Press Release

ASA International Group plc announces 2023 Year-End Trading Update

H2 2023 performance ahead of market expectation, with momentum continuing in early 2024

Amsterdam, 28 February 2024 - ASA International Group plc, ('ASA International', the 'Company' or the 'Group'), one of the world's largest international microfinance institutions, today releases a trading update for the fiscal year ended 31 December 2023 ('the Period').

Key highlights:

	FY 2023 (UNAUDITED)	H1 2023 (UNAUDITED)	FY 2022 (AUDITED)	% Change FY 2022 - FY 2023	% Change FY 2022 - FY 2023 (constant currency)	% Change H1 2023 - FY 2023
Number of clients (m)	2.33	2.22	2.30	*1%*		*5%*
Number of branches	2,016	2,073	2,028	*-1%*		*-3%*
OLP [1] (USD m)	369.1	334.4	351.2	*5%*	*21%*	*10%*
Gross OLP (USD m)	377.3	346.8	367.5	*3%*	*18%*	*9%*
Average Gross OLP per client (USD)	162	156	160	*1%*	*16%*	*4%*
PAR > 30 days [2]	2.1%	3.8%	5.9%			

[1] Outstanding loan portfolio ('OLP') includes off-book Business Correspondence ('BC') loans and Direct Assignment loans, and loans valued at fair value through the P&L ("FVTPL"), excludes interest receivable, unamortised loan processing fees, and deducts ECL reserves from Gross OLP.
[2] PAR>30 is the percentage of on-book OLP that has one or more instalment of repayment of principal past due for more than 30 days and less than 365 days, divided by the Gross OLP.

- As announced at the time of the Group's interim results, the Company's pre-tax income and net income for the year ended 31 December 2023 will be lower than for the year ended 31 December 2022. However, on the back of a much stronger performance in H2 2023, the Company expects to report pre-tax income and net income for 2023 that exceed current market consensus estimates* and that overall year on year financial performance in 2024 will continue to improve as compared to 2023.
- Group operating results improved in H2 2023 with OLP growing by 10% to USD 369.1 million from USD 334.4 million in H1 2023, and the portfolio quality improved to 2.1% as of 31 December 2023 from 3.8% as of 30 June 2023. The 5% year over year OLP growth in USD (21% in constant currency) was driven by improved performances in Pakistan, the Philippines, Ghana, Tanzania, and Kenya.
- As reported in the H1 2023 interim results, currency depreciation against USD in Pakistan, Ghana, Tanzania, and Kenya tempered the USD performances in these markets (PKR down 24%, GHS down 17%, TZS down 8%, and KES down 27% against USD in the Period).
- High portfolio quality has been maintained as a result of improvements in the operating environments in the respective markets. PAR>30 for the Group's operating subsidiaries significantly improved from 5.9% as at 31 December 2022 to 2.1% as at 31 December 2023, due to the increase in portfolio quality in India and Myanmar, combined with a growth in OLP in US dollar terms in other major countries. Pakistan, Ghana, and Kenya had an outstanding portfolio quality in the period, with PAR>30 less than 0.5% as at 31 December 2023.

- The unrestricted cash and cash equivalents remained at a healthy level of approximately USD 48 million. The Company maintains a significant funding pipeline of USD 152 million of wholesale loans, with the majority supported by term sheets and/or draft loan documentation.
- The Group achieved a major milestone, by migrating more than 600,000 clients in Pakistan from the incumbent loan management system to the Temenos Transact Core Banking System on 25 February 2024.

** Market consensus as at 23 February 2024 is pre-tax income of USD 28.4 million and net income of USD 10.8 million.*

Karin Kersten, Chief Executive Officer of ASA International Group plc, commented:

"We are pleased that the Group has returned to growth of its operations in H2 2023, with the operating environment improving across most markets when compared to the first half of the year. Demand has picked up as our clients and staff continued to demonstrate their resilience while operating in economic circumstances that have remained challenging. This activity and resilience led to an improved performance of our major operating countries, Pakistan, the Philippines, Ghana, Kenya, and Tanzania, almost all of which recorded excellent portfolio quality, growth, and profitability. As previously announced, against the backdrop of global market volatility, the improved performance in our major operating markets was negated by FX movements in these markets which has significantly impacted the Group OLP and profitability in USD terms.

Global market volatility, adverse FX movements, and demonetization in Nigeria significantly impacted the Group OLP and portfolio quality in H1 2023. As a result, and even though improved operating performance in H2 2023 led to increased growth and profitability compared to H1 2023, the Group expects pre-tax income and net income for 2023 to be lower than what were achieved in 2022; however, results for 2023 are expected to exceed current market consensus estimates.

We are excited to observe the rollout of the new core banking system in Pakistan and Ghana this year, in line with the implementation of our digital strategy.

Whilst the impact of inflation and the related FX movements will continue to dampen the Group's financial performance in USD terms this year, given improved operating developments in H2 2023, we are confident of being able to deliver improved performance of our operations in 2024."

Impact of foreign exchange rates

As a USD reporting company with operations in thirteen different emerging market countries, currency movements can have a major effect on the Group's USD financial performance and reporting.

During FY 2023, currency movements of operating currencies in most of our Asian and African markets depreciated significantly against the US dollar, particularly the operating currencies in Pakistan, Nigeria, Ghana, Sierra Leone, Kenya, Rwanda, and Zambia. A number of these countries are key operating regions for the Group and therefore this negative FX movement had a significant impact on the reported OLP, Gross OLP/client, and profitability figures in USD terms. Overall, the currency movements resulted in a decrease of total equity by approximately USD 29.5 million for FY 2023.

The Company and its operating subsidiaries remain well capitalised and continues to meet local regulatory requirements in each of its operating markets.

Funding

The unrestricted cash and cash equivalents remained at a healthy level of approximately USD 48 million as of 31 December 2023. The Group managed to raise approximately USD 179 million in new debt funding in 2023. Funding costs across the Group stabilized in 2023 compared to 2022 as benchmark rate increases in some markets were tempered by improved pricing on funding from local sources. As at the end of 2023, the Company had a funding pipeline of USD 152 million of wholesale loans, the majority of which are supported by term sheets and/or draft loan documentation. The terms and conditions of the remaining loans are being negotiated with the lenders.

Digital strategy

The Group's digital strategy entails the implementation of our core banking system and our digital financial services platform ("DFS app"). Alongside the digitalisation of client procedures, the Group will seek to make further progress in enhancing employee processes. On 25 February 2024, we reached a major milestone, by migrating more than 600,000 clients in Pakistan from our incumbent loan system to the Temenos Transact Core Banking System. This migration enables ASA Pakistan to start taking deposits and to grow their client base in a highly regulated environment. Also, it sets the stage for the rollout of the new core banking system to our other markets and provides a foundation for a broader, more sophisticated product offering in the near future.

The roll out of the core banking system combined with the implementation of the digital app in Ghana is planned for this year. The Supplier Market Place app is currently operating in Ghana, with initial customers onboarded and placing their online orders. The service is expected to be expanded following the rollout of the digital loan and banking app.

Outlook

Whilst the inflation and related FX movements will continue to impact the Group's operating subsidiaries' financial performance in USD terms, based on the positive developments in H2 2023, the Company expects the operating environment for its clients to continue to improve in most markets in 2024. As a result, the Company expects financial performance in 2024 to continue to improve compared to 2023.

Regional performance:

South Asia

	FY 2023 (UNAUDITED)	H1 2023 (UNAUDITED)	FY 2022 (AUDITED)	% Change FY 2022 – FY 2023	% Change FY 2022 – FY 2023 (constant currency)	% Change H1 2023 - FY 2023
Number of clients (m)	0.84	0.86	0.94	*-10%*		*-2%*
Number of branches	589	661	670	*-12%*		*-11%*
OLP (USD m)	118.0	112.1	118.6	*-0.5%*	*13%*	*5%*
Gross OLP (USD m)	119.7	119.9	128.5	*-7%*	*6%*	*-0.1%*
Average Gross OLP per client (USD)	142	139	137	*4%*	*17%*	*2%*
PAR > 30 days	1.8%	7.3%	11.1%			

- South Asia's operational results improved in H2 2023 compared to H1 2023, with OLP increasing by 5% from USD 112.1m to USD 118.0m and PAR>30 improving from 7.3% to 1.8%, despite the number of branches decreasing to 589 and the number of clients decreasing to 0.8m.

- ASA Pakistan continued to grow its business, with the number of clients growing 2% from 606k to 615k, while the number of branches remained stable at 345 by year-end 2023. OLP decreased from USD 79.1m to USD 69.5m (up 9% on a constant currency basis). Gross OLP/Client decreased from USD 131 to USD 113, down by 14% (up 6% on a constant currency basis). PAR>30 improved from 0.7% at year-end 2022 to 0.3% at year-end 2023.

- ASA India continued to intentionally shrink its on-book OLP as it focused on the recovery of overdue loans. Reduced loan disbursements and significant write-offs led to on-book OLP decreasing by 63% and PAR>30 improving from 49.0% at year-end 2022 to 16.4% by year-end 2023.

- ASA India's number of clients reduced by 36% from 284k in 2022 to 183k in 2023 and the number of branches dropped by 31% to 180 by year-end 2023. However, with the focus on growing its off-book portfolio, ASA India's off-book portfolio increased from USD 21.5m to USD 38.9m, up 81% (up 82% on a constant currency basis), and its on-book and off-book portfolio increased from USD 35.7m year-end 2022 to USD 44.2m by year-end 2023 (up 24% on a constant currency basis).

- Lak Jaya, the Group's operating subsidiary in Sri Lanka, has seen its number of clients reduce by 4% from 45k to 43k whilst its number of branches remained stable at 64 as at 31 December 2023. OLP increased from USD 3.8m to USD 4.4m (up 2% on a constant currency basis). Gross OLP/Client increased from USD 89 to USD 97 (down 3% on a constant currency basis). PAR>30 improved to 5.0% by the end of 2023 from 8.5% at year-end 2022.

South East Asia

	FY 2023 (UNAUDITED)	H1 2023 (UNAUDITED)	FY 2022 (AUDITED)	% Change FY 2022 - FY 2023	% Change FY 2022 - FY 2023 (constant currency)	% Change H1 2023 - FY 2023
Number of clients (m)	0.44	0.43	0.42	*5%*		*3%*
Number of branches	458	463	441	*4%*		*-1%*
OLP (USD m)	73.2	68.1	63.3	*16%*	*15%*	*8%*
Gross OLP (USD m)	77.0	70.1	67.0	*15%*	*14%*	*10%*
Average Gross OLP per client (USD)	173	163	158	*10%*	*9%*	*6%*
PAR > 30 days	2.8%	1.7%	6.5%			

- South East Asia's OLP increased in H2 2023 compared to H1 2023 by 8% from USD 68.1m to USD 73.2m, with the number of branches decreasing by 1% from 463 to 458 and PAR>30 increasing from 1.7% to 2.8%.

- Pagasa Philippines' number of clients increased by 2% from 325k as at 31 December 2022 to 333k by year-end 2023 and the number of branches increased by 25 to 370, with its loan portfolio also increasing from USD 49.6m at year-end 2022 to USD 54.2m year-end 2023 (up 9% on a constant currency basis). PAR>30 deteriorated from 1.7% to 3.8%.

- Despite the continued volatile market conditions, ASA Myanmar has stabilized its collection efficiency to 100%. The number of clients in Myanmar increased by 12% from 99k to 111k and the number of branches reduced by 8 to 88 by year-end 2023, with its loan portfolio increasing from USD 13.8m to USD 19.0m (up 38% on a constant currency basis). PAR>30 significantly improved from 20.4% to 0.2%.

- In February 2024, the regime in Myanmar declared a law governing mandatory military service would be enforced for men aged 18 to 35 and women aged 18 to 27 for up to two years which would begin in April 2024. Given the demographic of our clients in this region, where approximately 24.0% of our clients fall into these age groups, this rule is expected to have an impact on the business in Myanmar. As at 31 December 2023, ASA Myanmar represented approximately 5.2% of the Group total OLP.

West Africa

	FY 2023 (UNAUDITED)	H1 2023 (UNAUDITED)	FY 2022 (AUDITED)	% Change FY 2022 – FY 2023	% Change FY 2022 – FY 2023 (constant currency)	% Change H1 2023 - FY 2023
Number of clients (m)	0.43	0.38	0.43	*-2%*		*12%*
Number of branches	452	452	446	*1%*		*0%*
OLP (USD m)	72.4	60.3	82.4	*-12%*	*19%*	*20%*
Gross OLP (USD m)	74.6	62.9	84.9	*-12%*	*21%*	*19%*
Average Gross OLP per client (USD)	176	166	196	*-10%*	*23%*	*6%*
PAR > 30 days	3.2%	5.2%	4.2%			

- West Africa's operational results significantly improved in H2 2023, compared to H1 2023, with OLP increasing 20% from USD 60.3m to USD 72.4m and PAR>30 improving from 5.2% to 3.2%.

- ASA Savings & Loans, the Group's operating subsidiary in Ghana, continued to grow with client numbers up by 14% from 177k to 201k and serviced from 143 branches, up by 6 compared to year-end 2022. OLP increased by 27% from USD 40.8m to USD 51.9m (up 49% on a constant currency basis), and Gross OLP/Client increased from USD 231 to USD 259, up by 12% (up 31% on a constant currency basis). PAR>30 improved from 0.6% to 0.1%.

- ASA Nigeria's client numbers reduced by 16% from 220k to 184k, serviced from 263 branches, remaining stable compared to year-end 2022, and OLP was down from USD 37.3m at year-end 2022 to USD 15.9m at year-end 2023 (down only 15% on a constant currency basis). Gross OLP/Client was down from USD 179 to USD 96 (up 8% on a constant currency basis). PAR>30 deteriorated from 7.1% to 12.0%.

- ASA Sierra Leone has increased the number of clients by 7% from 37k to 39k, serviced from 46 branches by year-end 2023. OLP increased from USD 4.3m to USD 4.6m (up 29% on a constant currency basis) and Gross OLP/Client also slightly decreased from USD 123 to USD 122 (up 21% on a constant currency basis). PAR>30 significantly improved from 10.7% to 4.6%.

East Africa

	FY 2023 (UNAUDITED)	H1 2023 (UNAUDITED)	FY 2022 (AUDITED)	% Change FY 2022 – FY 2023	% Change FY 2022 – FY 2023 (constant currency)	% Change H1 2023 - FY 2023
Number of clients (m)	0.62	0.56	0.51	*22%*		*12%*
Number of branches	517	497	471	*10%*		*4%*
OLP (USD m)	105.5	93.9	86.9	*21%*	*36%*	*12%*
Gross OLP (USD m)	106.0	94.0	87.3	*21%*	*36%*	*13%*
Average Gross OLP per client (USD)	171	169	172	*-1%*	*11%*	*1%*
PAR > 30 days	1.1%	1.1%	0.9%			

- East Africa's operating results improved in H2 2023 compared to H1 2023 with OLP increasing 12% from USD 93.9m to USD 105.5m and the number of branches increasing by 20 to 517.

- ASA Tanzania expanded its operations with the number of clients increasing by 14% from 217k to 248k, serviced from 202 branches (an increase of 22 versus year-end 2022). OLP rose from USD 51.2m to USD 64.7m (up 36% on a constant currency basis) and Gross OLP/Client increased from USD 237 to USD 263 (up 19% on a constant currency basis). PAR>30 deteriorated from 0.4% to 0.9%.

- ASA Kenya significantly expanded its operations as the number of clients increased by 45% from 141k to 205k serviced from 132 branches, up by 8. OLP increased from USD 16.9m to USD 20.9m (up 57% on a constant currency basis) and Gross OLP/Client decreased from USD 120 to USD 101 (up 7% on a constant currency basis). PAR>30 improved from 0.8% to 0.3%.

- ASA Uganda's number of clients rose by 13% from 107k to 121k, serviced from 120 branches, up by 10. OLP increased from USD 11.6m to USD 13.0m (up 15% on a constant currency basis) and Gross OLP per client decreased from USD 109 to USD 107 (up 0.1% on a constant currency basis). PAR>30 improved from 0.9% to 0.8% by year-end 2023.

- ASA Rwanda's number of clients reduced by 2% from 21.2k to 20.8k, serviced from 32 branches, up by 2. OLP decreased from USD 4.3m to USD 4.0m (up 11% on a constant currency basis) and Gross OLP/Client decreased from USD 207 to USD 201 (up 15% on a constant currency basis). PAR>30 deteriorated from 4.6% to 6.8%.

- ASA Zambia significantly expanded its operations, with its number of clients up by 19% from 21k to 25k, serviced from 31 branches, up by 4. OLP was stable at USD 2.9m (up 43% on a constant currency basis) and Gross OLP/Client decreased from USD 139 to USD 119 (up 22% on a constant currency basis). PAR>30 improved from 5.0% in 2022 to 2.6% in 2023.

Notice of Full Year Results and AGM

The Company will announce its full year audited results for the year ended 31 December 2023 on 23 April 2024. The Company's Annual General Meeting will be held on 20 June 2024.

Please note that the financial information provided in this Trading Update is still subject to audit and, therefore, subject to change.

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About ASA International Group plc
ASA International Group plc (ASAI: LN) is one of the world's largest international microfinance institutions, with a strong commitment to financial inclusion and socioeconomic progress. The company provides small, socially responsible loans to low-income, financially underserved entrepreneurs, predominantly women, across South Asia, South East Asia, West and East Africa.