SE Earnings Call Transcript

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Operator: Good morning and good evening to all and welcome to the Sea Limited Third Quarter 2025 Results Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question and answer session. Please press 0. And finally, I would like to advise all participants that this call is being recorded. Thank you. I would now like to welcome Ms. Rebecca Lee to begin the conference. Please go ahead.

Rebecca Lee: Thank you. Hello, everyone, and welcome to Sea Limited 2025 Third Quarter Earnings Conference Call. I am Rebecca 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 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 Fung, and Chief Financial Officer, Tony Hou. Our management will share strategy and business updates, operating highlights, and financial performance for 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 Li: Hello, everyone, and thank you for joining today's call. After a very strong first half of the year, our momentum has continued into the third quarter. We achieved a total revenue of $6 billion and adjusted EBITDA of $874 million, representing 38% and a 58% year-on-year growth respectively. Shopee's GMV grew by over 28% year on year. Money's loan book expanded 70% year on year while maintaining a stable risk profile. And Garena delivered its best quarter since 2021, with quarterly bookings up over 50% year on year. Our focus remains the same: continuing to deliver high and profitable growth across all three of our businesses. With ecommerce and digital finance penetration in our market still low but increasing, strong growth lays the best foundation to maximize our long-term profitability. I am very pleased with the profitable growth we have consistently delivered, and we will keep on this path. With that, let me take you through each business's performance. Starting with ecommerce, Shopee delivered another record-setting quarter, achieving new highs in quarterly GMV, cross-border volume, and revenue. We have now achieved five consecutive quarters of sequential GMV growth driven by more active buyers and a higher purchase frequency. And we have improved our year-on-year profitability across Asia and Brazil. Our monetization continued its upward trend into the third quarter. Take rate increased both year on year and quarter on quarter. As for a big contributor, our efforts to make ad services both simpler and smarter drove broader adoption and higher ad spend by our sellers. Ad revenue increased over 70% and ad take rate rose by more than 80 basis points year on year. The number of sellers using our ad product increased by more than 25% and their average ad spend increased by over 40% year on year. Our monetization gains, strong growth momentum, and a healthy balance sheet have positioned us well to capture even more growth opportunities. Our three operational priorities—enhancing price competitiveness, improving service quality, and strengthening our content ecosystem—have proven to be a winning formula, and they remain consistent. We think

these priorities let me highlight some of the areas we have been investing into that we believe are critical for our long-term competitiveness and profitability. First, continue to improve our logistics capability, a highly strategic competitive mode that has differentiated us from our peers. We launched XPS Express in 2018 when we recognized that reliable and cost-effective delivery was the most urgent logistics demand in our market due to wide differences in geography and infrastructure. Over the years, we have learned how to deliver packages by truck, plane, boat, motorbike, and more. We deliver well in-depth, congested, and high-rise cities. We also deliver well in rural areas where we need to cross rivers, navigate rice fields, and locate homes without formal addresses or postal codes. This experience has given us a very deep understanding of every region in our market. Our delivery capability has now developed to the point where we can identify and deploy service quality improvements addressing specific user needs in different markets. This helps us to serve more users best while improving our operational efficiency even further. For example, in Indonesia, we saw growing demand from urban buyers for very fast delivery and the willingness to pay a premium for it. So we rolled out same-day and instant delivery with delivery times as fast as under two hours. The response was excellent. Orders using this faster option in the greater Jakarta area increased by more than 35% year on year in the third quarter. But for rural regions, we noticed a preference for economical delivery, so we came up with a delivery solution that reduced the cost per order by 20% compared to our standard delivery, allowing rural buyers to enjoy free shipping with much lower minimum spend. This boosted Shopee's popularity among rural buyers. Orders delivered outside Java increased by more than 45% year on year in the third quarter. In Taiwan, we noticed a very different customer demand. Many buyers preferred self-pickup options, so we expanded our automated long-term store network to over 2,500 locations in less than three years, making us the only ecommerce player in Taiwan with a locker network at such scale. Today, it is a key logistic channel accounting for more than 70% of all our deliveries in Taiwan. This move has paid off in more than one way. The lockers run at over 30% lower cost per order than traditional pickup locations. On top of that, the locker locations double up as last-mile hubs for home delivery at a lower cost compared to traditional last-mile models. In other words, we are making our buyers happier while reducing our costs. In the third quarter, our GMV in Taiwan showed double-digit growth year on year, and we still see a lot of room to deepen our penetration further in this highly attractive market. Today, we have built PX Express into a clear leader in scale, coverage, and cost in our Asian market. Our deep local insights have enabled us to customize ground strategies to create the most efficient and effective solution. With our delivery capability well scaled, our next goal to further deepen our logistics competitive mode is to enhance our fulfillment capability. This addresses a more upstream need for our sellers, ensuring fast, accurate order handling in addition to speedy and reliable delivery. We aim to make fulfillment a second core pillar of our overall logistic capability, another way for us to strengthen our reputation among buyers and sellers and ensure high levels of customer satisfaction just as we did with delivery. These efforts are already underway. In previous calls, I have shared updates on initiatives such as intelligent demand forecasting, where we pre-ship commonly ordered products closer to where we anticipate better demand will be. This helps us reduce buyer waiting time and fulfill orders more cost-efficiently. For instance, in Indonesia, if we wait until an order comes in from a remote island before shipping the item out from Java, we must rely on more expensive forms of transport such as airplanes to get it there quickly. But if we have already anticipated this demand, we can use cheaper forms of transport to pre-ship it to the area, letting us deliver it quickly and cost-effectively once the order is placed. We have made further headway in fulfillment by starting to offer warehouse solutions in some of our markets. Offering fulfillment services benefits everyone. It takes the burden of packaging and shipment off sellers, gives the buyers more consistent service, and allows Shopee to better optimize end-to-end logistics while serving more buyers and sellers. We are investing in this capability in a capital-efficient way, for instance, by mostly leasing rather than buying land and warehouses. The most intense investment comes not in the form of money, but in time and effort. It would be very difficult to build a fulfillment capability without a deep understanding of logistics needs in our market and a tightly integrated delivery network to pair it with. After seven years of experience with XPS Express, we have both. Second, continue to find new and exciting ways to deepen user engagement. Our subscription-based Shopee VIP membership program is a great example, and it continued to gain

strong traction. By September, we had team members across Indonesia, Thailand, and Vietnam surpassing 3.5 million, up more than 75% from the previous quarter. Given the price sensitivity of many in our market, the success of our VIP program shows the high value we are delivering to our customers. VIP members are demonstrating higher engagement. In Indonesia, these members spend around 40% more after subscribing to the program. Shopee VIP members also bought three times more frequently and spent five times more than non-subscribers in the third quarter, accounting for about 10% of total GMV in Indonesia. We have also deepened user engagement by enhancing Shopee's content ecosystem. Our partnership with YouTube continues to gain strong traction. In the third quarter, shopping orders driven by YouTube content across our Southeast Asian market grew by more than 30% quarter on quarter. With these strong results, we are now extending this partnership to Brazil. Late last month, we also announced a collaboration with Meta to launch new tools allowing seamless product promotion and checkout between Facebook and the Shopee account. We are excited to see how this partnership will enrich our buyer community further. Third, we are committed to embracing AI, a powerful way to improve the whole consumer retail experience. Our AI efforts have already begun to bear fruit, contributing meaningfully to our monetization gains in the third quarter. Smarter search, better recommendations, and more personalized content have made Shopee easier and more enjoyable to shop on. We have also used AI to enhance product discovery beyond search, helping buyers find relevant and interesting items even when they arrive without a specific purchase in mind. We empowered sellers with AI tools, enabling them to generate images, video, text descriptions, and virtual showrooms to make their product listings more appealing. These initiatives have increased buyer engagement, improving our purchase conversion rates by 10% year on year in the third quarter. Taken together, all these efforts have resonated with our customers. Buyer purchase frequency across our markets continues to improve, going up a further 12% year on year in the third quarter. Average monthly active buyers also increased 15% year on year in the third quarter. And Shopee remains consistently regarded as the ecommerce platform offering the most price-competitive products in both our Asian market and Brazil. Based on Qualtrics survey, I would also like to highlight our progress in Brazil, where Shopee continued to deliver exceptional growth while maintaining positive adjusted EBITDA. Our GMV growth there has been outpacing the market, driven by sustained increases in monthly active buyer purchase frequency and average basket sizes over the past several quarters. Our wide product assortment, highly competitive pricing, and structural cost leadership have enabled us to scale rapidly and profitably. Our continuous improvement in delivery speed and reliability has enabled us to expand into more upmarket product categories. Delivery speed improved sequentially in the third quarter, with average delivery time improving by about two days compared to a year ago. In the Greater Sao Paulo area, one-third of parcels were delivered the next day, and nearly half within two days. With these improvements, we are seeing more merchants listing higher-value products and new buyer cohorts showing higher spending patterns. In the third quarter, GMV for Shopee Mall, our premium shopping section, more than doubled year on year in Brazil. In conclusion, Shopee has delivered another quarter of strong and profitable growth. With our strong performance year to date, we now expect Shopee's full-year 2025 GMV growth to be more than 25%. Next, moving to digital financial services. Money has delivered another very strong quarter, with revenue growing by 51% and adjusted EBITDA growing more than 35% year on year, while our ninety-day NPL ratio remains stable at 1.1%. The strong growth was broad-based, driven by both user growth and product expansion across multiple markets. Our loan book expanded by around a billion dollars during the quarter to reach $7.9 billion at the end of September, solidifying our position as one of the largest consumer lenders in Southeast Asia. Thailand has reached another major milestone, surpassing $2 billion in loans outstanding at the end of September. In Brazil, our loan book more than tripled year on year in the third quarter, with improving portfolio quality and stronger user performance. Our significant credit history with a very large base of users across many markets allows us to roll out products more widely while maintaining the health of our portfolio. We used to take a wide lead approach to onboarding new users. Now any Shopee user in most of our markets can apply for a pay later credit, and we can make credit approval decisions very quickly, in many cases, almost instantly. Moving to this all-can-apply approach enabled us to add more than five million first-time borrowers in the third quarter. New user cohorts scaled well with generally positive unit economics, a testament to our increasingly advanced risk underwriting

capability. At the end of the quarter, active users across our consumer and SME loan products reached 34 million, up nearly 45% year on year. Meanwhile, loan disbursements to new users still accounted for less than 10% of total disbursements in the third quarter. As we continue to assess credit quality before cross-selling more products, we are also making our credit products on Shopee, at pay later, off Shopee, at pay later, and the personal cash loan easier to use in a wider set of use cases. In many of our markets where credit card penetration remains low, we are steadily establishing pay later as a trusted and convenient payment method of choice for all kinds of purchases, both online and offline. On Shopee, at pay later has grown steadily as penetration continues to deepen across all our markets. GMV penetration now ranges from single digits in early markets to over 30% in more mature ones, reflecting our discipline in scaling only when incremental disbursements are profitable. We see meaningful room to continue increasing at pay later on Shopee penetration across our markets. Off Shopee, at pay later showed strong traction this quarter, growing over 300% year on year and over 40% quarter on quarter. It still only accounts for less than 10% of our total loan book as of the end of September, so large upside remains for future growth. This product segment represents a significant opportunity to unlock access to offline spend, a very large part of consumer expenditure in many of our markets. The standalone Shopee Pay app, supporting both online and offline payments across a wide range of merchants, is a key pillar of our strategy to grow our money business off Shopee. In payments, it offers users a faster and more seamless experience, giving them direct access without having to go through the Shopee app. Beyond payment, it helps us unlock more use cases, positioning Shopee Pay as a one-stop platform for users' broader financial needs, off Shopee credit, insurance, wealth management, and more. The app has launched in Indonesia, Thailand, Vietnam, and Malaysia, and it's showing strong traction. More than 20% of our Shopee Pay monthly transacting users are using the standalone app. Personal cash loans also grew strongly this quarter. In Indonesia, we have been offering higher limits and longer tenures to attract more prime users who demonstrate strong repayment behavior. Loan sizes can typically range from a few hundred dollars to over a thousand dollars, allowing us to serve users with larger financial needs. Building on this step size, we have similarly expanded access to prime users in Thailand and Malaysia, where user adoption is going up quickly. In Brazil, personal cash loans grew close to 50% quarter on quarter, driven by the continued popularity of the combined credit limit we offer to as pay later users. In conclusion, Money has delivered another excellent quarter, building well while diversifying our credit portfolio across markets, users, and products. Our portfolio quality and our unit economics have remained healthy, and we are extending at pay later's reach beyond ecommerce and embedding it into users' everyday financial use cases. This will build a pathway for strong off Shopee growth for many years to come. Finally, moving to digital entertainment. Garena has delivered another stellar quarter. Bookings were up 51% and adjusted EBITDA grew 48% year on year, making it our best quarter since 2021. Free Fire encouraged a strong performance with the two high-impact campaigns, WeGain and the Naruto Shippuden chapter two. The campaigns received a huge positive response, accelerating our growth momentum from the previous quarter. Our speed game collaboration incorporated iconic challenges from the blockbuster Netflix TV series, such as the red light green light, and the glass bridge. The event drove strong participation, with the RhymeLife, GreenLife challenge being played more than 300 million times in the quarter. Our Naruto Shippuden chapter two event expanded on the resulting success of chapter one in the first quarter of this year. Based on gamer feedback and performance insights, we added five new fan-favorite ninja characters, new attack mechanics, highly sought-after collectible items, and a new one-on-one mode letting players use signature abilities from the series. Chapter two went down to surpass chapter one in both engagement and revenue. With an extremely high social media share rate for chapter two, doubled the already high bar set by our eighth anniversary event. Both Naruto chapters have achieved the highest satisfaction scores of any campaign launched over the past two years. Our Naruto content was very successful because it focused on what players value most: authenticity through attention to detail. This strong focus underpins how we take IP collaboration to the next level, and it is driven by Garena's core creative culture. First, we require every major IT partnership to be led by a team of genuine superfans of that IT within Garena to ensure authenticity and respect for the original work. Naruto fans love how closely the gameplay mirrors small but important details from the anime. For instance, one key storyline from the original anime was about rogue ninjas returning to eat

the Choy, the ninja village they had been exiled from. In chapter one, we had to build this Ninja village into our map and introduce iconic attack deals from the main anime characters. In chapter two, we introduced attack skills that were specifically from the rogue ninja character, like fireballs, black fire, and exploding birds, and redesigned the map to feature a Detroit version of the Ninja Village. Continuing the narrative between the chapters in a way that was true to the original anime created a highly immersive experience and brought fan excitement to the next level. These are details only superfans would care about and understand how to incorporate into gameplay. Second, take a global yet local approach, bringing global IPs to our market in highly localized ways. For instance, we took advantage of the huge traction of our Naruto campaign to hold ninja-themed offline events in eight markets across Asia and The Americas, attracting tens of thousands of fans. The largest of these events was a two-day international all-star ninja clash esports tournament in Bangkok, with teams of Free Fire players flying in from across Asia and Latin America to compete. The Bangkok tournament was a huge success, becoming a top-trending event on YouTube gaming and on social media across key markets. In addition to such events, our teams stay closely connected to players through creator programs and fan groups, tapping into a constant stream of feedback and ideas that shape game design conditions. This effort builds very strong community connection and loyalty across our markets. Beyond Free Fire, we continue to expand our publishing portfolio with the launch of EA SPORTS SD mobile in Vina last month, strengthening our long-standing partnership with Electronic Arts. The game quickly became the country's most downloaded mobile game in October based on Sensor Tower. By combining EA's world-class football franchise with Garena's local know-how, we are deepening our expertise in sports games and reinforcing our position as a trusted publishing partner for global titles. With this very strong quarter, Garena remains on track to achieve more than 30% year-on-year growth in bookings for 2025. Our creative depth, disciplined execution, and close connection with players will continue to drive Garena's growth. In conclusion, all three businesses have built on the strong momentum from the first half of the year and delivered another quarter of exceptional growth. We will continue to make our digital ecosystem even more vibrant, trusting our leadership position, and delivering sustainable and profitable growth to our shareholders. With that, I invite Tony to discuss our financials.

Tony Hou: Thank you, Forrest, and thanks to everyone for joining the call. For Sea overall, total GAAP revenue increased 38% year on year to $6 billion in 2025. This was primarily driven by GMV growth of our ecommerce business and the growth of our digital financial services business. Our total adjusted EBITDA was $874 million in 2025, compared to an adjusted EBITDA of $521 million in 2024. On ecommerce, Shopee's gross orders increased 28% year on year to 3.6 billion in 2025, and GMV increased by 28% year on year to $32.2 billion in 2025. Our third quarter GAAP revenue of $4.3 billion included GAAP Marketplace revenue of $3.8 billion, up 37% year on year, and GAAP product revenue of $500 million. Within GAAP marketplace revenue, core Marketplace revenue, mainly consisting of transaction-based fees and advertising revenues, was $3.1 billion, up 53% year on year. Value-added services revenue, mainly consisting of revenues related to logistic services, was $700 million, down 6% year on year due to increased shipping subsidies. Ecommerce adjusted EBITDA was $186 million in 2025, compared to an adjusted EBITDA of $34 million in 2024. Digital Financial Services GAAP revenue was up by 61% year on year to $990 million. Adjusted EBITDA was up by 37% year on year to $258 million. As of the end of September, our consumer and SME loans principal outstanding reached $7.9 billion, up 70% year on year. This consists of $6.9 billion on book and $900 million off book loan principal outstanding. Non-performing loans past due by more than ninety days as a percentage of total consumer and SME loans was 1.1% at the end of the quarter. Digital entertainment bookings grew 51% year on year to $841 million. GAAP revenue was up 31% year on year to $653 million. The growth was primarily due to the increase in our active user base as well as the deepened paying user penetration. Digital entertainment adjusted EBITDA was $466 million, up 48% year on year. Returning to our consolidated numbers, we recognized a net non-operating income of $61 million in 2025, compared to a net non-operating income of $50 million in 2024. We had a net income tax expense of $161 million in 2025, compared to a net income tax expense of $93 million in the third quarter of 2024. As a result, net income was $375 million in 2025, as compared to a net income of $153 million in 2024.

Rebecca Lee: Thank you, Forrest and Tony. We are now ready to open the call to questions. Operator?

Operator: We will now begin the question and answer session. We'll take a maximum of two questions

at a time from each caller. If you wish to ask more questions, please request to join the question queue again. Your first question comes from Pang Vitt with Goldman Sachs.
Pang Vitt: Hi, management. Thank you very much for the opportunity. Congrats on the great set of results. Two questions from me, both on the ecommerce side. Number one, on your growth guidance of more than 25% year on year for 2025, what do you bake in, in terms of the driver and competitive landscape? What will it mean for your margin trend? And how should we think about these trends carrying into 2026? That's question one. Question two, just to have a good understanding of the margins. So margin trend for ecommerce came down to 0.6% in the quarter despite higher take rate. Can you help us understand where is the investment area, whether this is in the fulfillment as you mentioned, or is there also something else that we should be aware of? Are these more fixed or variable? And how long and how much should we expect this investment cycle to be?
Tony Hou: Yeah. But in terms of the gross assumption of more than 25%, I think we are kind of halfway into the quarter already. It's basically based on what we see so far in the market on the momentums and competitive landscapes. It's pretty much reflective of what we see so far as we come into the quarter. And regarding the margin questions, if you look at the previous year versus this year, we do see consistent improvement of margin if you look at a year-to-year basis. As we shared before, we obviously see quarter-to-quarter fluctuations sometimes for seasonality reasons or where some of the investment cycle of the initiatives and could also be a particular market status in terms of where we are pushing some of these initiatives. So I think if you look at a bit of a year-to-year trend, even going forward, I think we believe that we are able to deliver the 2% to 3% EBITDA margin as we shared before and also have improvement year to year if you look at the yearly basis. In terms of where we are investing, one thing is we mentioned in the opening, further investment into the logistic capabilities and fulfillment capabilities. And beyond that, we are also deepening our buyer engagement wallet shares through, for example, our Shopee VIP program that we shared in the opening as well. And all those efforts have been showing pretty good results. Our buyer frequency improved 12% year on year, and average monthly active buyers increased 15% year to year as well, which contribute to our great growth. This quarter, which is way above the guidance we gave earlier in the year, which is 20%. Most of this investment is less fixed per se. We take a relatively asset-light approach even coming to our logistics and fulfillment businesses. We don't own land. Most of our CapEx is just improvement of building the warehouses or sorting facilities, etcetera. It is also less fixed. For our buyer engagement and wallet share program as of VIP, obviously, you will see a little bit of investment in the early days to get everybody to understand the program and join the program. But as time goes, it should be a quite profitable program as you probably have seen in other ecommerce platforms across the globe.
Operator: Your next question comes from Divya Kothiyal with Morgan Stanley.
Divya Kothiyal: Thank you very much. My first question is on your new market entry strategy and framework. Could you explain the rationale behind closing some of the cross-border operations in LatAm and the reentry into Argentina? What milestones would you monitor for Argentina before making it a localized business? And is this one of your 2026 priorities? My second question is on market shares. If you can comment on the market shares in ASEAN, how have they moved in the third quarter? And also, if you could comment on Taiwan, do you foresee increasing marketing spend and investments in Taiwan next year? We're also seeing a bigger contribution from cross-border with Taobao getting more popular there. If you can comment on the market shares in ASEAN and Taiwan, that would be helpful. Thank you.
Tony Hou: Yeah. I think regarding the new market, we take a very highly selective approach on any new geographic expansions. Many of the initiatives will be very early-stage testing the market in nature. The reason we look at Argentina is it's actually leveraging our capability that built in Brazil, leveraging on our existing cross-border infrastructure and the operational experiences we had already built in Brazil. The objective is more to capture the operational synergies across the adjacent regions and open additional channels for our sellers with minimal incremental investment. I think the year we will take some time to learn about the market without sort of having a heavy investment into the market at this point in time. For Chile and Colombia, we decided to wind down our cross-border operation in Chile and Colombia as part of our ongoing review of our global business priorities to ensure our resources are focused on the key business priorities in line with our long-term strategy in the region. Latin America is

still an important market for us, and we will continue to explore the opportunities to serve the consumers and businesses well there. If you look at the absolute size in Latin America, obviously, Brazil is the largest one where we have a very large presence there. Argentina, as we mentioned, and Colombia are actually relatively smaller markets and also relatively more distant from Brazil. I guess that's the thinking around the first question. Regarding the market share in South Asia in quarter three, as we shared, our growth has been above kind of the expectations we shared before. And across the region, we actually do believe that we are gaining market shares in South Asia, growing faster than the market in South Asia. For Taiwan, in particular, the cross-border to Taiwan has been, in general, a smaller part of the businesses. And given the complexity for the buyer experience on the cross-border side, we are less concerned about the cross-border players selling from overseas to Taiwan as a potential impact on our businesses. Actually, if you look at the recent quarters, we grow very well in Taiwan. We grow double digits, which is faster than the overall market in Taiwan. So we are pretty confident that, meaning we are the largest ecommerce platform with the largest assortment, with the best pricing, and also we have the best delivery infrastructure, which is much lower shipping and fulfillment cost compared to anyone in the market. We are able to defend our market share well. We are able to grow even faster in Taiwan with our infrastructure much better built than previous years.
Operator: Your next question comes from Alicia Yap with Citigroup.
Alicia Yap: Hi. Good evening, management. Thanks for taking my questions. And congrats on the solid results. Two questions. One is, if you can, elaborate a little bit more on the overall landscape in Southeast Asia. So are there any countries that we are seeing more intense competition lately? And also, you know, any countries where you see peers are growing faster than Shopee? And do you anticipate the live streaming peers to start shifting more of the traffic and also the purchase frequency to the shelf space, the marketplace model? In addition to the live streaming, if that is happening, you know, what could be the potential threat to Shopee? And then the second question is should we assume the investment cycle this time around similar to, like, a couple of years ago where there could be some step-up investment that is more front-end loaded with GMV growth and market share growth to follow through later, especially for, for example, like, you need to ramp up your fulfillment, you know, capability in some of the markets, which will yield better results later on. So could you clarify if this time the investment cycle could be similar to what we saw last two, I mean, two years ago? Thank you.
Tony Hou: On the competitive landscapes, what we see is relatively stable competitive landscapes. I think as you can probably observe as well from your own sources, we didn't see any particular market different from another. I think it has been a general trend across the South Asia market in terms of the intensity or the behavior of the competitors. Regarding whether the livestream peers focus more on the shelf space model, I think it's not something new. I think it's something we try to do for quite a long time. As you probably see from China as well, etcetera. But we do see that the nature of the platform is different. I think the percentage of share of commerce is relatively consistent, let's say, from what we observed. Also, if they are much more traffic pushing towards that, that is a potential of impacting how the overall app behavior and the user retention as well. But anyway, I think that's kind of similar behavior you will see in China and South Asia. But we wouldn't see that's a new thing impacting the competitive landscape in a meaningful way. On the investment cycles, I think the short answer is probably not. It's probably quite different from what you see two years ago in terms of the investment into their content ecosystem, if you remember that. I think what we are doing now is more as a continuous investment in our business to strengthen our competitive mode, pretty aligned with what we shared continuously every quarter. We would like to invest in our infrastructure to better logistics. And now we are extending logistics to the fulfillment network as well. It's actually, in a way, it's not completely new. It's a capability we have been trying to build for a period of time. And now we felt it's a good time to scale it even more. But as I shared just now, it's less CapEx intensive businesses as you probably imagine. And also as we grow the businesses, it will help our growth as well because this will help us to lower down the overall cost to serve as an ecosystem. And also reduce the delivery times to the user, so help us to penetrate the user more. And many of these contribute to our growth faster than we expected early in the year as well. If you take a look at the VIP programs, yes, it's a little bit of investment in the early days, but we also see that with the investment, the users are willing to spend more with the platform as well. I think Forrest shared that the users purchase 40% more than before

they joined the VIP program. So in a way, it's less a big front-load investment than the return comes later. I think this time you will see it's more ongoing investment program to strengthen our competitive mode as I shared earlier. And this will impact on the general growth as we invest.
Operator: Your next question comes from Piyush Choudhary with HSBC.
Piyush Choudhary: Yeah. Hi. Thanks for the opportunity. Congratulations on a great set of numbers. Two questions. Firstly, for Shopee Logistics, what percentage of orders are now fulfilled by XPX within Asia and Brazil? How has it changed over the last one year or so? How much of an increase in your cost of services is driven by this logistics investment and the outlook for this cost item? That is first. Secondly, on Garena, can you share the outlook for Free Fire for 2026 after a successful 2025? Any planned IP collaborations? Any new game launches?
Tony Hou: On the SPX, I do believe we shared before more than half of our orders are delivered through our SPX, and the percentage has been increasing, let's say, overall over the last year as we scale our network. On our cost per order, it has been continuously improving year to year. I think that's part of what contributes to our growth as well because this lowers down the cost buyers have to pay to receive the orders. But on top of that, I also want to highlight not only do we try to reduce the cost of our SPX delivery cost, but we also increase the speed for our SPX cost. Forrest mentioned that in Brazil, we reduced the buyer waiting time by two days if you look at the year to year. In Asia, we also reduced the delivery time quite meaningfully year to year and quarter to quarter as well by both introducing the fast shipping channel. If you look at many countries, we have instant delivery now. Also have same-day deliveries, but also reducing the normal delivery channels speed. I think this all helps to contribute to our growth as you see. For the Garena outlook, well, we are very, very excited to observe the momentum. I think this is extremely valuable, like, I think the turnaround, like, two years after the post-COVID headwind. And in 2024, we have a very, very high growth. That is the strong momentum continuing to 2025. Actually, the growth is even accelerated this year compared to last year. So the momentum is still very strong. So we remain very optimistic and positive, like, for 2026. We believe the user base will continue to grow. The content, the offerings will be more, like, the experience user experience is more immersive. And I think, like, especially this year, we were very successful with IP collaborations. And I think Garena as an organization, we unlocked a very important capability. So how to continually work with the global IPs and deliver the best content, very unique experience to our large user base. Right? Whatever we put on the platform, put into the game, like on a single day, more than 100 million gamers from all over the world will be able to experience that. Like, it's a very, very powerful distribution platform, distribution channels. We'll continue to work with more IPs, but of course, we'll be also very selective as well. And we are also quite excited to kind of see what AI can do. So in terms of boosting both the creative side, production side, and also the user experience side. We think that is a potential boost for future growth as well. At this moment, we are in the process of detailed planning for next year. I think probably we'll have a better sense. We're ready to share with the market what will be the specific outlook we receive for Garena in 2026 next quarter. We always have some new games in our pipeline. We have a very, very strong and dedicated experienced developers especially focused on the new games. And we have several games already in the pipeline or, like, in some markets already live in the trial period where learning experiences. And at this moment, I think it's a bit premature to project what is the impact. I think considering the size of the scale of Free Fire in terms of the user base and the revenue and profit, I don't think, like, at this moment, like, even if we have any new games, at an early stage, we'll make a significant impact in terms of the user numbers and the revenue and the financial side. But we're going to continue to put a lot of effort, and I think this through the new games development, we also learn about the different genres. We're also learning the differences about some new markets we haven't been to. I think it remains a very, very good opportunity for future growth. So when we have, like, the way to deal with it, it's the right time to share, so we'll also keep all our shareholders and investors informed.
Operator: Your next question comes from Jiong Shao with Barclays.
Jiong Shao: My first question is on the VIP membership. I'm trying to get a better understanding of that program. That's clearly a great thing to do longer term. I suspect in the near term, I was wondering what's the unit economics look like for the members and what do you think the eventual VIP member penetration should be in a region? So the reason I obviously asked that is because gross margins for

ecommerce came down a bit quarter over quarter. I suspect it's kind of negative initially. And is that a time frame to kind of reach breakeven for the members? Second question is about AI. I think Forrest recently did some media interviews talking about AI may power the company to be one of the first trillion-dollar companies in the region. I was hoping you can talk about what are some of the things potentially you may do or you want to because some investors are worried about the massive AI CapEx that may be affiliated or associated with any kind of a new venture. Thank you.

Tony Hou: On the VIP program, we are still in a very early stage of rolling out the program. As you probably can see, it's only a few months. But we see very good growth in the users signing up. If you look at sort of quarter to quarter, we see a 75% growth in the members. In terms of the GMV penetration, we're showing the early stage still in the teens, and we believe this can be a lot higher, probably similar to the percentage you observe in other parts of the world in terms of the penetrations. I think the important thing for us to look at the unit economics is that we would like to make sure that we have members not only receive better benefits from the platform because they are paid members and they are the important core users. We also want to make sure that we work with our partners to bring the benefit to them as well. If you look at Indonesia, it was videos. In Vietnam, we work with FTP plays. We also work with JGPT as well. Offer a free program to the VIP members. I think all those will help us to have good economics for this program. But you are right. In the early days, it does require some sort of investment to bring the user over. One thing that we monitor very closely is the retention rate. We would like to make sure that the user we bring to the program has good retentions. And in our early market, we see the retention improve almost doubled from the last quarter to this quarter period of time, which is a big breakthrough for us given that in our market, credit card is not a common payment method in many other markets. People use credit cards to make sure that it's a continuous payment. We are working on multiple ways to ensure that the retention goes well with the program well, especially together with our digital finance side through as well. Sure. Jiong, on the AI question, yeah, I mean, as I shared during the interview you mentioned, we're deeply excited about the new technology. I think it represents a fundamental technological revolution, which will create massive new opportunities and supercharge technology's ability to unlock values for people everywhere. I think it's extremely exciting for the market where, you know, which still, like, millions of hundreds of millions of people are underserved. Right? And we have been that uplift in the past ten years through the mobile Internet revolution. And we have observed how much the smartphone, the mobile Internet transformed people's lives, how much joy and convenience it brought to people's lives. And of course, we are part of this transformation, and that is what we are really as a company, what this is about our mission. We try to focus on the applications and how to connect those fantastic technologies to people's daily lives in every corner of the world. And we believe we'll see a similar pattern of AI revolution. Probably, we believe this impact and the value creation will be much, much bigger. At this moment, we're like, things you mentioned, okay, we're probably not going to do what the big tech is going to do. We're not going to, like, develop the trying to make some fundamental language model breakthrough. We're not going to build data centers. I think for that part, we are very much open to work with all the big tech that could, like, we're kind of, we have a lot of admiration and respect for how much effort and how much they can do to continually have the breakthrough of the technology and making technology more powerful and more useful. And what we are going to more focus on applications and how that technology built in Silicon Valley or anywhere in the world transformed to a consumer's daily life, small businesses like in Indonesia, in Vietnam, in Brazil. So that work is a factory what we are good at. And we have a lot of best practices that we learned in the past decade. And I think that is also kind of like make us really, really excited. We're going to have a very, very practical and bottom-up approach. So as I and we are very much focused on seeing the immediate return of results. As I shared in my opening, right, and we're very excited to actually see some of their critical use cases in Shopee. Right? And how much this can help on the advertising conversion, how to make product discovery easier, and it's, like, more discovery and beyond traditional search. Right, how to help sellers improve the product listing quality, and how to improve the best retention and conversion rate. And I think I probably shared in the previous order, like, a quarter. And also this is a see the improvement in terms of the customer service capability. And now the majority of our customer service is handled by AI, like a chatbot, and the satisfaction rate is very, very high. So that is all the things we have seen the result under the progress

of bottom-up. And we believe with the continuing improvement capability built enabled by the more advanced and large language model and other parts of the AI development. And that there will be more and more things we can apply into the day-to-day business, which make a positive impact on people's daily lives.

Rebecca Lee: This concludes our question and answer session. I would like to turn the conference back over to Ms. Rebecca Lee for any closing remarks. Thank you all for joining today's call. We look forward to speaking to all of you again next quarter.

Operator: The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.