

## **Q4 & FY 2024 Earnings Prepared Remarks**

### **Rebecca:**

Hello everyone, and welcome to Sea's 2024 fourth quarter and full year earnings conference call. I am Rebecca Lee 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 2024. 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 delivered a great 2024 with all three businesses going back to strong, double-digit growth, exceeding our original guidance. It was also our second consecutive year of annual positive profit, with all three of our businesses recording positive adjusted EBITDA. We are very proud of achieving this milestone, and we expect each business to remain profitable and self-sufficient going forward. This strong set of results validates our strategies: we made the right decisions, at the right time, and executed very well on them.

2024 also marked our 15<sup>th</sup> anniversary. It is rewarding to look back and see how, over 15 years, we have created and excelled in three separate business verticals, improving the lives of hundreds of millions of people. Garena brings joy to over 100 million global gamers every day. Shopee is the clear e-commerce market leader in all seven of our Asian markets, with a sizeable and growing presence in Brazil. Our e-commerce GMV exceeded 100 billion dollars for the first time in 2024. And SeaMoney, with a loan book size of over 5 billion dollars and over 26 million active borrowers, is already one of the largest consumer lending businesses in Southeast Asia. I am very proud of the hard work from all our teams which has made these incredible outcomes a reality, and I am grateful to all our investors for your support across this journey.

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

Starting with e-commerce.

Shopee is celebrating its 10<sup>th</sup> year with a great set of results. GMV surpassed 100 billion dollars, with over 10 billion orders in 2024. It was our first full year of being adjusted EBITDA positive. We reinforced our market leadership by returning to high growth, with GMV growing 28% year-on-year. And we have become profitable in both Asia and Brazil.

We improved our monetization significantly in 2024, through higher commission and advertising take rates. This was driven by markets becoming more rational, and increased adoption of our ad-tech offerings among sellers. In the fourth quarter, our ad revenue increased by more than 50% year-on-year and our ad take rate improved by more than 50 basis points compared to the same period last year.

2024 has been a strong demonstration that our e-commerce strategy works. Our results reflected solid execution across our three operational priorities: enhancing price competitiveness, improving service quality to customers, and strengthening our content ecosystem. I believe our ability to execute very efficiently and consistently across these priorities sets us apart, and has made Shopee a beloved household name across our markets.

Our end-to-end integration with our logistics partners has proven to be a key differentiator of Shopee's service quality. SPX Express, in particular, helps us reap many efficiencies due to its geographic reach, fast delivery speed, and cost leadership. After years of delivery network and logistics chain improvements, SPX Express is now able to consistently deliver industry-leading service standards for buyers and sellers, even during seasonal peaks. Almost half of SPX Express orders in Asia were delivered within 2 days of order placement in the fourth quarter, an improvement from the same period last year. At the same time, we reduced Shopee's overall logistics cost-per-order by 5 cents year-on-year in the fourth quarter. The efficiencies we gain from this tight logistics integration allow us to pass on savings to buyers and sellers while giving them the assurance of reliable and cost-effective logistics solutions.

Beyond logistics, we continue to adopt AI to improve service quality in a practical and effective manner. By using large language models to understand queries, we have made search and discovery more accurate, helping users find relevant products faster. We provide our sellers with AI tools to enhance product listings by improving descriptions, images, and videos. These initiatives have improved purchase conversion rates while also making sellers more willing to spend on ads, boosting our ad revenue.

We have also used AI to enhance our customer service capabilities. After upgrading our chatbots with AI, we saw a meaningful increase in our customer service satisfaction score over the past year, and a reduction in our customer service cost-per-contact by nearly 30% year-on-year. We also used large language model capabilities to enhance our buyer return-refund process, addressing a key e-commerce pain-point. In the fourth quarter, we improved resolution times in our Asia markets by more than 40% year-on-year, with nearly six in ten cases resolved within one day. We believe we are still early in the AI adoption curve and remain committed to exploring AI-driven innovations to improve efficiency and deliver better experiences for our users.

We continued to strengthen our content ecosystem, which has become an integral part of our e-commerce ecosystem. In Southeast Asia, live streaming now contributes around 15% of Shopee's overall order volume for physical goods, and in the fourth quarter, our average daily unique streamers and viewers grew strongly at

over 40% and 30% respectively, year-on-year. In Indonesia, we have maintained our lead as the largest live streaming e-commerce platform throughout 2024. Our live streaming unit economics also improved consistently across the year, driven by expanded scale, more optimized marketing spend, increased adoption of Shopee Live Ads, and higher average basket sizes. Continued improvements in live streaming unit economics will help to enhance Shopee's overall profitability in 2025.

We continue to see positive momentum from our collaboration with YouTube, which enables video viewers to make seamless purchases from Shopee. It has also attracted many YouTube creators to Shopee's content ecosystem. In Indonesia, average daily orders attributed to YouTube content in January this year have grown more than sixfold since the collaboration first launched in September last year. We are also seeing promising results since launching the collaboration in Thailand and Vietnam, and we look forward to expanding this partnership to more markets this year.

Beyond Asia, I am very proud of our strong performance in Brazil, both in terms of our market share gains and improving profitability. Our average monthly active buyers increased by more than 40% year-on-year in the fourth quarter, which significantly outpaced the industry average. Our efforts to onboard more brands, diversify our product categories, and improve delivery speed have attracted more users to our platform and resulted in larger basket size purchases. This gave us much better unit economics and allowed us to achieve positive adjusted EBITDA for the second consecutive quarter. Looking ahead, we remain excited about Shopee's growth potential in Brazil.

In summary, I am very pleased with Shopee's achievements in 2024: we delivered strong growth, and became profitable in both Asia and Brazil. Our competitive moats are deepening, empowering us to maintain market share leadership in Asia. As market dynamics become more rational, long-term success in e-commerce will hinge on structural cost advantages and operational excellence, both of which Shopee is extremely well positioned to leverage. With e-commerce penetration still low across many of our markets, we remain confident about our ability to continue delivering profitable growth in 2025. We expect Shopee's full year 2025 GMV growth to be around 20%, with improving profitability.

Next, moving on to digital financial services.

This segment is already a sizeable and profitable business, and a meaningful contributor to our overall growth and profitability. With annual revenue of 2.4 billion dollars and adjusted EBITDA of over 700 million dollars, both our top line and bottom line achieved over 30% year-on-year growth in 2024. While we have scaled fast, risk management remains our top operational priority for this segment.

Today, our digital financial services business offers consumer and SME credit, digital payment, digital banking, and insure-tech products in Southeast Asia and Brazil. Credit-related business is currently the main driver of our digital financial services' revenue, so let us focus there.

We delivered exceptional loan book growth of more than 60% year-on-year in the fourth quarter, surpassing 5 billion dollars as of the end of 2024, making us one of the largest consumer lending businesses in Southeast Asia. In the fourth quarter, we added approximately 5 million first-time borrowers, and we saw 60% year-on-year growth in our active users, which have now grown to more than 26 million. Even with this strong growth, our risk exposure has remained stable, with 90-day NPL ratio at 1.2% in the fourth quarter.

Our credit business strategy focuses on sustainable, healthy growth, driven by a deep understanding of risk. We currently only operate this business in markets where we already have a strong e-commerce presence, giving us the ability to very deeply assess, price, and manage the risk in each market. As our large Shopee user base continues to grow in our markets, we can take a prudent, progressive approach to user acquisition and product offerings, allowing us to scale up rapidly at low cost while also maintaining a very stable risk profile.

Today, our credit business stands on two pillars: on-Shopee SPayLater loans, and off-Shopee cash and SPayLater loans. In all our markets, on-Shopee SPayLater purchases are the first and very natural touch point we have with most of our credit users. It allows them to build an initial credit track record and allows us to build out our credit model for the market. Once we understand users' credit behavior, we give them access to other products with longer tenures and larger quantum. And when we have built a credit risk model for each market which we feel confident of, we then start to scale our loan book.

Scaling our loan book includes diversifying into more off-Shopee scenarios, giving us access to a much larger pool of consumer spend. Across our Asia markets, off-Shopee loans now account for about half of our loan book. In most of our markets, credit card penetration is still very low. Our SPayLater product acts almost as a virtual credit card, for a massive addressable user base who have a huge, underserved demand for credit. With rising digital adoption, we see great potential to tap into more off-Shopee consumption use cases in our markets.

In summary, 2024 was a very good year for our digital financial services business. We launched more products to serve more users, and we grew both our top line and bottom line strongly and healthily. We expect this strong momentum to continue into this year. In 2025, we expect loan book size to grow meaningfully faster than Shopee's GMV annual growth rate, as we improve credit penetration both on- and off-Shopee.

Finally, moving on to digital entertainment.

2024 was a great year for Garena, marking Free Fire's remarkable comeback. After the post-pandemic headwinds in 2022 and 2023, Free Fire rebounded with annual bookings growing at 34% year-on-year in 2024, and we expect continued growth in 2025. In 2024, Free Fire was the world's largest mobile game by average DAU, and the most downloaded title according to Sensor Tower. Despite its massive scale, average DAU in 2024 grew 28% year-on-year, standing well above 100 million. With its high levels of engagement and retention even in its 8<sup>th</sup> year, we believe Free Fire has secured its place as an evergreen franchise.

Free Fire's comeback was the result of our continuous execution on constantly expanding our user base and relentlessly driving user engagement.

We expanded our user base by prioritizing accessibility, ensuring that Free Fire remained lightweight enough to run smoothly on a wide range of devices. This gave us a competitive edge in high-growth emerging markets with significant untapped potential. As a result, in addition to our increasing presence in Asia and the Americas, Africa has become one of Free Fire's fastest growing regions. For instance, after we managed to improve connection speeds for players in Nigeria, active users there surged 90% year-on-year in December.

We kept pushing ourselves to find ways to drive user engagement both within and beyond the game. We elevated gameplay with frequent content updates, high-profile collaborations, and immersive experiences that

bridged the game and the real world. Major updates like the 7<sup>th</sup> Anniversary event and collaborations with Demon Slayer and Blue Lock energized both new and existing users. And we started 2025 with a Free Fire and NARUTO SHIPPUDEN IP collaboration. Our users have responded extremely positively to this collaboration, giving Free Fire a strong start to the year.

While Free Fire is a global game played in more than 160 markets, our local teams put a lot of effort into bringing each market's local trends and elements into the game to make it feel hyper-local for gamers everywhere. We celebrated local festivals with thematic in-game elements, from the Day of the Dead in Mexico to Tet in Vietnam. In Indonesia, we created a Ramadhan campaign that allowed our users to donate in-game currency to renovate an orphanage in West Java. Such efforts have made Free Fire feel deeply local for players across different markets, creating a much richer sense of belonging for our gamers.

Free Fire's popularity is also a result of having a strong presence beyond the game app itself. It has a powerful following on social media: on major social media platforms such as TikTok and YouTube, Free Fire has accumulated more than one trillion views to date. And our flagship annual esports event, the Free Fire World Series Global Finals, returned to Brazil last November and generated massive excitement. Viewership hours increased by 43% compared to the previous year, thanks to our partnerships with content creators and game streamers to build hype around the event. These large-scale engagements fuel word-of-mouth organic growth, keeping Free Fire relevant and growing.

We are incredibly proud of the sustained success of Free Fire, our very own self-developed game, and the solid performance of our long-standing published games. Looking ahead into 2025, we will continue scaling our user base and broadening our content offerings. We now expect Garena to grow double digit year-on-year, for both user base and bookings in 2025.

In closing, we are proud of what we have achieved in 2024. Our strategies have proven effective, and our businesses are on strong footing to continue growing strongly and improving profitability in 2025. We will continue to work hard and execute well.

Our goal for the next phase is to pursue high-quality growth by driving both our top-line and bottom-line expansion in a healthy and sustainable manner. We are in a stronger financial position now than ever, and we are a much more experienced company after going through multiple cycles. The fundamental growth opportunities in our markets remain strong. 2024's success is just the start. 2025 will be another great year for us.

Thank you, as always, for 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 37% year-on-year to 5.0 billion dollars in the fourth quarter of 2024 and 29% year-on-year to 16.8 billion dollars for the full year of 2024. 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 591 million dollars in the fourth quarter of 2024, compared to an adjusted EBITDA of 127

million dollars in the fourth quarter of 2023. For the full year of 2024, our total adjusted EBITDA was 2.0 billion dollars, compared to an adjusted EBITDA of 1.2 billion dollars for the full year of 2023.

On e-commerce, Shopee's gross orders grew 20% year-on-year to 3.0 billion in the fourth quarter of 2024 and GMV increased by 23% year-on-year to 28.6 billion in the fourth quarter of 2024. Our fourth quarter GAAP revenue of 3.7 billion dollars included GAAP marketplace revenue of 3.2 billion dollars, up 41% year-on-year, and GAAP product revenue of 0.5 billion dollars. Within GAAP marketplace revenue, core marketplace revenue, mainly consisting of transaction-based fees and advertising revenues, was 2.4 billion dollars, up 50% year-on-year. Value-added services revenue, mainly consisting of revenues related to logistics services, was 0.8 billion dollars, up 21% year-on-year. For the full year of 2024, GAAP revenue of 12.4 billion dollars included GAAP marketplace revenue of 10.9 billion dollars, up 38% year-on-year, and GAAP product revenue of 1.6 billion dollars.

E-commerce adjusted EBITDA was 152 million dollars in the fourth quarter of 2024, compared to an adjusted EBITDA loss of 225 million dollars in the fourth quarter of 2023. For 2024 full year adjusted EBITDA, we achieved positive adjusted EBITDA of 156 million dollars, compared to an adjusted EBITDA loss of 214 million dollars for the full year of 2023. Both Asia and Other markets recorded positive adjusted EBITDA for the fourth quarter of 2024.

Digital financial services GAAP revenue was up by 55% year-on-year to 733 million dollars in the fourth quarter and up by 35% year-on-year to 2.4 billion dollars for the full year of 2024. Adjusted EBITDA was up by 42% year-on-year to 211 million dollars in the fourth quarter of 2024 and up by 29% year-on-year to 712 million dollars for the full year of 2024.

As of the end of December, our consumer and SME loans principal outstanding reached 5.1 billion dollars, up 64% year-on-year. This consists of 4.2 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 1.2% at the end of the quarter.

Digital entertainment bookings were 543 million dollars in the fourth quarter, up 19% year-on-year and 2.1 billion dollars for the full year of 2024, up 19% year-on-year. GAAP revenue was 519 million dollars in the fourth quarter and 1.9 billion dollars for the full year of 2024. Adjusted EBITDA was 290 million dollars in the fourth quarter and 1.2 billion dollars for the full year of 2024.

Returning to our consolidated numbers, we recognized a net non-operating income of 28 million dollars in the fourth quarter of 2024, compared to a net non-operating income of 32 million dollars in the fourth quarter of 2023.

For the full year, our non-operating income was 117 million dollars, compared to an income of 208 million dollars for the full year of 2023.

We had a net income tax expense of 89 million dollars in the fourth quarter of 2024, compared to net income tax expense of 77 million dollars in the fourth quarter of 2023. For the full year, our net income tax expense was 321 million dollars, compared to 263 million dollars for the full year of 2023.

As a result, net income was 238 million dollars in the fourth quarter of 2024, as compared to net loss of 112 million dollars in the fourth quarter of 2023. For the full year, net income was 448 million dollars, as compared to net income of 163 million dollars for the full year of 2023.

**Rebecca:**

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