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28 November 2019

Results for the half year ended 30 September 2019

1 Introduction

2 Financial review

3 Operational review

4 Summary

Financial

- Net revenue £57.3m, up by 3% - growth achieved across all divisions
- Underlying¹ profit before tax up 4% to £24m
- Strong cash conversion of £27.1m from PBT of £24m

Operational

- Fast pace and ahead of target PayPoint One rollout, now in 15,088 sites
- Continued strong growth in MultiPay, net revenue growth of 32% to £1.8m
- Resilient performance in UK bill payments, net revenue up by 3.9% to £22m
- 11 key contracts renewed representing 17% of annual net revenue²

Strategic

- Legacy terminal largely retired from independent retailer estate by 31 March 2020
- Investment in EPoS platform resilience and enhanced retailer service
- Continue to scale parcel partners' network access, deliver revenue from new partnerships
- Self service terminals (AVMs) on trial and new T4 terminal ready for roll out in Romania

1. Underlying profit before tax excludes the one off £1.7m VAT benefit and the £0.5m final year impact from the Yodel renegotiation included in the six months to September 2018.

2. Net revenue of renewed clients divided by UK bill payments and top-up net revenue for the last 12 months.



Financial review

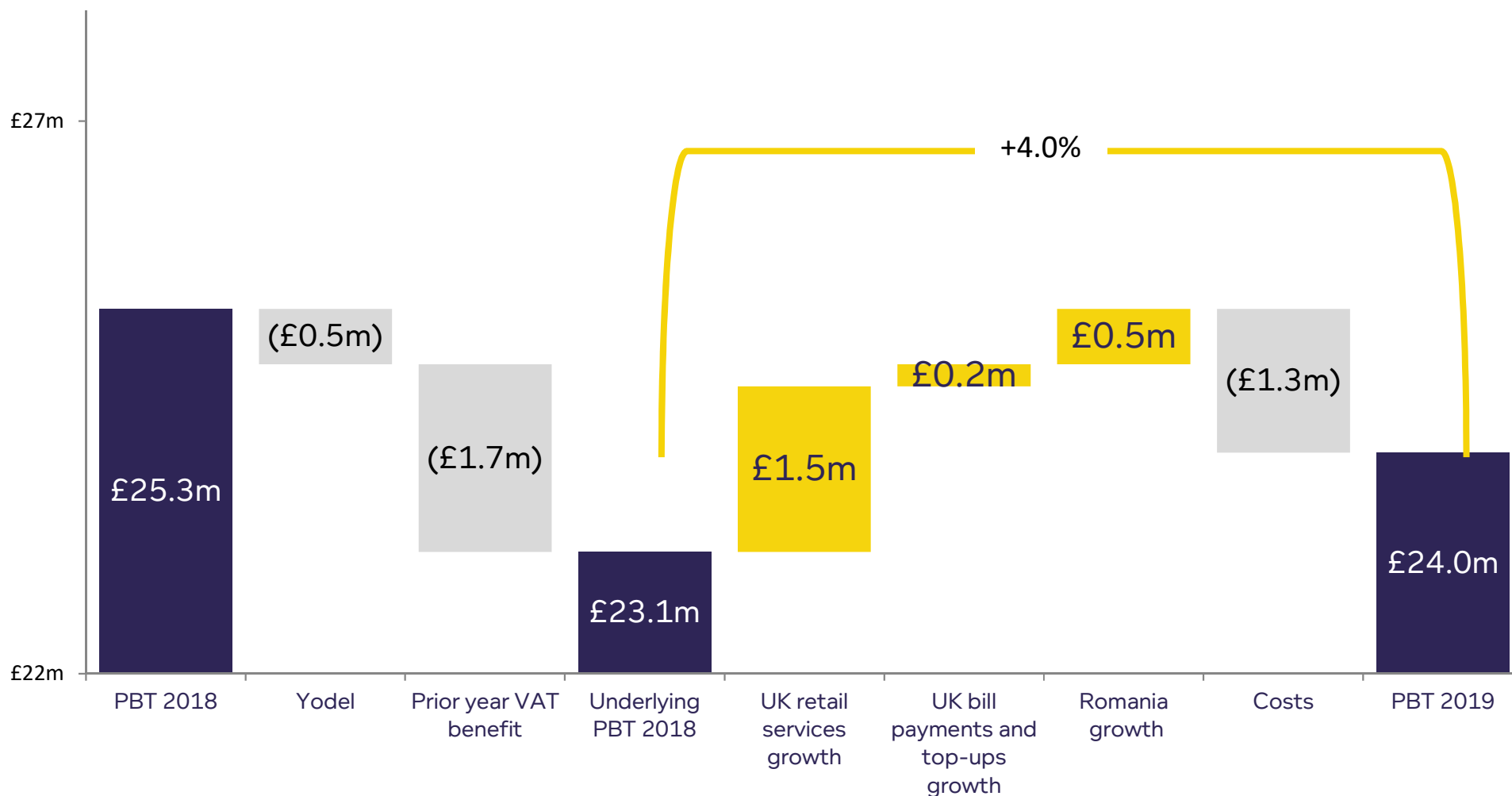
Financial results

Half year ended 30 September	2019 £m	2018 £m	% change
Gross revenue	103.7	106.1	(2.3%)
Net revenue	57.3	55.6	3.0%
Other cost of revenue	(8.2)	(9.1)	(9.1%)
Administrative costs	(25.0)	(21.1)	18.4%
Net financing costs	(0.1)	(0.1)	(47.3%)
Profit before tax	24.0	25.3	(5.2%)
Tax ¹	(4.5)	(4.8)	(6.4%)
Profit after tax	19.5	20.5	(4.9%)
Diluted earnings per share	28.5p	30.0p	(5.0%)
Ordinary dividend per share	23.6p	15.6p	51.6%
Additional dividend per share	18.4p	12.2p	51.1%
Total dividend per share	42.0p	27.7p	51.4%

1. Effective tax rate of 19% is broadly in line with the 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 PBT up 4%



Underlying net revenue up 4.0%

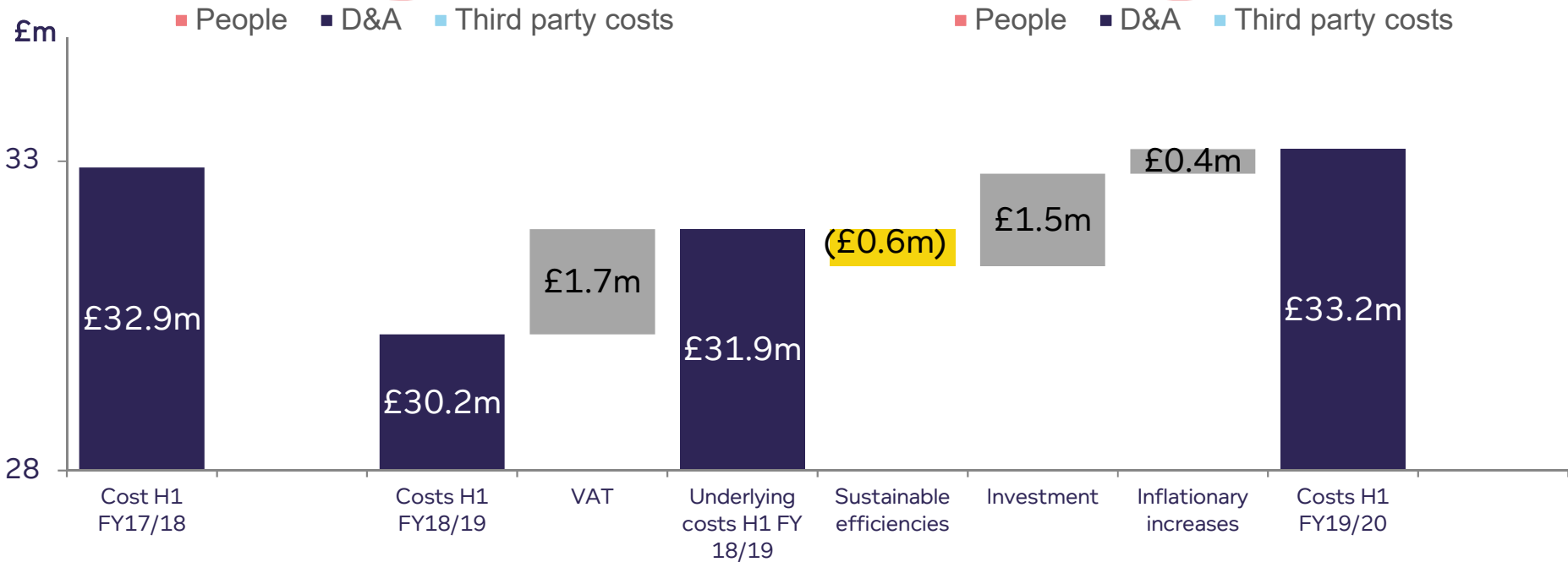
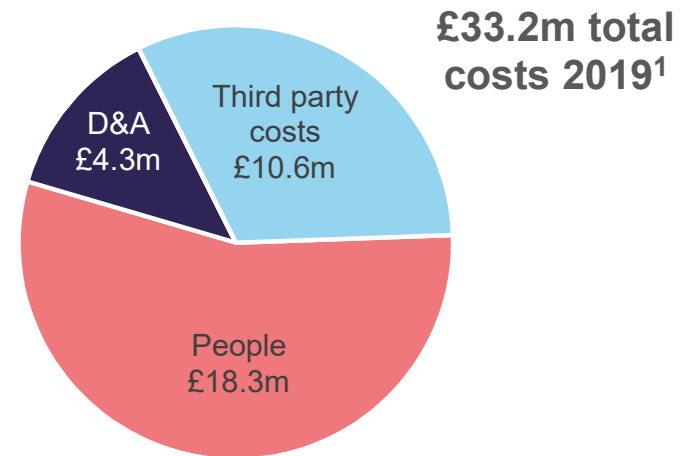
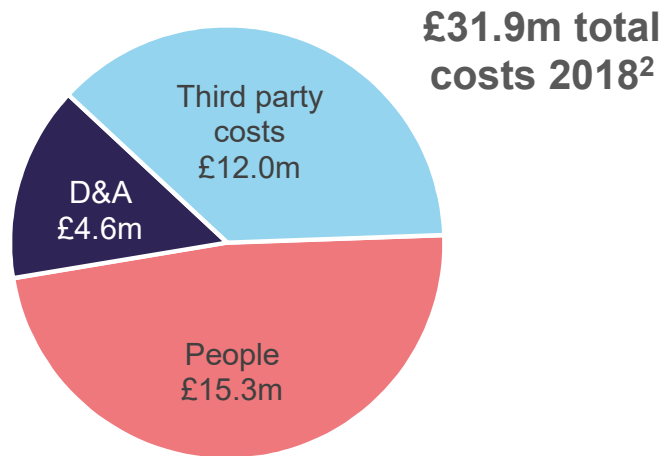
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Half year ended 30 September	2019 £m	2018 £m	% Change
UK bill payments and top-ups	30.1	29.9	0.7%
- UK bill payments (Excl MultiPay)	20.2	19.8	3.8%
- MultiPay	1.8	1.3	32.0%
- UK top-ups (Excl eMoney)	4.9	6.1	(19.5%)
- UK eMoney	3.2	2.7	18.7%
Romania	7.3	6.8	6.2%
UK retail services	19.9	18.4	8.2%
- Service fees	6.3	4.8	31.8%
- Card payments rebate	4.2	3.9	8.3%
- ATMs	6.0	6.5	(7.2%)
- Parcels and other	3.4	3.2	6.4%
Total underlying	57.3	55.1	4.0%
Yodel renegotiation	-	0.5	
Total	57.3	55.6	3.0%

The above presentation contains minor (£0.1m) roundings to ensure integrity of key numbers with those published in the half year statements.



Investment into business - underlying costs up 4.1%



1. Comprises £8.2 million other costs of revenue, administrative expenses £24.9 million and £0.1 million net financing costs.

2. Comprises £9.1 million other costs of revenue, administrative expenses £21.0 million and £0.1 million net financing costs, excludes £1.7m one-off VAT benefit.

The above presentation contains minor (£0.1m) roundings to ensure integrity of key numbers with those published in the half year statements.



Delivering sustainable cost efficiencies

Insourcing terminal repairs – UK (£0.8m p.a)

- Improved repair quality, resulting in swaps rates being down 57%
- Improved customer service experience

Third party costs IT - UK (£0.4m p.a)

- Retendered network communication circuits
- Datacentre consolidation and reduced power consumption

Romania (£0.1m p.a)

- Insourced legal and recruitment resources
- Renegotiated contracts with telecom operators



Cash generation and use

10

Half year ended 30 September	2019	2018
	£m	£m
Profit before tax	24.0	25.3
Depreciation and amortisation	4.3	4.7
Share based payments / other	-	(1.5)
Working capital (Corporate)	(1.2)	(0.9)
Cash generation	27.1	27.6
Tax paid	(10.2)	(4.4)
Capital and other expenditure	(4.1)	(3.7)
Movement in facility	18.0	6.0
Dividends paid	(28.7)	(37.6)
Net change in PayPoint's cash	2.1	(12.1)
Clients' funds and retailers' deposits	0.8	5.4
Effects of foreign exchange rate changes	0.1	0.1
Net cash movement	3.0	(6.7)
Net corporate (debt) / cash at period end	(12.3)	0.6
Clients' funds and retailers' deposits	34.8	32.7

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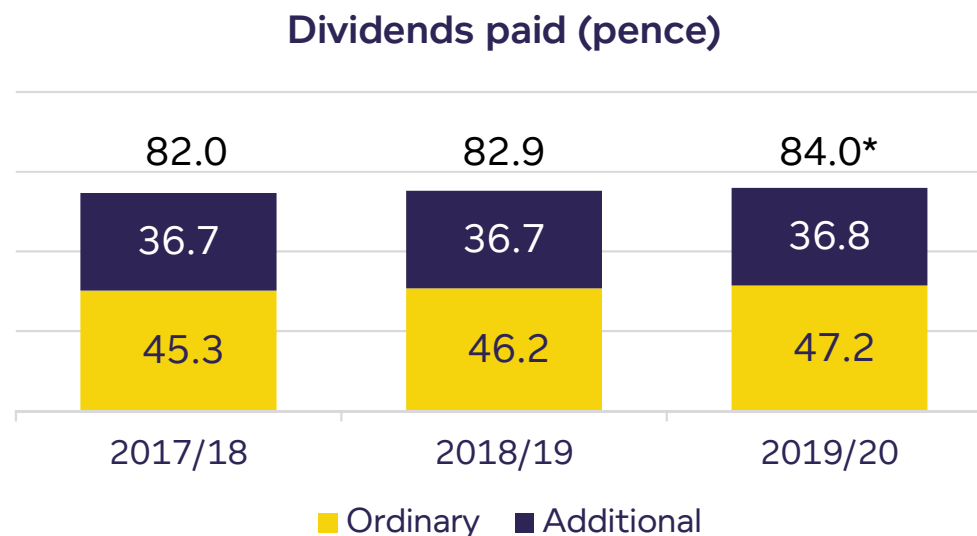
Balance sheet remains strong

	Sept 2019 £m	Mar 2019 £m	Sept 2018 £m
Goodwill	12.0	11.6	12.4
Other intangible assets	17.0	15.9	14.5
Property, plant & equipment	26.5	26.7	27.3
Cash held as clients' funds and retailers' deposits	34.8	34.0	32.7
Cash	5.7	3.5	6.6
Revolving financing facility	(18.0)	-	(6.0)
Net (debt) / cash	(12.3)	3.5	0.6
Liability clients' funds and retailers' deposits	(34.8)	(34.0)	(32.7)
Working capital	(3.0)	(3.8)	(4.8)
Lease liability (IFRS16)	(1.0)	-	-
Current and deferred tax	2.2	(3.7)	(4.3)
Net assets	41.4	50.2	45.7

Continued strong cash returns to shareholders

- Strong cash generation of £27.1m
- Ordinary dividend
 - cover ratio of 1.2 to 1.5x
- Additional dividend (£125m)
 - first payment – Dec 2016
 - final payment - Dec 2021
 - £70.9m paid to 30 Sept 2019
- Interim dividends of 42.0p declared
 - ordinary - 23.6p
 - additional - 18.4p
 - both payable in equal instalments on 30 December 2019 and 9 March 2020

Together with the total of 42.0p already paid, full year dividends will be 84.0p



* 42.0p has been paid up to 30 September 2019. 42.0p has been declared and will be paid in equal instalments on 30 December 2019 and 9 March 2020.

Outlook remains consistent with that given in July 2019

Revenue

- Growth drivers:
 - PayPoint One
 - Parcels
 - MultiPay
 - Romania
- Continued resilience in bill payments
- Headwinds - £0.7m final year impact of Yodel renegotiation, c£1.4m impact from British Gas in FY19/20 c£3.5m impact in FY 20/21

● Costs

- Continued cost vigilance
- VAT benefit (£2.4m) in 2018/19 not re-occurring
- Investment in improvement in customer service and business efficiency (c£2m)

Summary

“Whilst the financial performance of the business will be influenced by parcel volumes and continued resilience in UK bill payments over the second half, the progress of the business during the first half, reported today, underpins the Board’s confidence that as PayPoint’s growth drivers continue to develop, there will be progression in profit before exceptional items and tax for the full financial year to 31 March 2020.”



Operational review

- Embed PayPoint at the heart of convenience retail
- Definitive Parcel solution
- Bill payments and OTC leadership

Exciting opportunities for our business created by:

- Consumer demand for convenience and immediacy
- Structural changes in energy supply markets
- Retrenchment of bank branches and remaining need for cash access

Convenience sector

- Total sector sales +3%, expected to reach £41.7bn by end of year¹
- Total UK convenience stores stable²
- 50% of independent retailers currently have no EPoS system³

Parcels market

- Click and Collect expected strong growth c12% p.a⁴
- Returns market increasing - 37% of customers return online shopping (up 7ppts)⁵
- Click and collect and returns market c300m parcels per year

Bill payments

- Big six energy firms under significant pressure from challengers
- Smart meter rollout slowing - deadline extended to 2024
- Bank challengers rising, high street banks closing, access to cash a significant concern

Sources:

1. <https://www.himshopper.com/latest-thoughts/article/convenience-market-trends-and-opportunities>
2. HIM THE 2019 CONVENIENCE SHOPPER May 2019
3. OC&C analysis
4. <https://www.conveniencestore.co.uk/news/click-and-collect-market-to-rise-45-over-next-five-years/576401.article><https://www.mintel.com/press-centre/retail-press-centre/delivering-the-goods-british-courier-and-express-delivery-market-hit-12-6-billion-in-2018>
5. <https://www.mintel.com/press-centre/retail-press-centre/delivering-the-goods-british-courier-and-express-delivery-market-hit-12-6-billion-in-2018>

PayPoint at the heart of convenience – good progress

Our offering

- Increased footfall for retailers – average basket spend £7.86 (vs. £6.38 average for those without PayPoint)
- £41.5m paid in commissions annually¹
- Provision of technology and payment services

H1 Achievements

- 15,922² PayPoint One sites achieved; delivering ahead of expectations
- Average weekly service fee increased 3.3% to £15.51 per week
- Card payments estate returned to growth; increase of 83³ to 9,879

H2 Priorities

- T2 sunset with 16,500 PayPoint One sites by 31 March 2020
- Net settlement pilot for card payments extended
- EPoS platform fully scalable to enable upsell in FY20/21

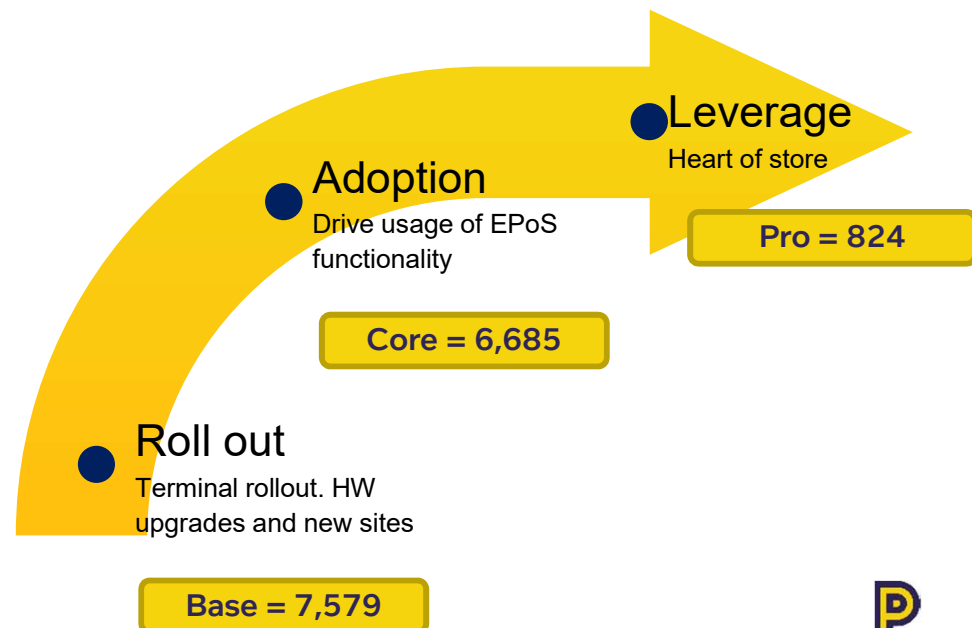
1.Total paid in twelve months ended 31 March 2019

2.At 25 November 2019

3.From 31 March 2019

Results for the half year ended 30 September 2019

	30 Sep 19	30 Sep 18
Sites	15,088	10,242
EPoS Base £10.25/week	7,579	4,589
EPoS Core £15.38 or £20.50/week	6,685	5,235
EPoS Pro £30.75/week	824	418
Average service fee	£15.51	£15.01



Parcels – strong growth

Our offering

- Leading pick-up and drop-off network; over 7,000 Collect+ sites
- Strong customer experience TrustPilot 4.7/5
- Strong partners: eBay, Amazon, Yodel, Fedex and DHL

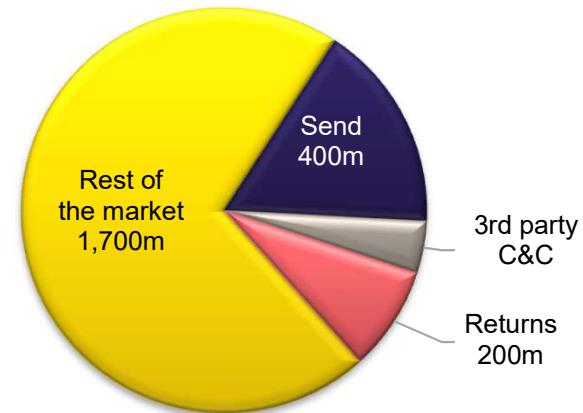
H1 Achievements

- Parcels volumes up by 15%
- Integrated new partners, over 7,000 training sessions held with retailers
- Better technology via app – improving service

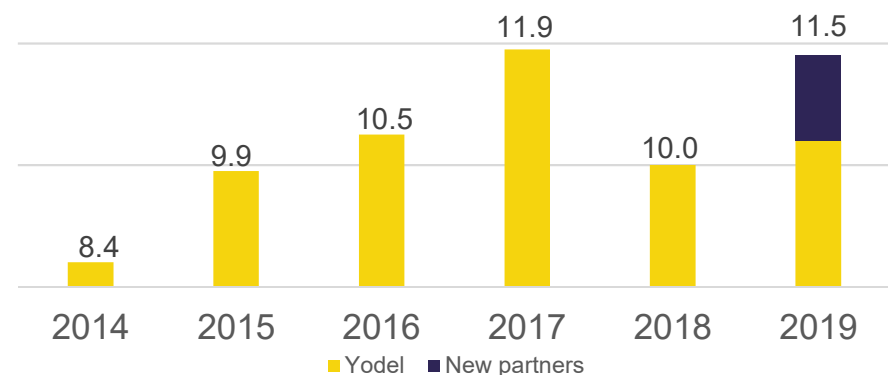
H2 Priorities

- Deliver an excellent Christmas
- Continue to scale partners' access into network and drive further volumes
- Development of a send proposition, in preparation for pilot in FY 20/21

Market is c2,400m parcels p.a



Parcel volumes (millions)
6 month period to September



Bill Payments UK – leading network and service

Our offering

- Our coverage larger than banks, Post Offices and supermarkets put together¹
- Average opening times 100 hour per week and open on bank holidays
- Excellent customer service 86%²

H1 Achievements

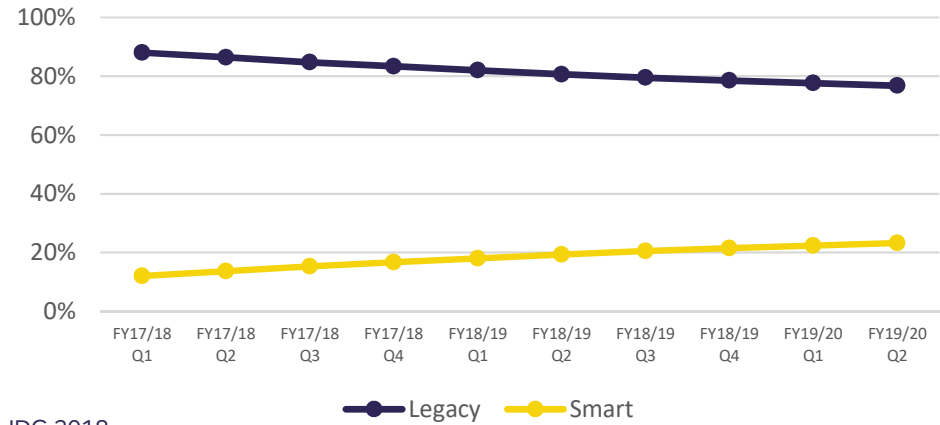
- Learnings from British Gas contract loss quickly implemented
- Renewed, on similar terms, 11 clients representing 17% of annual bill payments net revenue
- 10 new clients signed
- Continued increase in proportion of transactions for smart meters
- Continued strong net revenue growth in MultiPay (32%) and eMoney (19%)

H2 Priorities

- Capture opportunities within other verticals, including Housing Associations and Local Authorities
- Maximise cross selling opportunities
- PayByLink development ready for roll out in FY20/21
- Support retailers and communities through British Gas cessation.

Sep '18 - Aug '19	Hour	Day							Total	%
		Mon	Tue	Wed	Thu	Fri	Sat	Sun		
00:00 - 01:00	8,039	8,101	7,636	7,606	9,087	8,514	7,542	56,525	0%	
01:00 - 02:00	3,579	3,583	3,528	3,649	4,197	4,473	3,970	26,979	0%	
02:00 - 03:00	1,809	1,902	1,878	1,971	2,615	2,613	2,348	15,136	0%	
03:00 - 04:00	1,219	1,191	1,233	1,270	1,612	1,834	1,696	10,055	0%	
04:00 - 05:00	1,152	1,150	1,097	1,257	1,721	1,527	1,421	9,325	0%	
05:00 - 06:00	2,791	2,858	2,790	3,090	4,415	2,332	1,608	19,884	0%	
06:00 - 07:00	20,318	20,642	19,453	21,240	28,326	14,550	5,570	130,099	1%	
07:00 - 08:00	63,786	63,426	59,152	62,501	78,234	54,632	26,458	408,189	2%	
08:00 - 09:00	129,351	120,225	111,672	116,251	140,426	112,655	61,682	792,262	4%	
09:00 - 10:00	238,686	192,853	180,989	188,071	223,496	202,384	109,128	1,335,607	6%	
10:00 - 11:00	267,253	208,599	191,686	201,071	242,314	278,185	174,252	1,563,360	8%	
11:00 - 12:00	259,216	210,725	198,211	203,853	246,686	285,758	211,042	1,615,491	8%	
12:00 - 13:00	241,491	203,154	192,876	196,472	242,329	279,233	221,466	1,577,021	8%	
13:00 - 14:00	230,274	197,168	189,135	192,967	240,364	266,355	216,181	1,532,444	7%	
14:00 - 15:00	237,016	209,816	201,746	205,378	258,046	258,364	206,863	1,577,229	8%	
15:00 - 16:00	259,611	239,618	227,958	232,077	282,927	253,413	204,082	1,699,686	8%	
16:00 - 17:00	256,698	237,675	230,692	236,632	289,639	253,603	187,810	1,692,749	8%	
17:00 - 18:00	257,217	242,155	237,781	244,533	292,763	246,995	171,214	1,692,658	8%	
18:00 - 19:00	242,647	234,774	231,677	235,840	276,515	219,107	154,951	1,595,511	8%	
19:00 - 20:00	194,280	190,204	189,030	192,064	219,961	174,609	135,523	1,295,671	6%	
20:00 - 21:00	139,335	135,982	136,453	142,804	156,896	125,963	105,945	943,378	5%	
21:00 - 22:00	91,048	89,544	90,817	94,643	105,390	86,686	71,378	629,506	3%	
22:00 - 23:00	42,424	41,316	42,704	44,571	50,992	44,083	33,407	299,497	1%	
23:00 - 00:00	13,113	12,755	12,965	13,612	16,059	14,577	11,743	94,824	0%	
Total	3,202,353	2,869,416	2,763,159	2,843,423	3,415,010	3,192,445	2,327,280	20,613,086		
Outside Post Office Hrs	1,212,108	1,169,808	1,149,866	1,186,902	1,389,209	2,146,885	2,327,280	10,582,058		
% Outside Hours	38%	41%	42%	42%	41%	67%	100%	51%		

Smart txns as a % of energy txns



1. Post office 11.5k – Post Office website, 9k Bank branches – stastica, Supermarkets 6k – IDG 2018
 2. Positive opinions - YouGov



Romania – continued growth

Our offering

- Leading network with 19k sites¹
- 74% Brand awareness
- 34% Bill payments market share

H1 Achievements

- Improved margins by 4.4%
- Card payment transactions up by 181% to 737k
- Trial of self serve terminals (AVMs) launched

H2 Priorities

- Deploy new T4 terminal with integrated card payment functionality
- Further margin improvement
- Continue to roll out card payments to a further 300 sites

Net revenue period ended 30 September (£m)	2019	2018	% change
Bill payments	4.7	4.3	9.3%
Top-ups	2.1	1.9	10.5%
Other	0.5	0.6	(16.7%)
Total	7.3	6.8	6.2%
Net revenue per txn (pence)	12.8	12.3	4.4%



1. Share of clients' cash bill payments.

Solid performance in the first half

▶ Outstanding PayPoint One roll out achievement

▶ Greater intensity with key relationship management

▶ Focus on operational management

Work in progress

▶ Major project delivery; CRM and EPoS platform

▶ Drive efficiency and 'right first time'

▶ Improve the relationship management and engagement with our retailers

▶ Identify and support new growth opportunities



Appendix

Value of EPoS to a typical store

A typical store turnover is £1.2m per annum and invests £20,000 in stock

There are 5 key areas where EPoS can help retailers:

1. Margin management

- Average margin achieved in store is £3,000 per stock turn (15%)

Increasing to 20% would drive **£1,000** improved margin per stock turn

2. Stock turn

- On average it take 3 weeks to turn the stock

If that could be improved by 1 week, the retailer could be **c.£70,000** per annum better off

3. Shrinkage

- Average revenue lost = £14,760 (1.2%)

4. Wastage

- Average revenue lost = £38,400 (3.2%)

5. Out-of-stocks

- Average revenue lost = £49,200 (4.1%)

Just a 10% improvement in managing these three areas with EPoS data can bring a **c.£10,000** benefit to retailers