

JOYY Inc.

Second Quarter 2025 Earnings Call Prepared Remarks

Operator:

Ladies and gentlemen, thank you for standing by, and welcome to JOYY Inc.'s Second 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 Second 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. Thank you for joining us today. This call marks my first anniversary as CEO, and I'm excited to share some of our latest progress with you.

We stabilized our livestreaming business while driving robust growth in our non-livestreaming businesses, particularly our ad tech business. We continue our transformation into a global tech company powered by multiple growth engines.

Today I will first briefly summarize our Q2 results, followed by a review of our progress over the past year to highlight the key pillars that will guide our growth. Finally, I will share detailed updates on each of our business units.

Starting with our Q2 results. We delivered a solid performance as our livestreaming business reached a stable footing, while our advertising business achieved robust and accelerated growth.

We recorded total revenue of \$508 million, representing 2.7% QoQ growth. Our non-GAAP operating profit reached \$38 million, with YoY growth of 27.9%. Non-GAAP EBITDA reached \$48 million, growing 25.7% YoY. To break this down, livestreaming revenue grew 1.1% QoQ, while non-livestreaming revenue achieved 25.6% YoY growth, contributing 26.1% of total revenues.

Meanwhile, our operating cash flow reached \$58 million. As of June 30, we maintained \$3.3 billion in net cash on our balance sheet, a sign of our strong financial resilience.

Next, I want to highlight the four keywords that have driven our progress in the past year and will continue to guide our growth: high-quality operations, sustainable growth, AI-driven innovation, and organizational vitality.

First, high-quality operations. Temporary app removals in late 2024 prompted us to take decisive actions to further enhance our community safety infrastructure and proactively strengthen our business ecosystem. By turning adversity into opportunity, we have emerged more resilient and better positioned for the future. We are committed to continuous improvement as a cornerstone of our competitive advantage, building a robust business that delivers long-term value while pursuing our vision of creating a great enterprise.

Next, sustainable growth. Our strong operational foundation has allowed us to cultivate our dual growth engine and achieve sustainable growth. Building on a diverse product portfolio, localized operations and enhanced global market penetration, our livestreaming operations continue to generate reliable profits and cash flow. Leveraging our operational strength and technological expertise accumulated in the 2C sector, we accelerated our expansion into the 2B sector, and we have seen huge progress in our ad tech business in the past year.

Thirdly, AI-driven innovation. We believe that AI holds tremendous potential to empower our business. Today, we are applying AI extensively in our recommendation systems and advertising algorithms.

In livestreaming, our AI usage is all about boosting user engagement. Early this year, for instance, we launched multilingual real-time voice recognition and translation functions for our products. This enables users across languages to interact in real time, strengthening relationships between people

from vastly different backgrounds and driving monetization. We've merged large language models with multimodal content understanding to create dynamic topic summaries and interactive comments that deepen the user-streamer connection. Our use of AIGC has transformed how we produce virtual items and emojis. We are able to create personalized, localized items in a much shorter time span.

In advertising, we leverage AI to deeply analyze and dynamically model user intentions, interests, and behavioral patterns. This allows us to precisely profile mid- to long-tail traffic segments, greatly enhancing targeting accuracy, especially in cold-start scenarios. AI powers our entire advertising value chain, from user profiling and targeting to generative ad creation, real-time bidding, and dynamic budget allocation. Our automated, data-driven decision-making is constantly improving, driving higher conversion rates, better third-party developer monetization, and fueling BIGO Ads' expansion across more verticals.

Lastly, organizational vitality. After 20 years of building milestone successes, we are channeling our entrepreneurial drive into enhancing organizational execution and efficiency. By modularizing our foundational R&D and operational processes, we are building agile, scalable capabilities that empower us to replicate past wins across emerging products and businesses. We are also prioritizing the creation of an empowering workplace for our global talents. Above all, our people are the cornerstone of our ability to achieve our strategic ambitions.

Next, let me share with you the latest updates for our respective businesses.

In the second quarter, our group's livestreaming revenue reached \$375 million, with BIGO livestreaming revenue at \$355 million, both stabilizing QoQ.

During the quarter, our global average mobile MAUs grew sequentially to 263 million.

We continued to refine our user acquisition with an ROI-driven approach. As a result, Bigo Live's user numbers grew 2.3% QoQ, while 30-day ROI from new devices improved 4.4% sequentially.

Our organic user growth was also strong, driven by an improving user experience. Today, majority of our total global MAUs are from our IM product. High-frequency usage and strong user stickiness, fueled by enhanced features such as HD audio-video calling and rich media messaging, have been pivotal to IM's organic expansion. In the second quarter, the MAUs of our IM increased by 3 million, with average daily user time spent up 12.8% YoY.

We are building our long-term strategy on a foundation of high-quality global traffic that drives sustained monetization across livestreaming, advertising, and potentially others. As we prioritize quality over volume, we will continue to closely monitor the effectiveness of our user acquisition through ROI and our long-term user stickiness.

We enhanced content quality and refined the paying user experience during the second quarter, which drove higher user engagement and conversion efficiency.

Specifically, we optimized Bigo Live's cross-regional content distribution algorithms and real-time AI translation. These changes significantly drove continued growth in cross-regional tipping, particularly in Europe and the Americas. We launched the Streamer Academy, which provides tiered training, enhanced livestreaming tools, and operational support to help streamers improve quality and reach. This fueled a 1.6% QoQ increase in active streamers on Bigo Live.

We also revamped Bigo Live's premium paying user benefits system during the quarter, introducing refined tiered incentives and exclusive privileges. This drove a 13% QoQ increase in premium paying users.

As a result, BIGO's overall livestreaming paying users grew 3.7% QoQ.

Looking at our performance by region. In the second quarter, our livestreaming revenue in developed countries returned to positive QoQ growth. In particular, Bigo Live's revenue in Europe rose 6.5% QoQ, marking the first significant rebound in the region since we implemented a series of content strategy optimizations in the second half of last year. Our livestreaming revenue in Southeast Asia was also up QoQ, with Bigo Live revenue in these markets rising 3.9%.

We anticipate continued growth in paying users in the second half from heightened localized campaigns, enhanced content and payment experiences, and the incremental contribution from our new audio product lineup in the Middle East. We are confident that our livestreaming business will regain momentum and continue to deliver sustainable cash flow.

In the second quarter, BIGO Ads, achieved \$87 million in ad revenue, representing approximately 29% YoY growth and 9% QoQ growth. In particular, revenues from our ad network recorded mid double-digit YoY growth.

Last quarter, I outlined our strategic rationale for entering into the ad tech business and how we can utilize our inherent advantages to build a sustainable competitive edge. Today, I want to focus on where we stand in this trillion dollar market, and BIGO Ads' strategic positioning for long-term growth.

We are building significant scale on the traffic side. Our reach spans roughly 263 million users through our own social apps, and we extend this reach substantially by seamlessly integrating developer traffic across major channels.

Our first-party traffic monetization remains stable We delivered steady first-party ads revenue with strong profitability, and we expect to maintain growth through improved user engagement and ad fill rates.

In the meantime, we have significantly scaled our third-party network traffic through successful integrations with AppLovin Max and Unity Levelplay mediation platforms. Growing developer SDK adoption has driven nearly 80% traffic growth versus the second half of 2024, while new integrations with multi-channel platforms further expanded our traffic reach, including CTV.

Meanwhile, we saw robust growth across IAP, IAA, and web-based channels, with daily transaction volumes reaching record levels.

Web-based lead-generation continued to post double-digit gains, powered by Pixel feature optimization, enriched customer data feedback, and improved bidding strategies. In IAA, we expanded partnerships with top gaming companies, with firms including Tripledot, Peoplefun and Fugo expanding their campaigns on BIGO Ads, which contributed to faster sequential growth.

Geographically speaking, we are seeing strong performance in multiple regions. In the first half of 2025, North America delivered approximately 24.2% sequential growth. In Europe, where we kicked off our expansion during the second quarter, revenue grew by a high single-digit percentage QoQ.

Finally, our proprietary user data asset, enhanced by customer feedback and multi-channel attribution, continuously improves our profiling and targeting precision. Deep synergies across our business segments, including accumulated vertical insights, data assets, established algorithm capabilities and relevant experiences in cold-start scenarios, have given us a head start in developing specialized models tailored to each vertical. Additionally, our global network infrastructure and tech capabilities, originally built for our livestreaming businesses, offer significant cost advantages.

In summary, our advertising business has delivered consistent sequential growth and profitability for multiple consecutive quarters. This success stems from a number of key strengths, including expansion of our traffic, rising advertiser demand across channels and verticals, and quickly evolving algorithm, supported by our global tech and network infrastructure, fostering a self-reinforcing strategic flywheel.

BIGO Ads has emerged as our second major growth engine, representing a strategic long-term priority for the group. We're pursuing expansion in North America, Japan and Europe, unlocking substantial new opportunities. Leveraging JOYY's ecosystem and deep insights into e-commerce and social media verticals, we are accelerating the training and optimization of AI-driven models to establish a distinct competitive advantage. On our product front, we are enriching our ad formats, strengthening integration with attribution platforms, enhancing advertiser data feedback, and advancing algorithms to maximize targeting precision and drive long-term ROI.

Bigo Ads' structural advantages, combined with our proven execution capabilities and the vast market opportunity ahead, reinforce our commitment to building a meaningful and lasting presence in the ad tech industry. We are determined to execute on our strategic plan and retain full confidence in our team and ability to drive long-term success.

Finally, let's turn to capital allocation. As discussed previously, we are actively exploring new growth engines and have already seen promising initial results. In the short term, we expect to prudently expand headcounts and marketing resources to support our ad tech 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, tech development, talent expansion and marketing efforts are all potentially high-return capital allocation options.

From January 1 through June 30, we have distributed \$135 million to our shareholders through dividends and share buybacks. We view our shares as substantially undervalued and remain committed to actively utilizing buybacks under the previously approved program. 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 closing, our core livestreaming business has stabilized in Q2, positioning us for sustained growth. Our ad tech platform is rapidly scaling as our second growth engine, and we are building our long-term capabilities, particularly in our data and algorithm, and establishing our differentiated competitive advantages across markets and verticals.

We look forward to sharing ongoing positive developments in the coming quarters.

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

In the second quarter of 2025, we recorded total net revenues of 507.8 million, securing a QoQ growth of 2.7%. This was achieved as our livestreaming reached a stable footing and delivered our first sequential recovery in the past several quarters. Our non-livestreaming business, particularly advertising business, sustained strong growth momentum in the past consecutive quarters. We expect our livestreaming business to gradually regain momentum, and our non-livestreaming revenues to continue to deliver impressive growth in the following quarters.

Our non-GAAP operating income was 38.3 million, up by 27.9% year over year, beating market expectations. Non-GAAP EBITDA for the quarter was 48.2 million, up by 25.7% year over year. We are disclosing our non-GAAP EBITDA metric since this quarter, as we believe it's a standardized measure of operational performance, which strips out non-operating factors like interest, taxes, and non-cash expenses, which could help our shareholders better assess the performance of our core business.

Our total livestreaming revenues were 375.4 million for the second quarter, 355.3 million of which was from BIGO segment, both up quarter-over-quarter. Our ROI-driven user acquisition and continued optimization of our content quality and paying user experience have contributed to improved paying conversion, with BIGO's total paying users increasing by 3.7% QoQ during the quarter. By region, total livestreaming revenues from Developed Countries increased by 3.4% QoQ, while livestreaming revenues from Southeast Asia increased by 2.1% QoQ.

Our non-livestreaming revenues were 132.4 million during the second quarter, up by 25.6% year over year. Non-livestreaming now contributes 26.1% of our total group revenues, up from only 18.7% contribution in the same period last year.

In particular, BIGO's non-livestreaming revenues, primarily advertising revenues, increased by 29.0% year over year and 8.9% quarter over quarter to 87.4 million. As Ms. Li just shared, BIGO Ads has emerged as our second major growth engine with exceptional momentum. We are making substantial progress on all fronts, including expansion of our traffic, and rising advertiser demand across different channels and verticals. As we accumulate in scale, we are accelerating the training and optimization of our algorithms to further improve our campaign performance and ROI, which we believe in turn will drive accelerating growth in advertiser's demand and publisher traffic, fostering a self-reinforcing strategic flywheel. At present, BIGO Ads has made a positive contribution to our bottom-line. We expect it to be increasingly meaningful over time.

All other segment's non-livestreaming revenues was 45.2 million, increasing by 19.0% year over year.

Group's gross profit was 185.2 million in the quarter, with a gross margin of 36.5%, up from 35.2% last year. While BIGO's gross margin was relatively stable, All other segment's gross margin was substantially up by 9.5 percentage points year over year to 43.5%, due to growth in higher-margin SAAS revenues.

Our group's operating expenses for the quarter were 179.8 million, compared with 198.7 million in the same period of 2024. Our GAAP G&A expenses was higher during the quarter, due to a non-operational impairment of certain equity investments, while we saw decline in other operating expenses. The decline in our other operating expenses was in line with our current operating strategies across both livestreaming and non-livestreaming businesses. For our livestreaming business, we are consistently optimizing our user acquisition expenses to enhance ROI. For our non-livestreaming business, while it has seen robust revenue growth, we maintained prudent and disciplined in spending, with our operating expenses rising at a slower rate than revenue. Our group's non-GAAP operating income for the quarter was 38.3 million in this quarter, up by 27.9% from 30.0 million year over year.

Non-GAAP net income attributable to controlling interest of JOYY in the quarter was 77.0 million, up by 3.9% year over year. The Group's non-GAAP net income margin was 15.2% in the quarter.

For the second quarter of 2025, we booked net cash inflows from operating activities of 57.6 million. Our balance sheet remains healthy with a strong net cash position of 3.3 billion as of June 30, 2025.

Now moving to capital allocation. Shareholder return continued to be an important component of our capital allocation strategy. We have returned 49.4 million to our shareholders through dividends during the second quarter, and repurchased 36.5 million worth of our shares during the year as of June 30, 2025. We 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 third quarter of 2025 to be between 525 million and 539 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, our efforts to cultivate dual growth engines continue to bear fruit, as evidenced by the impressive revenue growth of BIGO Ads and our livestreaming business reaching a stable footing and continuing to contribute strong operating profits. With our global operational capabilities, tech infrastructure, and vibrant ecosystem, we are well positioned to establish a distinct competitive edge and build a meaningful and lasting presence in the ad tech industry, while delivering 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.