Q3 2026 Earnings Prepared Remarks

Elson:

Hello everyone, and welcome to Sea's 2026 third quarter earnings conference call. I am Elson 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 third 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.

Our strong momentum from the first half of the year has continued into the third quarter. Sea achieved a new record high of 8.6 billion dollars in revenue, up 43% year-on-year, and over 930 million dollars in adjusted EBITDA, up 29% year-on-year.

We are pleased with this solid performance, and will continue to focus on executing our priorities with discipline. With that, let me take you through each business's performance.

Starting with Shopee.

Shopee delivered another strong quarter, again achieving new record highs in both top- and bottom-line metrics. GMV rose 23% and gross orders rose 26% year-on-year. Revenues reached new highs, and adjusted EBITDA reached 269 million dollars, making this our most profitable quarter ever.

The acceleration in new user growth we saw in the second quarter has continued into the third. We engaged and re-engaged a broad range of users through both online and offline campaigns, brought our content to more social and video platforms, and widened our service options, especially in delivery, to serve different user needs. With these efforts, new average monthly active buyers grew more than 50%, and total average monthly active buyers increased by 20%, year-on-year.

Monetization has also continued to do well, driven by ads: sellers are responding well to the greater value they see in our AI-driven ad solutions. Ad-paying sellers rose more than 35%, while average ad spend per seller increased around 13% year-on-year. Ad revenue grew more than 55%, and our ad take rate improved by over 80 basis points, year-on-year.

Our operational priorities to enhance service quality, price competitiveness, and discovery remain consistent, and continue to be driven by our efforts in logistics, ShopeeVIP, and our content ecosystem. Each made good progress this quarter.

First, logistics. We expanded our delivery options to serve a wider range of buyer needs, from instant and same-day delivery to low-cost services.

Our instant delivery service can now deliver as quickly as one hour. This has expanded our addressable market by unlocking new spending scenarios where speed matters most. These tend to be high-frequency categories, such as groceries and pharmaceutical items, boosting our overall purchase frequency. In Indonesia, orders using these services more than doubled year-on-year, with cost-per-order declining year-on-year. Retailers there have embraced the service: we now have more than 12,000 offline stores on our instant platform, and growing. Adoption is also growing in Thailand, where instant and same-day delivery now account for nearly 15% of orders in Greater Bangkok. We will continue to grow this service in areas where demand is high and unit economics make sense.

At the same time, we have continued to expand lower-cost delivery services to ensure that all users continue to have affordable, convenient options on Shopee. In the third quarter, buyer self-collection order penetration reached more than 30% in Singapore and more than 15% in Malaysia. In Indonesia, our economical shipping option has gained strong adoption and now accounts for more than half of total orders. Its cost per order is more than 20% lower than the platform average in the market. These initiatives allow us to offer free shipping at a lower minimum spend, giving our buyers the flexibility to choose between cost and speed, and letting us serve a broader range of buyer needs.

We have also continued to scale fulfilment quickly. Sellers have responded well to our fulfilment offerings, as we help them take on the complexity of storing, packing, and shipping. This represents significant efficiency gains for them, especially during peak campaign periods where orders may be several times higher than normal. With our services, sellers can scale their businesses more easily, without having to increase their own warehouse space or staff size. In the third quarter, fulfilled order volumes accelerated to around 25% quarter-on-quarter. Unit economics for our "Fulfilled By Shopee" service improved sequentially in Asia, and we see further room to gain efficiency through higher warehouse utilization and automation.

Fulfilment also drives synergies with delivery, enabling us to deliver more packages more quickly. The number of parcels delivered by the next day or sooner grew over 60% year-on-year, more than twice as fast as our overall order growth.

Second, ShopeeVIP is growing fast. Membership across markets exceeded 21 million at the end of September, up more than 40% quarter-on-quarter, and members contributed close to 25% of Shopee's overall GMV. The program is demonstrating stickiness, with monthly retention around 80%. Members show a consistent double-digit percentage uplift in spend on average after subscribing. And, with more sellers and partners investing alongside us in membership benefits, the program's unit economics improved sequentially.

We have also continued to enhance the program's value proposition through new subscription tiers with more benefits. In September, we introduced ShopeeVIP+ in Indonesia, Thailand and the Philippines, a higher subscription tier that combines core member benefits with a Netflix subscription.

Third, our content ecosystem continues to make discovery more engaging. Orders from livestreaming and short-form video grew more than 45% year-on-year and accounted for more than 25% of physical goods orders in Southeast Asia. Unit economics also improved sequentially.

Beyond our app, our affiliate program remains an effective and growing channel to bring new buyers to Shopee from other platforms. In the third quarter, orders driven by YouTube content more than doubled year-on-year, and Shopee affiliate orders generated by Facebook linked creators grew more than 90% sequentially. On Instagram, more than 4 million Reels have been tagged with Shopee products since we launched the partnership in April, with the number growing more than four times quarter-on-quarter.

Shopee is also one of the early connector partners for Meta's Muse AI personal assistant that has just launched in Singapore. Users will be able to research and compare products on Shopee through Muse, helping them make purchase decisions tailored to their preferences. The partnership is still at an early stage, but we see potential for it to become a solid additional channel for buyer acquisition and incremental GMV growth over time.

Brazil remained our fastest growing market, and we again grew faster than the broader market in the third quarter. Logistics improvements underpinned this growth. We continued to widen the range of fast-delivery options we offer across the country, with average buyer waiting time improving 12% year-on-year. We have branched into air delivery, cutting delivery times to the North and Northeast regions significantly. In Greater São Paulo, around 40% of parcels now arrive by the next day and nearly 60% within 2 days. Our new instant delivery service there, Shopee Turbo, already delivers in under four hours from more than 7,000 partner stores.

Stronger delivery capabilities have enabled us to onboard more sellers to fulfilment. For example, we rolled out an in-house delivery service for bulky items such as large appliances and furniture. Combined with our strong service reputation and reliable cross-nation coverage, this has made more large-item sellers willing to fulfil with us. Across the country, fulfilment order volumes more than doubled year-on-year.

These service quality improvements have helped drive stronger growth in higher-value categories. More upmarket buyers are joining Shopee, and existing buyers are shopping across more categories with us. Automotive and home improvement categories grew more than 80% year-on-year, and more brand sellers have come on board. GMV from ShopeeMall sellers was up nearly two and a half times from a year ago, and ShopeeMall orders carried an average basket size almost three times the platform average. Looking ahead, we see a lot of headroom to grow in this exciting market.

In summary, Shopee delivered another quarter of strong growth while generating the highest quarterly profit we have ever achieved. Our strategies have proven effective at strengthening our fundamentals, giving us a growing buyer base, stronger monetization, and improving unit economics. We still see a long runway of opportunity ahead, and we will keep executing with discipline to capture it. We remain on track to deliver GMV growth of around 25% and an adjusted EBITDA of one billion dollars for the full year of 2026.

Next, moving to Monee.

Monee has grown well beyond its origins as a payment infrastructure serving our internal business needs. Today, it has evolved into a financial services business across mobile wallet, credit, digital banking, and more. Monee has shown consistent strong growth, and has been profitable for the last three fiscal years.

We believe Monee has reached the scale and maturity to sustain itself, and would benefit from becoming more independent. Today, Monee is already one of the largest unsecured consumer lending companies in Southeast Asia, serving nearly 44 million active credit users, with a loan book of over 12 billion dollars. Increasingly, Monee's growth is coming from beyond Shopee, and it is building direct relationships with users through standalone apps across Southeast Asia and Brazil. Personal cash loans and off-Shopee loans made up around 60% of our loan book at the end of September. And average monthly transacting users on these apps more than doubled year-on-year in the third quarter.

Our ambition is to keep growing Monee into a full financial ecosystem with inclusion at its heart, serving users across their life-cycle needs, from unsecured loans to secured lending, insurance, wealth management, and more. We believe a standalone listing would give Monee the dedicated capital base it needs to build this ecosystem, and let it invest for growth while managing risk with discipline.

I want to be clear about what does not change. Monee and Shopee will continue to work closely together, as they do today. Monee will remain a key payment and credit partner for Shopee, and Shopee will remain a key platform for Monee to reach users. Insights from our businesses will continue to empower Monee's growth.

We hope to list Monee at the right time in the next one to three years, taking into consideration factors such as market conditions, macro environment, and regulatory requirements. We will approach this carefully, working closely with our stakeholders in each market. Throughout, we aim to deliver value for our shareholders.

I am very excited about what lies ahead. With that, let me take you through Monee's performance this quarter.

Monee delivered another quarter of healthy growth. Our loan book grew around 60% year-on-year to 12.6 billion dollars at the end of September. Unit economics are healthy and we continue to invest where we see a clear path to attractive long-term returns.

We continue to expand our credit business on three fronts: acquiring new users, deepening our relationships with existing users, and expanding our credit use cases.

Our user base continued to grow healthily in the third quarter. We added nearly 6 million first time borrowers, bringing active credit users to nearly 44 million, up around 28% year-on-year.

As borrowers build longer credit histories with us, we can progressively offer them higher limits, longer tenures, and more products. Average loan outstanding per user grew 23% in the third quarter, year-on-year, and over 40% of our active credit users were using two or more of our credit products at the end of September.

SPayLater is becoming an everyday way to pay both online and offline in many of our markets. Our Off-Shopee SPayLater portfolio more than doubled year-on-year to nearly 25% of our entire SPayLater portfolio at the end of September. In Malaysia, its share is nearly 40%. In Thailand, the ShopeePay Unlimited Card allows SPayLater users to access their approved SPayLater credit limit wherever Mastercard

is accepted. Monthly transacting users of the card in September grew more than 60% compared to a quarter ago. We are rolling the card out at a pace set by risk performance, and we plan to bring it to Malaysia later this year.

Risk management remains our top priority as we continue to grow our loan book. Our 90-day NPL ratio was 1.3% at the end of September. The modest uptick primarily reflects an evolving credit environment, especially in Thailand and Brazil, as well as market and product mix, including faster growth in Brazil and off-Shopee SPayLater.

Our underwriting is highly responsive to market conditions. We proactively adjusted our underwriting criteria and credit limit management for selected customer segments at early signs of softness, to maintain disciplined growth and optimize risk-adjusted returns. We are staying close to the data and will keep adjusting as needed, so our loan book growth stays healthy and sustainable.

In summary, Monee delivered healthy growth while staying disciplined in how we manage risk and how we invest. Our credit playbook remains consistent: start small, prove the economics, then scale. We are reaching more users, deepening relationships with existing ones, and extending credit into more everyday spending scenarios, both on- and off-Shopee. Many of our initiatives are still in the early stages, and we are making good progress capturing the large, underserved opportunity across our markets.

Next, turning to Garena.

Garena delivered a solid third quarter, with bookings continuing to grow from the high base set last year. Profitability also improved. Free Fire anchored this performance with strong bookings growth, and Arena of Valor continued its strong momentum from its 10th year anniversary celebrations.

In January last year, we released our smash hit IP collaboration, NARUTO SHIPPUDEN Chapter One. This year, by popular demand, we brought it back with upgraded gameplay and fresh rewards, rebuilt around top fan-requested content.

Our players loved the original campaign's most iconic moment: when the anime's giant nine-tailed fox descended on the battlefield as a threat that everyone had to survive. To build on it, we brought in one of the most important powers from the Naruto universe: the Sharingan. This is an iconic ability the anime's most powerful characters used to control the nine-tailed fox. Players could use it to make the giant creature attack their opponents, bringing the excitement of the moment to a new level. We also expanded the map with places fans had asked to explore, like the ninja school where the main characters first trained. We continued to pay close attention to detail, including small but important elements like the swing where a young Naruto sat alone in the original anime, that gave players an extra boost for the rest of the game.

Our care for authenticity has resonated with players and the industry alike. Content around our NARUTO SHIPPUDEN collaborations has generated more than 6.5 billion views on social media to date. This quarter, we were also honored that our NARUTO SHIPPUDEN Chapter Two collaboration won the award for 'Best Use of IP or Licence' at the 2026 Pocket Gamer Mobile Games Awards.

Beyond Free Fire, Arena of Valor is celebrating its tenth anniversary this year. Instead of one single event, we are making the entire year a celebration, with a series of in-game content releases and our biggest-ever real-world events.

We hosted AoV's biggest-ever offline celebrations with a concert at Taiwan's largest indoor venue, the Taipei Dome – the first-ever gaming event to be held there. Around 30,000 fans came to see K-pop and local artists, many of whom had previously collaborated with us on music for AoV. We also transformed parts of Taipei into an AoV-themed city, collaborating with metro stations and 7-Elevens, putting on anniversary exhibitions, and holding a light show at the iconic Taipei 101. The campaign went viral, becoming the number one trending topic on social media in Taiwan.

Ten years in, AoV is still winning over new generations of players and deepening its bonds with longtime fans. With this strong engagement, we believe that, just like Free Fire, AoV will continue to be an evergreen game.

In summary, Garena's performance this quarter showcases our ability to keep successful games fresh, listen closely to our players, and build lasting relationships with them. We will remain focused on delivering engaging experiences and strengthening our franchises for the long term.

In addition to our three existing business segments, we have always been exploring and experimenting with new businesses. The most recent of these is Sea Cloud, as we announced recently.

As AI has taken off, we have built up meaningful capabilities over the past two years across the infrastructure, model and agentic application layers, and our own businesses have benefited significantly from them. Sea Cloud looks to bring these capabilities to other organisations across all three layers.

Today, there is a lot of focus on compute prices and cyclical margins, and having enough compute certainly matters. But we believe the ultimate prize lies elsewhere. The cost of tokens is falling rapidly and structurally, and as it does, AI becomes affordable for far more organisations and far more use cases. The real opportunity is to build a significant business around the long-term decline in token prices, helping organisations drive much broader AI adoption.

We see much of the lasting value in the layers above bare-metal capacity. One is running AI efficiently: getting more out of every GPU through better utilisation, faster deployment and leaner operations, which we have mastered for our own businesses. The other, and the more important over time, is the agents, software and orchestration that help organisations put AI to work: running models reliably and securely, adapting them to their own data and languages, keeping that data close to home, and moving to newer and more cost-efficient models, including open models, as they emerge, without having to rebuild each time.

Many organizations want this, but few have the specialist teams to build it themselves. That is where we intend to focus, and it is not theoretical for us. It is what we have had to do for our own businesses, running AI at scale in areas such as fraud detection, customer service and content generation, under real commercial pressure and, in Monee's case, in highly regulated environments.

We see this as an opportunity to turn our AI capabilities, today a cost centre for Sea, into a profit centre. We are already making this investment for our own businesses. By serving external customers on top of that existing base, we can spread our fixed costs across more users and earn attractive incremental returns on capital. This is consistent with how we have entered new businesses throughout our history – like Monee beginning as payment infrastructure serving our own platforms before growing into a business serving customers well beyond them.

We are setting up Sea Cloud as a frugal start-up, so that it can stay nimble and respond quickly to market demand. Our focus is the software and customer relationships, not owning large amounts of physical

capacity. Where customers need dedicated computing capacity, we will only pursue opportunities with clear customer commitments and attractive returns. We will mainly look to partners and customer prepayments to fund the physical infrastructure. As a result, we do not expect Sea Cloud to have a significant impact on our financials for now. It is still early and we will update investors on any meaningful developments.

We also want to give an update on our share repurchase program. As of today, we have almost fully completed our one-billion-dollar share repurchase program announced a year ago. We are pleased to announce that we plan to buy back an additional one billion dollars' worth of shares.

In conclusion, we have delivered another strong quarter. Our three businesses have all expanded their addressable opportunity and strengthened their competitive position. Unit economics continue to improve across many of our initiatives, a testament to our financial discipline and operational efficiency.

Our promising momentum across the first three quarters gives us greater confidence for the rest of the year. As always, we greatly appreciate your trust and support.

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 43% year-on-year to 8.6 billion dollars in the third quarter of 2026. This was primarily driven by growth in Shopee and Monee. Our total adjusted EBITDA was up by 29% year-on-year to 931 million dollars in the third quarter of 2026.

On Shopee, gross orders increased 26% year-on-year to 4.5 billion in the third quarter of 2026 and GMV increased by 23% year-on-year to 39.7 billion dollars in the third quarter of 2026. Our third quarter GAAP revenue of 6.1 billion dollars included GAAP marketplace revenue of 5.3 billion dollars, up 41% year-on-year, and GAAP product revenue of 0.7 billion dollars. Within GAAP marketplace revenue, core marketplace revenue, mainly consisting of transaction-based fees and advertising revenues, was 4.6 billion dollars, up 51% year-on-year. Value-added services revenue, mainly consisting of revenues related to logistics services, was 0.7 billion dollars.

Shopee adjusted EBITDA was up by 45% year-on-year to 269 million dollars in the third quarter of 2026.

Monee GAAP revenue was up by 64% year-on-year to 1.6 billion dollars in the third quarter of 2026. Adjusted EBITDA was up by 15% year-on-year to 298 million dollars in the third quarter of 2026.

As of the end of September, our consumer and SME loans principal outstanding reached 12.6 billion dollars, up 60% year-on-year. This consists of 11.2 billion dollars on-book and 1.3 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 1.3% at the end of the quarter.

Garena bookings grew 6% year-on-year to 890 million dollars. GAAP revenue was up by 29% year-on-year to 840 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 46% year-on-year to 458 million dollars.

Returning to our consolidated numbers, we recognized a net non-operating income of 123 million dollars in the third quarter of 2026, compared to a net non-operating income of 61 million dollars in the third quarter of 2025.

We had a net income tax expense of 280 million dollars in the third quarter of 2026, compared to net income tax expense of 161 million dollars in the third quarter of 2025.

As a result, net income was up by 34% year-on-year to 502 million dollars.

Elson:

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