ahead of Uber, enabling it to amass extensive user data about the markets it serves. With diverse infrastructure across ASEAN, Grab tailored its services to local needs – eg, using motorbike rather than car taxis in Jakarta and Ho Chi Minh. Grab offers a range of ride hailing choices (see Exhibit 11) and the ability to use its Grab app regionwide makes its ride hailing experience seamless across its markets.

- **187mn downloads, but MAU data is unavailable:** After six years of competition with Uber, Grab ultimately acquired Uber's Southeast Asian business in March 2018, effectively ending Grab's price war-driven customer acquisition phase. As of June 2020, Grab's app downloads had doubled from 2018's 90mn to 187mn, and equaled 30% of the ASEAN population. The company ventured into food delivery two months after acquiring Uber and, according to its website, has launched many new services to leverage its technology and app infrastructure.

- **Still growing its food delivery merchant base:** In a Sep 2019 *CNBC* interview, Grab said it has over 200,000 merchants regionwide but was not willing to disclose daily order volume. Since the May 2018 GrabFood launch, gross merchant value (GMV) had grown 900% after one year of operation, according to Grab's media statement. GrabFood accounted for ~20% of Grab's 2019 GMV, from less than 5% in 2018.

## Exhibit 11 - Grab (Malaysia and Singapore) in-app user interface

**Launch page and mini programs expansion**




GrabPay (e-wallet), leading offline to online payment option in ASEAN

Mini Programs

**Grab Food**– Food delivery, available in 7 countries

**Grab Car** – ride hailing, available in 8 countries, with many transport options

**Grab Mart** – Daily necessities marketplace, available in 3 countries

**Grab Delivery** – Express parcel delivery via motorbike or car

**Grab Prepaid** – Mobile credit top-up

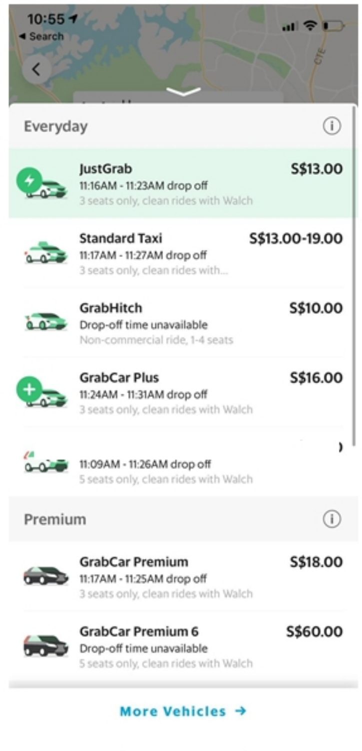
**Grab Insurance** – Ride and travel insurance covered by Chubb Insurance Singapore

**Grab Clean & Fix** – Service marketplace (aircond service, plumbing etc), collaboration with Kaodim

**Grab Bill** – Bill payment portal

**Grab Hotel** – Gateway to Agoda and Booking.com

**Within Grab Car option (Singapore only)**




**JustGrab**– Any available taxi or car

**Taxi** – Will only be serviced by registered taxi

**GrabHitch** – Car pooling system

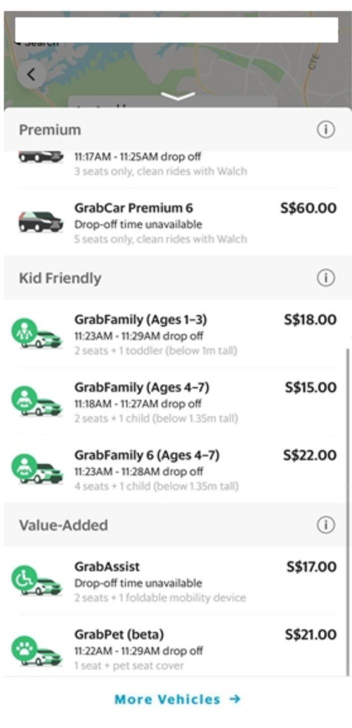
**GrabCar Plus**– Premium economy service

**GrabCar 6** – Six seater car

**GrabCar Premium** – High end vehicle

**GrabCar Premium 6** – High end six seater

**Within Grab Car option (Singapore only)**

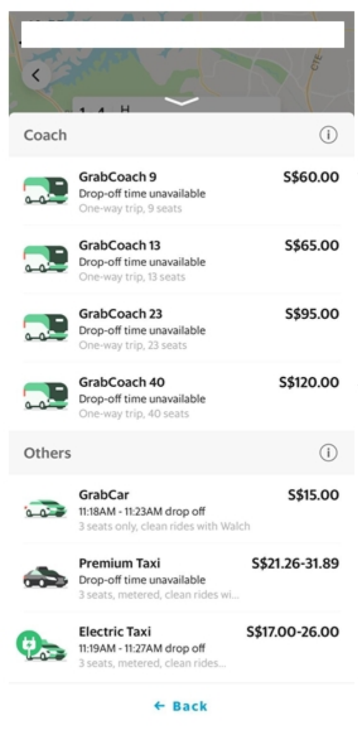



**GrabFamily** – Provide car seats for babies, infants or children

**GrabAssist** – Special outfitted cars for passengers with special needs

**GrabPet**– Pet friendly cars

**Within Grab Car option (Singapore only)**




**GrabCoach** – Minivan to buses are available for group travel

**GrabCar** – Private car

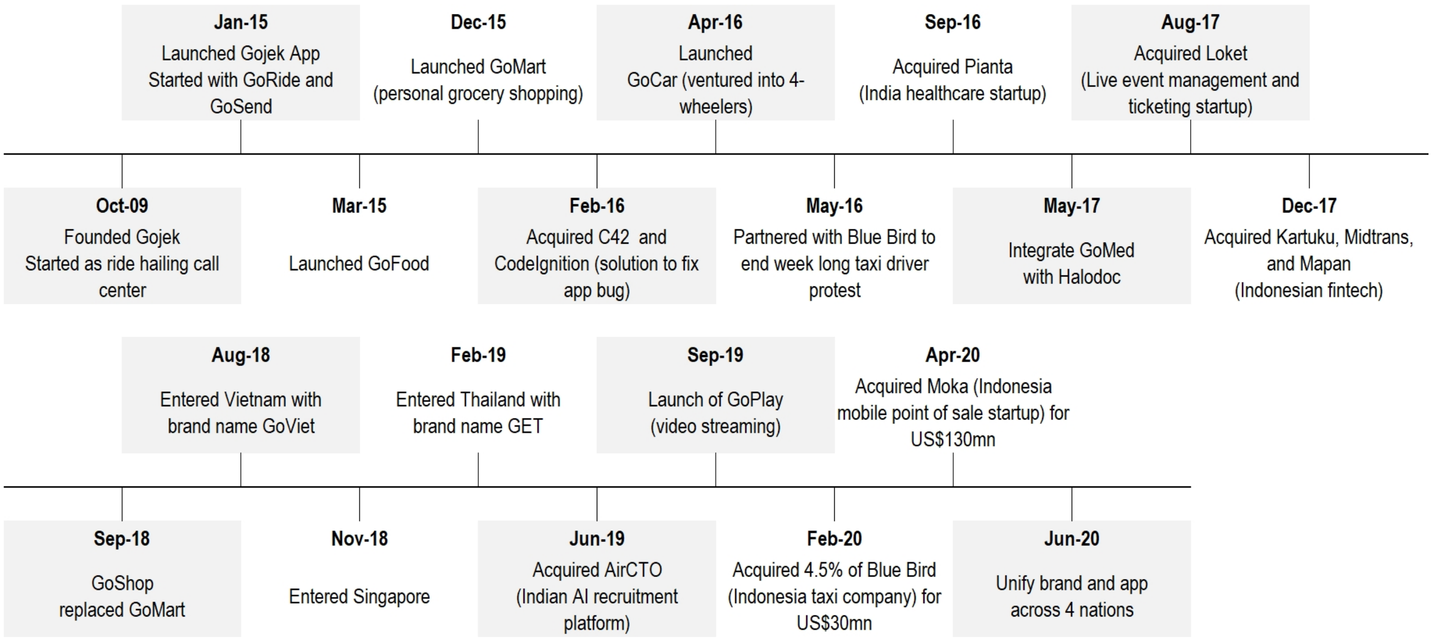
**Premium taxi** – High end taxi

**Electric taxi**

Source: Grab app. *App user interface may vary according to the country where user is located.

## Gojek's penetration strategy and timeline

**Exhibit 12 - Gojek's operations development history**




Source: Gojek's official website, Nikkei Asian Review, Tech in Asia. CNBC

- **PT Aplikasi Karya Anak Bangsa** is Gojek's registered company name and it means "application (app) by citizens". According to its website, Gojek was founded on the principle of solving everyday challenges with technology, especially focused on Jakarta's daily traffic congestion.

- **Product diversification set to dominate:** Two years after Gojek launched its ride hailing app in January 2015 with only three services, it was quick to venture into other services such as healthcare and ticketing, among others. Today, Gojek offers more than 20 services in its app, as shown in Exhibit 13.

- **170mn downloads and 36.2mn MAU:** According to *its website*, Gojek has had more than 170mn downloads in ASEAN. As of Nov 2019, CEO Andre Soelistyo, in an interview with *Nikkei Asian Review*, stated Gojek's total MAU at 36.2mn, of which 29.2mn were in Indonesia.

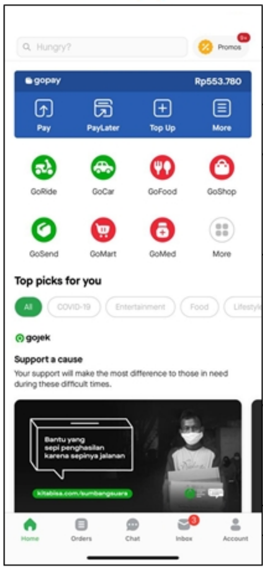
- **500,000 GoFood merchants:** Today, the company's merchants are primarily restaurant operators. According to a July 2019 press release on Gojek's website, the company's technology with merchants is still evolving to ensure a smooth transaction experience for all non-ride hailing services.

- **Gojek's expansion is focused on its home country of Indonesia before extending overseas:** Looking at its early overseas expansion, Gojek seemingly preferred to stick with its proven business know-how, as evidenced by its adding mainly ride hailing services in Singapore.

- **Unifying brands across ASEAN:** Gojek announced in July 2020 – and completed by mid-month – unification of its Vietnamese (GoViet) and Thai (GET) brands with Gojek, bringing both under the single Gojek technology platform. Separate branding led to low interoperability and users having to download separate apps when they traveled to the respective countries. Unification should resolve issues such as the need for multiple app downloads and, in our view, contributes to making Gojek an ASEAN Super App.

**Exhibit 13 - Gojek in-app (Indonesia) user interface**

**Launch page**




Search bar

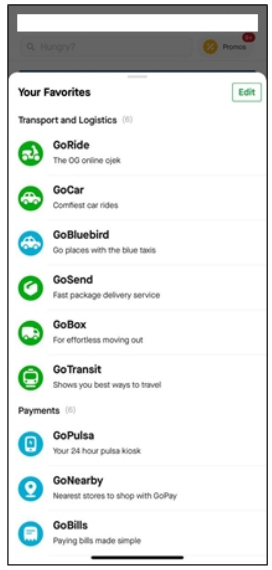
E-wallet

Mini Programs

Advertisement bar

Home, Orders, Chat, Mailbox, Account Settings

**Within mini programs**




**GoRide** – motorbike taxi, 2mn driver partner in 203 cities in Indonesia

**GoCar** – private car hire, all drivers have to undertake training

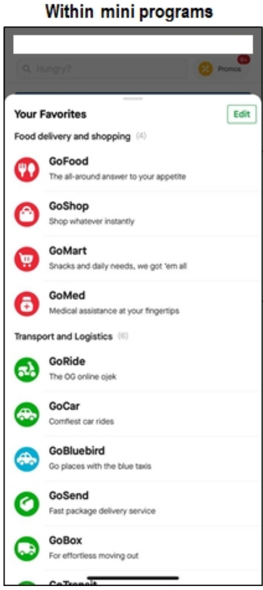
**GoBluebird** – Indonesia's largest taxi fleet with 23,000 cars

**GoSend** – Parcel delivery service

**GoBox** – Moving service in 16 regions in Indonesia

**Go Transit** – Travel planner

**Within mini programs**



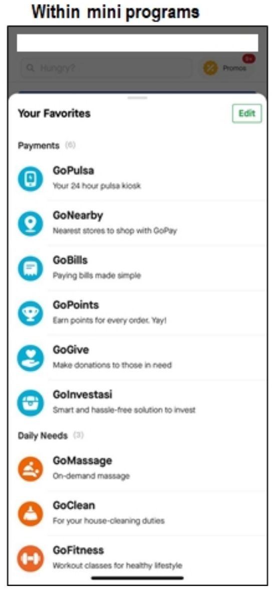

**GoFood**– 500,000 merchants and this service is available in 74 cities in Indonesia

**GoShop** – Helps buy whatever that is not available on GoFood or GoMart. This service is available 50 cities in Indonesia

**GoMart** – Daily needs online shopping . This service is available 11 cities in Indonesia and delivery is within 1-2 hours

**GoMed** – Teleconsultation, pharmacy delivery within 1 hour and hospital booking

**Within mini programs**




**GoPulsa** – mobile prepaid top-up

**GoNearby**– promotion and discount function

**GoBills** – Bill payment function

**GoPoints** – Reward points

**GoGive** – Donation function

**GoInvestasi** – Gold investment function

**GoMassage** – Body massage and reflexology services

**GoClean** – Home cleaning service

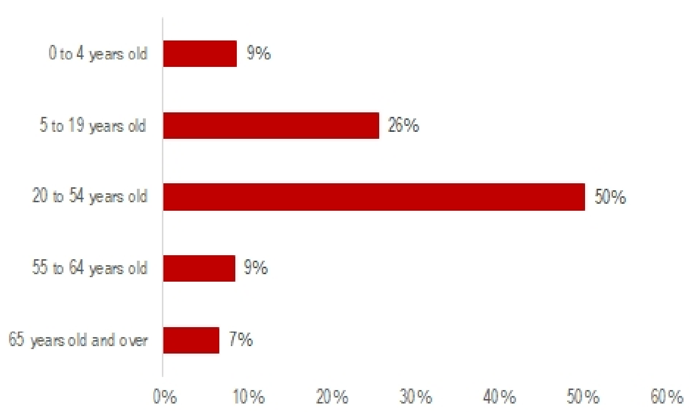
**GoFitness** – Per class booking in Greater Jakarta

Source: Gojek. *note Gojek user interface is different in Singapore, Thailand and Vietnam depending on the services Gojek offers.

## Understanding ASEAN demographics and traffic challenges

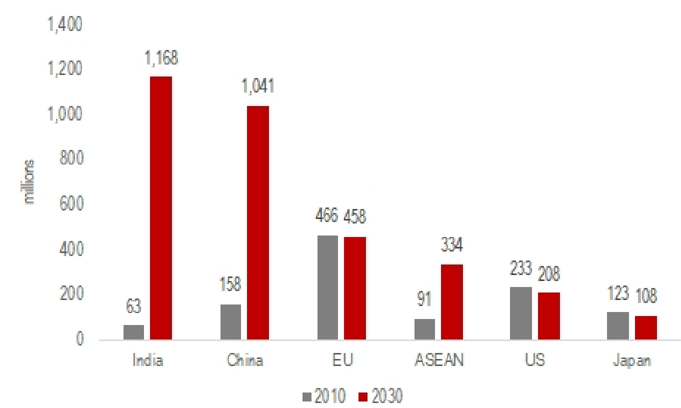
### ASEAN's growing middle-income group

**Exhibit 14 - ASEAN population by age group (2017)**



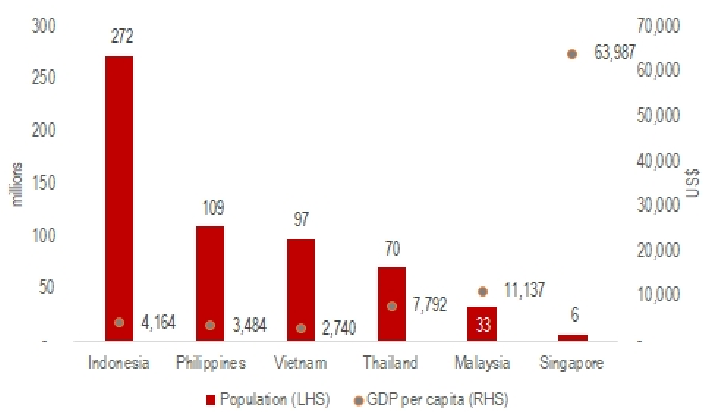

Source: ASEAN Statistics Division

**Exhibit 15 - Global middle-class growth projection comparison**



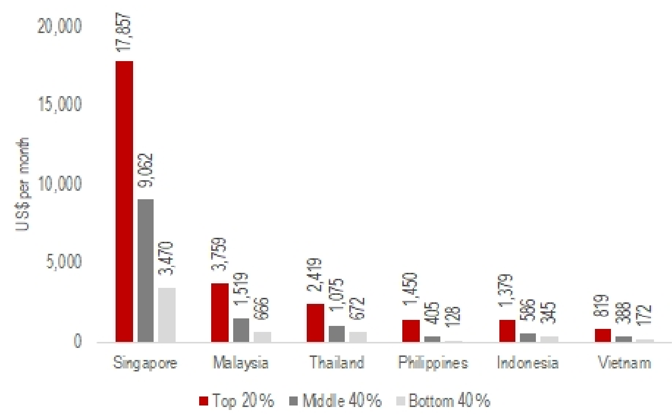

Source: OECD Working Paper No.285 (2019)

**Exhibit 16 - ASEAN population and GDP per capita, 2018**




Source: United Nations (population, as of 2018), Bloomberg (GDP per capita, as of 2018)

**Exhibit 17 - ASEAN household income by percentile (2018)**




Source: Department of Statistics Singapore, Department of Statistics Malaysia, Philippines Statistics Authority, Statistics Indonesia, National Statistical Office of Thailand, Vietnam based on Statista

- **ASEAN will be world's fourth-largest economy by 2050:** Assuming an annual GDP growth rate of more than 5.5% per year, ASEAN is forecast to overtake the European Union (EU) and Japan to become the fourth-largest economy in the world by 2050, behind China, India and the United States, according to OECD Working Paper No. 285 (2019).

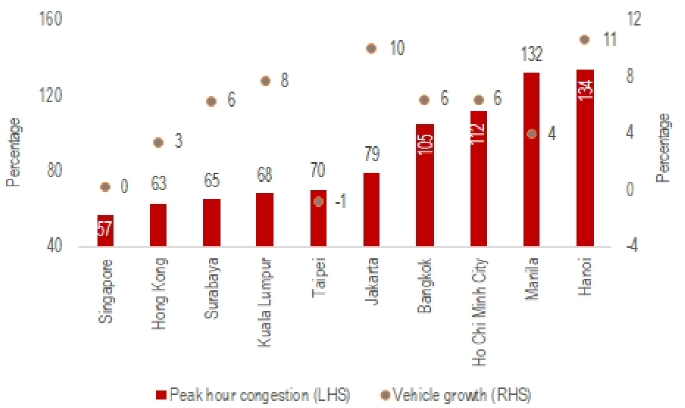
- **ASEAN's young demographic should support the region's forecast 5.5% GDP growth:** According to the ASEAN Statistics Division, approximately 320mn people are 20 to 54 years of age in ASEAN (ie, 50% of the population), equivalent to the entire US population. ASEAN also has the world's third-largest labor force, trailing only China and India. In our view, these metrics should help support the OECD's 5.5% GDP growth outlook because the market will have a steady stream of labor.

- **Growing middle class should also support next growth spurt:** ASEAN's middle class is expected to more than double from 135mn (24% of the region's population) to 334mn (51% of the population) by 2030, according to OECD research.

- **Thailand, Vietnam, Indonesia and Philippines are playing catch up on infrastructure spending:** Infrastructure investment in ASEAN from 2016 through 2030 is estimated to be about US$2.8trn, according to the Asian Development Bank (ADB). For example, Indonesian President Joko Widodo's government plans to spend US $327bn on a pipeline of 265 projects in his final term (2019-2024), and Philippine President Rodrigo Duterte has earmarked US$180bn for railways, roads and airports in 2018-2023.

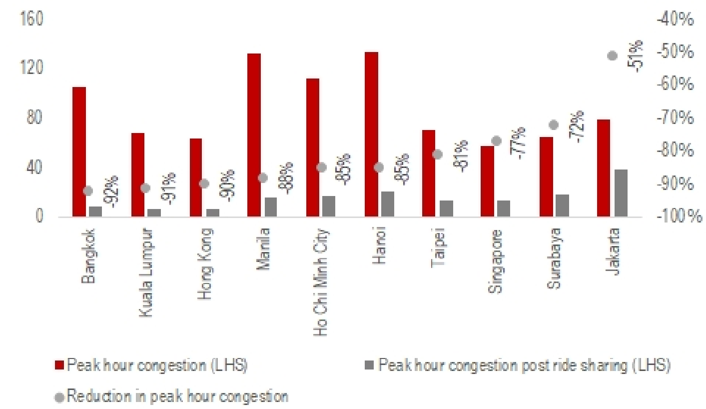
## Ride hailing helps ease congestion and infrastrucuture bottlenecks

**Exhibit 18 - Peak hour congestion (% additional time to travel in peak hour)**




Source: Tom Tom Traffic Index, Uber, Google (as of end 2017)

**Exhibit 19 - Peak hour congestion (% additional time to travel during peak hour) before and after ride hailing service was introduced**




Source: Boston Consulting Group report - Unlocking Cities 2017

- **Major ASEAN cities have among the world's worst traffic congestion:** According to *Tom Tom Traffic Index 2019*, Manila (Philippines) is ranked second in the world congestion index out of 416 cities. Bangkok (Thailand), Ho Chi Minh (Vietnam) and Kuala Lumpur (Malaysia) are ranked top 50 in the index. The index measures traffic based on travel time comparison between non-peak and peak periods.

- **ASEAN spent 57% to 134% more time on the road during peak hours versus non-peak hours, depending on the country:** Data complied by Tom Tom, Uber and Google in 2017 showed that time required to travel is more than double in some ASEAN cities during peak compared with non-peak hours (Exhibit 18).

- **Uber's 2017 report** stated that on average, *Bangkok drivers* sit in traffic for a total of 96 minutes per day, of which 72 minutes is usually a traffic jam and a further 24 minutes spent looking for a parking spot. Taken on an annual basis, vehicle owners spend around 24 days per year stuck in traffic, equivalent to 7% of a year.

- **Traffic congestion is costing the Asian economy:** According to the *Asian Development Bank*, road congestion already costs Asian economies an estimated 2-5ppt of GDP every year due to lost time and higher transport costs.

- **Ride hailing has improved travel times:** Boston Consulting Group (BCG) and Uber in 2017 issued a joint report that indicates that ride hailing had substantially improved the travel time during peak hours in key ASEAN cities, as shown in Exhibit 19, with travel time improving by 51-92%, according to their findings.

- **Grab's strategy in its early stage (2012-18) was to introduce and refine ride hailing technology across ASEAN; today it offers many ride options:** When competing with Uber in ASEAN, Grab was continually innovating and introducing new ride options on a monthly or quarterly basis to make its service available to more income brackets and keep ahead of Uber (see Exhibits 10 and 11). At present, Grab offers more than 20 ride options in Singapore, such as coach and bus services.

- **Gojek's initial aim (2015-18) was to fully understand Indonesia's traffic issues:** Gojek had a late start (2015) compared with Grab (2012) and Uber (2013). It thus leveraged its understanding of Indonesia's "*ojek"* (two-wheeler taxi) business to combine technology with the traditional ojek business, and expanded its fleet rapidly. It only launched car ride hailing 15 months after its app was launched. Gojek used the fleet to expand into other business in Indonesia before expanding into overseas markets in 2018.

## Ride hailing addressable market size and competition

### ASEAN ride hailing TAM: Estimated market size (by revenue) of US$20-25bn by 2025E, from US$7.5bn in 2019

- *KKR Group*: US$20bn by 2025E.
- *Statista*: US$25bn in 2019 (includes food delivery) – Indonesia US$18bn, Singapore US$2.9bn, Thailand US$1.3bn, Vietnam US$1.1bn, Malaysia US$0.9bn and Philippines US$0.8bn.
- *Google, Temasek, Bain e-Conomy SEA 2019 report*: US$2.5bn in 2015, US$7.5bn in 2019 and US$20bn by 2025E.
- China Renaissance: US$25bn by 2025E.

**Exhibit 20 - China Renaissance 2025E ASEAN ride hailing total addressable market (by revenue)**

| | Formula | Indonesia | Philippines | Vietnam | Thailand | Malaysia | Singapore | Total |
|---|---|---|---|---|---|---|---|---|
| Population (mn) | A | 272.1 | 108.9 | 96.9 | 69.7 | 32.6 | 5.8 | 586.1 |
| Middle 40% of household income (mn) | B | 139.6 | 49.4 | 53.8 | 36.0 | 13.8 | 2.6 | 295.2 |
| **Assumption:** Penetration on middle 40% | C | 60% | 60% | 60% | 65% | 65% | 80% | 61% |
| Penetration of entire population | D/A | 31% | 27% | 33% | 34% | 28% | 36% | 31% |
| MAU (mn) | C x B = D | 83.7 | 29.6 | 32.3 | 23.4 | 9.0 | 2.1 | 180.1 |
| | | | | | | | | |
| **Assumption:** Ride hailing fare (US$/trip) | E | 2.5 | 2.5 | 2.5 | 3.5 | 3.5 | 8.0 | 5.7 |
| **Assumption:** Number of trip per day per person | F | 2 | 2 | 2 | 2 | 2 | 3 | 2 |
| Number of trip per year (mn) | D x F x 12mth = G | 2,010 | 711 | 775 | 562 | 215 | 75 | 4,347 |
| Ride hailing revenue per person per day (US$) | E x F = H | 5 | 5 | 5 | 7 | 7 | 24 | 11.4 |
| Ride hailing revenue per year (US$mn) - TAM | G x H = I | 10,048 | 3,557 | 3,874 | 3,931 | 1,507 | 1,797 | 24,713 |
| **Assumptions:** Grab or Gojek commission rate | J | 25% | 25% | 25% | 25% | 25% | 25% | 25% |
| E-hailing addressable market (US$mn) | I x J | 2,512 | 889 | 968 | 983 | 377 | 449 | 6,178 |

Source: CRSHK estimates and calculations, ASEAN Statistics Division (2017)

- **Assumed addressable market is the middle 40% of the region's average income spectrum:** As shown in Exhibit 17 and based on data from respective ASEAN nations' statistics departments, household income of the middle 40% in Malaysia and Thailand is above US$1,000 per month, but is only US$400 per month in Indonesia, Vietnam and Philippines. As such, we believe the mentioned countries' ability to own a car is low based on their household income and car prices in the respective countries. Looking at data from Exhibit 17, we believe the top 20% of the household income spectrum likely will own a car and thus not need ride hailing services, while the bottom 40% is at the poverty line and thus likely cannot afford ride hailing services.
- **Penetration assumption:** We used Gojek's download (170mn) and MAU data (36.3mn) as a benchmark to gauge penetration. Gojek data indicates 21% of downloads will convert to active users as of June 2020. We assume 31% of ASEAN will be ride hailing users by 2025E at an estimated CAGR of 50% per year, which we believe is realistic because of middle-income wealth and population growth as reported by the OECD (Exhibit 15). This implies 61% penetration rate of the middle 40% of the household income group by 2025E.
- **Ride hailing fares and number of trips per day:** We used an estimated average fare of US$2.50-US$3.50 (Singapore at higher fare of US$8.00) per 10-15km and assumed users will do a round trip each time. If a user takes one round-trip per day based on our assumptions, we calculate the expenditure represents 15% of Indonesia's, Vietnam's and Philippines' average household monthly incomes, and 3-5% of Thailand's and Malaysia's average household monthly income.
- **Number of rides per year:** Our conservative assumption of an average of two rides per day per active user translates to 4bn rides annually. Using Grab's published 2018

ridership data of 2.2bn a year and assuming its ASEAN market share of 50% based on CRSHK total ASEAN ridership estimates, 2018 total ridership was merely 4.4bn. This could mean our penetration or ride per day assumption could be too low.

- **Grab and Gojek commission rate of 25%:** Based on our conversations with both companies' driver centers, the companies' commission rates are between 20% and 30% of a total fare.

- **TAM of US$20-25bn by 2025E:** Ride hailing is a proven model in ASEAN we believe, having improved quality of life for users and drivers in differing ways. As discussed, demographics support further growth in the sector given the economic outlook, and the market has turned more rationale amid consolidation and redirected focus away from intense customer acquisition efforts. Perhaps most important, in our view and in views expressed by managements of Grab and Gojek, their app technology has opened up opportunities for new businesses and helped usher both players toward Super App status. While we see the ride hailing TAM hitting US$20-25bn by 2025E, we also see players leveraging their app success to enter other potentially more lucrative segments.

## The ASEAN ride hailing industry is consolidating

**Exhibit 21 - Listed taxi operators' revenue and operating profit trend (all quoted in US$mn)**

| | Grab founded | | | Gojek app launched | | | Grab acquired Uber | |
|---|---|---|---|---|---|---|---|---|
| **Revenue** | **2012** | **2013** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** |
| ComfortDelGro | n.a | n.a | 652 | 672 | 655 | 575 | 519 | 478 |
| Blue Bird | 331 | 379 | 401 | 409 | 361 | 314 | 297 | 286 |
| Express Group | 56 | 66 | 75 | 73 | 47 | 23 | 17 | 10 |
| **Operating profit** | **2012** | **2013** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** |
| ComfortDelGro | n.a | n.a | 108 | 118 | 120 | 96 | 92 | 74 |
| Blue Bird | 103 | 144 | 143 | 140 | 115 | 91 | 79 | 63 |
| Express Group | 26 | 40 | 44 | 38 | 19 | -9 | -5 | -7 |
| **Revenue YoY chg** | **2012** | **2013** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** |
| ComfortDelGro | | | | 3% | -3% | -12% | -10% | -8% |
| Blue Bird | | 15% | 6% | 2% | -12% | -13% | -5% | -4% |
| Express Group | | 18% | 14% | -3% | -36% | -51% | -26% | -41% |
| **Operating profit YoY chg** | **2012** | **2013** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** |
| ComfortDelGro | | | | 9% | 2% | -20% | -4% | -19% |
| Blue Bird | | 40% | -1% | -2% | -18% | -21% | -13% | -20% |
| Express Group | | 54% | 10% | -14% | -50% | -147% | 44% | -40% |

Source: Annual reports of Comfort DelGro, Blue Bird and Express Group, CRSHK compiled. Note: Comfort reclassified its reported data and 2012 to 2013 reclassified numbers are not available (n.a.).

While we do not have the aggregate data of ASEAN's conventional taxi market size, there are three listed taxi players that can offer a glimpse of the revenue and profit trend before and after the arrival of ride hailing services in the ASEAN market.

- **Comfort DelGro (CD SG, NC)** is a publicly listed transport operator whose businesses include bus, taxi, rail, car rental and leasing, automotive engineering services, inspection and testing services, driving centers, non-emergency patient transport services, insurance broking services and outdoor advertising. It has a fleet size of 41,600 as of end-2019 and operates in Singapore, United Kingdom, Ireland, Australia, China, Vietnam and Malaysia.

- **Blue Bird Group (BIRD IJ, NC)** is Indonesia's biggest taxi operator by fleet size. Its other businesses include logistics, heavy equipment and property. Its fleet size is 23,000 as of end-2019, comprising taxis, limousines and buses.

- **Express Group (TAXI IJ, NC)** is Indonesia's second-largest taxi operator by fleet size. Express Group has 6,900 vehicles comprised of taxis and buses.

- **Electronic ride hailing players' price war intensified from 2015 to 2018:** As shown in Exhibit 21, conventional taxi operators saw declining revenues during 2016 to 2019, while Express Group started to incur an operating loss in 2017. We note that during this period, Grab received US$5bn in funding from Temasek, Hillhouse and others, while Gojek received US$2.2bn from Warburg Pincus, KKR and others, during their startup years, allowing them to incite a price war that put pressure on conventional taxi operators.

- **Express Group saw the largest market share decline relative to its listed peers:** Listed in 2012 with a share price of IDR590, TAXI IJ is now trading at IDR50, down 92% since inception. Compared to its peak share price of IDR1,790 in January 2014, TAXI IJ is down 97%. It has reported operating losses for three consecutive years (2017 to 2019).

- **Blue Bird cooperated with Gojek:** Blue Bird partnered with Gojek in May 2016 in an attempt to broaden its services despite clashes during protests by conventional taxi drivers against Gojek in March 2016. By February 2020, Gojek had *bought 4.3%* of Blue Bird for US$30mn to solidify its fleet strength.

- **Comfort DelGro's initial efforts to partner with Uber ended after Grab acquired Uber's Southeast Asia's operations:** In December 2017, Comfort DelGro announced it was cooperating with Uber for a proposed acquisition of 51% of the Lion City Rental for S$642mn. This move launched the UberFlash service that matched riders with the nearest CD/UberX vehicle. However, with Grab's acquisition of Uber's regional operations, the terms and conditions of the deal were renegotiated. Ultimately, Comfort Del Gro's taxi drivers are allowed to be on Grab's GrabTaxi platform.

- **Market is consolidating:** After Grab acquired Uber's business in 2018, competition among app-based ride hailing companies subsided. Conventional taxi operators have suffered financially, as shown in Exhibit 21. Fleet size of conventional taxis has shrunk while Gojek's MAU has continued to rise.

## Online food delivery addressable market and competition

**We estimate the ASEAN online food delivery market to reach US$20bn by 2025E (based on revenue)**

- *Grab*: US$2bn in 2017, US$5bn in 2019 and US$9-16bn by 2022E (as per the company).
- *Google, Temasek, Bain e-Conomy SEA 2019 report*: US$0.4bn in 2015, US$5.2bn in 2019 and US$20bn by 2025E.
- China Renaissance: US$20bn by 2025E.

**Exhibit 22 - China Renaissance 2025E online food delivery total addressable market (by revenue) and commission (ASEAN and China)**

| | | Indonesia | Philippines | Vietnam | Thailand | Malaysia | Singapore | ASEAN | China |
|---|---|---|---|---|---|---|---|---|---|
| Population (mn) | A | 272.1 | 108.9 | 96.9 | 69.7 | 32.6 | 5.8 | 586.1 | 1393.0 |
| Middle 40% of household income (mn) | B | 139.6 | 49.4 | 53.8 | 36.0 | 13.8 | 2.6 | 295.2 | 557.2 |
| **Assumption:** Penetration on middle 40% | C | 60% | 60% | 60% | 65% | 65% | 80% | 61% | 65% |
| Penetration of entire population | D/A | 31% | 27% | 33% | 34% | 28% | 36% | 31% | 26% |
| MAU (mn) | C x B = D | 83.7 | 29.6 | 32.3 | 23.4 | 9.0 | 2.1 | 180.1 | 364.7 |
| | | | | | | | | | |
| **Assumption:** Food order ticket size (US$/order) | E | 3.0 | 3.0 | 3.5 | 5.0 | 5.0 | 15.0 | 5.9 | 9.0 |
| **Assumption:** Number of orders per day per user | F | 1.5 | 1.5 | 1.5 | 1.8 | 1.8 | 2.0 | 1.6 | 0.24 |
| Number of orders per year (mn) | D x F x 12mth = G | 1,507 | 534 | 581 | 505 | 194 | 50 | 3,371 | 52,143 |
| Online food delivery revenue per person per day (US$) | E x F = H | 4.5 | 4.5 | 5.3 | 9.0 | 9.0 | 30.0 | 9.3 | 2.2 |
| Online food delivery revenue per year (US$mn) - TAM | G x H = I | 6,782 | 2,401 | 3,050 | 4,549 | 1,744 | 1,498 | 20,024 | 451,169 |
| **Assumption:** Grab or Gojek commission rate | J | 5% | 5% | 5% | 5% | 5% | 5% | 5% | 25%* or 5% to 7%** |
| Online food delivery commission per year (US$mn) | I x J | 339 | 120 | 153 | 227 | 87 | 75 | 1,001 | 81,932 |

Source: CRSHK and CRSUS estimates and calculations, ASEAN Statistics Division (2017), *Meituan first-party transaction commission rate **Meituan third-party transaction commission rate.

- **Assumed addressable market is the middle 40% of the region's average income spectrum:** Based on population and income metrics, we assume that the bottom 40% of ASEAN households cannot afford online food delivery services, and the upper 20% may have live-in helpers who prepare meals for the family. As such, we identify the addressable market for the food delivery industry is the middle 40%.
- **Penetration assumption:** We assume 61% penetration of the addressable market for the ASEAN food delivery market, based on affordability assessment and download count on App Annie. We then used *Statista* data as a cross-reference to derive our assumptions and cross-referenced against China. Grab's ASEAN app-based food delivery revenue grew tenfold year-on-year in 2019, similar to China's early-stage growth rate.
- **Food order ticket size and number of orders per day:** We based our average ticket size on all mid-range restaurants' average main course prices as compiled by CRSHK via an online survey of the well-known fast food restaurants in each ASEAN region. We assumed food ordering is only done during dinner time. Based on our checks with WhyQ (an app that delivers "hawker" food to users mainly during lunchtime), a lunchtime order trend is emerging in Singapore but not for the rest of the region; in our view, possibly due to in part to traffic congestion that would affect delivery timing.
- **Online food delivery revenue:** Based on all the assumptions mentioned above, we estimate the ASEAN online food delivery market size could reach revenue of US$20bn per year by 2025E.
- **Grab and Gojek commission rate of 5%:** We use *Grab's statement* (ie, its stated commission on food delivery orders) to determine the platform fees that both companies might charge merchants. This implies a total industry commission of US

$5.3bn in ASEAN (excluding the delivery fee, which falls under ride hailing for both companies).

- **China data assumptions (only applied on Chinese data), drawing comparison on middle-income group penetration:** China's online food delivery segment offers a read across on which we believe we can derive our growth outlook for the ASEAN sector. We look to metrics from a leader in the space, Meituan Dianping (3690 HK-BUY; TP HK$149, covered by Ella Ji), as a basis for our assumptions on China's data as Meituan operates in a similar sector and targets a similar income demographic as the ASEAN players. Meituan's 2019 annual transacting users reached 451mn, and Ella estimates a CAGR of 5% YoY through 2025E. Ella then assumes by 2025E, Meituan's total market share is 80% (20% non-overlapping users on other platforms) to derive China's total MAU. The number of orders assumed is based on Meituan's guidance of 100mn daily orders in 2025E, and we assume it commands 70% of total order market share. This exercise serves as a sanity check to our ASEAN assumptions. Comparing the penetration rate of China (26%) and ASEAN (31%) for each region's middle class, we believe that our ASEAN assumptions are valid.

- **ASEAN online food delivery TAM could reach US$20bn by 2025E:** Logistics and (successful) technology, market data and perhaps blueprints from other regions have helped steer the emergence of ASEAN online food delivery in recent years. The reach and intelligence gleaned from ride hailing apps have proven valuable as players from one sector leverage their knowledge and tech to move into a new sector. Once again, demographics and economics provide a conducive backdrop, in our view. Super Apps now cite food delivery as a key source of revenue – even more than ride hailing – while they look for other possible segments to enter. We see online food delivery TAM hitting US$20bn by 2025E, implying a 31% 5-year CAGR.

### ASEAN online food delivery market is still fragmented

**Exhibit 23 - Online food delivery apps across ASEAN**

| Indonesia | Philippines | Vietnam | Thailand | Malaysia | Singapore |
|---|---|---|---|---|---|
| | Foodpanda | | Foodpanda | Foodpanda | Foodpanda |
| GrabFood | GrabFood | GrabFood | GrabFood | GrabFood | GrabFood |
| GoFood | | GoFood | GET | | |
| Zomato | Zomato | | LineMan | DeliverEat | Deliveroo |
| | Lalafood | Vietnammm | | dahmakan | WhyQ |
| | Honestbee | Now.vn | HappyFresh | QuickSent | |
| | Mangan.ph | Lala | | Honestbee | |

Source: CRSHK compiled

- **Logistics and e-wallet key differentiating factors in acheiving a seamless experience:** Given the view that customer loyalty is heavily dependent on reliable and timely delivery, we highlight logistics as a key differentiating factor in online food delivery. It is here, in our view, where ride hailing companies are well positioned to gain leverage in the space, thus, the crossover by players such as Grab and Gojek. Another contributor to the consumer experience is an e-wallet offering; we again note the opportunity for ride hailing players to leverage existing technology to add to the customer experience, including offering reward points on dollars spent to drive users' loyalty.

- **Entry barriers are low and there is little apparent customer loyalty:** As online food delivery is simply a platform for restaurants to connect to a wider customer base, technology and logistics are the two main hurdles players in this industry face, in our view. Moreover, consumers likely are less focused on who delivers their food as long as it gets delivered on-time and accurately. This presumed absence of loyalty implies that preference likely comes down to price; thus, as competitors lower prices to attract customers, margins and profits are squeezed.

- **Large players are still in the merchant acquisition phase via subsidy**: Market leaders (based on download count on App Annie) in ASEAN such as Foodpanda, GrabFood and Gojek, only have 200,000 to 400,000 merchants across Southeast Asia according to companies' media statements. We believe niche players' merchant lists are substantially smaller. We expect market leaders to continue to subsidize merchants as they grow their respective merchant bases.
- **Logistics subsidy to ensure last mile connectivity:** Besides merchant subsidy, Grab explained its *delivery fee breakdown* on its website and stated it had to subsidize the delivery fee to ensure riders make sufficient to cover cost. This is also to ensure the last mile connecting the user and restaurant operators is seamless.
- **Brand loyalty is tied to restaurants, which have developed their own delivery apps:** Many major multinational and regional fast food chains in ASEAN have their own delivery apps, giving consumers more options for the same product.
- **In our view, a persistently fragmented food delivery space will continue to benefit consumers** and result in survival of the fittest, given margins will likely continue to be squeezed.

## Route to profitability via e-wallet?

**Exhibit 24 - ASEAN Super App product offering expansion**

| | | | | | |
|---|---|---|---|---|---|
| Phase | User acquisition | Merchant acquistion | Product extension | | |
| Product | Ride hailing | Online food & grocery delivery | E-wallet | Platform for hotel, movie, airline and other bookings | Lifestyle: Handyman services, massage etc |
| Estimated market size | 2025E: US$20-25bn<br>2019: US$7.5bn | 2025E: US$20-25bn<br>2019: US$7.5bn | unknown | unknown | unknown |
| Description | Customer & driver acquisition via price war ends | Grab: 200k (Sept 2019)<br>Gojek: 500k (June 2020) | Key product to profitability | To increase users' usage | Profit pressure led Gojek to shut down this division |

Source: CRSHK

- **Ride hailing is a customer acquisition business:** Gojek's CEO stated in a May 2019 *Nikkei Asian Review* interview that he aims to build pockets of profit in its food delivery and finance (ie, e-wallet) businesses, arguing that Gojek does not need its founding ride hailing business to make money when it goes public. He added that it built the ride hailing business with the assumption that it is only breakeven as a base case. He also added that motorbike-hailing is an important component of Gojek's overall business not because it is a "cash cow", but because it is the most frequently used service that draws users to the app and provides a constant source of income for its drivers. Ride hailing represents less than 25% of Gojek's overall GMV, according to the CEO at the time of the interview, with food a bigger contributor and payment an even bigger one.

- **Online food delivery is one path to profitability:** Grab's path to profitability could start with its food delivery service, a senior executive told *CNBC* in September 2019, adding that its growing food delivery business could drive profitability in the long run. *Gojek's diversification* (*Nikkei Asian Review*, May 2019) into more than a dozen services included food delivery and payments, which generated US$2bn and US $6.3bn, respectively, in 2018 annual revenue, according to the company.

- **Read-across from Ant Financial's Alipay on the potential of e-wallet:** While both ASEAN Super Apps stated publicly that online food delivery is key to their profitability, we believe e-wallet could become the most important aspect for a Super App to achieve profitability. We look at Alipay (33% owned by Alibaba) for a read-across. As reported by *Bloomberg*, Ant Financial (33% owned by Alibaba) posted US$611mn in 1Q20 pretax profit, bolstered by the expanding credit financing and technology services it provides to other financial institutions; it accounted for 25% of Alibaba's reported 1Q20 net profit and 98% of associates income. The deposit base created by Grab and Gojek is unknown, but if they were to replicate the Alipay model, we think both might be able to leverage on their deposit bases to offer loans and potentially generate profit.

- **Singapore and Malaysia formally regulating fintech via digital bank license issuance could be a first step towards monetizing a deposit base:** In 2Q19, Singapore announced it would issue five digital bank licenses; as of today, issuance is not finalized. Of these, up to two would be for digital retail banking, allowing firms to provide a range of financial services and take customer deposits. Another three licenses will be issued for digital wholesale banking, allowing licensees to serve small and medium-sized enterprises (SMEs) and non-retail sectors. According to Fintech News Singapore (February 2020), there are currently *12 applicants*; Grab has joined with Singtel to apply. Malaysia also issued a draft for a virtual bank licensing framework in 4Q19. Malaysia's central bank will be issuing up to five licenses to qualified applicants to establish digital banks to conduct either conventional or Islamic banking business in Malaysia. However, no details on the applicants have been released.

## New rules and regulations for the new economy

### Exhibit 25 - Regulation issues and solutions to date

| Country | Issues | Solutions |
|---|---|---|
| Philippines | **February 2016**<br>Land Transportation Franchising and Regulatory Board (LTFRB) ordered Grab Bike to halt service. Department of Transportation and Communications (DOTC) has yet to create guidelines regarding the use of bikes and motorcycles as a public mode of transportation. | **February 2020**<br>Grab intends to maximize the 15,000-rider cap set by the government. Lawmakers have yet to pass a bill that would legalize motorcycle-taxis, while regulators still need to conduct a pilot test that would determine if motorbikes were safe for public transport. |
| Vietnam | **May 2016**<br>Directorate for Roads of Vietnam (DRVN) has suggested that Uber and Grab taxis should have signs on their cars to differentiate them from conventional taxis. | **January 2018**<br>New circular will require transport companies to meet 10 conditions, including: having a business licence or business registered certification to do electronic business and having Ministry of Industry and Trade (MoIT) certification confirming that applicants have completed registration. Transport companies must display their logos at a minimum of 90mm x 80mm in both the front and back windows.<br>To ensure tax collection, the circular clearly states that software providers and transport companies must provide all information related to trips and electronic bills to both the passengers' accounts and the General Department of Tax (GDT) under the regulation of the Ministry of Finance. |
| Malaysia | **Prior to July 2019**<br>Ride hailing vehicles are not regulated and drivers are using conventional drivers' licenses, which raised concerns on insurance-related matters. | **July 2019**<br>Road Transport Department (JPJ) has announced that current and future taxi and ride-hailing drivers will be able to register for a public service vehicle (PSV) licence at authorised e-Hailing Operator (eHO) driving institutes and training centres. |
| | **October 2019**<br>Malaysia Competition Commission (MyCC) has proposed a fine of RM86.8mn against Grab for breaching the Competition Act 2010. It also wants to impose a daily penalty of RM15,000 per day for the date of service of the proposed decision. However, MyCC Chief Executive Officer Iskandar Ismail stressed that this was a proposed decision and not final. | **February 2020**<br>Grab Malaysia has maintained that it complied fully with the Competition Act 2010. Grab's legal counsel studied the proposed decision and submitted its written representations to MyCC by 27 November 2019. The latest is Grab has confirmed it is challenging MyCC's proposed fine. |
| Thailand | **May 2016**<br>Thailand has suspended motorcycle taxi-hailing services run by Uber and its regional rival Grab on claims they broke local rules and are clashing with registered transport companies. Despite the lack of clarity on regulations, some ride-hailing companies have been operating in Thailand's unregulated market for a few years now and no services have been suspended thus far. | **September 2019**<br>Thailand has drafted guidelines to regulate ride-hailing companies and aims to legalize the services by March 2020 (delayed due to Covid-19), the transport ministry said. The guidelines require private vehicles to be registered and equipped with a GPS system, the transport ministry said in a statement. Drivers will need a public driver's license. |
| Singapore | **Prior to July 2017**<br>Before the regulation introduced in July 2017 was put in place, all private hire drivers wer unregulated, creating issues related to insurance and child rider safety as car seats were not made mandatory. | **July 2017**<br>LTA has required GrabCar, JustGrab and GrabHitch to have Private Hire Vehicle's Vocational Licence (PDVL). This after LTA introduced a new regulation for private hire cars called Private Hire Car Driver's Vocational Licence (PDVL) which took effect in July 2017. |
| | **September 2018**<br>The Competition and Consumer Commission of Singapore (CCCS) has fined Grab and Uber a total of S$13mn over their merger, saying that the deal has led to the substantial eroding of competition in the ride-hailing market. | **October 2018**<br>Grab has decided not to appeal against an anti-competitive penalty, and will pay the S$6.42mn fine (its share and the remaining is to be paid by Uber) imposed by the CCCS. |
| Indonesia | **Since 2018**<br>Motorcycle taxi drivers working for Grab and Go-Jek in Jakarta have held protest rallies calling for higher fares and better conditions. | **January 2019**<br>Indonesia is preparing to launch regulations fixing the rates drivers and riders for ride-hailing services such as Grab and Go-Jek receive. The regulations would meet driver demands for more oversight and higher rates. Indonesia's Ministry of Transportation plans to implement minimum and maximum tariffs for car and motor bike ride-hailing that will be "higher than Go-Jek and Grab's current rates" and impose limits on promotional price cuts. |
| | **July 2020**<br>The Business Competition Supervisory Commission (KPPU) found that Grab had discriminated against its drivers, prioritising those provided by partner PT Teknologi Pengangkutan Indonesia (TPI) which is a Softbank-backed firm. KPU announced fines totalling more than US$3mn for Grab and its business partner after finding it guilty of breaking anti-monopoly laws. | Grab has vowed to appeal and the case is still pending. |

Source: Reuters, The Star (Malaysia), Straits Times (Singapore), CNN Philippines, Inquirer (Philippines), Vietnamnews.vn

- **Many governments are reactive but accommodating:** As shown in Exhibit 25, the regulatory challenges faced by Grab in ASEAN are mainly to do with driver licensing and anti-competition measures. The emergence and popularity of ride hailing caught many governments in ASEAN off guard, in our view. While some (eg, Malaysia, Vietnam and Singapore) were quick to regulate, others (eg, Indonesia, Philippines and Thailand) are still finalizing their bills. Nevertheless, we believe governments have realized the importance of ride hailing and are working to introduce new regulations that suit current developments.

- **Gojek's short-term hiccup in Indonesia:** In December 2015, Indonesia's Transport Ministry banned ride hailing applications, including Gojek, from operating in Indonesia claiming that Gojek violated a 2009 law on land transportation. However, one day later the transportation minister revoked the ban following a public outcry. President Jokowi Widodo criticized the Transportation Ministry's move to prohibit the operations of application-based modes of transportation, saying that their presence fulfilled public demand created by a lack of reliable public transit. The president said that regulations could be adjusted until the government could provide good mass transportation (*Jakarta Post*, Dec 18, 2015).

## Companies mentioned

| Company name | Shortname in report | Bloomberg ticker | Rating | Target price | Last price | Covered by |
|---|---|---|---|---|---|---|
| **Covered by China Renaissance** | | | | | | |
| Alibaba Group Holdings Ltd | Alibaba | BABA US | BUY | US$315 | US$250.86 | Ella Ji |
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| **Not Covered / Private** | | | | | | |
| Ant Financial Services Group | Ant Financial | | | | | |
| Blue Bird Tbk PT | Blue Bird | BIRD IJ | | | | |
| C42 Engineering | C42 | | | | | |
| CodeIgnition | CodeIgnition | | | | | |
| ComfortDelGro Corporation | ComfortDelGro | CD SG | | | | |
| Express Transindo Utama Tbk PT | Express Group | TAXI IJ | | | | |
| Foodpanda GmbH | Foodpanda | | | | | |
| PT Aplikasi Karya Anak Bangsa | Gojek | | | | | |
| Grab Holdings Incorporated | Grab | | | | | |
| PT Halodoc | Halodoc | | | | | |
| PT Kartuku | Kartuku | | | | | |
| Lazada Group | Lazada | | | | | |
| Line Corporation | Line | 3938 JP | | | | |
| Loket Inc. | Loket | | | | | |
| Mapan | Mapan | | | | | |
| MiChat Pte Ltd | MiChat | | | | | |
| Midtrans Indonesia | Midtrans | | | | | |
| Moka Teknologi Indonesia | Moka | | | | | |
| PT Telekomunikasi Selular | MyTelkomsel | TLKM IJ | | | | |
| Netfliex Inc. | Netflix | NFLX US | | | | |
| Pianta | Pianta | | | | | |
| PT Teknologi Pengangkutan Indonesia | PTI | | | | | |
| Smart Media4U Technology Pte. Ltd | Shareit | | | | | |
| SEA Group | Shopee | SE US | | | | |
| Singapore Telecommunications Limited | Singtel | ST SP | | | | |
| Spotify Technology SA | Spotify | SPOT US | | | | |
| ByteDance Ltd. | Tik Tok | | | | | |
| PT Tokopedia | Tokopedia | | | | | |
| CIMB Group Holdings Berhad | Touch' n Go | CIMB MK | | | | |
| Uber Technologies Inc | Uber | UBER US | | | | |
| Rakuten Inc. | Viber | 4755 JP | | | | |
| Vietnam Multimedia Corporation | VTC Now | | | | | |
| WhatsApp Inc. | WhatsApp | | | | | |
| VNG Corporation | Zalo, Zing MP3 | | | | | |

Source: Bloomberg, CRSHK. Note: Prices as of July 27, 2020.

# Appendix A

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