

# AGBA Group Holding

Year-to-date pre-tax result in line

Q323 results  
and new funding

Financials

21 November 2023

**Price** **US\$0.50**

**Market cap** **US\$34m**

HK\$7.80/US\$

Net debt\* (US\$m) at end Q323 22.2  
\*Including leases

Shares in issue 67.56m

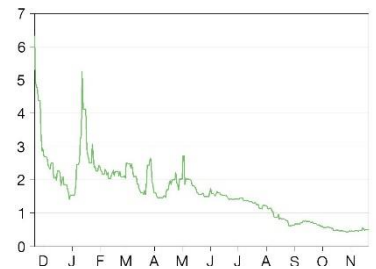
Free float 9.1%

Code AGBA

Primary exchange Nasdaq

Secondary exchange N/A

## Share price performance



## Business description

AGBA Group Holding is a diversified financial services company operating from Hong Kong. AGBA distributes health and wealth products to over 400,000 retail and corporate clients through its extensive independent financial advisor network, the largest in Hong Kong. It holds several unlisted investments in fintechs, notably selling its holding in Nutmeg to JP Morgan in June 2021

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AGBA's Q323 results continued to be affected by the weak recovery in China and consequent subdued mainland demand for Hong Kong health and wealth products. As a result, revenues were flat year-on-year at US\$13.2m, but down from US\$17.4m in Q223. The pre-tax loss was US\$12.9m, putting the company on track to meet its US\$49m projected loss for FY23. AGBA also announced that it has entered into term sheets for a US\$6.2m private share placing with a new institutional investor, AGBA's group president and AGBA management at US\$0.70 per share plus warrants with an exercise price of US\$1.00/share. The amount could expand subject to ongoing conversations with additional potential investors. The significant premium to the current share price signals management's confidence in AGBA's long-term value. The capital will go towards funding organic growth, strategic acquisitions and managing liquidity until projected material profitability in FY25.

Year end	Revenue (US\$m)	PBT (US\$m)	EPS* (US\$)	DPS (US\$)	P/E (x)	Yield (%)
12/21	11.5	120.0	1.74	N/A	0.29	N/A
12/22	31.1	(44.4)	(0.79)	N/A	N/A	N/A

Note: \*EPS is diluted.

AGBA's flat year-on-year revenue performance in Q323 should not be surprising given the continuing slow recovery in China, with visitor numbers to Hong Kong still only at 70% of 2018 levels. The weaker revenue versus Q223 has been largely offset by fixed cost reduction and the automatic fall in sales commissions, leading to an operating loss of US\$10.9m, only US\$0.5m below Q223. The year-to-date pre-tax loss of US\$35.5m puts AGBA on track to meet its FY23 projection of a US\$49m loss.

The minimum US\$6.2m private placement at a c 40% premium to the current share price represents a vote of confidence in AGBA's franchise value by group president Mr Wing-Fai Ng and the management team. Alongside the earlier announced US\$50m equity purchase agreement with Williamsburg Venture Holdings, the company should have ample funding to execute its growth strategy based on its sales and pre-tax profit projections. Recent growth initiatives include a new distributor portal accessible across any device, launch of the HSBC Life partnership, a strategic collaboration with Zurich (HK) Life Assurance and signing 14 new general insurance providers. AGBA is expecting stronger Q4 sales and continued momentum into 2024.

Revenue growth may be further supported by recent Hong Kong government initiatives aimed at stimulating the local economy through increased integration with Mainland China. One such recently announced initiative is the Capital Investment Entrant Scheme (CIES). The scheme will allow entry (a precursor to residency) into Hong Kong, provided a minimum HK\$30m is invested in stocks, funds or bonds. The CIES could attract substantial funds from affluent Mainland Chinese investors to Hong Kong and provide a boost to its financial markets. According to AGBA management, further initiatives to enhance sentiment and market attractiveness are planned, which will play to the strengths of AGBA's services.

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