



# **Q4 2024 Earnings Prepared Remarks**

**February 24, 2025**

## Legal Disclaimer

This document contains forward-looking statements about our future financial performance and other future events and trends, including guidance. These statements are only predictions that are based on what we believe today, and actual results may differ materially. These forward-looking statements are subject to risks, uncertainties, assumptions, and other factors that could affect our financial results and the performance of our business. We will discuss them in detail in our filings with the SEC, including today's earnings press release, and the risk factors and other information contained in the final prospectus relating to our initial public offering. Agora assumes no obligation to update any forward-looking statements we may make on this document.

**Zhao Bin, founder, chairman and CEO**

Thanks operator, and welcome everyone to our earnings call.

I will first review our operating results from the past quarter.

This quarter, we achieved GAAP profitability—a significant milestone for our company. This success is the result of strong revenue growth from new use cases and disciplined cost management. While we've faced challenges over the past few years—from the pandemic to regulatory changes and macroeconomic pressures—our team's hard work, innovation, and focus have brought us back to profitability. As we look ahead to 2025, we remain committed to driving operational efficiency and delivering sustainable, profitable growth.

Total revenues in the fourth quarter were 34.5 million dollars, up 4 percent year over year, excluding revenues from certain end-of-sale low-margin products, mainly driven by business expansion in certain use cases such as live shopping and entertainment.

As of the end of 2024, we had over 17 hundred active customers for Agora and close to two thousand for Shengwang excluding Easemob, an increase of 2 percent and 8 percent, respectively, compared to one year ago.

Now, let's turn to our business, product, and technology updates for the quarter.

The generative AI revolution is advancing at an incredible pace. Over the past few months, we've seen groundbreaking developments—from OpenAI's reasoning model o1 to Google's multimodal Gemini 2.0, as well as remarkable open-source innovations like DeepSeek.

This transformation presents extraordinary opportunities for our business. Our Real-Time Engagement technology is uniquely positioned to enable seamless, voice-based interactions between humans and AI models. By moving beyond basic text chat to multimodal conversations, we are the key technology to enable and ensure more intuitive and expressive communication experiences. It also introduces entirely new use cases where text input simply is not practical or efficient.

However, many large language models today still lack robust voice interaction capabilities. For those that do support voice interaction, the experience often falls short with high latency, awkward pauses,

interruptions, and sensitivity to background noise, which can lead to frustrating user experiences.

To address this gap, we've supported and contributed to an open-source project in our developer community called the Transformative Extensions Network, or TEN. TEN is an orchestration framework that enables developers to rapidly build multimodal AI agents. It integrates building blocks for speech-to-text, large language models, text-to-speech, retrieval augmented generation, video understanding and many other useful modules, enabling developers to easily create real-time, low-latency AI experiences. Essentially, this framework can enable any text-based large-language model to deliver a voice-based conversational experience.

For example, a developer can use TEN to quickly build a voice agent combining Microsoft's STT, DeepSeek's LLM, and Fish Audio's TTS—all in a matter of minutes. Since its launch, TEN has become the fastest-growing projects of its kind, earning over 4,500 GitHub stars in just a few months. On multiple occasions, TEN topped the trending list as the number one Python project on GitHub and remained on the list for several days.

Building on TEN's success, I'm excited to announce the launch of our Conversational AI Engine—an enterprise-grade solution that empowers developers to create interactive voice experiences with any AI model. Whether it's a custom-built model deployed on-premises or a leading LLM accessed via API, our Conversational AI Engine can make it talk and interact naturally with humans.

What sets this solution apart is its ability to integrate easily with new AI models. For instance, we integrated with Google Gemini's Multimodal Live API within 24 hours of its release in last December. The same 24 hours integration was true for DeepSeek in January. Our solution is also compatible with many popular STT and TTS modules.

But broad compatibility is not the only advantage. Our Conversational AI Engine elevates the conversation experience in three key areas:

First, conversation dynamics. To create natural, human-like interactions, the engine intelligently detects and pauses for user interruptions within 350 milliseconds—ensuring conversations feel smooth and intuitive.

Second, voice processing. Our selective attention algorithm enables the AI model to focus solely on the primary speaker and topic, filtering out distractions from irrelevant speakers in the background. Additionally, our advanced noise suppression and echo cancellation algorithms ensure that the AI model receives crystal clear human input necessary for generating high quality responses.

Lastly, latency. Leveraging our global infrastructure, the engine responds to queries in as little as 500 milliseconds, dynamically handling packet loss and minimizing delays across different network conditions.

We have been working closely with customers to build and test conversational AI applications across various use cases—from virtual companions and live language tutoring to smart IoT devices, virtual shopping assistants, and customer support. We believe this innovation will accelerate the adoption of conversational AI across industries and become a key driver of our future growth.

Before I wrap up, I want to take a moment to thank the incredible teams at Agora and Shengwang. Your dedication and hard work in this fast-evolving environment have been nothing short of inspiring. Together, we're pushing the boundaries of real-time AI interactions and unlocking new possibilities for human-AI communication.

I'm excited about what lies ahead, and I look forward to sharing more updates with you soon.

With that, let me turn things over to Jingbo, who will review our financial results.

**Jingbo Wang, CFO**

Thank you, Tony. Hello everyone.

Let me start by first reviewing financial results for the fourth quarter of 2024 and then I will discuss outlook for the first quarter of 2025.

Total revenues were \$34.5 million in the fourth quarter. Excluding revenues from certain end-of-sale low-margin products, total revenues increased 9.1% quarter-over-quarter and 3.6% year-over-year.

Agora Revenues were \$17.4 million in the fourth quarter, an increase of 10.8% quarter-over-quarter, and an increase of 13.7% year-over-year. The increase was primarily due to business expansion and usage growth in certain verticals such as live shopping and entertainment.

Shengwang Revenues were RMB122.2 million in the fourth quarter. Excluding revenues from certain end-of-sale low-margin products, Shengwang Revenues increased 8.2% quarter-over-quarter, and decreased 5.4% year-over-year. The quarter-over-quarter increase was primarily due to an increase in revenues from digital transformation customers. The year-over-year decrease was primarily due to slowing demand from social and entertainment verticals due to regulation and general economic conditions.

Dollar-Based Net Retention Rate is 95% for Agora and 79% for Shengwang, excluding revenues from certain end-of-sale products and discontinued business.

Moving onto cost and expenses.

Gross margin for the fourth quarter was 66.6%. If we exclude gross profit from certain end-of-sale products, gross margin of continuing business slightly decreased 0.1% quarter-over-quarter and 0.8% year-over-year.

As we mentioned in the last earnings call, we restructured and reduced our global workforce in November 2024. Operating expenses were \$28.5 million in the fourth quarter, decreased 4.1 million from \$32.6 million in Q2 2024 as the baseline. We expect to see additional savings on operating expenses in Q1 2025.

R&D expenses were \$14.8 million in Q4, decreased 9.3% year-over-year. R&D expenses represented 42.9% of total revenues in the

quarter, compared to 45.3% in Q4 last year.

Sales and marketing expenses were \$7.3 million in Q4, increased 3.1% year-over-year. Sales and marketing expenses represented 21.1% of total revenues in the quarter, compared to 19.6% in Q4 last year.

G&A expenses were \$6.4 million in Q4, decreased 18.4% year-over-year. G&A expenses represented 18.6% of total revenues in the quarter, compared to 21.9% in Q4 last year.

Moving on to the bottom line. Net income was \$0.2 million in Q4, translating to a 0.5% net income margin for the quarter, compared to a net loss margin of 7.2% in Q4 last year.

As Tony just mentioned, we achieved a significant milestone this quarter: profitability on GAAP basis for the first time in several years. This not only demonstrates our ability to deliver on our commitments but also reflects our unwavering focus on creating long-term value for our shareholders. Looking ahead, we remain committed to driving innovation, optimizing operations, and maintaining the financial discipline necessary to ensure continued success.

Now turning to cash flow, operating cash flow was \$4.5 million in Q4, compared to \$3.7 million last year. Free cash flow was \$4.3 million, compared to \$3.4 million last year.

Moving onto balance sheet. We ended Q4 with \$363.8 million in cash, cash equivalents, bank deposits and financial products issued by banks. Net cash inflow in the quarter was mainly due to free cash flow of \$4.3 million, which was offset in part by share repurchase of \$1.4 million.

Since the board approved our share repurchase program in February 2022 and as of December 31, 2024, we have completed 58% of our \$200 million share repurchase program. We are pleased to announce that our board has authorized another 12-month extension of our share repurchase program through February 28, 2026, with all other terms unchanged. This decision reflects the board's confidence in the Company's long-term growth potential and our commitment to delivering value to our shareholders.

Now turning to guidance. For the first quarter of 2025, we currently expect total revenues to be between \$31 and 33 million, compared to \$29.7 million in the first quarter of 2024, if revenues from certain

end-of-sale low-margin products are excluded. Looking forward, our goal is to maintain sustained profitability throughout 2025, driven by strategic initiatives, operational efficiency, and emerging market opportunities in generative AI. This outlook reflects our current and preliminary views on the market and operational conditions, which are subject to change.

In closing, I'd like to express my sincere gratitude to both Agora and Shengwang teams for your incredible effort and commitment. It's what made these achievements possible. And thank you to everyone for attending the call today.

Let's open it up for questions.