



International Personal Finance
Q1 2015 Trading Update Briefing
Thursday 30 April 2015

Presenters: Gerard Ryan – Chief Executive Officer
David Broadbent – Chief Commercial Officer

Operator: Welcome to International Personal Finance's 2015 Q1 Trading Update Briefing hosted by Gerard Ryan, Chief Executive Officer. Also on the call is David Broadbent, Chief Commercial Officer. Today's conference is being recorded. I will now hand you over to Gerard Ryan to begin today's conference. Please go ahead sir.

Gerard Ryan: Thank you Oonagh. Good morning everybody, sorry for holding you for a few minutes but we had people queuing up to get on the line. It's Gerald here and I've got Dave with me here this morning. Hopefully by now you've had our release and you've had a chance to just scan it anyway, but let me take you through the headlines and give you some brief overviews and then we'll be very happy to take any questions you might have.

So as you know when we announced our end of year result just a few weeks ago we explained that we'd seen a slowdown in Q4 but that we were taking action to get back to growth as soon as possible. I'm very pleased to say that the actions that we've been taking are having a very positive effect. So the underlying profit growth for the quarter was up 18%, so very pleased with that. Clearly the FX headwinds that we had in 2014 are still there but also the other good thing which we see anyway is that we're continuing to invest in growth and you'll see the impact of that. So group profit for the quarter was 10.4 million.

Now in terms of the actions we've taken, clearly what we did say at the annual results was that we will be more targeted both in terms of our incentive campaigns for our agent workforce and also in terms of our marketing. We've done that and it is showing through, so we had a very slow start to the quarter which really was a hangover from the end of year, but as we went through each month of the quarter we saw progressive improvements, particularly slow in Hungary where we were adjusting to some new regulations that came in there which required us to retrain all of our employees and all of our agents and so Hungary had a particularly difficult start which by the end of the quarter we felt was firing on all cylinders again.

In terms of credit quality, credit quality is very good and you can see that it did improve slightly in the quarter and it's bang in the middle of our target range. The acquisition of MCB was completed and we were very pleased with how MCB is trading even though it is early days, but genuinely very pleased with that and as a result of how that is doing we've decided to open up digital in Spain as our first country with this new acquisition. We are going through the process of getting our licence in Spain for the home credit business but that is taking longer than we'd expected, so at this stage we're just announcing that we will go there with digital as well and we will play those two together in due course. We did take on some extra funding in the quarter so €100 million on our existing bonds were tapped to the existing bond at 5.75%.

The other piece of notable news – but you're probably already aware of this – is that we successfully concluded the UOKiK investigation in terms of fees, so there was no fine coming from that and UOKiK have confirmed that we have changed the product to their satisfaction. Clearly we still await our date for the court hearing for the other UOKiK challenge that we have on board.

In terms of our individual countries I'm particularly pleased with Poland and with Mexico. Mexico are doing really, really well and Poland bounced back from a slow Q4 and had a very positive Q1. You will see that Czech and Slovak business continues to shrink slightly but we are becoming more optimistic in terms of where we're going to get to on that business. Romania was slow-ish but that is partly as a result of the fact that we're bringing it back in terms of credit quality to where we will be comfortable and we expect pretty soon that we will be able to go back into growth mode there. Our smaller new entries Bulgaria and Lithuania, we are very pleased with their growth rate. I think that has covered them all and as I said Mexico, really, really pleased.

So overall a good quarter, I think essentially delivering on what we said at the annual results announcement which was that we would make these changes in terms of the focus on what I would call 'call-to-action' with our marketing and better incentive campaigns for our agents, and that has had the positive impact we were looking for.



Finally today, this morning we are going to have our AGM and at that AGM after 8½ years of leadership of this business as Chairman, Christopher Rodrigues will stand down and will hand over to Dan O'Connor. I would just like to go on record to say that I have been very, very pleased with the working relationship with Christopher. I think he has been a huge support to me as I came into the business and I think he has been a great steward for this business over the last 8½ years, so our thanks to Christopher for that and we very much look forward to working with Dan to take the business on to the next stage of growth.

So that's it in terms of summary. David, anything you'd like to add to that?

David Broadbent: No, I think I'd just repeat the point you made earlier Gerard that we had a bit of a slow Q4 at the end of last year and we've seen progressive improvement this year so we're feeling pretty positive.

Gerard Ryan: Ok. Oonagh, we'd be happy now to take any questions that might come in on the line.

Operator: Thank you. If you would like to ask a question at this time, please press the star or asterisk key followed by the digit 1 on your telephone. Please ensure that the mute function on your telephone is switched off to allow your signal to reach our equipment. Again please press *1 to ask a question. We will take our first question from Portia Patel from RBC. Please go ahead, your line is open.

Portia Patel: Good morning, this is Portia Patel from RBC. I've just got two questions, first if you could comment on the delay in the licensing process for the Spanish home credit business and what the implications of that are? Second, could you just clarify whether Spain rather than Poland will now be the first digital market?

Gerard Ryan: Hi Portia, it's Gerard here. Ok, so as regards the licensing process, there is a structure, a process that you have to go through with the Bank of Spain, we're going through that. At the start of the year it was indicated to us that we should expect to get our licence in February, then we were sort of informed we should expect it in April and it now feels like it's going to be another few months. There are no indications that there are any problems with the process or with the licensing application, but it's just taking longer than expected. We're not getting upset by it, it's just a fact.



At the same time we've been really pleased with MCB and clearly we acquired MCB with a view to expanding it across our businesses in terms of the countries we're already in as well as going to new geographies, and having done our research earlier on Spain and having spent some time now with the MCB team we've decided that it's a really good opportunity to go for digital there.

David Broadbent: Portia, the other point, you were asking whether Spain or Poland...obviously we've got hapiloans that's trading in Poland there, it started trading there at the end of last year, so following the acquisition of MCB we've just about integrated the two businesses together. In terms of hapiloans development it is going very well. We've issued our first few thousand loans. We are now at the point where we can put in our first scorecard revisions, but in terms of the outlook for the rest of this year it's still about issuing credit, working out the good from the bad, scorecard refinement and when we've got to a point where we're happy the scorecard is working effectively, then that's when you move into growth mode. But that will be some months away from here in Poland and obviously when MCB does start trading in Spain there will be a similar development period of somewhere between 6-12 months where it's relatively low volume; you're just testing your scorecard before you expand.

Gerard Ryan: I feel like we've made a lot of progress in the past six weeks since we brought on board MCB. We've unified the management team of MCB and hapiloans. We've agreed on the systems and we've done our research and agreed on the first country to expand into, so I feel like it has been really good progress.

Portia Patel: Ok, great. Thanks very much.

Gerard Ryan: Ok.

Operator: Thank you. We will now take our next question from Nitin Arora from HSBC London. Please go ahead, your line is open.

Nitin Arora: Good morning gents. A couple of questions from me, firstly just following up on Spain, you talk about there has been delays, it was early February, then April and it looks like another couple of months as you say. What does that imply in terms of the investments you talked about in Spain? Earlier in the year you guided towards an £8 million investment. Does that get deferred into next year or are you still guiding towards the same investment number? Then secondly on Slovakia, the new regulations have been in place for nine months, your credit issued has been declining for almost nine months now. Given that average duration of the loan book is six months there, why is it that your impairment number is not coming down in that market? What are we missing here?

Gerard Ryan: Ok, thanks for the questions. So on Spain our guidance would be just to hold your numbers as is for now because we did intend to get into the country. It's simply a delay and clearly we're going to go there with digital, so I think the sensible thing for now is just to assume that the numbers are the same.

David Broadbent: Absolutely, yes. Then Nitin on the second point around Slovakia, how I would describe it, obviously we had pretty stringent regulations come in in May last year and we went through an initial first few months in terms of reworking certain aspects of our processes to comply with the regulations – that was very successful. Obviously in terms of the collections performance, we're now in sort of a stabilisation phase where things have settled down and everything is working pretty well. Over the next few months I think our expectation is that we will see an improvement in both the collections performance and the credit issue growth and obviously once we get past May and June then the reference period we will be reporting against will be helpful as well. So I think overall we had a tough few months after the regulation came in but I think we're in a good place and as Gerard said as we look forward into Q2 and Q3 I think we're pretty optimistic, expecting improved performance from that market.

Nitin Arora: I think it was like the same commentary at the time of full year results that you were seeing improvements but we don't see any improvement in the numbers here. I thought it was similar commentary which you gave today even at the time of the full year numbers in February? I'm just wondering why are impairment numbers not coming down given most of the customers which had the loan at the time of May/June should be out of the book now. Is it that the new customers are still defaulting, your collection processes are not working fine, what is going on?

David Broadbent: I think Nitin certainly from our perspective when we look at the underlying performance drivers in both markets we can see an improvement. Obviously you don't get that level of detail. What we report to you is effectively the year-on-year numbers and obviously within that certainly from an impairment perspective you look at moving annual averages. They include 24 months of information when you're comparing one set of numbers against the previous year and these things take a full 12 month cycle before they work their way through and you're in a normal reference period. So at an underlying level we see the improvements coming through but it will take another quarter or two before it will become apparent in the numbers.

Nitin Arora: Right, ok. Just lastly on Poland there was an encouraging, very good improvement in the impairment number there. Are there any debt sales which have happened there or any recoveries or is it a normal good quality which is coming through?

Gerard Ryan: Good quality Nitin, no debt sales.

Nitin Arora: Alright, thank you so much.

Gerard Ryan: Ok. We were very pleased with Poland. A really, really strong turnaround from Q4.

Operator: Thank you. As a reminder to ask a question at this time please press *1 on your telephone. We do not appear to have any further questions. I will pass it back to the speakers.



Gerard Ryan: Thank you Oonagh. Ok, so just to summarise, we are pleased with the quarter. It's not that long I suppose since we stood up and announced the year end results but we can confirm this morning that the actions that we are taking to address the growth slowdown in Q4 are having the desired impact. Clearly these things don't turn overnight but as I said earlier in the call, as we went through the quarter and month-on-month we saw improvements and that is what we were looking for. So underlying result up 18%, really positive on that and clearly you know all about the individual countries as they are stated in the release.

So thank you very much everybody for joining and I'm sure if you have any other questions you can direct those to our corporate team. Thank you Oonagh.

Operator: Thank you. That will conclude today's conference call. Thank you for your participation ladies and gentlemen, you may now disconnect.