



Sea Ltd. a Top Growth Story Likely Seeing Little Disruption

Ticker/Price: SE (\$41.60)

Analysis:

Sea Limited (SE) on 3/12 with August \$44 calls bought 1000X to open at \$7.80 in a sweep and also 1500 May \$43 calls bought \$5.60 to \$5.70. SE has seen a lot of options positioning including 17,000 May \$35 puts sold to open, August \$35 puts with 5000 sold to open, and 1500 April \$38 puts sold to open. SE was a name showing impressive relative strength before dropping 13.5% Thursday, back to its 89 day moving average while \$37.50 looks to be stronger support. The \$20B Asian company provides a digital entertainment platform for live streaming of online gameplay and social features as well as its e-commerce platform Shopee and AirPay financial services business. SE trades 4.3X EV/Sales and revenues grew 163% in 2019 with 85% growth seen in 2020 though still far off from profitability. SE's first developed mobile game was a stunning success as the world's top downloaded game in 2019 and its addressable market expanded with strength in Latin American markets. Digital Financial Services in Southeast Asia is seeing growing at a 22% CAGR through 2025 to \$38B in revenues with massive untapped opportunities. Core businesses of e-commerce, digital entertainment and the digital financial services represents the 3 largest opportunities in the digital economy of its region. Analysts have an average target of \$57 on shares with short interest steady at 9% of the float. On 3/3 CLSA raised its target to \$54.50 though noting potential concentration risk in Free Fire. Piper raised its target to \$62 citing a secular rising tide in core verticals can drive strong growth and long-term profitability. Goldman moved to Conviction Buy back on 1/22. Hedge Fund ownership fell 20% in Q4 filings, Tencent the largest holder while Coatue, Lone Pine and Tiger Global have stakes as well.

Hawk Vision:



Hawk's Perspective: SE is one of these names that should benefit despite the outbreak and right now a lot of winners are being sold as a source of funds, so when things settle a top name to target for long-term upside.

Confidence Ranking: \$\$