This announcement contains inside information

International Personal Finance
Q1 2021 trading update and board change
29 April 2021

*International Personal Finance plc specialises in providing unsecured consumer credit to 1.7 million customers across 11 markets. We operate the world's largest home credit business and a successful fintech business***.**

Highlights

- Robust Q1 trading performance delivered as we rebuild the business
- Good progress in credit issued with YoY contraction moderating to 18% in Q1 2021 compared to 31% in Q4 2020
- Continued strong collections performance in Q1 translated into a 5.2ppts reduction in Group annualised impairment as a percentage of revenue to 32.2%
- Strong balance sheet to fund growth with headroom on undrawn facilities and non-operational cash balances of £175 million
- Lower projected full year impairment charge likely to result in a stronger rebound in profitability than previously expected

Gerard Ryan, Chief Executive Officer at IPF commented:
"Our Group delivered a robust trading performance in the first quarter of the year with improved credit issued trends and a strong collections performance. We are selectively relaxing our credit settings and rebuilding our receivables portfolio, whilst maintaining credit quality and cost efficiency, to return strongly to full-year profitability. With the full extent of Covid yet to be determined, we know now more than ever that our business plays an essential role in society, providing finance responsibly to underbanked and underserved consumers and, in turn, delivering long-term growth and value to all our stakeholders."

Group Q1 overview

We are pleased to report that the Group continued to effectively execute its strategy to rebuild the business and return to full-year profitability and long-term growth. Building on the momentum achieved in the second half of 2020, we delivered a robust trading performance in the first quarter of the year despite the challenging operational landscape caused by the ongoing Covid-19 pandemic. Protecting our people and customers remains our top priority and we continue to provide personal protective equipment and appropriate training to all of our colleagues, and we have maintained a range of remote alternative repayment options if agents are unable to visit their customers.

Group collections performance remained strong throughout the quarter, enabling our selective relaxation of credit settings to continue. Our increasing sales momentum resulted in the YoY contraction of credit issued moderating from 31% in Q4 2020 to 18% in Q1 2021. Wave three of the pandemic across Europe is clearly supressing consumer demand for credit and we saw the impacts of this around the Easter period when Covid-19 infection rates were increasing significantly. We expect this impact to be temporary as vaccination rates are now increasing rapidly, and we plan to further increase credit issued and grow our receivables portfolio as related Covid restrictions are lifted.

Our business plan assumed a weakening in collections performance arising from subsequent waves of the pandemic in the first half of 2021. Against this backdrop, we are very pleased that our teams continued to deliver a very strong performance, resulting in a faster than anticipated improvement in impairment as a percentage of revenue, with the annualised rate reducing by 5.2ppts to 32.2% in Q1. We expect impairment to further improve during 2021 as the business continues to recover from the impact of the pandemic. We are also seeing the benefits of strong cost control and the significant cost-saving and rightsizing programmes implemented in 2020 to reflect the smaller scale of our operations and to accelerate a return to full-year profitability.

Business division performance review

As highlighted at the 2020 year end, we merged our two digital businesses in Poland in order to deliver efficiencies of scale and, as a result, the digital lending arm previously reported as part of European home credit is now included in IPF Digital. All comparatives have been amended accordingly and are presented on a like-for-like basis.

European home credit

European home credit delivered an improving performance against the challenging trading backdrop of dramatically rising Covid-19 cases and increasing restrictions of freedom of movement. Our strategy of carefully easing credit settings and rebuilding the receivables portfolio resulted in a significant improvement in sales momentum, with credit issued being flat YoY in Q1 compared to a contraction in Q4 2020 of 22%. Our collections remained strong during the first quarter despite planning for some softening in performance and, as a result, annualised impairment as a percentage of revenue improved 5.4 ppts since the year end to 31.0%.

Mexico home credit

Q1 credit issued in Mexico home credit contracted YoY by 23% which compares to a contraction in Q4 2020 of 26%, despite significant continued Covid-19 challenges. The benefits of actions taken to improve collections and credit quality in Mexico over the past 18 months continued to flow through the business and resulted in annualised impairment as a percentage of revenue improving by 5.4ppts to 28.3% in Q1 2021. This ratio is now within our target range for the Group of 25% to 30% for the first time in a number of years.

IPF Digital

IPF Digital had a more challenging quarter as Covid-19 related lockdowns, particularly in the Baltic states, impacted demand for consumer credit. This relatively soft demand, our continued cautious credit settings in Spain and the cessation of lending in Finland, resulted in a 49% contraction of credit issued YoY in Q1, compared to 54% in Q4 2020. Excluding Finland, where the portfolio collect-out is progressing well, credit issued contracted by 37%. Our collections performance continued to be strong, driven by higher-quality lending and robust processes, and this resulted in a 4.1ppt improvement in annualised impairment as a percentage of revenue to 41.3% in Q1.

Funding and balance sheet
We have a strong balance sheet to fund growth and at 30 March 2021 we had headroom on undrawn facilities and non-operational cash balances of £175 million.

Board change
After eleven years with IPF, the last four as Chief Financial Officer, Justin Lockwood will leave the Group at the end of July to take up a role in a different industry sector. Justin has made an outstanding contribution to our business, and he leaves with our heartfelt appreciation and best wishes for his future success. A search for a successor is now underway.

Outlook
Our business plays an essential role in society, providing credit responsibly to those who are underbanked or underserved, and there remains significant long-term demand for affordable credit from this group of consumers in all our markets. Our strategy remains to continue to carefully increase credit issued and rebuild the receivables portfolio while maintaining a clear focus on portfolio quality. Whilst credit issued was in-line with expectations in Q1, we remain cautious because of the dynamic Covid-19 environment and resulting frequent changes in lockdown restrictions which impact short-term demand for consumer credit.

Notwithstanding this challenge, the faster than anticipated improvement in impairment in Q1 is expected to result in a lower full-year impairment charge and a stronger rebound in profitability in 2021 than originally planned.

Investor and analyst conference call
International Personal Finance will host a conference call for investors and analysts at 09.00hrs (BST) today, Thursday 29 April 2021.

Click to Join
Simply click the link below and enter your information to be connected. The link becomes active 15 minutes prior to the start of the call. Click here to connect

Dial-in
If you prefer to dial-in, please use the access number and confirmation code below. Please dial-in 5-10 minutes before the start of the call.

Dial-in (UK) +44 (0)330 336 9105 **Confirmation code:** 7301816

Replay: An audio recording of the conference call will be available in the investors section of our website at www.ipfin.co.uk

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A copy of this statement can be found on our website – www.ipfin.co.uk

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