



## FEATURED OPTIONS RADAR REPORT



### Bulls See Long-Term Value in Asian Super-App

Ticker/Price: SE (\$87.6)

#### Analysis:

**Sea (SE)** with some large bull trades on 4/22 as 2500 January 2024 \$95 puts were sold to open for \$7M and 1000 June 2023 \$95 calls were bought to open for \$2.3M. SE also recently with a buyer of 1500 June \$105 calls, 1000 January \$130 calls and on 4/6 the May \$90 calls bought 1000X for \$3M+. SE shares rolled over last week and are moving back near March lows despite the China regulatory news mostly in the rear-view. SE's weekly MACD has been improving from deeply oversold levels with shares down 60% YTD and even near a potential bull trigger though the volume profile shows the first real support for shares way down near \$53 if it loses potential support at \$78. SE is creating a super app in Asia across E-commerce, (Shopee), Digital Entertainment (Garena) and Digital Financial Services (SeaMoney). SE also started in Food Delivery last year and Ride Sharing a few months ago. Shopee's take-rate, monetization, has steadily been improving to 8.8% last quarter though not expected to turn EBITDA positive until 2025. Garena has grown substantially and entrance into the US market could double its TAM though FreeFire growth is slowing and margins are contracting. SeaMoney is seen breaking even in 2024. SE now has a market cap of \$55B and trades 3X FY22 EV/Sales with multiple contraction due to slowing growth combined with lack of profitability until 2025. SE remains a secular growth winner with a massive opportunity long-term and near-term the focus shifts to success in Fintech and Shopee's success in other emerging markets. Analysts have an average target of \$220 on shares with short interest at 5.5% of the float. Goldman recently reinstated coverage at Buy with a \$196 target and MSCO in late March positive on the closing of its business in India to counter expanding losses. JPM cut shares to Neutral in early March as investments and costs weigh on earnings potential in a profit-seeking market environment.

#### Hawk Vision:



**Hawk's Perspective:** SE is tricky in this environment and the long-term put sales make the most sense as a strategy as we look at SE's long-term potential but near-term an out of favor profile of sacrificing profits for revenue growth as it builds out its ecosystem.

**Confidence Ranking:** \$\$