

THOMSON REUTERS STREETEVENTS

# EDITED TRANSCRIPT

YRD - Q3 2017 Yirendai Ltd Earnings Call

EVENT DATE/TIME: NOVEMBER 15, 2017 / 12:00AM GMT



NOVEMBER 15, 2017 / 12:00AM, YRD - Q3 2017 Yirendai Ltd Earnings Call

## CORPORATE PARTICIPANTS

**Joanne Liu**

**Li Hui** *Yirendai Ltd. - Director of IR*

**Yang Cao** *Yirendai Ltd. - COO and CTO*

**Yihan Fang** *Yirendai Ltd. - CEO*

**Yu Cong** *Yirendai Ltd. - CFO*

## CONFERENCE CALL PARTICIPANTS

**Daphne Poon** *Citigroup Inc, Research Division - Associate*

**Diyang Ji** *China Renaissance Securities (US) Inc., Research Division - Head of TMT Research*

**Patricia Cheng** *CLSA Limited, Research Division - Head of China Financial Research*

**Tianxiao Hou** *T.H. Capital, LLC - Founder, CEO, & Senior Analyst*

**Zeyu Yao** *China International Capital Corporation Limited, Research Division - Analyst*

## PRESENTATION

### Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Yirendai's Third Quarter 2017 Results Conference Call. (Operator Instructions) Please be advised that today's conference call is being recorded on Wednesday, the 15th of November 2017.

I would now like to hand the conference over to your first speaker today, the Director of Investor Relations of Yirendai, Mr. Matthew Li. Thank you. Please go ahead.

---

**Li Hui** - *Yirendai Ltd. - Director of IR*

Thank you, and welcome to Yirendai's Third Quarter 2017 Earnings Conference Call. Today's call features presentations by our CEO, Ms. Yihan Fang, and our CFO, Mr. Dennis Cong. Mr. Cao Yang, our COO and CTO; Mr. Huan Chen, CSO of CreditEase and Director of Yirendai; and Ms. Joanne Liu, our VP of Finance, will join the presenters in the Q&A session.

Before beginning, we would like to remind you that discussions during this call contain forward-looking statements made under the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Such statements are subject to risks, uncertainties and factors that may cause actual results to differ materially from those contained in any such statements. Further information regarding potential risks, uncertainties or factors is included in Yirendai's filings with the U.S. Securities and Exchange Commission. Yirendai does not undertake any obligation to update any forward-looking statements, except as required under applicable law.

During this call, we will be referring to several non-GAAP financial measures and supplemental measures to review and assess our operating performance. These non-GAAP financial measures are not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with U.S. GAAP. For information about the non-GAAP measures and reconciliation to GAAP measures, please refer to our earnings press release.

With that, I will turn the call over to our CEO. Yihan, please begin.

---



## NOVEMBER 15, 2017 / 12:00AM, YRD - Q3 2017 Yirendai Ltd Earnings Call

**Yihan Fang** - Yirendai Ltd. - CEO

Thanks, Matthew, and thank you all for joining the call today. We're very pleased to deliver another strong quarter with loan origination growing by 117% from prior year to RMB 12.2 billion. This brings our cumulative loan origination volume as of September 30, 2017, to RMB 60.5 billion and outstanding loan balance to RMB 34.2 billion.

In addition, we have seen steady accelerating growth of our online wealth management and new platform business. In Q3 2017, we continue to see robust growth from online channels. Online volume growth was 63% over the previous quarter and 206% year-over-year.

During this quarter, we facilitated loans to 193,000 qualified borrowers. 76% of these borrowers were acquired from online channels, representing 57.2% of our loan volume. Nearly 100% of the online loan volume was facilitated through mobile. As of the end of Q3, we had cumulatively served close to 1 million qualified borrowers with cumulative registered borrowers of 43.4 million.

In Q3, the average credit term was 30 months on contract. Along with the robust growth of loan volume, the risk performance of our loan portfolio has remained very stable. We have and will continue to invest heavily in our technology, data and AI to drive our operational efficiency and risk management capabilities.

We have focused on product and technology innovations as we see continuous and growing needs from the prime population who are underserved by the traditional financial institutions. In Q3 2017, about 11% of our borrowers were repeat borrowers who opted for the top-up loan product. In addition, based on the stable performance of our insurance policy-based product, we have expanded its coverage and facilitated RMB 200 million of loans in Q3.

In addition, our Housing Provident Fund-based product continues to help us acquire more customers with high credit policy. In Q3, we facilitated over RMB 400 million of loans from this product. Recently, we have also launched a new product based on China's social security data to expand the coverage of our products and services.

Moving on to wealth management. We served close to 215,000 individual investors during the quarter. All of our investors invested through our online channels, and 93% of them used our Yiren Wealth mobile app. As of the end of Q3, we had cumulatively served about 1.2 million investors with registered users reaching 6 million. MAU for our Yiren Wealth mobile app was 481,000 in September 2017, increased from 401,000 in June 2017.

In Q3, the average investment term using our automatic investment tool, Yidingying, remained healthy at 10 months with an average annualized return of 7.9%. In addition, AUM per investor continued to increase to RMB 119,000 in Q3.

In addition, as a key initiative to diversify our funding sources, we have been actively exploring cooperation with multiple traditional institutions. During this quarter, we officially commenced cooperation with Zhejiang Chouzhou Commercial Bank. Under this cooperation, we leveraged our online lending and risk management capabilities to work with Chouzhou Bank to provide financial services to individual consumers. We will continue to explore different institutional funding such as banks and ABS to further diversify our funding sources.

We continue to execute our strategy to build Yiren Wealth into a leading online wealth management platform in China that serves the growing mass affluent population. During Q3 2017, we cross-sold RMB 21 million of insurance and fund products to our existing platform investors to address their diversified investment needs.

As one of the measures to improve our customer experience, during this quarter, we launched e-wallet to provide our platform investors with a convenient tool to manage their day-to-day money through working with our top fund company. As of the end of Q3, there were already over 60,000 investors that have opened an e-wallet account, and AUM reached RMB 170 million.

Going forward, we will continue to strengthen our wealth management expertise and expand our product portfolio to provide more wealth management services, including asset allocation and financial advisory services to our platform investors. We have been investing heavily in data



## NOVEMBER 15, 2017 / 12:00AM, YRD - Q3 2017 Yirendai Ltd Earnings Call

science and AI, which have been providing tremendous efficiency gains and have been driving forward all aspects of business, including customer acquisition, customer services, risk management and antifraud.

While we continue to build our technology and data advantages, we also continue to grow technology platform business, which is conducted through the Yirendai Enabling Platform, also known as YEP, that we launched in March of this year. We have established cooperation with 16 industry stakeholders on data collection, antifraud and customer acquisition and have already seen outstanding results. During this quarter, we generated approximately RMB 30 million of revenue through YEP while further enhancing borrowers' experience and our industry leadership.

We will continue to execute our key strategies, as discussed above, to better serve the credit needs from private borrowers, wealth management needs from the growing mass affluent population and better serve our corporate users through YEP services. Furthermore, we have and will continue to communicate closely with the regulators to ensure our full compliance status with online lending industry guidelines as well as other related regulation.

I'll now hand the call over to our CFO, Dennis, to discuss our Q3 2017 financial results.

---

### Yu Cong - Yirendai Ltd. - CFO

Thanks, Yihan. Hello, everyone. Before I start with our financial results, I'd like to make some general remarks on our view of our served markets.

Given the strong secular consumer consumption growth trend, coupled with very low household debt to disposable income level, we believe we're in the very early stage of multiyear consumer credit expansion cycle. Near to midterm, with consumer confidence at almost highest level in the last few years and increasing salary income level as well as stable, improving employment rate, we foresee very benign credit quality environment for our served prime salary workers customer base, which has been demonstrated by the current low level of credit card overdue ratio in China. We also expect the development and implementation of regulatory framework to continue to support the healthier growth and provide structural benefits to the fintech industry in China.

Now on to our financial results. We again, delivered solid results for the past quarter with strong loan origination volume, revenue and profit growth. Q3 2017 total net revenue showed very healthy growth, increasing 73% from prior year to RMB 1.5 billion. The strong revenue growth was driven by customer demand of our differentiated product offerings, especially from online channels, supplemented by the increased wealth management service fees billed to investors and monthly fees billed to borrowers as our total asset portfolio balance continued to grow. It was partially offset by the impact of deferring revenue recognition nature of the products we offered through the online channels, which has a fee collection schedule with monthly payments in addition to a portion paid upfront.

Other revenue also grew significantly this quarter, increasing 691% from prior year to RMB 39 million due to accelerating growth from our platform business, which demonstrates good traction of our open platform strategy.

Driven mainly by loan origination volume growth, we billed fees of RMB 2.5 billion to borrowers and investors in Q3 2017, an increase of 87% from prior year.

Our take rate of fees billed, which is defined as total fees billed divided by loan facilitation volume, during the same period was 20.3% in Q3 2017 compared to 21.8% last quarter and 23.5% in Q3 2016. The slight decrease in take rate of fees billed was mainly attributable to the increase in the proportion of loans facilitated from online channels. Again, this fee take rate only reflects the fees we collect during the current period, which only represents a portion of the total economic benefits of our business.

Going into more detail. Upfront fees billed to borrowers during the quarter were RMB 2 billion, an increase of 72% from that in Q3 2016. Monthly fees billed to borrowers in Q3 2017 were RMB 292 million, an increase of 176% from the same period last year, showing the catch-up effect of our monthly fees with our growing loan balance. Services fees billed to investors in the quarter were RMB 272 million, an increase of 147% from prior year, which demonstrates the scale and growth perspective of our wealth management side of business as we grow the total investment asset under management.

## NOVEMBER 15, 2017 / 12:00AM, YRD - Q3 2017 Yirendai Ltd Earnings Call

Turning to operating expenses. Sales and marketing expenses were RMB 844 million for the quarter or 6.9% of loan facilitation volume, a decrease from 7.2% in the previous quarter and 7.5% in the prior year. The decrease in sales and marketing expenses as a percentage of loan volume was mainly due to increased customer acquisition efficiencies from online channels, optimization of the loan size as well as the business volume increase from repeat customers. We're pleased to note that the borrower acquisition cost from online channels is now lower than that of off-line referrals, which is a significant milestone for us.

Origination and servicing fees costs were RMB 119 million for the quarter or 1% of loan volume, a decrease from 11 -- a decrease from 1.1% in the previous quarter. Or our G&A expense were RMB 173 million for the quarter or 11.4% of total net revenue compared to 8.3% in the previous quarter. The increase in G&A expenses as a percentage of total net revenue was primarily attributable to the incurring share-based compensation expense of RMB 60 million this quarter. Excluding the impact of the SBC expenses, G&A expenses as a percentage of total net revenue would have been 7.4% in the quarter comparing to 8.2% in the previous quarter as we further demonstrate our operating leverage.

In terms of profitability, we achieved a healthy adjusted EBITDA margin of 27.9% compared to 32% in the previous quarter and 25.2% in the same period of last year. Net income in Q3 2017 was RMB 303 million, an increase of 13% from the previous quarter.

On the risk management front, we continue to maintain solid antifraud and credit underwriting process and closely monitor this performance of our loan portfolio. As 2015 and 2016 vintage loans continue to mature, the risk performance of our loans is consistent with our expectation, as demonstrated by the stable delinquency rates and consistent vintage charge-off performance of our loan portfolio. The current total charge-off of 2015 vintages with reducing balance are standing at 8.8% before further collection recovery, which is a good indication of our asset quality as well as loan performance.

On cash flow and balance sheet side, we continue to enjoy strong cash flow from operations and maintain solid cash position. During this quarter, we generated net cash of RMB 346 million from operating activities. As of September 30, 2017, our cash and cash equivalents were RMB 1.4 billion. Balance of held-to-maturity investments were RMB 169 million and balance of available-for-sale investments were RMB 997 million. The quarter-over-quarter decrease in the total balance of cash and cash equivalents, held-to-maturity investment and available-for-sale investments was mainly due to the increased cash -- operating cash to fund our accelerated business growth in the quarter.

As of Q3 2017, we had RMB 1.8 billion of restricted cash in our quality assurance program. We also booked RMB 558 million in loans at fair value because of consolidating [the trust and] ABS as we further diversify our institutional funding sources. Our liabilities were mainly comprised of 2 items: one, RMB 2.4 billion in liabilities from the quality assurance program; and two, RMB 1.7 billion accrued expenses and other liabilities. Accrued expenses and other liabilities mainly consist of tax payable of RMB 0.7 billion and dividends payable of RMB 0.6 billion.

Before I provide our guidance, I would like to highlight that given our online borrowing acquisition cost has achieved a level that's lower than that of off-line referrals, management team was strategically focused on driving our future growth through online channels and new business initiatives going forward. And we encourage investors to evaluate our business momentum based on our online and new business growth.

With that, let me go over our guidance. Based on our strong performance in the first 9 months of this year and expectation of the fourth quarter, we would like to update our guidance. For the fourth quarter of 2017, we expect loan origination volume to be in the range of RMB 12 billion to RMB 12.5 billion, of which approximately 60% is expected to be generated from online channels with approximately 7% online volume growth rate quarter-over-quarter; total net revenue to be in the range of RMB 1.5 billion to RMB 1.6 billion; adjusted EBITDA to be in the range of the RMB 400 million to RMB 420 million.

That concludes my remarks. And now I'd like to turn the call back over to operator for Q&A session.



NOVEMBER 15, 2017 / 12:00AM, YRD - Q3 2017 Yirendai Ltd Earnings Call

## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Your first question comes from the line of Ella Ji from China Renaissance.

### **Diying Ji** - *China Renaissance Securities (US) Inc., Research Division - Head of TMT Research*

My first question is about your product outlook. As you now are going to focus more on the online channel and we saw a media report that the new version of your [ATP] now allows for certain elite customers, you actually can approve their loan instantly, but that's going to be a relatively small amount of the loan with short tenure. So can you talk about your future product mix outlook? Shall we expect to see more small-sized and short-term loans going forward?

### **Yihan Fang** - *Yirendai Ltd. - CEO*

Thanks, Ella. Yes, actually, we are -- that's the new product we're testing, focusing on younger population. It's still in testing stage. And once we prove the performance and the economics are good, we will expand it to open up. Currently in testing stage.

### **Yu Cong** - *Yirendai Ltd. - CFO*

To follow up on Yihan's comments, for this product, we still focus on our prime customer base but providing more service to serve our customer for many different needs they may have for credit.

### **Diying Ji** - *China Renaissance Securities (US) Inc., Research Division - Head of TMT Research*

Okay. And then relating to online customer acquisition, it's quite encouraging to see that your sales and marketing is becoming more efficient. But now with -- there are more fintech companies going public, do you do -- are you seeing the online customer acquisition costs going up in recent [months]?

### **Yihan Fang** - *Yirendai Ltd. - CEO*

Yes, maybe I'll take it first. Actually, our segment is very unique. We focus on like credit cardholders with average credit term of 30 months and average credit size of 60, which is mainly for like big consumption needs like life events, for example, remodeling and education, et cetera. And for this segment, customer acquisition is very challenging, customer acquisition. And the fraud is more challenging than the smaller and shorter-duration loans doing online. And Yirendai has done it, being in the market, focusing on this segment for years. And we have built very -- technology solutions for customer acquisition for this unique segment. And yes, we continue to see the cost going down, but you will see -- we think it's very good. It's lower than off-line referral because most companies that serve this segment can only do it through off-line acquisition, which is higher and will be much higher, even higher than now current level. So we think we will have more market share in this segment and while we also look at other segments using our technology.

### **Yu Cong** - *Yirendai Ltd. - CFO*

And also, to follow up on Yihan's comments, I think one is, as Yihan mentioned, we have our unique segmentation in terms of borrower, our customer space, and we're a leader in this regard. And also, we work very closely with many large online platforms with deep integration of our data. It's not just about the click rates or registration cost of the registered customers. It's about how you structure your risk profile, what's the target borrower profile so you optimize the conversion rate and loan size. That's the total package together, which you have seen in terms of our overall customer acquisition efficiency improvement. It's not just the click rate.



## NOVEMBER 15, 2017 / 12:00AM, YRD - Q3 2017 Yirendai Ltd Earnings Call

**Diying Ji** - *China Renaissance Securities (US) Inc., Research Division - Head of TMT Research*

Okay. And then my last question is regarding this change of accounting for the Top-up Program. Can you help us quantify the impact of the change on the total loan facilitated for this quarter as well as how much it affects the guidance for the full year?

**Yihan Fang** - *Yirendai Ltd. - CEO*

Sure. So it's not really about the -- we didn't change our accounting policy for the Top-up. It's just disclosure of the loan volume. Before, we only include the top-up amount as loan origination volume. And now we use the total contract amount, including the top-up amount and the remaining outstanding loan principal, as the new origination volume. So in Q3, the -- it's -- the remaining principal of the top-up loan is about RMB 600 million. And in Q4, it's about the same level.

**Diying Ji** - *China Renaissance Securities (US) Inc., Research Division - Head of TMT Research*

The remaining, that makes the new total Top-up Program, the total outstanding balance?

**Yihan Fang** - *Yirendai Ltd. - CEO*

No, it means the difference before and the current [closure].

**Operator**

Your next question comes from the line of Patricia Cheng from CLSA.

**Patricia Cheng** - *CLSA Limited, Research Division - Head of China Financial Research*

I have 2 questions. The first one is about the Zhejiang Chouzhou Bank cooperation. Can you give us some idea about the arrangement of -- with the bank? It sounded like a particular borrower profile that they are targeting. How do you decide which customers you are going to refer to the bank? And would this be just a referral relationship? Or like they will have to do the underwriting themselves? And what's the biggest issue as -- do you have to set aside risk for this part of the business? And would there be a loss-sharing mechanism in this? Or this one would be a purely referral business? And what type of fee you are going to charge from this relationship? And then on this as well, you're looking into diversifying your funding source. Do you have any target going forward how much of it would be for banks and ABS?

**Yihan Fang** - *Yirendai Ltd. - CEO*

Maybe I'll take first and Joanne and Dennis can add more. Yes, actually, currently, we only give Chouzhou Bank certain kinds of borrowers based on their guidelines. Mostly, it's region -- yes, region selection where they have, I think -- yes, for some cities, we'll refer the borrowers to Chouzhou Bank. But we are expanding the regional coverage and it will be more and more, yes, for next year. And I believe it's, what do you call it, combined underwriting -- I mean, collaborative underwriting, co-underwriting, yes, collaboration. And maybe Joanne can add more on the risk and fee and next year's outlook for bank's collaboration.

**Joanne Liu**

So basically, in the collaboration with Chouzhou Bank, Chouzhou Bank issue or lending directly to the borrowers referred by our platform. And the first line of credit assessment -- underwriting is done by Yirendai. And Chouzhou will do the second line of underwriting. And in terms of the fee,



## NOVEMBER 15, 2017 / 12:00AM, YRD - Q3 2017 Yirendai Ltd Earnings Call

the product is the same we offer to the Chouzhou Bank's borrowers, and there are 2 other borrowers on the platform. It's just -- it goes through a second line of credit underwriting process. And next year, actually, we are -- we expect to collaborate with banks more. And we expect about 20% of our funding will be from the institutional money, including the collaboration with banks and ABS issuers.

---

**Patricia Cheng** - CLSA Limited, Research Division - Head of China Financial Research

Can I just a follow-up on the second line of underwriting done by Chouzhou? So does it mean that we would not to need to set aside any risk reserve to cover this business? And going forward, if we do more institutional cooperation, would it like help this expense? Would we see a bit more improvement on margins? Can I interpret it that way?

---

**Yihan Fang** - Yirendai Ltd. - CEO

So basically, we do. We don't need to put any risk reserve or quality assurance fund for Chouzhou program. But we do for the security deposit and repurchase the deferred or the nonperforming loans. So basically, Chouzhou does not, in substance, Chouzhou does not bear the credit risk. And we are exploring other business models in collaboration with banks, including loss sharing. And in ABS, actually, that the risk is transferred for the priority tranche.

---

**Patricia Cheng** - CLSA Limited, Research Division - Head of China Financial Research

Okay. How receptive are banks to you, like a loss-sharing model, from the discussions with them, yes?

---

**Yihan Fang** - Yirendai Ltd. - CEO

It depends. It depends on different partners. And also, it depends on the products we offer.

---

**Yu Cong** - Yirendai Ltd. - CFO

Yes. So right now, there's many different ways for us to work with institutional partners, banks. Example with Chouzhou is direct, working together. We also have other institutional bank partners that's participating in our business through purchasing our ABS assets. So for example, for the ABS assets, they [were close] to the market risk completely on their own. And of course, with the Chouzhou Bank, it's very early stage for us to develop a relationship with the bank. All this business arrangement is still in the early stage of development negotiation. And longer term, we would see that to be more market-driven. And on the other hand, I want to add a few things about our strategy of working with institutional partners. For example, right now, for the bank lending or funding costs, we're negotiating somewhere between 7 to 8. And that's actually pretty close to what's the kind of yield provided with our individual retail investors. But over here, you don't have much of customer acquisition cost. And also, from a liquidity management perspective, the bank will give you a line of credit for you to use. So there's good predictability of funding availability for us to better manage the overall platform liquidity going forward. And the other thing is that as we also drive the ABS partnership with either asset managers or banks, these are really market-driven structure, mechanism for us to tap into the institutional funding. That also is significant for us. Of course, if you see, look at the volume-mix ratio between our retail versus institution, we're probably on the low end in terms of in China in our industry. One of the key reasons is really we have large individual investor wealth management business that we want to grow. So usually, we would like to meet the demands of our retail investors first. Then we would develop the institutional tranche of the funding. Going forward, as the platform grow large and large, a good balance of the institution and retail will be our long-term focus.

---

**Operator**

Your next version comes from the line of Tian Hou from T.H. Capital.



---

**NOVEMBER 15, 2017 / 12:00AM, YRD - Q3 2017 Yirendai Ltd Earnings Call**


---

**Tianxiao Hou** - *T.H. Capital, LLC - Founder, CEO, & Senior Analyst*

I have 2 questions. One is just early November, the government held a conference called something like financial stability and also mentioned about Internet finance. And on that regard, they actually did ask institutional bank to check on their old business performance whether or not -- or how much they were working with Internet P2P or lendings. So I wonder, how do you see the potential issues in that regard, in terms of government regulation? That's number one. Number two, I would like to know, how many of your customers are repeated borrowers? And so among those repeated borrowers, do you have a system where you can see whether or not they're also borrowing from other platforms? That's my 2 questions.

---

**Yihan Fang** - *Yirendai Ltd. - CEO*

Tian, let me try to answer first. First of all, we're very -- we communicate very closely. And we're up to speed with all the new regulation, yes, insights. And currently, Internet finance, especially P2P lending, is regulated by CBRC with the local regulators. And we currently are in full compliance with all the guidelines published. And we're well prepared with any possible updates from the existing guidelines. And regarding the multiple lending, actually, there is a new initiative from PBOC and other regulators. They are forming a credit bureau, yes, official, we can say, credit alliance, Internet finance from the National Internet Finance Association official like credit bureau. And the impacts, we are able to look it up as of yesterday. Now yes, we're doing some manual lookups, and we think it will be opened up and will be very helpful and official platform to resolve the multiple lending issue. And with that, we also believe peer-to-peer lending is well supported by the regulators. And we hope the formal regulation will be implemented as soon as possible. Yes, even with stability, new movement over there, yes, peer-to-peer lending will be regulated. And this new database will help a lot for the industry. And we're in the first batch as we were among the first 17 companies to be able to look up from the new credit bureau for Internet finance.

---

**Operator**

Your next question comes from the line of Daphne Poon from Citi.

---

**Daphne Poon** - *Citigroup Inc, Research Division - Associate*

My question is also on the regulatory side but more on the funding side. So I'm wondering like under the current liquidity tightness, do you see any chance or any risk that regulatory may tighten on the funding side, so for example, to put any cap on the, for example, AUM for investors? The reason I'm asking is, for example, earlier, we also see like [Europe], they are also being asked to cap their AUM per investors. And currently, with the whole P2P on our wealth management industry growing, they are actually taking some shares like from bank deposits. So do you see -- how do you see the regulation evolving? And any chance the regulator may try to like tighten on the wealth management side and channel like from the [credit] back to the banking system?

---

**Yihan Fang** - *Yirendai Ltd. - CEO*

Daphne, thank you for your question. Currently, our funding is mostly from individual investors. And our average AUM is about 119,000, yes. So quite good, I would say, mix from mass affluent individual investors. And we have built capabilities to be able to acquire new investors anytime because it's all from online acquisition. And in China, they are, I believe, 38 million, yes, mass affluent investors -- 30 million, yes, population. So if there is like a cap on the AUM per investors, which I don't believe that will happen, we are well prepared to have more investors and diversify among more investors, more mass affluent investors. Actually, Yirendai, we are -- I think we are definitely doing a lot more than most other P2P lending platforms in terms of acquiring funding from individual investors, which is excellent diversified source for funding. Because if your funding is from, for example, banks, regulations might impact more. So we are less, yes, vulnerable from the liquidity regulation. And we will work very hard on diversifying, as Dennis mentioned, from multiple different sources using different structures. Liquidity risk is our top strategic focus.

---



## NOVEMBER 15, 2017 / 12:00AM, YRD - Q3 2017 Yirendai Ltd Earnings Call

### Operator

Your next question comes from the line of Yao Zeyu.

### Zeyu Yao - China International Capital Corporation Limited, Research Division - Analyst

Congratulations for strong performance and also your leading developments on YEP business. Could you please explain more on the continuous efforts in the technological business, especially the YEP related?

### Yang Cao - Yirendai Ltd. - COO and CTO

Okay. This is Yang and I'll take this question. So for the technology investment, as Yihan mentioned in her statement, we actually have been very focused on the ability to analyze the data interaction on the (inaudible) side. And the use of those technology mostly had been on customer acquisition and very smart way to serve a customer and also on the risk and antifraud side. So we are seeing tremendous results in the last few quarters regarding develop and use of this technology. And on the YEP side, we have been working with partners and various selected partners to deploy our technology into their operations. And we see great results from both our corporate customer satisfaction and also financial side. So we're going to continue working with those partners and grow our business. And we hope the YEP will be a significant revenue contributor in 2018.

### Operator

There are no further questions at this time. I would now like to hand the conference back to today's presenters. Please continue.

### Li Hui - Yirendai Ltd. - Director of IR

Thank you all for joining us today for the call. Should you have any further questions going forward, please don't hesitate to contact us. Thank you.

### Yu Cong - Yirendai Ltd. - CFO

Thank you.

### Operator

Thank you. Ladies and gentlemen, that does conclude our conference for today. Thank you for participating. You may all disconnect.

#### DISCLAIMER

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2017, Thomson Reuters. All Rights Reserved.