

PayPoint Plc

1 August 2024

PayPoint announces a further £10.5m investment in obconnect

In July 2022, PayPoint Plc (“**PayPoint**”) made a minority investment in obconnect (the “**Company**”), an early-stage technology platform with the capabilities to provide complete market ecosystems across Open Banking, Finance, Data, Energy, Confirmation of Payee and Enhanced Fraud Data. This investment and partnership with obconnect have enabled PayPoint to leverage this technology platform and range of capabilities, offering Open Banking services to both new and existing clients. At a time when the number of applications for Open Banking is growing rapidly, this technology has been an important addition for PayPoint and its clients. As a result, this partnership has delivered on our expectations and the Group has already made strong early progress, with over 25 clients contracted for Open Banking services, including American Express and Citizen’s Advice, along with a growing pipeline of opportunities across new and existing clients. Over the same period, obconnect as a standalone business has made significant progress, securing contracts with a number of banks and building societies, winning industry recognition at the Open Banking Expo Awards and is on track to achieve profitability in H2 2024.

Given this progress, PayPoint today announces that it has agreed to make a further strategic investment in obconnect, increasing its interest to 59.3% of the Company. This investment will further leverage obconnect’s Open Banking technology platform and unlock greater opportunities within both the PayPoint business and obconnect’s new business streams working with a number of key financial institutions and payment organisations. Open Banking is important to the future of PayPoint and this investment will enable the Group to consolidate its position further, recognising a modest financial contribution in H2 FY25, with a more meaningful contribution in FY26 and thereafter.

The investment comprises the £3.0 million original convertible loan note, which will now be converted into ordinary shares along with a new investment of £10.5 million in cash which, combined, will give PayPoint a 59.3% interest in obconnect.

The agreement also includes a put option for PayPoint to obtain the remaining 40.7% of obconnect for a total cash amount of up to £20.0 million, with the consideration dependent on the future performance of the Company. The put option is exercisable over three annual installments commencing 31 March 2025 with up to 10% puttable by March 2025, up to 25% (in aggregate) by March 2026 and up to 40.7% by March 2027.

The investment is subject to regulatory approval, with completion expected in early October.

Nick Wiles, CEO of PayPoint said:

“We’re delighted to be taking majority ownership of obconnect and strengthening the partnership we have forged over the past two years. The obconnect team, led by Darran Morford, will continue to drive further growth opportunities in the Open Banking sector for the business and this investment further underpins our confidence in achieving our target of £100m EBITDA by the end of FY26.”

Darran Morford, CEO of obconnect said:

“PayPoint have been the perfect partners for us over the past two years and we’re pleased to be cementing that partnership to fuel further growth in the next few years. Our mission to deliver industry-leading technology solutions in Open Banking and Confirmation of Payee (CoP) across the world, and we’re delighted to be working more closely with PayPoint to unlock further opportunities in this fast-growing sector.”

Enquiries

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ABOUT PAYPOINT GROUP

For tens of thousands of businesses and millions of consumers, we deliver innovative technology and services that make life a little easier.

The PayPoint Group serves a diverse range of organisations, from SME and convenience retailer partners, to local authorities, government, multinational service providers and e-commerce brands. Our products are split across four core business divisions:

- In Shopping, we enhance retailer propositions and customer experiences through EPoS services via PayPoint One, card payment technology, Counter Cash, ATMs and home delivery technology partnerships in over 60,000 SME and retailer

PayPoint Group

partner locations across multiple sectors. Our retail network of over 28,000 convenience stores is larger than all the banks, supermarkets and Post Offices put together

- In E-commerce, we deliver best-in-class customer journeys through Collect+, a tech-based delivery solution that allows parcels to be picked up, dropped off and sent at thousands of local stores
- In Payments and Banking, we give our clients and their customers choice in how to make and receive payments quickly and conveniently. This includes our channel-agnostic digital payments platform, MultiPay, offering solutions to clients across cash, card payments, direct debit and Open Banking. PayPoint also supports its eMoney clients with purchase and redemption of eMoney across its retail network.
- In Love2shop, we provide gifting, employee engagement, consumer incentive and prepaid savings solutions to thousands of consumers and businesses. Love2shop is the UK's number one multi-retailer gifting provider, offering consumers the choice to spend at more than 140 high-street and online retail partners. Park Christmas Savings is the UK's biggest Christmas savings club, helping over 350,000 families manage the cost of Christmas, by offering a huge range of gift cards and vouchers from some of the biggest high street names, including Argos, Primark and B&M.

Together, these solutions enable the PayPoint Group to create long-term value for all stakeholders, including customers, communities and the world we live in.

ABOUT OBCONNECT

obconnect is an all-in-one technology provider, providing all the components needed for seamless end-to-end processing. Our cloud-native and API-driven approach, ensures real-time and efficient operations. With a scalable and resilient infrastructure, we maintain continuous availability across all our Open Banking and Ecosystem products.

Designed to support Open Banking Financial-grade API (FAPI) compliance, our solutions prioritise security and functional compliance. We prioritise the protection of customer data, ensuring maximum privacy and security for our clients and their customers. With obconnect, your data remains confidential and secure at all times.

The book value of obconnect's gross assets as at 30 November 2023 was £2.8m, with the Company recording a loss before tax of £0.9 million for the year ended 30 November 2023. The Company is on track to achieve profitability in H2 2024.