SEA (SE US)

3Q26: Solid Delivery Across All Segments; Maintain BUY

Highlights

- 9M26 revenue of US$23.47b (+46% yoy) and PATMI of US$1.36b (+15% yoy) are ahead of the run-rate, representing 79% and 81% of our full-year forecasts respectively.
- In 3Q26, Shopee's take rate rose to 15%, Monee's loan book grew to US$12.6b (+60% yoy), and Garena bookings rebounded to US$890m (+6% yoy).
- Maintain BUY with a lower SOTP-based target price of US$123.72, after factoring a de-rating across peers into our SOTP valuation.

3Q26 Results

Year to 31 Dec (S$m)	3Q25	2Q26	3Q26	qoq%	yoy%
Revenue	**5,986**	**7,788**	**8,582**	10.2	43.4
Gross Profit	**2,599**	**3,550**	**3,935**	10.8	51.4
Adj. EBITDA	**722**	**917**	**931**	**1.5**	**28.9**
Digital Entertainment	314	430	458	6.5	45.9
E-Commerce	186	255	269	5.5	44.7
Digital Financial Service	258	288	298	3.5	15.5
Net profit	375	458	502	9.7	34.0
Core net profit	**372**	**441**	**491**	**11.3**	**32.0**
Gross Margin (%)	43.4%	45.6%	45.9%	+0.3bps	+2.5bps
Adj. EBITDA Margin (%)	12.1%	11.8%	10.9%	(0.9)bps	(1.2)bps

Source: SEA, UOB Kay Hian

Analysis

- **Revenue and earnings ahead of run-rate.** SEA reported 3Q26 revenue of US$8.58b (+43% yoy), while PATMI came in at US$491m (+32% yoy). 9M26 revenue and PATMI reached US$23.47b (+46% yoy) and US$1.36b (+15% yoy) respectively, representing 79.0% and 80.5% of our forecasts, supported by growth across all three core businesses. Adjusted EBITDA increased 29% yoy to US$931.3m, while gross margin improved yoy to 45.9% (+2.5bps), despite higher marketing expenses and credit loss provisions.
- **E-commerce (Shopee): Strong GMV growth and improving monetisation support profitability.** 3Q26 GMV reached a record US$39.7b (+23% yoy, +4% qoq), while revenue grew 41% yoy to US$6.07b, driven by a 51% yoy growth in core marketplace revenue and over 55% yoy advertising revenue growth. GAAP take rate improved to 15% from 13% in 3Q25. ShopeeVIP membership exceeded 21m, contributing nearly 25% of GMV. Adjusted EBITDA rose 45% yoy to US$269.2m, supported by improving unit economics. The company remains on track to achieve approximately 25% GMV growth and US$1.0b adjusted EBITDA in 2026.

Key Financials

Year to 31 Dec (US$m)	2024	2025	2026F	2027F	2028F
Net turnover	16,820	22,938	30,884	33,989	38,084
EBITDA	1,962	3,437	4,255	4,625	5,052
Operating profit	662	1,985	2,658	2,911	3,300
Net profit (rep./act.)	444	1,578	1,751	2,146	2,597
Net profit (adj.)	444	1,578	1,751	2,146	2,597
EPS (US$ cent)	83.4	265.2	286.4	351.0	424.8
PE (x)	93.5	29.4	27.2	22.2	18.4
P/B (x)	5.0	3.7	3.3	2.9	2.5
EV/EBITDA (x)	20.8	11.9	9.6	8.8	8.1
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net margin (%)	2.6	6.9	5.7	6.3	6.8
Net debt/(cash) to equity (%)	(29.5)	(48.9)	(49.1)	(51.9)	(56.5)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	5.9	15.1	13.0	13.9	14.5
Consensus net profit (US$m)	-	-	1,877	2,552	3,334
UOBKH/Consensus (x)	-	-	0.93	0.84	0.78

Source: SEA, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	US$77.96
Target Price	US$123.72
Upside	58.7%
Previous TP	US$181.18

Stock Data

GICS sector	Consumer Discretionary
Bloomberg ticker:	SE US
Shares issued (m):	567.0
Market Cap (US$m):	47,749.3
Market cap (US$m):	47,749.3

Price Performance (%)

52-week high/low				US$159.09/US$71.53
1mth	3mth	6mth	1yr	YTD
(18.2)	(31.3)	(10.1)	(48.0)	(38.9)

Major Shareholders (%)

-	-

Balance Sheet Metrics

FY26 NAV/Share (US$)	23.35
FY26 Net Cash/ Share (US$)	13.32

Price Chart



Source: Bloomberg

Company Description

Sea has developed an integrated platform consisting of digital entertainment, ecommerce and digital financial services, each localised to meet the unique characteristics of its markets.

- **Digital financial services (Monee): Strong credit expansion continues, although asset quality softens.** 3Q26 revenue rose 63.9% yoy and 15.6% qoq to US$1.62b, while loans outstanding expanded 60.0% yoy and 12.8% qoq to US$12.6b (US$11.2b on-book, US$1.3b off-book). Active credit users increased by around 28% yoy, supported by deeper customer engagement and credit use cases beyond Shopee. However, NPL ratio increased to 1.3% from 1.0% in 2Q26, reflecting some softness in Thailand and Brazil. Adjusted EBITDA grew 15.5% yoy and 3.6% qoq to US$298.3m. Management has proactively tightened underwriting criteria for selected customer segments to manage credit risks.
- **Digital entertainment (Garena): Bookings recover sequentially with stronger profitability.** 3Q26 bookings increased 5.9% yoy and 16.6% qoq to US$890m, recovering from the moderation in 2Q26. Quarterly paying users rose 4.1% yoy to 68.6m, while the paying-user ratio improved to 10.2% from 9.8% in 3Q25. Revenue grew 28.6% yoy to US$840.1m, while adjusted EBITDA surged 45.9% yoy and 11.9% qoq to US$458.2m, reflecting stronger monetisation and operating leverage. Free Fire remained the key earnings driver, supported by successful collaborations including Naruto Shippuden, while Arena of Valor maintained engagement through its 10th anniversary celebrations.

3Q26 results reinforce the growth outlook across all three segments:

- **Shopee's stronger monetisation supports sustainable earnings growth.** Improving advertising revenue, take rates and logistics efficiency suggest a better balance between growth and profitability. Record GMV and stronger adjusted EBITDA reinforce management's US$1.0b 2026 EBITDA target, while further monetisation gains and ShopeeVIP adoption should support margins.
- **Monee's expansion beyond Shopee broadens its growth runway, although credit risks remain.** Continued growth in off-Shopee lending and deeper customer engagement should expand its addressable market and strengthen its position as a standalone financial-services platform. However, rising NPLs and higher credit loss provisions highlight the need for disciplined risk management to sustain earnings growth.
- **Garena's established franchises continue to support earnings growth.** Recovering bookings and strong EBITDA growth demonstrate the resilience of Free Fire and Arena of Valor, supported by ongoing content updates and user engagement. While existing franchises remain the main earnings contributors, successful diversification into new titles could reduce dependence on Free Fire and strengthen the sustainability of Garena's longer-term earnings profile.

Earnings Revision/Risk

- **We raise our 2026/27/28 revenue forecasts** by 3.9%/2.0%/2.0% and earnings forecasts by 3.7%/2.5%/0.4%, respectively, following SEA's strong 3Q26 results. The upgrades reflect improved monetisation at Shopee, continued growth in Monee's loan book and sustained momentum at Garena, partly offset by higher marketing expenses and credit-loss provisions.

Valuation/Recommendation

- **Maintain BUY with a lower SOTP-based target price of US$123.72** (US$181.18 previously), representing an upside of 58.7%. We peg Shopee at a lower 1.3x 2027F P/S (2.5x previously), Garena at 14 x 2027F PE and Monee at 16x 2027F PE (21x previously), in line with peers. The lower multiples for Shopee and Monee reflect a broader industry de-rating.

Share Price Catalyst

- Stronger-than-expected Shopee GMV growth, market share gains and margin expansion; sustained Monee loan growth with improving asset quality; stronger Garena bookings from successful content updates; and further share repurchases under the expanded buyback programme.

SOTP Valuation Summary

	2027F net profit/ sales (US$m)	Valuation Method	Valuation (X)	Fair Value (US$)
Digital Entertainment	1,746 (net profit)	1x average peers PE	14	39.99
E-Commerce	20,893 (sales)	1x average peers PS	1.2	41.00
Digital Financial Services	1,353 (net profit)	1x average peers PE	16	35.42
Net Cash	4,474 (net cash)			7.32
Total				**123.72**

Source: UOB Kay Hian

SOTP Valuation Summary (Previous)

	2027F net profit/ sales (US$m)	Valuation Method	Valuation (X)	Fair Value (US$)
Digital Entertainment	1,752 (net profit)	1x average peers PE	14	40.10
E-Commerce	20,713 (sales)	1x average peers PS	2.5	84.68
Digital Financial Services	1,357 (net profit)	1x average peers PE	21	46.20
Net Cash	6,229 (net cash)			10.19
Total				**181.18**

Source: UOB Kay Hian

Key Statistics

Year to Dec (US$m)	3Q25	2Q26	3Q26	qoq % chg	yoy % chg
Digital Entertainment					
Bookings (US$m)	840	764	890	16.5	5.9
Quarterly active users (m)	671	666	672	0.8	0.1
Quarterly paying users (QPU) (m)	66	68	69	0.9	4.1
Booking per QPU (US$)	13	11	13	15.5	1.7
Revenue per QPU (US$)	10	11	12	11.5	23.5
E-commerce					
Orders (m)	3,600	4,200	4,500	7.1	25.5
GMV per order	8.9	9.1	8.8	-3.3	-1.8
(US$)	32.2	38.3	39.7	3.7	23.3

Source: UOB Kay Hian

Profit & loss

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Net turnover	**22,938.5**	**30,884.2**	**33,988.7**	**38,083.9**
EBITDA	3,437.1	4,254.6	4,625.1	5,051.5
Deprec. & amort.	1,451.8	1,596.2	1,714.4	1,751.3
EBIT	1,985.3	2,658.4	2,910.7	3,300.2
Total other non-operating income	(1.9)	(43.4)	(43.4)	(41.4)
Associate contributions	(18.9)	0.0	0.0	1.0
Net interest income/(expense)	297.5	251.8	300.2	378.5
Pre-tax profit	**2,262.0**	**2,866.8**	**3,167.4**	**3,638.3**
Tax	(651.1)	(1,069.2)	(976.7)	(996.4)
Minorities	(32.7)	(46.5)	(44.6)	(44.4)
Net profit	**1,578.1**	**1,751.1**	**2,146.1**	**2,597.5**
Net profit (adj.)	1,578.1	1,751.1	2,146.1	2,597.5

Balance Sheet

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Fixed assets	1,306.8	1,312.8	1,318.8	1,326.8
Other LT assets	4,814.6	4,884.3	4,914.8	4,955.6
Cash/ST investment	6,419.5	7,328.3	8,870.4	11,113.5
Other current assets	16,873.8	20,780.5	22,780.9	25,292.0
Total assets	**29,414.8**	**34,305.9**	**37,884.9**	**42,687.9**
ST debt	283.2	283.2	283.2	283.2
Other current liabilities	14,397.4	15,372.4	15,700.4	16,477.9
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	1,531.7	1,531.7	1,531.7	1,531.7
Shareholders' equity	12,541.0	14,341.0	16,535.9	19,182.3
Minority interest	121.8	168.4	213.0	257.4
Total liabilities & equity	**29,414.8**	**34,305.9**	**37,884.9**	**42,687.9**

Cash flow

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Operating	**5,024.5**	**4,095.9**	**2,637.0**	**3,417.8**
Pre-tax profit	2,280.9	2,866.8	3,167.4	3,637.3
Tax	(651.1)	(1,069.2)	(976.7)	(996.4)
Deprec. & amort.	0.0	369.2	372.0	375.0
Associates	(18.9)	0.0	0.0	1.0
Working capital changes	2,570.4	1,871.0	74.3	400.9
Non-cash items	171.3	58.1	0.0	0.0
Other operating cashflows	672.0	0.0	0.0	0.0
Investing	**(4,408.7)**	**(1,648.6)**	**(1,137.2)**	**(1,215.8)**
Capex (growth)	0.0	(365.9)	(367.6)	(369.3)
Investment	607.6	(1,282.7)	(769.6)	(846.6)
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	(5,016.3)	0.0	0.0	0.0
Financing	**1,623.2**	**(1,538.5)**	**48.8**	**49.8**
Dividend payments	0.0	0.0	0.0	0.0
Proceeds from borrowings	413.5	(510.4)	0.0	0.0
Loan repayment	1,209.7	0.0	0.0	0.0
Others/interest paid	0.0	(1,028.1)	48.8	49.8
Net cash inflow (outflow)	**2,239.0**	**908.8**	**1,548.7**	**2,251.8**
Beginning cash & cash equivalent	**4,081.6**	**6,419.5**	**7,321.7**	**8,861.6**
Changes due to forex impact	98.8	0.0	0.0	0.0
Ending cash & cash equivalent	**6,419.5**	**7,328.3**	**8,870.4**	**11,113.5**

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	15.0	13.8	13.6	13.3
Pre-tax margin	9.9	9.3	9.3	9.6
Net margin	6.9	5.7	6.3	6.8
ROA	6.1	5.5	5.9	6.4
ROE	15.1	13.0	13.9	14.5
Growth				
Turnover	36.4	34.6	10.1	12.0
EBITDA	75.2	23.8	8.7	9.2
Pre-tax profit	194.1	26.7	10.5	14.9
Net profit	255.2	11.0	22.6	21.0
Net profit (adj.)	255.2	11.0	22.6	21.0
EPS	218.0	8.0	22.6	21.0
Leverage				
Debt to total capital	2.2	1.9	1.7	1.4
Debt to equity	2.3	2.0	1.7	1.5
Net debt/(cash) to equity	(48.9)	(49.1)	(51.9)	(56.5)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

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