

# Investor Presentation

May 2019

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ppdai.com

触手可及的金融



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## 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

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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<sup>(1)</sup>



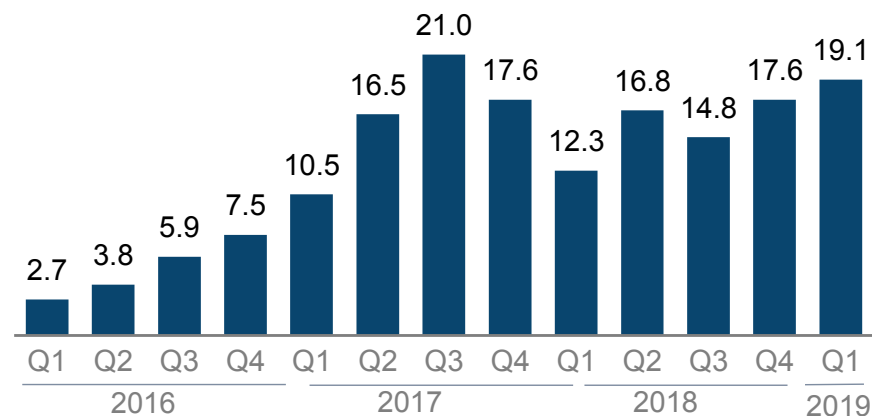
**Large user base**  
94mn registered users<sup>(2)</sup>/15.4mn borrowers<sup>(3)</sup>



**Consistent growth**  
Sequential operating revenue increase<sup>(4)</sup>

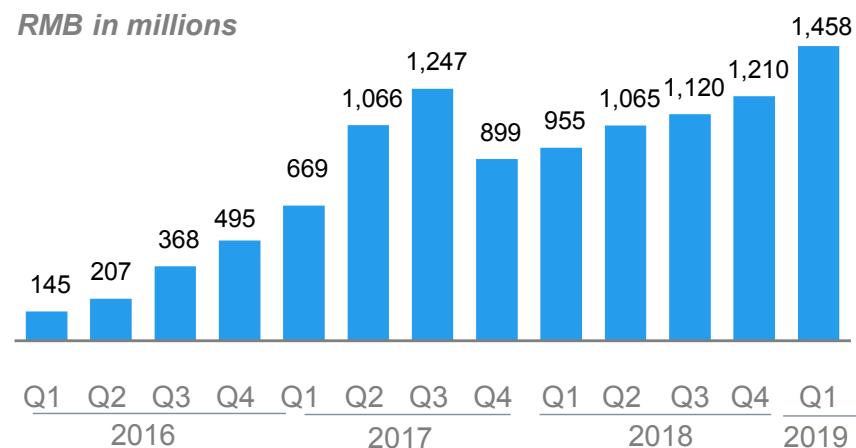
## Loan origination volume

RMB in billions



## Operating revenues

RMB in millions



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 March 31, 2019.

(2) As of March 31, 2019.

(3) On a cumulative basis, as of March 31, 2019.

(4) Sequential operating revenue growth from Q4 2017 to Q1 2019.

# Massive and fast-growing online consumer finance market

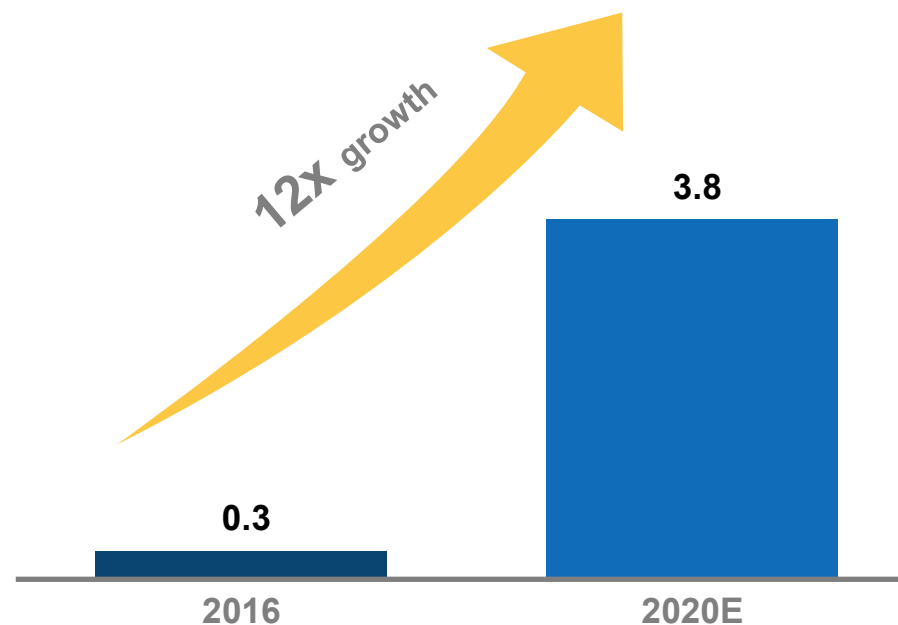
**Over  
440mn<sup>(1)</sup>**

people under served  
by the banking system



**China online consumer finance market  
outstanding balance**

*RMB in trillions*



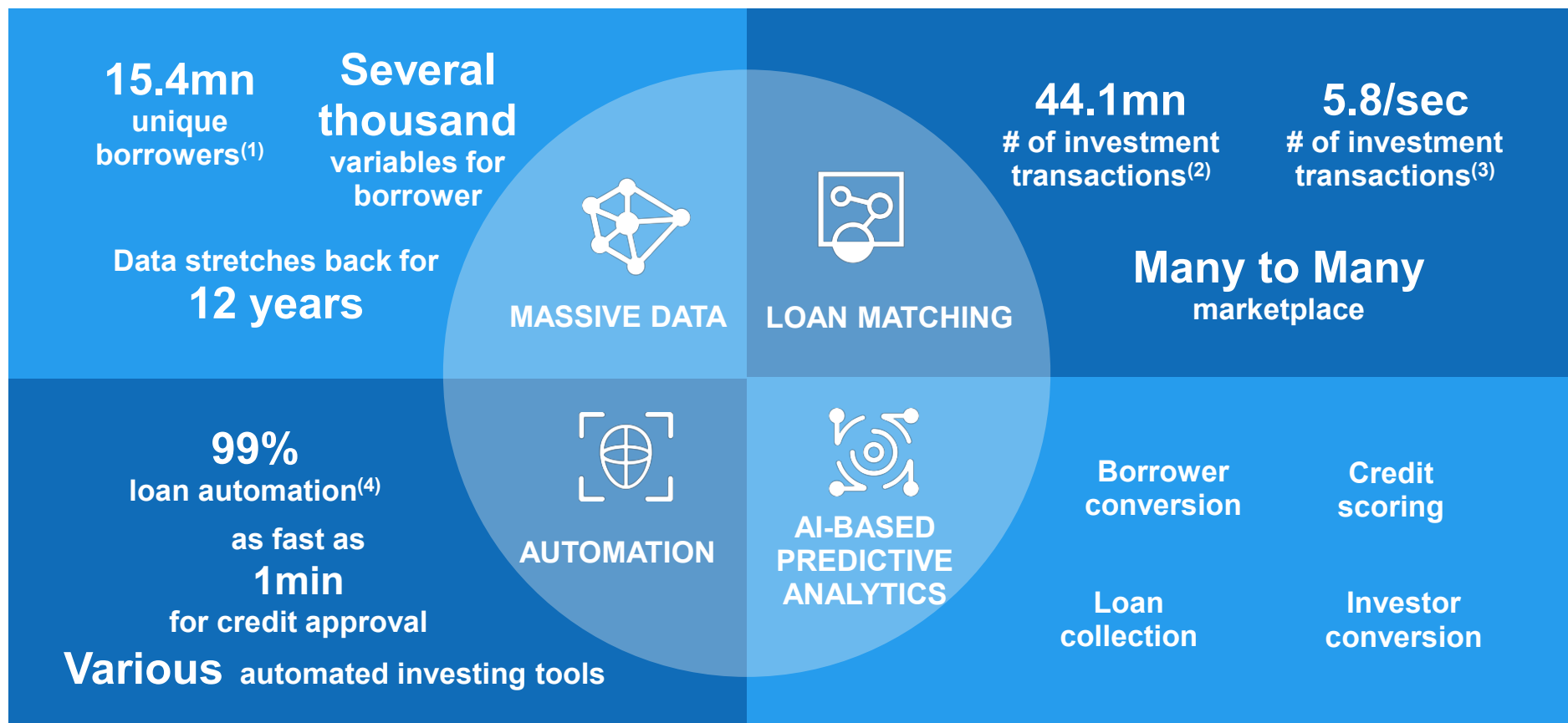
Sources: iResearch. Scale is approximate only.

(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

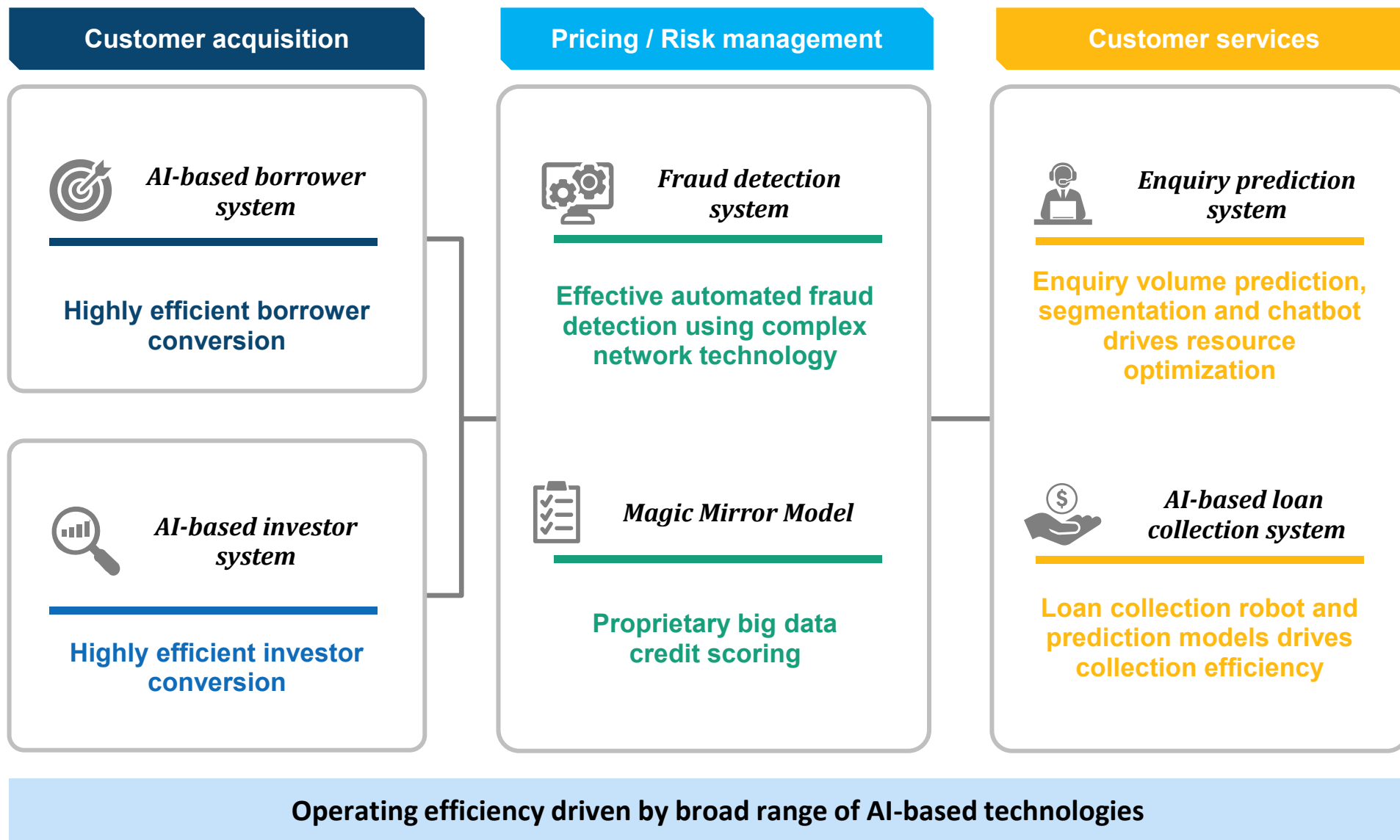


# Automation powered by big data and proprietary technologies



(1) On a cumulative basis, data as of March 31, 2019.  
 (2) Data for the three months ended March 31, 2019.  
 (3) Data for the three months ended March 31, 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 March 31, 2019.

# Advanced technologies drive all aspects of our business





# Our borrowers and investors

## Borrower profile



**20-40**

Average borrower age



**RMB 3,387**

Average principal amount<sup>(2)</sup>



**9.6 months**

Average loan tenure<sup>(2)</sup>

## Investor profile

**690K**

Individual investors<sup>(1)</sup>



**RMB 84,095**

Average investment amount<sup>(3)</sup>



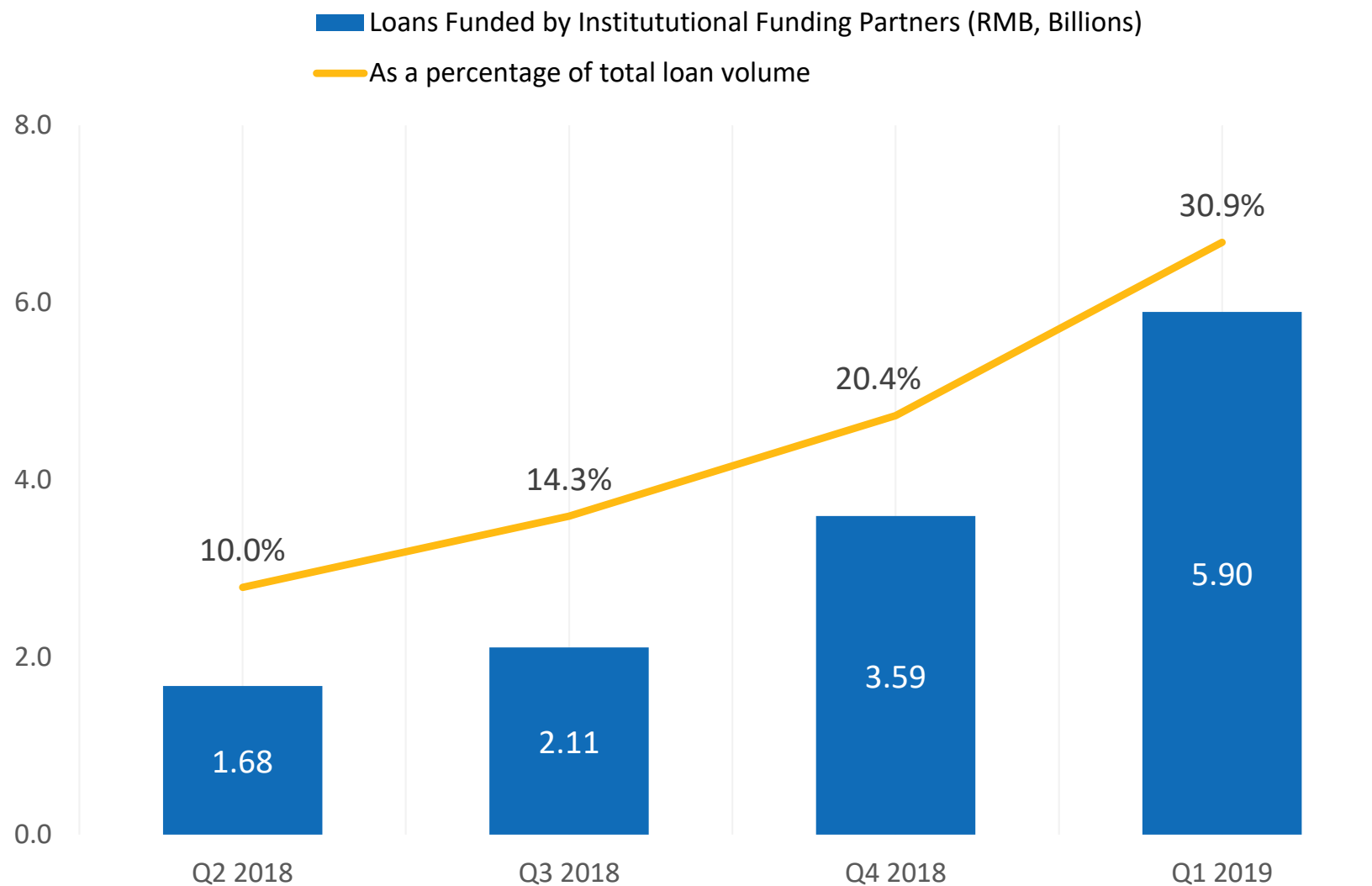
**Strong**

Investor traction/loyalty

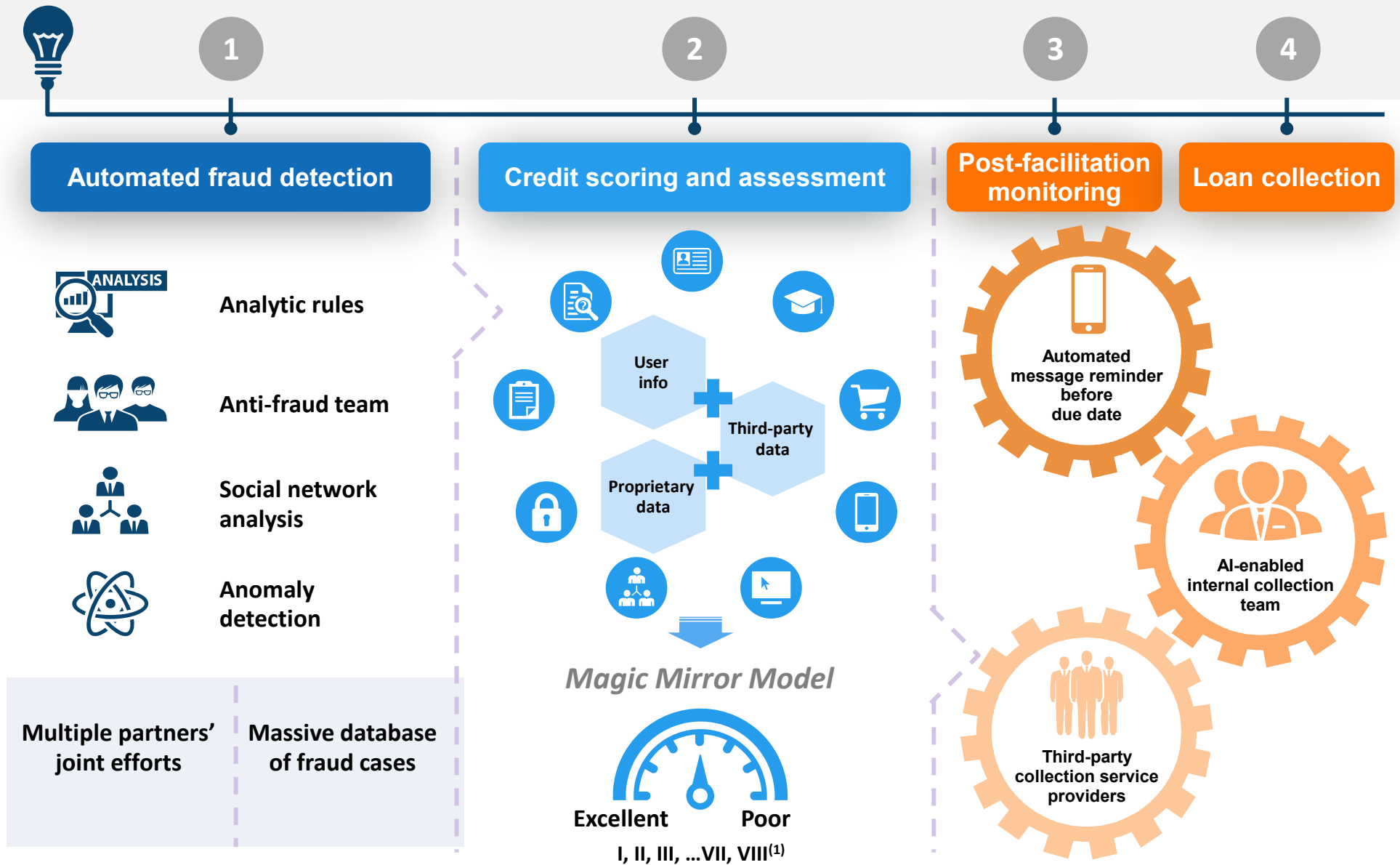


- (1) On a cumulative basis, as of March 31, 2019.
- (2) Calculated based on loans originated on our marketplace in the three months ended March 31, 2019.
- (3) Investment amount per individual investor, who has made at least one investment, in the three months ended March 31, 2019.

# Diversified Funding Sources



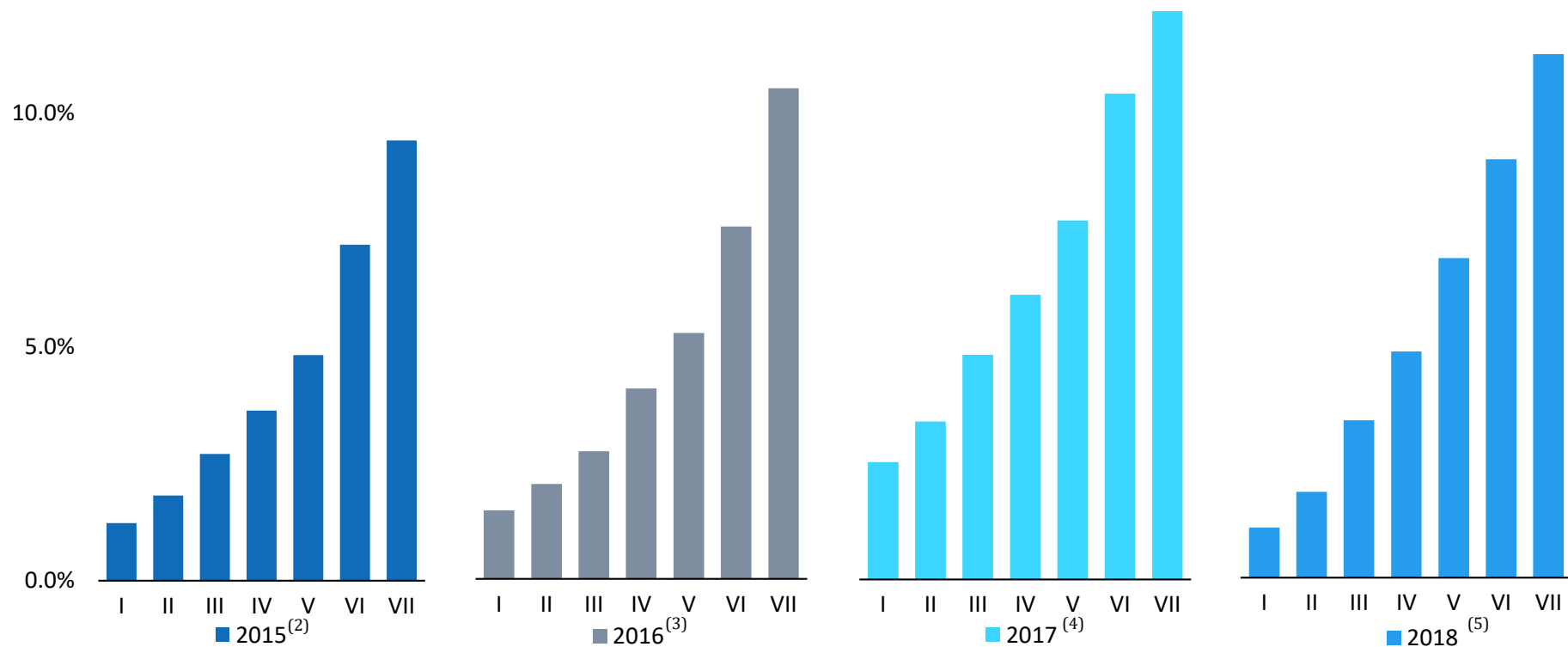
# Sophisticated risk management technologies and capabilities



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

# Strong and consistent risk-sloping capability by credit rating

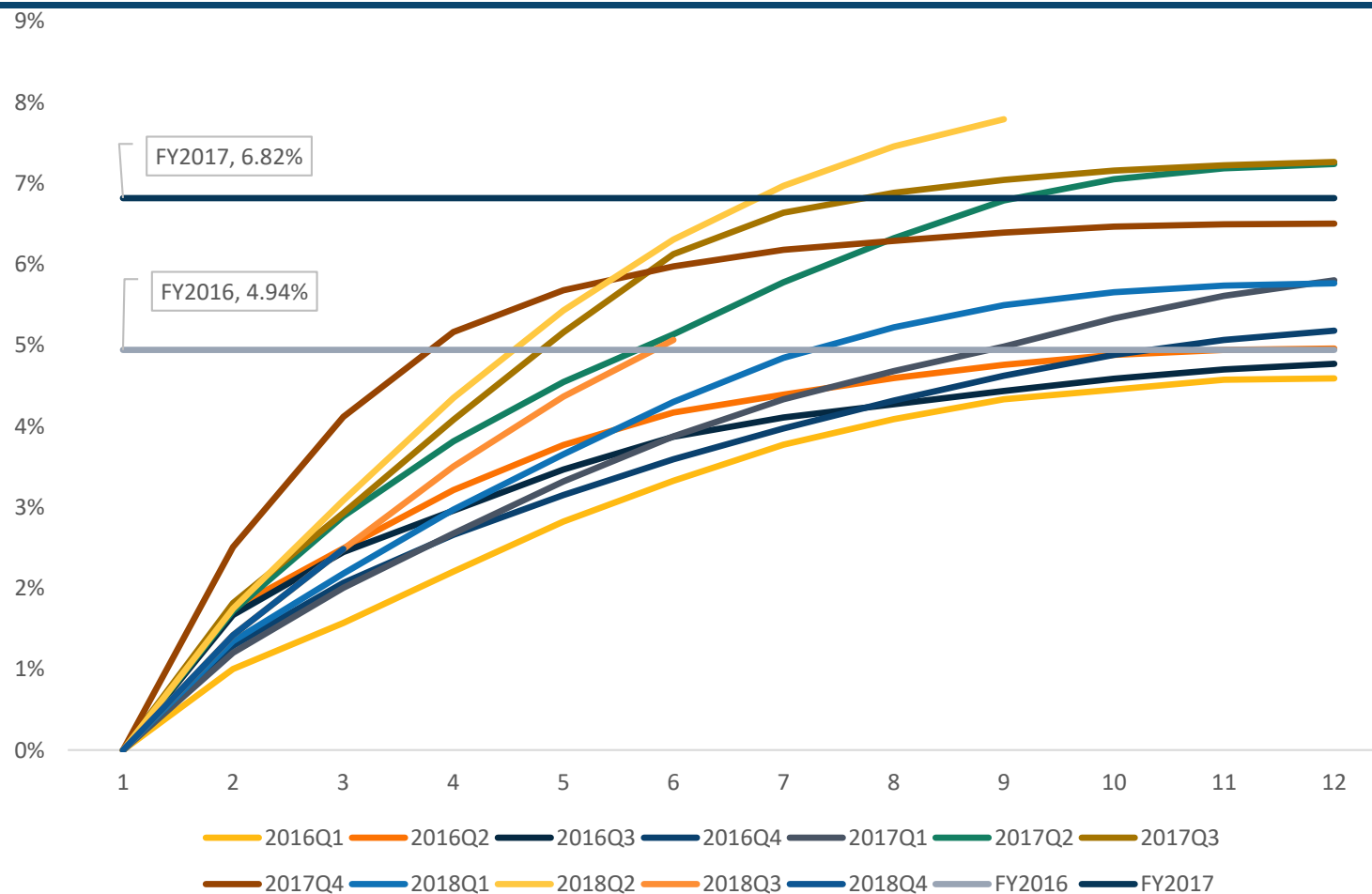
Vintage delinquency rate by credit rating<sup>(1)</sup>



(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) 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.  
 (5) Represents vintage delinquency rate for loans facilitated during 2018 as of December 31,2018.

# Cumulative delinquency rates by vintage

Delinquency rate by vintage<sup>(1)</sup>



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<sup>(1)</sup>

	Delinquent for			
	15–29 days	30–59 days	60–89 days	90–179 days
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%
March 31, 2019	0.80%	1.61%	1.45%	3.80%

(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

# 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



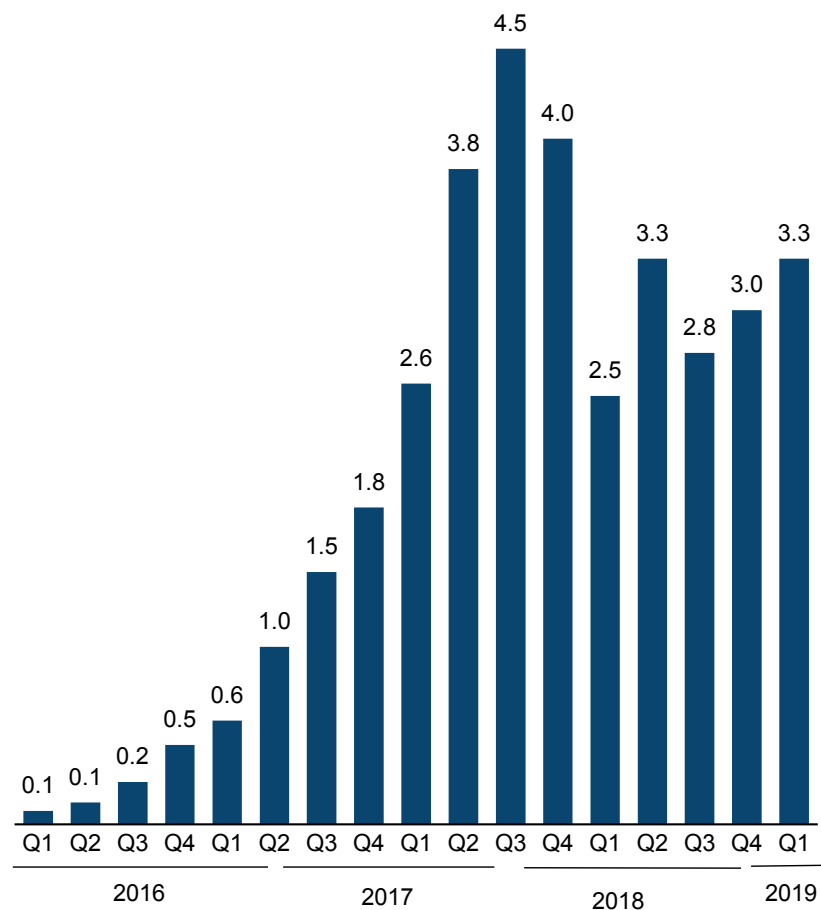
International expansion



# Borrowers fuel our loan origination volume

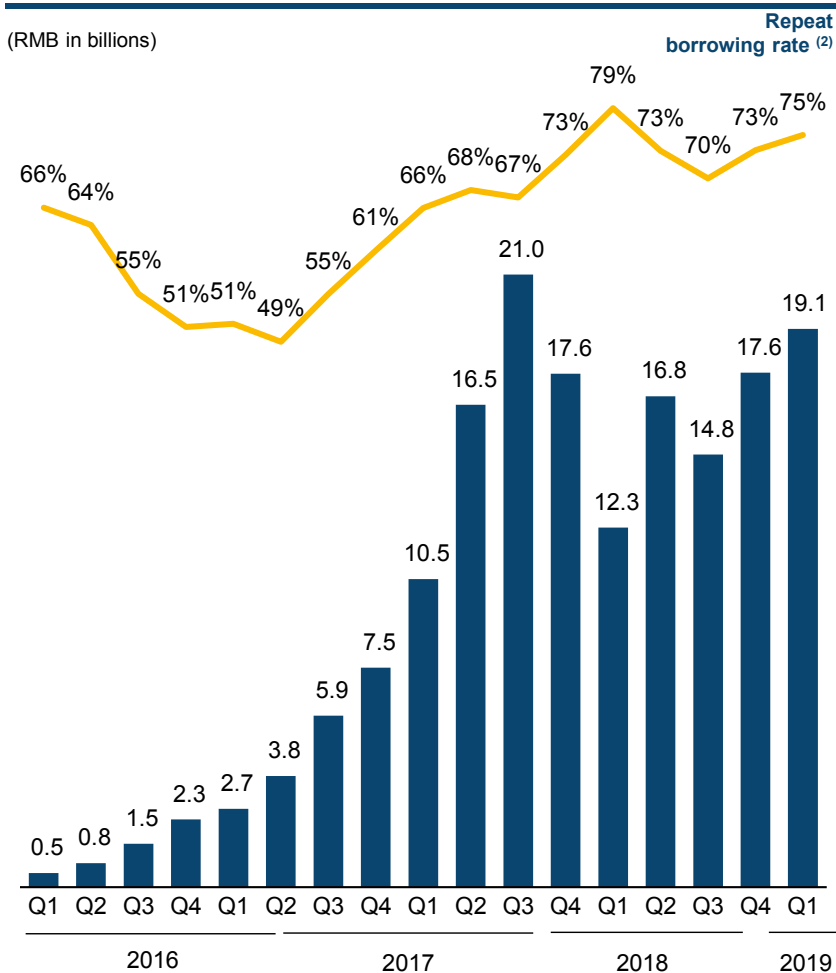
## Number of unique borrowers<sup>(1)</sup>

(Millions)



## Loan origination volume

(RMB in billions)



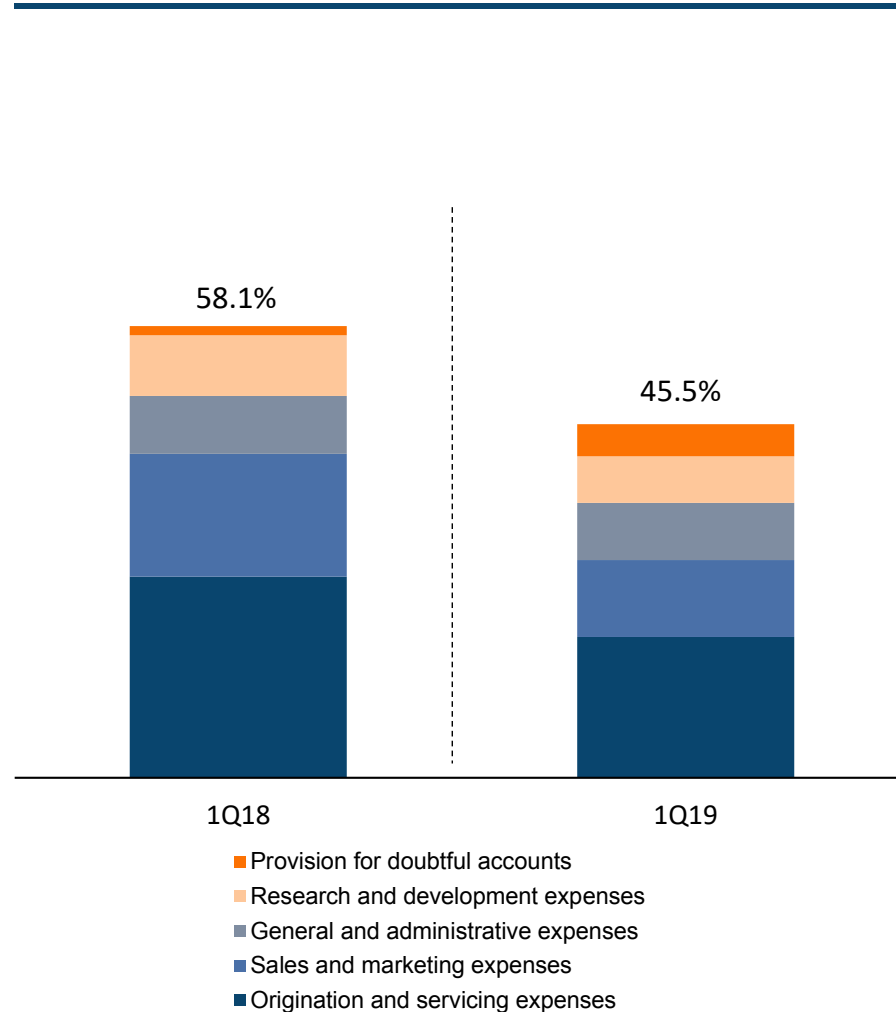
(1) Represents number of borrowers whose loans were funded during each period presented.

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

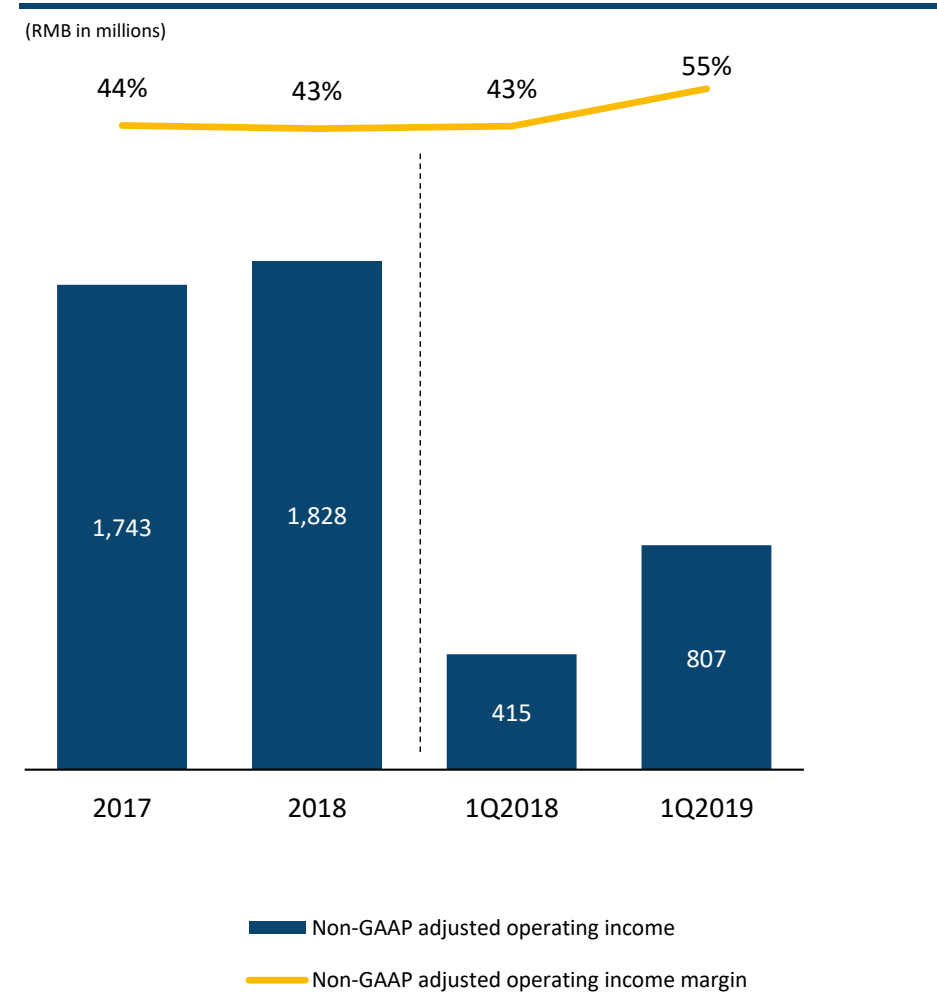


# High operating leverage driving profitability

Operating expenses as percentage of operating revenue



Non-GAAP adjusted operating income<sup>(1)</sup>



(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 Q1 2018, which excludes share-based compensation expenses of RMB14.7 million.  
 Non GAAP adjusted operating income for Q1 2019, which excludes share-based compensation expenses of RMB12.1 million.

# #1 online consumer finance marketplace in China



**Leading independent platform**

- ✓ 94mn registered users<sup>(1)</sup>, 15.4mn borrowers<sup>(2)</sup>
- ✓ 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 March 31, 2019.

(2) On a cumulative basis, as of March 31, 2019.

A low-angle, upward-looking photograph of several modern skyscrapers with glass facades. The buildings are arranged in a way that they appear to converge towards the top of the frame, creating a strong 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	1Q2018	1Q2019
<b>Operating revenues</b>	<b>1,209</b>	<b>3,896</b>	<b>4,288</b>	<b>955</b>	<b>1,458</b>
Loan facilitation service fees	911	2,843	2,919	621	939
Post-facilitation service fees	127	669	923	227	308
Net int income & loan provision losses				39	133
Other revenue	170	491	377	69	78
Expected discretionary payment to IRF investors	-	(108)	69	-	-
<b>Net revenues</b>	<b>1,216</b>	<b>3,881</b>	<b>4,351</b>	<b>955</b>	<b>1,458</b>
<i>% YoY growth</i>	521%	219%	12%	41%	53%
<b>Operating expenses</b>	<b>(979)</b>	<b>(2,351)</b>	<b>(2,504)</b>	<b>(555)</b>	<b>(664)</b>
Origination and servicing expenses	(388)	(975)	(986)	(247)	(264)
Sales and marketing expenses	(353)	(788)	(711)	(151)	(144)
General and administrative expenses	(238)	(589)	(701)	(71)	(107)
Research & development expenses				(75)	(88)
<b>Operating income<sup>(1)</sup></b>	<b>237</b>	<b>1,529</b>	<b>1,847</b>	<b>400</b>	<b>795</b>
<i>Operating income margin<sup>(2)</sup></i>	19%	39%	42%	42%	55%
Other income <sup>(3)</sup>	313	(172)	774	132	50
Profit before income tax expenses	550	1,358	2,621	532	844
<b>Net profit</b>	<b>502</b>	<b>1,083</b>	<b>2,470</b>	<b>438</b>	<b>703</b>
<i>Net profit margin<sup>(4)</sup></i>	41%	28%	57%	46%	48%

(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 2017	As of Dec 31, 2018	As of Mar 31, 2019
Cash and cash equivalents	1,891	1,616	1,907
Restricted cash:	2,393	3,678	4,161
<i>Quality assurance fund</i>	1,059	2,414	2,810
<i>Investor reserve fund</i>	175	18	0.4
<i>Cash received from investors or borrowers</i>	1,114	905	778
Short-term investments	1,959	1,694	1,444
Quality assurance fund receivable	1,153	2,064	2,475
Loan receivable, net provision for loan losses	682	2,331	3,041
Financial guarantee derivative	-	56	55
<b>Total assets</b>	<b>8,604</b>	<b>13,142</b>	<b>15,155</b>
Payable to platform customers	1,114	905	782
Quality assurance fund payable	2,063	3,819	4,597
Funds payable to investors of consolidated trusts	503	1,506	2,141
Financial guarantee derivative	216	-	-
<b>Total liabilities</b>	<b>4,921</b>	<b>7,157</b>	<b>8,832</b>
<b>Total shareholders' equity</b>	<b>3,682</b>	<b>5,986</b>	<b>6,322</b>

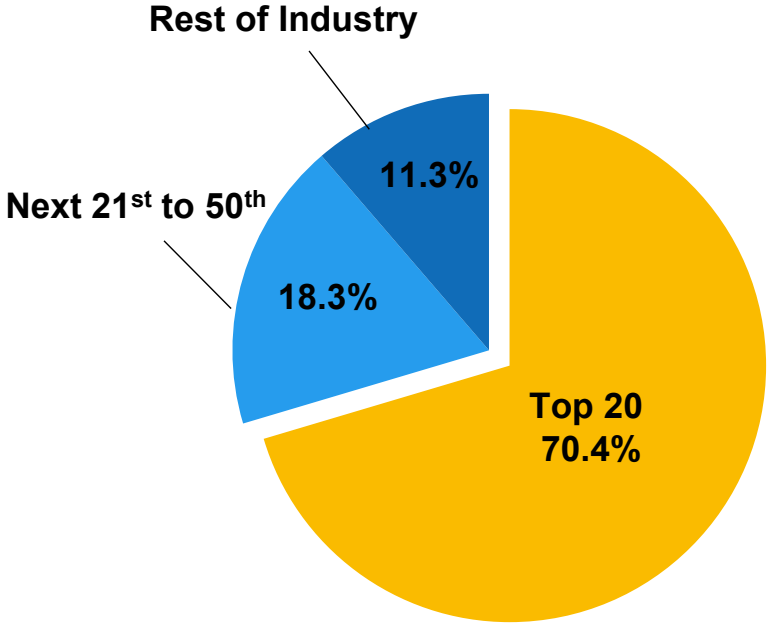


# Selected Statement of Cash Flow

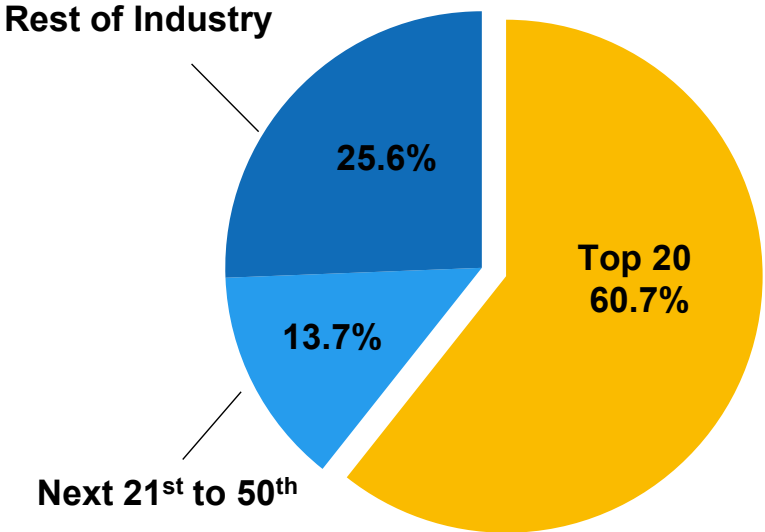
RMB million	FY2017	FY2018	1Q2018	1Q2019
Net cash provided by operating activities	3,409	1,885	88	475
Net cash used in investing activities	(2,451)	(1,447)	(227)	(270)
Net cash generated in financing activities	2,133	530	(64)	585
Effect of exchange rate changes on cash and cash equivalents	(15)	42	(41)	(15)
Net increase/(decrease) in cash and cash equivalents	3,076	1,010	(244)	774
Cash and cash equivalent at beginning of year/period	1,208	4,284	4,284	5,294
Cash and cash equivalent at end of year/period	4,284	5,294	4,040	6,068

# Rapid industry consolidation – Industry loan balance

**March 31, 2019**  
1,008 Operational Platforms<sup>(1)</sup>



**Dec 31, 2018**  
1,079 Operational Platforms<sup>(2)</sup>



1) As of March 31, 2019, total number of operating platform  
2) As of December 31, 2018, total number of operating platform  
Source: www.wdzj.com