

# JOYY Inc.

## Fourth Quarter and Full Year 2023 Earnings Call Prepared Remarks

### **Operator:**

Ladies and gentlemen, thank you for standing by, and welcome to the JOYY Inc.'s Fourth Quarter and Full Year 2023 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 Fourth Quarter 2023 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](http://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 fourth quarter 2023 earnings call.

First, we'll provide a quick review of our performance for the quarter and the full year.

During the fourth quarter, our group revenue came in at \$570 million. Our core business segment BIGO recorded revenues of \$491 million, a year-over-year increase of 3.1%. Group's non-GAAP net profit hit \$64.2 million, with BIGO contributing \$63.5 million.

For the full year of 2023, group revenue reached \$2.27 billion, with around \$1.92 billion coming from BIGO.

On reflection, 2023 proved to be a year of progress. Our focus on continuous product enhancements, nimble operational strategies, and our strong execution yielded positive results, despite the prevailing macro challenges.

First, our relentless optimization of operational efficiencies generated enhanced profitability for the third consecutive year. In 2023, our non-GAAP net profit reached \$293 million, increasing by 46.8% year over year. Our non-GAAP net margin was 12.9%, up by 4.6 percentage points year over year. BIGO's non-GAAP operating profit reached \$288 million, representing a non-GAAP operating margin of 15%, higher than our expectations. Notably, all social products under the BIGO segment, including Bigo Live, Likee, and others, were profitable in 2023. Additionally, Hago, under the All Others segment, generated a positive operating cash flow for the year.

Second, our global average mobile MAUs have now resumed year-over-year growth for three consecutive quarters, even as we adhered to a disciplined marketing spending strategy. In the fourth quarter, our global average mobile MAUs increased by 2.6% year over year to 275 million.

Third, we solidified our leadership position within the global social entertainment industry. According to Data AI's State of Mobile report released in January 2024, Bigo Live retained its position as the world's second-largest Social App based on consumer spending in 2023. Out of the 29 countries and regions spanning the Americas, Europe, the Middle East, and Asia-Pacific covered by Data AI, Bigo Live ranked among the Top 5 social apps in 18 countries and regions, and among the Top 10 social apps in 7 countries and regions, in terms of consumer spending.

Other social products also achieved significant breakthroughs in key markets in 2023. In terms of consumer spending, Likee claimed the third place among social apps in Saudi Arabia, while Hago secured Top 10 positions in both Indonesia and the Philippines.

Despite this progress, the Group and BIGO segment's revenues were down by 6% and 3.6%, respectively, year over year. The decline was primarily due to two factors. First, despite mid-single-digit growth in BIGO's paying users throughout the four quarters, BIGO's ARPPU was still down year over year, primarily due to high inflation which negatively affected users' paying sentiment. Second, to strengthen our global positioning and foster sustainable growth, we proactively made proactive adjustments to certain non-core livestreaming operations starting in the second quarter. These adjustments had a negative impact on livestreaming revenues in certain regions. However, by fine-tuning our operations and focusing resources on the more resilient Developed Countries Region, we saw BIGO's ARPPU stabilizing and a recovery in BIGO's revenue in the two most recent quarters. With our more focused operational strategy, we believe BIGO will continue to recover and grow steadily during 2024.

Looking ahead, we believe there is ample room for growth. To capture such potential, the key is to deliver unique experience and value to users, stay relevant, and achieve sustainable growth. As such, our priorities for 2024 are as follows:

First, we remain committed to our globalization strategy. While we acknowledge inquiries regarding the potential impact of the YY Live transaction on our future strategy, we are currently in discussion with Baidu on the next steps following the termination of the SPA, and we are unable to disclose any further information at this time. However, we can confirm that our globalization strategy will remain unchanged.

Globalization through localization has been our foremost strategy, and our strong global localized operational capabilities are the cornerstone of our global success. In 2024, we will double down on our emphasis on local talent and drive innovative operations to further build our brand's global influence. Our elevated collaborations with KOLs and local partners were instrumental in enhancing product awareness and catalyzing user growth in 2023. Building on this success, we will uphold our efforts to drive further, steady growth of our global user community.

Second, we will continue to strike a balance between growth and efficiency. In 2024, while we anticipate the sustained recovery of BIGO, we also expect to maintain profitability and our positive cash flows at group level.

This year, we remain committed to dedicating resources to build our core strengths, which encompass both our global operational capacity and our technology. At the same time, we will prudently explore long-term growth opportunities. By driving innovations at the product and operational levels, we have been exploring new monetization models beyond livestreaming and achieved meaningful progress. In 2023, revenue from our non-livestreaming businesses made up 12.7% of our total revenues, up from 5.4% in 2021. We expect this upward trend to continue in 2024, further expanding and diversifying our revenue streams, and ultimately fortifying a multi-level growth engine for our long-term development.

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

Bigo Live maintained its user growth momentum in the fourth quarter, with MAUs increasing by 4.5% year over year to 38.4 million. We saw growth across several regions, with year-over-year MAU increases of 10.9% in Europe, 8.4% in Eastern Pacific Region, and 12.6% in the Middle East. Bigo Live's revenue and paying users sustained their recovery trend and sequential growth.

The fourth quarter is typically the peak season for local operational activities worldwide. To capitalize on this, Bigo Live organized a series of events to discover both outstanding creators across various domains and inspire new and diverse content creation. In October, Bigo Live hosted the second season of its BIGO's Most Talented creator contest in North America. This event attracted talented dancers, musicians, comedians, and more. Bigo Live also introduced a brand-new creator incentive program across major regions around the world. While Bigo Live continues to support experienced professional streamers and PUGC, this program places a stronger emphasis on amateur streamers and UGC. As well as generous economic rewards, Bigo Live provides comprehensive training courses for amateur streamers, helping newcomers to develop their skills and learn the ropes of successful streaming. As of the end of 2023, the UGC incentive program has already attracted over 300,000 amateur streamers.

In January, we held our annual year-end flagship event, the Bigo Awards Gala, in Las Vegas. The online livestream of the event attracted over 1.2 million viewers from across the globe. This year, we also hosted supplementary regional galas in various locations, including Indonesia, Vietnam and the Philippines. Both the flagship and regional galas saw Bigo Live recognize the most outstanding streamers and families of 2023, and talented creators were invited to give captivating, diverse performances. The BIGO Awards Gala, an established tradition of Bigo Live, has helped a number of exceptional creators enhance their influence and gain exposure on the global stage. Our galas remain an essential component of our commitment to support our creators in their growth journeys and help them maximize their value creation.

In the fourth quarter, our Family-based activities encouraged users to further explore and engage in Family events. Families provide robust social attributes that resonate with users, and we amplified these to drive user acquisition, nurture long-tail streamers, and convert free users to paying users. On a sequential basis, revenue contributed by Family members increased by 5.7%. The number of contracted streamers in Families rose by 16.5% and average DAUs in Families increased by 5.5%.

Throughout the fourth quarter, we personalized the user experience by refining recommendation algorithms for our diverse user base. Recommendations were continuously fine-tuned based on user behavior, ensuring each user receives the most relevant feeds. As a result, user engagement, user retention, and average viewer time spent per live session all improved. The next-day user retention rate in the fourth quarter rose by 2.3% sequentially, while average viewer time spent per session surged by 6.4%.

Bigo Live's Real Match feature continues to foster high-quality social connections amongst users. By refining and optimizing the overall matching process, including user profiles and matching strategies, we successfully leveraged Real Match to cultivate a greater number of stable user connections. In the fourth quarter, the total number of connections increased by 23.3% sequentially, and the number of direct chat messages between matched users grew by 14.8%.

Next, let's take a look at Likee.

Likee maintained its strategic focus on its core Middle East and Europe markets. In recent quarters, Likee implemented a series of targeted operational and product optimizations to drive user recovery and stimulate monetization growth in its core regions.

Although Likee's overall MAUs trended down sequentially during the fourth quarter, its DAUs in the core Developed Countries, especially Europe, have maintained high-single-digit growth for the past four quarters.

In terms of monetization, Likee's revenue for the full year was up year over year in 2023. The recovery of DAUs in its core regions, an evolving creator services ecosystem, and a more established business and creator marketplace all contributed to Likee's advertising revenue growing by nearly 2.5 times for the full year of 2023. Despite a decline in its livestreaming ARPPU, which was negatively affected by

macroeconomic uncertainties, the number of Likee's paying users has grown for four consecutive quarters.

Thanks to its progress on monetization and disciplined spending, Likee maintained its profitability during the fourth quarter. This means that Likee achieved its first full-year profitability in 2023, another significant milestone.

On the product front, Likee continues to focus on delivering comprehensive creator services, incentivizing diverse content creation, and fostering community interactions. In the fourth quarter, Likee introduced text and image posting features alongside new monetization options, enabling user subscriptions for both video collections and individual videos. These features offer creators greater flexibility in terms of content formats and open up new opportunities for monetization. Likee also rolled out a variety of interactive games in the fourth quarter to better align with users' evolving entertainment preferences.

During the fourth quarter, Likee continued to enhance its content production quality, leading to 2.7% sequential growth in average user time spent. Thanks to upgraded interactive features, overall user engagement, as measured by the ratio of DAUs to MAUs, improved by 2.2% in the same period.

Now, turning to Hago. In the fourth quarter, Hago's innovative year-end events and new operational features drove mid-single-digit sequential revenue growth. Hago continued to generate positive operating cash flow in the quarter, and therefore achieved its first full-year operating cash flow break-even in 2023.

Hago's user social interactions also improved during the fourth quarter. Average time spent per user in social channels increased by 4% sequentially, surpassing 99 minutes. Average time spent per user in multi-guest voice rooms saw a similar trend, increasing by 4.9% QoQ.

Finally, let me provide some updates on cash flow and capital return. We continued to generate robust positive operating cash flows, reaching \$97.2 million in the fourth quarter.

Our commitment to creating and returning value to our shareholders remains an important priority, and our track record is a testament to our long-term dedication. Over the course of 2023, we repurchased shares and distributed cash dividends in an aggregate amount of \$355 million, equivalent to 121.5% of our annual non-GAAP net profit. From 2020 to 2023, we have in total distributed approximately \$1.38 billion in capital returns.

As of the end of the fourth quarter, we still had approximately \$530 million unutilized quota under our current share repurchase program. We intend to steadily execute additional share buybacks under the program in 2024.

Looking ahead, we will continue to cultivate our content and social ecosystems to steadily grow our thriving user community and reinforce our leadership in core geographic regions. At the same time, we will further dedicate our resources to build our core strengths, and carefully explore long-term growth

opportunities. By driving innovations in both our products and operations, we expect to further diversify our revenue streams and capture long-term sustainable growth.

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 our financial 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, excluding YY Live.

Now let me go through the details of our financial results. Despite the ongoing macro uncertainties, we ended 2023 with another strong quarter.

Our total net revenues were \$569.8 million in the fourth quarter. Revenues from BIGO segment were \$491.3 million, up by 3.1% year over year, driven by a strong annual increase of 7.9% in BIGO's quarterly paying users and a stabilizing ARPPU which was down by 2.6%. Geographically speaking, as we prioritized our operational resources towards Developed Countries and Regions, revenues from Developed Countries was up by double digits year over year, outperforming other regions.

Cost of revenues for the quarter decreased to \$368.4 million, among which our revenue-sharing fees and content costs decreased to \$242.2 million. BIGO's cost of revenues were \$309 million, which was up year over year, consistent with the rebound in livestreaming revenue and elevated creator support during the quarter.

Gross profit was \$201.5 million in the quarter, with a gross margin of 35.4%. BIGO's gross profit was 182.3 million, with a gross margin of 37.1%.

Our group's operating expenses for the quarter were \$199.4 million, compared with \$231.2 million in the same period of 2022. Among the operating expenses, sales and marketing expenses decreased to \$92.3 million from \$100.8 million in the same period of 2022, primarily due to the optimization of overall sales and marketing strategies across various product lines to be more focused on ROI and effectiveness of user acquisition. R&D expenses was \$72.6 million, compared with \$73.6 million in the same period of 2022. General and administrative expenses decreased to US\$34.6 million from \$41.9 million in the same period of 2022, mainly due to the company's efforts to improve management efficiency during the year. BIGO's operating expenses for the quarter were \$131.3 million, compared with \$127.8 million in the same period of 2022.

Our group's GAAP operating income for the quarter was \$4.8 million. Our non-GAAP operating income for the quarter, which excludes SBC (share-based compensation) expenses, amortization of intangible assets from business acquisitions, loss on deconsolidation and disposal of subsidiaries, as well as

impairment of goodwill and investments, was \$27.9 million in this quarter, with a non-GAAP operating income margin of 4.9%. BIGO's GAAP operating income for the quarter was \$53.0 million, and BIGO's non-GAAP operating income was \$67.0 million, representing a non-GAAP operating income margin of 13.6%.

Our group's GAAP net income attributable to controlling interest of JOYY in the quarter was \$45.8 million compared to net loss of \$377.5 million in the same period of 2022. GAAP net income margin was 8% in the fourth quarter of 2023, compared to net loss margin of 62.4% in the same period of 2022. Our net loss last year was primarily due to an impairment loss from an equity investment recognized in that quarter. BIGO's GAAP net income in the quarter was \$52.0 million, with a GAAP net margin of 10.6%.

Non-GAAP net income attributable to controlling interest of JOYY in the quarter was \$64.2 million, compared to \$50.0 million in the same period of 2022. The Group's non-GAAP net income margin was 11.3% in the quarter, compared to 8.3% in the same period of 2022. BIGO's non-GAAP net income was \$63.5 million, with a non-GAAP net margin of 12.9%.

For the fourth quarter of 2023, we booked net cash inflows from operating activities of \$97.2 million. We remain a healthy balance sheet with a strong cash position of \$3.7 billion as of December 31 of 2023.

Now I would like to briefly walk through the full year financial highlights. Our total net revenues for the full year were \$2,267.9 million, compared to \$2,411.5 million in 2022. BIGO's revenues for the full year were \$1,924.3 million.

We have enhanced profitability at the group level for the third consecutive year.

Our non-GAAP net income attributable to controlling interest and common shareholders of JOYY for the full year of 2023 was \$292.5 million, up by 46.8% from \$199.3 million in 2022. Non-GAAP net income margin for the full year of 2023 was 12.9%, up from 8.3% in 2022. Notably, BIGO's non-GAAP net income expanded to 302.0 million in 2023, with its non-GAAP net income margin improved to 15.7% from 14.4% in the prior year.

Importantly, we have continued to enhance returns to shareholders through dividends and share repurchases. In the full year of 2023, we have returned an aggregate amount of \$355.4 million to our shareholders through share buybacks and cash dividends, which altogether represent 121.5% of our non-GAAP net income. As of the end of 2023, we still have around \$530 million unutilized quota under our current Share Repurchase Program. We intend to 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 vary across different markets, and there may be short-term fluctuations in users' paying sentiment. Separately, as we have implemented some proactive adjustments to certain operations in the previous quarters, they have had and will continue to have a negative impact on our revenues. At

group level, we expect our net revenues for the first quarter of 2024 to be between \$543 million and \$560 million. This forecast reflects our preliminary views on the market and operational conditions and business adjustments, which are subject to changes.

In conclusion, balancing between growth and efficiency remains a priority in 2024. We remain committed to dedicating resources to building our core strengths, and prudently explore long-term growth opportunities. With our proven execution capabilities and robust financial position, we are confident that we are well-positioned to seize growth opportunities and deliver sustainable value to our shareholders.

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