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QD.N - Q1 2019 Qudian Inc Earnings Call

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Qudian Incorporated First Quarter 2019 Earnings Conference Call. (Operator Instructions) Today's conference call is being recorded.

I will now turn the call over to your host, Ms. Annie Huang, Director of Capital Markets for the company. Annie, please go ahead.

Annie Huang

Hello, everyone, and welcome to Qudian's First Quarter 2019 Earnings Conference Call. The company's results were issued via newswire services earlier today and were posted online. You can download the earnings press release and sign up for the company's distribution list by visiting our website at ir.qudian.com.

Mr. Min Luo, our Founder, Chairman and CEO; and Mr. Carl Yeung, our CFO, will start the call with their prepared remarks.

Before we continue, please note that today's discussion will contain forward-looking statements made under the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements involve inherent risks and uncertainties. As such, the company's results will be materially different from the views expressed today. Further information regarding this and other risks and uncertainties is included in the company's 20-F as filed with the U.S. SEC. The company does not assume any obligation to update any forward-looking statements except as required under applicable law.

Please also note that Qudian's earnings press release and this conference call should include discussions of unaudited GAAP financial information as well as unaudited non-GAAP financial measures. Qudian's press release contains a reconciliation of the unaudited non-GAAP measures to the unaudited most directly comparable GAAP measures. We also posted a slide presentation on our IR website providing details on our results in the quarter. We will reference those results in our prepared remarks but will not refer to specific slides during our discussion.

I will now turn the call over to our CEO, Min Luo. Please go ahead.

Min Luo - *Qudian Inc. - Founder, Chairman & CEO*

Thank you, Annie. I want to continue to thank all the investors, analysts and the media who have taken an interest to join today's call. We have exciting results to share. I will give you a brief overview, then Carl and Annie will give more details.

This was another record quarter. This quarter was a solid start for 2019 with stronger and better operating and financial results. Our core small consumption finance business continues to deliver exceptional risk adjustment profit driven by strong user demand and risk management capability.

First, on the user side. Since our thoughtful and streamlined product and service offering as well as strong brand recognition, our registered users continued to grow to 73.3 million with little additional marketing costs. In particular, our efforts to activate our dormant user base have paid off, evidenced by a sequential growth of 16.6% in new active borrowers.

Second, on the funding side. We further diversified our institutional funding base and expect to secure sufficient funding for this year. During this year -- this quarter, we added 5 more institutional funding partners and also deepened their cooperation and also deepened our cooperation with existing partners in scale.

Third, asset quality was maintained at our targeted level through our proprietary big data analytics and external partnerships. As of end of Q1, we have done RMB 201 billion worth of transactions since we started business in 2014. We have accumulated 185 million number of transactions contributing to a massive scale of transactional and behavior data, which give us clear advantage in data analytics.

Not only a record quarter, it was an exciting quarter from a quarterly and strategic perspective. Beyond income from our loan book business, our open-platform initiative began to demonstrate rapid growth since its launch in Q3 last year. We have referred over 2.5 million users for our traffic referral partners and around 136,000 users to our loan referral business partners. Accordingly, our open platform contributed around RMB 159 million in revenue for this quarter. It's a big number, a significant achievement over a short period for launch. Looking ahead, given this growth visibility, we will continue to invest in our open-platform initiative and expand partnerships in funding and user engagement, fueling growth beyond our loan book.

Give the exciting and reasonable growth outlook throughout our core business line, we have discontinued our efforts outside our transaction credit, and we'll stay focused on core consumption traffic services. Accordingly, we started to wind down our Dabai Auto business beginning in the second quarter. The existing Dabai staff will provided opportunities to join our consumption credit unit, while we plan to maintain a small operation to provide post-origination services for existing customers until the end of loan terms.

Again, it's a great start for 2019, and I am grateful to our IPO shareholders helping us achieve these milestones as they have existed gracefully with our new investors. And I'm confident exceptional returns will also be delivered to you as well.

Here is Carl with more details.

Ka Hong Yeung - *Qudian Inc. - CFO*

(technical difficulty)

with another milestone and achieved record non-GAAP net income of CNY 974.3 million, increasing by 187.9% year-to-year. This came as a result of successfully growing our loan balance while managing risk appropriately.

And our loan book grew by 91.2% year-on-year. This demonstrated robust user demand and ample institutional funding.

During this quarter, through successful efforts in testing and activating our dormant user base, new active borrowers increased by 16.6% from last quarter and contributed 18% of total active borrower. In the meantime, we successfully secured a new CNY 10 billion loan facilitation credit balance to serve growing user demand from one of the most established and largest direct banks at a competitive cost.

While our loan book business continue robust growth, our open-platform initiative contributed meaningful revenue with little marginal operating costs and 0 credit costs. We believe our credit analytics technology and brand influence is ready for full commercialization of our open platform. We intend to build a leading ecosystem of traffic pool combining our internal user base and users across other leading mobile apps, and then we add our leading credit big data analytics and refer these quality transactions to a range of licensed financial institutions.

One recent effort towards our traffic ecosystem of credit service is a strategic minority stake investment in a leading mobile app. And they have 15 million monthly active users and giving us exclusive user engagement through Qudian and our app to provide credit and credit referral services.

Open platform marks the most exciting part of our company's future and have proved early success with 2 strong quarters of results on a fantastic growth trend. In order to enhance transparency, we are separately disclosing the revenue from this business under a new revenue line item, referral service fee, for which this quarter, again, as Min mentioned, a big number, CNY 158.7 million.

With our solid Q1 results and ample external funding, we are very confident in our 2019 full year non-GAAP net income guidance to again exceed CNY 3.5 billion announced back in December 2018.

With guidance well on track and a strong focus on delivering shareholders' value, we bought back all the remaining shares held by Kunlun Group for USD 103.2 million, an action, I believe, was welcomed by many investors. Today, we have bought back around USD 376.8 million with our own shares or roughly 55.9 million ADSs. We are executing fatefully on our share buyback programs.

Now for investors focused on EPS, our first quarter 2019 non-GAAP EPS was the CNY 3.27 or USD 0.49. This grew 28% from the previous quarter.

Now regarding shares we bought back from Kunlun, we have already canceled all 1 -- 18.17 million ADSs in the second quarter of 2019. So we really look forward to further enhance our EPS in the coming quarters.

Now let me pass the floor to Annie, who will share some key financial results.

Annie Huang

Our total revenues increased by 22.2%, a substantial increase in loan facilitation income and financing income, partially offset by a decrease in sales income generated by Dabai Auto business.

Our financing income increased by 30.1% to RMB 1 billion, while loan facilitation income and others substantially increased to RMB 644.4 million year-on-year as a result of a substantial increase in off-balance sheet transactions.

Due to the rapid growth of our open platform, our referral service fees from open platform substantially increased to RMB 158.7 million from 0 in the first quarter of 2018.

Cost of revenues decreased year-on-year by 62.1% to RMB 260.5 million primarily due to a decrease in funding costs and the decrease in costs associated with Dabai Auto business. The scale-down of Dabai Auto business further drove down our sales and marketing expenses by 35.0% to RMB 79.9 million.

Sales and marketing associated with our core consumption finance business stayed flat from last quarter. Our asset quality stayed stable, and provision for receivables decreased by 12% to RMB 390.4 million due to a year-on-year decrease in past-due, on-balance-sheet outstanding principal receivables, partially offset by a write-down of Dabai Auto business of RMB 38 million.

And the M1+ delinquency coverage ratio for this quarter was 1.2x. Due to the increase in loan tenure, we believe M1+ delinquency rate was not fully representative of loan performance. And therefore, we added actual charge-off rates to supplement the disclosure. As of end of this quarter, our actual charge-off rates by vintage were less than 1.88%. We will continue to evaluate the disclosure of our operating metrics that meaningfully represents our loan performances.

Finally, we continue to maintain low leverage. As of end of March 2019, our equity reached around CNY 11.8 billion while our outstanding loan balance was RMB 24.6 billion. In addition, we had cash and cash equivalents and restricted cash of RMB 3.1 billion. We believe our low leverage model and sufficient cash reserve will help sustain long-term growth.

Again, on guidance. We remain fully confident in our growth prospects given sufficient funding and user demand. Therefore, we are reaffirming our previous guidance and expect our total non-GAAP net income for the full year of 2019 will be greater than RMB 3.5 billion, which would represent a 37.3% increase from CNY 2.5 billion for 2018. The above outlook is based on the current market conditions and reflects the company's preliminary expectations as to market conditions, its regulatory and operating environment as well as customer demand, all of which are subject to change.

This concludes our prepared remarks. We will now open the call to questions. Operator, please go ahead.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from the line of Mr. John Cai from Morgan and Stanley (sic) [Morgan Stanley] .

John Cai - *Morgan Stanley, Research Division - Research Associate*

Congratulations on the strong results. So it's great to hear that we will stay focused on the core consumption credits. So I have 2 questions related to that. So the first one is basically on the users. I think we are adding 0.5 million users with like very little sales and marketing costs. Just wondered if the management can share further details on how we achieved that. And what's our future plan to continue to enlarge the borrower or the user base?

And the second one is related to the loan. I think we have a very strong "loan balance growth" this year. And when I looked at the per borrower outstanding amount, it has -- if my calculation is right, around CNY 4,500. Just wondered how much room do we see to further grow from this stage? And also, we do have sufficient funding this year, and on the user side, we have this continued increase in outstanding balance per borrowers. And we also have this credit referral business, meaning that we are monetizing on this user pool. So to -- I mean, if -- in a 2- to 3-years' perspective, when do we see that we might lead to maybe buy some external traffic to increase this user base?

Ka Hong Yeung - *Qudian Inc. - CFO*

John, thank you for the questions. I'll answer them one by one. So we did a good job last quarter in growing that new user by about 0.5 million, and that's really again driven by -- it's always been too much demand. And we always try to fight -- not letting too many people through the door because we do operate, at the core business, a risk-based thing. So we continue to offer the low APR, the one of the lowest in the industry for our credit size, for ticket size. So that is -- always been a way that we can drive new users. And we never really spent money on sales and marketing and believe a better product should sell itself.

It's a keen observation. The loan balance per borrower right now, yes, it's around CNY 4,000-plus. We believe we can take it to CNY 6,000-plus in the near term with fairly very little impact to our credit risk profile. The reason is being that we have observed many of our peers and they have significantly bigger loan balance per borrower than us, and their credit metrics are performing quite well. We just had been overly conservative.

Now regarding growth for the rest of the year, a lot of it will come from the loan balance growth in the coming quarters, some new user growth. But I think the most exciting part is the open-platform initiative. If we think about our roughly 5.4 million active borrowers, in fact, from the time we launched open platform, we sent 2.5 million users, above that 5 million, to other people, to other platforms. And we referred 160,000 transactions -- and 160,000 people, right, to our funding partners with no risk undertaking. And that number will just continue to grow because that pocket is so deep. We have around 73 million registered users, which we just keep taking.

On top of that, as we just mentioned, we made a strategic investment in one of the leading apps in China. They have -- they carry about 15 million MAUs. And now that MAU is exclusive to Qudian and our consumer credit service. So I don't think we're going to have a user problem at least for some time. So that answers, I think, part of your third question. We have secured sufficient funding. We got a CNY 10 billion credit facilitation program going. We're one of the leading, largest direct banks in China.

I think you know that, that's funding there, the users, our internal pocket is there. We are adding 15 million possible users to this platform. We continue to add more other platforms to this ecosystem. So it's exciting year for us. And I think if you look forward, the open-platform part of the business will just contribute bigger and bigger. So I'm giving some preview. That's why this quarter, we separated this growth at revenue line item so that people can see very clearly that growth rates.

John Cai - *Morgan Stanley, Research Division - Research Associate*

So just one very quick follow-up. What's our latest loan balance? And what's the per borrower outstanding balance?

Ka Hong Yeung - *Qudian Inc. - CFO*

I would really much like to share with you, but my counsel has advised me not to disclose anything beyond what's in the earnings release. So I can assure you it's growing. We continue to be on a very strong growth trajectory. If you look back at our Q1 results, I think we did a good job, right? And I think we'll continue to do a good job.

Operator

(Operator Instructions) Your next question comes from the line of Tian Hou who from T.H. Capital.

Tianxiao Hou - *T.H. Capital, LLC - Founder, CEO & Senior Analyst*

Carl. [I'm Tian.] I really think that you guys did a good job, and the number shows. And I think it's the first time you that guys actually publicly openly talked about the open-platform operation. Would you please give some more color on this open-platform operation? What's the purpose, who are the participants, how you actually leverage the traffic and how you make money out of it? So that is mainly my question.

And also, on the funding side. I do realize a lot of state -- or state loan trusts are actually -- participates in those kind of consumer loan business. And so when you say the source of the loan, the funding side is not going to be a problem and -- going forward. So also, can you elaborate a little bit on that? That's 2 of my questions.

Ka Hong Yeung - *Qudian Inc. - CFO*

Tian, thank you, and always good to hear from you. So I'll answer the question on the funding side first, and then I'll talk about open platform. So as you know, our loan balance as of end of Q1, as just disclosed, was 200 -- CNY 24.6 billion. So adding another CNY 10 billion of credit facilitation from the leading banks would take us beyond CNY 30 billion. Beyond CNY 30 billion, I think we'll be well ahead of where we talked about in terms of guidance. So we are done pretty much for this year for funding.

We are not -- we do not work with trusts as much as last year before. Our current trust participation in the loan book is just around 10%. Yes, just around 10%. Majority of it is banks. So yes, I actually have pretty good memory, it's 10.7%. So we don't see any rift there. So okay, so that's the funding side.

Open platform, we first talked about it in the third quarter of 2018. We were -- we're forming a business where we want to grow beyond our loan book, right, because there's only so much risk appetite that this company is willing to take. And we had been overall quite conservative. So we started traffic referrals. So for transactions that we may not have sufficient funding to do or we don't think the risk appetite is exactly right for us but it might be right for some other players, we do see CPC-based business where we send this user across to the other app, okay? So that's kind of how we generate the CPC sort of advertising business. But then our funding partners, which are mostly banks, came back and say, "Well, look, if you guys are so open-minded about sharing your 70 million user base, can we go beyond CPC? Can we say you do some more work and you send the transaction over. And I'll happily do a CPS with you." So they're doing a revenue share with us. So that just took off. So we referred like 160,000 people to our bank partners in Q1. And totally, we earned CNY 159 million in revenues versus CNY 30 million in Q4, almost 5x growth. This is exciting.

From the trend and trajectories, there will be more and more demand from my funding customers to look for the right customer. And we are building a leading ecosystem of apps where we'd become a plug-and-play into their apps. So we don't want to replicate other people's business where we buy traffic because that doesn't make sense in the credit business. You buy traffic, you force demand. Okay. That's not smart. So we would put a plug-and-play entry into their apps so that users don't leave the app and can directly get the best-in-class, regulatory compliant well-funded kind of loan products supplied by my funding partners.

Tianxiao Hou - *T.H. Capital, LLC - Founder, CEO & Senior Analyst*

This is great. Congratulations on a good quarter.

Ka Hong Yeung - *Qudian Inc. - CFO*

Thank you, Tian. Awesome. Thank you. Thank you, Tian.

Operator

Your next question comes from the line of Victor Wang from CICC.

Yaoping Wang - *China International Capital Corporation Limited, Research Division - Analyst*

Carl, this is Victor. Congratulations on the fantastic first quarter results. I may miss some questions because somehow my line was not connected until the question between you and John. My question is regarding -- I find an interesting slide in your presentation, which is referring to -- it seems that QD is considering to expand the business into ASEAN countries. And what is some of the rationale behind? And is there any planning in terms of either the timetable or capital committed for the ASEAN expansion?

Ka Hong Yeung - *Qudian Inc. - CFO*

Great. Thank you, Victor. Again, great to hear from you. The -- sorry about the line quality. We think we have really figured out one of the best ways to serve the underserved users with our deep, deep experience in China. I mean, CNY 200 billion worth of transaction, this is a massive data that we collected. And we believe some of this know-how and data analytics plus the technology -- we're clearing transactions for 100 funding partners every minute, every hour. So we believe a lot of this can be replicated at a very low cost, which should give us a significant advantage while we enter emerging markets such as Southeast Asia, possibly India, Africa, those countries.

Now there is no timetable. We just want to explain to the capital markets, our advantages are there. There are room for us to grow and grow and grow. We will not stop growing in China. We will add more growth to this business by looking at opportunities elsewhere overseas because these markets are emerging. They -- again, a lot of under bank users. And we believe the way we understand credit gives us so much advantage and success there.

We don't have any capital marked. We don't know whether we're going to do it ourselves or maybe do M&A. All these are just questions. We may be spending quite a long time investigating, doing due diligence into the right markets and the form of the business that we would take doing these markets. So we'll update the community as we know more, but right now it's just a thought.

Yaoping Wang - *China International Capital Corporation Limited, Research Division - Analyst*

And can I have a follow-on question? Considering that your first quarter results is already pushing to CNY 1 billion in terms of quarterly profit and considering that the open platform is likely to drive more revenue and considering that you are adding additional funding, it seems that the likelihood for -- you have to revise up some full year profit guidance is very high. Can you share with us what's the latest assessment? Or how should we as an sales analyst community to look at the full year earnings in terms of the range?

Ka Hong Yeung - *Qudian Inc. - CFO*

Good catch, Victor. It's hard to speak away things from you. And yes, so as we approach CNY 1 billion of net income per quarter, and we'll likely, with some growth, exceed that in the future, possibly, it seems like CNY 2.5 billion is a vast understatement.

But here's how we think about going forward. As you see, our open-platform initiative has done a great job in Q1. We have a lot of hope that it would grow even faster in the upcoming quarters. So that's why right now I'm sticking with the guidance so far.

Yes, the funding for sort of the core consumption credit part is there. The users are there. So there should be no problem growing. But we will reassess whether to raise guidance down the future or maybe enhance possibly the quality of our earnings from the aspect that it may not be an underwritten risk-undertaking business anymore. It would just be a pure Internet business, which we hopefully demand for higher valuation. So we are reassessing all these options. But in any case, CNY 2.5 billion would be delivered like we promised. Whether we exceed that significantly or enhance the quality significantly, I think both options should add value to my shareholders.

Operator

(Operator Instructions) Your next question comes from the line of Jacky Zuo from Deutsche Bank.

Jacky Zuo - *Deutsche Bank AG, Research Division - Research Associate*

Congrats on the results. So my first one is a follow-up on the open-platform initiative. Just want to learn about the average ticket size and the total loan originations for this transaction referral business and roughly our take rate for this type of referral business. And I want to get some feedback on the 2 partners we are currently operating, what the initial feedback on this type of corporation and a pipeline for -- involving more partners in the coming quarters. And probably, investors also want to learn because they also have option to sign like loan supermarkets to acquire online borrowers. So how do they compare with our open platform versus like loan supermarkets?

And second question is about the asset quality. Just want to get some color on the asset quality trend because I actually observed the P&L item. We actually booked the 2 items: one is loss of guarantee liability; another one is provision for loan receivables. And add up the 2 items, it's actually up from fourth quarter. So just want to get some color on this number. And also, we booked some loss on the Dabai Auto business. So any follow-up write-down of auto business in the coming quarters? And also, we mentioned we will target some asset quality or loan loss range, so what's the current target?

And lastly, just a minor one, is on e-commerce business. I saw that our e-commerce last revenue actually up year-on-year and quarter-on-quarter. So just want to get an update on the e-commerce front.

Ka Hong Yeung - *Qudian Inc. - CFO*

Thank you, Jacky. Lots of great questions. So regarding our open platform, some of the questions you have regarding Q1, so we referred about CNY 1.8 billion. Whether it's loan volume or loan balance, it's the same because it's still in the quarter. So yes, that's kind of where we are in Q1. So the average ticket price, therefore, is around CNY 8,000. So it's significantly bigger than our current average ticket size. So that sits really well with our funding partner as they tried to chase for bigger ticket size as they're typically banks.

Since we don't underwrite the risk, we don't really care whether the -- where the losses are. But we actually do care because we do want our partners to succeed and do well. As far as we know, the delinquency rates across the loans so far in Q1 and Q4 we generated are extremely low. They are like in the sub-1%, sub-0.5% range. So our partners found it incredible. So that's why we're getting so much confident that we can offer this to more partners and that part of the business will continue to grow quite well.

Asset quality trend, yes, as I mentioned before, we try to give a very candid discussion about what asset quality means to us. I believe the asset quality must deteriorate over time for many reasons: Number one, we have elongated the loan in the past year. Secondly, the liquidity for the whole Internet finance sector has declined given a lot of P2Ps have exited. A lot of micro-lending companies have gone bust. Yes, bigger players have come in, but they target the bigger ticket size. So I think in the near short term, I expect to continue to see asset quality to decline.

But put it in context. If you look at our profit take rates, whether it's Q1 or Q4 or Q2, Q3 before, our profit take rate remains consistent. What we are seeing is probably about roughly a 1% decline a year in asset quality. But what you're about to see as well is about 1% decline in my operating costs. So basically, our margin take rate has been neutral. So that's kind of where we see things trend. We are delivering extremely consistent risk-adjusted returns from quarter-to-quarter to quarter-to-quarter. And we believe that trend will continue regardless of whether asset quality increases or decreases. So we're managing that quite well.

There has been some markdowns in Dabai, approximately CNY 30 million in the first quarter. We still continue to expect to mark down some more in the second quarter, third quarter, fourth quarter as we wind down the Dabai business, but the amounts should be immaterial going forward. So we -- our bottom line is this, we should still continue to deliver very consistent margins for our loan balance over time.

Does that help with some of the questions, Jacky?

Jacky Zuo - *Deutsche Bank AG, Research Division - Research Associate*

Yes, Carl. Just last one, on the e-commerce slide. So I saw the GMV actually up quarter-on-quarter a lot. So can you share with us some color on that? Are we doing some -- or seeing more demand on the e-commerce business?

Ka Hong Yeung - *Qudian Inc. - CFO*

Yes. I think e-commerce has been something that we always want and always loved. But e-commerce has never been the biggest part of our profit driver yet because we're still figuring out our optimal sort of risk-adjusted return on this business. So I know you see, and I've been positively surprised too on our Q1 e-commerce sales, but I don't expect that to grow significantly. Or if I want to put things in priority, I think the open platform, you're going to see much, much more exciting growth from there.

Operator

(Operator Instructions) Your next question comes from the line of Victor Wang from CICC.

Yaoping Wang - *China International Capital Corporation Limited, Research Division - Analyst*

Carl, I'm going to ask another question. The question is regarding capital planning. In the presentation, I saw that you target to manage the operational leverage in terms of the total loan balance versus your own equity, I think, in the range of 2 to 3x. And currently, it stands at 2.1x and -- which mean that in theory, you can actually lever up the operation far a little bit. And you can do it either way by adding more funding or you can actually try and do the business with more lean capital structure. So that leads to my question. Is there any additional plan in terms of going forward, whether you are going to accelerating the speed of share buyback plan? Or is it possible that you will finally begin to introduce a cash dividend payout plan if you can gradually increase the leverage into 3x?

Ka Hong Yeung - *Qudian Inc. - CFO*

Thank you, Victor. Good observation. Yes. We have consistently operated our business under a conservative approach. So you can observe that we operate the lowest so-called leverage across all of our peers. And we believe we can sustain kind of the stable growth on a good risk-adjusted return that we feel comfortable with at no more than 3x leverage. So there's a 50% growth on that leverage plus the capital we continue to redeploy back in the company. The growth should really just be there. Period.

So how do we think about whether we will operate a leaner capital structure or leverage up to do more? I think the answer lies in open platform. If we can significantly and quickly scale up open platform, then I think there is room for us to operate a leaner capital structure. And how we do with that capital freed up, we would either bring it back to the shareholders. We are -- again, share buyback that we have consistently done. We may offer dividends as a possibility, but those are still a bit far away. It all depends on how we perform on open platform, yes.

Does that help with the question, Victor? I think it's a little bit too early to call what we do with the cash and the capital. If we can grow significantly the open platform, then really this company doesn't need that much of capital anymore.

Operator

Your next question comes from the line of Mr. John Cai from Morgan and Stanley (sic) [Morgan Stanley] .

John Cai - *Morgan Stanley, Research Division - Research Associate*

So yes. I'm trying to follow up on the open-platform growth. So is there any like context here, meaning that in our -- so I mean, you look at the applications from a pool basis. How many applications revenue is from our users? How many did you refer? How many potentials we see? And so first of all, the penetration rates, so what's the room there?

And secondly, I think I'm asking a repeat question. How do you plan to grow this traffic pool? And finally is -- so are you thinking that -- so I think you mentioned that we might need less capital expenses. The open platform is doing well. So my question is, is there any potential that in the future, if there's room (inaudible) in the other partners, then we might refer them to the other partners other than with ourselves?

Ka Hong Yeung - *Qudian Inc. - CFO*

Yes. Thanks, John. So I think if you want to sort of get a small peek into the future of open platform, so first of all, immediately, out of our own 70 million users that we have, we've marked that about 10 million -- 10 million to 15 million actually, are fit for transaction referral, not just traffic referral. In the first quarter, we've done on 160,000 plus around 1 million users on traffic referral. We generated CNY 159 million in revenues, which is essentially just profits given tax and after-tax profits. So there's CNY 10 million to CNY 15 million just internally. If you take CNY 10 million, multiply t by 8,000, again, that's just a massive number. And given the take rate we are experiencing, anywhere from 5% to 10% from partner to partner, this would generate a massive, massive cash flow and net income for us.

But on top of that, I think one thing that is exciting is we found a lot of apps in China do not have the right financial services partners to help the users and to help them monetize. So we are building a pretty sophisticated, easy-to-use plug-and-play financial service kind of products in the technology business to link them up with this open platform. So we're adding in the next quarter, as we close the transaction just now, we're adding 15 million possible users to the open platform. So if you just think of any reasonable just kind of translation, 1 or 2 million users at CNY 8,000 per average transaction as we saw in Q1 and a take rate conservatively, say, anywhere from 5% to 10% -- so let's call it 8%, that's just going to be a massive earnings driver.

John Cai - *Morgan Stanley, Research Division - Research Associate*

Yes. So just on the -- I mean, if the future -- that the leads we generate actually both in our standard and the partners' standard, do we plan to meeting them? Or you [further them out]? Is it decided yet at the moment?

Ka Hong Yeung - *Qudian Inc. - CFO*

Yes. That's a great question. We have not decided yet. But right now, given we want to grow to business faster and faster on open platform, we kind of are giving priority to our partners first. Yes.

Operator

(Operator Instructions) There are no further questions at this time. I will now hand the call over to our presenters. You may continue.

Annie Huang

Thank you once again for joining us today. If you have further questions, please feel free to contact Qudian's Investor Relations department through the contact information provided on our website.

Operator

Ladies and gentlemen, this does conclude our conference for today. Thank you for participating. You may all disconnect.