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Rachel Kentleton, Finance
Director**

25 May 2017

Preliminary results for year ended 31 March 2017

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Introduction

Strategic

- Sale of Mobile completed in December 2016, with proceeds returned to shareholders
- Collect+ successfully renegotiated with opportunity to drive step change in parcels
- PayPoint One now deployed in 4,200 sites, integration agreement reached with Nisa

Operational

- Retail services net revenue grew by 31.6% to £39.9m, now 34% of total net revenue
- MultiPay transactions have doubled over the year

Financial

- 120.6p per share (£78.5m) paid to shareholders (ordinary and additional dividend plus sale proceeds of Mobile)
- £53.1m cash at year end, driven by £42.2m generated from operating activities

We said we would reshape the business

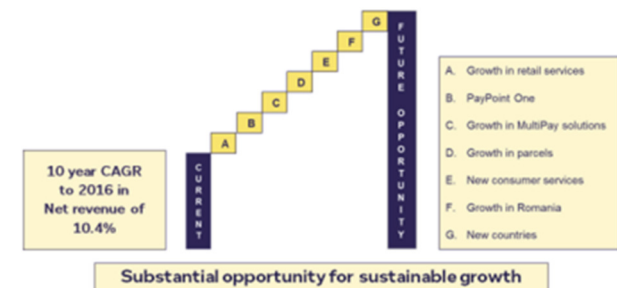
Reshaping business	
Restructure from group to single company	<ul style="list-style-type: none"> • New Executive Board in place • Single company vision, values, culture • Significant restructuring to improve effectiveness and customer service underway
Improve innovation & focus	<ul style="list-style-type: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



Progress in line with strategy

Long term strategic vision

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





Financial review

Statutory results show impact of business restructuring

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Year ended 31 March	2017 £m	2016 £m	% change
Gross revenue	211.9	212.6	(0.3)
Net revenue	123.9	123.6	0.2
Other cost of revenue	(17.9)	(17.6)	1.8
Administrative costs	(53.7)	(55.7)	(3.7)
Operating profit before impairments and disposals	52.3	50.3	3.9
Impairments and disposals	15.6	(41.9)	>100
Share of Collect+ JV	1.2	(0.2)	>100
Profit before tax	69.1	8.2	>100
Tax	(9.5)	(10.2)	(7.2)
Earnings per share	87.5p	(3.1)p	>100
Ordinary dividend per share	45.0p	42.4p	6.1
Disposal proceeds dividend per share	38.9p	21.0p	85.3
Additional dividend per share	36.7p	-	>100
Total dividend per share	120.6p	63.4p	90.3

Analysis of the moving parts

Year ended 31 March 2017	Statutory result	Mobile	C+	Ongoing business
	£m	£m	£m	£m
Gross revenue	211.9	(8.5)	-	203.4
Net revenue	123.9	(6.4)	-	117.5
Other cost of revenue	(17.9)	1.2	-	(16.7)
Administrative costs	(53.7)	6.2	-	(47.5)
Operating profit before impairments and disposals	52.3	1.0	-	53.3
Impairments and disposals	15.6	(19.4)	3.8	-
Share of Collect+ JV	1.2	-	(1.2)	-
Profit before tax	69.1	(18.4)	2.6	53.3

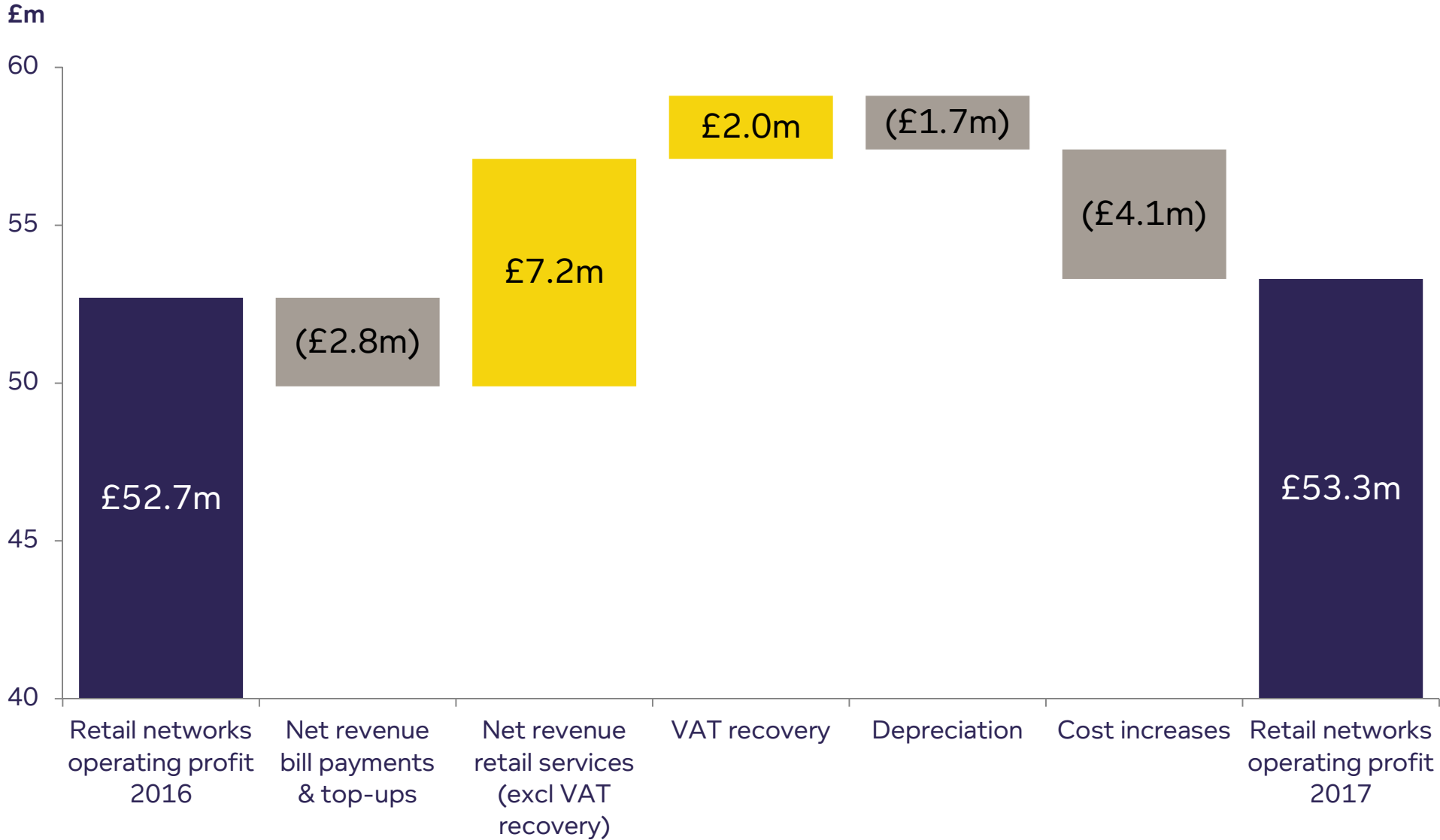


Retail networks growth continues

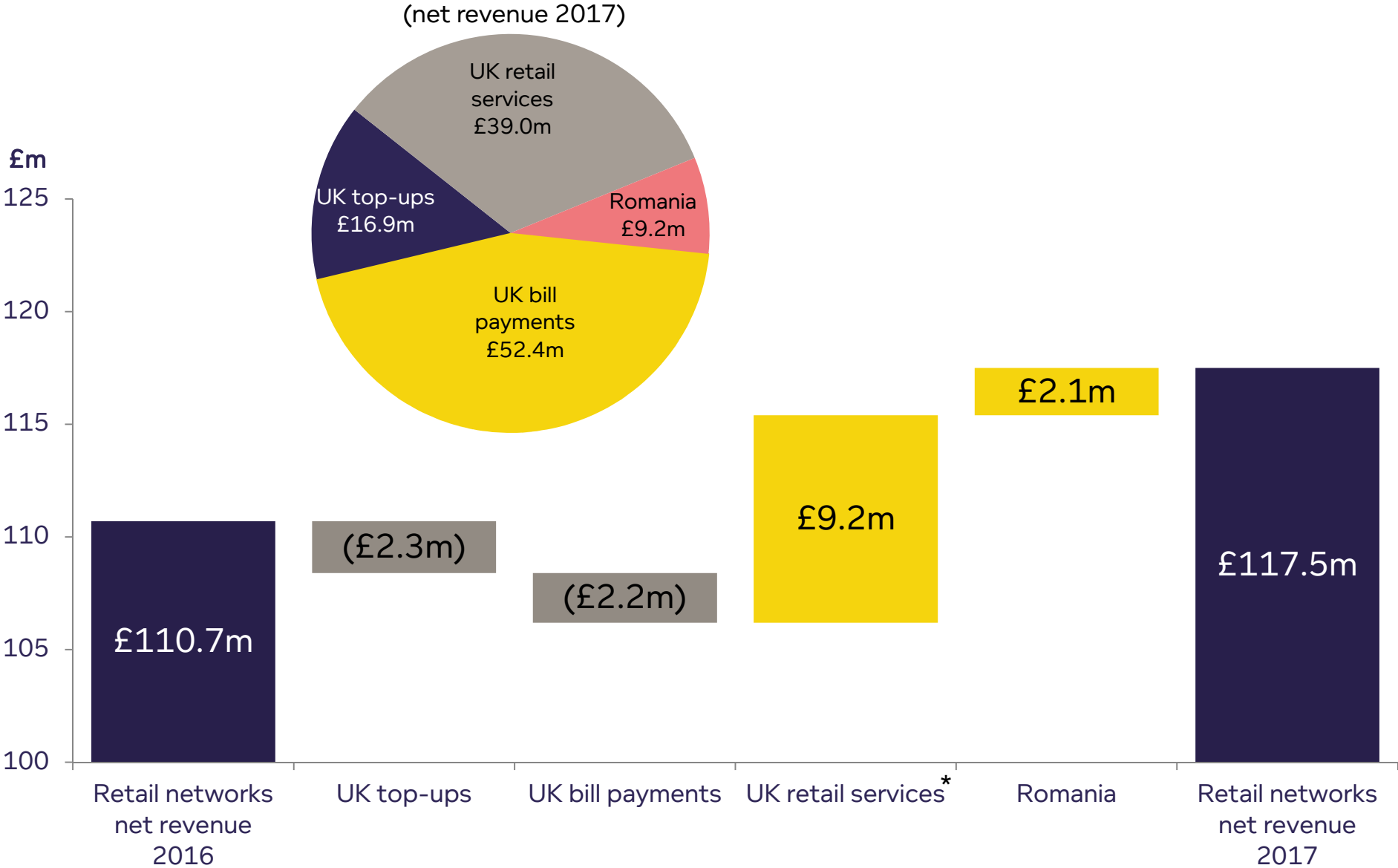
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Year ended 31 March	2017	2016	%
	£m	£m	change
Gross revenue	203.4	196.4	3.6
Net revenue	117.5	110.7	6.2
Other cost of revenue	(16.7)	(16.0)	4.5
Administrative costs	(47.5)	(42.0)	13.3
Operating profit	53.3	52.7	0.9
Net interest	-	-	-
Profit before tax	53.3	52.7	0.9

Analysis of Retail networks operating profit



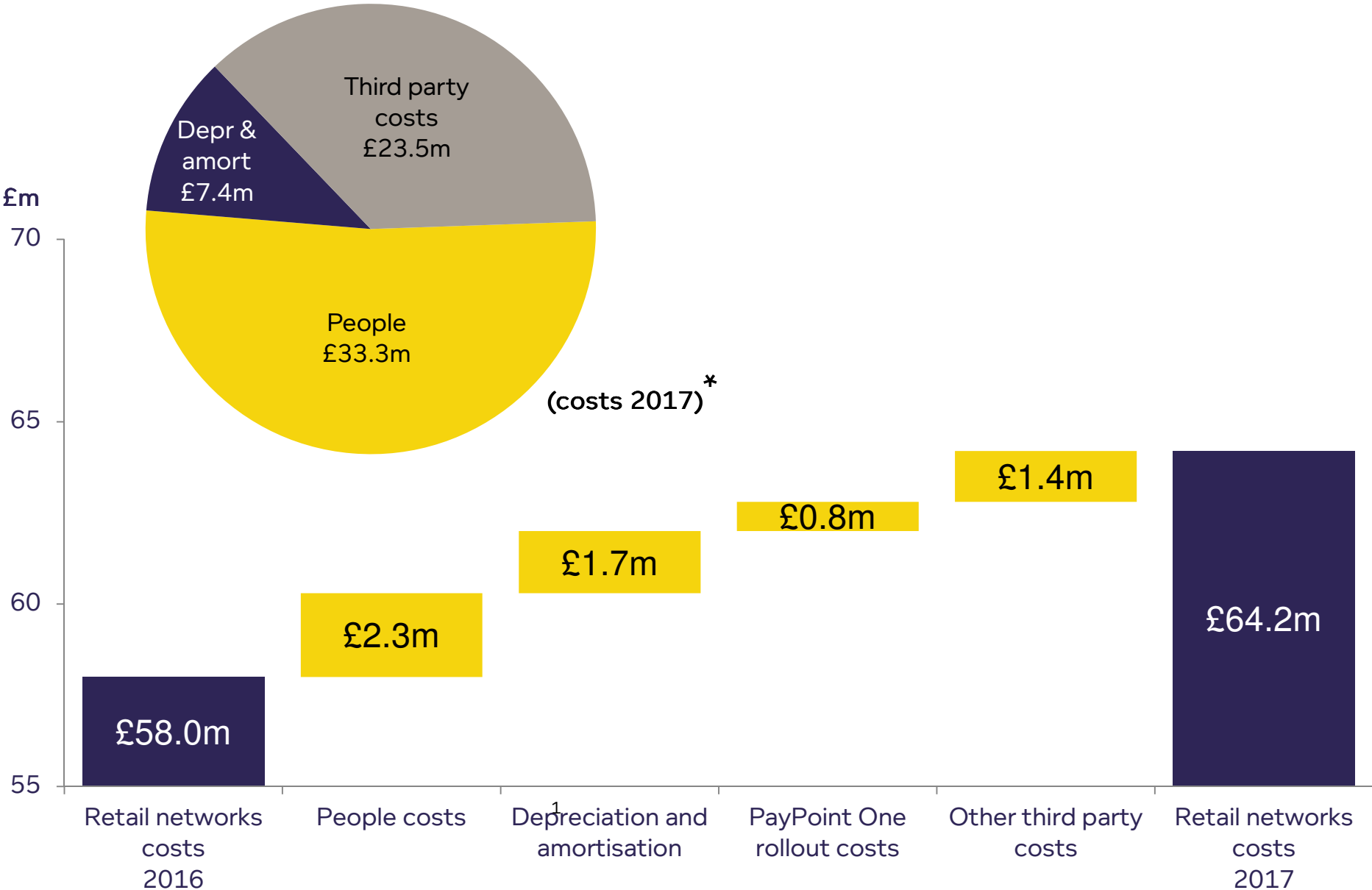
Analysis of Retail networks net revenue



* Includes non-recurring £2.4 million VAT recovery relating to card payments



Analysis of Retail networks costs



* Total costs of £64.2 million consists £47.5 million of administrative costs and £16.7 million of other cost of revenue



Strong balance sheet

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Year ended 31 March	2017	2016
	£m	£m
Goodwill	8.2	8.1
Other intangible assets	11.9	8.0
Property, plant & equipment and other non current assets	27.5	21.5
Assets held for sale and Collect+	-	3.4
Cash ¹	53.1	80.8
Working capital	(23.1)	(30.4)
Current tax liability	(4.5)	(3.5)
Net assets	73.1	87.9
Equity shareholder's funds	73.1	88.0
Non-controlling interests	-	(0.1)
Total equity	73.1	87.9

1. Cash balance in 2016 excludes £2.4 million of cash included in assets held for sale

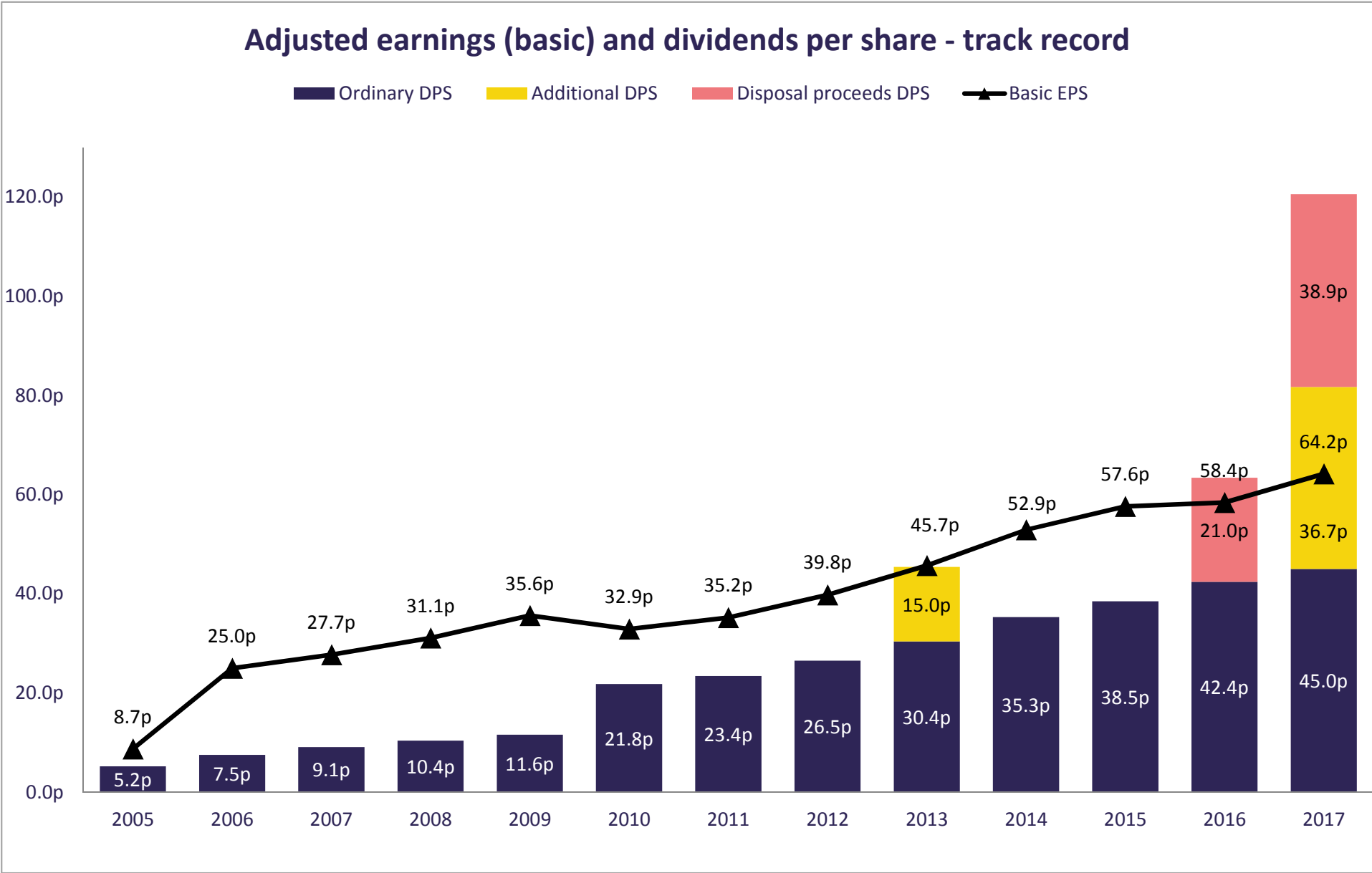
Cash generation and use

13

Year ended 31 March	2017 £m	2016 £m
Profit before tax	69.1	8.2
Non-cash items	(7.6)	48.9
	61.5	57.1
Share based remuneration	(0.4)	(0.6)
Working capital	(10.5)	11.7
Tax paid	(8.6)	(9.9)
Capital and other expenditure	(17.5)	(8.1)
Free cash flow	24.5	50.2
Net cash from business disposals	22.7	12.0
Dividends paid	(78.5)	(27.4)
Effects of foreign exchange rate changes	1.2	1.2
Net cash movement	(30.1)	36.0
Cash conversion¹	58%	56%
Cash at 31 March²	53.1	83.2
Client funds included in cash at 31 March	20.2	30.2

1. Cash conversion is free cash flow excluding the client funds working capital outflow £11.6m (2016: inflow 17.8m) divided by profit after tax adjusted for non-cash items

2. Cash balance in 2016 includes £2.4 million of cash included in assets held for sale

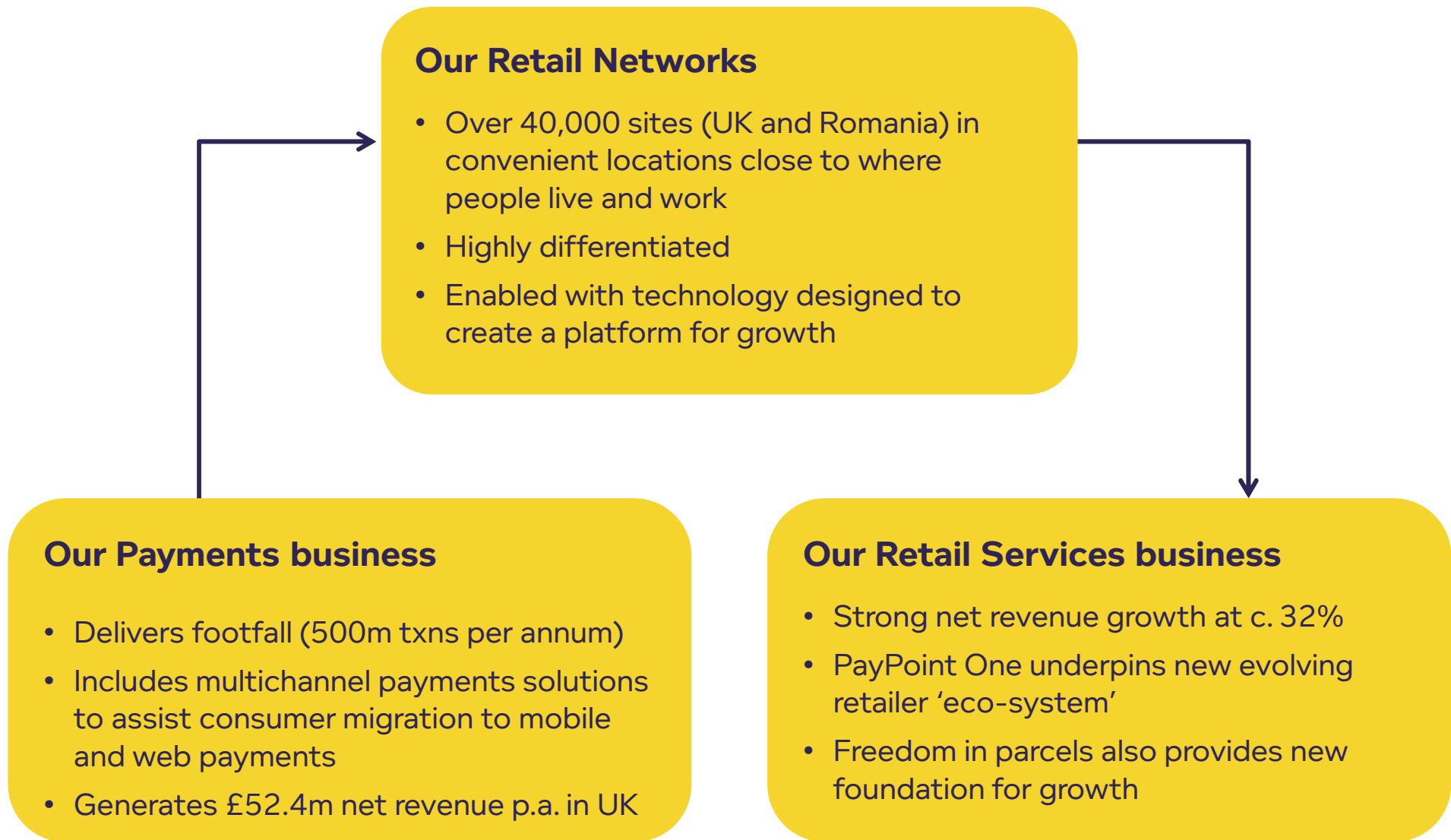


- **UK business in transition**
 - SPS contract expected to terminate sometime between September 2017 and March 2018. Full year effect £4m
 - Reducing Yodel fee – impact £1.7m 2018, further £1.0m 2019
 - Impact of investment on PayPoint One, MultiPay, tools and capability
 - Non-recurring net VAT recovery of £2.0 million
- **Pressures in prepay energy**
 - Strong growth in MultiPay
- **Opportunity in UK retail services**
 - Continued PayPoint One rollout
 - Pro launch
 - Card payments and ATM growth
- **Continued organic growth in Romania**



Looking ahead

Our Retail Networks are our most valuable assets
We have 5 business priorities to deliver



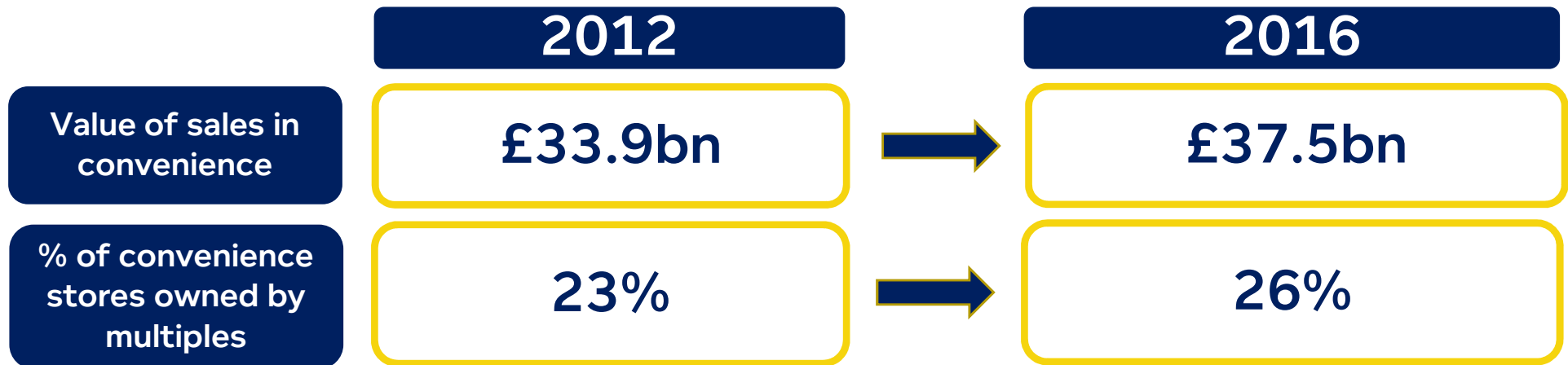
There is a structural change in the way we shop, driven by growth ...

- in online shopping (£38.4bn in 2012 to £64.5bn in 2016)
- in destination shopping and entertainment centres

Resulting in the decline of the high street

However, the convenience sector remains strong and is the place to be

'Britain's high streets under strain as 15 shops close every day'
theguardian



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

		Symbols	Independents
Technology			
PayPoint in store	8,500	9,000	11,500
Total store universe	13,500	14,000	23,500

Most advanced and integrated technology platform

- PayPoint One proposition is tablet/Android based
- Central to retailer operations

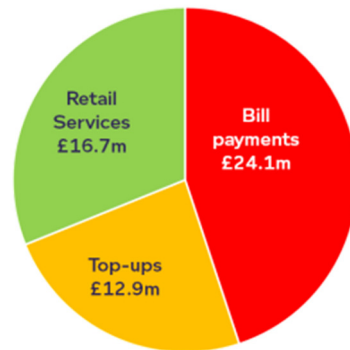
Footfall benefit driven by payments and Collect+

- The PayPoint shopper spends more per basket (£8.78 vs. £6.13 convenience average)
- Visits more frequently (4.3 visits per week vs. 3.6 convenience average)
- Over 60% of PayPoint shoppers also bought something in store
- 34% of PayPoint shoppers said that one of the main drivers to store was to use PayPoint



Commission

- Total commission paid £53.7m



Ability to manage cash through our Net Settlement capability

- Half our ATM retailers are net credited, thereby removing banking costs
- We will further enhance this when card payment net settlement goes live at the end of this year

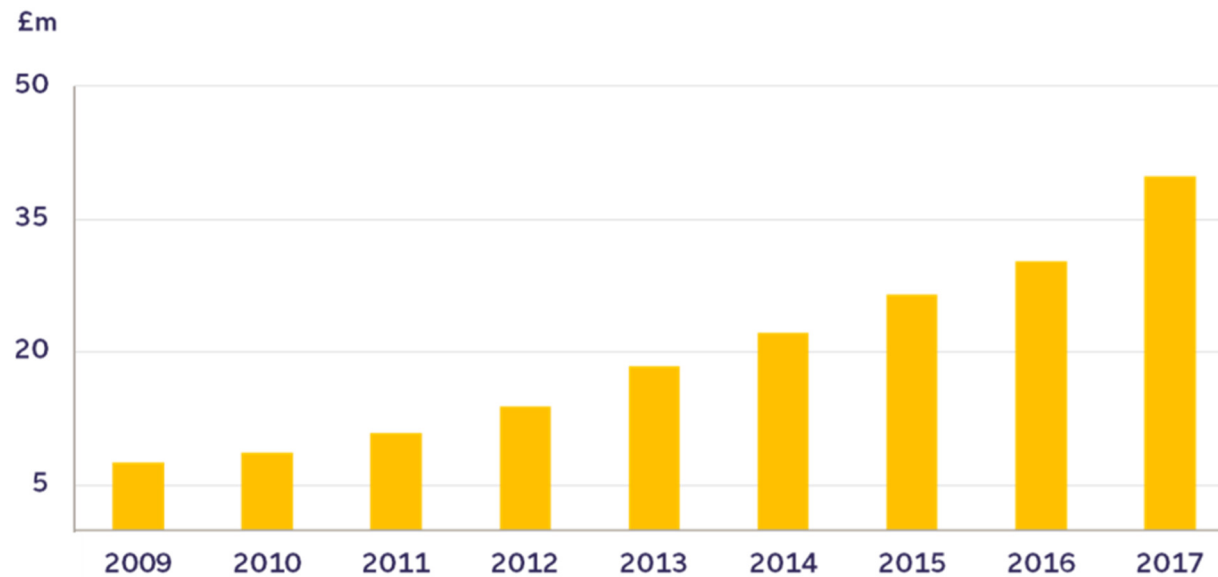
Sources: PayPoint and him! research & consultancy convenience tracker programme 2016 (CTP)

We have 5 business priorities to deliver in 2017/18

- 1. Profitable growth in UK retail services**
- 2. Deliver parcels growth**
- 3. Optimise profits in UK bill payments and top-ups**
- 4. Drive organic growth in Romania**
- 5. Business optimisation**

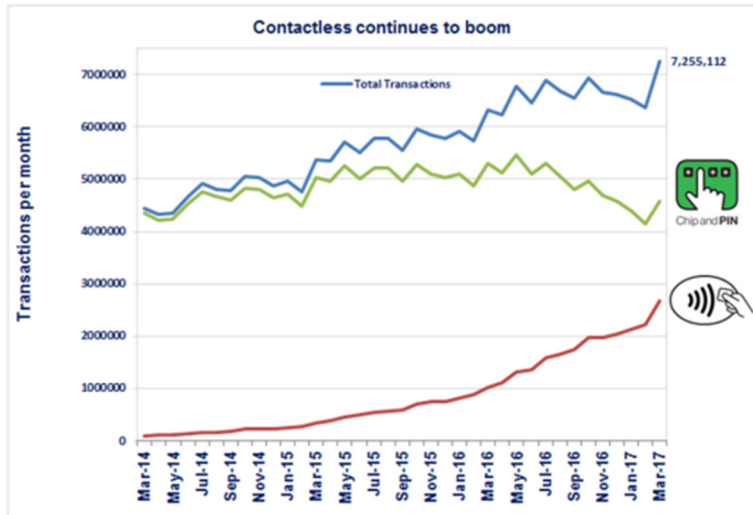
1. Profitable growth in UK Retail Services

- Net revenue growth continues, up 30.9% to £39.0m

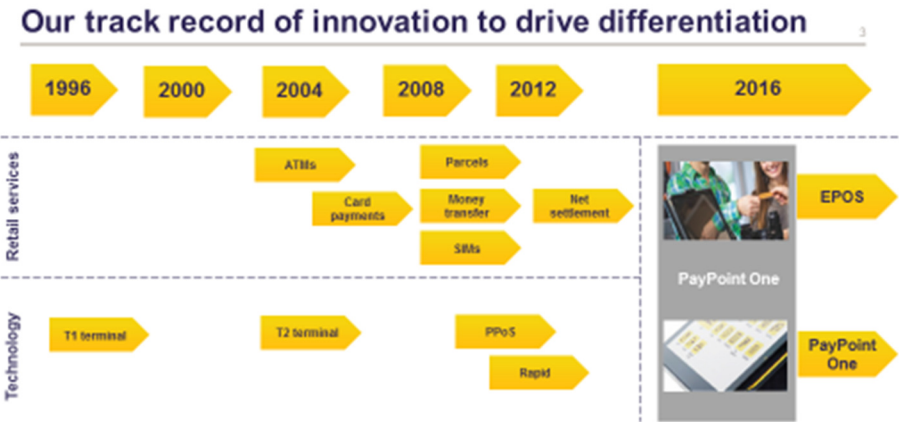


- Driven by extending product attachment into our network and driving performance
- We continue to invest in PayPoint One, EPoS, ATMs and Net Settlement for cards
- Legacy charge of £10 per month introduced for T2, effective from 1 June 2017

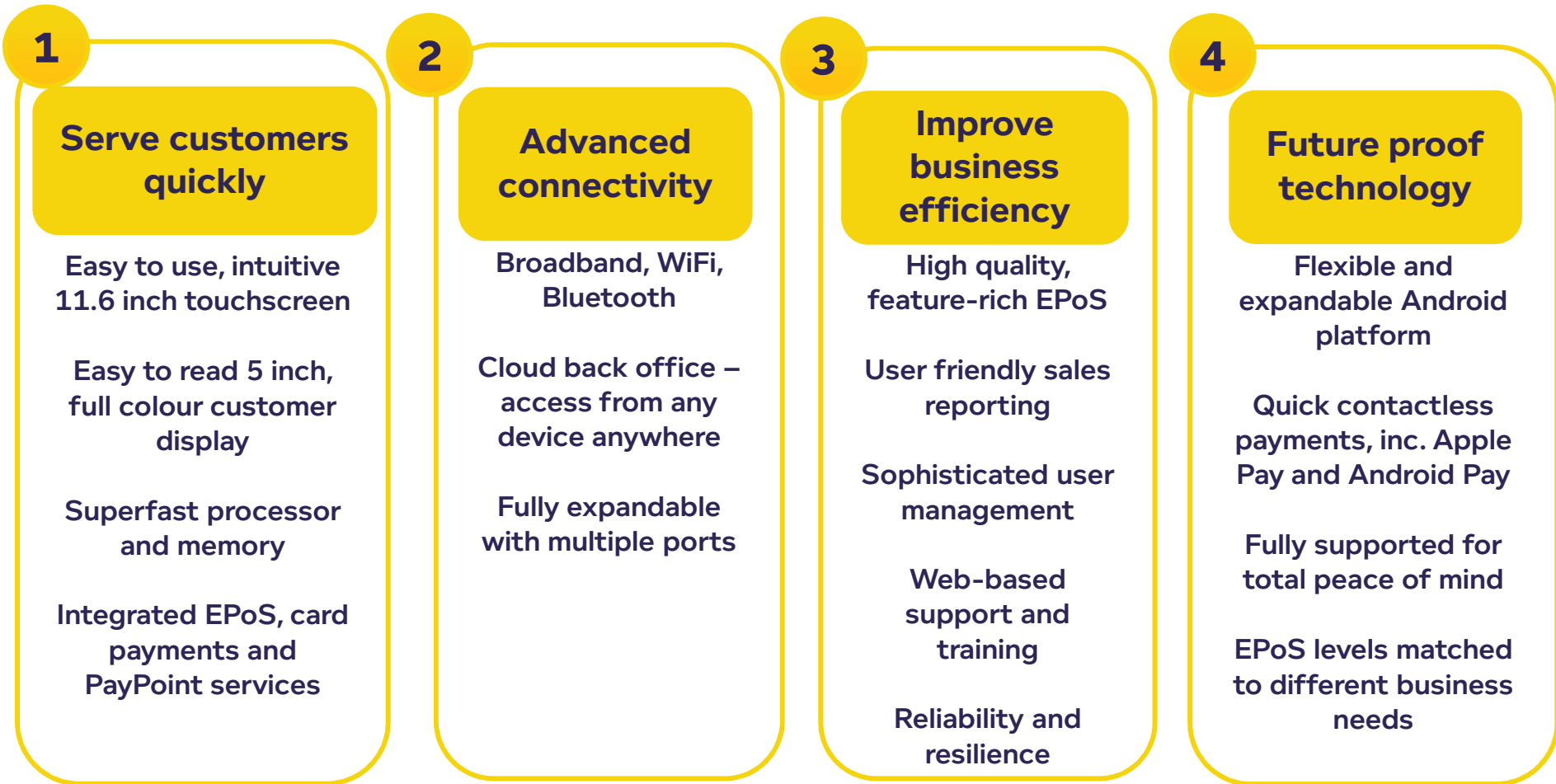
Card payments growing, particularly contactless



We have a strong track record of retail services innovation



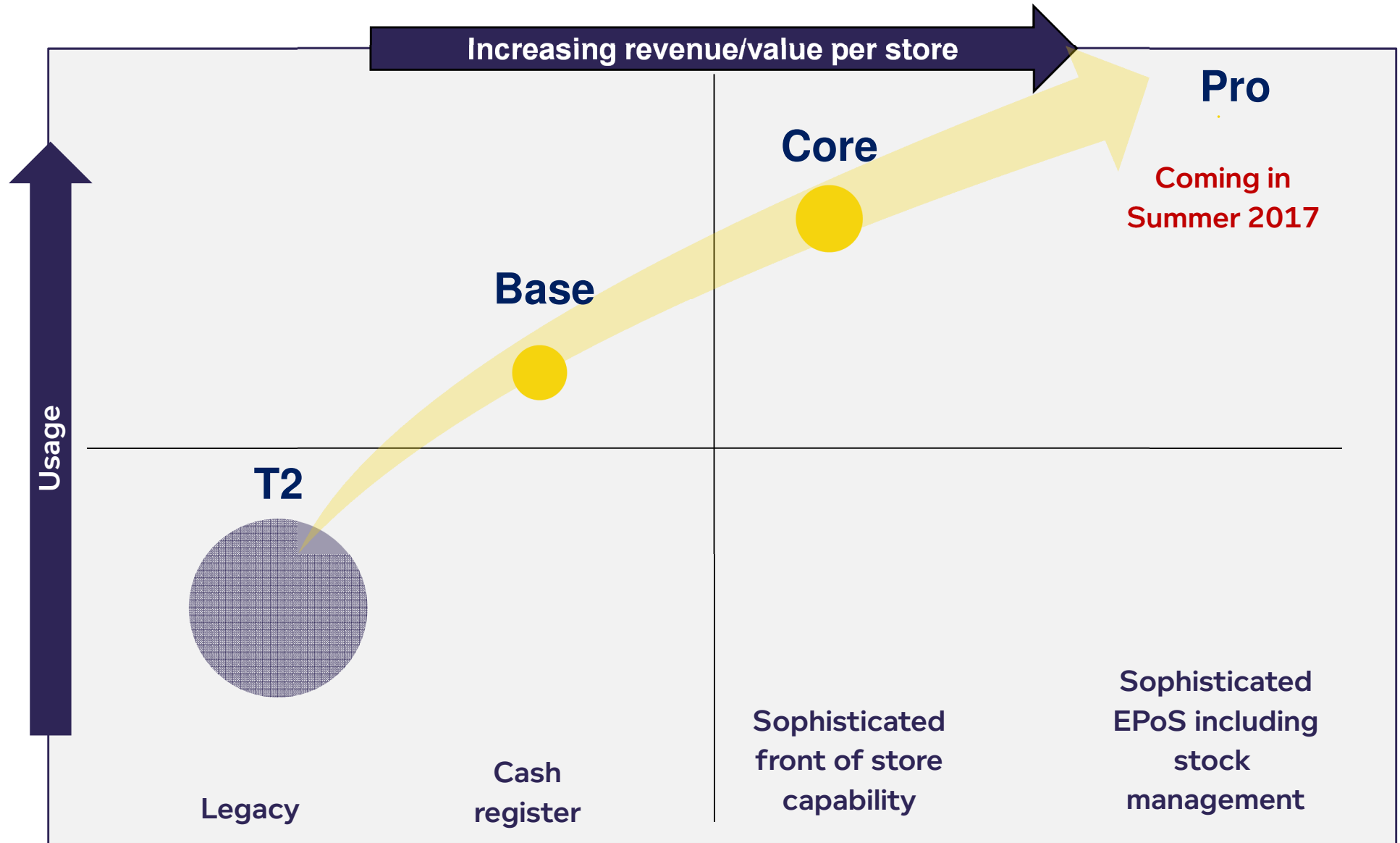
PayPoint One - a technology platform to drive growth



Turning shopkeepers into business people



EPoS moves PayPoint to the heart of the store



Already the largest EPoS capable platform in the sector





Live Count 22nd May

Total

4,227

EPoS Base

1,657

EPoS Core

2,567

**EPoS Pro
(test sites)**

3

Aim to achieve 8,000 sites by March 2018

2. Deliver parcels growth

Home delivery market of over 2.1bn parcels, growing at c.6% per annum and expected to continue

- Returns growth driven by high volume fashion
- C&C volume growth even stronger across 'own store' and third party outlets



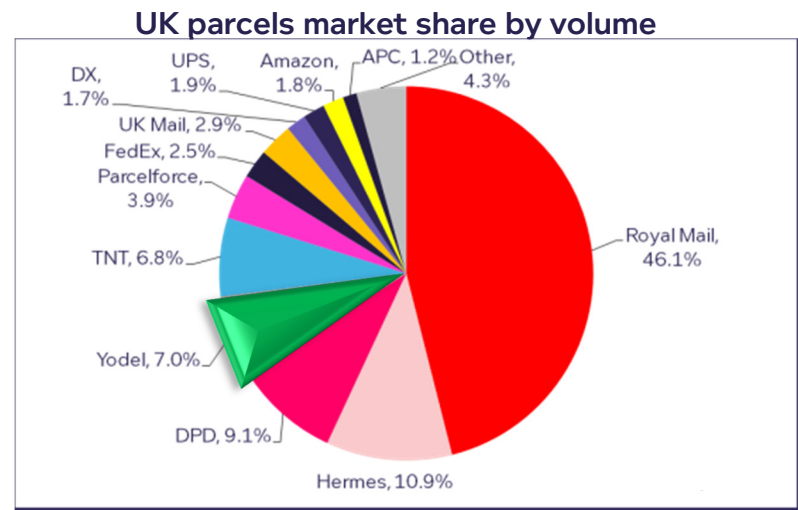
Collect+ is the market leader, with volumes growing strongly

- Trusted brand (Trust Pilot - 9.2 out of 10)
- Consumer awareness and feedback scores (4.7 out of 5 for in-store experience & YouGov survey)
- Attractive to retailers (including Multiples) to drive footfall

New arrangements allow growth beyond Yodel volumes

- We now have freedom and clarity of business model
- Gary Winter joined as Parcel Services Director
- Growing network to 7,000 and beyond
- Opens much bigger market as Yodel have 7% share
- Allows Collect+ to become industry solution
- We can also serve other carrier networks

Ambition to grow significantly as new arrangements are secured



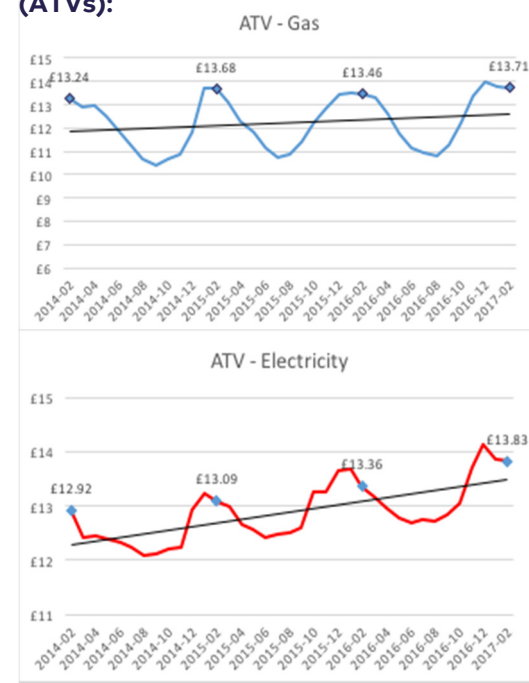
3. Optimise profits in UK bill payments

Energy market dynamics

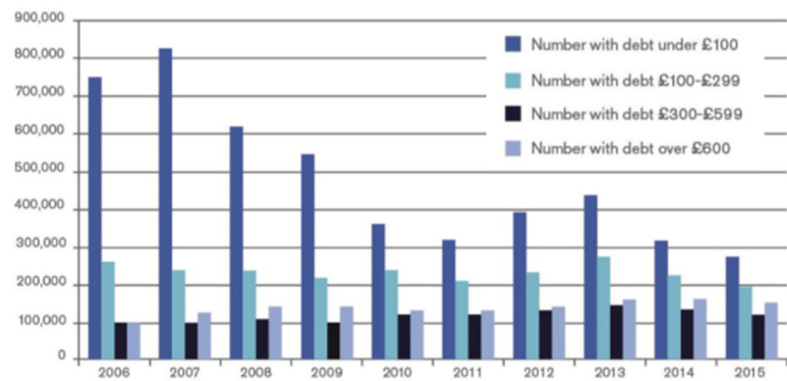
- Fewer prepay meters being installed, spend down 3% yoy
- Average payment value is up 2% and 4% (gas/electricity)
- Lowest energy debt levels in over 10 years
- Price caps likely to mitigate price increases

- Smart meter installs gathering pace, 10% of 50m meters
- 'Big 6' losing share to new entrants
- Only 3 new entrants are focused on prepay
- New and significant increase in prepay meters not for debt reasons

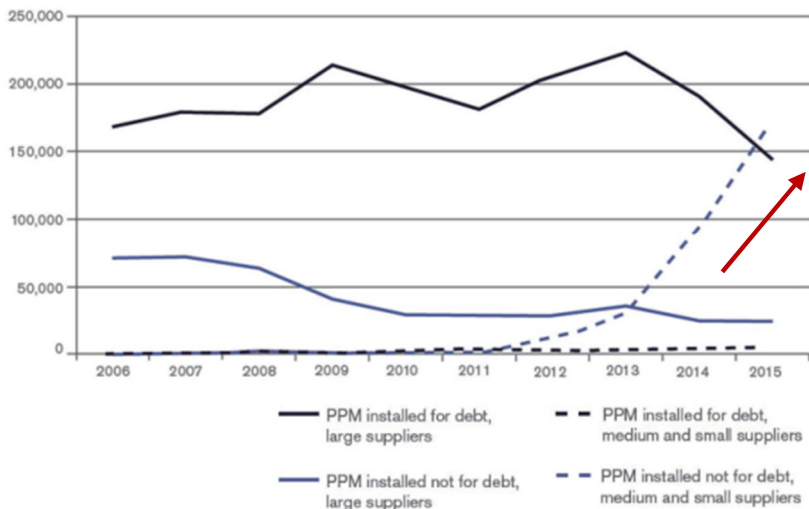
Pre-payment average transaction values (ATVs):



Number of electricity consumers with outstanding debt at different levels:

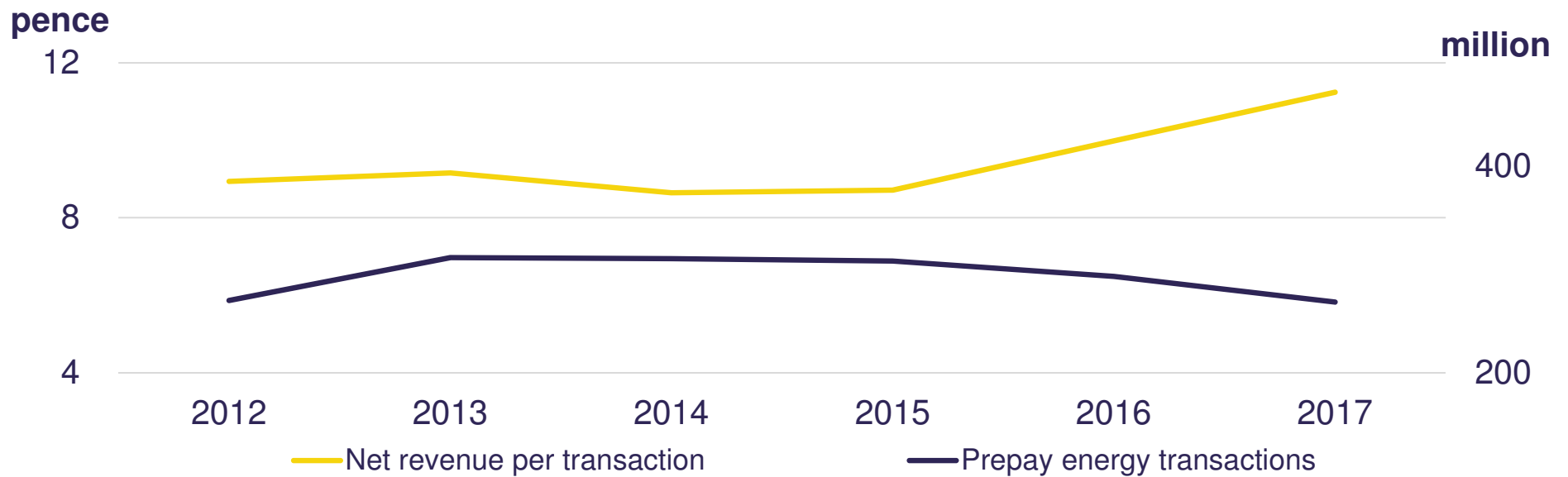


Number of gas pre-payment meters (PPMs) installed for debt and not for debt by different types of suppliers:



Energy market impact on PayPoint

- Our consumer base has remained stable, including over 6m cash paying customers
- Our market share of cash over the counter payments remains strong across legacy and smart meters
- We are successfully defending volume decline with increased margin



MultiPay continues to make good progress

The Product

- MultiPay has already demonstrated its Smart Meter readiness
- Well positioned to continue to capture energy market share (especially for prepay)

Key differentiators

- Route to SMETS1 and new SMETS2 integration
- Enables single integration for multi-channel and retail (all payment methods including cash)
- Payment expertise and PSD2 readiness

Continued market turbulence likely to drive more opportunity

- SMETS2 Prepay going live on DCC in August 2017
- SMETS2 will be mandatory from July 2018
- DCC delays have extended SMETS1 deployments with no date for DCC connectivity
- PSD2 coming early next year

Commercial progress

- Non cash volume has doubled over the last year, with SSE about to go live
- 60% of online volume is by app – online volume to cash ratio is 40:60
- 15 MultiPay clients live; additional 7 due to go live over the summer

Energy

- API integration removes payment and vend management burden for large clients while supporting their in-house apps
- Smaller clients attracted by full outsourced white label service (app with high ratings)
- Solution for PSD2 stronger authentication requirements

Housing & Local Authorities

- Capabilities strongly aligned with our energy solutions
- Have a stronger and more flexible solution than existing providers in this market
- Discussion focused on one-stop service including removing Post Office and consolidating with PayPoint

4. Drive organic growth in Romania

Payments

- Cash dominates Romanian household payments (c.90% share)
- Bill payment driving our growth, txns up 11.6% yoy
- Bill payment share 23.8% (March 2016: 21.8%), supported by national advertising
- Competition from client cash offices, Post Office, bank branches – all losing share
- Top-up transactions up by 16.0% reflecting strength of network, visibility and branding

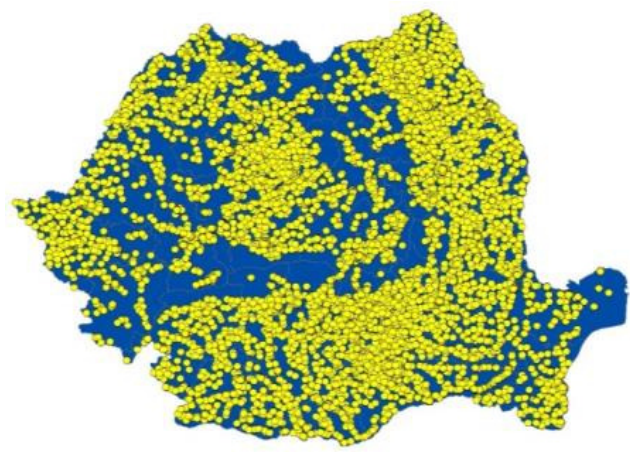
Retail services

- Strongest retail network with c.11k sites, differentiated through strong rural presence
- Good growth in money transfer, now in c.3,000 sites
- Further retail services under development
- Parcels being trialled in Bucharest
- Credit card terminal sales being trialled

Payzone

- Romanian Competition Council assessing PayPoint’s potential acquisition of Payzone Romania
- Decision expected over the summer

Retail coverage in Romania





5. Business optimisation

We continue to review our operations, systems and processes for efficiency and cross functional alignment

We are investing in better tools, systems and capability to drive growth

- To enable our sales teams to be more productive
- To accelerate commercial deployment
- To assist in the provision of a first class service to our retailers, in line with our pledge
- To ensure we are best placed to support future efficient innovation



Summary and future developments



We are focused entirely on the development of our retail businesses post the sale of Mobile and Online

We will transition our UK business and grow our retail services primarily by

- Continuing the rollout of PayPoint One
- Launching EPoS Pro and integrating the symbol groups
- Growing our parcels business

We will manage the decline of our cash payments volume in the UK by focusing on margin and driving our MultiPay product

We will continue to evolve our proposition and drive growth in Romania

We are confident that PayPoint is well positioned to continue to drive sustainable medium-term earnings growth, generate cash and support superior returns to shareholders



Appendices





Appendix 1

Operating review comparatives

Payments

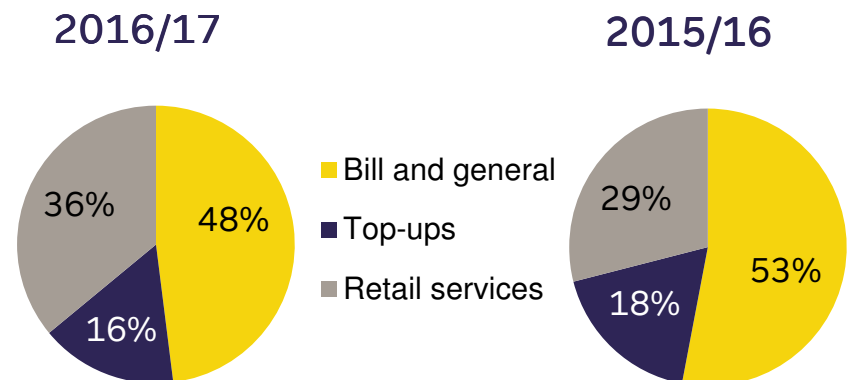
- Bill and general volume down 6.6%, net revenue down 3.8%
- Continued opportunities to sell to new clients
- Mobile top-ups net revenue continued to decline as expected, now only 10.2% of net revenue
- Multi-Pay, over 2x growth at 10m transactions, continues to attract strong interest

Retail services (site figures for 22 May 2017)

- New £10/month legacy charge for T2 from June '17
- PayPoint One: 4,227 sites
- Core EPoS: 2,567 sites
- Parcels: 6,320 sites
- ATM: 4,177 sites
- Card payments : 10,021 sites
- 90.2m card & contactless payments in-store, up 12.2%

UK & Ireland	2017	2016
Transactions (m)	579.7	601.3
Net revenue (£m)	108.3	103.5
Terminal sites	29,176	29,087

UK & Ireland retail net revenue by service



New arrangement agreed with Yodel

- PayPoint free to sign new carriers and (non Yodel) retailers
- Sale of Drop and Collect to Yodel (where logistics costs sit)
- Yodel and PayPoint own Collect+ brand 50/50

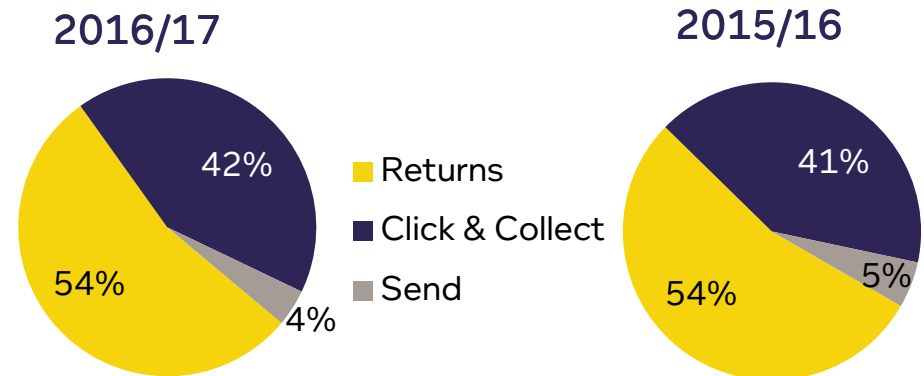


Collect+	2017	2016
Transactions (m)	23.3	20.7
Sites	6,167	5,936

Collect+

- Growth in annual volume of 12.6%
- 6,320 sites at 22 May 2017
- Over 300 participating brands
- Clear market leader in collection and returns
- Rated via YouGov surveys as the No.1 provider of customer satisfaction and recommendations

Transactions by service



Payments

- Bill payment transactions increased by 11.6%
- Bill payment share 23.8% (March 2016: 21.8%), up 2.0 ppts 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 transactions up by 16.0% reflecting strength of network, visibility and branding
- Road tax transactions up 72%

Retail services

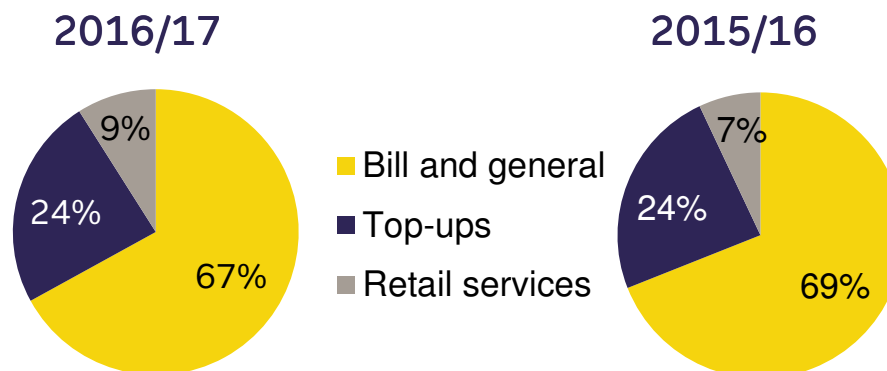
- Retail network continued to grow, with differentiation through strong rural presence
- Further retail services under development
- Parcels being trialled in Bucharest
- Credit card terminal sales being trialled

Payzone

- Romanian Competition Council assessing PayPoint's potential acquisition of Payzone Romania
- Decision expected over the summer

Romania	2017	2016
Transactions (m)	75.0	66.9
Net revenue (RON m)	49.1	43.3
Terminal sites	11,302	10,141

Romania net revenue by service



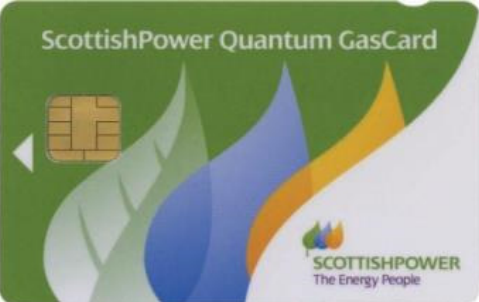


Appendix 2

**Materials to support the
consumer transaction**

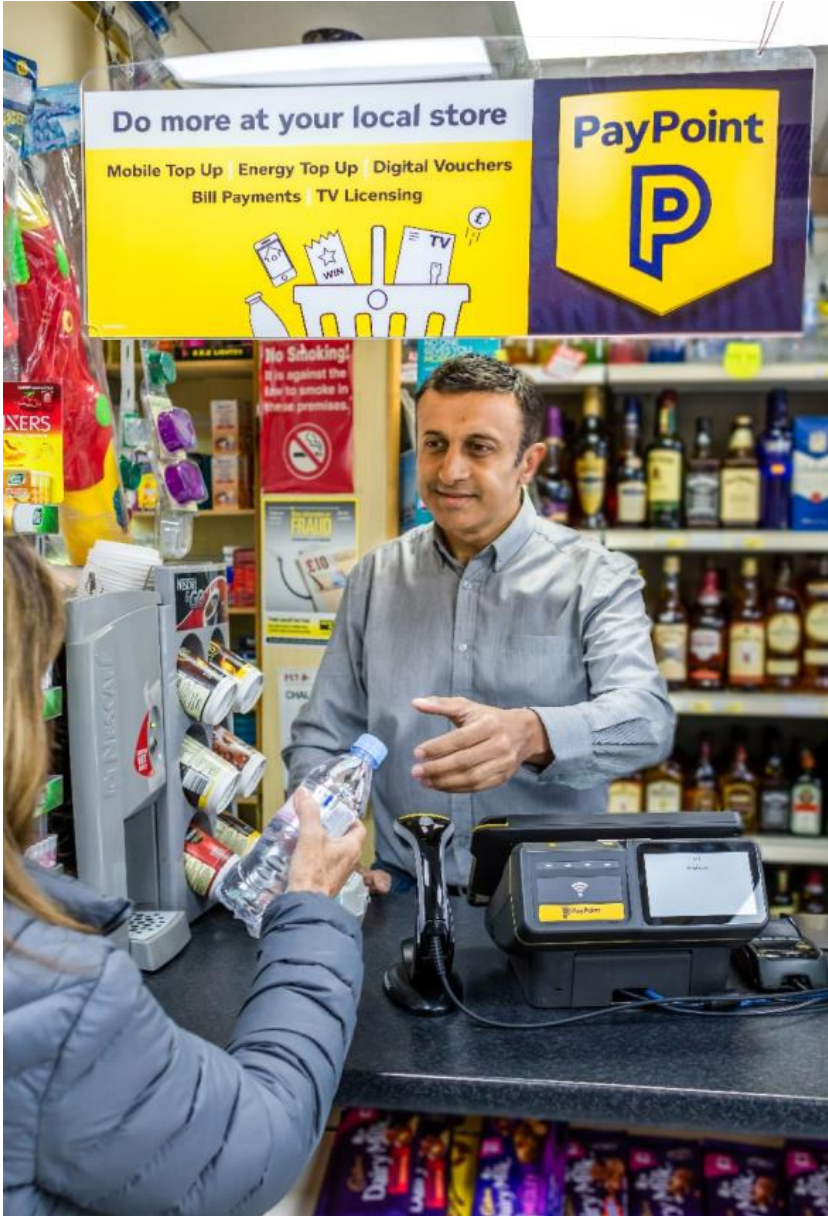
Materials to support the consumer transaction

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



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

Our Services ▾ Blog Useful Guides About Us ▾ Track Parcel [➤](#)

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 (Typically 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](#)

Have you tried our mobile app?

Find out more here >

Changed your mind?

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

Return to:

 ➤

TRUSTPILOT
TRUSTSCORE 9.2 | 41,004 REVIEWS

Our Store Network

With a network of over 6,000 local stores in the UK, open 'til late, we make sending and collecting parcels quick and easy.

Our Services Store Locator Help [f](#) [in](#) [i](#) [t](#) [g+](#) [p](#)

Send About Us FAQs

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...](#)

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...](#)

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 send parcels with C...

Send to: SEND >

How to return an item to a r...

Return to: ➤

How to click and collect wit...

Visit a Click & Collect partner: ➤

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CollectPlus reviews

Excellent 9.2

from 0 - 10

Review company

41,006 reviews on Trustpilot [Asking for reviews](#)

- 1 star
- 2 stars
- 3 stars
- 4 stars
- 5 stars

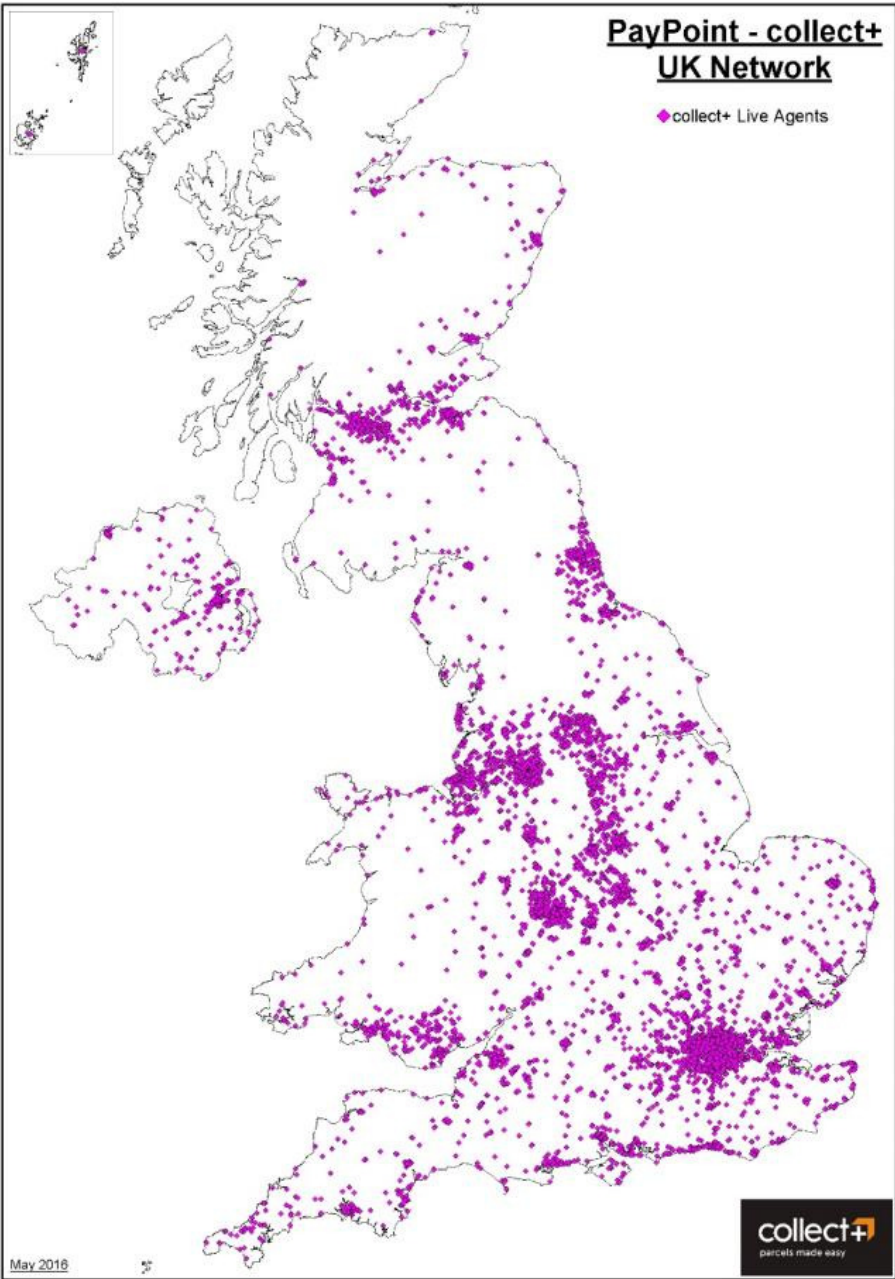
Materials to support the consumer transaction

Collect+: Phone pick up barcode



Target network density
- 1 mile urban
- 5 mile rural

>6,100
locations live

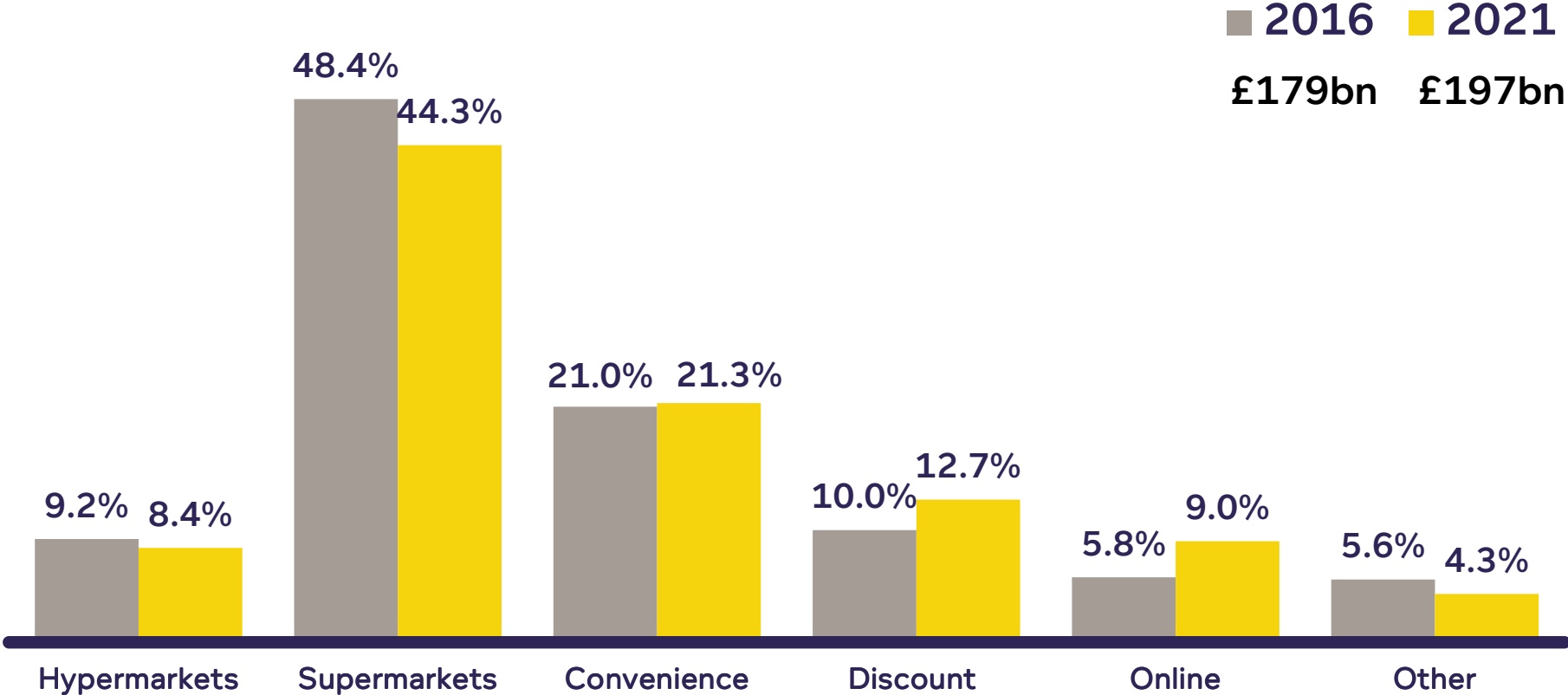




Appendix 3

**Our retail environment & local shop
economics**

Further decline in big box supermarkets, convenience holding steady and online continuing to thrive



Big changes over last 10 years:

- Shift from 'big, weekly' shop to 'top up, little and often' shopping
- Planned shopping down 9% but distress purchases up 5%
- 'Meal for tonight' mission +6% but huge regional differences (7.2% of visits in London, 1.7% in Wales)
- 11% drop in news category but 5% growth in services

Shopper demands growing, retailers need data and analysis to keep up:

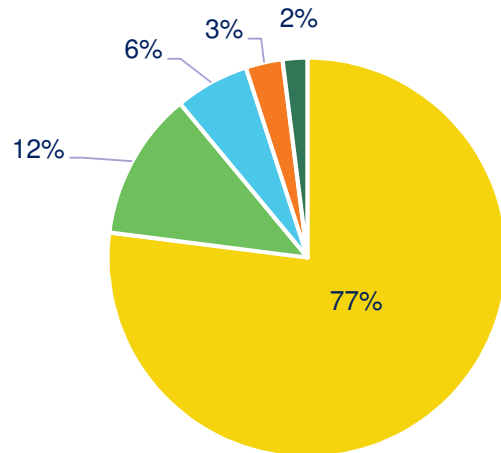
- Convenience retail under-delivering on speed of service and value for money
- Shop spend can grow up to 42% with a positive in-store experience and tailored product range
- Average c-store shopper spend peaked in 2015 and has since declined
- Diverse shopper needs and missions to cater for



Anatomy of a typical local store:

- £1.2m p.a. turnover
- Annual gross profit of 20% of turnover
- c. 1000 square feet
- Average investment of £6-8k on store
- Average net profit c. £20,000 p.a.

Average cost breakdown



■ Product for sale ■ People costs ■ Rent and rates ■ Energy costs ■ Wastage

Value that PayPoint brings to local stores:

- Average of 1,200 consumer visits per month
- Over 60% of PayPoint shoppers also bought shop items
- £8.78 basket spend vs. £6.13 convenience shopper average
- £37.75 average spent per week (vs. £22.07 convenience average)

