



Evolve  
Capital Partners

## PPDAI GROUP INC.

November 2017

### Summary of Initial Public Offering

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ppdai.com

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SPECIALIZED INVESTMENT BANKERS AT  
THE INTERSECTION OF FINANCE & TECHNOLOGY

# PPDAI IPO – Executive Summary

## Initial Public Offering Overview



NASDAQ:PPDF



### Description

PPDAI is the first online consumer finance marketplace in China connecting borrowers and investors whose needs are unserved or underserved by traditional financial institutions. Its online platform, empowered by proprietary, cutting-edge technologies, features a highly automated loan transaction process, which enables a superior user experience.



### Use of Proceeds

The net proceeds will primarily be used for general corporate purposes, which may include investment in product development, sales and marketing activities, technology infrastructure, capital expenditures, improvement of corporate facilities and other general and administrative matters. The company may also use a portion of these proceeds for the acquisition of, or investment in, technologies, solutions or businesses that complement its business.

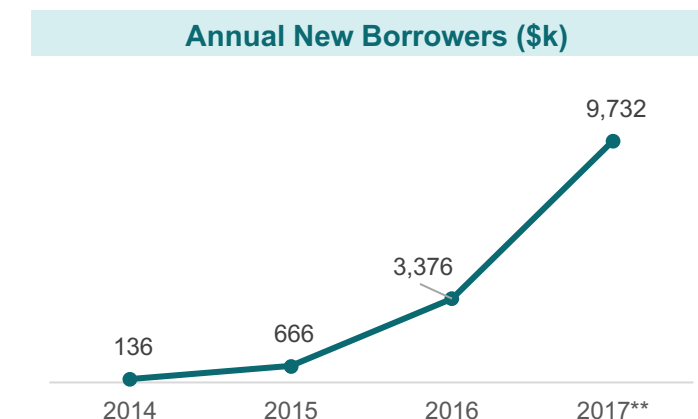
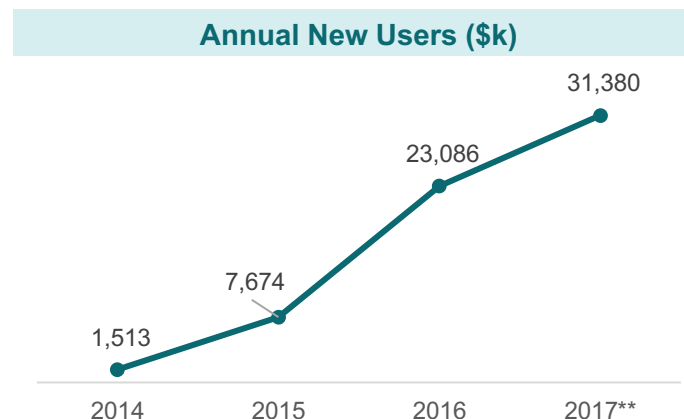
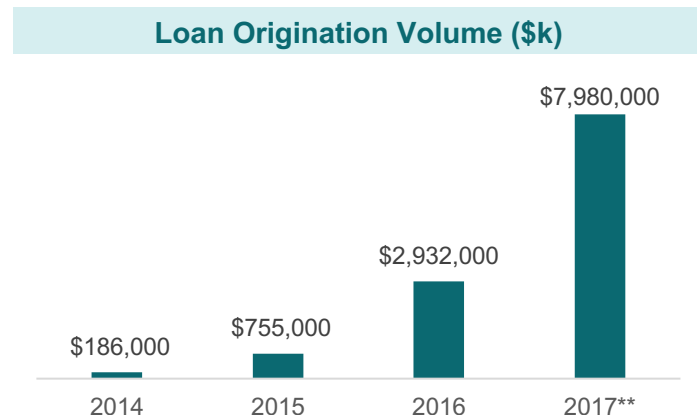
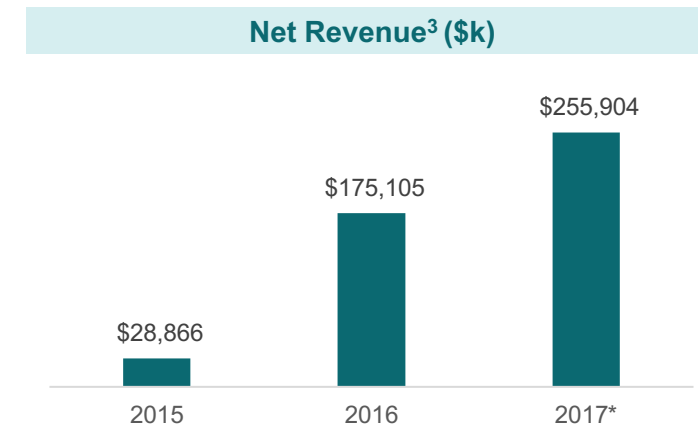
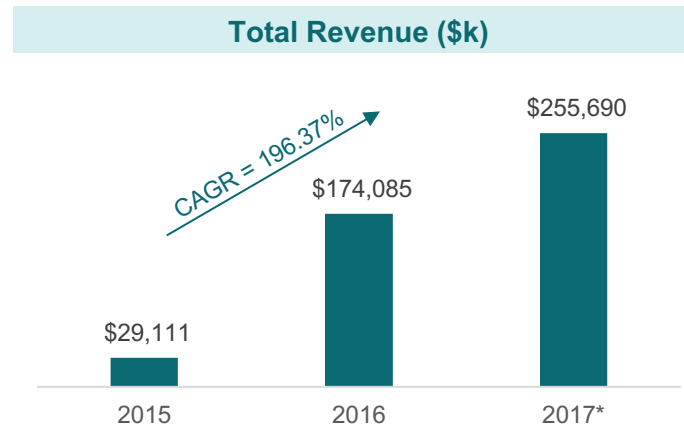
Source(s): FORM F-1, Yahoo Finance

	Headquarters	Shanghai, China
	Founded	2007
	Employees	1200
	Listing Date	11/10/2017
	Lead Underwriters	 
	Offering Price	\$13.00 per Share
	Shares Offered	85 million Shares
	Gross Proceeds	\$221 million

# PPDAI IPO – Executive Summary

## Key Metrics – IPO

Shares Offered at the time of IPO	85 million
Issue Price	\$13.00
Total Shares Outstanding after IPO#	301 million
Market Value at Issue Price <sup>1</sup>	\$3.9 billion
Enterprise Value at Issue Price <sup>2</sup>	\$4.1 billion
EV / LTM Sales	13.5x
Listing Date	11/10/2017
First Day Closing Price	\$13.08



Source(s): F-1 Form and Nasdaq.com

1. Market Value based on shares outstanding from 424(B) and IPO issue price of \$13.00.

2. Enterprise Value is based on the calculated Market Value at Issue Price and Net Debt, Minority Interest and Total Preferred Equity as on June, 2017 from CapIQ.

3. Net revenues include operating revenues, net interest income and loan provision gains/(losses)

\*The financials in 2017 are recorded in LTM \*\* The number is estimated based on the first half of 2017.

# Each ADS represents 5 class A shares. In total, there are 842 million class A shares and 661 million class B shares outstanding.

# PPDAI IPO – Executive Summary

## Company Overview

*PPDAI was ranked No.1 among China's online consumer finance marketplaces in terms of number of borrowers as of December 31, 2016 and June 30, 2017 according to iResearch.*

- PPDAl is a leading online consumer finance marketplace in China with strong brand recognition.
- The company strategically focuses on serving borrowers between the ages of 20 and 40, the young generation that is typically more receptive to internet financial services and is poised to become the major driving force of China's consumer finance market.
- The company primarily offers short-term loans to its borrowers to meet their immediate credit needs while allowing them to gradually establish their credit history through activities on the platform.
- The platform appeals to investors by offering a wide spectrum of investment options through an emerging asset class — consumer loans.
- PPDAl has built an extensive database that contains first-hand through-the-cycle credit data as well as data from various third-party sources.



The loan origination volume reached at **21.00 billion** in the third quarter of 2017 and the compound annual growth rate is approximately **351%** from 2015 to 2017.



The borrowers are primarily acquired online and stretch across **97%** of the cities and counties in China.



The operating revenues grew from RMB197.4 million (**US\$29.12 million**) in 2015 to RMB1.7 billion (**US\$255.7 million**) in the six months ended June 30, 2017.



For the nine months ended September 30, 2017, the operating income margin is as high as **47%**.

Source(s): Company Website, F-1 Form



# PPDAI IPO – Executive Summary

## Company Overview

### Loan Products Offered

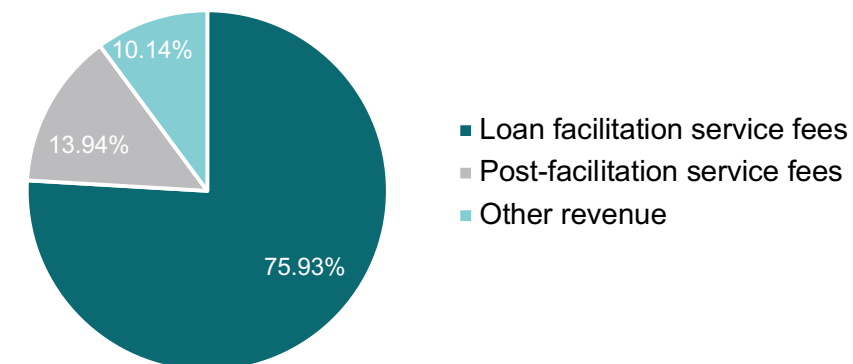
- PPDAI primarily offers short-term loan products in three categories:
  - Standard loan products
  - Handy cash loan products
  - Consumption loan products
- In the six months ended June 30, 2017, the origination amount of standard loan products totaled RMB21.9 billion (US\$3.2 billion) representing 81.1% of the total amount of the loans that were made through the marketplace.

	Standard Loan	Handy cash Loan	Consumption loan
<b>Maturity (months)</b>	1 to 12 months.	1 to 6 wks.	9, 12, 15, 18 or 24 months.
<b>Avg. Size (\$)</b>	\$421	\$14.8 to \$443	\$143 to \$1,115

### Revenue Streams

- PPDAI generates revenues in the following two fields:
  - Loan Facilitation Service Fees:** Loan facilitation service fees are the portion of transaction fees charged to borrowers in relation to the work the company performs through the platform in connecting borrowers with investors and facilitating the origination of loan transactions.
  - Post-facilitation Service Fees:** Post-facilitation service fees are the portion of transaction fees charged to borrowers in relation to services PPDAI provides after loan origination, such as repayment facilitation and loan collection.

#### Revenue Breakdown in 2017



Source: Prospectus

# PPDAI IPO – Executive Summary

## Market Opportunity

### Growing wealth of China's large consumer base

With a population of over **1.3 billion** as of 2015, China has the largest consumer base in the world. Benefiting from its booming economy in the past decades, this large consumer group has grown more affluent and started to show stronger spending power. According to iResearch, China's disposable income per capita increased at a CAGR of **12.0%** from 2010 to 2015

### Increasing willingness of China's young generation to spend

According to a recent survey conducted by iResearch, **89.3%** of Chinese consumers in the age group of 18 to 35 have taken out consumer loans to finance consumption activities or show great interest in doing so.

### Household consumption growth driven by new internet-based business models

The number of China's internet users is projected to increase from **734.2 million** in 2016 to **889.3 million** in 2020, while the smartphone penetration rate in China is projected to increase from **50.1%** in 2016 to **87.2%** in 2020, according to iResearch.

### Rapid development of China's online consumer finance market

The outstanding balance of China's online consumer finance market is expected to increase from RMB327 billion (**US\$48.2 billion**) in 2016 to RMB3.8 trillion (**US\$0.6 trillion**) in 2020, representing a CAGR of **84.4%**.

### PPDAI's strengths include:

- China's leading online consumer finance marketplace with strong brand recognition and substantial potential client base
- Massive data and sophisticated big-data analytics capabilities
- Highly effective risk management system proven through loan lifecycles
- Highly automated and secure platform powered by patent technologies
- Virtuous business model amplified by network effects
- Visionary and experienced management team

### PPDAI's growth strategies include:

- Broaden borrower base and expand investor base
- Enlarge database and strengthen data analytics capabilities
- Enhance data-driven risk management
- Enhance IT infrastructure
- Further invest in technology upgrades
- Explore new business initiatives and alliances

Source: F-1 Form

# PPDAI IPO – Executive Summary

## Financing History

Date	Series/Type	Amount (\$million)	Lead Investor	Transaction Notes
04/03/2015	Series C	46.70	 SIG SUSQUEHANNA INTERNATIONAL GROUP, LLP	The company raised \$47 million of Series C venture funding from Susquehanna International Group.
02/01/2014	Series B	15.00	 LIGHTSPEED CHINA PARTNERS	The company raised \$15 million of Series B venture funding from Lightspeed China Partners.
09/01/2012	Series A	4.60		The company raised \$5 million of Series A venture funding in a deal led by Sequoia Capital.

Source(s): Crunchbase.com

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