2016 Half-year results

International Personal Finance plc

28 July 2016

International Personal Finance plc

Gerard Ryan

Chief Executive Officer

2016 H1 highlights

Adapting to the changing consumer finance landscape

- Group profit reduced broadly in line with expectations to £30.7M
- Mixed home credit performances
  - Mexico: disappointing first-half performance
  - Poland and Slovakia: performing in line with expectations
  - Czech Republic: top-line growth challenges
  - Southern Europe: strong growth momentum
- Cost optimisation programme delivers £12M annualised savings
- Strong growth in IPF Digital – progressing to capture significant market opportunity
- Regulatory environment continues to evolve
- Interim dividend maintained at 4.6 pence per share

International Personal Finance plc

Business overview

Mexico

Addressing short-term performance issues

Operational issues

- Leadership stretch
- Business change
- Impact on agents
  - Portfolio size
  - Reward structure

Lower growth

Poorer collections

Slowed pace of change and geographic expansion

Redirected experienced leaders

‘Back to basics’ programme

Confident of significant medium and long term growth opportunity

Home credit Europe – managing the change

Poland – impact of total cost of credit regulation in line with expectations

What have we changed?

- Implemented new product structure
- Weekly and monthly agent offerings
- Re-priced money transfer offering
- Optional medical insurance cover

- Longer-term, lower-yielding lending
- Selective credit relaxations

How has the market changed?

- Competitive dynamics unchanged – first loan for free
- Customer and competitor response to 120 day rule not yet evident

Intent: Mitigate up to half of the financial impact

Home credit Europe – managing the change

Large, profitable markets generating value and delivering returns

- Testing Provident Direct digital offering in Poland – 3,000 loans
- Targeting 400 loans per week by year end
- Suitable for customers with strong credit profile

- New technology platform to facilitate customers moving between our brands and channels

- New sales and service organisation structure in Hungary, Poland, the Czech Republic and Romania
- Cost optimisation programme delivering savings
- Rollout of ‘MyProvi’ agent technology to commence H2 2016

Digital – delivering growth

Excellent strategic opportunity

Growing established markets

- Profitable businesses with good returns
- Strong customer and credit issued growth
- Good credit quality and profit growth

Entering and growing new markets

- Considerable opportunity in Poland, Australia and Spain
- Building momentum - 27,000 customers and credit issued up 200%+
- Creditea digital launch in Mexico – another significant opportunity

Building functional capability

- Scaling up business capability to execute controlled expansion plan
- Enhancing technology capability
- 2016 investment including Mexico as guided

Regulation update

Current regulatory matters

National Bank of Romania: proposing stringent creditworthiness assessments

- Profitability unlikely to be impacted in 2016
- Without mitigation, growth rates would be materially impacted in 2017
- Developing appropriate response to anticipated changes

Czech National Bank: licensing regime for NBFIs

- All agents will need to meet education or minimum experience criteria
- Separation of sales and credit decisioning
- Changes to proof of income processes
- Adapting to comply and offering assistance to agents to become accredited

Mexico: weekend and late hours collections from a customer's home banned

- Appeal lodged
- Attempting to have more reasoned regulation put in place
- Awaiting outcome of appeals process

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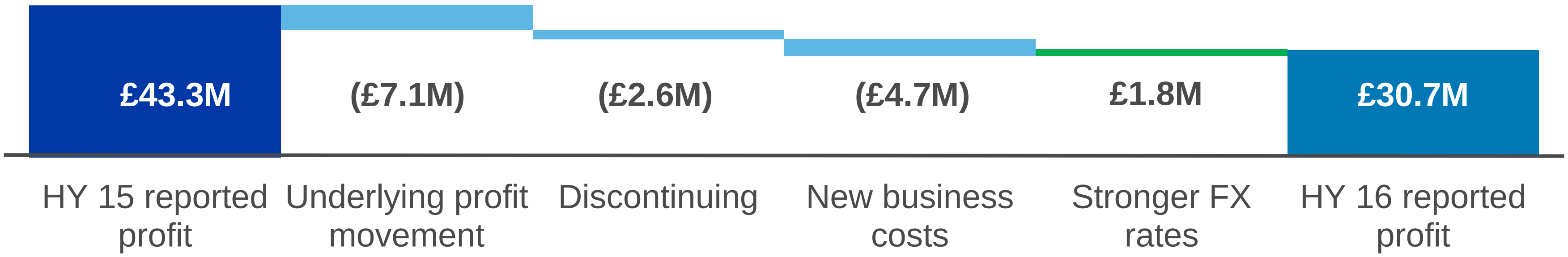
Adrian Gardner

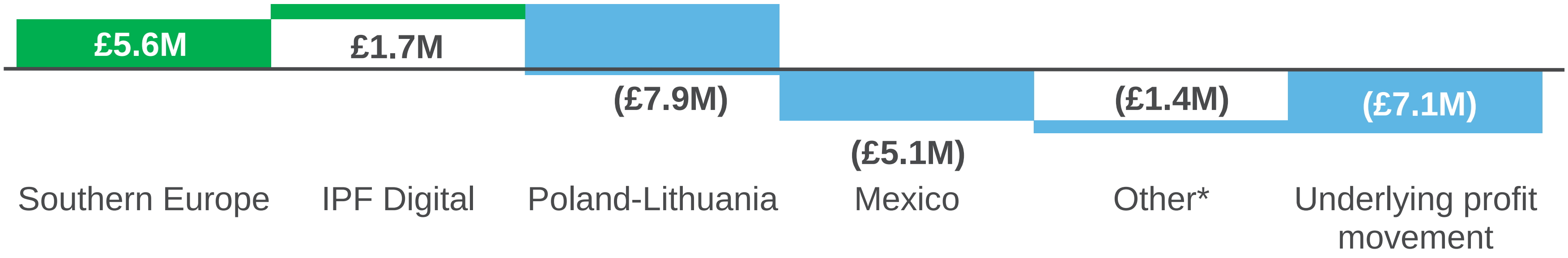
Chief Financial Officer

Group profit before tax £30.7M

Group profit broadly in line with expectations

Underlying profit performance



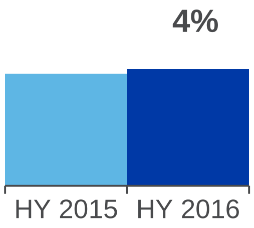


* Central costs and the Czech Republic

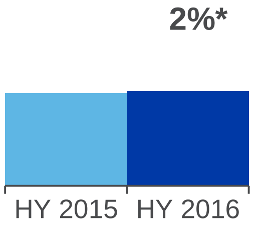
Home credit – Mexico

H1 performance below expectations

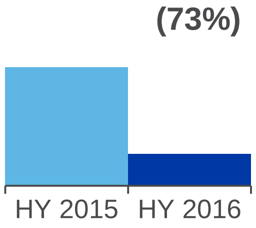
Customers



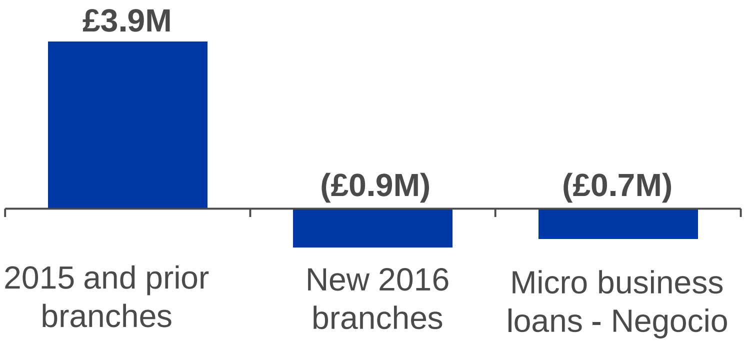
Credit issued



Profit



Profit breakdown

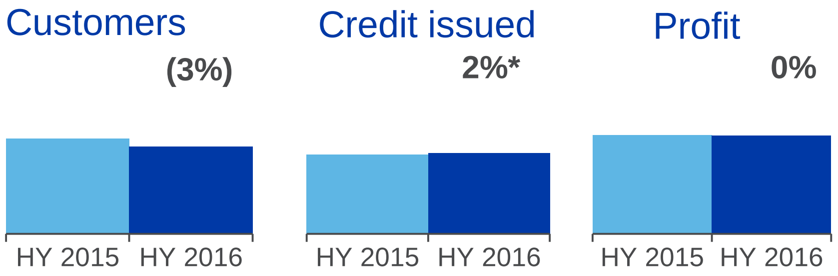


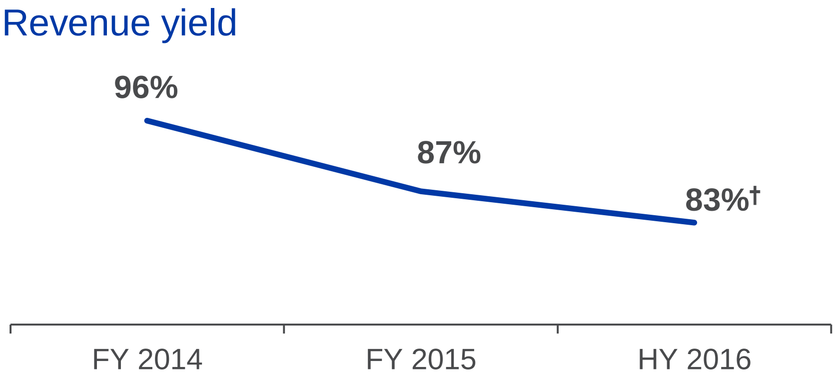
- Top-line growth lower than expected
- Investment in geographical expansion and new products for future growth
- Increased revenue on back of good growth in H2 2015
- Impairment % revenue increased to 35.7% - expect progressive reduction during H2
- Confident of improved rates of growth in H2
- Significant long-term potential

* At constant exchange rates

Home credit – Europe

Strong growth in Southern Europe, weaker performances in Poland and Czech Republic





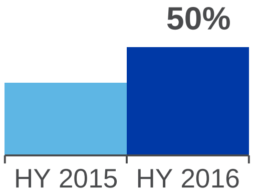
- Poland performing in line with expectations
- Czech Republic - top-line growth challenges
- Good growth, collections and cost control delivered by Southern Europe
- Yield impacted by price reduction and product mix
- Good collections performance – impairment as a percentage of revenue 21.7%
- Delivered cost savings through new sales and service organisation structure and cost optimisation programme

* At constant exchange rates † annualised All data excludes Slovakia and Spain

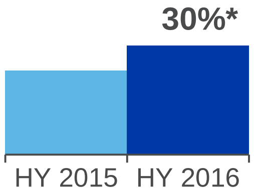
IPF Digital

Investment driving strong growth

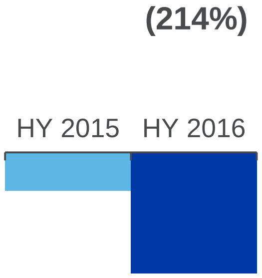
Customers



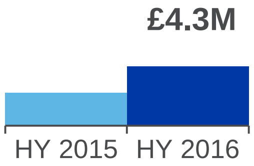
Credit issued



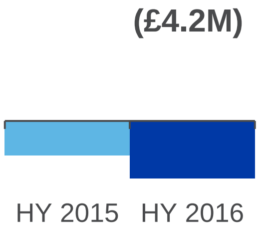
Profit



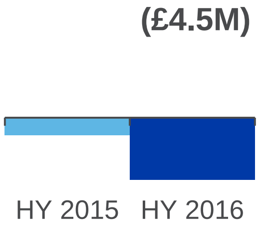
Profit before tax



Established markets



New markets



Head office costs

- Strong growth in established markets
- Portfolio quality in line with expectations
- Building momentum in new, large markets – Poland, Australia and Spain
- Mexico digital launch
- Total investment in IPF Digital in 2016 c. £8M to £10M

* On a proforma basis

Slovakia

Collections ahead of target

H1 collections 109% of original plan

61% of annual target already achieved

- Decision in February to wind down the business following introduction of new interest rate cap
- Good progress made on plan to maximise collections and progressively reduce scope of operation
- Reducing agents, employees and infrastructure – 400 fewer people and closed three branches
- Expected loss in 2016 remains £5M to £7M

Cost optimisation programme commenced

Driving efficiency and delivering cost savings in established home credit businesses

Restructuring removed c.330 roles

£3.9M savings delivered H1

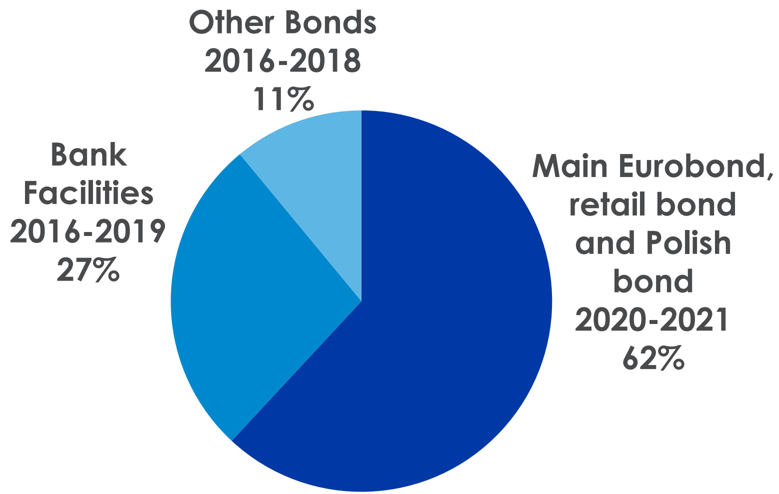
£12M annualised cost savings

- New sales and service organisation structure rolled out in Hungary, Poland, the Czech Republic and Romania
- Reduced headcount of HO teams in markets and the UK
- Net benefit from cost optimisation programme to be seen primarily in H2 and 2017
- Continue to look at cost optimisation opportunities

Strong financial position

Robust balance sheet and strong funding profile

Sources and maturity profile
of debt facilities



- Equity to receivables 43.6% compared to target of around 40%
- £160M headroom on funding facilities
- Diversified debt portfolio including core banks and range of bonds
- Secure long-term funding at competitive cost. 62% of debt facilities have maturity dates 2020/2021 - only 6% have maturity dates in next 12 months
- Currency structure of debt facilities matches asset and cash flow profile – no material impact from Brexit
- Fitch reaffirmed long-term credit rating of BB+ stable
- Interim dividend maintained at 4.6 pence per share

Outlook

Gerard Ryan

Chief Executive Officer

Outlook

Repositioning of the business remains on track

- Early read on Poland in line with expectations
- Actions taken in Mexico to return to growth in the second half
- Cost reduction and digitisation programmes underway to offset margin compression
- Continue the good growth in our digital business as it expands into larger markets

Questions

Appendices

Group

Six months to 30 June 2016

	HY 2015 £M	**HY 2016 £M**	Change at CER %
Customer numbers (000s) †	2,611	**2,641**	1.1%
Credit issued†	482.3	**514.5**	6.0%
Revenue†	353.0	**358.3**	1.5%
Annualised impairment % revenue†	26.3%	**25.9%**	0.4 ppts
Annualised cost-income ratio	40.4%	**42.4%**	(2.0) ppts
PBT* (£M)†	43.3	**30.7**	
Statutory PBT* (£M)	38.6	**30.7**	
EPS* (pence)	13.7	**9.8**	

† Excluding Slovakia * Before exceptional items

On-going home credit

Six months to 30 June 2016

	HY 2015 £M	**HY 2016 £M**	Change at CER %
Customer numbers (000s)	2,506	**2,484**	(0.9)
Credit issued	447.0	**455.2**	1.8
Average net receivables	678.3	**726.3**	6.7
Revenue	340.6	**335.3**	(1.2)
Impairment	(102.3)	**(100.6)**	(0.2)
Finance costs	(19.0)	**(19.6)**	(3.2)
Agents' commission	(40.8)	**(39.9)**	1.2
Other costs	(126.9)	**(130.0)**	(2.7)
Profit before taxation	51.6	**45.2**	

Poland-Lithuania

Six months to 30 June 2016

	HY 2015 £M	**HY 2016 £M**	Change at CER %
Customer numbers (000s)	851	**802**	(5.8)
Credit issued	180.9	**176.2**	(3.8)
Average net receivables	288.1	**308.8**	6.3
Revenue	137.3	**132.4**	(4.5)
Impairment	(40.3)	**(39.2)**	2.2
Finance costs	(8.2)	**(8.4)**	(2.4)
Agents' commission	(15.4)	**(14.3)**	7.7
Other costs	(45.1)	**(49.2)**	(7.7)
Profit before taxation	28.3	**21.3**	

Czech Republic

Six months to 30 June 2016

	HY 2015 £M	**HY 2016 £M**	Change at CER %
Customer numbers (000s)	203	**169**	(16.7)
Credit issued	52.6	**46.4**	(18.7)
Average net receivables	90.0	**84.8**	(12.8)
Revenue	36.3	**32.5**	(17.3)
Impairment	(9.1)	**(5.1)**	47.4
Finance costs	(2.1)	**(2.0)**	13.0
Agents' commission	(3.6)	**(3.6)**	7.7
Other costs	(13.7)	**(13.6)**	7.5
Profit before taxation	7.8	**8.2**	

Southern Europe

Six months to 30 June 2016

	HY 2015 £M	**HY 2016 £M**	Change at CER %
Customer numbers (000s)	639	**665**	4.1
Credit issued	100.6	**130.0**	22.4
Average net receivables	162.1	**191.9**	12.7
Revenue	80.1	**82.9**	(1.3)
Impairment	(25.5)	**(22.1)**	16.0
Finance costs	(4.9)	**(5.0)**	2.0
Agents' commission	(10.1)	**(10.6)**	(1.0)
Other costs	(32.7)	**(31.8)**	7.3
Profit before taxation	6.9	**13.4**	

Mexico

Six months to 30 June 2016

	HY 2015 £M	**HY 2016 £M**	Change at CER %
Customer numbers (000s)	813	**848**	4.3
Credit issued	112.9	**102.6**	1.8
Average net receivables	138.1	**140.8**	14.5
Revenue	86.9	**87.5**	12.9
Impairment	(27.4)	**(34.2)**	(40.7)
Finance costs	(3.8)	**(4.2)**	(23.5)
Agents' commission	(11.7)	**(11.4)**	(8.6)
Other costs	(35.4)	**(35.4)**	(11.0)
Profit before taxation	8.6	**2.3**	

Digital

Six months to 30 June 2016

	HY 2015* £M	**HY 2016** **£M**	Change at CER %
Customer numbers (000s)	105	**157**	49.5
Credit issued	35.3	**59.3**	54.8
Average net receivables	33.5	**69.0**	92.7
Revenue	12.4	**23.0**	71.6
Impairment	(3.3)	**(8.0)**	(122.2)
Finance costs	(1.3)	**(1.8)**	(12.5)
Other costs	(9.2)	**(17.6)**	(83.3)
Loss before taxation	(1.4)	**(4.4)**	

* 2015 includes four and a half months of trading of MCB Finance following the acquisition in February 2015

Underlying profit reconciliation

	HY 2015 reported profit £M	Underlying profit movement £M	New business costs £M	Stronger FX rates £M	HY 2016 reported profit £M
Home credit	51.4	(10.5)	-	1.8	**42.7**
Digital	(1.4)	1.7	(4.7)	-	**(4.4)**
Central costs	(6.7)	(0.9)	-	-	**(7.6)**
Profit before taxation and exceptional items	43.3	(9.7)	(4.7)	1.8	**30.7**
Exceptional items	(4.7)	4.7	-	-	**-**
Profit before taxation	38.6	(5.0)	(4.7)	1.8	**30.7**

Balance sheet

£M	June 2015	June 2016	Change at CER %
Goodwill	19.5	**22.9**	-
Fixed assets	44.2	**54.1**	15.6
Receivables	751.7	**874.7**	4.4
Cash	51.7	**42.1**	(25.7)
Borrowings	(512.7)	**(602.4)**	(7.1)
Other net liabilities	(8.6)	**(10.2)**	29.7
Equity	345.8	**381.2**	4.7

Headroom on covenants

	June 2016	Covenant	Headroom
Interest cover	**3.6x**	2.0x min	1.6x
Gearing*	**1.6x**	3.75x max	£211.5M

*Adjusted for derivative financial instruments and retirement benefit obligation according to covenant definitions

Strong financial profile

	FY 2014	FY 2015	HY 2016
Gearing	1.3x	1.7x	**1.6x**
Adjusted earnings per share*†	38.0p	37.1p	**33.5p**
Interest cover*†	3.7x	3.9x	**3.6x**
Return on equity*†	23.6%	23.3%	**20.5%**
Equity to receivables ratio	47.5%	40.8%	**43.6%**

* Prior years pre-exceptional † Annualised

Foreign exchange rates

	Current rates 25 July 2016	2016 Closing June	2016 Average	2015 Closing June	2015 Average
Polish zloty	5.2	5.2	5.6	5.8	5.7
Czech crown	32.3	32.4	34.5	38.1	37.8
Euro	1.2	1.2	1.3	1.4	1.4
Hungarian forint	372.9	382.0	397.2	437.9	421.5
Mexican peso	24.7	24.3	26.1	24.4	23.3
Romanian leu	5.3	5.4	5.7	6.3	6.1
Bulgarina lev	2.3	2.3	2.5	2.7	2.7
Australian Dollar	1.8	1.8	2.0	2.0	2.0

Where we operate

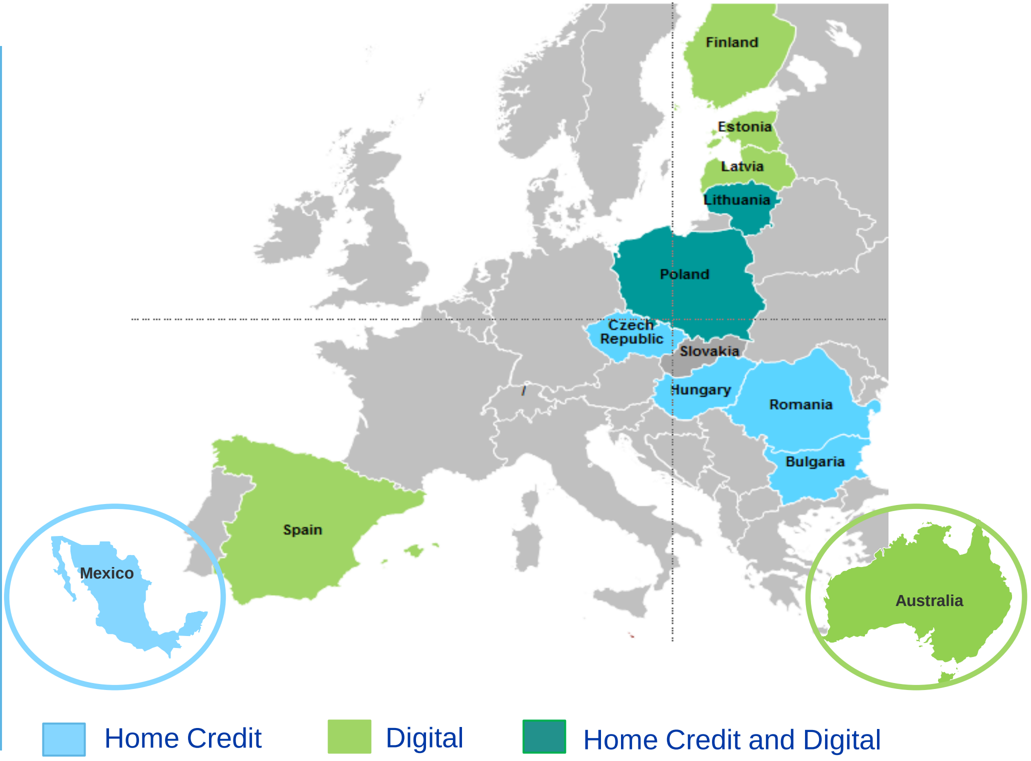
Two divisions operating in Europe, Mexico and Australia

Home credit
Poland-Lithuania
Customers: 802,000
2016 H1 PBT: £21.3M

Czech Republic
Customers: 169,000
2016 H1 PBT: £8.2M

Southern Europe
Customers: 665,000
2016 H1 PBT: £13.4M

Mexico
Customers: 848,000
2016 H1 PBT: £2.3M



IPF Digital
Established markets
Finland, Estonia, Latvia, Lithuania
Customers: 130,000
2016 H1 PBT: £4.3M

New markets
Poland, Australia and Spain
Customers: 27,000
2016 H1 loss before tax: (£4.2M)

Head office
2016 H1 loss before tax: (£4.5M)

*Slovakia being wound down in 2016

Key strategic priority and large growth potential

Established digital credit provider with highly experienced management team

Customer acquisition	Application	Credit decision	Money transfer	Repayment / collection
TV, internet, radio, press Ongoing CRM to generate repeat business	 100% of loans generated online Simple, straightforward application process	€xxx Rapid, automated, centralised control External/internal databases and statistical models Smaller and shorter maturity for new customers. Larger and longer duration for repeat customers Affordability checks prior to approval	€€€ €€ € Cash transferred to customer bank account Customers notified by text on transfer	Standard procedures for managing repayments Active repayment reminder process to customers No refinancing or extension of delinquent loans

Less than 15 minutes from application to money transfer / receipt

Attractive multi-product offer

Multi-branded digital loans offering

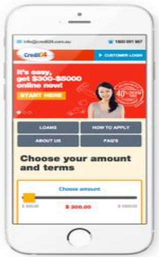
Instalment loans

- Lower income customers
- €100 – €3000 credit
- Terms up to 24 months
- Flexibility – lower monthly repayments and repayment holidays
- Simplicity and speed
- Risk-based pricing

Revolving credit line

- Middle income customers
- €200 – €3000 credit; up to 36 months
- No cost if not used; no need to reapply
- Convenient mobile app core solution
- Click & draw, Click & transfer, Click & pay
- Low monthly repayments
- Convenience and service

Credit24



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International Personal Finance plc

Investor Relations contact

Rachel Moran

Investor Relations Manager

T: + 44 (0) 113 285 6700

E: investors@ipfin.co.uk