IPF plc
2023 half-year results

Gerard Ryan – CEO
Gary Thompson – CFO

Tuesday 1 August 2023

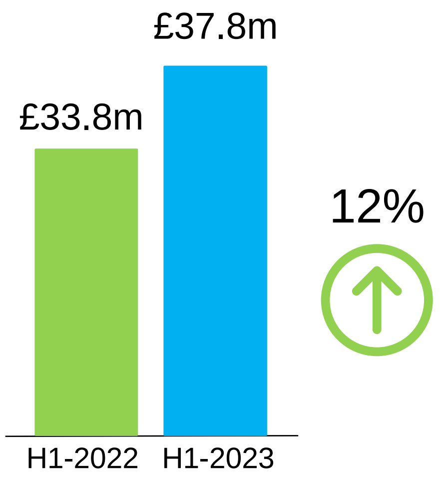
IPF plc
2023 half-year results

Business and strategic update
Gerard Ryan, CEO

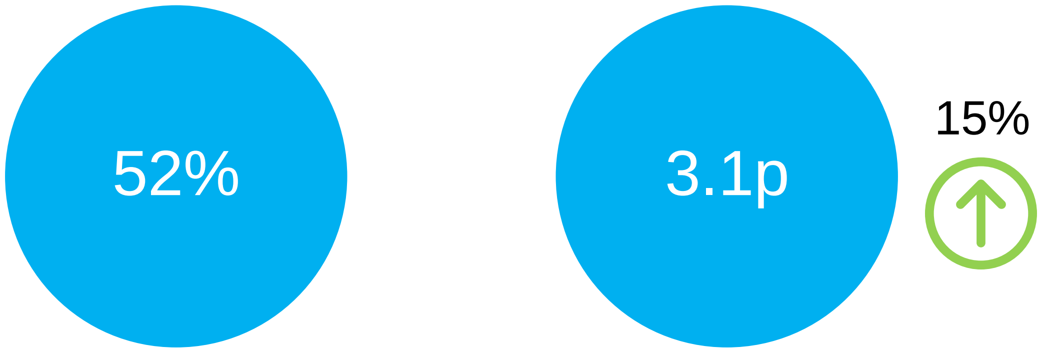
STRONG FINANCIAL RESULTS

Profit before tax up 12% to £37.8m and15% increase in interim dividend

- PBT ahead of plan as a result of strong operational performance
- Pre-exceptional RORE of 14.7%, building to target level
- Robust funding position and balance sheet to fund future growth
- Half-year dividend up 15% to 3.1p, in line with stated dividend policy



Profit before tax



Equity to receivables ratio **Half-year dividend**

EXCELLENT OPERATIONAL EXECUTION CAPTURING GROWTH OPPORTUNITIES

Helping more people access affordable credit

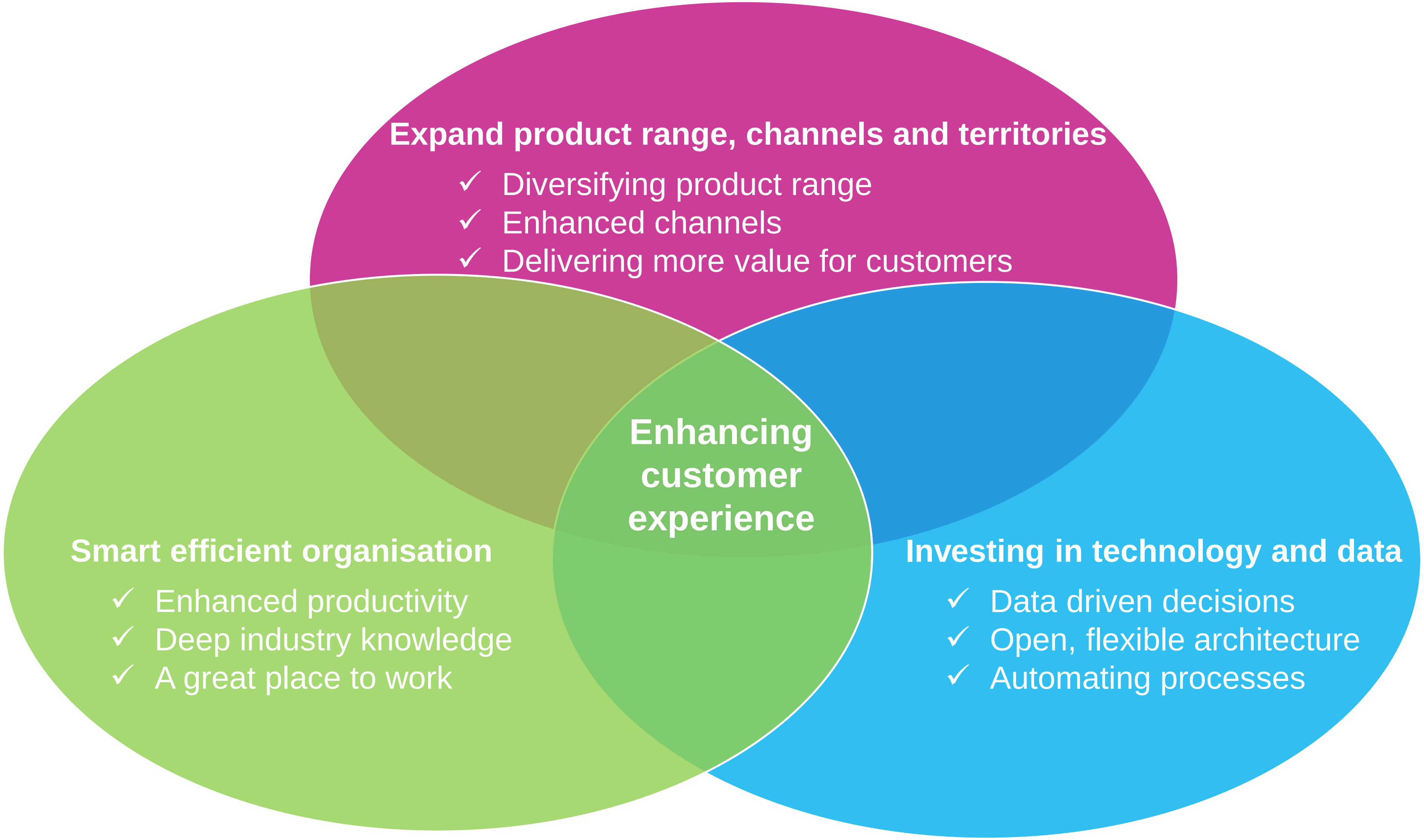
- Successfully meeting strong consumer demand
- Double-digit net receivables growth in all three divisions
- Retained tighter lending criteria to avoid over-indebtedness and protect our business
- Customer repayment behaviour remains robust and portfolio quality is very good
- Substantial and sustainable long-term growth opportunities

Closing net receivables	£893m	10%*
Customer lending	£579m	5%*
Customers	1.7m	

*At constant exchange rates

EFFECTIVELY EXECUTING OUR STRATEGY

Delivering for our existing customers and making our offer attractive for the next generation



EXCITING NEW PROPOSITION IN POLAND

Customers and customer representatives responding well to new credit card

- Phased rollout – national coverage now in place
- Huge logistical and training strategy fully executed
- Customers adapting well to card functionality – cards being used instore, online and at ATMs
- Repayment performance slightly ahead of our expectations
- 120,000 – 150,000 customers expected in 2023

Credit cards issued	53,000*
Average credit card balance	£500
Average utilisation	80%

*At 30 June 2023

EXPANDING GEOGRAPHIC FOOTPRINT AND PRODUCTS IN MEXICO

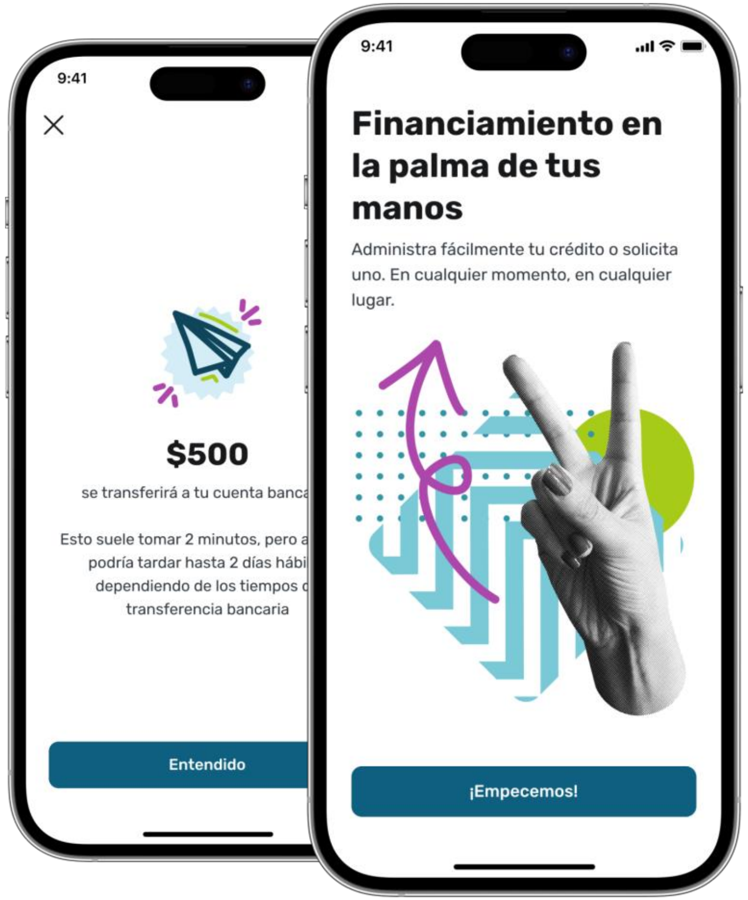
Significant growth potential

Expanding home credit coverage

Tijuana 2022

Tampico 2023

Mobile wallet



ESG – A STRONG SOCIAL PURPOSE

Striving to have a positive impact on all our stakeholders

- Global ‘Invisibles’ programme launched in Hungary, Romania and the Baltics
- 2,000 colleagues took part in our 6th Volunteer and Financial Inclusion month
- Global People Survey demonstrated high level of colleague engagement
- ISO 45001 Occupational Health and Safety Management Standard accreditation in Mexico home credit
- Top Employer and Super Ethical Company awards - Poland
- Best Place to Work for Women – IPF Digital Mexico

Top Employer Polska Poland 2023 Certified excellence in employee conditions

Diversity IN Check

FTSE4Good

Best Workplaces For All Great Place To Work. Mexico 2022

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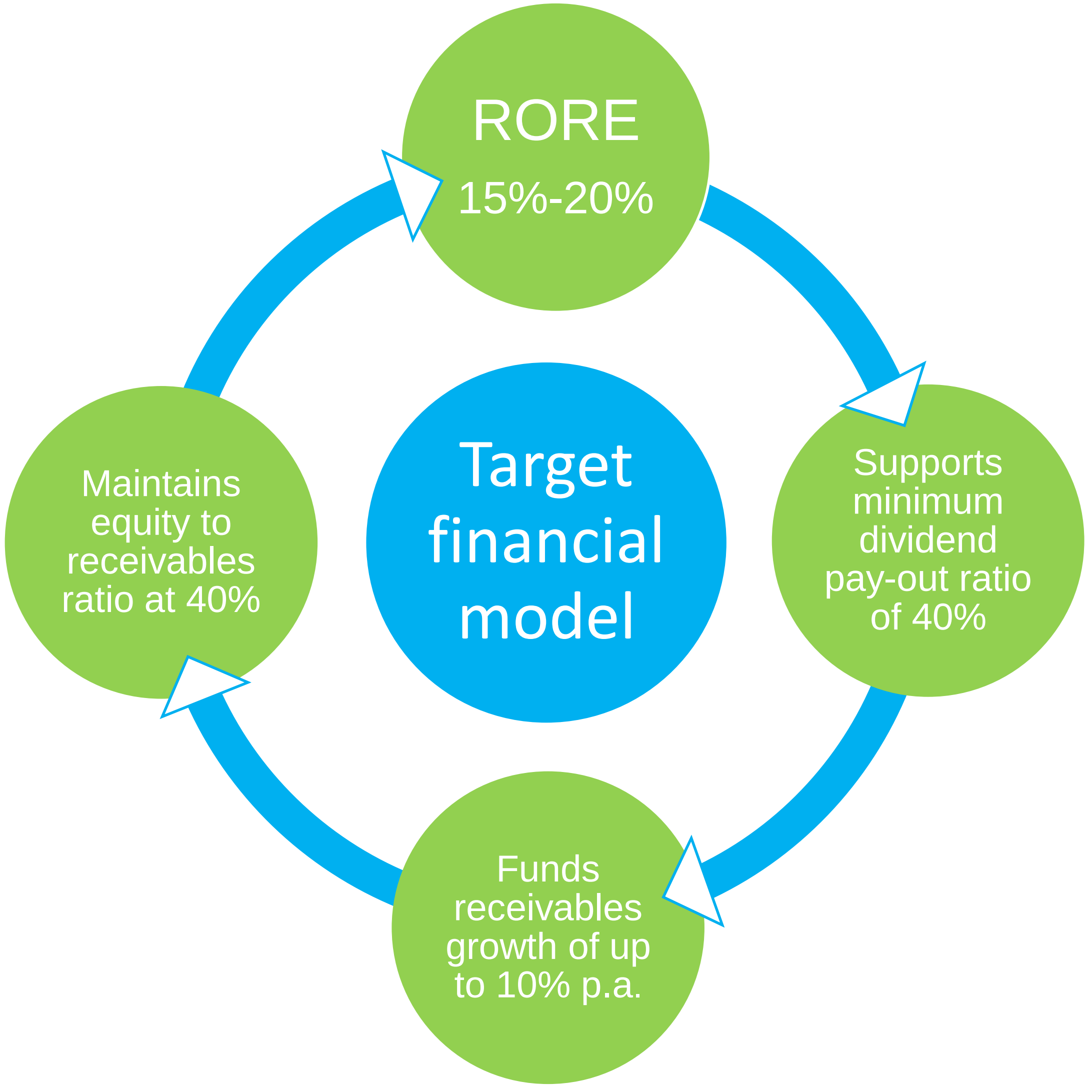
Financial performance
Gary Thompson, CFO

TARGET FINANCIAL MODEL

Rigorous financial discipline delivering sustainable earnings and returns

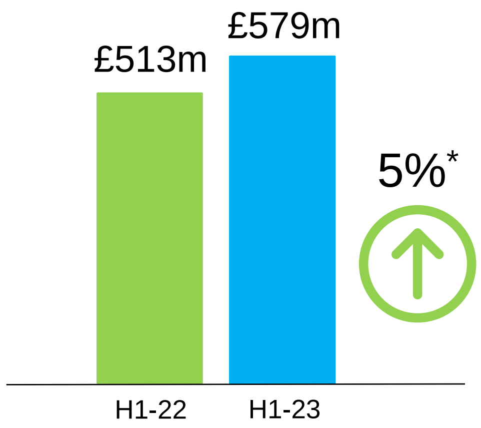


- All investment decisions based on delivering 20%+ RORE *
- Our financial model is supported by rigorous focus on:
  - Revenue yield
  - Impairment rate
  - Cost-income ratio
- Financial model and target returns balance the needs of all stakeholders

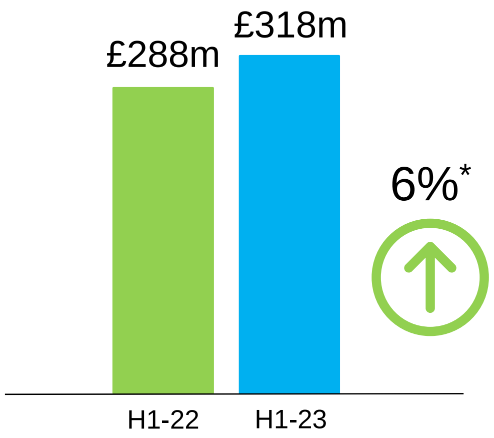
*Required equity = equity to receivables ratio of 40%

LENDING GROWTH

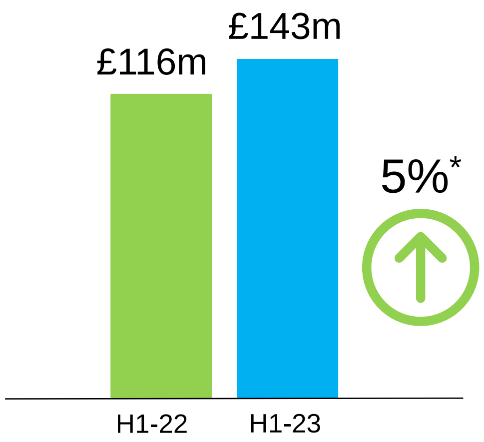
Strong demand supported 15% growth in Group customer lending, excluding Poland



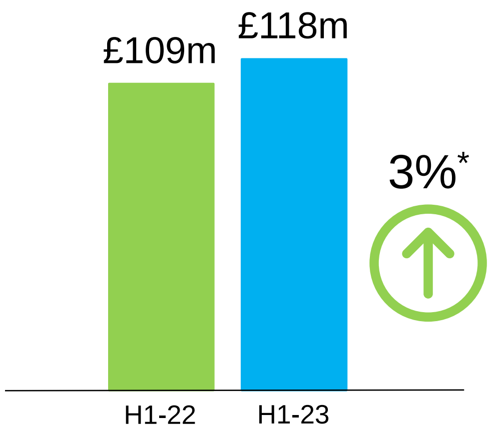
Group



European home credit



Mexico home credit



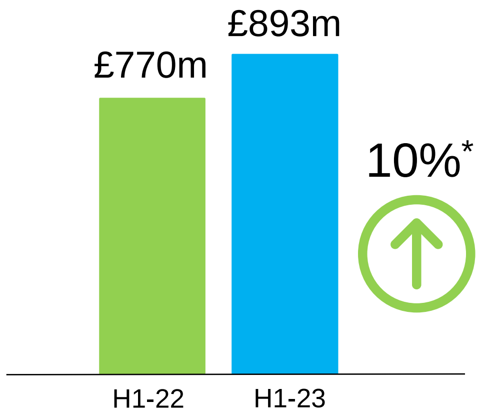
IPF Digital

- European home credit:
  - Good growth against weak Q1-22
  - Strong growth in Hungary (+26%), Czech Republic (+19%) and Romania (+17%)
  - Expected contraction of 13% in Poland due to transition to new regulation
- Mexico home credit:
  - Growth delivered against tighter credit standards and very strong Q1-22 performance
  - Expect between 8% and 10% growth in H2-23
- IPF Digital:
  - Strong performances in Mexico (+24%), Australia (+24%) and the Baltics (+13%)
  - 30% reduction in Poland

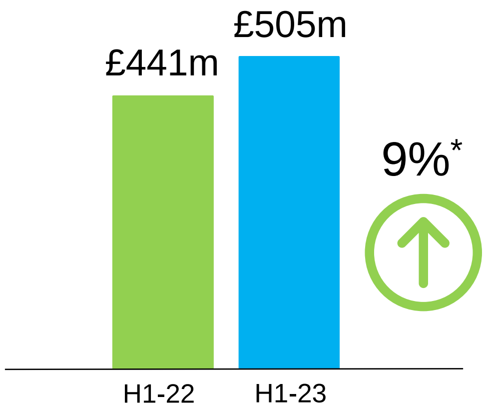
*At constant exchange rates

RECEIVABLES GROWTH

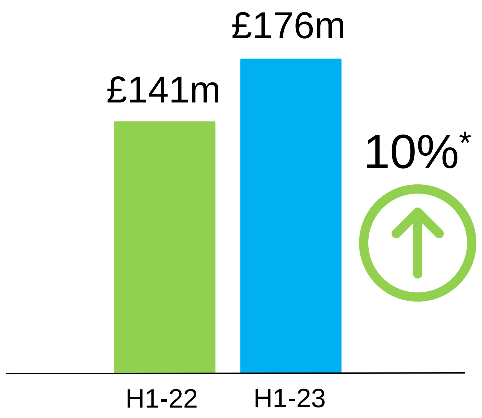
All three divisions delivered strong growth whilst maintaining tight credit standards



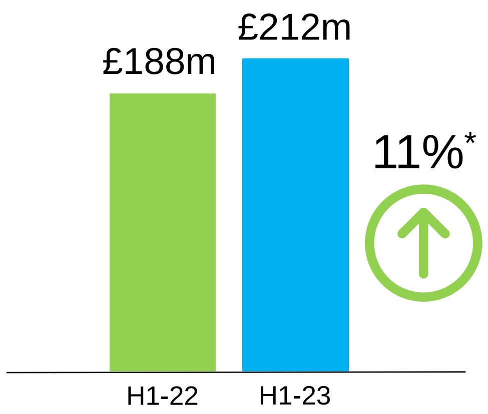
Group



European home credit



Mexico home credit



IPF Digital

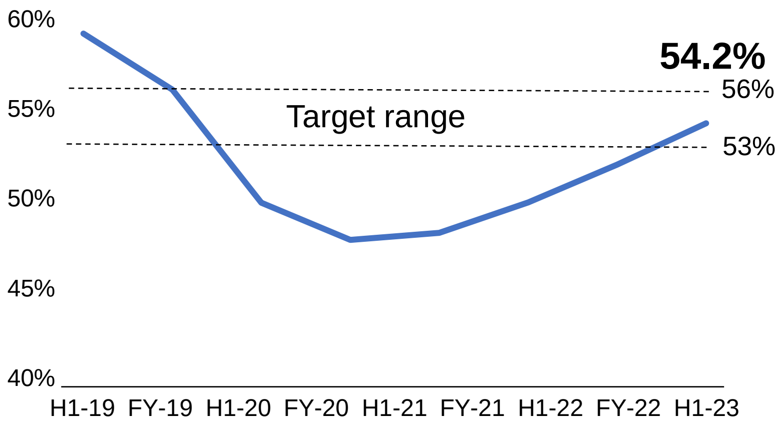
- European home credit:
  - Strong growth in Hungary (+26%), Romania (+23%) with 9% growth in Czech Republic
  - Expected contraction of 4% in Poland due to transition to new regulation
- Mexico home credit:
  - Disciplined growth of 10%
  - Shallow “j-curve” of territory expansion to maintain target returns
- IPF Digital:
  - Strong performances in Mexico (+46%), Australia (+29%) and the Baltics (+13%)
  - Contraction of 14% in Poland
  - Collect-out receivables in Finland and Spain reduced from £4m in H1-22 to £1m in H1-23

*At constant exchange rates

KPIs

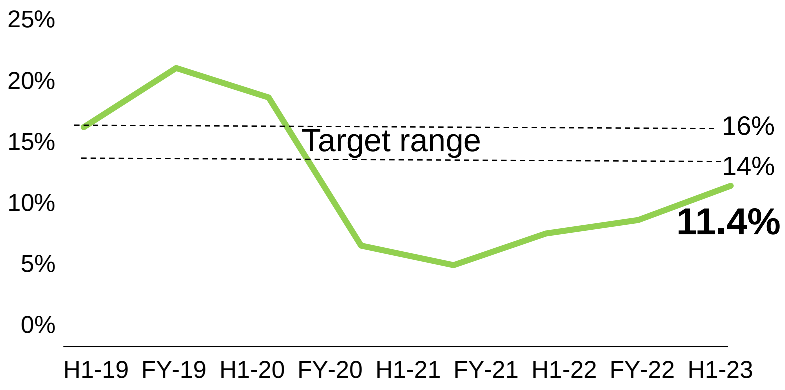
Excellent progress against all KPIs

Annualised revenue yield



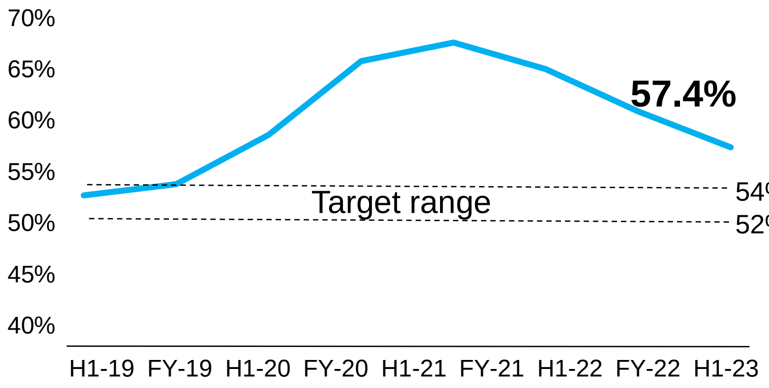
- Group yield strengthened by 4.4ppts to 54.2%
- Improvement of 4.9 ppts in European home credit to 45.6% due to restricted promotions and small price increases
- Mexico home credit returned to a more normalised level, up from 86.5% to 88.5%
- IPF Digital reduced by 1.7ppts to 45.0%

Annualised impairment rate



- No discernible impact from the cost-of-living crisis
- Customer repayments are robust and portfolio quality remains very good
- Impairment rate normalising post-pandemic and as Mexico becomes a larger proportion of the Group
- Impairment provision coverage ratio of 36.5% (FY-22: 36.4%, FY-19: 33.5%)

Annualised cost-income ratio

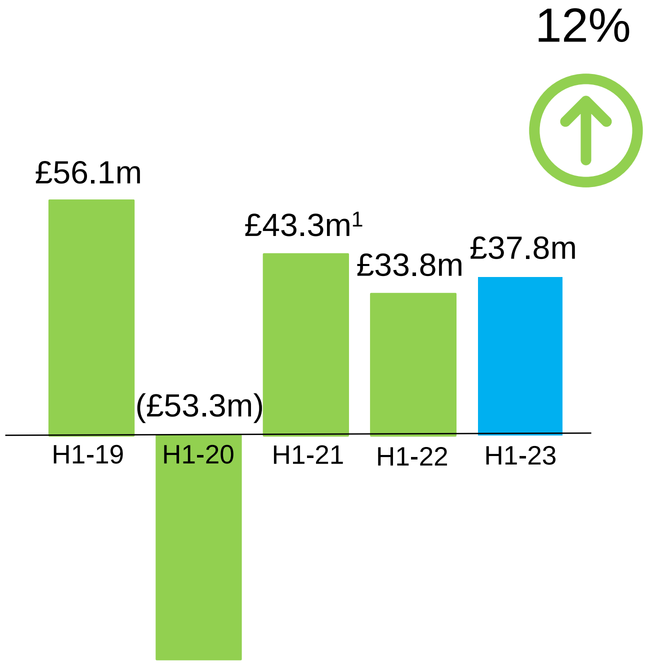


- Stringent focus on costs while investing in growth
- Driving process and structural efficiencies across the Group
- Ratio will continue to reduce as we regain scale and deliver further cost efficiency

EARNINGS AND DIVIDENDS

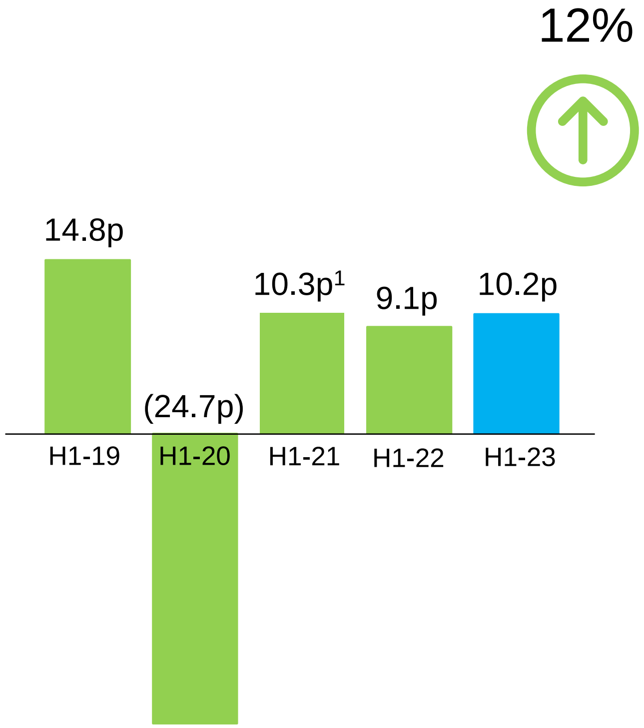
Growing earnings and progressive dividends

Profit before tax



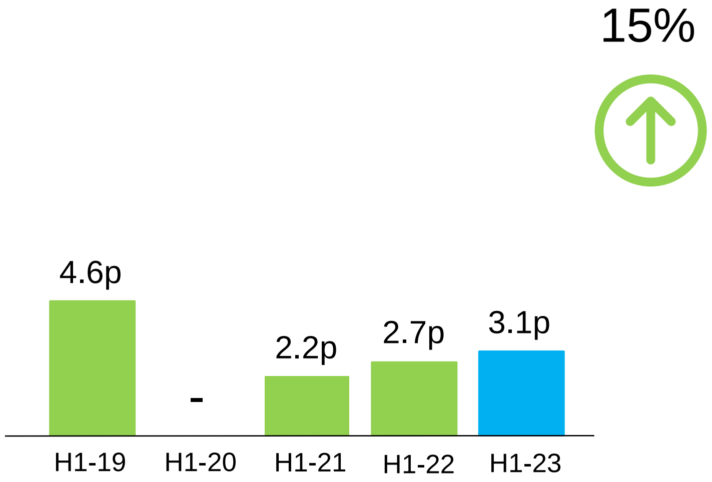
- Profit growth ahead of plan
- Good operational performance and favourable FX movements
- All divisions contributed profitable performances

Pre-exceptional earnings per share (EPS)



- In line with the growth in pre-tax profit
- Effective tax rate of 40% (H1-22: 40%)
- Reported EPS of 8.4p includes exceptional tax charge of £4m in relation to Hungary

Dividend per share



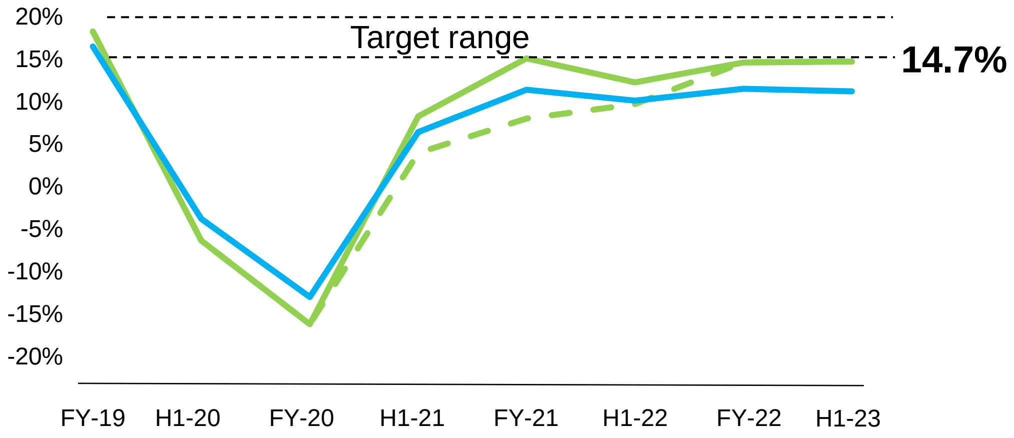
- Dividend consistent with policy of paying 33% of prior year full-year dividend at the interim (33% x 9.2p)
- Reflects strong H1-23 performance and confidence in Group's strategy and long-term growth potential

[1] Included Covid-19 impairment provision releases of £20m in H1-21

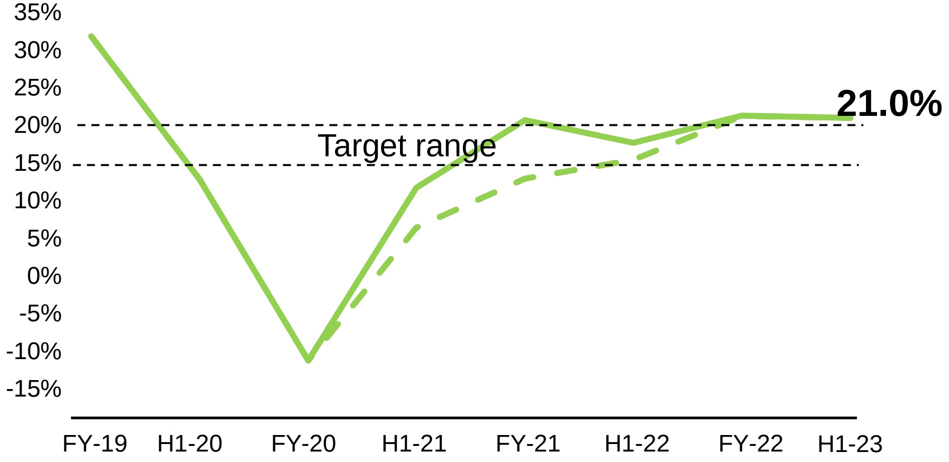
RETURNS

Rebuilding towards Group target returns of 15% - 20%

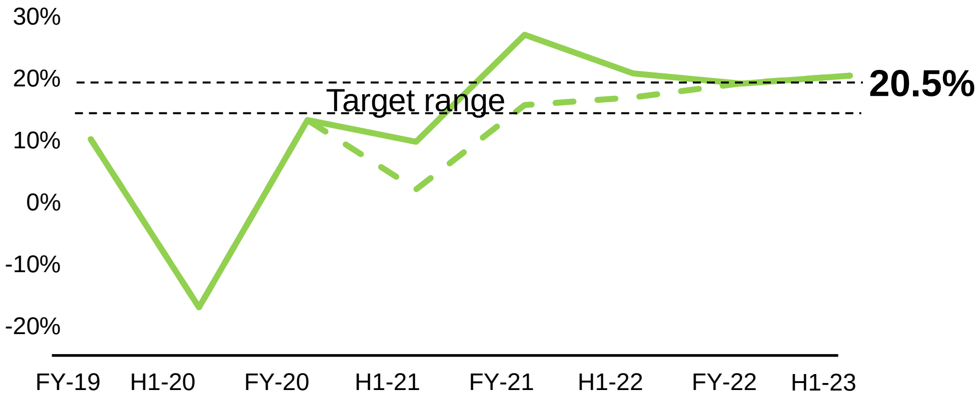
Group



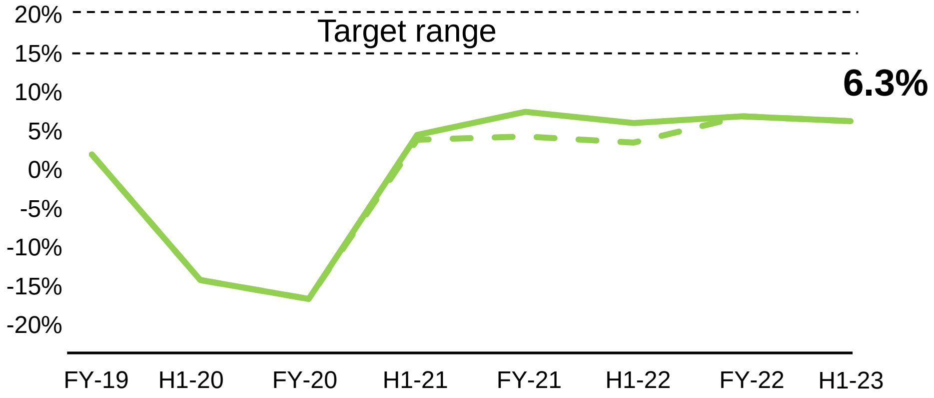
European home credit



Mexico home credit



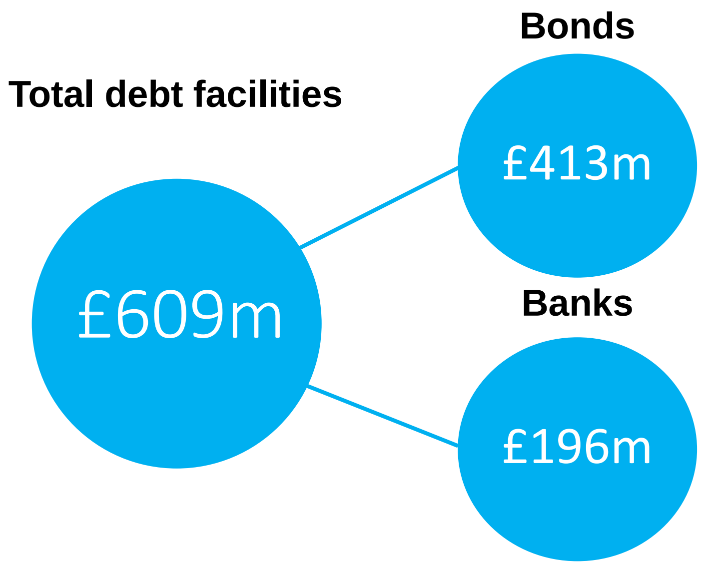
IPF Digital

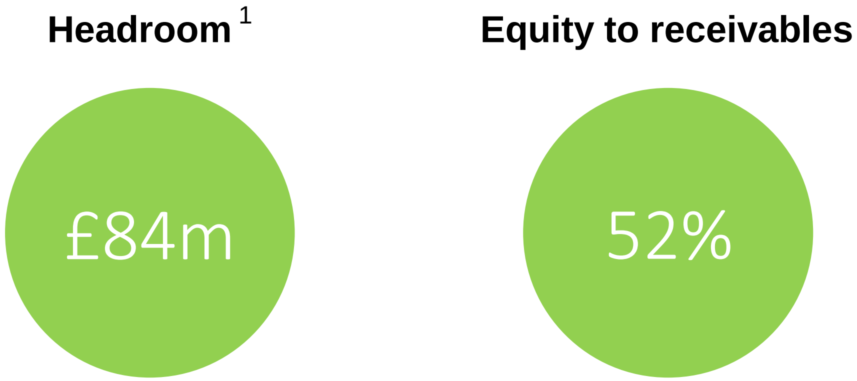


RORE (based on 40% equity to receivables ratio)
RORE excluding Covid-19 impairment provision releases in 2021
ROE (Group only – based on actual equity)

FUNDING AND CAPITAL

Robust funding and capital position





- Successfully extended £39m of facilities in H1-23:
  - £32m bank facilities
  - £7m retail bonds held in treasury
- Average period to maturity of funding of 2.1 years
- Funding capacity and strong cash generation support business plans into Q3-24
- Actively exploring options to extend debt maturity profile and refinance the Eurobond
- Equity to receivables ratio of 52%, above 40% target, due to FX gains (£55m over the last 18 months)
- Additional capital supports:
  - Investing in growth of receivables book
  - Building Group returns to target level of 15%-20%
  - Maintaining progressive dividend policy

[1] Undrawn facilities and non-operational cash balances

FUNDING COSTS

Rising base rates have increased cost of funding

Market	Base rate
UK	5.0%
Eurozone	4.0%
Hungary	13.0%
Mexico	11.25%

- Blended cost of funding of 14.0% (H1-22:12.2%)
- Significant rise in interest rates across all markets
- Hedging policy swaps sterling / euro borrowings into local currency when onward lent:
    - Significant interest differentials, particularly in Hungary and Mexico
    - Margin on sterling / euro borrowings added to local currency interest rate
- Anticipate a modest increase in the Group's cost of funding in 2024
- Actions taken on revenue yield and cost-income ratio mitigating increase in funding costs

REVISED TARGET KPIs

Upgraded KPI ranges to deliver target returns

Group key metrics	Previous target range	New target range	H1-23
Revenue yield	53% - 56%	56% - 58%	54.2%
Impairment rate	14% - 16%	14% - 16%	11.4%
Cost-income ratio	52% - 54%	49% - 51%	57.4%

- Previous KPI targets set 12 months ago
- Re-evaluated targets as a result of strong operational performance together with global interest rate rises due to cost-of-living pressures
- Revised targets supported by financial forecasts and ongoing initiatives that are well progressed
- New targets support delivery of our Group target returns of between 15% - 20% after taking account of increased funding costs and ongoing tax rate of c.40%

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2023 half-year results

Summary and outlook

Gerard Ryan, CEO

SUMMARY AND OUTLOOK

- Good growth and excellent operational execution delivering strong financial results ahead of plan
- Significant long-term demand for affordable credit
- Confidence in growth strategy with key focus on:
  - Transitioning Poland to new product proposition
  - Expanding in Mexico to maximise customer reach
  - Rebuilding IPF Digital scale to deliver target returns
  - Reducing costs and increasing productivity
- In line with our plan, growth and returns will moderate in H2-23 as Poland transformation embedded
- Making good progress on rebuilding returns

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Building a better world
through financial inclusion

Appendices

GROUP

	H1 2023 £m	H1 2022 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**1,718**	1,718	-	-	-
Customer lending	**578.8**	513.3	65.5	12.8	4.8
Average gross receivables	**1,343.2**	1,170.6	172.6	14.7	9.9
Closing net receivables	**893.1**	769.9	123.2	16.0	9.7
Revenue	**380.0**	297.4	82.6	27.8	17.6
Impairment	**(89.2)**	(43.3)	(45.9)	(106.0)	(80.9)
Revenue less impairment	**290.8**	254.1	36.7	14.4	6.2
Costs	**(215.1)**	(190.3)	(24.8)	(13.0)	(5.2)
Interest expense	**(37.9)**	(30.0)	(7.9)	(26.3)	(18.8)
Reported profit before taxation	**37.8**	33.8	4.0	11.8	
Annualised revenue yield	**54.2%**	49.8%	4.4 ppts		
Annualised impairment rate	**11.4%**	7.5%	(3.9) ppts		
Annualised cost-income ratio	**57.4%**	65.0%	7.6 ppts		
Pre-exceptional EPS[1]	**10.2p**	9.1p	1.1 p		
Annualised Pre-exceptional ROE	**11.3%**	10.4%	0.9 ppts		
Pre-exceptional RORE[1,2]	**14.7%**	12.3%	2.4 ppts		

[1] *Prior to an exceptional tax charge of £4.0m in 2023, and an exceptional tax credit of £10.5m in 2022.*
[2] *Based on required equity to receivables of 40%.*

EUROPEAN HOME CREDIT

	H1 2023 £m	H1 2022 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**785**	786	(1)	(0.1)	(0.1)
Customer lending	**318.3**	288.1	30.2	10.5	5.6
Average gross receivables	**792.5**	722.0	70.5	9.8	9.0
Closing net receivables	**505.4**	441.4	64.0	14.5	9.3
Revenue	**192.2**	148.8	43.4	29.2	23.8
Impairment	**(27.1)**	(1.1)	(26.0)	(2,363.6)	(2,610.0)
Revenue less impairment	**165.1**	147.7	17.4	11.8	7.0
Costs	**(110.8)**	(99.0)	(11.8)	(11.9)	(7.4)
Interest expense	**(24.0)**	(19.1)	(4.9)	(25.7)	(20.6)
Reported profit before taxation	**30.3**	29.6	0.7	2.4	
Annualised revenue yield	**45.6%**	40.7%	4.9 ppts		
Annualised impairment rate	**3.9%**	1.1%	(2.8) ppts		
Annualised cost-income ratio	**59.8%**	67.7%	7.9 ppts		
Annualised pre-exceptional RORE	**21.0%**	17.7%	3.3 ppts		

MEXICO HOME CREDIT

	H1 2023 £m	H1 2022 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**700**	676	24	3.6	3.6
Customer lending	**142.9**	116.4	26.5	22.8	4.5
Average gross receivables	**274.8**	201.2	73.6	36.6	15.8
Closing net receivables	**176.1**	140.8	35.3	25.1	9.7
Revenue	**125.4**	93.1	32.3	34.7	14.8
Impairment	**(44.0)**	(31.0)	(13.0)	(41.9)	(21.5)
Revenue less impairment	**81.4**	62.1	19.3	31.1	11.5
Costs	**(64.1)**	(50.4)	(13.7)	(27.2)	(9.0)
Interest expense	**(5.9)**	(4.3)	(1.6)	(37.2)	(15.7)
Reported profit before taxation	11.4	7.4	4.0	54.1	
Annualised revenue yield	**88.5%**	86.5%	2.0 ppts		
Annualised impairment rate	**32.2%**	27.9%	(4.3) ppts		
Annualised cost-income ratio	**50.0%**	53.8%	3.8 ppts		
Annualised RORE	**20.5%**	20.8%	(0.3) ppts		

IPF DIGITAL

	H1 2023 £m	H1 2022 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**233**	256	(23)	(9.0)	(9.0)
Customer lending	**117.6**	108.8	8.8	8.1	2.8
Average gross receivables	**275.9**	247.4	28.5	11.5	6.9
Closing net receivables	**211.6**	187.7	23.9	12.7	11.0
Revenue	**62.4**	55.5	6.9	12.4	6.7
Impairment	**(18.1)**	(11.2)	(6.9)	(61.6)	(49.6)
Revenue less impairment	**44.3**	44.3	-	-	(4.5)
Costs	**(32.2)**	(33.3)	1.1	3.3	7.5
Interest expense	**(8.0)**	(6.5)	(1.5)	(23.1)	(17.6)
Reported profit before taxation	**4.1**	4.5	(0.4)	(8.9)	
Annualised revenue yield	**45.0%**	46.7%	(1.7) ppts		
Annualised impairment rate	**11.9%**	9.3%	(2.6) ppts		
Annualised cost-income ratio	**53.1%**	62.8%	9.7 ppts		
Annualised RORE	**6.3%**	6.1%	0.2 ppts		

STRONG FINANCIAL PROFILE

	H1 2023	H1 2022
Receivables (£m)	**893.1**	769.9
Equity (£m)	**462.9**	403.8
Equity to receivables	**51.8%**	52.4%
Gearing	**1.2 times**	1.3 times
Interest cover	**2.2 times**	2.4 times
Pre-exceptional EPS	**10.2p**	9.1p
Pre-exceptional ROE	**11.3%**	10.4%
Pre-exceptional RORE	**14.7%**	12.3%

BALANCE SHEET

	H1 2023 £m	H1 2022 £m	Change at CER %
Goodwill	**23.4**	23.4	-
Fixed assets	**64.2**	60.3	2.6
Receivables	**893.1**	769.9	9.7
Cash	**28.2**	43.7	(38.0)
Borrowings	**(523.0)**	(507.6)	1.3
Other net (liabilities) / assets	**(23.0)**	14.1	(220.4)
Equity	**462.9**	403.8	6.6

At HY-22, borrowings is stated net of deferred issuance costs of £5.6m

EXCHANGE RATES

	Closing rates June 2023	Average H1 2023	Closing rates June 2022	Average H1 2022
Polish zloty	**5.2**	**5.3**	5.4	5.5
Czech crown	**27.5**	**27.1**	28.7	29.1
Euro	**1.2**	**1.1**	1.2	1.2
Hungarian forint	**430.0**	**433.2**	464.9	443.6
Romanian leu	**5.8**	**5.7**	5.8	5.9
Mexican peso	**21.8**	**22.2**	24.8	26.2
Australian dollar	**1.9**	**1.8**	1.8	1.8

CONTACTS

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