



—FANHUA Inc. Nasdaq: FANH—

Second Quarter 2023 Earnings Call Presentation

2023/08/31

Disclaimer

This presentation contains "forward-looking statements" regarding the core business of Fanhua Inc. and its subsidiaries. All statements, other than historical information contained herein, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements, often used in forward-looking words such as "believe," "anticipate" or similar expressions, involve known or unknown risks and uncertainties. Even if the Company believes that these forward-looking statements reflect reasonable expectations, they contain assumptions, risks and uncertainties that may prove to be incorrect. These statements are valid only herein and investors should not place undue reliance on these unfulfilled forward-looking statements. The Company's actual results of operations may differ materially from forward-looking statements as a result of various uncertainties, including the Company's periodic filings with the Securities and Exchange Commission. All forward-looking statements made on behalf of companies and individuals are qualified by these factors. Except as required by securities laws, the Company undertakes no obligation to update these forward-looking statements.



Opening Remarks

Speaker: Yinan Hu

Founder, Co-Chairman & CEO

ACCUMULATED RETIREES TO EXCEED 500MN IN NEXT 10Y*

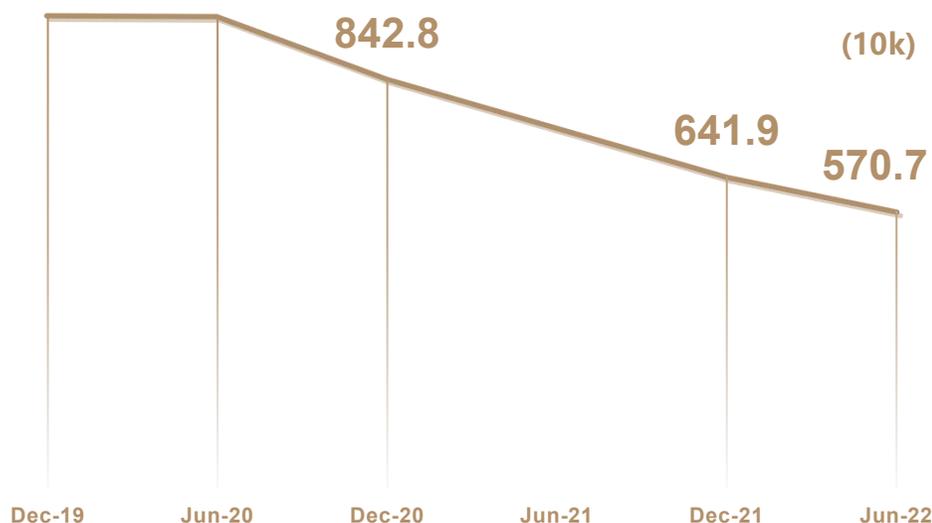
(mn)



2020A 2021E 2022E 2023E 2024E 2025E 2026E 2027E 2028E 2029E 2030E

*Estimated population aged above 60-years old, calculated based on no. of existing 60-year old population according to the 7th Census plus the no. of people born between 1961 and 1971

973 971.2 NO. OF INSURANCE SALES AGENTS



Chinese Economy: Long Term Growth Remains Intact

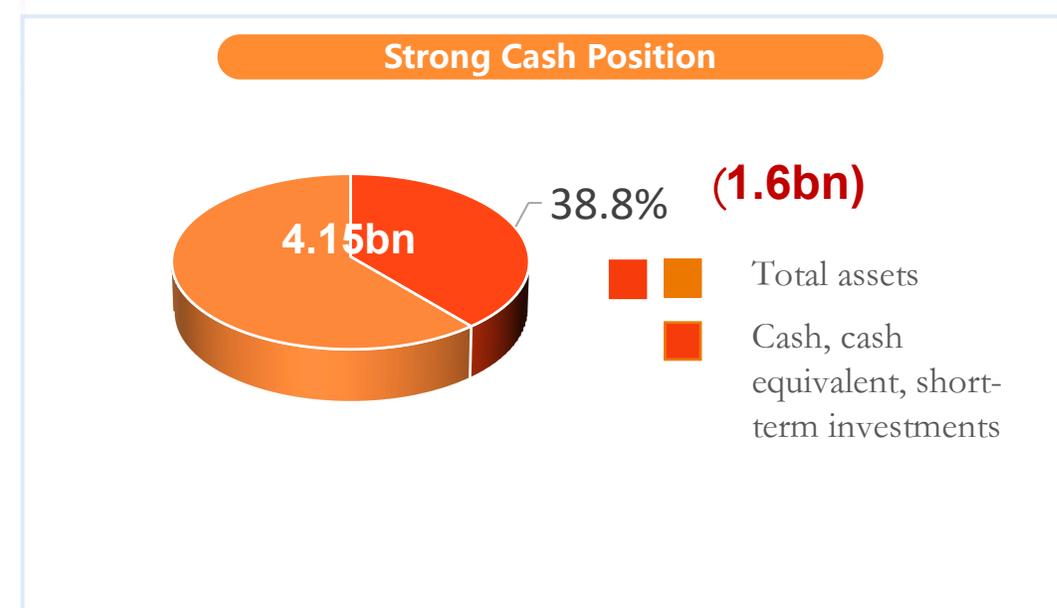
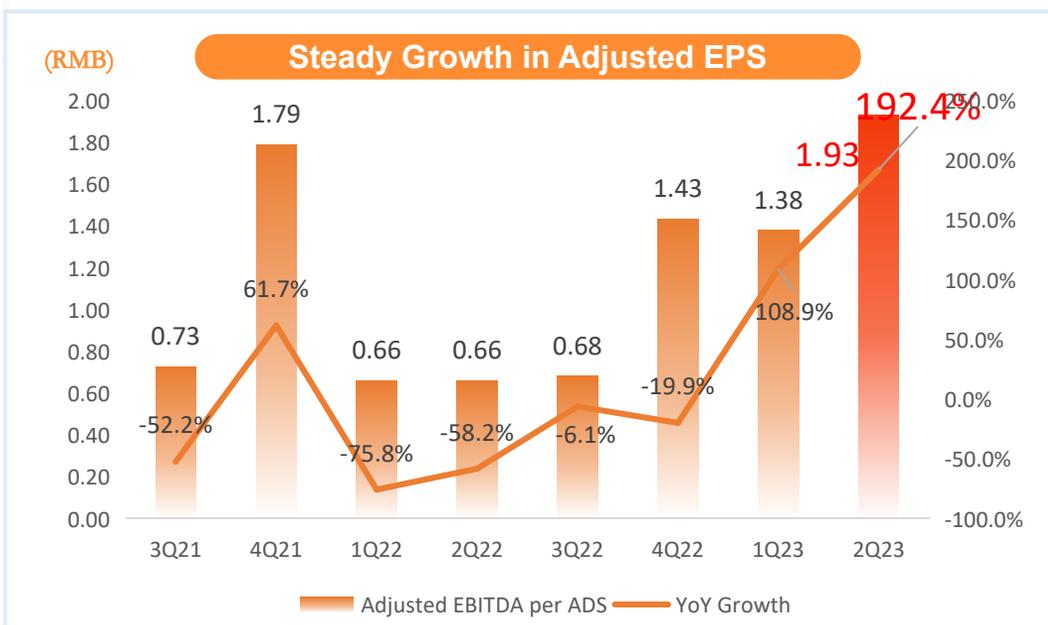
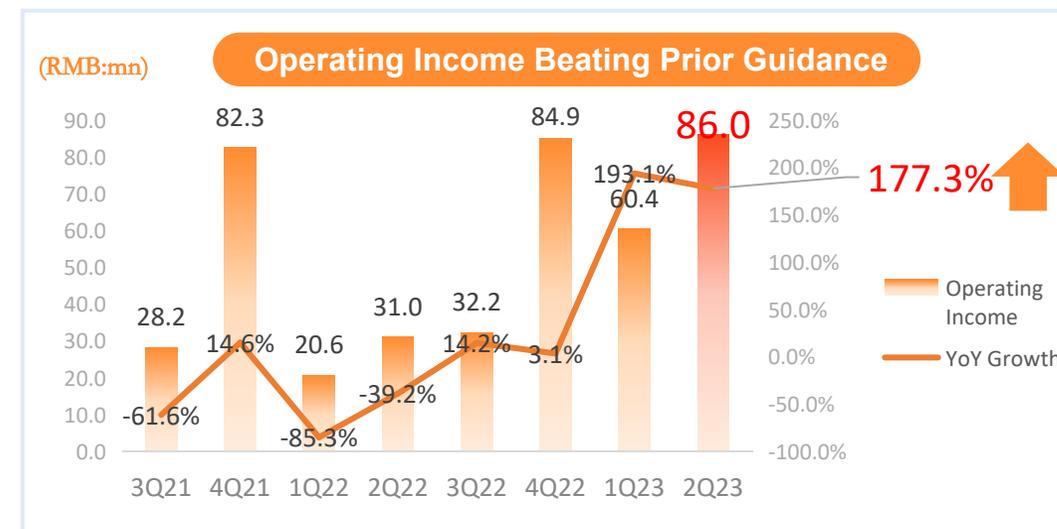
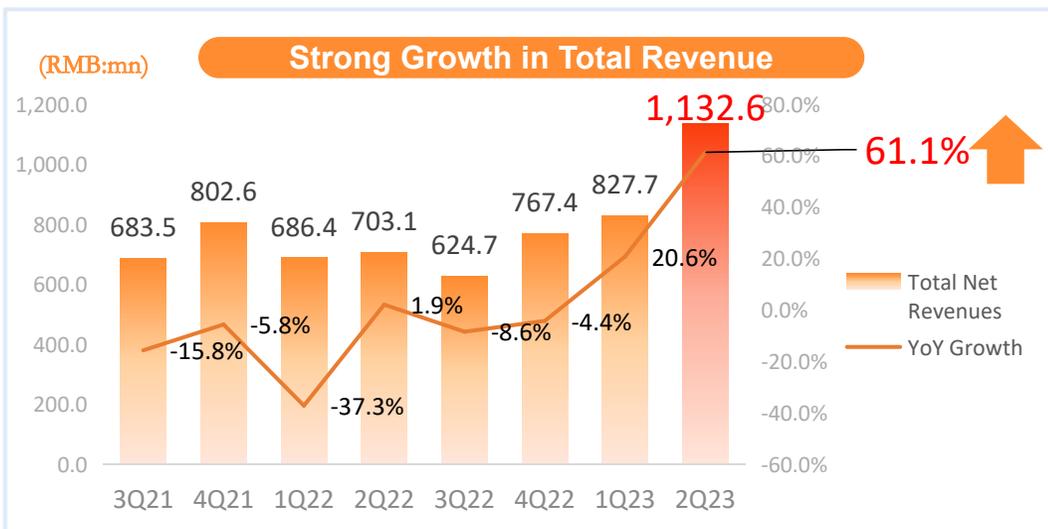
- We are entering a period which the methods of production will change – from old to new.
- Our mega market size potential remains unchanged, long term growth potential for all industries remains unchanged.

Insurance Industry: The Market Demands for a Professional Distribution Empowerment Platform

- Huge Chinese middle class and aging population imply sustained strong demand for inheritance products
- Agents with low productivity will be eliminated but there will be a shortage of high quality agents (~2m shortage).
- Market requires empowerment platforms to facilitate professional transformation of sales teams.

Fanhua: “Professionalization, Career-based, Digitalization, Open Platform” Strategy is Fully Aligned With This Economic Model Change and Industry Transition

Consistent Results from Execution of Core Strategy



New Vision, New Mission, and New Values

Vision:

A Globally Leading Technology-Driven Financial Service Platform

Mission:

Empowering the Growth of Financial Advisors and Fostering

Sustainable Value Creation for Customers

Operational Model:

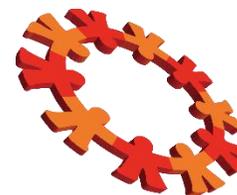
Intelligent Platform + Elite Entrepreneurship

Values:

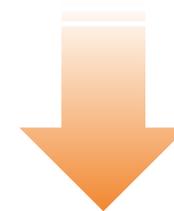
Integrity, Openness, Professionalism and Innovation

Brand Upgrading With New LOGO

Unveiled on August 25



泛华控股集团
Fanhua Inc.



泛华控股集团
FANHUA Inc.

Operational Highlights of 2Q23

Speaker: Ben Lin

Co-Chairman & CSO

Strong Results in 23Q2

GWP Growth Outpacing Industry

FH GWP

RMB: Bn

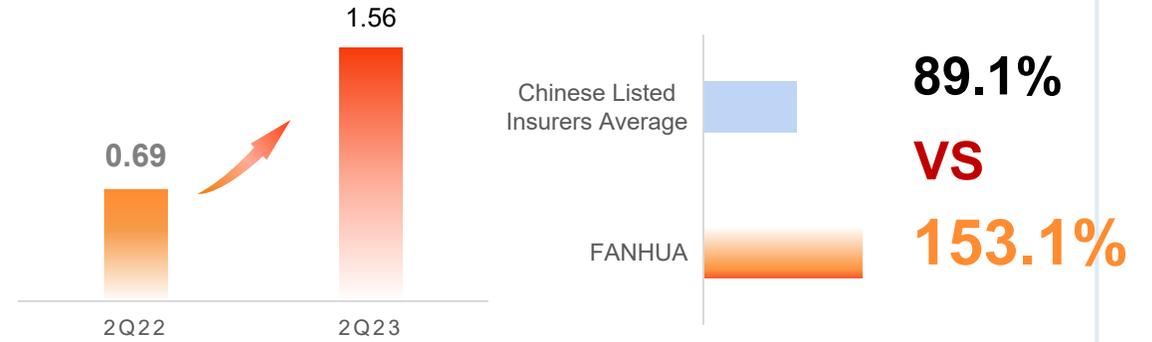


FH Regular FYP Growth Significantly Above Listed Insurers

FH Life Insurance Regular FYP

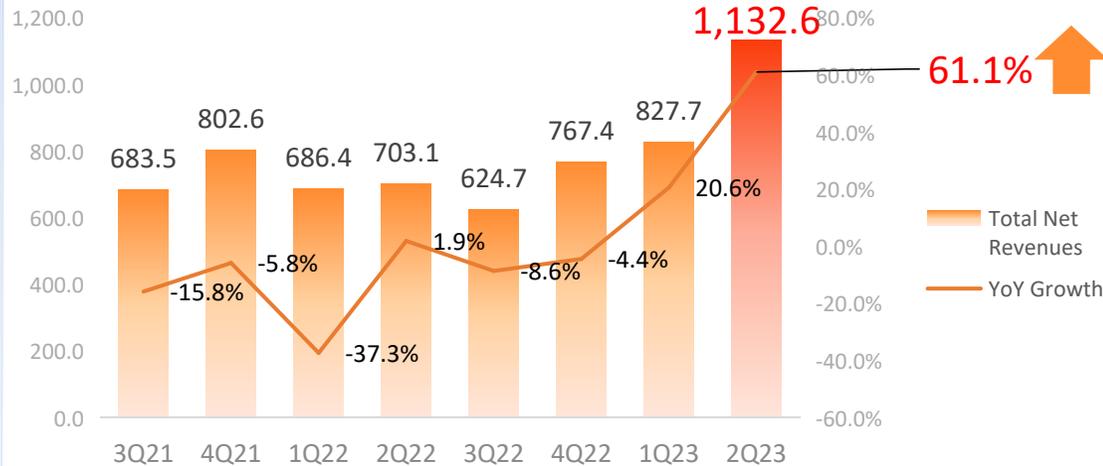
RMB: bn

Regular Life FYP Growth Rate



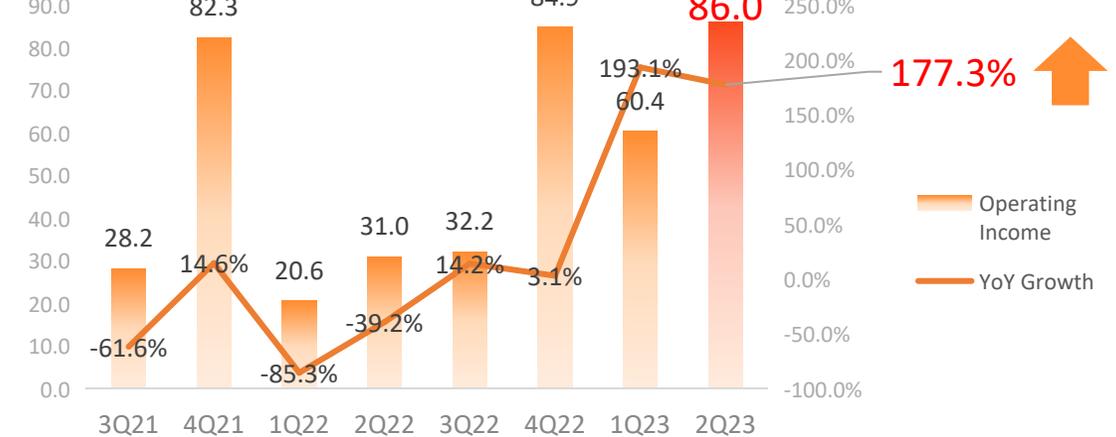
Strong Growth in Total Revenue

(RMB:mn)



Operating Income Above Prior Guidance

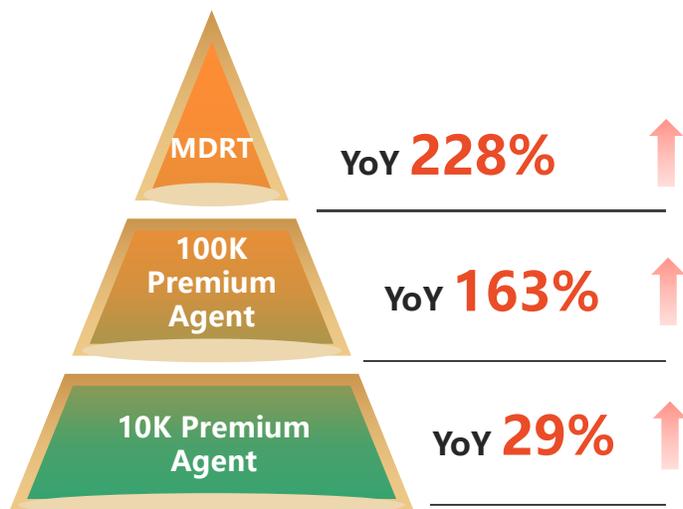
(RMB:mn)



Significant Improvement in Advisor Quality

Steady Growth in No. of Top Agents

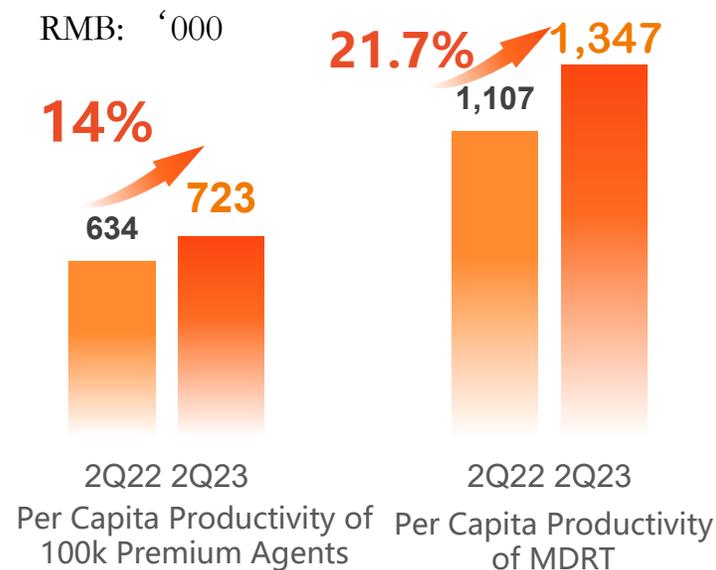
1



TOP AGENT

Improvement in Top Agent Productivity

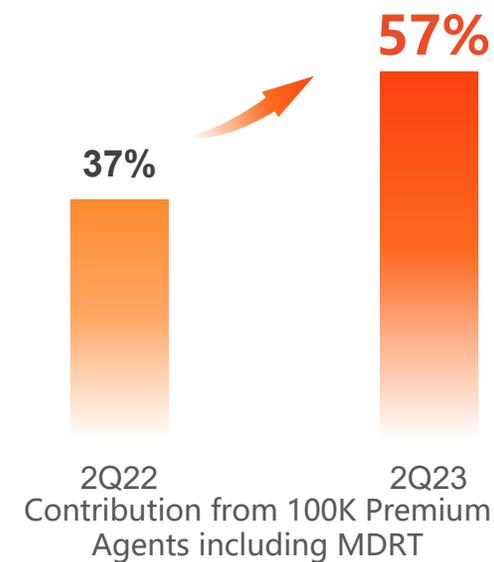
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PRODUCTIVITY

Increased Contribution from Top Agents

3

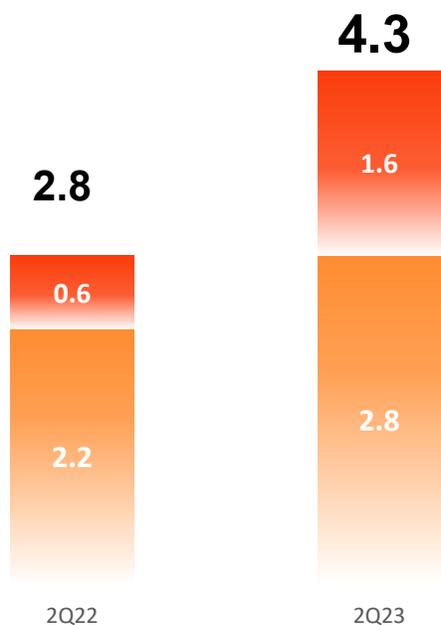


CONTRIBUTION

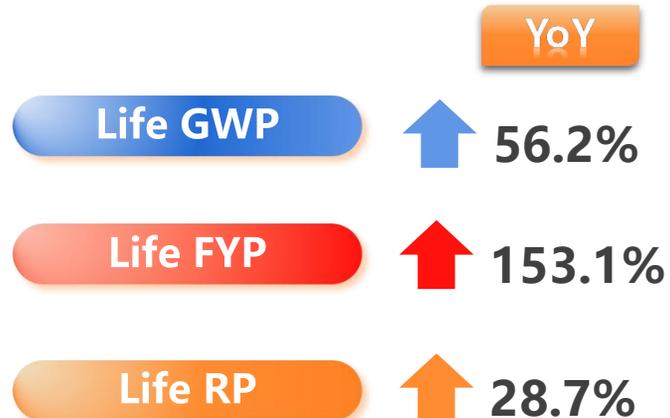
Strong Growth of Life Insurance Business in 2Q23

Significant Growth in FYP&RP

RMB: bn



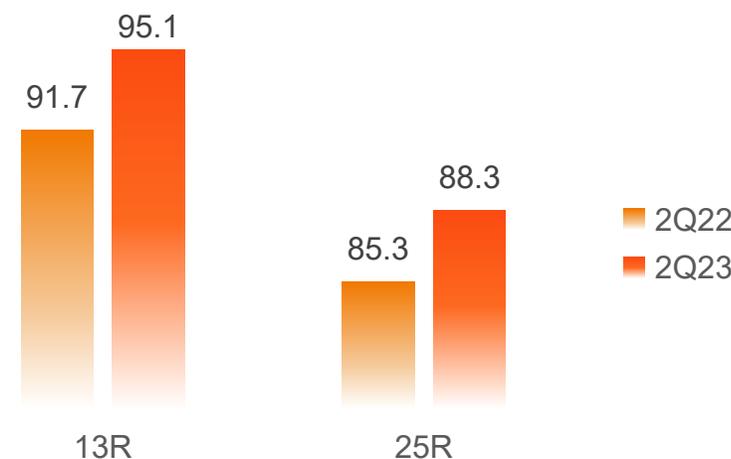
Regular First Year Premiums
Renewal Premiums



% Steady Growth in Persistency Ratio*

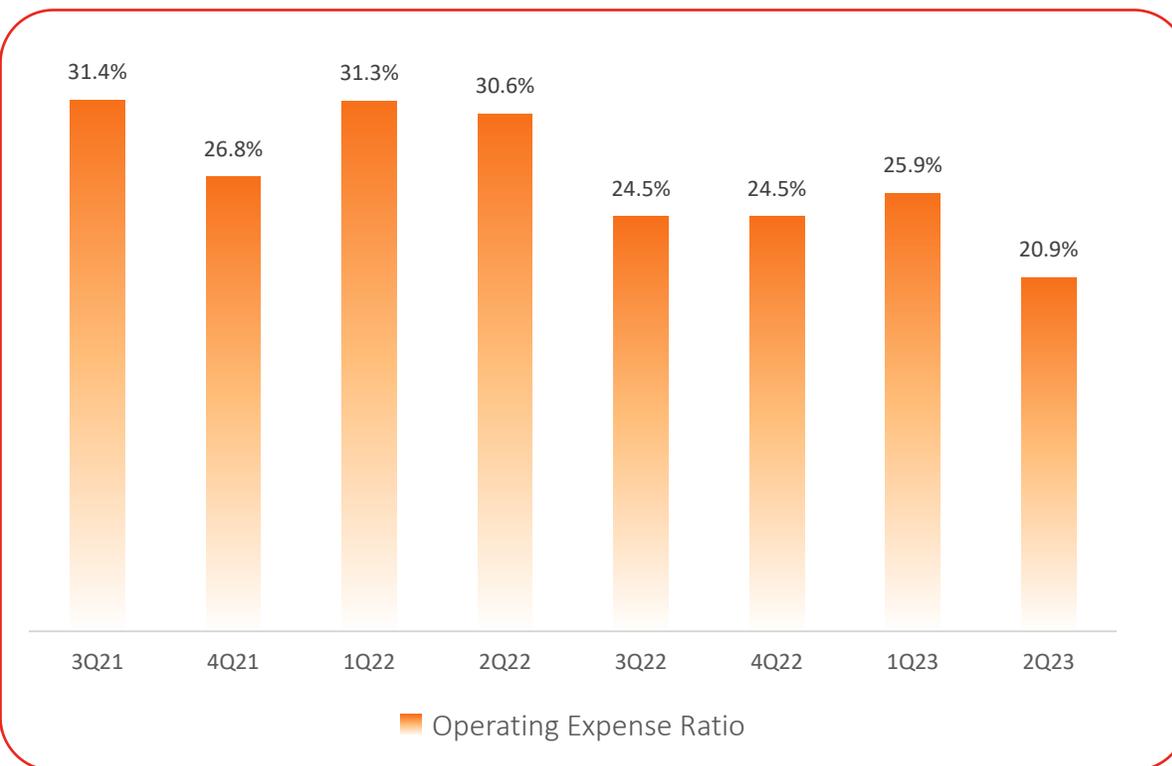
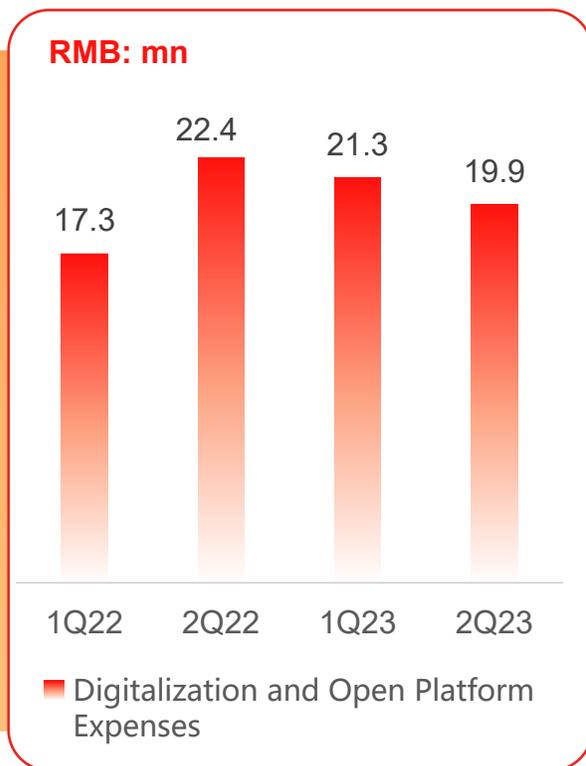
13th Mth Persistency Ratio
95.1% ↑ 3.4ppts

25th Mth Persistency Ratio
88.3% ↑ 3ppts



Digitalization and Open Platform Strategy Improves Operational Efficiency

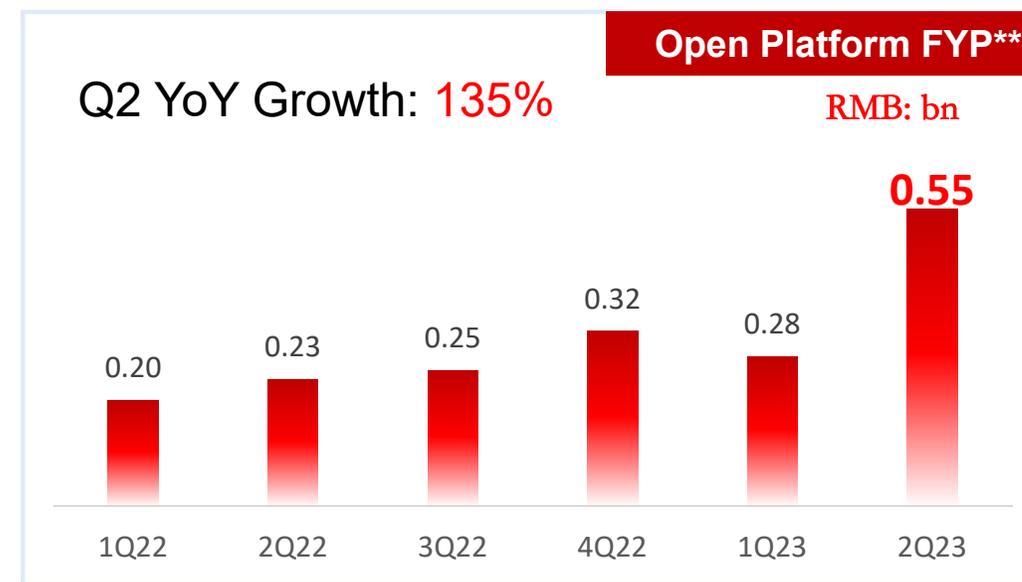
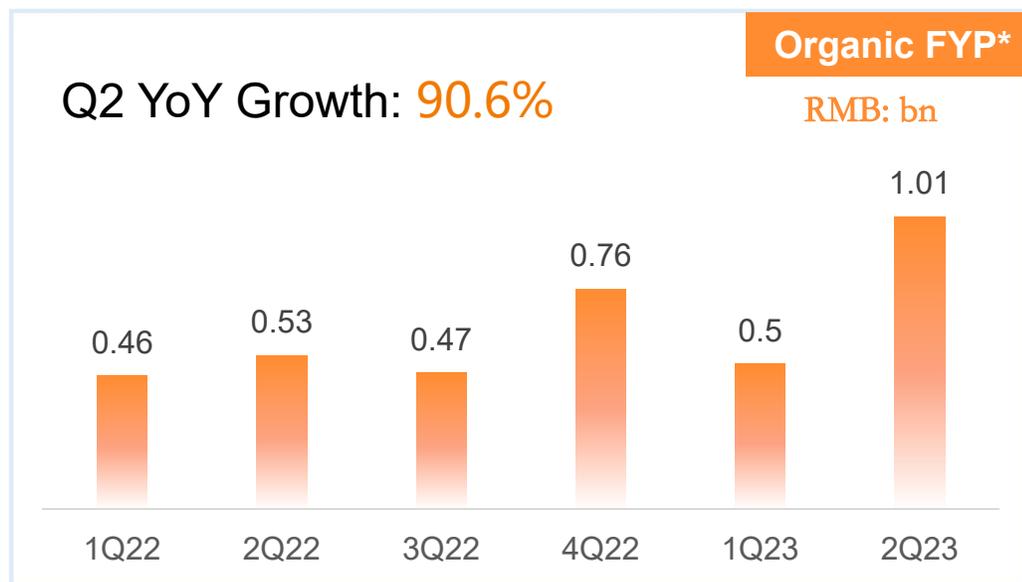
Consistent Improvement in Expense Ratio



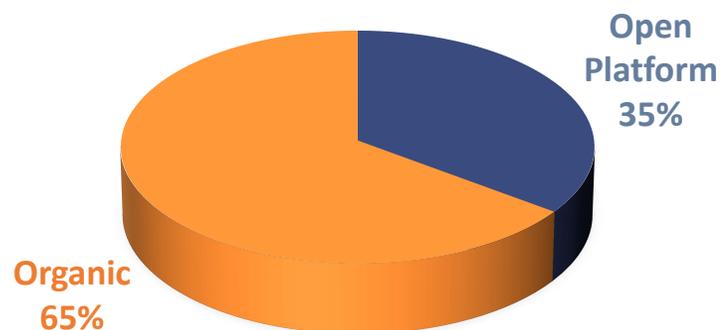
Operating expense ratio
20.9%

↓ **9.7** pts YoY

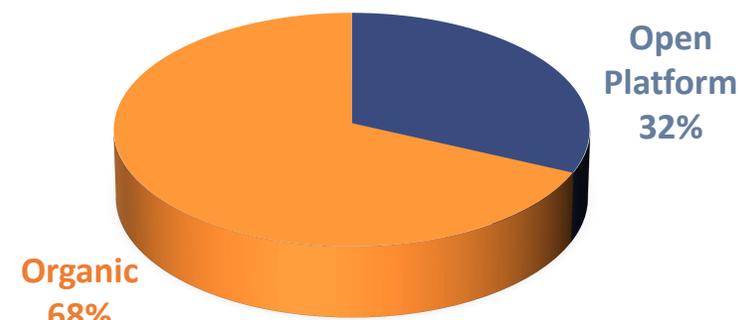
Growing Contribution from Open Platform Strategy



Total Life FYP Mix* (%)



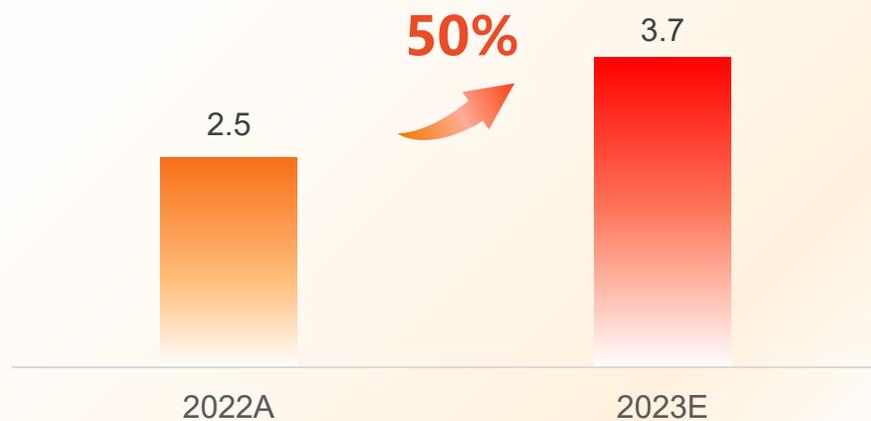
Revenue Mix* (%)



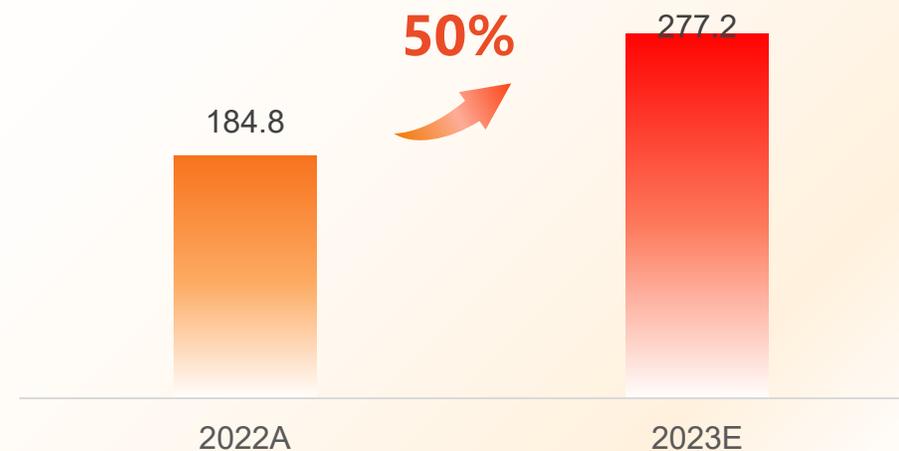
*Organic FYP refers to FYP contributed by our existing agencies excluding short term premiums generated by Baowang
 **Open Platform FYP refers to FYP contributed by three newly acquired entities and third party entities using our platform

Business Outlook For the Full Year of 2023

FH Life Insurance FYP Target RMB: bn



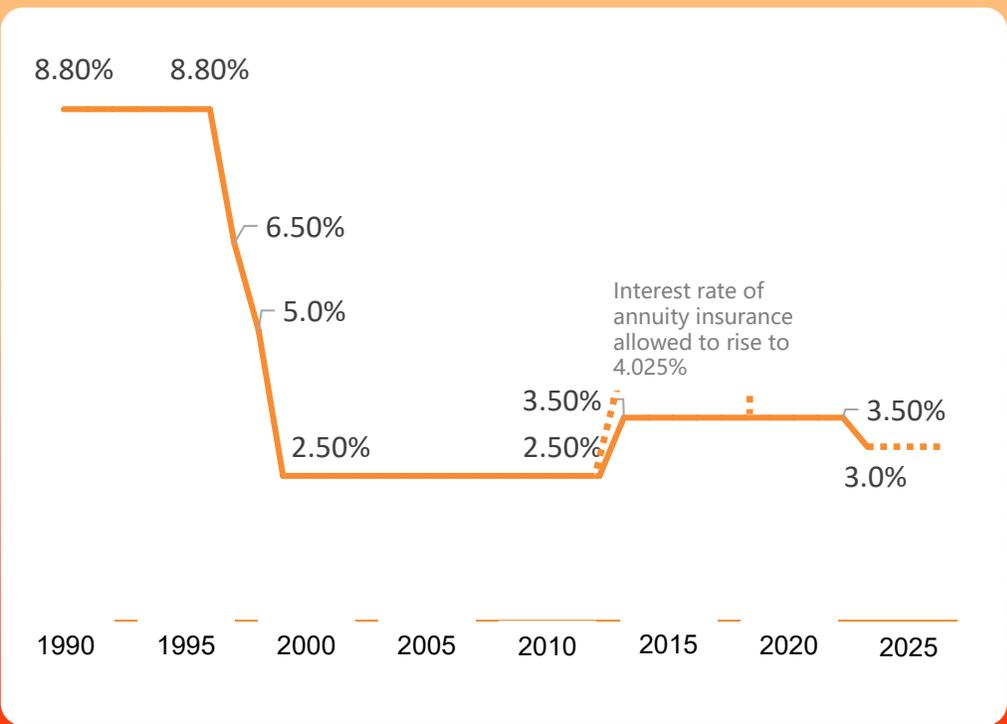
FH Adjusted EBITDA* Target RMB: mn



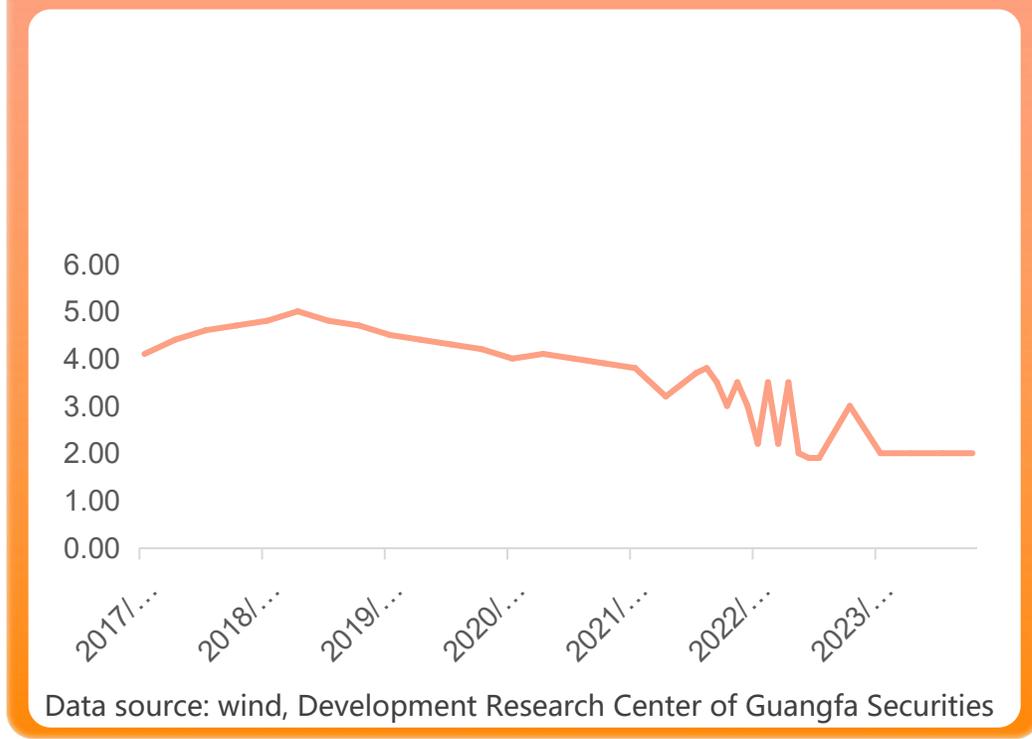
*Adjusted EBITDA is defined as net income before income tax expense, share of income and impairment from affiliates, interest income, financial cost, investment income, depreciation, amortization of intangible assets and share-based compensation expenses.

Insurance Products Remain Competitive Compared to Banking WM Products

Life Insurance Pricing Rate Change Over the Past Decades



Declining Yields of Wealth Management Products: (6 Months)



Industry's Downturn Presenting Excellent Opportunities for Market Consolidation and Expansion

Fanhua Opportunities & Strategies

- **Open Platform Offers Comprehensive Support**
- More competitive product contracts
- Diverse service offerings
- Digitally advanced management platform
- Professional training
- Intelligent support tools

- **Driving High-quality Organic Growth**

- Hosting family office consultant training sessions to attract top-tier talents
- Triple-F Training Programs version 2.0
- Upgrading service offerings
- Transitioning to more refined operations, boosting team efficiency

- **Seizing Market Opportunities to Facilitate M&A And Open Platform**

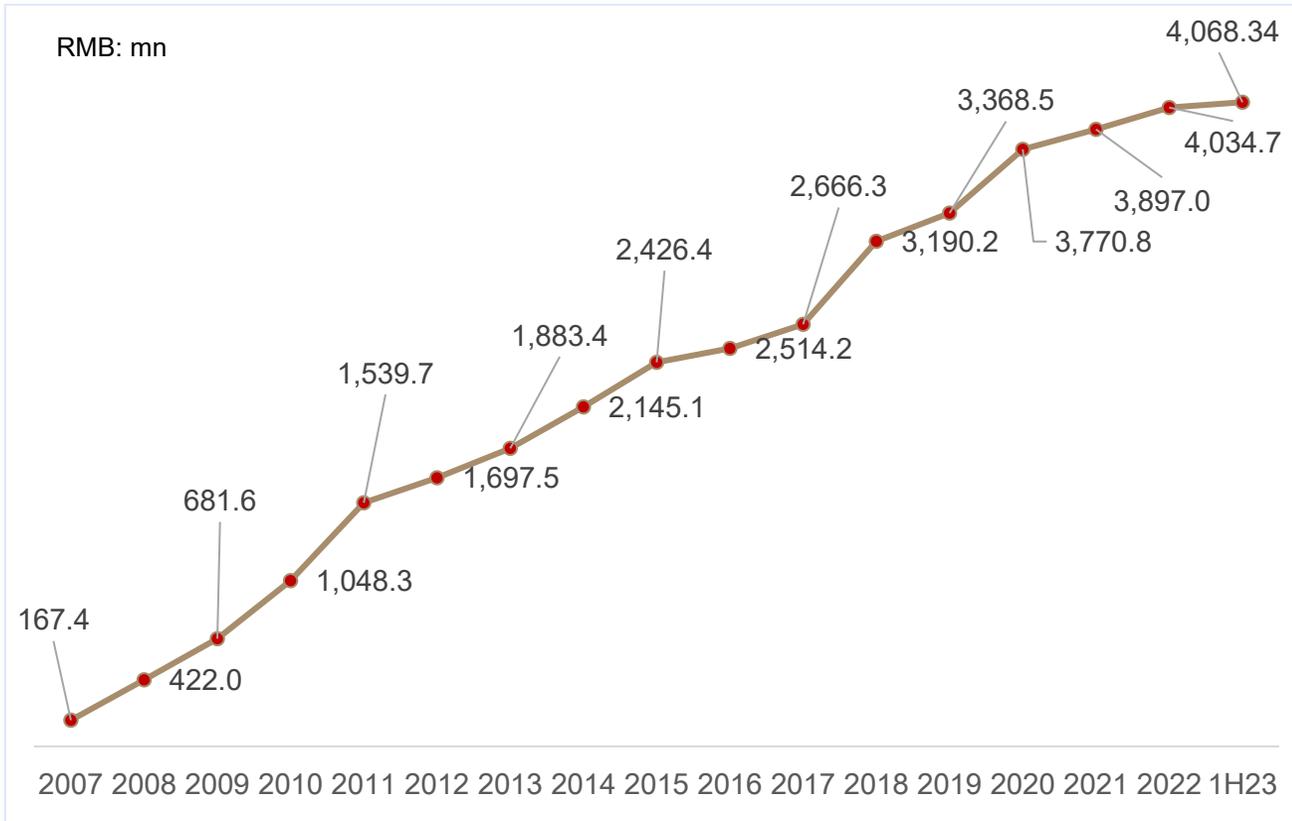
Capital Allocation & Overseas Expansion Plan

Speaker: Ben Lin
Co-Chairman & CSO

Strong Cashflow Generation and Solid Balance Sheet

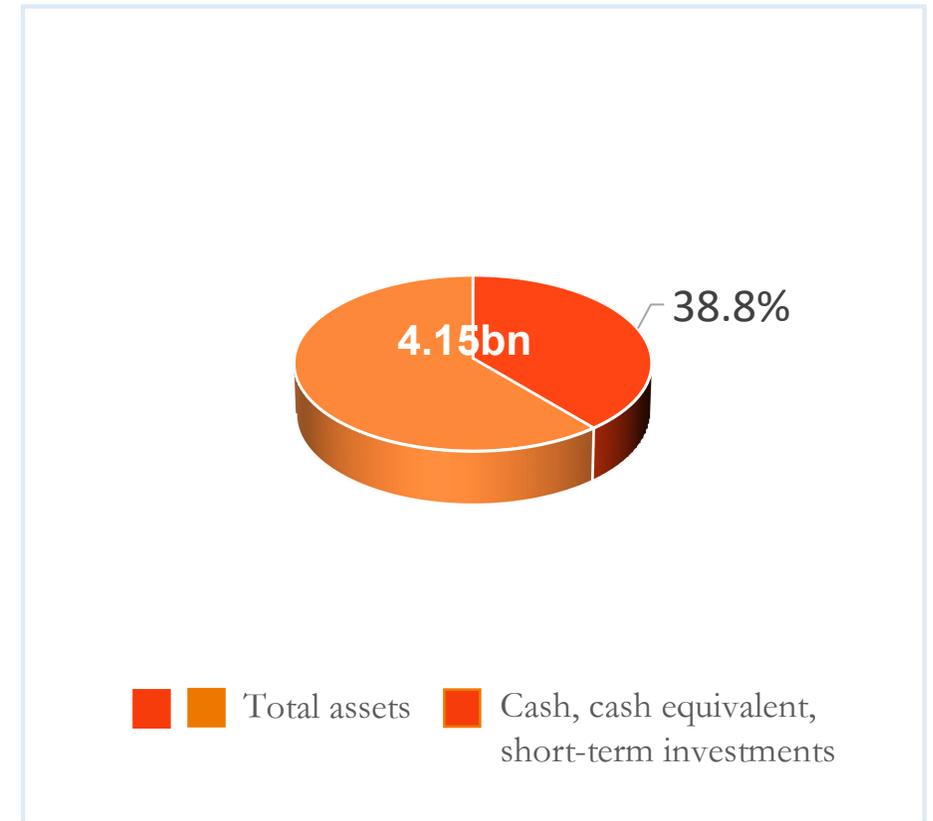
Accumulated Operating Cashflow Since IPO

RMB4.0 bn



Strong Cash Reserves

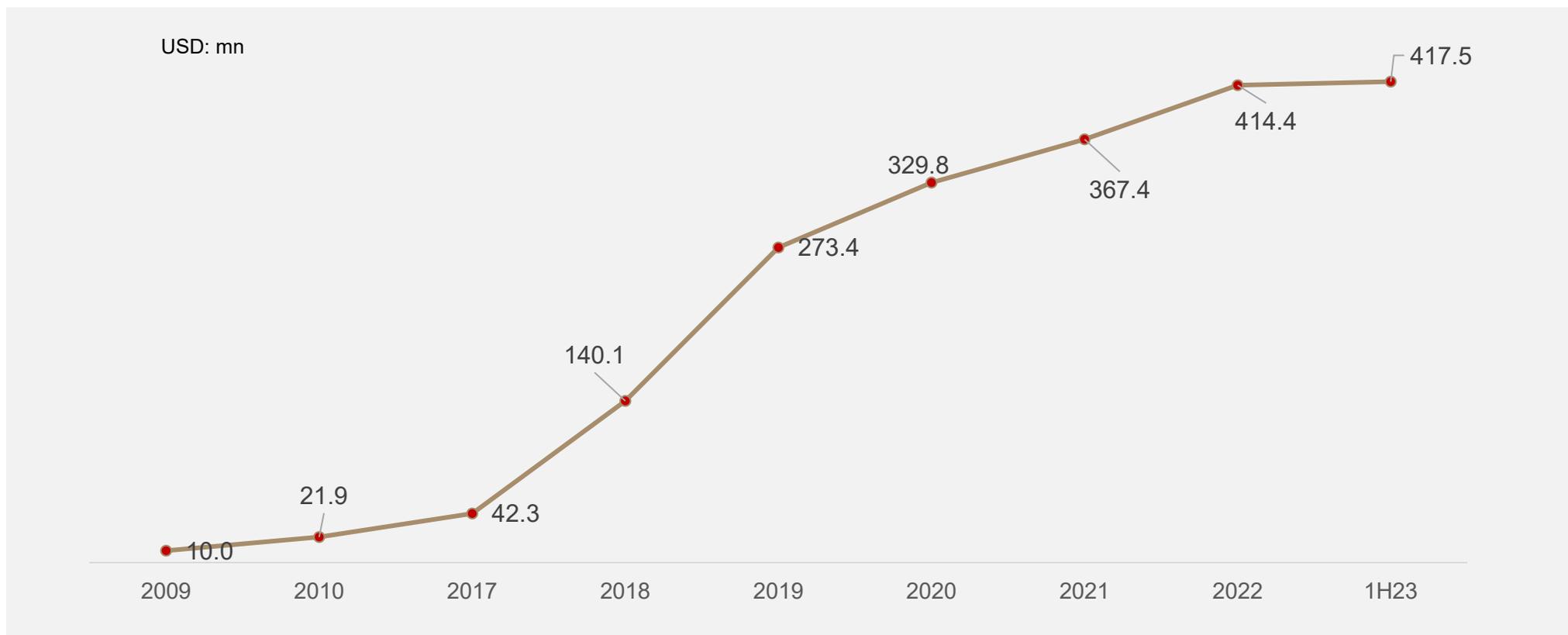
RMB1.6 bn



Track Record of Steady Shareholder Return Through Dividend and Sharebuyback

Accumulated Dividend Payout and Share Buyback Since IPO

~RMB2.8 bn



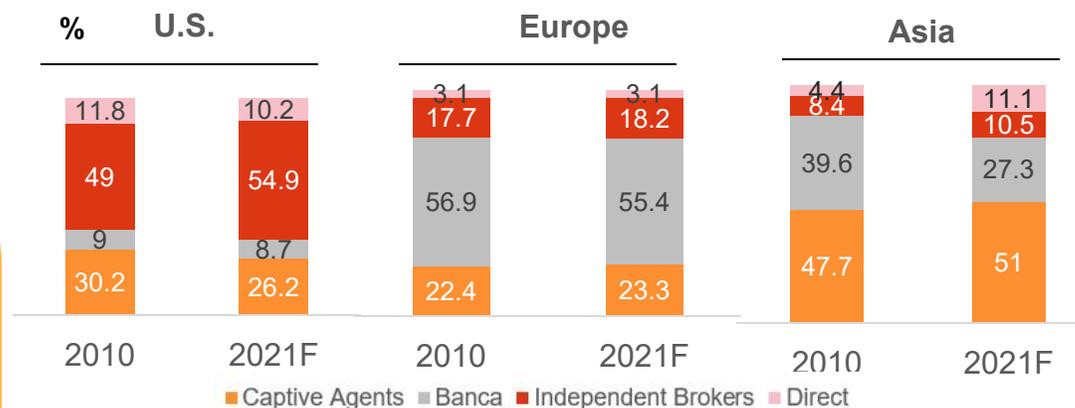
Large Market Potential Overseas

Opportunity for Expansion in to Hong Kong and South East Asia Markets

Growth Opportunities + Replicable Platform Model

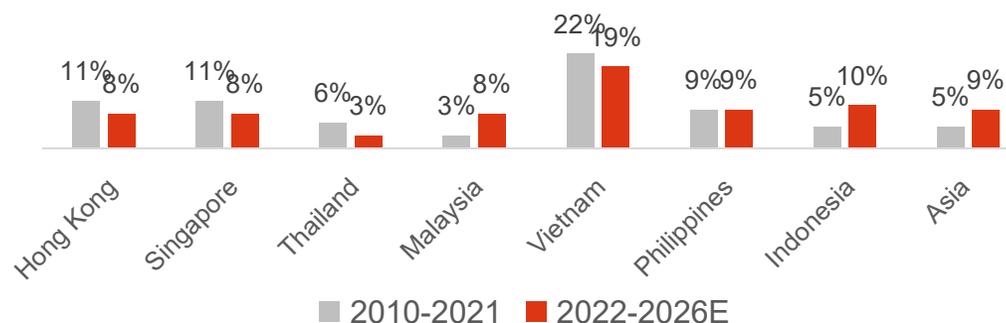
- Hong Kong's insurance market reaching HKD600B by GWP, making it one of the most important insurance markets in Asia-Pacific. with amiable size and huge potential
- Enormous potential in life insurance in Southeast Asian market, with markets like Singapore having sales models similar to China.
- Market share shifting from direct to independent insurance intermediary channel, driven by technological development, tightening regulation, and consumers' demand for more choices

Independent brokerage channel gaining shares in life insurance markets in U.S, Europe, and Asia over the past decade



Data source: McKinsey's global insurance report (2023)

Southeast Asian life insurance market expected to maintain steady growth over 2022-2026 (by GWP)



Data source: JP Morgan Research: Asian Market Strategies 2023

Q&A