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YY - Q1 2015 YY Inc Earnings Call

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PRESENTATION

Operator

Good day, everyone and welcome to YY's First Quarter 2015 Earnings Conference Call. At this time, all participants are in a listen-only mode. We will be facilitating a question-and-answer session towards the end of this conference. At this point, I would like to turn the call over to Lili Huang, YY's Investor Relations Director.

Lili Huang - *YY Inc. - IR Director*

Thank you, operator. Welcome to YY's first quarter 2015 earnings conference call.

Before we begin, I would like to point out that due to a communication glitch this morning, the earnings was released later than usual. We are sorry for the delay.

Now, going back to the call. As usual, with us today are Mr. David Xueling Li, CEO of YY; and our CFO, Mr. Eric He. Following management's prepared remarks, we will conduct the Q&A session. Before we begin, I refer you to the Safe Harbor statements in our earnings release, which also applies to our conference call today as we will make forward-looking statements.

Now, I would like to turn the conference call over to our CEO, Mr. David Li.

David Xueling Li - *YY Inc. - CEO & Director*

Thank you, Lili. Hello, everyone and thank you for joining today's call.

For the first quarter of 2015, we are pleased to announce robust results, especially since this has historically been a seasonally weak quarter. We are confident that this strong momentum in the first quarter will help us to achieve our growth goals for the year.

Our online music and entertainment business continued to be the major driver of our growth, accounting for over half of our total revenues. We are pleased to find that the mobile growth momentum we saw in Q4 has continued into the first quarter of 2015. Mobile YY users grew over 71%



year over year and now has nearly 34 million monthly active users. In addition, we continued to optimize our mobile payment processes and added the ability to monetize new features such as video clips or Shen Qu, which have helped drive paying user and ARPU growth in the period.

Mobile YY paying user and ARPU were up year over year by 219% and 54%, respectively. As a result, Mobile YY revenues grew almost 400% year over year. It now accounts for nearly one quarter of all music and entertainment revenues, up significantly from the 8% a year ago and the 14% in the last quarter. Even though Mobile YY is still in its early stages of growth, we remain confident that it will reach our target goal of contributing 30% of total music and entertainment revenues for the full year of 2015.

Now, I want to turn to online dating, our fastest growing segment. This business has consistently exceeded our expectations since its inception a year ago. With yet another exceptional quarterly growth of 41%, it now accounts for 11% of our total revenues. We expect that these revenue contributions to the Company will continue to rise for the rest of the year, due in part to our focus on developing this business. For example, we launched a mobile version of our online dating business at the end of January in an effort to expand its user base. While it is still too early to discuss in detail, we can see that the app has already begun to show significant promise. The success of the dating business demonstrates not only our ability to identify and satisfy the various needs of our users on the YY platform, but also our ability to monetize these trends.

To conclude, I want to thank the YY community, our colleagues, and our investors for their continued support. We have more new initiatives planned for 2015 and we're both excited about the Company's future and confident that we will continue to grow and evolve with the ever-changing Internet landscape.

With that, I will hand it over to Eric.

Eric He - YY Inc. - CFO

Thank you, David. Good morning everyone. To start, I'd like to talk about a few items before I dive into our financial performance. I'd like to discuss the margin pressure we saw this past quarter, followed by an update on our education and game broadcasting businesses.

First, due to stronger-than-expected growth of lower margin, user-generated content business lines, we experienced a shift in our overall revenue mix which resulted in gross margin declined to 42%. For 2015, we expected our gross margin to stabilize in the low 40% range. This fast growth was derived from strengthened demand for our music and entertainment, online dating, and other user-generated IVAS business lines.

In addition, as mentioned last quarter, the increased investment in our game broadcasting business through sponsorship fees and bandwidth costs also weighed on our gross margin. The impact of these can be found in the segmental report at the end of the financial statements. Moreover, to compete effectively, we restructured our operating teams for game broadcasting business and we expect to see strengthening performance for the rest of 2015. This, coupled with increased operating efficiency, will allow our profit margins to improve as we progress throughout the year.

Moving on, as you are all aware, last quarter, we made two education-related acquisitions in order to expand our student user base by expanding our educational content offering. We have integrated these two businesses into our education platform, 100.com, and combined, these businesses have contributed roughly RMB20 million in revenue this quarter. Even though the education business is currently operating at a loss, monetization has only just begun. As these business lines becomes more integrated, we will begin to benefit from increased operating leverage for the rest of the year.

Next, I'd like to talk about our game broadcasting business. In the fourth quarter of 2014, we made a decision to restructure the operating team of this business. Similar to education, we expect a transitional period, both in terms of the operating and strategic changes that are taking place. The new team has already begun making innovative and engaging improvements to the platform, such as introducing the quiz functions during live broadcasting to increase user time spend and to encourage user participation. These interactive improvements enable users to easily submit comments on the mobile app, and engage users to share replay videos with one another.

So far in 2015, we are already beginning to see the benefits of this restructuring as user growth has begun to re-accelerate, and we expect revenues to start improving in the second quarter of this year. We look forward to many more innovative and creative ideas from our teams and expect better results from this group in 2015.

One last item I want to point out is that, thus far in 2015, the Company has repurchased approximately \$170 million worth of shares at an average price of \$54.82. All repurchased ADSs were duly retired. With the additional \$100 million buy-back mandate from our Board last Friday, we still have approximately \$130 million left for repurchase program.

I also want to add that this quarter, we broke out segmental financials for our online game broadcasting and education business in an effort to provide greater transparency. You can find information in the unaudited segments report at the end of our earnings press release.

Now, I'd like to move on to our quarterly financial details. Before I get started presenting our financial numbers, I would like to clarify that all the financial numbers we are presenting today are in Renminbi amounts and percentage changes are year-over-year comparisons, unless otherwise noted.

Net revenues for the first quarter 2015 increased by 73% to RMB1.15 billion. This increase was primarily driven by an increase in IVAS revenues. IVAS revenues increased by 73% to RMB1.11 billion. The overall increase primarily reflected an increase in a number of paying users and an expanding paying ratio. Let's look at each of our IVAS business lines more specifically.

Revenue from online music and entertainment increased by 54% to RMB590 million. This increase primarily reflected a 58% increase in the number of paying users to 1.6 million as well as a 2% decrease in ARPU to RMB372 during the first quarter of 2015. Revenue from online games increased by 29% to RMB232 million. This increase primarily reflected a 4% increase in the number of paying users to 477,000 and an increase in ARPU of 24% to RMB486. Also, the number of online games increased to 229 as of March 31, 2015, from 139 a year ago.

Revenue from online dating increased by 1,699% to RMB132 million. This increase primarily reflected a 433% increase in the number of paying users to 192,000 and an increase in ARPU of 237% to RMB687.

Revenue from others increased by [120%] to RMB157 million. This includes revenue from online game broadcasting, which increased by 133% to RMB55 million, and revenue from the membership program, which increased by 42% to RMB62 million. The revenue increase in membership program primarily reflected a 25% increase in the members to 1,062,000 as of March 31, 2015.

Other revenues, which mainly include our online education platform and online advertising platform, were RMB39 million in the first quarter of 2015, compared to RMB24 million in the corresponding period of 2014. This increase was primarily due to revenue contributions from the newly acquired education businesses.

Cost of revenues increased to RMB673 million. This was primarily attributable to an increase in revenue sharing fees and content costs, which increased to RMB412 million this quarter from RMB179 million last year. This increase included revenue sharing fees and content costs to performers, channel owners, and content providers and was primarily due to higher levels of user engagement and spending, and increasing categories of emerging new business lines. In addition, bandwidth costs increased to RMB130 million, representing 11% of revenues, due to providing better quality broadcasting streams to our online game broadcasting users and utilizing higher resolution videos.

Gross profit increased by 37% to RMB478 million. Gross margin was 42% compared with 52% in the corresponding period of 2014. The decrease in gross margin was mainly attributable to the changes in our business mix to more user-generated content business lines, which includes our music, entertainment and online dating businesses and the increased bandwidth costs and sponsorship fees related to online game broadcasting.

Our non-GAAP operating income increased 21% to RMB276 million. Non-GAAP operating margin decreased to 24%, as compared to 34% in the corresponding period last year, primarily driven by the decrease in gross margin for the reasons listed above.

GAAP net income attributable to YY increased 24% to RMB227 million from RMB184 million. GAAP net margin decreased to 20% from 28% in the same quarter last year. Non-GAAP net income attributable to YY increased by 25% to RMB259 million, while non-GAAP net [margin] decreased to 23% from 31% in the same period last year.

Diluted net income per ADS increased to RMB3.83 or \$0.62, from RMB3.06 in the same quarter last year. Non-GAAP diluted net income per ADS increased to RMB4.36 or \$0.70, from RMB3.46 in the corresponding period of 2014. For the second quarter of 2015, we currently expect our net revenue to be between RMB1.27 billion and RMB1.29 billion, representing year-over-year growth of approximately 51% to 53%.

This concludes our prepared remarks for today. Operator, we are now ready to take some questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Alicia Yap, Barclays.

Alicia Yap - Barclays Capital - Analyst

I have got a couple of quick questions. Number one is that on the competitive landscape on the game broadcasting, can you actually update us on that front? And then related to that, is that, how much of the RMB700 million that you budgeted to spend for the game broadcasting this year that you already spent in the first quarter?

Eric He - YY Inc. - CFO

The game broadcasting business, as we mentioned it is -- the competition is pretty keen. So, we have done a couple of things to cope with it. We mentioned that at the end of last year, we restructured our team. And now, with the new team, we have seen quite a lot of innovative improvements. As mentioned in our prepared remarks, I think the competition is still there. However, we believe we are improving our business line.

In terms of [\$700 million] spent for the entire year, I think if you look at our separated or segmental reports, you'll be able to see that for the first quarter, we have roughly booked RMB90 million, roughly RMB90 million loss. Because if you use RMB700 million for the whole year, and we mentioned that our expected revenue from the game broadcasting business is roughly RMB300 million, essentially that's going to be RMB400 million loss, if you divide it by four. So the first quarter is approximately pretty much on track. However, I do want to actually communicate with everyone that, as I mentioned it, we feel that our game broadcasting business is improving. So we expect that the future loss should be narrowing for the rest of the year.

Alicia Yap - Barclays Capital - Analyst

Can I ask the second question, which is on your 2Q guidance? So, how should we think about each business line growth for the quarter? For example, the online dating and the music growth? And were you being conservative on your second quarter or was this because of actually it's a difficult year-over-year comp?

Eric He - YY Inc. - CFO

I think for the second quarter guidance, as we mentioned it that this number is pretty much on track with the consensus. The consensus for the second quarter on a year-over-year basis is about growth of 50% plus growth rate. And what we try to guide our investors is that we are pretty much on track to deliver that. But we have various lines of business. We have music, we have games, we have other dating business. Some business

may perform a little better or grow a little faster than the others. For example, our game business as we mentioned before that we expect game revenue should be growing in the range of 20% to 30% throughout the years. And on the other hand, our dating business is definitely growing much more than 50% year-over-year basis. Our music business, we are expecting that it should be growing along the line with the entire revenue. So with all this anticipation, I think our second quarter's revenue number is pretty much on track.

Operator

Natalie Wu, CICC.

Natalie Wu - CICC - Analyst

I have two questions if I may. The first is, you mentioned in your opening remarks that Mobile YY MAU reached nearly 34 million in the first quarter. Can you give us some color on the latest MAU of YY platform and how much is coming from client YY and web YY. And also you mentioned revenue contribution from Mobile YY, so can we know the -- some color on the mobile contributions from Huya broadcasting?

And the second is, the ARPU of online dating seems to be very high. Wondering if it is a normal level or seasonal effect also played some parts in it.

Eric He - YY Inc. - CFO

Okay. Well, you asked a lot of questions. But anyway, I try to give you the answer. If I miss anything, please remind me. I think for first quarter, our overall platform MAU is 117 million. This number is pretty much similar to the numbers in the fourth quarter. But we have to remember that the first quarter is traditionally a weak season, as David mentioned it and fourth quarter is the strongest quarters in a year. So we believe that first quarter we can achieve the same amount of MAU as we did in the fourth quarter last year itself is achievement.

If we break it down, this numbers, we see that our mobile MAU is the one grow the fastest. From the fourth quarter's 30 million MAU on mobile, now in the first quarter it's 34 million. And for our web MAU, in the fourth quarter it was roughly 44 million and now in the first quarter it was 43 million. So it dipped a little bit, but not that much differences. In our client PC MAU, it was 50 million in the first quarter, but in the fourth quarter, it was about 53 million. If you add those numbers altogether, you will get a number greater than 170 million. And then that is the overlap users, we have to take that away.

So, basically, I think we have seen that the first quarter, our business had been growing at a very healthy mode, despite the fact that the first quarter is the weakest quarters of the year, but we see our mobile business continue to grow. We see this trend will continue for the rest of the year.

Then you asked about Huya Mobile's revenue contribution. I think at this point of time, Huya Mobile has just started to operate, so we do not actually have the number to share with you at this moment. And you also asked a question about the ARPU numbers for our dating business. Yes, dating business ARPU in the first quarter was more than RMB600, which is higher than our expectation. I think this is probably not a big surprise because our dating is providing a very popular dating shows. And people who are on the stage, in a show, they pretty much want to being driven by their sense of prestige and sense of participation. So they have inclination to pay more. So, at the end of the day you will see the ARPU reflects the fact.

However, I want to point out, is that our dating team or our dating operation does not actually put a focus on increasing their ARPU. This ARPU increase is very normal, natural courses of the business operations. In fact, in the future quarters you may see the ARPU up and down by their operation strategies, meaning that, as we can see that they're launching their mobile apps, usually people will spend less on the mobile apps. I think that maybe a possibility for dating to see -- that the ARPU will decrease or stabilizing at this time. I think I just want to point out the ARPU of dating business at this moment is, it's a very natural operation result. It's not something that they are trying to raise the ARPU numbers.



Operator

Yu-Heng Fan, China Renaissance.

Yu-Heng Fan - *China Renaissance Securities - Analyst*

My first question is regarding the cost of revenue for the Huya.com. I wonder if you can separate the content cost and bandwidth cost for your RMB122 million cost of revenue for Huya.com?

Eric He - *YY Inc. - CFO*

I don't think. For this call purpose, we can perhaps do it in the future because this is after the discussion with our auditors. So right now, we're lumping those two numbers together as a cost of revenue. I would say that most of the cost of Huya services contains content cost, the sponsorship fees, and the bandwidth costs. I think we can do that breakdown later in the future and share with the investors.

Yu-Heng Fan - *China Renaissance Securities - Analyst*

Okay. Thank you. And my second question is actually a follow-up of a market dynamic for the online game broadcasting. Other than the sitting player like [Diaoyu TV], we're also seeing some transition to online video platform like Youku, they are also launching their online game broadcasting. I wonder, from your perspective, how do you see those newcomers in this space?

Eric He - *YY Inc. - CFO*

I think the more the competitors coming to the market means this pie is big enough. So, in some way it's a good sign. I think in order to make a great business, you actually have to have a very vibrant ecosystem. We believe that on YY platform we have built a very formidable ecosystem for various business including game broadcasting business.

I think last year, even that we have seen the competition becomes more fierce, but we have not seen that we lose too much of users on YY platform itself. In fact, what we have seen was, because that game broadcasting videos are one of the favorites videos by Internet users, so we did not actually attract enough users from outside of YY users who like the game broadcasting videos. So that's the part that we need to beef up. So I think this year that will be our focal point.

Yu-Heng Fan - *China Renaissance Securities - Analyst*

Thank you. I have one last housekeeping, if I may. What was the CapEx you made in first quarter and how will that impact to your future depreciation?

Eric He - *YY Inc. - CFO*

For the CapEx, I don't think that first quarter we have any particular big CapEx. Most of the capital expenditures will be spent on servers and the building improvements. I think the first quarter was quite normal. I don't have the number right off my hand, but I can come up with that number later with you. But I just want to let you know that that number is quite normal. It's not big enough.

Operator

Vivian Hao, Deutsche Bank.



Vivian Hao - *Deutsche Bank - Analyst*

I have two questions here. First of all, can you let us know, what is the discount of your mobile ARPU relative to your PC ARPU? Any particular patterns of mobile paying users that you have observed so far?

And second question is regarding, as for the revenue sharing scheme, I think, Eric, you mentioned in the previous quarters that it's pretty similar across all business lines. Is this still the same case, or it's quite different for maybe some business units like game broadcasting and education?

Eric He - *YY Inc. - CFO*

Yes. The first question is regarding the mobile business. I believe that our mobile business continued to improve in the first quarter. As the specific question you are asking is ARPU numbers. The ARPU of mobile users in the fourth quarter was roughly one-third of PC users. But when it comes to the first quarter 2015, we improved to roughly half of the PC users.

I can give you another number so that you can verify this. The mobile revenue as a percentage of total revenue in our music business in the first quarter was 24%, up from 14% from the fourth quarter. And our paying users as a percentage -- paying users of the total paying users in our music business, it was 48% in the first quarter of 2015, was up from 40% fourth quarter 2014. So those two numbers if you compare, you'll know what I mean. So our ARPU of mobile users continue to improve. And the paying user number itself actually has a gigantic increase. On a QoverQ basis, it was up 29% from the fourth quarter to the first quarter of this year. On a year-over-year basis, it tripled. So I would say that our mobile business continued to improve greatly.

In terms of revenue sharing percentage, as a platform, we need to be fair to every business line. Not only that we need to treat every users and channel owners and guild at the same basis. So, no matter that you are a guild leader or the channel owners in our music business, in our game broadcasting business, or in the dating business, all the revenue sharing percentage is approximately the same. Sometimes we may run some kind of promotional subsidies in specific business when they are still young. But as we already noticed that the dating business, it was the first year last year, but it has grown so much and become 11% of the total revenue, as David mentioned it. So I think those subsidies are going away. So I would say that, yes, correct, revenue sharing percentage and ratios is very much the same for different line of business in our platform.

Operator

Alex Yao, JPMorgan.

Alex Yao - *JPMorgan - Analyst*

I have a question on the longer-term competitive landscape in your new initiatives, i.e. the game broadcasting and online dating business. Given the current competitive situation and your competitive advantage and disadvantage, do you think three years down the road these two businesses in China will become a winner-takes-all type of the market or do you think that this is more like a content-driven, reasonably consolidated but still with a few sizable players market structure in three years' time?

Eric He - *YY Inc. - CFO*

This is a very long-term strategic question that, Alex, you asked. In three years' time, I wish I have the visions to know what's going to happen. But I would try to answer your questions. Maybe, David will add a little more later on. Let me try to give a shot.

For game broadcasting business, to YY, it's a very integral part of our platform service. As you know that YY derived or we actually was originated from gaming populations. So this is a very important part of our services. So that's why we actually spend some money to enrich the content of our platform, and also satisfy the needs of our users.

So we, as I mentioned before, that even that with a very fierce and keen competition from 2014 all the way to 2015, we haven't seen our user base on our game broadcasting business to reduce. In fact, our problem was, we didn't gain fast enough, the new users from outside of YY. I think that will be the focal point for us to perform in this year.

In three years' time, we will see that the power of the platform, the power of the products and the power of the ecosystem will become dominant, because those three have to be together. Otherwise, you will not have a so-called closed loop, so the user will not stay on your platform. So that's why we need to strengthen every part of it; products, content and our platform. So that's our goal for our game broadcasting business.

On our dating business, I think once again the dating business that we have is a little bit different from the traditional dating services. In fact, the service that we have is a dating show. Once again, we are pioneering this business. We once again believe that the products -- that the platform [itself] and user experience are a very important part of the business.

So we are trying to focus on those areas. But when it comes to the dating business, we continue to believe that this could be great services for the mobile applications. That's why we are launching our mobile apps for dating business. And we believe that if we can successfully integrate some of the social networks' functionalities onto our dating shows, this product can become a great product. And the platform has lots of opportunities down the road in the future.

David Xueling Li - YY Inc. - CEO & Director

(spoken in foreign language).

Eric He - YY Inc. - CFO

I'd like to translate what David says. I think the core of YY platform or the core of the YY service is we have built many communities. We have the game communities, we have music communities, we have dating community, we have entertainment communities. So when it comes to communities, there are a lot of relationship or connections in these communities. So, community itself, it's difficult to have the big one takes all, this kind of effect, just like Alex mentioned. For example, in the West, we see Facebook, we also see Twitter, we also see LinkedIn, for different purpose, for different applications, for different users. They will use different type of the apps or different type of services. So we believe that for the community-driven platform, the competition will be always there. It could be actually in different platforms such as PC will have a big ones, web could have a different ones, and mobile or app market will have different ones.

So, because of the communities has various relationships and connections, which will result in coexistence of many different dominant players. That's what David wants to convey.

Alex Yao - JPMorgan - Analyst

(interpreted) I do the translation myself. Thank you Eric and David. Can I follow up with a web question? In the past two to three years or so, you guys have been expanding the community and social platform through various contents such as game broadcasting and online dating. Does that mean YY will become increasingly more heavy on the content side? And how do you balance the social community, the virality and content?

David Xueling Li - YY Inc. - CEO & Director

(spoken in foreign language).

Eric He - *YY Inc. - CFO*

I would like to translate what David mentioned. I think just like Alex says, over the last couple of years we have seen that the content on YY platform has evolved, has improved, and become multi-facet, and it becomes very rich. And we believe that enhance the quality of the content, it's very, very important. And that's the direction we are trying to do. But we also want to point out that enhance the quality of the content actually is with the help of our channel owners or guild leaders, because those guys are running a business on YY platform, and they have incentive, they have very strong will, wants to improve their business, so that they actually push or they actually recruit more better quality performers come to our platform. So they actually help us to enhance the quality of our content.

On the other hand, because of the improvement of YY's quality, we also been seen by the outsiders. The outside of YY a lot of people see that, oh, YY is becoming a more influential platform. So more and more good content would like to come in. For example, we have seen that a lot of talent agents since last year, they're already joining on YY platform or there are a lot of different type of the performance groups, they want to join us. And even some of the famous actors or singers, they want to join us. Because of their participations that will actually inspire even more good content to be generated on our platform. So at the end of the day, if those two forces become more and more interactive, then we will see that our content will be accepted by more of our users in the mainstream. So that's our direction and that's what we are aiming for.

Operator

Jialong Shi, Credit Suisse.

Jialong Shi - *Credit Suisse - Analyst*

I have two follow-ups. The first is about the game broadcasting business, and I think Eric mentioned earlier on the call, you now expect the net loss for game broadcasting. The net loss for game broadcasting business to be narrowing for the rest of the year, which could suggest the full-year loss should be lower than your original guidance of [RMB409]. So I just wonder, what are the drivers for that. Is it because of faster game broadcasting revenue growth or because more disciplined spending on this business?

Eric He - *YY Inc. - CFO*

As I mentioned it that the main driver for our game broadcasting business is very strong ecosystem on YY platform. As I mentioned it, even that we face very fierceful, very keen competition from last year, we are actually seeing our game broadcasting users on YY platform not reducing. We are maintaining a very good pool of user base on our platform.

I think what I mentioned it, is that we need to focus on beef up to attract even more users who like game broadcasting videos and joining YY. That's the part that we lack doing, last year. So I think the reason that I expect that the loss will be narrowing is because I think our revenue will pick up a little better or faster than our originally expected.

Jialong Shi - *Credit Suisse - Analyst*

Thank you. That's very clear. And also the second follow-up is about the management comment in the prepared remarks, and I think you guys recently restructured the operation team for game broadcasting business. So I just wonder what were the issue with your original team that have triggered this restructuring.

Eric He - *YY Inc. - CFO*

As I mentioned it, that we actually had a very, very good platform. We have lot of users, but unfortunately we failed to attract people who like game broadcasting services outside of YY. And I think that's the missing link. So we try to actually strengthen this missing link, that's why we have another

team to help us to do this. So far in 2015, we have seen actually many innovative strategy and movement which prompt me to believe that the game broadcasting business is improving.

Lili Huang - YY Inc. - IR Director

I think, Jialong, just on top of that I would like to add on this, perhaps we should look at the game broadcasting as a startup, because in effect, quite often that when business have a startup -- in a startup business, they always try different methods and try different approaches. And so this is exactly what we're doing. If something is not working, then, we try something else. And so as you see, the Google changed their Google Glass team and perhaps it's the same sort of synergy.

Jialong Shi - Credit Suisse - Analyst

Actually, can I ask the last follow-up question? Eric just mentioned, for the game broadcasting business that you guys try to attract users from the ex-YY platform instead of try to grab audience from your existing applications. So I just wonder, for your online dating business, how many of the audience were from the ex-YY platform, how many of them were from within the YY platform?

Eric He - YY Inc. - CFO

I think, Jialong, you misunderstood what I mean. What I mean is we see game broadcasting business has a lot of follower, has a lot of users. On YY platform itself, we have already a large sum of users using game broadcasting business, as you know that we are the early pioneer of this business. But what we have found out or what we missed was that outside of YY platform, there are a lot of even more game broadcasting lovers who actually didn't choose YY as their first choice. And so that's the part that we missed. So we believe that that's the part we're going to beef up. At this point of time, it's difficult to distinguish who are original YY users, who are not. Because once you log in, once you become our user, there's no way for us to distinguish that when do you join YY or log in as a user.

So, I think overall, that's our strategy moving forward, we already see some positive results. So that's why I said that, starting from second quarter, we shall see some improvement on our game broadcasting business.

Operator

Cheng Cheng, Pacific Crest Securities.

Cheng Cheng - Pacific Crest Securities - Analyst

Two quick questions, maybe first on the online dating business. Just in terms of paying users. I was wondering if you could provide me or provide us a number in terms of overlap between your music paying users and your online dating paying users.

Eric He - YY Inc. - CFO

Our online music paying user and online dating paying users overlap very little. We basically see that they are -- I don't have a specific number, but I can give you a rough number, it should be less than 10%, in terms of paying users.

Cheng Cheng - Pacific Crest Securities - Analyst

Okay. Great.

Eric He - YY Inc. - CFO

But I will double check and get back to you.

Cheng Cheng - Pacific Crest Securities - Analyst

Sure, great. Thank you. Just on the music ARPU, mobile versus PC, I know you guys talked about solid progress from Q4 to Q1. Just thinking about for the rest of the year, where do you expect that to trend? And is there anything specific in terms of promotions or product enhancements that we should look at to drive better ARPU on the mobile side?

Eric He - YY Inc. - CFO

Yes. We continue to believe that the trend moving from PC to mobile will continue for the rest of the year. We are seeing that even in the weakest quarter like the first quarter, we see that our mobile users still ramp up very healthily. We believe that, wait until the second quarter and third quarter, we may have some specific product or strategy launch. We will continue to see that the mobile user continue to ramp.

So I will point out one thing that 2015 really is a very important year for YY. We are in a year of the investments. We are in a year of transition. Investment in terms of game broadcasting business. We invest so much money, because that we believe we want to even apply more users onto our platform. We are in a year of transition from PC to mobile in our music business, as you know that there's only half ARPU of the mobile user in our music business compared with PC users. So that's why you see that the music business growth momentum seems to be a little bit off than last year. Last year was more than 100%, this year is only at about 50%. But as long as we can continue and insist on this route, when we grow more users, I think our future is very bright.

Cheng Cheng - Pacific Crest Securities - Analyst

Great. Thank you.

Eric He - YY Inc. - CFO

I would like to thank you for participating on our conference call. I think this will conclude our conference call.

Operator

Ladies and gentlemen, that does conclude our conference for today. We thank you for your participation. You may now disconnect.

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