



Weyland Tech Inc.

First Quarter 2020 Earnings Call

May 15, 2020

C O R P O R A T E P A R T I C I P A N T S

Brent Suen, *Chief Executive Officer, President, Secretary & Director*

Lionel Choong, *Chief Financial Officer & Director*

Rod Granero, *Push Interactive Chief Financial Officer*

Tom Furukawa, *Push Interactive Chief Technology Officer*

C O N F E R E N C E C A L L P A R T I C I P A N T S

Don Anderson, *Private Investor*

Lyle Perlmutter, *Vanderbilt*

P R E S E N T A T I O N

Operator

Good morning, and thank you for joining us today to discuss Weyland Tech's first quarter ended March 31, 2020. Joining us today is Weyland Tech's Chief Executive Officer, Brent Suen; and Company's Chief Financial Officer, Lionel Choong; and Push Interactive Chief Financial Officer, Rod Granero; and Push Interactive Chief Technology Officer, Tom Furukawa. Following their remarks, we'll open the call to questions. Then before we conclude today's call, I'll provide some important precautions regarding the forward-looking statements made by management during the call.

I'd also like to remind everyone that today's call is being recorded, and it will be made available for telephone replay following the instructions provided in today's press release.

Now I'd like to turn the call over to Weyland Tech's CEO, Brent Suen. Please go ahead.

Brent Suen

Thanks, Karen. Good morning, everyone. Our record top line performance in the first quarter was mostly due to the continued growing adoption of the CreateApp Platform-as-a-Service by micro to small businesses, plus a nearly full quarter of revenue generated from Push Interactive, which we acquired on January 6 of this year. CreateApp and Push both provide what we call e-commerce enablement with these services now becoming more important than ever for businesses and brands around the world as it goes increasingly mobile.

First off, I'd like to point out something extremely important to investors regarding the recent acquisition of Push. Weyland Tech's core customer base consists of micro to small businesses in emerging markets. Most of these are taking their first step to gaining an online presence by way of their own app. This is accomplished by, at first, marketing and promoting their products and services, then eventually selling

them, enabling their customers to pay for them, having them delivered and fulfilled and then eventually using the data that's collected through the process to enhance the marketing and promotions. The customer base of Push is predominantly well-established medium- to large-sized enterprise clients, some of which are publicly traded and have market caps up to USD 4 billion. These customers use the data analytics from Push to enhance their sales. This is all notable because there's a complementary aspect between the two state customer bases, and it enables the services from Push, which are developed markets and mature e-commerce businesses, to be offered to emerging market, micro to small businesses, as they move up the curve towards growing their online business and start to use data to build sales.

Next up, I'd like to talk about AtozGo, our food delivery business. We recently reported that the number of registered users for AtozGo surpassed 100,000. This major milestone was achieved within only 8 months since the official launch of AtozGo, and we still believe that AtozGo will reach 1 million registered users by year-end despite the impact of COVID-19 on businesses, given its recent expansion into the residential market. The residential launch was actually long-planned but was accelerated due to stay-at-home orders and a shift to working from home. In terms of average deliveries, the residential deliveries were running about 200 per day as of yesterday. As things open up going into June, we believe that we'll see more normalized numbers back to the 15,000 to 16,000 per day as we saw prior.

This week, Uber and Grubhub actually announced that they are merging. If you take the value per user, that comes out to about \$250 per user, which is standard in the industry. So whether it be the big names that we see here in the U.S., main server in Europe such as Delivery Hero or in Southeast Asia where AtozGo is, GrabFood and Go Foods, the values are pretty consistent. So averaging \$250 per user is the standard metric.

What's ending up happening and certainly, as we expected, is that we've attracted the attention of two large delivery service providers who traditionally use motorized delivery, whereas we use foot-based delivery. We are now actively involved in discussions with a potential buyer or a major investment partner for AtozGo. As things evolve, our Board will make a decision to either sell a stake in the Company or accept a strategic investment.

What we're seeing on the CreateApp side is that micro to small businesses in the markets we serve have certainly become aware that selling online is not only important, yet also worth a premium to use our service. So to better serve our target customers and optimize our price points, we have continued to invest in R&D in order to drive greater gross margins and subscription revenues.

Again, our focus with CreateApp is on micro to small businesses. Given that the impact on micro to small businesses in certain regions in Southeast Asia, that actually represents virtually all of our CreateApp customers.

What we're seeing with many global businesses is that it is paramount to support these customers. As we've seen with other subscription-based businesses, we've given flexibility to selectively extend these subscriptions from 30 days to as much as 90 days without charge. As we all know, once a customer is lost, it is more difficult to bring them back. So we believe that giving this 30- to 90-day free window is not only good for customers, but certainly also good for Weyland as sustaining our customer base is key.

Over the short term, we will incur some special COVID-19-related charges related to reduced service revenues. The full amount, we currently cannot determine until the end of the quarter or a little later in the year. But certainly, over the longer term, we believe that supporting our customers and distributors in this way ends up providing a stronger foundation for growth.

Today, I've invited the Push Interactive Chief Financial Officer, Rod Granero and Push Interactive's Chief Technology Officer, Tom Furukawa, to join us on the call. Rod and Tom will give us an update on the new

segment of our business, including financials, a product update and platform development as it relates to Push.

One thing I'd like to point out is that, typically, with OTC companies, investors would generally find one to two key management executives. However, our senior team consists of 11 professionals whose bios are on our website. I would also point out that our nonexecutive Board members are on there, and I'd encourage all of you to revisit our website and download the presentation as it not only gives a solid picture on the Company and our management capabilities, it also shows that there are just some distinctive differences between us and many of the other OTC-listed companies that you'll see. Given our plans for expansion and an uplisting event, we've built up our infrastructure to go up many levels without needing to add additional management infrastructure.

I'd like to turn the call over to Lionel, our Chief Financial Officer at Weyland, who will take us through the financial results for the quarter. Afterwards, I'll turn it over to Rod and then Tom. Then I'll return to talk a little more about the operational activities and overall outlook for the year. Lionel?

Lionel Choong

Yes. Thank you, Brent, and good morning, everyone. Earlier today, we issued a press release with the results for our first quarter of 2020. A copy of the release is available on our Investor Relations section of our website.

Starting with our statement of operations. Our consolidated revenues increased 76% to a record \$15 million for the first quarter of 2020 as compared to \$8.5 million in the first quarter of last year. The increase was due to increased service income on the CreateApp side and the dilution of \$3.2 million from our new Push Interactive subsidiary that we acquired in January of this year.

Our consolidated gross profit in the first quarter increased 75% to \$2.6 million or approximately 17.7% of revenue. This compared to \$1.5 million or the same percentage of revenue in the same year-ago quarter.

Our total operating expenses increased to \$5.5 million in the first quarter from \$1.5 million in the same year-ago period. The increase was primarily due to the addition of about \$1 million in G&A from Push Interactive as well as an increase in R&D and sales and marketing expenses linked to CreateApp. The increase in R&D expense was related to consolidation of our CreateApp modules as Brent previously discussed.

Net loss for the quarter totaled \$2.8 million or \$0.24 basic and fully diluted share, which compares to a net loss of \$27,000 or \$0.00 (phon) fully diluted in the same year-ago period, which contribute to about \$1 million of the loss.

Now moving to the balance sheet. At March 31, 2020, cash and cash equivalents totaled \$3 million, restricted cash \$1 million compared to \$3 million at December 31, 2019. The increase was primarily the result of cash on Push's books at the time of our acquisition. We believe our current cash levels are sufficient for the foreseeable future.

One notable change to our balance sheet recognition of about \$14.3 million in fair value of assets acquired, representing our investment in Push as our subsidiaries. This resulted in an increase in our total assets to \$27 million at the end of first quarter 2020 as compared to \$11.3 million at the end of last year.

Now with that, I'd like to turn the call over to our CFO of Push Interactive, Rod Granero. Rod?

Rod Granero

Thank you, Lionel, and good morning, everyone. As Push full financial results for the quarter were not included in Weyland's Q1 results due to the timing of the acquisition, we believe full quarter results could be helpful for our shareholders and others that are following our story. Now let's review Push's statement of operations.

Revenues were \$3.2 million for the quarter ended March 31, 2020, compared to \$4.1 million for the same period in 2019, a decrease of \$0.9 million or 22.9%. The decrease was due to lower revenue in profit management services, partially offset by increased data monetization revenue. This shift in product mix reflects our planned transition in Q1—in Q3 of 2019 in becoming a more data-driven company, which has higher margins than our legacy traffic management services.

The impact of COVID-19 on our business has been considerably less than (inaudible). In fact, we have recently seen HomeAdvisor and QuinStreet, two of our larger and higher profile customers, step up their business activity. These major customers tend to be timely with their payment terms, thereby reducing our accounts receivable.

Gross profit remained flat at \$0.6 million, but as a percentage of revenue, it increased from 13.9% in the quarter ended March 31, 2019, to 17.3% in the quarter ended March 31, 2020. This margin improvement was due to favorable shift of our product mix to include more data monetization-related services.

Our total operating expenses decreased 5.5% from the year-ago period to \$1.6 million. The decrease was primarily due to a decrease in our general and administrative expense.

Our net loss was \$1 million for the first quarter, which improved roughly \$0.1 million from the net loss of \$1.1 million in the same period a year ago.

Looking at the COVID-19 impact on Push's business as discussed on the last call, we began to see a significant impact starting in mid-February that lasted through March as online activity changed and as people started to work remotely and other related factors. In response, we quickly adjusted the mix of our demand partners and advertisers for the rest of the year. As a result, April was stronger than March. Looking ahead, we expect top line revenue in the current quarter to continue to grow as compared to the previous quarter, primarily driven by data monetization revenue and, to a lesser extent, traffic management and site advertising revenue.

This sums up our financial review of Push. Now I'd like to turn the call over to Tom Furukawa, our Chief Technology Officer of Push. Tom?

Tom Furukawa

Thank you, Rob. Good morning, everyone. So today, I'm going to talk about our progress with a couple of initiatives at Push Interactive that we expect to continue our transition to a data-driven, higher-value, higher-margin business. One of them are building out an online data marketplace for Push customers, and the other involves leveraging Weyland's CreateApp technology to launch mobile apps for Push brands and customers in the U.S. market.

Now before I delve into these initiatives, it might be helpful to provide a brief high-level overview of how Push generates revenue and data monetization. Now we publish content, which helps us to automatically collect unique individual consumer data. We then enrich this data by adding anywhere from 200 to 500 additional attributes such as if a customer has a premium credit card, a high credit rating, a reverse mortgage or the like.

Now once we enrich the data, you can use a better target and lower our media purchase cost because it can yield higher conversions for our customers. Now other advertisers who've been with the Push would also like to have access to such enriched data for their own online marketing campaign, so we currently

sell this data through third-party marketplaces. This allows us to drive high-quality and additional revenue as the same enriched data profiles.

Now our success with marketing our enriched data has led to our plans to build out our own branded marketplace platform, which offers a unique, valuable customer data directly to other advertisers and marketers. We are actually in the process of building this platform internally, which will have very specific high-performing consumer segment based on the campaigns we run ourselves and those we run on behalf of other advertisers.

The platform will be a fully functional marketplace that drives revenue 24/7. Our niche will be a data marketplace that will allow advertisers to come directly to us to buy from high-performing data categories such as insurance, home renovations, solar, etc., and where we have a lot of enriched data. This will be like a stock market or similar to a Rubicon Project model where we'll have automated vetting of buyers and automated bidding to drive premium price.

Other platforms that exist today are more branded on the advertising side. We'll focus on very fine few segments that meet the needs of specific buyers. We'll be able to be much more granular on targeting specific products such as (inaudible) for specific kinds of insurances and mortgages. It will be a first-party, real-time data, so an advertiser will have a very good chance of converting that.

The private marketplace will have very focused value segments, meaning someone looking to buy within one to three days. The value of our data will be based on our conversion to sales, and we'll continually enrich the data and make sure performance will result in conversions. Today, we currently have hundreds of millions of contacts, with each having 200 to 500 attributes, which is growing every day.

Now our second initiative is about leveraging Weyland's CreateApp to launch apps for Push brand in the U.S., and this is equally interesting. We have several brands and publisher platforms that publish great content, and this allows us to acquire user data for building customer profiles and enriching our data. Now we will continue to explore how we can leverage CreateApp to build apps for Push brand in the U.S. These apps will hone in on specific niche and help us acquire new customer data, which will feed into our third-party data marketplace. We will continue to build out this private marketplace and focus on expanding our relationships with major brands to grow our business.

Now we believe these data-driven strategies can help us grow Push to \$13 million to \$15 million in revenue in 2020, with margin improvement to approximately 20%.

Now with that, I'd like to turn the call back over to Brent. Brent?

Brent Suen

Thanks, Tom. As Tom discussed, the combined company is driving towards a natural evolution to being more data-driven. The core of both business units is data. If one looks around the pure landscape of publicly traded data-driven companies such as The Trade Desk, MongoDB, Twilio and nine others, you'll see that not only are valuations high, the margins are as well. Our goal is to rapidly move towards that higher-margin business through evolving into the data-driven business, and with that, we'd expect the valuation expansion as well. This would be obtained, of course, by a NASDAQ uplisting or similar.

So many of you are curious about our planned uplisting to NASDAQ, which is progressing. However, like many things these days, it has been slowed by the distraction of the pandemic and NASDAQ examiners working from home. At this point, we don't have a precise indication of timing. However, there are alternatives that have come to us unsolicited recently, and we hope to provide more details as these progress.

Clearly, from a capital markets perspective, there's a tremendous amount of unrealized and unrecognized value in Weyland Tech. While we expect Q2 to have its challenges, we do see the second half of the year trending back up as Southeast Asia and other markets open up and as our new operations in the U.S. help us transition to a more valuable data-driven organization. Looking ahead, we're extremely optimistic about the continued demand for our products and services and look forward to Weyland hitting key milestones and becoming a more commercially successful and profitable business.

With that, I'd like to open up the call to questions. Karen, please go ahead with the instructions for Q&A.

Operator

If you would like to ask a question please signal by pressing star, one on your telephone keypad. Please use your speaker phone please make sure your mute function is turned off to allow your signal to reach our equipment. Again press, star, one to ask a question. We will pause for just a moment to allow everyone an opportunity to signal for questions.

Our first question is from Don Anderson (phon), who is a Private Investor.

Don Anderson

Hi, good morning. I had a question on your annual report. Under your current assets on the balance sheet, you have an amount due from associate of \$2.8 million. I was curious what the current balance of that and if you could maybe expand on what that is. There isn't much of a note in the financial statements. It says that it's due from an associate interest-free with no fixed repayment terms. Can you expand on that?

Brent Suen

Sure. Okay. I believe the first part of the question is, what is the current amount? The current amount is about \$3.9 million. The associate is the Indonesia business, which is Weyland Indonesia Perkasa or what we call WIP, W-I-P. That is AtozPay, the e-wallet, and AtozGo, the food delivery business.

If you look at them as a combined group and, say, current benchmark valuations on the private funding side and the handful of publicly traded companies that operate in those segments, you'll generally see benchmark valuations of between three to four times gross transaction volume or GTV. We're currently at a run rate of about \$25 million for this year. If you extrapolate that, that would put a current valuation on it of around \$75 million. Again, those are benchmark valuations that exist in the public markets and private funding markets and also on M&A. We believe that, that investment has certainly increased in value as we expected, and we hope to continue that.

Don Anderson

Okay, thank you.

Operator

As a reminder please press star, one if you would like to ask a question.

Our next question is from Lyle Perlmutter with Vanderbilt.

Lyle Perlmutter

Hello, hi. Just two questions. Someone would have been around living up that, I hate to say this, buy a new stock ahead, about 25 times its price. My two questions are, one, that spin-off that you did last year

in that AtozPay, what's going on with that? Two, how many months ago did you do that reverse split in Weyland through the listing? Now that you're working on this, you're working on that, and it hasn't happened. So maybe you could comment on both of them?

Brent Suen

Sure. Sure. Happy to. In December 2018, we spun off the 49% of the Indonesia business as it relates to the e-wallet. What I just described to Jon (phon) Anderson was the scenario that exists in terms of a valuation uplift. Again, the combined businesses of AtozPay and AtozGo are at about a \$25 million run rate this year, and benchmark valuations are about three to four times that in the market. So applying the value to it, you would take 49% ownership of that and apply it to what benchmark valuations are. We believe that, that has resulted in a valuation uplift. However, it has not been realized yet. We anticipate doing so through either a sale of the business or a strategic stake in the business itself. Does that answer that part?

Lyle Perlmutter

I'm sorry. I have no idea why, but when you first did the spin-off, in some cases, the transfer agent sent in and is put into brokerage accounts. What I would say with almost as many other people, it wasn't, and the transfer agent sent in, I can notice that they were holding to it, too. Any idea why that happened that way?

Brent Suen

Are you referring to the (inaudible) clearing?

Lyle Perlmutter

Paid off in December. Some of it got put into clients' accounts. Others, you've got a transfer agent a little note, a little letter saying that they were holding it.

Brent Suen

Correct. I believe that has to do with the broker or the clearing firm and the instructions they gave based on their underlying clients either being nonobjecting beneficial owners or objecting beneficial owners. But in order to clarify that, the transfer agent does have records of each individual shareholder's holdings. If you need further clarity on yours or someone you advise or know, just let me know or let the Company know, and then we'll have the transfer agent get in touch with you.

Lyle Perlmutter

Okay. Now what about—so we have no idea what a current value is, if there would be a value. Any idea when you may or may not be, I guess, doing something with that at the price of being bought by somebody? What are you legally allowed to say regarding that?

Brent Suen

Okay. That part, given that it's a privately held company, I believe I can speak to—there are currently two interested parties. One is interested in either acquiring the business in whole. They are publicly traded in Europe with quite a large market cap. Their primary business is food delivery, and they've grown through acquisitions. We've been through due diligence with them. Pending a visit to Jakarta, which is kind of tough in the current environment, we believe that, that could progress. With that, there is a venture-funded company in Indonesia that has also indicated they'd like to take a strategic stake in the Company as well. We are in later stages with them. As things progress, we'll certainly discuss it with investors. So we are seeing—pardon me?

Lyle Perlmutter

About (inaudible) revenue.

Brent Suen

Go ahead, Lyle.

Lyle Perlmutter

The second part is, again, you did the reverse split (inaudible) paying, what, roughly \$0.11, \$0.12, whatever—I'm sorry, \$0.17 or \$0.18. As I said, I own stock at originally 25 times that price, which is painful to say. The whole reason for that listing was you're going to reverse split it, and you're going to get uplisted within a select period of time. This has now been I don't know how many months. So any comment you can make? You're also at the current price. Now you can—kind of the cut-off price, you would have to be at a minimum for enough listing. So maybe you could elaborate, please?

Brent Suen

Sure. Okay. I would say that the frustration level, both personally and with our team, is equal to or possibly greater than what our shareholders are experiencing because we're all shareholders as well. It's been 11 weeks since we did the reverse split. Typically, you see a week to two weeks after reverse split is undertaken. If you look at the time line, what's happened is you've seen a dramatic slowdown in approvals for uplistings on the NASDAQ side. There's only been two uplistings with NASDAQ in the past three months. One of those did the reverse split back in November. They finally got uplisted two weeks ago. The other one, it's, in fact, been since July of last year that they announced it. There has not been a lot of activity this year in terms of uplisting. Again, there's only been two.

If you look at any given year preceding that, I think the most that you will see is 28. I think last year was around 22 or 23. We've been going back and forth with them. We expect to get more clarity soon. I know that they've given some leeway to NASDAQ-listed companies that have fallen below the continued listing price threshold. I don't know if they're going to give us that same leeway, which there are three tiers. There's the \$4 price, \$3 price and \$2 price and then various time lines within that, but we should know more rather shortly.

Lyle Perlmutter

Thank you.

Brent Suen

Sure. Thanks, Lyle.

Operator

Please press star, one if you'd like to ask a question. If you'd like to remove yourself from the telephone queue, you can press star, two. We'll pause for just a moment to see if there are any more questions.

Again, you can press star, one if you'd like to ask a question.

At this time, this concludes our question-and-answer session. I'd now like to turn the call back over to Mr. Suen. Please go ahead.

Brent Suen

All right. Thanks, Karen. I'd like to thank everyone for taking the time to join us on our call. Before we wrap up, I'd like to say that if you've taken anything away from the call, I hope it's the understanding that Weyland has tremendous market opportunities around the world and now especially in the U.S. with the acquisition of Push Interactive. We enjoyed strong industry tailwinds and have the support of a world-class operational team as well as enabling technology for businesses in both established and emerging markets. I believe that this all translates into an excellent opportunity for all of our stakeholders in the year ahead. Until our next call, we hope everyone continues to be safe and cautious. We welcome your calls and inquiries and appreciate your continued interest in Weyland Tech.

Karen, please go ahead and wrap up the call.

Operator

Before we conclude today's call, I would like to provide the Company's Safe Harbor statement that includes important cautions regarding forward-looking statements made during today's call.

Statements made by management during today's call may have contained forward-looking statements within the definition of Section 27A in the Securities Act of 1933 as amended and Section 21E at the Securities Act of 1934 as amended.

These forward-looking statements should not be used to make an investment decision. All statements other than statements of historical fact included herein are forward-looking statements, including statements regarding the continued growth of the e-commerce segment and the ability of the Company to continue its expansion into that segment; the ability of the Company to attract customers and partners and generate revenues; the ability of the Company to successfully execute its business plan, business strategy, plans and objectives of the Company; and any other statements of nonhistorical information. These forward-looking statements are often identified by the use of forward-looking terminologies such as believes, expects or similar expressions and involve known and unknown risks and uncertainties.

Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, they do involve assumptions, risks and uncertainties, and these expectations may prove to be incorrect. Investors should not place undue reliance on these forward-looking statements, which speak only as of the date of this news release. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of a variety of factors, including those discussed in the Company's periodic reports that are filed with the Securities and Exchange Commission and available on its website, www.sec.gov. All forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these factors. Other than as required under the securities law, the Company does not assume any duty to update these forward-looking statements.

Before we end today's conference, I would like to remind everyone that this call will be available for replay starting later this evening and running through May 29. Please refer to today's press release for dial-in replay instructions available via the Company's website at www.veyland-tech.com.

Thank you for joining us today. This concludes today's conference call. You may now disconnect.