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# Investor Presentation

November 2018

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## Mission

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

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# #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**  
98% of loans processed automatically<sup>(1)</sup>

**Large user base**  
84mn registered users<sup>(2)</sup>/13.4mn 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 September 30, 2018.  
 (2) As of September 30, 2018.  
 (3) On a cumulative basis, as of September 30, 2018.  
 (4) Sequential operating revenue growth from Q4 2017 to Q3 2018.

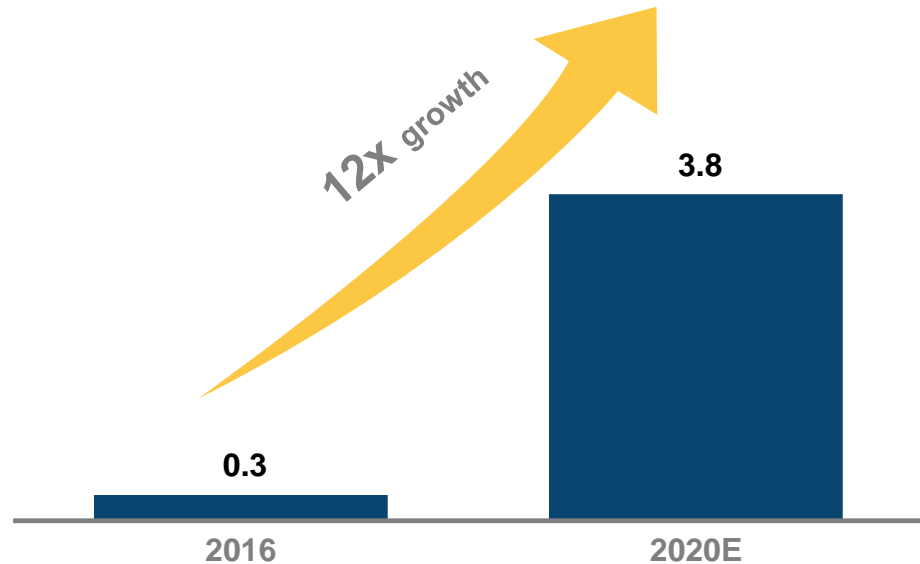
# Massive and fast-growing online consumer finance market

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

people under  
served by the  
banking system



**China online consumer finance market outstanding balance**  
*RMB in trillions*



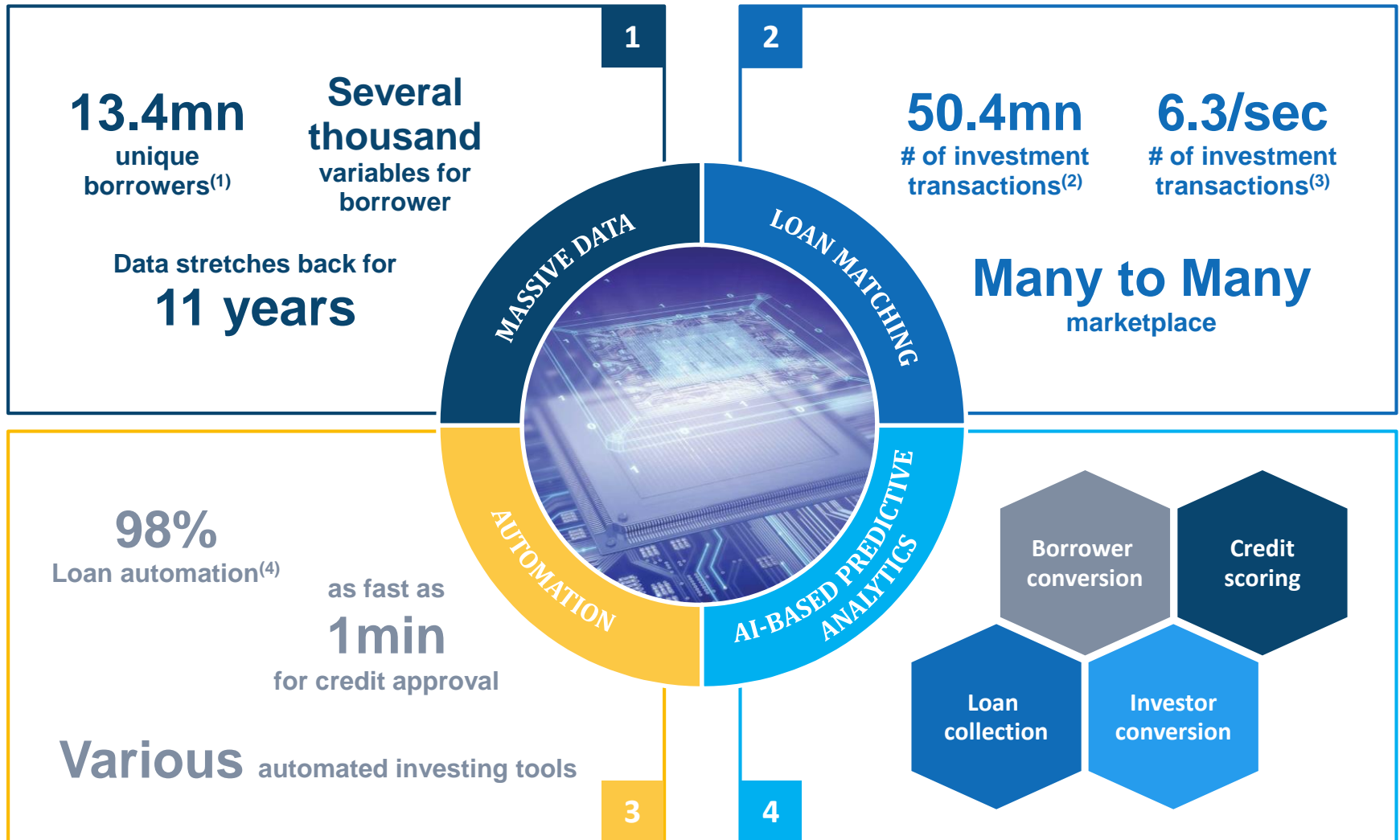
Sources: iResearch. Scale is approximate only.

(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



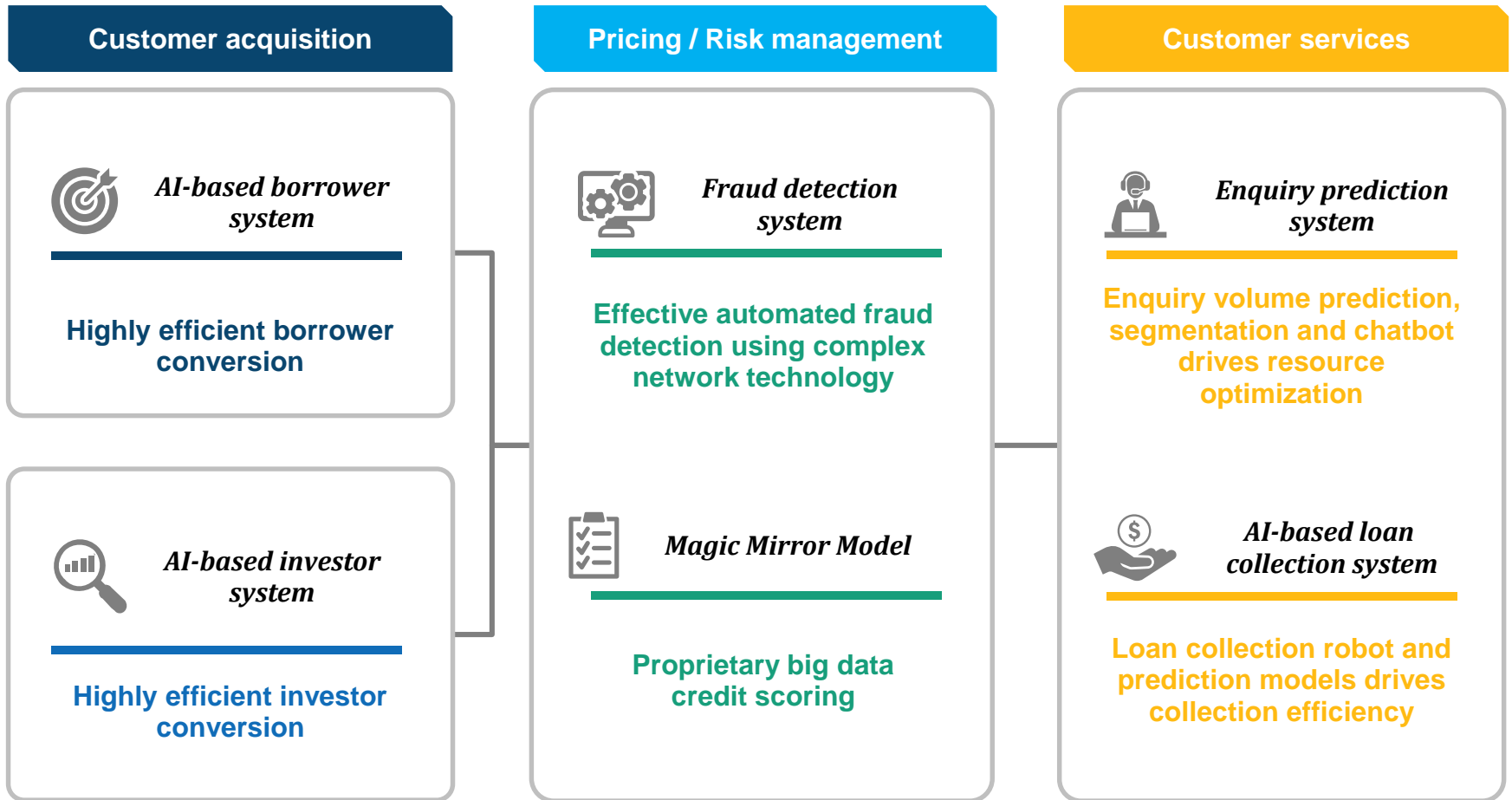
(1) On a cumulative basis, data as of September 30, 2018.

(2) Data for the three months ended September 30, 2018.

(3) Data for the three months ended September 30, 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 September 30, 2018.

# Advanced technologies drive all aspects of the business



Operating efficiency driven by broad range of AI-based technologies



# Our borrowers and investors

## Borrower profile



**20-40**

Average borrower age

**RMB 3,396**

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



**9.0 months**

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

## Investor profile

**644K**

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



**RMB 80,414**

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

**Strong**

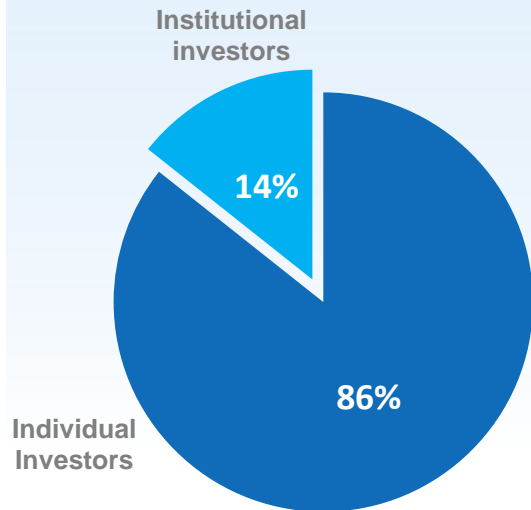
Investor traction/loyalty



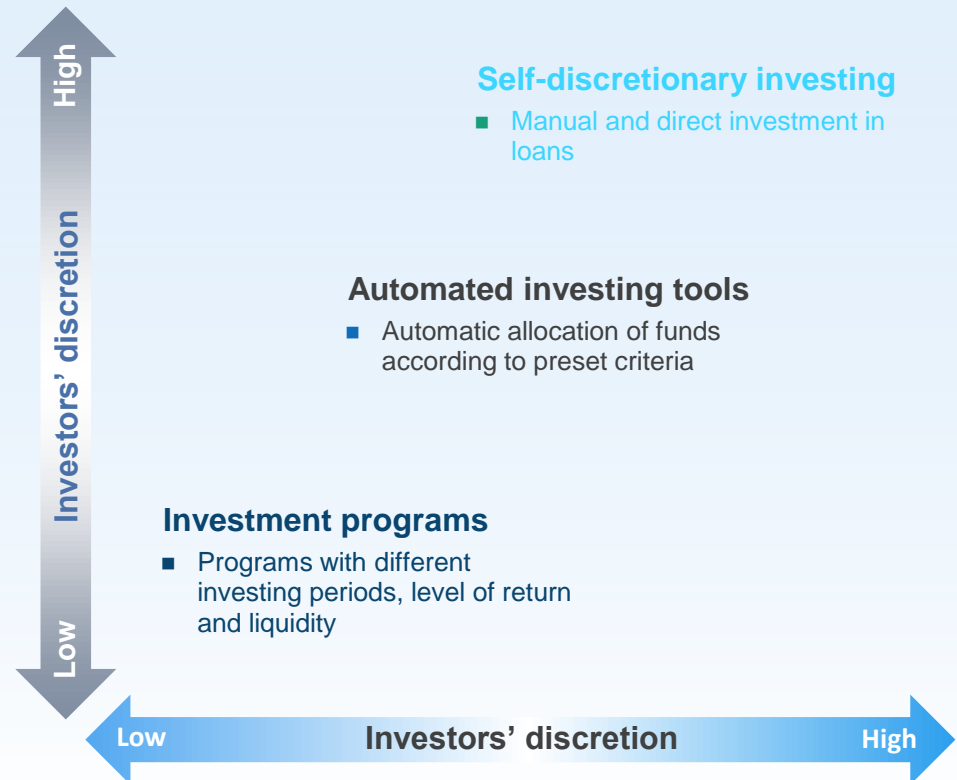
(1) On a cumulative basis, as of September 30, 2018.  
(2) Calculated based on loans originated on our marketplace in the three months ended September 30, 2018.  
(3) Investment amount per individual investor, who has made at least one investment, in the three months ended September 30, 2018.

# Diversified funding sources and investment methods

## Loan origination volume<sup>(1)</sup> breakdown

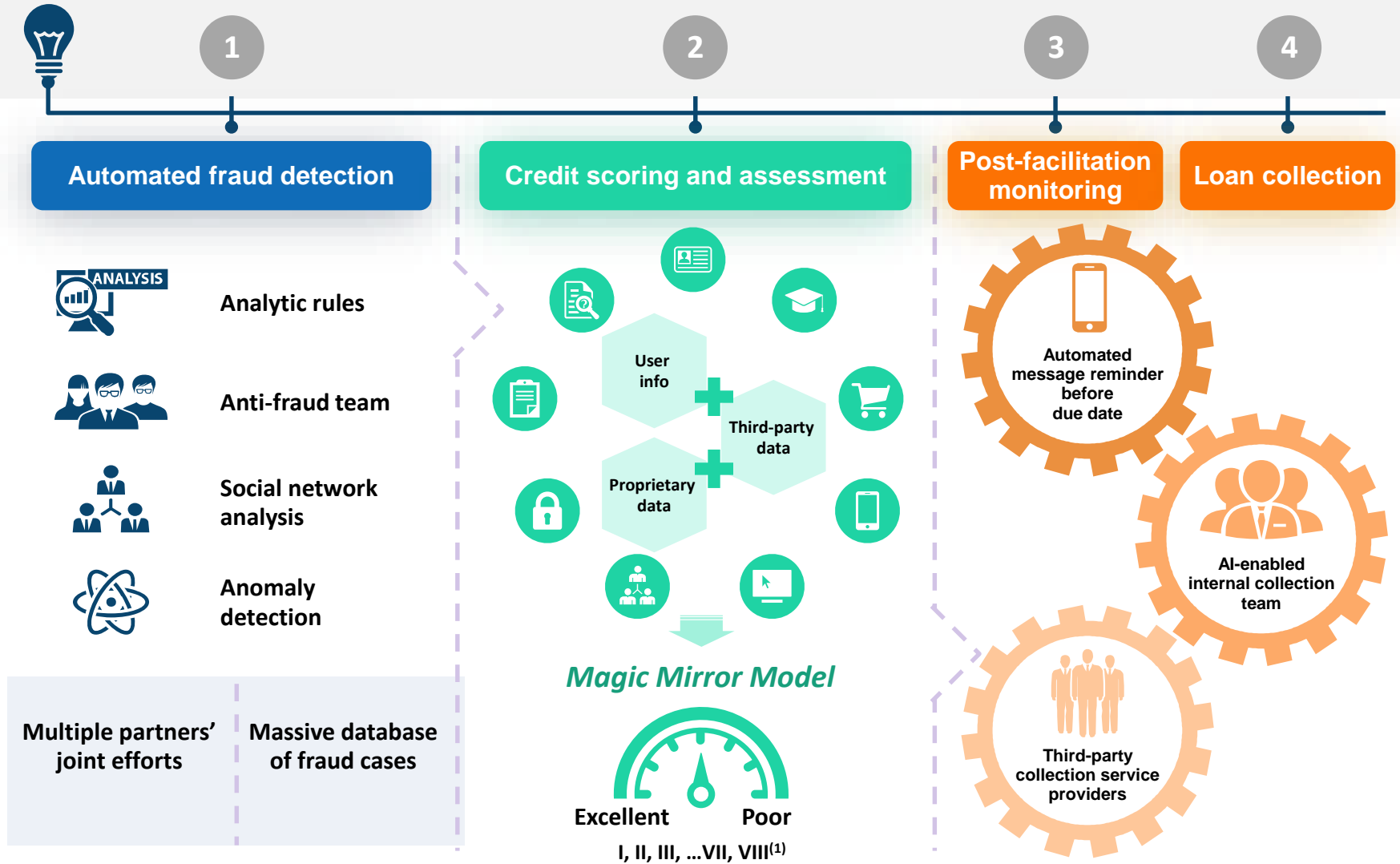


## Flexible investment methods



(1) Data for the three months ended September 30, 2018.

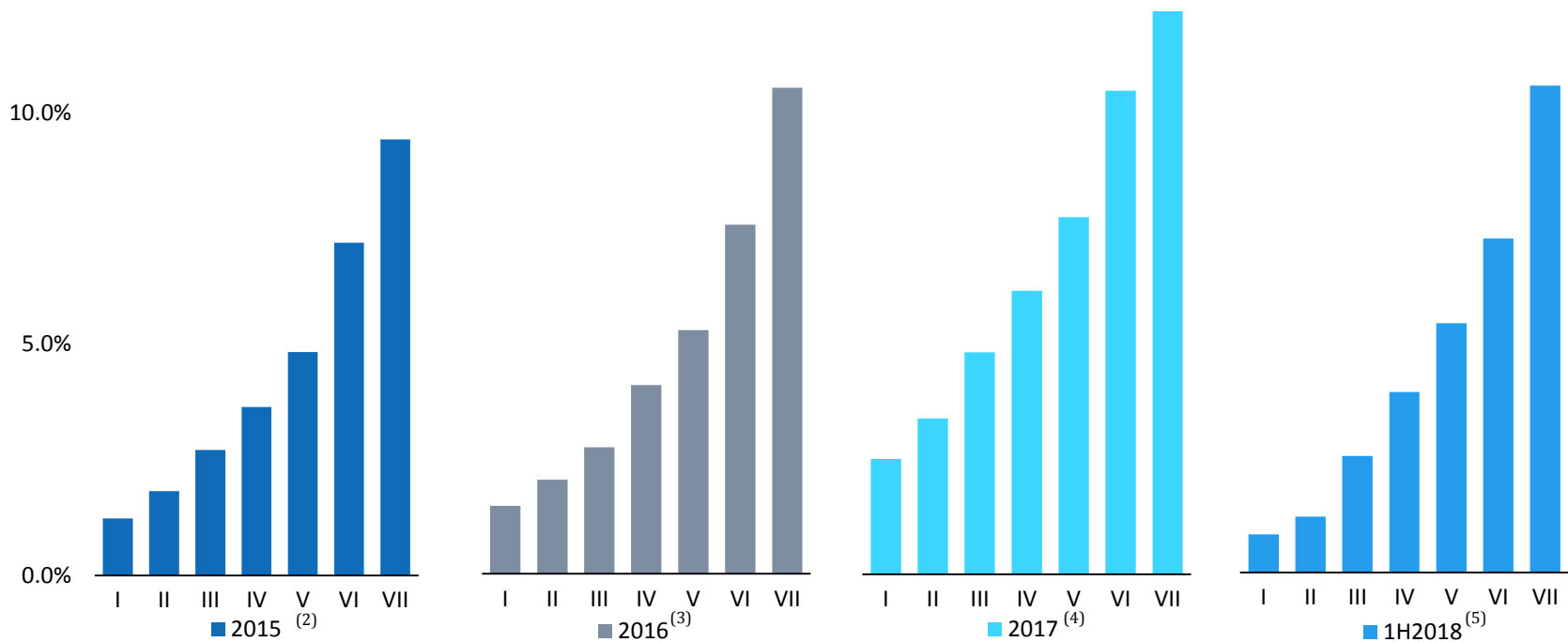
# Sophisticated risk management technologies and capabilities



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

# Strong and consistent risk-sloping capability by credit rating

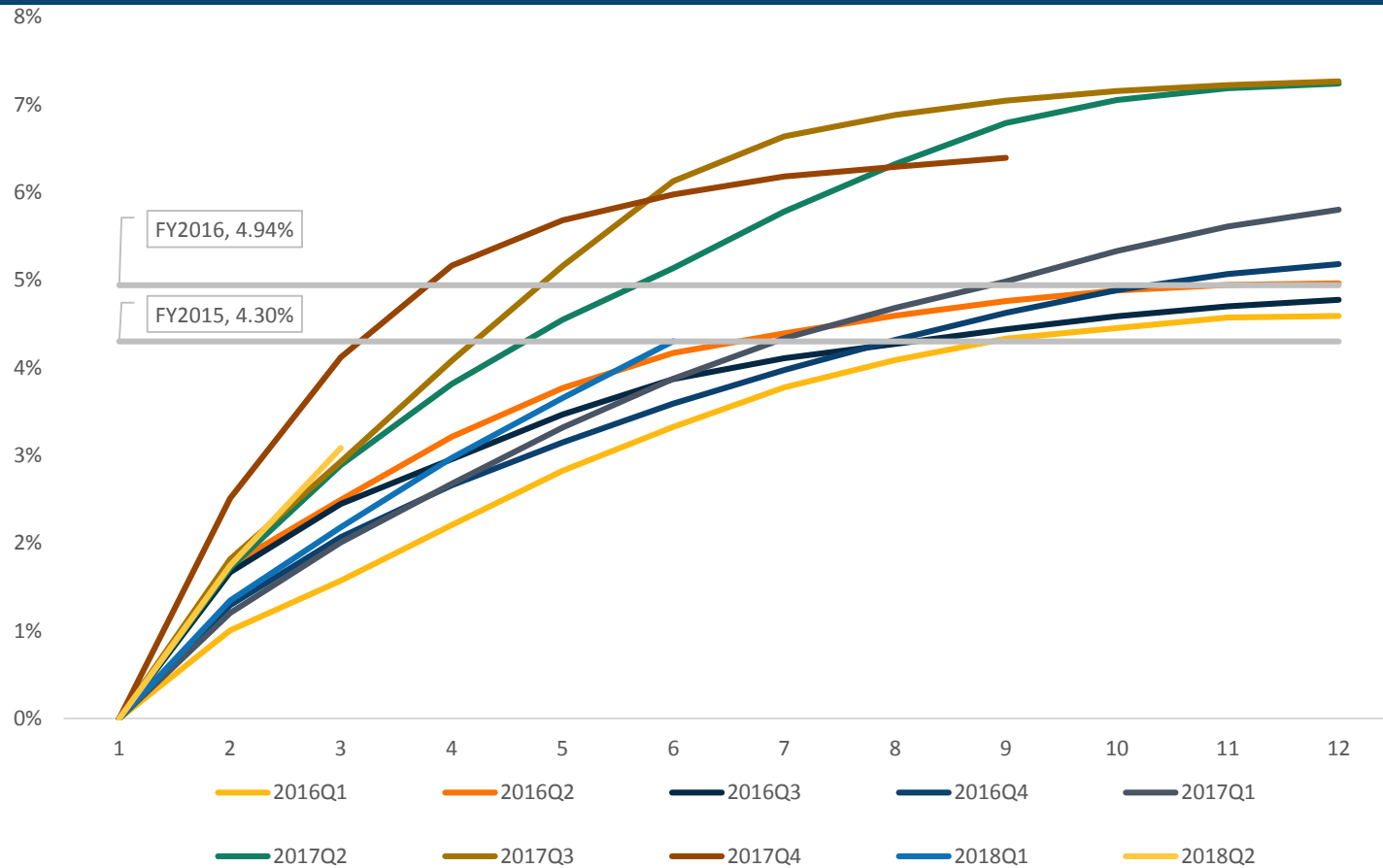
Vintage delinquency rate by credit rating<sup>(1)</sup>



(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 weighted 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 weighted 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 September 30, 2018.  
 (5) Represents vintage delinquency rate for loans facilitated during 1H2018 as of September 30, 2018.

# Cumulative delinquency rates by vintage

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



Note: Data as of September 30, 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 rate by balance<sup>(1)</sup>

	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%

(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;  
Anti Fraud System  
Magic Mirror  
AI voice robot



Explore M&A opportunities



Diversify wealth management solutions

# Financials

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## Financial highlights



**Solid growth in borrower base and loan volume**



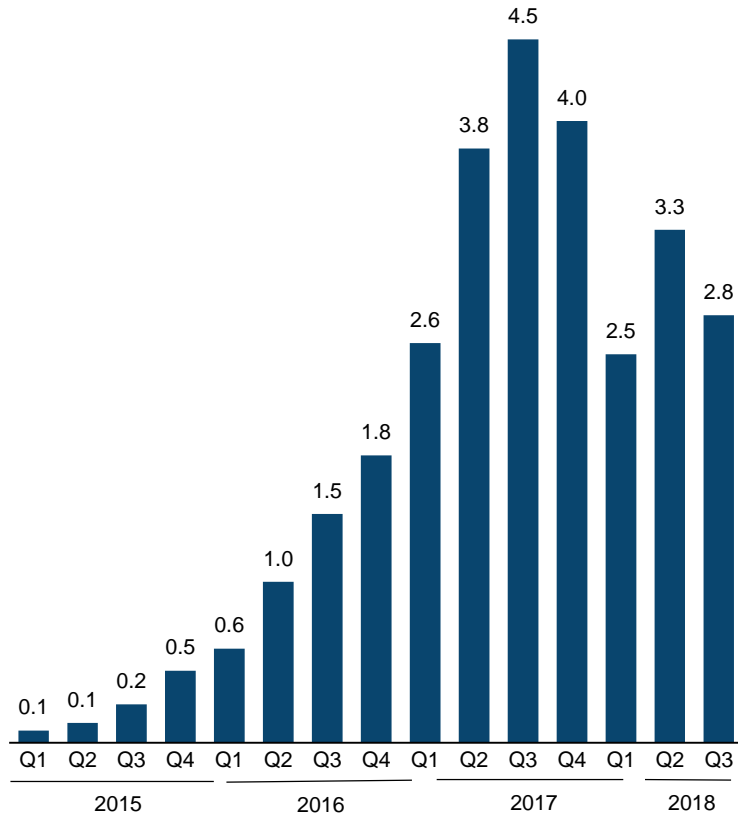
**High operating leverage driving profitability**



# Borrowers fuel our loan origination volume

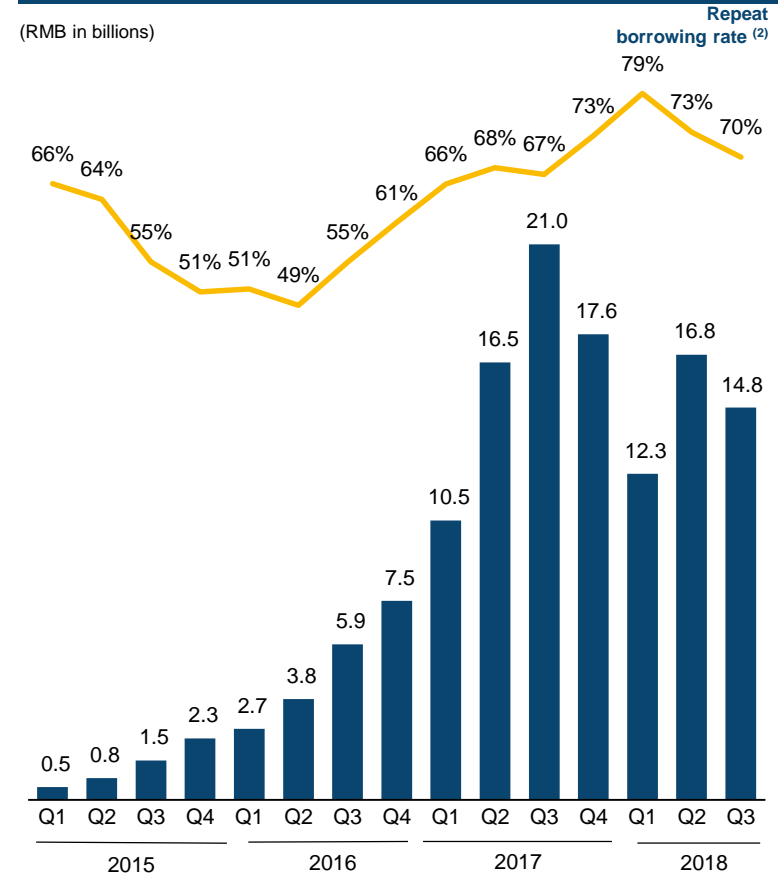
## Number of unique borrowers<sup>(1)</sup>

(Millions)



## Loan origination volume

(RMB in billions)

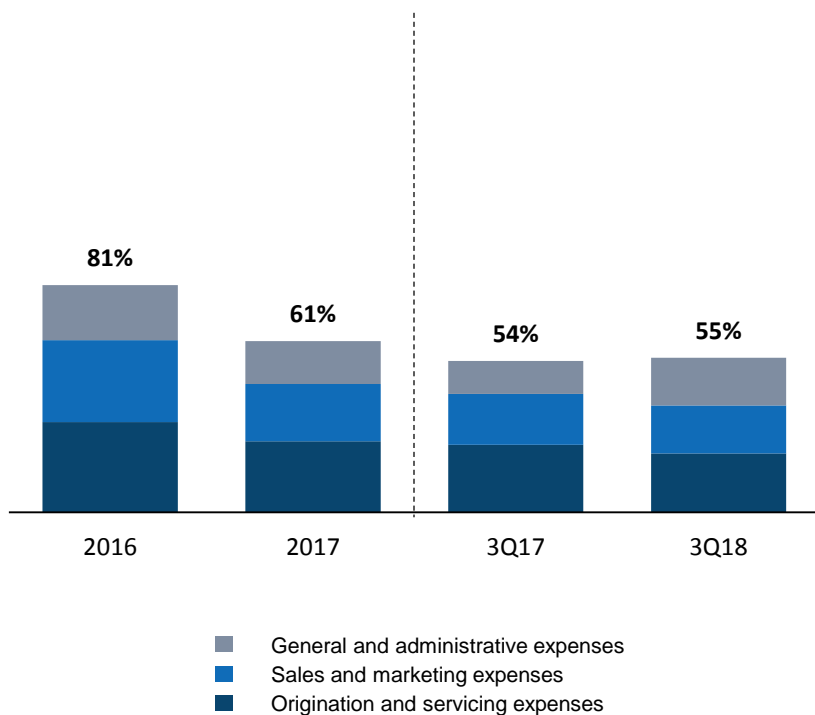


(1) Represents number of borrowers whose loans were funded during each period presented.

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

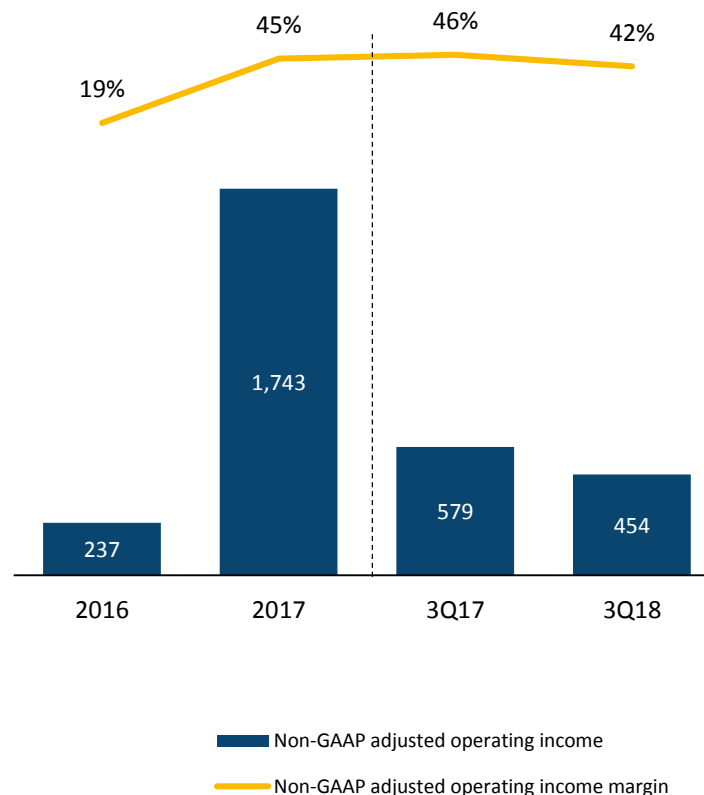
# High operating leverage driving profitability

## Operating expenses as percentage of net revenue



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

(RMB in millions)



(1) Non GAAP adjusted operating income for FY2017, which excludes share-based compensation expenses of RMB106.2 and a one time provision of RMB107.7 for expected discretionary payments to investors in investment programs protected by the Company's investor reserve funds. Non GAAP adjusted operating income for Q3 2018, which excludes share-based compensation expenses before tax and a write back provision for expected discretionary payments to investors in investment programs protected by the investor reserve funds, was RMB 454.4 million.

# #1 online consumer finance marketplace in China

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**Leading independent platform**

- ✓ 84mn registered users<sup>(1)</sup>, 13.4mn borrowers<sup>(2)</sup>
- ✓ 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 September 30, 2018.

(2) On a cumulative basis, as of September 30, 2018.

# Appendix

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# Income statement summary

RMB million	FY2016	FY2017	3Q2017	3Q2018	9M2017	9M2018
<b>Operating revenues</b>	<b>1,209</b>	<b>3,896</b>	<b>1,250</b>	<b>1,104</b>	<b>2,984</b>	<b>3,068</b>
Loan facilitation service fees	911	2,843	907	708	2,223	2,082
Post-facilitation service fees	127	669	200	240	442	673
Other revenue	170	491	143	112	319	269
Expected discretionary payment to IRF investors	-	(108)	-	45	-	45
<b>Net revenues</b>	<b>1,216</b>	<b>3,881</b>	<b>1,247</b>	<b>1,084</b>	<b>2,982</b>	<b>3,088</b>
<i>% YoY growth</i>	521%	219%	239%	(13%)	314%	3.6%
<b>Operating expenses</b>	<b>(979)</b>	<b>(2,351)</b>	<b>(668)</b>	<b>(593)</b>	<b>(1,566)</b>	<b>(1,728)</b>
Origination and servicing expenses	(388)	(975)	(298)	(226)	(678)	(708)
Sales and marketing expenses	(353)	(788)	(225)	(184)	(550)	(530)
General and administrative expenses	(238)	(589)	(145)	(183)	(338)	(490)
<b>Operating income<sup>(1)</sup></b>	<b>237</b>	<b>1,529</b>	<b>579</b>	<b>491</b>	<b>1,416</b>	<b>1,360</b>
<i>Operating income margin<sup>(2)</sup></i>	19%	39%	46%	45%	47%	44%
Other income <sup>(3)</sup>	313	(172)	121	251	523	680
Profit before income tax expenses	550	1,358	700	742	1,939	2,040
<b>Net profit</b>	<b>502</b>	<b>1,083</b>	<b>541</b>	<b>650</b>	<b>1,590</b>	<b>1,695</b>
<i>Net profit margin<sup>(4)</sup></i>	41%	28%	43%	60%	53%	55%

(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

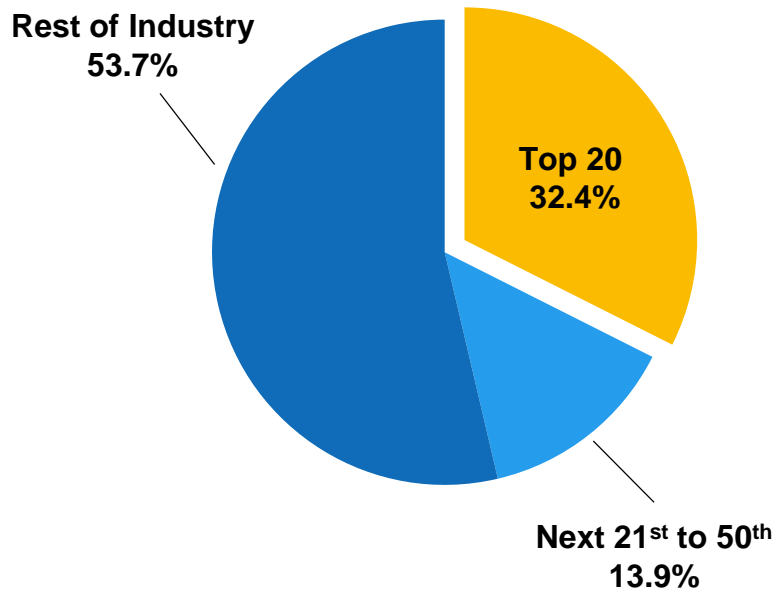
RMB million	As of Dec 31, 2016	As of Dec 31, 2017	As of September 30, 2018
Cash and cash equivalents	405	1,891	1,655
Restricted cash:	803	2,393	3,502
<i>Quality assurance fund</i>	330	1,059	2,065
<i>Investor reserve fund</i>	52	175	-
<i>Cash received from investors or borrowers</i>	422	1,114	1,294
Short-term investments	260	1,959	1,835
Quality assurance fund receivable	287	1,153	2,003
Loan receivable, net provision for loan losses	28	682	1,486
Financial guarantee derivative	167	-	46
<b>Total assets</b>	<b>2,147</b>	<b>8,604</b>	<b>11,908</b>
Payable to platform customers	422	1,114	1,294
Quality assurance fund payable	474	2,063	3,431
Funds payable to investors of consolidated trusts	30	503	951
Financial guarantee derivative	-	216	-
<b>Total liabilities</b>	<b>1,375</b>	<b>4,921</b>	<b>6,618</b>
<b>Total shareholders' equity</b>	<b>(438)</b>	<b>3,682</b>	<b>5,290</b>

## Selected Statement of Cash Flow

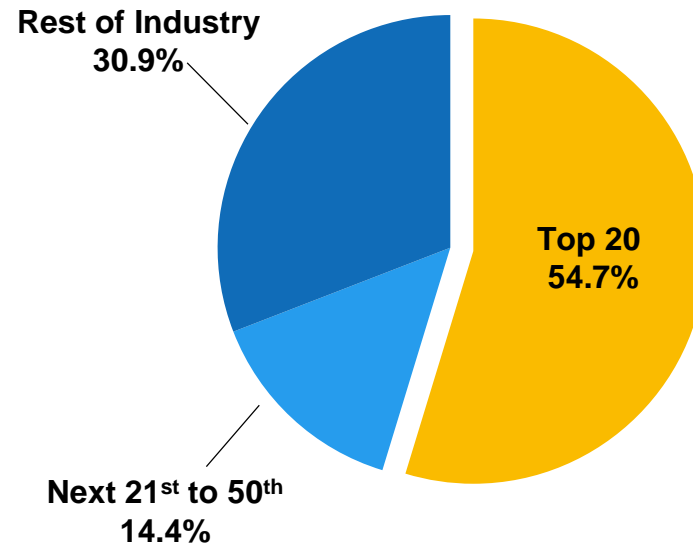
RMB million	1Q2018	2Q2018	3Q2018	9M2018
Net cash provided by operating activities	88	152	1,126	1,366
Net cash used in investing activities	(227)	716	(1,117)	(628)
Net cash generated in financing activities	(64)	(110)	263	89
Effect of exchange rate changes on cash and cash equivalents	(41)	49	37	45
Net increase/(decrease) in cash and cash equivalents	(244)	807	310	873
Cash and cash equivalent at beginning of year/period	4,284	4,040	4,847	4,284
Cash and cash equivalent at end of year/period	4,040	4,847	5,157	5,157

# Rapid industry consolidation

**Full Year 2017** <sup>(1)</sup>  
2,236 Operational Platforms



**Q3 2018** <sup>(2)</sup>  
1,285 Operational Platforms



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

2) As of September 30, 2018, total number of operating platform

Source: [www.wdzj.com](http://www.wdzj.com)

# Industry monthly loan origination volume

Millions, RMB

