UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of

The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) November 7, 2019

AutoWeb, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**1-34761**	**33-0711569**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

400 North Ashley Drive, Suite 300
Tampa, Florida 33602-4314
(Address of principal executive offices) (Zip Code)

(949) 225-4500
Registrant's telephone number, including area code

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value $0.001 per share	AUTO	The Nasdaq Capital Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02 Results of Operations and Financial Condition.

On November 7, 2019, AutoWeb, Inc., a Delaware corporation ("**AutoWeb**" or "**Company**"), announced in a press release its financial results for the quarter ended September 30, 2019. A copy of AutoWeb's press release announcing these financial results is attached as Exhibit 99.1 to this Current Report on Form 8-K.

In connection with the press release, the Company also held a conference call that was webcast on November 7, 2019. A transcript of that call is attached as Exhibit 99.2 to this Current Report on Form 8-K.

The attached press release and transcript contain information that includes "Adjusted EBITDA," a non-GAAP financial measure as defined in Regulation G adopted by the Securities and Exchange Commission. The Company defines Adjusted EBITDA as net loss before interest, taxes, depreciation, amortization, non-cash stock-based compensation, non-cash gains or losses, and other extraordinary items. The Company's management believes that presenting Adjusted EBITDA provides useful information to investors regarding the underlying business trends and performance of the Company's ongoing operations, as well as providing for more consistent period-over-period comparisons. This non-GAAP measure also assists management in its operational and financial decision-making and monitoring the Company's performance. In addition, the Company uses Adjusted EBITDA as a measure for determining incentive compensation targets. Adjusted EBITDA is used in addition to and in conjunction with results presented in accordance with GAAP and should not be relied upon to the exclusion of GAAP financial measures. Management strongly encourages investors to review the Company's consolidated financial statements in their entirety and to not rely on any single financial measure. A table providing a reconciliation of Adjusted EBITDA to the most comparable GAAP financial measure is included at the end of the press release attached as Exhibit 99.1 to this Current Report on Form 8-K.

The attached press release and transcript are incorporated herein solely for purposes of this Item 2.02 disclosure. The information furnished pursuant to this Item 2.02, including the exhibits attached hereto, shall not be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended ("**Exchange Act**"), or otherwise subject to the liabilities of that section, nor shall it be incorporated by reference into any filings under the Securities Act of 1933, as amended, or the Exchange Act, regardless of any incorporation by reference language of such filing. In addition, the press release and transcript furnished as exhibits to this report include "safe harbor" language pursuant to the Private Securities Litigation Reform Act of 1995, stating that certain statements about AutoWeb's business contained in the press release and transcript are "forward-looking" rather than "historic."

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

99.1	Press Release dated November 7, 2019
99.2	Transcript of AutoWeb, Inc.'s Conference Call dated November 7, 2019

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: November 12, 2019

AUTOWEB, INC.

By: /s/ Glenn E. Fuller
Glenn E. Fuller, Executive Vice President,
Chief Legal Officer and Secretary

Exhibit 99.1

AutoWeb Reports Third Quarter 2019 Results

TAMPA, FL. – November 7, 2019 – AutoWeb, Inc. (Nasdaq: AUTO), a robust digital marketing platform providing digital advertising solutions for automotive dealers and OEMs, is reporting financial results for the third quarter ended September 30, 2019.

Third Quarter 2019 Financial Summary

- Total revenues were $28.6 million compared to $27.1 million in Q2’19 and $31.7 million in Q3’18.
- Advertising revenues were $6.0 million compared to $5.4 million in Q2’19 and $6.6 million in Q3’18.
- Gross margin increased to 20.7% compared to 19.8% in Q2’19 and (11.3)% in Q3’18.
- Net loss was $1.7 million or $(0.13) per share, compared to a net loss of $5.0 million or $(0.38) per share in Q2’19 and a net loss of $18.0 million or $(1.41) per share in Q3’18.
- Adjusted EBITDA was $0.8 million compared to $(2.1) million in Q2’19 and $(1.9) million in Q3’18.

Third Quarter 2019 Key Operating Metrics[1]

- Lead traffic was 31.7 million visits compared to 33.1 million in Q2’19 and 36.1 million in Q3’18.[2]
- Lead volume was 1.8 million compared to 1.8 million in Q2’19 and 1.9 million in Q3’18.[3]
- Retail dealer count was 2,414 compared to 2,510 in Q2’19 and 2,577 in Q3’18.[4]
- Retail lead capacity was 143,000 lead targets compared to 142,000 in Q2’19 and 146,000 in Q3’18.[5]
- Click traffic was 13.0 million visits compared to 13.2 million in Q2’19 and 13.8 million in Q3’18.[6]
- Click volume was 5.9 million clicks compared to 5.3 million in Q2’19 and 5.4 million in Q3’18.[7]
- Net revenue per click was $0.76 compared to $0.75 in Q2’19 and $0.84 in Q3’18.[8]

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[1] Certain website properties have been added and removed from tracking metrics as AutoWeb continues to refine its website portfolio and its approach to tagging. These changes have been made to the prior periods for lead traffic, click traffic, and click volume as well for comparative purposes.
[2] Lead traffic = total visits to AutoWeb’s owned lead websites.
[3] Lead volume = total new and used vehicle leads invoiced to retail and wholesale customers.
[4] Retail dealer count = the number of franchised dealers contracted for delivery of retail new vehicle leads plus the number of vehicle dealers (franchised or independent) contracted for delivery of retail used vehicle leads.
[5] Retail lead capacity = the number of new and used vehicle leads contracted for by new or used retail vehicle dealers that the dealers wish to receive each month (i.e., “targets”) at the end of the applicable quarter.
[6] Click traffic = total visits to AutoWeb’s owned click referral websites.
[7] Click Volume = the number of times during the applicable quarter that consumers clicked on advertisements on AutoWeb’s owned click referral websites.
[8] Net revenue per click = total click revenue divided by click volume for owned & affiliated sites.

Management Commentary

“During the third quarter, we made considerable progress in returning AutoWeb to consistent growth and profitability,” said Jared Rowe, CEO of AutoWeb. “This was our fourth consecutive quarter of sequential gross margin expansion, reflecting the benefits of our improved operating model. Overall, we are now more efficient with both the traffic that we are generating as well as our productivity with clients, which is evident across several key operating metrics.

“Although we have done well implementing operating efficiencies and cost reductions, we are behind where we would like to be in terms of revenue growth. As we have previously stated, we continue to focus on evolving our go-to-market approach as we must serve as a strategic partner to our clients and sell value to retail dealers, not merely products and services as a vendor. We are in the process of better aligning with this philosophy.

“As we look to 2020, we plan to continue running a lean and efficient organization. We have dramatically improved our fixed cost structure, and have implemented the teams and processes to manage our variable expenses effectively through improved traffic acquisition, conversion and sales channel mix. Our foundation is much stronger today than it was even six months ago as our various initiatives are bearing fruit, and we look forward to executing our turnaround as we return AutoWeb to consistent growth and profitability.”

Third Quarter 2019 Financial Results

Total revenues in the third quarter of 2019 were $28.6 million compared to $31.7 million in the year-ago quarter, with advertising revenues of $6.0 million compared to $6.6 million in the year-ago quarter. The decline in total revenues was primarily due to a decrease in lead and click pricing, and lower lead volume. This was partially offset by improved conversion of both lead and click traffic.

Gross profit in the third quarter increased to $5.9 million compared to a loss of $(3.6) million in the year-ago quarter. The third quarter of 2018 included a one-time impairment charge of $9.0 million related to the write down of the company's DealerX platform license.

Total operating expenses in the third quarter improved to $7.8 million compared to $14.4 million in the year-ago quarter. During the third quarter of 2018, the company had one-time severance costs and a one-time long-lived asset impairment charge totaling $3.1 million.

Net loss in the third quarter of 2019 improved to $1.7 million or $(0.13) per share, compared to a net loss of $18.0 million or $(1.41) per share in the year-ago quarter. The 2018 period included the one-time impairments and severance costs noted above.

Adjusted EBITDA improved to $0.8 million compared to $(1.9) million in the third quarter of 2018 (See "Note about Non-GAAP Financial Measures" below for further discussion).

At September 30, 2019, cash, cash equivalents and restricted cash totaled $6.1 million compared to $6.4 million at June 30, 2019 and $13.6 million at December 31, 2018. The decrease from the end of 2018 was driven by operating losses and the funding of capital expenditures in the first half of 2019. AutoWeb had an outstanding balance of $1.0 million on its $25 million revolving credit facility at September 30, 2019.

Conference Call

AutoWeb will hold a conference call today at 5:00 p.m. Eastern time to discuss its third quarter results, followed by a question-and-answer session.

Date: Thursday, November 7, 2019
Time: 5:00 p.m. Eastern time (2:00 p.m. Pacific time)
Toll-free dial-in number: 1-877-852-2929
International dial-in number: 1-404-991-3925
Conference ID: 1499526

Please call the conference telephone number 5-10 minutes prior to the start time, and an operator will register your name and organization. If you have any difficulty connecting with the conference call, please contact Gateway Investor Relations at 1-949-574-3860.

A replay of the conference call will be available after 8:00 p.m. Eastern time on the same day through November 14, 2019. The call will also be archived in the Investors section of AutoWeb's website for one year.

Toll-free replay number: 1-855-859-2056
International replay number: 1-404-537-3406
Replay ID: 1499526

Tax Benefit Preservation Plan

At December 31, 2018, the company had approximately $87.6 million in available net operating loss carryforwards (NOLs) for U.S. federal income tax purposes. AutoWeb reminds stockholders about its Tax Benefit Preservation Plan dated May 26, 2010, as amended on April 14, 2014 and April 13, 2017 (as amended, the "Plan") between the company and Computershare Trust Company, N.A., as rights agent.

The Plan was adopted by the company's board of directors to preserve the company's NOLs and other tax attributes, and thus reduce the risk of a possible change of ownership under Section 382 of the Internal Revenue Code. Any such change of ownership under Section 382 would limit or eliminate the ability of the company to use its existing NOLs for federal income tax purposes. In general, an ownership change will occur if the company's 5% shareholders, for purposes of Section 382, collectively increase their ownership in the company by an aggregate of more than 50 percentage points over a rolling three-year period. The Plan is designed to reduce the likelihood that the company experiences such an ownership change by discouraging any person or group from becoming a new 5% shareholder under Section 382. Rights issued under the Plan could be triggered upon the acquisition by any person or group of 4.9% or more of the company's outstanding common stock and could result in substantial dilution of the acquirer's percentage ownership in the company. There is no guarantee that the Plan will achieve the objective of preserving the value of the company's NOLs.

As of September 30, 2019, there were 13,146,831 shares of the company's common stock, $0.001 par value, outstanding. Persons or groups considering the acquisition of shares of beneficial ownership of the company's common stock should first evaluate their percentage ownership based on this revised outstanding share number to ensure that the acquisition of shares does not result in beneficial ownership of 4.9% or more of outstanding shares. For more information about the Plan, please visit investor.autoweb.com/tax.cfm.

About AutoWeb, Inc.
AutoWeb, Inc. provides high-quality consumer leads, clicks and associated marketing services to automotive dealers and manufacturers throughout the United States. The company also provides consumers with robust and original online automotive content to help them make informed car-buying decisions. The company pioneered the automotive Internet in 1995 and has since helped tens of millions of automotive consumers research vehicles; connected thousands of dealers nationwide with motivated car buyers; and has helped every major automaker market its brand online.

Investors and other interested parties can receive AutoWeb news alerts by accessing the online registration form atinvestor.autoweb.com/alerts.cfm.

Note about Non-GAAP Financial Measures
AutoWeb has disclosed Adjusted EBITDA in this press release, which is a non-GAAP financial measure as defined by SEC Regulation G. The company defines Adjusted EBITDA as net loss before interest, taxes, depreciation, amortization, non-cash stock-based compensation, non-cash gains or losses, and other extraordinary items. A table providing a reconciliation of Adjusted EBITDA is included at the end of this press release.

The company's management believes that presenting Adjusted EBITDA provides useful information to investors regarding the underlying business trends and performance of the company's ongoing operations, as well as providing for more consistent period-over-period comparisons. This non-GAAP measure assists management in its operational and financial decision-making and monitoring the company's performance. In addition, we use Adjusted EBITDA as a measure for determining incentive compensation targets. Adjusted EBITDA is used in addition to and in conjunction with results presented in accordance with GAAP and should not be relied upon to the exclusion of GAAP financial measures. Management strongly encourages investors to review the company's consolidated financial statements in their entirety and to not rely on any single financial measure.

Forward-Looking Statements Disclaimer

The statements contained in this press release or that may be made during the conference call described above that are not historical facts are forward-looking statements under the federal securities laws. Words such as "anticipates," "could," "may," "estimates," "expects," "projects," "intends," "pending," "plans," "believes," "will" and words of similar substance, or the negative of those words, used in connection with any discussion of future operations or financial performance identify forward-looking statements. In particular, statements regarding expectations and opportunities, new product expectations and capabilities, projections, statements regarding future events, and our outlook regarding our performance and growth are forward-looking statements. These forward-looking statements, including, that (i) as the company looks to 2020, the company plans to continue running a lean and efficient organization; and (ii) the company looks forward to executing its turnaround and return to consistent growth and profitability, are not guarantees of future performance and involve assumptions and risks and uncertainties that are difficult to predict. Actual outcomes and results may differ materially from what is expressed in, or implied by, these forward-looking statements. AutoWeb undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. Among the important factors that could cause actual results to differ materially from those expressed in, or implied by, the forward-looking statements are changes in general economic conditions; the financial condition of automobile manufacturers and dealers; disruptions in automobile production; changes in fuel prices; the economic impact of terrorist attacks, political revolutions or military actions; failure of our internet security measures; dealer attrition; pressure on dealer fees; increased or unexpected competition; the failure of new products and services to meet expectations; failure to retain key employees or attract and integrate new employees; actual costs and expenses exceeding charges taken by AutoWeb; changes in laws and regulations; costs of legal matters, including, defending lawsuits and undertaking investigations and related matters; and other matters disclosed in AutoWeb's filings with the Securities and Exchange Commission. Investors are strongly encouraged to review the company's Annual Report on Form 10-K for the year ended December 31, 2018 and other filings with the Securities and Exchange Commission for a discussion of risks and uncertainties that could affect the business, operating results or financial condition of AutoWeb and the market price of the company's stock.

Company Contact

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AUTOWEB, INC.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except share and per share data)

	September 30, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,092	$ 13,600
Restricted cash	5,038	-
Accounts receivable, net of allowances for bad debts and customer credits of $539 and $566 at September 30, 2019 and December 31, 2018, respectively	22,647	26,898
Prepaid expenses and other current assets	1,409	1,245
Total current assets	30,186	41,743
Property and equipment, net	3,377	3,181
Right-of-use assets	2,919	-
Intangibles assets, net	7,964	11,976
Other assets	796	516
Total assets	$ 45,242	$ 57,416
LIABILITIES, MINORITY INTEREST AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 14,224	$ 17,572
Accrued employee-related benefits	1,196	3,125
Other accrued expenses and other current liabilities	2,092	2,204
Current portion of lease liabilities	1,398	-
Current convertible note payable	-	1,000
Total current liabilities	18,910	23,901
Borrowings under revolving credit facility	1,036	-
Lease liabilities, net of current portion	1,663	-
Total liabilities	21,609	23,901
Commitments and contingencies		
Stockholders' equity		
Preferred stock, $0.001 par value; 11,445,187 shares authorized		
Series A Preferred stock, none issued and outstanding	-	-
Common stock, $0.001 par value; 55,000,000 shares authorized; 13,146,831 and 12,960,450 shares issued and outstanding at September 30, 2019 and December 31, 2018, respectively	13	13
Additional paid-in capital	363,388	361,218
Accumulated deficit	(339,768)	(327,716)
Total stockholders' equity	23,633	33,515
Total liabilities, minority interest and stockholders' equity	$ 45,242	$ 57,416

AUTOWEB, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE LOSS
(Amounts in thousands, except share and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	**2018**	**2019**	**2018**
Revenues:				
Lead generation	$ 22,564	$ 24,986	$ 69,953	$ 71,277
Digital advertising	5,968	6,606	17,278	21,643
Other	20	103	67	416
Total revenues	28,552	31,695	87,298	93,336
Cost of revenues	22,645	26,278	70,249	74,702
Cost of revenues-impairment	-	9,014	-	9,014
Gross profit	5,907	(3,597)	17,049	9,620
Operating Expenses				
Sales and marketing	2,632	3,333	8,450	10,096
Technology support	1,819	4,303	6,797	10,653
General and administrative	2,112	3,639	10,429	11,980
Depreciation and amortization	1,200	1,172	3,640	3,495
Goodwill impairment	-	-	-	5,133
Long-lived asset impairment	-	1,968	-	1,968
Total operating expenses	7,763	14,415	29,316	43,325
Operating loss	(1,856)	(18,012)	(12,267)	(33,705)
Interest and other income (expense), net	117	(24)	220	178
Loss before income tax provision	(1,739)	(18,036)	(12,047)	(33,527)
Income taxes provision	-	-	5	4
Net loss and comprehensive loss	$ (1,739)	$ (18,036)	$ (12,052)	$ (33,531)
Basic and diluted loss per share:				
Basic loss per common share	$ (0.13)	$ (1.41)	$ (0.92)	$ (2.64)
Diluted loss per common share	$ (0.13)	$ (1.41)	$ (0.92)	$ (2.64)
Shares used in computing net loss per share:				
Basic	13,114	12,787	13,051	12,711
Diluted	13,114	12,787	13,051	12,711

AUTOWEB, INC.
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(amounts in thousands)

	Nine Months Ended September 30,	
	2019	2018
Cash flows from operating activities:		
Net (loss) income	$ (12,052)	$ (33,531)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	5,256	6,534
Goodwill impairment	-	5,133
Intangible asset impairment	-	9,014
Provision for bad debt	198	216
Provision for customer credits	113	177
Share-based compensation	1,762	4,365
Right-of-use assets	1,306	-
Lease Liabilities	(1,309)	-
Gain on sale of investment	(250)	(25)
Long-lived asset impairment	-	1,968
Change in deferred tax asset	-	692
Changes in assets and liabilities		
Accounts receivable	3,940	251
Prepaid expenses and other current assets	(164)	532
Other non-current assets	(280)	(615)
Accounts payable	(3,348)	3,860
Accrued expenses and other current liabilities	(2,006)	686
Net cash (used in) provided by operating activities	(6,834)	(743)
Cash flows from investing activities:		
Purchases of property and equipment	(1,330)	(828)
Purchase of intangible asset	-	-
Proceeds from sale of investment	250	125
Change in short-term investment	-	-
Net cash (used in) provided by investing activities	(1,080)	(703)
Cash flows from financing activities:		
Proceeds from issuance of common stock	-	200
Borrowings under revolving credit facility	46,740	-
Principal payments under revolving credit facility	(45,704)	(8,000)
Payments on convertible note	(1,000)	-
Proceeds from exercise of stock options	408	77
Proceeds from receipt of exercise of warrant	-	-
Issuance of preferred shares	-	-
Repurchases of comon stock	-	-
Payment of contingent payment	-	-
Net cash (used in) provided by financing activities	444	(7,723)
Net decrease in cash and cash equivalents and restricted cash	(7,470)	(9,169)
Cash and cash equivalents and restricted cash at beginning of period	13,600	24,993
Cash and cash equivalents and restricted cash at end of period	$ 6,130	$ 15,824
RECONCILIATION OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH		
Cash and cash equivalents at beginning of period	$ 13,600	$ 24,993
Restricted cash at beginning of period	-	-
Cash and cash equivalents and restricted cash at beginning of period	$ 13,600	$ 24,993
Cash and cash equivalents at end of period	$ 1,092	$ 15,824
Restricted cash at end of period	$ 5,038	-
Cash and cash equivalents and restricted cash at end of period	$ 6,130	$ 15,824
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	$ 1	$ -
Cash refunds for income taxes	$ 124	$ -
Cash paid for interest	$ 101	$ 103

AUTOWEB, INC.
RECONCILIATION OF ADJUSTED EBITDA
(Amounts in thousands)

	Three Months Ended		Three Months Ended		Three Months Ended		Nine Months Ended	
	March 31, 2019	March 31, 2018	June 30, 2019	June 30, 2018	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Net loss	$ (5,360)	$ (10,279)	$ (4,953)	$ (5,217)	$ (1,739)	$ (18,036)	$ (12,052)	$ (33,531)
Depreciation and amortization	1,787	2,179	1,723	2,181	1,747	2,174	5,257	6,534
Interest income	(6)	(6)	(20)	(7)	(22)	(7)	(48)	(20)
Interest expense	5	88	56	15	231	18	292	121
Federal, state and local taxes	-	4	5	-	50	65	55	69
EBITDA	(3,574)	(8,014)	(3,189)	(3,028)	267	(15,786)	(6,496)	(26,827)
Non-cash stock compensation expense	551	1,626	560	942	651	1,796	1,762	4,364
Gain/loss on sale of asset	-	-	-	-	(11)	-	(11)	-
Gain/loss on investment	-	-	-	(125)	(250)	100	(250)	(25)
Asset Impairment	-	-	-	-	-	10,983	-	10,983
Goodwill impairment	-	5,133	-	-	-	-	-	5,133
Personnel Restructuring	-	950	496	15	185	1,003	681	1,968
Adjusted EBITDA	$ (3,023)	$ (305)	$ (2,133)	$ (2,196)	$ 842	$ (1,904)	$ (4,314)	$ (4,404)

Exhibit 99.2

AutoWeb, Inc. (2019 Q3 Results)
November 7, 2019

Corporate Speakers:
Jared R. Rowe *AutoWeb, Inc. - CEO, President & Director*
Joseph Patrick Hannan *AutoWeb, Inc. - EVP & CFO*

Participants:
Bruce Goldfarb
Edward Moon Woo *Ascendiant Capital Markets LLC, Research Division - Director of Research and Senior Research Analyst of Internet & Digital Media*
Gary Frank Prestopino *Barrington Research Associates, Inc., Research Division - MD*
James Philip Geygan *Global Value Investment Corp - VP Advisory*
Lee T. Krowl *B. Riley FBR, Inc., Research Division - Associate Analyst*
Sean Mansouri *Gateway Group, Inc. - Director*

Presentation

Operator

Good afternoon, and thank you for participating in today's conference call to discuss AutoWeb's financial results for the third quarter ended September 30, 2019.

Joining us today are AutoWeb's CEO, Jared Rowe; the company's CFO, J.P. Hannan; and the company's outside Investor Relations Adviser, Sean Mansouri, with Gateway Investor Relations. Following their remarks, we'll open the call for your questions.

I would now like to turn the call over to Mr. Mansouri for some introductory comments.

Sean Mansouri ***Gateway Group, Inc. - Director***

Thank you. Before I introduce Jared, I'll remind you that during today's call, including the question-and-answer session, statements that are not historical facts, including any projections, statements regarding future events or future financial performance or statements of intent or belief are forward-looking statements and are covered by the safe harbor disclaimers contained in today's press release and the company's public filings with the SEC. Actual outcomes and results may differ materially from what is expressed in or implied by these forward-looking statements. Specifically, please refer to the company's Form 10-Q for the third quarter ended September 30, 2019, which was filed prior to this call as well as other filings made by AutoWeb with the SEC from time to time. These filings identify factors that could cause results to differ materially from those forward-looking statements.

Please also note that during this call, management will be disclosing adjusted EBITDA. This is a non-GAAP financial measure as defined by SEC Regulation G. A reconciliation of this non-GAAP financial measure to the most directly comparable GAAP measure is included in today's press release, which is posted on the company's website.

And with that, I'll turn the call over to Jared.

Jared R. Rowe ***AutoWeb, Inc. - CEO, President & Director***

Thank you, Sean, and good afternoon, everyone. So we continue to make good progress this quarter in returning AutoWeb to consistent growth and profitability. As a result of the various initiatives we deployed over the course of the year, we've become much more efficient with both the traffic that we are generating as well as the productivity with clients. This is all reflected across several key financial and operating metrics.

On the financials, this is our fourth consecutive quarter of gross margin expansion and our strongest quarter of gross margin since Q1 of 2018. As I've stated in the past, you can best interpret our financial performance and progress through the key operating metrics we provide in our quarterly results. What you'll find is that we are doing more with what we have. For example, lead traffic was down 4% sequentially, but lead volume was up 5%. Click traffic was down a couple of points as well, but click volume was up 11% compared to Q2. This all reflects better conversion of traffic to leads and clicks.

The same applies to our sales and client base. Although we still have work to do to increase our dealer count, we are increasing productivity with the clients that we have. Dealer count was down 4% compared to last quarter, but lead capacity had a increase to approximately 143,000 targets. We're beginning to build deeper relationships and increase market budgets with our clients, which tells us that our strategy to provide more value appears to be working. We've worked diligently to improve the quality of our products, and we are executing on cross-sell, upsell opportunities.

However, we need to do a better job of increasing the total network of retail dealer that we work with, and this will be accomplished by better-promoting the value that we can provide dealers as a strategic partner, not just as a vendor that sells them products and services. I stressed this point on previous calls, and we continue to work to evolve our go-to-market approach to better-align with this philosophy.

I'll have more to discuss on that later in the call. But before commenting further, I'd like to turn it over to J.P. to walk through the highlights of our Q3 results. J.P.?

Joseph Patrick Hannan ***AutoWeb, Inc. - EVP & CFO***

Thanks, Jared, and good afternoon, everybody. We've met with a good number of shareholders and prospective investors during our third quarter. And based on some of that feedback we received, we're going to refine our approach to these calls that we focus on providing commentary around the key themes for the quarter as opposed to reviewing every line item that can be found in our press release and filings. So with that said, third quarter revenue came in at $28.6 million, which is up 5% from last quarter and down 10% year-over-year. The increase from last quarter is largely driven by improved conversion and delivery rate. As we have mentioned in prior quarters, dealer count and lead capacity did not necessarily have to increase for us to drive revenue growth as long as we can do a better job at delivering the full number of leads requested by our dealer network.

Overall, we're doing a much better job of that today, which supports Jared's earlier comments about building deeper relationships with our clients. Now similarly, in our clicks business, while click traffic was down, both sequentially and year-over-year, click volume was up considerably as a result of our improved conversion. Again, the key theme here is that we are doing a better job of monetizing what we have, which is a result of the improvements we've made to our traffic acquisition, product quality, sales channel mix and delivery rate.

Gross margin for the quarter came in at 20.7%. And as Jared mentioned, this is our fourth consecutive quarter of gross margin expansion, which is a result of our consistent focus on higher-margin sales channels and revenue mix as well as the improved traffic acquisition and conversion we referenced earlier. Total operating expenses in third quarter were reduced to $7.8 million compared to $10.4 million in Q2 of 2019 and $14.4 million in the year ago quarter. As we noted in the third quarter of last year, we did incur onetime severance costs and a long-lived asset impairment charge totaling $3.1 million. As I have stated in prior quarters, we are keenly focused on running a lean and operationally efficient organization, and these OpEx improvements are a direct reflection of that. We'll continue to manage our fixed cost structure to ensure we have rightsized our personnel, technology cost and physical footprint to align with our overall directives and strategy, but we'll continue to seek additional operating efficiencies wherever feasible.

Adjusted EBITDA in the third quarter was $842,000 compared to a loss of $2.1 million in Q2 2019 and a loss of $1.9 million in Q3 of 2018. So although our margins and our expenses have improved and adjusted EBITDA is moving in the right direction, we are short of where we would like to be in terms of revenue growth. We believe improvements to the top line will ultimately accelerate profitability as we now have much better control of our fixed and variable expenses.

Net cash used in operations in the third quarter improved to $1.3 million compared to $3.5 million in Q2 2019 and cash generation of $2 million in Q3 2018. Cash burn was reduced in the third quarter as expected, and we are still on track for overall cash generation in Q4.

At September 30, 2019, cash, cash equivalents and restricted cash stood at $6.1 million compared to $6.4 million at June 30, 2019, and $13.6 million at December 31, 2018. This decrease in cash from the end of 2018 was driven by operating losses and the funding of capital expenditures in the first half of 2019. As of September 30, we also had an outstanding balance of $1 million on our $25 million secured revolving credit facility. So that was primarily due to the timing of collections as we try not to carry balances on that revolver from quarter-to-quarter.

Some of you may have noticed that we amended the terms of our credit facility with PNC Bank last week. Because AutoWeb was previously operating at an adjusted EBITDA loss when that credit agreement was structured, we have limited flexibility as to how to structure those initial maintenance covenants. We were also anticipating a stronger first half of 2019 than we actually experienced. However, given our improved financial performance over the past 6 months, we were able to amend the facility to provide for what we believe is a much more measured approach now. This amendment reduces the short-term EBITDA covenants and then ramps the requirements much more gradually over the next 2 years versus what we had previously. We've also added a fixed charge covenant to the requirements going forward as well as a benefit of a new equity cure provision into the agreement. We believe this more balanced covenant package will provide us with greater operating flexibility going forward.

As I mentioned earlier, you can find the details of all of our key operating metrics in the press release we issued this afternoon. Now I don't want to introduce new metrics because there are enough to track, but many of our metrics can be taken a layer deeper by looking at them together as opposed to individually, which can help everyone in assessing our performance and trends. For instance, lead volume relative to lead traffic, lead capacity relative to dealer count and revenue per click and click volume relative to click traffic.

Now one point on -- a quick point on clicks, it's worth noting that we also generate revenue from click activity derived from third-party publisher sites that we don't own. So while that revenue is included in the total click revenue presented in the 10-Q and as a component of the net revenue per click calculation we present in the press release highlights, that third-party activity is not reflected in the proprietary click traffic and click volume highlights we provide in the release. We provide those 2 additional metrics in the release for investors to monitor as they represent the long-term core of our click business. And given we control those sites end-to-end, we believe those numbers should be much more meaningful with less volatility. I want to take a moment to clarify that because we've had that question arise a few times from prospective investors.

So with that, that concludes my prepared remarks, and I'll turn the call back over to Jared. Jared?

Jared R. Rowe ***AutoWeb, Inc. - CEO, President & Director***

Thanks, J.P. So as you can see, the operational improvements to our business are yielding positive results, and the investments we've made to improve our products that are beginning to bear fruit. We've invested in our products, established new processes, and most importantly, have implemented the changes necessary to create what we believe is a sustainable model that can grow without sacrificing margin. The fixed costs in our business are also in a good place. Now it's a matter of ramping up revenue without giving up margin.

We do expect the improvements that we've made to our variable expenses will help us accelerate the bottom line as revenue grows. For example, we took roughly $400,000 of cost out of our search spend last quarter and generated the same amount of leads but at a higher margin as we sold more through the proper channels. We believe that there's still more room to improve here. Overall, we've been more efficient with traffic acquisition, more efficient with conversion once a consumer gets to our lead page, and then we've done a better job of selling those leads and clicks to the right distribution channels. Those channels are retail dealers for lead and endemic advertisers for clicks.

As I mentioned earlier, the quality of our products have also improved. Higher-quality leads come with higher-quality clicks, which in turn leads to higher-quality relationships with our clients. This is further reflected in the increase in lead capacity this quarter, both on a gross and on a per-dealer basis. In the past, I've discussed importance of aligning our product attribution to what our dealers want, which we believe, is a 30-day close rate at their dealership. We are utilizing new data sets that can provide this level of detail, in addition to other key data points that will help us continue to refine our products at a faster rate and respond to consumer trends and purchasing behavior. Ultimately, our clients' success is our success, so we are keen to provide the data that they are looking for.

From a macro perspective, the auto industry continues to see challenges with profitability at the dealership level as margins on the new car sales are near decade lows. While this is by no means a positive trend, we believe that this will help to put further focus on media attribution, which is something that is embedded in our model. It is far easier for our clients to calculate the ROI that our leads, clicks and e-mails provide than other forms of digital and traditional media. So we like our position in the market as we are aligned with our clients and their outcomes.

Overall, our foundation is much stronger today than it was even 6 months ago as our various initiatives are bearing fruit, and we look forward to executing our turnaround as we return AutoWeb to consistent growth and profitability.

With that, we'll now open up the call for questions.

Operator

(Operator Instructions) Our first question comes from Lee Krowl with B. Riley FBR.

Lee T. Krowl ***B. Riley FBR, Inc., Research Division - Associate Analyst***

A few, if I may. Just first, curious if you could provide a little bit more detail on the trials with some of the top 150 dealer groups. Maybe provide a little bit of detail around the time line and feedback from that channel?

Jared R. Rowe ***AutoWeb, Inc. - CEO, President & Director***

Yes. Hey, Lee. Thanks for the question. We continue to work on those. We've got a few in market. We're evolving and refining them. The good news in my mind is our partners are very engaged with us, and they continue to work with us on making certain that we evolve it into something that is mutually beneficial. So the time lines, when you talk about a product execution like this with the top 150 dealer group is a little bit longer than what you see with the retail sale because that's a bit more transactional and this is a bit more strategic. But we feel good about the progress that we're making, and we're excited about the potential.

Lee T. Krowl ***B. Riley FBR, Inc., Research Division - Associate Analyst***

Got it. And then on the gross margin progress, you guys kind of highlighted the fourth consecutive improvement. The horizon is kind of historical or prior peaks around 30%. What are kind of the key drivers that take you from where you sit today to kind of that prior peak gross margin levels?

Joseph Patrick Hannan ***AutoWeb, Inc. - EVP & CFO***

Well, as I said in my prepared remarks, I mean, I think we've got the cost structure where we need it to be sustainable, and we will drive more and more of the top line to the bottom line now as a result of the way we're operating and the way we are spending our SEM dollars. So that's going to be biggest drivers. Just holding -- maintaining the discipline and then increasing the volume.

Jared R. Rowe ***AutoWeb, Inc. - CEO, President & Director***

I guess one thing I would add, too, Lee, is we implemented a new sales motion -- new selling motion in, I guess, mid to late Q3 around retail click sales, and I think that's something I highlighted in the previous call last quarter. We talked about wanting to increase the number of dealers who purchase multiple products from us, in particular, who purchase clicks along with leads, and we made some good progress there. And the emerging characteristic of that click product is just far more attractive than the lead product. So getting more and more of that bundled is incredibly important as well and is helping to push the margin. Just to give you kind of an idea, I think what we talked about last time was we had about an 8% attach rate, which means that 8% of the dealers who are on our lead product also buy clicks. That number is north of 11% now. And like I said, we only got really 6 weeks of selling activity against that with the new sales motion, a new approach. So we had one of the biggest sales quarters from a retail click perspective that we've seen in our history, and we did it in about 1.5 months. So we're -- that's another way that you'll see us keep pushing margin. It's just product mix.

Lee T. Krowl ***B. Riley FBR, Inc., Research Division - Associate Analyst***

Got it. And then maybe just kind of -- you guys have a lot of wood to chop that is completely absent of industry trends. But maybe just talk about kind of your expectations for Q4 as it relates to seasonality and kind of the ongoing trends in new cars. I'm just trying to get a sense of where you guys can grow against kind of an industry backdrop that's flat to down.

Joseph Patrick Hannan ***AutoWeb, Inc. - EVP & CFO***

I mean -- I'll take that. I mean if you look at last year, I mean, we did about $32 million or so in the fourth quarter, and that was already after some of the declines we had seen in the year. And we're coming out of this quarter at $28 million. So I mean, we do think we will get some seasonality. We also think there'll just be some organic growth from all the efforts that we have internally right now on the sales side.

Jared R. Rowe ***AutoWeb, Inc. - CEO, President & Director***

Yes. And to your point, Lee, we got a lot of wood to chop execution wise. And that's where this mix stuff is so important to us. We've carried some of the momentum that we've built around the retail click sales in Q3 into Q4. And we've carried through some of the momentum that we've had around continuing to create more efficiency on the lead gen side, where we continue to be able to do more with less. And so we do hope to get some of the uptick with seasonality. We also hope to sell into that downcycle with high attribution, high ROI, relatively inexpensive products when you compare it to some of the competitors in the market. But to your point, we've got a lot of work to do.

Operator

Our next question comes from Gary Prestopino with Barrington Research.

Gary Frank Prestopino ***Barrington Research Associates, Inc., Research Division - MD***

J.P., could you go through that -- I was trying to write this down as quickly as possible. You talked about the cash, and I think it was down, and I think you said that a lot of that had to do with just some timing on collections of receivables. So could you go through that again?

Joseph Patrick Hannan ***AutoWeb, Inc. - EVP & CFO***

Yes. I mean we finished the quarter with $1 million of draw still on our credit line. Now the way we manage that is we use it for working capital and just to smooth out -- when things are due versus when we collect throughout the month. So the collections were a little slower at the end of the quarter. And as a result, we didn't have that fully paid down as we normally would. So some of that carried over. But absent that, we would have had no balance on the line.

Gary Frank Prestopino ***Barrington Research Associates, Inc., Research Division - MD***

Okay. So you had no balance on. All right. And then, in terms of being behind on sales, is that mostly systemic to what you guys -- to AutoWeb, it's not really something dealing with the industry as much?

Jared R. Rowe ***AutoWeb, Inc. - CEO, President & Director***

Yes. Gary, we just haven't had the revenue come online as fast as we wanted. We didn't turn to really start transforming the sales team until about 1 quarter, 1.5 quarters ago was when we got there, and we focused on some of the other operational issues first. And when we started digging in there, we found some things that we didn't expect in terms of our go-to-market approach. We've got a good solid foundation, but there's an awful lot of work we need to do in the selling motion, and that's one of the things that I've highlighted a lot is we're fundamentally shifting our selling motion internally. For several years, we've been very transactional, and now we're trying to think about the right way to deliver messaging around our products and services. And in particular, how you think about actually positioning the products and when you position them, right? Do we always lead with leads because we've done that for the better portion of 20 years or do you enter the conversation with clicks and then work your way through the product line. And so we've had to revamp some of those efforts. We've also been building some capabilities and top-grading some talent there as well. So all that work is starting to bear some fruit, but it was a bit of a heavier lift than we initially anticipated.

Gary Frank Prestopino ***Barrington Research Associates, Inc., Research Division - MD***

Okay. So is it, again, the sales being behind where you think they're going to be? It deals with both leads and clicks, and it's just internally with what you guys are doing and a lack of -- or getting to the sales force late to transition them to better sales methods. Is that kind of the way we read it?

Jared R. Rowe ***AutoWeb, Inc. - CEO, President & Director***

It is. It is. It is. I'm not happy with where we're at on either of them. But when I look at the sales effort and I look at what we've got, we've got a good team. We've got a good set of products. When positioned correctly, we get the kind of results that I highlighted from a click perspective. So the -- I like this problem because this is an elbow grease problem. We just need to bear down and execute a little bit better, and that's within our grasp.

Gary Frank Prestopino ***Barrington Research Associates, Inc., Research Division - MD***

I know there's seasonality in Q4. But given where you ended Q3, are we looking at a sequential decline in revenues versus Q3 in Q4?

Joseph Patrick Hannan ***AutoWeb, Inc. - EVP & CFO***

No, I don't believe so. I mean we saw some lift in -- we're closing out October now, but preliminary numbers showed some lift, and we anticipate that, that should hold.

Gary Frank Prestopino ***Barrington Research Associates, Inc., Research Division - MD***

Okay. Thanks.

Jared R. Rowe ***AutoWeb, Inc. - CEO, President & Director***

Thanks, Gary.

Operator

Our next question comes from Ed Woo with Ascendiant Capital.

Edward Moon Woo ***Ascendiant Capital Markets LLC, Research Division - Director of Research and Senior Research Analyst of Internet & Digital Media***

Yes, thanks for taking my question. My question is more on the industry, you mentioned that dealer profitability from new cars are low. Do you think that's sustainable? What are you hearing from your dealer customers? What are they mostly worried about heading into 2020?

Jared R. Rowe ***AutoWeb, Inc. - CEO, President & Director***

Yes. The -- Hey, Ed. Thanks for the question. Yes. No, the kind of margins that you're seeing on the new car side, it's not sustainable without increased support from the OEMs, and you're starting to see some of that. Also, we've talked about digital retailing for years in this industry, but realigning those workflows in the front end of these dealerships so that they can generate better operational efficiency and retain more of the margin that's available to them on the front end is incredibly important. And when you look at the overall profitability of the new car side, it's starting to look an awful lot like '08, '09, maybe '10. So we've got a lot of work to do as an industry there. But there is a general concern with the clients that I talked to about making certain that they're getting the most out of every opportunity they have. And you and I have talked about this in the past, I think that's one of the areas of responsibility that digital marketers like us have is making certain that we're helping our clients be as profitable as humanly possible. Listen, we can't create margin, but we certainly can help them retain as much as they can, and that's a responsibility we take seriously.

Edward Moon Woo ***Ascendiant Capital Markets LLC, Research Division - Director of Research and Senior Research Analyst of Internet & Digital Media***

That sounds good. Well, that's all the questions I have. I wish you guys good luck. Thank you.

Jared R. Rowe ***AutoWeb, Inc. - CEO, President & Director***

Thanks, Ed.

Operator

Our next question comes from Bruce Goldfarb with Lake Street Capital.

Bruce Goldfarb -

Jared, J.P., thanks for taking my call and congratulations on all your progress and success.

Jared R. Rowe ***AutoWeb, Inc. - CEO, President & Director***

Thanks, Bruce.

Bruce Goldfarb -

Can you talk about -- I know you guys have been talking about expanding within the top 150 auto dealer groups. Can you talk about your progress there?

Jared R. Rowe ***AutoWeb, Inc. - CEO, President & Director***

Yes. Yes. No, we continue to make some progress there. It's mainly in the areas of rolling out the pilots that we've talked about. And we've added to that since we've last talked. So we continue to expand, but it really is focused on the product bundle. And I think that's something we've talked about in the past as well is, when we talk to top 150 dealer groups, we talk to them, we try and talk with them -- talk to them as more of a strategic partner, and we try to bring our capabilities to bear in a slightly different way. That's one of the reasons why the sales cycle is a bit longer because this isn't just kind of cookie-cutter product that we deliver. We've got a blended solution that leverages all of our capabilities, and that requires some testing, that requires some refinement, that requires some message management. And so that's where we're at with that is we're engaged. We feel good about it. The last thing I want to do is push too quickly on that. We want to make certain that we get it right, and our clients see value in it. Because the top 150 dealer groups, they've got a lot of options as do all dealers, and we want to make certain that if they're going to give us a commitment on their side that we give them our best effort on the other side. So making good progress there, we really are. The sales cycles are slower, but we're still engaged, and we're evolving to a point where I think we're going to see some results here in the next couple of quarters.

Bruce Goldfarb -

Great. Thank you. And then, has -- have you been able to attract talent? And -- because I know you guys have been trying to hire. And what areas are you focusing on?

Jared R. Rowe ***AutoWeb, Inc. - CEO, President & Director***

Yes. No, absolutely. We have, we have. We've got 3 general geographic locations that make up the bulk of our employee base in Southern California, Florida and then Guatemala. And quite frankly, we haven't had an issue attracting the kind of talent that we want. This is a really interesting opportunity for a lot of folks. It's not often you get a chance to really have an impact and really help build something, and I think that's helped us attract the kind of people that we're looking for. And also, when I got here, we had a talent base, and we've build on a lot of the folks that are here as well who are dedicated long-term team members. So yes, we like where we stand from a talent perspective. We're always looking to kind of upgrade the folks we have by investing in them and giving them new opportunities, but we haven't had an issue attracting talent.

Operator

Our next question comes from JP Geygan with Global Value Investment Corp.

James Philip Geygan ***Global Value Investment Corp - VP Advisory***

Good afternoon. I have 3 questions, if I may. First, you've done a really nice job controlling costs, specifically SG&A. (technical difficulty) if there's any additional opportunity to take fixed cost for additional savings in either cost of revenue or SG&A?

Joseph Patrick Hannan ***AutoWeb, Inc. - EVP & CFO***

Hey, JP. As I said in my remarks, I mean, we -- of course, we're going to continue to look for efficiencies anywhere we can. We want to make sure we have the resources necessary to do and follow through on our strategy here, but we're going to continue to look for any opportunity. And there are certain things that will just fall out from the new things that we've put in place, new technology and then we'll just become more efficient, and that'll be the byproduct of its cost savings.

James Philip Geygan ***Global Value Investment Corp - VP Advisory***

Okay. You spoke a lot about your customer base and how your relationships are developing. But I'm curious if you might talk about the competitive landscape from your perspective, specifically, how those might be reacting to, for the lack of a better term, you redesigned the product lineup?

Jared R. Rowe ***AutoWeb, Inc. - CEO, President & Director***

Yes. Hey, JP. It's Jared. We haven't had much reaction from our competitors, quite frankly, and they're focused on what they do, which is a little bit different than what we do. As you know, we deliver value in a way that's only similar to one other company in the industry, but there is a lot of substitution that goes on across it. So no reaction in terms of what we're doing. It's a good thing, not a bad thing. It gives us the opportunity to really focus on what makes us unique and where we have a right to win in the market. And where we have a right to win in the market, it's in lead gen, it's in that click area that are basically our vertical search engine. As you and I have talked about, it has a lot to do with our e-mail capabilities there in an integrated fashion and then our data. So not much reaction on that point, but we continue to make good progress, but we've got some work ahead of us, but we like where we're positioned and how we're positioned.

James Philip Geygan ***Global Value Investment Corp - VP Advisory***

Okay. And finally, I'm hoping for a little bit more color on the progress you're making in your strategic plan. And particularly, you make the statement in your 10-Q that the objective is to generate substantial profitability throughout 2020. I don't think I'm going to be lucky enough to have you tell me what that means, but it seems like the EBITDA levels in your refined loan covenants provide some sort of a guide. And then, Jared, you've historically said you want to -- I think you used the term nail it and scale it. Where are you in terms of the development of the strategic plan through that lens?

Jared R. Rowe ***AutoWeb, Inc. - CEO, President & Director***

Perfect. We'll let J.P. start with the numbers.

Joseph Patrick Hannan ***AutoWeb, Inc. - EVP & CFO***

Sure. I mean we've not released any guidance as to what we're -- what we think for next year, just trying to finish out this year at this point. But it is our objective, trying to build this and make this a sustainable turnaround and build sustainable profitability throughout all of next year. And as you mentioned, if you look at our bank covenants, I mean, that's what's necessary, and we feel we have a plan for that, and we're on a path for that.

Jared R. Rowe ***AutoWeb, Inc. - CEO, President & Director***

And JP, in terms of just the execution here. We feel good about -- we've got control of the cost on the fixed side. We think we've taken that down to a good level. To J.P.'s earlier comment, though, there's always room for improvement there, and we're going to continue to be opportunistic. On the variable cost side, in particular, on the cost of revenue side, we've made some good improvements here over the last quarter. We really have on becoming more efficient. We think there's more opportunity there as well, and we're going to continue to execute on that, but we feel pretty good about how we're controlling the inputs to the business. As I mentioned earlier on the sales side, we've got some work to do. We're getting there, but we've got some work to do still. And then on the product evolution side, we've got some work to do there as well. We've got the new bundled solution, but we're going to need to continue to evolve it. So in terms of where we're at, I think we've got a good solid foundation. We still have work to do in terms of really promoting and pushing our product more effectively than we do today, and I think you'll see that improve over the next couple of quarters. And that will really, I think, drive some of the growth that we're talking about. On top of that, then we do, like I mentioned, have to evolve our product set. That's kind of going to probably trail a little bit other than -- trail a little bit on the -- it'll trail the distribution improvements. But we like what we have right now, and we think what we have is really capable and really valuable. So I don't think we're going to be really hitting on all cylinders for a while yet, but I feel really good about where we're at. I feel really good about the work that the team has done, and I feel really good about the fact that we're in control of this in a way that maybe we weren't a year ago. That's going to allow us to thoughtfully manage it and thoughtfully grow it. The last thing we want to do is give away all the hard work that we've done on the margin side for the sake of revenue. That's not what we're here to do. So we're going to be a bit deliberate, but we think we're pretty close to really starting to push a little bit harder on that side.

James Philip Geygan ***Global Value Investment Corp - VP Advisory***

Great. Well, you guys have made a lot of progress so far. I look forward to watching the next development.

Operator

Ladies and gentlemen, thank you for participating in today's question-and-answer session. I would now like to turn the call back over to Mr. Jared Rowe for any closing remarks.

Jared R. Rowe ***AutoWeb, Inc. - CEO, President & Director***

Well, I just want to say thank you. I want to say thank you to everybody who's -- who joined the call today. I want to say thank you to all of our stakeholders, the team members here at AutoWeb, our clients and also our investors and shareholders. We appreciate all that you folks do, and we will be talking again soon. We look forward to chatting about the Q4 results early next year. So thanks, everybody, and we'll talk soon.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for your participation. You may now disconnect.
