

Investor Presentation

March 2019

拍拍贷 *触手可及的金融*
ppdai.com



Map chart

Disclaimer

This presentation has been prepared by PPDAl Group Inc. (the "Company") pursuant to Section 5(d) of the U.S. Securities Act of 1933, as amended (the "Securities Act") solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or instrument or to participate in any investment activity or trading strategy, nor may it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever, in the United States or anywhere else. This presentation does not constitute legal, regulatory, accounting or tax advice to you, we recommend that you seek independent third party legal, regulatory, accounting and tax advice regarding the contents of this document.

By viewing this presentation or participating in this meeting, you acknowledge and agree that (i) the information contained in this presentation is intended for the recipient of this information only and shall not be disclosed, reproduced or distributed in any way to anyone else, (ii) no part of this presentation or any other materials provided in connection herewith may be photographed, copied, retained, taken away, reproduced or redistributed following this presentation or meeting, and (iii) all participants must return this presentation and all other materials used during this presentation or meeting to the Company at the completion of the presentation or meeting. By viewing, accessing or participating in this meeting, you agree to be bound by the foregoing limitations. Any failure to comply with these restrictions may constitute a violation of applicable securities laws. The distribution of any information herein in other jurisdictions may be restricted by law and persons into whose possession this information comes should inform themselves about, and observe, any such restrictions.

This presentation has been prepared solely for use at this meeting. The information herein is subject to change without notice and its accuracy is not guaranteed. Nothing contained in this presentation shall be relied upon as a promise or representation as to the past or future performance of the Company. Past performance does not guarantee or predict future performance. This presentation shall neither be deemed an indication of the state of affairs of the Company nor constitute an indication that there has been no change in the business affairs of the Company since the date hereof or since the dates as of which information is given herein. This presentation also does not contain all relevant information relating to the Company or its securities, particularly with respect to the risks and special considerations involved with an investment in the securities of the Company, and these materials are qualified in their entirety by reference to the detailed information appearing in the Company's filings with the U.S. Securities and Exchange Commission.

Certain of the information included herein was obtained from various sources, including third parties, and has not been independently verified by the Company or any underwriters. By viewing or accessing the information contained in this presentation, you hereby acknowledge and agree that neither the Company, nor any of the affiliates, advisers and representatives of the Company accept any responsibility for, or makes any representation or warranty, expressed or implied, with respect to, the truth, accuracy, fairness, completeness or reasonableness of the information contained in, and omissions from, this presentation and that neither the Company nor any of its affiliates, advisers, representatives accept any liability whatsoever for any loss howsoever arising from any information presented or contained in this presentation.

Statistical and other information relating to the general economy and the industry in which the Company is engaged contained in this presentation material has been compiled from various publicly available official or unofficial sources. The Company or any of its affiliates, advisors or representatives has not independently verified market, industry and product testing data provided by other third-party sources. These data involve a number of assumptions and limitations, and you are cautioned not to give undue weight to such information and estimates.

This presentation also contains non-GAAP financial measures (including non-GAAP adjusted operating income and non-GAAP adjusted operating margin), which are provided as additional information to help you compare business trends among different reporting periods on a consistent basis and to enhance your overall understanding of the historical and current financial performance of the Company's operations. These non-GAAP financial measures should be considered in addition to results prepared in accordance with the U.S. GAAP, but should not be considered a substitute for or superior to the Company's U.S. GAAP results. In addition, the Company's calculation of these non-GAAP financial measures may be different from the calculation used by other companies, and therefore comparability may be limited.

This presentation contains certain forward-looking statements, including statements related to industry developments and the Company's future financial or business performance, strategies or expectations. These statements constitute "forward-looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the U.S. Private Securities Litigation Reform Act of 1995. These statements can be identified by the fact that they do not relate strictly to historical or current facts. Forward-looking statements often include words such as "anticipates," "estimates," "expects," "projects," "intends," "plans," "believes" and words and terms of similar substance in connection with discussions of future performance. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ materially from those in the forward-looking statements as a result of various factors and assumptions, many of which are beyond the Company's control. Neither the Company nor any of its affiliates, advisors, representatives has any obligation to, nor do any of them undertake to, revise or update the forward-looking statements contained in this presentation to reflect future events or circumstances.

Mission

We leverage **innovative technology** to deliver the most **accessible** and **convenient** financial services

T E C H N O L O G Y I S T H E F U T U R E

拍拍贷
ppdai.com

科技即未来
2019年中国金融科技百强企业



智慧金融研究院
SMART FINANCE INSTITUTE

#1 online consumer finance marketplace in China



Marketplace business model
Driving scalability in the long run



11-year operating history
Consistent strategy and continuous innovation



Technology driven
99% of loans processed automatically⁽¹⁾



Large user base
89mn registered users⁽²⁾/14.4mn borrowers⁽³⁾



Consistent growth
Sequential operating revenue increase⁽⁴⁾

Loan origination volume

RMB in billions



Operating revenues

RMB in millions



Note:

- (1) Rank No.1 among China's online consumer finance marketplaces in terms of number of borrowers as of December 31, 2016 and June 30, 2017.
- (2) Represents the % of loan applications on the marketplace that go through the automated process. Data for the three months ended December 31, 2018.
- (3) As of December 31, 2018.
- (4) On a cumulative basis, as of December 31, 2018.
- (5) Sequential operating revenue growth from Q4 2017 to Q4 2018.

Massive and fast-growing online consumer finance market

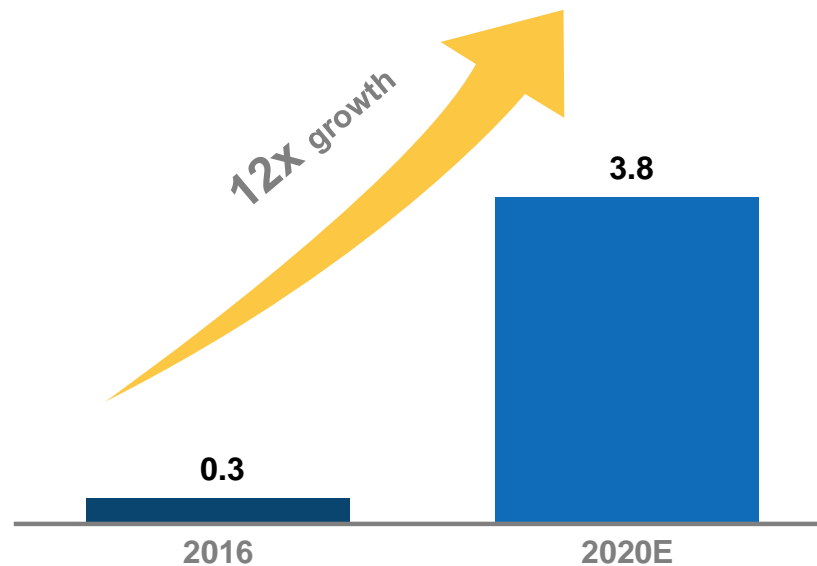
**Over
440mn⁽¹⁾**

people under served
by the banking system



**China online consumer finance market
outstanding balance**

RMB in trillions



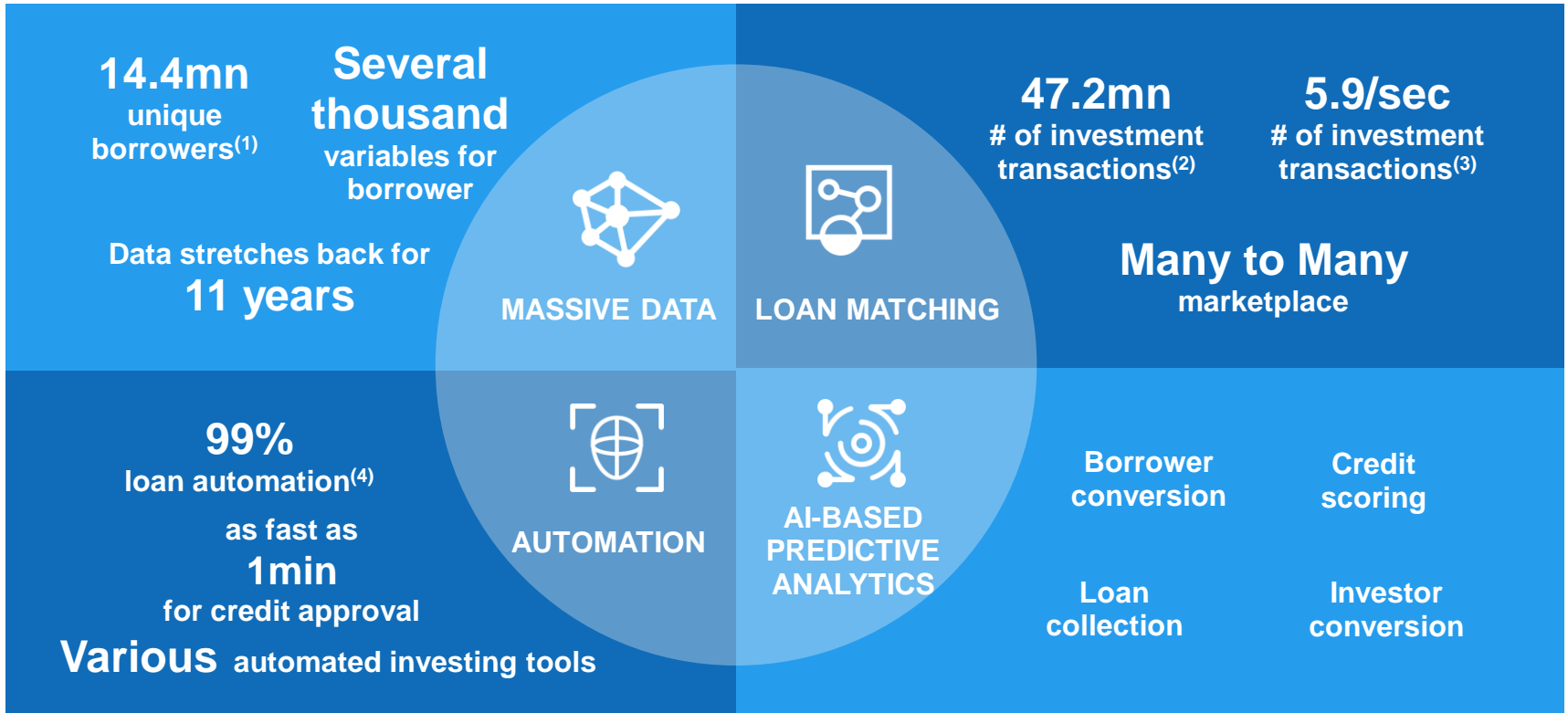
Sources: iResearch. Scale is approximate only.

(1) According to iResearch's estimation, at the end of 2016, China had a population of 850 million between ages of 18 and 60 while only 440 million people has credit history. Number is estimated based on difference between China's population between the age of 18 to 60 at the end of 2016 and China's population who have credit history at the end of 2016.

Virtuous business model amplified by network effects



Automation powered by big data and proprietary technologies



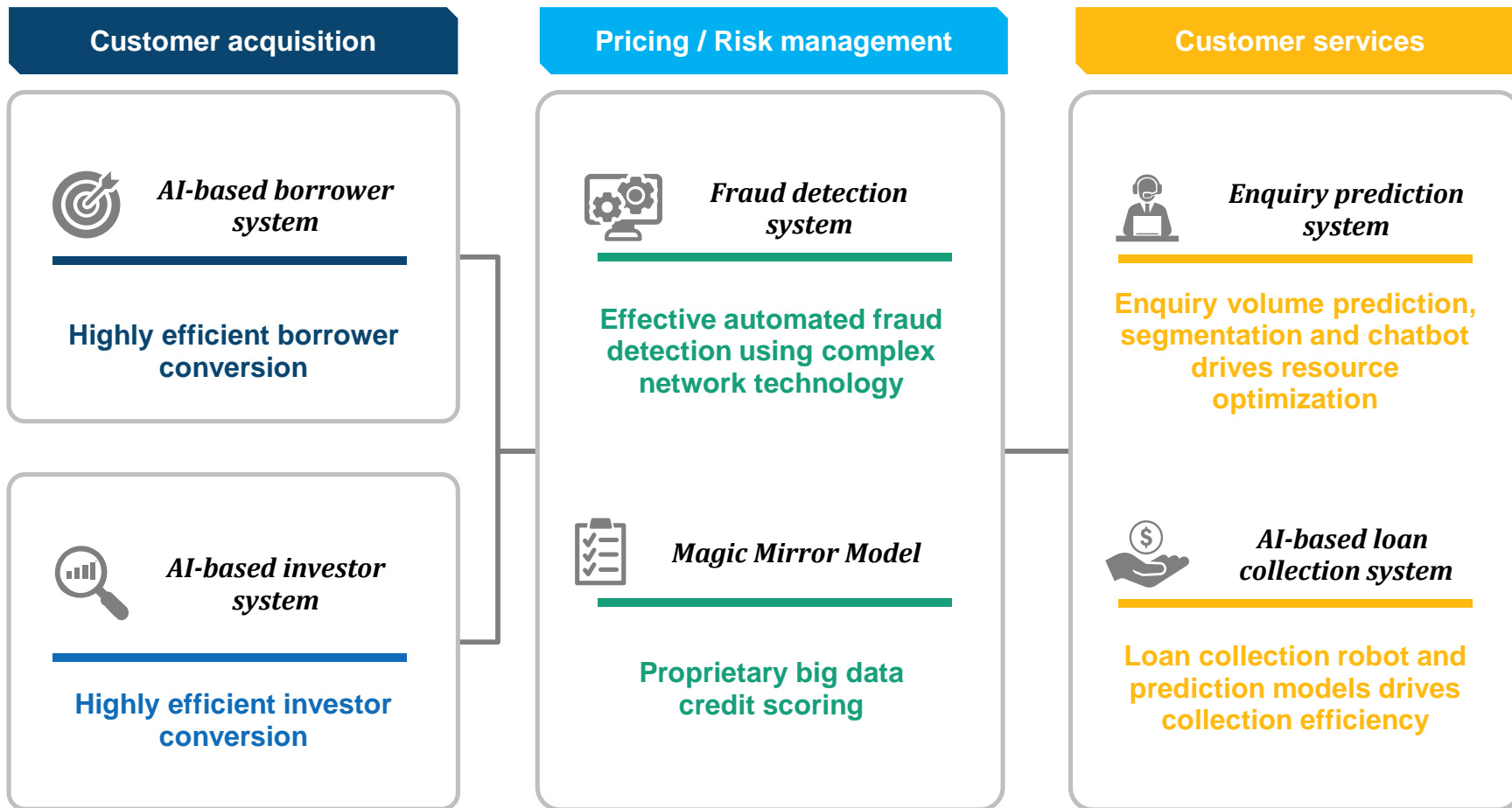
(1) On a cumulative basis, data as of December 31, 2018.

(2) Data for the three months ended December 31, 2018.

(3) Data for the three months ended December 31, 2018. Calculated by: (i) number of investment transactions, divided by (ii) number of seconds during the period.

(4) Represents the % of loan applications on the marketplace that go through the automated process. Data for the three months ended December 31, 2018.

Advanced technologies drive all aspects of our business



Operating efficiency driven by broad range of AI-based technologies

Our borrowers and investors

Borrower profile



20-40

Average borrower age



RMB 3,423

Average principal amount⁽²⁾



9.6 months

Average loan tenure⁽²⁾

Investor profile

668K

Individual investors⁽¹⁾



RMB 83,130

Average investment amount⁽³⁾



Strong

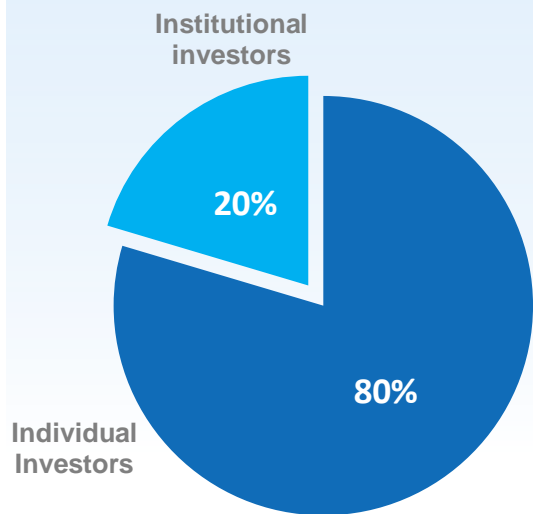
Investor traction/loyalty



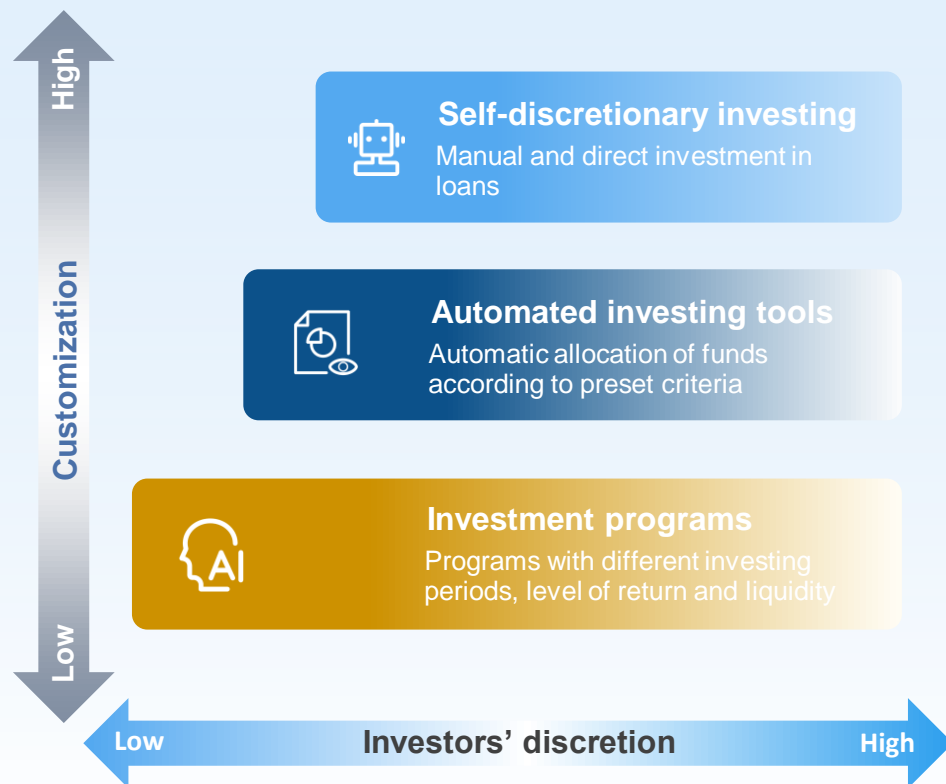
(1) On a cumulative basis, as of December 31, 2018.
(2) Calculated based on loans originated on our marketplace in the three months ended December 31, 2018.
(3) Investment amount per individual investor, who has made at least one investment, in the three months ended December 31, 2018.

Diversified funding sources and investment methods

Loan origination volume⁽¹⁾ breakdown

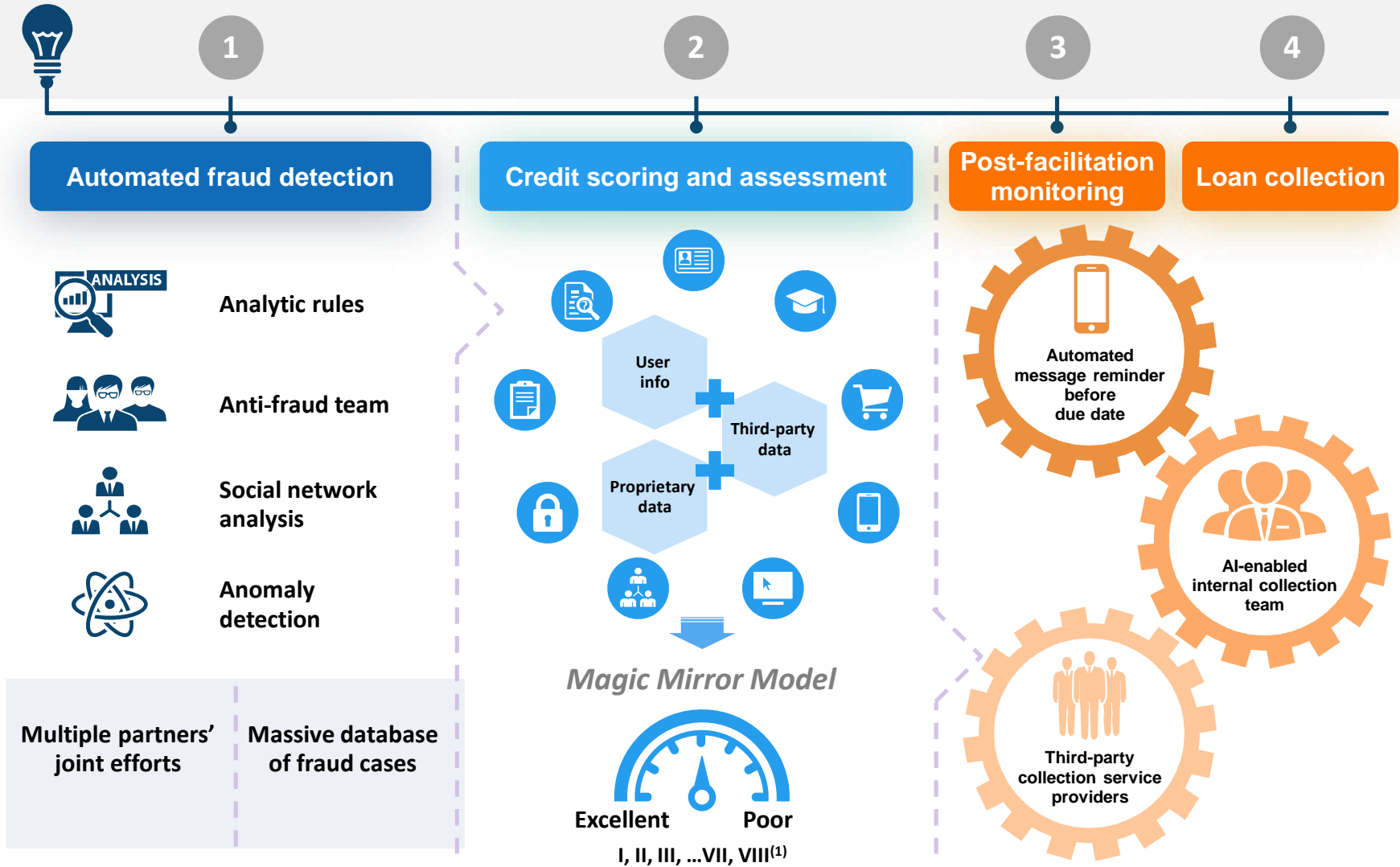


Flexible investment methods



(1) Data for the three months ended December 31, 2018.

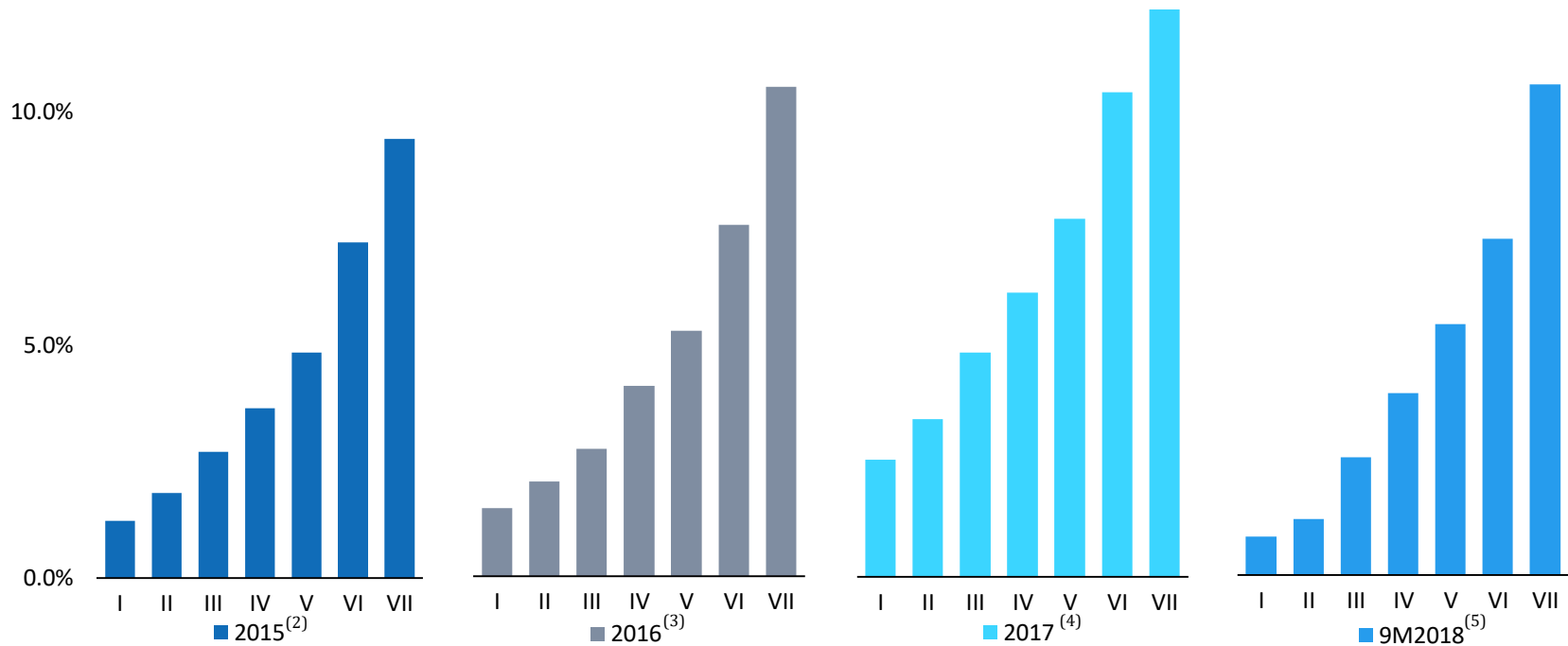
Sophisticated risk management technologies and capabilities



(1) Loan applicants with credit rating of VIII will be rejected.

Strong and consistent risk-sloping capability by credit rating

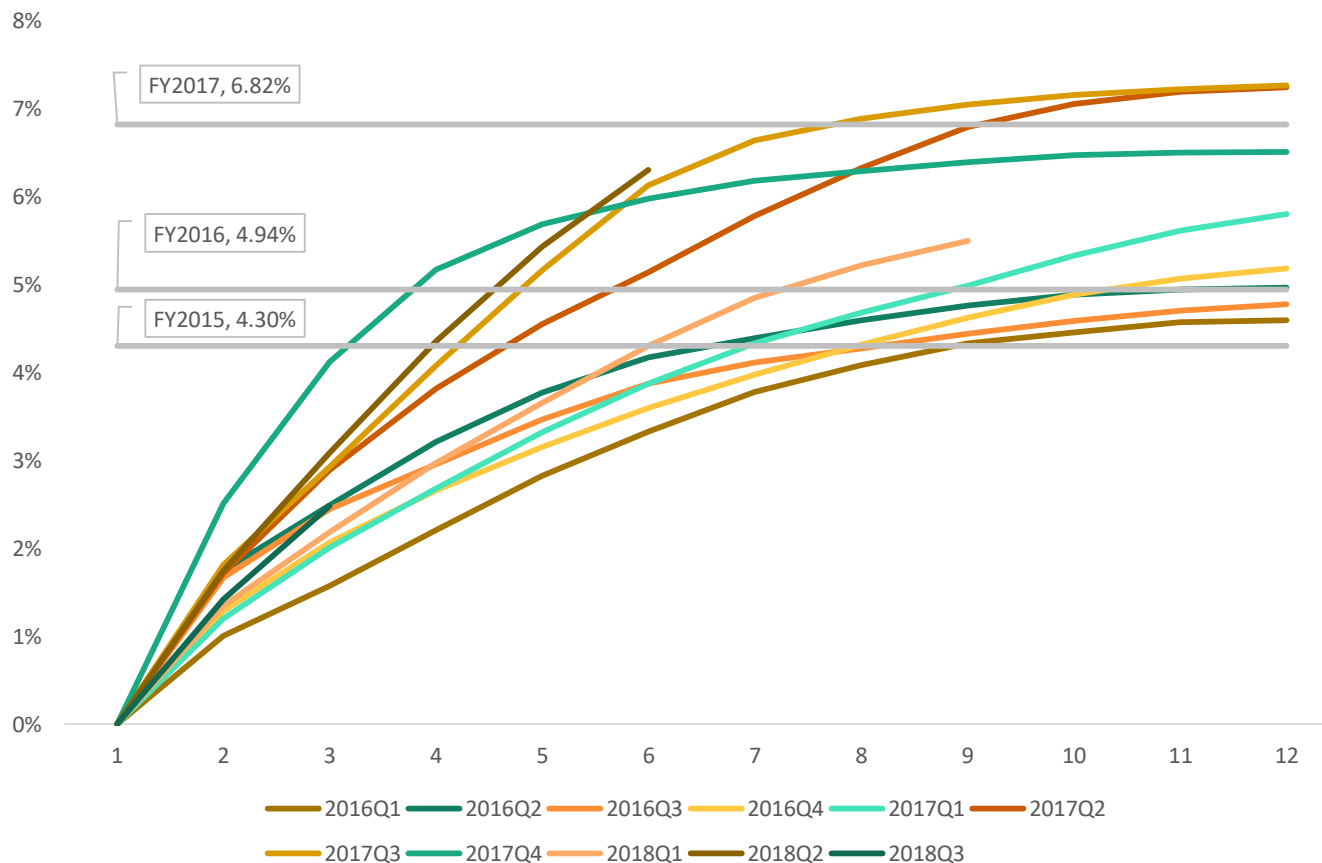
Vintage delinquency rate by credit rating⁽¹⁾



- (1) Credit rating refers to Magic Mirror scores, with Level I representing the lowest risk and Level VIII the highest, Level VIII loan applicants will be rejected.
- (2) Vintage delinquency rate for loans facilitated during 2015 is calculated as the volume weighed average of the quarterly vintage delinquency rates at the end of the 12th month following the inception of each loan in an applicable vintage.
- (3) Vintage delinquency rate for loans facilitated during 2016 is calculated as the volume weighed average of the quarterly vintage delinquency rates at the end of the 12th month following the inception of each loan in an applicable vintage.
- (4) Represents vintage delinquency rate for loans facilitated during 2017 as of December 31,2018.
- (5) Represents vintage delinquency rate for loans facilitated during 9M2018 as of December 31,2018.

Cumulative delinquency rates by vintage

Delinquency rate by vintage⁽¹⁾



Note: Data as of December 31, 2018. Represents the historical cumulative 30-day plus past due delinquency rates by loan origination vintage for all continuing loan products.
 (1) Vintage is defined as loans facilitated during a specified time period. Delinquency rate by vintage is defined as (i) the total amount of principal for all loans in a vintage that become delinquent, less (ii) the total amount of recovered past due principal for all loans in the same vintage, and divided by (iii) the total amount of initial principal for all loans in such vintage.

Delinquency rates by balance⁽¹⁾

Delinquent for

	15–29 days	30–59 days	60–89 days	90–179 days
March 31, 2015	0.79%	1.75%	1.10%	2.56%
June 30, 2015	0.88%	1.06%	0.67%	2.10%
September 30, 2015	0.67%	0.89%	0.61%	1.33%
December 31, 2015	0.80%	0.93%	0.51%	1.20%
March 31, 2016	0.62%	0.93%	0.72%	1.41%
June 30, 2016	0.82%	1.01%	0.63%	1.34%
September 30, 2016	0.83%	1.11%	0.80%	1.50%
December 31, 2016	0.63%	0.91%	0.75%	2.04%
March 31, 2017	0.57%	0.95%	0.79%	1.64%
June 30, 2017	0.86%	1.11%	0.79%	1.58%
September 30, 2017	0.89%	1.40%	1.15%	2.41%
December 31, 2017	2.27%	2.21%	1.72%	4.19%
March 31, 2018	0.87%	2.11%	2.43%	8.01%
June 30, 2018	0.83%	1.21%	1.05%	4.61%
September 30, 2018	1.03%	1.77%	1.49%	3.37%
December 31, 2018	0.92%	1.63%	1.41%	4.23%

(1) Delinquency rate by balance is defined as the balance of outstanding principal for loans that were 15-29, 30-59, 60-89, 90-179 calendar days past due as of the date indicated as a percentage of the total outstanding principal for loans, excluding those at 180+ days delinquent, as of the same date.

Visionary and experienced management team



ZHANG Jun
Co-founder
Co-Chief
Executive Officer

■ Industry experience: 18 years



■ Education:
- Shanghai Jiao Tong University



HU Honghui
Co-founder
President

■ Industry experience: 18 years



■ Education:
- Shanghai Jiao Tong University
- Fudan University



LI Tiezheng
Co-founder
Chief Strategy Officer

■ Industry experience: 13 years



■ Education:
- Shanghai Jiao Tong University
- China Europe International
Business School



GU Shaofeng
Co-founder
Strategy advisor

■ Industry experience: 18 years



■ Education:
- Shanghai Jiao Tong University



ZHANG Feng
Co-Chief
Executive Officer

■ Industry experience:
15 years



■ Education:
- Tsinghua University
- Duke University



Simon Ho
Chief
Financial Officer

■ Industry experience:
22 years



■ Education:
- Northwestern University



GU Ming
Chief Risk Officer &
Chief Data Officer

■ Industry experience:
9 years



■ Education:
- Grinnell College
- California Institute of
Technology



SI Jinqi
Chief
Technology Officer

■ Industry experience:
15 years



■ Education:
- Lanzhou University



WANG Yuxiang
Chief Product
Officer

■ Industry experience:
17 years



■ Education:
- Fudan University

Strategies for growth

Broaden user base



Expand loan products



Expand investment options



Strengthen brand recognition

Improve operating efficiency

Leverage AI capabilities to...



Optimize sales and marketing efforts



Improve customer service efficiencies through technologies



Enhance loan collection efficiencies through technologies

Expand into new businesses



Technologies as a service to third party financial institutions



Explore M&A opportunities



International expansion

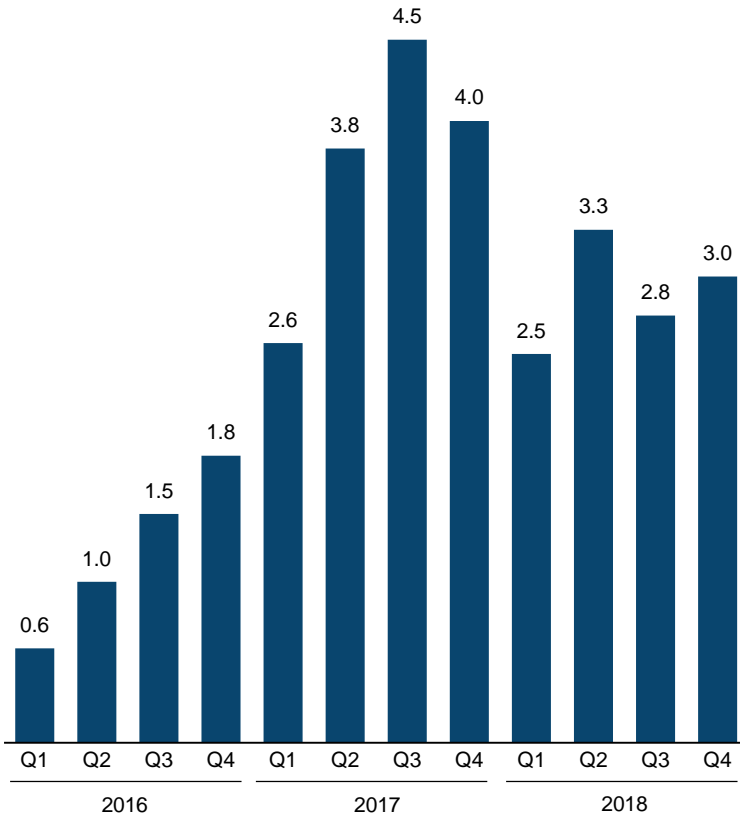
Financials



Borrowers fuel our loan origination volume

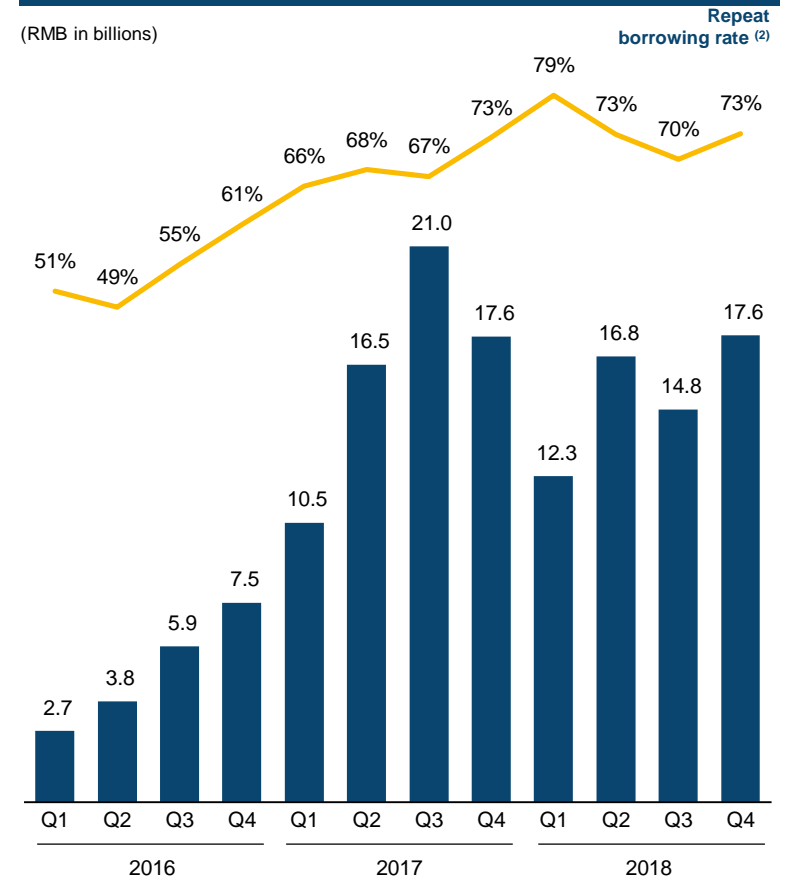
Number of unique borrowers⁽¹⁾

(Millions)



Loan origination volume

(RMB in billions)

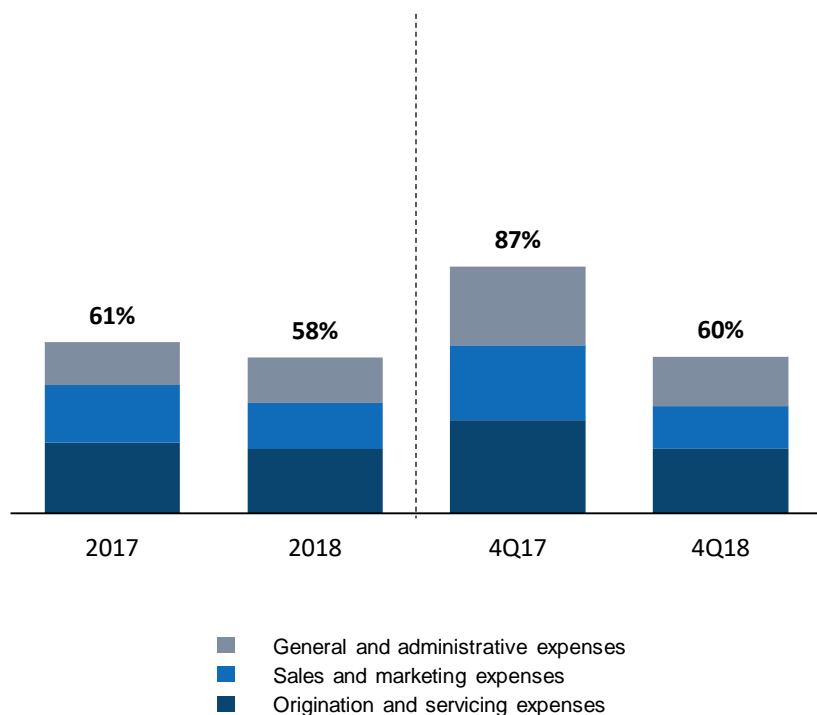


(1) Represents number of borrowers whose loans were funded during each period presented.

(2) % of loan volume generated by repeat borrowers. Repeat borrowers are borrowers who have successfully borrowed on our platform before.

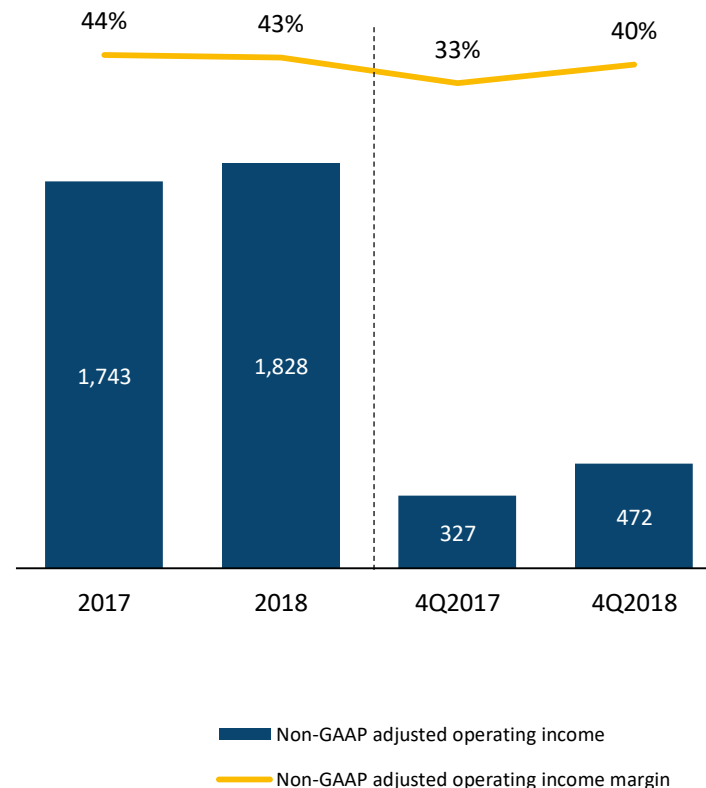
High operating leverage driving profitability

Operating expenses as percentage of net revenue



Non-GAAP adjusted operating income⁽¹⁾

(RMB in millions)



(1) Non GAAP adjusted operating income for FY2017, which excludes share-based compensation expenses of RMB106.2 million and a provision of RMB107.7 million for expected discretionary payments to investors in investment programs protected by the Company's investor reserve funds.
 Non GAAP adjusted operating income for FY2018, which excludes share-based compensation expenses of RMB50.3 million and a write-back of provision of RMB68.6 million for expected discretionary payments to investors in investment programs protected by the Company's investor reserve funds.
 Non GAAP adjusted operating income for Q4 2017, which excludes share-based compensation expenses of RMB106.2 million and a provision of RMB107.7 million for expected discretionary payments to investors in investment programs protected by the investor reserve funds.
 Non GAAP adjusted operating income for Q4 2018, which excludes share-based compensation expenses of RMB9.6 million and a write back provision of RMB24.0 million for expected discretionary payments to investors in investment programs protected by the investor reserve funds.

#1 online consumer finance marketplace in China



Leading independent platform

- ✓ 89mn registered users⁽¹⁾, 14.4mn borrowers⁽²⁾
- ✓ Data and technology driven platform
- ✓ 11-year operating history with a strong brand and trust

Sustainable and compliant business

- ✓ Low-cost and competitive customer acquisition
- ✓ Diversified and loyal investor base
- ✓ Highly effective risk management

Huge market opportunity

- ✓ Huge underserved population of 440mn
- ✓ Track record of rapid and consistent growth
- ✓ Well positioned to expand into new markets

Note: Rank No.1 among China's online consumer finance marketplaces in terms of number of borrowers as of December 31, 2016 and June 30, 2017.

(1) As of December 31, 2018.

(2) On a cumulative basis, as of December 31, 2018.

A low-angle, upward-looking photograph of several modern skyscrapers with glass facades. The buildings are arranged in a way that they converge towards the top of the frame, creating a sense of height and scale. The sky is a vibrant blue with scattered white clouds. The overall color palette is dominated by blues and greys.

Appendix

Income statement summary

RMB million	FY2016	FY2017	FY2018	4Q2017	4Q2018
Operating revenues	1,209	3,896	4,288	912	1,219
Loan facilitation service fees	911	2,843	2,919	620	837
Post-facilitation service fees	127	669	923	227	250
Other revenue	170	491	377	172	108
Expected discretionary payment to IRF investors	-	(108)	69	(108)	24
Net revenues	1,216	3,881	4,351	899	1,210
<i>% YoY growth</i>	521%	219%	12%	81%	35%
Operating expenses	(979)	(2,351)	(2,504)	(785)	(723)
Origination and servicing expenses	(388)	(975)	(986)	(296)	(278)
Sales and marketing expenses	(353)	(788)	(711)	(239)	(181)
General and administrative expenses	(238)	(589)	(701)	(250)	(212)
Operating income⁽¹⁾	237	1,529	1,847	114	487
<i>Operating income margin⁽²⁾</i>	19%	39%	42%	13%	40%
Other income ⁽³⁾	313	(172)	774	(695)	94
Profit before income tax expenses	550	1,358	2,621	(581)	581
Net profit	502	1,083	2,470	(507)	775
<i>Net profit margin⁽⁴⁾</i>	41%	28%	57%	(56%)	64%

(1) Operating income = net revenues – total operating expenses.

(2) Operating income margin = (net revenues – operating expenses) divided by net revenues

(3) Other income includes (i) Gain from quality assurance fund, (ii) Realized gain from financial guarantee derivatives, (iii) Fair value change of financial guarantee derivatives, (iv) Gain from disposal of a subsidiary, and (v) Other income/(expenses), net.

(4) Net profit margin = Net profit divided by net revenues.

Selected balance sheet items

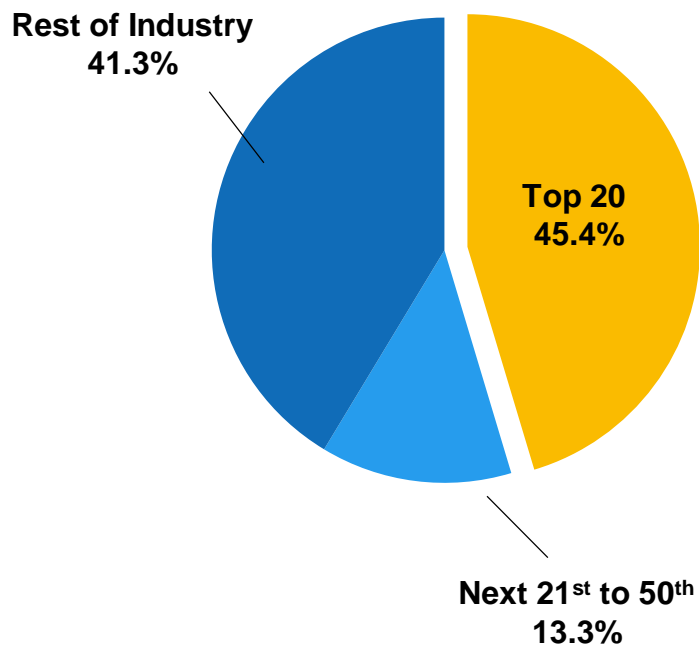
RMB million	As of Dec 31, 2016	As of Dec 31, 2017	As of Dec 31, 2018
Cash and cash equivalents	405	1,891	1,616
Restricted cash:	803	2,393	3,678
<i>Quality assurance fund</i>	330	1,059	2,414
<i>Investor reserve fund</i>	52	175	18
<i>Cash received from investors or borrowers</i>	422	1,114	905
Short-term investments	260	1,959	1,694
Quality assurance fund receivable	287	1,153	2,064
Loan receivable, net provision for loan losses	28	682	2,331
Financial guarantee derivative	167	-	56
Total assets	2,147	8,604	13,142
Payable to platform customers	422	1,114	905
Quality assurance fund payable	474	2,063	3,819
Funds payable to investors of consolidated trusts	30	503	1,506
Financial guarantee derivative	-	216	-
Total liabilities	1,375	4,921	7,157
Total shareholders' equity	(438)	3,682	5,986

Selected Statement of Cash Flow

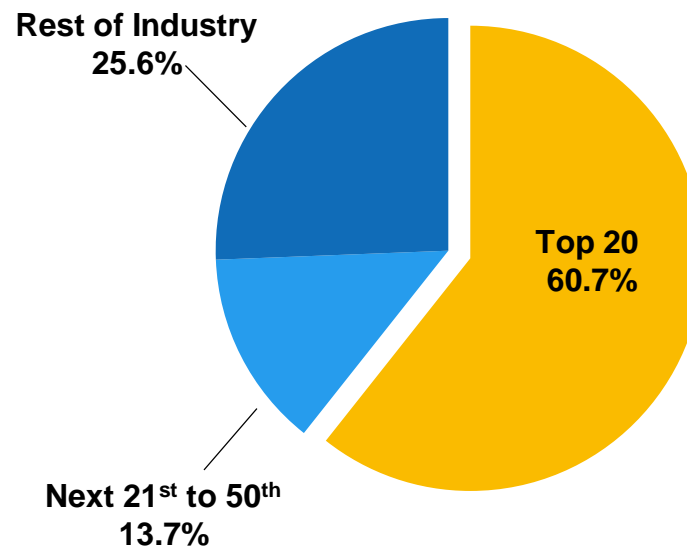
RMB million	FY2017	FY2018	4Q2017	4Q2018
Net cash provided by operating activities	3,409	1,885	(28)	519
Net cash used in investing activities	(2,451)	(1,447)	(876)	(820)
Net cash generated in financing activities	2,133	530	1,702	441
Effect of exchange rate changes on cash and cash equivalents	(15)	42	(15)	(3)
Net increase/(decrease) in cash and cash equivalents	3,076	1,010	782	137
Cash and cash equivalent at beginning of year/period	1,208	4,284	3,501	5,157
Cash and cash equivalent at end of year/period	4,284	5,294	4,284	5,294

Rapid industry consolidation – Industry loan balance

Dec 31, 2017
2,351 Operational Platforms⁽¹⁾



Dec 31, 2018
1,086 Operational Platforms⁽²⁾



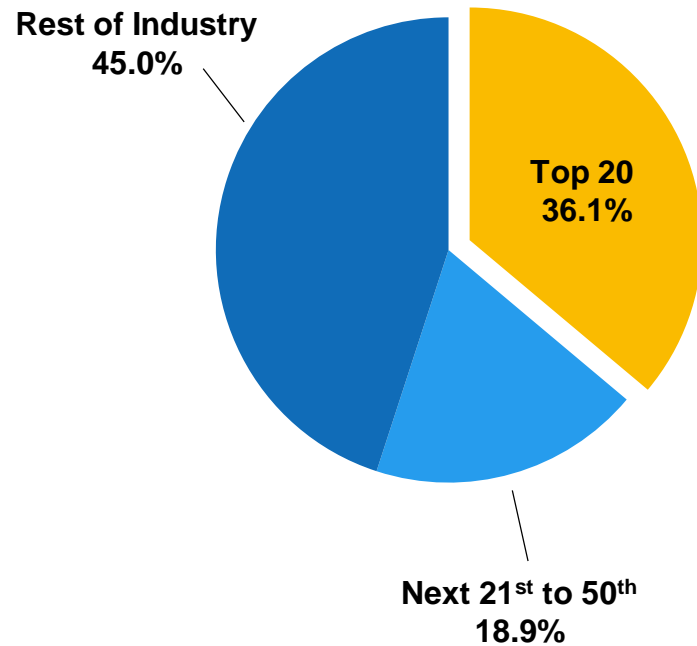
1) As of December 31, 2017, total number of operating platform

2) As of December 31, 2018, total number of operating platform

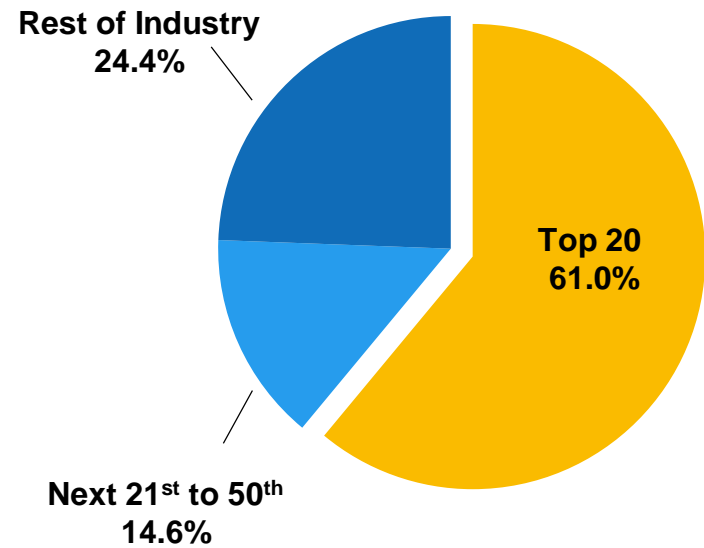
Source: www.wdzt.com

Rapid industry consolidation – loan origination volume

4Q 2017 (1)
2,351 Operational Platforms



4Q 2018 (2)
1,086 Operational Platforms



1) Total origination volume for the three months ended December 31, 2017.

2) Total origination volume for the three months ended December 31, 2018.

Source: www.wdzj.com

Industry monthly loan origination volume

100 Millions, RMB

