

Regional Company Update

SEA Ltd

Bloomberg: SE US | Reuters: SE.US

Refer to important disclosures at the end of this report

DBS Group Research. Equity

7 Dec 2020

BUY

Last Traded Price (4 Dec 2020): US\$198.8 (NYSE: 14,217.18)

Price Target 12-mth: US\$228 (15% upside) (Prev US\$204)

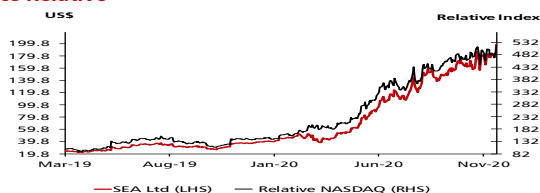
Analyst

Sachin MITTAL +65 66823699 sachinmittal@db.com

What's New

- Secured a Digital Full Bank (DFB) licence in Singapore
- DFB licence expected to accelerate growth of SeaMoney (digital financial services) across Greater Southeast Asia region
- Maintain BUY with a revised TP of US\$228 mainly on higher valuation for digital financial services

Price Relative



Forecasts and Valuation

FY Dec (US\$m)	2019A	2020F	2021F	2022F
Revenue	2,175	5,053	7,738	10,232
EBITDA	(770)	(257)	(204)	339
Pre-tax Profit	(1,372)	(502)	(524)	(91.7)
Net Profit	(1,463)	(505)	(527)	(92.1)
Net Pft (Pre Ex.)	(1,463)	(505)	(527)	(92.1)
Net Pft Gth (Pre-ex) (%)	(52.2)	65.5	(4.4)	82.5
EPS (US cts.)	(335)	(109)	(114)	(19.9)
EPS Pre Ex. (US cts.)	(335)	(109)	(114)	(19.9)
EPS Gth Pre Ex (%)	(19)	67	(4)	83
Diluted EPS (US cts.)	(432)	(109)	(114)	(19.9)
Net DPS (US cts.)	0.0	0.0	0.0	0.0
BV Per Share (US cts.)	266	142	28.3	8.34
PE (X)	nm	nm	nm	nm
PE Pre Ex. (X)	nm	nm	nm	nm
P/Cash Flow (X)	nm	398.5	102.3	59.2
EV/EBITDA (X)	nm	nm	nm	265.9
Net Div Yield (%)	0.0	0.0	0.0	0.0
P/Book Value (X)	74.7	139.7	703.0	2383.5
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	(318.2)	(55.5)	(133.7)	(108.9)
Earnings Rev (%):		0	0	0
Consensus EPS (US cts.):		(248)	(153)	(34.7)
Other Broker Recs:		B: 16	S: 2	H: 2

Source of all data on this page: Company, DBS Bank, Bloomberg Finance L.P.



Brain Box

(Our NEW Pilot Research Platform) is available to Institutional Investors on Demand. Please contact your DBSV Institutional Sales contact for a demonstration.

Banking licence to accelerate regional growth

Investment Thesis:

Maintain BUY on surging popularity of Free Fire. Sea Ltd's (SE) in-house developed game Free Fire continues to benefit from COVID-19 movement restrictions and ban on the PUBG game in India, one of its largest markets. SE's mounting cash flow from its gaming business is a big competitive edge in; (i) consolidating its leadership position in the e-commerce business, and (ii) kick-starting growth of its nascent payment business.

Winning the Digital Full Bank (DFB) licence recently is expected to accelerate growth in the digital financial services.

We project FY19-22F adjusted revenue compound annual growth rate (CAGR) of 91% for e-commerce, 34% for gaming and 124% for digital financial services.

Potential catalysts: Growth in e-commerce adjusted revenue, coupled with sustained growth in profits in the gaming business are potential analysts.

Valuation:

Maintain BUY with a revised TP of US\$228. The change in our target price (TP) is derived from; (i) a fair value of US\$22 (previously US\$2) for digital financial services (DFS) as we switch to Enterprise Value (EV) to user base (from EV to revenue earlier) and, (ii) a fair value of US\$83 (previously US\$80) for the gaming business on higher Price to Earnings Ratio (PER) of 24x (previously 23x) based on peer valuation

Where we differ:

Our FY20F/21F adjusted revenue are 10% above consensus. SE might burn more cash in the e-commerce business to raise its market share further. We expect the e-commerce and DFS segments to continue to report adjusted earnings before interest, taxes, depreciation and amortisation (EBITDA) losses in FY20F/21F due to the intense competition.

Key Risks to Our View:

Key risks are over-dependence on Free Fire and weak cross-border commerce business. Our projections could be at risk if Free Fire slows down next year and if SE is unable to develop a pipeline of new games. For e-commerce, cross-border revenue could disappoint due to regulatory issues.

At A Glance

Issued Capital (m shrs)	494
Mkt. Cap (US\$m/US\$m)	67,941 / 67,941
Major Shareholders (%)	
Gang Ye	9.2
T Rowe Price Group Inc	8.1
Capital GroupCos Inc/The	7.6
Free Float (%)	67.7
3m Avg. Daily Val (US\$m)	569.9
GIC Industry : Communication Services / Media & Entertainment	



Live more, Bank less

WHAT'S NEW

Secures a Digital Full Bank (DFB) licence in Singapore

Sea wins a Digital Full Bank (DFB) licence. On 4th December 2020, the Monetary Authority of Singapore (MAS) announced that it had awarded SE the licence to operate as a DFB in Singapore. 14 out of the 21 digital bank applicants met the eligibility criteria. Two banks secured licences to function as a DFB while two other banks were awarded the licence to function as a Digital Wholesale Bank (DWB). MAS assessed all applicants based on three factors; 1) value proposition, 2) ability to manage a prudent and digital banking model and, 3) growth prospects and contribution to Singapore's financial centre.

According to MAS, the recipients of the licences are obligated to meet all relevant prudential requirements and licensing pre-conditions prior to MAS granting the respective banking licences. MAS anticipates the new digital banks to begin commercial operations by early 2022.

Enhance footprint in the digital landscape through the DFB licence. SE is the first applicant to bid solo for a DFB licence. Its licence award seems ideal because SE has a trio of digital services; 1) Garena (digital entertainment), 2) Shopee (e-commerce) and, 3) SeaMoney (digital financial services). Obtaining the licence to operate as a fully-fledged digital bank would allow them to cater to the users it acquired through its three core business segments while offering banking services to the underserved segments and small and medium businesses in Singapore.

The expected impact from the DFB licence is quite promising. Sea's gaming arm is primarily led by the first self-developed game Free Fire which continues to have a robust user base. The paying users as a percentage of 11.4% of the active users in 3Q20 implying the monetization efforts are being effective. Millennials might find it comfortable to maintain a bank account at Sea who also use its gaming platform.

Three key parameters for market share gains and achieve profitability. We believe that SE conforms to three parameters that would be critical in acquiring users and achieving profitability for its DFB business. These parameters are user base, technology and high frequency and real time data.

In the meanwhile, its e-commerce (arm, Shopee is growing in terms of gross merchandise value (GMV) and has become one of the top e-commerce platforms across Southeast Asia. Shopee's presence in the Southeast Asian region is pivotal to introduce region wide digital financial facilities through the newly obtained DFB licence. Being able to take customer deposits and serve as a lender for its merchants would give Sea an edge over its e-wallet competitors.

DFS user base to benefit from its other popular platforms

	1Q20	2Q20	3Q20
Digital entertainment (quarterly active users)	402.1	499.8	572.4
Digital entertainment (quarterly paying users)	35.8	49.9	65.3
Digital Financial Services (quarterly paying users)	10.0	15.0	17.8
E-commerce (monthly web visits in Indonesia – Shopee's largest market)	71.5	93.4	96.5

Source: Company, iPrice Group, DBS Bank

Pertaining to SeaMoney, Sea's digital financial services (DFS) arm is also seeing an increased usage strongly buttressed by the growth in e-commerce segment. The total payment volume (TPV) has more than doubled from US\$1.0bn in 1Q20 to US\$2.1bn in 3Q20 while the number of users has also increased from 8.0m to 17.8m during the same period. In October 2020, SeaMoney accounted for more than 30% of Shopee's total gross orders in the region. The DFB licence will only enable Sea to accelerate its growth in SeaMoney and establish itself as a leading digital financial services provider in Southeast Asia. E-commerce is highly under penetrated in Southeast Asia, for instance, the penetration rate in Indonesia is less than 3% implying there is a plethora of opportunities in terms of acquiring users.

We arrived at these three key parameters using Kakao Bank of South Korea as a proxy. Kakao Bank is the only profitable digital only bank in a well-banked Asian country. South Korea's demographics are similar to Singapore.

Key parameters for Sea's DFB business to succeed

Key Parameters	
User base	<ul style="list-style-type: none"> SE's first self-developed game Free Fire, a battle royale game, has continued to acquire users who are actively engaged while improving its paying users. Monetisation of the game can be carried out through the DFB. Shopee is now the undisputed leader in e-commerce across the Southeast Asian region. In 3Q20, Shopee was ranked number one in the Shopping category by downloads, average monthly active users, and total time spent in Android apps across Southeast Asia and Taiwan. Over 30% of Shopee's total gross orders are carried out by SeaMoney. The DFB licence will also enable SE to take deposits and offer lending services to its merchants, accelerating growth. SeaMoney's existing user base of 17.8m will only accelerate growth through the DFB licence
Technology	SE is a tech giant which competes against major gaming and e-commerce players. Its acquisition of Phoenix Labs was in line with its investment strategies.
High frequency and real time data	Large volumes of high frequency and real time data are prevalent in all three of SE's platforms which can be exploited to offer reasonable and reliable internal credit models.

Source: Company, DBS Bank

Our adjusted revenue and EBITDA estimates

	17A	18A	19A	20F	21F
Adjusted Revenue					
Digital Entertainment	495.9	661.0	1,767.4	3,108.2	3,605.1
E-Commerce & Other Services	41.4	374.2	1,138.0	2,705.9	4,697.5
Digital Financial Services	16.3	13.5	11.2	40.0	78.0
	553.6	1,048.7	2,916.6	5,854.2	8,380.6
Adjusted EBITDA					
Digital Entertainment	174.9	262.5	1,021.9	1,958.2	2,090.9
E-Commerce & Other Services	(462.5)	(914.4)	(1,071.4)	(1,330.9)	(1,632.3)
Digital Financial Services	(36.7)	(32.2)	(113.4)	(420.6)	(428.0)
Unallocated expenses	(36.5)	(68.1)	(132.8)	-	-
Share based compensation	28.6	58.1	117.1	-	-
	(332.1)	(694.0)	(178.6)	206.8	30.7

Source: Companies, DBS Bank

We maintain BUY with a revised TP of US\$228. SE continues to exceed expectations in both digital entertainment and e-commerce segments. The company's first self-developed game is highly anticipated to increase its paying users, while Shopee

is expected to continue its dominance in Indonesia and improve its monetisation. Sea's DFB licence is expected to accelerate growth of its DFS arm. Using a sum-of-the-parts (SOTP) valuation methodology, we have arrived at a valuation of US\$112bn resulting in a per share target price (TP) of US\$228.

		Amount (US\$ m)	Multiple	Enterprise Value (US\$m)	Per Share (US\$)
Digital Entertainment	P/12-month forward earnings	1,716	24.0	41,174	83.35
E-commerce and other service	P/FY21F e-commerce GMV	59,267	1.0	59,267	119.98
Digital Financial Services	EV/FY22F SeaMoney users	50	215.4	10,769	21.80
Total Enterprise Value				111,210	225.14
Net cash/(debt)				1,228	2.49
Minority interest				(10)	
Equity Value				112,427	
Number of shares (m)				493.96	
Price per share				227.60	

Source: Reuters, DBS Bank

Our valuation for the Digital Entertainment (DE) segment stands at US\$41bn (US\$83 per share), at a price to 12-month forward earnings multiple of 24.0x. The DE segment's earnings have displayed robust growth over the last eight quarters. We believe the PE multiple might reflect an appropriate valuation for the DE segment. The PE multiple of 24.0x (vs 23.0x earlier) is based on a 60%/40% split between gaming developers and publishers. The weightage is in line with the company's long-term earnings expectations.

Peer Analysis – Digital Entertainment (Garena)

Company Name	12-month forward Price to Earnings (PE)
Major Gaming Developers	
Nintendo Co Ltd	18.55
Activision Blizzard Inc	23.63
Take Two Interactive Software	32.47
NetEase Inc	23.09
NHN Entertainment Corp	18.02
Average	23.15
Major Gaming Publishers	
Square Enix	23.2
NCSOFT	28.4
Nexon	25.3
Netmarble	40.7
Average	25.4
Long term game development contribution	60%
Long term game publishing contribution	40%
P/E	24.1

Source: Reuters, DBS Bank

We value the e-commerce (EC) arm at US\$59bn (US\$120 per share) at a price to 12-month forward GMV of 1.0x. The multiple of 1.0x is based on Chinese and global peers with similar growth profiles with Shopee. Its Chinese peers are trading at P/12-month forward GMV multiples of 0.3-0.6x while its global peers are trading at multiples averaging ~3.1x. Given SE's market concentration in Southeast Asia, we have given the global peer multiples a discount of 50%. Shopee's major categories 'Fashion' and 'Beauty' are starting to pick up despite being discretionary product segments and are expected to further contribute to Shopee's top line. We believe GMV-based metrics are more suitable to value Shopee at this juncture, given the 67%+ projected growth in GMV during FY19-FY22F. We do not opt for earnings-based multiples due to the lack of clarity on when Shopee could generate positive EBITDA. We have switched from sales-based metrics to GMV-based metrics given the management's continued focus on gaining market share at the cost of commission revenue.

Peer Analysis – E-commerce (Shopee)

Company Name	Price to 12-month forward GMV	Discount	Multiple
Major E-commerce players			
JD.com	0.33	0%	0.33
Mercadolibre	3.41	50%	1.71
Amazon	2.87	50%	1.44
P/GMV			1.01

Source: Reuters, DBS Bank

SEA Ltd

We value the digital financial services (DFS) segment at US\$11bn (US\$22 per share). Previously, we used EV to FY21F adjusted revenue multiple to arrive at the per share value for the DFS segment. Since SE has obtained the licence to function as a DFB in Singapore, SE will expect SeaMoney to offer region- wide digital financial services to accelerate growth of SeaMoney. We believe a metric which captures the rising user base seems prudent to value the DFS arm. Therefore, we value the DFS segment using EV to FY22F expected user base multiple of 215.4x resulting in a valuation of US\$11bn. The multiple of 215.4x was arrived at by factoring a 20% discount to the projected multiple of a major Chinese financial technology (fintech) player

Peer Analysis – Digital Financial Services (SeaMoney)

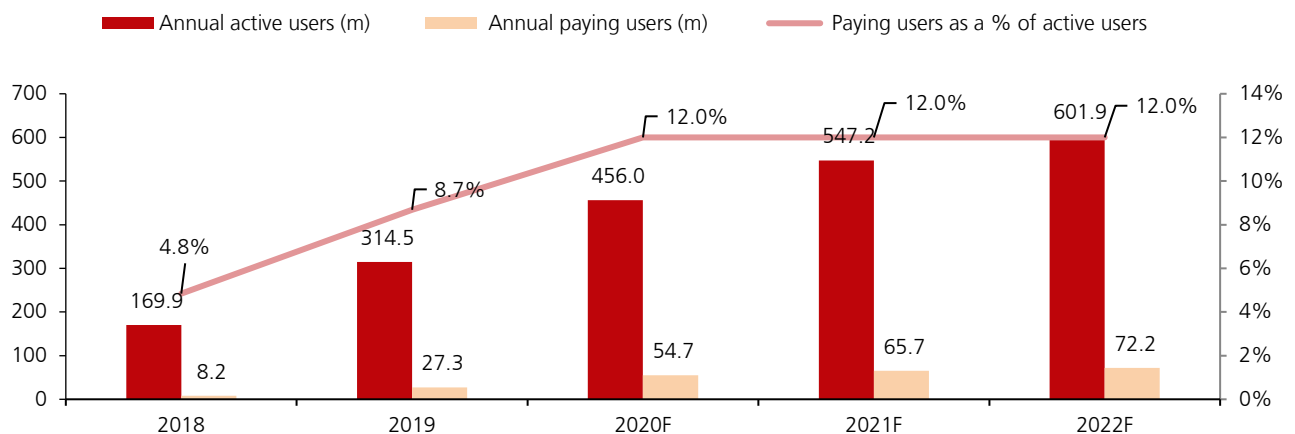
Chinese Fintech Player	Enterprise Value to FY22F SeaMoney user base
Number of users as of June 2020 (bn)	1.3
EV/user base	269.23
Discount	20%
EV/Sea Money user base	215.38

Source: BBC, TechCrunch, DBS Bank

Leading indicators for Garena

1. Average Annual Active Users and Paying Users

Garena: Average Annual Active and Paying users



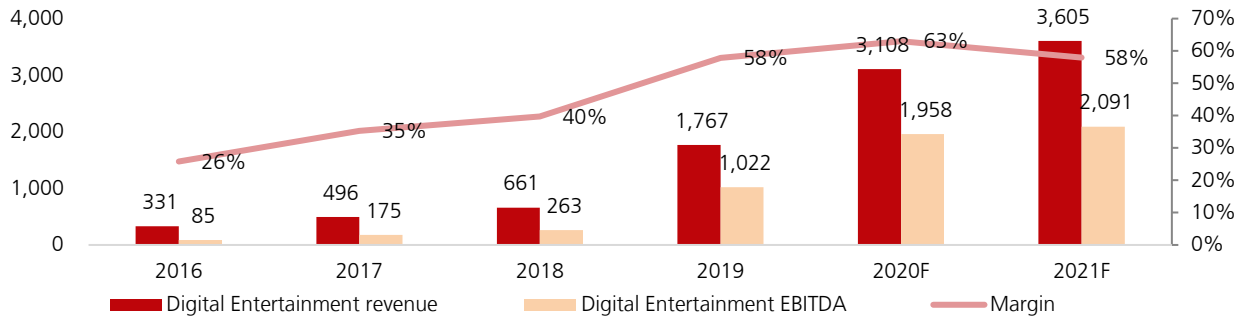
Source: Company, DBS Bank

As more new content are launched with Free Fire’s regular updates, paying users as a % of active users have continued to improve. In 3Q20, paying users as a % of active users stood at 11.4%, the highest ever. It reached ~65.3m in quarterly paying users (+31% q-o-q). Annual active users by the end of FY20F could possibly increase to 456m. In our view, 4Q20F might witness a strong quarter in terms of user base and engagement due to two reasons, (1) movement restrictions and, (2) PUBG ban in India. Free Fire has been launching several initiatives in India to capture PUBG’s market share. Free Fire has claimed the number one spot as the highest grossing game for both Android and iOS platforms in India.

Continuous roll out of new content and features is critical to retain and increase users, especially paying users which will enable effective monetisation. As of 3Q20, average revenue per user stood at US\$1.5, rising from US\$1.4 in 2Q20 indicating that users are willing to pay for in-game contents. Changes in Garena’s quarterly paying users indicate the success of published and developed games by SE and indicate the potential success of games launched by the company.

2. EBITDA margin

Garena: Revenue, EBITDA, EBITDA margin (Adjusted, US\$m)



Source: Company, DBS Bank

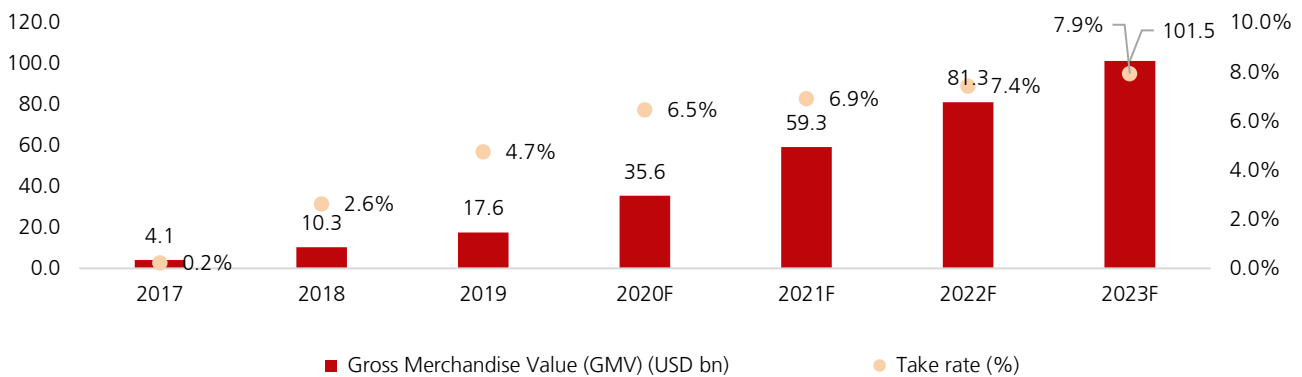
DE margins reached 62% in 3Q20 and are expected to record 63% by FY20F. Deepening paying user penetration and rise in active users drive the growth in digital entertainment revenue. Free-Fire has been a well-received entry in the Battle Royale

genre in FY19, and the game could continue to put up strong numbers in FY20F supported by its resilient performance in 9M20.

Leading indicators for Shopee

1. Gross Merchandise Value (GMV)

E-commerce GMV and take rate



Source: Company, DBS Bank

GMV is the total value of orders of products and services in the Shopee marketplace. The market leadership of an e-commerce platform is generally assessed using the GMV in a given period of time. The pandemic has been a major catalyst in driving Shopee's GMV and boosted orders over the past few months. For instance, food, groceries and household items have witnessed surging demand followed by health supplements which are generally higher-GMV items. Other contributing categories include toys and games and followed by electronics. These categories are generally higher in GMV compared to Shopee's pre-COVID categories of health, beauty and fashion.

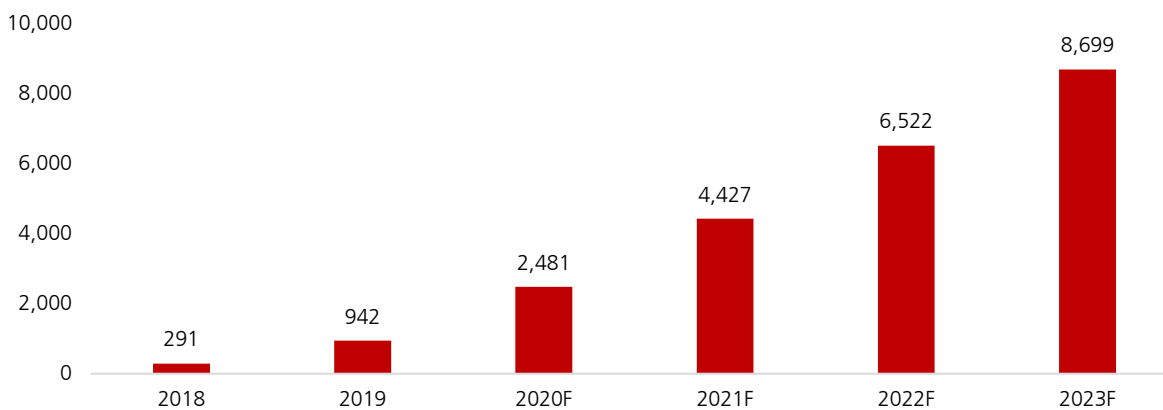
Shopee will continue to invest to capture market share instead of monetising. The pandemic has forced many sellers and brands as well as mid-sized small and medium enterprises (SMEs) to go online. This presents an opportunity for Shopee to add a larger assortment of sellers to its platform. Adding more sellers will expand the ecosystem and growth in the industry. This will also allow Shopee to be more scalable to monetise.

We expect Shopee's GMV to reach ~US\$35.6bn in FY20F, led by deeper penetration into the Greater Southeast Asia region, particularly Indonesia, one of the fastest growing e-commerce markets in the region. Indonesia currently accounts for ~40% of Shopee's orders. Shopee is currently focusing on expanding its foothold in the underpenetrated e-commerce regions in Southeast Asia instead of monetising commission revenue. We expect Shopee's GMV from e-commerce to expand to US\$59.3bn by FY21F vs. US\$17.6bn in FY19, growing at a FY19-21F CAGR of ~84% more sellers will expand the ecosystem and growth in the industry. This will also allow Shopee to be more scalable to monetise.

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2. Adjusted revenue

E-commerce adjusted revenue (US\$m)



Source: Company, DBS Bank

E-commerce segment's adjusted revenue is a non-GAAP (Generally Accepted Accounting Principle) measure which combines sales revenue of the e-commerce segment (consisting of adjusted marketplace revenue and adjusted product revenue) with the net effect of sales incentives. Shopee's adjusted revenue of the e-commerce segment

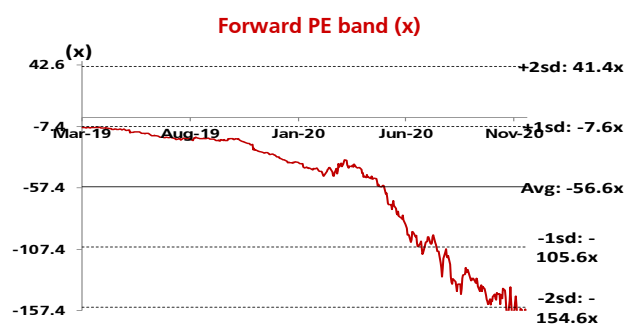
comprises 50% from commission revenue and the remaining from value added services. We expect the e-commerce segment's adjusted revenue to reach US\$4.4bn by FY21F, growing at a FY19-21F CAGR of ~117, accelerated by COVID-19 movement restrictions and the rising popularity of cross-border e-commerce purchases.

Company Background

Sea Limited (Sea) engages in the digital entertainment, e-commerce, and digital financial service businesses primarily in seven countries across Greater Southeast Asia.

SEA Ltd

Historical PE and PB bands



Source: Bloomberg Finance L.P., DBS Bank estimates

Key Assumptions

FY Dec	2018A	2019A	2020F	2021F	2022F
Annual active users of	170	314	456	547	602
Shopee Orders (m)	605	1,212	2,666	4,532	6,344
Shopee Merchandise	17.0	14.5	13.3	13.1	12.8

Segmental Breakdown

FY Dec	2018A	2019A	2020F	2021F	2022F
Revenues (US\$m)					
Digital Entertainment	462	1,136	2,491	3,290	3,769
E-Commerce	270	834	2,297	4,099	6,039
Digital Financial Services	11.5	9.22	40.0	78.0	127
Others	0.0	0.0	0.0	0.0	0.0
Total	827	2,175	5,053	7,738	10,232

SEA Ltd

Income Statement (US\$m)

FY Dec	2018A	2019A	2020F	2021F	2022F
Revenue	827	2,175	5,053	7,738	10,232
Cost of Goods Sold	(812)	(1,570)	(3,050)	(4,454)	(5,445)
Gross Profit	14.8	605	2,004	3,284	4,787
Other Opng (Exp)/Inc	(1,004)	(1,496)	(2,455)	(3,757)	(4,828)
Operating Profit	(989)	(891)	(452)	(474)	(41.1)
Other Non Opg (Exp)/Inc	54.7	(463)	0.0	0.0	0.0
Associates & JV Inc	(3.1)	(3.2)	(3.2)	(3.2)	(3.2)
Net Interest (Exp)/Inc	(19.8)	(14.3)	(47.3)	(47.3)	(47.3)
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	(957)	(1,372)	(502)	(524)	(91.7)
Tax	(4.1)	(85.9)	(2.5)	(2.6)	(0.5)
Minority Interest	(0.2)	(5.1)	0.0	0.0	0.0
Preference Dividend	0.0	0.0	0.0	0.0	0.0
Net Profit	(961)	(1,463)	(505)	(527)	(92.1)
Net Profit before Except.	(961)	(1,463)	(505)	(527)	(92.1)
EBITDA	(910)	(770)	(257)	(204)	339
Growth					
Revenue Gth (%)	99.7	163.1	132.3	53.1	32.2
EBITDA Gth (%)	(97.2)	15.4	66.7	20.5	nm
Opg Profit Gth (%)	96.8	(9.9)	(49.3)	4.8	(91.3)
Net Profit Gth (Pre-ex) (%)	(71.5)	(52.2)	65.5	(4.4)	82.5
Margins & Ratio					
Gross Margins (%)	1.8	27.8	39.6	42.4	46.8
Opg Profit Margin (%)	(119.6)	(41.0)	(8.9)	(6.1)	(0.4)
Net Profit Margin (%)	(116.2)	(67.2)	(10.0)	(6.8)	(0.9)
ROAE (%)	(851.1)	(318.2)	(55.5)	(133.7)	(108.9)
ROA (%)	(46.0)	(39.4)	(9.4)	(8.8)	(1.3)
ROCE (%)	(83.8)	(45.4)	(16.9)	(22.0)	(2.2)
Div Payout Ratio (%)	N/A	N/A	N/A	N/A	N/A
Net Interest Cover (x)	(50.0)	(62.4)	(9.6)	(10.0)	(0.9)

Source: Company, DBS Bank

SEA Ltd

Quarterly Income Statement (US\$m)

FY Dec	2Q2019	3Q2019	4Q2019	1Q2020	2Q2020
Revenue	436	610	777	715	882
Cost of Goods Sold	(339)	(407)	(512)	(508)	(681)
Gross Profit	97.4	203	265	207	201
Other Oper. (Exp)/Inc	(332)	(391)	(495)	(475)	(574)
Operating Profit	(235)	(187)	(230)	(268)	(373)
Other Non Opg (Exp)/Inc	1.93	9.08	(0.6)	26.6	45.0
Associates & JV Inc	(1.1)	(1.1)	(0.7)	(1.1)	(0.5)
Net Interest (Exp)/Inc	0.62	(1.1)	(7.8)	(15.3)	(37.4)
Exceptional Gain/(Loss)	(31.8)	1.77	(6.8)	(0.1)	0.0
Pre-tax Profit	(265)	(179)	(246)	(258)	(366)
Tax	(15.3)	(27.4)	(36.0)	(23.2)	(27.8)
Minority Interest	(1.0)	(1.5)	(1.9)	(0.7)	0.57
Net Profit	(281)	(208)	(284)	(282)	(393)
Net Profit bef Except.	(249)	(209)	(277)	(281)	(393)
EBITDA	(205)	(155)	(196)	(230)	(331)

Growth

Revenue Gth (%)	24.0	39.9	27.4	(8.0)	23.4
EBITDA Gth (%)	3.8	24.5	(26.1)	(17.4)	(44.1)
Opg Profit Gth (%)	(2.0)	(20.1)	22.7	16.4	39.3
Net Profit Gth (Pre-ex) (%)	(1.9)	(16.0)	32.3	1.6	39.6

Margins

Gross Margins (%)	22.3	33.3	34.1	28.9	22.8
Opg Profit Margins (%)	(53.8)	(30.7)	(29.6)	(37.4)	(42.3)
Net Profit Margins (%)	(64.4)	(34.0)	(36.5)	(39.4)	(44.6)

Balance Sheet (US\$m)

FY Dec	2018A	2019A	2020F	2021F	2022E
Net Fixed Assets	192	319	365	498	666
Invts in Associates & JVs	26.3	35.5	32.3	29.0	25.8
Other LT Assets	263	460	782	1,242	1,836
Cash & ST Invts	1,004	3,221	2,888	2,923	3,334
Inventory	37.7	26.9	62.6	95.8	127
Debtors	97.8	187	434	665	880
Other Current Assets	572	975	975	975	975
Total Assets	2,193	5,224	5,540	6,429	7,843
ST Debt	0.86	57.6	57.6	57.6	57.6
Creditor	37.2	69.4	161	247	326
Other Current Liab	1,148	2,235	2,964	4,295	5,721
LT Debt	1,063	1,501	1,501	1,501	1,501
Other LT Liabilities	183	188	188	188	188
Shareholder's Equity	(243)	1,162	658	131	38.6
Minority Interests	3.68	10.2	10.2	10.2	10.2
Total Cap. & Liab.	2,193	5,224	5,540	6,429	7,843
Non-Cash Wkg. Capital	(478)	(1,116)	(1,653)	(2,805)	(4,066)
Net Cash/(Debt)	(60.2)	1,663	1,330	1,365	1,776
Debtors Turn (avg days)	35.2	23.9	22.4	25.9	27.6
Creditors Turn (avg days)	11.4	13.4	14.7	17.8	20.6
Inventory Turn (avg days)	11.8	8.1	5.7	6.9	8.0
Asset Turnover (x)	0.4	0.6	0.9	1.3	1.4
Current Ratio (x)	1.4	1.9	1.4	1.0	0.9
Quick Ratio (x)	0.9	1.4	1.0	0.8	0.7
Net Debt/Equity (X)	CASH	CASH	CASH	CASH	CASH
Net Debt/Equity ex MI (X)	CASH	CASH	CASH	CASH	CASH
Capex to Debt (%)	16.7	15.8	36.2	55.4	73.2

Issue of ADSs in FY19 to support expansion in the near term.

Source: Company, DBS Bank

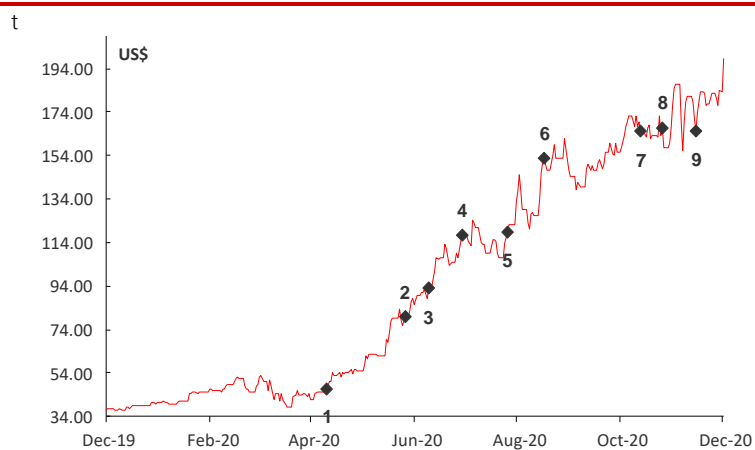
SEA Ltd

Cash Flow Statement (US\$m)

FY Dec	2018A	2019A	2020F	2021F	2022F
Pre-Tax Profit	(957)	(1,372)	(502)	(524)	(91.7)
Dep. & Amort.	103	188	195	270	380
Tax Paid	(4.1)	(85.9)	(27.2)	(2.5)	(2.6)
Assoc. & JV Inc/(loss)	3.07	3.24	3.24	3.24	3.24
Chg in Wkg.Cap.	373	738	562	1,152	1,263
Other Operating CF	(171)	403	0.0	0.0	0.0
Net Operating CF	(654)	(125)	231	898	1,552
Capital Exp.(net)	(178)	(246)	(564)	(863)	(1,141)
Other Invt.(net)	(69.6)	(117)	0.0	0.0	0.0
Invt in Assoc. & JV	0.0	0.0	0.0	0.0	0.0
Div from Assoc & JV	0.0	0.0	0.0	0.0	0.0
Other Investing CF	22.7	0.0	0.0	0.0	0.0
Net Investing CF	(225)	(363)	(564)	(863)	(1,141)
Div Paid	0.0	0.0	0.0	0.0	0.0
Chg in Gross Debt	564	1,041	0.0	0.0	0.0
Capital Issues	4.57	1,538	0.0	0.0	0.0
Other Financing CF	(22.2)	0.0	0.0	0.0	0.0
Net Financing CF	547	2,580	0.0	0.0	0.0
Currency Adjustments	0.0	0.0	0.0	0.0	0.0
Chg in Cash	(332)	2,091	(333)	35.2	411
Opg CFPS (US cts.)	(302)	(198)	(71.7)	(55.0)	62.5
Free CFPS (US cts.)	(244)	(85.0)	(72.1)	7.60	88.8

Source: Company, DBS Bank

Target Price & Ratings History



Note: Share price and target price are adjusted for corporate actions.

S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	13 Apr 20	46.99	59.76	BUY
2:	29 May 20	79.80	72.46	HOLD
3:	12 Jun 20	92.98	72.50	FULLY VALUED
4:	02 Jul 20	117.62	72.50	SELL
5:	29 Jul 20	118.69	72.50	SELL
6:	20 Aug 20	152.64	183.00	BUY
7:	16 Oct 20	165.20	190.00	BUY
8:	29 Oct 20	167.02	190.00	BUY
9:	18 Nov 20	165.16	204.00	BUY

Source: DBS Bank

Analyst: Sachin MITTAL

DBS Bank recommendations are based on an Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

**Share price appreciation + dividends*

Completed Date: 7 Dec 2020 13:20:58 (SGT)

Dissemination Date: 7 Dec 2020 15:58:26 (SGT)

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SEA Ltd

DBS Regional Research Offices

HONG KONG

DBS (Hong Kong) Ltd

Contact: Carol Wu
13th Floor One Island East,
18 Westlands Road,
Quarry Bay, Hong Kong
Tel: 852 3668 4181
Fax: 852 2521 1812
e-mail: dbsvhk@dbs.com

MALAYSIA

AllianceDBS Research Sdn Bhd

Contact: Wong Ming Tek
19th Floor, Menara Multi-Purpose,
Capital Square,
8 Jalan Munshi Abdullah 50100
Kuala Lumpur, Malaysia.
Tel.: 603 2604 3333
Fax: 603 2604 3921
e-mail: general@alliancedbs.com
Co. Regn No. 198401015984 (128540-U)

SINGAPORE

DBS Bank Ltd

Contact: Janice Chua
12 Marina Boulevard,
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel: 65 6878 8888
e-mail: groupresearch@dbs.com
Company Regn. No. 196800306E

THAILAND

DBS Vickers Securities (Thailand) Co Ltd

Contact: Chanpen Sirithanarattanakul
989 Siam Piwat Tower Building,
9th, 14th-15th Floor
Rama 1 Road, Pathumwan,
Bangkok Thailand 10330
Tel: 66 2 857 7831
Fax: 66 2 658 1269
e-mail: research@th.dbs.com
Company Regn. No 0105539127012
Securities and Exchange Commission, Thailand

INDONESIA

PT DBS Vickers Sekuritas (Indonesia)

Contact: Maynard Priajaya Arif
DBS Bank Tower
Ciputra World 1, 32/F
Jl. Prof. Dr. Satrio Kav. 3-5
Jakarta 12940, Indonesia
Tel: 62 21 3003 4900
Fax: 6221 3003 4943
e-mail: indonesiaesearch@dbs.com