

**Noah Holdings Limited [Noah]  
Q1 2025 Results Conference Call  
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Company Representatives

Jingbo Wang, Co-Founder, Chairlady  
Zander Yin, Co-Founder, Director and CEO  
Grant Pan, Chief Financial Officer

Analysts

Helen Li, UBS  
Peter Zhang, JPMorgan

**Presentation**

Operator: Good day, and welcome to the Noah First Quarter 2025 Earnings Conference Call. (Operator Instructions). After today's presentation, there will be an opportunity to ask questions. (Operator Instructions). Please note this event is being recorded.

I would now like to turn the conference over to Doreen, IR. Please go ahead.

Doreen Chiu: Thank you. Good morning and welcome to Noah's 2025 first quarter earnings call. Today's call will be divided into three parts. Mr. Yin will begin with an overview of our business highlights, followed by Mr. Pan, who will discuss our financial performance. After the two presentations, there will be a Q&A session.

In addition, please note that the discussion today will contain forward-looking statements that are subject to risks and uncertainties that may cause actual results to differ materially from those in our forward-looking statements. Potential risks and uncertainties include, but are not limited to, those outlined in our public filings with the SEC and the Hong Kong Exchange. Noah does not undertake any obligation to update any forward-looking statements, except as required under applicable law.

Without further ado, I shall pass the call to our CEO, Mr. Yin.

Zander Yin: (Speaking foreign language).

Doreen Chiu: Let me do the translation.

(Translated). Good morning, everyone. Today, I will share a summary of overall market conditions and our results for first quarter 2025. Then I will walk you through our overseas and domestic performance and strategies, followed by our insights and outlook for the rest of the year. Our Q1 CIO report predicted an increased likelihood of severe market volatility this year, with a higher frequency of such fluctuations. The main factors influencing this include the

uncertainty that Trump's return to the presidency is having on global trade and geopolitics, the lack of coordination among major global economies on monetary policies, and the increasingly fierce competition and downstream application of AI.

With this in mind, our advice to clients is to adopt the following four approaches to their asset allocation. Firstly, maintain disciplined asset allocation and prioritize geographic diversification. Secondly, remember investing is not the same as managing wealth. Wealth management aims for the best overall results. Thirdly, wealth managers need to build robust portfolios to manage and preserve wealth. And lastly, take decisive action and adjust asset allocation when needed.

Despite a tough global economy, we had a solid quarter. Non-GAAP net income in first quarter was RMB 169 million, up 4.7% from the same period last year and 27.4% sequentially. This was due to operating costs and expenses dropped by 18.8% from last year.

On the revenue side, transaction value for our RMB-denominated private secondary products grew a remarkable 2.6x from last year. Revenue contribution from these products increased at 9.4%. Transaction value for overseas private investment products also increased at 27.7% with revenue contribution growing 20.3%. Revenue from overseas insurance products fell 22.8% from last year. This resulted in total net revenue in Q1 falling 5.4% from the same period last year.

I will now dive into the performance and operations of each business unit. For our overseas performance, net revenues were RMB 304 million in Q1, up 5.0% from last quarter and flat from the same period last year. It made up 49.5% of the Group's total revenue. Revenue from overseas investment products grew 20.3% from last year, while revenue from overseas insurance products fell 22.8%.

We now have 131 overseas relationship managers, up 44% from last year. We plan to grow the team and further expand market in Singapore and Southeast Asia. We shall also build up our sales team in countries with high net-worth Chinese like the U.S., Japan, and Canada.

Overseas AUA, AUM, and recurring service fees continue to grow. Our overseas commission-only insurance agent team have already recruited 75 agents in first quarter, whom have already generated about RMB 10 million in revenue as well. We aim to expand this team to 150 agents by end of this year where they will be a new growth driver for our overseas insurance business.

Net revenues from overseas wealth management were RMB 162 million in Q1, down 9.2%. This was due to strong competition in Hong Kong. Overseas AUA reached USD9.05 billion, up 8.7% due to growth in private equity products. This made up 28% of total AUA, up from 24% last year.

We made good progress in getting new overseas clients. As of end March, we had over 18,200 registered overseas clients, up 15.8%. With over 3,300 active overseas clients, up 23.3% compared to same period last year.

Net revenues from overseas asset management in Q1 were RMB 112 million, up 22.3% from last year. This was mainly due to growth in AUM and recurring service fees. Overseas AUM was USD5.9 billion, up 14.2%. This made up 29% of total AUM, up from 24% during the same

period last year. AUM for overseas private market products was USD4.6 billion, up 16.4%. It made up 78% of overseas AUM.

Our private market products are growing. They include private credit funds, infrastructure funds, hedge funds, and structured products. We have a strong team of over 50 people in our U.S. product center for overseas product selection and investment.

Net revenues from overseas insurance were RMB 30 million, down 17.8%. This is due to lower distribution of overseas insurance products.

The Hong Kong insurance market is very competitive. It has many new insurance agents and some who are not compliant. We focus on large clients, compliance, and policy safety. This helped raise average first-year premiums in Hong Kong and Singapore. We are also creating new marketing models. Our goal is to grow the team of commission-only agents to 150 people by the end of 2025. This will help us get new clients.

Net revenues from mainland China were RMB 310 million, down 9.4%. This was due to lower recurring service fees from private equity products and distribution of domestic insurance products. However, RMB-denominated private secondary products continued to grow. Transaction value and revenue from these products increased significantly. Noah Upright, Gopher, and Glory are independent now and can use their own strategies.

Net revenues from domestic public securities were RMB 127 million, up 7.1%. Transaction value of RMB-denominated private secondary products in Q1 was RMB 3.3 billion, up 2.6x. Transaction value of RMB-denominated mutual funds was RMB 4.3 billion, down 51.4%. Noah Upright currently has branches in 10 cities. Plus, we have been using online marketing and online services to improve operational efficiency.

Net revenues from domestic asset management in Q1 were RMB 167 million, down 14.3%. This was due to lower recurring service fees from existing RMB-denominated private market products. In the primary market, Gopher focuses on managing exits and distribution of existing assets. In Q1, it recorded RMB 1.3 billion exited from private equity market.

Private equity market assets AUM was RMB 97.3 billion. It made up 91.3% of domestic AUM. In the public market, Gopher's focus is on beta returns from global markets. We are doing this through cross-border RMB-denominated ETFs. This drove transaction value in Q1 to a new high of RMB 140 million.

Net revenues from domestic insurance in Q1 were RMB 6.4 million, down 65.6%. This was due to lower distribution of domestic insurance products. We are adjusting product mix and focusing on more medical and elderly care insurance products. We are also restructuring sales and building a commission-only agent team.

Our priorities for 2025 will be firstly, balancing quality and quantity while expanding into new markets with full compliance. Secondly, growing our overseas team plus relationship managers to speed up local client onboarding. Thirdly, investing in technologies, such as AI, to improve online services. Fourthly, on product side, we shall commit to grow insurance sales by building a new team of commission-only agents to compete better. On the other side, company will also

offer wider range of products, such as trusts, relocation, and cross-border solutions to enhance our client services. Last, but not least, strengthen research, product teams, and product mix.

Market volatility will stay high in 2025. Wealth management is more important than ever, which has become high-net-worth clients' essential needs. We therefore advise our wealth management talents to, number one, keep expanding overseas investment channels; two, hold assets that fight against inflation; three, monitor geopolitical risks closely; and lastly, stay flexible in capital and ready to act quickly. To conclude, the biggest mistake a wealth manager can commit today is thinking past experiences can guide future decisions.

I will now pass over to Grant to go over our financials in more details. Thank you.

Grant Pan: Thank you, Zander, and greetings to everyone joining us today. I'd like to begin my sharing with an overview of our recent share price performances. Management is fully aware that our stock has been trading with an upward pressure for the past few quarters, at only around 0.5x PB and under cash value. Our cash reserves alone represent USD11.4 per ADS, exceeding our current stock price, and our P/E ratio is only around 9x, well below industry average of 12x to 16x.

While continuing to focus on regaining the growth after transformation of the wealth management organization, we have also in the past few quarters, introduced several initiatives to enhance shareholder returns, including the USD50 million share buyback program announced in August last year. As of today, we have already repurchased over 1.3 million ADSs, equivalent to over 2% of total issued shares.

Furthermore, as part of our commitment to prioritizing shareholder interests and delivering sustained returns, we plan to distribute annual and special dividends totaling RMB 550 million in July, subject to AGM approval. This amount represents 100% of our non-GAAP net income for 2024, and offers a dividend yield of 12% based on current share price, which is much higher than the 7% to 9% average dividend yield among leading international financial institutions.

Notably, this makes the second consecutive year that the company will distribute 100% of its net income. Since 2022, 3 years in aggregate, we have distributed a total of RMB 1.8 billion dividends to our investors, roughly equal to 40% of current market cap. The continuous sharing of high dividend payout is expected to be sustainable based on our estimate of future operations and our strong balance sheet position.

By the end of Quarter 1, cash, cash equivalents had increased to RMB 4.1 billion with short-term investments of RMB1.3 billion, which has highly liquidity, and has fewer than 3 months of maturity on average. Our current ratio improved to 4.8x, while the debt-to-asset ratio remained stable at 14.5%, with no interest-bearing debt.

Although we have sped up our global expansions recently, with the new opening up of Tokyo office, revisiting the reopening of Canadian market and Australian market, we also want to reassure the investors that our organic expansions are CapEx-light in nature. Of course, we understand that investors are also eager to see the signs of our growth. There is no denying that the transitioning of our business model has been challenging for 2024, particularly given the uncertainties in the global investment market, which have affected our financial performance.

But besides balance sheet performance, more importantly, starting in Q1, we are seeing things that are on the right track. The significant progress in building our teams and infrastructure in a more cost-effective transformation strategy ensures that our business remained profitable, with operating profit and non-GAAP net income both growing on a sequential and year-on-year basis. While we are not yet at the finish line, these strategic initiatives are steadily laying the ground work for improved performance and future growth opportunities.

Let's now dive into the details of our financials. First of all, the bottom line, as we continued to implement rigorous cost control measures during the quarter, with total operating costs and expenses coming in at RMB 429 million, a decrease of 18.8% year-over-year and 16.7% sequentially. Specifically, with our great effort in simplifying our back-office structure, compensation and benefits decreased by 21.8% year-over-year and 14.1% sequentially.

Selling expenses fell by 18.1% year-over-year and 35.3% sequentially, and G&A expenses also falling both year-over-year and sequentially.

Operating profit surged by 53.1% year-over-year and 35.2% sequentially to RMB 186 million in the first quarter, with the operating profit margin up to 30.3%, from 21.1% in the previous quarter.

Non-GAAP net income was 169 million for the first quarter, an increase of 4.7% year-over-year and 27.4% sequentially.

Despite strong performances gained, especially in the U.S. government investment products, as mentioned earlier, we have to see that domestic market is relatively operating weaker, and also some of the slowdown in interest revenue causing our net revenues to RMB 615 million during the first quarter, slightly down 5.4% year-over-year and 5.7% sequentially. But notably, overseas net revenues accounting for almost half of total revenues were up from 44.5% in the previous quarter.

By region, net revenue from overseas were RMB 304 million in the first quarter, a slight drop year-over-year of 0.8%, yet an increase of 5.0% sequentially, driven by a modest improvement in insurance sales. Domestic net revenues during the first quarter decreased by 9.4% year-over-year and 14.3% sequentially to RMB 310 million, largely dragged by the sluggish performance in insurance under the low interest environment and decrease in management fee revenue from domestic private equity products.

By revenue type, during the quarter, one-time commissions decreased by 15.3% year-over-year, but increased by 17.3% sequentially, primarily driven by overseas insurance sales rebounded comparing to last quarter. Recurring service fees decreased by 5.3% year-over-year and 5.8% sequentially due to a reduction in domestic revenue from RMB private equity products, which also affected performance-based income in a decrease of 42.1% sequentially, but did increase by 98.4% year-over-year, driven by a significant increase in overseas asset management as the overseas business become increasingly established and mature.

When it comes to total transaction volume, total transaction values in the first quarter were RMB 16.1 billion, down 14.7% year-over-year and 0.9% sequentially. Transaction value of domestic private secondary products was RMB 3.3 billion during the quarter. That sees a significant

increase of 257.7% year-over-year and 34.6% sequentially. Transaction value of RMB-denominated products in the first quarter declined. However, transaction value of U.S. dollar-denominated products reached USD1.1 billion, up 15.0% sequentially, but down 4.6% year-over-year, and accounting for 50% of total transaction volume compared to only 43.3% in the previous quarter.

Benefiting from the enhanced competitiveness of our overseas alternative investment product portfolio, U.S. dollar private equity products totaled USD201 million, up 7.9% year-over-year and 17.1% sequentially. And USD private secondary products, excluding cash management products, totaled USD112 million, up 187.8% year-over-year and 211.8% sequentially.

During the first quarter, U.S. dollar-denominated AUM grew by 14.2% year-over-year and 0.8% sequentially to USD5.9 billion, with U.S. dollar-denominated AUA increased by 8.7% year-over-year and 3.6% sequentially to USD9.1 billion, reflecting our ability to capture a larger share of clients' U.S. dollar wallets for investment products.

At the end of the first quarter, our client base remained stable in terms of core clients, Diamond and Black Card clients, with 9,330. The overseas client base continued to grow to over 18,200 overseas registered clients, an increase of 15.8% year-over-year and 3.1% sequentially. The total number of overseas Diamond and Black Card clients now exceeds 1,600.

To sum up, we must admit that under the current global dynamics with the potential tariff war and the low interest rate environment in Mainland China, it weakens the investors' investment sentiment, which may be the biggest hurdle to the industry's revenue growth. However, with a developed business structure and a more mature overseas team, we're still confident that the company has well positioned ourselves for future growth.

Thank you all again for trust and support. With that, I will now open the call to your questions.

## **Questions and Answers**

Operator: We will now begin the question-and-answer session. (Operator Instructions). Helen Li from UBS.

Helen Li: (Speaking foreign language).

Grant Pan: Helen, thank you for your first question. That's actually related to recent news of some of the probably domestic high-net-worth clients receiving notices from Tax Bureaus about their overseas taxation information. So I'll try to take the first half of the question, and Zander and Norah will jump in for anything that I probably missed.

Yes, we were seeing many -- or hearing many of our clients or their friends receiving calls from Tax Bureaus, but the policy has been implemented a few years ago. But obviously, I think the

bureau probably now has more collected information that they'll be able to actually reach out to these individuals.

Obviously, I think it's probably the law is always there, and some of the tax professionals had advised clients to be aware of, but the actual enforcement of the information or filing probably something new to our clients. I don't think it necessarily affect their sentiment in terms of future investments in overseas products especially. But obviously, I think they are more aware or curious about future tax planning, how to increase the efficiency in terms of investment income. That's something new, probably some new subject for this generation of high-net-worth individuals who are probably more used to filing for tax and gains on the domestic and operational income.

Zander Yin: (Speaking foreign language).

Doreen Chiu: We'll do a quick translation on here. One thing that's a challenge -- it's a challenge, but it's also an opportunity to Noah regarding our high-net-worth clients getting phone calls from the Tax Bureau. The reason behind that is because if you look at what we've been doing for our clients, the wealth management, the asset management, and the family heritage business, all of us are trying to provide solutions to our clients for how to protect their wealth.

And also, when they are receiving the phone call from the Tax Bureau, and they need to solve that issue, they will need to build a closer relationship with our relationship managers, because we will involve into their wealth as a whole to plan for them for the future. And that means we can have a better access to clients' wealth, and knowing better about their whole planning. So, yes, in short term, there may be a challenge because that affected the investment sentiment. However, in the long run, we still believe that can bring opportunities to the company.

Grant Pan: Second question. Helen, I'll do a quick translation for you as well. Helen actually asked about we have an improved efficiency or reduction on G&A and selling expenses in this quarter. And she's actually wondering how much of that has to do with probably lower activity of marketing events, as well as the reduction of probably back office headcounts.

So Helen, I just wanted to clarify that some of the expense reduction does come from improvement in efficiency, especially in mid-back office headcounts, probably optimized around 25% compared to the same period last year, as the continued effort to improve the efficiency and structure of mid-back office to the front office is now showing effect.

We're also seeing a reduction in selling expenses, but that's partly attributed to probably fewer marketing activities in the first quarter. We don't think that's necessarily sustainable, and that's rather not a direction we're trying to control, as long as we are holding the events more efficiently. So we're seeing more marketing events coming up in the second quarter, but we're obviously still trying to keep that under a reasonable range, and also the effectiveness of marketing activities.

Helen, does that answer your question?

Helen Li: Yes, clear, thank you.

Operator: (Operator Instructions). Peter Zhang with JPMorgan.

Peter Zhang: (Speaking foreign language). Congratulation on the first quarter results. I have two questions. First is about the recent market volatility. We noticed that there's an increasing market volatility since April. And we are wondering what's clients' behavior in terms of the investment sentiment and their purchase on the wealth product? In addition, some of Noah's clients are business owners. We are wondering whether any of their business is affected by the recent tariff war? And how has their investment sentiment changed?

My second question is about the overseas business. Can management give us some guidance on what will be the key driver for your overseas business this year? And on the insurance front, we are wondering whether Noah see any sign of an improvement in overseas insurance in second quarter?

Zander Yin: (Speaking foreign language). (Translated) The tariff war does create an impact to our clients. When we really talk to our different types of clients, the impact could be slightly different. So yes, a lot of our clients are entrepreneur and the business may be related to trade. However, when we talk to merchants like the Yiwu, the small manufacturing products, those types of companies, yes, we do see that some suspension in orders from overseas.

However, the merchants themselves, they're very -- pretty confident in their own products. And they believe that the China production is very competitive in this way, and could maintain a high margin. And that's why the impact for those in manufacture, or those clients to us could be quite in a short term instead of a long-run impact. But then for some more like small products, they are really bigger types of manufacturer, they may have bigger concern about their future growth.

So we believe that our clients these days, they're getting more and more used to the concept that they need to have their assets go through geopolitic distribution and they also are planning for their own business to grow overseas as well. And under these two beliefs, we believe that our clients are getting more mature and that the true actual impact should be rather limited.

And in terms of the product side, we have seen that the investors are getting more concerned about liquidity. So what does that mean? It means that when they are picking the investment products, the product mix tends to be structured products like FCN, or some product that with semi-liquidity. That means they can have a chance to do the redemption over different periods of time, so we tend to see that this type of products can be more popular among our investors. And on the other hand, it's about the trend of AI development, and we have also seen that any investment products that could have this AI idea behind could be rather popular among our investors as well.

Okay. On the insurance side, as mentioned quite a few times already, the Hong Kong market is very challenging and very competitive. So what we've been doing is back to basics, that is to serve our clients. What we do is we partner with the insurance company and tailor-made products for our clients and for those with high premium, we provide discount on a basis -- and we received good results on that, which is the premium we received for clients for the first year has been increased substantially from in the past, around 100,000 to currently around 190,000.

So we've seen that this is a great opportunity for the company still because when we look at the Chinese clients, most of them is still quite insufficient about getting enough protect in their wealth. So we believe that we should keep on building the relationship and selling the insurance products to our clients.

For overseas investment, that is another part of the product that we've seen clients have great interest because in the past, U.S. rate stays quite high, and keeping a sector facing is already a good return for our clients. However, under the current interest rate cut cycle, we have seen the clients moving their interest into some investment products. So we believe that we are going to see some product diversification in the near future.

Zander Yin: (Speaking foreign language). Thank you.

Doreen Chiu: Operator, can you check if there is any more questions from our audience? Otherwise, we will close the call now.

Operator: (Operator Instructions). The call has now concluded. Thank you for attending today's presentation. You may now disconnect.