

Half-year results 2014

Gerard Ryan

Chief Executive Officer

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Adrian Gardner

Chief Financial Officer

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David Broadbent

Chief Commercial Officer

Strong growth and returns to shareholders

Gerard Ryan

Chief Executive Officer

2014 H1 highlights



Half-year profit up 11% to £47.1M

Top-line growth increased

Geographic expansion delivering growth

New market entry into Spain

Successful refinancing catalyst for £50M share buyback

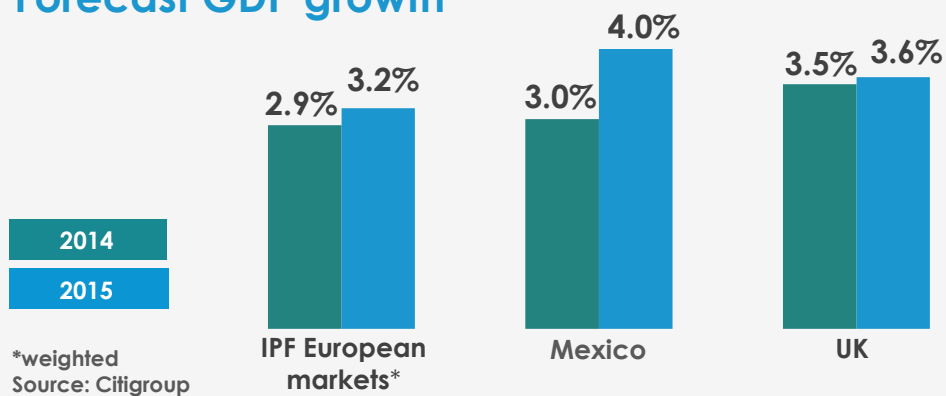
Half-year dividend up 10.5% to 4.2 pence per share



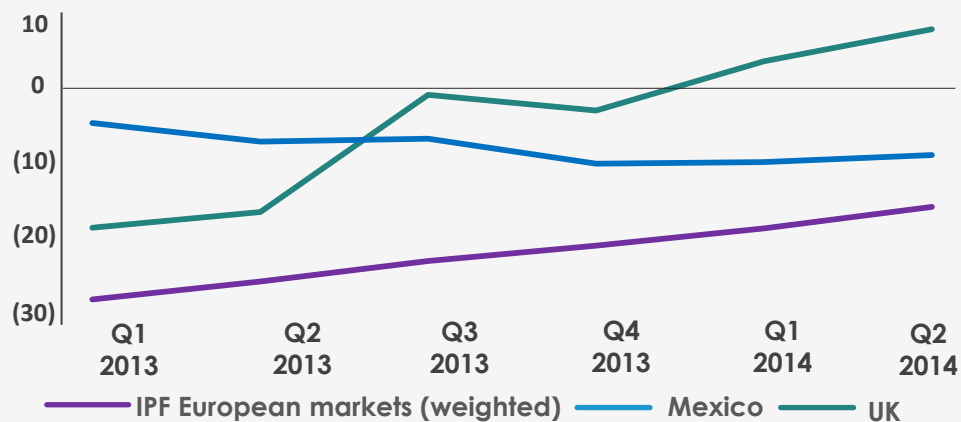
Market overview



Forecast GDP growth



Consumer confidence



Sources: European Commission and Statistical Agency of Mexico

Competition

- Dynamic and continues to develop in European markets
- Competition from payday lending sector is growing
- Czech Republic most competitive market
- Increasing media activity by banking sector in Hungary
- Mexico's micro-finance sector unchanged

Regulation



Proactively addressing regulatory matters

- Good track record of evolving products and services
- Constructive relationships with regulators and external stakeholders
- No material impact expected on business performance or growth prospects
- **Slovakia**
 - Ban on arrears visits to customers' homes
 - Cap on remuneration charges
 - Ban on delivery of loans in cash
- **Bulgaria**
 - APR cap of 50% implemented
- **Hungary**
 - Debt to income restrictions being discussed in Hungary

Proactively addressing regulatory matters

- **Poland, Ministry of Finance**

- Existing interest rate cap expected to remain
- Total cost of credit rate cap on mandatory non-interest fees

Loan duration	Base cap (Independent of term)	Annualised cap	Total mandatory non-interest fees
One-year	25%	30%	55%
60 weeks	25%	34%	59%

- **Poland, UOKiK**

- Cost of credit and APR calculation methodologies
- Fee charging methodology

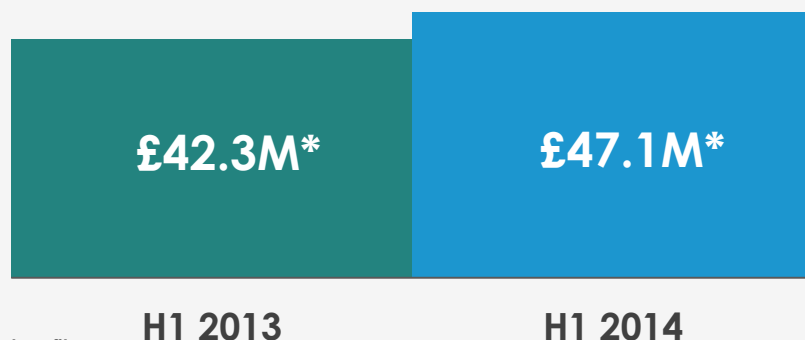
Performance and financial review

Adrian Gardner
Chief Financial Officer

Record first half profit, up 11%

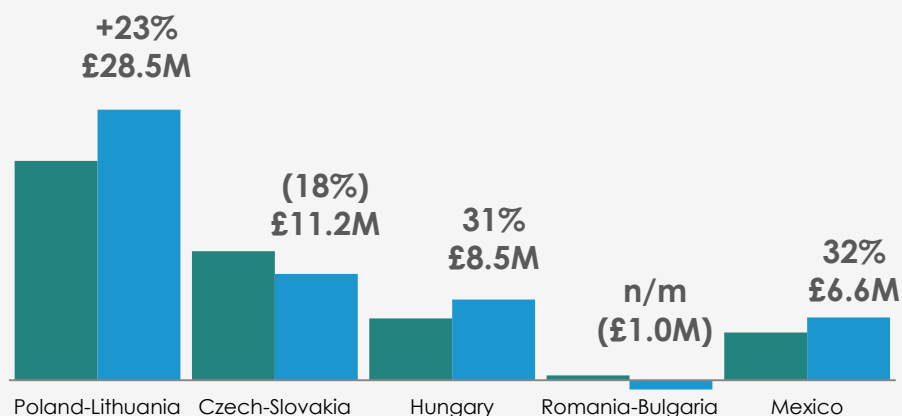


Group profit growth



*Pre-exceptional profit

Profit growth by market

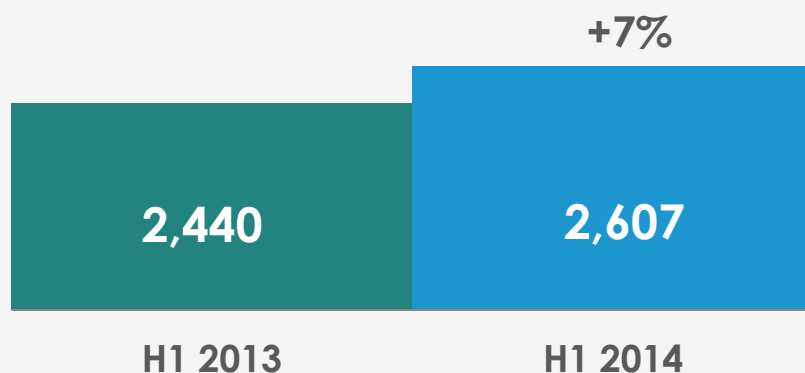


- Strong underlying profit growth of 32% (£13.5M)
- Good growth in customer numbers of 7%
- Strong credit issued growth of 13% and revenue increased by 17%
- Impairment 28.2% of revenue – comfortably within target range
- Cost-income ratio improved to 38.4%

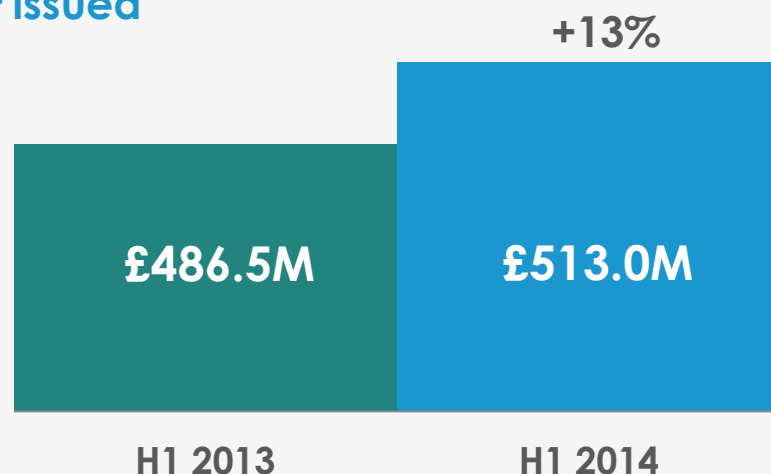
Key drivers of growth

Good growth delivered in all markets

Customer numbers (000s)



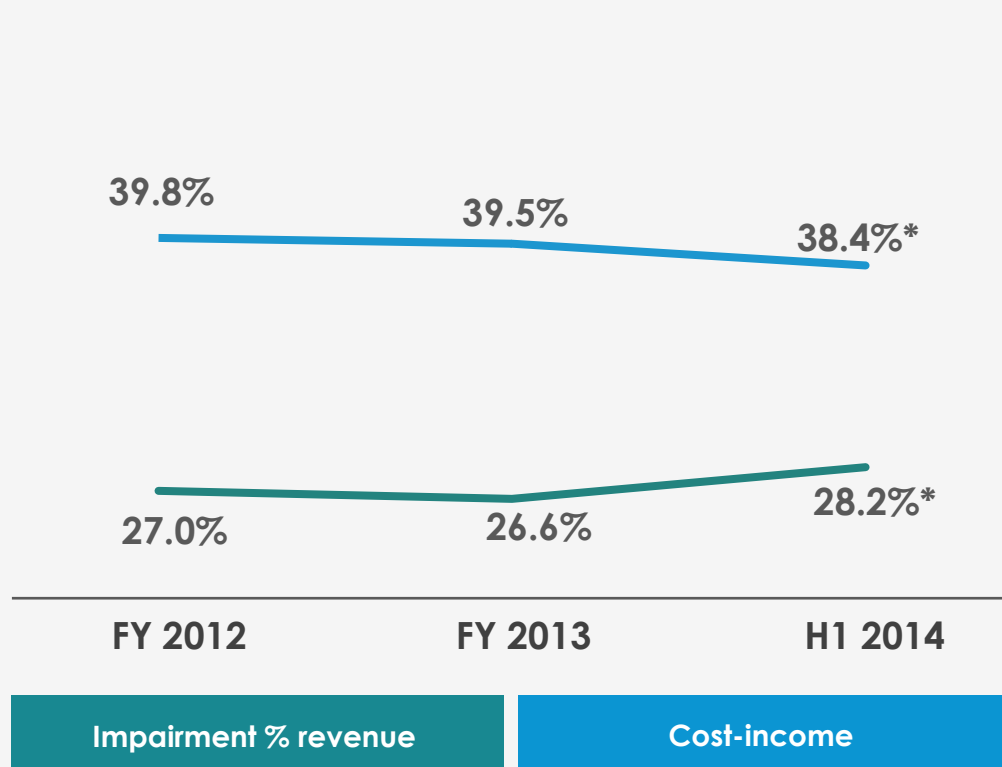
Credit issued



	Customer growth	Credit issued growth
Poland-Lithuania	3%	10%
Czech-Slovakia	1%	4%
Hungary	11%	17%
Romania-Bulgaria	16%	26%
Mexico	9%	18%

Costs tightly controlled

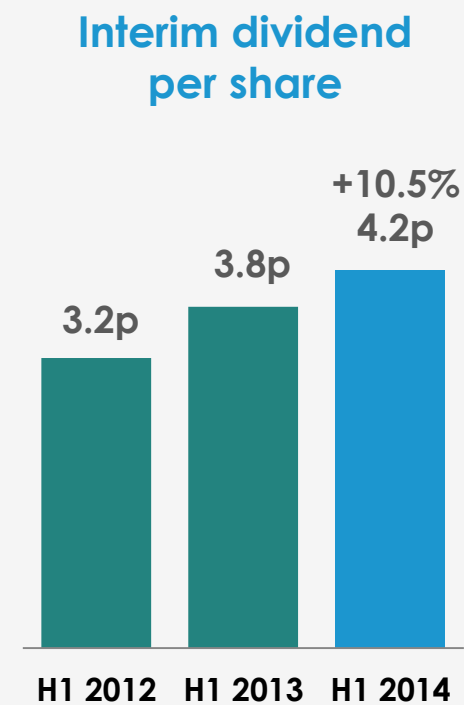
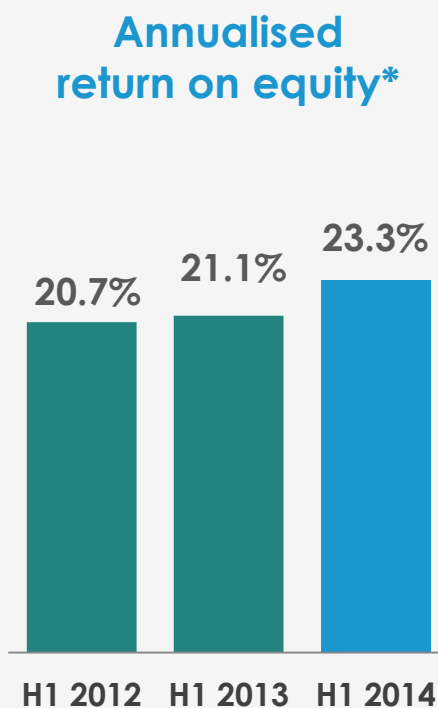
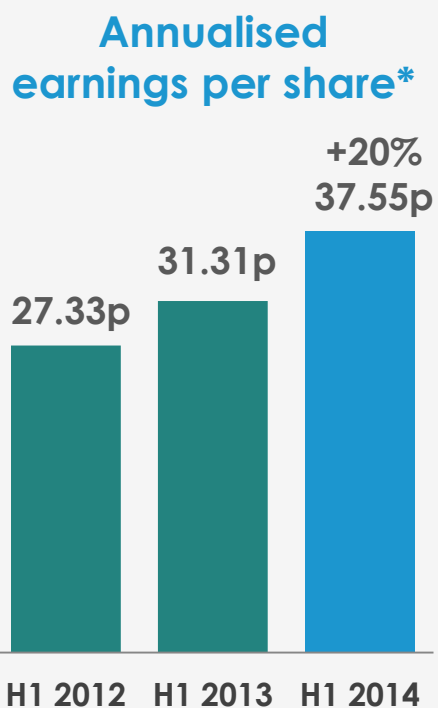
Impairment comfortably in range and cost reductions continue



	Impairment % revenue*	Cost-income Ratio*
Poland-Lithuania	29.7%	32.1%
Czech-Slovakia	26.9%	35.1%
Hungary	20.5%	35.7%
Romania-Bulgaria	32.3%	49.2%
Mexico	29.8%	41.9%

*Annualised

Delivering shareholder value



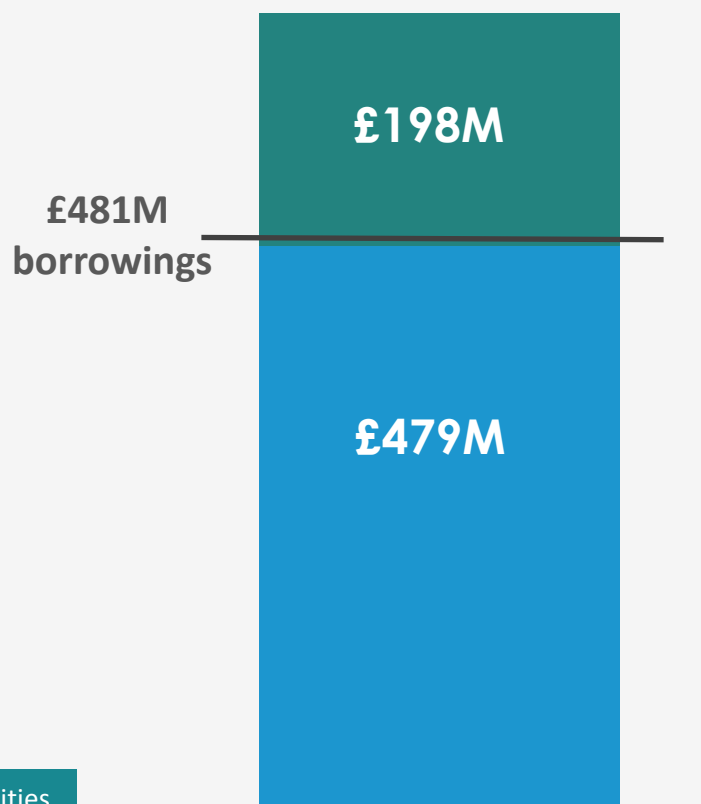
*Adjusted for exceptional items

Excellent progress on funding objectives



Successful refinancing at materially lower cost

Total facilities £677M



- Diversified portfolio of debt funding
- Extended maturity profile: core funding in place through to 2020 and 2021
- Refinanced core Eurobond via the issue of €300M 7-year Eurobond with 5.75% coupon - half the rate of 2010 5-year, 11.5% Eurobond
- 85% of 2010 11.5% Eurobond bought back
- Issued €40M (£33M) 4.25% 4-year bonds in May 2014
- £196M headroom on bank facilities

Committed to work balance sheet harder



- Capital ratio reviewed following core Eurobond refinancing
- Materially lower debt cost, stable macroeconomic backdrop
- Target equity to receivables ratio reduced to c.45%
- £50M share buyback underway
- Equity to receivables ratio 48.7% at 30 June 2014

Growth development

David Broadbent
Chief Commercial Officer

Our strategy for growth



Expanding our footprint

We intend to grow in our existing markets and new countries, organically or through bolt-on acquisitions

Improving customer engagement

We will provide new products and more digital channels

Developing a sales culture

We will use marketing skills to gain a better understanding of our customers

Effective execution

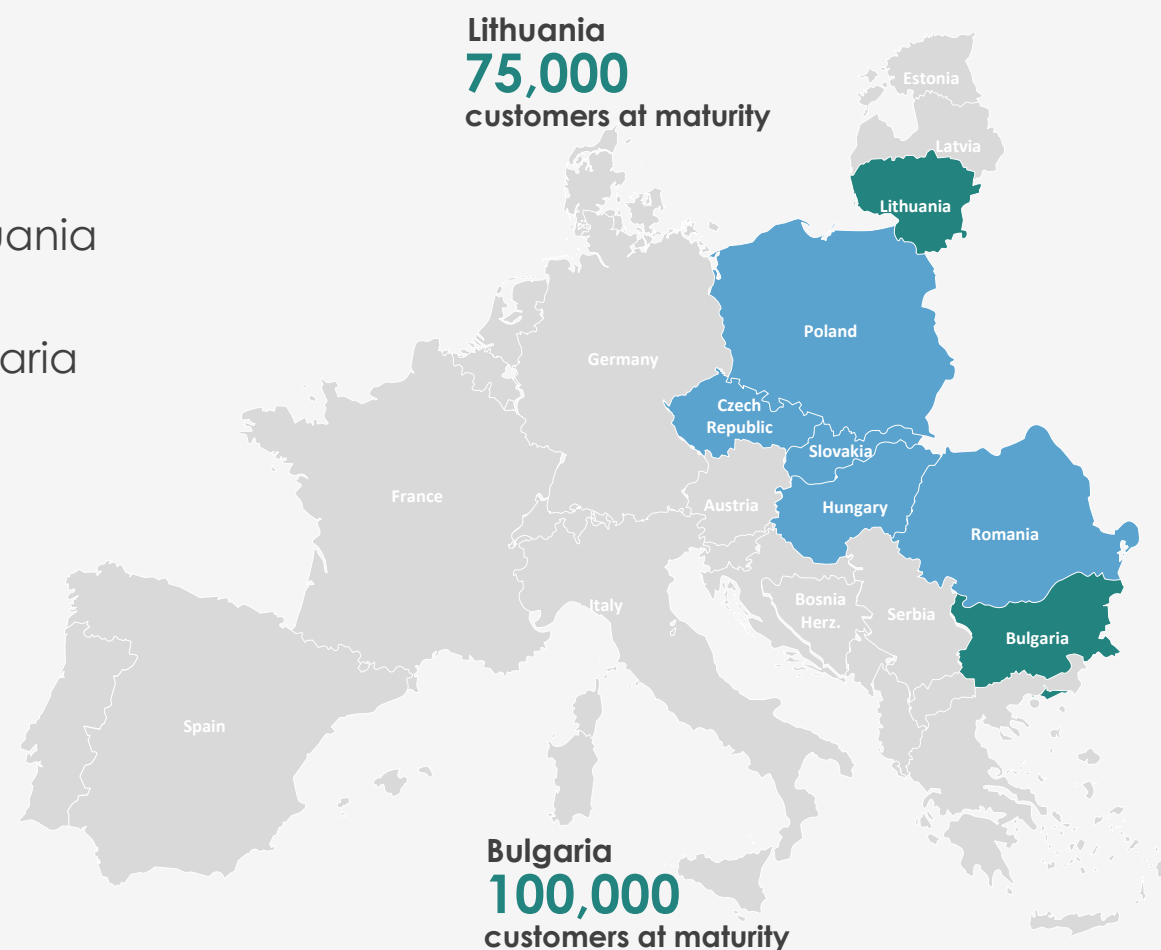
We will invest in technology to execute our strategy more efficiently

Expanding footprint in existing markets



- **Lithuania and Bulgaria**

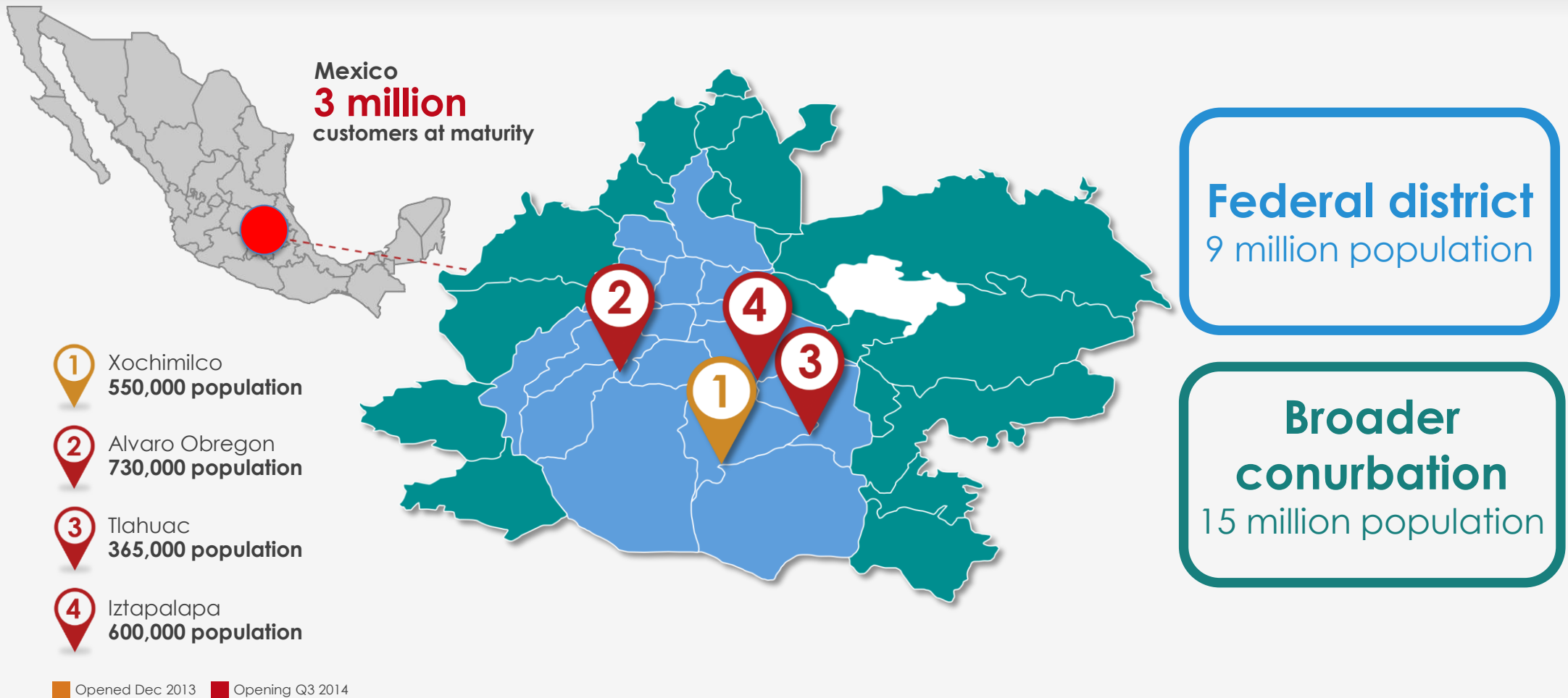
- 3,700 customers and 4 branches in Lithuania
- 5,100 customers and 8 branches in Bulgaria
- Close to full market coverage in 2014
- Accelerating customer growth



Expansion in existing markets



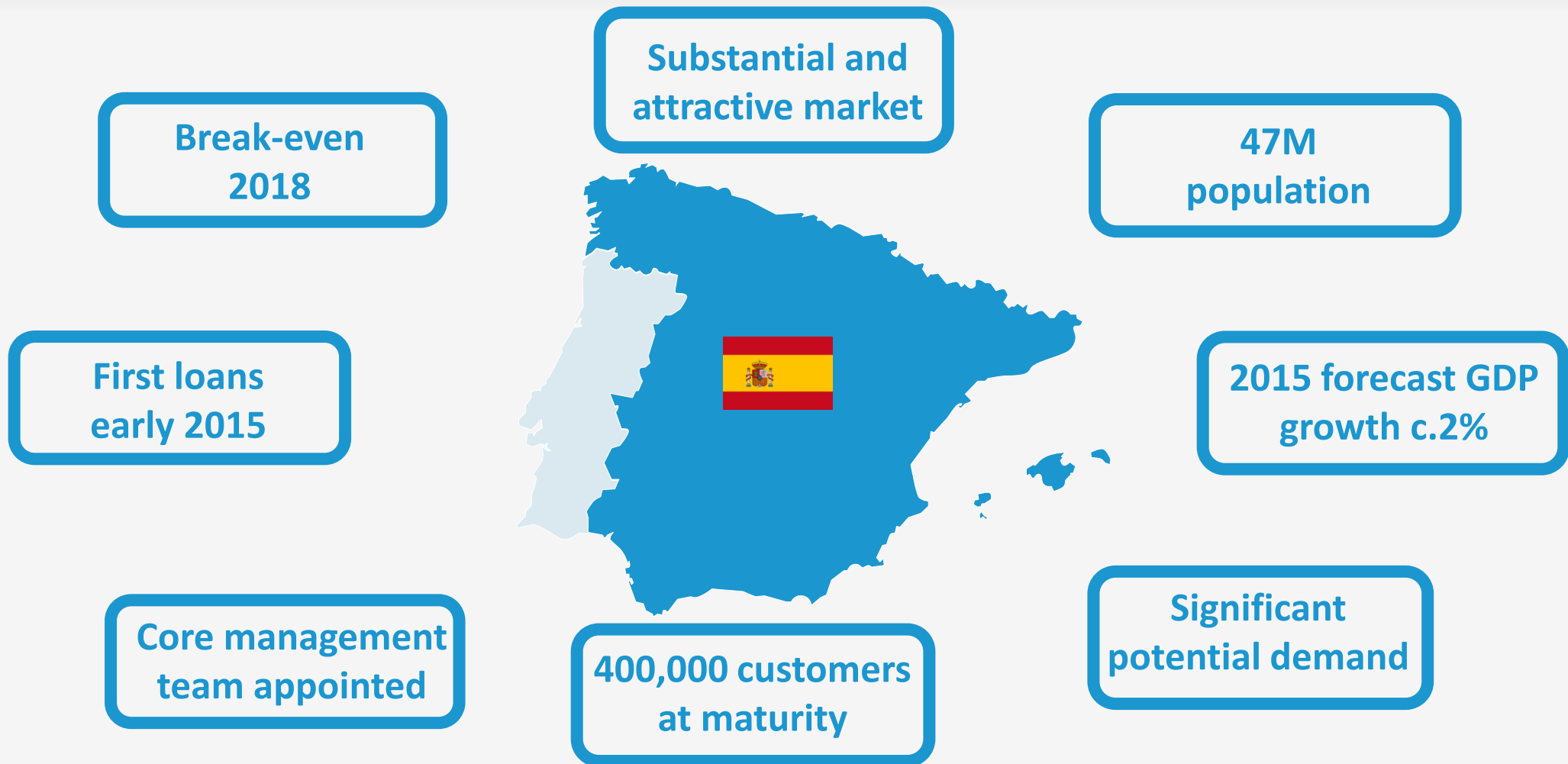
Significant growth prospects in Mexico City



Trading in Spain planned for early 2015



Exciting opportunity - engine of future growth



Transformation for Growth



Modernising core agent-led business

**Faster and
broader product
development**

**Developing
sales
channels**

**Customer
relationship
management**

ProXXI

Growth through new products



New products for our agent network

Growth through new products



Developing and expanding our product offerings

	Longer-term loans	Preferential Pricing	Insurance	Pre-paid cards	Monthly loans	SME loans
Poland	✓	✓		✓	✓	✓
Czech Republic	✓	✓			✓	
Slovakia	✓	✓		✓	✓	
Hungary	✓	✓	✓		✓	
Romania	✓	✓			✓	
Mexico			✓	✓	✓ [★]	✓
Lithuania		✓			✓	
Bulgaria		✓			✓	

✓ Complete

✓ In pilot/rolling out

✓ Planned next 12 months

★ Fortnightly loans

Growth through new products



New products for our agent network

Core product redesign in Poland

On-line loans under new digital brand

Outlook

Gerard Ryan

Chief Executive Officer

Outlook



- Very good progress against strategy
- Addressing regulatory challenges and increasing competition
- Strong growth trajectory
- Committed to working the balance sheet harder
- Entering Spain in 2015
- Confident of achieving further growth in H2



Questions

Appendices

Six months ended 30 June 2014

	H1 2014 £M	H1 2013 £M	Change at CER %
Customer numbers (000s)	2,607	2,440	6.8
Credit issued	513.0	486.5	12.7
Average net receivables	761.9	677.6	19.8
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Revenue (net of ESRs)	394.1	360.3	16.7
Impairment	(130.2)	(108.4)	(28.0)
Finance costs	(23.4)	(23.7)	(4.5)
Agents' commission	(44.6)	(41.9)	(14.4)
Other costs	(148.8)	(144.0)	(9.3)
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Profit before taxation	47.1	42.3	

Underlying profit reconciliation



Six months ended 30 June 2014

	H1 2014 reported profit £M	Underlying profit growth £M	New market costs £M	Weaker FX rates £M	H1 2013 reported profit £M
Poland-Lithuania	28.5	8.5	(2.1)	(1.0)	23.1
Czech-Slovakia	11.2	(1.1)	-	(1.3)	13.6
Hungary	8.5	2.6	-	(0.6)	6.5
Romania-Bulgaria	(1.0)	1.3	(2.7)	(0.1)	0.5
Mexico	6.6	2.5	-	(0.9)	5.0
UK costs	(6.7)	(0.3)	-	-	(6.4)
Profit before taxation	47.1	13.5	(4.8)	(3.9)	42.3

Poland-Lithuania



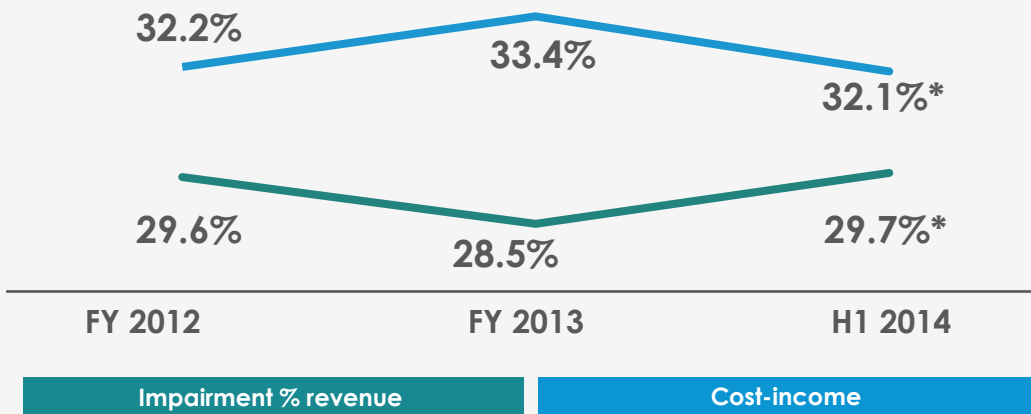
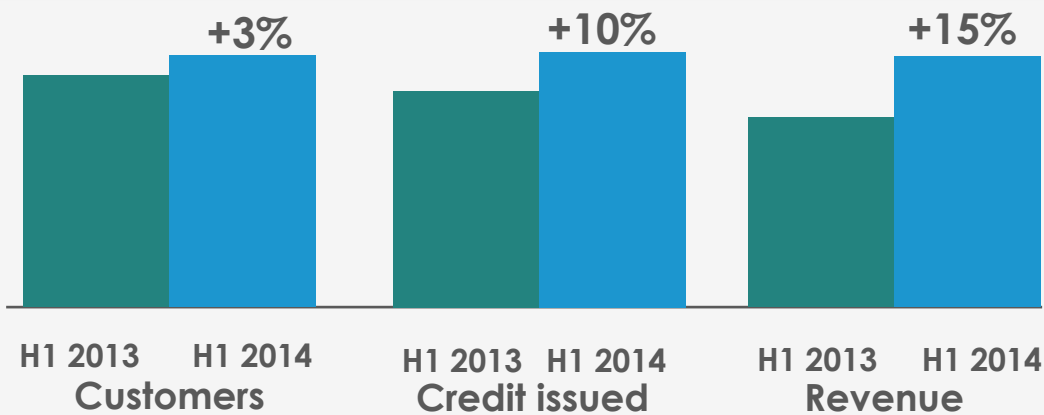
Six months ended 30 June 2014

	H1 2014 £M	H1 2013 £M	Change at CER %
Customer numbers (000s)	853	825	3.4
Credit issued	189.4	178.1	10.1
Average net receivables	302.3	272.3	14.9
Revenue	158.0	142.4	14.8
Impairment	(53.1)	(45.0)	(21.8)
Finance costs	(9.8)	(9.8)	(3.2)
Agent's commission	(16.4)	(15.3)	(11.6)
Other costs	(50.2)	(49.2)	(5.2)
Profit before taxation	28.5	23.1	
Poland	30.6	23.5	
Lithuania	(2.1)	(0.4)	
Profit before taxation	28.5	23.1	

Poland-Lithuania



£28.5M profit – underlying growth of £8.5M



*Annualised

- Focus on growth
- Robust trading performance in increasingly competitive landscape
- Credit easing and longer-term loans driving customer and credit issued growth
- Tight control of costs
- Expansion in Lithuania progressing well - investment in 2014 c. £4M to £5M
- Further growth expected H2 2014

Czech-Slovakia



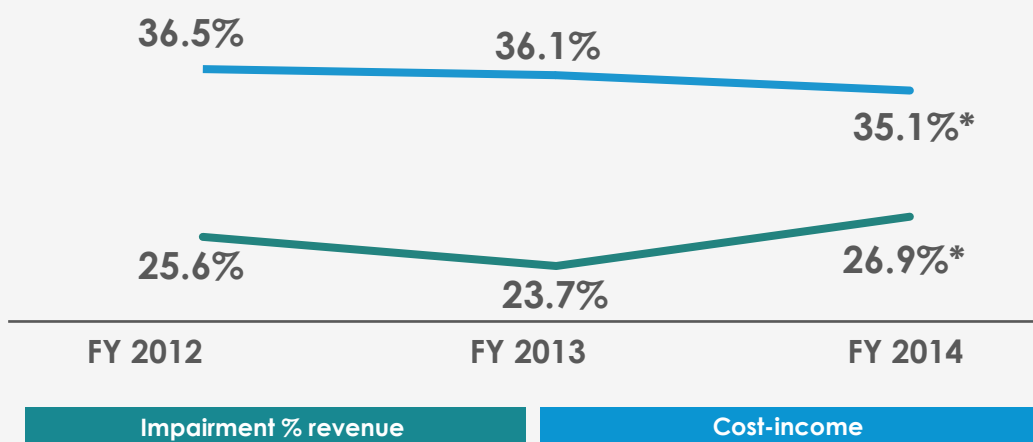
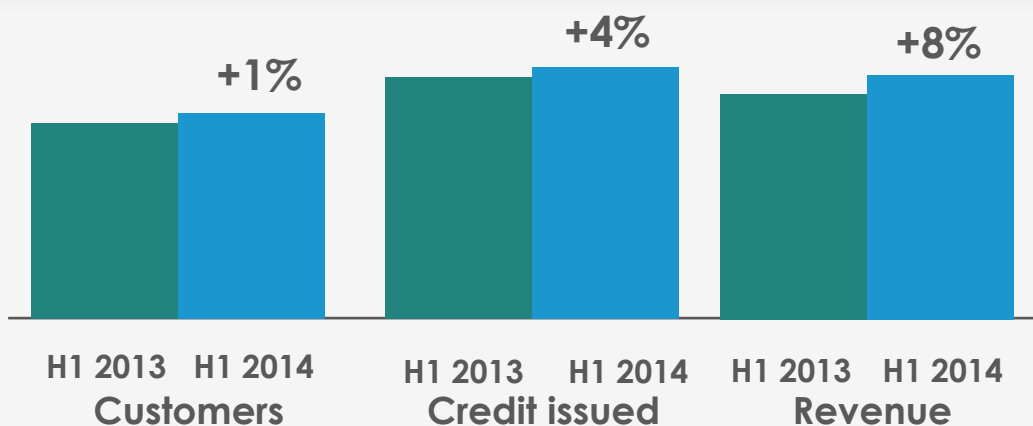
Six months ended 30 June 2014

	H1 2014 £M	H1 2013 £M	Change at CER %
Customer numbers (000s)	380	376	1.1
Credit issued	102.7	106.8	4.3
Average net receivables	164.4	157.2	13.3
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Revenue	71.4	71.4	8.3
Impairment	(23.9)	(19.3)	(35.0)
Finance costs	(4.3)	(4.6)	-
Agents' commission	(7.2)	(7.6)	(2.9)
Other costs	(24.8)	(26.3)	(0.8)
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Profit before taxation	11.2	13.6	

Czech-Slovakia



£11.2M profit – underlying profit performance £(1.1)M



*Annualised

- Challenging external environment
- Intensifying competition in Czech Republic
- More positive market conditions in Slovakia supporting credit easing and longer-term loan offers
- Regulatory changes in Slovakia – do not expect impact to be material
 - Ban on arrears visits to customers' homes
 - Cap on remuneration charges
 - Ban on delivery of cash loans to customers' homes
- Focus on growth in both markets H2 2014

Hungary



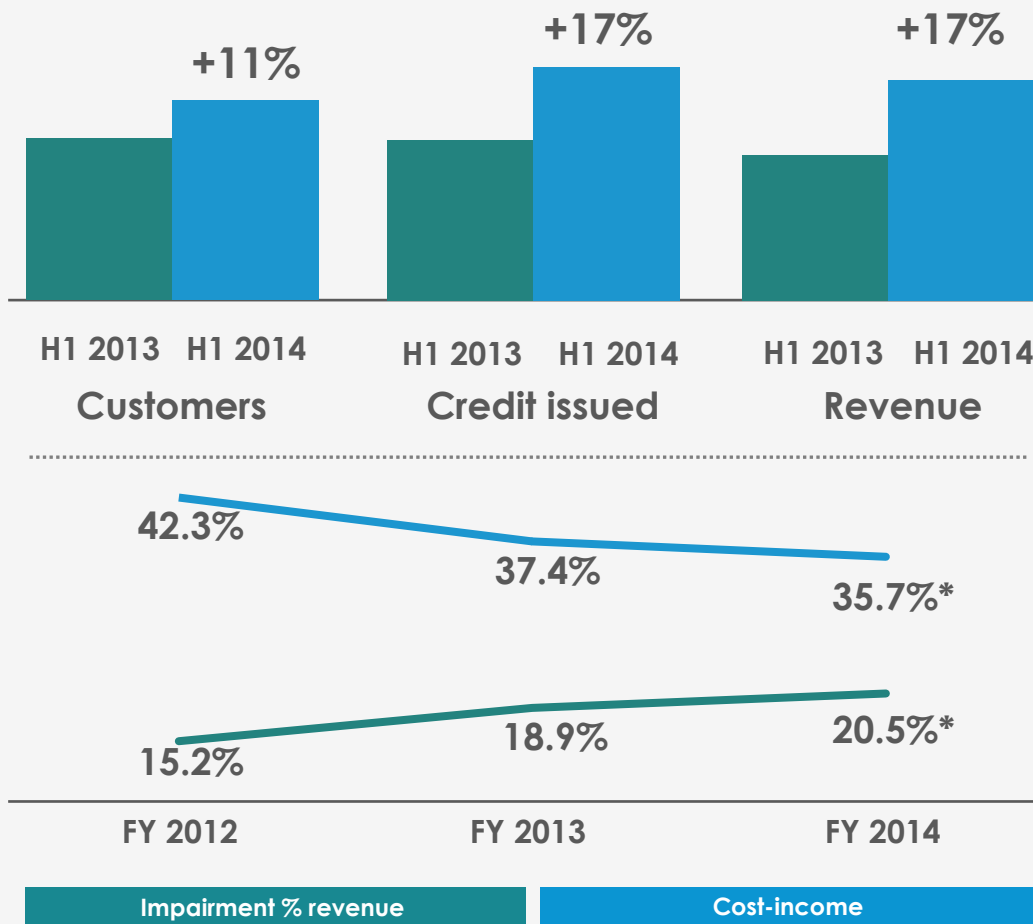
Six months ended 30 June 2014

	H1 2014 £M	H1 2013 £M	Change at CER %
Customer numbers (000s)	305	276	10.5
Credit issued	66.8	61.1	17.4
Average net receivables	106.9	92.0	24.6
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Revenue	51.5	47.4	16.5
Impairment	(14.3)	(11.9)	(28.8)
Finance costs	(3.5)	(3.7)	-
Agents' commission	(7.4)	(7.3)	(8.8)
Other costs	(17.8)	(18.0)	(5.3)
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Profit before taxation	8.5	6.5	

Hungary



£8.5M profit – underlying growth of £2.6M



*Annualised

- Strong trading performance
- Credit easing and incentives supported good growth
- 100-week loan well-received by quality customers
- Robust credit quality
- Second stage home insurance pilot proving successful – rolling out 2015
- Modest increase in marketing activity by banks
- Focus on growth through credit easing and longer-term loans offers in H2 2014

Romania-Bulgaria



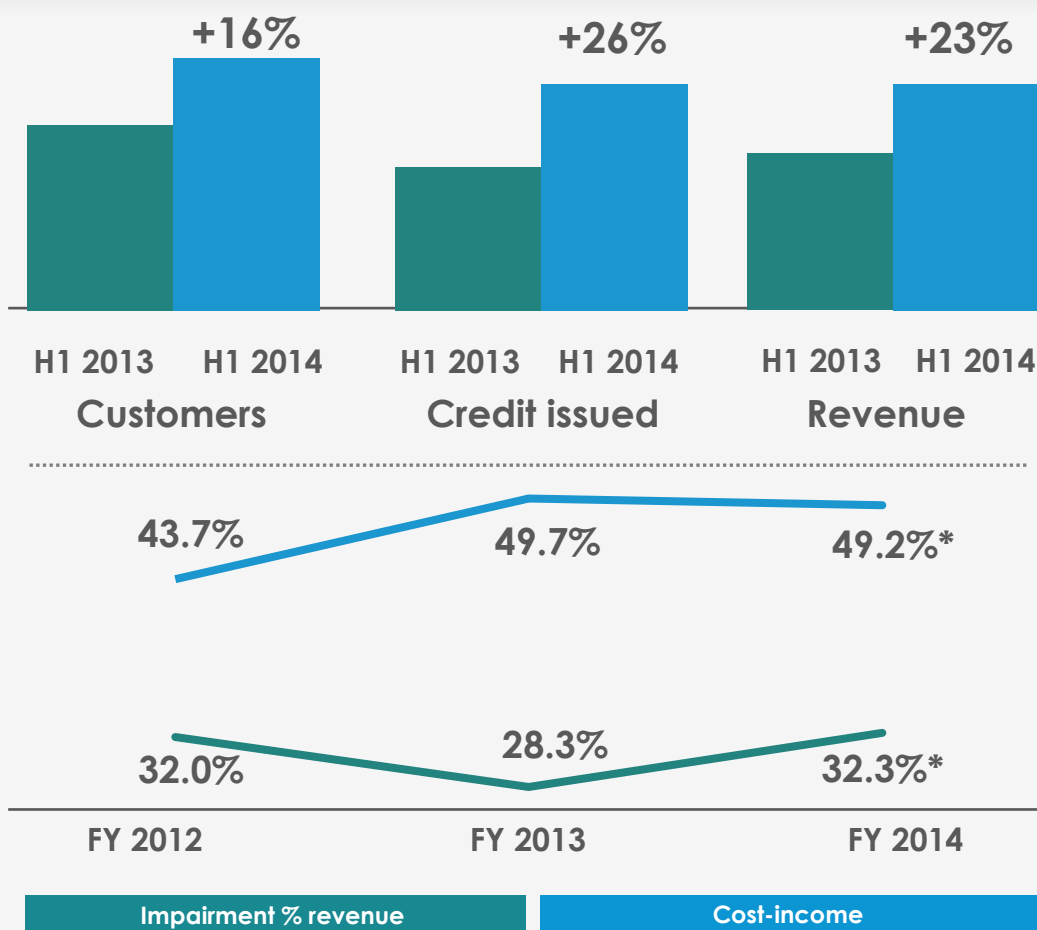
Six months ended 30 June 2014

	H1 2014 £M	H1 2013 £M	Change at CER %
Customer numbers (000s)	312	269	16.0
Credit issued	55.9	46.8	25.6
Average net receivables	68.6	57.6	25.2
Revenue	37.0	31.7	22.5
Impairment	(15.2)	(10.8)	(47.6)
Finance costs	(2.2)	(2.3)	-
Agent's commission	(3.4)	(3.2)	(13.3)
Other costs	(17.2)	(14.9)	(20.3)
(Loss)/profit before taxation	(1.0)	0.5	
Romania	1.7	0.8	
Bulgaria	(2.7)	(0.3)	
(Loss)/profit before taxation	(1.0)	0.5	

Romania-Bulgaria



£1.0M loss – underlying growth of £1.3M



- Strong growth delivered through selective credit easing and longer-term loans
- Geographic expansion in 2013 also enabling growth
- Selective credit tightening implemented to improve impairment in H2 2014
- Tablet technology being rolled out to Development Managers
- Expansion in Bulgaria progressing well - investment in 2014 c. £4M to £5M

*Annualised

Mexico



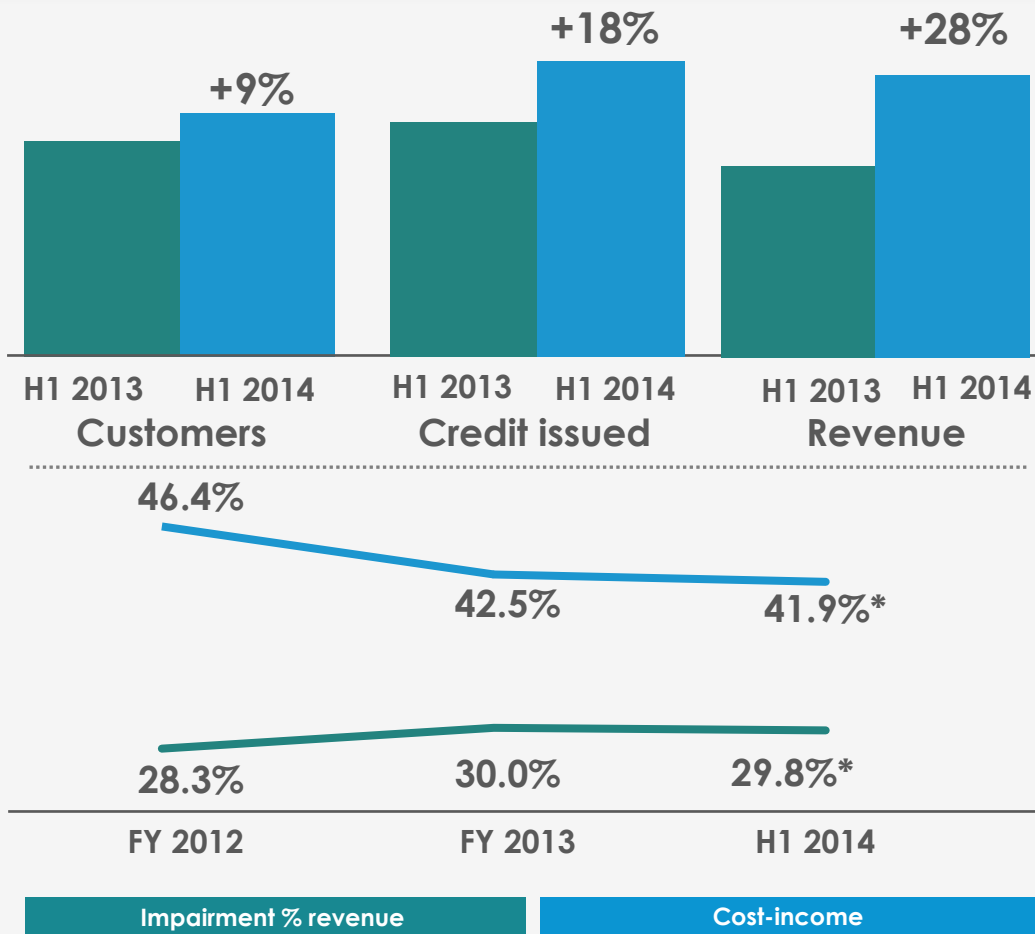
Six months ended 30 June 2014

	H1 2014 £M	H1 2013 £M	Change at CER %
Customer numbers (000s)	757	694	9.1
Credit issued	98.2	93.7	18.2
Average net receivables	119.7	98.5	37.3
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Revenue	76.2	67.4	27.6
Impairment	(23.7)	(21.4)	(24.7)
Finance costs	(3.6)	(3.3)	(24.1)
Agents' commission	(10.2)	(8.5)	(36.0)
Other costs	(32.1)	(29.2)	(22.5)
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Profit before taxation	6.6	5.0	

Mexico



£6.6M profit – underlying growth of £2.5M



*Annualised

- Geographical expansion and credit easing delivered excellent growth
- Profit per customer increased to £22
- Collections performance and credit quality maintained
- Mexico City expansion progressing well, two further branches opening Q3 2014
- Pre-paid card pilot working well
- Focus on growth through geographic expansion, increasing agents and extending new credit rules in H2 2014

Balance sheet



	June 2014	December 2013	Change at CER %
Fixed assets	29.6	30.6	(1.3)
Receivables	757.3	784.8	0.5
Cash	80.1	24.6	239.4
Borrowings	(480.6)	(400.5)	(24.2)
Other net liabilities	(17.3)	(45.6)	61.7
Equity	369.1	393.9	(1.6)

Foreign exchange rates



	Average H1 2014	Closing June 2014	Average 2013	Closing Dec 2013	Average H1 2013	Closing June 2013
Poland	5.1	5.2	5.0	5.0	4.9	5.1
Lithuania	4.2	4.3	4.1	4.2	n/a	n/a
Czech Republic	33.4	34.3	30.3	32.9	30.1	30.4
Slovakia	1.2	1.3	1.2	1.2	1.2	1.2
Hungary	375.5	382.0	347.2	357.6	349.1	351.4
Romania	5.4	5.5	5.2	5.4	5.2	5.3
Bulgaria	2.4	2.4	2.3	2.4	n/a	n/a
Mexico	21.9	22.1	20.2	21.6	19.4	20.5

Funding facilities



	2014	2015	2016	2017	2018	2020	2021	TOTAL
Bonds								
Euro	-	27.8	-	-	32.0	-	239.9	299.7
Polish	-	38.4	-	-	-	-	-	38.4
Czech	-	8.2	2.9	-	7.3	-	-	18.4
Romanian	-	-	11.0	-	-	-	-	11.0
Hungarian	-	-	-	-	10.5	-	-	10.5
Retail	-	-	-	-	-	101.5	-	101.5
Total bonds	-	74.4	13.9	-	49.8	101.5	239.9	479.5
Multi-currency bank facilities								
Bank facilities	-	116.9	30.0	26.9	-	-	-	173.8
Short-term facilities	4.4	5.4	-	-	-	-	-	9.8
On-demand facilities	13.8	-	-	-	-	-	-	13.8
Total bank facilities	18.2	122.3	30.0	26.9	-	-	-	197.4
Total facilities	18.2	196.7	43.9	26.9	49.8	101.5	239.9	676.9
	3%	29%	7%	4%	7%	15%	35%	100%

Headroom on covenants



	June 2014	Covenant	Headroom
Interest cover	3.5x	2.0x min	1.5x
Net worth*	£371.2M	£125M min	£246.2M
Receivables:borrowings	1.6x	1.1x min	£207.8M
Gearing*	1.3x	3.75x max	£243.1M

* Adjusted for derivative financial instruments and pension liabilities according to covenant definitions

Strong financial profile



	FY 2012	FY 2013	HY 2014
Gearing	0.8x	1.0x	1.3x
Adjusted earnings per share*	27.6p	35.5p	37.6p [†]
Interest cover	3.3x	3.4x	3.5x [†]
Return on equity*	20.1%	22.9%	23.3% [†]
Equity to receivables ratio	57.8%	50.2%	48.7%

* Adjusted for exceptional items † Annualised

Contact



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