



# 趣店

Small Credit, Big Data

## Qudian

# Management Presentation

August 2018

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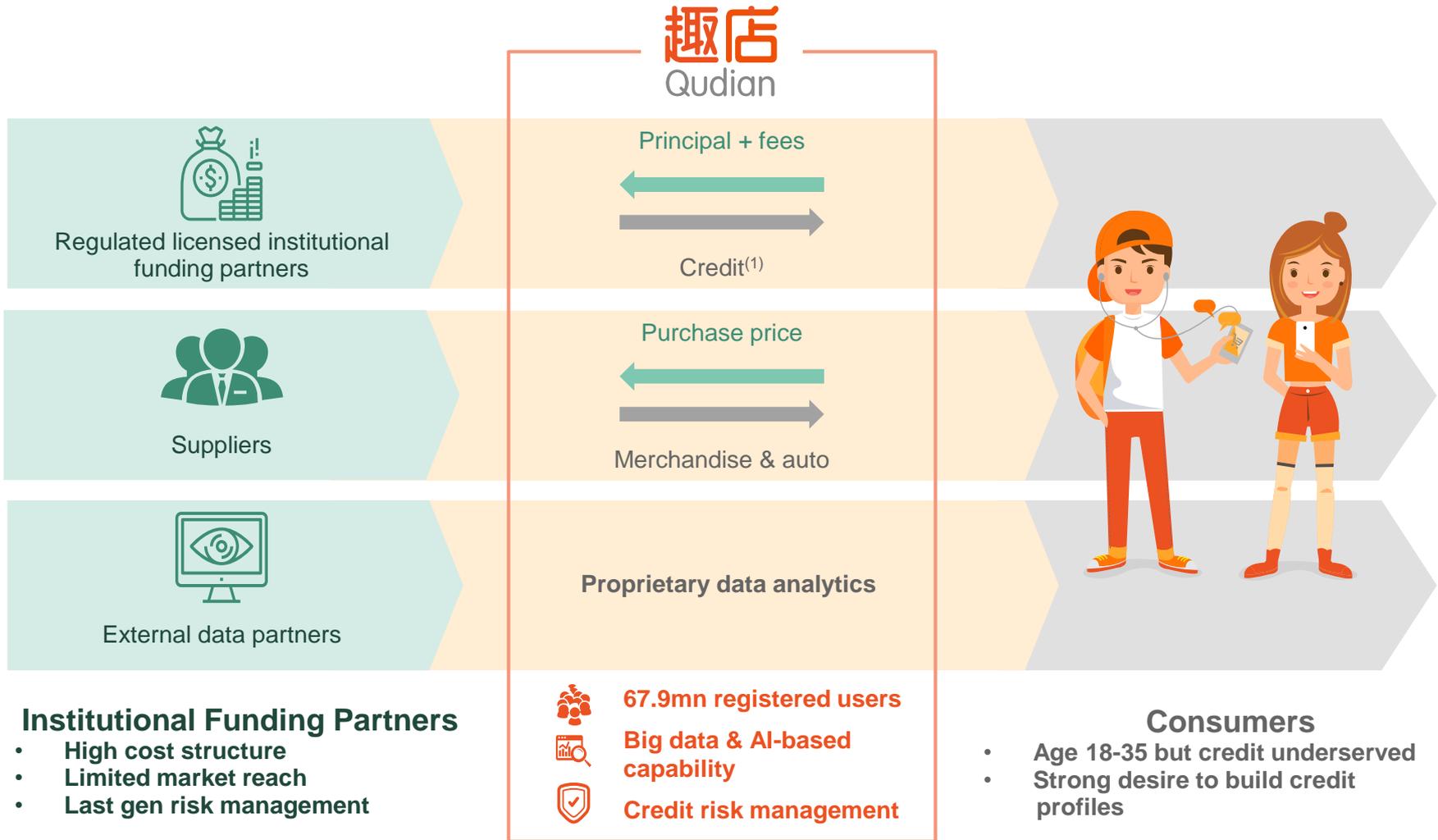
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# Leading Global FinTech Innovators

#1		Ant Financial	
#2		ZhongAn	
<b>#3</b>		<b>Qudian</b>	
#4		Oscar	
#5		Avant	
#6		Lufax	
#7		Kreditech	
#8		Atom Bank	
#9		JD Finance	
#10		Kabbage	

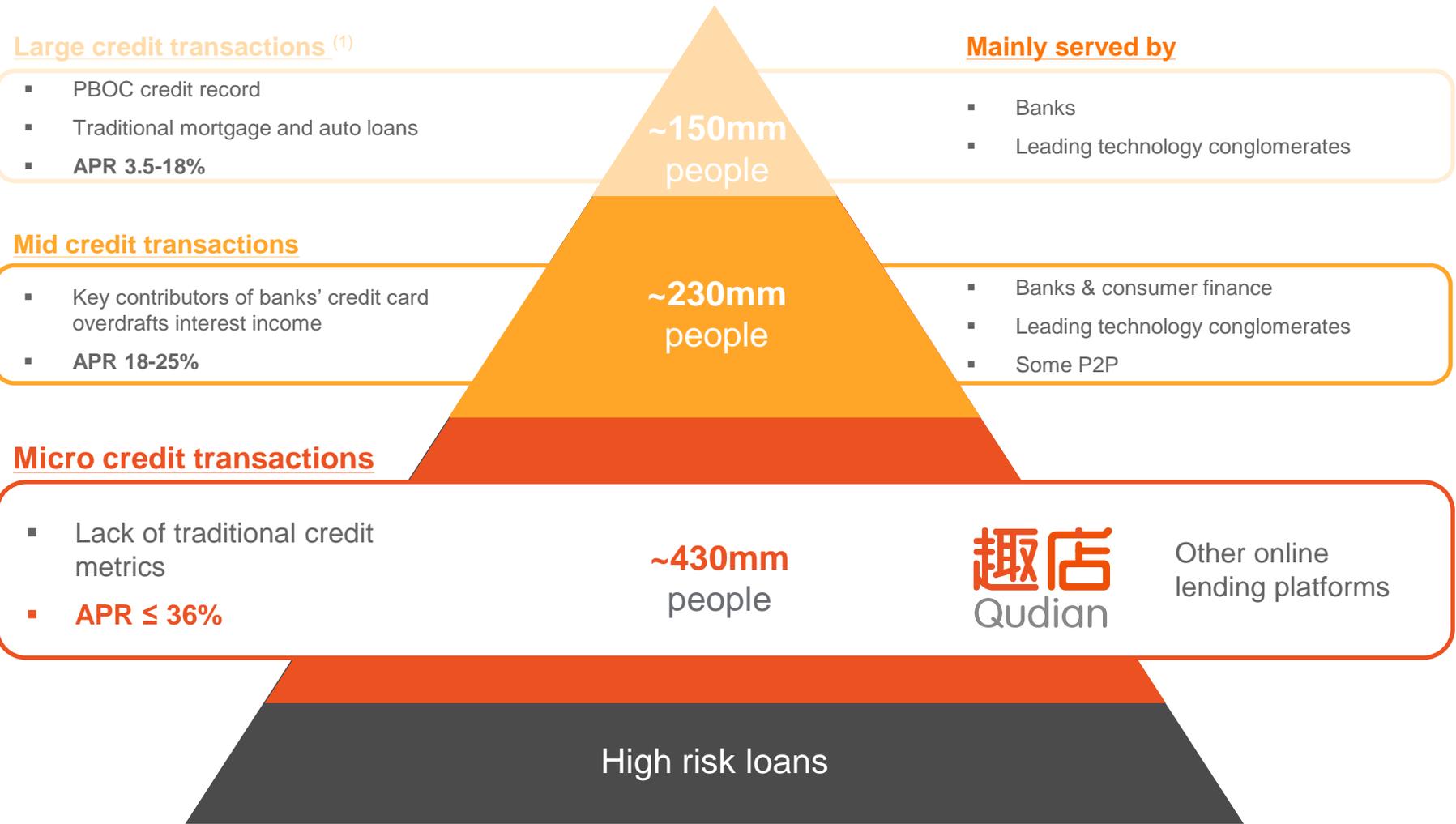
Source: "Fintech100" in 2017 by H2 Ventures and KPMG, based on comprehensive analysis relating to total capital raised, rate of capital raising, geographic diversity, sectorial diversity, X-factor (degree of product, service and business model innovation).

# Leading Facilitator for Accessible and Affordable Small Consumption Credit



Note:  
(1) We have established a variety of funding arrangements. For example, certain of our institutional funding partners directly provide funding to borrowers for credit drawdowns we facilitate. We also utilize our own capital to fund credit drawdowns in many instances to enable borrowers to access credit instantly.

# Focused on Serving Large Population of Underbanked

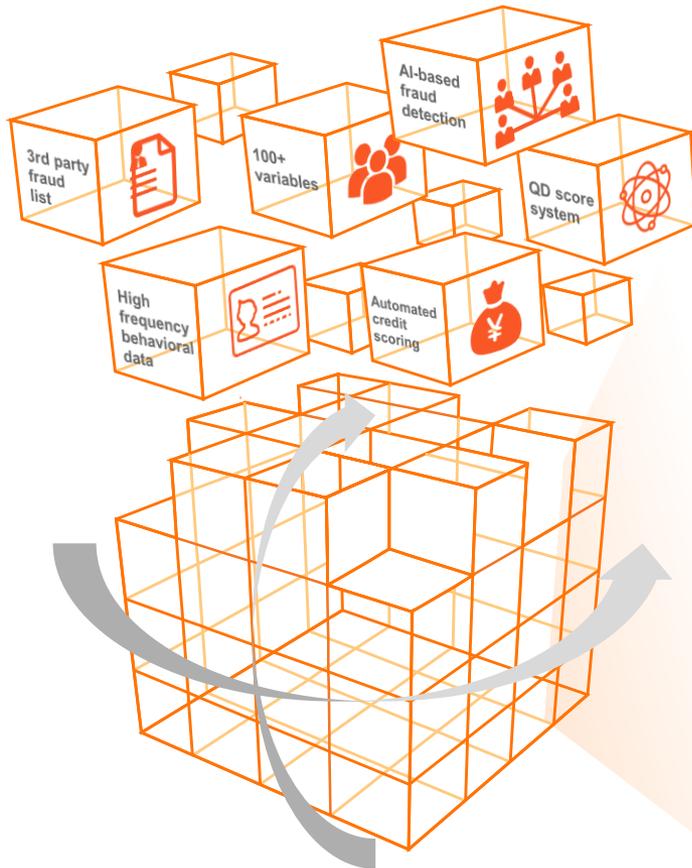


Source: Public information and Company's estimation

Note:

(1) We offer budget auto financing products under the brand Dabai Auto to individuals with strong credit profiles.

# Differentiated and Dynamic Risk Management Empowered by High Velocity Transaction Data



## Data abundance



- **29K** transactions / hour <sup>(1)</sup>
- **150mn+** actual transaction backed analytics

## Robust decision tree



- **Diverse credit sources**
- **300+** credit policy rules

## Automation & AI



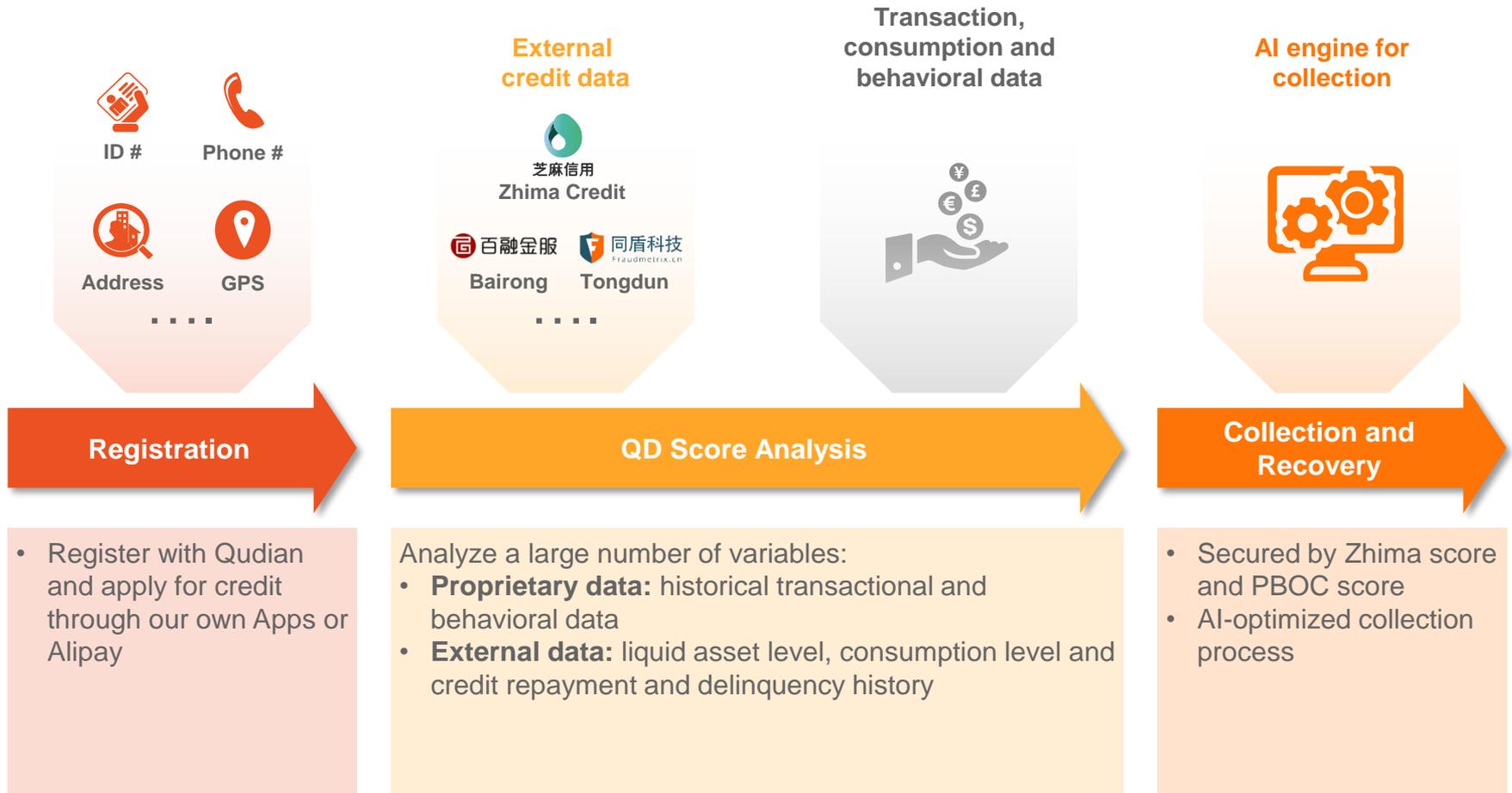
- Automated decision-making
- Minimized labour costs

Unique risk management model focusing on **willingness to repay**

Note:

(1) Refers to average total numbers of credit drawdowns and repayments per hour during 2Q18.

# Streamlined Credit Approval and Servicing Process



Within 10 seconds, 100% mobile and 100% automated

# 2Q 2018 Operational Highlights



**67.9mn** registered users  
**28.3mn** users with approved credit  
As of June 30, 2018



**RMB16.3bn** total amount of transactions  
**RMB738mn** non-GAAP net profit  
During 2Q18



**5.1mn** outstanding borrowers<sup>(1)</sup>  
**~93%** repeat borrowers<sup>(2)</sup>  
In 2Q18



**RMB15.0bn** outstanding loans<sup>(3)</sup>  
As of June 30, 2018



**<1.0%** M1+ delinquency rate<sup>(4)</sup>  
For new loans generated during the first quarter of 2018 through June 30, 2018



**8,474** number of cars sold  
During 2Q18



Serve the “**credit underserved**”



Superior **efficiency** enabled by technology



**Massive** amount of high frequency data



**Consumption** scenarios

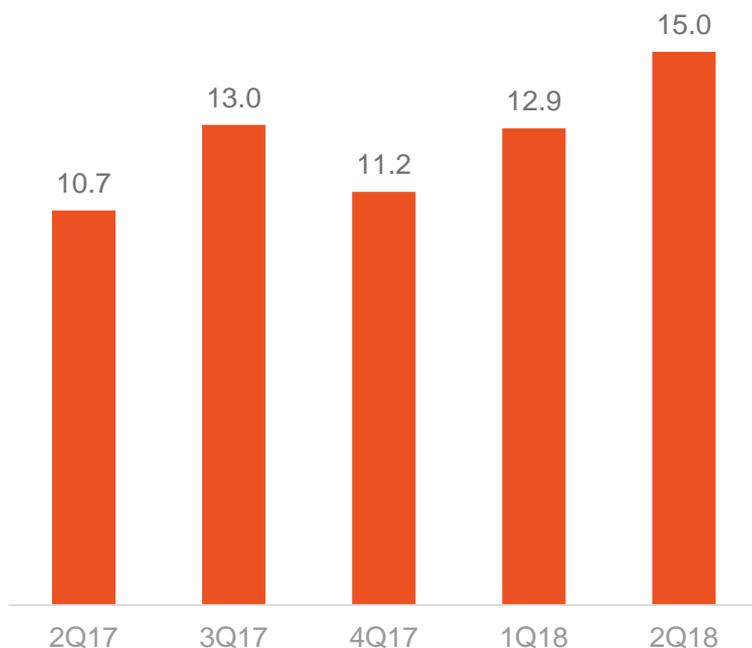
Note:

- (1) Borrowers who have loans outstanding as of June 30, 2018.
- (2) Active borrowers in the specified period who have made at least two drawdowns.
- (3) Includes both on-balance and off-balance sheet loan principal outstanding.
- (4) M1+ Delinquency Rate by Vintage is defined as the total balance of outstanding principal of a vintage for which any installment payment is over 30 calendar days past due as of a particular date (adjusted to reflect total amount of recovered past due payments for principal, before charge-offs), divided by the total initial principal in such vintage.

# 2Q 2018 Financial Highlights

## Loan balance <sup>(1)</sup> increased by 40.3% YoY

(RMB bn)



## Revenue increased by 124.7% YoY

(RMB mn)



- Loan facilitation income and others
- Sales income
- Penalty fees
- Sales commission fees
- Financing income



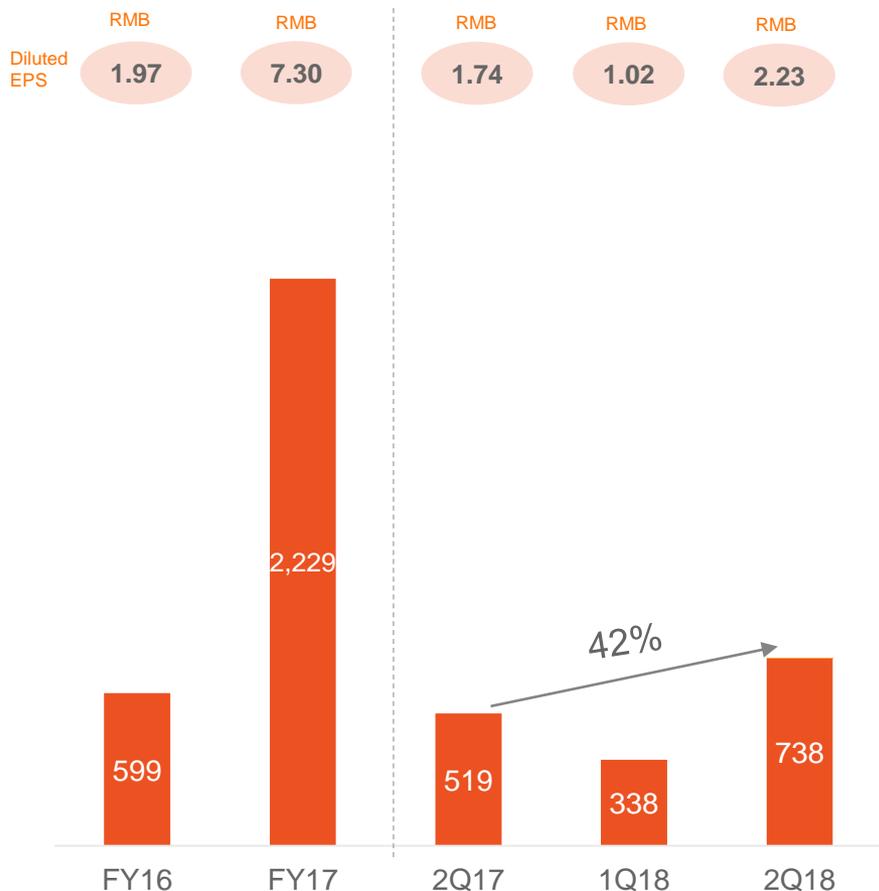
Note:

(1) Includes on & off balance sheet funding and excludes Dabai Auto.

# 2Q 2018 Financial Highlights (Cont'd)

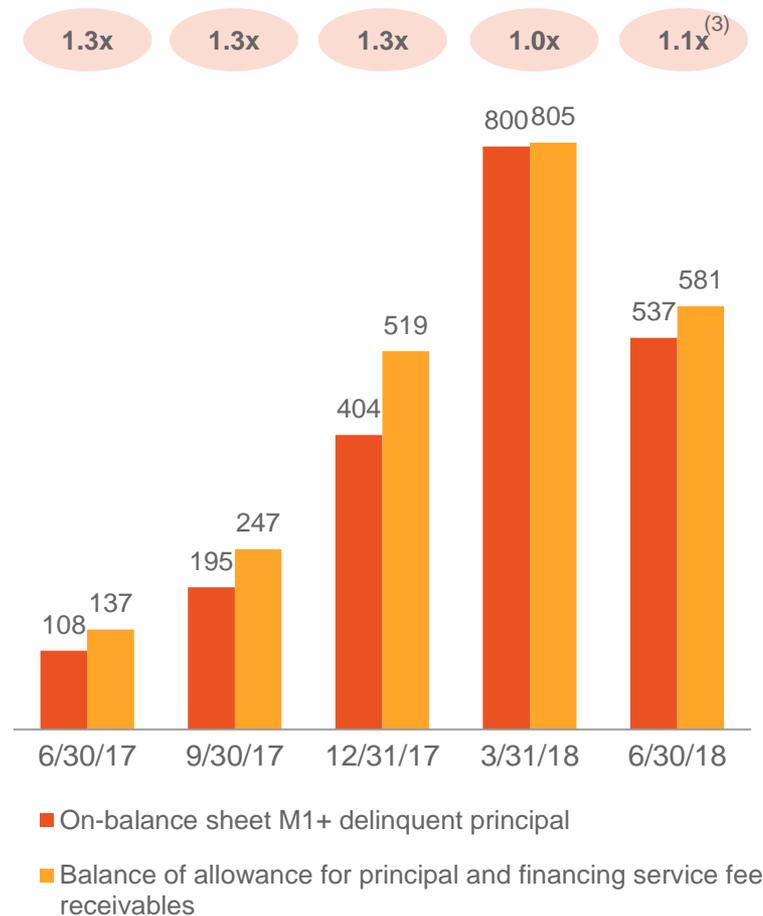
## Strong Non-GAAP Net Income Growth<sup>(1)</sup>

(RMB mn, except for EPS numbers)



## M1+ Delinquency Coverage Ratio<sup>(2)</sup>

(RMB mn)



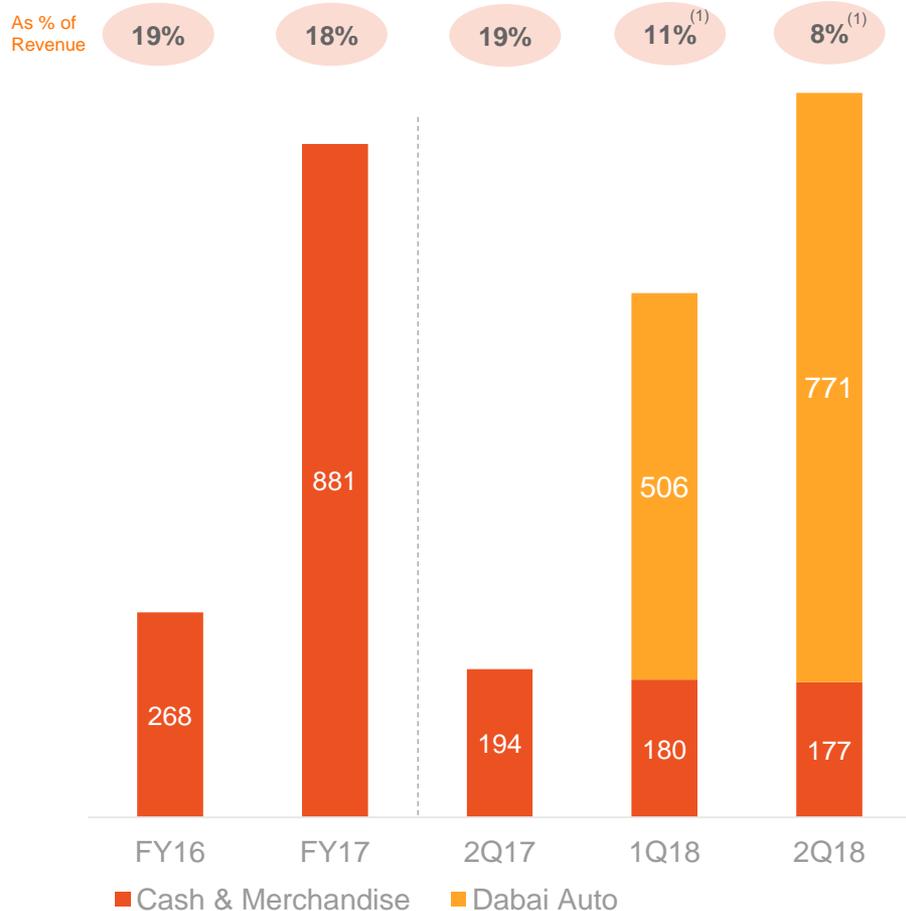
Note:

- (1) Non-GAAP net income represents net income before share-based compensation expense.
- (2) Defined as the balance of allowance for principal and financing service fee receivables at the end of a period, divided by the total balance of outstanding principal for on-balance sheet transactions for which any installment payment was more than 30 calendar days past due as of the end of such period, excluding charged-off amounts. The amount charged-off has been fully covered by allowance provided by the Company.
- (3) Includes on-balance sheet M1+ delinquent principal and financing service fee receivables.

# 2Q 2018 Financial Highlights (Cont'd)

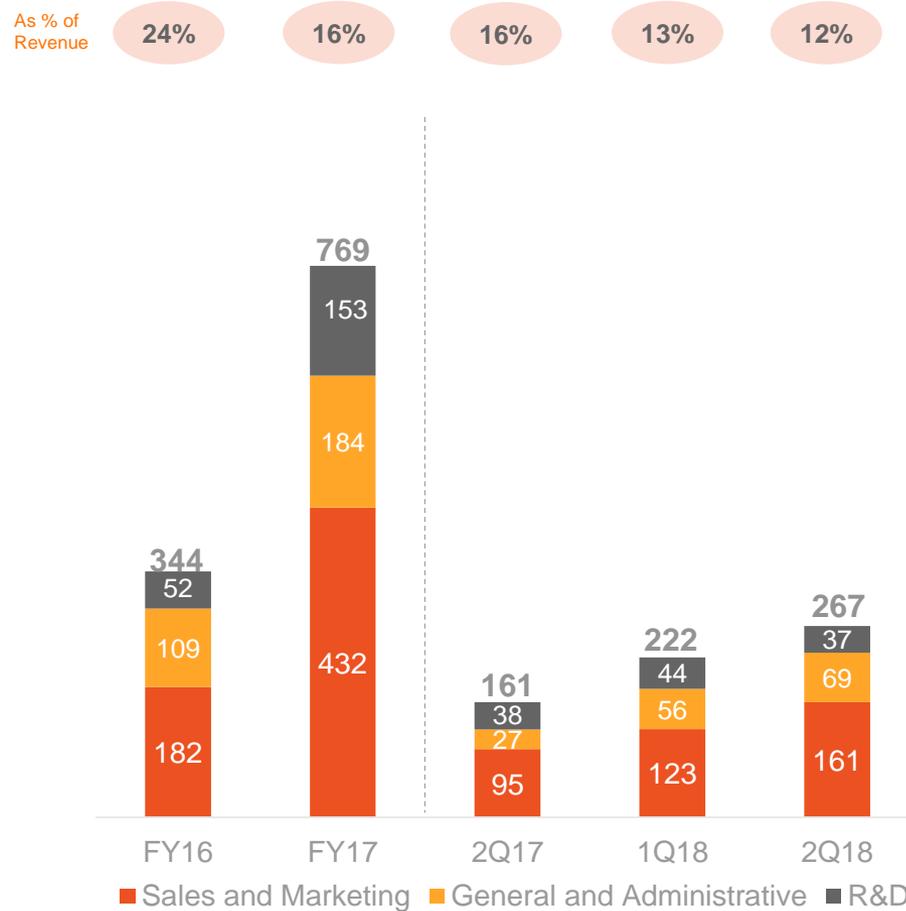
## Cost of Revenue

(RMB mn.)



## Operating Expenses

(RMB mn)

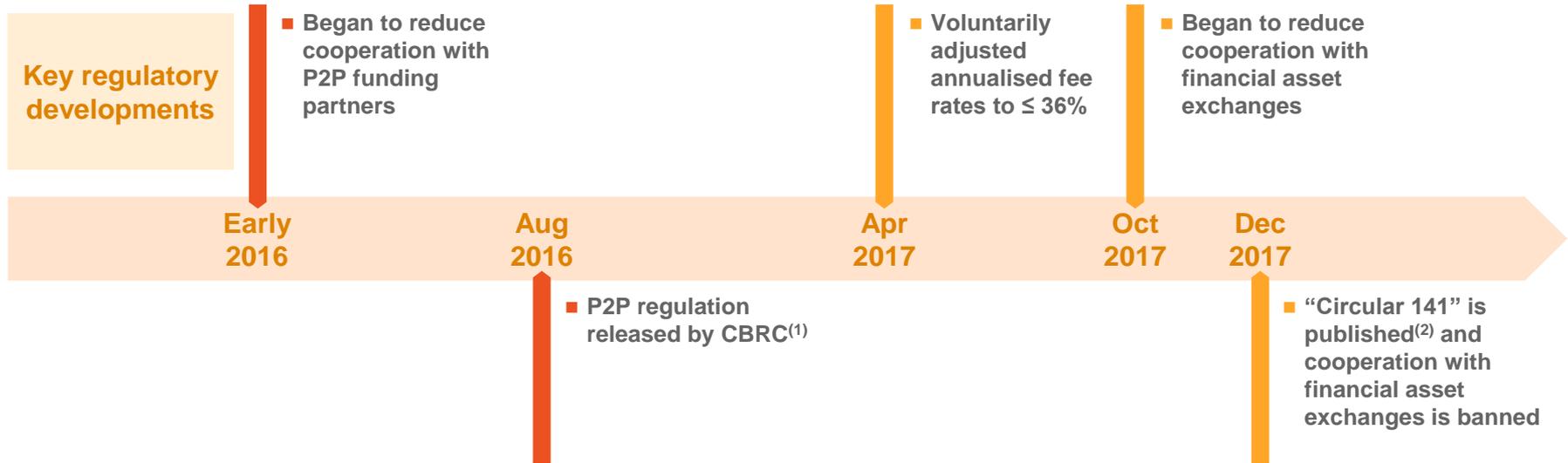


Note:

(1) Excludes Dabai Auto-related cost of revenue.

# Anticipates and Proactively Complies with Regulations

<p><b>Protect investors</b></p> <ul style="list-style-type: none"> <li>✓ Regulated licensed institutional funding</li> </ul> 	<p><b>Protect borrowers</b></p> <ul style="list-style-type: none"> <li>✓ APR within regulatory cap</li> <li>✓ Legal collection practices</li> </ul> 	<p><b>M2 money supply</b></p> <ul style="list-style-type: none"> <li>✓ Lending through regulated licensed institutions</li> </ul> 	<p><b>Governing Unit of China Internet Finance Association</b></p> 
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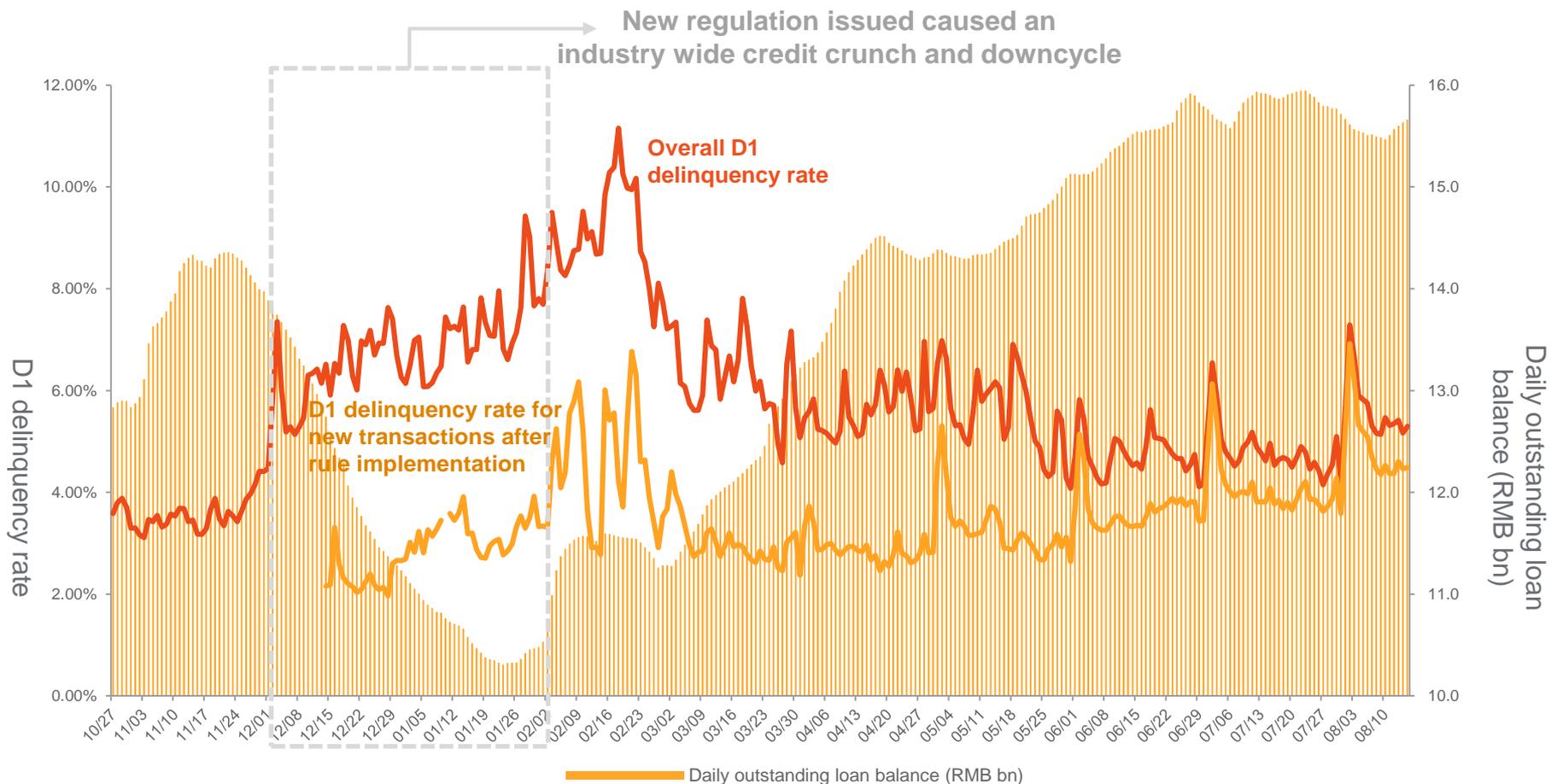


Note:

(1) Refers to 网络借贷信息中介机构业务活动管理暂行办法 released on August 24, 2016.

(2) Refers to 关于规范整顿“现金贷”业务的通知 released on December 1, 2017.

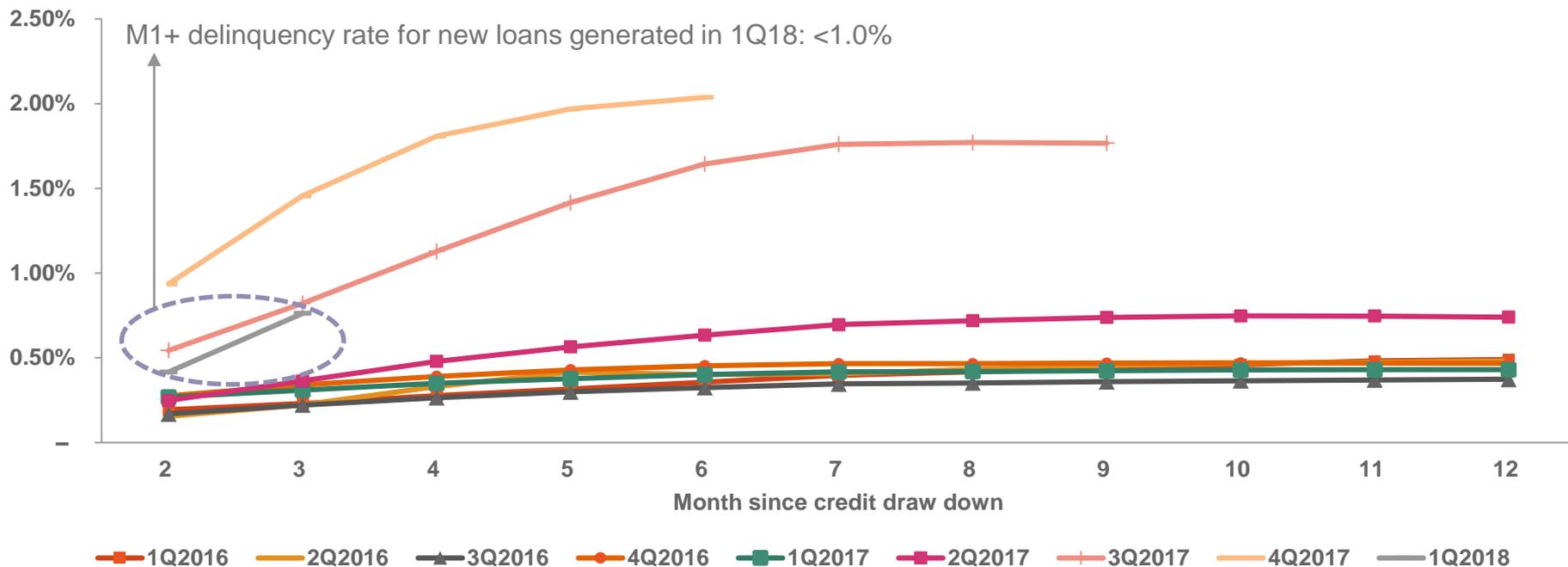
# Optimized Risk Model to Quickly React to Credit Cycle and De-risk Our Balance



D1 delinquency rate for new transactions fell back to a low level after new credit model was implemented

# Superior Credit Performance

M1+ Delinquency Rate by Vintage (1)



Overall M1+ delinquency rate has stabilized in 2Q 2018: <2.1%

Note:

(1) Defined as the total balance of outstanding principal of a vintage for which any installment payment is over 30 calendar days past due as of a particular date (adjusted to reflect total amount of recovered past due payments for principal and without taking into account charge-offs), divided by the total initial principal in such vintage.

# Continue to Optimize Credit Size and Tenure<sup>(1)</sup>

✓ Adjusted product strategy and significantly reduced high risk weekly credit product

	1Q18	2Q18
		 More affordable  Lower risk
Average ticket size	RMB1,400	RMB1,430
Credit tenure	5.1 months	7.4 months
Average monthly total payment	~300 RMB	~220 RMB
Monthly fee payment	~26 RMB	~25 RMB

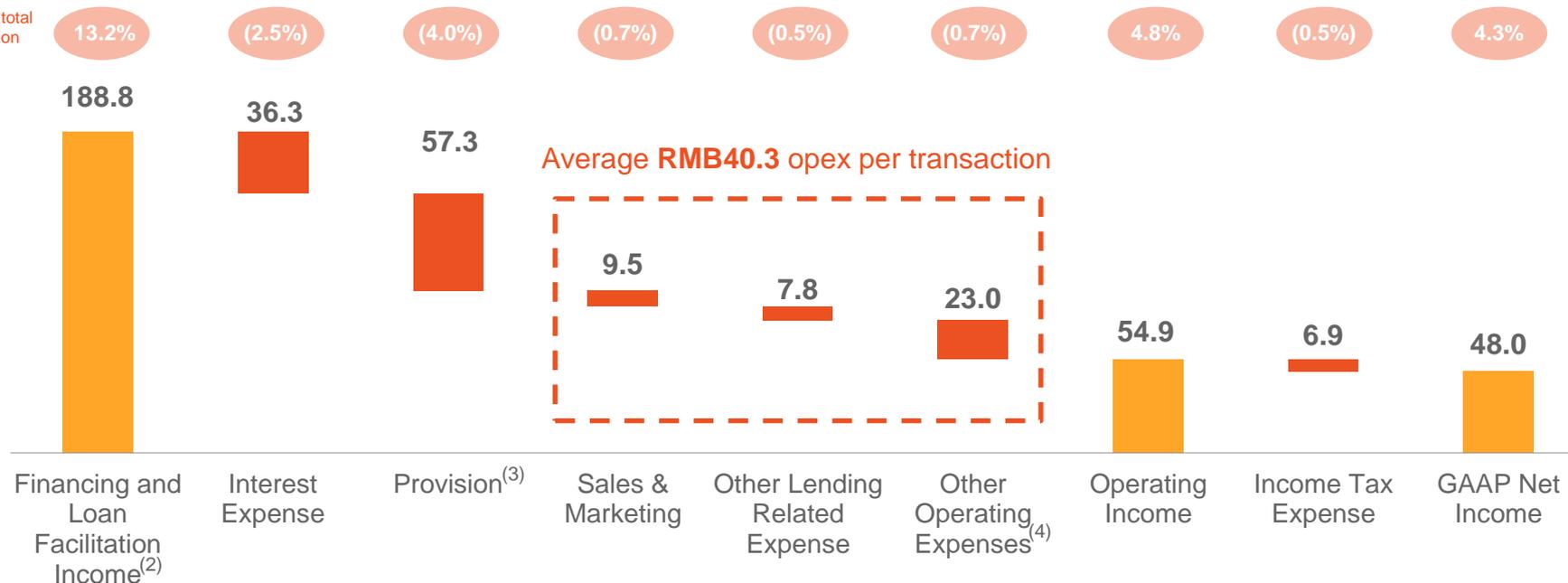
Note:  
(1) Does not include Dabai Auto.

# Customer Acquisition Driven by Word of Mouth

## Illustrative average economics per transaction<sup>(1)</sup>

Per transaction facilitated (average size of RMB1430, average duration of ~7.4 months), based on RMB16.3bn total transactions during 2Q18

As % of total transaction amount



**Low customer acquisition cost**

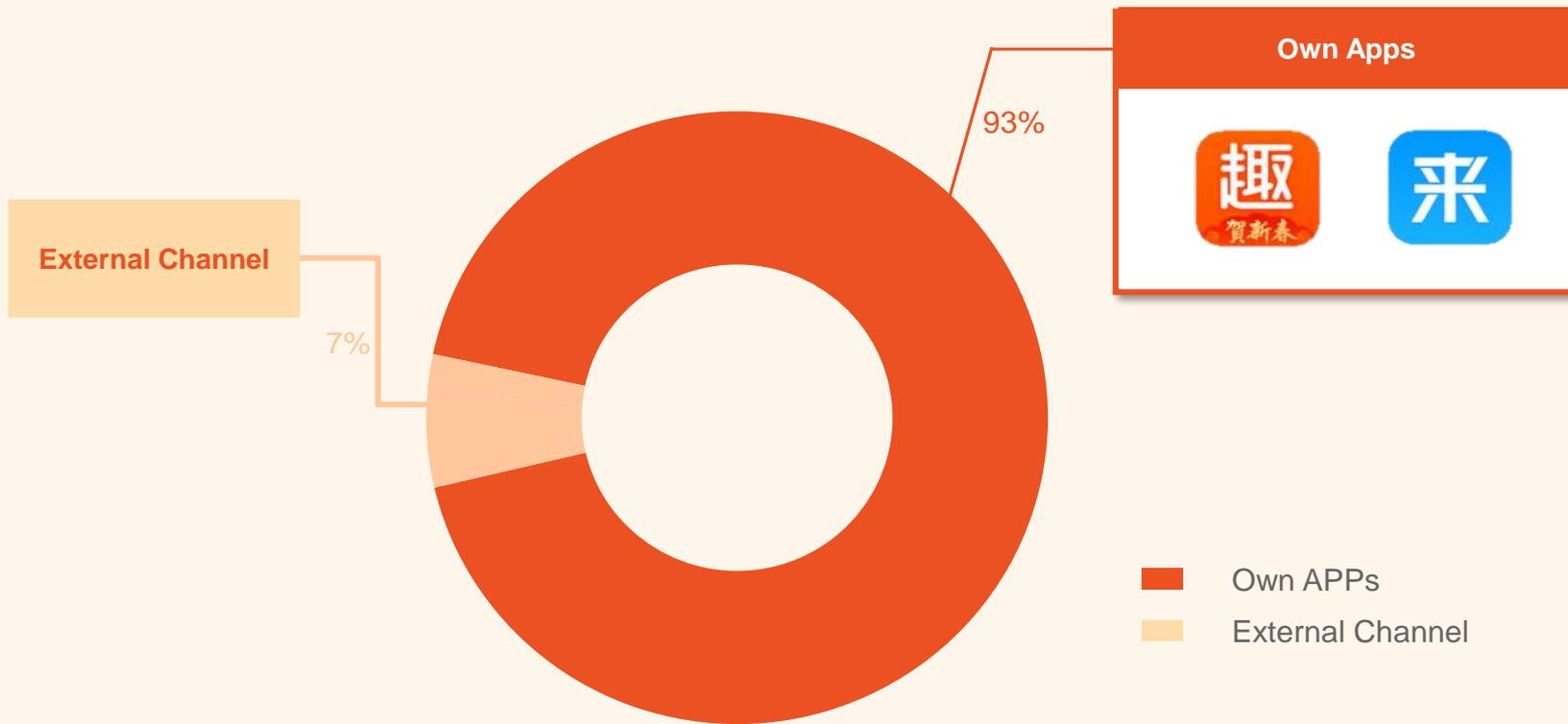
**Low transaction processing cost**

**Technology-focused operating structure**

**Operating results reflect the maximum APR cap of 36% since April 2017**

Note:  
 (1) Excludes sales income, cost of goods sold (auto).  
 (2) Excludes sales commission and penalty income; loan facilitation income does not adjust for guarantee liability.  
 (3) Assumption based on Q2 2018 provision amount.  
 (4) Includes G&A and R&D expenses.

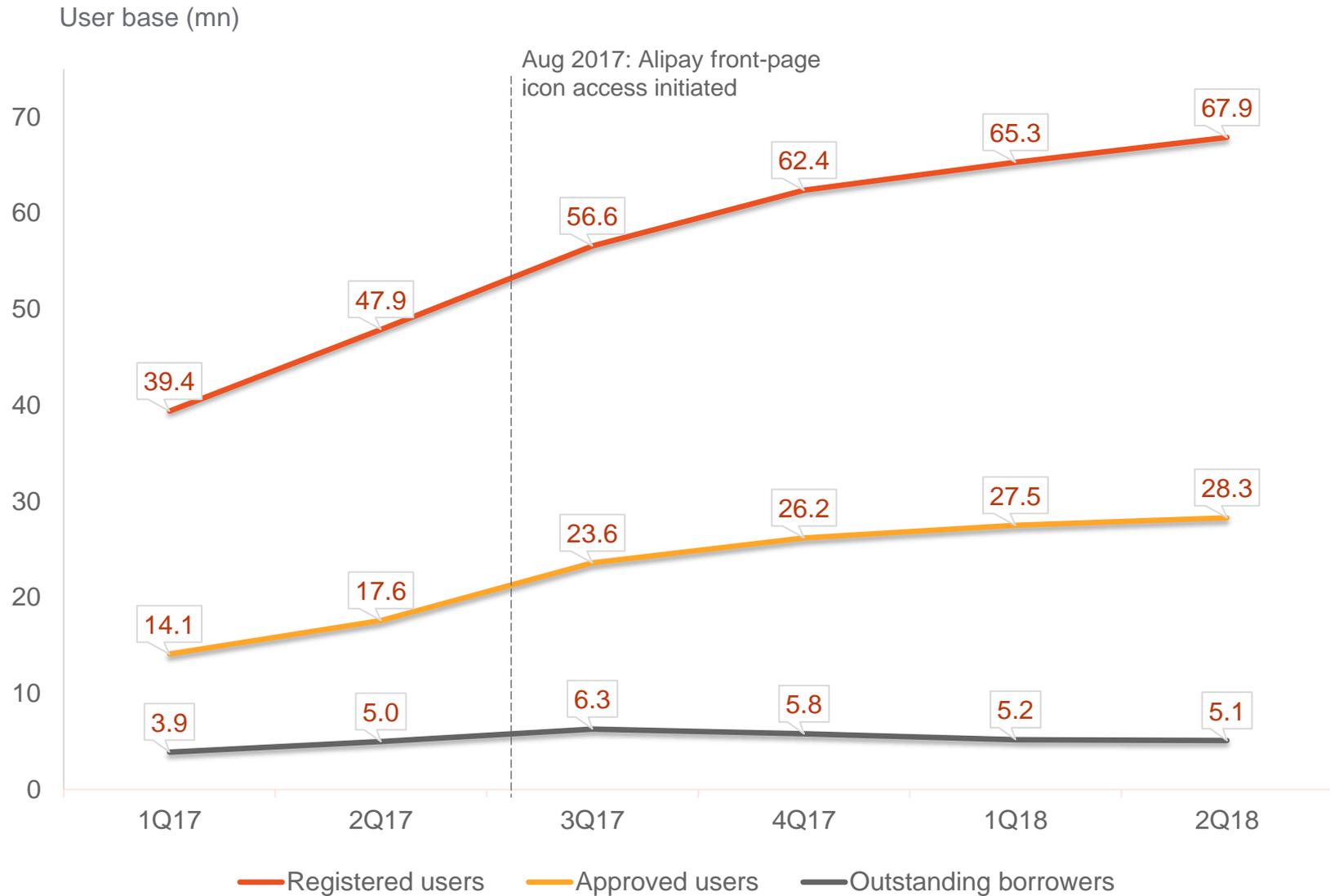
## Channel breakdown by transactions<sup>(1)</sup>



Engage our returning borrowers primarily through our own apps and free service window on Alipay

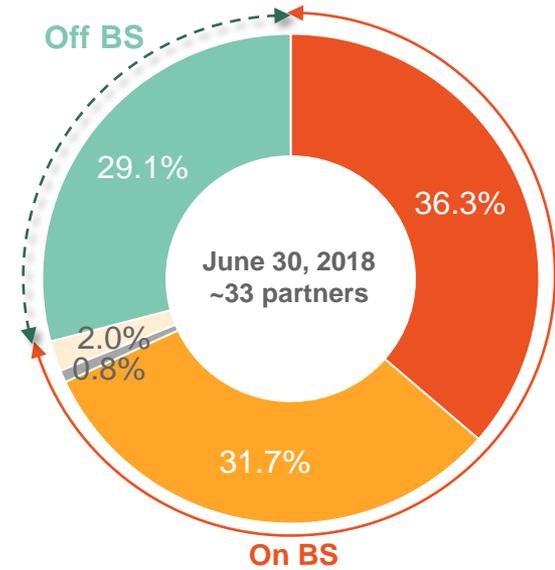
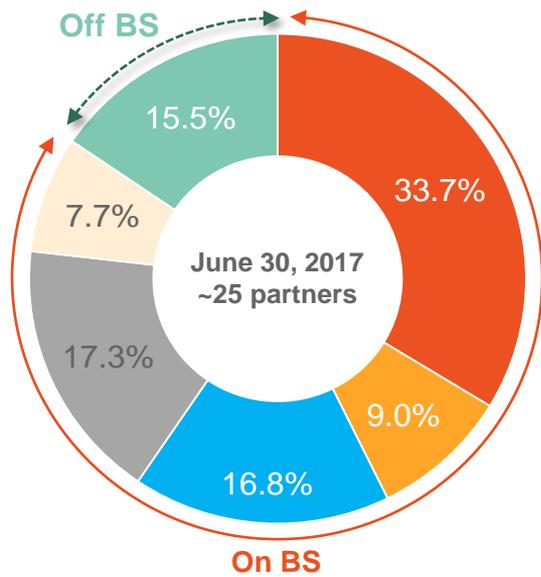
Note:  
(1) By number of transactions in 2Q18.

# Under-penetrated User Base Unlocks Huge Opportunities



# Diversified and Scalable Funding

Continue to increase off BS funding and expand partnerships<sup>(1)</sup>



On BS

Own Equity

Financial Asset Exchange

Borrowings from P2P Institutions

Others

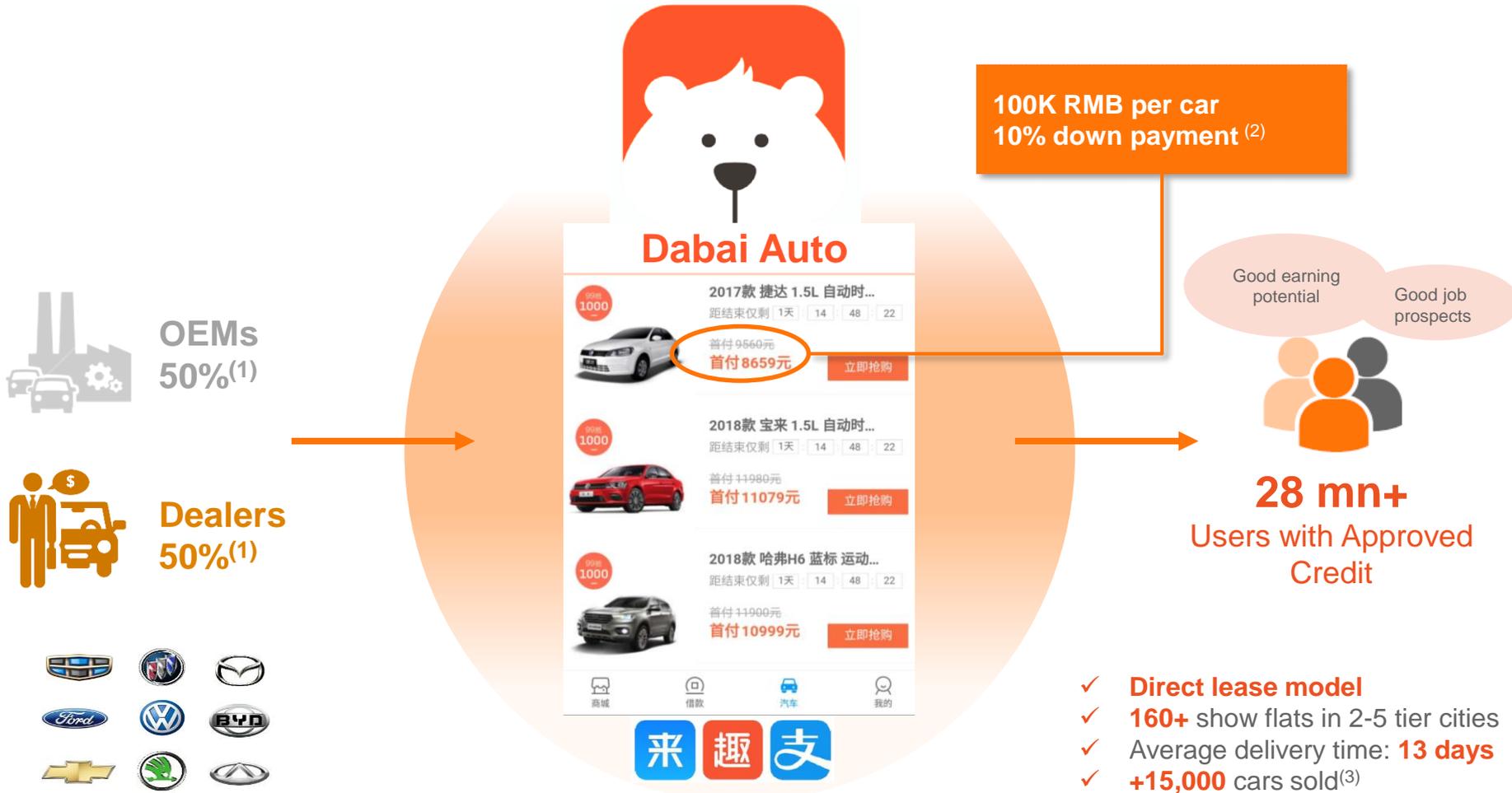
Trust (external)

Off BS

Off-Balance Sheet Funding (banks and consumer finance company)

Note:  
(1) Based on outstanding principal.

# Budget Car Financing Business to Monetize Massive User Base



Note:

- (1) 50% of vehicles are sourced in bulk from OEMs and 50% from local dealerships.
- (2) Prices and down payment vary among models and the amounts stated herein are for illustrative purposes.
- (3) Cumulative numbers of cars leased out by June 30, 2018.

# Sustainable, Risk-Mitigated Business Model



**Fraud Risk**



## Minimized fraud risk:

Ownership of title to prevent fraudulent refinancing



**Default Risk**



## Effective collection process:

Hidden GPS installed for collection of default assets



**Residual Value Risk**



## Minimum residual value risk:

~30% value recovery in Year 1 through down payments and repayments compensates first-year depreciation

# Appendix



# Unaudited Income Statement

	Year Ended		Three Months Ended	
	Dec 31, 2016	Dec 31, 2017	June 30, 2017	June 30, 2018
(in millions, except for EPS numbers)	RMB	RMB	RMB	RMB
Financing income	1,271	3,642	831	895
Sales commission fee	127	797	151	106
Sales income	-	26	-	785
Penalty fees	23	8	1	6
Loan facilitation income and others	22	302	15	452
<b>Total revenues</b>	<b>1,443</b>	<b>4,775</b>	<b>998</b>	<b>2,244</b>
<b>Operating cost and expenses:</b>				
Cost of revenue	(268)	(881)	(194)	(948)
Sales and marketing	(182)	(432)	(95)	(161)
General and administrative	(109)	(184)	(27)	(69)
Research and development	(52)	(153)	(38)	(37)
Loss of guarantee liability	(1)	(150)	(1)	(37)
Provision for loan principal, financing service fee receivables and other receivables	(132)	(605)	(49)	(222)
<b>Total operating cost and expenses</b>	<b>(744)</b>	<b>(2,405)</b>	<b>(405)</b>	<b>(1,473)</b>
Other operating income	15	51	15	3
<b>Income from operations</b>	<b>713</b>	<b>2,421</b>	<b>608</b>	<b>774</b>
<b>Net income before income taxes</b>	<b>703</b>	<b>2,420</b>	<b>608</b>	<b>805</b>
Income tax expenses	(127)	(256)	(99)	(80)
<b>Net income</b>	<b>577</b>	<b>2,164</b>	<b>509</b>	<b>724</b>
Basic EPS	7.27	17.12	6.83	2.21
Diluted EPS	1.90	7.09	1.70	2.19
Adjusted for: share-based compensation expenses and fair value gains	22	64	11	13
<b>Non-GAAP Net Income</b>	<b>599</b>	<b>2,229</b>	<b>519</b>	<b>738</b>
Basic EPS	7.55	17.63	6.97	2.25
Diluted EPS	1.97	7.30	1.74	2.23

# Unaudited Balance Sheet

	As of				
	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017	Mar 31, 2018	Jun 30, 2018
(in millions)	RMB	RMB	RMB	RMB	RMB
Cash and cash equivalents	210	786	6,832	5,737	2,905
Restricted cash <sup>(1)</sup>	-	-	2,253	538	1,458
Short-term amounts due from related parties	35	586	551	517	336
Short-term loan principal and financing service fee receivables	2,061	4,827	8,759	9,040	10,099
Other current assets	90	300	482	793	1,242
Long-term finance lease receivables	-	-	18	367	691
<b>Total assets</b>	<b>2,676</b>	<b>7,118</b>	<b>19,380</b>	<b>17,793</b>	<b>17,986</b>
Short-term borrowings and interest payables	1,563	4,183	7,979	6,253	6,032
Short-term amounts due to related parties	1,606	20	720	704	1,112
<b>Total liabilities</b>	<b>3,307</b>	<b>4,604</b>	<b>9,840</b>	<b>7,948</b>	<b>7,848</b>
<b>Total mezzanine equity</b>	<b>5,944</b>	<b>5,944</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total shareholders' equity / (deficit)</b>	<b>(6,575)</b>	<b>(3,430)</b>	<b>9,540</b>	<b>9,844</b>	<b>10,138</b>
<b>Total liabilities, mezzanine equity and shareholders' equity / (deficit)</b>	<b>2,676</b>	<b>7,118</b>	<b>19,380</b>	<b>17,793</b>	<b>17,986</b>

Note:

(1) Restricted cash mainly represents the cash in trusts which can only be used to fund credit drawdowns in such trusts or settle these trusts' obligations. Such restricted cash is not available to fund the general liquidity needs of the Company.

# Shareholding Structure



Note:

- (1) Shareholding information is based on companies' announcements as of Aug 10<sup>th</sup>, 2018,
- (2) Total number of shares outstanding is 320,059,917 as of Aug 10<sup>th</sup>, 2018.