



Weyland Tech, Inc.

Second Quarter 2019 Earnings Call

August 14, 2019

CORPORATE PARTICIPANTS

Brent Suen, *Chief Executive Officer*

CONFERENCE CALL PARTICIPANTS

Chris Lacoursiere, *Private Investor*

Sandy Feld, *Private Investor*

Mike Surrey, *Private Investor*

PRESENTATION

Operator:

Good afternoon and thank you for joining us today to discuss Weyland Tech's Second Quarter ended June 30, 2019.

With us today is the Chief Executive Officer of Weyland Tech, Brent Suen. Following his remarks, we'll open the call to questions. Then, before we conclude today's call, I'll provide some important cautions regarding the forward-looking statements made by Management during the call.

I'd like to remind everyone that today's call is being recorded and will be made available for telephone replay via instructions in today's press release on the Investor section of the Company's website.

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

Brent Suen:

Thanks Patrick, and good afternoon to everyone. Thank you for joining us today.

Firstly, I'd like to go through our second quarter 2019 results, comparing them to the same year-ago quarter, and then discuss some operational highlights and our outlook for the year, and then we're going to open the call to questions.

Earlier today, we issued a press release with the results for our second quarter. A copy of the release is available on our Investor Relations section of our website. I won't go into all the details, but would like to touch on some of the highlights.

As we reported in the second quarter, we dramatically expanded our recurring revenue stream. Total service revenue, which comprises recurring user subscription fees, increased by 53% to \$7.1 million. The growth was due to greater customer adoption of our CreateApp Platform-as-a-Service, or, as we also

refer to it, as the PaaS Platform, which has been sold—it is actually being sold into our existing international markets, and it's largely driven by our channel partners.

Gross profit decreased to \$1.3 million, and this was primarily due to the reclassification of certain research and development and sales and marketing expenses, bringing them up from the expense line to the cost of revenue, and this is largely due to an accounting treatment. Primarily as a result of this reclassification, our total operating expenses in Q2 decreased 49% to \$2.9 million.

Our general and administrative expenses increased to \$1.3 million in the second quarter, mostly due to \$870,000 in non-cash stock-based compensation.

Net loss was \$1.7 million, or \$0.04 per basic share, compared to a net loss of \$1 million, or \$0.03 per basic share in the same year-ago quarter.

Turning to our balance sheet, at June 30, 2019 we had cash, cash equivalents, and marketable securities totaling \$5.3 million. This compares to \$1.4 million at March 31, 2019, the end of the first quarter. The increase in cash was primarily due to an equity raise which generated about \$5.2 million in gross proceeds.

At the current stage of the market in our corporate development, our number one priority is to build our subscriber base by leveraging the reach and capabilities of our channel partners.

Beyond having great channel partners and what we deem to be best-in-class mobile commerce technology, we also benefit from offering our solutions to the world's most engaged mobile population with more than 350 million mobile first Internet users that are located across Southeast Asia. Of any global region, Southeast Asia is showing the fastest adoption rate of mobile commerce solutions by small businesses.

Our more attractive pricing structure that we implemented during the quarter has also strengthened our ability to capture greater market share of the micro and small businesses in this part of the world where we operate, and that is estimated to make up around 90% of the regional economy.

We expect our CreateApp Platform to continue to gain traction due to the simplicity and versatility, which is, in many ways, similar to how Shopify provides e-commerce enabled websites for small businesses. Similar to Shopify, CreateApp requires literally no technical understanding of programming or mobile app design, and what it does is it allows small business owners to easily build their own mobile commerce enabled mobile app in less than two hours.

In emerging markets, this is important due to the fact that most micro and small businesses are two to three-person owned shops and they generally handle all aspects of their business. They usually cannot afford to, nor have the time, to build websites or mobile apps on their own. Therefore, it's extremely relevant to them.

Also during the second quarter, we expanded our market reach with the launch of a pilot program in Indonesia in partnership with Indosat, one of the country's leading telecommunications providers. We believe this partnership will eventually become another important source of recurring revenue.

Recently we've been active in strengthening our team with the appointment of two new Advisory Board members that includes two seasoned executives from both the capital markets and e-commerce, Sim Farrar and Andre Peschong. Along with his strong business acumen, Sim brings a very deep understanding of public policy across regional, national, and global levels. Andre has already been instrumental in helping us attract important growth capital from a number of international investors.

Also recently, in partnership with our spin-off Company, AtozPay, we launched AtozGo, a short distance food delivery service in Jakarta, Indonesia that is powered by the AtozPay mobile payment platform and our mobile app technology that's in our PaaS Platform, or CreateApp. AtozGo allows mobile user to browse local restaurants, order, pay for meals, and then track the deliveries. Given Jakarta's population of around 30 million people, and another 3.5 million who commute in from the suburbs on a daily basis, the city was an ideal location to launch the new service, and, in fact, within two weeks from our launch AtozGo has gone from zero to more than 1,200 food deliveries per day. We expect this rapid ramp up in transactions to also attract the attention of potential acquirers, which we've mentioned in the past. We believe that that will only increase.

For the remainder of the year, we will continue to focus on supporting our channel partners in enhancing platform offerings. We expect to see margin improvement as we introduce more value-added services and increase the revenue base.

We'll also continue to explore and evaluate a number of attractive merger and acquisition opportunities, as international investments in Southeast Asia, especially Indonesia, continue at a record pace.

Given our momentum coming out of the second quarter and our proven differentiated products and strategies, we believe the Company remains on track for another year of double-digit growth.

Now, with that, I think we have time to take a few of your questions. Patrick, you can go ahead and open it up please.

Operator:

Thank you, sir. If you have a question, please signal by pressing star, one on your telephone keypad. If you're using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Once again, press star, one to ask a question. We'll pause for just a moment to allow everyone an opportunity to signal for questions.

We'll take our first question from Chris Lacoursiere, who's a Private Investor. Please go ahead.

Chris Lacoursiere:

Hi. Thank you for taking my call. Brent, congratulations on an amazing quarter again; two in a row. My question is kind of a general one. The Company is not trading at a fair value to its peers, and this was noted on the last conference call. How does the Company plan on attracting institutional investment on the open market? The Company plans on up-listing to the NASDAQ. Clearly we need some true buying on the market, in my opinion. That's my question.

Brent Suen:

Okay. Much appreciated, Chris, and thanks for the good words. That is typically a challenge of—for small companies, and as we indicated in a recent press release, we've brought on CMA Capital Markets Access, and their specialization is in institutional introductions. One area that we've been sorely lacking in is institutional sponsorship.

Throughout our history, we have actually been sitting at 0% institutional ownership, and when I say institutions, I'm talking about mutual funds, money managers, hedge funds, emerging markets funds that would typically take positions in companies and add to those positions as the company grows. They would also understand the type of business and the way that a company such as ours operates. We have not been able to attract any, but I think with the addition of both CMA, and also recently, Sim and Andre

on the Advisory Board, this will certainly start to change, so I hope that answered your question there, Chris.

Chris Lacoursiere:

That does in terms of (inaudible).

Brent Suen:

Okay. Okay. Okay, great. In terms of the NASDAQ up-listing, as indicated in the past, we do have an active application in. We will be updating everyone as we progress.

Chris Lacoursiere:

Thank you, Brent.

Operator:

Once again, if you'd like to ask a question, please press star, one.

We'll take our next question from Sandy Feld, who's a Private Investor. Please go ahead.

Sandy Feld:

My question to Brent is the following; on several previous conference calls you talked about going on NASDAQ. Now NASDAQ, to my understanding you have to have a minimum of a \$3 bid. We're far from \$3 bid. How are we going to go on NASDAQ unless we really get substantial buyers, as the previous speaker discussed, and we have, at the same time, naked short-selling that's destroying the stock, which is, unfortunately, unforeseen, and like to know how you plan to handle that and go on to NASDAQ at \$3 where every time it goes up or goes anywheres, the shorts are knocking it down (inaudible)?

Brent Suen:

Okay. Much appreciated, Sandy. Actually, there are nine different criteria, and there are three categories of which those nine criteria come into play for NASDAQ Capital Market. We currently fulfill eight of those, with the exception of share price, and as you indicated, the \$3 level is one of them. It's actually one of three, so you can qualify at a \$2 level if your share price is trading there for 90 days. You can qualify at \$3 if you're trading there for 30 days, or if you attain \$4 per share you can up-list immediately.

It has been a challenge. I would not be able to comment on the naked short-selling part of it, but the recorded short sales seem to be quite minimal when we've interacted with the trading department at OTC markets. We would hope that with bringing on institutional investors and broadening our shareholder base, we would be able to get to one of those three tiers; either \$2, \$3, or \$4, and bringing in one to two institutional investors, I think you usually would see quite a dramatic change in terms of share price, but obviously no guarantees, but as we've indicated in the past, going on NASDAQ is one of the main goals of Management.

Sandy Feld:

Your answer I understand, but with the way the shorts are handling the stock, as soon as you get a buy, they're in knocking it down immediately, and it's all naked. Whatever the numbers you come up with or others evaluate, others seem to think that they're several hundreds of thousands short. Now, the question

is whatever the number is, is not significant other than you just need the backup to flood the market with buyers so that you can overwhelm them and knock them out, because they have to cover if the stock goes up, as you well know.

Brent Suen:

Much appreciated. Look, as we've indicated, both bringing on institutional investor sponsorship, as well as broadening the overall shareholder base, is something that we've been aiming to do, and again, with the addition of CMA, and then Andre and Sim, I think that that's going to be pretty readily done over the next year.

Sandy Feld:

We all hope so. It's very significant that we knock the short-seller out and force him to start buying back and forcing the stock price up, so if you get one of the particular purchases, of one of which you mentioned several, any one of them could put enough of a slug of purchasing in to drive them out of business, at least on Weyland stock. Let them go to someone else.

Brent Suen:

Sure.

Sandy Feld:

It's something that you have to address very, very rigidly, because with just a simple buy, it's not going to create any activity that's going to scare them. That's my comment, and I thank you for taking my call and wish you continued good luck.

Brent Suen:

Great. Thanks so much, Sandy.

Sandy Feld:

You're welcome.

Operator:

We'll take our next question from Mike Surrey, who's a Private Investor. Please go ahead.

Mike Surrey:

Hey guys. Thanks for taking my call. With regards to the short-selling thing, I mean I've seen no data to support that there is a significant naked short position. There's some speculative numbers out there, but I mean from what I can see by looking at the level II trading all day, it just looks like somebody is diluting shares into the market through Alpine Securities, so really, my question would be relating to the 15 million shares issued in the last quarter. What were those shares issued for, and at what price? Thanks.

Brent Suen:

I'll have to address it as sort of a blanket statement. Part of them were issued in connection with a funding raise. I believe most of you who have been shareholders for a while and have participated in our calls,

and certainly read through our filings and press releases, and of course those who understand the environment that we operate in, it is highly capital-intensive. We have been very short on adequate expansion capital, yet, at the same time I believe our team's done a very good job at growing the business in the capital-intensive environment without a lot of capital, so therefore we've had to raise funding through private offerings. We believe that once we up-list to NASDAQ, not only does the visibility increase significantly, it also opens up the opportunity for proper funding rounds to really enable a scaled expansion, so part of the shares were issued in connection with the funding raise. Also, being short on capital, you do have to engage advisors and salespeople and key management with shares versus cash, so I hope that helps.

Mike Surrey:

As long as we're not just giving out 15 million shares at triple 01 so people can just sell. They don't care what price they sell at.

Brent Suen:

Well, okay, a couple of things. Given the fact that the Company is on a junior market, we are unable to issue free-trading shares, so anything that is issued is usually under the Securities and Exchange Commission's Reg S or Reg D, which is either a six-month or one-year lock up. Typically it is with very friendly parties; people whom we know and we'll work with, and just bear in mind that any dilution also occurs with me and my team. There is a fine line between issuing shares to get things done and then keeping the Company's shareholders, all of us, from being highly diluted, but again, I believe that that changes as we move ahead.

For those of you who do a bit of valuation analysis or have looked at past comments that we've made about what our valuation is and where it should be, if you base it on either comparables of other Software-as-a-Service, mobile commerce, or mobile payment companies that are publicly traded, I think you'll see significantly higher valuations across the board. If you look at merger and acquisition activity you'll see similar valuations, and then if you look at private funding rounds, especially in the area where we operate in Southeast Asia, you'll also see considerably higher funding rounds and valuations. Bridging that gap from where we are now, again, is going to require institutional sponsorship. I believe we're on a good path to getting there, and most of that has to do with operating the business, growing the business, and having a plan to continue to do so, and then with the addition of larger capital, really ramp it up, so I hope that answered your question.

Mike Surrey:

Yes. Yes. That all makes sense. There's always a fine line, right? You guys need capital to grow, of course, and so of course there's going to be a little bit of dilution in the market. Obviously, as an investor, you just hope that whoever's pulling the trigger on these sale orders is being cautious of not just whacking out all the bids and throwing up massive blocks on the offer so that any new investor coming and looking at the stock doesn't look at the box and say, (inaudible), there's a giant roadblock here, and at \$0.30, \$0.40, \$0.50, right, and it's coming up—it's being routed through ALPS, which is Alpine Security, and known to just be the guys to just dump shares into the market every day, right, so it's kind of more of an optics thing. I understand the need to raise money, but whoever the trader is that's doing it just needs to be a little bit cautious in terms of that, in my opinion, but no, I hear what you're saying.

Brent Suen:

Yes. I understand, and again, going back to the institutional investor discussion, it makes a huge difference, because if you look around at similar companies that are listed on an exchange, you generally

see 50% to 60% or more of their shares held by a number of institutions, so once we start to get there, the whole trading that we're seeing now and we've seen in the past changes dramatically; not only the increase in daily volume, but just the narrowing of the float, because what we will be looking to attract will be funds that buy, hold, and add to their positions each time there's a corporate development or there is revenue growth, or both, so if you look at what our float is now, and then if you take a number of, say, 50% institutional ownership, it changes things dramatically, and I think it also gives a lot of confidence to individual investors when they start to see institutional names in there, and all of that is now available on Google Finance and Yahoo, so it's not hard to ferret out once you start to see institutional sponsorship coming in, and again, that's one of the main things that we're working on with the addition of CMA and with Andre and Sim.

Mike Surrey:

Right. Right, and also in terms of the fund raise, which we've been discussing, I mean either—I might have missed it, but I didn't see any filings relating to the fund raise; like no S-1 or Form B. Is this stemming from the S-1 which was filed at the beginning of the year or late last year?

Brent Suen:

No, it's not.

Mike Surrey:

Okay, so will there be filings coming out basically detailing what price per share and what those things are?

Brent Suen:

Yes. Yes. When the entire funding round is officially closed and shares are fully issued, then there will be a filing.

Mike Surrey:

Okay. All right, and this is open to just private investors, or this is the institutional thing you're talking about?

Brent Suen:

I actually can't describe it until we file it.

Mike Surrey:

Okay. No problem. I know a bunch of guys that would have been interested if it's a good price, so I can shoot you an email after the call.

Brent Suen:

Please do.

Mike Surrey:

Okay. All right. Thanks. Appreciate your time.

Brent Suen:

Thanks a lot, Mike.

Mike Surrey:

Yes.

Operator:

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

Brent Suen:

Great. Thanks Patrick. I'd like to thank everyone for joining the call today. Before we end the call, I'd like to say that if you have one takeaway from today's call I hope that it's the understanding that we have a tremendous market opportunity ahead of us. With the strong industry tailwinds at our back and the increase in activity that we're seeing in Southeast Asia, which is our focus, we have the support of a world-class operational team, and with an enabling technology for emerging markets around the world, we're extremely confident, so I believe that all of this translates to an excellent opportunity for all of our shareholders, and continued quarters of growth ahead for Weyland Tech.

With that, Patrick, please 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 were 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, the business strategy, plans, and objectives of the Company, and any other statements of non-historical information.

These forward-looking statements are often identified by the use of forward-looking terminology 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 August 28. 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.