



2017 half-year results

# International Personal Finance plc

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26 July 2017

International Personal Finance plc

**Gerard Ryan**

**Chief Executive Officer**

# 2017 half-year highlights



## Good financial and operational performance

- Group profit before tax increased to £43.0M
  - Credit issued growth of 10%
  - Consistent credit quality management
- Home credit
  - Strong credit issued growth and improved impairment in Mexico
  - Good operational performance in European home credit
- IPF Digital
  - Excellent top-line growth
  - Established markets delivered improved growth in profit
- Robust funding and balance sheet position - £140M headroom on funding facilities
- Interim dividend maintained at 4.6 pence per share

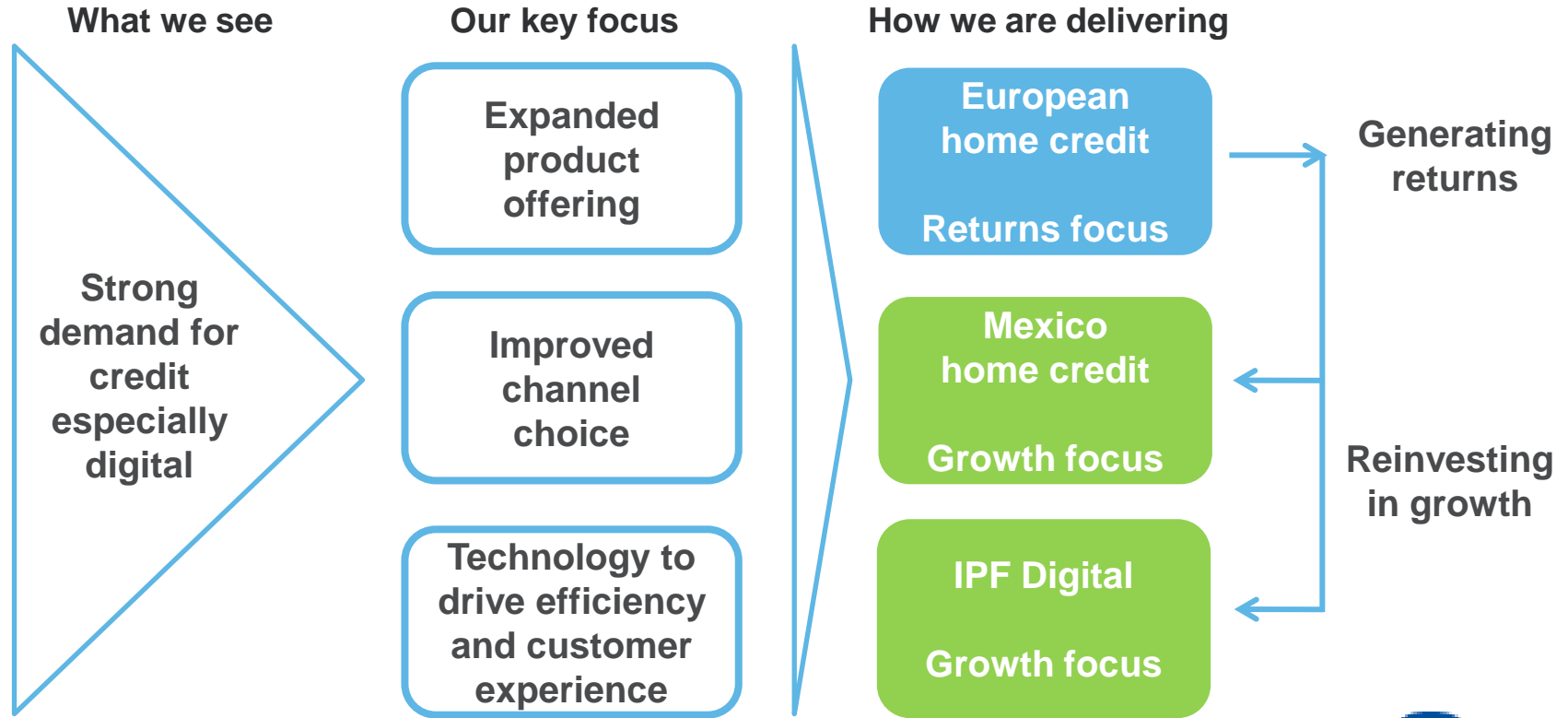
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# Business update

# Our multi-channel strategy



Generating returns for shareholders and enabling investment in growth



# Delivering our strategy – European home credit



## Optimising for returns

### Simplifying and modernising

- Simplified business structure
- Cost optimisation: 5% cost reduction at CER
- ‘MyProvi’ agent technology roll out

### Leveraging Provident brand

- 14,000 Provident digital customers in Poland
- Provident consideration levels in Poland increased from 51% to 61%
- Launching Provident digital in Czech Republic

### Building resilience

- Engaging with regulatory stakeholders and influencers directly and through industry organisations
- Reducing prices where necessary and providing more choice

# Delivering our strategy – Mexico home credit



Performance back on track – significant long-term growth potential

## Improving performance

- Strong growth and improved collections momentum
- Better cash collection driving impairment towards target level

## Expanding footprint

- 2016 branch expansion contributing to growth
- Further six branches opened in H1 2017

## Building micro business channel

- Significant opportunity – 4M micro businesses
- Average loan 4x size of typical home credit loan
- Good credit quality

# Delivering our strategy – IPF Digital

Excellent growth and significant opportunities ahead



## Building scale

- Good growth delivered across established markets
- New markets progressing well and very strong volumes
- Strengthening functional capability to support expansion

## Demonstrating path to profitability

- Strong profit performance in established markets
- Expect maiden profit 2018 as new markets benefit from maturing collections



# Regulation update



No material changes since Q1 trading update

## Poland: cap on non-interest charges for consumer loans

- No significant update on the Polish Ministry of Justice's proposal to further reduce the existing cap
- Engaging with Polish Government ministries and interested parties – aiming to achieve a more positive solution for consumers and businesses

## Polish tax chamber decision appeal: transfer pricing and home collection fee for 2008 and 2009 financial years

- Court case for appeals expected late 2017/early 2018
- Strongly disagree with decision and will defend robustly
- Await decision on 2010 tax audit and all subsequent years remain open to future audit

## Rate caps

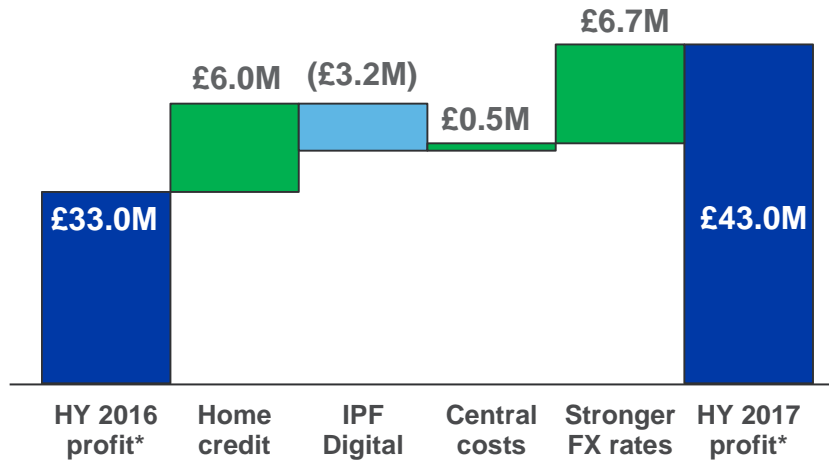
- Operate under rate caps in all European markets except Czech Republic and Romania
- Introduction of rate cap in Romania likely

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**Justin Lockwood**  
**Chief Financial Officer**

# Group profit before tax

Improved profit performance

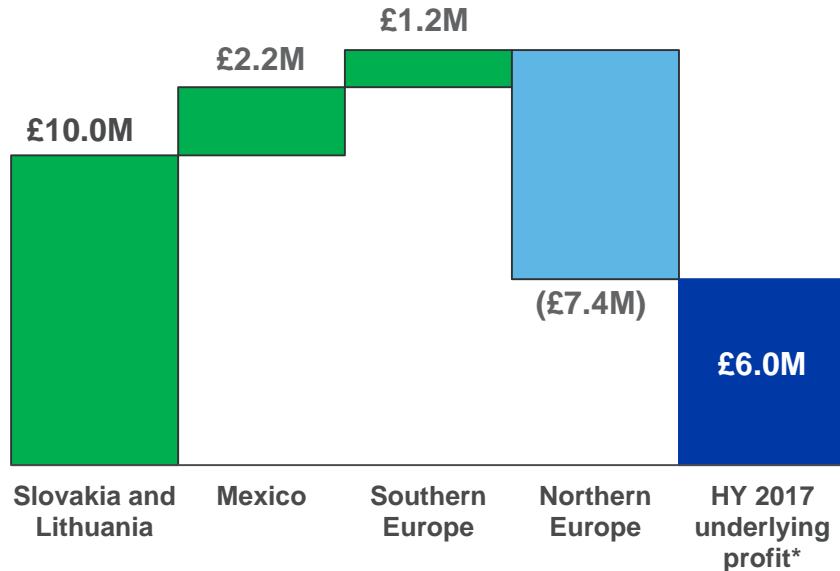


- £10M increase in reported profit
- £6M increased in home credit profit including expected contraction in Northern Europe
- Incremental investment in IPF Digital to drive future profit growth
- Significant FX benefit due to sterling weakness following Brexit
- Profit excludes trading loss and one-off accounting charge for Bulgaria

\* From continuing operations

# Home credit profit growth at CER

Profit growth of £6.0M

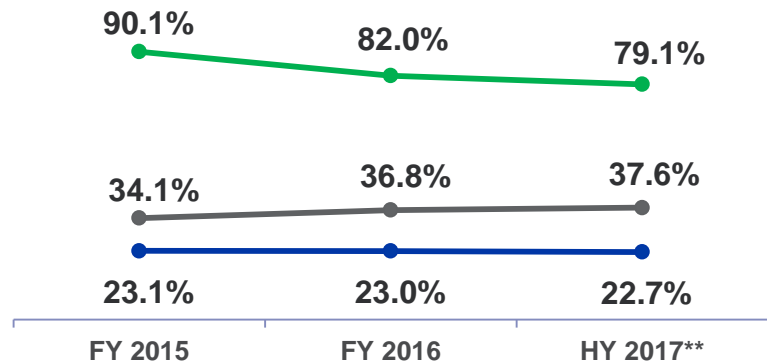
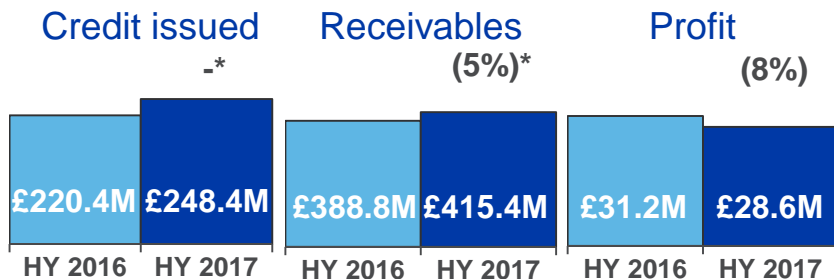


- Stronger-than-expected collect-out performance in Slovakia and Lithuania
- Good operational performance in Mexico drives profit growth
- Southern Europe driven by strong performance in Hungary to offset weaker result in Romania
- As expected, Northern Europe impacted by lower rate cap in Poland and contraction in Czech Republic

\* From continuing operations

# Home credit - Northern Europe

Performance in line with expectations



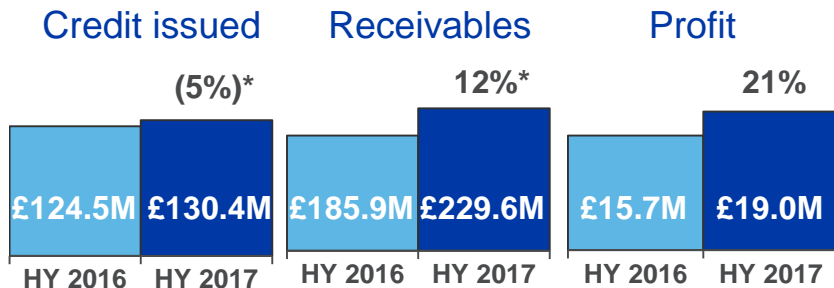
● Revenue yield ● Cost-income ● Impairment % revenue

\* At constant exchange rates \*\* Annualised

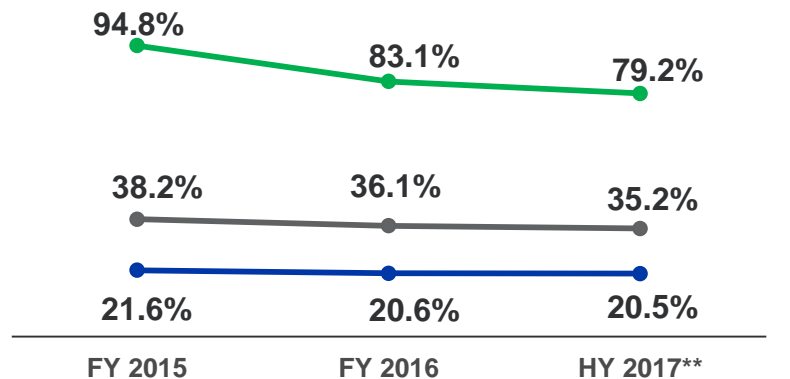
- Competitive landscape impacted top-line growth
- Key drivers of reduced revenue:
  - Poland - total cost of credit legislation
  - Czech - contracting receivables and longer-term loans
- Good collections and credit quality
- Cost optimisation programme delivered £4.3M (6.4%) cost reduction at CER
- Underlying profit reduced as expected, partially offset by an FX benefit
- Credit issued in H2 expected to be flat

# Home credit - Southern Europe

Good overall performance despite regulatory challenges in Romania



- Regulatory change in Romania impacted top-line growth partially offset by Hungary
- Revenue growth of 1% - driven by lower yielding, longer-term loans
- Credit quality maintained
- Focus on efficiency drove improved cost-income ratio
- Underlying profit growth driven by strong performance in Hungary; and £2.1M FX benefit
- Similar credit issued trends expected in H2



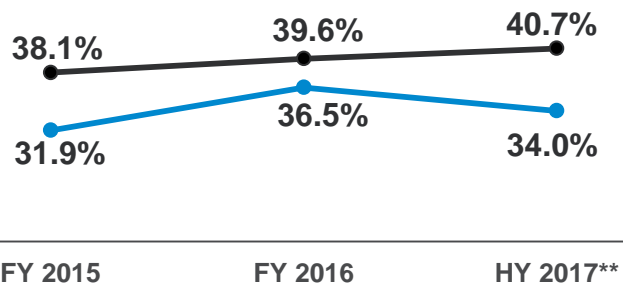
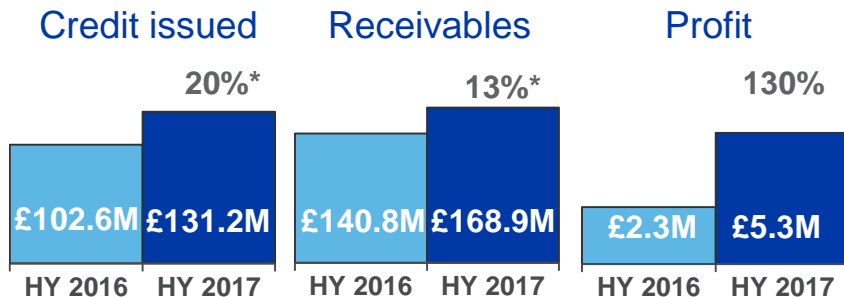
● Revenue yield ● Cost-income ● Impairment % revenue

\* At constant exchange rates \*\* Annualised

# Mexico home credit



## Strong growth and improved collections



● Cost-income ● Impairment % revenue

- Strong credit issued growth - supported by expansion and micro business channel
- Increased receivables book drove 14% revenue growth
- Improved collections delivered continued reduction in impairment
- Cost-income increased in driving performance and investment in growth
- Underlying profit growth of £2.2M and £0.8M FX benefit
- Looking ahead – balance growth with maintaining credit quality

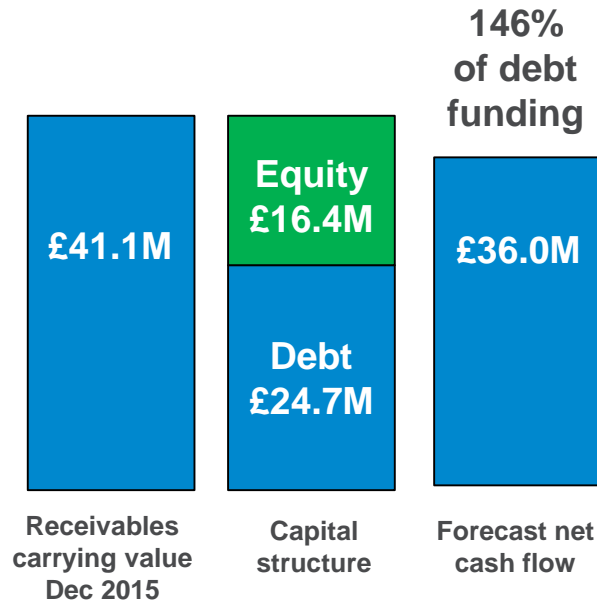
\* At constant exchange rates \*\* Annualised

# Home credit - Slovakia and Lithuania



Strong cash collection against receivables accounting value

## Slovakia collect-out performance



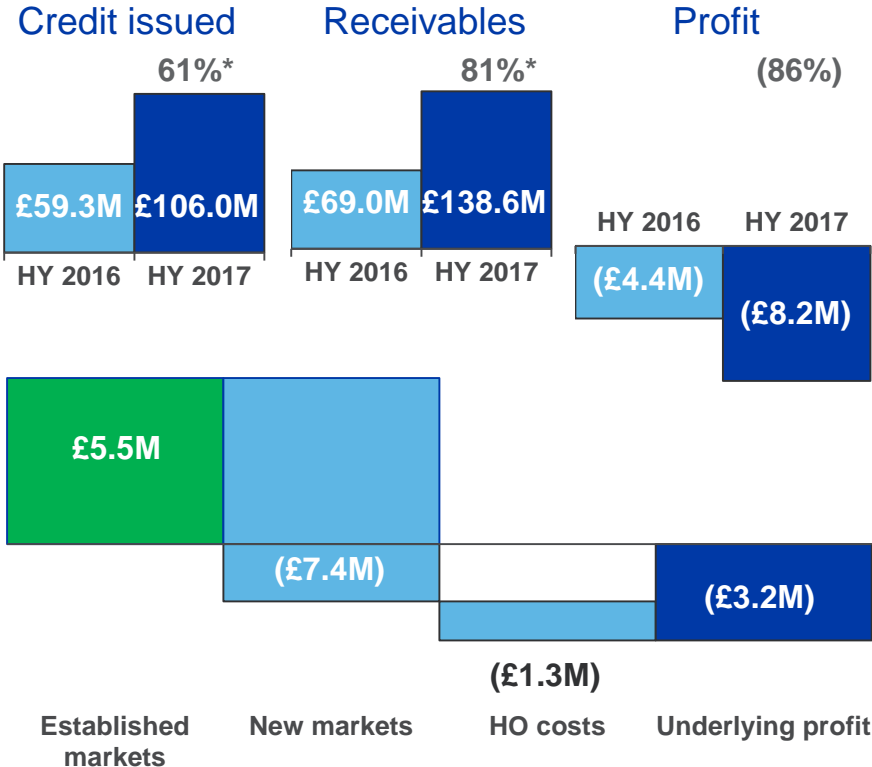
- Pleasing performance from businesses being wound down - £5.4M combined profit
- Collect-out in both markets largely completed
- Target equity to receivables ratio of 40%
  - Debt funding
  - Equity funding
- Slovakian net cash flow forecast at £36M
- Net cash collection – 146% of debt funding



# IPF Digital



Excellent top-line growth and improved profitability in established markets



- Established markets – strong profit growth
  - Strong receivables and revenue growth
  - Good credit quality and cost leverage
- New markets – increased investment
  - Very strong credit and receivables growth
  - Impairment at elevated levels as expected - focus on improving in H2
- Targeting full year credit issued growth of c.40%
- Chosen to invest at faster rate to capture growth opportunity. 2017 investment of £10M to £12M
- Expect maiden profit in 2018

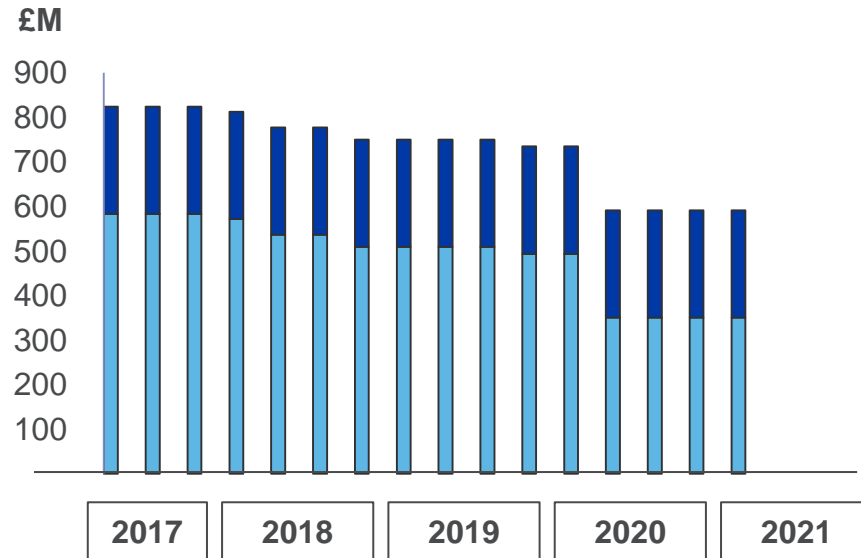
\* At constant exchange rates

# Strong balance sheet and funding position



Good headroom on undrawn bank facilities

## Total debt facilities



- Equity to receivables 47.2%
- £140M of headroom on debt facilities
- £22M new bank funding secured in 2017
- Total debt facilities of £824M - c.£583M bonds and c.£241M bank facilities
- Secure long-term bond funding – £494M maturing 2020 or 2021. No bond maturities in H2 2017 and £46M in H1 2018
- Interim dividend maintained at 4.6 pence per share

Bond facilities

Bank facilities\*

\* Rolling extensions assumed

Outlook

**Gerard Ryan**  
**Chief Executive Officer**

- Competitive and regulatory environment to remain challenging
- Continue to deliver against multi-channel strategy
  - European home credit – improve efficiency to optimise returns
  - Mexico – further growth and well-managed collections
  - IPF Digital - strong growth and reduced levels of impairment in new markets
- Expect to make continued good progress in H2



# Questions



# Appendices

# Group

Half-year to 30 June 2017



	HY 2016 £M	HY 2017 £M	Change at CER %
Customer numbers (000s) † **	2,477	<b>2,395</b>	(3.3%)
Credit issued†	506.8	<b>616.0</b>	9.9%
Revenue†	353.3	<b>400.8</b>	2.6%
Annualised impairment % revenue†	25.3%	<b>26.4%</b>	(1.1 ppts)
Annualised cost-income ratio	41.6%	<b>43.3%</b>	(1.7 ppts)
PBT* (£M)	33.0	<b>43.0</b>	
EPS* (pence)	10.9	<b>13.6</b>	

† Excluding Slovakia, Lithuania and Bulgaria

\* From continuing operations

\*\* Adjusted following change to treatment of very slow paying customers in our home credit businesses

# Northern Europe

Half-year to 30 June 2017



	HY 2016	£M	HY 2017	£M	Change at CER	%
Customer numbers (000s)	920		<b>798</b>		(13.3)	
Credit issued	220.4		<b>248.4</b>		0.1	
Average net receivables	388.8		<b>415.4</b>		(5.1)	
Revenue	162.8		<b>161.5</b>		(11.9)	
Impairment	(42.7)		<b>(41.4)</b>		14.6	
Finance costs	(10.3)		<b>(12.1)</b>		(5.2)	
Agents' commission	(17.7)		<b>(16.2)</b>		18.6	
Other costs	(60.9)		<b>(63.2)</b>		6.4	
Profit before taxation	31.2		<b>28.6</b>			
Poland	23.0		<b>22.3</b>			
Czech Republic	8.2		<b>6.3</b>			
Profit before taxation	31.2		<b>28.6</b>			



# Poland

Half-year to 30 June 2017



	HY 2016 £M	HY 2017 £M	Change at CER %
Customer numbers (000s)	759	<b>666</b>	(12.3)
Credit issued	174.0	<b>205.0</b>	4.4
Average net receivables	304.0	<b>335.3</b>	(2.3)
Revenue	130.3	<b>134.8</b>	(8.4)
Impairment	(37.6)	<b>(40.7)</b>	4.9
Finance costs	(8.3)	<b>(10.3)</b>	(10.8)
Agents' commission	(14.1)	<b>(12.8)</b>	19.5
Other costs	(47.3)	<b>(48.7)</b>	7.2
Profit before taxation	23.0	<b>22.3</b>	

# Czech Republic

Half-year to 30 June 2017



	HY 2016 £M	HY 2017 £M	Change at CER %
Customer numbers (000s)	161	<b>132</b>	(18.0)
Credit issued	46.4	<b>43.4</b>	(16.2)
Average net receivables	84.8	<b>80.1</b>	(15.3)
Revenue	32.5	<b>26.7</b>	(26.2)
Impairment	(5.1)	<b>(0.7)</b>	87.7
Finance costs	(2.0)	<b>(1.8)</b>	18.2
Agents' commission	(3.6)	<b>(3.4)</b>	15.0
Other costs	(13.6)	<b>(14.5)</b>	3.3
Profit before taxation	8.2	<b>6.3</b>	

# Southern Europe

Half-year to 30 June 2017



	HY 2016 £M	HY 2017 £M	Change at CER %
Customer numbers (000s)	586	<b>535</b>	(8.7)
Credit issued	124.5	<b>130.4</b>	(5.0)
Average net receivables	185.9	<b>229.6</b>	11.7
Revenue	80.0	<b>89.2</b>	0.8
Impairment	(20.4)	<b>(22.1)</b>	3.5
Finance costs	(4.8)	<b>(5.7)</b>	(7.5)
Agents' commission	(10.3)	<b>(11.9)</b>	(4.4)
Other costs	(28.8)	<b>(30.5)</b>	1.9
Profit before taxation	15.7	<b>19.0</b>	

# Mexico

Half-year to 30 June 2017



	HY 2016 £M	HY 2017 £M	Change at CER %
Customer numbers (000s)	814	<b>841</b>	3.3
Credit issued	102.6	<b>131.2</b>	20.1
Average net receivables	140.8	<b>168.9</b>	13.1
Revenue	87.5	<b>106.0</b>	13.9
Impairment	(34.2)	<b>(35.8)</b>	0.3
Finance costs	(4.2)	<b>(5.9)</b>	(31.1)
Agents' commission	(11.4)	<b>(14.1)</b>	(15.6)
Other costs	(35.4)	<b>(44.9)</b>	(20.1)
Profit before taxation	2.3	<b>5.3</b>	

# IPF Digital

Half-year to 30 June 2017



	HY 2016 £M	HY 2017 £M	Change at CER %
Customer numbers (000s)	157	<b>221</b>	40.8
Credit issued	59.3	<b>106.0</b>	61.1
Average net receivables	69.0	<b>138.6</b>	81.2
Revenue	23.0	<b>44.1</b>	72.3
Impairment	(8.0)	<b>(18.8)</b>	(108.9)
Finance costs	(1.8)	<b>(3.4)</b>	(70.0)
Other costs	(17.6)	<b>(30.1)</b>	(53.6)
Loss before taxation	(4.4)	<b>(8.2)</b>	

# IPF Digital – established markets

Half-year to 30 June 2017



	HY 2016 £M	HY 2017 £M	Change at CER %
Customer numbers (000s)	130	<b>141</b>	8.5
Credit issued	47.4	<b>63.7</b>	21.8
Average net receivables	60.8	<b>97.8</b>	45.8
Revenue	19.4	<b>27.9</b>	29.8
Impairment	(5.9)	<b>(5.5)</b>	16.7
Finance costs	(1.6)	<b>(2.4)</b>	(33.3)
Other costs	(9.5)	<b>(12.0)</b>	(13.2)
Profit before taxation	2.4	<b>8.0</b>	

# IPF Digital – new markets

Half-year to 30 June 2017



	HY 2016 £M	HY 2017 £M	Change at CER %
Customer numbers (000s)	27	<b>80</b>	196.3
Credit issued	11.9	<b>42.3</b>	213.3
Average net receivables	8.2	<b>40.8</b>	334.0
Revenue	3.6	<b>16.2</b>	295.1
Impairment	(2.1)	<b>(13.3)</b>	(454.2)
Finance costs	(0.2)	<b>(1.0)</b>	(400.0)
Other costs	(5.4)	<b>(13.9)</b>	(127.9)
Loss before taxation	(4.1)	<b>(12.0)</b>	

# Underlying profit reconciliation



	HY 2016 reported profit £M	Underlying profit movement £M	IPF Digital investment £M	FX rates £M	HY 2017 reported profit £M
Home credit	45.0	6.0	-	7.3	<b>58.3</b>
IPF Digital	(4.4)	5.5	(8.7)	(0.6)	<b>(8.2)</b>
Central costs	(7.6)	0.5	-	-	<b>(7.1)</b>
Profit before taxation	33.0	12.0	(8.7)	6.7	<b>43.0</b>



# Strong financial profile

Robust balance sheet position, good returns, low gearing, and high interest cover



	FY 2015	FY 2016	<b>HY 2017**</b>
Receivables	802.4	939.9	<b>1,010.2</b>
Equity	327.2	429.5	<b>477.0</b>
Equity to receivables ratio	40.8%	45.7%	<b>47.2%</b>
Gearing	1.7x	1.5x	<b>1.4x</b>
Return on assets <sup>†</sup>	15.1%	11.6%	<b>12.2%</b>
Return on equity <sup>*†</sup>	23.3%	17.7%	<b>17.7%</b>
Adjusted earnings per share <sup>*†</sup>	37.1p	30.2p	<b>34.8p</b>
Interest cover <sup>*†</sup>	3.9x	3.2x	<b>3.2x</b>

\* Prior years pre-exceptional

† Annualised

\*\* 2017 from continuing operations

# Balance sheet



£M	June 2016	June 2017	Change at CER %
Goodwill	22.9	<b>23.9</b>	4.4
Fixed assets	54.1	<b>59.2</b>	6.3
Receivables	874.7	<b>1,010.2</b>	7.3
Cash	42.1	<b>32.3</b>	(27.7)
Borrowings	(602.4)	<b>(684.3)</b>	(6.5)
Other net (liabilities) / assets	(10.2)	<b>35.7</b>	520.0
Equity	381.2	<b>477.0</b>	21.9

# Foreign exchange rates



	Current rates 24 July 2017	2017		2016	
		Closing June	Average	Closing June	Average
Polish zloty	4.7	4.8	4.9	5.2	5.6
Czech crown	29.1	29.8	31.0	32.4	34.5
Euro	1.1	1.1	1.2	1.2	1.3
Hungarian forint	341.0	350.8	358.8	382.0	397.2
Mexican peso	23.0	22.9	24.1	24.3	26.1
Romanian leu	5.1	5.2	5.3	5.4	5.7
Australian Dollar	1.6	1.7	1.7	1.8	2.0

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# International Personal Finance plc

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