This announcement contains inside information

International Personal Finance plc

Covid-19 update

Further to our statement on 20 March 2020, the Company announces the following developments in connection with the Covid-19 pandemic.

Regulatory changes

Regulators and governments in a number of our markets have implemented, or are considering implementing, temporary consumer lending measures in response to the pandemic. These include debt repayment moratoriums and new or lower pricing limits.

In Poland a reduction in the cap on non-interest costs of credit for new lending has been approved for a period of one year, after which the cap will revert to historic levels. The flat level of the cap is reduced from 25% of the loan value to 15% and the additional variable cap from 30% to 6% per annum, with the aggregate total of the caps not to exceed 45% of the loan value.

In Hungary, the government has implemented a debt repayment moratorium for consumers until the end of the year; borrowers can opt out if they wish to continue to pay-down their loans. Additionally, for the same period, the maximum APR applicable to new consumer loans has been temporarily reduced to national bank base rate plus 5%.

In Romania, a debt repayment moratorium until the end of 2020 is available for customers not in default. Additionally, we understand that proposals for a 6 month debt repayment moratorium are being discussed in the Czech Republic.

Collections

Although largely unaffected through to the first half of March, collections in our home credit businesses are now being significantly adversely affected as tighter restrictions are imposed on the freedom of movement of individuals. Our immediate priority has been to safeguard the health and safety of our employees, agents and customers. In designing and implementing measures to achieve this, we have sought to mitigate, as far as reasonably possible, the impact on our operational and financial performance.

We have suspended agent visits to customers in Poland (except where requested by customers), Hungary and Romania. In Poland remote payment options are available and similar processes are being established in our other European Home Credit countries. In Hungary, pending discussions with the Hungarian National Bank on how to manage the implementation of the customer opt-out mechanism, we expect to recommence agent visits in the coming weeks. In Romania, we also plan to resume agent service shortly having enhanced protocols to protect the health of our agents and customers. Although we have seen limited impact in Mexico home credit to date, we are using lessons learned in Europe and taking actions now to protect our people, customers and the business in anticipation of this market being affected further by Covid-19. We have also tightened credit settings in IPF Digital which operates an end-to-end remote digital customer journey.

Liquidity actions – credit issued, costs and capex

While it remains too early to quantify the potential financial impact of the pandemic on our businesses, the Group is taking a number of actions to protect liquidity through this period of uncertainty. Capital expenditure and 2020 salary increases (including those of our Executive Directors) are being deferred, costs are being reduced, and discretionary expenditure curtailed. Additionally, in response to reduced collections and in some cases tighter price caps, we have significantly restricted our lending across all of our businesses.

Funding position and dividend

In light of the uncertainty caused by the pandemic and its operational impact in the Group's markets, the Board believes that conserving cash and maximising financial flexibility is in the long term best interests of the business and its stakeholders. The Board has decided therefore to cancel the proposed annual final dividend payment of 7.8p per share which will result in a cash saving of £17.3 million. Accordingly, proposed resolution 4 in the notice of annual general shareholders meeting circulated to shareholders on 25 March 2020 recommending the final dividend will be withdrawn.

The Group has a strong balance sheet, and at the end of February 2020 had an equity to receivables capital ratio of 45% and headroom on undrawn debt facilities of £203 million. Whilst the duration and magnitude of pandemic related changes is difficult to predict, we have undertaken liquidity stress testing on the business under various scenarios to assess the impact of a further deterioration in collections performance. This analysis demonstrated that, in response to the pandemic related changes, we can manage cash flows by reducing lending volumes to retain adequate operational headroom against our debt facilities.

In the absence of any further material impact, we plan to provide an update with our Q1 trading statement on Thursday 30 April 2020.

Investor relations and media contacts

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A copy of this statement can be found on our website at www.ipfin.co.uk.

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