JOYY Inc.

Fourth Quarter and Full Year 2025 Earnings Call Prepared Remarks

Operator:

Ladies and gentlemen, thank you for standing by, and welcome to JOYY Inc.'s Fourth Quarter and Full Year 2025 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 and Full Year 2025 earnings conference call. Joining us today are Ms. Ting Li, Chairperson and CEO of JOYY; 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, including but not limited to, the future development of our products and businesses, the expected future financial performance of the company, our share repurchases, and other future events, 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.

We will also discuss certain non-GAAP financial measures. They are included as additional clarifying items to aid investors in further understanding the Company's performance and the impact that these items and events had on the financial results. The non-GAAP financial measures provided above should not be considered as a substitute for, or superior to, the measures of financial performance prepared in accordance with GAAP. You may find a reconciliation of differences between GAAP and non-GAAP financial measures in our earnings release.

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 Chairperson and CEO, Ms. Ting Li. Please go ahead, Ms. Li.

Ting Li (Chairperson and CEO):
Hello everyone, I'm Li Ting. Thank you for joining us today. In 2025, our group revenue and social entertainment business regained growth momentum since Q2, and we saw meaningful progress in our second growth curve of ad tech and other emerging areas. Together, these results are shaping our clear strategic framework as a global technology company with multiple growth engines.

Let me start with an overview of our results. In Q4, livestreaming maintained its sequential recovery trend, while our advertising platform saw accelerated topline growth. Meanwhile, non-GAAP operating profit and cash flow remained robust.

In the fourth quarter, total revenue reached $581.9 million, up 7.7% QoQ and 5.9% YoY, representing our first positive YoY growth since the second half of 2024. Livestreaming revenue was $394.4 million, up 1.5% QoQ, marking three consecutive quarters of sequential growth. BIGO Ads, including both first- and third-party ads, generated $128.1 million in revenue, up 61.5% YoY, with third-party Audience Network revenue growth accelerating to 82.5% YoY. Overall, non-livestreaming businesses contributed 32.2% of total group revenue. Non-GAAP operating profit stood at $40.8 million, and operating cash flow totaled $116.0 million.

For the full year, total revenue was $2.12 billion. Livestreaming contributed $1.53 billion, while BIGO Ads contributed $398.5 million, up 38.5% YoY. In particular, BIGO Ads' third-party ads revenue, Audience Network, delivered 56.3% YoY growth. Non-livestreaming businesses represented 28% of total revenue, an increase of 7.9 percentage points compared with 2024.

In 2025, non-GAAP operating income and non-GAAP EBITDA were $150.8 million and $189.8 million, up 10.8% and 10.9% YoY, respectively.

As of December 31, we held $3.26 billion in net cash. Our strong operating cashflow and balance sheet continues to support consistent shareholder returns. In 2025, we returned $332.0 million through share repurchases and dividends.

With improved business visibility and ongoing operational optimization, we are confident we will continue to deliver solid performance. In light of our strong performance and continued double-digit non-GAAP operational profitability improvements in 2025, the Board has approved an additional cash dividend of approximately US$20 million, representing approximately 10% of the total cash dividends declared for the year of 2025, on top of the Company's regular quarterly dividend schedule. This demonstrates our ongoing commitment to drive operational improvement and enhance shareholder returns.

Next, let me share our strategic focus and outlook. We are currently evaluating refinements to our segment reporting structure, and we are considering to report our results under three major business segments: Social Entertainment, Ad Tech, and E-commerce SaaS, beginning since the first quarter of 2026. This new structure will make it easier to see and understand the progress we make within each business.

Our social entertainment business remains the cornerstone of our profitability and cash flow. Meanwhile, BIGO Ads and Shopline are fueling our next stage of growth with improving mid- to long-term economics and expanding profitability potential. Together, these businesses position JOYY for a return to sustainable and profitable growth. From a longer-term perspective, their combined strengths and synergies will serve as a unified engine through which we can eventually penetrate addressable markets beyond what would be possible for each business individually.

We believe 2026 will be a landmark year for JOYY, marking the resolute beginning of our renewed growth journey and a defining step toward becoming a globally diversified, multi-engine technology company.

Now, let's turn to our operating updates.

In Q4, our core social entertainment business achieved its third consecutive quarter of sequential recovery. Global social MAUs reached 272.1 million, up 2.2% quarter over quarter. Traffic from our instant messenger increased 4.5% QoQ, driven by high user stickiness and user organic growth. Both average user time spent and retention improved YoY. On the revenue side, group livestreaming revenue rose to $394.4 million, up 1.5% QoQ. Developed markets recorded strong recoveries with revenue climbing 3.4% QoQ. BIGO's total paying users rose 1.5% QoQ.

On our current four flagship products, we further enhanced our streamer incentive structure and integrated AI-driven features across critical stages of the user journey, boosting both engagement and payment efficiency. For example, by integrating LLM architecture and incorporating multi-modal information into our recommendation systems, we improved our ability to understand both live-streaming content and user interests. This optimized recommendation precision and distribution efficiency led to a 5.6% QoQ increase in Bigo Live's average viewing time per user in Q4. Furthermore, user adoption of AI-generated virtual gifts continues to grow. As of January 2026, the consumption of AI interactive gifts on Bigo Live has surpassed 30% of total virtual gift consumption.

We are making solid progress on our new product lineup. Leveraging our established capabilities in product development, content, payments, infrastructure, and local operations, we are expediting new product incubation and growth. In Q4, revenue from new products increased 37.9% QoQ, setting new monthly records.

In 2026, we expect continued recovery in paying users or ARPPU for our flagship products, driven by ongoing operational refinements. Meanwhile, we anticipate our new product lineup will sustain robust growth and bring further incremental livestreaming revenue. We are confident our social entertainment segment will regain growth momentum, delivering healthy profitability and cash flow for the Group.

Turning to BIGO Ads. In Q4, BIGO Ads delivered $128.1 million in advertising revenue, up 61.5% YoY and 23.3% QoQ. Third-party ads revenue, Audience Network, grew 82.5% YoY and 27.3% QoQ, demonstrating accelerated growth momentum on a sequential basis for the third consecutive quarter. We fueled this growth through broader traffic coverage, multi-vertical advertiser expansion, and ongoing algorithm optimization.

First-party traffic expanded steadily, supported by higher MAUs and ad fill rates that drove sequential revenue and profit growth. Third-party traffic also increased, with SDK requests growing by 166% YoY and 23% QoQ.

Our diversified vertical strategy across insurance, e-commerce, and IAA games broadened market coverage and allowed us to capture seasonal advertising demands more effectively. Q4 was the peak season for U.S. insurance advertising and a prime period for e-commerce campaigns such as Black Friday. Web-based demand, primarily from insurance and DTC e-commerce advertisers, grew 20%, contributing to a boost in revenue. Enhanced placement performance led the IAA vertical, primarily casual games, to a 39% sequential increase. Overall, the number of key cohorts increased by 29%, and total spending of key cohorts climbed 34%. By region, developed markets continued to be our priority, with North America up over 21% QoQ and Western Europe rising 46% QoQ.

To take advantage of existing momentum, we will deepen our presence in key verticals, including lead-generation ads, e-commerce and games. This multi-vertical approach will serve as our structural and differentiated competitive edge over the mid-to-long term. Concurrently, we will expand our advertiser base and penetrate deeper into developed countries, while continuously optimizing our algorithm. We have established a three-year roadmap for the BIGO Audience Network, targeting a revenue milestone of $1 billion by 2028, accompanied by steady improvements in its economics.

Finally, a word on Shopline. Beginning in 2026, we are considering to report Shopline as a separate business segment to reflect our confidence in its growth prospects. Over the past year, Shopline maintained double-digit revenue growth, driven by the cross-border merchant base’s high-double-digit expansion and its rising contribution to revenue, while we have normalized Shopline’s R&D spending. Backed by steady topline and gross profit gains, we see a clear and achievable path for Shopline to reach breakeven while sustaining its double-digit revenue growth trajectory.

Turning to capital return. In Q4, we repurchased $67.4 million of shares. For the full year, total repurchases reached $134.6 million, with momentum accelerating in the second half. We believe our current valuation does not fully reflect our intrinsic value. We remain committed to actively utilizing our buyback programs. Looking ahead, as we continue to scale our business and strengthen our operating profitability, we will work closely with the board to explore possible measures to further enhance our shareholder return mechanism.

In summary, our strategic blueprint and ecosystem potential are only beginning to unfold. We view 2026 as a fresh start toward our next phase of growth. We remain focused on execution, and we are confident that sustained growth and profitability improvements will demonstrate our true value. Leveraging our integrated ecosystem, we remain committed to strengthening JOYY's position and delivering long-term value for our shareholders.

With that, I will now hand the call over to Alex Liu, our Vice President of Finance, to provide our financial updates.

Alex Liu (Vice President of Finance):

Thanks, Ms. Li. Hello, everyone.

In the fourth quarter of 2025, we recorded total net revenues of 581.9 million, securing a YoY growth of 5.9% and QoQ growth of 7.7%. This marks an inflection point of our topline trend on a year-over-year basis since the third quarter of 2024. Our livestreaming business delivered its third sequential recovery, with its livestreaming revenues increasing by 1.5% QoQ. Our advertising business, in particular BIGO Ads, continued to deliver exceptional growth, with its revenues up by 61.5% YoY and 23.3% QoQ. Our operating cash flow remained strong at $116.0 million in Q4, and we ended the quarter with roughly 3.26 billion in net cash. As previously communicated, we accelerated share buyback during the quarter, buying back 67.4 million worth of our shares, nearly doubling our Q3 share repurchase volume.

For the full year of 2025, we booked total net revenues of 2.12 billion. In particular, BIGO Ads booked 398.5 million in total revenue, delivering 38.5% YoY growth; third-party BIGO Audience Network achieved impressive growth of 56.3% while sustaining profitability. Our non-GAAP operating income was 150.8 million, up by 10.8% YoY, and our operating cash flow was 305.0 million. Throughout the year of 2025, our total capital return to shareholders, including cash dividends, reached 332.0 million, which represents 108.8% of our operating cash flow.

I will now dive deeper into our detailed financial performance.

Looking at our livestreaming business. Our total livestreaming revenues were 394.4 million for the fourth quarter, 371.8 million of which was from BIGO segment, both up quarter-over-quarter. Our refined streamer incentives, and continued AI-driven optimization of our content distribution and paying user experience, have contributed to improved paying sentiment, with BIGO’s total paying users increasing by 1.5%QoQ. Livestreaming revenues from Developed Countries increased by 3.4% QoQ.

Our total non-livestreaming revenues were 187.5 million during the fourth quarter, up by 47.6% year over year. Non-livestreaming now contributes 32.2% of our total group revenues, up from only 23.1% contribution in the same period last year.

BIGO's advertising revenues, increased by 61.5% year over year and 23.3% quarter over quarter to 128.1 million. In particular, our third-party ads revenue, BIGO Audience Network, delivered exceptional results, recording 82.5% YoY and 27.3% sequential growth. On the traffic front, SDK network ad request was up by 166% YoY and 23% QoQ in Q4. We continued to train and optimize our algorithms to further improve our campaign performance, which drove advertiser spending. In Q4, the number of key cohorts was up by 29% QoQ, with total spending from key cohorts up by 34% QoQ. Our multi-industry strategy has helped us capture broadened market opportunities. Web-based demand was up by 20% QoQ. Mobile-based demand continued to be strong, with IAA spending up by 39% QoQ. We have outlined our 3-year strategic goal for BIGO Audience Network, which is maintaining high-velocity growth and reaching 3-year revenue milestone of 1 billion. In the near term, this means that we need to invest in the expansion of our R&D and sales capabilities, as well as our network and computing infrastructure. But given the healthy economics of Audience Network at this stage, we are confident that as we scale, we will remain profitable and potentially further enhance Audience Network's economics in the mid-term.

Group's gross profit was 205.6 million in the quarter, with a gross margin of 35.3%. BIGO's gross margin was down QoQ, due to a shift in our revenue mix, which saw an increased contribution from our lower-margin Network ad revenues. All other segment's gross margin was up by 5.1 percentage points year over year to 46.7%, primarily due to growth in higher-margin non livestreaming revenues.

Our group's operating expenses for the quarter were 187.8 million. Our operating expenses were higher last year, due to certain non-cash goodwill impairment charges. Sales and marketing expenses were higher YoY, as our ROI-focused user acquisition returned to normalized levels following one-off advertising savings associated with temporary app store interruption in Q4 last year. For our R&D and G&A expenses, we maintained prudent and disciplined in our total spending through enhanced resources sharing and operational synergy across different business units, while strategically allocating incremental share of our R&D resources towards BIGO Ads. Our group's non-GAAP operating income for the quarter was 40.8 million. Our non-GAAP operating income was lower this year, primarily due to the impact of one-off advertising savings last year.

Non-GAAP net income attributable to controlling interest of JOYY in the quarter was 70.3 million. The Group's non-GAAP net income margin was 12.1% in the quarter. Our non-GAAP net income was lower due to the impact of one-off advertising savings last year and higher FX loss due to weakening dollar this year.

For the fourth quarter of 2025, we booked net cash inflows from operating activities of 116.0 million. Our balance sheet remains healthy with a strong net cash position of 3.26 billion as of December 31, 2025.

Shareholder return continued to be an important component of our capital allocation strategy. We have returned 197.3 million to our shareholders through dividends and repurchased 134.6 million worth of our shares during the year. We believe we are still substantially undervalued. We will continue to actively utilize our buyback program in 2026. Additionally, in light of our strong performance and continued double-digit non-GAAP operational profitability improvements in 2025, the Board has approved an additional cash dividend of approximately US$20 million, representing approximately 10% of the total cash dividends declared for the year of 2025, on top of the Company's regular quarterly dividend schedule. This demonstrates our ongoing commitment to drive operational improvement and enhance shareholder returns.

Turning now to our business outlook. At group level, we expect our net revenues for the first quarter of 2026 to be between 538 million and 548 million. This implies a 8.8% to 10.9% YoY growth for the group's revenue in Q1, with livestreaming revenues back to positive YoY growth, while BIGO Ads delivering mid-double digits YoY growth in the first quarter despite the impact of seasonality.

As Ms. Ting Li just mentioned, beginning in the first quarter of 2026, we are evaluating certain refinements to our segment reporting, and we are considering to report our results under three business segments, which includes Social Entertainment, BIGO Ads, and E-commerce SaaS. We believe the new segments will make it easier to see and understand our operational progress, particularly our new initiatives. Looking ahead, we are extremely excited about the tremendous synergy potential and the powerful flywheel momentum that our business segments will deliver in the medium to long term.

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