

YALLA Short Report

Pelican Way Research
June 2025



Intro



What is YALLA



- Yalla Group. Ltd. (NYSE: YALA) is a UAE-based voice-centric social networking and gaming company (similar to ‘Spaces’ on X.)
- Yalla operates mobile apps including Yalla (chat-focused) and Yalla Ludo (social gaming.)
- Yalla claims to be a market leader in MENA among voice chat and casual gaming platforms.
- Primary monetization comes from virtual goods and in-app purchases.
- Apps are available on both Apple App Store and Google Play under Yalla Technology FZ-LLC.

Why we're short YALLA



- Yalla's reported revenue metrics and reported downloads sharply contrast with trusted third-party sources and our proprietary calculations.
- Yalla's app reviews exhibit signs of extreme artificial activity, including repeated and generic language.
- Even by Yalla's own reported metrics, paying users peaked in Q1 2023 and have declined by 13% as of Q1 2025.
- Yalla has continued to use KPMG Huazhen LLP as auditor despite regulators finding serious deficiencies in 100% of KPMG Huazhen's audits.

Reported vs Third-Party Revenue & Users



Reported Revenue vs Third Party App Data

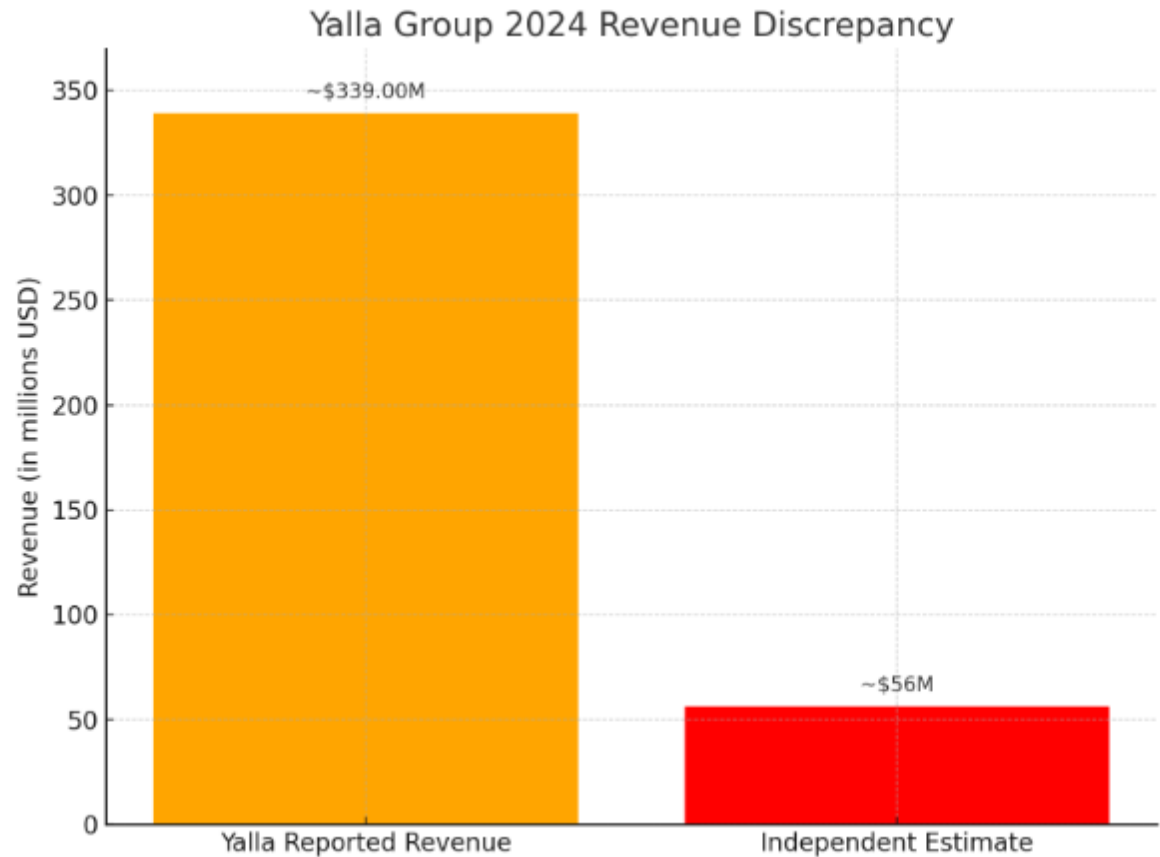


- Yalla reported 2024 Revenue: \$339 mm.
- Trusted third party app data for the Apple App Store and Google Play suggest revenue run-rate of ~\$56 mm.*
- Discrepancy: ~\$283 million revenue gap between claimed revenue and independently estimated revenue from Apps.

* Sources for this and all following slides in the footnotes in the appendix at the end of the presentation



Reported Revenue vs. Estimated Revenue (Based on Third Party Data)



* Estimated data is derived from last 30 days annualized.

Website Traffic Cannot Account for Discrepancy



- Across the Yalla domains, total website visits in 2024 were under 260,000. That's approximately 710 visits per day globally.
- Third party data shows no evidence of users spending money on Yalla's websites.
- With under 260K total visits, negligible user retention, and no recorded transactions, it's highly unlikely that these websites contribute materially to Yalla's reported revenue.
- Therefore, we believe the ~\$283M gap cannot be bridged by web activity.

Reported Downloads vs Third Party Data



Yalla Technology FZ-LLC

In-app purchases

4.1★
249K reviews

100M+
Downloads

- Yalla's Google Play Store page shows a 100 million + download badge, although no official SEC filing or press release substantiates this.
- However, Google Play download figures include re-downloads (bots).
- Using trusted third party download tracking services and our calculations, we estimate actual 'real' combined Yalla downloads for the Apple App Store and Google Play Store total ~57.5 million.
- Our calculations suggest a >40% discrepancy between claimed and independently estimated figures factoring in re-downloads.
- The large discrepancy between claimed and calculated downloads mirrors the large discrepancy we find between reported and calculated revenue.

Reported Numbers vs Third Party data



We acknowledge that while these third-party estimates may not capture all off-platform or alternative payment sources, the magnitude of the discrepancy warrants further explanation from Yalla management.

We encourage the company to provide independent validation of revenue attribution across platforms.

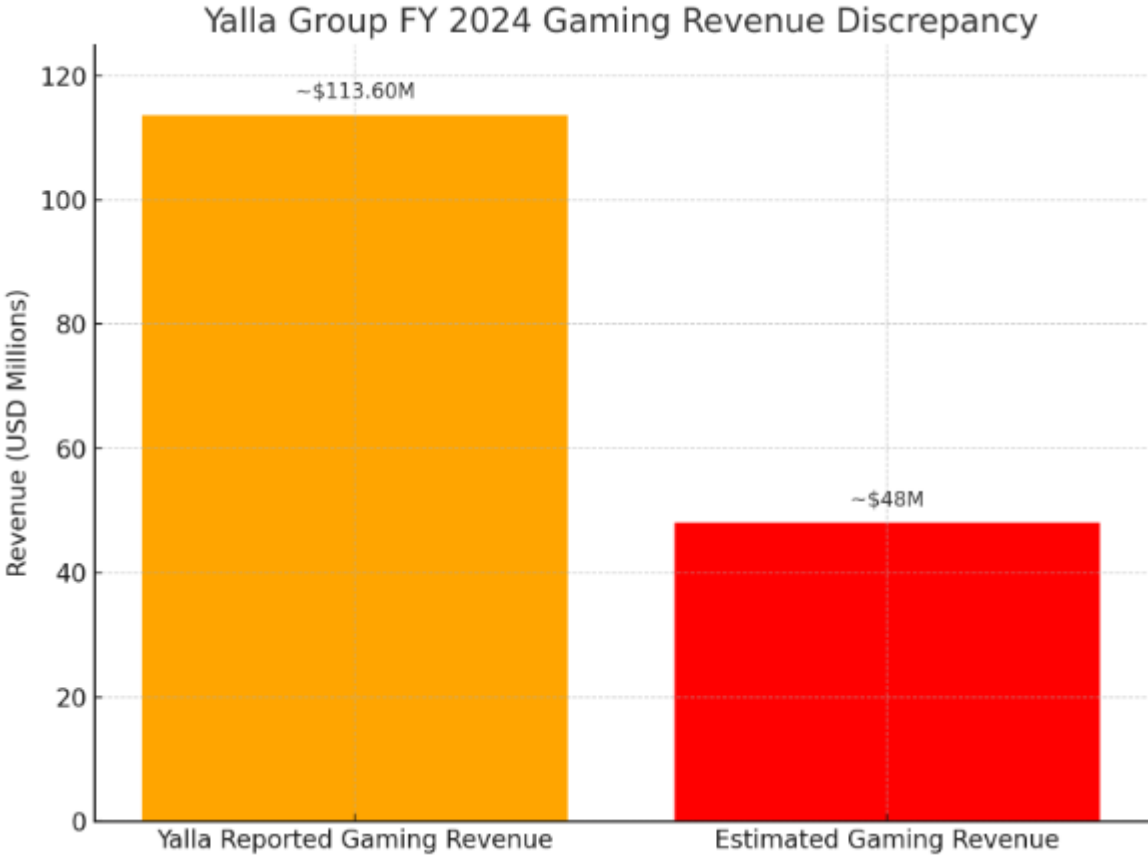
Gaming Segment



- Yalla reported ~\$113 mm in FY 2024 gaming revenue.
- Based on app-level third-party data, we estimate actual gaming revenue was ~\$48mm, a 58% discrepancy.
- This gap raises serious doubts about the segment's legitimacy as a growth engine. The gaming push appears overstated and insufficient to revive Yalla's broader business.



Gaming Revenues vs Third Party Data Chart



* Estimated data is derived from last 30 days annualized.

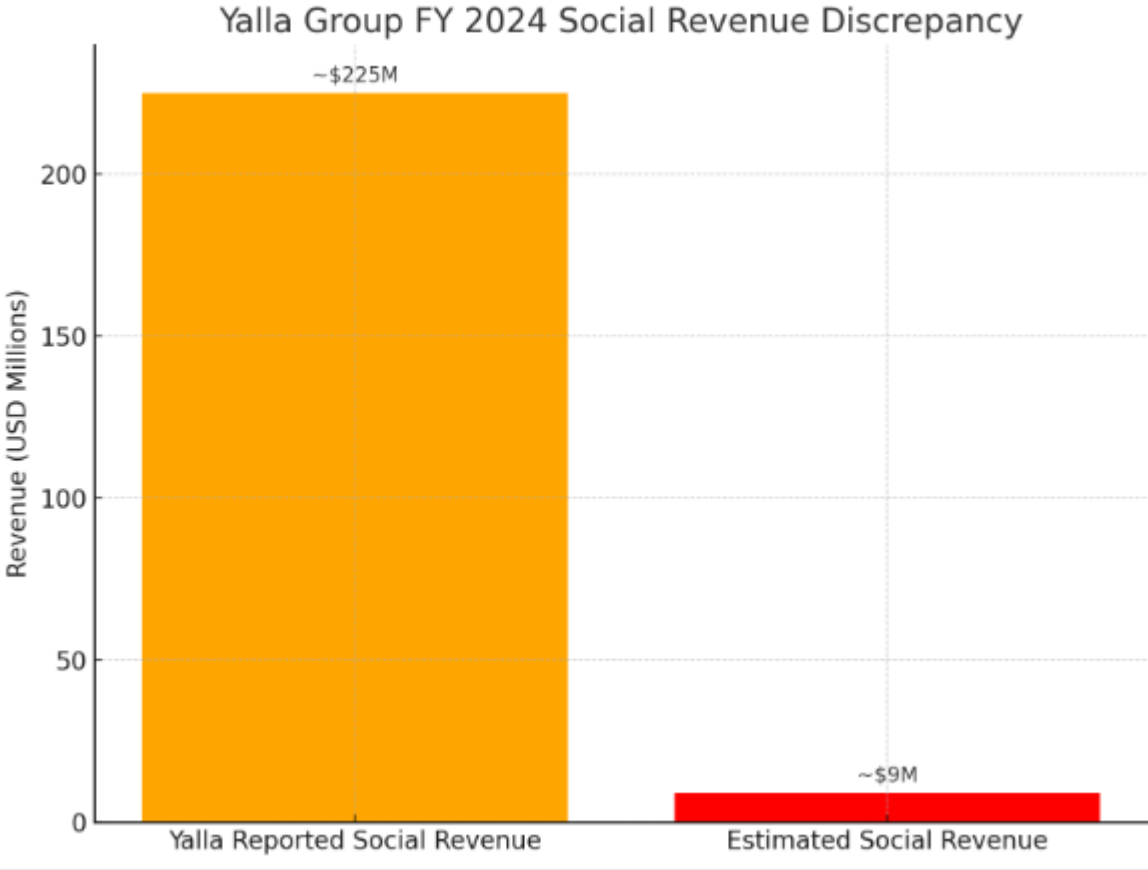
Social Segment



- Yalla reported \$225mm in FY 2024 chatting (Social) revenue.
- Based on the third party data we believe Yalla's actual revenue from the chatting segment is only ~\$9mm.
- This represents a 96% discrepancy, an extremely concerning metric.



Social Revenues vs Third Party Data Chart



* Estimated data is derived from last 30 days annualized.

Choice of Auditor a Concern



Auditor has Dubious Track Record



- In 2022, the PCAOB selected KPMG Huazhen LLP for inspection and identified "numerous potential deficiencies" in its audit work.
- In fact KPMG Huazen was found to have a 100% deficiency rate – meaning that every single KPMG Huazen audit studied by the PCAOB had a serious (Par 1.A) deficiency - indicating that the auditor failed to gather sufficient, appropriate evidence to support their audit opinion.
- In 2024, the PCAOB sanctioned KPMG Huazhen LLP for violations related to the 2017 audit of Tarena International, Inc. Penalties included \$150,000 in fines, the barring of two partners, and practice restrictions on another partner.

Auditor has Dubious Track Record



Despite this history, Yalla continues to rely on KPMG Huazhen LLP as its auditor, raising questions about Yalla's governance and audit reliability.

We call on Yalla Group to immediately engage a new independent auditor; we believe this is in the best interest of shareholders and necessary to restore confidence in Yalla's KPI's and financial statements.

Governance & SEC Issues



Governance and Structure Issues



- Yalla's corporate structure raises serious red flags: The company presents itself as a tech firm but is actually a Cayman Islands holding company with operating subsidiaries in China and the UAE—jurisdictions with significantly weaker investor protections and stricter capital controls than the U.S. This structure distances shareholders from the underlying business and amplifies regulatory risk.
- Founder Tao Yang maintains near-total control through a dual-class share structure, holding all Class B shares (20 votes each), while public shareholders hold Class A shares (1 vote each). This structure renders outside investors effectively powerless, regardless of economic ownership.
- Meanwhile, the company's opaque disclosures around tax residency, cross-border cash movement, and regulatory approvals have drawn SEC scrutiny for years which culminated in a series of forced corrections in 2025.
- We believe that these raise serious questions about Yalla's legal footing, its access to capital, and whether shareholders truly own the underlying assets.

SEC issues:



Yalla has faced repeated SEC scrutiny over its disclosures, corporate structure, and regulatory transparency — from its IPO through its most recent filings. These include:

- The SEC forced Yalla to clarify that it is not a Chinese operating company but a Cayman Islands holding entity with operations in China and the UAE.
 - (SEC letter dated Dec 13, 2024; Yalla conceded Jan 10, 2025)
- Yalla initially excluded Hong Kong and Macau from its definition of "China," downplaying legal exposure; the SEC required this to be corrected.
 - (SEC letter dated Dec 13, 2024)
- The SEC raised alarm over Yalla's failure to disclose whether it has obtained required permissions from Chinese authorities to operate or raise capital.
 - (SEC letter dated Dec 13, 2024)
- Yalla's claim that it is not a mainland China tax resident was questioned by the SEC, which demanded specific justification and additional disclosure.
 - (SEC letter dated Feb 14, 2025; legal response Feb 27, 2025)

Reported Results Underwhelming

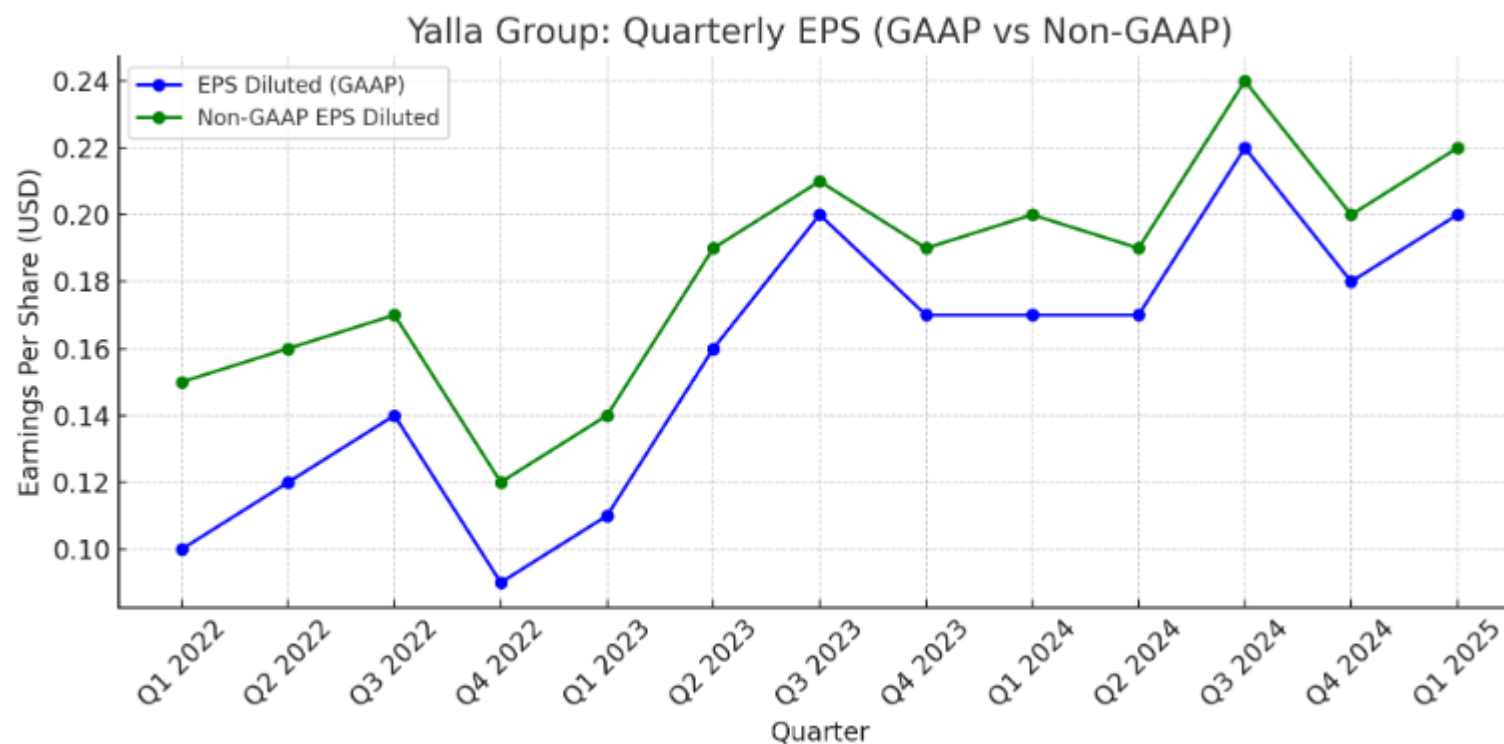


Even the 'reported' numbers are underwhelming



- Yalla's GAAP and non-GAAP earnings have remained effectively flat for the last two years (see slide on following page.)
- This performance brings into question the scalability of Yalla's business model, as incremental (reported) revenue has not resulted in expanding profit margins.
- These trends coincide with mounting concerns over fake reviews and suspicious user activity.

Yalla Reported EPS by Quarter



Suspicious Reviews



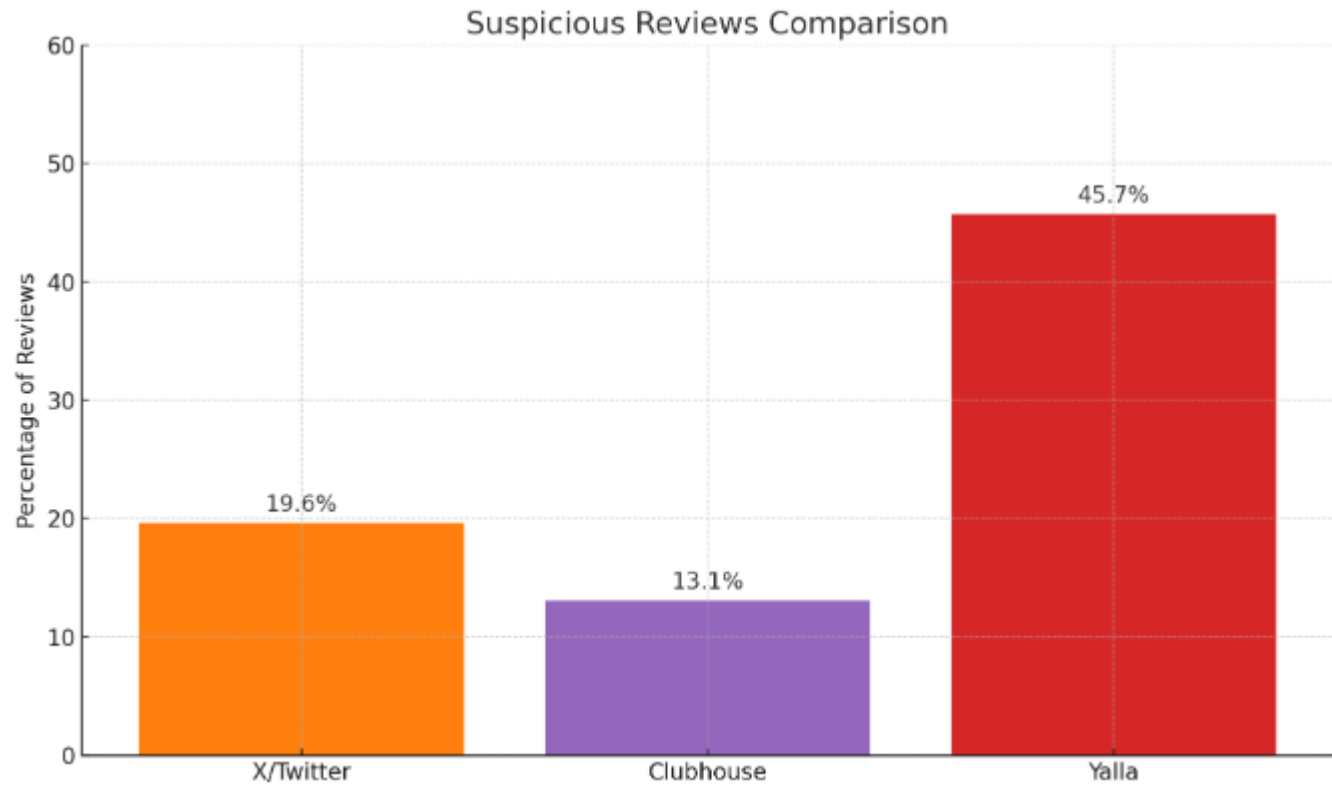
Suspicious Reviews



- Upon opening the Yalla app's Google Play store page, multiple suspicious reviews are immediately visible.
- These reviews often feature near-identical wording, overly generic praise, or unnatural repetition—patterns consistent with coordinated or inauthentic activity.
- We scraped a year and half worth of the latest reviews on Google Play (440 reviews) and found ~45% to be suspicious, multiples higher than established/mainstream social media apps (see chart on next page).
- We also found that roughly 37% of all Yalla reviews since Jan 1, 2024 are exact repeats of others.



Suspicious Reviews as % of Total





Amit Amu

★★★★★ March 11, 2025

Nice app

Did you find this helpful?

Yes

No



Muhammad Ijaz

★★★★★ March 27, 2025

Nice app

Did you find this helpful?

Yes

No



Potentially Fake Review Examples



vinod kumar

★★★★★ April 22, 2025

nice

Did you find this helpful?

Yes

No



Khan G

★★★★★ February 21, 2025

Nice app

Did you find this helpful?

Yes

No



SIYAM Urmi

★★★★★ March 8, 2025

nice app

Did you find this helpful?

Yes

No



Ali Haider

★★★★★ March 31, 2025

good

Did you find this helpful?

Yes

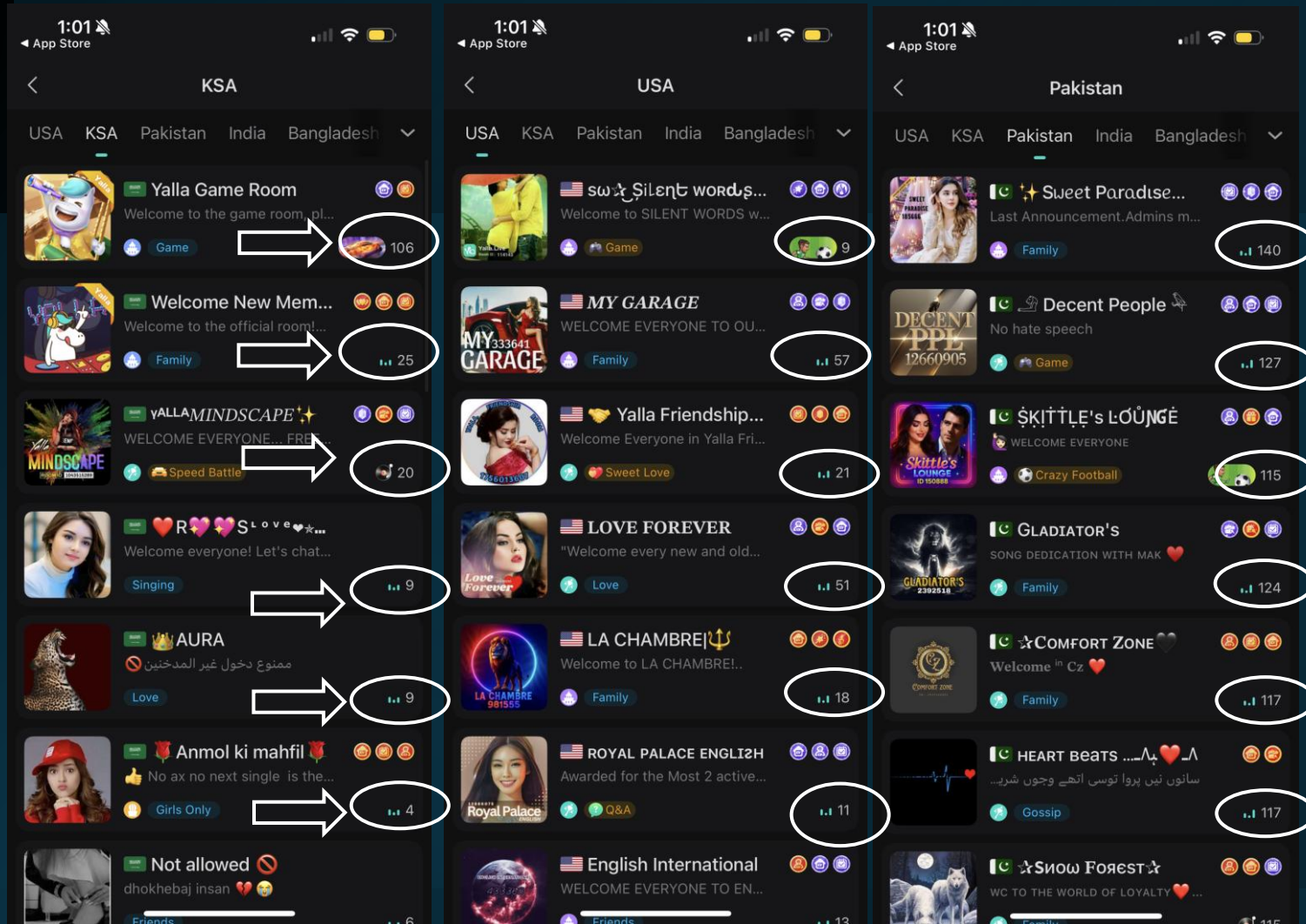
No

Is YALLA really thriving?



- We downloaded the YALLA app and captured images showing the top regional spaces (chat rooms similar to X's "Spaces" feature) in major markets like Saudi Arabia (KSA), Pakistan, USA and India.
- Despite Yalla's claims of high user engagement, the actual listener figures are remarkably low, with top rooms having ~20 to ~140 active participants.
- These numbers are a stark contrast to what could be expected from a platform that reports 100M+ downloads and claims to be a leader in MENA's social media space.

In App Top Room Examples:



*Current listeners are circled in bottom right of each room.

Executive Compensation



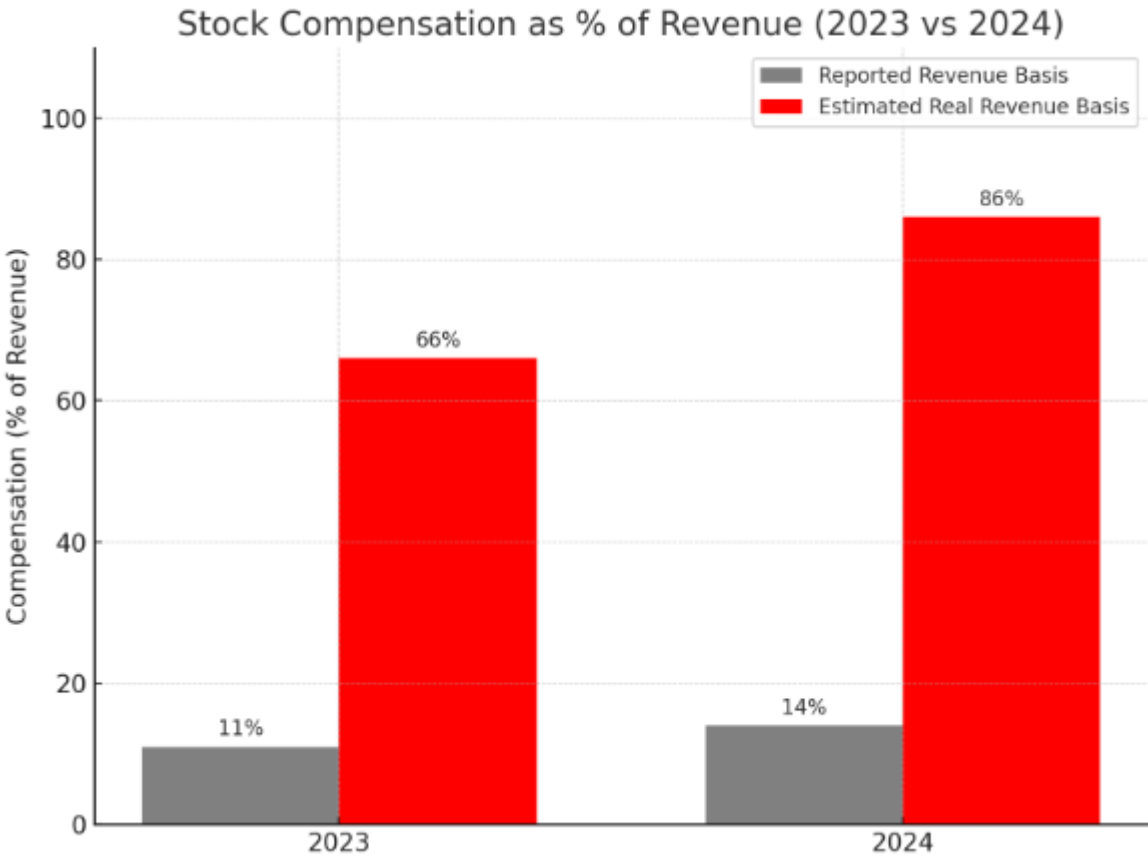
Executive compensation



- We believe management is enriching itself at an unsustainable and disproportionate rate.
- Total compensation to executive officers and board members as a percentage of reported revenue was ~11% in 2023 and ~14% in 2024 – already very high.
- However, using our calculated revenue numbers, that compensation would be roughly ~66% of our estimated 2023 revenue and ~86% for 2024.



Adjusted Executive and Board Compensation



ARPU – A Disappearing Act?



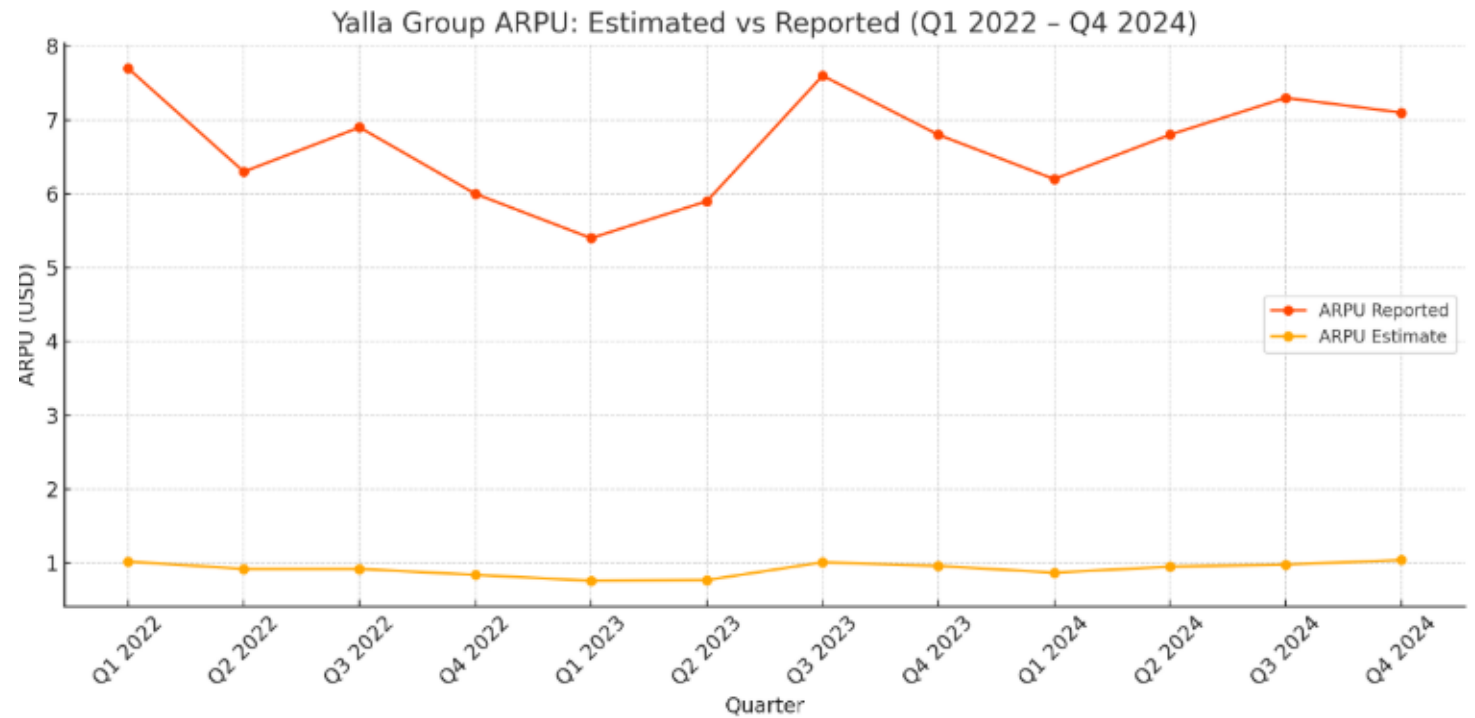
ARPU, a disappearing act?



- Up to and including the 2Q24, Yalla included ARPU in its earnings release and emphasized the importance of the ARPU metric.
- Yalla did not disclose ARPU with its 3Q24 or 4Q24 earnings releases. This sudden omission is notable, particularly given that ARPU is a key measure of user monetization.
- 3Q24 and 4Q24 ARPU were featured in Yalla's 2024 20-F, but ARPU was not mentioned in the 1Q25 press release or call.
- We believe the decision to omit ARPU may have been strategic, intended to obscure signs of stagnation or decline in monetization. A reversal or stalling of ARPU would be a material red flag for a company that already faces questions around user quality, revenue accuracy, and engagement.
- This pattern of selective / changing disclosure raises concerns about transparency.

Quarterly ARPU Trends

Yalla Group ARPU: Estimated Vs Reported (Q1 2022 – Q4 2024)

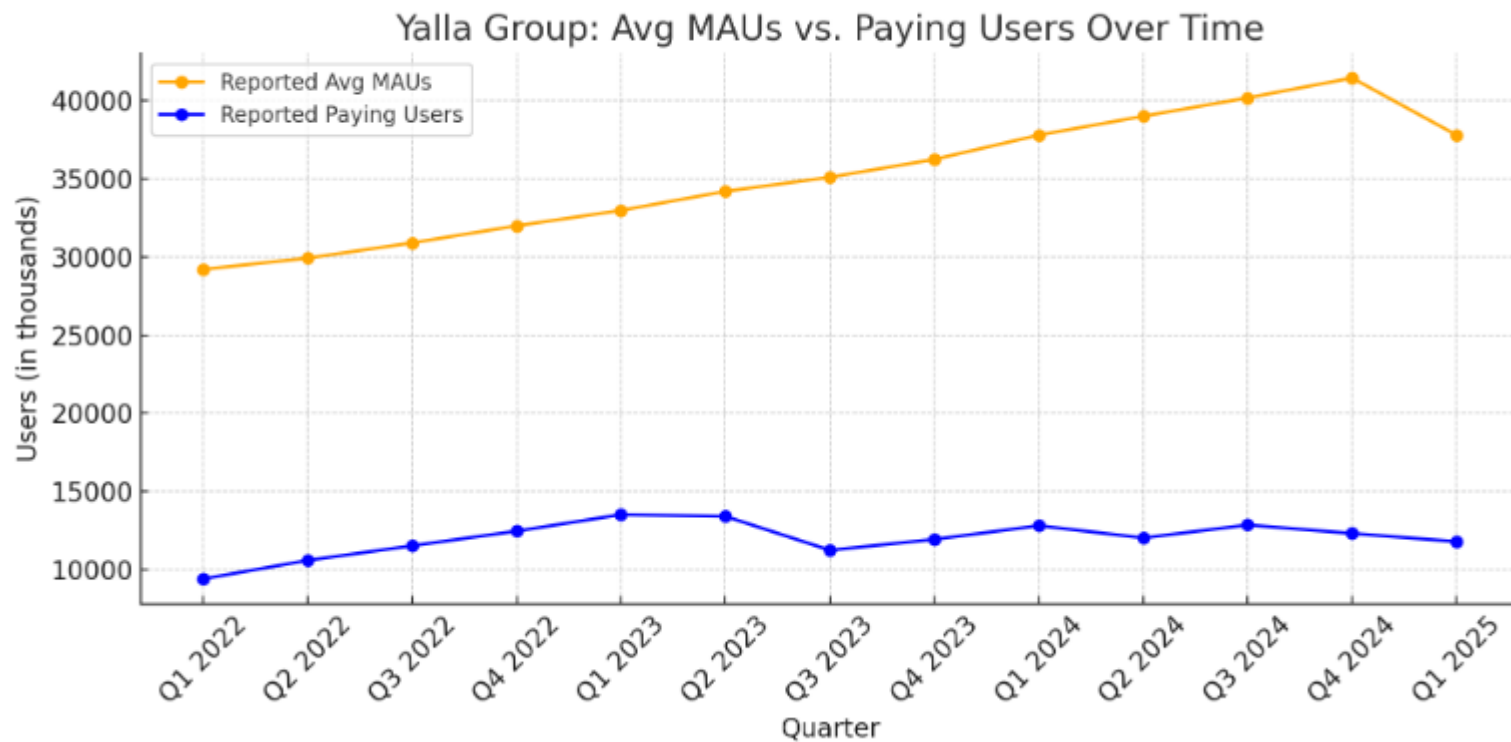


Declining Paying Users Vs Increasing MAU's?



- For the last two years paying users have been shrinking even as average MAUs (Active Users) have continued growing. Reported paying users peaked in 1Q23 and have declined 13% since (through 1Q25.)
- Yalla has largely downplayed and/or avoided discussing the deteriorating trends in paying users.
- These trends suggest a growing struggle to monetize users.
- In 1Q25 active users declined as well.

Paying User Trends



Employee Reviews



Employee reviews



- We went through reviews of Yalla Group and while there were some reviews that were positive, we found the most in depth were extremely negative – for example:
 - "Do not be fooled by the numbers of users they have; they are ripping off their users and their employees."
 - "it is not very big in UAE" ... brand not that recognizable in industry"

YALLA compared to other social apps in MENA region



- Despite portraying itself as a leading social media platform, YALLA is nowhere to be found on the top 20 app rankings in major MENA countries.
- Major media companies such as META (Instagram/Facebook) and WhatsApp dominate the space globally and are in the 20 app rankings in MENA.
- In our opinion users are likely to choose the larger social media apps over YALLA for many reasons – including greater scale / network effects.

Questions for Management



Questions and Challenges for Management:



- How does management reconcile the ~\$283mm discrepancy between reported revenue and third-party estimates?
- What portion of reported revenue, if any, originates from off-platform sources not captured by app store analytics or website analytics?
- Why were ARPU and paying user figures downplayed in Q3 and Q4 2024 after being consistently reported and highlighted in prior quarters?
- Why has monetization (paying users as % of MAU's) declined so dramatically?
- Will Yalla Group change their auditor after many years of seeming incompetence?

Conclusion



Conclusion



- Yalla Group's reported 2024 revenue and download figures appear materially overstated compared to independent third-party estimates.
- Executives have been paying themselves excessively, we estimate exec pay was ~86% of third-party estimated 2024 revenue.
- Signs of manipulated app store reviews and unverified user activity point to a broader pattern of misrepresentation.
- Auditor KPMG Huazhen LLP has a track record of deficiencies and regulatory sanctions, yet remains in place despite that record.
- We believe Yalla's stock is significantly overvalued and warrants urgent scrutiny from shareholders, auditors, and regulators.

Appendix



Appendix



Slide 4-17 Sources;

- For revenue and usage estimates, we used a combination of various app tracking tools and our own internal estimates. A google search for app tracking would quickly identify several such services.
- <https://seekingalpha.com/article/4752807-yalla-group-undervalued-tech-giant-with-a-huge-upside-potential>
- <https://www.prnewswire.com/news-releases/yalla-group-limited-announces-unaudited-fourth-quarter-and-full-year-2024-financial-results-302396946.html>
- <https://x.com/swanstreetres/status/1394999438674997259?s=46&t=IZeLp8ko7K4v6PuuSHkORQ>
- <https://www.reuters.com/business/us-pcaob-says-is-able-inspect-firms-china-first-time-2022-12-15/>
- <https://pcaobus.org/news-events/news-releases/news-release-detail/pcaob-sanctions-three-partners-of-kpmg-china-for-violations-of-audit-standards>

Appendix



Slides 18-32 sources:

- Trading view estimates
- Yalla IR
- Yalla earning call transcripts.
- Yalla Group Limited, Form 20-F, 2024, p. F-3 (Audit Opinion)
- Yalla Group Limited, Form 20-F, 2024, p. F-33 (Revenue Breakdown)
- Yalla Group Limited, Form 20-F, 2024, p. 147 (Deferred Revenue Roll forward)
- SEC Filings (www.sec.gov)
- https://play.google.com/store/apps/details?id=com.weieyu.yalla&hl=en_US&pli=1
- Source: YALLA App.
- Yalla Group Limited, Form 20-F (2023), Item 6 and audited financials (F-32, F-33)
- 2025 Earnings Release: “Yalla Group Limited Announces Unaudited Fourth Quarter and Full Year 2024 Financial Results

Appendix



Slides 32-39 sources:

- <https://ir.yalla.com/2024-results>
- Quartr app YALLA transcripts
- <https://www.roic.ai/>
- <https://ir.yalla.com/>
- <https://ir.yalla.com/2024-results>
- <https://ir.yalla.com/2024-results>
- <https://www.glassdoor.com/Reviews/Yalla-Group-Reviews-E4567290.htm>

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