



Agora, Inc. Reports Second Quarter 2020 Financial Results

August 17, 2020

SANTA CLARA, Calif., Aug. 17, 2020 (GLOBE NEWSWIRE) -- Agora, Inc. (NASDAQ: API) ("Agora"), a pioneer and leading platform for real-time engagement APIs, today announced its financial results for the second quarter ended June 30, 2020.

"We delivered strong results in our first quarter as a public company, with total revenues up 128% year-over-year. Our efficient and scalable business model focused on developers also contributed to positive GAAP profitability and free cash flow in the quarter," said Tony Zhao, founder, chairman and CEO of Agora. "Developers around the world continue to use Agora's real-time engagement APIs to build immersive experiences for their end users and enable meaningful human connections. The successful completion of our IPO in June will provide additional brand visibility and capital to drive our growth as we strive to fulfill our mission of making real-time engagement ubiquitous."

Second Quarter 2020 Highlights

- **Total revenues** for the quarter were \$33.9 million, an increase of 127.5% from \$14.9 million in the second quarter of 2019.
- **Active Customers** as of June 30, 2020 were 1,486, an increase of 85.5% from 801 as of June 30, 2019.
- **Constant Currency Dollar-Based Net Expansion Rate** was 183.2% for the trailing 12-month period ended June 30, 2020.
- **Net income** for the quarter was \$3.0 million, compared to net loss of \$2.0 million in the second quarter of 2019. After excluding share-based compensation expense, non-GAAP net income for the quarter was \$4.7 million, compared to the non-GAAP net loss of \$0.3 million in the second quarter of 2019. **Adjusted EBITDA** for the quarter was \$5.7 million, compared to \$0.1 million in the second quarter of 2019.
- **Cash and cash equivalents** as of June 30, 2020 was \$640.9 million, including \$485.6 million in net proceeds from the IPO and the concurrent private placement, after deducting underwriting discounts and commissions and other offering expenses payable by Agora.
- **Net cash generated from operating activities** for the quarter was \$7.5 million, compared to net cash used in operating activities of \$4.9 million in the second quarter of 2019. **Free cash flow** for the quarter was positive \$3.6 million, compared to negative \$6.6 million in the second quarter of 2019.

Second Quarter 2020 Financial Results

Revenues

Total revenues were \$33.9 million in the second quarter of 2020, an increase of 127.5% from \$14.9 million in the same period last year, primarily due to increased usage of our video and voice products as result of our business expansion.

Cost of Revenues

Cost of revenues was \$11.4 million in the second quarter of 2020, an increase of 148.2% from \$4.6 million in the same period last year, primarily due to increase in bandwidth and co-location costs as we continued to scale our business.

Gross Profit and Gross Margin

Gross profit was \$22.5 million in the second quarter of 2020, an increase of 118.3% from \$10.3 million in the same period last year. Gross margin was 66.4% in the second quarter of 2020, a decrease of 2.8% from 69.2% in the same period last year, primarily due to international expansion to regions with higher infrastructure costs.

Operating Expenses

Operating expenses were \$20.2 million in the second quarter of 2020, an increase of 64.3% from \$12.3 million in the same period last year.

- **Research and development expenses** were \$10.9 million in the second quarter of 2020, an increase of 91.3% from \$5.7 million in the same period last year, primarily due to increased personnel costs as we continue to build our research and development team.
- **Sales and marketing expenses** were \$5.9 million in the second quarter of 2020, an increase of 16.7% from \$5.1 million in the same period last year, primarily due to increased personnel costs as we continue to build our team and advertising expenses.
- **General and administrative expenses** were \$3.4 million in the second quarter of 2020, an increase of 121.2% from \$1.5 million in the same period last year, primarily due to increased personnel costs as we continue to build our team and professional services expenses.

Other Operating Income

Other operating income was \$770 thousand in the second quarter of 2020, compared to \$14 thousand in the same period last year, primarily due to additional value added tax deductions and income tax refund.

Income/(Loss) from Operations

Income from operations was \$3.1 million in the second quarter of 2020, compared to loss from operations of \$2.0 million in the same period last year.

Interest Income

Interest income was \$120 thousand in the second quarter of 2020, an increase of 48.1% from \$81 thousand in the same period last year, primarily due to an increase in the average balance of cash and cash equivalents.

Income Taxes

Income taxes were \$0.2 million in the second quarter of 2020, an increase of 39.7% from \$0.1 million in the same period last year, primarily due to increase in pre-tax income generated by our subsidiaries.

Net Income/(Loss)

Net income was \$3.0 million in the second quarter of 2020, compared to net loss of \$2.0 million in the same period last year.

Net loss attributable to ordinary shareholders

Net loss attributable to ordinary shareholders for the quarter was \$157.8 million, compared to net loss attributable to ordinary shareholders of \$13.0 million in the same period last year, primarily due to accretion of preferred shares to redemption value.

Net loss per American Depositary Share

Net loss per American Depositary Share ("ADS") ¹ was \$4.60, compared to net loss of \$0.45 per ADS in the same period last year.

Financial Outlook

Based on currently available information, Agora expects total revenues for the full fiscal year ending December 31, 2020 to be between \$125 million and \$130 million. This forecast reflects the Company's current and preliminary views on the market and operational conditions, and the outlook ranges for full year 2020 reflect a number of assumptions that are subject to change based on uncertainties related to the impact of the COVID-19 pandemic.

Earnings Call

Agora will host a conference call to discuss its financial results and outlook at 6 p.m. Pacific Time / 9 p.m. Eastern Time on the same day. Details for the conference call are as follows:

Event title: Agora, Inc. 2Q 2020 Financial Results

Conference ID: 3363465

Direct Event online registration: <http://apac.directeventreg.com/registration/event/3363465>

Please register in advance of the conference using the link provided above. Upon registering, you will be provided with participant dial-in numbers, a Direct Event passcode and a unique registrant ID.

Please visit Agora's investor relations website at <https://investor.agora.io/investor-relations> on August 17, 2020 to view the earnings release and accompanying slides prior to the conference call.

A digital recording of the conference call will be available for replay approximately two hours after the call's completion (dial-in number: US 18554525696, International +61 2 81990299; same conference ID as shown above) and remain up for approximately one week.

Use of Non-GAAP Financial Measures

Agora has provided in this press release financial information that has not been prepared in accordance with generally accepted accounting principles in the United States (GAAP). Agora uses these non-GAAP financial measures internally in analyzing its financial results and believes that use of these non-GAAP financial measures is useful to investors as an additional tool to evaluate ongoing operating results and trends and in comparing Agora's financial results with other companies in its industry, many of which present similar non-GAAP financial measures. Besides free cash flow (as defined below), each of these non-GAAP financial measures represents the corresponding GAAP financial measure before share-based compensation expenses. We believe that such non-GAAP financial measures help identify underlying trends in our business that could otherwise be distorted by the effect of such share-based compensation expenses that we include in cost of revenues, total operating expenses and net income (loss). We believe that all such non-GAAP financial measures also provide useful information about our operating results, enhance the overall understanding of our past performance and future prospects and allow for greater visibility with respect to key metrics used by our management in its financial and operational decision-making.

Non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable GAAP financial measures and should be read only in conjunction with Agora's consolidated financial statements prepared in accordance with GAAP. A reconciliation of Agora's historical non-GAAP financial measures to the most directly comparable GAAP measures has been provided in the tables captioned "Reconciliation of GAAP to Non-GAAP Measures" included at the end of this press release, and investors are encouraged to review the reconciliation.

Definitions of Agora's non-GAAP financial measures included in this press release are presented below.

Non-GAAP Net Income (Loss)

Agora defines non-GAAP net income (loss) as net income (loss) adjusted to exclude share-based compensation expense.

Adjusted EBITDA

Agora defines Adjusted EBITDA as net income (loss) before exchange gain (loss), interest income, income taxes, depreciation and amortization, and adjusted to exclude the effects of share-based compensation expense.

Free Cash Flow

Agora defines free cash flow as net cash provided by operating activities less purchases of property and equipment. Agora considers free cash flow to be a liquidity measure that provides useful information to management and investors regarding net cash provided by operating activities and cash used for investments in property and equipment required to maintain and grow the business.

Operating Metrics

Agora also uses other operating metrics included in this press release and defined below to assess the performance of its business.

Active Customers

Agora defines an active customer at the end of any particular period as an organization or individual developer from which Agora generated more than \$100 of revenue during the preceding 12 months. Agora counts customers based on unique customer account identifiers. Generally, one software application uses the same customer account identifier throughout its life cycle while one account may be used for multiple applications.

Constant Currency Dollar-Based Net Expansion Rate

Agora calculates Dollar-Based Net Expansion Rate for a trailing 12-month period by first identifying all customers in the prior 12-month period, and then calculating the quotient from dividing the revenue generated from such customers in the trailing 12-month period by the revenue generated from the same group of customers in the prior 12-month period. Constant Currency Dollar-Based Net Expansion Rate is calculated the same way as Dollar-Based Net Expansion Rate but using fixed exchange rates based on the daily average exchange rates prevailing during the prior 12-month period to remove the impact of foreign currency translations. Agora believes Constant Currency Dollar-Based Net Expansion Rate facilitates operating performance comparisons on a period-to-period basis as Agora does not consider the impact of foreign currency fluctuations to be indicative of its core operating performance.

Safe Harbor Statements

This press release contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended and the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical or current fact included in this press release are forward-looking statements, including but not limited to statements regarding Agora’s financial outlook, beliefs and expectations. Forward-looking statements include statements containing words such as “expect,” “anticipate,” “believe,” “project,” “will” and similar expressions intended to identify forward-looking statements. Among other things, the Financial Outlook in this announcement contain forward-looking statements. These forward-looking statements are based on Agora’s current expectations and involve risks and uncertainties. Agora’s actual results and the timing of events could differ materially from those anticipated in such forward-looking statements as a result of these risks and uncertainties, which include, without limitation, risks related to the growth of the RTE-PaaS market; Agora’s ability to manage its growth and expand its operations; the continued impact of the COVID-19 pandemic on global markets and Agora’s business, operations and customers; Agora’s ability to attract new developers and convert them into customers; Agora’s ability to retain existing customers and expand their usage of Agora’s platform and products; Agora’s ability to drive popularity of existing use cases and enable new use cases, including through quality enhancements and introduction of new products, features and functionalities; Agora’s fluctuating operating results; competition; the effect of broader technological and market trends on Agora’s business and prospects; general economic conditions and their impact on customer and end-user demand; and other risks and uncertainties included under the caption “Risk Factors” and elsewhere in our filings with the Securities and Exchange Commission, including, without limitation, the final prospectus related to the IPO filed with the SEC on June 26, 2020. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this press release. All forward-looking statements are qualified in their entirety by this cautionary statement, and Agora undertakes no obligation to revise or update any forward-looking statements to reflect events or circumstances after the date hereof.

About Agora

Agora’s mission is to make real-time engagement ubiquitous, allowing everyone to interact with anyone, in any application, anytime and anywhere. Agora’s platform provides developers simple, flexible and powerful application programming interfaces, or APIs, to embed real-time video and voice engagement experiences into their applications.

For more information, please visit: www.agora.io.

¹ One ADS represents four Class A ordinary shares.

Agora, Inc. Condensed Consolidated Balance Sheets (Unaudited, in US\$ thousands)

	As of June 30, 2020	As of December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	640,854	105,603
Accounts receivable, net	27,940	16,248
Prepayments and other current assets	4,484	1,381
Total current assets	673,278	123,232
Property and equipment, net	11,093	6,282

Deferred tax assets	824	836
Other non-current assets	492	809
Total assets	<u>685,687</u>	<u>131,159</u>
Liabilities, mezzanine equity and shareholders' equity (deficit)		
Current liabilities:		
Accounts payable	5,839	4,088
Advances from customers	957	921
Taxes payable	2,059	2,493
Accrued expenses and other current liabilities	21,896	10,979
Total current liabilities	<u>30,751</u>	<u>18,481</u>
Total liabilities	<u>30,751</u>	<u>18,481</u>
Mezzanine equity	-	239,970
Shareholders' equity (deficit):		
Ordinary shares	-	12
Class A ordinary shares	33	-
Class B ordinary shares	8	-
Additional paid-in-capital	811,194	-
Accumulated other comprehensive loss	(1,459)	(988)
Accumulated deficit	(154,840)	(126,316)
Total shareholders' equity (deficit)	<u>654,936</u>	<u>(127,292)</u>
Total liabilities, mezzanine equity and shareholders' equity (deficit)	<u>685,687</u>	<u>131,159</u>

Agora, Inc.

Condensed Consolidated Statements of Comprehensive Income (Loss)
(Unaudited, in US\$ thousands, except share and per ADS amounts)

	Three Month Ended		Six Month Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Real-time engagement service revenues	33,672	14,863	69,118	28,150
Other revenues	232	38	346	113
Total revenues	<u>33,904</u>	<u>14,901</u>	<u>69,464</u>	<u>28,263</u>
Cost of revenues	11,377	4,584	22,459	8,736
Gross profit	<u>22,527</u>	<u>10,317</u>	<u>47,005</u>	<u>19,527</u>
Operating expenses:				
Research and development	10,919	5,708	22,607	9,908
Sales and marketing	5,913	5,067	11,915	9,073
General and administrative	3,396	1,535	6,941	3,097
Total operating expenses	<u>20,228</u>	<u>12,310</u>	<u>41,463</u>	<u>22,078</u>
Other operating income	770	14	793	19
Income (loss) from operations	<u>3,069</u>	<u>(1,979)</u>	<u>6,335</u>	<u>(2,532)</u>
Exchange gain	7	31	-	13
Interest income	120	81	217	124
Income (loss) before income taxes	<u>3,196</u>	<u>(1,867)</u>	<u>6,552</u>	<u>(2,395)</u>
Income taxes	(190)	(136)	(559)	(326)
Net income (loss)	<u>3,006</u>	<u>(2,003)</u>	<u>5,993</u>	<u>(2,721)</u>
Less: cumulative undeclared dividends on convertible redeemable preferred shares	(3,316)	(2,490)	(6,715)	(4,980)

Less: accretion on convertible redeemable preferred shares to redemption value	(157,502)	(8,550)	(193,466)	(18,729)
Net loss attributable to ordinary shareholders	<u>(157,812)</u>	<u>(13,043)</u>	<u>(194,188)</u>	<u>(26,430)</u>
Other comprehensive loss:				
Foreign currency translation adjustments	31	(405)	(470)	(84)
Total comprehensive loss attributable to ordinary shareholders	<u>(157,781)</u>	<u>(13,448)</u>	<u>(194,658)</u>	<u>(26,514)</u>
Net loss per ADS attributable to ordinary shareholders, basic and diluted	(4.60)	(0.45)	(6.04)	(0.93)
Weighted-average shares used in computing net loss per ADS attributable to ordinary shareholders, basic and diluted	137,167,618	114,842,026	128,524,877	114,048,078

Agora, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited, in US\$ thousands)

	Three Month Ended June 30,		Six Month Ended June 30,	
	2020	2019	2020	2019
Cash flows from operating activities:				
Net income (loss)	3,006	(2,003)	5,993	(2,721)
Adjustments to reconcile net income (loss) to net cash generated from (used in) operating activities:				
Share-based compensation expense	1,651	809	3,098	1,739
Depreciation of property and equipment	1,005	429	1,750	771
Changes in assets and liabilities:				
Accounts receivable	3,320	(2,141)	(12,126)	(1,006)
Prepayments and other current assets	(980)	(307)	(3,146)	68
Other non-current assets	(17)	32	2	17
Accounts payable	(3,236)	(1,315)	1,552	(85)
Advances from customers	184	560	46	426
Taxes payable	(631)	112	(399)	95
Accrued expenses and other current liabilities	3,149	(1,110)	9,761	(619)
Net cash generated from (used in) operating activities	<u>7,451</u>	<u>(4,934)</u>	<u>6,531</u>	<u>(1,315)</u>
Cash flows from investing activities:				
Purchase of short-term investments	-	(2,935)	-	(9,605)
Proceeds from sale and maturity of short-term investments	-	6,604	-	8,086
Purchase of property and equipment	(3,825)	(1,645)	(6,321)	(2,409)
Net cash generated from (used in) investing activities	<u>(3,825)</u>	<u>2,024</u>	<u>(6,321)</u>	<u>(3,928)</u>
Cash flows from financing activities:				
Proceeds from issuance of Series C+ convertible redeemable preferred shares, net of the issuance costs of nil	-	-	50,000	-
Proceeds from the IPO and concurrent private placement, net of underwriter discounts and commissions and other offering costs paid	485,555	-	485,324	-
Net cash provided by financing activities	<u>485,555</u>	<u>-</u>	<u>535,324</u>	<u>-</u>
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	20	(212)	(283)	(18)
Net increase (decrease) in cash, cash equivalents and restricted cash	489,201	(3,122)	535,251	(5,261)
Cash, cash equivalents and restricted cash at beginning of period *	151,733	106,459	105,683	108,598
Cash, cash equivalents and restricted cash at end of period **	<u>640,934</u>	<u>103,337</u>	<u>640,934</u>	<u>103,337</u>
Supplemental disclosure of cash flow information:				
Income taxes paid	724	411	724	411

Non-cash financing and investing activities:

Accretion to redemption value of convertible redeemable preferred shares	157,502	8,550	193,466	18,729
Payables for property and equipment	921	130	921	130
Payables for deferred initial public offering cost	1,690	-	1,690	-

* includes restricted cash balance 80 80 80 80

** includes restricted cash balance 80 80 80 80

Agora, Inc.

Reconciliation of GAAP to Non-GAAP Measures

(Unaudited, in US\$ thousands, except share and per ADS amounts)

	Three Month Ended		Six Month Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
GAAP net income (loss)	3,006	(2,003)	5,993	(2,721)
Add:				
Share-based compensation expense	1,651	1,656	3,098	2,586
Non-GAAP net income (loss)	4,657	(347)	9,091	(135)
Net income (loss)	3,006	(2,003)	5,993	(2,721)
Excluding:				
Exchange rate gains	7	31	-	13
Interest income	120	81	217	124
Income taxes	(190)	(136)	(559)	(326)
Depreciation and amortization expense	1,005	429	1,750	771
Share-based compensation expense	1,651	1,656	3,098	2,586
Adjusted EBITDA	5,725	106	11,183	825
Net cash generated from (used in) operating activities	7,451	(4,934)	6,531	(1,315)
Purchase of property and equipment	(3,825)	(1,645)	(6,321)	(2,409)
Free Cash Flow	3,626	(6,579)	210	(3,724)
Net cash generated from (used in) investing activities	(3,825)	2,024	(6,321)	(3,928)
Net cash provided by financing activities	485,555	-	535,324	-

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Source: Agora, Inc.