

Q3 2026 Earnings Prepared Remarks

November 16, 2026

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Zhao Bin, founder, chairman and CEO

Thanks operator and welcome everyone to our earnings call.

Let me begin with a review of our operating results for the quarter.

I am pleased to report our third consecutive quarter of accelerating revenue growth and our eighth consecutive quarter of GAAP profitability. Total revenues for the third quarter of 2026 reached 42.1 million dollars, representing year-over-year growth of 19 percent. Our dollar-based net retention rate was 110 percent, compared to 97 percent in the same quarter last year.

Both our revenue growth and net retention rate improved further from Q2. This reflects the strength of our core human-to-human real-time engagement business, as well as the increasing revenue contribution from customers building human-to-AI voice applications.

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

Last quarter, we discussed the transition of conversational AI from proof of concept to real-world production. This quarter, we saw even stronger evidence of this transition through actual customer deployments. Across outbound marketing, market research, customer service, and other enterprise workflows, customers are no longer asking whether an AI agent can complete a conversation. Instead, they are increasingly asking whether it can deliver reliable business outcomes at scale.

The standards for these deployments are demanding. In many enterprise use cases, AI agents are evaluated against human employees. They must understand customer intent, respond naturally, follow required workflows, and deliver consistent performance. Low cost alone is not enough to convince customers to replace human representatives. Adoption happens only when the quality of AI interactions is comparable to, or better than, that of human interactions.

Through our continued efforts to advance our technology, which I will discuss in a moment, we have achieved human-level performance across an expanding range of use cases. Today, our conversational AI products are deployed in more than a dozen use cases, serving over one million agent calls per day.

If we look at the broader real-time engagement industry, I believe 2026 marks an important turning point. Earlier this year, OpenAI published a technical report on using WebRTC to enable high-concurrency, low-latency interactions between humans and AI. Around the same time, several other leading AI companies also adopted WebRTC in their products. These developments have helped establish WebRTC as a key technology for real-time human-to-AI interaction. As a result, Google search interest in WebRTC reached an all-time high, bringing renewed attention and momentum to the broader real-time engagement industry.

For Agora, this represents a significant opportunity. We have spent more than a decade building real-time engagement infrastructure, including our global network and software capabilities for supporting large-scale, full-duplex interactions. We are now extending this infrastructure beyond human-to-human engagement to support the growing demand for human-to-AI interaction.

In fact, we have been at the forefront of conversational AI's evolution from the beginning. From early cascaded architectures to end-to-end voice models, and now to more advanced systems featuring full-duplex interaction and both fast and slow reasoning, we have worked closely with developers and partners to bring these technological advances into real-world production.

At our flagship intelligent RTE conference last month, we introduced our latest technology, the Agora Conversational Agent System. It enables AI agents to perceive, understand intent, reason, and respond continuously in a full-duplex manner. It also incorporates capabilities such as memory, evaluation, and self-improvement, along with other tools needed to build more capable agents.

Within this system, our global real-time network provides the low latency and reliability required for human-to-AI interaction. Our Conversational AI Engine coordinates the underlying models, audio processing, interruption handling, and conversation logic. Our orchestration and harness tools enable customers to integrate memory and domain-specific workflows, while continuously improving agent performance through feedback. Together, these components provide a complete technology stack that helps customers move from a model demo to a production-grade AI agent.

We are also continuing to lower the barriers to adoption for

developers. Recently, we released skills, CLI tools, and recipes that enable developers to use AI coding agents to build voice agents. Developer experience has always been a priority for us, and we will continue to make our APIs intuitive and easy to use for both human developers and AI coding agents.

Looking ahead, we remain focused on three priorities.

First, we will continue to expand and replicate deployments of our conversational AI products across customers, industries, and geographies, with a focus on use cases that deliver clear business outcomes and attractive unit economics.

Second, we will continue to improve the ease of use and self-service capabilities of our products, while further expanding developer awareness and adoption.

Third, we will continue to invest in our infrastructure, including deploying real-time inference nodes in key markets, while maintaining financial discipline.

The broader industry shift is clear. Real-time engagement is expanding beyond human-to-human to include human-to-AI interaction. As conversational AI evolves from basic turn-by-turn exchanges toward richer contextual understanding, more complex collaboration, and increasingly personalized experiences, reliable real-time infrastructure will become even more important.

We believe Agora is uniquely positioned at the intersection of conversational AI, real-time engagement, and global infrastructure to help customers capture this opportunity.

Before I conclude, I would like to thank our customers, developers, partners, and shareholders for their continued trust and support, and our global Agora and Shengwang teams for their dedication and innovation.

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

Jingbo Wang, CFO

Thank you, Tony. Hello everyone.

Let me start by reviewing our financial results for the third quarter of 2026, and then I will discuss our outlook for the fourth quarter.

Total revenues for the third quarter were $42.1 million, exceeding the high end of our guidance range and representing year-over-year growth of 19%. Our year-over-year revenue growth continued to accelerate compared with the first and second quarters. Growth was driven by strong performance in our real-time engagement services, particularly in verticals such as live shopping and social live streaming, as well as a growing revenue contribution from our conversational AI products. Our Dollar-Based Net Retention Rate increased to 110%, compared with 97% in the third quarter of 2025.

Gross profit for the quarter was $26.7 million, up 14.4% year-over-year. Gross margin was 63.4%, compared to 66.0% in the same period last year and 63.7% in the second quarter of 2026. As we have discussed on previous earnings calls, the year-over-year decline in gross margin was primarily driven by a change in product mix. Usage of our conversational AI products continued to grow during the quarter, but these products have not yet reached sufficient scale with gross margins at suboptimal levels. As we continue to expand our customer base and optimize our real-time inference infrastructure, we believe we can gradually improve the gross margins of these products. On a sequential basis, gross margin remained broadly stable.

Turning to expenses, R&D expenses were $15.8 million in Q3, up 14.6% year-over-year. R&D expenses represented 37.6% of total revenues in the quarter, compared to 39.1% in the same period last year. As mentioned on previous earnings calls, the increase in R&D expenses was primarily driven by our continued investment in conversational AI products.

Sales and marketing expenses were $6.7 million in Q3, up 3.2% year-over-year. Sales and marketing expenses represented 15.9% of total revenues in the quarter, compared to 18.3% in the same period last year.

General and administrative expenses were $5.8 million in Q3, up 15.9% year-over-year. G&A expenses represented 13.8% of total

revenues in the quarter, compared to 14.2% in the same period last year. The increase was primarily driven by higher share-based compensation and higher provision for current expected credit losses as the business expanded.

Turning to operating results, we recorded a GAAP operating loss of $1.5 million in the third quarter, compared to $1.6 million in the same period last year.

Moving on to the bottom line, we delivered GAAP net income of $3.0 million in Q3, up 10.4% year-over-year, representing a net income margin of 7.2%.

Turning to cash flow, operating cash flow was $2.2 million in Q3, compared to $0.7 million in the same period last year.

Turning to the balance sheet, we ended Q3 with $363.0 million in cash, cash equivalents, bank deposits and financial products issued by banks, up $1.3 million from the end of the second quarter. The increase was mainly driven by positive operating cash flow, partially offset by share repurchases.

During the quarter, we repurchased approximately 0.5 million ADSs for approximately US$1.9 million. As of September 30, 2026, we had repurchased approximately 45.1 million ADSs for approximately US$161.8 million under the current share repurchase program. The program will expire at the end of February 2027. In addition, as mentioned on our last earnings call and publicly disclosed, our CEO Tony has been executing his share purchase plan since September.

Now turning to guidance. Based on currently available information, we expect total revenues for the fourth quarter of 2026 to be between $44.0 and $45.0 million, representing year-over-year growth of 15.3% to 17.9%. This outlook reflects our current and preliminary views on the market and operational conditions, which are subject to change.

In closing, we are pleased with the continued momentum in our business. Revenue growth accelerated further in the third quarter, while profitability remained healthy. We will continue to invest in conversational AI with discipline to drive long-term value for our shareholders.

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