

PayPoint plc
Trading update for the three months ended 30 June 2020¹

22 July 2020

Strong operating platform and business recovery

- Group net revenue decreased by £1.9 million (6.6%) to £26.8 million (2019: £28.7 million); the reduction included £1.1 million net revenue in the prior year from the British Gas contract now ended.
- Delivered a proactive recovery of the PayPoint network to pre-Covid levels, following temporary suspensions. The majority of PayPoint One, cards and parcels sites have returned to the network.
- UK retail services net revenue increased by 10.3% to £10.8 million driven by the increase in card payments and service fees from the PayPoint One roll-out.
- UK bill payments net revenue decreased by 28.2% to £8.2 million. Excluding the British Gas impact, net revenue decreased by 20.4% and transactions decreased by 25.0%, primarily as a result of consumers making larger payments, less frequently, during the Covid-19 lockdown, as well as warmer weather compared to prior year.
- Strong card payment volumes throughout the period and a progressive recovery in transaction volumes from April low points seen for UK bill payments, UK top-ups and eMoney, ATMs and parcels.
- Romania net revenue grew by 8.2% to £3.8 million primarily through margin improvement.

Nick Wiles, Chief Executive of PayPoint plc, said:

“We have delivered a solid first quarter performance during a very challenging period for the business and the economy as a whole. Throughout the pandemic, as well as looking after the welfare of our staff we have remained focused on supporting our clients, retailer partner network, and the most vulnerable in the community. I am proud of the way the business has responded to recent challenges, and as we look ahead there is evidence of recovery in activity across a number of our services from the low point in April. We are now working hard to build on these positive signs and identify additional opportunities across our business.”

Covid-19 impacts

Overall trading has remained resilient in the period, with transaction volumes and sites recovering well from the April lows, as shown in the tables below. Bill payment transactions have reduced over the period, with consumers increasing their average top-up amounts and energy companies providing pre-payment consumers with credit. Top-ups and eMoney volumes have recovered well due to strong eMoney performance. Card payments have performed strongly with June transactions 79% above prior year. ATM volumes continue to recover, although this recovery remains dependent on a broader recovery in the economy, whilst parcel volumes continue to recover and are now close to pre-Covid levels and ahead of prior year.

The tables below compare the volume of transactions with the comparable periods in the prior year and show the sites returning from temporary suspension due to Covid-19.

Service	April 20/21 vs 19/20 % increase/ (decrease)	May 20/21 vs 19/20 % increase/ (decrease)	June 20/21 vs 19/20 % increase/ (decrease)
UK bill payment transactions ²	(28%)	(26%)	(20%)
UK top-up and eMoney transactions	(20%)	(16%)	(10%)
ATM transactions	(37%)	(30%)	(24%)
Card payment transactions	72%	89%	79%
Parcels transactions	(36%)	(9%)	4%

Sites temporarily suspended due to Covid-19	As at 31 March 2020	As at 30 April 2020	As at 31 May 2020	As at 30 June 2020
UK PayPoint One	328	368	185	79
UK ATMs	283	330	303	212
UK Card payments	293	230	124	47
UK Parcels	208	274	182	87

¹ PayPoint's auditors have not been requested to review the performance.

² Excludes the impact of British Gas contract not being renewed.



PayPoint

Performance and progress against our strategic priorities for the first quarter ending 30 June 2020

- **Embed PayPoint at the heart of convenience retail**
 - UK retail network increased to 27,233 sites (31 March 2020: 26,829) as a result of sites temporarily suspended due to Covid-19 returning to the network.
 - PayPoint One sites increased by 452 to 16,550 since 31 March 2020 mainly due to a reduction in sites suspended due to Covid-19. Service fee net revenue increased by 13.3% to £3.5 million (2019: £3.1 million) and the PayPoint One average weekly service fee per site increased by £0.15 to £15.53 since 31 March 2020. EPoS Pro and Core sites increased by 53 and 350 respectively since 31 March 2020, mainly due to Covid-19 suspended sites returning.
 - Card payment services were live in 9,710 sites at 30 June 2020, an increase of 275 sites since 31 March 2020 mainly due to Covid-19 suspended sites returning. Transactions grew significantly by 80.3% to 58.1 million and net revenue increased by £1.6 million benefitting from the increase in convenience store sales and the preference of stores to take payment by card.
 - There was a slower recovery for ATM sites with 3,636 live at 30 June 2020, an increase of 16 sites since 31 March 2020 due to a reduction in the Covid-19 suspended sites although a large leisure partner was still closed at 30 June 2020 and has now reopened. ATM net revenue decreased by 23.8% to £2.3 million (2019: £3.0 million) due to a 30.3% reduction in transactions, attributable to a combination of suspended sites from Covid-19 and reduced demand for cash across the economy over this period.
 - Launched a new promotion allowing existing PayPoint One retail partners to trial an upgraded EPoS package for three months at no additional cost.
 - Entered a pilot partnership with Deliveroo which enables retailer partners to drive new revenues and reach a wider customer base.
 - Reorganised our retailer facing resources, to better align the teams that work together to deliver products and services to our retail partners.
 - Commenced a project to build a new self-service portal that will replace existing separate portals which will improve our retail partners experience and improve customer service efficiency.
- **PayPoint becomes the definitive parcel point solution**
 - 9,909 live total parcel sites at 30 June 2020, an increase of 1,263 sites since 31 March 2020 due to increasing sites for the newer parcel partners and Covid-19 suspended sites returning.
 - Parcel volumes declined by 13.0%, impacted by Covid-19 with consumers staying at home and suspended redirect parcel services, net revenue declined by 24.4%.
 - Acquired the remaining 50% of the Collect+ Group for £6 million on 6 April 2020 with the brand now fully owned by PayPoint. This will give us more flexibility in developing the business.
 - Parcel Contact Centre has now been integrated into the newly established Retail Services function in order to deliver an improved level of retailer partner support.
 - Heads of terms have been signed with DPD and a trial will commence in August 2020.
- **Sustain leadership in 'pay-as-you-go' and grow digital bill payments**
 - UK
 - Bill payments net revenue decreased by 28.2%, or 20.4% excluding the £1.1 million prior year net revenue from British Gas. Excluding British Gas, transactions decreased by 25.0%, primarily as a result of consumers making larger payments, less frequently, as well as warmer conditions compared to the previous year.
 - MultiPay net revenue increased by 22.1% due to more smart meters installed and some channel shift from cash to digital payments. MultiPay has added 2 new clients and 2 existing clients from bill payment and a new partnership has been signed with Housing Quality Network. Transactions saw some weakening due to the planned Utilita switch to their in-house App.
 - UK top-ups and eMoney net revenue increased by 0.9% due to eMoney and a higher average transaction value for mobile top-ups. Top-up transactions reduced by 15.2% due to further declines in the prepaid mobile sector and Covid-19 impacts. However, eMoney transactions increased by 12.4% driven mainly by continued growth from existing clients which led to a 21.7% increase in eMoney net revenue.
 - 16 new clients were contracted in the period (including 9 new CashOut clients), 5 clients renewed contracts including EDF Energy, and 4 existing clients signed up for additional services.



PayPoint

- 3 multiple retailers have renewed contracts in the period; MFG (Motor Fuel Group), East of England Co-op and Mid-Counties Co-op.
- Romania
 - Resilience in transactions during Covid-19, with transactions of 28.2 million remaining flat with prior year. We reduced the overall number of sites to 18,667 (31 March 2020: 19,257) as a result of an exercise to close non-performing sites.
 - Net revenue increased by 8.2% through margin improvement.
 - 8 new clients were contracted in the period.
 - Maintained leadership in the bill payment market with a 32% share of clients' cash bill payments, driven by 74% consumer awareness.
 - Progress made on replacing the legacy terminal via the T4 implementation with 136 locations signed in the period, ready for roll-out.
- **Building a delivery focused organisation and culture**
 - Implemented some fundamental changes to our organisational structure in order to ensure clear accountability for the client and retail service businesses and the alignment of resources to deliver better execution and engagement with our client and retailer network.
 - The next phase pilot of CRM development went live in our Contact Centre with full implementation to take place in the next quarter.

Balance sheet as at 30 June 2020

The Group had net corporate debt of £7.3 million (31 March 2020: £12.0 million) reflecting cash balances of £62.7 million (31 March 2020: £58.0 million), less borrowings of £70.0 million from the fully drawn down revolving credit facility.

Dividends

The Board proposed a final ordinary dividend for the year ended 31 March 2020 of 15.6 pence per share, subject to shareholder approval at the AGM on 24 July, payable in equal instalments of 7.8 pence per share on 27 July 2020 and 28 September 2020.

Enquiries

PayPoint plc

Nick Wiles, Chief Executive (Mobile: 07768636801)
Alan Dale, Finance Director (Mobile: 07778043962)

Finsbury

Rollo Head
Jenny Bahr
(Telephone: 0207 251 3801)
(Email: Paypoint@finsbury.com)

ABOUT PAYPOINT

In thousands of retail locations, at home and on the move, we make life more convenient for everyone.

For retailers, we offer innovative and time-saving technology that empowers convenience retailers in the UK and Romania to achieve higher footfall and increased spend so they can grow their businesses profitably. Our innovative retail services platform, PayPoint One, is now live in over 16,500 stores in the UK and offers everything a modern convenience store needs, from parcels and contactless card payments to EPoS and bill payment services. Our technology helps retailers to serve customers quickly, improve business efficiency and stay connected to their stores from anywhere.

We help millions of people to control their household finances, make essential payments and access in-store services, like parcel collections and drop-offs. Our UK network of 27,000 stores is bigger than all banks, supermarkets and Post Offices together, putting us at the heart of communities nationwide.

For clients of all sizes we provide cutting-edge payments technologies without the need for capital investment. Our seamlessly integrated multichannel payments solution, MultiPay, is a one-stop shop for customer payments. PayPoint helps over 500 consumer service providers to save time and money while making it easier for their customers to pay – via any channel and on any device.