



## International Personal Finance Q1 2022 trading update 28 April 2022

International Personal Finance plc specialises in providing unsecured consumer credit to 1.7 million customers through the world's largest home credit business and a leading fintech operator, IPF Digital

### Highlights

- Good credit issued growth of 10%, driven by Mexico home credit and IPF Digital
- Closing customer receivables of £713 million, up 14% year on year (at CER)
- Revenue increased by 10% driven by growth in the receivables portfolio
- Continued favourable collections performance and excellent credit quality delivered Group annualised impairment as a percentage of revenue of 11.5%
- Strong balance sheet to fund growth with headroom on undrawn facilities and non-operational cash balances of £102 million at 31 March 2022

Gerard Ryan, Chief Executive Officer at IPF commented:

*“The Group has made a good start to the year. We continued to provide our customers with affordable, accessible credit in line with our purpose to build a better world through financial inclusion and in doing so delivered a 10% increase in credit issued, driven by strong performances from Mexico home credit and IPF Digital. Collections remain a core strength of the business and the quality of our loan portfolio remains excellent. We have always been, and will continue to be, there for our customers even in more difficult times and this quarter's good performance would not have been possible without the dedication and innovative work of my colleagues, and I thank them all for their contribution and service to our customers.”*

*“Although we remain cautious due to the uncertain macroeconomic environment together with the impacts of the pandemic and the war in Ukraine, we expect to deliver good credit issued growth for the year as a whole through increasing customer choice while maintaining a clear focus on portfolio quality and costs.”*

### Group Q1 overview

We are pleased to report a good start to the year as we continue to execute our strategy of delivering an excellent service to our existing loyal customers and increasing product choices and channels to attract the next generation of customers. Year on year, we delivered credit issued growth of 10% with strong performances from Mexico home credit and IPF Digital. European home credit experienced a small contraction where demand softened driven by customer concerns around inflation, the ongoing pandemic and, in particular, the war in Ukraine. Building on the momentum achieved in the second half of 2021, customer numbers grew by 3% to 1.7 million year on year. The closing receivables portfolio increased by £85 million (14% at CER) to £713 million at the end of Q1, which contributed to a 10% improvement in revenue growth. Collections remain very positive driven by a solid operational performance, and credit quality continues to be excellent across all business divisions. Annualised impairment as a percentage of revenue increased by 1.3 ppts to 11.5% since the 2021 year end as we focused on growing the business.

## **Business division performance review**

### **European home credit**

The macroeconomic environment in Europe created a more challenging trading landscape in the first quarter of the year, and our customers in particular are directly affected by cost of living increases on essentials such as food, fuel and electricity. Although the ongoing impacts of the pandemic may be reducing, concerns about the war in Ukraine and the ensuing refugee crisis have replaced this as the key concern in consumers' minds. Together, these issues resulted in softer demand for credit, driving a 2% contraction in both credit issued and customer numbers year on year. However, we are now seeing signs of a recovery in demand in Europe. Our strong collections performance together with the unwinding of Covid-19 impairment provisions in 2021 and higher-quality lending, resulted in annualised impairment as a percentage of revenue of (1.9%) (2021 year-end: (0.6%)).

### **Mexico home credit**

Mexico home credit continued to deliver a strong operational performance, and the successful execution of our growth strategy together with good consumer appetite for credit resulted in a 31% increase in credit issued and 9% growth in customers numbers to 656,000 year on year. We maintained a good collections performance with annualised impairment as a percentage of revenue increasing in line with our expectations by 4.9 ppts since the year end to 28.1%, reflecting the strong growth in new customers.

### **IPF Digital**

IPF Digital delivered very positive growth momentum in Q1 with strong contributions from both our new and established markets to generate a 29% increase in credit issued and 4% growth in customer numbers to 257,000 year on year. Consumer demand in our new markets remains strong and together they delivered an excellent performance, increasing credit issued by 29% and customer numbers by 20% to 167,000. The relaxation of Covid-19 lockdown restrictions resulted in returning demand for consumer credit in our Baltic-based established markets and supported strong credit issued growth of 28% year on year. Notwithstanding the positive momentum, there has been some softening of demand in our established markets arising from continued uncertainty around the pandemic together with serious concerns about the war in Ukraine. Growth in lending and strong collections in both our new and established markets resulted in annualised impairment as a percentage of revenue of 21.6% for IPF Digital as a whole (FY 2021: 20.3%), in line with our expectations as we regrow the business.

### **Funding and balance sheet**

Our balance sheet is appropriately positioned to fund growth and our progressive dividend policy. At 31 March 2022, we had total debt facilities of £563 million with an average maturity of almost 3 years (£399 million of bonds and £164 million of bank facilities) and borrowings of £479 million, with undrawn facilities and non-operational cash balances of £102 million.

### **Regulation**

The EU Commission has responded to the Polish proposal to reduce the non-interest cost of credit cap with a number of proposed technical amendments and we expect the legislative process to continue in the Polish Parliament. We continue to believe that there will be a range of views on the merits of the proposals and, as they are scrutinised in detail, they could be changed, abandoned or agreed. We will continue to review the draft proposals to assess any potential implications for our Polish business, should they be implemented, and update the market as appropriate.

There have been no material updates on the EU review of the Consumer Credit Directive or a revised draft law imposing a total cost of credit cap in Romania, details of which were included in our 2021 full-year results statement.

## Outlook

Our business plays an essential role in society, providing credit responsibly to those who are underbanked or underserved, and there remains significant long-term demand for affordable credit from this group of consumers in all our markets. Through our growth strategy, we are focused on deepening engagement with our loyal customers and enhancing our product offerings to attract the next generation through our hybrid home credit/digital offering, expansion in Mexico, our mobile wallet and retail partnerships. Although we remain cautious because of the uncertain macroeconomic environment and the impacts of the pandemic and the war in Ukraine, we expect to deliver good credit issued growth for the year as a whole through increasing customer choice while maintaining a clear focus on portfolio quality and costs.

## Investor and analyst conference call

International Personal Finance will host a conference call for investors and analysts at 09.00hrs (BST) today, Thursday 28 April 2022.

### [Click to Join](#)

Simply click the link below and enter your information to be connected. The link becomes active 15 minutes prior to the start of the call. [Click here to connect](#)

### Dial-in

If you prefer to dial-in, please use the access number and confirmation code below. Please dial-in 5-10 minutes before the start of the call.

**Dial-in (UK)**    +44 (0)330 165 4012    **Confirmation code:** 3026408

**Replay:**            An audio recording of the conference call will be available in the investors section of our website at [www.ipfin.co.uk](http://www.ipfin.co.uk)

### Investor relations and media contact: International Personal Finance

*Rachel Moran*

+44 (0)7760 167637 / +44 (0) 113 539 5466

A copy of this statement can be found on our website – [www.ipfin.co.uk](http://www.ipfin.co.uk)

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