



JUPAI
- Delivered Robust Growth during 9M-2017

NYSE: JP

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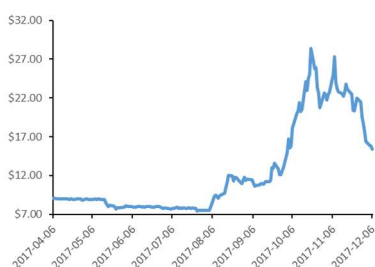


Company Summary

Date:	2017-12-06
Current Price:	\$15.28
52-week Range:	\$7.36-\$29.00
Market Cap:	\$493.34 million
3-month Avg Volume:	654.14k
P/E Ratio:	9.88x

Source: Yahoo Finance

NYSE: JP stock price



Jupai – Robust 9M17 Earnings Growth

Exchange: NYSE Ticker: JP

Result Highlights¹

One-time commissions driving solid revenue growth

Jupai posted a rapid net revenue growth of 57.9% y/y to RMB 1.25 billion in-9M-2017, driven by higher revenue from one-time commissions as a result of increased fee rate compared to the same period in prior year. On net revenue basis, one-time commissions grew by 62.9% to RMB 730 million, recurring management fees increased by 34.5% to RMB 252 million, and other service fees climbed 223.9% to RMB 183 million, primarily on higher sub-advisory fees collected from other asset management companies. However, net revenue from recurring service fees declined 16.5% to RMB 81 million primarily due to servicing fewer suppliers compared to prior year. For 3Q-2017, Jupai recorded a solid net revenue growth of 37.5% y/y to RMB 441 million.

Jupai believes that the momentum in profit growth will be sustained

The estimated net revenues for 4Q 2017 will be in the range of RMB 460-480 million, an increase of 36% to 42% compared to 4Q 2016. With stable net margin, net income for 4Q 2017 will be around RMB 115-120 million; net income for 2017 will be in the range of RMB 434-439 million (109%-111% y/y).

Broadening economies of scale boosting profitability

Jupai posted stronger margins for 9M-2017, with operating margin increasing to 36.9% from 25.4% a year ago, driven by consistent revenue expansion and greater economies of scale despite higher direct costs. Moreover, net margin rose to 25.6% compared to 18.4% a year ago. The company reported robust net results, net income attributable to ordinary shareholders and fully diluted earnings per ADS (each represents six ordinary shares) doubled to RMB 319 million and RMB 9.43, respectively. For 3Q-2017, operating margin rose to 38.2% and net margin rose to 26.2% from 3Q-2016 of 35.9% and 24.6%, respectively. Furthermore, net income increased by 46.7% y/y to RMB 116 million and fully diluted earnings per ADS increased to RMB 3.39 from RMB 2.36 in 3Q-2016.

Fixed Income (FI) products procreating competitive advantage

Jupai continues to benefit from its FI product offerings, apprehending conservative market sentiments amid tightening regulations in China. The company has been rapidly expanding both real-estate and non-real-estate FI product lines. As of September 30, 2017, the value of the company's distributed FI products increased by 60.8% y/y to RMB 32 billion, accounting for 82% of its total distributed WM products. Moreover, FI assets under management (AUM) grew by 110.3% to RMB 28 billion, around 57% of its total reported AUM. Jupai ensures broader client reach with expanding coverage network of 72 client centers in 48 cities as of September 30, 2017, from 65 client centers covering 40 cities as of September 30, 2016.

¹ Jupai Holdings Ltd, 6-K, November 14, 2017; ADS- American Depositary Share

Profitability Forecast²

4Q-2017 Earnings Projections – Bull case

The Bull case should support net revenue growth of around 42% y/y to USD 69 million in 4Q-2017 based on the upper range of the management guidance, resulting in 2017 net revenue growth of 56% y/y to USD 254 million. Basing on the guidance, assume 25% net margin to derive the net income of USD 17 million in 4Q-2017, resulting in a total net income of USD 65 million for 2017 (116% y/y).

Exhibit 1 Bull case projections

Income Statement (USD million)		2016	1Q17	2Q17	3Q17	4Q17E	2017E
Total revenue		162.4	53.6	64.4	66.3	69.3	253.5
	y-o-y change	72%	55%	75%	38%	42%	56%
Gross profit		93.7	34.0	40.5	40.1	42.8	157.4
	Margin	58%	63%	63%	61%	62%	62%
	y-o-y change	65%	95%	85%	34%	54%	68%
EBITDA		46.7	18.0	24.0	25.3	26.2	93.5
	Margin	29%	34%	37%	38%	38%	37%
	y-o-y change	36%	260%	200%	49%	56%	100%
EBIT		42.5	18.0	24.0	25.3	26.2	93.5
	Margin	26%	34%	37%	38%	38%	37%
	y-o-y change	31%	275%	193%	46%	92%	120%
Net income		29.9	13.2	16.6	17.4	17.3	64.5
	Margin	18%	25%	26%	26%	25%	25%
	y-o-y change	24%	222%	177%	47%	92%	116%
Net income per ADS		\$0.89	\$0.39	\$0.49	\$0.51	\$0.51	\$1.90
	y-o-y change	-27%	225%	1533%	46%	88%	114%

Source: Jupai's 2016 20F, 6K, Projections based on calculations

4Q-2017 Earnings Projections – Base case

The Base case assumes net revenue would grow by 38% y/y to USD 67 million in 4Q-2017, generating a total net revenue of USD 252 million in 2017. Further, net income is assumed to increase to USD 15 million in 4Q-2017, resulting in 2017 total net income of USD 62 million (107% y/y).

Exhibit 2 Base case projections

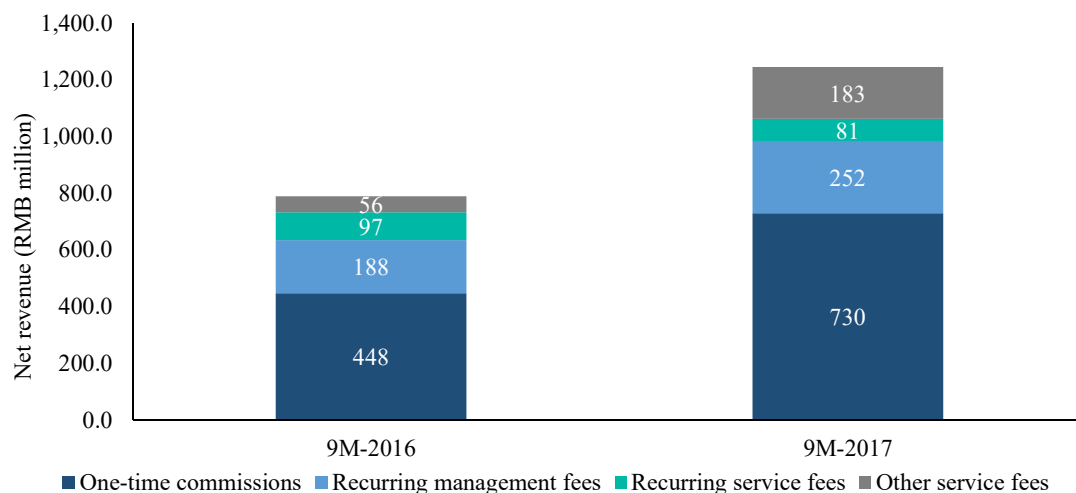
Income Statement (USD million)		2016	1Q17	2Q17	3Q17	4Q17E	2017E
Total revenue		162.4	53.6	64.4	66.3	67.4	251.6
	y-o-y change	72%	55%	75%	38%	38%	55%
Gross profit		93.7	34.0	40.5	40.1	39.9	154.5
	Margin	58%	63%	63%	61%	59%	61%
	y-o-y change	65%	95%	85%	34%	44%	65%
EBITDA		46.7	18.0	24.0	25.3	25.1	92.4
	Margin	29%	34%	37%	38%	37%	37%
	y-o-y change	0%	260%	200%	49%	49%	98%
EBIT		42.5	18.0	24.0	25.3	25.1	92.4
	Margin	26%	34%	37%	38%	37%	37%
	y-o-y change	31%	275%	193%	46%	84%	117%
Net income		29.9	13.2	16.6	17.4	14.8	62.0
	Margin	18%	25%	26%	26%	22%	25%
	y-o-y change	24%	222%	177%	47%	65%	107%
Net income per diluted ADS		\$0.89	\$0.39	\$0.49	\$0.51	\$0.43	\$1.83
	y-o-y change	-27%	225%	1533%	46%	61%	105%

Source: Jupai's 2016 20F, 6K, Projections based on calculations

² Estimated 4Q-2017 net income per diluted ADS is based on the assumption that the outstanding ADS shares remain the same as 3Q-2017

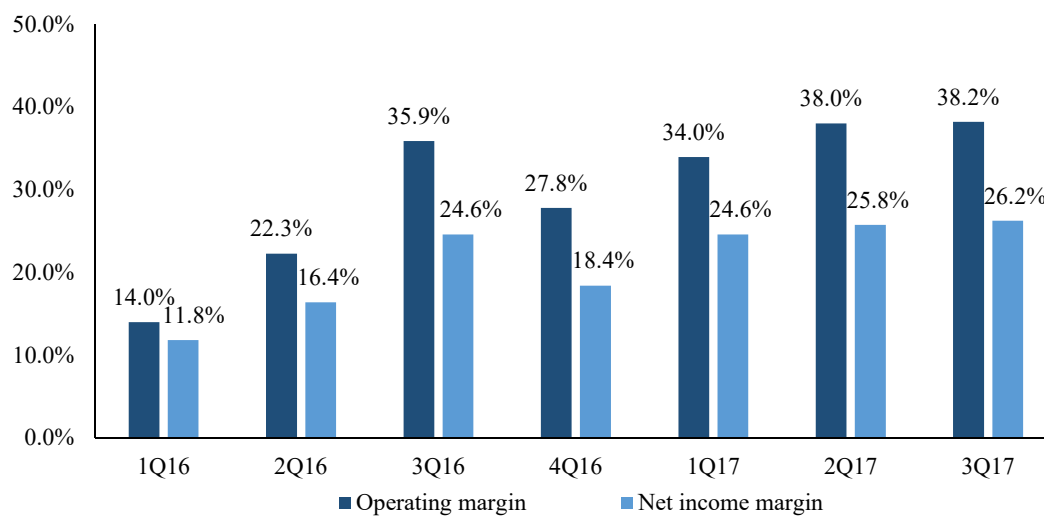
Appendix

Exhibit 3 Segmental revenue growth (nine-month comparison)



Source: Jupai's 2016 20F, 6K

Exhibit 4 Margin expansion (quarterly comparison)



Source: Jupai's 2016 20F, 6K

Financial Statements³

Income Statement (USD '000s)	2012	2013	2014	2015	2016	9M-2017
<i>Revenue:</i>						
Third-party revenue	8,319	20,297	33,480	42,209	59,815	58,669
Related-party revenue	-	2,298	5,658	53,320	103,144	129,329
Total revenue	8,319	22,595	39,138	95,529	162,959	187,997
Business taxes and related surcharges	(45)	(164)	(226)	(1,178)	(535)	(700)
Net revenue	8,274	22,431	38,912	94,352	162,424	187,297
<i>Operating cost and expenses:</i>						
Cost of revenue	(363)	(3,703)	(10,657)	(37,414)	(68,707)	(70,702)
Selling expenses	(865)	(3,847)	(5,768)	(13,810)	(34,178)	(30,028)
General and administrative expenses	(1,937)	(4,411)	(7,009)	(14,553)	(22,463)	(21,586)
Other operating income - government subsidy	196	777	2,364	3,756	5,385	4,121
Total operating cost and expenses	(2,968)	(11,184)	(21,071)	(62,022)	(119,963)	(118,195)
Income from operations	5,306	11,247	17,841	32,330	42,461	69,103
<i>Other income:</i>						
Realized exchange gain (loss)	-	-	-	332	(3)	-
Gain from deconsolidation of subsidiaries	-	-	102	-	-	-
Interest income	9	65	187	443	535	1,531
Investment income	323	1,093	2,054	3,025	1,818	1,316
Gain from disposal of investment in affiliates/Net other loss	-	-	-	369	-	(281)
Interest expense	-	(16)	(15)	-	-	-
Total other income	332	1,142	2,328	4,170	2,350	2,566
Income before taxes and income (loss) from equity in affiliates	5,638	12,389	20,169	36,500	44,810	71,669
Income tax expense	(1,529)	(3,203)	(5,617)	(10,663)	(11,899)	(18,303)
(Loss) gain from equity in affiliates	(122)	(136)	78	687	222	(561)
Net income	3,987	9,050	14,630	26,523	33,133	52,805
Net loss (income) attributable to non-controlling interests	0	105	(258)	(2,186)	(3,235)	(4,887)
Net income attributable to Jupai's shareholders	3,987	9,155	14,372	24,337	29,898	47,918
Deemed dividend on Series B convertible redeemable preferred shares	-	-	(7,564)	-	-	-
Net income attributable to ordinary shareholders	3,987	9,155	6,809	24,337	29,898	47,918
<i>Net income per ADS (each represents 6-Ordinary shares):</i>						
Basic	\$0.24	\$0.55	\$0.49	\$1.28	\$0.93	\$1.48
Diluted	\$0.24	\$0.54	\$0.36	\$1.22	\$0.89	\$1.42
<i>Weighted avg computed ADS (each represents 6-Ordinary shares):</i>						
Basic	16,667	16,667	13,947	19,021	32,112	32,435
Diluted	16,667	16,811	19,074	19,933	33,461	33,820

³ Jupai's 2016 20F and 3Q-2017 6K

Balance Sheet (USD '000s)	2012	2013	2014	2015	2016	30-Sep-17
Assets:						
Cash and cash equivalents	960	5,343	31,557	122,505	161,770	183,454
Short-term investments	1,923	5,049	10,661	11,157	3,631	22,729
Short-term entrusted investments	82	1,757	2,215	288	-	-
Accounts receivable	1,121	393	793	4,005	7,506	11,690
Other receivables	2,860	808	2,121	5,165	11,384	3,728
Amounts due from related parties	3,907	1,569	2,390	1,836	19,237	32,408
Customer borrowings	445	10,084	550	-	-	-
Deferred tax assets - current	363	705	2,595	7,087	8,036	-
Other current assets	15	167	657	1,026	1,808	2,267
Investments at cost method - current	-	-	-	-	-	3,006
Total Current Assets	11,677	25,876	53,540	153,068	213,371	259,282
Long-term investments	2,417	1,971	8,727	9,988	-	-
Long-term entrusted investments	336	2,417	1,068	-	-	-
Investments at cost method - non-current	-	-	-	-	10,147	7,583
Intangible assets, net	-	-	-	8,432	11,965	12,033
Goodwill	-	-	-	39,995	40,005	39,940
Prepayment for acquisition	-	-	-	14,613	11,171	39
Investment in affiliates	-	1,742	2,285	11,578	12,362	26,741
Property and equipment, net	552	463	1,360	2,474	5,358	5,862
Long-term prepayment	-	-	212	293	902	1,775
Deferred tax assets - non-current	96	85	121	1,243	1,223	9,484
Other non-current assets	-	-	-	-	-	3,459
Total Non-current Assets	3,401	6,679	13,774	88,616	93,133	106,916
Total Assets	15,078	32,554	67,314	241,684	306,504	366,197
Liabilities and Equity						
Accrued payroll and welfare expenses	-	941	2,247	12,444	14,671	15,628
Income tax payable	1,672	3,676	4,800	15,914	19,895	26,360
Other tax payable	160	1,069	1,597	6,040	8,381	13,203
Dividend payable	-	-	-	1,155	1,463	-
Amounts due to related parties - current	-	-	-	-	881	1,079
Deferred revenue from related parties	-	380	5,288	12,898	17,520	22,399
Deferred revenue	-	757	3,462	8,956	5,247	4,461
Other current liabilities	521	852	2,070	730	1,497	1,833
Total Current Liabilities	2,353	7,676	19,464	58,137	69,558	84,962
Amounts due to related parties	-	-	-	5,280	-	-
Deferred revenue from related parties	-	-	132	4,729	10,862	11,071
Deferred revenue	-	340	354	548	818	1,402
Non-current uncertain tax position liabilities	584	695	785	827	855	-
Deferred tax liabilities	-	-	-	2,108	1,414	893
Total non-current liabilities	584	1,036	1,271	13,493	13,949	13,366
Total Liabilities	2,937	8,711	20,735	71,629	83,506	98,328
Mezzanine Equity						
Series A convertible redeemable preferred shares	-	1,500	1,500	-	-	-
Series B convertible redeemable preferred shares	-	-	36,795	-	-	-
Shareholders' Equity						
Ordinary shares	50	50	31	90	87	-
Subscription receivable	(50)	(50)	-	-	-	-
Additional paid-in capital	6,296	6,296	6,795	146,283	152,658	-
Retained earnings	5,615	14,770	154	24,491	52,272	-
Accumulated other comprehensive income	118	627	575	(3,493)	11,115	-
Total Shareholders' Equity - Jupai	12,029	21,694	7,554	167,371	216,132	-
Non-controlling interests	112	650	730	2,684	6,865	-
Total Shareholders' Equity	12,141	22,343	8,284	170,055	222,997	267,869
Total Equity (including Mezzanine Equity)	12,141	23,843	46,579	170,055	222,997	267,869
Total Liabilities and Total Equity	15,078	32,554	67,314	241,684	306,504	366,197