



# **Q2 2025 Earnings Prepared Remarks**

**August 18, 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.

We are proud to deliver our third consecutive quarter of GAAP profitability in Q2, with expanding margins driven by solid revenue growth and continued efficiency improvement. Total revenues in Q2 reached 34.3 million dollars, up 11 percent year over year, excluding revenues from certain end-of-sale low-margin products, with healthy growth momentum from both the Agora and Shengwang sides.

Our GAAP net profit for the quarter was \$1.5 million, more than triple the previous quarter, with a GAAP net margin of 4.3 percent. Considering seasonality and our strong business outlook, we are confident in our ability to continue improving GAAP profitability through the remainder of the year.

At the end of Q2, we had close to 19 hundred active customers for Agora and approximately two thousand for Shengwang excluding Easemob, representing an increase of 12 and 1 percent respectively compared to one year ago.

Now, turning to our business, product, and technology updates for the quarter.

Since the launch of our Conversational AI Engine product a few months ago, we have rapidly iterated based on our roadmap and customer feedback. At the World Artificial Intelligence Conference last month, we unveiled a major upgrade with three new features.

First, we added an advanced attention locking feature, which allows an AI agent to focus on a specific user's voice to stay on the topic, even when there are other people talking in the background. This feature is important because without it, those background voices would be fed into the large language model, confusing the model, and sometimes making the conversation impossible to continue.

Second, we added real-time vision-based intelligence to our Conversational AI Engine, enabling the AI to understand visual context along with spoken conversation. For example, a user can ask about buildings or landmarks while traveling abroad or ask for help with a math problem written on a whiteboard.

Finally, we introduced natural interactive avatars that can synchronize lifelike facial and body movements with speech, making conversations more engaging for applications in education, customer support, and beyond.

These new features are all aimed at one goal: making AI conversations as natural as human interaction. Now, AI agents can lock onto the user's voice, understand what the user sees, and respond with facial and body movements through avatars. We believe these advancements bring us closer to that goal. We are also encouraged by the extremely warm reception from developers and the general audience at the World AI Conference.

Over the past quarter, developers and customers across various industries continued to build AI applications using our conversational AI solutions. Many of them have made solid progress, moving from proof-of-concept to real-world deployment.

For example, a major food delivery platform operating in South America leveraged our Conversational AI Engine to power an AI agent that automatically calls restaurants and local businesses. Currently, our solution supports thousands of agent calls per day—a small fraction of the total potential volume. As we continue to learn from real world usage, we expect to improve performance and expand into more use cases and higher volumes for this customer. We also believe this success will help drive broader adoption of our conversational AI solution in the customer service industry.

Another inspiring example is Fuzozo, an adorable AI companion toy developed by our customer Robopoet. Users received the first shipments in mid-July and quickly shared their excitement on social media. Powered by our Conversational AI solution, Fuzozo delivers natural and engaging conversations with users. We have observed that a significant portion of sessions between users and Fuzozo last for more than 50 rounds of interaction. Based on our internal assessment, Fuzozo is a top performer among AI companion toys on the market in terms of stability, response quality, and human-like emotional expression.

Venturing into uncharted territory means solving complex problems every day. Our solution is still being optimized and requires ongoing improvement to provide the best performance in some corner cases. That said, we've never been more confident in the transformative potential of human-AI conversation. In addition, given the greater

value and higher technical complexity of our Conversational AI solution, we expect its pricing to be an order of magnitude higher than our standard RTC audio product, unlocking significant revenue potential ahead.

Today we also announced the resignation of Shawn Zhong from his position as our Director, Chief Technology Officer and Chief Scientist due to personal reasons. I will personally take over his operational responsibilities to strengthen our technology leadership and drive conversational AI innovations. I would like to thank Shawn for his dedicated service and contribution over the past seven years.

Tony Wang, a founding member and currently Chief Revenue Officer of the Agora division, and Jingbo Wang, our Chief Financial Officer, have been appointed as directors of the board. I'm pleased to welcome Tony and Jingbo to the board. Their strategic vision and operational expertise will be invaluable to the board as we continue to drive innovation and deliver long-term value for our shareholders.

Before I conclude, I want to express my appreciation to our leadership team for driving transformation and to every member of the Agora and Shengwang teams for your dedication. I also want to thank our shareholders for your continued trust and support, and for believing in our long-term vision and the significant market opportunity ahead. Together, we are shaping the future of human-AI interaction and engagement.

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 second quarter of 2025 and then I will discuss outlook for the third quarter.

Total revenues for the second quarter reached \$34.3 million. Excluding revenues from certain end-of-sale low-margin products, revenues grew 11% year-over-year, representing our second consecutive quarter of double-digit organic growth.

Agora revenues reached \$18.2 million in Q2, representing 16.7% year-over-year growth and a 2.2% quarter-over-quarter decline. The strong year-over-year growth reflects our successful market penetration and growing adoption—particularly in high-growth verticals such as live shopping and entertainment. The marginal sequential decrease is mainly due to usage fluctuation of customers.

Shengwang revenues reached RMB115.5 million in Q2. Excluding certain end-of-sale low-margin products, Shengwang revenues grew 6.7% year-over-year and 9.5% sequentially, driven by continued business expansion and adoption in key verticals such as digital transformation and IoT.

Dollar-Based Net Retention Rate is 97% for Agora and 87% for Shengwang, marking the second consecutive quarter of improvement for both businesses.

Gross margin for the second quarter was 66.8%. If we exclude gross profit from certain end-of-sale low-margin products, gross margin of continuing business slightly decreased 1.2% year-over-year and sequentially.

Moving onto expenses. R&D expenses were \$14.0 million in Q2, decreased 23% year-over-year. R&D expenses represented 40.8% of total revenues in the quarter, compared to 53% in Q2 last year.

Sales and marketing expenses were \$6.5 million in Q2, increased 4% year-over-year. Sales and marketing expenses represented 19% of total revenues in the quarter, compared to 18.3% in Q2 last year.

G&A expenses were \$6 million in Q2, decreased 26.6% year-over-year. G&A expenses represented 17.6% of total revenues in the quarter, compared to 24% in Q2 last year.

Moving on to the bottom line. We delivered net income of \$1.5 million in Q2, more than triple the previous quarter, representing a 4.3% net income margin. This result represents a significant improvement from the 27% net loss margin in Q2 last year and marks our third consecutive quarter of GAAP profitability. Based on our current business momentum and visibility into the second half, we expect net income to grow sequentially throughout 2025.

Now turning to cash flow. Operating cash flow was negative \$0.4 million in Q2, compared to negative \$7.6 million last year.

Moving onto balance sheet. We ended Q2 with \$377 million in cash, cash equivalents, bank deposits and financial products issued by banks. Net cash outflow in the quarter was mainly due to share repurchase of \$10.9 million.

In the second quarter, we repurchased 13.1 million ordinary shares, or 3.3 million ADSs, representing 3.5% of our outstanding shares at the beginning of the quarter. Since our board approved the share repurchase program in February 2022, we have repurchased \$127.2 million worth of shares through June 30, 2025. We're fully committed to creating shareholder value through this program, while keeping the financial flexibility to invest in growth opportunities such as Conversational AI.

Now turning to guidance. For the third quarter of 2025, we currently expect total revenues to be between \$34 and 36 million, compared to \$31.6 million in the third quarter of 2024, representing year-over-year growth rate of 7.6% to 13.9%. This outlook reflects our current and preliminary views on the market and operational conditions, which are subject to change.

In closing, I want to take a moment to recognize the exceptional work of the Agora and Shengwang teams. Our double-digit revenue growth and improving profits are a direct result of your effort and focus. To our shareholders — thank you for your trust and support. Together, we're building a lasting company at the forefront of AI innovation.

Thank you all for joining today's call. Let's open it up for questions.