



# 2018 half-year results

25 July 2018

International Personal Finance plc





# Highlights and strategy execution

Gerard Ryan - CEO

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# Group highlights

- Good operating and financial performance
- Good credit issued growth and well-managed credit quality
- Robust funding and balance sheet position

**£56.5m +29%**

Profit before tax up £12.6m\*

**43.5%**

Equity to receivables

**£211m**

Headroom on funding facilities

**4.6p**

Interim dividend per share maintained

\* From ongoing businesses





# Our strategy



**European  
home credit**

**Returns focused**



**Mexico  
home credit**

**Growth focused**



**Digital  
business**

**Growth focused**



# Performance highlights



## European home credit

Intense competition

Modest contraction in credit issued

Very good portfolio quality

Good financial performance



## Mexico home credit

New business investment generated customer growth

Increase in credit issued

Improved profit



## IPF Digital

Very good progress

Strong growth

Established markets: improved profit

New markets: significantly lower loss



## European home credit

Improving sustainability to deliver a high-quality  
service to customers and optimise returns



# European home credit

## Leverage Provident brand for digital



Growth in Poland



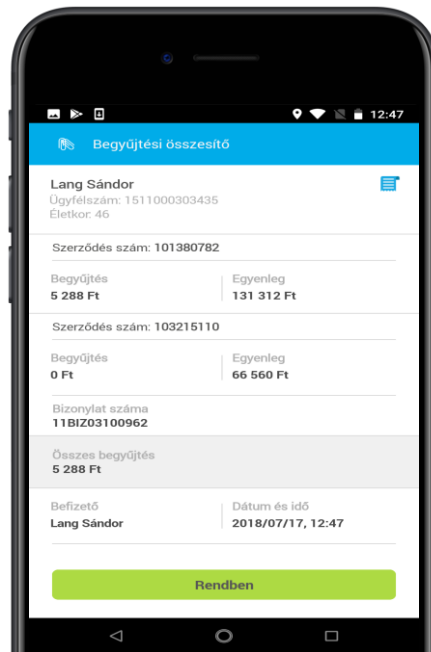
Czech Republic launch

## Provident digital customers



## Provide high-quality service and optimise returns

- Improving efficiency through technology
- Agent mobile app in Poland, Czech and Hungary
- Test in Romania
- 9,000 agents







**Mexico  
home credit**

**Expanding geographic footprint, building micro-business  
channel and improving operational efficiency**

# Mexico home credit

## Build micro-business channel

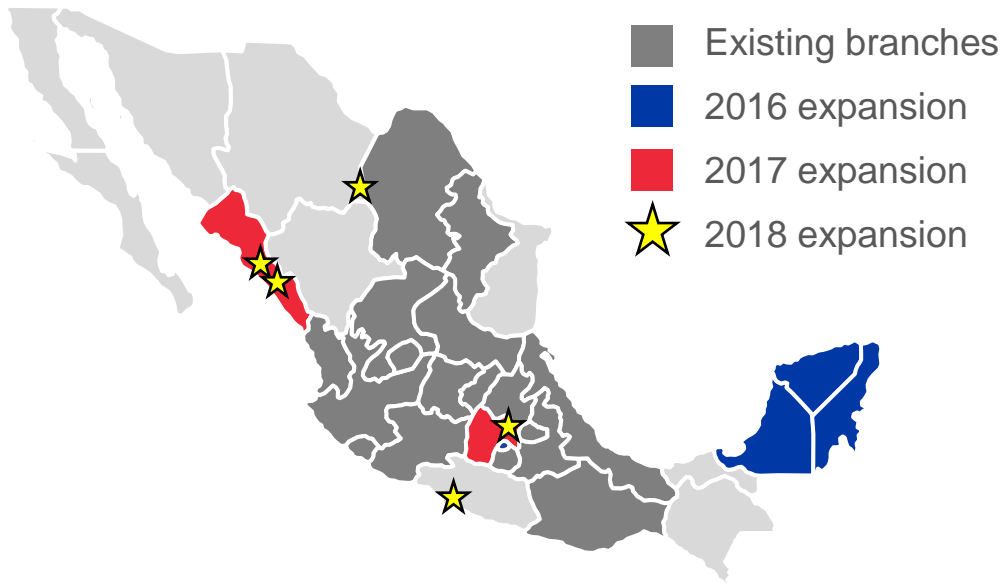
- Larger average loan value
- Good credit quality
- Significant growth opportunity





## Expand geographic footprint

- Investment in expansion delivering growth
- Five new branches in H1



## Customer growth in new branches



## Investment delivering credit issued growth





**IPF Digital**

**Building scale in new markets, providing a superior customer experience through innovation and demonstrating a good financial return**



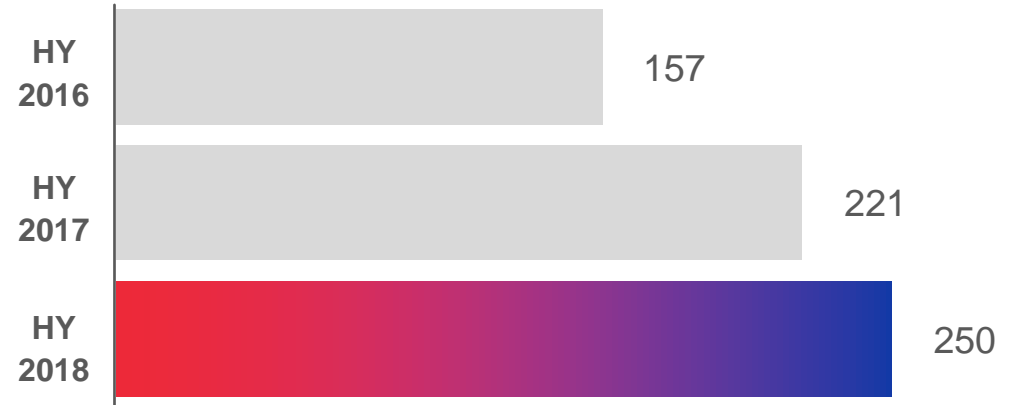
# IPF Digital

## Build scale

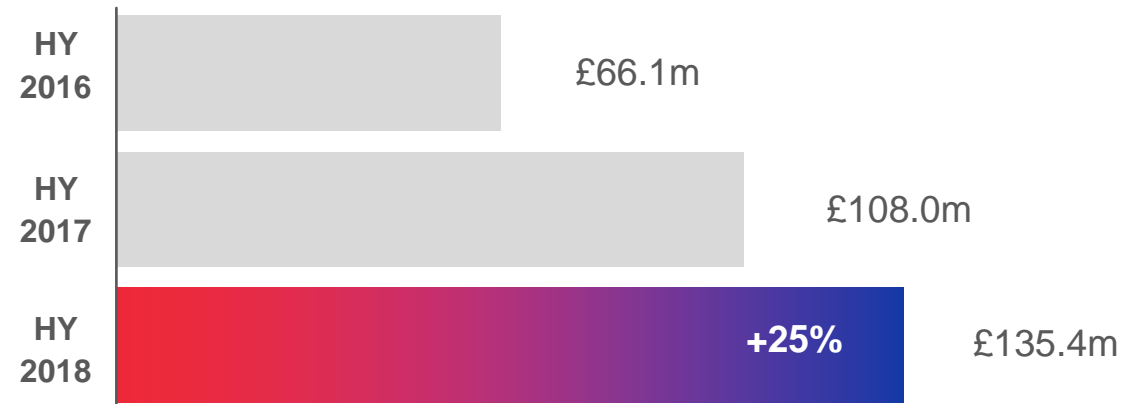
- Excellent progress
- Investment delivered strong growth
- Improved credit quality parameters
- Improved financial performance

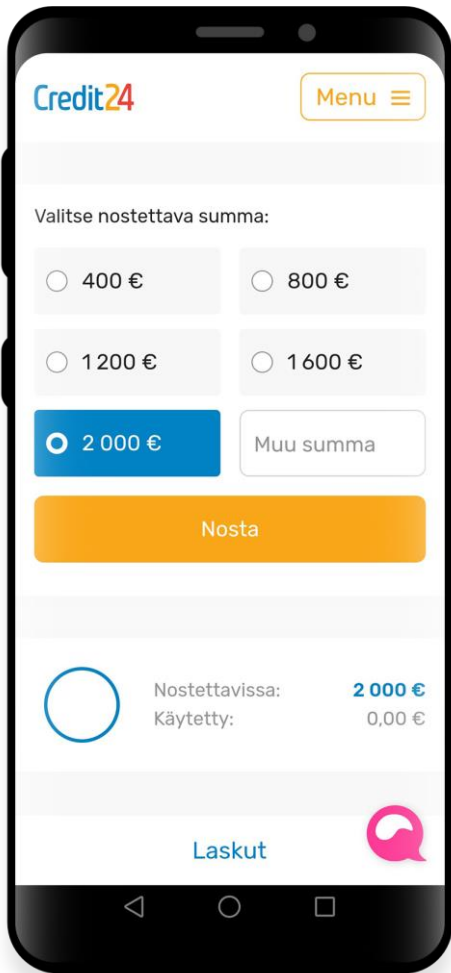


Customer growth (000s)



Credit issued growth

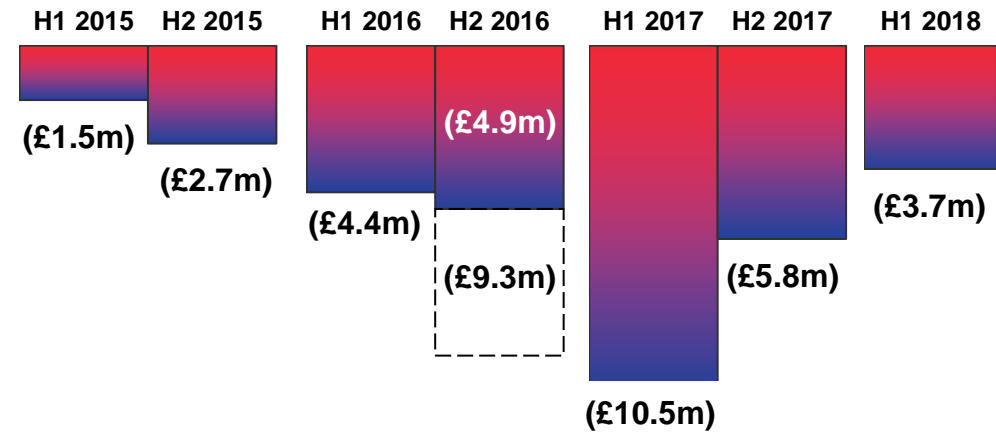




## Provide great customer experience through innovation

- Move from instalment loan to credit line offering
- Well-suited to customer needs
- Excellent customer retention

## Demonstrating ability to make a return



2015 and 2016 IAS 39; 2017 and 2018 IFRS 9



# Regulation

## Romania APR cap proposal



- Proposed APR cap of 18%
- Engaging with key stakeholders
- Debate likely to resume Autumn 2018

## Romania debt-to-income proposal



- National Bank of Romania considering debt-to-income proposal
- Engaging with key stakeholders
- Expect new rules to be enacted later in 2018

## Poland total cost of credit cap proposal



- Proposed tightening of APR cap
- No update
- Engaging with key stakeholders

## Polish tax audit



- Appealed Tax Chamber decision
- Pending resolution between UK and Polish tax authorities



# Financial performance

Justin Lockwood - CFO

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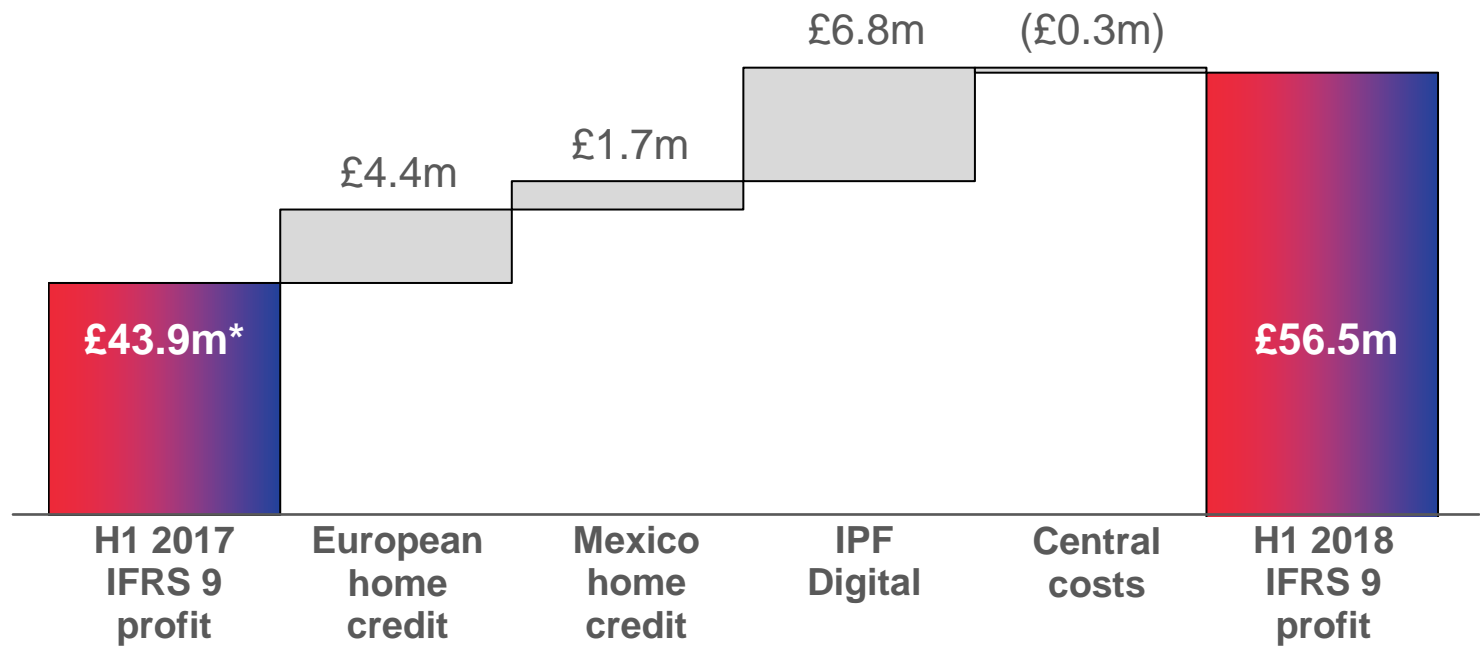




# Group profit before tax

**£12.6 million increase year-on-year from ongoing businesses**

- Strong Group profit performance
- Positive PBT momentum in all reporting segments
- FX not a significant feature in H1



\* from ongoing businesses



# European home credit

## Robust trading performance and good PBT outcome

<b>Credit issued</b>	<b>£368m</b>	▼	(6%) <sup>†</sup>	Challenging regulatory and competitive environment
<b>Average net receivables</b>	<b>£569m</b>	▼	(2%) <sup>†</sup>	Contraction resulting from reduced credit issued

<sup>†</sup> at constant exchange rates



# European home credit

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<b>Average net receivables</b>	<b>£569m</b>	▼ (2%) <sup>†</sup>	Contraction resulting from reduced credit issued
<b>Impairment % revenue</b>	<b>17.6%</b>	▲ 3.2 ppts*	Very good credit quality and post-field collections
<b>Cost-income ratio</b>	<b>41.6%</b>	▼ 1.8 ppts*	Investment in Provident digital offering and agent mobile app, and revenue yield compression
<b>Profit before tax</b>	<b>£60.2m</b>	▲ £4.4m	Robust performance driven by optimising returns

\* change since December 2017

† at constant exchange rates



# Mexico home credit

## Investment drives top-line growth, increase in PBT

Customer numbers	865,000	▲	3%	Return to customer growth – 37,000 in H1 2018
Credit issued	£129m	▲	7% <sup>†</sup>	Investment in growth delivered increased credit issued
Average net receivables	£144m	▲	5% <sup>†</sup>	Good growth in credit issued delivered increased receivables

<sup>†</sup> at constant exchange rates



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<b>Average net receivables</b>	<b>£144m</b>	▲	5% <sup>†</sup>	Good growth in credit issued delivered increased receivables
<b>Impairment % revenue</b>	<b>35.9%</b>	▲	0.2 ppts*	Collections performance maintained year-on-year
<b>Profit before tax</b>	<b>£7.4m</b>	▲	£1.7m	Good profit performance after investment in growth

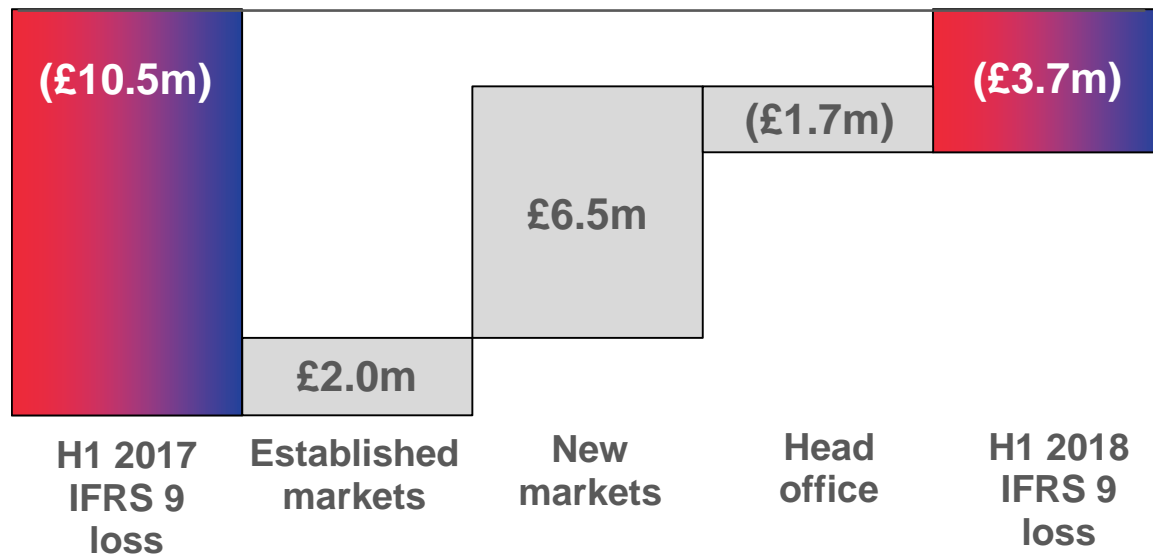
\* change since December 2017

† at constant exchange rates



# IPF Digital

Very good progress and £6.8m reduction in start-up losses



- Strong execution and demand for our digital offering driving credit growth of 25%
- Receivables and revenue increase by c.44%
- Further improvement in impairment as new markets develop
- P&L investment significantly reduced with contribution from established and new markets



# IPF Digital – established markets

## Further growth in credit issued and profit

Credit issued	£78m	▲	20% <sup>†</sup>	Increased marketing investment and CRM activity drove growth, particularly in Finland
Average net receivables	£127m	▲	32% <sup>†</sup>	Strong top-line growth delivered increased receivables portfolio

<sup>†</sup> at constant exchange rates



# IPF Digital – established markets

## Further growth in credit issued and profit

<b>Credit issued</b>	<b>£78m</b>	▲	20% <sup>†</sup>	Increased marketing investment and CRM activity drove growth, particularly in Finland
<b>Average net receivables</b>	<b>£127m</b>	▲	32% <sup>†</sup>	Strong top-line growth delivered increased receivables portfolio
<b>Impairment % revenue</b>	<b>22.0%</b>	▼	1.4 pts* <sup>*</sup>	Credit quality remains stable
<b>Cost-income ratio</b>	<b>40.5%</b>	▲	0.4 pts* <sup>*</sup>	Investment to support credit issued growth
<b>Profit before tax</b>	<b>£10.5m</b>	▲	£2.0m	Improved PBT driven by increased scale

\* change since December 2017

† at constant exchange rates





# IPF Digital – new markets

Increased scale and improved loss rates drives reduced losses

Credit issued	£57m	▲	33% <sup>†</sup>	Continued investment in building awareness and CRM drove growth
Average net receivables	£63m	▲	79% <sup>†</sup>	Further strong top-line growth drove material increase in scale

<sup>†</sup> at constant exchange rates



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<b>Average net receivables</b>	<b>£63m</b>	▲	79% <sup>†</sup>	Further strong top-line growth drove material increase in scale
<b>Impairment % revenue</b>	<b>64.6%</b>	▲	20.1 ppts <sup>*</sup>	Significantly improved impairment trends driven by continual changes to score cards and credit settings
<b>Cost-income ratio</b>	<b>64.2%</b>	▲	6.4 ppts <sup>*</sup>	Increased scale delivered cost leverage
<b>Profit before tax</b>	<b>(£8.3m)</b>	▲	£6.5m	Significant reduction in start-up losses

\* change since December 2017

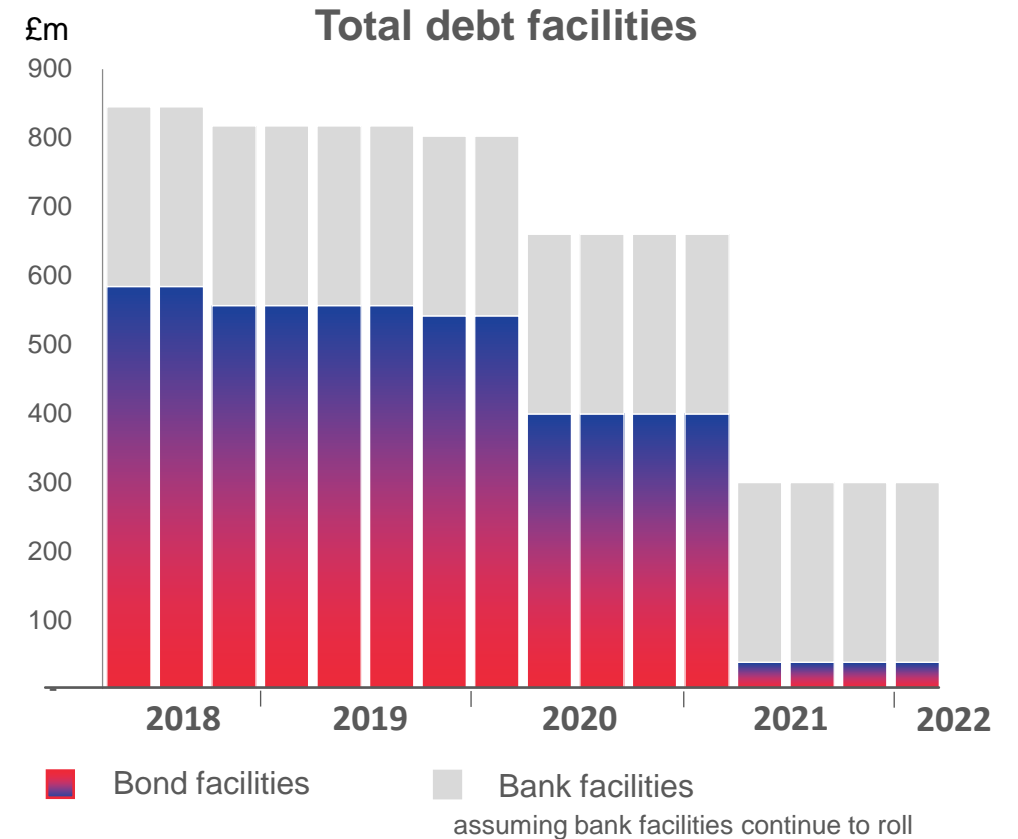
† at constant exchange rates



# Funding and balance sheet

## Funding position further strengthened, dividend maintained

- Continued strategy to diversify and extend debt facilities
  - New 4-year SEK 450m (£39m) bond issued
  - £18m of new facilities from two new banks
  - £48m extends beyond 2021 Eurobond
- Total debt facilities £865m - £211m of headroom
- Equity to receivables of 43.5% after impact of IFRS 9
- Interim dividend maintained at 4.6 pence per share





# Outlook

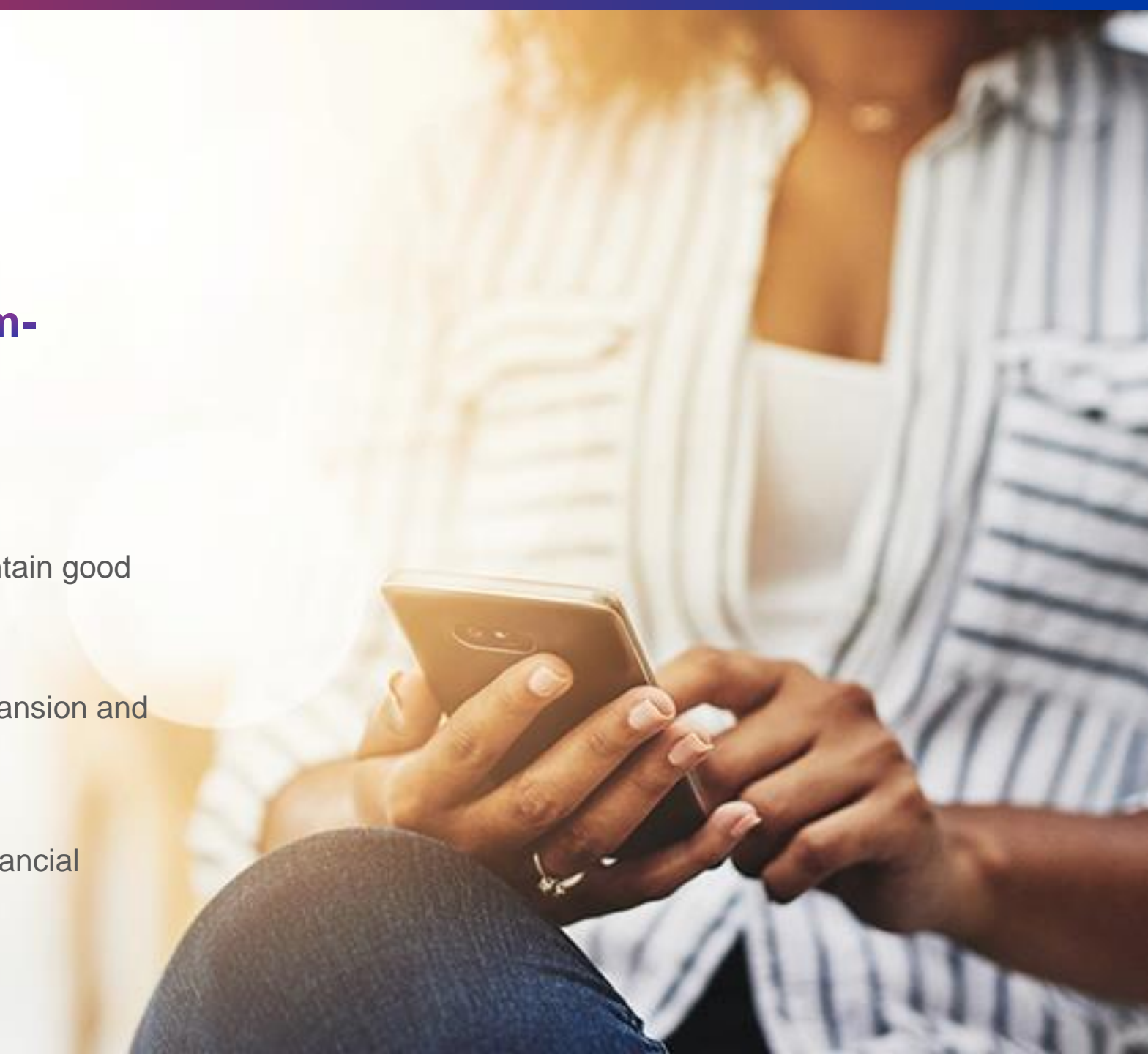
Gerard Ryan - CEO

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# Outlook

## On track to achieve medium-term growth strategy and deliver long-term value

- European home credit  
Reduce customer contraction and maintain good financial performance
- Mexico home credit  
Focus on top-line growth driven by expansion and micro-business channel
- IPF Digital  
Further strong growth and improved financial performance





# Questions



# Appendices

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# Group

	H1 2017 IFRS9 £m	H1 2018 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	2,395	2,247	(148)	(6.2)	
Credit issued	616.0	632.2	16.2	2.6	2.2
Average net receivables	841.2	902.6	61.4	7.3	6.1
Revenue	409.3	418.9	9.6	2.3	2.5
Impairment	(120.3)	(102.6)	17.7	14.7	13.9
Net revenue	289.0	316.3	27.3	9.4	9.2
Finance costs	(27.1)	(28.0)	(0.9)	(3.3)	(2.9)
Agents' commission	(42.2)	(40.7)	1.5	3.6	3.1
Other costs	(175.8)	(191.1)	(15.3)	(8.7)	(8.7)
<b>Profit before taxation – ongoing businesses</b>	43.9	56.5	12.6	28.7	





# Group – like-for-like profit reconciliation

	H1 2017 IFRS 9 profit £m	Like-for-like profit movement £m	New business investment £m	Stronger FX rates £m	H1 2018 IFRS 9 profit £m
European home credit	55.8	2.6	-	1.8	60.2
Mexico home credit	5.7	3.2	(0.6)	(0.9)	7.4
IPF Digital	(10.5)	1.8	5.1	(0.1)	(3.7)
Central costs	(7.1)	(0.3)	-	-	(7.4)
<b>Profit before taxation ongoing businesses</b>	43.9	7.3	4.5	0.8	56.5
Slovakia and Lithuania	5.4	(5.6)	-	0.2	-
<b>Profit before taxation continuing operations</b>	49.3	1.7	4.5	1.0	56.5



# European home credit

	H1 2017 IFRS9 £m	H1 2018 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	1,333	1,132	(201)	(15.1)	
Credit issued	378.8	367.7	(11.1)	(2.9)	(5.5)
Average net receivables	565.0	568.9	3.9	0.7	(2.3)
Revenue	258.9	250.1	(8.8)	(3.4)	(5.9)
Impairment	(63.5)	(44.9)	18.6	29.3	30.4
Net revenue	195.4	205.2	9.8	5.0	2.0
Finance costs	(17.8)	(18.0)	(0.2)	(1.1)	1.6
Agents' commission	(28.1)	(27.2)	0.9	3.2	5.9
Other costs	(93.7)	(99.8)	(6.1)	(6.5)	(3.5)
<b>Profit before taxation</b>	<b>55.8</b>	<b>60.2</b>	<b>4.4</b>	<b>7.9</b>	



# Mexico home credit

	H1 2017 IFRS9 £m	H1 2018 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	841	865	24	2.9	
Credit issued	131.2	129.1	(2.1)	(1.6)	6.5
Average net receivables	147.5	144.1	(3.4)	(2.3)	5.1
Revenue	106.3	103.5	(2.8)	(2.6)	5.4
Impairment	(35.7)	(34.1)	1.6	4.5	(3.6)
Net revenue	70.6	69.4	(1.2)	(1.7)	6.3
Finance costs	(5.9)	(5.0)	0.9	15.3	9.1
Agents' commission	(14.1)	(13.5)	0.6	4.3	(3.1)
Other costs	(44.9)	(43.5)	1.4	3.1	(3.8)
<b>Profit before taxation</b>	5.7	7.4	1.7	29.8	



# IPF Digital

	H1 2017 IFRS9 £m	H1 2018 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	221	250	29	13.1	
Credit issued	106.0	135.4	29.4	27.7	25.4
Average net receivables	128.7	189.6	60.9	47.3	44.4
Revenue	44.1	65.3	21.2	48.1	45.4
Impairment	(21.1)	(23.6)	(2.5)	(11.8)	(8.8)
Net revenue	23.0	41.7	18.7	81.3	79.7
Finance costs	(3.4)	(5.0)	(1.6)	(47.1)	(47.1)
Other costs	(30.1)	(40.4)	(10.3)	(34.2)	(32.9)
<b>Profit before taxation</b>	(10.5)	(3.7)	6.8	64.8	



# IPF Digital

## Very good progress and PBT investment significantly reduced

<b>Credit issued</b>	<b>£135m</b>	▲ 25%+	Strong execution and demand for our digital offering driving growth
<b>Average net receivables</b>	<b>£190m</b>	▲ 44%+	Strong top-line growth delivered increase in receivables
<b>Impairment % revenue</b>	<b>39.8%</b>	▲ 5.9 ppts*	Further improvement in impairment as new markets develop
<b>Cost-income ratio</b>	<b>59.5%</b>	▲ 2.3 ppts*	Investment in scale being realised and tight cost control
<b>Loss before tax</b>	<b>(£3.7m)</b>	▲ £6.8m	Excellent performance - significant reduction in start-up losses

\* change since December 2017

† at constant exchange rates



# IPF Digital – established markets

	H1 2017 IFRS9 £m	H1 2018 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	141	151	10	7.1	
Credit issued	63.7	78.3	14.6	22.9	20.3
Average net receivables	93.8	126.6	32.8	35.0	31.9
Revenue	27.9	37.4	9.5	34.1	30.8
Impairment	(5.0)	(8.1)	(3.1)	(62.0)	(50.0)
Net revenue	22.9	29.3	6.4	27.9	26.3
Finance costs	(2.4)	(3.1)	(0.7)	(29.2)	(29.2)
Other costs	(12.0)	(15.7)	(3.7)	(30.8)	(29.8)
<b>Profit before taxation</b>	8.5	10.5	2.0	23.5	



# IPF Digital – new markets

	H1 2017 IFRS9 £m	H1 2018 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	80	99	19	23.8	
Credit issued	42.3	57.1	14.8	35.0	33.1
Average net receivables	34.9	63.0	28.1	80.5	78.5
Revenue	16.2	27.9	11.7	72.2	71.2
Impairment	(16.1)	(15.5)	0.6	3.7	4.9
Net revenue	0.1	12.4	12.3	-	-
Finance costs	(1.0)	(1.9)	(0.9)	(90.0)	(90.0)
Other costs	(13.9)	(18.8)	(4.9)	(35.3)	(35.3)
<b>Profit before taxation</b>	<b>(14.8)</b>	<b>(8.3)</b>	<b>6.5</b>	<b>43.9</b>	



# Strong financial profile

	December 2017	June 2018
Receivables	926.4	883.3
Equity	391.2	381.6
Equity to receivables	42.2%	43.5%
Gearing	1.7x	1.7x
Adjusted earnings per share	31.0*	16.7
Interest cover	3.0	3.1





# Balance sheet

	December 2017*	June 2018	Change at CER %
Goodwill	24.4	23.9	(2.0%)
Fixed assets	56.3	53.1	(4.0%)
Receivables	926.4	888.3	(0.1%)
Cash	27.4	33.6	26.3
Borrowings	(677.7)	(650.7)	1.1%
Other net assets	34.4	38.4	(24.3%)
Equity	391.2	386.6	4.9%

\* December 2017 adjusted for IFRS 9



# Exchange rates

	Current rates 23 July 2018	2018		2017	
		Closing rates June 2018	Average	Closing rates June 2017	Average
Polish zloty	4.8	4.9	4.8	4.8	4.9
Czech crown	29.0	29.3	29.0	29.8	31.0
Euro	1.1	1.1	1.1	1.1	1.2
Hungarian forint	366.6	368.3	356.5	350.8	358.8
Mexican peso	24.8	27.3	26.6	22.9	24.1
Romanian leu	5.2	5.3	5.3	5.2	5.3
Australian dollar	1.8	1.8	1.8	1.7	1.7



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