Wednesday's INVESTOR Q&A:

Question Topic: Finance and Valuation
Date: 4 October 2023

1. Why did AGBA profitability delay by one year?

Given the significant investment the Group has made since 2018 in upgrading every aspect of our business and in building our infrastructure and technologies, our business is very scalable. Our profitability is, therefore, directly driven by our volume of sales – coming from, for example, sales of life insurance and asset management products.

As we alerted our investors as early as May 2023 and it is now commonly known, the post-COVID economic recovery of China and Hong Kong has fallen significantly short of expectation. We now expect we will be able to deliver a revenue of US$104m for 2023. US$104m of revenue is in line with revenue we experienced in the three COVID years of 2020 to 2022.

As we have disclosed in the 2023 – 2026 Financial Projection – August 30, 2023 that can be found in our website, the Company's breakeven annual revenue is approximately US$206m. Given the economic environment in 1H 2023, we reluctantly decided in August 2023 to revise our 2023 budget and forecast downward to reflect on the new economic reality. As stated in our projection, our business dynamic is rather easy to understand, we will make money as soon as our revenue exceeds US$17m per month.

We are optimistic that economic recovery will resume late this year and we continue to work hard to ensure we are all well-positioned to capture the revenue growth.

2. What happened since April to lower revenue expectations 3 months later?

Driven by the consumer optimism after the lifting of COVID restrictions in January 2023 and a general uplifting mood in China's and Hong Kong's financial markets in the first quarter this year, there was a general expectation of a rapid economic recovery in our region. The optimism could be seen by the rapidly tightening labor market across the region – especially in our industry of financial services. The optimism led to the 2023 projections we published in April 2023.

However, we began to detect slowing in consumer demand in the 'Golden Week' of May 2023. We immediately began attentively tracking economic dynamics and market demand. In June 2023, we concluded that the unexpected slowdown in consumer demand and economic activities (as well as the related depreciation of RMB against US dollars and Hong Kong dollars) was not a dip in an upward swing, we began to expect the slowdown will last for months rather than weeks. The slowdown we foresaw in June 2023 was confirmed by an overall deflation in June and July 2023 in Mainland China with RMB against US dollar depreciated to a low of two decades.

3. You reported a 600% cost increase YoY?

Our operating cost for 2023 has been held steady with almost no rise compared to the same period of 2022.

However, as we have stated in our disclosures, our 2023 expenses are masked by one-time charges related to our NASDAQ listing in November 2022. These one-time expenses totaled approximately US$9m included sponsors' compensations, legal, investment banking, rebranding, marketing and other related one-off costs.

We do expect a significant reduction in our cost base going forward, as we have adjusted our staff count and delayed certain projects in response to the more challenging immediate economic conditions.

4. What products contribute the most revenue to the company?

Unlike the nature of life insurance business in the U.S. and the U.K., the most popular life insurance products sold in Hong Kong are whole life and endowment – making up about 70-80% of total premium.

Most of the whole life products are structured as participating savings products, with a minimal protection component. This type of participating savings products constitutes around 60% of overall insurance policies outstanding. Typical features of the most popular whole-life participating products are:

- Savings component: long-term capital growth through non-guaranteed terminal dividend.
- Protection component: guaranteed death benefits defined as a percentage range (100-150%) of account value or premiums paid.
- Cash value may be accessed after a defined period of time.
- Death benefits may be paid out or passed on to survivors.

Policies are often single premium (as opposed to regular premium).

5. What is the commission rate for selling products and what margins do you generate after paying out salespeople? Do you expect the number of financial advisers to increase in the near future?

Commission rates paid by product providers to AGBA Group vary based on the type of product distributed by the financial advisers. For insurance products, the average margin is about 50-60% of the Annualized New Premium received by the insurance provider.

Once AGBA Group receives commissions from the product provider, it in turn pays commissions to its financial advisers. Commissions paid to financial advisers also vary based on the type of product distributed. For typical insurance products, the direct pay-out ratio is about 70% of commissions received by AGBA Group, which may increase through performance-based bonuses up to about 80% for the highest performing financial advisers.

We expect the number of financial advisers active in distributing a wide variety of products to increase in the coming 12 months as we broaden our product shelf and improve our platform supporting services and as the external market conditions improve.

6. **AGBA Q2 revenues were $17 million +365%, for Q3 does it look as though you are on track for another growth Quarter?**

The third quarter is typically not the strongest quarter of the year, primarily driven by slower "summer months" and various local holidays. We still expect Q3 2023 revenue to be substantially higher than Q3 2022 revenue, as we continue to grow our business.

7. **What specific strategies or initiatives does AGBA have in place to optimize and utilize its current cash level of US$3.8 million? Are there specific plans in place for the company to generate sufficient operating cash flow and effectively manage expenses, ensuring ongoing operations and facilitating future growth?**

Going forward, we believe that we will be able to both grow our revenue base while we control our expenditures. Increasing our margins and operational cash flows will become available to support our business.

On the revenue side, we expect accelerated revenue growth as we expand our footprint and capitalize on growth opportunities in our core Hong Kong market and beyond.
On the expense side, we expect to be able to manage a low to no increase in our cost base. We have already responded to macro challenges in the first half of the year by managing down our cost base. We did this by reducing our headcount, delaying certain non-core projects and cutting back on certain expenses.

As we grow our business and achieve increasing economies of scale on our platform, while we also reach increased levels of efficiency, our operating margins will increase, providing increasing levels of cash flow to support our business.
In parallel, we will evaluate potential funding alternatives that may be available to finance our selected business development activities, general and administrative expenses and our growth strategy.

8. **Could you provide information on the specific funding options that the company is currently assessing to finance its business development activities, cover general administrative expenses, and execute its growth strategy?**

We intend to selectively raise additional capital through private placements of debt and equity securities to fund our revenue growth.

The primary objective of our fund raise is to fuel our continued expansion and accelerate our path to profitability. The capital raise will not only fuel growth, but also enhance our financial flexibility and enable us to pursue strategic acquisitions to strengthen our market position. Funds will further be utilized to invest in AGBA's market leading intermediary platform, ushering in a 'step change' in our technological capabilities.

Our capital raise will provide new investors with a very compelling entry valuation and an aligned interest with all of our existing stakeholders to pursue long-term term shareholder value. It will also bring in investors that were previously unable to make substantial investments in AGBA due to our limited free float. By widening our investor base, AGBA will forge strong partnerships with individuals and institutions who share our long-term vision for success.

AGBA is committed to continue to build up our market credibility through proactive investor engagement and transparent disclosures. Our dedication to fostering trust and confidence in our company remains unwavering. By raising funds, AGBA aims to further enhance investor confidence in its business and its potential.

9. How does AGBA's OnePlatform differentiate itself in the financial intermediaries market, and what are the potential benefits of its expansion to key markets in the U.S., Canada, and the UK?

First off, we must stress that we are a very focused company. We have no intention whatsoever in diverting our attention from capturing revenue in our native markets in Hong Kong and Asia. We certainly will never take a 'flag planting' approach in our overseas expansion. Our overseas expansion will only focus on 'following our customers' – many of our customers have migrated to the U.K and North America. Ever more of our customers have children and other family members residing in the U.S. and North America while they work and continue business in Hong Kong and China. Typically, these are customers with higher 'lifetime value' to our company – if we don't serve them, they will move their money elsewhere.

OnePlatform's strengths in (1) unparalleled range of product offering, (2) customer service quality and (3) technology offerings have helped us made OnePlatform an indispensable tool for our customers to manage their financial well-being. We have built our OnePlatform's infrastructure and technology 'universal' – adoptable to different markets as demanded by our customers.

10. With the competitive advantages and strengths AGBA believes will be enhanced through this capital injection, do you have any insights on how they plan to leverage them?

As explained in Question 1 above, our business is very scalable and greatly benefits from general economic growth. New capital will help us capture more growth (when the economic recovery resumes) as well as raising our market share by investing in further growth of our salesforce. As supported by our established track record, we have been very successful in capturing productivity quickly from new hires and even new recruits.

Our infrastructure and technology are already well-built and well-tested. As such, we do not expect much of a requirement for capital expenditures in tech development except another approximately $10-15m in non-crucial continued upgrading/R&D.
In short, we expect any capital injection will be invested in growing our revenue, growing our market share and further strengthening our market presence.

About AGBA Group:
Established in 1993, AGBA Group Holding Limited (NASDAQ: “AGBA”) is a leading one-stop financial supermarket based in Hong Kong offering the broadest set of financial services and healthcare products in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) through a tech-led ecosystem, enabling clients to unlock the choices that best suit their needs. Trusted by over 400,000 individual and corporate customers, the Group is organized into four market-leading businesses: Platform Business, Distribution Business, Healthcare Business, and Fintech Business.

For more information about AGBA, please visit www.agba.com/ir

Investor Relations Contact:

Ms. Bethany Lai ir@agba.com
Social Media Channels: agbagroup LinkedIn | Twitter | Instagram | Facebook | YouTube