

PayPoint plc
Trading update for the three months ended 31 December 2019¹
23 January 2020

Highlights:

- Underlying² group net revenue increased by £1.3 million (4.2%) to £32.7 million (£31.4 million).
- Service fee grew strongly by 32.8% to £3.5 million (£2.6 million) driven by the roll out of PayPoint One to 16,223 sites at 31 December 2019 (15,088 at 30 September 2019) and a 3.3% improvement in the average weekly service fee³.
- UK parcel volumes increased by 12.6% to 7.6 million, reflecting a solid performance over the peak period and the benefit of new parcel partnerships.
- UK bill payments net revenue increased by 2.2%, driven by strong growth in MultiPay and improvement in net revenue per transaction offsetting a 1.1% decline in transactions.
- Romania net revenue increased by 0.4%, increasing by 4.7% after adjusting for a one-off payment of marketing support received in the prior year, due to increased transactions and price increases. Good control of costs also drove improved margins.

Nick Wiles, PayPoint's Executive Chairman, commented:

"Overall our results for the quarter reflect resilience in our bill payments business, growth in our parcels activities during the important peak parcels period and continued progress in the rollout of PayPoint One and our retail services activities. Romania has performed well with a steady increase in transactions and good control of costs."

Current trading and outlook

The warmer weather over the period of the festive season and the first three weeks of January continues to affect energy transactions within UK bill payments and parcel volume growth remains towards the lower end of our expectations as the four new parcel partners become established within our network. Retail services, excluding parcels, are performing in line with our expectations and are expected to carry on growing well. Actions to deliver cost efficiencies and enhance customer service delivery are effective and ongoing.

Overall, the board remains confident that there will be a progression in profit before tax and exceptional items for the year ending 31 March 2020, albeit it is now likely to be at a more modest rate than previously expected.

Performance for the third quarter ending 31 December 2019

Underlying² group net revenue increased by £1.3 million from £31.4 million to £32.7 million driven by an increase in service fees, through the ongoing roll out of PayPoint One, and a robust performance in bill payments in the UK and Romania.

Progress during the period against our strategic priorities is set out below:

- **Embed PayPoint at the heart of convenience retail**
 - Retail services net revenue grew by 9.5%⁴ driven by the continued strong performance of the PayPoint One rollout and the increased parcel volumes delivered from our new parcel partners, which have been successfully integrated into the network. We remain on track to reach our upgraded year-end target of 16,500 PayPoint One sites with 16,223 sites installed at 31 December 2019, an increase of 3,342 since the start of the financial year.
 - Service fee net revenue increased by 32.8% to £3.5 million and PayPoint One's average weekly service fee per site increased by £0.49, 3.3%, to £15.38 (£14.89)³. EPoS Pro terminals grew by 209 to 854 from 645 at 31 March 2019.
 - Card payment transactions grew by 17.9% to 34.0 million, card payment rebate revenue increased by 5.0% as lower average transaction values partially offset the volume growth. Our card payments service was in 9,820 sites at 31 December 2019, broadly unchanged from 30 September 2019.

¹ PayPoint's auditors have not been requested to review the performance.

² Underlying net revenue excludes the £0.2 million impact from the Yodel renegotiation.

³ Average weekly service fee increased to £15.38 compared to £14.89 at 31 December 2018.

⁴ Includes underlying parcel net revenue growth of 25.3%.



PayPoint

- ATM net revenue decreased by 1.3% to £3.0 million due to a 2.3% reduction in transactions to 10.3 million. The LINK interchange reduction of 5% was offset by enhanced premiums and the revenue benefit being realised from the rollout to the leisure centres of a significant new client.
- Our retail network reduced to 27,832 (30 September 2019: 28,366) sites in the UK as expected and as a result of our legacy terminal sunset program.
- **Become the definitive parcel point solution**
 - Parcel volumes grew by 12.6%, reflecting the increased volumes from our new partners Amazon, DHL, ebay, FedEx. In December parcel volumes increased by 15%. Although this performance was towards the lower end of our expectations it compared very well to the overall market growth of 2.6% in on-line sales over the festive period⁵.
 - Operationally the parcels business delivered a robust performance during the peak parcel period, with service levels maintained as we embedded the four new parcel partners into our parcels network and successfully managed the higher level of parcel volumes.
- **Sustain leadership in 'pay-as-you go' and grow digital bill payments**
 - UK
 - Bill payment net revenue increased by 2.2% driven by an increase in net revenue per transaction, which more than offset a 1.1% decline in transactions.
 - MultiPay continued to grow strongly with transactions up by 17.6% to 9.4 million and net revenue increasing by 28.6%.
 - eMoney transactions increased by 18.8% driven by continued growth from existing clients which led to a 24.8% increase in eMoney net revenue. Overall, UK top-up and eMoney transactions reduced by 11.4% due to the further declines in the prepaid mobile sector which resulted in a 3.0% decrease in net revenue.
 - Eight new clients were contracted in the period and six clients renewed contracts including an exclusive agreement with Monzo.
 - Romania
 - Transactions increased by 3.6% from the same period last year to reach 29.2 million. Overall sites increased to 19,526 at 31 December 2019 from 18,466 at 31 March 2019 and card payment sites increased to 1,452 sites at 31 December 2019 from 1,300 for the same period.
 - Net revenue increased by 0.4%, increasing by 4.7% after adjusting for a one-off payment of marketing support received in the prior year. This revenue growth was achieved through the growth in transactions and price increases. Good control of costs also drove improved margins.
 - Six new clients were contracted in the period.

Balance sheet as at 31 December 2019

The Group had net cash of £29.8 million (31 March 2019: £37.5 million) including the balance held in respect of short term client settlement obligations of £43.1 million (31 March 2019: £34.0 million).

Dividends

The group has previously declared an interim dividend of 23.6 pence per share and an additional interim dividend of 18.4 pence per share. The first instalments of the interim ordinary dividend of 11.8p per share and the additional dividend of 9.2p per share were paid on 30 December 2019. The second instalments of the same amounts will be paid on 9 March 2020.

Enquiries

PayPoint plc

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⁵ <https://brc.org.uk/news/2019/worst-year-on-record-for-retail/>. Online sales increased 2.6% over the combined period months of November and December compared to the same period in the prior year.



ABOUT PAYPOINT

In thousands of retail locations, at home and on the move, we make life more convenient for everyone.

For retailers, we offer innovative and time-saving technology that empowers convenience retailers in the UK and Romania to achieve higher footfall and increased spend so they can grow their businesses profitably. Our innovative retail services platform, PayPoint One, is now live in over 16,000 stores in the UK and offers everything a modern convenience store needs, from parcels and contactless card payments to EPoS and bill payment services. Our technology helps retailers to serve customers quickly, improve business efficiency and stay connected to their stores from anywhere.

We help millions of people to control their household finances, make essential payments and access in-store services, like parcel collections and drop-offs. Our UK network of almost 28,000 stores is bigger than all banks, supermarkets and Post Offices together, putting us at the heart of communities nationwide.

For clients of all sizes we provide cutting-edge payments technologies without the need for capital investment. Our seamlessly integrated multichannel payments solution, MultiPay, is a one-stop shop for customer payments. PayPoint helps c500 consumer service providers to save time and money while making it easier for their customers to pay – via any channel and on any device.