



JUPAI  
- Delivered Robust Growth in Fiscal 2017  
NYSE: JP

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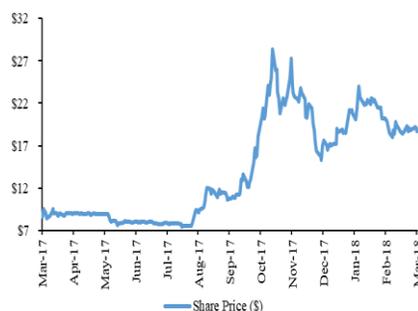
## Jupai – Robust Fiscal 2017 Earnings Growth

Exchange: NYSE Ticker: JP

### Company Summary

Date:	2018-03-12
Current Price:	USD 18.82
52-week Range:	USD 7.36 -29.00
Market Cap:	USD 638.4 million
3-month Avg Volume:	300.5k
P/E Ratio:	10.86x

Source: Yahoo Finance



### Result Highlights<sup>1</sup>

#### One-time commissions growth drove FY2017 revenue expansion

In FY2017, net revenues were RMB 1,706.2 million (USD 262.2 million), an increase of 51.3% from RMB 1,127.7 million in 2016, mainly due to increased one-time commissions rate. Net revenues from one-time commissions increased by 64% y/y to RMB 1,038.7 million (USD 159.6 million), recurring management fees increased by 39.5% y/y to RMB 363.7 million. Net revenues from other service fees were RMB 198.8 million (USD 30.6 million), an increase of 79.5% from RMB 110.7 million in 2016, as the related sub-advisory fees started from 3Q 2016.

#### Greater economies of scale should continue to boost profitability

In FY2017, Jupai's operating margin increased to 30.7% from 26.1% in the previous year, mainly driven by consistent revenue expansion and greater economies of scale. Net margin also increased to 24% from 18.4% in 2016. In FY2017, net income attributable to ordinary shareholders was RMB 409.5 million (USD 62.9 million), an increase of 97.3% from RMB 207.6 million in 2016.

#### Tightening regulations should continue to benefit Jupai

Real estate fixed income product has been the most efficient and easiest financing method for most of the real estate companies in China for years. However, the government has imposed heavy regulations in 2017 and 2018 on real estate enterprises' domestic financing platforms and channels, targeting to deleverage the market by making it highly difficult and costly for the companies to obtain bank loans and debt financing. While the heightened regulations might have restrained Jupai from designing and selling some of its real estate fixed income products, they have created opportunities for it to grow new businesses through equity product, such as preferred shares/convertible bonds, M&A funds in the relevant industries. With Jupai's effective risk control, those projects have turned into high-quality ones for the company to further diversify and expand its product offerings.

#### Deficient market capital supply allows further commission hike

Under government's supportive policy, debenture bonds experienced a bull market in 2015 and 2016. Many companies chose to issue their debt around that time, and most of them would mature in 2018, if not already in 2017. As most of the repayment was due in 2017, net financing capital raised from debenture bonds dropped 92% to RMB 240.5 billion in 2017 from RMB 3.02 trillion in 2016. Companies have been in great need of new capital after repaying mass amount of debt these years. Real estate enterprises are also constantly in need for more

<sup>1</sup> Jupai Reports Fourth Quarter and Full Year 2017 Results, ADS- American Depositary Share

financing, due to delayed cash inflows caused by the government's restraints on real estate purchase. Limited financing options have created a huge supply-demand imbalance in today's highly regulated market, meanwhile have also created advantages for Jupai. As one of the leading players that provide various financing options, Jupai should garner a much stronger bargaining power to further increase its commission rates down the road.

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