



**Recommendation: BUY**

**Current Price: USD130.67**

**Target Price: USD141.02**

**Up/(downside):7.9%**

## **BMF5322 Group Presentation SEA Limited (NYSE: SE)**

Marcus LOW Jun Yang, CHONG Kwok Lung, CHEN Siyang, CHANG Boon Poh,  
LI Zhengrui

# Overview



Sea Limited is a dominant e-commerce, gaming, and fintech player in Southeast Asia. Its e-commerce arm Shopee holds the No.1 market position across Southeast Asia. SE is also the market leader in the region's digital lending and gaming businesses. This Singapore-based company utilizes technology to build and scale its platforms across Southeast Asia (64.0%), Taiwan, and expanding global markets such as Latin America.

Forrest Li established a company named Garena.

Underwent a corporate rebranding and adopted the name Sea Ltd.  
Listed on the New York Stock Exchange.

Posted its first profitable year since its IPO with an annual net income of US\$162.7 million for the 2023 financial year.

2009

2014

2017

2022

2024

Ranked as the largest internet company in Singapore by The Economist.

Tencent offloaded a US\$3 billion investment in Sea.

# History

## THE SCALABLE LIFECYCLE



Sea Ltd (SE US) - Profitability					
12 Months Ending	FY 2020 12/31/2020	FY 2021 12/31/2021	FY 2022 12/31/2022	FY 2023 12/31/2023	FY 2024 12/31/2024
<b>Returns</b>					
Return on Assets	-20.6%	-14.0%	-9.2%	0.8%	2.1%
Return on Invested Capital	-36.0%	-21.1%	-10.3%	6.7%	9.9%
Return on Equity	-47.3%	-27.6%	-28.4%	2.3%	5.2%
<b>Margins</b>					
Gross Margin	30.8%	39.1%	41.6%	44.7%	42.8%
EBITDA Margin	-24.0%	-11.7%	-6.4%	7.4%	6.3%
Operating Margin	-29.8%	-15.9%	-11.9%	1.7%	3.9%
Net Income Margin	-37.0%	-20.6%	-13.3%	1.2%	2.6%
<b>Solvency &amp; Liquidity</b>					
Financial Leverage	3.06	2.53	2.93	2.82	2.67
Interest Coverage	0.87	-5.89	12.52	-4.06	-5.99
Current Ratio	1.93	2.11	1.83	1.44	1.49
Quick Ratio	1.91	2.09	1.81	1.43	1.48
Cash Ratio	1.33	1.29	0.87	0.34	0.21

**Next Stage:  
Hypergrowth?**



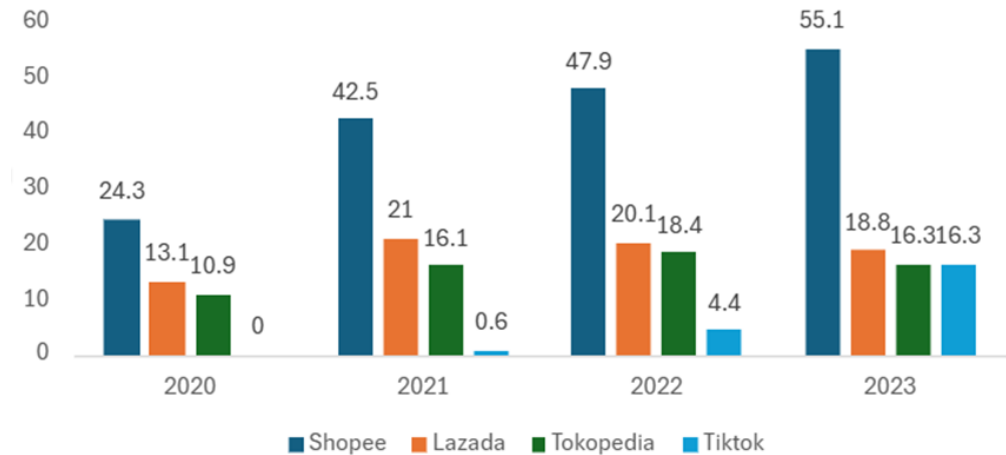
# Business Lines: Shopee

Shopee is a technology company focused mainly on e-commerce. Shopee was first launched in Singapore in 2015, and has grown to become the largest e-commerce platform in Southeast Asia and Taiwan. The majority (74.6%) of Sea Ltd.'s revenue comes from its E-commerce (Shopee).

Shopee's GMV has consistently maintained a significant leading stage over its competitors and has been steadily growing, while TikTok has experienced rapid development since 2021 and is poised to be a strong contender in the e-commerce market in the future.



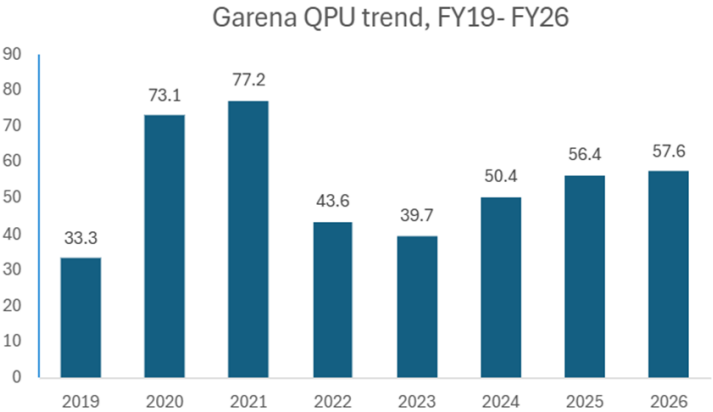
Key players' GMV performance in Southeast Asia (US\$ B)



# Business Lines: Garena and SeaMoney

## Garena

Garena operates as the digital entertainment division of Sea, managing Garena+, an online gaming and social platform established in 2010. This platform facilitates the discovery, download, and play of online games. Garena distributes game titles in various countries across Southeast Asia and Taiwan.



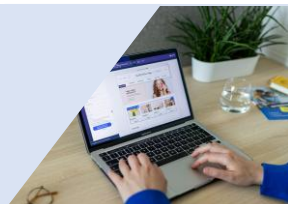
## SeaMoney

SeaMoney is an internet services company specialized in digital payments and financial services. Its offerings include mobile wallet services, payment processing, credit offerings, and related digital financial products and services. These are available in seven markets across Southeast Asia and Taiwan under various brands, including ShopeePay, SPayLater, SLoan, and even SeaBank and MariBank.



# Industry Analysis

## E-Commerce



**Southeast Asia's e-commerce market is projected to reach US\$370 billion by 2030**

Mobile-first consumer base and live commerce accounted for 15% of order volume in Q4 2024

### **Streamlined Logistics**

Two-day delivery is now standard for half of the region's orders

### **Intensified Competition**

New entrants leverage social media and mergers to challenge established players

## Gaming



### **Mobile gaming wave**

There is a shift towards on-the-go entertainment. Mobile gaming has emerged as the dominant force in the Southeast Asian gaming market

Asia Pacific market forecast to grow at a 10.9% CAGR from 2024 to 2030

However, Southeast Asia market forecast to grow at a 0.19% CAGR from 2025 to 2030

## Digital Financial Services



### **Digital payments and lending**

Make up over 90% of earnings, driven by

- Gap in traditional banking
- High smartphone penetration
- Unbanked population
- Rising digital literacy
- Supportive regulations

can unlock vast opportunities amid growing competition

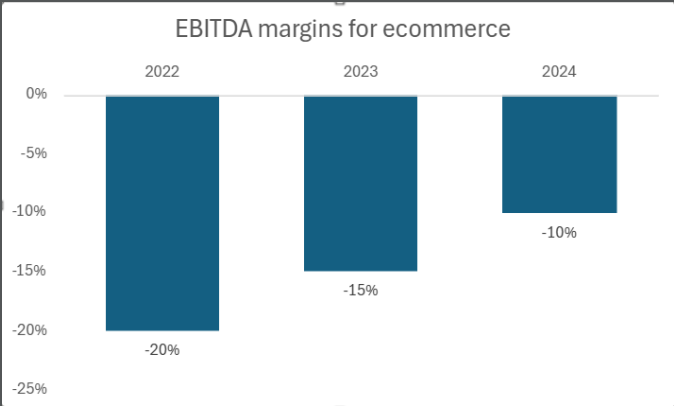
# Industry Analysis

## E-Commerce



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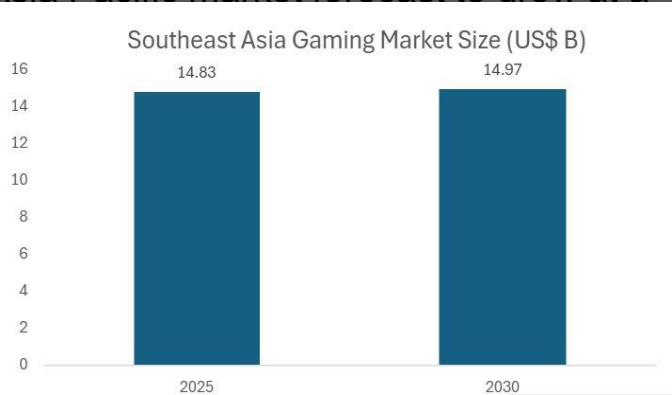
## Gaming



### Mobile gaming wave

There is a shift towards on-the-go entertainment

Asia Pacific market forecast to grow at a



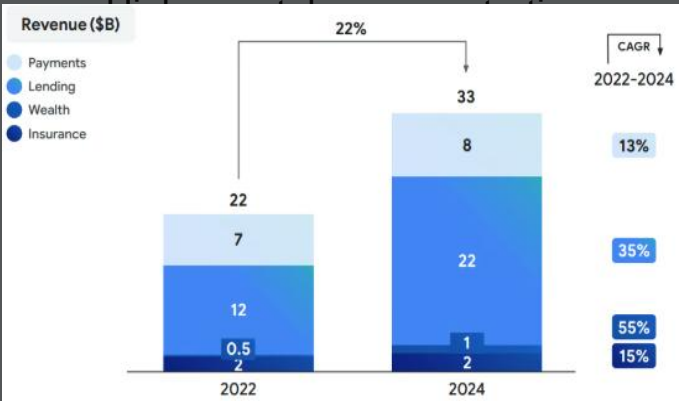
## Digital Financial Services



### Digital payments and lending

Make up over 90% of earnings, Digital Financial Services Revenue Breakdown

- Gap in traditional banking



# Key Drivers

## Company

### **E-commerce (Shopee): Sustained Market Leadership and Expanding Profitability**

Shopee's 2024 GMV surged 28% to over \$100 billion, driven by 40% active buyer growth in Southeast Asia and Brazil, boosted by live-streaming (15% of orders), higher commissions, ad revenue, and AI-driven efficiencies that lifted Q4 EBITDA margins to 0.5%, advancing toward its 2-3% target

### **Digital Financial Services (SeaMoney): High Growth with Stable Credit Quality**

SeaMoney's Q4 2024 revenue surged 55% YoY, with full-year adjusted EBITDA hitting \$700 million (+30%), driven by a 60% loan book growth to \$5 billion and 26 million active users, half borrowing from Shopee. Integration with Shopee's PayLater, digital banking licenses in four markets, and a stable 1.2% NPL ratio position it for earnings growth and valuation upside against rivals like Grab and Gojek in 2025

### **Digital Entertainment (Garena): Free Fire's Resilience and New Growth Catalysts**

Garena's Digital Entertainment bookings surged 34% YoY in 2024, driven by Free Fire's dominance as the world's most-downloaded mobile game (100M+ daily users, up 28% YoY), smart localization (e.g., 90% user growth in Nigeria), a 43% rise in esports viewership, and an 8.2% paying user ratio, with its valuation multiple climbing to 12x amid plans for portfolio expansion and double-digit 2025 bookings growth





# Key Risks

## 1. Company

### E-Commerce Competition

Intense rivalry from TikTok Shop, Lazada, and Mercado Libre could squeeze margins and market share due to high marketing costs and slower user growth.

### Gaming Concentration

Heavy reliance on Free Fire exposes Garena to risks from declining engagement or underperforming launches, alongside regulatory pressures.

### Fintech Credit Risk

Sea Money's rapid expansion in lending and digital banking increases credit risk if underwriting practices weaken, compounded by compliance challenges.

### Expansion-Driven Cash Burn

Investments in new verticals and regions might strain profitability if scaling efforts fail.



# Key Risks

## 2. Industry

### Macroeconomic Volatility

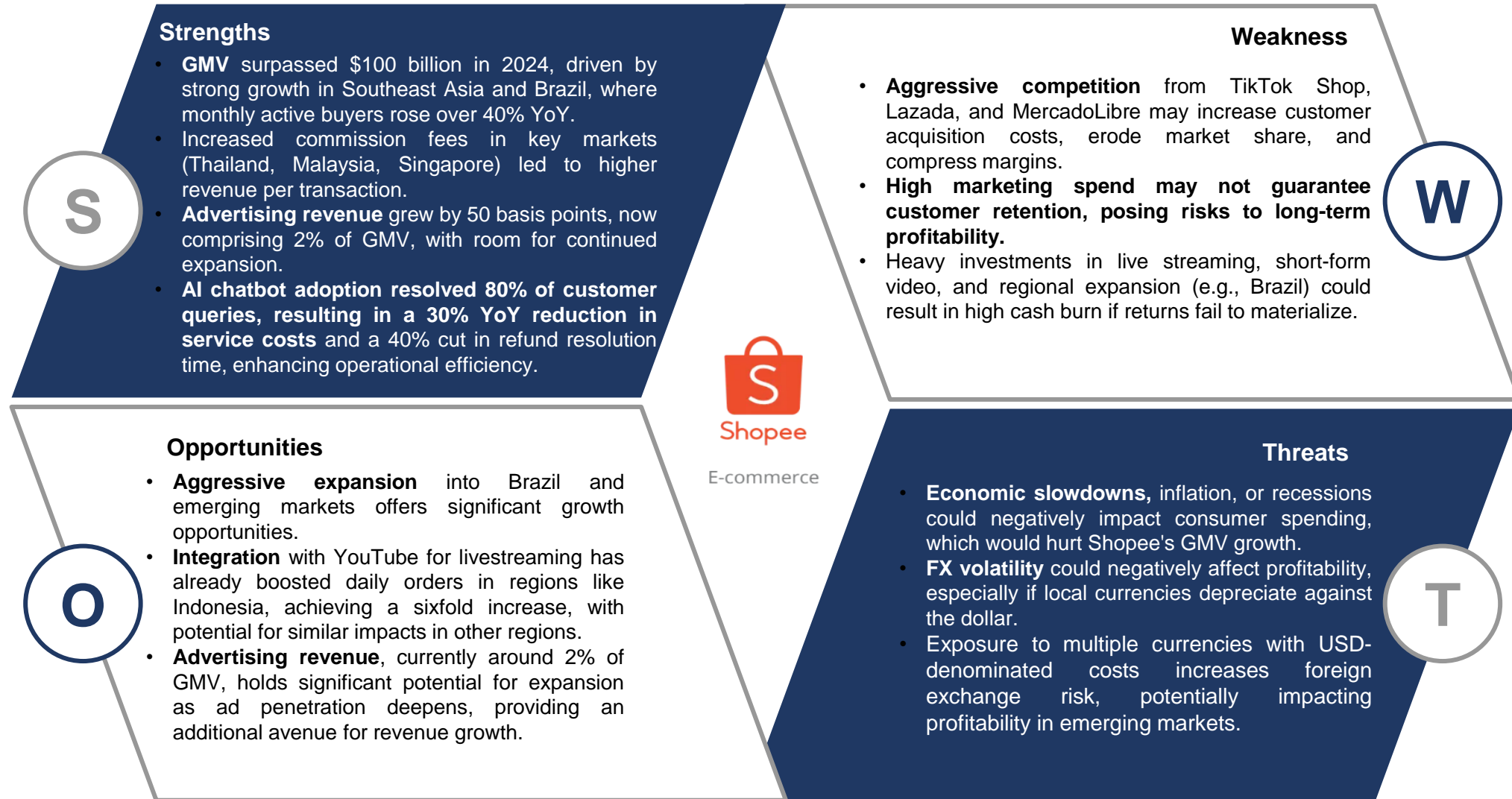
Economic slowdowns, inflation, and currency fluctuations - especially with USD-denominated costs - could hinder GMV growth and affect Sea Money's credit quality.

### Regulatory Risk

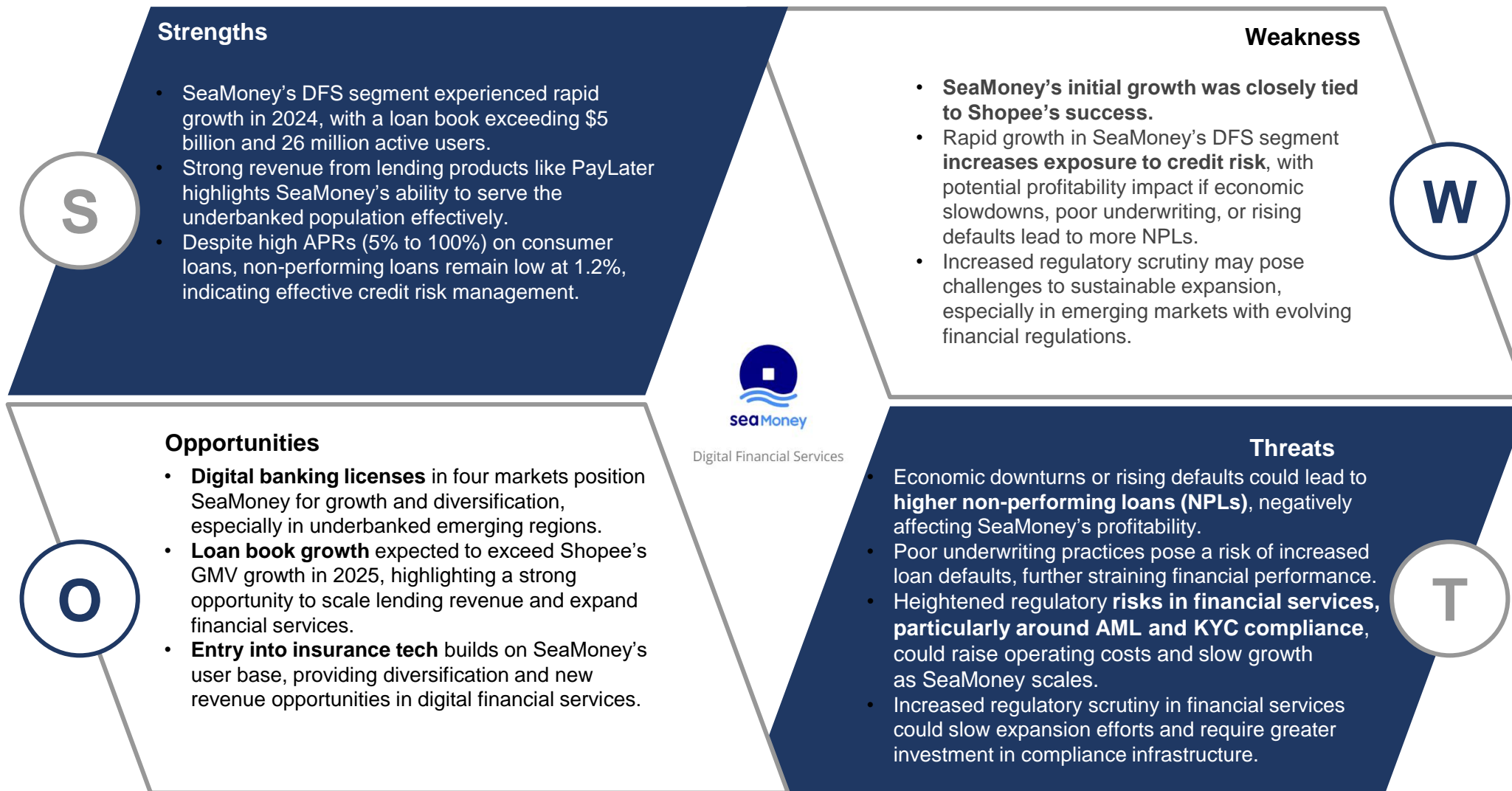
Rapid changes in e-commerce, gaming, and fintech regulations could lead to compliance challenges.



# SWOT Analysis: Shopee

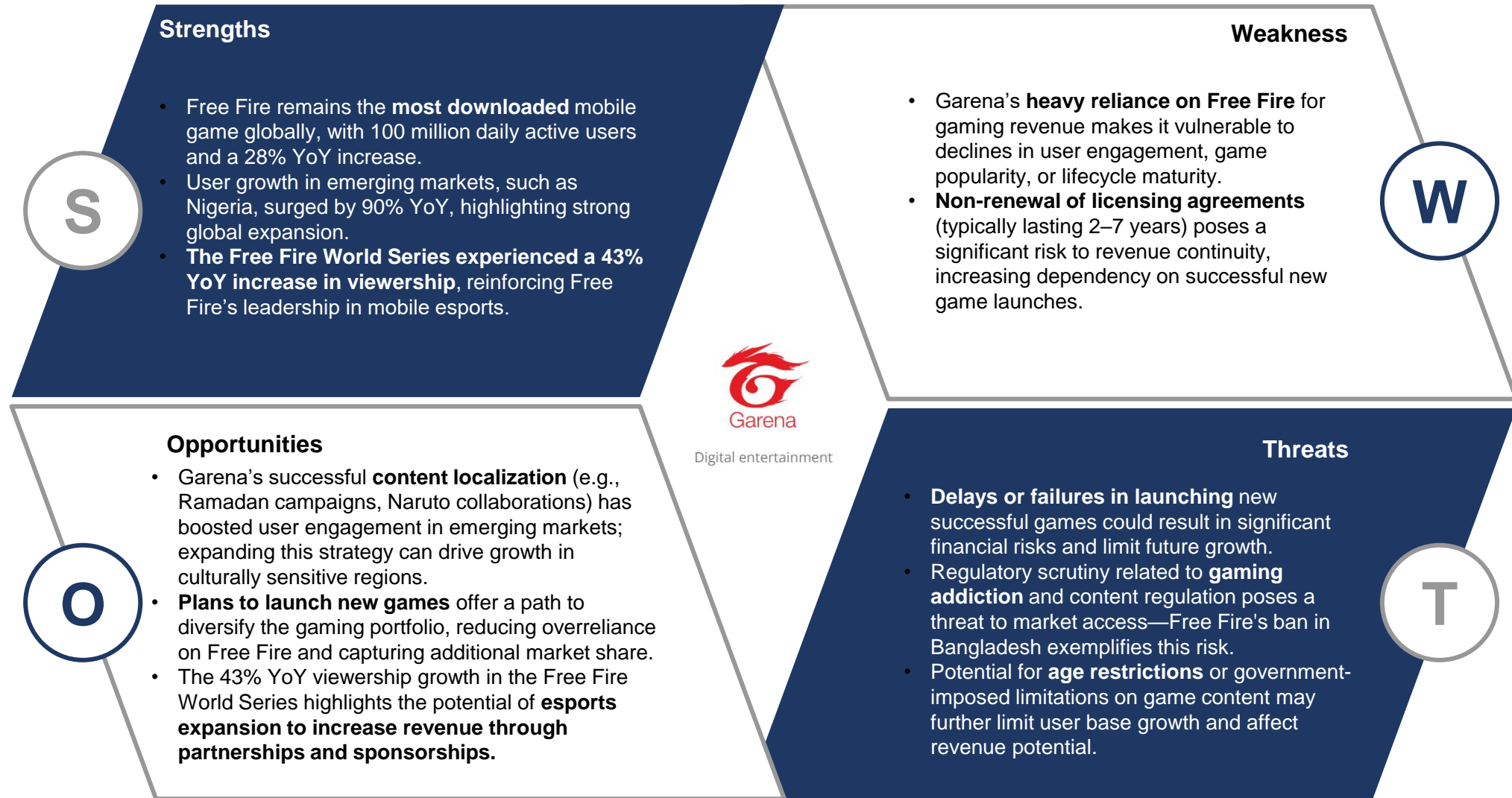


# SWOT Analysis: SeaMoney





# SWOT Analysis: Garena



# Comparables approach

1

## Earnings Multiples

*Forward P/E*

### **Recent profitability:**

Sea Ltd. has only recently become profitable, so a forward P/E gives a glimpse into how the market expects those profits to grow.

*Forward EV/EBITDA*

### **Profitability Considerations:**

While EBITDA helps account for early-stage profitability, it may still be somewhat volatile as Sea scales.

2

## Sales Multiples

*Forward P/S*

### **High-Growth Emphasis:**

Forward P/S is particularly useful for a fast-growing company like Sea, where revenue expansion is a key value driver.

*Forward EV/Sales*

### **Revenue-Focused:**

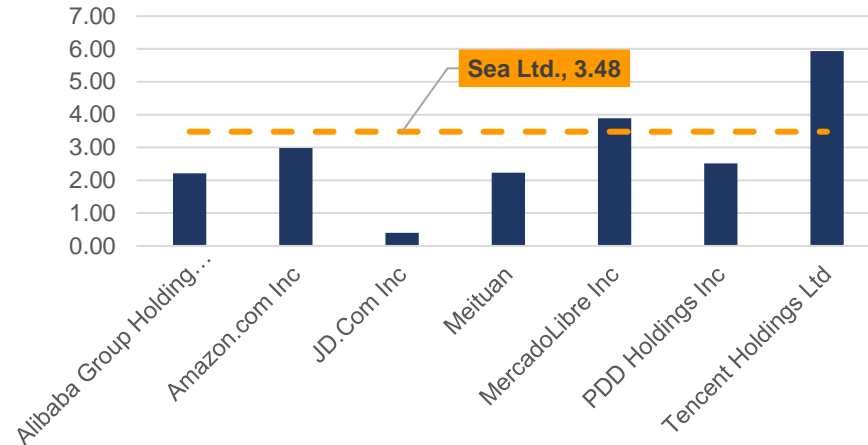
Like P/S, EV/Sales emphasizes Sea's top-line growth potential, crucial for its e-commerce and digital segments.

### **Useful for High-Growth Firms:**

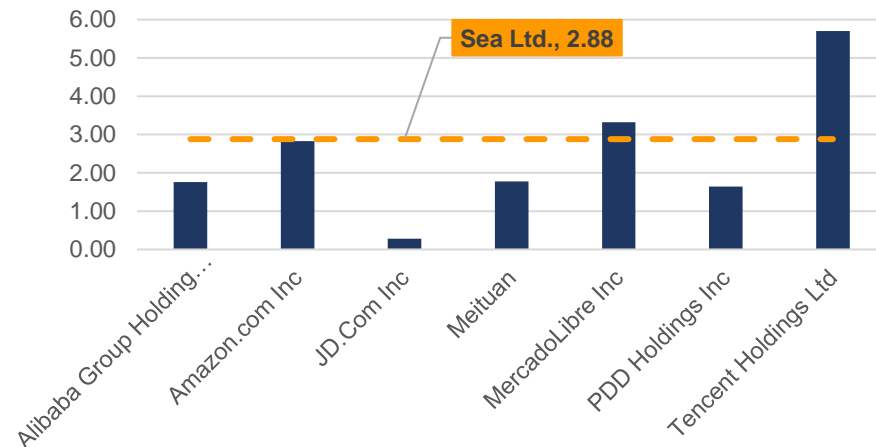
Highlights the scale of Sea's revenue generation without getting overly skewed by near-term earnings fluctuations

# Valuation using Comparables (As a whole)

As a whole P/S BEst 1yr



As a whole EV/Next year sales



## Implied share price

### Sea Ltd's projected 2025E Financials

	EBITDA	Sales
As a whole	844.9	21,154.58

### Median Values for Selected Multiples

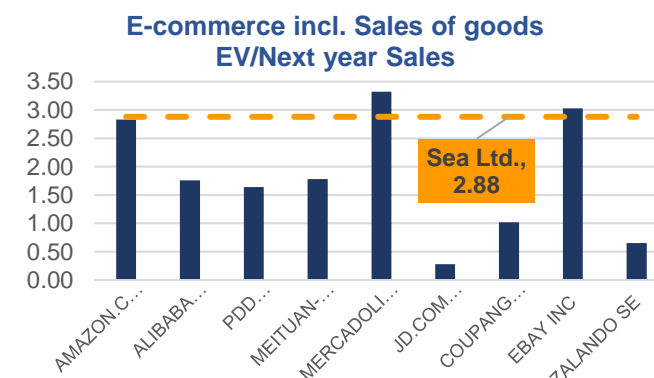
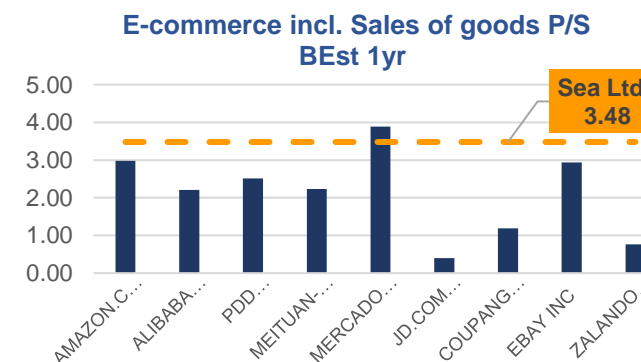
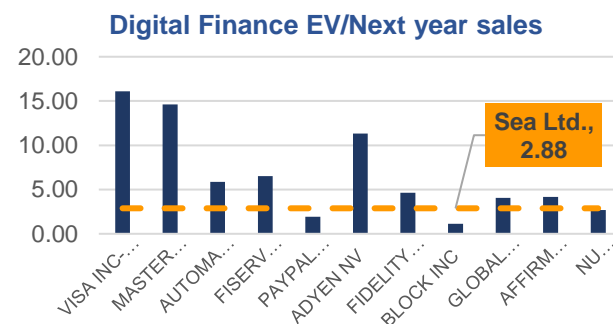
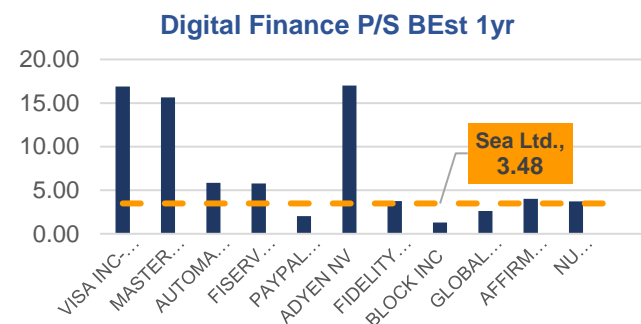
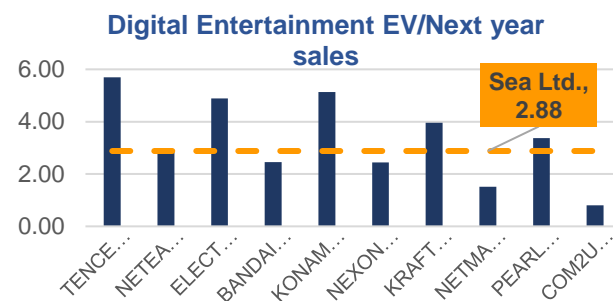
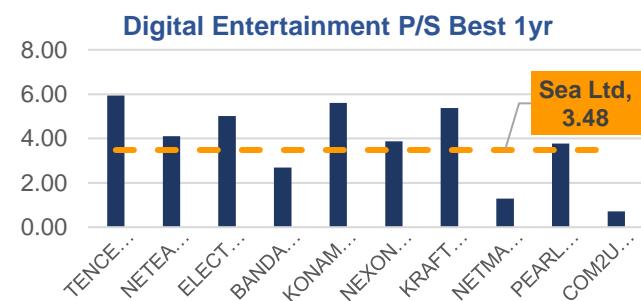
	P/S BEst 1yr	EV/Next year sales
Median	2.51	1.78

### Calculations

	P/S BEst 1yr	EV/Next year sales
Implied EV as a whole		37,655.15
Cash	8,620.58	
Debt	4,110.63	
Implied equity value	53,097.99	42,165.09
Implied share price	100.79	80.04

Sources: Bloomberg Terminal

# Valuation using Comparables (Sum of the parts)



## Implied share price

### Sea Ltd's projected 2025E Financials

	EBITDA	Sales
E commerce incl. Sales of goods	130.3	1,5942.72
Digital entertainment	564.3	2,139.86
Digital Financial Services	150.3	3,072

### Median Values for Selected Multiples

Median Values for selected multiples	P/S BEst 1yr	EV/Next year sales
Digital Entertainment	3.99	3.145
Digital Finance	4.01	4.63
E-commerce incl. Sales of goods	2.23	1.76

### Calculations

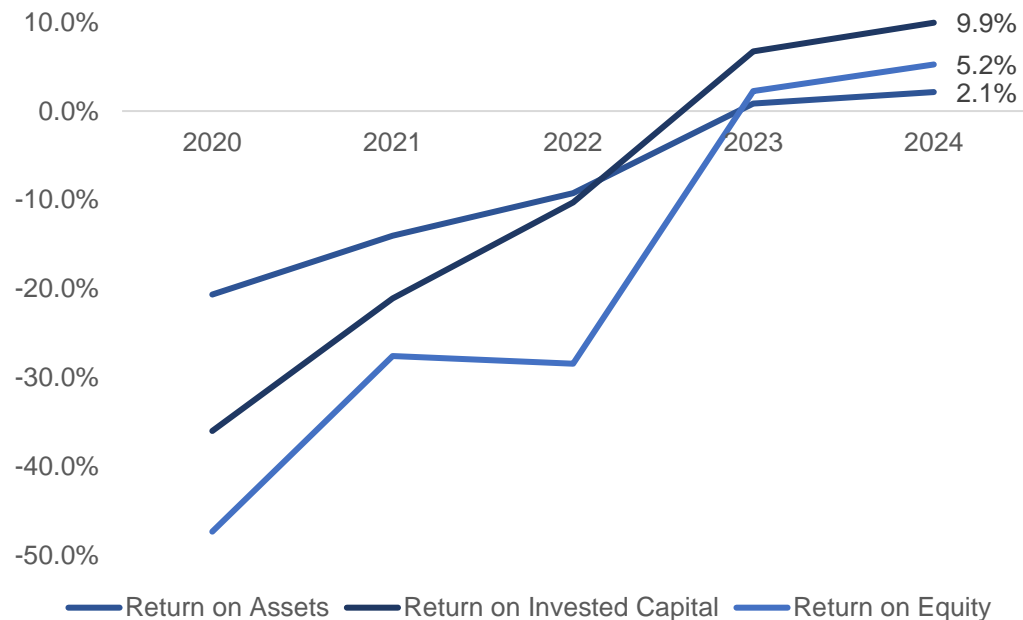
Implied EV by business lines	P/S BEst 1yr	EV/Next year sales
E commerce incl. Sales of goods	35,552.26	28,059.18
Digital entertainment	8,538.04	6,729.86
Digital Financial Services	12,318.72	14,223.36
Implied Enterprise Value (EV)		49,012.40
Cash	8,620.58	
Debt	4,110.63	
Implied equity value	56,409.02	53,522.34
Implied share price	107.08	101.60

Sources: Bloomberg Terminal

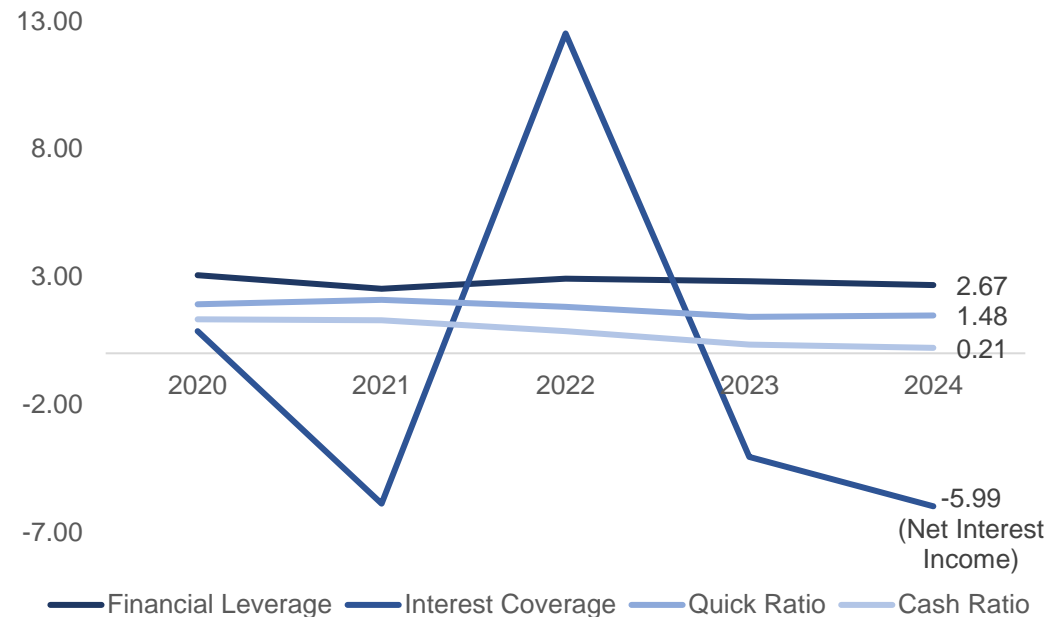


# Financial Health Diagnosis

## Sea Ltd's Enhancing Return Performances



## Sea Ltd's Stable Solvency & Liquidity

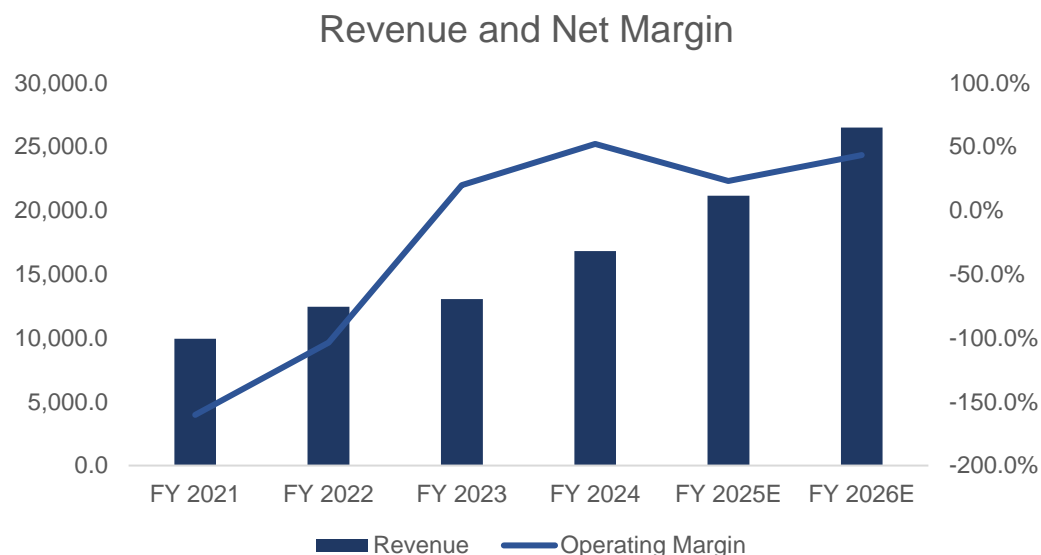


*Sea Ltd is financially healthy and stable while operating at a better efficiency.*

**Sea Ltd's Altman Z-score = 3.54 (Safe zone: > 3); Beneish M-Score = -3.03 (Less Likely a Manipulator < -1.78)**

# Financial Projection & Analysis

## Surges in Revenue & Operating Margin



*Sea Ltd is gradually realizing its **massive top-line growth and profitability**, thanks to improved GMV (Shopee) and better user experience (Shopee & Garena).*

Sources: Bloomberg and Financial Forecasts

## What Do We Expect?

**~17%** *Estimated CAGR in Revenue in the next 10 years*

**~19%** *Forecasted CAGR in FCFF in the next 10 years*

## Valuation Assumptions

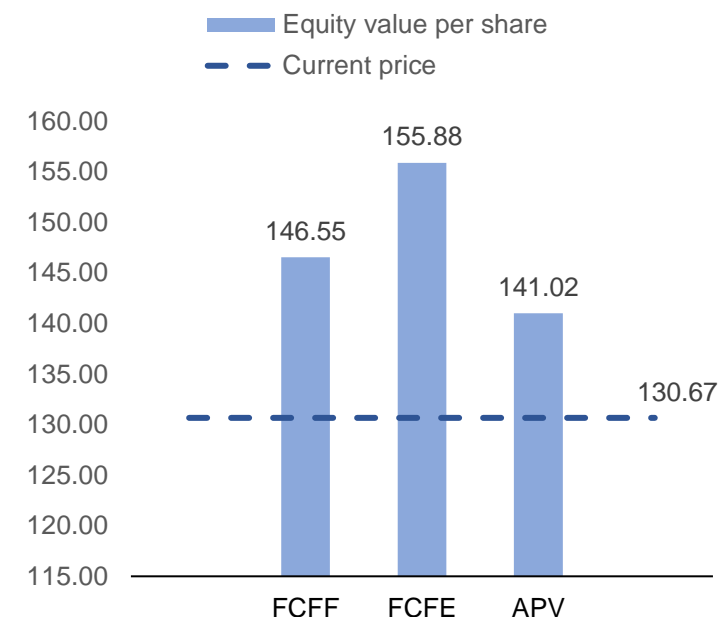
FCFF	FCFE	APV
<b>4.3%</b> <i>LT growth for Terminal Value calculation (ASEAN's GDP growth rate by IMF prediction)</i>	<b>2.1%</b> <i>Pre-tax Cost of Debt</i>	
<b>13.9%</b> <i>Estimated Levered WACC with 6.9% Debt</i>	<b>40%</b> <i>Effective tax rate for all forecast periods</i>	

**Adjusted Present Value (APV) approach does not need us to assume constant Debt / Value ratio for every forecast period.**

# Discounted Cash Flow (DCF) Valuations

**Sea Ltd's DCF valuations indicate upsides to current price**

SE: Valuation (US\$ m)	FCFF	FCFE	APV
<b>Enterprise value</b>	<b>72,801.3</b>		<b>69,887.0</b>
Add in initial (year 0) cash and mkt. securities	8,620.6		8,620.6
Asset value in year 0	81,421.9		78,507.6
Subtract out value of firm's debt today	4,110.6		4,110.6
Subtract out value of firm's pref shares today	0.0		0.0
Subtract out minority interest today	105.2		105.2
Equity value	77,206.0	82,120.0	74,291.7
Total number of shares	526.8	526.8	526.8
<b>Equity value per share</b>	<b>146.55</b>	<b>155.88</b>	<b>141.02</b>
Upside/ (Downside)	12.2%	19.3%	7.9%



**Current share price might be a mix of results caused by:  
transitory macroeconomic effects e.g. announcements of tariffs + market's overreaction + normal market volatility**

# Sensitivity Analysis

## FCFF

		WACC				
Long-term Growth Rate	146.55	12.9%	13.4%	<b>13.9%</b>	14.4%	14.9%
	3.3%	156.21	146.89	138.51	130.94	124.08
	3.8%	161.28	151.28	142.33	134.29	127.01
	<b>4.3%</b>	166.95	156.16	146.55	137.96	130.23
	4.8%	173.31	161.60	151.24	142.02	133.76
	5.3%	180.52	167.72	156.47	146.52	137.66

## APV

		Unlevered WACC, rA				
Long-term Growth Rate	141.02	12.9%	13.4%	<b>13.9%</b>	14.4%	14.9%
	3.3%	142.42	137.61	133.02	128.63	124.42
	3.8%	146.57	141.59	136.82	132.27	127.91
	<b>4.3%</b>	151.15	145.97	141.02	136.29	131.75
	4.8%	156.25	150.85	145.68	140.75	136.03
	5.3%	161.93	156.29	150.89	145.73	140.80

## FCFE

		Cost of Equity				
Long-term Growth Rate	155.88	13.8%	14.3%	<b>14.8%</b>	15.3%	15.8%
	3.3%	166.55	156.76	147.89	139.82	132.45
	3.8%	171.51	161.10	151.71	143.18	135.43
	<b>4.3%</b>	177.01	165.88	155.88	146.85	138.66
	4.8%	183.11	171.16	160.47	150.86	142.18
	5.3%	189.93	177.03	165.55	155.28	146.04

*Sea Ltd's DCF valuations are more sensitive to discount rates for FCFF and FCFE approaches, we therefore prefer APV that is less sensitive to unlevered or pre-tax WACC.*



## What Do Other Analysts Have to Say about Sea Ltd's Valuations

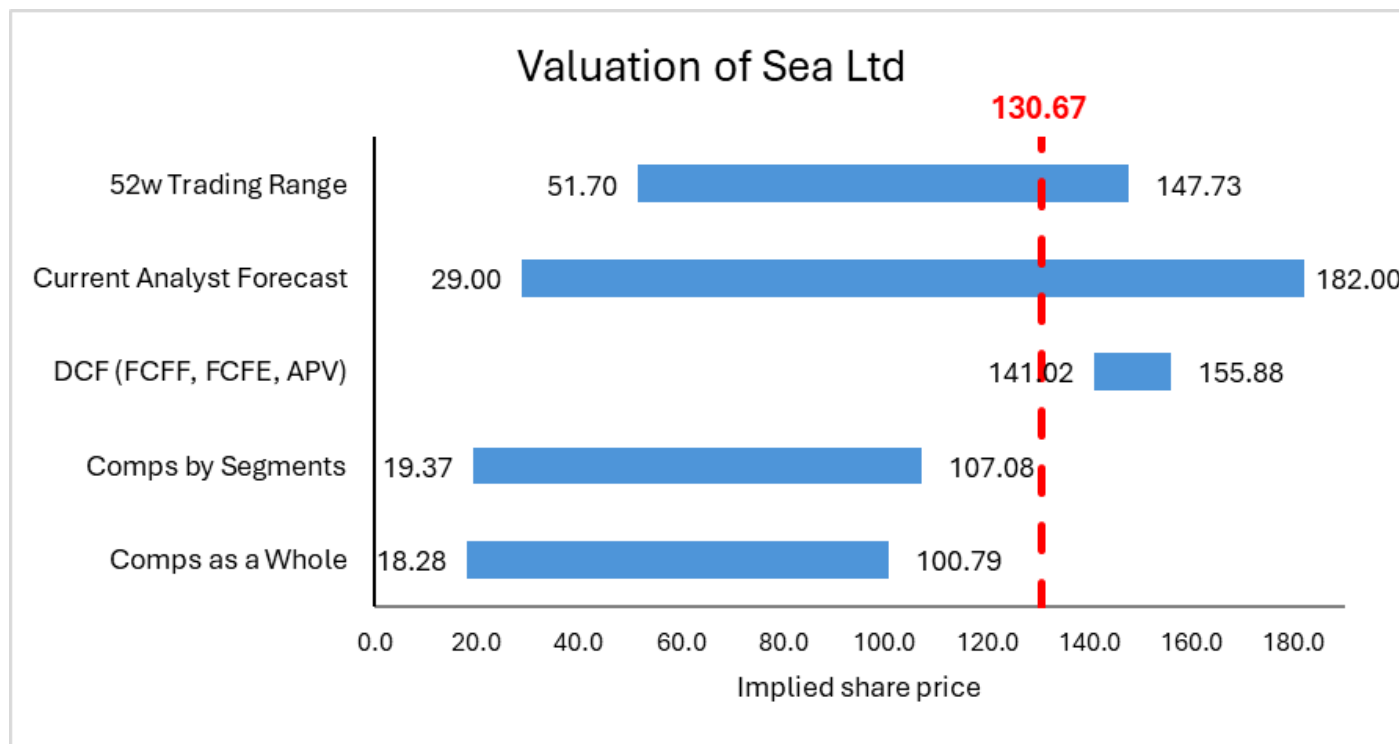
*Most of them are optimistic about Sea Ltd, at an average consensus target price of US\$155.54, which is **19% above the current market price of US\$130.67.***

*Do we agree on their views?*

Recommendation	No. of Analysts	% Total
<b>Buy</b>	35	87.5%
<b>Hold</b>	4	10.0%
<b>Sell</b>	1	2.5%
<b>Average Analyst Consensus Target Price</b>		\$155.54 (19.0% upside)

***"I am naturally drawn to numbers but one of the ironies of working with numbers is that the more I work with them, the more skeptical I become about purely number-driven arguments."***  
 ~ Aswath Damodaran

# Football Field of Sea Ltd's Valuations



Our choice of target price is based on DCF's APV approach, yielding **US\$141.02** per share.

Comparable analysis, which provides us with a wide range of implied share prices due to the company's **early stage of growth**, may not give us apple-to-apple comparisons against international large-cap companies.

Current price of US\$130.67 (as of March 28, 2025) is considered undervalued given the company's growth prospect and improving profitability.

**We rate and recommend Sea Ltd a BUY with target price of US\$ 141.02 with potential upside of 7.9% (as of March 28, 2025).**