



PayPoint plc

Interim results presentation

19 November 2009





Agenda

- Highlights and operations review
- Financial review
- Summary
- Q&A
- Closing



Highlights and operations review

Dominic Taylor
Chief Executive



Results overview

- Operating profit ahead of market expectations, despite the economic downturn
- A period of tough trading as expected with mobile volumes down
- However traditional retail business continues to deliver
 - Contract developments
 - Good local authority and housing volume growth
 - Continued strong demand from retailers, with low churn
 - New products and services, enhancing retail differentiation
 - ATM volumes up although with lower transactions per machine
 - Continued developments in technology



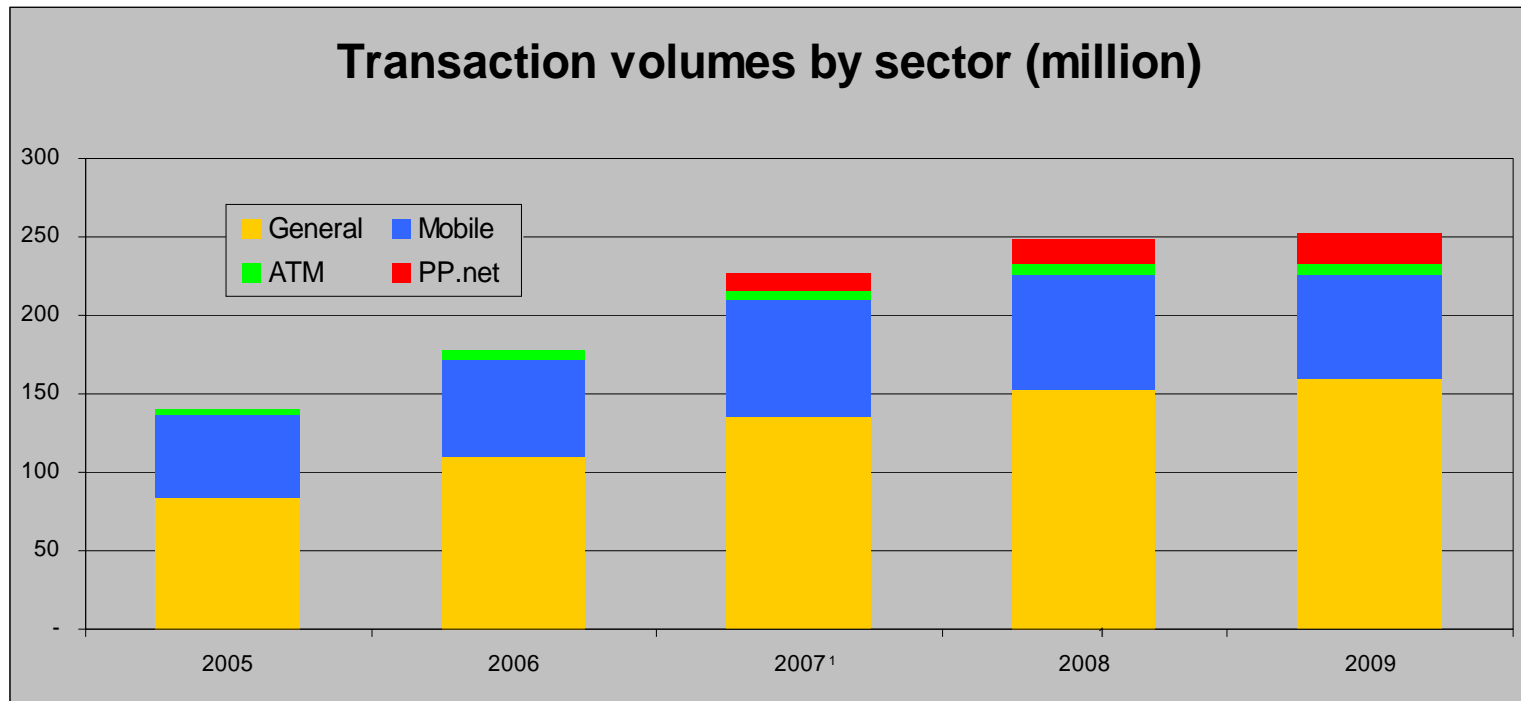
Results overview continued

- Core UK retail business remains uniquely differentiated
 - Widest range of payments; PayPoint processes more retail payments than any other UK provider
 - Extensive retail network with over 22,600 sites in the UK and Ireland (with thousands on the 'waiting list')
- New businesses are making good progress
 - Romanian bill payment growing strongly
 - Internet business has good underlying growth
 - Collect+ our joint venture started trading and now has over 3,500 sites, with growing transaction volumes
- PayPoint Group remains highly profitable and cash generative
- Substantially improved dividend reflects our confidence in growth



Operations review

For the six months ended September each period



¹The comparative figures for 2007 have been adjusted to 26 weeks



Sector and market review

Bill and general payments

- Transactions up 5%, net revenue up 6%
 - Strength of retail network has helped UK prepaid energy volumes grow by 3% on a like for like basis
 - Good growth in Local Authorities and Housing (up 20%)
 - 1.8m bill payment transactions in Romania
- Preferred provider for new ‘smart’ meter schemes with BG and nPower, leveraging PayPoint.net’s internet capability
- Focus on retail products and services:
 - ATMs (2,300 sites); credit and debit card payments (4,600 sites); Western Union money transfer (rolling out first 400 sites) and SIM card sales (1,000 sites)
 - 45% growth in Credit/Debit card transactions, c. 20m run rate p.a.
 - Further new products and services to come



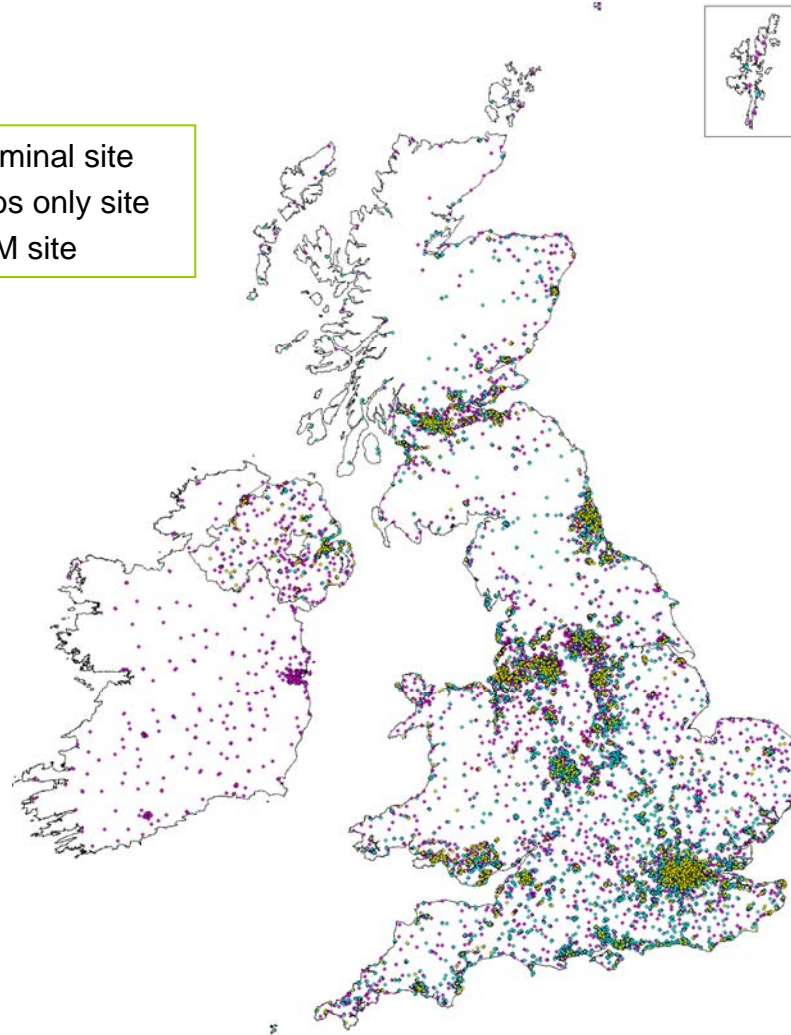
Sector and market review

- **Online**
 - Mobile market volumes down in UK, Ireland and Romania as operators give more value to the consumer
 - PayPoint online volumes are 11% down overall, although net revenue only 3% down, mitigated by
 - Continued network growth: McColls live from July (1,400 sites)
 - Strong performance from the independent sector
 - 35% increase in e-currency and prepay card load volumes
- **ATMs**
 - Overall transactions up 3%, with volume per machine down 5%
 - Although sites have grown by 7% growth (141 in total), there has been a small (1%) reduction in net revenue
 - PayPoint operates a low risk self fill ATM model, with low fixed costs



Retail (UK & Ireland)

- ◆ Terminal site
- ◆ Epos only site
- ◆ ATM site



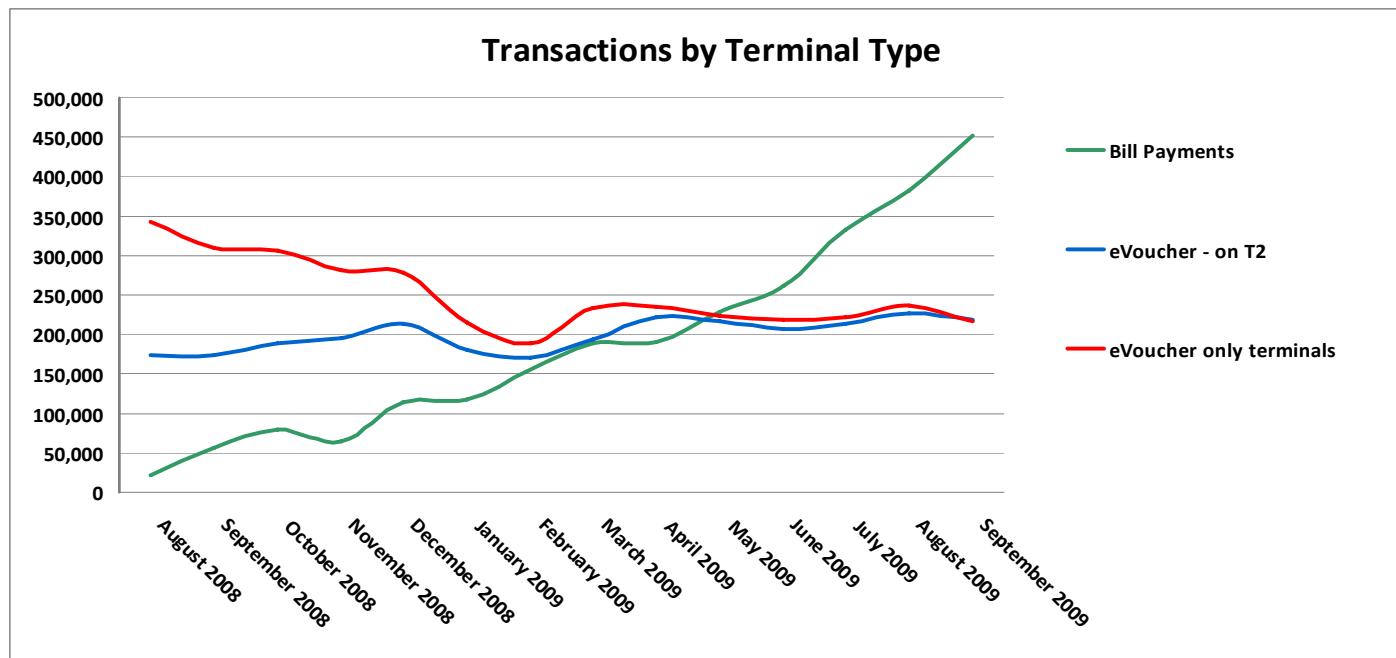
- 22,669 PayPoint terminal outlets (September 2009)
- Rolled out over 1,188 (net 679) agents in 6 months
- Rollout to 23,100 agents by year end
- Continued strong demand with churn remaining at c.6% pa



Romania

Strong growth in bill payment since launch (August 2008) has mitigated mobile decline. In bill payment:

- Growth at 16% per month, with over 3m transactions processed to date
- Run rate of 100k per week (doubled since March this year)
- 20 clients live (Energy, Water, Telecoms, Financial Services)
- 35% prompted consumer awareness





Romania

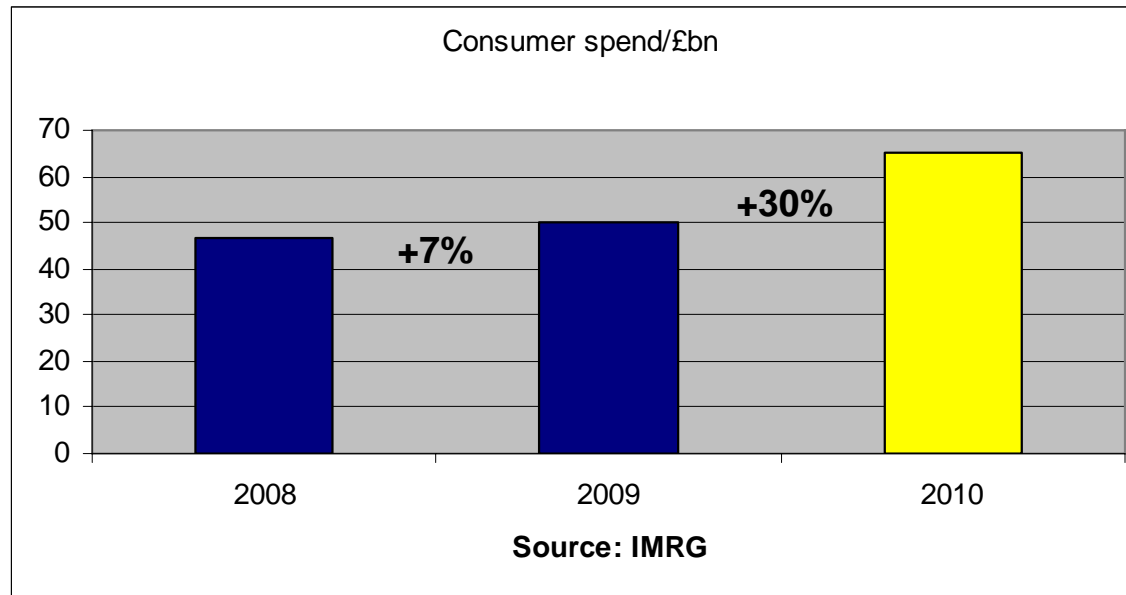
- Investment and knowledge transfer remain our priority
 - Further network optimisation based on new client requirements
 - Will achieve 2,900 bill payment sites by end of this financial year
 - 1,200 low performing top up only sites will be removed
 - Focus on costs, efficiencies and cash banking





Internet payments

PayPoint.net trading profitably in a growing market



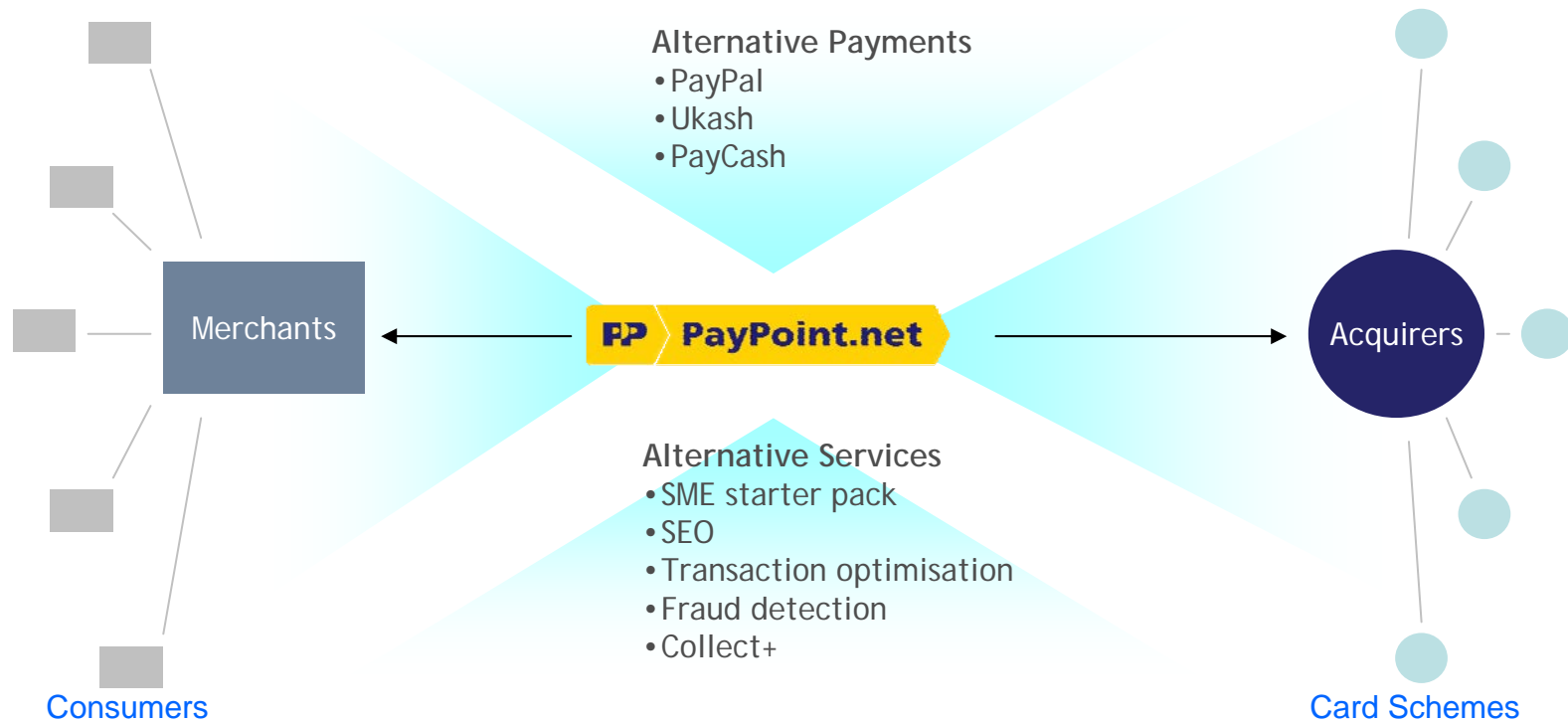
Growth in the year

- Merchants up 132 to 5,243 in total
 - moneysupermarket, Severn Trent Water, Ann Summers, Parcels2Go and Fair FX.
- Transactions up 16% to 19 million
- Net revenue £3.4m, down 4% due to migration from Bureau to ISO rates



Internet payments

PayPoint.net positioning:



- Focus on extending acquiring bank relationships and developing alternative payments and services



collect+

www.collectplus.co.uk



- Collect+ launched in May 2009
- 'Dream team' JV to create new consumer parcels proposition
 - PayPoint provides retail network expertise and technology
 - Home Delivery Network (HDN) provides parcel logistics and distribution capability with mail-order and internet client portfolio
 - PayPoint and its retailers earn transaction fees from the joint venture
 - Online payments processed by PayPoint.net
- Home Delivery Network, a leading UK carrier
 - Delivery for Shop Direct Group (UK's largest mail order company)
 - Large internet client base, including Amazon, ASOS ...
- Estimate 1.6bn UK parcels per year – 10% will fail on first delivery
 - European equivalents to Collect+ have c. 10% share of their markets



collect+

www.collectplus.co.uk

- Consumers can **send**, **collect** and **return** internet or mail-order purchases from local shops, with full track and trace
- **Returns** proposition has been developed over recent months
 - c.70% of women's clothing bought online is returned
 - Over 6,500 returns being processed per week, 120k to date
 - Preferred return path for Shop Direct brands
 - M and M Direct (clothing e-tailer) now live
- **Collection** service launched 24 August
 - Significant interest being generated from mail-order catalogues and internet merchants
 - Marshall Ward and Choices live, with Littlewoods in new year
- Consumer **send** service launched 14 September
 - Interest from eBay power sellers



collect+

www.collectplus.co.uk

One of eBay's 4 chosen partners during Royal Mail strike

Driving significant interest from across the internet community

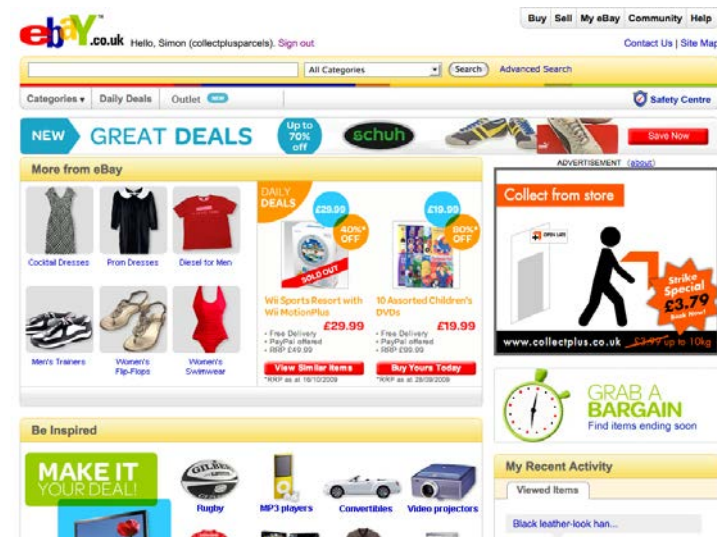
New developments coming soon:

- Consumer registration
- Placement of multiple orders (ideal for eBay power sellers)

Will rollout to over 4,000 sites by April 2010

- c.80% of the population within 1 mile urban and 5 miles rural

Important synergy product for PayPoint





collect+

the convenient, new parcel service at local stores

info@collectplus.co.uk

0845 270 9888

(local rate)

Monday to Friday, 8am-8pm

Saturday, 8am-12pm (Noon)

find your Collect+ store

send a parcel

return a parcel

about Collect+

SHARE

Enter a full UK Post Code:

Go



track your parcel

Enter a tracking code:

Go

Collect+

the convenient, new parcel service at over 3500 neighbourhood stores

- ✚ **Send parcels** to relatives, colleagues and even eBay traders. Only **£3.79 up to 10kg!**
- ✚ **Return** items to many well-known internet and catalogue retailers **FREE!**
- ✚ Have your parcels delivered to your local Collect+ store and collect them at a time that suits you. **No more waiting in all day!**
- ✚ Collect+ is backed by **PayPoint**, the UK's leading payment network, and **Home Delivery Network**, who deliver over 300,000 parcels every day.

Innovative Solutions for Online Retailers

Returns

- FREE or paid customer returns
- No integration required
- Immediate set-up

Deliver to store

- Freedom for your customers
- Increase conversion
- Reduce failed deliveries

Find out how Collect+ can help you acquire new customers and increase customer satisfaction



Brought to you by



convenient

Most stores are open from early in the morning until late at night

Collect or send parcels after work, while the kids are at school, at the week-end... **You decide!**

secure

We protect your precious packages:

- **Signatures & ID checks**
- Barcode scanners
- Secure sorting depots
- Security-sealed bags

trackable

You'll know where your parcel is with online **tracking** + we send **email or SMS alerts**:

- The moment **it's sent**
- When **it arrives** at the store
- When **it's collected**

[Contact us](#)

[Collect+ for Merchants](#)

[Terms & Conditions](#)

© 2009 Drop and Collect Ltd. trading as Collect+

Registered Number: 06593233

Registered Address: Eldon Way, Crick Industrial Estate, Crick, Northampton, NN6 7SL



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[send a parcel](#)

[return a parcel](#)

[about Collect+](#)

SHARE   

Send a parcel with our innovative Store-to-Store service: **Only £3.99 up to 10kg!**

Collect+ is backed by **PayPoint**, the UK's leading payment network, and **Home Delivery Network**, who deliver over 300,000 parcels every day.

-  **£3.99 (incl. VAT) up to 10kg!**
-  **Online tracking + Email/SMS updates + £40 insurance cover**
-  **Unaffected by Royal Mail strikes**
-  **Over 3500 Collect+ stores. Most are open late, 7 days a week**
-  **Ideal for eBay Traders - Find out more**

Find a Store & Book



PayPal

How it works

1. Download and print a delivery label



Book your delivery quickly and easily on our secure website.

2. Take the parcel to ANY Collect+ store



No more queueing! Drop off your parcels where and when YOU want.

3. Track the parcel online to its destination



Stores, drivers and depots provide real-time tracking data.

4. We send email/sms alerts when it arrives



Sender and recipient know instantly when the parcel is ready for collection.

5. The Recipient collects it when it suits them



No more waiting in all day! You choose when to collect your parcel within 10 days.

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SHARE

Enter a full UK Post Code:

Go



track your parcel

Enter a tracking code:

Go



Brought to you by



Return a parcel

Collect+ offers bespoke customer returns services for online and mail order retailers.

FREE Returns for Shop Direct Group Stores

We offer a **FREE** returns service for the following retailers:



How to return an item to these retailers

1. Your retailer will have supplied a returns note, a Collect+ returns label and a bag.
2. Complete the returns note, wrap the item and stick the Collect+ returns label onto the bag.
3. If you do not have a Collect+ returns label, click [here](#) to print one, or call 0845 270 9888 to have one emailed to you.
4. Take your parcel to any Collect+ store. There are over 3500 stores, most are open late, 7 days a week.
5. The store assistant will scan it and you will be given a receipt with a tracking code to [track it online](#).
6. Your parcel will be delivered to the retailer, quickly and securely.

That's it! [Find a Collect+ store](#)

[Book your Shop Direct returns label](#)

New! MandMDirect.com Returns, just £3.99!





You can now use Collect+ to return items to MandMDirect.com with online



[find your Collect+ store](#)

[about Collect+](#)

Return a parcel to MandMDirect.com for just £3.99

-  **£3.99 up to 10kg!**
-  **Online tracking + £100 insurance cover**
-  **Unaffected by Royal Mail strikes**
-  **Over 3500 Collect+ stores; most are open late, 7 days a week**

Find a Store & Book

Or, if you already know your nearest Collect+ store, proceed to book your label



Returning items is easy with Collect+

1. Download and print a delivery label



Book your delivery quickly and easily on our secure website.

2. Take the parcel to ANY Collect+ store



No more queueing! Drop off your parcels where and when YOU want.

3. Track the parcel online to its destination



You'll receive a receipt with a reference code to track your parcel online.

About Collect+

Collect+ is a convenient, new parcel service, allowing you to send and receive parcels at local stores.

Collect+ is backed by PayPoint, the UK's leading payment network, and Home Delivery Network, who deliver over 300,000 parcels every day.

[Find out more](#)

[Contact us](#)

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PayPoint's value chain

PayPoint creates value by offering:








Financial review

George Earle
Finance Director



Gross profit ahead despite mobile top-up decline of 21%

£000	H1 09/10	H1 08/09	Increase / (decrease)
Revenue	96,410	109,341	 (11.8%)
Cost of sales	(67,555)	(80,931)	 (16.5%)
Gross profit	<hr/> 28,855	<hr/> 28,410	 1.6%
Margin	30%	26%	



Impact of revenue reduction borne by third parties

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Gross profit	<u>28,855</u>	<u>28,410</u>	1.6%
Gross margin	30%	26%	
Revenue			
08/09			109,341
Pass through items			(13,364)
Other			<u>433</u>
09/10			<u>96,410</u>



Cost of sales

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Gross profit	28,855	28,410	1.6%
Gross margin	30%	26%	



Cost of sales	09/10	08/09
Commission	36,172	41,234
Depreciation/ amortisation	2,631	3,177
Mobile top-ups as principal	22,976	30,749
Acquiring bank charges	1,272	1,797
Other	4,504	3,974
	67,555	80,931



Operational gearing remains strong

£000	H1 09/10	H1 08/09		Increase / (decrease)
Net revenue	35,990	35,561	▲	1.2%
Operating profit	14,660	14,166	▲	3.5%
<i>Operating margin</i>	<i>41%</i>	<i>40%</i>		
Share of joint venture	(964)	-		
Interest	115	1,138	▼	(89.9%)
PBT	13,811	15,304	▼	(9.8%)
Tax	(4,102)	(4,475)	▼	
Profit after tax	9,709	10,829	▼	(10.3%)



Operating costs under control

£000	H1 09/10	H1 08/09	Increase / (decrease)
Net revenue	35,990	35,561	1.2%
Operating profit	14,660	14,166	3.5%
Share of joint venture	(964)	-	
Interest	115	1,138	(89.9%)
Profit before tax	13,811	15,304	(9.8%)
Tax	(4,102)	(4,475)	
Profit after tax	9,709	10,829	(10.3%)
Operating profit			£000
08/09			14,166
Increase in gross profit			445
Net reduction in operating costs			49
09/10			14,660



Tax catch up in first half

£000	2009	2008
Operating cash flow before movement in working capital	17,751	17,756
Changes in working capital*	(1,324)	660
Operating cash flow	16,427	18,416
Capital expenditure	(1,595)	(2,097)
Net investment income	85	1,016
Tax paid	(9,501)	(5,074)
Cash flow before dividends	5,416	12,261

28

* Working Capital excludes creditors in respect of client cash



Net cash £32m & undrawn facility

	£000
Net cash at start (including client cash* 7.5m)	36,345
Cash inflow	5,416
Dividends	(7,848)
Loan to joint venture	(850)
Purchase of own shares	(490)
Movement in client cash	(335)
Other	(58)
Net cash at end (including client cash* £7.2m)	<u>32,180</u>



Summary & outlook

Dominic Taylor
Chief Executive



Summary & outlook

- We expect further growth in revenues in the UK by increasing our market share and growing the network
- We plan to reach 23,100 terminal sites in the UK and 2,900 bill payment sites in Romania by the end of this financial year
- We expect Romania to be breakeven next financial year
- In PayPoint.net we expect the migration of large merchants to our ISO product to complete this year
- Collect+ has had a promising start and we expect continued growth
- Trading since 28 September has been in line with the company's expectations



Q & A



Appendix 1

Materials to support the consumer transaction



Appendix 1

Client payment media



Telewest

At this late stage it is advisable to make your payment only by Debit / Credit Card or through a Pay Point outlet - further details are on the reverse of this bill.

If you are experiencing problems paying your bill, please call us immediately

Page 1 of 2

GIROBILL

bank giro credit **ABC**

Reference (customer number) 337911903001 Credit account number 125 0205 Amount due (standard fee payable at PO counter) £ 47.97

By transfer from Alliance & Leicester/ Giro account number

Cashier's stamp and initials Signature Date

3790100008 Mr & Mrs Dean 222 Longheath Gardens Croydon Cro 7Tf

BARCLAYS BANK PLC AUTOMATED BULK CREDIT CLEARING TELEWEST COMMUNICATIONS (LONDON SOUTH) LTD 30/02/04

Items Fee 20-13-42

Please do not write or mark below this line and do not fill the payment slip

HOW TO PAY YOUR BILL

By cheque or postal order. Cheques should be made payable to: **Telewest Communications** and sent in the envelope provided together with your payment slip to the following address: **Telewest Communications, P.O.Box 10103, London E1 8TW**

By credit card: If you are paying your bill by Mastercard (Eurocard), Visa, sing one of the following methods: is on 150. Please have available your nt number and card details. If paying by I also need to quote your card issue address below and pay with your card in sides and detach the slip, returning it in vided.

IF YOU HAVE ANY DIFFICULTIES

s paying your bill, then please call our nt so that we can suggest ways we may : quote your account number as shown

CUSTOMER SERVICES DEPARTMENT

Customer Services are available to take your call 8.30am to 8.30pm Monday - Friday and 8.30am - 5.30pm Saturday and Sunday. Staff are available to deal with any queries or problems you may have. Simply call us on 150.

Any correspondence should be sent to the following address and



Appendix 1

Retailer external signage





Appendix 1 POS merchandising





Appendix 1

Terminals and ATMs





Appendix 1 Terminal receipts

ARRIVA

WEEKLY

Valid for 7 days from the date of purchase, throughout the Arriva Scotland West network. It cannot be used for return journeys.

Buy your weekly ticket from your mobile bus station or your friend or at selected Arriva agents.

Students require to show a valid identification card at time of purchase to claim concession.

Unlimited travel - week long valid for travel on Arriva services.

Day and 4 weekly travel on other bus routes.

For more information visit www.arriva.co.uk or call 0870 608 2 608

To make a complaint call 0870 20 10 00

Tickets are valid from your best PayPoint agent.

WEEKLY

Sample SPAR Tag

PayPoint 99999

Demo Software Receipt

BRITISH GAS HOME TRADING
Gas Payment Plan (GPP)
000005115

AMOUNT GBP 15.00

06:58 22/05/07
SN 023050001 TXN 3818
GAS PAYMENT PLAN (GPP)
PROVIDES THE FLEXIBILITY
TO SPREAD YOUR PAYMENTS.

50p off **SPAR** Gourmet Ready Meals

Present this coupon at the till when buying a SPAR Gourmet Ready Meal in any Tates store in London to receive your 50p discount.

Transport Ticketing

E-TopUp

PayPoint 20213

TEST 1
IN THE TESTROOM
UGC
ORANGE
PAY-AS-YOU-GO
8944128990323614957
17:38 03/06/04
SN 023050071 TXN 5258

PAYMENT SUCCESSFUL

CLIENT SITE PPOTF0020213
REF ETPPCC467842476
Please Dial 2345 to link card with mobile phone for use of credit.

Utility Payment

PayPoint 31906

TEST 3
3 THE TESTROOM
UGC
Severn Trent Water
Watercard Payment
303675999338

AMOUNT GBP 50.00

15:10 03/06/04
SN 023050050 TXN 5230
IF YOU HAVE DIFFICULTY IN PAYING YOUR WATERBILL PLEASE CALL 08457 500500

E Voucher

PayPoint 20213

TEST 1
IN THE TESTROOM
UGC
VODAFONE UK
PAYT TOPUP VOUCHER
9826134608801000089

AMOUNT GBP 5.00

17:16 03/06/04
SN 023050071 TXN 5247
VODAFONE
E-VOUCHER
SCHEME

Payment Successful
REF PEV155000247

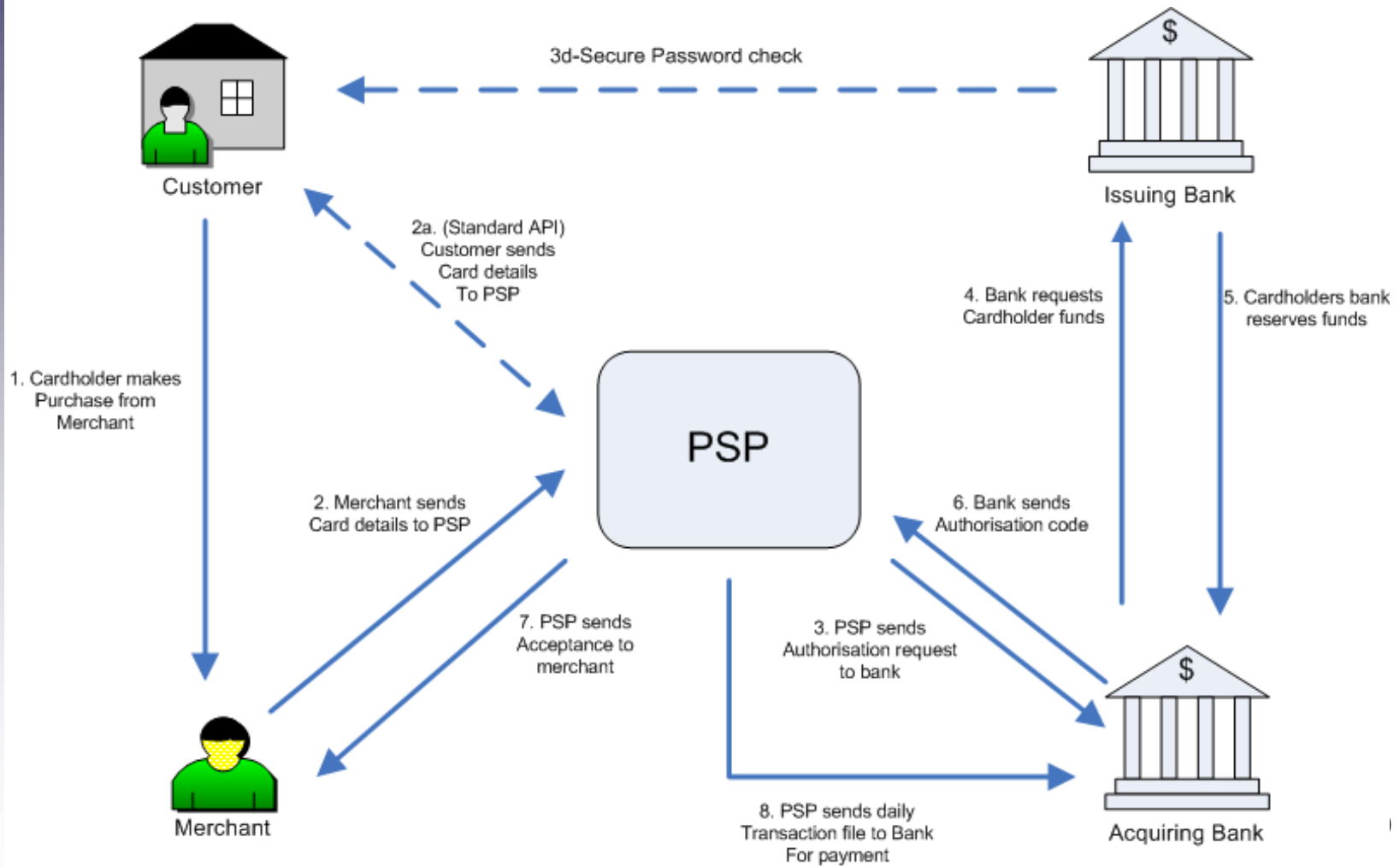
PIN 240860572939

SN 880104161



Appendix 1

PSP transaction flow





PayPoint's value to retailers

- Bill pay consumers visit store >25% more frequently than normal shoppers
- 82% retailers believe footfall benefit is either 'very good' or 'fairly good'
- Bill pay consumer spends 172% more per week than normal shopper (excluding bill value)
- PayPoint facility increases instore spend across each category by approx. 10%

Source: Harris International Marketing (him!) convenience store tracking research on shoppers and shopping, May 2008 - >30k shopper interviews; 4.5k staff interviews