

Provident

# Provident Mexico

Delivering strong returns with  
significant long-term growth  
opportunities

International  
Personal  
Finance



# Country profile



## Mexico

### (United Mexican States)

- Federal Presidential Republic – next elections 2024
- Population of 129m with 1% annual growth
- 15<sup>th</sup> largest world economy and 2<sup>nd</sup> largest in Latin America
- Business Friendly environment
- Unemployment 3.4% and stable; c. 60% informal economy
- Inflation 8.6% (target range 2% to 4%)
- 80% of exports and 46% of imports with USA, mainly Auto and Manufacturing Industries



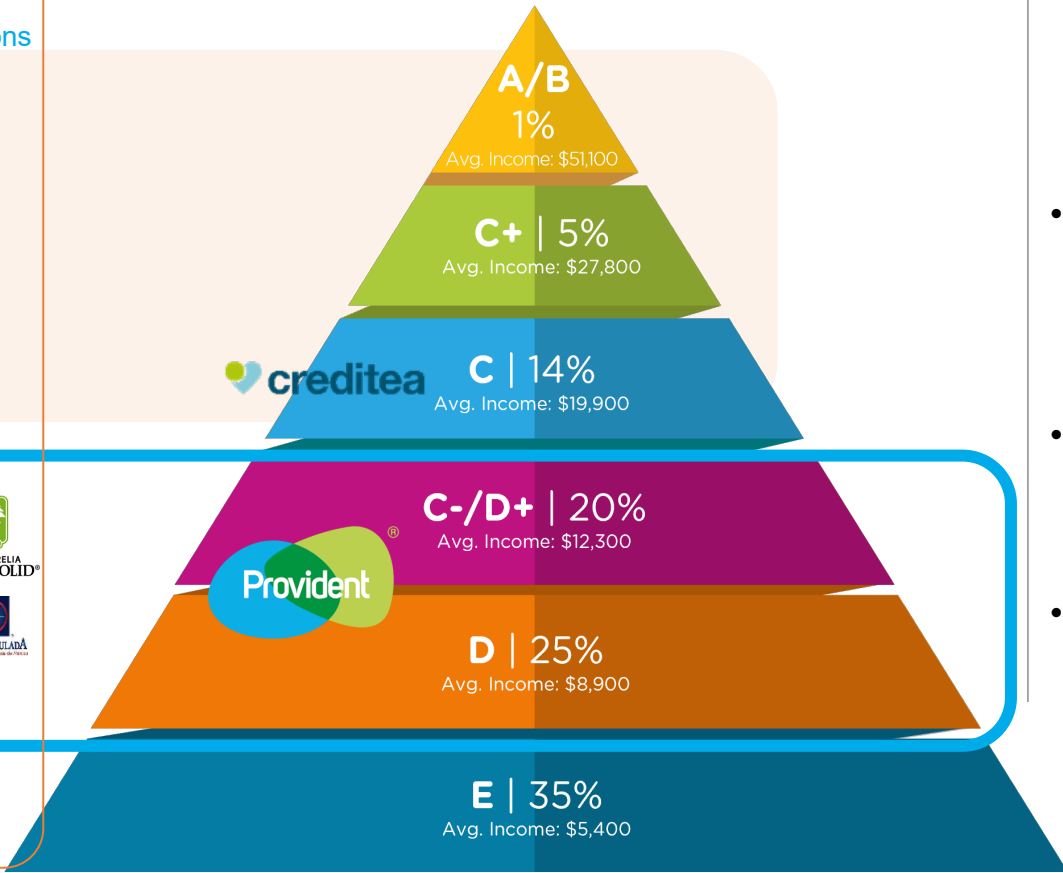
<u>Route</u>	<u>Distance (km)</u>	<u>Flight time</u>	<u>Equivalent route</u>
Tijuana to Merida	4294	4 h 10 m	Dublin to Istanbul

# Market segmentation and competitive landscape



## The market in Mexico

Banks	Fintech	NBFI	Popular S&L's
50 institutions	512 companies	(SOFOM's SOFIPO's) 36 institutions	(SOCAP) 155 institutions



Average monthly income figures in MXN Pesos

- Developing financial services landscape; 38% domestic credit penetration to GDP
- Low bank account penetration (47%). Top segments highly penetrated by banks
- Fintechs supporting bank account penetration and also targeting higher segments
- Large, underserved target C-/D segment: >50m people
- Majority of our segment deal in cash due to low bank account penetration

# Provident in Mexico – our business



- Leading provider of individual installment loans
- 20 years on the market
- Operate in 27 of 32 states
- Served over 5m customers
- Brand awareness – 70%
- Net Promoter Score – 82%
- Recognised, award winning business





# Provident Mexico – our products and services



## Home Credit: individual consumer loans

- Extensive footprint across Mexico
- 2,500 employees
- 10,000 customer representatives
- 691,000 customers
- Loan terms 12 to 65 weeks (Average 42)
- Issue values from \$2,500 to \$15,000 (£100 to £600)
- Average loan size: \$7,400 (£300)



## Negocio: consumer loans for micro businesses

- Mexico City
- 8,000 customers
- Loan terms 32 to 52 weeks (Average 40 weeks)
- Issue values from \$15,000 to \$50,000 (£600 to £2,000)
- Average loan size: \$24,500 (£1,000)




## Value-added services: optional life and health insurance

# Meet our strong and experienced leadership team



**David Parkinson**  
Country Manager

36 years at IPF  
15 years as CEO  
4 years in Mexico  
Vast leadership expertise



**Derek Harris**  
Commercial Director

28 years at IPF  
16 years in Mexico  
Multi-country sales and service experience



**Bartosz Probola**  
Commercial Director

11 years at IPF  
3.5 years in Mexico  
Experience in European sales and service



**Julio Quintero**  
Financial Director

3 years at IPF  
Blue chip corporate finance experience in Mexico, US and Latam



**Gabriela Gomez**  
HR Director

19 years at IPF  
Experience in Financial Services and Telecomm as HR lead



**Alejandro Marti**  
Corporate Affairs Director

16 years at IPF  
Financial Services and Business Development in Mexico, US and Latam



**Fernandez Chavez**  
Legal Director

17 years at IPF  
Experience in top tier legal firms in Mexico and US



**Vanessa Franco**  
Marketing Director

1.5 years at IPF  
Experience in Marketing for Retail, Telecomm and Fintech sectors



**Juan Carlos Zamora**  
Credit and Risk Director

3.5 years at IPF  
Experience in Financial Services and Retail in Mexico, US and Latam



**Nestor Rodrigues**  
IT and Change Director

5 years at IPF  
Innovation and IT transformation in Mexico and Latam

# Provident Mexico – our journey to 27 of 32 states



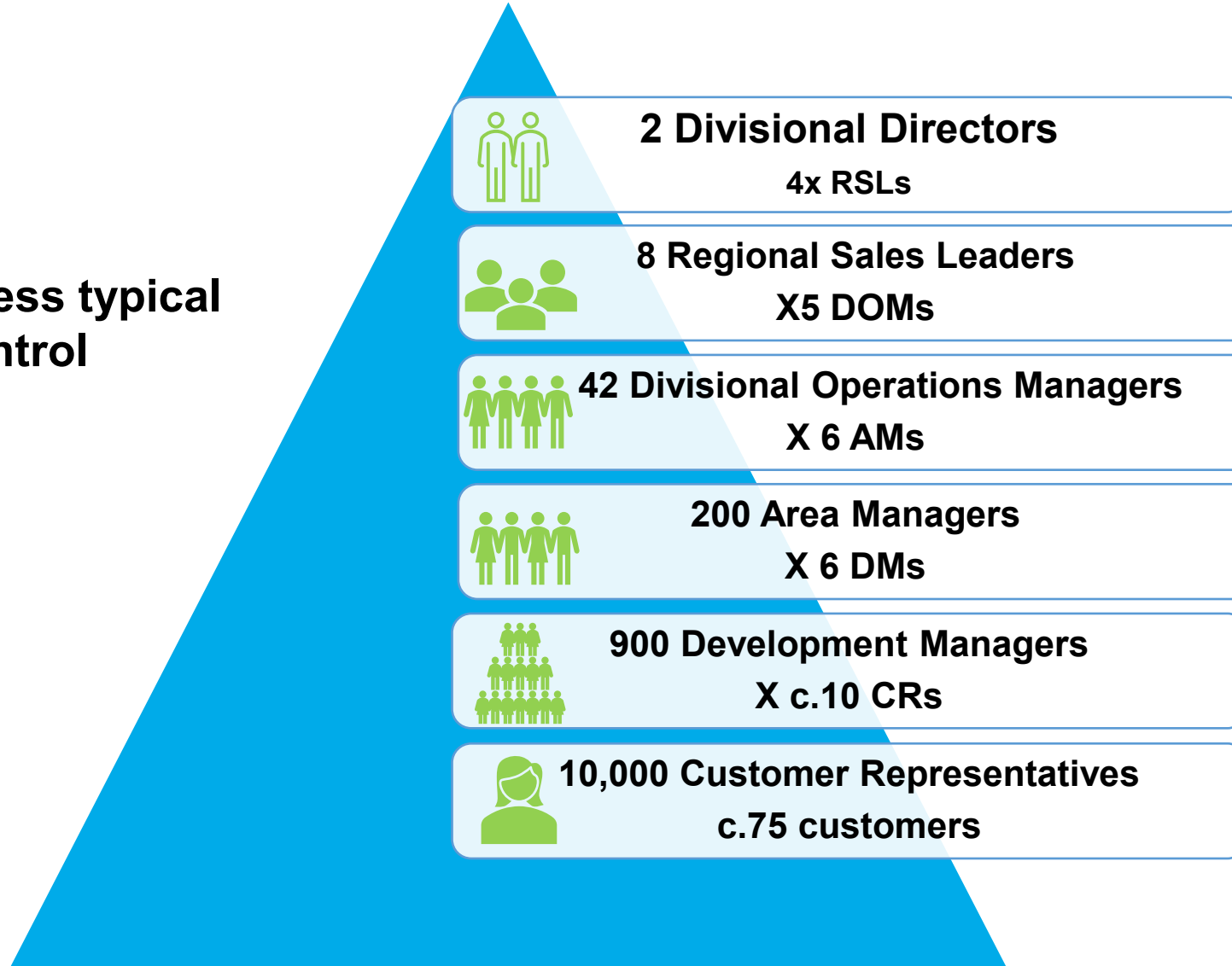
- Puebla 2003
- Veracruz/Oaxaca 2004
- Leon 2005
- Aguascalientes 2005
- Tabasco 2006
- Guadalajara 2008
- Monterrey 2010
- Mexico City 2016
- Tijuana 2022

# Unique large-scale infrastructure

Difficult to replicate and takes years of experience to manage effectively



**Established business typical spans of control**





# Meet our people



- 2,500 employees, 45% are women
- 10,000 customer representatives, 93% are women
- 33% of leaders are women
- Highly engaged and committed team
- Nationwide recognition programme for top performers
- Significant investment in providing personal development for both customer representatives and employees



## Delivering for our people in 2022

**6,300 customer representatives completed Academy Foundational level**

**1,100 Development Managers graduated from Leadership Academy**

**64 first time graduates from Power of Women Programme**

**30% of Development Managers were former Representatives**

# Meet our customer representatives



- 93% are women
- Average age 39
- High school education
- Heads of family and the breadwinner at home
- Typical length of service 4 years
- Manage around 75 customers
- Previous experience in direct sales and/or customer service
- Value flexibility to balance opportunity to grow their business with family life





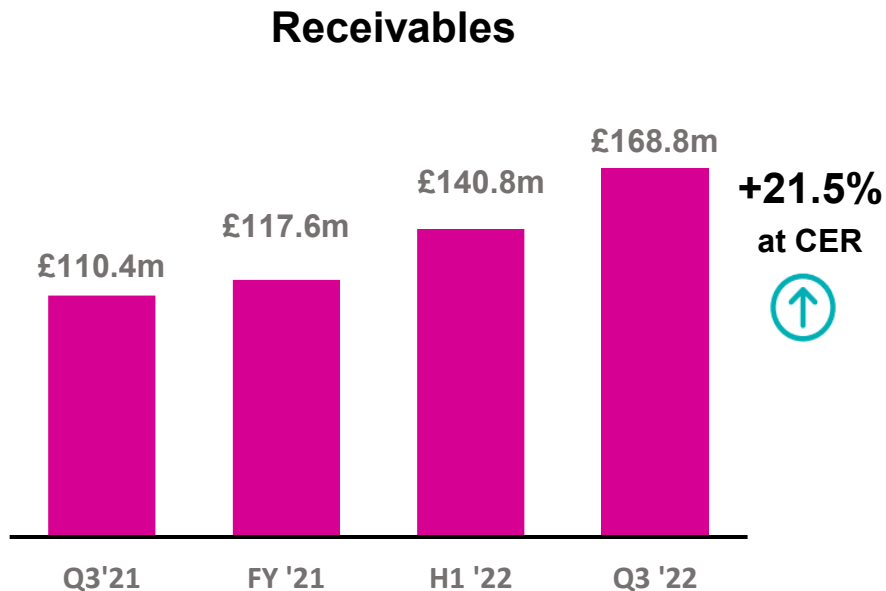
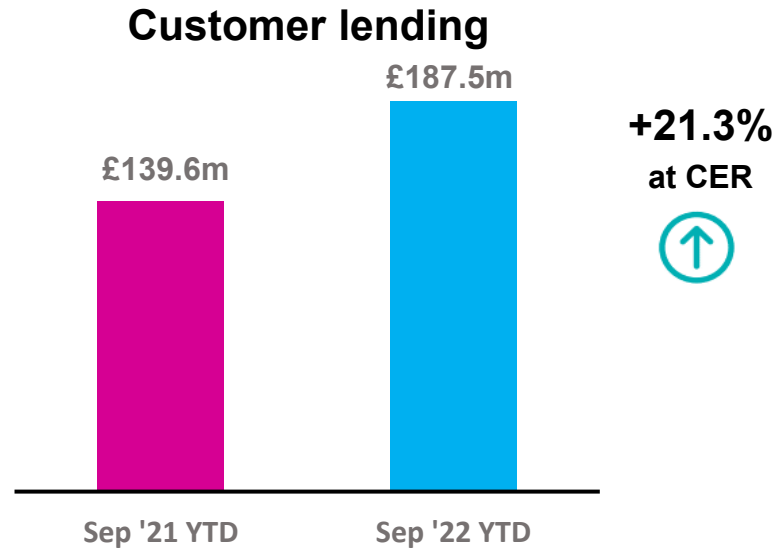
# Meet our customers



- Typically aged between 30 and 50, family with children
- 74% female, heads of family or contribute to family budget
- 36% live in rural communities
- Underserved or not served by traditional banks
- Low to medium incomes with limited credit history
- Borrow and budget very carefully



# Strong recent performance



- Solid YoY lending growth of 21.3% at CER
- Strong receivables growth of 21.5% at CER YoY
- Operational excellence and good quality management main drivers of portfolio growth
- Remained profitable through the pandemic and now returning to strong profit growth:
  - Strong operational rhythm
  - Data driven planning decisions
  - Delivering sustainable customer and receivables growth

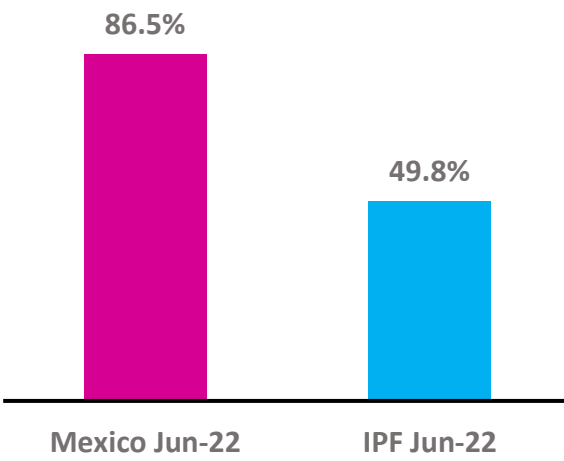


# Delivering strong returns with significant long-term growth potential

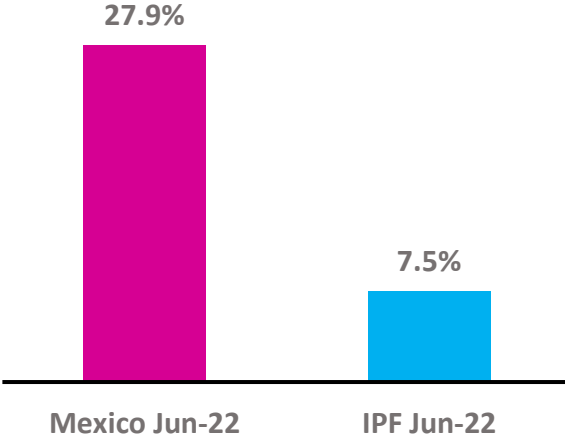


Delivers higher revenue yield reflecting higher risk profile in Mexico

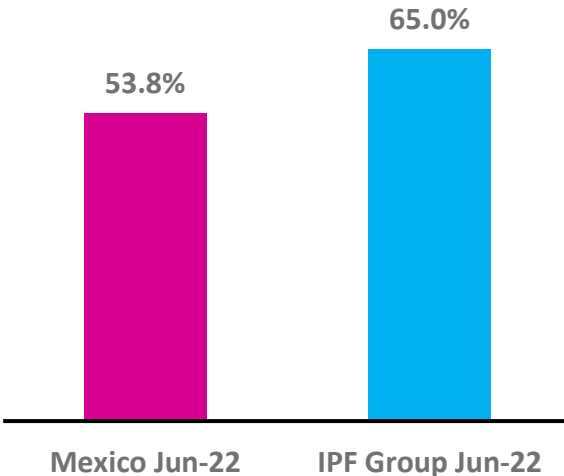
**Annualised revenue yield**



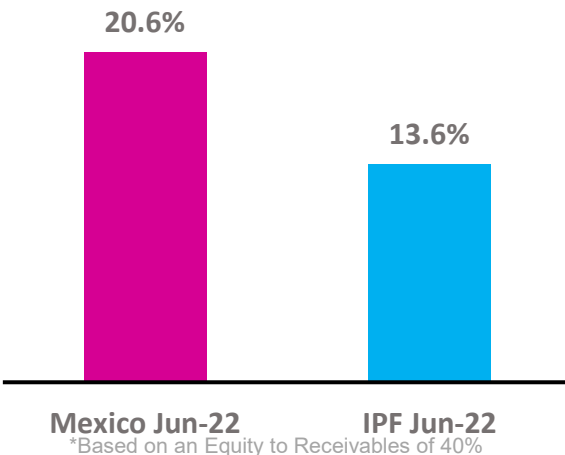
**Annualised impairment rate**



**Annualised cost-income ratio**



**Annualised return on required equity\***

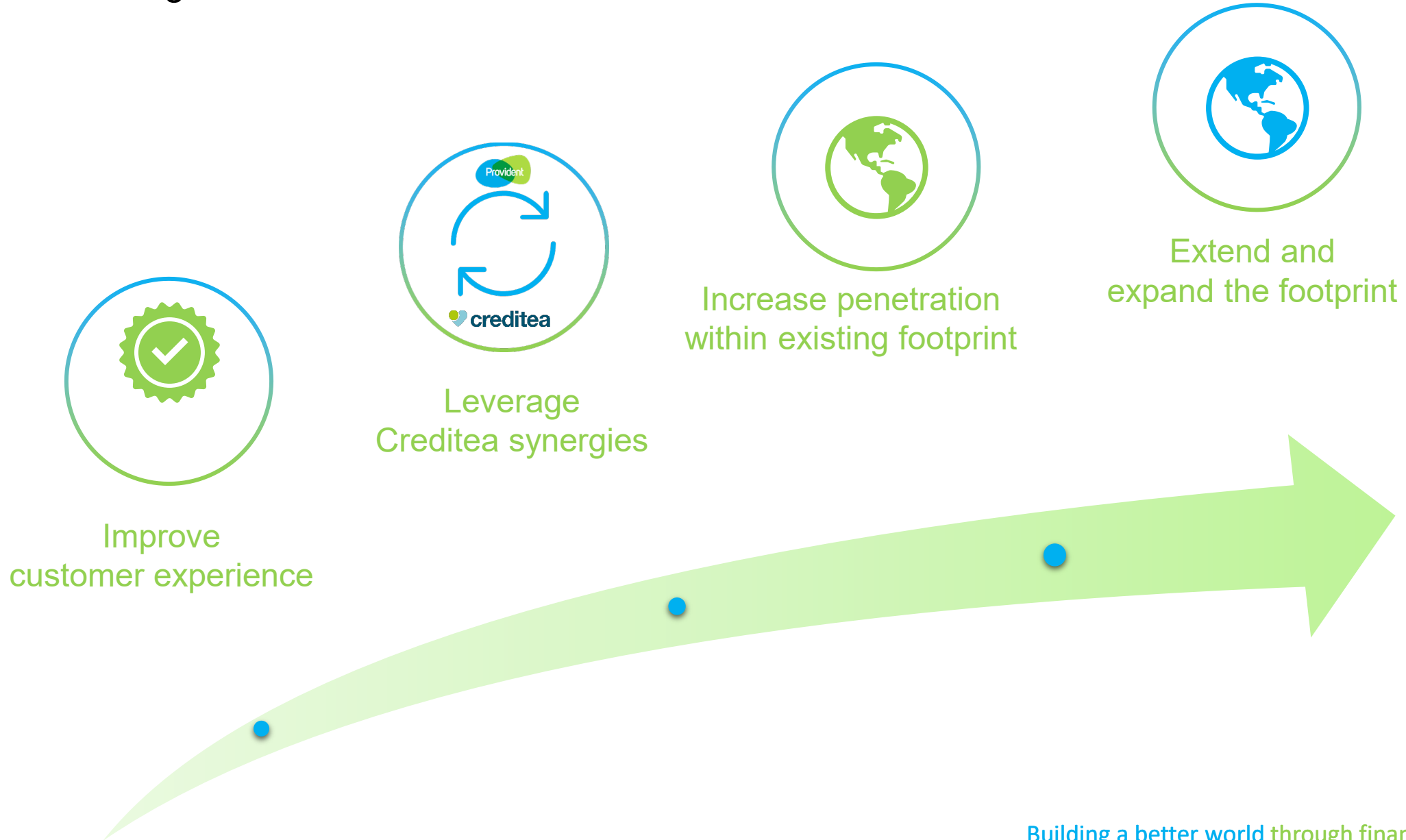


\*Based on an Equity to Receivables of 40%

# Our growth strategy to capture Mexico potential



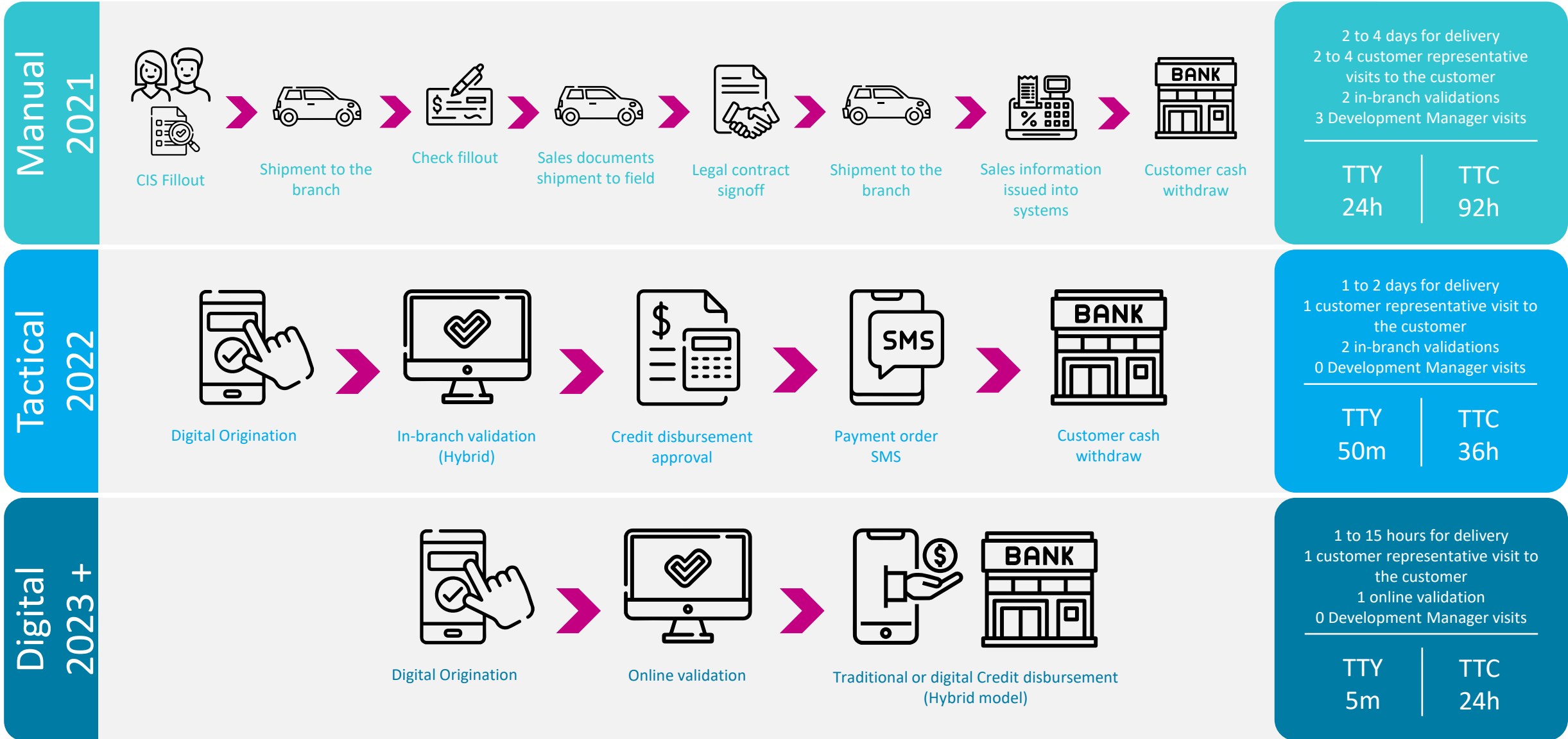
Sustainable growth to ensure consistent returns



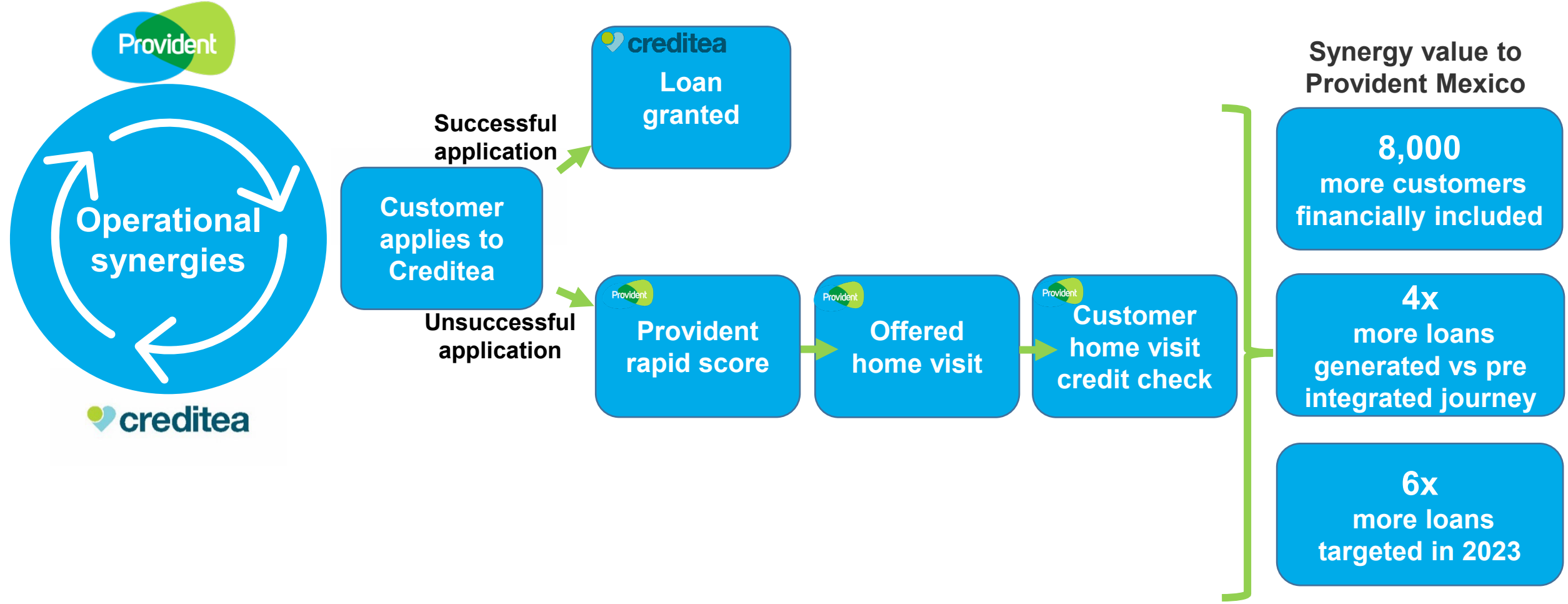
# Improving our customer experience



Digitalisation strategy to speed up the 'Time to yes' (TTY) and 'Time to cash' (TTC)



## A hybrid digital and home credit journey





# Expanding our footprint growth potential



Branch expansion

5.5m\* target consumers in large cities outside current footprint

Extension around existing business

2.4m\* target consumers living 10-30km from existing operations

Near extension

7.7m\* target consumers living within 10km of existing footprint

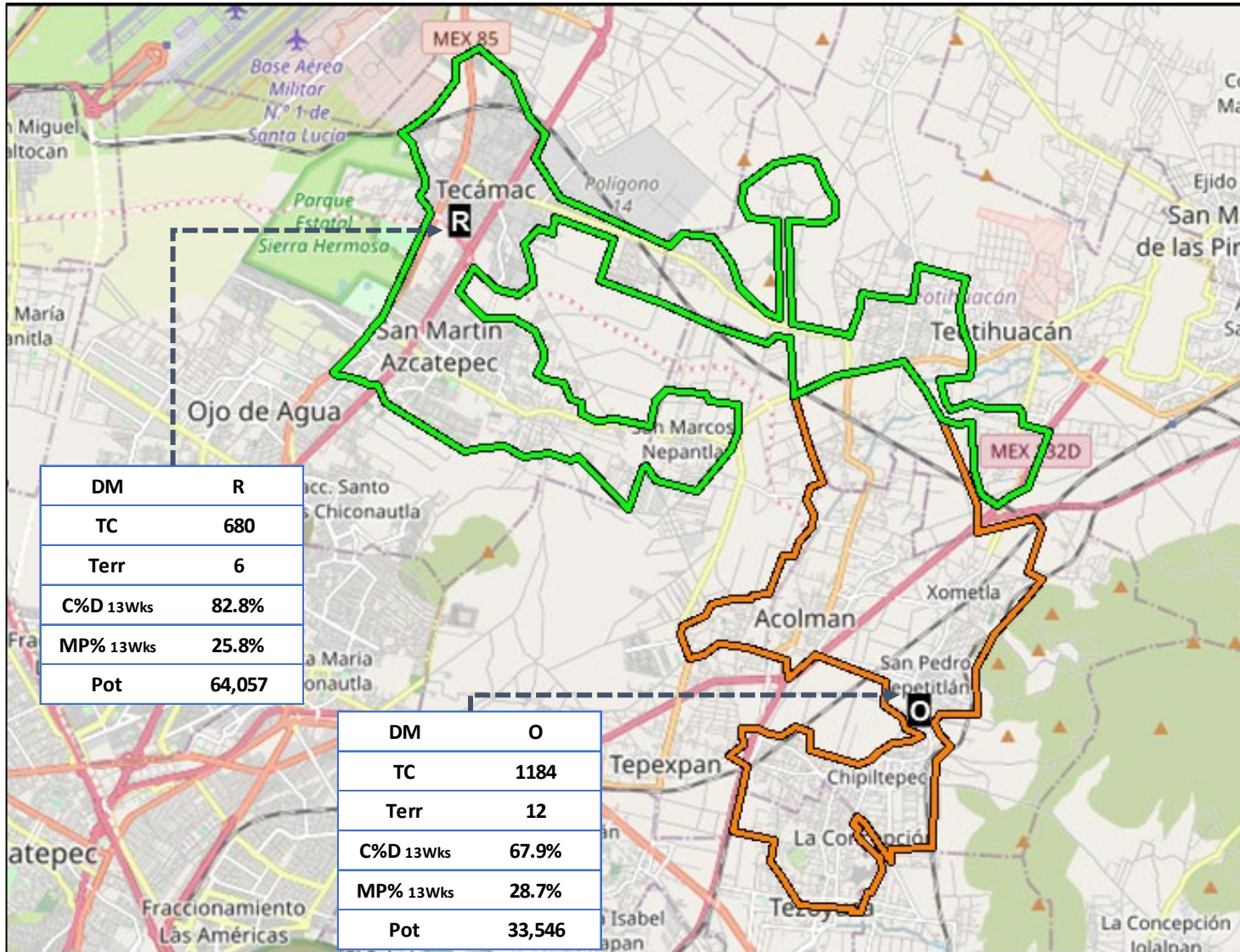
Existing business

27.7m\* target consumers already accessible – Optimisation strategy

8.68m\* outside of possible expansion scope

\* Population meeting basic approval criteria (e.g., age) and in the C-/D socio economic segments.

# Texcoco | Existing Feb '23



Criteria	New DM
Distance (From Branch as starting point)	32.1 km
Traveling time	30 min
Population (C-,D's)	56,844
Households	15,655
Potential Population (C-,D's)	<b>29,710</b>
Historical Wos (CP codes estimated)	597



**Proposal**

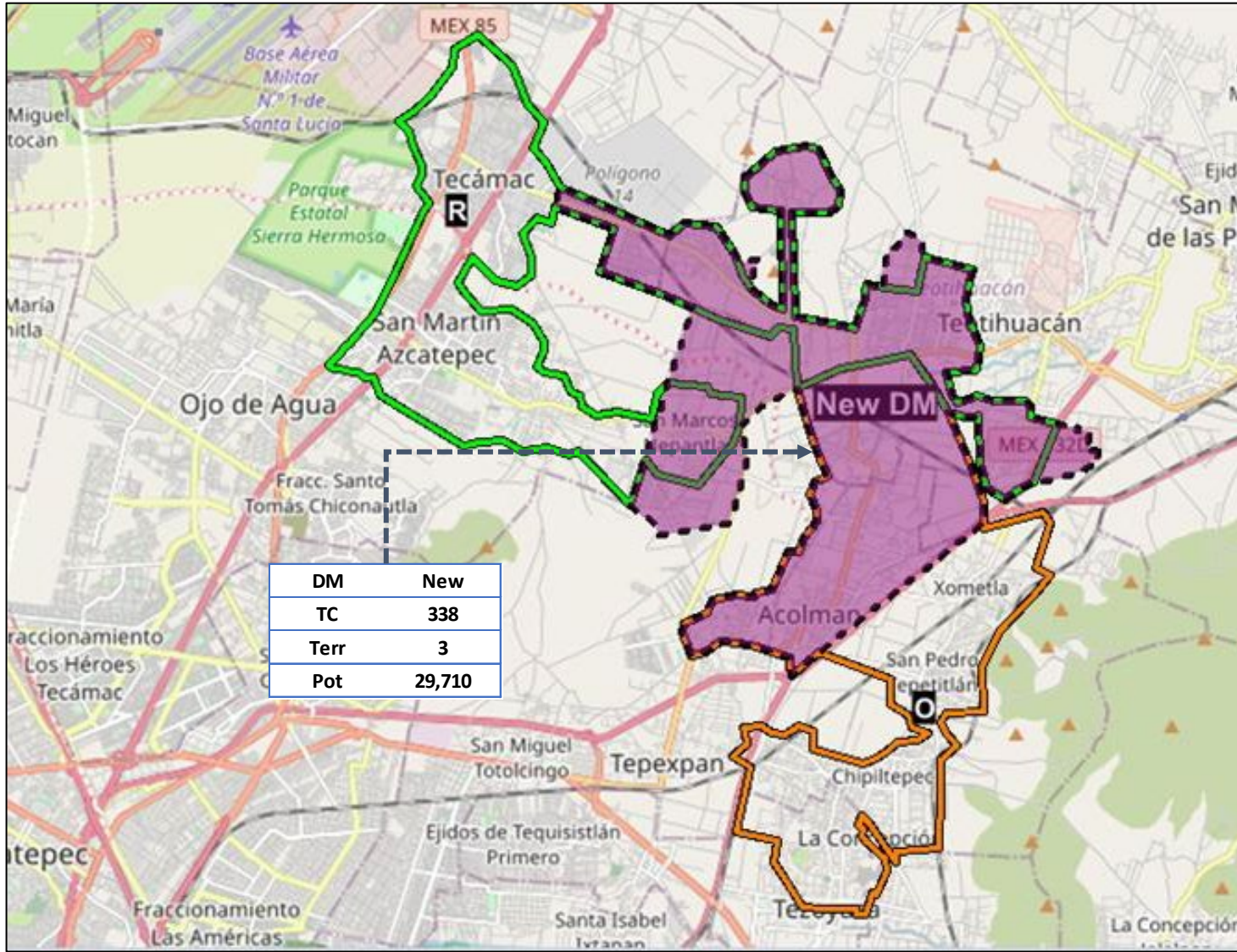
- Add a new section between sections O & R



# Texcoco | Existing Feb '23



Transition



Criteria	New DM
Distance (From Branch as starting point)	32.1 km
Traveling time	30 min
Population (C-,D's)	56,844
Households	15,655
Potential Population (C-,D's)	<b>29,710</b>
Historical Wos (CP codes estimated)	597



**Proposal**

- Add a new section between sections O & R

# Texcoco | Existing Feb '23



## Current

Section	TC	Agcy	Elig Pop
O	1,177	12	33,546
R	669	6	64,057
New	-	-	-
<b>Total</b>	<b>1,846</b>	<b>18</b>	<b>97,603</b>

## Proposal

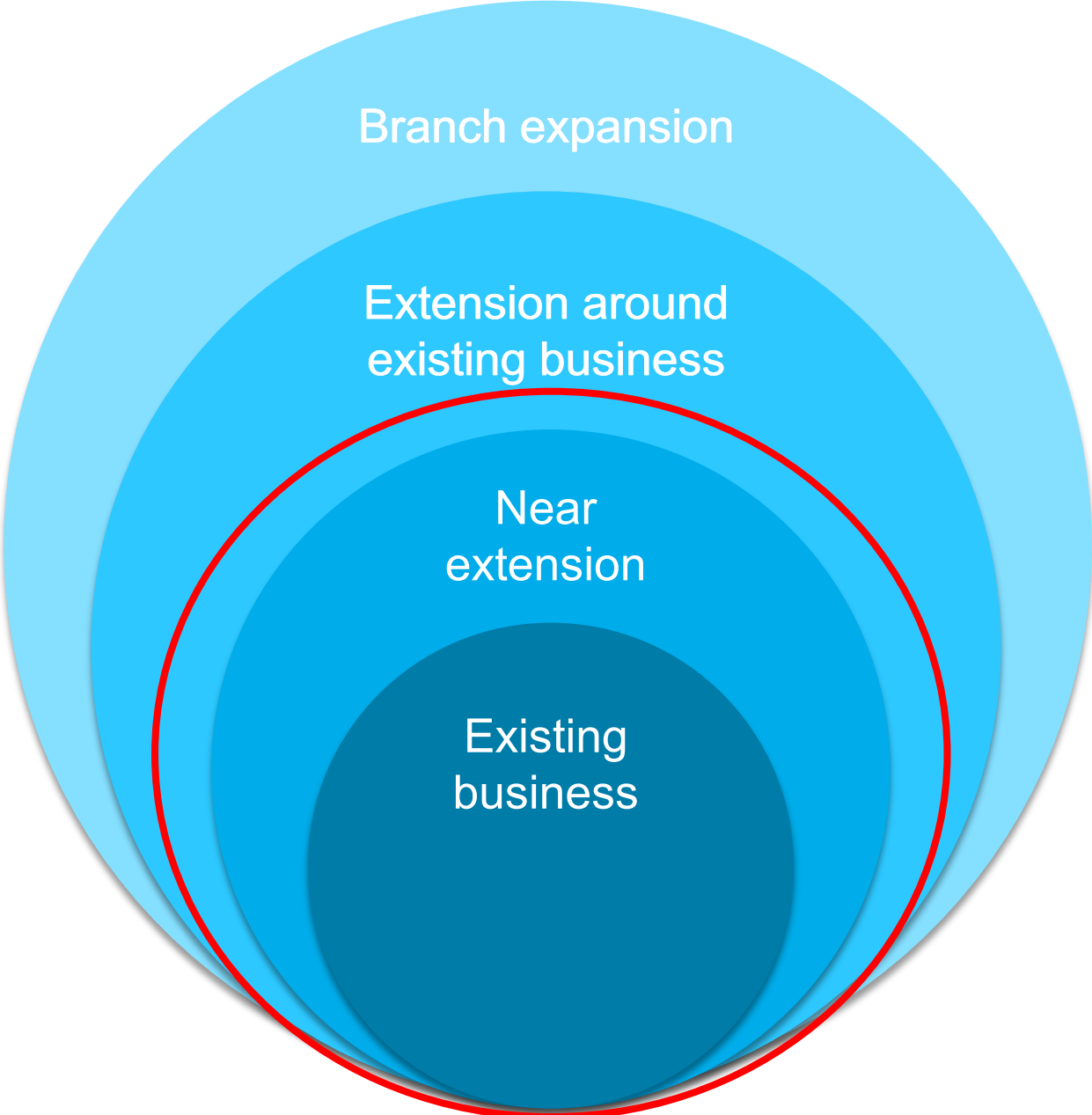
TC	Agcy	Elig Pop	Main Comp	Creditea Rejections	%C-
1,025	11	22,327	1,934	107	23%
483	4	46,585	3,432	156	36%
338	3	29,710	3,042	76	24%
<b>1,846</b>	<b>18</b>	<b>98,622</b>	<b>8,408</b>	<b>339</b>	<b>29%</b>

\*Elig Pop in a new area 1,019





# Growth from optimising the existing business in 2022



**1 m**  
additional eligible  
population covered

**72**  
new sections  
created

**659**  
new agencies  
added

**55,700**  
additional new  
customers

Data from September '21 to September '22

# Clear extension and expansion opportunities



Expansion strategy		Eligible additional population
Existing business	<span style="color: green;">●</span>	27.7 m
Near extension	<span style="color: blue;">●</span>	7.7 m
Extension around exiting business	<span style="color: yellow;">●</span>	2.4 m
Branch expansion	<span style="color: orange;">●</span>	5.5 m
<b>Total</b>		<b>43.3m</b>

# Provident Mexico – significant growth potential



- Delivering target returns
- Strong and capable team
- Significant long-term prospects with strong demand for credit
- Clear strategy for growth
- Vision to financially include 1 million customers



Provident

Questions?





## Equity IR contact

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## Debt funding IR contact

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