2017 full-year results

International Personal Finance plc

1 March 2018

International Personal Finance plc

Gerard Ryan

Chief Executive Officer

2017 full-year highlights

Solid financial and operational performance

Group	• Group profit before tax increased to £105.6M • Good credit issued growth and consistent credit quality
Home credit	• Credit issued broadly flat • Very good portfolio quality in Europe • Good growth and strong recovery post-earthquakes in Mexico • Collect-out in Slovakia and Lithuania completed successfully
IPF Digital	• Strong top-line growth • New markets growing strongly • Established markets delivered good profit growth
Funding and balance sheet	• Equity to receivables 47%, after exceptional deferred tax charge of £30M • £189M headroom on funding facilities
Dividend	• Final dividend maintained at 7.8p per share

International Personal Finance plc

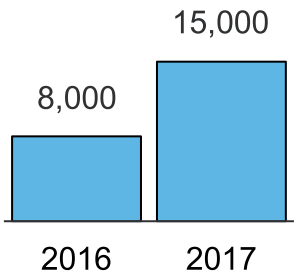
Business update

Delivering our strategy – European home credit

Creating more modern, efficient, higher credit quality businesses to improve sustainability

Leverage Provident brand for digital	Simplify and modernise	Improve sustainability

Leverage Provident brand for digital



Provident digital customers

- Good growth in Poland
- Platform investment
- Launch in Czech Republic H1 2018

Simplify and modernise

- Simplified business structure working well
- Invested in IT development to digitise business
- Rolled out agent mobile apps in Hungary and Czech Republic. Poland H1 2018
- Progressive improvement of cost-income ratio from 2018

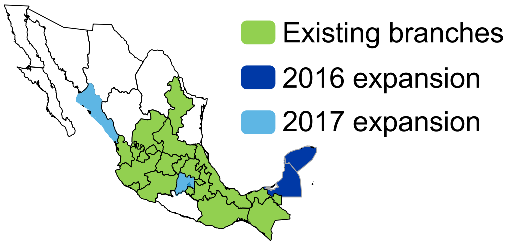
Improve sustainability

- Building resilience
- Engaging with regulatory stakeholders
- Greater customer choice
- More competitive pricing

Delivering our strategy – Mexico home credit

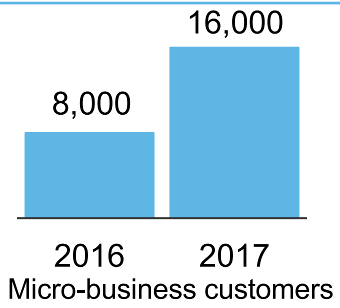
Progress made on growth strategy; strong recovery in performance following earthquakes

Expand geographic footprint



- Investment in expansion delivering growth
- Further branch openings planned in 2018

Build micro-business channel



- Significant opportunity
- Average loan 4x size of typical home credit loan
- Reviewing options to grow faster in 2018

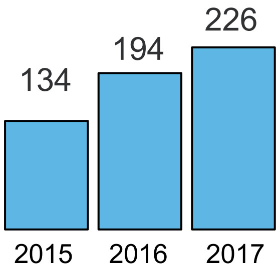
Improving operational efficiency

- Recovery in performance
- Rescoped northern region – two branch closures
- Focus on operational efficiency and improved customer quality and profitability
- Established branches - profit per customer at similar level to 2015

Delivering our strategy – IPF Digital

Delivering well against growth strategy

Build scale

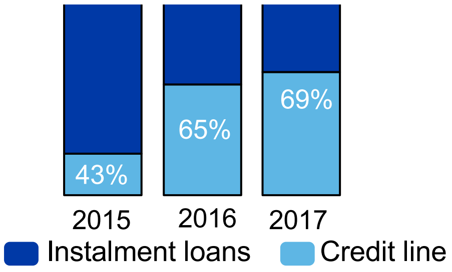


Customers ('000s)

- Strong growth and improved financial metrics
- Accelerated growth investment
- Strengthened capability

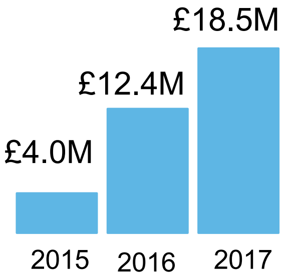
Great customer experience through innovation

Established markets



- Product and process innovation
- Investment in IT platform
- Strong demand for credit line product

Demonstrating ability to make a return



PBT - established markets

- Operational strategies delivered growth
- Improved financial metrics
- Established markets delivered good profit growth

Regulation and taxation update

Romania	• More stringent creditworthiness assessments introduced January 2017 • Now supervised by National Bank of Romania within its Special Registry • Further tightening of credit criteria and reduced loan volumes
Rate caps	• Caps in our European markets except Czech Republic, Romania and Spain • Expect price caps in all our European markets in the future • APR cap proposed in Romania – contributing actively to the debate
Northern Europe	• Granted licence to trade by Czech National Bank • No update on Polish Ministry of Justice's proposal to tighten existing cap on non-interest charges for consumer loans
Taxation	• *Polish tax audit*: court hearings stayed for 2008 and 2009 appeals pending resolution between UK and Polish tax authorities • *Polish corporate income tax*: one-off charge of £30M to write down deferred tax asset, treated as an exceptional tax expense in 2017. Group effective tax rate in 2018 expected to be c.33% to 35%

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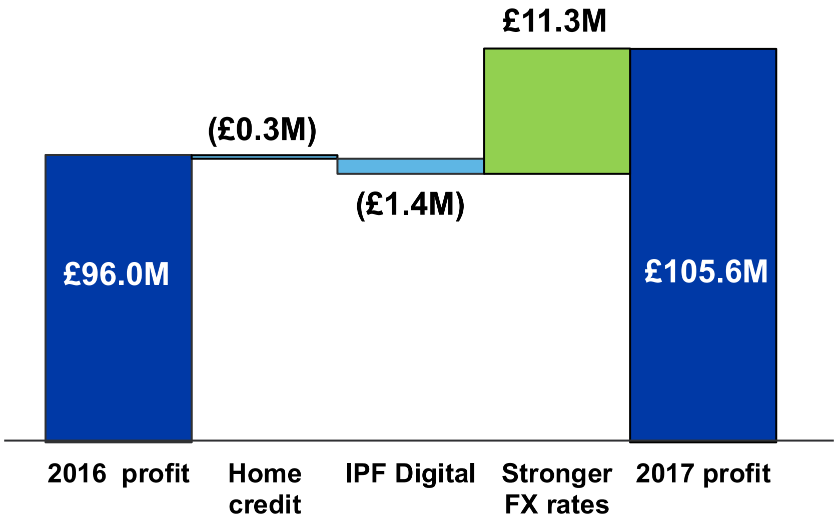
Justin Lockwood

Chief Financial Officer

Group profit before tax

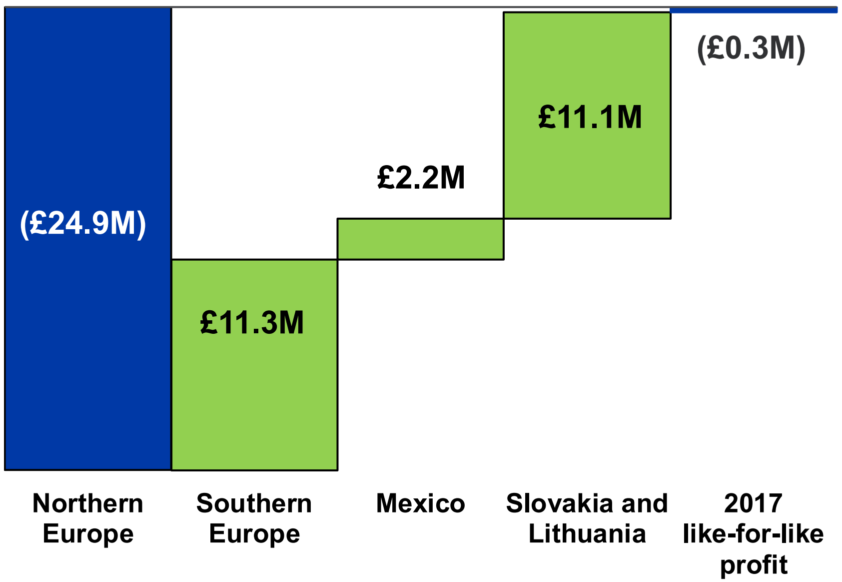
Solid financial and operating performance



- £9.6M increase in reported profit
- Home credit profit broadly flat - a number of moving parts
- IPF Digital delivered strong profit growth in established markets and further investment to expand our new markets
- Significant FX benefit due to sterling weakness
- Profit from continuing operations - excludes discontinued operation in Bulgaria

Home credit like-for-like profit movement

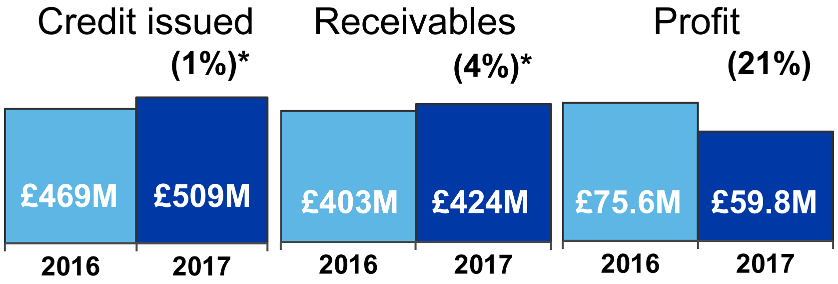
Like-for-like profit broadly flat year on year

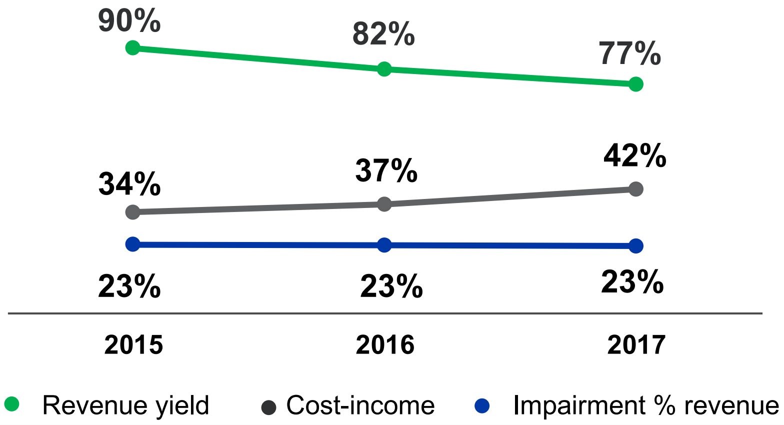


- Focus on improving sustainability in Northern Europe: broader product set and more competitive pricing in an intensely competitive market
- Increased profit in Southern Europe driven by good growth in Hungary and debt sale profits in Romania
- Profit growth in Mexico impacted by earthquakes
- Strong collect-out performance in Slovakia and Lithuania

Home credit - Northern Europe

Lower profit in line with expectations due to regulatory and competitive pressures



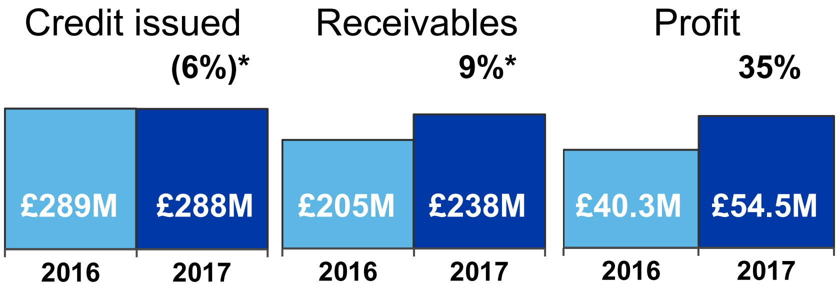


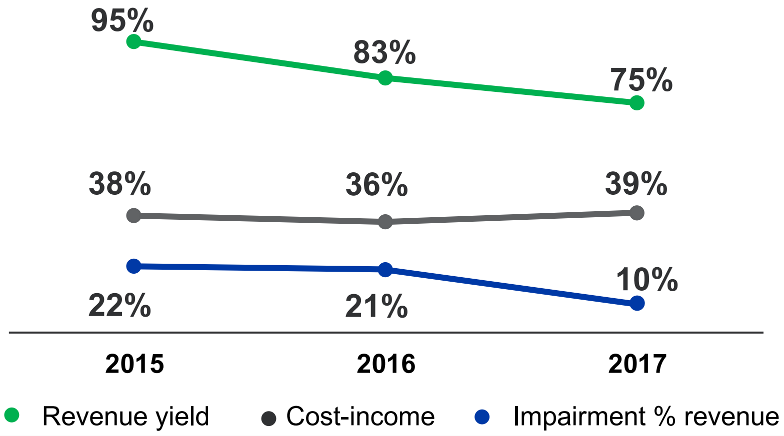
- Competitive landscape impacted growth
- Key drivers of reduced revenue:
  - Poland - total cost of credit legislation
  - Czech Republic - contracting receivables and longer-term loans
- Higher quality lending and good collections supported excellent portfolio quality
- Cost-income ratio increased due to contracting revenue yield and IT investment
- Like-for-like profit reduced, partially offset by FX benefit
- 2018: develop customer product choice and improve efficiency

* At constant exchange rates

Home credit - Southern Europe

Good growth in Hungary and debt sales in Romania drive profit growth



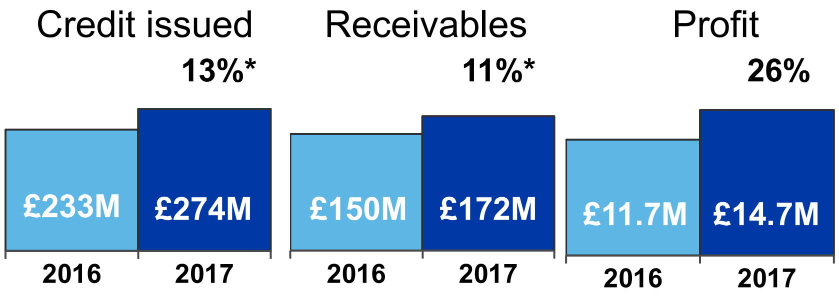


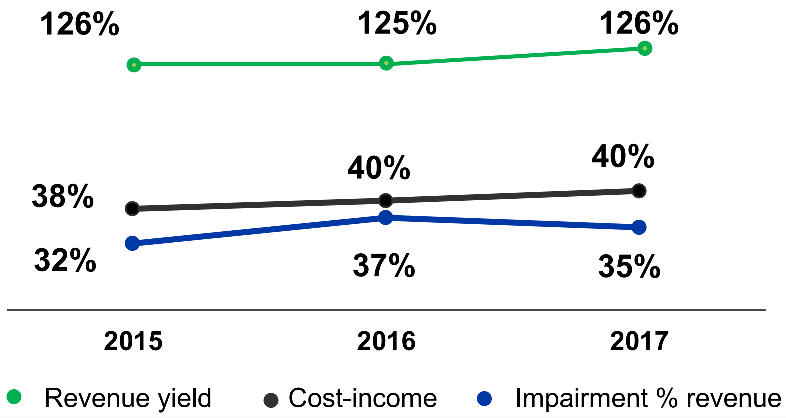
- Growth in Hungary offset by impact of regulatory change in Romania
- Revenue contraction driven by consumer demand for lower yielding, longer-term loans
- Impairment % revenue very low due to good collections and debt sale profits in Romania
- Cost-income ratio increased as a result of IT investment and lower revenue yields
- Strong profit growth to £54.5M
- 2018: transition Romania business to operate under new regulatory framework and improve operational efficiency

* At constant exchange rates

Mexico home credit

Good growth and strong operational recovery following earthquakes in Q3



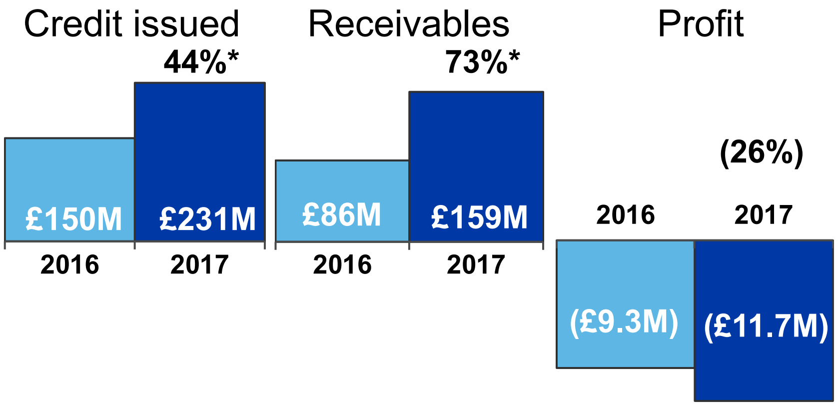


- Good credit issued growth despite earthquakes
- Increased receivables book drove revenue growth of 12%
- Improved collections performance and aim to further reduce impairment in 2018
- Invested in improving operational performance and new business
- Like-for-like profit growth of £2.2M to £14.7M
- 2018: focus on customer and credit issued growth together with improving operating efficiency

* At constant exchange rates

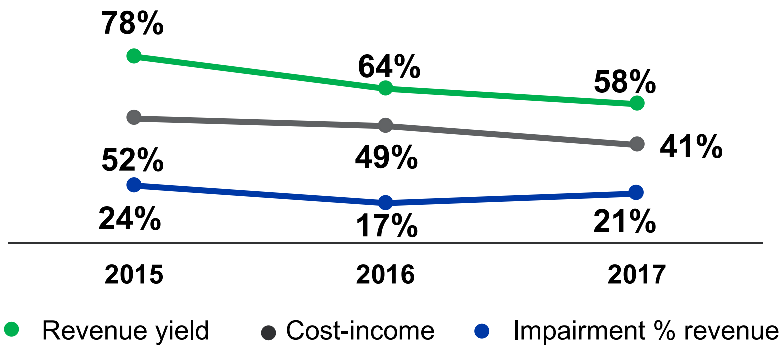
IPF Digital

Strong top-line growth and established markets delivered good profit growth



IPF Digital

- Strong credit issued growth
- Loss outcome in line with guidance at £11.7M



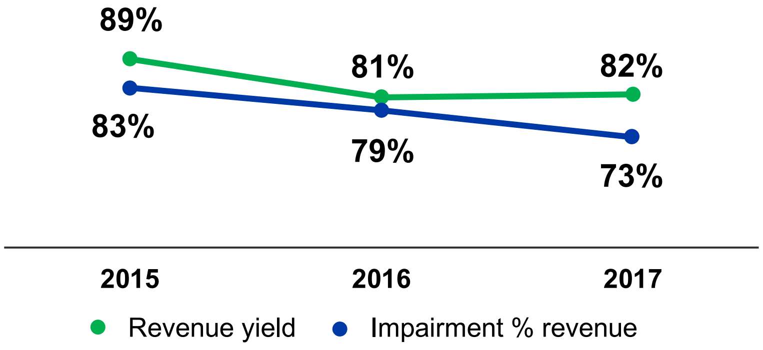
Established markets

- Credit issued growth of 20%
- Strong receivables and revenue growth
- Excellent credit quality
- Strong operational performance delivered good profit growth to £18.5M

* At constant exchange rates

IPF Digital

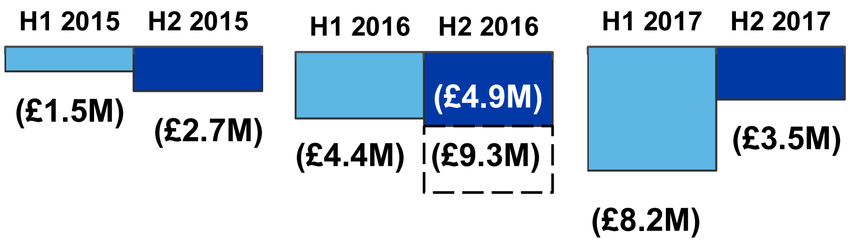
Continued strong growth and improved performance expected in 2018



New markets

- Accelerated investment delivered strong credit and receivables growth
- Impairment elevated but significant 11ppt improvement versus H1 2017
- Increased operational leverage delivered significant improvement in cost-income ratio

IPF Digital half yearly profit



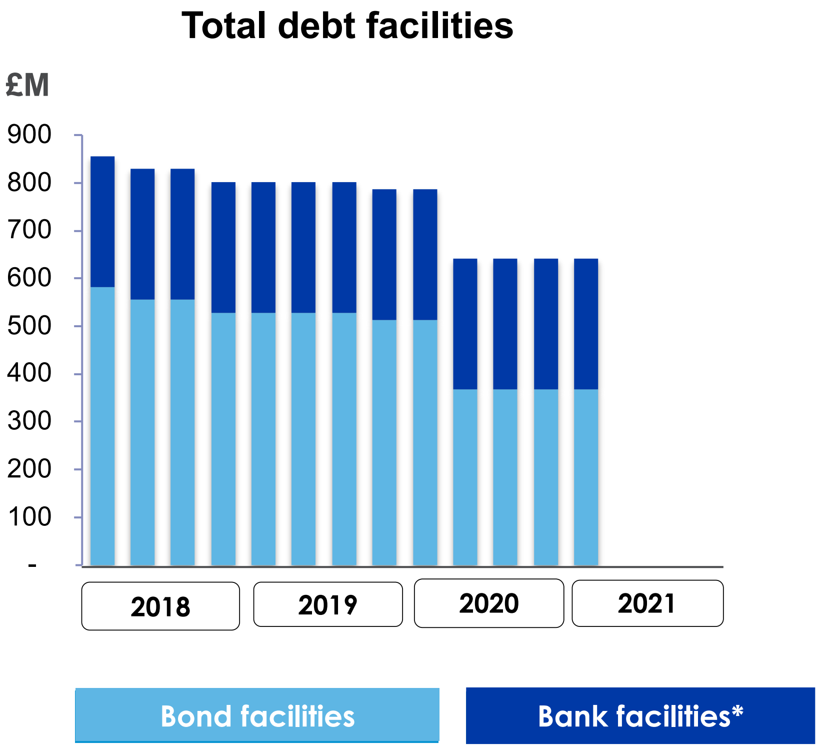
Profit and outlook

- 2018: continued strong growth and further improved performance
- Reduced losses in H2 2017: moving up the j-curve

* At constant exchange rates

Robust balance sheet and funding position

Good headroom on debt facilities



- Equity to receivables 47%
- £189M of headroom on debt facilities
- £53M new 3-year bank funding secured in 2017
- Total debt facilities of £867M - c.£593M bonds and c.£274M bank facilities
- Secure long-term bond funding - over £500M maturing 2020 or 2021
- Final dividend maintained at 7.8 pence per share

* Rolling extensions assumed

IFRS 9

New accounting standard effective 1 January 2018

IFRS 9

- Move from incurred loss to expected loss methodology for impairment accounting
- Differential ongoing impact on profitability based on business maturity
- Preliminary assessment of day one reduction in receivables carrying value of between 11% to 13% – booked to reserves
- Profit before tax in 2017 estimated to have been between 6% to 8% lower than reported under IAS 39
- IFRS 9 is an accounting change only. No impact on business model, credit quality, cash flows, economic value or returns
- IFRS 9 briefing available to view at www.ipfin.co.uk – investors section

Outlook

Gerard Ryan

Chief Executive Officer

Outlook

External landscape	• Competitive and regulatory environment expected to remain challenging
European home credit	• Manage to create more modern, efficient, higher credit quality businesses and optimise performance to deliver returns
Mexico home credit	• Return to customer growth, continue expansion of branch and micro-business channel, and optimise returns from selected established branches
IPF Digital	• Further strong growth and improved performance driven by increased sales and improved operational metrics

Questions

Appendices

Group – continuing operations

Full-year to 31 December 2017

	2016 £M	2017 £M	Change at CER %
Customer numbers (000s)	2,521	**2,290**	(9.2)
Credit issued	1,145.0	**1,301.5**	5.9
Revenue	756.8	**825.8**	1.5
Impairment % revenue	24.4%	**24.4%**	-
Cost-income ratio	45.3%	**45.8%**	(0.5) ppt
PBT (£M)	96.0	**105.6**	
EPS (pence)	32.2	**20.2**	
Adjusted EPS (pence)[1]	32.2	**33.7**	

[1] *Adjusted for exceptional tax charge*

Northern Europe

Full-year to 31 December 2017

	2016 £M	2017 £M	Change at CER %
Customer numbers (000s)	849	**737**	(13.2)
Credit issued	468.9	**508.6**	(1.3)
Average net receivables	403.3	**424.0**	(4.3)
Revenue	330.6	**327.0**	(10.1)
Impairment	(76.2)	**(74.1)**	12.2
Finance costs	(21.7)	**(24.4)**	(2.5)
Agents' commission	(35.5)	**(32.1)**	17.7
Other costs	(121.6)	**(136.6)**	(3.5)
Profit before taxation	75.6	**59.8**	

Southern Europe

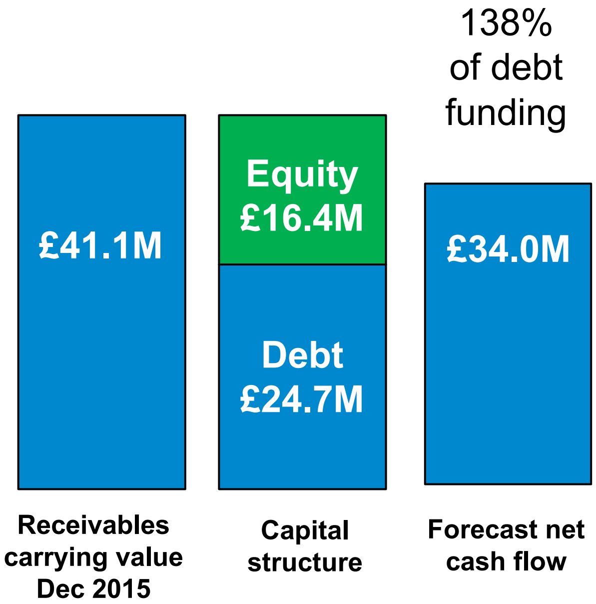
Full-year to 31 December 2017

	2016 £M	2017 £M	Change at CER %
Customer numbers (000s)	594	**499**	(16.0)
Credit issued	289.0	**288.4**	(5.9)
Average net receivables	205.5	**237.7**	8.7
Revenue	170.8	**177.7**	(2.4)
Impairment	(35.2)	**(17.0)**	55.3
Finance costs	(11.5)	**(12.2)**	-
Agents' commission	(22.2)	**(24.5)**	(3.8)
Other costs	(61.6)	**(69.5)**	(6.8)
Profit before taxation	40.3	**54.5**	

Home credit - Slovakia and Lithuania

Strong cash collection against receivables accounting value

Slovakia collect-out performance



- Pleasing performance from businesses being wound down - £3.2M combined profit
- Collect-out in both markets completed
- Target equity to receivables ratio of 40%
  - Debt funding
  - Equity funding
- Slovakian net cash flow forecast at £34M
- Net cash collection – 138% of debt funding

Mexico

Full-year to 31 December 2017

	2016 £M	2017 £M	Change at CER %
Customer numbers (000s)	841	**828**	(1.5)
Credit issued	233.4	**273.7**	12.9
Average net receivables	149.7	**172.2**	10.9
Revenue	186.5	**217.0**	12.0
Impairment	(68.0)	**(75.6)**	(7.4)
Finance costs	(8.6)	**(10.2)**	(14.6)
Agents' commission	(24.3)	**(28.9)**	(14.7)
Other costs	(73.9)	**(87.6)**	(14.2)
Profit before taxation	11.7	**14.7**	

IPF Digital

Full-year to 31 December 2017

	2016 £M	2017 £M	Change at CER %
Customer numbers (000s)	194	**226**	16.5
Credit issued	150.2	**230.8**	43.6
Average net receivables	86.4	**159.2**	72.9
Revenue	58.1	**104.1**	67.6
Impairment	(17.5)	**(42.9)**	(127.0)
Finance costs	(4.0)	**(8.4)**	(100.0)
Other costs	(45.9)	**(64.5)**	(30.8)
Loss before taxation	(9.3)	**(11.7)**	

IPF Digital – established markets

Full-year to 31 December 2017

	2016 £M	2017 £M	Change at CER %
Customer numbers (000s)	137	**141**	2.9
Credit issued	108.4	**138.7**	19.9
Average net receivables	70.9	**109.5**	44.8
Revenue	45.5	**63.4**	30.5
Impairment	(7.6)	**(13.2)**	(57.1)
Finance costs	(3.4)	**(5.8)**	(61.1)
Other costs	(22.1)	**(25.9)**	(9.3)
Profit before taxation	12.4	**18.5**	

IPF Digital – new markets

Full-year to 31 December 2017

	FY 2016 £M	FY 2017 £M	Change at CER %
Customer numbers (000s)	57	**85**	49.1
Credit issued	41.8	**92.1**	104.7
Average net receivables	15.5	**49.7**	201.2
Revenue	12.6	**40.7**	201.5
Impairment	(9.9)	**(29.7)**	(182.9)
Finance costs	(0.6)	**(2.6)**	(333.3)
Other costs	(17.5)	**(28.9)**	(52.9)
Loss before taxation	(15.4)	**(20.5)**	

Like-for-like profit reconciliation

	2016 reported profit £M	Like-for-like profit movement £M	New business investment £M	Stronger FX rates £M	2017 reported profit £M
Home credit	120.2	(0.3)	-	12.3	**132.2**
IPF Digital	(9.3)	5.6	(7.0)	(1.0)	**(11.7)**
Central costs	(14.9)	-	-	-	**(14.9)**
Profit before taxation from continuing operations	96.0	5.3	(7.0)	11.3	**105.6**

Strong financial profile

Robust balance sheet position, good returns, low gearing, and high interest cover

	2015	2016	2017
Receivables	802.4	939.9	**1,056.9**
Equity	327.2	429.5	**496.9**
Equity to receivables ratio	40.8%	45.7%	**47.0%**
Gearing	1.7x	1.5x	**1.4x**
Adjusted return on assets*	15.6%	12.3%	**11.5%**
Adjusted return on equity*	25.9%	18.8%	**15.7%**
Adjusted earnings per share*	39.5p	32.2p	**33.7p****
Interest cover*	4.0x	3.2x	**3.1x**

from continuing operations

* 2015 pre-exceptional ** adjusted for exceptional tax charge

Balance sheet

£M	Dec 2016	Dec 2017	Change at CER %
Goodwill	23.3	**24.4**	0.1%
Fixed assets	56.0	**56.3**	(1.4)%
Receivables	939.9	**1,056.9**	6.2%
Cash	43.4	**27.4**	(39.8)%
Borrowings	(622.8)	**(677.7)**	(4.8)%
Other net (liabilities) / assets	(10.3)	**9.6**	214.3%
Equity	429.5	**496.9**	6.5%

Foreign exchange rates

	Current rates 26 February 2018	2017		2016	
		Closing Dec	Average	Closing Dec	Average
Polish zloty	4.7	4.7	4.8	5.2	5.3
Czech crown	28.8	28.4	30.3	31.6	33.3
Euro	1.1	1.1	1.1	1.2	1.2
Hungarian forint	355.8	346.9	351.4	362.1	377.7
Mexican peso	26.0	26.3	24.5	25.6	25.6
Romanian leu	5.3	5.2	5.2	5.3	5.4
Australian Dollar	1.8	1.7	1.7	1.7	1.8

International Personal Finance plc

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