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HX.OQ - Q2 2021 Hexindai Inc Earnings Call

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CORPORATE PARTICIPANTS

Rui Zhang *Hexindai Inc. - CFO*

Xiaobo An *Hexindai Inc. - Founder, Executive Chairman & CEO*

Zenbo Ma

PRESENTATION

Zenbo Ma

Thank you, operator. Hello investors, analysts and colleagues. Thank you for joining us today. Our earnings release was distributed earlier today and is available on our IR website at ir.xiaobaimaimai.com. On the call today from Xiaobai Maimai are Mr. Xiaobo An, our Founder, Chairman And CEO; and Ms. Kerrie Zhang, our CFO. Mr. An will review business operations and the company highlights, followed by Ms. Zhang, who will discuss financials. They will be available to answer your questions during the Q&A session that follows.

Before we begin, I'd like to remind you that this conference call may contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are made under the safe harbor provision of the U.S. Private Securities and Litigation Reform Act of 1995. These statements can be identified by the terminologies such as will, expects, anticipates, future, intends, plans, believes, estimates, potential, continue, ongoing, targets, guidance and similar statements.

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It is now my pleasure to introduce our Founder, Chairman and CEO, Mr. Xiaobo An. Please go ahead.

Xiaobo An - *Hexindai Inc. - Founder, Executive Chairman & CEO*

(foreign language).

Zenbo Ma

[Interpreted] Thank you, everyone, for joining our call today.

Xiaobo An - *Hexindai Inc. - Founder, Executive Chairman & CEO*

(foreign language)

Zenbo Ma

[Interpreted] The first half of fiscal year 2021 has seen a very good factor transition to result as we diversified our revenue stream. In May 2020, we launched our social e-commerce platform, Xiaobai Maimai, which offers a variety of high-quality products at competitive prices in payroll, entertainment, beauty, variety and household goods. By shopping from our one-stop coming in platform, consumers have daily necessities to

discounts, coupons and rebates and also enjoy easy shopping skills by solving a problem of compared prices between so many options in the online retail space. We have been very active in upgrading this platform to provide a wider range of value-for-money products to our users in addition to small commissions for every purchase, share, or product recommendation our users make through their social circles.

Xiaobo An - Hexindai Inc. - Founder, Executive Chairman & CEO

(foreign language)

Zenbo Ma

[Interpreted] We believe social e-commerce has enormous growth potential among China's emerging middle class and the word of mouth is most effective communication among communities, especially with every action facilitated is reverted. (inaudible) our global tenant, Xiaobai Maimai, has a dedicated operations team and a customer service team that offers complete level services to our users. By providing a more personalized shopping experience and excellent customer service, we believe this need to adjust more sharing and incentives, the recommendation of our products and services that will recommend shoppers with our users' community.

Xiaobo An - Hexindai Inc. - Founder, Executive Chairman & CEO

(foreign language)

Zenbo Ma

[Interpreted] Another way, we have social e-commerce for our advantage by customers with the (inaudible) extensive dollar base, which have reduced our margin expenses and solution because it allows the future users to invest higher commission rates without the need of managing inventory and at the same time (inaudible) to our platform.

Xiaobo An - Hexindai Inc. - Founder, Executive Chairman & CEO

(foreign language)

Zenbo Ma

[Interpreted] Since the launch of Xiaobai Maimai, we have continued to optimize our algorithm identifying and introduce more cost-efficient products and circle-related products to our customers. As a result Xiaobai Maimai continues to gain traction and must share in the social e-commerce sector, and our user base has increased rapidly over this shutdown as we leveraged our expertise in customer acquisition marketing strategies and partnership with other e-commerce platforms and online marketplaces. Xiaobai Maimai has proven to be a convenient one-stop platform for consumers to stay well shopping online and they can easily compare quality products without having to change their shopping preferences for (inaudible) online.

Xiaobo An - Hexindai Inc. - Founder, Executive Chairman & CEO

(foreign language)

Zenbo Ma

[Interpreted] Recently, we promoted the 11.11 global shopping festival on Xiaobai Maimai from the 1st to 11th November and generated a very encouraging revenue of RMB 221 million in transaction volume. This solid result continues to improve our capabilities in merchandise. However, offer them an operating system and efficient management as China's consumer trend continues to grow and world consumers shop online. We are well positioned to develop new services in line with this growing trend and engage with more scalable targeting to showcase the rest product and improve our customers' online shopping experience.

Xiaobo An - Hexindai Inc. - Founder, Executive Chairman & CEO

(foreign language)

Zenbo Ma

[Interpreted] We are constantly looking for new opportunities to drive through and stay competitive in the online platform and one-off traction to think about was good by intention to attract new customers, especially local communities that join the convenience of shopping online with the advantage of group discount on variety of goods and services. We recently kicked off an initiative to tap into emerging group-buying communities which is profit for the next billion-dollar market in China.

Xiaobo An - Hexindai Inc. - Founder, Executive Chairman & CEO

(foreign language)

Zenbo Ma

[Interpreted] To attract the growing residential communities, group-buying generally tailor the consumers (inaudible) by offering superstore services that provides group discount. The most important factor we have observed about group-buying is actually not pricing, but the convenience that customers can enjoy with their family and friends.

Xiaobo An - Hexindai Inc. - Founder, Executive Chairman & CEO

(foreign language)

Zenbo Ma

[Interpreted] So consumers explore more avenue, where group-buying to attract more customers looking for value and convenience from online group-buying program. At the same time, we will continue to expand our cooperation with major e-commerce platform and online marketplaces to offer more high-quality and affordable products to our users. We will also continue to explore other opportunities, such as live forecasting e-commerce and (inaudible) exploring online economy.

Xiaobo An - Hexindai Inc. - Founder, Executive Chairman & CEO

(foreign language)

Zenbo Ma

[Interpreted] In conclusion, I'm pleased with the progress we've made so far this year, and we have so much to see (inaudible) with a tons of efforts of our dedicated team who have gone over and beyond to ensure a successful transformation of our business. We are fully confident that we have the right combination of key experience and management to expect (inaudible) and further boost our expertise in digital transformation.

Moreover, we will continue to develop the new social e-commerce business models and leverage our experience in the Internet industry. Strong user acquisition capabilities and deep (inaudible) in managing online and off-line operations. With this new direction going forward, we are confident of our capability to execute our strategy and create long-term value for our users and shareholders.

Xiaobo An - Hexindai Inc. - Founder, Executive Chairman & CEO

(foreign language).

Zenbo Ma

[Interpreted] With that, I will now turn the call over to Ms. Kerrie Zhang, who will review the financials. Kerrie, please go ahead.

Rui Zhang - Hexindai Inc. - CFO

Thank you, Mr. An, and thank you, everyone, for joining our call today. In light with the increasing competition in the industry for the continued impact from COVID-19, we see a completed the transition from peer-to-peer business the social e-commerce business. In the new field, we are now focused on refining our business model of (inaudible) users and improving our operational efficiency. At the present, we will pursue long-term development rather than short-term gains.

Now I will go over the main items of our financials. And for a more detailed discussion, please refer to our earnings press release. During the first half of fiscal year ended September 30, 2020, total net revenue was USD 1.4 million, a decrease of 73.8% from USD 5.2 million in the first half of fiscal year. The decrease was mainly due to a decrease in net revenues from our loan recommendation services and interest income from our micro-lending business. Revenue from loan facilitation, post-origination, and other services was nil, decreased from USD 3.2 million in the same period of last fiscal year as the company had ceased to issue new loans since November 2019.

Revenue from online marketplace services was USD 0.3 million, compared with nil in the same period of last fiscal year. Such revenues were generated from our social e-commerce platform, which was launched in May 2020. Interest income was USD 1.1 million, representing a decrease of 45.7% from USD 1.9 million in the same period of last fiscal year. The decrease was mainly due to a decrease in loan receivables.

Operating costs and expenses during the 6 months ended September 30, 2020, were USD 17.9 million, an increase of 216.4% from USD 5.8 million in 6 months ended September 30, 2019. The increase was mainly due to an increase in provision for loans receivable.

Service and development expenses during the 6 months ended September 30, 2020, were USD 0.3 million, a decrease of 44.6% from USD 0.5 million during the same period of last fiscal year. The decrease was mainly due to a decrease in payroll cost.

Sales and marketing expenses during the 6 months ended September 30, 2020, were USD 0.6 million, a decrease of 42.3% from USD 1 million during the same period of last fiscal year. The decrease was mainly due to a decrease in advertising expenses for our peer-to-peer business, which had ceased issuing new loans since November 2019.

General and administrative expenses were during the 6 months ended September 30, 2020, approximately USD 3.0 million, an increase of 26.2% from USD 2.4 million during the same period of last fiscal year. The increase was mainly due to an increase in professional fees.

Finance costs during the 6 months ended September 30, 2020, were USD 1.2 million, compare to USD 1.3 million during the same period of last fiscal year. The decrease was mainly due to the repayment of bank borrowings.

Share-based compensation during the 6 months ended September 30, 2020, was USD 0.06 million compared to USD 0.3 million in the same period of last fiscal year. The decrease was due to a decrease in the number of stock options and restricted share units expensed in fiscal year 2021.

Net loss from continuing operation was USD 17.5 million during the 6 months ended September 30, 2020, compared to USD 0.5 million from the same period of last fiscal year.

Net loss from discontinued operation was USD 6.1 million during the 6 months ended September 30, 2020, compared to USD 17.1 million from the same period of fiscal year 2020.

Net loss was USD 23.6 million during the 6 months ended September 30, 2020, compared to USD 17.6 million from the same period of fiscal year 2020.

Basic and diluted net loss per share attributable to ordinary shareholders was USD 0.48 compared with USD 0.36 in the same period of fiscal year 2020.

As of September 30, 2020, our cash position stood at USD 21.9 million during the first half of fiscal year 2021 compared to USD 6.7 million as of March 31, 2020.

Going forward, we will continue to drive the development of social e-commerce marketplace and enhance the cooperation with other mainstream e-commerce platforms. We are confident in the huge consumer market and giant value in the field of the social network. All these advantages will enable us to achieve solid growth and profitability in the future. And I now like to turn the call back over to the operator to begin the Q&A session.

QUESTIONS AND ANSWERS

Unidentified Analyst

I give you a lot of credit for making such a big pivot in a very tough environment. A couple of questions. First, can you give us some color on the competitive landscape of social e-commerce?

Rui Zhang - Hexindai Inc. - CFO

Thanks, this is Kerrie. Let me answer your question. Social e-commerce is based on the personal networks professionally interest groups and the community and uses the Internet of social tools to engage in social marketing and e-commerce. With the extensive penetration of Internet social application in China, we have the social e-commerce rapidly involved in emergency -- emergence of new and a more cinnamic social e-commerce platform compared to the original (inaudible) model.

According to a report issued by the China Association with Trading on 17th of August this year, the transaction volume on social e-commerce is expected to exceed RMB 4 trillion in 2020, an increase of 18% on a yearly basis, and the market attracts about 83.5 million practitioners, richly driving up employment by increasing drugs in this sector. Currently, the social e-commerce market is still relatively fragmented and the user penetration rate is relatively low. We believe there is still a lot of room for growth in the market.

You may know that social e-commerce covers (inaudible) models like membership e-commerce, live streaming e-commerce, and a broad banking community. A big difference from traditional membership in e-commerce Xiaobai Maimai's membership is certainly free of charge with no-entry threshold for users. Users can find all their daily necessities on our platform. And the company suspend (inaudible) comparing between many

options, different prices likely so on other e-commerce platforms. That's why they can easily search for the most valuable money products and they enjoy great discount on Xiaobai Maimai, everything.

Leveraging our power for algorithm and operating system, we can help users save a lot of money and time by our one-stop shopping platform. In addition, users are revolted with small commission for every quarter's share or product recommendation to their friends and family. All these benefits have been well received by our users and accelerated our platform to continue its growth momentum in recent months.

Unidentified Analyst

Okay. And you collaborate with domestic e-commerce platforms and online marketplaces to offer users value for money products. Will you continue to expand cooperation with emerging platforms to cater to users' needs for daily necessities?

Rui Zhang - Hexindai Inc. - CFO

Currently, we cooperate with e-commerce platforms and online service marketplace, including Xiaobai, (inaudible), Pinduduo, and (inaudible). Going forward, we will expand cooperation with more domestic platforms to offer more value for money products to our users. We are confident of our capabilities to expand our product and services that will continue to involve with consumers' needs, demands and improve our user experience of shopping online.

Recently, we kicked off an initiative tap into the emerging group-buying communities and are also looking at other core explore opportunities like live streaming e-commerce. So we are confident of our capability to continue to execute our growth strategies going forward.

Unidentified Analyst

Okay. And last question for me. What have you seen regarding user growth in the current quarter? And then also transaction volume growth. Can you talk a little bit about what you're seeing right now?

Rui Zhang - Hexindai Inc. - CFO

Okay. Actually, Q4 hasn't ended yet, but we can say that we continued our strong (inaudible). As of November 11, the cumulative number of active mobile bearers on Xiaobai Maimai reached to 295,000, and the transaction volume exceeded RMB 250 million, a significant increase compared with the end of September. We will continue our efforts to attract more users and traffic to Xiaobai Maimai. Thank you.

Zenbo Ma

Thank you, operator. In closing, on behalf of the entire Xiaobai Maimai management team, we'd like to thank you for your interest and participation in today's call. If you require any further information or have any interest in visiting us in China, please let us know. Thank you for joining us today. This concludes the call.

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