

# Half-year results 2014

**Gerard Ryan**

Chief Executive Officer

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**Adrian Gardner**

Chief Financial Officer

.....

**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

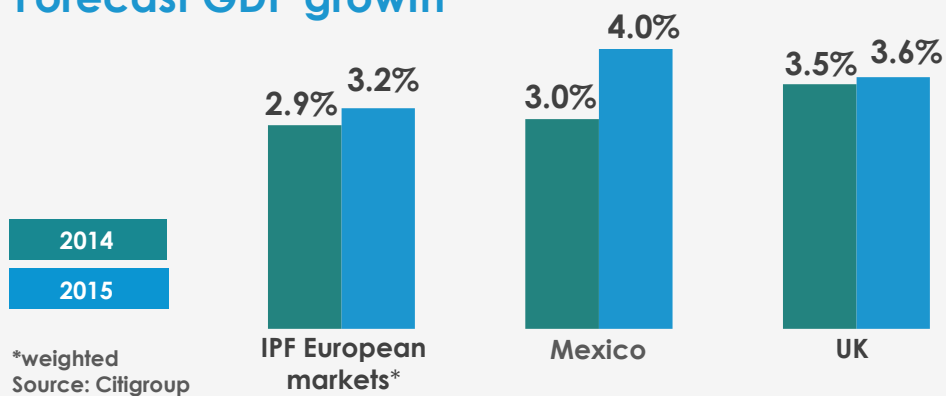
Half-year dividend up 10.5% to 4.2 pence per share



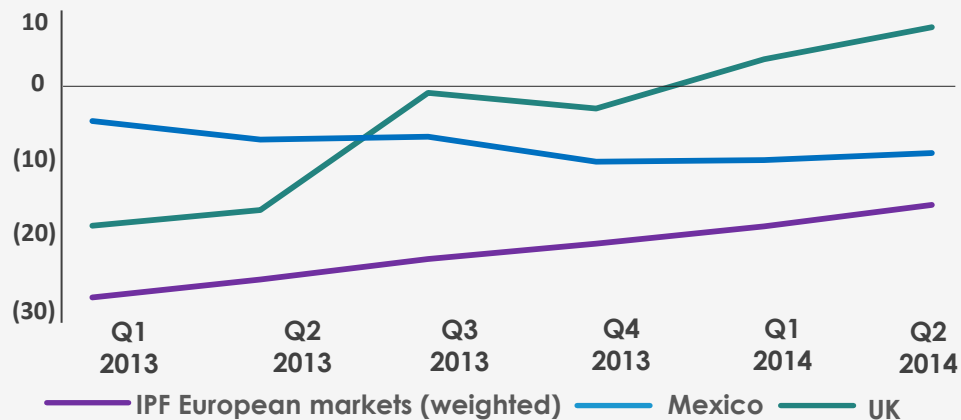
# Market overview



## 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

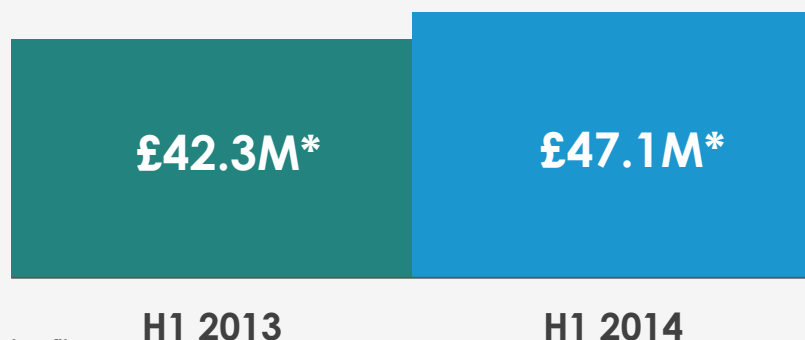
# Performance and financial review

**Adrian Gardner**  
Chief Financial Officer

# Record first half profit, up 11%

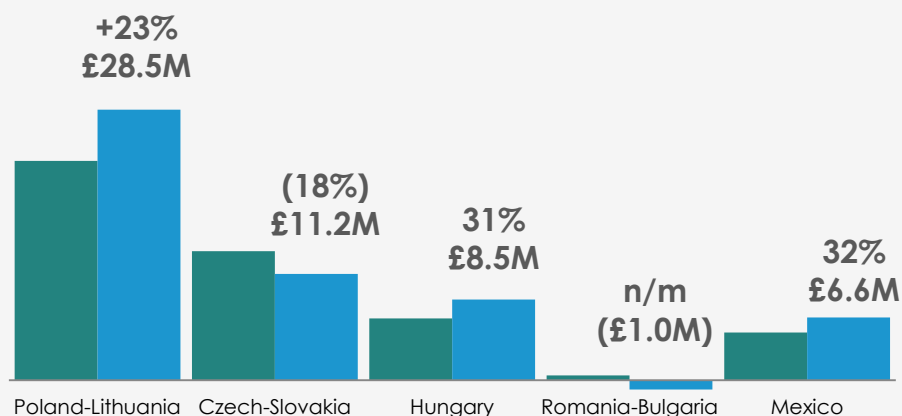


## Group profit growth



\*Pre-exceptional profit

## Profit growth by market



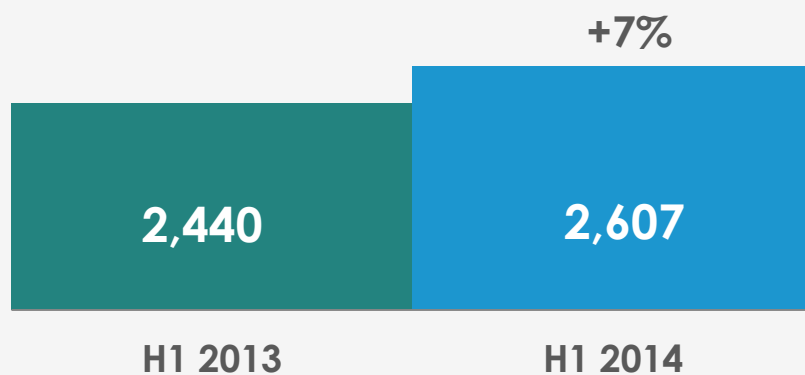
- Strong underlying profit growth of 32% (£13.5M)
- Good growth in customer numbers of 7%
- Strong credit issued growth of 13% and revenue increased by 17%
- Impairment 28.2% of revenue – comfortably within target range
- Cost-income ratio improved to 38.4%



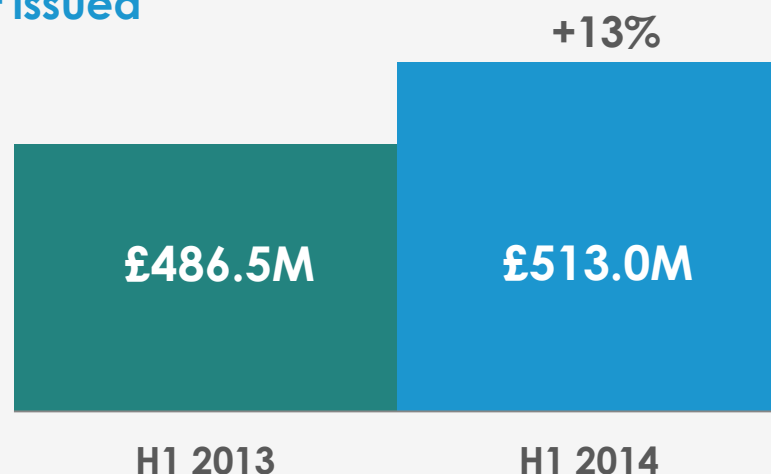
# Key drivers of growth

Good growth delivered in all markets

## Customer numbers (000s)



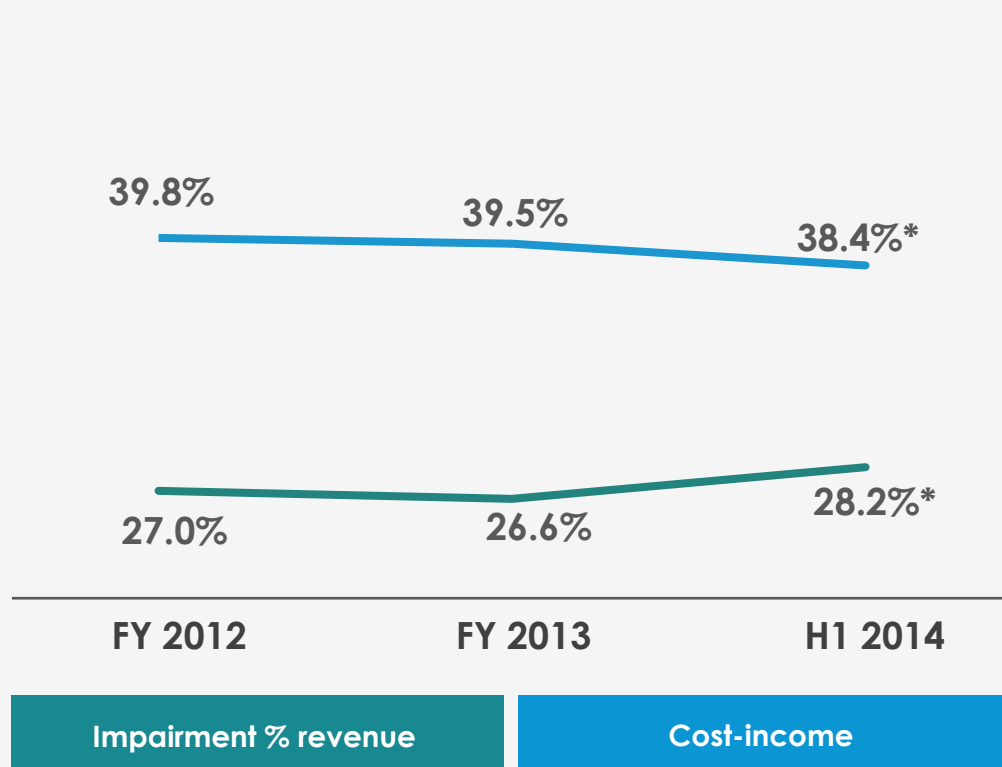
## Credit issued



	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

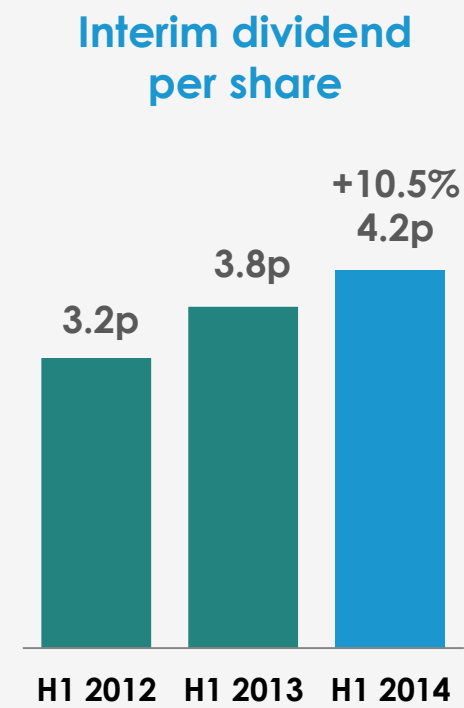
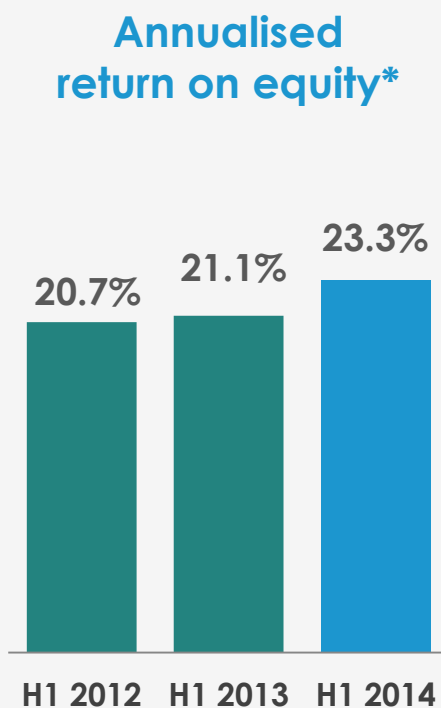
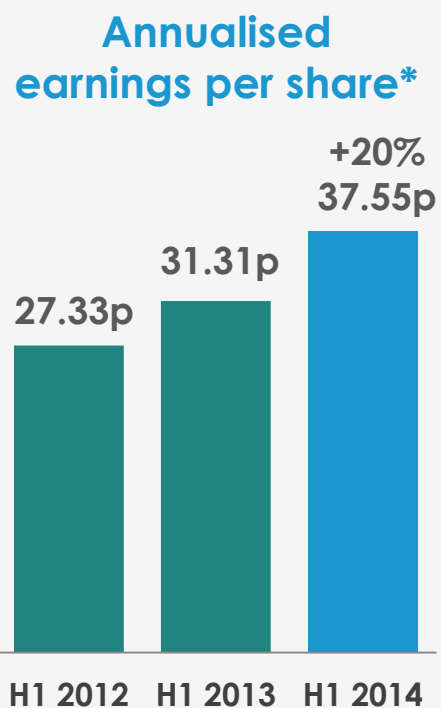
Impairment comfortably in range and cost reductions continue



	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

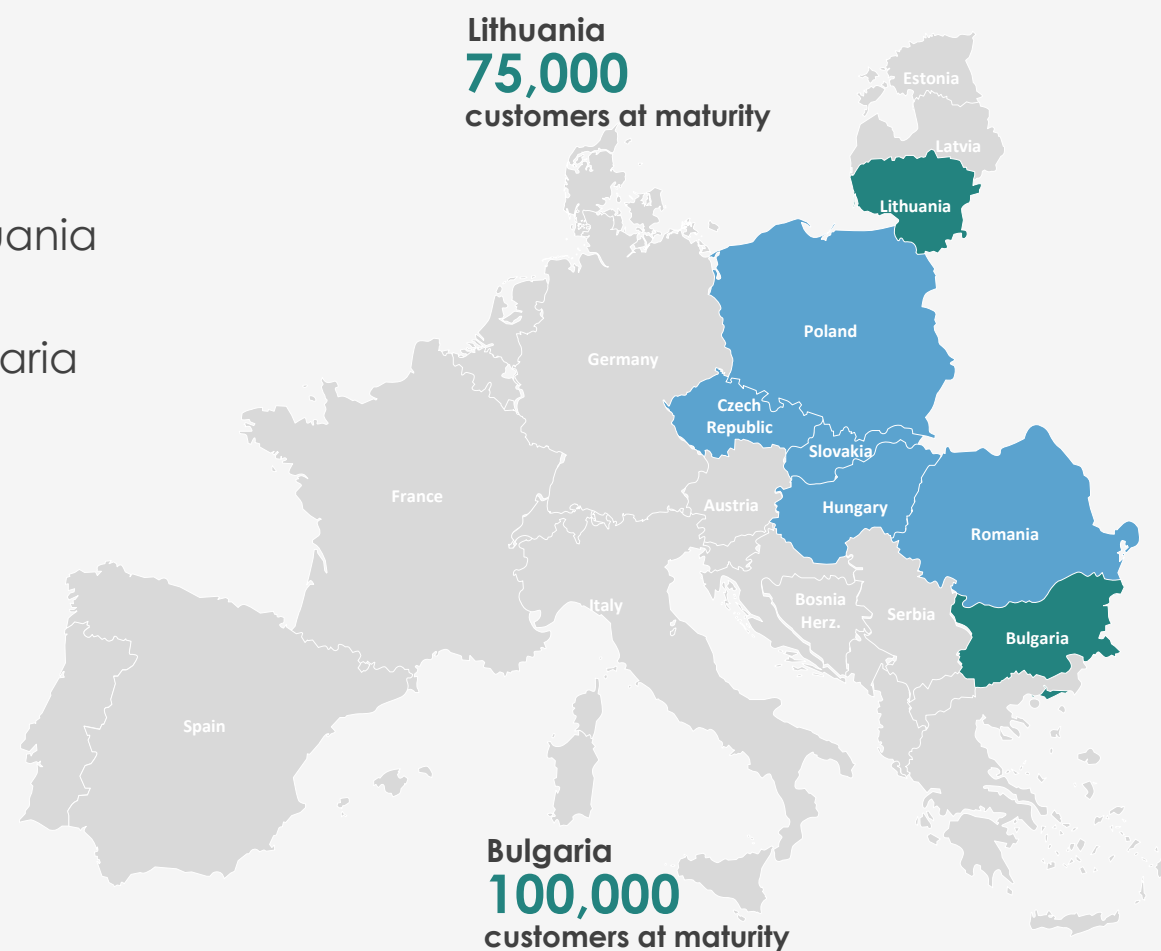
We will invest in technology to execute our strategy more efficiently

# 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

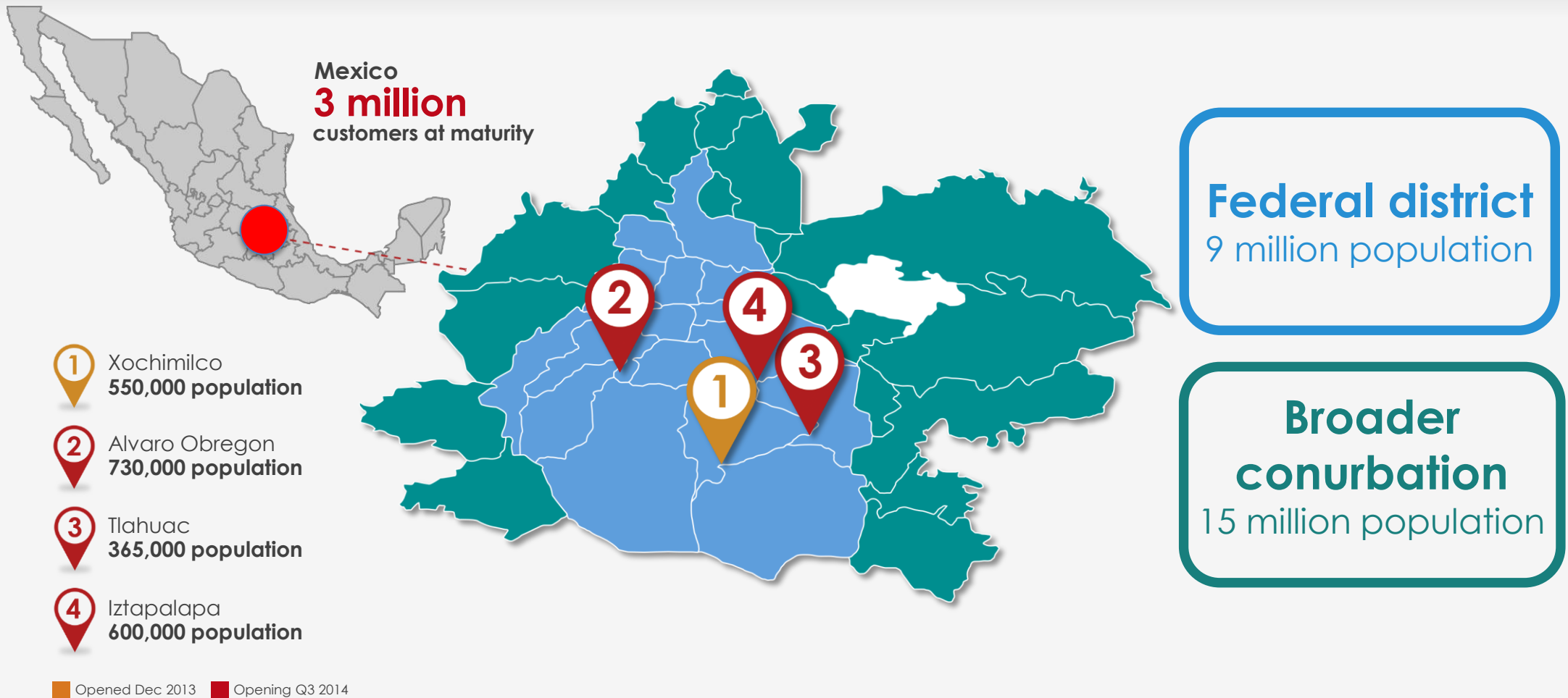




# Expansion in existing markets



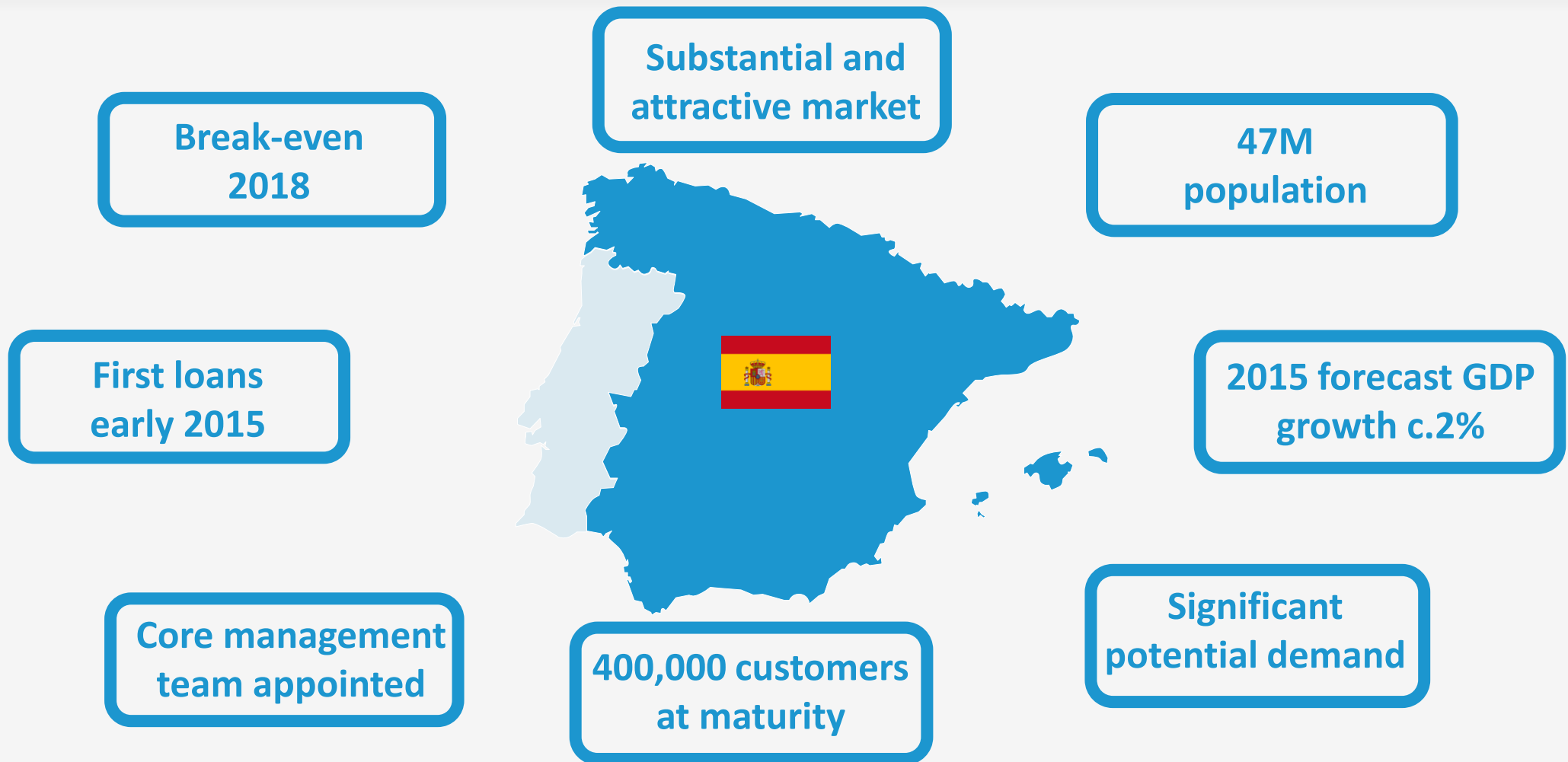
## Significant growth prospects in Mexico City



# 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
<b>Credit issued</b>	<b>513.0</b>	486.5	<b>12.7</b>
Average net receivables	761.9	677.6	19.8
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<b>Revenue (net of ESRs)</b>	<b>394.1</b>	360.3	<b>16.7</b>
Impairment	(130.2)	(108.4)	(28.0)
<b>Finance costs</b>	<b>(23.4)</b>	(23.7)	<b>(4.5)</b>
Agents' commission	(44.6)	(41.9)	(14.4)
<b>Other costs</b>	<b>(148.8)</b>	(144.0)	<b>(9.3)</b>
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<b>Profit before taxation</b>	<b>47.1</b>	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)
<b>Profit before taxation</b>	<b>47.1</b>	<b>13.5</b>	<b>(4.8)</b>	<b>(3.9)</b>	<b>42.3</b>

# Poland-Lithuania



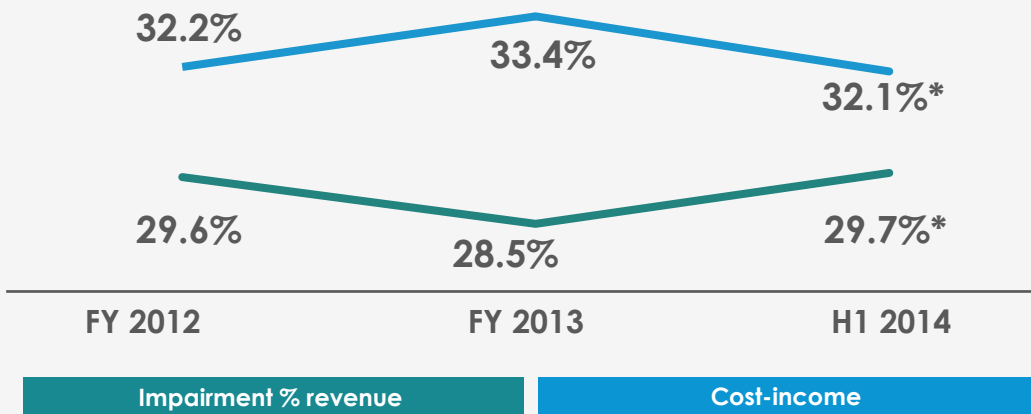
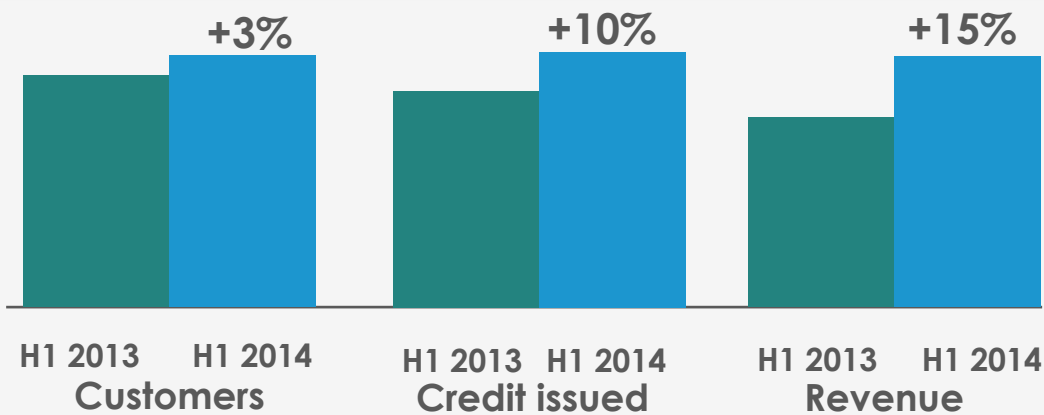
Six months ended 30 June 2014

	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
<b>Revenue</b>	<b>158.0</b>	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)
<b>Profit before taxation</b>	<b>28.5</b>	23.1	
Poland	30.6	23.5	
Lithuania	(2.1)	(0.4)	
<b>Profit before taxation</b>	<b>28.5</b>	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



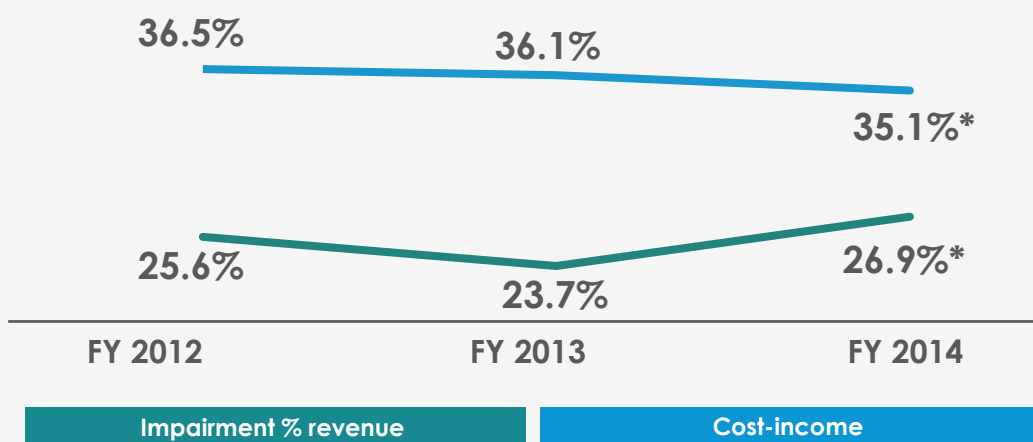
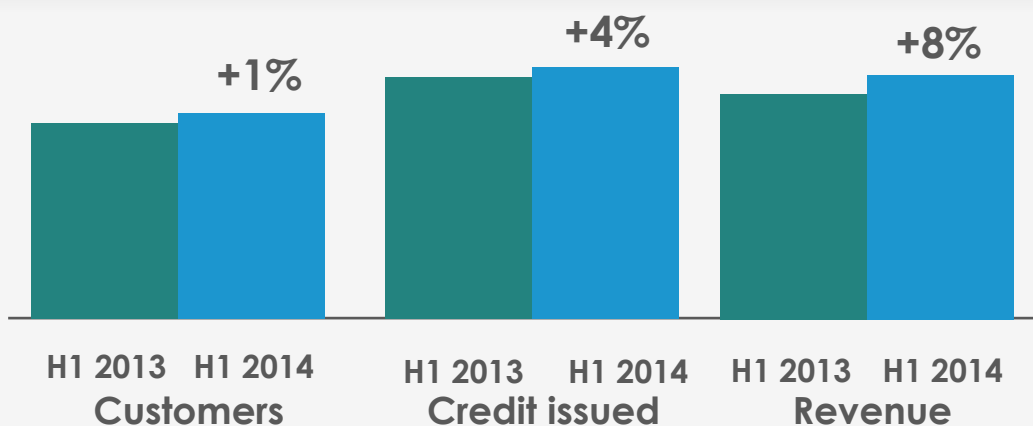
Six months ended 30 June 2014

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



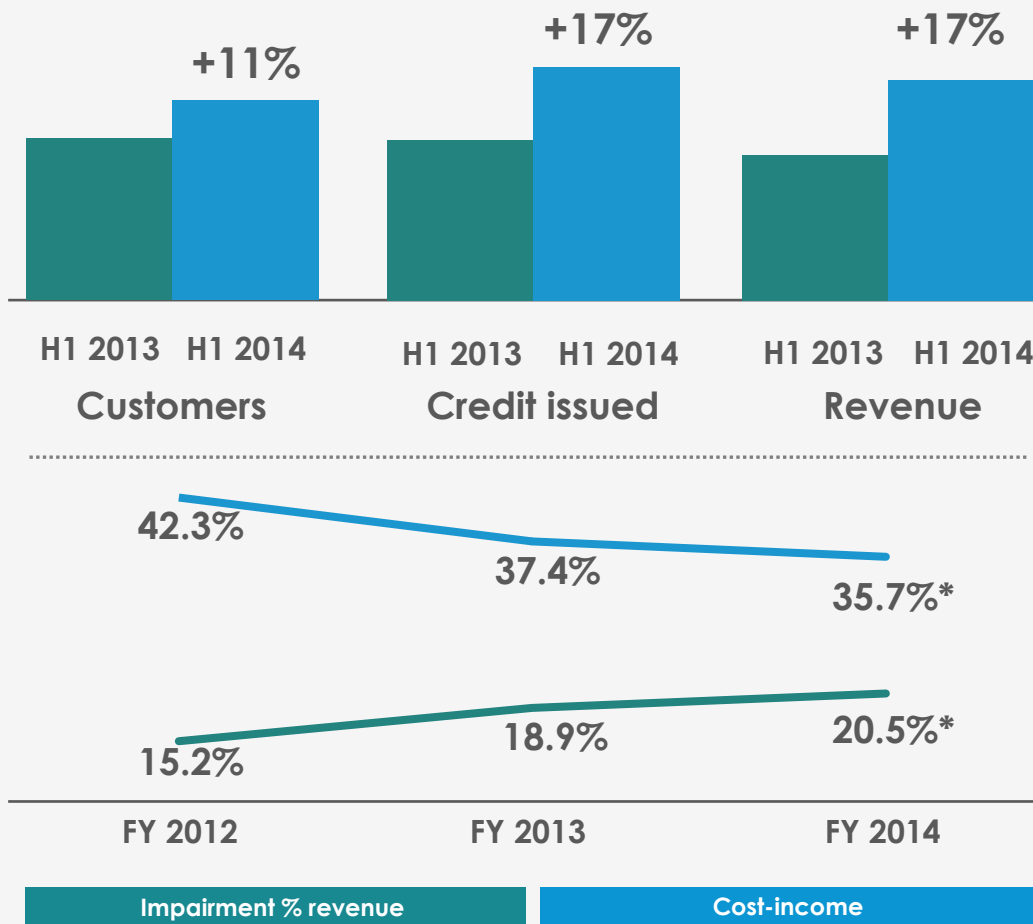
Six months ended 30 June 2014

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



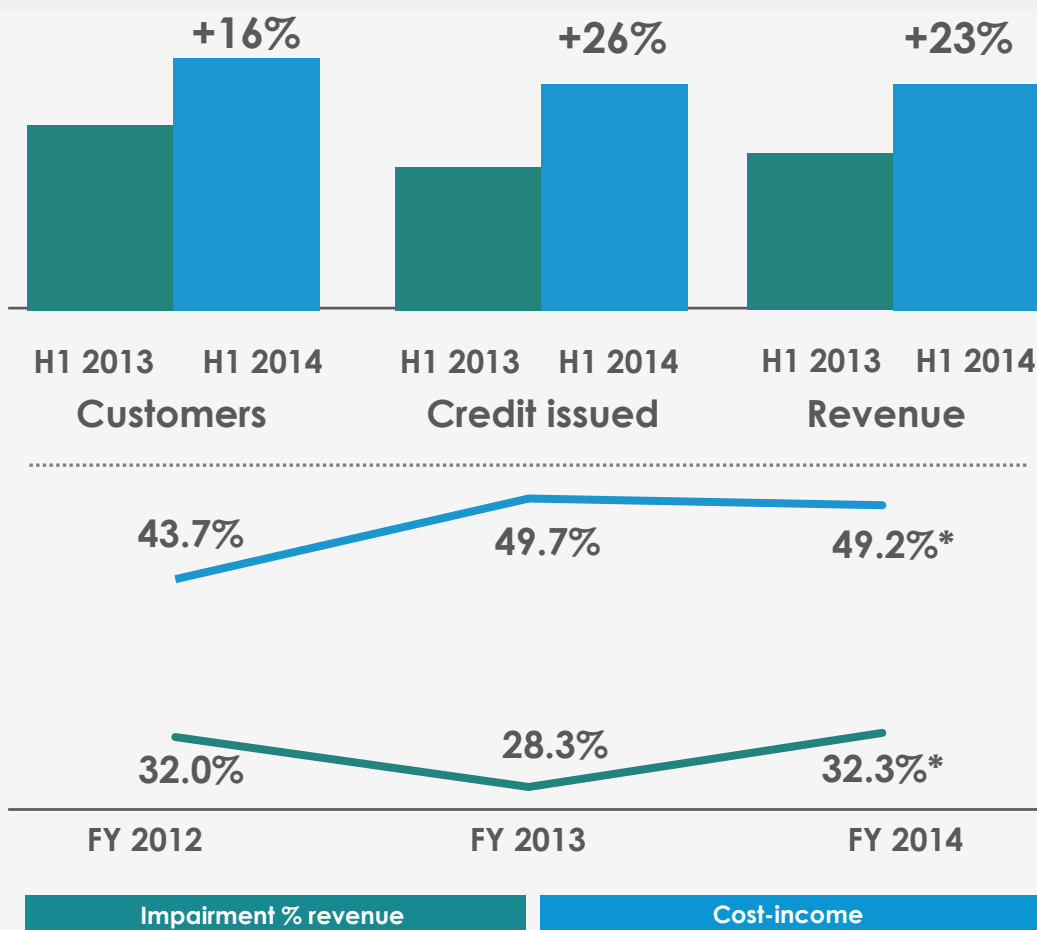
Six months ended 30 June 2014

	H1 2014 £M	H1 2013 £M	Change at CER %
Customer numbers (000s)	312	269	16.0
<b>Credit issued</b>	<b>55.9</b>	46.8	25.6
Average net receivables	68.6	57.6	25.2
<b>Revenue</b>	<b>37.0</b>	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)
<b>(Loss)/profit before taxation</b>	<b>(1.0)</b>	0.5	
Romania	1.7	0.8	
Bulgaria	(2.7)	(0.3)	
<b>(Loss)/profit before taxation</b>	<b>(1.0)</b>	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



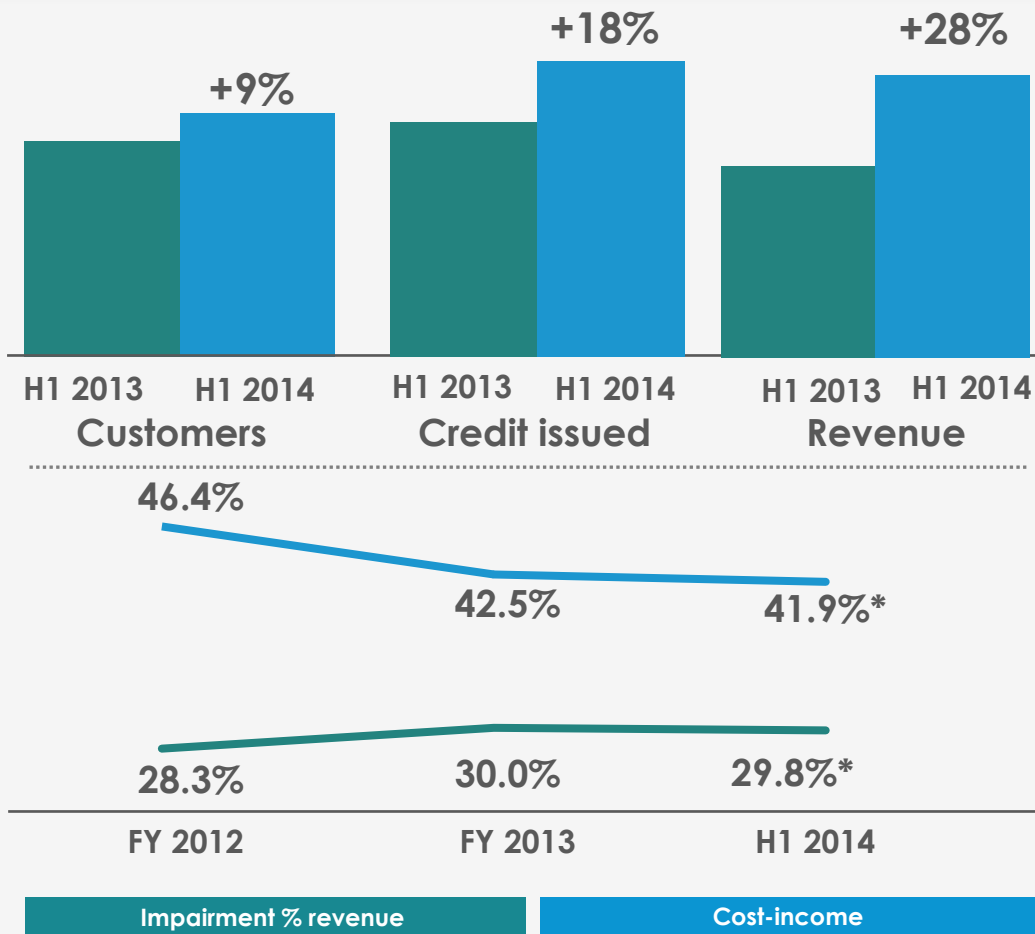
Six months ended 30 June 2014

	H1 2014 £M	H1 2013 £M	Change at CER %
Customer numbers (000s)	757	694	9.1
<b>Credit issued</b>	<b>98.2</b>	93.7	18.2
Average net receivables	119.7	98.5	37.3
<hr/>			
<b>Revenue</b>	<b>76.2</b>	67.4	27.6
Impairment	(23.7)	(21.4)	(24.7)
<b>Finance costs</b>	<b>(3.6)</b>	(3.3)	(24.1)
Agents' commission	(10.2)	(8.5)	(36.0)
<b>Other costs</b>	<b>(32.1)</b>	(29.2)	(22.5)
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<b>Profit before taxation</b>	<b>6.6</b>	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
<b>Equity</b>	<b>369.1</b>	<b>393.9</b>	<b>(1.6)</b>

# Foreign exchange rates



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



# Funding facilities



	2014	2015	2016	2017	2018	2020	2021	TOTAL
<b>Bonds</b>								
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
<b>Total bonds</b>	-	<b>74.4</b>	<b>13.9</b>	-	<b>49.8</b>	<b>101.5</b>	<b>239.9</b>	<b>479.5</b>
<b>Multi-currency bank facilities</b>								
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
<b>Total bank facilities</b>	<b>18.2</b>	<b>122.3</b>	<b>30.0</b>	<b>26.9</b>	-	-	-	<b>197.4</b>
<b>Total facilities</b>	<b>18.2</b>	<b>196.7</b>	<b>43.9</b>	<b>26.9</b>	<b>49.8</b>	<b>101.5</b>	<b>239.9</b>	<b>676.9</b>
	<b>3%</b>	<b>29%</b>	<b>7%</b>	<b>4%</b>	<b>7%</b>	<b>15%</b>	<b>35%</b>	<b>100%</b>

# 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 <sup>†</sup>
Interest cover	3.3x	3.4x	3.5x <sup>†</sup>
Return on equity*	20.1%	22.9%	23.3% <sup>†</sup>
Equity to receivables ratio	57.8%	50.2%	48.7%

\* Adjusted for exceptional items † Annualised

# Contact



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