

# Interim results 2013

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**Gerard Ryan**  
Chief Executive Officer  
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**David Broadbent**  
Finance Director  
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30.07.13

# Highlights



Record first half profit up 35%

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Delivering against our strategy  
for growth

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Strong profit growth in Mexico

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Interim dividend up 17.5% to  
3.80 pence per share

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£60M share buyback

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# Strategy for growth - one year on

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**Gerard Ryan**  
Chief Executive Officer  
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# Expand footprint



## Existing markets

- New branches in Mexico
- Mexico City pilot in H2
- Expansion in Romania

## Lithuania

- First loan issued in July
- 40 employees and agents
- 2,000-3,000 customer target in 2013
- Profit expected 2015

## Bulgaria

- Entry plans on track for launch in September
- Recruitment progressing well
- 2,000-3,000 customer target in 2013
- Profit expected 2015



# Improve customer engagement



## Longer-term loans

- Rolled out in Czech Republic and Slovakia. Rolling out in Poland.
- Strong demand - higher issue values, no impairment impact, marginal reduction in yield
- Pilot test in Romania

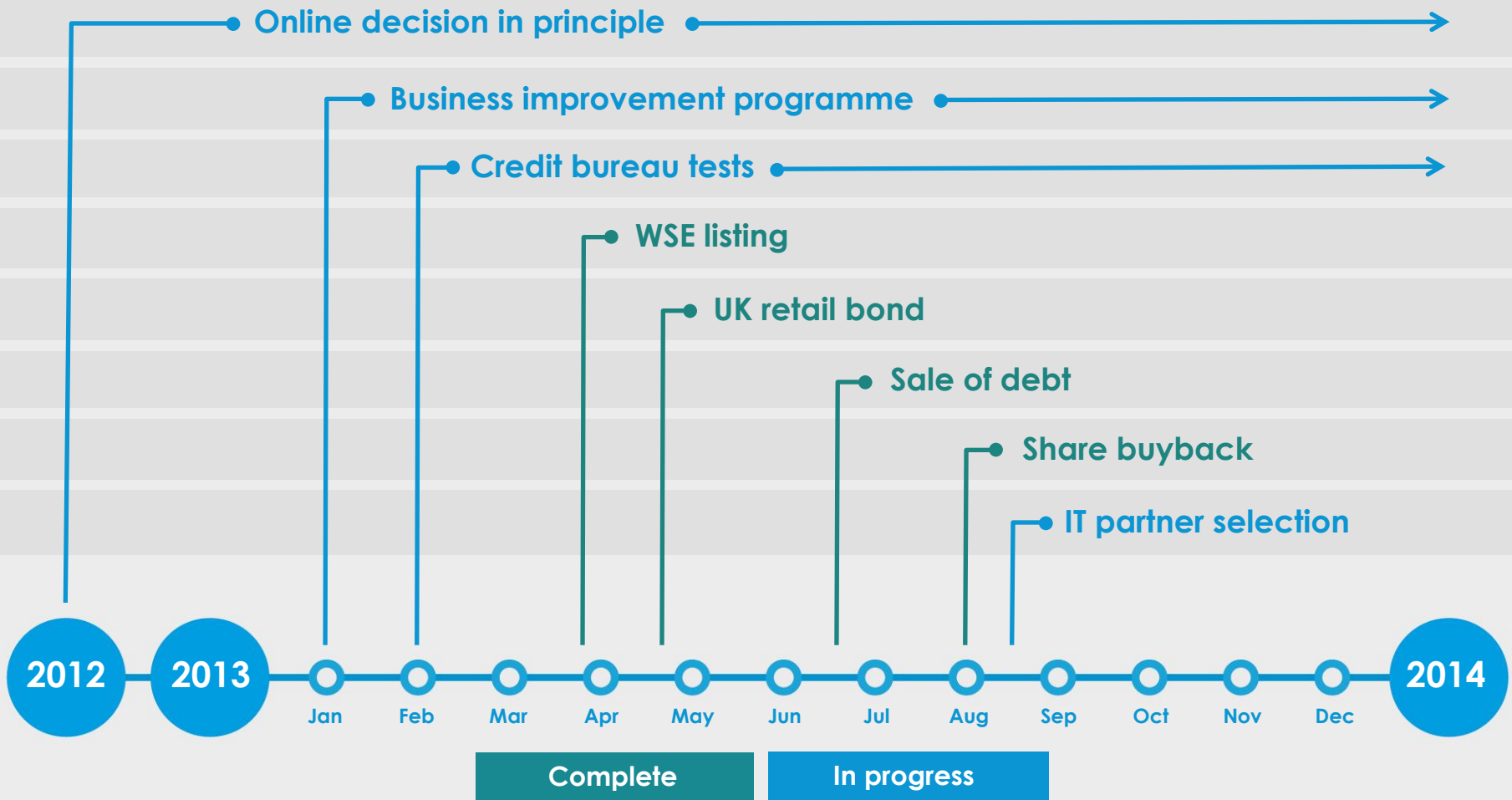
## Preferential pricing

- Slovakia – average issue value up 9%
- Roll out in Poland and Hungary planned
- Pilot test in the Czech Republic underway
- Tests in Mexico and Romania planned in H2

## Insurance

- Home insurance pilot in Hungary continues
- Exploring opportunities to test in other markets

# Strategy development



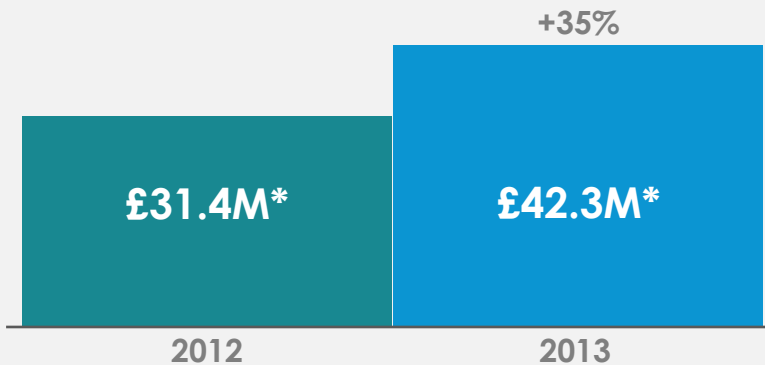
# Performance and financial review

.....  
**David Broadbent**  
Finance Director  
.....

# £42.3M record H1 profit, up 35%

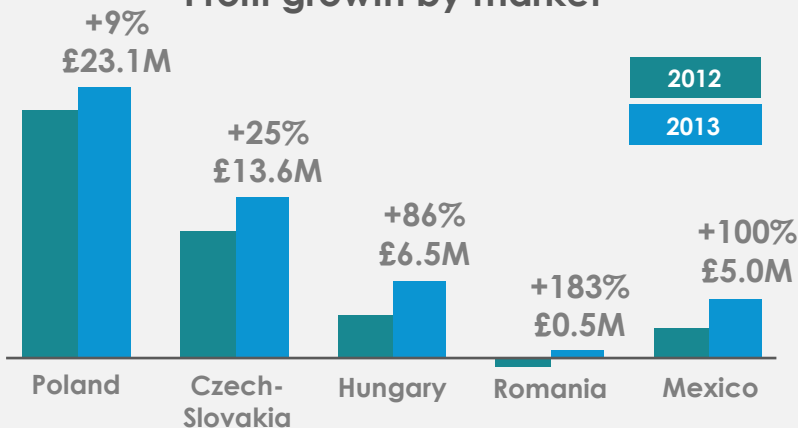


## Group profit growth



\* Pre-exceptional profit

## Profit growth by market



Revenue increased by 9%; credit issued up 14%

£6.4M ESR costs in H1 in Poland. c. £10M ESR costs expected 2013

Annualised impairment 26.8% of revenue

Cost-income ratio improved to 39.5%

Strong underlying profit growth in all markets

£12.4M exceptional profit



# Market overview



## Forecast GDP growth

	2013	2014
Poland	1.3	2.8
Czech	(0.8)	1.3
Slovakia	0.5	1.7
Hungary	0.6	1.4
Romania	1.6	2.8
Mexico	2.7	4.2

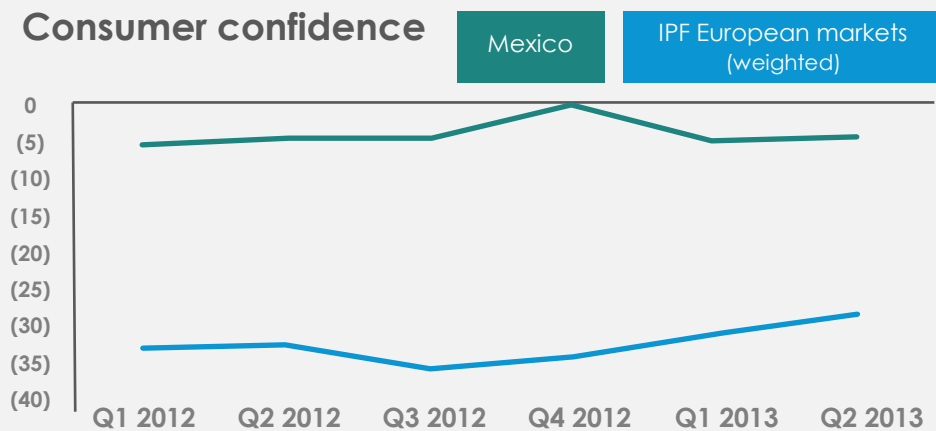
Source: Citigroup

## Competition

Increasing competition in Poland and Czech Republic

Competitive landscape unchanged in other markets

## Consumer confidence



Sources: European Commission and Statistical Agency of Mexico

## Regulation

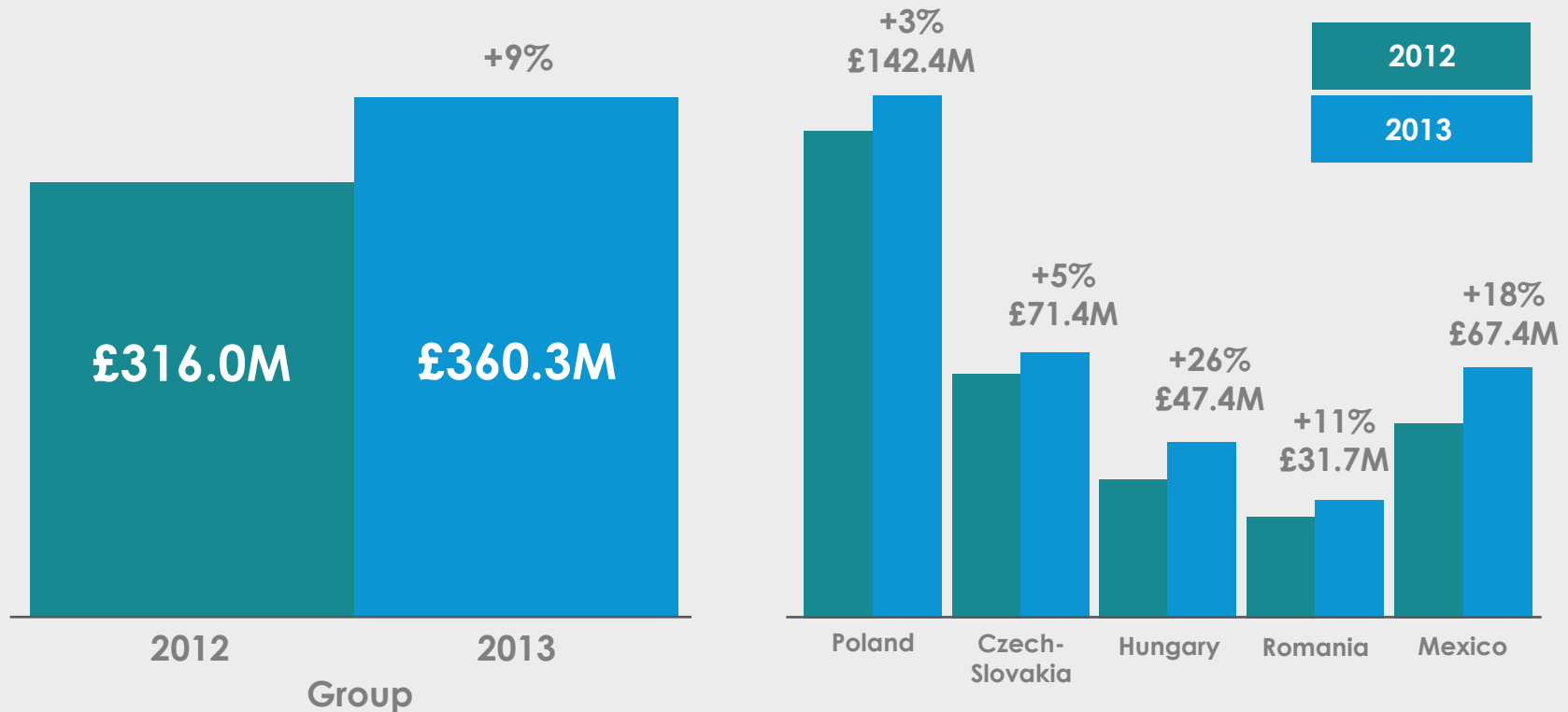
Reducing base rates

Increased level of regulatory debate

# Delivering against our strategy



Revenue growth accelerated from 8% in Q1 to 10% in Q2

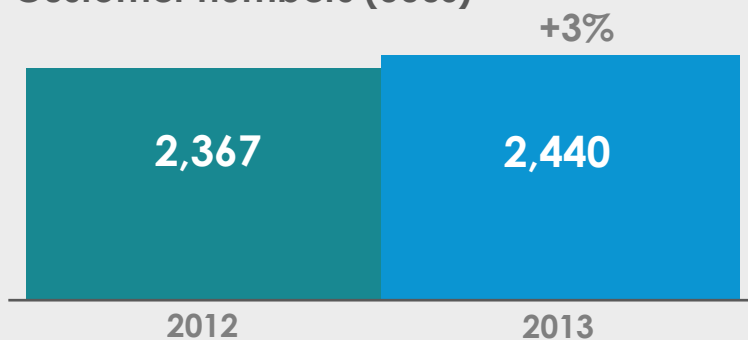


# Key drivers of growth

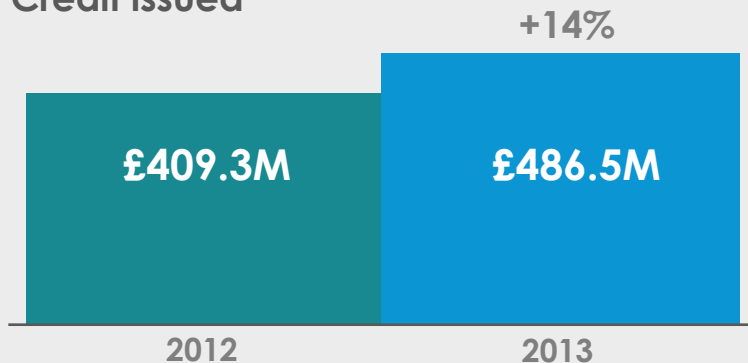


Credit issued growth accelerated from 11% in Q1 to 17% in Q2

Customer numbers (000s)



Credit issued

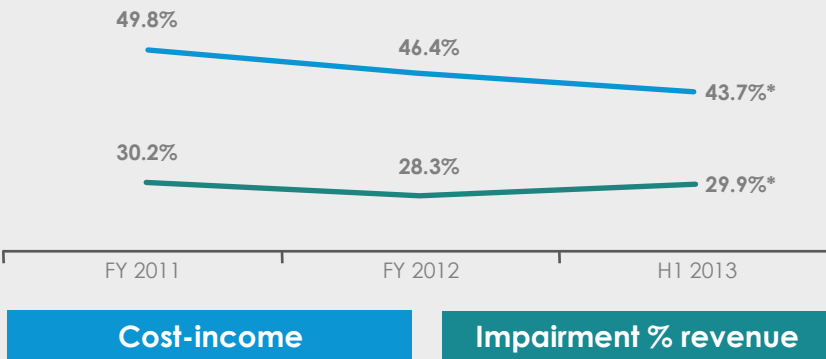
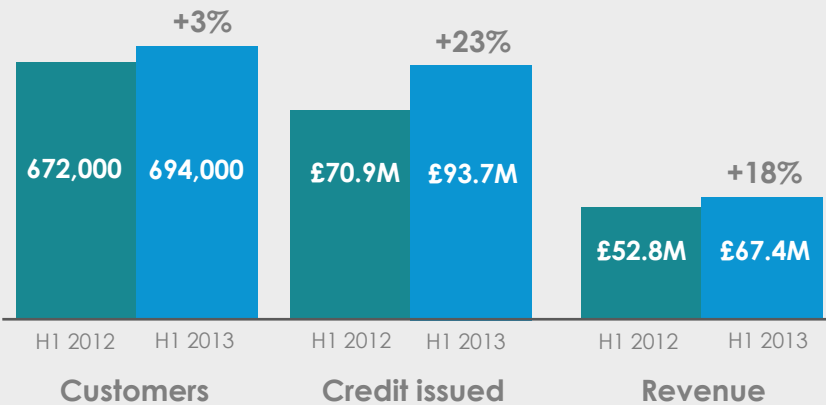


	Customer growth	Credit issued growth
Poland	3%	12%
Czech-Slovakia	(3%)	11%
Hungary	10%	18%
Romania	5%	11%
Mexico	3%	23%

# Mexico - strong growth



£5.0M profit – underlying growth of £2.0M



\* Annualised

## Performance and priorities

Target £33 profit per customer by 2015

Key drivers:

- Increase revenue per customer
- Maintain impairment in target range
- Reduce cost-income ratio

Strong, accelerating growth in credit issued from Q1 to Q2

New credit rules extended to 31 branches

Refreshed incentive programme

Annualised profit per customer £17 (June 2012: £12)

Geographic expansion including Mexico City in H2

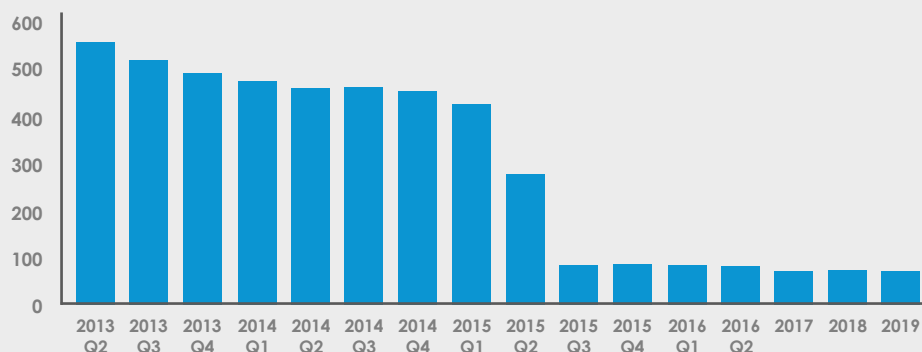
Roll out of credit bureau

# Further improvement in funding position

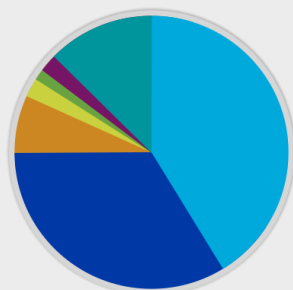


Recent bonds issued at materially lower cost than eurobond

## Maturity profile of debt facilities (£M)



## Total committed facilities £551.1M



Bank facilities	£219.7M	40%
EUR bond	£191.5M	35%
PLN bond	£39.2M	7%
CZK bond	£12.5M	2%
RON bond	£6.8M	1%
HUF bond	£11.4M	2%
GBP retail bond	£70.0M	13%

## Performance

Highly cash generative business

Headroom on bank facilities of £217.1M

Gearing low and stable at 0.8x

Making progress against funding objectives:

- Extend maturity profile
- Further diversify sources
- Reduce cost

£11.4M 5-year Hungarian forint bonds issued

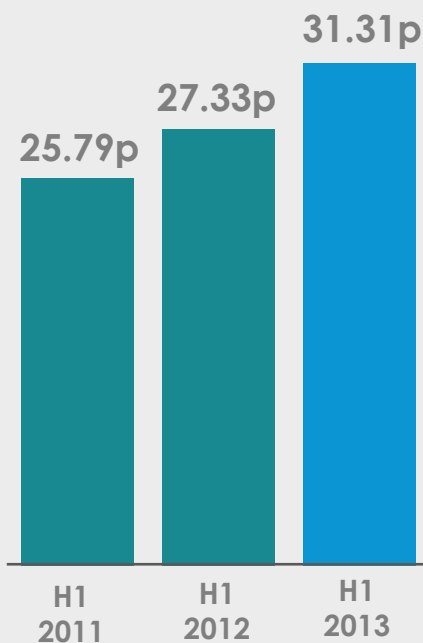
£70M 7-year UK retail bond issued – over 500 bps lower than eurobond

# Delivering shareholder value

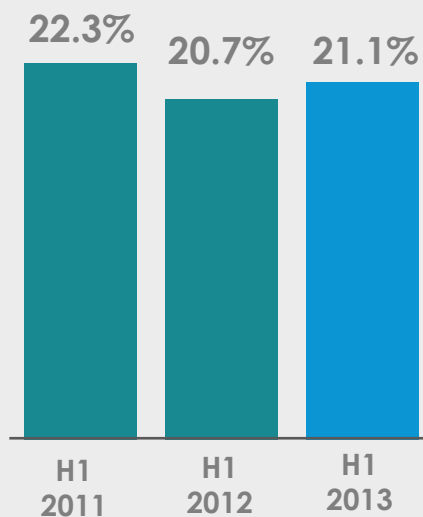


## Good returns

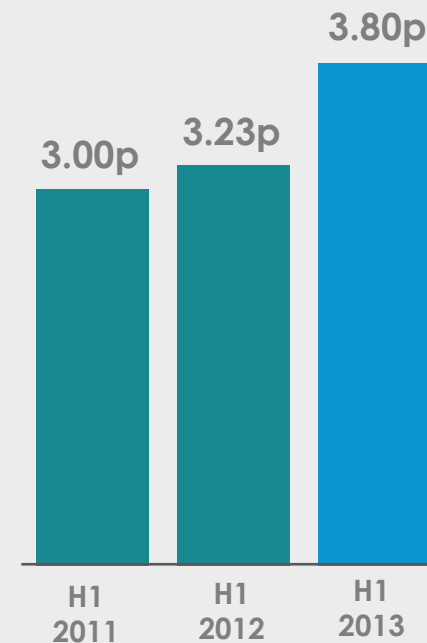
Annualised earnings per share\*



Annualised return on equity\*



Interim dividend per share



\* Adjusted for exceptional items

# £60M share buyback



Committed to working the balance sheet harder

## £60M share buyback programme

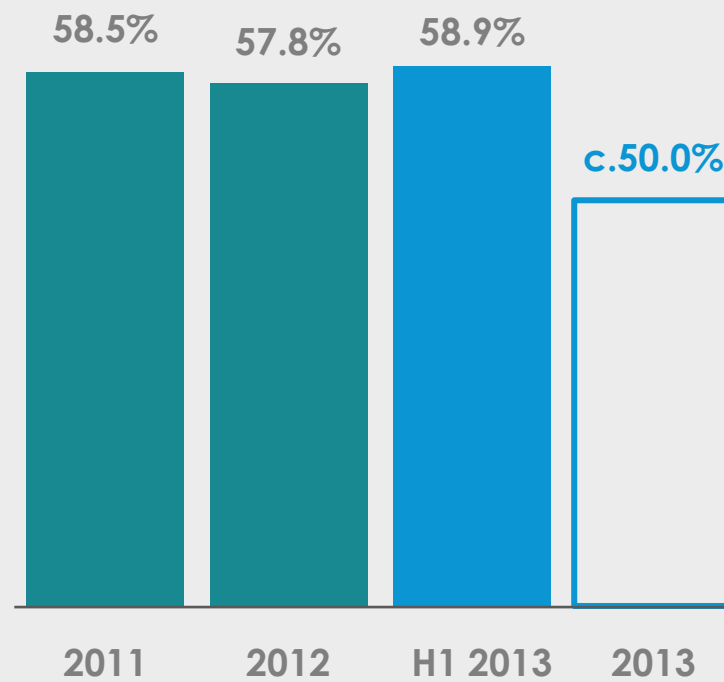
Share buyback designed to reduce equity to receivables ratio to around 50%

Equity to receivables ratio remains under review

Catalysts for updating capital ratio:

- More stable macroeconomic position
- Potential reduction in funding costs

Equity % receivables



# Outlook

Strategy delivering growth

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Increased competition and  
regulatory debate

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Expansion and strengthening  
customer relationships on track

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Providing increased shareholder  
returns

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There are more opportunities  
for growth ahead

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# Questions

# Appendices

## Six months ended 30 June 2013

	2013 £M	2012 £M	Change at CER %
Customer numbers (000s)	2,440	2,367	3.1
Credit issued	486.5	409.3	13.9
Average net receivables	677.6	568.9	14.4
<b>Revenue (net of ESRs)</b>	<b>360.3</b>	<b>316.0</b>	<b>9.2</b>
Impairment	(108.4)	(98.3)	(5.7)
Finance costs	(23.7)	(20.4)	(11.3)
Agents' commission	(41.9)	(35.9)	(11.7)
Other costs	(144.0)	(130.0)	(8.1)
<b>Profit before taxation</b>	<b>42.3</b>	<b>31.4</b>	

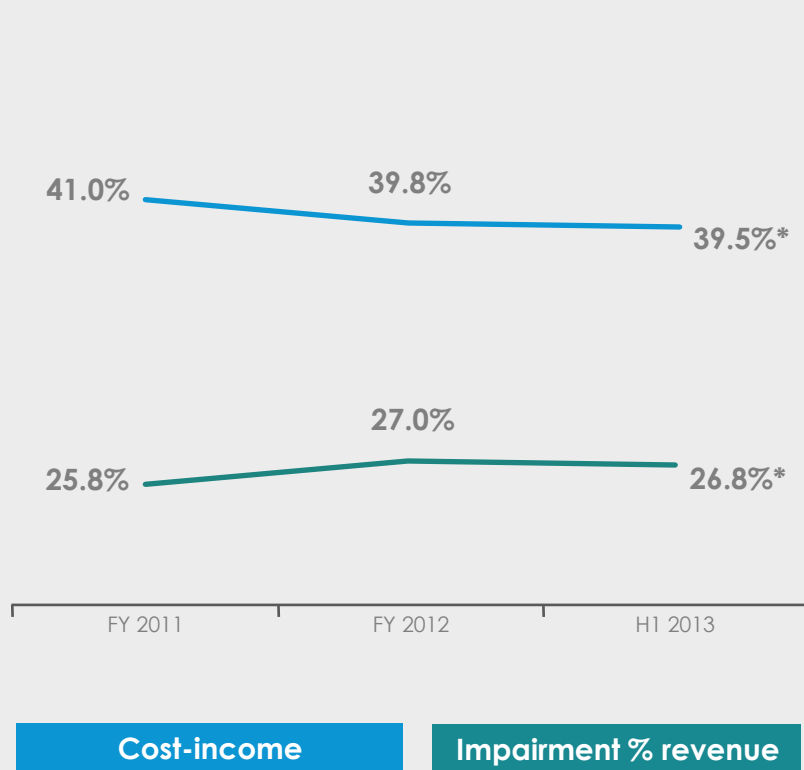
# Segmental results



£13.5M underlying profit growth

	2013 Reported profit	Underlying profit growth	Additional ESR costs	Stronger FX rates	2012 Reported profit
	£M	£M	£M	£M	£M
Poland	23.1	5.9	(6.4)	2.5	21.1
Czech-Slovakia	13.6	2.4	-	0.3	10.9
Hungary	6.5	2.6	-	0.4	3.5
Romania	0.5	1.0	-	0.1	(0.6)
Mexico	5.0	2.0	-	0.5	2.5
UK costs	(6.4)	(0.4)	-	-	(6.0)
<b>Profit before taxation</b>	<b>42.3</b>	<b>13.5</b>	<b>(6.4)</b>	<b>3.8</b>	<b>31.4</b>

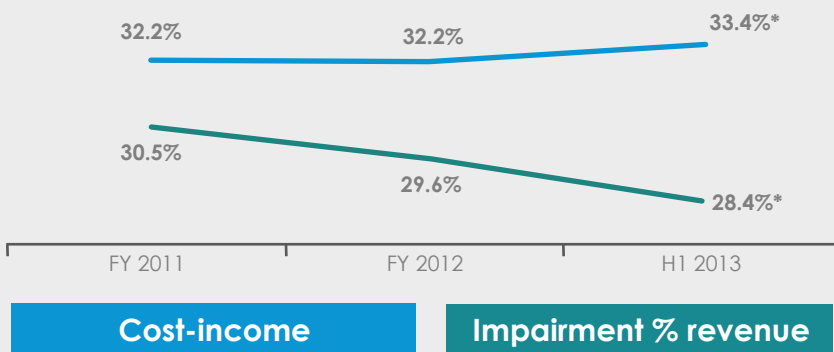
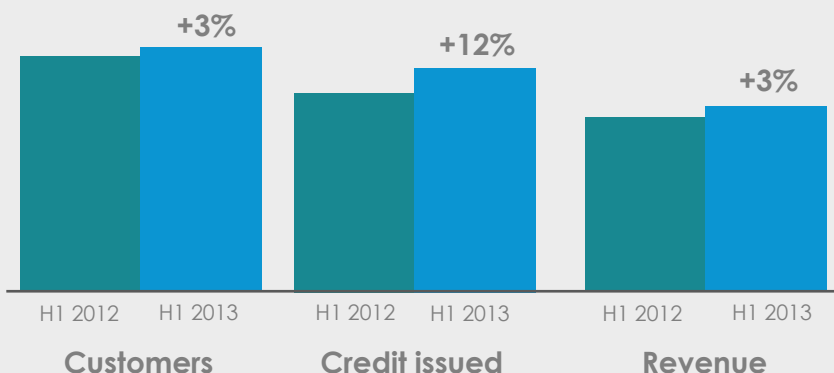
# Impairment and cost-income ratios



	Impairment % revenue	Cost-income ratio
Poland	28.4%	33.4%
Czech-Slovakia	24.8%	36.4%
Hungary	18.0%	39.3%
Romania	30.0%	44.0%
Mexico	29.9%	43.7%

\* Annualised

£23.1M profit – underlying profit growth of £5.9M



\* Annualised

## Performance and priorities

Good credit issued growth and improved credit quality

Profit impacted by ESRs (£6.4M); c. £10M incremental ESR costs expected in 2013

New market launch in Lithuania

New 90-week loan and preferential pricing being rolled out. Loans to self-employed introduced

Secondary listing of shares on WSE

Sale of debt - £15.9M exceptional profit

Increasing activity of payday lenders

Good opportunities for further growth in H2

# Poland



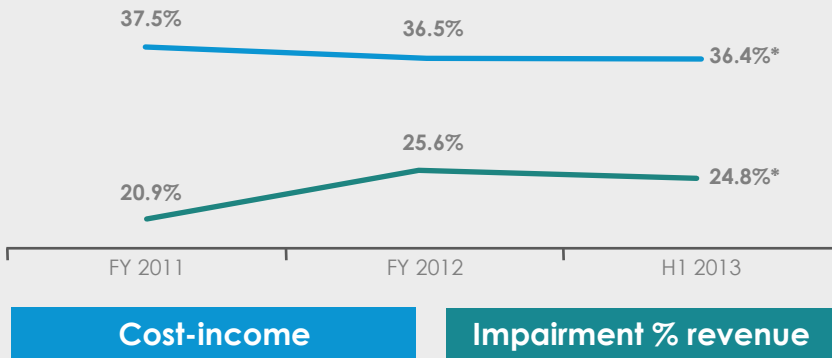
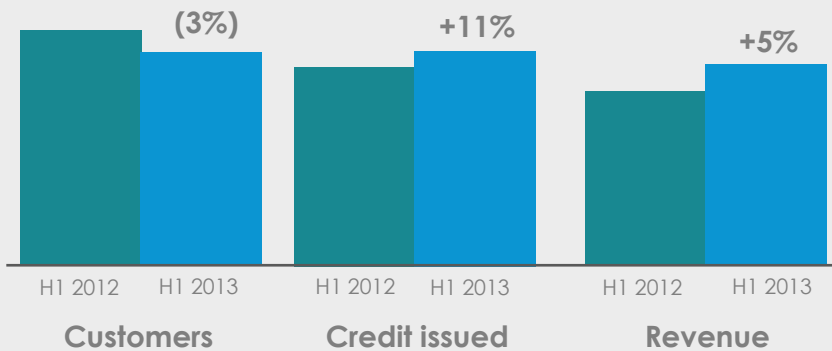
Six months ended 30 June 2013

	2013 £M	2012 £M	Change at CER %
Customer numbers (000s)	825	802	2.9
Credit issued	178.1	152.4	11.5
Average net receivables	272.3	227.4	14.1
Revenue	142.4	132.2	2.7
Impairment	(45.0)	(45.3)	5.5
Finance costs	(9.8)	(8.6)	(8.9)
Agents' commission	(15.3)	(13.5)	(8.5)
Other costs	(49.2)	(43.7)	(11.1)
<b>Profit before taxation</b>	<b>23.1</b>	<b>21.1</b>	

# Czech-Slovakia



£13.6M profit – underlying profit growth of £2.4M



\* Annualised

## Performance and priorities

Successful strategic approach to profit and credit issued growth

25% increase in profit before tax

100-week loan rolled out following strong demand

Preferential pricing test underway in Czech Republic

Increased competition from home credit operators

Focused on customer and credit issued growth in H2



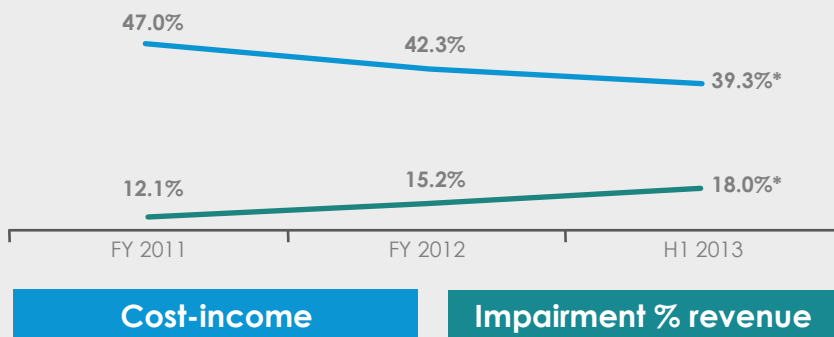
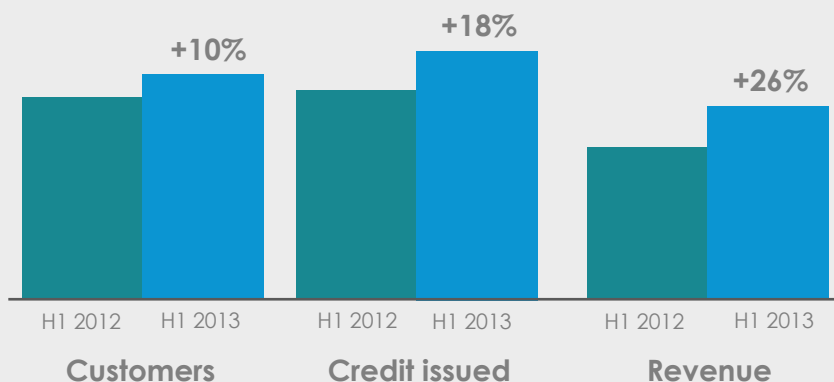
# Czech-Slovakia



Six months ended 30 June 2013

	2013 £M	2012 £M	Change at CER %
Customer numbers (000s)	376	387	(2.8)
Credit issued	106.8	94.8	10.7
Average net receivables	157.2	146.1	5.8
<b>Revenue</b>	<b>71.4</b>	<b>66.8</b>	<b>5.2</b>
Impairment	(19.3)	(19.3)	1.5
Finance costs	(4.6)	(4.6)	-
Agents' commission	(7.6)	(7.1)	(5.6)
Other costs	(26.3)	(24.9)	(4.0)
<b>Profit before taxation</b>	<b>13.6</b>	<b>10.9</b>	

£6.5M profit – underlying profit growth of £2.6M



\* Annualised

## Performance and priorities

Good progress in rebuilding customer numbers to 300,000 target

Strong growth, robust collections and very tight cost controls

Managed credit relaxation stimulating growth

Significant reduction in cost-income ratio driving profit margin increase

Controlled increase in impairment but well below target range

Home insurance test being evaluated in Q3

Good opportunities to build on strong trading performance

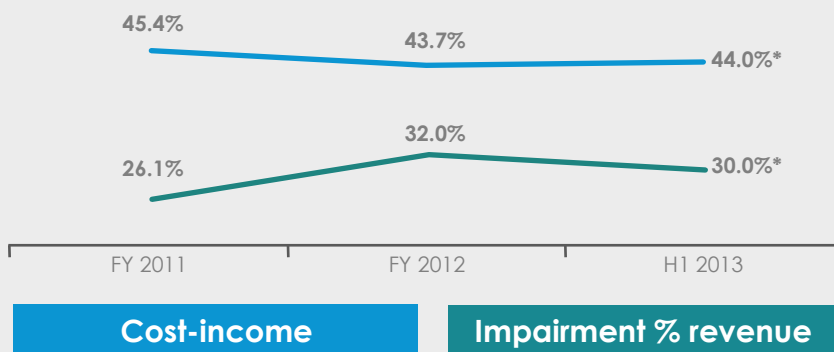
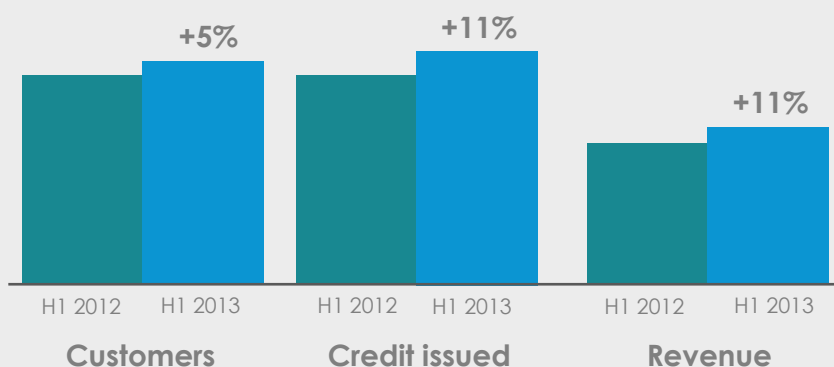
# Hungary



Six months ended 30 June 2013

	2013 £M	2012 £M	Change at CER %
Customer numbers (000s)	276	250	10.4
Credit issued	61.1	50.3	17.7
Average net receivables	92.0	72.0	23.8
Revenue	47.4	36.4	26.1
Impairment	(11.9)	(7.7)	(48.8)
Finance costs	(3.7)	(2.8)	(23.3)
Agents' commission	(7.3)	(6.1)	(15.9)
Other costs	(18.0)	(16.3)	(9.8)
Profit before taxation	6.5	3.5	

£0.5M profit – underlying profit growth of £1.0M



\* Annualised

## Performance and priorities

Focus on growth

Credit issued accelerated from Q1 to Q2

Geographic expansion in H1, further expansion plans in H2

Marketing and reward aligned to support growth focus in H2

Longer-term loan test underway

New market plans for Bulgaria on track

# Romania



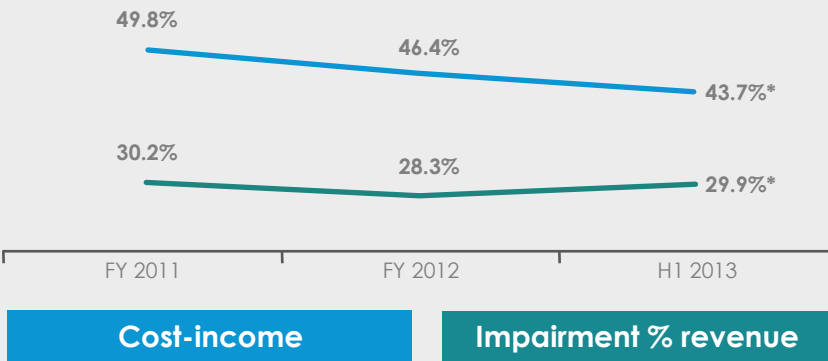
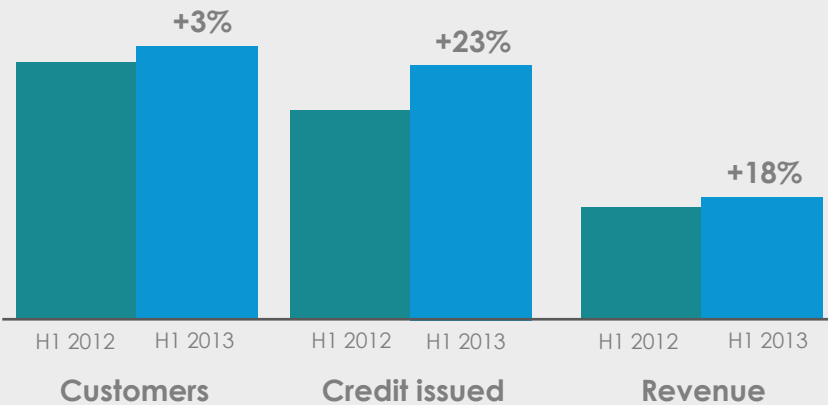
Six months ended 30 June 2013

	2013 £M	2012 £M	Change at CER %
Customer numbers (000s)	269	256	5.1
Credit issued	46.8	40.9	10.6
Average net receivables	57.6	51.3	8.7
<b>Revenue</b>	<b>31.7</b>	27.8	10.5
Impairment	(10.8)	(10.8)	1.8
Finance costs	(2.3)	(2.1)	-
Agents' commission	(3.2)	(2.6)	(18.5)
Other costs	(14.9)	(12.9)	(12.9)
<b>Profit / (loss) before taxation</b>	<b>0.5</b>	(0.6)	

# Mexico - strong growth



£5.0M profit – underlying growth of £2.0M



\* Annualised

## Performance and priorities

Target £33 profit per customer by 2015

Key drivers:

- Increase revenue per customer
- Maintain impairment in target range
- Reduce cost-income ratio

Strong, accelerating growth in credit issued from Q1 to Q2

New credit rules extended to 31 branches

Refreshed incentive programme

Annualised profit per customer £17 (June 2012: £12)

Geographic expansion including Mexico City in H2

Roll out of credit bureau

# Mexico



Six months ended 30 June 2013

	2013 £M	2012 £M	Change at CER %
Customer numbers (000s)	694	672	3.3
Credit issued	93.7	70.9	22.5
Average net receivables	98.5	72.1	26.4
Revenue	67.4	52.8	18.2
Impairment	(21.4)	(15.2)	(30.5)
Finance costs	(3.3)	(2.3)	(37.5)
Agents' commission	(8.5)	(6.6)	(18.1)
Other costs	(29.2)	(26.2)	(4.3)
Profit before taxation	5.0	2.5	

# Balance sheet



	June 2013	June 2012	Change at CER %	December 2012	Change at CER %
Fixed assets	28.0	32.1	(14.6)	31.5	(11.7)
Receivables	686.8	564.4	16.9	650.3	5.1
Cash	63.1	19.5	210.8	24.2	159.7
Borrowings	(334.0)	(246.3)	(30.8)	(310.8)	(6.4)
Other net liabilities	(39.5)	(35.8)	(9.7)	(19.4)	(105.7)
<b>Equity</b>	<b>404.4</b>	<b>333.9</b>	<b>15.7</b>	<b>375.8</b>	<b>7.3</b>



# Foreign exchange rates



	Average H1 2013	Closing June 2013	Average 2012	Closing Dec 2012	Average H1 2012	Closing June 2012
Poland	4.9	5.1	5.4	5.0	5.3	5.3
Czech Republic	30.1	30.4	30.9	30.8	31.0	31.6
Slovakia	1.2	1.2	1.2	1.2	1.2	1.2
Hungary	349.1	351.4	378.3	357.5	381.3	363.5
Romania	5.2	5.3	5.2	5.5	5.2	5.5
Mexico	19.4	20.5	21.5	20.9	21.1	21.9

# Headroom on covenants



	June 2013	Covenant	Headroom
Interest cover	3.4x	2x min	£62.6M
Net worth	£405.2M	£125M min	£280.2M
Receivables: borrowings	2.1x	1.1x min	£290.4M
Gearing	0.8x	3.75x max	£316.1M

# Strong financial profile



	FY 2011	FY 2012	H1 2013
<b>Gearing</b>	0.8x	0.8x	0.8x
<b>Adjusted earnings per share*</b>	28.6p	27.6p	31.3p <sup>†</sup>
<b>Interest cover</b>	3.4x	3.3x	3.4x <sup>†</sup>
<b>Return on equity*</b>	22.7%	20.1%	21.1% <sup>†</sup>
<b>Equity to receivables ratio</b>	58.5%	57.8%	58.9%

\* Adjusted for exceptional items. <sup>†</sup> Annualised

# Contact



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