JOYY Inc.

First Quarter 2025 Earnings Call Prepared Remarks

Operator:
Ladies and gentlemen, thank you for standing by, and welcome to JOYY Inc.'s First 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 First 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, 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. Welcome to our first quarter 2025 earnings call.

2025 marks a key milestone for both JOYY and for me personally. JOYY has just celebrated its 20th anniversary, growing into a global technology leader with a sizable, engaged user base worldwide. Our diversified growth strategy is yielding clear results, as non-livestreaming revenue continues to expand rapidly, affirming the strength of our business model. As 2025 marks my first complete fiscal year as CEO, I am excited to outline our medium to long-term strategic vision and operational roadmap as we advance into our next decade of growth.

First, looking at our quarterly performance, we recorded total revenue of $494 million in the first quarter of 2025. Our non-livestreaming revenue reached $123 million, a year-over-year increase of 25.3%, with non-livestreaming revenue accounting for 25% of the group's total revenue for the first time.

In the first quarter, we achieved a non-GAAP operating profit of $31 million, a year-over-year increase of approximately 25%. Meanwhile, we maintained strong operating cash flow, which reached $58 million. During the first quarter, we distributed approximately $49.1 million in dividends to shareholders. On top of that, we repurchased approximately $22.5 million worth of our shares as of May 23, reinforcing our commitment to returning value to our shareholders.

In the past, we've focused on expanding the global reach and influence of our user community, leveraging our diverse portfolio of products, spanning livestreaming, short videos, instant messaging, and more. We've successfully monetized our global user base through livestreaming and delivered consistent profitability, which demonstrates our industry insight, operational agility, and strong execution. Over the past two years, we have stepped up our innovation to develop new revenue streams, achieving significant progress toward our growth objectives of cultivating a multi-faceted ecosystem.

Since 2024, our global programmatic advertising platform, BIGO Ads, has achieved remarkable growth. Capitalizing on our sizable global user base of approximately 260 million users, predominantly young and middle-aged internet users with promising purchasing power, we have attracted a growing number of advertisers. BIGO Ads has further expanded its traffic pool by integrating premium publisher traffic with our first-party traffic, consistently delivering strong, measurable results for our advertisers. This success has fueled the rapid expansion of our advertising revenue, reinforcing our confidence in further diversifying and expanding our ecosystem.

Looking at the full picture of our non-livestreaming businesses, we believe that our advertising platform and smart commerce SaaS platform are also strategically complimentary, driving synergy across our ecosystem. As BIGO Ads expands its traffic pool and enhances its data-driven targeting capabilities, it will empower merchants to scale their market presence through precise and efficient customer targeting. This integrated approach generates significant value across our ecosystem and creates a virtuous cycle of growth for both BIGO Ads and our smart commerce platform.

Looking forward, we anticipate our non-livestreaming businesses, including our advertising and smart commerce platform, will emerge as JOYY's second growth engine. Our initial accomplishments in these areas have been encouraging, and I am confident that this multi-engine approach will establish a sustainable, long-term growth road map for JOYY that will deliver major lasting value and enhanced returns for our shareholders.

Next, let me share with you our latest business updates and operational strategies.

First, our livestreaming business. In the first quarter, the group's livestreaming revenue was $371 million, with BIGO contributing $352 million, in line with our expectations.

At present, we observe distinct regional divergences in online entertainment spending. Specifically, users in developed markets have shown resilience, while those in emerging economies and long-tail paying users have reduced spending due to economic headwinds.

To address such trends, we've adopted prudent strategies and efficient operational resource allocation. First, we are continuously optimizing our user acquisition strategy by prioritizing advertising spend on higher quality paying users in core markets. Second, we are finetuning our revenue-sharing mechanisms, particularly by streamlining underperforming agencies and channels that fail to deliver positive ROI. And third, we continue to strengthen our community content safety measures while improving content operations to boost user engagement.

These strategic changes have already brought constructive results. While livestreaming revenue has fluctuated temporarily, we have achieved a significant improvement in operating profit from our flagship product Bigo Live.

Despite this transitional phase, we remain confident in the fundamental interactive value that livestreaming can offer to users and its monetization growth potential. To re-accelerate growth, our strategy focuses on two actionable points. First, we will continue to optimize resource allocation based on ROI and improve traffic quality, prioritizing user growth in core markets such as developed countries and the Middle East. Second, we will drive content, product features, and operational innovations to boost user engagement, improve paying users' experiences, and increase conversion rates. By better identifying quality users and improving payment conversion, we expect a resurgence in high-quality paying users, stabilizing livestreaming revenue and driving renewed growth.

Next, let's look at the performance of our core products across key markets.

First, the Developed Countries region. In the first quarter, livestreaming revenue in developed countries continued to outperform. In particular, Bigo Live's North American region saw Q1 MAU growth exceeding 7% year-over-year. At the same time, the number of paying users in the region increased by approximately 4% QoQ.

Next, the Middle East region. Ramadan in 2025 started earlier this year, with the entire month falling within the first quarter, which caused expected seasonal impacts. Even so, our products actively promoted a series of operational activities which drove regional user activity and helped boost our brand influence among our users. In the long run, the Middle East market continues to be one of our strategic priorities, given its strong monetization potential as demonstrated by top-tier ARPPU and users' strong affinity for interactive livestreaming and high engagement. We have remained a leader in the market, and we are committed to deepening our penetration in the Middle East through our expanding, diverse product portfolio.

Looking at product improvements, our teams have made important product feature updates that are creating clear operational benefits. In the first quarter, Bigo Live launched an entirely redesigned VIP benefits system and improved its gifting experience, upgrading gift features for high-value users. These efforts delivered a 3% QoQ increase in ARPPU among Bigo Live's high-end user cohort.

Likee also advanced its content strategy by building a more diverse and engaging content library. This led to impressive engagement metrics during the quarter. Videos viewed per user rose by 7% compared to the previous quarter, with overall video consumption time increasing by 10% over the same period. Our refined approach to top streamer management and development also produced a notable 3% QoQ increase in Likee's average paying ratio during the quarter.

In the first quarter, BIGO achieved approximately $80 million in advertising revenue, a year-over-year growth of about 27%. Here, I would like to share my insights into the macro and industry changes in the advertising business, and how we plan to establish our long-term competitive advantage in advertising in the current environment. As you'll see, we believe JOYY is uniquely positioned to take advantage of current conditions in the advertising space to drive our long-term growth.

First, the global macro landscape is highly dynamic, with major shifts taking place in advertising placement channels across key markets. Advertisers need placement strategies spanning both domestic and international channels to maintain and grow their market share. This change actually favors organizations with our unique profile, specifically those with both strong localized operations and extensive global reach.

As such, we believe JOYY benefits clearly from these recent shifts in the advertising landscape. Our market insight, premium global traffic, and localized operations have helped us build strong credibility with advertisers. This trust has allowed our BIGO Ads platform to grow quickly, which has increased both our managed traffic volume and overall platform scale.

Second, in this evolving landscape, advertisers now demand better returns from their placements, along with clearer measurement and proof of placement impact. Specifically, they want to directly connect their ad costs to revenue and profit growth. This means that more than ever before, platforms must find and engage specific audience segments and efficiently turn these interactions into measurable new customers.

JOYY is uniquely positioned to meet these changing needs with our large user base of 260 million people worldwide. Our users include the key target groups for many important advertising categories, and we understand their behaviors and preferences deeply. This creates an advertising system with detailed user profiles that helps advertisers consistently reach their most valuable customers.

Third, we are leveraging AI to transform our advertising strategy. The rapid advancement of AI technologies and infrastructure have greatly enhanced JOYY's capabilities, enabling us to capitalize on our diverse application scenarios and proprietary data assets. BIGO Ads uses our extensive global audience and years of quality data to build its own vertical model, integrating cutting-edge generative AI technologies. This has helped us build an intelligent, end-to-end advertising platform that covers user insights, creative development, precise targeting, and real-time optimization. Our AI usage improves ad performance and ad returns while creating better revenue opportunities for our publisher partners. This success attracts both more advertiser spending and more publisher traffic, helping the BIGO Ads platform grow quickly.

Fourth, our advertising business enjoys significant economic advantages thanks to our established global operational team, R&D capabilities, and our network infrastructure. In particular, bandwidth and network related expenses, a key component of operating costs for advertising platforms, are optimized through our global network infrastructure, originally built for our social and entertainment products.

This allows BIGO Ads to enjoy significant cost savings. As our advertising business scales, our server costs per unit decrease across the company, steadily enhancing overall operational efficiency.

In summary, our advertising business has delivered consistently strong growth in past quarters and continues to be profitable for the company. This success comes from our local operations, our advertisers and user base, our industry-leading algorithms, and our global network infrastructure. Given these proven strengths and our growing market position, we are confident our advertising business will continue to contribute to growth in our revenue and profitability over the long term.

Now, moving to our thoughts on capital allocation.

With the preliminary progress that we made in diversifying our businesses, we are actively monitoring our business development and resources, and carefully assessing long-term capital allocation opportunities to support our non-livestreaming business. In the short term, we expect to prudently expand headcounts and marketing resources to support our advertising business while maintaining healthy profit margins. In the medium to long term, once our non-livestreaming businesses reach a certain scale, investments in infrastructure upgrades, technology development, talent expansion and marketing efforts are all potentially high-return capital allocation options. We aim to extend our competitive advantages through efficient capital use.

On shareholder returns. JOYY has established a consistent track record of delivering returns to our investors. 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 our long-term profitable growth. We remain deeply committed to disciplined capital allocation that balances strategic reinvestment with competitive shareholder returns.

In short, we are currently experiencing a strategic transition in JOYY's business structure and reshaping our resource allocation, focusing on high-quality organic growth. With the rapid advancement in our non-livestreaming businesses, we expect 2025 to be a year of implementation and validation of our multi-growth-engine strategy. I’m confident that our focus on value-accretive organic growth will drive expanding business and financial benefits, ultimately creating lasting values 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.

Please note that the financial information mentioned during this conference call is presented on a continuing operations basis, unless otherwise specifically stated.

In the first quarter of 2025, we recorded total net revenues of 494.4 million, delivering the higher end of our previous guidance. Our non-GAAP operating profit was 31.0 million, also exceeding market expectations. Building on Ms. Li's inspiring presentation of our strategy, we have made significant strides in diversifying our revenue streams and fostering a dynamic, multi-faceted ecosystem. I will now dive deeper into our financial performance for the first quarter.

Our livestreaming revenues were 371.3 million for the first quarter, 351.6 million of which was from BIGO segment, in line with our expectations. In the past few quarters, we have been continuously optimizing our user acquisition strategy by prioritizing advertising spend on higher quality paying users in core markets, and simultaneously finetuning our revenue-sharing mechanisms by streamlining underperforming agencies and channels that fail to deliver positive ROI. This, together with the impact of weak seasonality, has led to short-term fluctuations of our livestreaming revenue and user metrics. Our prudent and efficient operational resource allocation have yielded positive, measurable results. The percentage of total livestreaming revenues from Developed Countries have increased by 2.8 percentage points year over year to 47.4%. The operating margin of our flagship product Bigo Live has also been substantially improved year over year.

Our non-livestreaming revenues were 123 million during the first quarter, contributing 24.9% of our total group revenues, up from only 17.4% contribution in the same period last year. This marks a strategic transition in our revenue mix.

In particular, BIGO's non-livestreaming revenues, primarily advertising revenues, increased by 27.3% year over year to 80.3 million. As Ms Li mentioned earlier, built on our high-quality first party global user traffic, technology and network infrastructure, as well as AI capabilities, BIGO Ads has emerged as a competitive programmatic advertising platform and attracted a meaningful base of global advertisers and publisher traffic. As we are currently accumulating in scale and enhancing our algorithm, we expect to further improve campaign performance and ROI for our advertisers, which in turn will drive accelerating growth in our advertiser's base and publisher traffic pool. At present, BIGO Ads has made a positive contribution to our bottom-line. We expect it to be increasingly meaningful and eventually become another growth engine for our profit over time.

All other segment's non-livestreaming revenues was 43.2 million, increasing by 21.6% year over year.

Group's gross profit was 178.6 million in the quarter, with a gross margin of 36.1%. While BIGO's gross margin was relatively stable. All other segment's gross margin was substantially up by 9.8 percentage points year over year to 41.7%, due to segment's enhanced monetization, particularly growth in non-livestreaming revenues.

Our group's operating expenses for the quarter were 167.2 million, compared with 195.4 million in the same period of 2024. The decline in our operating expenses was in line with our current operating strategies across both livestreaming and non-livestreaming businesses. For our livestreaming business, we have consistently optimized our sales and marketing expenses to enhance ROI. For our non-livestreaming business, while it has seen robust revenue growth, we have maintained prudent and disciplined in spending, with operating expenses rising at a slower rate than revenue. Our disciplined execution has driven enhanced operational efficiency. Our group's non-GAAP operating income for the quarter was 31 million in this quarter, up by 24.9% from 24.8 million year over year.

Non-GAAP net income attributable to controlling interest of JOYY in the quarter was 63.2 million. The Group's non-GAAP net income margin was 12.8% in the quarter. Our non-GAAP net income was lower this year primarily due to lower interest income due to a decrease in our cash balance as we fully repaid our CB in June last year and lower interest rates.

For the first quarter of 2025, we booked net cash inflows from operating activities of 58.0 million. Our balance sheet remains healthy with a strong net cash position of 3.4 billion as of March 31, 2025.

Now moving to capital allocation. Shareholder return continued to be an important component of our capital allocation strategy. We have returned 49.1 million to our shareholders through dividends during the first quarter, and repurchased 22.5 million worth of our shares during the year as of May 23, 2025. Going forward, we remain firmly committed to unlocking shareholder value through our capital return initiatives.

Turning now to our business outlook. At group level, we expect our net revenues for the second quarter of 2025 to be between 499 million and 519 million. Our guidance accounts for certain seasonality fluctuations and reflects our preliminary views on the current market, operational conditions and business adjustment decisions, which are subject to changes.

In conclusion, the rapid growth of BIGO Ads and our other non-livestreaming businesses has driven substantial progress in building a dynamic, global multi-faceted ecosystem. As we strategically realign our resource allocation to prioritize high-quality organic growth and operational efficiency, we remain confident in our ability to deliver sustainable, profitable growth and long-term value for our shareholders.

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