

Q1 2025 Earnings Prepared Remarks

Elson:

Hello everyone, and welcome to Sea's 2025 first 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 first quarter 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.

We have delivered another great quarter of strong growth with improving profitability across all three businesses. Our businesses are now all self-sufficient and cash-generating, positioning us well to capture future opportunities. Our strong start to the year gives us more confidence of achieving our full-year guidance.

Five days ago on May 8th, we celebrated Sea's 16th Anniversary. On the same day, we rebranded our digital financial services business from SeaMoney to **Monee**, spelled "M-o-n-e-e". We chose the name Monee because it is simple, cute, and, just like our company's name Sea, easy to write and pronounce. Monee also resonates well with the name of its sister brand, Shopee, reflecting the seamless, synergetic connection between the two ecosystems.

Our digital financial services business already has a decade-long history. From AirPay to ShopeePay to SPayLater, and to all of Monee's other products and services today, we create solutions that are **simple, accessible, and inclusive**. We use technology to enable all our communities to join the digital economy, and manage their money more easily. We remain grounded in these principles as we move forward.

Today, Monee is already one of the largest unsecured consumer lending businesses in Southeast Asia, and I believe we are only at the start of realizing its full potential. We have expanded beyond Southeast Asia to Brazil.

And we are moving beyond payments and credit to every aspect of people's lives relating to money, such as banking, investment, and insurance. When we help people achieve their financial goals, it can be life-changing not just for them today, but for their children and grandchildren as well. We are excited and committed to creating financial freedom and empowerment for consumers and small businesses with technology, both for this generation and generations to come.

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

Starting with e-commerce.

Shopee has delivered a record-high GMV and gross order volume in the first quarter. We sustained market leadership with improved profitability across both Asia and Brazil. Unit economics improved, largely driven by our continued scale expansion, cost optimization, and enhanced monetization – especially from advertising. Ad revenue grew by more than 50% year-on-year in the first quarter.

Our operational priorities remain consistent: to enhance price competitiveness, improve service quality, and strengthen our content ecosystem. Our strong execution of these priorities has continued to make Shopee competitive and differentiated.

On price competitiveness, our diverse product range and competitive pricing continue to resonate well with buyers. Our ability to deliver a clear price advantage over our peers comes from our closer collaboration with sellers and deeper integration with upstream suppliers. In Qualtrics surveys, we continue to rank as best-in-market across Asia and Brazil for offering good product prices. This has done a lot to build our brand mindshare of being the most price competitive e-commerce platform in our markets. In the first quarter, our average monthly active buyers on Shopee grew by over 15% year-on-year.

On service quality, logistics continues to be integral to our ability to deliver better and more reliable service to our customers. We further strengthened this value proposition in the quarter with both cost reduction and service quality improvements. In the first quarter, we reduced Shopee's overall logistics cost-per-order by 6% in Asia and 21% in Brazil year-on-year, while continuing to improve delivery times and expand network coverage. These efficiencies enable us to pass on greater savings to buyers while providing a seamless and reliable shopping experience.

In addition to these broad measures, we constantly explore and pilot new initiatives delivering value targeted at specific customer needs. For example, in some of Indonesia's major cities, we offer an "instant delivery" option that delivers orders in just a few hours. In the first quarter, we also piloted a Shopee VIP membership program in Indonesia to better serve our most loyal users. This paid membership program includes benefits such as unlimited free shipping, upsized discount vouchers, and priority customer service. Adoption has been encouraging, with more than 1 million users subscribing as of the end of March. Members purchased more than three times as frequently and spent more than four times as much as regular buyers. These are just some examples of how we continue to experiment with value-adding features to strengthen buyer engagement and stickiness.

We also continue to improve service quality to our sellers, by empowering them with intelligent tools and optimized ad-tech solutions. For example, we introduced Shop AI Assistant to help sellers handle routine

customer queries, making their daily operations on Shopee more effortless. Our upgraded ad-tech product called “GMV Max” has also made it easier for sellers to launch campaigns, reach the right audience, and maximize their returns. In the first quarter, the number of sellers who spent on our ad products increased by 22%, and average ad spend increased by 28%, year-on-year.

We continue to make good progress with our content ecosystem, and it is playing an increasingly important role in driving buyer engagement and conversion. In Southeast Asia, content-driven orders, including those from livestreaming and short videos, accounted for about one-fifth of our total physical goods order volume in the first quarter. Unit economics also continued to improve, supported by growing scale, larger average basket size, better marketing efficiency, and higher adoption of Shopee Live Ads. We are also seeing strong traction from our partnership with YouTube, which we have expanded to all six of our Southeast Asian markets. As of March, over 4 million YouTube videos had Shopee product links embedded, and average daily orders attributed to YouTube content continue to rise steadily. This partnership has strengthened our relationship with creators who can now more easily monetize their engagement, while also allowing our sellers to tap on the high traffic YouTube platform for sales.

Beyond Asia, Brazil continues to show encouraging results. The pace of our user base expansion continued to outpace the market average as we gained market share, and we remain adjusted EBITDA positive. This was driven by our strong execution. We expanded to serve more underserved market segments, onboarded more sellers, diversified into higher ticket size product categories, and improved delivery speed while maintaining our logistics cost advantage. Looking ahead, we see plenty of runway for further growth in Brazil and we remain committed to capturing the long-term opportunities in this market.

In summary, Shopee has started 2025 on very strong footing, delivering high growth while improving profitability across our markets. With solid first quarter results, we remain confident of achieving our full-year GMV growth guidance of 20% with improving profitability.

Next, turning to digital financial services.

In the first quarter, Monee delivered another strong set of results, with both revenue and adjusted EBITDA growing more than 50% year-on-year. This growth was delivered while maintaining stable asset quality, reflecting our continued commitment to prudent risk management.

In the first quarter, our loan book grew by over 75% year-on-year to reach 5.8 billion dollars, mainly driven by the healthy expansion of our user base. In the first quarter, we added over 4 million first-time borrowers, and we see new user cohorts continuing to generate positive profit over time as we scale. By the end of the quarter, active users for our consumer and SME loan products exceeded 28 million, representing more than 50% growth year-on-year. At the same time, our overall portfolio quality remained healthy, with our 90-day NPL ratio staying relatively stable at 1.1%.

Risk management remains our top priority. We take a proactive and dynamic approach to credit risk management, leveraging live insights from our ecosystem and closely tracking repayment trends across user cohorts. Our deep roots in local markets serving a massive user base gives us the unique advantage of first-hand data, letting us evaluate market conditions in real-time. With short loan tenures of typically three to six

months, we can adjust underwriting thresholds, credit limits, and pricing parameters quickly in response to macroeconomic changes.

In the first quarter, we made good progress across various markets. In Thailand and Malaysia, SPayLater's campaigns with Shopee effectively drove new user acquisition and further increased penetration on Shopee. By the end of March, Thailand's loan book surpassed one billion dollars. Brazil also delivered robust loan book growth in the first quarter, driven by both SPayLater's higher penetration on Shopee and a growing contribution from buyer cash loans. Such strong growth across different markets diversifies our overall loan book and reduces our exposure to any single market's economic cycle, giving us a more stable and resilient loan portfolio.

We also continue to roll out new products and strengthen our underwriting capabilities, enabling us to serve a wider range of users across different risk profiles and credit needs. For example, in the first quarter, we saw strong growth from credit products with lower interest rates, higher credit limits, and longer tenures in markets such as Indonesia and Malaysia. These products are helping us attract more higher-income users, who may be more selective in their adoption of credit products. Having a larger cohort of premium users gives us significant cross-selling opportunities and higher customer lifetime value.

Taken together, as we continue to grow our credit penetration in more markets serving more users, we are consciously constructing a loan portfolio with better diversification across markets and user segments. This lets us maintain good asset quality, which benefits our long-term growth and profitability.

While the Shopee ecosystem remains an effective funnel for user acquisition and underwriting insights, Monee is steadily expanding its reach beyond Shopee. In Malaysia, off-Shopee usage of SPayLater has grown meaningfully, by leveraging ShopeePay's merchant network, and through targeted marketing campaigns that strengthened consumer mindshare of our credit products. Off-Shopee SPayLater loans now account for over 10% of our total loan book in Malaysia. We are seeing healthy repayment behavior with off-Shopee SPayLater loans, and unit economics continue to improve.

In Indonesia, off-Shopee growth has also been boosted by the standalone ShopeePay financial services app, which has surpassed 30 million downloads as of March. The app supports everyday payments beyond the Shopee platform. It seamlessly integrates SPayLater functionality to enable the use of credit for off-Shopee purchases. We continue to enhance the app with new features to drive user engagement and position it as a central hub for daily financial activities. This lays a strong foundation for cross-selling a broader suite of financial products and services in the future.

In summary, Monee is on the right track to continue delivering strong loan book growth while maintaining sound credit quality, and we are confident of achieving our full year guidance. As we scale, we remain focused on risk management as a top priority. Given our unique business model and the strong support we have from our Shopee ecosystem, we are confident that we can grow Monee in a way that is resilient to credit cycles and profitable into the long term.

Next, turning to digital entertainment.

Garena had a stellar start to 2025, with its best quarter since 2021. In the first quarter, Garena's total bookings grew 51% and adjusted EBITDA grew 57% year-on-year. In addition to Free Fire, our other games, such as

Arena of Valor, EA Sports FC Online, and Call of Duty: Mobile, have also had a good start in the first quarter, giving Garena a strong growth outlook for the year.

In January, we launched Free Fire's collaboration with NARUTO SHIPPUDEN. This was our biggest ever anime IP collaboration to-date. We spent over two years with the IP partner preparing for this major campaign. We came up with a comprehensive suite of content and features, such as special moves, character-inspired wearables and recognizable scenes from the animation. Our development team put a lot of effort into upgrading our character models to introduce the intricate finger movements and hand signs that are iconic to the anime. This went a long way to bringing authenticity and the sensation of the anime into Free Fire.

The NARUTO campaign was a resounding success, with extremely positive feedback from our gamer communities around the world. Official video impressions gathered over 300 million views since the launch of the campaign, and player feedback made it clear: the NARUTO campaign stands out as the highest-rated collaboration Free Fire has ever done. The collaboration's strong social phenomenon has allowed Free Fire to not only capture new users but also re-activate churned players. Thanks to the huge success of the collaboration, Free Fire's average DAU in the first quarter was close to its peak quarterly average DAU during the pandemic. This further reinforced Free Fire's position as the world's largest mobile game by average DAU and downloads, according to Sensor Tower.

Beyond the NARUTO campaign, our focus on hyper-local content continues to drive strong user engagement by connecting with players through their culture and daily life. In the first quarter, Free Fire celebrated Ramadan through specially designed in-game missions in Indonesia, allowing players to contribute real-world donations of clothing and food, turning the gameplay into a shared act of generosity during the holy month. This resonated very positively with our gamer community. In Arena of Valor, we brought community spirit to life by organizing offline floaters in Taiwan during the culturally significant Mazu Pilgrimage, and lighting blessing candles at temples on behalf of users during Lunar New Year. The responses to these events on social media have been overwhelmingly positive. These initiatives show how our local teams proactively transform our games into platforms where cultural relevance meets social impact.

Beyond our existing games, we are growing our portfolio to deepen our capabilities and scale our market presence. In April, we published Delta Force Mobile, a first-person tactical shooting game, across markets in Southeast Asia, MENA, and Latin America. Since launch, the game has seen good traction with over 10 million downloads. We have also started pre-registration for Free City, a self-developed open-world adventure game, and will launch it in phases beginning in May. We are confident that these new launches will deepen user engagement with our gamer community across our markets.

In summary, Garena had a very strong start to the year. We will continue to drive Free Fire's popularity and longevity, and expand our game portfolio for overall sustained growth. We remain confident of delivering our guidance of double-digit growth for Garena's user base and bookings in 2025.

In closing, we are very happy with this strong start to 2025. All three of our businesses have shown strong growth and improving profitability. We remain committed to executing well and driving greater efficiency. We look forward to delivering a strong 2025 and beyond.

Thank you, as always, for your 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 30% year-on-year to 4.8 billion dollars in the first quarter of 2025. This was primarily driven by GMV growth of our e-commerce business and the growth of our digital financial services business. Our total adjusted EBITDA was 947 million dollars in the first quarter of 2025, compared to an adjusted EBITDA of 401 million dollars in the first quarter of 2024.

On e-commerce, Shopee's gross orders grew 20% year-on-year to 3.1 billion in the first quarter of 2025 and GMV increased by 22% year-on-year to 28.6 billion dollars in the first quarter of 2025. Our first quarter GAAP revenue of 3.5 billion dollars included GAAP marketplace revenue of 3.1 billion dollars, up 29% year-on-year, and GAAP product revenue of 0.4 billion dollars. Within GAAP marketplace revenue, core marketplace revenue, mainly consisting of transaction-based fees and advertising revenues, was 2.4 billion dollars, up 39% year-on-year. Value-added services revenue, mainly consisting of revenues related to logistics services, was 0.8 billion dollars, up 4% year-on-year.

E-commerce adjusted EBITDA was 264 million dollars in the first quarter of 2025, compared to an adjusted EBITDA loss of 22 million dollars in the first quarter of 2024.

Digital financial services GAAP revenue was up by 58% year-on-year to 787 million dollars. Adjusted EBITDA was up by 62% year-on-year to 241 million dollars.

As of the end of March, our consumer and SME loans principal outstanding reached 5.8 billion dollars, up over 75% year-on-year. This consists of 4.9 billion dollars on-book and 0.9 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.

Digital entertainment bookings were 775 million dollars in the first quarter, up 51% year-on-year. GAAP revenue was 496 million dollars. Adjusted EBITDA was 458 million dollars.

Returning to our consolidated numbers, we recognized a net non-operating income of 89 million dollars in the first quarter of 2025, compared to a net non-operating loss of 18 million dollars in the first quarter of 2024.

We had a net income tax expense of 136 million dollars in the first quarter of 2025, compared to net income tax expense of 79 million dollars in the first quarter of 2024.

As a result, net income was 411 million dollars in the first quarter of 2025, as compared to a net loss of 23 million dollars in the first quarter of 2024.

Elson:

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