

# X Financial

(NYSE: XYF)



2023 Q4 Earnings Results Presentation

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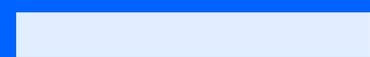
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# Company Overview



# X Financial at a Glance

A leading technology-driven personal finance company in China

In the fourth quarter of 2023

26,134 mn (RMB)

Total Loan Facilitation Amount

1.60 mn

Active Borrowers

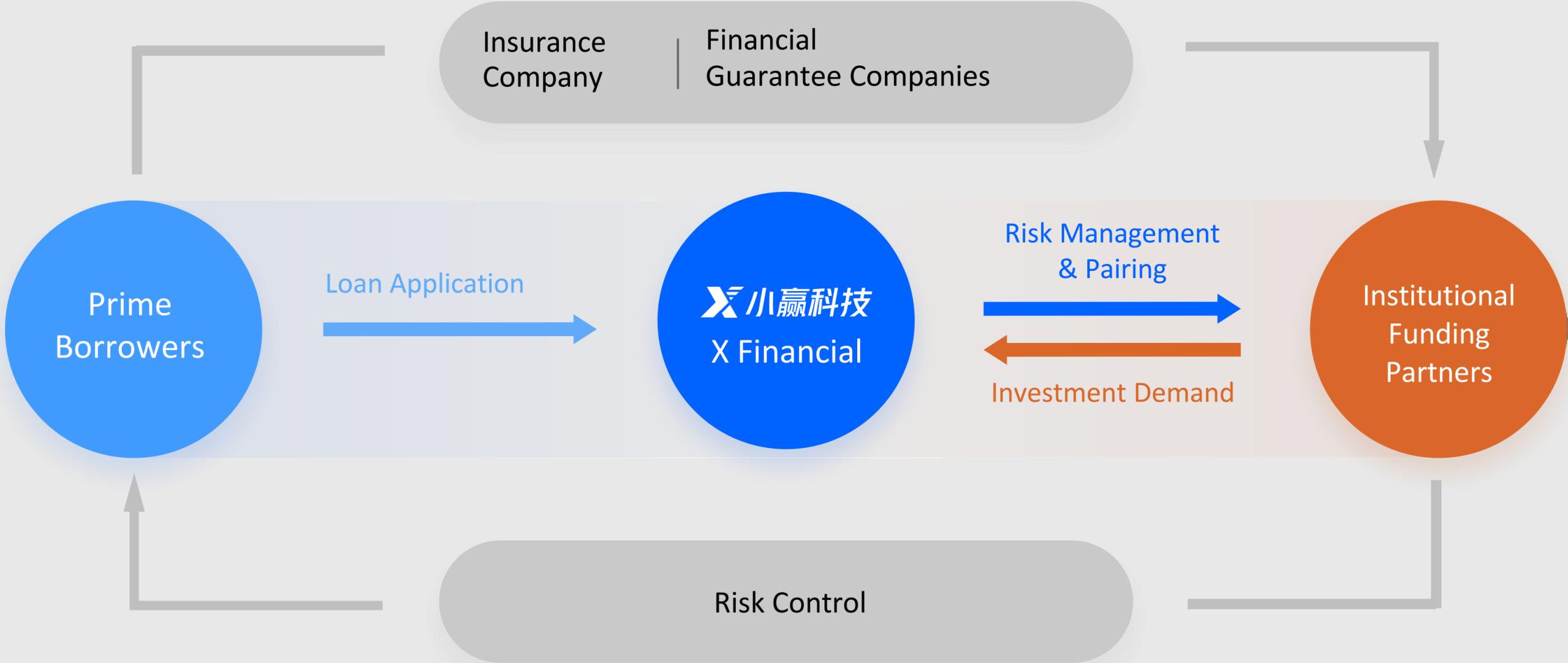
As of December 31, 2023

48,847 mn (RMB)

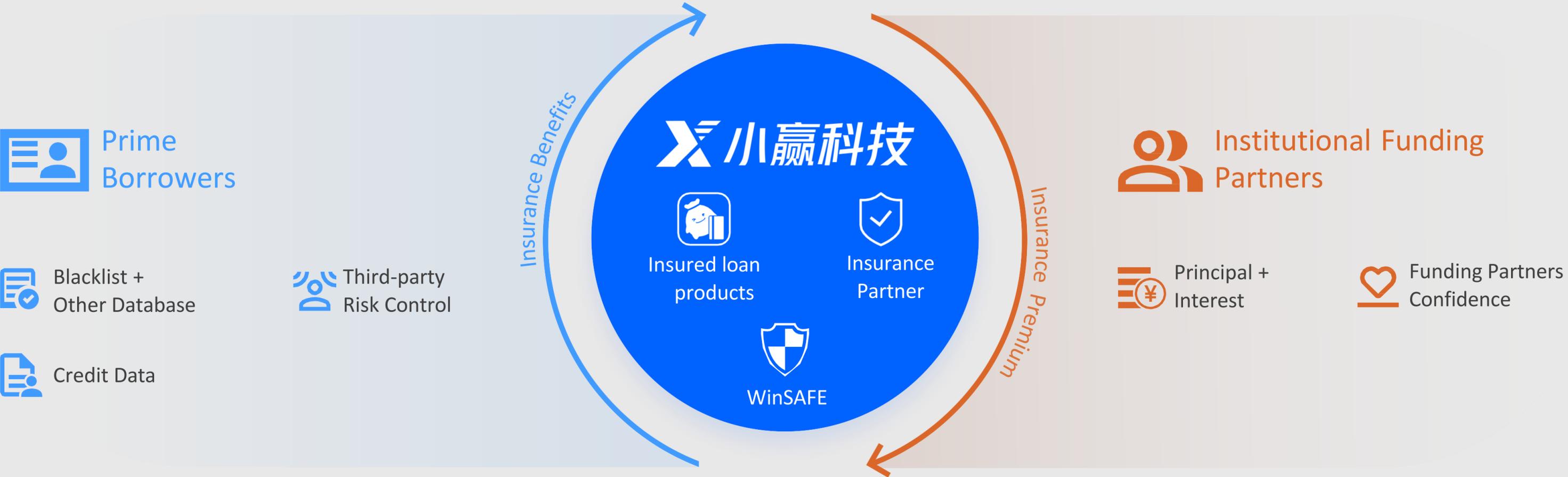
Loan Balance

# Our Business

Loan Facilitation Based on 100% Institutional Funding



# Credit Insurance Model



Enhanced risk management system to accurately identify prime borrowers and pricing risk

Jointly analyze risk and develop advanced risk assessment models



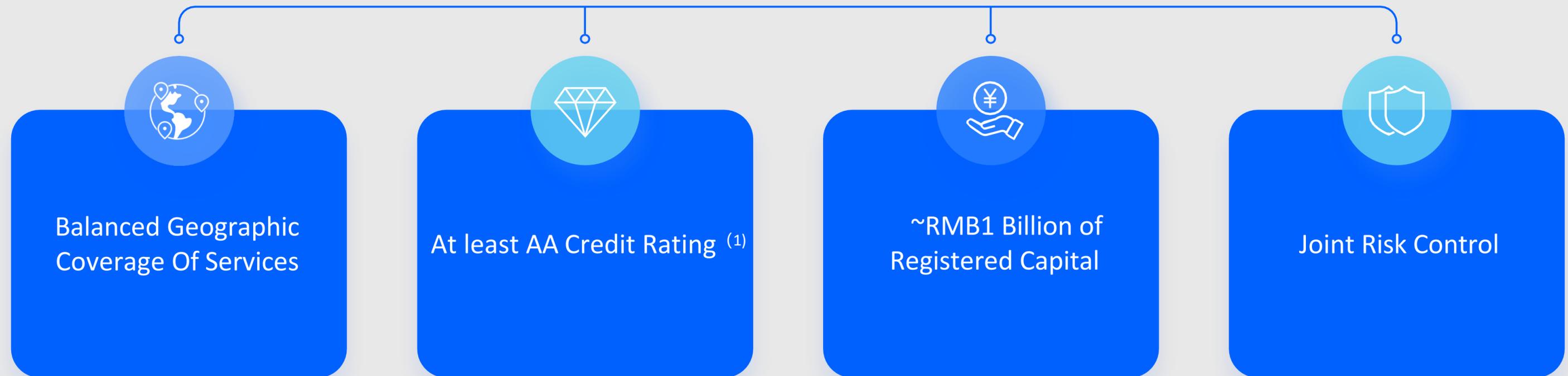
Strengthen funding partners confidence resulting in deepened cooperation

Both principal and interest are insured against default

# Financial Guarantee Model

We have established cooperation with high-quality financing guarantee companies who provide guarantee services to protect institutional funding partners against default for both the principal and interest.

## Strong Capabilities of the Financial Guarantee Companies



<sup>(1)</sup> Substantially all credit ratings were evaluated at least AA level by rating companies including China Lianhe Credit Rating Co., Ltd., China Chengxin Credit Management Co., Ltd., Xiamen Lianhe Credit Information Service Co., Ltd and Fujian China Chengxin Credit Rating Consulting Co., Ltd.

# Technology-driven Approach to Servicing Borrowers and Funding Partners



# Our Growth Strategies



# Investment Highlights

01

Leading industry position with differentiated products benefiting from China's booming personal finance market

02

Rigorous data-driven credit assessment modeling system

03

Diversified funding sources and 100% institutional funding

04

Founded by seasoned entrepreneurs with proven track record

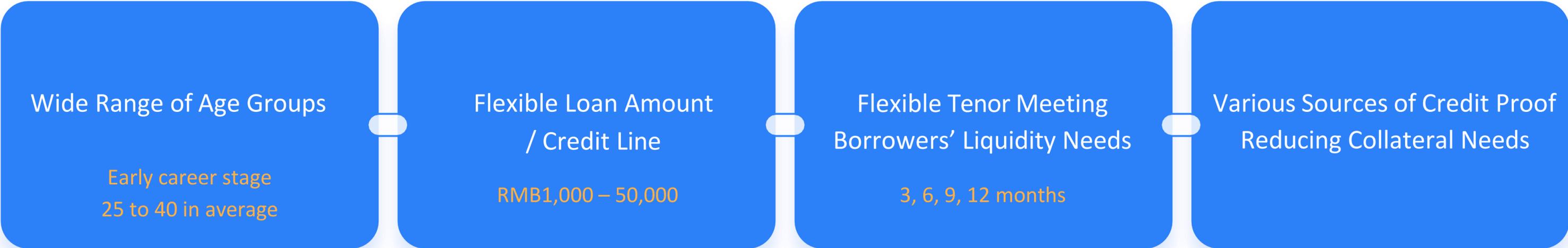
01

# Leading Industry Position with Differentiated Products that Benefit from China's Booming Personal Finance Market



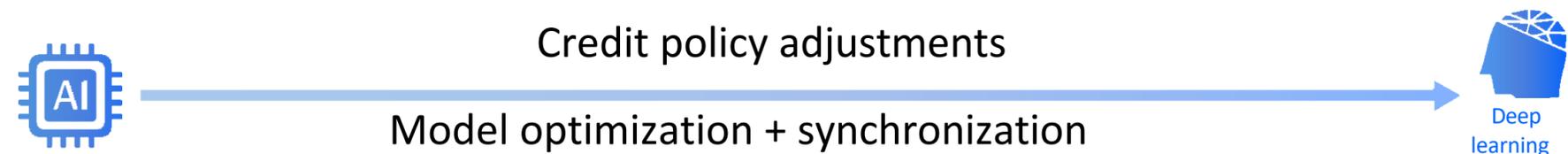
Xiaoying Card Loan

Flagship Product



# Technology & Data-driven Credit Assessment

Continuous optimization of credit assessment systems that strengthen risk controls



## Diversified Funding Sources and 100% Institutional Funding



High-quality loans and strong reputation help us attract more institutional investors.



Total number of partnerships with institutional funding partners keeps growing.



Key cooperating financial institutions include Bank of Hangzhou Consumer Finance Company, FOTIC, National Trust, etc.



Achieved 100% institutional funding for new loans facilitated through our platform by Q2 2020.



# Seasoned Management Team

Founded by a seasoned entrepreneur with proven track record and backed by a strong team of financial and technology talents

**Yue Tang**  
(Justin)

■ Founder, Chairman and CEO



 Co-founder of eLong, one of the first online travel service companies in China

 Co-founder of Blue Ridge China, an investment and consulting company

**Kan Li**  
(Kent)

■ President



 15+ years of work experience in the financial sector

Expert in risk management system establishment

Former manager at Capital One

**Fuya Zheng**  
(Frank)

■ Chief Financial Officer



 15+ years of work experience with corporate finance and investment management

Former CFO of a Nasdaq-listed company

**Yufan Jiang**  
(Jason)

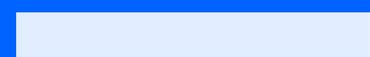
■ Chief Risk Officer



 10+ years of work experience in the field of personal credit risk management

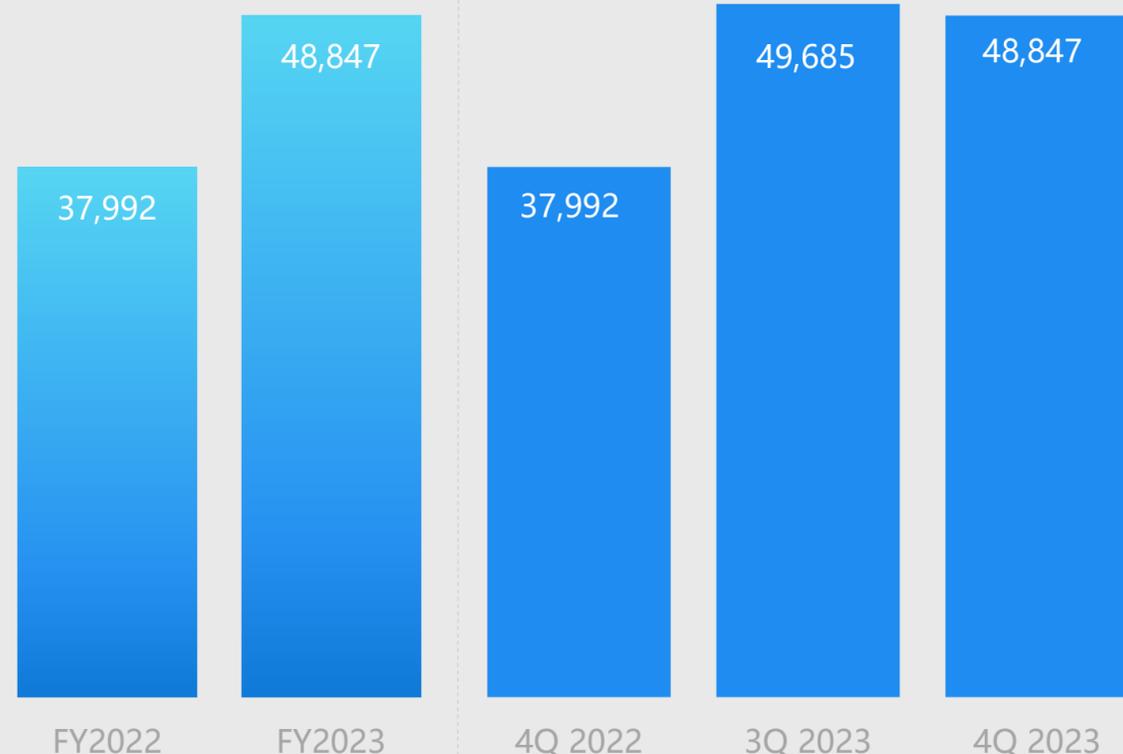
Previously worked at Bank of Communications

# Operational and Financial Data

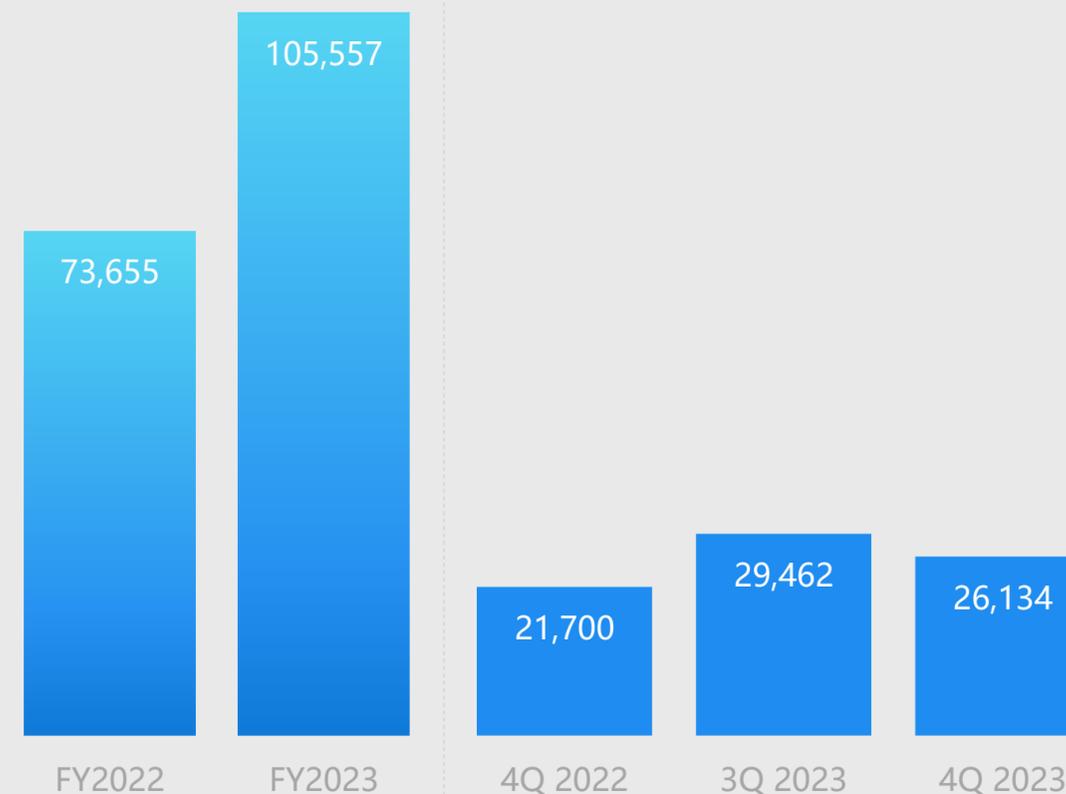


# Performance of Loan Balance and Loan Facilitation

— Total Outstanding Loan Balance <sup>(1)</sup>  
(RMBmn)

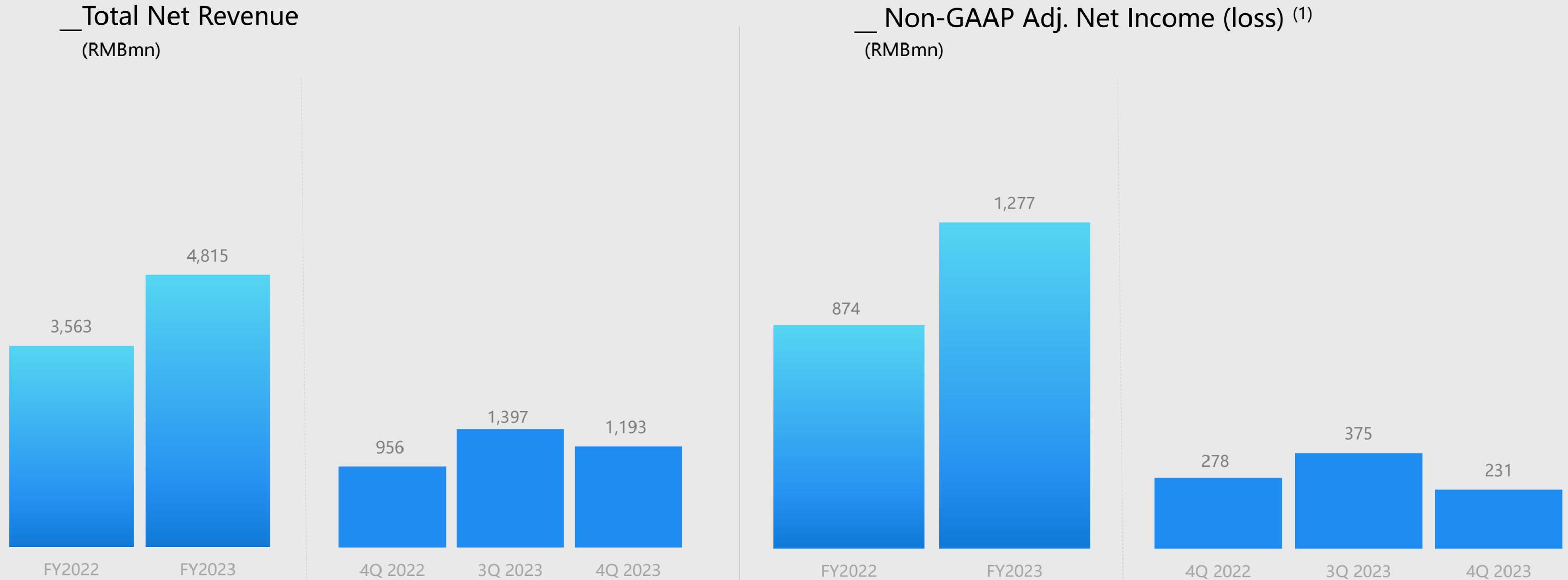


— Total Loan Facilitation Amount  
(RMBmn)



(1) Represents the total amount of loans outstanding for loans X Financial facilitated and originated at the end of the relevant period. Loans that are delinquent for more than 60 days are charged-off and are excluded in the outstanding loan balance, except for Xiaoying Housing Loan. As Xiaoying Housing Loan is a secured loan product and the Company is entitled to payment by exercising its rights to the collateral, the Company does not exclude Xiaoying Housing loan delinquent for more than 60 days in the outstanding loan balance

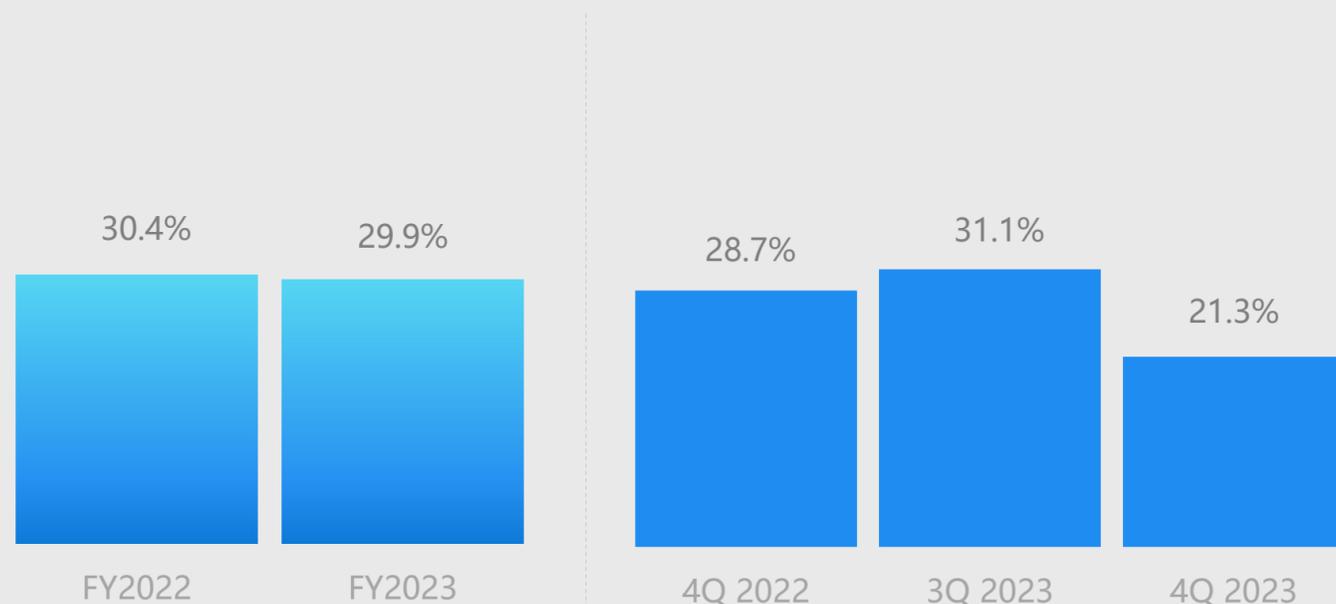
# Revenue and Non-GAAP Adj. Net Income Growth



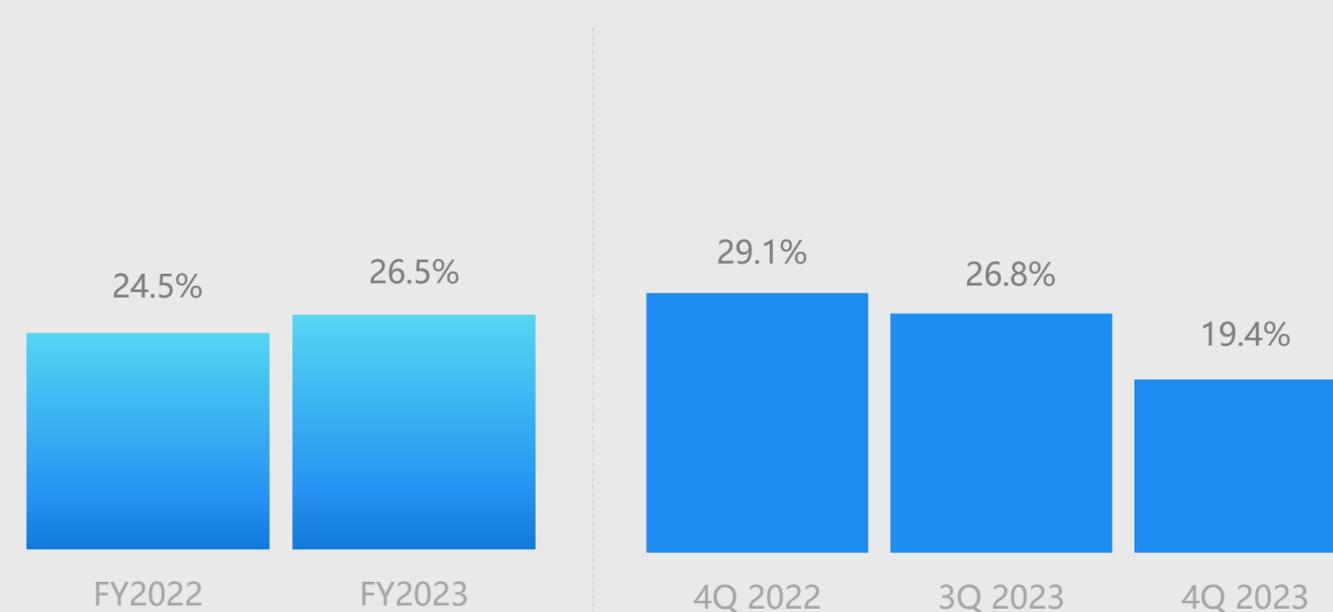
(1) Represents net (loss) / income before share-based compensation expenses, impairment losses on financial investments, impairment losses on long-term investments and income (loss) from financial investments

# Operational Efficiency

\_\_ Operating Margin <sup>(1)</sup>



\_\_ Non-GAAP Adj. Net Income Margin <sup>(2)</sup>

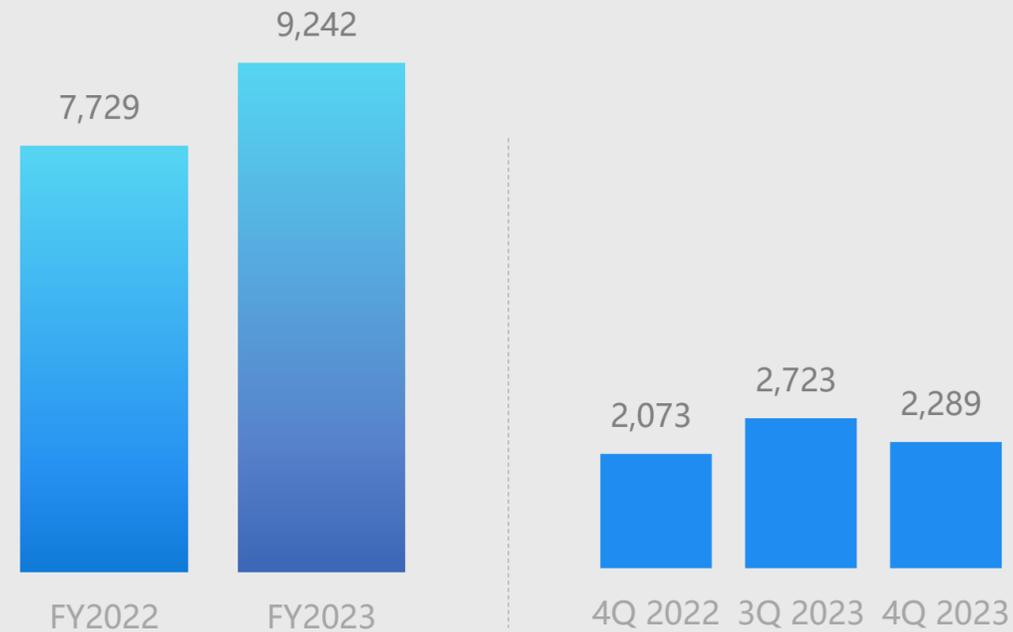


(1) Represents Income from operations divided by Total net revenue

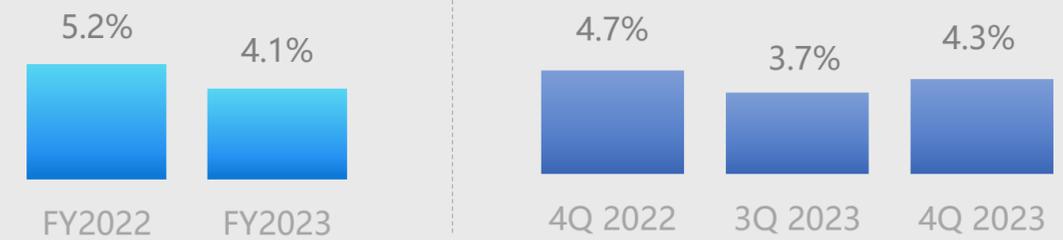
(2) Represents Non-GAAP adjusted net income divided by Total net revenue

# Net Revenue Per Employee and Operating Expense

\_\_ Net Revenue Per Employee  
(RMB1,000)



\_\_ Operating Expense % Net Revenue <sup>(1)</sup>



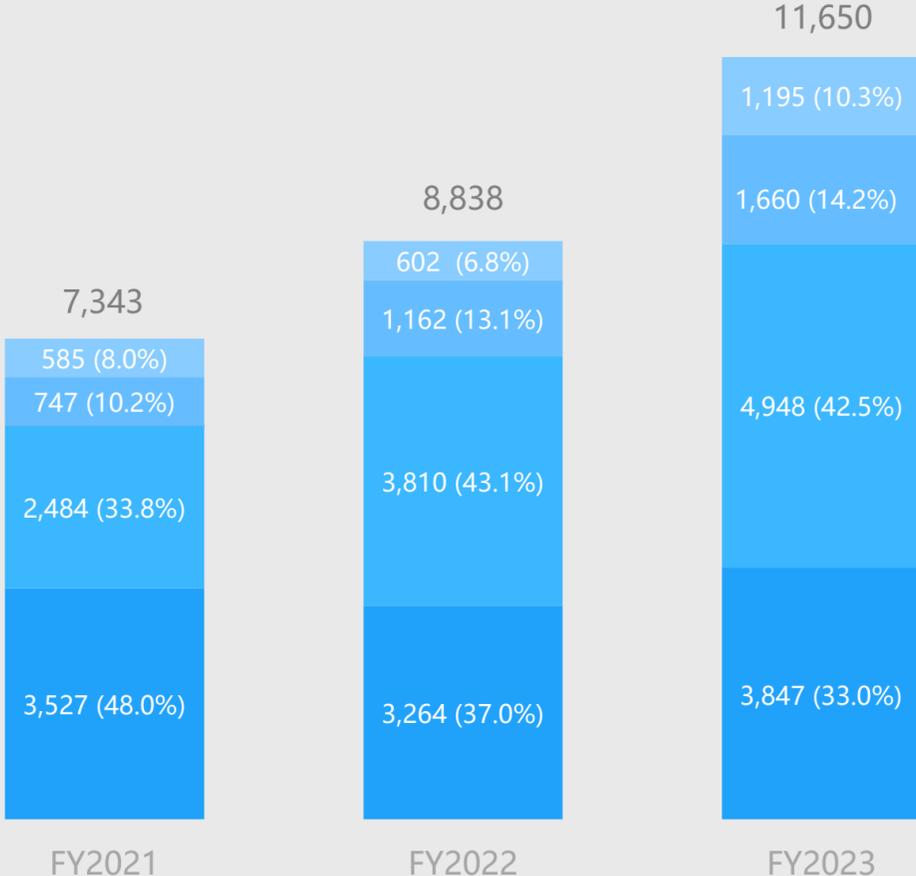
- **High revenue per employee**  
Enhance risk management capabilities
- **Continue to improve operational efficiency on a yearly basis**  
Diversified service offerings with a more balanced quality growth

Enhance profitability, boost operational efficiency and reduce costs

(1) Operating expense includes sales and marketing expense, as well as general and administrative expense

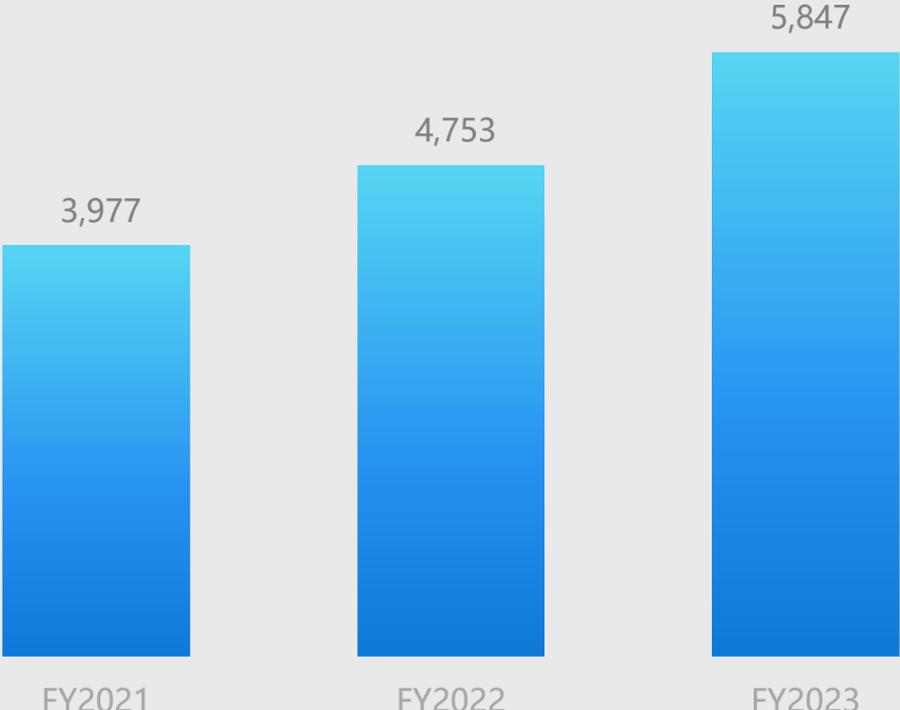
# Outstanding Return on Equity Performance

**Total Assets**  
(RMBmn)



- Cash & Cash Equivalents
- Accounts Receivable & Contract Assets
- Loans receivable from Xiaoying Credit Loans and other loans
- Others

**Total Equity (1)**  
(RMBmn)



(1) Represents total X Financial shareholders' equity, excluding non-controlling interest in subsidiaries

# Summary Consolidated Balance Sheet

	As of 12/31/2022	As of 12/31/2023	
	(in RMB1,000)	(in RMB1,000)	(in USD1,000)
Cash and cash equivalents	602,271	1,195,352	168,362
Accounts receivable and contract assets, net	1,161,912	1,659,588	233,748
Loans receivable from Xiaoying Credit Loans and other loans, net	3,810,393	4,947,833	696,888
<b>Total assets</b>	<b>8,837,663</b>	<b>11,650,023</b>	<b>1,640,872</b>
Payable to investors and institutional funding partners at amortized cost	2,627,910	3,584,041	504,802
Short-term borrowings	70,209	565,000	79,579
Income tax payable	270,089	446,500	62,888
<b>Total liabilities</b>	<b>4,084,409</b>	<b>5,802,899</b>	<b>817,321</b>
<b>Total X Financial shareholders' equity</b>	<b>4,753,254</b>	<b>5,847,124</b>	<b>823,551</b>
Non-controlling interests	-	-	-
<b>Total equity</b>	<b>4,753,254</b>	<b>5,847,124</b>	<b>823,551</b>

Source: Company financial statements

# Consolidated Income Statement

	4Q 2022		4Q 2023	
	(in RMB1,000)		(in RMB1,000)	(in USD1,000)
<b>Net revenues</b>				
Loan facilitation service	562,137	615,482	86,689	
Post-origination service	106,777	166,807	23,494	
Financing income	248,639	307,692	43,338	
Other revenue	38,087	102,683	14,463	
<b>Total net revenue</b>	<b>955,640</b>	<b>1,192,664</b>	<b>167,984</b>	
<b>Operating costs and expenses</b>				
Origination and servicing	588,730	755,238	106,373	
General and administrative	42,445	48,142	6,781	
Sales and marketing	2,497	3,711	523	
(Reversal of) provision for accounts receivable and contract assets	(25,550)	6,250	880	
Provision for loans receivable	75,396	99,365	13,995	
(Reversal of) provision for contingent guarantee liabilities	-	25,926	3,652	
(Reversal of) provision for credit losses on deposits to institutional cooperators	(1,831)	(246)	(35)	
(Reversal of) provision for credit losses for other financial assets	-	86	12	
<b>Total operating costs and expenses</b>	<b>681,687</b>	<b>938,472</b>	<b>132,181</b>	
<b>Income from operations</b>	<b>273,953</b>	<b>254,192</b>	<b>35,803</b>	
Interest income (expenses), net	396	(2,587)	(364)	
Foreign exchange gain (loss)	6,175	3,232	455	
Income (loss) from financial investments	28,702	1,686	237	
Impairment losses on long-term investments	(26,866)	(46,771)	(6,588)	
Fair value adjustments related to Consolidated Trusts	209	-	-	
Change in fair value of financial guarantee derivative	91,380	-	-	
Other income, net	8,590	1,346	190	
<b>Income before income taxes and gain (loss) from equity in affiliates</b>	<b>382,539</b>	<b>211,098</b>	<b>29,733</b>	
Income tax expense	(74,977)	(35,659)	(5,022)	
Gain (loss) from equity in affiliates, net of tax	(32,923)	13,529	1,906	
<b>Net income</b>	<b>274,639</b>	<b>188,968</b>	<b>26,617</b>	
<b>Net income attributable to X Financial shareholders</b>	<b>274,639</b>	<b>188,968</b>	<b>26,617</b>	

# Consolidated Income Statement

	2022	2023	
	(in RMB1,000)	(in RMB1,000)	(in USD1,000)
<b>Net revenues</b>			
Loan facilitation service	2,044,344	2,740,974	386,058
Post-origination service	372,451	596,582	84,027
Financing income	966,277	1,137,336	160,190
Other revenue	179,878	339,992	47,887
<b>Total net revenue</b>	<b>3,562,950</b>	<b>4,814,884</b>	<b>678,162</b>
<b>Operating costs and expenses</b>			
Origination and servicing	2,126,742	2,869,845	404,209
General and administrative	171,524	186,515	26,270
Sales and marketing	15,448	12,539	1,766
Provision for accounts receivable and contract assets	21,836	12,234	1,723
Provision for loans receivable	158,576	229,137	32,273
(Reversal of) provision for contingent guarantee liabilities	(14,000)	67,520	9,510
(Reversal of) provision for credit losses on deposits to institutional cooperators	1,296	(674)	(95)
(Reversal of) provision for credit losses for other financial assets	(765)	86	12
<b>Total operating costs and expenses</b>	<b>2,480,657</b>	<b>3,377,202</b>	<b>475,668</b>
<b>Income from operations</b>	<b>1,082,293</b>	<b>1,437,682</b>	<b>202,494</b>
Interest income (expenses), net	3,756	(20,365)	(2,868)
Foreign exchange gain (loss)	(19,963)	(4,023)	(567)
Income (loss) from financial investments	20,900	(12,225)	(1,722)
Impairment losses on financial investments	(8,875)	-	-
Impairment losses on long-term investments	(26,866)	(46,771)	(6,588)
Fair value adjustments related to Consolidated Trusts	(6,168)	(531)	(75)
Change in fair value of financial guarantee derivative	137,654	24,966	3,516
Other income, net	40,724	24,351	3,430
<b>Income before income taxes and gain (loss) from equity in affiliates</b>	<b>1,223,455</b>	<b>1,403,084</b>	<b>197,620</b>
Income tax expense	(389,358)	(249,438)	(35,133)
Gain (loss) from equity in affiliates, net of tax	(22,102)	33,148	4,669
<b>Net income</b>	<b>811,995</b>	<b>1,186,794</b>	<b>167,156</b>
<b>Net income attributable to X Financial shareholders</b>	<b>811,995</b>	<b>1,186,794</b>	<b>167,156</b>

# Reconciliations of GAAP and Non-GAAP Results

	4Q 2022	4Q 2023	
	(in RMB1,000)	(in RMB1,000)	(in USD1,000)
Reconciliation of Adjusted Net Income from Net Income			
GAAP net income	274,639	188,968	26,617
Less: Income (loss) from financial investments (net of tax of nil)	28,702	1,686	237
Less: Impairment losses on financial investments (net of tax of nil)	-	-	-
Less: Impairment losses on long-term investments (net of tax)	(20,150)	(35,079)	(4,941)
Add: Share-based compensation expenses (net of tax of nil)	11,852	8,421	1,186
Non-GAAP adjusted net income	277,939	230,782	32,507

	2022	2023	
	(in RMB1,000)	(in RMB1,000)	(in USD1,000)
Reconciliation of Adjusted Net Income from Net Income			
GAAP net income	811,995	1,186,794	167,156
Less: Income (loss) from financial investments (net of tax of nil)	20,900	(12,225)	(1,722)
Less: Impairment losses on financial investments (net of tax of nil)	(8,875)	-	-
Less: Impairment losses on long-term investments (net of tax)	(20,150)	(35,079)	(4,941)
Add: Share-based compensation expenses (net of tax of nil)	53,538	42,598	6,000
Non-GAAP adjusted net income	873,658	1,276,696	179,819

THANK YOU