

## JOYY Inc.

### Fourth Quarter and Full Year 2022 Earnings Call Prepared Remarks

**Operator:**

Ladies and gentlemen, thank you for standing by, and welcome to the JOYY Inc.'s Fourth Quarter and Full Year 2022 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 2022 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 General Manager 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 fourth quarter 2022 earnings call. Let me start with an overview of our fourth quarter and full year results.

In the fourth quarter, we recorded \$604.9 million in revenues, including \$476.5 million of revenue from BIGO, and generated \$50.0 million in non-GAAP net profit, including \$57.7 million in non-GAAP net profit from BIGO.

For the full year of 2022, we achieved \$2.4 billion in revenues at the group level, about \$2 billion of which came from BIGO. We further improved our non-GAAP profitability at the group level, as we

earned a non-GAAP net profit of \$199.3 million, with a non-GAAP net margin of 8.3%. The BIGO segment recorded \$288.0 million in non-GAAP net profit, with a non-GAAP net margin of 14.4%.

2022 marked a year of uncertainty for multinational companies, as we continued to be impacted by macroeconomic headwinds. The combination of post-COVID normalization, high inflation, and the strong U.S. dollar created downward pressure on our users' online entertainment spending and our topline growth. Despite these short-term challenges, we've taken actions to focus on the cultivation of our user community, improve content quality, deepen engagement on our various products, and pursue sustainable, high-quality growth. By concentrating on the factors that we could control, and backed by our strong execution capabilities, our efforts yielded significant results.

First, we continued our path to sustainable profitability by generating \$199.3 million in non-GAAP net profits at the group level for 2022, thanks to our continuous cost optimization efforts and improved operational efficiency. This represents 83.0% year-over-year growth in our non-GAAP net profit, and the second consecutive year of positive non-GAAP net profits at the group level since our deconsolidation of YY Live.

Second, we witnessed an acceleration in user growth for Bigo Live, as its MAUs grew by 14.3% year over year in the fourth quarter of 2022, up from 11.9% in the same period last year. Such acceleration was noteworthy, as it was achieved against the backdrop of post-COVID normalization and during a period of more disciplined marketing spending. It highlights Bigo Live's improved user acquisition capabilities, which are driven by our continuous cultivation of its content offerings and social experience.

Heading into 2023, visibility of the global macro environment remains limited, and it is possible that macro headwinds may linger for another one or two quarters. However, these short-term volatilities will not reverse the secular trend of users pivoting an increasing amount of both their time and their spending from offline to online. As we remain committed to enriching our users' lives and facilitating their online activities through our products and services, we face a market with massive growth potential. As such, we need to strike a strategic balance between navigating short-term macro uncertainties and actively pursuing long-term growth.

Given the current macro uncertainties, we will retain our focus on the quality and profitability of our social entertainment business in the near term. This means we will continue to do better with less. We will maintain discipline in our marketing spending, further refine our localized operations in order to further improve our content and social experience, and ultimately boost our products' organic growth. Optimization efforts will continue, as we strive to maintain steady, high-quality growth of both our social entertainment business and its operating cashflow. In the meantime, we will continue to prioritize our resources and investments into high-potential businesses that align with our long-term strategies and which will shape our core capabilities. We are confident that we can remain self-sufficient in our cashflows, reinforce our strong financial position, and act swiftly to seize long-term growth opportunities as they arise.

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

In the fourth quarter, Bigo Live sustained its strong user growth trajectory thanks to effective local operations and increased user acquisition efficiency. During the quarter, Bigo Live's MAUs increased by 14.3% year over year to 36.8 million. Notably, MAUs in Southeast Asia and other emerging markets increased by 21.6% year over year.

During the 2022 World Cup, Bigo Live rolled out a one-month Match Day Program designed to better engage football players and fans around the globe. The program highlights Bigo Live's diverse, localized content that resonates with local communities. In November, Bigo Live invited well-known professional footballers, such as England's Kieran Trippier and the Netherlands' Wesley Sneijder, to join its live interviews. A group of local football creators were selected by Bigo Live as World Cup ambassadors to host live commentary sessions. We also established discussion groups and chat rooms, which support up to 500 concurrent speakers, to encourage fans to create and share original content. These efforts successfully fostered an engaging community experiences on Bigo Live during the World Cup.

In addition to connecting users, we remained fully dedicated to creating value for our creators. In January, we hosted our fourth annual flagship event, the BIGO Awards Gala 2023, at Singapore's historic Capitol Theatre. During the event, Bigo Live honored over 270 Bigo Live creators and about 100 Bigo Live families for their contributions to the community in the past year. The Gala also featured captivating performances from top talents from across the globe, with approximately 4 million viewers tuning in to watch, further boosting our creators' exposure on a worldwide stage. We will continue to recognize and reward the contributions of our creators in making our platform what it is today, and the BIGO Awards are just one facet of our efforts to incubate talent, build communities, and promote inclusivity and diversity on our platform.

In the fourth quarter, Bigo Live conducted a comprehensive upgrade of its livestreaming tools and multiuser rooms, and introduced a number of new interactive features. This improved the effectiveness of live session recommendations and user go-live experiences. On a sequential basis, the number of livestreamers on Bigo Live increased by 3.3%, and average duration per live session increased by 4.5% in the fourth quarter.

Turning to Bigo Live's monetization. During the fourth quarter, monetization continued to be negatively impacted by macro headwinds. In the Middle East, we were also negatively impacted as people's time and spending were diverted to offline entertainment activities during the World Cup. Nevertheless, the number of global paying users has stabilized, and the number of paying users in Europe and North America have resumed sequential growth for two consecutive quarters.

Looking ahead, in 2023, we aim to further improve Bigo Live's penetration rate and expand its global user base in multiple regions around the world, including Europe, America, the Middle East, the Eastern Pacific, and Southeast Asia. Improvement in user acquisition efficiency and user engagement will remain our priority, as we continue to cultivate Bigo Live's content and user interaction via product innovation and innovative local operations. Furthermore, Bigo Live will advance its efforts to boost paying users and monetization growth by optimizing users' paying experience in livestreaming sessions and BAR.

Next, let's turn to Likee.

Following a year of proactive optimization, Likee's operating loss in 2022 was in line with our expectation, narrowing by 87% year over year. More importantly, Likee hit another milestone by achieving breakeven in the second half of 2022.

Following the initial launch of its "Loop" feature, Likee has expanded its efforts to collaborate with companies from a variety of industry verticals, in order to further cultivate its interest-based communities. Take the gaming community as an example, which is one of the largest interest groups on Likee. Likee partnered with various popular games including Conquerors, Lords Mobile, and PUBG Mobile to offer game lovers a shared space to interact with each other. In December 2022, Likee became the official streaming partner of The Game Awards 2022, an annual awards ceremony honoring achievements in the video game industry. Millions of viewers from all over the world watched the event live and interacted with each other on Likee's platform.

Boosted by "Loop" and Likee's refined content offerings, we saw an increase in user interaction quality and user stickiness on Likee. In the fourth quarter, Likee's average user time spent grew by 13.4%, and 30-day user retention rate improved by 6.3% over the previous quarter.

Looking ahead as we enter into 2023, we intend to further enhance Likee's monetization efficiency by exploring diversified monetization models, and achieve consistent profitability. We will continue to prioritize creator support, facilitate social interactions among our users, and further refine our local operations centered on interest-based communities. As we gradually improve Likee's operating cashflow, organic growth capabilities, and user stickiness, we believe Likee's user base will gradually stabilize, and user growth could resume in certain regions over time.

Next, on to Hago.

During the fourth quarter, Hago's operating loss narrowed substantially over the previous quarter.

In terms of product strategy, we mentioned Hago's positioning upgrade about a year ago. Subsequently, Hago has transitioned away from being an interactive platform primarily focused on casual games. Now, it is a multiuser social platform where users can enjoy engaging interactions with a much more diverse range of tools. Following the upgrade, our users' socializing patterns on Hago became clearer: First, users make new acquaintances by participating in multiplayer casual games. Then, after a few rounds of games, some users may choose to interact further by joining one of Hago's social channels, such as video & audio multiplayer chat rooms, and Hago Space, where they can interact with each other in their customized 3D avatars. When the level of interaction reaches a certain level, users may choose to join the same Group or Families as their like-minded friends and engage with each other on a much more frequent basis. Hago has enhanced its monetization efficiency throughout the process by deploying a variety of monetization features, such as pay-to-play games, advertisements, livestreaming, and virtual items.

During the fourth quarter, we optimized our recommendation algorithm to help our users more efficiently locate social rooms. This initiative drove sequential increases in the social channels' next-day

user retention rate by 1.5% and user time spent by 5.3%. We also introduced a new 3D camping scene and launched a series of optimizations, including a beginner's guide to Hago Space. As a result, new user time spent on Hago Space improved by 6.5%, and revenues from Hago Space virtual items increased by 13.4% over the previous quarter.

In 2023, in alignment with our strategy for Likee, we intend to further enhance Hago's monetization efficiency, while maintaining our efforts to achieve consistent profitability at the product level. Hago will continue to optimize its features throughout its users' socializing patterns and better facilitate user interactions. As such, we expect to further improve Hago's user retention and organic growth capabilities, which are crucial for the gradual stabilization and eventual recovery of user growth over time.

Finally, some updates on capital return. During the fourth quarter, we bought back an additional \$31.8 million of our shares. In the full year of 2022, we have repurchased a total of \$138.1 million of shares and paid cash dividends in an aggregate amount of \$145.9 million. We are confident in our long-term prospects and will continue to actively utilize the remaining share repurchase program to reward the long-term support of our shareholders.

To conclude, effective strategic planning and strong execution drove our solid performance in 2022, despite an uncertain macro environment. Looking ahead, we remain committed to enriching our users' lives and facilitating and improving their online activities through our diverse range of innovative products and services. With our resilient business model, strong financial position, and sharpened focus on building our core capabilities, we are well-positioned to weather short-term macro headwinds while seizing long-term growth opportunities and creating lasting value for shareholders.

**Alex Liu (General Manager of Finance):**

Hello, everyone. Now let me go through the details of our financial results.

Please note that the financial information and non-GAAP financial information disclosed in our earnings press release is presented on a continuing operations basis, unless otherwise specifically stated.

Our total net revenues for the quarter was US\$604.9 million, compared to US\$663.7 million in the same period of 2021, primarily due to macroeconomic uncertainties and unfavorable exchange rates which negatively affect paying user sentiment.

During the quarter, we have continued to optimize the cost structure and enhance operating efficiency at the group level and on multiple product fronts.

Cost of revenues for the quarter decreased to US\$392.6 million, among which our revenue-sharing fees and content costs decreased to US\$247.5 million.

Gross profit was US\$212.3 million in the quarter, with our gross margin improved to 35.1% from 33.7% in the same period of 2021, primarily due to optimization of revenue sharing cost and other operational costs.

Our operating expenses for the quarter were US\$231.2 million, increased from US\$168.2 million in the same period of 2021. Among the operating expenses, sales and marketing expenses decreased to US\$100.8 million from US\$112.6 million due to disciplined spending on user acquisition. R&D expenses increased to US\$73.6 million from US\$29.3 million in the corresponding period of 2021, primarily due to increased R&D personnel-related expenses of BIGO, and our recent consolidation of Shopline.

Our GAAP operating loss for the quarter was US\$14.2 million, compared to operating income US\$60.6 million in the same period of 2021.

Our non-GAAP operating income for the quarter, which excludes SBC (share-based compensation) expenses, amortization of intangible assets from business acquisitions, as well as impairment of goodwill and investments and gain on disposal of subsidiaries and business, was US\$27.8 million in this quarter, compared to US\$83.5 million in the same period of 2021. Our non-GAAP operating income margin for the quarter was 4.6% compared to 12.6% in the prior year period.

GAAP net loss from continuing operations attributable to controlling interest of JOYY in the quarter was US\$377.5 million compared to net income of US\$73.2 million in the same period of 2021, primarily due to an impairment loss of US\$417.2 million from an equity method investment recognized during the quarter. The impairment loss is excluded from our non-GAAP calculations, as it is not reflective of the underlying trend in our current operating performance.

Non-GAAP net income from continuing operations attributable to controlling interest of JOYY in the quarter was US\$50.0 million, compared to US\$98.3 million in the same period of 2021. The Group's non-GAAP net income margin was 8.3% in the quarter, compared to 14.8% in the same period of 2021.

Together with our improving profitability, we have maintained a strong operating cash flow as well. For the fourth quarter of 2022, we booked net cash inflows from operating activities of US\$75.6 million. We remain a healthy balance sheet with a strong cash position of US\$4.29 billion as of Dec 31 of 2022.

Now I would like to briefly walk through the full year financial highlights. Our total net revenues for the full year were US\$2,411.5 million, compared to US\$2,619.1 million in 2021.

We have sustained our path to sustainable profitability at the group level for the second consecutive year.

Our non-GAAP net income attributable to controlling interest and common shareholders of JOYY for the full year of 2022 was US\$199.3 million, up by 83% from US\$108.9 million in 2021. Non-GAAP net income margin for the full year of 2022 was 8.3%, up from 4.2% in 2021. Notably, BIGO's non-GAAP net income expanded to 288.0 million in 2022, with its non-GAAP net income margin improved to 14.4% from 7.8% in the prior year.

Importantly, we have continued to enhance returns to shareholders through dividends and share repurchases. In the full year of 2022, we have in total repurchased approximately US\$138.1 million of

our shares and paid cash dividends in an aggregate amount of US\$145.9 million, which altogether represent 142.5% of our non-GAAP net income. As of the end of 2022, we still have around US\$800 million unutilized quota under our 2021 Share Repurchase Program. Given our current cash position, we will continue to balance between keeping sufficient cash to invest in building our long-term capabilities and enhancing return for our shareholders.

For our business outlook, we expect our net revenues for the first quarter of 2023 to be between US\$552 million and US\$570 million.

Let me wrap up with some final thoughts. In 2022, despite the fact that global macro weighed on our revenue growth, by taking decisive actions to focus on high-quality growth, we have successfully enhanced our operational efficiency and resilience of our business, as well as the execution capabilities of our team. As we head into 2023, given the low visibility around the global macro, we will remain adaptive to the macro environment, and at the same time, prioritize our investment in building our core capabilities. We remain confident in the long-term potentials of our global business and we will actively pursue long-term growth opportunities and generate sustainable shareholder value.

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