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## Q3 2024 QIFU TECHNOLOGY INC EARNINGS CALL

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# CORPORATE PARTICIPANTS

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- **Haisheng Wu** *Qifu Technology Inc - Chief Executive Officer, Director*
- **Alex Xu** *Qifu Technology Inc - Chief Financial Officer, Director*

# CONFERENCE CALL PARTICIPANTS

- **Operator**
- **Richard Xu** *Morgan Stanley - Analyst*
- **Alex Ye** *UBS - Analyst*
- **Emma Xu** *Bank of America - Analyst*
- **Yan Zheng** *Qifu Technology Inc - Chief Risk Officer*
- **Cindy Wang** *China Renaissance - Analyst*
- **Yada Li** *CICC - Analyst*

# PRESENTATION

### Operator

Ladies and gentlemen, thank you for standing by. Welcome to Qifu Technology third-quarter 2024 earnings conference call. (Operator Instructions) Please note that today's event is also being recorded.

At this time, I would like to turn the conference call over to Ms. Karen Ji, Senior Director of Capital Markets. Please go ahead, Karen.

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### Karen Ji *Qifu Technology Inc - Senior Director of Capital Markets*

Thank you, operator. Hello, everyone, and welcome to Qifu Technology's third-quarter 2024 earnings conference call. Our earnings release was distributed earlier today and is available on our IR website. Joining me today are Mr. Wu Haisheng, our CEO; Mr. Alex Xu, our CFO; and Mr. Zheng Yan, our CRO.

Before we start, I would like to refer you to our Safe Harbor statements in the earnings press release, which applies to this call as we will make certain forward-looking statements.

Also, this call includes discussions of certain non-GAAP financial measures. Please refer to our earnings release, which contains a reconciliation of non-GAAP financial measures to GAAP financial measures. Also, please note that unless otherwise stated, all figures mentioned in this call are in RMB terms.

Before we start, we would like to let you know that today's prepared remarks from our CEO will be delivered in English using an AI-generated voice.

Now I will turn the call over to Mr. Wu Haisheng. Please go ahead.

### Haisheng Wu *Qifu Technology Inc - Chief Executive Officer, Director*

Hello, everyone. Thank you for joining us today. Autumn is a season of harvest, and we are pleased to share that our hard work has yielded remarkable results this quarter.

Since the start of 2024, we have adhered to a strategy of prudent operations, optimizing risk performance and boosting operational efficiency. These initiatives have led to substantial improvements in our risk metrics and record profitability in Q3.

Our solid business foundation has provided us with a margin of safety to pursue moderate sequential growth. In Q3, our loan volume stabilizes and begins bottoming out. Meanwhile, we continue to iterate on our business model to build a more open ecosystem. Through a platform approach, we are creating value for both users and financial institutions, broadening our business boundaries and strengthening our operational resilience.

By the end of Q3, our platform had empowered a total of 162 financial institutions and served more than 55 million users with approved credit lines on a cumulative basis. Excluding the contribution from risk management SaaS services, or RM SaaS, total loan facilitation and origination volume on our platform increased by 13.1%, sequentially.

Driven by further improvements in risk metrics and operational efficiency, our non-GAAP net income for the quarter reached an all-time high of RMB1.83 billion, an increase of 29.1% sequentially, and 54.5% year over year.

Our ongoing share buyback is also contributing to improved non-GAAP net income per diluted ADS, which increased 34.8% sequentially and 71.5% year over year to RMB12.4. Coupled with the ongoing optimization of capital allocation, our ROE in Q3 increased further to 32.2%, well ahead of most financial services and Internet companies in China.

Despite macroeconomic headwinds, we have consistently improved upon our past results and outperformed our market commitments through ongoing evolvement and enhancements to our business.

Now I'll walk you through the progress we made this quarter. Asset quality further improved in Q3 as we continued to execute our rigorous risk strategy. We further optimized our product and service offerings for differentiated user groups. For low-risk users, we tailored credit limits and pricing to offer more attractive terms, boosting user engagement while maintaining stable risk levels.

Additionally, we optimized our funding structure by collaborating with financial institutions whose risk management capabilities or appetites complement our own, further strengthening our overall asset quality.

Within our post-lending processes, we reinforced repayment reminders for borrowers and refined the management of our partner institutions to improve collection efficiency. These initiatives resulted in a notable improvement in our risk metrics in Q3 with D1 delinquency rate falling by 0.2 percentage points sequentially and 30-day collection rate increasing by 1.1 percentage points to reach the highest level since 2022. With the optimization of risk strategies already in place, we expect our risk performance to remain relatively stable in the coming quarters.

During Q3, liquidity in the financial system remained ample. Leveraging our robust asset quality and the long-term trust that we have built with financial partners, we maintained our negotiating leverage on the funding side and reduced funding costs by 30 basis points sequentially.

Additionally, we issued RMB3.5 billion in ABSs in the quarter with issuance costs falling by more than 50 basis points sequentially. As a result, total ABS issuance for the first three quarters of 2024 reached RMB13.4 billion, up by 23% year over year, further optimizing our funding structure.

We also successfully issued our first Asset-Backed Note in the interbank market, which further expanded our funding channels and investor base by attracting international investors through China's Bond Connect scheme. Given the seasonally tighter funding environment in Q4, we expect our funding costs to remain stable at current levels.

In terms of user acquisition, we further explored diversified channels to improve efficiency and moderately increased investment to acquire new users. In Q3, new credit line users increased by 23.8% sequentially, while average unit acquisition cost declined by 7.4%. Notably, the proportion of new credit line users acquired through our embedded finance channels increased by roughly 5 percentage points, with loan volume from this channel increasing by 85% year over year.

With improved user profiling accuracy on partner platforms, both credit costs and operational efficiency of our embedded finance business improved in Q3, driving an ROA increase of approximately 60 basis points from the previous quarter.

Furthermore, we continued to explore collaborations with financial institutions to engage their existing customer bases, leveraging their proprietary traffic alongside our differentiated pricing and service capabilities to expand the breadth and depth of our user coverage.

To date, we have partnered with five financial institutions across various categories under this model, including joint stock bank, municipal bank, private bank and consumer finance companies. As these partnerships progress, they will create new opportunities for us to empower financial institutions and further extend our reach to high-value user segments.

In terms of managing existing users, we adopted a differentiated operation strategy based on user segmentation by their value and risk profiles. This enables us to provide more targeted offers, driving higher user engagement and conversion efficiency. We also strengthened the long-term retention of high-value users with the rollout of a VIP service strategy and enhanced engagement and insight analysis.

For dormant users seeking large-ticket, low-interest loans beyond our core offerings, we referred them to our financial partners, which enhances our ability to serve users throughout their entire lifecycle. As a result of these initiatives, our log-in conversion rate increased by 11.6% sequentially in Q3. The number of users with successful drawdown grew consistently each month with the monthly average increasing by approximately 12% from last quarter.

After a year of refining and upgrading our business model, our capital light segment has assumed a more prominent role in our business mix. Excluding contribution from RM SaaS, the capital-light segment contributed 55% of total loan facilitation and origination volume in Q3, an increase of approximately 10 percentage points from same period last year.

From a long-term perspective, we plan to dynamically adjust the mix of capital-light and capital-heavy segments to balance returns and risks. By transitioning from a “loan-facilitation” model to a “platform” model, we are building a comprehensive credit-tech service platform that encompasses the entire user lifecycle and promotes financial inclusion. Under the “platform” model, we prioritize long-term user engagement. Based on real-time insights into user needs and risk profiles, we have collaborated with a broad network of financial institutions under different models, diversifying our products, pricing options and funding sources. This approach enables us to address users' credit needs at different stages of their lifecycle, while achieving a better balance between scale, risk and profitability of our business.

In today's uncertain macroeconomic environment, we believe that our long-term value lies in our ability to better understand user needs, respond more swiftly and provide consistent support throughout their financial journeys.

Our total technology solution business has continued to make steady progress as we focus on building our “Qifu DigiTech” brand, which offers end-to-end technology solutions to banks. Recently, “Qifu DigiTech” was included on the “IDC China Top 50 Emerging Fintech” list, significantly enhancing our reputation and competitiveness in the industry.

This year, we have partnered with an additional nine financial institutions, bringing the total number of financial partners for our total technology solutions to 14. Our solutions have already been deployed and launched with 10 of them. Compound monthly growth rate in loan volume powered by our solutions reached 14% during the first nine months of the year.

Furthermore, our tech solutions are expanding beyond consumer credit services with the development of a proprietary solution tailored for SME lending. This solution features an integrated “three-tiered credit assessment system”, which combines big data-driven risk management, user self-verification, and offline intelligent due diligence. We have already launched a pilot program for this solution with an institutional partner.

We are also seeing growing synergies between our tech solutions and credit businesses. Through our integrated solutions covering technology empowerment, joint operations, loan facilitation and user referrals, we will further deepen our support for financial institutions and expand user reach.

As a tech-driven company, we are committed to leveraging AI and large language models to empower our business and improve both the user experience and operational efficiency. We upgraded our efficiency-focused AI co-pilot system, achieving a recall rate of 96.3% and an accuracy rate of 98.8% in key information extraction for loan collection. This AI co-pilot system has been deployed across various collection scenarios, including user information identification and case tracking, enabling our collection team to more effectively pinpoint critical information and promptly follow up on cases. This boosts both the quality and efficiency of our collection efforts. Average daily use of the system by our collection team has more than doubled since it was deployed.

Additionally, we also enhanced the Qifu Report Interpretation System by integrating the Qifu large language model with traditional natural language processing models, allowing us to quickly gain deeper insights into the products of our SME borrowers. Combined with our financial knowledge graph, we can track operational changes for 30% of our SME borrowers, enabling us to offer more precise and customized financial services.

Since Q3, the Chinese government has rolled out a range of monetary and fiscal policies to drive high-quality economic growth. At the same time, various levels of government have issued guidelines, encouraging financial institutions to optimize credit products, provide differentiated services and increase funding support for key consumption scenarios while balancing risk and business sustainability.

The guidelines also promote deeper integration of “consumption scenarios and consumer credit services” to enhance the consumer experience, boost confidence, unleash consumption potential, strengthen market vitality, and drive consumption.

Recently, one leading fintech platform has made significant progress in its rectification process, indicating that regulators acknowledge the significant value of fintech industry and that regulatory trends are largely stabilizing.

After a year of optimization, our core business has become more robust bolstered by diversified business models and broader strategic partnerships. While we remain cautiously optimistic about the economic outlook, we are confident in our ability to achieve long-term and high-quality growth.

This year, we further optimized capital allocation to enhance shareholder returns, executing our share repurchase plan at a pace significantly ahead of market expectations. We anticipate that total shareholder returns in 2024 will approach 100% of our net income for 2023, one of the highest payout ratios among Chinese ADRs. Having already completed the majority of our USD350 million share repurchase plan this year, the Board has approved a new repurchase plan of USD450 million set to start on January 1, 2025.

We are confident about the future of our company and believe that our share price remains undervalued. As such, we have decided to further scale up our share buyback efforts and continue to reduce our share count over the next 2 years. Going forward, we remain committed to efficient capital allocation and shareholder value creation through substantial repurchases and dividends.

With that, I will now turn the call over to Alex.

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## Alex Xu *Qifu Technology Inc - Chief Financial Officer, Director*

Okay. Sorry, there's a line issue there. Let me start again. Thank you, Haisheng. Good morning, and good evening, everyone. Welcome to our third-quarter earnings call.

While macroenvironment was still challenging, we started to see tentative indication of modest improvement in user activities with more stimulus economic policies released late in Q3. However, it is still too early to call a sustainable recovery, and we continue to focus on optimizing operations, improving efficiencies, and managing risk exposure.

Total net revenue for Q3 was RMB4.37 billion versus RMB4.16 billion in Q2 and RMB4.28 billion a year ago. Revenue from credit-driven service (capital-heavy) was RMB2.9 billion in Q3 compared to RMB2.91 billion in Q2 and RMB3.07 billion a year ago. The year-on-year decline was mainly due to significant decline in off-balance sheet loans despite strong contribution from on-balance sheet loans and other value-added services.

Overall funding costs further declined over 30 basis points sequentially and over 150 basis points year on year with the help of ample supply of liquidity and additional ABS issuance. Revenue from platform service (capital-light) was RMB1.47 billion in Q3 compared to RMB1.25 billion in Q2 and RMB1.21 billion a year ago.

The year-on-year growth was mainly due to strong contribution from ICE and other value-added services, more than offsetting the decline in capital light loan facilitation. Excluding other technology solutions segment, the contribution from platform service further increased as we tried to strike an optimal mix between risk-bearing and non-risk-bearing assets in an uncertain macro environment.

During the quarter, average IRR of the loans we originated and facilitated was 21.4%,compared to 21.6% in prior quarter. Looking forward, we expect pricing to fluctuate around this level for the coming quarters.

Sales and marketing expenses increased 15% Q-on-Q but declined 21% year on year. Although we saw a modest sequential uptick in customers' activities, we maintain prudent pace of user acquisition in a still uncertain environment. We added approximately 1.58 million new credit line users in Q3 versus 1.28 million in Q2. Unit cost to acquire a new credit line user declined to 265 from 286 Q-on-Q. We will continue to make timely adjustments to the pace of the new user acquisition based on macro conditions from time to time and further diversify our user acquisition channels. Meanwhile, we will also continue to focus on reenergizing existing user base as repeat borrowers historically contributed vast majority of our business.

90-day delinquency rate was 2.7% in Q3 compared to 3.4% in Q2. Day one delinquency rate was 4.6% in Q3 versus 4.8% in Q2. 30 -day collection rate was 87.4% in Q3 versus 86.3% in Q2. After a few quarters of proactive risk tightening, we are comfortable with our current risk exposure, and we expect to see relatively stable risk metrics in the coming months.

Under current macroenvironment and geopolitical uncertainties, we continue to take a prudent approach to book provisions against potential credit losses. Total new provision for risk-bearing loans in Q3 were approximately RMB1.63 billion versus RMB1.31 billion in Q2. The writebacks of previous provisions were approximately RMB910 million in Q3 versus RMB480 million in Q2.

Provision coverage ratio, which is defined as the total outstanding provisions divided by total outstanding delinquent risk-bearing loan balance between 90 and 180 days, were 482% in Q3 compared to 421% in Q2.

Non-GAAP net income was RMB1.83 billion in Q3 compared to RMB1.41 billion in Q2. The significant improvement in profitability was mainly due to better asset quality and operational efficiency as well as favorable mix change in recent quarters.

Non-GAAP net income per fully diluted ADS was RMB12.35 in Q3 compared to RMB9.16 in Q2 and RMB7.20 a year ago as proactive share repurchase created significant EPADS accretion. Effective tax rate for Q3 was 23.4% compared to our typical ETR of approximately 15%. The higher-than-normal ETR was mainly due to approximately RMB200 million withholding tax provision related to large sum of cash distribution from onshore to offshore for dividend payments and share repurchase programs during the quarter.

With solid operating results and higher contribution from capital-light models, our leverage ratio, which is defined as risk-bearing loan balance divided by shareholders' equity, was 2.3 times in Q3 at a historical low. We expect to see leverage ratios fluctuate around this level in the near future.

We generated approximately RMB2.37 billion cash from operating in Q3, compared to RMB1.96 billion in Q2. Total cash and cash equivalents and short-term investments were RMB9.77 billion in Q3 compared to RMB8.78 billion in Q2. As we continue to generate strong cash flow from operations, we believe our current cash position is sufficient to support our business development and to return to our shareholders.

On March 12, 2024, we announced a share repurchase plan to repurchase up to USD350 million worth of our ADS over a 12-month period starting April 1, 2024.

As of November 19, 2024, we have in aggregate purchased approximately 13.7 million ADSs in the open market for a total amount of approximately $298 million inclusive of commissions at the average price of $21.7 per ADS under the share repurchase plan. We intend to substantially complete the repurchase plan by the end of 2024.

Furthermore, on November 19, 2024, our Board of Directors approved a new share repurchase plan to buy back up to $450 million worth of our ADS over a 12-month period starting January 1, 2025. The proactive execution of the existing share repurchase plan and the launch of the new plan further demonstrate management's confidence and commitment to the future of the company, and management intends to consistently use share repurchase to achieve additional EPADS accretion in the long run.

In addition, we will continue to distribute cash dividends under our current dividend policy and aim to achieve gradual increase in dividend per ADS on the semi-annual basis. With the full execution of the share repurchase plans and the dividend policy, we are generating one of the highest combined yields on a recurring basis among Chinese ADRs to our shareholders.

Finally, regarding our business outlook. While we start to see some tentative signs of marginal improvements in user activities, we will continue to take a prudent approach in business planning and focus on enhancing efficiency of our operations.

For the fourth quarter of 2024, the company expects to generate non-GAAP net income between RMB1.8 billion and RMB1.9 billion, representing a year-on-year growth between 57% and 65%. This outlook reflects the company's current and preliminary view, which is subject to material changes.

With that, I would like to conclude our prepared remarks. Operator, we can now take some questions.

# QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Richard Xu, Morgan Stanley.

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## Richard Xu *Morgan Stanley - Analyst*

(spoken in foreign language)

So let me put my question in English. First of all, congratulations on the very solid quarter in a challenging environment.

We noticed in third quarter, loan volume increased 4.4% sequentially. So what are the drivers? Given a lot of policy support recently particularly to improve the consumption and market sentiment, will the company consider more positive loan volume growth next year? What are the remaining concerns and what are the outlook?

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## Haisheng Wu *Qifu Technology Inc - Chief Executive Officer, Director*

Okay. Thank you, Richard. Let me answer the question about growth. Yes, we achieved good growth in the third quarter. And we have seen a slight recovery of customer demand by the end of September.

And our platform strategy had a positive effect in serving more customer base. And you know we have been upgrading our business model from a single loan service provider to a platform model. Under this model, we have created various solutions to our financial institution to serve all kinds of customer needs on our platform. Therefore, we have better a customer retention rate, and we can generate higher lifetime value.

And there is more and more loan volume coming from our diversified customer channels. For example, the loan volume from embedded finance channel grew by 85% year over year. And looking forward, there is still a lot of uncertainty in macroeconomic, geopolitics, and domestic policies.

And it may be too early for us to say whether we are optimistic or conservative about 2025. At this point, we want to remain prudent, and our top priority will still be focused on healthy operating and execute our platform strategy. And last, I want to say, after several years of efforts, we have made significant improvements in all key capabilities, and we have become stronger than in the past. If more growth opportunities arise in the future, I believe we will be in a better position to seize these opportunities faster than others. Thank you.

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## Operator

Alex Ye, UBS.

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## Alex Ye *UBS - Analyst*

(spoken in foreign language)

So I'll translate my question. First one is on our writeback amount, over RMB900 million, which appeared to be a sizable increase from last quarter and also the average in the past few quarters. So I'm wondering what's the driver for the significant uptick in this write-back and how sustainable is that?

Also, we noticed that in the company's response to a short seller report previously, you have publicly disclosed a provision ratio for current period new loans, which was running at 3% to 4% for your both on and off capital-heavy loan models. So I'm wondering where are we in terms of those provision ratios for this quarter.

Second question is on the competitive landscape. It's a bit longer-term question. So can you discuss about the current landscape faced by QFIN from both the competition from banks and other larger and smaller fintech players? How has that changed this year? And how is that affecting our strategy?

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## Alex Xu *Qifu Technology Inc - Chief Financial Officer, Director*

Okay. Alex, I will take the first part, and then Haisheng will deal with the competition question there. So as you know, we have been adopting a very prudent policy in terms of booking provisions against the potential credit losses.

Historically, the provision ratio that we booked are meaningfully higher than the eventual kind of vintage losses our portfolio is supposed to have. For example, in the third quarter, the new provision that I mentioned in the prepared remarks, we booked about RMB1.63 billion in new provision. If you do the math, that's roughly 4.3%, 4.4% of the risk-bearing loan volume for the quarter.

So that's higher than last quarter for sure and also obviously significantly higher than our normal kind of vintage loss ratio between 2.5% to 3.5% as you note there. So that's a very prudent kind of provision booking policy always resulting in writebacks in most quarters.

If you look at the history, although quarter by quarter, maybe you see some very significant volatility in terms of write-backs depending on that particular quarter's macroenvironment and risk performance, but if you stretch the timeline to annualized basis, look at it, almost in the last few years, average each year, we have close to RMB2 billion or somewhere around RMB2 billion writebacks on an annual basis.

This year, in the first two quarters, in Q1 and Q2, total writebacks is only less than RMB500 million. So you use that annual average, meaning like for the second half, we still have like more than RMB1.5 billion writebacks need to be done. That's kind of an average look.

And also, one of the fundamental drivers for the write-backs, obviously, is really the risk performance improvement in our operation. Since we started to take more tightening risk standards late last year, we have shown very significant improvement in our risk metrics, as you saw in our reporting. Those improvements in risk metrics also drive up the writebacks because it reduced the actual loss of the portfolio there. So that's why have this kind of a bigger-than-normal writebacks in Q3, I think most likely, you will still see a very sizable write-backs Q4 as the reason I mentioned above.

From a more longer-term perspective we look at it, we will continue to take a very prudent approach in terms of booking new provisions. And with that, you will probably continue to see write-backs for the ongoing forward basis.

But keep in mind, as we're gradually shifting from capital-heavy to capital-light model, the risk-bearing assets or the size of the risk-bearing assets won't be growing that much, in some cases maybe even shrinking on a going-forward basis, which means that, on a going forward basis, we'll probably no longer need to book a very large sum of provisions, even though we still maintain a very prudent booking ratio. And so that's kind of a more longer-term look there.

But anyway, the key point I want to say is that writebacks will continue. And if you put the line in an annual basis, it will be still very sizable writeback at least in the foreseeable future.

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### Haisheng Wu *Qifu Technology Inc - Chief Executive Officer, Director*

Okay. Alex, let me answer your question about competition. About competition, the first thing I want to say is we are not in a completely homogeneous market. Different players serve different customer groups. There is no one player that can succeed in every customer group.

But in the group that we are good at, we have a huge competitive advantage. I believe you can trust this point.

And secondly, as I said before, we have upgraded our business model from a single loan service provider to a platform model. Under this model, we have better customer retention rates and higher lifetime value. And I'm very glad that after years of evolvement, Qifu is no longer just a loan service provider but has become a credit platform. We are more confident to deal with competition, and we believe that the platform model has made us more robust and resilient than any single loan business model. Thank you.

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### Operator

Emma Xu, Bank of America.

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### Emma Xu *Bank of America - Analyst*

(spoken in foreign language)

So congratulations on the very good results. I have a question about asset quality. Your major asset quality metrics continued to improve in the third quarter. Could you please provide your outlook for your asset quality? In the meantime, many banks are facing asset quality pressure in their retail and credit card business, but why QFIN is able to see improvement in its asset quality?

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### Yan Zheng *Qifu Technology Inc - Chief Risk Officer*

(spoken in foreign language)

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### Alex Xu *Qifu Technology Inc - Chief Financial Officer, Director*

Go ahead. Okay.

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### Yan Zheng *Qifu Technology Inc - Chief Risk Officer*

(spoken in foreign language)

Okay. Let me do the translation. I think as for our risk management capabilities, I will answer this question from two perspectives. First, from our company strategy perspective, this year, we have adhered to a high-quality development strategy, focusing on quality instead of quantity. This is the underlying driver of the improvement in our risk indicators.

We were probably one of the first companies to tighten our credit standards with the strongest determination.

And on a technical level, the comprehensive risk management system we have built over the years can support us to quickly achieve our strategic goals. Specifically, first of all, as a technology company, we continuously invested into resources to enhance our risk management technology and strengthen our core competence.

In Q3, we significantly upgraded our risk models. Based on our cutting-edge graph network, sequence and natural language processing algorithms, we have effectively improved the performance of our main transaction B card model by more than 3 percentage points. In addition, we built models around pricing sensitivity, credit limit sensitivity and the long-term balance risk which are related to our business strategy, giving us more tools to engage with high-quality customer groups.

Second, we optimized the allocation and distribution models for medium and high-risk assets by selectively introducing financial partners that can complement our risk capabilities or risk preferences. Furthermore, we introduced additional data to optimize risk identification model to reduce the risk level and our overall exposure to this customer group.

From post-lending management perspective, our collection process in Q3 has also been further strengthened. By continuously optimizing the AI reminder before the repayment date, we have reduced our day one delinquency rate. Through our large language models, we have improved the efficiency of our overdue case assignments. By dynamically adjusting our incentive schemes, continuously attracting and introducing high-quality front-end and back-end collection resources, we have improved our collection efficiency.

So at this juncture, we have largely achieved our risk optimization goal and expect to maintain a relatively stable risk performance around this level in the near future assuming a muted macro environment.

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### Operator

Cindy Wang, China Renaissance.

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### Cindy Wang *China Renaissance - Analyst*

(spoken in foreign language)

My question is for the shareholder return. The pace of share buyback has been quite fast this year. And you also announced another USD450 million share repurchase plan. Could you give us some color on the pace of buyback in 2025? And any consideration for the repurchase price?

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## Haisheng Wu *Qifu Technology Inc - Chief Executive Officer, Director*

Thank you, Cindy. Yes. We have been very determined to finish our current share repurchase program this year. When fully executed, we will spend close to 100% of last year's profit to buy back shares and pay cash dividends in 2024. This buyback will effectively reduce our share count by about 12%.

In the third quarter, we achieved 71.5% EPADS growth year over year. Since we are very confident about our strategy and execution, we believe our shares are still significantly undervalued. So we will continue to prioritize share buybacks among all capital allocation tools. We believe this is the most efficient capital allocation strategy for now, which will significantly further reduce our share count, improve EPADS and maximize shareholder returns.

Based on this, the Board of Directors has approved a new USD450 million share buyback program that is set to start on January 1, 2025. We will carry out this plan firmly in the coming year.

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## Alex Xu *Qifu Technology Inc - Chief Financial Officer, Director*

Yes. And Cindy, I just want to add up a little bit to your question. And regarding the price we are looking at, we don't have a really kind of a set price target for the repurchase, even though our shares have been moving positively in the last few months. But if you look at it on a forward PE basis, it still looks very attractive based on the current estimate, which probably looks like below 5x in forward PE. To us, that's still a very attractive valuation. So we will continue to be proactive in the market.

And for the 2025 plan, the basic assumption is that as we execute the plan and continue to deliver solid results, the share price will reflect that positive momentum. So we most likely will continue to take a similar approach as we did in 2024, meaning we will put more effort on the upfront, hopefully, to buy as much as we can when the valuations are still very attractive. So that's how we look at the next year's action.

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## Operator

In the interest of time, we will now take the last question. Yada Li, CICC.

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## Yada Li *CICC - Analyst*

(spoken in foreign language)

Congrats to the excellent results and thanks for taking my questions. We noticed that the take rate continued to improve from 4.4% last quarter. I was wondering what are the main factors that drove the increase. And considering the potential improvement of credit costs and funding costs, do we expect to see a further increase of take rate next year? And looking forward, how to view the long-term sustainable take rate?

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## Alex Xu *Qifu Technology Inc - Chief Financial Officer, Director*

Okay. Thank you, Yada. I will take this one. Yes, we did see a quite significant improvement in take rate in Q3. As you mentioned, basically, there are three main drivers.

First and foremost, it's really the continued meaningful improvement on the risk side, which basically reduced the overall credit cost. On the P&L financial statement, it is basically shown up as the provision write-backs. As we mentioned or discussed earlier, there's a significant writeback in Q3 there.

And then the second contributor to the take rate improvement is really the funding cost. With the macro environment and the ample supply of liquidity, we continued to drive funding costs further lower, and so that's the second contributor.

And the third one is really the mix change happened in the previous couple of quarters that had the deferred impact on the Q3 and to a certain degree, Q4 as well. So that's the three main reasons why you see a significant improvement on the take rate improvement.

If you look at Q4, based on the guidance we provided, you're probably looking at a similar take rate versus Q3 there, for the similar kind of reasons, the risk, the funding cost and the deferred impact on the mix change.

Putting a longer term, I think the risk and the funding side of the contribution will remain, meaning that we will probably maintain a pretty good risk performance for the next year. And assuming the macro environment is not changing dramatically, then the overall funding environment will probably still be relatively friendly.

So those two factors will remain, but the third factor, the mix change, the deferred impact on the mix change, we're probably gradually facing a cooling off just because we are not expecting a very significant mix change at least in the near term.

But on a full-year basis, if you do the math, this year, most likely on a full-year basis, we're looking at about 5% overall take rate for the full year. And based on that, next year, we probably will still see some improvement off the full-year basis, meaning like this year supply, next year will probably a little bit over 5% in terms of the net take rate there. So that's how we look at 2025.

Longer term, it really depends on how you project the macro environment. If we start to see some kind of a sustainable recovery in macro economy in the long run, we definitely will benefit from that kind of a macro change. But at this point, as we mentioned earlier in the call, we're not calling for that recovery yet. We are still planning a relatively muted environment for 2025.

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## Operator

We have no more questions at this time. I would like to hand the call back to management for closing.

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## Alex Xu *Qifu Technology Inc - Chief Financial Officer, Director*

Okay. Thank you, everyone, joining us. If you have any additional questions, feel free to contact us offline. Thank you.

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## Operator

That concludes today's conference call. Thank you for your participation. You may now disconnect your lines.

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## DISCLAIMER