

JOYY Inc.

First Quarter 2024 Earnings Call Prepared Remarks

Operator:

Ladies and gentlemen, thank you for standing by, and welcome to the JOYY Inc.'s First Quarter 2024 Earnings Call. At this time, all participants are in a listen-only mode. After the management's prepared remarks, there will be a question-and-answer session.

I'd now like to hand the conference over to your host today, Jane Xie, the company's Senior Manager of Investor Relations. Please go ahead, Jane.

Jane Xie (Senior Manager, Investor Relations):

Thank you, operator. Hello everyone, welcome to JOYY's First Quarter 2024 earnings conference call. Joining us today are Mr. David Xueling Li, Chairman and CEO of JOYY; Ms. Ting Li, our COO, and Mr. Alex Liu, the Vice President of Finance.

For today's call, management will first provide a review of the quarter, and then we will conduct a Q&A session. The financial results and webcast of this conference call are available at ir.joyy.com. A replay of this call will also be available on our website in a few hours.

Before we continue, I would like to remind you that we may make forward-looking statements, which are inherently subject to risks and uncertainties that may cause actual results to differ from our current expectations. For detailed discussions of the risks and uncertainties, please refer to our latest annual report on Form 20F and other documents filed with the SEC. Finally, please note that unless otherwise stated, all figures mentioned during this conference call are in USD.

I will now turn the call over to our Chairman and CEO, Mr. David Xueling Li. Please go ahead, sir.

David Xueling Li (Chairman and CEO):

Hello, everyone. Welcome to our first quarter 2024 earnings call.

To start, let's briefly review our performance in the first quarter.

We kicked off 2024 with a solid quarter. Group's revenue came in at \$565 million, with our core BIGO segment contributing \$505 million. Group's non-GAAP net profit reached \$67 million, and BIGO's non-GAAP net profit hit \$71 million, both surpassing our expectations.

BIGO sustained its topline recovery trend for the third consecutive quarter, achieving an 8% year-over-year growth. Livestreaming revenues from our core global products, which include Bigo Live, Likee, and imo, increased by 2.8% year over year, driven by a continued expansion of paying users, which was up by 6.9% on an annual basis. We have prioritized and channeled our advertising spend and other

operational resources towards premium users and developed countries where we observe improved ROI and spending sentiment. Across all of BIGO's markets, developed countries continued to outperform, with livestreaming revenues achieving double-digit growth year-over-year. Importantly, as we continue to strategically expand and diversify our revenue streams, BIGO's non-livestreaming revenues, primarily advertising revenues, grew substantially year over year.

At the same time, we continued to improve our profitability at group level. Our non-GAAP net profit reached \$67 million in the first quarter, up 34.8% year over year. Non-GAAP net margin increased by 3.4 percentage points to 11.9%. Notably, despite the negative impact of seasonality, the All Other segment steadily narrowed its non-GAAP operating loss on a sequential basis. This improvement was driven by further cost optimizations and enhanced operational and management efficiency at both the group and product levels.

We sustained our positive operating cash flow in the first quarter, generating a robust \$75 million. With this foundation of healthy cash flows and our solid financial position, we repurchased an additional of \$54.5 million worth of shares during the quarter. As we have outlined previously, despite the latest developments regarding the sale of YY Live, we remain committed to returning value to our shareholders. We will continue to actively execute our current share repurchase program and enhance execution consistency.

Looking ahead, while we have seen some green shoots of recovery, global macroeconomic uncertainties persist. Our livestreaming ARPPU was still down slightly year over year, and regional recovery trends diverged and remained uneven. As such, we will maintain our efficiency-oriented approach to our operational investments. We will continue to focus on ROI, and nimbly adjust our strategies to align with prevailing market dynamics. We expect to drive healthy, sustainable growth of our business, while maintaining stable profitability and positive cashflows.

Based on our current operational plans, we expect BIGO to resume sequential growth in the second half of the year and maintain its year-over-year revenue recovery for the full year. We anticipate that BIGO's revenue mix will become more diversified in 2024, with a further increase in the contribution from non-livestreaming revenues on a year-over-year basis.

Now, let's delve deeper into our operational strategies. By optimizing product features, providing diverse premium content, and leveraging innovative marketing activities, we continuously enhance our users' content and social experiences.

Notably, our global operations team collaborated with KOLs and industry partners to execute a range of innovative online and offline marketing activities in the first quarter. In addition to hosting galas and cultural themed regional activities that resonate deeply with our users, we elevated our presence in offline exhibitions and roadshows. We also hosted creator parties and Family events to further connect with our community. These initiatives drove deeper engagement with our global community of users and significantly enhanced both product awareness and our brand influence.

Furthermore, as a global technology company, we remain steadfast in our commitment to promoting corporate social responsibility and sustainable development, and integrating these principles into the core of our local operations worldwide. In March, we launched a series of regional events in the Middle East and Southeast Asia to celebrate Ramadan, fostering a sense of community among users during this festive period. We also forged partnerships with several international charitable organizations, including the Indonesian Cancer Foundation (YKAKI), Saudi Arabia's Namaa National Association (NAMAA) and Bangladesh's JAAGO Foundation (JAAGO). We made a number of donations to these international charitable organizations, inspiring hundreds of thousands of our users to join our cause and provide assistance to local families, patients, and children in need.

We have also actively engaged in dialogues with government agencies, industry leaders, entrepreneurs, and other stakeholders in our key markets to align our regional operations with the economic and sustainable development goals of local communities. For example, in January, we attended the Jordan-Singapore Tech Alliance Forum, where BIGO and the Information and Communications Technology Association of Jordan jointly signed an MoU. This partnership aims to strengthen bilateral cooperation, promote regional technological innovation, and facilitate economic growth. In March, BIGO participated in LEAP, the largest technology exhibition in the Middle East, where we showcased BIGO's technologies and AI-driven solutions. BIGO's presence underscores our support for the region's sustainable development and our commitment to promoting entrepreneurship, innovation, and digital transformation.

Now, let's take a closer look at our products. We'll start with Bigo Live.

In the first quarter, Bigo Live's revenue continued its year-over-year rebound. Specifically, revenue from developed countries grew by 14.8%, accompanied by a 17.2% increase in paying users in these regions.

During the quarter, we remained focused on Bigo Live's user acquisition strategy, channeling more resources into Developed Countries to enhance our monetization efficiency. As a result, Bigo Live's MAU was slightly down year over year, settling at 37.1 million. However, MAU in developed countries rose by 8.9% on an annual basis, in contrast with a 4% decline in Southeast Asia and other emerging markets. Moving forward, we will continue to execute on our focused user acquisition strategy as we strive to optimize Bigo Live's user mix. While we anticipate some short-term fluctuations in MAU growth, we are confident that these adjustments will enhance the long-term vitality of Bigo Live.

In the first quarter, Bigo Live organized a variety of innovative marketing initiatives, enriching the platform with diverse, high-quality content and broadening our reach within the global community. A highlight was our participation in the Sanremo Music Festival, the world-famous Italian song contest and awards ceremony, held in early February. As a partner organizer, Bigo Live showcased ten of our most talented streamers in a two-hour music extravaganza that was streamed worldwide.

In addition, Bigo Live launched an intelligent management system for streamers and agencies, which significantly streamlines the contracting and management processes by reducing the average duration from days to mere hours. This efficiency boost led to a 4.9% quarter-over-quarter increase in newly

contracted streamers. We anticipate that automation initiatives such as this will further improve our overall operational efficiency in the long run.

Family-based operational activities also played a key role this quarter, strengthening social bonds within our user community. On a sequential basis, our approach yielded a 1.1% increase in paying Family users, a 1.5% rise in contracted streamers within Families, and a 3.2% uptick in daily active users in Family groups.

We also simplified and upgraded Bigo Live's homepage, and rolled out a refined AI-driven content recommendation algorithm that better caters to our core users' preferences and their real-time feedback. This resulted in sequential increases of 1.1% in next-day user retention and of 5.4% in average viewer time spent per live session. Enhancements to livestreaming room tools and interactive features contributed to a 5.3% sequential rise in average duration per live session and a 4.4% sequential increase in the number of users going live in multi-guest rooms.

Next, let's take a look at Likee.

In the first quarter, Likee's revenue continued to recover year over year and it maintained its profitability. Advertising revenue grew by 1.1 times on an annual basis, and DAU in the core European market maintained sequential growth.

Likee's recent launch of interactive gaming features has been instrumental in breaking the ice and fostering connections between users, leading to substantial growth in paying users.

During the first quarter, Likee launched a series of engaging community events for creators, users, and brands. These included the global Likee Party and the MENA Gala in the Middle East co-hosted with Bigo Live. As Likee continued to enhance its creator services and expanded its monetization tools and incentives for premium creators, its number of core creators increased by 13.6% quarter-over-quarter.

Finally, turning to Hago. Hago sustained positive operating cash flow during the first quarter.

Hago's implementation of more gamified interactions and paid features has effectively boosted user engagement and monetization. A standout success was the rollout of the "Fly Across the World" event, spanning Hago's major operating countries. By participating in the event, users could "travel" virtually to various countries, collect treasures, claim and nurture their travel companion pets, and tip virtual gifts tailored to each location's unique culture and traditions. The event received enthusiastic feedback, with nearly one-third of Hago's total paid users participating.

User engagement on Hago also increased notably, with daily average time spent in social channels rising by 2.8% to 102 minutes, and time spent in multi-guest audio livestreaming rooms up by 2.9% from the previous quarter.

To sum up, we are off to a good start in 2024. BIGO has sustained its year-over-year revenue recovery trajectory while further diversifying its revenue mix, and the group has delivered profit growth.

Looking ahead, we will continue to harness our product experience and drive operational innovations. At the same time, we will further optimize our efficiencies to propel sustainable, profitable growth across our global business.

This concludes my prepared remarks. I will now turn the call to our Vice President of Finance, Alex Liu, for our financial updates.

Alex Liu (Vice President of Finance):

Thanks, David. Hello, everyone.

Before I go into the details, we would like to remind you that despite the latest development in the sale of YY Live, to the date of this press release, we have not obtained control over YY Live and therefore have not consolidated the business. The financial results presented in our press release and this conference call primarily consisted of BIGO and All other segments, excluding YY Live.

I will now provide a recap of some key financial highlights for the first quarter.

Overall, we observed improving fundamentals, supported by BIGO's continued topline recovery and efficiency improvement at Group level. Our total net revenues were \$564.6 million in the first quarter. Revenues from BIGO segment were \$505.2 million, up by 8.0% year over year. In particular, BIGO's non-livestreaming revenues were \$63 million, which was up substantially year over year, primarily due to the increase of advertising revenues.

Geographically speaking, as we prioritized to allocate our operational resources towards Developed Countries, our revenues from Developed Countries was up by double digits year over year, outperforming all other regions.

Cost of revenues for the quarter decreased to \$369.2 million, among which our revenue-sharing fees and content costs increased to \$268.4 million. BIGO's cost of revenues were \$328.6 million, which was up year over year, consistent with the rebound in revenue, and elevated creator support during the quarter.

Gross profit was \$195.4 million in the quarter, with a gross margin of 34.6%. BIGO's gross profit was 176.6 million, with a gross margin of 35%. BIGO's gross margin was lower year over year due to change of revenue mix and higher contribution of BIGO Audience Network advertising revenues.

Our group's operating expenses for the quarter were \$195.4 million, compared with \$205.3 million in the same period of 2023. Among the operating expenses, R&D expenses decreased to US\$69.0 million from \$75.8 million, primarily due to decreased personnel expenses and share-based compensation expenses. Our sales and marketing expenses decreased to \$94.6 million from \$97.6 million in the same period of 2023. BIGO's total operating expenses for the quarter were \$129.5 million, which was flat year over year, while its total operating expenses ratio was 25.6% during the quarter, down from 27.6% last year.

Our group's GAAP operating income for the quarter was \$3.5 million. Our group's non-GAAP operating income for the quarter, which excludes SBC expenses, amortization of intangible assets from business acquisitions, loss on deconsolidation and disposal of subsidiaries, as well as impairment of goodwill and investments, was \$24.8 million in this quarter, with a non-GAAP operating income margin of 4.4%. BIGO's GAAP operating income for the quarter was \$50.4 million, and BIGO's non-GAAP operating income was \$63.0 million, representing a non-GAAP operating income margin of 12.5%. The GAAP and non-GAAP operating loss for All other segment during the quarter was further narrowed to \$46.8 million and \$38.2 million on a sequential basis, respectively, despite the negative impact of seasonality.

Our group's GAAP net income attributable to controlling interest of JOYY in the quarter was \$45.3 million compared to \$28 million in the same period of 2023. GAAP net income margin was 8% in the first quarter of 2024, compared to 4.8% in the same period of 2023. BIGO's GAAP net income in the quarter was \$61.0 million, with a GAAP net margin of 12.1%, up from 9.3% in the same period last year.

Non-GAAP net income attributable to controlling interest of JOYY in the quarter was \$67.2 million, compared to \$49.9 million in the same period of 2023. The Group's non-GAAP net income margin was 11.9% in the quarter, compared to 8.5% in the same period of 2023. BIGO's non-GAAP net income was \$71.2 million, compared with \$56.8 million in the same period of 2023. BIGO's non-GAAP net margin was 14.1% in the quarter, up from 12.1% in the same period last year.

For the first quarter of 2024, we booked net cash inflows from operating activities of \$75 million. We remain a healthy balance sheet with a strong cash position of \$3.6 billion as of March 31 of 2024.

In the first quarter, we continued to enhance returns to shareholders, and repurchased an additional of approximately US\$54.5 million of our shares. As of the end of March, we still have around \$472 million unutilized quota under our current Share Repurchase Program. We intend to actively utilize our current share repurchase program and proceed with a steady execution of additional share buybacks in 2024.

Turning now to our business outlook. We anticipate continued topline recovery in the BIGO segment. However, due to the ongoing uncertainty in the global macro landscape, we recognize that the pace of recovery may be uneven across different markets, and there may be short-term fluctuations in users' paying sentiment. At group level, we expect our net revenues for the second quarter of 2024 to be between \$538 million and \$569 million. This forecast reflects our preliminary views on the market and operational conditions, which are subject to changes.

Looking forward, we will remain dedicated to our strategic priorities, optimizing products and innovating our operations to create value for our users and stakeholders. We continue to execute our ROI-oriented operational strategy in order to deliver a profitable, sustainable growth.

That concludes our prepared remarks. Operator, we would now like to open up the call to questions.