

Sea Ltd (SE US)

Correction overdone; upgrade to BUY

Risks priced in; growth pillars mostly intact

After a ~36% share price correction from its 2025 peak, we see an attractive risk-reward skew for Sea. Ongoing investments in the VIP program & fulfilment strengthen Shopee's competitive position in ASEAN, while Lazada's continued decline points to a more rational 2-player market - paving way for lift in 2027 monetisation. In our bear case, intensified competition in Brazil & VIP-related spend reduce Shopee margins by ~30bps; already largely priced into street cuts. While near-term Shopee monetisation is partly deferred, incremental upside can accrue via Monee. Garena-related single franchise valuation risk is contained by its ~15% SoTP weight. We Upgrade Sea to BUY and retain our USD156 TP.

Shopee: ASEAN resilience outweighs BR/TW headwind

ASEAN, which contributes ~75% of GMV, remains healthy. Lazada has acted as a share donor, adding ~3-4ppt to Shopee GMV growth. The VIP program may weigh ~0.1ppt on 2026 margins but should concentrate spend on Shopee and accelerate offline-to-online shifts. By 2027, as Lazada becomes less material and VIP spending normalises, margin recovery should resume. Competition in Brazil remains intense, posing more of a margin than growth risk; in our bear case, Brazil slips into losses, dragging Shopee margins by ~20bps. Coupang's elevated investments in Taiwan are a watch point, though the initial impact should fall on smaller players, and Taiwan (<10% of Shopee GMV) is not a swing factor.

Monee: Unsung growth and monetisation engine

Shopee's Monee BNPL platform scales with GMV, offering higher monetisation than core e-commerce with instalment yields of 20-40% and 90-day NPLs at ~1.1%. BNPL penetration remains in the mid-teens, leaving a long runway for adoption. Off-platform, Monee leverages Sea's >390m MAUs and rich behavioural data to underwrite BNPL and micro-loans, a capability few lenders or fintech peers match. We forecast Monee's loan book, revenue, and EBITDA to grow 38%, 36% and 27% YoY in 2026, making it a scalable, high-margin monetisation engine that complements Shopee's broader growth strategy.

Garena growth concerns but SoTP impact contained

Garena's growth is expected to normalise to ~5% in 2026, though a bookings decline cannot be ruled out given gameplay cyclical following a blockbuster 2025. High single-franchise dependence remains a key risk and valuation overhang, as seen with Krafton; however, the impact on Sea is mitigated, with Garena contributing only ~15% to our SoTP.

FYE Dec (USD m)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue	13,064	16,820	22,608	28,919	34,287
EBITDA	783	1,101	2,382	3,463	4,471
Core net profit	269	444	1,656	2,334	3,026
Core FDEPS (cts)	45.7	72.8	258.7	361.1	468.2
Core FDEPS growth(%)	nm	59.4	255.2	39.6	29.7
Net DPS (cts)	0.0	0.0	0.0	0.0	0.0
Core FD P/E (x)	88.6	nm	49.3	35.3	27.2
P/BV (x)	3.5	7.3	7.1	5.5	4.3
Net dividend yield (%)	0.0	0.0	0.0	0.0	0.0
ROAE (%)	4.4	5.9	17.4	19.0	19.1
ROAA (%)	1.5	2.1	6.8	8.2	9.0
EV/EBITDA (x)	30.9	57.3	30.1	19.9	14.7
Net gearing (%) (incl perps)	net cash				

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BUY

[Prior: HOLD]

Share Price	USD 127.57
12m Price Target	USD 156.00 (+22%)
Previous Price Target	USD 156.00

Company Description

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

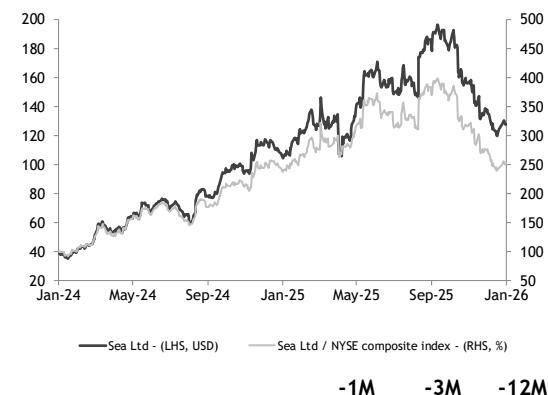
Statistics

52w high/low (USD)	196.50/105.57
3m avg turnover (USDm)	143.8
Free float (%)	99.0
Issued shares (m)	593
Market capitalisation	USD75.6B
	USD75.6B

Major shareholders:

Tencent	18.6%
Li Xiaodong	17.1%
Gang Ye	6.1%

Price Performance



Source: FactSet

Abbreviations in this report

TAM - Total addressable market
GMV - gross merchandise value
BNPL - Buy now pay later
MAU - Monthly average users
S&M - Sales and marketing

Other companies mentioned in this report

MercadoLibre (MELI US, CP: USD2014.26, not rated)
Coupang (CPNG US, CP: USD 23.59, not rated)
Krafton (259960 KR, CP: KRW248,000, not rated)
Lazada is unlisted subsidiary of Alibaba (BABA US, CP: USD146.58, not rated)
TikTok is unlisted subsidiary of ByteDance (unlisted)
Amazon (AMZN US, CP: USD230.82, Not listed)
Shein and Temu are unlisted

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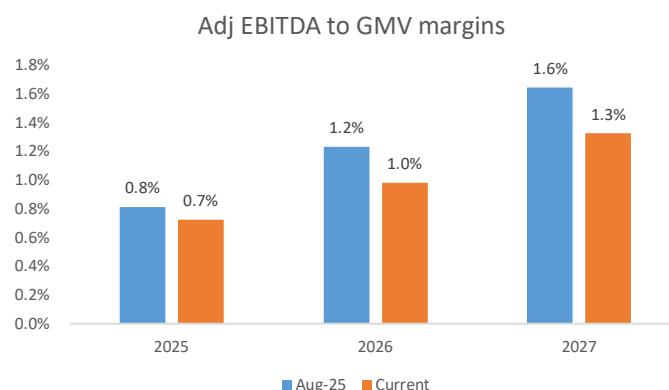
1. E-commerce - Margins debated but what are the growth dynamics?

1.1 Debate has shifted from the pace of margin improvement to degree of margin improvement

In early Oct 2025, investor focus centred on the pace of Shopee's margin recovery after management reaffirmed its 2025 adj. EBITDA/GMV guidance of 0.5-0.9%, despite already reaching 0.8% in 1H25. With several monetisation initiatives underway, the market broadly expected 2H25 margin expansion. However, Shopee's 3Q25 margin dip prompted sell-side cuts to 2025-27 margin forecasts (Bloomberg consensus).

Our recent buy-side conversations indicate the debate has moved ahead: investors are increasingly questioning whether Shopee margins will improve in 2026 at all. Concern stems from (i) management signalling a preference for growth over margin optimisation, (ii) the lack of clarity on 2026 targets amid ongoing budgeting, and (iii) emerging competitive flare-ups in Brazil and Taiwan.

Fig 1: Change in Shopee margins since early 2025



Source: Maybank IBG Research, Bloomberg

What are the key areas of investments in ASEAN which could weigh on margins?

Based on our investor discussions, key questions are 1) what are the key areas of Shopee investments in ASEAN and 2) quantum of investments and their time horizon. Essentially, there remains a lack of clarity among investors on the need and quantum of investments when growth is already robust and competition is rational. We think level of investments are in two areas: 1) VIP program and 2) fulfilment infrastructure and logistics penetration in rural areas.

VIP program - may have an incremental 0.1% impact on Shopee margins in 2026. VIP program do bring in additional subscription revenues (USD1-3 per VIP subscriber depending on the market) as well as incremental seller commission revenues as VIP users spend 40% more post subscription. On the other hand, VIP programs come with various perks such as free shipping savings, daily 20% VIP discounts, VIP Day/event extra discounts, additional category discounts (pulsa, bills), bonus vouchers/credits (redeemed). We estimate total value of perks to be around USD8 for Indonesia and USD10 for Singapore.

Assuming average VIP users redeem 75% of their perks, we estimate an incremental USD2 net adj. EBITDA loss per VIP member. Further assuming that VIP membership growth remains elevated, hitting 21m by end 2026 (from 3.5m in 9M25) and per member losses fall to USD1 by end 2026 as the elevated perks are optimised, we estimate an incremental VIP program linked adj. EBITDA loss of USD147m in 2026, or 0.1% of Shopee GMV.

Fig 2: Estimated adj. EBITDA loss/VIP member in Indonesia

	Estimated Monthly Value (IDR)	Notes
VIP membership perks		
Free shipping savings	~25,000	Equivalent to ~5 orders x ~IDR5,000 each saved
Daily 20% VIP discounts	~30,000	20% off on routine purchases
VIP Day / event extra discounts	~30,000	One medium purchase with big sale
Additional category discounts (pulsa, bills)	~15,000	Savings on non-goods
Bonus vouchers / credits (redeemed)	~30,000	New user / campaign boosts
Total perks value per month	~IDR130,000	
VIP membership revenues		
Subscription fee	14,900	
Commission revenue on incremental GMV	~51200	40% additional spend by the VIP member
Total perks value per month	~IDR66100	
Net Adj EBITDA loss	IDR31,390 / USD2.0	Assuming 75% of the perks are availed on an average

Source: Maybank IBG Research, Shopee

Fig 3: Estimated Shopee VIP-linked adj. EBITDA losses

	2Q2025	3Q2025	4Q2025	1Q2026	2Q2026	3Q2026	4Q2026		
Net Adj EBITDA loss per VIP member (USD)	2.0	2.0	1.8	1.6	1.4	1.3	1.2		
VIP members (m)	2.0	3.5	5.6	8.4	11.8	15.9	20.6		
VIP campaign losses (USD m)	5.9	16.2	24.1	33.4	43.3	53.4	63.5		
2025						2026			
VIP membership losses (USD)	46.2			193.5					
Incremental losses in 2026 (USD m)	147.3			0.13%					
Shopee adj EBITDA to GMV impact									

Source: Maybank IBG Research

Fulfilment infrastructure and rural logistics penetration. We view these investments as non-incremental, representing a natural extension of Shopee's existing logistics strategy rather than a step-change in spending. With SPX Express already operating at meaningful scale in urban markets, Shopee is now extending coverage into rural areas. This includes pre-shipping anticipated demand products to Shopee warehouses to shorten delivery times. Beyond last-mile expansion, the next leg of logistics investment lies in fulfilment capabilities, which support faster delivery and enable higher commission take-rates. Based on our discussions with sellers, China-based merchants—particularly following the escalation of trade tensions and the removal of the US de minimis loophole—have shifted focus to ASEAN and are increasingly using Shopee's Singapore/Thailand fulfilment infrastructure to expedite cross-border shipments.

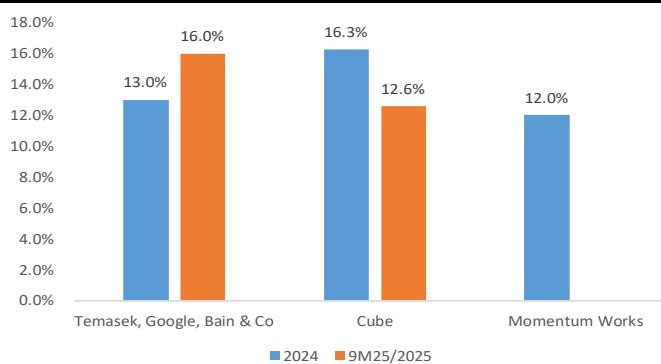
1.2 ASEAN GMV growth shows early moderation, while monetisation upside builds

Is 2025 ASEAN e-commerce growth slowing? - Yes, as per Cube Asia data

We analyse the ASEAN e-commerce GMV growth published by third-party industry estimates - Momentum Works, Bain & Company and Cube Asia. As per Bain & Company projections, ASEAN GMV growth is expected to grow at 16% in 2025. However, as per Cube Asia compilation, net merchandise value or NMV (not to be confused with GMV) growth for the top three platforms in ASEAN (Shopee, TikTok Shop, Lazada) was just 12% in 9M25. With Tokopedia likely shedding market share (as its GMV moves to its parent TikTok Shop), we think ASEAN growth, including Tokopedia, could be even below 12%.

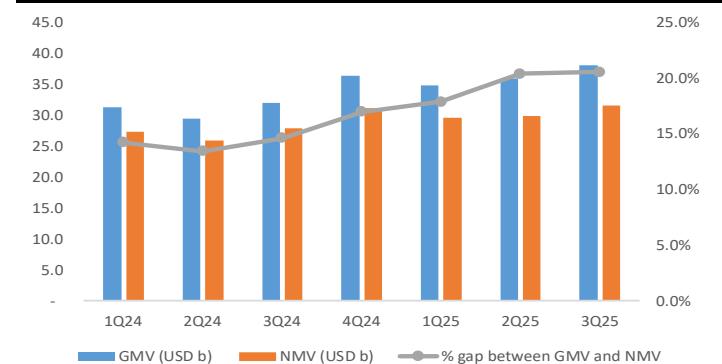
Gap widening between gross and net merchandise value growth. More importantly, as per Cube Asia data, we see a widening gap between the gross merchandise value of the top three platforms in ASEAN and their combined net merchandise value. These suggest that the GMV growth to an extent is inflated by the generous cancellations and returns options available to the users. As per Cube Asia data, ASEAN GMV in 9M25 grew 17% while NMV only grew 12% YoY.

Fig 4: ASEAN GMV/NPV growth estimates as per third-party industry estimates



Source: Maybank IBG Research, Cube Asia

Fig 5: Estimated GMV and NPV of ASEAN top-3 platforms



Source: Maybank IBG Research, Cube Asia

Lazada's period as a market-share donor is ending

Shopee no doubt had been growing at a faster clip than the market in ASEAN although NMV growth could be slower than GMV growth due to its own generous return and cancellation policies. However, a part of the growth is also due to Lazada which has been consistently losing market share. As per Momentum Works, Lazada's GMV declined -4% in 2024 while as per Cube Asia, Lazada's GMV further declined 22% YoY in 9M25. As per Cube Asia, Lazada's ASEAN GMV in 3Q25 at USD3.4b (down -34% YoY/-17% QoQ) was just 14% of Shopee's GMV at USD23.9b.

Assuming Lazada's GMV decline led to an increase in GMV of Shoppe and TikTok Shop in the same proportion as their GMV, it suggests around 1/4th of the incremental Shopee GMV growth in 9M25 came from Lazada. In other words, Shopee's GMV growth in 9M25 was 18% YoY of which 14% was organic while 4% was through capturing the GMV lost by Lazada.

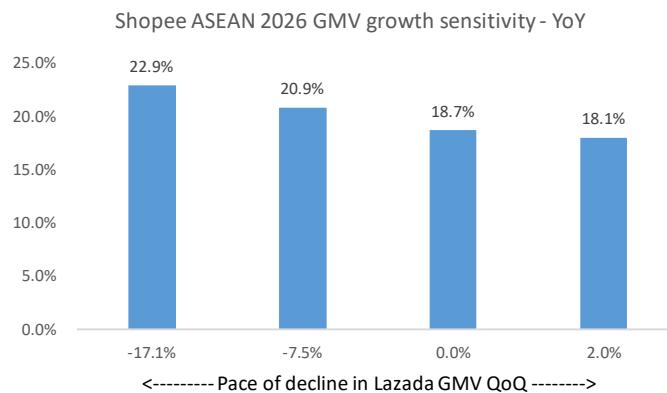
Fig 6: Estimated 26% of Shopee's GMV growth in 9M25 came from GMV lost by Lazada

USD b	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25
Lazada GMV	5.2	5.0	5.0	5.4	4.4	4.1	3.4
Lazada lost (YoY)					-0.8	-0.9	-1.6
Shopee gained	a				0.6	0.6	1.1
TikTok Shop gained					0.2	0.3	0.5
Shopee GMV	20.0	17.9	19.4	22.0	21.4	22.1	23.9
Shopee GMV increase (YoY)	b				1.40	4.20	4.50
Shopee GMV increase coming from Lazada	=a/b				40%	15%	25%

Source: Maybank IBG Research, Cube Asia

Sensitivity of Shopee GMV growth to Lazada decline. Using 3Q data as a baseline, Lazada's GMV fell 17% QoQ, while Shopee's organic GMV rose 18% YoY. If we assume Shopee maintains its 18% YoY organic growth in 4Q25 and 2026 and vary Lazada's QoQ trajectory from a continued -17% decline to a mild +2% recovery, our sensitivity analysis suggests Shopee's 2026 GMV growth would range between 18% and 23%, depending on the extent of Lazada's GMV contraction or stabilisation.

Fig 7: Shopee 2026 GMV growth sensitivity to Lazada's momentum



Source: Maybank IBG Research, Cube Asia

Lazada as a market share donor will be non-material in 2027 if the decline persists. If Lazada's pace of GMV contraction continues through 2026, we estimate its GMV will fall to roughly 4% of Shopee's GMV and just 2% of ASEAN e-commerce GMV by 4Q26. At these levels, Lazada would no longer be a meaningful market-share donor or a material growth catalyst for competitors heading into 2027.

A more conducive ASEAN competitive and monetisation backdrop by 2027

Should Lazada become a non-meaningful player, the ASEAN e-commerce landscape would effectively consolidate into a 2-player market, with Shopee commanding the lion's share—close to 70%—of shelf-based e-commerce. Shopee's dominance would be further reinforced by the expansion of its VIP membership program, which encourages users to concentrate spending on a single platform while also driving a higher offline-to-online wallet shift.

We expect VIP-linked spending to remain elevated through 2026 as adoption ramps. As VIP-related promotional intensity normalises in 2027 and competitive risks ease further with Lazada's continued marginalisation, this should create a more conducive environment for monetisation improvement by 2027.

1.3 Brazil: Robust growth runway tempered by margin pressures

Latest development or key concerns. Starting 2025, major development in Brazil all point to potentially higher competition. Key concerns are: 1) will the full year impact of the heightened competition be felt in 2026? And 2) will the impact of competition manifest in growth or in margins?

Key conclusions. We see limited risk to growth as elevated competition and low penetration could further accelerate offline-to-online transition although growth at the cost of marginal players like Magalu might only be marginal. However, the presence of well capitalised three large platforms (MELI, Shopee and Amazon) besides entry of new entrants like TikTok Shop suggest that competition for supremacy could keep margins improvement in check.

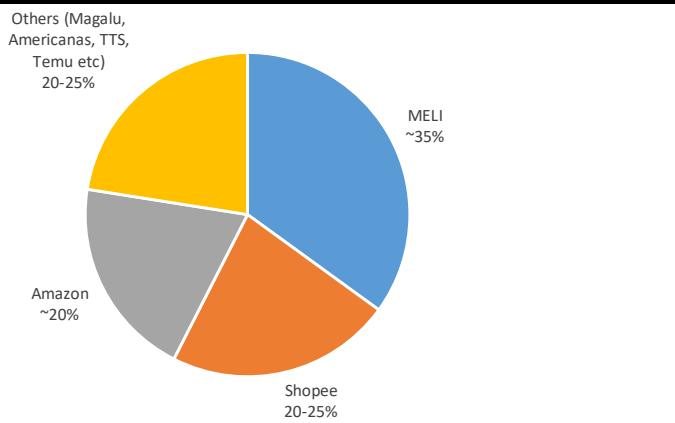
Investment impact. We estimate, Brazil contribution to overall Shopee GMV will be approaching high teens by 2026. Assuming Shopee Brazil raises the ante and slips into losses at 50% of what we had seen in ASEAN in 2023, we see risk of it weighing on Shopee's 2026 adj. EBITDA margin by 20bps.

Low ecommerce penetration and active competition suggest elevated growth could be sustained

Brazil vs. other EM markets - Brazil has room for a higher e-commerce penetration. A simple comparison of Brazil e-commerce penetration vs. EM markets like Indonesia, Thailand, Malaysia, Turkey etc, suggests that e-commerce spend vs. GDP or as a % of retail spend is on the lower side in Brazil, suggesting a long runway for elevated growth. More importantly, 90% of Brazil's population live in urban centers vs. 50-60% in Indonesia, Thailand and Malaysia which makes the unit economics more favourable for e-commerce platforms.

Besides, we believe competition remains elevated owing to the presence of three large and well capitalised players - MELI, Shopee and Amazon and the entry of Chinese players like Shein, TikTok Shop and Temu. This is leading to product/service innovation, lower pricing and logistical improvements/affordability which in turn is accelerating the pace of offline to online adoption.

Fig 8: Brazil e-commerce key players and market share split



Source: Maybank IBG Research, Ecommerce platform data

Competition has stepped up which in turn suggests margin improvement is likely to take a backseat

In 2025, we had seen a progressive increase in competition led by Amazon and MELI. On the other hand, TikTok Shop entered as a new player and if it follows the similar playbook as in ASEAN, it is likely to create a niche for itself aided by its live streaming and social media value proposition.

While Shopee claims to have superior and more efficient logistics capabilities, we still think that it has to fight on multiple fronts for competition:

- In its mass market and long-tail product segments where Shopee dominates, it is facing competition from MELI (which had significantly lowered the free shipping threshold from BRL79 to BRL19). We also see prices on MELI platform have become much more competitive vs. our previous checks in May 2025. In May 2025, pricing on Shopee was ~12% cheaper than MELI. Prices have come to parity in Dec 2025, reflecting a more aggressive stance from MELI. On the other hand, TikTok Shop typically operates in the similar long tail, mass market segments as seen in ASEAN. Over the last few years, Shopee had a relatively free hand in the mass market segment.
- With it dominating the mass market segment, Shopee was trying to move up in the premium or higher AOV segments. While this is the correct strategy in our view, we are mindful of two near-medium term challenges it has to overcome: 1) penetration of the premium segment will need a bigger near-term investment in fulfilment and warehousing infrastructure as well as investment in sales and marketing which in turn would weigh on margins, and 2) competitors like Amazon and to an extent MELI have stepped up competition which in turn suggest elevated competition for Shopee in that segment.

Fig 9: Shopee vs. MELI pricing differential for the same products - May 2025

Product	Product description	All in price (BRL)			MELI premium/ (discount) vs. Shopee
		MELI	Shopee	(discount) vs. Shopee	
Tramontina Knife	Bread Knife	19.9	24.5	-19%	
Now Foods Vitamin D3, 1000 iu	Vitamin	38.6	48.3	-20%	
"Coffee with God book"	Non-fiction book	46.0	41.0	12%	
Uno no mercy	Toy/Card game	48.9	37.0	32%	
Principia Vitamin c-10	Facial Serum	64.0	35.6	80%	
Polo shirt	Shirt	69.6	60.0	16%	
Gokujyun cleanser	Facial cleanser	73.4	73.0	1%	
Baseues 10000mAh powerbank	Powerbank	143.5	149.0	-4%	
Caterpilar Adventure Boots	Boots	149.9	119.9	25%	
JBL GO 4	Speaker	220.0	215.9	2%	
Simple average		87.4	80.4	12%	
Median days to ship					

Source: Maybank IBG Research, Ecommerce platform data

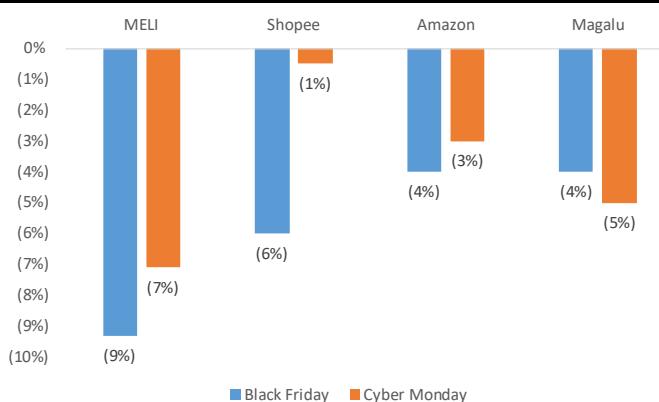
Recent data points from Black Friday and cyber Monday (refer to: [Amazon, Mercado Libre pick up Black Friday battle over coupons](#)) suggest that the competitive momentum remained elevated in 4Q despite competitive skirmishes.

Fig 10: Shopee vs. MELI pricing differential for the same products - Dec 2025

Product	Product description	All in price (BRL)			Delivery days	
		MELI	Shopee	MELI premium/ (discount) vs. Shopee	MELI	Shopee
Tramontina Knife	Bread Knife	20.3	23.3	-13%	6-10	5.0
Now Foods Vitamin D3, 1000 iu	Vitamin	39.0	45.3	-14%	11-17	6.0
"Coffee with God book"	Non-fiction book	29.4	35.0	-16%	6-10	4.7
Uno no mercy	Toy/Card game	44.4	35.0	27%	3	2.8
Principia Vitamin c-10	Facial Serum	57.6	64.0	-10%	11-17	>7
Polo shirt	Shirt	90.2	80.9	12%	5-6	6.0
Gokujyun cleanser	Facial cleanser	83.9	73.0	15%	5	2.6
Baseues 10000mAh powerbank	Powerbank	140.0	142.4	-2%	1-3	2.0
Caterpilar Adventure Boots	Boots	78.9	80.0	-1%	15-20	4.7
JBL GO 4	Speaker	270.7	281.5	-4%	3	5.0
Simple average		85.4	86.0	-1%		
Median days to ship					3.0	5.0

Source: Maybank IBG Research, Ecommerce platform data

Fig 11: Discount level per promotional date tracker relative to the steady state pricing



Source: Maybank IBG Research, Ecommerce platform data

Brazil sensitivity - risk of -20% downside to Shopee margins

With the risk of elevated competition and higher investments, we think Brazil margins are likely to remain range-bound in 2026. However, assuming that competition further intensifies and Shopee responds, resulting in Brazil adj. EBITDA to GMV margins slipping to -0.5% (ie half the intensity of its 2023 response in ASEAN wherein adj. EBITDA to GMV margins slipped to -1.1%) , we see potentially 20% downside to our 2026 Shopee EBITDA estimates.

In other words, our bear case sensitivity analysis suggest that the Shopee margins for 2026 could remain flattish (vs. 2025 levels) at 0.8% owing to Brazil led pressure. That said, for Shopee to meet the street target of 1.0%, ASEAN margins have to increase by 60bps in 2026 (vs. 2025 levels) to compensate for the Brazil margins at -0.5%. With consensus estimates already corrected 20bps in the last three months, we think street has already factored in the decline in Brazil margins although not the bear case scenario which in turn could mean a further 10bps decline in Shopee margins.

Fig 12: Estimated Shopee GMV and adj. EBITDA split across markets

Fig 13: Estimated Shopee adj. EBITDA margins in the Brazil bear case scenario

	Estimated GMV (USD b)		Estimated Adj EBITDA (USD m)		Estimated Adj EBITDA to GMV margins	
	2025E	2026E	2025E	2026E	2025E	2026E
ASEAN	93.7	109.1	497.8	941.3	0.5%	0.9%
Taiwan	12.0	13.0	360.0	388.8	3.0%	3.0%
Brazil	20.3	28.0	50.8	139.9	0.3%	0.5%
Total	126.0	150.0	908.7	1,470.0	0.7%	1.0%

	Estimated GMV (USD b)		Estimated Adj EBITDA (USD m)		Estimated Adj EBITDA to GMV margins	
	2025E	2026E	2025E	2026E	2025E	2026E
ASEAN	93.7	109.1	497.8	941.3	0.5%	0.9%
Taiwan	12.0	13.0	360.0	388.8	3.0%	3.0%
Brazil	20.3	28.0	50.8	139.9	0.3%	(0.5%)
Total	126.0	150.0	908.7	1,470.0	0.7%	0.8%

Source: Maybank IBG Research, Cube Asia

Source: Maybank IBG Research

Fig 14: Estimated impact on Shopee margins under various Brazil margin scenarios and the lift in ASEAN margins required for the Shopee overall 2026 margins to stay at 1.0%

Brazil 2026 adj EBITDA to GMV margins	0.5%	0.0%	-0.5%	-1.0%	-1.5%
Shopee adj EBITDA to GMV margins	1.0%	0.9%	0.8%	0.7%	0.6%
Lift in 2026 ASEAN margins (over 2025 levels) needed for Shopee margins to stay at 1.0% in 2026	0.3%	0.5%	0.6%	0.7%	0.8%

Source: Maybank IBG Research, Company data

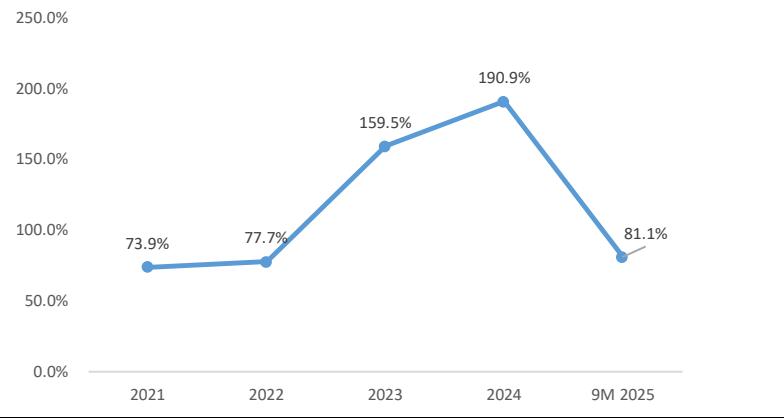
A peep into Argentina - promising market but a slow entry approach won't help

Sea's management indicated openness to entering new markets, specifically highlighting Argentina, while emphasising that any expansion would follow a "test-the-waters" approach with limited incremental investment. Here is an excerpt from the 3Q25 post results analyst call summary:

I think regarding the new market, we take a very highly selective approach on any new geographic expansions. Many of the initiatives will be at very early stage, testing the market in nature. The reason we look at Argentina is it's essentially an expansion of our capability that built in Brazil, leveraging on our existing cross-border infrastructure and the operational experiences we had already built in Brazil. The objective is more to capture the operational synergies across the adjacent regions and open additional channels for our sellers with the minimum incremental investment. I think we will take some time to learn about the market without sort of have a heavy investment into the market at this point in time.

Similar to Brazil, Argentina offers strong growth potential. E-commerce penetration rates of 18% of total retail sales is a bit on the high side (vs. Brazil) but the absolute growth had been phenomenal with MELI posting Argentina GMV growth CAGR of >100% (in USD terms) in the past 4 years. MELI is the largest player with around 67% market share while rest of the market remains fragmented creating an opportunity for a player to take a decisive second spot. From a profitability standpoint, Argentina stands out for MELI, contributing 41% of the earnings while revenue contribution is at a mere 19%.

Fig 15: MELI Argentina GMV growth



Source: Maybank IBG Research, MELI

Go big or go home. A gradual approach is unlikely to work. While Argentina offers promising growth, we note that multiple Chinese players (Tiktok Shop, Temu) have entered the market recently. In that context, Shopee's entry and that over-leveraging its Brazil seller base won't help it standout vs. the other new entrants which arguably have one key competitive moat to start with (cheap Chinese merchandise for Temu and TikTok short video penetration for Tiktok Shop). Our ASEAN experience suggests limited success for players lacking scale or at least one competitive moat.

1.4 Taiwan: Has become more dynamic but not a swing factor

Latest development or key concerns. We understand Taiwan is a most profitable market within Shopee operated markets. However, recently this market has been high on investor radars for two key reasons: 1) Coupang's entry and elevated investments and 2) Shopee's logistics investments especially buildout of the locker infrastructure.

Key conclusions. We think the heat of Coupang's entry will take time to reach Shopee and depends on consistent Coupang investment in Taiwan. Locker infrastructure build-out is efficient but is likely driven to safeguard its logistics resiliency and to lessen dependence on convenience store pick-up. We think the market's e-commerce GMV growth is likely to grow at a mid-to-high single digit pace with Shopee likely also growing in line with the market.

Investment impact. We estimate, Taiwan contributes ~9% of Shopee's GMV and likely 38% of its adj. EBITDA, mainly due to lower margins in other markets. However, given our view of improving margins in other markets, we think the Taiwan contribution is likely to decline. In that light, even if Taiwan profitability takes a hit, the impact at the group level will be limited. As such, Taiwan is not the swing factor.

Taiwan e-commerce: Steady growth; Coupang at ~5% market share will take a while before it hurts Shopee

We estimate Taiwan's e-commerce market size at USD23b with penetration at ~15%. Since 2019, Taiwan e-commerce posted a 13% growth CAGR although the past three years growth had slowed down to just 5%. Shopee is the market leader with around 50-60% market share and is mainly 3P focussed. Its local competitors (mainly 1P focussed) had been relatively losing market share although Coupang's entry in 2022 was a key market development, especially its elevated investment recently. As such, we estimate Coupang has taken 5% market share while it said its GMV doubled in 9M25.

E-commerce penetration as % of retail spend levels are on the lower side compared to markets like China and Korea but are comparable to markets like Singapore and Australia at mid-teens. This could be due to lower e-groceries penetration (which usually lifts the GMV owing to bigger order size), in our view. As such we expect Taiwan e-commerce growth to be in the range of mid-high single digit over the next three years as overall retail growth is low single-digit.

Coupang: A credible emerging competitor, with limited near-term impact on Shopee

Coupang's ~USD700m cash burn in Taiwan in 2025 is high relative to the market size. We also see Coupang offerings as more competitive, coming with relatively faster delivery and shipping subsidies. But in the near to medium term, we see the first order impact of Coupang to be on smaller players MoMo and PCHome given their limited scale. Shopee's 3P business model vs. Coupang's 1P business model is not competing for the same sellers and are not selling similar products. More importantly, Shopee prices remain highly competitive vs. other players which alongside its logistics superiority keeps it relatively shielded. Even vs. Coupang, Shopee prices are just 7% premium and, as such, remain relatively competitive.

Fig 16: Sensitivity of change in Shopee Taiwan adj. EBITDA on Shopee adj. EBITDA

Product	Description	Shopee			Coupang			Pricing differential
		Price	Days to deliver	Shipping fee	Price	Days to deliver	Shipping fee	
Shin Ramyun	Shin Ramyun 5-pack	129	4-8	45	87	1	0	(32.6%)
Cat Food Packets Milk	Ciao Fish & Chicken Trio Cat Food Pouches, 60g x 3 bags (packets), INABA Official - Chicken Trio (Chicken) IC-531 KLIM 100% Pure Raw Milk Powder 1.35kg	78	1-5	45	79	4	45	1.3% (21.7%)
Tissue	Bebuya Soft and Comfortable Facial Tissue, 150 Sheets x 14 Packs x 4	916	>10	0	662	1	0	(27.7%)
Mr Muscle's Bathroom Cleaner	Mr. Muscle Bathroom All-Purpose Kit - Spray Gun Bottle 500g + Refill Bottle 500g [Aimal]	79	11-16	45	96	1	0	21.5%
Jmella's Body Wash	Korean JMella Fragrance Shower Gel (500ml) - NO.03 Lime & Basil x 2	200	6-11	45	134	1	0	(33.0%)
Nike's Air Force 1 Powell Type C Cable	NIKE AIR FORCE 1 LE GS Girls' Casual Shoes/Sports Shoes (White)	1970	3-8	0	2088	1	0	6.0%
LA ROCHE-POSAY Repair Cream	POLYWELL charging cable, PD fast charging cable, Type-C	69	3-5	45	98	4	45	42.0%
Redchef Cookware	LA ROCHE-POSAY B5+ Comprehensive Repair Cream (Upgraded Version) 40ml Repair Cream Miracle Cream Redchef Ceramic Non-stick Cookware Set (5 Pieces) + 1 Handle	289	2-6	0	195	1	0	(32.5%)
Simple average		1299	1-4	0	1349	1	0	3.8% (7.3%)

Source: Maybank IBG Research, E-commerce platforms

Case study - Taiwan resembles Brazil and Shopee resembles MELI of 2019. While it's not an exact comparison, we think Taiwan e-commerce space in 2025 resembles Brazil when Shopee entered there in 2019. Back then, Brazil was a fragmented market with MELI being the market leader with its logistics prowess. Shopee entered the market catering to the lower end of the market and thus grew to #2 position mainly at the cost of smaller players. On the other hand, MELI on the back of its logistics superiority and premium positioning (which had a limited overlap with Shopee) was able to maintain its market share.

In Taiwan, we think Shopee (3P) and Coupang (1P) are not competing in the same space while Shopee's logistics superiority will keep its unit economics favourable to keep it competitive.

A bigger push for locker-based system - likely reducing dependence on 7-11 convenience stores

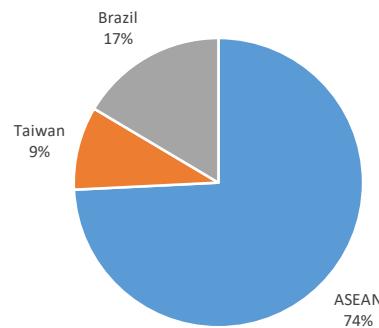
Taiwan is a typical market where door-step delivery is traditionally not preferred. We understand only 10% of the deliveries are to the door-step while the rest is through a pick-up from convenience stores or from lockers. Shopee has >2,500 lockers across Taiwan and notes that >70% of its deliveries are through lockers, suggesting only 20% dependence on convenience stores.

Shopee's push into self-operated lockers in Taiwan is not only an efficiency play but also a strategic response to rising dependency risk after **Uni-President (7-Eleven's parent)** deepened its stake in rival **PChome**—a platform that already benefits from Taiwan's **>60-70%** convenience-store pick-up dominance, in our view. With 7-Eleven controlling the country's largest pick-up network (**>6,700 stores**), Shopee's lockers help rebalance bargaining power and secure a proprietary last-mile alternative.

Taiwan is not a swing factor

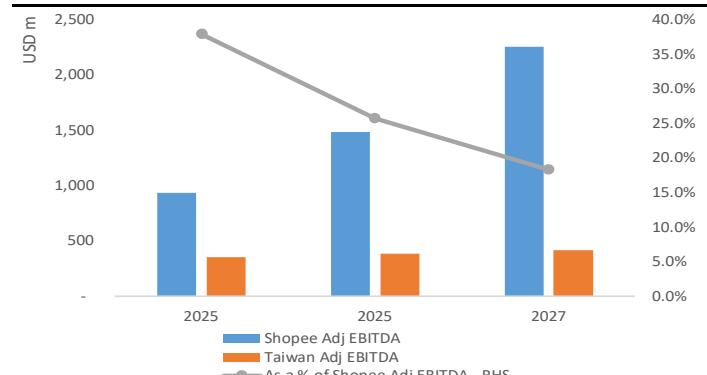
Based on Cube Asia data, we estimate Taiwan's contribution to Shopee GMV to be -9%. Given Taiwan being the market it entered first, dominant market share in Taiwan and relatively limited competition, we think Shopee has a superior margin profile in Taiwan.

Fig 17: Shopee GMV split



Source: Maybank IBG Research, Cube Asia

Fig 18: Estimated Taiwan contribution to Shopee adj. EBITDA



Source: Maybank IBG Research

Assuming Taiwan is already at 3% adj. EBITDA to GMV, we estimate its contribution to Shopee's overall adj. EBITDA at 38% for 2025. But given that other markets are growing at a faster clip with improving margins, we estimate Taiwan's contribution to reduce to <20% by 2027.

Sensitivity analysis. In a scenario, if Taiwan adj. EBITDA is reduced by 25%, impact on overall Shopee adj. EBITDA would be only 5%. Although dynamism has increased in Taiwan, leading to risk of increased competition, we don't see it as a major swing factor for Shopee or Sea.

Fig 19: Sensitivity of change in Shopee Taiwan adj. EBITDA to Shopee adj. EBITDA

		Shopee Taiwan Adj EBITDA margins				
		2.0%	2.5%	3.0%	3.5%	4.0%
Impact on Taiwan adj EBITDA due to competition	-5.0%	(0.6%)	(0.8%)	(0.9%)	(1.1%)	(1.2%)
	-15.0%	(1.8%)	(2.3%)	(2.7%)	(3.2%)	(3.7%)
	-25.0%	(3.1%)	(3.8%)	(4.6%)	(5.3%)	(6.1%)
	-35.0%	(4.3%)	(5.3%)	(6.4%)	(7.5%)	(8.5%)
	-45.0%	(5.5%)	(6.9%)	(8.2%)	(9.6%)	(11.0%)

Source: Maybank IBG Research

1.5 Making sense of unclear growth trajectories and margin outlooks

With growth and margin outlooks becoming a bit blurry, we delve deeper into DCF-based sensitivity analysis to make sense of the value of the e-commerce business under various growth and margin scenarios. Three key variables in our sensitivity analysis include: 1) rate of GMV growth, 2) pace of margin improvement and long-term sustainable margins and 3) terminal growth rate.

In our model (base case), we have assumed 2025-30 GMV growth CAGR of 15%, a progressive margin improvement with 2030 adj. EBITDA to GMV margins hitting 2.5% and a terminal growth rate of 5.0%.

For our DCF, we have used WACC of 10%, derived using RFR of 4.5%, beta of 1.0 and a debt-to-capital ratio of 15%.

Fig 20: Shopee DCF

USD m	2025E	2026E	2027E	2028E	2029E	2030E
GMV	126,757	152,466	177,354	202,004	227,337	254,744
GMV growth	26.0%	20.3%	16.3%	13.9%	12.5%	12.1%
Adj EBITDA	934	1,505	2,342	3,435	4,770	6,403
Adj EBITDA to GMV margins	0.7%	1.0%	1.3%	1.7%	2.1%	2.5%
Unallocated expenses attributed to Ecommerce	(484)	(553)	(611)	(661)	(707)	(713)
EBITDA	450	952	1,731	2,773	4,064	5,691
D&A	(298)	(327)	(356)	(381)	(398)	(404)
EBIT	152	625	1,375	2,393	3,666	5,287
FCF and DCF	0.8	1.8	2.8	3.8	4.8	
EBIT	152	625	1,375	2,393	3,666	5,287
Implied tax on EBIT	(46)	(188)	(413)	(718)	(1,100)	(1,586)
Add: D&A	298	327	356	381	398	404
Less: Capex	(313)	(343)	(374)	(400)	(418)	(424)
FCFF	92	421	945	1,656	2,546	3,681
Discounted FCFF (base WACC)	92	392	800	1,275	1,783	2,344
WACC	10.0%					
GMV growth (2025-30 CAGR)	15.0%					
2030 Adj EBITDA to GMV margin	2.5%					
LT growth rate	5.0%					
PV of explicit years	6,687					
Terminal value	49,602					
Enterprise value	56,289					
Implied 2027e EV/EBITDA	32.5					

Source: Maybank IBG Research

For our sensitivities we have used following variables:

- 2025-30 GMV growth CAGR range of 10% to 20%
- 2030 adj. EBITDA to GMV range of 1.5% to 3.5%
- Terminal growth rate range of 3% to 7%

Downside sensitivity. E-commerce valuation is most sensitive to long-term adjusted EBITDA-to-GMV margins. Under a downside scenario where Shopee achieves only a 1.5% long-term adjusted EBITDA-to-GMV margin—well below management’s 2-3% target—our valuation would fall to USD28bn, or 47% below our base case. We view this assumption as highly punitive, as e-commerce players in more mature markets typically operate at materially higher margins. Moreover, a 1.5% outcome for Shopee would imply that key competitors also generate sub-economic returns, which we view as unlikely over the long term.

Upside sensitivity. On the upside, ecommerce valuation is most sensitive to terminal growth rate in the DCF model. At 7% terminal growth rate, our Shopee valuations rises to USD89b, a 62% lift vs. our base case assumption.

Fig 21: Shopee EV sensitivity to terminal growth rate

WACC	10.0%				
GMV growth (2025-30 CAGR)	15.0%				
2030 Adj EBITDA to GMV margins	2.5%				
LT growth rate	3.0%	4.0%	5.0%	6.0%	7.0%
PV of explicit years	6,687	6,687	6,687	6,687	6,687
Terminal value	34,680	40,890	49,602	62,712	84,673
Enterprise value	41,367	47,577	56,289	69,399	91,360
Implied 2027e EV/EBITDA	23.9	27.5	32.5	40.1	52.8

Source: Maybank IBG Research

Fig 22: Shopee EV sensitivity to LT adj. EBITDA to GMV margins

WACC	10.0%				
GMV growth (2025-30 CAGR)	15.0%				
2030 Adj EBITDA to GMV margins	1.5%	2.0%	2.5%	3.0%	3.5%
LT growth rate	5.0%				
PV of explicit years	3,774	5,438	7,103	8,765	10,428
Terminal value	25,170	37,316	49,602	61,609	73,755
Enterprise value	28,944	42,754	56,705	70,373	84,183
Implied 2027e EV/EBITDA	15.6	19.3	21.9	24.1	25.7

Source: Maybank IBG Research

Fig 23: Shopee EV sensitivity to GMV growth CAGR

WACC	10.0%				
GMV growth (2025-30 CAGR)	10.0%	12.5%	15.0%	17.5%	20.0%
2030 Adj EBITDA to GMV margins	2.5%				
LT growth rate	5.0%				
PV of explicit years	5,180	5,812	6,687	7,207	7,975
Terminal value	36,297	41,954	49,602	54,882	62,225
Enterprise value	41,477	47,766	56,289	62,088	70,200
Implied 2027e EV/EBITDA	19.8	21.9	24.0	26.1	28.3

Source: Maybank IBG Research

1.6 Monee - An underappreciated Shoppe monetisation vehicle

While Shopee continues to prioritise growth over near-term margin expansion, we see monetisation increasingly accruing indirectly through its Monee financial services arm. Monee's core BNPL product, SPayLater, is structurally linked to e-commerce activity, with penetration and usage scaling proportionately alongside Shopee GMV growth. Importantly, SPayLater carries materially higher and more visible monetisation, with instalment products typically generating 20-40% effective yields, while asset quality remains well controlled, with 90-day NPLs at ~1.1%. BNPL penetration within Shopee GMV remains only in the mid-teens, suggesting a long runway for further penetration and monetisation uplift.

Beyond the Shopee marketplace, off-Shopee BNPL and cash loan products represent a meaningful additional growth vector. Shopee's >390m monthly active users provide a deep behavioural and transaction dataset that strengthens credit underwriting and customer acquisition economics—an advantage that traditional lenders often lack and many fintech peers struggle to replicate at scale, particularly in micro-lending. While competition in fintech remains intense, we believe Shopee's ecosystem-derived data confers a structural edge over pure-play fintech operators.

Reflecting these dynamics, we forecast Monee's loan book, revenue and EBITDA to grow by 38%, 36% and 27% YoY, respectively, in 2026, reinforcing its role as a key medium-term monetisation lever for the broader Sea ecosystem.

Fig 24: Monee forecasts

USD m	2025	2026	2027	2028	2029	2030
Loan book	8,659	11,930	14,645	17,444	20,245	22,637
Growth	88.6%	37.8%	22.8%	19.1%	16.1%	11.8%
Revenues	3,676	4,984	6,048	6,995	7,902	8,703
Growth	55.2%	35.6%	21.3%	15.7%	13.0%	10.1%
Adj EBITDA	1,008	1,284	1,558	1,802	2,032	2,241
Margins	27.4%	25.8%	25.8%	25.8%	25.7%	25.7%

Source: Maybank IBG Research

1.7 Garena - High Free Fire dependence remains a key concern despite a strong 2025

Garena delivered a strong recovery in 2025, with 9M25 bookings up 35% YoY, supported by a pipeline of new game launches (publishing and not in-house developed game) and continued strength in its flagship title, Free Fire. Despite regular publishing activity, Free Fire remains the dominant earnings driver, accounting for nearly 70% of Garena's revenue and an even higher share of segment EBITDA. In 2025, Free Fire benefited from major IP collaborations, in-game events and esports initiatives, which helped sustain engagement and monetisation. That said, we expect growth to normalise in 2026 as the 2025 uplift fades.

Dependence on Free Fire remains a key risk. Now in its ninth year, our base case assumes growth moderates to mid-single digits rather than reverses. However, downside risks persist, including player fatigue—particularly after elevated gameplay activity in 2025—and the potential emergence of competing titles. Notably, Garena experienced a sharp slowdown in Free Fire performance in 2022-23, underscoring the cyclical nature of engagement-driven revenues.

Offsetting this, with Sea's other business segments now largely self-sufficient and free-cash-flow positive, management appears more willing to reinvest in Garena to drive sustainable growth. New initiatives such as Free City—a GTA-inspired, open-world mobile action RPG—represent optional upside, although it remains too early to assess whether the title can scale into a meaningful franchise or blockbuster contributor.

Krafton case study: growth and share price divergence owing to high single game dependence.

Krafton delivered a solid operational performance in 2025, supported by resilient monetisation and engagement from its flagship PUBG franchise across PC, console and mobile. Despite this, the stock declined -21% vs. Kospi up +80%, as investor sentiment remained weighed down by the company's heavy reliance on a single franchise and growing scepticism around its ability to successfully incubate new IPs. Repeated delays, uneven reception of newer titles and limited visibility on the next blockbuster reinforced concerns that earnings sustainability remains overly concentrated in PUBG.

Fig 25: Krafton share price vs. Kospi index



Source: Maybank IBG Research, Bloomberg

Fig 26: Krafton 9M25 financial delivery

KRW b	1Q 2025	2Q 2025	3Q 2025	9M 2024	9M 2025	YoY
Revenues	874.2	662.0	870.6	2,092.2	2,406.8	15.0%
YoY growth	31.3%	-6.4%	31.5%			
Adj EBITDA	505.1	296.3	389.8	1,137.9	1,191.2	4.7%
Adj EBITDA margins	57.8%	44.8%	44.8%	54.4%	49.5%	

Source: Maybank IBG Research, Company data

This disconnect between operational delivery and share price performance highlights a broader market dynamic: gaming stocks with high single-franchise dependence tend to trade at a structural discount, regardless of near-term results. In Krafton's case, even after the share price correction, valuation remained compressed relative to global peers with more diversified portfolios, trading at a discount to companies such as Tencent, NetEase and Activision Blizzard (pre-acquisition), which benefit from multiple long-lived franchises and deeper IP pipelines.

We view Krafton's experience as instructive for Garena. Similar to Krafton, Garena's earnings remain heavily skewed toward a single ageing franchise (*Free Fire*), and investor confidence is increasingly tied to evidence of successful new IP development. While strong cash generation can support reinvestment, the market is unlikely to reward near-term growth and margin resilience alone without clearer proof of franchise diversification—suggesting that valuation rerating, for both Krafton and Garena, ultimately hinges on reducing single-title dependency rather than short-term performance.

Krafton's 2025 serves as a cautionary tale... record profits cannot overcome a "valuation ceiling" if the market perceives those profits as being tied to a single, aging asset. For Garena, the implication is that even if it had a record 2025, we think its high dependence on *Free Fire* remains a valuation cap.

...but adverse impact mitigated by its low contribution to SE SoTP. We value Garena using a blend of DCF and relative valuation, arriving at an implied valuation of USD 13bn. This equates to a target multiple of 7x EV/EBITDA, a significant discount to the global gaming peer average. Our conservative multiple is intentionally aligned with Krafton, reflecting a shared fundamental challenge - high single-franchise dependence. Despite these valuation headwinds, we note that Garena represents only 15% of our total Sum-of-the-Parts (SoTP). Consequently, the Group's valuation is relatively insulated from gaming-specific volatility (Multiple Compression).

Reflecting these dynamics, we forecast Garena bookings and adj. EBITDA to grow by 5% YoY in 2026.

Fig 27: Garena forecasts

USD m	2025	2026	2027	2028	2029	2030
Users	678	732	779	810	831	843
Growth	9.6%	8.0%	6.5%	4.0%	2.5%	1.5%
ARPU						
Bookings	2,938	3,080	3,313	3,428	3,497	3,531
Growth	36.7%	4.8%	7.6%	3.5%	2.0%	1.0%
Adj EBITDA	1,680	1,761	1,868	1,893	1,901	1,899
Margins	57.2%	57.2%	56.4%	55.2%	54.4%	53.8%

Source: Maybank IBG Research

1.8 Upgrade to BUY; 36% correction creates an attractive entry point despite mild headwinds

We upgrade Sea Ltd to BUY and retain our TP of USD156. Following a ~36% share price correction from its 2025 peak, we believe a compelling valuation opportunity has emerged. On an implied EV/sales basis (ex-Garena), Sea now trades broadly in line with global e-commerce peers, despite offering superior GMV growth potential and a structurally stronger competitive position in its core ASEAN markets.

While the margin recovery trajectory has been pushed out due to elevated investment levels, we note that much of this spend is discretionary rather than competitively mandated. Investments in logistics, fulfilment and the VIP programme may dilute margins by ~10bps in the near term, but we see clear long-term benefits in customer lock-in, TAM expansion and an accelerated offline-to-online consumption shift. In ASEAN, Lazada's continued decline is likely to result in an increasingly rational two-player market, materially improving the medium-term monetisation backdrop and reinforcing Shopee's leadership in shelf-based e-commerce.

Competitive intensity remains in Brazil and Taiwan; however, under our bear-case assumptions, the incremental margin impact is limited to ~20bps, with these markets accounting for ~25% of total GMV, capping overall downside risk.

We forecast Shopee GMV to grow at an 18% CAGR over 2026-27, with margins expanding by ~30bps pa despite ongoing investments. For Monee, we expect revenue and EBITDA to grow at 28% and 24% CAGRs, respectively, over the same period, underpinned by low financial services penetration and its role as an indirect monetisation lever for Shopee via SPayLater (BNPL). For Garena, we assume low-mid-single-digit forward growth and value the segment at 7x EV/EBITDA, reflecting its continued reliance on *Free Fire*. High single-franchise dependence remains a valuation overhang, as seen with Krafton; however, the impact on Sea is mitigated, with Garena contributing only ~15% to our SoTP.

Fig 28: Sea Ltd SoTP

Business	Multiple	
Ecommerce	EV/Sales	Comments
EV/Sales		
Target EV/Sales - FY26	2.8x	In line with MELI
Value of business	57,404	
DCF		
WACC, LTG	10.0%, 5.0%	
Value of business	55,199	
Digital Entertainment	EV/EBITDA	
EV/EBITDA		
Target EV/EBITDA - FY26	8.0x	Inline with Krafton
Value of business	14,084	
DCF		
WACC, LTG	10.0%, 1.0%	
Value of business	13,458	
Digital financial services	EV/Sales	
Target EV/Sales	4.0x	
FY26E Sales	4,984	Inline with Paypal and Square, Klarna
Value of business	19,938	
DCF		
WACC, LTG	10.0%, 5.0%	
Value of business	20,566	
Net cash	10,500	9M25 balance sheet. Includes investments
Equity value	100,824	
Number of shares (m)	646	
Value per share (USD)	156.0	

Source: Maybank IBG Research

Maybank vs. street estimates

Our Adj EBITDA estimates are 0-4% ahead of street for 2026-27. Our Shopee estimates are broadly ahead of the street as we expect GMV growth to remain elevated while expect an uptick in monetization by 2027. Garena estimates especially adj EBITDA is below street as we see a moderation in margins with a slightly bigger topline growth coming from publishing business which is lower margins. Our Monee Adj EBITDA are also below street as we see higher growth coming from low interest yielding markets which mathematically pulls down margins as a % of loan book.

Fig 29: Sea Ltd MIBG vs. street estimates

USD m	MIBG			Street			% var		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Revenues	22,608	28,919	34,287	22,434	27,857	32,809	1%	4%	5%
Adj EBITDA	3,317	4,474	5,600	3,459	4,304	5,578	-4%	4%	0%
NPAT	1,656	2,334	3,026	1,659	2,529	3,382	0%	-8%	-11%

USD m	MIBG			Street			% var		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Ecommerce									
GMV	126,757	152,466	177,354	125,821	149,043	173,027	1%	2%	3%
Revenues	16,450	20,793	24,808	16,219	19,915	23,397	1%	4%	6%
Adjusted EBITDA	934	1,505	2,342	896	1,452	2,265	4%	4%	3%
Adj EBITDA/GMV	0.7%	1.0%	1.3%	0.7%	1.0%	1.3%			
Digital Entertainment									
Bookings	2,938	3,080	3,313	2,949	3,109	3,300	0%	-1%	0%
Revenues	2,299	2,909	3,156						
Adjusted EBITDA	1,680	1,761	1,868	1,728	1,892	2,093	-3%	-7%	-11%
Margins	57.2%	57.2%	56.4%	58.6%	60.9%	63.4%			
Quarterly active users - m	678	732	779	670	705	726	1%	4%	7%
Digital financial services									
Revenues	3,676	4,983	6,044	3,723	5,086	6,342	-1%	-2%	-5%
Adjusted EBITDA	1,008	1,283	1,557	1,054	1,408	1,722	-4%	-9%	-10%
Margins	27.4%	25.8%	25.8%	28.3%	27.7%	27.2%			

Source: Maybank IBG Research, Bloomberg

1.9 Valuations broadly inline, attractive on a growth adjusted basis

Relative to the ecommerce peers, Sea is trading in line on broader valuation metrics. However, Sea offers a superior growth across its ecommerce and financial services segments. Thus on a growth adjusted basis, valuations are now in attractive territory given stock correction of last three months.

Fig 30: Global ecommerce peers - valuation comps

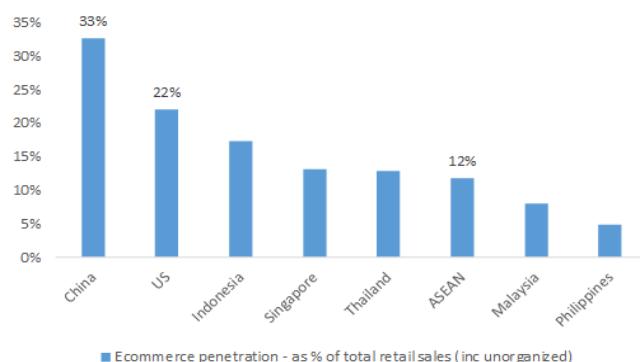
Company	BBG Code	Market Cap USDm	EV/GMV (x)		GMV CAGR 2024-27F	EVGMVG	EV/Sales (x)		Sales CAGR 2024-27F	EVSG	EV /EBITDA (x)	
			FY2	FY3			FY2	FY3			FY2	FY3
Sea	SE US	75,524	0.32	0.25	21%	1.5	2.52	1.99	28%	7.2	14.6	11.7
Nykaa	NYKAA IN	8,506	3.18	2.58	24%	13.2	6.16	4.97	25%	20.1	74.2	52.7
Mercado Libre	MELI US	102,117	0.72	0.59	23%	3.2	2.69	2.14	30%	7.2	18.6	14.1
Amazon	AMZN US	2,467,516	1.08	1.01	7%	15.2	3.21	2.94	12%	25.5	12.4	10.4
Ebay	EBAY US	39,369	0.52	0.50	4%	12.5	3.51	3.32	5%	72.1	11.9	11.0
Etsy	ETSY US	5,472	0.58	0.55	-1%	-	113.5	2.18	5%	40.6	9.5	8.6
Alibaba	BABA US	349,757	0.11	0.10	6%	2.0	2.11	1.85	8%	22.3	11.7	9.3
JD	JD US	41,710	41.78	39.69	5%	787.2	0.13	0.13	5%	2.6	7.1	3.5
PDD	PDD US	160,974	0.07	0.06	15%	0.5	0.86	0.85	9%	9.1	5.3	3.3
Rakuten	4755 JT	13,931	na	na	na				7%	-	5.4	4.5
Allegro	ALE PW	10,201	0.43	0.39	10%	4.5	2.21	1.98	11%	17.3	8.6	7.4
Vipshop	VIPS US	8,715	0.14	0.12	4%	3.2	0.28	0.25	1%	16.8	3.3	2.7
Coupang	CPNG US	40,659	0.61	0.51	17%	2.95	0.95	0.81	15%	5.5	16.9	11.9
Ocado	OCDO LN	3,812	na	na	na		1.69	1.85	6%	30.5	12.5	9.8
Weighted average			1.40	1.32	8%	21.80	2.87	2.60	12%	23.3	12.3	10.1

Source: Maybank IBG Research, Bloomberg

Value Proposition

- SE 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
- We estimate ASEAN GMV to grow at a 19% 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 SE'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.

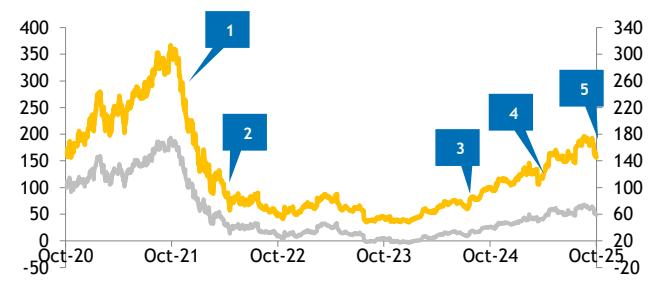
Shopee is exposed to fast-growing ASEAN e-commerce GMV



Source: Euromonitor

Price Drivers

Historical share price trend



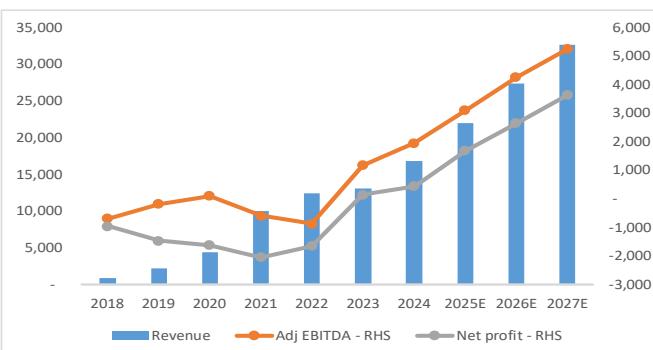
Source: Company, Maybank IBG Research

1. Sell-off due to broader weakness for pre-earnings growth companies amid hawkish Fed outlook.
2. Sell-off due to concerns of normalising growth for Garena Free Fire, as well as.
3. Better than expected 3Q24 results helped by improvement across the segments.
4. Better than expected 1Q25 results helped by improvement across the segments.
5. Sell-off linked to Shopee margin improvement concerns.

Financial Metrics

- We forecast FY24-27E revenue CAGR of 25%, driven by all the three business segments.
- Adjusted EBITDA is expected to grow at 42% CAGR helped by e-commerce business and digital financial services.
- Cash balance as of 2Q25 stands at USD10.6b.

Revenue, EBITDA and net profit projections (USD m)



Source: MIBG, Company

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 SE'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 ¹	na
Score Momentum ²	na
Last Updated	na
Controversy Score ³	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. SE 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 SE uses is also a key environmental footprint, although not much has been discussed in SE's sustainability report pertaining environmental factors.

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.

Material S issues

- Of SE's >30,000 global workforce, 46% are females. Furthermore, 46% of the middle to senior management positions are held by females. SE also boasts a diverse culture of over 50 different nationalities in its company.
- SE 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.

¹**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. ²**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. ³**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).

FYE 31 Dec	FY23A	FY24A	FY25E	FY26E	FY27E
Key Metrics					
P/E (reported) (x)	126.7	100.1	45.0	32.5	25.3
Core P/E (x)	89.6	144.4	45.0	32.5	25.3
Core FD P/E (x)	88.6	nm	49.3	35.3	27.2
P/BV (x)	3.5	7.3	7.1	5.5	4.3
P/NTA (x)	3.5	7.2	7.0	5.5	4.3
Net dividend yield (%)	0.0	0.0	0.0	0.0	0.0
FCF yield (%)	7.6	4.3	2.4	5.3	5.5
EV/EBITDA (x)	30.9	57.3	30.1	19.9	14.7
EV/EBIT (x)	70.6	95.3	36.4	22.9	16.5
INCOME STATEMENT (USD m)					
Revenue	13,063.6	16,819.9	22,607.8	28,918.8	34,286.7
EBITDA	783.5	1,101.4	2,382.1	3,463.5	4,470.8
Depreciation	(440.8)	(439.3)	(412.4)	(452.7)	(493.2)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	342.7	662.2	1,969.7	3,010.8	3,977.6
Net interest income / (exp)	290.2	327.5	327.5	327.5	338.5
Associates & JV	(7.0)	(9.8)	(19.6)	(19.6)	(19.6)
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	769.0	2,277.6	3,318.7	4,296.5
Income tax	(262.7)	(321.2)	(618.3)	(981.4)	(1,266.7)
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	444.3	1,655.8	2,333.8	3,026.2
Core net profit	268.6	444.3	1,655.8	2,333.8	3,026.2
BALANCE SHEET (USD m)					
Cash & Short Term Investments	4,221.4	4,060.3	5,828.3	9,843.8	14,063.6
Accounts receivable	262.7	306.7	929.1	1,188.4	1,409.0
Inventory	125.4	143.2	170.1	208.4	242.4
Property, Plant & Equip (net)	1,207.7	1,097.7	1,378.5	1,808.4	2,358.8
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	17,483.3	17,970.8	18,368.8
Total assets	18,883.2	22,625.5	25,831.6	31,077.1	36,514.9
ST interest bearing debt	146.7	130.6	130.6	130.6	130.6
Accounts payable	342.5	350.0	324.9	273.3	319.6
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	12,852.0	14,972.0	16,362.0
Total Liabilities	12,185.6	14,147.9	15,035.7	17,104.3	18,540.9
Shareholders Equity	6,593.8	8,372.3	10,687.2	13,860.6	17,858.3
Minority Interest	103.8	105.2	108.7	112.3	115.8
Total shareholder equity	6,697.6	8,477.6	10,796.0	13,972.8	17,974.1
Total liabilities and equity	18,883.2	22,625.5	25,831.6	31,077.1	36,514.9
CASH FLOW (USD m)					
Pretax profit	543.2	769.0	2,277.6	3,318.7	4,296.5
Depreciation & amortisation	440.8	439.3	412.4	452.7	493.2
Adj net interest (income)/exp	0.0	0.0	0.0	0.0	0.0
Change in working capital	359.5	1,383.3	(274.2)	1,263.9	764.4
Cash taxes paid	0.0	0.0	0.0	0.0	0.0
Other operating cash flow	736.1	685.9	60.4	(122.2)	(275.7)
Cash flow from operations	2,079.7	3,277.4	2,476.2	4,913.0	5,278.4
Capex	(241.6)	(504.6)	(678.2)	(867.6)	(1,028.6)
Free cash flow	1,838.1	2,772.8	1,798.0	4,045.4	4,249.8
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
Other invest/financing cash flow	(1,998.8)	(3,729.5)	(4,362.6)	159.3	131.0
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	16.9	(842.5)	(2,564.6)	4,204.8	4,380.9

FYE 31 Dec	FY23A	FY24A	FY25E	FY26E	FY27E
Key Ratios					
Growth ratios (%)					
Revenue growth	4.9	28.8	34.4	27.9	18.6
EBITDA growth	nm	40.6	116.3	45.4	29.1
EBIT growth	nm	93.2	197.5	52.9	32.1
Pretax growth	nm	41.6	196.2	45.7	29.5
Reported net profit growth	nm	65.4	272.7	40.9	29.7
Core net profit growth	nm	65.4	272.7	40.9	29.7
Profitability ratios (%)					
EBITDA margin	6.0	6.5	10.5	12.0	13.0
EBIT margin	2.6	3.9	8.7	10.4	11.6
Pretax profit margin	4.2	4.6	10.1	11.5	12.5
Payout ratio	0.0	0.0	0.0	0.0	0.0
DuPont analysis					
Net profit margin (%)	2.1	2.6	7.3	8.1	8.8
Revenue/Assets (x)	0.7	0.7	0.9	0.9	0.9
Assets/Equity (x)	2.9	2.7	2.4	2.2	2.0
ROAE (%)	4.4	5.9	17.4	19.0	19.1
ROAA (%)	1.5	2.1	6.8	8.2	9.0
Liquidity & Efficiency					
Cash conversion cycle	(1.8)	(1.8)	4.5	10.6	12.2
Days receivable outstanding	7.3	6.1	9.8	13.2	13.6
Days inventory outstanding	5.9	5.0	4.6	4.5	4.6
Days payables outstanding	15.0	13.0	9.9	7.1	6.0
Dividend cover (x)	nm	nm	nm	nm	nm
Current ratio (x)	1.4	1.5	1.6	1.7	1.9
Leverage & Expense Analysis					
Asset/Liability (x)	1.5	1.6	1.7	1.8	2.0
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	0.8	0.5	0.4
Capex/revenue (%)	1.8	3.0	3.0	3.0	3.0
Net debt/ (net cash)	(1,005.7)	(2,201.5)	(3,969.5)	(7,984.9)	(12,204.7)

Source: Company; Maybank IBG Research

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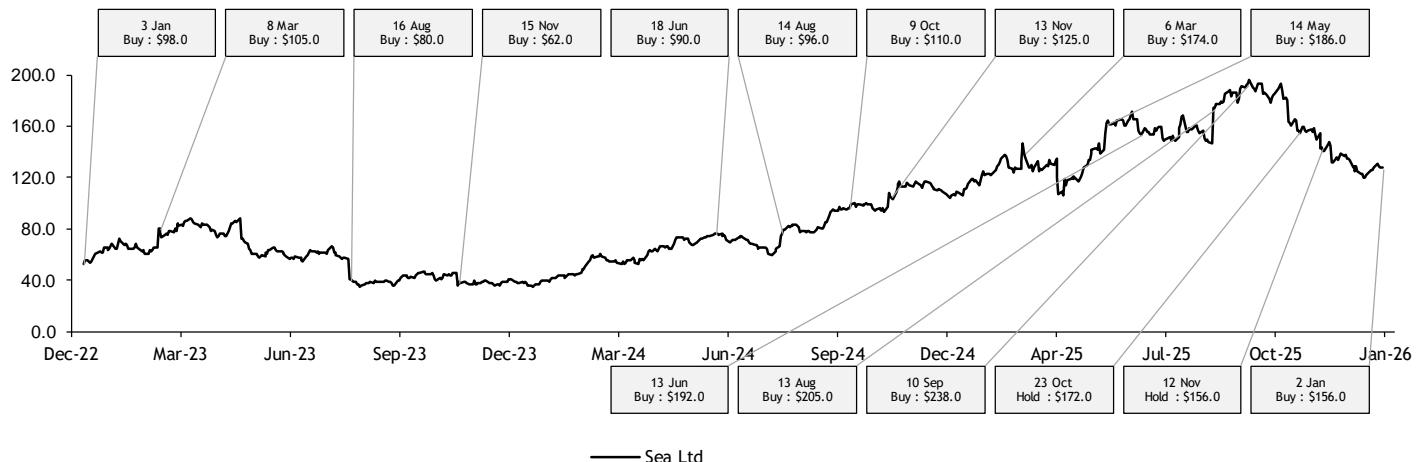
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Historical recommendations and target price: Sea Ltd (SE US)



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