

JOYY Inc.

Third Quarter 2025 Earnings Call Prepared Remarks

Operator:

Ladies and gentlemen, thank you for standing by, and welcome to JOYY Inc.'s Third Quarter 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 Third Quarter 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. This quarter, we have taken another firm step towards becoming a global technology company powered by multiple growth engines and a strong, synergistic ecosystem.

Starting with our Q3 results. Livestreaming revenues sustained steady sequential recovery, while our ad-tech platform BIGO Ads accelerated topline growth, with its total ad revenues growing over 19.7% quarter-over-quarter. Meanwhile, we maintained robust cash flow generation and continued to actively return value to shareholders.

Last quarter, I expressed our long-term commitment to building a meaningful and lasting presence in the ad tech industry. This quarter, we made concrete progress towards that goal. BIGO Ads' daily gross revenue grew aggressively and reached new heights. As we further accumulate in scale and continuously iterate our AI algorithms, we are confident we will soon reach new milestones.

We achieved total revenues of \$540 million in the third quarter, up 6.4% quarter-over-quarter. Our livestreaming revenue was \$388 million, up 3.5% QoQ, marking two consecutive quarters of sequential growth. Meanwhile, BIGO Ads recorded \$104 million in revenue, with a year-over-year growth of 33.1%, bringing total non-livestreaming revenues, including ad revenues and others, to 28.1% of group revenues.

Non-GAAP operating income reached \$41 million, up 16.6% YoY. Non-GAAP EBITDA reached \$51 million, up 16.8% YoY and 4.9% QoQ.

Operating cash flow for the quarter reached \$73 million. As of September 30, we held \$3.3 billion in net cash. This provides strong support for our ongoing competitive shareholder returns.

We will continue actively executing our share repurchase program. As we advance our strategic priorities alongside strong operational momentum, we are positioned to deliver long-term value for our shareholders.

As we approach year-end, I would like to outline our overall strategic direction for Year 2026. In short, we will focus on three key priorities: strengthening ecosystem synergies, reinforcing organizational vitality, and reigniting growth.

Beginning in 2022, we accelerated the diversification of our revenue stream, cultivating our 2B initiatives in ad tech and SaaS. We have made steady progress advancing towards our strategic positioning as a global tech company powered by multiple growth engines in the past several years. Today, our livestreaming business serves as a reliable cash cow, providing a solid foundation for profitable growth. In the meantime, our advertising platform and e-commerce SaaS businesses have completed initial validation of their business models and are rapidly emerging as our next growth curve.

In Q3, our total non-livestreaming revenues exceeded 28.1% of group revenues. We have created a highly synergistic system where our global traffic, advertising, and e-commerce SaaS businesses reinforce each other. The R&D capabilities, network infrastructure, local operations expertise, and first-party data assets we accumulated through global social livestreaming are now empowering our rapid 2B expansion. In turn, our 2B progress strengthens our competitive moats in both data and technology. We are just beginning to unlock the full strategic value of this integrated business ecosystem.

We are transforming our high-growth ad tech business by establishing BIGO Ads as an AI-empowered global platform for performance-driven, multi-channel advertising across different verticals. In 2026, we expect to substantially extend our traffic coverage. On mobile traffic, we are exploring partnerships with mediation platforms and developers like Google AdMob to accelerate traffic expansion. On web traffic, we are extending traffic coverage through partnerships with channels like Microsoft Xandr and Google ADX.

On the demand side, as we establish web-to-web advertising capabilities and iterate our web models, we expect to capture continued growth from web-based advertisers. For mobile based-advertising, we are enhancing our IAA D7 ROAS product to improve advertiser ROI for IAA, while advancing the optimization of our Target CPE and other products for IAP to expand into this area.

Finally, on platform technology. We expect to establish and strengthen our iOS ecosystem in 2026, which will enable us to unlock substantial incremental growth potential from iOS's high-quality traffic. We will also continue investing in AI, building our team and resources to accelerate model development and optimization. These enhanced models will leverage deep user behavior and conversion data across channels and verticals, enabling more precise targeting and better performance for our advertisers.

We have clear strategies in place to drive continued growth in 2026 across all dimensions, including multi-channel traffic expansion, vertical-specific demand development, and enhanced AI modeling capabilities. These initiatives will create powerful flywheel effects, which will compound, enabling us to deliver increasing value to advertisers while accelerating our own growth. We believe 2026 will be a milestone year for JOYY's ad tech business, and we are excited about the possibilities ahead.

Turning to Shoptline, we remain bullish on the long-term prospects of the SaaS-based e-commerce sector. Unlike walled-garden marketplace platforms, Shoptline provides an open and extensible solution to merchants, through which merchants have full data ownership for advanced operations. For the past several years, Shoptline's core mission has been product excellence. We've made substantial investments in R&D to evolve from a storefront builder into a full-stack e-commerce ecosystem — seamlessly combining SaaS infrastructure, payments, and integrated marketing tools into one powerful closed loop. With the rise of AI, we're now embedding advanced AI capabilities deeply into every part of the merchant journey, continuously sharpening our product edge to drive real business success for our customers.

Since last year, we've seen accelerated growth in certain key regions, with steady expansion in gross margins.

Our long-standing commitment to R&D excellence and talent recruitment has built the deep technical foundation that powers our success across all business segments. Through our modular organizational structure, we enhance synergies by sharing resources and capabilities across business lines. Our approach enables us to remain agile and execution-focused while giving new ventures competitive advantages from day one and creating significant operating leverage as we scale.

As we expand and diversify into new initiatives, our results-driven incentive mechanisms provide our top talent with equitable opportunities and broader career development pathways. By fostering an entrepreneurial spirit, embracing innovation, and leveraging competitive incentives to attract and retain excellent talent, while ensuring high strategic goal alignment between management and core team members, we drive more efficient corporate development.

From a management strategic priorities standpoint, we have a balanced framework incorporating both operating metrics and long-term shareholder value creation, which promotes strong alignment with shareholder interests.

After several quarters of adjustment, our livestreaming business has returned to a sequential recovery trajectory. We believe it is positioned for steady YoY growth in 2026. Meanwhile, we expect our ad tech and SaaS businesses will sustain robust double-digit revenue growth YoY in the coming year. This sets the stage for year-over-year group revenue growth starting in Q4 2025, as reflected in our newly announced guidance, and continuing into 2026 and beyond. This is not just a return to growth, but rather the launchpad for unlocking vastly larger addressable markets.

Next, let me share with you our latest operational updates and our outlook for the future.

In the third quarter, our global average mobile MAUs reached 266 million, up 1.4% quarter-over-quarter.

Our organic user growth continued to be strong, driven by our instant messenger. In Q3, IM product MAUs grew by 600 million QoQ, with average time spent per user up 10.8% year-over-year. Product retention rates continued to improve YoY, driven by our ongoing enhancements to core IM features. On user acquisition, we maintained a disciplined ROI focus, targeting users with strong monetization potential. Bigo Live's 30-day ROI from new devices improved 6.7% quarter-over-quarter as a result.

In Q3, group livestreaming revenues reached \$388 million. BIGO livestreaming revenues were \$368 million, up 3.5% QoQ, maintaining their sequential growth trend. BIGO's total paying users grew 0.8% QoQ, while ARPPU increased 3.4% QoQ.

Bigo Live delivered positive sequential growth for the second consecutive quarter. This recovery reflects our comprehensive, integrated approach, where we have leveraged effective streamer incentive programs, a healthy and diverse high-quality content ecosystem, AI-powered user touchpoint enhancements which improve content discovery and payment experiences, and strong local operational campaigns. These initiatives together drove renewed growth.

Since the second half of last year, we have restructured our streamer incentive mechanisms across regions, shifting support toward mid-tier streamers. We are now seeing significantly improved streamer engagement and content quality across the platform. In Q3, average streaming hours for newly signed streamers on Bigo Live rose 3.5% QoQ and average viewer numbers increased 3.9% QoQ.

We continue advancing AI-powered improvements across content distribution and payment experiences. By incorporating richer user signals through AI and optimizing strategies for cross-regional and in-app scenarios in Bigo Live, we enhanced viewing experiences and drove users' average viewing time up 3.4% QoQ. Meanwhile, our real-time translation subtitles now support 15 languages, significantly improving user interactions across different regions. We are also using AIGC technology to efficiently generate localized virtual gifts. In October, AI-powered interactive gifts represented 25% of total virtual gift consumption, demonstrating strong user adoption of AI-enhanced features.

We also used targeted strategies to further optimize Bigo Live's tiered paying user benefits system. In Q3, mid-tier user ARPPU increased 2% QoQ, while the total number of premium paying users achieved double-digit QoQ growth.

Looking ahead to 2026, we are confident that our streamer incentives, content cultivation, and AI-driven optimization will position Bigo Live to regain momentum for growth. We are also advancing payment infrastructure improvements to deliver more diverse, localized payment options for global users. We believe this will be a tailwind to drive payment rate improvements across all products over time. Overall, we are confident that livestreaming will return to steady growth in 2026 and continue contributing sustainable cash flow for the group.

Turning to Bigo Ads. In Q3, BIGO Ads achieved \$104 million in advertising revenue, up 33.1% YoY and 19.7% QoQ. While first-party ad revenue and profit remained stable with single digit QoQ growth, our third-party BIGO Audience Network was particularly strong, recording mid-double digit YoY and 25% sequential growth.

On the traffic side, BIGO Audience Network traffic continued to grow this quarter. SDK ad requests were up 228% YOY and 29% QoQ, representing significant growth.

On the technology front, we upgraded our IAA D7 ROAS optimization with AI-driven real-time prediction and smart bidding capabilities. By leveraging cross-channel and cross-vertical user behavior and attrition data, the enhanced model delivers significantly improved prediction accuracy and generalization. This enables advertisers to scale budgets with greater confidence, acquiring higher-quality users while sustaining strong return efficiency.

We saw strong growth across the board, driven by algorithm iterations, elevated traffic, new market expansion, and strong advertiser demand across multiple verticals. BIGO Ads' daily gross revenue reached new heights, and continues on its upward trajectory with strong momentum.

Web-based demand, primarily for lead generation, maintained teens growth QoQ, and we are optimistic on its Q4 growth prospects as we enter into the peak season. Meanwhile, improved IAA delivery and effectiveness substantially drove IAA advertisers spending up by mid-double-digit QoQ. During the third quarter, total spending from key cohorts increased by 30% QoQ. At the same time, performance gains attracted a steady influx of new advertisers, with the number of key cohorts up by 17% QoQ.

From a regional perspective, we continued to deepen our penetration in the developed countries, with BIGO Audience Network revenue from North America growing 22% QoQ while Western Europe growing 41% QoQ.

We delivered exceptional results in Q3, driven by rapid network traffic expansion, continuous algorithm optimization and delivery efficiency improvements, and rapid breakthroughs in new verticals.

As we outlined in last quarter's earnings call, BIGO Ads represents our second growth engine and a core, long-term strategic initiative. We are committed to building a meaningful and lasting presence in this space and see significant opportunities ahead.

Turning to capital return. As of November 14, we have repurchased US\$88.6 million under our share buyback program. Given our strong financial position and operating momentum, we believe our shares remain undervalued, and we will continue actively executing share repurchases as part of our commitment to returning value to shareholders. Looking forward, with our livestreaming business stabilizing and the rising revenue and profit from advertising and other emerging businesses, we expect the company's consolidated operating profit to continue to improve, and our shareholders to benefit from long-term profitable growth.

In summary, we are optimistic about the positive trends we are driving across our business units. Our core livestreaming business is on a trajectory for continued sequential growth, and we expect livestreaming to gradually regain momentum for growth. BIGO Ads is scaling rapidly as our second growth engine, driven by traffic, regional and vertical expansion, and algorithm optimization. And we are strengthening Shipline's product capabilities and strategic advantages as a fully integrated SaaS platform, with anticipated synergies with our ad tech platform on the horizon.

As I mentioned earlier, we are just beginning to unlock the full strategic value of this integrated business ecosystem. We anticipate that 2026 will bring renewed progress and serve as a jumping-off point into our next phase of growth.

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.

In the third quarter of 2025, we recorded total net revenues of 540.2 million, securing a QoQ growth of 6.4%. Our livestreaming business delivered its second sequential recovery, with its livestreaming revenues increasing by 3.5% QoQ. Our advertising business, in particular BIGO Ads, has demonstrated accelerating growth. BIGO Ads revenues was up by 33.1% YoY and 19.7% QoQ. Our non-GAAP EBITDA for the quarter was 50.6 million, up by 16.8% YoY and 4.9% QoQ. Operating cash flow remained strong at \$73.4 million in Q3, and we ended the quarter with 3.3 billion in net cash. We accelerated share buyback during the quarter. In Q3, we bought back 30.8 million worth of our shares. Between January 1 and November 14, we have bought back 1.7 million of our ADS for 88.6 million in 2025.

I will now dive deeper into our detailed financial performance.

Looking at our livestreaming business. Our total livestreaming revenues were 388.5 million for the third quarter, 367.7 million of which was from BIGO segment, both up quarter-over-quarter. Global MAUs was 266.2 million during the quarter, up by 1.4% QoQ, driven by a healthy growth of the user pool of our instant messenger. Our ROI-oriented user acquisition, continued AI-driven optimization of our content quality and paying user experience, have contributed to improved paying sentiment, with BIGO's total paying users and ARPPU increasing by 0.8% and 3.4% QoQ, respectively. By region, group's

total livestreaming revenues from Developed Countries increased by 7.6% QoQ, while livestreaming revenues from Southeast Asia increased by 4.4% QoQ.

Our total non-livestreaming revenues were 151.7 million during the third quarter, up by 27.3% year over year. Non-livestreaming now contributes 28.1% of our total group revenues, up from only 21.3% contribution in the same period last year.

We are presenting advertising revenues as a separate line item in the financial statements in this quarter, to help investors better understand the performance of our emerging business. BIGO's advertising revenues, increased by 33.1% year over year and 19.7% quarter over quarter to 103.9 million. In particular, our third-party BIGO Audience Network delivered exceptional results, recording mid-double digit YoY and 25% sequential growth. We are making substantial progress on all fronts. On the traffic front, SDK network ad request was up by 228% YoY and 29% QoQ in Q3. Leveraging multi-channel and cross-industry user behavior and attrition data, we continued to train and optimize our algorithms to further improve our campaign performance, which drove advertiser spending. In Q3, the number of key cohorts was up by 17% QoQ, with total spending from key cohorts up by 30% QoQ. BIGO Ads has certainly emerged as our second major growth engine, and it continued to make a positive contribution to our bottom-line.

Group's gross profit was 193.1 million in the quarter, with a gross margin of 35.8%, up by 4.3% QoQ. BIGO's gross margin was slightly 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 3 percentage points year over year to 42.6%, due to growth in higher-margin SAAS revenues.

Our group's operating expenses for the quarter were 174.2 million, compared with 192.0 million in the same period of 2024. For our sales and marketing expenses, we are consistently optimizing our user acquisition expenses to enhance ROI. 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 40.7 million, up by 16.6% YoY.

Non-GAAP net income attributable to controlling interest of JOYY in the quarter was 72.4 million, up by 18.4% year over year. The Group's non-GAAP net income margin was 13.4% in the quarter.

For the third quarter of 2025, we booked net cash inflows from operating activities of 73.4 million. Our balance sheet remains healthy with a strong net cash position of 3.3 billion as of September 30, 2025.

Shareholder return continued to be an important component of our capital allocation strategy. We have returned 147.9 million to our shareholders through dividends and repurchased 88.6 million worth of our shares during the year as of Nov 14, 2025. We believe we are still substantially undervalued, and we will remain firmly committed to actively utilize our outstanding share repurchase program.

Turning now to our business outlook. At group level, we expect our net revenues for the fourth quarter of 2025 to be between 563 million and 578 million. This implies a 2.5% to 5.2% YoY growth for the

group's revenue in Q4. As Ms. Li highlighted in her prepared remarks, we are now repositioned for growth. In particular, with advertising entering into the peak season of the year, we are expecting continued accelerating growth from BIGO Ads, with its total advertising revenue potentially delivering mid-double digits YoY growth in the fourth quarter.

Based on the trends we are seeing across our businesses, we have clear visibility for the Group to return to YoY revenue growth in Year 2026, and 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.