



2015 Half-year results

# International Personal Finance plc

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29 July 2015



International Personal Finance plc

**Gerard Ryan**

**Chief Executive Officer**

# 2015 H1 highlights



Resilient financial performance and good delivery on strategy

- Strong underlying profit growth of 16%
- Excellent performance in Mexico, on track to reach profit per customer target
- Short-term actions delivered improving growth trends in Europe
- Good progress on strategic initiatives will drive future growth
  - Broadened product portfolio
  - Digital division established with strong growth potential
- Strengthened funding position
- Share buyback to reduce equity to receivables ratio towards 40% target
- Interim dividend increased 10% to 4.6 pence per share

# Regulation



## Actively addressing regulatory challenges

### Poland – Ministry of Finance total cost of credit

- All non-interest costs in connection with a consumer loan agreement may be subject to the cap
- No assurance currently that legislation, if introduced in its present form, would not have some adverse financial impact on IPF
- We will adapt our product structure to comply with the new regulations

### Poland – UOKiK

- Total cost of credit and APR calculation methodology – await court appeal date
- Conclusion on UOKiK review of calculation of loan fees

# Our customer segment

Relatively underserved by financial services providers



## Home Credit customers



- Low, fluctuating income
- Families, female bias
- Little or no previous credit history
- Preference for home service
- Need to manage finances carefully
- Seek flexibility

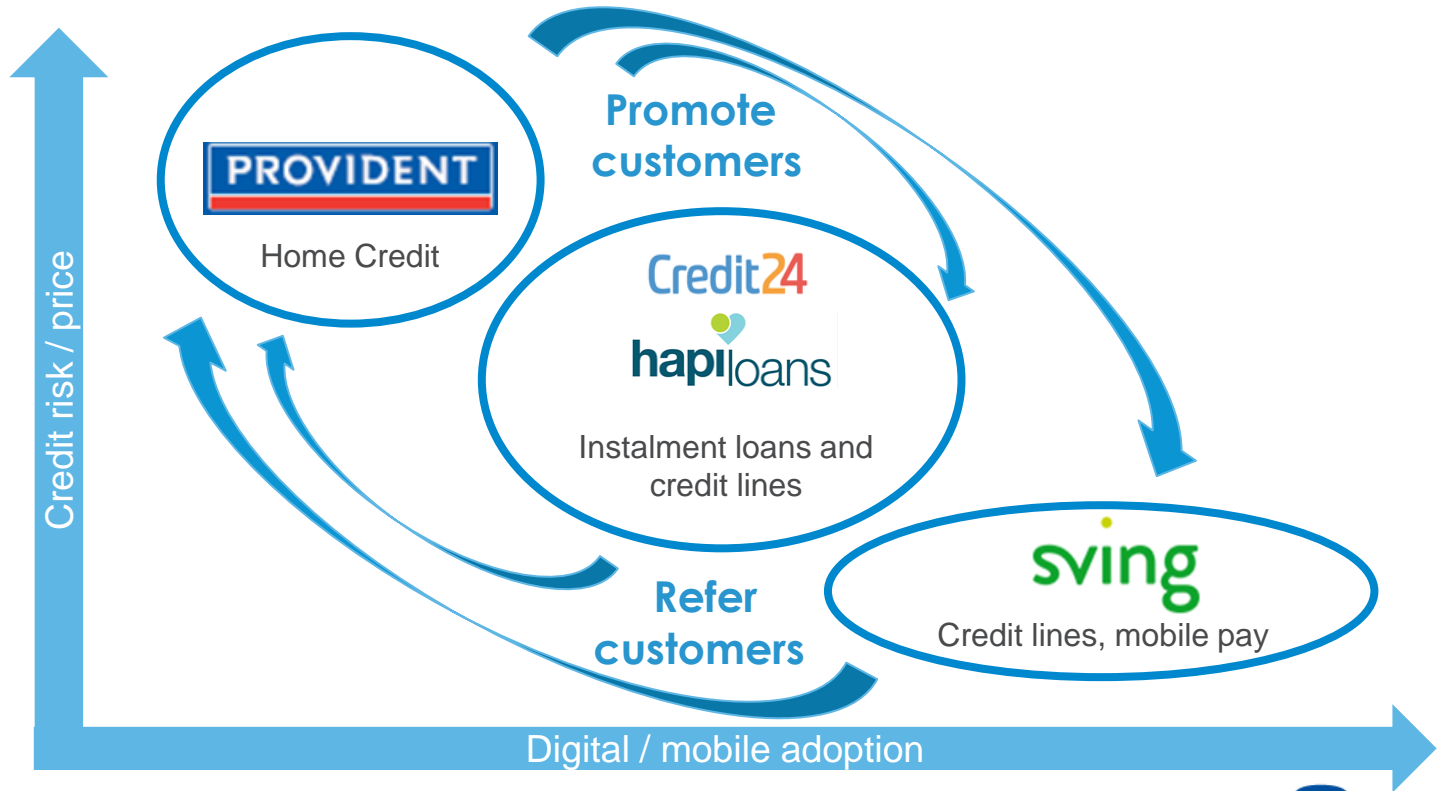
## Digital customers



- Low to middle income
- Younger borrowers
- Likely to shop and borrow online
- Higher smartphone ownership
- Single
- Seek flexibility

# One market place; two business models

Reaching a significantly wider segment of underserved customers





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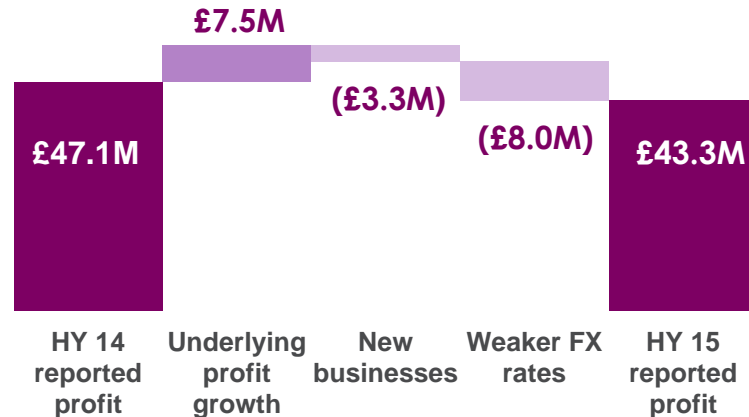
**Adrian Gardner**  
**Chief Financial Officer**

# Strong underlying profit growth of £7.5M



## Resilient financial performance

- Strong underlying profit growth of 16% driven by top line growth and improved impairment
- Investment in new businesses
- FX headwinds impacted earnings

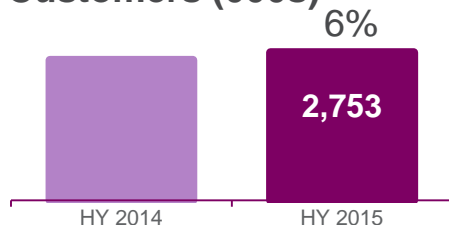




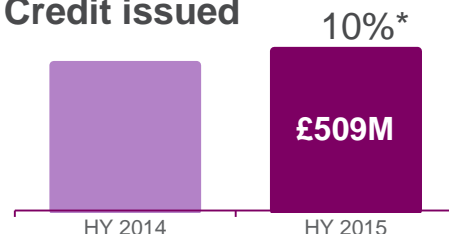
# Good Group top line growth



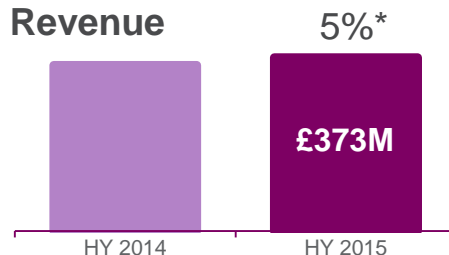
## Customers (000s)



## Credit issued



## Revenue



Segment	Customer growth	Credit issued growth*
Home Credit	2%	2%
Mexico	7%	21%
Poland-Lithuania	-	6%
Czech-Slovakia	(9%)	(13%)
Southern Europe	4%	(8%)
Digital†	22%	26%

\* At constant exchange rates

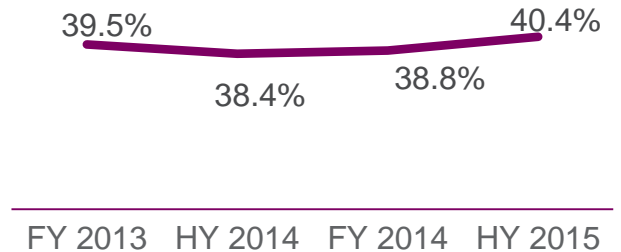
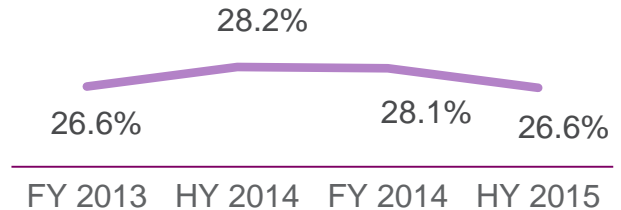
† On a proforma basis

# Well-managed impairment



Tight cost control alongside investment in new businesses

- Good credit quality
  - All European markets within or below our target 25%-30% impairment to revenue range
  - Mexico impairment stable combining growth with robust collections
- Close focus on costs
  - Costs held flat in Poland-Lithuania and Czech-Slovakia
  - Improved cost-income ratio in Southern Europe and Mexico



- Impairment % revenue
- Cost-income

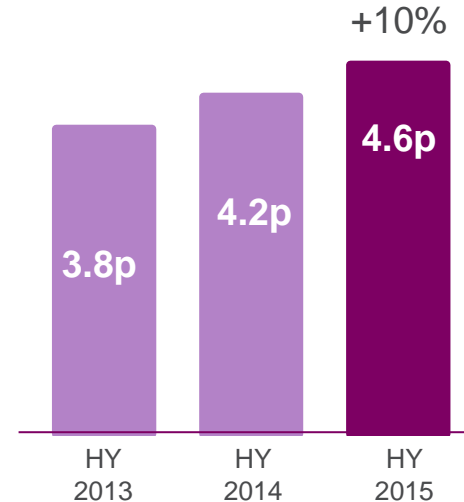
# Strong funding position



Working the balance sheet harder - further returns for shareholders

- £100M of new long-term bonds secured
- Over 60% of facilities have maturity dates in 2020/2021
- £170M headroom on funding facilities
- Return on equity 23.7%
- Interim dividend up 10% to 4.6 pence per share
- Equity to receivables 46.0%
- Share buyback to reduce equity to receivables ratio towards 40% target

## Dividend growth





Home Credit

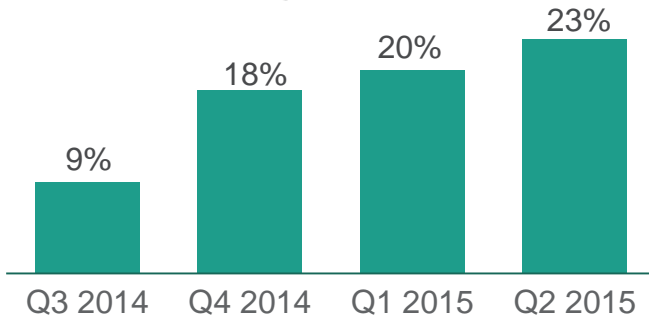
**David Broadbent**  
**Chief Commercial Officer**

# Mexico delivered an excellent performance



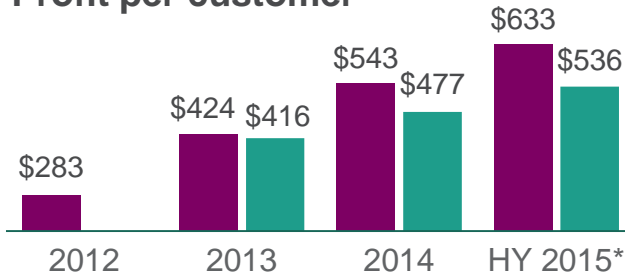
Record HY profit of £8.6M and on track to deliver targets

## Credit issued growth



- Good growth momentum
  - Geographic expansion
  - 10% increase in agency force
  - Extended product offering
  - Controlled credit relaxation

## Profit per customer

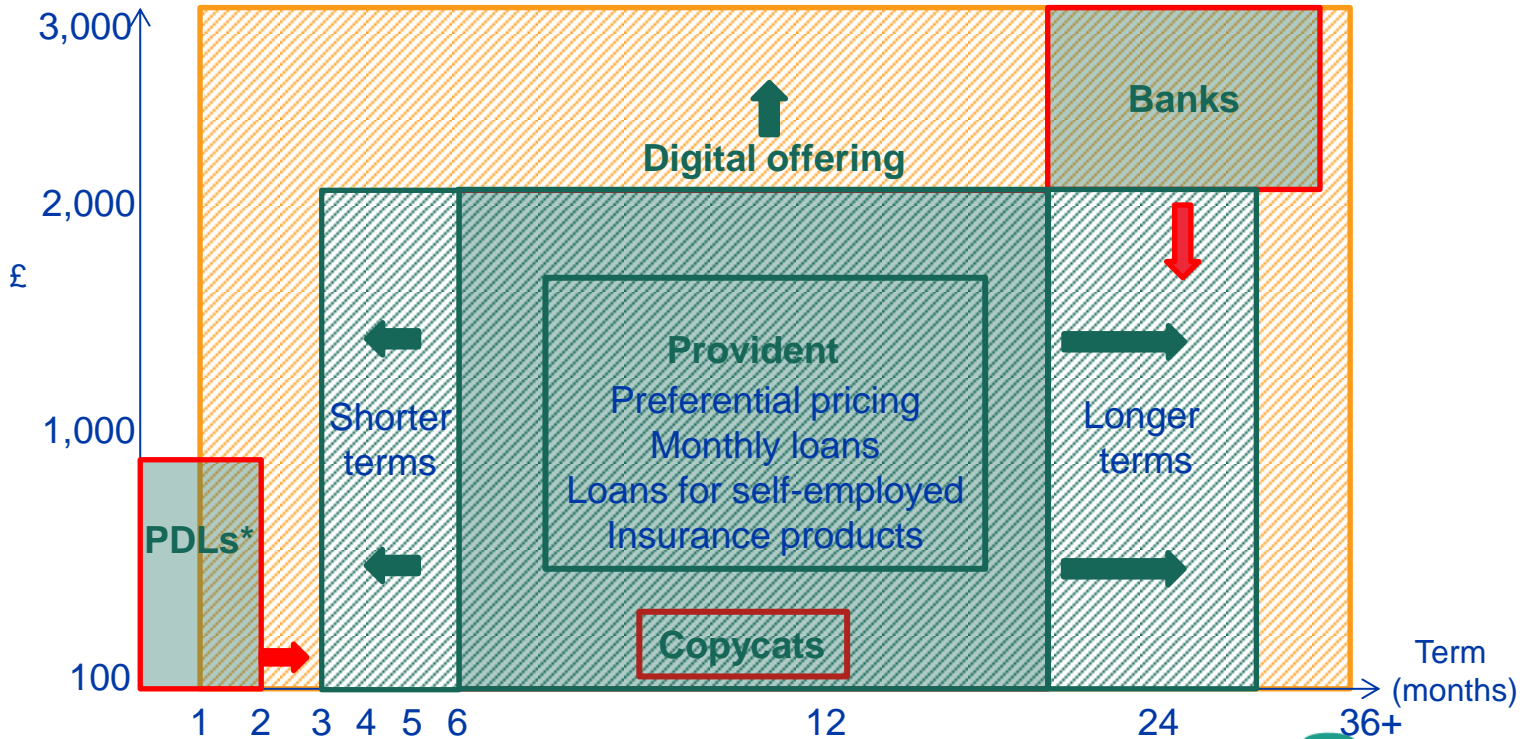


- On track to deliver strategic targets in 2015
  - MXN \$660 profit per customer
  - 900,000 customers
- Positioned for accelerated growth in 2016

# Market overview in Europe



Dynamic, competitive market place – product expansion opportunities



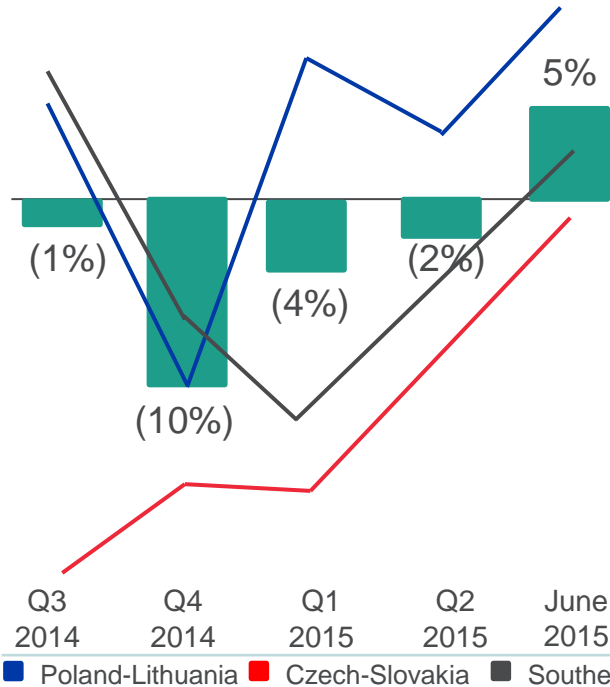
\* Payday lenders

# Improving credit issued growth in Europe



Growth focussed actions resulted in improving growth trend

## Europe credit issued growth



### Actions completed

- Selective credit relaxation
- Repositioned marketing investment
- Realigned recognition and reward to growth

### Actions underway

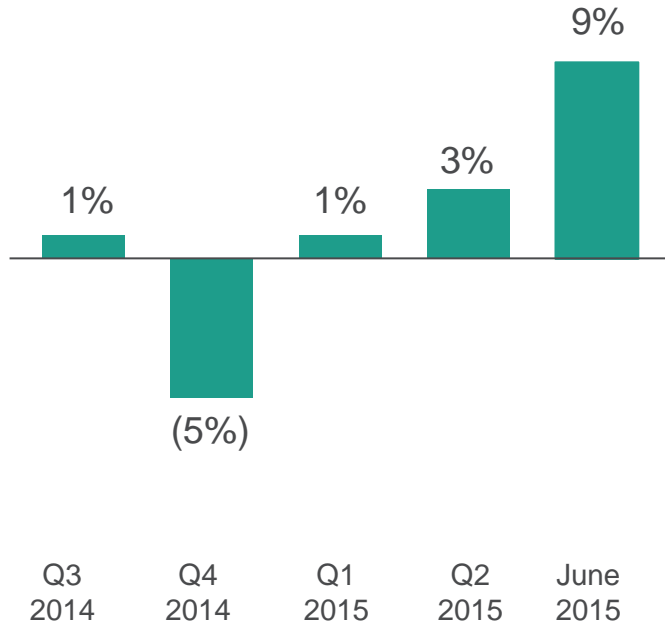
- Shorter and longer terms
- Decision in Principle in Poland
- Broker and third party referral
- Digital referral strategy

# Home Credit – HY 2015



Expect to continue to deliver progressive growth

## Credit issued growth



- New products and new channels to support growth performance
- Mexico expected to continue strong performance
- Well-positioned to address challenging market conditions in Europe
- Europe to generate top line growth





Digital

**Rami Ryhänen**

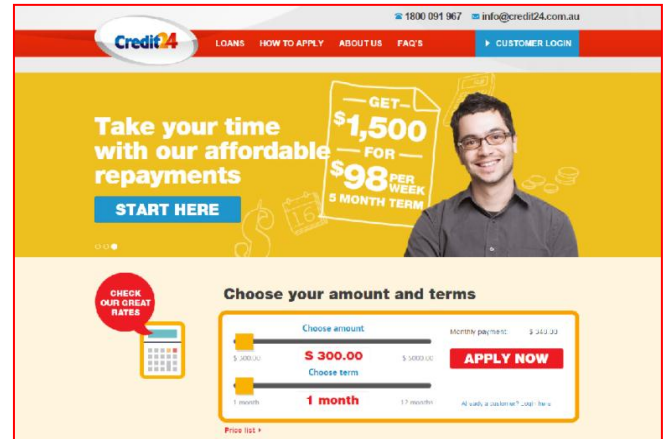
**General Manager**

# Digital lending – a key strategic priority



Profitable digital consumer credit provider with large growth potential

- Highly experienced management team, 10 years' digital experience
- 100 employees
- MCB and hapiloans fully integrated into IPF Digital business
- Highly automated business model
- Robust lending platform capable of supporting expansion



# Profitable offer with large growth potential



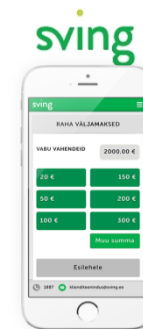
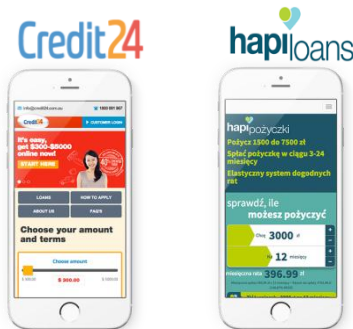
## Attractive multi-product set

### Instalment loans

- Lower income customers
- €100 – €3000 credit
- Terms up to 24 months
- Flexibility – lower monthly repayments and repayment holidays
- Simplicity and speed
- Risk-based pricing

### Revolving credit line

- Middle income customers
- €200 – €3000 credit; up to 36 months
- No cost if not used; no need to reapply
- Convenient mobile app core solution
- Click & draw, Click & transfer, Click & pay
- Low monthly repayments
- Convenience and service



# Significant expansion plans



Platform capability provides strong growth opportunities in large markets

- Profitable and growing established markets business – 12M population
- Good opportunity to grow in Australia
- Test phase almost complete in Poland and moving into growth mode
- New market entry into Spain
- Expand into existing IPF markets
- 2015 investment between £5M and £7M





International Personal Finance plc

**Gerard Ryan**

**Chief Executive Officer**

# Outlook



Focused on delivering further growth

- Changing regulatory environment in Poland
- Competitive environment in Europe - responding with technology, new products and new channels to broaden our appeal to a wider target audience
- Mexico set to reach profit per customer and customer targets
- Growing digital offering in Poland and expanding into Spain
- Confident of delivering good result for 2015 as a whole



# Questions



# Appendices



# Group

Six months to 30 June 2015

	HY 2015 £M	HY 2014 £M	Change at CER %
Customer numbers (000s)	2,753	2,607	5.6
Credit issued	509.3	513.0	9.7
Average net receivables	758.6	761.9	10.2
Revenue	372.9	394.1	4.6
Impairment	(112.6)	(130.2)	4.8
Finance costs	(21.5)	(23.4)	(0.9)
Agents' commission	(42.6)	(44.6)	(4.9)
Other costs	(152.9)	(148.8)	(11.4)
Profit before taxation and exceptional items	43.3	47.1	
Exceptional items	(4.7)	(22.6)	
Statutory profit before taxation	38.6	24.5	

# Home Credit

Six months to 30 June 2015

	HY 2015 £M	HY 2014 £M	Change at CER %
Customer numbers (000s)	2,648	2,607	1.6
Credit issued	474.0	513.0	2.1
Average net receivables	725.1	761.9	5.3
Revenue	360.5	394.1	1.1
Impairment	(109.3)	(130.2)	7.6
Finance costs	(20.2)	(23.4)	5.2
Agents' commission	(42.6)	(44.6)	(4.9)
Other costs	(137.0)	(142.1)	(4.9)
Profit before taxation and exceptional items	51.4	53.8	
Exceptional items	(2.2)	-	
Statutory profit before taxation	49.2	53.8	

# Digital

Six months to 30 June 2015

	HY 2015 £M
Customer numbers (000s)	105
Credit issued	35.3
Average net receivables	33.5
Revenue	12.4
Impairment	(3.3)
Finance costs	(1.3)
Other costs	(9.2)
Profit before taxation and exceptional items	(1.4)
Exceptional items	(2.5)
Statutory profit before taxation	(3.9)

## Underlying profit reconciliation

	H1 2014 reported profit £M	Underlying profit movement £M	New business costs £M	Weaker FX rates £M	H1 2015 reported profit £M
Home Credit	53.8	7.5	(1.9)	(8.0)	51.4
Digital	-	-	(1.4)	-	(1.4)
Central costs	(6.7)	-	-	-	(6.7)
Profit before taxation and exceptional items	47.1	7.5	(3.3)	(8.0)	43.3
Exceptional items					(4.7)
Profit before taxation					38.6

## Balance sheet

£M	June 2015	June 2014	Change at CER %
Goodwill	19.5	-	-
Fixed assets	44.2	29.6	57.9
Receivables	751.7	757.3	11.4
Cash	51.7	80.1	(32.9)
Borrowings	(512.7)	(480.6)	(16.9)
Other net liabilities	(8.6)	(17.3)	49.4
Equity	345.8	369.1	6.7

## Foreign exchange rates

	Average H1 2015	Closing June 2015	Average H1 2014	Closing June 2014
Polish Zloty	5.7	5.8	5.1	5.2
Euro	1.4	1.4	1.2	1.3
Czech Crown	37.8	38.1	33.4	34.3
Hungarian Forint	421.5	437.9	375.5	382.0
Romanian Lei	6.1	6.3	5.4	5.5
Bulgarian Lev	2.7	2.7	2.4	2.4
Mexican Peso	23.3	24.4	21.9	22.1
Australian Dollar	2.0	2.0	-	-

## Headroom on covenants

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	June 2015	Covenant	Headroom
Interest cover	3.8x	2.0x min	1.8x
Gearing*	1.5x	3.75x max	203.6

## Strong financial profile

	FY 2013	FY 2014	HY 2015
Gearing	1.0x	1.3x	1.5x
Adjusted earnings per share*	35.5p	38.0p	37.6
Interest cover*	3.4x	3.7x	3.8x
Return on equity*	22.9%	23.6%	23.7%
Equity to receivables ratio	50.2%	47.5%	46.0%

\*Annualised and pre-exceptional



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