

THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

LEJU - Q4 2018 Leju Holdings Ltd Earnings Call

EVENT DATE/TIME: MARCH 18, 2019 / 11:00AM GMT



CORPORATE PARTICIPANTS

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

Michelle Yuan *Leju Holdings Limited - Deputy CFO*

Yinyu He *Leju Holdings Limited - CEO*

CONFERENCE CALL PARTICIPANTS

Robert W. Cowell *86Research Limited - Analyst*

PRESENTATION

Operator

Hello, and thank you for standing by, Leju's Fourth Quarter and Full Year 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.

Michelle Yuan - *Leju Holdings Limited - Deputy CFO*

Hello, everyone, and welcome to Leju's Fourth Quarter 2018 Earnings Conference Call. Today, we will update you regarding our financial results for the fourth quarter ended December 31, 2018. If you would like a copy of the earnings press release or would like to sign up for our email 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 our operational highlights for the fourth quarter and full year 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 read 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 that include, but are not limited to those outlined in our public filings with the SEC. You are 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 statements, 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, everyone, for joining us on today's call. Leju returned to profitability in 2018 as a result of our ongoing innovations and our organizational optimization. This is a remarkable achievement in the absence of a significant improvement of the overall Chinese real estate market environment.

Throughout the year, we implemented our New Media, New Ecosystem, and New E-commerce business strategy formulated at the beginning of 2018. Our Leju Finance business channel enhanced our media influence throughout improved content productivity and leveraged its revamped operating model across our new media platform, which integrates content and distributes edited news across multiple channels.

In December 2018, we successfully held the second annual award ceremony for real estate home furnishing and property management managers and CEOs, which was also the first anniversary of Leju Finance.

Over the past year, Leju Finance has built a strong competitive barrier around our online advertising business by providing timely and in-depth coverage of the news, valued by our users.

Meanwhile, we delivered healthy growth in our online advertising segment, which benefited from our Cloud-Eye big data capability, Admall open system and the mini-app open platform.

During this quarter, Leju Home Purchase, our comprehensive real estate e-commerce and a B2C platform established its new media platform for content production and distribution. Leju Home Purchase generates and integrates content by leveraging our dedicated editorial team and AI technology with distribution across multiple channels via mini-apps features.

The new initiative will play an important role for the future growth of our online advertising segment.

In addition, our e-commerce services saw a substantial recovery and further increased market share as a result of our product innovation and business expansion in lower tier cities.

Coupled with our top-down strategies, this has enabled us to grow our project pipeline by entering into framework contracts with large property developers covering multiple projects.

Since the end of last year, we have seen increasing demand for marketing services from developers as a result of change in real estate market conditions. Looking to the year ahead, we aim to capture new opportunities to further solidify our leading market position in media, advertising and the e-commerce services.

Finally, we have completed our corporate restructuring, which has helped to improve operational efficiency and lay a solid foundation for future growth.

Now I'll 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 fourth quarter of 2018, we recorded total revenues of \$124.2 million, a 17% increase from the same quarter of 2017.

Our e-commerce services revenues for this quarter increased by 16% to \$82.4 million as a result of an increase in the average price per discount coupon redeemed, partially offset by a decrease in the number of discount coupons redeemed.

E-commerce services contributed to 66.3% of our total revenues this quarter.

Our online advertising services revenues for this quarter increased by 25% to \$40.9 million as a result of an increase in property developers' demand for online advertising. Online advertising services contributed 32.9% of our total revenues this quarter.

Our listing services revenues for this quarter decreased by 61% to \$1 million from the same quarter last year as a result of a decrease in demand from secondary real estate brokers.

Our cost of sales for this quarter decreased by 4% to \$18.9 million from the same quarter last year primarily due to decreased staff cost as a result of headcount change partially offset by increased cost of advertising resources purchased from media platforms.

Our selling, general and administrative expenses decreased by 5% to \$106.1 million from the same quarter last year. This decrease was primarily due to decreased staff cost as a result of headcount change and decreased office and other operating expenses, partially offset by increased market expenses related to our e-commerce business.

Loss from operations was \$0.8 million for the fourth quarter of 2018, a decrease of 97% from the same quarter of 2017.

Net income attributable to Leju shareholders was \$1.4 million for the fourth quarter of 2018 compared to a net loss attributable to Leju shareholders of \$22.3 million for the same quarter of 2017.

Non-GAAP income from operations was \$3.3 million for the fourth quarter of 2018, compared to non-GAAP loss from operations of \$21.7 million through same quarter of 2017.

Non-GAAP net income attributable to Leju shareholders was \$4.7 million for the fourth quarter of 2018 compared to non-GAAP net loss attributable to Leju shareholders of \$19.2 million for the same quarter of 2017.

For the full year 2018, we recorded \$462 million in total revenues, a 27% increase from last year -- from the previous year. Our e-commerce revenues increased from by 36% to \$320.3 million for the full year 2018 as a result of an increase in the average price per discount coupon redeemed, partially offset by a decrease in the number of discount coupons redeemed.

E-commerce services contributed to 69.3% of total revenues for the full year 2018.

Our online advertising revenues, contributing 29.9% of our total revenues, increased by 22% to \$138.4 million for 2018 due to an increase in property developers' demand for online advertising. While our listing revenues decreased by 77% to \$3.4 million as a result of a decrease in demand from secondary real estate brokers for 2018.

Loss from operations was \$11 million for 2018, a decrease of 94% from 2017. Net loss attributable to Leju shareholders was \$13.5 million for 2018, a decrease of 92% from 2017.

Non-GAAP income from operations was \$6.1 million for 2018 compared to non-GAAP loss from operations of \$125.9 million for 2017. Non-GAAP net income attributable to Leju shareholders was \$0.4 million for 2018 compared to a non-GAAP net loss attributable to Leju shareholders of \$105 million for 2017.

Non-GAAP net income attributable to Leju shareholders would have been \$4.2 million for 2018 if we excluded approximately \$3.8 million in foreign exchange loss due to the depreciation of RMB relative to U.S. dollars in 2018.

As of December 31, 2018, our cash and cash equivalents balance was \$147.3 million. Our net cash flows used in operating activities for the fourth quarter 2018 were \$20.1 million, mainly attributable to an increase in accounts receivable and contracts assets of \$13.2 million, an increase in customer deposit of \$4.4 million, a decrease in accounts payable of \$3.8 million and a decrease in other payables of \$3.7 million, partially offset by non-GAAP net income of \$5.4 million.

Looking ahead, we estimate that our first quarter 2019 total revenues will be approximately between \$90 million and \$94 million, which represents an increase of approximately 10% to 15% from the same quarter of last year. Please note that this forecast reflects our current and preliminary view, which is subject to change.

This concludes our prepared remarks. We are now ready to take your questions. Operator, please go ahead.



QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We have our first question from the line of Robert Cowell from 86Research.

Robert W. Cowell - 86Research Limited - Analyst

I wanted to ask about the macro conditions in the real estate market and your outlook on policies this year, specifically in the context you mentioned that the growth in your e-commerce revenue is due to changing situation in the market. What exactly are you all seeing in the market that is helping your business?

Yinyu He - Leju Holdings Limited - CEO

Thanks for your question. And as to the overall real estate market, I think the mainstream trend of the market is to keep the stability, which means the price will keep stability and also the trading volume will keep stable. In the past 2 years, actually, the market went up. First, it went hot and then the government imposed a lot of restrictions on the price ceilings, which actually cooled down the market for a while. So that means the market has reached to a certain point of balance in the first quarter of last year. For us, I think previously, because all the -- nearly all the projects in the major cities, they are selling at the top prices -- the price ceilings given by the government. So for most projects, actually they have little willingness to do more positive marketing. But gradually, from the last fourth quarter, we already see that because the demand for the new projects cooling down and more and more projects, even if they sell at the price given by the government, they still cannot fulfill all the demand -- all the supply. So the market demand from developers is increasing, which is very positive to us, especially to our e-commerce business because our e-commerce business -- our model is based on the discount coupons. If the market has some space to sell the coupons, which is good for us. So in general, I think the market will keep stable and the marketing demands for -- from the developers this year will be increasing. Is that, okay?

Robert W. Cowell - 86Research Limited - Analyst

Yes, great.

Operator

(Operator Instructions) As there are no further questions, I would like to hand the conference back to our presenters for today.

Michelle Yuan - Leju Holdings Limited - Deputy CFO

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

Operator

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



DISCLAIMER

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2019, Thomson Reuters. All Rights Reserved.