

# Sea Ltd (SE US)

## Riding the tide

### 9M23 PATMI missed; raising competition in the region

9M23 PATMI of USD274.2m was way below our and consensus FY23 forecasts (at 41%/40%) mainly due to increased investments in Shopee (e-commerce) to reaccelerate GMV growth. In our view, Southeast Asia platforms have been disrupted and are gearing up for another phase of intense competition, exemplified by Shopee's spending on live streaming and consignment model. In the medium term, we think this could spur faster e-commerce penetration in the region, though margins could remain depressed. We cut Shopee's growth outlook and thus reduce our FY23-FY25E net profit forecasts by 31-42%. Our TP is cut to USD62 (from USD80), based on a lower e-commerce multiple. Maintain BUY. We continue to see significant longer term potential for the business given its market leading position, ecosystem of services across eCommerce and financial services coupled with favorable regional dynamics given expectations for both eCommerce and GDP growth in the region.

### Shopee spending more for growth

eCommerce GMV growth accelerated sequentially to +5% YoY (from -5% in 2Q) and GMV grew +11% QoQ. Management expects similar sequential GMV growth in 4Q, implying approximately +24% growth on a YoY basis (vs. St. +14%). The acceleration is supported by higher sales and marketing expense and ongoing shipping subsidies that are pressuring take rate and margin. The company is aggressively investing to expand market share in a highly competitive market while also growing live streaming sales, which accounted for over 10% of orders in October.

### Garena lukewarm; fintech saw healthy growth

SE's gaming segment growth slowed, adj. EBITDA declined to USD234m (-2.3% QoQ) in 3Q23. Quarterly active users remained stable while quarterly paying users fell 6% QoQ as schools reopened in key markets in the quarter. Sea is cautiously optimistic that this reflects the start of a longer-term stabilisation trend for its key game, Free Fire. Meanwhile, DFS adj. EBITDA grew to USD166m (+21% QoQ) with its risk profile stable. We are positive on SeaMoney's growth, and expect it to continue leveraging its ecosystem to deliver synergies with Shopee for more frictionless transactions.

### Intensifying regional competition

We expect near-term share price consolidation for Sea given uncertainty about the effectiveness of its investments to re-accelerate Shopee and ability to counter intense competition. With Temu, the overseas arm of China's e-tailer Pinduoduo, making a foray into Southeast Asia amid persistent competition from TikTok (BDNCE), we think that pressure to invest could intensify and cloud Sea's net profit path. This is, however, partially mitigated by resumption of GMV growth and a tepid recovery in the digital entertainment segment, driving 65% of 3Q adj. EBITDA, amid a drop in Free Fire's player engagement.

FYE Dec (USD m)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue	9,955	12,449	12,673	14,278	16,019
EBITDA	(1,304)	(997)	1,035	1,528	2,443
Core net profit	(2,047)	(1,652)	428	609	1,164
Core FDEPS (cts)	(364.1)	(290.6)	72.7	103.5	197.8
Core FDEPS growth(%)	nm	nm	nm	42.4	91.1
Net DPS (cts)	0.0	0.0	0.0	0.0	0.0
Core FD P/E (x)	nm	nm	49.6	34.8	18.2
P/BV (x)	16.9	5.1	3.0	2.5	1.9
Net dividend yield (%)	0.0	0.0	0.0	0.0	0.0
ROAA (%)	(14.0)	(9.2)	2.4	3.2	5.4
EV/EBITDA (x)	nm	nm	16.0	9.5	4.2
Net gearing (%) (incl perps)	net cash	net cash	net cash	net cash	net cash
Consensus net profit	-	-	na	na	na
MIBG vs. Consensus (%)	-	-	na	na	na

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# BUY

Share Price	USD 36.01
12m Price Target	USD 62.00 (+72%)
Previous Price Target	USD 80.00

### Company Description

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

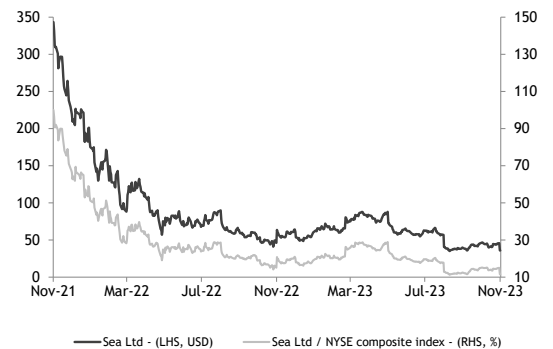
### Statistics

52w high/low (USD)	88.07/35.21
3m avg turnover (USDm)	59.2
Free float (%)	98.5
Issued shares (m)	562
Market capitalisation	USD20.2B
	USD20.2B

### Major shareholders:

Tencent	18.6%
Li Xiaodong	17.1%
Gang Ye	6.1%

### Price Performance



	-1M	-3M	-12M
Absolute (%)	(21)	(11)	(43)
Relative to index (%)	(23)	(10)	(45)

Source: FactSet

### Terms used in this report:

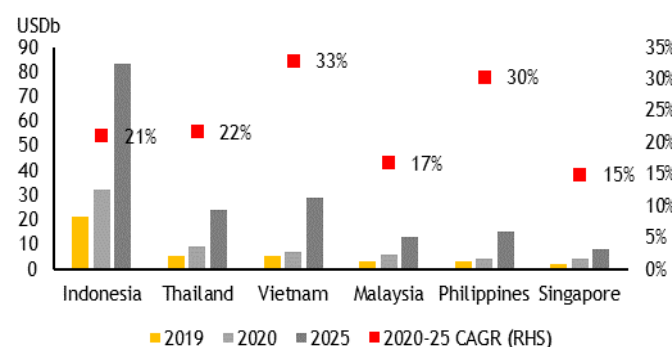
GMV: Gross merchandise value  
SME: Small and medium enterprises  
DFS: Digital Finance Services  
PDD: Pinduoduo holdings (PDD US, NR, CP: USD99) is a multinational commerce group that owns and operates a portfolio of businesses.  
BDNCE: Bytedance Ltd is a technology company operating a range of content platforms that inform, educate, entertain and inspire people across languages, cultures and geographies.

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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.

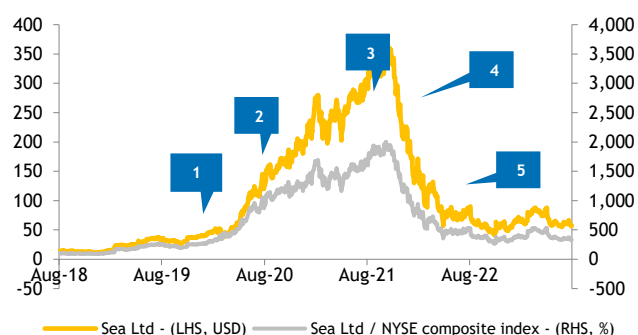
### Shopee is exposed to fast-growing ASEAN e-commerce GMV



Source: Company

## Price Drivers

### Historical share price trend



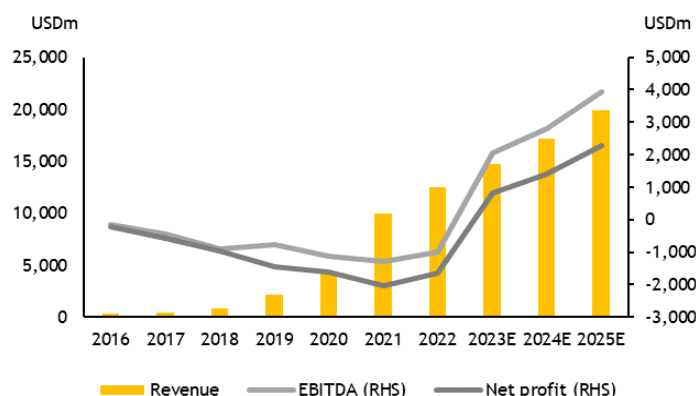
Source: Company, Maybank IBG Research

- Strong 4Q18 and 1Q19 results on continued 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.

## Financial Metrics

- We forecast FY22-25E revenue CAGR of 26.5%, driven by e-commerce and digital financial services.
- We also expect Sea to achieve net income breakeven in FY23E and potentially adjusted for our revised numbers.
- 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

## Swing Factors

### Upside

- Stronger-than-expected user growth (across all businesses).
- Strong initial traction for digital fintech service launched in markets outside of Indonesia in FY23e.
- Stronger topline growth as Shopee could potentially capture more market share, especially with key peer GoTo looking to rapidly scale its business towards profitability

### Downside

- Weaker-than-expected consumer spend in the region amid macro uncertainties hurting Shopee's GMV growth.
- Slowing user growth metrics, especially if this is due to increasing competition across Sea's offerings.
- Higher-than-expected credit costs for SeaMoney due to a slowdown in economic growth.
- New entrants which could intensify competition in the Southeast Asia e-commerce industry.

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Risk Rating & Score <sup>1</sup>	22.31
Score Momentum <sup>2</sup>	-0.0
Last Updated	30 Aug 2023
Controversy Score <sup>3</sup> (Updated: 30 Aug 2023)	0 - No reports

## 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 its company.
- Sea strongly believes in hiring and grooming local talent, and is one of the largest employers of fresh graduates across Southeast Asia.
- 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 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 has 6 members, 3 of which 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.

<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 is there is a standalone ESG committee or is it part of the risk committee?	<i>The company has various policies covering different aspects of ESG. There are KPIs, business objectives, governance enablers and risks for each of the segments.</i>
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?	<i>The company has initiated various measures to manage waste and carbon emission, such as the Energy Efficiency Programme and the Unilever Green Delivery Project.</i>
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. Sea's overall ESG score is 37, which makes its ESG rating below average in our view (average ESG rating = 50).

# 1. Quarterly P&L and operation metrics

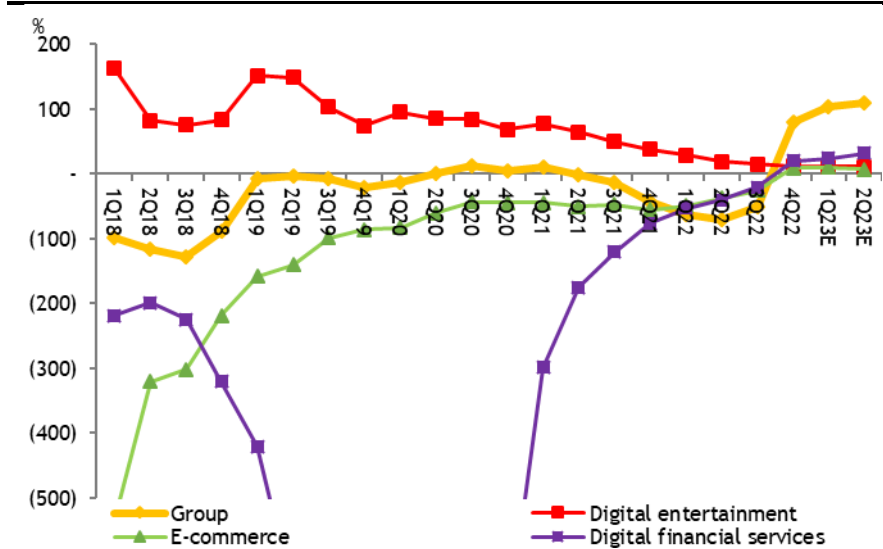
Fig 1: 3Q23 results summary

Items (USDm)	3Q23	2Q23	1Q23	3Q22	YoY	QoQ	FY23E	FY23 vs MIBG FYE	FY23 vs Con. FYE
Digital entertainment bookings	473	464	485	715	-34%	1.9%	2,241	63	
E-commerce GAAP revenue	2,232	2,111	2,067	1,920	16%	5.7%	8,092	79	
<b>Service revenue</b>									
Digital entertainment (revenue)	592	529	540	893	-34%	11.9%			
E-commerce and other services (revenue)	2,417	2,322	2,260	1,977	22%	4.1%			
Sales of goods	301	244	242	286	5%	23.5%			
<b>Total revenues</b>	<b>3,310</b>	<b>3,096</b>	<b>3,041</b>	<b>3,156</b>	<b>5%</b>	<b>6.9%</b>	<b>12,356</b>	<b>76</b>	<b>74</b>
<b>Total costs of revenues</b>	<b>(1,869)</b>	<b>(1,645)</b>	<b>(1,624)</b>	<b>(1,929)</b>	<b>-3%</b>	<b>13.6%</b>	<b>(6,057)</b>	<b>85</b>	<b>76</b>
<b>Gross profit</b>	<b>1,441</b>	<b>1,451</b>	<b>1,417</b>	<b>1,227</b>	<b>17%</b>	<b>-0.7%</b>	<b>6,299</b>	<b>68</b>	<b>71</b>
<b>Net income/(loss) after minority</b>	<b>(140)</b>	<b>331</b>	<b>88</b>	<b>(568)</b>	<b>-75%</b>	<b>-142.3%</b>	<b>683</b>	<b>41</b>	<b>40</b>

Source: Company, FactSet for consensus, Maybank IBG Research

Fig 2: Adjusted EBITDA margin

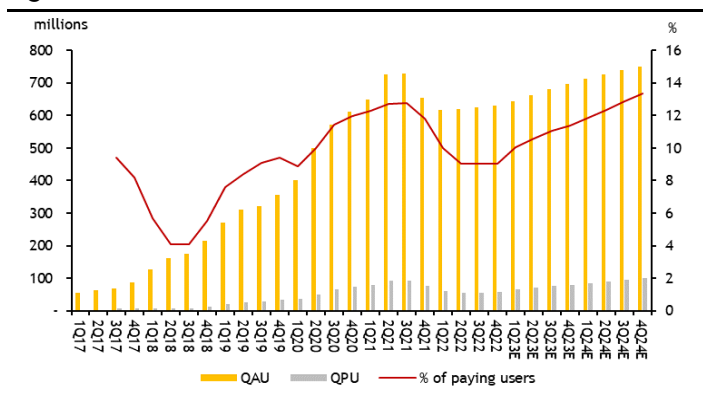
Overall group profitability continues to improve due to better unit economics



Note: Adjusted revenue used as the base

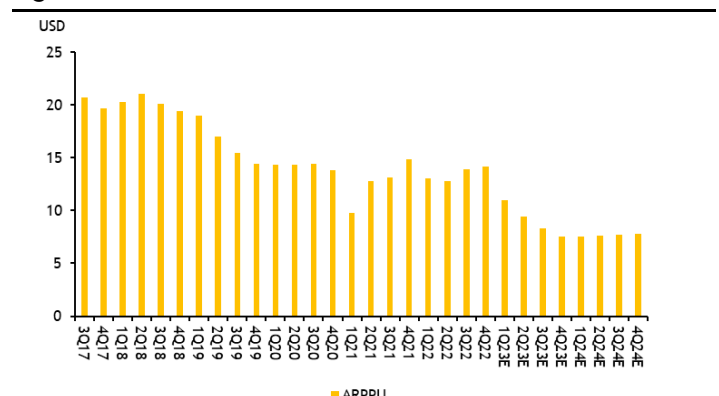
Source: Sea, Maybank IBG Research

Fig 3: Garena user metrics



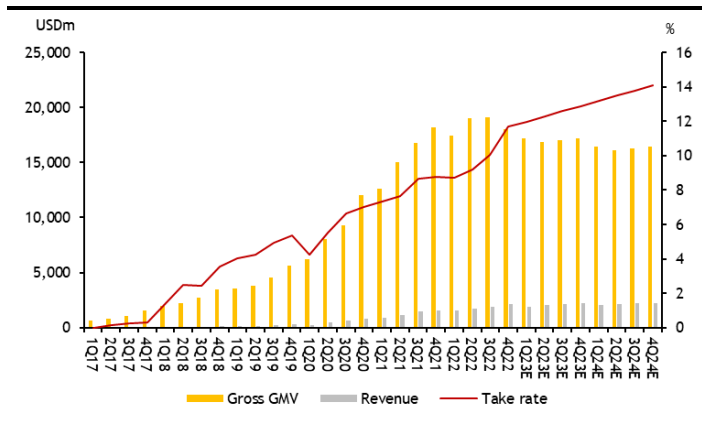
Source: Company, Maybank IBG Research

Fig 4: Garena ARPPU



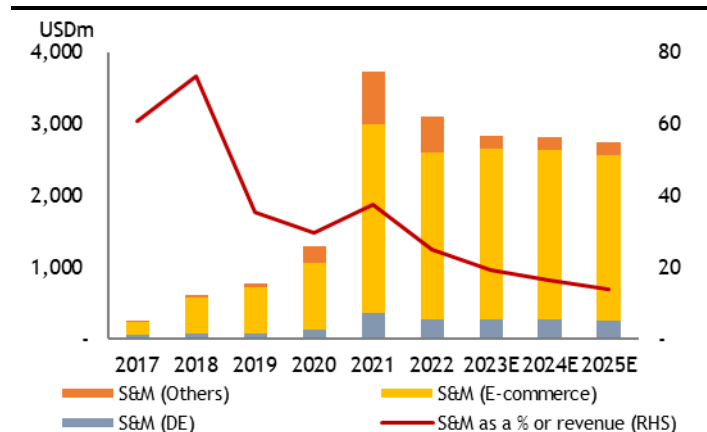
Source: Company, Maybank IBG Research

Fig 5: Shopee's GMV, revenue and take-rate



Source: Company, Maybank IBG Research

Fig 6: Sales &amp; marketing expenses



Source: Company, Maybank IBG Research

## 2. Forecast revisions and outlook

Just like others in the global retail market, Sea too has been facing global headwinds of sticky inflationary pressures and macroeconomic uncertainty, forcing customers to hold off on discretionary spending. Sea's slowing year-over-year revenue growth and the expected increase in expenses are raising concern among financial market participants about management's ability to maintain an operating income increase in coming quarters. We expect weaker growth in FY23-25E due to continued Garena weakness as a result of re-opening/economic slowdown, and slower bottomline growth for Shopee as it ramps up live streaming investment to capture new growth opportunities. We thus reduce our FY23-FY25E net profit forecasts by 31-42% as we recognise that the revenue line could be lifted by greater investment in its shipping subsidies and marketing spending. However, given the possibility of higher sales and marketing spending to reaccelerate growth of the e-commerce segment, profitability may be affected.

Fig 7: Forecast changes

	FY23			FY24			FY25		
	New	Old	change	New	Old	change	New	Old	change
Bookings (USDm)	1,853	2,241	-17%	2,062	2,427	-15%	2,226	2,620	-15%
E-commerce Revenue (USDm)	8,310	8,092	3%	8,647	8,390	3%	9,495	9,367	1%
Total revenues	12,673	12,356	3%	14,278	14,215	0%	16,019	15,598	3%
Gross profit	5,620	6,299	-11%	6,873	6,879	0%	7,805	8,654	-10%
EBITDA	1,035	1,715	-40%	1,528	2,390	-36%	2,443	3,001	-19%
Net income/(loss) after minority	428	683	-37%	609	1,041	-42%	1,164	1,695	-31%

Source: Maybank IBG Research

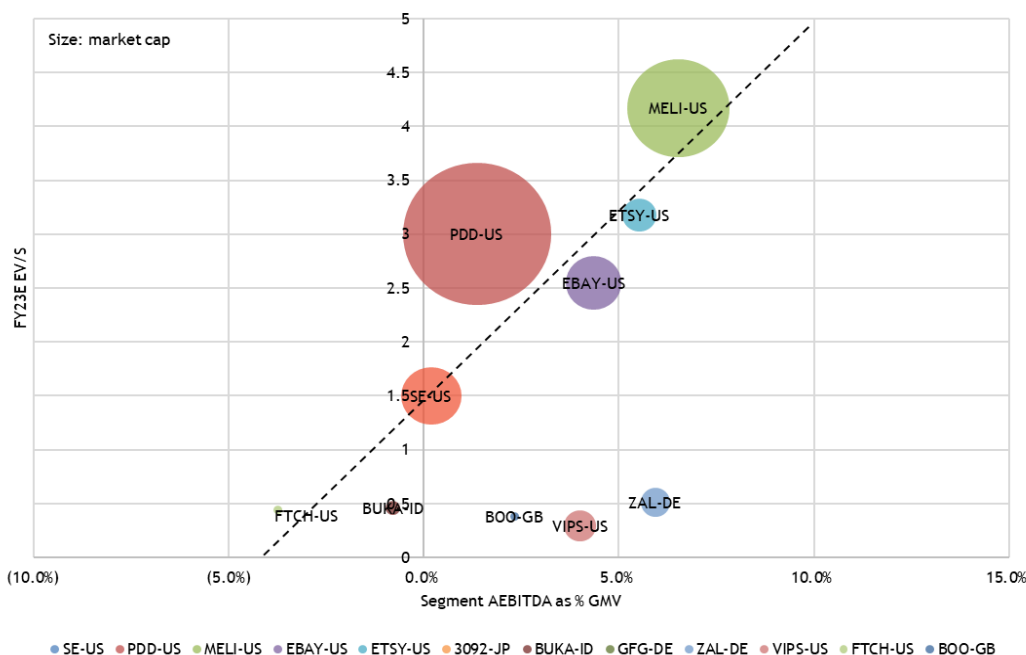
Management continues to emphasize short-term fluctuations in profitability to capture marketshare, and the company provided limited visibility into near-term investment levels. Generally, management noted that the company is investing to acquire new buyers and sellers through the 4Q holiday season. For 4Q, management also expects sequential Q/Q GMV growth in a similar range to 3Q, implying GMV growth of approximately +24% YoY.

### 3. Maintain BUY with lower SOTP-based TP of USD62

We continue to like Sea for its longer-term potential given its strong leadership in e-commerce (Shopee) in ASEAN and as SeaMoney continues to increase its fintech offerings and enhance operational capabilities. While the share price may be volatile in the near term as aims to rapidly achieve its profitability milestones, which may sacrifice its top line, we expect a more sustainable valuation re-rating once it achieves self-sufficiency. Maintain BUY with a lower SOTP-based TP of USD62.

**Fig 8: FY23E EV/S and e-commerce AEBITDA as % of GMV of various e-commerce players**

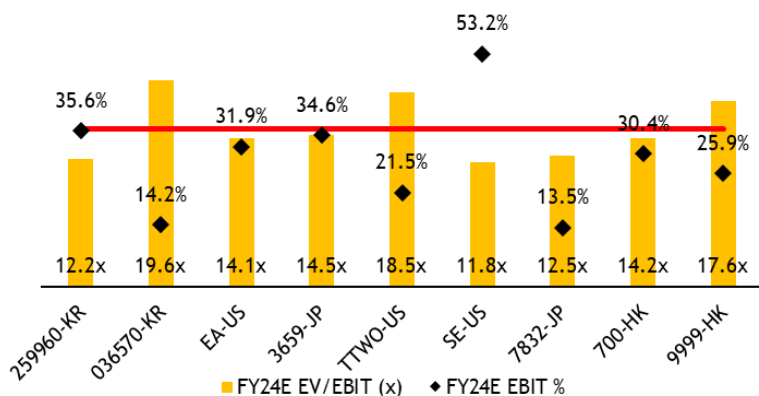
Reducing EV/S to 1.5x from 2.2x for Shopee, justified by line of best fit, conservative by removing premium for size



Source: Company, FactSet, Bloomberg, Maybank IBG Research

- e-commerce:** We lower our FY24E EV/S to 1.5x from 2.2x, based on our analysis in Fig 8, as we think it's the most appropriate to account for Shopee's profitability being below industry peers (MELI, BABA and PDD).

**Fig 9: Adjusted EBITDA margin**



Note: As of 14 Nov 2023

Source: FactSet, Maybank IBG Research

- **Digital Entertainment:** We continue to apply a target 11.8x FY24E EV/EBIT to the DE segment, a discount to global peers of 15.4x on average due to Sea's single-game concentration risk with Free Fire.

Fig 10: SOTP

Business	Methodology	Multiple	Metric	Value of metric (USDm)	Value of business (USDm)	Note
Digital entertainment	EV/EBIT	11.8	FY24E EBIT	1,366	16,115	15% discount to global peers (13.4x EV/EBIT) due to single-game concentration risk with Free Fire
E-commerce	EV/Sales	1.5	FY24E Revenue	8,647	12,970	Based on cluster analysis
Digital financial services	EV/TPV	0.1	FY24E TPV	62,955	6,295	
				Net cash (USDm)	4,985	4Q22 balance sheet. Includes short-term investments
				Equity value (USDm)	40,366	
				Number of shares (m)	631	
				Value per share (USD)	62	

Source: Maybank IBG Research

Downside risks include: 1) weaker-than-expected consumer spending in the region amid macro uncertainty, hurting Shopee's GMV growth; 2) higher-than-expected credit costs for SeaMoney due to a slowdown in economic growth; and 3) market expectations that policy rates may increase further, impacting valuations.



Fig 11: Peer comparables

Company	FS	MKE	MKE	Price	Mcap	EV/S (x)		EV/EBIT (x)		EV/TPV (x)	
	Code	Rec	(LC)			(LC)	FY23	FY24	FY23	FY24	FY23
Sea	SE-US	BUY	65.0	45.9	22,726	1.7	1.6	22.4	14.7	0.29	0.27
<b>Digital Entertainment</b>											
Tencent	700-HK	NR	-	302.8	368,672	4.8	4.3	16.8	14.2		
Netease	9999-HK	NR	-	175.8	72,571	5.1	4.6	19.6	17.6		
Electronic Arts	EA-US	NR	-	131.3	35,315	4.8	4.5	16.9	14.1		
Nexon	3659-JP	NR	-	3007.0	17,047	5.5	5.0	16.7	14.5		
Take Two Interactive	TTWO-US	NR	-	146.3	24,850	3.6	3.4	nm	18.5		
Bandai Namco	7832-JP	NR	-	3018.0	13,316	1.8	1.7	13.9	12.5		
Krafton	259960-KR	NR	-	191600.0	7,073	4.8	4.3	12.3	12.2		
NCSOFT	036570-KR	NR	-	261000.0	4,374	3.3	2.8	36.7	19.6		
Netmarble	251270-KR	NR	-	46650.0	3,061	2.3	2.1	nm	nm		
						<b>4.0</b>	<b>3.6</b>	<b>19.0</b>	<b>15.4</b>		
<b>Marketplace (3P) e-commerce</b>											
Alibaba	BABA-US	NR	-	82.7	1,683,340	12.9	11.9	nm	nm	1.50	1.44
Pinduoduo	PDD-US	NR	-	108.3	143,926	4.8	3.7	22.7	16.1	0.25	0.21
MercadoLibre	MELI-US	NR	-	1341.4	67,820	5.0	4.1	32.4	27.2	1.65	1.42
eBay	EBAY-US	NR	-	39.9	20,724	2.6	2.5	9.6	9.3	0.36	0.36
Etsy	ETSY-US	NR	-	62.0	7,427	3.3	3.1	31.7	22.1	0.69	0.67
Rakuten	4755-JP	NR	-	549.1	7,786	0.7	0.6	nm	nm	nm	nm
ZOZO	3092-JP	NR	-	3004.0	5,980	4.4	4.1	14.4	13.3	1.52	1.41
Allegroeu	ALE-PL	NR	-	31.0	7,915	3.7	3.2	26.4	18.8	0.66	0.57
Bukalapak	BUKA-ID	NR	-	208.0	1,370	0.5	0.4	nm	nm	nm	nm
Global Fashion Group	GFG-DE	NR	-	0.2	55	0.1	0.1	nm	nm	nm	nm
<b>Mean</b>						<b>3.8</b>	<b>3.4</b>	<b>22.8</b>	<b>17.8</b>	<b>0.9</b>	<b>0.9</b>
<b>B2C (1P) e-commerce</b>											
Amazon	AMZN-US	NR	-	140.6	1,452,965	2.7	2.4	nm	34.0	2.05	1.80
JD.com	JD-US	NR	-	25.8	71,107	0.5	0.5	18.4	15.5	0.15	0.14
Coupang	CPNG-US	NR	-	15.2	24,408	0.9	0.8	nm	22.9	nm	nm
Ocado	OCDO-GB	NR	-	5.5	5,546	2.0	1.8	nm	nm	nm	nm
Zalando	ZAL-DE	NR	-	22.4	6,317	0.6	0.5	24.0	14.2	0.39	0.37
Vipshop	VIPS-US	NR	-	14.2	6,866	0.3	0.3	4.4	4.2	0.17	0.16
Farfetch	FTCH-US	NR	-	1.6	547	0.6	0.4	nm	nm	0.32	0.22
Baozun	BZUN-US	NR	-	2.9	483	0.6	0.6	nm	38.6	0.08	0.06
Asos	ASC-GB	NR	-	3.9	574	0.3	0.3	nm	27.8	nm	nm
PCHome	8044-TW	NR	-	45.6	204	0.3	0.3	nm	nm	nm	nm
Boohoo	BOO-GB	NR	-	0.3	528	0.4	0.4	nm	nm	nm	nm
<b>Mean</b>						<b>0.8</b>	<b>0.8</b>	<b>15.6</b>	<b>22.5</b>	<b>0.5</b>	<b>0.5</b>
<b>Financial services</b>											
Visa	V-US	NR	-	241.6	388,989	11.7	10.7	17.4	15.6	0.03	0.03
Mastercard	MA-US	NR	-	388.0	360,973	14.8	13.2	25.5	22.4	0.05	0.05
PayPal	PYPL-US	NR	-	54.3	58,521	2.1	2.0	9.6	8.8	0.04	0.03
Square	SQ-US	NR	-	51.1	28,260	1.2	1.1	nm	47.1	0.13	0.10
<b>Mean</b>						<b>7.5</b>	<b>6.7</b>	<b>17.5</b>	<b>23.4</b>	<b>0.06</b>	<b>0.05</b>

Note: As of 14 Nov 2023, TPV refers to GMV for e-commerce

Source: FactSet

## Appendix I

Methodology of our proprietary ESG scoring.

We evaluate the ESG ratings based on quantitative, qualitative and ESG targets. We assign a score for each of these three parameters. The overall rating is based on the weighted average of the scores: quantitative (50%), qualitative (25%) and ESG target (25%).

For the quantitative, qualitative and ESG target, the sub-parameters are assigned a score - '0' for data not available, '+1' for improving trajectory, positive change, 'Yes', better than peers or a positive number if historical is not available and '-1' for declining trajectory, negative change, 'No', lower than peers or a negative number. The total of the scores of all the sub-parameters is divided by the total number of sub-parameters, to derive the score of each of the three parameters. The sub-parameters may be different for different industries depending on the key areas to monitor for each industry. A company should achieve a minimum score of 50 for an average ESG rating.

FYE 31 Dec	FY21A	FY22A	FY23E	FY24E	FY25E
<b>Key Metrics</b>					
P/E (reported) (x)	nm	nm	47.9	34.2	18.4
Core P/E (x)	nm	nm	47.9	34.2	18.4
Core FD P/E (x)	nm	nm	49.6	34.8	18.2
P/BV (x)	16.9	5.1	3.0	2.5	1.9
P/NTA (x)	16.9	5.1	2.8	2.4	1.8
Net dividend yield (%)	0.0	0.0	0.0	0.0	0.0
FCF yield (%)	nm	nm	3.0	7.0	11.1
EV/EBITDA (x)	nm	nm	16.0	9.5	4.2
EV/EBIT (x)	nm	nm	37.9	18.9	6.7
<b>INCOME STATEMENT (USD m)</b>					
Revenue	9,955.2	12,449.0	12,673.1	14,278.1	16,019.5
EBITDA	(1,304.0)	(996.6)	1,034.8	1,528.2	2,443.1
Depreciation	(279.0)	(490.9)	(596.6)	(756.6)	(902.0)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	(1,583.1)	(1,487.5)	438.3	771.6	1,541.1
Net interest income / (exp)	(102.9)	70.1	47.0	47.2	(54.3)
Associates & JV	5.0	11.2	11.2	11.2	11.2
Exceptionals	0.0	0.0	0.0	0.0	0.0
Other pretax income	(29.5)	(83.1)	80.0	(27.0)	(40.0)
Pretax profit	(1,710.4)	(1,489.4)	576.4	802.9	1,457.9
Income tax	(332.9)	(362.9)	(154.9)	(200.0)	(300.0)
Minorities	(3.7)	6.0	6.0	6.0	6.0
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	(2,047.0)	(1,651.8)	427.5	608.9	1,163.9
Core net profit	(2,047.0)	(1,651.8)	427.5	608.9	1,163.9
<b>BALANCE SHEET (USD m)</b>					
Cash & Short Term Investments	10,799.4	7,579.4	8,545.5	9,957.6	12,275.5
Accounts receivable	388.3	268.8	347.2	391.2	482.8
Inventory	117.5	109.7	111.1	143.5	166.8
Property, Plant & Equip (net)	1,030.0	1,387.9	2,080.4	2,338.3	2,412.4
Intangible assets	52.5	65.0	82.5	97.5	112.5
Investment in Associates & JVs	0.0	0.0	0.0	0.0	0.0
Other assets	6,368.3	7,592.0	7,163.4	7,383.6	7,513.8
<b>Total assets</b>	<b>18,756.0</b>	<b>17,002.8</b>	<b>18,330.3</b>	<b>20,311.7</b>	<b>22,963.8</b>
ST interest bearing debt	100.0	88.4	88.4	88.4	88.4
Accounts payable	213.6	258.6	221.4	244.0	261.8
LT interest bearing debt	3,475.7	3,338.8	3,538.8	2,569.8	0.0
Other liabilities	7,542.0	7,506.0	7,063.0	8,557.0	10,596.0
<b>Total Liabilities</b>	<b>11,331.6</b>	<b>11,192.0</b>	<b>10,911.5</b>	<b>11,459.1</b>	<b>10,945.8</b>
Shareholders Equity	7,398.7	5,715.7	6,933.3	8,472.6	11,644.0
Minority Interest	25.7	95.1	89.1	83.1	77.1
<b>Total shareholder equity</b>	<b>7,424.4</b>	<b>5,810.9</b>	<b>7,022.4</b>	<b>8,555.7</b>	<b>11,721.1</b>
<b>Total liabilities and equity</b>	<b>18,756.0</b>	<b>17,002.8</b>	<b>18,330.3</b>	<b>20,311.7</b>	<b>22,963.8</b>
<b>CASH FLOW (USD m)</b>					
Pretax profit	(1,710.4)	(1,489.4)	576.4	802.9	1,457.9
Depreciation & amortisation	279.0	490.9	596.6	756.6	902.0
Adj net interest (income)/exp	0.0	0.0	0.0	0.0	0.0
Change in working capital	1,276.2	(1,306.2)	(240.3)	240.5	229.2
Cash taxes paid	0.0	0.0	0.0	0.0	0.0
Other operating cash flow	363.8	477.7	685.8	667.5	738.2
Cash flow from operations	208.6	(1,827.0)	1,618.5	2,467.4	3,327.4
Capex	(722.2)	(1,094.1)	(1,013.8)	(999.5)	(961.2)
Free cash flow	(513.5)	(2,921.0)	604.7	1,468.0	2,366.2
Dividends paid	0.0	0.0	0.0	0.0	0.0
Equity raised / (purchased)	4,050.1	0.0	0.0	0.0	0.0
Change in Debt	2,960.3	(11.6)	0.0	0.0	0.0
Other invest/financing cash flow	226.5	(2,704.9)	31.5	(76.5)	(84.6)
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
<b>Net cash flow</b>	<b>6,723.3</b>	<b>(5,637.5)</b>	<b>636.1</b>	<b>1,391.5</b>	<b>2,281.6</b>

FYE 31 Dec	FY21A	FY22A	FY23E	FY24E	FY25E
<b>Key Ratios</b>					
<b>Growth ratios (%)</b>					
Revenue growth	127.5	25.1	1.8	12.7	12.2
EBITDA growth	nm	nm	nm	47.7	59.9
EBIT growth	nm	nm	nm	76.1	99.7
Pretax growth	nm	nm	nm	39.3	81.6
Reported net profit growth	nm	nm	nm	42.4	91.1
Core net profit growth	nm	nm	nm	42.4	91.1
<b>Profitability ratios (%)</b>					
EBITDA margin	nm	nm	8.2	10.7	15.3
EBIT margin	nm	nm	3.5	5.4	9.6
Pretax profit margin	nm	nm	4.5	5.6	9.1
Payout ratio	0.0	0.0	0.0	0.0	0.0
<b>DuPont analysis</b>					
Net profit margin (%)	nm	nm	3.4	4.3	7.3
Revenue/Assets (x)	0.5	0.7	0.7	0.7	0.7
Assets/Equity (x)	2.5	3.0	2.6	2.4	2.0
ROAE (%)	na	na	na	na	na
ROAA (%)	(14.0)	(9.2)	2.4	3.2	5.4
<b>Liquidity &amp; Efficiency</b>					
Cash conversion cycle	9.0	3.4	2.1	4.2	5.5
Days receivable outstanding	13.6	9.5	8.7	9.3	9.8
Days inventory outstanding	5.4	5.6	5.6	6.2	6.8
Days payables outstanding	10.0	11.7	12.3	11.3	11.1
Dividend cover (x)	nm	nm	nm	nm	nm
Current ratio (x)	2.1	1.8	2.1	1.9	1.8
<b>Leverage &amp; Expense Analysis</b>					
Asset/Liability (x)	1.7	1.5	1.7	1.8	2.1
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	21.2	na	na	28.4
Debt/EBITDA (x)	nm	nm	3.5	1.7	0.0
Capex/revenue (%)	7.3	8.8	8.0	7.0	6.0
Net debt/ (net cash)	(7,223.7)	(4,152.3)	(4,918.3)	(7,299.3)	(12,187.1)

Source: Company; Maybank IBG Research

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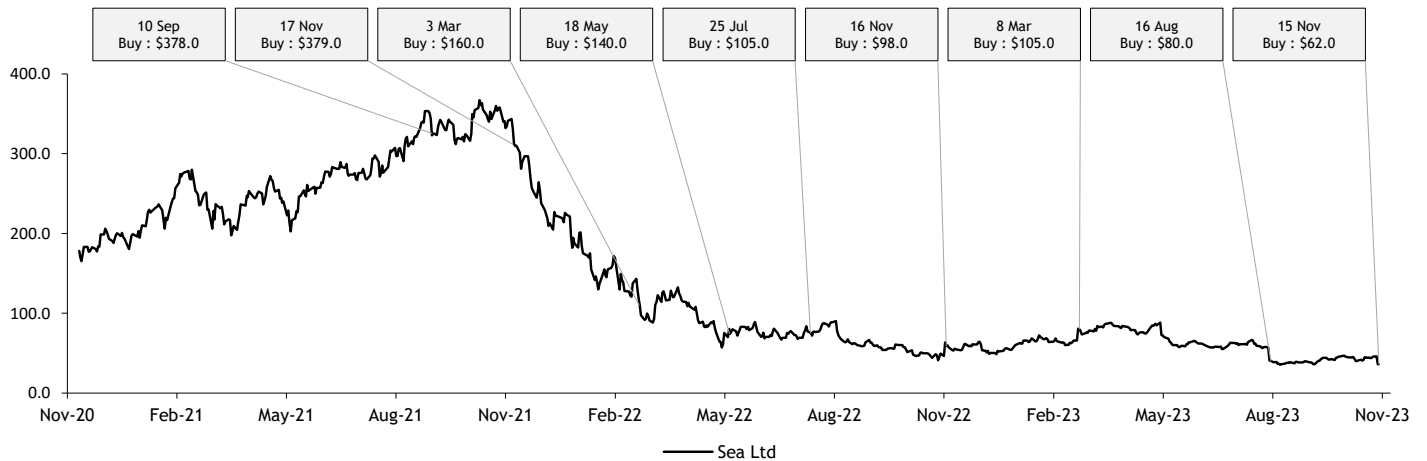
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