

1Q26 review, revenue growth rebounds significantly, watch AI progress in the second half and operating profit turning positive

Key takeaway

Since 2021, Agora's downstream customers have experienced regulatory shocks and a decline in primary market activity, which has amplified the cyclical nature of its business. However, as AI is gradually regarded as a must-have in the developer community ("all applications deserve to be rebuilt with AI"), the importance of RTC has further increased. Meanwhile, a large number of Chinese developers are expanding overseas, replicating mature domestic models such as live-streaming e-commerce and voice-based social networking in overseas markets, which has also driven higher RTC penetration abroad. We believe that after shaking off structural impacts, Agora will return to a steady growth trend. At the same time, industry competition intensity has eased in recent years. Although AI investment pressures short-term gross margin, operating leverage brought by revenue growth is expected to cushion pressure on profitability. In addition, the company has continuously repurchased shares at low price levels in the past, providing downside support for valuation.

Quick Take

1Q26 growth accelerates, multi-engine drivers support healthy structure. 1Q26 revenue was USD37.75mn, up 13.5% YoY and exceeding the previous guidance upper limit of USD37.00mn. 2Q26 guidance is USD39.00mn–USD40.00mn, corresponding to +13.7% to +16.6% YoY. Even the lower bound is higher than the 13.5% growth in 1Q, confirming management's statement on the earnings call that revenue growth will continue to accelerate and ruling out one-off fluctuations from major clients. Growth is driven by dual engines from China and the US, with a healthy structure. China: traditional vertical demand such as social entertainment and education continues to recover. IoT and enterprise digital transformation contribute incremental growth. The strategic cooperation with NetEase Smart Enterprise further expands scenario coverage in content moderation and AI-driven interaction. Overseas: demand is strongest in

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Current Price: USD4.23

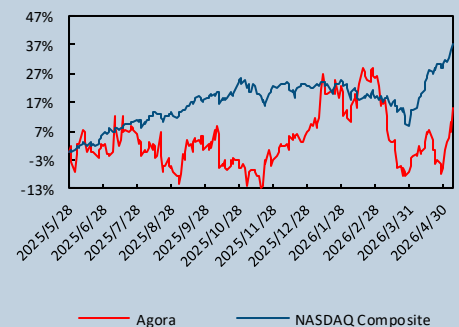
6-month TP: USD6

Main Data

Absolute/relative share performance (%)

1 month	3 months	12 months
17.50/10.10	-9.81/-26.40	17.83/-24.54
The highest/lowest price in recent 12 months(USD)		4.80/3.24
Total share capital (10,000 shares)		8,454.98
Circulating shares (10,000 shares)		8,454.98
Total market cap (USD'00mn)		3.58
Circulating market cap (USD'00mn)		3.58
3-month average daily trading volume (10,000 shares)		39.14
Main shareholders		
Bin Zhao		27.00%

Share performance



live-streaming e-commerce, financial services, and gaming. The company also successfully won an important US live-streaming e-commerce client from competitors, sending a clear signal of improving competitive dynamics.

1Q26 product matrix and ecosystem strengthened intensively. In March, the company officially released Agent Series, a low-code visual AI Agent development platform for enterprises and developers. It integrates ASR, LLM, TTS, intelligent interruption, noise suppression, and domain adaptation into a unified development environment, significantly lowering the barrier for enterprises to deploy voice AI. The Conversational AI Agent launched during the same period covers inbound customer service and outbound marketing scenarios, and in 1Q some clients already achieved a 10% conversion rate comparable to human agents. The Intelligent Meeting Engine released in April is positioned for the enterprise collaboration market, featuring end-to-end encryption, private deployment, and data isolation. It is combined with real-time transcription, translation, intelligent summarization, and automated workflows, targeting high-barrier industries such as finance, government affairs, and healthcare. The two product lines correspond to the incremental growth opportunities in AI and RTE, respectively, with a clear strategic rationale.

On the ecosystem side: The large model partner circle expands, and its industry position receives key endorsement. Integration with Google Gemini Live and xAI models has been completed, and Google has listed Agora as a recommended partner for real-time conversational AI. This serves as an important third-party endorsement of its low-latency network infrastructure and full-stack integration capability, and also provides channel leverage for overseas AI customer acquisition. Regarding the strategic cooperation with NetEase Smart Enterprise, the partnership combines NetEase's capabilities in AI and content moderation with Agora's real-time interactive infrastructure. It covers education, customer service, digital entertainment, and enterprise collaboration. This not only strengthens domestic revenue sources but also further confirms Agora's scarce positioning as an underlying technology provider amid the industry consolidation trend.

In the competitive landscape: Market clearing accelerates, and the leading position is reinforced. Since 4Q25, the domestic competitive environment has continued to improve. Management stated in the conference call that one cloud vendor competitor has repurchased all shares held by VC investors and shifted its focus from scale expansion to profitability, transforming from a competitor into a core partner. Another major private cloud vendor has further reduced personnel in its RTE business. The industry has moved from a phase of "burning cash to seize market share" to one of "rational market clearing". As a remaining player, Agora's pricing power and room for customer return are opening up.

Gross margin remains stable excluding Convo AI impact. 1Q26 gross margin was 63.4%, down 4.6pcts YoY, mainly due to the negative gross margin generated during the early PoC stage of Convo AI. Management clearly stated that excluding this impact, the core RTE gross margin remained relatively stable. The gross margin impact from Convo AI is mainly because revenue has not yet been generated during the PoC stage. As enterprise PoC shifts to deployment, which usually takes several months, we expect the gross margin trend to improve in 2H. More importantly, structural improvement on the expense side.

The AI commercialization narrative moves from "validating demand" to "validating the pace of

conversion.” Since its launch, the engine’s usage has grown by more than 150% QoQ. Management clearly identified call centers and IoT as the two scenarios with the most certain demand at present. The revenue contribution target is about 5% by year-end. The CFO noted on the earnings call that the main reason gross margin was under pressure in 1Q was that many PoC customers generated costs but had not yet produced revenue. As customers move from PoC to formal deployment and scaled usage, gross margin is expected to gradually turn positive and return to a healthy level. In the long term, the company believes this business, supported by higher technical complexity and stronger pricing power, could achieve gross margins comparable to or even higher than the core RTE level. At present, this business is still in a stage of “high momentum with low revenue contribution,” which acts as a double-edged sword for the share price: the short-term contribution is limited, but if the conversion from PoC to paid deployment happens slightly faster than expected, the marginal boost to profit margin and the valuation narrative could be significant.

Management reiterates the target of turning operating profit positive in 2H. The company has clearly set achieving GAAP operating profit in 2H26 as a target. It expects operating profit and net profit to improve QoQ, and full-year GAAP net profit to be significantly higher than in 2025. This target already factors in continued investment in the AI business. Management stated that even if AI progress is slower than expected, the target of turning operating profit positive in 2H will not change.

Investment recommendation: Agora has been deeply engaged in the RTC field for many years. It maintains leading technology and a strong reputation in the developer community. Since 2021, downstream customers have experienced regulatory shocks. USD rate hikes weakened primary market sentiment, and stricter domestic regulation on internet social and entertainment platforms amplified the cyclical nature of the business and weakened its growth attributes. However, as AI is increasingly viewed by developer communities both in China and overseas as a necessity rather than an option (“all applications deserve to be rebuilt with AI”), AI-driven interaction formats are further enhancing the importance of RTC. At the same time, a large number of Chinese developers are expanding overseas, replicating mature domestic models such as live-streaming e-commerce and voice-based social platforms, which is also driving higher RTC penetration in overseas markets. We believe that after shaking off structural impacts, Agora will return to a steady growth trend. At the same time, industry competition intensity has eased in recent years. Although AI investment pressures short-term gross margin, operating leverage brought by revenue growth is expected to cushion pressure on profitability. In terms of shareholder returns, the company has continuously repurchased shares when the stock price was low, providing downside support for valuation. We maintain “Buy” rating.

Risks

Risk to sustainability of core business growth: Agora revenue growth mainly comes from vertical sectors such as live shopping. If growth in these scenarios slows (e.g., saturation in the e-commerce livestreaming market), revenue stability may be affected.

Intensifying industry competition: Tencent Cloud, Alibaba Cloud, Volcano Cloud, and AWS provide similar real-time audio and video services. They may capture market share through price wars or technology integration.

Risk of substitution from emerging technologies: The adoption of open-source technologies such as WebRTC may lower industry barriers and weaken Agora's technological moat. If competitors launch more efficient solutions, its competitiveness may be affected.

Geopolitical uncertainty: If China-US technology decoupling intensifies, it may affect compliance costs and customer trust in its overseas markets (such as North America and Southeast Asia).

Tightening data security regulation: Regulation on audio and video communication data privacy (such as GDPR and China's Personal Information Protection Law) is tightening worldwide. Higher compliance costs may erode profits.

Exchange rate risk: Agora's business is denominated in RMB. If the RMB depreciates against the USD (e.g., due to a stronger USD driven by Federal Reserve rate hikes), the translated value of reported revenue may be affected.

IT budget tightening: The company's revenue is mostly based on a usage-based model. If macroeconomic weakness leads clients to cut IT spending, cash flow may be directly affected.

Financial statement forecast

Balance sheet

(USDmn)

Fiscal year	2024A	2025A	2026E	2027E	2028E
Current assets	328.05	260.10	316.13	385.25	470.85
Cash	29.87	164.49	74.14	116.64	172.69
Total notes and accounts receivable	30.95	24.87	35.51	39.41	43.75
Other receivables	0.00	0.00	0.00	0.00	0.00
Prepayments	22.59	2.49	13.68	15.18	16.85
Inventories	0.00	0.00	0.00	0.00	0.00
Other current assets	244.64	68.25	192.81	214.01	237.56
Non-current assets	371.60	461.00	419.90	381.20	344.25
Long-term investments	102.11	189.18	189.18	189.18	189.18
Fixed assets	49.17	90.33	76.18	62.03	47.88
Intangible assets	162.01	161.69	134.74	108.07	81.76
Other non-current assets	58.32	19.80	19.80	21.92	25.43
Total assets	699.65	721.10	736.03	766.45	815.10
Current liabilities	58.34	56.79	62.67	69.04	75.87
Short-term borrowings	0.00	0.00	0.00	0.00	0.00
Total notes and accounts payable	12.97	9.64	13.47	15.04	16.69
Other current liabilities	45.37	47.15	49.20	54.00	59.18
Non-current liabilities	68.66	101.47	101.47	101.47	101.47
Long-term borrowings	46.47	80.42	80.42	80.42	80.42
Other non-current liabilities	22.19	21.05	21.05	21.05	21.05
Total liabilities	126.99	158.25	164.14	170.50	177.34
Minority interests	0.00	0.00	0.00	0.00	0.00
Share capital	0.05	0.05	0.05	0.05	0.05
Capital reserve	1,071.50	1,049.89	1,049.89	1,050.89	1,052.89
Retained earnings	-498.89	-487.09	-478.04	-454.99	-415.18
Equity attributable to shareholders of the parent company	572.66	562.85	571.89	595.95	637.76
Total liabilities and shareholders' equity	699.65	721.10	736.03	766.45	815.10

Cash flow statement

(USDmn)

Fiscal year	2024A	2025A	2026E	2027E	2028E
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Income statement

(USDmn)

Fiscal year	2024A	2025A	2026E	2027E	2028E
Revenue	127.62	137.97	155.91	173.06	192.09
Cost of sales	47.81	47.39	55.81	62.30	69.15
Other operating expenses	-1.58	-1.41	-1.59	-1.76	-1.96
Selling and administrative expenses	59.99	49.02	46.77	43.26	42.26
R&D expenses	80.34	55.46	53.01	51.92	49.94
Financial expenses	-16.69	-15.02	-3.16	-2.21	-4.18
Other operating income and expenses	0.00	0.00	0.00	0.00	0.00
Investment income	-3.48	-0.03	0.00	0.00	0.00
Gain on changes in fair value	0.00	0.00	0.00	0.00	0.00
Operating profit	-45.73	2.49	5.07	19.55	36.87
Other non-operating income and expenses	-2.37	4.28	4.28	4.28	4.28
Total profit	-48.10	6.77	9.34	23.83	41.15
Income tax	0.33	0.12	0.30	0.77	1.34
Net profit	-48.43	6.64	9.05	23.05	39.81
Minority interests income	0.00	0.00	0.00	0.00	0.00
Net profit attributable to shareholders of the parent company	-48.43	6.64	9.05	23.05	39.81
EBITDA	-54.67	-0.25	47.28	63.32	79.92
EPS (RMB)	-0.57	0.08	0.11	0.27	0.47

Key financial ratios

Fiscal year	2024A	2025A	2026E	2027E	2028E
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Growth capability

Revenue growth (YoY %)	-4.11	8.11	13.00	11.00	11.00
Net profit growth (YoY %)	49.42	113.72	36.15	154.83	72.69

Profitability

Gross margin (%)	62.54	65.65	64.20	64.00	64.00
NPM (%)	-37.95	4.82	5.80	13.32	20.72
ROE (%)	-8.46	1.18	1.58	3.87	6.24
ROIC (%)	-10.76	-2.00	0.38	2.83	5.48

Solvency

Debt-to-asset ratio (%)	18.15	21.95	22.30	22.25	21.76
Net debt ratio (%)	2.90	-14.94	1.10	-6.08	-14.47

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U.S Equity Quick Take

Cash flow from operating activities	-14.13	27.23	-97.66	38.15	51.72
Net profit	-48.43	6.64	9.05	23.05	39.81
Depreciation and amortization	10.12	8.00	41.10	41.70	42.95
Financial expenses	-16.69	-15.02	-3.16	-2.21	-4.18
Other operating cash flows	40.87	27.61	-144.64	-24.40	-26.86
Cash flow from investing activities	-38.05	13.31	4.15	2.15	0.15
Capital expenditure	-58.06	-32.47	0.00	3.00	6.00
Other investing cash flows	20.01	45.79	4.15	-0.85	-5.85
Cash flow from financing activities	45.99	4.99	3.16	2.21	4.18
Short-term borrowings	0.00	0.00	0.00	0.00	0.00
Long-term borrowings	35.44	33.95	0.00	0.00	0.00
Other financing cash flows	10.55	-28.96	3.16	2.21	4.18
Net increase in cash	-6.18	45.54	-90.35	42.50	56.05

Current ratio	5.62	4.58	5.04	5.58	6.21
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Quick ratio	1.43	3.38	1.97	2.48	3.07
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Operating efficiency

Total asset turnover	0.18	0.19	0.21	0.23	0.24
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Accounts receivable turnover	4.12	5.55	4.39	4.39	4.39
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Per share metrics (USD)

EPS (latest diluted)	-0.57	0.08	0.11	0.27	0.47
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Operating cash flow per share (latest diluted)	-0.17	0.32	-1.16	0.45	0.61
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Net assets per share (latest diluted)	6.77	6.66	6.76	7.05	7.54
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Valuation ratios

P/E	-7.39	53.83	39.54	15.51	8.98
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P/B	0.62	0.64	0.63	0.60	0.56
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EV/EBITDA	-0.54	275.88	0.47	-0.30	-0.91
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Source: Company announcements, iFinD, China Securities

Analysts

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		Overweight	Increase by 5% - 15% relative to the benchmark index
		Neutral	Increase by - 5% - 5% relative to the benchmark index
		Underweight	Decrease by 5% - 15% relative to the benchmark index
		Sell	Decrease by more than 15% relative to the benchmark index
	Industry ratings	Outperform	Increase by more than 10% relative to the benchmark index
		Neutral	Increase by - 10% - 10% relative to the benchmark index
		Underperform	Decrease by more than 10% relative to the benchmark index

This report is a translation of the original Chinese report 【1Q26 点评，收入增速显著回升，关注下半年 AI 进展及经营利润转正】, released on 【May 29, 2026】. If there is any inconsistency or ambiguity between the English version and the Chinese version, the Chinese version shall prevail.

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