



Q4 2021 Earnings Prepared Remarks

February 22, 2022

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Zhao Bin, founder, chairman and CEO

Thanks, Fionna, and welcome everyone to our earnings call.

2021 was a year of great opportunities and challenges for Agora. I'm extremely proud to see how hard our team worked together across the globe and across every vertical to drive Agora forward. It is exciting to see how much we have accomplished and how much innovation we have fostered with our Real-Time Engagement Platform.

I'm proud to say that as of the end of 2021, the Agora SDKs were installed globally in more applications than any other real-time video or voice SDK by a very large margin, according to data.ai, previously known as App Annie.

Our technology and product innovation are what distinguish us as the pioneer and leader in real-time engagement. Today, we are powering the new norm of engagement and emotional human connection both virtually and in real life.

Now, let's shift to our earnings.

We delivered another quarter of solid results. Our revenue for the fourth quarter were 40.4 million dollars, up 21 percent year-over-year. At the end of December, we had more than 400 thousand registered apps on our platform, and our number of active customers reached nearly 27 hundred, adding nearly 6 hundred year-over-year.

For the full year of 2021, we powered more than 600 billion minutes of real-time engagements in total, and our revenue was 168 million dollars, which represents an increase of 26 percent from 2020.

If we look at our key markets, revenue from United States and APAC excluding China recorded the strongest growth in this quarter. We are now powering many leading metaverse platforms in South Korea, many leading online education companies in South Asia, and many highly innovative interactive e-commerce, audio livecast and virtual event platforms in the US.

In China, our market leadership was clearly demonstrated by a recent IDC report, which ranked Agora as the number 1 real-time video and voice API provider, with a market share greater than the next 7 providers combined. In this quarter, despite the impact of the new regulation on K12 after-school-tutoring sector, revenue from other sectors remained healthy.

As real-time engagement use cases continued to expand across

regions, our revenue sources have also become more diversified. In this quarter, revenue contribution from usage outside China was 35%, the highest in our history.

Moving onto new use cases.

One of my favorite use cases in 2021 is with Blue Frog Robotics. This amazing company, powered by Agora technology, is changing the way hospitalized students interact with teachers, classmates, friends, and family through this emotional robot named Buddy.

In France, Buddy the robot was deployed to nearly 2,000 school children and the First Lady of France has been supporter in extending the program across the country. In 2022, you will be seeing much more from Blue Frog, Buddy and how Agora is powering the world for the better.

In the Netherlands, Conference Compass, a hybrid event engagement platform focused on global scientific and medical conferences, leveraged Agora's live interactivity technology to double revenue.

And a bit closer to home, across the country from our Santa Clara, California headquarters, the University of Maryland Medical System built a fully integrated application into all their back-end systems to obtain patient information. They named it "TelePort". TelePort is used across 14 hospitals and 200 departments. Agora is embedded in the platform for all video and audio engagement between doctors and patients as well as between providers and staff.

In the longer term, I believe metaverse will become one of the most important use cases for Agora. We have made significant investments in this field and recently announced several solutions tailored built for metaverse, for example MetaKTV and MetaChat.

Our MetaKTV solution is an expansion of our one-stop online Karaoke solution that I mentioned in previous earnings call. On top of our technology that enables users to sing together at ultra-low latency, and our usage-based copyright solution for hundreds of thousands of soundtracks, MetaKTV reproduces an old school karaoke room in the virtual world, with avatar singers and audiences, stages, party lights and screens, all with beautiful 3D rendering. In this virtual karaoke room, users are able to sing and dance on the stage, or wave and cheer in front of it, and hear and see each other in real time.

Our MetaChat solution allows users to create and customize avatars with hundreds of options, meet friends in a virtual bar or café, and

engage with each other through voice chat in the shared virtual space.

Both MetaKTV and MetaChat are supported by our latest 3D spatial audio technology, which allows users to perceive sound as coming from different locations and distance around the user in the virtual space. Technically, this is a very challenging task, because all the sounds generated by users and the environment need to be updated in real-time as users move inside the virtual space. Despite the technical challenges, I believe 3D spatial audio is an important technology that makes the virtual world feel “real”. With spatial audio, users will feel more present and engaged, whether they are in a livecast session or during gameplay.

These R&D investments have enabled fast go-to-market for our customers. We are seeing many innovative metaverse use cases from all over the world, leveraging our RTE technology. For example, we helped Oasis, a popular metaverse platform in Brazil, to enable house parties at their users’ virtual home. Powered by our MetaKTV solution, XRSPACE built an online karaoke platform called PartyOn, and I welcome you to experience it for yourself.

Now moving onto security, compliance, and privacy protection.

As always, they are critical to our success. Recently we were awarded the ISO 27701 Certificate on our information security management system. We also partnered with Bishop Fox to improve our ability to defend real-world, sophisticated attacks. Looking forward, we will continue to work with leading experts to ensure that our security practice remains best-in-class.

Lastly, I would like to take the opportunity to thank our customers and our developer community for their innovation and passion to build RTE all the way with us. I also want to say thank you to all the Agorans for their hard work and dedication to our customers’ success. I feel incredibly confident to embrace the promising future of real time engagement. Let’s create and enjoy it together.

Now 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 Q4 and then I will discuss our outlook for the fiscal year of 2022.

Total revenues grew 21% year over year to \$40.4 million in the fourth quarter of 2021. Total revenues for the fiscal year of 2021 were \$168 million, which represented 26% year over year growth and exceeded the high end of our guidance range by \$3 million. Number of active customers reached more than 26 hundred, excluding those for Easemob, up 27% year-over-year. The growth in revenue and active customer was mainly driven by continued adoption of our technology by worldwide developers, as well as the emergence and growth of new use cases.

As we mentioned in previous earnings call, our revenue growth in the quarter was negatively impacted by the new regulation on K12 academic tutoring sector in China. We expect such impact to continue and hopefully bottom out in the first quarter of 2022.

Our trailing-twelve-months Constant Currency Dollar-Based Net Expansion Rate is 104%, excluding Easemob, at the end of 2021. We also calculated adjusted expansion rate to exclude the impact from COVID-19 in the first half of 2020, and the adjusted expansion rate would be 124%.

Moving onto cost and expenses. For my following comments, I will focus on non-GAAP results, which exclude share-based compensation expenses, acquisition related expenses, amortization expenses of acquired intangible assets and income tax related to acquired intangible assets.

Non-GAAP gross margin for the fourth quarter was 64%, which was 3.5% higher than Q4 2020. As we mentioned in previous earnings calls, the increases were mainly driven by technical and infrastructural optimizations we have been implementing since the beginning of 2021.

Non-GAAP R&D expenses were \$23.5 million in Q4, up 80.2% year-over-year, as we continued to hire talented employees and strengthen our R&D team, as well as the consolidation of Easemob's R&D team. Non-GAAP R&D expenses was 58.1% of total revenues in the quarter, compared to 39.2% in Q4 last year. Our strategy is to focus on long-term growth opportunities and innovation instead of maximizing short-term profitability. We will continue to invest significant

resources in our R&D capabilities, in order to further strengthen our technology leadership, provide a more diverse product portfolio and empower emerging use cases around the world.

Non-GAAP sales and marketing expenses were \$12.2 million in Q4, up 76.1% year-over-year, mainly attributable to team expansion and increased advertising and event expenses, including expenses related to our RTE 2021 conference. Sales and marketing expenses represented 30.2% of total revenues in the quarter, compared to 20.8% in Q4 last year.

Non-GAAP G&A expenses were \$7.3 million in Q4, up 29.5% year-over-year, mainly due to team expansion and expected credit loss provisions. G&A expenses represented 18.1% of total revenues in the quarter, compared to 17% in Q4 last year.

Non-GAAP operating loss was \$15.4 million, translating to a 38.2% non-GAAP operating loss margin for the quarter, compared to an operating loss margin of 14.4% in Q4 last year.

Turning to cash flow, operating cash flow was positive \$5.1 million in Q4, compared to positive 2 million last year. Free cash flow was positive \$2.9 million, compared to negative \$1.4 million last year.

Moving onto balance sheet. We ended Q4 with \$755 million in cash, cash equivalents and short-term investments, compared to \$767 million at the end of Q3. Net cash outflow in the quarter was mainly due to consideration paid for Easemob acquisition of \$13.9 million.

Now turning to guidance, COVID-19 is still an unprecedented variable to our business model, where historical experience may not apply. Our guidance on full year revenues reflects various assumptions that are subject to change based on uncertainties related to the impact of the COVID-19 pandemic. In addition, as mentioned in previous earnings call, we expect the new regulation on K12 academic tutoring sector in China will continue to have a significant negative impact on our revenue in the near term. With that, we currently expect total revenues for the fiscal year of 2022 to be in the range of \$176 million to \$178 million, which would represent approximately 5.4% year-over-year growth at the midpoint.

Today, we announced that our board of directors has authorized a share repurchase program of up to 200 million dollars. The program demonstrates our confidence in the fundamentals, strategies and long-term growth potential of Agora, and our commitment to enhancing shareholder value. With more than 750 million dollars of

cash on hand at the end of 2021, we believe will be able to continue to invest in our technology and business expansion at the same time.

In closing, we are very proud of the execution and strong performance in this remarkable year. Regardless of all the difficulties and challenges, we are confident about the long-term prospect of our business. Thank you to the entire Agora team for your hard work and everyone attending the call today and hope you are healthy and safe.

Let's open it up for questions.