IPF plc
2022 full-year results

Building a better world through financial inclusion

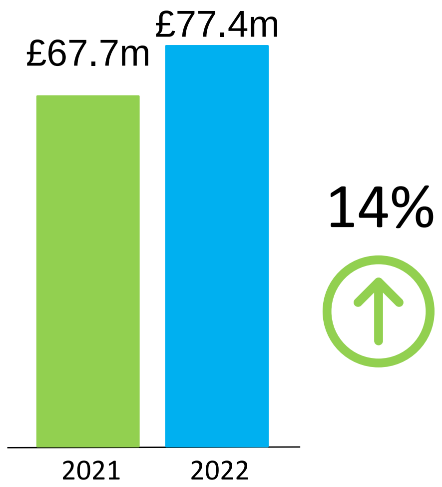
Gerard Ryan – CEO
Gary Thompson – CFO

Wednesday 1 March 2023

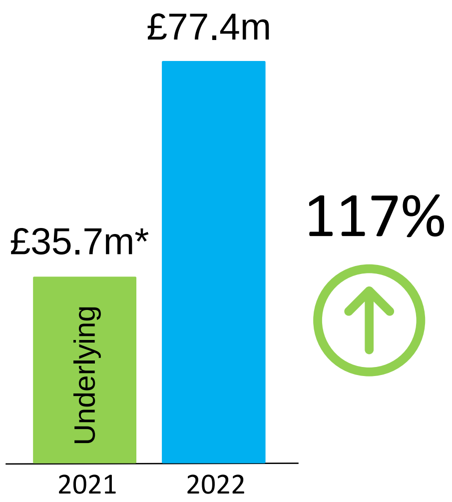
OVERVIEW

Rebuilding the bottom line – profit before tax up 14%

- Significantly improved performance against a challenging backdrop
- All nine businesses contributed good growth in customer lending and profitable performances
- Disciplined strategy execution maintaining portfolio quality and increasing returns
- Well capitalised balance sheet and extended funding in place to support future growth
- Full-year dividend up 15% to 9.2p: 44% payout ratio



Reported profit before tax



Profit before tax

51%

Equity to receivables ratio

9.2p

15%

Full-year dividend

*Excluding non-recurring Covid-19 impairment provision releases of £32m in FY-21

STRONG GROWTH MOMENTUM

Excellent operational performance driving growth in all divisions

- Particularly robust growth in Mexico and Australia
- Ukraine war suppressed demand in Europe in Q1, but momentum built from Q2 2022
- Customers more cautious because of high inflation, demand for finance strong nonetheless
- Consistent portfolio quality and stable customer repayments
- Tightened lending criteria in Q4 to protect consumers and our business
- Made a good start in 2023

Customer lending	£1.1bn	14%* ↑
Closing net receivables	£869m	14%* ↑
Customers	1.7m	↔

*At constant exchange rates

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Our purpose and strategy

Gerard Ryan, CEO

A RESILIENT BUSINESS WITH THREE PROFITABLE AND GROWING DIVISIONS

Attractive long-term growth and returns prospects

European home credit

- Well-established, cash generative business
- Increasingly digitised and expanding product offering
- Delivering target returns of c.20%

Home credit
Hybrid loans
Credit card
Value-added services

Mexico home credit

- Significant growth prospects, expanding geographic coverage
- Digitising to improve customer experience
- Delivering target returns of c.20% while investing in growth

Home credit
Hybrid loans
Value-added services

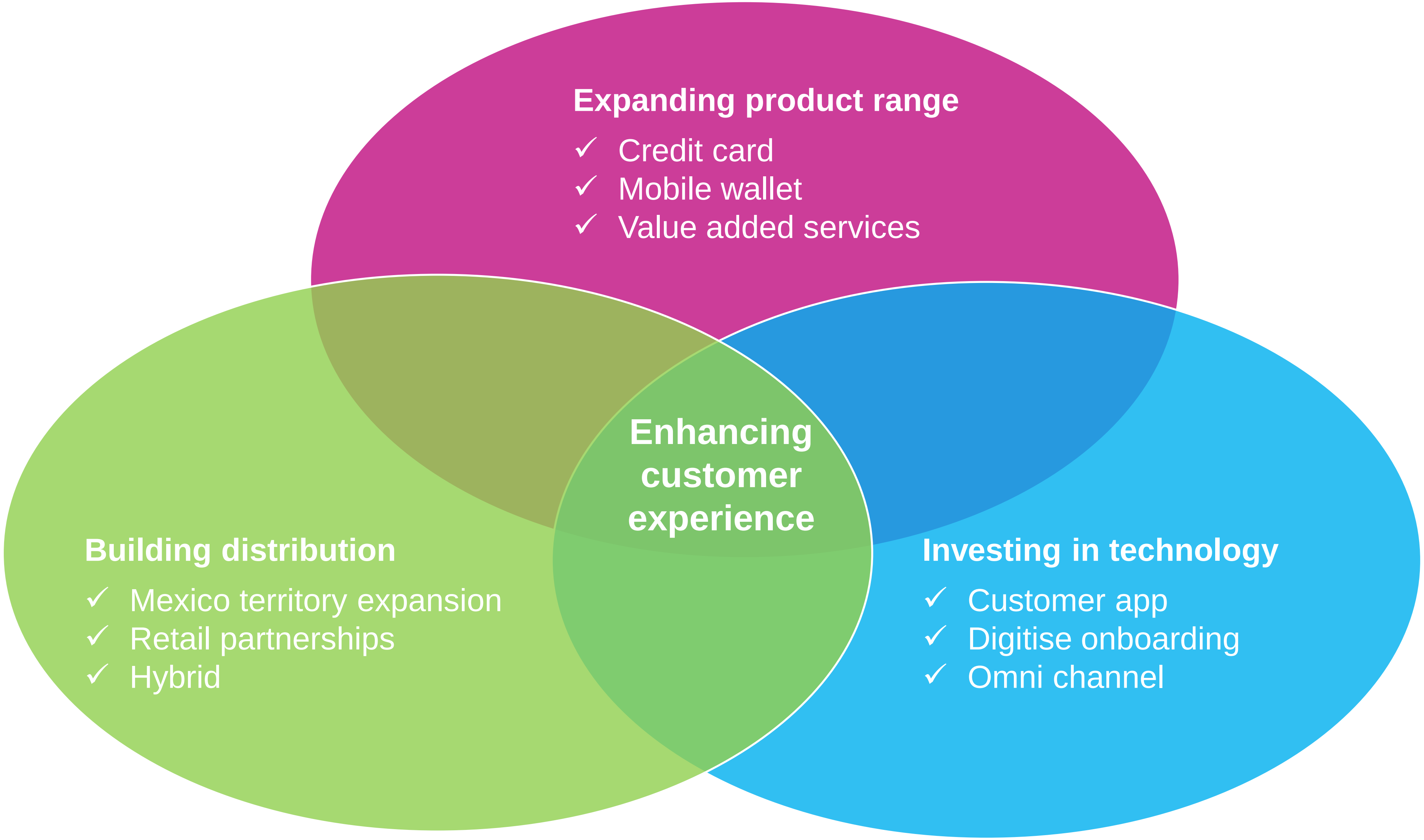
IPF Digital

- Strong brands, great growth potential; rebuilding scale
- Single hub serving multiple countries
- Focus on delivering target returns

Revolving credit line
Mobile wallet
Digital instalment loans
Value-added services

OUR STRATEGY

Delivering for our existing customers, making our offer attractive for the next generation



NEW CREDIT CARD WELL RECEIVED WITH GREAT GROWTH POTENTIAL

An exciting proposition tailored for both our existing and new customers

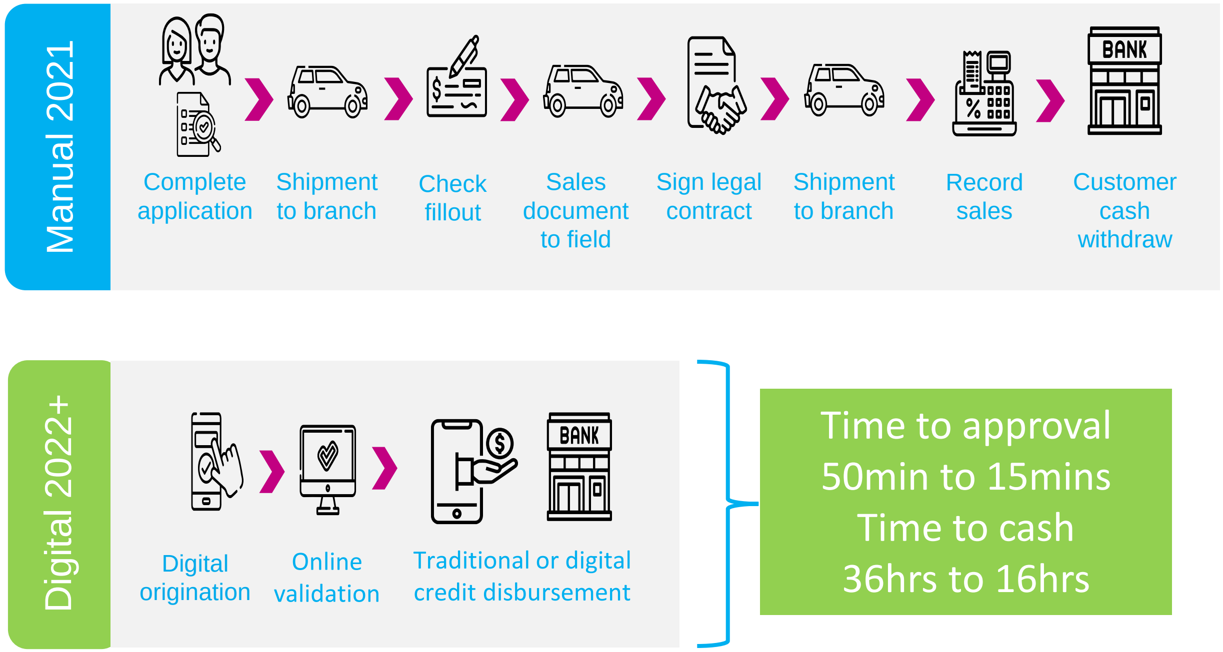
- Specifically designed for Polish market
- Customer representative relationship remains at the core
- Providing credit card features while retaining many attributes of our instalment loan offering
- Repayment period of up to 12 months for every transaction, avoiding “persistent debt” issues
- Gradual rollout of credit card across Poland – will be complete by May 2023
- Genuine potential for longer and deeper customer relationships through revolving credit
- Great potential for other countries within the Group

DIGITISING THE CUSTOMER JOURNEY IN MEXICO

Removing friction points and enhancing our customer experience

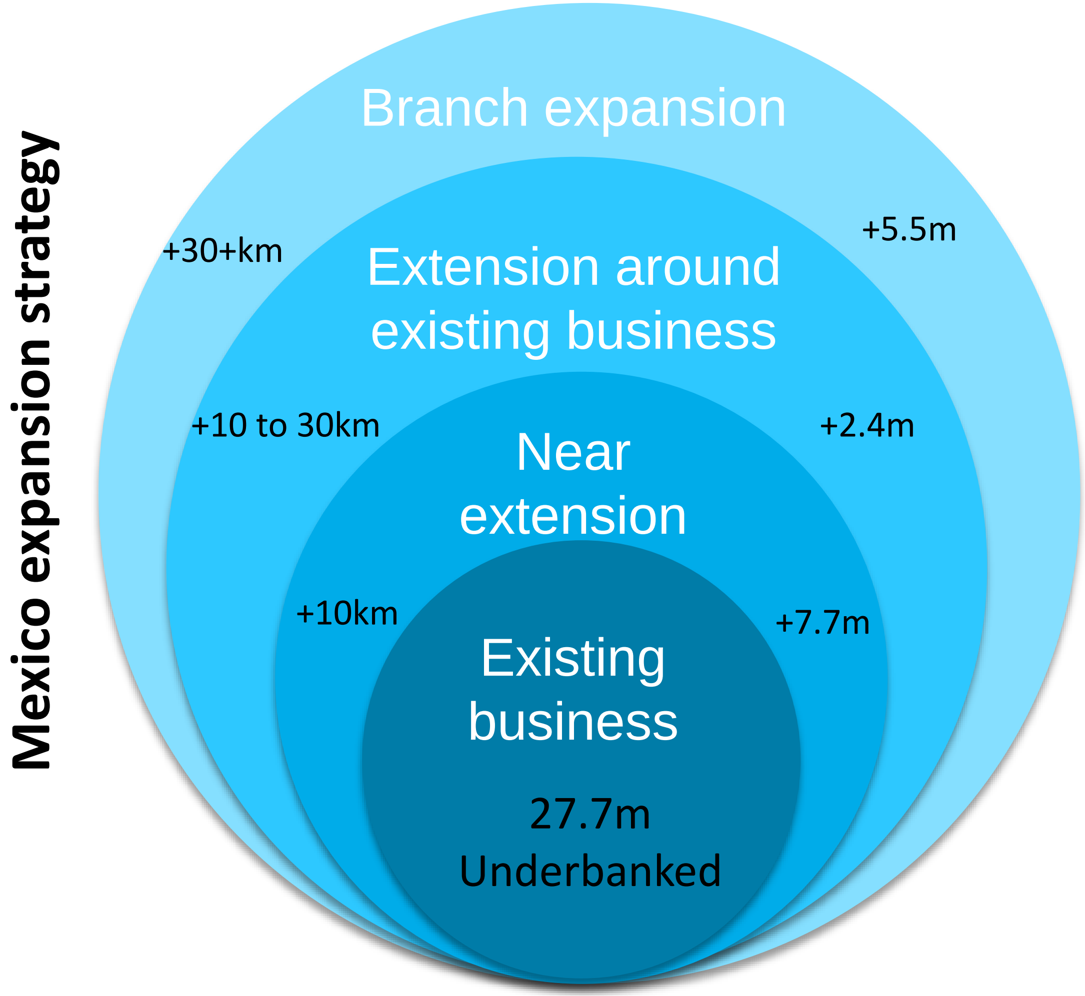
- Call centre leads delivered digitally to customer representative's mobile or tablet
- Electronic referral enables speedy appointment to meet customer
- New digital journey allows customer representative to originate customer from data capture to contract signature
- Official documents uploaded to hand-held device to digitally verify in real time, reducing approval time by >70%.
- New disbursement options including payment orders and assigned codes enable loan advance via banks or ATM

New digitally efficient processes



EXPANDING OUR GEOGRAPHIC FOOTPRINT IN MEXICO

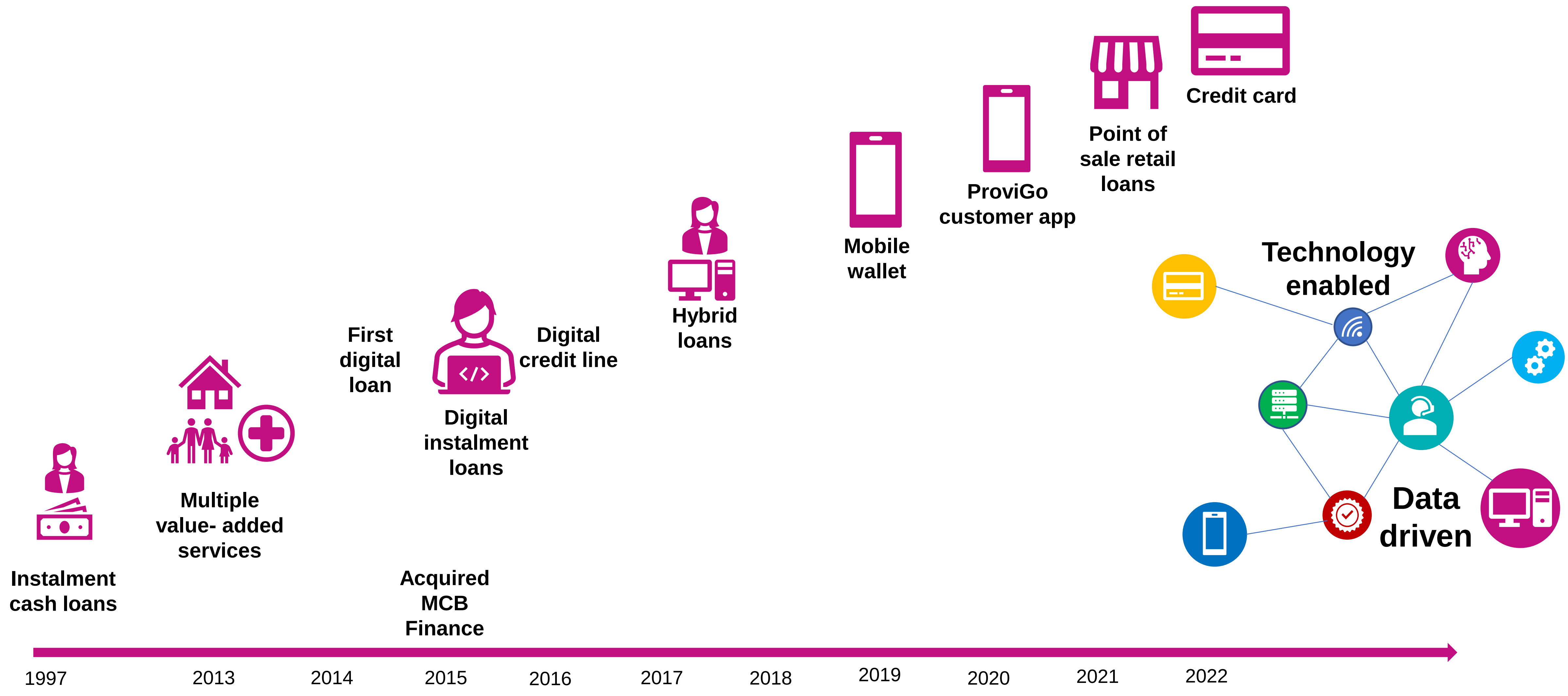
Offers growth potential for years to come



- A country of 120 million people of whom only one third are banked
- Significant long-term prospects with strong demand for credit
- Estimated 43million* target consumers within total expansion plan
- 1m* additional eligible population reached in 2022 in existing business and near extension activity
- Vision to financially include 1 million customers in the near term

* Population meeting basic approval criteria (e.g., age) and in the C-/D socio economic segments.

EXTENDING OUR OFFERING TO CREATE THE NEXT GENERATION OF FINANCIAL INCLUSION



ESG

Striving to have a positive impact on all our stakeholders

- Good progress made on the Group’s environmental strategy
- New development programme for all customer representatives
- Partnering with Harvard University and LinkedIn Learning to deliver development programmes to colleagues
- More than £1 million invested in community initiatives in 2022
- New global ‘Invisibles’ programme highlighting the plight of underprivileged, marginalised and excluded members of society
- Financial education programmes run by each division
- Created award-winning safehouse for mothers and children displaced from Ukraine

Our Invisibles programme highlights the plight of underprivileged and excluded members of society

Colleagues volunteered and raised funds to create the Mother’s House in Poland for Ukrainian refugees

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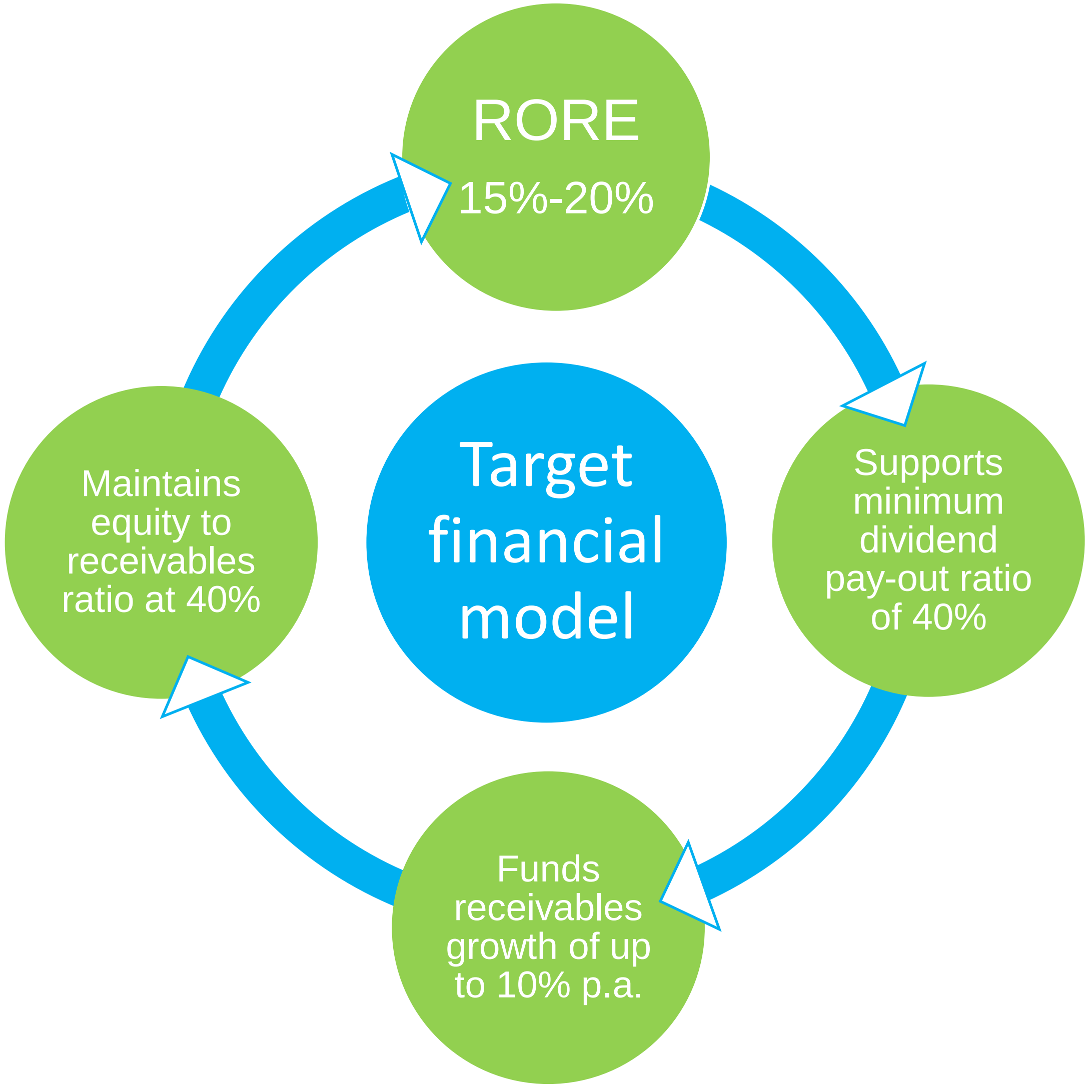
Financial performance

Gary Thompson, CFO

TARGET FINANCIAL MODEL

Rigorous financial discipline delivering sustainable earnings and returns

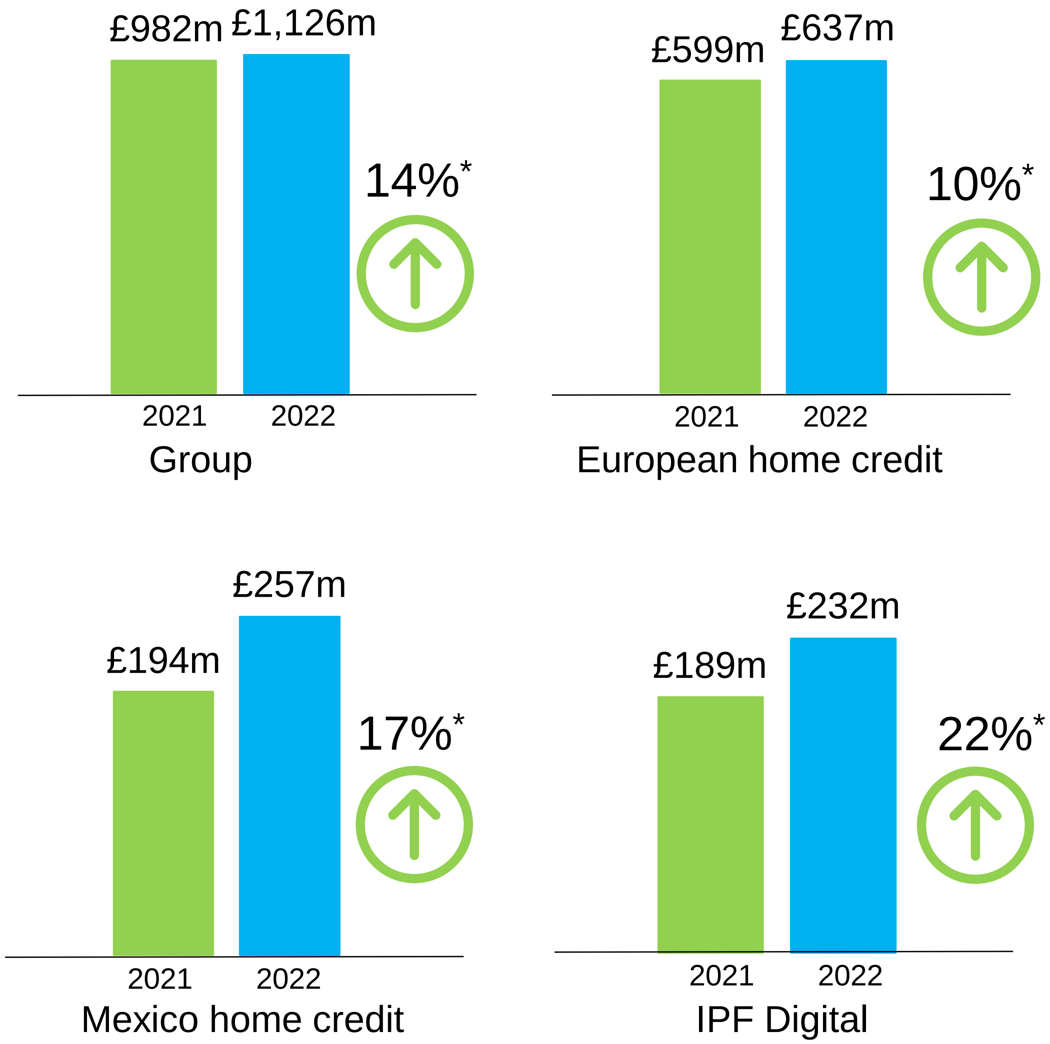


- Three key enhancements since the half-year:
  - Returns based on RORE*
  - Improved target returns from 15%+ to 15%-20%
  - Increased dividend pay-out ratio to minimum 40%
- All investment decisions based on delivering 20%+ RORE
- Our financial model is supported by rigorous focus on:
  - Revenue yield
  - Impairment rate
  - Cost-income ratio
- Financial model and target returns balance the needs of all stakeholders

*Required equity = equity to receivables ratio of 40%

STRONG LENDING GROWTH

Group customer lending up 14%

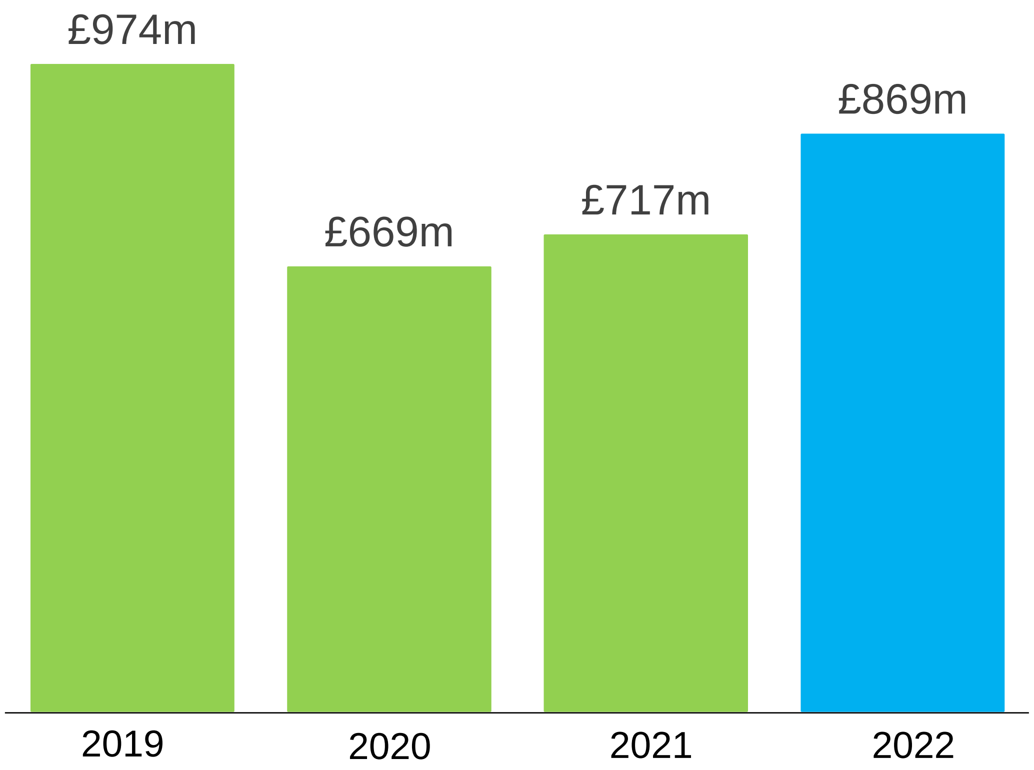


- European home credit:
  - Q1 - impact of Covid-19 and war in Ukraine
  - From Q2 - steady growth in demand
  - Q4 - proactive credit tightening for higher-risk customers
- Mexico home credit:
  - 660 new agencies opened in 2022
  - Northwest expansion in 2022 will support growth
  - Expansion into Tampico in 2023
- IPF Digital:
  - Mexico +67%*
  - Australia +36%*
  - Poland +26%*
  - Baltics +22%*

*At constant exchange rates

CONTINUED STRONG RECEIVABLES GROWTH

Group closing net receivables growth of 14%*

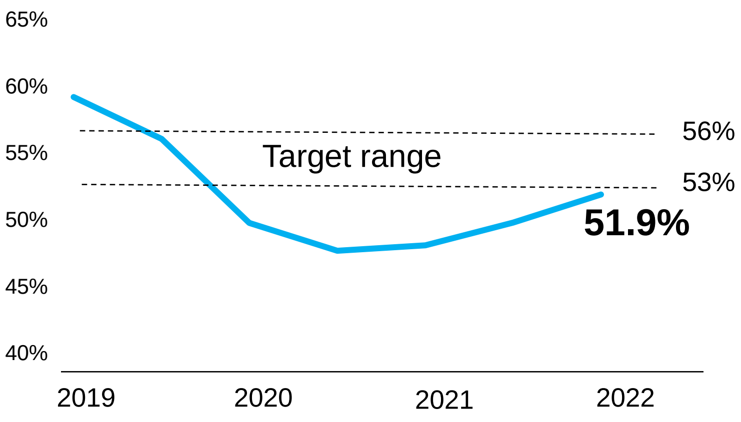


- Executing well on the strategy following Covid-19
- All divisions contributed strong performances, despite tight credit standards
- Robust balance sheet with impairment coverage ratio of 36.4% compared with pre-pandemic level of 33.5%
- Expecting more modest growth in 2023 due to transitioning Poland to the new lower TCC

*At constant exchange rates

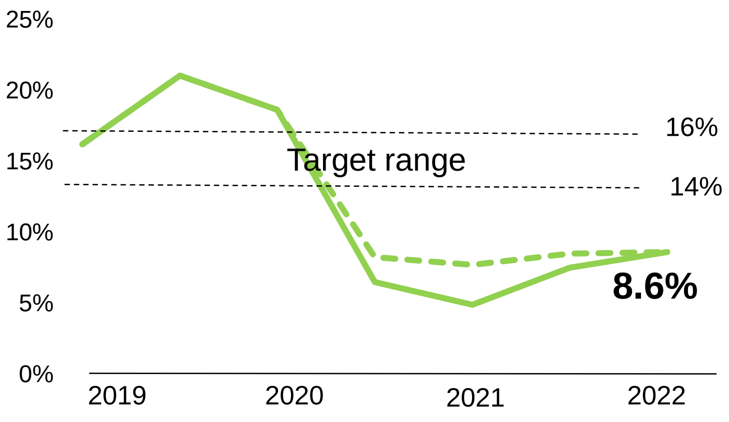
STRONG PROGRESS AGAINST ALL KPIs (1)

Annualised revenue yield



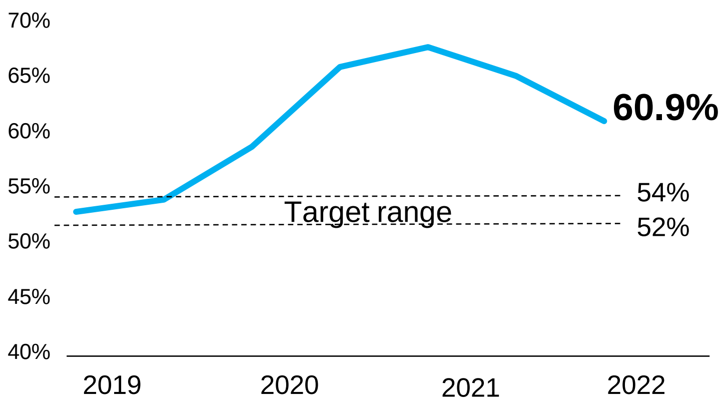
- Mexico home credit returned to a more normalised level, up from 82% to 88%
- European home credit strengthened from 40.2% to 42.5% due to improved repayments, small price increases and reduced marketing
- IPF Digital reduced marginally from 46.4% to 45.4%
- Group yield will increase as Mexico represents a larger proportion of portfolio

Annualised impairment rate



- Customer repayments remain robust
- Underlying impairment rate shows modest increase from 7.7% to 8.6%
- Higher debt sales and strong central collections in 2022 (£15m)
- Impairment rate will increase as we grow the business and Mexico becomes a larger proportion of the Group

Annualised cost-income ratio

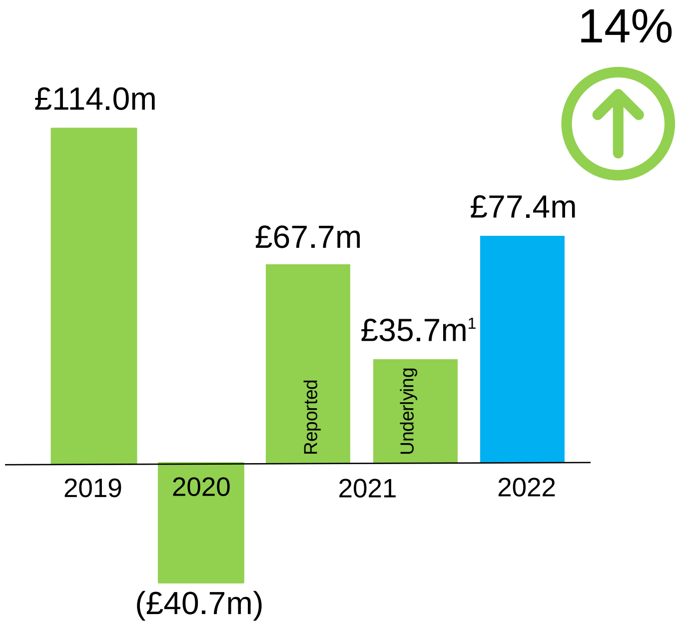


- Stringent focus on costs while investing in growth
- Driving process and structural efficiencies across the Group
- Ratio will continue to reduce as we regain scale

Excluding Covid-19 impairment provision releases in 2021

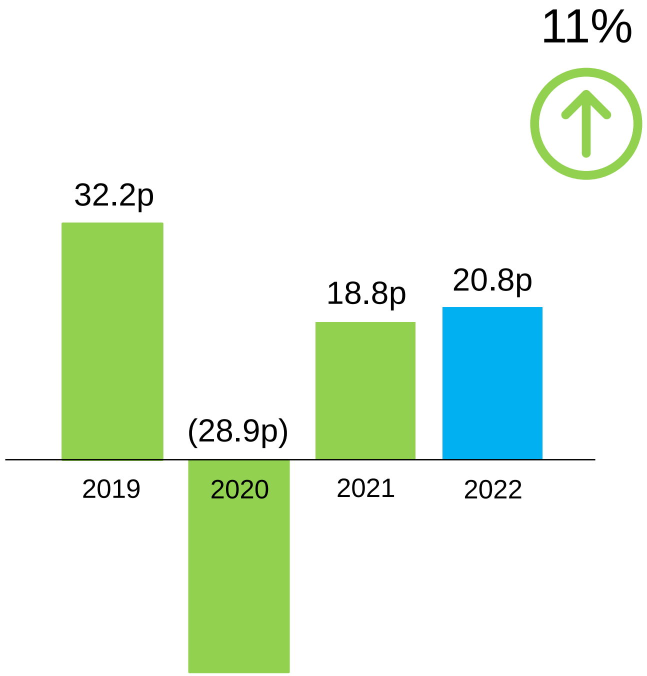
STRONG PROGRESS AGAINST ALL KPIs (2)

Profit before tax



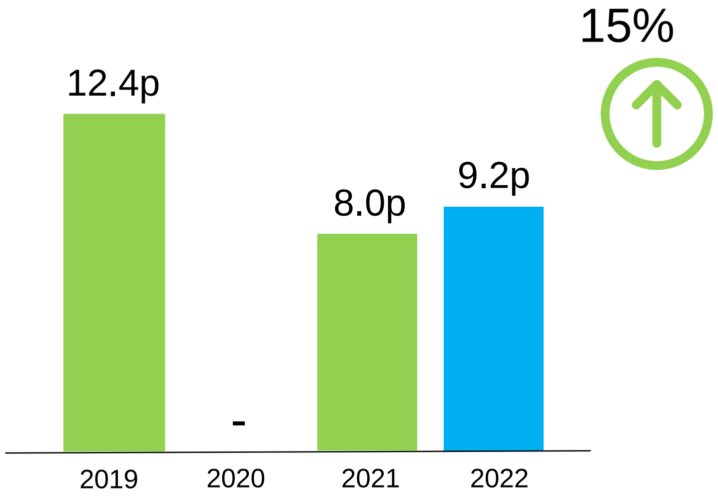
- Profit growth reflects improvement in demand and strong customer repayments
- All divisions contributed profitable performances

Pre-exceptional earnings per share (EPS)



- Reported EPS of 25.6p includes exceptional tax credit of £10.5m
- Effective tax rate of 40% (2021: 38%)

Dividend per share (DPS)

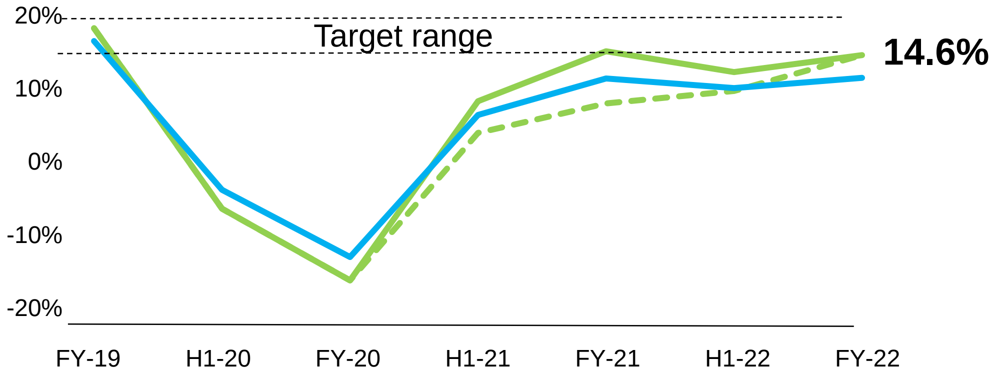


- Dividend reflects strong, sustainable performance and significant growth potential
- Payout ratio of 44% on pre-exceptional EPS
- In line with progressive dividend policy

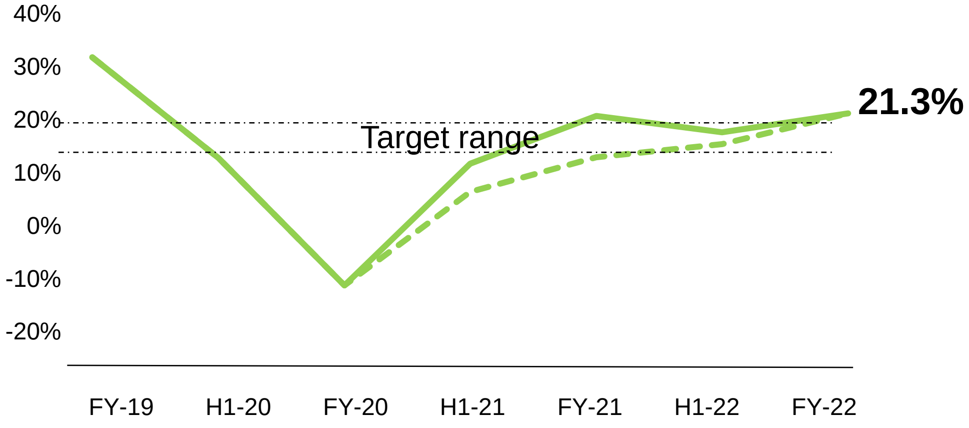
1 Excluding Covid-19 impairment provision releases of £32m in 2021

REBUILDING TOWARDS TARGET RETURNS

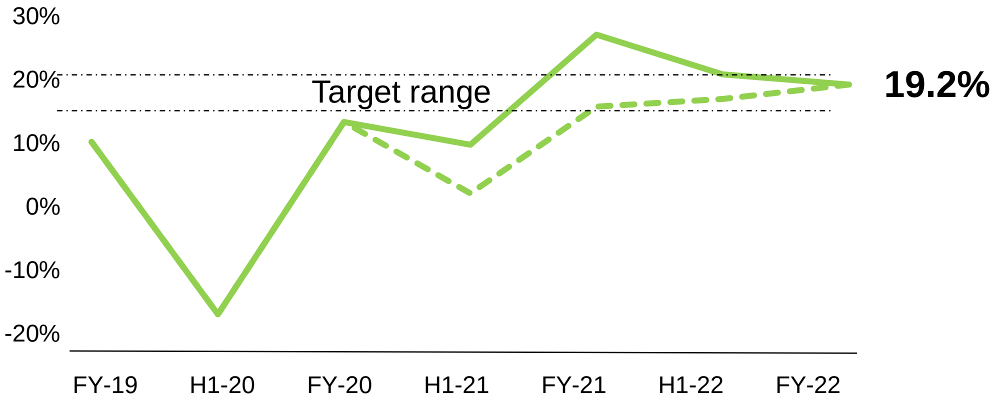
Group



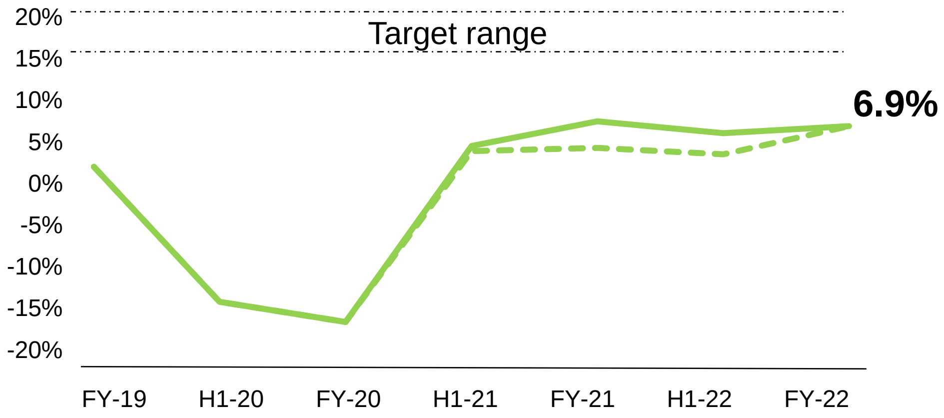
European home credit



Mexico home credit



IPF Digital



RORE (based on 40% equity to receivables ratio)

RORE excluding Covid-19 impairment provision releases in 2021

ROE (Group only – based on actual equity)

ROBUST FUNDING AND CAPITAL POSITION

Total debt facilities

£611m

Bonds

£419m

Banks

£192m

Headroom [1]

£76m

Equity to receivables

51%

- Successfully extended £169m bank facilities
- Refinanced £40m of retail bonds
- Average period to maturity of funding of 2.5 years
- Headroom supports business plans into 2024
- Blended cost of funding of 13.3% (2021:11.3%)
- Equity to receivables ratio of 51%, above 40% target, supports:
  - Rebuilding of receivables book post Covid-19
  - Building returns to target level of 15%-20%
  - Maintaining our progressive dividend policy

[1] Undrawn facilities and non-operational cash balances

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Outlook

Gerard Ryan, CEO

OUTLOOK

- Significant long-term demand for affordable credit
- Good start to 2023 as we navigate challenging macroeconomic landscape
- Focus on:
  - Transitioning Poland to the lower TCC cap
  - Expanding in Mexico;
  - Regaining scale in IPF Digital
  - Strict control of costs
- More modest receivables growth and moderation in returns in 2023
- Focused on rebuilding returns in 2024 and delivering target returns of 15% - 20% from 2025 onwards

International Personal Finance

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Building a better world through financial inclusion

Questions

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Building a better world
through financial inclusion

Appendix

GROUP

	2022 £m	2021 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	1,733	1,727	6	0.3	
Customer lending	1,126.4	982.1	144.3	14.7	13.7
Closing net receivables	868.8	716.8	152.0	21.2	14.2
Revenue	645.5	548.7	96.8	17.6	15.1
Impairment	(106.7)	(56.2)	(50.5)	(89.9)	(70.4)
Revenue less impairment	538.8	492.5	46.3	9.4	8.1
Costs	(393.3)	(370.8)	(22.5)	(6.1)	(4.4)
Interest expense	(68.1)	(54.0)	(14.1)	(26.1)	(26.8)
Reported profit before taxation	77.4	67.7	9.7	14.3	
Reported profit before taxation	**77.4**	67.7	9.7	14.3	
Covid-19 provision releases	-	(32.0)	32.0	n/a	
Underlying profit before taxation	**77.4**	35.7	41.7	116.8	
Revenue yield	51.9%	48.1%	3.8ppts		
Impairment rate	8.6%	4.9%	(3.7)ppts		
Cost-income ratio	60.9%	67.6%	6.7ppts		
Pre-exceptional EPS[1]	20.8p	18.8p	2.0 ppts		
Pre-exceptional ROE[1]	11.5%	11.4%	0.1 ppts		
Pre-exceptional RORE[1,2]	14.6%	15.1%	(0.5)ppts		

[1] *Prior to an exceptional tax credit of £10.5m in 2022*

[2] *Based on required equity to receivables of 40%.*

EUROPEAN HOME CREDIT

	2022 £m	2021 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	784	810	(26)	(3.2)	
Customer lending	637.0	599.2	37.8	6.3	9.9
Closing net receivables	501.0	425.9	75.1	17.6	14.4
Revenue	317.5	284.7	32.8	11.5	14.8
Impairment	(5.2)	1.6	(6.8)	(425.0)	(533.3)
Revenue less impairment	312.3	286.3	26.0	9.1	12.5
Costs	(203.9)	(197.8)	(6.1)	(3.1)	(5.8)
Interest expense	(42.8)	(34.0)	(8.8)	(25.9)	(30.5)
Reported profit before taxation	65.6	54.5	11.1	20.4	
Reported profit before taxation	65.6	54.5	11.1	20.4	
Covid-19 provision releases	-	(20.6)	20.6	n/a	
Underlying profit before taxation	65.6	33.9	31.7	93.5	
Revenue yield	42.5%	40.2%	2.3 ppts		
Impairment rate	0.7%	(0.3%)	(1.0) ppts		
Cost-income ratio	64.3%	69.5%	5.2 ppts		
Pre-exceptional RORE	21.3%	20.7%	0.6ppts		

MEXICO HOME CREDIT

	2022 £m	2021 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	696	654	42	6.4	
Customer lending	257.4	194.2	63.2	32.5	16.8
Closing net receivables	158.5	117.6	40.9	34.8	14.2
Revenue	210.9	146.0	64.9	44.5	27.4
Impairment	(75.5)	(33.8)	(41.7)	(123.4)	(91.6)
Revenue less impairment	135.4	112.2	23.2	20.7	7.3
Costs	(107.8)	(87.2)	(20.6)	(23.6)	(10.7)
Interest expense	(9.9)	(6.6)	(3.3)	(50.0)	(32.0)
Reported profit before taxation	17.7	18.4	(0.7)	(3.8)	
Reported profit before taxation	17.7	18.4	(0.7)	(3.8)	
Covid-19 provision releases	-	(7.7)	7.7	n/a	
Underlying profit before taxation	17.7	10.7	7.0	65.4	
Revenue yield	88.2%	81.5%	6.7 ppts		
Impairment rate	31.6%	18.9%	(12.7) ppts		
Cost-income ratio	51.1%	59.7%	8.6 ppts		
Pre-exceptional RORE	19.2%	27.1%	(7.9)ppts		

IPF DIGITAL

	2022 £m	2021 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	253	263	(10)	(3.8)	
Customer lending	232.0	188.7	43.3	22.9	21.5
Closing net receivables	209.3	173.3	36.0	20.8	13.9
Revenue	117.1	118.0	(0.9)	(0.8)	(1.3)
Impairment	(26.0)	(24.0)	(2.0)	(8.3)	(6.6)
Revenue less impairment	91.1	94.0	(2.9)	(3.1)	(3.4)
Costs	(67.0)	(72.0)	5.0	6.9	8.0
Interest expense	(15.3)	(13.3)	(2.0)	(15.0)	(15.0)
Reported profit before taxation	8.8	8.7	0.1	1.1	

Reported profit before taxation	**8.8**	8.7	0.1	1.1
Covid-19 provision releases	**-**	(3.7)	3.7	n/a
Underlying profit before taxation	**8.8**	5.0	3.8	76.0

Revenue yield	45.4%	46.4%	(1.0) ppts
Impairment rate	10.1%	9.4%	(0.7) ppts
Cost-income ratio	57.2%	61.0%	3.8 ppts
Pre-exceptional RORE	6.9%	7.5%	(0.6)ppts

STRONG FINANCIAL PROFILE

	2022	2021
Receivables (£m)	**868.8**	716.8
Equity (£m)	**445.2**	367.1
Equity to receivables	**51.2%**	51.2%
Gearing	**1.2**	1.3
Interest cover	**2.2**	2.5
Pre-exceptional EPS (p)	**20.8**	18.8
Pre-exceptional ROE	**11.5%**	11.4%
Pre-exceptional RORE	**14.6%**	15.1%

BALANCE SHEET

	2022	2021	Change at CER %
Goodwill	**24.2**	22.9	-
Fixed assets	**64.5**	56.7	8.4%
Receivables	**868.8**	716.8	14.2%
Cash	**50.7**	41.7	15.5%
Borrowings	**(548.8)**	(471.6)	(12.0%)
Other net (liabilities) / assets	**(14.2)**	0.6	(395.8%)
Equity	**445.2**	367.1	10.4%

At HY-22, borrowings is stated net of deferred issuance costs of £5.6m

KEY PERFORMANCE INDICATORS

	2019		2021		2022	
	New	**Previous**	**New**	**Previous**	**New**	**Previous**
Revenue yield	**59.2%**	90.1%	**48.1%**	81.0%	**51.9%**	83.3%
Impairment to revenue/impairment rate	**16.2%**	27.4%	**4.9%**	10.2%	**8.6%**	16.5%
Cost-income ratio	**52.7%**	43.6%	**67.6%**	55.7%	**60.9%**	48.9%

EXCHANGE RATES

	Closing rates February 2023	Closing rates December 2022	Average 2022	Closing rates December 2021	Average 2021
Polish zloty	5.4	**5.3**	**5.5**	5.4	5.3
Czech crown	26.8	**27.2**	**28.5**	29.5	29.7
Euro	1.1	**1.1**	**1.2**	1.2	1.2
Hungarian forint	429.4	**450.8**	**452.3**	438.7	415.3
Romanian leu	5.6	**5.6**	**5.8**	5.9	5.7
Mexican peso	22.1	**23.5**	**24.6**	27.7	27.9
Australian dollar	1.8	**1.8**	**1.8**	1.9	1.8

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