

Q4 & FY 2025 Earnings Prepared Remarks

Elson:

Hello everyone, and welcome to Sea's 2025 fourth quarter and full year 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 fourth quarter and full year of 2025. 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.

2025 has been a great year for Sea. We generated a record 23 billion dollars in revenue, representing 36% year-on-year growth, an acceleration from 2024. At the same time, we improved our bottom-line profits. Our full year net income reached 1.6 billion dollars, and adjusted EBITDA reached 3.4 billion dollars, representing a 260% and 75% year-on-year increase, respectively.

All our businesses scaled well in 2025, exceeding our initial growth expectations. This broad-based robust growth is healthy and sustainable, underpinned by the growing scale of users that we serve. In 2025, Shopee served around 400 million active buyers and 20 million sellers, achieving 127 billion dollars in GMV. Monee gained over 20 million unique first-time borrowers and grew its loan book beyond 9 billion dollars, while maintaining stable risk. And Garena connected with over 100 million players on average every day throughout the year, generating almost 3 billion dollars in bookings.

We were successful in 2025 because we chose the right set of strategies and we executed them well. 2026 will be a continuation of this approach. Our strategies will be consistent, and execution remains key. We will double down on operational excellence, and work towards delivering another year of strong growth and healthy profits.

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

First, starting with Shopee.

Shopee achieved another record setting quarter, with new highs in GMV, gross order volume, and revenue. Our full year GMV grew 27% year-on-year, alongside significant profit improvements. We generated a full year adjusted EBITDA of over 880 million dollars in 2025.

Our strong GMV growth was driven by tangible improvements we made for both buyers and sellers. We made product discovery easier, broadened our assortment of offerings at competitive prices, and widened access to fast, reliable shipping.

We also improved our monetization further in the fourth quarter. Ad-paying sellers increased by more than 20%, and their average ad spend increased by more than 45%, year-on-year. As a result, ad revenue grew over 70% and ad take rate increased by more than 80 basis points, year-on-year.

The strong set of 2025 results is a validation of the effectiveness of our strategic choices for Shopee. We have shown our ability to enhance monetization, as demonstrated by our consistently improving take-rates over the past two years. For the near-term, we choose to prioritize growth while upholding financial discipline. For 2026, we aim to grow Shopee's annual GMV by around 25% year-on-year, with its full year adjusted EBITDA no lower than 2025 in absolute dollars. We believe this is the right strategy to optimize Shopee's long-term profitability.

Let me highlight a few areas where we are investing to further enhance our scale and market leadership. These include our continued efforts into logistics, Shopee VIP membership program, and expansion of our content ecosystem. The objective is clear: we want to serve more users and engage them better. In 2025, monthly active buyers and average monthly purchase frequency increased by 15% and 10% respectively, compared to a year ago. In 2026, we will remain focused on executing these priorities well. It will benefit us with deeper structural moats that can further differentiate Shopee from its peers.

First, logistics. Our logistics capabilities have become an increasingly important differentiator for Shopee. SPX Express now processes, on average, over 30 million parcels every day, making it one of the largest e-commerce logistics solution providers in our markets.

In 2025, we improved speed and cost efficiency across our markets, while customizing delivery options for different user needs. In dense urban areas, we scaled instant and same-day delivery for buyers who value speed and convenience. We expanded instant delivery into additional use cases, including partnering with local supermarkets and suppliers to deliver fresh groceries in Thailand in as little as one hour. Our faster delivery services reached a double-digit share of order volume in greater metropolitan areas such as Bangkok and Jakarta by the end of 2025. Buyers using instant and same-day delivery also spent around 15% more on average after adoption. At the same time, we scaled economical shipping to serve buyers seeking affordability. In Indonesia, orders using economical shipping more than doubled year-on-year in the fourth quarter.

With our delivery capability well-scaled, we started to roll out fulfilment services in various markets across 2025. We are seeing encouraging adoption trends from both buyers and sellers, with double-digit order penetration in some markets. In 2026, we plan to expand fulfilment further across all our markets, and aim to double our fulfilment order penetration by the end of the year.

Second, the Shopee VIP membership program. In 2025, we introduced this program to deepen engagement among our most active buyers. This paid program gives subscribers more generous free shipping entitlements, daily vouchers, and exclusive discounts. We have now rolled out Shopee VIP to all our Asian markets. Total subscribers surpassed 7 million at the end of the year – more than double the number from

a quarter ago. Across every market where it has launched, the program has consistently produced double-digit spending uplift by members after they join. In Indonesia, VIP members have been spending about 30 to 40% more than before joining. In some markets, VIP members already contributed more than 15% of total GMV in the fourth quarter. Building on Shopee VIP's success in Asia, we plan to launch it in Brazil in the coming months.

Third, our content ecosystem. We strengthened our content and affiliate ecosystem in 2025, making discovery more engaging and supporting higher purchase conversion. We saw strong momentum in our partnership with YouTube, with orders driven by YouTube content more than tripling in the fourth quarter, year-on-year. Our collaboration with Meta has also scaled well since its launch in October. By the end of the year, more than 3 million affiliates had linked their Shopee and Facebook accounts. These partnerships have extended our ecosystem coverage across multiple channels, to the benefit of both our buyers and sellers.

I would also like to highlight our strong achievements in Taiwan and Brazil.

In Taiwan, GMV growth accelerated to double-digits in 2025. Our wide product assortment, highly competitive pricing, and differentiated logistics have made us the clear e-commerce leader there. In particular, our large-scale network of Shopee collection points, including automated locker stores, has reinforced our popularity in Taiwan. It addresses Taiwanese buyers' desire for convenience, while lowering our cost to serve, allowing us to offer free shipping at much lower minimum spend. By the end of the year, our network had grown to over 2,800 locations. This last-mile delivery model has contributed to broader user adoption and stronger repurchase behavior, while creating a structural moat that is difficult for any peer to replicate at scale. We still see much headroom to strengthen our market leadership and improve e-commerce penetration in Taiwan.

Brazil was our fastest growing market in 2025, delivering robust GMV growth and market share gains while remaining profitable. Mass-market penetration improved, thanks to our ability to offer free shipping at the lowest cost structure in the market. Upmarket penetration also improved, as our fast, reliable delivery made us more attractive in higher-value categories. In the fourth quarter, buyer waiting time improved by around 1.5 days year-on-year. Over the same period, we onboarded more than 300 new brands to Shopee Mall, and Shopee Mall GMV more than doubled year-on-year. With these efforts, newer buyer cohorts are showing higher average spend levels. In 2026, we will accelerate the roll-out of our fulfilment capability in Brazil. This will enable us to attract and serve even more sellers, especially in higher-value categories, and keep improving our average basket size.

Shopee delivered an exceptional 2025, setting new growth records every quarter. This has proven the effectiveness of our strategic choices. It has also validated the efforts we made across the year to constantly improve our execution capabilities. In 2026, we will remain consistent on both our strategies and our focus on high quality execution. We believe our strong growth momentum and healthy profitability will continue into the year ahead.

Next, moving to Monee.

We are very proud of the progress Monee has made in both growth and profit, while maintaining a healthy risk profile. In 2025, Monee's annual revenue reached 3.8 billion dollars, representing 60% year-on-year growth. Adjusted EBITDA exceeded 1 billion dollars, representing 43% year-on-year growth.

Credit business remains our primary driver of growth and profit. In 2025, we grew our credit business in three ways: acquiring more new users, deepening engagement with existing users, and expanding credit use cases.

First, we acquired many more new users by shifting from a whitelist-based approach to a broader “all-can-apply” approach. We progressively rolled this out across our markets for both SPayLater and personal cash loans. New user cohorts scaled well with generally positive unit economics. In the fourth quarter, we added 5.8 million unique first-time borrowers. Our active credit users crossed 37 million at the end of the quarter, up more than 40% year-on-year.

Second, we deepened our engagement with existing credit users. For borrowers with longer credit track records, we offered access to higher loan limits and longer tenures. To target more prime users, we introduced differentiated pricing and more product features, such as first-month interest-free loans. By the end of the fourth quarter, average loan outstanding per user was around 240 dollars, a 27% increase year-on-year.

Third, we expanded credit use cases beyond Shopee into more consumer spend scenarios, letting us penetrate a much larger addressable market. Off-Shopee SPayLater has evolved from a nascent offering into a meaningful contributor to our overall loan portfolio. By the end of 2025, off-Shopee SPayLater loans grew over 300% year-on-year, accounting for over 15% of our total SPayLater portfolio. In Malaysia, close to 30% of SPayLater usage was already off-Shopee.

Our success with off-Shopee SPayLater has been driven by the close attention we pay to user experience. We took great efforts to ensure that SPayLater could be activated in seconds and used seamlessly for in-store purchases. We integrated SPayLater with national QR payment systems across key markets, making it much easier for consumers to use in day-to-day purchases. We also expanded the use of SPayLater into higher-ticket offline categories, such as electronics and two-wheelers. We are encouraged by the early traction we are seeing with off-Shopee SPayLater and see substantial headroom to expand its use cases.

Our credit business expansion in 2025 was made possible by improvements in our risk underwriting capabilities. These improvements tapped on our rich ecosystem data and advancements in AI. Over the year, we made good progress training our risk models to better understand and map how user behavior evolves over time. We are better able to assess individual repayment capacity alongside evolving market risk, and dynamically adjust credit limits as needed. Enhancing our models’ precision and performance enabled us to scale rapidly in 2025 while still maintaining a stable risk profile. Our 90-day NPL ratio held steady at 1.1% as of the end of the fourth quarter.

Looking ahead, I am incredibly excited about Monee’s growth potential. Many of our initiatives are still in the early stage, with huge opportunities we have yet to capture. We are also making good progress growing our products and services beyond credit, from digital banking to insurance and more. We believe Monee will be a significant long-term profit contributor for us.

Next, turning to Garena.

2025 was a blockbuster year for Garena. Bookings grew 37% year-on-year and adjusted EBITDA grew 38% year-on-year. Free Fire expanded its reach and scale globally. And we saw solid momentum across our broader portfolio, from Arena of Valor to new titles such as Delta Force and EA Sports FC Mobile.

Free Fire's journey over the last eight years has been truly special. It is remarkable for a franchise of its vintage to still be growing so fast. Free Fire has now achieved two consecutive years of bookings growth exceeding 30%, with 2025 bookings nearly double the level recorded in 2023. Even at its massive scale, average daily active users in 2025 continued to grow year-on-year.

Free Fire's success is driven by our ability to consistently deliver high-impact experiences that bring communities together. 2025 was a defining year in this regard, showcasing our excellent execution across a full spectrum of major in-game and real-world initiatives.

We delivered a content-packed year. In Q1, we launched NARUTO SHIPPUDEN Chapter 1. In Q2, we released our 8th anniversary map, Solara. And in Q3, we launched the Squid Game collaboration and NARUTO SHIPPUDEN Chapter 2.

This blockbuster year was the product of more than two years of intense preparation, collaboration, and game development. We started working on the NARUTO SHIPPUDEN project in 2023, when the global game industry was struggling with post-pandemic headwinds. We knew this project required a long development timeline. In that difficult time, the easier path would have been to focus on smaller, shorter-term wins. But we were convinced that this was the right thing to do, and remained committed to the long-term vision we had for the project.

Our conviction, patience, and hard work have been hugely rewarded with the collaboration's resounding success. Garena's culture of always prioritizing what is best for our players, even through hard times, has sustained Free Fire's popularity and relevance, making it an evergreen game.

2025 was also a big year for our esports ecosystem. The Free Fire World Series Global Finals, held in Jakarta in November, marked a historic moment for the franchise. More than six hundred thousand players competed worldwide across grassroots qualifiers, regional leagues, and global finals. This earned Free Fire the Guinness World Records™ title for the Largest Mobile Team-Based Esports Tournament.

Over the past 8 years, we have built Free Fire into more than just a game. It is now a global franchise spanning gameplay, social engagement, and real-world experiences. This approach has deepened the game's emotional connection with players, and continues to fuel its organic growth. We are already laying the groundwork for Free Fire's next phase, including preparations for its landmark 10th anniversary in 2027.

Beyond Free Fire, EA Sports FC Mobile has delivered a strong early performance. Since its launch in October, it has become the most downloaded mobile game in Vietnam according to Sensor Tower. We hosted the FC Pro Festival 2025, a flagship esports and fan event, in Ho Chi Minh City. The event was incredibly popular, reaching 80 million viewers online. To build excitement for the event, we brought in global football icons Luis Figo and Ricardo Kaká to play with local footballers and influencers in a friendly match. Our success with this game demonstrates our ability to localize a global franchise through deep engagement with fan communities on the ground. We look forward to further strengthening our long-standing partnership with EA.

We are very proud of Garena's sustained success across Free Fire, our long-standing published games, and the exciting new titles we have added to our portfolio. Garena is entering 2026 with strong momentum. We will keep delivering high-quality content and experiences to our global gaming community.

As we enter 2026, we see exciting opportunities across our businesses and markets. Our excellent performance in 2025 has strengthened our conviction in our operational strategies. We will double down on executing these strategies with excellence in the year ahead.

As always, we greatly appreciate your trust and support along the way. We look forward to delivering another strong 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 38% year-on-year to 6.9 billion dollars in the fourth quarter of 2025 and 36% year-on-year to 22.9 billion dollars for the full year of 2025. This was primarily driven by growth in Shopee and Monee. Our total adjusted EBITDA was up by 33% year-on-year to 787 million dollars in the fourth quarter of 2025 and up by 75% year-on-year to 3.4 billion dollars for the full year of 2025.

On Shopee, gross orders increased 30% year-on-year to 4.0 billion in the fourth quarter of 2025 and GMV increased by 29% year-on-year to 36.7 billion dollars in the fourth quarter of 2025. Our fourth quarter GAAP revenue of 5.0 billion dollars included GAAP marketplace revenue of 4.3 billion dollars, up 36% 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 3.6 billion dollars, up 50% year-on-year. Value-added services revenue, mainly consisting of revenues related to logistics services, was 0.7 billion dollars. For the full year of 2025, GAAP revenue of 17 billion dollars included GAAP marketplace revenue of 15 billion dollars, up 34% year-on-year, and GAAP product revenue of 2 billion dollars.

Shopee adjusted EBITDA was up by 33% year-on-year to 202 million dollars in the fourth quarter of 2025. Full-year adjusted EBITDA was 881 million dollars for 2025, compared to a full-year adjusted EBITDA of 156 million dollars for 2024.

Monee GAAP revenue was up by 54% year-on-year to 1.1 billion dollars in the fourth quarter and up by 60% year-on-year to 3.8 billion dollars for the full year of 2025. Adjusted EBITDA was up by 25% year-on-year to 263 million dollars in the fourth quarter of 2025 and up by 43% year-on-year to 1.0 billion dollars for the full year of 2025.

As of the end of December, our consumer and SME loans principal outstanding reached 9.2 billion dollars, up 80% year-on-year. This consists of 8.2 billion dollars on-book and 1.0 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 24% year-on-year to 672 million dollars in the fourth quarter and grew 37% year-on-year to 2.9 billion dollars for the full year of 2025. GAAP revenue was up by 35% year-on-year to 701 million dollars in the fourth quarter and up by 26% year-on-year to 2.4 billion dollars for the full year of 2025. The growth was primarily due to the increase in our active user base as well as the deepened paying user penetration.

Garena adjusted EBITDA was up by 26% year-on-year to 364 million dollars in the fourth quarter and up by 38% year-on-year to 1.7 billion dollars for the full year of 2025.

Returning to our consolidated numbers, we recognized a net non-operating income of 62 million dollars in the fourth quarter of 2025, compared to a net non-operating income of 28 million dollars in the fourth quarter of 2024.

For the full year of 2025, non-operating income was 296 million dollars, compared to non-operating income of 117 million dollars for the full year of 2024.

We had a net income tax expense of 210 million dollars in the fourth quarter of 2025, compared to net income tax expense of 89 million dollars in the fourth quarter of 2024. For the full year, our net income tax expense was 651 million dollars, compared to 321 million dollars for the full year of 2024.

As a result, net income was up by 73% year-on-year to 411 million dollars in the fourth quarter of 2025. For the full year, net income was 1.6 billion dollars, as compared to net income of 448 million dollars for the full year of 2024.

Elson:

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