

## 4Q17 Financial Results

March 21, 2018

触手可及的金融

# Disclaimer

The following presentation has been prepared by PPD AI Group Inc. (the “Company” or “PPDAI”) solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or instrument or to participate in any investment activity or trading strategy, nor may it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever. NOTHING HEREIN CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OR INSTRUMENT IN ANY STATE OR JURISDICTION.

This material contains forward-looking statements. These statements constitute “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 “will,” “expects,” “anticipates,” “future,” “intends,” “plans,” “believes,” “estimates,” “target,” “confident” and similar statements. 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 control of PPD AI. Forward-looking statements involve risks, uncertainties and other factors that could cause actual results to differ materially from those contained in any such statements. Potential risks and uncertainties include, but are not limited to, uncertainties as to PPD AI’s ability to attract and retain borrowers and investors on its marketplace, increase volume of loans facilitated through its marketplace, its ability to compete effectively, laws, regulations and governmental policies relating to the online consumer finance industry in China, general economic conditions in China, general economic conditions in China, and its ability to meet the standards necessary to maintain listing of its ADSs on the NYSE or other stock exchange, including its ability to cure any non-compliance with the NYSE’s continued listing criteria. Further information regarding these and other risks, uncertainties or factors is included in PPD AI’s filings with the U.S. Securities and Exchange Commission.

The information included herein was obtained from various sources, including certain third parties, and has not been independently verified. No representation or warranty, express or implied, is made and no reliance should be placed on the truth, accuracy, fairness, completeness or reasonableness of the information or sources presented or contained in these materials. By viewing or accessing these materials, the recipient hereby acknowledges and agrees that neither the Company nor any of its directors, officers, employees, affiliates, agents, advisers or representatives accepts any responsibility for or makes any representation or warranty, express or implied, with respect to the truth, accuracy, fairness, completeness or reasonableness of the information contained in, and omissions from, these materials and that neither the Company nor any of its directors, officers, employees, affiliates, agents advisers or representatives accepts any liability whatsoever for any loss howsoever arising from any information presented or contained in these materials.

All information provided in this material is as of the date of this material, and PPD AI 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 applicable law.

# #1 online consumer finance marketplace in China

**Marketplace business model**  
Driving scalability in the long run

**10-year operating history**  
Consistent strategy and continuous innovation

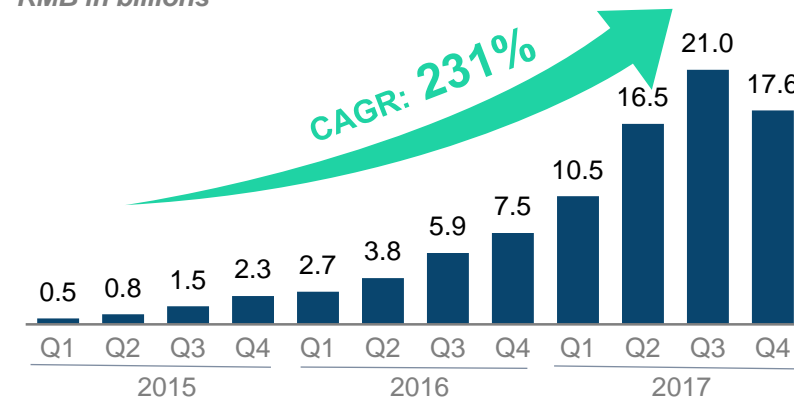
**Technology driven**  
97.1% of loans processed automatically<sup>(1)</sup>

**Large user base**  
65mn registered users<sup>(2)</sup>/10.5mn borrowers<sup>(3)</sup>

**Strong growth**  
3.3x y-o-y loan volume growth<sup>(4)</sup>

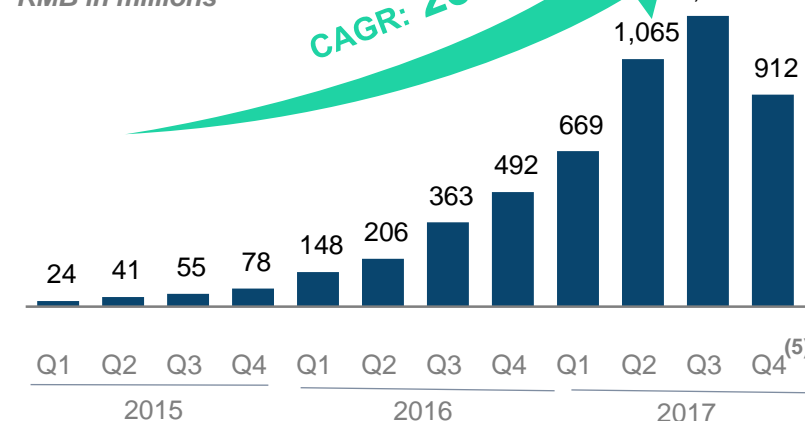
## Loan origination volume

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 nine months ended December 31, 2017.

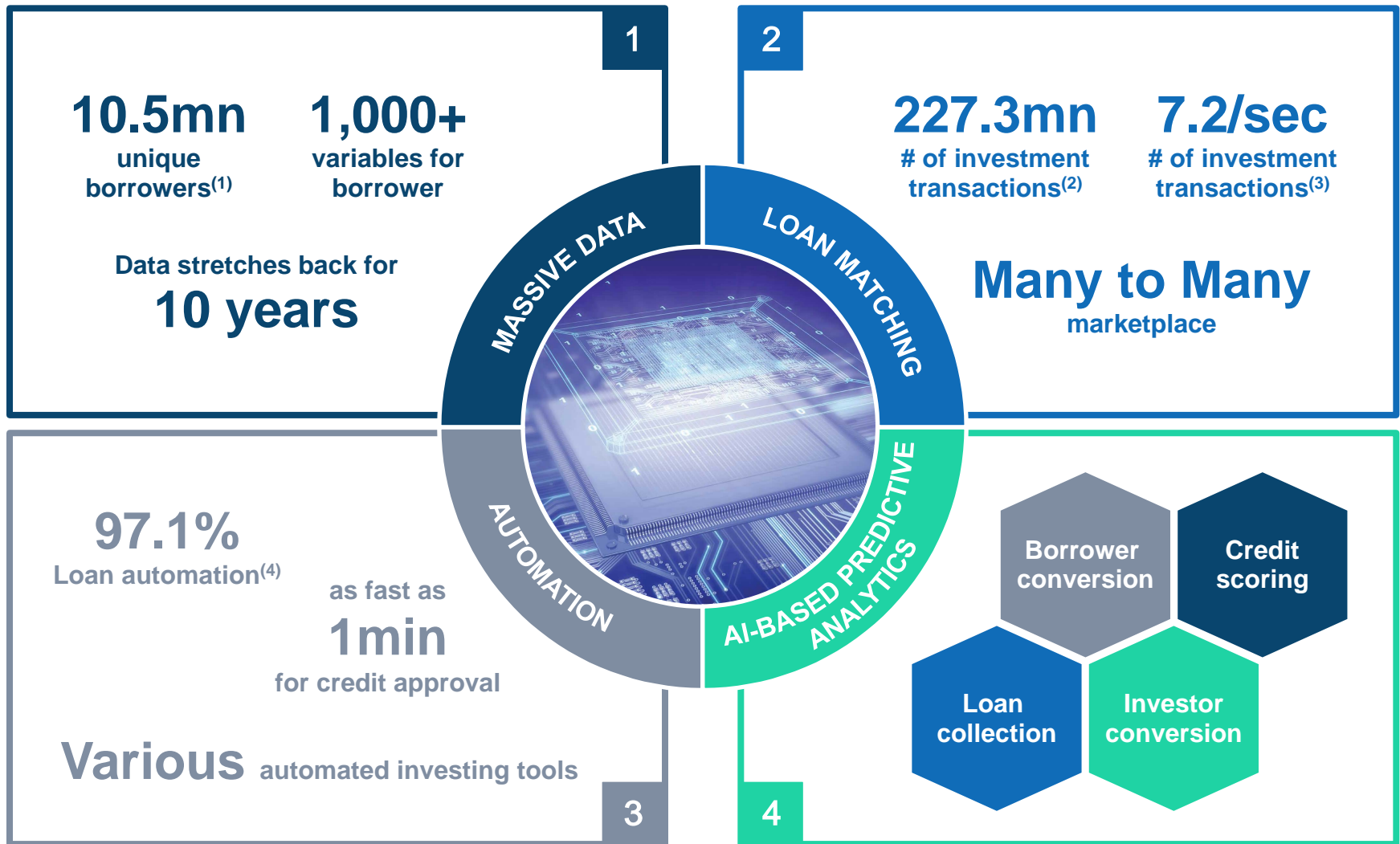
(2) As of December 31, 2017.

(3) On a cumulative basis, as of December 31, 2017.

(4) Total origination amount of loans facilitated through our marketplace was RMB65.6bn in the twelve months ended December 31, 2017, a 3.3x growth from RMB19.9bn in the twelve months ended December 31, 2016.

(5) Operating revenue for Q4 2017 include a one off provision of RMB107.7 million for expected discretionary payments to investors in investment programs protected by PPDAL's investor reserve funds

# Automation powered by big data and proprietary technologies



(1) On a cumulative basis, data as of December 31, 2017.

(2) Data for the twelve months ended December 31, 2017.

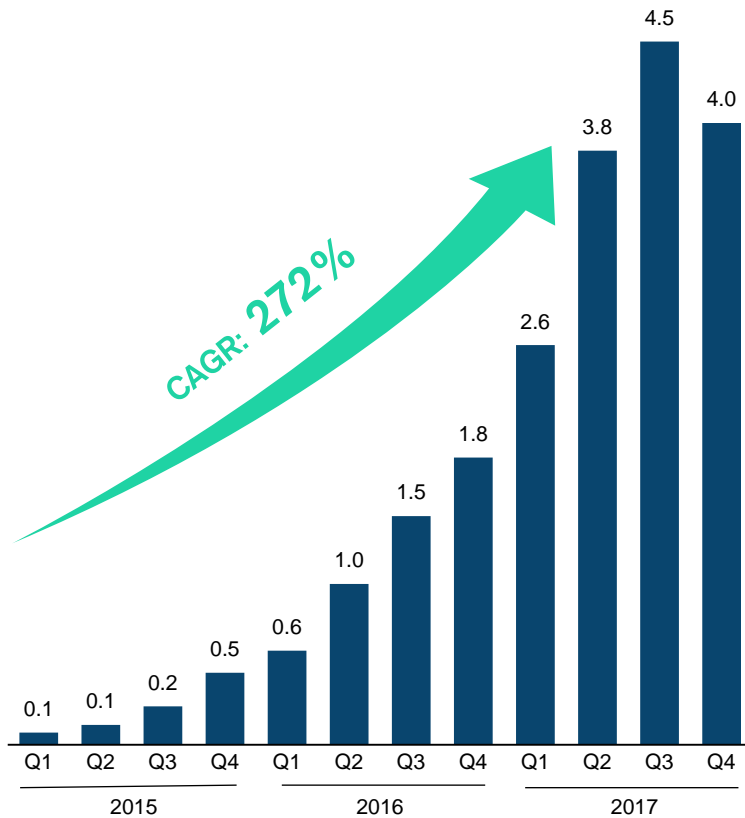
(3) Data for the twelve months ended December 31, 2017. Calculated by: (i) number of investment transactions, divided by (ii) number of seconds during the period.

(4) Represents the % of loan applications on the marketplace that go through the automated process. Data for the twelve months ended December 31, 2017.

# Rapid borrower growth fuels dynamic transactions and loan volume

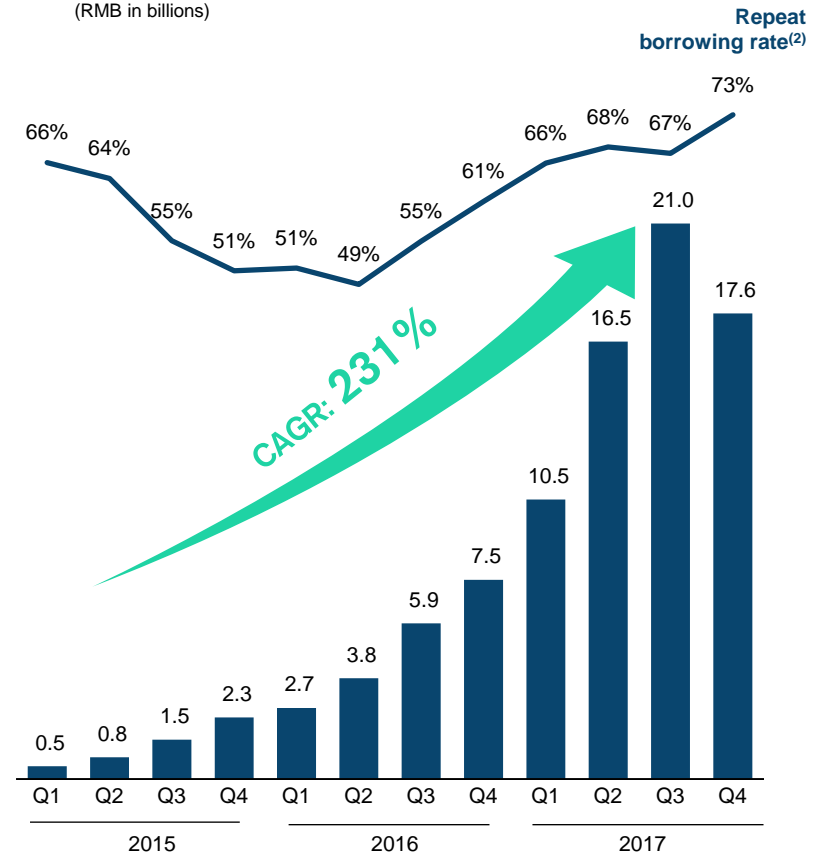
## Number of borrowers<sup>(1)</sup>

(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.

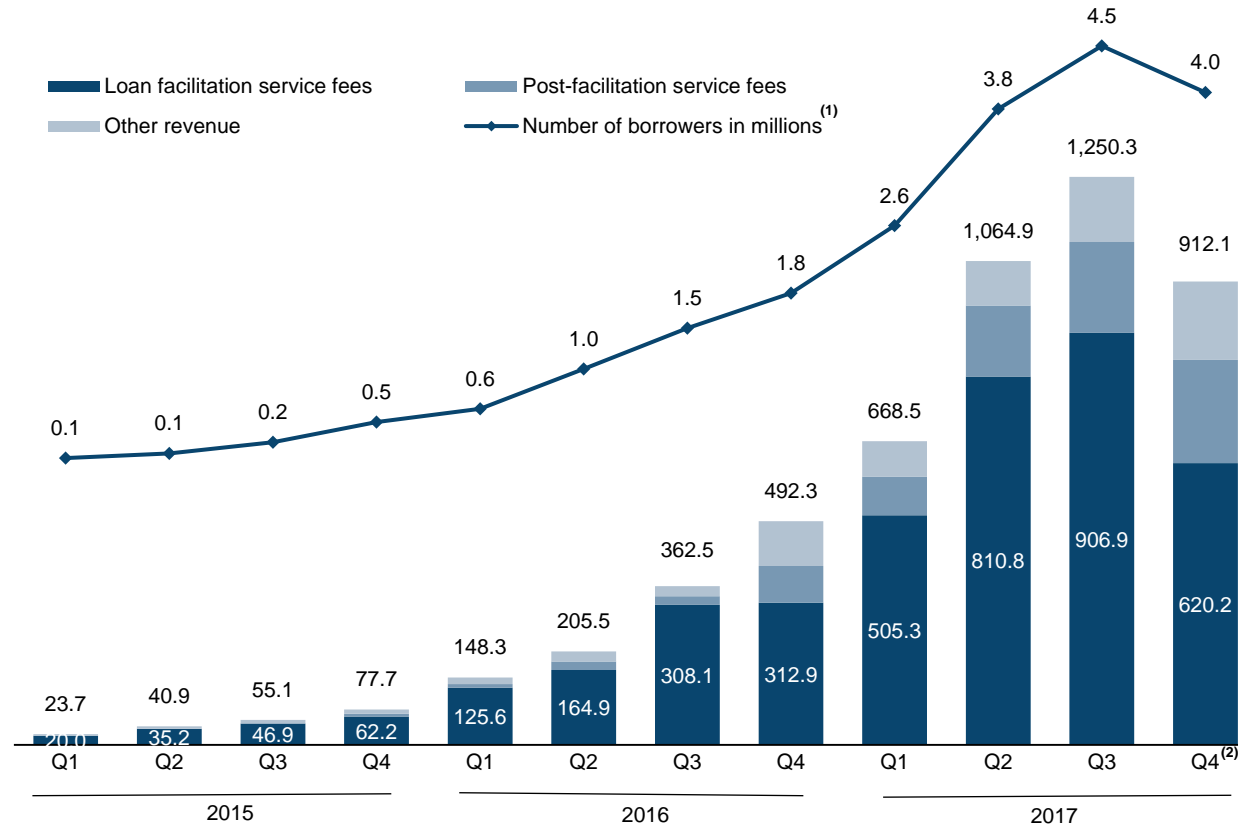


# Financials

# Rapid borrower growth fuels revenues

## Total operating revenues and number of borrowers

(RMB in millions)

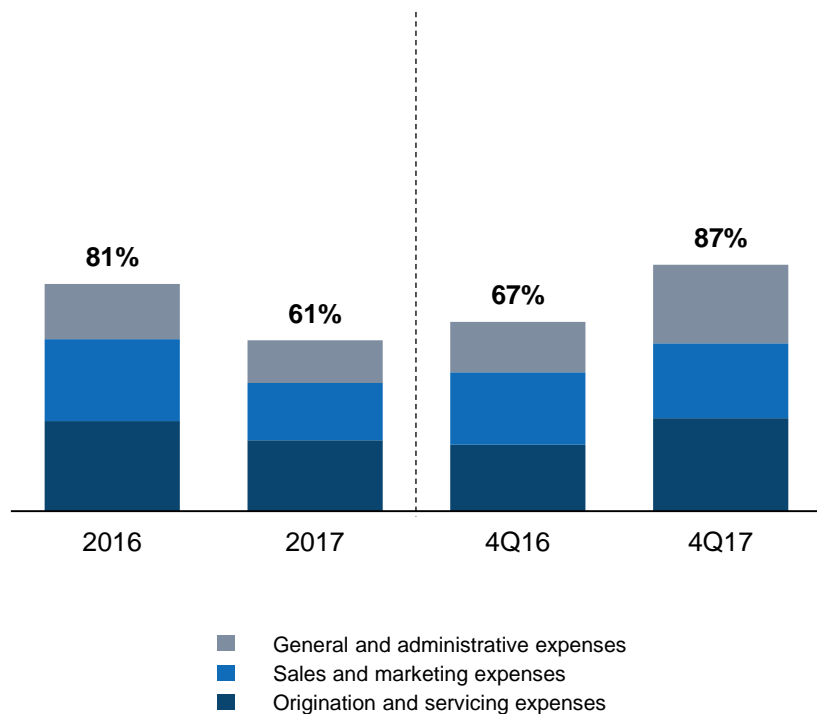


(1) Represents number of borrowers whose loans were funded during each period presented.

(2) Operating revenue for Q4 2017 include a one off provision of RMB107.7 million for expected discretionary payments to investors in investment programs protected by PPDAl's investor reserve funds.

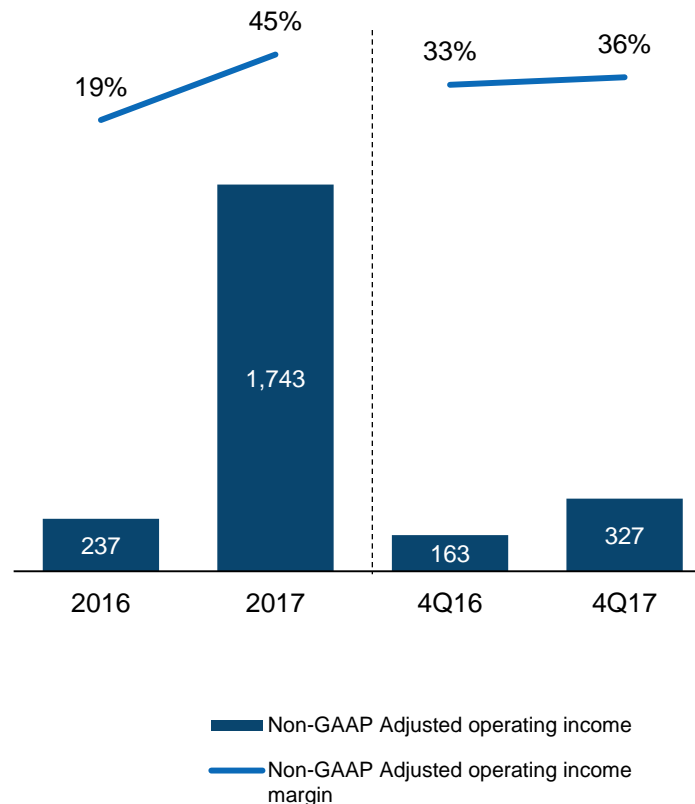
# High operating leverage driving profitability

## Operating expenses as percentage of net revenue



## Non-GAAP adjusted operating income

(RMB in millions)

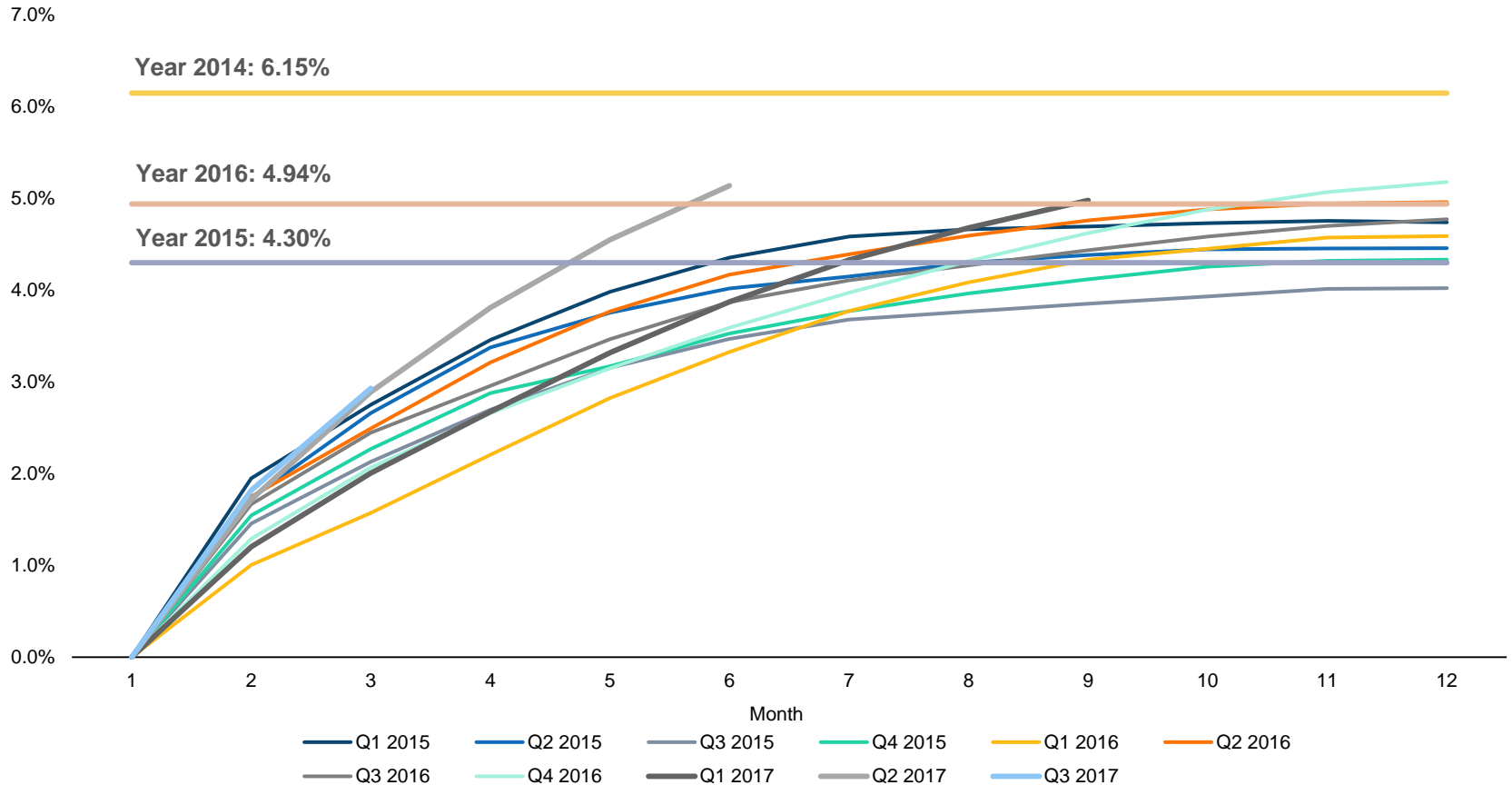


(1) Non GAAP adjusted operating income, which excludes other income/(expenses) share-based compensation and a one-time provision for expected discretionary payments to investors in investment programs protected by the investor reserve funds from profit/ (loss) before tax, was RMB327.4 million (US\$50.3 million), representing an increase of 100.7% from RMB163.1 million in the same period of 2016..



# Cumulative delinquency rates by vintage

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



Note: Data as of December 31, 2017. 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%

(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.

# Income statement summary

RMB million	FY2015	FY2016	FY2017	4Q2016	4Q2017
<b>Operating revenues</b>	197	1,209	<b>3,895</b>	<b>492</b>	<b>912</b>
Loan facilitation service fees	164	911	2,843	313	620
Post-facilitation service fees	8	127	669	81	227
Other revenue	25	170	491	99	172
Expected discretionary payment to IRF investors	-	-	108	-	108
<b>Net revenues</b>	196	1,216	<b>3,881</b>	<b>496</b>	<b>899</b>
% YoY growth	-	521%	219%	-	81%
<b>Operating expenses</b>	(341)	(979)	(2,351)	(333)	(785)
Origination and servicing expenses	(99)	(388)	(974)	(117)	(296)
Sales and marketing expenses	(125)	(353)	(788)	(127)	(239)
General and administrative expenses	(116)	(238)	(589)	(89)	(250)
<b>Operating income<sup>(1)</sup></b>	(145)	237	<b>1,529</b>	<b>163</b>	<b>114</b>
<i>Operating income margin<sup>(2)</sup></i>	(74%)	19%	39%	33%	13%
Other income <sup>(3)</sup>	77	313	(172)	125	(695)
Profit/(Loss) before income tax expenses	(68)	550	1,358	288	(581)
<b>Net income/(loss)</b>	(72)	501	<b>1,083</b>	<b>266</b>	<b>(507)</b>
<i>Net income/(loss) margin<sup>(4)</sup></i>	(37%)	41%	28%	54%	(56%)

(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 income/(loss) divided by net revenues.

# Selected balance sheet items

RMB million	As of Dec 31, 2015	As of Dec 31, 2016	As of Dec 31, 2017
Cash and cash equivalents	92	405	1,891
Restricted cash:	270	803	2,393
<i>Quality assurance fund</i>	53	330	1,059
<i>Investor reserve fund</i>	20	52	175
<i>Cash received from investors or borrowers</i>	176	422	1,159
<i>Cash held as a collateral for short-term bank loans</i>	21	-	-
Short-term investments	34	260	1,959
Quality assurance fund receivable	115	287	1,153
Financial guarantee derivative	21	167	-
<b>Total assets</b>	<b>737</b>	<b>2,147</b>	<b>8,604</b>
Payable to platform customers	176	422	1,114
Quality assurance fund payable	126	474	2,063
Deferred revenue	14	163	265
Financial guarantee derivative	-	-	323
<b>Total liabilities</b>	<b>469</b>	<b>1,375</b>	<b>4,921</b>
Total mezzanine equity	586	1,211	-
<b>Total shareholders' deficit</b>	<b>(317)</b>	<b>(438)</b>	<b>3,682</b>

## Selected statements of cash flows items

RMB million	FY2015	FY2016	FY2017	4Q2016	4Q2017
Net cash provided by operating activities	(192)	534	1,864	228	410
Net cash used in investing activities	(132)	(663)	(2,496)	(178)	(921)
Net cash generated in financing activities	338	439	2,133	29	1,702
Effect of exchange rate changes on cash and cash equivalents	-	(2)	(15)	3	(15)
Net increase/(decrease) in cash and cash equivalents	15	312	1,486	82	1,176
Cash and cash equivalent at beginning of year/period	77	92	405	322	715
Cash and cash equivalent at end of year/period	92	405	1,891	405	1,891