2 May 2024

International Personal Finance plc
Q1 2024 trading update

International Personal Finance plc ("IPF" or the "Group") is helping to build a better world through financial inclusion by providing affordable credit products and insurance services to underserved consumers across nine markets.

Highlights

- Strong first quarter performance underpins our confidence in delivering our financial plan in 2024.
- Customer lending growth of 5%, excluding Poland, with demand improving as the quarter progressed.
- Good year-on-year net receivables growth of 11% (at constant exchange rates), excluding Poland.
- Robust customer repayment performance and excellent credit quality supports the Group's plans for stronger lending growth through the remainder of the year.
- Excellent progress against our Next Gen strategy to take advantage of substantial and sustainable long-term growth opportunities.
- Actions underway to adapt our Polish home credit business to the recent communication from the Polish regulator on credit card non-interest rate caps.
- Headroom on undrawn facilities and non-operational cash balances of £174m, supports our growth plans for the next 12 months.
- Plans to refinance the Eurobond due in November 2025 are progressing well.

Gerard Ryan, Chief Executive Officer at IPF commented:

"We've made a very good start to the year and are progressing well against our 2024 financial plan. We delivered good customer lending and receivables growth in all our markets with the exception of Poland, where our actions to adapt our home credit business to the changing regulatory backdrop continue.

Credit quality remains excellent across all parts of the Group, and this provides us with a strong foundation to accelerate growth through the remainder of the year and capture the substantial long-term growth opportunities through delivery of our Next Gen strategy.

We have a very robust balance sheet and funding position to support our future growth opportunities and we are continuing to engage with fixed income investors to explore options to refinance the Group's Eurobond due in November 2025. As a diversified, global business with a clear strategy to extend financial inclusion, we are well positioned to deliver further growth and attractive returns to shareholders in 2024 and beyond.

I would like to thank all our colleagues and customer representatives for their continuing excellent efforts in delivering on our purpose to build a better world through financial inclusion."

Group overview

Building on the strong operational and trading performance in 2023, all three of our divisions made a good start to the year, delivering a financial performance in line with our plans as we continue to execute against our Next Gen strategy.

There continues to be strong demand for our broadened range of credit products and insurance services. First quarter customer lending, excluding Poland, showed year-on-year growth of 5%, with lending in March (and through into April) showing increased momentum. Closing net receivables, excluding Poland, grew year on year by 11% (at CER) to £865m. Lending and receivables in our home credit and digital businesses in Poland, saw a year-on-year reduction of 21% and 32% respectively as we continue to adapt and transition the business to meet the changed requirements of the evolving regulatory landscape. As a result, overall Group customer lending and closing net receivables both reduced by 3% year on year. Customer numbers increased by 2% to 1.7 million, excluding the impact of the transition in Poland where customer numbers declined by 14%. Our guidance provided with the 2023 year end results of a £10m reduction in Group profit per annum remains unchanged, and this has been factored into market consensus.

As discussed at our recent full-year results presentation, our financial model underpins our purpose to build a better world through financial inclusion and we remain focused on delivering our medium-term targets for revenue yield, impairment rate and cost-income ratio.

The Group annualised revenue yield strengthened by 1.8ppts to 55.2% year on year and is very close to our target range. Despite the increased costs of living being experienced by our customers, our responsible approach to granting credit together with strong operational discipline ensured customer repayment performance in the first quarter of the year was very strong and credit quality excellent. The Group's annualised impairment rate for the first quarter of 11.4% (March 2023: 10.5%) is tracking better than our financial plan and provides a very strong foundation for increasing lending growth as the year progresses. We continue to maintain a strict focus on efficiency and cost control, and the Group's cost-income ratio improved by 0.8ppts year on year to 58.0%. The ratio is 1ppt higher than at the 2023 year end wholly due to the reduction in revenue in Poland. We expect the Group ratio to improve during the year as we deliver increased growth and continue to execute on our cost efficiency programme.

Divisional performance review

European home credit

Our European home credit division delivered another good operational performance in the first quarter of the year, with customer repayment performance being very strong and ahead of our plans in all four markets.

We continued to see good demand for affordable financial services in our target consumer segment which resulted in a 6% increase (at CER) in customer lending in Romania, Hungary and the Czech Republic combined. Demand for borrowing increased as the quarter progressed, and this has continued into April.

In Poland, we saw a reduction of around 20% (at CER) in lending, as we continue to transition the business to the evolving regulatory landscape, including the lower non-interest rate cap on credit cards.

European home credit receivables ended the first quarter at £440m, a year-on-year reduction of 11% (at CER). This comprises combined growth of 9% in our Romania, Hungary and Czech Republic businesses offset by a 33% reduction in Poland.

Our European home credit business remains the bedrock of our Group returns and, importantly, continues to offer good growth opportunities. We remain focused on executing on the transition of our Polish business and as part of our cost efficiency programme, we undertook a restructuring of the field force in our Polish business in the first quarter which has resulted in an exceptional redundancy cost of £5m.

Mexico home credit

Mexico home credit delivered another good financial performance in the first quarter of 2024. Customer lending increased by 4% year on year and closing net receivables grew by 8% (at CER) to £194m. Our actions to improve performance in the two underperforming regions of Mexico City and Sureste (c.20% of the business) are gaining traction, and we expect lending growth for the year as a whole to increase to our target range of between 8% and 10%. We continue to expand our geographical presence, with new branch openings later this year in Mexicali in northern Mexico and a further new branch in Norte.

Customer repayment performance and write-off volumes improved in the first quarter and the impairment rate has improved by 1.0ppt since the year end to 31.3% (March 2023: 32.1%). We expect the impairment rate to continue to improve towards our target level of 30% for the year as a whole.

Mexico home credit represents a significant growth market for the Group, forming a key part of our Next Gen strategy, and we are very pleased with its continuing strong financial performance and momentum.

IPF Digital

IPF Digital performed well in the first quarter of the year. Consumer demand for our digital offering remains robust in all our markets and customer lending, excluding Poland, increased by 4% against a strong comparative in 2023. Receivables, excluding Poland, grew by 17% (at CER) and customer repayment performance and credit quality are very good in all our markets. Lending growth is showing good traction, particularly in Mexico, Australia and our Czech Republic business, and we expect to deliver lending growth for the year as a whole of around 15% to 20%, excluding Poland.

Our Polish digital business saw a 27% (at CER) year-on-year reduction in both lending and receivables during the quarter as we adapted the business to the lower non-interest cap for instalment loans introduced in late 2022 as well as enhanced affordability regulations introduced in 2023. As expected, the contraction is now slowing as demonstrated by the relatively modest £2m reduction in receivables since the year end, and we expect the book to return to growth as the year progresses.

IPF Digital's receivables book grew by 7% (at CER) to £232m in the first quarter. With excellent portfolio credit quality, this provides a very good foundation for accelerating growth through the remainder of 2024. We are strongly focused on executing our Next Gen growth strategy to rebuild the scale of IPF Digital and deliver our target returns over the next two years.

Funding and balance sheet

We maintain a very robust funding position and a conservatively capitalised balance sheet. At the end of the first quarter, the Group had total debt facilities of £630m comprising £430m of bonds and £200m of bank facilities. Our borrowings stood at £497m and, together with undrawn facilities and non-operational cash balances, the Group's headroom on debt facilities was £174m. This provides sufficient headroom to support our growth plans through to the second quarter of 2025.

During the first quarter, we successfully secured £26m of debt facilities, including £23m of bank facilities and the issuance of the remaining £3m of retail bonds held in treasury.

We note the improvement in debt market conditions and, together with our advisors, we will continue to explore the range of debt refinancing options available to the Group as we look to refinance the Eurobond due in November 2025.

Our credit ratings remained unchanged, with a long-term credit rating of BB- (Outlook Stable) from Fitch Ratings and Ba3 (Outlook Stable) from Moody's Investors Services. In April 2024, Moody's completed a periodic review of the Group's rating and re-affirmed the Ba3 corporate family rating.

Regulatory update

From 1 January 2024, the Polish financial supervision authority, Komisja Nadzoru Finansowego (KNF), began supervising all non-bank financial institutions in Poland, including our home credit and digital businesses in this market. As reported in detail with our 2023 full-year results statement, all regulated lenders operating in the credit card market in Poland received a letter from the KNF in February 2024 setting out its expectations on non-interest caps for credit cards. In response, we introduced a new pricing structure for all new credit cards in March 2024 and we are continuing to adapt the business in order to ensure it delivers the Group's target returns of between 15% and 20% whilst building financial inclusion in this important market. We are also continuing to engage with the KNF regarding our application for a full payment institution licence.

As reported in our 2023 full-year results statement, new regulation for a price cap on consumer lending has long been discussed in Romania. The draft law was accepted by the Parliament, but is now undergoing a review by the Constitutional Court, which is expected to be concluded in May 2024. We do not expect the impact for the Group to be material.

Outlook

Our aim is to provide underserved consumers with access to simple, personal and affordable credit and insurance services to help support and protect them and their families. There is strong demand for affordable credit within our target demographic, and we will continue to implement our Next Gen strategy by offering more product choices to consumers within our existing markets as well as expanding our geographic reach in Mexico.

We have a strong balance sheet and funding position, and are well positioned to deliver further good quality customer lending and receivables growth in 2024 and beyond whilst maintaining our progressive dividend policy.

Investor and analyst conference call

International Personal Finance plc will host a conference call for investors and analysts at 08.00hrs (BST) today, Thursday 2 May 2024.

To participate in the conference call please use the dial-in or register online using the link below. Once registered, you will receive an email and calendar invitation with your online access link.

Dial-in by phone **Access code**	+44 20 3936 2999 159471
Registration for online access	https://www.netroadshow.com/events/login?show=1560a495&confId=63602
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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