

Q1 2026 Earnings Prepared Remarks

Rebecca:

Hello everyone, and welcome to Sea's 2026 first quarter earnings conference call. I am Rebecca from Sea's Investor Relations team.

On this call, we may make forward-looking statements, which are inherently subject to risks and uncertainties and may not be realized in the future for various reasons as stated in our press release.

Also, this call includes the discussion of certain non-GAAP financial measures such as adjusted EBITDA. We believe these measures can enhance our investors' understanding of the actual cash flows of our major businesses when used as a complement to our GAAP disclosures. For a discussion of the use of non-GAAP financial measures and reconciliation with the closest GAAP measures, please refer to the section on "non-GAAP Financial Measures" in our press release.

I have with me Sea's Chairman and Chief Executive Officer, Forrest Li, President, Chris Feng, and Chief Financial Officer, Tony Hou.

Our management will share strategy and business updates, operating highlights, and financial performance for the first quarter of 2026. This will be followed by a Q&A session in which we welcome any questions you have.

With that, let me turn the call over to Forrest.

Forrest:

Hello everyone, and thank you for joining today's call.

We have had a strong start to the year. In the first quarter, Sea generated over 7 billion dollars of revenue, representing 47% year-on-year growth. Adjusted EBITDA exceeded 1 billion dollars for the first time.

As we have shared before, 2026 is a year where we are leaning into growth investments to deepen our competitive moats, while maintaining financial discipline. Our strong revenue growth reflects the effectiveness of these investments, and we are already seeing unit economics start to improve for some of these initiatives. We believe this is the right approach to maximize long-term value, given the significant runway for growth still ahead of us in our markets.

With that, let me take you through each business's performance.

Starting with Shopee.

Shopee delivered another record-setting quarter, achieving new highs in GMV, gross order volume, and revenue. GMV grew 30% year-on-year in the first quarter. At the same time, we maintained financial discipline, generating an adjusted EBITDA of over 220 million dollars.

Our monetization strengthened further in the first quarter. Ad revenue grew 80% and ad take rate increased by more than 90 basis points, year-on-year. Ad-paying sellers and their average ad spend both increased by around 35% year-on-year, reflecting the strong value sellers see in our ad offerings.

Our results validate the operational priorities we have laid out for Shopee: improving price competitiveness, service quality, and our content ecosystem. Our strong execution across these priorities drove user acquisition and engagement in the first quarter. Average monthly active buyers increased 16% year-on-year, and buyer purchase frequency grew around 12% year-on-year.

We continue to deepen our structural moats across logistics, ShopeeVIP, and content.

First, logistics continues to be one of our most important differentiators. SPX Express remains one of the largest e-commerce logistics solution providers in our markets. We have developed strong capabilities to dynamically optimize for speed, cost, and user preference.

In the first quarter, we continued to scale delivery options serving different consumer demands while maintaining cost leadership. We have seen strong adoption of our instant and same-day delivery services. With greater economies of scale, we are seeing lower delivery costs per order for these faster services compared to last year.

For example, in Indonesia, our instant delivery service can deliver orders in as little as two hours in urban areas. Order volumes for this service grew over 35% in the first quarter, with cost-per-order reducing by around 20%, year-on-year. Scaling this service has enabled us to extend our product assortment into higher-frequency categories. We expanded partnerships with major convenience stores and pharmacy chains, such as Indomaret. At the end of March, we had around 7,000 offline stores available on our instant services. This has shifted more offline purchasing behavior online, and into the Shopee ecosystem. Buyers using instant delivery enjoy greater convenience, and we are seeing such buyers spending more with better retention on Shopee.

Beyond delivery, we are increasing our focus on fulfilment as a natural extension of our logistics capability. We are making good progress. In the first quarter, fulfilment order volumes grew by around 25% sequentially.

Fulfilment allows for faster and more reliable delivery, while enabling sellers to operate and scale more efficiently on our platform. We already see this happening, with our fulfilment orders consistently delivering faster than the platform average. In Asia, over one third of parcels fulfilled by us were delivered within the next day in March, much higher than the platform average.

The combination of fulfilment with our extensive delivery networks allows us to drive significant improvements in both service quality and cost efficiency. For example, in Taiwan, our collection point network expanded to over 3,100 locations at the end of the first quarter, nearly 50% more locations compared to just a year ago. We leveraged our growing fulfilment capability to scale initiatives such as shipping directly to lockers without additional packaging, improving speed while reducing cost. With these efforts, average buyer waiting time improved 12% in the first quarter, year-on-year. We recorded double-digit GMV growth year-on-year in the first quarter in Taiwan, deepening e-commerce penetration and strengthening our market leadership there.

Second, our ShopeeVIP program. This subscription-based membership program continues to gain strong traction and drive user engagement. By the end of March, total subscribers across our Asian markets surpassed 10 million, up more than 40% from the previous quarter, with strong program retention averaging above 80%. Across all markets, our ShopeeVIP members have consistently demonstrated double-digit spending uplift after subscribing, by as much as 30-40% in some markets. ShopeeVIP members now

contribute around 20% of GMV across Asia. Building on this success, we have rolled out our ShopeeVIP program in Brazil in April.

Third, our content ecosystem continues to grow healthily. In the first quarter, orders from livestreaming and short-form video grew more than 50% year-on-year. These orders accounted for more than 25% of total physical goods orders in Southeast Asia. To further strengthen our content ecosystem, we continue to deepen our content partnerships. Orders driven by YouTube more than doubled year-on-year. Our collaboration with Meta is scaling well, with over 4.5 million affiliates across our markets, up nearly 30% quarter-on-quarter. In Indonesia, we have extended our Meta collaboration to enable seamless product promotion and check-out not just on Facebook but also on Instagram.

I would also like to highlight our strong performance in Brazil, and the growing role AI is playing in our business.

Brazil was our fastest growing market in the first quarter, while continuing to be profitable. We continue to outpace the market on GMV growth, driven by increases in active buyers, purchase frequency, and average basket size. This strong performance was supported by solid fundamentals, including wide product assortment at competitive prices and our structural logistics cost advantage. We also made steady progress strengthening our presence in the upmarket segment, enabled by our strong logistics capability. We continued to improve delivery time – by more than one day in the first quarter, compared to last year. We opened three new fulfilment centers, bringing our total to five. These efforts allowed us to onboard more merchants, especially to ShopeeMall, supporting stronger spending among buyers. In the first quarter, GMV from ShopeeMall sellers more than doubled year-on-year, and now contributes around 15% of GMV. We remain confident in Brazil's long-term growth potential and in our ability to further strengthen our competitive position in this market.

On to AI. We have taken a practical, results-oriented approach, embedding AI into our operations to drive better outcomes for our users and greater efficiency across our platform.

It is already making a meaningful impact. AI-powered enhancements to our search and recommendation algorithms have led to better product discovery. Our AI-generated content tools are helping sellers create more compelling product listings. These efforts supported a 14% improvement in purchase conversion rate year-on-year in the first quarter. And AI-driven personalization and targeting helped contribute to the strong year-on-year ad revenue growth we saw this quarter.

On the cost side, around 80% of customer queries are now handled by our AI chatbots. AI usage helped reduce customer service cost-per-contact by around 30% year-on-year, while maintaining high satisfaction rates.

Looking ahead, we are exploring agentic AI experiences. For buyers, we are testing an AI shopping assistant that leverages purchase history and preferences to deliver personalized recommendations and optimize savings. For sellers, we are building an AI agent that acts as a virtual business advisor, providing diagnostics and actionable insights on shop performance. Both are in early stages, with plans to roll them out more widely over time.

In summary, Shopee has had a great start to 2026, delivering strong growth while maintaining financial discipline. We are being deliberate about where we invest – in delivery, fulfilment, our ShopeeVIP membership program, and user acquisition. We are already seeing some improvements in unit economics, and we expect these to continue over time.

Looking ahead, we are confident in the strength of our Shopee ecosystem and our ability to execute our strategies. We are on track to deliver our 2026 guidance: to grow Shopee's annual GMV by around 25% year-on-year, with full-year adjusted EBITDA no lower than 2025 in absolute dollar terms.

Next, moving to Monee.

Monee also had a strong start to the year, with robust year-on-year growth across both revenue and adjusted EBITDA. Credit continues to be the primary driver of our growth. Our loan book reached 9.9 billion dollars at the end of March, an increase of more than 70% year-on-year, while maintaining stable asset quality.

We continue to expand the credit business along three fronts. First, by deepening existing user relationships, offering them more credit as we get to know them and their repayment behavior better. Second, by acquiring new users, especially in segments with better risk scores and greater affluence. These users tend to have better repayment behavior and higher borrowing capacity. Our campaigns to attract such new users with competitive pricing, higher limits, and longer tenures are showing early signs of success. And third, by expanding our credit use cases beyond Shopee – an important runway for future growth.

We are making good headway with off-Shopee expansion. More users are progressing from on-Shopee SPayLater to off-Shopee SPayLater and personal cash loans. Following strong momentum in Malaysia, we are also seeing good traction in some other markets. Off-Shopee SPayLater loans in Thailand and Indonesia exceeded 20% of the SPayLater portfolio at the end of the quarter. Notably, we are seeing strong growth in higher-value categories such as electronics and two-wheelers in Indonesia, where installment credit plays a meaningful role in enabling such purchases.

Taken together, these efforts resulted in strong growth in both user numbers and loan outstanding per user. In the first quarter, we added 4.9 million first-time borrowers. Our active credit users crossed 38 million at the end of the quarter, an increase of more than 35% year-on-year. And average loan outstanding per user grew to around 250 dollars at the end of the quarter, 25% higher year-on-year.

Brazil has become our fourth market to cross 1 billion dollars in loan book size, growing over 250% year-on-year. The strong growth momentum was supported by a localized product we introduced last year – a combined SPayLater and cash loan limit that aligns well with how Brazilian consumers utilize credit. This led to strong user growth with higher repeat usage, where average loan outstanding per user more than doubled compared to last year. SPayLater penetration on Shopee is around 10% of GMV in Brazil, well below our more mature markets, indicating substantial headroom for growth.

We also obtained the SCFI license in Brazil during the quarter, allowing us to broaden the scope of financial services we can offer. We are still in the early stages of scaling this business in Brazil, with a strong foundation in place to support future growth.

Risk management remains our top priority. Our 90-day NPL ratio remained stable at 1.1% at the end of the quarter. This reflects the strength of our underwriting capabilities and the disciplined way we expand across users and markets. Our deep understanding of our markets and borrowers allows us to respond quickly to macro changes. Our loans typically have short tenures, and we can adapt our product access, credit limits, and tenures in real time. These attributes enable us to adjust our risk appetite and optimize our asset quality as we scale.

In summary, Monee continues to grow healthily. Expansion into more user segments, off-Shopee use cases, and early markets like Brazil are giving us a much larger addressable opportunity across our portfolio. We remain confident that Monee will be a significant long-term profit contributor for Sea.

Next, turning to Garena.

Garena had a stellar start to 2026, delivering its best quarter since 2021. Bookings were up 20%, and adjusted EBITDA grew 25% year-on-year. This performance was driven by the continued strength of Free Fire, alongside a record contribution from Arena of Valor.

In January, Free Fire launched a major collaboration with the popular anime Jujutsu Kaisen. As with our previous collaborations, we invested significant effort in bringing core elements of the anime into gameplay. We transformed parts of the map into settings from the Jujutsu High School, and introduced a “Cursed Energy” resource that players could collect to activate special character abilities. For instance, Gojo’s “Unlimited Void”, one of the highest-level techniques from the anime, allowed players to draw their opponent into a separate domain for a one-on-one fight. Players resonated strongly with the campaign’s attention to detail and authentic visual effects. This collaboration generated over 700 million official content views, making this one of our most successful IP partnerships to date. Taken together with the highly successful NARUTO SHIPPUDEN collaboration last year, we have demonstrated our ability to consistently execute high-impact partnerships with global IP owners.

We are also evolving how we scale our content globally. One of Free Fire’s long-standing strengths is our ability to hyper-localize the game for players. This year, we have challenged ourselves to both localize and globalize some of this content: making it highly resonant for target markets and also enjoyable for everyone else.

A good example from the first quarter is our Ramadan campaign. In past years, this campaign was only launched in Ramadan-observant markets. This year, we scaled it into a global event under a “Lost Treasure” theme. Players from markets celebrating Ramadan recognized this as a festive event catering to them, while players from other markets saw it as a desert-themed campaign that was new, interesting, and fun to play. During matches, players could find treasure maps triggering team-based missions, guiding them to hidden treasure locations. This highly interactive campaign resonated strongly across markets: global social media platform impressions exceeded 120 billion, up around 70% compared to last year’s Ramadan campaign.

The strong response we got to this campaign shows our growing capability to take culturally rooted events from local markets and expand them into globally-resonant content. Globalizing campaigns lets us pool resources, elevate content quality, and deliver more frequent and distinctive experiences to our players.

Beyond Free Fire, Arena of Valor delivered record high quarterly bookings in the first quarter, in its tenth year of operation. The sustained success of both games demonstrates our unique ability to operate games well across genres, in multiple markets, and over long periods of time.

Garena has started 2026 with great momentum. We will remain focused on delivering fresh experiences and building the long-term value of our game portfolio.

In conclusion, we have started 2026 well, with each business expanding its addressable opportunity while strengthening its competitive position. Meanwhile, across our ecosystem, we see the AI era creating significant opportunities for a company like ours – with established scale, rich cross-vertical data, and deep

local expertise. We are investing deliberately to capture the growth runway ahead, and we are confident of continuing to deliver robust topline growth while improving our adjusted EBITDA year-on-year.

With that, I invite Tony to discuss our financials.

Tony:

Thank you, Forrest, and thanks to everyone for joining the call.

For Sea overall, total GAAP revenue increased 47% year-on-year to 7.1 billion dollars in the first quarter of 2026. This was primarily driven by growth in Shopee and Monee. Our total adjusted EBITDA was up by 9% year-on-year to 1.0 billion dollars in the first quarter of 2026.

On Shopee, gross orders increased 29% year-on-year to 4.0 billion in the first quarter of 2026 and GMV increased by 30% year-on-year to 37.3 billion dollars in the first quarter of 2026. Our first quarter GAAP revenue of 5.1 billion dollars included GAAP marketplace revenue of 4.5 billion dollars, up 44% year-on-year, and GAAP product revenue of 0.6 billion dollars. Within GAAP marketplace revenue, core marketplace revenue, mainly consisting of transaction-based fees and advertising revenues, was 3.8 billion dollars, up 61% year-on-year. Value-added services revenue, mainly consisting of revenues related to logistics services, was 0.7 billion dollars.

Shopee adjusted EBITDA was 223 million dollars in the first quarter of 2026, compared to an adjusted EBITDA of 264 million dollars in the first quarter of 2025. This year-on-year change primarily reflects our increased investments in delivery, fulfilment, our ShopeeVIP membership program, and user acquisition, partially offset by higher monetization.

Monee GAAP revenue was up by 58% year-on-year to 1.2 billion dollars in the first quarter of 2026. Adjusted EBITDA was up by 14% year-on-year to 275 million dollars in the first quarter of 2026.

As of the end of March, our consumer and SME loans principal outstanding reached 9.9 billion dollars, up 71% year-on-year. This consists of 8.8 billion dollars on-book and 1.1 billion dollars off-book loans principal outstanding. Non-performing loans past due by more than 90 days as a percentage of total consumer and SME loans was 1.1% at the end of the quarter.

Garena bookings grew 20% year-on-year to 931 million dollars. GAAP revenue was up by 41% year-on-year to 697 million dollars. The growth was primarily due to the increase in our active user base and deeper paying-user penetration.

Garena adjusted EBITDA was up by 25% year-on-year to 574 million dollars.

Returning to our consolidated numbers, we recognized a net non-operating income of 62 million dollars in the first quarter of 2026, compared to a net non-operating income of 89 million dollars in the first quarter of 2025.

We had a net income tax expense of 214 million dollars in the first quarter of 2026, compared to net income tax expense of 136 million dollars in the first quarter of 2025.

As a result, net income was up by 7% year-on-year to 438 million dollars.

Rebecca:

Thank you, Forrest and Tony. We are now ready to open the call to questions.