



27 April 2023

International Personal Finance plc Q1 2023 trading update

International Personal Finance plc (“IPF” or the “Group”) is helping to build a better world through financial inclusion by providing unsecured consumer credit to underserved customers across nine markets.

Highlights

- All our divisions have started the year well and we are trading ahead of our internal plans at the end of the first quarter.
- We have delivered strong year-on-year customer lending growth of 15%, with all divisions delivering good performances.
- Customer receivables ended the first quarter at £883m, up 15% year on year (at constant exchange rates (CER)).
- There has been no discernible impact from the cost-of-living crisis on customer repayment behaviour and our portfolio quality remains good.
- The roll out of our new credit card offering in Poland is progressing in line with our plans with over 20,000 cards now issued.
- We have continued to expand our geographic footprint in Mexico with the recent opening of a new region in Tampico, located in the east of Mexico.
- We have a strong balance sheet and a robust funding position, with headroom on undrawn facilities and non-operational cash balances of £92m at 31 March 2023.

Gerard Ryan, Chief Executive Officer at IPF commented:

“I am pleased to report that the Group has made a good start to the year, and we are trading ahead of our plan at the end of the first quarter. We have delivered strong year-on-year lending and receivables growth and, despite the macroeconomic landscape, we have not seen any discernible impact of the cost-of-living crisis on customer repayment performance across the Group. In Poland, the roll out of our new credit card offering is progressing well and our expansion strategy in Mexico continued with the launch of a new region in March. Whilst we remain mindful of the economic backdrop and continue to take a conservative approach to maintain credit quality, we now expect to deliver a result ahead of our original plans for the year as a whole.”

Group overview

The Group has made a good start to the year and strong operational execution of our strategy delivered a 15% increase in customer lending year on year, with all divisions delivering good performances. The growth in customer lending resulted in a 15% increase (at CER) in closing net receivables to £883m, and customer numbers grew by 2% to 1.71m, (excluding the collect-outs of our business in Spain and Finland). The annualised revenue yield continued to strengthen, up from 51.9% at December 2022 to 53.4% at the end of March (March 2022: 48.5%), reflecting the positive impact of our actions to boost the yield which were put in place during the second half of last year.

Despite the challenges of the increased cost of living for consumers, we are pleased to report that we have seen no discernible impact on customer repayment behaviour which remains good. Together with continued tight credit standards, these combined to deliver an annualised impairment rate of 10.5%, up from 8.6% at December 2022 (March 2022: 5.6%), and in line with our expectations as impairment rates normalise following Covid-19.

Our work to reduce costs to offset inflationary pressures and increase our productivity is having a meaningful impact on our returns. Our annualised cost-income ratio improved from 60.9% at December 2022 to 58.8% at March 2023 (March 2022: 67.3%), and is tracking ahead of our plans.

Divisional performance review

European home credit

Our European home credit division delivered a very good operational performance in the first quarter. Customer demand remained robust, and lending showed a significant year-on-year increase of 19%, albeit against a relatively weak first quarter last year which was adversely impacted by Covid-19 outbreaks and the onset of the war in Ukraine. The growth in lending resulted in a 15% increase (at CER) in closing net receivables to £503m. Customer numbers ended the first quarter at 779,000, little changed from December 2022. Customer repayment performance remained strong in the period in all our European home credit markets.

In Poland, the rollout of our new credit card offering is progressing well and more than 20,000 cards have now been issued and are being used successfully by our customers. All employees and customer representatives have been trained and the credit card option is now available to customers across the whole country. As previously reported, new affordability rules will become effective in Poland from May 2023, and the expected impact of this was factored into our guidance to the market in the last quarter of 2022.

Mexico home credit

Mexico home credit delivered another good operational performance in the first quarter. Our growth strategy coupled with good consumer demand delivered a 7% year-on-year increase in customer lending against tighter credit standards and a very strong first quarter in 2022 which saw a resurgence in demand following Covid-19. Customer numbers grew by 6% to 695,000, closing net receivables increased by 12% (at CER) to £169m and customer repayment performance remained consistent during the first quarter. Mexico home credit offers significant long-term growth opportunities and the execution of our expansion strategy continued with the launch in March of home credit operations in the new region of Tampico. Our research indicates that this new region, together with Tijuana which we launched in 2022, offer a target market of 1.7m consumers in our segments in these regions.

IPF Digital

IPF Digital continued to deliver very positive growth momentum in all its markets as we execute our strategy to rebuild receivables to gain scale and deliver our target returns. Demand for affordable end-to-end digital credit from our target consumers is strong and we delivered a 17% increase in customer lending growth, against a relatively weak comparative, driven particularly by our businesses in Mexico and Australia. The growth in lending resulted in closing net receivables ending the quarter at £211m, a year-on-year increase of 17% (at CER). Customer numbers, excluding the collect out of our operations in Finland and Spain, showed good year-on-year growth of 4% to 234,000.

Funding and balance sheet

We continue to maintain a robust funding position and well-capitalised balance sheet to support growth and our progressive dividend policy. At 31 March 2023, the Group had total debt facilities of £616m comprising £421m of bonds and £195m of bank facilities. We have borrowings of £531m, and together with undrawn facilities and non-operational cash balances, headroom is £92m. The current funding capacity together with strong cash generation, is expected to meet the Group's funding requirements into 2024.

Regulation

There have been no material updates on the EU Commission's review of the Consumer Credit Directive, and we continue to expect that a final compromise proposal will be published later in 2023.

Outlook

Our aim is to provide underserved consumers with access to simple, personal, and affordable loans and insurances to help and protect them and their families. There is significant demand for affordable credit within our target demographic and we see substantial and sustainable long-term growth opportunities through meeting the needs of more consumers with an increased choice of products and distribution channels. Whilst there has been no discernible impact from the rising cost of living on customer repayment performance, we are continuing to maintain a cautious approach to lending given the macroeconomic backdrop.

All three of our divisions performed very well in the first quarter of the year, delivering good growth and, consequently, the Group's results were ahead of our expectations. This underpins our confidence in delivering good lending growth and a result ahead of our original plans for the year as a whole.

Investor and analyst conference call

International Personal Finance plc will host a conference call for investors and analysts at 09.00hrs (BST) today, Thursday 27 April 2023.

To join please register using the registration line below. Once registered, you will receive an email confirming dial-in numbers and access PIN.

Registration Register for the call [here](#)

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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