

# SCH Advisors – X Financial Research Paper: X Financial, China’s Next FinTech IPO

*Welcome to SCH Advisors monthly research paper. Each edition will highlight a specific company within a progressive dynamic sector.*

MANHATTAN, NEW YORK, NEW YORK, September 19, 2018 /EINPresswire.com/ -- SCH Advisors is a leading independent stock advisory firm that works with a variety of clients from institutional and corporate to retail and private investors. Our objective is to offer uncompromised advice, enabling our clients to make pertinent investment decisions. Specializing in sectors known for exceptional growth, SCH Advisors is here to guide, advise and execute your wealth management strategy.

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X Financial IPO Expected to List Today

Expected to list later today, X Financial aims to sell 11 million ADSs at \$10.00 per ADS representing underlying Class A shares in a U.S. IPO.

The firm operates an online consumer finance marketplace in China.

XYF is still growing quickly after the effects of recent Chinese government financial crackdowns but faces continued regulatory unknowns.

X Financial intends to raise \$110 million from a U.S. IPO of its ADSs representing underlying Class A shares, per an amended registration statement.

The company provides a range of unsecured loan and wealth management services via its online platform.

XYF is still growing sharply even after Chinese government financial impacts on its business but still faces more regulatory uncertainties ahead.

## Company & Technology

Shenzhen, China-based X Financial was founded in to offer a suite of products specifically catered to the financing and investment needs of individuals in China.

Management is headed by Founder and CEO Yue (Justin) Tang, who has previously co-founded eLong.com.

X Financial is comprised of several individual brands, including Xiaoying Card Loan which is primarily a credit card balance transfer product, Xiaoying Preferred Loan, a high-credit-limit

unsecured loan product, and Xiaoying Wealth Management, a wealth management service marketplace.

The company's peer-to-peer platform matches borrowers' loan requests with investors' investment demands and executes loan and investment transactions to provide borrowers with prompt funding.

The firm says it is the third largest non-traditional consumer high limit unsecured credit provider in China, according to an Oliver Wyman report.

Investors in XYF have included Bainian Kangcheng, Shanghai City Holdings, Gold Mantis Enterprise and China Century Group, among others.

Management has created has a strategic partnership with ZhongAn, an online-only insurance company in China.

ZhongAn provides credit insurance on the loans that XYF facilitates and was the firm's third-largest ecosystem partner 'in terms of gross written premiums.'

Notably, the firm has materially reduced the interest rates and service fees it facilitates or charges due to a regulatory crackdown on high-interest rates for consumer loan products.

## Market & Competition

According to a 2017 Oliver Wyman report on Chinese FinTech firms, outstanding loan balances for online peer-to-peer lending platforms has exploded in recent years, from RMB 31 billion (\$467 million) in January 2014 to RMB 856 billion (\$129 billion) by January 2017.

This spectacular rise represents a 27.6 times growth multiple in just a three-year period.

Furthermore, 'China has overtaken the United States as the global leader in FinTech venture capital activities [in 2016] and represents 47 percent of global FinTech investments,'

China is also home to a growing number of 'unicorns,' tech companies that have a private valuation of at least \$1 billion. Ant Financial, valued at \$60 billion, is far and away the largest FinTech unicorn followed by Lufax' valuation of \$18.5 billion:

Until the recent government crackdown, the growth of the Chinese FinTech market has been nothing short of dramatic. In the four categories of Financing, Investing, Insurance, and Transaction, the chart below indicates the recent indexed growth history, with 2014 being a major inflection point.

During this tremendous growth period, the PBC (People's Bank of China) cut the benchmark interest rate five times and lowered the required reserve rate six times.

## IPO Details

XYF intends to raise \$110 million in gross proceeds from an IPO of 11 million of its ADSs representing 22 million underlying Class A shares at a midpoint price of \$10.00 per ADS.

Class A shareholders will be entitled to one vote per share and Class B shareholders, primarily the company founder and CEO, will be entitled to twenty (20) votes per share.

Multiple classes of stock are a way for management to retain voting control of the firm even after losing economic control.

The S&P 500 Index no longer admits firms with multiple class of stock into its index.

At IPO, XYF will have an enterprise value of approximately \$1.42 billion, assuming it prices at the midpoint and excluding any effects of customary underwriter options.

Management says it will use the net proceeds from the IPO as follows:

The primary purposes of this offering are to create a public market for our shares for the benefit of all shareholders, retain talented employees by providing them with equity incentives and obtain additional capital. We plan to use the net proceeds of this offering primarily for general corporate purposes, which may include investment in product development, sales and marketing activities, technology infrastructure, improvement of corporate facilities and other general and administrative matters.

Management's presentation of the company roadshow isn't currently available.

Certain existing investors have indicated an interest in purchasing up to \$100 million of the ADSs at the IPO price. This is a significant signal to prospective IPO investors but is non-binding.

Shares are expected to be offered between \$9.00 and \$11.00.

SCH Advisors sees the X Financial listing and a perfect forerunner to the much-anticipated Ant Financial IPO expected next year.

The fact that X Financial are listing at a time when there is [turbulence between China and the US](#) should not have a huge impact on its debut, however the ability to gauge investor sentiment for the industry will provide massive benefits for anyone looking to the FinTech sector for future opportunities.

To receive more information on X Financial and Ant Financial or subsequent editions via our mailing list, contact us at [info@sch-advisors.com](mailto:info@sch-advisors.com).

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