JOYY Inc.

Second Quarter 2026 Earnings Call Prepared Remarks

Operator:

Ladies and gentlemen, thank you for standing by, and welcome to JOYY Inc.'s Second Quarter 2026 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, Xinyuan Liu, the company's head of investor relations. Please go ahead, Xinyuan.

Xinyuan Liu (Head of Investor Relations):

Thank you, operator. Hello, everyone. Welcome to JOYY's second quarter 2026 earnings conference call. Joining us today are Ms. Ting Li, Chairperson and CEO of JOYY; and Mr. Alex Liu, Vice President of Finance.

For today's call, management will provide a review of the quarter followed by a Q&A session. The financial results and webcast of this conference call are available on our IR website ir.joyy.com.

Please note that today's call contains forward-looking statements made under the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from our current expectations.

For detailed discussions of these risks and uncertainties, please refer to our latest annual report on Form 20-F and other documents filed with the SEC.

Please also note that JOYY's earnings press release and this conference call include disclosures of GAAP and non-GAAP financial measures. A reconciliation of these non-GAAP measures to GAAP measures is included in today's earnings press release. All figures referenced on today's call are in US dollars, unless otherwise noted.

I will now turn the call over to our Chairperson and CEO, Ms. Ting Li. Please go ahead.

Ting Li (Chairperson and CEO):

Hello everyone, I'm Li Ting. Thank you for joining us. Building on a strong first quarter, we delivered another solid result in Q2, recording accelerated revenue growth and a notable improvement in operating profit. Our Social Entertainment, BIGO Ads, and Shopline businesses all advanced in tandem, while our globally diversified ecosystem continued to unlock growth momentum, propelling our long-term value to its next level.

In the second quarter, we generated total revenue of $591 million, up 16.3% YoY and 6.3% QoQ. Social entertainment revenue was $423 million, up 7.4% YoY and 5.6% QoQ. BIGO Ads, including both first-party and third-party businesses, generated $134 million in revenue, up 53.1% YoY, with our third-party BIGO Audience Network sustaining strong growth of 74.1% YoY. Shopline revenue reached $34 million, with YoY growth further accelerating to 28.6%. Non-livestreaming revenue surpassed 31.8% of total revenue for the quarter. Non-GAAP operating profit reached $49 million, up 28.2% YoY, and non-GAAP EBITDA reached $57 million, up 18.1% YoY.

Operating cash flow for the quarter was $65 million. As of June 30, 2026, we held $3.06 billion in net cash.

Since the start of this year, we have accelerated our capital returns. Year-to-date through August 21, 2026, we repurchased a cumulative $216 million in shares and paid $142 million in dividends, for a total return of $359 million to shareholders. Meaningful shareholder returns remain a key part of our strategy as we continue to execute on the $1.5 billion shareholder return program running through the end of 2028, which our board authorized this May.

At this mid-year mark, I would like to take a few minutes to share our perspective on our overall strategy.

Today, JOYY is steadily evolving into a multi-engine global technology company. In the first half of the year, our core social entertainment business maintained its steady recovery, with all flagship products returning to solid growth and profitability continuing to improve. This further validates the effectiveness of the adjustments we have made to our content ecosystem, user experience, and localized operations over the past several quarters. At the same time, our second growth curve, comprising Ad Tech and Smart Commerce, sustained a strong performance, making an increasingly greater contribution to the Group.

Looking ahead, we remain committed to building a global technology ecosystem driven by AI. By leveraging the synergies of social entertainment, programmatic advertising, and omnichannel e-commerce, we are fueling our growth flywheel and building the core competitiveness that will define our future.

First, social entertainment remains an important strategic cornerstone for the Group. We will continue to strengthen the growth momentum and profitability of our core products, while accelerating the build-out of our social product portfolio. These initiatives are expected to further reinforce the recovery trend and growth resilience of our core business, providing a stable foundation for profitability and cash flow generation.

At the same time, we are cultivating our Ad Tech and Smart Commerce businesses to boost overall revenue expansion. We will prioritize enhancing the standalone competitiveness of each business, expanding our customer base and business footprint, and further deepening our data, technology, and product capabilities.

Looking ahead to 2028, as these businesses continue to scale, we currently expect non-livestreaming segments to contribute close to half of the Group's total revenue and operating profit. We see this as a testament to the strength of our multi-engine growth strategy and a validation of our long-term strategic approach.

AI is a critical, foundational technology supporting our long-term strategy across all of our businesses. We continue to leverage AI to drive measurable product enhancements and efficiency gains across a range of scenarios, including our streamer ecosystem, content distribution, payment experience, advertising vertical models, and Shopline merchant operations.

We are also applying AI to enhance our teams' data-analysis, decision-making and execution capabilities. By turning proven experience and workflows into replicable AI capabilities, we can accelerate knowledge sharing and scale best practices, further improving overall operating efficiency.

In addition to our long-term business development, shareholder returns remain a persistent strategic priority. Our strong cash position and robust operating cash flow provide a solid foundation for ongoing business investment and shareholder returns. We expect to continue actively advancing our share repurchase and dividend programs as the company grows over the long term. We remain committed to validating this strategic path through solid operating results, driving greater market recognition of our long-term value.

Next, I will walk through our Q2 results and share our outlook for the future.

In Q2, social entertainment revenue grew 7.4% YoY and 5.6% QoQ. Within this segment, live streaming revenue grew 7.3% YoY and 5.9% QoQ. Core live streaming paying users grew 3.9% YoY and 1.7% QoQ. On the traffic side, our global average mobile MAUs reached 277 million, up 5.5% YoY. Supported by strong user engagement and organic growth, our instant-messaging product increased its contribution towards total MAUs to 82%.

Bigo Live, our flagship product, recorded stronger sequential growth in Q2. This momentum was driven by ongoing enhancements to our streamer-incentive and growth mechanisms, a richer content ecosystem, and AI-powered improvements to content distribution and payment experiences, alongside localized operating campaigns. Together, these efforts effectively drove user engagement and greater willingness to pay. In Q2, Bigo Live's average daily active streamers increased 4.4% QoQ, while newly signed streamers going live increased 5.4% QoQ. As we further enhance our streamer recruitment, incubation, and development mechanisms, the supply of high-quality content on our platform should continue to expand.

In content distribution, we continue to develop and refine our AI-driven content understanding capabilities. In particular, our focus is on improving onboarding content for new users and deepening user consumption. By more effectively identifying and distributing high-quality content across regions, we can better match content with users' interests and improve their consumption experiences.

To improve payment experience, we have been expanding our AI-generated content and interactive virtual gifts. In May, these gifts accounted for 34.3% of total virtual gift consumption, further validating the value of AI in enriching our content supply and enhancing users' interactive experience.

At the same time, our new voice product portfolio continued to drive solid growth. In Q2, revenue from these new products increased more than 400% YoY and 39% QoQ, gradually becoming a meaningful complement to our social entertainment growth.

Our current Q3 guidance projects moderate single digit YoY growth for social entertainment revenue. In the second half, we will continue to strengthen localized operations, enrich content supply, and further optimize user and payment experiences. As core livestreaming paying users expand steadily and our new voice product portfolio contributes further incremental growth, we expect stronger momentum for our social entertainment business. Based on current trends, we are confident that our social entertainment business will achieve full-year revenue growth in 2026 and sustain a steady growth trajectory beyond.

In Q2, BIGO Ads generated $134 million in revenue, up 53.1% YoY and 7.1% QoQ. Notably, our third-party business, the BIGO Audience Network, continued its strong momentum, delivering 74.1% YoY growth and 9.3% QoQ growth. Accelerating traffic expansion, a more diversified advertiser mix, omnichannel positioning, and significant algorithm efficiency gains are all strengthening the flywheel effect.

On the supply side, BIGO Ads' developer ecosystem and global traffic coverage continued to expand. Our SDK traffic maintained a steady increase, up 37.7% YoY in Q2.

On the demand side, our strategic presence across multiple verticals, combined with AI-driven algorithm iterations, growing traffic scale, and regional market expansion drove strong advertiser demand. As a result, performance advertising demand across multiple channels, including Web and IAA, delivered standout results. Web-based demand, primarily from lead generation and e-commerce, grew 91.7% YoY and 14.4% QoQ. In Q2, we continued to expand our advertiser base in sub-verticals such as web-based e-commerce, further enriching our advertiser mix. As we approach the peak seasons in the second half, we are making early preparations in Q3 and remain optimistic about the growth prospects of Web-based demand. Meanwhile, IAA spending recorded 70.6% YoY growth.

On the algorithm side, continued investments in algorithm and engineering infrastructure, platform algorithm capabilities, and cost efficiency are compounding into a positive cycle that will drive the next stage of BIGO Ads' development. As we accumulate customer feedback data and refine our multi-channel attribution capabilities, our user profiling and targeting capabilities are improving. Building on this, we continue to iterate our vertical-specific models and strengthen our platform algorithm capabilities. We are focusing on traffic segmentation and budget matching, traffic bidding, and post-campaign optimization. Together, these efforts are improving the matching efficiency between budget and traffic, and overall monetization efficiency. At the same time, we are advancing upgrades to our algorithm and engineering systems and continuously optimizing compute scheduling and server costs, which allows us to manage infrastructure costs more efficiently even as request volumes grow rapidly.

As we build out our three-layer system of vertical algorithms, platform algorithm capabilities, and engineering infrastructure, the data accumulated from a growing customer and traffic base will feed back into model optimization efforts. We expect this will drive a virtuous cycle across delivery performance, advertiser budgets, and traffic monetization efficiency, and provide stronger technological momentum for the next stage of scale growth in our advertising business.

Looking ahead, we will continue to deepen our focus on key verticals such as lead generation, e-commerce, and gaming. We aim to further bolster our differentiated competitive advantages by expanding customer scale and density, entering more regional markets, and improving our algorithm and product capabilities. Based on our progress to date, we remain confident in our established long-term targets for the third-party advertising business. As we continue to scale, we expect a steady, structural improvement in profitability as the Ad Tech business gradually becomes an integral driver of the Group's revenue and profit growth.

Turning to Shopline. In Q2, Shopline generated revenue of $34 million, up 28.6% YoY and 12.5% QoQ, with revenue growth speeding up from Q1. Business from cross-border merchants sustained strong growth of 73.5% YoY, driving the acceleration in overall revenue expansion.

Last quarter, we reported Shopline as a standalone segment for the first time and defined it as an AI-native, one-stop omnichannel commerce infrastructure. What we offer merchants is not simply a storefront-building tool, but a fully open, connectable, and extensible omnichannel retail operating system.

I would like to take this opportunity to share how AI is bringing new changes to the e-commerce industry and to Shopline.

AI is fundamentally reshaping the way consumers discover products, compare options, and complete purchases. As new traffic and transaction entry points emerge, commercial scenarios are becoming more diverse and fragmented. Against this backdrop, merchants need a unified, open, and connectable e-commerce infrastructure more than ever - one that links products, transactions, and customer relationships across different channels. As commercial entry points diverge and diversify, merchant demand for a unified operating system grows, making Shopline's value as an omnichannel commerce infrastructure even more pronounced.

In the first half, for Shopline merchants, page views from AI channels grew nearly 15-fold YoY and order volume grew over 35-fold YoY. It is gradually becoming a common e-commerce scenario for consumers to discover products through AI entry points and complete transactions directly in merchant stores. Shopline has expanded its integrations with multiple leading AI agents including ChatGPT, Claude, and Cursor. This enables merchants to capture the traffic and transactions from these new entry points, while converting orders, customer relationships, and operating data across channels into a lasting asset for merchants. Drawing on more complete operational data accumulated on Shopline, AI can better process and interpret a merchant's actual operating conditions and use that understanding to improve operations and decision-making efficiency. In addition, Shopline Copilot, which allows merchants to manage their online stores more efficiently using natural language, has entered internal testing. Our goal is not only to leverage AI to unlock new traffic entry points for merchants, but also to gradually integrate AI across the entire merchant operating journey, helping merchants connect with consumers, manage operations, and drive growth more efficiently in an increasingly fragmented business environment.

Our revenue is powered by two engines. On one hand, high-retention subscription services provide a stable revenue foundation. On the other, value-added services such as payments and marketing allow us to participate more deeply in merchant GMV growth. As merchants reach consumers through more channels, driving continued growth in order volumes and GMV, Shopline's revenue will expand accordingly. In Q2, value-added services maintained rapid growth and continued to increase their share of revenue. Because value-added services like payments typically carry lower gross margins than subscription services, this revenue mix shift led to a modest sequential pullback in gross margin from Q1. What matters more to us is that value-added services can scale on our existing merchant base and platform capabilities without a proportional increase in sales and R&D investment. As a result, their ongoing growth is expected to deliver stronger operating leverage, driving steady improvement in Shopline's operating profit and margin. As merchant base and GMV continue to increase, we expect value-added services to make a greater contribution to Shopline's revenue and profit expansion in the future, further aligning our long-term growth with merchant success.

Our current Q3 guidance implies Shopline revenue growth rate in the mid-twenties YoY. As revenue and gross profit continue to increase and operating efficiency further improves, Shopline remains firmly on track along its established path to profitability.

Moving on to share buybacks. In Q2, we repurchased a total of $108 million in shares. Through August 21 of this year, we have repurchased a cumulative total of $216 million, maintaining an accelerated buyback pace. Given our strong operating momentum and long-term prospects, we believe our current share price does not yet fully reflect the company's intrinsic value. Going forward, we will continue to actively advance our share buyback program while balancing business investment and long-term development. As our social entertainment and advertising businesses grow in scale and profit contribution, we will continue to work with our board to further refine our shareholder return framework, allowing shareholders to more fully benefit from the company's operating results.

In closing, our Q2 results further validate our multi-engine growth strategy. The value of our strategic positioning and ecosystem is only beginning to unlock. Looking ahead, as each of our three business segments becomes stronger and more competitive, we expect greater synergies across the Group, driving our long-term value creation to its next phase.

With that, I will now hand the call over to Alex Liu, our Vice President of Finance, to walk through our financial results in detail.

Alex Liu (Vice President of Finance):
Thanks, Ms. Li. Hello, everyone.

In the second quarter of 2026, we recorded total net revenues of $591 million, securing a YoY growth of 16.3% and QoQ growth of 6.3%. Our non-GAAP EBITDA for the quarter was $57 million, up 18.1% YoY and 24.4% QoQ. Our operating cash flow was $65 million, and we ended the quarter with roughly $3.06 billion in net cash.

As previously communicated, we accelerated our share buybacks since the start of 2026. As of August 21, we have bought back $128 million worth of our shares under the up-to-$600 million share repurchase program authorized in May, bringing total share repurchases to $216 million year to date.

I will now dive deeper into our detailed financial performance.

Social Entertainment revenues were $423 million for the second quarter, up 7.4% YoY and 5.6% QoQ. In particular, live streaming revenue growth accelerated to 7.3% YoY and 5.9% QoQ, further confirming the recovery momentum of our core business. Core live streaming paying users increased by 3.9% YoY, while ARPPU returned to positive growth, up 2.4% YoY. Live streaming revenues from Developed Countries continued to deliver strong growth, increasing by 11.8% YoY.

BIGO Ads revenues increased by 53.1% year over year and 7.1% quarter over quarter to $134 million. In particular, our third-party advertising business, BIGO Audience Network, delivered another exceptional result, recording 74.1% YoY and 9.3% sequential growth. On the traffic front, SDK network ad requests increased by 37.7% YoY in the second quarter. We continued to optimize our algorithms to improve ad campaign performance and drive advertiser spending. Our multi-vertical strategy also helped us capture broader market opportunities. Web-based demand increased by 91.7% YoY, while mobile-based demand remained strong, with IAA spending up 70.6% YoY. We remain firmly committed to our three-year strategic goal for BIGO Audience Network of $1 billion in revenue. As the business continues to scale, we are confident in its ongoing profitability, with room to further improve its economics over the medium term.

Shopline generated revenue of $34 million, with growth accelerating to 28.6% YoY and 12.5% QoQ. Revenue from cross-border merchants increased by 73.5% YoY, while its revenue contribution rose by 7.2 percentage points compared with Q2 last year, making it an increasingly important driver of Shopline's overall growth.

Group's gross profit was $202 million in the quarter, up 8.8% YoY and 6.5% QoQ, with gross margin remaining sequentially flat at 34.1%. Social Entertainment's gross margin was up QoQ as we continued to improve user engagement and monetization. BIGO Ads' gross margin was down QoQ due to a shift in revenue mix, reflecting a higher contribution from lower-margin third-party advertising revenues. Shopline's gross margin was also down QoQ, primarily driven by a higher contribution from lower-margin value-added services, particularly payments and marketing. While these services carry lower gross margins than subscription revenues, they typically require less incremental sales and R&D investment to scale. We therefore believe this mix shift will benefit Shopline's operating leverage and long-term profitability.

Our operating expenses for the quarter were $188 million, up 4.7% YoY and 2.6% QoQ. Sales and marketing expenses were higher YoY, consistent with the revenue increase. G&A expenses were also higher YoY, primarily due to increased share-based compensation expenses. R&D expenses were lower YoY, as we remained prudent and disciplined in our total spending through enhanced resource sharing and operational synergy across different business units, while strategically allocating incremental shares of our R&D resources towards BIGO Ads. Our non-GAAP operating income for the quarter was $49 million, up 28.2% YoY and 29.4% QoQ.

Non-GAAP net income attributable to controlling interest of JOYY in the quarter was $63 million, representing a non-GAAP net margin of 10.7%. Our non-GAAP net income was lower YoY due to a higher FX loss of $14 million as the US dollar weakened. Excluding the impact of FX losses, our non-GAAP net income would have been $77 million, broadly in line with the prior year.

For the second quarter of 2026, we booked net cash inflows from operating activities of $65 million. Our balance sheet remains healthy with a strong net cash position of $3.06 billion as of June 30, 2026.

Now moving to capital allocation. Shareholder returns continued to be an important component of our capital allocation strategy. As of August 21, 2026, we have returned $359 million to our shareholders through dividends and share repurchases this year, already exceeding the total amount returned to shareholders for the full year of 2025. We believe we remain substantially undervalued and will continue to actively execute our share repurchase program.

Turning now to our business outlook. Driven by continued growth momentum across our Social Entertainment, BIGO Ads and Shopline businesses, we expect our total net revenues for the third quarter of 2026 to be between $602 million and $622 million, implying YoY revenue growth of 11.4% to 15.2%.

For the full year of 2026, we remain confident in delivering solid revenue growth across the Group. On the profitability front, backed by a better-than-expected operational performance in the first half of the year and enhanced operating leverage from improved efficiency across our business segments, we now expect the Group's full-year 2026 non-GAAP operating income to grow around 20% year over year, up from our previous expectation of teens-level growth.

To summarize, we delivered a strong set of results in the second quarter, with all three business segments delivering encouraging growth and operating profitability continuing to improve. Looking ahead, we remain confident in our growth outlook and will stay focused on improving operating efficiency, sustaining profitable growth, and creating long-term value for our shareholders.

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