



Former Top Executive at authID Spills the Beans about its Selfie Identification Product: "There is No Market Fit"

- A former authID (AUID) top executive has told us that selfie identification will never be the second factor of authentication. He says software that tracks the user's behavior will be.
- The executive said that as hard as the company tried, no sell-side brokerage has ever had an interest in the company or wanted to ask questions on their earnings calls.
- AUID's PRs have falsely mentioned to investors a huge increase in "sales", instead of using the correct word "bookings" which means "possible sales".
- AUID's recent Q4 2023 sales results were far below what AUID claimed them to be in PRs. We have reported this false financial advertising to the SEC.
- We believe AUID's sales will remain tiny, as the company continues to be unable to sell its product to any meaningful company. We have a \$1 price target on AUID.

With an egregious price/sales multiple of over 300, significant losses, and a product that it hasn't been able to sell to a meaningful company for the past 6 years, we find authID (AUID) to be grossly overvalued.

A former AUID top executive who left AUID in 2023, spills the beans about its product.

This executive, who requested anonymity, told us:

There is no product market fit, it's like showing up to a football game with hockey skates on.

He further stated:

A selfie is never going to be the second factor of authentication. Software on your phone that tracks your behavior will be.

The common method of two-factor authentication is getting a code sent to a second device. This is less personal and easier/quicker than taking a selfie.

Upon further discussion and research, we've found that companies aren't going to make selfies a second factor of authentication because it's inconvenient, and too personal/invasive. Most people don't want to take the trouble of smiling into a little window all the time just to log into their account.



A phone that tracks how you move and what you do is less personal and it's convenient, the user won't have to do anything extra.

authID's Uses the Term "Sales" in PRs Instead of "Bookings" – We Have Reported This False Reporting To The SEC

It's ironic that AUID is supposed to guard against fake logins, yet it provides fake revenue numbers in its PRs. For example, on 10/4/23, AUID released a PR titled "authID Momentum Drives 300% Increase in Quarter over Quarter Sales."

AUID only earned \$44K in revenue in Q323. A 300% increase would have been \$176K in Q423.

\$176K revenue in a quarter would be pathetic for a \$50M+ market cap company. However, AUID couldn't even accomplish that. It only earned \$72K in revenues for Q423.

To release a PR that clearly states that quarter over quarter sales increased 300%, and then not deliver, is a violation of SEC rules and could lead to a fine. On 9/28/23, XL Fleet received an \$11M fine from the SEC over misleading investors about its revenue prospects. On 8/4/23, the SEC fined Canoo \$1.5M over "unreasonable revenue projections".

AUID's PRs should use the word "Bookings" instead of "Sales". Bookings are when a prospective customer says "maybe we'll buy this much of your product". There's no penalty for a company to change its mind on bookings or cancel it completely.

On 1/4/24, AUID published a PR titled: "authID Continues Growth Momentum with Strong Q4 Sales"

Then it states: "Q4 bookings representing a 64% increase over the Company's third quarter." Right there in the PR, the company uses the word "bookings" instead of "sales". Why not use the correct term, bookings, in the PR title? It's likely because that sounds weaker and AUID is trying to entice new investors.

authID's New Reported Customers Won't Provide Any Significant Revenue

The few recent deals that AUID advertised are from companies that won't provide much, if any, revenue.

On 11/2/23, AUID announced a new customer, Bieases. Bieases is a seven-person startup that has no customers or revenues. We downloaded the app to test it and we weren't able to open an account. There are only a couple employees on LinkedIn, including the company's founder, Bin Lee. We weren't able to find any reviews on the app or the company anywhere.

On 11/30/23, AUID announced a deal with PickleJar Entertainment (NREG). NREG is an OTC company with its stock trading at below 1c per share, and less than a \$1M market cap. It also has practically zero revenues. So how can it pay anything to AUID?

On 4/18/24 AUID announced a deal with the National Notarial Centralized Verification System. This company appears to just have one employee, its CEO Stefan Perez, on LinkedIn. It shows Perez has a day job as a notary.

Booked Annual Recurring Revenue (BARR) Isn't Real Revenue – It's Bookings

On 1/17/24, AUID released a PR titled: "authID Achieves 12x Year Over Year Growth 2x Faster Than Planned".

The first paragraph of this PR states: “the Company experienced record year over year growth in sales of 1,200% for its biometric identity authentication platform.”

This is a false statement. The company misclassified sales as "Booked Annual Recurring Revenue" (BARR) which isn't real sales. The word "sales" is synonymous to "revenue". Booking is far from guaranteed. AUID even has a disclaimer at the end of the PR stating:

“bARR & ARR should not be considered as predictors of future revenues but only as indicators of the direction in which revenues may be trending. Actual revenue results in the future as determined in accordance with GAAP may be significantly different to the amounts indicated as bARR or ARR at any time.”

We have reported these fraudulent PRs to the SEC, screenshot below:

[illegible]

Source: Sec.gov

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Software on Your Phone That Tracks Your Behavior will Be the Future Second Factor of Authentication, Not Selfies, According to authIDs Former Executive

As we showed in our previous bearish report on AUID on 2/17/22, the company has been claiming success with selfie facial recognition since 2018. It still hasn't caught on today, six years later.

The Executive told us that phones tracking your behavior will be the new second factor authentication, not selfies. Going into more detail, he said:

All software applications that are installed on your phone track your behavior (how you hold it, how you type, where you go, how you walk and so on)... in milliseconds the software can tell if it's John or someone holding John's phone. When you as a consumer (for example let's say a bank) access your bank account, (even if from your laptop as your phone is likely next to you and you've been using it minutes prior) a quick check can ask the software on the device, is the behavior exhibited from it recently John. If the answer is yes, the transaction is approved. This is because statistically this behavioral check is as telling as sending you a 6-digit pin or asking you to take a selfie.

Banks (and all enterprises) hate making their consumers take an active action that is not directly related to executing a transaction as sometimes the extra step (PIN codes or selfies) cause you to put the phone down and not finish the transaction as it drives the buzz word "abandonment"... authID was trying to replace Twilio and the PIN code when I was there, and that market is just not there... if you listen to Rhon's WSJ podcast he clearly is talking about different use cases and we'll see how successful that will be.

From the WSJ podcast, published on 2/9/24:

Rhon Daguro: It's absolutely the chip.

Danny Lewis: As in putting a chip inside your body that gives you up to the second data about everything, from glucose levels to the effect of medications.

Rhon Daguro: The number one use case for a chip is really to get the vitals of yourself. We've created all these external sensors on our bodies to be able to do this thing to be more convenient. Then I think the next evolution is to be able to just use it to interact with your digital environment or your physical environment.

Similar to what Executive said, Daguro referring to a chip seems to suggest that your physical movement will become used more as an identity check in the future.

Conclusion

Selfies as a second factor of authentication has never caught on, even after being around for over 10 years. We expect AUID revenues to remain very small, as they have been. We have a \$1 price target as upcoming negative catalysts sour investors on the stock. With currently about 10M shares outstanding, a \$1 price target would give a \$10M market cap. Even if AUID manages to get to \$500K in revenues per year, that would still be a large P/S ratio of 20.

An equity raise, SEC investigation, disappointing revenue numbers, and insider sales are upcoming catalysts that could cause the stock price to decline.

TikTok Won't Leave The US, Only The Owner Will Change

The bull case for Triller is that it will take market share from TikTok. However, as stated in this article, TikTok's Chinese parent company, ByteDance, needs to sell the company and TikTok can remain in the US.

So all that's required is the owner of TikTok to change. ByteDance is challenging the ban in Supreme Court, and the situation can take years. Meanwhile, Triller and AGBA will continue to flounder and lose money. Furthermore, there are better alternatives to Triller. As stated in the above article, Instagram Reels, and YouTube shorts are the main copies of TikTok, also Twitter.

Triller's CEO Has Been Convicted of Medicare Fraud, AGBA Also Has Shading Dealings

This type of scam fits well with Triller's CEO and Co-founder, Bobby Sarnevesht. In 2016, a jury found Bay Area Surgical Management (BASM) guilty of medicare fraud. Sarnevesht was a consultant for BASM and was named a principal in the lawsuit.

In 2019, Triller's other co-founder Ryan Kavanaugh was accused by an ex-partner of running a ponzi scheme and a suit was filed. This was settled outside of court.

AGBA also has some shady dealings. Convoy Global Holdings is currently a significant shareholder of AGBA. AGBA had acquired Convoy's financial advisory business and platform. In 2021, four Convoy executives were convicted of fraud. This conviction was overturned earlier this year, but this shows the shady dealings of AGBA's financial services.

Triller's History of Fundraising And Financial Trouble

In October of 2019, Triller raised \$28M, valuing the company at only \$130M. Triller's latest funding round was on 8/29/22. Triller sold \$200M in convertible debt on 8/29/22, eyeing a \$3B valuation if the company went public later in the year. The \$3B valuation was a drop from its \$5B valuation on 12/23/21 when tech company valuations were going through the roof. Also, the raise was in convertible debt, which would only realize the valuation if the debt was converted to equity. Since it wasn't converted to equity, the debt is still a liability for the company.

During this 2022 raise, Triller was projecting \$250M in revenue for 2023. However, it missed that projection by a wide margin. It generated \$48M in revenue for the year ended December, 2022 and revenue actually decreased in 2023. From Triller's S-1/A filing on 1/30/24, it reported it only made \$33.6M in revenue for the 9 months ended 9/30/23. That throws this valuation, and certainly AGBA's \$4B valuation, out the window.

The loss was huge during that 9/30/23 period, -\$134M. Almost the same as its -\$134.8M loss for the 9 months ended 9/30/22.

Triller has since not released any new financial statements. This suggests that business hasn't improved for the company.

Partial income statement shown below:

whitediamondresearch.com

Triller Hold Co LLC
Condensed Consolidated Statements of Operations and Comprehensive Loss
For The Nine Months Ended September 30, 2023 and 2022 (unaudited)

	2023 (in thousands, except per share data)	(Unaudited) Nine months ended September 30, 2022 (As restated)
Revenue	\$ 33,586	\$ 35,008
Operating expenses		
Cost of revenue	30,918	30,740
Research and development	7,860	9,992
Sales and marketing	10,680	26,732
General and administrative	34,368	83,648
Contingent consideration	11,364	2,841
Depreciation and amortization	22,791	18,698
Total operating expenses	117,981	172,651
Loss from operations	(84,395)	(137,643)

Source: Triller Registration Statement

Triller recorded only about \$1M of cash for the period ended 9/30/23. We can conclude that the company is out of cash right now. The company had more liabilities than assets, recording -\$24.4M in unitholders equity for the period ended 9/30/23. To make matters worse, \$234M of Triller's assets are "Goodwill". Remove Goodwill, and the unitholders equity comes to -\$24.4M - \$234M = -\$258.4M. Triller reported \$46M in long-term debt and \$125.5M in short-term debt.

With those dismal financials, it's safe to say that Triller's value is close to zero at this point and is on the verge of bankruptcy.

An Analysis of The YouTube Video Interview With Agba's CEO

On 5/24/24, Agba's CEO, Wing Fai Ng, released a YouTube video discussing the merger with Triller.



This interview of Ng was full of hot air and no substance. He made almost no specific comments regarding the merger, just spoke in vague terms. The following are quotes from the interview followed by our comments:

Ng: "With our technology and their technology combined, who can say no to that (the merger)?"

Our comment: What technology does AGBA have? It's a financial services company. What synergies would a social media, video-streaming company have with a financial services company?

Ng: "Triller did a last private round of capital raising just about 12-13 months ago, valuing it at over \$3B"

Our comment: Ng is referring to Triller's last funding round we mentioned earlier where Triller received \$200M in convertible notes. That round was on 8/29/22. This was 22 months ago, not 12-13. The investment was in convertible notes, not equity, which doesn't equate to an equity valuation. Also, that was before the company failed in its revenue projections by a wide margin, and before it became deep in debt. The valuation today is a lot different from back then, and the fact is, Triller isn't able to raise any funds today, at any valuation. We believe its value today is close to zero.

Ng: "Our contribution is scaling the business. And we have a specific plan how to make money. It requires a few things. #1 people, and #2 capital. I'm fortunate to say at this moment, that we have a lot of capital chasing us. And #3 ideas."

Our comment: People, capital, and ideas are a vague description of a plan. Ng doesn't go into any more detail. Didn't Triller have people, capital and ideas when it raised hundreds of millions of dollars? How will AGBA, a failing Chinese SPAC, provide these things that Triller didn't already have?

Ng: "Agba's financial expertise and Triller's AI-driven capabilities are incredibly complimentary. At the core of a social media company and the core of a financial services company, is really recommendations. In the world of social media, we all know what that means. In the world of financial services, it's all about how to pick the best advice, and the best product for our customers. The tool underlining AI fundamentals is all based on recommendations. There's a lot of synergy between what they do and what we do, and we're going to have a lot of fun. We are very optimistic about it."

Our comment: What is Ng talking about here? Recommendations? He doesn't go into any specifics on what he means by recommendations. We don't see any synergies between a financial services provider and a social media company.

Ng: "As a part of this merger, the entire company will be redomiciled, relocated to Los Angeles. We have a team going around in Los Angeles looking for a campus for us."

Our comment: AGBA right now has its executives in Hong Kong. The entire Hong Kong company is now looking to move to Los Angeles. Where is the advantage of this? Why doesn't Triller just merge with a company that is already in the US, and how would the executives of a financial services company help a failing social media company?

Ng: "The transaction has been approved by shareholders on both sides. So now, it's really dependent on, we're just waiting for approval by the SEC and Nasdaq. Hopefully we should have a conclusion by the end of June, I'm just guessing."

Our comment: This is one of the only times in the interview where Ng was specific. He expects to have an approval decision by the SEC and Nasdaq by the end of June. It's currently July, and we don't have any updates on the merger. We believe the SEC will reject the merger but the application process will take many more months.

Agba Made An Ugly Deal with Predatory Lender Yorkville

On 7/5/24, AGBA published a PR announcing they are raising more funds through Yorkville. The PR states "It also further cements the strategic relationship between AGBA and Yorkville..."

There really is no strategic relationship when dealing with Yorkville. They are a predatory fund, not a long-term investor. Yorkville just needs liquidity and could care less about whether AGBA succeeds or fails. If the stock drops then Yorkville will just get more shares to sell to guarantee a profit.

On April 25, 2024, Yorkville agreed to advance to the Company in the form of convertible promissory notes an aggregate principal amount of up to \$8.51 million (the "First Pre-Paid Advance").

On June 28, 2024, AGBA, Triller, and Yorkville modified the agreement to assign Triller's rights and obligations to AGBA and provide \$25 million in additional financing (the "Second Pre-Paid Advance"). As part of the "First and Second Pre-Paid Advance", AGBA issued a convertible promissory note for an aggregate principal amount of \$33.51 million in favor of Yorkville. The note could then be converted to shares of AGBA common stock at 92.5% of the lowest daily VWAP during the ten consecutive trading days immediately preceding the conversion date or other date of determination.

For example, assuming the lowest daily VWAP for the last 10 days is around \$2.7 then if the stock price goes up to \$3.50, Yorkville can convert at $\$2.7 \times 92.5\% = \2.5 conversion price and sell at \$3.50. Yorkville stands to make at a 40% gain on their investment with very little risk. And if that wasn't enough, Yorkville also received 3M AGBA warrants, representing \$8,377,500 or 25% of the \$33.51M convertible note principal amount, at a Fixed Price of \$2.83, with price protection.

Details on Triller's Settlement Woes And Debt Payments

From 2022 to late 2023, Triller has settled many lawsuits by agreeing to owe money to a variety of plaintiffs. However, the problem is Triller doesn't have any money to make these payments anymore. The following are lawsuits that are all referenced in Triller's S-1/A filed on 1/30/24.

Sony Music Entertainment Lawsuit Against Triller

On 8/12/23, Reuters published an article by Blake Brittain indicating the end of the copyright case over Triller's platform's music use. The article states:

Sony Music sued Los Angeles-based Triller last year (2022). It accused the TikTok rival of failing to make payments under a licensing agreement and committing "massive" copyright infringement by streaming its music without a license since breaking the contract.

The lawsuit cited more than 50 songs that Triller allegedly misused by artists including Britney Spears, Harry Styles, and Janis Joplin.

22, 2022, Plaintiffs filed a First Amended Complaint or the Complaint, against we are alleging claims for breach of contract, copyright infringement pursuant to 17 U.S.C. § 1401, contributory copyright infringement, and vicarious copyright infringement. On May 16, 2023, the court entered partial final judgment in favor of Plaintiffs on Plaintiffs' breach of contract claim and ordered the Company to pay Plaintiffs \$4.6 million..

Thereafter, the Company and the Plaintiffs entered into a Confidential Settlement Agreement dated July 21, 2023 to resolve Plaintiffs' remaining claims and provide for an agreed plan for payment of the judgment

Verzuz Lawsuit Against Triller

Timbaland and Swizz created Verzuz in 2020 as a webcast that pits two artists and their music against each other. Triller acquired the series on January 27, 2021, and as part of the deal, the duo joined Triller's management team and also became shareholders in its parent company, Triller Network. Initially, Triller had agreed to pay Swizz Beatz and Timbaland \$30.0 million in cash, including \$1.0 million per month over 10 months starting from April 1, 2022, and \$25.0 million in equity by issuing 2,202,642 Class B Common Units.

Triller only paid \$2.0 million in cash and issued 2,202,642 Class B Units to former shareholders of Verzuz in relation to the Amendment. Due to this, the following happened after On September 22, 2022:

Verzuz Demand Letter:

The company issued unsecured Convertible Promissory notes in the aggregate principal amount of \$37.0 million in full settlement of various claims the former owners had brought in connection with post-closing obligations.

As part of this agreement, Triller is required to make a minimum installment payment of \$9.0 million within twelve months of December 31, 2022.

On August 18, 2023, Verzuz LLC issued a demand letter asserting ownership over Verzuz copyrights and trademarks and claimed an event of default had occurred, making the notes immediately due and payable.

Triller disputes that an event of default has occurred and maintains that the acceleration right should not be exercised by the Verzuz members.

Convertible note:

- As of December 31, 2022, the Verzuz Notes are recorded at fair value of \$37.1 million, of which
- \$9.0 million is recorded in Current portion of long-term debt and
- \$28.1 million is included in Long-term debt on the consolidated balance sheet.
- As of September 30, 2023, the fair value of the Verzuz Notes was recorded at \$41.6 million on Triller's condensed consolidated balance sheet.

Wixen Lawsuit Against Triller

Triller Corp. entered into a settlement agreement with Wixen Music Publishing, Inc. in response to a lawsuit for copyright infringement. Here are the details:

- **Date of Settlement Agreement:** September 2022.
- **Lawsuit Basis:** Wixen sued Triller for copyright infringement.
- **Settlement Amount:** Triller agreed to pay Wixen a total of \$10 million in scheduled payments through September 2024.

Approximately \$4.5 million has been paid and about \$5.5 million remains due. Triller missed a payment to Wixen Music Publishing in December 2023, triggering penalties under the settlement agreement.

As of December 31, 2023, Triller Corp. recorded liabilities amounting to \$27.3 million for unpaid amounts owed under its music licenses.

Conclusion

We believe that this merger is a scam and that neither company expects it to actually happen. Both companies have no other route to go, both are in very desperate situations and desperate situations call for desperate measures. We believe this merger is just a gimmick to boost AGBA's stock price and sell stock, and perhaps some capital will make its way back to Triller as well. So far, it has been successful to boost AGBA's share price, as AGBA's was happy to tweet that AGBA is one of the 10 best performing stocks of 2024.

So far, nobody has called AGBA out on its BS. We believe somebody needs to present the truth to those who may not be aware of what is going on, and who believe what the company says at face value. If people choose to invest in AGBA anyways despite being presented the bearish side, then that is their choice, but we believe the truth should be presented and discussed.

We believe what AGBA is doing is immoral by running this scheme. AGBA is, indeed, temporarily saving itself by enabling it to raise capital, but at the cost of being dishonest and taking money from uninformed investors.