



TuanChe Limited.
Strengthening Online Initiatives to Navigate
through COVID-19 Challenges
NASDAQ: TC

**STONE STREET
GROUP**



TuanChe – 1Q2020 Earnings Review

Exchange: NASDAQ Ticker: TC

Company Summary

Date:	7/2/2020
Current Price:	\$1.55
52-week Range:	\$1.12 - \$7.7
Market Cap:	118.20M
Avg Volume:	17,730
P/E Ratio:	-

Source: Bloomberg

Q1-2020 Earnings Highlights¹

TuanChe experienced significant challenges brought about by the COVID-19 outbreak, resulting in substantial year-over-year net revenue declines and a widening net loss. For the first quarter of 2020, the Company's net revenues decreased by 92.1% year-over-year to RMB9.7 million, or US\$1.4 million, in line with the management's guidance. The decline in Q1 revenues had led to a loss from continuing operations of US\$8.3 million, and an adjusted net loss attributable to the Company's shareholders of US\$7.3 million, or a net loss per ordinary share of US\$0.02 in the quarter.

Coincided with the continued challenging market condition exacerbated by COVID19 pandemic, Q1 results were negatively impacted by the year-over-year decline of 95% from the Company's offline marketing services, mainly due to the cancellation of all offline events in February and March, while only partially offset by the YoY revenues increase of 12.3% from its virtual dealership and online marketing services. Consequently, the Company's quarterly gross margin decreased to 58.6% from 72.4% a year ago. As of March 31, 2020, TuanChe held cash and cash equivalents, time deposits, and short-term investment of RMB205 million (US\$29.0m).

In order to better align the Company's operations with the current challenging market conditions, the management had immediately put in place stringent measures to combat operating costs and preserve liquidity, complemented by accelerated development of its online marketing services.

These contingent measures are providing the management with confidence in the Company's ability to navigate this challenging period, while laying the foundation for long-term growth. TuanChe will continue to focus on strengthening its online initiatives going forward, operated under the omni-channel business model through a hybrid brick-and-mortar and online approach.

2Q-2020 Business Outlook²

TuanChe held very few offline events in April, while since May, the Company has gradually resumed offline operations in some cities, though the pace of recovery is subject to government guidance basing on the continuous development of COVID19. The Company expects Q2 net revenues to range from approximately RMB47 million to RMB52 million, representing a year-over-year approximate decrease of 76.9% to 74.4%.

2020 First Quarter Financial & Operating Metrics³

Financial Metrics

¹ TuanChe FY2020 Q1 filing

² TuanChe FY2020 Q1 filing

³ TuanChe FY2020 Q1 filing and Earnings Call



Net revenues decreased by 92.1% to RMB9.7 million from RMB122.9 million a year ago, in line with the management's guidance, mainly dragged by the decrease in offline marketing services, down 95.0% YoY in the quarter, while partially offset by the accelerated growth of the Company's business initiatives in virtual dealership and online marketing services.

Gross profit decreased by 93.6% to RMB5.7 million from RMB88.9 million a year ago, with gross margin decreased to 58.6% from 72.4% in 1Q2019. Adjusted EBITDA was a loss of RMB50.7 million, or US\$7.2 million, compared with a loss of RMB\$17.7 million in the prior year period.

Operating Metrics

Quarterly number of organized auto shows across China decreased by 96.6% from 178 in 137 cities to six auto shows in six cities across China a year ago. Quarterly number of special promotion events increased slight from 12 to 13, compared with a total of 269 special promotion events organized during 4Q-2019.

Quarterly number of automobile sales transactions facilitated decreased by 96.4% to 2,305 from 64,641, and the quarterly Gross Merchandise Volume ("GMV") of new automobiles sold decreased by 96.4% to RMB300 million from RMB8.4 billion.

Geographic coverage of sales operations stayed flat year-over-year at 146 cities as of March 31, 2020, slightly down from 148 cities as of December 31, 2019.

In coping with the challenging environment caused by the virus outbreak, TuanChe immediately made efforts to ensure health and safety of its employees and customers and streamline its cost structure. And as part of the Company's accelerating online strategy, TuanChe formed a strategic partnership with Baidu's information service app "Youjia", specifically in the automobile vertical. In addition, the Company is deepening collaboration with TMall Auto to provide live streaming online auto shows and special promotions events to utilize surging online auto consumer traffic and leveraging TuanChe's omni channel resource

These strategic initiatives had resulted in a 12.3% year-over-year increase in revenues from the virtual dealership, online marketing services and others.

Industry Updates

China's auto sales have been experiencing an extended downward trend as illustrated below. Auto sales from China's overall auto industry declined 42.4% year-over-year in 1Q20, where March marked the 21st consecutive month of a year-over-year decline in industry-wide passenger car sales in China. Nevertheless, a 4.4% and 14.5% year-over-year monthly auto sales growth were recorded in April and May of 2020, indicating a gentle recovery trend of the auto market.

China Auto Industry Auto Unit Sales

Month	Auto sales volume (in thousands)	YoY change
2020-5	2,194	14.5%
2020-4	2,070	4.4%
2020-3	1,430	-43.3%
2020-2	310	-79.1%
2020-1	1,927	-18.7%
2019-12	2,658	-0.1%
2019-11	2,457	-3.6%
2019-10	2,284	-4.0%
2019-9	2,271	-5.2%
2019-8	1,958	-6.9%
2019-7	1,808	-4.3%
2019-6	2,056	-9.6%
2019-5	1,913	-16.4%
2019-4	1,981	-14.6%
2019-3	2,520	-5.2%
2019-2	1,482	-13.8%
2019-1	2,367	-15.8%

Source: China Association of Automobile Manufacture

Recent Business Developments⁴

COVID-19 Pandemic Business Impact and Contingent Business Plans

Since May 2020, the Company has gradually resumed offline operations in some cities, with the pace of recovery subject to the continuous development of the COVID-19 pandemic and the associated government guidance. Recent development of the COVID-19 pandemic, such as the cases of infections reported in Beijing in June, continues to give rise to uncertainties affecting the Company's business, results of operations, financial condition and cash flows. TuanChe will continue to closely monitor the development in COVID-19 outbreak, as well as the responsive regulatory measures and required government restrictions.

Share Repurchase Program

On the Company's share repurchase program, wherein up to US\$20 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 up to March 31, 2020.

Management Change

TuanChe's board of directors had appointed Mr. Chenxi Yu, the Company's then financial controller, to serve as the Deputy Chief Financial Officer, in charge of corporate finance and financial reporting of the Company, effective June 15, 2020. Mr. Yu's appointment followed the resignation of Mr. Troy Mao, the Company's then Chief Financial Officer. Mr. Mao's resignation was for personal reasons, and was not a result of any disagreement with the Company on any matters relating to the Company's business performance, nor financial reporting and controls.

⁴ Company press release

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