



趣店

Small Credit, Big Data

Qudian

Management Presentation

MAY 2018

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Leading global FinTech innovators

#1		Ant Financial	
#2		ZhongAn	
#3		Qudian	
#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).



A Data Technology empowered credit facilitator



Our leadership, scale and achievement



62.4mn registered users

26.2mn approved users

As of December 31, 2017



RMB88.9bn credit facilitated

RMB2.2bn GAAP net profit

During FY2017



6.9mn active borrowers⁽¹⁾

88.5% repeat borrowers⁽²⁾

In 4Q17



RMB11.2bn outstanding loans

As of December 31, 2017⁽⁴⁾



< 0.9% M1+ delinquency rate⁽³⁾

Through December 31, 2017, for 1Q17 to 3Q17 vintages



40,000+ credit drawdowns and repayments 1 hour

on average in 4Q17

562,000+ credit transactions on Singles' Day 2017



Serve the “**credit underserved**”



Superior **efficiency** enabled by technology



Massive amount of high frequency data

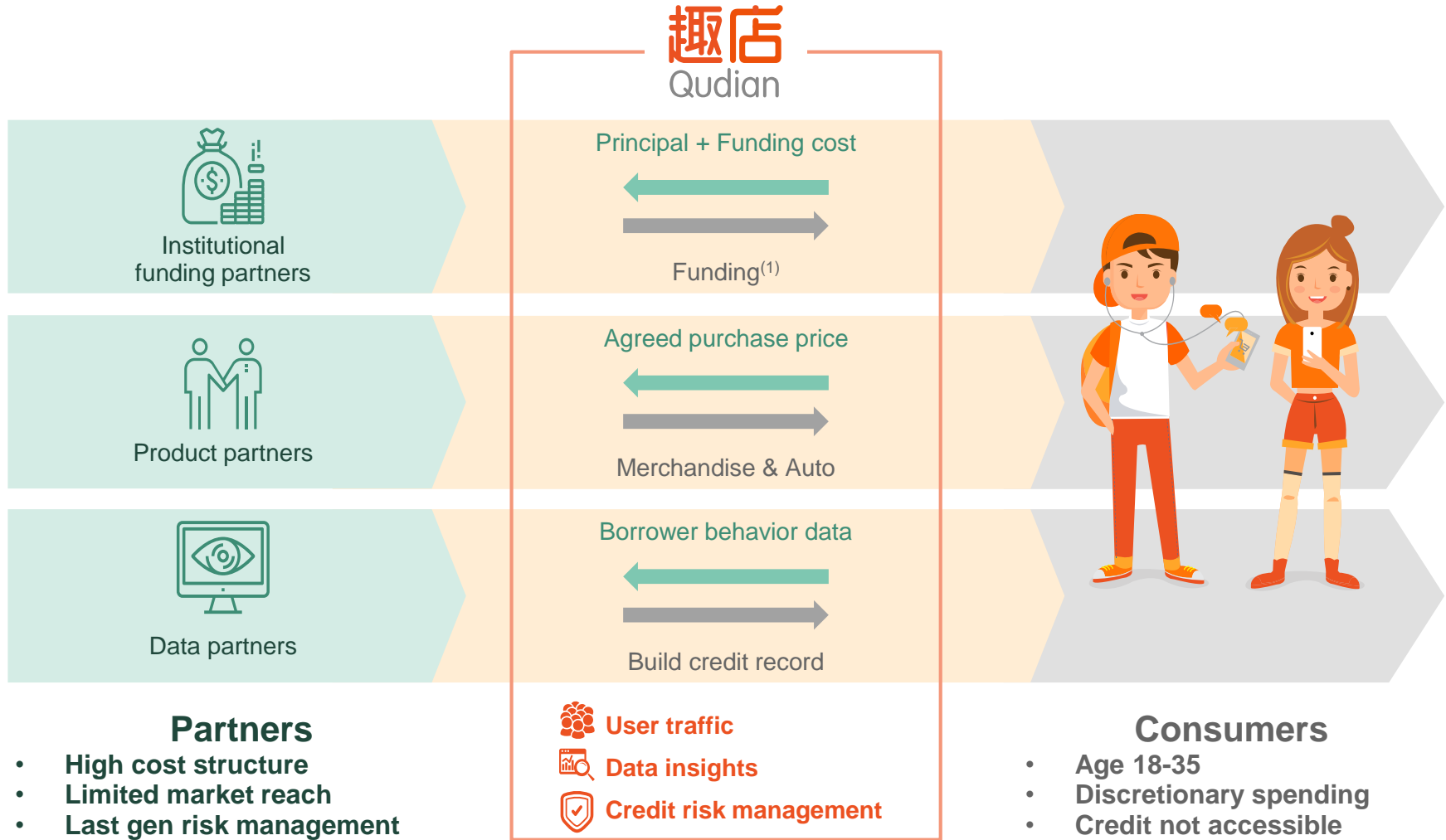


Consumption scenarios

Note:

- (1) Borrowers who have drawn down loans at least once during the period
- (2) Active borrowers in the specified period who have made at least two drawdowns since such borrowers' registration until the end of the specified period
- (3) 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
- (4) Total outstanding loan principal (including RMB9,150mn on-balance sheet loan principal outstanding and RMB2,035.9mn off-balance sheet loan principal outstanding) as of December 31, 2017

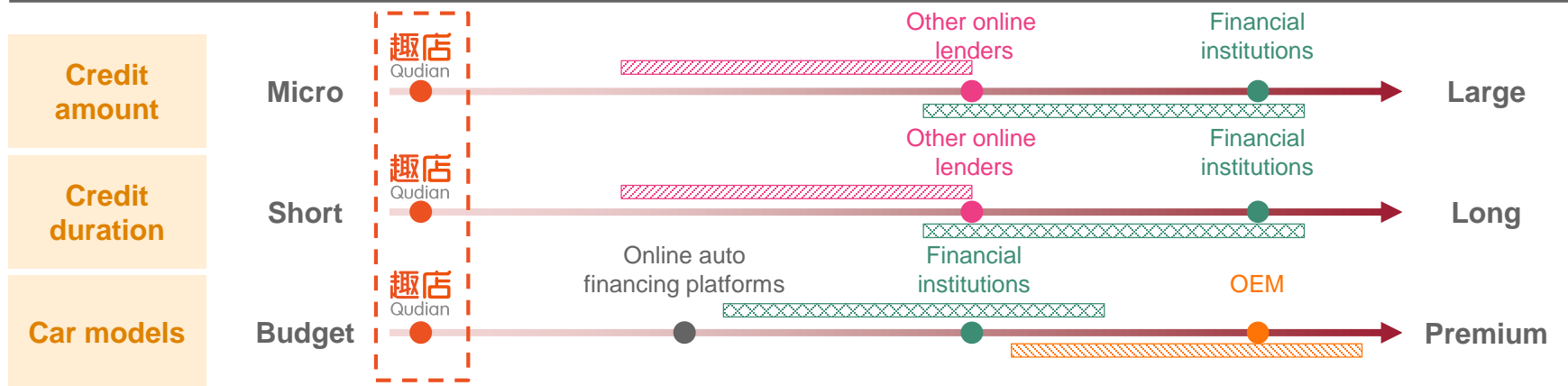
Aggregator and facilitator for accessible credit



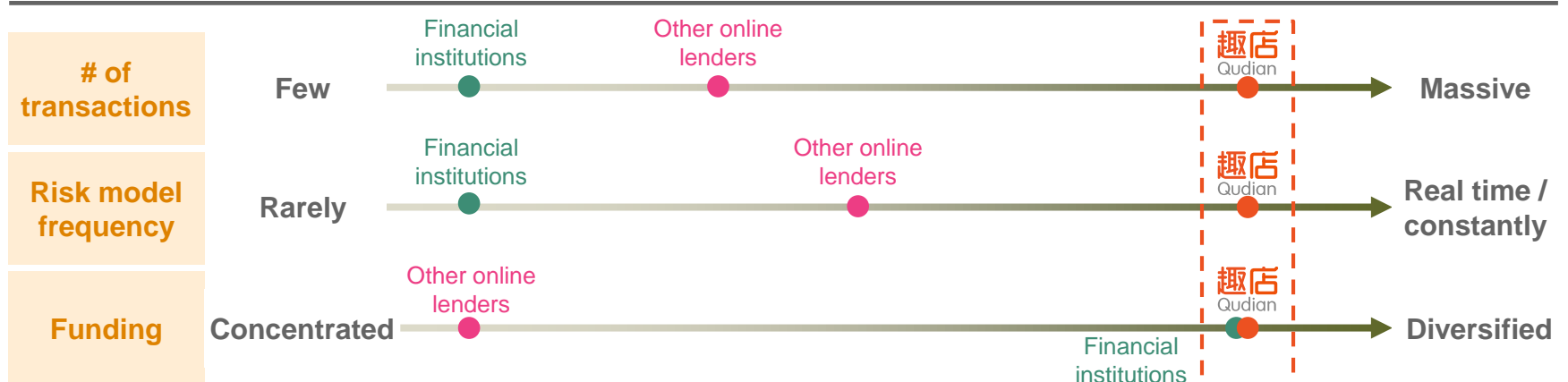
Note:
(1) We have established a variety of funding arrangements. For example, certain of our institutional funding partners directly provide funding to borrowers for credit drawdown that we facilitate. We also utilize our own capital to fund credit drawdown in many instances to enable borrowers to access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

Qudian: A conservative DNA within high growth opportunities

Product risk



Risk management ability

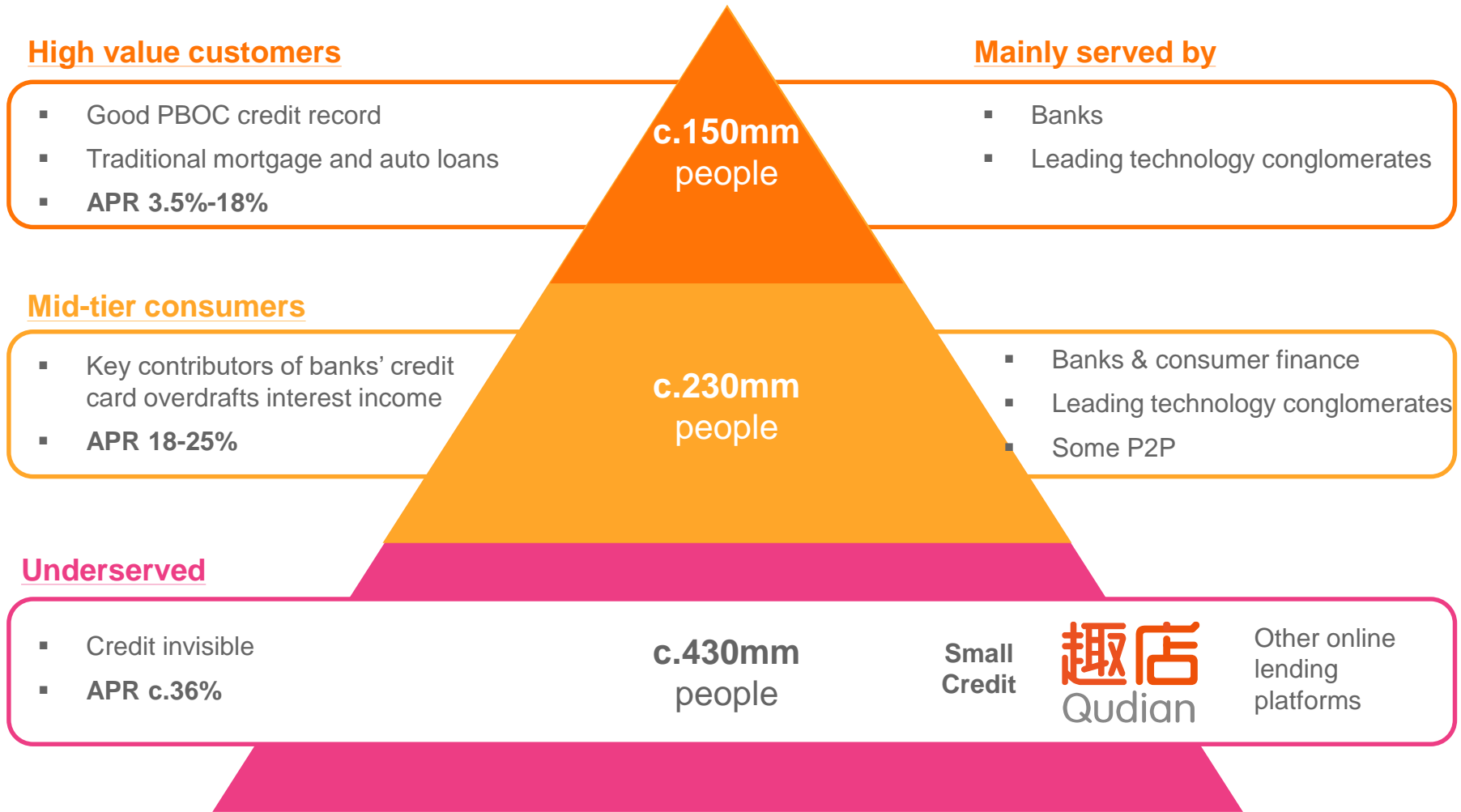


Note: For illustrative purposes only and not to scale.

Business highlights

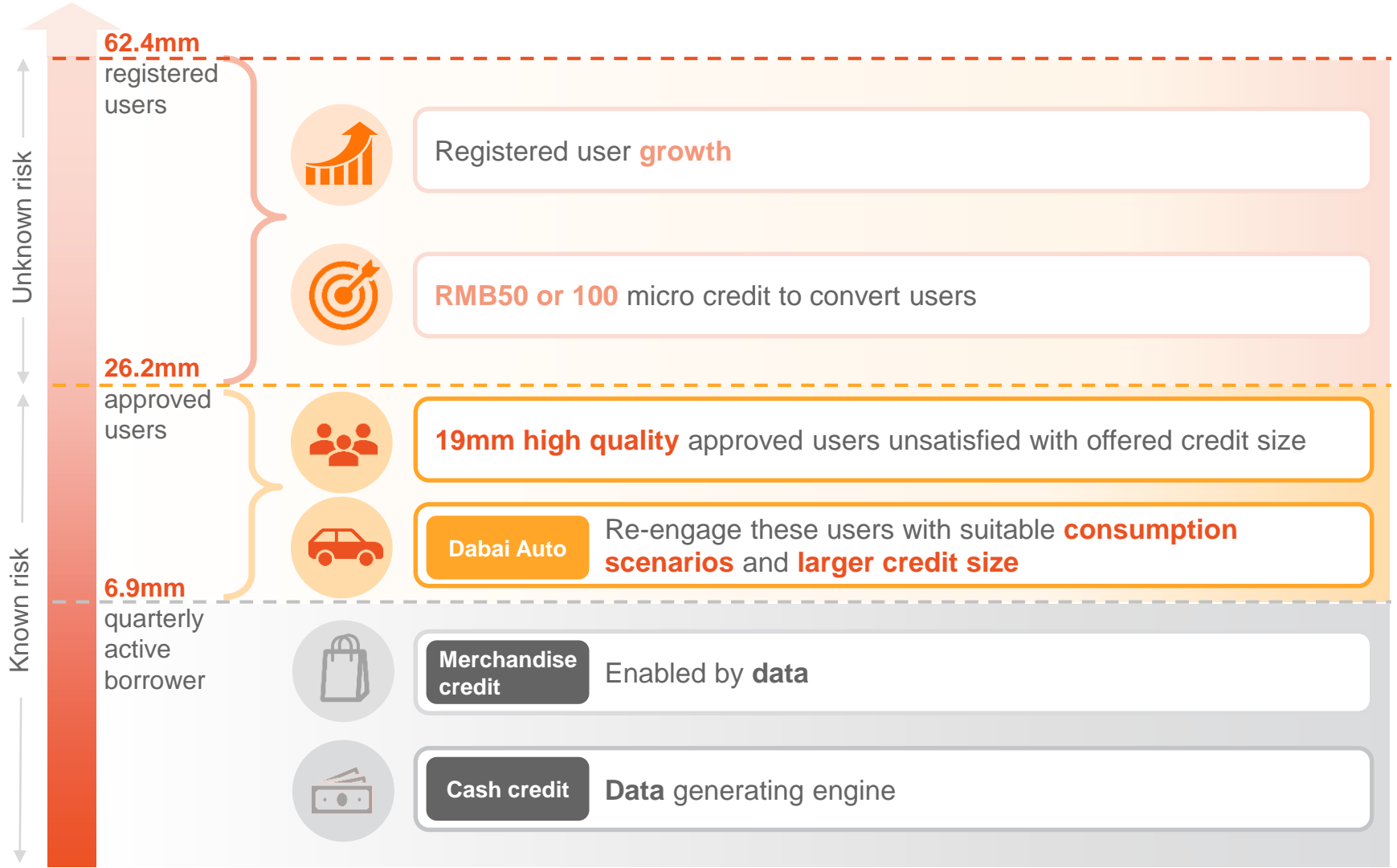


1 Large population of unbanked or underbanked



Source: Public information and company's estimation

1 Market leader with a large user base



Provision of personalized credit in different consumption scenarios to actively engage users

Note:
(1) Number of users in 4Q2017.

2 Superior risk management capability

Delinquency rates peers benchmarking

(FY2017, unless otherwise stated)	趣店 Qudian.com		Listco A		Listco B	Listco C
	Cash loans	Merchandise loans	Product I	Product II ⁽¹⁾		
Average term	~2 months	~9 months	2 weeks to 3 months	20 months	6.7 months ⁽²⁾	12 to 48 months
Average ticket size (RMB)	960	1,400	830	77,059 ⁽³⁾	2,470	82,816 ⁽⁴⁾
Delinquency rate definition	M1+ Delinquency Rate by Vintage as at Dec 31, 2017 for 1Q17 to 3Q17 vintages		Annualized loss rate on consumption loans in 2017	Overall lifetime loss rate of lifestyle loans facilitated (based on operating history of 6 years)	Cumulative M1+ past due delinquency rates by loan origination vintage as at Dec 31, 2017 for 1Q17 to 3Q17 vintages	Cumulative M3+ net charge-off rates as of Dec 31, 2017 for 2015 vintage
Delinquency rate ⁽⁵⁾	<0.9%		3.7%	12~13%	<5.2%	9.3%

Notes:

(1) Based on prospectus disclosure, up to the year ended December 31, 2016

(2) For 4Q17

(3) For the year ended December 31, 2016

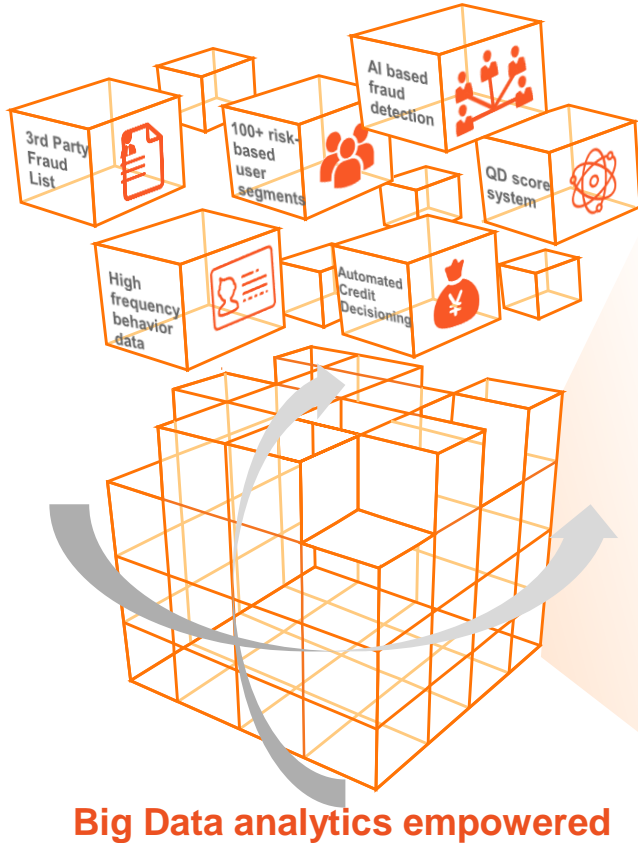
(4) Average loan amounts for standard loan products for the year ended December 31, 2015. In 2014, 2015 and 2016, standard loan products represented the majority of the loans that were made through the marketplace

(5) Due to differences in definitions, the rates presented may not be directly comparable.

2 Superior risk management capability

Our evolving risk model

Focusing on **willingness** to repay based on high velocity data



Data abundance



- **41K** transactions / hour ⁽¹⁾
- **130mn+** actual transaction backed analytics
- **120mn+** completed transaction

Multi-dimensional



- **1,000+** variables / transaction
- **300+** credit policy rules

Predictability of Defaults⁽²⁾



- QD Score AuC: 0.75

Automation & AI



- Automated decision-making
- Reduces labour costs

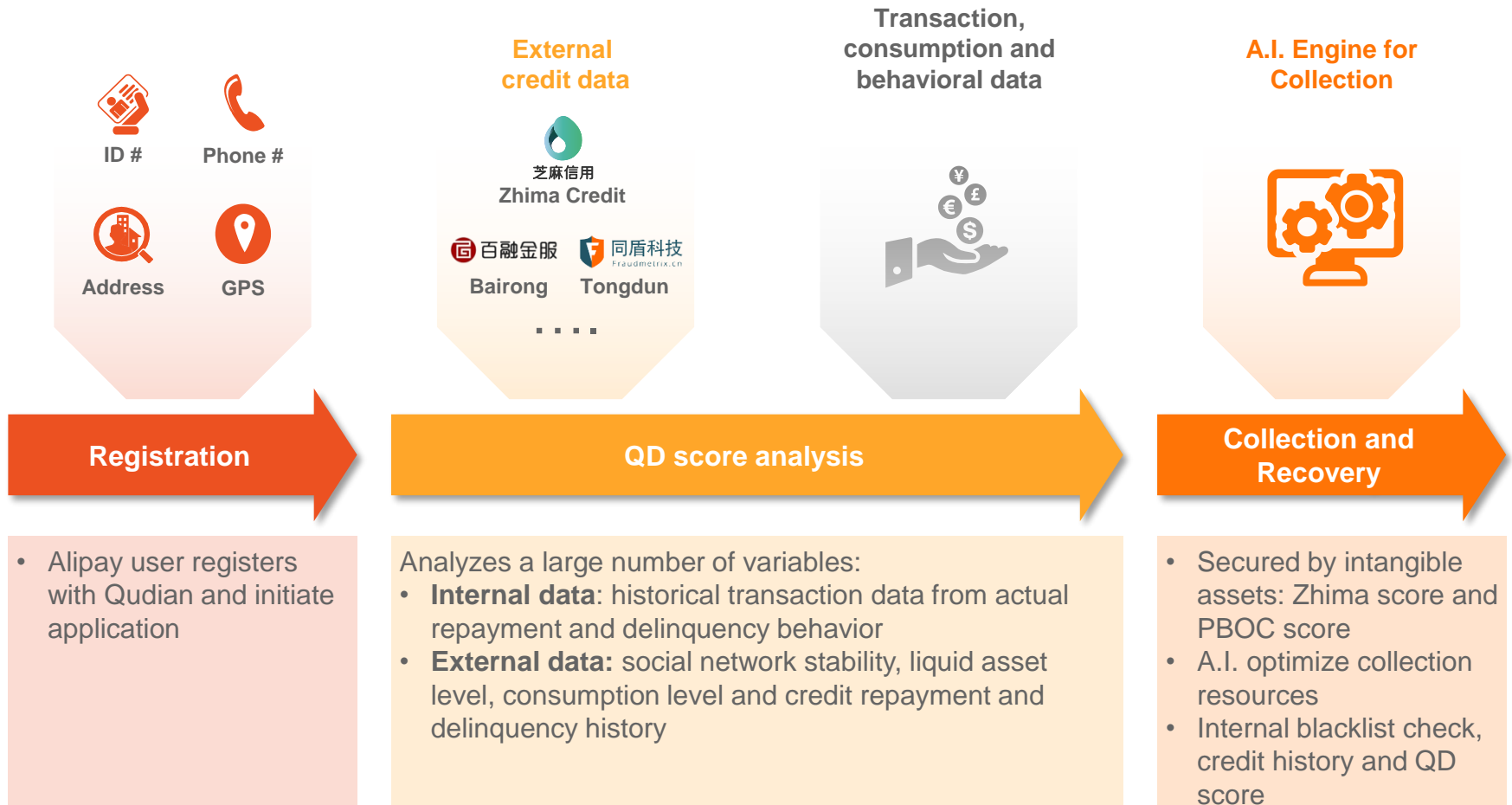
Note:

(1) Refers to the sum of total number of credit drawdown and repayments received per hour on average during 4Q17

(2) Based on AuC. QD Score AuC calculated based 3.6mm randomly selected users

2 Superior risk management capability

Credit approval and servicing process



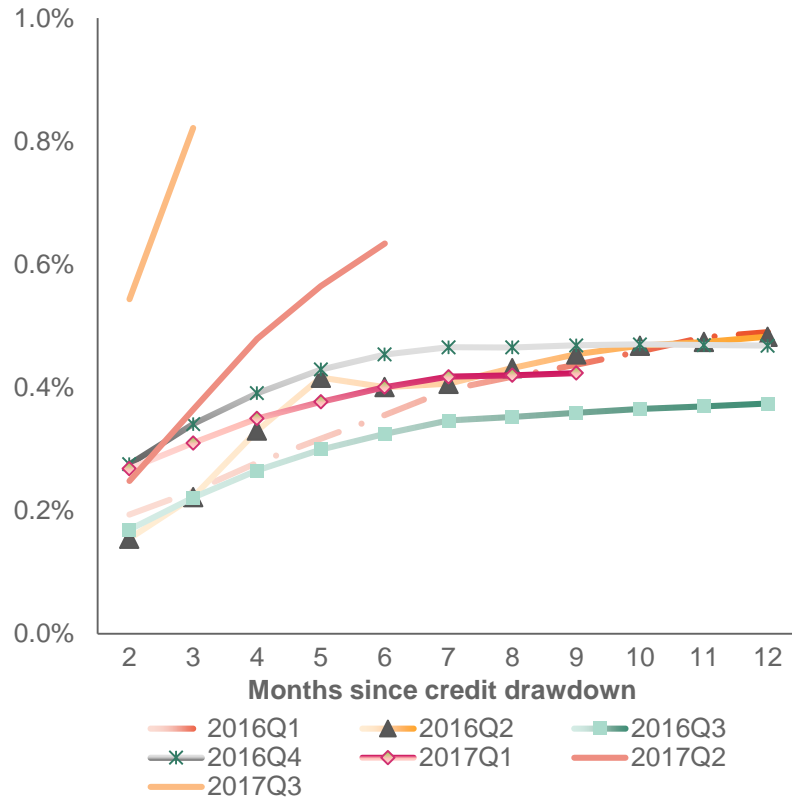
Within 10 seconds, 100% mobile, 100% automated

2 Superior risk management capability

Credit performance

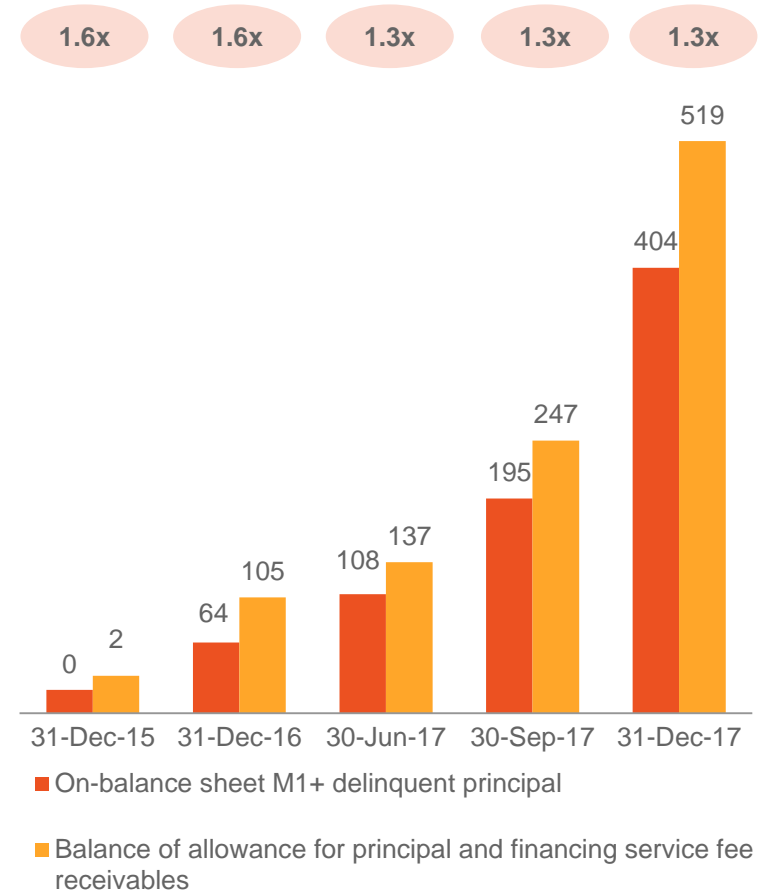
Strong credit performance

M1+ Delinquency Rate by Vintage ⁽¹⁾



M1+ Delinquency Coverage Ratio⁽²⁾

(RMB mn)



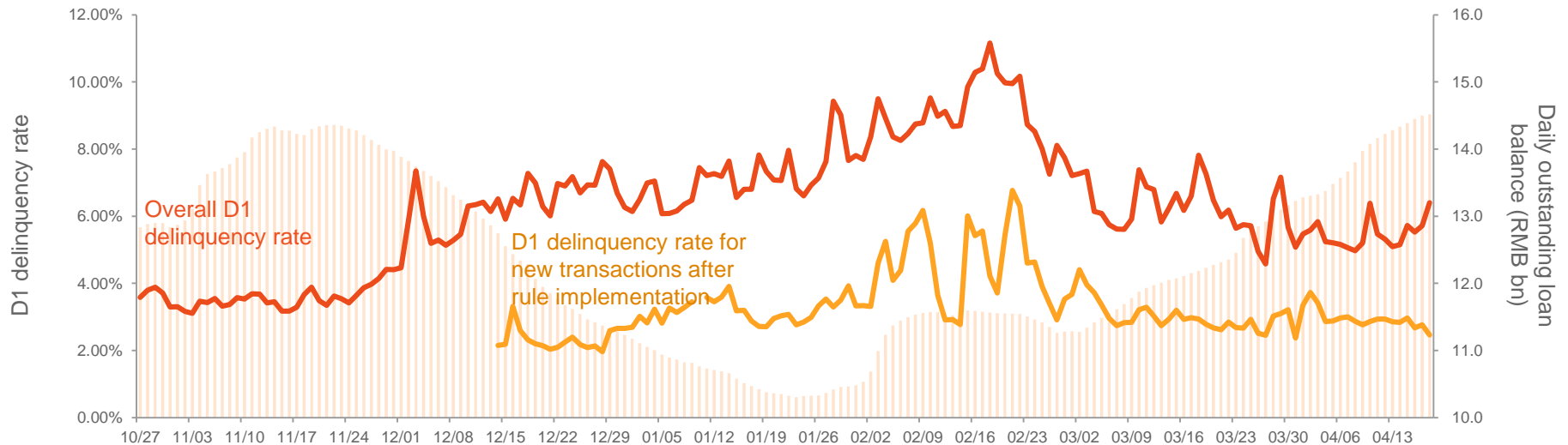
(1) We define "M1+ Delinquency Rate by Vintage" as the total balance of outstanding principal of a vintage for which any installment payment is over 30 calendar days past due as of a particular date (adjusted to reflect total amount of recovered past due payments for principal and without taking into account charge-offs), divided by the total initial principal in such vintage.

(2) We define "M1+ Delinquency Coverage Ratio" 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.

2 Proven over Credit Downturn

Real life stress test of our robust risk management

- An industry wide credit cycle downturn started in late November 2017
- **Our response:** launched a more stringent multi-source borrowing behavior rejection rule
- **Results:** the D1 delinquency rate of newly originated transactions (Dec 2017 till now) has fallen back to levels prior to the credit cycle downturn
- **Continuous model optimization:** better risk control while maintaining transaction volume and profitability growth



We react very fast to the credit cycles

3 Advanced technology platform enables seamless funding at large scale

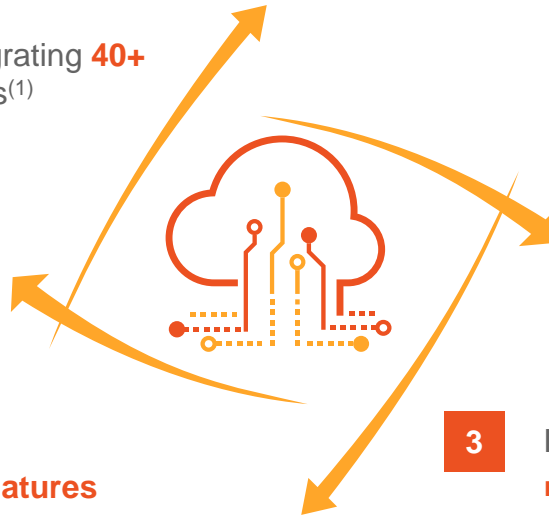


1 Centralized funding partner matching system

- Facilitate large scale **within seconds**
- One system integrating **40+** funding structures⁽¹⁾

2 Centralized repayment settlement system

- Automatically identify and categorize **~29K repayments per hour⁽²⁾**

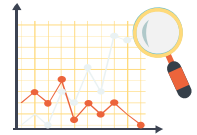


4 Security modules

- Digital data signatures** and **AES level** encryption
- Distributed structure to enhance security

3 Liquidity forecast system

- Real-time projection of cash flow
- Real-time budgeting forecasts **on rolling quarter basis**

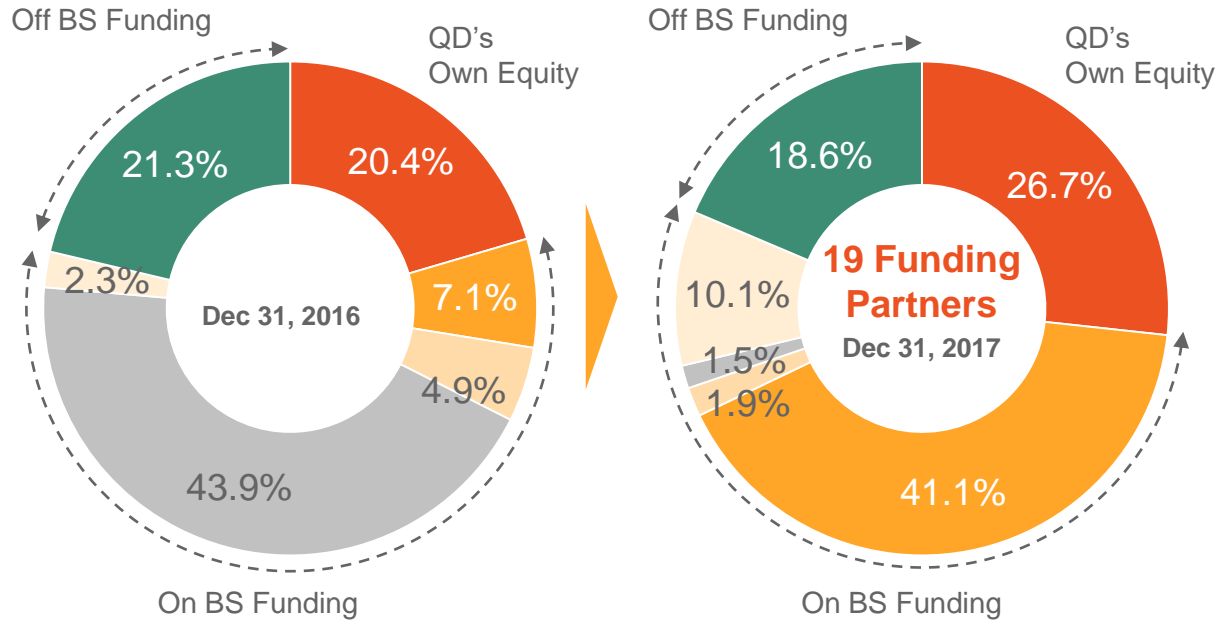


Seamlessly integration to rapidly facilitate transaction settlement at a massive scale and forecast funding needs on a real-time basis

Notes:

(1) One funding partner may have various structures and accounts.
 (2) Based on the total number of repayment in 4Q17

4 Diversified funding and efficient balance sheet



QD as Originator

QD's Own Equity

Borrowings from P2P Institutions

Financial Asset Exchange

Others

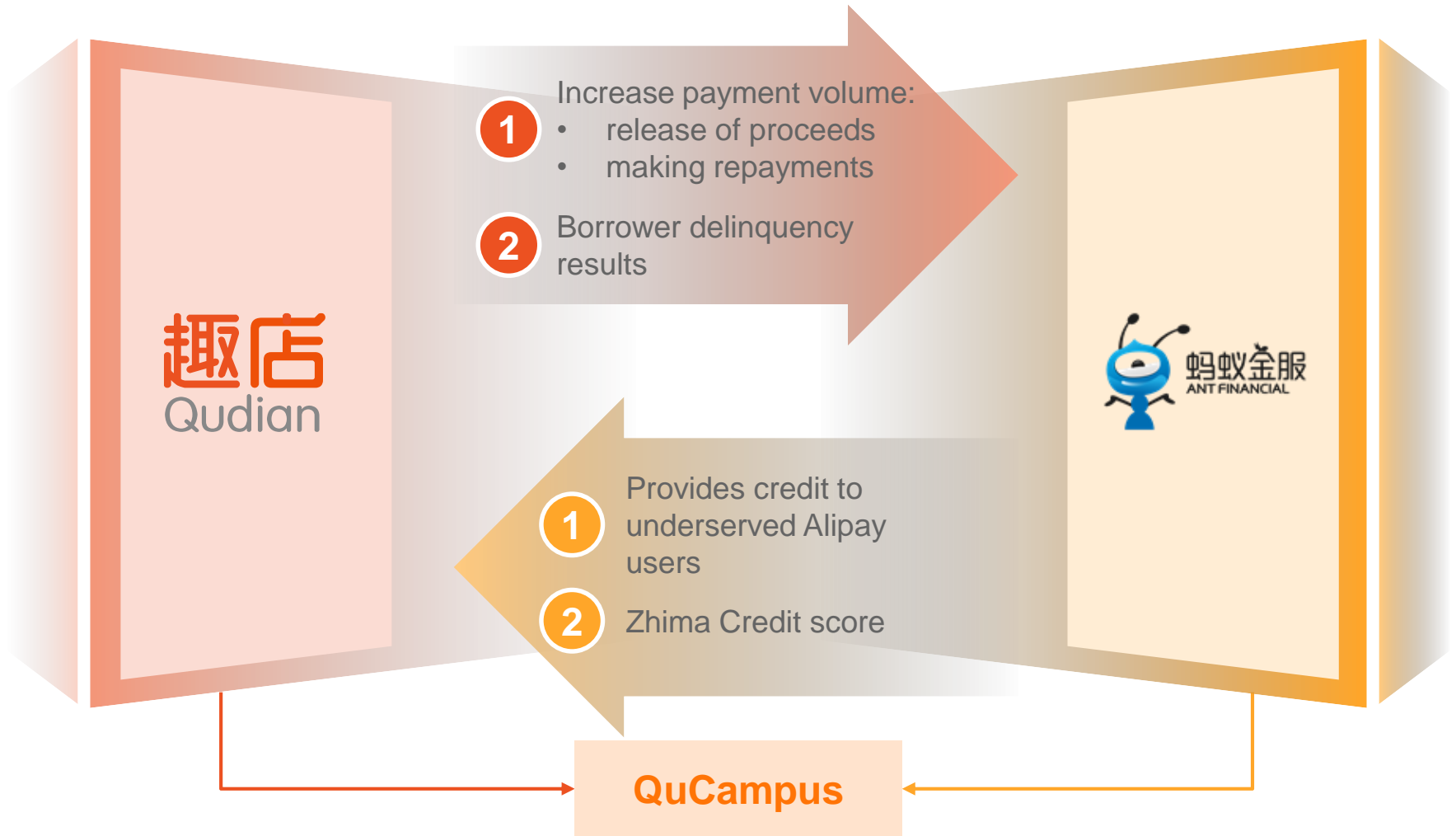
Funding Partners as Originator

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

Trust (external)





Note:
(1) Based on outstanding principal

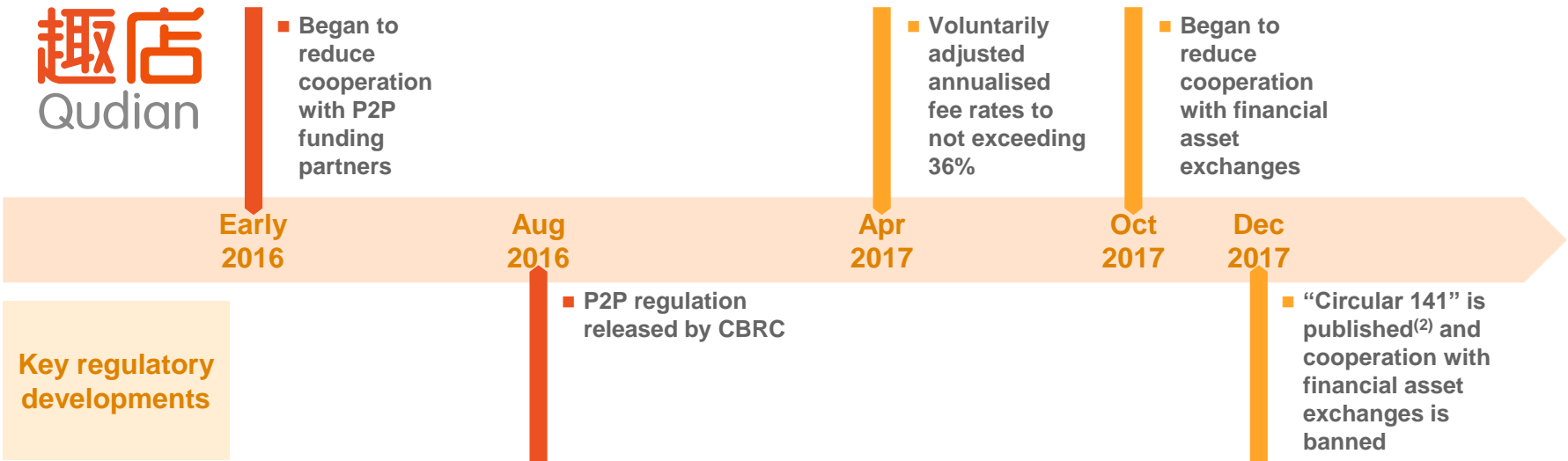
5 Partnership with Ant Financial



Mutually beneficial relationship with Ant Financial









6 Anticipates and proactively complies with regulations

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

7 Visionary and experienced management team

	Know how	Role / Achievement	E-commerce experience
 <p>Min LUO Founder, CEO</p>	<ul style="list-style-type: none"> >10 years of entrepreneurial experience in e-commerce and online social platform Previous experience include OkBuy.com, Jiyiri.com and dipian.com 	<ul style="list-style-type: none"> Founded Qudian in 2014 Successfully obtained investments from leading investors including Ant Financial Outstanding entrepreneur under 40 	
 <p>Carl YEUNG Chief Financial Officer</p>	<ul style="list-style-type: none"> >10 years of experiences in the tech and finance industry Previously served as CFO of US-listed ATA and SKY-mobi and HK-listed BAIOO Family Interactive Co-founder of an e-commerce company Joined Qudian since 2016 	<ul style="list-style-type: none"> Successfully led Qudian's IPO in October 2017 and raised US\$1,035mn 	
 <p>Long XU Head of DaBai</p>	<ul style="list-style-type: none"> Serial entrepreneurial experience since 2005 and rich experience in product development and operations Ex-CEO of Quwan.com 	<ul style="list-style-type: none"> Leads development of Dabai Auto incorporating earlier experience in internet and e-commerce 	
 <p>Chuanjiang GE Head of Operations</p>	<ul style="list-style-type: none"> >12 years of experience in product design, digital marketing and operations Rich experience in internet and offline channels management Joined Qudian since 2015 	<ul style="list-style-type: none"> Leads development of the merchandise business supply chain Leads the exploration into new verticals (e.g education financing) 	

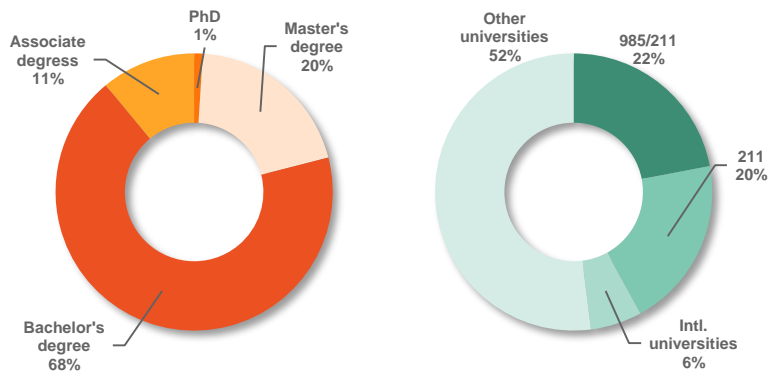
Proven track records in managing high growth companies and strong capabilities in achieving large scale within a short period of time and managing different consumption scenarios in a dynamic industry

7 Outstanding and talented employees

Outstanding educational background⁽¹⁾



Rich industry experience



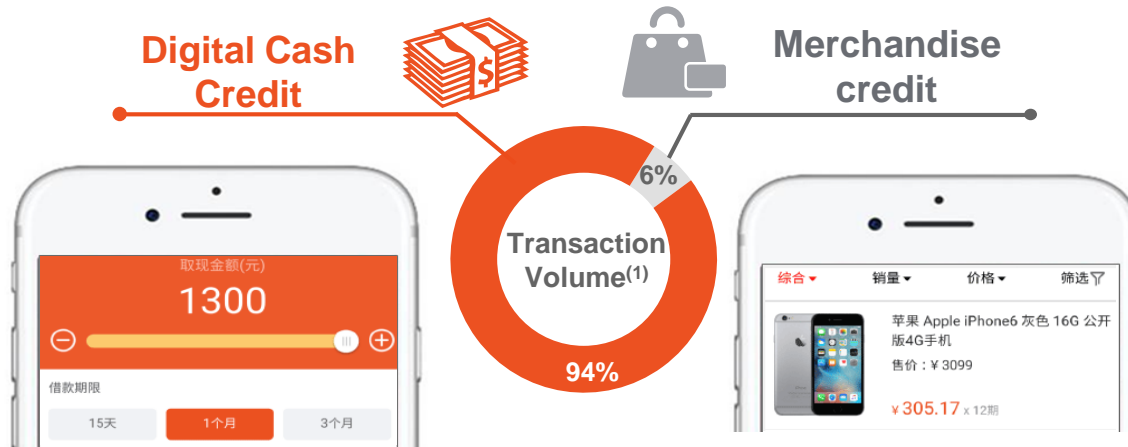
Our talented employees are equipped with rich experience from various industries including internet, finance, automobile, e-commerce and others

Note:
(1) Headquarters staff as of March 31, 2018

Operations overview: Cash credit & Merchandise credit



Cash and merchandise credit product offerings



Average ticket size	RMB960	RMB1,400
Weighted average term	2 months	9 months
Average user fee per transaction	~RMB45 service fee	~RMB157 service fee
Average supplier fee per transaction	N/A	~RMB212 sales commission
Installment plans	<ul style="list-style-type: none"> Weekly: 1, 3, 6 weeks Monthly: 1, 2, 3, 6, 9, 12 months 	

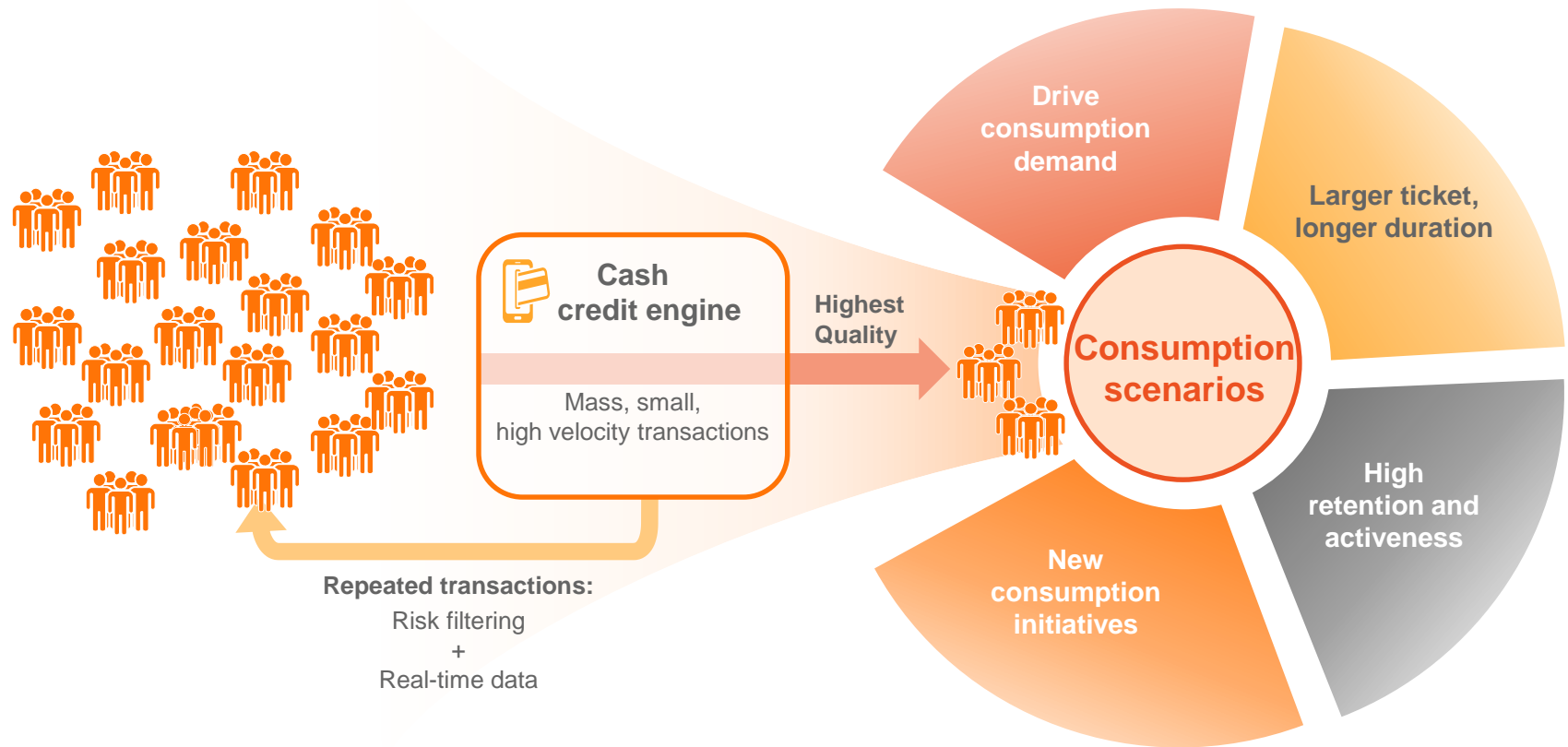
Immediate needs for discretionary consumption

High transaction frequency and large data volume

Small amount, low risk

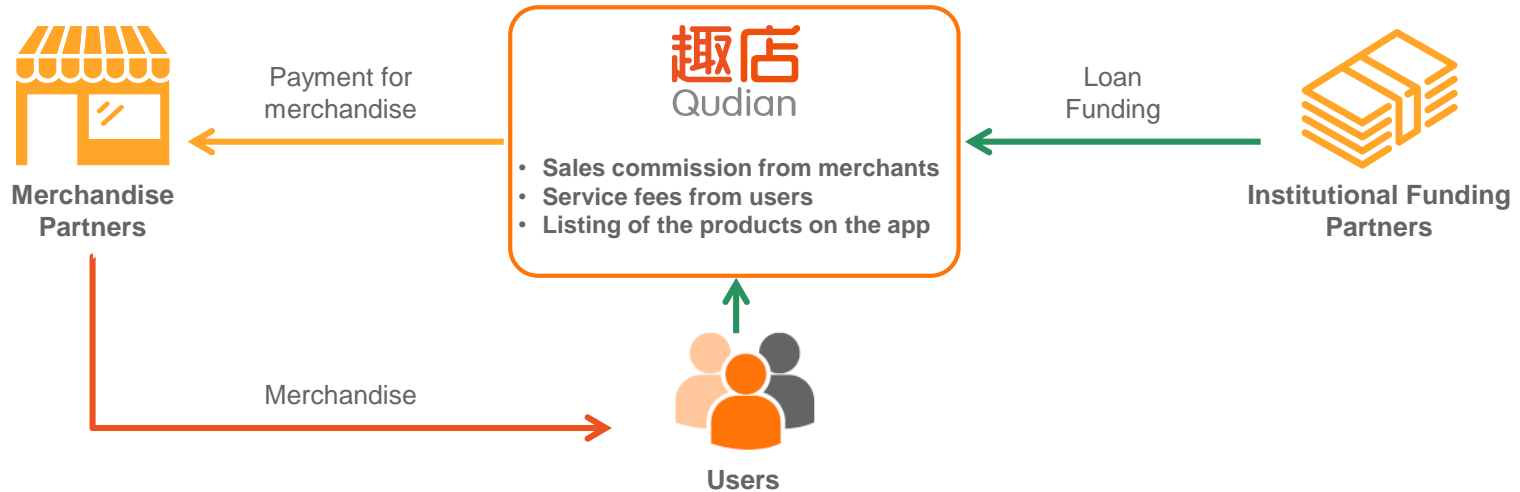
Note: In FY2017

Unlocking nascent credit-based consumption demand



Empowered by large scale data to offer competitive consumption scenario

Merchandise credit



Attractive product offering

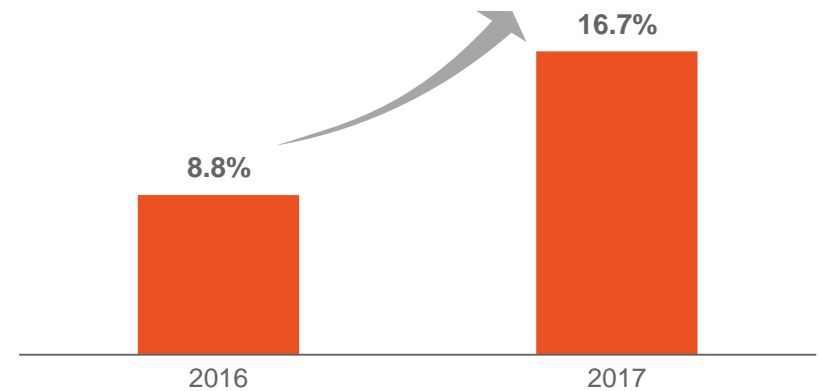
339,000+ SKUs from 1,500+ consumer brands⁽¹⁾



Note:
(1) As of March 31, 2018

Growing contribution

Sales commission as % of revenue

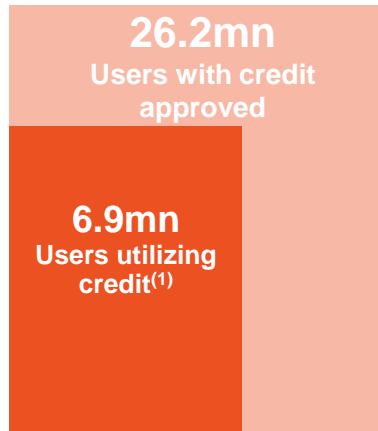


Operations Overview: Dabai



Why Dabai Auto?

1 Monetize massive user base



- **~19mn** high-quality credit approved users inactive
- **Re-engage** through larger ticket size, asset-backed product

2 Compelling market fundamentals

- ✓ **Low auto-financing penetration** in China vs US
- ✓ **Lower tier cities** underpenetrated by traditional dealerships
- ✓ **Large, underserved young car buyers population** without access to financing
- ✓ Desire for convenient user experience in **Auto New Retail**

3 Strong balance sheet



>RMB6bn
Cash and cash equivalents⁽²⁾

4 Regulatory environment



Circular 141 encourages **user case specific loans**

Note:
(1) Active Borrowers in 4Q17
(2) As of December 31, 2017

Latest achievements

1. Successful **launch execution** and **ramp up**:
 - **175** locations in **80** days
 - **600+** staff in **30** days
 - **6,600+** vehicles leased out as of March 31, 2018
2. **Efficiency** and **profitability**
 - Expect to be **profitable in 2018**
 - Average delivery **16.9** days in April
3. **Prudent** risk management
 - Online/offline credit assessment
 - Residual value management
 - M1+ delinquent cars **0 cars** as of March 31, 2018



Dabai Auto business model

Auto finance leasing

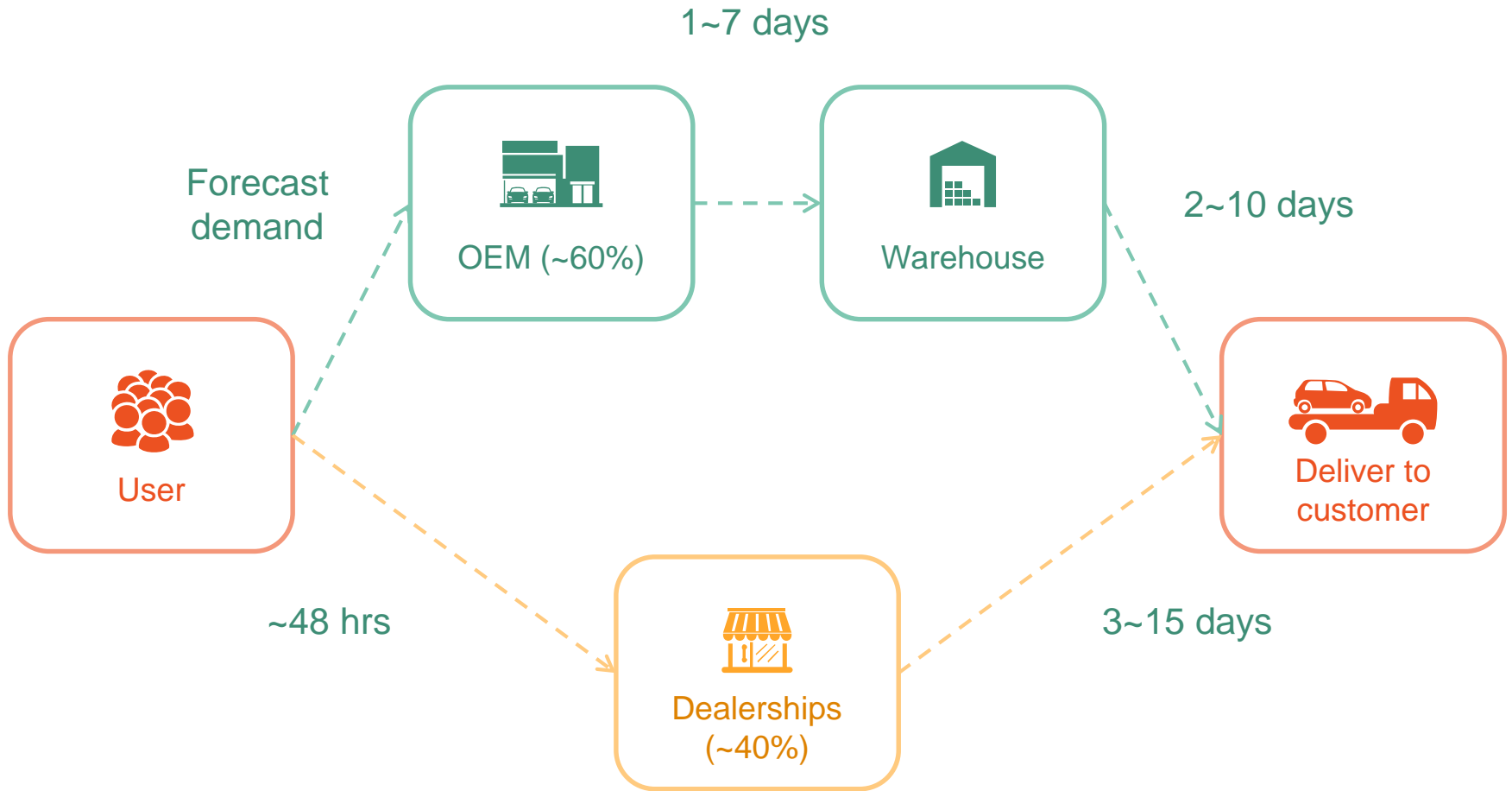
“First Car” for young people

- Affordable: 10% down payment + 2,000~4,000 RMB/month
- Fast: As quick as 2 day delivery, typically around 20 days
- Typically ~RMB100K per car



Auto procurement process

A smarter and lower risk inventory



Strong online traffic merged with nation-wide offline network



175 self-operated shops across China

6,600+ vehicles leased out⁽¹⁾

3-5 tier cities coverage

City centers & shopping malls

Note:
(1) Cumulatively as of March 31, 2018.

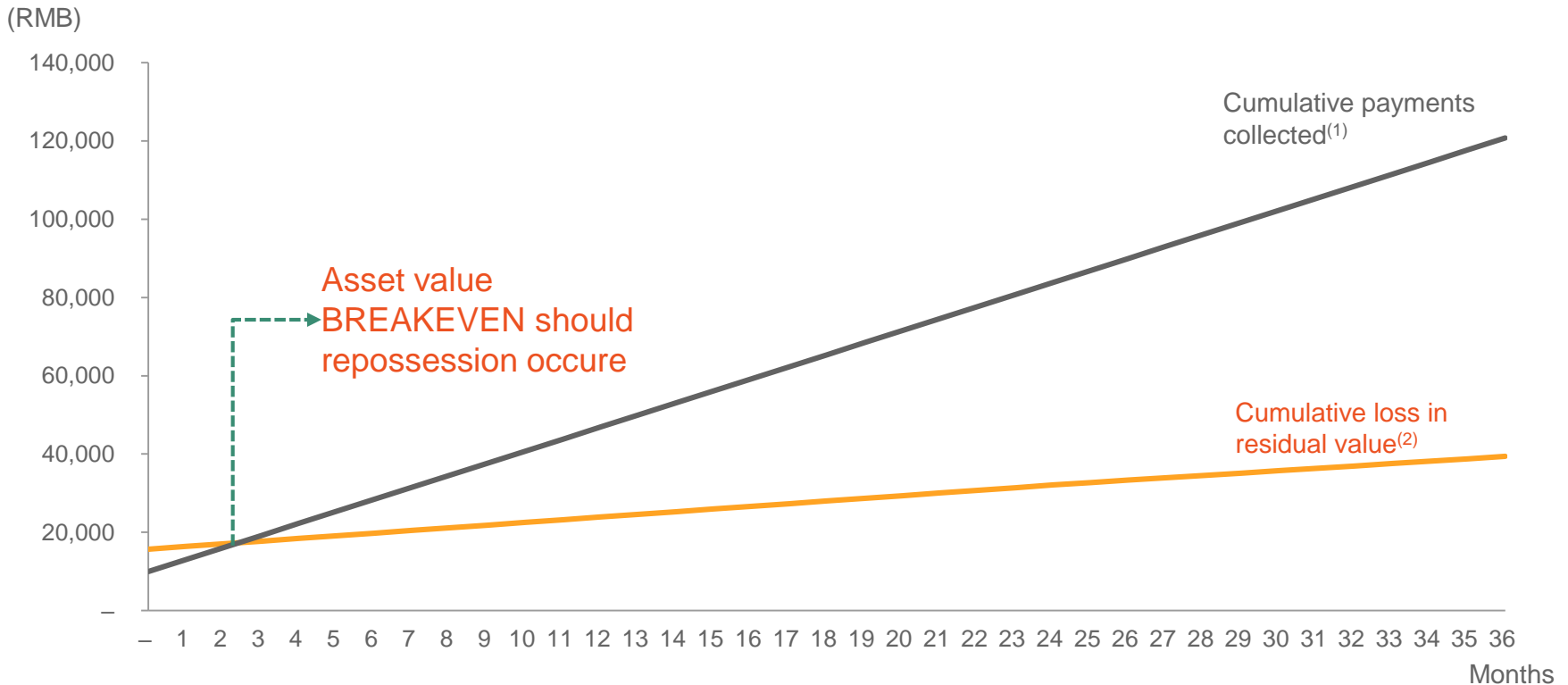
Residual value risk management illustration

Key assumptions:

Retail price	99,900
Term	36 months
Down payment	10%
APR	10%

At end of year 1 in event of default:

Repayment collected ⁽¹⁾	46,903
+ Residual value recovered	71,000
Total payment received	117,903



Note: For illustrative purposes only and not indicative of the entire portfolio of finance lease receivable. Based on car model Cavalier and retail price RMB 99,900 according to OEM. Inventory cost including handling expense around RMB 94,897 per Dabai internal data and not indicative of the entire portfolio of finance lease receivable.
 (1) Amortized assuming monthly repayments over 36 months, nominal APR 10%. Monthly repayment RMB 3,076 according to Dabai App.
 (2) Residual value according to Che300.com. Assuming 16.5% depreciation on Day 1, cumulative depreciation of 25% at end of year 1, 34% at end of year 2 and 42% at end of year 3.

Pre-financing

130mn+ credit transactions⁽¹⁾
from QD - **proprietary**
repayment and delinquency
data

PBOC Credit Reference Center
data access

**Anti-fraud, anti-multiple
borrowing** at front

Offline **validation**

Post-financing

Telematics system ongoing
monitoring

Self-operated **call center**

PBOC Credit Reference Center
data feedback

Vehicle **repossession**

Disposal with profit potential

Residual value

- RMB100K vehicle: depreciates by **15-20%** maximum in year 1
- QD: receives **10%** down payment + **30-40%** regular payment in year 1

Notes:

(1) Cumulative credit transactions facilitated as of December 31, 2017

Financial Highlights



4Q2017 Financial and Operating Highlights⁽¹⁾



62.4MM registered users

26.2MM approved users⁽²⁾

6.9MM active borrowers⁽³⁾ during 4Q17



25.4MM number of credit drawdowns



RMB25.1BN amount of transactions

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Qudian

RMB1.5BN revenue

+108% YoY



RMB540MM net income

+80% YoY



RMB559 MM Adjusted net income⁽⁴⁾

+74% YoY



Note:

- (1) The following operating data relate to cash credit and merchandise credit offered by the Company.
- (2) Approved users are the total number registered users who have been approved of credit.
- (3) Active borrowers are borrowers who have drawn down credit in the specific period.
- (4) Adjusted net income represents net income before share-based compensation expense.

Quarterly Transaction and Revenue

Quarterly Trend of Transactions

(RMB BN)

YoY
Growth

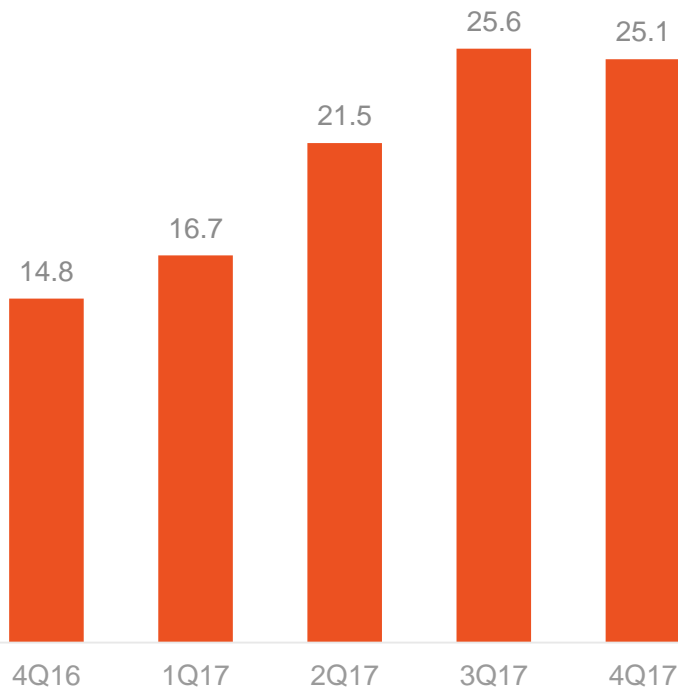
532%

427%

246%

219%

70%



Breakdown of Revenue

(RMB MM)

YoY
Growth

844%

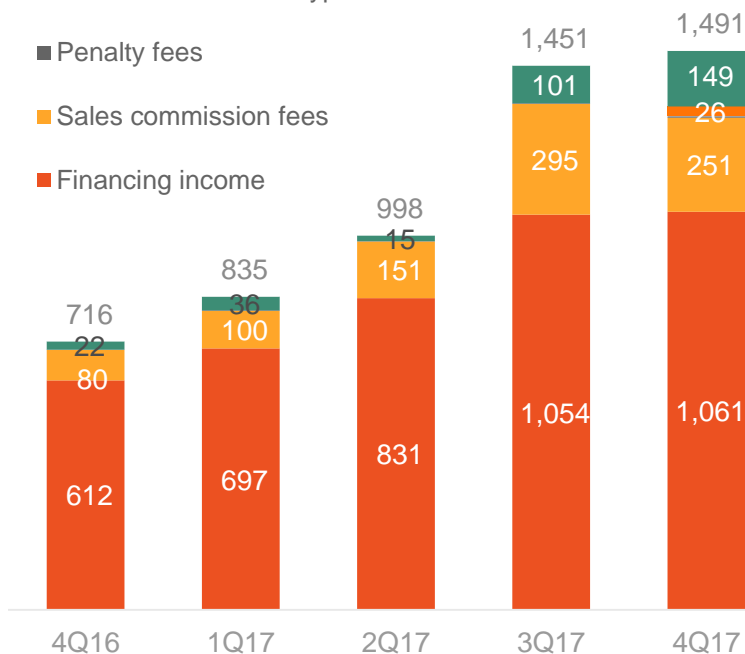
548%

311%

308%

108%

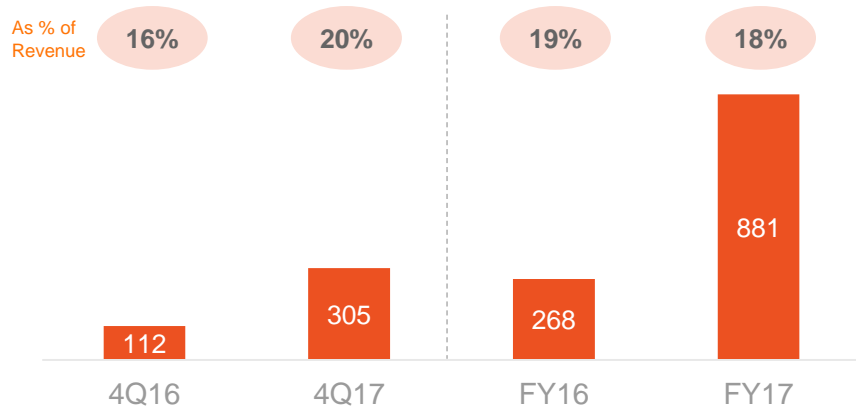
- Loan facilitation income and others
- Revenue from sales-type lease
- Penalty fees
- Sales commission fees
- Financing income



Quarterly Costs and Expenses

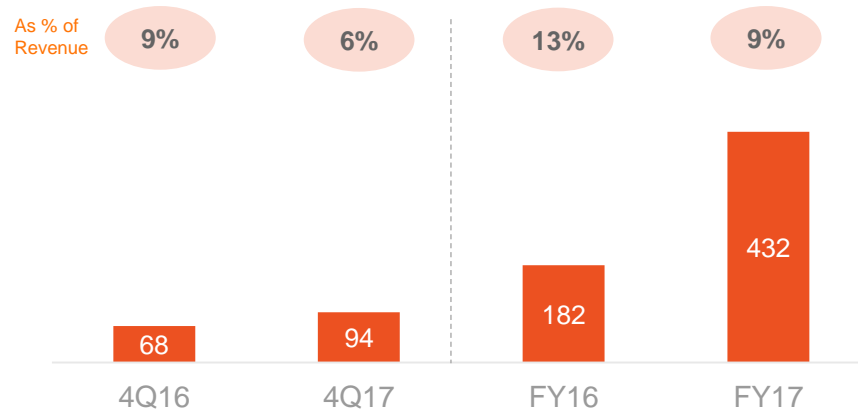
Cost of Revenue

(RMB MM)



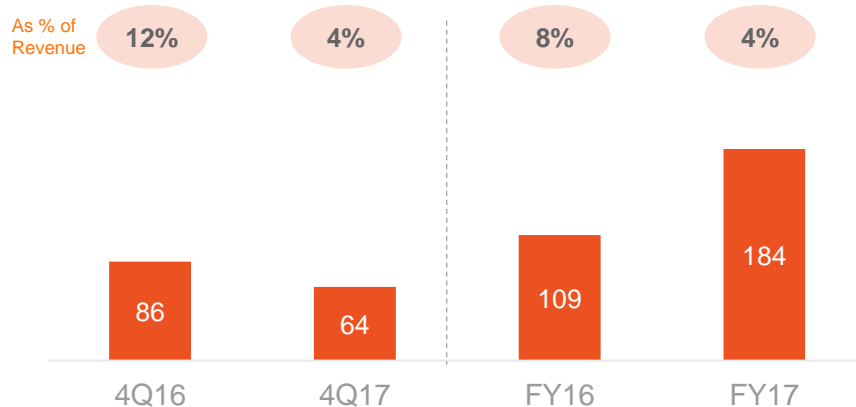
Sales and Marketing

(RMB MM)



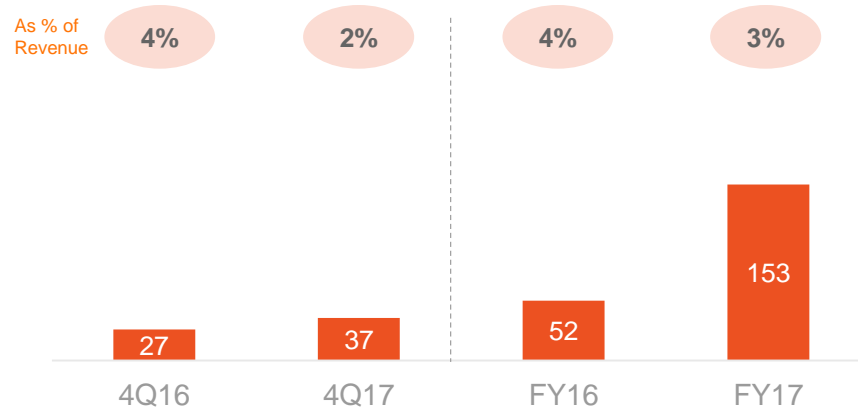
General and Administrative

(RMB MM)



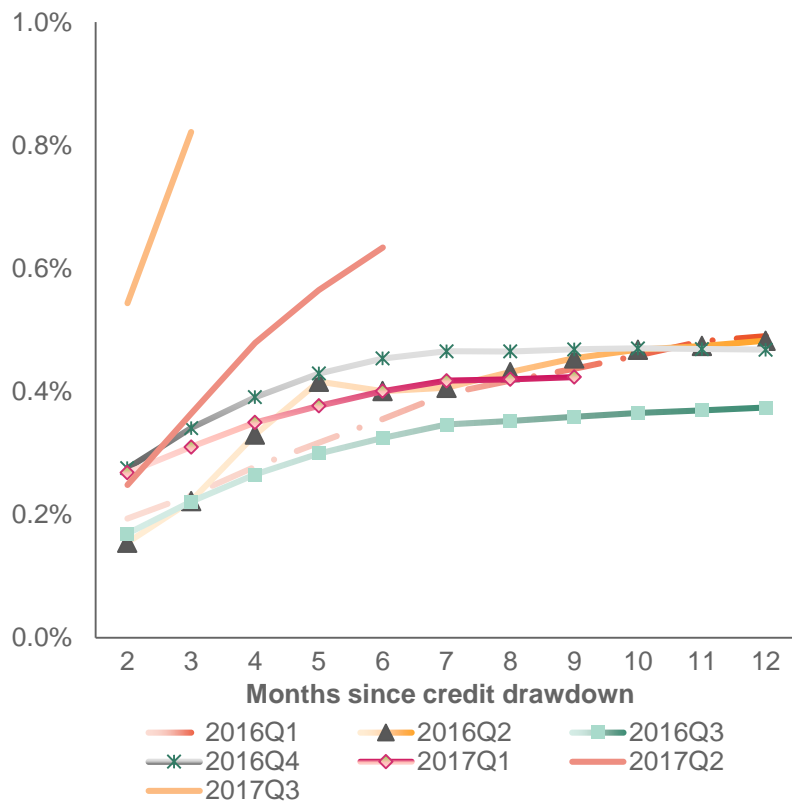
Research and Development

(RMB MM)



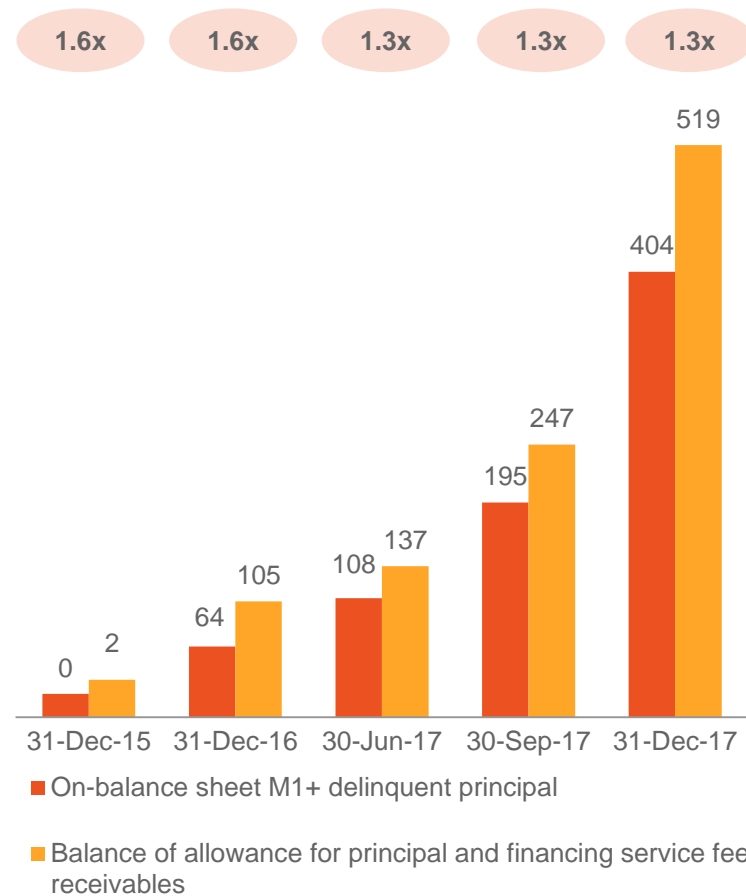
Strong Credit Performance

M1+ Delinquency Rate by Vintage ⁽¹⁾



M1+ Delinquency Coverage Ratio⁽²⁾

(RMB MM)



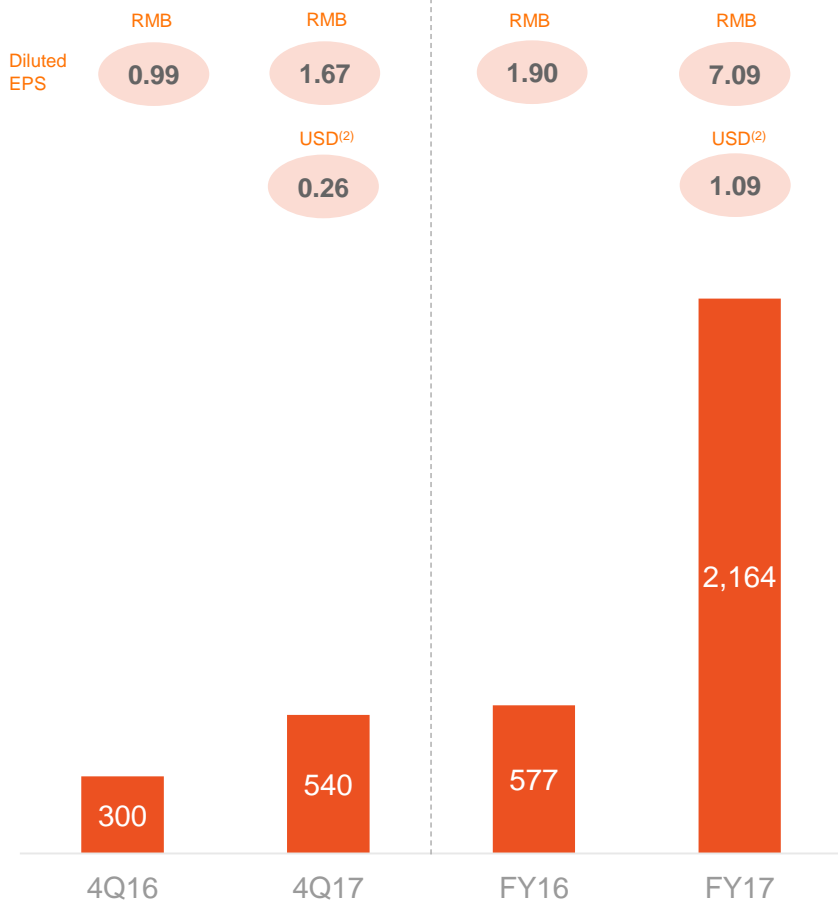
Notes:

- (1) We define "M1+ Delinquency Rate by Vintage" 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
- (2) We define "M1+ Delinquency Coverage Ratio" 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

Quarterly Net Income and Diluted EPS

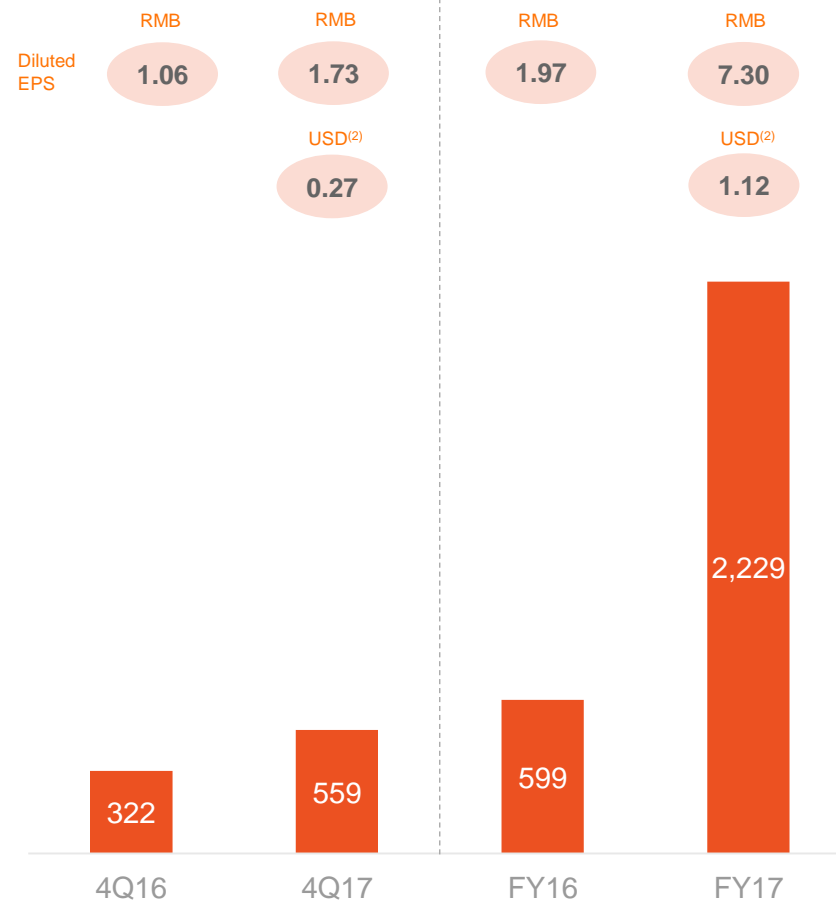
Net Income

(RMB MM)



Adjusted Net Income⁽¹⁾

(RMB MM)



Note:

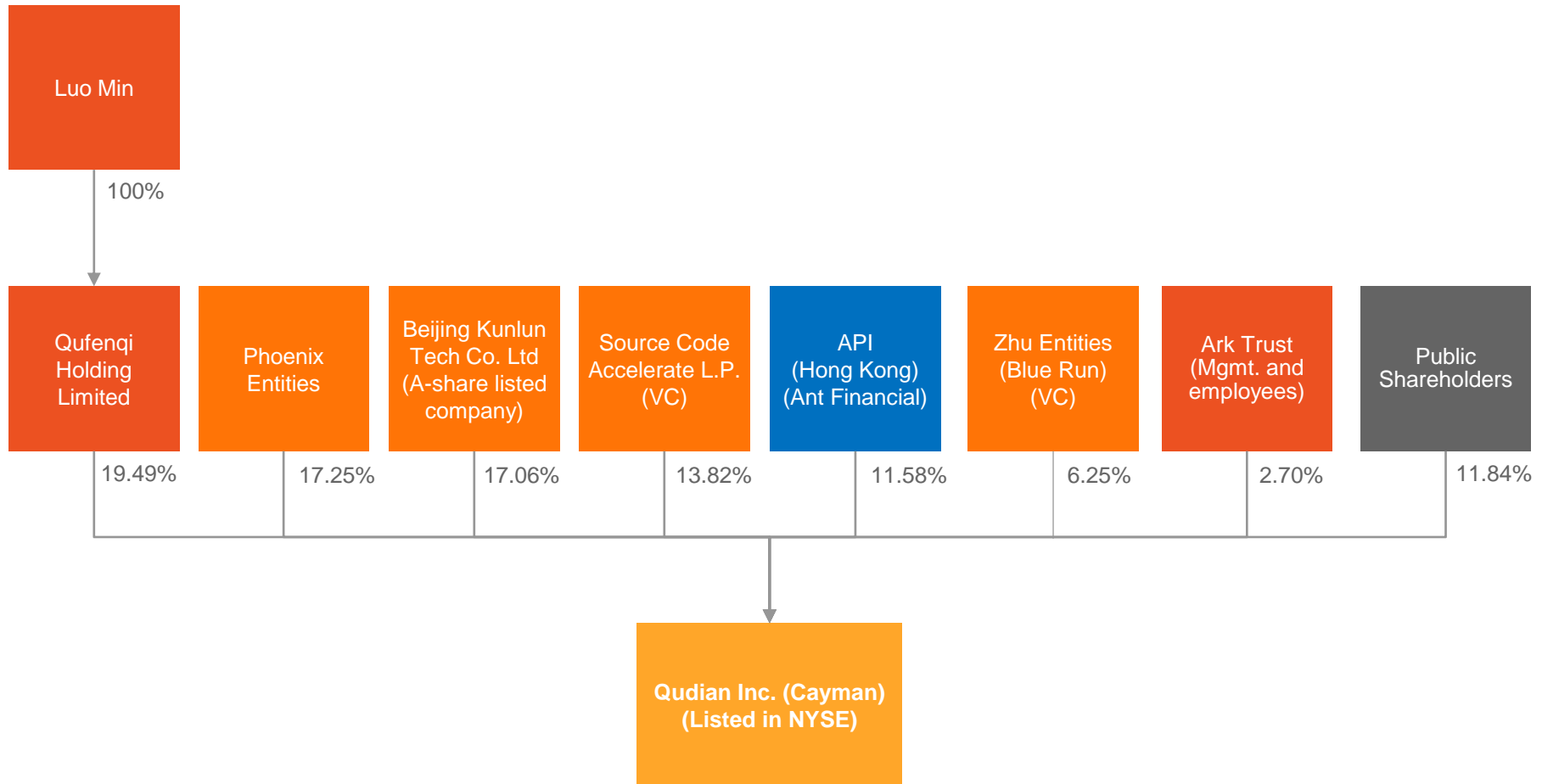
(1) Adjusted net income represents net income before share-based compensation expense.

(2) All translations of RMB into US\$ were made at RMB6.5063 to US\$1.00, the exchange rate on December 29, 2017 as published on the website of the United States Federal Reserve Board

Appendix



Shareholding structure



Note: Based on basic shares outstanding as of 31 December 2017.

趣店
Qudian