



# **Q1 2025 Earnings Prepared Remarks**

**May 27, 2025**

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**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.

I am very happy to report our second consecutive quarter of GAAP profitability in Q1, driven by double-digit revenue growth year-over-year on a comparable basis and disciplined cost management. This is a great achievement, and I want to thank the Agora and Shengwang teams for their efforts and dedication.

Total revenues in Q1 were 33.3 million dollars, up 12 percent year over year, excluding revenues from certain end-of-sale low-margin products, with healthy business expansion and net retention rate recovery from both the Agora and Shengwang sides. Our GAAP net profit for the quarter, though still at a modest base, more than doubled from the previous quarter. As you know, Q1 typically marks our seasonal low point with fewer calendar days and reduced online activity during the New Year holiday period. Considering the seasonal trend and our current business momentum, we are confident that we will maintain GAAP profitability for the remainder of the year.

At the end of Q1, we had more than 18 hundred active customers for Agora and close to two thousand for Shengwang excluding Easemob, both representing an increase of 5 percent compared to one year ago.

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

In March, we announced the general availability of our Conversational AI Engine in China, enabling developers to create interactive voice experiences with any large language model. The product has been refined based on extensive customer feedback during the private and public beta phases. Today, this product is still in the public beta stage for the US and global markets, and it already delivers industry-leading performance on latency, noise suppression, interruption handling and network resilience.

Our Conversational AI Engine unlocks innovation across multiple verticals and use cases - from virtual companions and shopping assistants to customer service and outbound marketing. Particularly, we believe education is where the conversational AI experience can have a huge impact in boosting student engagement with personalized content and adaptive practice. Imagine an AI teaching

assistant that talks in real-time, adjusting to each student's needs and providing truly personalized instruction at scale. We're already seeing this vision come to life. Several EdTech customers, such as Dou Shen AI in China, are in the advanced stage of developing AI-powered language tutoring products with our solution.

In Q1, we also launched our Conversational AI Device Kit, a turnkey IoT module combining our software, cloud services and high-performance chips from Beken. The Device Kit enables device manufacturers to add conversational AI to any IoT device, from toys and robotics to smart speakers. As a turnkey solution, it can significantly reduce the upfront R&D cost and time to market for device manufacturers. For example, our customer Robopoet announced their latest AI companion robot, Fuzozo, at the Mobile World Congress. Powered by our Device Kit, Fuzozo listens, senses and responds in real time, creating personalized support and even emotional connections with users.

We are also making exciting progress on our open-source initiatives and developer ecosystem. TEN, our sponsored open-source project for building real-time conversational AI agents, continues to gain remarkable traction. With 6,000 GitHub stars, it is the fastest-growing project in its category globally. Leading cloud providers, including AWS and Oracle Cloud, are providing support for deploying TEN on their infrastructure. Recently, we launched voice activity detection and turn detection modules as part of the TEN project, which outperform all existing open-source alternatives, further demonstrating our commitment to the community and the conversational AI ecosystem.

Over the past few months, we have seen a tremendous amount of interest in our conversational AI products and open-source projects. Product registrations and inquiries following the product launch have reached record highs, and our developer workshops in Beijing, Tokyo and San Francisco have attracted large, passionate audiences. Today, many customers are working closely with us in proof-of-concept development.

Before I wrap up, I want to give special recognition to our incredible teams at Agora and Shengwang. In this fast-moving AI revolution, their dedication and innovative spirit are what allow us to pioneer the future of human-AI interaction. Each day, we are not just keeping pace with change – we are creating it, unlocking new possibilities and

shaping a new paradigm. The opportunities ahead are truly exciting, and I can't wait to share our next chapter of progress with all of you.

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

Total revenues for the first quarter reached \$33.3 million, exceeding the high end of our guidance range. On a year-over-year basis, and excluding revenues from certain end-of-sale low-margin products, revenue growth accelerated to 12.1%—up from 3.6% in Q4 last year. This demonstrates a clear pickup in our business momentum.

Agora revenues reached \$18.6 million in Q1, growing 17.7% year-over-year and 6.9% sequentially. This sustained performance reflects our successful market expansion and growing adoption—particularly in high-potential verticals such as live shopping and entertainment, where usage continues to grow.

Shengwang revenues reached RMB105.5 million in Q1. Excluding certain end-of-sale low-margin products, Shengwang revenues grew 6.7% year-over-year and declined 13.7% sequentially. The year-over-year growth reflects continued business expansion and adoption in key verticals such as entertainment and IoT, while the sequential decline is mainly due to normal seasonality—with Q4 historically seeing peak demand for digital transformation projects and Q1 experiencing softer activity from social and education customers due to holidays.

Dollar-Based Net Retention Rate is 96% for Agora and 85% for Shengwang, both improved from previous quarters.

Moving onto cost and expenses.

Gross margin for the first quarter was 68.0%. If we exclude gross profit from certain end-of-sale products, gross margin of continuing business increased 0.6% year-over-year and 1.4% quarter-over-quarter.

As we mentioned in the previous earnings call, we restructured and reduced our global workforce in November 2024. As a result, operating expenses decreased 6.1 million from \$32.6 million in Q2 2024 as the baseline, and were \$26.5 million in the first quarter.

R&D expenses were \$14.0 million in Q1, decreased 22.7% year-over-

year. R&D expenses represented 42.1% of total revenues in the quarter, compared to 54.5% in Q1 last year.

Sales and marketing expenses were \$6.2 million in Q1, decreased 8.5% year-over-year. Sales and marketing expenses represented 18.7% of total revenues in the quarter, compared to 20.5% in Q1 last year.

G&A expenses were \$6.2 million in Q1, decreased 25.6% year-over-year. G&A expenses represented 18.8% of total revenues in the quarter, compared to 25.2% in Q1 last year.

Moving on to the bottom line. We delivered net income of \$0.4 million in Q1, representing a 1.2% net income margin. This represents a substantial turnaround from the 28.7% net loss margin in Q1 last year and marks our second consecutive quarter of GAAP profitability. With our current business momentum and visibility, we anticipate maintaining profitability throughout 2025.

Now turning to cash flow. Operating cash flow was \$17.6 million in Q1, compared to negative \$6.5 million last year. The positive cash flow included \$17.8 million in interest proceeds from maturity of bank deposits and financial products issued by banks.

Moving onto balance sheet. We ended Q1 with \$388 million in cash, cash equivalents, bank deposits and financial products issued by banks. Net cash inflow in the quarter was mainly due to operating cash flow of \$17.6 million and the release of \$3.5 million in restricted cash, which was offset in part by share repurchase of \$1.2 million.

Since our board approved the share repurchase program in February 2022, we have repurchased \$116.4 million worth of shares through March 31, 2025. So far in Q2, we have already bought back over \$8 million worth of shares. We remain committed to creating shareholder value through this program while preserving the financial flexibility needed to invest in growth opportunities.

Now turning to guidance. For the second quarter of 2025, we currently expect total revenues to be between \$33 and 35 million, compared to \$30.9 million in the second quarter of 2024, representing year-over-year growth rate of 6.8% to 13.3%, if revenues from certain end-of-sale low-margin products are excluded. 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 – your dedication and execution have made these outstanding results possible. This quarter, we're proud to have delivered revenue above expectations, achieved consecutive GAAP profitability, and maintained a robust financial position.

Thank you all for joining today's call. We appreciate your ongoing support.

Let's open it up for questions.