

Jianpu Technology Inc. [JT]
Q3 2023 Earnings Conference Call
November 24, 2023, 8:00 AM ET.

Company Participants:

Liting Lu, Head of IR

David Ye, Co-Founder, Chairman and Chief Executive Officer

Oscar Chen, Chief Financial Officer

Presentation

Operator: Good day, and welcome to the Jianpu Technology Inc. third quarter 2023 earnings conference call. (Operator Instructions). After today's presentation, there will be an opportunity to ask questions. (Operator Instructions). Please note this event is being recorded.

I'd now like to turn the conference over to Liting, Head of IR. Please go ahead.

Liting Lu: Thank you, operator. Hello, everyone, and thank you for joining us today. Our third quarter 2023 earnings release was distributed earlier today, and is available on our IR website at ir.jianpu.ai, as well as on PR Newswire services.

On the call today from Jianpu Technology, we have Mr. David Ye, Co-Founder, Chairman and Chief Executive Officer, and Mr. Oscar Chen, Chief Financial Officer. Mr. Ye will talk about our operations and company highlights, followed by Mr. Chen, who will discuss the financials. They will all be available to answer your questions during the Q&A session that follows.

Before we begin, I'd like to remind you that this conference call contains forward-looking statements as defined in Section 21E of the Securities Exchange Act of 1934 and the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on management's current expectations and current market and operating conditions, and relate to events that involve known or unknown risks, uncertainties and other factors, all of which are difficult to predict, and many of which are beyond the company's control. These risks may cause the company's actual results or performance to differ materially.

Further information regarding these and other risks, uncertainties or factors is included in the company's filings with the U.S. SEC.

The company does not undertake any obligation to update any forward-looking statements as a result of new information, future events or otherwise, except as required under applicable law.

Finally, please note that unless otherwise stated, all figures mentioned during the conference call are in RMB.

It is now my pleasure to introduce our Co-Founder, Chairman and Chief Executive Officer, Mr. David Ye. David, please go ahead.

David Ye: Thank you, Liting. Hello, everyone, and thank you all for joining us today. As a company dedicated to embracing new technologies, we are constantly exploring ways to improve our productivity and efficiency. Today, I am glad to use a trained AI assistant to walk through my CEO scripts. The next part of my presentation will be delivered using an AI-generated voice that has been approved by our team and myself.

AI Voice of David Ye: Thank you, everyone, for being with us today. The macro-economy showed signs of improvement in the third quarter, as GDP grew 4.9% year-over-year, surpassing market expectations. Total social financing, a broad measure of credit and liquidity in the economy, continued to increase sequentially, standing at RMB372.5 trillion at the end of the third quarter. We also observed that the steady uptick in retail sales growth reflects a certain degree of resilience in the economy.

Meanwhile, the overall recovery of consumer confidence was relatively slow, and it would take some time for the stimulus, such as the current accommodative monetary policy, to have a noticeable effect at the grassroots level.

We have made progress in carefully navigating this challenging environment since earlier this year, and continue to diligently execute our diversification strategy. Our total revenue has witnessed a commendable increase of 12.0% year-over-year to RMB830.5 million during the past three quarters. Thanks to our capital-light platform model and our relentless efforts of efficiency improvements, ROI reached 133.7% for the first three quarters of 2023, and our loss from operations narrowed by 65.0% to RMB42.9 million.

In the third quarter, our total revenue experienced a decrease of 4.9% year-over-year and 10.5% quarter-over-quarter mainly due to certain headwinds and challenges on our businesses. For example, banks continued to tighten their marketing budget, particularly on credit cards, given the softening consumer spending and rising delinquency. However, as we successfully executed our strategy to prioritize efficiency over scale, we managed to achieve a significant efficiency gain with a higher ROI of 141.2% in this quarter.

I will now take you through our key performance highlights for the third quarter.

First, we continued to benefit from our platform model with rich product offering and network effect. We leveraged our deep industry insights, market-leading technologies, and diversified business model to maintain steady revenue growth since the start of the year.

Revenues from loan recommendation, credit card recommendation, big data and system-based risk management, and marketing and other services accounted for 30%, 38%, 8%, and 24%, respectively, of our total revenues during the first three quarters.

We also expanded the reach of our AI solutions beyond the financial sector, addressing opportunities in adjacent categories. Through these services, we have equipped our financial partners, as well as non-financial partners, including the partners offering telecommunications, e-

commerce, and lifestyle products and services, to explore new operating models in the context of digital transformation.

Revenues from marketing services and other services saw year-over-year growth of 72.1% during the first three quarters of 2023.

Starting from the second quarter, banks have refined their credit card-related strategy, further tightening credit policy, enhancing risk management and placing greater emphasis on the quality of services provided to existing credit card holders. As a result, banks further cut down their marketing budget on new card issuance, providing challenges for our credit card recommendation services. We have proactively streamlined our acquisition channels to stay agile in response to the market and to align with the policy adjustments of banks.

Additionally, the industry where our big data and risk management services are situated has been affected by recent regulations. Due to these impacts, our total revenue in the third quarter experienced a year-over-year decrease of 4.9% to RMB255.6 million.

Second, we further enhanced our efficiency and improved our cost optimization. Despite the fluctuation in revenue, our ROI experienced a remarkable 5.9 percentage points increase year-over-year, reaching 141.2% in the third quarter. We continued to integrate various AI tools into an internal one-stop portal used across all our departments. These tools have consistently streamlined our work processes and boosted our operational efficiency. At the same time, we continued to diversify our marketing and acquisition channels and successfully signed up a number of strategic partners in the third quarter.

Through our continued efforts to balance growth and efficiency, our cost of operation and cost of promotion and acquisition decreased by 30.5% and 7.0% year-over-year to RMB14.6 million and RMB167.6 million in the third quarter of 2023, respectively.

Effective cost control measures over research and development expenses, as well as general and administrative expenses, have led to a decline in our fixed costs by 5.4%, reaching RMB48.8 million.

As a result of our continued efficiency gain and cost optimization, our net loss was RMB6.4 million in the third quarter, achieving 74.5% improvement year-over-year.

Third, we remain committed to cultivating our company culture. Last month, we celebrated our company's 12th anniversary by organizing an outdoor sports day with a live show of rock music, which marked the first gathering of all our employees post-Covid.

Looking back into the past 12 years, we have experienced remarkable achievements, as well as challenging obstacles. Thanks to our commitment to the corporate culture, the unwavering collaboration and mutual support of all employees have brought us to where we are now. Our culture also encourages being open-minded and embracing changes and innovations. Inspired by such culture, an AI Hackathon event has been successfully organized to pursue new avenues of AI development. Encouragingly, a number of projects and initiatives from the event are undergoing continuous development, and some of them have entered the internal testing phase during this quarter.

Moving forward, we will remain committed to our vision of “Becoming everyone’s financial partner”, and fostering a culture of continuous learning and innovation. Our unwavering dedication to being user-oriented will drive us to consistently deliver services and products that deeply connect with our customers.

Before I turn the call to Oscar, let me briefly discuss the macro environment and our business outlook.

The Chinese government has taken proactive steps to address the current economic conditions characterized by lingering uncertainties and the need to strengthen the momentum of the recovery. The continuous implementation of stabilization policies has yielded encouraging results, driving a recent acceleration in growth.

We believe that the government’s recent measures to stimulate demand and stabilize the property market will act as positive catalysts, injecting new energy into the ongoing economic recovery.

Furthermore, we are cognizant of the immense opportunities that come with the advancement of AI, and will target to develop flexible and low-coupling AI solutions with comprehensive coverage in AI product architecture. We will continue to execute on our strategy for driving the digital transformation of the financial and other industries, empowering our ecosystem partners with digital technology and artificial intelligence.

I will now hand over to our CFO Oscar Chen to run through our financials.

Oscar Chen: Thank you, David, as well as David’s AI assistant, who did a great job just now. Hello, everyone. As David mentioned earlier, we have made progress in carefully navigating this challenging environment. During the third quarter, we continue to diversify our business mix, improve our operational efficiency, and optimize our cost structure.

In the third quarter, the total recommendation service revenues decreased by 9.6% year-over-year to RMB191.2 million. Revenues from loan recommendation services maintained strong growth momentum, increasing by 25.3% year-over-year in the third quarter, mainly driven by a 48% year-over-year increase in the number of loan applications to approximately 7.4 million.

Revenues from credit card recommendation services decreased by 31.8% year-over-year, mainly due to that certain credit card issuers tightened their credit policy and lowered their marketing budgets since the second quarter. Credit card volume decreased by 27.3% year-over-year to approximately 0.8 million.

Revenues from our big data and system-based risk management services decreased by 24.4% to RMB18.9 million in the third quarter of 2023 from RMB25 million in the same period of 2022. The decrease was mainly due to the deconsolidation of a subsidiary, and to a lesser extent, a gradual shift of our business model of data-based risk management services towards the cooperation with the licensed credit reporting agencies.

Revenues from marketing and other services increased by 41.3% to RMB45.5 million in the third quarter of 2023 from RMB32.2 million in the same period of 2022, primarily due to the growth of our insurance brokerage services and other new businesses. This is a strong testament to our

success in applying our advanced AI technologies and strong digital marketing capabilities beyond the financial sector into adjacent categories.

Let me now move on to costs and expenses. Cost of promotion and acquisition decreased by 7% year-over-year to RMB167.6 million in the third quarter. The overall ROI for recommendation services and marketing and other services improved by 6 percentage points year-over-year to 141% in the third quarter, reflecting our continuous efforts to expand new business initiatives, monitor customer acquisition costs, and improve operational efficiency.

We also continued to execute our cost optimization initiatives. As a result, cost of operation decreased by 30.5% to RMB14.6 million in the third quarter of 2023 from RMB21 million in the same period of 2022. Our sales and marketing expenses, R&D and general and administrative expenses decreased by 3.8%, 8.4% and 1.7% year-over-year respectively. Measured as a percentage of total revenue, sales and marketing, R&D, and G&A expenses in total stood at 32.1% in the third quarter of 2023.

With our continued efforts to optimize our cost structure and improve the productivity of our businesses, loss from operations was RMB8.7 million in the third quarter of 2023, compared with RMB31.9 million in the same period of 2022. Operating loss margin was 3.4% in the third quarter of 2023, compared with 11.9% in the same period of 2022.

In the third quarter, we recorded net loss and non-GAAP adjusted net loss of RMB6.4 million and RMB5.6 million, respectively, compared with RMB25.1 million and RMB9.4 million in the same period of 2022. Our net loss margin and non-GAAP adjusted net loss margin for the third quarter improved to 2.5% and 2.2%, respectively, compared with the same period of 2022.

As of September 30, 2023, we had RMB687.3 million in cash and cash equivalents, time deposits and restricted cash and time deposits on our balance sheet.

This concludes our prepared remarks. Operator, please go ahead.

Questions and Answers

Operator: Thank you. We will now begin the question-and-answer session. (Operator Instructions). Showing no questions, this concludes our question-and-answer session. I'd like to turn the conference back over to Liting for any closing remarks.

Liting Lu: Thank you once again for joining us today. If you have any further questions, please contact us at IR@rong360.com. Thank you for your attention, and we hope you have a wonderful day.

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