

Weidai Ltd. Announces Third Quarter 2019 Financial Results

HANGZHOU, China, Dec. 31, 2019 /PRNewswire/ -- Weidai Ltd. ("Weidai" or the "Company") (NYSE: WEI), a leading auto-backed financing solution provider in China, today announced its unaudited financial results for the third quarter ended September 30, 2019.

Third quarter 2019 Financial Highlights:

- Net revenues were RMB765.9 million (US\$107.1 million) in the third quarter of 2019, compared to RMB1,036.7 million in the same period of 2018 and RMB906.7 million in the second quarter of 2019.
- Loan facilitation service fees were RMB595.8 million (US\$83.4 million) in the third quarter of 2019, compared to RMB844.5 million in the same period of 2018 and RMB758.5 million in the second quarter of 2019.
- Post-facilitation service fees were RMB84.8 million (US\$11.9 million) in the third quarter of 2019, compared to RMB92.5 million in the same period of 2018 and RMB89.0 million in the second quarter of 2019.
- Net income was RMB144.9 million (US\$20.3 million) in the third quarter of 2019, compared to RMB187.3 million in the same period of 2018 and RMB106.9 million in the second quarter of 2019.
- Adjusted net income^[1] was RMB144.3 million (US\$20.2 million) in the third quarter of 2019, compared to RMB215.1 million in the same period of 2018 and RMB130.1 million in the second quarter of 2019.

[1] Adjusted net income, a non-GAAP financial measure, is defined as net income before share-based compensation expenses.

Third quarter 2019 Operational Highlights:

Loan volume

The following table sets forth the volume of loans the Company facilitated and originated (including loans funded by institutional funding partners) for the periods indicated:

| | For the three months ended, | | | |
|--|--|--------------------|---------------------------|--------------------|
| | June 30, 2019 | | September 30, 2019 | |
| | % of total | | % of total | |
| | RMB | loan volume | RMB | loan volume |
| | (in millions, except for percentages) | | | |
| Total loan volume | 17,603 | 100.0 | 15,971 | 100.0 |
| Including: | | | | |
| Loans funded by institutional funding partners | 749 | 4.3 | 503 | 3.2 |

Loan balance

Total loan balance decreased to RMB16.6 billion (US\$2.3 billion) as of September 30, 2019 from RMB18.2 billion as of June 30, 2019.

Third quarter 2019 Financial Results

Net revenues decreased by 15.5% to RMB765.9 million (US\$107.1 million) in the third quarter of 2019 from RMB906.7 million in the previous quarter, primarily due to decreases in loan facilitation service fees. The decrease was partially offset by the increase in other revenues. The Company's take rate^[2] decreased to 4.6% in the third quarter of 2019 from 5.0% in the previous quarter.

- *Loan facilitation service fees* decreased by 21.5% to RMB595.8 million (US\$83.4 million) in the third quarter of 2019, compared to RMB758.5 million in the previous quarter, primarily due to a decrease in loan volume. In the third quarter of 2019, the impact of applying ASC 606 resulted in a decrease in loan facilitation service fees of RMB133.3 million (US\$18.6 million).
- *Post-facilitation service fees* decreased by 4.7% to RMB84.8 million (US\$11.9 million) in the third quarter of 2019, from RMB89.0 million in the previous quarter.
- *Other revenues* increased by 188.3% to RMB61.7 million (US\$8.6 million) in the third quarter of 2019, from RMB21.4 million in the previous quarter, primarily due to increase in loan collection fees.
- *Net financing income* decreased by 37.8% to RMB23.5 million (US\$3.3 million) in the third quarter of 2019, from RMB37.8 million in the previous quarter, primarily due to a decrease in loan balance of the

Company's on-balance sheet loans.

[2] "Take rate" is defined as dividing net revenue of a certain period by the period end loan balance.

Provision for loans and advances decreased by 66.7% to RMB84.1 million (US\$11.8 million) in the third quarter of 2019, from RMB252.3 million in the previous quarter. The decrease was primarily because of a decrease in loss rates resulted from the Company's optimization efforts in loan collection as well as a decrease in loan volume. Provision for loans and advances as a percentage of net revenue decreased to 11.0% in the third quarter of 2019 from 27.8% in the previous quarter.

Operating costs and expenses decreased by 5.0% to RMB538.1 million (US\$75.3 million) in the third quarter of 2019, from RMB566.7 million in the previous quarter. Operating costs and expenses as a percentage of net revenues increased to 70.3% in the third quarter of 2019 from 62.5% in the previous quarter.

- **Provision for financial guarantee liabilities** decreased by 60.3% to RMB32.8 million (US\$4.6 million) in the third quarter of 2019, from RMB82.7 million in the previous quarter, primarily because of decreases in loss rates and loan volume, as well as the Company's discontinuation of providing financial guarantees to online investors for consumption loans since July 1, 2019.
- **Origination and servicing expenses** increased by 5.2% to RMB335.6 million (US\$46.9 million) for the third quarter of 2019 from RMB319.1 million in the previous quarter, primarily due to increased one-off compensation costs due to the termination of certain employees and the acquisition of a new subsidiary.
- **Sales and marketing expenses** decreased by 11.9% to RMB67.3 million (US\$9.4 million) for the third quarter of 2019 from RMB76.4 million in the previous quarter, primarily due to cost optimization efforts.
- **General and administrative expenses** increased by 31.3% to RMB76.4 million (US\$10.7 million) for the third quarter of 2019 from RMB58.2 million in the previous quarter. The increase was primarily due to increased one-off compensation costs, which was as a result of the termination of certain employees and the acquisition of a new subsidiary.
- **Research and development expenses** decreased by 13.6% to RMB26.1 million (US\$3.7 million) in the third quarter of 2019 from RMB30.2 million in the previous quarter, primarily due to cost optimization efforts.

Share-based compensation benefits was RMB0.6 million (US\$0.1 million) in the third quarter of 2019, compared to share-based compensation expenses of RMB23.2 million in the previous quarter due to the termination of certain employees.

Income tax expenses increased to RMB33.4 million (US\$4.7 million) in the third quarter of 2019, from RMB13.4 million in the previous quarter.

Net income increased by 35.5% to RMB144.9 million (US\$20.3 million) in the third quarter of 2019, from RMB106.9 million in the previous quarter.

Net income and comprehensive income attributable to ordinary shareholders increased by 39.6% to RMB144.2 million (US\$20.2 million) in the third quarter of 2019, from RMB103.3 million in the previous quarter.

Adjusted net income increased by 10.9% to RMB144.3 million (US\$20.2 million) in the third quarter of 2019, from RMB130.1 million in the previous quarter.

Use of Non-GAAP Financial Measures

The Company uses adjusted net income, a non-GAAP financial measure, in evaluating its operating results and for financial and operational decision-making purposes. The Company believes that adjusted net income helps identify underlying trends in its business by excluding the impact of share-based compensation expenses. The Company believes that adjusted net income provides useful information about its operating results, enhances the overall understanding of its past performance and future prospects and allows for greater visibility with respect to key metrics used by the Company's management in its financial and operational decision-making.

Adjusted net income is not defined under U.S. GAAP and is not presented in accordance with U.S. GAAP. This non-GAAP financial measure has limitations as an analytical tool, and when assessing the Company's operating performance, cash flows or liquidity, investors should not consider it in isolation, or as a substitute for net income, cash flows provided by operating activities or other consolidated statements of operation and cash flow data prepared in accordance with U.S. GAAP. The Company encourages investors and others to review its financial information in its entirety and not rely on a single financial measure.

For more information on this non-GAAP financial measure, please see the table captioned "Reconciliations of GAAP and Non-GAAP results" set forth at the end of this press release.

About Weidai Ltd.

Weidai Ltd. is a pioneer and leading auto-backed financing solution provider in China supported by sophisticated and effective risk management system and technology. The Company transforms used automobiles, a type of "non-standard" collateral, into investable assets, to provide accessible credit for China's small and micro enterprises, and connects the borrowers with both online investors and institutional funding partners through its platform.

For more information, please visit <http://weidai.investorroom.com/>.

Exchange Rate Information

This announcement contains translations of certain RMB amounts into U.S. dollars at a specified rate solely for the convenience of the reader. Unless otherwise noted, all translations from RMB to U.S. dollars are made at a rate of RMB7.1477 to US\$1.00, the noon buying rate on September 30, 2019 set forth in the H.10 statistical release of the U.S. Federal Reserve Board.

Safe Harbor Statement

This press release contains forward-looking statements. These statements constitute "forward-looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as "will," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates," "target," "confident" and similar statements. Weidai may also make written or oral forward-looking statements in its periodic reports to the SEC, in its annual report to shareholders, in press releases and other written materials and in oral statements made by its officers, directors or employees to third parties. Statements that are not historical facts, including statements about Weidai's beliefs and expectations, are forward-looking statements. Such statements are based upon management's current expectations and current market and operating conditions, and relate to events that involve known or unknown risks, uncertainties and other factors, all of which are difficult to predict and many of which are beyond the Company's control. Forward-looking statements involve risks, uncertainties and other factors that could cause actual results to differ materially from those contained in any such statements. Potential risks and uncertainties include, but are not limited to the following: Weidai's goal and strategies; Weidai's expansion plans; Weidai's future business development, financial condition and results of operations; Weidai's expectations regarding demand for, and market acceptance of, its solutions and services; Weidai's expectations regarding keeping and strengthening its relationships with borrowers, investors and financial institutions and other platform participants; general economic and business conditions; Weidai's assumptions underlying or related to any of the foregoing regulations and governmental policies relating to the online consumer finance industry in China; and Weidai's ability to meet the standards necessary to maintain listing of its ADSs on the NYSE, including its ability to cure any non-compliance with the NYSE's continued listing criteria. Further information regarding these and other risks, uncertainties or factors is included in the Company's filings with the U.S. Securities and Exchange Commission. All information provided in this press release is as of the date of this press release, and Weidai does not undertake any obligation to update any forward-looking statement as a result of new information, future events or otherwise, except as required under applicable law.

For investor and media inquiries, please contact:

In China:

Christensen
Mr. Christian Arnell
Tel: +86-10-5900-1548
E-mail: carnell@christensenir.com

In US:

Christensen
Ms. Linda Bergkamp
Tel: +1-480-614-3004
E-mail: lbergkamp@christensenir.com

| | As of June 30, 2019 | As of September 30, 2019 | |
|---|------------------------|-----------------------------|----------------|
| | RMB | RMB | US\$ |
| | (in thousands) | | |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | 862,841 | 1,217,479 | 170,332 |
| Restricted cash | 806,203 | 858,748 | 120,143 |
| Loans and advances, net | 1,676,616 | 1,493,982 | 209,016 |
| Contract assets | 840,125 | 685,121 | 95,852 |
| Short-term investments | 336,192 | 336,919 | 47,137 |
| Prepaid expenses and other assets | 562,560 | 589,063 | 82,409 |
| Amounts due from related parties | 38,746 | 31,604 | 4,422 |
| Total current assets | 5,123,283 | 5,212,916 | 729,311 |
| Non-current assets: | | | |
| Restricted cash | 31,547 | 31,547 | 4,414 |
| Long-term investments | 13,333 | 13,574 | 1,899 |
| Loans and advances, net | 211,829 | 114,177 | 15,974 |
| Prepaid expenses and other assets | 9,606 | 9,608 | 1,344 |
| Property, equipment and software, net | 74,156 | 67,448 | 9,436 |
| Goodwill | 5,812 | 5,812 | 813 |
| Contract assets | 343,982 | 365,725 | 51,167 |
| Deferred tax assets | 388,404 | 418,110 | 58,496 |
| Total non-current assets | 1,078,669 | 1,026,001 | 143,543 |
| Total assets | 6,201,952 | 6,238,917 | 872,854 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current liabilities (including current liabilities of the consolidated VIE and subsidiaries without recourse to the primary beneficiary of RMB2,195,061 and RMB2,163,463 (US\$302,680) as of June 30, 2019 and September 30, 2019, respectively): | | | |
| Payable to institutional funding partners and online investors | 456,764 | 352,542 | 49,322 |
| Current account with online investors and borrowers | 1,187,500 | 1,236,390 | 172,977 |
| Income tax payable | 117,644 | 185,467 | 25,948 |
| Accrued expenses and other liabilities | 431,344 | 444,812 | 62,231 |
| Amounts due to related parties | 21,142 | 13,926 | 1,948 |
| Contract liabilities | 19,573 | 20,165 | 2,821 |
| Total current liabilities | 2,233,967 | 2,253,302 | 315,247 |
| Non-current liabilities (including non-current liabilities of the consolidated VIE and subsidiaries without recourse to the primary beneficiary of RMB497,732 and RMB361,574 (US\$50,586) as of June 30, 2019 and September 30, 2019, respectively): | | | |
| Payable to institutional funding partners and online investors | 222,906 | 118,314 | 16,553 |
| Contract liabilities | 18,637 | 16,360 | 2,289 |
| Other non-current liabilities | 22,459 | 24,633 | 3,446 |
| Deferred tax liabilities | 233,730 | 202,267 | 28,298 |
| Total non-current liabilities | 497,732 | 361,574 | 50,586 |
| Total liabilities | 2,731,699 | 2,614,876 | 365,833 |
| Shareholders' equity | | | |
| Class A voting ordinary shares (par value of US\$0.000002 per share; 35,375,777 shares issued and outstanding as of June 30, 2019 and September 30, 2019) | - | - | - |

Class B voting ordinary shares (par value of US\$0.000002 per share; 35,071,400 shares issued and outstanding as of June 30, 2019 and September 30, 2019)

| | | | |
|---|------------------|------------------|----------------|
| | 1 | 1 | - |
| Additional paid-in capital | 1,219,767 | 1,219,172 | 170,568 |
| Accumulated other comprehensive (loss)/income | (2,984) | 7,078 | 990 |
| Retained earnings | 2,248,289 | 2,392,492 | 334,722 |
| Total Weidai Ltd. shareholders' equity | 3,465,073 | 3,618,743 | 506,280 |
| Noncontrolling interests | 5,180 | 5,298 | 741 |
| Total shareholders' equity | 3,470,253 | 3,624,041 | 507,021 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 6,201,952 | 6,238,917 | 872,854 |

WEIDAI LTD.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (All amounts in thousands, except share data, or otherwise noted)

| | Three Months Ended June 30, 2019 | Three Months Ended September 30, 2019 | |
|--|--|--|-----------------|
| | RMB | RMB | US\$ |
| | (in thousands, except for share, per share and per ADS data) | | |
| Net revenues: | | | |
| Loan facilitation service fees | 758,463 | 595,838 | 83,361 |
| Post facilitation service fees | 89,011 | 84,790 | 11,863 |
| Other revenues | 21,436 | 61,714 | 8,634 |
| Financing income | 68,664 | 43,272 | 6,054 |
| Less: Funding costs | (30,865) | (19,747) | (2,763) |
| Net financing income | 37,799 | 23,525 | 3,291 |
| Total net revenues | 906,709 | 765,867 | 107,149 |
| Provision for loans and advances | (252,293) | (84,097) | (11,766) |
| Net revenues after provision for loans and advances | 654,416 | 681,770 | 95,383 |
| Operating costs and expenses: | | | |
| Provision for financial guarantee liabilities | (82,710) | (32,794) | (4,588) |
| Origination and servicing expenses | (319,082) | (335,550) | (46,945) |
| Sales and marketing expenses | (76,429) | (67,259) | (9,410) |
| General and administrative expenses | (58,237) | (76,398) | (10,688) |
| Research and development expenses | (30,219) | (26,100) | (3,652) |
| Total operation costs and expenses | (566,677) | (538,101) | (75,283) |
| Income from operations | 87,739 | 143,669 | 20,100 |
| Interest income, net | 9,584 | 10,720 | 1,500 |
| Government subsidies | 10,513 | 16,093 | 2,251 |
| Other expenses, net | 12,494 | 7,784 | 1,089 |
| Net income before income taxes | 120,330 | 178,266 | 24,940 |
| Income tax expenses | (13,438) | (33,376) | (4,669) |
| Net income | 106,892 | 144,890 | 20,271 |
| Net income attributable to noncontrolling interests | (3,571) | (687) | (96) |
| Net income and comprehensive income attributable to Weidai Ltd.'s ordinary shareholders | 103,321 | 144,203 | 20,175 |
| Earnings per share: | | | |
| Basic | 1.47 | 2.05 | 0.29 |
| Diluted | 1.46 | 2.05 | 0.29 |
| Shares used in earnings per share computation: | | | |
| Basic | 70,447,177 | 70,447,177 | 70,447,177 |

Diluted

70,662,869 70,472,073 70,472,073

WEIDAI LTD.
UNAUDITED RECONCILIATION OF GAAP AND NON-GAAP RESULTS
(All amounts in thousands, except share data, or otherwise noted)

| | Three Months Ended | Three Months Ended | |
|--|---|---------------------------|-------------|
| | June 30, 2019 | September 30, 2019 | |
| | RMB | RMB | US\$ |
| | (in thousands, except for share, per share and per ADS data) | | |
| Net income | 106,892 | 144,890 | 20,271 |
| Add: | | | |
| Share-based compensation expenses/(benefits) | 23,187 | (595) | (83) |
| Adjusted net income | 130,079 | 144,295 | 20,188 |

SOURCE Weidai Ltd.

<http://weidai.investorroom.com/2019-12-31-Weidai-Ltd-Announces-Third-Quarter-2019-Financial-Results>