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Q4 2020 Qudian Inc Earnings Call

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CORPORATE PARTICIPANTS

Min Luo *Qudian Inc. - Founder, Chairman & CEO*
Sissi Zhu *Qudian Inc. - VP of IR*

PRESENTATION

Operator

Hello, ladies and gentlemen, thank you for standing by for Qudian Inc.'s Fourth Quarter and Full Year 2020 Earnings Conference Call. (Operator Instructions). Today's conference call is being recorded.

I would now like to turn the call over to your host from Qudian. Please go ahead.

Unidentified Company Representative

Hello, everyone, and welcome to Qudian's Fourth Quarter and Full Year 2020 Earnings Conference Call. The company's results were issued via Newswire services earlier today and were posted online. You can download the earnings press release and sign up for the company's distribution list by visiting our website at ir.qudian.com.

Mr. Min Luo, our founder, Chairman and Chief Executive Officer; and Ms. Sissi Zhu, our VP of Investor Relations, will start the call with their prepared remarks.

Before we continue, please note that today's discussion will contain forward-looking statements made under the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements involve inherent risks and uncertainties. As such, the company's results may be materially different from the views expressed today. Further information regarding these and other risks and uncertainties is included in the company's 20-F as filed with the U.S. Securities and Exchange Commission. The company does not assume any obligation to update any forward-looking statements except as required under applicable law.

Please also note that Qudian's earnings press release and this conference call include discussion of unaudited GAAP financial information as well as unaudited non-GAAP financial measures. Qudian's press release contains a reconciliation of the unaudited non-GAAP measures to the unaudited most directly comparable GAAP measures.

We also posted a slide presentation on our IR website, providing details on our results in the quarter. We will reference those results in our prepared remarks, but will not refer to specific slides during our discussion.

I will now turn the call over to our CEO, Min Luo. Please go ahead.

Min Luo *Qudian Inc. - Founder, Chairman & CEO*

Hello everyone. I would like to thank you all for joining today's call.

Despite pandemic-driven uncertainty and challenging market conditions as well as a continuously shifting regulatory environment, we were able to conclude 2020 with further improvements in our asset quality as we remained vigilant in our cash credit business operation.

In the fourth quarter of 2020, we generated approximately RMB 4.8 billion transactions from our loan book business, [staying] (corrected by the company after the call) relatively flat with the previous quarter.

As 2021 unfolds, we will continue to prudently operate our cash loan business while simultaneously exploring new areas for growth. Turning to our new business initiative, we remain on track to develop our early childhood education business.

Now I would like to turn the call over to Sissi for more details on our results.

Sissi Zhu Qudian Inc. - VP of IR

Thank you, Min, and good morning and good evening, everyone.

As Min mentioned, given that 2020 saw the impact from a weakened global economy and intricate online lending market dynamics, we have been maintaining cautious and conservative operation in our loan business by implementing strict credit risk assessment for new transactions. As a result, our loan book transaction volume slightly decreased by 2% in the fourth quarter from the prior quarter. Meanwhile, our open platform loan transaction volume declined 50% sequentially.

In order to navigate intricate market dynamics, we continued to uphold rigorous standards for credit approvals in the fourth quarter. In particular, new loans origination was focused on borrowers with strong credit profiles. Our delinquencies continued trending downward compared to the prior quarter, as evidenced by a decrease in our D1 delinquency rate, which fell to approximately 11% at the end of the fourth quarter from around 17% at the end of the third quarter.

We will continue to closely monitor factors that may impact our business, including the evolving regulatory regime in the online lending landscape, and will proactively take swift measures in response to the rapidly-changing environment. We believe that our thoughtful operating strategy, along with our solid fundamentals, will help us deliver long-term value to all stakeholders. Besides, I'd like to mention that we are gradually winding down our luxury e-commerce business.

Now let me share with you some key financial results. In the interest of time, I will not go over them line by line. For a more detailed discussion of our fourth quarter and full year 2020 results, please refer to our earnings press release.

Our total revenues for the fourth quarter were RMB 714 million, representing a decrease of 63% from the fourth quarter of 2019. Our financing income totaled RMB 412 million, representing a decrease of 43% from the fourth quarter of 2019 as a result of the decrease in the average on-balance sheet loan [balance] (corrected by the company after the call). Our loan facilitation income and other related income decreased by 78% to RMB 103 million from the fourth quarter of 2019 as a result of the reduction in transaction volume of off-balance sheet loans during this quarter.

Our sales income increased to RMB 162 million from the fourth quarter of 2019, mainly due to sales related to the luxury e-commerce platform, partially offset by the winding down the Dabai Auto business.

Cost of revenues increased by 35% to RMB 202 million from the fourth quarter of 2019, primarily due to the increase in cost of goods sold related to the luxury e-commerce platform, partially offset by the decrease in funding costs associated with the on-balance sheet loan book business and the decrease in the costs of Dabai Auto business.

Our provisions for receivables and other assets reversed to negative RMB 76 million compared to a positive RMB 707 million for the fourth quarter of 2019, mainly due to the decrease in the past-due on-balance sheet outstanding principal receivables compared to the fourth quarter of 2019.

Our net income attributable to Qudian's shareholders was RMB 674 million and our non-GAAP net income was RMB 684 million.

With that, I will conclude my prepared remarks. We will now open the call to questions. Operator, please continue.

Operator

(Operator Instructions) As there are no further questions, I would like to hand the call back to our presenters for any closing remarks. Thank you.

Sissi Zhu Qudian Inc. - VP of IR

So thank you once again for joining us today. If you have further questions, please feel free to contact Qudian's Investor Relation team through our website or through the emails. We're happy to answer your questions. Thank you.

Operator

Thank you. This concludes the conference call. You may now disconnect your line. Thank you.

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