2023 full-year results

# Delivering the **growth opportunity**

**March 2024**

# Performance, strategy and regulation

Gerard Ryan

Chief Executive Officer

# **Delivering** on our promises

Executing on our strategy

Rebuilding scale and delivering growth

Financial results well ahead of plan

Returns close to target threshold

Strong balance sheet to deliver growth

**£83.9m** Profit before tax **+8%**

**14.8%** RoRE

**56%** Equity to receivables

**10.3p** Dividend per share **+12%**

# Delivering **purposeful, profitable growth**


Case study

# New credit card in Poland

**130k +**
cards issued

**12 month**
amortisation of transactions to eliminate persistent debt

**£500**
average balance

**953,000**
ATM, retail and online transactions

- Customers appreciate additional utility of a credit card
- Impairment performance consistent with instalment loans
- Offering customers more value for the same level of risk to the business


Case study

# Expanding in Mexico

Financially including more consumers in Mexico by expanding new locations and growing our digital offering

**1m+**
Good potential to grow customers

**21,000**
mobile wallet customers since launch in 2023

- Expanded into Tampico in 2023
- New branch opening in Mexicali planned in 2024
- IPF Digital launched mobile wallet

Case study

# Exciting **retail partnership** opportunities

Creating more points at which consumers can access our offering to deliver additional growth momentum through instore credit


**160 +**
retail stores

- Expanding distribution following successful concept tests
- Provident loans to finance consumer purchases
- New partnerships with leading retailers in Romania
- Pay Later product launched in Mexico

# Our **Next Gen** strategy

International Personal Finance

**A new vision**

**We aim to be the leading provider of financial services for underserved communities around the world, data driven, technology-enabled and always with a human touch**

**Three strategic pillars**

## Financial inclusion

- Deploy product family
- Delivering more value for customers
- Build distribution channels through partnerships
- Expand geographic footprint

## Organisation

- Be a great place to work
- Upgrade productivity
- Be purposeful and support our communities
- Upgrade external credentials

## Technology and data


- Optimise and standardise processes
- Open flexible architecture
- Use data to drive decision making
- Leverage new tech

**Driven by our purpose**

**Guided by our financial model**

**We are driven by our purpose to build a better world through financial inclusion and guided by our financial model in balancing the needs of our stakeholders**

**Supported by our values**

Responsible

Respectful

Straightforward

International Personal Finance

# Strong **product growth** opportunities in Europe

## Poland

- Home credit
- Value added services
- Digital loans
- Hybrid loans
- Mobile app
- Credit card
- Retail finance

## Czech Republic

- Home credit
- Value added services
- Digital loans
- Hybrid loans
- Mobile app
- Credit card
- Retail finance

## Hungary

- Home credit
- Value added services
- Digital loans
- Hybrid loans
- Mobile app
- Credit card
- Retail finance

## Romania

- Home credit
- Value added services
- Digital loans
- Hybrid loans
- Mobile app
- Credit card
- Retail finance

Existing offering Opportunities

Case study

# Improving **customer experience**

Our scale gives us additional benefits and generates insight that can be rapidly deployed across our markets

**+69**
Net Promoter Score

**91%**
customer satisfaction

Speed of customer call-back improved from

**4 hours**

to under

**30 mins**

**72%**
of customers contacted within 15 minutes of submitting enquiry

**86%**
of customers feel their loyalty is appreciated and rewarded

## Think Customer Heroes


Think Customer
Understood. Valued. Empowered.

Case study

# Instant messaging **transforming lead management**

Leveraging customers’ preference for Facebook and WhatsApp in Mexico to transform our lead management processes

**165%+**

Increase in leads from Facebook

**2m+**

WhatsApp conversations in 2023


- Account verified with META
- 24-hour service
- Interactive chatbot
- 8 questions to check eligibility
- Sale of integral insurance
- 5 minutes average time to apply

# **Regulatory** update

**Romania**

- Proposed total cost of credit cap expected to be enacted – no material impact

**Poland**

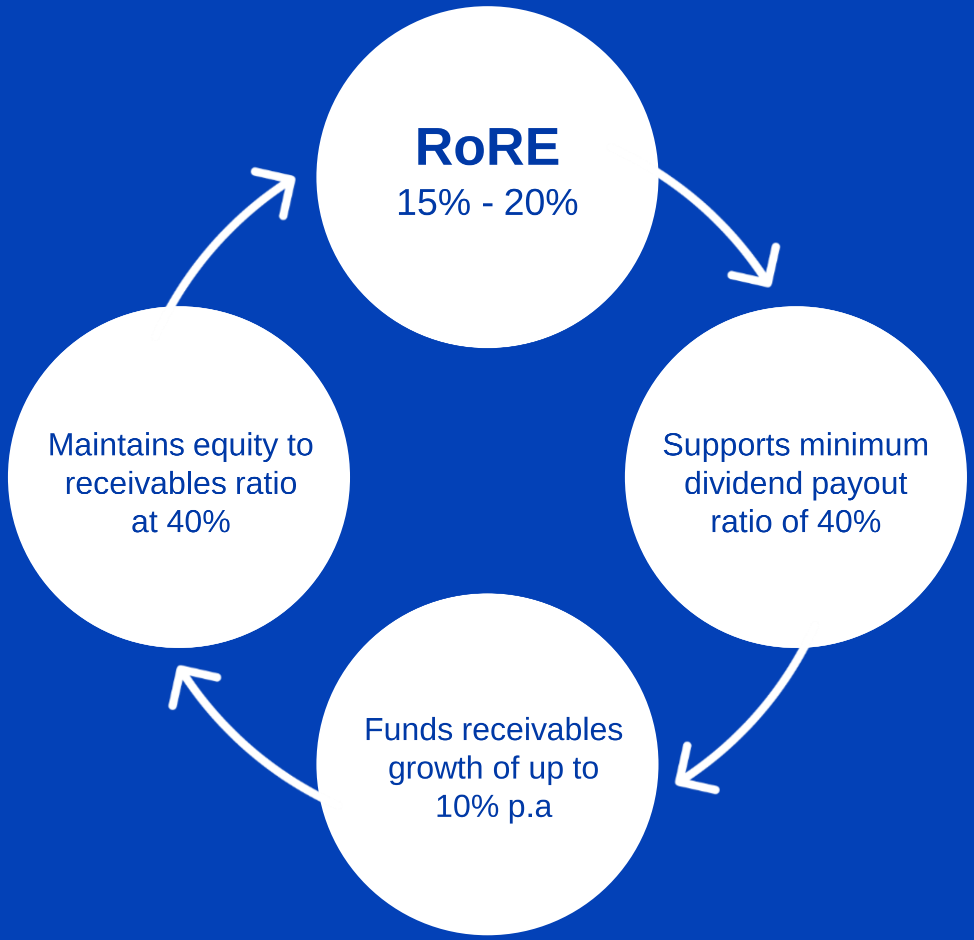
- Polish financial supervision authority, KNF, issued guidance to all credit card issuers
- KNF expects:
  - credit card charges to be subject to limits on non-interest costs
  - issuers to differentiate between costs subject to caps and those that are not
  - the approach to calculation and assessment of fees not subject to caps to be clear and proportionate
- No indication of any retrospective application
- Acceptance that current legislation is imprecise
- Detailed legal advice previously determined that non-interest cost caps did not apply to credit cards
- We are engaging with the KNF
- 2023 year-end carrying value of credit card receivables reduced by £6m
- If new interpretation is fully implemented, expected reduction in Group profit before tax could be up to £10m

# Financial performance

Gary Thompson

Chief Financial Officer

# Our target
# **financial model**



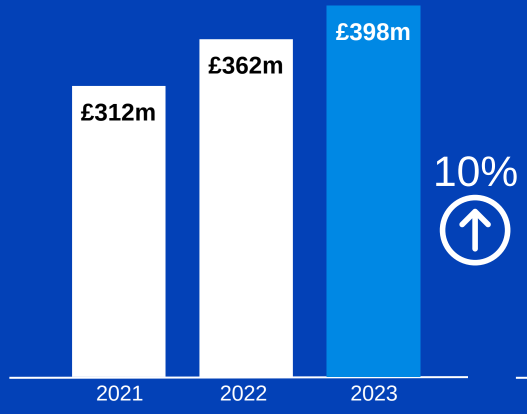

- All investment decisions based on delivering 20%+ RoRE*
- Our financial model is supported by rigorous focus on:

| | Target |
|---|---|
| - Revenue yield | 56% - 58% |
| - Impairment rate | 14% - 16% |
| - Cost-income ratio | 49% - 51% |

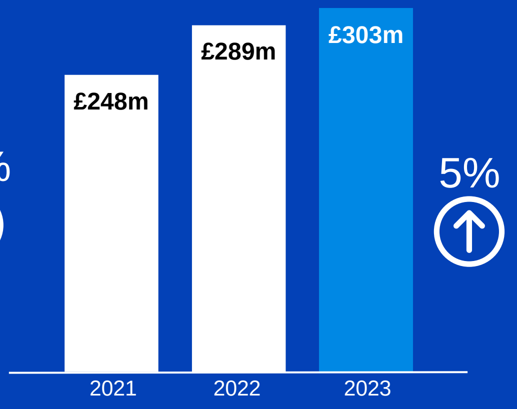
- Financial model and target returns balance the needs of all stakeholders

*Required equity = equity to receivables ratio of 40%

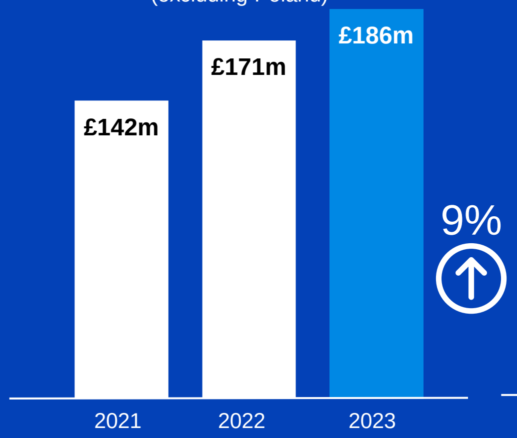
# Customer lending - **robust demand for affordable credit**



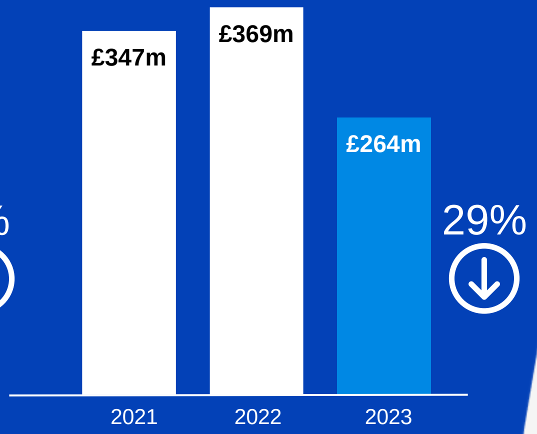

European home credit[1]
(excluding Poland)




Mexico home credit[1]




IPF Digital[1]
(excluding Poland)

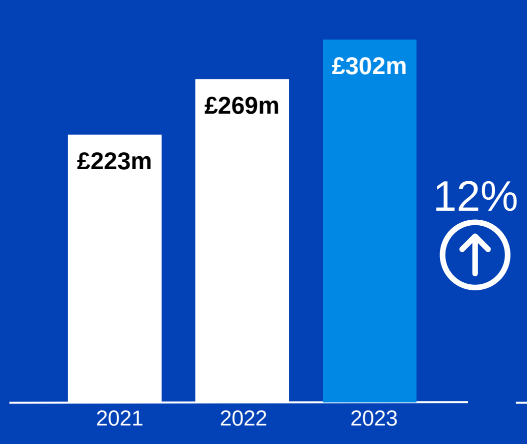



Poland[1, 2]

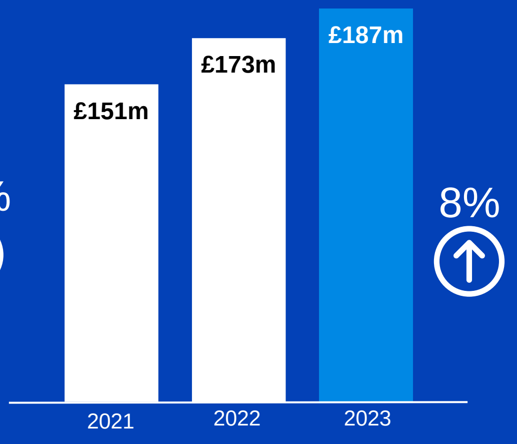
- Group customer lending:
  - Reduction of 3.5% at a headline level
  - Growth of 8% excluding Poland
- European home credit:
  - Romania (+14%), Hungary (+8%) and Czech Republic (+8%) all delivered good growth
- Mexico home credit:
  - Growth delivered against tighter credit standards
  - Expect between 8% and 10% growth in 2024
- IPF Digital:
  - Strong growth of 9% in Mexico, Australia and the Baltics
- Poland:
  - Contraction of 29% as expected due to transition to new regulation
  - Continuing to operate under volume restrictions of the small payment institution licence in 2024

1. All numbers and growth rates are at constant exchange rates
2. Includes both home credit and digital

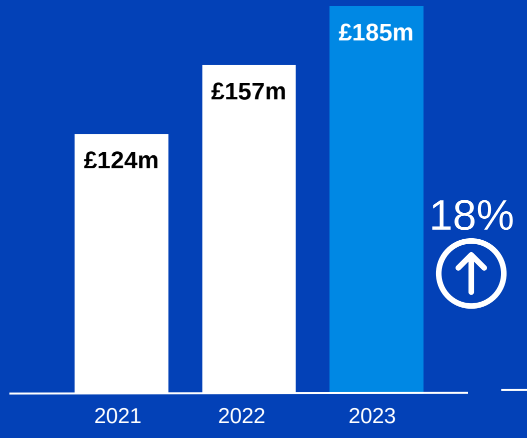
# Strong receivables growth despite tight credit standards



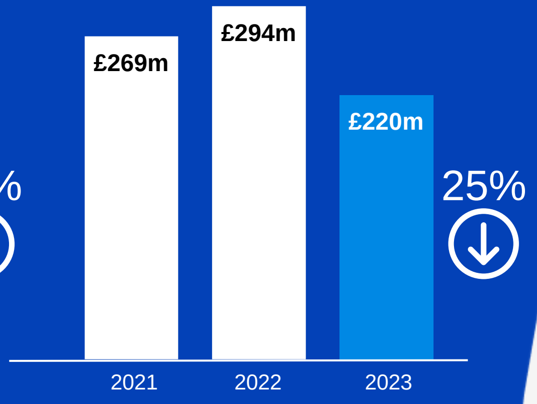

European home credit[1]
(excluding Poland)




Mexico home credit[1]




IPF Digital[1,2]
(excluding Poland)



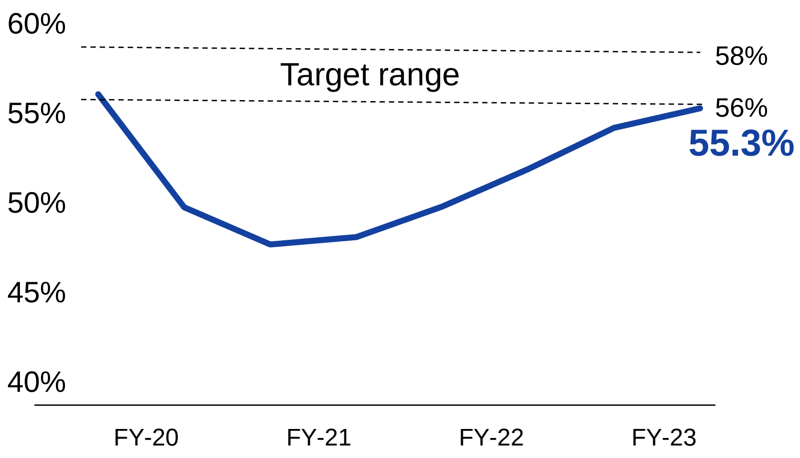

Poland[1,3]

- Strong growth in Group receivables, excluding Poland, of 12%
- European home credit:
  - Strong growth in Romania (23%) and Hungary (10%)
  - Improvements to field processes in Czech Republic lay the foundation for growth in 2024
- Mexico home credit:
  - Good growth of 8%, modestly below plan due to tighter credit standards
  - Investing in sustainable growth with shallow "j-curve" to maintain target returns
- IPF Digital:
  - Strong growth of 18% in Mexico, Australia and the Baltics
  - Focus on rebuilding receivables to gain scale and deliver target returns
- Poland:
  - Contraction in 2023 in line with 25% guidance provided in Q3-2022
  - Downwards valuation of credit cards book of £6m following recent KNF letter

1. All numbers and growth rates are at constant exchange rates
2. Excluding collect-outs in Finland and Spain
3. Includes both home credit and digital

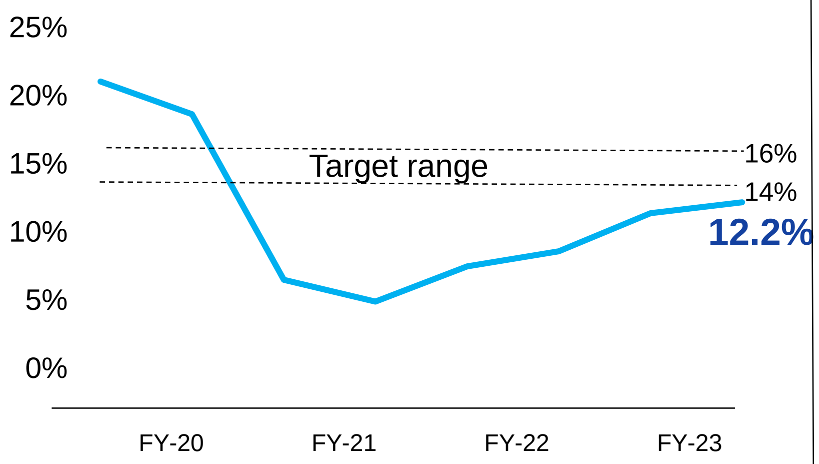
# **Progressing well** towards medium-term targets

### Revenue yield



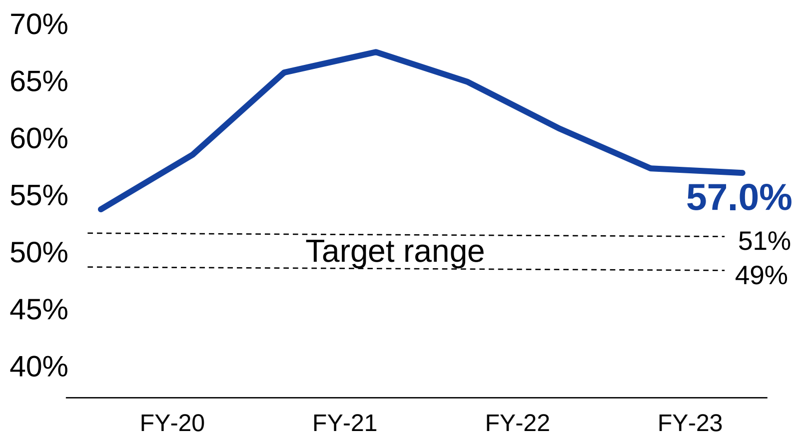

- Group yield continues to strengthen – up 3.4 ppts to 55.3%
- Significant improvement of 4.9 ppts in European home credit to 47.4% due to reduced promotions and price increases
- Mexico home credit yield stable at 87.4%
- IPF Digital reduced by 1.5 ppts to 43.9%, mainly reflecting receivables mix

### Impairment rate




- Customer repayments are robust and portfolio quality remains very good
- Moving towards 14%-16% target range as Mexico becomes a larger proportion of the Group
- Impairment provision coverage ratio of 36.3% (FY-22: 36.4%, FY-19: 33.5%)
- Reduction in cost of living provision from £21m to £15m

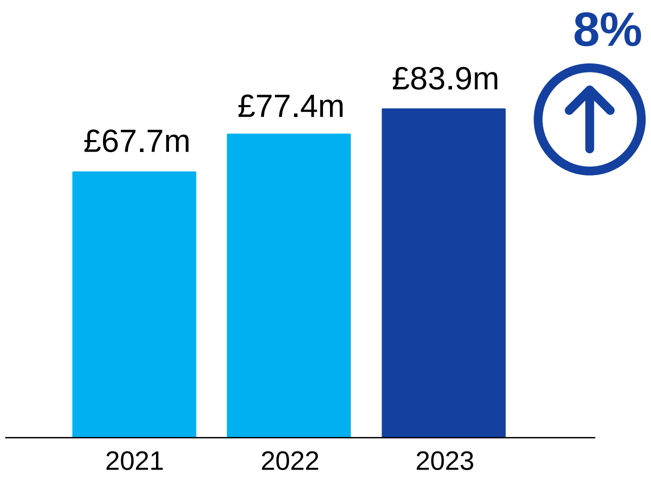
### Cost-income ratio




- Improved yield and strong cost control
- Becoming a smarter, more efficient business through technology, process improvements and structural efficiencies
- Ongoing cost actions and further scale to deliver target of 49% to 51%

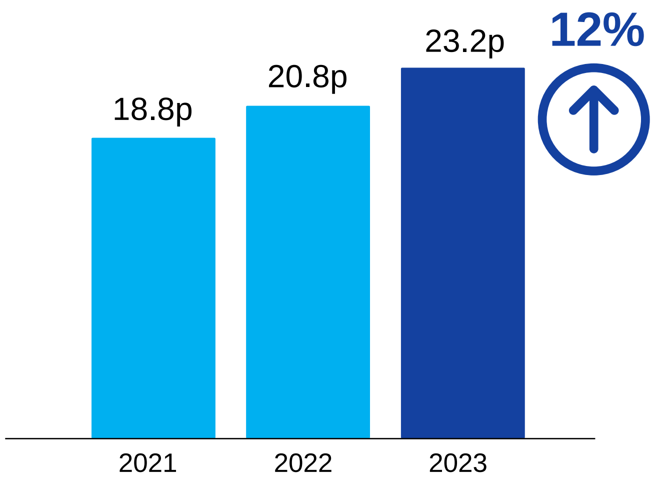
# **Growth** in profit, earnings and dividends

### Profit before tax



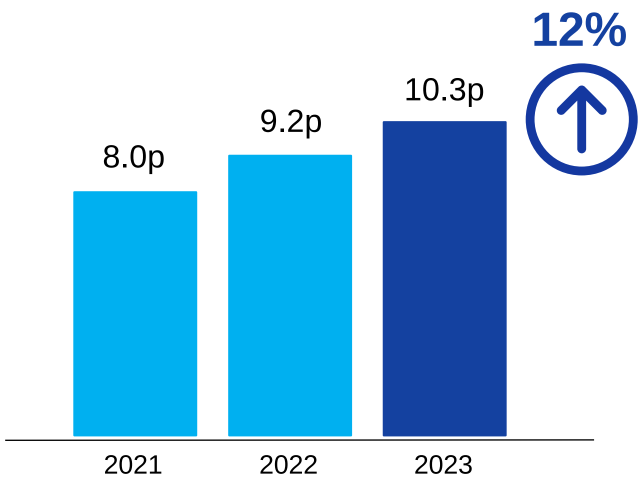

- Profit growth of 8% significantly ahead of original plan
- Good operational execution and favourable FX movements
- Ongoing profits could be up to £10m lower than previous estimates as we continue to transition our Polish business

### Pre-exceptional earnings per share (EPS)




- 12% growth in EPS compared with 8% growth in PBT
- Effective tax rate of 38% (FY-22: 40%)
- Reported EPS of 21.5p includes exceptional tax charge of £4m in relation to Hungary

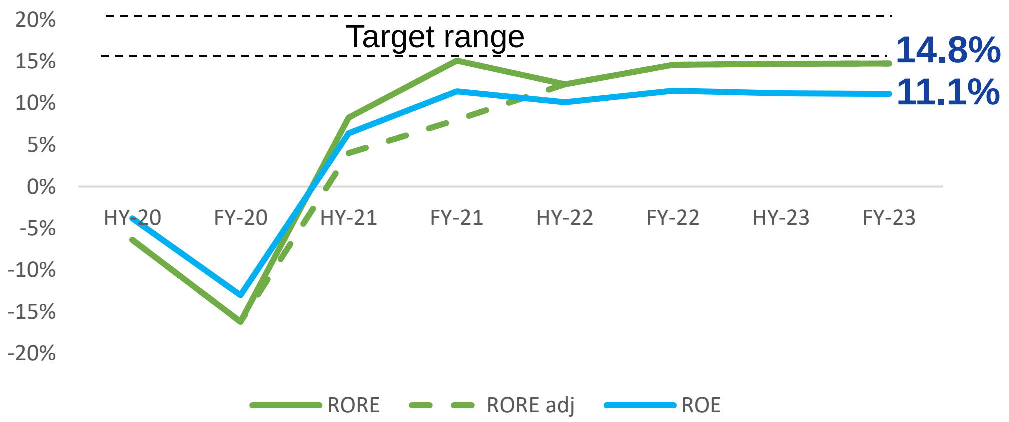
### Dividend per share



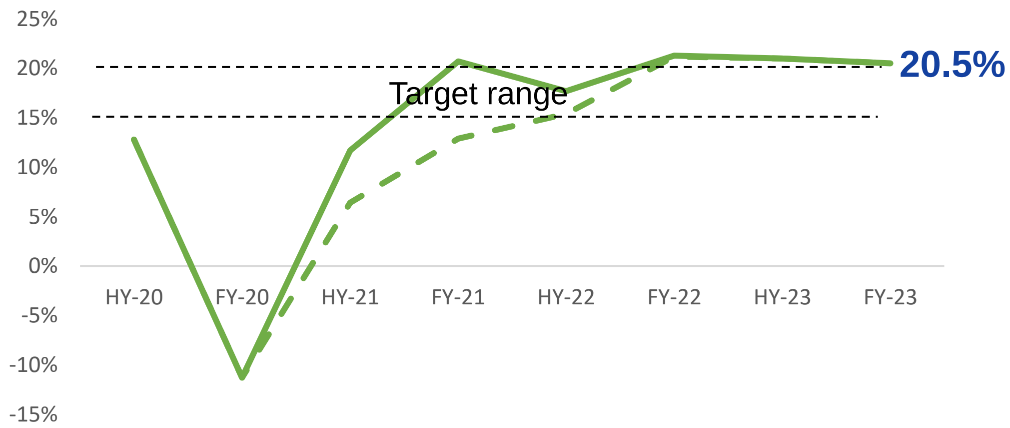

- Proposed final dividend of 7.2p per share, up 10.8%
- Dividend consistent with progressive policy
- Payout ratio of 44%, above target of 40%
- Reflects confidence in executing Next Gen strategy and long-term growth potential

# **Rebuilding returns** towards Group target of 15% to 20%

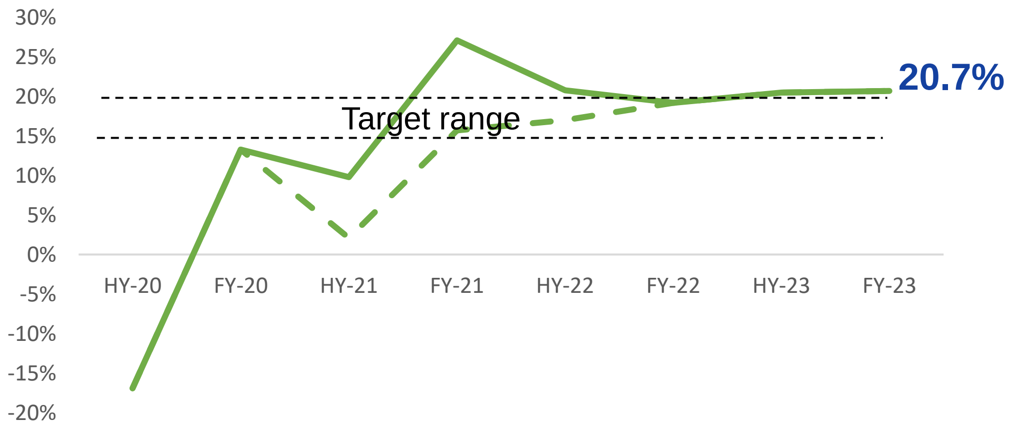
## Group



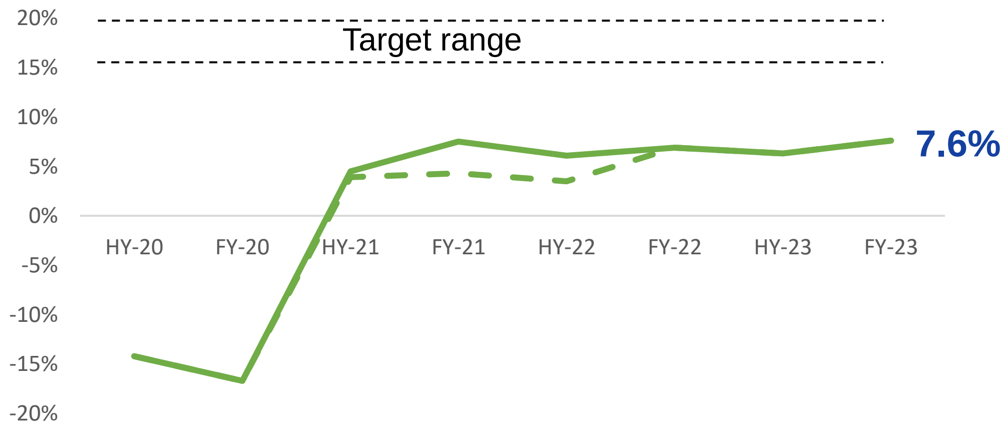

## European home credit




## Mexico home credit




## IPF Digital




Pre-exceptional RoRE (based on 40% equity to receivables ratio)
Pre-exceptional RoRE excluding Covid-19 impairment provision releases in 2021
Pre-exceptional RoE (Group only – based on actual equity)

# **Diversified** funding and conservative capital position

**£629m**
Total debt facilities

**£433m**
Bonds

**£196m**
Banks

**£126m**
Headroom[1]

**56%**
Equity to receivables

**2.0 years**
Average period to maturity

- Successfully raised and extended £146m of debt facilities in 2023
- £170m+ of facilities maturing beyond 2025
- Substantial headroom of £126m and strong cash flow generation
- Engaging with investors to refinance the Eurobond maturing in November 2025
- Funding cost of 14.0% (2022: 13.3%), expected to increase in 2024 as fixed rate debt is refinanced
- Equity to receivables ratio up to 56% (2022: 51%) due to strong capital generation and favourable FX

1. Undrawn facilities and non-operational cash balances.

# Outlook

## Gerard Ryan

Chief Executive Officer

# Delivering the **growth opportunity**

- Strong momentum from 2023 continues into 2024
- Significant demand for affordable consumer credit
- Focus on extending financial inclusion by expanding product choices and geographic reach
- Deploying more digital solutions to improve customer experience
- Continuing to adapt our Polish businesses to customer needs and the evolving regulatory landscape
- Strict focus on cost control
- Strong foundation to deliver good quality growth consistent with our financial model

# Questions

International Personal Finance

# Appendices

# Group

| | FY 2023 £m | FY 2022 £m | Change £m | Change % | Change at CER % |
|---|---|---|---|---|---|
| Customer numbers (000s) | **1,700** | 1,733 | (33) | (1.9) | (1.9) |
| Customer lending | **1,150.6** | 1,126.4 | 24.2 | 2.1 | (3.5) |
| Average gross receivables | **1,388.9** | 1,244.5 | 144.4 | 11.6 | 5.9 |
| Closing net receivables | **892.9** | 868.8 | 24.1 | 2.8 | (0.2) |
| | | | | | |
| Revenue | **767.8** | 645.5 | 122.3 | 18.9 | 11.7 |
| Impairment | **(169.4)** | (106.7) | (62.7) | (58.8) | (45.9) |
| Revenue less impairment | **598.4** | 538.8 | 59.6 | 11.1 | 4.7 |
| Costs | **(437.6)** | (393.3) | (44.3) | (11.3) | (5.2) |
| Interest expense | **(76.9)** | (68.1) | (8.8) | (12.9) | (7.6) |
| **Reported profit before taxation** | **83.9** | 77.4 | 6.5 | 8.4 | |
| | | | | | |
| Revenue yield | **55.3%** | 51.9% | 3.4 ppts | | |
| Impairment rate | **12.2%** | 8.6% | (3.6) ppts | | |
| Cost-income ratio | **57.0%** | 60.9% | 3.9 ppts | | |
| Pre-exceptional EPS[1] | **23.2%** | 20.8p | 2.4p | | |
| Pre-exceptional RoE[1] | **11.9%** | 11.5% | 0.4 ppts | | |
| Pre-exceptional RoRE[1,2] | **14.8%** | 14.6% | 0.2 ppts | | |

[1] *Prior to an exceptional tax charge of £4.0m in 2023, and an exceptional tax credit of £10.5m in 2022.*
[2] *Based on required equity to receivables of 40%.*

# European home credit

| | FY 2023 £m | FY 2022 £m | Change £m | Change % | Change at CER % |
|---|---|---|---|---|---|
| Customer numbers (000s) | **761** | 784 | (23) | (2.9) | (2.9) |
| Customer lending | **616.6** | 637.0 | (20.4) | (3.2) | (7.1) |
| Average gross receivables | **801.6** | 747.5 | 54.1 | 7.2 | 3.0 |
| Closing net receivables | **483.0** | 501.0 | (18.0) | (3.6) | (5.5) |
| | | | | | |
| Revenue | **379.7** | 317.5 | 62.2 | 19.6 | 15.0 |
| Impairment | **(39.4)** | (5.2) | (34.2) | (657.7) | (720.8) |
| Revenue less impairment | **340.3** | 312.3 | 28.0 | 9.0 | 4.5 |
| Costs | **(227.2)** | (203.9) | (23.3) | (11.4) | (7.4) |
| Interest expense | **(48.0)** | (42.8) | (5.2) | (12.1) | (7.6) |
| **Reported profit before taxation** | **65.1** | 65.6 | (0.5) | (0.8) | |
| | | | | | |
| Revenue yield | **47.4%** | 42.5% | 4.9 ppts | | |
| Impairment rate | **4.9%** | 0.7% | (4.2) ppts | | |
| Cost-income ratio | **59.8%** | 64.3% | 4.5 ppts | | |
| Pre-exceptional RoRE | **20.5%** | 21.3% | (0.8) ppts | | |

# Mexico home credit

| | FY 2023 £m | FY 2022 £m | Change £m | Change % | Change at CER % |
|---|---|---|---|---|---|
| Customer numbers (000s) | **716** | 696 | 20 | 2.9 | 2.9 |
| Customer lending | **302.8** | 257.4 | 45.4 | 17.6 | 4.8 |
| Average gross receivables | **299.4** | 239.0 | 60.4 | 25.3 | 11.7 |
| Closing net receivables | **187.1** | 158.5 | 28.6 | 18.0 | 8.3 |
| | | | | | |
| Revenue | **261.6** | 210.9 | 50.7 | 24.0 | 10.8 |
| Impairment | **(96.7)** | (75.5) | (21.2) | (28.1) | (15.1) |
| Revenue less impairment | **164.9** | 135.4 | 29.5 | 21.8 | 8.3 |
| Costs | **(129.7)** | (107.8) | (21.9) | (20.3) | (7.5) |
| Interest expense | **(12.1)** | (9.9) | (2.2) | (22.2) | (9.0) |
| **Reported profit before taxation** | 23.1 | 17.7 | 5.4 | 30.5 | |
| | | | | | |
| Revenue yield | **87.4%** | 88.2% | (0.8) ppts | | |
| Impairment rate | **32.3%** | 31.6% | (0.7) ppts | | |
| Cost-income ratio | **49.6%** | 51.1% | 1.5 ppts | | |
| Pre-exceptional RoRE | **20.7%** | 19.2% | 1.5 ppts | | |

# IPF Digital

| | FY 2023 £m | FY 2022 £m | Change £m | Change % | Change at CER % |
|---|---|---|---|---|---|
| Customer numbers (000s) | **223** | 253 | (30) | (11.9) | (11.9) |
| Customer lending | **231.2** | 232.0 | (0.8) | (0.3) | (3.4) |
| Average gross receivables | **287.9** | 258.0 | 29.9 | 11.6 | 8.4 |
| Closing net receivables | **222.8** | 209.3 | 13.5 | 6.5 | 5.8 |
| | | | | | |
| Revenue | **126.5** | 117.1 | 9.4 | 8.0 | 4.5 |
| Impairment | **(33.3)** | (26.0) | (7.3) | (28.1) | (22.0) |
| Revenue less impairment | **93.2** | 91.1 | 2.1 | 2.3 | (0.6) |
| Costs | **(65.8)** | (67.0) | 1.2 | 1.8 | 4.5 |
| Interest expense | **(16.7)** | (15.3) | (1.4) | (9.2) | (6.4) |
| **Reported profit before taxation** | **10.7** | 8.8 | 1.9 | 21.6 | |
| | | | | | |
| Revenue yield | **43.9%** | 45.4% | (1.5) ppts | | |
| Impairment rate | **11.6%** | 10.1% | (1.5) ppts | | |
| Cost-income ratio | **52.0%** | 57.2% | 5.2 ppts | | |
| Pre-exceptional RoRE | **7.6%** | 6.9% | 0.7 ppts | | |

# Strong financial profile

| | **FY 2023** | FY 2022 |
|---|---|---|
| Receivables (£m) | **892.9** | 868.8 |
| Equity (£m) | **501.9** | 445.2 |
| Equity to receivables | **56.2%** | 51.2% |
| Gearing | **1.0 times** | 1.2 times |
| Interest cover | **2.5 times** | 2.3 times |
| Pre-exceptional EPS | **23.2p** | 20.8p |
| Pre-exceptional RoE | **11.1%** | 11.5% |
| Pre-exceptional RoRE | **14.8%** | 14.6% |

# Balance sheet

| | **FY 2023 £m** | FY 2022 £m | **Change at CER** |
|---|---|---|---|
| Goodwill | **23.6** | 24.2 | - |
| Fixed assets | **70.0** | 64.5 | 6.2% |
| Receivables | **892.9** | 868.8 | (0.2%) |
| Cash | **42.5** | 50.7 | (18.4%) |
| Borrowings | **(511.8)** | (548.8) | 8.6% |
| Other net liabilities | **(15.3)** | (14.2) | (27.5%) |
| Equity | **501.9** | 445.2 | 8.1% |

At FY-23, borrowings is stated net of deferred issuance costs of £4.7m

# Exchange rates

| | Closing rates Dec 2023 | Average 2023 | Closing rates Dec 2022 | Average 2022 |
|---|---|---|---|---|
| Polish zloty | **5.0** | **5.2** | 5.3 | 5.5 |
| Czech crown | **28.5** | **27.9** | 27.2 | 28.5 |
| Euro | **1.2** | **1.1** | 1.1 | 1.2 |
| Hungarian forint | **441.3** | **437.3** | 450.8 | 452.3 |
| Romanian leu | **5.7** | **5.7** | 5.6 | 5.8 |
| Mexican peso | **21.5** | **21.9** | 23.5 | 24.6 |
| Australian dollar | **1.9** | **1.9** | 1.8 | 1.8 |

# Contacts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Building a better world through financial inclusion