



# International Personal Finance

2012 Annual Results  
6 March 2013

Gerard Ryan – Chief Executive Officer  
David Broadbent – Finance Director

# 2012 highlights

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- Strategy for growth building momentum
- Strong underlying trading performance continued
- Further improvement in Mexico
- Good returns
- Robust balance sheet and funding position



# Award wins in 2012

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Best Workplace 2012 - Hungary



Non-banking lender with most ethical approach 2012 - Czech Republic



Customer Friendly Company status 2012 - Poland



Gender Equity Model awarded in recognition of equal opportunities – Mexico



Recognised for its financial education programme - Romania



FTSE4Good

Ranked amongst best scoring financial services companies for environment and social governance ratings

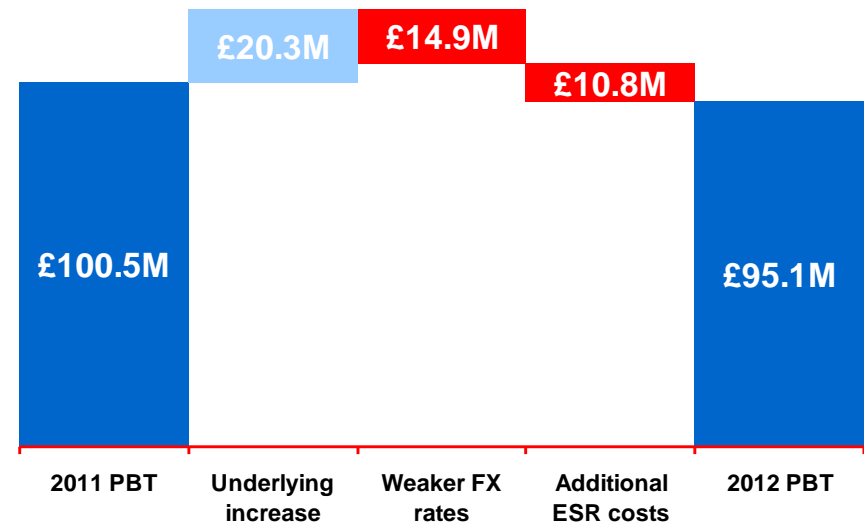


# Performance and financial review

David Broadbent  
Finance Director

# Strong underlying trading performance

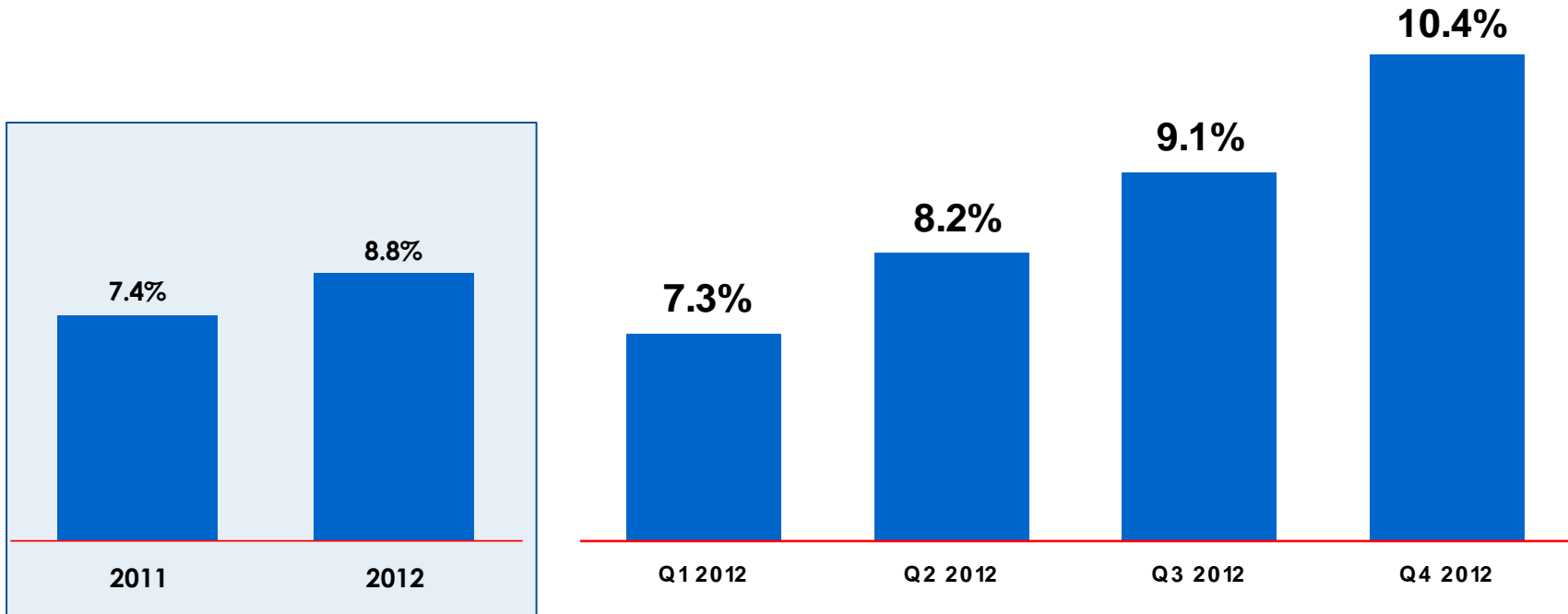
- £95.1M profit – strong underlying profit increase of £20.3M
- Three key drivers:
  1. Accelerating revenue growth
  2. Impairment in middle of target range
  3. Costs managed tightly



# Accelerating revenue growth

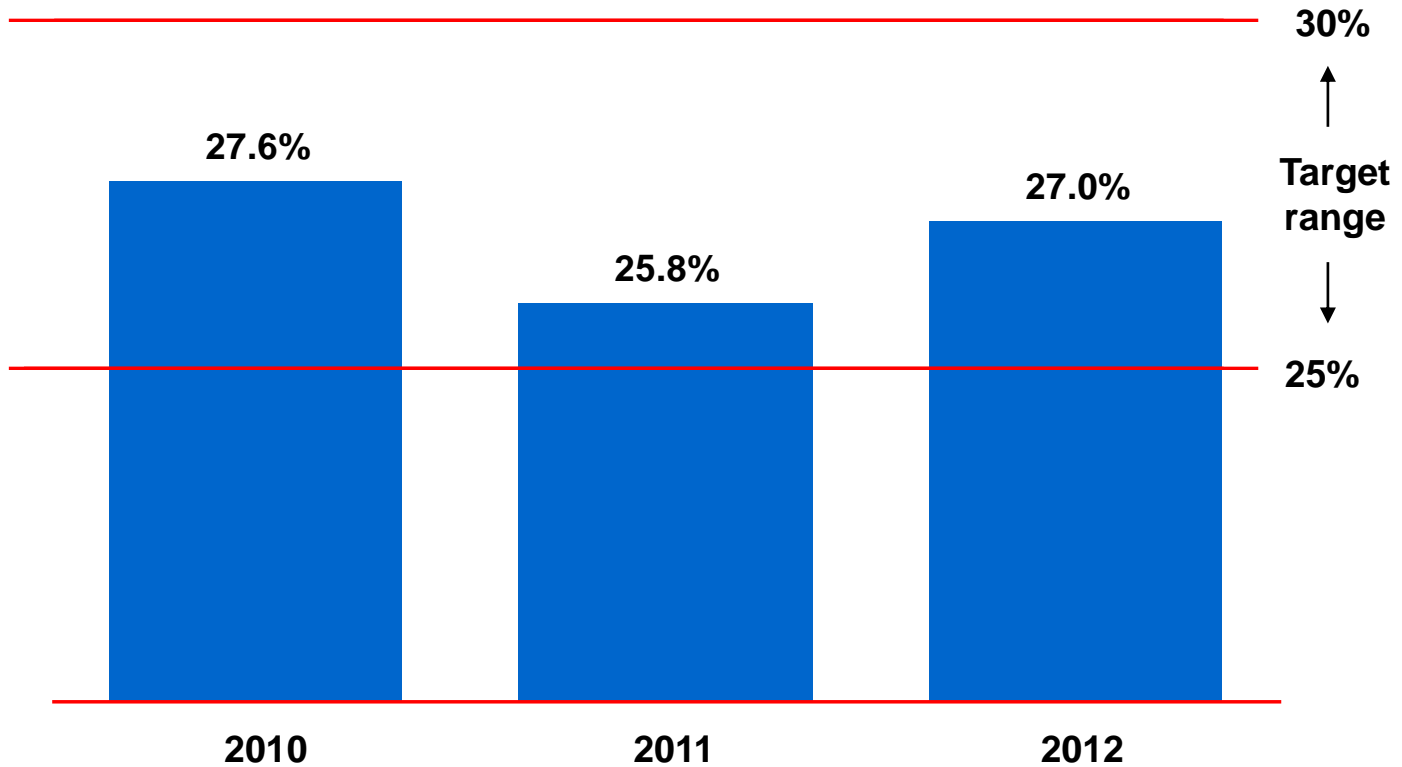
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9% year-on-year revenue growth in 2012, exit growth rate of 10%



# Impairment in middle of target range

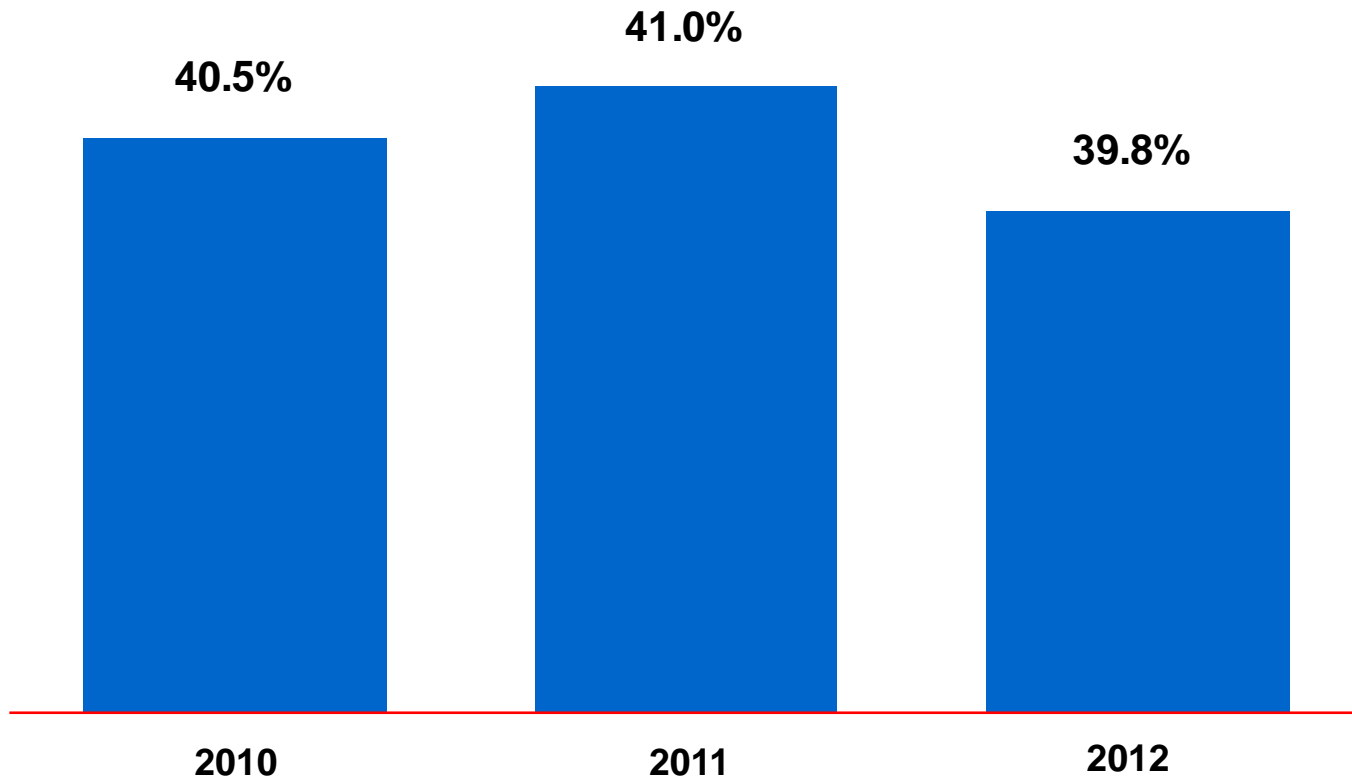
Impairment as a percentage of revenue increased slightly, as planned



# Costs managed tightly

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Group cost-income ratio below 40% for the first time – medium-term target around 35%





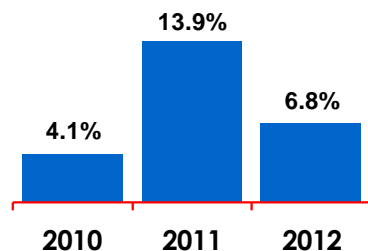
# Poland

Contributing 41% of Group revenue



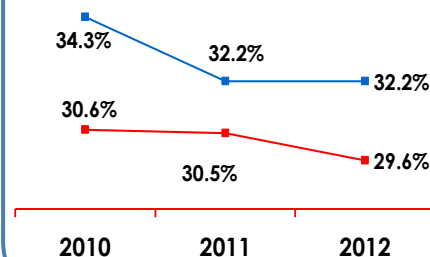
## Very strong performance continued, further ESR impact in 2013

### Revenue growth (at CER)



- Customers increased 4% to 821,000
- Credit issued up 11%
- Average receivables up 8%
- Revenue growth impacted by higher ESRs
- 90-week loan introduced

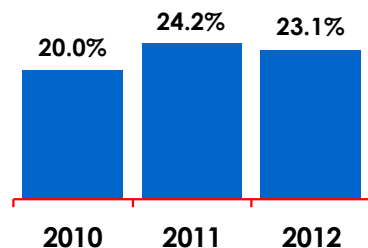
### Quality and efficiency



- Costs tightly managed
- Cost-income ratio adjusted for one-off VAT refund of £4.1M in 2011
- Impairment improved by 0.9pps to 29.6%

- Cost-income ratio - Impairment % revenue

### Profit margin



- £62.2M profit - strong underlying profit growth of £10.3M
- Profit impacted by ESRs (£4.2M) and FX (£9.9M)

### Key takeaways

- Large, growing stable economy
- Strong operational performance
- Longer-term loans introduced in Q3
- £10M-£15M incremental ESR costs in 2013
- Good opportunities for further growth

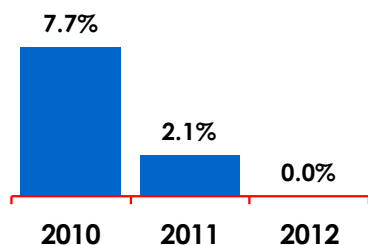
# Czech-Slovakia

Contributing 20% of Group revenue



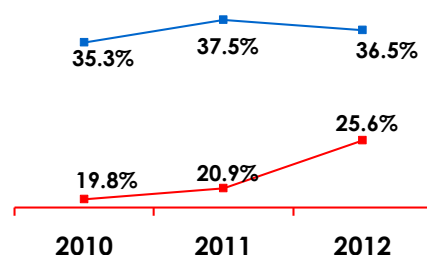
## Consistent performance, foundations in place for delivering faster growth

### Revenue growth (at CER)



- 383,000 customers
- Credit issued up 7% - accelerated in Q4 to 12%
- Average receivables up 6%
- Higher ESRs impacted revenue growth
- 100-week and discounted loans introduced

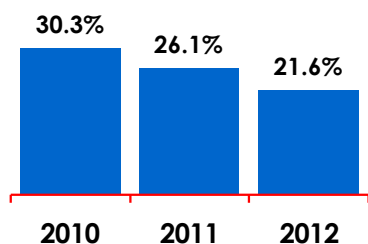
### Quality and efficiency



- Tight cost control reduced costs by 4% on 2011
- Impairment moved into target range

- Cost-income ratio - Impairment % revenue

### Profit margin



- £28.8M profit and underlying profit improvement of £0.3M
- Profit impacted by ESRs (£6.6M) and FX (£2.7M)
- No further incremental ESR impact in 2013

### Key takeaways

- Second largest contributor to Group performance
- Consistent performer
- New team focused on accelerating growth in 2013
- New products introduced
- Sales culture and engagement are key priorities

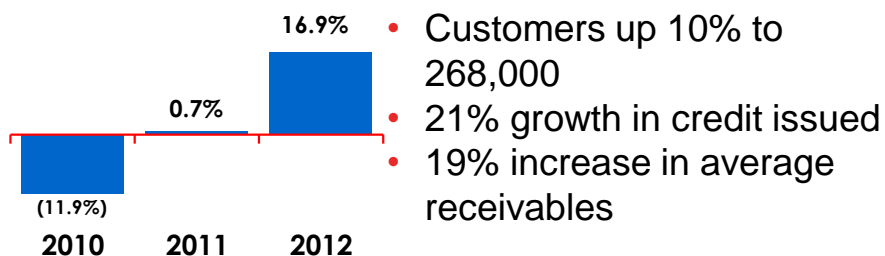
# Hungary

Contributing 12% of Group revenue

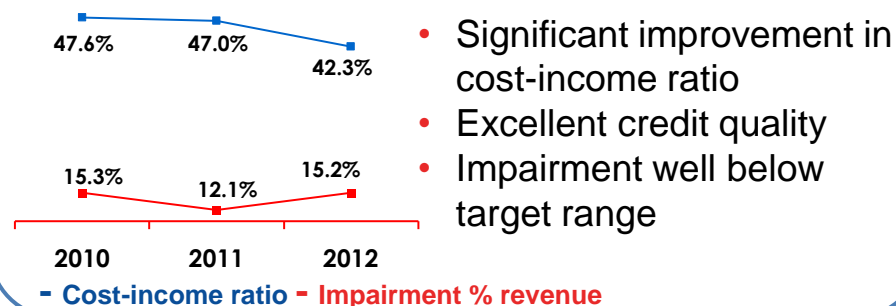


## Very strong performance; excellent growth and credit quality

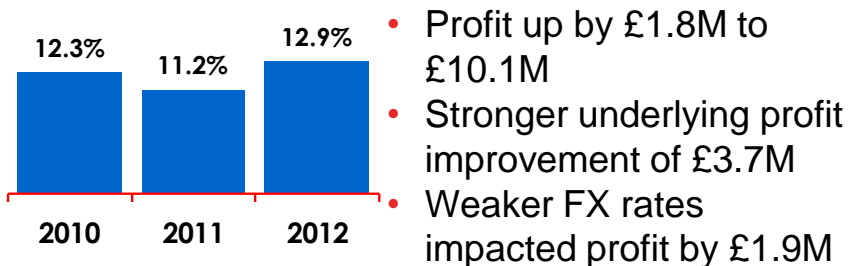
### Revenue growth (at CER)



### Quality and efficiency



### Profit margin



### Key takeaways

- Consumer confidence low but stable
- World class employee engagement
- Strong growth momentum
- Rapidly returning to former scale

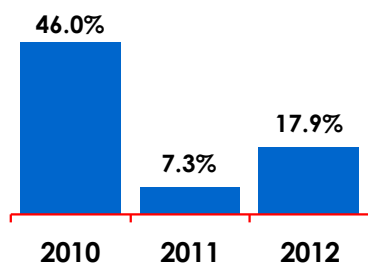
# Romania

Contributing 9% of Group revenue



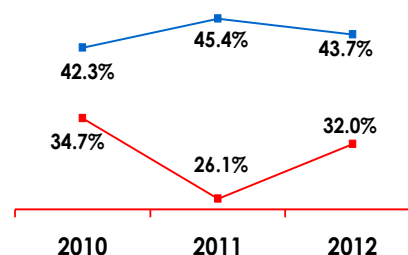
## Difficult year amid challenging macroeconomic conditions

### Revenue growth (at CER)



- Customers up 8% to 260,000
- Credit issued growth 10%
- Average receivables up 15%
- Focus on collections slowed growth

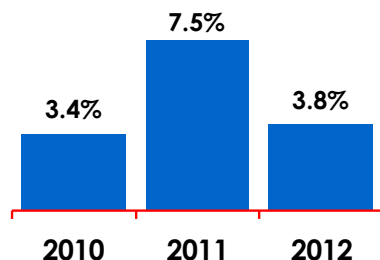
### Quality and efficiency



- External backdrop results in higher impairment (especially Q1)
- Cost-income ratio improved despite investment in growth infrastructure

- Cost-income ratio - Impairment % revenue

### Profit margin



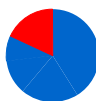
- £2.2M profit following a difficult year
- Underlying profit down £1.7M - all in Q1

### Key takeaways

- New government in place
- Improving consumer confidence
- Strong operational platform
- Moving focus back to growth

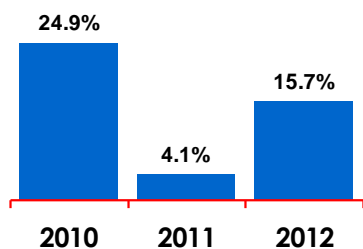
# Mexico

Contributing 18% of Group revenue



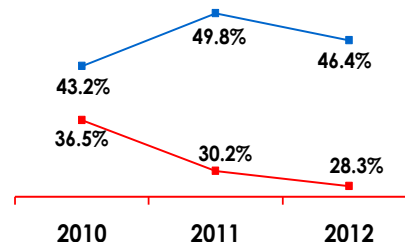
## Performance on track, driven by strong controlled growth

### Revenue growth (at CER)



- Customers up 3% to 683,000
- Strong growth in credit issued of 25% and receivables of 22%
- New credit rules performing well
- Credit issued per customer increased 18% to £221

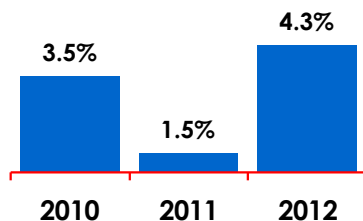
### Quality and efficiency



- Tight cost control resulted in 3.4pps improvement in cost-income ratio
- Further improved impairment to 28.3%

- Cost-income ratio - Impairment % revenue

### Profit margin



- £3.4M improvement in profit
- £7 profit per customer
- Aim to deliver £33 profit per customer by 2015

### Key takeaways

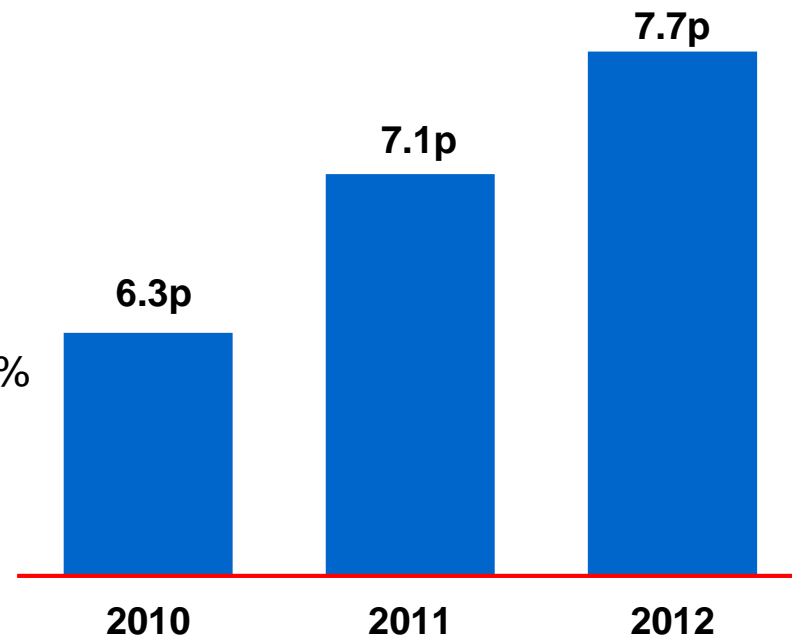
- Favourable external environment
- Strong progress - high growth and lower impairment
- New credit rules extended to six more branches
- Geographic expansion planned in 2013
- Expect further growth towards profit target of £33 per customer

# Good returns

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- Adjusted earnings per share of 27.6 pence
- Interest cover 3.3x
- Return on equity of 20.1%
- £25M share buyback completed
- Proposed full year dividend increase of 9% to 7.7 pence per share

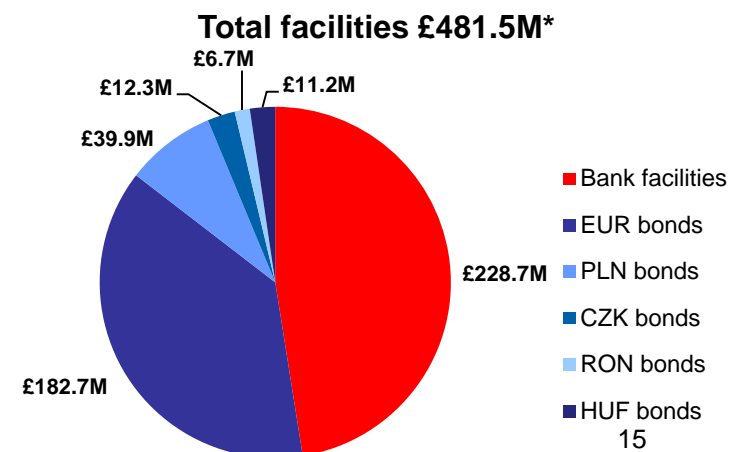
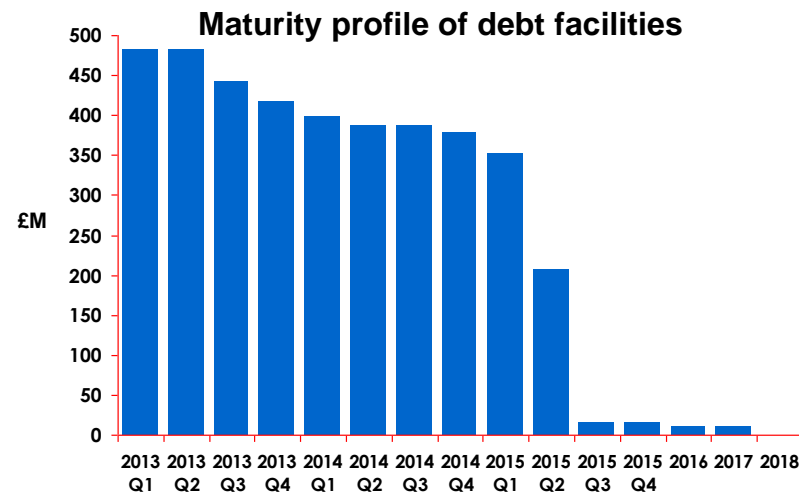
## Increasing dividend



# Robust balance sheet and funding position

## We borrow long and lend short

- Fully funded to May 2015
- Headroom on bank facilities of £160M
- Further diversification of funding achieved
- Local currency bond funding in all European markets
- Targeting further reductions in the cost of funding

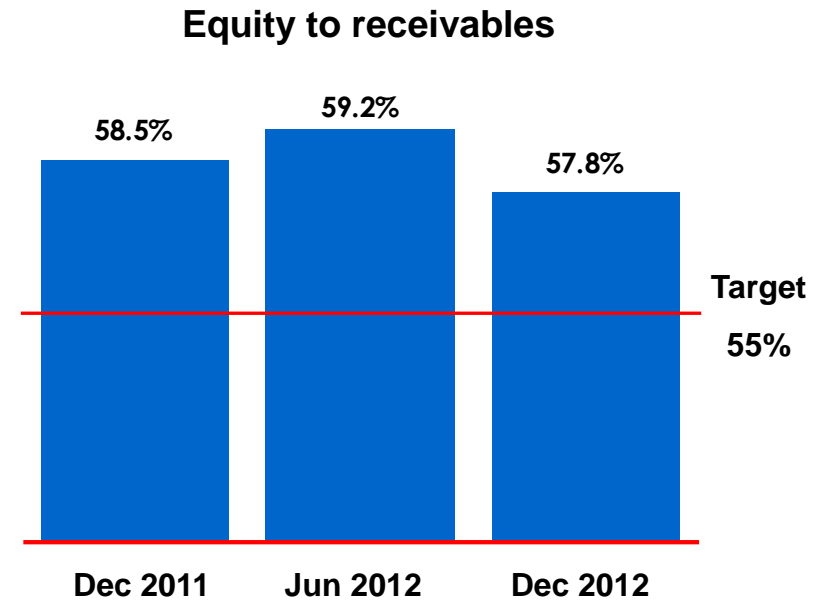


\*At 6 March 2013

# Robust balance sheet and funding position

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- Gearing low and stable at 0.8x
- £25M buyback completed in November
- Equity represents 57.8% of receivables
- Capacity to invest in growth opportunities





# Change in interest allocation

- Historically no formal policy
- Normalisation of equity to receivables across all markets
- Consistent with security offered to all providers of debt finance
- Improved comparability of performance across markets
- As a result, 2015 target profit per customer in Mexico now £33, from £30

	2012 Reported profit £M	Adjustment £M	2012 Adjusted profit £M
Poland	62.2	(7.3)	54.9
Czech-Slovakia	28.8	(1.7)	27.1
Hungary	10.1	2.4	12.5
Romania	2.2	2.3	4.5
Mexico	4.9	4.3	9.2
UK costs	(13.1)	-	(13.1)
Profit before taxation*	95.1	-	95.1

\* Excluding an exceptional restructuring charge of £4.8M



# Warsaw Stock Exchange listing

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- Secondary listing of IPF shares on WSE
- Cements place in the Polish business community
- Facilitate investment in the Group by Polish institutions
- Technical listing – no new equity to be raised
- Shares to begin trading shortly



# Strategy for growth progress update

Gerard Ryan  
Chief Executive Officer



# Our strategy for growth

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**Expand footprint**

**Improve customer engagement**

**Develop sales culture**

**Execution**

# Planned market entries in 2013

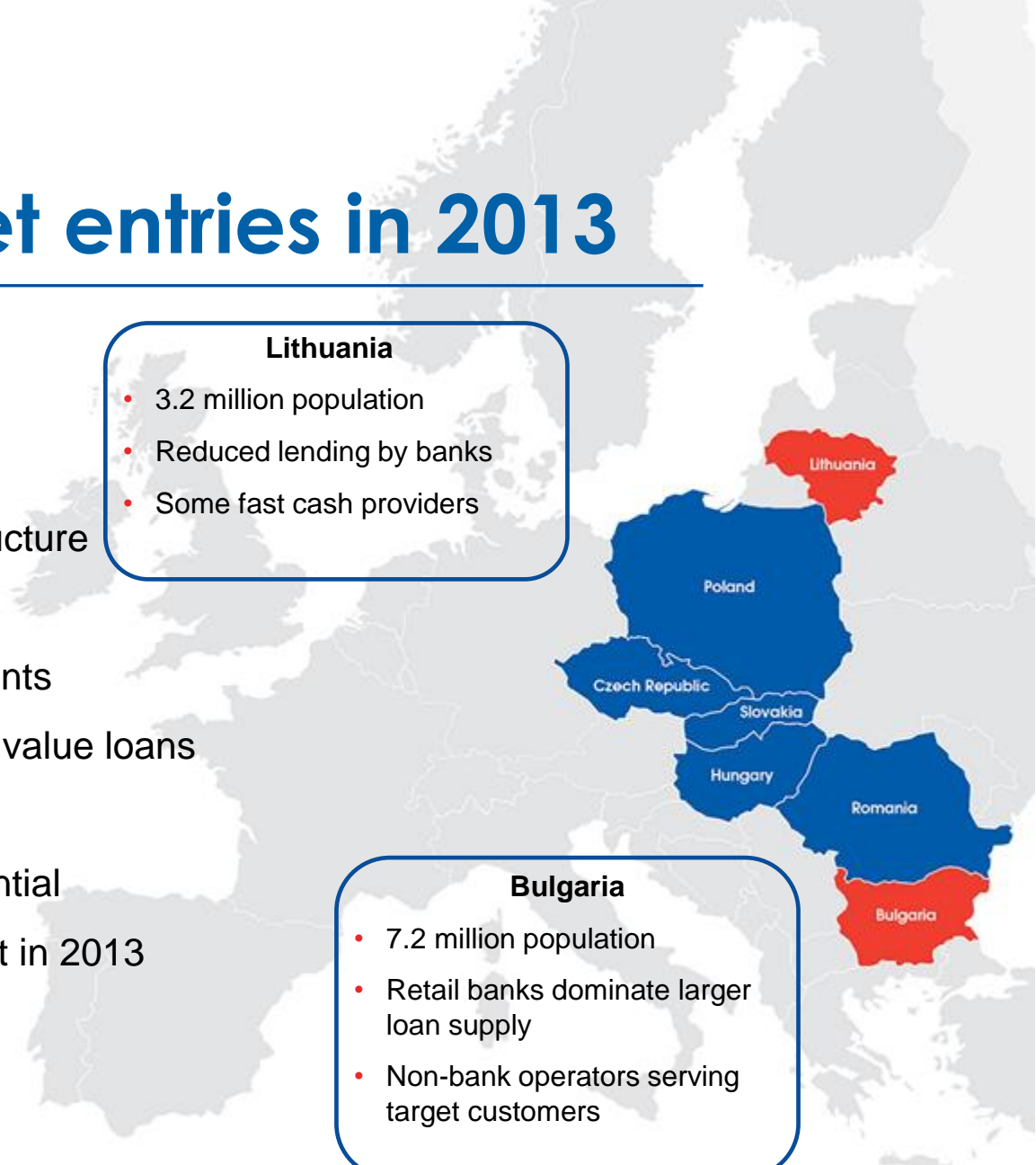
- Adjacent market strategy
  - Shorten J-curve
  - Leverage existing infrastructure
  - Reduce costs
- Favourable business environments
- Demand for shorter-term, lower value loans
- Positive economic prospects
- Controlled pilots to assess potential
- Expected £4M - £5M investment in 2013

## Lithuania

- 3.2 million population
- Reduced lending by banks
- Some fast cash providers

## Bulgaria

- 7.2 million population
- Retail banks dominate larger loan supply
- Non-bank operators serving target customers



# New product development

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## Longer-term loans

### Loans

- 90-week loan in Poland
- 100-week loan in Czech Republic and Slovakia

### Criteria

- Lowest risk customers
- Customers qualify after 12 months

### Impact

- Good levels of demand
- Higher average issue values
- Increased take up on longer-term loan offers
- Lower impairment

# New product development

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Longer-term loans

Preferential pricing

## Scope

- Reduced interest rates for loyal customers
- Rolled out in Slovakia, testing in Poland and Hungary
- Further tests planned

## Criteria in Slovakia

- High-quality customers
- c.6% of customer base
- Tier 1 discount after 1 year
- Tier 2 discount after 3 years

## Impact in Slovakia

- Sales uplift on credit offers
- Lower yield but higher average issue values

# New product development

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Longer-term loans

Preferential pricing

Home insurance test

## Scope

- Hungary – six geographies
- Third party partnership with QBE Insurance (Europe) Limited
- Agents selling and introducing insurance – qualification dependent
- Commission paid by QBE on sale of insurance
- Collection of premiums and claims handling managed by QBE

## Impact

- Too early to assess
- No balance sheet risk



# Strategy for growth – key goals

	July 2012	End 2012	End 2013
Define and articulate strategy for growth	<input checked="" type="checkbox"/>		
<b>Expand footprint</b>			
Launch new geography			<input type="checkbox"/>
<b>Improve customer engagement</b>			
Pilot preferential pricing in all European markets		<input checked="" type="checkbox"/>	<input type="checkbox"/>
Redevelop customer service centres			<input type="checkbox"/>
Broaden product range		<input checked="" type="checkbox"/>	<input type="checkbox"/>
Implement online Decision in Principle			<input type="checkbox"/>
<b>Develop sales culture</b>			
Redefine resource requirements	<input checked="" type="checkbox"/>		
Tie reward and recognition to core strategy		<input checked="" type="checkbox"/>	
<b>Execution</b>			
Restructure senior management team	<input checked="" type="checkbox"/>		
Redefine role of UK head office	<input checked="" type="checkbox"/>		
Restructure UK head office	<input checked="" type="checkbox"/>		
Articulate forward looking IT strategy			<input checked="" type="checkbox"/>

# Outlook

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- Growth strategy embedded and building momentum
- Growth prospects in all markets
- New product development underway
- Geographic expansion planned
- Confident of delivering accelerated growth in 2013





# Questions



# Appendices

# Group

## Year ended 31 December 2012

	2012 £M	2011 £M	Change at CER %
Customer numbers (000s)	2,415	2,323	4.0
Credit issued	882.1	844.5	13.2
Average net receivables	588.3	575.5	11.2
Revenue (net of ESRs)	651.7	649.5	8.8
Impairment	(176.2)	(167.7)	(14.3)
Finance costs	(41.6)	(42.9)	(4.8)
Agents' commission	(74.9)	(72.9)	(11.3)
Other costs	(263.9)	(265.5)	(4.6)
Profit before taxation*	95.1	100.5	

\* Excluding an exceptional restructuring charge of £4.8M

# Strong underlying performance

Year ended 31 December 2012

	2012 Reported profit	Underlying profit movement	Additional ESR costs	Weaker FX rates	2011 Reported profit
	£M	£M	£M	£M	£M
Poland	62.2	10.3	(4.2)	(9.9)	66.0
Czech-Slovakia	28.8	0.3	(6.6)	(2.7)	37.8
Hungary	10.1	3.7	-	(1.9)	8.3
Romania	2.2	(1.7)	-	(0.2)	4.1
Mexico	4.9	3.6	-	(0.2)	1.5
UK costs	(13.1)	4.1	-	-	(17.2)
Profit before taxation*	95.1	20.3	(10.8)	(14.9)	100.5

\* Excluding an exceptional restructuring charge of £4.8M

# Poland

Year ended 31 December 2012

	2012 £M	2011 £M	Change at CER %
Customer numbers (000s)	821	791	3.8
Credit issued	326.6	318.6	11.0
Average net receivables	235.7	236.8	8.3
Revenue	268.8	273.2	6.8
Impairment	(79.5)	(83.2)	(4.6)
Finance costs	(10.1)	(14.8)	25.7
Agents' commission	(27.1)	(27.3)	(7.1)
Other costs	(89.9)	(81.9)	(11.3)
Profit before taxation	62.2	66.0	

# Czech-Slovakia

Year ended 31 December 2012

	2012 £M	2011 £M	Change at CER %
Customer numbers (000s)	383	385	(0.5)
Credit issued	206.6	209.5	6.8
Average net receivables	145.3	148.3	6.4
Revenue	133.4	144.8	-
Impairment	(34.2)	(30.2)	(23.5)
Finance costs	(7.1)	(6.2)	(20.3)
Agents' commission	(14.8)	(15.2)	(5.7)
Other costs	(48.5)	(55.4)	4.3
Profit before taxation	28.8	37.8	



# Hungary

Year ended 31 December 2012

	2012 £M	2011 £M	Change at CER %
Customer numbers (000s)	268	244	9.8
Credit issued	114.2	104.3	20.7
Average net receivables	76.6	71.6	18.8
Revenue	78.2	74.2	16.9
Impairment	(11.9)	(9.0)	(46.9)
Finance costs	(8.7)	(8.6)	(11.5)
Agents' commission	(13.4)	(13.3)	(11.7)
Other costs	(34.1)	(35.0)	(4.6)
Profit before taxation	10.1	8.3	

# Romania

Year ended 31 December 2012

	2012 £M	2011 £M	Change at CER %
Customer numbers (000s)	260	241	7.9
Credit issued	85.8	87.7	10.1
Average net receivables	52.0	51.1	14.5
Revenue	57.2	54.4	17.9
Impairment	(18.3)	(14.2)	(43.0)
Finance costs	(6.4)	(5.6)	(28.0)
Agents' commission	(5.6)	(5.5)	(14.3)
Other costs	(24.7)	(25.0)	(12.8)
Profit before taxation	2.2	4.1	

# Mexico

## Year ended 31 December 2012

	2012 £M	2011 £M	Change at CER %
Customer numbers (000s)	683	662	3.2
Credit issued	148.9	124.4	25.1
Average net receivables	78.7	67.7	21.5
Revenue	114.1	102.9	15.7
Impairment	(32.3)	(31.1)	(9.1)
Finance costs	(9.3)	(7.7)	(25.7)
Agents' commission	(14.0)	(11.6)	(26.1)
Other costs	(53.6)	(51.0)	(8.9)
Profit before taxation	4.9	1.5	

# Balance sheet

	Dec 2012 £M	Dec 2011 £M	Change at CER %
Fixed assets	31.5	34.2	(9.5)
Receivables	650.3	560.4	12.7
Cash	24.2	17.9	32.2
Borrowings	(310.8)	(276.5)	(9.9)
Other net liabilities	(19.4)	(8.3)	(145.6)
Equity	375.8	327.7	

# Foreign exchange rates

	Average 2011	Closing Dec 2011	Average 2012	Closing Dec 2012
Poland	4.7	5.3	5.4	5.0
Czech Republic	28.9	30.7	30.9	30.8
Slovakia	1.2	1.2	1.2	1.2
Hungary	316.7	377.9	378.3	357.5
Mexico	19.7	21.7	21.5	20.9
Romania	5.0	5.2	5.2	5.5

*Exchange rate to sterling*

# Headroom on bank covenants

	Dec 2012	Covenant	Headroom
Interest cover	3.3x	2x min	£55.4M
Net worth*	£380.4M	£125M min	£255.4M
Receivables : borrowings	2.1x	1.1x min	£280.4M
Gearing*	0.8x	3.75x max	£297.5M

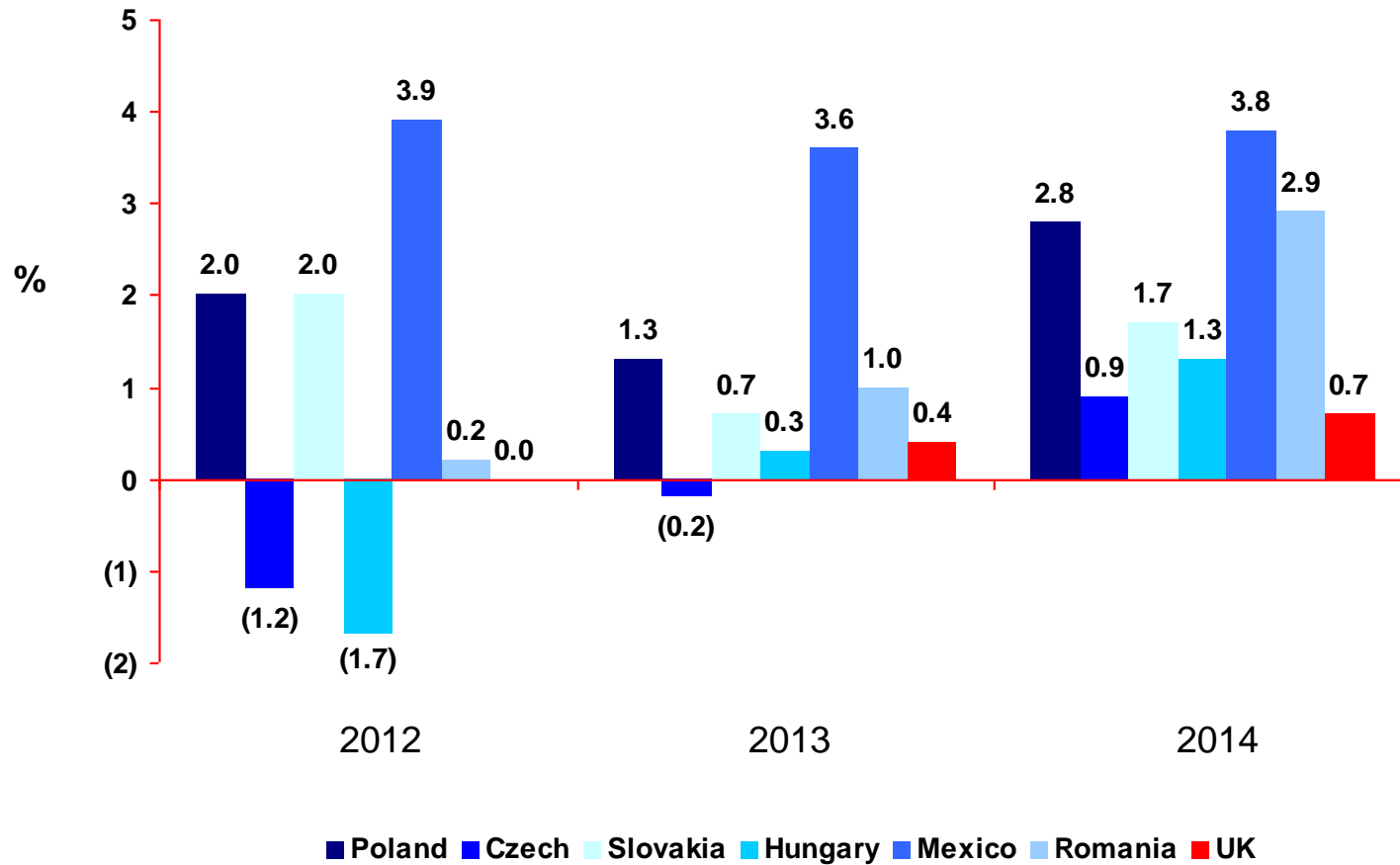
\* Adjusted for derivative financial instruments and pension liabilities according to covenant definitions



# Our markets

	Year entered	EU member?	Fitch rating	Population (M)	Customers (000s) Dec 2012
Poland	1997	✓	A-	38.2	821
Czech Republic	1997	✓	A+	10.5	383
Slovakia	2001	✓	A+	5.4	268
Hungary	2001	✓	BB+	10.0	683
Mexico	2003	×	BBB	114.8	260
Romania	2006	✓	BBB-	21.4	

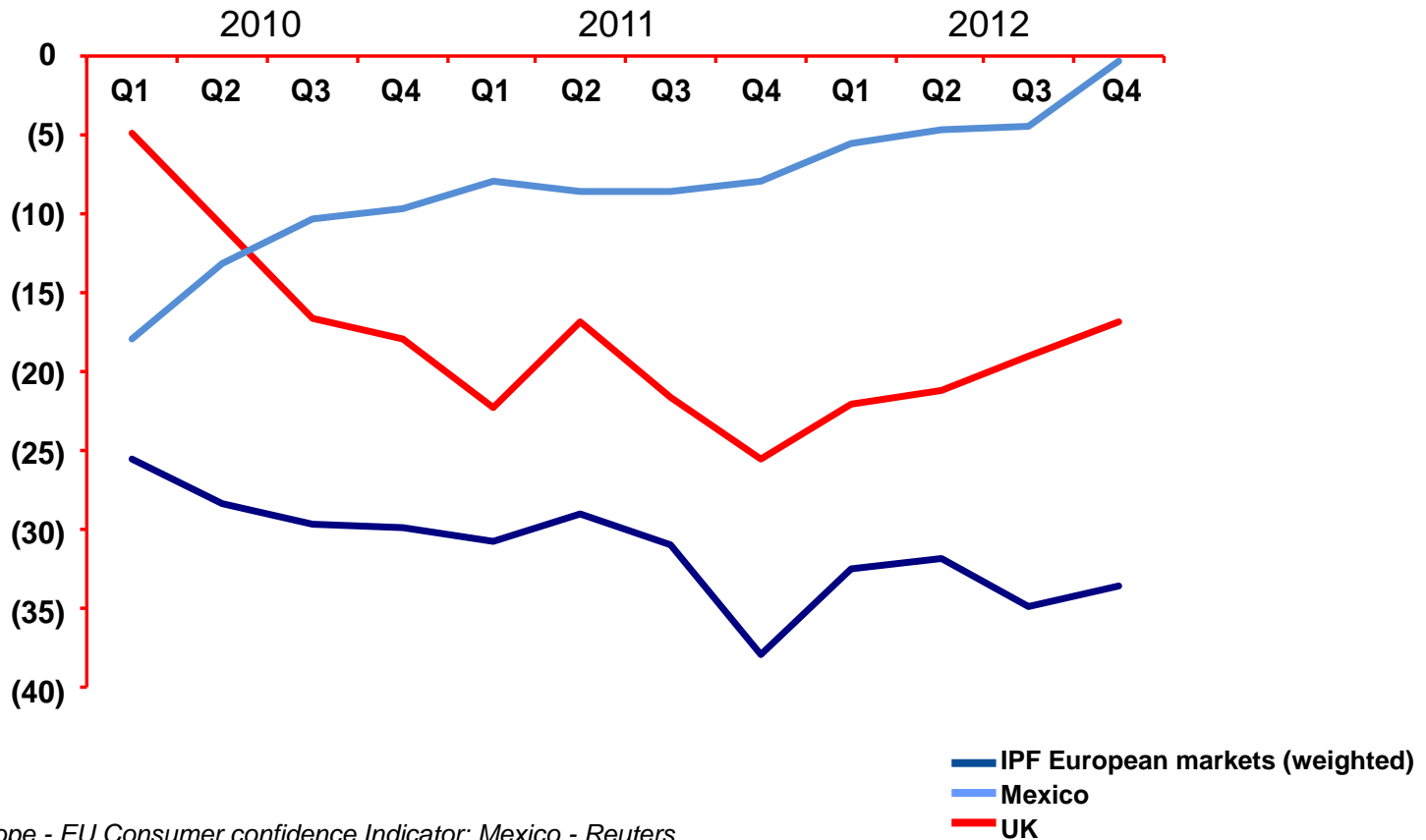
# Forecast GDP growth



Source: Citibank



# Consumer confidence



Sources: Europe - EU Consumer confidence Indicator; Mexico - Reuters



# Contact

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