

A1: Individual Assignment: Valuation of Grab

Presented to

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Business Analysis and Valuation

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1. Executive Summary

This brief presents an intrinsic valuation of Grab Holding, using a fully integrated, USD-denominated discounted cash flow (DCF) model cross-checked against a guideline-public-company analysis. Our conclusion brings us a base-case fair value of USD 4.52 per share, versus the current price of USD 3.50, implying +29% upside. The sensitivity-derived value range is USD 3.74-5.67. Our recommendation is to BUY, with conservative anchoring relative to the USD 6.12 sell-side consensus. The thesis rests on a confirmed profitability inflection (FY2025 was Grab's first full year of net profit), structural market leadership (55% regional food-delivery GMV share), and a net-cash balance sheet that funds growth without dilution. The DCF implies an EV/Revenue of 4.55x, close to Grab's current traded 4.79x and well above the 2.17x peer median, confirming that Grab's leadership and growth premium is warranted rather than speculative. Qualitative factors supporting the decision include their superapp network effects, an asset-light negative-working-capital model, and optionality from potential GoTo combination (excluded from the base case). The principal offsetting concern is Indonesian regulation (an 8% ride-hailing commission cap effective June 2026).

Exhibit 1 — Investment Snapshot

Metric	Value	Metric	Value
Current price	USD 3.50	FY2025A revenue	USD 3.37B
Base-case target	USD 4.52	FY2025A rev. growth	+20%
Implied upside	+29%	FY2025A Adj. EBITDA	~USD 500M
Recommendation	BUY	WACC	9.91%
Shares outstanding	4.09B	Terminal growth	2.0%
Market cap	~USD 14.3B	DCF-implied EV/Rev	4.55x

Source: Grab FY2025 results; author's valuation model (USD). All figures USD.

2. Company Overview

2.1 Business Model

Grab started in Malaysia in 2012 and is now headquartered in Singapore, growing into Southeast Asia's go to app for everyday life. They focus on three main areas, like rides, deliveries, and financial services. The secret to their success is that everything is connected: the same network of drivers, local shops, users, and payment systems powers all three. It's the ultimate superapp setup, where using one service just makes the others more useful.

Revenue model

- **Deliveries (~53% of revenue):** merchant commissions (15–25% of order value), consumer delivery fees, and a fast-growing, high-margin advertising layer.
- **Mobility (~35%):** a ~20–25% take-rate on ride-hailing fares; the most profitable segment, with transactions up 28% YoY in Q1 2026.

- **Financial Services (~11%):** GrabPay interchange, lending (gross loan portfolio USD 1.44B, +130% YoY), and digital banking via GXS, GXBank and Superbank; targeted to reach EBITDA breakeven in 2H 2026.

Working Capital

Grab benefits from a favorable cash-conversion cycle: consumers pay instantly via the app, while restaurants and drivers are settled after several days. This generates negative working capital that funds growth without external financing. Combined with an asset-light model (no vehicles, no kitchens), Grab achieves very high incremental ROIC as scale builds.

Competitive Advantages

Grab's structural advantages are an asset-light, negative-working-capital model (consumers pay instantly while partners settle later, funding growth internally), 14 years of hyperlocal data underpinning routing and credit underwriting, and a net-cash balance sheet enabling buybacks and M&A (e.g., the USD 430M Stash Financial acquisition).

3. Industry & Competitive Analysis

Southeast Asia's internet economy is among the world's fastest-growing on a path toward USD 600B GMV (Gross Merchandise Value) by 2030, supported by a 680M-plus population (70% under 40), rising digital-payment penetration and a 50% underbanked adult base that fuels fintech. On-demand mobility and delivery are the most penetrated verticals; the regional food-delivery market alone exceeded USD 19B GMV in 2024. Grab is the clear leader with 55% regional food-delivery GMV share and #1 positions in five of eight markets. ShopeeFood (14%) has risen to #2 on Shopee cross-sell: foodpanda (13%) is structurally retreating after exiting Thailand in 2025; Gojek/GoTo (10%) is strong in Indonesia. In mobility, Grab competes mainly with Gojek, inDrive and Bolt. Key headwinds are platform-economy regulation, notably in Indonesia's 8% commission cap (June 2026), and IDR/PHP currency volatility (3-5pp annual translation drag). The rumored Grab-GoTo combination (USD 29B) is potential re-rating catalyst, excluded from my base case given execution and competition-authority risk.

4. Historical Financial Analysis

Grab's five-year record shows a decisive shift from hyper-growth-at-a-loss to profitable scale. Revenue compounded from USD 675M (FY2021) to USD 3,370M (FY2025), a 49% CAGR, while growth normalised from the triple digits to sustainable 20%. Adjusted EBITDA inflected from USD 842M (FY2021) to +USD 500M (FY2025), and the company posted its first full-year net profit (USD 268M) in FY2025. The trajectory reflects operating leverage on a fixed cost base, disciplined sales-and-marketing spend post-2023, and a maturing financial-services book.

Exhibit 2 — Historical Financial Summary (USD M)

USD millions	FY21A	FY22A	FY23A	FY24A	FY25A
Revenue	675	1,433	2,359	2,797	3,370
Revenue growth %	n/m	+112%	+65%	+19%	+20%
Adj. EBITDA	(842)	(793)	(22)	313	500
Adj. EBITDA margin	neg.	neg.	neg.	11.2%	14.8%
Net income (loss)	(3,555)	(1,740)	(485)	(105)	268
MTUs (m, period-end)	26	33	39	44	49

Source: Grab 20-F filings; FY2025 results release. Margins on adjusted basis.

Q1 2026 confirmed the inflection: revenue USD 955M (+24% YoY), a 17th consecutive quarter of ajusted-EBITDA growth, EBITDA margin expanding to 16.2% from 13.7%, and trailing-12-month adjusted free cash flow of USD 489M. Working capital remains structurally negative, and the firm holds a net-cash position, giving it rare financial resilience among growth-stage platforms.

5. Financial Projections

This model shows a 10-year explicit forecast (FY2026-FY2035) benchmarked against management guidance, historical KPIs and peer trajectories. Revenue growth begins at 21% in FY2026, consistent with management's conservative USD 4.04-4.1B guide, then decelerates steadily to 7% by FY2035, converging on the long-run SEA digital-economy growth rate. This yields a 12.7% ten-year revenue CAGR, reaching USD 11.1B by 2035. On margins, we assumed adjusted EBITDA margin expands from 12.9% (FY2026) to 25.2% (FY2035), driven by operating leverage, the advertising mix-shift+, and financial-services breakeven. This is deliberately conservative versus management's 17.5% FY2026 guide and the consensus mid-20s by 2030. Capex is held at 3% of revenue (asset-light), and the negative-working-capital dynamic is treated neutrally (no cash drag). Benchmarking flags the plan as reasonable-to-conservative: FY2030 EBITDA margin (20.4%) sits below the 24-26% consensus, building in a regulatory and competitive cushion.

Exhibit 3 — Forecast Summary (USD M)

USD millions	FY26E	FY27E	FY28E	FY30E	FY33E	FY35E
Revenue	4,078	4,852	5,677	7,378	9,642	11,142
Growth %	+21%	+19%	+17%	+13%	+9%	+7%
Adj. EBITDA	526	728	965	1,505	2,218	2,808
EBITDA margin	12.9%	15.0%	17.0%	20.4%	23.0%	25.2%

Source: author's model. Growth tapers from 21% to 7%; 10-yr revenue CAGR ~12.7%.

6. Valuation

6.1 Discounted Cash Flow (Primary Method)

Our FCFF is built from the forecast: EBIT, less cash taxes at Singapore's 17% statutory rate, plus D&A, less capex and working-capital change. The WACC of 9.91% is estimated as a net-cash-adjusted CAPM: a 4.20% U.S. 10-year risk-free rate, 4.10% equity premimum, and a relevered beta of 1.489 (peer-median unlevered beta 1.397 relevered at Grab's 7.9% D/E) give a 10.30% cost of equity; an after-tax cost of debt of 4.98% at a 7.9% debt weight rounds the WACC to 9.91%. Terminal Value uses a conservative 2% perpetuity growth rate.

Exhibit 4 — DCF Bridge to Equity Value (USD M)

Component	USD M
PV of explicit FCFF (FY26–FY35)	5,983
PV of terminal value (2.0% g)	9,355
Enterprise Value	15,338
Less: Net debt	(1,565)
Add: Net non-operating assets	4,725
Equity Value	18,498
÷ Diluted shares (m)	4,090
Implied value per share (USD)	4.52

Source: author's model. Net debt and non-operating assets per Grab's FY2025 balance sheet.

Exhibit 5 — DCF Sensitivity: WACC × Terminal Growth (USD/share)

WACC \ TGR	1.0%	1.5%	2.0%	2.5%	3.0%
9.00%	4.75	4.93	5.14	5.39	5.67
9.50%	4.45	4.61	4.78	4.98	5.22
9.91%	4.23	4.37	4.52	4.70	4.90
10.50%	3.95	4.07	4.20	4.34	4.50
11.00%	3.74	3.84	3.95	4.08	4.21

Highlighted = base case (9.91% WACC, 2.0% TGR) = USD 4.52. Range: USD 3.74–5.67.

6.2 Market Approach (Guideline Public Companies) & Reconciliation

Our screen testing of ten listed peers and their respective EV/Revenue (the most appropriate multiple given several peers are unprofitable). The peer set spans Uber, DoorDash, Sea, Meituan, DiDi, Lyft, Delivery Hero, GoTo and Talabat, yielding a median of 2.17x (Q1 – 1.18x, Q3 - 3.39x). Applying the 2.17x median to FY2025 revenue gives and implied value of only USD 2.56/share, but this materially understates Grab because the median is dragged down by no-growth/low-margin peers (DiDi at 0.62x, Delivery Hero 0.65x, Meituan 1.34x).

The key reconciliation: Grab itself trades at 4.79x EV/Revenue and our DCF implies 4.55x, both far above the peer median, reflecting Grab's superior growth (21% vs. Peer 15%) and regional dominance. The gap between our DCF-implied multiple (4.55x) and the peer median (2.17x) is therefore an intentional, justified leadership premium, not a modelling error. Applying Grab's warranted 4.55x multiple reconciles the market approach to our DCF at USD 4.50/share. We weighted the DCF as the primary method and treat the multiples as a sanity check.

Exhibit 6 — Selected Comparables & Implied Value

Benchmark	EV/Rev	Equity (USD M)	USD/share
Peer median	2.17x	10,473	2.56
Peer 3rd quartile	3.39x	14,584	3.57
Grab current traded	4.79x	19,302	4.72
DCF-implied	4.55x	18,498	4.52

Source: S&P Capital IQ peer data; author's model. EV/Rev applied to FY2025 revenue.

7. Risk Analysis

Our valuation is most sensitive to discount rate and terminal growth assumptions (Exhibit 5) and to regulatory and competitive risks in Indonesia. Each key risk is rated by its potential impact on the valuation.

Risk	Impact	Rationale & valuation effect
Indonesia 8% commission cap	**High**	Compresses mobility take-rate ~200–300 bps in ~30% of group GMV; ~150 bps group-margin drag modelled.
GoTo merger / KPPU outcome	**Medium**	Excluded from base case; rejection caps upside, approval adds ~USD 0.80–1.50/share.
Stock-based compensation	**Medium**	SBC ~10–12% of revenue dilutes per-share economics versus headline EBITDA.
FX translation (IDR/PHP)	**Medium**	~5pp reported-vs-constant-currency gap in Q1 2026; USD strength a recurring drag.
Competition (ShopeeFood, inDrive)	**Medium**	Subsidy-driven share pressure; partly offset by foodpanda's retreat.
Credit losses (lending book)	**Low**	GLP doubled to USD 1.44B; small relative to group but cycle-untested.

Impact = sensitivity of equity value to the risk crystallising. Source: author's assessment.

8. Conclusion & Recommendation

Triangulating a 9.91% WACC CDF (USD4.52) with a peer multiple cross-check confirms a fair-value range of USD 4.2-4.9, base case USD 4.52 per share (+29%). Our recommendation is BUY. Grab is past its profitability inflection, leads a consolidating market, and trades at a justified premium to a depressed peer median that my DCF independently corroborates. The valuation is deliberately conservative: 2.0% terminal growth, sub-consensus margins, and no GoTo synergies and yet still yields material upside.

Grab offers diversified SEA digital economy exposure with genuine cash generation, and a USD-listed, liquid security suited to a USD-reporting mandate. Our recommendation starts at an initial position of 2-4% of the growth-equity sleeve, adding on confirmation of sustained margin expansion or KPPU clearance of a GoTo deal, and trimming if the Indonesian regulatory framework deteriorates further.

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