JOYY Inc.

Third Quarter 2026 Earnings Call Prepared Remarks

Operator:

Ladies and gentlemen, thank you for standing by, and welcome to JOYY Inc.'s Third 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, Xinyuan Liu, the company's head of investor relations. Please go ahead, Xinyuan.

Xinyuan Liu (Head of Investor Relations):

Thank you, operator. Hello, everyone. Welcome to JOYY's third quarter 2026 earnings conference call. Joining us today are Ms. Ting Li, Chairperson and CEO of JOYY; and Mr. Alex Liu, Vice President of Finance.

I will first read the prepared remarks on behalf of Ms. Li, followed by remarks from Mr. Liu. Both will be available to answer your questions during the Q&A session.

The financial results and webcast of this conference call are available on our IR website ir.joyy.com.

Please note that today's call contains forward-looking statements made under the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from our current expectations.

For detailed discussions of these risks and uncertainties, please refer to our latest annual report on Form 20-F and other documents filed with the SEC.

Please also note that JOYY's earnings press release and this conference call include disclosures of GAAP and non-GAAP financial measures. A reconciliation of these non-GAAP measures to GAAP measures is included in today's earnings press release. All figures referenced on today's call are in US dollars, unless otherwise noted.

With that, I will now read the prepared remarks on behalf of Ms. Li.

Ting Li (Chairperson and CEO):

Hello everyone, I'm Li Ting. Thank you for joining us today. This quarter, we took another solid step toward becoming a global technology company with multiple growth engines.

During the quarter, Social Entertainment remained on a steady course, while Ad Tech and Smart Commerce continued their strong momentum, driving solid topline growth for the Group. Notably, our third-party advertising business, BIGO Audience Network, continued to scale rapidly while also improving its margin, further demonstrating the effectiveness of our multi-engine growth strategy.

In the third quarter, we generated total net revenues of $625 million, up 15.6% YoY and 5.7% QoQ. Social Entertainment revenue was $441 million, up 8.8% YoY. BIGO Ads, including both first-party and third-party businesses, generated $146 million in revenue, up 39.6% YoY, with our third-party advertising business, BIGO Audience Network, sustaining strong growth of 52.3% YoY. Shopline revenue reached $37.8 million, up 24.7% YoY. The contribution from non-live streaming revenue further increased to 32.8% of total revenues this quarter.

Non-GAAP operating income reached $46.6 million, up 14.6% YoY. Non-GAAP EBITDA reached $55.7 million, up 10.1% YoY.

Operating cash flow for the quarter was $102.2 million. As of September 30, 2026, we held $2.94 billion in net cash. Supported by our strong cash flow and solid financial position, we continued to return capital to our shareholders for their long-term support through cash dividends and share repurchases. As of November 13, we have returned a total of $536 million to shareholders this year.

As we enter the final quarter of 2026, we remain focused not only on finishing the year with strong execution, but also on what comes next. I would like to take this opportunity to share our strategic priorities and business outlook for 2027 and the medium- to long-term.

Over the past few years, we have continued to execute our multi-engine growth strategy, strengthening our core Social Entertainment business while developing Ad Tech and Smart Commerce as two new growth engines. Following our investments and business model validation over the past few years, the results of this strategy are becoming increasingly evident.

Looking ahead to 2027, we believe JOYY will enter an important phase as we advance our multi-engine growth strategy and translate our progress into stronger operating results. Social Entertainment will remain a strategic cornerstone of our business, with Ad Tech and Smart Commerce emerging as key growth drivers for the Group.

In Social Entertainment, we will continue to execute our disciplined and efficiency-focused operating strategy, strengthening our core competence through operational excellence and product innovation. We will leverage our existing product modules, technology infrastructure, and localized operating capabilities to improve the efficiency of new product development and new market expansion, and drive continued growth from our new product portfolio. We believe we are well positioned to maintain steady growth while further enhancing the profitability and cash flow generation of our Social Entertainment business.

Turning to BIGO Ads, a year ago, I expressed our confidence in building the platform into an important player in the third-party ad tech industry. Over the past year, BIGO Ads has made strong progress in daily average gross revenue, and we completed integrations with three of the world's leading mediation platforms and continued to expand our global traffic network and advertiser reach. It was also ranked in multiple regions and app categories in the 2026 AppsFlyer Performance Index. These developments demonstrate BIGO Ads' growing competitiveness in the global programmatic advertising market and further strengthen our confidence in achieving this goal.

In 2027, we will continue to build BIGO Ads into an AI-powered performance advertising platform across multiple channels and industry verticals worldwide, scaling the business while reinforcing its long-term competitiveness. On the supply side, we will further expand our web traffic coverage and strengthen our capabilities across both web and app traffic, offering advertisers cross-channel solutions to meet conversion goals within different verticals. On the demand side, we will continue to expand across verticals, with a focus on attracting more advertising spend from web-based lead generation and e-commerce, while continuing to grow in-app demand. These efforts will help us broaden our advertiser base and attract more spending on our platform.

On the technology side, as advertising demand expands across a broader range of verticals, including web-based lead generation, e-commerce and gaming, we will further develop our multi-objective and multi-scenario modeling capabilities to improve the accuracy of conversion predictions across verticals. In addition, we will explore applying scaling approaches used in large language models and strengthen our sequence modeling capabilities, while gradually building foundation model capabilities for advertising. As these capabilities develop, we expect better campaign performance to attract more advertiser spending and improve traffic monetization, further reinforcing the platform's growth flywheel.

For Shopline, we will continue to attract high-quality brand merchants and strengthen our presence in key markets, while enhancing our omnichannel e-commerce infrastructure and value-added services to optimize merchant operations across markets and channels. We will also expand merchant adoption of Shopline Payments and deepen its usage, integrating payment services more closely into merchants' transaction flows to drive sustained growth in value-added services revenue. Meanwhile, we will continue to advance our AI Commerce initiatives to help merchants reach customers through emerging AI-powered shopping channels and further strengthen Shopline's value as an omnichannel e-commerce infrastructure platform. As our merchant base expands, transaction volume grows, and value-added services penetration increases, we expect to realize greater economies of scale and operating leverage from our existing product and technology platform.

With increasingly clear growth paths across our three businesses, we believe the Group will sustain solid revenue growth in 2027. We also expect greater scale, a stronger earnings mix, and improved operating efficiency to drive further growth in operating profitability.

At the same time, shareholder returns remain an integral part of our long-term capital allocation strategy. Supported by our robust cash flow generation and solid financial position, we will continue to return capital to shareholders for their long-term support through share repurchases and cash dividends.

Looking ahead, we will continue to pursue business growth and shareholder returns in tandem. As we strengthen profitability and cash flow generation, we are committed to ensuring that our shareholders share in the benefits of our multi-engine growth strategy.

Next, I will walk through our Q3 results and share our outlook for the future.

In Q3, Social Entertainment continued to deliver steady growth, with a further acceleration in YoY growth momentum.

Our global average mobile MAUs reached 278.8 million, up 4.7% YoY. Driven by strong user engagement and organic growth, our instant-messaging product further increased its contribution to total MAUs. Both average time spent per user and the retention rate for the IM product increased year over year.

In Q3, live streaming revenue was $420 million, up 8.1% YoY and 4.3% QoQ. Supported by effective, refined operations, core live streaming paying users grew 8.1% YoY and 4.8% QoQ. Bigo Live, our flagship product, continued to deliver steady revenue growth both year over year and quarter over quarter, supported by our ongoing efforts in content operations, our streamer ecosystem, and AI applications.

In content operations, we continued to build on Bigo Live's strengths as a global social platform to improve cross-regional content distribution and social interactions for users. We further refined our cross-regional content distribution algorithms, expanded live translation coverage, and improved speech recognition in noisy environments, making it easier for users to interact across languages. These improvements drove continued growth in cross-regional tipping among users in developed markets.

In the streamer ecosystem, we continued to invest in our community by refining incentives for new streamers and strengthening support for promising talent. In particular, we improved onboarding and guidance to help newly signed streamers successfully launch their first livestreams. These efforts contributed to a 4.7-percentage-point increase in the share of newly signed streamers completing their first livestream from last quarter, bolstering our high-quality content pipeline.

We continued to integrate AI into livestream interactions and virtual gifting, expanding our AI-generated interactive content and gifts to create a more personalized experience. In September, the share of total virtual gift consumption attributable to AI-generated interactive virtual gifts increased further to 35.4%.

At the same time, our new voice product portfolio continued to grow rapidly. In Q3, revenue from these new products more than tripled YoY and increased around 30% sequentially, continuing to serve as a meaningful complement to our Social Entertainment growth.

Our current Q4 guidance implies mid-single-digit YoY growth for Social Entertainment revenue. We expect that our Social Entertainment business will continue to grow steadily and contribute sustainable cash flow to the Group going forward.

Moving on to BIGO Ads. In Q3, we continued to expand our global traffic network, diversify our advertiser verticals and demand mix, and enhance ad delivery through algorithm improvements. As a result, Q3 advertising revenue reached $146 million, up 39.6% YoY and 9.0% QoQ. Our third-party advertising business, BIGO Audience Network, grew 52.3% YoY and 9.2% QoQ.

On the supply side, we continued to expand our global developer ecosystem and broaden our high-quality traffic coverage. In Q3, SDK traffic grew 55.6% YoY. In October, BIGO Ads officially integrated with Google AdMob Mediation. Developers can now seamlessly access the BIGO Ads SDK using Google AdMob Mediation and tap into demand from advertisers around the world. This integration opens up new opportunities for us to expand and diversify our high-quality traffic supply.

On the demand side, web-based demand within BIGO Ads' third-party advertising business, primarily from lead generation and e-commerce, grew at an accelerated pace, increasing by around 328% YoY and 30% QoQ and serving as a key growth driver of BIGO Ads this quarter. We continued to deepen our presence in key verticals by building stronger local advertiser relationships and accumulating more conversion data. These insights helped us further optimize our algorithms and ad delivery solutions for different web-based verticals. As a result, we strengthened our ability to attract new advertisers and capture more ad budgets, while expanding our lead generation advertising into more high-value sub-verticals. Meanwhile, in-app demand maintained healthy momentum.

On the technology side, we continued to strengthen our data and AI-driven algorithm capabilities to improve the precision and efficiency of ad delivery. As our cross-channel attribution systems improved and advertiser conversion data accumulated, we broadened our model training inputs, improving predictions of conversion probability and user lifetime value. We also upgraded our model architecture to support different conversion objectives and traffic types, improving accuracy and accelerating iteration. Meanwhile, we continued to refine our bidding strategies to better assess the value of each ad impression and allocate advertiser budgets more effectively. These improvements helped advertisers meet their ROI targets while making our traffic acquisition and monetization more efficient. As our business continued to scale and our algorithm and operating efficiency continued to improve, our third-party advertising business also achieved a modest margin improvement this quarter.

We will continue to pursue growth opportunities in third-party advertising, scaling the business and laying the groundwork for a larger profit contribution in the years ahead. We remain committed to our goal of reaching $1 billion in revenue from our third-party advertising, BIGO Audience Network, in 2028.

Turning to Shopline, we continued to prioritize the acquisition of high-quality brand merchants in the third quarter. Shopline revenue reached $37.8 million, up 24.7% YoY and 10.0% QoQ.

As brand merchants scale and expand across multiple sales channels, they need more than an online storefront. They need a platform that brings transaction and customer data together from different sales channels and streamlines their day-to-day operations. To meet these needs, Shopline continued to strengthen its integrated offerings across online store setup, payments, marketing, and customer management. Backed by local expertise and support across markets, Shopline helps merchants streamline their operations and boost their cross-channel efficiency.

In the cross-border business, we focused on established brands with meaningful scale and an existing overseas presence. We enhanced our service offerings and local support to help these merchants migrate to our platform, manage operations across markets, and process cross-border transactions more efficiently. In Q3, revenue from cross-border merchants maintained strong momentum, growing 77.8% YoY.

To support our growing base of brand merchants, we continued to enhance Shopline Payments with more local payment options, stronger multi-currency payment support, and improved transaction management. These enhancements helped merchants easily and efficiently manage cross-border payments, making payment services an important driver of cross-border growth.

Leveraging our existing merchant base and platform capabilities, we can scale value-added services, including payments, without a proportional increase in sales and R&D investment. As revenue and gross profit continue to increase, we expect Shopline's economies of scale to become more evident, driving steady improvement in its operating profitability.

In AI Commerce, our strategy revolves around helping merchants capture demand from AI channels and improve their operational efficiency. As AI agents change how consumers discover and purchase products, we continued to strengthen our capabilities and expand integrations with the broader AI ecosystem. While volume from AI channels is still in an early stage, adoption is building quickly. In Q3, page views and order volume from AI channels grew nearly 500% and 550% year over year, respectively. Notably, AI is demonstrating distinct advantages in categories such as consumer electronics and furniture, where shoppers weigh multiple options before buying. In these categories, AI can better interpret consumer needs, recommend relevant products, and guide shoppers toward a purchase.

To improve merchant productivity, we rolled out our AI-powered commerce assistant, Shopline Omi, spanning product management, customer segmentation, promotional events, multi-lingual support, and detailed store performance analysis. These tools bring AI into more day-to-day workflows, helping merchants manage their businesses more efficiently. We also expanded integrations with leading AI platforms and agents and enhanced our AI tools and interfaces for developers. These initiatives help merchants adapt to an evolving commerce landscape and could open new avenues for Shopline's medium- to long-term growth.

Our current Q4 guidance implies Shopline will continue to deliver more than 20% YoY revenue growth. We remain confident that Shopline will continue to enhance its operating performance and achieve its 2028 breakeven target as planned.

In closing, 2027 will be a key year for executing our multi-engine growth strategy and translating our progress into stronger operating results. By strengthening each of our three businesses and deepening synergies across our ecosystem, we aim to build a more diversified and resilient business that delivers sustainable growth and lasting shareholder value.

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. Hello, everyone.

Let me begin with some headline numbers. For the third quarter of 2026, our total net revenues came in at $625 million, up 15.6% year over year and 5.7% quarter over quarter. Non-GAAP EBITDA reached $56 million, an increase of 10.1% YoY and broadly flat on a sequential basis. We generated $102 million of operating cash flow in this quarter, and ended September with net cash of $2.94 billion.

We have stayed proactive on capital return throughout the year. Year-to-date through November 13, 2026, we have returned a total of $536 million to shareholders, comprising $216 million in cash dividends and $320 million in share repurchases.

I will now dive deeper into our detailed financial performance for the third quarter.

Social Entertainment revenues were $441 million, up 8.8% year over year and 4.3% sequentially. In particular, live streaming revenues increased to $420 million, up 8.1% YoY and 4.3% QoQ, maintaining solid growth momentum. Core live streaming paying users grew 8.1% YoY and 4.8% QoQ, while ARPPU stood at $219, largely flat sequentially. Encouragingly, we also delivered YoY live streaming revenue growth across all four of our geographical areas worldwide, which are developed countries and regions, the Middle East, mainland China, and Southeast Asia and others.

BIGO Ads revenues were $146 million, an increase of 39.6% year over year and 9.0% sequentially. Our third-party advertising business, BIGO Audience Network, maintained robust growth, up 52.3% YoY and 9.2% QoQ. On the supply side, SDK traffic scale grew 55.6% YoY. On the demand side, web-based demand, mainly lead generation and e-commerce, grew around 328% YoY and around 30% QoQ, while in-app demand also continued to grow at a healthy pace. With greater scale and continued improvements in our algorithms and operating efficiency, our third-party advertising operating margin edged up this quarter.

Shopline's revenue reached $38 million, growing 24.7% YoY and 10.0% QoQ, primarily driven by continued merchant adoption and deeper penetration of value-added services. Cross-border merchants continued to be a key driver, with revenue from this cohort up 77.8% YoY.

Group's gross profit was $217 million in the quarter, up 12.5% YoY and 7.7% QoQ, with gross margin at 34.8%, expanding on a sequential basis. Social Entertainment's gross margin improved QoQ, as we continued to improve user engagement and monetization. BIGO Ads' gross margin improved QoQ, reflecting the margin improvement in third-party advertising. Shopline's gross margin was down QoQ, as lower margin value-added services, particularly payments and marketing, accounted for a larger share of revenue. While these value-added services carry a lower gross margin than subscriptions, as we shared previously, they typically require less incremental sales and R&D investment to scale. We remain confident that this revenue mix shift will continue to drive Shopline's operating leverage and support its path to long-term profitability.

Our operating expenses for the quarter were $204 million, up 17.2% YoY and 8.4% QoQ. Sales and marketing expenses were higher YoY, reflecting our spending to support revenue growth. G&A expenses

were higher YoY, primarily due to higher impairment losses and share-based compensation expenses. R&D expenses were down YoY, driven by operational synergies across business units, while we strategically redirected R&D resources toward BIGO Ads. Non-GAAP operating income was $47 million, up 14.6% YoY.

Non-GAAP net income from continuing operations attributable to controlling interest and common shareholders of JOYY was $67 million, down 7.4% YoY, and represented a non-GAAP net margin of 10.7%. The YoY decline was mainly due to non-operating items, including lower net interest income and higher FX losses.

Turning to our business outlook. With continued momentum across Social Entertainment, BIGO Ads and Shopline, we expect total net revenues for the fourth quarter of 2026 to be between $650 million and $669 million, implying year-over-year growth of 11.7% to 14.9%.

For the full year of 2026, we remain confident in delivering solid revenue growth at the Group level, and we reaffirm our expectation that the Group's full-year 2026 non-GAAP operating income will grow around 20% year over year.

Before I conclude, I would like to spend a minute on 2027 from a financial perspective. Across our business segments, Social Entertainment has returned to growth and continues to generate healthy cash flow; BIGO Ads is a fast-scaling, profitable advertising platform with improving operating efficiency; and Shopline is expanding steadily toward its 2028 breakeven timeline. Looking ahead to 2027, we expect the Group will sustain a solid revenue growth trajectory, accompanied by expanding Group non-GAAP operating profit. We will stay disciplined in managing costs and expenses, allocate resources more efficiently, and remain committed to strong capital return.

To summarize, we delivered another strong quarter, with all three business segments achieving healthy and high-quality expansion. We firmly believe our shares remain substantially undervalued, and we expect to continue actively executing our repurchase program. Looking ahead, we remain fully committed to executing our multi-engine strategy, driving profitable growth, and creating long-term value for our shareholders.

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