

THOMSON REUTERS STREETEVENTS

# EDITED TRANSCRIPT

BITA - Q1 2019 Bitauto Holdings Ltd Earnings Call

EVENT DATE/TIME: MAY 30, 2019 / 12:00PM GMT



## CORPORATE PARTICIPANTS

**Liu Xiaoke** *Bitauto Holdings Limited - COO*

**Ming Xu** *Bitauto Holdings Limited - CFO*

**Xiaozheng Liu** *Yixin Group Limited - CFO*

**Xuan Zhang** *Bitauto Holdings Limited - CEO & Director*

## CONFERENCE CALL PARTICIPANTS

**Hillman Chan** *Citigroup Inc, Research Division - Research Analyst*

**Liping Zhao** *China International Capital Corporation Limited, Research Division - Analyst*

**Xiaomeng Zhuang** *BofA Merrill Lynch, Research Division - Associate*

## PRESENTATION

### Operator

Hello, and thank you for standing by for Bitauto's First Quarter 2019 Earnings Conference Call. (Operator Instructions) Today's conference 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.

---

### Unidentified Company Representative

Thank you. Welcome to Bitauto's First Quarter 2019 Earnings Conference Call. Speakers from the company today are Mr. Andy Zhang, CEO; Mr. Xiakoe Liu, COO; and Mr. Ming Xu, CFO.

After management's prepared remarks, Andy, Xiakoe and Ming will be available to answer your questions. In addition, Catherine Liu, CFO of Yixin, will be available to answer your questions related to Yixin.

Before we proceed, please note that discussions today will contain forward-looking statements made under the safe harbor provisions of the U.S. Private Securities and Litigation Reform Act of 1995. Forward-looking statements are subject to risks and uncertainties, which 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, including registration statement on Form F-1. Bitauto does not undertake any obligations to update any forward-looking statement, except as required by under applicable law.

This call will include discussions of certain unaudited non-GAAP financial measures. Please refer to our earnings release, which was issued earlier today, for reconciliations of these unaudited non-GAAP measures to the most directly comparable unaudited GAAP measures.

As a reminder, this conference is being recorded. In addition, a live and archived webcast of the conference will be available on our website.

I will now turn the call over to Andy Zhang, CEO of Bitauto.

---

### Xuan Zhang - Bitauto Holdings Limited - CEO & Director

Hello, everyone, and thank you for joining us for our first quarter 2019 earnings conference call. Despite a challenging auto industry environment, we were pleased to deliver a set of solid results for the first quarter of the year, with total revenue growing by 26% year-over-year to RMB 2.73



billion. Our advertising and subscription business continued to grow steadily, with revenue reaching RMB 897 million, representing a 13.9% year-over-year increase. Our Transaction Services business also continued to expand rapidly, with revenue reaching RMB 1.65 billion, representing a 40.7% year-over-year growth.

For our advertising and subscription business, as we have emphasized over the past few quarters, Bitauto has been devoted to consistently -- to constantly enhancing our contents and improving user experience on our upgraded apps to drive traffic for our media business and that we are beginning to see positive results from our efforts.

In the first quarter, we saw substantial increase in traffic, user time spent and the number of sales leads generated. According to Questmobile, in April 2019, DAU on the Bitauto media app increased by 197% since October 2018 when we rolled out a major upgrade to the media app. The combined DAU on both our Bitauto media app and the Auto Pricing app rose by approximately 50% over the same period in 2018.

In the first quarter, our total number of sales leads grew by about 15% year-over-year as quality of our sales leads improved, thanks to greater contribution from organic leads.

As a result of the strong momentum in the quantity and the quality of our sales leads, more dealer customers are willing to sign up for our premium and the recently launched deluxe premium service packages, further driving ARPU in our subscription business upwards.

We also further built out our network of independent dealers to over 26,000, through which we served more than 42,500 sales persons during the first quarter of 2019. As of the end of this May, we had developed over 2,300 paying customers among these independent second tier dealers.

In our transaction services business, Yixin continued to grow faster than the industry, strengthening its marketing -- market-leading position and enhancing its competitive advantages. Yixin facilitated approximately 147,000 financed automobile transactions in the first quarter, a year-over-year increase of approximately 30%. Yixin's loan facilitation services contributed 66% of its total financed automobile transactions, with transaction volume lined up nearly 10x compared to the same period last year.

Also during the quarter, Yixin's financed new automobile transactions increased by approximately 23% year-over-year, while China's new passenger vehicle sales dropped by 14% year-over-year, according to the China's Association of Automobile Manufacturers.

Moreover, Yixin's financed used automobile transactions increased by approximately 39% year-over-year during the quarter, while China's used car passenger vehicle sales increased only by 2% year-over-year, according to China's Automobile Dealers Association.

Looking forward, we will remain dedicated to executing on our 4 core business strategies to build Bitauto into China's top online automobile media and the transaction services platform.

First, we will continue to improve content and the user experience on the upgraded Bitauto media app with more engaging and user-centric content and functions, covering user needs across the entire automobile consumption cycle. We have seen robust improvement in DAU, retention rate as well as content generation and the consumption on our Bitauto media app. And we believe this will greatly increase our ability to bring higher-quality sales leads to our automaker and the dealer customers, helping enhance their sales conversion rates and demonstrating our value proposition amid the current soft market environment for automobile sales.

Second, we will drive incremental revenue growth in our advertising business through the launch of our data products, which provide automakers with integrated results-driven marketing solutions, including highly targeted advertisements, content and the marketing campaigns, leveraging Bitauto's AI and the big data analytic capabilities. Our data products enable automakers to analyze real-time consumer behavior, including browsing, search and purchasing to further improve automakers' conversion results. We plan to gradually ramp up our data products throughout the course of this year.

Third, we will further develop our subscription business this year as we enhance ARPU from 4S dealer customers through increasing penetration of premium and the deluxe premium service packages and expand our services to cover more independent dealers while gradually increasing monetization among this vast and undertapped market segment.

Fourth, Yixin will remain focused on rapidly expanding its financed automobile transactions, growing its loan facilitation business and developing its technology capabilities to better understand, connect and serve customers, financial institution partners and auto mobile dealers. We believe that Yixin is well positioned to gain market share in the automobile finance industry.

With that, I'll turn the call over to Ming to go over the financials.

---

**Ming Xu - Bitauto Holdings Limited - CFO**

Thank you, Andy. Good evening, everyone. Despite soft sales in the auto industry, our results for the first quarter of 2019 maintained a steady growth trajectory, with strong performance from both our advertising and subscription business and transaction services business. We also increased profitability in the first quarter, mainly due to improved profitability at Yixin and effective cost control of sales and marketing expenses.

With rising traffic and enhanced user experience, our upgraded Bitauto media app should continue to strengthen Bitauto's value proposition, which we believe will be increasingly recognized by our OEM and dealer customers as they focus more on the effectiveness of their advertising spending. We remain confident that the growth of our users base and brand value will further solidify our industry-leading position, reduce our customer acquisition costs and enhance our margins. We're also optimistic about Yixin's margin outlook for the full year as it further grows its financed transaction volume.

Now let's look at our Q1 2019 financial highlights before moving into Q&A. Please note that our only reference -- I will reference mainly to financial figures in RMB in the following discussion.

Bitauto reported revenue of RMB 2.73 billion for the first quarter of 2019, representing a 26% increase from the corresponding period in 2018. The increase in revenue was attributable to the growth of the company's transaction services business and advertising and subscription business.

Revenue from the advertising and subscription business for the first quarter of 2019 was RMB 897 million, representing a 13.9% increase from RMB 7.88 million (sic) [RMB 787.5 million] in the corresponding period in 2018.

Revenue from the transaction service business for the first quarter of 2019 was RMB 1.65 billion, representing a 40.7% increase from RMB 1.17 billion in the corresponding period in 2018, mainly attributable to the revenue growth of the company's loan facilitation services and self-operated financing business.

Revenue from the digital marketing solutions business for the first quarter of 2019 was RMB 188 million compared to RMB 211 million in the corresponding period of 2018.

Cost of revenue for the first quarter of 2019 was RMB 1.07 billion, representing an increase of 29.8% from the corresponding period in 2018. The increase was primarily due to increased commissions associated with loan facilitation services and increased costs associated with higher sales of automobiles. Cost of revenue as a percentage of revenue in the first quarter of 2019 was 39% compared to 37.8% in the corresponding period in 2018.

Gross profit for the first quarter of 2019 was RMB 1.67 billion, representing a 23.6% increase from the corresponding period in 2018.

Selling and administrative expenses were RMB 1.5 billion for the first quarter 2019, representing a 0.5% decrease from the corresponding period in 2018.

Product development expenses were RMB 160.4 million for the first quarter of 2019, largely the same as such figure in the corresponding period in 2018.

Share-based compensation, which was allocated to the related line items of operating expenses, was RMB 144 million in the first quarter of 2019 compared to RMB 150 million in the corresponding period in 2018.

Non-GAAP income from operations in the first quarter of 2019 was RMB 375.8 million (sic) [RMB 365.8 million], representing a significant increase from RMB 8 million in the corresponding period in 2018. Non-GAAP operating margin for the first quarter of 2019 was 13.4% compared to 0.4% in the corresponding period in 2018.

Net income in the first quarter of 2019 was RMB 92.8 million compared to a net loss of RMB 288 million in the corresponding period in 2018. Net income attributable to Bitauto in the first quarter of 2019 was RMB 32.5 million compared to a net loss attributable to Bitauto of RMB 168 million in the corresponding period in 2018.

Non-GAAP net income in the first quarter of 2019 was RMB 285 million, representing a significant increase from RMB 76 -- RMB 37 million in the corresponding period in 2018. Non-GAAP net income attributable to Bitauto in the first quarter of 2019 was RMB 152.1 million, a 122.3% (sic) [126.3%] increase from the corresponding period in 2018.

Basic and diluted net income per ADS, each representing 1 ordinary share in the first quarter of 2019, amounted to RMB 0.43, USD 0.06; and RMB 0.29, USD 0.04, respectively. Non-GAAP basic and diluted net income per ADS in the first quarter of 2019 amounted to RMB 2.12, USD 0.32; and RMB 1.68, USD 0.25, respectively.

As of March 31, 2019, the company has cash and cash equivalent, time deposits and restricted cash of RMB 9.69 billion. Cash provided by operating activities, cash provided by investing activities and cash used in financing activities in the first quarter of 2019 were RMB 294 million, RMB 1.86 billion and RMB 2.11 billion, respectively.

Number of employees totaled 8,570 as of March 31, 2019, including employee of entities in which Bitauto has acquired or hold -- and holds controlling interest as of such date. This represented a 4.4% year-over-year decrease, primarily due to the decreased headcount in Yixin following its strategic de-emphasis of used car automobile transaction facilitation services.

In addition, given Yixin's scale and significance to Bitauto, I would also like to share with you some of Yixin's operating and financial highlights for Q1 of 2019.

In the first quarter of 2019, Yixin facilitated approximately 147,000 financed automobile transactions, an increase of approximately 30% from the corresponding period in 2018. The total aggregated automobile financing amount facilitated through its loan facility and services and self-operated financing business was approximately RMB 11.3 billion.

In the quarter, through its loan facilitation services for financing partners, Yixin facilitated approximately 97,000 financed automobile transactions, representing a year-over-year increase of nearly 10x and approximately 66% of Yixin's total financed automobile transactions.

In the first quarter of 2019, under U.S. GAAP, Yixin's total revenue reached RMB 1.66 billion, representing a 35.3% increase from the corresponding period in 2018. Gross profit reached RMB 843 million, representing a 40.8% increase from the corresponding period in 2018. Net income was RMB 104.5 million compared to a net loss of RMB 221.4 million in the corresponding period in 2018. And non-GAAP net income was RMB 233.4 million, representing a non-GAAP net loss of RMB 62.3 million in the corresponding period in 2018.

In the first quarter of 2019, Yixin's non-GAAP net income is calculated as net income excluding share-based compensation of RMB 85.3 million, amortization of intangible assets resulting from asset and business acquisitions of RMB 43.6 million and offset by tax effect of RMB 0.04 million.

In the first quarter of 2019, Yixin entered into certain transactions with other subsidiaries of Bitauto, which have been eliminated upon Bitauto's consolidation of Yixin. The cost of revenue and expenses that Yixin recorded for the services purchased from those subsidiaries of Bitauto amounted to RMB 7 million.

As of March 31, 2019, Yixin has cash and cash equivalents and restricted cash of RMB 5.63 billion, total finance receivable of RMB 34.64 billion and total borrowings, including bank borrowings and asset-backed securitization debt, of RMB 28.17 billion.

As of March 31, 2019, 90 plus -- 90 days plus past due ratio, including 100 days plus and 100 days plus past due ratio for all financed transactions, including the third-party loan facilitation, were 0.9% and 0.43%, respectively. 90-day plus, including 180-day plus past due ratio and 180 days plus past due ratio for Yixin's self-operated finance business were 1.17% and 0.58%, respectively.

Under U.S. GAAP, Yixin's provision for credit losses of finance receivables for the first quarter of 2019 was RMB 81.1 million. The balance of finance for credit loss of finance receivable was RMB 361.5 million as of March 31, 2019.

Before we turn to guidance for the second quarter, I would also -- I would like to provide you with a quick update on the early redemption of our convertible notes.

In May 2019, Bitauto has reached an agreement with PAG and its affiliates to repurchase the outstanding USD 125.5 million aggregate principal amount of the 2% convertible note due 2021 issued by the company on August 2, 2016, prior to the scheduled maturity date. The total purchase price of USD 126.8 million, including the principal of and interest on the notes, were paid and settled as of May 22, 2019. Bitauto has canceled all the notes outstanding post this early redemption. And there are no notes outstanding as of now.

With that, I will turn to guidance for the second quarter of 2019.

For the second quarter of 2019, Bitauto currently expects to generate revenue in the range of RMB 2.7 billion, USD 402.3 million; to RMB 2.8 billion, USD 417.2 million in the second quarter of 2019, representing a 5.3% to 9.2% increase from the corresponding period in 2018.

This forecast takes into consideration of seasonality factors in Bitauto's business and excludes any impact of foreign currency fluctuation. It reflects management's current and preliminary view, which is subject to change.

Let's now start the Q&A session. Andy, myself, Xiaoke and Yixin's CFO, Catherine Liu, are available to take your questions. Operator, please go ahead.

---

## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Your first question comes from the line of Hillman Chan from Citi.

---

### Hillman Chan - Citigroup Inc, Research Division - Research Analyst

Firstly, could you share your thoughts on the OEM advertising outlook in the context of recent trade war and also softer macro outlook? And would that change our view on the OEM advertising budget for the rest of the year, please? And how are we seeing the ad budget trends allocation amount between online and off-line channels for auto OEMs?

And my other question would be that in your prepared remarks, you mentioned the solid growth in our DAU and also the sales leads volume. Could you share more on the drivers behind and how we should think about the strategy growing the DAUs and the sales leads volume going forward, please?



**Ming Xu** - *Bitauto Holdings Limited - CFO*

To our COO.

**Liu Xiaoke** - *Bitauto Holdings Limited - COO*

[Interpreted] So thank you for your questions. I will first address your first question about the advertising market.

So firstly, as you may have observed, the car market, so far this year, has been very weak. And we expect the market to remain weak for the remainder of the year without any -- if the government does not issue any policy support.

So for the first quarter of this year, we observed that overall speaking, the advertising market is -- has been declining year-over-year. And the advertised -- the automakers are cutting their advertising budget.

So in this market environment, we think the OEM advertisers, even though they're -- even for their branding advertising, they have been focusing more and more on sales leads and on the effectiveness of their spending. Therefore, for the first quarter of this year, we have been seeing that the verticals and the social media that both of them have more effective ads than the pure branding ads -- pure branding media. These 2 types are still having some growth in the first quarter.

And we think these verticals and the social media type, we believe that the budget are skewing -- are concentrating to the top tier media. And at the same time, the smaller lower tier medias were gradually being squeezed out of the market.

And even -- and for our own business, we -- from our interaction with automakers, we're seeing that the automaker customers are spending more on their -- on the sales leads-driven, effectiveness-driven advertising and cutting their budget on the pure branding ad, and we believe this will be the trend going forward.

And so far as the -- our proposition on the advertising market trend. So let me now address your second question about our DAU growth.

So our -- since we launched the new upgraded Yiche app in November 2018 last year and started our campaign to grow our user base. And so far, it maintained a very strong growth.

Yes. I think so far, our growth can be seen in 2 stages. From November of last year to March of this year, the growth we have been focused on -- in getting more incremental new user and also optimizing the channels where we get the new users. And from March of this year until May -- until now, our focus more is while we maintain the strong growth in incremental new users, we also focus more on the quality of the user base. We focus more on improving our retention rate and also time spent on our app.

So we focus more on the lower-tier cities. We find that so since our campaign start, we get more incremental new users from the Tier 3 to 5 cities. Because more users are coming from the lower-tier cities, we also find that more of them are actually first-time buyers. Actually, among our incremental new users, 70% of them are first-time users. This compares with the overall market where only roughly 50% are first-time buyers. So because we have more first-time buyers, they also contribute more sales leads to our business.

And so in terms of our content strategy, because more of our new users are first-time buyers and they are -- more of them are interested in the new models. So we actually focus -- in terms of content, we focus on getting more -- creating more content and providing more content about these new models to this type of users. And we try to maintain a leading position in the competition in terms of these new models.

Specifically, in the recent months, we have been putting more resources and focus on the UGC, user-generated content. For example, for the new -- for these new models, we focus on contents like review -- user reviews, buyer reviews and also Q&A content for these models. And in this type of UGC content, we try to lead in the competition.



Also 2 things, one is I just -- we just -- I just talked about the UGC content. Also, we -- on the PGC content, on the KOL side, we also upgraded our partnership with the key opinion leaders and tried to leverage more of their content. And the second thing is we -- from a technology point of view, we improved our recommendation engine to make our content more tailor-made for the users. And this also improved the user stickiness to our platform.

In some way, in the past over 6 months, we believe we have established a sustainable methodology about how to improve our product, how to optimize our channel and also how to improve the operation of our community of our product. And we believe this methodology will continue to work and drive continued strong growth of our user base. Thank you.

---

### Operator

Your next question comes from the line of Miranda Zhuang from Merrill Lynch.

---

### Xiaomeng Zhuang - BofA Merrill Lynch, Research Division - Associate

Congratulations on solid results. So the management has shared color about these drivers behind the traffic and this volume growth. So can you share more color about the organic traffic and organic leads, the mix of them, and then the growth trend for them separately?

And my second question is about the listing business. So can management share with us the number of paying dealers for first quarter and the trend that you are seeing for -- up to now? And then what's your outlook for the full year?

---

### Ming Xu - Bitauto Holdings Limited - CFO

Thank you, Miranda. So for your first question about the contribution from our organic traffic and leads, we have -- because we -- our user -- organic user base have been growing very strongly, we're also seeing the lead also -- the contribution from organic traffic and lead are improving. So right now, the organic traffic contribute to around half our DAU. And on the sales lead side, it's about the same similar percentage, about half of them are coming from organic sources. This improved a lot from the same period of last year.

And as for the trend, well, because we believe that the traffic of Yiche app will continue to grow, so we believe the total contribution from Yiche app and also the price quote app will continue to improve. And at the same time, importantly, as the contribution from organic traffic and lead improves, the quality of our total sales lead, blended sales lead, is also improving a lot. And we believe that has been gradually recognized by our OEM and dealer customers. And I would believe this, in turn, will lead to a higher growth of our -- on the revenue side.

And secondly, on the paying dealer on the subscription business. So firstly, for the paying customers, by the end of Q1, we have roughly around 20,000 paying dealers for our business. This only refers to the 4S dealer business, not including the independent dealer business. For the independent dealer business, as we just mentioned in the script, in the prepared remark, we have around -- by the end of May, we have around 2,200, 2,300 of the -- among the independent dealers.

For the 4S dealer business, clearly, it declined a bit from last year's level and also from the last quarter's level. I think this is more because of the industry downturn. A lot of dealers are running into difficulties, very high inventory level and very low profitability. We don't think that our gap with our competitors is in margin. We believe we are facing the same problem. So starting from Q2, we're also trying to -- we have been trying to find ways to find -- trying the solutions for this problem. We have been trying to launch some new product to increase our paying dealer numbers.

So for example, starting from April, we have been trying to launch a what we call an entry-level package which have a relatively lower ARPU. It's more affordable for those dealers. And also, we are trying some CPL product, et cetera. With this, we hope to further increase the number of paying dealers. And at the same time for the independent dealer business, we continue to progress on that part. So first of all, as we mentioned, the number of dealers -- independent dealers on our platform is now around 26,000. And from those 26,000 dealers, more than 40,000 people are using our platform.



And also, for key part of the business, we -- our -- for the -- one key function for the business, which is facilitating the car transaction between used car -- between these independent dealers and 4S dealers, we have, so far on our platform, more than 400,000 listings on our platform. And in the first 4 months, we have closed more -- around 50,000 transactions between the independent dealers and the 4S dealers. And we believe we are now in a very strong position in this competition, in the independent dealer business. Thank you.

---

**Operator**

Your next question comes from the line of Liping Zhao from CICC.

---

**Liping Zhao - China International Capital Corporation Limited, Research Division - Analyst**

I have 3 questions here. The first question is related to your advertising and subscription business. I noticed you continued to invest in branding such as the promotion of BITA media application. So how much is the investment should we expect for this year? That is to say the impacts on your bottom line this year. And how much revenue growth will the investment bring to your advertisement and subscription business?

My second question is related to Yixin. So I'm curious, how much is the funding cost of Yixin in first quarter? And what's the trend of transaction volume funding cost that impact your ratio in coming quarters?

And my last question is about your cash position. You said you paid back the convertible note ahead of the due date. So what's the impact on your liquidity? And do you have any share buyback in the future?

---

**Ming Xu - Bitauto Holdings Limited - CFO**

Thank you, Liping. So I will answer the first and the third question, and Catherine will answer the second question. So Catherine, why don't you go ahead first?

---

**Xiaozheng Liu - Yixin Group Limited - CFO**

Sure. From Yixin's side. In 2019, the self-operated business funding cost is decreasing compared to 2018 for the new capital that we -- for the new total borrowings. So -- but since our total funding cost is a mix of the new borrowings and then the old borrowings, so the funding cost is gradually decreasing as time goes by. So I think in the rest of the year, we probably see the funding cost probably will still gradually decreasing if the macroeconomics environment and then the central government's policies keeps similarly.

For the past due ratio, as you can see, for our self-operated financing business and the loan facilitation business, our past due ratio has been kept pretty stable and slightly decreasing for the past 5, I would say, 5 quarters. So for the self-operated financing business, the past due ratio's slight increase is merely because the balance of the finance receivables has been decreasing since our loan facilitation percentage went up. So that's -- but if you look at the total asset, that's a more like apple-to-apple comparison. It is stable and slightly decreasing.

Okay, Ming?

---

**Ming Xu - Bitauto Holdings Limited - CFO**

Okay. Thank you, Catherine. I will answer your first and third question, Liping. So on the first one, for the investment in our media app, so we have been very satisfied with the progress so far in the user growth trend and also the help they bring to our overall business. And we are -- they give us more confidence to continue our investment in this area. I think the -- our overall -- in the long-term speaking, the -- this -- as I mentioned in the prepared remark, when our user base grows larger and our brand value becomes more substantial to -- and significant, this will help us to decrease the traffic acquisition cost and the reliance on external traffic.



But in the immediate term, we believe that although this -- the traffic growth this year -- or the growth of sales leads this year can help us to spend less on external sales lead, at the same time, to getting these new users and to invest in the content, it also will consume some money.

So I think in the immediate term, we believe there is actually a mismatch between the -- in the -- I'm only talking about media business alone, not including the Yixin business. For the media business, we believe this year there is somewhat a mismatch between revenue growth and the -- and our spending. On the one hand, we need to spend to grow our traffic, grow our content, grow our organic sales lead. While these efforts have been gradually paying out and has been gradually recognized by our dealer and -- by our OEM and dealer customers, but we believe that -- but because for the -- in this -- in our business, as you know, the pricing negotiation happens at the end of every year. So the pricing for this year are largely set by the end of last year and early this year when our traffic -- when our organic traffic, unfortunately, was still relatively low.

So as a result of the traffic growth, I think we'll be more recognized by our customers going into the second half and the more going into 2020. So as a result, in 2019, the revenue growth will still only reflect the organic traffic that we had in last year. But at the same time, we need to spend more on the -- on -- to grow the organic traffic. So this year, we believe there will be a certain deleverage in our media business. Fortunately, the Yixin business will, as Catherine mentioned, will have a very strong growth this year, as evidenced in the first quarter. So this will offset the pressure -- margin pressure on our media business.

But long-term speaking, we believe this -- our investment on content will help. Actually, as I mentioned, for the growth in traffic and sales, we have already been gradually recognized by our OEM and dealer customers.

And also, as we mentioned in the prepared remarks, the AI marketing -- AI data-driven marketing solution that we offer to the OEMs are largely driven by -- not -- supported by our growth in organic traffic because a key part of that solution is to improve the sales leads for those OEM advertisers. And we believe that this will be -- going to second quarter -- second half and the last -- next year, this will be more recognized by the -- on the -- more reflected on the monetization side.

And your third question about the -- our liquidity and capital allocation. So firstly, on the CB. We have a very friendly negotiation with PAG on the CB. And because we have ample liquidity, both onshore and offshore, we decided to early redeem the convertible bond to lock in some of the uncertainties and also lower the potential dilution by the CB by actually -- by redeeming this CB, we decrease the potential dilution by around 7% in our -- considering our fully diluted share base.

But even after paying back this CB, we still have ample liquidity both onshore and offshore. And this early redemption certainly have no impact on our operation whatsoever.

And on the buyback question, firstly, we believe -- we certainly believe our share price has been -- is being undervalued, and we are looking at various ways to solve this issue. But unfortunately, the previous buyback has -- the previous buyback expired by -- already. It has a 1-year authorization. So we are looking at ways to get a new authorization from the Board.

But at the same time, considering the overall liquidity -- sorry, the overall sentiment and risk premium -- risk advertising, the overall market, we believe we also need -- and also the weak macro environment in China, we think that we also need to balance the use of cash, to optimize the use of cash. So the simple answer is we are looking at different ways to evaluate the optimal capital allocation or the optimal use of cash.

---

## Operator

We are now approaching the end of the conference call. I would now turn the call over to Bitauto's CFO, Ming Xu, for closing remarks.

---

## Ming Xu - Bitauto Holdings Limited - CFO

Once again, thank you for joining us today. Please don't hesitate to contact us if you have any further questions. Thank you for your continued support, and we look forward to talking with you in the coming months.



**Operator**

Thank you for your participation in today's conference. This concludes the presentation. You may now disconnect. Good day.

[Portions of this transcript that are marked [Interpreted] were spoken by an interpreter present on the live call.]

**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.