



JUPAI Holdings Ltd.
Solid FQ1-2018 Performance Sustained By New
Opportunities Brought About By New Regulations

NYSE: JP

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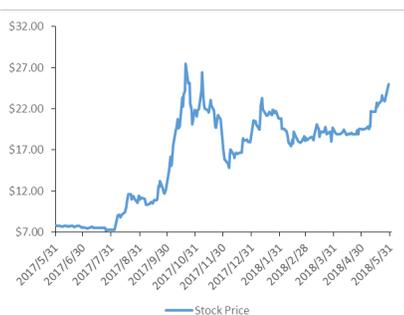
Jupai Holdings Limited – Fiscal 2018 Q1 Earnings Review

Exchange: NYSE Ticker: JP

Company Summary

Date:	2018/5/31
Current Price:	\$23.72
52-week Range:	\$7.35 - \$29.00
Market Cap:	\$791.1M
3-month Avg Volume:	173.5k
P/E Ratio:	12.52x

Source: Yahoo Finance



Brief Review¹

Jupai reported FQ1-2018 net revenue of RMB 433.2 million (USD \$69.1 million), a YoY increase of 17.5%. Net income attributable to ordinary shareholders was RMB 115.9 million (USD \$18.5 million), a YoY increase of 27.8%, and diluted earnings per ADS was RMB 3.30 (USD \$0.53), a YoY increase of 22.7%.²

FQ1-2018 Result Highlights

Recurring management revenues increased driven by the increase in AUM, or asset under management. For the first quarter of 2018, one-time commissions of RMB 276.4 million remained the largest source of revenue, returning a YoY growth of 17.8%. Meanwhile one-time commission accounted for 63.7% of the total revenue, not much change YoY, while the revenue contribution from recurring management fees increased to 28.4%, up from 18.3% a year ago. Benefiting from the business development of real estate private equity products, recurring management fees increased 81.8% YoY to RMB 122.9 million, accounting for the second largest revenue source and primarily driven by a YoY growth of 26.5% in AUM of RMB 54.50 billion. The company's AUM is expected to continue to grow, given private equity products' longer investment horizon, which in turn should generate higher management fees over the long run.³ The increase from the recurring management fee offset the decreases in revenues from the recurring series fees and other service fees, which collectively account for only 7.8% of the total revenue in the quarter. Overall total net revenues increased 17.5% YoY to RMB 433.2 million (USD \$69.1million).

Enhanced bargaining power in real estate projects attributed to recent policy changes. In the quarter, private equity products accounted for 56% of the total products distributed, a significant increase from the FQ1-2017 of merely 16%. Meanwhile, the share of fixed income products decreased from 79% in the FQ1-2017 to 36%. In addition, as the government continues to tighten real estate market and encourage M&A within the real estate market, Jupai is expected to have more bargaining power for its real estate-related private equity products. As the FQ1-2018, the total amount of AUM was RMB 54.5 billion, increased by 26.5% YoY.

¹ FY2018 Q1, 6K

² ADS indicates the American depository share

³ FY2018 Q1 Earnings Call

Positive management guidance on the back of a steady profit margin growth.

Overall, the total operating margin increased to 35.2%. The net margin also increased to 26.7%, as compared to 24.6% for the corresponding period in FY2017. On the back of the margin improvements, the management provided positive outlook and guided a 30%-40% YoY increase in earnings for the full year of FY2018, or RMB 532.3 million to RMB 573.3 million.

Jupai to benefit from the new asset management business regulations.

According to the regulations,⁴ there should be no guarantees on either investment principals or returns. The new regulations also encourage the investors to really understand the investment risk and seek to reduce the risk inside the financial institutions. Under the new regulations, high net worth individuals are expected to withdraw money from banks, and with that to purchase financial products offered by companies like Jupai, expecting to earn higher return. Such transition is reflective in FQ1-2018 performance figures, where fixed-income products under management increased by 19.8% YoY, while private equity products under management increased by 43.7% YoY. Under the premise of the new policies, both of Jupai's two main products are expected to continue to grow, at least in the near future.

⁴ The People's Bank of China, April 27, 2018

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