

# JOYY Inc.

## Third Quarter 2023 Earnings Call Prepared Remarks

### **Operator:**

Ladies and gentlemen, thank you for standing by, and welcome to the JOYY Inc.'s Third Quarter 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 third 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 third quarter 2023 earnings call.

First, we'll provide a quick snapshot of our performance for the quarter.

During the third quarter, we once again delivered a strong performance. Our group revenue came in at \$567.1 million, a 3.6% sequential increase, approaching the high end of our guidance. We hit a non-GAAP net profit of \$81.2 million, a 5.5% year-over-year increase, with a non-GAAP net margin of 14.3%.

Our core business segment BIGO maintained its recovery momentum and recorded revenues of \$494.1 million, a sequential increase of 4.9% and a year-over-year increase of 2.2%, the first year-over-year top-line growth for BIGO in six quarters.

BIGO's revenue rebound was accompanied by improvements in user activity and monetization efficiency. At the group level, our global average mobile MAUs grew by 2.6% year over year to 276.8 million. Notably, Bigo Live's MAUs maintained its strong growth trajectory, increasing by 14% year over year to 40.3 million. BIGO's number of paying users experienced a steady increase of 6.6% year over year, with ARPPU also improving sequentially during the quarter. With monetization recovering, and as we continued to enhance our operational efficiency, BIGO's non-GAAP operating profit grew by 11.7% year over year, reaching \$81.9 million, representing an expanded non-GAAP operating profit margin of 16.6%.

As one of the leaders in the global social entertainment sector, we have always been committed to building an equitable, diverse, and inclusive global user community. We aim to provide users with unique value and exceptional experiences through our broad range of social entertainment products. We firmly believe that creation of positive user value and experiences are the foundations of effective user engagement and monetization.

To maximize product value for our users, we have always focused on two key aspects of the user experience: content and social interaction. Our highly-localized operations and innovative product optimization are our most effective instruments for enhancing user content and improving users' social interaction experiences. To give you a better understanding of our progress on these two fronts, I'd like to share some examples from the third quarter. On the content front, Bigo Live expanded its collaborations with top KOLs and introduced more diverse and viral content. We also launched several major updates for our content segregation strategies and recommendation algorithms. These upgrades improved our ability to efficiently channel users to content they enjoy, particularly our new user cohorts. On the social interaction front, we prioritized the optimization of interactive tools within Bigo Live's Family feature and allocated additional operational resources to support Families. We also further iterated new social features, such as Real Match, which cater to different use cases and help users expand their social networks.

These targeted initiatives have effectively driven positive progress in user engagement and monetization. The introduction of more diverse and viral content, alongside collaborations with KOLs, have successfully enhanced our brand exposure, expanded product outreach, and fostered organic user growth. This acceleration of organic traffic has been the primary reason for our robust user growth in recent quarters, even as we adhered to a disciplined marketing spend. At the same time, our amplification of Families' social functions has yielded positive results in terms of user acquisition, payment conversion, and the recruitment of long-tail streamers. Our improved user engagement and user experiences, coupled with exciting seasonal promotions such as the regional mid-year galas, have fueled a recovery in users' paying activity and overall monetization.

Looking ahead to the fourth quarter, we anticipate that BIGO's global business will maintain its recovery trajectory on a year-over-year basis. However, given the ongoing uncertainty in the global macro landscape, we believe the pace of recovery across different markets will vary, and short-term fluctuations in users' paying sentiment may persist. We will remain cautiously optimistic, stay focused on our operational strategy, and prioritize high-quality growth. We will also continue to explore

innovations across our products and operations, and drive the steady recovery of our global business with a sustained focus on improving operating cash flows.

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

Bigo Live maintained its double-digit user growth momentum in the third quarter, with MAUs increasing by 14% year over year to 40.3 million. We saw growth across several key regions, with year-over-year increases of 12.9% in Europe, 15.3% in the Middle East, and 14.4% in Southeast Asia and other emerging markets.

In the third quarter, Bigo Live recorded mid-single-digit revenue growth on a sequential basis. The Developed Countries Region, especially Europe and Eastern Pacific countries, outpaced other markets and generated high-single-digit sequential growth in revenue.

As mentioned earlier, Bigo Live introduced a diverse range of high-quality and viral content during the third quarter. In the Middle East, Bigo Live premiered "The Acting Coach", an exclusive show in which a legendary Jordanian actor (Monther Rayahneh) shares his personal insights into the art of acting. In Indonesia, Bigo Live debuted "Friends for Life", a collaborative mini-series featuring three Bigo Live streamers and some local up-and-coming actors. The show was broadcast on a popular Indonesian video platform called Vidio, introducing Bigo Live's streamers to new audiences. Bigo Live also expanded its collaborations with top KOLs in the third quarter. We launched a "Summer Vibe" campaign in the MENA region and teamed up with several local KOLs who have tens of millions of followers, to share the freshest summer fashion trends and travel experiences, significantly boosting user engagement and inspiring creativity.

Building upon the success of last quarter's Family Month Campaign, we continued to encourage users to explore and participate in Family activities on Bigo Live. The third quarter saw a steady increase in the size of Families, with a 5.1% sequential increase in DAUs and a 17.4% sequential increase in the number of contracted streamers in Families.

With regards to iteration and optimization of our product features, we retained our focus on content enrichment and improving social interactions. We further refined our content recommendation algorithms and continued to incentivize BAR creators. We started to develop a premium content pool on our BAR channel, covering popular genres such as K-pop, pets, and workout. In the third quarter, the number of users sharing videos on BAR surged by 42.8% from the prior quarter, while the average effective views per person for video content rose by 29.3% in the same period. At the same time, we fine-tuned features to enhance the appeal and interactivity inside livestreaming rooms. This drove an 8.5% sequential increase in the total number of livestreamers, along with a 3.7% sequential increase in the number of livestreamers in multi-guest rooms. In line with our commitment to fostering social interaction and forging relationships, we enhanced Bigo Live's Real Match feature to make it easier to connect with people nearby by simply swiping through profiles. The upgrade fueled a 16.3% sequential increase in the number of people mutually following each other through Real Match, and a 21.0% sequential increase in direct chat messages.

Next, let me share some updates for other products.

As we have previously mentioned, when compared to Bigo Live, our other products have a much larger aggregated user base, but they are generally in the early phases of monetization, as their contributions to revenue and profit are relatively small. As such, our main objective for these products is to systematically enhance their monetization efficiency and profitability while strengthening their ability to organically acquire new users. Once these products start to generate consistent profits, we will have a solid foundation from which we can reinvigorate their user growth.

Let's begin with Likee. In the third quarter, Likee's revenue grew by mid-single-digits sequentially, and it continued to be profitable at the product level. On the user front, despite a sequential decline in Likee's MAUs this quarter, its DAUs in core regions, particularly in the Developed Countries Region, maintained high-single-digit sequential growth.

In September, Likee orchestrated a series of offline community events in celebration of Saudi National Day. These included streamer parties and movie days, accompanied by online discussions designed to deepen connections among users, creators, and the platform. During the quarter, Likee also partnered with a number of popular creators to exhibit at the Asian Culture Festival, an event that captivated fans of anime, K-pop, and more, highlighting the ACG (Anime, Comics, and Games) that is an integral component of Likee's content ecosystem and community. At the product level, Likee remained dedicated to fostering community interaction, driving a 14.7% overall sequential increase in average user time spent. Overall user engagement, as measured by the ratio of DAUs to MAUs, increased by 1% sequentially, while the IM penetration rate rose by 1.5% over the same period.

Next, let's take a look at Hago. During the third quarter, Hago achieved a sequential mid-single-digit percentage increase in revenue, and its operating cash flow remained positive during the quarter. Efficient content distribution remained a priority, along with a refined push notification strategy designed to boost participation in multi-guest interactive rooms across regions. Hago also iterated and enhanced its IM and interactive features, helping to drive increased social activity among users. Notably, average user time spent in social channels reached nearly 95.8 minutes per day, and average time spent in multi-guest audio livestreaming rooms grew by 1.2% sequentially. Besides Hago 3D Space, Hago is actively exploring alternative social interactive applications and combining livestreaming and interactive gaming experiences powered by AI.

Finally, some updates on cash flow and capital return. We continued to generate robust positive operating cash flows, reaching \$72.9 million in the third quarter. Meanwhile, we maintained an active pace of share repurchases, and bought back an additional \$43.5 million of our shares. Our board has authorized an extension of the buyback program, which stood at \$530 million as of the end of the third quarter, until November 2024.

To summarize, effective execution of our operational strategies has driven the ongoing recovery of BIGO's revenue, profit, and user activity.

Looking ahead into the remainder of 2023 and beyond, we remain committed to our long-term, targeted strategy to pursue high-quality growth. We will continue to explore ways to innovate across our products and operations, and drive the steady recovery of our global business with a continued focus on improving operating cash flows. We will further concentrate our resources on building our core strengths and global businesses that align with our long-term strategies, and effectively pursue growth opportunities. At the same time, we will continue to enhance shareholder returns through share buybacks.

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.

Despite the ongoing macro uncertainties, we achieved solid progress in the third quarter.

Our core global business segment BIGO booked positive year-over-year growth in both revenue and non-GAAP operating income during the quarter. We continued to grow our total global MAUs, even as we adhered to our disciplined marketing spend. The monetization efficiency ratios were also up during the quarter, with the number of BIGO's quarterly paying users up by 5.1%, and ARPPU up by 2.2% QoQ. It's a result of our continuing dedicated strategy to optimize product value and user experience, and the strong execution of our global operational team.

Now let's look at the numbers in detail. Our total net revenues were US\$567.1 million in the third quarter. Revenues from BIGO segment were US\$494.1 million, up by 2.2% year over year, the first year-over-year topline growth in six quarters, mainly driven by strong growth in the Developed Countries Region.

Cost of revenues for the quarter decreased to US\$357.9 million, among which our revenue-sharing fees and content costs decreased to US\$232.3 million. BIGO's cost of revenues were US\$299.2 million, which was up year over year, consistent with rebound in livestreaming revenue.

Gross profit was US\$209.2 million in the quarter, with a gross margin of 36.9%. BIGO's gross profit was 194.8 million, with a gross margin of 39.4%.

Our group's operating expenses for the quarter were US\$191.3 million, compared with US\$202.2 million in the same period of 2022. Among the operating expenses, sales and marketing expenses decreased to US\$92.5 million from US\$96.8 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 increased to US\$71.6 million from US\$61.2 million in the same period of 2022, primarily due to increased R&D personnel-related expenses as we prioritized resources into building our technological capabilities. BIGO's operating expenses for the quarter were US\$126.7 million, down by 5.3% year over year.

Our group's GAAP operating income for the quarter was US\$12.0 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 US\$40.4 million in this quarter, with a non-GAAP operating income margin of 7.1%. BIGO's GAAP operating income for the quarter was US\$68.5 million, and BIGO's non-GAAP operating income was US\$81.9 million, representing a non-GAAP operating income margin of 16.6%, up from 15.2% in the same period last year.

Our group's GAAP net income attributable to controlling interest of JOYY in the quarter was US\$72.9 million compared to net income of US\$515.3 million in the same period of 2022. GAAP net income margin was 12.9% in the third quarter of 2023, compared to net income margin of 87.8% in the corresponding period of 2022. Our group's GAAP net income was larger in the third quarter last year, primarily due to a one-off remeasurement gain of an equity investment. BIGO's GAAP net income in the quarter was US\$70.2 million, with a GAAP net margin of 14.2%.

Non-GAAP net income attributable to controlling interest of JOYY in the quarter was US\$81.2 million, compared to US\$76.9 million in the same period of 2022. The Group's non-GAAP net income margin was 14.3% in the quarter, compared to 13.1% in the same period of 2022. BIGO's non-GAAP net income was US\$81.9 million, with a non-GAAP net margin of 16.6%.

For the third quarter of 2023, we booked net cash inflows from operating activities of US\$72.9 million. We remain a healthy balance sheet with a strong cash position of US\$3.8 billion as of September 30 of 2023.

In the third quarter, we continued to enhance returns to shareholders, and repurchased an additional of approximately US\$43.5 million of our shares. In the first three quarters of 2023, we have returned an aggregate amount of US\$355.4 million to our shareholders through dividends and share buybacks, which altogether represent 155.6% of our aggregated non-GAAP net income during the corresponding periods. We will continue to actively utilize our share repurchase program in the coming quarters.

Turning now to our business outlook. We anticipate continued recovery in our global operations. 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 previously communicated, we had made proactive adjustments to certain non-core operations in line with our commitment to high-quality growth and global positioning. Taking all factors into consideration, we expect our net revenues for the fourth quarter of 2023 to be between US\$551 million and US\$579 million. This forecast reflects our preliminary views on the market and operational conditions and business adjustments, which are subject to changes.

In conclusion, our dedicated efforts to enhance product value and optimize user experience are yielding positive results, as shown in our reaccelerating user growth and topline recovery. Simultaneously, our financial discipline has allowed us to further expand profitability and fortify our financial standing. Moving forward, we will maintain a focused operational strategy, and direct our resources towards high-potential businesses that align with our long-term objectives. We will also strive for a steady recovery in

our global operations while prioritizing improvements in operating cashflows. With a stronger foundation and our proven execution capabilities, 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.