

4 May 2023

Technology | Technology

Bukalapak (BUKA IJ)

Buy (Maintained)

KTA: LBITDA Improves In 1Q23; Maintain BUY

Target Price (Return): IDR330 (+40%)
 Price (Market Cap): IDR236 (USD1,653m)
 ESG score: 3.00 (out of 4)
 Avg Daily Turnover (IDR/USD) 29,953m/2.00m

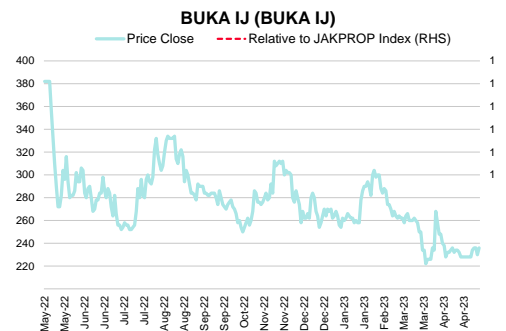
- **Maintain BUY, new IDR330 TP from IDR355, 40% upside.** Bukalapak's 1Q23 adjusted LBITDA of IDR209bn (+11.1% QoQ, +43.8% YoY) is in line with our expectations but fell short of Street projections at 9.3% and 104.8% of full-year estimates. It aims to bring its adjusted FY23 LBITDA to under IDR525bn (our estimate: -IDR718bn) by growing net revenue – underpinned by a better take-up rate, lower subsidies given to its customers, and lower sales and marketing expenses.
- **Targeting 20% YoY growth in total processing value (TPV).** In 1Q23, TPV grew by 18.6% YoY but dropped 3.2% QoQ – not a surprise, as 1Q is usually its weakest quarter. However, the 1Q23 yearly basis growth was in line with its TPV target of 20% YoY in 2023FY. In April, BUKA recorded strong growth in TPV due to *Ramadan*, but expects softer May numbers. If this slowdown is manageable, 2Q23 TPV should grow QoQ and YoY.
- **Cash allocation plan.** Management aims to make sizeable investments from May onwards. The timing is right – the technology industry is going through headwinds now – so this may enable it to acquire businesses at low valuations. If it is not able to find suitable investments, it will likely reallocate the funds for capex.
- **2023 guidance.** BUKA expects TPV to grow by 20% YoY, with revenue increasing by 17-31% YoY. This, if achieved, would imply a stable take-up rate of its services. Meanwhile, it expects to taper down its adjusted LBITDA as well, to IDR525bn or better, ie a >59% YoY improvement. To halve its losses, it would need to expand its contribution margins significantly from FY22's 0.02%. Based on our estimates, and assuming cost efficiencies will improve, the growing TPV and relatively stable take-up rate of 2.46% should lower its adjusted LBITDA to IDR718bn, ie 36.9% below BUKA's target.
- **We slash FY23F-24F earnings by 132-146%.** This excludes the potential unrealised gain or loss from its investment in Allo Bank Indonesia (BBHI IJ, NR). We also cut our TPV forecasts, in line with the decrease in net profit.
- **Our TP implies FY23F EV/sales of 2x.** Post the cut in our estimates, our TP drops to IDR330. Our valuation includes a 0% ESG premium/discount, as BUKA's 3.0 score is in line with the country median. Our TP implies 2x EV/sales, which is at a 12% discount to the peer average. We use EV/sales to better reflect BUKA's growing sales and the expected improvement in its financial results ahead. Main downside risks: Longer-than-expected time taken to improve its profitability, tightening competition, and potential selling pressure from pre-IPO shareholders.
- **ESG framework update.** As there is now greater focus on the E pillar due to critical climate change issues, we have tweaked our ESG weightage. Henceforth, we assign a weightage of 50% to the E pillar, followed by 25% each to the S and G pillars. Further details are in our 2 May thematic research note titled [Envisioning a Better Future](#).

Analyst

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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(9.9)	(1.7)	(22.4)	(15.7)	(38.2)
Relative	(9.9)	(1.7)	(22.4)	(15.7)	(38.2)
52-wk Price low/high (IDR)	222 – 356				



Source: Bloomberg

Overall ESG Score: 3.00 (out of 4)

E: GOOD

The company began its drive towards environmental sustainability by educating stakeholders on conservation and preserving the environment through simple yet meaningful ways. However, we have not obtained specific details about its achievements for this pillar.

S: EXCELLENT

BUKA's mission is to provide a fair economy for all. It actively works to help communities by responding to the urgent needs of improving digital and financial literacy, to boost economic inclusion. Its Mitra business also focuses on empowering mom-and-pop businesses, by providing them with an additional revenue stream and access to digitalization, in order for the latter to remain competitive

G: GOOD

The company continues to comply with current regulations, such as regularly conducting shareholder meetings and ensuring the equal distribution of public information to all stakeholders. All capital market participants have access to public material information.

Forecasts and Valuation	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
Total turnover (IDRb)	1,869	3,618	4,691	6,725	8,368
Recurring net profit (IDRb)	(1,623)	(1,426)	(1,708)	(1,338)	(920)
Recurring net profit growth (%)	23.3	(12.1)	19.7	(21.6)	(31.2)
Recurring P/E (x)	na	na	na	na	na
P/B (x)	1.0	1.0	1.0	1.1	1.1
P/CF (x)	na	na	na	na	na
Dividend Yield (%)	na	na	na	na	na
EV/EBITDA (x)	na	na	na	na	na
Return on average equity (%)	(13.5)	8.1	(7.0)	(5.8)	(4.2)
Net debt to equity (%)	net cash	net cash	net cash	net cash	net cash

Source: Company data, RHB

Financial Exhibits

Asia	Financial summary (IDR)	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
Indonesia	Recurring EPS	(15.74)	(13.84)	(16.57)	(12.99)	(8.93)
Technology	BVPS	226.65	245.90	229.33	216.34	207.41
Bukalapak	Return on average equity (%)	(13.5)	8.1	(7.0)	(5.8)	(4.2)
BUKA IJ						
Buy						
	Valuation metrics	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
	Recurring P/E (x)	na	na	na	na	na
	P/B (x)	1.0	1.0	1.0	1.1	1.1
	FCF Yield (%)	(9.4)	(11.4)	(6.9)	(5.3)	(3.6)
	EV/EBITDA (x)	na	na	na	na	na
	EV/EBIT (x)	na	na	na	na	na
Valuation basis						
We use EV/sales growth to value Bukalapak's main growth driver, the Mitra segment)						
Key drivers						
<ul style="list-style-type: none"> i. Growing e-commerce business; ii. Increasing digitalisation, especially at the SME level; iii. Strong growth potential in its O2O business. 						
Key risks						
<ul style="list-style-type: none"> i. Increasing competition; ii. Slower financial penetration; iii. Delayed infrastructure developments. 						
Company Profile						
Bukalapak provides e-discretionary services. The company also offers range of electronics, foods, shoes, apparel, watches, bags, cosmetics products and other accessories. Bukalapak.com serves customers in Indonesia.						
	Income statement (IDRb)	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
	Total turnover	1,869	3,618	4,691	6,725	8,368
	Gross profit	1,428	1,058	1,449	2,196	2,818
	EBITDA	(1,664)	(2,514)	(1,902)	(1,498)	(1,113)
	Operating profit	(1,664)	(2,514)	(1,902)	(1,498)	(1,113)
	Net interest	208	534	476	432	402
	Pre-tax profit	(1,501)	2,270	(1,450)	(1,090)	(735)
	Taxation	(175)	(293)	(264)	(255)	(192)
	Reported net profit	(1,673)	1,984	(1,708)	(1,338)	(920)
	Recurring net profit	(1,623)	(1,426)	(1,708)	(1,338)	(920)
	Cash flow (IDRb)	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
	Change in working capital	(748)	(4,820)	13	21	15
	Cash flow from operations	(2,272)	(2,748)	(1,639)	(1,250)	(831)
	Capex	(7)	(16)	(50)	(50)	(50)
	Cash flow from investing activities	(81)	(4,702)	(67)	(72)	(70)
	Cash flow from financing activities	25,569	(994)	(45)	1	0
	Cash at beginning of period	1,484	24,700	16,256	14,505	13,183
	Net change in cash	23,216	(8,444)	(1,751)	(1,322)	(901)
	Ending balance cash	24,700	16,256	14,505	13,183	12,282
	Balance sheet (IDRb)	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
	Total cash and equivalents	24,700	16,256	14,505	13,183	12,282
	Tangible fixed assets	114	70	84	90	87
	Total investments	56	4,963	4,963	4,963	4,963
	Total assets	26,616	27,406	25,825	24,811	24,150
	Short-term debt	2,022	39	39	39	39
	Total long-term debt	33	26	26	26	26
	Total liabilities	3,120	908	1,035	1,359	1,618
	Total equity	23,496	26,498	24,791	23,452	22,532
	Total liabilities & equity	26,616	27,406	25,825	24,811	24,150
	Key metrics	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
	Revenue growth (%)	38.3	93.6	29.7	43.4	24.4
	Recurrent EPS growth (%)	23.3	(12.1)	19.7	(21.6)	(31.2)
	Gross margin (%)	76.4	29.3	30.9	32.7	33.7
	Operating EBITDA margin (%)	(89.0)	(69.5)	(40.6)	(22.3)	(13.3)
	Net profit margin (%)	(89.5)	54.8	(36.4)	(19.9)	(11.0)
	Capex/sales (%)	0.4	0.4	1.1	0.7	0.6
	Interest cover (x)	(90.9)	(355.2)	(268.8)	(211.6)	(157.3)

Source: Company data, RHB

Figure 1: BUKA's 1Q23 results review

	1Q22	4Q22	1Q23	QoQ (%)	YoY (%)	RHB 2023F	Cons 2023F
TPV	34,115	41,777	40,450	-3.2%	18.6%		
Mitra	17,256	18,959	18,746	-1.1%	8.6%		
Marketplace	16,859	22,818	21,704	-4.9%	28.7%		
Revenue	788	1,029	1,006	-2.2%	27.7%	20.7%	21.3%
Take rate %	2.31%	2.46%	2.49%				
Cost of revenues	(510)	(746)	(751)				
Contribution margin after S&M	(50)	74	104	40.7%	306.4%		
<i>Contribution margin after S&M % of TPV</i>	<i>-0.15%</i>	<i>0.18%</i>	<i>0.26%</i>				
G&A	(1,024)	(674)	(399)				
EBIT	(1,074)	(601)	(295)	50.9%	72.5%		
<i>EBIT margin %</i>	<i>-136.3%</i>	<i>-58.4%</i>	<i>-29.3%</i>				
EBITDA	14,448	(1,760)	(1,160)	34.1%	n.m.		
<i>EBITDA margin %</i>	<i>1833.7%</i>	<i>-171.1%</i>	<i>-115.3%</i>				
Adjusted EBITDA	(385)	(215)	(226)	-4.9%	41.4%		
<i>Adjusted EBITDA margin %</i>	<i>-48.8%</i>	<i>-20.9%</i>	<i>-22.4%</i>				
Adjusted EBITDA (company)	(372)	(235)	(209)	11.1%	43.8%	9.3%	104.8%
<i>Adjusted EBITDA (company) margin %</i>	<i>-47.2%</i>	<i>-22.8%</i>	<i>-20.8%</i>				
Net profit	14,549	(1,641)	(1,008)	38.6%	n.m.		
<i>Net margin %</i>	<i>1846.5%</i>	<i>-159.4%</i>	<i>-100.2%</i>				
Core net profit	(276)	(82)	(58)	29.2%	79.0%	2.8%	33.6%
<i>% Core net profit margin</i>	<i>-35.0%</i>	<i>-8.0%</i>	<i>-5.8%</i>				

Source: Company data, RHB

Figure 2: Revisions to our estimates

	New			Old			New/Old		
	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F
Income statement (IDRbn)									
Total turnover	4,691	6,725	-	4,865	6,952	-	(3.6)	(3.3)	-
Gross profit	1,449	2,196	-	1,683	2,374	-	(13.9)	(7.5)	-
Operating profit	(1,902)	(1,498)	-	(1,798)	(1,375)	-	5.8	8.9	-
Adjusted EBITDA	(718)	(306)	-	(899)	(437)	-	(20.1)	(30.0)	-
Net profit	(1,708)	(1,338)	-	3,757	4,253	-	(145.5)	(131.5)	-
Key metrics									
Revenue growth (%)	29.7	43.4	-	41.0	42.9	-			
EPS growth (%)	30.9	32.7	-	34.6	34.1	-			
EBIT margin (%)	(40.6)	(22.3)	-	(37.0)	(19.8)	-			
Adjusted EBITDA margin (%)	(15.3)	(4.5)	-	(18.5)	(6.3)	-			
Net profit margin (%)	(36.4)	(19.9)	-	77.2	61.2	-			

Source: Company data, RHB

Figure 3: Peer comparison

E-commerce	Name	Market cap (USDm)	EV/sales (X)		P/S (X)	
			2023F	2024F	2023F	2024F
AMZN US	Amazon	1,063,280	2.1	1.8	1.9	1.7
BABA US	Alibaba Group Holding	210,959	1.2	1.0	1.7	1.5
JD US	JD.com	53,875	0.3	0.2	0.3	0.3
SHOP US	Shopify	66,292	9.4	7.8	10.0	8.2
SE US	Sea	42,195	3.0	2.6	3.1	2.7
EBAY US	eBay	24,117	2.5	2.4	2.4	2.3
ETSY US	Etsy	12,233	4.9	4.4	4.4	4.0
GOTO IJ	GoTo Gojek Tokopedia	8,062	4.7	3.6	6.1	4.6
BELI IJ	Global Digital Niaga	3,710	1.9	1.3	2.0	1.4
BUKA IJ	Bukalapak	1,656	1.6	1.2	5.1	3.8
Weighted average		1,486,380	2.27	1.99	1.99	2.26

Source: Company data, RHB

Recommendation Chart

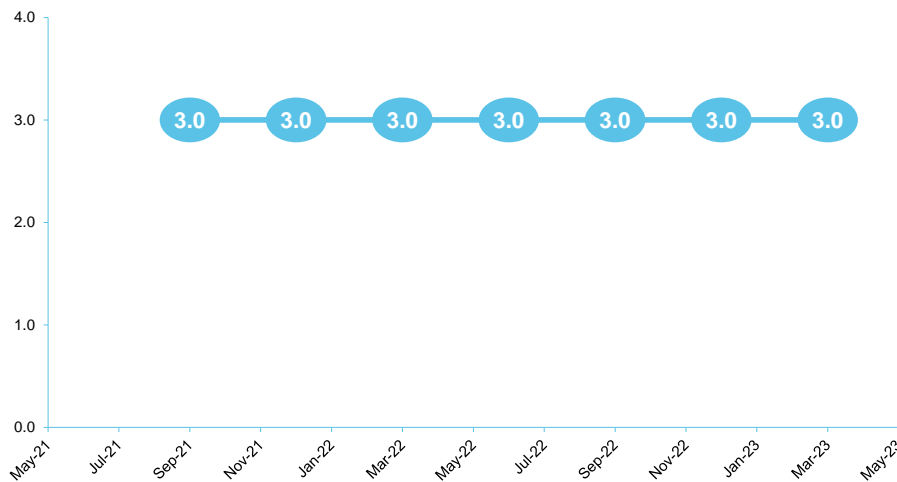


Date	Recommendation	Target Price	Price
2022-12-08	Buy	355	262
2022-01-21	Buy	900	368
2021-09-06	Buy	1,300	900

Source: RHB, Bloomberg

Source: RHB, Bloomberg

ESG Rating History



Source: RHB

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