

JOYY Inc.

First Quarter 2026 Earnings Call Prepared Remarks

Operator:

Ladies and gentlemen, thank you for standing by, and welcome to JOYY Inc.'s First 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, 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 2026 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. Apologies but I've got a cold recently and my voice is quite weak. For efficiency of this meeting, I'm going to have our IR Jane read through the prepared remarks for me. I'll be back to take your questions during the Q&A. Thanks for understanding.

Jane Xie (Senior Manager, Investor Relations):

As we enter 2026, our social entertainment business has returned to year-over-year growth, while our second growth curve, Ad Tech and Smart Commerce, is progressing with strong momentum. Our globally diversified ecosystem is taking shape, with social entertainment, advertising, and smart commerce bolstering one another in a self-reinforcing strategic flywheel. This flywheel is propelling JOYY into its next phase of growth.

Let me begin with an overview of our Q1 results. Total revenue reached \$556 million, up 12.4% YoY, marking our strongest YoY growth rate in recent years. Social entertainment revenue was \$400 million, up 3.2% YoY. BIGO Ads contributed \$125 million, up 55.6% YoY, among which our third-party BIGO Audience Network delivered 78.8% YoY growth. Shpline revenue reached \$31 million, up 16.1% YoY.

Q1 non-GAAP operating profit and EBITDA reached \$38 million and \$46 million, up 22.5% and 13.2% year over year, respectively. Operating cash flow for the quarter was \$46 million.

As of March 31, 2026, we held \$3.18 billion in net cash. Our strong cash generation continues to support meaningful shareholder returns. Since the start of 2026, we have accelerated our buyback program. Through May 22, 2026, we repurchased a cumulative \$88 million in shares and paid \$69 million in dividends, for a total return of \$157 million to shareholders. In light of our solid operational performance and robust balance sheet, the board just approved an updated shareholder return program totaling 1.5 billion, under which we could repurchase up to 600 million worth of our shares and distribute approximately 900 million in dividends over the next three years. This underscores our strong confidence in long-term potential of our business and demonstrates our continued commitment to delivering sustainable value to our shareholders and enabling shareholders to benefit from our operational improvements.

This quarter marks the first time we are reporting results under our new three-segment structure: Social Entertainment, BIGO Ads, and Shpline.

I would like to take this opportunity to reaffirm our long-term strategic vision. We are building a global technology ecosystem driven by AI. This ecosystem is designed to unlock compounding returns from our data assets through the deep integration of social entertainment, programmatic advertising, and omnichannel e-commerce, creating a self-reinforcing growth flywheel.

Social entertainment is our foundational business, providing the user base, data assets, and cash flow that support the broader ecosystem. By building a highly engaged global user community, we have accumulated a valuable first-party data asset and a scaled global traffic pool, supported by established technology infrastructure and localized operational networks across key markets. Social entertainment underpins our cash flow generation and serves as the long-term anchor of the Group.

BIGO Ads accelerates our flywheel, strengthening our data and algorithmic advantages. Through advanced predictive models and algorithmic optimization, we convert traffic into measurable, scalable advertiser ROI. Each iteration further enriches our data assets and deepens our algorithmic moat, building our competitive advantage.

Shopline is the engine of our one-stop omnichannel commerce offering, and provides merchants with open, connectable infrastructure that puts data ownership back in their hands. This control empowers them to maximize business performance across the full customer lifecycle.

AI is the backbone of this entire ecosystem, seamlessly connecting our social data assets, algorithms, and e-commerce capabilities. Together, these three pillars form a closed-loop system that deepens our economic moat and drives long-term value creation for JOYY.

Now, let me walk through our Q1 performance and share our outlook on the future.

In Q1, social entertainment revenue returned to YoY growth of 3.2%, with livestreaming revenue up 2.4% YoY. Core livestreaming paying users grew 5.9% YoY.

On the traffic side, global average mobile MAUs reached 276 million, up 6.1% YoY and 1.5% QoQ. Driven by high user stickiness and fully organic growth, traffic from our instant messenger increased 3.1% QoQ.

For our flagship products, we improved our streamer incentive structure, launched targeted support programs for high-quality content categories, and integrated new AI capabilities. These initiatives drove ongoing gains in both content engagement and payment conversion. Streamer activity improved sequentially despite seasonal impacts. Number of active streamers increased 1.5% QoQ, and average effective streaming hours per streamer rose 1.4% QoQ. We have now fully rolled out our AI smart tools for streamers across core markets, meaningfully improving interaction efficiency. As of April, AI-generated interactive virtual gifts accounted for 34% of total virtual gift consumption on Bigo Live.

Our new product lineup continued to gain traction, with revenue up over 500% YoY and 45% QoQ, setting new monthly revenue records.

Our current Q2 guidance implies low- to mid-single-digit YoY growth in social entertainment revenue. Building on this momentum, we are confident that our social entertainment business will achieve full-year revenue growth in 2026 and sustain this positive trajectory going forward.

In Q1, BIGO Ads generated \$125 million in advertising revenue, up 55.6% YoY. Our third-party business, the BIGO Audience Network, delivered 78.8% YoY growth, despite the seasonal softness of Q1. Broader traffic coverage, multi-vertical advertiser expansion, and ongoing algorithm optimization fueled this momentum.

On the supply side, SDK traffic maintained strong growth, up 109% YoY and 7% QoQ in Q1.

On the demand side, our strategic presence across multiple verticals, including lead generation, e-commerce, and IAA, drove an enrichment of our advertiser mix and enhanced ecosystem density. This multi-vertical approach not only accelerated data accumulation and algorithmic iteration, but also strengthened our traffic bidding capabilities.

Notably, web-based demand, primarily from lead generation and e-commerce advertisers, grew 90% YoY and delivered positive sequential growth. Incremental spend from both new and existing advertisers fully offset the typical seasonal softness of Q1. IAA spending sustained 97% YoY growth. Geographically, we prioritized high-value developed markets. North America remains our largest market, while Western Europe delivered notable momentum, with revenue up 27% QoQ.

On the algorithm side, we are steadily and prudently scaling our computing infrastructure and strengthening our R&D talent base. By integrating data feedback from advertisers across channels and leveraging the dual growth of traffic scale and advertiser density, we have built a rich behavioral data layer. This enables multi-dimensional, precise user profiling and real-time model iteration, which in turn improves ad delivery efficiency. We are seeing positive feedback across multiple verticals, which validates the generalization capabilities of our model framework. As our data scale accelerates and vertical-specific models mature, we expect our algorithmic flywheel will increasingly serve as the core engine of our revenue growth going forward.

We reiterate our strategic commitment to reaching \$1 billion in BIGO Audience Network revenue by 2028. As our third-party advertising business continues to scale, we expect a steady, structural improvement in profitability.

Turning to Shoptline. This is the first quarter we are reporting Shoptline as a standalone segment. The decision to do so now reflects our belief that Shoptline has reached a critical mass in terms of its importance to our Group, and that Shoptline will become an increasingly significant contributor to our growth going forward.

As global commerce enters the omnichannel era, merchants increasingly desire autonomy and full-funnel data ownership. We have built Shipline 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 retail operating system.

Through deep integration of payments, logistics, and marketing modules, we empower merchants across every stage of their journey, from store setup and transactions to fulfillment and full-lifecycle customer retention. Globally, very few vendors are capable of delivering this kind of "OS-level" closed-loop solution.

We are also accelerating the integration of a suite of AI-powered capabilities. These tools will drive Shipline's ongoing evolution from an enablement tool to an AI-driven commerce engine, and represent a fundamental shift in how merchants operate. AI-powered traffic allocation and automated decision-making will unlock new growth opportunities and new levels of precision across omnichannel retail.

On monetization, beyond high-retention subscription fees, we generate revenue through transaction based value-added services in payments and marketing. This reflects a fundamental distinction from traditional seat-based software tools. This monetization model, deeply aligned with merchant's full lifecycle growth, will fuel Shipline's ongoing accelerating performance.

Q1 is traditionally a slow season for e-commerce, yet Shipline delivered solid results. Revenue was \$31 million, up 16.1% YoY, with gross margin expanding further to 51.5%. Revenue growth from cross-border merchants remained robust, sustaining over 60% YoY growth.

Our Q2 guidance implies Shipline's revenue growth accelerating to above 25% YoY. This meaningful progress marks Shipline's transition from incubation into a phase of scaled growth. Propelled by accelerated revenue and gross profit growth, Shipline is on a clear and visible path to achieve breakeven by 2028.

Additionally, as BIGO Ads makes steady progress in the DTC e-commerce vertical and moves past its cold-start phase, we anticipate increasingly tangible synergies between these two businesses going forward. This marks a crucial long-term strategic objective for JOYY, and we are committed to solid execution to unlock this untapped potential.

In summary, our strategic layout and the unlocking of our ecosystem's value remain in their early stages. Looking ahead, we expect our three business segments to generate stronger structural synergy, further deepening our competitive moat and driving JOYY's long-term value to its next level.

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 and Jane. Hello, everyone.

Beginning this quarter, we are reporting Social Entertainment, BIGO Ads, and Shopline as standalone segments. This shift reflects a strategic inflection point: BIGO Ads and Shopline have evolved from incubation projects into scalable growth engines.

Now, let's turn to the financial overview of the quarter.

In the first quarter of 2026, we recorded total net revenues of 555.7 million, securing a YoY growth of 12.4%, our strongest year-over-year growth rate in recent years. Our non-GAAP EBITDA for the quarter was 45.7 million. Our operating cash flow was 46.0 million in Q1, and we ended the quarter with roughly 3.18 billion in net cash.

As previously communicated, we accelerated share buyback since we entered into 2026, buying back 87.9 million worth of our shares as of May 22. In light of our solid operational performance and robust balance sheet, we have just announced an updated shareholder return program totaling 1.5 billion, under which we could repurchase up to 600 million worth of our shares and distribute up to 900 million in dividends over the next three years. This represents a 67% expansion from the previous program, showing our strong confidence in the company's long-term prospects.

I will now dive deeper into our detailed financial performance.

Social entertainment revenues were 400.4 million for the first quarter, delivering its first YoY recovery of 3.2% YoY. In particular, livestreaming revenues returned to 2.4% YoY growth, which marks an inflection point and a result of the strategic adjustments we've executed over the past several quarters. Core livestreaming paying users increased by 5.9% YoY, while livestreaming revenues from Developed Countries increased by 11.2% YoY.

BIGO Ads continued to deliver exceptional growth, with its revenues up by 55.6% YoY to 124.8 million. In particular, our third-party ads revenue, BIGO Audience Network, delivered outstanding results, recording 78.8% revenue growth YoY. On the traffic front, SDK network ad request was up by 109% YoY and 7% QoQ in Q1. Our multi-industry strategy has helped us capture broadened market opportunities. Web-based demand was up by 90% YoY. Mobile-based demand continued to be strong, with IAA spending up by 97% YoY. We are right on track to achieve our 3-year strategic goal for BIGO Audience Network, which is maintaining high-velocity growth and reaching 3-year revenue milestone of 1 billion. While we are prudently investing in the expansion of our R&D and sales capabilities, as well as our network and computing infrastructure, Audience Network's economics remain healthy. We are confident that as we scale, we will remain profitable and potentially further enhance Audience Network's economics in the mid-term.

Shopline kicked off its debut quarter, generating revenue of US\$30.5 million, delivering a 16.1% YoY revenue growth. Cross-border merchants' revenue was up by 66%, with its revenue contribution up by 8

percentage points compared to Q1 last year. We expect cross border merchants' revenue to maintain a high-velocity growth going forward, while rising revenue contribution from this merchant segment will lead to gradual acceleration of Shoptline's overall revenue growth.

Group's gross profit was 189.3 million in the quarter, with a gross margin of 34.1%. BIGO Ads'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. Shoptline's gross margin was up by 6.8 percentage points year over year to 51.5%, primarily due to growth in higher-margin subscription revenues, as well as improving gross margin for its value-added service revenues.

Our group's operating expenses for the quarter were 183.4 million. Sales and marketing expenses were higher YoY, consistent with revenue increase. G&A expenses were also higher YoY, primarily due to increased share-based compensation expenses. Our group's non-GAAP operating income for the quarter was 38.0 million.

Non-GAAP net income attributable to controlling interest of JOYY in the quarter was 55.9 million. The Group's non-GAAP net income margin was 10.1% in the quarter. Our non-GAAP net income was lower due to higher FX loss of 13.6 million due to the weakening US dollar. Excluding the impact of FX losses, our non-GAAP net income was 69.5 million, up by 8.7% YoY.

For the first quarter of 2026, we booked net cash inflows from operating activities of 46.0 million. Our balance sheet remains healthy with a strong net cash position of 3.18 billion as of March 31, 2026.

As of May 22, we have returned 156.8 million to our shareholders through dividends and share buyback. Our accelerated share buybacks in the past quarters and the newly introduced three-year shareholder return program reaffirms our previous statement: Shareholder return has been and will continue to be an important component of our capital allocation strategy. We will remain focused on delivering strong results, actively executing our new programs, and enabling our shareholders to benefit from our operational improvements.

Turning now to our business outlook. At group level, we expect our net revenues for the second quarter of 2026 to be between 562 million and 581 million. This implies a 10.7% to 14.4% YoY growth for the group's revenue, with social entertainment sustaining positive growth YoY, BIGO Ads delivering mid-double digits growth, while Shoptline growth accelerating in the second quarter.

To summarize, Q1 2026 marks a pivotal milestone for JOYY. We have delivered our strongest year-over-year revenue growth in recent years, realigned our reporting structure to match our strategic priorities, and accelerated our commitment to capital returns through enhanced buybacks. 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.