

Singapore

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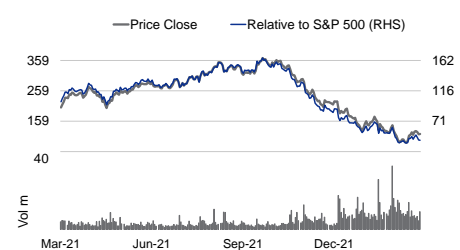
Consensus ratings*: Buy 31 Hold 3 Sell 1

Current price:	US\$117.0
Target price:	US\$202.0
Previous target:	US\$202.0
Up/downside:	72.7%
CGS-CIMB / Consensus:	-0.8%
Reuters:	SE.N
Bloomberg:	SE US
Market cap:	US\$64,924m
	US\$64,924m
Average daily turnover:	US\$1,350m
	US\$1,350m
Current shares o/s	472.8m
Free float:	37.8%

*Source: Bloomberg

Key financial forecasts

	Dec-22F	Dec-23F	Dec-24F
Net Profit (US\$m)	(1,957)	(931)	(138)
Core EPADS (US\$)	(3.42)	(1.53)	(0.22)
Core EPS Growth	(11.0%)	(54.8%)	(85.3%)
FD Core P/E (x)	NA	NA	NA
Normalised EPADS (US)	(3.42)	(1.53)	(0.22)
Recurring ROE	(28.5%)	(14.6%)	(2.0%)
P/BV (x)	10.96	11.38	9.93
DPS (US\$)	-	-	-
Dividend Yield	0%	0%	0%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-19.7	-46.1	-44.1
Relative (%)	-24.5	-41.6	-59.2

Major shareholders	% held
Forrest Li Xiaodong	25.4
Tencent	25.6
Gang Ye	6.7

Analyst(s)
ONG Khang Chuen, CFA

T (65) 6210 8685

E khangchuen.ong@cgs-cimb.com

Kenneth TAN

T (65) 6210 8678

E kenneth.tan@cgs-cimb.com

SEA Ltd

Shopee to pull out of India

- Shopee announced it will exit from India, citing global market uncertainties. This does not come as a surprise, in view of SE's latest developments there.
- Given India's huge market size and challenging competitive landscape, Shopee's exit could put SE on a firmer footing in its path to profitability.
- Reiterate Add with unchanged SOP-based TP of US\$202.

Shopee to exit India after six months of operations

- Shopee announced that it is pulling out of India effective tomorrow (29 Mar) since launching its operations there in Oct 2021, citing global market uncertainties.
- While this comes after the Indian government banned SE's Free Fire game in the country in Feb 2022, SE clarified that the two issues are not related, and said they continue to work on addressing the situation with Indian government on Free Fire.

Potential implications

- We believe Shopee's India exit should ease investor concerns over the significant cash burn in India, which is the most competitive market it has entered to date, especially when its funding source in the country (Free Fire) has been impacted.
- According to SimilarWeb, Shopee India's web visit accounts for c.1.5% of its total web visit across markets in Feb 2022; we estimate quarterly orders of c.30m for 1Q22F. Assuming a conservative US\$2 EBITDA loss per order for the nascent market entry, that could mean at least US\$60m savings per quarter from Shopee India's exit, based on the current run-rate. This could help Shopee focus its efforts on growing its core markets, or potentially quicken its pace of narrowing losses in coming quarters.
- However, we think the development could also spur speculations that Free Fire India's ban is less likely to be lifted in the near-term. Currently, Garena continues to engage with Indian gamers through Free Fire Max which remains accessible on the Google Play Store. The negative impact of FF ban has already been factored into SE's guidance in its FY21 results announcement, where SE guided for Garena's bookings to decline 30% yoy at midpoint in FY22F.

Maintain Add

- While Shopee achieved strong initial traction in India, the announcement did not come as a surprise to us given the challenging competitive landscape in India ecommerce and lack of positive developments on the reversal of FF India ban; continued Shopee expansion in India would mean significant investments in a market where geopolitical risks remain high.
- Reiterate Add; we think the latest development removes the overhang from India. Our SOP-based TP is kept at US\$202. Re-rating catalysts: further commission rate hikes for Shopee. Downside risks: weaker topline growth on post-Covid normalisation trends.

Figure 1: Monthly Shopee web visits, according to Similarweb

Monthly web visits (m)	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22
Taiwan shopee.tw	66.3	66.4	74.0	72.2	72.9	67.1
Singapore shopee.sg	14.1	14.4	17.1	16.7	16.0	14.0
Malaysia shopee.com.my	55.1	51.2	57.2	59.5	57.3	51.1
Indonesia shopee.co.id	127.0	129.5	134.5	148.5	144.8	121.9
Philippines shopee.ph	72.8	72.7	74.9	84.7	85.0	70.7
Thailand shopee.co.th	61.0	60.4	60.7	60.1	59.4	53.6
Vietnam shopee.vn	71.3	81.6	90.7	93.3	87.5	78.5
Poland shopee.pl	0.3	1.7	4.2	4.2	4.5	4.2
Spain shopee.es	na	na	na	1.5	1.1	1.1
France shopee.fr	0.0	0.0	0.2	0.4	0.4	0.3
Brazil shopee.com.br	56.3	58.1	66.2	69.6	74.4	69.1
Mexico shopee.com.mx	2.3	2.3	3.0	3.5	3.2	4.9
Colombia shopee.com.co	1.3	1.5	1.6	1.7	2.2	1.4
Chile shopee.cl	1.2	1.5	1.4	1.4	1.2	1.0
Argentina shopee.com.ar	0.0	0.0	0.0	0.1	0.4	0.6
India shopee.in	0.0	0.0	1.1	3.3	5.3	9.3

SOURCES: CGS-CIMB RESEARCH, SIMILARWEB

Figure 2: Sum-of parts (SOP) valuation

Segment	Basis	Multiple (x)	Base value (US\$m)	Valuation (US\$m)	Per ADR (US\$)	% of SOP	Notes:
Gaming - Garena	FY23F P/E (cash-adjusted)	10.0	1,418	14,184	23.4	12%	At discount to sector average given reliance on Free Fire
Ecommerce - Shopee	FY23F P/Sales	7.0	12,680	88,760	146.1	73%	-0.5 s.d. below average of close industry comps
Digital financial services - SeaMoney	FY23F P/TPV (Price to Total Payment Value)	0.2	65,650	13,130	21.6	11%	In line with industry mean
Net cash/(debt)	As of end FY22F		6,342	6,342	10.4		
Total equity value	SOP			122,417	202		
No. of shares outstanding (m)				607.4			
Equity value per share (US\$)				202.0			CGS-CIMB Research's target price

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss				
(US\$m)	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Net Revenues	10,243	14,423	18,932	24,183
Gross Profit	4,184	5,674	8,198	10,423
Operating EBITDA	(1,304)	(1,128)	60	1,039
Depreciation And Amortisation	(279)	(388)	(483)	(585)
Operating EBIT	(1,583)	(1,516)	(423)	454
Financial Income/(Expense)	(103)	(120)	(120)	(120)
Pretax Income/(Loss) from Assoc.	5	6	8	8
Non-Operating Income/(Expense)	(29)	0	0	0
Profit Before Tax (pre-EI)	(1,710)	(1,630)	(535)	342
Exceptional Items	0	0	0	0
Pre-tax Profit	(1,710)	(1,630)	(535)	342
Taxation	(333)	(323)	(393)	(478)
Exceptional Income - post-tax				
Profit After Tax	(2,043)	(1,954)	(928)	(135)
Minority Interests	(4)	(3)	(3)	(3)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	(2,047)	(1,957)	(931)	(138)
Recurring Net Profit	(2,047)	(1,957)	(931)	(138)
Fully Diluted Recurring Net Profit	(2,047)	(1,957)	(931)	(138)

Cash Flow				
(US\$m)	Dec-21A	Dec-22F	Dec-23F	Dec-24F
EBITDA	(1,304)	(1,128)	60	1,039
Cash Flow from Inv. & Assoc.	(5)	(6)	(8)	(8)
Change In Working Capital	2,601	819	1,336	1,623
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	(980)	267	325	394
Net Interest (Paid)/Received	(103)	(120)	(120)	(120)
Tax Paid	0	0	0	0
Cashflow From Operations	209	(168)	1,592	2,927
Capex	(500)	(650)	(780)	(936)
Disposals Of FAs/subsidiaries	0	0	0	0
Acq. Of Subsidiaries/investments	(307)	(400)	(479)	(575)
Other Investing Cashflow	0	0	0	0
Cash Flow From Investing	(807)	(1,049)	(1,259)	(1,511)
Debt Raised/(repaid)	800	800	800	800
Proceeds From Issue Of Shares	3,498	297	297	297
Shares Repurchased				
Dividends Paid				
Preferred Dividends				
Other Financing Cashflow	0	0	0	0
Cash Flow From Financing	4,298	1,097	1,097	1,097
Total Cash Generated	3,699	(120)	1,430	2,513
Free Cashflow To Equity	201	(417)	1,133	2,216
Free Cashflow To Firm	(460)	(1,057)	493	1,576

Key Drivers				
	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Game QAU (m)	689.3	447.6	459.8	497.7
Game QPU (m)	85.6	53.9	56.7	62.4
Game paying ratio (%)	12.4%	12.1%	12.3%	12.5%
GMV (USD 'm)	62,664.8	95,433.9	132,097.8	173,021.0
E-commerce marketplace take-rate (%)	6.6%	7.8%	8.2%	8.4%

Balance Sheet				
(US\$m)	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Cash And Equivalents	11,749	11,629	13,059	15,572
Total Debtors	3,307	4,355	5,105	5,973
Inventories	117	152	200	252
Total Other Current Assets	0	0	0	0
Total Current Assets	15,174	16,136	18,364	21,797
Fixed Assets	1,030	1,254	1,505	1,802
Total Investments	1,053	1,458	1,946	2,529
Intangible Assets	592	630	675	730
Total Other Non-Current Assets	907	932	962	998
Total Non-current Assets	3,582	4,274	5,088	6,059
Short-term Debt	100	100	100	100
Current Portion of Long-Term Debt	0	0	0	0
Total Creditors	6,709	8,620	10,765	13,321
Other Current Liabilities	368	368	368	368
Total Current Liabilities	7,176	9,087	11,233	13,789
Total Long-term Debt	0	0	0	0
Hybrid Debt - Debt Component	3,476	4,276	5,076	5,876
Total Other Non-Current Liabilities	672	688	706	728
Total Non-current Liabilities	4,148	4,963	5,782	6,604
Total Provisions	7	7	7	7
Total Liabilities	11,332	14,058	17,021	20,400
Shareholders' Equity	7,399	6,323	6,399	7,421
Minority Interests	26	29	32	35
Total Equity	7,424	6,352	6,431	7,456

Key Ratios				
	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue Growth	128%	41%	31%	28%
Operating EBITDA Growth	16%	(13%)	N/A	1643%
Operating EBITDA Margin	(13.1%)	(8.0%)	0.3%	4.4%
Net Cash Per ADS (US\$)	14.79	12.24	12.67	15.24
BVPADS (US\$)	13.39	10.67	10.28	11.78
Gross Interest Cover	(11.39)	(9.48)	(2.65)	2.84
Effective Tax Rate	0%	0%	0%	140%
Net Dividend Payout Ratio	NA	NA	NA	NA
Accounts Receivables Days	13.77	19.98	26.77	27.70
Inventory Days	5.47	5.62	5.99	6.01
Accounts Payables Days	177.7	172.3	168.9	159.0
ROIC (%)	82%	108%	7%	(41%)
ROCE (%)	(19.6%)	(13.6%)	(3.4%)	3.9%
Return On Average Assets	(13.4%)	(9.5%)	(4.1%)	0.6%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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Score Range:	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

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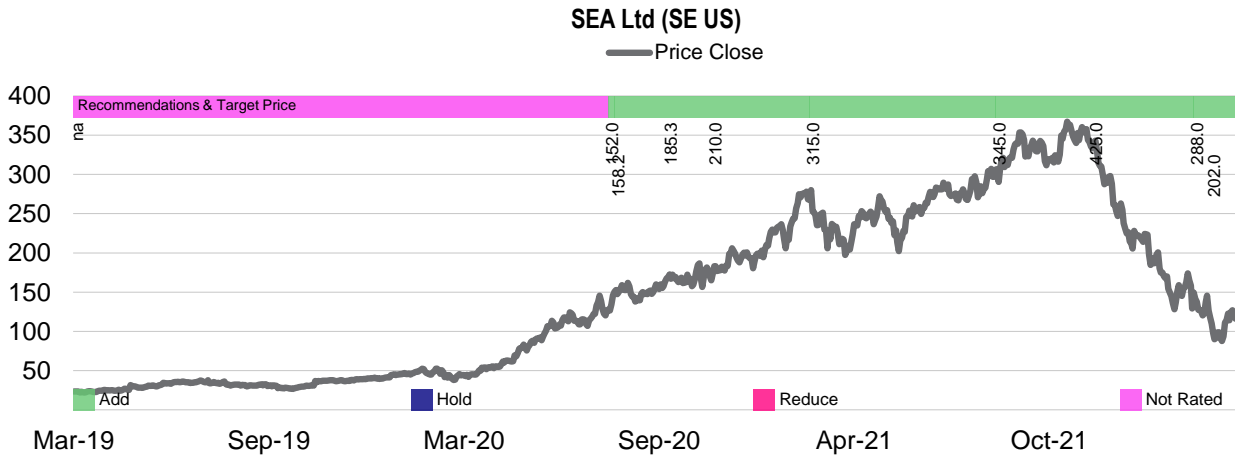
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2021		
619 companies under coverage for quarter ended on 31 December 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.1%	1.5%
Hold	21.8%	0.0%
Reduce	7.1%	0.0%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021

ADVANC – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a **BH** - Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENTEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** - Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** - Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, n/a, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** - Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** - Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TOP** - Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** - Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

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Stock Ratings	Definition:
Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.
<i>The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.</i>	
Sector Ratings	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.
Country Ratings	Definition:
Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

