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) August 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)

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

(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))

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. ☐

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

Item 2.02 Results of Operations and Financial Condition.

On August 7, 2019, AutoWeb, Inc., a Delaware corporation ("**AutoWeb**" or "**Company**"), announced in a press release its financial results for the quarter ended June 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 August 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 statement 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 8.01 Other Events.

Effective August 7, 2019, the Company's board of directors designated the Company's office in Tampa, Florida located at 400 North Ashley Drive, Suite 300, Tampa, Florida 33602 as the Company's principal office for the transaction of business of the Company pursuant to Section 1.02 of the Company's bylaws and as the Company's principal executive office.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

99.1	Press Release dated August 7, 2019
99.2	Transcript of AutoWeb, Inc.'s Conference Call dated August 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: August 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 Second Quarter 2019 Results

TAMPA, FL. – August 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 second quarter ended June 30, 2019.

Second Quarter 2019 Financial Summary

- Total revenues were $27.1 million compared to $31.6 million in Q1’19 and $29.3 million in Q2’18.
- Advertising revenues were $5.4 million compared to $5.9 million in Q1’19 and $6.9 million in Q2’18.
- Gross margin increased to 19.8% compared to 18.2% in Q1’19 and 18.9% in Q2’18.
- Net loss was $5.0 million or $(0.38) per share, compared to a net loss of $5.4 million or $(0.41) per share in Q1’19 and a net loss of $5.2 million or $(0.41) per share in Q2’18.
- Adjusted EBITDA was $(2.1) million compared to $(3.0) million in Q1’19 and $(2.2) million in Q2’18.

Second Quarter 2019 Key Operating Metrics [1]

- Lead traffic was 33.1 million visits compared to 43.2 million in Q1’19 and 34.0 million in Q2’18.[2]
- Lead volume was 1.8 million compared to 2.1 million in Q1’19 and 1.7 million in Q2’18.[3]
- Retail dealer count was 2,510 compared to 2,360 in Q1’19 and 2,550 in Q2’18.[4]
- Retail lead capacity was 142,000 lead targets compared to 138,000 in Q1’19 and 147,000 in Q2’18.[5]
- Click traffic was 13.2 million visits compared to 16.0 million in Q1’19 and 12.8 million in Q2’18. [6]
- Click volume was 5.3 million clicks compared to 6.2 million in Q1’19 and 4.7 million in Q2’18.[7]
- Revenue per click was $0.75 compared to $0.72 in Q1’19 and $0.82 in Q2’18. [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 click referral websites.
[8] Revenue per click = total click revenue divided by click volume.

Management Commentary

“We continued to make strides in our turnaround efforts during the second quarter, highlighted by our second consecutive quarter of gross margin expansion,” said Jared Rowe, president & CEO of AutoWeb. “We also made progress on several key initiatives, including the launch of multiple pilot programs with top 150 dealer groups and improvements to our click product by way of deploying another update to our click algorithm. In fact, revenue per click was up for the first time since we began tracking it last year, and the early signs of improved click-through rates are encouraging.

"As we mentioned on the last quarterly update, we have been highly focused on restructuring our fixed operating model to become a leaner, more profitable organization. In connection with these efforts, we have continued to shift various company functions and operations from our office in Irvine, California to our offices in Tampa, Florida and Guatemala City, Guatemala to take advantage of lower real estate and employment costs. We also believe we can be more competitive in hiring top talent in these markets. We plan to maintain our presence in California, however we will have a smaller and more efficient footprint going forward. In recognition of these changes, we have officially designated our office in Tampa, Florida as the company's principal executive office.

"Looking forward to the back half of the year, we will continue to diligently focus on margin and profitability through our various strategic initiatives. We remain on track to hit our inflection later this year, and continue to expect revenue growth and profitability for 2019."

Second Quarter 2019 Financial Results

Total revenues in the second quarter of 2019 were $27.1 million compared to $29.3 million in the year-ago quarter, with advertising revenues of $5.4 million compared to $6.9 million in the year-ago quarter. The decline in total revenues was primarily due to a decrease in click volume and pricing.

Gross profit in the second quarter was $5.4 million compared to $5.5 million in the year-ago quarter. As a percentage of revenue, gross profit improved 90 basis points to 19.8%, primarily due to the company's improved click product and continued focus on higher-margin distribution channels.

Total operating expenses in the second quarter were $10.4 million compared to $10.9 million in the year-ago quarter.

Net loss in the second quarter of 2019 improved to $5.0 million or $(0.38) per share, compared to a net loss of $5.2 million or $(0.41) per share in the year-ago quarter.

Adjusted EBITDA was $(2.1) million compared to $(2.2) million in the second quarter of 2018. (see "Note about Non-GAAP Financial Measures" below for further discussion).

At June 30, 2019, cash, cash equivalents and restricted cash totaled $6.4 million compared to $13.6 million at December 31, 2018. The decrease was driven by operating losses and the funding of capital expenditures in the first half of 2019. The company expects cash burn to reduce in the third quarter as the company reaches its inflection point and turns cash flow positive in the fourth quarter. AutoWeb had no outstanding balance on its $25 million revolving credit facility at June 30, 2019.

Conference Call

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

Date: Wednesday, August 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: 9521818

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 August 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: 9521818

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 June 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 and special event invitations by accessing the online registration form at investor.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) the company will continue to diligently focus on margin and profitability through our various strategic initiatives in the back half of 2019; (ii) the company remains on track to hit its inflection later this year, and continues to expect revenue growth and profitability for 2019; (iii) the company plans to maintain its presence in California, however it will have a smaller and more efficient footprint in California going forward; and (iv) the company expects cash burn to reduce in the third quarter as the company reaches its inflection point and turns cash flow positive in the fourth quarter, 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
J.P. Hannan
Chief Financial Officer
1-949-437-4651
jp.hannan@autoweb.com

Investor Relations Contact:
Sean Mansouri, CFA or Cody Slach
Gateway Investor Relations
1-949-574-3860
AUTO@gatewayir.com

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

	June 30, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,431	$ 13,600
Restricted cash	5,016	-
Accounts receivable, net of allowances for bad debts and customer credits of $553 and $566 at June 30, 2019 and December 31, 2018, respectively	23,331	26,898
Prepaid expenses and other current assets	1,655	1,245
Total current assets	31,433	41,743
Property and equipment, net	3,405	3,181
Right-of-use assets	3,301	-
Intangibles assets, net	9,291	11,976
Other assets	819	516
Total assets	$ 48,249	$ 57,416
LIABILITIES, MINORITY INTEREST AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 15,627	$ 17,572
Accrued employee-related benefits	2,391	3,125
Other accrued expenses and other current liabilities	2,064	2,204
Current portion of lease liabilities	1,552	-
Current convertible note payable	-	1,000
Total current liabilities	21,634	23,901
Lease liabilities, net of current portion	1,894	-
Total liabilities	23,528	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 June 30, 2019 and December 31, 2018, respectively	13	13
Additional paid-in capital	362,737	361,218
Accumulated deficit	(338,029)	(327,716)
Total stockholders' equity	24,721	33,515
Total liabilities, minority interest and stockholders' equity	$ 48,249	$ 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 June 30,		Six Months Ended June 30,	
	2019	**2018**	**2019**	**2018**
Revenues:				
Lead fees	$ 21,691	$ 22,211	$ 47,389	$ 46,291
Advertising	5,432	6,950	11,310	15,037
Other	19	131	47	313
Total revenues	27,142	29,292	58,746	61,641
Cost of revenues	21,758	23,765	47,605	48,423
Gross profit	5,384	5,527	11,141	13,218
Operating Expenses				
Sales and marketing	2,956	3,052	5,834	6,764
Technology support	2,182	2,965	4,962	6,351
General and administrative	4,026	3,765	8,316	8,340
Depreciation and amortization	1,201	1,163	2,440	2,323
Goodwill impairment	-	-	-	5,133
Total operating expenses	10,365	10,945	21,552	28,911
Operating loss	(4,981)	(5,418)	(10,411)	(15,693)
Interest and other income (expense), net	33	201	103	201
Loss before income tax provision	(4,948)	(5,217)	(10,308)	(15,492)
Income taxes provision	5	-	5	4
Net loss and comprehensive loss	$ (4,953)	$ (5,217)	$ (10,313)	$ (15,496)
Basic and diluted loss per share:				
Basic loss per common share	$ (0.38)	$ (0.41)	$ (0.79)	$ (1.22)
Diluted loss per common share	$ (0.38)	$ (0.41)	$ (0.79)	$ (1.22)
Shares used in computing net loss per share:				
Basic	13,111	12,726	13,018	12,672
Diluted	13,111	12,726	13,018	12,672

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

	Six Months Ended June 30, 2019	2018
Cash flows from operating activities:		
Net (loss) income	(10,313)	(15,496)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	3,509	4,360
Goodwill impairment	-	5,133
Provision for bad debt	122	146
Provision for customer credits	120	153
Share-based compensation	1,111	2,569
Right-of-use assets	924	-
Lease Liabilities	(924)	-
Gain on sale of investment	-	(125)
Long-lived asset impairment	-	692
Changes in assets and liabilities		
Accounts receivable	3,325	1,548
Prepaid expenses and other current assets	(410)	428
Other non-current assets	(303)	(632)
Accounts payable	(1,945)	2,058
Accrued expenses and other current liabilities	(787)	437
Net cash (used in) provided by operating activities	(5,571)	1,271
Cash flows from investing activities:		
Purchases of property and equipment	(990)	(392)
Proceeds from sale of investment	-	125
Net cash (used in) provided by investing activities	(990)	(267)
Cash flows from financing activities:		
Proceeds from issuance of common stock	-	200
Borrowings under revolving credit facility	16,940	-
Principal payments under revolving credit facility	(16,940)	(8,000)
Payments on convertible note	(1,000)	-
Proceeds from exercise of stock options	408	74
Net cash (used in) provided by financing activities	(592)	(7,726)
Net decrease in cash and cash equivalents and restricted cash	(7,153)	(6,722)
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	6,447	18,271
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	$ 1,431	18,271
Restricted cash at end of period	$ 5,016	-
Cash and cash equivalents and restricted cash at end of period	$ 6,447	$ 18,271
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	1	-
Cash refunds for income taxes	124	-
Cash paid for interest	40	73

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

	Three Months Ended		Three Months Ended		Six Months Ended	
	March 31, 2019	March 31, 2018	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Net loss	$ (5,360)	$ (10,279)	$ (4,953)	$ (5,217)	$ (10,313)	$ (15,496)
Depreciation and amortization	1,787	2,179	1,723	2,181	3,510	4,360
Interest income	(6)	(6)	(20)	(7)	(26)	(13)
Interest expense	5	88	56	15	61	103
Income taxes	-	4	5	-	5	4
EBITDA	(3,574)	(8,014)	(3,189)	(3,028)	(6,763)	(11,042)
Non-cash stock compensation expense	551	1,626	560	942	1,111	2,568
Gain (loss) on investment	-	-	-	(125)	-	(125)
Goodwill impairment	-	5,133	-	-	-	5,133
Personnel Restructuring	-	950	496	15	496	965
Adjusted EBITDA	$ (3,023)	$ (305)	$ (2,133)	$ (2,196)	$ (5,156)	$ (2,501)

Exhibit 99.2

AutoWeb, Inc. (2019 Q2 Results)

August 7, 2019

Corporate Speakers:

- Sean Mansouri; AutoWeb; Outside Investor Relations Advisor
- Jared Rowe; AutoWeb; CEO and Director
- J.P. Hannan; AutoWeb; CFO

Participants:

- Gary Prestopino; Barrington Research; CFA and Marketing Director
- Ed Woo; Ascendiant Capital Markets, LLC; Director and Analyst

PRESENTATION

Operator: Good afternoon everyone and thank you for participating in today's conference call to discuss AutoWeb's financial results for the second quarter ending June 30, 2019.

Joining us today AutoWeb CEO Jared Rowe, the company's CFO J.P. Hannan and the company's Outside Investor Relations Advisor Sean Mansouri with Gateway Investor Relations. Following their remarks we will open the call for your questions. I would now like to turn the call over to Mr. Mansouri for some introductory comments.

Sean Mansouri: Thank you. Before I introduce Jared, I 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 that 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 second quarter ended June 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 can 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 gap 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 Rowe: Thank you Sean and good afternoon everyone. We continue to execute on our turnaround strategy during the second quarter and it made great progress on several key initiatives. First, our consistent focus on pricing optimization and retail distribution channels has led to our second consecutive quarter of gross margin expansion. This was also aided by our improvements to a traffic acquisition as we have continued to modify and optimize our search campaigns and the overall mix of our traffic sources.

During the quarter, we rolled out another update to the click algorithm that was -- that has improved our click through and our delivery rates. This is encouraging as we've experienced immediate improvements in CTR without having to tune the algorithm post release. Typically when a new algorithm is deployed you will see an initial step back before we tune it to improve performance and ultimately meet our performance goals. In this case the new algorithm almost immediately performed well, so we're very excited to further refine the algorithm to improve our clicks performance.

From a distribution perspective we made strides this quarter with leads, clicks, e-mails and even bundled solutions. From a clicks perspective, we increased the delivery rate for retail dealers and optimized our wholesale accounts, which led to our first increase in revenue for clicks since we introduced the metric last year.

Also, we made progress with some of our strategic partners, as I have mentioned on previous calls, I was disappointed with our lack of penetration in the top 150 dealer groups over the last year, however, with the newest strategic accounts team in place, we have recently launched pilot programs with some of our strategic partners that include integrated marketing solutions of leads, clicks and e-mail campaigns, along with our highly relevant first party data.

I can't stress enough the importance of delivering value to our customers as a strategic partner and not just a seller of products. We're striving to help them deliver strong and relevant experiences with high conversion amongst a very targeted audience of car buyers. But, before commenting further on the progress, I'd first like to turn it over to J.P. to walk through the details of our Q2 results. J.P.?

J.P. Hannan: Thank you Jared and good afternoon everyone. Now jumping right into our results. Second quarter revenue came in at $27.1 million compared to $31.6 million in Q1 of 2019 and $29.3 million in Q2 of 2018. Advertising revenues were $5.4 million compared to $5.9 million in Q1 of 2019 and $6.9 million in Q2 2018. With click revenues of $4.5 million in Q2 2019 compared to $5.1 million in Q1 2019 and $5.8 million in Q2 2018.

These declines were primarily due to the lower lead in click volumes as we optimize our traffic acquisition spend for profitability and higher margin growth. Gross profit during the second quarter was $5.4 million compared to $5.8 million in Q1 of 2019 and $5.5 million in the year ago quarter with gross margin coming at 19.8 percent compared to 18.2 percent in Q1 of '19 and 18.9 percent in Q2 of 2018. So, this is now our second quarter in a row of sequential margin expansion after having consistent declines in -- since 2016, which reflects our better control of margins and outcomes within our product suite.

Total operating expenses in the second quarter were $10.4 million compared to $11.2 million in Q1 of 2019 and $10.9 million in Q2 of 2018. Now on a GAAP basis, net loss in the second quarter was $5 million or $0.38 per share on 13.1 million shares. This compares to a net loss of $5.4 million or $0.41 per share on 13.1 million shares in Q1 of 2019, and a net loss of $5.2 million or $0.41 per share on 12.9 million shares in the year ago quarter.

Adjusted EBITDA in the second quarter was a loss of $2.1 million compared to a loss of $3 million in Q1 of 2019 and a loss of $2.1 million in Q2 2018. This sequential improvement is being driven by our improved gross margins and our expense management.

Cash used by operations in the second quarter was $5.6 million compared to $2.1 million in Q1 of 2019 and cash generation of $1.3 million in Q2 2018. Now as I mentioned on our last call, we expect an incremental cash burn in the first half of 2019, as we invested in our people, our products and our technology, with our intention to return growth and profitability for the year. We expect cash burn to reduce in the third quarter before turning cash flow positive into the fourth quarter.

Now, as of June 30, 2019, our cash, cash equivalence and restricted cash stood at $6.4 million compared to $13.6 million at December 31, 2018. We're also debt free as of June 30, 2019 with no outstanding amount on our $25 million secured revolving credit facility at the end of the quarter. This compares to $1 million of debt at the end of 2018 as we paid off our former convertible note in January 2019.

Now moving onto our key operating metrics which are defined in the footnotes of our press release issues earlier today. And please note this quarter we have added and removed certain website properties from our tracking metrics as we continue to refine our site portfolio and our approach to tagging with a goal of making these figures as relevant as possible for investors to gauge how we're trending. These changes were made in the prior periods as well for comparative purposes.

Lead traffic was 33.1 million visits during the second quarter compared to 43.2 million in Q1 of 2019 and 34 million in Q2 of 2018. The sequential decrease is primarily driven by our decision to reduce volume to certain less productive sales and distributions channels.

Our lead volume in the second quarter was approximately 1.8 million compared to 2.1 million in Q1 of 2019 and 1.7 million in the year ago period. This decrease was driven by our lower traffic and our proactive reduction of traffic acquisition spend as we're optimizing for profitability.

Our retailer dealer count was 2,510 compared to 2,360 in Q1 of 2019 and 2,550 in Q2 2018. We continue to expect choppiness in our dealer count and capacity as we're working through implementing new sales teams market initiatives to better present our value proposition to our dealers and our OEMs.

Our retail REIT capacity for the second quarter was 142,000 lead targets compared to 138,000 in Q1 of 2019 and 147,000 in Q2 of 2018. You'll notice these figures are lower than the target counts we'd previously provided as we're now reporting this metric at a point in time at the end of the quarter as opposed to the sum of the lead targets for each month.

This is similar to the way we would present a balance sheet metric. We believe this is more effective – a more effective approach to gauge variances in our lead capacity.

As we mentioned in our last call, it's important to note that our lead capacity and dealer count did not necessarily have to increase for us to deliver revenue growth because we don't always deliver leads to our full capacity. Thus we can still grow revenue by increasing our delivery rate with individual dealers despite dealer count and capacity retracting, and we're still highly focused on returning to dealer count and capacity growth through better sales and marketing and continued product enhancements.

Click traffic in the second quarter was 13.2 million compared to 16 million in Q1 2019 and 12.8 million in the year ago quarter. The sequential decrease was primarily driven by lower lead traffic and investments in traffic acquisition as we're highly focused on improving margins and we will not chase lower margin sales for the sake of growth.

Click volume in the second quarter was 5.3 million clicks compared to 6.2 million in Q1 2019 and 4.7 million in Q2 2018. The sequential decline was driven by lower click traffic.

Revenue per click during the quarter was up to $0.75 compared to $0.72 in Q1 2019 an $0.82 in Q2 2018. This is our first quarter of generating sequential increase in revenue per click since we introduced the metric last year, which reflects our commitment to higher margin distribution channels and improved pricing.

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

Jared Rowe: Thank you, J.P. As I mentioned earlier, we're highly focused on margins and profitability as well as delivering strategic value to our clients. Although some of the volume have come down for both leads and clicks, this is a result of our profitability initiatives as we will not grow for the sake of growth without proper margin.

Despite the lower top line, as J.P. mentioned, we improved both gross margin and adjusted EBITDA compared to the first quarter. We're also keenly focused on restructuring our fixed operating model to run a leaner and more efficient organization.

On the last call, we discussed our efforts to migrate some of the company's functions and operations from our office in California to our offices in Tampa and Guatemala City. Now, in addition to lower real estate costs, we believe we can more – we can be more competitive in hiring top personnel in these markets, and we plan to maintain our presence in California. However, we will have a smaller and more efficient footprint going forward. And in recognition of these changes we are announcing that our office in Tampa has been designated as the company's principle executive office going forward.

As mentioned a few months ago, we've had work to do with our click distribution as we have been selling far too many clicks to non-endemic advertisers which naturally pay less per click than endemic buyers.

I'm pleased to report that during the quarter we made good progress in selling clicks to near-endemic advertisers as well as improving the delivery rate for endemic advertisers. This is immediately evident in the revenue per click.

Now, we expect to continue improving this dynamic over the course of the year as we further optimize our channel mix and benefit from bundling of our products.

As J.P. mentioned earlier, we've become more efficient with the dealers and capacity we have by improving delivery rate. For perspective, almost 60 percent of our retail dealers consumed 100 percent of their click budgets that were allocated to us in June which is nearly double the delivery rate at the start of the year.

There's still room to improve but the progress has been very encouraging. While I'm also pleased with the progress we've made to break into the top 150 dealer groups there's still work to be done in better presenting AutoWeb as a strategic partner to our clients and selling value to retail dealers. If our client is realizing value as a whole by our bundled solutions it becomes a very different conversation with them in terms of individual product performance and pricing.

It's also important that we realign the structure of our relationship with dealers so that we are delivering on the specifically defined [KPI] set by the dealers. From there we can continue to partner with them and establish the proper framework for our integrated and bundled solutions.

So in summary we continue to execute on our very strategic initiatives and we're realizing the early benefits to click rate and delivery rates. Which improve both gross margin and profitability. There's still work to be done but were tracking to achieve our goal of generating revenue growth and profitability in 2019. As we reach our [flexing] point later this year. So with that we'll now open the call to questions.

QUESTIONS AND ANSWERS

Operator: (Operator Instructions). And our first question come from Gary Prestopino with Barrington Research, the line is open.

Gary Prestopino: The growth in retail dealer count does that directly correlate with the pilot programs that you're doing with the dealer groups? I mean are you counting that in there?

Jared Rowe: That does get picked up in there, but that isn't what's driving the – driving the change there. That change is really a mix of some of the things that we talked about on the last call of shifting some of the dealers out of wholesale into retail as well as some of the good work that we've done from our retail perspective. Again to J.P.'s earlier point and I'm just going to keep hammering this one home. Is we do expect some choppiness so we'll get some momentum we'll learn something we'll start to move it in the right direction.

And then we'll take a little bit of a step back because we're really rebuilding our approach. Our go to market approach from the ground up. So we feel good about the progress we made last quarter. But it's definitely not all because of the pilot program, Gary, no.

Gary Prestopino: So just in general with what's going on the industry right now. You know sluggish new car sales. And the revamp of your sales force is it, are there indications that there's more of an appetite for a paid per leave model more so than there maybe was one or two years ago versus a subscription based model out there:

Jared Rowe: I've always liked the direct attribution associated with the lead model and I do think it helps with the conversations with the clients. We're aligned with their outcomes it just helps us quite a bit as we go to market. So I don't know if more or less, Gary, but I can tell you that with the decline we like our position in the market and we like being aligned with our clients, their outcome.

Gary Prestopino: Okay and then just to be clear here you're looking for a less, a much less of the cash burn in Q3 versus what you had in combined in Q1 and Q2? And then you are still looking at positive [adjusted EBITDA] in Q4?

Jared Rowe: Yes, you have that right.

Operator: Our next question comes from Ed Woo with Ascendiant Capital. Your line is open.

Ed Woo: (Inaudible) what are you seeing and hearing from your customers about the outlook for the rest of this year and into next year?

Jared Rowe: They're definitely seeing the slowing and were definitely seeing the inventory continue to pick up. There's still is some bullishness in terms of where we're going to land at the end of this year. The mix of fleet and retail is shifting. A little bit more towards fleet it's just not, not quite priced as low as we've seen some of the fleet sales in the past.

But overall we do see our clients continuing to focus on their profitability and really try to deal with a bit of a slowdown in some of the cost increases. But again, Ed, I would tell you that we're pretty bullish because of economic model and we're pretty bullish because at the end of the day we know that the retailers are going to have to figure out how to sell these cars. And if we can help them do it efficiently then we think they will do business with us.

Operator: I'm showing no further questions at this time. I'd like to turn the call back to Mr. Jared Rowe for any closing remarks.

Jared Rowe: Well thank you everybody. We very much appreciate you joining the call today. I also want to really thank the Auto Web team we've been doing an awful lot of good hard work here over the last year. We're very, very excited to really push this over the end line here and get to the inflection point that we've been talking about.

Because we do intend to get back to growth and profitability this year. Also just a reminder J.P. and I are going to be at the Gateway Conference in San Francisco in September and hopefully we'll see some of you there. So thanks again for your time we appreciate it and we'll talk again soon. Thanks.

Operator: Ladies and gentlemen thank you for participating in today's conference. This concludes the program you may all disconnect. Everyone have a great day.