

Investor Presentation

August 2019

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ppdai.com

触手可及的金融



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Mission

Innovative technology, makes finance better.

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

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科技即未来
2019年拍拍贷第二届科技大会



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



12-year operating history

Consistent strategy and continuous innovation



Technology driven

99% of loans processed automatically⁽¹⁾



Large user base

99mn registered users⁽²⁾/16.5mn borrowers⁽³⁾

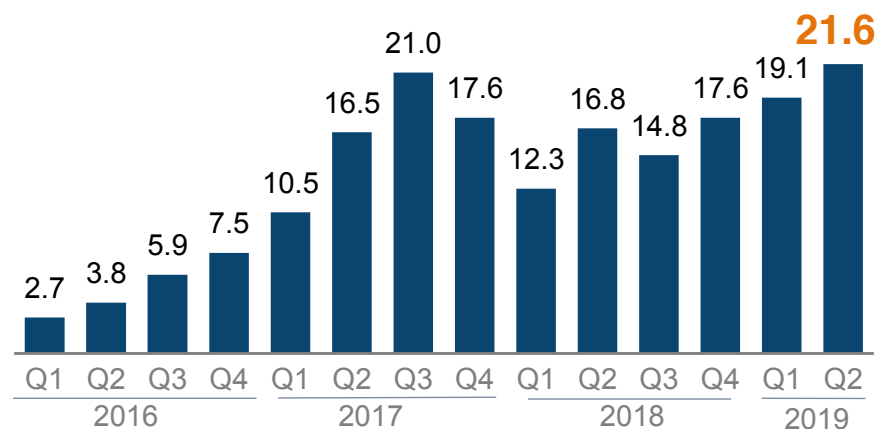


Consistent growth

Sequential operating revenue increase⁽⁴⁾

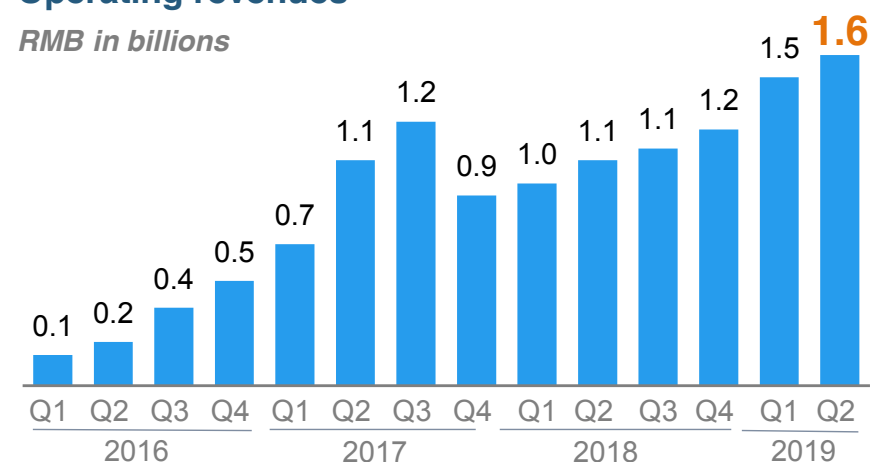
Loan origination volume

RMB in billions



Operating revenues

RMB in billions



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) Represents the % of loan applications on the marketplace that go through the automated process. Data for the three months ended June 30, 2019.
 (2) As of June 30, 2019.
 (3) On a cumulative basis, as of June 30, 2019.
 (4) Sequential operating revenue growth from Q4 2017 to Q2 2019.

Massive and fast-growing online consumer finance market

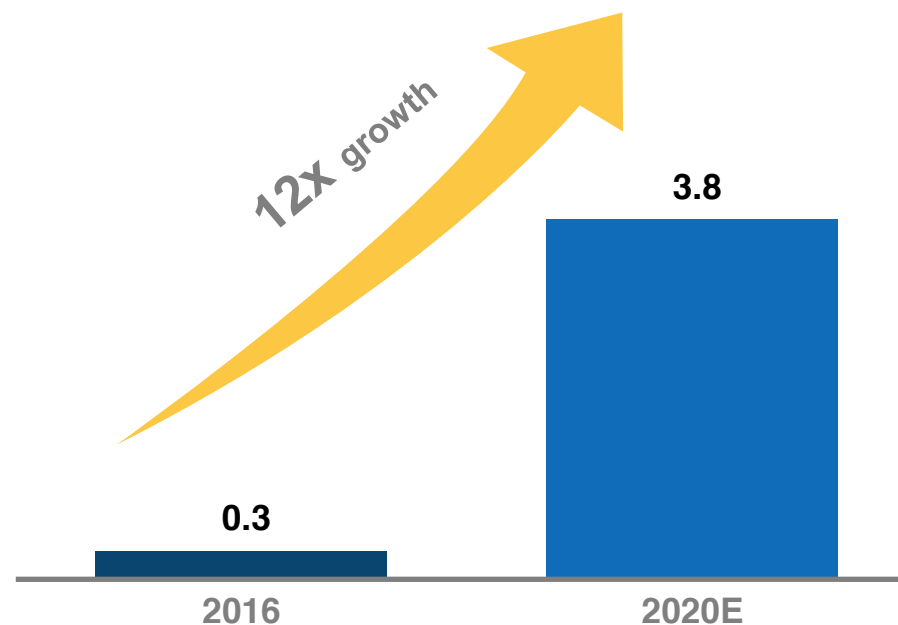
**Over
440mn⁽¹⁾**

people under served
by the banking system



**China online consumer finance market
outstanding balance**

RMB in trillions



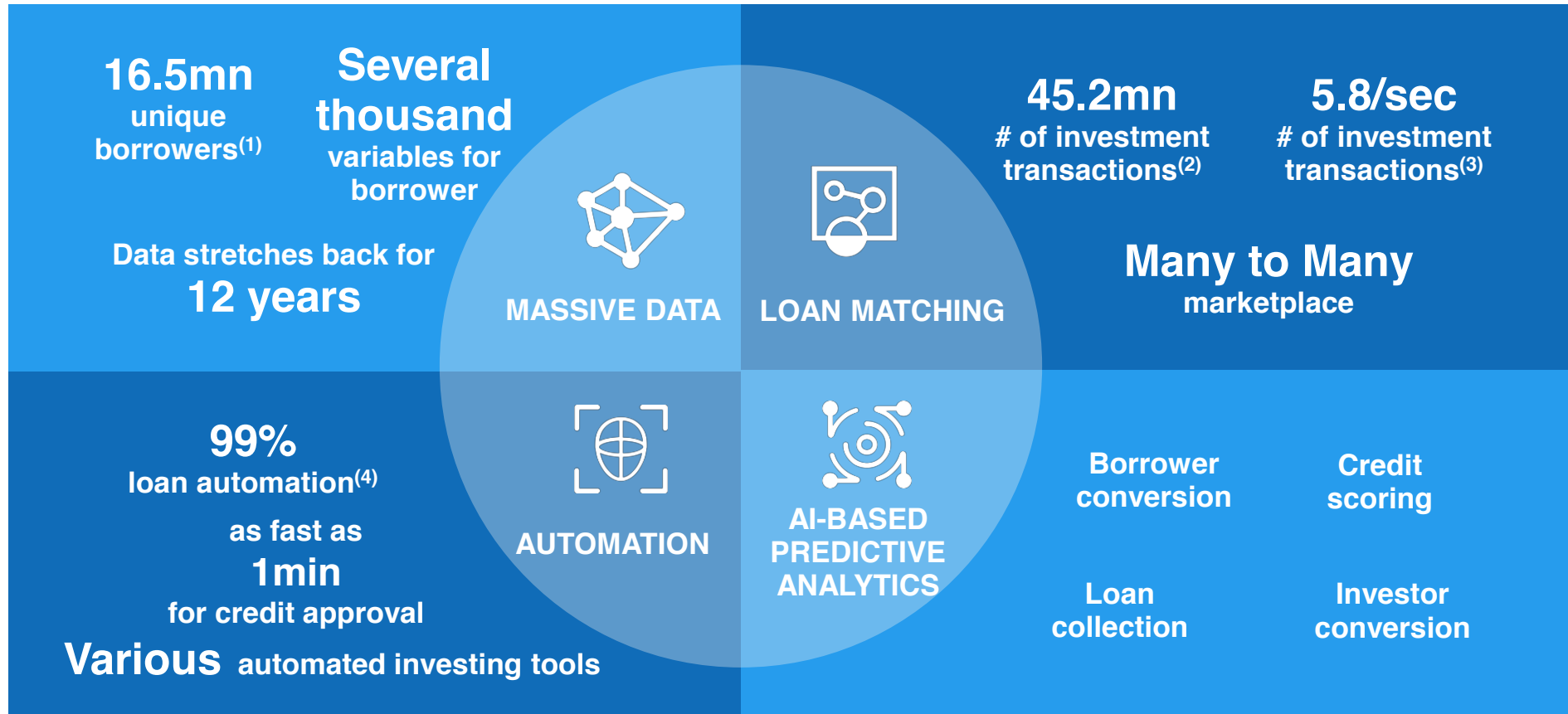
Sources: iResearch. Scale is approximate only.

(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

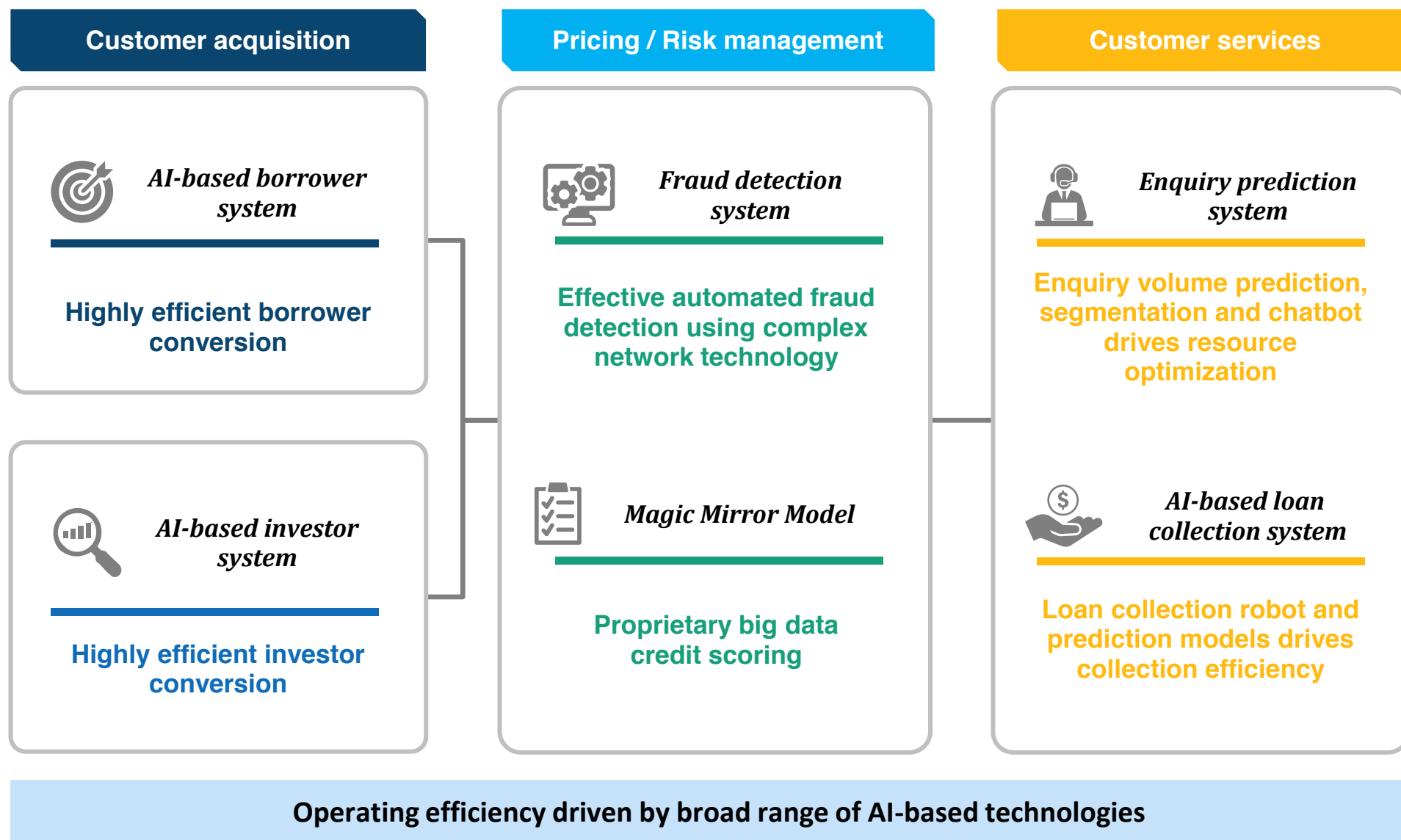


Automation powered by big data and proprietary technologies



(1) On a cumulative basis, data as of June 30, 2019.
 (2) Data for the three months ended June 30, 2019.
 (3) Data for the three months ended June 30, 2019. 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 June 30, 2019.

Advanced technologies drive all aspects of our business



Our borrowers and investors

Borrower profile



20-40

Average borrower age



RMB 3,029

Average principal amount⁽²⁾



8.8 months

Average loan tenure⁽²⁾

Investor profile

708K

Individual investors⁽¹⁾



RMB 92,655

Average investment amount⁽³⁾



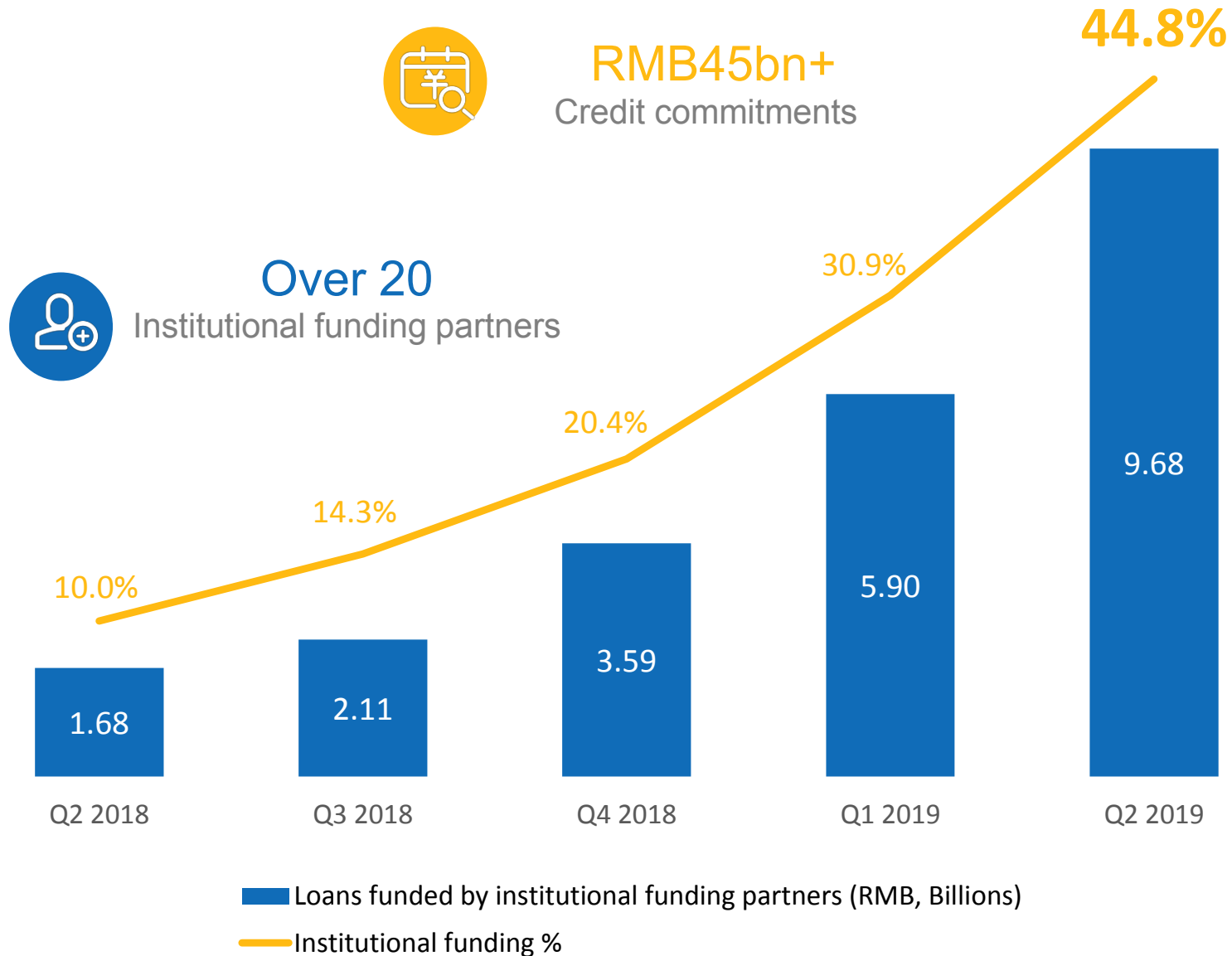
Strong

Investor traction/loyalty

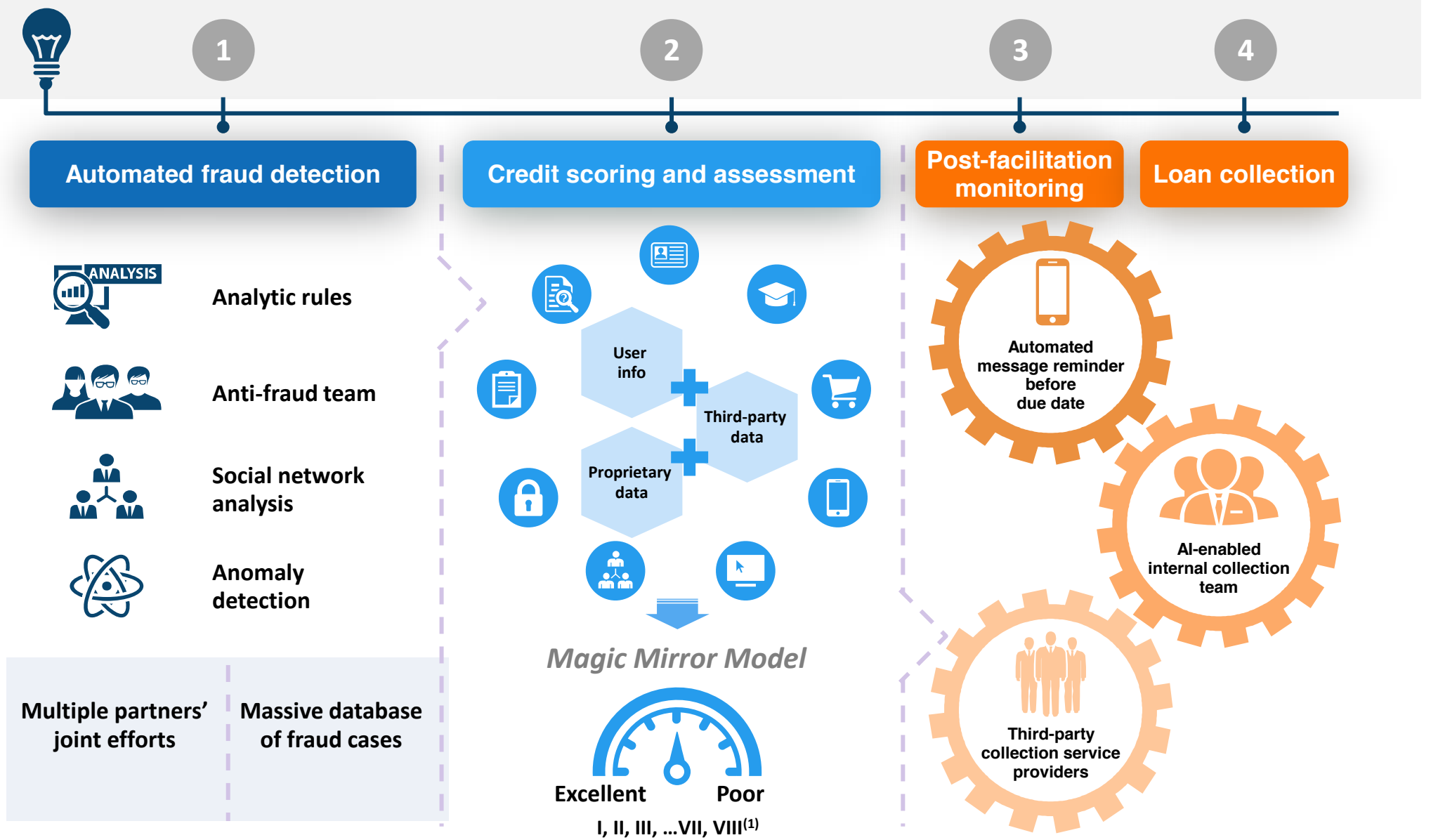


- (1) On a cumulative basis, as of June 30, 2019.
- (2) Calculated based on loans originated on our marketplace in the three months ended June 30, 2019.
- (3) Investment amount per individual investor, who has made at least one investment, in the three months ended June 30, 2019.

Diversified funding sources



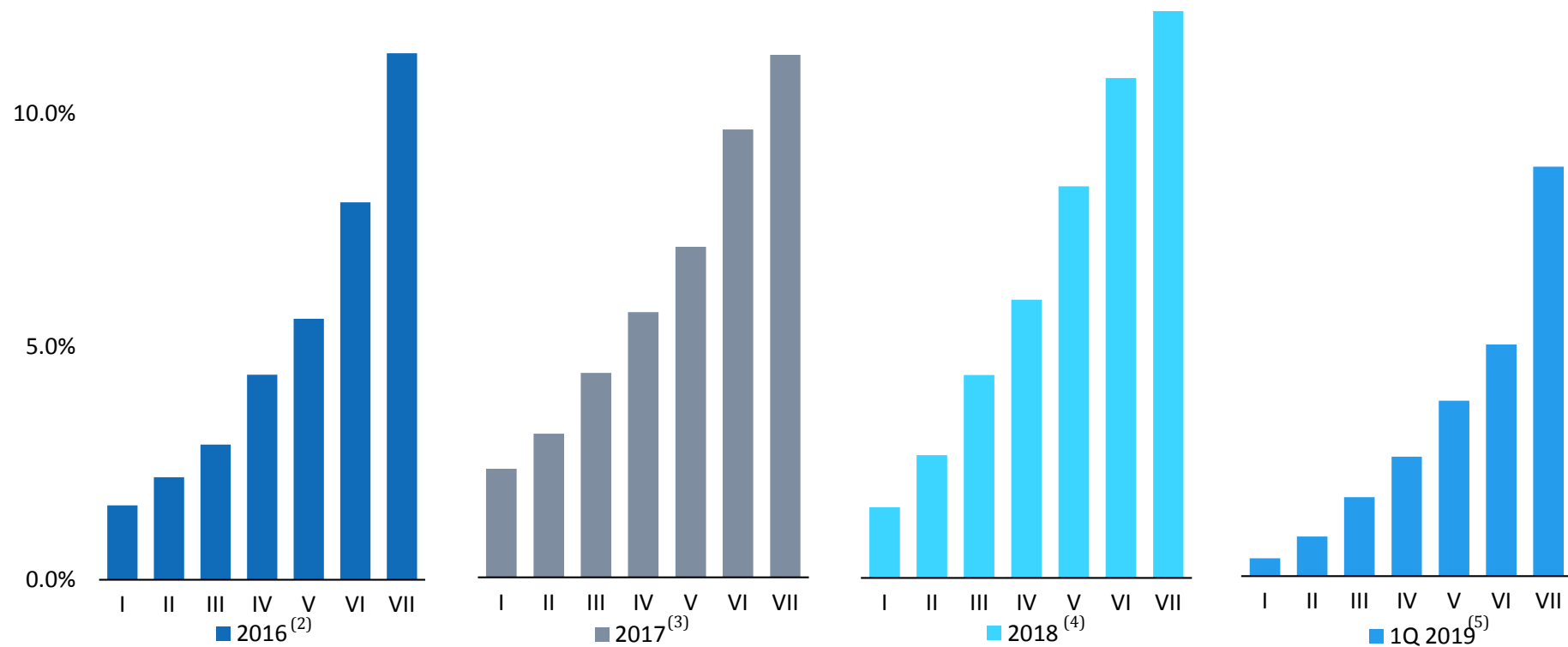
Sophisticated risk management technologies and capabilities



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

Strong and consistent risk-sloping capability by credit rating

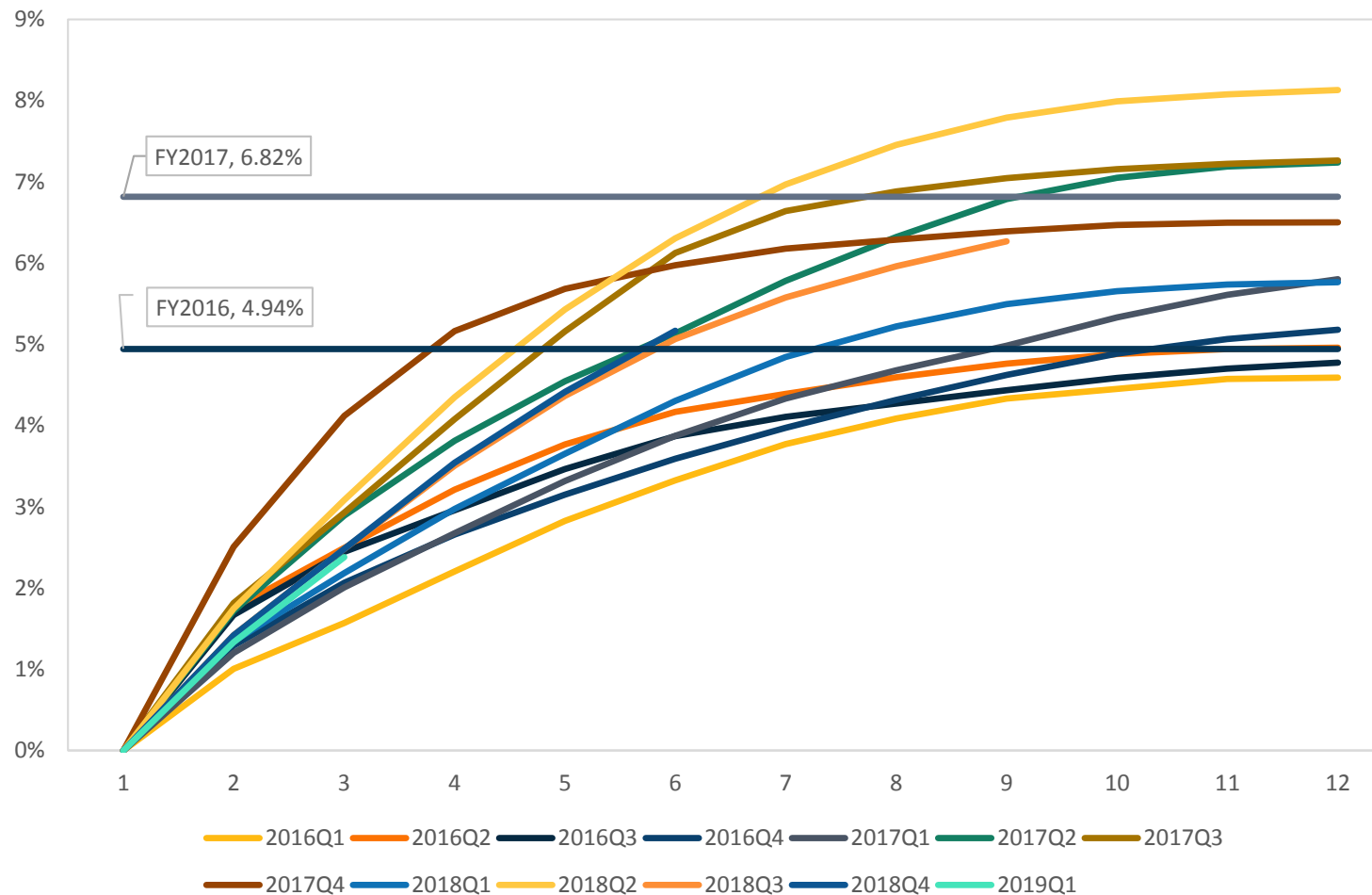
Vintage delinquency rate by credit rating⁽¹⁾



- (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 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.
- (3) Vintage delinquency rate for loans facilitated during 2017 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 2018 as of June 30,2019.
- (5) Represents vintage delinquency rate for loans facilitated during 1Q19 as of June 30,2019.

Cumulative delinquency rates by vintage

Delinquency rate by vintage⁽¹⁾



Note: Data as of June 30, 2019. Represents the historical cumulative 30-day plus past due delinquency rates by loan origination vintage for all 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, 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%
March 31, 2019	0.80%	1.61%	1.45%	3.80%
June 30, 2019	0.86%	1.42%	1.37%	3.66%

(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: 19 years



■ Education:

- Shanghai Jiao Tong University



HU Honghui
Co-founder
President

■ Industry experience: 19 years



■ Education:

- Shanghai Jiao Tong University
- Fudan University



LI Tiezheng
Co-founder
Chief Strategy Officer

■ Industry experience: 14 years



■ Education:

- Shanghai Jiao Tong University
- China Europe International Business School



GU Shaofeng
Co-founder
Chief Innovative Officer

■ Industry experience: 19 years



■ Education:

- Shanghai Jiao Tong University



ZHANG Feng
Co-Chief
Executive Officer

■ Industry experience:
16 years



■ Education:

- Tsinghua University
- Duke University



Simon Ho
Chief
Financial Officer

■ Industry experience:
23 years



■ Education:

- Northwestern University



GU Ming
Chief Risk Officer &
Chief Data Officer

■ Industry experience:
10 years



■ Education:

- Grinnell College
- California Institute of Technology



SI Jinqi
Chief
Technology Officer

■ Industry experience:
16 years



■ Education:

- Lanzhou University



WANG Yuxiang
Chief Product
Officer

■ Industry experience:
18 years



■ Education:

- Fudan University

Growth Strategies

Broaden user base



Expand loan products offerings and provide consumption scenarios



Broaden customer acquisition channels



Strengthen brand recognition

Improve operating efficiency

Leverage AI capabilities to...



Optimize sales and marketing efforts

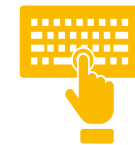


Improve customer service efficiencies through technologies



Enhance loan collection efficiencies through technologies

Expand into new businesses



Technologies as a service to third party financial institutions



Expand and deepen relationships with institutional partners



International expansion and investment

Financials

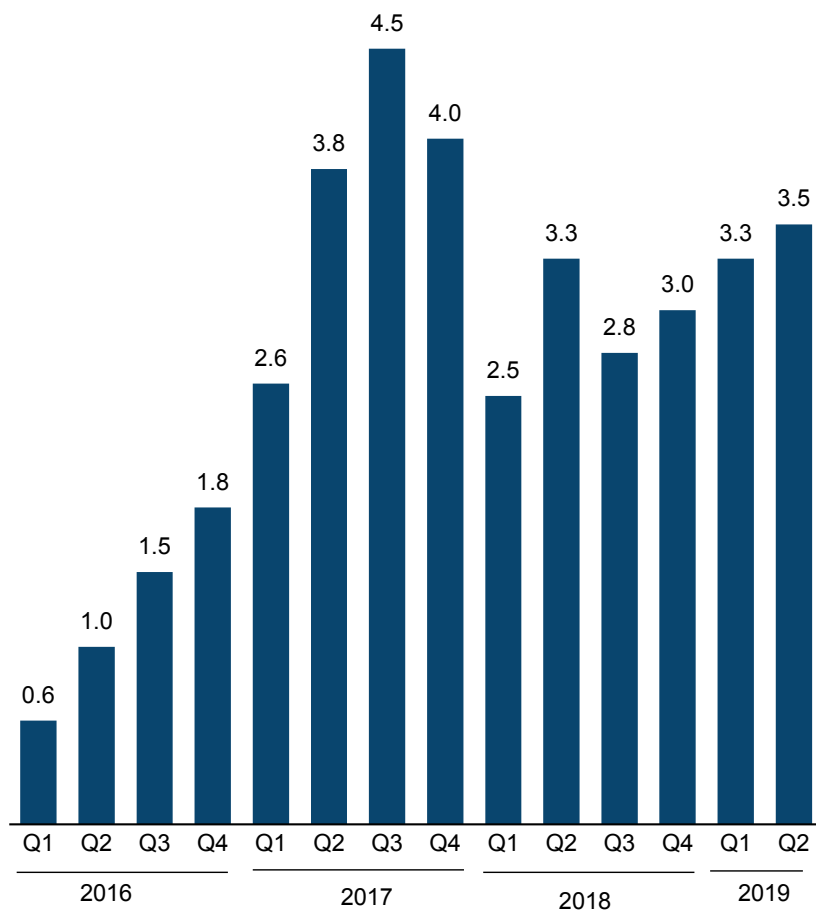


18.91	16.77	12.74	4.54	2.79	0.25	0.25	1.09	101.5	1435993	15.09
20.07	9.53	110.73	13.50	1.47	1.52	0.80	2.26	105.6	1196668	0.10
18.14	15.39	17.90	1.48	0.00	0.90	0.75	4.48	102.9	88.0	69.40
18.60	27.33	-31.94	1.48	0.00	0.75	0.75	2.26	105.2	1196668	0.10
21.40	14.8	44.08	3.44	0.70	1.45	0.80	2.26	106.9	3466428	10.01
17.47	14.8	17.96	3.06	1.35	1.45	0.80	4.48	102.1	468739	9.60
61.76	11.2	448.21	2.37	0.66	3.07	3.33	2.03	102.1	900812	27.94
113.9	47.9	30.7	1.79	1.1	1.25	2.59	1.97	99.6	468739	9.60
12.86	9.8	17.96	1.56	0.00	0.90	3.74	2.69	89.3	1892940	17.7
16.23	17.4	17.96	1.56	0.00	0.90	3.74	2.69	106.9	9648361	90.37
31.35	22.7	30.7	1.79	1.1	1.25	2.59	1.97	110.6	900812	27.94
18.91	16.77	12.74	4.54	2.79	0.25	0.25	1.09	110.6	184331	40.91
12.27	15.4	17.96	1.56	0.00	0.90	3.74	2.69	122.2	938377	40.91
18.47	15.4	17.96	1.56	0.00	0.90	3.74	2.69	112.5	765749	17.7
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16.23	17.4	17.96	1.56	0.00	0.90	3.74	2.69	110.6	184331	40.91
18.91	16.77	12.74	4.54	2.79	0.25	0.25	1.09	101.5	1435993	15.09
12.27	15.4	17.96	1.56	0.00	0.90	3.74	2.69	122.2	938377	40.91
18.47	15.4	17.96	1.56	0.00	0.90	3.74	2.69	112.5	765749	17.7
16.23	17.4	17.96	1.56	0.00	0.90	3.74	2.69	110.6	184331	40.91
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16.2										

Borrowers fuel our loan origination volume

Number of unique borrowers⁽¹⁾

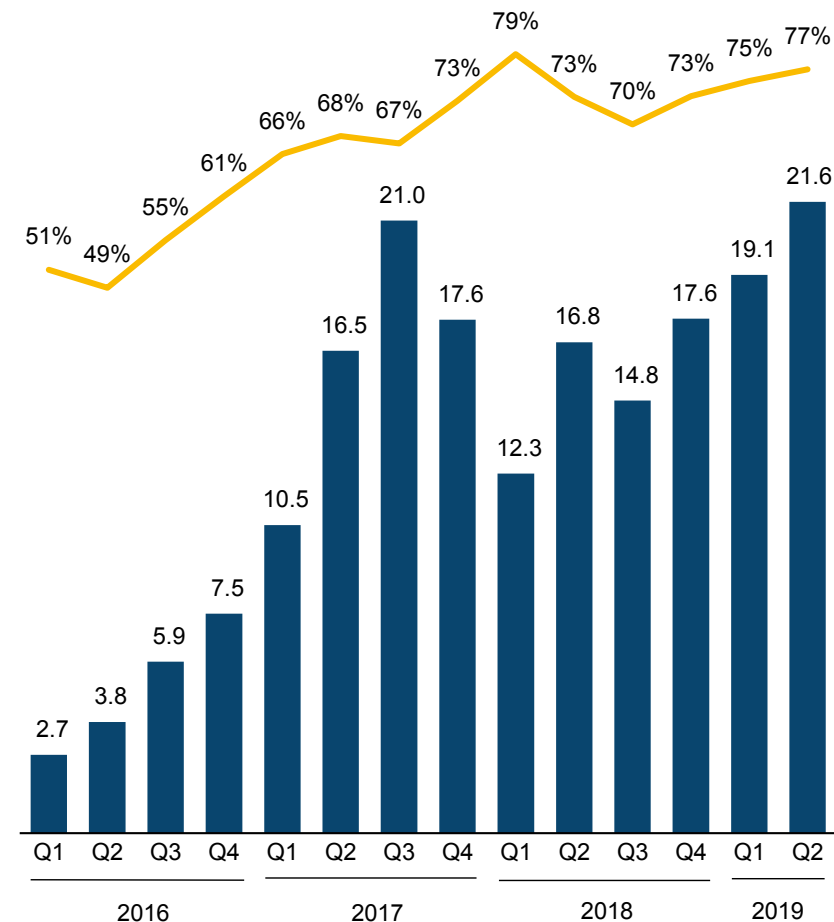
(Millions)



Loan origination volume

(RMB in billions)

Repeat borrowing rate ⁽²⁾

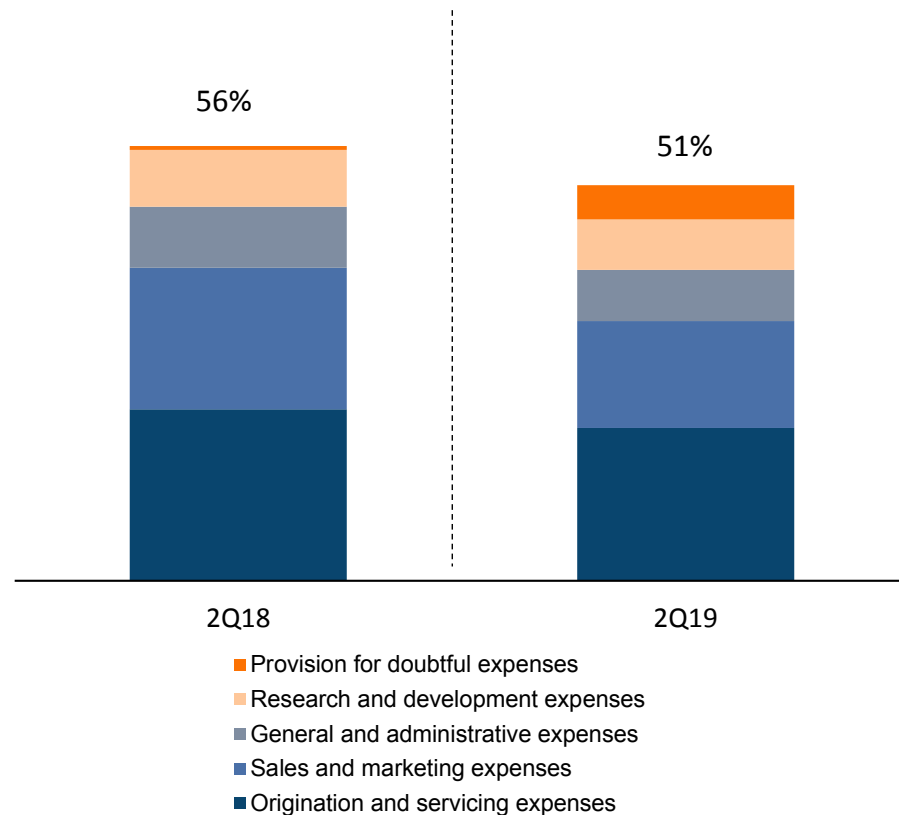


(1) Represents number of borrowers whose loans were funded during each period presented.

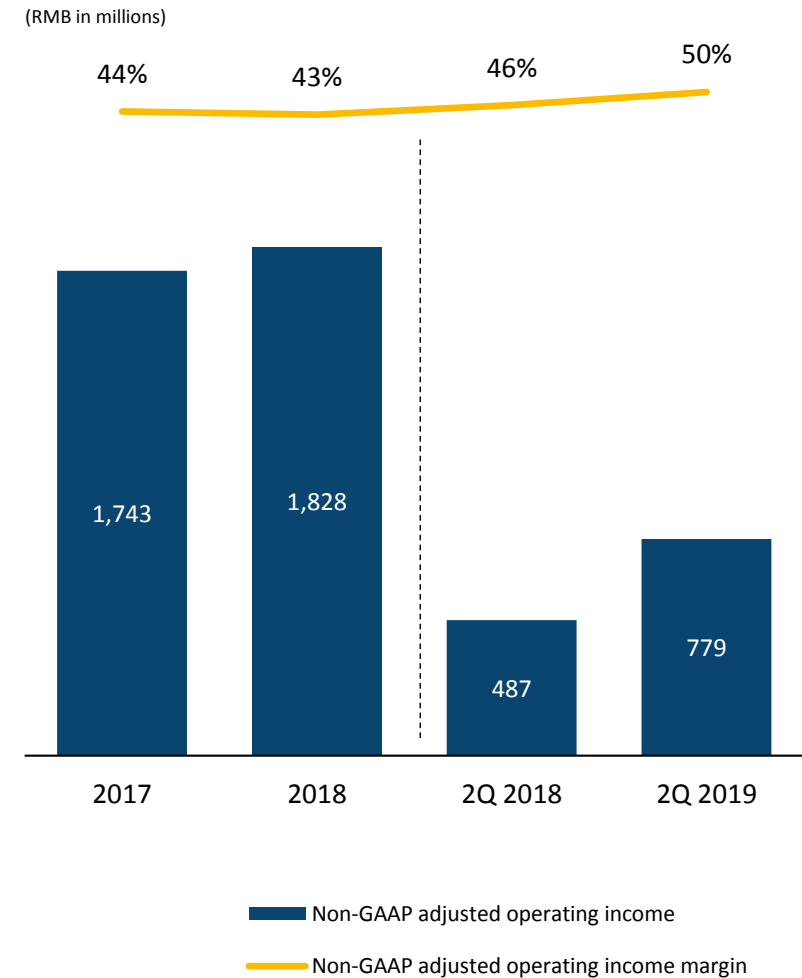
(2) % of loan volume generated by repeat borrowers. Repeat borrowers are borrowers who have successfully borrowed on our platform before.

High operating leverage driving profitability

Operating expenses as percentage of operating revenue



Non-GAAP adjusted operating income⁽¹⁾



(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 Q2 2018, which excludes share-based compensation expenses of RMB17.8 million.
 Non GAAP adjusted operating income for Q2 2019, which excludes share-based compensation expenses of RMB11.8 million.

#1 online consumer finance marketplace in China



Leading independent platform

- ✓ 99mn registered users⁽¹⁾, 16.5mn borrowers⁽²⁾
- ✓ Data and technology driven platform
- ✓ 12-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 June 30, 2019.

(2) On a cumulative basis, as of June 30, 2019.

A low-angle, upward-looking photograph of several modern skyscrapers with glass facades. The buildings are arranged in a way that creates a sense of height and depth, with lines converging towards the top of the frame. 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	FY2017	FY2018	2Q2018	2Q2019	1H2018	1H2019
Operating revenues	3,881	4,351	1,065	1,562	2,021	3,021
Loan facilitation service fees	2,843	2,919	753	940	1,374	1,878
Post-facilitation service fees	669	923	206	316	433	624
Net interest income & loan provision losses	(15)	63	18	195	57	328
Other revenue	491	377	88	112	157	190
Operating expenses	(2,352)	(2,504)	(596)	(795)	(1,151)	(1,458)
Origination and servicing expenses	(975)	(986)	(235)	(307)	(482)	(571)
Sales and marketing expenses	(788)	(711)	(194)	(215)	(345)	(359)
General and administrative expenses	(424)	(383)	(83)	(103)	(154)	(210)
Research & development expenses	(165)	(318)	(78)	(102)	(153)	(189)
Provision for doubtful accounts	-	(107)	(6)	(68)	(17)	(129)
Operating income⁽¹⁾	1,529	1,847	469	767	870	1,563
<i>Operating income margin⁽²⁾</i>	<i>39%</i>	<i>42%</i>	<i>44%</i>	<i>49%</i>	<i>43%</i>	<i>52%</i>
Other income ⁽³⁾	(172)	774	297	46	429	95
Profit before income tax expenses	1,358	2,621	766	813	1,298	1,658
Net profit	1,083	2,470	608	660	1,045	1,364
<i>Net profit margin⁽⁴⁾</i>	<i>28%</i>	<i>57%</i>	<i>57%</i>	<i>42%</i>	<i>52%</i>	<i>45%</i>

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

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

Selected balance sheet items

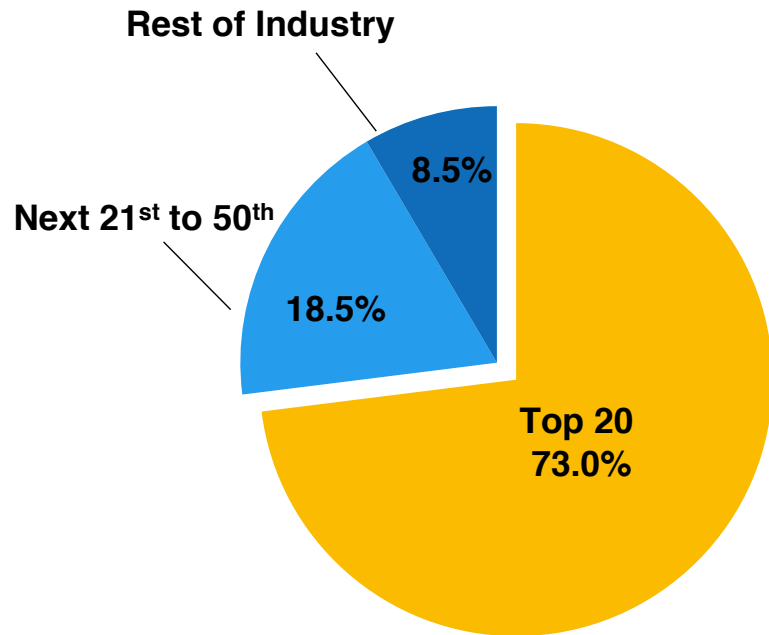
RMB million	As of Dec 31 2017	As of Dec 31, 2018	As of June 30, 2019
Cash and cash equivalents	1,891	1,616	1,429
Restricted cash:	2,393	3,678	4,488
<i>Quality assurance fund</i>	1,059	2,414	3,307
<i>Cash received from investors or borrowers</i>	1,114	905	740
<i>Others</i>	220	359	441
Short-term investments	1,959	1,694	989
Quality assurance fund receivable	1,153	2,064	2,497
Loans receivable, net provision for loan losses	682	2,331	4,034
Accounts receivable	18	812	1,196
Total assets	8,604	13,142	16,496
Payable to platform customers	1,114	905	740
Quality assurance fund payable	2,063	3,819	5,113
Funds payable to investors of consolidated trusts	503	1,506	2,630
Total liabilities	4,921	7,157	9,494
Total shareholders' equity	3,683	5,985	7,002

Selected statement of cash flow

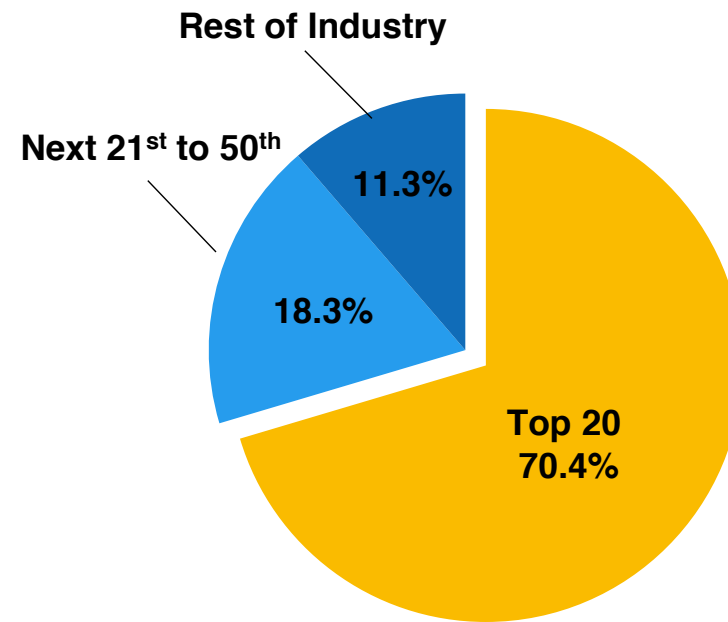
RMB million	FY2017	FY2018	Q2 2018	Q2 2019
Net cash provided by operating activities	3,409	1,885	152	618
Net cash used in investing activities	(2,451)	(1,447)	716	(853)
Net cash generated in financing activities	2,133	530	(110)	67
Effect of exchange rate changes on cash and cash equivalents	(15)	42	49	16
Net increase/(decrease) in cash and cash equivalents	3,076	1,010	807	(151)
Cash and cash equivalent at beginning of year/period	1,208	4,284	4,040	6,068
Cash and cash equivalent at end of year/period	4,284	5,294	4,847	5,917

Rapid industry consolidation – Industry loan balance

June 30, 2019
803 Operational Platforms⁽¹⁾



March 31, 2019
943 Operational Platforms⁽²⁾



1) As of June 30, 2019, total number of operating platform

2) As of March 31, 2019, total number of operating platform

Source: www.wdzj.com