

[FINV] - FinVolution Group
Q1 2025 Earnings Conference Call
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Executives

Tiezheng Li, Chief Executive Officer
Jiayuan Xu, Chief Financial Officer
Yam Cheng, Head of Capital Markets

Analysts

Cindy Wang, China Renaissance
Alex Ye, UBS
Yada Li, CICC

Presentation

Operator: Hello, ladies and gentlemen. Thank you for participating in the First Quarter 2025 Earnings Conference Call for FinVolution Group. (Operator Instructions). After management's prepared remarks, there will be a question-and-answer session. Today's conference call is being recorded.

I will now turn the call over to your host, Yam Cheng, Head of Capital Markets for the Company. Yam, please go ahead.

Yam Cheng: Thank you, Rocco. Hello, everyone, and welcome to our 2025 first quarter earnings conference call. The Company's results were issued via newswire services earlier today and are posted online. You can download the earnings release and sign up for the Company's email alerts by visiting the IR section of our website at ir.finvgroup.com.

Mr. Tiezheng Li, our Chief Executive Officer, and Mr. Jiayuan Xu, our Chief Financial Officer, will start the call with their prepared remarks and conclude with a Q&A session.

During this call, we will be referring to several non-GAAP financial 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 these non-GAAP measures and reconciliation to GAAP measures, please refer to our earnings press release.

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 are included in the Company's filings 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.

Finally, we posted a presentation on our IR website providing details of our results for the quarter.

Now I will turn the call over to our CEO, Mr. Tiezheng Li. Please go ahead.

Tiezheng Li: Thanks, Yam. Hello, everyone, and thank you for joining our earnings call. This is Tiezheng Li, CEO of FinVolution Group. We're happy to speak with you today. We are pleased to report that FinVolution delivered strong financial and operational results in the first quarter of 2025 through effective execution of our Local Excellence, Global Outlook growth strategy. While navigating the expected seasonal softness in the sector, we achieved 10% year-over-year revenue growth, fueled by our expanding take rate in China and surging international demand.

International transaction volume grew robustly, up 36% year-over-year, complementing China's steady 7% growth. These successes drove a record-breaking quarterly net profit of RMB738 million, the highest since our transition to a loan facilitation model in 2019. This represented increases of 39% year-over-year and 8% quarter-over-quarter, a testament to our operational excellence.

While we are mindful of ongoing macroeconomic uncertainties, such as global trade tensions, property sector softness and evolving regulations in China's consumer finance sector, we maintain a cautiously optimistic outlook. This confidence stems from two fundamental strengths in our business model.

First, our proven resilience: Since our IPO in November 2017, we have successfully navigated multiple challenges, including our transition to an institutional funding model, Indonesia's regulatory changes, and the Covid pandemic. Notably, we have delivered consistent year-over-year growth in both transaction volume and revenue for EVERY single quarter since 2021. This track record demonstrates our ability to adapt to regulatory changes, and respond to market dynamics with agility, and balance risk management with sustainable growth.

Second, our strategic diversification initiatives in international markets continue to mitigate the impact of single-country risks. Since entering Indonesia in 2018 and the Philippines in 2020, we have systematically built a broad credit-tech business designed to reduce geographic concentration risk. Our international business generated a total transaction volume of RMB3 billion in the first quarter, a 36% year-over-year increase.

With its outstanding loan balance growing 46% to RMB1.9 billion, our international business contributed 20.4% of total net revenue in the first quarter, up from 18.8% in the

same period last year. We are on track to achieve our strategic goal of having international business contribute 50% of the Group's total revenue by 2030.

Our customer base remains the cornerstone of our long-term growth. In Q1 2025, we maintained strong momentum in borrower acquisition across all markets, onboarding 1.2 million new borrowers, up 62% year-over-year. This marked our third consecutive quarter exceeding 1 million new borrowers, underscoring the effectiveness of our AI-powered marketing strategy and diversified user acquisition channels.

In China, we added 512,000 new borrowers, up 37% year-over-year. In our international markets, we attracted 652,000 new borrowers, up 90% year-over-year. This marks the fourth consecutive quarter where international acquisitions have exceeded those in China. We expect this trend to continue, thanks to rising penetration in online lending as well as our strategic cooperation with the leading e-commerce and e-wallet platforms to acquire borrowers in international markets.

Our technology initiatives continued to improve efficiency across our operations. We are exploring the use of large language models in risk assessment, leveraging their diverse capabilities to automatically extract, analyze and derive insights from unstructured data in consumer credit reports. For instance, the frequency with which a borrower changes their residential address is an unstructured, contextual detail that can provide valuable insights into the stability of borrowers' work and living conditions.

Large language models can automatically capture this type of contextual data and convert it into meaningful, structured data that can be integrated into our existing risk assessment model to more comprehensively evaluate users' probability of default. In our recent A/B testing, our model achieved observable, statistically significant improvement, indicating enhanced risk assessment effectiveness.

We've also made substantial progress in automation through our Virtual Representative program. By integrating large language models, we've upgraded our Natural Language Processing systems with intelligent virtual agents that can handle customer acquisition and compliance workflows. Looking ahead, we plan to expand their role across additional business functions to further boost operational efficiency.

Before I wrap up, a brief update on our ESG efforts. Our commitment to sustainable finance continues to deliver meaningful impact. In Q1 2025, we facilitated RMB15 billion in financing for 442,000 small business owners, up 15% and 10%, respectively. These small business loans represented 30% of our China transaction volume, demonstrating our ongoing support for the backbone of China's economy.

We further solidified our position as an industry thought leader by serving as a core contributor to the China Finance Consumer Rights Protection Blue Book, a key industry publication developed in a partnership with the National Internet Finance Association of China. With its release in March, we helped shape best practices in consumer protection and financial literacy nationwide.

In conclusion, our strong first quarter performance reflects excellent execution of our effective Local Excellence, Global Outlook strategy. Looking forward, we are well-positioned to capitalize on emerging opportunities, while maintaining the agility required to navigate the evolving landscape. Our diversified footprint, technological leadership, and commitment to sustainable growth position us well to continue creating value for all stakeholders.

With that, I will now turn the call over to our CFO, Jiayuan Xu, who will discuss our operational and financial results.

Jiayuan Xu: Thank you, Tiezheng, and hello, everyone. Welcome to our first quarter 2025 earnings call. Let's go through our key results for the first quarter. To be mindful of the length of our earnings call today, I encourage listeners to refer to our first quarter earnings press release for further details.

China's macro environment remained uncertain in the first quarter due to global trade tensions. However, there were some encouraging signs: China's GDP grew by 5.4% year-over-year, while retail sales rose by 5.9% in March. Total social financing expanded 8.4% in March, up from February, and the manufacturing PMI remained above 50 in February and March, signaling continued recovery momentum.

On the regulatory front, we were pleased to see policies supporting consumption and consumer finance, including increased liquidity and the credit supply to bolster consumption. Against the backdrop, we delivered a solid domestic performance by leveraging our operational prowess and tech strengths.

Our China business achieved an increase in take rate from 3.3% to 3.4% sequentially, thanks to our strong partnerships with 114 funding partners that led to a 10-basis-point decline in funding cost. On the credit front, D1 delinquency also improved by 10 basis points to 4.6% and our 30-day loan collection rate held steady at 89%.

Turning to our international markets, although GDP growth in Indonesia and the Philippines slowed marginally due to trade tensions and the tariff uncertainty, the overall economy remained resilient, bolstered by a large population with solid domestic consumption demand. Unmet credit demand from underserved communities in our footprint markets continues to support our strong growth trajectory. Our total international transaction volume exceeded RMB3 billion for the first time, up 36% year-over-year and 5% sequentially. Outstanding loan balance rose to RMB1.9 billion, up 46% year-over-year and 9% sequentially.

Our cumulative international borrower base has now reached around 8 million. Notably, our unique borrowers soared to a record high of 1.7 million in the first quarter, marking an impressive 106% year-over-year increase. As a result, revenue for our international markets increased to RMB711 million, up 19.5% year-over-year.

As for Indonesia, while we experienced some seasonal impact in March due to Ramadan, growth continued at a measured pace in the first quarter. Indonesia's consumer

confidence index stayed above 120, maintaining this high level for nearly 2.5 years. Unemployment also reached its lowest level in the past 10 years during the first quarter.

The change in the interest rate cap imposed at the end of 2024 has had a limited impact on our business, as our average loan tenor in Indonesia is less than 6 months. Moving forward, we will closely monitor potential effects from macroeconomic and domestic uncertainties.

Our transaction volume in Indonesia reached RMB1.8 billion, up 10% year-over-year, while outstanding balance hit RMB1.2 billion, up 18% year-over-year. Our user base continued to expand, with unique borrowers reaching 671,000, up 32% year-over-year.

With the interest rate cap overhang resolved, we allocated more resources to marketing and focused on quality growth, driving an increase in our new borrowers to 312,000 this quarter, up 69% year-over-year and 4% sequentially, bringing cumulative borrowers in Indonesia to 5.3 million.

We also continued to diversify into offline consumption loans under the multi-finance license we acquired, broadening our reach to near-prime customers through scenarios like mobile phone and electronic purchases. All of these efforts drove solid growth in Indonesia amid the seasonal impact of Ramadan.

Now let's zoom in on the Philippines, where we achieved rapid growth and profitability, despite Q1 being the traditional low season. In the first quarter, our transaction volume in the Philippines reached RMB1.2 billion, up 118% year-over-year and 18% sequentially. Outstanding loan balance also grew to RMB693 million, a 142% year-over-year and 26% sequential increase. It accounted for 37% of our international loan balance, compared with 23% in the first quarter of 2024.

Our outstanding performance in the Philippines has been driven by several key factors, including ongoing improvements in risk management and deeper collaboration with major e-commerce platforms to expand buy-now-pay-later offerings.

Our excellent asset quality has consistently attracted institutional funding partners. This quarter, we onboarded UnionDigital Bank as a funding partner, with several additional institutions in the pipeline. The percentage of loans facilitated by local financial institutions remained around 70% for the quarter. BNPL business continued to grow, contributing 30% of Q1 volume, up from 19% in 2024.

Going forward, we are confident of maintaining rapid transaction volume growth in the Philippines, as we cement our roots in the country, further expand our funding sources and diversify our business models.

Moving on to our financial metrics. This quarter's operational excellence resulted in a strong financial performance. Net revenue for the quarter reached RMB3.5 billion, marking a 10% increase year-over-year and a 1% increase sequentially despite the low season. Net income was RMB738 million, representing a 39% increase year-over-year and an 8% sequential increase.

Meanwhile, sales and marketing expenses rose by 18% year-over-year to RMB530 million, as we continued to strengthen efforts to acquire new borrowers of higher quality in both China and international markets.

Leverage ratio, defined as risk-bearing loans divided by shareholders' equity, improved to around 2.7x. Our total liquidity position, consisting of cash and cash equivalents, plus short-term investments, remained strong at RMB8.5 billion.

Next, a brief update on our ongoing efforts to enhance shareholder value. Since 2018, we have continuously returned value to our shareholders in the form of share repurchases and dividends. Recently, our board of directors approved our 7th annual dividend in the amount of US\$0.277 per ADS, reflecting a DPS increase of 17% year-over-year. This dividend was distributed on May 7, 2025, bringing our total dividend distributions to shareholders for fiscal year 2024 to US\$70.3 million.

In summary, strong execution of our Local Excellence, Global Outlook Strategy drove continued growth in the first quarter of 2025 despite macro headwinds and seasonal softness. We remain confident in capitalizing on China's recovery while maintaining momentum in our international expansion.

As such, we are reiterating our 2025 full-year revenue guidance of RMB14.4 billion to 15.0 billion, representing 10% to 15% growth year-over-year.

With that, I will now hand it over for Q&A. Operator, please continue.

Questions and Answers

Operator: Thank you. We will now begin the question-and-answer session. (Operator Instructions). Cindy Wang at China Renaissance.

Cindy Wang: (Speaking foreign language). Congrats for the great first quarter results. So I have two questions here. First, with recent new regulation on loan facilitation in China, do you see any business impact from it, and what's our basis adjustment for this?

And second, so given the recent U.S. tariff uncertainty, have you seen any impact on the Indonesia or Philippines consumption loan demand since April? And how do you expect the international new loan volume in second quarter?

Jiayuan Xu: Okay. Thanks, Cindy. I will take your first question, and Tiezheng will take your second question. Well, your first question is about the new regulations. Yes, it's about the loan facilitation model and the new regulation was announced in April, and will be effective in October. I think it's the first time to clearly define the core model of loan facilitation, as the loans issued by the traditional financial institutions through the external third-party platforms.

So it marks the official inclusion of the loan facilitation business in China's financial regulatory framework, and to reference the regulatory authorities' formal recognition across the sector. Meanwhile, we noted that the regulations were just following the regulators' focus on consumer finance. We believe it's a positive signal to promote the healthy development of the industry, and to encourage the increase in supply of consumer finance products and boost the consumers' confidence.

And if we look at some details in the regulation, we can find the final version to be relatively moderate stance compared with the draft one, as the focus is more on qualitative aspects rather than the quantitative ones. And according to the regulation, banks now are required to implement a white list management system for those cooperative internet platforms. And the financing costs are clearly defined with all relevant costs should be included and disclosed in the contracts.

So we think it will promote the industry's compliance level and benefit those leading platforms, which have the adequate capital, the strong risk management capabilities and high compliance standards. So in conclusion, we believe the overall impact of the new regulation is manageable, and it's very crucial for the long-term development of the industry. Okay.

Tiezheng Li: Hi, Cindy, I will answer the second question. Yes, we do have observed the global trade tensions have introduced certain economic challenges to Southeast Asia. Some of the trade-oriented economies in the region are encountering slower-than-expected economic growth, and right now, many countries are engaged in negotiations with the United States to secure favorable tariff rates.

And this year, the macroeconomic trend of Indonesia and the Philippines are different. In the first quarter, Indonesia's GDP growth rate decreased to 4.9%, slightly below the 5.2% target. And PMI in April declined by 11% month-on-month to 46.7%, while in the Philippines, GDP growth came in at 5.4%, up slightly by 0.1% from previous quarter, and keeping it among Asia's fastest-growing economies. Domestic demand continues to drive the economy with consumer spending making up nearly 80% of GDP in Q1. Fortunately, our customers are mainly consumers and the loan demands are less affected by the trade tensions.

On the ground, we've seen some seasonal softness in Indonesia. Ramadan slowed things down a little bit, but volume was still up nearly 10% year-over-year. We expect a nice rebound in Q2 with sequential growth. In the Philippines, it's been a strong start in Q1. Volume jumped 18% quarter-on-quarter. And in Q2, we are projecting another solid quarter with good sequential growth. Thank you, Cindy.

Operator: Alex Ye with UBS.

Alex Ye: (Speaking foreign language). So I have two questions. The first one is on the loan application demand trend in China in the past 2 months. And do you plan to tighten the credit approval preemptively, given the rising macro uncertainty? And how would that impact your loan volume outlook?

The second question is regarding the drivers for the improved take rate for the China business and the outlook ahead.

Jiayuan Xu: Thanks, Alex. I will take your questions. Your first question is about the credit demand in April and May. We have delivered solid results in the first quarter, and in terms of the loan application demand, we observed the rate holding steady in April and May. While in April, we saw a slight month-over-month decline and rebounded in May has surpassed the March levels. And historically, the demand in May tends to be softened slightly due to the seasonal holidays. But this year, we are seeing the moderately better demand. Yes, so that's about the application rate.

And in terms of the credit performance, yes, it showed steady improvement in the first quarter, and have remained stable in the second quarter so far. As the macro economy still has a lot of uncertainties and given the moderately supportive demand, we have selectively adjusted our risk appetite for marginal assets. And meanwhile, we will closely monitor the macroeconomic trends and the industry development, and will dynamically balance between the risk management and the business growth.

The performance of April and May, the transaction volumes indicate that a healthy growth trajectory has emerged. So given our current business performance and operation capabilities, we are confident in achieving our guidance of 10% to 15% full-year revenue growth. Okay. So that's about the first question.

And your second question is about the take rate in our domestic business, yes. In the first quarter, our take rate in China increased by 10 basis points sequentially, primarily driven by several factors. Number one, we further improved the funding cost by 10 basis points quarter-over-quarter; and number two, our loan tenure extended slightly from 8 months to 8.2 months with the improved risk performance sequentially. Currently, both risk metrics and funding costs are at historical favorable levels.

And looking ahead, we expect that both will remain stable. So it will stabilize the take rate at current level. We will continue to drive high-quality growth in China market with refined operations and management. Okay. Thank you, Alex.

Operator: Yada Li with CICC.

Yada Li: (Speaking foreign language). Then I'll do the translation. I was wondering if you could give more color on the latest business updates regarding the international expansion. Any guidance for revenue and profit in 2025? And besides Indonesia and Philippines, could you elaborate more about the development of other regions as well? That's all.

Jiayuan Xu: Okay. Thanks, Yada. I will take your question. Well, for international markets, despite the uncertainties in the macroeconomic environment, with our proven technological capabilities and the risk control expertise across those diverse markets, it enabled us to deliver a strong first quarter performance.

The transaction volume in our international market surpassed RMB3 billion for the first time in this quarter with a year-over-year increase of 36% and a quarter-over-quarter increase of 5%. And the number of unique borrowers reached a historical high at 1.7 million with a triple-digit year-over-year growth. And the revenue from our international market boosted to RMB711 million in Q1, marking a year-over-year increase of nearly 20% and accounting for 20.4% of total revenue.

And in terms of the revenue and the profit, we maintain our full-year total revenue growth target of 10% to 15%. The contribution from international markets is expected to increase to 25%. That indicates the growth rate of international revenue will outpace the overall growth.

In the first quarter, Indonesia and the Philippines collectively achieved a modest profit aligned with our projection. And looking ahead, we expect they will generate a minimum net profit of US\$10 million in 2025.

For our expansion into the new markets, we have mentioned in the previous earnings call, we shared that we recently obtained the non-banking financial company license in Pakistan and operation in Pakistan is still in an early stage. Meanwhile, we were actively exploring the new countries to support our long-term strategy. That means we aim to deliver at least a 50% revenue contribution from international markets by 2030. We would be happy to share if there are any updates. Okay. Thanks, Yada.

Operator: Thank you. As there are no further questions at this time, I'd now like to turn the call back over to the company for closing remarks.

Yam Cheng: Okay. Thank you once again for joining us today. If you have any further questions, please feel free to contact us and our Investor Relations team. Thank you so much.

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