

PayPoint Plc  
Trading update for the three months ended 31 December 2022<sup>1</sup>

19 January 2023

**A positive quarter across the PayPoint Group with accelerated revenue growth across all three divisions**

**Nick Wiles, Chief Executive of PayPoint Plc, said:**

*“This has been another positive quarter for the PayPoint Group where net revenue growth has accelerated across all three of our business divisions, consistent with a more H2 weighted performance. We remain confident in delivering further progress in the current year, whilst our continued focus remains on the delivery of our strategic priorities, a strong operational performance and maintaining a tight control of our cost base.*

*In Shopping, we continue to enhance our retailer partner proposition, with the further rollout of a number of key initiatives including Counter Cash, a growing contribution from FMCG campaigns, and a strong performance in Business Finance via YouLend, supporting our retailer and SME partners during the current economic challenges. Our sales momentum across the Group has also continued to build in the quarter across both Handepay and PayPoint, supported by our most competitive and attractive proposition ever and allied with a more detailed focus on customer service and retention, leveraging our AI and data analytics capabilities.*

*In E-commerce, the excellent momentum built in the first half year has continued, with eleven out of the thirteen weeks in the quarter reaching well over 1 million parcel transactions and a record week of 1.5 million parcel transactions delivered during peak trading. This positive performance has again been driven by our strength in clothing/fashion categories, the continued expansion of new services with carrier partners, including Amazon, Wish.com and Royal Mail, and the in-store experience investment made in Zebra label printers over the past two years.*

*In Payments and Banking, we continue to strengthen our channel-agnostic payment platform as we expand the range of digital solutions to support clients across multiple sectors, including government, local authorities and housing associations. Our Cash Out service and the DWP Payment Exception Service, delivered via i-movo, continue to perform strongly, with over 4.9 million vouchers issued in the quarter. We were also delighted that our DWP PES service won the 2022 Payments Awards Social Inclusion Project of the Year in November 2022, recognising that it is now a well-established and important disbursement channel for government support initiatives to financially vulnerable people across the UK. The PayPoint network of over 28,000 retailer partners has proved critical to the delivery of government Cost of Living support schemes, with over £113 million redeemed through the Energy Bills Support Scheme over the quarter. Similarly, our Open Banking solutions, including Confirmation of Payee, delivered in partnership with OBConnect, have also continued to attract strong interest, with our first major government client now contracted.*

*The proposed acquisition of Appreciate Group, announced on 7 November 2022, is progressing as planned, with FCA approval for the transaction granted earlier this week and completion expected by the end of this financial year. The acquisition is expected to be immediately earnings enhancing in FY24 and the Board believes it will deliver attractive returns for shareholders, with the enlarged Group targeting further growth in three broad areas: prepayment saving through Park Christmas Savings to support customers with budgeting tools for Christmas and other events; an enlarged full-service offering for gifting, employee rewards and benefits to Appreciate Group’s corporate clients; and an extended consumer gifting network for the Love2shop brand.*

*Whilst the market background remains uncertain, our compelling characteristics of strong cash flow, resilient earnings and growth mean we remain confident of the progress we are making in the transformation of our business and delivering expectations for the year”*

## **HIGHLIGHTS**

### **Strong performance across the Group with accelerated net revenue growth across all three divisions**

#### **PayPoint Group**

Group net revenue from continuing operations increased by 9.8% in the quarter to £32.5 million (Q3 FY22: £29.6 million)

#### **Shopping**

Shopping divisional net revenue increased by 4.8% to £15.4 million (Q3 FY22: £14.7 million), driven by the continued growth of our PayPoint One estate, the annual RPI increase and further enhancements to our retailer and SME propositions, including our best ever proposition in our Handepay and PayPoint cards businesses and the continued rollout of Counter Cash.

- UK retail services net revenue increased by 9.2% to £7.7 million (Q3 FY22: £7.0 million), with the continued benefit of RPI service fee increases made earlier in the year and new sales of PayPoint One

<sup>1</sup> PayPoint’s auditors have not been requested to review the performance

- Card payment net revenue increased by 0.8% to £7.8 million<sup>1</sup> (Q3 FY21: £7.7 million), with an enhanced proposition for Handepay and PayPoint customers delivered and an increased focus on customer retention driven by AI and data analytics
- Card value processed decreased slightly by 1.9% to £1.70 billion (Q3 FY22: £1.73 billion): Handepay business decreased to £1.09 billion in the quarter (Q3 FY22: £1.13 billion) and PayPoint card business increased to £610 million (Q3 FY22: £605 million), underlining the continued resiliency of the Grocery and Retail, Food and Beverage and Autotrader sectors which represent over 82% of the total cards business
- Card payment sites in the Handepay EVO estate grew to 17,516 (31 March 2022: 17,499) driven by the enhanced proposition, the new Android terminal now live with positive customer feedback and the increased optimisation of our sales efforts, in spite of a reduced headcount due to recruitment challenges
- Card payment sites in the PayPoint Lloyds Cardnet estate reduced to 9,450 (31 March 2022: 9,666) with improvements to the competitiveness of our proposition now live, with pricing and next day settlement, offset by an increase in site churn
- Card payment sites in the legacy Handepay Worldpay estate reduced to 4,206 (31 March 2022: 5,297) with a new 4-year contract extension agreed in November 2022, with improved commercials and enabling marketing of our Business Finance proposition to the customer base
- UK retail network increased to 28,418 sites (31 March 2022: 28,254) and revenue generating PayPoint One sites increased to 18,364 sites (31 March 2022: 18,120)

### E-commerce

E-commerce divisional net revenue increased strongly by 50.9% to £2.3 million (Q3 FY22: £1.5 million) and transactions grew by 84.4% to 16.9 million (Q3 FY22: 9.2 million) through our e-commerce technology platform, Collect+. This was driven by excellent volumes over the quarter, including eleven out of the thirteen weeks reaching well over 1 million parcels processed, supported by our strength in clothing/fashion categories, the continued expansion of new services with carrier partners and the in-store experience investments made in Zebra label printers over the past two years.

### Payments & Banking

Payments & Banking divisional net revenue increased by 10.6% to £14.7 million (Q3 FY22: £13.3 million), driven by a continued strong performance in digital transactions and a resilient energy sector performance, comprising cash bill payments and top ups and £113 million of Energy Bills Support Scheme vouchers redeemed across our extensive network of over 28,000 retailer partners.

- Strong digital payments growth to 13.4 million transactions (Q3 FY22: 8.3 million) and net revenue increasing by 121.6% to £4.8 million (Q3 FY22: £2.2 million), driven by 2.4 million of Energy Bills Support Scheme vouchers issued in the quarter for 9 contracted energy suppliers and further growth in our broader Cash Out services and the DWP Payment Exception Service, all delivered via i-movo. These services are now a well-established and important disbursement channel for government support initiatives to financially vulnerable people across the UK
- PayPoint has been critical to the delivery of the government's Energy Bills Support Scheme, providing a £400 payment over the winter months to households across the UK, with over £113 million redeemed by customers over the quarter. This vital support for consumers to help with the Cost of Living leverages our Cash Out digital capability and extensive network of local retailer partners
- Cash payments net revenue decreased by 10.7% to £8.0 million (Q3 FY22: £8.9 million), due to the impact of the 2.7 million Energy Bills Support Scheme vouchers issued in the quarter that are included in digital payments revenue, milder weather in October and November driving reduced energy volumes and the continued reduction in consumers and tourists topping up mobile phones in store
- Cash through to digital net revenue decreased by 11.8% to £1.7 million (Q3 FY22: £1.9 million) and transactions decreased by 13.6% to 2.1 million (Q3 FY22: 2.5 million), due to the resetting of consumer behaviour following the peaks experienced during Covid-19. Google Play has now been added to our extensive portfolio of major digital brands, including Amazon, Paysafe, Xbox, Playstation and Love2shop

## PROGRESS AGAINST OUR STRATEGIC PRIORITIES

### **PRIORITY 1: EMBED PAYPOINT GROUP AT THE HEART OF SME AND CONVENIENCE RETAIL BUSINESSES**

#### **SHOPPING BUSINESS DIVISION – Q3 FY23 net revenue £15.4 million (Q3 FY22: £14.7 million)**

#### **Q3 Progress**

- Further expansion of Counter Cash, now enabled in 5,109 sites and with 2,326 sites transacting regularly in the quarter. Withdrawals reached £1 million per week in November 2022 and over £35.6 million has now been withdrawn since launch in November 2021, offering vital access to cash over the counter and complementing existing ATM estate

<sup>1</sup> Net revenue from RSM2000 cards business of £0.2 million in quarter ended 31 December 2021 has been represented from Digital net revenue to Card Payments in line with the year ended 31 March 2022, this has no impact to net revenue overall

- Continued optimisation of sales efforts across the Group, yielding improved conversion rates and customer satisfaction, and supported by our enhanced SME and retailer proposition across Handepay and PayPoint, including the new Android terminal launched in Handepay, supported by one-month contracts and next day settlement delivered in last financial year; improved pricing and next day settlement launched for new PayPoint card payment merchants in July 2022
- Stronger focus on retention across Handepay and PayPoint, with a dedicated team established and supported by improved data, AI tools and analytics to drive proactive retention of customers and reduce churn
- Continued strong performance of Business Finance via YouLend with over £2.9 million lent across PayPoint and Handepay in the quarter, over £8.9 million lent in the year to date and lending proposition now expanded with Funding Circle partnership launched in October 2022
- FMCG – a strong quarter of successful campaigns delivered for Coca-Cola and Spar's World Cup promotion, with a building campaign pipeline and a contribution of £0.4m of net revenue delivered. Our FMCG proposition is attracting positive interest from major brands, leveraging our PayPoint One platform, advertising screens and i-movo vouchering capability to help our retailer partners drive sales and engage thousands of consumers across our network

## **PRIORITY 2: BECOME THE DEFINITIVE TECHNOLOGY-BASED E-COMMERCE DELIVERY PLATFORM FOR FIRST AND LAST MILE CUSTOMER JOURNEYS**

### **E-COMMERCE BUSINESS DIVISION – Q3 FY23 net revenue £2.3 million (Q3 FY22: £1.5 million)**

#### **Q3 Progress**

- Excellent parcel transaction growth of +84.4% year on year, including eleven out of thirteen weeks reaching well over 1 million parcels processed. This was driven by our strength in clothing/fashion categories, the continued expansion of new services with carrier partners and the in-store experience investments made in Zebra label printers over the past two years, with a further 3,000 printers to be rolled out over the coming year
- Amazon returns rollout expanded to over 2,000 sites and expansion of Print In Store Returns for FedEx in the quarter
- Continued support for Royal Mail business customers across the quarter in 1,455 Collect+ stores, helping keep mail moving during industrial action

## **PRIORITY 3: SUSTAIN LEADERSHIP IN 'PAY-AS-YOU-GO' AND GROW DIGITAL BILL PAYMENTS**

### **PAYMENTS & BANKING BUSINESS DIVISION – Q3 FY23 net revenue £14.7 million (Q3 FY22: £13.3 million)**

#### **Q3 Progress**

- Continued strong performance of Cash Out services and the DWP Payment Exception Service, delivered via i-movo, with over 4.9 million vouchers issued in the quarter, including 2.4 million vouchers issued for the Energy Bills Support Scheme. The DWP PES service won the 2022 Payments Awards Social Inclusion Project of the Year in November 2022, recognising that it is now a well-established and important disbursement channel for government support initiatives to financially vulnerable people across the UK
- A resilient energy sector performance delivered across the quarter, despite milder weather in October and November, comprising cash bill payments and top ups and £113 million of Energy Bills Support Scheme vouchers redeemed across our extensive network of over 28,000 retailer partners, providing a £400 payment over the winter months to households across the UK to help with the Cost of Living
- Two further enterprise level clients contracted for our Open Banking Confirmation of Payee name-checking service, via OBConnect, including our first major government client. PayPoint became the first non-banking business to be able to offer the service last year, which enables Payers to compare the account name, sort code, and account number provided to the name of the recipient of the funds, working in partnership with Pay.UK

## **PRIORITY 4: BUILDING A DELIVERY FOCUSED ORGANISATION AND CULTURE**

### **PAYPOINT GROUP**

#### **Q3 Progress**

- Further progress in our ESG programme with additional Cost of Living support launched in December 2022 for employees, including increasing minimum full-time equivalent salaries, a bonus advance of £300, the launch of a financial wellbeing app and a simple food offering provided free of charge in our offices
- Electric Vehicle charging points installed at our head office in December 2022 for the use of employees and visitors
- Continued partnership with Citizens Advice and Advice Scotland to support important Cost of Living targeted consumer campaigns, via social media and retailer communications, and released joint statement with Energy UK, Citizens Advice and Post Office in December to raise further awareness of Energy Bills Support Scheme amongst vulnerable customer groups
- Continued progress on improving our IT service delivery as we completed the upgrade program of our core payment processing switch, ensuring our infrastructure continues to perform robustly with the increased transaction demands and growth across the business, particularly for the launch of the Energy Bill Support Scheme and peak trading for parcels.

## **BALANCE SHEET AS AT 31 DECEMBER 2022**

The Group had net corporate debt of £35.0 million (31 March 2022: £43.9 million) comprising cash balances of £29.1 million (31 March 2022: £7.7 million), less loans and borrowings of £64.1 million (31 March 2022: £51.6 million).

## **DIVIDEND**

The Board previously declared an increased ordinary interim dividend of 18.4 pence per share, consistent with our unchanged dividend policy, and representing an increase of 2.2% vs the final dividend declared on 26 May 2022 of 18.0 pence per share and an increase of 8.2% vs the interim dividend declared on 25 November 2021 of 17.0p pence per share. The dividend is payable in equal instalments of 9.2 pence per share, with the first payment made on 30 December 2022 and the second payment due on 6 March 2023

## **PROPOSED ACQUISITION OF APPRECIATE GROUP**

The recommended acquisition of Appreciate Group plc, for a total consideration of £83 million, was previously announced on 7 November 2022. FCA approval for the transaction was granted on 17 January 2023. The proposed acquisition is subject to Appreciate Group plc shareholder approval via scheme of arrangement, with a court date scheduled for 20 January 2023. Completion is expected by the end of this financial year.

## **TIMING OF PRELIMINARY RESULTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023**

PayPoint normally releases its preliminary results at the end of May each year. Subject to the timing of the completion of the recommended acquisition of Appreciate Group plc, it may be necessary to implement a short delay to this announcement in order to complete the statutory accounting and audit work for the combined business. In this instance, a further announcement will be made to the market in due course.

## **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 three 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 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.

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