

HUYA Earnings Call Transcript

Date: 2025-11-12

Quarter: 3

Unknown Executive: [Audio Gap] Huya's press release contains a reconciliation of the unaudited non-GAAP measures to the unaudited most directly comparable GAAP measures. With that, I'm pleased to turn the call over to our Co-CEO and SVP, Mr. Huang. Please go ahead.

Junhong Huang: Okay. Hello, everyone. Thank you for joining our earnings conference today. I'm pleased to report a solid third quarter. Total net revenues reached approximately RMB 1.7 billion, the highest level yet in the past 9 quarters with year-over-year growth accelerating to around 10%. Non-GAAP operating profit was approximately RMB 6.3 million, representing a meaningful improvement over the same period last year. This encouraging performance was mainly driven by strong growth in game-related services, advertising and other revenues, while our live streaming revenues remained stable. Revenues from game-related service, advertising and others have now surpassed 30% of total net revenues of the first time this quarter. Our platform ecosystem and user base remained resilient in the third quarter, with total MAUs stable at around 162 million. The influence of our [streamer] ecosystem continues to expand as more top streamers are returning to Huya. And many of our streamers are also gaining recognition across other platforms, including WeChat channels, Douyin and [Beiyang]. Across all major competitive titles, including Honor of Kings, League of Legends, Delta Force and Peacekeeper Elite, our top-tier streamers consistently rank among the leading creators in their respective categories, in addition to our own products and app. We estimate through our top creators, we are able to reach over 100 million users across other platforms, expanding our audience influence and monetization opportunities across the wider gaming and streaming landscape. This impact is reflected in our third quarter performance, where our game-related service, advertising and other segment grew 30% year-over-year, reaching RMB 532 million in revenue. Within this segment, in-game item sales have become a significant growth driver as we deepen our collaboration with game developers, expand our SKU offerings and leverage the increasing synergy between our live streaming and gaming ecosystems. In-game item sales revenue grew by more than 200% year-over-year in the third quarter. Partnerships with flagship titles in both China and abroad, including Peacekeeper Elite, League of Legends, Arena Breakout and PUBG Mobile delivered short-lived results. Looking ahead, we are confident that in-game item sales will maintain robust growth momentum as we continue to broaden partnerships and enhance operations. In terms of game publishing, we are thrilled to announce the upcoming launch of our first title, Goose Goose Duck Mobile, a social deduction game centered on teamwork and strategic game play. The game has gone through its second round of testing throughout October with preregistration quickly surpassing 10 million during that period, leveraging our powerful streamer influence and stronger content-driven marketing capabilities. In October, we created a live streaming variety show, [A SIKAZIYE], which brought together top streamers from -- for a group gaming session. The show attracted strong player engagement and brought market attention. We view Goose Goose Duck Mobile as a key step in our strategy to diversify into game publishing, an important milestone that will not only validate our publishing capabilities, but also position us for sustainable growth in this space. As we continue to step up for our efforts in key areas, including in-game item sales, game publishing, advertising, we believe this segment will remain a sustainable driver of our revenue growth. Let's move on to live streaming, where revenues increased by about 3% year-over-year, making our first quarter of positive

year-over-year growth since the third quarter of 2021. Our content mix has become more balanced and vibrant with the outdoor live streaming category delivering solid gains in both viewing hours and monetization this quarter. At the same time, we continue to enhance both our mobile and PC platform to ensure users enjoy a truly best-in-class live streaming and e-sports experience. Our latest update introduced a new short-form video hub and interactive 3D game map tool of Delta Force and other cool features. The short-form video hub enables users to conveniently discover short clips from live streams directly within the Huya Live app, enhancing our content ecosystem and driving a notable increase in short video daily active users and time spent. Meanwhile, the Delta Force map tool provide rich immersive 3D environment for Delta Force players to quickly get familiar and better navigate the game, attracting more hard-core players to our platform. E-sport live streaming remains a crucial part of our content offering. We streamed nearly 100 licensed tournament and hosted around 40 self-produced events in the third quarter of 2025 during the recently concluded League of Legends World Championship, one of the most watched licensed e-sports events in China. We have remained the top live streaming platform in terms of average concurrent users. Building on our fan base, we hosted the 2025 League of Legends Asia Invitational, the first ever LOL international professional tournament produced by a live streaming platform. This event was an important milestone for us, attracting massive viewership outside of China and significantly enhancing our international brand recognition. We are also excited to announce that we will be hosting the Demacia Cup for League of Legends later this year. Again, we are privileged to be the first live streaming platform ever to be hosting this flagship official event for this game. Additionally, we have a strong lineup of other highly anticipated e-sports tournament that we will be hosting, including the Delta Force Diamond Champions autumn season following the success we had in the summer. On the international expansion front, our user base continued to grow steadily during the quarter through our overseas platforms. We are deepening our presence in key geographic market by focusing on user experience and the content ecosystem to enhance engagement and retention. We have also built closer partnership with popular game partners and diversified monetization strategy, driving sustainable growth and improving profitability. To sum up, we made solid progress expanding our content ecosystem, unlocked new monetization opportunities and advanced our emerging business models in a disciplined and sustainable manner. Looking ahead, we will remain focused on long-term development, deepening collaboration with partners, improving monetization efficiency and product experience, strengthening our content and technology capabilities and steadily expanding internationally to deliver sustainable, high-quality growth. With that, I will now turn the call over to our Acting Co-CEO and CFO, Raymond Lei. He will share more details on our results. Raymond, please go ahead.

Lei Peng: Thank you, Vincent, and hello, everyone. I'll start with an overview of our financial performance. Our total net revenues for the third quarter reached approximately RMB 1.69 billion, increasing 10% year-over-year. Of this, live streaming revenues has resumed growth at 3% year-over-year to RMB 1.16 billion and game-related services, advertising and other revenues grew around 30% year-over-year to RMB 532 million, accounting for 31.5% of total net revenues. We also achieved a non-GAAP operating income of RMB 6.3 million, another quarter of solid improvement since we first broke even at operating level last quarter. Furthermore, we still achieved a positive net income for the quarter with non-GAAP net income of RMB 36 million despite a substantial decrease in interest income compared with previous periods, primarily due to special dividends paid out. Let's move on to more details of our Q3 financial results. Live streaming revenues were RMB 1.16 billion for Q3, up 3% from the same period last year, primarily due to the improvement of average spending per paying user for live streaming services. The number of the domestic paying users remained stable at 4.4 million in the third quarter. This figure excludes users who made in-game purchases through our game distribution business but didn't pay via our platform or related services as well as overseas paying users. Game-related services, advertising and other revenues were RMB 532 million for Q3, up 30% from the same period last year. The increase was primarily due to higher revenues from game-related services and advertising, which were mainly attributable to our deepened cooperation with game companies in China and abroad. Cost of revenues increased by 10% to RMB 1.46 billion for Q3, primarily due to increased revenue sharing fees and content costs as well as cost of in-game items. Within this, revenue sharing fees and content costs rose by 8% year-over-year to RMB 1.26 billion,

reflecting growth in our top line. Gross profit was RMB 227 million for Q3, up 11% from the same period last year. Gross margin was 13.4% for Q3, also an improvement from 13.2% from the same period last year. Excluding share-based compensation expenses, non-GAAP gross profit was RMB 228 million and the non-GAAP gross margin was 30.5% for Q3. Research and development expenses decreased by 3% year-over-year to RMB 122 million for Q3, primarily due to decreased staff costs as a result of enhanced efficiency. Sales and marketing expenses decreased by 4% year-over-year to RMB 70 million for Q3, primarily due to decreased channel promotion fees. General and administrative expenses increased by 15% year-over-year to RMB 58 million for Q3, primarily due to increased professional service fees and staff costs. Other income was RMB 9 million for Q3 compared with RMB 13 million for the same period last year, primarily due to lower government subsidies. As a result, operating loss narrowed significantly to RMB 14 million for Q3 compared with a loss of RMB 32 million for the same period last year. Excluding share-based compensation expenses and amortization of intangible assets from business acquisitions, non-GAAP operating income reached RMB 6 million for Q3, a meaningful improvement from non-GAAP operating loss of RMB 13 million in the same period last year. Interest income was RMB 35 million for Q3, reduced from RMB 97 million for the same period last year, primarily due to a lower time deposit balance as a result of the special cash dividends paid. Net income attributable to HUYA Inc. was RMB 10 million for Q3 compared with RMB 24 million for the same period last year. Excluding share-based compensation expenses, gain arising from disposal of an equity investment, net of income taxes, impairment loss of investments and amortization of intangible assets from business acquisitions, net of income taxes, non-GAAP net income attributable to HUYA Inc. was RMB 36 million for Q3 compared with RMB 78 million for the same period last year. The decrease was mainly due to the lower interest income as explained earlier. Diluted net income per ADS was approximately RMB 0.04 for Q3. Non-GAAP diluted net income per ADS was RMB 0.60 for Q3. As of September 30, 2025, the company had cash and cash equivalents, short-term deposits and long-term deposits of RMB 3.83 billion compared with RMB 3.77 billion as of June 30, 2025. With that, I'd like to open the call to your questions.

Unknown Executive: [Operator Instructions] Today's first question comes from Rebecca Xu from Morgan Stanley.

Rebecca Xu: [Foreign Language] My question is regarding the in-game item sales business. Could you please share some color on the updates from the past quarter as well as the future outlook for this segment?

Junhong Huang: [Interpreted] This quarter, in-game item sales continued to scale rapidly, supported by our strong live streaming ecosystem and deeper partnerships with flagship titles, including Honor of Kings, Peacekeeper Elite, League of Legends, Arena Breakout and PUBG Mobile. With broader SKU offerings and more engaging in-game events, in-game item sales revenue grew over 200% year-over-year in the third quarter, giving our users a much wider and more compelling selection on our platform. So looking ahead, our focus is threefold. Number one is to further enrich item categories in existing titles. And secondly, to expand into additional game partnerships to diversify our portfolio. And third one is to improve our storefront and merchandising systems, enhancing overall purchase experience, making it easier for our users to discover and buy our items. As collaboration expands and our operating model continues to mature, we expect in-game item sales to deliver sustainable, healthy and high-quality growth.

Unknown Executive: And our next questions come from Maggie Ye from CLSA.

Yifan Ye: This is regarding company's overall revenue growth. Firstly, live stream revenue has resumed positive year-over-year growth this quarter. So could you share your views on the segment growth going forward? And secondly, for the non-live stream business, which now accounting for over 30% of total revenue, what is your expectation on this segment future growth going forward? And what will be the primary growth driver?

Lei Peng: [Interpreted] So we saw promising performance from both our live streaming business and our game-related services. Live streaming revenue has returned to growth for the first time since Q3 2021. Our game-related services, advertising and other revenues, on the other hand, grew 30% year-over-year to RMB 530 million, now accounting for over 31.5% of the total net revenues. The growth was driven in large part by very strong in-game item sales this quarter. So we expect live

streaming revenues to remain stable into the fourth quarter, while non-live streaming businesses should continue growing at a very strong pace, potentially accelerating further due to in-game item sales expansion and other deeper game collaborations. Looking ahead to 2026, we expect overall revenue growth to accelerate versus 2025. Live streaming should remain stable, while game-related services, advertising and others continue to drive the majority of our growth.

Unknown Executive: And our next questions comes from Ritchie Sun from HSBC.

Ritchie Sun: [Foreign Language] So I would like to ask about the publishing of Goose Goose Duck and overall the game publishing business. So what is our strategy as well as outlook going forward?

Junhong Huang: [Interpreted] So maybe I'll start by giving you an overview of our publishing strategy. Over the years, we have built a very robust content creator e-sports ecosystem with roughly 162 million MAUs on the platform in the third quarter. On top of that, in addition to our own apps and products, we estimate through our top creators outside of our platforms we are able to reach another 100 million-plus users across other platforms and this gives us a natural advantage in game publishing. The mobile version of Goose Goose Duck is our very first full-fledged publishing effort. The game has gone through a second round of testing throughout October with preregistrations quickly surpassing 10 million during that period. We expect the game to be ready for launch pretty soon. Now for this game specifically, we created a dedicated live streaming variety show, A SIKI ZIYE, which brought together top streamers for group gaming session, helping boost social buzz and community engagement. This project serves as an important milestone in validating our publishing playbook and execution, laying the foundation for titles to come. Going forward, we will continue to follow a content-driven publishing strategy. We rely on our stream of network, short-form media reach and e-sports presence to focus on titles that work well in live streaming and interactive settings. This allow us to bring more high-quality games to players and drive sustainable growth in this business.

Unknown Executive: We will take next question from Nelson Cheung from Citi.

Fuk Lung Cheung: [Foreign Language] With the solid momentum of Delta Force launch this year, we also observed a lot of like collaboration between Huya and this title. Maybe have management to elaborate more on their ongoing partnership.

Junhong Huang: [Interpreted] Our focus on Delta Force is about building a vibrant community engagement and a sophisticated e-sports tournament ecosystem for that game. As part of community engagement effort, we launched Delta Force Map tool recently, which provides rich immersive 3D environments for players to quickly get -- to get familiar and better navigate the game, attracting more hard-core players to our platform. Over time, it will serve as a new entry point for value-added services, helping us to build a more complete ecosystem around that game. On e-sports side, we host the first [EDC] Diamond Championship in July for Delta Force, which was a great success. Building on that, we'll be hosting the second season in the coming months, gradually building a consistent structured e-sports presence around that game.

Unknown Executive: So now we will take our last question from [Wei] from CICC.

Unknown Analyst: [Foreign Language] My question is on the new business. Can you break down their financial impact in our profitability? And how should we think about the trend for our profit of this going forward?

Lei Peng: [Interpreted] Our gross margin remained stable this quarter as we further scale and expand our game-related services and optimization of cost structures, we expect to see gradual margin improvement over time. This quarter, our gross profit actually grew over RMB 23 million, which is 11% year-over-year, which led to further improvement at operating level.

Unknown Executive: Thank you. Thank you once again for joining us today. If you have further questions, please feel free to contact Huya's Investor Relations through the contact information provided on our website or Piacente Financial Communications. This concludes today's call, and we look forward to speaking to you again next quarter. Thank you. [Portions of this transcript that are marked [Interpreted] were spoken by an interpreter present on the live call.]