



# International Personal Finance

## Investor road show - Paris

**Gerard Ryan – Chief Executive Officer**  
**David Broadbent – Finance Director**

**20 March 2013**

# International Personal Finance

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- Profitable growth business
- A resilient business model
- Consistently strong trading and financial performance
- Growth strategy building momentum





# Profitable growth business



# International Personal Finance

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- Leading international consumer credit provider
- Small sum consumer loans
- Listed on the London Stock Exchange in 2007
- Circa £1BN market capitalisation
- 6,330 employees and 28,500 agents around the world

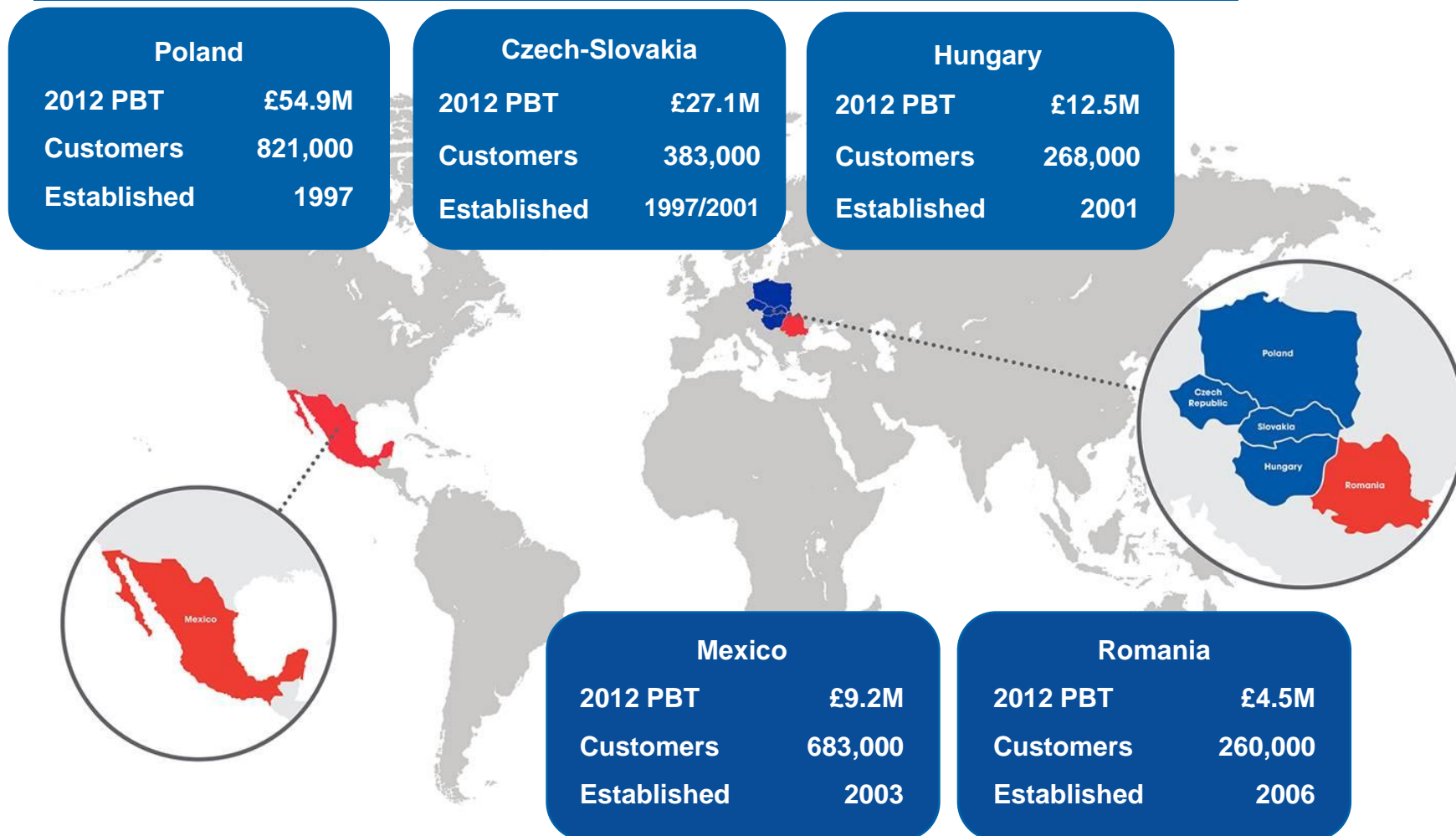
**6  
markets**

**2.4m  
customers**

**28,500  
agents**

**£95.1M  
2012 PBT**

# Our markets



# A valued and responsible business

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Customer Friendly Company  
2012 - Poland



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



Pearl of the Polish  
Economy 2012 - Poland



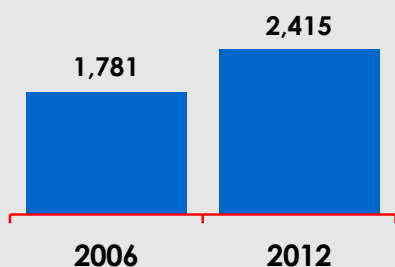
FTSE4Good

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



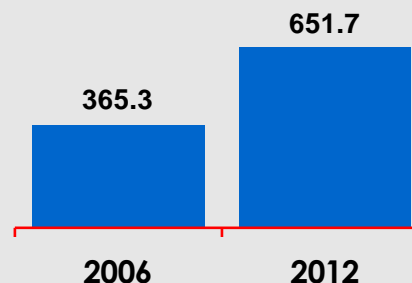
# Good growth and strong returns

## Customers ('000s)



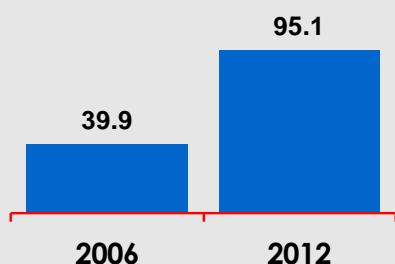
- 36% growth since 2006
- 56% customer retention – customers on third or subsequent loan

## Revenue (£M)



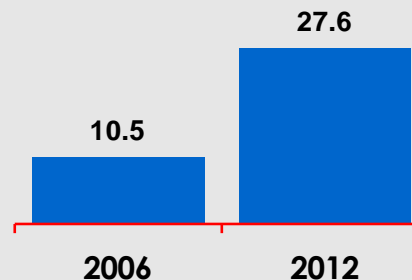
- 78% growth since 2006

## Profit before tax (£M)



- 138% growth since 2006
- All markets profitable

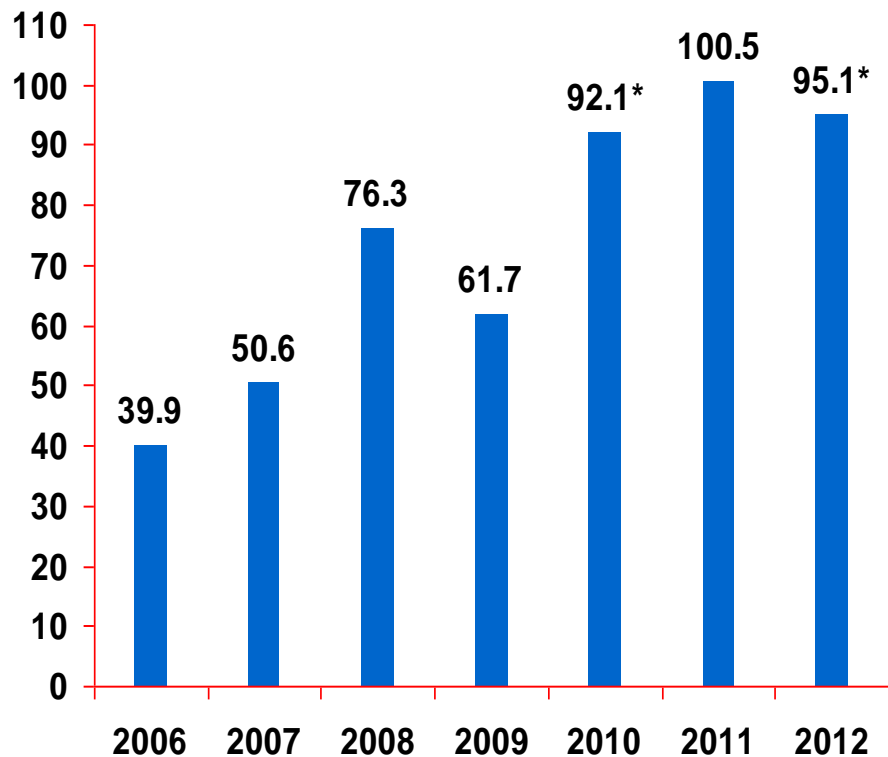
## EPS (p)



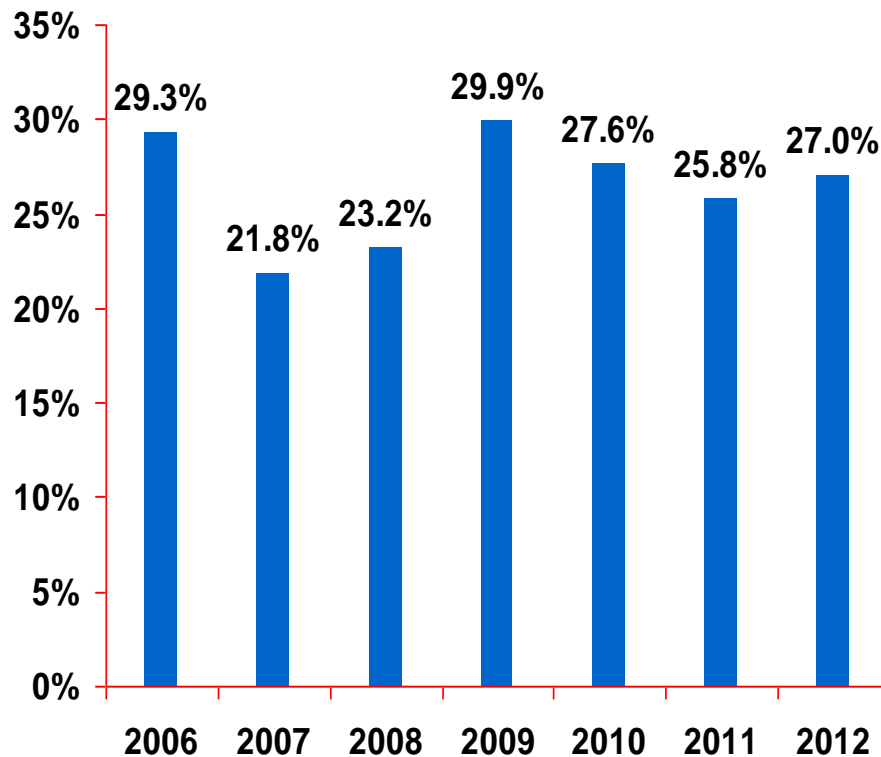
- 163% growth since 2006

# Strong record of growth

### Profit before tax (£M)



### Impairment % revenue



\* 2010 profit stated before exceptional charge of £3.9M. 2012 profit stated before exceptional restructuring charge of £4.8M



# Good profit margins at maturity

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Revenue	100%
Agents' commission	11 - 12%
Impairment	25 - 30%
Interest	7%
Direct expenses	30 - 35%
Profit margin	c.20 - 25%

Average loan size	
Group	£291
Poland	£310
Czech-Slovakia	£452
Hungary	£306
Mexico	£179
Romania	£277



# A resilient business model

# Home credit business model

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- Long-established, resilient and cash generative business model
- Simple, transparent, affordable and personal
- Small sum, short-term unsecured cash loans in local currency
- £50 - £1,000 loans repaid over a period of around 12-14 months
- Loans repaid by money transfer or optional home collection service
- Agents provide weekly face-to-face visits to customers in their homes
- Credit vetting in the home by agent, supported by application and behavioural scoring
- Low and grow lending strategy
- No default penalty charges on home collected loans

# Sales process

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- Recognised financial brand: 70%+ awareness in most markets
- 28,500 agents provide powerful engine for effective and cost efficient customer acquisition
- National and regional advertising
- Internet growing in importance in marketing mix
- Strong retention – high proportion of eligible customers renew loans
- Strong focus on lifetime value



# Powerful credit management systems

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Credit risk based around relationship between customer and agent, supported by application and behavioural scoring systems

## Business Model

- Agents remunerated based on collections
- Lending based on disposable income not asset value
- No introductory offers

## Agents

- Development of customer relationship
- Assessment of customer character, circumstances and capacity to pay

## Systems

- Application scoring
- Behavioural scoring
- Centralised arrears management
- Prudent provisioning

# Collections process

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## Field based collections

- Agent collects weekly
- Customers in arrears managed via a combination of:
  - letters
  - Development Manager visits
  - centralised telephone calls
- Process escalates as arrears increase

**Write off – 12 weeks non-payment**

## Debt recovery

- Central arrears management in all markets
- Balances recovered through:
  - letters
  - calls
  - collection agencies
  - court action
- Typically collect 10 - 20% of write off

# Prudent provisioning methodology

Short-term loans and prudent provisioning means impairment charged to income statement quickly

<b>Assessment</b>	<ul style="list-style-type: none"><li>• Weekly</li></ul>
<b>Impairment charge</b>	<ul style="list-style-type: none"><li>• In the event of any missed payment or portion of a payment even if agent fails to call</li><li>• No re-ageing of 'poor' payers</li></ul>
<b>Impairment calculated</b>	<ul style="list-style-type: none"><li>• Using third party developed actuarial models to estimate amount and timing of future cash flows</li></ul>
<b>Models</b>	<ul style="list-style-type: none"><li>• Systematic, with no management intervention</li><li>• Separate for each product in each country</li></ul>
<b>Provisions</b>	<ul style="list-style-type: none"><li>• Formally reviewed on a regular basis to ensure reflects current performance</li></ul>

# Regulation

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- Quoted UK plc on FTSE250 complying with all listing requirements
- Globally ranked in top 3 of FTSE4Good for environmental, social and corporate governance management
- Regulated as a financial enterprise in Hungary by the PSZAF (Hungarian Financial Supervisory Authority)
- Registered in the General Register of Non-banking Financial Institutions of the National Bank of Romania
- In all other markets operating under local consumer credit legislation
- Proactive approach to monitoring regulatory change and involvement in policy development
- Operate in rate cap environments (Poland 2006, Slovakia 2010, Hungary 2011)
- EU Consumer Credit Directive now implemented in all European markets





# Consistently strong trading and financial performance



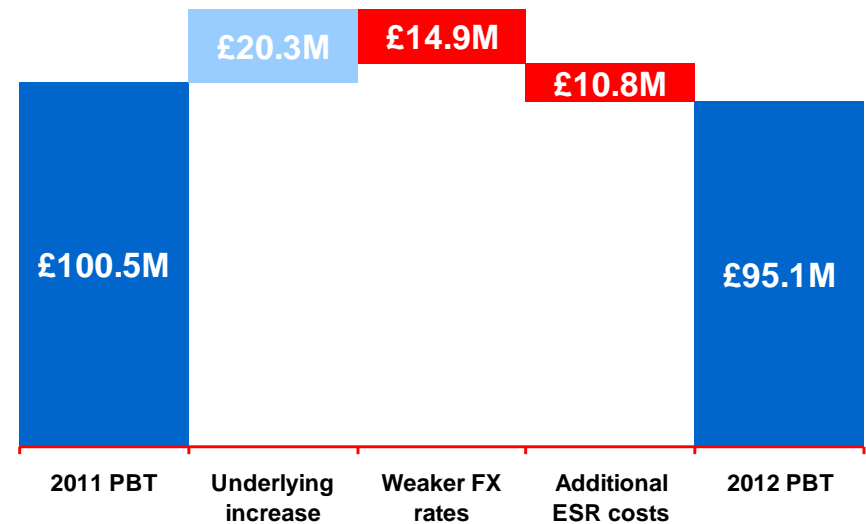
# 2012 highlights

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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

# 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

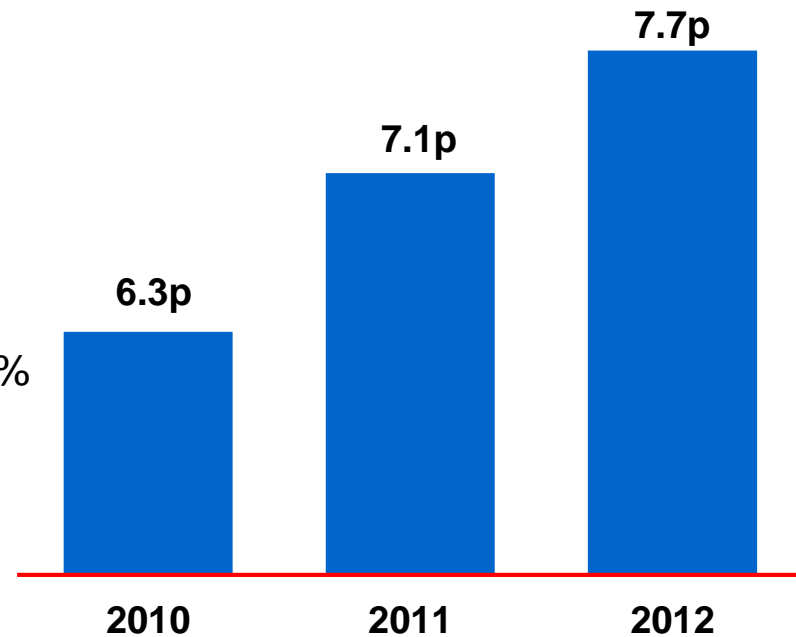


# Good returns

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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



# We lend short and borrow long

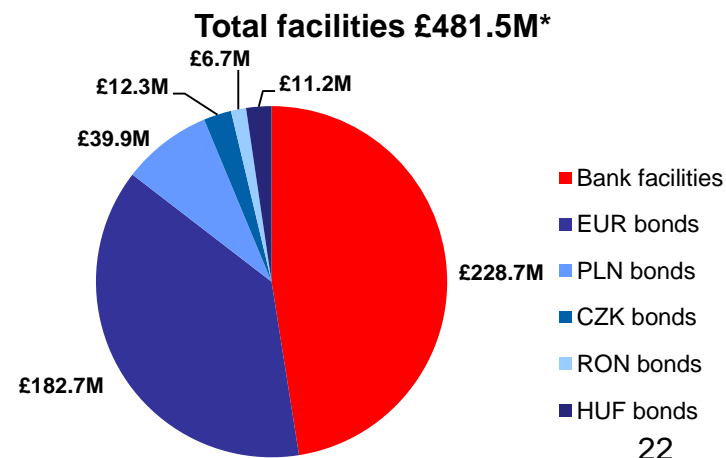
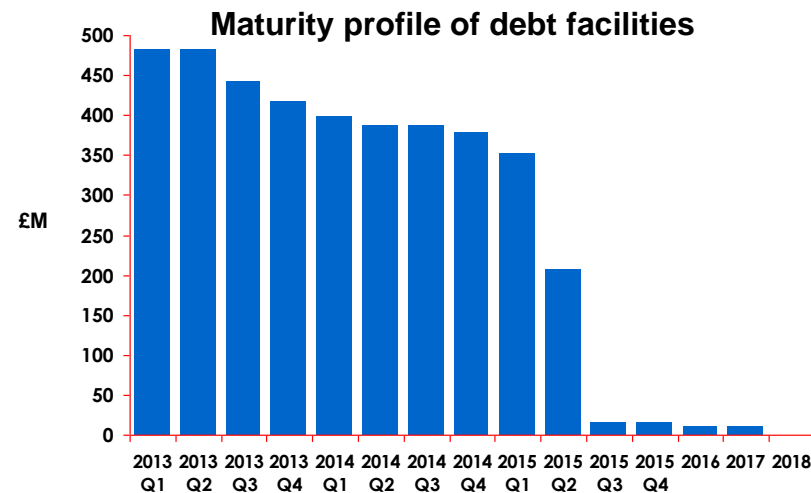
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	Receivables		Borrowing facilities	
	£M	%	£M	%
Less than one year	627	96	16	5
Later than one year	23	4	295	95
	650	100	311	100

At 31 December 2012

# Robust balance sheet and funding position

- 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



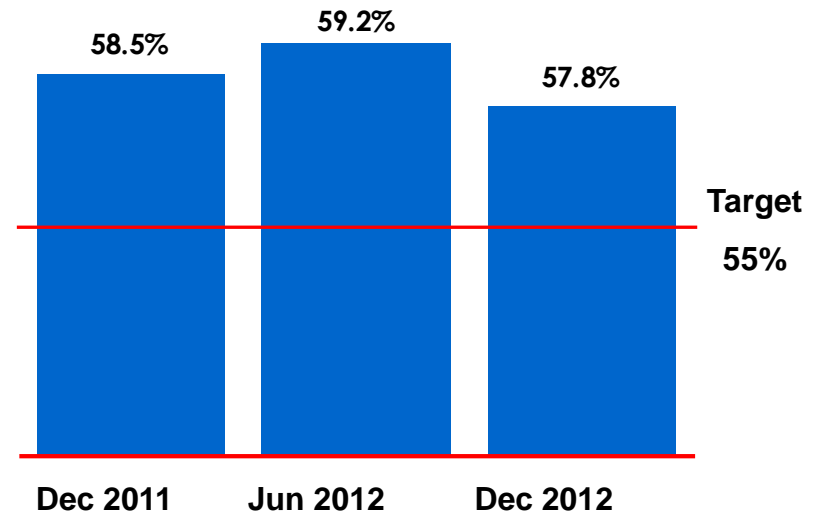
\*At 6 March 2013

# 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

Equity to receivables





# Growth strategy building momentum



# Our strategy for growth

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**Expand footprint**

**Improve customer engagement**

**Develop sales culture**

**Execution**

# Planned market entries in 2013

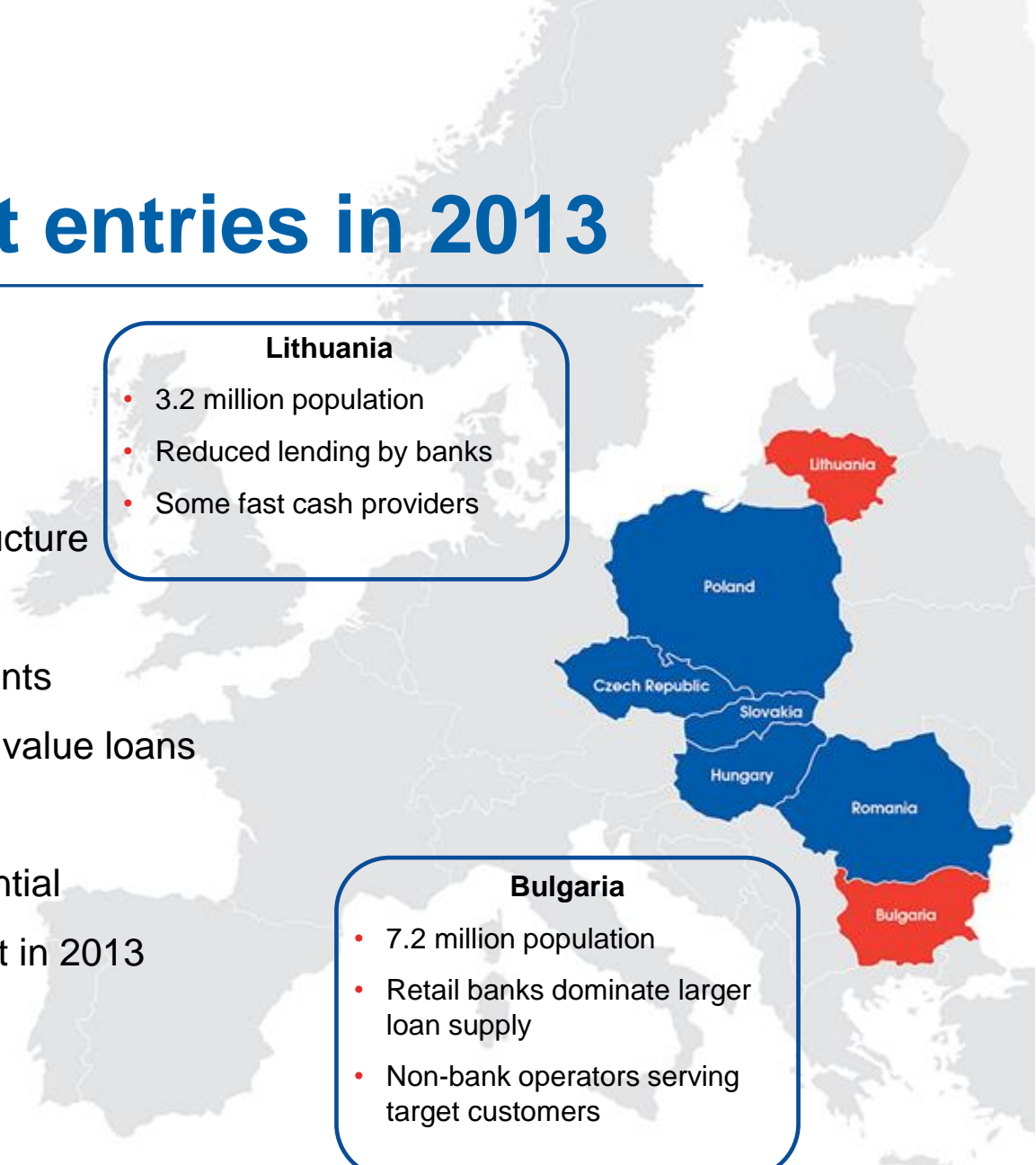
- Adjacent market strategy
  - Shorten J-curve
  - Leverage existing infrastructure
  - Reduce costs
- Favourable business environments
- Demand for shorter-term, lower value loans
- Positive economic prospects
- Controlled pilots to assess potential
- Expected £4M - £5M investment in 2013

## 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

## 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



# 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

# Balance sheet

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	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	



# Change in interest allocation

	2012 Reported profit	Adjustment	2012 Adjusted profit
	£M	£M	£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



# Strong financial fundamentals

Strong cash flow and capital generation

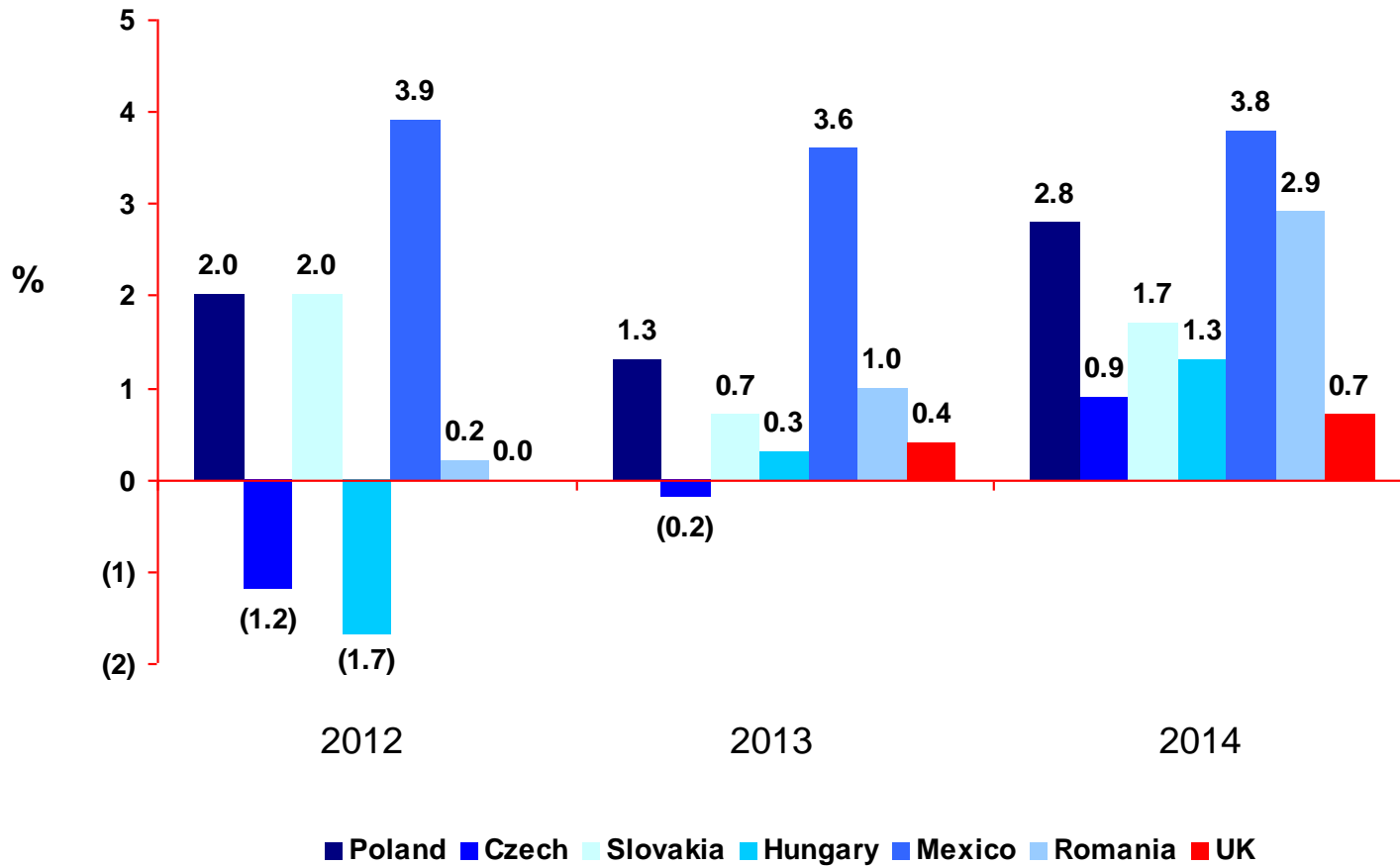
	2009	2010	2011	2012
Equity to receivables	49.4%	54.5%	58.5%	57.8%
Return on equity	17.6%	22.2%	22.7%	20.1%
Gearing	1.3x	1.0x	0.8x	0.8x
Interest cover	3.2x	3.8x	3.4x	3.3x



# Our markets

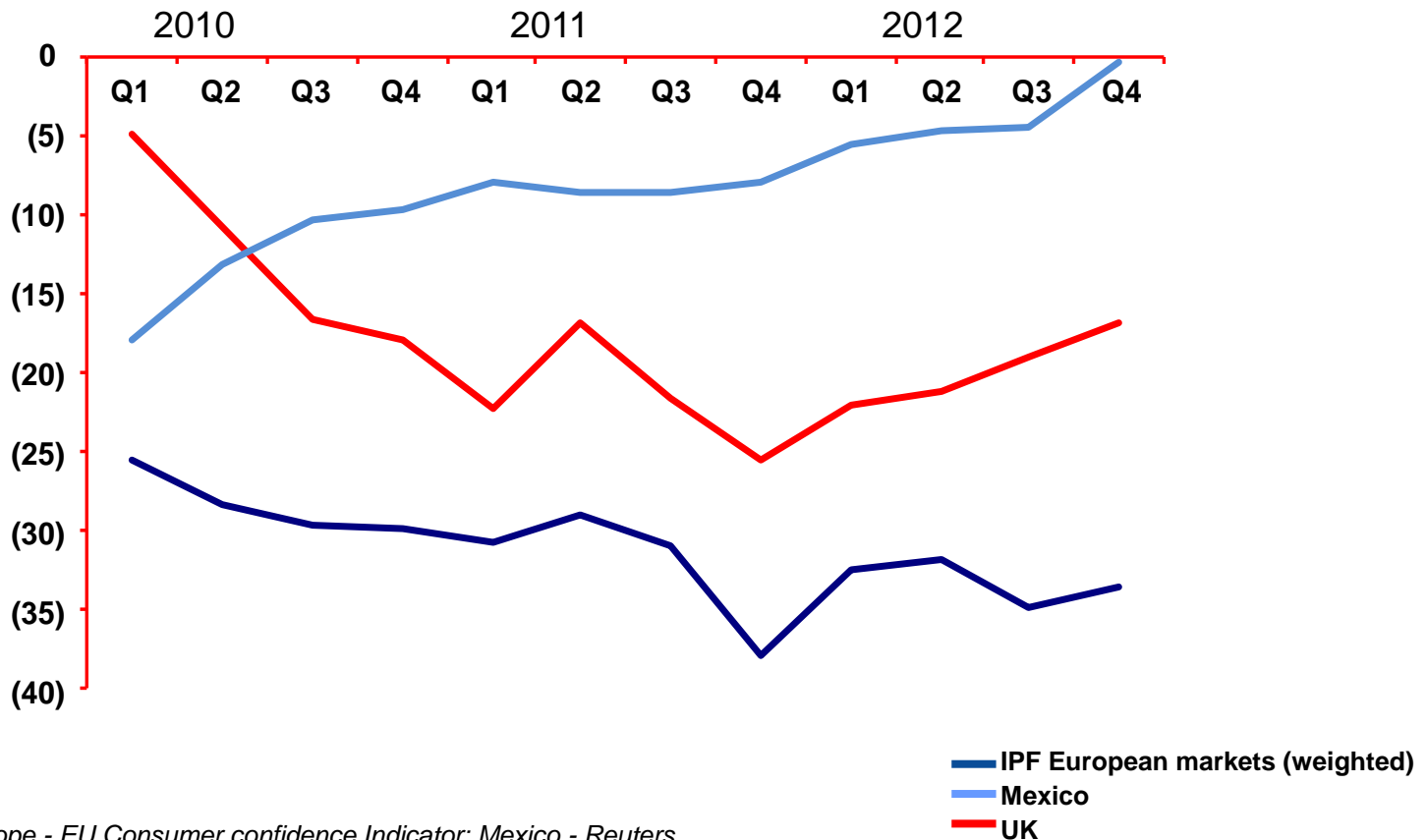
	Year entered	EU member?	Fitch rating	Population (M)	Customers (000s) Dec 2012
Poland	1997	✓	A-	38.2	821
Czech Republic	1997	✓	A+	10.5	383
Slovakia	2001	✓	A+	5.4	268
Hungary	2001	✓	BB+	10.0	683
Mexico	2003	×	BBB	114.8	260
Romania	2006	✓	BBB-	21.4	

# Forecast GDP growth



Source: Citibank

# Consumer confidence



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



# Contact

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