



# 趣店

Small Credit, Big Data

## Qudian

# Management Presentation

March 2019

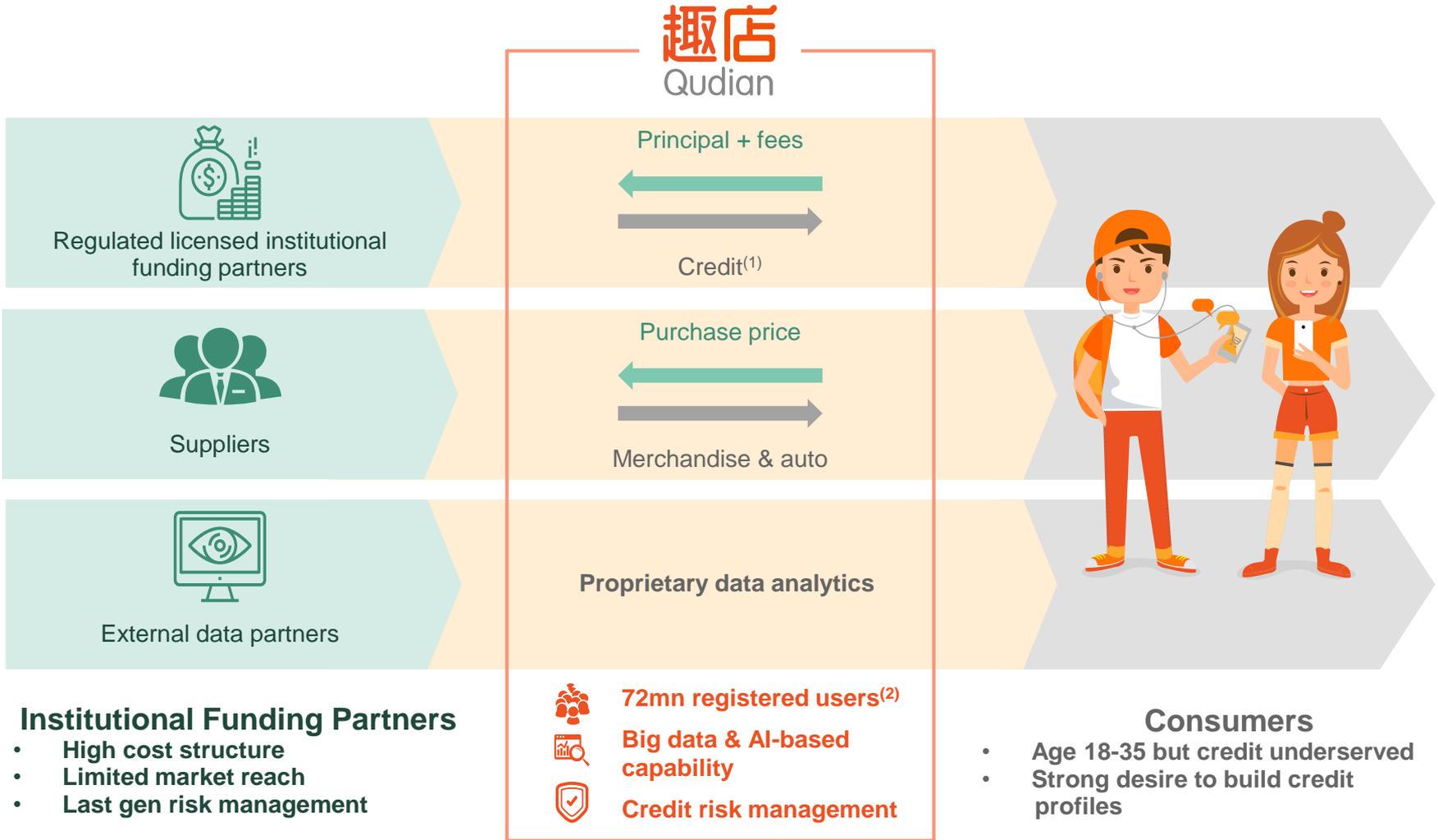
This presentation contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as “may,” “will,” “expect,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “potential,” “continue,” “is/are likely to” or other similar expressions. Such statements are based upon management’s current expectations and current market and operating conditions, and relate to events that involve known or unknown risks, uncertainties and other factors, all of which are difficult to predict and many of which are beyond the Company’s control, which may cause the Company’s actual results, performance or achievements to differ materially from those in the forward-looking statements. Further information regarding these and other risks, uncertainties or factors is included in the Company’s filings with the U.S. Securities and Exchange Commission. The Company does not undertake any obligation to update any forward-looking statement as a result of new information, future events or otherwise, except as required under law.

In addition to U.S. GAAP financials, this presentation includes adjusted net income, a non-GAAP financial measure. This non-GAAP financial measure is not defined under U.S. GAAP and is not presented in accordance with U.S. GAAP. The non-GAAP measure has limitations as an analytical tool and you should not consider it in isolation or as a substitute for an analysis of the Company’s results under U.S. GAAP. There are a number of limitations related to the use of the non-GAAP financial measure versus its nearest GAAP equivalent. First, adjusted net income is not a substitute for net income or other consolidated statements of operations data prepared in accordance with U.S. GAAP. Second, other companies may calculate such non-GAAP financial measure differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of the non-GAAP financial measure as a tool for comparison. Finally, the non-GAAP financial measure does not reflect the impact of share-based compensation expenses, which have been and may continue to be incurred in the Company’s business. See the Appendix for reconciliation between adjusted net income to the most directly comparable financial measures calculated and presented in accordance with U.S. GAAP, which is net income.

# 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	

# 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.

(2) As of December 31, 2018.

# Focused on Serving Large Population of Underbanked

## Large credit transactions <sup>(1)</sup>

- PBOC credit record
- Traditional mortgage and auto loans
- **APR 3.5-18%**

~150mm  
people

## Mainly served by

- Banks
- Leading technology conglomerates

## Mid credit transactions

- Key contributors of banks' credit card overdrafts interest income
- **APR 18-25%**

~230mm  
people

- Banks & consumer finance
- Leading technology conglomerates
- Some P2P

## Micro credit transactions

- Lack of traditional credit metrics
- **APR ≤ 36%**

~430mm  
people

  
Qudian

Other online  
lending platforms

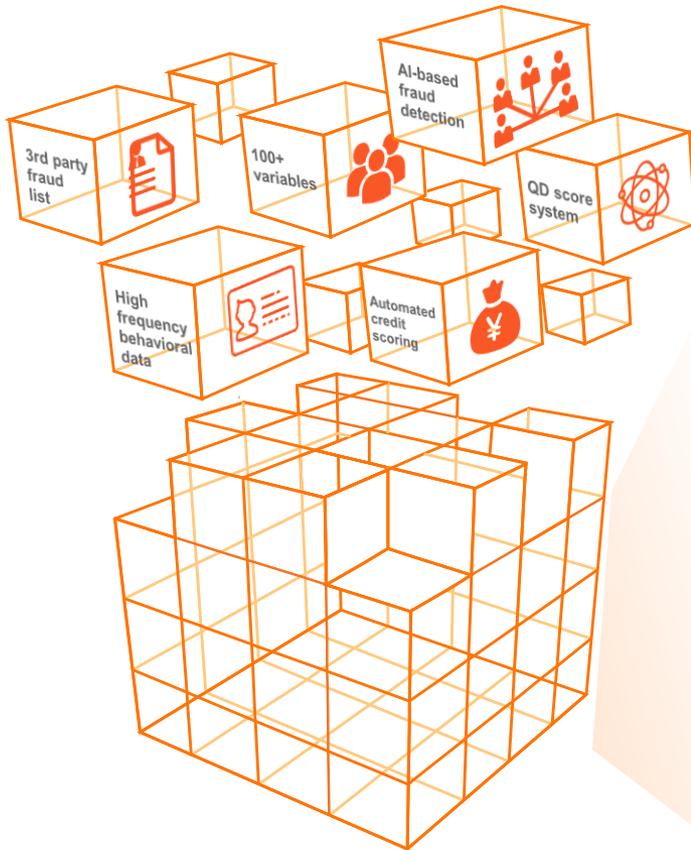
High risk loans

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>
- **175mn+** actual transaction backed analytics

## Robust decision tree



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

## Automation & AI



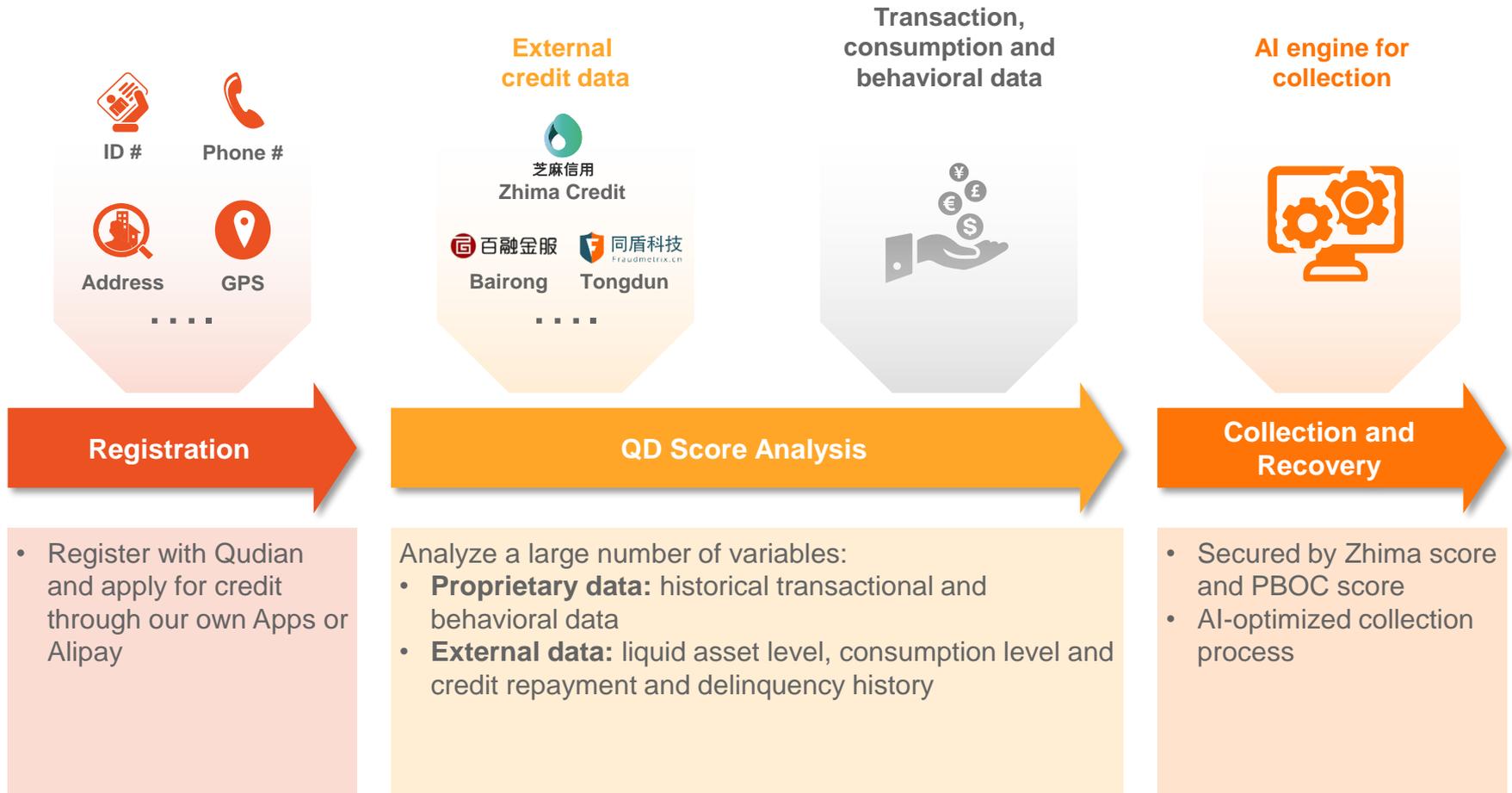
- Automated decision-making
- Minimized labour costs

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

Note:

(1) Refers to average total numbers of credit drawdowns and repayments per hour during 4Q18.

# Streamlined Credit Approval and Servicing Process



Within 10 seconds, 100% mobile and 100% automated

# FY18 and 4Q18 Operational Highlights



**71.8mn** registered users  
**31.0mn** users with approved credit  
As of December 31, 2018



**RMB13.2bn** total amount of transactions  
**RMB778.8mn** Non-GAAP net income  
In 4Q18



**5.3mn** outstanding borrowers<sup>(1)</sup>  
**~90.4%** repeat borrowers<sup>(2)</sup>  
In 4Q18



**RMB19.0bn** outstanding loans<sup>(3)</sup>  
As of December 31, 2018  
**>RMB22.0bn** outstanding loans<sup>(3)</sup>  
As of March 15, 2019



**<2.5%** M1+ delinquency rate<sup>(4)</sup>  
For loans generated in 2018 through  
December 31, 2018



**10.4 Months** loan tenor  
in 4Q18  
**8.1 Months** loan tenor  
in 2018



Serve the “**credit underserved**”



Superior **efficiency**  
enabled by technology



**Massive**  
amount of high  
frequency data



**Consumption**  
scenarios

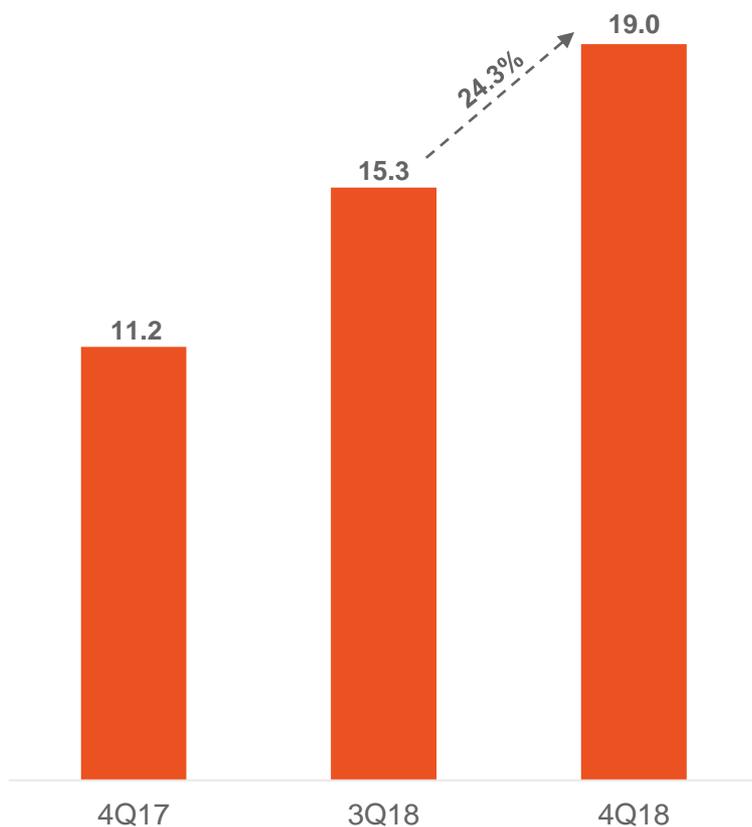
## Notes:

- (1) Borrowers who have loans outstanding as of December 31, 2018.
- (2) Repeat borrowers in the specified period who have made at least two drawdowns.
- (3) Includes off + on balance sheet loans directly funded by our funding partners (net of allowance) and doesn't include auto loans from Dabai Auto business.
- (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.

# FY18 and 4Q18 Financial Highlights

## FY18 Loan balance<sup>(1)</sup> increased by 69.9% YoY

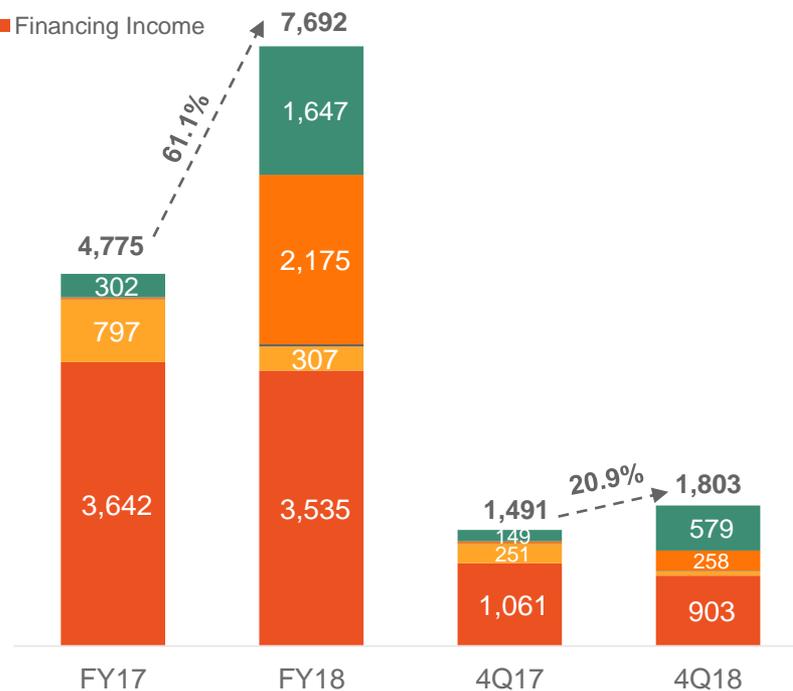
(RMB bn)



## FY18 Revenue increased by 61.1% YoY

(RMB mn)

- Loan Facilitation Income and Others
- Sales Income
- Penalty Fees
- Sales Commission
- Financing Income

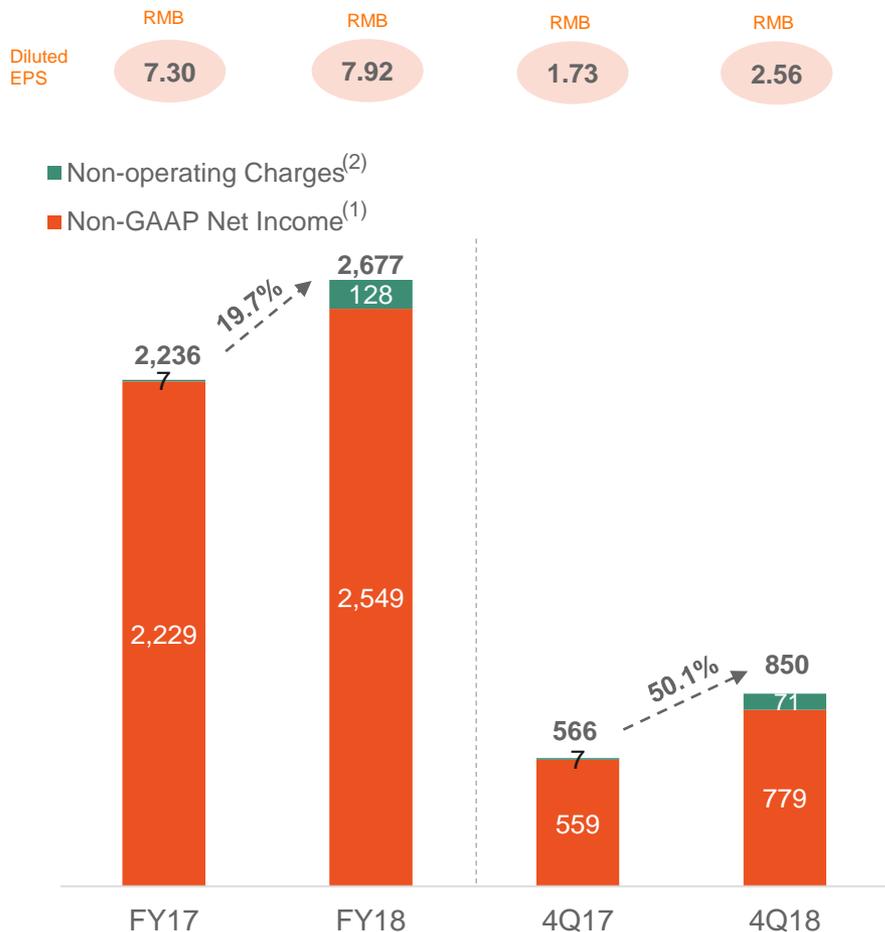


Note:  
 (1) Includes off + on balance sheet loans directly funded by our funding partners (net of allowance) and doesn't include auto loans from Dabai Auto business..

# FY18 and 4Q18 Financial Highlights (Cont'd)

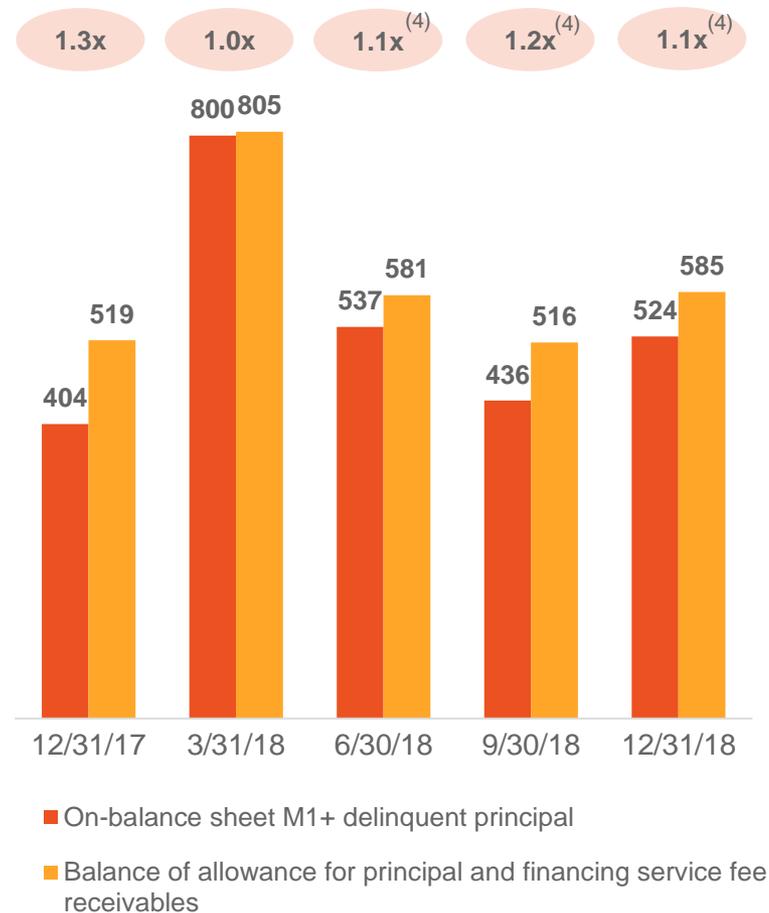
## Underlying Profit<sup>(2)</sup> of RMB2.7bn in FY18; RMB850mm in 4Q18

(RMB mn, except for EPS numbers)



## M1+ Delinquency Coverage Ratio<sup>(3)</sup>

(RMB mn)



Notes:

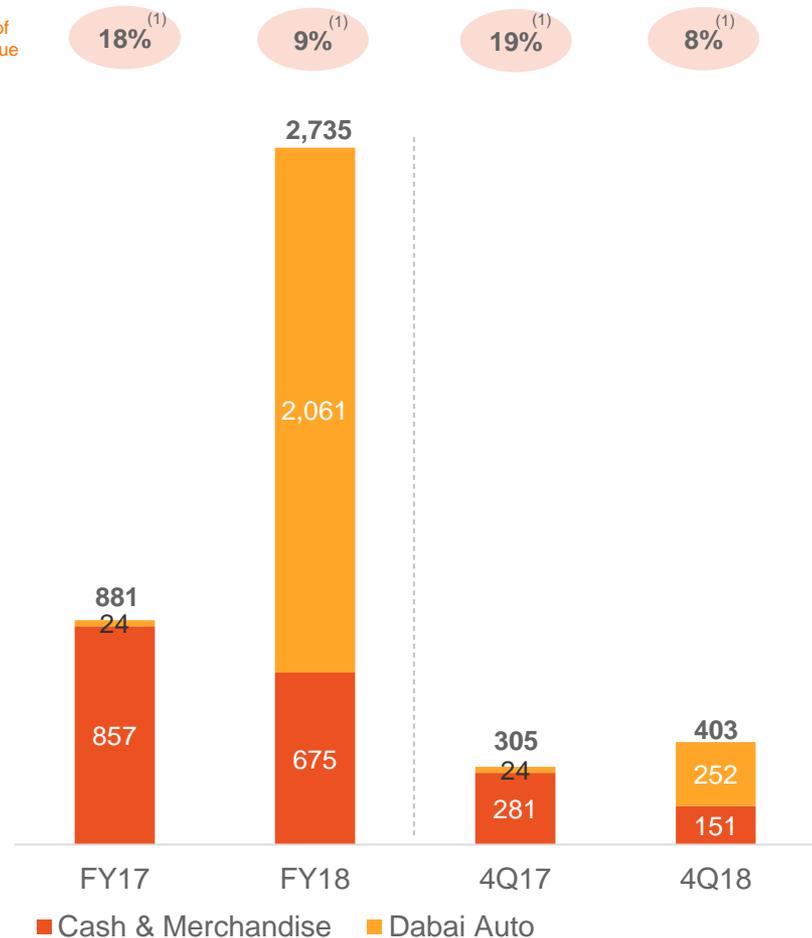
- (1) Non-GAAP net income represents net income before share-based compensation expense.
- (2) Underlying profit is adjusted for non-operating costs and charges, including a foreign exchange loss of RMB90.8 million and a specific charge of RMB37.0 million incurred by scaling down Dabai Auto business in 2018.
- (3) 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.
- (4) Includes on-balance sheet M1+ delinquent principal and financing service fee receivables.

# FY18 and 4Q18 Financial Highlights (Cont'd)

## Cost of Revenue

(RMB mn)

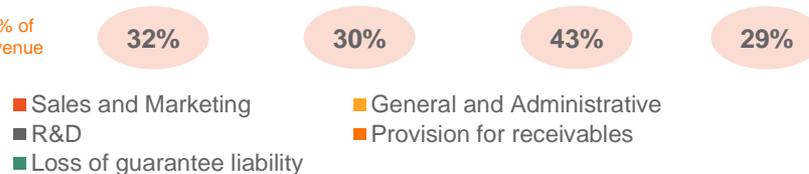
As % of Revenue



## Operating Expenses

(RMB mn)

As % of Revenue

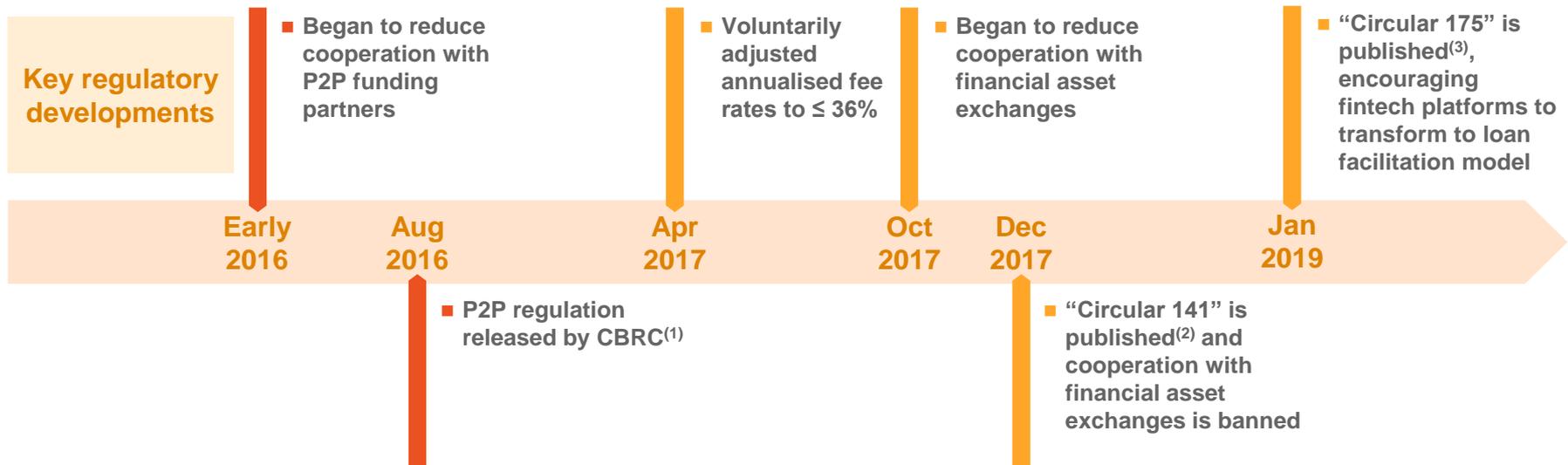
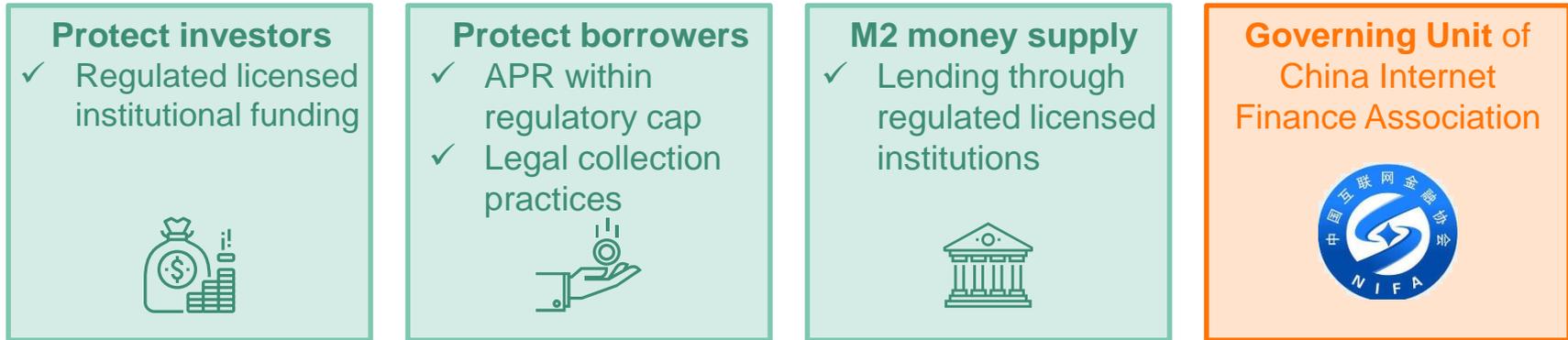


Notes:

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

(2) Excluding expenses associated with Dabai Auto, sales and marketing expenses decreased by 49.4% to RMB201.6 million from 2017.

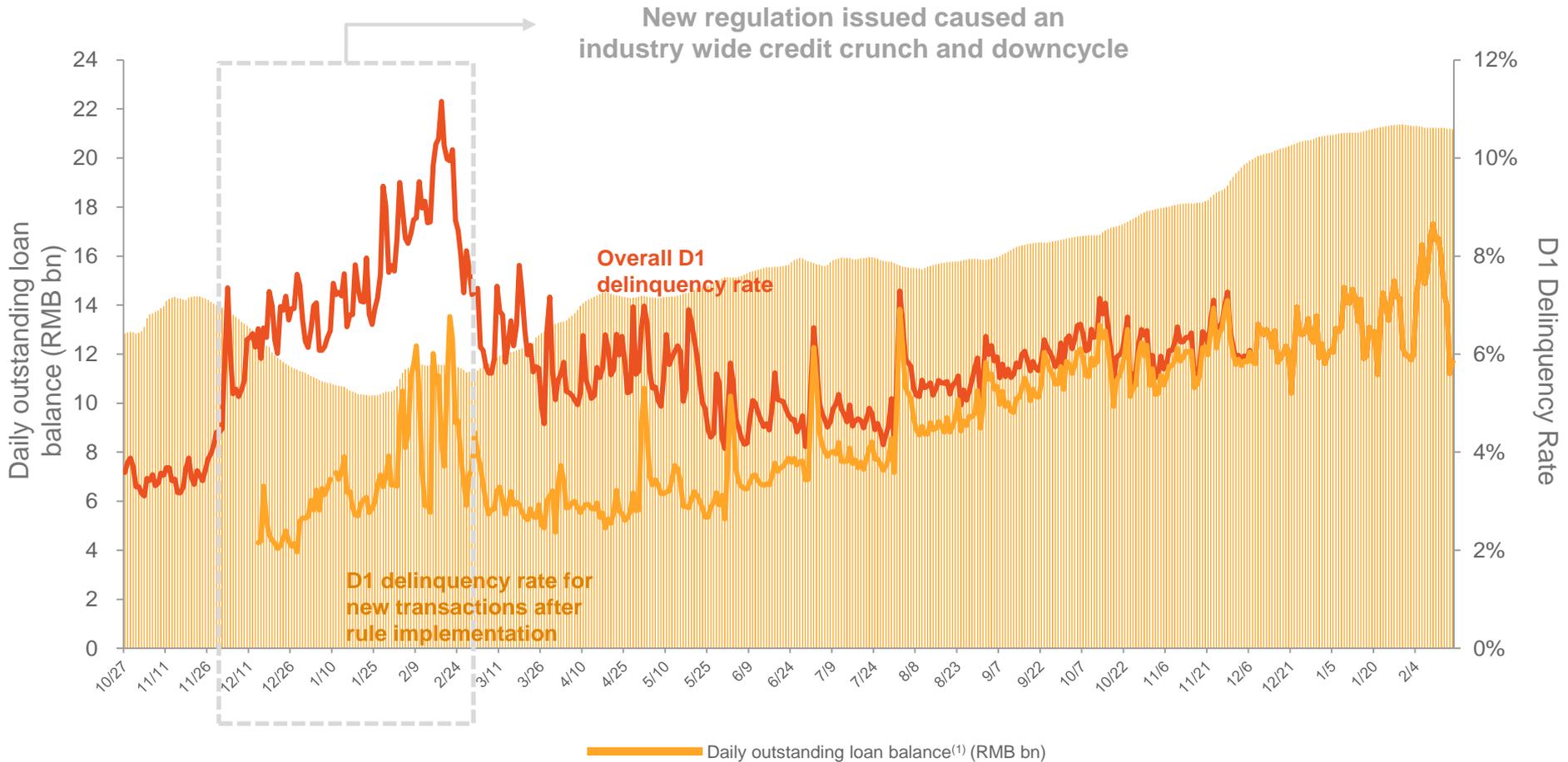
# Navigate the Regulatory Environment with Compliant APR and Licensed Funding Structure



Notes:

- (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.
- (3) Refers to 关于做好网贷机构分类处置和风险防范工作的意见 released on January 21, 2019.

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

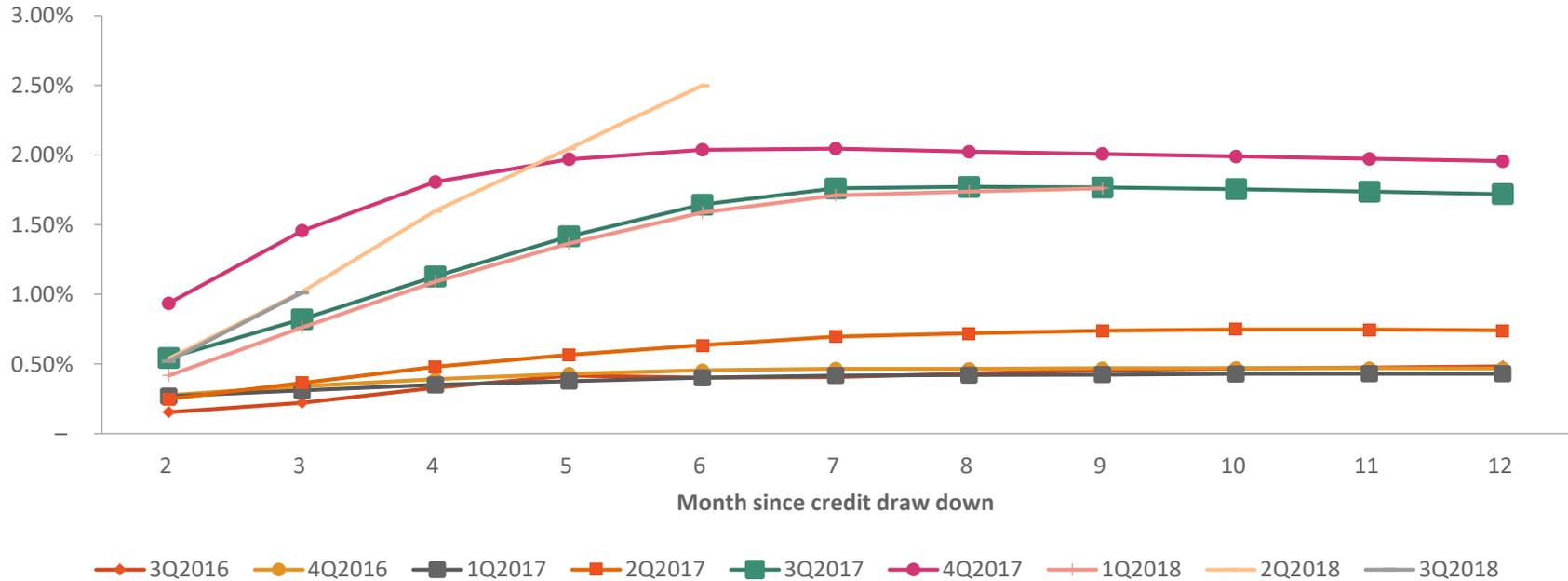


D1 delinquency rate for new transactions fell back to a low level after new credit model was implemented

Note:  
 (1) Doesn't take into account for accumulative charge-offs.

# Credit Performance Managed within Targets

**M1+ Delinquency Rate by Vintage (1)**



M1+ Delinquency Rate in 2018 is ~2.5%

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

	3Q18	4Q18
		 More affordable  Lower risk
Average ticket size	RMB1,416	RMB1,491
Credit tenure	10.2 months	10.4 months
Average monthly total payment	~161 RMB	~165 RMB <sup>(2)</sup>
Monthly fee payment	~22 RMB	~22 RMB <sup>(2)</sup>

Notes:

- (1) Excludes Dabai Auto.
- (2) Based on effective APR of approximately 32%.

# Proven Successful User Acquisition without Reliance on Expensive Marketing

S&M expenses<sup>(1)</sup> as % of revenue<sup>(2)</sup>



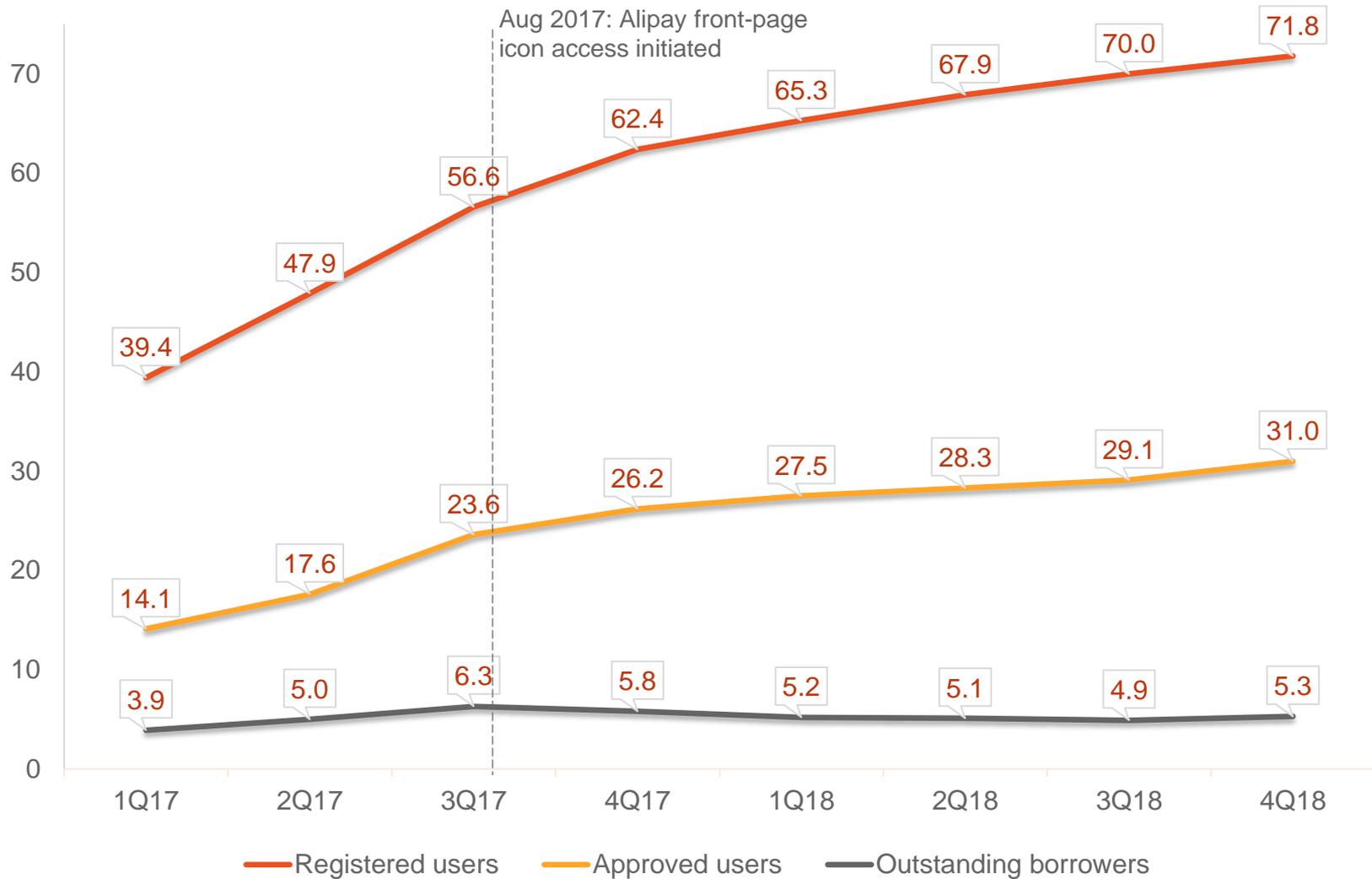
An innately affordable and attractive service does not require costly marketing to successfully grow

Note:

- (1) Sales and marketing expenses associated with core online consumption finance businesses.
- (2) Excludes revenue from Dabai Auto Business.

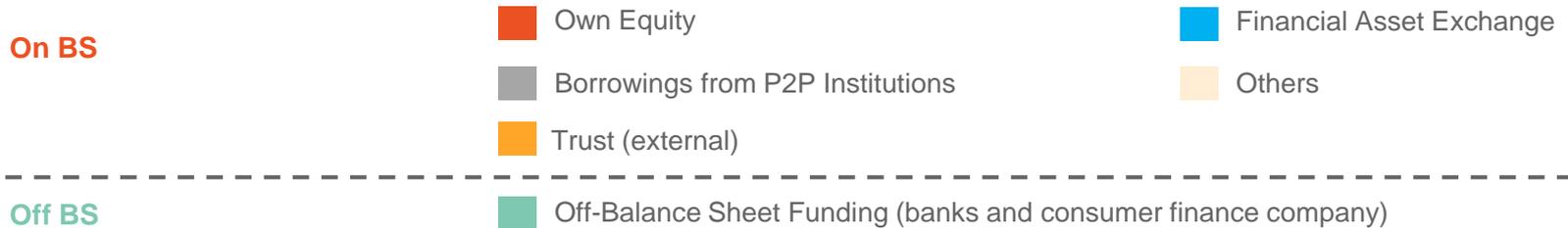
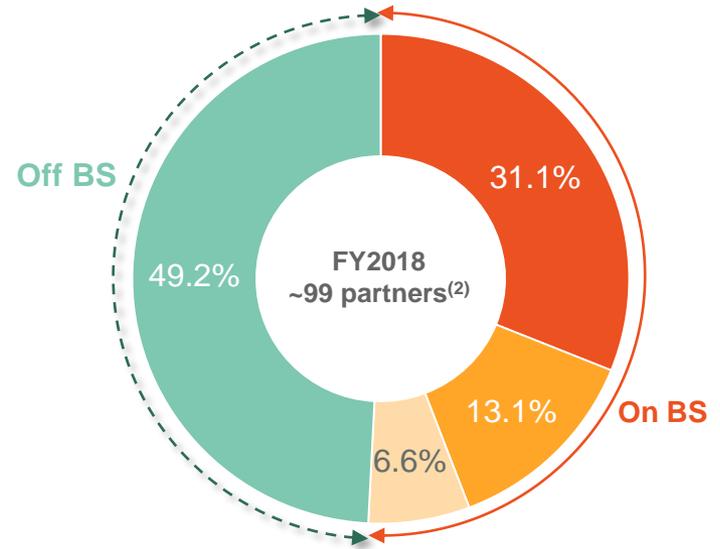
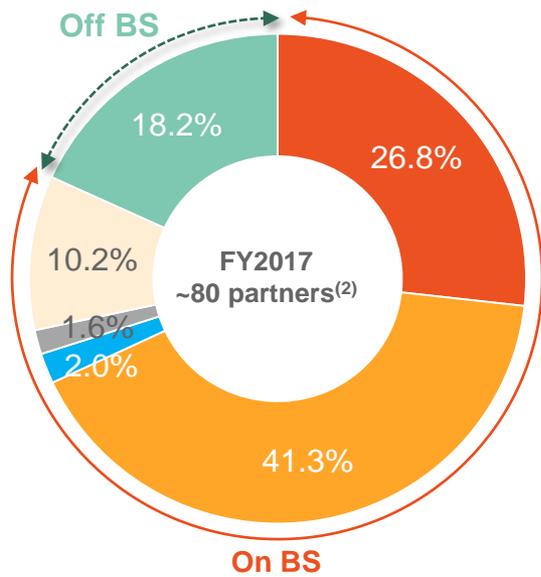
# Under-penetrated User Base Unlocks Huge Opportunities

User base (mn)



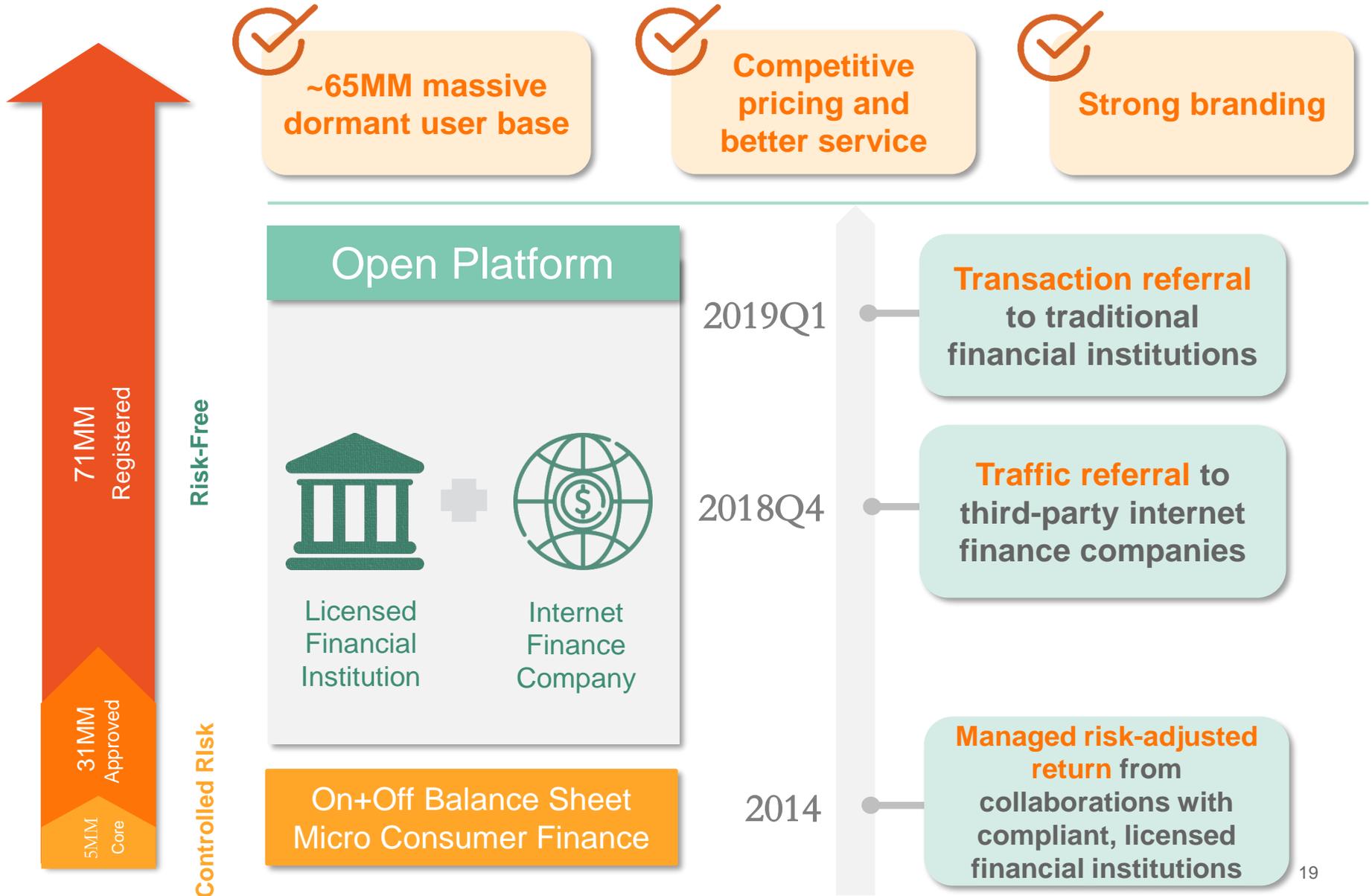
# Licensed and Scalable Funding

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



Notes:  
 (1) Based on outstanding principal as end of each fiscal period.  
 (2) Cumulative number of funding partners.

# Visible Growth beyond Loan Book



# Appendix



# Unaudited Income Statement

	For the Year Ended		For the Three Months Ended	
	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018
(in millions)	RMB	RMB	RMB	RMB
Financing income	3,642	3,535	1,061	903
Sales commission fee	797	307	251	55
Sales Income	26	2,175	26	258
Penalty fees	8	28	4	8
Loan facilitation income and others	302	1,647	149	579
<b>Total revenues</b>	<b>4,775</b>	<b>7,692</b>	<b>1,491</b>	<b>1,803</b>
<b>Operating cost and expenses:</b>	<b>(2,405)</b>	<b>(5,027)</b>	<b>(943)</b>	<b>(929)</b>
Cost of revenue	(881)	(2,735)	(305)	(403)
Sales and marketing	(432)	(541)	(94)	(137)
General and administrative	(184)	(256)	(64)	(83)
Research and development	(153)	(200)	(37)	(78)
Loss of guarantee liability	(150)	(117)	(104)	(8)
Provision for receivables	(605)	(1,179)	(338)	(221)
<b>Total operating cost and expenses</b>	<b>(2,405)</b>	<b>(5,027)</b>	<b>(943)</b>	<b>(929)</b>
Other operating income	51	24	11	12
<b>Income from operations</b>	<b>2,421</b>	<b>2,689</b>	<b>559</b>	<b>886</b>
<b>Net income before income taxes</b>	<b>2,420</b>	<b>2,649</b>	<b>559</b>	<b>844</b>
Income tax expenses	(256)	(158)	(19)	(77)
<b>Net income</b>	<b>2,164</b>	<b>2,491</b>	<b>540</b>	<b>768</b>
Basic EPS	17.13	7.82	1.94	2.54
Diluted EPS	7.09	7.74	1.67	2.52
Add: share-based compensation expenses	64	58	19	11
<b>Non-GAAP Net Income</b>	<b>2,229</b>	<b>2,549</b>	<b>559</b>	<b>779</b>
Basic EPS	17.63	8.00	2.01	2.58
Diluted EPS	7.30	7.92	1.73	2.56

# Unaudited Balance Sheet

	As of		
	Dec 31, 2016 RMB	Dec 31, 2017 RMB	Dec 31, 2018 RMB
(in millions)			
Cash and cash equivalents	786	6,832	2,501
Restricted cash <sup>(1)</sup>	-	2,253	340
Short-term amounts due from related parties	586	551	-
Short-term loan principal and financing service fee receivables	4,827	8,759	8,418
Other current assets	300	482	1,818
Long-term finance lease receivables	-	18	649
<b>Total assets</b>	<b>7,118</b>	<b>19,380</b>	<b>16,253</b>
Short-term borrowings and interest payables	4,183	7,979	3,860
Long-term borrowings and interest payables	76	510	413
<b>Total liabilities</b>	<b>4,604</b>	<b>9,840</b>	<b>5,433</b>
<b>Total mezzanine equity</b>	<b>5,944</b>	<b>-</b>	<b>-</b>
<b>Total shareholders' deficit</b>	<b>(3,430)</b>	<b>9,540</b>	<b>10,821</b>
<b>Total liabilities, mezzanine equity and shareholders' deficit</b>	<b>7,118</b>	<b>19,380</b>	<b>16,253</b>

Note:

(1) Restricted cash mainly represents (i) cash held by the consolidated trusts through segregated bank accounts; (ii) time deposits that are pledged for short-term bank loans; (iii) security deposits held in designated bank accounts for guarantee of off-balance sheet transactions. Such restricted cash is not available to fund the general liquidity needs of the Company.

# Unaudited Cash Flow Statement

	<u>Year Ended</u>
	<u>Dec 31,</u>
	<b>2018</b>
	RMB
(in millions)	
<b>Net cash (used in)/ provided by operating activities</b>	<b>3,332</b>
Net income	2,491
Allowance for loan principal, service fee receivables and other receivables	1,179
Other current and non-current assets	(137)
<b>Net cash used in investing activities</b>	<b>(2,791)</b>
Proceeds from collection of loan principal	35,185
Payments to originate loan principal	(37,036)
Payments to originate finance lease receivables	(1,332)
<b>Net cash provided by/(used for) financing activities</b>	<b>(6,728)</b>
Proceeds from borrowings	2,645
Repurchase of ordinary shares	(1,410)
Repayment of borrowings	(8,026)
<b>Effect of exchange rate changes</b>	<b>(58)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(6,244)</b>
Cash and cash equivalents at beginning of the period	9,085
<b>Cash and cash equivalents at end of period</b>	<b>2,841</b>

# Shareholding Structure



Notes:

- (1) Shareholding information is based on latest 13G filings as of December 31, 2018.
- (2) Total number of shares outstanding (unaudited) is 296,444,088 as of December 31, 2018.