



Dominic Taylor, Chief Executive &  
George Earle, Finance Director

24 November 2016

# **Results for the half year ended 30 September 2016**

<b>Introduction</b>	<b>3</b>
<b>Financial review</b>	<b>5</b>
<b>Operational review</b>	<b>10</b>
<b>PayPoint One</b>	<b>15</b>
<b>Summary and future developments</b>	<b>24</b>
<b>Appendices</b>	
Materials to support the consumer transaction	29
Retail payments and services	38
Strategy	42

**Focus on multi-channel payments and services where we have retail networks**

# We said we would reshape the business

Reshaping business		26
Restructure from group to single company	<ul style="list-style-type: none"><li>• New Executive Board in place</li><li>• Single company vision; values; culture</li><li>• Significant restructuring to improve effectiveness and customer service underway</li></ul>	✓
Improve innovation & focus	<ul style="list-style-type: none"><li>• New Product Director</li><li>• Greater emphasis on longer term planning to maximise innovation</li><li>• Retail sales and operations restructuring</li></ul>	✓
Launch next generation of systems	Retail  Payments 	✓
Rationalise portfolio	<ul style="list-style-type: none"><li>• Online sold on 8 Jan 2016 for £14.4m</li><li>• Mobile remains in a sale process<ul style="list-style-type: none"><li>• strong revenue growth, reduced loss</li><li>• offers below carrying value, impairment £30.8m</li></ul></li></ul>	✓
Conclude Collect+ discussions	<ul style="list-style-type: none"><li>• Discussions continue<ul style="list-style-type: none"><li>• service valued by participating brands and consumers</li><li>• high ratings</li><li>• drives footfall to retail services</li><li>• retail service mainstay</li></ul></li></ul>	WIP

Results for the year ended 31 March 2016



## Progress in line with strategy





# Financial review

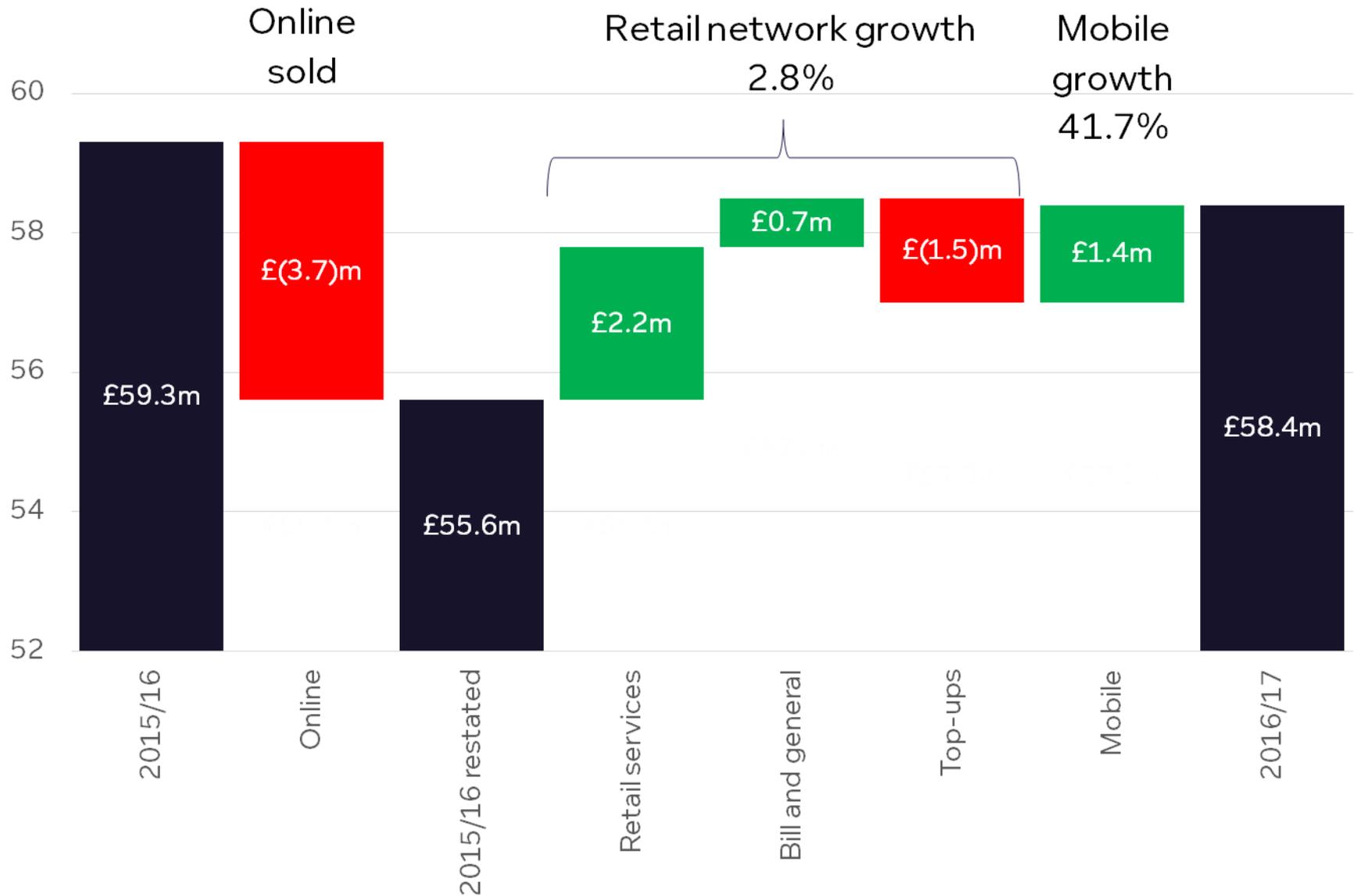
# Results in line with expectations

6

<b>Period ended September</b>	<b>6 months 2015</b>	<b>6 months 2016</b>
	<b>£m</b>	<b>£m</b>
Net revenue <sup>1</sup>	59.3	58.4
Other cost of sales	(8.2)	(8.4)
Operating costs (administrative expenses)	(29.3)	(25.7)
Share of Collect+ JV	(0.4)	0.4
Operating profit before goodwill impairment	21.4	24.7
Impairment	(18.2)	-
Profit before tax	3.2	24.7
Tax	(4.4)	(5.0)
Adjusted earnings per share <sup>2</sup>	24.8p	28.7p
Dividend per share <sup>3</sup>	14.2p	15.0p
Additional dividend per share <sup>3</sup>	-	12.2p

1. Net revenue is revenue less commissions paid to retail agents, the cost of mobile top-ups and SIMs where PayPoint is principal, card scheme sponsors' charges and out sourced call centres
2. Adjusted earnings per share is stated before the £18.2 million online payments impairment recognised in the prior period.
3. Excludes online business sales proceeds

# Net revenue



# Cash generation and use

8

Period ended September	6 months 2015 £m	6 months 2016 £m
<b>Operating cash flows</b>	<b>25.4</b>	<b>28.4</b>
Working capital	4.0	(16.2)
<b>Cash generated by operations</b>	<b>29.4</b>	<b>12.2</b>
Tax paid	(4.9)	(3.1)
<b>Net cash inflow from operating activities</b>	<b>24.5</b>	<b>9.1</b>
<b>Net cash used in investing activities</b>	<b>(5.4)</b>	<b>(9.0)</b>
Cash settled share based remuneration	(0.6)	(0.4)
Dividends paid	(17.8)	(33.5)
<b>Net cash used in financing activities</b>	<b>(18.4)</b>	<b>(33.9)</b>
Net increase/(decrease) in cash	0.7	(33.8)
Cash at beginning of period	47.2	83.2
Effects of foreign exchange rate changes	0.1	2.0
<b>Cash at end of period<sup>1</sup></b>	<b>48.0</b>	<b>51.4</b>

1. Includes £1.7m (2015: £2.0m) of cash included in assets held for sale

Results for the half year ended 30 September 2016



# Financial review – summary

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- Good cash generation
- Strong balance sheet
- Continued dividend growth
- Exciting progress





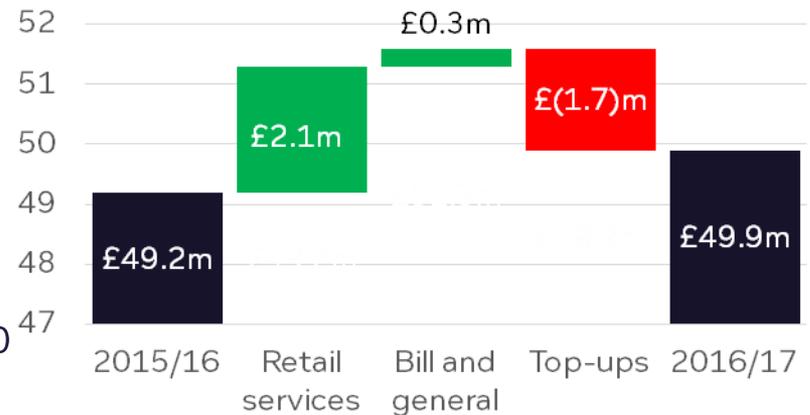
# Operational review

# Retail Payments and Services – UK & Ireland

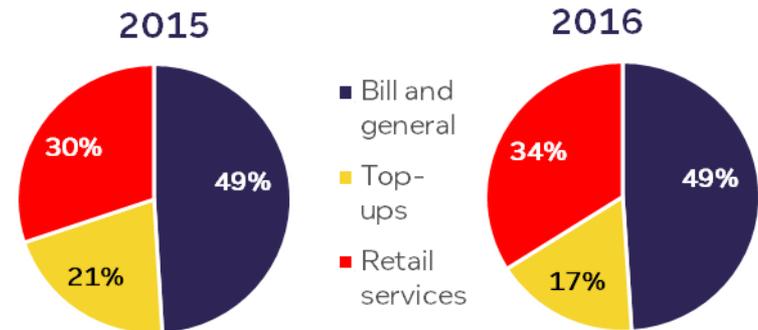
UK & Ireland	2015	2016
Transactions (m)	280.7	270.7
Net revenue (£m)	48.9	49.5
Terminal sites	28,931	28,973

- Main focus was the launch of PayPoint One (now in over 1,800 sites) and Core EPOS (now in over 1,000 sites)
- MultiPay, 3 million transactions, attracting strong interest
- Retail services net revenue growth of 14.7%
  - ATM net revenues up 9.3%; 4,000 sites
  - Dr/Cr net revenues up 7.0%; 10,000 sites
  - 45.1m card & contactless payments in-store
  - Strong focus for second half
- Bill and general net revenues up as mix improved
- Mobile top-ups net revenue continued to decline as expected, now only 11.4% of net revenue

UK and Ireland net revenue



UK & Ireland retail net revenue by service

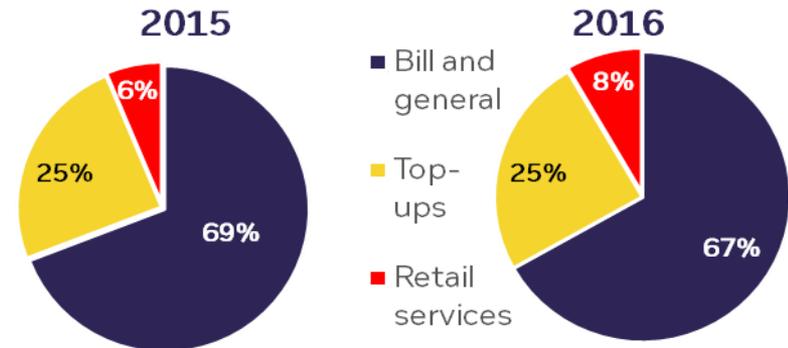


# Retail Payments and Services - Romania

- Bill payment net revenue increased by 19.8%
- Bill payment share 23.1% (September 2015: 21.3%), up 1.3ppts from March 2016, with significant growth opportunities supported by national advertising campaigns to increase awareness
- Fast growing list of local clients providing further differentiation: water, financial and refuse collection
- Top-up net revenue up by 24.6% reflecting strength of network, visibility and branding
- Retail network continued to grow, with differentiation through strong rural presence
- Money transfer and road tax net revenue up year on year by 66.1% and 109.7% respectively
- Further retail services under development

Romania	2015	2016
Transactions (m)	32.5	36.4
Net revenue (RON m)	21.4	23.5
Terminal sites	9,458	10,662

Romania net revenue by service

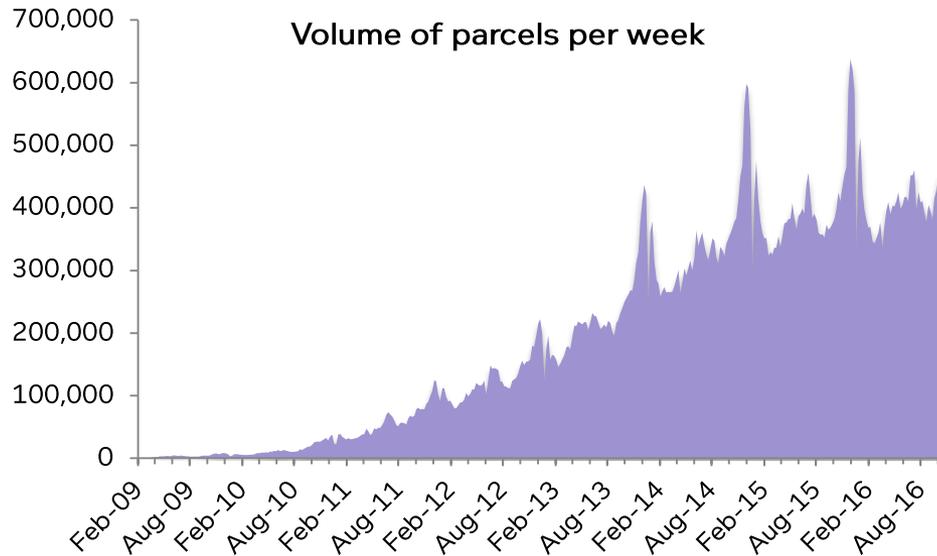


- Growth in volume 5.7% and revenue 3.9%
- 6,000 sites
- Over 300 participating brands
- Clear market leader in collection and returns
- Last year had temporary increase of Yodel charges
- Discussions with Yodel progressing
- Rated via YouGov surveys as the No.1 provider of customer satisfaction and recommendations

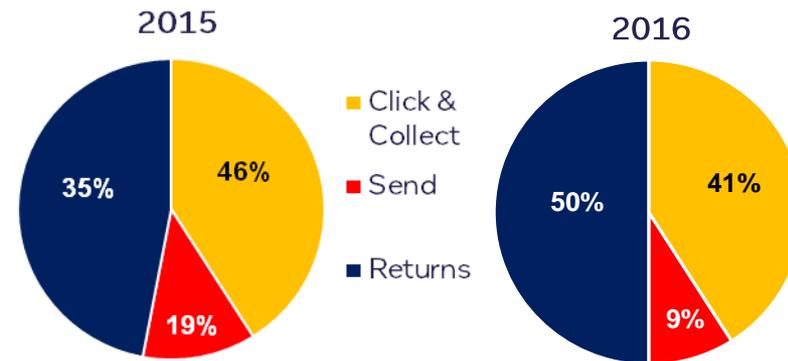


Collect+ at 100%	2015	2016
Transactions (m)	9.9	10.5
Collect+ revenue (£m)	23.7	24.6
JV result* (£m)	(0.8)	0.9

\* JV profit at 100%. PayPoint reports 50% of this profit in the Consolidated Income Statement as well as the revenues arising in PayPoint UK Retail.



Revenue by service:



- Net revenue growth of 41.7%, transactions up 27.5%
- Processed over 170 million transactions since launch
- Leader in mobile parking payments, based in UK, France, USA, Canada and Switzerland
- Consumers can pay with Apple and Android Pay
- Loss reduced, planning break even next year
- Not in line with strategy - sale process progressing

<b>Mobile</b>	<b>2015</b>	<b>2016</b>
Transactions (m)	23.6	30.1
Transaction value (£m)	73.1	100.6
Net revenue (£m)	3.3	4.6

# PayPoint One progress

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## Major multiple groups



Huge investment in latest technology

Highly complex organisations

Substantial buying power with suppliers

## Symbols and independents



Lower investment in technology

More fragmented

Less collective buying power and underserved

Technology



PayPoint in store

9,500

Total store universe

13,000

Symbols

Independents



6,500

13,000

14,000

23,000

# Convenience retail today



Average annual investment

£7,600 - independents

£10,700 - symbols



37% EPoS adoption in independent stores

vs.

100% adoption in multiple stores



74% owned and operated by small business owners/entrepreneurial first time investors



41% contactless and mobile payments

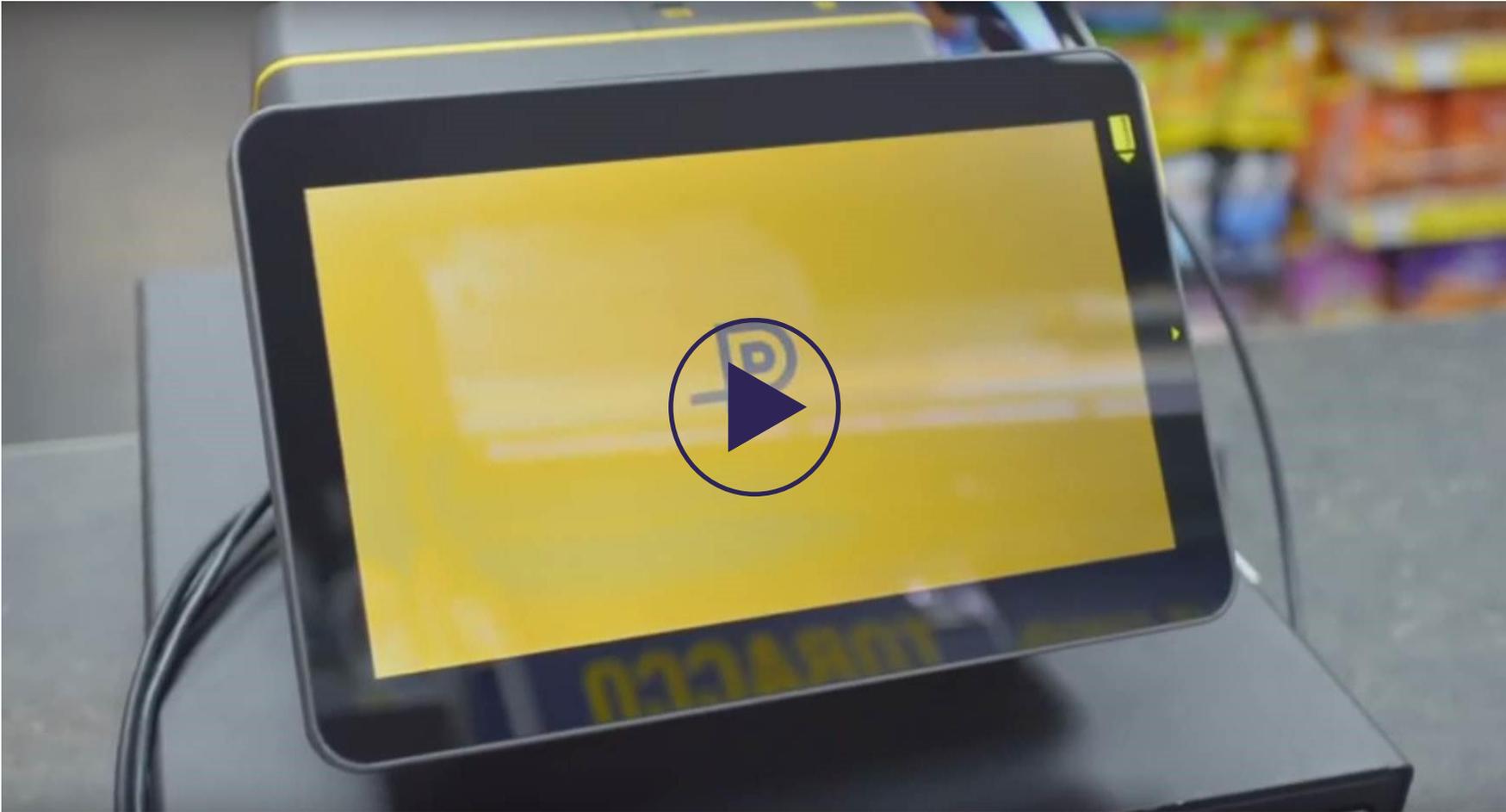
20% Facebook and Twitter

21% advertising screens

8% in-store wifi

1% digital shelf edge labels

# PayPoint One overview



# How PayPoint One delivers

1

## Serve customers quickly

Easy to use, intuitive 11.6 inch touchscreen

Easy to read 5 inch, full colour customer display

Superfast processor and memory

Integrated EPOS, card payments and PayPoint

2

## Advanced connectivity

Broadband, WiFi, Bluetooth beacon and QR code ready

Cloud back office – access from any device anywhere

Fully expandable with multiple ports

3

## Improve business efficiency

High quality, feature-rich EPOS

User friendly sales reporting

Sophisticated user management

Web-based support and training

Reliability and resilience

4

## Future proof technology

Flexible and expandable Android platform

Quick contactless payments, inc. Apple Pay and Android Pay

Fully supported for total piece of mind

EPOS levels matched to different business needs

Turning shopkeepers into businessmen





# Our commercial model will reduce barriers to adoption 21

**EPoS as an upgrade, rather than expensive stand alone purchase decision**

**Strong differentiation through:**

**Competitive price to retailer**

**Unique service range**

**Cutting edge technology**

**Commercial model to open up EPoS access for all and encourage maximum adoption**

# Price for PayPoint One bundled services (announced September)



Hardware

No upfront cost

Weekly charge\*

New customers

**£20**

Upgrades to EPOS  
Core

**£15\***

Upgrades to Till  
App

**£10\***

**Future EPOS iterations, supplier and third party integrations, value added apps.  
Pricing announced when brought to market**

\* includes services currently charged at up to £7.50 per week



# Early positive sales progress to 24 November

## PayPoint One platform

New to PayPoint

>800

Upgrades

>2,200



>1,800 live

>1,000 Core EPoS



Aim to achieve ~ 4,000 sites by financial year end

# Provides new insight

## Since going live

- 10m baskets transacted
  - £106m processed
- 73% Cash  
27% Card – 40% contactless

## Top 3 categories

- Cigarettes & tobacco 24%
- Confectionary 15%
- Soft drinks - to go 13%

## Pricing

	Min	Max	Ave
• Lambert & Butler king size	£8.85	£10.39	£9.11
• Milk 4 pints	£0.89	£1.85	£1.25
• Volvic water	£0.79	£1.30	£0.98
• Coca Cola can	£0.56	£1.00	£0.73
• Wrigley's Extra white bubblegum	£0.45	£0.75	£0.57



# What the retailers think about PayPoint One





# **Summary and future developments**



# Summary and future developments

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- Overall trading in the first half is in line with the company's expectations
- PayPoint One and Core EPoS launched
- Accelerate PayPoint One rollout enabling further growth opportunities in retail services
- Advanced EPoS will create opportunities in multiples and symbol groups
- Extend MultiPay offer
- Complete Mobile sale and Collect+ negotiations
- Continued dividend growth



# Appendices





# **Appendix 1**

**Materials to support the consumer transaction**

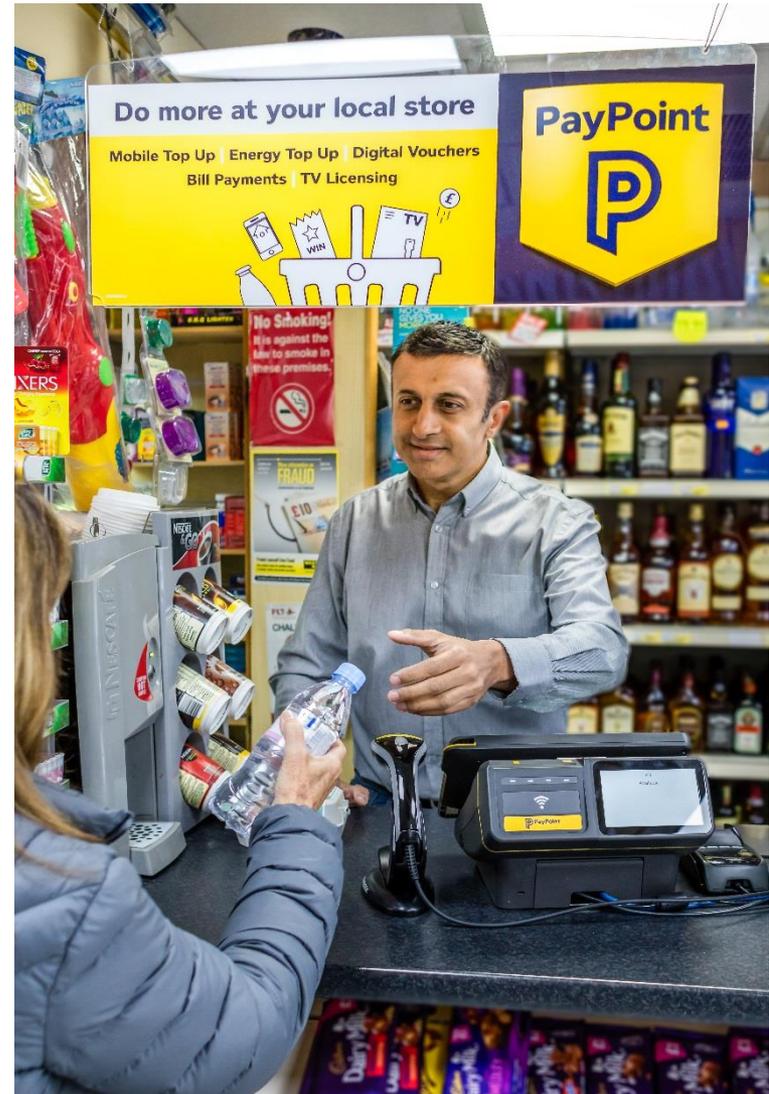
# Materials to support the consumer transaction

## UK Retail: Client media payment



# Materials to support the consumer transaction

## UK Retail: Retail store



# Materials to support the consumer transaction

## UK Retail: Terminals, Pin Pads and ATMs



# Materials to support the consumer transaction

## UK Retail: PPOS virtual terminal



### Digital content

**amazon.co.uk**

**Amazon Top Up eVouchers BUY HERE**

**TOP UP**

- Buy voucher with cash
- Redeem code at Amazon.co.uk
- Use your credit

**Top up your Xbox Credit today!**

Buy games, movies, TV shows, music, apps and more on Xbox and Windows.

- Buy voucher with cash
- Redeem code
- Use your credit!

**31906**

**PayPoint**  
NISA LOCAL  
HELLO  
ADDRESS LINE 2  
AMAZON.CO.UK  
6

**AMOUNT GBP 25.99**  
13:47 14/11/16 :  
SN 030145005 TXN 0149

**Transaction Successful**  
REF: 000053728155

**TOP UP GIFT CODE:**

**YKWQ - JZEJMM - BM3U**

To redeem your GC, visit  
<http://www.amazon.co.uk/redeem>

Amazon.co.uk Gift Cards ("GCs") may be used only for the purchase of eligible products on Amazon.co.uk. GC balances expire 10 years of the date of purchase. GCs cannot be transferred for value or redeemed for cash. GCs are issued by Amazon EU S.à r.l. ("AEU"), AEU and its affiliates are not responsible if a GC is lost, stolen, destroyed or used without permission.

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No service fees.

### ENERGY CLIENT

**Contact us**

- Clientname.co.uk/help
- 0800 000 0000**  
Mon - Fri 9am - 5pm, Sat - 9am - 5pm
- Client Name, PO Box 005, Client Town, Client Post Code

**Your Customer Reference Number**  
**0000000 00000**

Date: 22/09/2014

**Good news - here's your £140.00 Warm Home Discount**

Dear Mr hobody

We're pleased to let you know that you qualify for the Warm Home Discount Scheme with us. So you'll get a £140 Winter 2014/15 discount on your electricity use.

**How to collect your £140.00**  
All you need to do is take this letter to your local PayPoint outlet, within 3 months of the date of this letter, to collect your £140.00. All three vouchers must be cashed together, and on your electricity key. You'll also need to take some identification with you when you go to pick-up your discount - please see over the page for details.

**Where to get help if you've any questions**  
The Warm Home Discount Scheme is a five year programme run by the Government and energy companies to help households that need it most with their bills. And as you're qualified for the winter 2014/15 discount you may qualify in the coming years (subject to applying and meeting eligibility criteria).  
If there's anything you'd like to know about the scheme, or if you have any questions, please visit [direct.gov.uk/warmhome](http://direct.gov.uk/warmhome) and you should find what you're looking for

Yours sincerely

Mr Somebody  
Managing Director, Residential Energy

---

**ENERGY CREDIT VOUCHER**

**£45.00**

Voucher No. 1234567890

This Voucher can be redeemed at any participating PayPoint outlet. To find your nearest PayPoint outlet, visit [www.paypoint.co.uk/locator](http://www.paypoint.co.uk/locator). Terms and conditions overleaf.  
**RETAILER** - Please scan barcode to redeem. Further instructions overleaf.

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**ENERGY CREDIT VOUCHER**

**£46.00**

Voucher No. 1234567890

This Voucher can be redeemed at any participating PayPoint outlet. To find your nearest PayPoint outlet, visit [www.paypoint.co.uk/locator](http://www.paypoint.co.uk/locator). Terms and conditions overleaf.  
**RETAILER** - Please scan barcode to redeem. Further instructions overleaf.

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**ENERGY CREDIT VOUCHER**

**£49.00**

Voucher No. 1234567890

This Voucher can be redeemed at any participating PayPoint outlet. To find your nearest PayPoint outlet, visit [www.paypoint.co.uk/locator](http://www.paypoint.co.uk/locator). Terms and conditions overleaf.  
**RETAILER** - Please scan barcode to redeem. Further instructions overleaf.

### Cash Out

**Simple Payment**

7014 4060 48

**TCPA 2014**

**BEST ALTERNATIVE PAYMENTS PROGRAMME**

**Category Winner**

collect+ parcels made easy
Find a store  [Help](#) [Sign In](#) [Sign Up](#)

Our Services ▾ Business Users ▾ About Us
Track Parcel:  [➤](#)

Make sure you're ready for Spring Bank Holiday. [Click here](#) for info on changes to our services over the long weekend.

## Send, collect and return your parcels

### Early 'til late, 7 days a week

With thousands of parcel stores across the UK, CollectPlus is a convenient and easy to use parcel delivery and returns service.

No more wasted Saturdays or lunchtime queues, just the freedom to get on with your day.

Send a parcel	Light 0-2kg	Regular 2-5kg	Heavy 5-10kg
Economy (3-5 working days)	£4.99	£6.29	£8.39
Standard (Typically 2 working days)	£5.69	£7.29	£9.39

Send to:  SEND >

Sending more than 1 parcel? [Try our bulk upload tools](#)

**Save 10%**  
when sending a parcel  
By referring a friend ➤

**Changed your mind?**

You can return your unwanted items to over 300 retailers [Find out more...](#)

Return to:

Select a retailer

➤

TRUSTPILOT Excellent 9.3/10

★
★
★
★
★

23110

Customer reviews

#### Our Store Network

With a network of over 5,800 local stores in the UK, open 'til late, we make sending and collecting parcels quick and easy.

The co-operative  
Central England Co-operative

**Our Services**

[Send](#)

[Return](#)

[Click & Collect](#)

[Track a parcel](#)

[Merchants](#)

**eBay Sellers**

[Store Locator](#)

[About Us](#)

[Our Partners](#)

[Brands we work with](#)

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**Help**

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Registered Address: CollectPlus, Victoria House, 49 Clarendon Road, Watford, Hertfordshire, WD17 1HP

## Our Services

Our three services are all designed to fit around your life, so you can send, collect and return your parcels from your local CollectPlus store, at a time that suits you.

### Send a parcel

If you sell online, or want to send a gift to a loved one, our send service is perfect for you.

1. Buy, print and attach your label.
2. Drop your parcel off at your local CollectPlus store.
3. Track your parcel online to its destination.

[More about sending a parcel...](#)

How to send parcels with C...

Send to:

SEND >

### Return a parcel

Changed your mind? Return your unwanted purchases to over 300 retailers.

1. Stick your label onto your parcel.
2. Drop your parcel off at your local CollectPlus store.
3. Track your parcel online to its destination.

[More about returning a parcel...](#)

How to return an item to a r...

Return to:

➤

### Click & Collect

Shop with your favourite brands online and collect your purchases at your local store.

1. Buy online and choose CollectPlus as your delivery option.
2. You'll be emailed a collection barcode when your item arrives in-store.
3. Take your code to the store and collect your purchase.

[More about Click & Collect...](#)

How to click and collect wit...

Visit a Click & Collect partner:

➤

Results for the half year ended 30 September 2016

Materials to support the consumer transaction  
**Collect+: Phone pick up barcode**

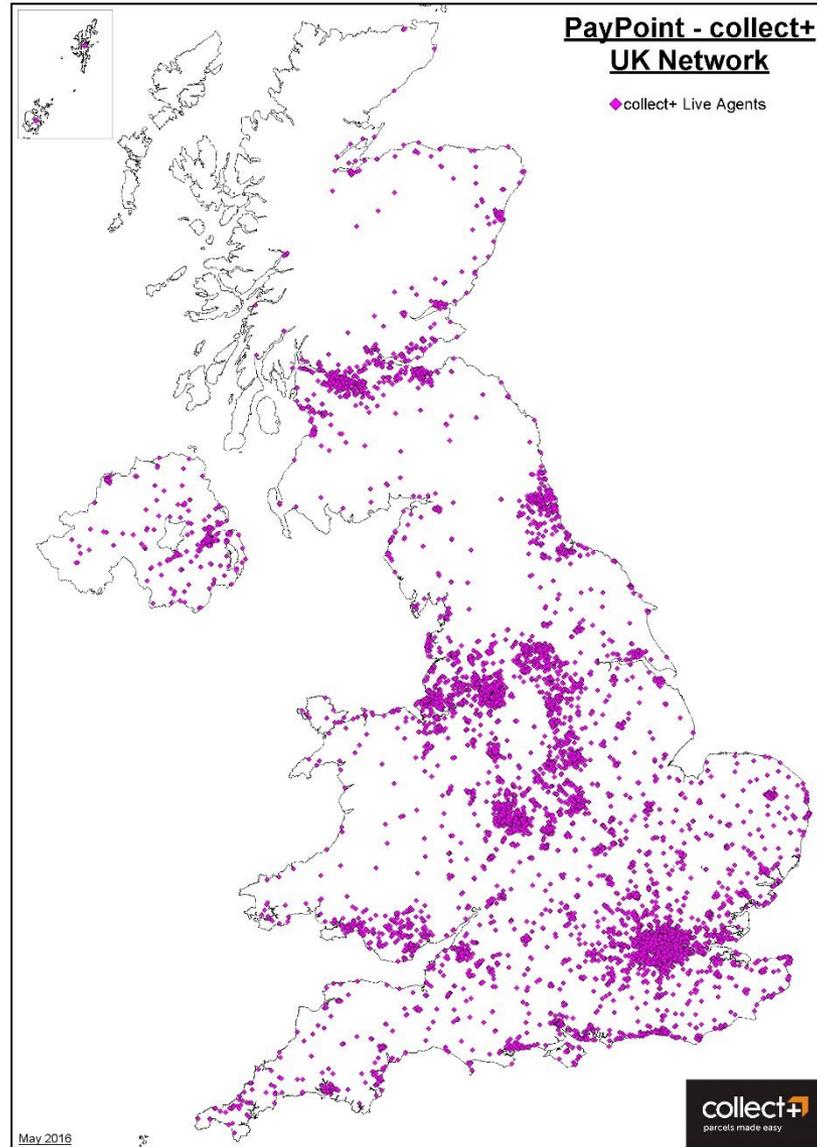
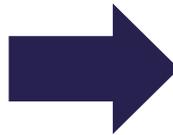


# Collect+: UK network

## Target network density

- 1 mile urban
- 5 mile rural

**6,000  
locations live**



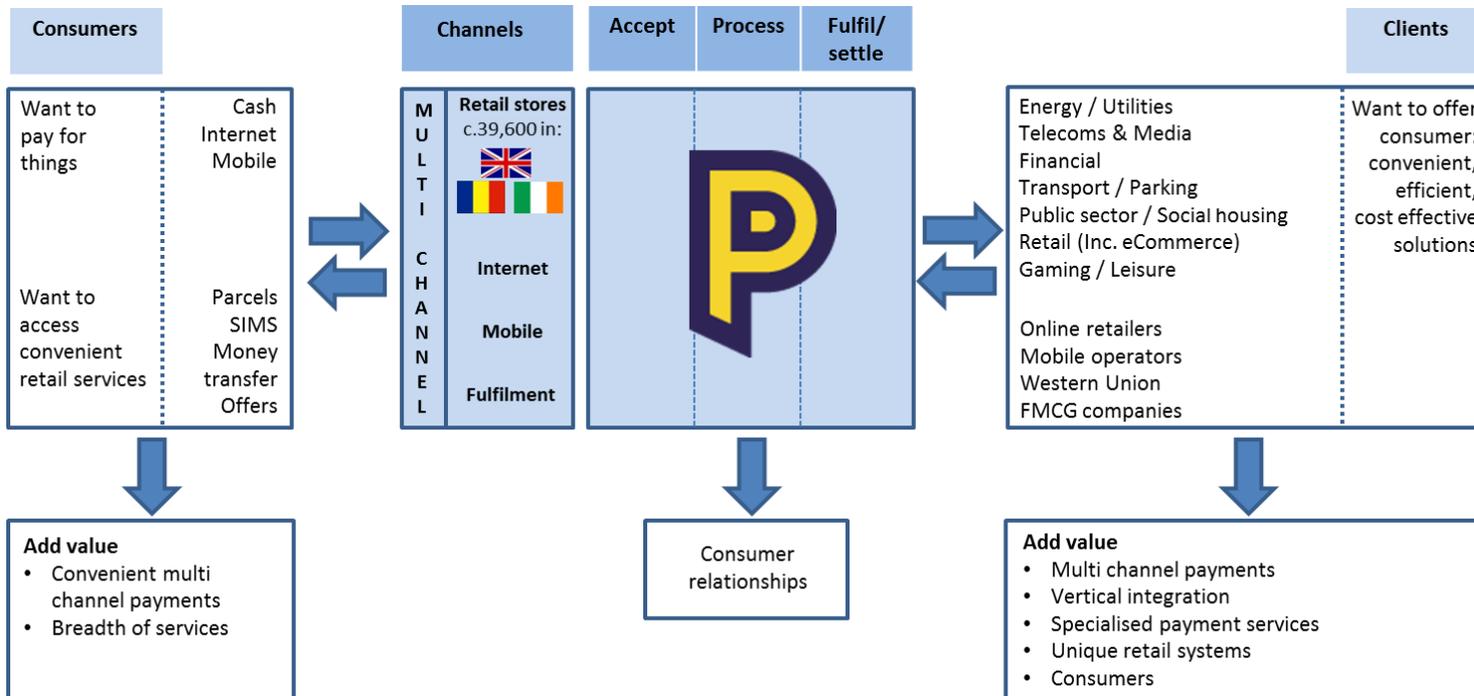


# **Appendix 2**

## **Retail payments and services**

# Retail Payments and Services

- We process high volume consumer transactions, for multi-channel payments and retail services (e.g. parcels) for clients in vertical markets, through integrated flexible platforms
- Payments are typically low value and cover retail, internet and mobile, with money flowing to and from clients and consumers
- The platform connects to retailers and clients, across different geographies, to whom we add value by providing new services
- We aim to help our clients deliver greater convenience to their consumers



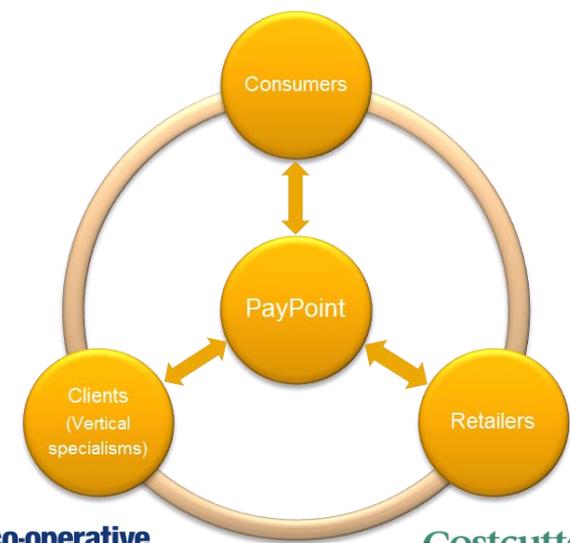
**We aim to grow by leveraging our platform in targeting more clients and retailers, in turn attracting more consumers to use our services**

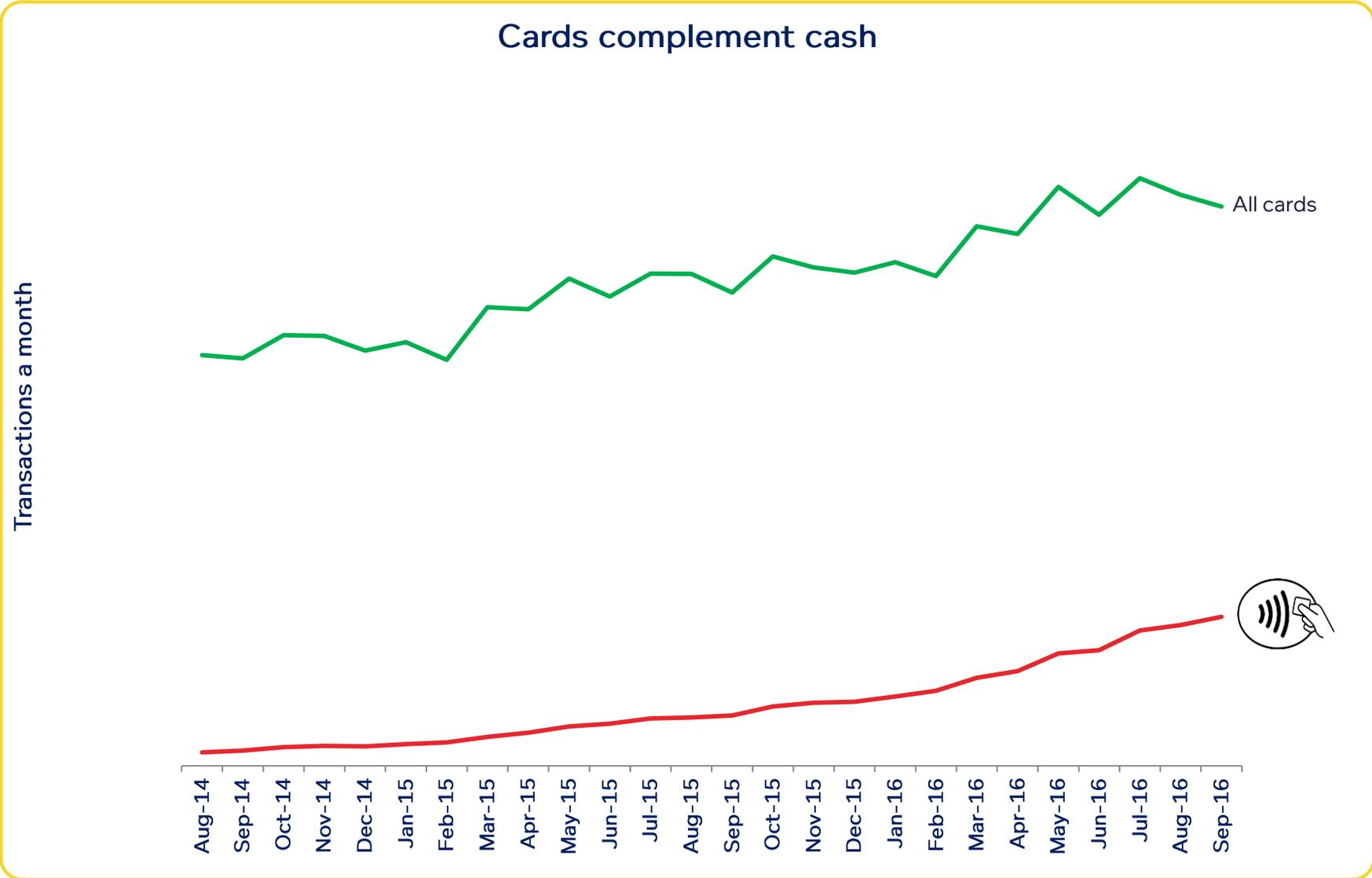


# Retail Payments and Services

- Strongly differentiated, over-the-counter payment proposition
- The network:
  - UK, Ireland and Romania
  - 39,635 convenience stores open early til late
  - Major utilities and service companies under long term contracts, with some exclusivity
  - Across multiples, symbol groups and independents
- Offering a variety of services:
  - Cash in: household bills, mobile top-ups, rents, licenses taxes and e-money loads
  - Cash out: DWP's Simple Payment service, energy company rebates and local authority payments
  - Retail services: Parcels, ATMs, broadband, money transfer, SIMs, card payments, receipt advertising
- Leading technology partner
  - MultiPay providing clients extending beyond cash payments
  - Retail systems provider, uniquely positioned to drive growth in the convenience sector
  - Market leading point of sale for payments and services
  - Advanced and enterprise versions of EPoS will expand service proposition for multiple retailers and symbol groups

Retail	2015	2016
Transactions (m)	313	307
Average spend per transaction (£)	15.4	15.7
Transaction value (£m)	4,824	4,819
Net revenue (£m)	52.3	53.8



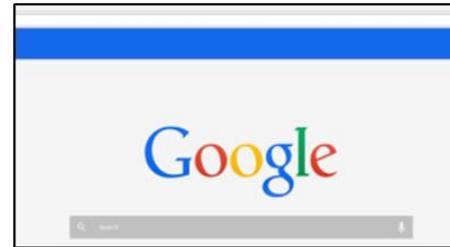




# Appendix 3

## Strategy

# Strategy - the world has changed and disruption is the norm 43



The Telegraph

**“Online shopping stealing footfall from Britain's high streets”** 20 July 2015

The rise of online shopping is continuing to hurt the British high street with footfall slumping

theguardian

pwc

**“UK high streets running out of time as more shops close than new ones open”**

16 March 2015

Britain's high streets are fading away because new shops are not opening fast enough to replace those that close, despite the economic recovery.

While the 2014 rate of closures was similar to the previous year, 16 shops a day, the study of 500 UK town centres showed that net closures soared to 987, up from 371 in 2013.

DAILY Mirror

MINTEL

**“Boom time for the British corner shop as customers ditch the weekly trolley dash”**

18 May 2016

Shoppers are giving traditional British corner stores a huge boost by increasingly popping in for top-up buys. The weekly supermarket trolley dash is now in slow decline.

Instead, millions are swapping bulk buying for their granny's method of shopping – preferring to buy bread, milk, fruit, veg and meat when they need it, research shows.

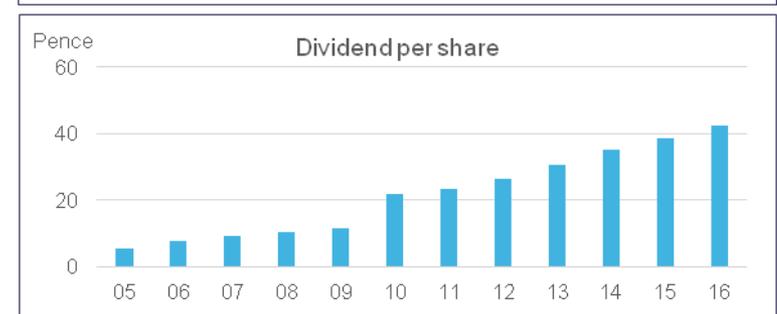
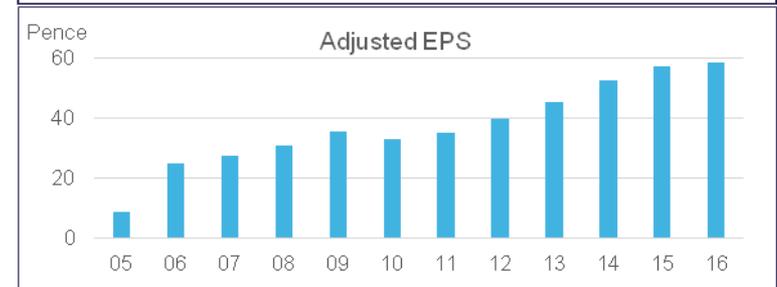
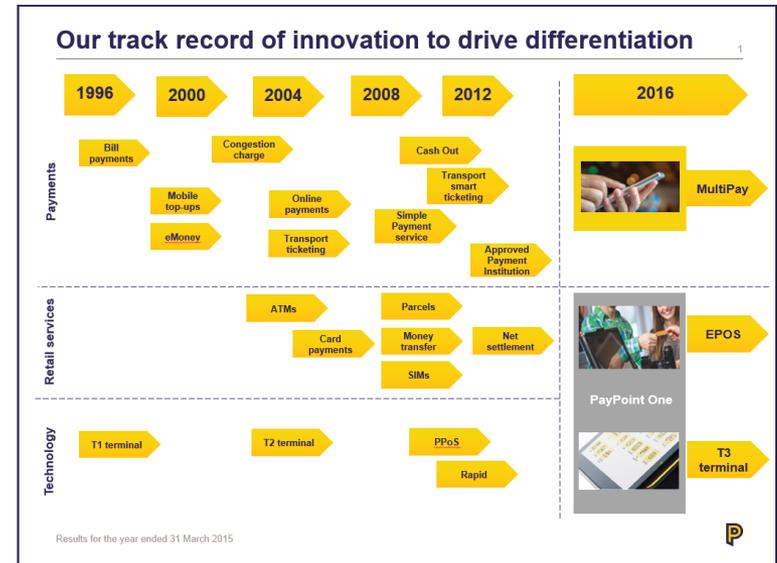
Almost half of shoppers “regularly” visit a convenience store, says a study by market analysts Mintel.

Of these, six in 10 buy top-up groceries at least twice a week, more than one in 10 visits up to six times a week and one in 20 pops in every day.

The “buy it when you run out of it” shopping system has lifted the convenience store market by almost 2% to £38.7billion in a year. Experts predict it will soar by 13% to £43.8billion by 2020.

# Our strategy has positioned us well

- Aligned to key structural trends
  - transition from cash to cashless
  - transition from high street to online
  - transition from analogue to digital
- Strong track record of innovation and differentiation
- Business model underpinned by long term contracts
- Market leadership
- Fast conversion of operating profit to cash
- Low capital intensive business
- Progressive dividend covered by cash



**2015 – 2017 reshaping business**

- Rationalise portfolio (M&O)
- Conclude Collect+ discussions
- Restructure from group to single company
- Improve innovation & focus
- Launch next generation of systems
  - retail
  - payments

**2017 – 2021 building for future**

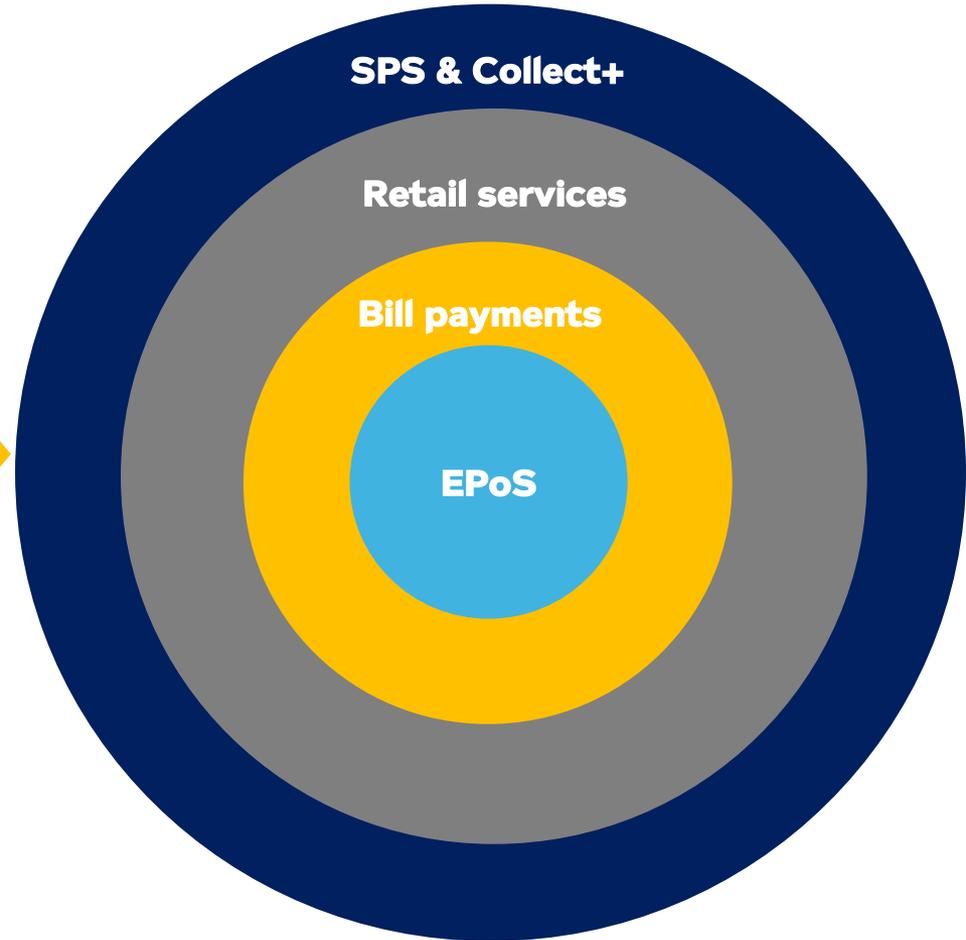
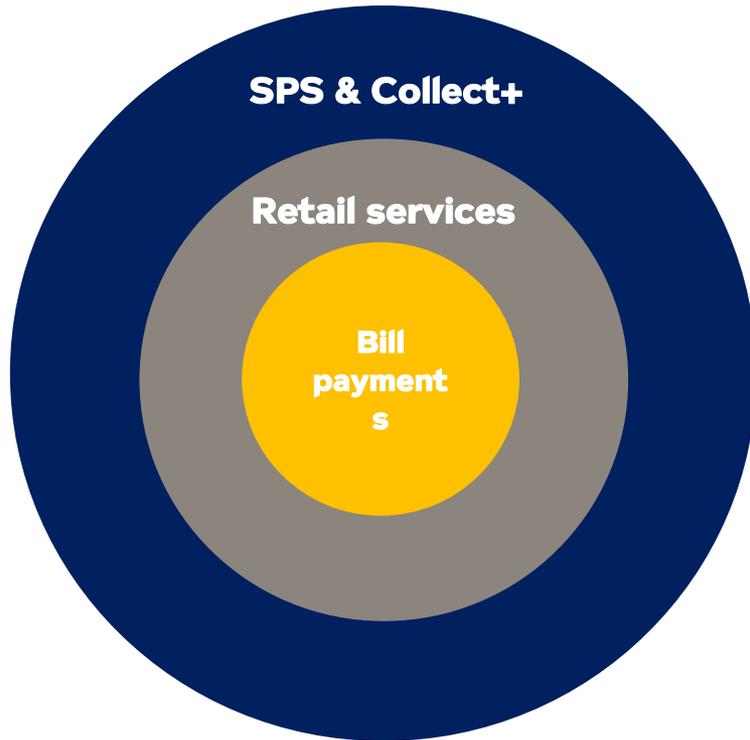
- Evolve next generation of systems
  - retail
  - Payments
- Leverage scale & capability
- Retail services
- New consumer services
- Develop Romanian business
- Build out geographic footprint

<p><b>Restructure from group to single company</b></p>	<ul style="list-style-type: none"> <li>• New Executive Board in place</li> <li>• Single company vision; values; culture</li> <li>• Significant restructuring to improve effectiveness and customer service underway</li> </ul>
<p><b>Improve innovation &amp; focus</b></p>	<ul style="list-style-type: none"> <li>• New Product Director</li> <li>• Greater emphasis on longer term planning to maximise innovation</li> <li>• Retail sales and operations restructuring</li> </ul>
<p><b>Launch next generation of systems</b></p>	<p>Retail  Payments </p>
<p><b>Rationalise portfolio</b></p>	<ul style="list-style-type: none"> <li>• Online sold on 8 Jan 2016 for £14.4m</li> <li>• Mobile remains in a sale process</li> </ul>
<p><b>Conclude Collect+ discussions</b></p>	<ul style="list-style-type: none"> <li>• Progress continues</li> </ul>



Proposition before PayPoint One

PayPoint One proposition



## Customer web view

### Quick & easy ways to top-up

No more bills, just easy-to-manage top-ups, automatically credited to your smart meters

In order to top-up your gas and/or electricity, all you need are your unique top-up card numbers. When your smart meters are installed, you will be issued with unique top-up cards (depending on your supply type); one for your gas and one for your electricity. Each top-up card will have a 19 digit top-up number along the front or back, which is unique to your meter. These numbers can be used to top-up your supplies in a number of different ways, enabling you to pay for your energy whenever and wherever you choose.



Top-Up Online



Download the App



Top-Up by Phone



Replacement Cards



Top-Up by Text Message



Find a PayPoint Outlet

## Customer app view



**Utilita Energy**  
PayPoint PLC  
★★★★☆ (20)

OPEN



pre-pay the smart way

Sign in

Register

Top-up now

OR

Store locator

Help

Endava Test

My account

 **Gas account**  
9826003901000000005 >

 **Electricity account**  
9826003801000000007 >

  
Top-up

  
Pay in store

  
My payments

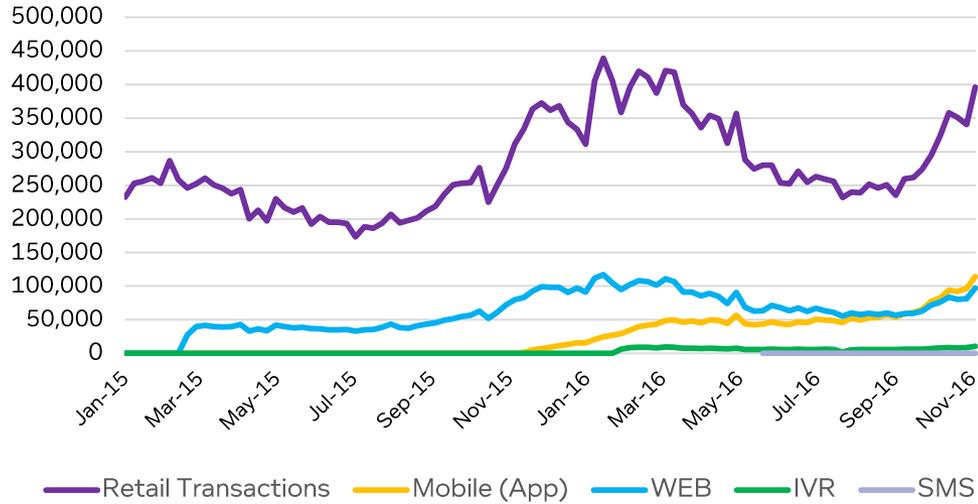
  
My payment cards

  
Manage accounts

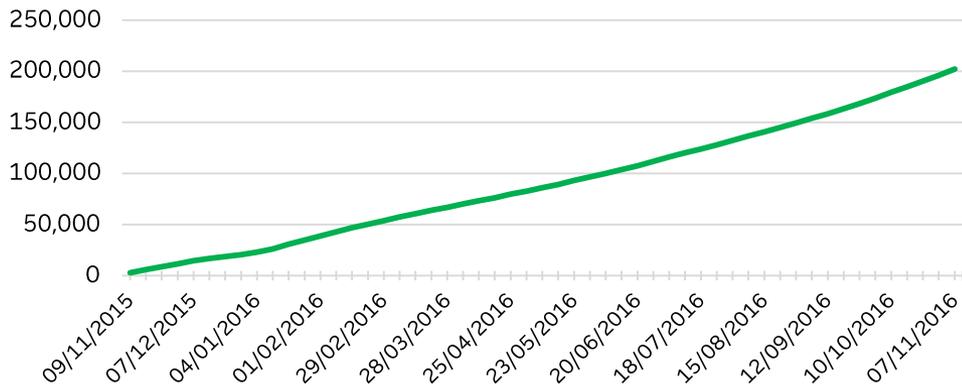
  
My details

  
Store finder

## Transactions

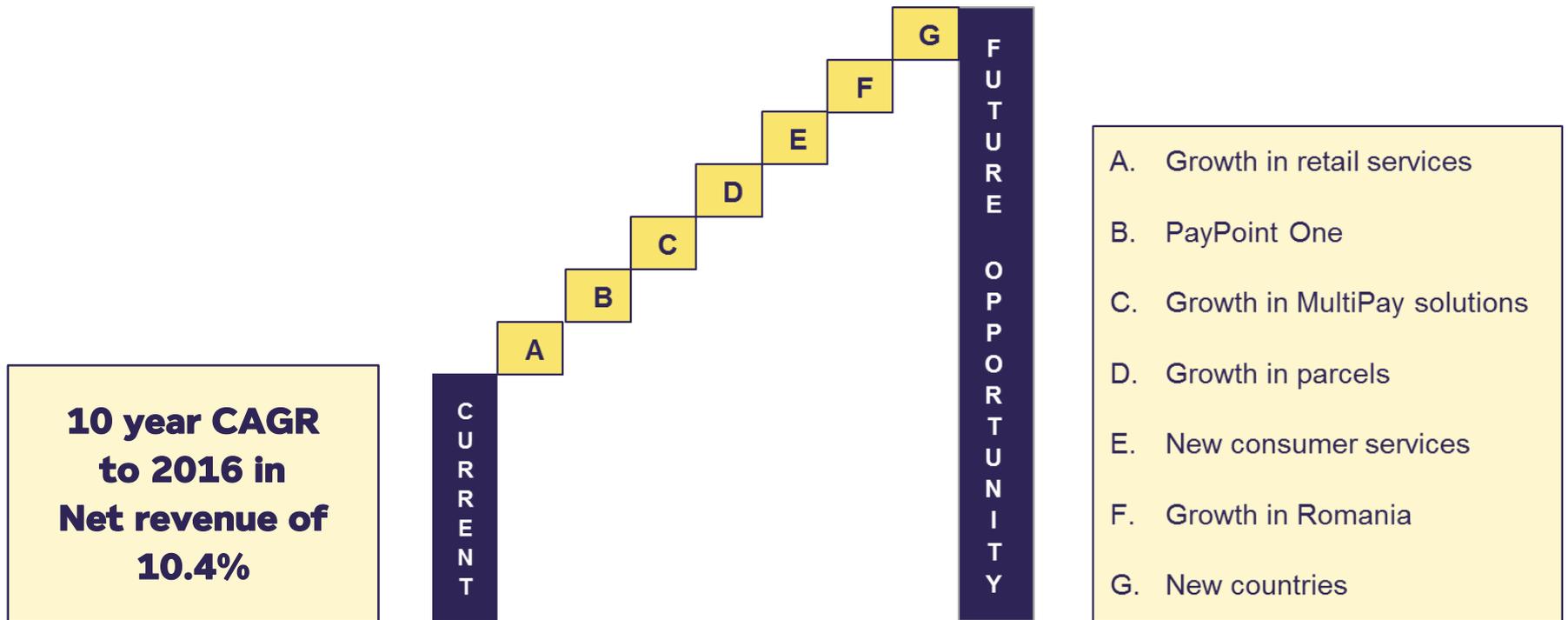


## Cumulative App downloads



- 6 million pa run rate on non-cash channels
- Cash holding up well at >65% of all txns
- App is popular

**Our mission:** is to lead the market in the provision of products to consumer service companies and retailers, through **innovative solutions** and **first class customer service**



**Substantial opportunity for sustainable growth**