Jianpu Technology Inc. [NYSE: JT]
Q1 2018 Earnings Conference Call
Tuesday, May 29, 2018, 8:00 AM ET

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
Richard Xu, Morgan Stanley
Binbin Ding, JPMorgan

Presentation

Operator: Hello, and welcome to Jianpu Technology, Inc.'s first quarter of 2018 earnings conference call. Today's conference is being recorded.

At this time, I would like to turn the conference over to Qiuya Chen, Jianpu's 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 U.S. 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 our first quarter 2018 earnings press 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 live webcast and the 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 first quarter. Mr. Chen will then provide details on the Company's financial results and business outlook before opening the call for your questions.

Mr. Ye, please go ahead.

David Ye: Thank you, Qiuya.

Hello, everyone, and thank you for joining our first quarter 2018 earnings conference call today.

We are pleased to report solid operating and financial results for the first quarter of 2018. Despite of the first quarter always being a softer quarter due to a slower borrowing and financing activity around the Chinese New Year, we continued our strong growth momentum recording revenue growth of 145% and gross profit growth of 139% year-over year, and enhancing operating efficiency with our non-GAAP adjusted net margin improved from -22.5% in the first quarter of 2017 to -5.9% in the first quarter of 2018.

Being a platform that covers financial products and financial service providers of a full credit spectrum, Jianpu is ideally positioned to capture the changing market dynamic and drives growth across the board.

We continued to see a shift in consumer demand toward credit cards and other loan products and away from short term micro loan products. This shift is evidenced by a 400% increase in credit card volume compared with the same period of last year. Apart from significant growth in the volume, the unit price for credit card also continued to trend up on a year-over-year basis. The combination of higher total credit card volume and higher unit price resulted in an increase of 718% in credit card recommendation revenues in the first quarter.

The accelerated growth in our credit card business illustrates the scalability and efficiency and the nimbleness of our unique platform model, the strength of our robust user engagement capability, and our ability to capture the dynamics of retail finance market. And we remain confident in the growth trajectory throughout the remainder of the year.

Responding to the regulation guidelines on short term micro loans, we beefed up our quality control process by conducting a new round of internal review in December and removed the non-compliant financial products from our platform. In the first quarter we experienced a sequential decrease in loan application volume, due to the combined factors of seasonality and market adjustments to ensure regulatory compliance.

Since early this year, we have seen improved levels of clarity on the regulatory front. In December last year and the first two months of this year, the industry has largely embraced and absorbed the impact of shifting regulations. As we witnessed from the initiatives and actions conducted by our financial service providers, the market has been recovering and we believe the worst is now behind us. We are encouraged by the solid uptrend in volume and optimistic about healthier and stronger recovery in the coming quarters. With financial stability being a top priority for the country, we expect licensing requirements to continue to be a core focus of the new regulatory framework. In the long run, China's retail financial services markets are likely to be dominated by licensed and registered financial service providers.

In light of the more intense competition and new regulatory framework, we've seen rising demand for risk management services among financial service providers. This has allowed us to rapidly expand the outreach of our big data and risk management services. By utilizing the data and the insights we accumulated as a platform, we are able to help financial service providers to analyze the profile of its target borrowers, test and secure the most relevant data sources, and structure the most efficient risk and credit models and algorithms. For example, with our integrated solutions, we successfully helped a financial service provider lower the default rate by around 50% while holding the approval rate unchanged. We have seen numerous success cases in the risk management services segment and more opportunities will be in the pipeline. Within the first quarter of 2018, our big data and risk management services recorded a meaningful increase of over 300% compared to the same period last year.

Furthermore, we continued to enhance our user engagement. User focus has always been one of our six corporate values of Jianpu Technology / Rong360. In addition to a variety of user-engaging content and tools, we strive to provide users with access to an extensive range of curated financial products. By launching the initiative of "deep cultivating affluent and underserved users" (上山下乡 in Chinese), we have been further improving our matching and recommendation capabilities and as a result achieved better segmentation and curation. In the first quarter, we achieved 61% growth in the MAU to 82.5 million compared to Q1 last year.

At the same time, in response to the market adjustment, we proactively managed and optimized our marketing spending among thousands of measurable and trackable marketing channels. As a result, we achieved better return on investment in a challenging market environment, evidenced by decreasing sales and marketing expenses as percentage of total revenue of 77% in the first quarter of 2018 compared to 90% in the first quarter 2017 and 85% in the fourth quarter 2017.

In summary, with our fruitful first quarter now behind us, we are comforted by the belief that we now operate within a more structured regulatory framework with greater policy clarity and certainty. The enormous demand for consumer and SME credit in China is continuing its growth trajectory, and as an independent open platform that covers a full spectrum of financial products and financial service providers, we are well positioned to capture emerging opportunities within the evolving regulatory framework.

Looking ahead, we are confident that a healthier and more sustainable market environment will benefit the industry as well as our business more in the long run. We are working diligently to enhance our product and service offerings to better serve both our users and financial service partners to improve our operating efficiency. We are confident that we will be able to generate strong growth and provide value to all stakeholders in the long run.

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

Mr. Oscar Chen

Thank you, David, and hello everyone.

We are pleased to report first quarter 2018 financial results that continue to demonstrate our solid growth and improved efficiencies. In the first quarter, we realized total revenues of approximately RMB 336 million, up 145% from the same period of last year and exceeding our revenue guidance of RMB 320 million. The major driver for the increase in total revenues was significant growth in revenues generated from our recommendation services, which increased 131% year-over-year to RMB 289 million. Within the category of recommendation services, revenues from credit card recommendation services grew by 718% year-over-year to reach RMB 129 million. Revenues from loan recommendation services grew more modestly, up by 46.5% year-over-year to RMB 160 million. The more modest growth in recommendation services for loans reflects a slowdown in applications for loan products due to the seasonality and market adjustments within the new regulatory framework for short term micro loans.

Our credit card business has been the star performer since the second half last year. In this quarter, the credit card volume increased by approximately 400% from the first quarter 2017. Also, in the first quarter, our average fee per credit card was RMB 97.15 compared to RMB 77.33 in the first quarter of 2017, and RMB 104.5 in the fourth quarter of 2017. The sequential decrease was largely due to the absence of year-end incentive in the first quarter. Regardless, we are certainly confident about both the volume and the average pricing trends of our credit card business and expect to see strong performance going forward.

Now, I'd like to walk you through more details on our first quarter 2018 financial results.

Total revenues for the first quarter of 2018 increased by 145% to RMB 335.7 million from RMB 137.3 million in the same period last year, primarily due to the increase in revenues from recommendation services.

Total revenues from recommendation services increased by 131% to RMB 289.3 million in the first quarter of 2018 from RMB 125.2 million in the same period last year.

Revenues from recommendation services for loans increased by 46.5% to RMB 160.1 million in the first quarter of 2018 from RMB 109.3 million in the same period last year, due to the increase in both the number of loan applications on the Company's platform and average fee per loan application. The number of loan applications on the Company's platform was approximately 12.1 million in the first quarter of 2018, representing an increase of approximately 21% from the same period last year. The average fee per loan application increased by 21.4% to RMB 13.27 in the first quarter of 2018 from RMB 10.93 in the first quarter of 2017.

Revenues from recommendation services for credit cards increased by 718% to RMB 129.2 million in the first quarter of 2018 from RMB 15.8 million in the first quarter of 2017, due to the increase in both credit card volume and average fee per credit card. Credit card volume for recommendation services reached approximately 1.3 million in the first quarter of 2018, representing an increase of approximately 550% from the same period last year. The average fee per credit card increased by 25.6% to RMB 97.15 in the first quarter of 2018.

Revenues from advertising and marketing services and other services increased by 280% to RMB 46.4 million in the first quarter of 2018 from RMB 12.2 million in the same period last year, 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 183% to RMB 49.3 million in the first quarter of 2018 from RMB 17.4 million in the same period of 2017. The increase was primarily attributable to the increases in traffic acquisition costs of advertising and marketing services, data acquisition costs and short message service fees.

Gross profit increased by 139% to RMB 286.4 million in the first quarter of 2018 from RMB 119.9 million in the same period of 2017. The increase was primarily attributable to the continuing growth in revenues.

Sales and marketing expenses increased by 111% to RMB 259 million in the first quarter of 2018 from RMB 123 million in the same period of 2017. The increase was mainly due to growth in marketing and advertising expenses and payroll related costs.

Research and development expenses increased by 107% to RMB 43.6 million in the first quarter of 2018 from RMB 21.1 million in the same period last year, primarily due to the increase in payroll related costs mainly for the new hiring of R&D people to further enhance our big data and risk management service capabilities.

General and administrative expenses increased by 970% to RMB 42.8 million in the first quarter of 2018 from RMB 4 million in the same period last year. The increase was primarily due to recognition of share-based compensation, including the employee options 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, as well as increase in professional fees for maintaining our listing status.

Share-based compensation expenses recognized in cost of revenues, sales and marketing expenses, research and development expenses and general and administrative expenses in the first quarter 2018 were RMB 37.3 million in total.

Loss from operations increased to RMB 59 million in the quarter, from RMB 28.3 million in the same period last year.

Income tax expenses was nil in the first quarter of 2018, compared with RMB3.3 million in the same period of 2017. The decrease of the annualized effective tax rate for the first quarter of 2018 was primarily due to the change of the cost and expenses structure and lower enacted tax rates of subsidiaries in 2018.

Net loss increased by 80.7% to RMB 57.1 million in the first quarter of 2018 from RMB 31.6 million in the same period last year. The increase was primarily due to the increase in share-based compensation expenses.

Non-GAAP adjusted loss, which excluded share-based compensation expenses from net loss, decreased by 35.9% to RMB 19.8 million in the first quarter of 2018 from RMB 30.9 million in the same period last year.

Non-GAAP adjusted EBITDA, which excluded share-based compensation expenses, depreciation and amortization, interest income and expenses, and income tax expenses from net loss, for the first quarter of 2018 was a loss of RMB 18.6 million, representing a decrease of 30.3% from the same period last year.Net cash provided by operating activities was RMB 24.7 million for the first quarter of 2018, compared with net cash used in operating activities of RMB 62.6 million for the same period last year.

As of March 31, 2018, the Company had cash and cash equivalents of approximately RMB 1.4 billion, and working capital of approximately RMB 1.4 billion.

To continue with what David just discussed, during the past several months we witnessed some fairly significant changes with regard to the regulatory environment for the retail finance and consumer credit markets in China. We believe the period with the greatest uncertainty is now likely behind us and we certainly welcome a more balanced and regulated market as we believe it will benefit us in the long run. What I want to emphasize again is that Jianpu is a technology-driven platform and does not assume any credit or liquidity risk. In this regard, and armed with our diversified network and technology capability, we are well positioned to capitalize on any new market opportunities.

Now, for guidance,

Building on our solid first quarter financial results, we expect second quarter 2018 revenues to reach RMB 460 million, representing a year-over-year growth of 80%.

Our quarterly progression during the year reflects our estimate in the current market and the regulatory environment and is subject to uncertainties and changes.

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

Questions and Answers

Operator: Thank you. We will now begin the question-and-answer session. (Operator Instructions). For the benefit of all participants on today’s call, if you wish to ask your question to management in Chinese, please immediately repeat your question in English. (Operator Instructions).

Piyush Mubayi, Goldman Sachs.

Piyush Mubayi: Thank you for taking my questions. Congratulations on a strong number despite the regulatory issues and challenges we face. Having been through the rest of that period, I wonder if you could just take us through how the ecosystem has been building up on with banks, non-banks and on banking financial FSC through the first quarter. And how does it look for the rest of the year? That's my first question.

And the second question is with regards -- is there any color you could shed on how the credit card approval process has been trending? Those numbers have been exceptionally strong.

And then just taking off from there, if you could give us -- also, if you could just talk about the RMB 460 million guidance that you're giving for the second quarter, the 80% growth, how does that break down between the two large parts of the businesses that you have?

And if I can ask a fourth question, please, if I might -- if you could just look through, preliminarily through the rest of the year, and if at all possible, give us a sense of how does the rest of the year look? Thank you very much.

Oscar Chen: Okay. Thank you, Piyush. Let me answer your question first. Firstly, to clarify, your first question is about the bank and other licensed players into the market, and their contributions to our revenue, right? Am I understanding your question correctly?

Piyush Mubayi: That, as well as how the ecosystem is building up, given all the regulatory changes.

Oscar Chen: Okay. So first of all, I think looking to the market landscape, in the retail finance markets and the consumer lending markets, the bank and the licensed players, constantly dominated this market. And in our view, we think these licensed players, including the traditional licensed players and the emerging – players that will get licensed in the future. So regulating this market by license will be one of the focus of the regulators going forward. So we believe the licensed players, including banks and a number of licensed non-bank financial service providers will continue to dominate these markets.

So talking about our current relationship with these licensed players, firstly in the past quarter, we have well maintained our existing relationship with the traditional financial services providers, and established partnerships with new ones. So one data point we can share, in the past quarter, we successfully brought onboard 39 banks and a non-bank licensed financial service providers. That to be more specific, that excludes the micro-lending licensed players regulated by the local financial office originally.

And also, with the existing financial service providers, we have renewed the contracts this year with large budgets and high volume, volume-based incentives. Also, we're taking new initiatives such as deep cooperation in big data and customer acquisition, which will give us great future income potential.

So that's also to your first question.

I think for guidance, I will leave the question for the credit card to David.

And to your fourth question regarding the guidance of RMB 460 million, in the first quarter -- in a single quarter, we will expect that loans will constitute around 57% of our revenue and credit card will contribute 1/3; and the remaining will come from our advertising services and data, big data and risk management services. So that's a breakdown for our guidance in the -- for the second quarter.

And also, for the outlook of the rest of this year, so we'll have -- firstly, we expect credit card will continue to deliver a strong result for the remainder of this year. And also, for the loan recommendation for the loan business line, we're seeing a clear trend of recovery. So we expect the loan volume will come back in the next few quarters, given the user demand is there and the supply side will recover by themselves.

So as we said in our previous earnings call, the regulatory could have some hit on the first quarter and second quarter of this year, but we are very confident to deliver the second half of this year.

David Ye: So Piyush, this is David. I know you have four questions. The first question, I understand that you're asking the ecosystem and the landscape change among the financial service providers of the bank, non-bank finance company, other tech-enabled lending company. Oscar’s comment also has been good.

But I'll just add two points. The first -- the key driver in the business is the change of the market, the interest rate liberalization, and also the online digitalization of the whole consumer lending space, right? You're seeing new entrants in terms of foreign banks, large banks and now the ones who do online lending and other licensed guys like consumer finance companies, independent finance companies and also tech-enabled lenders, they all want to capture the growth of the whole space, and they want to invest their money in terms of digital marketing, in terms of big data and risk management capabilities in terms of better online and services.

So we see definitely more competition among the financial service providers, and we believe actuallytighter regulation and competition actually provides better opportunities for independent open platform like us, because when banks or when financial service providers compete, Jianpu wins, we as a platform win. We provide the users better search and smarter recommendation and we enable users to make better financial decisions.

We also enable financial service providers to increase their marketing efficiencies, risk management capabilities. So that's, we believe, the growth market and more competition and actually create opportunity for a company like us.

And secondly, I want to talk a little bit about the composition of the financial service providers. As Oscar said, we definitely see a trend for an increased number of products, increase of revenue in terms of licensed banks, the non-bank finance companies. Our credit card business growing very nicely.

Another is installment loans, high growth. Auto loans, we've seen the interest in SME loan, high growth. And also, we see top banks, top 10 banks, now they set up inclusive finance department. They want to invest more, their capital and their internal resources, in SME lending and also to underserved corporation lending. So those are actually opportunities to be able to capture and we, as a platform, covering all products and all credit sections, we're able to work not only with the traditional financial service providers like banks, the newer guys, like consumer banks company, tech-enabled-lenders, helping them to expand in digitalization and also the big data and risk management services. So with that definitely we’re able to capture the trend, growth of the ecosystem. That's the first one.

The second one, we believe, Piyush, you asked for some color on credit cards approval process, right? Let me -- I'll explain this one. So actually, credit card business is a high-growth business definitely. We have seen in the last 5 years, we launched our credit card business 5 years ago but really, the platform opportunity we see it take off the last year,

year and a half, and we see a continuing trend. It's a key driver of growth, the demand from the consumer side.

However, if you look at an individual or credit card issuer, one of the top 5 largest credit card -- one of the top 5 banks in China is actually one of the largest credit issuers. When we first worked with them 5 years ago, their approval rate was less than 10%. Now we're able to include 20% and now this large issuer, the approval rate has increased to over 30%.

So behind that, that's our better matching and recommendation or better technology, the leveraging of more data on the user side, and also the financial service providers provide us a close look at approval data, and also like application for information. So by providing that information to us, we're able to get a feel for the bad guys and default guys, and also, we have a more credit card issuer now starting to providing us user-based, user-level information in terms of charge-offs.

You can assemble this and so in a batch basis, so in that case, you're able to help financial service providers, credit card issuers, to improve their risk management, reduce the charge-off rate or improve their monetization. So as a result, we have seen the year-over-year increase of the credit card approval. From Q1 last year to Q1 this year, we've seen the average bank approval increase.

But behind all this are the big data, technology, artificial intelligence and also the continued performance. So we have built the first-mover's advantage. The technology, everything was built over the years; it's not built by one quarter or one month, right?

So however, we do see opportunity to increase the approval rate and increase the bank approval over the year-over-year, and we have found some big guys, among the top 4 credit card issuers, we signed 2 big guys, ICBC and Bank of China. And for those big guys, the first year of fully incorporating, we see the approval rate is still below the average. There’s a huge room to improve. It takes time to improve the user experience, improve the matching rates, improve the commercial rates, improve the approval rate over time. And we believe that's also a lot of room for us to grow the approval rate and the monetization.

Piyush, does that answer your second question?

Piyush Mubayi: That does, thank you.

David Ye: Yes, for the revenue and the fourth one you're asking for the rest of the year projection. That's been answered, right?

Oscar Chen: Yes.

David Ye: Okay.

Piyush Mubayi: But only if you can possibly comment on the rest of the year, or even broad guidelines on whether the run rates we're seeing in the second quarter can be maintained through the rest of the year? Thank you.

David Ye: Yes, Oscar has here the numbers. The numbers, of course, is a result of improving our operating efficiency, our improved -- our further investment in our talent, our people, our data and our technology. And if you see the growth, actually, the growth is across the board for all fronts, for all business segments, the loan business.

And credit card business grows very nicely, or big data, risk management, we had seen high growth. We will see further growth for the rest of this year, even the small segments we also saw some growth as well.

And also, the regulatory front, we probably will be asked that later, we definitely see the improved clarity and we see the continuing regulatory development in short-term micro-loan, but we definitely have actually -- we see the dilemma that’s still in the cap interest rate, etc., right? And P2P registration has been postponed. And we actually see the some of the banks and non-bank finance companies, they actually do take the opportunity to grow with retail business, or like credit card business. So revenue side, we think the worst is behind and we will see the growth for the rest of this year.

Piyush Mubayi: Thank you.

Operator: Richard Xu, Morgan Stanley.

Richard Xu: Hi David, thanks for the opportunity for the questions. Two questions -- first of all, on the credit card business, certainly see the growth is quite impressive in the first quarter, but also, see some fluctuation in the, I guess, average fee per card, credit card; some very good number in fourth quarter, some moderation in the first quarter. Wondering what are the key channels where the banks are cooperating with your firm? And what's really driving some of these fees volatilities? And from quarter-to-quarter, what should be expect going forward? I understand all of these are still within your rough guidance; want to see some, I guess, recent trends.

Secondly is I remember you mentioned that basically, there's less competition, given the regulatory environment, sales and marketing expenses. Certainly, the first quarter costs a little bit lower than our expectations. Wondering what's the trend right now? What we're seeing in the second quarter as the loan volume recovery, whether your sales and marketing expenses were normalized as well, or there's continued, I guess, less competition for commercials or for those commercial spots in China at the moment? Thank you very much.

Oscar Chen: Okay. Thank you, Richard. That's also your two questions. The first is about the credit card unit price fluctuation. I think for the first quarter this year, we see more than 100% increase in terms of unit price. But over the 4 quarters last year, you may see some quarterly fluctuation quarter-over-quarter, but one thing you can see the steady quarter-over-quarter growth of the unit price of credit cards in the last year.

In the second quarter last year, you see a price drop. That's mainly because we sign up ICBC and BOC in the second quarter last year as we mentioned earlier. So for all these large banks, we always start up the relationship with them with a lower price. And but every year, when we improve our technology capabilities to help them enhance our conversion rate and approval rates, we have always raised our prices year-over-year.

So for this year, we'll be adding some one or two large banks in the second quarter or third quarter this year. Probably the mix of the newly added bank will contribute to some fluctuation of the unit price of the credit card. But we will -- because we already have a quite large volume in terms of the number of credit approval. So we'd expect for the remaining quarters, we should see -- at least for the year-over-year, we should see the price increase for the credit cards at a blended level.

David Ye: Okay. Richard, unit price of credit cards, actually, because we have new credit card issuers sign up, of course, there's reduce the unit price. Also, coming into Q4 last year to Q1 this year, the decrease, another reason was in Q4 last year, we had additional incentives, end-of-year incentive with credit card issuer. That's the tailwind incentive; keeping in mind that the unit price is primarily driven by: 1) quality of approval; 2) the volume.

At the end of every year, most of the credit issuers try to meet an annual budget. They want to -- that's why Q4, we get additional 10% and 21% for approval, a lot of times at a tiered price. So that's why in Q4, you always see a higher unit average price, but if you compare Q1 this year with Q1 last year, we see very nice 21% increase. So that's the crucial comparison that is sometimes misleading this quarter. Just like Oscar said, sign up a new guy, you'll see a decrease. Also, reset the price in the first quart and that's very important. Sowe saw a very good increase, 21%. But you'll see in Q2, Q3 and Q4, we see a higher unit price potentially. Of course, this is blended.

Oscar Chen: And to your second question, Richard, the marketing spending in the -- for the first quarter, particularly in this challenging marketing environment under the new regulation. So as we told everyone before, we definitely had a drop in the trend of the user acquisition costs since last December when the new regulation came out, because of the marginal lenders as they come to market, yes.

And at the same time, we also proactively -- in the first quarter, we also had a hit in terms of the loan volume. So we proactively manage and optimize our marketing spending. So as a result, we achieved higher ROI and also the lower sales and the marketing as a percentage of revenue. You can see the number there.

So I think for the next quarter and in the second half of this year, so I think you have heard from other fintech players that -- I think we took a quite optimistic view of the markets trends down the road, and the others, I think, are all quite optimistic.

So we're already seeing the user acquisition costs also recover a bit compared to the low end in the first quarter, but this will definitely result in higher acquisition cost, but we want to emphasize we are a platform connecting users with our financial service providers and our financial products. So we have the natural hedging effect of the platform.

So a better trend of the market will lead us to the better monetization, so we're not so concerned about the increase of the marketing cost. We think we have the better monetization, we should be able to afford the marketing costs and with an optimist outlook for the remaining of this year. So our acquisition strategy down the road will be the same as last year, so we'll manage our ROI and margin. We will acquire the users, as long as we achieve a threshold of ROI, we will reinvest the gains to acquire more users.

I think that will be our strategy and optimistic in the market outlook. So we should be able to achieve a comparable ROI to the last year, full year, I think.

Richard Xu: Thank you.

Operator: Binbin Ding, JPMorgan.

Binbin Ding: This is Binbin calling on behalf of Alex. Congrats on a strong quarter. My first question is can you give us an update on the cleanup on online lenders and how does that impact your full year revenue outlook of 2018?

And secondly, in terms of the regulatory tightening of the online lending industry, how does management think about the long-term growth strategy in response to these regulatory changes? Thank you.

Oscar Chen: Bin, can you repeat the first question? We just broke it up and just didn't hear it in the room.

Binbin Ding: The cleanup of our lenders and how does that impact your full year revenue outlook?

Oscar Chen: I don't want to use the term "cleanup" of -- the online lenders. So after the regulation, firstly, we conducted a new round of internal review of the products available on our platform. And took out the non-compliant products according to the new regulation. So I think for the lenders we work with for micro-online lending, so firstly, we work with all the capable P2P companies and micro-lending companies.

So after taking down all the non-compliant products, so all these -- I think most of the lenders up to now, they already come back with newly launched products, which is larger size, longer duration, installment loan, fully compliant with the regulations. So we see, since December, and also before the Chinese New Year, most of the lenders, they're adjusting the products, and they're adjusting the credit quality, and also the funding source too, some lenders.

And then some capable lenders, they launched new products before the Chinese New Year, and most of the remaining have come back with installment loan products after the Chinese New Year. So this is -- we saw -- why we say we see the recovery of loan volume on our platform. So of course, there we should admit there will be some hits in the first quarter and also, partially into the second quarter because some short-term micro-lending products no longer work under the APR cap.

So volume-wise, we think for this year, we still see the growth. We still expect our loan recommendation service revenue will grow year-over-year. Probably we can share more data in the earnings call in the next quarter, or the quarter after next.

But from the regulations, we do see the credit -- after regulation, we do see the user demand of the credit shifting from cash -- shifting from short-term micro-loans to credit cards and other credit products, say, installment loans. So this is why we see credit card volume grow over 400% in the first quarter and also, we see the larger size loan volume is growing. So I think that'll be our outlook -- the answer to your first question.

David Ye: Yes, sorry, let me just add a few data points. Keep in mind we're working with over 2,000 financial service providers in different type of categories - banks, non-banks, finance companies, consumer finance companies - they are all licensed or the micro finance company or even micro-finance companies or P2P companies. Of course, the top ones there is already in the process of registrations. So we do have the most diversified financial service providers covering full credit sections, right? And that's unique, puts us in a very unique position.

Number two, in the first quarter, among our top 50 revenue contributors over 87% that generated by licensed financial service providers, including P2P that are in the process of getting registered. So 87% are licensed, the financial service providers. We expect that this number will trend up going forward.

Binbin Ding: Thank you. Thanks for the comments. Thank you.

Operator: Thank you. And that concludes the question-and-answer session. I would now like to turn the conference back to management for any closing or additional comments.

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. Thank you.

David Ye: Thank you.

Operator: Thank you. The conference has now concluded. Thank you for attending today’s presentation. You may now disconnect your lines.