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PRESENTATION

Operator

Hello, ladies and gentlemen. Thank you for standing by for Qudian Inc.'s Fourth Quarter and Full Year 2019 Earnings Conference Call. (Operator Instructions) Today's conference call is being recorded. I will now turn the call over to your host, Mr. Ben Zhao, CEO Assistant for the Company. Ben, please go ahead.

Weichen Zhao *Qudian Inc. - CEO Assistant*

Hello, everyone, and welcome to Qudian's Fourth Quarter 2019 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 discussions 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'll 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*

Thank you, Ben. I want to thank all the investors, analysts and media who have taken an interest to join today's call.

We finished the year 2019 with a focus to reduce risk and protect net assets in light of challenging market conditions and further evolving regulatory environment. We believe the consumer credit cycle has entered into a downtrend during the fourth quarter of 2019.

Operationally, we monitor D1 delinquency rate as a real-time indicator for our portfolio asset quality. We saw this measure to gradually increase to around 13% as of the end of fourth quarter of 2019. Since then, we were conservative and took measures to deleverage by quickly reducing loan approval rates to low single-digit in the fourth quarter of 2019 and proactively shrinking the outstanding balance of our loan book by RMB 3.5 billion compared to the end of the third quarter of 2019. Furthermore, since the beginning of 2020, the coronavirus has brought further uncertainties and unpredictable impact on the macroeconomy.

At this point of the credit cycle, we will continue to focus on the protection of our net assets, reduce our loan book aggressively and maintain a leverage ratio of lower than 1.9x. We look to continue this conservative approach until it is clear the credit cycle is over, and we plan to resume growth of our loan book afterwards. With this tightened operating strategy, the capital freed up will be used towards our repurchase programs and exploratory investment for new areas of growth.

Today, we also announce that our CFO, Carl, is resigning for personal reasons. On behalf of the Board and the management team, I want to thank him for the many contributions over the years. We have put together a succession team, including Yan Gao, whom we are promoting to VP of Finance, and Sissi Zhu to VP of IR. They will together serve as key financial management as we continue our journey as a public company.

Here is Sissi for more details on our results.

Sissi Zhu ***Qudian Inc. - VP of Investor Relations***

Thank you, Min, and good morning and good evening, everyone. As Min mentioned, the start of 2020 is challenging in light of the combined impact from the macroeconomic slowdown, regulatory developments and now, impact from coronavirus. We believe our plan to adhere to the strategy to deleveraging and reducing transaction volume by implementing more rigorous credit approval standards at this time is the only viable path to long-term sustainability.

As a result, our average monthly transaction volume in January and February this year has further reduced by approximately 50% and 61% in our loan book and open platform business, respectively, compared to the average monthly transaction volume in the fourth quarter of 2019. The outstanding loan balance of our loan book has also declined over RMB 4 billion since the end of 2019 up to now.

With overall productivity in China still in virus containment mode, combined with our own efforts to reduce loan book, we expect delinquency, as measured by M1+ vintage and the 1 -- D1 delinquency rate, to continue to climb for the near term. We have already seen our D1 delinquency rate to double to 20% in February from approximately 10% for the third quarter of 2019. Therefore, higher provisions and guarantee and the risk assurance liabilities have to be taken to reflect near-term asset quality deterioration. In addition, open platform loan transaction volume has declined as all industry participants are on a tightened risk-control mode.

As a result of the Company's revenue recognition policy under ASC 606, this decrease will have a pronounced impact on the Company's revenue for the first quarter of 2020. As such, with origination volume decline and higher provisions, loss of guarantee and the risk assurance liabilities, it is expected that a material loss will be generated in the first quarter of 2020.

Given the rapidly developing market dynamics and the regulatory framework, we believe our practice of not providing the guidance allows us the necessary flexibility to adjust our transaction volume in response to the ever-changing risk levels and the evolving regulatory environment. Quick reduction in loan book in the last quarter of 2019 and into the first quarter of 2020 will have a near-term impact to quarterly results, but we also believe it is the only right course of action for us right now.

Now let me share with you some key financial results. In the interest of time, I will not go over line by line. For more detailed discussion of our fourth quarter 2019 results, please refer to our earnings press release.

Our overall Q4 results were a bit weaker than the third quarter last year. We have gone through a series of challenging market conditions and regulatory environment, including constraints of loan collection and data collection and data usage as well as the requirements for remaining P2P businesses to exit. So the total revenue for our fourth quarter 2019 were CNY 1.9 billion, representing a decrease of 25% from the third quarter of 2019 and an increase of 7% from the same period of 2018.

Our loan facilitation income and other related income decreased by 21% quarter-on-quarter and decreased by 20.6% year-over-year to CNY 460 million as a result of a decrease in the amount of off-balance sheet transactions. Transaction service fees and other related income, which relates to transaction services and in traffic referral services provided by the Company's open platform, decreased by 34.6% Q-on-Q as a result of funding partners taking a more conservative stance on credit risk and increased substantially year-over-year to CNY 649 million as a result of the ramp-up of the open platform initiative.

Our financing income decreased by 10% quarter-on-quarter and decreased by 20.6% year-over-year to CNY 717 million as a result of a decrease in average on-balance sheet loan balance. Provision for receivables and other assets increased by 2% quarter-over-quarter and increased by 220% to CNY 707 million from CNY 220.8 million for the fourth quarter of 2018. This increase was primarily due to an increase in past-due on-balance sheet outstanding principal receivables.

Our net income decreased by 87.7% quarter-over-quarter and decreased by 83.3% year-on-year to CNY 127.9 million for the fourth quarter last year or CNY 0.49 per diluted ADS. Non-GAAP net income decreased by 85.2% quarter-on-quarter and decreased by 79.9% year-over-year to CNY 156.9 million or CNY 0.59 per diluted ADS.

So that's our prepared remarks. Let's move on to Q&A session. Operator, please.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And we have the first question from the line of Vincent -- sorry, we have the first question from the line of John Cai from Morgan Stanley.

John Cai ***Morgan Stanley, Research Division - Research Analyst***

I have 3. The first one, it's about the delinquency. So it's 20% D1 delinquency now. So just wonder how does that translate to like M1 or maybe M6 and the ultimate loss. Just want to get a sense of the losses here because I know M1 is probably the largest scope.

And then related to that is my second question. It's about provision. So I think that we have made around CNY 1.4 billion credit-related losses, including the guarantee loss and the provision in the fourth quarter. And I think in 3Q, we made around CNY 1 billion. And now we probably expect still high level in Q1. So just wonder what's our reserve level at the moment. And meaning that after Q1, do we still need to make further, if we just assume that delinquency stay at around 20%?

And the final question is on the strategy. So I think we have around 6 million outstanding borrowers, and then we have like 20% D1 delinquency, probably not sure if it's right to say, but 20% of them is probably the customer that we don't want to work with anymore. And then we will have a reducing customer and also we are having these deleveraging efforts. So at this point, can you tell us what's the target leverage going forward? And then I think that there's also mentioned about the freed-up capital and there's potential exploration of the new areas of growth. Is there any more color behind that?

Sissi Zhu ***Qudian Inc. - VP of Investor Relations***

Thank you, John, for the questions. Let me answer them one by one. So for your first question, our D1 delinquency rate, as you know, is a real-time figure that we -- management internally use to monitor the situation on a daily basis. There is no direct formula that we can use to translate D1 delinquency to vintage or to our accounting provisions, but they are correlated for sure. So when you see our D1 delinquency increase from like 10% to 13% to the current 20%, it will give a sense of the magnitude of the potential increase of our loss rate.

And as we have started deleveraging since last year, when the portfolio size went down, its credit quality, its D1 delinquency rate, typically will be deteriorated as the higher-quality borrowers pay off their loans and then leave, while the delinquent borrowers remain in the portfolio. So we might continue to see a high level of D1 delinquency rate for the short-term period.

And for your second question, thanks for the keen observation, we had around CNY 1.4 billion provision plus other credit losses in the fourth quarter. So as for the sufficiency of our provision, if you look at our slides, our coverage ratio for the M1+ delinquency is actually 1.6x at the end of the fourth quarter. However, we also believe that the impact of coronavirus on our loss rate in the first quarter is still material because when our users stay at home because of the virus, their willingness to repay and their ability to repay both get deteriorated. So that's why we see this 20% D1 delinquency in Q1 as well.

And then your third question regarding the strategy. As you know, our current leverage ratio is about 1.9x, that at the end of 2019. So we continue to deleverage. Since we continue to deleverage in the first quarter, we will see a leverage ratio even lower than that. We are among the most low-levered players in the market, I believe, which will give us the ammunition at the right time when the credit cycle is gone and when we need to come back to market. So we believe this is the only right course of action right now, to stay low leveraged.

You also mentioned that we will see freed-up capital this year. That's true. Because although our revenues get recognized in one time, according to accounting rule 606, we actually get repayment from users in cash this year. So our cash flow is kind of okay. We are assessing how to optimize our capital structure dynamically. So if the credit cycle gets away, when things get normalized, we will utilize more of our funds into the lending business. If the credit cycle stays for a relatively longer period, we will utilize the excess of cash to some short-term or long-term investment ideas. And we also announced a buyback program out there. So-- it may also be used for the execution.

Regarding the new investment ideas, as you mentioned, it's still not material and very, very early and exploratory stage. We will make appropriate disclosure when things get material according to listing rules. Thank you, John, again.

Operator

The next question comes from the line of Jacky Zuo from China Renaissance.

Jacky Zuo ***China Renaissance Securities (US) Inc., Research Division - Analyst***

So first of my questions is related to asset quality as well. As you mentioned, the D1 delinquency rates actually rose to about 20%. That's -- I think that's for loan book business. So just wondering, what's the latest D1 delinquency rate for the open platform business? And also what's the recovery rate, so far, we've seen for the open platform business? So just to try to make assessments of the asset quality trend or the vintage trend for the open platform business.

And second question is related to our buyback program. Understand that previously we're in blackout period. So just try to understand our buyback program process after the results and then possibility to repurchase the CB given our CB is trading at depressed valuation as well.

And last question is about the future plan for the new customer acquisition. I observed that our current customer base was not growing in the fourth quarter. And I understand that, that's due to our assessment for the current credit cycle. So just wondering what will be the indicator for us to reopen the customer acquisition in the future?

Sissi Zhu ***Qudian Inc. - VP of Investor Relations***

Thank you, Jacky. So regarding your first question, the [D1+] (corrected by company after the call) delinquency rate for our open platform is about 6% currently. It also increased during the past few months as all industry participants are seeing the same kind of trend throughout the market.

Your second question regarding the buyback program. So we have been in blackout period after we announced the USD 500 million buyback. After a cooling-down period, after today's call, we would have a window to the buyback. But we cannot disclose like the exact time and price before we take action. Otherwise, the market will not be there.

As you also noticed, our CB price currently is -- it's having a really high yield. So CB instrument is one of the things that we have in mind as well. We are open-minded. So as I have mentioned as well, we are continuing to assess how to utilize our capital in an optimal method. So all the buyback programs are in our discussion radar. And we will make a proper disclosure according to listing rules after we have done such transactions.

Your third question about user acquisition. So it's actually not at our -- it's actually not an urgency of us to open up to new users right now. We tend to hope to work with our existing users because we have seen their proven transaction and repayment history, while new users tend to have higher delinquency rates the first time we accept them. So that's why you will notice that we currently have a very low single-digit new user approval rate.

We basically hope to keep a very low-risk appetite and to work with our existing users first. So if the time gets right, when we get out of the credit cycle, when we see our D1 delinquency rate fall and our vintage fall, we will bounce back. And very luckily, we had already started to deleverage last year, so we would bounce back faster with more ammunition probably than other peers. I hope that answers the question, Jacky.

Operator

The next question comes from the line of Sanjay Jain from Aletheia.

Sanjay Jain ***Aletheia Capital - Head of Financials***

Can you hear me?

Sissi Zhu ***Qudian Inc. - VP of Investor Relations***

Yes, Jain.

Sanjay Jain ***Aletheia Capital - Head of Financials***

Okay. So first question is on -- please let me ask one by one. So first question is on the transaction volume or loan balance for the first quarter. What is the level at which you would have, say, 0 profit in first quarter? What level of transaction or loan balance would you need for that for the on-balance sheet, loan facilitation, open platform broadly?

Sissi Zhu ***Qudian Inc. - VP of Investor Relations***

Thank you, Jain. Regarding the transaction volume, actually, as I mentioned in our prepared remarks, we'll be seeing a loss in the first quarter. It doesn't actually matter to disclose what the loan volume and the balance sheet be. You know that in the fourth quarter last year, our net profit was about CNY 128 million. So after -- it's just for very rough calculation. If we remove our open platform revenue contribution of about CNY 600 million from the bottom line, you will see that our loan book business was already making a loss. So I think this will give you -- I can't give you the exact numbers because we have a company policy not to give guidance this year. But that, I think, will help you to gauge the magnitude of the losses.

Sanjay Jain ***Aletheia Capital - Head of Financials***

Fair enough. And in fact, compared to the fourth quarter, as you explained, the provisioning and the losses have actually gone up in the first quarter on your own lending and facilitation. But is there any theoretical calculation of kind of like breakeven volume overall? So I'm not asking for your actual volume in the first quarter, but some theoretical number.

Sissi Zhu ***Qudian Inc. - VP of Investor Relations***

Right. It's a very difficult question. So it actually depends on how the losses will be. We are in a coronavirus situation. It's very hard to see how the final loss rate will be for the loans that we disbursed this quarter yet. We don't have that visibility yet.

Sanjay Jain ***Aletheia Capital - Head of Financials***

Fair enough.

Sissi Zhu ***Qudian Inc. - VP of Investor Relations***

Yes, thank you.

Sanjay Jain ***Aletheia Capital - Head of Financials***

Yes, I can understand that. Okay. My second question is on the open platform and the asset quality there, as Jacky was asking. What is -- that 6% [D1+] (corrected by company after the call) rate which you mentioned, would it translate to something like maybe 9% or 10% loss rate very roughly? And secondly, following from there, are you making up for the extra loss over and above the initial or original assumption made by your partner when they participated in the referral program?

Sissi Zhu ***Qudian Inc. - VP of Investor Relations***

Thank you, Jain. The 6% [D1+] (corrected by company after the call) delinquency does not directly translate into any accounting provisions. For the reason being -- the reason being D1 delinquency is a very early leading indicator. But we usually have a loan about 10 or 11 months long. So we can't really predict the final loss by looking at the D1+ delinquency. It's just an indicator that we can look at day-by-day to see how the overall portfolio is performing.

With regard to the second question regarding the actual losses from the open platform, we actually take no risk on the open platform business. So I'm not sure whether I understand your question regarding the actual losses.

Sanjay Jain ***Aletheia Capital - Head of Financials***

Okay. Okay. Fair enough. So the partners with whom you had done business in the second or third quarter, for example, and if the losses are now higher than what they had assumed initially, then they are the ones who are still taking the loss and they are still willing to work with you? They are not kind of like backing off with the partnership?

Sissi Zhu ***Qudian Inc. - VP of Investor Relations***

Oh, I get your question. So Jain, actually, as I also mentioned, our open platform volume also declined in the first quarter already, because all the participants are experiencing the same level, same trends, same downward trends as we are experiencing. So everyone suffers the pain in this period, in this special period.

And our take rate, as you can also deduce from our accounting statements, our take rate for open platform decreased from 10% in third quarter to 8% in the fourth quarter. And we believe it will continue to decrease in the first quarter of this year, as all the participants are seeing higher loss rates.

Sanjay Jain ***Aletheia Capital - Head of Financials***

And again, a follow-up on one of the questions asked earlier. Of the 34 million customers you have with a credit line sanctioned by you, how many would you say are really high quality? And how -- meaning you would be willing to lend to them since you have their track record with you. And how many of them are actually approaching you for a loan right now? So what's the kind of, like the demand environment?

Sissi Zhu ***Qudian Inc. - VP of Investor Relations***

Right. So out of the 34 million users with credit line, all of them have approached us, because they have to approach us first and give us some of their applications before we can approve their credit line. So all of them have a...

Sanjay Jain ***Aletheia Capital - Head of Financials***

No, I'm saying in the last 1 or 2 months, have they approached you for an additional loan?

Sissi Zhu ***Qudian Inc. - VP of Investor Relations***

Right. So for the last quarter, we actually were serving mostly of our existing users instead of new users. So basically, I don't have the exact number for you right now, who are the high -- really high-quality ones. Because out of our registered user base of about 80 million, we haven't reached to all of them yet. So we don't really have an exact number regarding the number of high-quality ones and the low-quality ones.

Sanjay Jain ***Aletheia Capital - Head of Financials***

Okay. And the number of application for a fresh loan in the last, say, in the month of February, has it gone up a lot or not? Do you track that? You may have rejected the application, but has the application come in?

Sissi Zhu ***Qudian Inc. - VP of Investor Relations***

So over the past few months and quarter, our demand is kind of stable. We see stable DAU and other metrics for people who are looking to borrow loans from our platform.

Sanjay Jain ***Aletheia Capital - Head of Financials***

Okay. And my final question, very quickly, if you want to address it now, the impact of some of the provincial governments appearing to be moving towards 24% APR. I guess right now, with the virus, governments have a lot of other things on mind. But if this happens, are you preparing for this? Or how would your business model evolve under a 24% limit?

Sissi Zhu ***Qudian Inc. - VP of Investor Relations***

Okay. Actually, we have seen a regulation specifically saying that the government allows 36% APR basis. We are upholding a high level of compliance as a public company, and we are keeping all of our loans under IRR of 36%, which translates into a 20% APR basis for a 12-month tenor. So we are fine with that regulation.

Operator

We have the next question from the line of Steven Chan from Haitong International.

Steven Chan ***Haitong International Research Limited - Executive Director***

This is Steven Chan here. Three quick questions, if I may. One, the first one is about, in view of the rising delinquency rate, did you see any withdrawal of funding from the funding partners or exit of funding partners? That's the first one.

And second one, I think the other end is that talking about -- that you disclosed just about the provision or loan impairment charge. If you try to annualize that, that's around 20-something percent credit cost. So my question is that if you single out the on-balance sheet loan facilitation business, if you include the funding cost as well as the loan impairment charge, does that imply that your on-balance sheet loan facilitation business are actually making loss if you use the so-called term effective take rate after factoring in the credit cost? And if that's the case, so we also apply it to the off-balance sheet loan facilitation business because we don't know the actual guarantee cost you're paying. Did you see similar rise in guarantee costs that you have seen for your on-balance sheet, like your on-balance sheet credit cost for your off-balance sheet loan facilitation business?

And I think finally, I want to get a sense of -- because you mentioned that you will not pay much effort on customer acquisition. But at the same time, we're seeing sort of like similar amount of sales and marketing expenses for each quarter. So I understand that, that could be related to loan collection. So should that imply that in case if you are going to see further decline in loan volume in first quarter, you were actually seeing the lower the loan volume, the more these economies of scale you will likely to suffer? So that imply that. That means that if we use the term like cost-income ratio, your cost-income ratio will likely to increase quite substantially if your loan volume actually is declining drastically. So I think these are my 3 questions.

Sissi Zhu ***Qudian Inc. - VP of Investor Relations***

Thank you, Steven, for all the 3 good questions. So for the first one, as I have already mentioned, our open platform funding partners also experience the upheaval, the uprising of delinquency. And that's why the volume of open platform has dropped in the first quarter as well.

Regarding our loan book business, we actually are supporting all the loan book transaction volumes by our own equity right now because the volume has gone down and we have sufficient funds. So it doesn't matter whether the other funding partners want to still cooperate with us for our loan book business.

Regarding your second question, the provision rate. So we do not advise you to look at on-balance sheet transactions and off-balance sheet transactions separately. They are basically same tranche of users and we basically undertakes all the risks. We would like to actually consider the on-balance sheet and off-balance sheet business as a same tranche with the same kind of credit costs. And yes, they experience similar credit losses. And you are absolutely right out there. If you look at our fourth quarter number, if we single out the open platform business, we are actually experiencing a loss for our loan book business, that's correct.

Your third question, our sales and marketing expenses include the staff in our call center, which includes the collection efforts as well. So you are absolutely correct. When we see a lower volume, our unit economics for spending actually gets deteriorated. That is, we will have a higher figure for our expenses percentage if our loan balance gets lower. That's right.

Operator

The next question comes from the line of Lucy Li from Goldman Sachs.

Lucy Li ***Goldman Sachs - Executive Director***

Thank you for sharing a lot of numbers. I will just follow up on -- a little bit on the asset quality. So do we have a gauge on how much of the worsening in asset quality is related to virus outbreak and how much is not? So I was just trying to argue that if sometime later, if we stripped out the virus impact, then what's the longer-term steady state will be looking like -- would look like? And related to that, given that we are now tightening the credit policy, what's the average APR or take rate like going forward? Yes, those are my questions.

Sissi Zhu ***Qudian Inc. - VP of Investor Relations***

Thank you, Lucy. Regarding the asset quality, it's still too early to see how this industry downward trend and how this virus situation will evolve in the future. It's very difficult to judge what will our final losses be. If we split out this virus situation, actually, we are earning a net return on our book about like -- we are having a credit loss of about 13% going -- if we remove the virus situation. But actually, there is no way that we can know. And actually, no one can actually tell when the virus situation will be gone. So it's hard to tell.

Regarding your second question with the APR, the take rate. So the take rate for our open platform business has declined from 10% to 8% in the fourth quarter. And it will continue to decline in the first quarter because, for one thing, we are experiencing the downward trend of the industry, and we hope to leave some cash payable for our open platform participants. So we are getting a lower sharing of the profits.

Regarding the take rates for our loan book business, it's kind of stable in the current year. We are charging users at less than 36% IRR basis.

Operator

The next question comes from the line of Livy Liu from HSBC.

Livy Liu ***HSBC, Research Division - Analyst***

I have 3 questions here. First one is that when do we expect some -- that we can recover from the net loss in first quarter? And actually, this is an accounting question. Because, for example, let's assume the situation gets better in June and people started to repay their defaulted loans in July, so when -- will we write off the bad loans immediately in July? Or will this be delayed in maybe fourth quarter? So how can we expect the delay or the recovery speed from the loss from the first quarter going forward?

And my second question is about the business strategy. So going forward, for this year, we have 2 main business right now. One is the off-balance sheet loans and one is the open platform. So which one do we see more funding pressure right now? And which one will be our strategy focus for 2020?

And my third question, I think this is also -- a lot of the investors will be also curious about this. It's the resignation of CFO immediately before this quarterly results announcement. So do we have more detailed explanation for this? For example, the China LNG's example, like having a higher-pay job? Or how do we process the succession? Or we say we will have Sissi to sign on the audited annual results for the April? Or are we looking for a new CFO going forward?

Sissi Zhu ***Qudian Inc. - VP of Investor Relations***

Thank you, Livy. With regard to the loss accounting, we actually have different accounting treatments for our on-balance sheet and off-balance sheet transactions. For our off-balance sheet transactions, as we were recognizing the revenue, most of the revenue from day 1 of the transaction, we actually have to assess the fair value of the guarantee liability from D1. So basically, we have to consider the final loss from day 1. For our on-balance sheet transactions, we recognize the revenue each month -- after each month on an accrual basis. So we use a roll rate, loss-rate model, to model the provisions at each month end.

Your second question regarding the funding crunch for off-balance sheet loans and open platform loans, that's not one of our concerns right now because, as you know, for our open balance sheet loans, we do not support it with our own funds. And that's -- we are purely taking no risk on the open platform business. And for our off-balance sheet loans, we have very limited open balance sheet transactions in this quarter because, as we are deleveraging, our own equity is sufficient to support our loan book business right now.

Regarding our CFO, Carl's, resignation, it's due to his personal reasons, and we have a succession team of Mr. Gao Yan, who is our Financial Controller and being promoted to VP Finance. And Mr. Gao Yan will be signing our 20-F annual documents. The succession team also includes me, Sissi Zhu, as the VP of Investor Relations team.

Please be free to contact our Investor Relations team, and our contacts are available on our website. We will continue to serve as the key financial management of the Company as we continue to be a publicly listed company. Thank you, Livy.

Operator

Thank you. As there are no further questions, I would like to turn the call back over to the Company for any closing remarks. Please go ahead.

Sissi Zhu ***Qudian Inc. - VP of Investor Relations***

Thank you, everyone, for joining the call today. If you have any follow-up questions, please feel free to contact our IR, Investor Relation, teams and sign up for our e-mail list. Thank you, everyone.

Operator

Thank you. This concludes this conference call. You may disconnect your lines now. Thank you.
