International Personal Finance plc
2012 Interim Results Conference Call
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Speaker key
GR Gerard Ryan, CEO, International Personal Finance plc
DB David Broadbent, Finance Director, International Personal Finance plc

GR Good morning, everybody, and thank you for joining us. I've got Dave Broadbent, our Finance Director, here with me and together we'd like to take you through our results. Hopefully by now you've all had the documents that we released this morning. I think the best thing to do probably is for us to give you a quick run-through of the highlights in a couple of minutes and then probably open it up to questions if you've had a chance to read the documents.

So, first of all, in terms of highlights I'm delighted to say that the first six months saw a very strong underlying trading performance and I'm deliberately using the word underlying here, as you'll have seen from our information that we booked an exceptional charge of £4.8 million for our restructuring, which we're happy to talk about in detail if that will be of interest for people. Fundamentally when Dave and I consider how the business is doing and the trajectory, we look to the underlying performance and from our point of view that's pretty solid. The second thing of note is that we've often spoken about Mexico and what it is or should be capable of delivering and I'm really happy to say that today we can confirm it is absolutely on the right track and that, as a result of a number of changes that we put into the business last year and then followed up with incremental relaxation of credit rules in a select number of the branches – eight out of 53, we're very happy to say that both credit issued and profitability increased substantially in the six-month period. Profitability year-on-year went from a loss of 2.1 million to a profit of half a million this year.

I guess as you would expect of any new CEO coming in, I've taken the opportunity to spend a lot of time with our senior management group both in the UK and each of our operating entities and as a result of that review I've made a number of changes both at a country level, but more particularly in the UK head office, where we've restructured what it is that the head office is for. That has resulted in the exceptional charge that is mentioned in our numbers. Essentially, what it's meant to do is change the balance between the head office and the operating entities. The head office was structured to support those businesses when they were starting out anew, but actually all of those businesses are now reasonably mature and capable of standing on their own two feet. So, what they need from us is a different set of skills. So, we've taken out some 57 roles and put back in 30 which we think will be more appropriate skills that we need going forward.

On funding, as you know, our balance sheet is very strong and we have good funding in place and our treasury team has now extended £130 million sterling of our bank facilities out to 2015 and I'm pleased to say that that was done at no extra cost and with no additional covenants. So, good news all around there...

As to the share buyback, really this is the first indication for the business that we are very serious about enhancing shareholder returns. What we've done is looked at the amount of capital that we had at the half-year. Clearly it is more than a 55% equity to receivables that we say we're comfortable with at this point in time. So, we've decided to use the excess to buy back approximately £25 million worth of shares in the marketplace and in addition we're also pleased that we feel the underlying performance is sufficiently strong that we can increase the interim dividend by 7.5%. So, from my point of view that really is just a first step down that road.

Finally for me, what is particularly important is that during the past couple of months we've articulated and are now embedding the new strategy for growth in the business and what you see in the documents in front of you is more or less word for word exactly what I had personally taken around to each of our operating businesses and what is now being worked on by our senior management groups everywhere.

So, a very positive first six months... a lot of things that we've done, quite a few more yet to do, but we'll be more than happy to take any questions you have and give you more detail and more colour as you wish.

Caller 1 Good afternoon, guys. I'm very excited to see this buyback in place. It's been a long time - we've been looking for that. It's very good to see. We just have a quick question on Mexico. If you could help explain to us in more detail how you will get to the £30 profit per customer in two to three years.

DB In broad terms it's relatively simple. What we need to do is increase the amount of revenue that we're generating from our customers and the key driver of that is to increase the amount of credit issued per customer. There are two key ingredients to that. One is the operational discipline that we've got right now and we're very happy with, and that enables us to relax the credit settings to enable more credit to be given to customers. That's the essence of the credit test that we're doing in the eight branches that are now extended to 18. In broad terms what we need to do is increase revenue per customer by about 50%, maintaining impairment where it is and linking the operational gearing into it. The cost-income ratio will come down below 40% and... that should be the key drivers behind getting to that £30 profit per customer.

Caller 1 How many customers do you think you'll have in Mexico in two to three years?

DB In broad terms we probably expect to see the customer base grow by between 10% and 15% over that two to three-year period. So, you're probably not quite to a million, but you're probably north of 800,000 or 850,000.

Caller 1 Perfect.

GR Well, thank you very much, everybody, for joining. Just to reiterate from our point of view, I think it's a really solid first six months. The strategy that we've articulated in the business is currently being embedded. The balance sheet is very well funded. [There's] plenty of equity... as I mentioned just now, we've taken the first important step in terms of ensuring that we focus on enhancing shareholder return by giving some of that back where appropriate. I do believe that we have plenty of scope to grow the business. So, you're not going to see us giving away all the equity or the capital that we have. We believe that we've got opportunities to invest that going forward and enhance returns even further, but overall it's a very solid set of results and we'd be more than happy to take questions at any other time if you feel that's appropriate. Thank you very much for joining this morning. Thanks a lot.