



Sea Ltd. Continues to be a Momentum/Growth Favorite for Call Buyers

Ticker/Price: SE (\$32)

Analysis:

Sea Ltd (SE) with buyers of 3,000 January \$33 calls up to \$3.50 to open and volumes up over 6,300 now with more bought up to \$3.80. SE has seen a number of put sales recently including the Sept. \$27 strike over 12,000X, the November \$26 and \$29 strikes over 5,000X, and the February \$28 strike over 4,000X. Shares have pulled back from 52-week highs around \$38 and basing around the 23.6% retracement of the rally from the December lows. SE is trying to put in a strong reversal candle on the weekly and move back above the 20-week MA while a move higher targets \$45+. The \$12.61B company trades 12.3X sales and 5.4X cash with EPS estimates for \$1.40/share in FY21. SE expects 33% and then 29% revenue growth the next two years as they monetize their gaming channel and expand into new geographies like Latin America. SE expects the region to be a big driver for the next 1-2 years with more than 600M potential users. The company has seen success with their multiplayer battle royal title Free Fire which is driving user growth and engagement across all of their major markets, especially paying users which rose 295% Y/Y. Meanwhile, their e-commerce platform Shoppee continues to expand its footprint and monetization efforts with better take rate and market share gains. Gross orders rose 93%. Analysts have an average target for shares of \$42.50. CLSA upgrading to Buy on 8-28. The firm thinks expectations were too high for last quarter but the company continues to execute well and grow its core user base. Goldman positive on 8-13 with a \$43 Pt while Piper also positive citing checks on Free Fire on iOS and Google Play. They think the Digital Entertainment business will continue to see strong growth the next several quarters. Short interest is 6.6% and up from around 3.8% in March. Hedge Fund ownership rose 11% in Q2. Sachem Head a notable new buyer of 2.6M shares while Newbrook Capital and Whale Rock also buying more than 2M shares each.

Hawk Vision:



Hawk's Perspective: SE is a strong name and this reversal candle today providing a nice level to be long against, the pullback looks to be a gift.

Confidence Ranking: \$\$