

Q1 2019 Financial Results

15 May 2019

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Mission

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

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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

94mn registered users⁽²⁾/15.4mn borrowers⁽³⁾

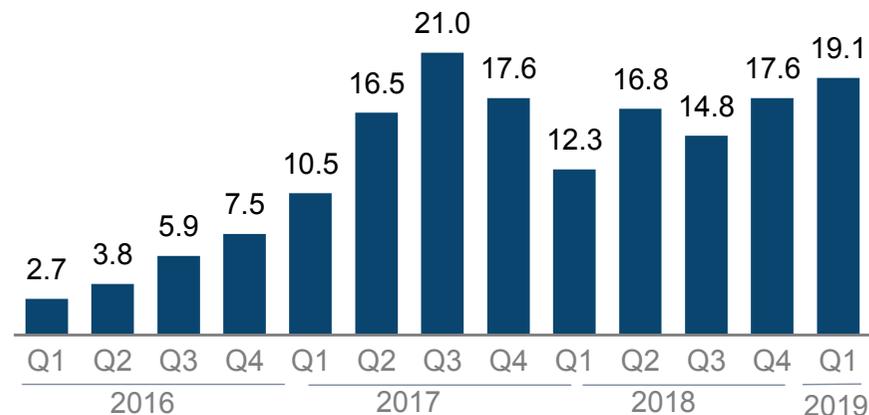


Consistent growth

Sequential operating revenue increase⁽⁴⁾

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.

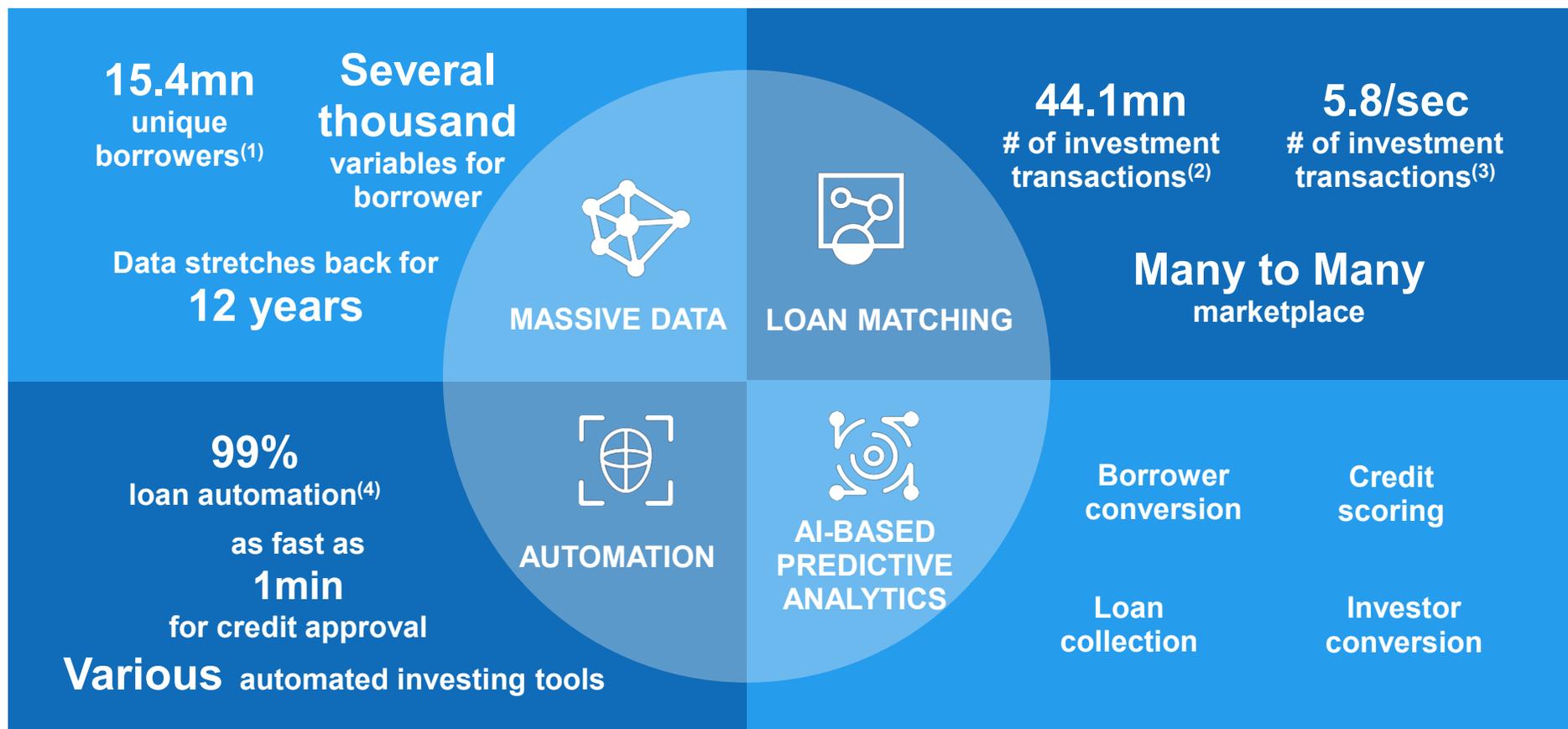
(1) Represents the % of loan applications on the marketplace that go through the automated process. Data for the three months ended March 31, 2019.

(2) As of March 31, 2019.

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

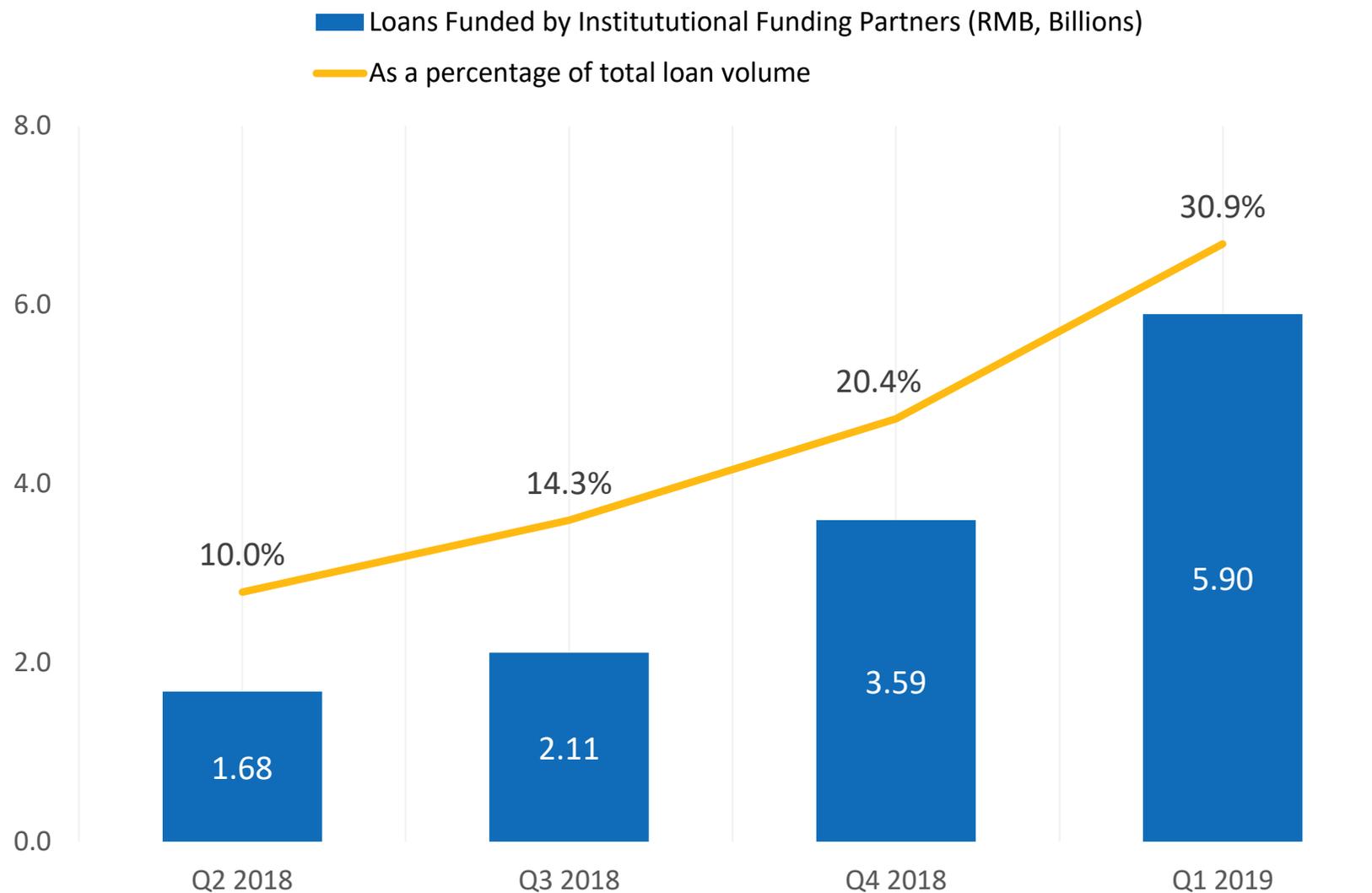
(4) Sequential operating revenue growth from Q4 2017 to Q1 2019.

Automation powered by big data and proprietary technologies



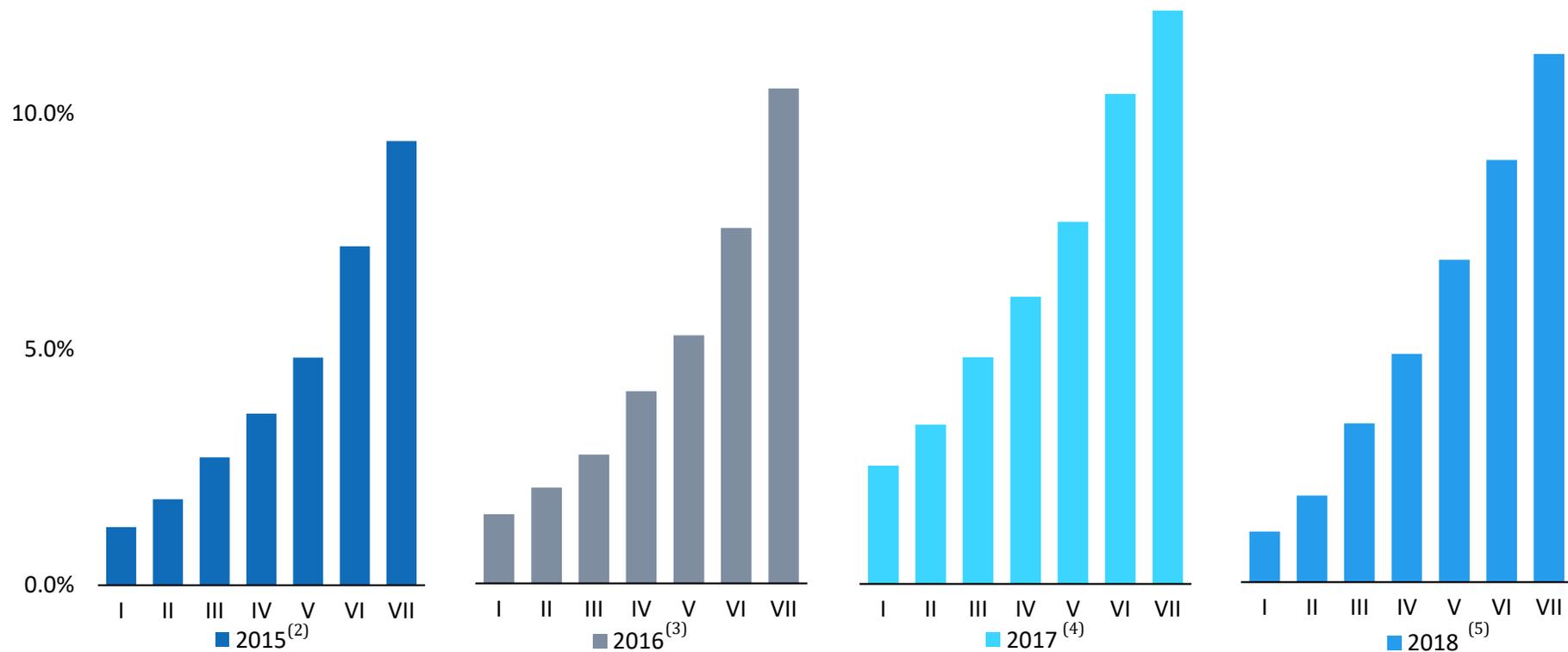
(1) On a cumulative basis, data as of March 31, 2019.
 (2) Data for the three months ended March 31, 2019.
 (3) Data for the three months ended March 31, 2019. Calculated by: (i) number of investment transactions, divided by (ii) number of seconds during the period.
 (4) Represents the % of loan applications on the marketplace that go through the automated process. Data for the three months ended March 31, 2019.

Diversified Funding Sources



Strong and consistent risk-sloping capability by credit rating

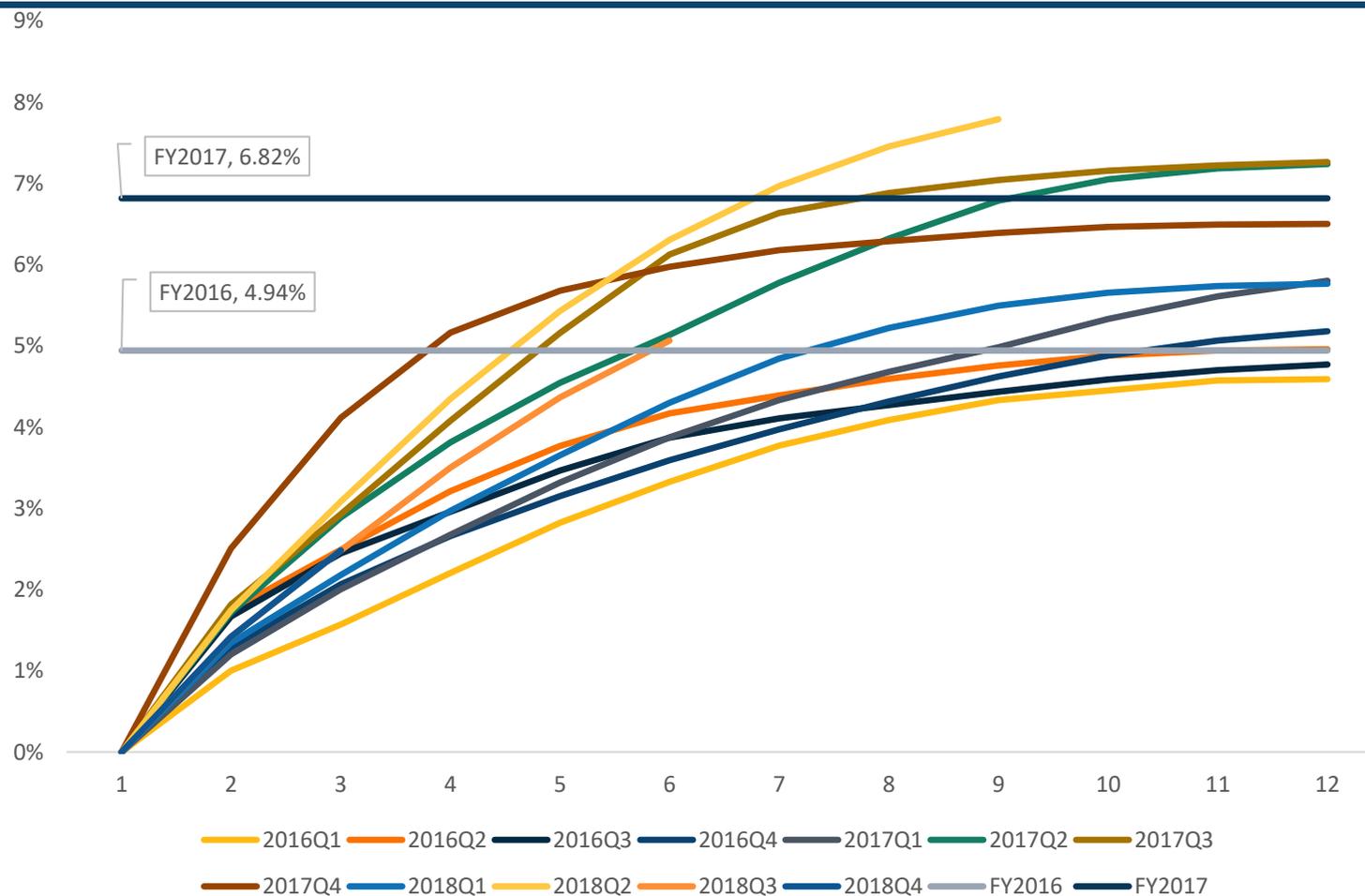
Vintage delinquency rate by credit rating⁽¹⁾



(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) 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⁽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⁾

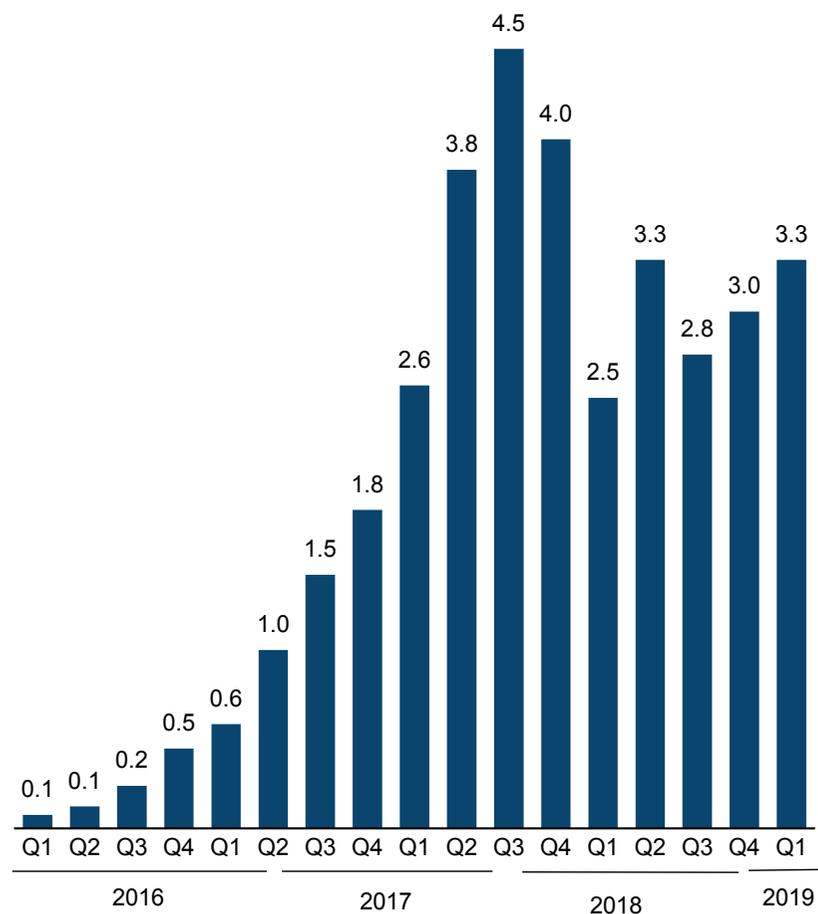
	Delinquent for			
	15–29 days	30–59 days	60–89 days	90–179 days
June 30, 2015	0.88%	1.06%	0.67%	2.10%
September 30, 2015	0.67%	0.89%	0.61%	1.33%
December 31, 2015	0.80%	0.93%	0.51%	1.20%
March 31, 2016	0.62%	0.93%	0.72%	1.41%
June 30, 2016	0.82%	1.01%	0.63%	1.34%
September 30, 2016	0.83%	1.11%	0.80%	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.

Borrowers fuel our loan origination volume

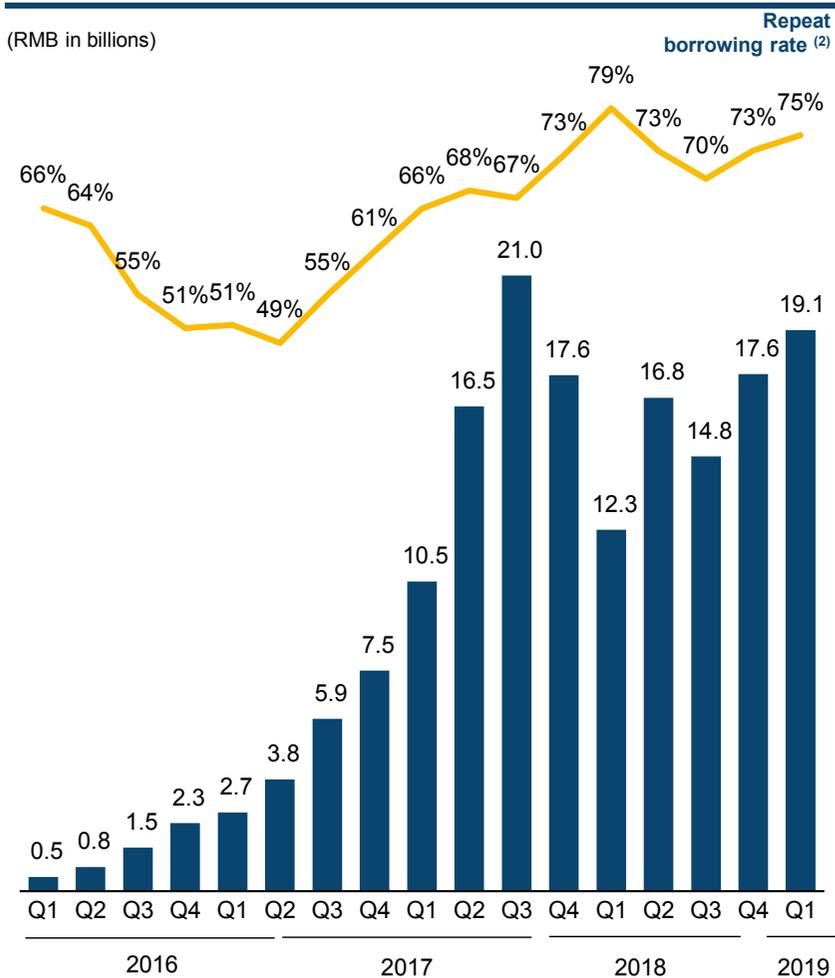
Number of unique borrowers⁽¹⁾

(Millions)



Loan origination volume

(RMB in billions)

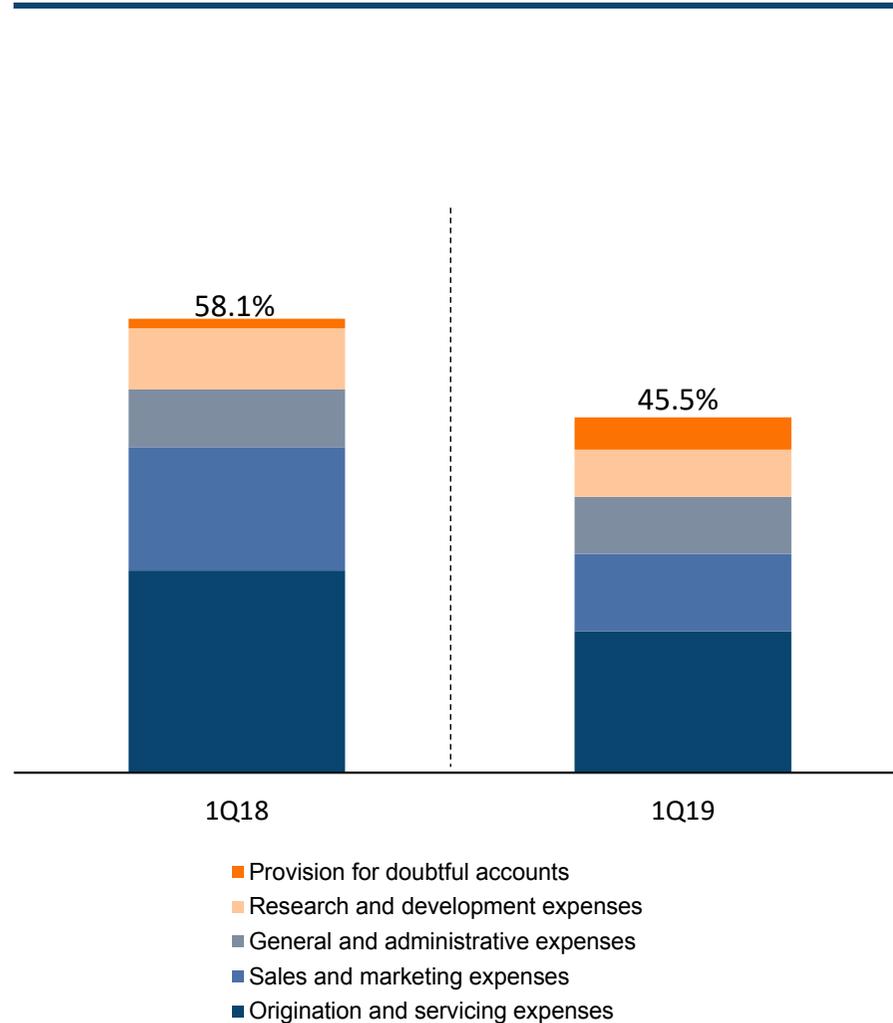


(1) Represents number of borrowers whose loans were funded during each period presented.

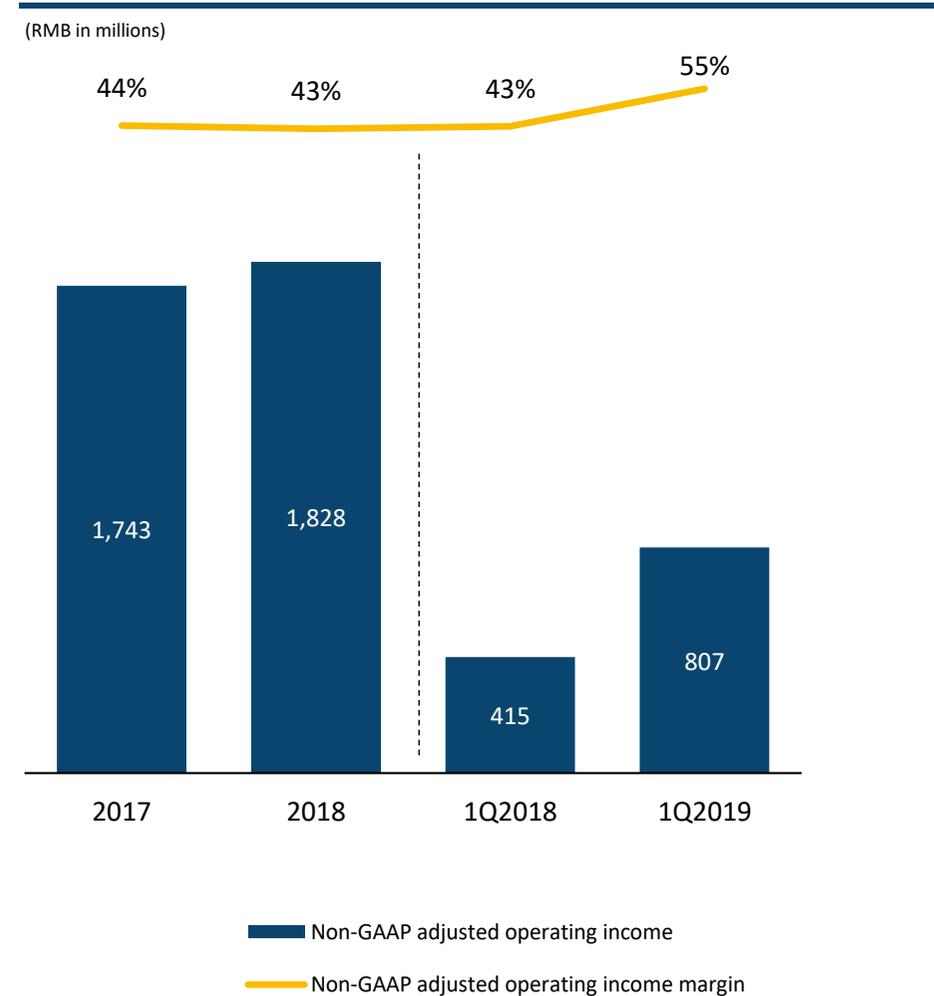
(2) % of loan volume generated by repeat borrowers. Repeat borrowers are borrowers who have successfully borrowed on our platform before.

High operating leverage driving profitability

Operating expenses as percentage of 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 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.

Financials



Income statement summary

RMB million	FY2016	FY2017	FY2018	1Q2018	1Q2019
Operating revenues	1,209	3,896	4,288	955	1,458
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	-	-
Net revenues	1,216	3,881	4,351	955	1,458
<i>% YoY growth</i>	521%	219%	12%	41%	53%
Operating expenses	(979)	(2,351)	(2,504)	(555)	(664)
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)
Operating income⁽¹⁾	237	1,529	1,847	400	795
<i>Operating income margin⁽²⁾</i>	19%	39%	42%	42%	55%
Other income ⁽³⁾	313	(172)	774	132	50
Profit before income tax expenses	550	1,358	2,621	532	844
Net profit	502	1,083	2,470	438	703
<i>Net profit margin⁽⁴⁾</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
Total assets	8,604	13,142	15,155
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	-	-
Total liabilities	4,921	7,157	8,832
Total shareholders' equity	3,682	5,986	6,322

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	(64.0)	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