

# Sea Ltd (SE US)

## Cost savings improve earnings

### 3Q22 earnings within expectation

Sea's 9M22 USD9b (+33.6% YoY, -0.3% QoQ) revenue was marginally below our/consensus' full-year expectation, but gross profit of USD3.5b (+35% YoY) met our/consensus estimates (77%/75%), stemming from better unit economics for Shopee and increased traction for DFS. Our forecast has not been adjusted as we expect further headwinds for the digital entertainment business in 4Q22. Our lower SOTP-based target price of USD98 (from USD105) indicates 54% upside as we have adjusted our valuation multiple to better reflect profitability metrics for Shopee and DE. Maintain BUY. Transferring coverage to Kelvin Tan.

### Reopening and inflation drag Garena's earnings

Garena's 3Q22 USD893m revenue (-0.85% QoQ) marked its fourth consecutive quarterly decline due to less spending as QPU fell to 51.5m (-45% YoY). The segment continues to see headwinds impacting DFS from the global macro uncertainties, in particular inflation affecting discretionary spending, including spending on games resulting in weaker engagement and user trust. As such, guidance for DE bookings have decreased to between USD2.6b and USD2.8b (from USD2.9b to USD3.1b).

### Good traction in Brazil contributes for Shopee

Adjusted EBITDA as a percentage of GMV improved to -1.9% (+1.5pp QoQ) and AEBITDA loss was USD495.7m (23.5% QoQ improvement), driven by operating costs efficiency across all markets. Sea will continue to focus on unit economics amid a suspension of e-commerce revenue guidance due to macro uncertainties. In particular, Brazil remains a bright spot with unit economics continuing to improve significantly, AEBITDA loss per order before HQ costs of USD1.03 (27.4% QoQ improvement) and GAAP revenue grew by over 225% YoY. Management reiterates its aim for Shopee's AEBITDA to breakeven in FY23 by cost cutting.

### Short-term speed bumps; Maintain BUY

In the short run, Sea's results may fluctuate and be affected by the macro environment. We believe Shopee's regional leadership and scale should draw more merchants into higher-margin transaction-based services, helping raise take rates and e-commerce revenue. Moreover, the cost-cutting measures have shown to improve Sea's bottom line and we think it could reach EBITDA breakeven by FY24E. While strong focus on cash flow and achieving self-sufficiency as soon as possible is the right strategy to pursue at this stage. However, we see further downside from solvency risks, which are rising with 9M22 CFO USD1.38b (9M21: USD513m) turning negative as Garena's cash-generative support weakens. Sea would need to recalibrate its balance between growth and liquidity.

FYE Dec (USD m)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	4,376	9,955	12,566	16,653	21,057
EBITDA	(1,123)	(1,304)	(1,771)	(856)	1,251
Core net profit	(1,618)	(2,047)	(2,665)	(2,110)	(361)
Core FDEPS (cts)	(327.5)	(364.1)	(467.6)	(357.2)	(61.1)
Core FDEPS growth(%)	nm	nm	nm	nm	nm
Net DPS (cts)	0.0	0.0	0.0	0.0	0.0
Core FD P/E (x)	nm	nm	nm	nm	nm
P/BV (x)	29.1	16.9	6.5	8.6	7.4
Net dividend yield (%)	0.0	0.0	0.0	0.0	0.0
ROAA (%)	(20.6)	(14.0)	(15.0)	(12.6)	(2.0)
EV/EBITDA (x)	nm	nm	nm	nm	26.4
Net gearing (%) (incl perps)	net cash	net cash	net cash	net cash	net cash
Consensus net profit	-	-	na	na	na
MKE vs. Consensus (%)	-	-	na	na	na

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# BUY

Share Price	USD 63.62
12m Price Target	USD 98.00 (+54%)
Previous Price Target	USD 105.00

### Company Description

Sea is an internet company that has businesses in gaming, e-commerce and digital financial services.

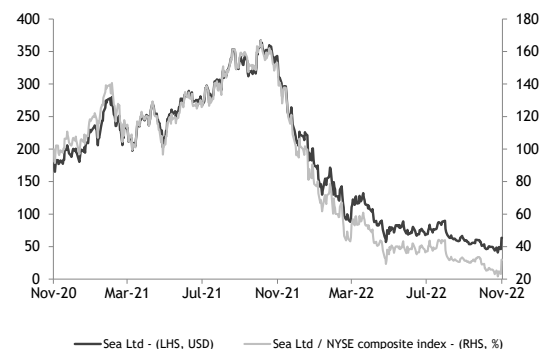
### Statistics

52w high/low (USD)	311.71/41.05
3m avg turnover (USDm)	76.7
Free float (%)	98.9
Issued shares (m)	562
Market capitalisation	USD35.7B
	USD35.7B

### Major shareholders:

Tencent	18.6%
Li Xiaodong	17.1%
Gang Ye	6.1%

### Price Performance



	-1M	-3M	-12M
Absolute (%)	25	(18)	(81)
Relative to index (%)	10	(15)	(78)

Source: FactSet

### Abbreviation:

CFO: Cashflow from operations

DFS: Digital Finance Services

DE: Digital Entertainment

GMV: Gross Merchandise Value

QPU: quarterly paying users

QAU: quarterly active users

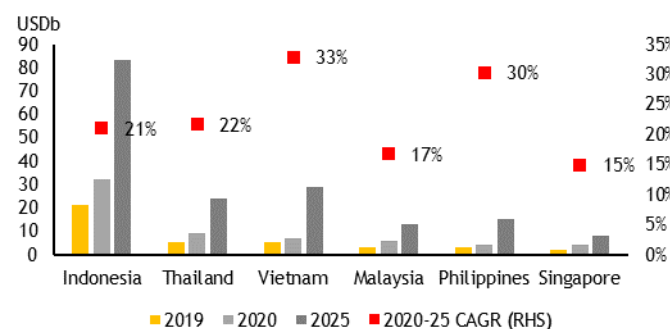
ESG@MAYBANK IBG

Tear Sheet Insert

## Value Proposition

- Sea is a Singapore-founded internet company with businesses in digital entertainment, e-commerce, and digital financial services.
- Sea is a beneficiary of accelerated digitisation in a post-Covid-19 landscape (e.g. increased usage and stickiness of e-commerce and digital payments).
- Sea believes in prioritising user acquisition and retention through aggressive marketing and providing compelling product propositions, so that it can maximise monetisation later on.
- Sea's strength is also its ability to adapt to local preferences, which helps it excel in regions with heterogeneous cultures such as in Southeast Asia.

### Shopee is exposed to fast-growing ASEAN e-commerce GMV

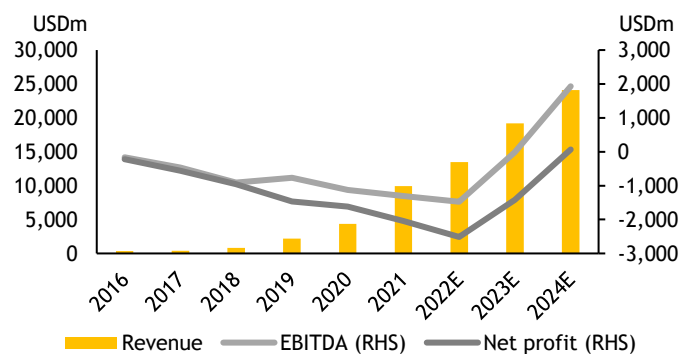


Source: Google, Temasek, Bain

## Financial Metrics

- We forecast FY21-25E revenue CAGR of 26.5%, driven by e-commerce and digital financial services.
- We also expect Sea to achieve breakeven in FY24E.
- We expect Sea to remain in a net cash position through FY24E, and have enough cash to fund investments in e-commerce and digital financial services. Digital entertainment is still an important source of cash flow.

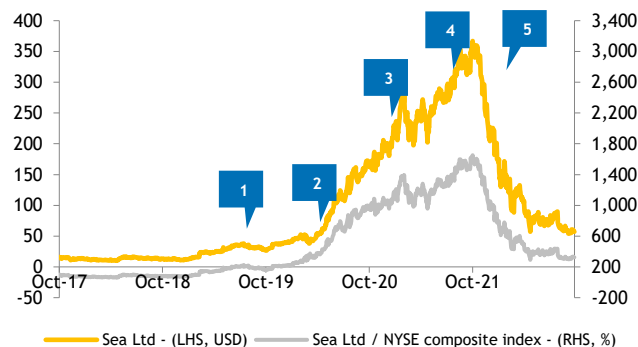
### Revenue, EBITDA and net profit projections



Source: Company, Maybank IBG Research

## Price Drivers

### Historical share price trend



Source: Company, FactSet, Maybank IBG Research

- Strong 4Q18 and 1Q19 results on continual success of Free Fire
- 2Q19 loss widened despite results beat
- Sea was beneficiary of Covid-19, and share price rallied alongside e-commerce peers.
- Stronger-than-expected 2Q21 results, driven by Garena and Shopee, and company raising guidance.
- Sell-off due to concerns of normalising growth for Garena Free Fire, as well as broader weakness for pre-earnings growth companies amid hawkish Fed outlook.

## Swing Factors

### Upside

- Stronger than expected user growth (across all businesses).
- Stronger than expected GMV/TPV growth for e-commerce/ digital financial services.
- Stronger than anticipated monetisation rates across its businesses.

### Downside

- If investors are impatient with any delay in Sea's profitability turnaround.
- Slowing user growth metrics, especially if this is due to increasing competition across Sea's offerings.
- Signs of Free Fire losing market share, especially if Garena remains heavily reliant on Free Fire to drive revenue growth.
- Geopolitical and macro events that may harm Shopee's supply chains or market access.

Risk Rating & Score <sup>1</sup>	Not Rated
Score Momentum <sup>2</sup>	NA
Last Updated	NA
Controversy Score <sup>3</sup>	NA

## Business Model & Industry Issues

- As an internet business, we believe social issues is the most relevant, followed by governance and then environmental.
- In the e-commerce business, driving social good (e.g. providing and teaching merchants how to use services) is integral to sustainably grow the platform and to retain merchants while monetising them. For instance, in Indonesia, 57% of MSMEs reported that they generated higher profits on Shopee than on other marketplaces.
- We believe the key issues for Garena are: i) addiction; and ii) compliance to local laws. For instance, Bangladesh is reportedly trying to ban Free Fire (alongside other addictive apps like PUBG and Tik Tok). Garena's response to appease authorities is important.
- The financial sector is also a highly regulated one. In our view SeaMoney's growth will be in part influenced by not just adherence to local laws, but how SeaMoney advances government agendas (e.g. facilitate roll-out of financial assistance in Malaysia and regulatory support for digital banking initiatives in ASEAN).
- Data security is also a critical ESG factor. Sea has employed various security measures to ensure this. (e.g. encryption of sensitive data, monitoring for unauthorized access etc).

## Material E issues

- Aside from the increased use of packaging materials associated with e-commerce as compared to traditional commerce, we do not see much environmental issues as the remaining businesses are digital based (i.e. gaming and digital financial services).
- We believe carbon emissions from running the computer servers that Sea uses is also a key environmental footprint, although not much has been discussed in Sea's sustainability report pertaining environmental factors.

## Material S issues

- Of Sea's >30,000 global workforce, 46% are females. Furthermore, 46% of the middle to senior management positions are held by females. SEA also boast a diverse culture of over 50 different nationalities in their company.
- Sea strongly believes in hiring and grooming local talent, and is one of the largest employers of fresh graduates across Southeast Asia.
- In 2020, Sea conducted more than 5,000 training sessions for employees.
- During the pandemic, Shopee provided financial support and relief to SMEs by easing operational costs and attracting new customers. Shopee also provided the SMEs with online courses to help them to scale and succeed their business in the long run. Furthermore, SEA Limited committed more than USD35m worth of COVID-19 Seller Support Packages across their markets, and provided monetary donation of more than USD510,000.

## Key G metrics and issues

- The board consist of 6 members, out of which, 3 are non-executive.
- From a data security standpoint, Sea is committed to ensuring that the processing of personal data of consumers, employers and other stakeholders are carried out lawfully. Sea states that it uses its data collected to improve products to better serve its communities.
- Given a large part of Sea's competitive advantage is derived from the network effects from its large user base across multiple markets, compliance with laws is of utmost importance. Further, we believe complementing its growth strategies with government agenda

<sup>1</sup>**Risk Rating & Score** - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. <sup>2</sup>**Score Momentum** - indicates changes to the company's score since the last update - a **negative** integer indicates a company's improving risk score; a **positive** integer indicates a deterioration. <sup>3</sup>**Controversy Score** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

Quantitative parameters (Score: 58)						
	Particulars	Unit	2019	2020	2021	Grab (Grab US, FY21)
E	Scope 1	tCO2e	NA	NA	36,333	0
	Scope 2	tCO2e	NA	NA	112,014	10,800
	<b>Total</b>	<b>tCO2e</b>	<b>NA</b>	<b>NA</b>	<b>148,347</b>	<b>10,800</b>
	Scope 3	tCO2e	NA	NA	NA	1,489,200
	<b>Total</b>	<b>tCO2e</b>	<b>NA</b>	<b>NA</b>	<b>148,347</b>	<b>1,500,000</b>
	Total Energy usage	kWh	NA	NA	NA	16,651,127
	Renewable Energy	kWh	NA	NA	NA	7,127,538
	Emission per revenue	tCo2e /USDm	NA	NA	14.9	2222.22
	Emission per employee	FTE	NA	NA	2.20	169.03
	Net water consumption	m m3	NA	NA	NA	NA
	Use of recycled water instead of portable water	m m3	NA	NA	NA	NA
	Water Intensity	M3/SGDm	NA	NA	NA	NA
	Waste saved from operation	m tons	NA	NA	NA	774
	Customer E-waste Recycling	tons	NA	NA	NA	NA
S	% of women in workforce	%	NA	46%	46%	42%
	% of women in management roles	%	NA	46%	44%	34%
	No. of nationalities among employees	number	NA	50	70	NA
G	CEO salary as % of net profit	%	Nm	Nm	Nm	Nm
	Key management salary as % of profit	%	Nm	Nm	Nm	Nm
	Independent director on board	%	0%	0%	0%	67%
	Women directors on board	%	9%	9%	9%	17%

#### Qualitative Parameters (Score: 33)

- a) is there an ESG policy in place and whether there is a standalone ESG committee or is it part of a risk committee?  
*The company has various policies covering different aspects of ESG. There are KPIs, business objectives, governance enablers and risks for each of the segments*
- b) is the senior management salary linked to fulfilling ESG targets?  
 No
- c) Does the company follow the task force of climate related disclosures (TCFD) framework for ESG reporting?  
 Yes
- e) Does the company have a mechanism to capture Scope 3 emissions - which parameters are captured?  
 No
- f) What are the 2-3 key carbon mitigation/water/waste management strategies adopted by the company?  
*The company has initiated various measures to manage waste and carbon emission such as the Energy Efficiency Program and the Unilever Green Delivery Project.*
- g) Does carbon offset form part of the net zero/carbon neutrality target of the company?  
 Yes

#### Target (Score: 0)

Particulars	Target	Achieved
No Targets	NA	NA
Impact		
	NA	
Overall score: 37		
As per our ESG matrix, Sea Ltd has an overall score of 37.		

ESG score	Weights	Scores	Final Score
Quantitative	50%	58	29
Qualitative	25%	33	8
Target	25%	0	0
<b>Total</b>			<b>37</b>

As per our ESG assessment, Sea Ltd has established sustainability policies but there are no time based targets set for the period. Its quantitative disclosures on 'E' parameters on emissions, resource usage as well as 'S' parameters on workforce and management diversity are limited. SE's overall ESG score is 37, which makes its ESG rating below average in our view (average ESG rating = 50; refer to Appendix I for our ESG Assessment Scoring).

# Quarterly P&L and Operation Metrics

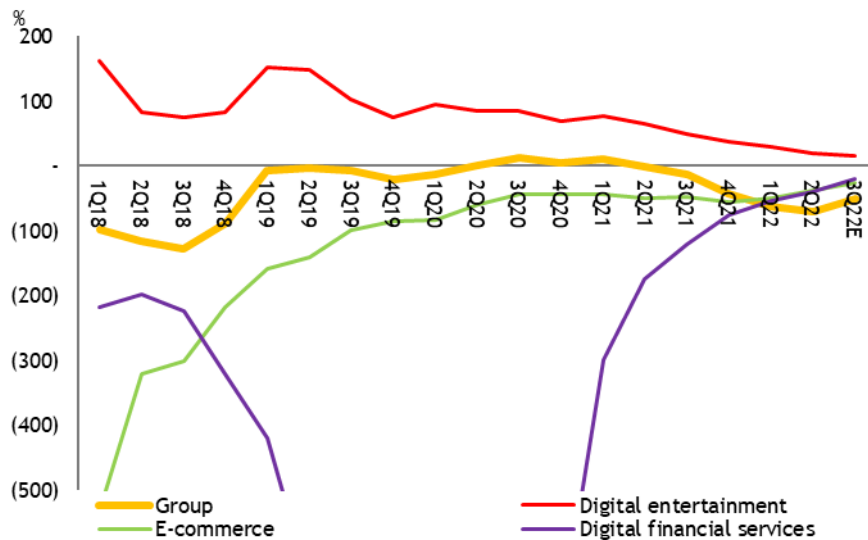
Fig 1: 3Q22 summary

Items (USDm)	2Q22	2Q21	1Q22	YoY	QoQ	FY22E	1H22vsFYE
Digital entertainment bookings	715	1,221	717	-41%	-0.3%	2,984	75
E-commerce GMV	19,100	16,796	19,000	14%	1%	79,802	70
E-commerce GAAP revenue	1,920	1,450	1,749	32%	10%	7,702	67
<b>Service revenue</b>							
Digital entertainment (revenue)	893	1,099	900	-19%	-1%	3,648	80
E-commerce and other services (revenue)	1,977	1,310	1,756	51%	13%	7,711	68
Sales of goods	286	280	287	2%	0%	1,206	69
<b>Total revenues</b>	<b>3,156</b>	<b>2,689</b>	<b>2,943</b>	<b>17%</b>	<b>7%</b>	<b>12,566</b>	<b>72</b>
<b>Total costs of revenues</b>	<b>(1,929)</b>	<b>(1,680)</b>	<b>(1,852)</b>	<b>15%</b>	<b>4%</b>	<b>(8,050)</b>	<b>68</b>
<b>Gross profit</b>	<b>1,227</b>	<b>1,009</b>	<b>1,090</b>	<b>22%</b>	<b>13%</b>	<b>4,516</b>	<b>77</b>
<b>Net income/(loss) after minority</b>	<b>(568)</b>	<b>(571)</b>	<b>(933)</b>	<b>-1%</b>	<b>-39%</b>	<b>(2,665)</b>	<b>78</b>

Source: Company, Maybank IBG Research

Fig 2: AEBITDA margin

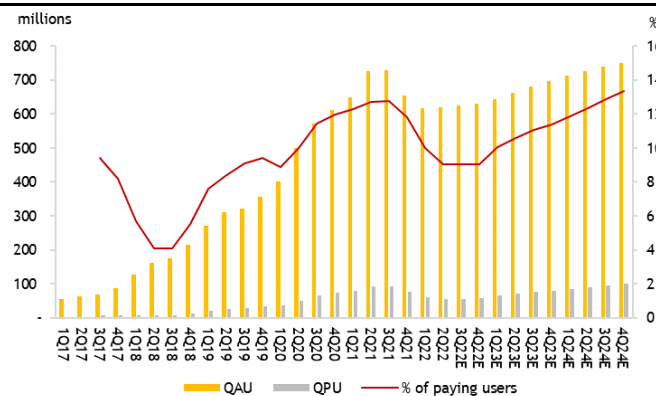
Group profitability dragged down by declines in digital entertainment



Note: Adjusted revenue used as the base

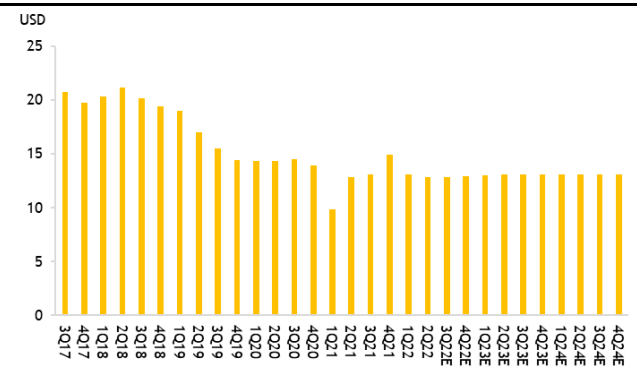
Source: Sea, Maybank IBG Research

Fig 3: Garena user metrics



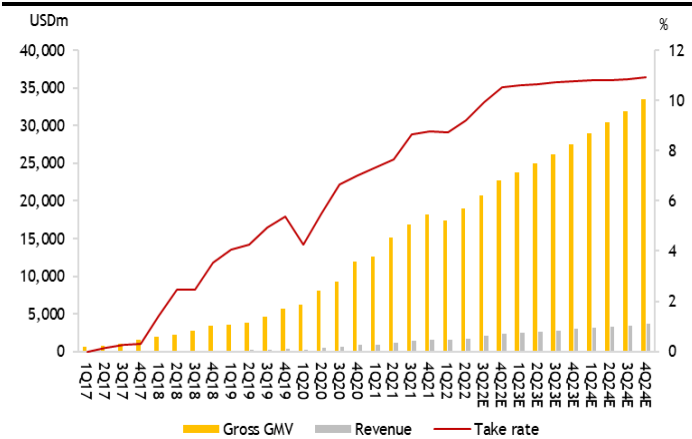
Source: Company, Maybank IBG Research

Fig 4: Garena ARPPU



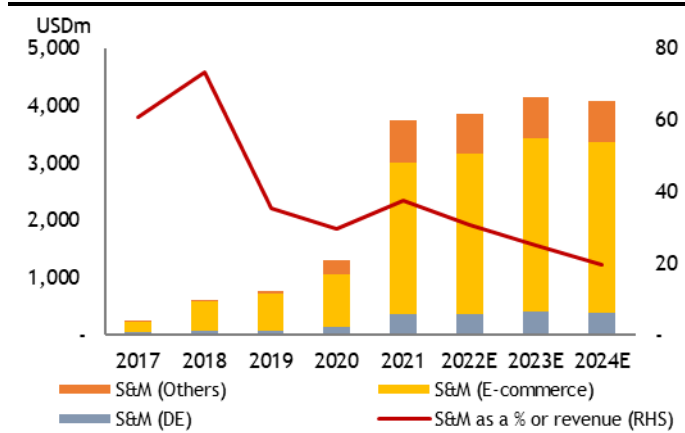
Source: Company, Maybank IBG Research

**Fig 5: Shopee GMV, revenue and take rate**



Source: Company, Maybank IBG Research

**Fig 6: Sales & marketing expenses**

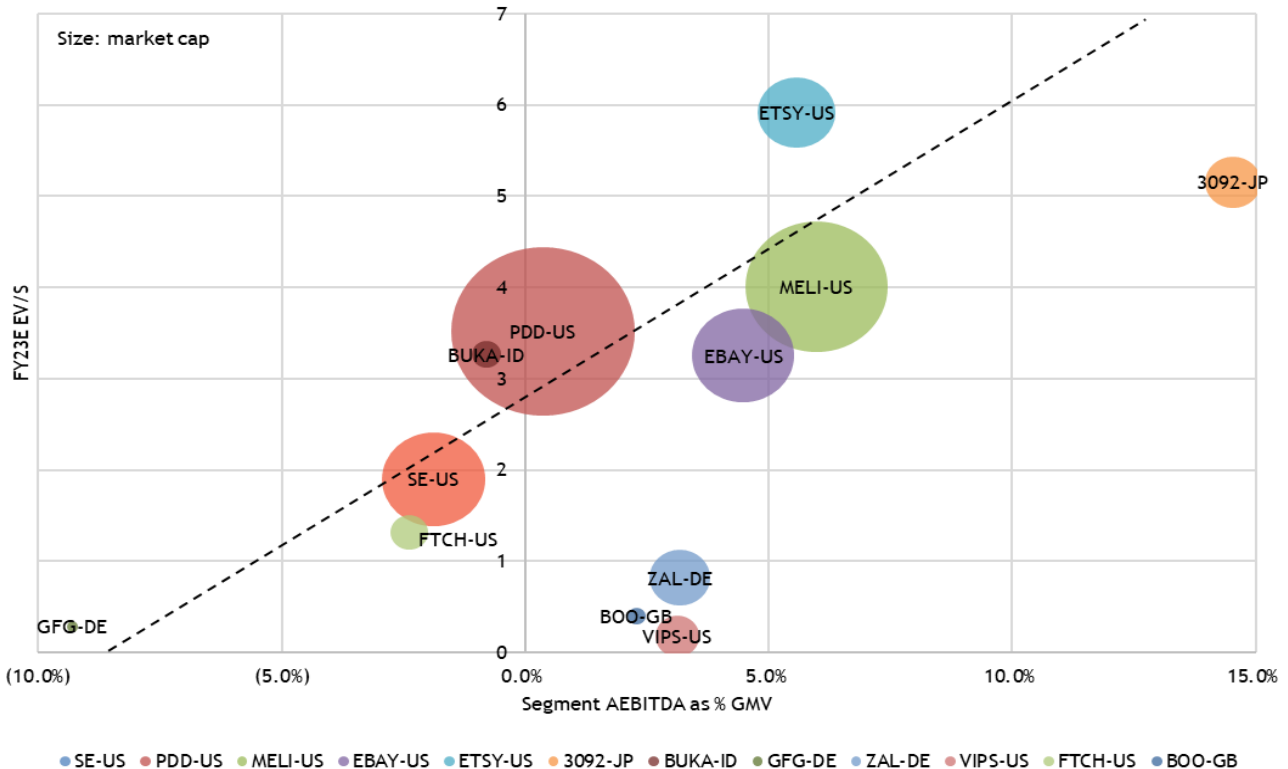


Source: Company, Maybank IBG Research

## Valuation: Sea remains oversold

Our forecast has not been adjusted as we are already at the low range of e-commerce revenue guidance for FY22E. We hold an optimistic view for FY23E that China supply chain issues will eventually be resolved as the Chinese government makes adjustments with the new ‘Dynamic Zero-COVID-19’ policy. Further, we still see Sea as a proxy to ASEAN digitisation. We have made adjustments to our multiples, concurrent with rolling forward valuations from FY22E to FY23E, and focusing on the e-commerce business that results in an SOTP-based TP of USD98 per share.

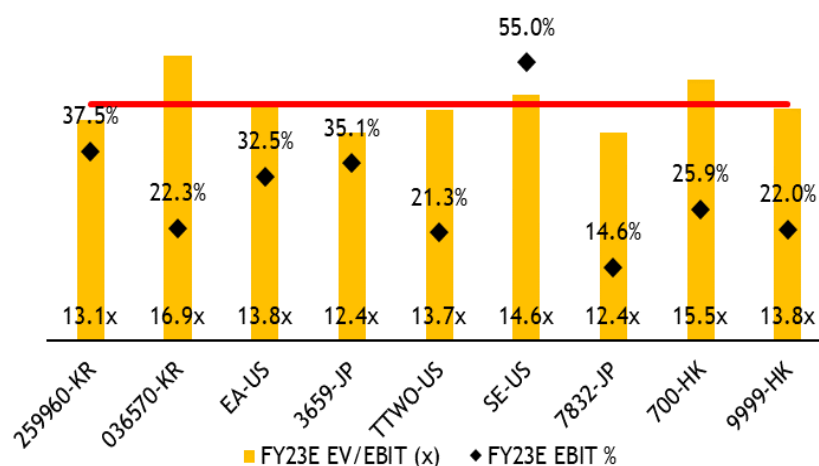
**Fig 7: FY23E EV/S and e-commerce AEBITDA as % of GMV of various e-commerce players**  
Shift to 1.8x EV/S for Shopee justified by line of best fit, conservative by removing premium for size



Source: Company, FactSet, Bloomberg, Maybank IBG Research

- **e-commerce:** We are adjusting our FY22E EV/S multiple from 2.0 to 1.9x, based on our analysis in Fig 7 as we think it's the best balance to account for Shopee's similar scale to Mercado Libre and its loss-making position.

Fig 8: Adjusted EBITDA margin



Note: As of 14 Nov 2022

Source: FactSet, Maybank IBG Research

- **Digital entertainment:** We are maintaining our multiple at a 15% discount to global peers, considering the single-game concentration with Free Fire, but roll forward our valuation from 13.7x FY22E EV/EBIT to 12.4x FY23E EV/EBIT.

Fig 9: SOTP

Business	Methodology	Multiple	Metric	Value (USDm)	Value of business (USDm)	Note
Digital entertainment	EV/EBIT	12.4	FY23E EBIT	2,115	26,249	15% discount to global peers due to product concentration and FY22 slowdown.
E-commerce	EV/Sales	1.9	FY23E Revenue	10,955	20,815	Based on cluster analysis in Fig 7.
Digital financial services	EV/TPV	0.1	FY23E TPV	35,995	3,600	
				Net cash (USDm)	4,404	3Q22 balance sheet. Includes short-term investments.
				Equity value (USDm)	55,068	
				No. of shares (m)	561.74	
				Value per share (USD)	98	

Source: Maybank IBG Research

Fig 10: Peer comparables

Company	FS	MKE	MKE	Price	Mcap	EV/S (x)		EV/EBIT (x)		EV/TPV (x)	
	Code	Rec	TP (LC)			(LC)	USDm	FY1	FY2	FY1	FY2
Sea	SE-US	BUY	100	45.8	25,516	1.9	1.6	nm	nm	0.30	0.27
<b>Digital entertainment</b>											
Tencent	700-HK	NR	-	263.4	322,043	4.6	4.0	18.2	15.5		
Netease	9999-HK	NR	-	103.8	45,765	3.4	3.0	15.7	13.8		
<b>Electronic</b>											
Arts	EA-US	NR	-	131.2	36,230	4.9	4.5	17.1	13.8		
Nexon	3659-JP	NR	-	2567.0	15,988	5.1	4.3	15.6	12.4		
<b>Take Two</b>											
Interactive	TTWO-US	NR	-	102.3	17,160	2.7	2.5	23.5	13.7		
<b>Bandai</b>											
Namco	7832-JP	NR	-	8996.0	14,361	1.9	1.8	13.2	12.4		
Krafton	259960-KR	NR	-	229000.0	8,523	5.3	4.9	13.0	13.1		
NCSOFT	036570-KR	NR	-	443000.0	7,377	3.9	3.8	17.4	16.9		
Netmarble	251270-KR	NR	-	50700.0	3,305	2.4	2.2	nm	nm		
						<b>3.8</b>	<b>3.4</b>	<b>16.7</b>	<b>13.9</b>		
<b>Marketplace (3P) e-commerce</b>											
Alibaba	BABA-US	NR	-	70.8	1,498,929	11.8	11.0	nm	nm	1.27	1.24
Pinduoduo	PDD-US	NR	-	65.2	82,413	4.3	3.5	20.2	15.6	0.18	0.15
<b>Mercado</b>											
Libre	MELI-US	NR	-	974.9	49,032	5.0	4.0	nm	nm	1.51	1.29
eBay	EBAY-US	NR	-	46.5	25,239	3.2	3.3	10.8	11.0	0.43	0.45
Etsy	ETSY-US	NR	-	115.6	14,535	6.4	5.9	nm	38.5	nm	nm
Rakuten	4755-JP	NR	-	707.0	8,079	1.5	1.4	nm	nm	nm	nm
ZOZO	3092-JP	NR	-	3345.0	7,496	5.6	5.2	18.7	17.4	1.84	1.66
Allegroeu	ALE-PL	NR	-	25.9	6,043	3.8	3.1	27.4	23.4	0.65	0.55
Bukalapak	BUKA-ID	NR	-	306.0	2,035	4.5	3.3	nm	nm	nm	nm
GFG	GFG-DE	NR	-	1.3	304	0.3	0.3	nm	nm	nm	nm
<b>Mean</b>						<b>4.6</b>	<b>4.1</b>	<b>19.3</b>	<b>21.2</b>	<b>1.0</b>	<b>0.9</b>
<b>B2C (1P) e-commerce</b>											
Amazon	AMZN-US	NR	-	100.8	1,028,225	2.2	2.0	nm	nm	1.78	1.62
JD.com	JD-US	NR	-	48.9	134,563	0.9	0.8	nm	38.8	0.28	0.25
Coupang	CPNG-US	NR	-	19.1	30,469	1.4	1.2	nm	nm	0.91	0.78
Ocado	OCDO-GB	NR	-	8.1	7,894	2.9	2.5	nm	nm	nm	nm
Zalando	ZAL-DE	NR	-	33.1	9,006	0.9	0.8	nm	39.4	0.60	0.58
Vipshop	VIPS-US	NR	-	8.6	4,814	0.2	0.2	3.6	3.3	0.11	0.10
Farfetch	FTCH-US	NR	-	10.3	3,473	1.6	1.3	nm	nm	0.87	0.74
Baozun	BZUN-US	NR	-	4.0	644	0.6	0.5	nm	14.9	0.06	0.06
Asos	ASC-GB	NR	-	7.9	928	0.3	0.3	nm	25.7	nm	nm
PChome	8044-TW	NR	-	52.0	213	0.2	0.2	nm	nm	nm	nm
Boohoo	BOO-GB	NR	-	0.5	803	0.4	0.4	nm	nm	nm	nm
<b>Mean</b>						<b>1.1</b>	<b>0.9</b>	<b>3.6</b>	<b>24.4</b>	<b>0.7</b>	<b>0.6</b>
<b>Financial services</b>											
Visa	V-US	NR	-	205.0	335,793	11.5	10.4	17.0	15.3	0.03	0.02
Mastercard	MA-US	NR	-	339.3	323,616	14.9	13.1	26.2	22.7	0.05	0.04
PayPal	PYPL-US	NR	-	91.0	103,777	3.9	3.6	18.5	16.2	0.07	0.06
Square	SQ-US	NR	-	71.7	37,947	2.2	1.9	nm	nm	0.18	0.14
<b>Mean</b>						<b>8.1</b>	<b>7.2</b>	<b>20.6</b>	<b>18.1</b>	<b>0.08</b>	<b>0.07</b>

Note: As of 14 Nov 2022, TPV refers to GMV for e-commerce

Source: FactSet



FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Key Metrics</b>					
P/E (reported) (x)	nm	nm	nm	nm	nm
Core P/E (x)	nm	nm	nm	nm	nm
Core FD P/E (x)	nm	nm	nm	nm	nm
P/BV (x)	29.1	16.9	6.5	8.6	7.4
P/NTA (x)	29.1	16.9	6.6	8.7	7.5
Net dividend yield (%)	0.0	0.0	0.0	0.0	0.0
FCF yield (%)	0.2	nm	nm	nm	3.6
EV/EBITDA (x)	nm	nm	nm	nm	26.4
EV/EBIT (x)	nm	nm	nm	nm	nm

**INCOME STATEMENT (USD m)**

Revenue	4,375.7	9,955.2	12,565.5	16,652.6	21,057.0
EBITDA	(1,122.6)	(1,304.0)	(1,771.1)	(856.3)	1,250.6
Depreciation	(180.8)	(279.0)	(548.1)	(819.5)	(1,123.1)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	(1,303.3)	(1,583.1)	(2,319.2)	(1,675.8)	127.5
Net interest income / (exp)	(123.4)	(102.9)	(79.8)	(153.4)	(156.1)
Associates & JV	0.7	5.0	5.0	5.0	5.0
Exceptionals	0.0	0.0	0.0	0.0	0.0
Other pretax income	(56.5)	(29.5)	0.0	0.0	0.0
Pretax profit	(1,482.5)	(1,710.4)	(2,394.0)	(1,824.2)	(23.6)
Income tax	(141.6)	(332.9)	(267.1)	(281.6)	(333.3)
Minorities	6.1	(3.7)	(3.7)	(3.7)	(3.7)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	(1,618.1)	(2,047.0)	(2,664.9)	(2,109.6)	(360.6)
Core net profit	(1,618.1)	(2,047.0)	(2,664.9)	(2,109.6)	(360.6)

**BALANCE SHEET (USD m)**

Cash & Short Term Investments	7,026.1	10,799.4	7,358.5	6,060.7	7,327.3
Accounts receivable	363.0	388.3	264.6	638.7	807.7
Inventory	64.2	117.5	127.2	127.5	154.4
Property, Plant & Equip (net)	386.4	1,030.0	1,502.1	1,863.3	2,018.5
Intangible assets	39.8	52.5	67.5	82.5	97.5
Investment in Associates & JVs	0.0	0.0	0.0	0.0	0.0
Other assets	2,576.2	6,368.3	7,508.9	7,882.6	8,196.2
<b>Total assets</b>	<b>10,455.7</b>	<b>18,756.0</b>	<b>16,828.8</b>	<b>16,655.3</b>	<b>18,601.6</b>
ST interest bearing debt	0.0	100.0	100.0	100.0	100.0
Accounts payable	121.6	213.6	239.0	265.7	304.1
LT interest bearing debt	1,840.4	3,475.7	3,530.9	3,538.8	2,569.8
Other liabilities	5,073.0	7,542.0	7,427.0	8,471.0	10,516.0
<b>Total Liabilities</b>	<b>7,035.4</b>	<b>11,331.6</b>	<b>11,297.0</b>	<b>12,375.9</b>	<b>13,490.4</b>
Shareholders Equity	3,382.9	7,398.7	5,502.3	4,246.2	5,074.4
Minority Interest	37.3	25.7	29.4	33.2	36.9
<b>Total shareholder equity</b>	<b>3,420.2</b>	<b>7,424.4</b>	<b>5,531.8</b>	<b>4,279.4</b>	<b>5,111.3</b>
<b>Total liabilities and equity</b>	<b>10,455.7</b>	<b>18,756.0</b>	<b>16,828.8</b>	<b>16,655.3</b>	<b>18,601.6</b>

**CASH FLOW (USD m)**

Pretax profit	(1,482.5)	(1,710.4)	(2,394.0)	(1,824.2)	(23.6)
Depreciation & amortisation	180.8	279.0	548.1	819.5	1,123.1
Adj net interest (income)/exp	0.0	0.0	0.0	0.0	0.0
Change in working capital	1,525.9	1,276.2	(594.2)	196.2	583.3
Cash taxes paid	0.0	0.0	0.0	0.0	0.0
Other operating cash flow	331.5	363.8	613.3	728.4	898.2
Cash flow from operations	555.6	208.6	(1,826.7)	(80.1)	2,581.0
Capex	(336.3)	(722.2)	(1,005.2)	(1,165.7)	(1,263.4)
Free cash flow	219.3	(513.5)	(2,832.0)	(1,245.8)	1,317.6
Dividends paid	0.0	0.0	0.0	0.0	0.0
Equity raised / (purchased)	2,970.2	4,050.1	0.0	0.0	0.0
Change in Debt	1,110.8	2,960.3	0.0	0.0	0.0
Other invest/financing cash flow	(374.8)	226.5	(2,793.7)	(439.1)	46.6
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	3,925.5	6,723.3	(5,625.7)	(1,685.0)	1,364.2

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Key Ratios</b>					
<b>Growth ratios (%)</b>					
Revenue growth	101.1	127.5	26.2	32.5	26.4
EBITDA growth	nm	nm	nm	nm	nm
EBIT growth	nm	nm	nm	nm	nm
Pretax growth	nm	nm	nm	nm	nm
Reported net profit growth	nm	nm	nm	nm	nm
Core net profit growth	nm	nm	nm	nm	nm
<b>Profitability ratios (%)</b>					
EBITDA margin	nm	nm	nm	nm	5.9
EBIT margin	nm	nm	nm	nm	0.6
Pretax profit margin	nm	nm	nm	nm	nm
Payout ratio	0.0	0.0	0.0	0.0	0.0
<b>DuPont analysis</b>					
Net profit margin (%)	nm	nm	nm	nm	nm
Revenue/Assets (x)	0.4	0.5	0.7	1.0	1.1
Assets/Equity (x)	3.1	2.5	3.1	3.9	3.7
ROAE (%)	na	na	na	na	na
ROAA (%)	(20.6)	(14.0)	(15.0)	(12.6)	(2.0)
<b>Liquidity &amp; Efficiency</b>					
Cash conversion cycle	16.7	9.0	4.7	5.7	8.7
Days receivable outstanding	22.6	13.6	9.4	9.8	12.4
Days inventory outstanding	5.4	5.4	5.5	4.1	3.6
Days payables outstanding	11.4	10.0	10.1	8.1	7.3
Dividend cover (x)	nm	nm	nm	nm	nm
Current ratio (x)	1.9	2.1	1.7	1.4	1.3
<b>Leverage &amp; Expense Analysis</b>					
Asset/Liability (x)	1.5	1.7	1.5	1.3	1.4
Net gearing (%) (incl perps)	net cash	net cash	net cash	net cash	net cash
Net gearing (%) (excl. perps)	net cash	net cash	net cash	net cash	net cash
Net interest cover (x)	na	na	na	na	0.8
Debt/EBITDA (x)	nm	nm	nm	nm	2.1
Capex/revenue (%)	7.7	7.3	8.0	7.0	6.0
Net debt/ (net cash)	(5,185.7)	(7,223.7)	(3,727.6)	(2,421.8)	(4,657.5)

Source: Company; Maybank IBG Research

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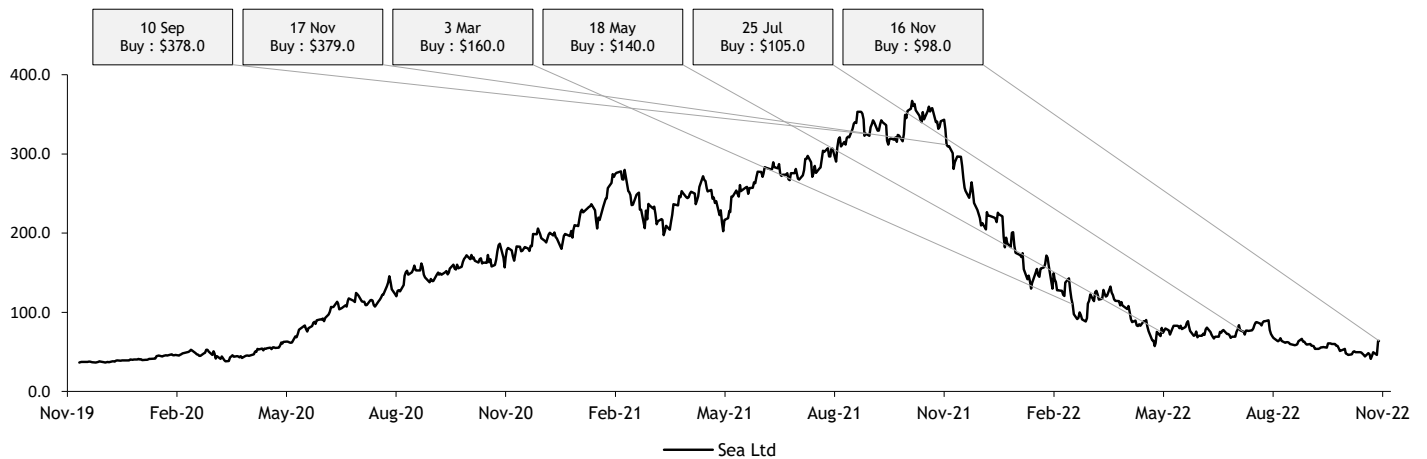
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## Historical recommendations and target price: Sea Ltd (SE US)



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