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KerrisdaleCapital

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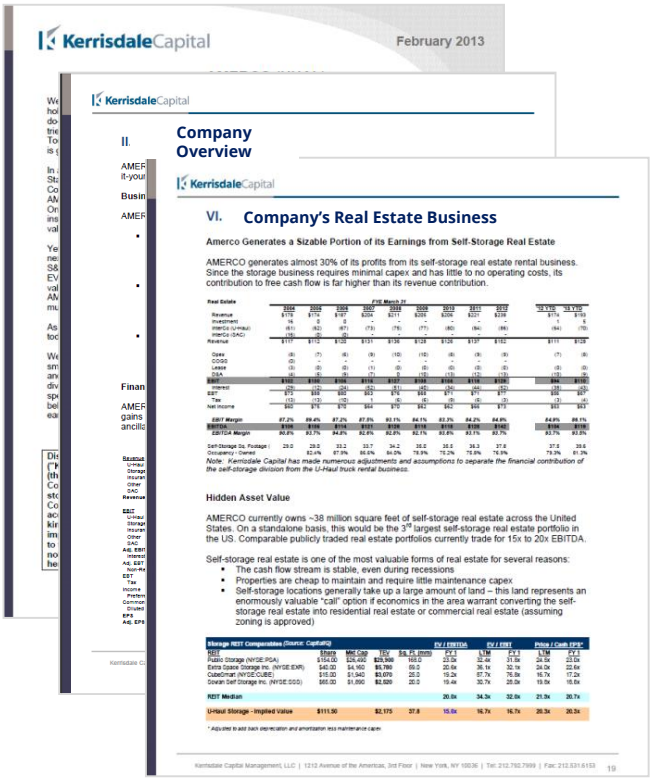
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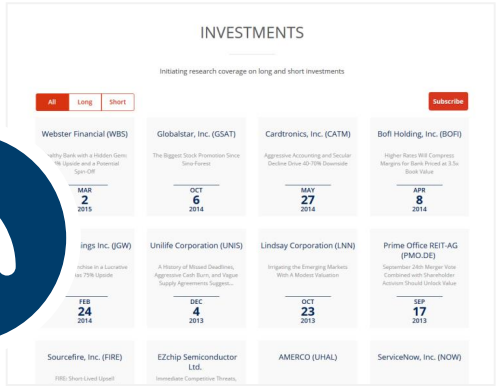
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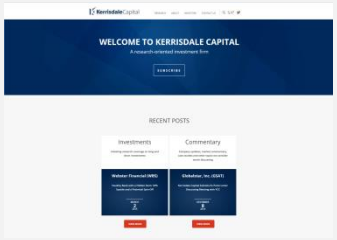
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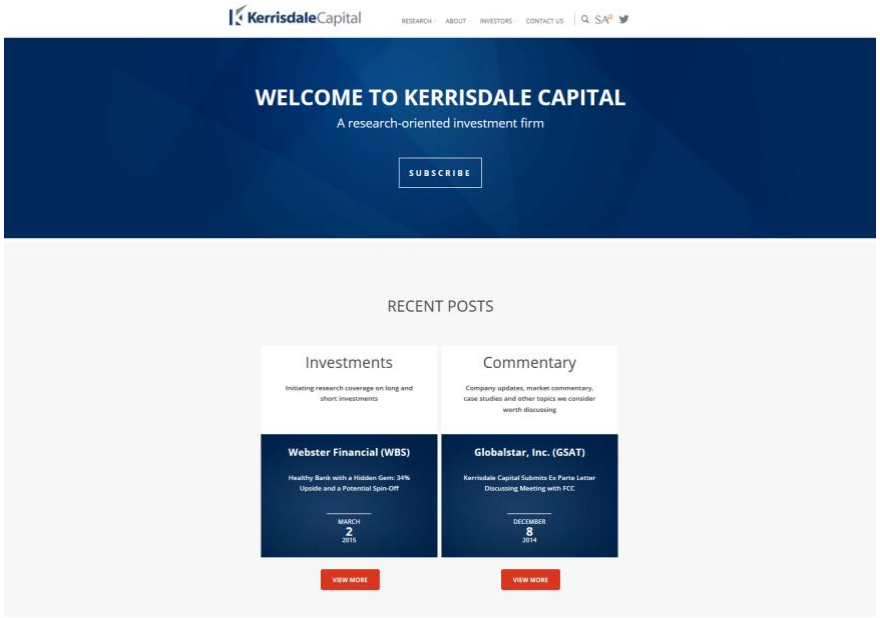
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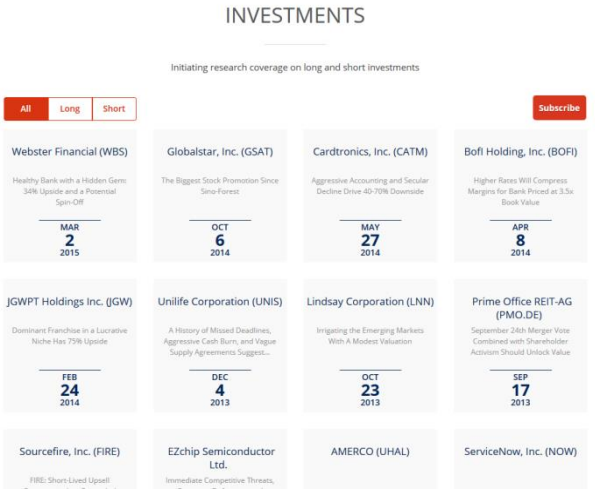


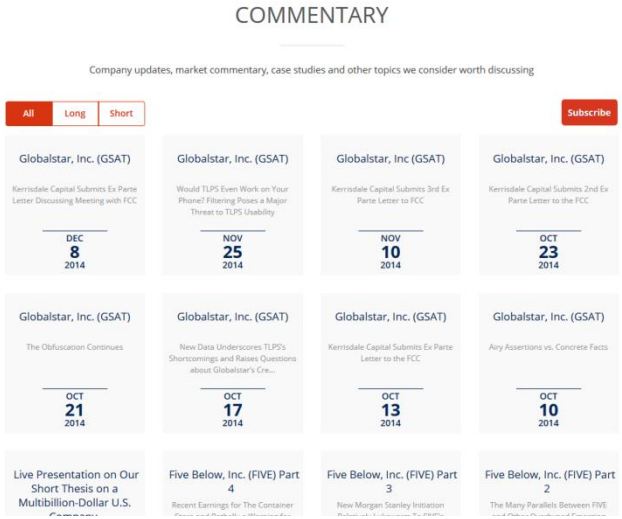




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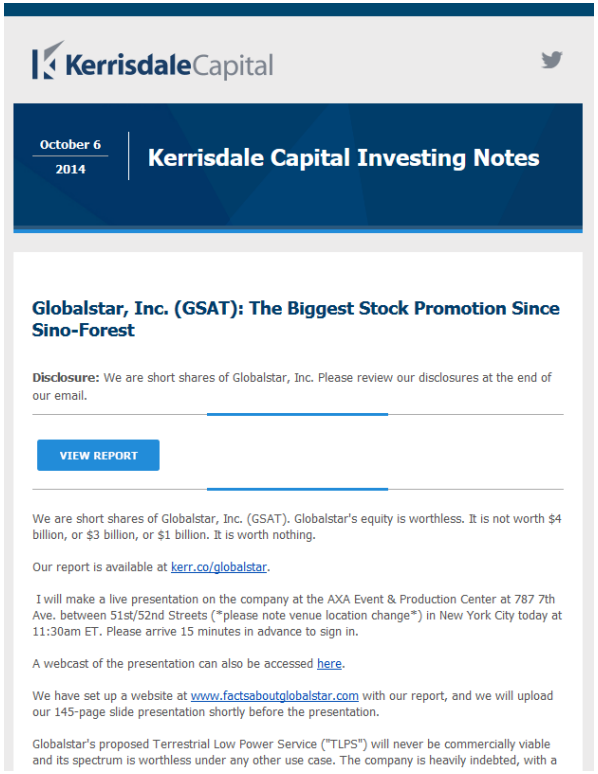
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Sea Limited (NYSE: SE)

Executive Summary

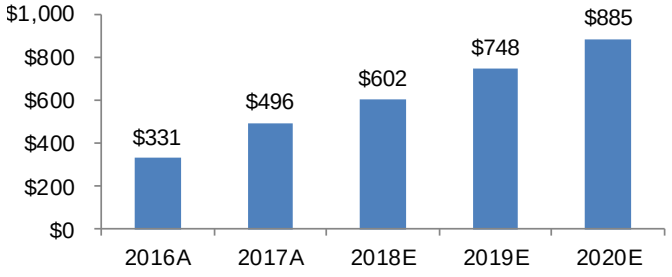
- Rapidly growing internet company in Southeast Asia focused on gaming (Garena), e-commerce (Shopee) and payments (AirPay)
  - Gaming: Leading gaming platform in SE Asia and acts as distributor for large publishers like Tencent, EA, Nexon
  - E-commerce: Top two e-commerce operator in SE Asia (#1-2 depending on country) with significant growth and scale

sea
connecting the dots

Garena

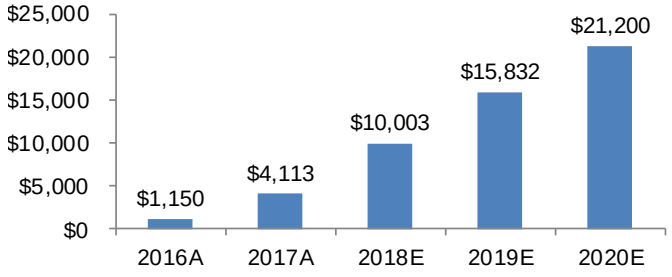
Shopee

Gaming: Adj. Revenue



Growth	50%	21%	24%	18%

E-commerce: GMV



Growth	258%	143%	58%	34%

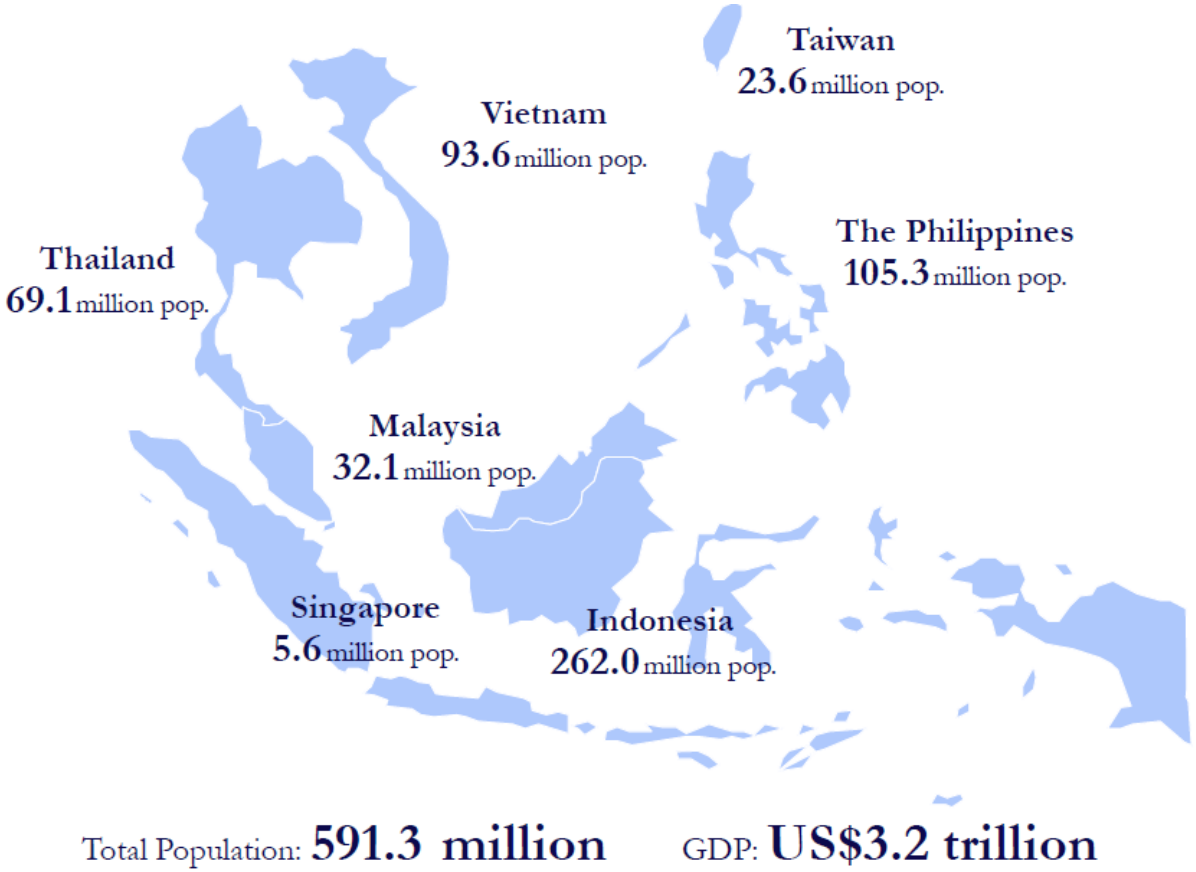
Note: Dollars in millions.
Source: Company filings and GS estimates. GMV per Kerrisdale estimates.

Executive Summary (Cont'd)

- Market underappreciates the massive opportunity of Shopee (e-Commerce)
  - Significant monetization opportunity and scaling back shipping subsidies will result in better cash flow profile
- Shares are extremely undervalued. Current enterprise value of $5 billion implies minimal valuation for high-growing e-commerce business
  - Gaming valuation of $4.0-$4.5 billion based on consensus estimates for 2019 and trading multiples
  - We think Shopee alone could be worth $10 billion
  - **$10 billion valuation for Shopee would imply shares are worth at least $33/share, 175% above today's levels**
- Attractive markets in Southeast Asia
  - Large and young demographic
  - Significant GDP growth
  - E-commerce expected to grow more than 4x over next seven years

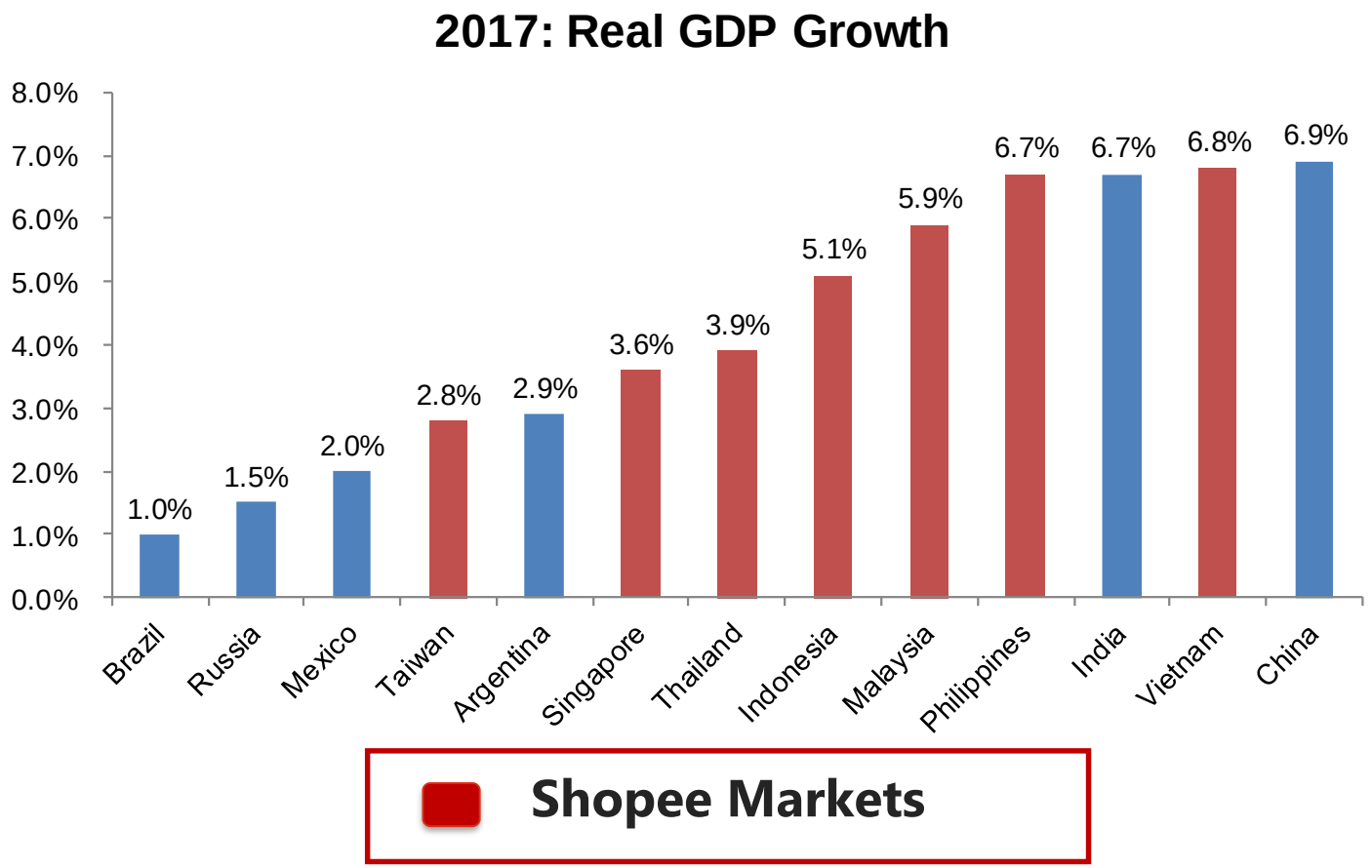
Southeast Asia: Large and Growing Market

- Operates in one of the fastest growing parts of the world with population nearly 600 million and GDP of over $3 trillion



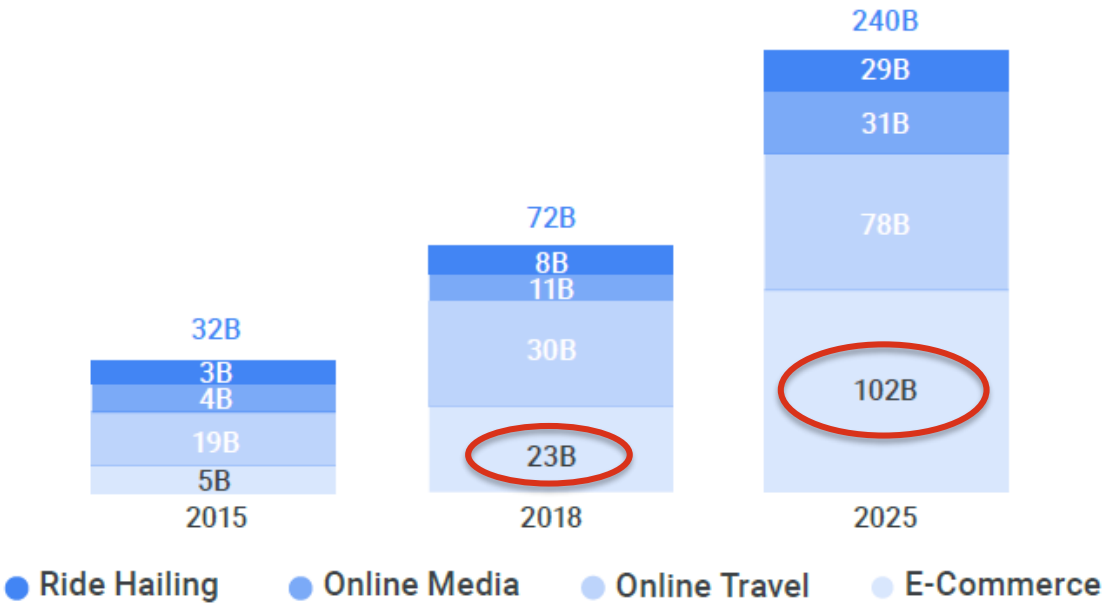
Source: SE investor presentation.

Southeast Asia: Healthy GDP Growth Among Emerging Economies



Source: CIA World Factbook.

Southeast Asia: Online Economy is Booming

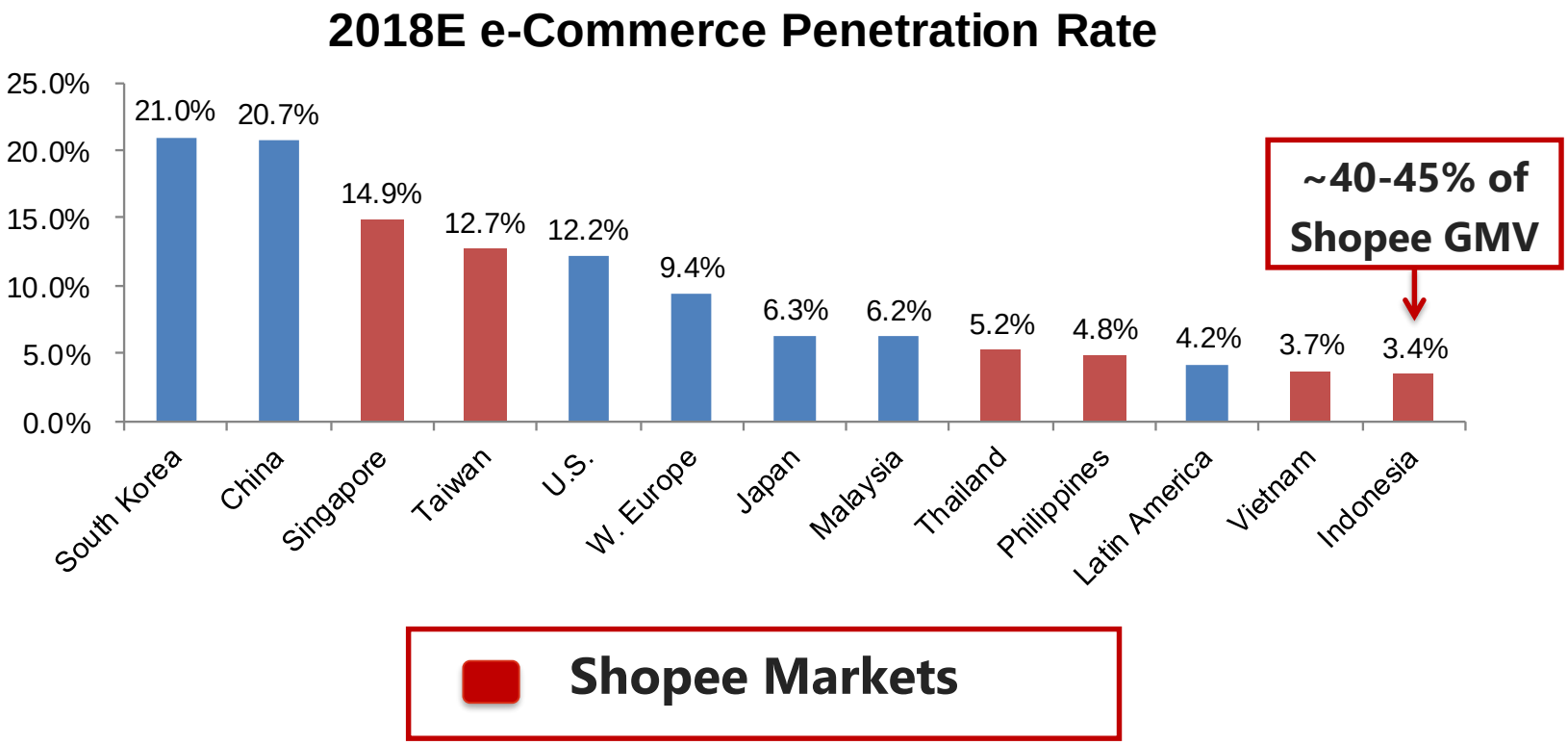


	CAGR '15-'18	CAGR '15-'25
Ride Hailing	39%	26%
Online Media	44%	24%
Online Travel	15%	15%
E-Commerce	62%	34%
Total	32%	22%

E-Commerce expected to grow from $23 billion in 2018 to $102 billion in 2025, 24% CAGR

Source: e-Conomy SEA 2018 Report by Google and Temasek.

Southeast Asia: Significant e-Commerce Opportunity as Current Penetration Levels are Low



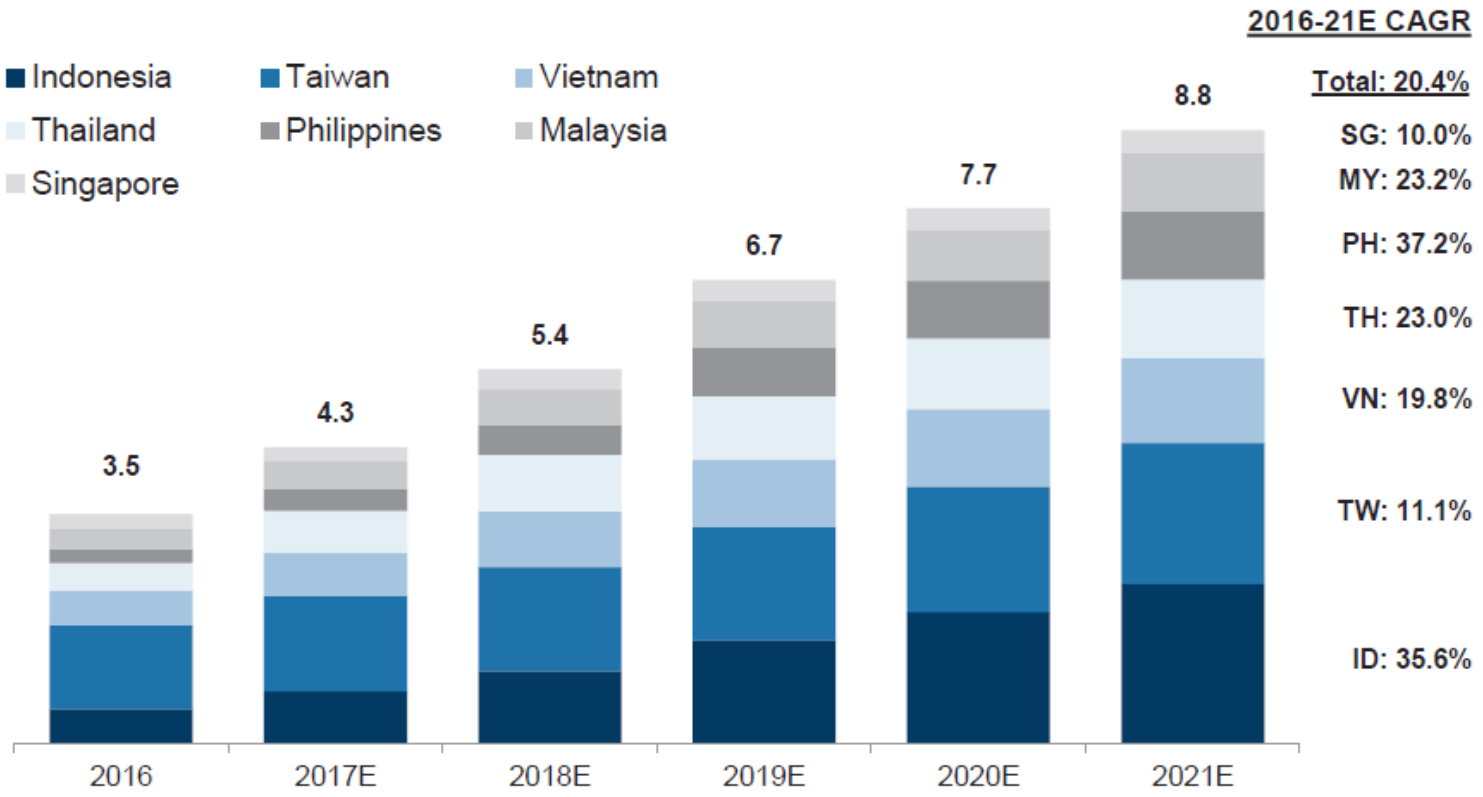
Source: Goldman Sachs.

Garena: Gaming Overview

- Garena acts as gateway for 3rd party developers to distribute leading video games in Southeast Asia
  - Key partners include Tencent, Riot Games, EA
  - Critical relationship with Tencent. Tencent remains largest shareholder
  - Exclusive right to distribute Tencent's games in Garena's geographies
  - Garena retains 65-80% of revenue sold through the platform
- Benefits of partnering with Garena
  - Access to large user base of nearly 180 million users
  - Garena is software portal where users download games through this app
  - Localized and tailored for each country
  - Network of nearly 70,000 cyber cafes that rely on Garena for games
- Successfully self-developed and launched Free Fire
  - Over 200 million registered users and 27 million DAU
  - Top grossing game in Indonesia in October 2017
  - Strategy to develop more original IP alongside distributing 3rd party content

Garena: Gaming Overview (Cont'd)

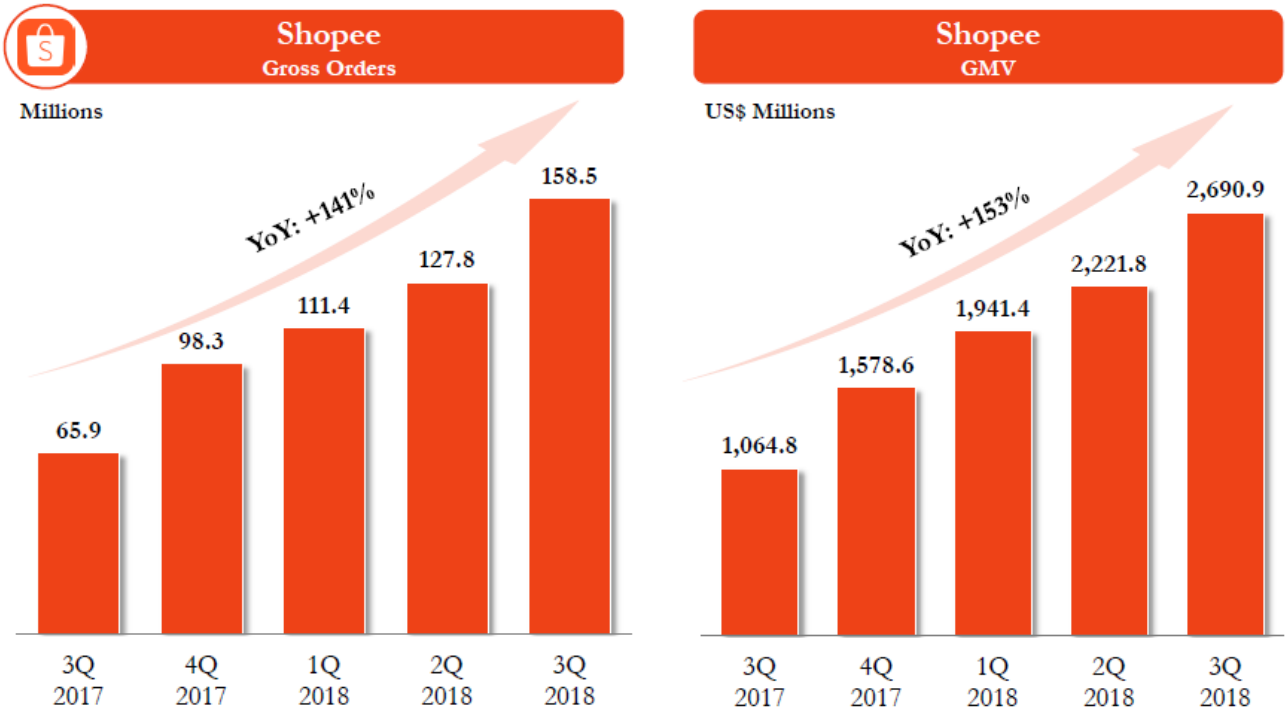
- Cash cow at Sea with nearly 40% cash EBITDA margins
  - Margin profile could continue to improve with additional self-developed IP going forward
- Gaming revenue in Southeast Asia expected to grow rapidly



Source: Goldman Sachs.

Shopee: e-Commerce

- Rapidly growing e-Commerce platform with #1-2 position in respective countries
  - GMV in 2018 of ~$10 billion, 143% higher than $4.1 billion in 2017
  - 7.5 million sellers on the platform and will do ~600 million orders in 2018



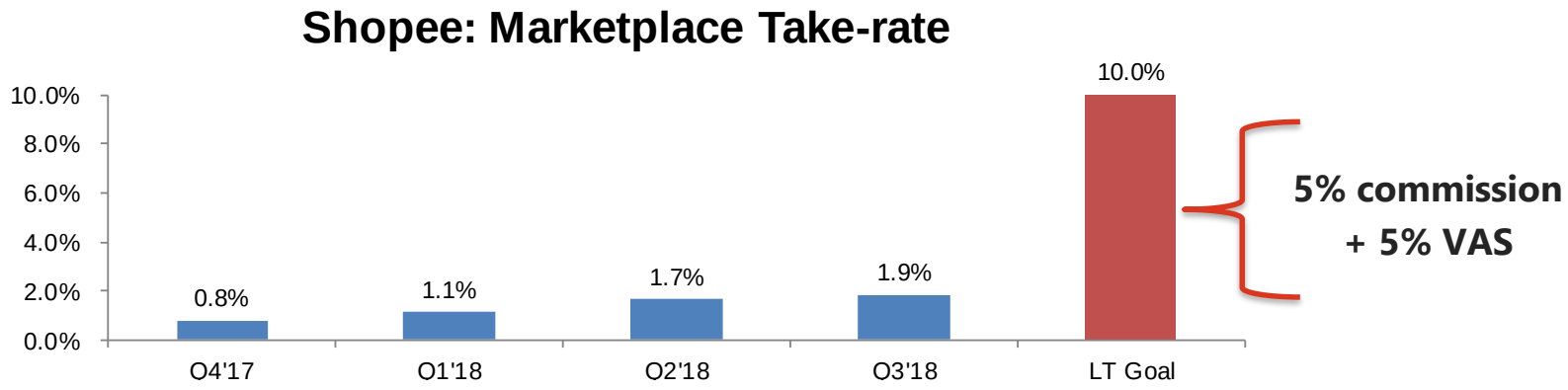
Source: SE Q3 Earnings Presentation.

Shopee: e-Commerce

- Shopee operating model is primarily marketplace (3P) rather than 1P (Amazon, JD models)
- C2C marketplace model with growing B2C business through Shopee Mall
  - Long tail end of small-to-mid sized sellers
  - Global brands increasing presence through Shopee Mall
- Breakout by country:
  - Indonesia: Shopee's largest market with 40-45% of total GMV
    - Most competitive market and similarly sized to Tokopedia (Shopee and Tokopedia vying for #1 position)
    - Very low e-commerce penetration
  - Taiwan: ~35% of total GMV
    - Shopee's most mature market
  - Rest of business split roughly between Vietnam, Thailand, Singapore/Malaysia, and the Philippines

Shopee: e-Commerce

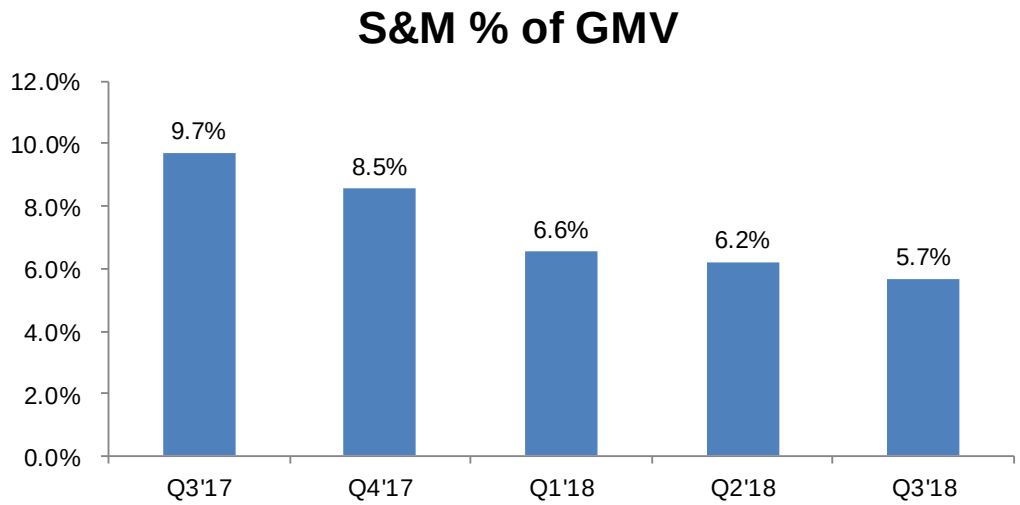
- Shopee burns significant cash flow due to 0% commission rate for sellers and subsidized shipping costs
- Take-rates (commission rate + VAS)
  - Shopee strategy: Build dominant two-sided marketplace before charging commission rates
  - Introduced 5% take-rate in Taiwan for B2C sellers in 2017
  - In Indonesia, competitors already charge commissions
    - Lazada: 5-15% depending on category
    - Tokopedia: 3-5% depending on category



Source: SE filings.

Shopee: e-Commerce

- Subsidized shipping costs
  - Introduced free shipping to attract both buyers and sellers to platform
  - Significantly reduced shipping subsidies and changed how customers qualify for free shipping
    - Minimum order baskets, free shipping on certain promotional days
  - No impact to GMV growth
  - Sales and marketing expenses coming down as % of GMV



Source: SE filings.

Valuation

- SE doesn't screen well because of cash burn and low liquidity
- Valuation would be significantly higher with better cash flow profile
  - Take-rates increasing and shipping subsidies pulled back
- Valuation based on SOTP on Gaming + e-Commerce
  - No value attributed for AirPay (payments)
  - Estimate gaming business is worth $4.0-$4.5 billion based on market trading comps and 2019E EBITDA of ~$290 million (13.5-15.5x EV/EBITDA)
  - Street estimates for valuation of gaming segment also in this range
- Total current enterprise value is $5.0 billion
  - Fully diluted for converts and no credit for $1.3 billion of cash on balance sheet due to cash burn
  - Implies just $500 million – $1 billion valuation for Shopee

Valuation (Cont'd)

- Relevant transaction comps for Shopee:
  - Tokopedia: Raised capital at $7 billion valuation in November 2018
    - Tokopedia is Indonesia only
    - GMV for 2018 rumored to be around $4.5-$5.0 billion. Implies EV / GMV of 1.4x – 1.6x
    - Shopee has presence in 6 other countries and would command a better multiple
  - Flipkart: Wal-Mart acquired Flipkart at $21 billion valuation in May 2018
    - 2018E GMV implies EV / GMV of 2.8x
    - Flipkart 2018 GMV growth of 50% vs. Shopee 2018 GMV growth of 143%

2019E GMV	$15,500
Discount	20%
Adj. 2019E GMV	**$12,400**

	EV / GMV			
	0.5x	**1.0x**	**1.5x**	**2.0x**
Shopee Valuation	$6,200	$12,400	$18,600	$24,800
Gaming	$4,250	$4,250	$4,250	$4,250
Total Valuation	**$10,450**	**$16,650**	**$22,850**	**$29,050**
Shares (incl Convert)	417	417	417	417
Implied Value / Share	**$25.05**	**$39.91**	**$54.78**	**$69.64**
Upside	*110%*	*234%*	*358%*	*483%*

Significant upside even at low end of the range

Valuation (Cont'd)

- Management currently running process for Shopee to potentially raise capital
- $1.3 billion of cash as of 09/30/2018 likely enough for another 4-6 quarters
- Cash infusion from a strategic partner (at presumably very attractive valuation given market comps) would immediately crystalize value of Shopee and allay cash burn concerns

"When we look at the longer-term, there are many options for us to strengthen our balance sheet and much more importantly, unlock greater value for our shareholders. These could include raising money at the Shopee level. We believe that Shopee is being significantly undervalued." – Alan Hellawell (Chief Strategy Officer), Q1'18 Earnings Call

"Clearly and invariably, maximizing shareholder value is our most important consideration, so we're still evaluating indications of interest from potential strategic partners and members of the financial community. I would also add that we're very pleased with the valuations we're seeing amongst smaller e-commerce players of recent in the region, and so we're very comfortable both with our position cash-wise right now and the options we have going forward.." –Alan Hellawell (Chief Strategy Officer), Q2'18 Earnings Call