EDISON

Spotlight - Outlook

AGBA Group Holding

A transformational deal

On 18 April, AGBA, announced a surprise deal to acquire 100% of Triller Corp, a global AI-driven social video platform, in an all-stock transaction. Triller is privately-owned but has been independently valued at US$3.2bn. AGBA's management is using a US$4bn valuation for the combined entity, in which AGBA shareholders will own 20% and Triller shareholders 80%. Triller recorded FY23 revenues of US$45m on 450m user accounts and 2.2m creators but is loss-making. In FY23, AGBA reported revenues of US$54m and 400,000+ clients. The combined group expects synergies from expanding and marketing to Triller's users and utilizing Triller's AI, natural language processing (NLP) technology and digital marketing capabilities to drive growth in its Asian investment advisory business and fintech investments.

Majority shareholder approval

With majority shareholder pre-approval on both sides, the deal is likely to close quickly subject to regulatory approval and satisfaction of representations and warranties. AGBA will re-domesticate to become a US Delaware company from a British Virgin Islands business company, which may be a benefit in terms of access to capital and liquidity, and the rating of the shares. The new shares will, however dilute FY23 revenues per share by 63% and additional capital may be required, given Triller's significant losses and the early nature of the business.

A step change in scale and technology

The new combined group will be a novel entity in the market. However, there are mega-cap examples of consumer-platform businesses combined with financial services in China, for instance TenCent and Alibaba. Triller has c 450m user accounts and sophisticated capabilities in AI, NLP and digital marketing, representing a step change in scale and technology for AGBA. Triller's revenue was US$45m in FY23 and the combined group expects to 'turbo charge growth' through synergies across its platforms. Triller could also be a beneficiary of the passing of a bill to ban or force a sale of its major competitor TikTok.

Valuation: No direct peer

Neither AGBA nor Triller have direct listed peers. As a standalone entity, AGBA expects to break even by Q424, currently trading at FY23 3.4x EV/revenue. On the new number of shares and current share price (+460% since the announcement) the combined equity would be valued at c US$832m or 8.4x FY23 pro forma revenues.

Historical figures

Year end	Revenue (US$m)	PBT	EPS* (US$)	DPS (US$)	P/E (x)	Yield (%)
12/20	N/A	N/A	N/A	N/A	N/A	N/A
12/21	11.5	120	1.74	N/A	1.3	N/A
12/22	31.1	(44.4)	(0.79)	N/A	N/A	N/A
12/23	54.2	(48.9)	(0.75)	N/A	N/A	N/A

Source: AGBA. Note: The figures above are for legacy AGBA. *EPS is diluted.

Financial services

26 April 2024

Price	**US$2.24**
Market cap	**US$167m**

Share price graph

Share details

Code	AGBA
Listing	Nasdaq
Shares in issue	74.4m
Last reported net debt (December 2023)	US$18.5m

Business description

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

Bull

- AGBA has the largest number of IFAs in Hong Kong, allowing AGBA to be competitive in its product offering and commission structure.
- China re-opening and expansion into GBA region should provide AGBA with increased demand for health and wealth products from the mainland.
- The Triller deal creates a step change in scale and technology for the business with clear synergy potential.

Bear

- Low free float of 23%, high share price volatility, deal is dilutive in terms of revenue/share, high business risk.
- AGBA is currently loss-making but targeting break-even Q424 on a standalone basis.
- Triller lost US$192m in FY22 and US$131m in 9M23 and could potentially require significant additional capital.

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AGBA Group Holding is a research client of Edison Investment Research Limited

The transformational Triller transaction

Background

Triller Corp is a leading global AI-powered technology platform that facilitates the interaction between creators (including influencers, artists, athletes and global brands) and users, mostly through its video-sharing social network, with 450m user accounts across the Triller app and technology platform. Products and services include digital media, social selling, AI, combat sports and SaaS. The list of creators includes Charli D'Amelio, Bryce Hall and The Weeknd and global brands such as McDonalds, Pepsi, Walmart, L'Oréal, Puma, Charmin and Major League Baseball.

Triller's nearest competitor is TikTok, which is unlisted. US Congress has just passed a bill giving its Chinese owner, ByteDance, nine months to sell the business or the app will be banned. TikTok has said it will appeal the ruling. Other direct competitors in the short-form video app space include Meta (Instagram Reels), Alphabet (YouTube shorts) and Snap.

Triller operates in a global market that was estimated to reach US$577bn in 2023 according to Statista's August 2023 report on worldwide digital media. Triller differentiates itself from the main competitors listed above by operating an 'open-garden' approach, rather than being the sole seller of advertising within or around content. Triller Creators can distribute their content across any platform to build durable customer relationships and monetisation opportunities.

Revenue is generated through revenue sharing and service fees. Revenue sharing includes share of advertising, premium content, events, pay-per-view fees, subscription sales or merchandise sales transacted through the Triller technology platform. Service fees are generated from brands through campaign fees, transaction fees or SaaS fees, including monthly subscriptions.

Transaction details

On 18 April 2024, AGBA Group Holding announced it had agreed to merge with Triller Corp through its subsidiary AGBA Social Inc. Pursuant to the merger, AGBA will domesticate to the United States as a Delaware corporation (AGBA Delaware) and exchange all existing common stock into an identical number of shares in AGBA Delaware. Once AGBA Social merges with Triller, Triller will be the surviving entity as a wholly owned subsidiary under AGBA Delaware (see Exhibits 2 and 3 below).

The total number of shares issued to replace the existing 74.4m AGBA Group Holding shares and issue to Triller shareholders is 406.9m. This consists of 313.2m common shares plus 58.4m restricted stock units (RSUs) and 35.3m preferred shares. Excluding the preferred shares, there will be 372m common shares in issue (Exhibit 1), leading to Triller shareholders owning 80% of the shares and existing AGBA shareholders 20%.

The Triller board has obtained an independent valuation of the business at US$3.2bn, which is below a US$5bn valuation put on the company in 2020 when the company explored an IPO. The boards of Triller and AGBA have agreed a combined valuation of US$4bn, with 80% owned by Triller common stock and RSU holders (US$3.2bn) and 20% owned by current AGBA common stock holders (US$800m).

Exhibit 1: Common share exchanges and breakdown following the merger (m's)

	Triller	AGBA	AGBA Delaware
Common shares	239	74	313
RSUs	58		58
Total	297	74	372
%	80%	20%	100%

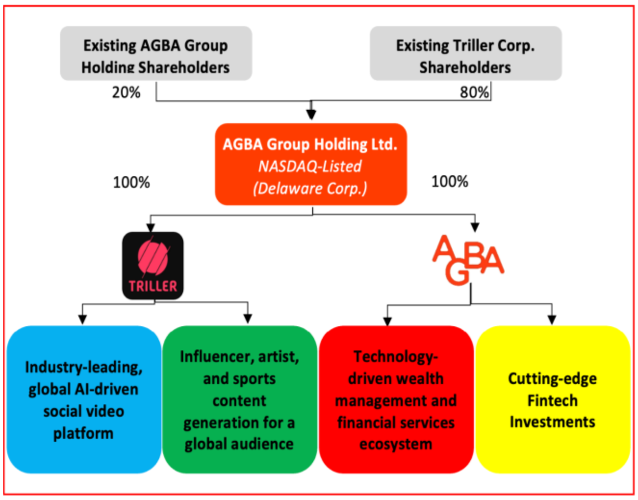
Source: AGBA filings

The new holding structure is shown in Exhibits 2 and 3 below.

Exhibit 2: Acquisition of Triller by AGBA Social Inc

Source: AGBA filings

Exhibit 3: Combined AGBA/Triller group structure post merger



Source: AGBA filings

Based on the US$0.40 share price of AGBA before the announcement of the transaction, AGBA will issue equity valued at US$119m. At the current share price, the shares issued to purchase Triller are valued at c US$666m, less than 25% of the independent valuation of the business.

The issuance of shares will be 63% dilutive to current AGBA shareholders in terms of revenue per share (both entities were loss-making in FY23, so the impact on EPS is not appropriate) based on company filings and post year-end share issuance at AGBA (Exhibit 4).

Exhibit 4: Dilution impact of the Triller merger

	AGBA	AGBA adjusted*	Triller	Combined group	Change
FY23 revenue (US$m)	54	54	45	99	83%
# shares/RSUs (m)	69	74	297	372	399%
Revenue per share (US$)	0.79	0.73	0.15	0.27	-63%

Source: AGBA filings. Note: *Adjusted for post year-end share issuance and settlement.

A step change in scale and technology

Triller's 450m user base, 2.2m creators and advanced AI, video and digital marketing capabilities create a step change in the profile of AGBA. Triller operates with three core divisions: a social video platform, AI and SaaS tools and content (Exhibit 5).

There are three key shareholder value-creating opportunities from the combination, but at the current time we do not have any company guidance on the timing of and revenue and profit generation from these synergies.

Market cap/liquidity – based on the current share price, the market cap of the combined entity will be c US$1bn on a threefold increase in the number of shares. The increase in market capitalisation and potentially the free float of the shares post lock-up should broaden the universe of potential investors, which was previously restricted by the low liquidity.

Generative NLP, AI and digital marketing solutions – AGBA is already planning to use technology and partnerships rather than physical presence to access customers in the large and growing Chinese insurance and savings market. Triller's sophisticated capabilities should clearly be able to accelerate those growth initiatives.

Fintech/financial services in Triller – Triller's large 450m user base combined with AGBA's financial services expertise and relationships with world-leading product providers is an obvious opportunity to grow and develop AGBA's wealth and fintech businesses.

Exhibit 5: Triller's three major divisions

Social Video Platform

- With a primary focus on music, the **Triller App** has been the platform where numerous globally recognized emerging artists first gained prominence.
- Emerged as the number one app in 79 countries simultaneously.
- Plays a pivotal role in shaping the landscape of short-form video applications by leveraging its user-friendly interface and innovative features to enhance user engagement.

AI & SaaS Tools

- **Amplify.ai** is Triller's platform-agnostic AI solution. It is embedded into virtually every major social media network, and executes over 500 million transactions quarterly, connecting some of the world's most recognized brands with users and customers.
- **Julius** is an essential bridge that connects over 2.2 million influencers with 25,000 brands, facilitating significant marketing engagements and collaborations across various industries.

Content

- **TrillerTV** ranks among the largest combat sports apps globally and is one of the fastest growing live sports event content companies. It recently broadened its content to include lifestyle, fashion, and music and is now available in 7 million households, broadcasting approximately 3,000 events annually.
- **BKFC (Bare Knuckle Fighting Championship)** is the fastest-growing combat sport in the world selling out nearly every event it organizes, highlighting its rapidly increasing popularity and market influence.

Source: AGBA filings

Triller is loss making but has net cash

Triller has been loss making and has aised US$420m in capital since being founded in 2015, but has grown revenue from US$3.7m in FY20 to US$45m in FY23.

We do not have fully up to date detailed financials for Triller, but present data from the most recent S1 filing in January 2024, which shows figures for the nine months to end September 2023 (9M23) in Exhibits 6 and 7.

Triller reported a net loss of US$134m in 9M23. Annualising the 9M23 figures would imply a full year attributable loss of US$175m on revenues of US$45m (which matches the revenue figure disclosed in the AGBA 8k filed in April 2024).

This annualised loss figure is misleading as the 'other income' line explains most of the increase over FY22. The other income line includes large mark-to-market effects on the value of warrants/debt issued and is not a recurring cash flow item, hence it is inappropriate to annualise it. A more realistic view of performance over the year would be to use operating profit, EBITDA and operating cash flow figures, all of which show a much smaller loss and a strong improvement on FY22.

Exhibit 6: Triller Corp profit & loss account

$m	FY22	9M23	9M23 annualised
Revenues	48	34	45
Expenses	(212)	(118)	(157)
Operating Profit	(165)	(84)	(113)
EBITDA	(135)	(62)	(82)
Other income	1	(56)	(75)
Profit before tax	(164)	(140)	(187)
Tax	6	6	8
Net Loss	(158)	(134)	(179)
Discontinued ops	(38)	0	
NCI	(4)	(3)	(4)
Net Loss Attributable	(192)	(131)	(175)
Operating Cash Flow	(103)	(34)	(45)
Capex, acquisitions	(12)	(3)	(4)
Free Cash Flow	(116)	(37)	(49)

Source: Triller S1 filings August 2023, January 2024

Triller Corp had cash and equivalents of US$1m at end September 2023 and gross debt of US$172m, giving a net debt position of US$171m, up from US$107m at the end of FY22 as a result of losses over the period.

Exhibit 7: Triller Corp balance sheet

$m	FY22	9M23
Current Assets	7	7
Cash & equivalents	4	1
Receivables	3	4
Other	1	2
Non-current Assets	374	353
Goodwill	232	234
Intangible assets	137	117
Other	6	2
Total Assets	382	359
Current Liabilities	188	242
Payables etc	55	65
Current debt	80	126
Other	52	51
Non-current Liabilities	109	137
Long term debt	28	46
Long term leases	3	0
Other	78	90
Equity	80	-24
NCI	5	5
Total Liabilities	382	359
Net debt	107	171

Source: Triller S1 filing January 2024

As a result of ongoing losses and cash outflows, Triller may need additional equity and/or debt capital in the future to fund its growth.

AGBA: The leading IFA business in Hong Kong

AGBA is a leading wealth management and health product distribution business based in Hong Kong (HK), serving over 400,000 individuals and corporate customers. AGBA operates as both a B2B and B2C business, distributing financial and healthcare products through its 1,600 financial advisors and offering a broker management platform for its advisors and third parties (Exhibit 8).

The company is set up as a one-stop financial supermarket, positioned to benefit from the long-term demographic trends in HK and Mainland China.

On 14 November 2022, AGBA Acquisition (AAL), a Nasdaq-listed special purpose acquisition company incorporated in the British Virgin Islands, merged with TAG Holdings through a business combination agreement. Following the acquisitions, the ordinary authorised shares of AAL increased from 100m to 200m and AAL was renamed AGBA Group Holding. Prior to the acquisitions, TAG Holdings operated under its parent company, Convoy Holdings, which was founded in 1993.

The Nasdaq-listed company has 74.4m shares outstanding with a free float of 23% following recent capital-raising measures. The low free float is due to the reverse recapitalisation where, at the time of acquisition, TAG became a major shareholder of AGBA, being issued 53,8m ordinary shares of AGBA.

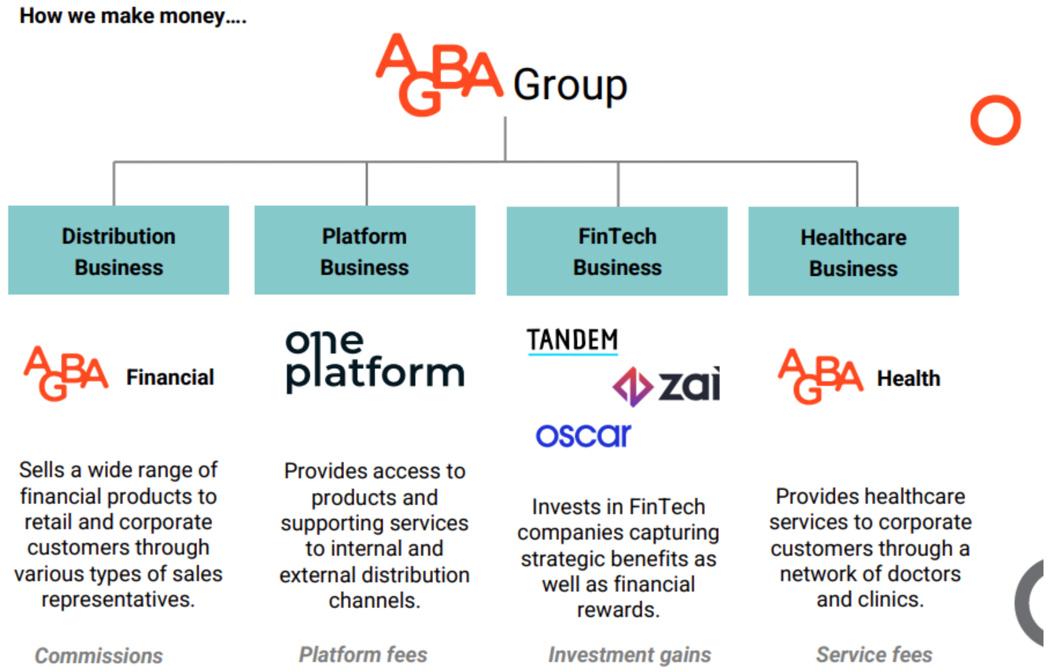
Exhibit 8: AGBA business overview

Source: AGBA filings

Business operations

AGBA is organised across four main businesses, with revenue contributions shown in Exhibits 9 and 10 below. The largest contributor to revenues is the Distribution business, followed by the Platform business. Healthcare is held as a minority investment and is not consolidated.

Exhibit 9: AGBA business divisions



Source: AGBA filings

Exhibit 10: Divisional breakdown of revenue and investment gains, FY23

$m	Distribution	Platform	Fintech	Healthcare	Total
Revenues	49	5		N/A	54
Investment gains	N/A	N/A	(7)	N/A	(7)

Source: AGBA filings

Platform business

The Platform business is organised as a financial supermarket operating under the ‘OnePlatform’ brand, which offers over 1,800 financial products and support services to independent financial advisors (IFAs – including AGBAs plus others), banks, brokers, financial institutions and family offices. OnePlatform features 90 insurance providers selling 1,152 products and 53 asset managers selling 1,137 products.

IFAs operate under the ‘AGBA focus’ and ‘AGBA perform’ brands, which serve as the primary distribution channels for the business. These channels serve as a ‘matching platform’ between insurance companies and consumers, whereby IFAs match consumer needs with the appropriate insurance products. The Distribution business acquires new clients through direct conversation or meetings between financial advisors and corporate and retail customers. These opportunities are created by AGBA’s marketing activities, which comprise sales campaigns and invitations to corporate events.

The extensive, high-quality product suite featuring world-leading providers is attractive in particular to Mainland Chinese visitors to HK who have limited options to choose from at home.

Distribution business

The Distribution business is the largest IFA network in HK with 1,200 consultants. It is a licensed insurance broker and registered mandatory provident fund (MPF) intermediary, and AGBA advisors sell a complete range of financial planning and wealth management products including life insurance, savings and mortgages. Fees are earned through commissions and support service fees.

Healthcare business

AGBA owns a 4% stake in HCMPS Healthcare Holdings, which operates with the Dr Jones Fok & Associates Medical Scheme Management brand (JFA). JFA was founded in 1979 and has a network of over 800 doctors in HK and Macau, forming one of the largest healthcare management organisations in HK. JFA provides cost-effective schemes for over 280 corporates and 300,000 members and offers significant growth and cross-selling potential. Although a separate business strategy, HCMPS is partly owned within the fintech investments portfolio below.

Fintech investments

AGBA has invested in a number of growth-stage fintech businesses through various subsidiaries. To succeed, these businesses require further investment and management input to scale up operations and become profitable. The strategy involves building fintech businesses in HK with business models and technologies proven in more developed markets, capturing synergies with OnePlatform and realising financial returns through exit.

Key investments include:

- **Tandem Money**, a UK-based challenger bank founded in 2013. Tandem is an app-based bank offering deposits, mortgages, consumer loans, credit cards and digital wealth management services. AGBA owns 4.5% of the equity at a total cost of US$27.9m through three separate funding rounds beginning in 2018. AGBA has benefited from a knowledge transfer agreement put in place in April 2020, enabling efficiency savings in developing the data platform and the fintech businesses generally. For instance, Tandem is expected to be a key partner in launching digital services in HK and elsewhere.
- **Zai** (formerly CurrencyFair), a peer-to-peer foreign exchange marketplace with offices in Ireland, UK, Singapore, HK and Australia, operating under the CurrencyFair brand for consumers. Currently focused on expats transferring money between Europe and Australia, Zai's strategy is to scale further by building out consumer to consumer (C2C) business in the US and Asia as well as SMEs engaged in Chinese e-commerce activities. AGBA owns an 8.4% stake in Zai at an aggregate cost of US$7.8m.
- **Goxip**, a HK-based fashion media platform with around one million high-end fashion shoppers. The company matches influencers with marketers and brands. AGBA owns 3.6% of Goxip.
- **HCMPS Healthcare Holdings** (see above).
- **LC Healthcare Fund I LP**, an exempted limited partnership registered in the Cayman Islands. The fund invests in listed and unlisted equity and equity-related investments in the healthcare sector in the China or companies providing products to the Chinese market. The 4% stake was sold for US$2.15m in February 2024.

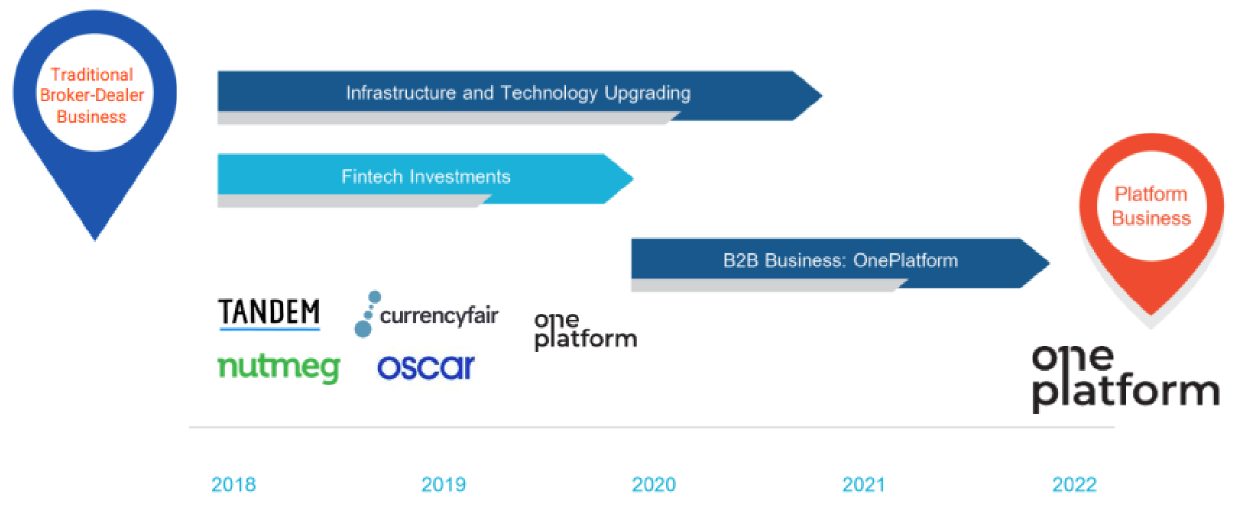
Strategy and market: Leveraging technology in the GBA

AGBA is following a growth strategy in the Greater Bay Area (GBA), having transformed its original leading broker-dealer business starting in 2018 into a technology-enabled platform and distribution business through over US$200m of investments (Exhibit 11). The company also is looking to leverage its healthcare business through its partnership with HCMPS.

OnePlatform is designed to provide an efficient, scalable model that will enable AGBA to expand margins through operating leverage as the business grows. AGBA continues to enhance OnePlatform, both in the services that it provides to brokers and in the number of products that it offers to consumers. The addition of third-party distributors, such as small banks, will also add to its revenue potential.

The fintech portfolio is a complementary activity, providing technological and operational know-how alongside potentially attractive financial returns on exit.

Exhibit 11: OnePlatform transformation journey



Source: AGBA filings

The GBA offers an enormous potential market for high-quality financial products, with an estimated FY23 GDP of US$2tn (similar to New York and Tokyo) and a population of 86 million people, for a GDP per capital of c US$23,000. The region has enjoyed substantial infrastructure investment creating a 'two-hour living circle' where any destination is no more than two hours away from another (Exhibit 12).

HK is one of the top international financial service centres in Asia, and the largest offshore renminbi clearing centre. Financial services accounted for 23.4% of GDP in 2022 and the HK stock market capitalisation is the seventh largest in the world.

Demographics in the GBA will provide a tailwind to the growth of health and wealth management products, with over 30% of HK and Mainland China's population projected to be older than 65 by the year 2050. Mainland Chinese do not have access to the same choice and quality of wealth and savings products available in HK, making HK a key market for affluent individuals to participate in. Although sales of life insurance products rebounded in 2023, they are still trailing pre-pandemic levels, giving room for additional cyclical recovery.

Exhibit 12: The Greater Bay Area opportunity

Source: AGBA filings

Mainland China expansion

Global Data predicts life insurance premium growth to compound at 9% per annum from 2024 to 2028 in China, with total direct premiums reaching CNY5.6tn (US$0.8tn) by 2028. AGBA intends to market directly to Chinese clients from HK-based subsidiaries or through referrals and partnerships. Distribution strategy pillars will include partnership development, a lead management platform, establishing a service centre and employing digital marketing and data analytics. This route is preferred over setting up onshore variable interest entities (VIEs) subsidiaries and, according to management, is likely to benefit from Triller's capability-set post-merger.

Government and regulatory initiatives

The potential growth in the GBA region and HK financial product sales may be further enhanced by government initiatives such as the Hong Kong Monetary Authority's (HKMA's) Fintech 2025 strategy, the Cross-boundary Wealth Management Connect (CWMC) scheme, the Capital Investment Entrant Scheme (CIES) and a potential Insurance Connect scheme.

The HKMA Fintech 2025 strategy was launched in June 2021, with the aim of promoting HK as a key financial centre. The adoption of technology comprehensively by 2025 should enable fair and efficient financial services provision in HK, incorporating commercial data interchange, know-your-customer procedures, credit assessment, loan approval and risk management. Fintech has been high on the agenda, with updates to the strategy in 2023 to focus on wealthtech, insurtech and greentech business areas.

The CWMC scheme was introduced in June 2020 to allow residents in the GBA to invest in wealth management products distributed by banks across the region. The aim was to improve the mobility of capital, promote internationalisation of the renminbi and to strengthen HK as an offshore renminbi hub. The scheme was refined in January 2024 by expanding the distribution partnerships to include securities firms and widening the products available, and features a total aggregate quota of RMB300bn (US$41bn) in investment product sales and an individual limit of RMB1m (US$138,000).

The CIES allows entry (a precursor to residency) into HK, provided a minimum HK$30m (US$3.8m) is invested in stocks, funds or bonds. The CIES could attract substantial funds from affluent Mainland Chinese investors to HK and provide a boost to its financial markets.

Moreover, an Insurance Connect scheme is also in the works, which would allow HK based insurers to set up service centres serving residents of the GBA. This aligns with one of the pillars of AGBA's China growth strategy.

Partnership development through B2B initiatives is a key plank of AGBA's Mainland China growth strategy. According to the SEC 10k filing, the company is in discussions with a major potential asset manager partner with over 20m customers, comprising affluent, high-net-worth individuals and institutions.

A highly experienced management team

AGBA benefits from a highly experienced management team, with competencies across banking, investment banking, private equity, insurance and corporate finance.

Under the proposed transaction with Triller, the board of AGBA Holding will remain unchanged apart from the addition of the CEO of Triller.

Non-executive management

Independent directors include Mr Brian Chan (remuneration committee), Mr Thomas Ng (nomination committee) and Mr Felix Yun Pun Wong (audit committee), who have backgrounds in law, media and marketing, and technology and finance.

Key executive management

Chairman of the board: Mr Robert E Diamond is founding partner and has been CEO of Atlas Merchant Capital since its inception in 2013. He was previously CEO of Barclays until 2012 and prior to that held senior executive positions at Credit Suisse First Boston (1992–96) and Morgan Stanley (1979–92) in the US, Europe and Asia.

Group chief executive officer and executive director: Mr Ng Wing-Fai has served as group CEO, chairman of the board of AGBA and an executive director of AGBA since November 2022. Prior to joining AGBA, Mr Ng was founding and managing partner of Primus Pacific Partners, an Asian private equity fund with a focus on financial services. He was also the MD of Fubon Financial Holding, the largest financial conglomerate in Taiwan, where he oversaw strategy, M&A and change programs. Mr Ng also served as MD and head of Asia Pacific Financial Institutions Group (FIG) at Salomon Smith Barney. He graduated from the University of Cambridge and holds an MBA from Harvard University.

Acting Group chief financial officer*:* Mr Desmond Shu Pei Huang has been CFO since November 2022 and is also a director of B2B and fintech. Prior to joining AGBA, Mr Shu was vice president of Primus Holdings (HK), an investment holding company with a focus on financial services. Previously to that Mr Shu was corporate development manager at DRB-HICOM Berhad, one of the largest diverse conglomerates in Malaysia. Mr Shu has over 20 years' experience in investment banking and the financial services sector.

Group chief operating officer*:* Ms Almond Wong Suet Fai has been an executive director of AGBA since November 2022. She has over 20 years' experience of organisational and talent development, staff training and organisational efficiency at AXA, Sun Life Financial, Hutchison Ports, CSL Telecommunications and Wyeth.

Group chief strategy officer*:* Mr Jeroen Nieuwkoop has served as CSO since November 2022. He previously worked at Fubon Financial and Primus Pacific Partners and has over 20 years' experience in private equity, investments, M&A and corporate finance. Previously Mr Nieuwkoop worked in investment banking within FIG at Salomon Smith Barney in New York.

Deputy group chief financial officer and company secretary: Mr Richard Kong has been deputy group CFO and company secretary since November 2022. He has over 25 years' experience in finance and accounting, with expertise in corporate governance and compliance.

Triller chief executive officer: Bobby Sarnevesht is CEO, executive chairman and owner of Triller. He will join the board and remain CEO of the new Triller Delaware subsidiary, following closing of the acquisition of Triller. Mr Sarnevesht is a tech and finance entrepreneur with over 20 years' experience and began his career as a developer at IBM Global Services. He has launched and sold several companies in the media and real estate sectors and led the acquisition of Triller and its multiple subsidiaries.

Corporate governance

AGBA adheres to the corporate governance requirements of the Nasdaq stock exchange. These include maintaining a majority of independent non-executive board members, audit, nomination and remuneration committees, full disclosure of any conflicts of interest and full disclosure of family and other related party activities and transactions.

Shareholders and free float

The shareholder register of AGBA Holding is currently concentrated, as a consequence of its history and listing via a special purpose acquisition company transaction. TAG Holdings owns 74.6% of the current 74.4m shares in issue, Group CEO Wing-Fai Ng owns 1.2% and other management and board members own a further 1.4%, leaving a free float of 22.8%.

Post the Triller transaction, the shareholder structure will change dramatically, with existing Triller shareholders owning 80% of the outstanding common stock and RSUs. However, we currently do not have a detailed breakdown of the Triller shareholder register. There is a standard lock-up of 165 days after the date of closing for 297.7m of the 313.2m common shares to be issued to existing Triller shareholders, thus we would expect the free float and stock market liquidity to potentially improve afterwards.

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Financials: A challenging year in FY23

Income statement

Exhibit 13 below illustrates the development of profit and EPS at AGBA during 2023. Revenues performed strongly, up 74% to US$54.2m, due to commissions rising 89%, as the company fully transferred its salesforce activities into the listed entity and HK and China began to benefit from the post-COVID recovery. Despite this strong performance, revenues came in below previous expectations of c US$100m+ as the recovery was nevertheless weaker than expected.

At the same time, there was upward pressure on expenses, which rose 65% in aggregate and commission expenses were up 98%. AGBA management reacted quicky and effectively to the weaker environment by controlling marketing and other costs, leading to a slower overall rise than revenues. The resulting loss before tax came in at US$49m, 10% above the previous year.

Additional management action included asset sales, which supported the cash position of the company, with management's expectation that break-even will be achieved by Q424.

Exhibit 13: AGBA consolidated income statement

US$m	2022	2023	Change	Q123	Q223	Q323	Q423
Revenue	31.1	54.2	74%	11.1	17.4	13.2	12.5
Commissions	26.6	50.1	89%				
Other	4.5	4.1	-9%				
Expenses	(59.4)	(98.0)	65%	(25.7)	(27.8)	(24.2)	(20.5)
Commission expense	(18.8)	(37.3)	98%				
Sales & marketing	(11.1)	(3.7)	-67%				
Legal & professional	(1.3)	(13.9)					
Other personnel, general & admin	(28.2)	(43.1)	53%				
Operating Profit	(28.4)	(43.8)	55%	(14.6)	(10.4)	(10.9)	(7.9)
Other including gains & losses	(16.0)	(5.1)		2.5	(0.2)	(1.9)	(5.5)
Profit before tax	(44.4)	(48.9)	10%	(12.1)	(10.6)	(12.9)	(13.4)
Tax	(0.1)	(0.3)		(0.0)	0.0	(0.1)	(0.2)
Net Profit	(44.5)	(49.2)	11%	(12.1)	(10.5)	(12.9)	(13.6)
Average diluted shares (m)	56.1	65.3		60.7	65.0	67.5	67.9
EPS (US$)	(0.79)	(0.75)		(0.20)	(0.16)	(0.19)	(0.20)

Source: AGBA filings, Edison Investment Research

Balance sheet and cash flow

Exhibit 14 below illustrates the balance sheet position of AGBA. Net debt adjusted for restricted cash grew by US$14m due to losses incurred over the year, partially offset by equity issuance and asset sales. The net debt position is modest in absolute terms as AGBA is not a highly capital-intensive business, and also when compared to revenues of US$54m in FY23 and the current market cap of US$167m.

Exhibit 14: AGBA consolidated balance sheet

US$m	2022	2023	Q123	Q223	Q323	Q423
Current Assets	55.8	25.6	54.2	45.2	34.7	25.6
Current Liabilities	(74.0)	(47.8)	(94.8)	(81.5)	(74.5)	(47.8)
Net Current Assets	(18.2)	(22.2)	(40.5)	(36.3)	(39.8)	(22.2)
Gross Debt including leases	10.8	20.4	11.2	23.2	23.9	20.4
Short term	10.8	9.7	11.2	12.0	12.9	9.7
Long term		10.6		11.2	10.9	10.6
Net debt/(cash)	(40.5)	1.7	(37.4)	(8.0)	1.7	5.2
Net debt adjusted for restricted cash	4.3	18.5	7.6	19.4	22.2	18.5
Equity	27.2	8.1	2.9	2.5	(2.9)	8.1
Adjusted net debt/equity (x)	0.2	2.3	2.7	7.8	(7.6)	2.3

Source: AGBA filings, Edison Investment Research

Exhibit 15 below shows the consolidated cash flow statement for AGBA Group Holding at the end of FY23. Operating cash flow deteriorated during 2023 to negative US$42m from negative US$19m in the previous year. This reflects only a partial consolidation of the full business in FY22 as well as a weaker recovery in the Chinese and HK economies during 2023.

The underlying cash development is better than the headline figure as both restricted and unrestricted cash (eg escrow balances in working capital) are included in the cash flow statement. Excluding changes in working capital, the operating cash outflow was US$32m, versus US$25m in the previous year.

Overall unrestricted cash fell by US$4.6m to US$1.9m, aided by asset sales, US$1.9m of equity issuance plus additional loans and debt. Post year-end the company has collected an additional US$3.4m from settlement of the US$5.1m capital raise announced in Q423 and sold its 4% stake in LC Healthcare Fund I for US$2.15m, which will further support the cash position in FY24.

Exhibit 15: AGBA consolidated cash flow statement

US$m	2022	2023	Q123	Q223	Q323	Q423
Operating Cash Flow	(19.3)	(42.3)	(10.2)	(9.1)	(14.1)	(8.9)
ow working capital	5.8	(10.1)	0.1	(0.4)	(7.3)	(2.4)
OCF before working capital	(25.1)	(32.2)	(10.3)	(8.6)	(6.8)	(6.5)
Capex	0.0	0.0	0.0	(0.1)	(0.0)	0.1
Investment purchases/sales, dividends	(14.2)	10.8	4.0	0.6	0.2	6.0
Investing Cash Flow	(14.2)	10.8	4.0	0.5	0.2	6.1
Holdco Loan	9.8	9.3	1.7	5.2	(0.5)	3.0
Borrowings	4.5	1.7	1.8	0.0	5.4	(5.5)
Forward Purchase settlement	0.0	(14.0)	0.0	(14.0)	0.0	0.0
Equity	(2.1)	1.9				1.9
Financing Cash Flow	12.1	(1.0)	3.5	(8.8)	4.9	(0.6)
Foreign Exchange	(0.4)	(0.1)	0.1	(0.0)	(0.1)	(0.1)
Net change in cash	(21.8)	(32.6)	(2.7)	(17.4)	(9.1)	(3.5)
			(2.8)	(3.0)	(1.7)	(1.0)
Unrestricted Cash	6.5	1.9	3.7	3.8	1.6	1.9
Restricted Cash	44.8	16.8	45.0	27.5	20.5	16.8
Total Cash	51.3	18.7	48.6	31.2	22.2	18.7

Source: AGBA filings, Edison Investment Research

Valuation

AGBA is difficult to value currently as it has no direct listed peers and is loss-making. Prior to the transaction, it expected to break even in Q424. On a standalone basis, based on the current market cap of US$167m and net debt of US$18.5m, AGBA trades on 3.4x FY23 EV/revenues.

Triller has been independently valued at US$3.2bn for the board of the company. Triller had 450m user accounts but only US$45m of revenues in FY23. We compare Triller in Exhibit 16 below with a number of technology platform peers, including those with major video/streaming offerings. Triller's absolute value and revenues are very low, but clearly so is the number of users on a relative basis. Thus, the valuation will depend on how quickly Triller can scale its user base and the ability to monetise those users.

Exhibit 16: Tech conglomerate peers, FY23 US$bn

	Alphabet	Meta	Netflix	TenCent	Alibaba		Snap	Triller*
EV	1,869	1,099	253	428	115		20	3.2
Revenue	307	135	35	86	131		5	0.05
EBITDA	109	68	8	31	26		(1)	(0.09)
Margin	35%	50%	23%	36%	20%		N/A	N/A
MAUs m		3,980	260				800	450
Revenue/user (US$)		34	134				6	0
EV/user (US$)	N/A	276	972	N/A	N/A		25	7
EV/revenue (x)	6.1	8.1	7.2	5.0	0.9		4.3	71.1
EV/EBITDA (x)	17.2	16.2	31.6	13.7	4.4		N/A	N/A

Source: AGBA filings, Edison Investment Research, Bloomberg. Note: EV at 25 April 24. *Triller independent equity valuation, user accounts not MAUs, EBITDA for 9M23.

On a pure equity basis (ie excluding net debt/cash as we do not have a pro-forma balance sheet for FY23) and based on the current share price, AGBA Delaware would have a market cap post transaction of c US$832m and FY23 pro forma revenues of c US$99m, putting it on 8.4x trailing revenues, in the range of the above peer group with the caveat of limited current financial information on Triller and a much smaller size compared to the peer group.

Sensitivities

AGBA's existing financial services business is sensitive to the economic environment in HK and Mainland China. Consumer confidence affects the propensity to purchase financial products and can be influenced by factors such as interest rates, unemployment and residential property prices through the 'wealth effect'. We expect longer-term growth to be directly influenced by structural demand for wealth and health products based on demographics and competitive factors.

The Triller business is also sensitive to the economic environment to the extent that it relies on advertising revenues or other corporate sponsorship. However, the ability to scale users and revenues rapidly through investing in the brand, user experience and product capability is an important driver of success in a network business.

At this stage we have little information on the Triller balance sheet and cash flow development. The company will be sensitive to capital market conditions should additional capital be required.

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