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LEJU - Q1 2018 Leju Holdings Ltd Earnings Call

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CORPORATE PARTICIPANTS

Li-Lan Cheng *Leju Holdings Limited - Acting CFO*

Michelle Yuan

Yinyu He *Leju Holdings Limited - CEO*

PRESENTATION

Operator

Hello, and thank you for standing by for Leju's First Quarter 2018 Earnings Conference Call. (Operator Instructions) Please note that today's conference call is being recorded. If you have any objections, you may disconnect at this time.

I would now like to turn the meeting over to your host for today's conference, Ms. Michelle Yuan, Leju's deputy CFO. Thank you. Over to you, ma'am.

Michelle Yuan

Hello, everyone, and welcome to Leju's first quarter 2018 earnings conference call. Today, we will update you regarding our financial results for the first quarter ended March 31, 2018. If you would like a copy of the earnings press release or would like to sign up for our e-mail distribution list, please go to our IR website at ir.leju.com.

Leading the call today is Mr. Geoffrey He, our CEO, who will review operational highlights for the first quarter 2018. Mr. Li-Lan Cheng, our acting CFO, will then discuss the financial results in more detail. We will then open the call to questions.

Before we continue, please allow me to review Leju's safe harbor statement. Some of the statements during this conference call are forward-looking statements made under safe harbor provisions of Section 21E of the Securities Exchange Act of 1934 as amended. Forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from our current expectations. Potential risks and uncertainties include, but are not limited to, those outlined in our public filings with the SEC.

You're encouraged to review the forward-looking statements section of our annual report filed with the SEC for additional information concerning factors that could cause those differences. Leju does not undertake any obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by applicable law.

Our earnings press release and this call include discussions of unaudited GAAP financial information, as well as some unaudited non-GAAP financial measures. Our press release contains a reconciliation of the unaudited non-GAAP measures to the unaudited most directly comparable GAAP measures. Please note that, unless otherwise stated, all figures mentioned during this conference call are in U.S. dollars.

I will now turn the call over to Leju's CEO, Geoffrey He. He-dong, please go ahead.

Yinyu He - Leju Holdings Limited - CEO

Thanks for everyone joining us today. I'm pleased to see that our business returned to a growth trajectory in the first quarter of this year despite the overall market environment not showing signs of major improvement.

During this quarter, our e-commerce business had a strong recovery, benefiting from larger contribution from lower-tier cities, upgrades and a higher value per coupon redeemed. We also entered into annual framework contracts with many leading real estate developers.

Our online advertising business achieved steady growth in the first quarter as a result of our big database suite of targeted advertising products which continued to be well-received by the market. Meanwhile, we further enhanced our media influence and the content productivity through enriching Leju Finance, our recently launched real estate vertical media platform, which helped lay a solid foundation for our future growth.

We expect that this B2B platform will make incremental revenue contribution to our online advertising sector this year.

In addition, our efforts to streamline our cost structure began to show results in the first quarter. Looking ahead, we will continue to improve our operational efficiency and aim to return to profitability.

I will now turn the call over to our acting CFO, Mr. Li-Lan Cheng, who will review our financial highlights for the quarter.

Li-Lan Cheng - *Leju Holdings Limited - Acting CFO*

Thank you, Geoffrey. Good morning and good evening, everyone.

For the first quarter of 2018, we recorded total revenues of \$81.5 million, a 19% increase from the same quarter of 2017.

Our e-commerce services revenues for this quarter increased by 40% to \$53.5 million as a result of an increase in the average price per discount coupon redeemed. It contributed 66% of our total revenues this quarter.

Our online advertising services revenues for this quarter increased by 5% to \$27.1 million as a result of an increase in property developers' online advertising demand. It contributed 33% of our total revenues this quarter.

Our listing services revenues for the first quarter of 2018 decreased by 79% to \$0.9 million from the same period last year as a result of a decrease in the secondary real estate brokers' demand.

Our cost of sales for this quarter increased by 32% from the same quarter last year to \$18.7 million, primarily due to increased cost of advertising resources purchased from various media platforms, partially offset by decreased staff costs as a result of headcount change.

Our selling, general and administrative expenses decreased by 5% to \$95.2 million from the same quarter last year. This decrease was primarily due to lower staff costs as a result of our headcount change.

Non-GAAP loss from operations was \$27.1 million for the first quarter of 2018 compared to non-GAAP loss from operations of \$41.8 million from the same quarter of 2017. Non-GAAP net loss attributable to Leju shareholders was \$17.3 million for the first quarter of 2018 compared to a non-GAAP net loss attributable to Leju shareholders of \$24.2 million for the same quarter of 2017.

As of March 31, 2018, our cash and cash equivalents balance was \$157.2 million. Our net cash flows generated from operations -- operating activities for the first quarter of 2018 was \$1.0 million, mainly attributable to non-GAAP net loss of \$17.7 million, partially offset by a decrease in customer deposit of \$17.5 million.

Looking ahead, we estimate that our second quarter 2018 total revenues will be approximately between \$106 million and \$111 million, which represents an increase of between 15% and 20% from the same quarter last year. Please note that this forecast reflects our current and preliminary view, which is subject to change.

This conclude our prepared remarks. We're now ready to take your questions. Operator, please go ahead.



QUESTIONS AND ANSWERS

Operator

(Operator Instructions) There are no questions at this time. I would like to hand the conference back to the speakers. Please go ahead.

Michelle Yuan

This concludes today's call. If you have any follow-up questions, please contact us at the numbers or e-mails provided on our earnings release and on our website. Thank you.

Operator

Ladies and gentlemen, that does conclude our conference for today. Thank you all for your participation. You may all disconnect your lines now.

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