



2015 Full-year results

International Personal Finance plc

24 February 2016

International Personal Finance plc

Gerard Ryan

Chief Executive Officer

2015 highlights



Robust financial performance despite regulatory challenges in Europe

- Strong underlying profit growth of 10%
- Significant progress in Mexico and exceeded profit per customer target
- Stable performance in most European home credit markets with an improving trend
- Strong growth in IPF Digital - significant market opportunity
- Robust funding position and further returns to shareholders

Regulation

Legislative processes changing



What's changed?

- New regulation driven by overtly populist agendas
- Recent legislative changes occurred pre-election
- Legislative process less consultative
- New regulation more complex

What we are doing differently?

- Increasing engagement with political parties through lobbying associations
- Proactive strategy to identify and anticipate, monitor developments and protect value
- Adapting our product set

Regulation

Addressing regulatory challenges



Slovakia

- Rate cap implemented
- Decision made to wind-down agent-delivered home credit operation
- Significant exceptional charge in 2015, collection and closure costs in 2016
- Assessing alternative business models

Poland

- Total cost of credit cap - progressive impact on Poland's profit in 2016 and 2017
- 2013 UOKiK APR challenge - court process underway
- New 'bank tax' - annual cost of ~£2.4M

Romania

- Agent status change to being employees - annual cost of £3M

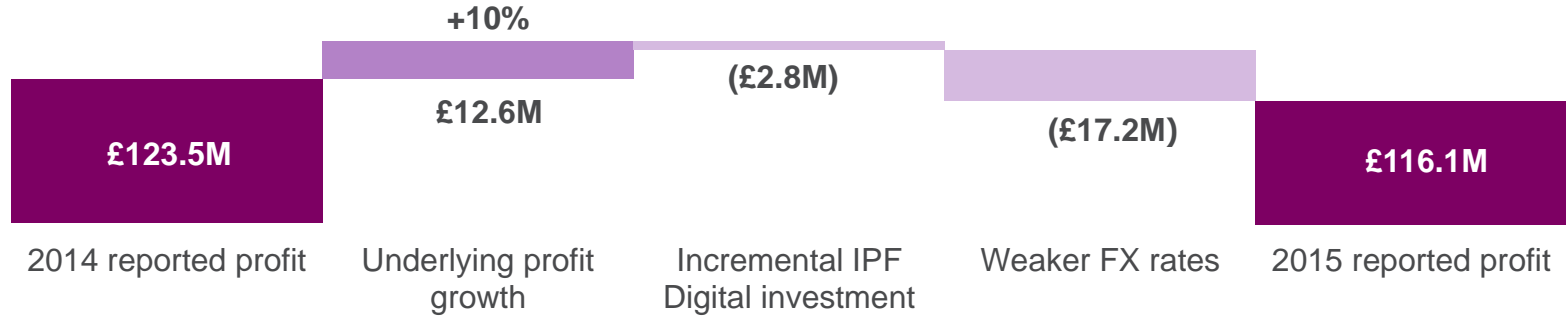
Performance and financial overview

Adrian Gardner
Chief Financial Officer

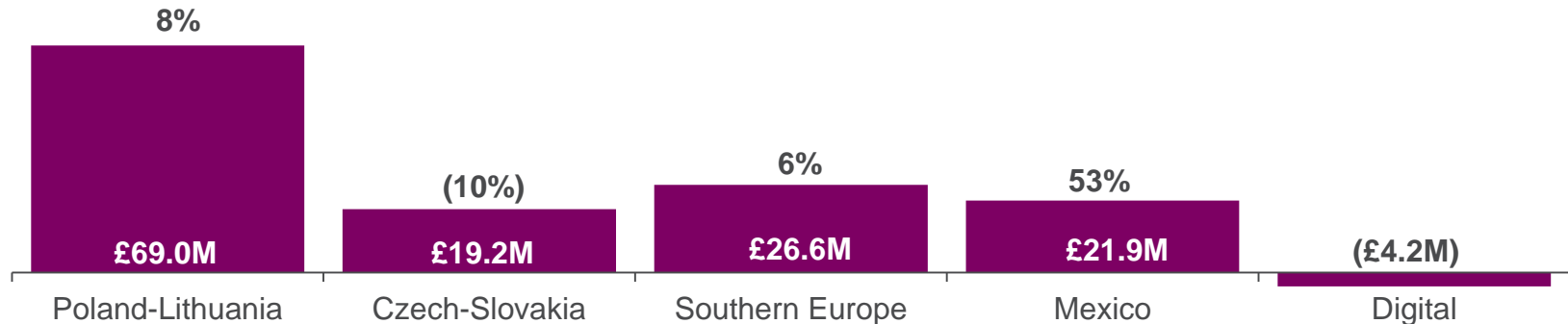
Strong underlying profit growth of £12.6M



Group profit before tax £116.1M



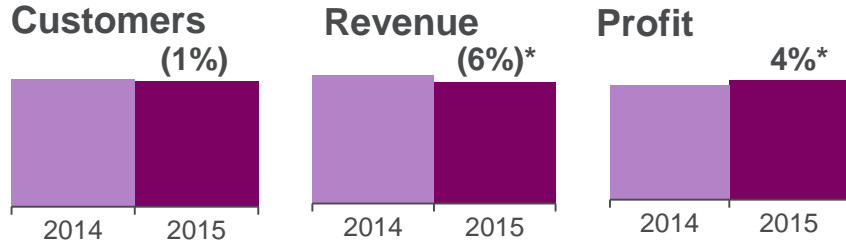
Profit growth % (CER)



Home credit - Europe

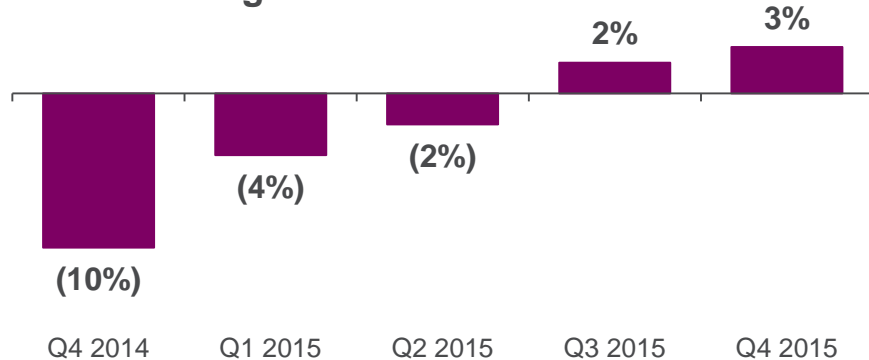


Focus on operating efficiency with improving growth trend



- Good customer growth in Southern Europe: contraction in other markets
- Progressive quarterly improvement in credit issued growth through 2015
- Revenue decrease due to interest cap in Poland and longer-term product mix
- Costs reduced by 2% with further cost reduction planned: cost-income ratio 37.7%
- Impairment % revenue 23.4% positively impacted by sales of non-performing loans. Expected to return to Group target range

Credit issued growth



* At constant exchange rates

Slovakia exceptional cost



Exceptional cost booked in 2015; wind-down in 2016

- Decision to wind-down the agent delivered business
- 2015 exceptional charge arises due to:
 - Lower collections in collect-out than in going concern scenario
 - Deferred tax write-off as no future profit for offset
- Redesigned dynamic incentive schemes for employees and agents to maximise recoveries
- £40M expected to be collected in 2016
- £5M to £7M loss expected in 2016

	2015 £M
Provision against value of receivables book	10.3
Write down of various fixed assets	0.9
Write-off of deferred tax asset	7.4
Total	18.6

Home credit operating cost base

Driving efficiency and reducing cost



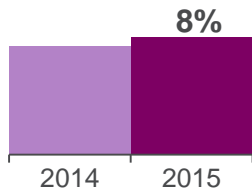
- Costs in our established home credit businesses reduced by 2% YOY in 2015 but more to do
- Strategic changes underway to reduce costs:
 - New organisational design structure launched in Hungary
 - Branch consolidation
 - UK head office restructuring in progress
- Roll out of MyProvi agent technology starting Q3 2016 enabling further cost elimination
- Single sourcing to be implemented in European businesses and drive out cost

Home credit - Mexico

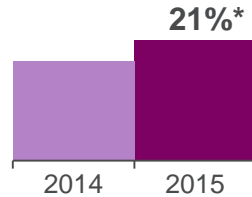


Excellent performance and record profit of £21.9M

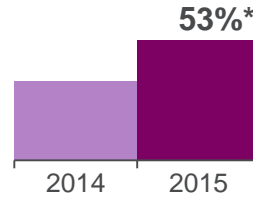
Customers



Revenue

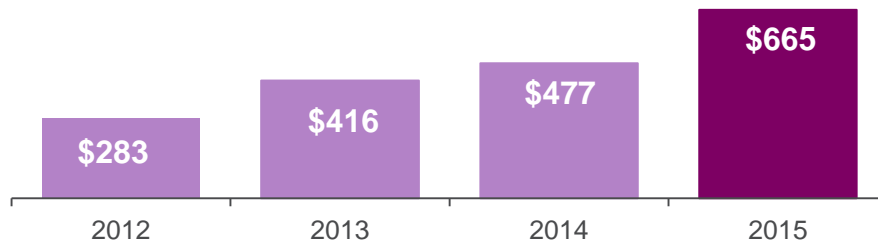


Profit



- Strong underlying profit growth of £7.6M
- Increasingly important part of the Group
 - Profit per customer increased by MXN\$188 in 2015
 - Good top-line growth metrics
- Operating leverage evident: cost-income below 40% for the first time
- Plan to deliver further strong top-line growth

Mexico profit per customer

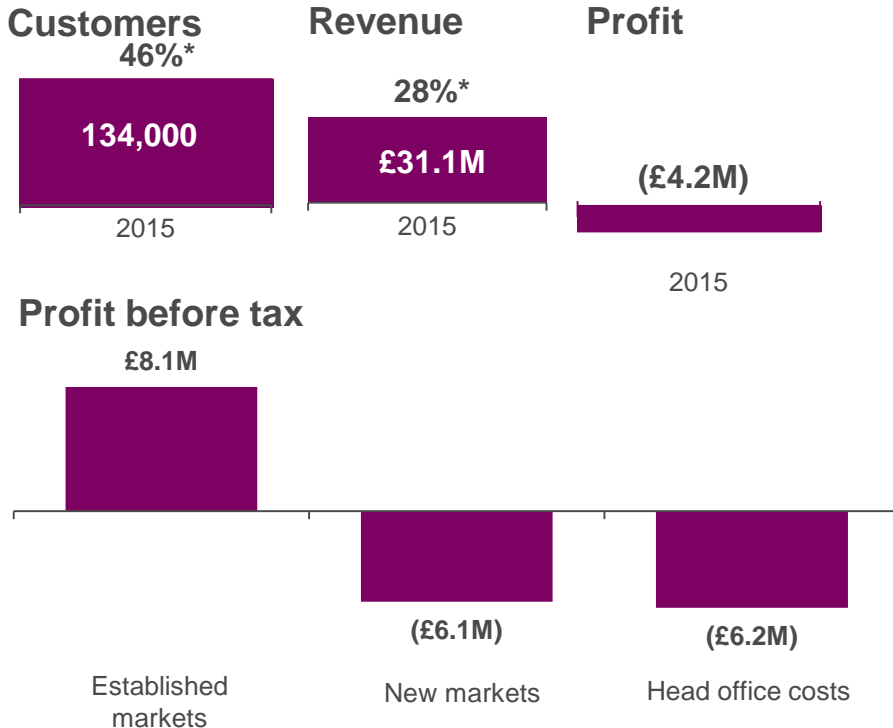


* At constant exchange rates

IPF Digital



Excellent progress and a major strategic opportunity



- Good growth in established markets, expanding in new markets
- Stable credit quality - impairment as a percentage of revenue 28.6%
- Established markets - profitable and high returns
- New markets - significant progress in Poland, Australia and Spain. Expect to be profitable by 2018
- Total investment in IPF Digital in 2016 ~£7M to £9M

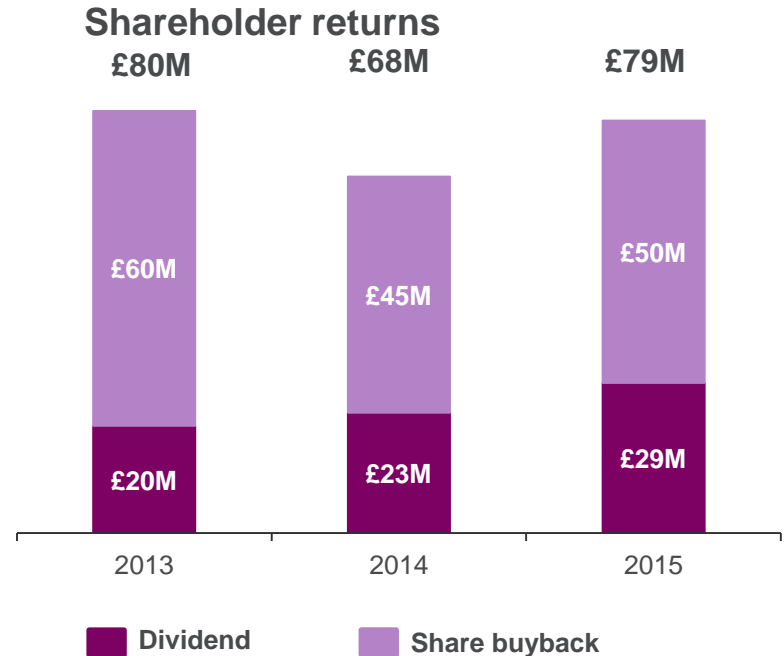
* On a proforma basis

Well-funded balance sheet



Good cash returns for shareholders

- £135M of new funding secured from diversified sources
- £133M headroom on funding facilities
- Equity to receivables 40.8% in line with 40% target
- £227M returned to shareholders in last three years
- Final dividend of 7.8 pence per share gives annual dividend of 12.4 pence



2016 profit before tax factors



- Compared to 2015, profit in 2016 will be impacted as a result of:
- Ongoing businesses
 - Total cost of credit cap in Poland ~£5M to £10M
 - Employing agents in Romania incremental cost of ~£1.5M
 - New 'bank tax' in Poland ~£2.4M
 - Reduced rate of debt sales in Poland ~£5M
- Discontinued business
 - Wind-down of Slovakia ~£5M to £7M

Strategy update

Gerard Ryan
Chief Executive Officer

Strategy for Growth – significant achievements



Multi-product, multi-channel business – 400,000 extra customers since 2012

Expand footprint

- Significant expansion

Customer engagement

- Broadened product portfolio
- Introduced digital channels

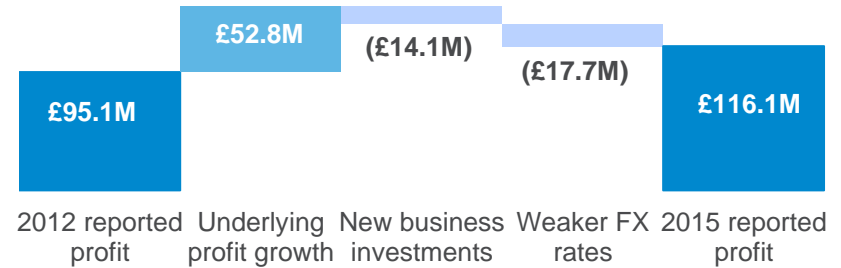
Sales culture

- In-principle decision on websites
- New sales and service organisational structure

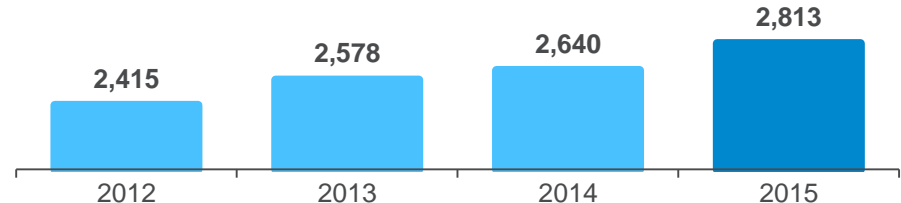
Effective execution

- Global credit decisioning system
- Tablet technology
- Pilot agent technology

Strong underlying profit growth



Customers (000s)



Changing external environment

Impacting rate of growth in some European markets



Changing consumer behaviour

- Shift towards digital
- Face-to-face interactions less valued by some consumers
- More choice drives less loyalty



Changing competitor landscape

- Arrival of online, digital lenders
- High profile offers
- Quick and easy customer journey

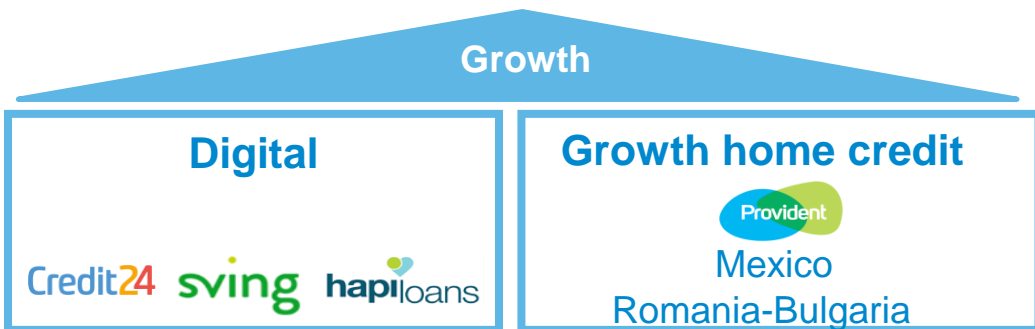


Increased regulatory oversight

- Rate caps in most European markets
- More challenges to product structure

Redefining our businesses

Capturing growth opportunities and addressing competitive threats



Growth businesses

- Digital – building scale with experienced management
- Home credit – proven opportunity in Mexico and Romania-Bulgaria



Established businesses

- Maximise value
- Deliver efficiency
- Reinvest in growth businesses
- Deliver shareholder returns

Established home credit



Enhance customer experience, drive cost out and deliver returns

Optimise customer propositions

- Optimise pricing of home service product
- Reprice and reposition Money Transfer product
- Develop broker partnerships
- Build referral flow from digital business

Driving operational leverage

- New sales and service organisation structure
- Automation through agent handheld technology
- New cost-out programme ('single source')

Provident digital offering

- Provide customer choice
- Leverage strong brand awareness and web traffic
- Pilot in Poland – other markets to follow from H2 2016

Growth home credit



Drive strong top-line growth

Mexico

- Further strong growth expected: credit issued growth +20%
- Accelerated geographic expansion: 10 new branches planned in 2016
- Micro business loans and strategic alliances underway
- Expansion and new business investment funded by Mexican operation

Romania-Bulgaria

- Excellent momentum H2 2015
- Infill infrastructure to reach more new customers
- Bring to maturity and optimise cost
- Leverage benefits of employed agents

Growth Digital



Growing our established businesses and expanding in new markets: expected investment of £7M-£9M in 2016

Grow established markets

- Finland and Baltics: 12M population
- Good returns and expect to deliver further good rates of growth
- Contribution margin ~30%
- Channel and product development ongoing

Enter and grow new markets

- Poland, Australia and Spain - significant growth opportunity: 100M population
- Similar margin structure to established markets at maturity
- Breakeven after around 3 years
- Cumulative investment to breakeven ~£8M to £10M per market
- Considering commencing a digital business in Mexico

Invest in head office capability

- Maintain strategy of one head office
- Invest in technology platform and control environment

Outlook

Good growth opportunities – strategy evolved to meet changing environment



- Build relationships with new regulatory stakeholders
- Drive efficiency and capital generation in established home credit businesses
- Drive top-line growth in IPF Digital and growth home credit businesses



Questions



Appendices

Group

Full-year to 31 December 2015



	2014 £M	2015 £M	Change at CER %
Customer numbers (000s)	2,640	2,813	6.6
Credit issued	1,022.0	1,043.0	13.2
Average net receivables	760.6	764.0	11.4
Revenue	783.2	735.4	4.1
Impairment	(220.0)	(188.9)	4.8
Finance costs	(45.3)	(41.6)	(1.5)
Agents' commission	(90.8)	(84.6)	(3.4)
Other costs	(303.6)	(304.2)	(9.1)
Profit before taxation and exceptional items	123.5	116.1	
Exceptional items	(23.3)	(15.9)	
Statutory profit before taxation	100.2	100.2	

Home credit

Full-year to 31 December 2015



	2014 £M	2015 £M	Change at CER %
Customer numbers (000s)	2,640	2,679	1.5
Credit issued	1021.9	956.3	3.8
Average net receivables	760.5	720.8	5.1
Revenue	783.2	704.3	(0.3)
Impairment	(220.0)	(180.0)	9.3
Finance costs	(45.1)	(38.8)	4.9
Agents' commission	(90.8)	(84.6)	(3.4)
Other costs	(287.1)	(266.0)	(1.4)
Profit before taxation and exceptional items	140.2	134.9	

Poland-Lithuania

Full-year to 31 December 2015



	2014 £M	2015 £M	Change at CER %
Customer numbers (000s)	848	832	(1.9)
Credit issued	372.6	353.5	5.2
Average net receivables	299.4	287.5	6.5
Revenue	308.8	267.4	(4.0)
Impairment	(84.2)	(61.3)	19.2
Finance costs	(18.7)	(15.8)	6.5
Agents' commission	(33.8)	(29.8)	2.3
Other costs	(99.6)	(91.5)	(0.4)
Profit before taxation and exceptional items	72.5	69.0	

Czech-Slovakia

Full-year to 31 December 2015



	2014 £M	2015 £M	Change at CER %
Customer numbers (000s)	360	317	(11.9)
Credit issued	195.8	150.4	(15.2)
Average net receivables	158.8	130.5	(9.3)
Revenue	136.9	106.5	(14.1)
Impairment	(42.0)	(27.7)	27.1
Finance costs	(8.1)	(6.4)	12.3
Agents' commission	(13.8)	(10.7)	13.7
Other costs	(48.7)	(42.5)	5.3
Profit before taxation and exceptional items	24.3	19.2	

Southern Europe

Full-year to 31 December 2015



	2014 £M	2015 £M	Change at CER %
Customer numbers (000s)	646	679	5.1
Credit issued	245.7	227.8	3.3
Average net receivables	176.9	163.4	2.8
Revenue	177.2	155.1	(2.6)
Impairment	(44.2)	(35.0)	12.1
Finance costs	(11.1)	(9.5)	5.0
Agents' commission	(21.9)	(20.6)	(4.6)
Other costs	(71.1)	(63.4)	2.2
Profit before taxation and exceptional items	28.9	26.6	

Mexico

Full-year to 31 December 2015



	2014 £M	2015 £M	Change at CER %
Customer numbers (000s)	786	851	8.3
Credit issued	207.8	224.6	19.8
Average net receivables	125.4	139.4	23.0
Revenue	160.3	175.3	21.1
Impairment	(49.6)	(56.0)	(25.0)
Finance costs	(7.2)	(7.1)	(7.6)
Agents' commission	(21.3)	(23.5)	(22.4)
Other costs	(65.7)	(66.8)	(11.7)
Profit before taxation and exceptional items	16.5	21.9	

Digital

Full-year to 31 December 2015



	2014 £M	2015 £M	Change at CER %
Customer numbers (000s)	-	134	100.0
Credit issued	0.1	86.7	100.0
Average net receivables	0.1	43.2	100.0
Revenue	-	31.1	100.0
Impairment	-	(8.9)	(100.0)
Finance costs	-	(3.1)	(100.0)
Other costs	(1.5)	(23.3)	(1,564.3)
Loss before taxation and exceptional items	(1.5)	(4.2)	

Underlying profit reconciliation



	2014 reported profit £M	Underlying profit movement £M	New business costs £M	Weaker FX rates £M	2015 reported profit £M
Home credit	140.2	12.0	-	(17.3)	134.9
Digital	(1.5)	-	(2.8)	0.1	(4.2)
Central costs	(15.2)	0.6	-	-	(14.6)
Profit before taxation and exceptional items	123.5	12.6	(2.8)	(17.2)	116.1
Exceptional items	(23.3)				(15.9)
Profit before taxation	100.2				100.2

Balance sheet



£M	Dec 2014	Dec 2015	Change at CER %
Goodwill	-	20.1	-
Fixed assets	38.3	49.9	33.8
Receivables	760.5	802.4	11.6
Cash	68.8	39.9	(40.6)
Borrowings	(478.3)	(556.9)	(22.4)
Other net liabilities	(27.7)	(28.2)	(40.3)
Equity	361.6	327.2	(6.2)

Headroom on covenants



	Dec 2015	Covenant	Headroom
Interest cover	3.9x	2.0x min	1.9x
Gearing*	1.7x	3.75x max	£170M

*Adjusted for derivative financial instruments and retirement benefit asset according to covenant definitions

Strong financial profile



	FY 2013	FY 2014	FY 2015
Gearing	1.0x	1.3x	1.7x
Adjusted earnings per share*	35.5p	38.0p	37.1p
Interest cover*	3.4x	3.7x	3.9x
Return on equity*	22.9%	23.6%	23.3%
Equity to receivables ratio	50.2%	47.5%	40.8%

Foreign exchange rates



	Current rates 23.02.16	2015 Closing Dec	2015 Average	2014 Closing Dec	2014 Average
Polish zloty	5.6	5.8	5.8	5.5	5.2
Czech crown	34.7	36.6	37.6	35.6	34.2
Euro	1.3	1.4	1.4	1.3	1.2
Hungarian forint	394.0	427.1	428.3	407.0	385.0
Mexican peso	25.6	25.3	24.5	23.0	22.0
Romanian leu	5.7	6.1	6.1	5.8	5.5
Bulgarian lev	2.5	2.7	2.7	2.5	2.4
Lithuanian litas *	-	-	-	4.4	4.3
Australian dollar	2.0	2.0	2.0	-	-

* Lithuania converted to the Euro 1 January 2015

Rate caps



We operate within rate cap environments in most of our markets

Market	Key rate cap legislation
Poland	Interest rate cap implemented in 2006 and amended 2015. Cap on non-interest costs of credit effective from 11 March 2016.
Slovakia	Rate cap implemented in 2008 and later rescinded. Cap on “remuneration” introduced June 2014. New total cost of credit “remuneration” cap implemented 22 December 2015 ~27% per annum of issue value for loans over one year’s duration (37% for shorter-term duration loans).
Hungary	APR cap implemented in 2008, subsequently tightened. Current limit: 24% plus base rate of 1.65% = 25.65%. Payment-to-income legislation introduced January 2015.
Lithuania	Annual interest rate cap of 75% and cap on other charges included in the total cost of credit of 0.04% per day of credit issued. The latter may not exceed the total amount of credit.
Bulgaria	APR cap of 50% implemented in July 2014.
Estonia	APR cap of approx. 65% per annum effective since 1 July 2015. (3 times the market average over the previous 6 months).
Finland	APR cap of 50.2%.

International Personal Finance plc

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