



TuanChe Limited.
Tmall-Auto Strategic Partnership To Explore
New Business Model & Growth Opportunity
NASDAQ: TC

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TuanChe – 3Q2019 Earnings Review

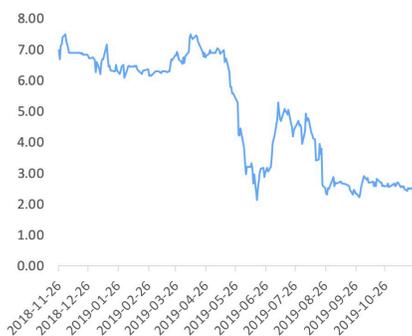
Exchange: NASDAQ Ticker: TC

Company Summary

Date:	11/25/19
Current Price:	\$2.45
52-week Range:	\$2.01 - \$7.80
Market Cap:	\$178.7 M
Avg Volume:	9.7k
P/E Ratio:	-

Source: Bloomberg

NASDAQ: TC stock price



Earnings Highlights¹

The Company's net revenues from the first 9 months of 2019 grew by 8.8% YoY, remaining outperformed the overall industry where September marked the 15th consecutive month of a year-over-year decline in industry-wide passenger car sales in China. Gross profit also showed a YoY growth of 7.2% over a margin of ~70.6%.

However alongside the continued challenging market condition, TuanChe reported a YoY decline of 12.7% in net revenues of ~RMB136 million in the 3rd quarter of 2019, mainly attributable to the year-over-year decline of 15.6% from the offline marketing services, resulting from the slowing macro economy and declining consumption power, while partially offset by the accelerating growth of the Company's new special promotion events and online business initiatives launched in early 2019. 3Q19 gross profit decreased by 14.5% with gross margin lower slightly to 68.7% from 70.2%. But with company's effort on control over S&M expense while continue investing in R&D, net loss scaled down to ~RMB46.8 million (US\$6.5 million), or a net loss per share of RMB0.16 (US\$2c), compared to a net loss of RMB50.4 million, or RMB0.47 per share a year ago.

Nevertheless, balance sheet remained strong, with cash and cash equivalents stabilized at RMB292 million and no outstanding debt as of September 30, 2019, following a net cash used in operating activities of RMB55.7 million in the quarter.

4Q-2019 Business Outlook²

Taking into consideration of the ongoing macroeconomic headwinds facing the auto industry, as well as heightened emission regulations, the management expects the company's net revenues to range from approximately RMB190 million to RMB200 million, representing an approximate YoY decrease of 16.1% to 11.7% in 4Q-2019, reflective of the Company's view on current business operating and market condition.

Financial & Operating Performance Reviews³

9-month revenue growth supported by stable core business and accelerating business in new initiative

Despite the highly challenging market environment for China's auto industry year-to-date, TuanChe's revenues from the first 9 months of 2019 remained positive YoY, having benefited from the stable development in the Company's core business, further aided by its new business initiative launched earlier this year, especially in special promotion events and online marketing services.

Impacted by the lasting market declines, many auto companies found their businesses in the dire strait, including OEMs and those brand-names. A breakthrough in business model sustained by a low-cost, high sales-conversion marketing channel, such as TuanChe's special promotion events and other new

¹ TuanChe FY2019 Q3, 6-K

² TuanChe FY2019 Q3 filing

³ TuanChe FY2019 Q3, 6-K and Earnings Call

business initiatives, is much sought by the auto industry players to address such urgent needs, creating an opportunity for the Company.

As a result of the strong demand from the auto-players, virtual dealership and online marketing services along with other revenues collectively contributed ~US\$0.8 million to the Company's net revenues in 3Q19, a YoY increase of ~250%.

Sequential backtracking in geographic coverage & auto-show hosting targeting to lower costs

The company's geographic coverage backtracked to 148 cities as of September 30, 2019, slightly down from 155 cities as of June 30, 2019 while up from 131 cities a year ago. Quarterly number of auto shows organized increased slightly by 3.4% YoY to 212 in 3Q-19, while down from more than 300 organized in the prior quarter. Quarterly number of auto sales transactions facilitated via the auto-show decreased by 6% YoY to 76,798, while the gross merchandise volume (GMV) of new car sold decreased only slightly by ~0.9% YoY to RMB10.5 billion (~US\$1.6 billion).

Meanwhile on the heel of a great business momentum, TuanChe hosted 192 special promotions in the 3rd quarter of 2019, up from 154 in 2Q19, and contributing around US\$0.8 million to the Company's net revenues in the quarter.

Industry Development & Analysis

Entering a consolidating phase, survivorship is king

China's auto sales have been experiencing a lengthy downward trend as illustrated below. The downward pressure facing the industry remains in place, despite the pace of decline starting to stabilize in the 3rd quarter of 2019. As Chinese government juggles between growth and debt, demand for auto sales remains underwhelmed.

Additionally, some parts of China also advanced their compliance with the nation's new emission standards, exhausting the demand for significantly discounted cars of prior models that will not meet the heightened regulatory standards on carbon-emission. Electric/Hybrid cars are of no exception, with sales seen three consecutive monthly declines, mainly pressured by lower subsidy.

We have also seen that the market concentration is strengthening, dominated by the top-10 auto companies which collectively accounted for near 90% of total car sales in the first 9-month period of 2019, up by 1.1%. China-own brands are under pressure as the JV foreign brands joined to fight for market shares. Consequently, China's auto industry is entering into a consolidation phase, with companies backed by core technology and strong cash backbone to survive, while smaller players getting forced out of the market.

The adverse market condition impose challenges but also create a valuable time window for Tuanche to build strategic partnership with major OEMs by helping them to expand sales channels and penetrating into lower tier cities without coverage, by upgrading core business of auto shows, enriching new business lines of special promotion events and online marketing products, and consolidating market resource through virtual dealership.

China Auto Industry Auto Unit Sales

Month	Monthly Auto Unit Sales (in 10,000)	YoY Change (%)
2019-9	227.10	-5.2
2019-8	195.80	-6.9
2019-7	180.80	-4.29
2019-6	205.60	-9.6
2019-5	191.26	-16.40
2019-4	198.05	-14.61
2019-3	252.00	-5.18
2019-2	148.16	-13.77
2019-1	236.73	-15.76
2018-12	266.15	-13.03
2018-11	254.78	-13.86
2018-10	238.01	-11.07

Source: China Association of Automobile Manufacture

Recent Business Developments⁴

Tmall Strategic Partnership - TuanChe signed a strategic partnership with Tmall Auto in Oct. 2019, where Tmall Auto is the automotive arm of Alibaba Group's (NYSE: BABA) B2C platform Tmall, the largest eCommerce platform in China.

This partnership is expected to enable both TuanChe and Tmall Auto to collaborate and further explore additional growth opportunities throughout China's automotive value chain, where Tmall Auto will work with TuanChe to integrate its online resources, e-commerce infrastructure, and big data analysis capabilities with TuanChe's extensive national footprint and proven track record in managing both offline automotive operations and sales events. Both companies plan to jointly integrate a new data-driven, smart, online-to-offline automotive transaction service platform, while further expand each other's customer bases and enhance the car-purchasing experience for consumers.

Share Repurchase Program - On the Company's share repurchase program, wherein up to US\$20.0 million worth of the Company's ADS shares are authorized to be executed over a maximum 12-month period starting on June 17, 2019, TuanChe had repurchased 427,738 ADSs at a valuation of approximately US\$2 million under this program as of September 30, 2019.

⁴ Company press release

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