



Dominic Taylor, Chief Executive
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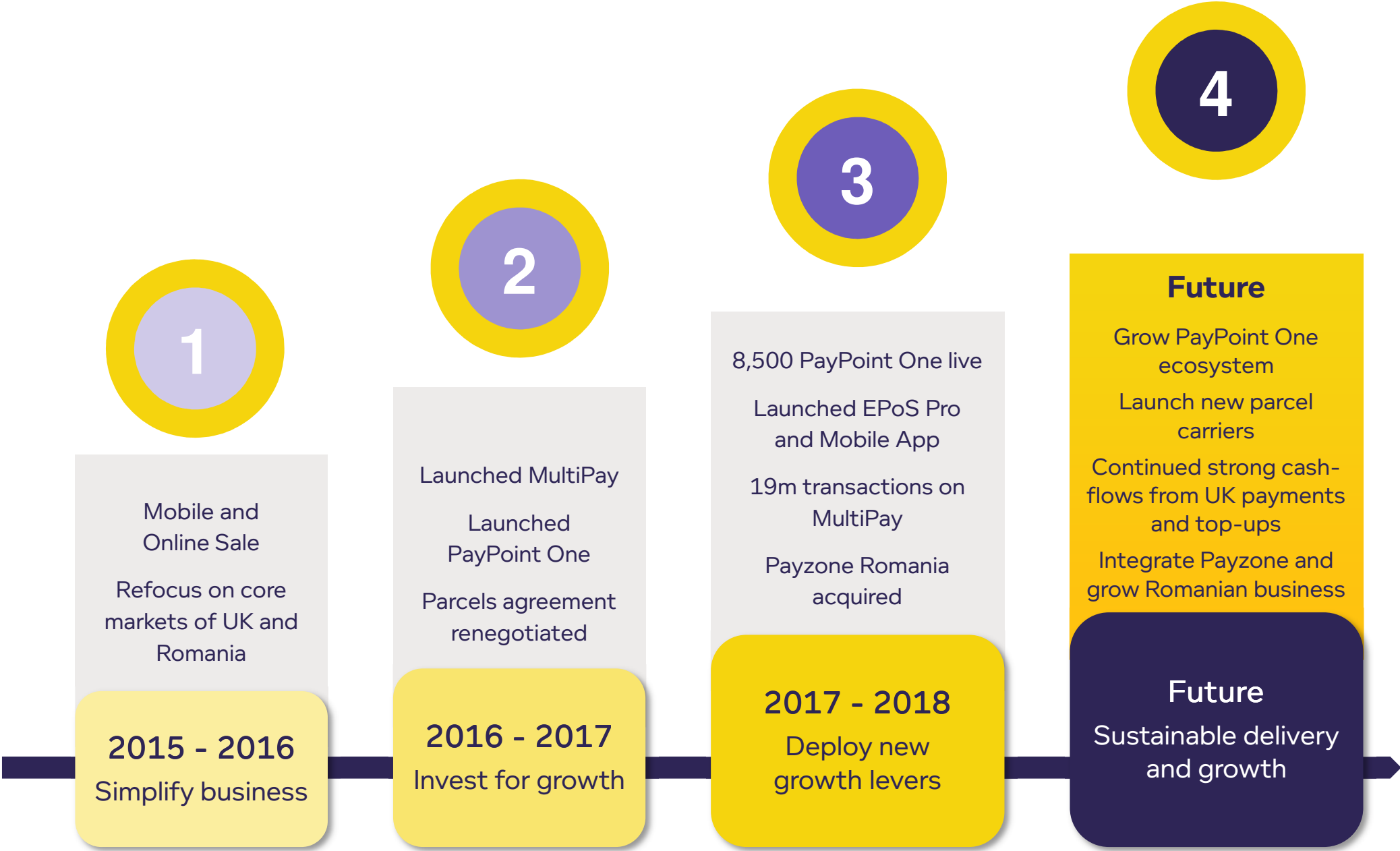
29 November 2018

Results for the half year ended 30 September 2018

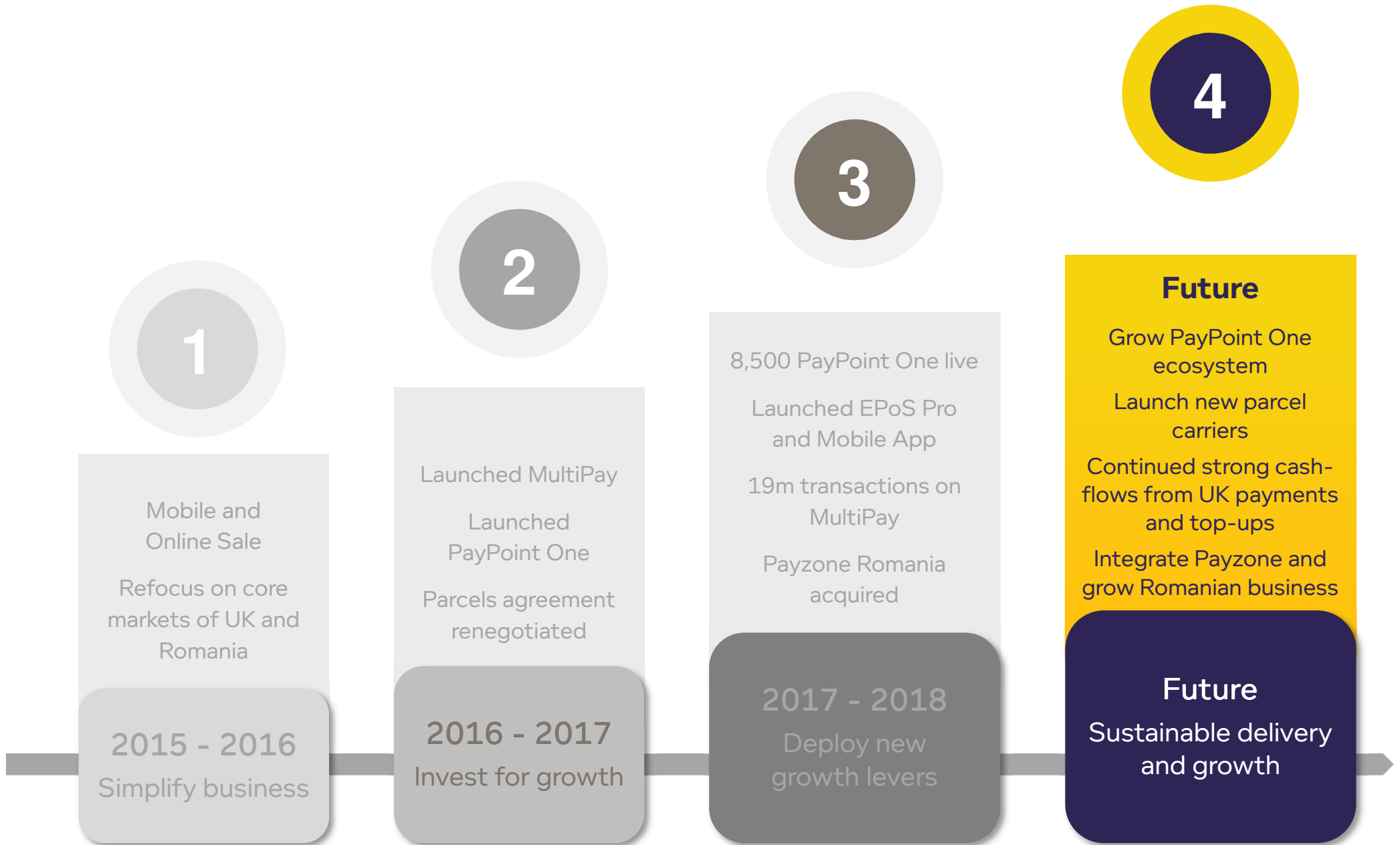


Introduction

Reshaping phase complete...



... growth coming through



Good progress overall

- PayPoint continues to deliver against roadmap

Activities	Progress	
Grow PayPoint One eco-system	<ul style="list-style-type: none">• PayPoint One in over 11.2k sites	✓
Launch new parcel partners	<ul style="list-style-type: none">• ebay live	✓
Continued strong cash-flows from UK payments and top-ups	<ul style="list-style-type: none">• Strong net revenue growth in MultiPay (+64%) and E-money (+20.6%)	✓
Integrate Payzone and grow Romanian business	<ul style="list-style-type: none">• Payzone integration progressing well	✓
Innovate for the future	<ul style="list-style-type: none">• Progress made on key initiatives (LINK OTC, Card net settlement, Direct Debit)	✓

- **Financial highlights**

- Revenue £106.1m, up 8.7%
- Underlying net revenue growth of 3.2% to £55.6m, reported net revenue down 1.6% which reflects £2.7m headwinds
- PBT £25.3m, up 4.0%
- Operating cashflow £27.6m

- **Attractive cash returns to shareholders**

- Ordinary interim dividend 15.6 pence per share, up 2%
- Additional interim dividend 12.2 pence per share





Financial review

Financial results – profit before tax up 4%

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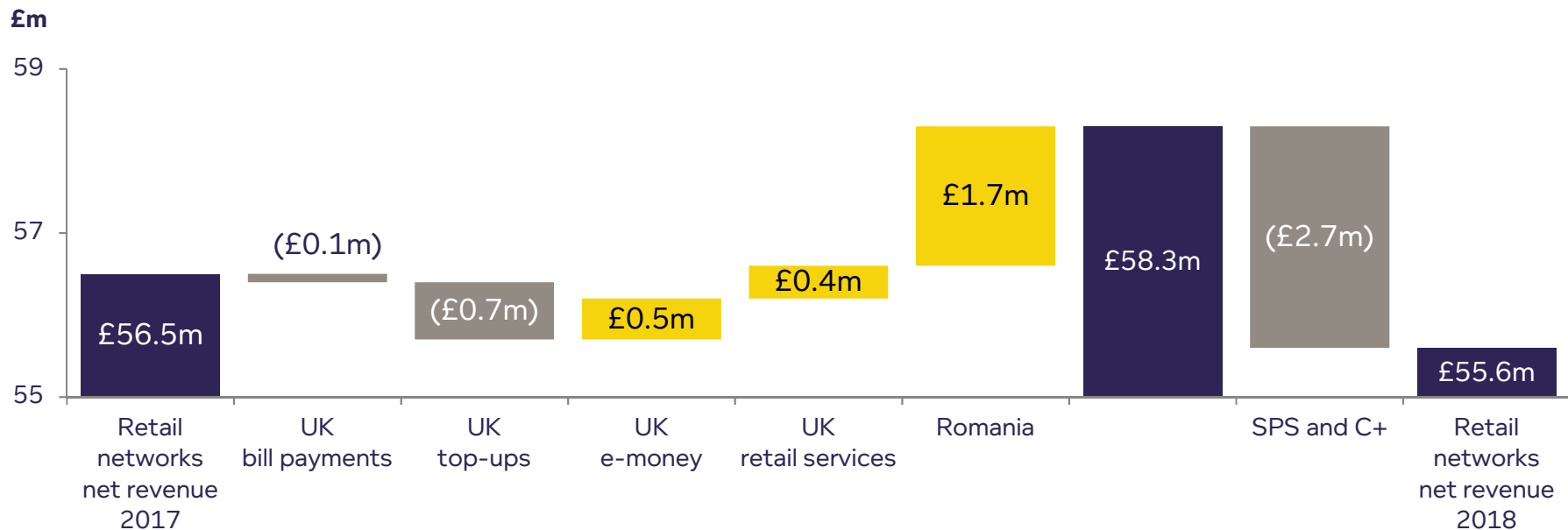
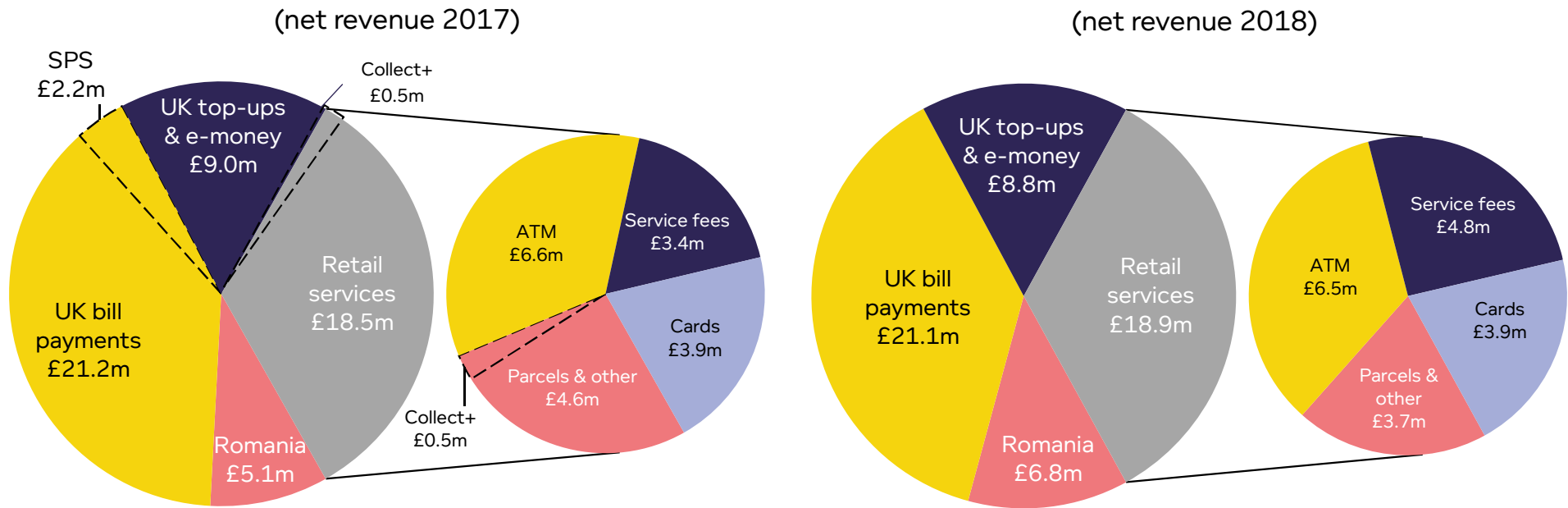
Half year 30 September	2018 £m	2017 £m	% change
Gross revenue	106.1	97.6	8.7
Net revenue	55.6	56.5	(1.6)
Other cost of revenue	(9.1)	(9.1)	(1.2)
Administrative costs	(21.0)	(23.0)	(8.4)
Operating profit	25.5	24.4	4.5
Net financing costs	(0.2)	-	-
Profit before tax	25.3	24.4	4.0
Tax ¹	(4.8)	(4.6)	4.5
Earnings per share	30.1p	29.1p	3.5
Ordinary dividend per share	15.6p	15.3p	2.0
Additional dividend per share	12.2p	12.2p	-
Total dividend per share	27.8p	27.5p	1.1

1. Effective tax rate of 19% is broadly in line with prior period.

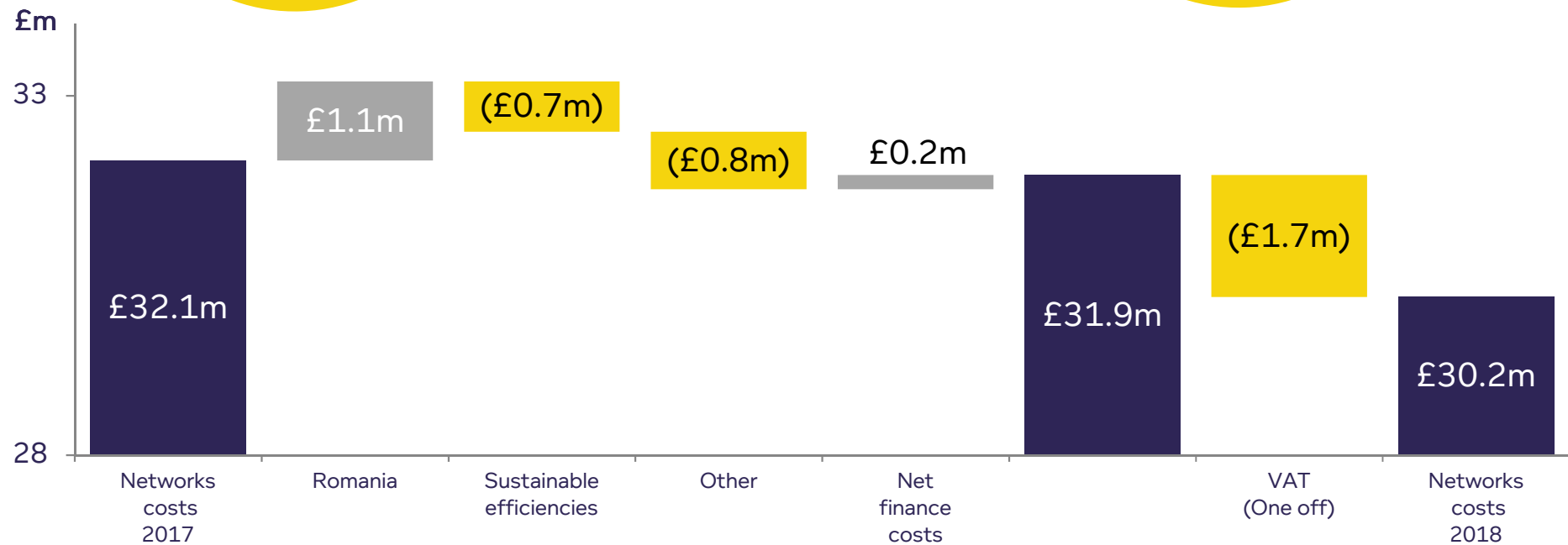
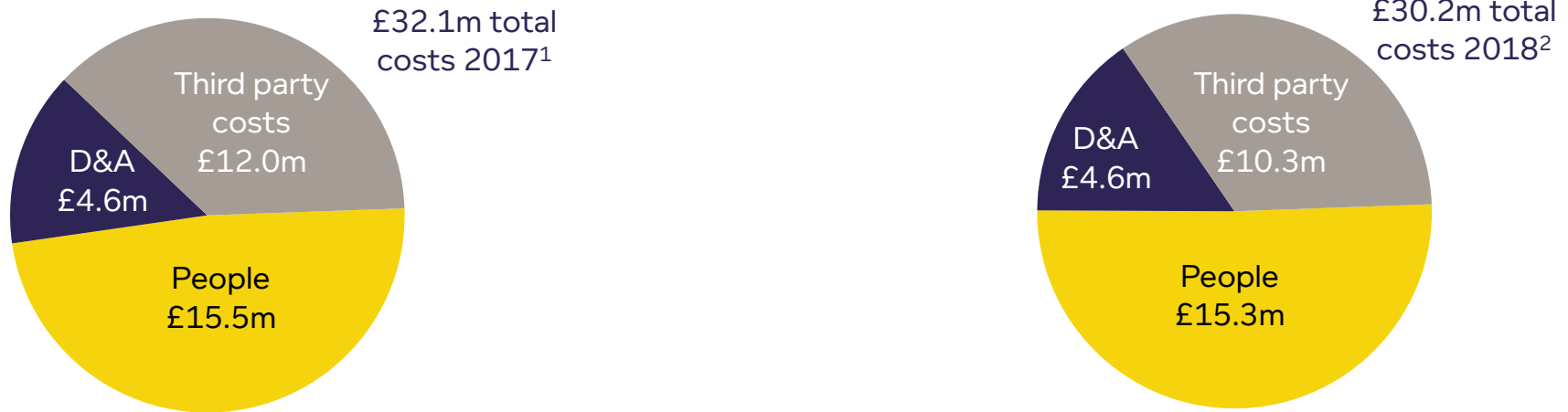
The above presentation contains minor (£0.1m) rounding's to ensure integrity of key numbers with those published in the interim statements.



Underlying net revenue up 3.2%



Underlying costs down 0.5%



1. Comprises £9.1 million other costs of revenue, administrative expenses £23.0 million and no financing costs
2. Comprises £9.1 million other costs of revenue, administrative expenses £21.0 million and net financing costs of £0.1 million



Cash generation and use

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	6 mnths Sept 2018 £m	6 mnths Sept 2017 £m
Profit before tax	25.3	24.4
Non-cash items / other	3.3	5.1
Working capital – PayPoint	(1.0)	(3.0)
Cash generation	27.6	26.5
Working capital – client funds and retailer deposits	5.4	(2.0)
Tax paid	(4.4)	(5.0)
Capital and other expenditure	(3.7)	(8.1)
Free cash flow	24.9	11.4
Dividends paid	(37.6)	(37.2)
Financing facility	6.0	-
Payzone acquisition	-	-
Effects of foreign exchange rate changes	0.1	0.2
Net cash movement	(6.6)	(25.4)
Net corporate cash at period end	0.6	9.5
Client funds and retailer deposits	32.7	18.1

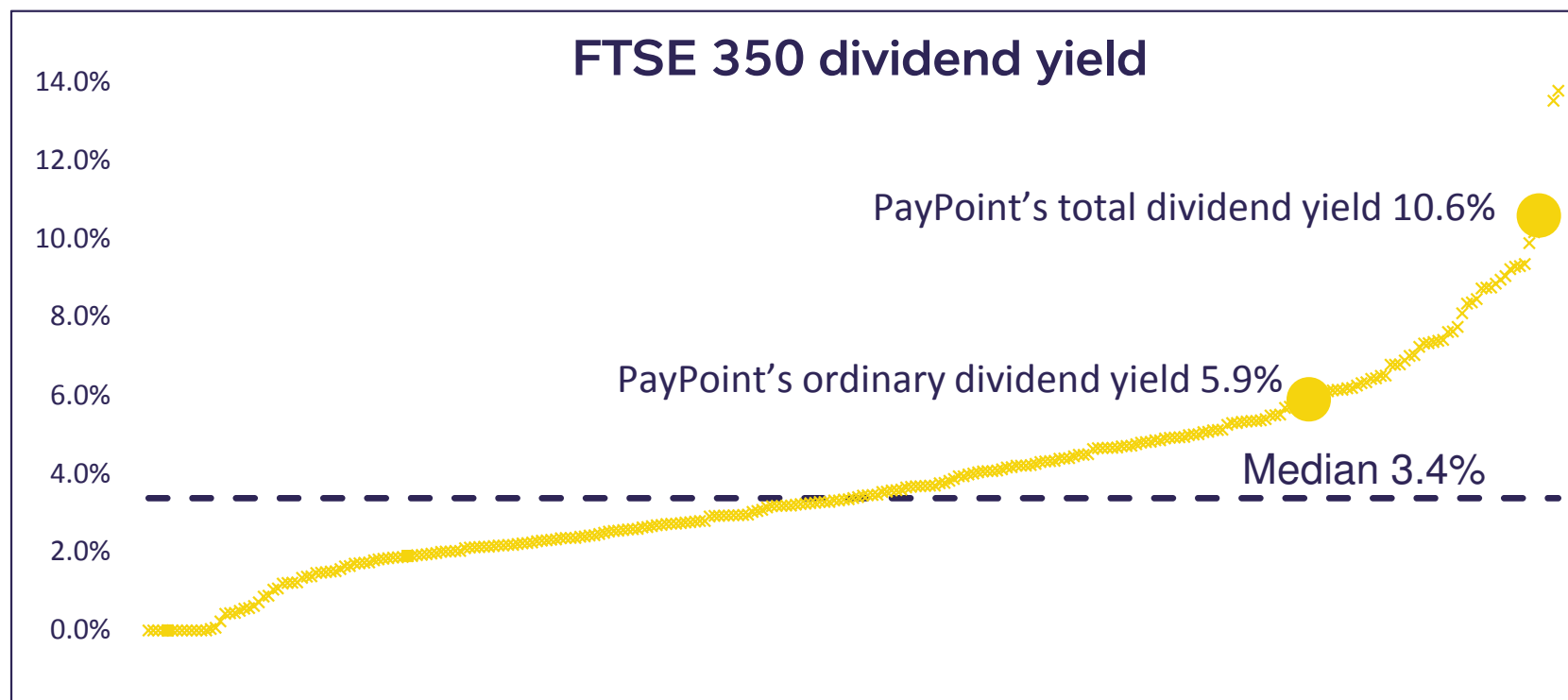
Balance sheet remains strong

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	Sept 2018 £m	Mar 2018 £m	Sept 2017 £m
Goodwill	12.4	12.2	8.4
Other intangible assets	14.5	13.6	13.8
Property, plant & equipment & deferred tax	27.7	28.6	29.3
Cash	39.4	46.0	27.6
Revolving financing facility	(6.0)	-	-
Working capital	(37.7)	(34.9)	(18.3)
Current tax	(4.6)	(4.2)	(4.2)
Net assets	45.7	61.3	56.6

Strong cash returns to shareholders

- Ordinary dividend:
 - Target cover ratio of 1.2 to 1.5x
 - Full year 2017/18 ordinary dividend was 45.9p per share
 - Interim 2018/19 ordinary dividend of 15.6p per share, up 2%
- Additional dividend:
 - £125 million: first payment was in December 2016, final payment due December 2021
 - £50m paid to date
 - £8.3m (12.2p per share) to be paid in January 2019



Based on a share price of £7.83 on 23 November 2017








Outlook remains consistent with that given in May 2018

Headwinds

- DWP contract reduction £4m
- Yodel renegotiation, second year impact £1m

Growth drivers from a base of £47.9m (FY 17/18 PBT £52.9m less headwinds)

- Further PayPoint One rollout to 12,400 outlets and mix improvement 
- Card services; volume growth, revenue flat 
- Pipeline of parcel deals; volume & revenue this year will be influenced by speed of implementation 
- MultiPay growth in clients and transactions 
- Romania; organic growth and Payzone integration synergies 

IFRS 15 impact to 30 September 2018

- Net asset value increased £1.0m
- Profit before tax in the period - broadly flat

Summary

Our good performance in the first half underpins the Board's confidence that as PayPoint's growth drivers continue to develop there will be progression in profit before tax for the full financial year to 31 March 2019.



Operational review

- Landscape developments
- Our strategic priorities
- Progress update

Convenience

- Continued consolidation of retail and wholesale: Sainsbury's/Asda, Today's/United Wholesale
- Total sector sales +2.9% YOY, forecast to reach over £40bn by end of 2018 ¹
- Store investment – multiples outstripping unaffiliated independents, investing £38k per store vs. £7k ¹

Parcels

- 12.6% growth in UK parcel volume; online retail sales value up 14.5% ²
- Click and collect annual market volume is 100 million parcels and is expected to double by 2025 ³
- Pass My Parcel shop network – ownership change from Connect Group to DHL - loss of Amazon as client

Cards

- Legislation ban on surcharges (from Jan'18)
- Retail card payment transactions increased 8.5%
- Contactless more prevalent than chip-and-pin ⁵
- Average transaction values declined by 3.3%

ATMs

- Link ATM transactions down 5.2% to 1,501 million transactions ⁶
- Interchange rate reduction of 20% (in 5% increments): Jul'18 (active), Jan'19 (planned), Jan '20 (cancelled), Jan'21 (on hold)

Bill payments

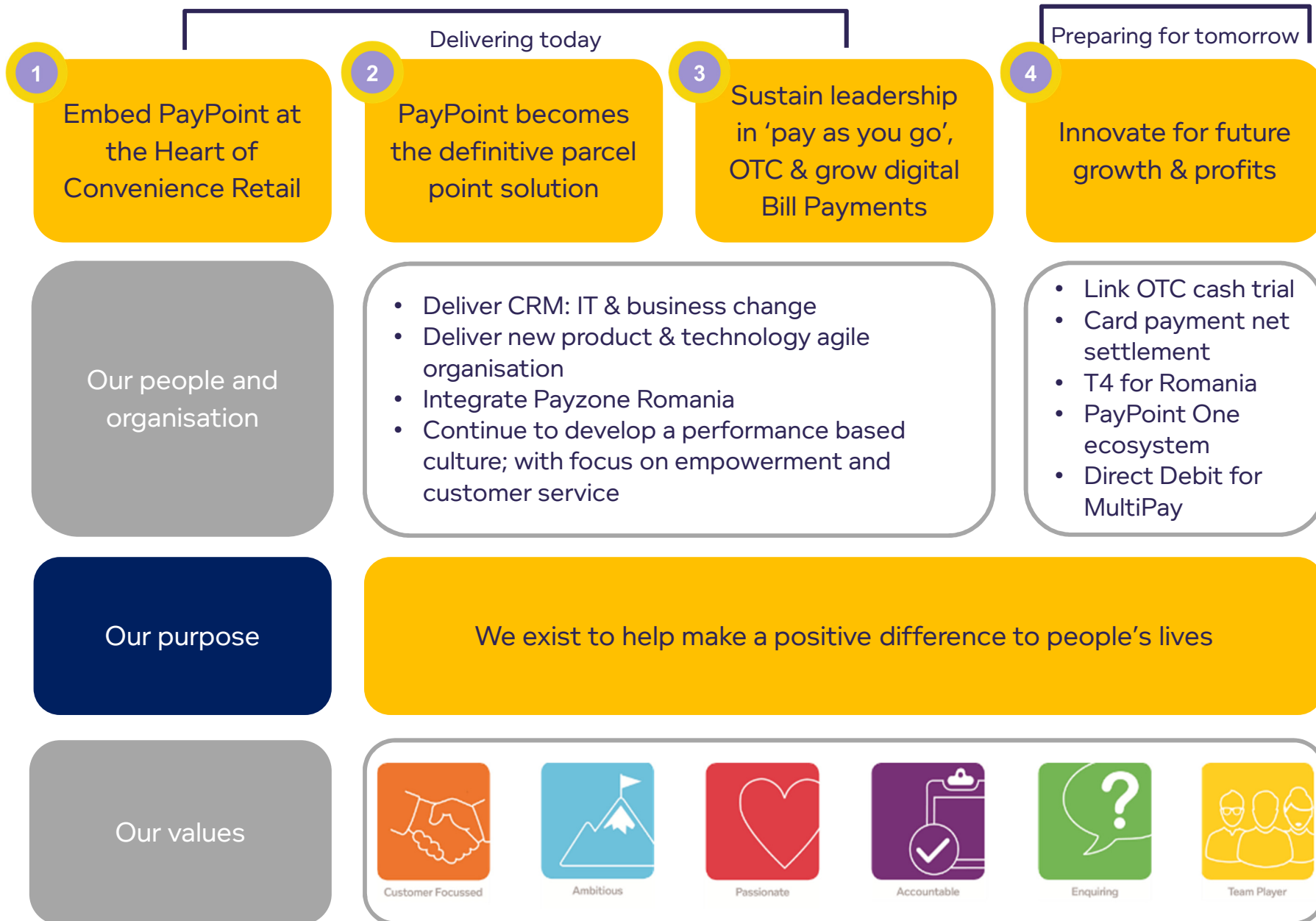
- Prepay price cap increases of £57p.a in April and a further £47p.a from 1 October 2018. Post pay price cap to be introduced
- Non-big six energy providers combined market share is now c25%, larger than any of the big six ⁴
- Emergence of bank challengers
- Competition and Markets Authority has provided clearance for:
 - SSE and Npower merger
 - Post Office / Payzone acquisition

Sources:

1. ACS Local Shop Report 2018
2. MetaPack UK Delivery Index Report September 2018
3. IMRG UK Click and Collect Report 2018

4. <https://www.ofgem.gov.uk/data-portal/retail-market-indicators>
5. <https://www.worldpay.com/uk/about/media-centre/2018-10/tap-and-go-tipping-point> (Analysis of all card present transactions processed by Worldpay in the UK, June 2017 – June 2018)
6. <https://www.link.co.uk/about/statistics-and-trends/>

Delivering on a consistent strategy

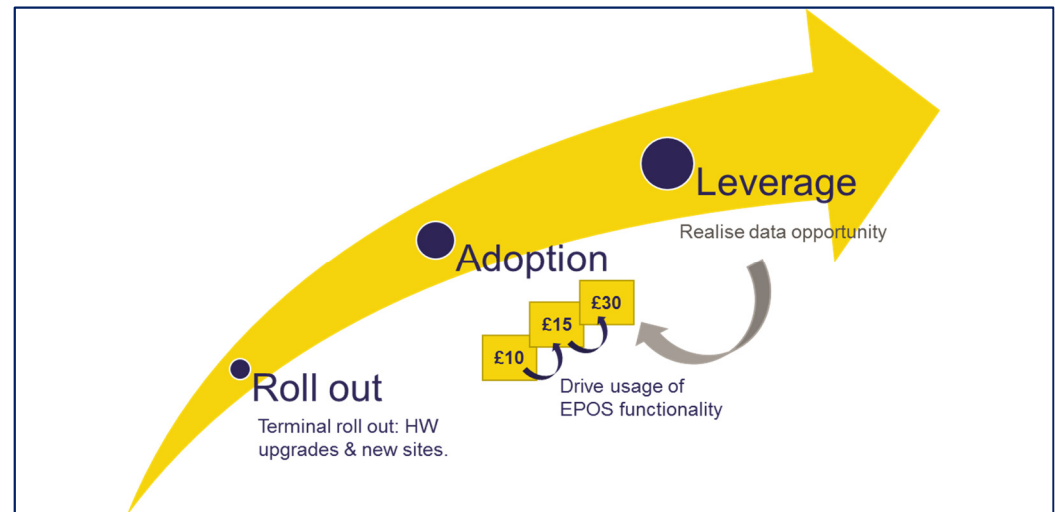


Grow PayPoint One ecosystem

- **What we have achieved**
 - Over 11,200 stores (10.2k as at 30 Sept 2018); 64%¹ of our independent retailers now migrated to PayPoint One
 - c.470 EPoS Pro stores live
 - Average of 821k baskets processed daily (up 87% vs prior period)
 - iOS mobile app built (to complement Android)

	30 Sep 18	30 Sep 17
Total	10,242	6,181
EPoS Base £10/week	4,589	2,593
EPoS Core £15 or £20/week	5,235	3,575
EPoS Pro £30/week	418	13
Average service fee	15.01	14.29

- **Execution priorities**
 - Migrate T2 technology to PayPoint One
 - Recruit new retailers onto PayPoint One
 - Improve platform proposition e.g. card net settlement
 - Upsell through the EPoS product range; enabling full benefit to be derived
 - Encourage usage (e.g. scanning)
 - Better understand data and it's opportunity
 - Complete new supplier links (e.g. Booker)



1. Excludes retailers using the PPOS terminal and Multiple retailers using the legacy terminal.





PayPoint One Retailer Case Study



Muhammad Rana

Location: Premier Poplar Stores, Huddersfield

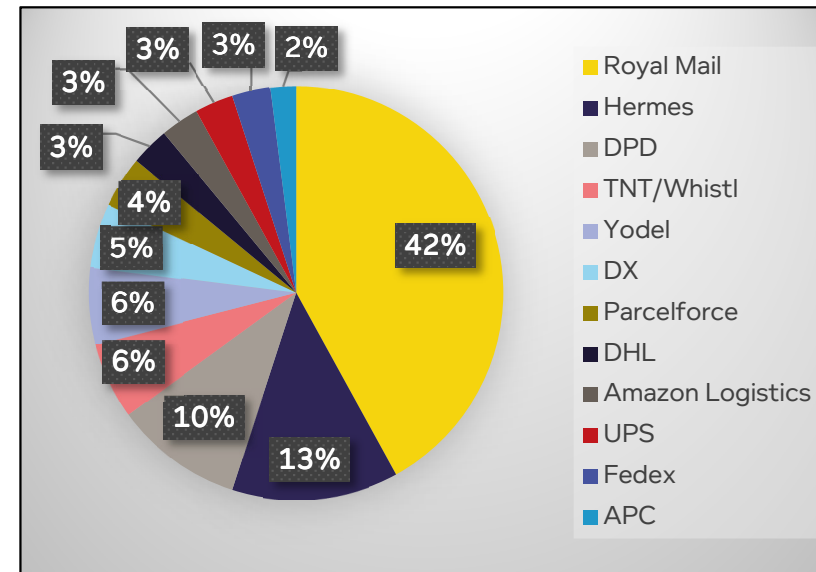
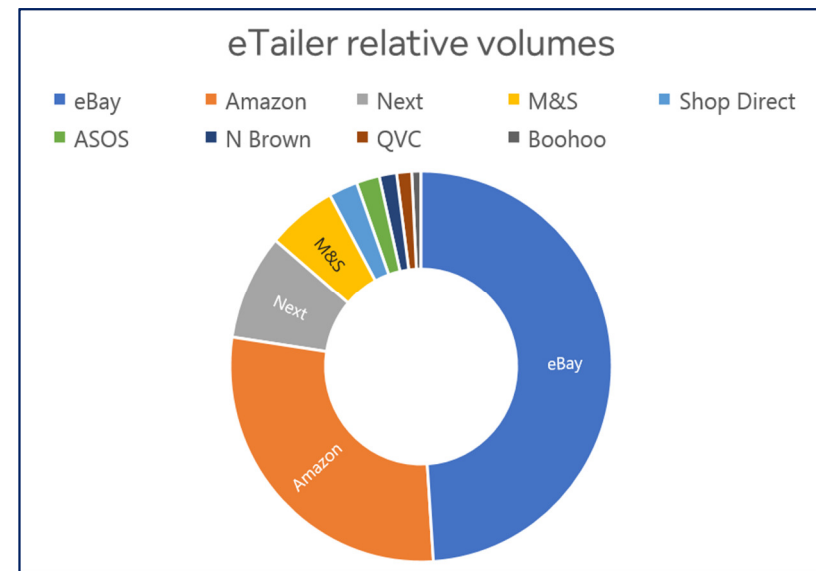
PayPoint One subscription: EPoS Pro

Activity	Experience	Benefit
 <p>Margin management</p>	<ul style="list-style-type: none"> - Previously stocked high, mid and value coffee - PP1 identified mid-range not selling - Range removed and doubled facings on other 	<p>Sales up and blended margin increased to 32% (from 18%)</p>
 <p>Productivity</p>	<ul style="list-style-type: none"> - Previously spent 50 mins/day reviewing daily books and 3 hours on weekly books - Used PP1 mobile app to significantly reduce daily review (75% of effort) - Utilised cloud back office to reduce weekly review (25% of effort) 	<p>Freed up ~25% of time to focus on other tasks</p>
 <p>Wastage</p>	<ul style="list-style-type: none"> - Previously throwing away around 4-5 cases a week of stock - Used PP1 to review lines not selling, cut stock holding and change weekly orders 	<p>Reduced wastage by 75% overall</p>
 <p>Stock turn</p>	<ul style="list-style-type: none"> - Previously no measure of stock turn with orders based on estimates - Used PP1 reporting/sales data to analyse stock being sold and over what timeframe 	<p>Optimised stock ordering process</p>



ebay launched and now live

- **What we have achieved**
 - First open carrier partner (ebay) signed and live in 2,500 stores before peak 2018
 - New retailer mobile app for easier in-store operation
- **ebay is a significant new opportunity**
 - Up to 24m ebay customers per month served by 700k sellers
 - Previous network of c.1,000 locations – mainly Argos and some Sainsbury’s stores
 - ebay customers can now access 2,500 Collect+ stores in run up to Christmas 2018
 - Open carrier offer – ebay sellers have choice of carrier; ebay customers have choice of pick up location
 - Early days – c.85,000 ebay parcels processed to date
- **Execution priorities**
 - Ensure ebay drives good consumer and retail experience over Christmas
 - Deliver at least two additional partners before peak 2019
 - Continued network optimisation and operational enhancements



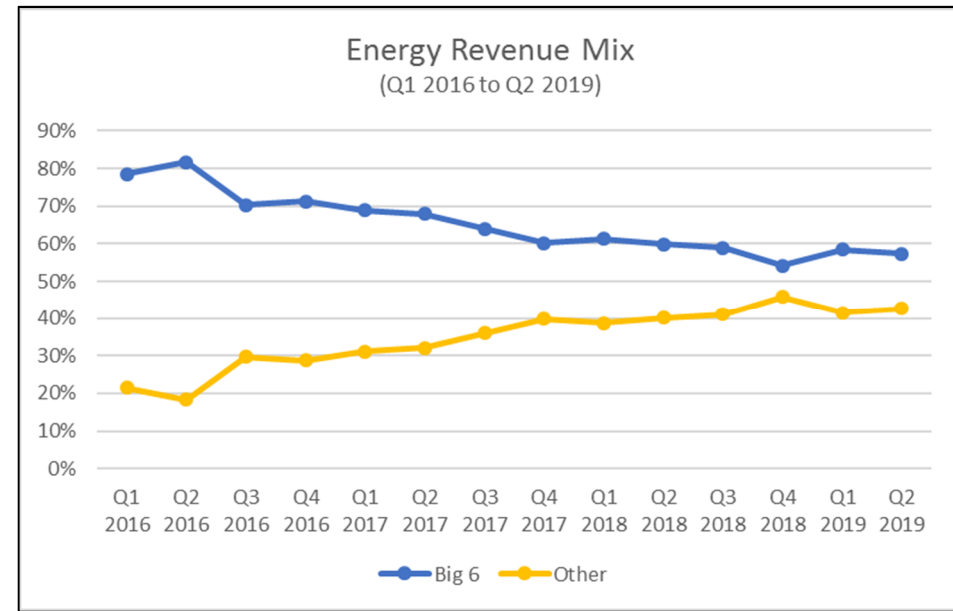


View video at <https://corporate.paypoint.com/investor-centre/results>

UK - continued client wins and digital payment growth

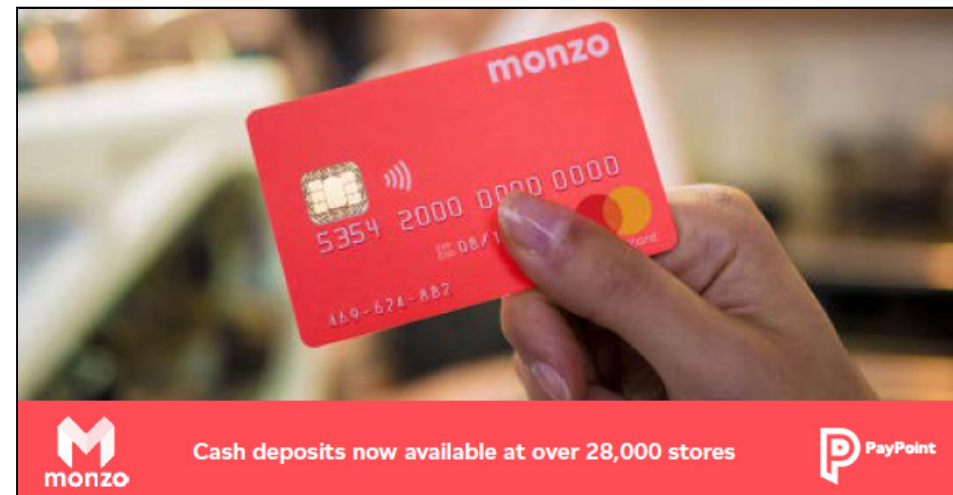
• What we have achieved

- **MultiPay:** 20 clients set live, contracted or renewed
- Strong txn growth (55.7%) in MultiPay
- **E-Money:** Strong txn growth (10.3%) driven by pre-paid vouchers, deposits for bank challengers and sales of digital content
- Secured Monzo, our fourth bank challenger, with 1m customers



• Execution priorities

- Focus on supporting challenger energy providers
- Focus on supporting bank challengers
- Implement 2nd payment service provider for MultiPay, for resilience



Romania - integrate Payzone and grow business

- **What we have achieved**
 - Leadership in bill payment; 38% market share of cash bill payment, with opportunity to grow through alternative and non cash channels
 - 75% PayPoint brand awareness
 - 19% market share in mobile top-ups, with market now in slow decline
 - Payzone integration progressing well; back office largely complete, Payzone retailers migrating to the PayPoint Network
 - Network rationalised to 19,000 sites, likely to reduce by another c.1000
- **Execution priorities**
 - Deploy new retail technologies including T4 with integrated card payment functionality
 - Complete Payzone integration to deliver efficiencies
 - Develop digital payment solution for bill payment



Net Revenue	Sept 2018 £m	Sept 2017 £m
Bill payments	4.3	3.3
Top-ups	1.9	1.3
Retailer services	0.6	0.5
Total	6.8	5.1

We continue to innovate

PayPoint has a history of innovation

- First to bring bill payments to local shops
- First to bring parcels to local shops
- First to launch bespoke tablet cloud based EPOS system to local shops

This innovation continues across the business, driven by a product focused organisation adapting to an agile technology organisation:

- MultiPay is the first successful UK smart meter payment platform working at scale, with Direct Debit coming soon
- Collect+ is the first parcel network to deliver open and multi-carrier solutions at scale with ebay as flagship client
- The LINK counter service will bring cash withdrawals for every major bank to local shops

Our innovation wins awards

- Utilita won 'best App' (developed by PayPoint) in the U-Switch Energy Awards 2018
- Won 'Best Collaboration Initiative' at Emerging Payments Awards 2018



We continue to innovate to improve our service to retailers 24

PayPoint is committed to innovate to provide retailers with great service

- CRM Salesforce contract workflow delivered, with more implementations planned this financial year
- New IVR launched Summer 2018 – simplified customer journey resulting in 80% reduction in time waiting (7 mins to 90 seconds)
- Improved complaints management process launched - +5.5% improvement in first contact resolution
- New claims process – 83% reduction in time taken to settle
- New retailer KPI's and dashboard
- New retailer website – simplified sales, lead generation and support. Enhanced store locator to publicise business e.g. Google Images

"It's **improved** and takes a **shorter time** to get through. 2 months ago my score would have been 4 out of 10."
Unaffiliated Independent Retailer

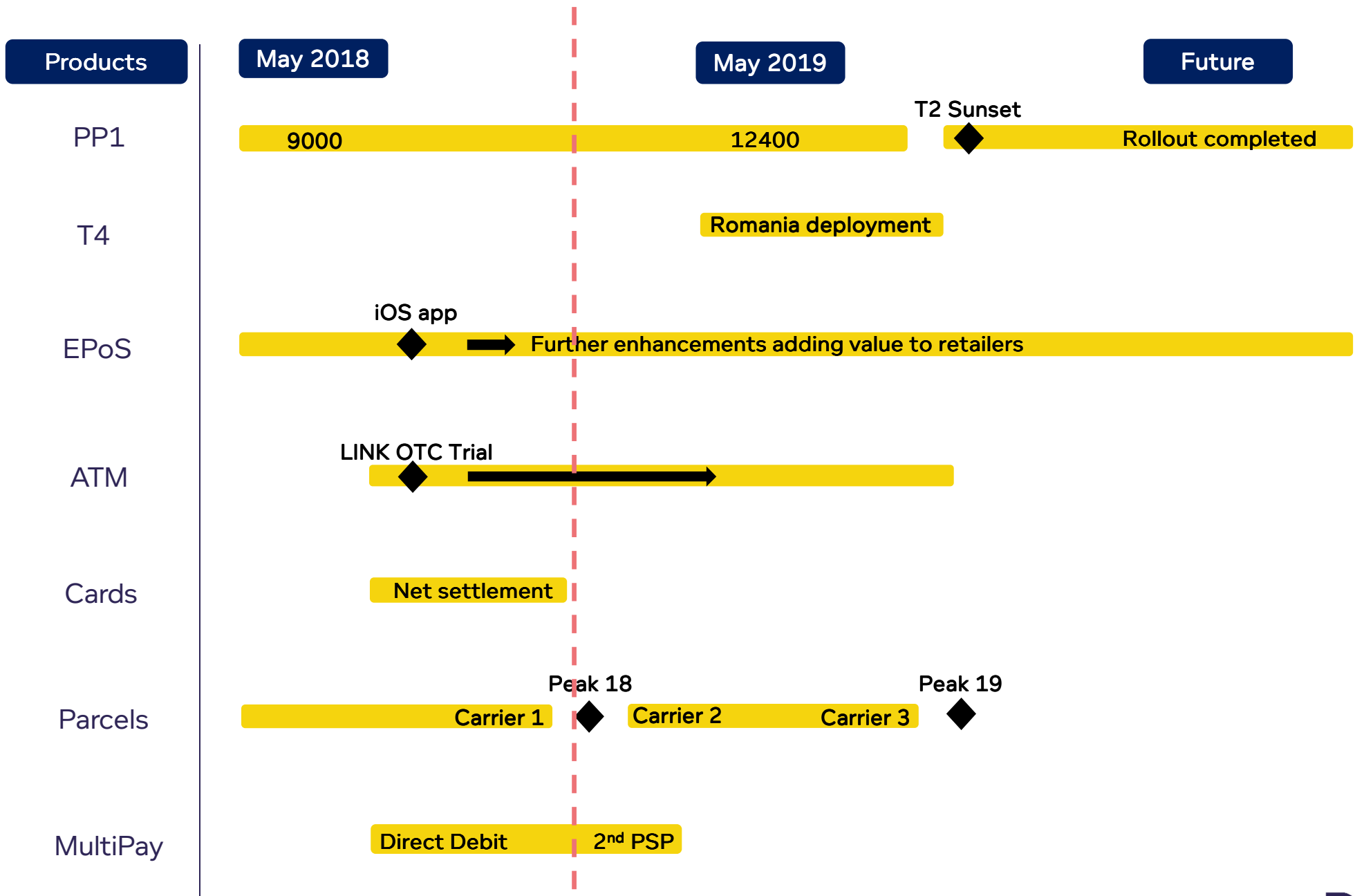
"The technology is good and the customer service has **improved dramatically!**"
Independent Symbol Retailer

"The **staff are better** at helping now."
Independent Symbol Retailer

The screenshot shows the PayPoint website interface. At the top, there is a navigation menu with options: Retailer, Service provider, Consumer, Store locator, and Corporate. Below the menu is a search bar and a 'Sales enquiry' button. The main content area features a large image of a hand using a POS terminal with the headline "Everything you need to run your store". Below the headline, there is a paragraph of text: "We offer cutting edge technology and popular services to help you run a more profitable business. From EPoS to card payments, parcels to ATMs, we provide complete solutions with full support, training, free point of sale, great retailer deals and a freephone contact centre open 365 days a year." At the bottom, there is a row of six service category buttons: EPoS, ATM, Parcels, Card payments, Bill payments, and SIMs.



Underpinned by clear delivery roadmap



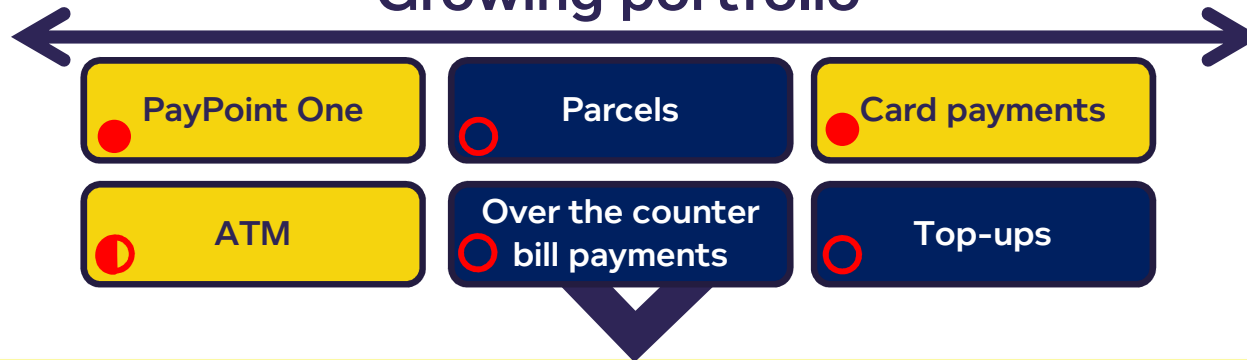
- Good progress over first six months
- Innovation driving strong momentum in all key areas
- We are well positioned to drive benefits to customers from the changes in the retail and payment landscapes
- PayPoint provides market leading cash returns to shareholders
- The Board confirms outlook for the full year



Appendix

Business model delivers strong cash generation

Growing portfolio



Popular services for consumers, retailers and clients, which increase engagement

- Services to retailers
- Footfall

Servicing unique retail network close to where people live and work
 29,000 stores in the UK 20,000 stores in Romania

Serviced by broadly fixed cost platform



Low cost, scalable and technologically advanced platform



Consistent value creation for shareholders

Convenience is the place to be and growing

Behavioural change

- Consumers want convenience, variety and choice, whether online or close to home

Growing market

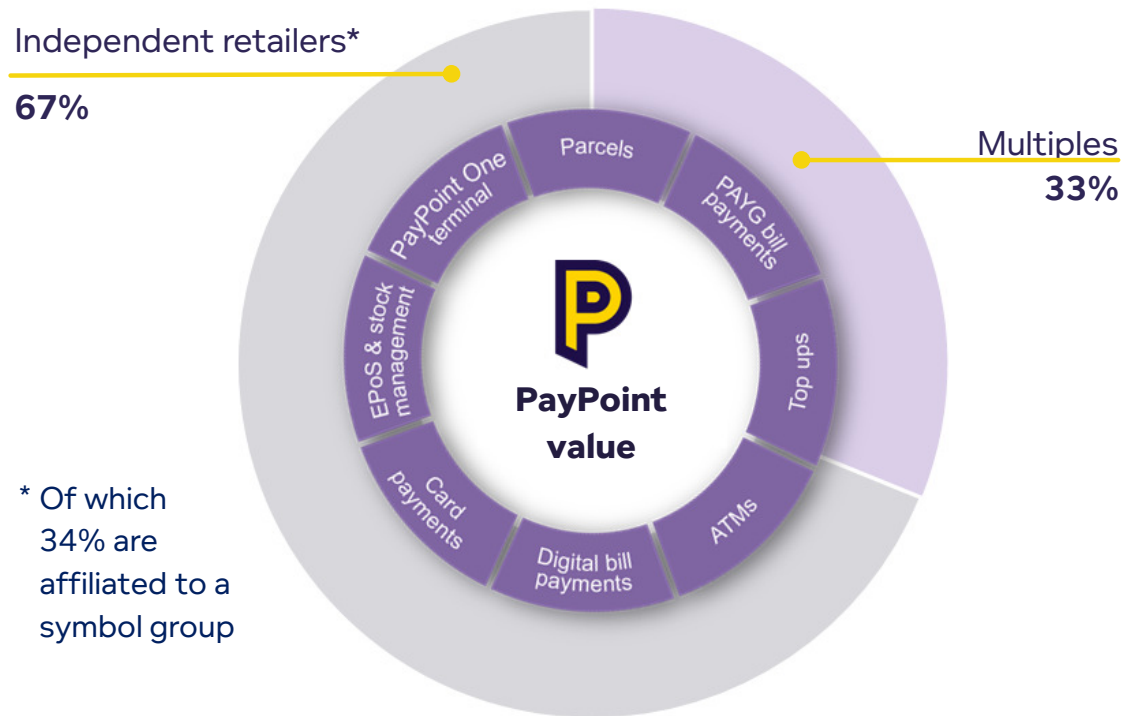
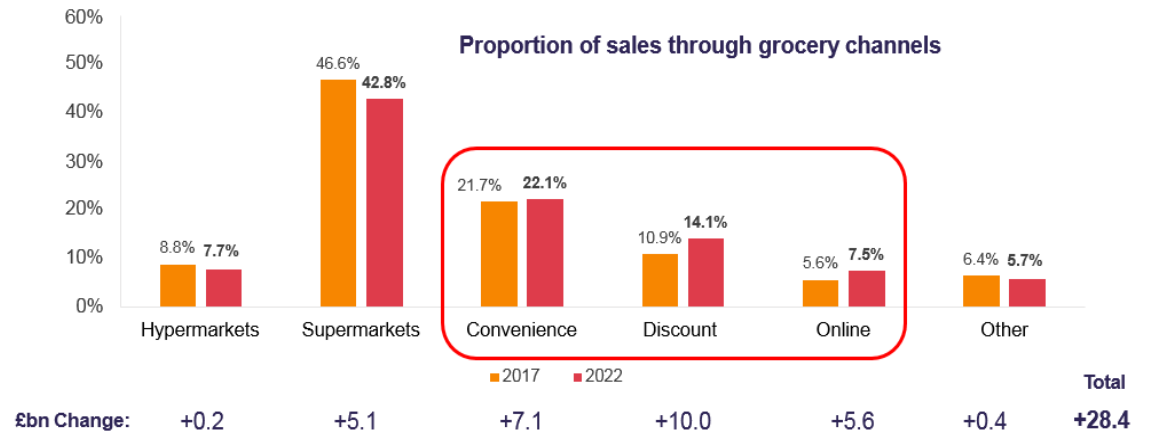
- Forecast to grow by £7bn by 2022, along with online and discounters

Independent retail opportunity

- Represent 67% of the convenience market, yet only a third have EPoS

PayPoint increases retail value opportunity

- Move to heart of store, providing technology that helps retailers run their whole store profitably and efficiently



* Of which 34% are affiliated to a symbol group

Source: William Reed Grocery Retail Structure 2017 & IGD 2017. The Retail Sectors that are included are Convenience, Forecourts, Supermarkets, Specialist CTN & Specialist Off-licences. Includes symbols managed as a multiple Group. Excludes non-retail locations.

