

JOYY Inc (YY US)

Looking beyond 2Q24E's soft seasonality

JOYY delivered an upbeat 1Q24, but revenue guidance for 2Q24E slightly missed consensus by 2%. Given soft seasonality of livestreaming, we expect total revenue +1.2% YoY in 2Q24E, with adj. net profit at US\$50mn. We estimate Bigo's ramp-up of ads would partly offset livestreaming softness. For Bigo livestreaming business, the US and SEA markets' momentum trends well, while recovery in the Middle East needs more time. For FY24E, we remain positive on group revenue to resume positive growth, but slightly trim FY24E adj. net profit to US\$242mn to reflect Hello impact and lower interest income. We trim our FY24-26E net profit forecast by 12%-14%. Maintain BUY with a lower SOTP-based TP at US\$47.

■ **Upbeat 1Q24 but soft 2Q24 guidance.** 1Q24 revenue fell 3.3% YoY, 2% ahead of consensus. Bigo revenue growth accelerated to +8% YoY (vs. +3.1% in 4Q23), backed by rising paying users (+6.9% YoY) and outperformance of developed markets (with livestreaming revenue at double-digit growth YoY). Non-GAAP NP reached US\$67mn in 1Q24 (non-GAAP NPM at 11.9% vs. 11.3% in 4Q23), 24% above consensus, mainly on cost optimization and improving S&M ROI. Net loss of All others segment continued to narrow sequentially. In 1Q24, JOYY repurchased US\$54.5mn worth of shares. However, 2Q24E revenue growth guidance of +1% YoY (midpoint) slightly missed consensus by 2%.

■ **Strong ads to offset soft seasonality in livestreaming.** We expect total revenue +1.2% YoY in 2Q24E, with adj. net profit at US\$50mn. For Bigo, we forecast Bigo revenue +5.1% YoY in 2Q24E (-2% QoQ), in which livestreaming may see a mid-single-digit QoQ decline for seasonality and a high base from Gala campaign. The US and SEA markets' momentum trends well with rising paying users, while recovery in the Middle East needs more time. Hello business may stay stable QoQ in 2Q24E. Given solid ads environment and rising budgets, Bigo ads revenue may achieve high-single-digit QoQ growth, in our estimates. We forecast Bigo non-GAAP OPM at 12% in 2Q24E and FY24E. For All others segment, we expect revenue -23% YoY in 2Q24E, owing to proactive adjustments. Looking ahead to FY24E, we remain positive on group revenue to resume positive growth, but slightly trim FY24E adj. net profit to US\$242mn to reflect Hello impact and lower interest income.

■ **Maintain BUY.** We trim our FY24-26E net profit forecast by 12%-14%. Maintain BUY with a lower SOTP-based TP at US\$47, by assigning 6x FY23E P/E to Bigo Live.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (US\$ mn)	2,412	2,268	2,290	2,335	2,387
YoY growth (%)	(7.9)	(6.0)	1.0	1.9	2.2
Adjusted net profit (US\$ mn)	199.3	292.5	241.8	268.8	294.7
Diluted EPS (US\$)	2.42	4.00	3.29	3.64	3.97
YoY growth (%)	73.8	65.1	(17.8)	10.6	9.1
Consensus EPS (US\$)	NA	NA	3.83	3.98	4.67
P/S (x)	0.6	0.7	0.7	0.6	0.6
P/E (x)	13.5	8.2	9.9	9.0	8.2
ROE (%)	2.3	5.7	2.3	2.6	3.0

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	US\$47.00
(Previous TP)	US\$50.50)
Up/Downside	50.0%
Current Price	US\$31.33

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Stock Data

Mkt Cap (US\$ mn)	1,928.6
Avg 3 mths t/o (US\$ mn)	8.6
52w High/Low (US\$)	42.47/24.80
Total Issued Shares (mn)	45.9

Source: FactSet

Shareholding Structure

Xueling Li	29.6%
Jun Lei	10.1%

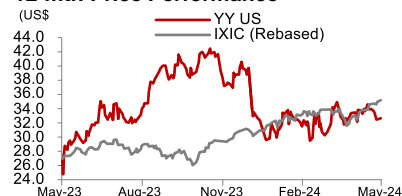
Source: Factset

Share Performance

	Absolute	Relative
1-mth	-2.4%	-8.4%
3-mth	3.7%	-2.0%
6-mth	-15.1%	-28.9%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: 1Q24 financial review

US\$ mn	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	QoQ	YoY	Consensus	Diff %
Revenue	624	596	587	605	584	547	567	570	565	-0.9%	-3.3%	555	2%
Gross profit	201	218	220	212	205	198	209	201	195	-3.0%	-4.5%	184	6%
Operating profit	6	39	20	(14)	3	9	12	5	4	-26.1%	40.0%	18	-80%
Adj. net profit	21	51	77	50	50	97	81	64	67	4.7%	34.8%	54	24%
Adj. EPS (US\$)	0.25	0.63	0.94	0.62	0.62	1.27	1.20	0.95	1.02	7.1%	65.4%	0.74	38%
Margin (%)													
Gross margin	32.2%	36.6%	37.5%	35.1%	35.1%	36.1%	36.9%	35.4%	34.6%			33.2%	
Operating margin	1.0%	6.5%	3.4%	-2.3%	0.4%	1.7%	2.1%	0.8%	0.6%			3.2%	
Adj. net margin	3.3%	8.6%	13.1%	8.3%	8.5%	17.8%	14.3%	11.3%	11.9%			9.7%	
Growth (%)													
Revenue (YoY)	-3.0%	-9.9%	-9.8%	-8.9%	-6.4%	-8.2%	-3.4%	-5.8%	-3.3%			-4.9%	
Revenue (QoQ)	-6.0%	-4.4%	-1.6%	3.1%	-3.5%	-6.2%	3.6%	0.5%	-0.9%			-2.6%	
Operating profit	NA	NA	NA	NA	NA	NA	NA	NA	NA			NA	
Adj. net profit	NA	NA	131.5%	-48.4%	142.4%	89.1%	5.5%	27.5%	34.8%			8.3%	

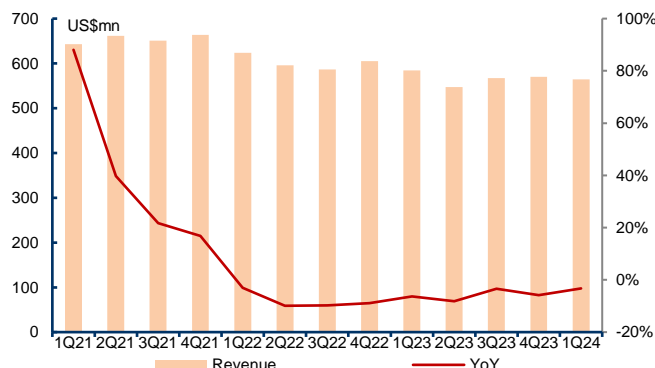
Source: Company data, Bloomberg, CMBIGM

Figure 2: Revenue breakdown

US\$ mn	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	QoQ	YoY
Total revenue	624	596	587	605	584	547	567	570	565	-0.9%	-3.3%
by segment											
Live broadcasting		590	565	543	527	520	477	496	486	466	-4.1%
Others		34	31	44	77	63	70	71	84	98	17.4%
by platform											
Bigo		535	503	483	476	468	471	494	491	505	2.8%
All other		89	93	103	128	116	76	73	79	59	-24.5%

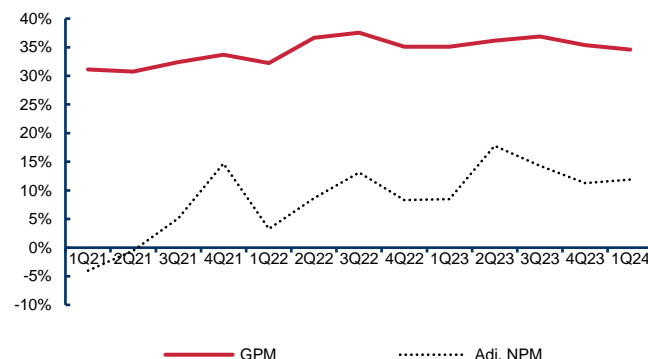
Source: Company data, CMBIGM

Figure 3: Quarterly revenue trend



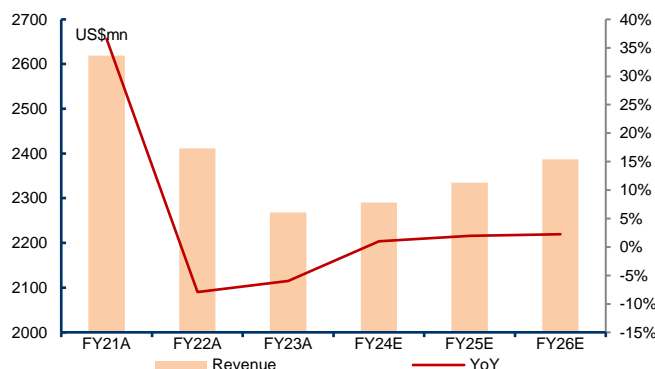
Source: Company data, CMBIGM

Figure 4: Quarterly margin trend



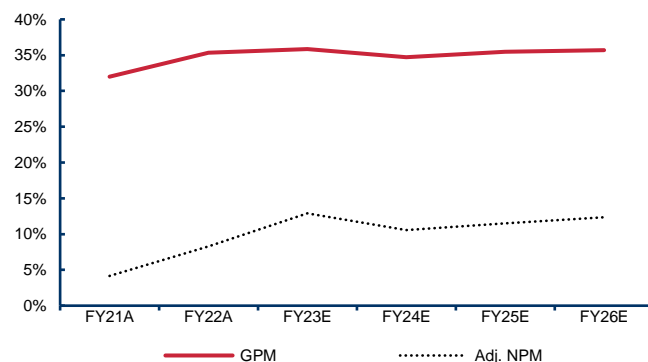
Source: Company data, CMBIGM

Figure 5: Yearly revenue estimates



Source: Company data, CMBIGM estimates

Figure 6: Yearly margin estimates



Source: Company data, CMBIGM estimates

Figure 7: CMBIGM estimates vs consensus

US\$ mn, Dec-YE	CMBIGM			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	2,290	2,335	2,387	2,318	2,450	2,564	-1.2%	-4.7%	-6.9%
Gross profit	795	828	852	805	860	915	-1.2%	-3.7%	-6.9%
Operating profit	125	146	178	117	144	189	7.1%	1.3%	-6.3%
Net profit	242	269	295	265	289	319	-8.7%	-6.9%	-7.5%
Adj. EPS (RMB)	3.29	3.64	3.97	3.83	3.98	4.67	-14.2%	-8.5%	-15.1%
Gross margin	34.7%	35.5%	35.7%	34.7%	35.1%	35.7%	-0.0ppts	+0.4ppts	+0.0ppts
Operating margin	5.5%	6.3%	7.4%	5.0%	5.9%	7.4%	+0.4ppts	+0.4ppts	+0.0ppts
Net margin	10.6%	11.5%	12.3%	11.4%	11.8%	12.4%	-0.9ppts	-0.3ppts	-0.1ppts

Source: Bloomberg, CMBIGM estimates

Figure 8: Earnings revision

US\$ mn, Dec-YE	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	2,290	2,335	2,387	2,290	2,335	2,387	0.0%	0.0%	0.0%
Gross Profit	795	828	852	836	870	894	-4.9%	-4.7%	-4.7%
Operating Profit	125	146	178	166	187	219	-24.6%	-22.0%	-19.1%
Net profit	242	269	295	283	310	337	-14.4%	-13.3%	-12.5%
Adj. EPS (RMB)	3.29	3.64	3.97	3.61	3.95	4.27	-9.0%	-7.8%	-7.0%
Gross Margin	34.7%	35.5%	35.7%	36.5%	37.2%	37.4%	-1.8ppts	-1.8ppts	-1.8ppts
Operating Margin	5.5%	6.3%	7.4%	7.2%	8.0%	9.2%	-1.8ppts	-1.8ppts	-1.8ppts
Net Margin	10.6%	11.5%	12.3%	12.3%	13.3%	14.1%	-1.8ppts	-1.8ppts	-1.8ppts

Source: CMBIGM estimates

Figure 9: SOTP valuation

SOTP	Metrics		Multiple		Shareholding	Valuation
(US\$ mn)						Valuation
Bigo Live	FY24E adj. net profit	265	6x FY24E P/E		100%	1,590
All others	FY24E Rev	272	1x FY24E P/S		100%	272
Total						1,862
Net cash (less: US\$1.9bn received from Baidu)						1,786
Holding discount						5%
Equity Value (US\$ mn)						3,466
Target Price (US\$)						47

Source: Company data, CMBIGM estimates

Risks

1) Global macro uncertainty; 2) geopolitical tension; 3) slower-than-expected recovery of livestreaming; and 4) lower-than-expected results from the YY Live deal.

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (US\$ mn)						
Revenue	2,619	2,412	2,268	2,290	2,335	2,387
Cost of goods sold	(1,781)	(1,559)	(1,455)	(1,495)	(1,506)	(1,535)
Gross profit	838	852	813	795	828	852
Operating expenses	(970)	(804)	(788)	(780)	(788)	(781)
Selling expense	(468)	(400)	(370)	(354)	(356)	(337)
Admin expense	(222)	(142)	(123)	(145)	(146)	(148)
R&D expense	(280)	(262)	(296)	(281)	(286)	(297)
Operating profit	(107)	51	29	14	38	71
Other income	25	18	10	(0)	0	0
Other expense	(14)	(13)	(10)	(15)	(15)	(15)
Gain/loss on financial assets at FVTPL	5	63	0	0	0	0
Other gains/(losses)	(24)	4	75	0	0	0
Pre-tax profit	(78)	635	288	176	206	240
Income tax	(26)	(35)	(19)	(45)	(46)	(46)
After tax profit	(103)	600	269	131	161	194
Minority interest	14	27	29	0	0	0
Net profit	(84)	125	300	134	164	197
Adjusted net profit	109	199	293	242	269	295
BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (US\$ mn)						
Current assets	5,070	4,645	4,073	4,961	5,145	5,304
Cash & equivalents	2,134	1,518	1,383	2,325	2,501	2,651
Account receivables	114	118	131	132	135	138
Prepayment	214	236	255	258	263	269
ST bank deposits	1,604	2,361	1,970	1,970	1,970	1,970
Other current assets	1,004	412	333	276	276	276
Non-current assets	7,622	7,573	6,986	8,125	8,349	8,543
PP&E	150	150	150	150	150	150
Investment in JVs & assos	171	171	171	171	171	171
Intangibles	6	6	6	6	6	6
Goodwill	1,958	2,649	2,649	2,649	2,649	2,649
Other non-current assets	5,337	4,598	4,010	5,149	5,374	5,568
Current liabilities	2,512	3,072	3,086	3,065	3,098	3,069
Account payables	18	56	67	66	67	66
Tax payable	66	78	86	86	86	86
Other current liabilities	82	578	552	553	555	556
Accrued expenses	2,346	2,360	2,381	2,360	2,391	2,361
Non-current liabilities	980	497	85	67	67	68
Convertible bonds	924	401	0	0	0	0
Other non-current liabilities	56	96	85	67	67	68
Total liabilities	3,492	3,569	3,172	3,132	3,166	3,137
Capital surplus	3,247	3,278	3,283	3,312	3,340	3,366
Retained earnings	2,739	2,718	2,985	3,134	3,313	3,524
Other reserves	(69)	162	197	197	197	197
Total shareholders equity	5,594	5,270	5,179	6,271	6,478	6,716
Minority interest	34	233	133	119	104	89
Total equity and liabilities	5,628	5,503	5,312	6,390	6,582	6,804

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (US\$ mn)						
Operating						
Profit before taxation	210	316	471	328	419	398
Depreciation & amortization	109	83	114	127	140	151
Tax paid	3	18	0	0	0	0
Change in working capital	(25)	(75)	(30)	(4)	(5)	(8)
Net cash from operations	(210)	(316)	(471)	(328)	(419)	(398)
Investing						
Capital expenditure	(71)	(69)	(168)	(173)	(178)	(183)
Acquisition of subsidiaries/ investments	(90)	(176)	0	0	0	0
Net proceeds from disposal of short-term investments	(687)	(242)	478	0	0	0
Others	1	(23)	(65)	(65)	(65)	(65)
Net cash from investing	(847)	(510)	245	(238)	(243)	(248)
Financing						
Proceeds from share issues	0	0	0	0	0	0
Share repurchases	(399)	(138)	0	0	0	0
Others	(325)	(184)	0	0	0	0
Net cash from financing	(724)	(322)	0	0	0	0
Net change in cash						
Cash at the beginning of the year	1,820	2,134	1,518	2,235	2,325	2,501
Exchange difference	38	(53)	0	0	0	0
Cash at the end of the year	2,134	1,518	2,235	2,325	2,501	2,651
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	36.5%	(7.9%)	(6.0%)	1.0%	1.9%	2.2%
Gross profit	55.2%	1.7%	(4.6%)	(2.2%)	4.2%	2.8%
Operating profit	na	na	(43.2%)	(49.8%)	159.4%	89.0%
Net profit	na	na	140.1%	(55.3%)	22.3%	20.1%
Adj. net profit	na	83.0%	46.8%	(17.4%)	11.2%	9.6%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	32.0%	35.3%	35.8%	34.7%	35.5%	35.7%
Operating margin	(4.1%)	2.1%	1.3%	0.6%	1.6%	3.0%
Adj. net profit margin	4.2%	8.3%	12.9%	10.6%	11.5%	12.3%
Return on equity (ROE)	(1.4%)	2.3%	5.7%	2.3%	2.6%	3.0%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Current ratio (x)	2.0	1.5	1.3	1.6	1.7	1.7
Receivable turnover days	17.9	17.6	20.0	20.9	20.8	20.8
Payable turnover days	4.0	8.7	15.4	16.2	16.1	15.8
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E (diluted)	23.4	13.5	8.2	9.9	9.0	8.2
P/B	0.5	0.4	0.4	0.3	0.3	0.3

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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