

## **JOYY Inc.**

### **Third Quarter 2024 Earnings Call Prepared Remarks**

**Operator:**

Ladies and gentlemen, thank you for standing by, and welcome to JOYY Inc.'s Third Quarter 2024 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 2024 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](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 Chairperson and CEO, Ms. Ting Li. Please go ahead, Ms. Li.

**Ting Li (Chairperson and CEO):**

Hello everyone, I'm Li Ting. Welcome to our third quarter 2024 earnings call.

Let's begin with a review of our overall performance during the third quarter.

During the third quarter, we effectively executed our strategic priorities, maintaining a strong focus on optimizing our products, deepening our market penetration in Developed Countries, and enhancing our global operational capabilities and efficiencies. These efforts yielded solid results: In the third quarter, our group revenue reached \$558.7 million. Our core business segment, BIGO, recorded revenues of \$496.0 million, delivering a slight year-over-year increase.

Our disciplined execution has led to improvements in operational efficiency at both the BIGO segment and Group level. Our group non-GAAP operating profit came in at \$34.9 million, up 16.4% quarter over

quarter. BIGO's non-GAAP operating profit expanded to \$72.9 million, up 5.0% quarter over quarter, exceeding our expectations. Excluding the impact of FX losses, BIGO's non-GAAP net profit was also up quarter over quarter.

We briefly outlined our strategic priorities in our previous earnings call. Now, let me quickly touch on each of these.

First, we continued to advance our globalization strategy, enriching user interactions and content offerings while building on our unique position as a global social platform.

As we have previously mentioned, Bigo Live is a highly globalized product, offering content across 30 languages and fostering meaningful cross-regional connections. This is particularly evident among our users in Developed Countries, who actively engage in cross-cultural interactions. What truly sets us apart is the global nature of our user community and the organic social connections that flourish across our platform, a unique value proposition that we are committed to amplifying. To further enhance our global ecosystem, we have implemented a series of upgrades to boost the creation, quality, and distribution of content on our platform. For example, we fine-tuned our content recommendation algorithms to better facilitate content sharing within same-language regions and expand cross-regional content flow between highly interactive markets, such as North and South America. We also launched global cross-regional initiatives based on user interaction patterns, such as this quarter's BIGO's Most Talented competition. Organized by our North American team, the event brought together creators from the Americas, Southeast Asia, and Africa, highlighting our ability to unite diverse talent across high-engagement regions. On the technology front, we are preparing to introduce standardized global content guidelines and commence alpha testing of AI-powered real-time caption translation in select languages. These enhancements will streamline our cross-regional content delivery and better serve our users' growing appetite for global content and social connections.

Second, we are laser-focused on operational efficiency. By optimizing every aspect of our global localized operations - from user acquisition, to KOL management, to our user engagement and monetization mechanisms - we aim to comprehensively strengthen the efficiencies and capabilities of our global operations and drive steady expansion in product and group profitability.

During the quarter, we conducted comprehensive ROI analyses across products, regions, and user acquisition channels. Leveraging these insights, we optimized our resource allocation, redirecting our advertising spending from underperforming regions towards Developed Countries, and focused on the acquisition of premium users with greater monetization potential. As a result, Bigo Live has achieved consistent year-over-year and sequential user growth in Developed Countries, with overall ROI improving by double digits from the previous quarter, even with a 7.3% sequential reduction in its total user acquisition spending. In other underperforming regions, we have shifted some of our efforts from traditional advertising channels to more cost-effective user acquisition methods, such as KOL partnerships, and leveraged social features like Real Match to expand our product reach. These targeted initiatives underscore our commitment to cultivating a sustainable, high-quality user base while we simultaneously enhance content quality and social experiences to drive long-term user monetization potential.

For Likee, we have maintained a strategic focus on our core markets in the Middle East and Europe, successfully implementing monetization through both livestreaming and advertising. This targeted approach has enabled us to achieve our initial milestone of profitability. To further unlock Likee's monetization potential, we recently redirected some of its operational resources, including personnel and traffic, toward a new social livestreaming product. This means that the resources currently allocated to non-core markets, which do not contribute much to Likee's monetization, will be further optimized, potentially leading to declines in Likee's user metrics in the near term. However, we believe this adaptive strategy will accelerate our new product development, strengthen our position in Likee's core markets, and ultimately enhance Likee's monetization potential in the long run.

Third, we have continued to cultivate long-run initiatives that will further diversify our revenue streams. In the third quarter, our group non-livestreaming revenue grew 13.1% sequentially to \$119.2 million, representing 21.3% of group revenue.

BIGO's non-livestreaming revenue, primarily generated from advertising, increased 15.5% quarter over quarter to \$78.2 million. This growth was fueled by strong momentum in Europe and North America, underscoring our strategic initiatives and commitment to expanding our footprint in these markets.

Building these new initiatives into meaningful revenue streams requires patience and sustained investment. We remain committed to nurturing these opportunities to realize their full potential.

We sustained our positive operating cash flow in the third quarter, generating \$61.1 million at the group level. Supported by our strong cash flow and healthy financial position, we actively advanced our shareholder return initiatives.

In the third quarter, we accelerated our share repurchases, buying back an additional \$117.8 million worth of our shares. With \$283 million remaining unutilized under our repurchase program, we will continue to actively execute share buybacks to reward our shareholders' ongoing support.

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

In the third quarter, we sharpened our operational strategy by prioritizing our advertising investments and operational resources toward Developed Countries and premium users. This targeted approach yielded strong results in Developed Countries, where MAUs grew 3.4% year over year and paying users increased 9.1% year over year. We also saw encouraging momentum in the Middle East, where Bigo Live's revenue increased 5.6% sequentially.

During the quarter, Bigo Live successfully organized the third season of BIGO's Most Talented, featuring categories including music, dance, and beauty. The event attracted outstanding creators from around the world. Building on previous seasons, we introduced a more comprehensive judging system incorporating key audience engagement metrics. This allowed a seamless merger of interactive livestreaming with traditional talent show elements. The season culminated in a grand finale broadcast live from Los Angeles on October 16, captivating a global audience. The event resonated strongly with

viewers, amassing an impressive 5.79 million audience votes, highlighting the high level of engagement surrounding the competition.

We also strengthened bonds with our business partners and our user community through a series of mid-year galas across Saudi Arabia, Vietnam, Thailand, and the Philippines. These gatherings brought together the cornerstone members of our ecosystem - top creators, users and partners - to celebrate their achievements and vital contributions to our progress in the first half of the year.

Throughout the quarter, we further developed Bigo Live's social engagement features, prioritizing improvements to Real Match and messaging functionality. These upgrades drove deeper user connections and more efficient Follow conversions. Notably, Real Match's average DAU penetration rate increased significantly to 23.4%, while the number of direct chat messages rose by 15.9% from the previous quarter. We also saw a 4.3% rise in average new follows per user, indicating stronger community building.

By directing traffic to premium hosts and upgrading interactive features, we saw broader creator participation and user engagement in multi-guest rooms. We achieved a 3.9% sequential increase in the penetration rate of users hosting a live session in multi-guest rooms, alongside a 3.6% sequential increase in the overall rate of users going live as guest speakers.

Next, moving to Likee.

Our strategy for Likee remains rooted in the Middle East and European markets, where we continue to build momentum and enhance monetization across both livestreaming and advertising. As a result, Likee's advertising revenue grew 33.4% year over year in the third quarter, and Likee maintained its profitability.

During the quarter, we elevated Likee's user experience across its core markets through enhanced content quality, interactivity, and community engagement. A standout community-building initiative was our August music festival tour across five European cities, which brought together Likee's top creators - from music bloggers to dance groups - alongside established performers and celebrities. This unique event delivered an unprecedented interactive experience for the Likee community. In September, Likee served as the official media partner for Phygital Games 2024, providing eight days of livestreaming coverage to immerse users in the competitive prowess of top athletes in digital football, basketball, laser shooting, and simulated dance. Our expanded premium content offerings and content diversity drove a 12.3% quarter-over-quarter increase in users' video time spent.

Finally, turning to Hago. In the third quarter, our targeted incentive strategy across different paying user segments drove improved monetization metrics. We saw positive momentum in Hago's paying users and ARPPU, with its total revenue growing 6.1% quarter over quarter. Hago's operating losses further narrowed from the previous quarter, and its operating cash flow remained positive.

Hago's social engagement metrics remained strong in the third quarter. Average time spent in social channels increased 2.5% quarter over quarter to 105.8 minutes, and next-day retention rates showed

sustained improvement. These positive trends underscore the success of our engagement strategy and reflect our commitment to enriching user experiences while advancing monetization efforts within the platform.

Looking ahead, our strategic roadmap continues to center on three core priorities: Strengthening our position as a distinctive global social platform through enhanced user experiences, developing diverse revenue streams to drive sustainable growth, and advancing excellence across our global operations. Anchored by our strong cash flow and solid financial footing, we are dedicated to driving profitable growth and creating enduring value for our shareholders.

I will now turn the call over to Mr. Alex Liu, the Vice President of Finance, to provide our financial updates.

**Alex Liu (Vice President of Finance):**

Thanks, Ms. Li. Hello, everyone.

Before I go into the 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 and All other segments, excluding YY Live.

I will now provide a recap of some key financial highlights for the third quarter.

Our total net revenues were \$558.7 million in the third quarter, compared with \$567.1 million in the same period last year. Revenues from BIGO segment were \$496.0 million, up slightly year over year.

In particular, BIGO's non-livestreaming revenues were \$78.2 million, which was up substantially year over year, primarily due to the increase of advertising revenues. BIGO's livestreaming revenue was down year over year, mainly due to our proactive actions to optimize Bigo Live's content and user acquisition costs, and adjustments to BIGO's non-core audio livestreaming product in certain markets. We believe these changes, in turn enhanced our margin profile and contributed to long-term business sustainability.

Geographically speaking, as we prioritized to allocate our operational resources towards Developed Countries and the acquisition of premium users with greater monetization potential, our group revenues from Developed countries and regions was up by 21.6% year over year, with revenues from Middle East back to sequential growth of 2.1%.

Cost of revenues for the quarter decreased by 2.1% to \$350.5 million, primarily driven by a decrease in cost of revenues of our All other segment, which was consistent with its revenue trend, partially offset by increase in cost of revenues of BIGO. BIGO's cost of revenues were \$312.6 million, which was up by 4.5% year over year, mainly driven by increased traffic acquisition costs paid to third-party partners in relation to our advertising business.

Gross profit was \$208.1 million in the quarter, with a gross margin of 37.3%. BIGO's gross profit was 183.4 million, with a gross margin of 37.0%. BIGO's gross margin was lower year over year due to a shift in our revenue mix, which saw an increased contribution from our lower-margin Audience Network advertising revenues. However, during the third quarter, our disciplined execution has significantly improved the operational efficiency of BIGO's livestreaming business, effectively offsetting the dilution impact on BIGO's gross margin. As a result, we observed a meaningful sequential improvement in BIGO's gross margin during the quarter.

Our group's operating expenses for the quarter were \$192.0million, compared with \$191.3 million in the same period of 2023. Among the operating expenses, sales and marketing expenses decreased to US\$83.5 million from US\$92.5 million in the same period of 2023, primarily due to our reduced spending on user acquisition through advertising as we continued to focus on ROI and effectiveness of user acquisition. General and administrative expenses increased to US\$36.1 million from US\$27.1 million in the same period of 2023, primarily due to increases in salary and welfare expenses. BIGO's total operating expenses for the quarter were \$120.7 million, decreased from \$126.7 million in the same period of 2023, primarily due to decreased in sales and marketing expenses.

Our disciplined execution has driven enhanced operational efficiency at both the group and BIGO segment. Our group's GAAP operating income for the quarter was \$16.4 million, up by 623.5% quarter over quarter. Our group's non-GAAP operating income for the quarter, which excludes SBC expenses, amortization of intangible assets from business acquisitions, gain on deconsolidation and disposal of subsidiaries, as well as impairment of goodwill and investments, was \$34.9 million in this quarter, up by 16.4% quarter over quarter. BIGO's GAAP operating income for the quarter was \$62.7 million, and BIGO's non-GAAP operating income was \$72.9 million, up by 5% quarter over quarter.

Our group's GAAP net income attributable to controlling interest of JOYY in the quarter was \$60.6 million compared to \$72.9 million in the same period of 2023. GAAP net income margin was 10.8% in the third quarter of 2024, compared to 12.9% in the same period of 2023. Our GAAP net margin was lower this year due to larger foreign currency exchange losses and lower net interest income due to the decreased net cash balance after we fully repaid our CB in the second quarter. BIGO's GAAP net income in the quarter was \$63.3 million, compared to 70.2 million in the same period of 2023. BIGO's GAAP net margin was lower this year due to foreign currency exchange losses of \$10.3 million in the third quarter of 2024.

Non-GAAP net income attributable to controlling interest of JOYY in the quarter was \$61.2 million, compared to \$81.2 million in the same period of 2023. The Group's non-GAAP net income margin was 10.9% in the quarter, compared to 14.3% in the same period of 2023. BIGO's non-GAAP net income was \$67.1 million, compared with \$81.9 million in the same period of 2023. BIGO's non-GAAP net margin was 13.5% in the quarter, compared with 16.6% in the same period last year.

For the third quarter of 2024, we booked net cash inflows from operating activities of \$61.1 million. Our balance sheet remains healthy with a strong net cash position of \$3.3 billion as of September 30 of 2024.

In the third quarter, we continued to enhance returns to shareholders, repurchasing an additional approximately US\$117.8 million worth of our shares. During the first three quarters of 2024, we have altogether repurchased 7.31 million of our ADSs for a total of US\$243.7 million, which was approximately 12% of our outstanding ADSs as of December 31, 2023.

Turning now to our business outlook. As mentioned previously, we are fully dedicated to strengthening the efficiencies and sustainability of our global operations. We have taken some proactive actions to optimize our content costs, and introduced certain adjustments to BIGO's audio livestreaming product to enhance risk control in recent quarters. We anticipate such adjustments might negatively affect BIGO's top line in Q4. At group level, we expect our net revenues for the fourth quarter of 2024 to be between \$546 million and \$563 million. This implies that for the full year of 2024, BIGO is still positioned for moderate topline growth.

Looking forward, we will remain dedicated to our strategic priorities, enhancing our unique value proposition as a global social platform, exploring diverse growth revenues, and actively driving operational efficiency at all levels. Supported by our strong cash flow and healthy financial position, we are well-positioned to deliver sustainable, profitable growth and create enduring value for our shareholders.

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