

International Personal Finance

# The Big Picture



22 October 2014

# Today's agenda



Time	Presentation
14.00	<b>The Big Picture</b> Gerard Ryan, Chief Executive Officer
14.15	<b>Expanding our footprint</b> Mexico: Fulfilling the promise – Robert Husband, Country Manager Mexico Spain: Exciting growth opportunity – Ivo Kalik, Country Manager Spain
15.15	<b>Q&amp;A</b>
15.30	<b>Refreshment break</b>
15.50	<b>Transformation for Growth</b> David Broadbent, Chief Commercial Officer and David Parkinson, Country Manager Poland and Lithuania
16.30	<b>Customers, today and tomorrow</b> Simon Quick, Group Marketing Director and John Williams, Group Credit Director
17.00	<b>The Big Picture</b> Adrian Gardner, Chief Financial Officer
17.15	<b>Q&amp;A</b>
	Canapés and drinks reception

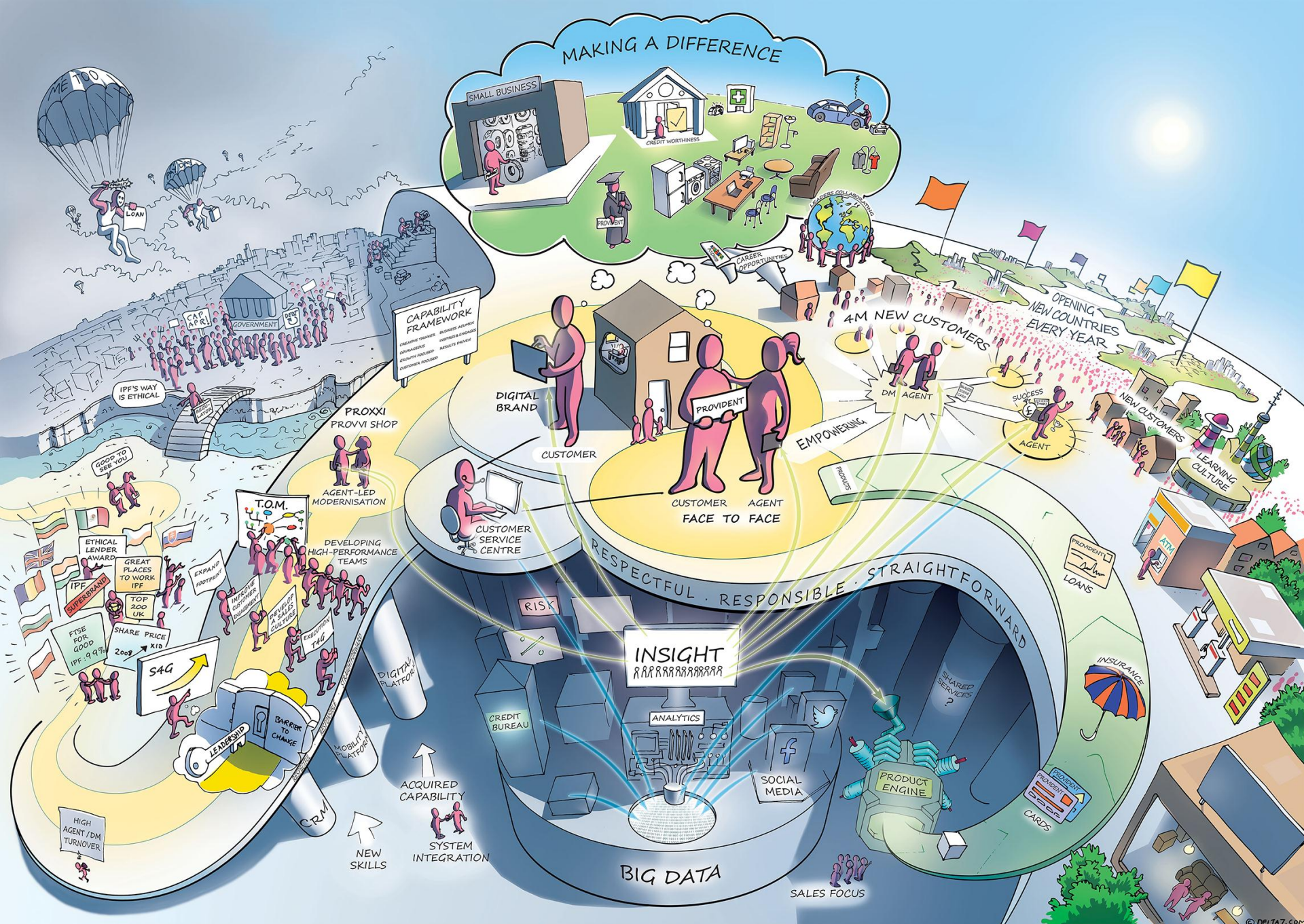
# The Big Picture



## Geographic expansion, new products, new channels, larger customer audience

- Our business is performing strongly
- Regulatory change is a constant and we deal with it
- We have new opportunities in geographic expansion and development of product /distribution
- Our customers' requirements are evolving - we see this as an opportunity
- We are transforming our existing business through technology and...
- We are launching our first, fully digital loans business

**Our experienced leadership team is here today to take you through this journey**

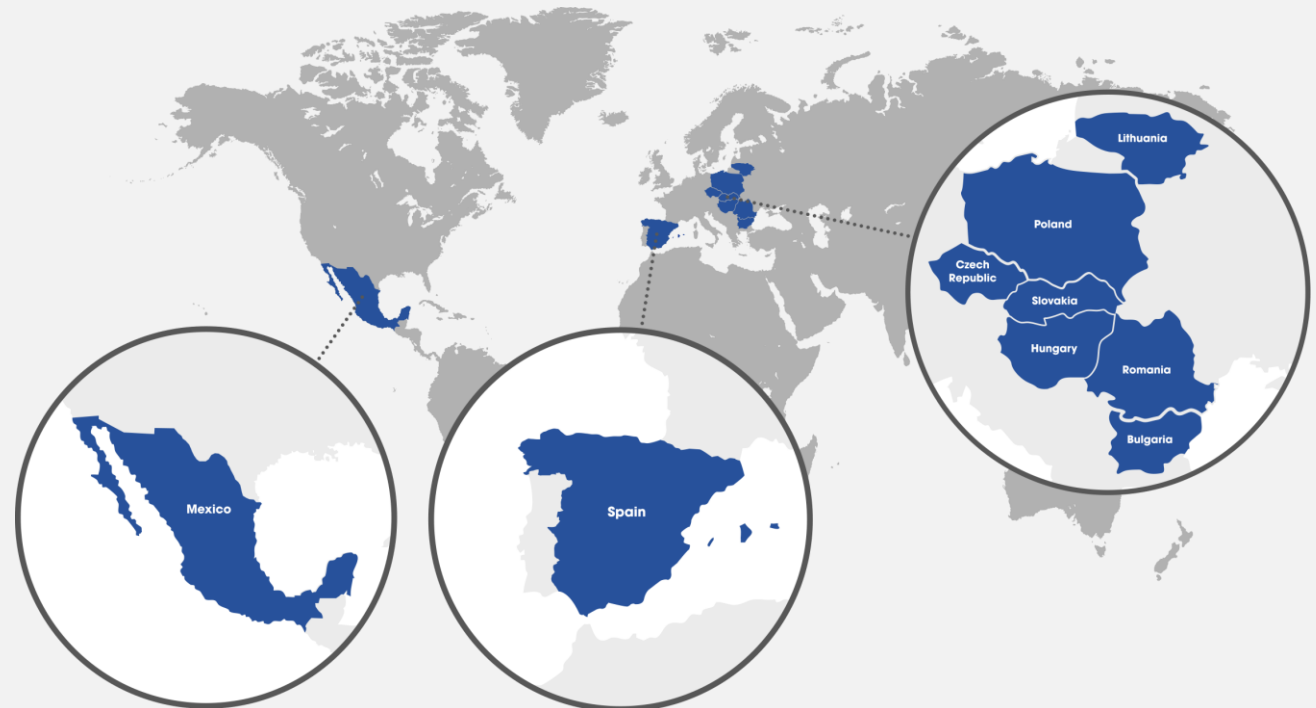


# IPF Footprint



## History of continued expansion

Poland	1997
Czech Rep.	1997
Hungary	2001
Slovakia	2001
Mexico	2003
Romania	2006
Bulgaria	2013
Lithuania	2013
Spain	2015





# Mexico: Fulfilling the promise

**Robert Husband**

Country Manager,  
Mexico

# Mexico



## Reasons to believe

### Where we started

- Mex \$152 (£7) profit per customer in 2011
- 662,000 customers
- £4m profit in 2011

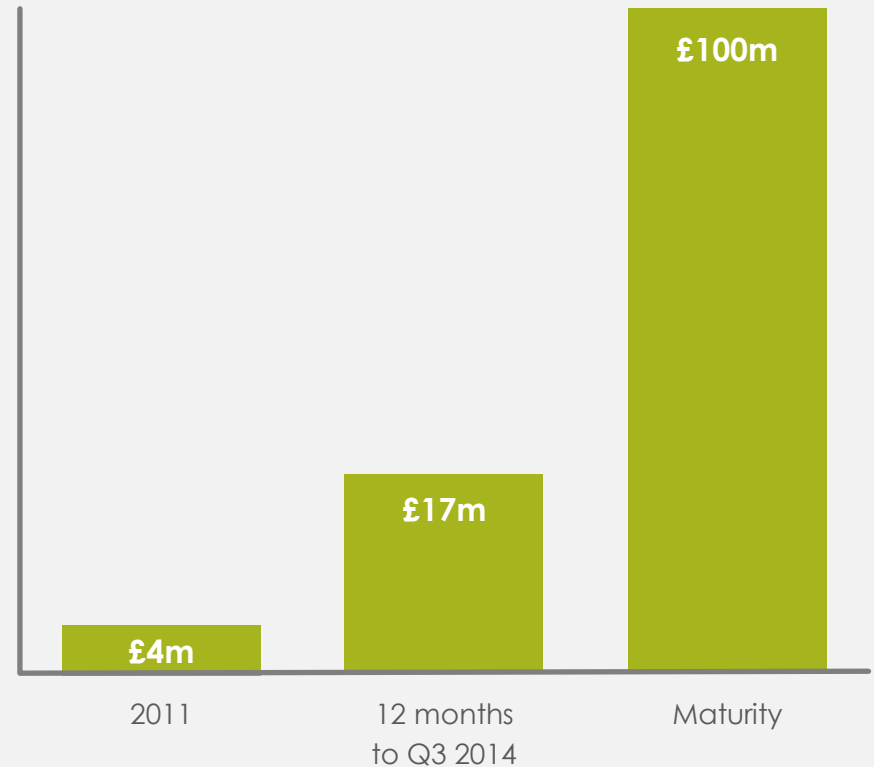
### Where we are now

- Mex \$480 (£22) profit per customer
- 781,000 customers
- £17m profit in the last 12 months

### Where we want to be

- Mex \$660 (£33) profit per customer by 2015
- 3m customers at maturity
- £100m profit at maturity

### Profit growth



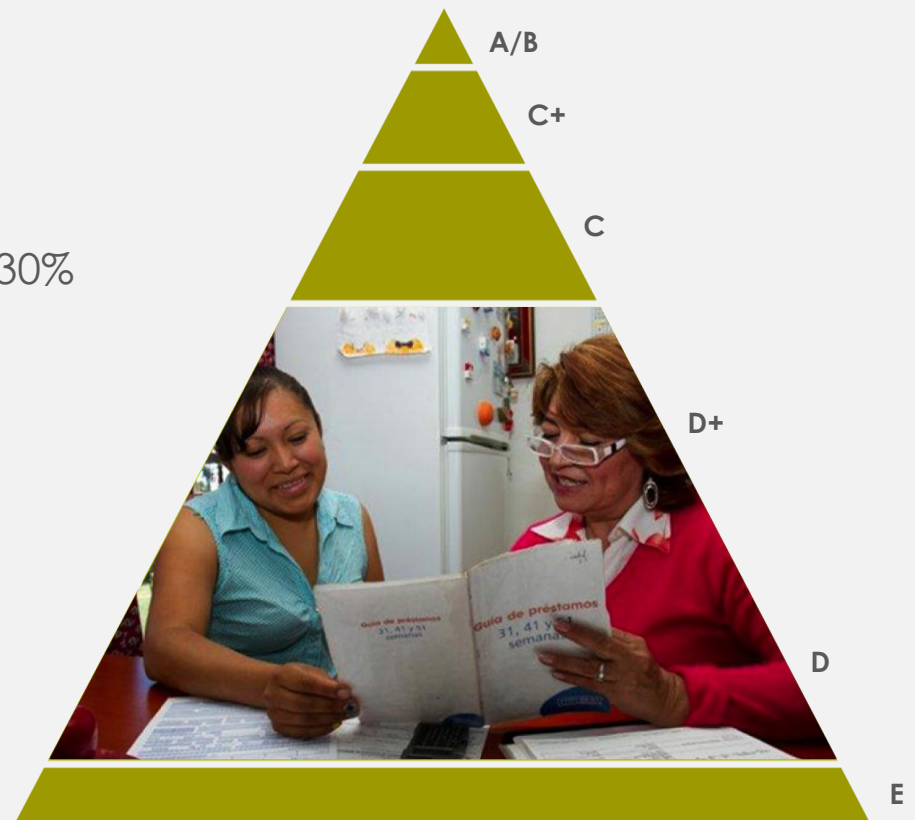
# Market potential

## Large underserved market

- 112m population
- 60% are 'un-banked'
- Target 'D' segment: >60M people
- Credit to private sector (% of GDP) is 30%

### D/D+ - our typical customer

- Underserved by mainstream lenders
- Employed / self-employed
- Limited credit history
- Majority women
- Middle-aged, family providers



Socio economic segmentation



# Competitive landscape



Many providers, one home collected

## Retail



## Cash loan branches



## Savings loans



## Pawnshops



## Home collected



## Group loans

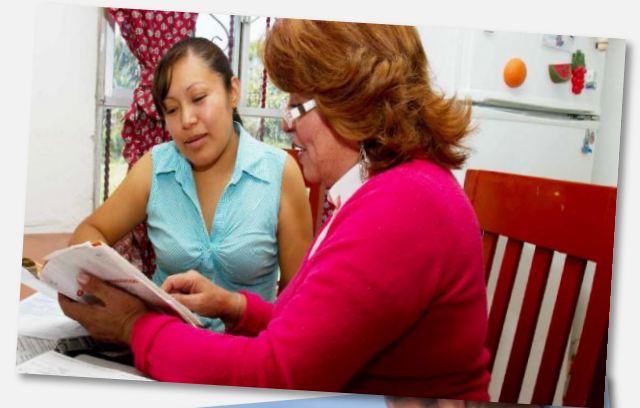


# Lessons learned



## Cultural fit and controlled growth essential

- Adapt business model to local market and culture
- Invest in recruitment of local talent
- Build strong selection and development programmes
- Focus on controlled geographical expansion
- Ensure quality lending practices through tools such as the credit bureau
- Develop strong incentive programmes



# Delivering on our promise

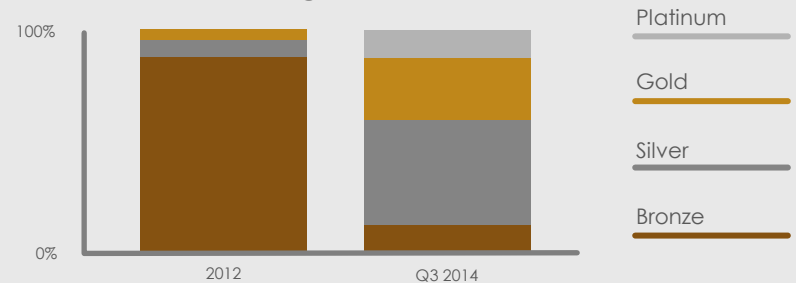


## Journey towards delivery of Mex \$660 profit per customer

### Key drivers:

- Providing larger loan sizes to increase revenue per customer
- Reduce agent turnover to help improve lending quality
- Attract more customers to gain scale efficiencies

### Branch matrix progress



- Scorecard with only five measures
- Drives strong customer profitability
- Same scorecard for all levels
- Incentives aligned to segmentation

# Fundamental redesign of credit rules



## Controlled credit relaxation

### What we have done

- Partial roll out of EU credit rules
  - Higher offer values
  - Longer term
- Introduced credit bureau

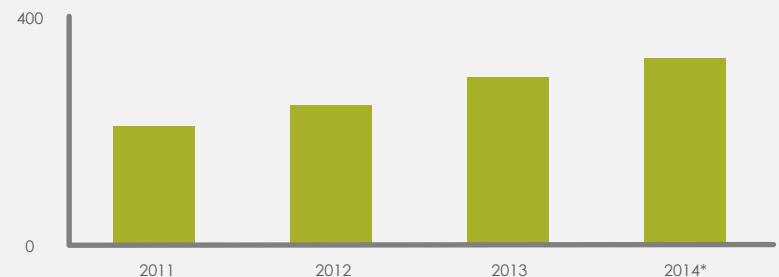
### What we need to do

- Complete roll out of EU credit rules
- Maintain focus on quality lending
- Continuously refine and optimise

### Branches operating with new credit rules



### Increasing issue per customer



\*12 months to 30 September 2014

# Changing for the better



## Change the way we care for and incentivise agents

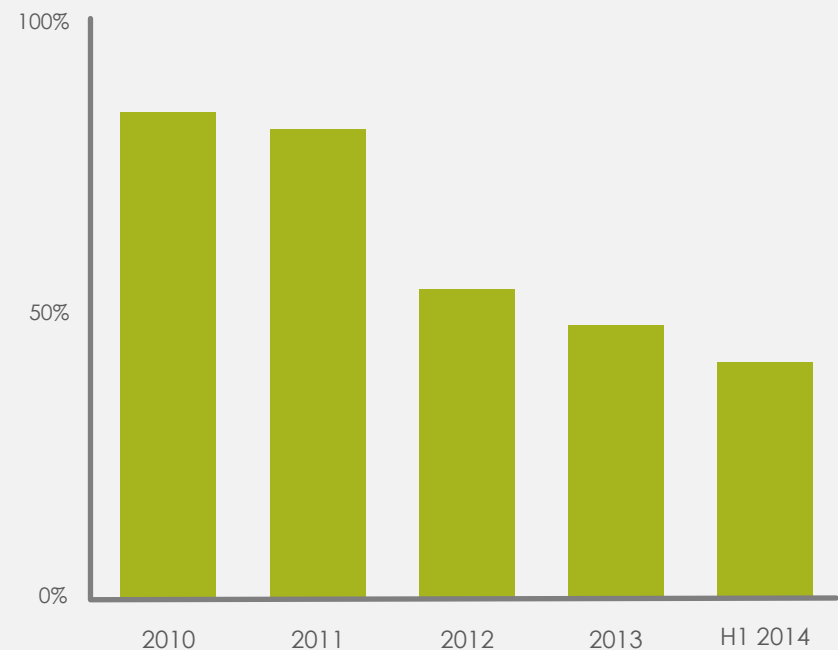
### What we have done

- New recruitment tools
- Re-designed training approach
- Segmented incentives
- Recognition of top performers

### What we need to do

- Continue to reduce agent turnover
- Build even greater engagement
- Enhance coaching culture

Improving agent turnover



# Capturing the full Mexico potential



## Key future growth drivers

### Expanding our footprint

Regional expansion  
Mexico city

### Customer proposition

New products  
Credit rules  
Channels

### T4G

ProXXI  
CRM  
Technology enabler

### Talent strategy

Resourcing  
Leadership development

# Limited geographic coverage to date...



## Regional growth since inception



Location	Population
Puebla	43m
Guadalajara	25m
Monterrey	5m
Mexico City (Federal district)	9m
Total	82m

# ... but exciting market potential



Targeting a customer base of 3m

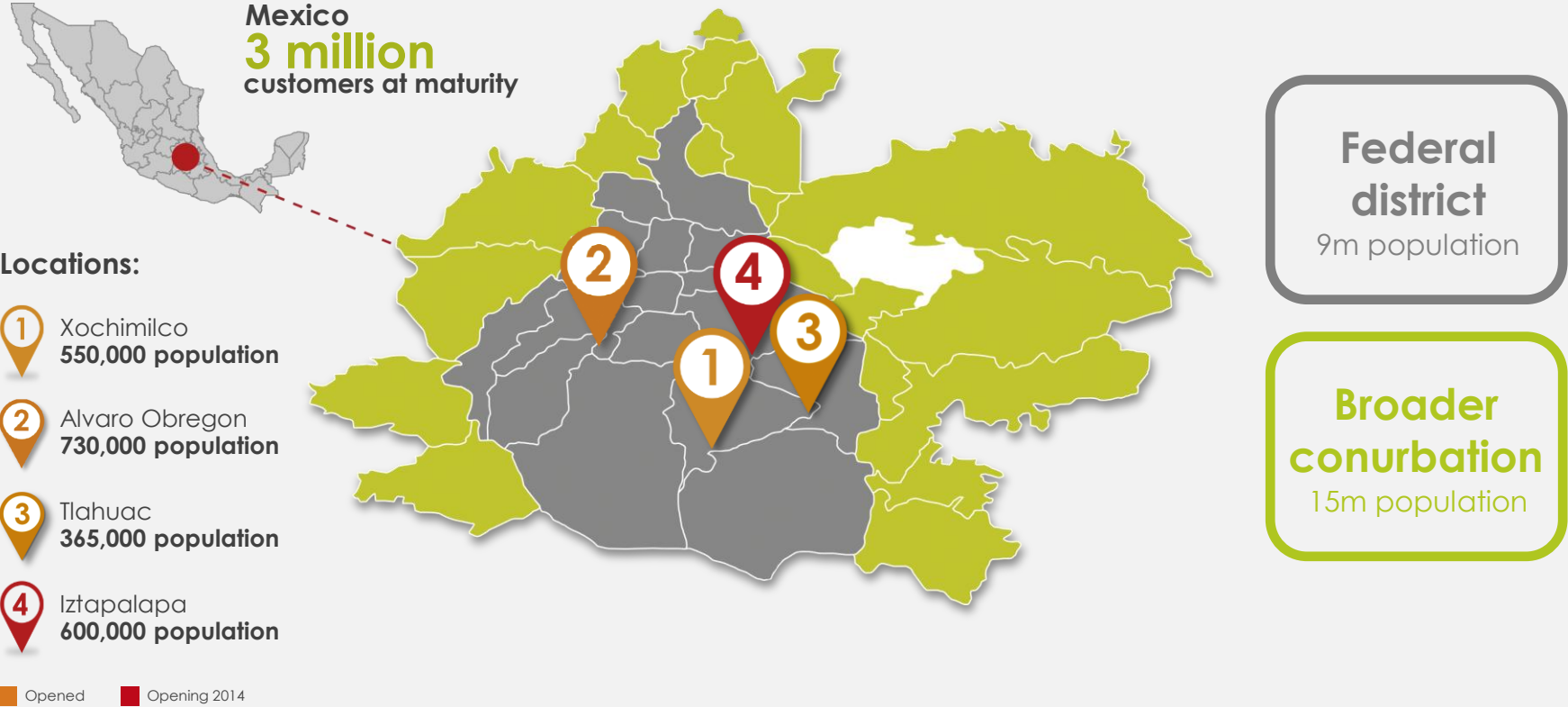


Location	Population
North	9m
Bajío	14m
Occidente	12m
Mexico City Conurbation	24m
Centre	30m
South East	11m
Total	100m



# Mexico City expansion

## Significant growth prospects



# Customer proposition



## New products and channels

### Insurance

- Family life and medical assistance
  - Launched July 2014
  - Sold to 34,000 customers
- 

### Pre-paid card

- Loan delivered on a card
  - Roll out commenced 2014
  - Expect to sell 5,000 cards in 2014
- 

### Changarros

- Small business loan
- Test in 2014
- Expect to roll out in 2015
- Higher issue value, lower risk

# Talent strategy



## Key to realising growth potential

- Widen talent pipeline
- Developing new capabilities
- Robust succession plans
- Strengthen leadership culture
- Performance management





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Reunión ANUAL 2014



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# Spain: Exciting growth opportunity

**Ivo Kalik**

Country Manager, Spain

# Spain – exciting growth opportunity




- Why Spain?
- Market overview – great market potential
- Well-researched customer profile
- We are acting on lessons learned
- Our operations and people



# Why Spain?

Large growth opportunity for IPF – 400,000+ customers at maturity

- 
- ✓ Significant potential demand
  - ✓ Large, urbanised mainland population – 44m
  - ✓ Improving economic landscape
  - ✓ Consumer profile similar to existing markets
  - ✓ Increasing consumer confidence
  - ✓ No other home credit operations
  - ✓ Large informal economy - cash used widely
  - ✓ Withdrawal of credit facilities post economic crisis

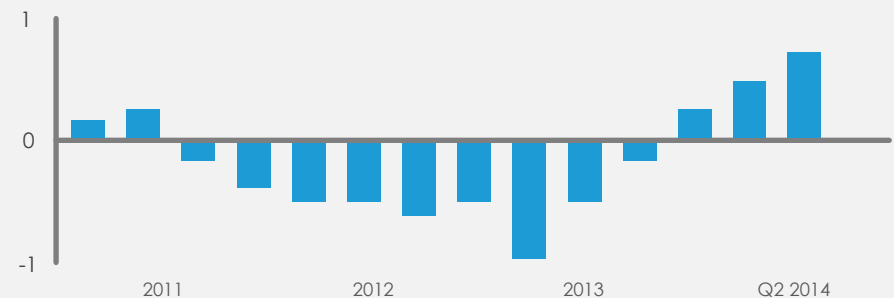
# Why Spain?



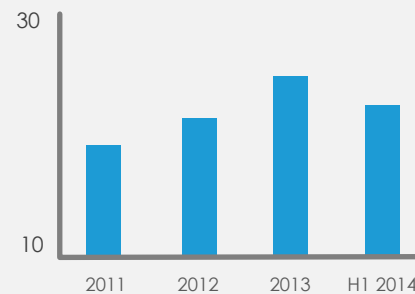
## A great place to do business

- Good availability of quality, well-educated people
- Employer-friendly labour market reforms support trading
- Supportive legal environment
- Well-understood EU framework for consumer credit, funding and tax

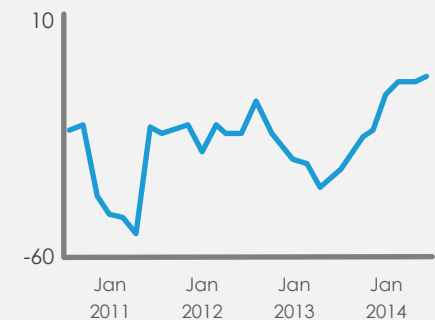
Growth in GDP



Unemployment



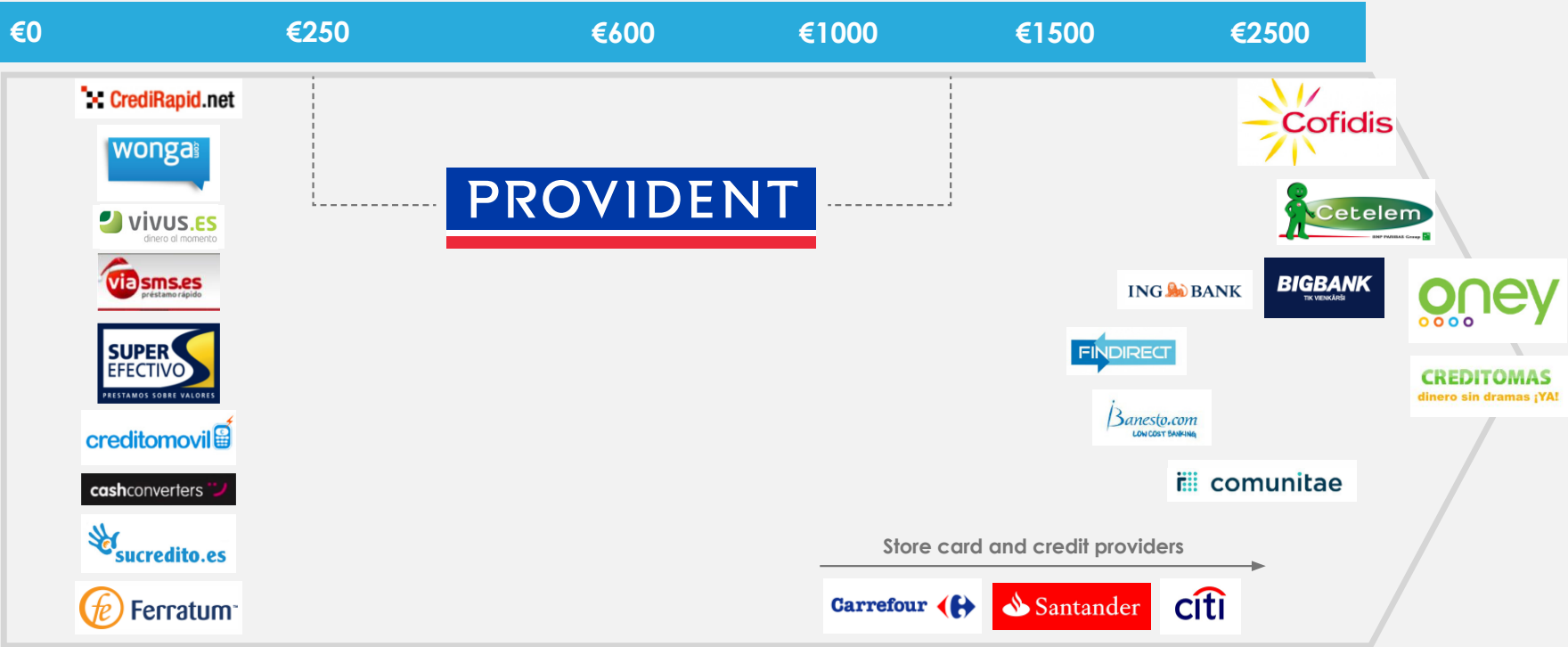
Consumer confidence





# Market overview

## Space for Provident in consumer credit market



# Market sizing steps

## 400,000+ potential home credit customers at maturity

44m  
Mainland population

20m  
Total adult Population  
on medium-low incomes

- Level of difficulty to make ends meet
- Previous borrowing history
- Likelihood of unplanned borrowing in urgent needs
- Intention to borrow in future

8m  
Adults market size for small-sum loans

- Our willingness to lend
- Level of consideration of our product
- Likelihood of actual loan take-up

400,000+ customers  
at maturity

# Extensive due diligence

## Well-researched proposition and customer profile

### In-depth consumer and market research

- Extensive quantitative consumer research
- In-depth consumer and agent focus groups
- Qualitative consumer and agent interviews
- Agent recruitment test and interviews



### Our findings

- Potential customer profile similar to existing markets
- Significant potential demand for small-sum loans
- Attracted to personal, home service
- Greater access to credit in the past, now constrained
- Not comfortable borrowing from family and friends
- Higher average incomes – higher loan values expected

# Our approach



## Using lessons learned in Spain

- International and local team in place
- Controlled geographic expansion
- Credit bureau from day one
- Strong selection and development programmes
- Support package for agents
- Transformation for Growth/ProXXI



# Operations and our people



## Strong international team



**Ivo Kalik**  
Country Manger  
**Years with the business: 17**  
**Previous job: Country Manager, Romania / Bulgaria**



**Vicky Connell**  
Head of HR  
**Years with the business: 3**  
**Previous job: HR Senior Partner, Leeds UK**



**Mariusz Dabrowski**  
Finance Director  
**Years with the business: 10**  
**Previous job: Finance Director, Bulgaria**



**Derek Harris**  
Sales and Service Director  
**Years with the business: 21**  
**Previous job: Head of Operations, Mexico**



**Ingrid Judinova**  
Legal Manager  
**Years with the business: 12**  
**Previous job: Lawyer, Slovakia**



**Hana Pekarkova**  
Head of Marketing  
**Years with the business: 13**  
**Previous job: Senior Brand & Acquisition Manager, Czech-Slovakia**

## Strong Spanish team



**Elena Delgado Gonzalez**  
Human Resources Manager



**Maximiano Gonzalez Garcia Arias**  
IT Programme Manager



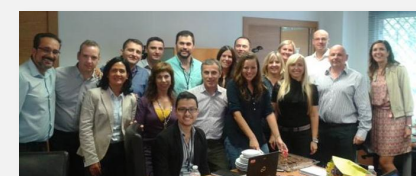
**Caroline Sanchez Ramos**  
Banking Manager



**Jose Ignacio Guijarro Torralba**  
Procurement and Facilities Manager



**Ana Maria Ramos Valverde**  
Marketing and Brand Manager



Local team on the ground

# Fulfilling the opportunity



## Progressive expansion to fulfil opportunity

- On track to start trading early 2015
- Build out network to get full coverage
- £30m investment
- Break-even expected 2018
- 400,000+ customers at maturity
- Exciting opportunity to add significant scale in Europe





Q&A



Refreshment break





# Transformation for Growth

**David Broadbent**

Chief Commercial Officer

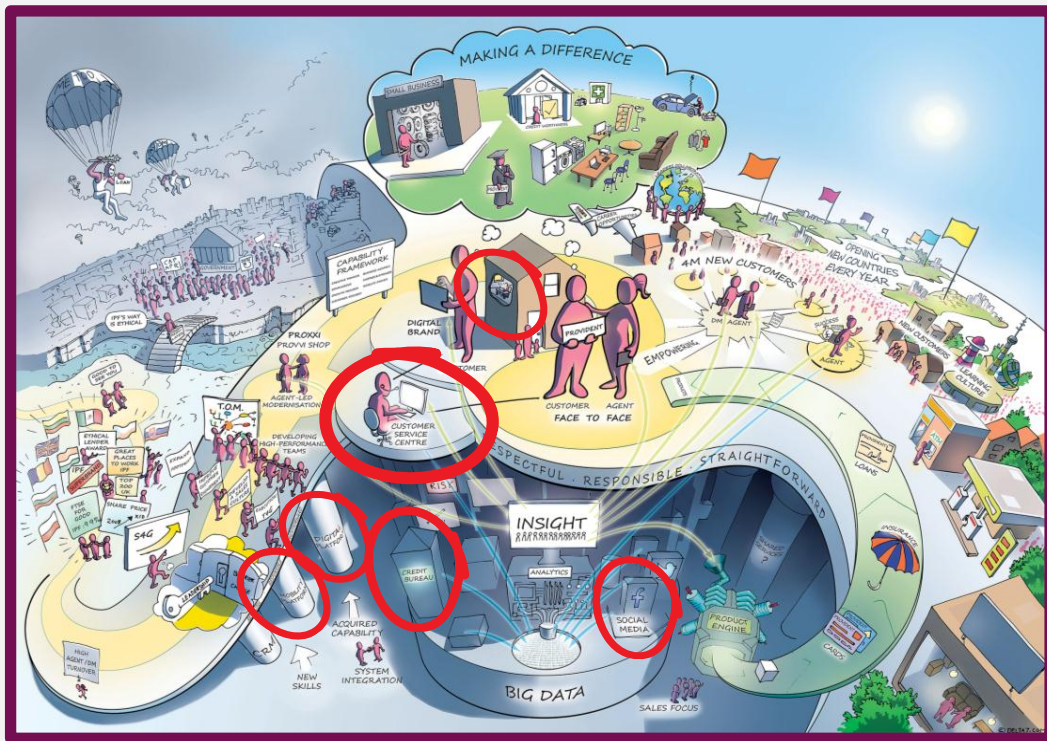
**David Parkinson**

Country Manager, Poland and Lithuania

# What is T4G?

## The transformation of our core agent business

Becoming a genuine multi-channel business



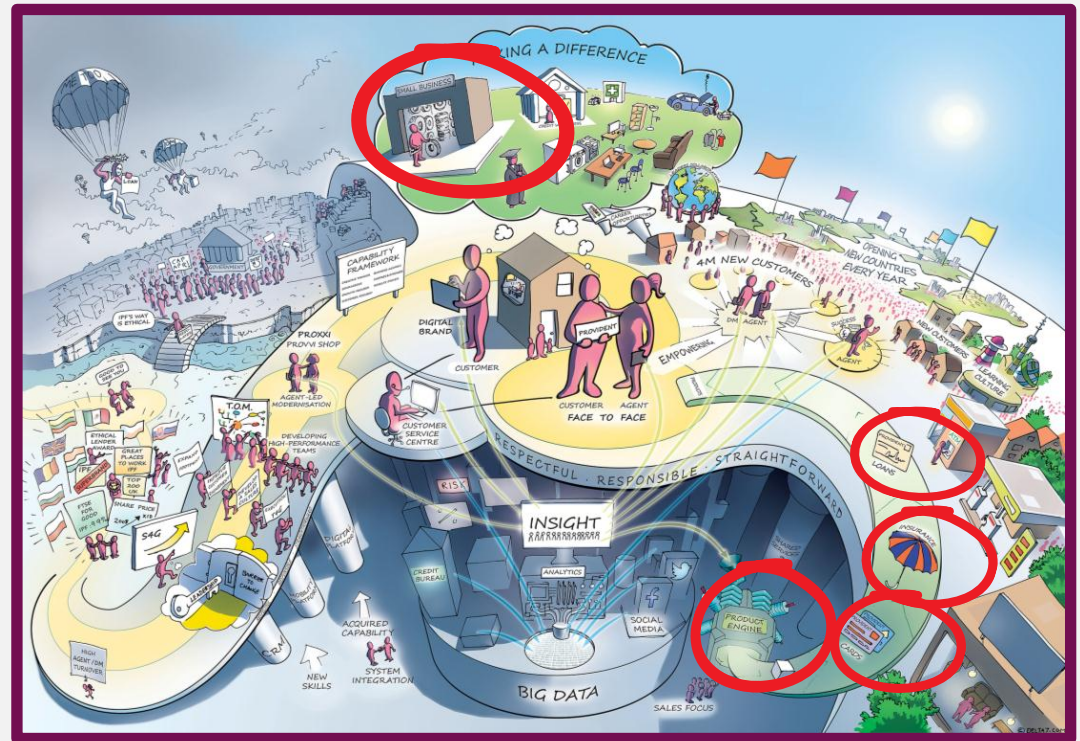
# What is T4G?



## The transformation of our core agent business

Becoming a genuine multi-channel business

Broadening our product range



# What is T4G?

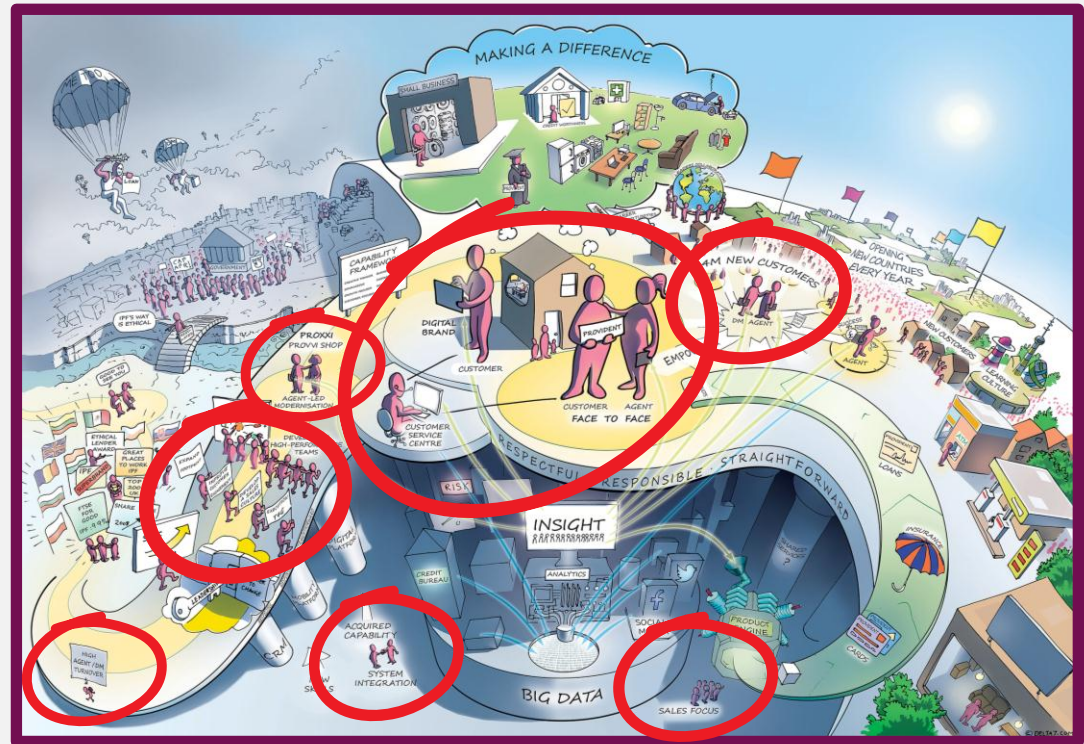


## The transformation of our core agent business

Becoming a genuine multi-channel business

Broadening our product range

Modernising our service model



# What is T4G?



## The transformation of our core agent business

Becoming a genuine multi-channel business

Broadening our product range

Modernising our service model

**Total capital investment  
2014-2017: c.£40m**



# Why T4G?



## More sustainable business and incremental profitable growth opportunities

### Defensive strategy

- Intensified competition
- Increasing regulation
- Generation Y



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### Offensive strategy

- Sustainable customer growth and top-line returns
- Improved reputation
- Lower agent and staff turnover
- Material operating efficiencies

# Becoming a genuine multi-channel business



## Developing our existing channels and additional channels

Enhancing our digital channels

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Providing an immediate decision in principle

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Introducing new channels



# Broadening our product range



## Acquiring and retaining more customers from more segments

### Last 24 months

- Longer term loans
- Preferential pricing
- Seniors' products
- Pre-loaded cards
- Optional insurance products



### Next 12 months

- Monthly repayments
- Risk-based pricing
- Small business loans
- Cards as sales tool
- New Polish product



PROVIDENT  PLUS

....and bringing products to market faster



# Modernising our service model



## Liberating the full potential of our people

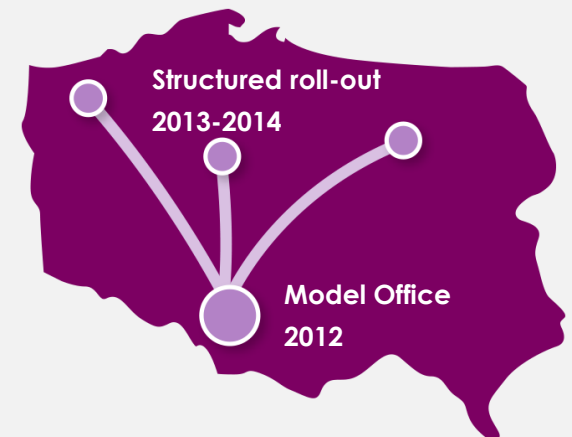
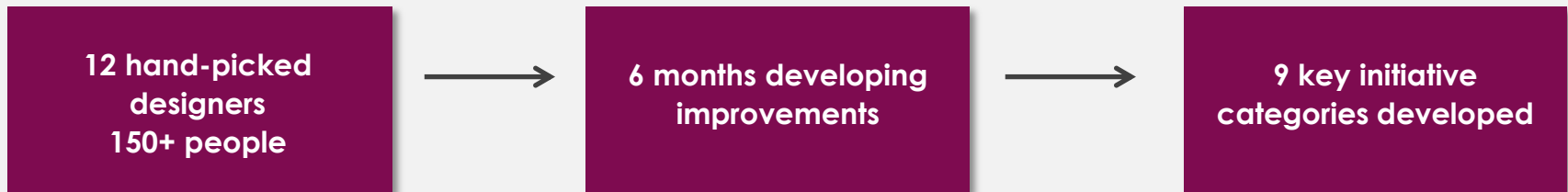
- ✓ Developing an entrepreneurial growth-focused agent network
- ✓ Integrating and improving our customer relationship management
- ✓ Greater efficiency through technology and process improvement



# ProXXI – the Polish experience



A combination of technology, behavioural and organisational change



# ProXXI – the Polish experience

## ProXXI has delivered significant benefits

### Culture

- Embedding a coaching culture
- Creation of a more empowered field workforce

### Performance

- Credit issued increased by 5%
- Collections improved by 2%
- Agent turnover reduced by 2%

### Lessons learned

- Design and deliver change through those most affected
- Keep technology simple
- Blueprint for future T4G changes

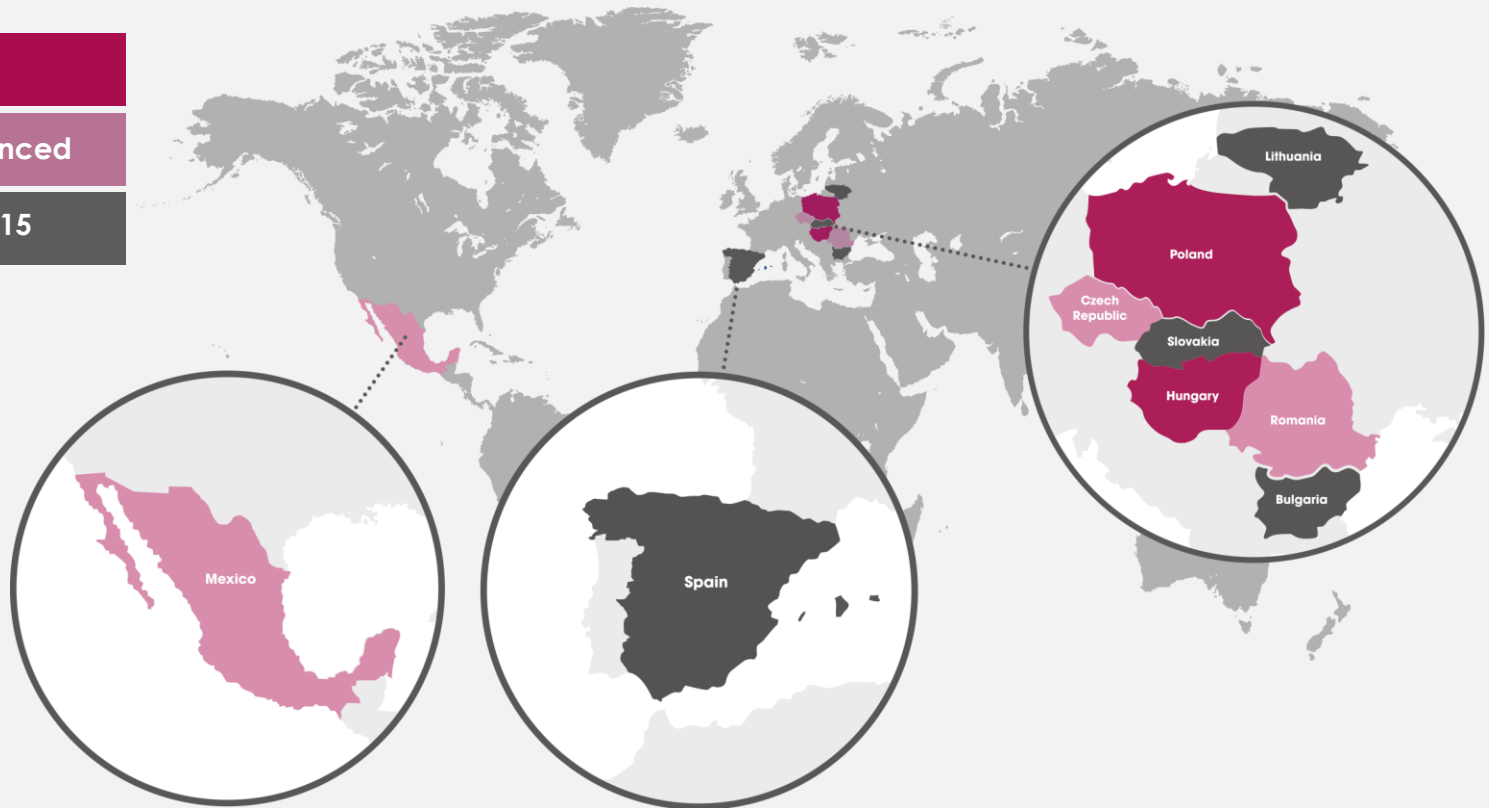


# ProXXI – a core component of T4G



ProXXI now rolled out to 1,800 field managers

- Fully rolled out
- Roll out commenced
- Roll out starts 2015



# Modernising our service model



## Liberating the full potential of our people

- ✓ Developing an entrepreneurial growth-focused agent network
- ✓ Integrating and improving our customer relationship management
- ✓ Greater efficiency through technology and process improvement



**PROXXI**  
*Przyszłość w naszych rękach*



# T4G – transformation of our core agent business



## A key component of our medium-term strategy

- A combination of technology, behavioural and organisational change
- Total capital investment of c.£40m
- Makes the business more sustainable
- Provides incremental profitable growth opportunities
- Target to add over £20m to PBT per annum from 2018





# Customers, today and tomorrow

**Simon Quick**

Group Marketing Director

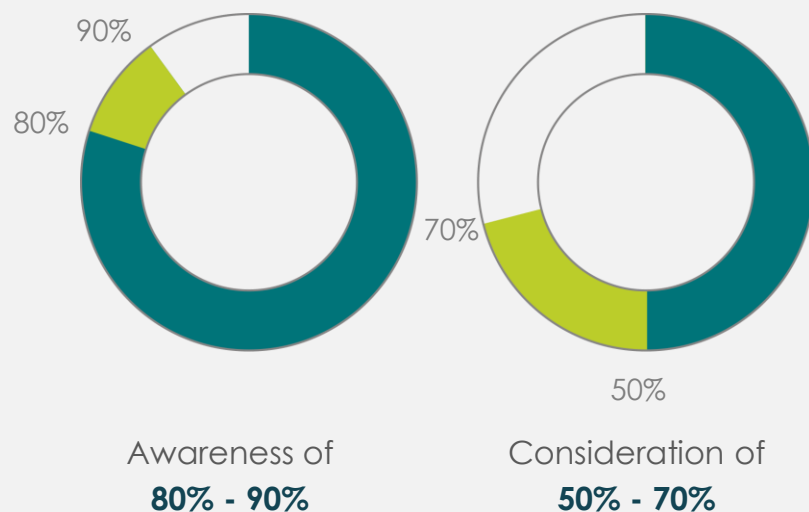
**John Williams**

Group Credit Director

# Traditional strengths

No-one serves our customer segment better

## Recognised brand\*



## Customer advocacy

49

Net promoter score

\* Established CEE markets



# We serve a variety of customers

## Distinctive groups with different needs

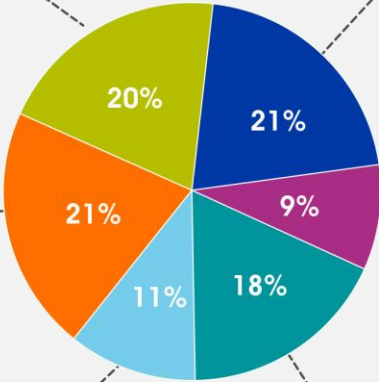
Easygoing Home Makers



Happy Go Luckies



Frustrated Providers



Reasonable Traditionalist



Striving Borrowers



Work Hard Play Hard



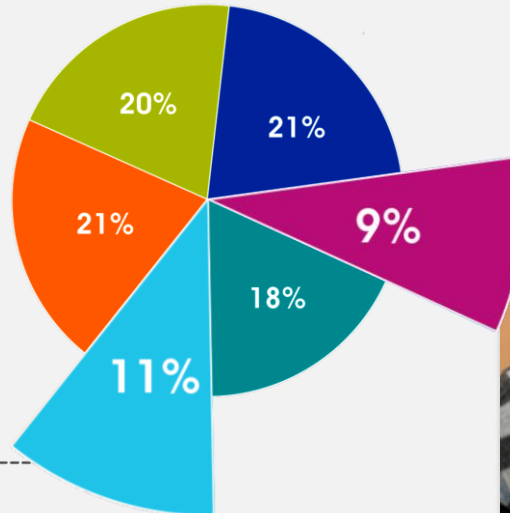
# Particular strengths

## Provident's core constituency

- Fluctuating incomes
- Higher preference for home service
- Lower internet use
- Seek flexibility
- Families



Frustrated Providers

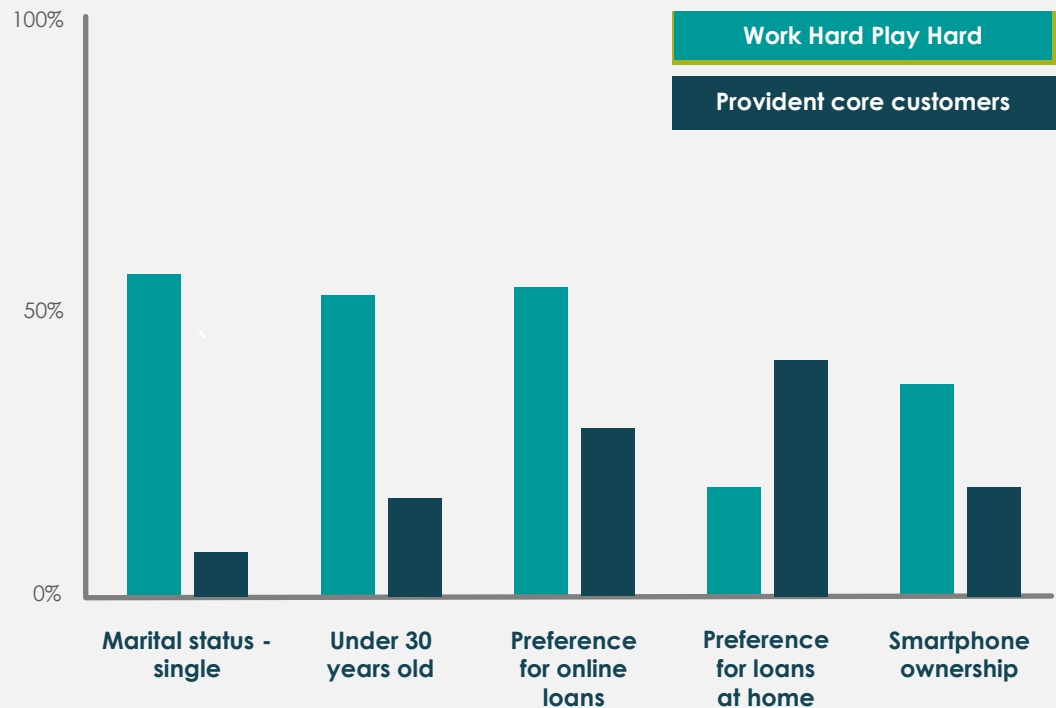
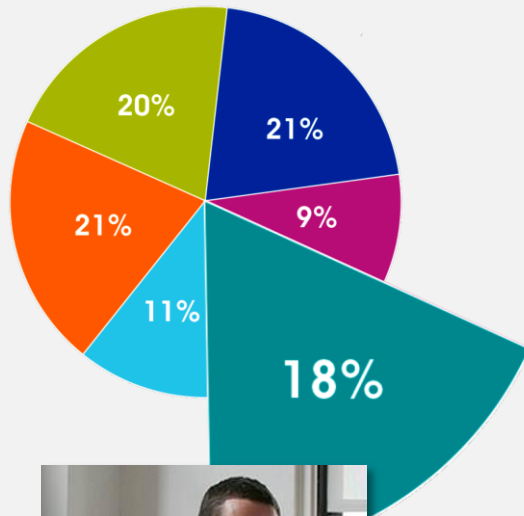


Striving Borrowers

# Broader customer opportunities



## Work Hard Play Hard



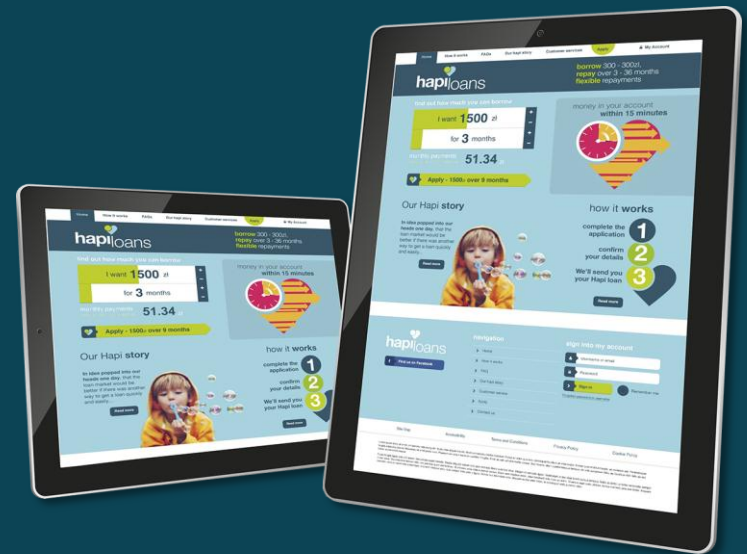
**We have created a new proposition  
for this customer segment**



# hapi: attractive customer proposition



- Digital loan
- Competitively priced
- Monthly repayments
- Quick and simple
- Good repayments rewarded
- Flexibility in tricky times



# hapi: significant opportunity in Poland



- IPF's largest established market
- Growth in digital loans
- Our research has indicated opportunity
- Early evidence of new entrants in Poland reinforces opportunity



# Customer journey and lending process



# Customer journey and lending process

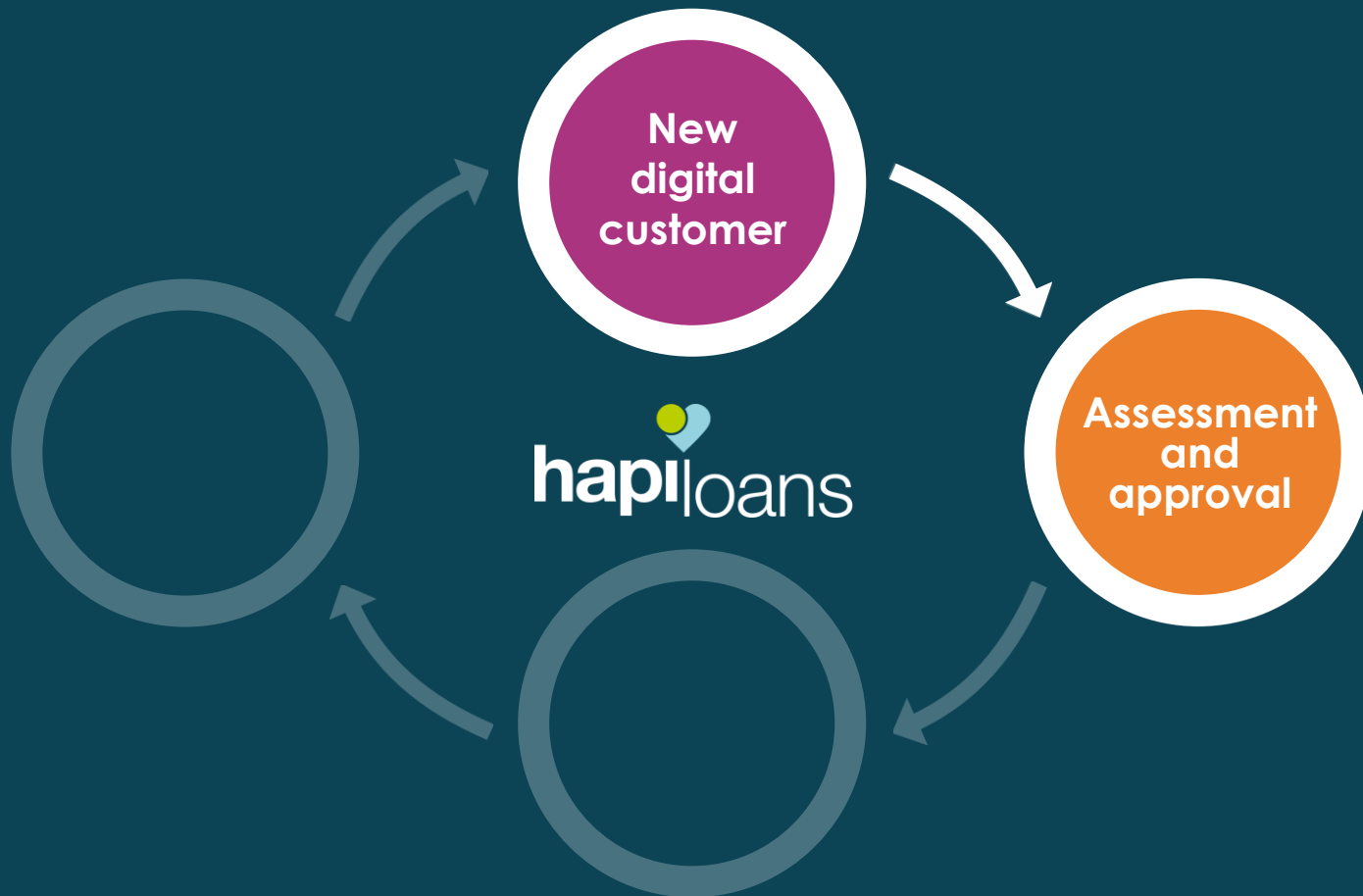


## New digital customer

- Search engine
- Real time
- Email
- Re-targeting



# Customer journey and lending process



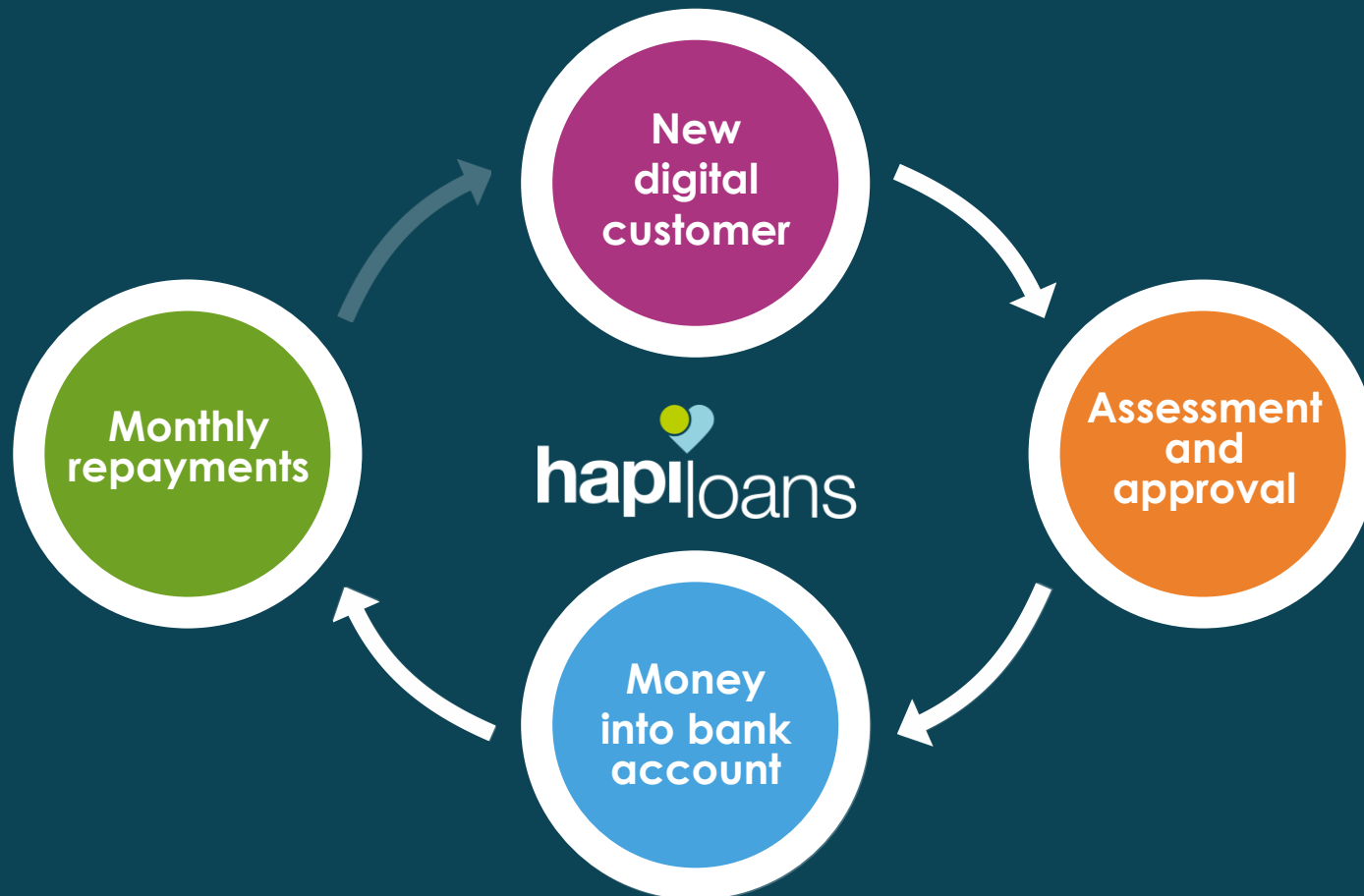
# Customer journey and lending process



## Assessment and approval

- Day one scorecard and rules
- Identity and fraud detection
- Affordability/maximum repayment
- Data capture
- Credit assessment development

# Customer journey and lending process



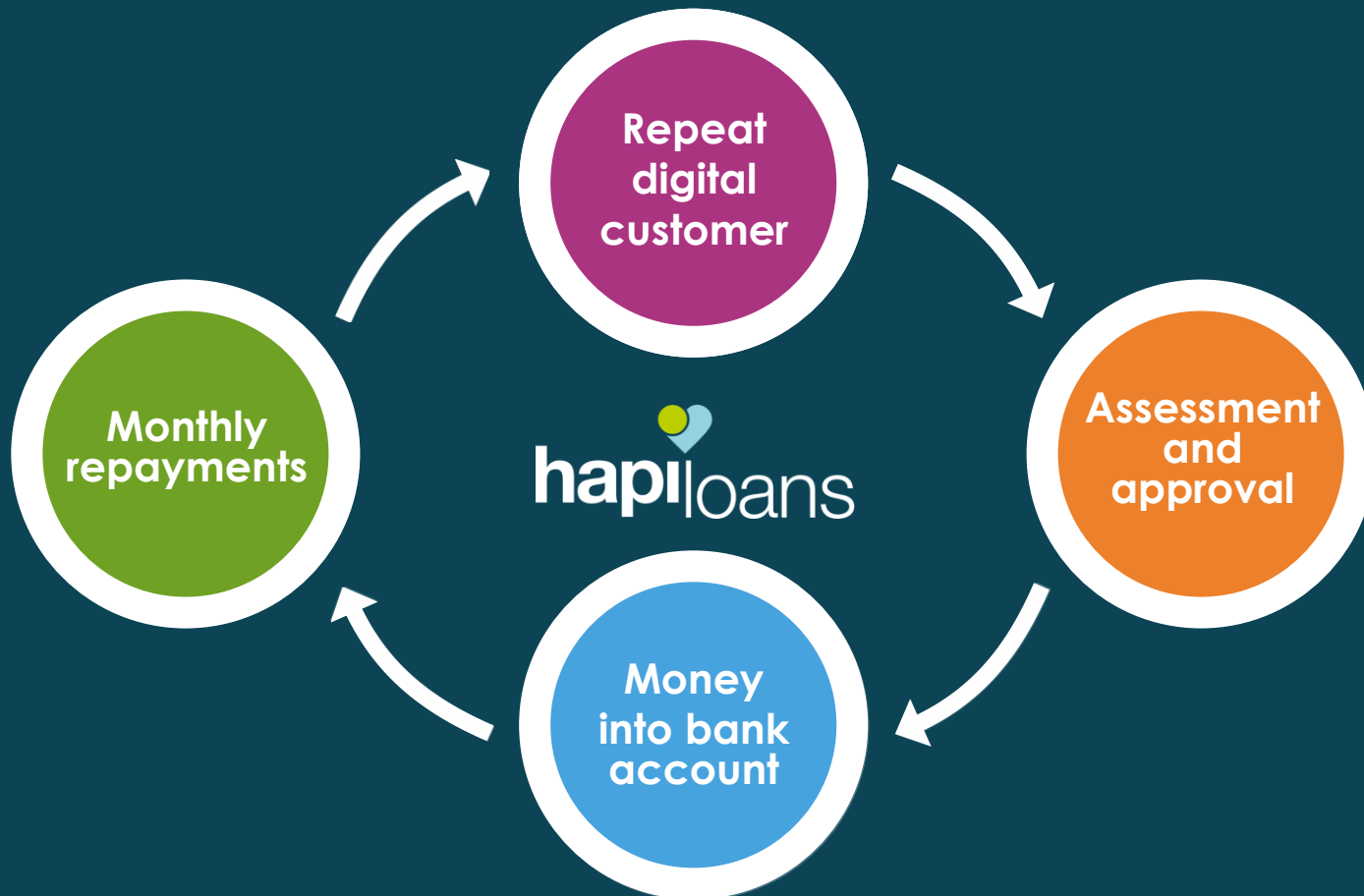
# Customer journey and lending process



## Monthly repayments

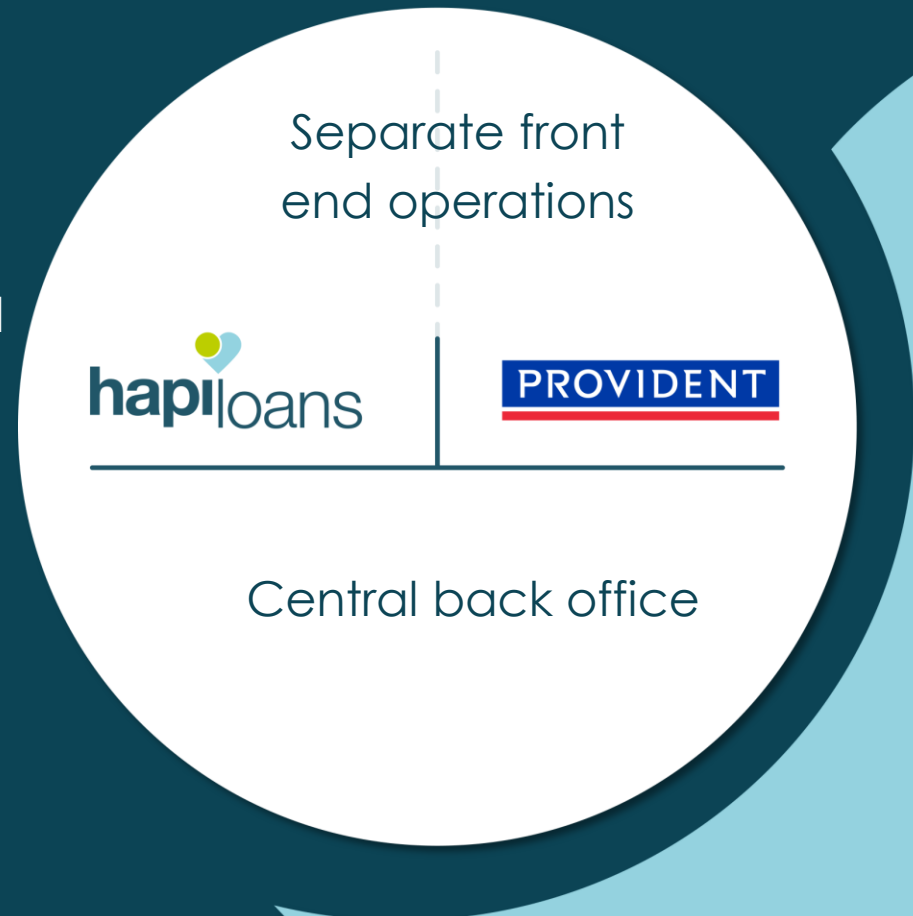
- Choice of date
- Payment reminder
- Payment flexibility

# Customer journey and lending process



# hapi: lean operating model

- Separate business line
- System capable of supporting multiple markets
- Back office processes shared with Provident business
- Minimal local presence outside contact centre operation
- Leveraging scale helps to compete on price



# hapi: phased expansion



2015 investment: £5m to £10m

# hapi: new growth opportunity for IPF



**engaging brand**

**attractive product**

**robust decisioning process**

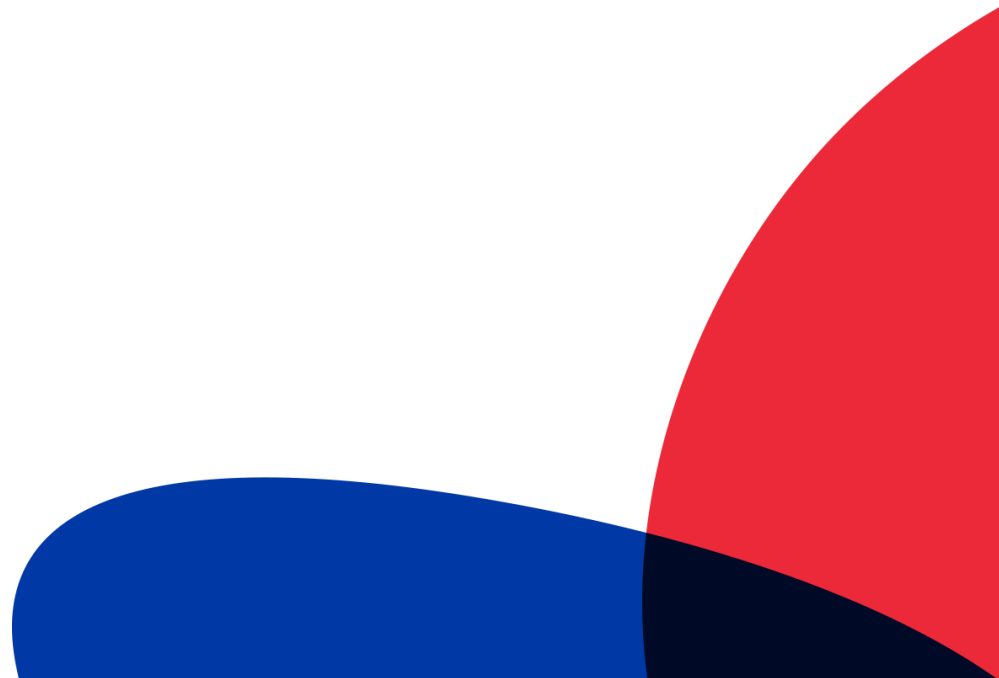
**lean operating model**

**phased expansion**





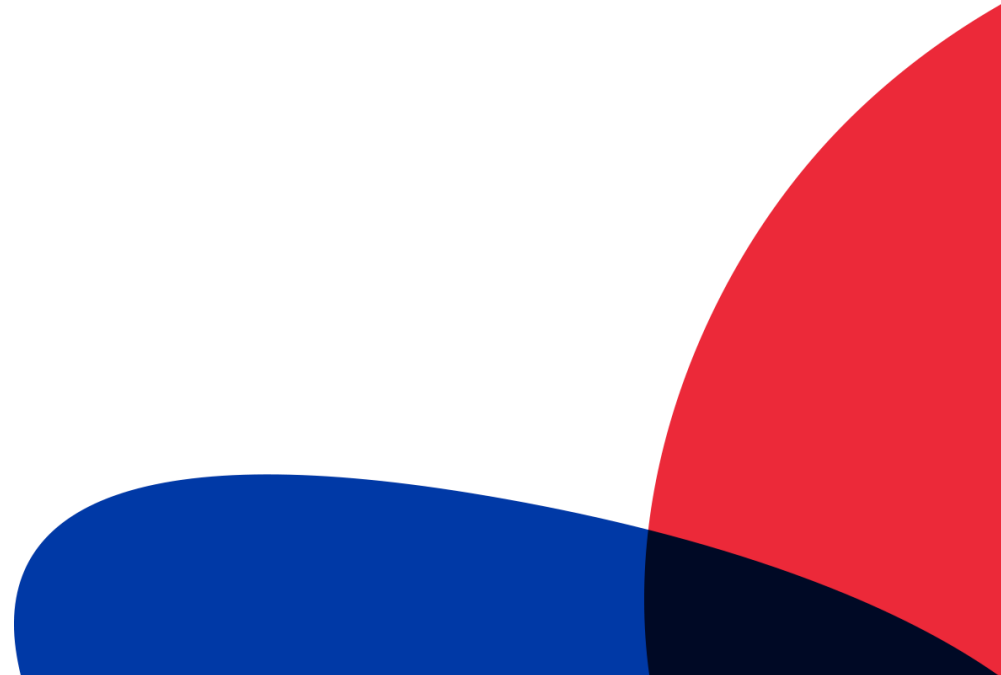
Q&A





# The Big Picture

**Adrian Gardner**  
Chief Financial Officer

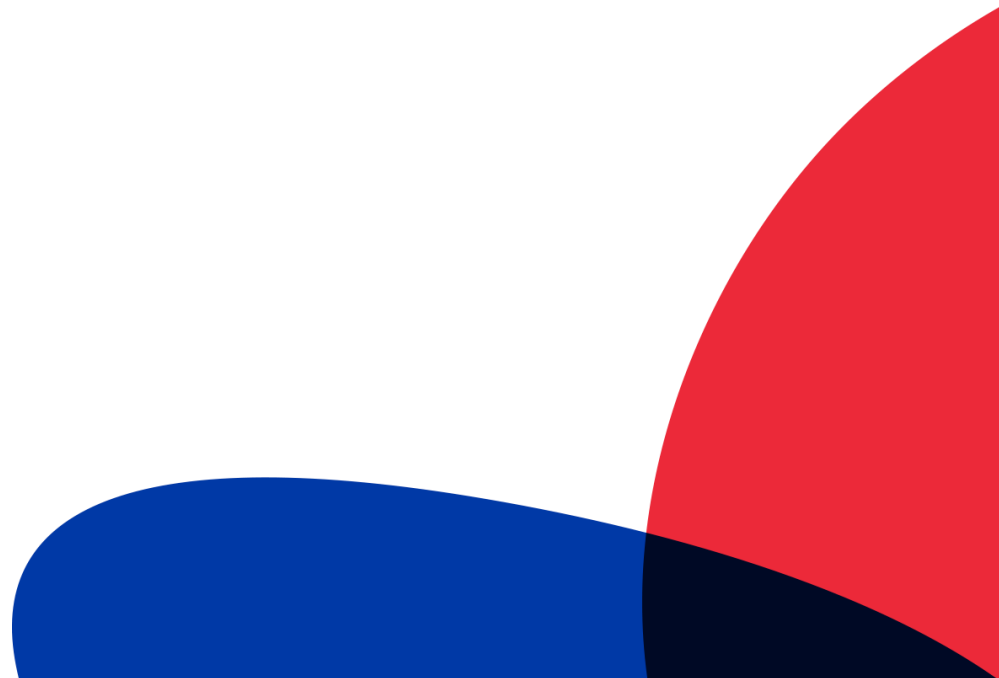








Q&A



# Biographies

# Today's team biographies



## **Gerard Ryan, Chief Executive Officer**

Gerard joined IPF in January 2012. He was previously CFO of Garanti Bank, Turkey; CEO of GE Money Bank, Prague and CEO for Citi's consumer finance businesses in the Western Europe, Middle East and Africa region. He was also a director of Citi International plc, Egg plc and Morgan Stanley Smith Barney UK.



## **Adrian Gardner, Chief Financial Officer**

Adrian joined IPF in January 2014 as Chief Financial Officer before which he had spent more than a decade as CFO across multiple sectors. Adrian joined from RSM Tenon Group plc and was previously CFO of PA Consulting Group Limited and ProStrakan Group plc. He is also a non-executive director of Amdocs Limited and a member of the advisory council to Worcester College, Oxford University.



## **David Broadbent, Chief Commercial Officer**

David joined the board of IPF as Finance Director in 2007 and became Chief Commercial Officer in January 2014. He has responsibility for the strategic transformation and modernisation of our home credit business as well as having responsibility for M&A activity. Previously, David was Financial Controller and later Finance Director of the International Division of Provident Financial plc. He was also a Senior Manager with PricewaterhouseCoopers.

# Today's team biographies



## **David Parkinson, Country Manager – Poland and Lithuania**

David joined the international business in 2003 as Field Development Manager and was appointed Country Manager of the Czech Republic and Slovakia in January 2008. In February 2010 David was appointed Country Manager of Poland and in 2013 he became Country Manager of Poland and Lithuania following our entry in to the new market. He previously held various operational roles within the UK home credit division of Provident Financial plc before serving as Head of Communications, Head of Training and Head of Agent Support.



## **Robert Husband, Country Manager - Mexico**

Robert joined the business in Mexico in 2007 as Finance Director. In January 2010 he became Regional Managing Director of the Puebla Region and in July 2010 was promoted to Chief Operating Officer. He was appointed Country Manager of Mexico in October 2012. Before joining the Group was the Divisional Finance Director for the Caribbean & Americas with Kier Group Plc.



## **Ivo Kalik, Country Manager - Spain**

Ivo joined the Business in 1997 and played a key role in establishing the businesses in the Czech Republic and Slovakia. He moved to Mexico to become the Operations Director for the Guadalajara region in 2005, and became Regional Managing Director for the region in 2008. Ivo assumed the position of Country Manager for Romania in August 2012, and Bulgaria in 2013 when we entered the market. In July 2014, Ivo was appointed Country Manager for Spain.



# Today's team biographies



## **Botond Szirmak, Country Manager - Hungary**

Botond joined Provident in Hungary in February 2002 as a Development Manager, moving to Area Manager, Regional Operations Manager and Divisional Operations Manager. He was appointed Operations Director in 2006 and in February 2008 he became Country Manager of Hungary. In 2014, Botond's role was extended to oversee and support Romania and Bulgaria. He was also awarded "Manager of the Year" by The National Association of Managers in 2014.



## **Simon Quick, Group Marketing Director**

Simon joined IPF in February 2011 having previously undertaken a range of senior marketing and general management roles at Hearststone Investments plc, AEGON Direct Marketing Services, Norwich Union Life, Barclays, TSB and Dixons. He is responsible for developing and implementing the marketing strategy for the business and product development.

# Today's team biographies



## **Gergely Mikola, Corporate Affairs Director**

Gergely was appointed Group Corporate Affairs Director in July 2014. He is responsible for developing and delivering the Group corporate communications strategy to optimise the regulatory and reputational aspects of the business and minimise regulatory risk. Before joining IPF, Gergely worked for British American Tobacco in a similar role, managing eleven countries. Gergely previously worked for Provident in Hungary between 2004 and 2010 as Communications Director. He was also chairman of the British Chamber of Commerce in Hungary between 2008 and 2013 and member of the executive of COBCOE.



## **John Williams, Group Credit Director**

John joined the international team in 2005 having previously worked for companies including GUS, The Associates and Marks and Spencer. His role includes managing all aspects of credit risk across all our markets.



# Rachel Moran

**Investor Relations Manager**

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