26 October 2023

International Personal Finance plc
Q3 2023 trading update

International Personal Finance plc ("IPF" or the "Group") is helping to build a better world through financial inclusion by providing unsecured consumer credit to underserved customers across nine markets.

Highlights

- The good momentum from the first half has continued through the third quarter, and the Group has continued to perform ahead of internal plans.
- Strong demand for our broad range of financial products resulted in customer lending, excluding Poland, increasing by 11% in the year to date.
- Closing customer receivables of £875m showed an increase of 4% year on year (at constant exchange rates (CER)), or 15% excluding Poland.
- Customer repayment performance remains robust and impairment rates continue to track in line with our expectations.
- Our business transformation and credit card roll out in Poland is progressing well and, in line with our plans, we have now issued more than 100,000 cards.
- We have a strong balance sheet to fund growth with headroom on undrawn facilities and non-operational cash balances of £100m at 30 September 2023, an increase of £16m since the half year.
- We successfully secured £44m of debt facilities during the third quarter and, more recently, priced £14m of bonds in the Polish debt capital market.

Gerard Ryan, Chief Executive Officer at IPF commented:

"I am very pleased to report that the Group is trading well and ahead of our internal plans. Demand for our product range is strong and all our markets continue to deliver good growth in customer lending and receivables, the only exception being Poland where, as expected, lending has moderated as we adapt to serving our customers under the new pricing and affordability regulations there.

I am delighted with the progress we are making with our new credit card offering in Poland, and we have now surpassed the 100,000 cards issued mark. The new product is clearly highly valued by our customers who are using the added utility of a credit card.

Credit quality is very good throughout the Group, and our balance sheet and funding position remains robust. We continue to make good progress in raising new funding and refinancing our existing facilities which will support our future growth plans.

I would like to thank all our colleagues for their hard work and efforts throughout 2023 which means that we are well-placed to deliver good quality growth both in the remainder of 2023 and in 2024."

Group overview

All three of our divisions continued to perform well in the third quarter as we continued to execute well against our strategy to broaden our product set and extend our geographic reach. There remains strong demand for our products and services, with customer lending, excluding Poland, showing a year-on-year increase of 11% in the year to date. As expected, Poland's lending declined year on year as we transition the business through 2023 and 2024 to a credit card focused business as well as adapting to new affordability regulations. As a result, overall Group customer lending has shown a year-on-year reduction of 1%.

Closing net receivables grew by £24m year on year (4% at CER) to £875m at the end of the third quarter which, together with a strengthened revenue yield, resulted in a strong increase in revenue of 15%. Excluding the impact of the business transition in Poland, Group receivables showed strong year-on-year growth of 15%.

Customer numbers reduced by 2% to 1.7m. However, excluding the impact of the transition in Poland and the collect-outs of our businesses in Spain and Finland, customer growth was 2%.

Our stakeholder-focused financial model is underpinned by a stringent focus on revenue yield, impairment rate and cost-income ratio, and we continued to make very good progress towards our medium-term targets in the third quarter.

The Group annualised revenue yield continued to strengthen, increasing by 4.0ppts to 54.8% year on year and 0.6ppts since the half year, reflecting the positive impacts of lower levels of promotional activity introduced during the second half of 2022 and price increases in some of our markets.

We are pleased to report that our disciplined approach to granting credit in a responsible manner continues to be reflected in our good portfolio quality and robust customer repayments. We have not seen any discernible impact from the cost-of-living crisis on customer repayment performance and our balance sheet position remains very robust with an impairment coverage ratio of 36.6%. The Group annualised impairment rate of 12.0% at the end of September (September 2022: 8.5%) is fully in line with our expectations as impairment rates normalise and we continue to grow the business.

Our tight control of costs combined with the strong uplift in revenue delivered a significant 7.2ppt improvement in the Group's annualised cost-income ratio from 63.9% to 56.7% over the last 12 months, and a further 0.7ppt improvement since the half year.

Divisional performance review

European home credit

Our European home credit division continued to execute well in the third quarter, and consumer demand remains good. The Czech Republic, Hungary and Romania combined delivered 15% lending growth in the year to date, compared with the expected reduction of 23% in Poland. As a result, European home credit lending in the year to date is 2% down year on year. Closing net receivables increased year on year by 2% (at CER) to £474m with 18% combined growth in the Czech Republic, Hungary and Romania offset partially by a 17% reduction in Poland. Customer repayment performance has remained robust in all our European home credit markets.

In Poland, the rollout of our new credit card is progressing very well and, at the end of the third quarter, we had issued more than 100,000 cards, up from just over 50,000 at the half year. Customers clearly value the utility of the credit card product, and the level of retail and ATM transactions continue to increase. The impairment performance of credit card customers is consistent with instalment loans and is tracking in line with our expectations.

Mexico home credit

Mexico home credit continues to perform well. Consumer demand is strong, and customer lending is up 5% year on year despite the tighter credit standards implemented at the end of 2022. Customer numbers grew by 2% to 710,000 and closing net receivables increased by 8% year on year (at CER) to £185m. Customer repayment behaviour has improved from the first half and credit quality is in line with our plans, which is testament to our disciplined approach to growth. Our expansion strategy is progressing well, and we are pleased with the performance of our two new regions in Tijuana and Tampico, launched in 2022 and early 2023 respectively.

IPF Digital

IPF Digital delivered another good performance in the third quarter. Excluding Poland, year to date customer lending showed strong growth of 12% with the Baltics, Mexico and Australia all performing well. Lending in Poland saw a 36% reduction as we transition to the new lower total cost of credit cap and affordability rules. We continued to execute our growth strategy to rebuild receivables to gain scale and deliver our target returns, and this resulted in a 7% year-on-year increase in closing net receivables to £216m (at CER) at the end of the third quarter. Excluding Poland and the collect-out markets of Spain and Finland, receivables growth was very strong at 20%. Alongside strong growth, customer repayment performance has remained robust in all our digital operations and portfolio quality is very good.

Funding and balance sheet

We continue to maintain a robust funding position and a conservatively capitalised balance sheet to support growth and our progressive dividend policy. At 30 September 2023, the Group had total debt facilities of £608m comprising £419m of bonds and £189m of bank facilities. We have borrowings of £519m and, together with undrawn facilities and non-operational cash balances, headroom is £100m.

During the third quarter we successfully secured £44m of debt facilities, including £41m of bank facilities and £3m of retail bonds held in treasury. In addition, as reported on 24 October 2023, we returned to the Polish debt capital market announcing the successful pricing of PLN 72m (£14m) of new bonds. The new bonds have a maturity of November 2026 and carry a floating rate coupon of 6-months WIBOR + 8.50%. These positive outcomes on the Group's current funding capacity together with strong business cash generation, mean that we expect to meet our funding requirements to the fourth quarter of 2024.

We are today announcing that we have mandated Singer Capital Markets Limited to arrange a series of calls with sterling fixed income investors on 27 and 30 October 2023. An issue of sterling-denominated retail eligible fixed rate, senior unsecured notes may follow, subject to market conditions. Further details (including certain important restrictions on investor eligibility) are available at https://www.ipfin.co.uk/investors/regulatory-news.

We are also actively pursuing a number of other opportunities to diversify and extend the duration of our funding, including the refinancing of the Eurobond.

Regulation
The EU Commission's review of the second Consumer Credit Directive (CCD II) is now complete and will be published formally in November and enter into force shortly after. EU Member States have 24 months to comply with CCD II. The key areas of change relevant to the Group include rules on pre-contractual information, creditworthiness assessments and underwriting, documentation training and consumer protection rules.

We continue to engage with the Polish financial supervision authority, the Komisja Nadzoru Finansowego (KNF), as they assess our application for a full payment institution licence which will enable our Polish business to issue a greater volume of credit cards in Poland.

Outlook
Our aim is to provide underserved consumers with access to simple, personal and affordable credit and value-added services. There is significant demand for affordable credit within our target demographic, and we see substantial and sustainable long-term growth opportunities through meeting the needs of more consumers with an increased choice of products and distribution channels.

We will continue to maintain a cautious approach to lending given the uncertain macroeconomic landscape and maintain tight cost control across the Group to drive cost efficiencies.

Our strong performance through the first three quarters of the year, together with our robust balance sheet and funding position, gives us confidence in delivering a good performance for the year as a whole and provides the foundation for delivering further strong growth in 2024.

Investor and analyst conference call
International Personal Finance plc will host a conference call for investors and analysts at 09.00hrs (BST) today, Thursday 26 October 2023.

To participate in the conference call please use the dial-in or register online using the link below. Once registered, you will receive an email with your online access link.

Dial-in by phone **Access code**	+44 20 4587 0498 840491
Registration for online access	https://www.netroadshow.com/events/login?show=38ec88ac&confId=54943
Replay:	An audio recording of the conference call will be available in the investors section of our website at www.ipfin.co.uk

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A copy of this statement can be found on our website – www.ipfin.co.uk

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