Jianpu Technology Inc. [JT]
Q4 2017 Earnings Conference Call
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Company Participants:
Qiuya Chen, IR Manager
David Ye, Co-Founder, Chairman and Chief Executive Officer
Oscar Chen, Chief Financial Officer

Analysts:
Piyush Mubayi, Goldman Sachs
Julie Hou, Morgan Stanley
Daniel Chen, JPMorgan
David Ha, China Renaissance

Presentation

Operator: Good day, and welcome to Jianpu Technology's fourth quarter and fiscal 2017 earnings conference call. All participants will be in listen-only mode. (Operator Instructions). After today's presentation, there will be an opportunity to ask questions. (Operator Instructions). Please note, this event is being recorded.

I would now like to turn the conference over to Qiuya Chen, Investor Relations Manager. Please go ahead.

Qiuya Chen: Thank you, Operator. Please note the discussion today will contain forward-looking statements, relating to future performance of the Company. These statements are within the meaning of the Safe Harbor provisions of the US Private Securities Litigation Reform Act. Such statements are not guarantees of future performance and are subject to certain risks and uncertainties, assumptions and other factors. Some of these risks are beyond the Company's control, and could cause actual results to differ materially from those mentioned in today's press release and this discussion.

A general discussion of the risk factors that could affect Jianpu's business and financial results is included in certain filings of the Company with the Securities and Exchange Commission. The Company does not undertake any obligation to update this forward-looking information, except as required by law.

During today's call, management will also discuss certain non-GAAP financial measures, for comparison purposes only. For a definition of non-GAAP financial measures, and a reconciliation of GAAP to non-GAAP financial results, please see the fourth quarter and fiscal year 2017 earnings news release issued earlier today via wire services and also posted in the Investor Relations section of our website.

As a reminder, this conference is being recorded. A webcast replay of this conference call will be available on the Jianpu website, at ir.jianpu.ai.

Joining us today on the call from Jianpu's senior management is Mr. David Ye, Co-Founder, Chairman and Chief Executive Officer, and Mr. Oscar Chen, Chief Financial Officer. I will now turn the call over to Mr. Ye, who will provide an overview of the company as well as performance highlights of the fourth quarter. Mr. Chen will then provide details on the Company's financial results and business outlook before opening the call for your questions.

I will now turn the call over to our CEO, Mr. David Ye. Please go ahead.

David Ye: Hello, everyone, and thank you for joining our fourth quarter and fiscal year 2017 earnings conference call today.

We are pleased to conclude the robust year of 2017 by achieving impressive growth in the fourth quarter. During the fourth quarter, which has historically always been our peak season in the last six years, we continued to achieve strong growth across our product lines together with improvements in operating efficiency, in spite of shifting regulatory policies. In the fourth quarter, we achieved 383% and 264% growth year-over-year in loan applications and credit card volume, respectively, which exceeded our expectation. Our total revenue increased by 414% year-over-year to RMB584.6 million for the fourth quarter, with recommendation service revenues for loans and credit cards up 429% and 555%, respectively, driven by both volume growth and unit price increase. In particular, the average fee per credit card grew from RMB 90.40 in the third quarter

2017 to RMB 104.49 in the fourth quarter, which was the result of our continued efforts to improve matching and recommendation capabilities to connect applicants and credit card issuers. In the fourth quarter, our non-GAAP adjusted net loss decreased by 28.2% to RMB 30.3 million, representing a negative margin of 5.2%. Such significant improvement, compared to a negative margin of 37.1% for the prior year period, was due to the combination of: scale effect from our proven platform model, higher matching and recommendation efficiency and better monetization capabilities.

There is enormous growth potential in China's retail finance industry. Such growth is fueled by underlying structural dynamics and multiple tailwinds for both consumer and small-to-medium enterprise's demand. However, the retail finance industry in China is still at its early stage in terms of not only growth, but also regulatory framework and credit infrastructure, which may lag behind the industry innovations. Since November 2017, we have seen significant developments in the regulatory environment and overall credit infrastructure. On one hand, we saw new regulations for the consumer lending sector gradually unveiled and enforced. As an independent open platform with a diverse network partner base and multiple product lines, we have experienced less impact than others. We believe in the long run, a more stringent regulatory regime will support a healthier and more sustainable market for all participants. Also, we welcome the establishment of "Xinlian", a government-backed centralized consumer credit system. The establishment of Xinlian marks a strong signal of the intention and effort of the central government to further develop China's credit infrastructure by setting up a central repository showing underserved consumers' creditworthiness. As everyone's financial partner, we believe our strong data and technological expertise give us unique advantages to capture the tremendous growth opportunities that lay ahead as we connect a large user base with a variety of financial products.

Before turning the call over to Oscar, I'd like to provide a brief update on several operational developments during this period that bear testament to the strength of our model as well as our positioning to achieve long-term growth.

Since the second half of 2017, we have observed stronger-than-expected growth in our credit card business. In the fourth quarter, when tightening regulations began to be issued and take effect, we saw the demand for credit taking a significant shift toward credit cards. Our credit card business is well positioned to capitalize on this shift, witnessed by a strong uptick in our credit card business in terms of both volume and unit price in the fourth quarter. We believe this growth trend will be sustained and provides the bedrock for a strong outlook for our credit card business throughout 2018.

As for our loan recommendation business, our strategy has focused on adapting the product offerings on our platform within the new regulatory framework and strengthening our operational efficiency. In the fourth quarter, the majority of the newly launched products on our Gold Cloud platform were installment loan products with larger ticket sizes and longer durations.

I am further pleased to report that in the fourth quarter we entered into strategic partnership with China Minsheng Bank Corporation (CMBC) and X Financial to engage in in-depth cooperation in areas such as online marketing and decisioning, and big data risk management. As we continue to broaden and deepen our cooperation with more licensed financial service providers, we strive to strengthen our technologies, search and recommendation capabilities, and data-driven decisioning and risk management solutions.

In closing, since our inception, we have been relentlessly focused on providing superior financial product discovery and recommendation services. This dedication has paid off and today we are the number one independent open platform connecting users with financial products and services in China. Our strong network and deep ecosystem of users, FSPs and third party data providers, combined with our big data analytics and decisioning capabilities, allow us to continually provide better user experiences, establish broarder and deeper cooperation with FSPs, and consequently generate more robust growth and higher monetized returns -- all the while without assuming any credit or liquidity risks.

With that, I will now turn the call over to our CFO, Oscar Chen, who will discuss our financial results.

Oscar Chen: Thank you David and hello everyone.

We have continued the robust growth trend from the last quarter and delivered a very strong fourth quarter 2017 performance. Our total revenues increased 414% year over year to RMB584.6 million during the fourth quarter, well above our guidance of RMB545 million. Within it, the revenues from our recommendation service grew 452% year over year, driven by increases in both volume and unit price. Our gross profit increased by 449% year over year and gross margin dramatically increased to 89.5%, compared with 83.7% in the prior year period. We also benefited from our improvement in operational efficiencies arising from better monetization capabilities and marketing efficiencies, as evidenced by the decrease of the sales and marketing expenses as percentage of total revenue to 85.5% in the fourth quarter from 100.3% in the prior year period. On the bottom line, we are pleased to achieve a considerable improvement in non-GAAP adjusted net loss, which decreased to RMB30.3 million from RMB42.2 million in the prior year period.

Now, I'd like to walk you through more details on our fourth quarter 2017 financial results.

Total revenues for the fourth quarter of 2017 increased by 414% to RMB584.6 million from RMB113.8 million for the prior year period, primarily due to increases in revenues from recommendation services.

Total revenues from recommendation services increased by 452% to RMB547.9 million in the fourth quarter of 2017 from RMB99.3 million in the prior year period.

Revenues from recommendation services for loans increased by 429% to RMB429.3 million in the fourth quarter of 2017 from RMB81.2 million in the prior year period, primarily due to the significant increase in the number of loan applications on the Company's platform. The number of loan applications on the Company's platform was approximately 32.5 million in the fourth quarter of 2017, representing an increase of approximately 383% from the prior year period.

Revenues from recommendation services for credit cards increased by 555% to RMB118.6 million in the fourth quarter of 2017 from RMB18.1 million in the fourth quarter of 2016, due to an increase in the credit card volume and a rise in the average fee per credit card. Credit card volume for recommendation services reached approximately 1.1 million in the fourth quarter of 2017, representing an increase of approximately 333% from the prior year period. Our average fee per credit card increased from RMB69.25 in the fourth quarter of 2016 to RMB104.49 in the fourth quarter of 2017.

Revenues from advertising and marketing services and other services increased by 154% to RMB36.8 million in the fourth quarter of 2017 from RMB14.5 million in the prior year period, primarily due to an increase in revenues from big data and risk management solutions as well as an increase in the advertising services provided to credit card issuers.

Cost of revenues increased by 231% to RMB61.3 million in the fourth quarter of 2017 from RMB18.5 million in the prior year period. The increase was primarily attributable to the increase in traffic acquisition costs for advertising and marketing services, data acquisition costs, short message service fees, and share-based compensation expenses.

Gross profit increased by 449% to RMB523.4 million in the fourth quarter of 2017 from RMB95.3 million in the prior year period. Gross margin was 89.5% in the fourth quarter of 2017, compared with 83.7% in the prior year period. The increase was primarily attributable to revenues from recommendation services continuing to grow more rapidly than revenues from advertising, marketing and other services, as the former has higher gross margin than the latter.

Sales and marketing expenses increased by 338% to RMB500 million in the fourth quarter of 2017 from RMB114.2 million in the prior year period. The increase was mainly due to growth in marketing and advertising expenses, payroll related costs as a result of the rapid development of recommendation services, as well as recognition of share-based compensation expenses in the fourth quarter 2017.

Research and development expenses increased by 271% to RMB74.2 million in the fourth quarter of 2017 from RMB20.0 million in the prior year period, primarily due to the increase in payroll costs and recognition of share-based compensation expenses.

General and administrative expenses were RMB67 million in the fourth quarter of 2017, compared with RMB4.3 million in the prior year period. The increase was primarily due to the increase in professional fees, including one-time expenses in connection with the company's IPO process, and recognition of share-based compensation.

In the fourth quarter 2017, we recognized total of RMB106.2 million in the share-based compensation expenses related to the employee options that were granted historically with a performance target contingent upon IPO and the new options granted under 2017 Share Incentive Plan to the management and executives in December 2017.

Loss from operations increased to RMB117.9 million in the fourth quarter of 2017 from RMB43.1 million in the prior year period.

Income tax expenses were RMB18.5 million in the fourth quarter of 2017, compared with nil in the prior year period. The rapid business development and improved profitability resulted in the growth of taxable income and consequently more tax expenses.

Net loss increased by 216% to RMB136.4 million in the fourth quarter of 2017 from RMB43.1 million in the prior year period.

Non-GAAP adjusted net loss, which excluded share-based compensation expenses from net loss, decreased by 28.2% to RMB 30.3million in the fourth quarter of 2017 from RMB42.2 million in the prior year period.

Non-GAAP adjusted EBITDA, which excluded share-based compensation expenses, depreciation and amortization, and income tax expenses from net loss, for the fourth quarter of 2017 was a loss of RMB9.5 million, representing a decrease of 76.8% from a loss of RMB41.0 million for the prior year period.

Net cash generated from operating activities was RMB55.2 million for the fourth quarter of 2017, compared with net cash used in operating activities of RMB8.2 million for the prior year period.

As of December 31, 2017, the Company had cash and cash equivalents of RMB1,543.8 million and working capital of approximately RMB1,511.9 million.

Now I'd like to briefly go over the company's full year 2017 financial results.

Total revenues for full year 2017 increased by 306% to RMB1,445.8 million from RMB356.4 million for 2016.

Total revenues from recommendation services increased by 344% to RMB1,348.4 million in 2017 from RMB303.8 million in the prior year.

Revenues from recommendation services for loans increased by 369% to RMB1,119.5 million in full year 2017 from RMB238.8 million in full year 2016. The number of loan applications on the Company's platform was approximately 89.8 million in 2017, representing an increase of approximately 434% from the prior year.

Revenues from recommendation services for credit cards increased by 253% to RMB228.9 million in 2017 from RMB64.9 million in 2016. Credit card volume for recommendation services reached approximately 2.5 million for 2017, representing an increase of approximately 182% from the prior year. Average fee per credit card increased from RMB74.17 in 2016 to RMB 92.78 in 2017.

Revenues from advertising and marketing services and other services increased by 85.2% to RMB97.4 million in 2017 from RMB52.6 million in the prior year.

Cost of revenues increased by 116% to RMB143.8 million in 2017 from RMB66.7 million in the prior year.

Gross profit increased by 349% to RMB1,301.9 million in 2017 from RMB289.7 million in 2016. Gross margin was 90.0% for full year 2017, compared with 81.3% in 2016.

Sales and marketing expenses increased by 221% to RMB1,227.9 million in 2017 from RMB382.9 million in the prior year.

Research and development expenses increased by 111% to RMB153.9 million in 2017 from RMB72.8 million in the prior year.

General and administrative expenses increased by 475% to RMB93.7 million in 2017 from RMB16.3 million in the prior year.

Loss from operations decreased to RMB173.6 million in full year 2017 from RMB182.3 million in 2016.

Income tax expenses were RMB28.4 million in 2017, compared with nil the year before.

Net loss increased by 11.0% to RMB202.1 million in 2017 from RMB182.1 million in 2016.

Non-GAAP adjusted net loss, which excluded share-based compensation expense from net loss, decreased by 46.8% to RMB94.4 million in full year 2017 from RMB177.3 million in the prior year.

Non-GAAP adjusted EBITDA, which excluded share-based compensation expenses, depreciation and amortization and income tax expenses from net loss, for full year 2017 was a loss of RMB60.2 million, representing a decrease of 65.1% from a loss of RMB172.7 million in 2016.

Net cash used in operating activities was RMB28.1 million for full year 2017, compared with RMB239.1 million for full year 2016.

As David mentioned, the regulatory environment that Jianpu is operating in is currently undergoing significant changes. There is complexity both in terms of the policy framework, levels, and actual implementation. We are constructive in our outlook as we believe we will see increasing clarity fairly soon. In addition, as a business that does not assume any credit or liquidity risk we are not only less impacted given the advantages of our platform model with a diversified network, but also better positioned to capitalize on new opportunities in various market segments as they emerge. In fact, the strong performance of our credit card business during this past quarter is testament to the viability of our business model, as the regulatory change helped shift demand for credit within the various products offered on our platform.

Now, for guidance, we have recorded solid growth since the beginning of 2018. We expect our first quarter 2018 revenue to reach approximate RMB320 million, representing a year over year growth of about 133%. Our quarterly progression during the year reflects our estimate in the current market and regulatory environment, and factors in the seasonality in our business, which follows the Chinese New Year. Historically, our first quarter represents the softest quarter of the year.

We remain very confident in our long-term outlook for both the industry and Jianpu. Despite near-term pressure, we are prudently monitoring the shifting market trends and will provide investors with additional updates as appropriate.

With that, I conclude our prepared remarks. We will now open the call to questions. Operator, please kindly go ahead.

Question and Answer Session

Operator: We will now begin the question-and-answer-session. (Operator Instructions). Piyush Mubayi of Goldman Sachs.

Piyush Mubayi: Congratulations on a decent set of numbers. Can I just ask you a few questions? Just going through the results, if you could talk through the revenue split between banks, non-banks, non-bank licensed FSPs and the other one in the fourth quarter; and how has that changed since the regulatory changes put in place in the fourth quarter?

Second, looking at the 133% revenue growth that you forecasted, you've shared with us, would you be able to talk through what is the loan growth assumption that is built into driving that revenue growth number, as well the loan mix that underpins that forecast? And finally, if you could talk through the costs and how they're evolving in 2018 and if you could throw any light on the path to profitability? Thank you.

Oscar Chen: Thank you, Piyush. To your question of the revenue split between banks and the non-bank financial institutions, in the fourth quarter, as you can see, we have seen stronger than expected growth in the credit card business.

As a result, we had a larger percentage of revenue coming from the banks, including credit card revenue and loan revenue. It accounts for around 40% of total revenue in the fourth quarter. And the remaining part coming from the non-bank licensed financial institutions, as well as P2P tech enabled lenders and other financial service providers.

Probably we can share more data about the revenue breakdown after the regulations take place. So after the regulation came out in December, we see our revenue breakdown as we have more than half of the revenue coming from the banks and the remaining coming from the non-bank financial institutions. Non-bank financial institutions include consumer finance company, micro-lending company, internet micro-lending companies, and also P2Ps, and a very small portion of revenue coming from the other financial service providers. I am not sure this is the answer to your questions or not.

Piyush Mubayi: That's good. Thank you. And --

Operator: Go ahead, sir.

Piyush Mubayi: And I wondered if you could talk about the cost. The marketing spend came in about 83% revenue in the fourth quarter.

Oscar Chen: And that clarifies the second question is a mix of the --

Piyush Mubayi: Yes, if you could talk about first quarter growth assumptions, any color on the mix that drives that --

Oscar Chen: The fourth quarter growth or the first quarter next year or this year?

Piyush Mubayi: First quarter 2018.

Oscar Chen: Okay.

David Ye: Sorry, we had some just technical difficulty on our side. You're asking for Q1 2018, the growth of 133%. You want to split that by the loan and the credit card by product, right? Is that the question, Piyush?

Piyush Mubayi: Yes, if you're willing to share that.

David Ye: Yes, we will see the growth from both the credit card and the loan business grow more than 100% for Q1. And of course, typically as you guys know, Q1 for our business since our inception 6 years ago has historically been our low season. We definitely see a lower growth in

Q1 compared to the rest of the quarters. We definitely see a spike, a huge spike in Q4. You saw that last year; you actually have seen that year-over-year. So the good news is we will have over 100% growth compared to same period last year.

Keep in mind the regulation came out around December. We are seeing more and more financial service providers, they're adapting their products and they're shifting to longer duration, high-quality loan product. We see loan growth of more than 100%. But we saw the higher growth of credit card in Q4; we will see much higher growth compared to last year same period. So the blended is average about 133%.

Oscar Chen: Yes, just add to your question about loan and the credit card revenues in the first quarter, we would expect, within our guidance, around two-thirds of the revenue will come from the loan recommendation, and around one-third comes from the credit cards, and a minor portion will be the advertising and other services.

Piyush Mubayi: Thank you.

Oscar Chen: So in conclusion, we expect stronger growth in the credit card line, as we are seeing the shift of demand for credit from the smaller size and short-duration loans to both credit card and also loan with large size and longer duration under the current regulatory regime.

Piyush Mubayi: Thank you.

Operator: Julie Hou of Morgan Stanley.

Julie Hou: I have two questions. The first question is that from your communication and observation with online lenders, what is the progress of the online lender cleanup?

And my second question is about the cost. Could you share with us some data, such as cost per active user and ROI of credit card for the third quarter and fourth quarter 2017? And what is the outlook on costs to help us on the projection? Thank you.

David Ye: On the credit card -- okay, this is David. I will answer the first question and Oscar will help answer the second question about the financial numbers outlined, and the credit card ROIs.

Okay, the first question is about our observation about the feedback from financial service providers, okay.

So a couple of points -- okay, so definitely in the past few months, especially in the last few weeks, we definitely have seen the policies of the online lending industry has gradually unveiled. So we have seen the provincial, the local finance offices are actually giving out guidance and conducting re-examinations of all online micro loan licenses, the financial service providers, to ensure they're fully in compliant. That's the first point I would make.

And the second point is about peer-to-peer lender registrations. It's currently underway. We have actually seen policies from Beijing, Shanghai and different provincial or municipal provincial finance offices. So we have heard that Q2, the peer-to-peer lenders is going to go through the registration process. And we are closely monitoring the progress, we definitely have seen a dip actually in December for the micro loans.

However, we had seen a nice recovery in January. Of course, February is the Chinese New Year. We have seen financial institutions are adjusting their products, and their policies capabilities to get fully in compliant.

For other bank, non-bank finance company, and the credit card issuers, we actually have found those licensed bank and non-bank license financial institutions, they are actually seizing opportunity to launching revolving or longer duration, higher-ticket size loan product to fully in compliant and to meet the need of the consumers.

And we believe the worst of that is over. In Q4 we have seen recovery in December and January, and we expect more will comeback in March; and in the second quarter. Also more and as I said earlier, more and more banks and licensed players coming into the market to serving the under-privileged, the underserved consumers in terms of consumer credit and SME credit.

Following this round of regulation, tightened regulation, we do expect to see an overall healthier online lending development with more capable financial service providers. And so more specifically for the product side, I mentioned the FSP side, the product side, financial product side, we have seen a noticeable product mix shift, a shifting up for non-bank finance companies, actually shifting down for top-tier banks. As a result of government regulations, we've definitely seen the larger size loan and credit card stepping up to fulfill the demand of the unsecured online consumer credit business.

Okay. And lastly, I just want to highlight, at the end of the day, it's not the number of financial service providers that makes the difference. We have seen like more capable financial service providers in terms of their online capabilities, their customer acquisition, their big data, their risk management capabilities. They have better risk management models; they have more professional team; they have product with better user experience. They are actually taking the volume, making better decisions, offer better, superior product to financial service providers.

So that's why we have seen one of the top five banks, they ramped up their capabilities hugely in December and in January, that gave us virtually unlimited budget. We have signed up more like regional banks, other even large top non-bank finance companies, they're ramping up; they're meeting the needs of consumers. To summarize, we definitely see the comeback in the last 2 months and more come back in March and Q2. Does that answer your question?

Julie Hou: Yes, thank you.

David Ye: Oscar, go ahead with the second part of the question.

Oscar Chen: Hi, Julie, regarding your second question about the customer acquisition costs, so in the fourth quarter, our overall ROI defined by revenue divided by the advertising and the marketing expenses, which is a large portion of our sales and marketing expenses. The ROI is around 125%, which is quite consistent with the number in the third quarter 2017.

So a couple of reasons -- firstly, we had better monetization on the credit cards. So for the credit card has a higher ROI than the blended ROI for the loan recommendation services. As everyone knows, there is -- after the regulation came out in December, in terms of loan volume, our platform took a hit. So the ROI would be a bit lower, somewhat lower than the 125% of total ROI.

Regarding the customer acquisition cost, as we discussed before, when the regulation came out, we see that the unit customer acquisition costs reduced a bit because the marginal lenders exit from the market. So there is less competition at the traffic side. So for certain performance-based channels, we're seeing the unit cost lower by more than 50% than the original.

But as we explained before, in addition to the performance-based channel from where we acquired the traffic, we also have some long-term relationship channels where we signed annual or quarterly contracts. So the overall unit cost of customer acquisition may not scale back as soon as we expect.

David Ye: Yes, I just want to add one more point about the credit card business. Actually, in Q4, we have seen a great quarter for both loan businesses and the credit card businesses. In credit card, we have seen high volume growth, and also the ticket size that's average sales per success increased from RMB 99 to RMB 103 and we actually maintained the high return on investment.

The ROI, as Oscar said earlier, the 126%, we have seen the high volume growth, we actually have seen that trend, and that's exactly what we expected.

Julie Hou: Thank you.

Operator: Daniel Chen of JP Morgan.

Daniel Chen: This is Daniel calling on behalf of Alex. Congratulations on a solid quarter. My question is on the user profile, post the regulation change. Could the management provide some color on the latest loan size and also the retention rate of the user? Thank you.

Oscar Chen: Firstly, yes, I think we still keep growing our user base in the last quarter. So the total registered users on our platform increased from 67 million to 84 million by the year-end. So we are still adding 3 million to 4 million new users every month, so that's the user growth on platform.

So talking about the user profile, we didn't see much change about the user profile. But we did see that users' demand for credit shifted from the cash loans to credit card, and also the loans, the installment loans, with longer duration and the larger size.

So as we want to emphasize again, so we are a platform covering the full spectrum of users and also the financial products. We will continue to develop our data and technology to match the need from the users with financial products and financial service providers. And also, I think in the fourth quarter, the retention rate of our user base is around 35% of our total users. That means 35% of users are repeat users.

David Ye: And just to clarify, the number 35% are the repeat customers among those placed orders. I think this number has been trending up.

Daniel Chen: Thank you.

Operator: David [Ha] of China Renaissance.

David Ha: I'm asking on behalf of Ella Ji from China Renaissance. I'm just wondering as the P2P platforms are required to comply with latest regulation letters for approval, which are local authorities by June in 2018, so what was the influence on the operation structures that you should fulfill, and also on the costs for customer acquisition? So what was the outlook for that and going forward into the -- when all of the platforms are ready to service the local government?

And also we realize that the first quarter, you talked about the seasonality decrease, but also you said that there is a regulation influence on that aspect. So how do you see the influence is going on in 2018, and how are you going to change your operation to face this kind of challenge? Thank you.

Oscar Chen: Thank you, David. Let me take your question first. About your first question regarding the structure change may happen to our platform in respect of the regulations, I think, as we mentioned in our scripts, and also our answers to other analysts' questions, we do expect the users -- firstly, we don’t think the user profile will change that much. But the users' demand for credit will definitely shift from the cash loans to credit cards and other longer term, larger size loans.

So to our business, I think a couple of things. So we will see strong growth in our credit card business, and also for our loan recommendation business, firstly, we will have all the financial service providers to evolve the product to be fully compliant with the regulation. And we're still seeing great demand there, so I think the supplier will come later. So that’s a potential change about the impact to our platform.

Regarding to your second question, thank you for the calculation of the sequential change of our guidance compared to the fourth quarter. So I think the majority impact will come from the seasonality. To less extent it will be from the regulatory change.

David Ye: Yes, you're absolutely right, and we believe mostly due to Chinese New Year holiday that's led business to slow across the board. And as Oscar and me, we shared with you guys earlier, we see the high growth year over year across the board for our product line like the high growth from bank product, the bank-related, bank-issued loans, SME, consumer loans, credit cards.

But the non-bank finance companies such as the consumer finance company, local micro-finance company, internet micro-finance companies that we are seeing high growth. And of course, the peer-to-peer lenders. Keep in mind that we are working with the top among 1,800, maybe a little bit more, peer-to-peer lender, they're are in the process of working with the government to get registered in Q2 or later.

So we have very high standards, very selective in terms of that. We do expect less growth compared with last year in terms P2P lender, but we feel like the market is there. Like a lot of consumers still need access to credit; SMEs need access to credit. And we have seen the acquisition volumes grow year-over-year.

So we're confident really this is more demand, I think consumer driven. And we are confident our improved recommendation engine, leveraging more third-party, our own internal data with better deploying up with, and artificial intelligence recommendation engine, we can match the users, match the borrowers to the financial service provider better. We're able to provide a better user experience with better monetization going forward.

David Ha: All right. Thanks.

Operator: And that concludes the question-and-answer session. I'd like to turn the conference back over to management for any additional closing remarks.

Qiuya Chen: Thank you once again for joining us today. If you have any further questions, please contact us at ir@rong360.com or TPG investor relations at jianpu@tpg-ir.com. Thank you for your attention, and we hope you have a wonderful day.

Operator: The conference is now concluded. Thank you for attending today's presentation. You may now disconnect.