车车科技
CHECHE GROUP INC.

PREPARED REMARKS

OPERATOR

Good morning, and welcome to Cheche's fourth quarter and full-year 2023 conference call. (Operator Instructions) Please note that this call is being recorded.

I will now turn the conference over to Miranda Davidson, Investor Relations for Cheche Group. Ms. Davidson, the floor is yours.

MIRANDA DAVIDSON, INVESTOR RELATIONS

Thank you, Operator.

Hello, everyone, and thank you for joining us to review Cheche's 2023 fourth-quarter and full-year results. This morning, Cheche posted both the earnings release and related investor presentation to its website, ir.chechegroup.com.

With me on the call today are Lei Zhang, Cheche's Founder and Chief Executive Officer; Sandra Ji, Cheche's Chief Financial Officer and Ting Lin, Cheche's Chief Strategy Officer. After prepared remarks are concluded, we will open the call for questions.

Before we begin, some statements in this teleconference are forward-looking within the meaning of federal securities laws. Although we believe these statements are reasonable, we can give no assurance that they will prove to be accurate because they are prospective in nature. Actual results could differ materially from those we discuss today. We encourage you to review the most recent Form F-4 and subsequent filings for risk factors that could materially impact our results.

As I mentioned, the earnings release is available on ir.chechegroup.com, and we encourage you to review the reconciliations of certain non-GAAP measures contained within. With that, I'll turn it over to Lei Zhang, Chief Executive Officer.

Lei, please go ahead.

LEI ZHANG, CHIEF EXECUTIVE OFFICER

Thank you, Miranda. Good morning, everyone. It's a great pleasure to host our first earnings call. We're glad you've joined us.

Who Is Cheche?

Cheche Group is China's largest auto insurance technology platform by digital auto insurance transaction premiums and is an active driver in the digital transformation. Through our cutting-edge embedded policies and unique SaaS offerings, Cheche is well-positioned to capture significant opportunities resulting from the accelerating digitalization of the auto insurance market in China.

As of December 31, 2023, Cheche has facilitated a wide range of auto insurance transactions, having provided quotes for over 44 million vehicles, placing over $6 billion USD in written premiums, and collaborating with over 100 insurance carriers between 2021 to 2023. We believe that the depth and breadth of our network provide a strong competitive barrier.

What Solutions Do We Offer?

For auto intermediaries, Cheche provides an integrated platform to generate additional revenue streams and deepen their customer relationships.

Participants access and utilize our flagship digital insurance transaction products through **Easy-Insur**, specialized for insurance agents and auto services professionals.

We also have SaaS solutions for insurance carriers, intermediaries and regulatory bodies that include:

- **Digital Surge** - an intelligent one-stop SaaS product that helps insurance intermediaries enhance operating efficiency and meet evolving regulatory requirements, and the

- **NEV Insurance Platform** - a SaaS platform for NEVs jointly developed by Cheche and the Shanghai Insurance Exchange, or SIE, that allows the SIE to analyze and manage risk for electric vehicles.

These products are designed to be delivered via mobile, web, WeChat, and third-party applications. Our platform's open architecture also enables its interoperability with many applications, systems, and other offerings adopted by the ecosystem participants.

EV Insurance Solutions 2.0 is an integrated platform connected to more than ten of the leading insurance companies and currently serving more than ten of the top NEV companies. The platform spans SaaS systems, innovative products, and digital operations, providing data-driven insights to our sales network of over 400 people located in more than 110 branches across 25 provinces nationwide.

Our scalable, self-reinforcing, cloud-based model reaches consumers cost-efficiently and accumulates valuable data insights that, in turn, contribute to the precision of our products.

China's Changing Auto Insurance Market

China's auto market is undergoing an unprecedented period of change driven by three major forces:

1. The rapid shift from internal combustion to new energy vehicles,
2. The market adoption of smart vehicle technologies, including advanced autonomous driving,
3. And the rise of China as a major auto exporter given the consolidation of the domestic market.

While Apple recently terminated its car development program, China's Xiaomi launched the first of its vehicles today as an extension of an immersive consumer experience.

In many ways, China is leapfrogging the US and Europe with the latest generation of NEVs, including a far wider selection of vehicles, a more rapid innovation cycle, a lower cost structure, and more intensive investment into core technologies. NEVs are projected to cross the threshold of 50% of new vehicle sales in China as early as this coming May, and the 2024 sales volume of NEVs is expected to exceed 12 million, with over 100 new models coming to market this year. At the same time, there is massive consolidation underway that will favor the most innovative, cost-competitive, and well-funded players.

This transition also has several implications for how auto insurance is designed and delivered.

Increasingly, insurance is issued and renewed through the smart vehicle's touchscreen or app, resulting in a stickier consumer experience, and generating additional revenues for the auto makers. Cheche is currently serving as the technology partner for NEV manufacturers, such as Xpeng, Avatr, and other high-profile brands.

Second, the density of sensors in the latest generation of NEVs means that insurers and auto makers can shift toward automating the claims management experience and significantly reducing the incidence of fraud. Cheche is providing the technology to make this happen to improve both the consumer claims experience and insurers' risk management.

Leveraging sensors and AI technology in NEVs, it is now possible to record data before accidents and automatically monitor what happens thereafter. This data can be swiftly transmitted to the insurance company, allowing them to quickly obtain accident-related information, speed up the claim settlement process, and reduce human errors and delays. By analyzing vehicle sensor data, insurance companies can also more accurately determine the extent of vehicle damage and repair costs, thus avoiding unnecessary disputes.

Third, as Level 3 and Level 4 automation become a reality, liability will increasingly rely on data streams to determine whether an accident was due to the auto makers, the operator, or some hybrid of the two. Cheche is collaborating closely with relevant regulatory authorities and industry stakeholders to address these questions.

As NEVs' intelligence and connectivity increase and autonomous driving technology becomes a reality, future NEV policies will be more accurately priced, and liability will be divided into "autonomous driving liability insurance" and "traditional vehicle insurance." Auto manufacturers will begin to undertake a portion of the liability, allotting a pared-down auto policy for the consumer and reducing their total cost of NEV ownership.

Electric vehicles possess vast, real-time, and precise data on vehicle usage and driver behavior, which will revolutionize the actuarial model of traditional auto insurance that currently relies on historical data. Coupled with the application of AI in the insurance industry, particularly in actuarial science, insurance pricing will shift from a more simplistic pricing model to a diversified and precise one. This will result in more diverse product forms, such as mileage-based insurance, and even the potential for customized pricing for each vehicle.

Goals for 2024

Cheche's goals for this year are aligned with the growth strategy we have been following and the critical dynamics that are impacting the automotive industry in China as it transitions rapidly to a green, intelligent, and global-facing future.

- We will maintain our position as the most comprehensive ecosystem for auto and related insurance products in China, as illustrated recently by the continued expansion of our relationship with Sinopec.
- We will align ourselves with the leading NEV brands in China as a key technology partner that helps insurance and claims management directly into the vehicle experience.
- We will continue to leverage the rich data streams from intelligent vehicles and AI to enhance the efficiency, risk management, and bottom lines of insurers.
- We will work with industry stakeholders and regulators to increase compliance and transparency in the industry, while establishing required standards for the rapidly approaching world of autonomous driving.
- We will also thoughtfully pursue opportunities to expand overseas as our manufacturing partners gain traction in markets including Southeast Asia, the Middle East, and Europe.

In summary, we expect that 2024 will be an exciting year for our industry and for Cheche and thank you for your interest in our story.

I will now turn the call over to our Chief Financial Officer, Sandra Ji.

SANDRA JI, CHIEF FINANCIAL OFFICER

Thank you, Lei.

I'd like to begin by touching on our fourth quarter and full-year operational and financial highlights and providing our expectations for 2024 before taking questions.

Cheche Operational Update

Cheche continues to scale the business with a technology-driven, capital-efficient approach.

As a result, total written premiums placed for the quarter increased 24.7% to RMB6.4 billion, or US$894 million, while total written premiums placed for the full year increased 36.2% year over year to RMB22.6 billion, or US$3.2 billion.

The total number of policies placed grew 26.3% in the fourth quarter to 4.8 million, while for the full year the number increased 28.5% year over year to 15.8 million.

For the quarter, 155,000 policies and RMB511 million of the corresponding premiums were embedded in new NEV deliveries, growing 391.7% and 322.7%, respectively, year over year. Policies embedded in the new NEV deliveries and corresponding premium for the full year reached 416,000 and RMB1.45 billion, or US$204.2 million, representing growth of 536.7% and 525.3%, respectively, compared to the prior year.

Cheche's track record of strong policy growth has been largely organic and highly efficient from a marketing standpoint, with a substantial amount of business generated through word-of-mouth referrals and local industry relationships.

This is illustrated by the addition of over 50,700 new referral partners in the quarter, contributing to over 1.1 million total referral partners at year's end.

In a similar vein, insurance intermediaries totaled over 4,500 and insurance company contracts were over 1,900 at year end. These are driven in part by our growing partnerships with NEV manufacturers and retail networks, such as the recently announced expanded partnership with Sinopec's 5,000 gas stations nationwide.

Cheche Financial Update

In terms of top-line results, we generated RMB 867.8 million, or $122.2 million, in the fourth quarter, up 12.1% year over year. The increase was mainly attributable to growth in insurance transactions conducted through our platform by referral partners and third-party platform partners. For the year, net revenues saw even stronger growth, increasing 23.2% to RMB3.3 billion, or $465 million.

Cost of revenues in the fourth quarter was RMB824.2 million, or $116.1 million, up 13.4% in the quarter and 24.6% for the year to RMB 3.16 billion or $445.2 million。

Operating expense growth, increasing 50.1% in the fourth quarter and 19.3% for the year, has primarily been driven by the increase of share-based compensation expenses and listing related professional service fees. Excluding these non-gaap expenses, adjusted total operating expenses increased 8.1% in the quarter, mainly due to the increase of post-listing professional service fees. For the year, adjusted total operating expenses decreased by 16.6% from the prior year, while as a percentage of net revenues, adjusted operating expenses decreased from 8.5% for the prior year to 5.7%, resulting from the growth of our net revenues and the improvement of our operational efficiencies.

Our net loss in the quarter was RMB32 million, or $4.5 million, greater than the comparable loss in the fourth quarter of 2022. The adjusted net loss for the quarter was RMB4.9 million, or $0.7 million, compared to a gain of RMB4.2 million in the prior year's quarter. The change was mainly driven by 1) an increase of RMB5.6 million in post-listing professional service fees and 2) a decrease of RMB3.7 million in gross profit due to the decrease of SaaS revenues.

For the year, net loss grew to RMB159.6 million, or $22.5 million, from RMB91.0 million in the prior year, while excluding non-GAAP expenses, the adjusted net loss improved 35.7% from RMB51.6 million to RMB33.2 million, or $4.7 million.

Turning to our balance sheet, our cash position remains strong, with RMB264.9 million in cash, cash equivalents, and short-term investments providing us with healthy financial flexibility.

As we look ahead, Cheche expects its net revenue for the year of 2024, to range from RMB3.5 billion to RMB3.7 billion, representing an increase of 6.1% to 12.1%

compared to the full year of 2023. Total written premiums placed are expected to range from RMB24.5 billion to RMB26.5 billion, representing an increase of 8.4% to 17.3% compared to the full year of 2023.

With that, we will be happy to address your questions.

QUESTION AND ANSWER

OPERATOR

Our first question will come from -

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I will now turn it back to Lei for closing remarks.

CLOSING REMARKS

LEI ZHANG, CHIEF EXECUTIVE OFFICER

Thank you, everyone, for joining the call. If you have any follow-up questions, please contact IR.

Have a great day. Thank you.