## Maybank

## Sea Ltd (SE US)

## MELI's competitive ante -Limited risk

# MELI's free shipping targets; Shopee's mass-market stronghold

Mercado Libre's (MELI) new free-shipping campaign in Brazil slashed the minimum order threshold from BRL79 to BRL19 (USD3.40). Simultaneously, it cut seller shipping fees by up to 40%, with MELI shouldering the cost. The expanded shipping discount by MELI strategically targets the low-to-mid price segment, where Shopee has been gaining strong traction. Note that, in Brazil Shopee's AOV is roughly 3x lower than MELI's.

## Shopee well-placed; expect limited pushback

While Mercado Libre's recent shipping discount is a clear attempt to penetrate Shopee's mass-market stronghold, we view it as a measured escalation rather than an aggressive shift. Importantly, Shopee's value proposition remains highly competitive, especially on two key metrics: total product cost and seller take-rate. Our comparison shows that products on Shopee are, on average, 11% cheaper than on MELI, with faster delivery timelines. In addition, Shopee sellers face lower take-rates, particularly on low-ticket items, even after factoring in shipping subsidies. While MELI's new strategy narrows the gap, Shopee still holds a distinct edge in affordability and seller economics — key pillars in winning and retaining value-conscious consumers in Brazil's e-commerce market.

## Worst-case scenario: 8% downside to our SoTP

While we don't value Shopee Brazil separately, we estimate its value at -USD10b, contributing 9% to SE's SoTP. In a downside case where MELI's pricing move erodes Shopee's market share and triggers an aggressive response leading to losses, we apply a 0.5x EV/sales multiple to Shopee Brazil — Shopee's trough valuation in late 2023. This would cut Shopee Brazil's value by 87% to USD1.3b, reducing our SE SoTP by 8%, from USD192 to USD176

### Shopee is also advancing in MELI's territories

Shopee is ramping up in Brazil with 11 distribution centers and a new logistics hub in Goiás. Its first fully managed fulfilment center in São Paulo enables faster delivery and supports bulkier items and will help it to grow in higher-value categories like electronics. Shopee is also moving upmarket by on-boarding 800+ major brands, steadily lifting its average order value.

| FYE Dec (USD m)              | FY23A    | FY24A    | FY25E    | FY26E    | FY27E    |
|------------------------------|----------|----------|----------|----------|----------|
| Revenue                      | 13,064   | 16,820   | 21,261   | 26,072   | 30,978   |
| EBITDA                       | 783      | 1,101    | 2,156    | 3,270    | 4,248    |
| Core net profit              | 269      | 444      | 1,687    | 2,573    | 3,498    |
| Core FDEPS (cts)             | 45.7     | 75.5     | 287.0    | 437.8    | 595.2    |
| Core FDEPS growth(%)         | nm       | 65.3     | 279.9    | 52.5     | 35.9     |
| Net DPS (cts)                | 0.0      | 0.0      | 0.0      | 0.0      | 0.0      |
| Core FD P/E (x)              | 88.6     | nm       | 53.5     | 35.0     | 25.8     |
| P/BV (x)                     | 3.5      | 7.3      | 8.5      | 6.5      | 5.0      |
| Net dividend yield (%)       | 0.0      | 0.0      | 0.0      | 0.0      | 0.0      |
| ROAE (%)                     | 4.4      | 5.9      | 17.6     | 20.6     | 21.3     |
| ROAA (%)                     | 1.5      | 2.1      | 7.0      | 9.3      | 10.6     |
| EV/EBITDA (x)                | 30.9     | 57.3     | 40.4     | 26.1     | 19.4     |
| Net gearing (%) (incl perps) | net cash |
| Consensus net profit         | -        | -        | na       | na       | na       |
| MIBG vs. Consensus (%)       | -        | -        | na       | na       | na       |

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## BUY

Share Price USD 153.42

12m Price Target USD 192.00 (+25%)

Previous Price Target USD 186.00

#### **Company Description**

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

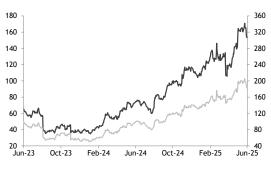
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|-----|-----|------|----|
| υLa | LIS | ) LI | L3 |

| 52w high/low (USD)     | 170.90/59.82 |
|------------------------|--------------|
| 3m avg turnover (USDm) | 131.4        |
| Free float (%)         | 98.7         |
| Issued shares (m)      | 570          |
| Market capitalisation  | USD87.4B     |
|                        | USD87.4B     |

#### Major shareholders:

| Tencent     | 18.6% |
|-------------|-------|
| Li Xiaodong | 17.1% |
| Gang Ye     | 6.1%  |

#### Price Performance



| Sea Ltd - (LHS, USD) | Sea Ltd / NYSE composite index - (RHS, % |
|----------------------|--|
| (,,                  | ()                                       |

|                       | -1M | -3M | -12M |
|-----------------------|-----|-----|------|
| Absolute (%)          | (0) | 23  | 106  |
| Relative to index (%) | (3) | 15  | 83   |

Source: FactSet

Abbreviations in this report AOV - Average order value

Other companies mentioned in this report Mercado Libre (MELI US, CP: USD2368.82, Not rated) Amazon (AMZN US, CP: USD213.24, Not rated) Magazine Luiza (MGLU3 BZ, CP: BRL9.62, Not rated)



# 1. Brazil competitive escalation - What's the risk?

Mercado Libre, the largest e-commerce operator in Brazil, recently announced a free shipping promotion, signaling a potential competitive escalation. While MELI had been growing at a faster clip and gaining market share in Brazil, we understand Shopee had been growing at an even faster rate (and gaining even bigger market share), improving its logistics capabilities and trying to penetrate (albeit gradually) the mid-higher end of the market

### Making sense of Brazil's e-commerce landscape

Brazil's e-commerce market size in GMV terms is estimated at USD50-55b with more than 6 players operating in the space. We also believe that now Shopee has overtaken Shopee Luiza as we estimate its GMV as of 1Q25 at USD15b (on an annualized basis).

Fig 1: Brazil e-commerce market details

| Operator       | 2024 Estimated<br>GMV | AOV Size | Take Rate      | Market Positioning  |
|----------------|-----------------------|----------|----------------|---------------------|
| Mercado Livere | ~USD26b               | ~USD27   | 16.5% + BRL9.6 | Mid-high end market |
| Shopee         | ~USD12b               | ~USD9-10 | 14%+ BRL4      | Mass market         |
| Magazine Luiza | ~USD13b               | -        | -              | Mass market         |
| Others         | ~USD7b                | -        | -              | -                   |

Source: Maybank IBG Research, e-commerce apps

## What's MELI's competitive escalation and how does it fare vs. Shopee?

Mercado Libre recently lowered its free-shipping threshold in Brazil from BRL79 to just BRL19 (USD3.40), effectively making nearly all items eligible although delivery time for the same would be 6-7 days vs. a standard delivery time of 2-3 days with its standard (paid) shipping services.

While the latest move is with the view to penetrate the mass market being catered by Shopee, we still note that 1) it is a measured escalation, and 2) Shopee value proposition still remains attractive to MELI.

In this section, we compare: 1) how the products all-in price (including shipping fee) on Shopee platform compares to MELI as well as delivery timeline and 2) what's the take-rate seller had to pay on Shopee compared to MELI. Simple conclusion is that Shopee standsout on both the metrics.

#### MELI's pricing is 12% more expensive vs. Shopee

We compare pricing on both the platforms across range of products and found pricing on MELI is 12% more expensive compared to Shopee. Moreover, median days to deliver on MELI is also higher than that of Shopee (under free shipping program).

Fig 2: Brazil e-commerce market details

| Product                       | Product          |       | All in price (BRL) |                       | Delivery days |        |
|-------------------------------|------------------|-------|--------------------|-----------------------|---------------|--------|
|                               | description      |       |                    | MELI premium/         |               |        |
|                               |                  | MELI  | Shopee             | (discount) vs. Shopee | MELI          | Shopee |
| Tramontina Knife              | Bread Knife      | 19.9  | 24.5               | -19%                  | 7             | 4      |
| Now Foods Vitamin D3, 1000 iu | Vitamin          | 38.6  | 48.3               | -20%                  | 13            | 5      |
| "Coffee with God" book        | Non-fiction book | 46.0  | 41.0               | <b>12</b> %           | 8             | 1      |
| Uno no mercy                  | Toy/Card game    | 48.9  | 37.0               | 32%                   | 7             | 1      |
| Principia Vitamin c-10        | Facial Serum     | 64.0  | 35.6               | 80%                   | 2             | 3      |
| Polo shirt                    | Shirt            | 69.6  | 60.0               | 16%                   | 7             | 6      |
| Gokujyun cleanser             | Facial cleanser  | 73.4  | 73.0               | 0%                    | 6             | 2      |
| Baseues 10000mAh powerbank    | Powerbank        | 143.5 | 149.0              | -4%                   | 2             | 3      |
| Caterpilar Adventure Boots    | Boots            | 149.9 | 119.9              | 25%                   | 12            | 7      |
| JBL GO 4                      | Speaker          | 220.0 | 215.9              | <b>2</b> %            | 22            | 5      |
| Simple average                |                  |       |                    | 12%                   |               |        |
| Median days to ship           |                  |       |                    |                       | 7.0           | 3.5    |

Source: Maybank IBG Research, e-commerce apps

## MELI's take-rate is higher (vs. Shopee) even with shipping subsidies

We compare MELI's premium listing fee to that of Shopee's listing fee (with free shipping) offer - refer to Figs 10 and 9, respectively, in Appendix. While it is not apple for apple, we chose this as both essentially comes under a premium listing. Under this program, a typical MELI seller pays 30-41% for products below BRL79 while the same for Shopee seller is 26-30%. For products above BRL79, a typical MELI seller would pay 16.5% as a seller fee vs. 24% for Shopee.

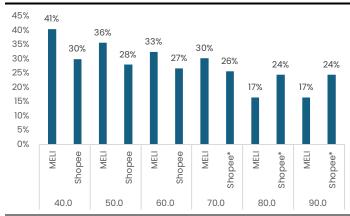
However, we note that for higher ticket Shopee sellers, they don't need to be on *Free shipping program* as their buyers can easily avail free shipping vouchers.

Fig 3: MELI vs. Shopee seller fee comparison

|        | Seller fee               | Fi    | xed per unit fee |
|--------|--------------------------|-------|------------------|
| MFII   | Classic                  | 12.5% | BRL9.6           |
| IVIELI | Premium                  | 16.5% | BRL9.6           |
|        |                          |       |                  |
| Shanaa | No free shipping program | 14%   | BRL4.0           |
| Shopee | Free shipping program    | 20%   | BRL4.0           |

Source: Maybank IBG Research, e-commerce apps

Fig 4: Net seller fee at various product price



Source: Maybank IBG Research, e-commerce apps

### How could it impact Shopee and how will it respond?

With an indication from MELI that it wishes to penetrate the mass market segment in Brazil, we think Shopee's ability to grow at a faster clip vs. MELI may take a marginal hit.

As discussed above, we find Shopee's value proposition is still favourable vs. MELI. Although MELI's premium to Shopee has narrowed, we think the likely response from Shopee would be measured for 3 key reasons:

- The new lower take rate of MELI is similar to that of Shopee and as such MELI is not undercutting Shopee,
- While MELI could be looking to increase its presence in mass market, Shopee is already moving up (although gradually) in the mid-high end of the market. This includes investments in logistics capabilities, fulfillment centers and partnership with brands. As such, both are trying to enter into each other's stronghold.

#### **Logistics and fulfilment infrastructure initiatives:**

- Shopee operates 11 distribution centers in Brazil. In February 2024, it opened its first logistics node in Goiás (Central-West region)
- In Greater São Paulo, Shopee also launched its first fully managed fulfilment centre ahead of the November 2024 sales season. This hub enables same-day and next-day delivery via in-house packing, storage, and shipping.
- With these capabilities, Shopee would be able to handle larger parts/parcels, offer more fulfilment services, improve SKUs for categories Shopee is weaker in Brazil such as electronics and automotive parts.

#### Moving upmarket through category expansion and brand partnerships:

- Shopee is steadily increasing its average order value—still about three times lower than MELI's—through two key strategies: expanding into higher-ticket categories like home appliances, and on boarding official brand stores.
- The platform now features over 800 well-known brands, including Disney, Lego, Havaianas, and l'Oréal.
  - MELI and Shopee are now the top two e-commerce platforms in Brazil and both are able to grow market share at the expense of other operators like Amazon and Magazine Luzia. TikTok Shop is new in Brazil (and yet to make its mark) while Temu's value proposition is unfavorable due to higher taxes on cross border platforms.

However, in the event of sustained aggression from MELI, we think Shopee could respond. SE/Shopee management had noted in the past that growth is priority for it.

### Worst-case impact on Shopee?

While we don't value Shopee Brazil separately, estimated valuation of the business in our SoTP is -USD10b which is based on its proportionate GMV/revenue contribution. Brazil contributes around low-teens to Shopee GMV and we estimate revenues to be at a similar balk-park level as GMV.

In a worst-case scenario, we assume MELI's ante leads to erosion in Shopee's market share and Shopee responds aggressively, leading to its Brazil business turning into losses. This would land us in a similar situation as late 2023 when Shopee responded to TikTok Shop's aggression in ASEAN. While it is hard to value a loss making business, to measure its impact on SoTP, we assume Brazil valuation goes to 0.5x EV/sales which was the valuation trough of SE in late 2023/early 2024.

At that valuation multiple (0.5x EV/sales), Shopee Brazil valuation would deteriorate by 87% to USD1.3b. In that scenario, our Shopee SoTP will decline by -8% to USD176 from USD192.

Fig 5: SE SoTP impact - Brazil worst-case scenario

| Business                      | Base Case | Worst case |
|-------------------------------|-----------|------------|
| Ecommerce                     | EV/Sales  |            |
| ASEAN + Taiwan                |           |            |
| Target EV/Sales               | 3.9x      | 3.9x       |
| FY26E Revenue                 | 16,147    | 16,147     |
| Value of business             | 63,765    | 63,765     |
| Brazil                        |           |            |
| Target EV/Sales               | 3.9x      | 0.5x       |
| FY26E Revenue                 | 2,629     | 2,629      |
| Value of business             | 10,380    | 1,314      |
| Digital Entertainment         | EV/EBITDA |            |
| Target EV/EBITDA              | 10.0x     | 0.0x       |
| FY26E EBITDA                  | 1,379     | 1,379      |
| Value of business             | 13,745    | 13,745     |
| Digital financial services    | EV/EBITDA |            |
| Target EV/EBITDA              | 10.0x     | 10.0x      |
| FY26E EBITDA                  | 1,264     | 1,264      |
| Value of business             | 12,603    | 12,603     |
|                               |           |            |
| Net cash                      | 8,840     | 8,840      |
| Equity value                  | 109,334   | 100,268    |
| Number of shares (m)          | 570       | 570        |
| Value per share (USD)         | 192.0     | 176.1      |
| Carrage March and IDC Dassaul |           |            |

Source: Maybank IBG Research

## 2. Appendix

Fig 6: Shopee Brazil e-commerce basket

| Shopee                        |             |                      |                  |
|-------------------------------|-------------|----------------------|------------------|
| Product                       | Price (BRL) | Description          | Days to delivery |
| Baseues 10000mAh powerbank    | 149         | Powerbank            | 3                |
| Principia Vitamin c-10        | 35.64       | Facial Serum         | 3                |
| Caterpilar Adventure Boots    | 119.9       | Boots                | 7                |
| Polo shirt                    | 59.99       | Shirt                | 6                |
| Gokujyun cleanser             | 72.99       | Facial cleanser      | 2                |
| Now Foods Vitamin D3, 1000 iu | 48.28       | Vitamins             | 5                |
| JBL GO 4                      | 215.91      | Speaker              | 5                |
| "Coffee with God" book        | 41          | Non-fiction book     | 1                |
| Tramontina Knife              | 24.51       | Bread Knife, 29.1 cm | 4                |
| Uno no mercy                  | 37          | Toy/Card game        | 1                |

Source: Maybank IBG Research, Company website

Fig 7: MELI Brazil e-commerce basket

| MercadoLibre                  |             |                      |                  |
|-------------------------------|-------------|----------------------|------------------|
| Product                       | Price (BRL) | Description          | Days to delivery |
| Baseues 10000mAh powerbank    | 143.52      | Powerbank            | 2                |
| Principia Vitamin c-10        | 64          | Facial Serum         | 2                |
| Caterpilar Adventure Boots    | 149.92      | Boots                | 12               |
| Polo shirt                    | 69.59       | Shirt                | 7                |
| Gokujyun cleanser             | 73.35       | Facial cleanser      | 6                |
| Now Foods Vitamin D3, 1000 iu | 38.63       | Vitamin              | 13               |
| JBL GO 4                      | 219.96      | Speaker              | 22               |
| "Coffee with God book"        | 46          | Non-fiction book     | 8                |
| Tramontina Knife              | 19.85       | Bread Knife, 29.1 cm | 7                |
| Uno no mercy                  | 48.9        | Toy/Card game        | 7                |

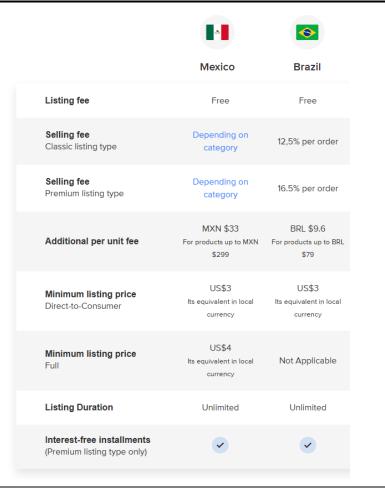
Source: Maybank IBG Research, Company website

Fig 8: Shopee Brazil take-rate

|                       | Sem Programa de Frete Grátis         | Programa de Frete Grátis                  |  |
|-----------------------|--------------------------------------|---|--|
| Comissão              | 14%<br>(limitado a R\$ 100 por item) | 14% + 6%<br>(limitado a R\$ 100 por item) |  |
| Taxa por item vendido | R\$4                                 | R\$4                                      |  |

Source: Maybank IBG Research, Company website

Fig 9: MELI Brazil take-rate



Source: Maybank IBG Research, Company website

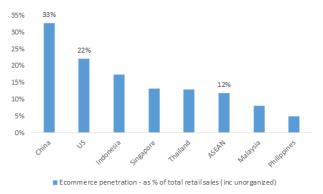
Sea Ltd

## Maybank

## **Value Proposition**

- Sea is a Singapore-founded internet company with businesses in digital entertainment, e-commerce, and digital financial services. It has dominant e-commerce market share in ASEAN and Taiwan
- Sea is a beneficiary of digitisation in the under penetrated (2-3x below evolved markets) ASEAN e-Commerce space. We estimate ASEAN GMV to grow at a 15% CAGR over 2030E.
- Own logistics & strong balance sheet remains key competitive moat. Risk of TikTok disruption is abetting while cross border platforms have unfavourable unit economics in ASEAN
- Although Sea's gaming business is highly dependent on Free Fire, we see it is a defensive franchise with its position in less crowded and budget conscious EM markets.

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



Source: Euromonitor

## Financial Metrics

- We forecast FY24-27E revenue CAGR of 23%, mainly driven by e-commerce and digital financial services.
- Adj EBITDA is expected to grow at 27% CAGR helped by Ecommerce business and digital financial services while expect gaming adj EBITDA for FY25-26 to grow at mid digit
- Cash balance as of 1Q25 stand at USD10.3b

#### Revenue, EBITDA and net profit projections (USD m)



Source: MBIG, Company

## **Price Drivers**



Source: Company, Maybank IBG Research

- 1. Strong 4Q18 and 1Q19 results on continued success of Free Fire.
- 2. 2Q19 loss widened despite results beat.
- 3. Sea was beneficiary of Covid-19, and share price rallied alongside e-commerce peers.
- 4. Stronger-than-expected 2Q21 results, driven by Garena and Shopee, and company raising guidance.
- 5. 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 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 spending 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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Sea Ltd





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| Risk Rating & Score <sup>1</sup> | na |
|----------------------------------|----|
| 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 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 committed more than USD35m worth of COVID-19 Seller Support Packages across their markets, and provided donations 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.

<u>Raisk Rating & Score</u> - 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. <u>2Score Momentum</u> - indicates changes to the company's score since the last update - a <u>negative</u> integer indicates a company's improving risk score; a <u>positive</u> integer indicates a deterioration. <u>3Controversy Score</u> - 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).

| FYE 31 Dec  | FY23A                                 | FY24A                       | FY25E             | FY26E             | FY27E             |
|---|---------------------------------------|-----------------------------|-------------------|-------------------|-------------------|
| Key Metrics   |                                       |                             |                   |                   |                   |
| P/E (reported) (x)  | 126.7                                 | 100.1                       | 53.2              | 35.7              | 26.7              |
| Core P/E (x)  | 89.6                                  | 144.5                       | 53.2              | 35.7              | 26.7              |
| Core FD P/E (x)   | 88.6                                  | nm                          | 53.5              | 35.0              | 25.8              |
| P/BV (x)  | 3.5                                   | 7.3                         | 8.5               | 6.5               | 5.0               |
| P/NTA (x)   | 3.5                                   | 7.2                         | 8.4               | 6.5               | 5.0               |
| Net dividend yield (%)  | 0.0                                   | 0.0                         | 0.0               | 0.0               | 0.0               |
| FCF yield (%)   | 7.6                                   | 4.3                         | 1.9               | 4.1               | 4.7               |
| EV/EBITDA (x)   | 30.9                                  | 57.3                        | 40.4              | 26.1              | 19.4              |
| EV/EBIT (x)   | 70.6                                  | 95.3                        | 49.9              | 30.3              | 21.9              |
| INCOME CTATEMENT (UCD)  |                                       |                             |                   |                   |                   |
| INCOME STATEMENT (USD m)  | 12.062.6                              | 16 910 0                    | 24 264 4          | 26 072 4          | 20.079.2          |
| Revenue   | 13,063.6                              | 16,819.9                    | 21,261.1          | 26,072.4          | 30,978.2          |
| EBITDA<br>Depresiation  | 783.5                                 | 1,101.4                     | 2,156.5           | 3,270.2           | 4,248.3           |
| Depreciation  | (440.8)                               | (439.3)                     | (410.2)           | (444.5)           | (477.5)           |
| Amortisation  | 0.0                                   | 0.0                         | 0.0               | 0.0               | 0.0               |
| EBIT  | 342.7                                 | 662.2                       | 1,746.3           | 2,825.8           | 3,770.8           |
| Net interest income /(exp)                                      | 290.2                                 | 327.2                       | 345.5             | 345.5             | 357.0             |
| Associates & JV   | (7.0)                                 | (9.8)                       | (9.8)             | (9.8)             | (9.8)             |
| Exceptionals  | 0.0                                   | 0.0                         | 0.0               | 0.0               | 0.0               |
| Other pretax income   | (82.6)                                | (210.8)                     | 0.0               | 0.0               | 0.0               |
| Pretax profit   | 543.2                                 | 768.7                       | 2,081.9           | 3,161.4           | 4,118.0           |
| Income tax  | (262.7)                               | (321.2)                     | (391.4)           | (584.4)           | (616.3)           |
| Minorities  | (12.0)                                | (3.5)                       | (3.5)             | (3.5)             | (3.5)             |
| Discontinued operations   | 0.0                                   | 0.0                         | 0.0               | 0.0               | 0.0               |
| Reported net profit   | 268.6                                 | 444.0                       | 1,687.0           | 2,573.5           | 3,498.2           |
| Core net profit   | 268.6                                 | 444.0                       | 1,687.0           | 2,573.5           | 3,498.2           |
| BALANCE SHEET (USD m)   |                                       |                             |                   |                   |                   |
| Cash & Short Term Investments                                   | 4,221.4                               | 4,060.3                     | 5,723.1           | 9,457.5           | 13,832.9          |
| Accounts receivable   | 262.7                                 | 306.7                       | 873.7             | 1,071.5           | 1,273.1           |
| Inventory   | 125.4                                 | 143.2                       | 147.0             | 169.8             | 200.9             |
| Property, Plant & Equip (net)                                   | 1,207.7                               | 1,097.7                     | 1,340.3           | 1,693.0           | 2,159.9           |
| Intangible assets   | 50.8                                  | 27.3                        | 42.3              | 57.3              | 72.3              |
| Investment in Associates & JVs                                  | 0.0                                   | 0.0                         | 0.0               | 0.0               | 0.0               |
| Other assets  | 13,015.2                              | 16,990.2                    | 17,324.1          | 17,682.4          | 18,037.6          |
| Total assets  | 18,883.2                              | 22,625.5                    | 25,450.6          | 30,131.5          | 35,576.7          |
| ST interest bearing debt  | 146.7                                 | 130.6                       | 130.6             | 130.6             | 130.6             |
| Accounts payable  | 342.5                                 | 350.0                       | 314.3             | 251.9             | 294.8             |
| LT interest bearing debt  | 3,069.1                               | 1,728.3                     | 1,728.3           | 1,728.3           | 1,728.3           |
| Other liabilities   | 8,627.0                               | 11,939.0                    | 12,394.0          | 13,719.0          | 14,684.0          |
| Total Liabilities   | 12,185.6                              | •                           | 14,567.2          | 15,830.1          | -                 |
| Shareholders Equity   |                                       | 14,14 <b>7.9</b><br>8,372.3 |                   |                   | 16,837.6          |
| Minority Interest   | 6,593.8<br>103.8                      | 105.2                       | 10,774.7<br>108.7 | 14,189.1<br>112.3 | 18,623.4<br>115.8 |
| Total shareholder equity  | 6,697.6                               | 8,477.6                     | 10,883.4          | 14,301.4          | 18,739.1          |
| Total liabilities and equity                                    | 18,883.2                              | 22,625.5                    | 25,450.6          | 30,131.5          | 35,576.7          |
|   | · · · · · · · · · · · · · · · · · · · | <u> </u>                    | <u> </u>          | <u> </u>          | · ·               |
| CASH FLOW (USD m)   |                                       |                             |                   |                   |                   |
| Pretax profit   | 543.2                                 | 768.7                       | 2,081.9           | 3,161.4           | 4,118.0           |
| Depreciation & amortisation                                     | 440.8                                 | 439.3                       | 410.2             | 444.5             | 477.5             |
| Adj net interest (income)/exp                                   | 0.0                                   | 0.0                         | 0.0               | 0.0               | 0.0               |
| Change in working capital                                       | 359.5                                 | 1,383.3                     | (495.2)           | 674.3             | 409.8             |
| Cash taxes paid   | 0.0                                   | 0.0                         | 0.0               | 0.0               | 0.0               |
| Other operating cash flow                                       | 736.1                                 | 686.2                       | 333.7             | 266.3             | 329.6             |
| Cash flow from operations                                       | 2,079.7                               | 3,277.4                     | 2,330.7           | 4,546.5           | 5,334.8           |
| Capex   | (241.6)                               | (504.6)                     | (637.8)           | (782.2)           | (929.3)           |
| Free cash flow  | 1,838.1                               | 2,772.8                     | 1,692.8           | 3,764.3           | 4,405.5           |
| Dividends paid  | 0.0                                   | 0.0                         | 0.0               | 0.0               | 0.0               |
| Equity raised / (purchased)                                     | 0.0                                   | 0.0                         | 0.0               | 0.0               | 0.0               |
| Change in Debt  | 177.6                                 | 114.1                       | 0.0               | 0.0               | 0.0               |
|   |                                       | (2 700 5)                   | (4 403 0)         | 444.3             | 447.2             |
| =   | (1,998.8)                             | (3,729.5)                   | (4,403.0)         | 114.3             | 117.2             |
| Other invest/financing cash flow<br>Effect of exch rate changes | (1,998.8)<br>0.0                      | (3,729.5)                   | (4,403.0)<br>0.0  | 0.0               | 117.2<br>0.0      |

| FYE 31 Dec                    | FY23A     | FY24A     | FY25E     | FY26E     | FY27E      |
|-------------------------------|-----------|-----------|-----------|-----------|------------|
| Key Ratios                    |           |           |           |           |            |
| Growth ratios (%)             |           |           |           |           |            |
| Revenue growth                | 4.9       | 28.8      | 26.4      | 22.6      | 18.8       |
| EBITDA growth                 | nm        | 40.6      | 95.8      | 51.6      | 29.9       |
| EBIT growth                   | nm        | 93.2      | 163.7     | 61.8      | 33.4       |
| Pretax growth                 | nm        | 41.5      | 170.8     | 51.9      | 30.3       |
| Reported net profit growth    | nm        | 65.3      | 279.9     | 52.5      | 35.9       |
| Core net profit growth        | nm        | 65.3      | 279.9     | 52.5      | 35.9       |
| Profitability ratios (%)      |           |           |           |           |            |
| EBITDA margin                 | 6.0       | 6.5       | 10.1      | 12.5      | 13.7       |
| EBIT margin                   | 2.6       | 3.9       | 8.2       | 10.8      | 12.2       |
| Pretax profit margin          | 4.2       | 4.6       | 9.8       | 12.1      | 13.3       |
| Payout ratio                  | 0.0       | 0.0       | 0.0       | 0.0       | 0.0        |
| DuPont analysis               |           |           |           |           |            |
| Net profit margin (%)         | 2.1       | 2.6       | 7.9       | 9.9       | 11.3       |
| Revenue/Assets (x)            | 0.7       | 0.7       | 0.8       | 0.9       | 0.9        |
| Assets/Equity (x)             | 2.9       | 2.7       | 2.4       | 2.1       | 1.9        |
| ROAE (%)                      | 4.4       | 5.9       | 17.6      | 20.6      | 21.3       |
| ROAA (%)                      | 1.5       | 2.1       | 7.0       | 9.3       | 10.6       |
| Liquidity & Efficiency        |           |           |           |           |            |
| Cash conversion cycle         | (1.8)     | (1.8)     | 4.4       | 10.3      | 11.7       |
| Days receivable outstanding   | 7.3       | 6.1       | 10.0      | 13.4      | 13.6       |
| Days inventory outstanding    | 5.9       | 5.0       | 4.4       | 4.0       | 4.0        |
| Days payables outstanding     | 15.0      | 13.0      | 10.0      | 7.2       | 5.9        |
| Dividend cover (x)            | nm        | nm        | nm        | nm        | nm         |
| Current ratio (x)             | 1.4       | 1.5       | 1.7       | 1.8       | 2.1        |
| Leverage & Expense Analysis   |           |           |           |           |            |
| Asset/Liability (x)           | 1.5       | 1.6       | 1.7       | 1.9       | 2.1        |
| Net gearing (%) (incl perps)  | net cash   |
| Net gearing (%) (excl. perps) | net cash   |
| Net interest cover (x)        | na        | na        | na        | na        | na         |
| Debt/EBITDA (x)               | 4.1       | 1.7       | 0.9       | 0.6       | 0.4        |
| Capex/revenue (%)             | 1.8       | 3.0       | 3.0       | 3.0       | 3.0        |
| Net debt/ (net cash)          | (1,005.7) | (2,201.5) | (3,864.3) | (7,598.6) | (11,974.1) |

Source: Company; Maybank IBG Research

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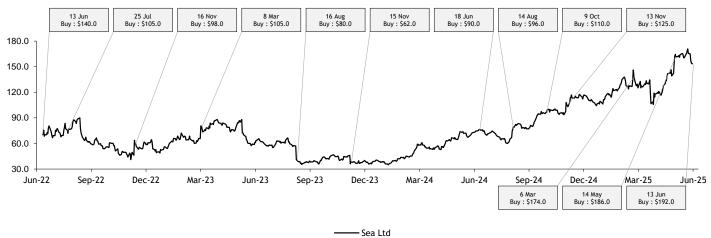
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#### Historical recommendations and target price: Sea Ltd (SE US)



### **Definition of Ratings**

Maybank IBG Research uses the following rating system

BUY Return is expected to be above 10% in the next 12 months (including dividends) HOLD Return is expected to be between 0% to 10% in the next 12 months (including dividends)

SELL Return is expected to be below 0% in the next 12 months (including dividends)

#### Applicability of Ratings

The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

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