DSC Holdings Limited

Second Quarter 2026 Earnings Conference Call (English)

Participants

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Qin Zou — Chief Financial Officer, DSC Holdings Limited

Ella Ji — Analyst, CR Global

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Introduction

Gary Dvorchak, CFA — Managing Director, The Blueshirt Group

Good day, ladies and gentlemen. Thank you for standing by and welcome to the DSC Holdings second quarter 2026 English earnings webcast. I'm Gary Dvorchak, managing director of the Blueshirt Group, DSC's investor relations firm. I will be the host for today's presentation.
I'll go over a few logistical items, then turn the presentation over to DSC. Currently, all participants are in a listen-only mode. After the speaker presentation, there will be a question and answer session.

At that time, we will explain how the Q&A will work. Please edit your name in the webinar to show your name and firm name. We'll need this to call on you for any questions.

As a reminder, today's program will be recorded. The recording and associated transcript will be available on the IR section of DSC's website shortly after we conclude. The earnings release is available on the company's IR website now.

Please note that today's discussion will contain forward-looking statements made pursuant to the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements involve inherent risks and uncertainties. As such, the company's actual results may be materially different from the expectations expressed today. Further information regarding these and other risks and uncertainties is included in today's press release and the company's public filings with the Securities and Exchange Commission. The company does not assume any obligation to update any forward-looking statements except as required under applicable law. Also, please note that all numbers presented are in RMB unless stated otherwise.

Additionally, during the call, we may refer to non-GAAP financial measures. You can find a reconciliation of the most directly comparable GAAP measures in the materials posted on our investor relations website.

On the webcast today with me, we have Ms. Qin Zou, Director and Chief Financial Officer, and Nancy Wang, Director of Investment and Financing. Let me now turn the presentation over to our CFO, Ms. Zhou. Please go ahead.

Operating Highlights

Qin Zou — Chief Financial Officer, DSC Holdings Limited

Thank you, Gary, and good morning, everyone, or good afternoon, wherever you are. Thank you for joining DSC's first earnings webcast as a public company. A couple of hours ago, we held the Chinese-language webcast for our Chinese-speaking audience, where our founder, Mr. Jun Hongyao, covered operating highlights and I covered the financials. I will now deliver both in English, and the prepared contents of the two webcasts will be identical. The Q&A will naturally differ, but the full bilingual transcripts of both sessions will be posted on our IR website.

So, let me start with the operating highlights from Mr. Yao. In June, DSC completed its IPO on Nasdaq, an important milestone for the company and our formal debut onto the international capital markets. We are keenly aware that we must repay shareholders' trust with sound disclosure, solid execution, and long-term operating results. In the second quarter, China's auto market remained under pressure, yet our key operating metrics stayed resilient with substantially narrowed losses.

Our revenue grew at 3.7% year-over-year, and our adjusted net loss narrowed by 61.5%. So, two business developments in this quarter deserve particular attention. One, our AI products are now delivering real results in real economy, and two, China's used car exports are surging, where we have begun to prudently explore international opportunities. But before we address our business performance, let's take a look at the industry first.

Intense price competition in the new car market in China triggered rapid depreciation of used car inventory value. Dafengche, which is the operating system we provide to the entire used car industry here in China, Dafengche's data showed prices of mainstream models held by mid-sized and large-sized dealers fell by 10% -15% within just two months. Industry experts estimate that more than 70% of China's used car dealers operated at a loss in the first half of this year.

This upheaval is breaking the old way of running a used car business that was based on experience and gut feel. Leading dealers are now relying on real-time market data for purchasing, pricing, and inventory risk management. Data-driven is no longer just a fancy concept.

To the dealers in China today, it is a matter of profit, and in some cases, survival. And that pressure is rapidly deepening the dealers' reliance on our operating system and our AI services. Even against this backdrop, the used car transaction volume in the entire country still rose about 1.5% in the first half, and now it's at a record 9.72 million units, according to the China Automobile Dealers Association, a semi-government association body. And in June, June is a very important month. In June, used car transactions finally surpassed new car retail sales for the first time in history. It is a historic milestone.

We expect turbulence in the industry to persist before a new equilibrium forms. When it comes to used car dealers, a classic Chinese saying sums it well, wildfire cannot burn them out. When a spring breeze blows, they rise again.

Wave after wave of resourceful dealers will adapt and grow, and we will stand alongside them through this transformation. Next, I want to reiterate DSC's identity. We are the enabler of the used car industry.

We are not a dealer. We do not have any consumer traffic, and nor do we do any consumer sales. We provide dealers with our intelligent operating system, Dafengche, and on top of it, the transaction services and AI services the dealers need.

According to China Insights Consultancy, Dafengche's market share has remained above 90% for several years. This gives us two invaluable assets, industry data that is massive, granular, and real-time, and exclusively ours, plus this long-term, very durable and deep connection with the dealers nationwide. On that foundation, we offer the transaction services that are essential to their operations.

We offer B2B matching, which includes China's number two online used car auction platform. We offer used car inspection with over 4,000 inspectors across 250 cities, the widest coverage in China. We offer vehicle delivery with over 100 self-operated warehouses in every province in China, with collaborations with 40,000 car carriers and a reach into more than 2,600 counties and cities.

This makes us China's largest single car delivery provider. And we also offer other dealer channel services, connecting dealers with traffic platforms or financial institutions, or whoever wants to reach Chinese used car dealer community effectively and efficiently. So our mission is to advance the digitalization of auto commerce.

We firmly believe that a company's value ultimately lies in the value it creates for society, and DSC will be adequately rewarded out of the incremental value we create for this industry. So now, the two developments that are worth noting. The first one is, of course, AI.

We spend more than a decade digitalizing this industry. AI now gives us the opportunity to lead it into the intelligence age. As stated in our IPO prospectus, DSC is the AI application infrastructure for China's used car industry.

Vertical AI depends on three elements, large language models, high-quality industry data, and digitalized application scenarios. And we exclusively own two of the three, the data and the application scenarios. This is why our AI products suit dealers need very well, and they can be adopted rapidly through the dealer's existing workflows.

Our AI products fall into three categories, tools, digital employees, and a platform agent that basically has the collective brain of the industry and our nationwide execution capability. Let's go down the list to have an introduction. Among the tools that have already been launched, we have the market intelligence assistant, which delivers hourly updated retail and wholesale intelligence on every car a dealer is considering acquiring, whether to buy the car and at what price.

Our prospectus included the story of Mr. Yang Hang, a dealer from Kunming, Yunnan province. His story was that he was facing a seller who demanded over 50,000 RMB for a Volkswagen Polo. And all of his four staff buyers said, no, it's not going to sell. We're going to lose money on this car if we pay this price. But Mr. Yang decided to trust our market intelligence assistant, and he went ahead and did the purchase. And the car sold within 48 hours with a 7% gross margin.
And it was the fastest-selling gas car of the month. He even told us that he could have sold for more, but he wanted to make an example out of this to train his employees to no longer make their decisions based on their experience or their gut feeling. And they should adapt a new mode of thinking and rely on data and rely on our market intelligence assistant.

So that's one of the many stories we have. And alongside our market intelligence assistant, we also provide several others like the imaging assistant, which can turn a casual photo of a car taken on a

parking lot into a polished version like the car, the photo was taken in a very professional studio, but without losing the details of the car. And we also have a sales script assistant that can summarize any vehicle selling points and pinpoint the consumer's needs from a conversation record.
We also have video assistants that can generate marketing short videos of different styles just using raw photos and video clips from the dealer's employees. As different social media platforms kind of have different personas. Then to market on different platforms, you need the video to fit that persona.

So we can do that just with one click. So since launching these AI-enabled assistants in March, we have seen very rapid adoption and now more than 4,100 dealerships are using them by the end of June. And the average daily token consumption, of course, went from zero to over 150 million by the end of June.

And the second AI application we have is what we call digital employees. So it's a step up from the tools, right? So we have several digital employees already deployed, working, and we have a few more coming out.

First, we have the social media operations specialist. It engages consumers in live streams and short video comments, and it pushes the leads into the Dafengche CRM. And by now, we have over 3,215 paying deployments by the end of June.

And we also have the management assistant. Once authorized to access a dealership's data, it can function as a real management assistant. It can pull data and gives the owner of the dealership real-time analysis and management advice.

So far, we have 295 of those paying deployments. The industry employs roughly 800,000 to one million people, based on our assessment. We are assessing, role by role, where AI can help. So the biggest opportunities we see is in sales and procurement, basically buying and selling, right? So these positions are the most important to the dealer and also most costly.

On average, we estimate that they cost about 35% to 50% of the dealer's gross profit just for their compensation. So we are training digital sales employees, and we're training digital procurement employees. They are progressing, and we should be able to deploy them for our dealers in the near future. And we will update everybody, of course, when that actually happens.

And the third one is, in my opinion, is most important and most exciting one, is what we call a platform agent, or you call it a platform-level AI agent. But it's more than that.

It basically, you can understand it as an intelligent being with the collective brain of the industry, because we can analyze everything. And also, it has legs and arms because it has our nationwide execution capability. So that one is very exciting to us, and we are working intensely on developing it.

Then we hope to share with you the progress soon. So the second of the two business developments I would like to share is the international opportunities, right? So China has the world's largest car park, and it's rapidly aging.

Then naturally, while we were exporting new cars, we're also exporting used cars. Then according to China Automobile Dealers Association, the export went up 61% year over year for the first half. But much of last year's volume, based on our estimate, were those zero mileage pseudo-used cars. But the government quickly caught up on that, and a new regulation came out in January requiring automakers to consent to export vehicles registered under 180 days, effectively closing the loophole. So this implies genuine used car exports grew several-fold when you look at 2026. So I believe there are two fundamental drivers underneath this trend.

One is rapid price declines making Chinese used cars globally competitive. And two is the new rule that's pushing the exporters from the pseudo-used cars to real used cars. And as an industry enabler, our path is to fit our systems, our services to export-oriented dealers.

And through them, we can reach overseas used car dealing ecosystems. Today, there seems to exist an exceptional window for us to go abroad. To these exporters, we have two distinctive advantages.

One is that we have China's largest real-time verified inventory pool, over 1.7 million vehicles live on our system versus a fraction of that number on some other platforms. And together with a one-stop inspection service, logistics, and warehousing, we can service the exporters' needs pretty much seamlessly. Then we also believe that given in a lot of these markets worldwide, used car dealing, we're still in a very under-digitalized state.

The replication of our operating system, Dafengche, in other markets is also highly possible if this export trend continues. So we are prudently exploring these opportunities, but how fast we proceed will be determined by a number of factors that we will consider. Anyhow, to close, DSC, in Chinese we say DaSouChe, which is behind me, is in its 14th year.

We're not a very young company. We have survived several Black Swan events. We have had large-scale spin-offs and reorganizations and restructurings, and we have started building most of today's business in the times of great adversity. Resilience is in our DNA. We have just set out on this new journey, and we're very pleased to have your interest. So that concludes Mr. Yao's prepared remarks.

Financial Highlights

And now onto the financial highlights I shared on the Chinese webcast.

Despite a pressured auto market, our key operating metrics remained resilient. Revenue increased 3.7% year-over-year and 14% sequentially compared to Q1, which is largely in line with the industry conditions and our seasonality. For our industry, especially in China, the first quarter is typically the slowest, winter and Chinese New Year. And the activities pick up in the second quarter, and then the third and the fourth quarter are the peaks. So our adjusted net loss narrowed by 61.5% year-over-year from 19.2 million to 7.2 million RMB, reflecting our focus on the quality of revenue growth and on profitability.

Before the income statement, I would like to say a few words on the operating metrics we just started disclosing this quarter. We previously disclosed similar operating metrics, but that one covered both new car brokers and used car dealers. And beginning this quarter, we will focus exclusively on used car dealers.

This change also incorporates investor feedback from our IPO roadshows, and it is designed to help investors easily track the underlying drivers of our most important business segment over time. So the framework has two components. And the first layer is user engagement on Dafengche.
We have the average monthly active dealership accounts or dealership MAU. You just think of it as, this is about the dealership, the stores, the businesses. Then we have the average monthly active user accounts. We call it user MAU. And those are the individual accounts under the dealerships. But they're not consumers. They're basically the employee accounts. a large dealership could employ five people or 50 people or 500 people. Then those are the employee accounts.

So these metrics are intended for gauging the health of our digital infrastructure. since the operating system is so important to us and to our overall story, we want you to have the data to be able to easily track whether the foundation is healthy.

And also indirectly, you can also have a peek into China's used car industry by looking at those data. Then the second part of our operating metrics is all monetization metrics.

It has two levels. The first level is the dealerships because dealerships or dealers, they are our monetization units. So you basically count heads.

How many dealerships have you monetized? So it's a it's an important metrics to assess the breadth of our monetization in terms of in the sense of the coverage of our monetization. But then our revenue is actually generated from transaction services.

So each service, each time we provide a service, we generate a fee and then dealerships are not all created equal.

So one dealership could generate five inspection transactions for us, inspection orders for us a month, and another dealership could generate 50 inspection orders and plus 10 other orders for us. So dealerships are not created all equal in our monetization.

In order to really get to the bottom of it, we need to go down to the transaction level. So we wanted to give you the number of monetized transaction services for any given period.

So that's the logic behind designing those operating metrics. Alongside these two metrics, we of course will disclose the average, the average number, the average revenue per used car dealership and the average revenue per transaction are both monetized.

So these are more like on the unit economics level. Those are smaller numbers and much easier to digest and track and analyze.

So together, we have the operating system engagement metrics and we have the monetization metrics. We want to give you those two metrics combined so that you can easily assess how stable our foundation or our boat is and how fast our revenue growth is.

So together, that's the complete picture. Now, I'm going to finally talk about our second quarter numbers. Dealership MAU was over 65,000 and user MAU was close to 200,000.
The exact numbers are on the website. Everybody can read them. The dealer MAUs actually went down a little bit year over year[1], but the user MAU went up a little bit compared to Q1.
And we think that it's actually just a reflection of the industry reality. Because the operating pressure was so great.

Certain lesser dealerships kind of just went out of business, but the people in the industry didn't disappear. They just moved on to move to another dealership. So we see more user accounts, but slightly less dealer accounts.

Then we generated revenue from over 9,000 used car dealerships. The average revenue per dealership is over 6,600. And we recorded 214,000 monetized transaction services and average revenue per service is RMB 259.

Again, exact numbers are on the website. So our revenue generating services are still mainly transaction services like B2B matching, used car inspection, vehicle delivery, and other B2B collaboration. And our operating system and other digital solutions, they have never been, and they will never be a main driver for our revenue.

Actually, as our transaction services revenue grow, we expect the contribution share of any kind of digitalization solutions to continue to decline. And now let me turn to the income statement.
Our total revenue increased modestly at 3.7%. The used car business was generally stable. The incremental growth primarily came from our software services to OEMs. And it was partially offset by our decision to discontinue certain OEM marketing services. So here I would like you to have two takeaways.

One is that our existing business remained stable and resilient against industry backdrop. Then also we're actively improving the quality of our revenue mix. I would also want to note that the quarter's incremental revenue carried a lower gross margin than our company overall level.

So, the cost of revenue for Q2 grew faster than revenue. But our disciplined expense management nevertheless delivered a sharp narrowing of adjusted net loss. Speaking of loss, our GAAP loss was 240.5 million RMB, but that included approximately 227.8 million of share based compensation that

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[1] During the live webcast, management inadvertently referred to a quarter-over-quarter decrease in dealer MAUs. This transcript has been corrected to reflect a year-over-year decrease. Dealer MAUs increased by 2.5% quarter over quarter in the second quarter of 2026.

was recognized upon the IPO and some other IPO related expenses. The GAAP number last year was 25 million when we didn't have any of those expenses related to the IPO. Then our adjusted net loss was 7.4 million RMB for Q2 2026 compared to 19.2 million in Q2 2025. And that's down 61.5%. And it was primarily driven by just across the board reduction in our operating expenses. So our general and administrative (G&A) expense went down 14%. Sales and marketing went down 14%. And notably, our R&D expenses went down 29%, respectively, excluding share based compensations.

Then our two forces made this pretty significant OPEX reduction possible. One is our disciplined resource allocation. We continuously seek to optimize our business mix.

Two things made it possible. One is that we tried to improve our business mix.
And we have become very disciplined with how we allocate resources. We shrank some of the businesses and also, we are striving for a more streamlined organization. And two, very importantly, for this OPEX reduction, we had a company-wide AI adoption campaign.

And this is for real. Starting earlier this year, we have this, we launched this company-wide campaign called “AI Era: Race Against Time, Fast and Furious”, the Chinese name of this campaign actually took after that famous movie. And this campaign requires every single one of our employees, except for those in the front lines offline, like, those who work in warehouses or docks or in the markets, like they're in the field, right?

Excluding these employees, everybody, everyone else in the company, whether you work for a business unit, or you work in a finance department, or human resources, or PR, everybody had to participate in this campaign. And what does it do? They have to present their AI application achievements.

And it's a competition and there are rankings. Then we reward those ranking high, and then we give a punishment to those ranking at the bottom. And the rewards include extra stock options and the punishment sometimes can be as severe as termination of employment, right?

So after several months, this AI application or AI adoption is no longer just what the senior management dreams of or wants everybody else to do. It has already become how our employees operate and how they work. And naturally, we reaped some of the benefits and we have better processes.

And we actually saw like very good AI application tools being created by our own employees. Then that gave the management enough room to further reduce our OPEX, right? So finally, let me turn to the balance sheet.

The IPO proceeds obviously enhanced our financial flexibility and strengthened the foundation of our business. But this flexibility will not change our discipline. Whether it's AI or overseas markets or other growth areas, we will invest cautiously and in stages guided by tangible customer value and monetization results.

And looking forward, management is focused on three things I can share today. First is still grow our transaction service revenue. We are always looking at potentially expanding our service types and deepening our per dealer monetization and raise the average revenue per dealer.

And second, we would like to very quickly test out different ways to monetize all the AI applications we have created so far and the ones we will create in the future. Then third, keep improving efficiency and maintaining our cost discipline so that we can achieve overall profitability as soon as possible. Well, that concludes my prepared remarks and also Mr. Yao's remarks. And Gary, back to you and we're ready for questions.

Question-and-Answer Session

Gary Dvorchak, CFA — Managing Director, The Blueshirt Group

Thanks, Qin. We're now going to begin the Q&A session.

To ask a question, use the raise hand function and we'll call on you and open up your audio. If you dialed in by phone, press star nine to raise your hand and star six to unmute.

When you start, please state your name and your firm before your question so we know who you are. Alternatively, if any of you prefer, there is a question box, a Q&A box, and you can type your question into the question box that's part of the webinar. And we can then pose that question to Qin.

We'll pause for a couple seconds to let the queue form, and then we'll start the Q&A. Our first question is going to come from Ella Ji with CR Global. Ella, you can go ahead.

Ella Ji — Analyst, CR Global

Thank you for taking my questions. I have two.

First, it is quite interesting regarding your latest development in your AI-related business. I wonder, can you further elaborate on the business model of these AI products? For example, is it transaction-based and you do a take rate? Or is it going to be subscription-based? Who is bearing the cost of the AI token training and usage? What are some business targets relating to your AI products that you would like to achieve, for example, by end of this year?

Qin Zou — Chief Financial Officer, DSC Holdings Limited

Thank you, Ella. Let me address them one by one.

The first one is AI monetization. As I introduced, we have three types of AI products.

The tools, the digital employees, and the platform AI. For the tools, as of now, we provide them mostly for free to our used car dealers.

The operating system itself, DaFengChe, also comes free for most of its functions. We do have membership fees, subscription fees for a higher level of functionality. Certain of these AI-enabled functions are embedded into the higher categories.

Largely, the tools are free. Let me clarify: for the Market Intelligence Assistant and certain other agents, we do charge a small fee.
It is still very small and will not form a meaningful revenue source for us yet. But we are testing out the dealer's willingness to pay for intelligence.

So far, as long as the cost is at a reasonable level, we do see a lot of paying users. For the digital employees, the second of our AI products, most are chargeable. The dealers pay for the employee and we deploy them.

The numbers I just shared are all paying deployments. For the last one, the platform-level or industry-scale AI, I will have more to share, but it's not going to be something that we charge anyone a fee for. We believe it's going to be more exciting than just charging a fee.

That covers the monetization of the AI products. You also asked who bears the cost of the training and the tokens.

That is interesting, because we have the data. We use all of the frontier models that are available in China's market. Because most of the training happens on our data, to my knowledge as chief financial officer, we are not incurring any significant cost in external token use.

It is one of the advantages of owning your own industry data. Your last question was about targets and timing.

For the tools, we are continuously rolling them out depending on what the dealers need. We have rolled out four or five so far, in the last four or five months.
For the digital employees, we have already deployed two or three. As I just introduced, we are looking at the most costly and the most important critical functions of dealers' work, and we are training those employees. I do not have a specific target date yet.

Once that happens, we will share with the market, perhaps on the next call. For the third one, the industry-scale, collective-brain AI platform, we are also working very hard on that.

I do not have much to share this time, but hopefully soon.

Ella Ji — Analyst, CR Global

Thank you. My second question is one we get quite a lot from investors.
How does DSC compare to, for example, US online auto services companies such as Carvana? And who do you think your true comps are?

Qin Zou — Chief Financial Officer, DSC Holdings Limited

Thank you for that question. It goes back to Mr. Yao's prepared remarks, where he talked about our identity. When people hear that we are in the used car industry, they ask whether we are similar to Carvana, CarMax or AutoTrader or some Chinese company like Uxin or Autohome, because those are the names they know from the used car industry.
Again, we are an enabler for used car dealers. We are not a used car dealer ourselves, and we never do anything that's in competition with the used car dealers or have a conflict of interest with them. We have never gone down those avenues.

Carvana is a used car dealer — a very successful one, even though it had some difficult moments post-COVID, when chip prices caused used car prices to skyrocket and then drop, and we all saw how Carvana's stock price fell.

Carvana, CarMax, and many others like Uxin are used car merchants. They buy and sell used cars. They are direct-to-consumer.

We are not. In terms of a comp, when you look around the world, it is hard to find one for DSC, which created much difficulty for me during the IPO process. When you think about it, it is remarkable that in the largest car parc in the world, where about 90% of the used cars are sold by this large number of small-scale dispersed used car dealers, an army of anywhere between 200,000 and 300,000 dealers nationwide, all of them are using the same operating system.

You cannot find a direct comp anywhere. To our knowledge, for the operating system alone, about 200 to 300 SaaS companies in the US provide different systems to different regions and different dealers, so the market there is very siloed and segregated.

We had this remarkable opportunity in China to leapfrog, to be persistent, and eventually to have the whole market on our system. If you ask me who our comp is, it is a very difficult question. In the car commerce industry, we do not see anyone else in the world.

This is a one-of-a-kind situation. In terms of business model, however, we believe — on the advice of our investment bankers — that our model is quite comparable to several established companies such as Shopify, or smaller ones like Toast or ServiceTitan. We are in completely different industries, but the structures share a similarity: we all started out as the operating system provider. Shopify provides an operating system for small merchants worldwide, across industries.

On top of that, it started providing layers of different transaction services. If you look at their financial history, in the very beginning the operating system generated most of their revenue. That is different from us, because it is very difficult to generate revenue from SaaS in this particular economy.

Over time, though, their merchant solutions contributed more revenue. So looking at the structure of the business model, we do share similarities with these companies.

Ella Ji — Analyst, CR Global

Got it. Thank you very much.

Gary Dvorchak, CFA — Managing Director, The Blueshirt Group

Thanks, Ella. Our next question is going to come from James Kisner of Water Tower Research.

James Kisner — Analyst, Water Tower Research

Hi, thanks for taking my questions. I really like the lean into AI.

Congrats on that — it sounds like you are making a lot of progress there. Stepping back to the next few years, what do you think the biggest drivers of revenue growth are? Could you rank them, if possible — what is most promising, and what do you think has the highest impact?

Qin Zou — Chief Financial Officer, DSC Holdings Limited

It definitely will come from transaction services, because that is where nearly all of our revenue should come from. It is an attractive business because it is volume driven.

In a sense, it is like a stock market or exchange business model. This past six months, the industry faced great pressure and some dealers went out of business, but total volume kept going up.
Like the stock market, some people make money and some lose money; certain stocks go up and certain stocks go down — just like cars. Some keep their value very well.

Some lose their value very quickly. Where do we monetize? We monetize from the transactions.

Can these transactions be skipped? That is the ultimate question, and the answer is generally no. If any of you, if you're interested, please go look at our prospectus. We have a very nice arrow. I personally drew that page that shows the 10 steps of a used car's transaction process, just from the beginning, like locating the car to, pricing it to buying it to inspecting it, pricing it, buying it, moving it, and then cleaning it and then photograph it and then price it again for sale and then go market it and eventually sell it.

It is a long process, and regardless of which market you are in, or whether the car is powered by gas, electricity or solar, the process does not change.

Back to your question: our revenue will most likely come from the transaction services along the way. They are essentially indispensable, especially B2B matching in a market like China, where anywhere between 80 and 90 percent of a used car dealer's cars come from another used car dealer.

They do not come directly from consumers, so there is a very vibrant dealer-to-dealer market. At the very tail end, when a consumer buys a car, the used car dealer functions as the single most important router for financial institutions, because only the dealer and the consumer know there is a need for a loan.
The dealer routes this demand to whoever pays the right channel or service fee.

Along the way, there are naturally places where, as an industry-vertical digital company with the data, the connections and the AI capabilities, we can go in, upgrade the whole process, and benefit from it. That is one. Two — and this may be a little premature to share —
we believe the third AI application, the industry-wide platform agent, could present a significant revenue source for us. I say that with a caveat because it is still premature. We will share more when we have more.

James Kisner — Analyst, Water Tower Research

That's fair. It seems you have had some favorable op-ex savings.

Can you give us more detail on what is driving that? I assume it is not agentic — is it broad cost focus with headcount reduction? And could you talk about incremental margin on revenue going forward?

Qin Zou — Chief Financial Officer, DSC Holdings Limited

I did not catch the first part of your question. Were you asking about capex, or op-ex?

James Kisner — Analyst, Water Tower Research

Yes. I believe you said you have had good cost control. Could you provide more detail on how you're achieving that and what kind of incremental margin you might see on revenue kind of going forward, perhaps what kind of leverage there might be in the model as revenue grows.

Qin Zou — Chief Financial Officer, DSC Holdings Limited

Two parts. First, the op-ex reduction: nearly all of our expenses are people — salaries, wages and commissions.

We do have cloud expenses and de minimis rental and other expenses, but the absolute bulk of our expenses is people.

That raises the question of how efficiently we are running the business — how lean the organization is. That is where we focus AI application, because people collaborate with each other.

There could be ten people completing something along a long process; with the right AI application, you can reduce that to two, with faster and better results. To put it straightforwardly, that is where the reduction came from, whether in G&A, sales and marketing, or R&D.

On the second part of your question, about revenue growth, margin and expectations: I apologize, but we are not prepared to give a business outlook on this call. We are a new public company; after we get more familiar and comfortable, we will start adopting the business outlook practice going forward.

James Kisner — Analyst, Water Tower Research

I appreciate that. One last question on agentic adoption in general: what do you think is the biggest barrier to acceleration? Is it model maturity, or is it cultural?

Among the dealers, what has to happen for it to take off?

Qin Zou — Chief Financial Officer, DSC Holdings Limited

For what to take off?

James Kisner — Analyst, Water Tower Research

Artificial intelligence and agentic adoption amongst your customers.

Qin Zou — Chief Financial Officer, DSC Holdings Limited

Good question. We have the data, and we have access to all of those excellent models. How fast can we go?

I would put it down to user acceptance. Even with some of our already-deployed agents, we have to release in stages.

Everything is happening very fast. Even for some products, we first give dealers intermediate versions so they understand what is going on and what is behind them.

That is the incremental version; then we can move to the next stage.
To answer your question, I think it is still the pace of acceptance.

James Kisner — Analyst, Water Tower Research

Great. Thank you for taking my questions.

Qin Zou — Chief Financial Officer, DSC Holdings Limited

Thank you, James.

Closing Remarks

Gary Dvorchak, CFA — Managing Director, The Blueshirt Group

OK, if there are any other questions, please use the raise hand function and we'll call on you. We'll give a couple of seconds to see if we have any others. Also, there is the Q&A box to type in a question if you have anything you want to put there.

OK, it looks like we're done. I don't see any questions. So let me just conclude.

I want to thank everyone for participating. Today's webcast replays of both the Chinese and English sessions with transcripts are going to be posted on the IR section of our website pretty soon. If you have any other further questions, please contact the IR team by email. We also invite you to join any investor events, which will always be listed on the IR section of our website.

This concludes today’s webcast. Everyone may now disconnect.

Qin Zou — Chief Financial Officer, DSC Holdings Limited

Thank you. Thanks, everyone. Bye-bye.