

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

19 Oct 2022

BUY

Last Traded Price (17 Oct 2022): US\$52.93

(NASDAQ : 10,675.80)

Price Target 12-mth: US\$100.00 (89% upside) (Prev US\$126)

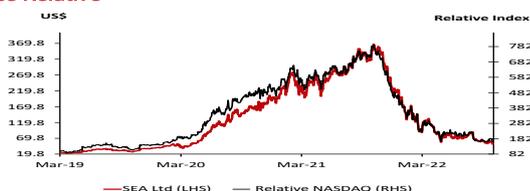
Analyst

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What's New

- Shopee is pursuing profitability, as evident from higher delivery charges and sharp reduction in discount vouchers for small basket purchases.
- We project Shopee to narrow adj EBITDA losses by 70% (US\$1.2bn) in FY23F, we reduce group adj EBITDA losses by 18%/57% in FY22F/23F
- Maintain BUY with a lower TP of US\$100 based on normalised EBITDA margins in five years

Price Relative



Forecasts and Valuation

FY Dec (US\$m)	2021A	2022F	2023F	2024F
Revenue	9,955	11,829	14,502	18,133
EBITDA	(1,304)	(1,718)	(513)	1,080
Pre-tax Profit	(1,709)	(2,247)	(1,115)	430
Net Profit	(2,046)	(2,258)	(892)	344
Net Pft (Pre Ex.)	(2,017)	(2,258)	(892)	344
Net Pft Gth (Pre-ex) (%)	(29.1)	(12.0)	60.5	nm
EPS (US cts.)	(429)	(473)	(187)	72.0
EPS Pre Ex. (US cts.)	(423)	(473)	(187)	72.0
EPS Gth Pre Ex (%)	(29)	(12)	61	nm
Diluted EPS (US cts.)	(429)	(473)	(187)	72.0
Net DPS (US cts.)	0.0	0.0	0.0	0.0
BV Per Share (US cts.)	1,550	1,077	890	962
PE (X)	nm	nm	nm	73.5
PE Pre Ex. (X)	nm	nm	nm	73.5
P/Cash Flow (X)	nm	nm	nm	28.6
EV/EBITDA (X)	nm	nm	nm	21.2
Net Div Yield (%)	0.0	0.0	0.0	0.0
P/Book Value (X)	3.4	4.9	5.9	5.5
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	(38.0)	(36.0)	(19.0)	7.8
Earnings Rev (%):		13	26	(46)
Consensus EPS (US		(487)	(361)	(117)
Other Broker Recs:		B: 34	S: 1	H: 3

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

E-commerce-led profitability in sight

Investment Thesis:

SE is trading at 3x EV to five-year EBITDA vs its peers at 10x-20x EV to 12-month forward EBITDA. SE aims to achieve EBITDA breakeven in 12-18 months versus our 18-24 months projections, so there is a room for positive surprise. In terms of timing, SE's 4Q22F results coupled with FY23F guidance in Feb-Mar 2023, will dictate the stock price.

Group adj EBITDA losses to narrow by 70% in FY23F led by e-commerce. Southeast Asia and Taiwan should be the biggest driver by recording positive adj EBITDA of ~US\$500m in FY23F, followed by ~US\$400m reduction in Brazil losses and ~US\$300m savings from exiting other markets.

Gaming adj EBITDA margin might decline gradually over next 2-3 years. We project gaming to exhibit some weaknesses despite stabilisation of active user base as high inflation may hurt discretionary spending on games.

Potential catalysts: i) Narrowing e-commerce EBITDA losses sequentially ii) path to stabilisation of gaming EBITDA.

Valuation:

Maintain BUY with a lower TP of US\$100. For our valuation, we use a conservative 12x FY27F EV/EBITDA discounted back by 12% each year. At SE, we project a conservative EBITDA margin of 20% (previous 17%), leading to FY27F EBITDA of US\$7.3bn (prev US\$8.0bn). E-commerce peers are trading at 10x-20x 12-month forward EV/EBITDA while projected EBITDA margins in 2022 range from 14%-34% (or Shopee we project 18% margins in FY27F).

Where we differ:

Our FY22F/23F adjusted group EBITDA losses are 13%/30% lower than consensus. Stabilization of gaming EBITDA might take some time, however e-commerce EBITDA losses should narrow from FY23F onwards led by Southeast Asia and Taiwan.

Key Risks to Our View:

Our bear-case TP is US\$63 per share. We assume long-term group EBITDA margins of ~15% (20% under the base case) due to irrational competition.

At A Glance

Issued Capital (m shrs)	560
Mkt. Cap (US\$m/US\$m)	27,217 / 27,217
Major Shareholders (%)	
Gang Ye	5.8
T Rowe Price Group Inc	5.5
Free Float (%)	88.7
3m Avg. Daily Val (US\$m)	425.0
GIC Industry : Communication Services / Media & Entertainment	



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Live more, Bank less

WHAT'S NEW**Higher prices and narrowing Brazil losses to improve overall profitability**

E-commerce players are focusing on profitability; smaller deliveries have become expensive. Merchants on third-party (3P) e-commerce platforms have increased product-pricing sharply as platforms are charging much higher take rates. Shopee's well-known market strategy to acquire market shares within a short time was offering free shipping and vouchers in the form of cash. This enabled users to offset some or all their delivery charges. However, Shopee has begun to charge higher delivery charges for smaller deliveries (baskets) considering the mounting logistics costs. This encourages users to consider purchasing from brick-and-mortar stores, thus benefitting physical store players, in our view. Furthermore, effective from April 2022, the free shipping discount was no longer automatically applied upon checkout.

When comparing Sheng Siong (SSG) to Shopee Mall, at low quantities, SSG prices are 30% lower. And this narrows when quantity increases since certain Shopee Mall sellers are offering shipping discounts for slightly bulkier purchases. For orders above S\$160, Shopee Mall prices come on par with SSG.

While Shopee Supermarket where Shopee owns the inventory is still offering free delivery above S\$45 order in Singapore, it offers limited range of products compared to the range available on Shopee Mall. Shopee Supermarket is more price competitive than SSG for both small and big basket size.

Price comparison across Sheng Siong and Shopee in Singapore

Dairy Cart	Sheng Siong			Shopee Mall		
	Price	Qty	Total	Price	Qty	Total
Eggs	0.2	30.0	6.9	0.3	30.0	8.5
Farmhouse Fresh Milks 1 litre	3.2	2.0	6.5	2.3	2.0	4.6
Kraft Cheese 12 slices	9.0	1.0	9.0	11.3	1.0	11.3
Subtotal			22.3			24.4
Packing charges			2.0			
Shipping charges			6.0			12.0
Total cost			30.3			36.3

Health and Beauty Cart	Sheng Siong			Shopee Mall		
	Price	Qty	Total	Price	Qty	Total
Colgate Total 12 Toothpaste - Charcoal Deep Clean	5.0	2.0	10.0	5.0	2.0	9.9
Head & Shoulder Shampoo - Cool Menthol	13.0	1.0	13.0	13.4	1.0	13.4
Loreal Men's Expert Pure & Matte Charcoal Black Facial Foam - Icy Effect	9.7	1.0	9.7	18.0	1.0	18.0
Subtotal			32.6			41.3
Packing charges			2.0			
Shipping charges			6.0			7.5
Total cost			40.6			48.7

Above items are in S\$

Source: Companies, DBS Bank

Price comparison across Sheng Siong and Shopee in Singapore for bigger basket size

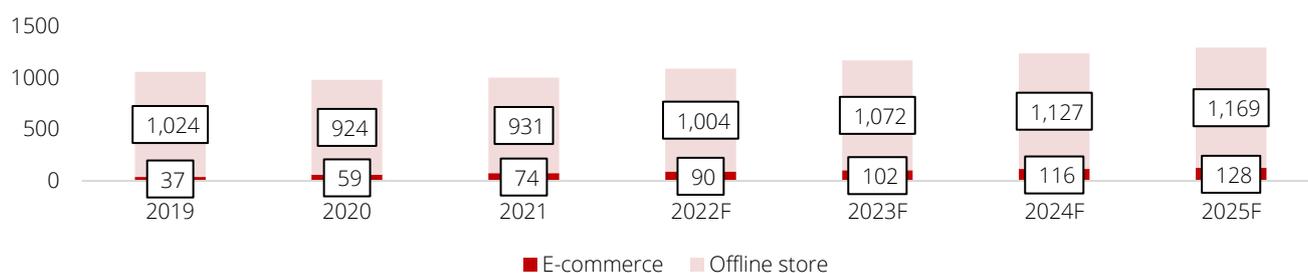
Dairy Cart	ShengSiong			Shopee mall		
	Price	Qty	Total	Price	Qty	Total
Lurpak Spreadable Slightly Salted Butter 250g	8.4	6.0	50.1	9.9	6.0	59.1
Philadelphia Cream Cheese Block Regular 226g	6.0	10.0	59.5	6.3	10.0	62.7
Farmers Union Greek Style Yoghurt - Natural - 1kg	9.5	6.0	57.0	7.9	6.0	47.4
Subtotal			166.6			169.2
Packing charges			2.0			
Shipping charges			-			8.0
Total cost			168.6			177.2

Above items are in S\$
Source: Companies, DBS Bank

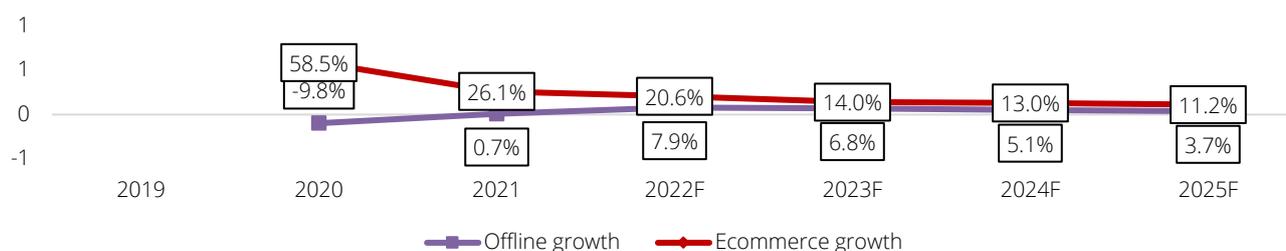
E-commerce growth is slowing down, physical retailers likely to see recovery in 2023. According to eMarketer, Southeast Asia e-commerce sale is expected to grow by 20.6% in 2022 to US\$89.7bn in 2022. This is far below the 58% growth seen in 2020 and 26.1% growth in 2021 during the pandemic years. Going forward eMarketer projects 13.5% e-commerce sales CAGR over 2022-24. Furthermore, eMarketer project retail e-commerce sales to rise from 8.2% of retail sales in 2022 to 9.3% in 2024 and we see downside risks to these projections as e-commerce players lower discounts sharply while logistics costs have also gone up significantly.

Offline stores in Southeast Asia could witness sales CAGR of 6% over 2022-24. According to DBS estimates using eMarketer data, offline stores experienced a 10% y-o-y decline in 2020 because of pandemic driven factors. In 2021, the growth was largely flattish. However, given consumers shifting to pre-COVID purchasing habits, offline stores are expected to make a comeback. Hence, based on eMarketer data, we estimate offline stores in Southeast Asia to grow at a CAGR of 6% during 2022-24 and reach an estimated sales figure of US\$1.1tn in 2024.

Southeast Asia Retail sales (US\$bn)



Southeast Asia Retail sales growth rates



Source: eMarketer, DBS Bank

When online shopping boomed during the pandemic, Shopee became a major beneficiary, and its GMV grew at a whopping CAGR of 89% over FY19-21 vs e-commerce sector CAGR of 41% over the same period. Shopee began testing new shores such as Brazil, Argentina, Poland, India, and Spain to name a few. However, as EBITDA losses began to widen in the e-commerce segment, Shopee has taken drastic measures by exiting new markets, carrying out staff cuts and tightening expense management. In our coverage, both SE and GRAB have disclosed their profitability targets. Following is an overview on the recent developments which have taken place in SE.

We project Shopee to reduce its adj EBITDA losses sharply by US\$1.2bn in FY23F. Given the current macro-economic situation and high inflation, SE's top management has decided to forego their compensation and tighten expense policies to near EBITDA positive. SE's management opined that it attempts to achieve positive cash flow (adj EBITDA positive) over the next 12-18 months compared to our estimate of 18-24 months.

Adj EBITDA contribution by geographies at Shopee

As of 2Q22	US\$m
Adjusted EBITDA loss	(648.15)
HQ costs	(357.11)
Adjusted EBITDA loss pre-HQ	(291.04)
Estimated - Brazil	(194.03)
Estimated - SE Asia and Taiwan	(17.65)
Estimated - Other markets	(79.36)

Source: Company, DBS Bank

Shopee's adjusted EBITDA loss in 2Q22 was US\$648m and assuming headquarter common expenses (HQ costs) of US\$357m, Shopee's pre-HQ adjusted EBITDA loss stood at US\$291m. With Southeast Asia and Taiwan about to achieve an EBITDA breakeven, we estimate that 2/3rd of the adjusted EBITDA losses come from Brazil and other 1/3rd losses from other markets.

- 1) SE will be exiting its Argentina business and closing local operations in Chile, Colombia, and Mexico. From pulling back from these markets, Shopee could save adjusted EBITDA losses of US\$79m on a quarterly basis or annual savings of US\$300m in FY23F.
- 2) Brazil adj EBITDA losses also peaked in 4Q21 at US\$282m (see table below) and we estimate that Brazil losses could narrow by US\$400m in FY23F, translating to adj EBITDA margin loss of 42% in FY23F compared to over 100% in FY22F.
- 3) Southeast Asia & Taiwan could contribute an additional US\$500m in adj EBITDA in FY23F after achieving breakeven in FY22F, translating to 5.8% adj EBITDA margins in FY23F. We project 18% adj EBITDA margins in the long term for Shopee.

So overall, we see Shopee's losses narrowing by US\$1.2bn in FY23F.

Furthermore, Garena is also reported to right-size its staff strength in Shanghai office and has cancelled multiple new games. The Free Fire ban in India had a detrimental impact to Garena's revenue and profitability.

SE is guiding for adj EBITDA breakeven in 2H23F compared to ours and consensus expectation of achieving it in FY24F. Signs of early breakeven in 2H23F might be visible in FY23F guidance, in February-March 2023.

Adj EBITDA of Shopee peaked in 3Q21 and has been narrowing since 4Q21

	1Q21	4Q21	1Q22	2Q22
Number of orders (mn)				
SE Asia and Taiwan	1,044	1,789	1,660	1,765
Brazil	43	141	149	137
Other new markets	-	35	56	81
*Total orders	1,087	1,965	1,863	1,983
% Mix				
SE Asia and Taiwan	96.0%	91.0%	89.0%	89.0%
Brazil	4.0%	7.2%	8.0%	6.9%
Other new markets	0.0%	1.8%	3.0%	4.1%
E-commerce EBITDA loss (US\$ mn)				
SE Asia and Taiwan	(125.22)	(268.28)	(66.40)	(17.65)
Brazil	(120.16)	(282.00)	(226.54)	(194.29)
Other new markets		(27.46)	(120.27)	(79.05)
Adjusted EBITDA loss pre-HQ	(245.39)	(577.74)	(413.21)	(290.99)
*HQ costs	(167.51)	(300.00)	(329.61)	(357.11)
*Adjusted EBITDA loss	(412.90)	(877.74)	(742.82)	(648.10)
*Adj. EBITDA loss per order pre-HQ (US\$) SEA & TW	(0.12)	(0.15)	(0.04)	(0.01)
*Adj. EBITDA loss per order pre-HQ (US\$) Brazil	(2.76)	(2.00)	(1.52)	(1.42)
Adj. EBITDA loss per order pre-HQ (US\$)	(0.23)	(0.29)	(0.22)	(0.15)
Adj. EBITDA loss per order (US\$)	(0.38)	(0.45)	(0.40)	(0.33)

*Company provided information.

Source: Company, DBS Bank

We project sharply lower GMV growth for Shopee with improved profitability. Shopee recorded GMV CAGR of 89% during FY19-21 as pandemic triggered consumers to embrace e-commerce for shopping, grocery purchases and discretionary purchases. This brought in some hard times to physical retailers. But now, physical stores are making a mark as economies have reopened and consumers can get better deals from physical stores.

Hence, we have lowered our GMV CAGR during FY22F-24F downwards from 31% to 17%. Volume is expected to drop due to this trend, but we anticipate improving take rates during our forecasted period which should lead to 29% revenue CAGR over FY22-24F vs 50% CAGR earlier. E-commerce players are likely to reduce their loss-making revenue on small baskets, while raising take rates and reducing discounts.

Revisions to our SE's revenue and adjusted EBITDA

	FY21	PREVIOUS			REVISED		
		FY22F	FY23F	FY24F	FY22F	FY23F	FY24F
Digital Entertainment	4,320	3,102	3,348	3,643	3,102	3,098	3,129
E-Commerce	5,123	8,471	13,191	19,102	7,456	9,551	12,433
Digital Financial Services	470	1,216	1,920	2,808	1,216	1,792	2,504
Other Services	42	55	61	67	55	61	67
Total GAAP Revenue	9,955	12,844	18,520	25,620	11,829	14,502	18,133

	FY21	PREVIOUS			REVISED		
		FY22F	FY23F	FY24F	FY22F	FY23F	FY24F
Digital Entertainment	2,776	1,851	1,897	1,984	1,851.3	1,726.8	1,679.0
E-Commerce	(2,554)	(3,304)	(2,374)	(955)	(2,833.3)	(1,623.7)	12.4
Digital Financial Services	(617)	(377)	(340)	(270)	(437.8)	(297.5)	(270.0)
Other Services	(170)	(170)	(170)	(170)	(211.9)	(233.1)	(256.4)
Unallocated expenses	(499)				-	-	-
Share based compensation	470				-	-	-
Total adj EBITDA	(594)	(2,000)	(988)	589	(1,632)	(427)	1,165

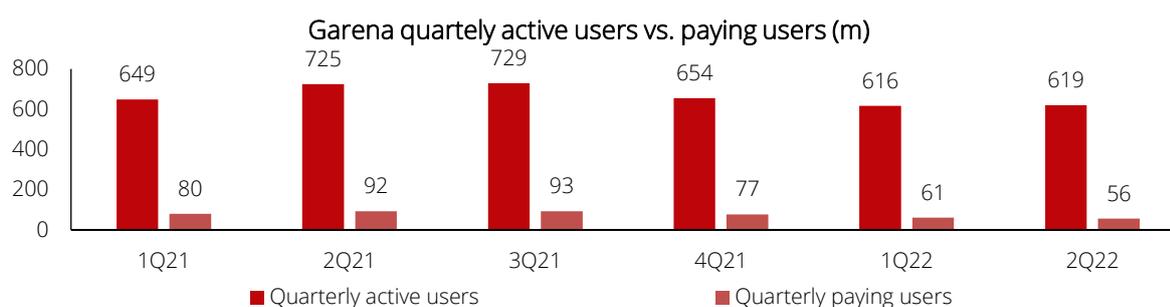
Source: Company, DBS Bank

Gaming

SE's gaming adj EBITDA might register a small decline in FY23F/24F despite a stable user base. Mobile gaming had a fruitful 2020 and 2021 as users were confined to their homes and spent more time on games, which was a fabulous period for Garena's Free Fire as well. Garena's first self-developed battle royale game, Garena Free Fire, targeted the underserved market and was geared towards low end mobile devices, which had a strong positive impact to SE's lucrative business arm. Since 1Q20, the average EBITDA margin for Garena stood at 55%, thanks to Free Fire's resounding success. However, since 4Q21, the user base started to decline as economies began to re-open completely and user stickiness towards mobile gaming gradually withered.

We believe Garena might not be able to replicate similar success through any other existent or upcoming games, and hence will focus on retaining existing users while continuing to add value to its user offering. We project a 28% decline in FY22F revenue for Garena and it to remain largely flattish in FY23F/24F due to the discretionary nature of spending amid rising inflation levels.

Since 1Q22, quarterly active users are displaying signs of stability



Source: Company, DBS Bank

SEA Ltd

We use normalised long-term EBITDA margins to derive our revised TP of US\$100 for SE. With e-commerce peers trading at 10-20x 12-month forward EV/EBITDA, we use a 12x EV to EBITDA in four years, discounted back by 12% each year. We project a conservative EBITDA margin of 20% (previous 17%) at SE leading to a FY27F EBITDA of US\$7.3bn. This is towards the lower end of the projected EBITDA margins of 14%-34% for mature peers such as

Amazon, eBay, and PayPal in 2022. On a segmental basis, we have assumed EBITDA margins of 40% for Garena, and 18% for both e-commerce and fintech for FY27F. In our estimates, SE has just enough cash of U\$4bn – to burn before achieving EBITDA breakeven in FY24F. Hence, we do not add the net cash of US\$4bn in our valuation, as it will be expended over the next three years.

Our valuations for SE and GRAB

SE (US\$m)	FY27F
Revenue	36,553
EBITDA margin	20%
Adj EBITDA	7,311

US\$m	EV/EBITDA (x)	FY27F EBITDA (US\$m)	Enterprise value (EV)	EV in FY23F discounted at 12%	Excess cash on top of cash to be burnt before EBITDA breakeven	Equity value in FY23F	Number of shares (m)	Target price (US\$)
SE	12.0	7,311	87,727	55,752	-	55,752	557	100.1

Source: Reuters, DBS Bank

The sensitivity of our valuation to EBITDA margins and EV/EBITDA multiple

SE		FY27F Group EBITDA margin		
		15%	20%	22%
FY27F EV/EBITDA (x)	10.0	63	83	92
	12.0	75	100	110
	15.0	94	125	138

Source: DBS Bank

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.

Historical PE band



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

SEA Ltd

Key Assumptions

FY Dec	2020A	2021A	2022F	2023F	2024F
Annual active users of Shopee Orders (m)	521	689	517	527	533
Shopee Merchandise	2,821	6,108	7,818	9,538	11,159
	12.6	10.2	9.83	9.54	9.44

Segmental Breakdown

FY Dec	2020A	2021A	2022F	2023F	2024F
Revenues (US\$m)					
Digital Entertainment	2,016	4,320	3,102	3,098	3,129
E-Commerce	2,167	5,123	7,456	9,551	12,433
Digital Financial Services	60.8	470	1,216	1,792	2,504
Others	132	42.4	55.2	60.7	66.8
Total	4,376	9,955	11,829	14,502	18,133

Income Statement (US\$m)

FY Dec	2020A	2021A	2022F	2023F	2024F
Revenue	4,376	9,955	11,829	14,502	18,133
Cost of Goods Sold	(3,027)	(6,059)	(7,220)	(8,549)	(10,185)
Gross Profit	1,349	3,896	4,609	5,953	7,948
Other Opng (Exp)/Inc	(2,652)	(5,479)	(6,686)	(6,898)	(7,348)
Operating Profit	(1,303)	(1,583)	(2,077)	(945)	599
Other Non Opng (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	0.72	5.02	5.02	5.02	5.02
Net Interest (Exp)/Inc	(123)	(102)	(175)	(175)	(175)
Exceptional Gain/(Loss)	(56.4)	(29.3)	0.0	0.0	0.0
Pre-tax Profit	(1,482)	(1,709)	(2,247)	(1,115)	430
Tax	(142)	(333)	(11.2)	223	(85.9)
Minority Interest	6.10	(3.7)	0.0	0.0	0.0
Preference Dividend	0.0	0.0	0.0	0.0	0.0
Net Profit	(1,618)	(2,046)	(2,258)	(892)	344
Net Profit before Except.	(1,562)	(2,017)	(2,258)	(892)	344
EBITDA	(1,123)	(1,304)	(1,718)	(513)	1,080
Growth					
Revenue Gth (%)	101.1	127.5	18.8	22.6	25.0
EBITDA Gth (%)	(45.9)	(16.1)	(31.7)	70.1	nm
Opg Profit Gth (%)	46.2	21.5	31.2	(54.5)	(163.4)
Net Profit Gth (Pre-ex) (%)	(6.8)	(29.1)	(12.0)	60.5	nm
Margins & Ratio					
Gross Margins (%)	30.8	39.1	39.0	41.0	43.8
Opg Profit Margin (%)	(29.8)	(15.9)	(17.6)	(6.5)	3.3
Net Profit Margin (%)	(37.0)	(20.6)	(19.1)	(6.2)	1.9
ROAE (%)	(71.2)	(38.0)	(36.0)	(19.0)	7.8
ROA (%)	(20.6)	(14.0)	(12.6)	(5.4)	2.1
ROCE (%)	(29.6)	(17.9)	(19.5)	(10.4)	5.5
Div Payout Ratio (%)	N/A	N/A	N/A	N/A	0.0
Net Interest Cover (x)	(10.6)	(15.5)	(11.9)	(5.4)	3.4

Source: Company, DBS Bank

SEA Ltd

Quarterly Income Statement (US\$m)

FY Dec	2Q2021	3Q2021	4Q2021	1Q2022	2Q2022
Revenue	2,281	2,689	3,222	2,900	2,943
Cost of Goods Sold	(1,350)	(1,680)	(1,911)	(1,730)	(1,350)
Gross Profit	931	1,009	1,311	1,170	1,593
Other Oper. (Exp)/Inc	(1,265)	(1,467)	(1,753)	(1,668)	(1,750)
Operating Profit	(334)	(459)	(442)	(498)	(157)
Other Non Opg (Exp)/Inc	(9.9)	14.0	(29.6)	(5.2)	(40.4)
Associates & JV Inc	0.60	1.43	2.39	5.76	3.03
Net Interest (Exp)/Inc	(15.2)	(26.9)	(41.4)	(0.8)	(18.9)
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	(358)	(470)	(511)	(498)	(213)
Tax	(75.2)	(101)	(106)	(81.8)	(64.8)
Minority Interest	0.23	(2.0)	(1.3)	(0.3)	(1.3)
Net Profit	(433)	(573)	(618)	(580)	(279)
Net profit bef Except.	(433)	(573)	(618)	(580)	(279)
EBITDA	(272)	(382)	(359)	(408)	(53.5)

Growth

Revenue Gth (%)	29.3	17.9	19.8	(10.0)	1.5
EBITDA Gth (%)	6.7	(40.6)	6.2	(13.9)	86.9
Opg Profit Gth (%)	(4.1)	37.3	(3.6)	12.7	(68.5)
Net Profit Gth (Pre-ex) (%)	2.5	32.2	7.8	(6.0)	(51.9)

Margins

Gross Margins (%)	40.8	37.5	40.7	40.4	54.1
Opg Profit Margins (%)	(14.6)	(17.1)	(13.7)	(17.2)	(5.3)

Balance Sheet (US\$m)

FY Dec	2020A	2021A	2022F	2023F	2024F
Net Fixed Assets	386	1,030	1,281	1,304	1,200
Invts in Associates & JVs	94.9	94.9	100.0	105	110
Other LT Assets	1,035	2,496	2,518	2,549	2,600
Cash & ST Invts	6,293	10,159	7,511	6,138	6,595
Inventory	64.2	118	146	180	224
Debtors	363	388	1,017	1,247	1,559
Other Current Assets	2,219	4,471	4,471	4,471	4,471
Total Assets	10,456	18,756	17,044	15,994	16,758
ST Debt	74.5	186	186	186	186
Creditor	122	214	377	462	578
Other Current Liab	4,440	6,776	7,160	6,915	7,221
LT Debt	2,018	3,967	3,967	3,967	3,967
Other LT Liabilities	381	188	188	188	188
Shareholder's Equity	3,383	7,399	5,140	4,248	4,592
Minority Interests	37.3	25.7	25.7	25.7	25.7
Total Cap. & Liab.	10,456	18,756	17,044	15,994	16,758
Non-Cash Wkg. Capital	(1,916)	(2,014)	(1,903)	(1,481)	(1,545)
Net Cash/(Debt)	4,200	6,006	3,358	1,985	2,441
Debtors Turn (avg days)	22.9	13.8	21.7	28.5	28.2
Creditors Turn (avg days)	12.2	10.6	15.7	18.9	19.6
Inventory Turn (avg days)	5.8	5.7	7.0	7.3	7.6
Asset Turnover (x)	0.6	0.7	0.7	0.9	1.1
Current Ratio (x)	1.9	2.1	1.7	1.6	1.6
Quick Ratio (x)	1.4	1.5	1.1	1.0	1.0
Net Debt/Equity (X)	CASH	CASH	CASH	CASH	CASH
Net Debt/Equity ex MI (X)	CASH	CASH	CASH	CASH	CASH
Capex to Debt (%)	17.0	19.4	15.2	11.7	10.3

Source: Company, DBS Bank

SEA Ltd

Cash Flow Statement (US\$m)

FY Dec	2020A	2021A	2022F	2023F	2024F
Pre-Tax Profit	(1,482)	(1,709)	(2,247)	(1,115)	430
Dep. & Amort.	191	279	359	432	480
Tax Paid	(142)	(52.3)	(181)	(11.2)	223
Assoc. & JV Inc/(loss)	(0.7)	(5.0)	(5.0)	(5.0)	(5.0)
Chg in Wkg.Cap.	1,526	738	59.3	(188)	(245)
Other Operating CF	28.1	254	0.0	0.0	0.0
Net Operating CF	121	(495)	(2,015)	(887)	883
Capital Exp.(net)	(355)	(807)	(633)	(486)	(426)
Other Invs.(net)	(200)	0.0	0.0	0.0	0.0
Invs 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	(332)	(2,960)	0.0	0.0	0.0
Net Investing CF	(887)	(3,767)	(633)	(486)	(426)
Div Paid	0.0	0.0	0.0	0.0	0.0
Chg in Gross Debt	1,111	0.0	0.0	0.0	0.0
Capital Issues	2,622	7,402	0.0	0.0	0.0
Other Financing CF	0.0	0.0	0.0	0.0	0.0
Net Financing CF	3,733	7,402	0.0	0.0	0.0
Currency Adjustments	0.0	0.0	0.0	0.0	0.0
Chg in Cash	2,967	3,139	(2,648)	(1,373)	456
Opg CFPS (US cts.)	(294)	(258)	(435)	(147)	236
Free CFPS (US cts.)	(49.1)	(273)	(555)	(288)	95.6

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:	23 Nov 21	287.52	402.00	BUY
2:	10 Jan 22	187.10	278.00	BUY
3:	21 Feb 22	127.69	272.00	BUY
4:	03 Mar 22	110.04	256.00	BUY
5:	18 May 22	74.20	115.00	BUY
6:	09 Jun 22	82.18	126.00	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: 19 Oct 2022 06:28:25 (SGT)

Dissemination Date: 19 Oct 2022 06:32:06 (SGT)

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