



Nick Wiles, Chief Executive
Alan Dale, Finance Director

26 November 2020

Results for the half year ended 30 September 2020

Agenda – 26 November 2020

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1 Introduction & Covid-19

2 Strategy update

3 Financial review

4 Operational review

5 Summary

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Strategic

- Strategy confirming significant growth opportunities in UK
- Sale of Romanian business to realise value and focus on UK business
- Acquisition of Handepay/Merchant Rentals (card payments) and i-movo (digital vouchering) to deliver enhanced growth and opportunities in UK
- Within client and retail services, incremental growth opportunities identified, leading to focused investment and resource allocation
- Re-organisation delivering a more streamlined and accountable structure across the business

Financial

- Net revenue from continuing operations¹ of £46.4m, down by 7.8%
- As expected, H1 net revenue impact of £2.1m as British Gas contract ended in Dec 2019
- Covid-19 – step change in impact on growth areas of cards, digital payments and eMoney
- Bill payment performance below expectations; ATM recovery slow
- Profit before tax from continuing operations of £16.8m, down 18.6%
- Strong cash conversion of £25.1m for continuing operations from PBT of £16.8m
- Interim ordinary dividend of 15.6p per share, consistent with policy announced at FY in May 2020
- Romania – estimated profit on sale of £22m

Operational

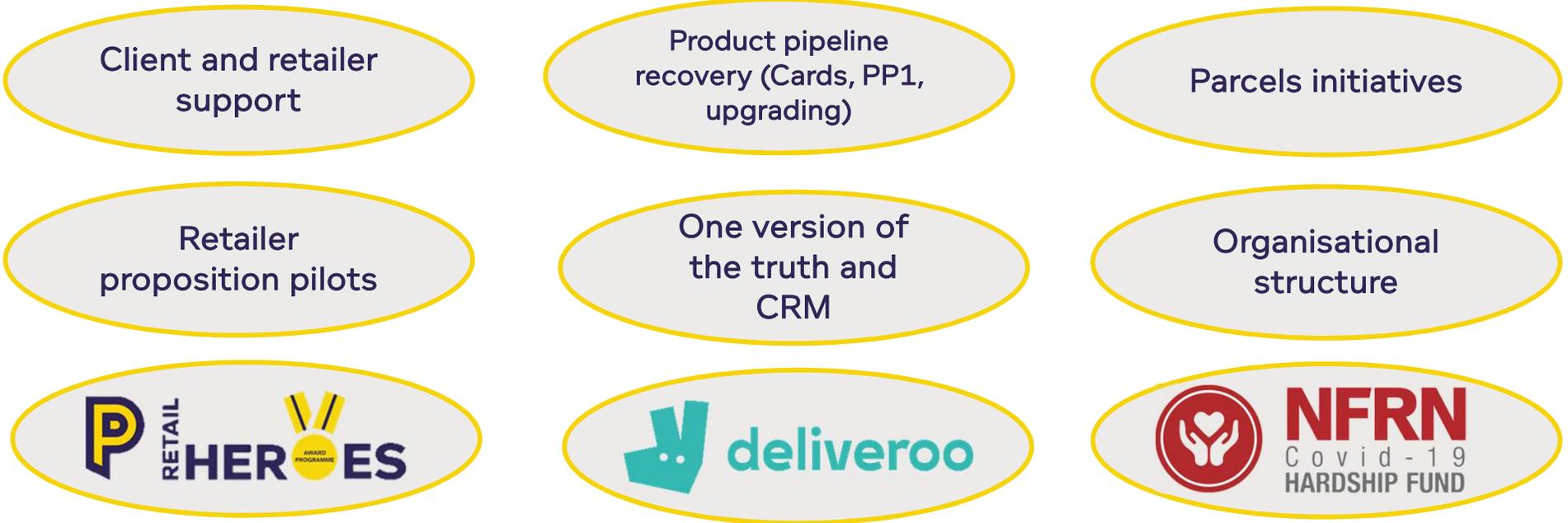
- 16,900 PayPoint One sites
- Resilient network recovery and continued client and retailer support through Covid-19
- Sales pipeline recovery in PP1, cards and upgrades
- Second phase of CRM launched
- Clients: major renewal programme largely complete with 17 renewals, with clients taking additional services, and 26 new clients, 75% coming from non-energy sectors
- Multiple retailers: 7 renewals, including EG Group, Motor Fuels Group and several Co-ops
- Parcels: Collect+ now fully owned; DPD and Parcel2Go now signed; investment in Send proposition
- Statement of Objections received from Ofgem – considering provisional views and responding in due course

1. Net revenue from continuing operations excluding the prior period impact from British Gas decreased by £1.8 million (3.8%).

Covid-19 – adapting the business to drive resilience and performance



Hybrid working model now fully adopted



Covid-19 – co-ordinated actions driving recovery from low of lockdown

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Product	April 20/21 vs 19/20 % increase/ (decrease)	May 20/21 vs 19/20 % increase/ (decrease)	June 20/21 vs 19/20 % increase/ (decrease)	July 20/21 vs 19/20 % increase/ (decrease)	August 20/21 vs 19/20 % increase/ (decrease)	September 20/21 vs 19/20 % increase/ (decrease)
UK bill payment transactions ¹	(28%)	(26%)	(20%)	(18)%	(19)%	(19)%
UK mobile top up transactions	(22%)	(20%)	(18%)	(19)%	(20)%	(17%)
UK eMoney transactions	(5%)	11%	32%	27%	14%	15%
Card payment transactions	72%	89%	79%	61%	58%	54%
ATM transactions	(37%)	(30%)	(24%)	(20)%	(19)%	(18)%
Parcels transactions	(36%)	(9%)	4%	9%	4%	10%

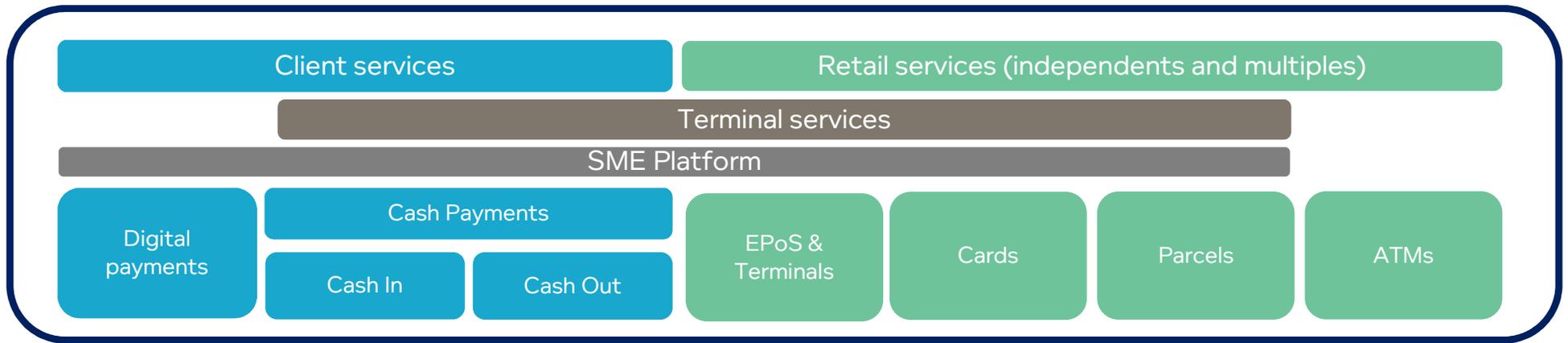
Sites temporarily suspended due to Covid-19	As at 31 March 2020	As at 30 April 2020	As at 31 May 2020	As at 30 June 2020	As at 31 July 2020	As at 31 August 2020	As at 30 September 2020
UK PayPoint One	328	368	185	79	41	39	29
UK ATMs	283	330	303	212	57	43	26
UK Card payments	293	230	124	47	18	16	15
UK Parcels	208	274	182	87	49	47	18

1. Excludes British Gas transactions



Strategy update

Strategy for growth in UK



- Broader payment pipeline into retailer network
- Establish new payment verticals
- Broaden overall payment capabilities (extending beyond traditional energy heritage)

- Greater retailer footfall
- Broader consumer demographics
- Strengthen retailer relationships
- Broadening product offering and revenue opportunities
- Greater leverage of retailer network

Romania Disposal

- Sale of Romanian business to Innova Capital
- Refocus on UK and accelerate strategic shift from cash to digital
- Cash consideration £47 million based on current exchange rates¹
- Profit retained for current FY
- Working with Innova Capital in H2 on successful transition, competition and regulatory approvals
- Anticipated completion 31 March 2021

Retail services (independents and multiples)

Client services

SME Platform

Cards

EPoS & Terminals

Digital payments

CashOut

handepay
merchant services

- Handepay/Merchant Rentals - well-established 'top 4' card payments business with over 21,000 merchants processing £3bn annually
- Enables reach into new sectors, including food services, garages and hospitality
- Best in class customer proposition, ranked 1st on Trustpilot with a rating of 4.9/5
- Transaction of £70m due to complete in Q4 of this FY, subject to regulatory approval

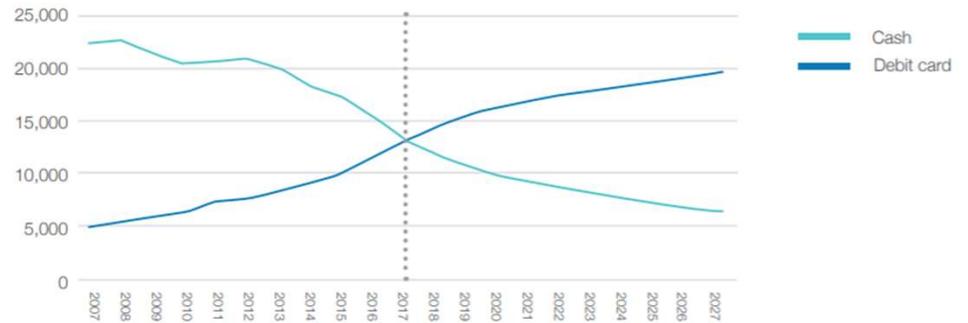
i-movo

- UK's leading secure digital voucher system, processing over 1m transactions per annum
- UK network reach of over 60,000 stores, including PayPoint sites
- Clients across Newspapers, Government, FMCG, Utilities and Banking
- Significant enhancement to our EPOS and terminal services proposition
- Initial transaction of £3m completed

- 2016 - tipping point for shift to cards from cash by UK consumers
- Forecast growth in UK debit card market by 2027 to 19.7bn payments, with 36% contactless
- Accelerated by Covid-19 consumer behavior and shift to shopping local
- PayPoint H1 card transactions +68.7% and net revenue + 63.4%; Handepay merchant transactions now higher than pre-Covid levels
- However, still circa 2m SMEs in UK who do not offer card payments
- 81% of consumers claimed they would be more inclined to shop locally if cards were accepted

Sources: UK Finance, PayPoint Data, Internal Market Estimates, GIC Capital SME Survey 2018

Payment volumes cash vs. debit cards (millions) 2007 to 2017 actuals, 2018 to 2027 forecast

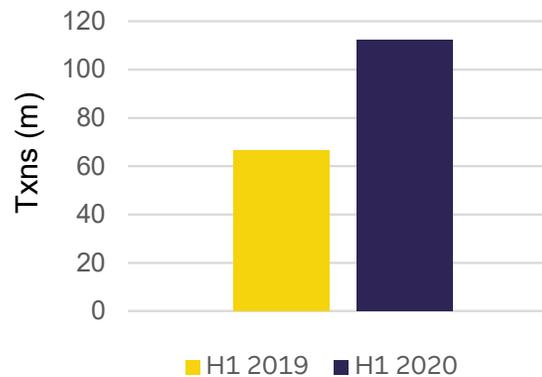


Source: UK Finance

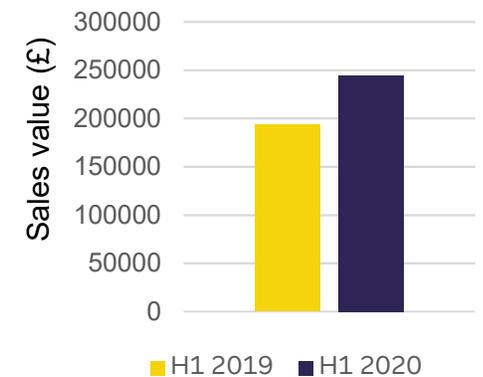
The Telegraph

Coronavirus may not kill cash, but it will change payments forever

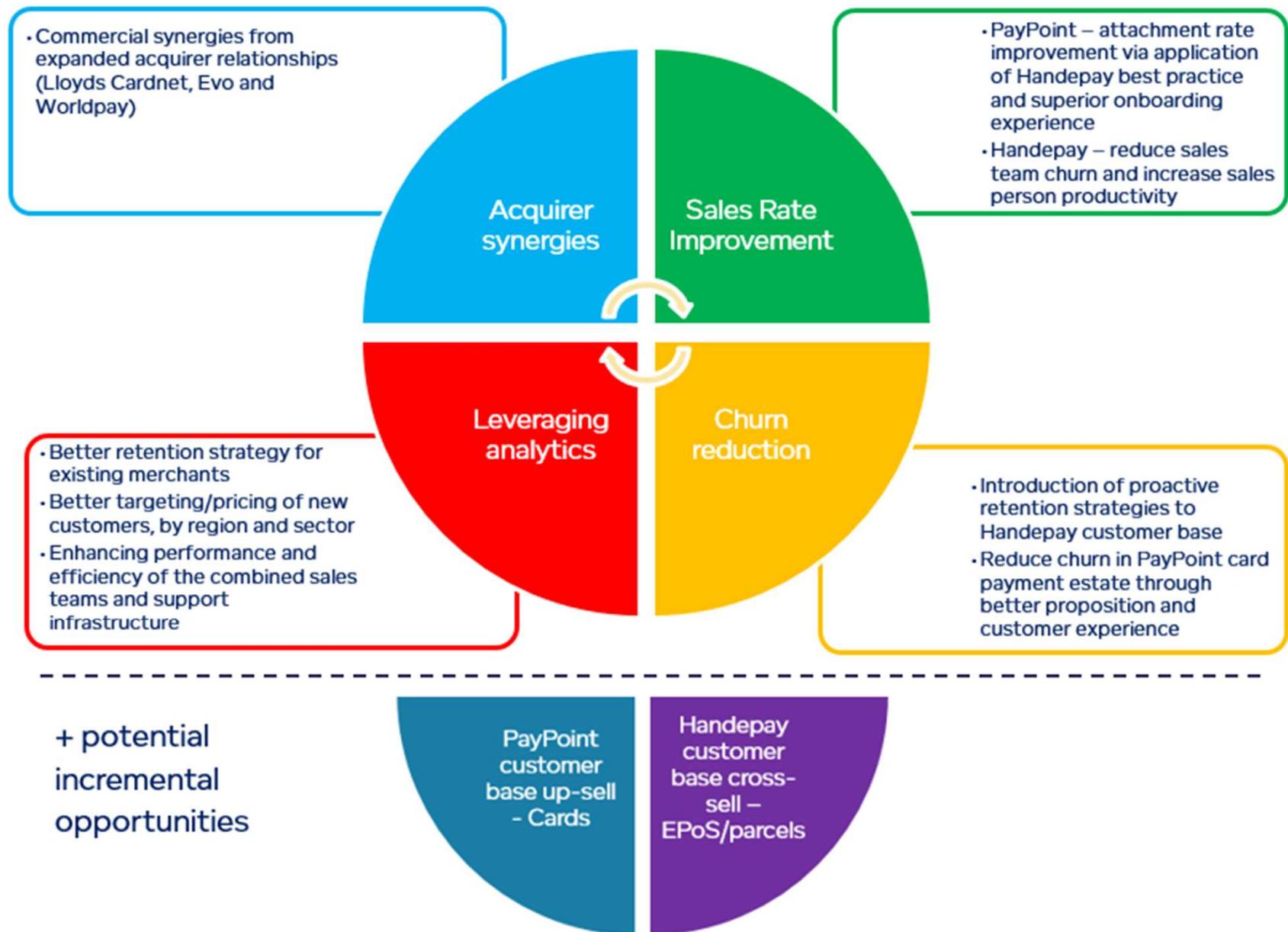
Growth in card payments (PP Card Transactions)



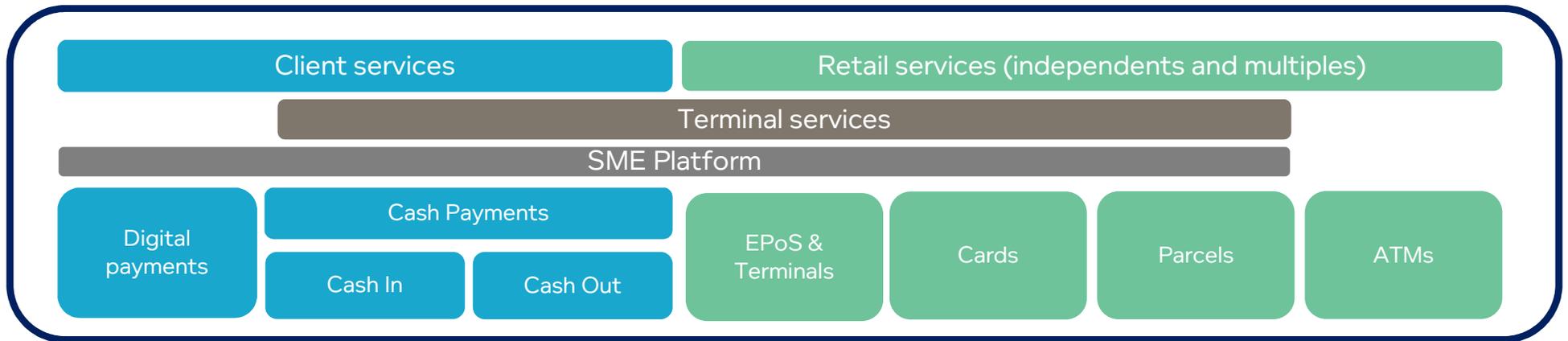
Growth in shopping local (PP1 Value of Sales)



Opportunities to deliver double digit revenue growth in cards



Delivering on our strategy for growth



- i-movo acquisition ✓
 - Romania sale (31 Mar 21) ✓
 - MultiPay product enhancement & client adoption of digital payment services ✓
- H2 Priority
- Future digital payment portfolio development

- Handepay and Merchant Rentals acquisition ✓
 - Full ownership of Collect+ and enhancing send proposition ✓
 - Trials of new revenue streams from PayPoint One ✓
- H2 Priorities
- Successful integration of acquisitions
 - Identify and deliver synergy and cross selling opportunities





Financial review

Financial results

Half year ended 30 September	2020	2019	Change
	£m	(Restated) ¹ £m	
Revenue from continuing operations ²	60.7	69.1	(12.1%)
Net revenue from continuing operations ³	46.4	50.3	(7.8%)
Operating margin from continuing operations ⁴	37.7%	41.4%	(3.7ppts)
Profit before tax	20.6	24.0	(14.2%)
- Profit before tax from discontinued operation	3.8	3.3	12.8%
- Profit before tax from continuing operations	16.8	20.7	(18.6%)
Diluted earnings per share	23.8p	28.5p	(16.5%)
Diluted earnings per share from continuing operations	19.1p	24.4p	(21.7%)
Ordinary dividend per share	15.6p	23.6p	(33.9%)
Additional dividend per share (programme ceased in March 20)	0.0p	18.4p	(100.0%)
Cash generation ⁵	29.5	27.1	8.9%
Cash generation from continuing operations	25.1	22.4	12.1%
Net corporate debt ⁶	(6.1)	(12.3)	(50.3%)
Cash and cash equivalents	42.0	40.5	3.7%

1. Comparative information has been restated due to a discontinued operation. Refer to note 9.

2. Revenue from continuing operations excluding the prior period impact from British Gas decreased by £4.9 million (7.4%).

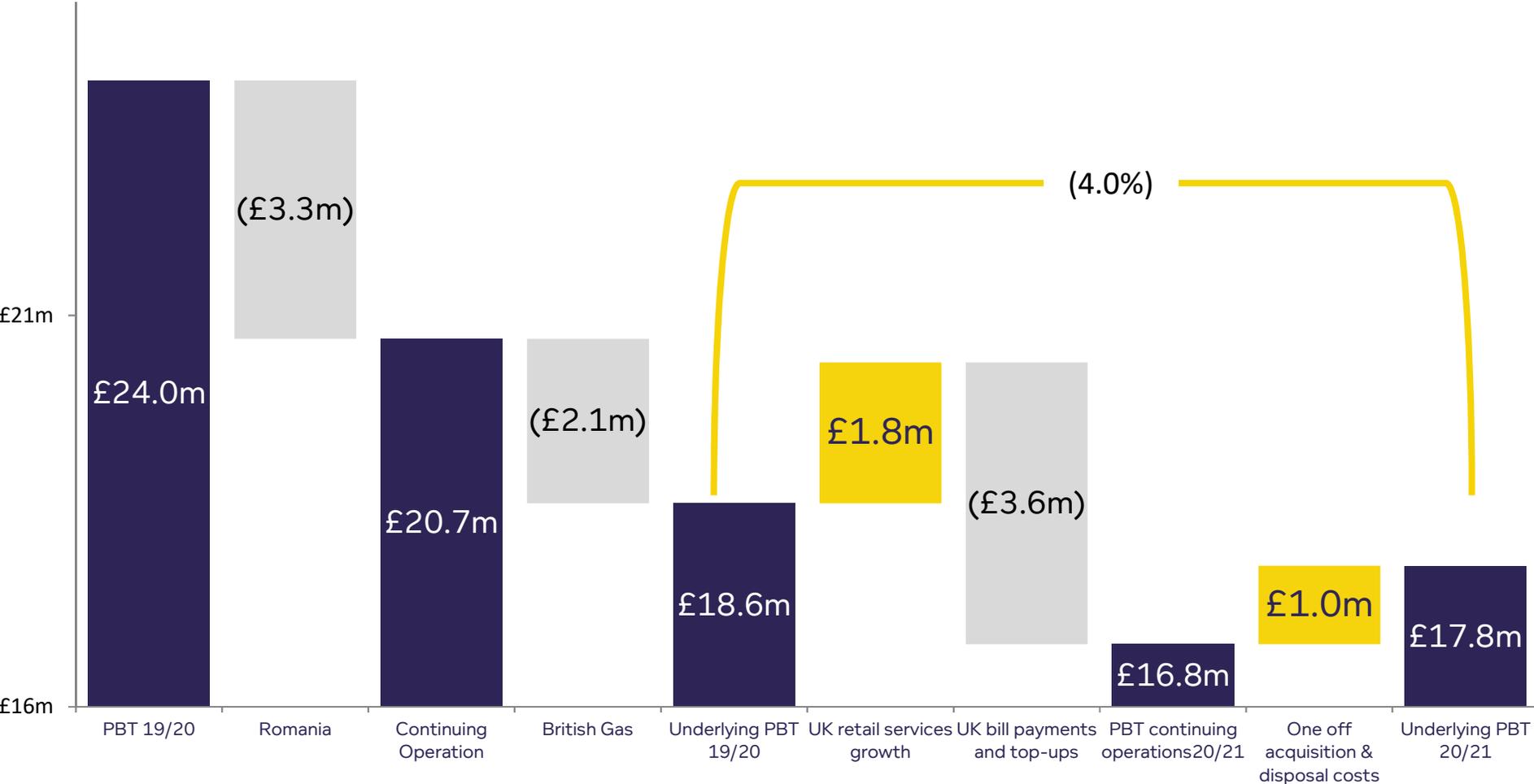
3. Net revenue from continuing operations excluding the prior period impact from British Gas decreased by £1.8 million (3.8%). Net revenue is an alternative performance measure. Refer to note 1 to the financial information for a reconciliation to revenue.

4. Operating margin % is an alternative performance measure and is calculated by dividing operating profit by net revenue.

5. Cash generation is an alternative performance measure. Refer to the financial review – cash flow and liquidity for a reconciliation from profit before tax.

6. Net corporate debt (excluding IFRS 16 liabilities) is an alternative performance measure. Refer to note 1 to the financial information for a reconciliation to cash and cash equivalents.

Underlying PBT down 4% for the half year



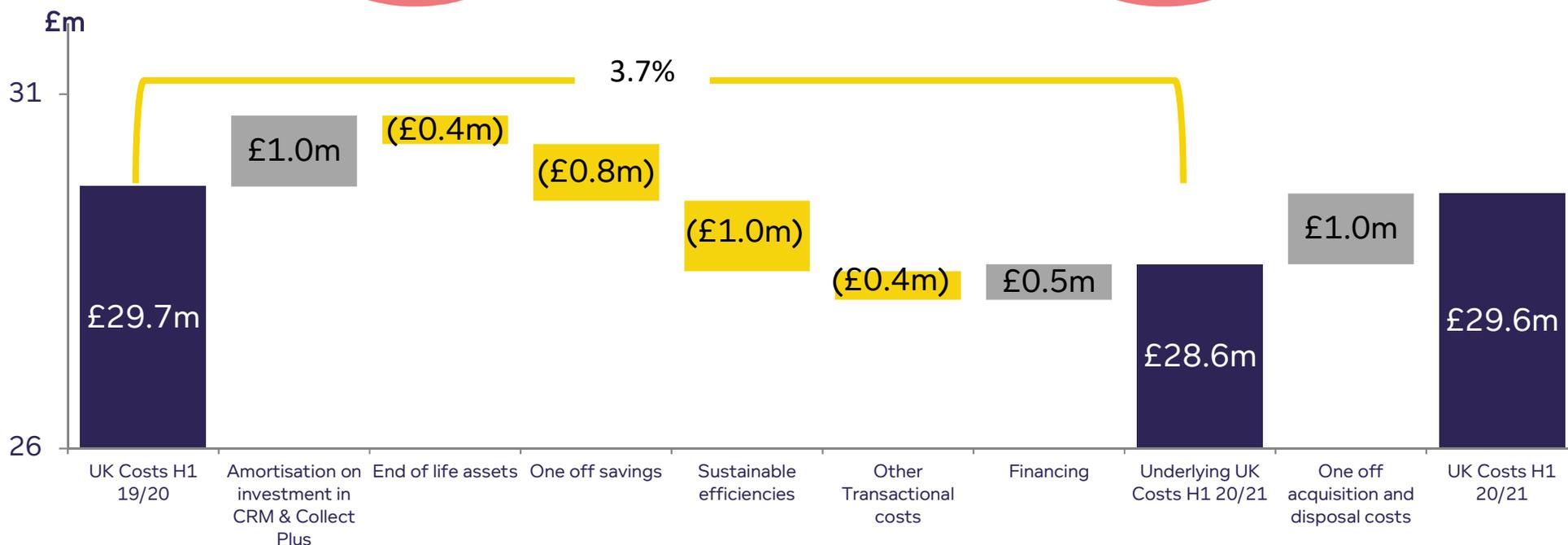
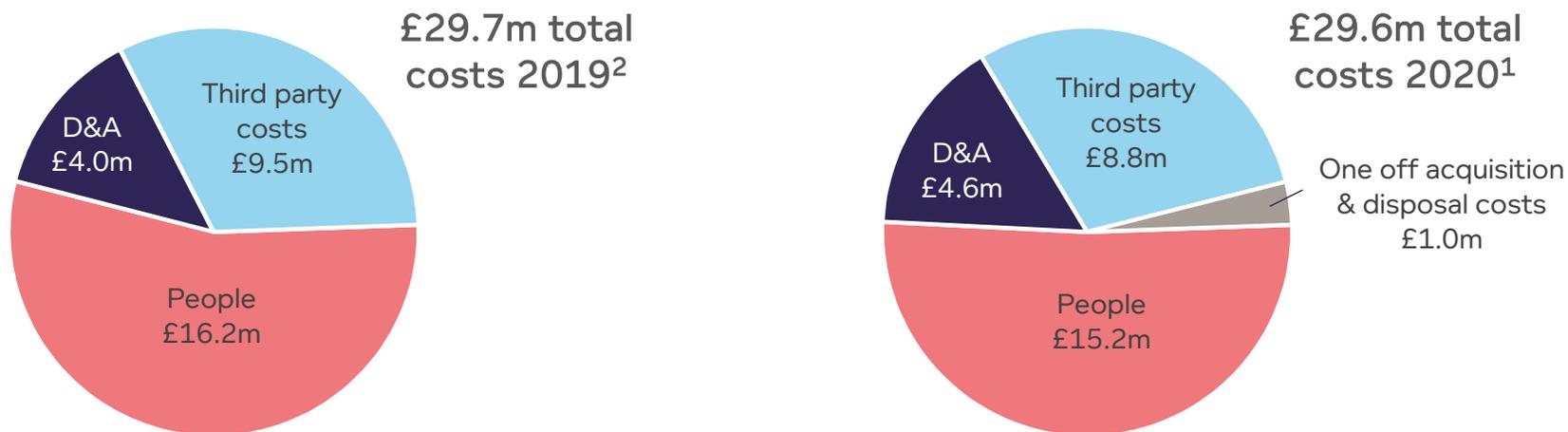
Resilient underlying net revenue – down 3.8%

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Half year ended 30 September	2020 £m	2019 £m	% Change
UK bill payments and top-ups	24.7	28.3	(12.7%)
- UK bill payments (Excl MultiPay & British Gas)	14.5	18.4	(21.2%)
- MultiPay	2.1	1.8	17.7%
- UK top-ups (Excl eMoney)	4.2	4.9	(12.6%)
- UK eMoney	3.9	3.2	19.9%
UK retail services	21.7	19.9	8.6%
- Service fees	7.1	6.3	12.7%
- Card payments rebate	6.9	4.2	63.4%
- ATMs	5.0	6.0	(17.8%)
- Parcels and other	2.7	3.4	(20.3)%
Total underlying	46.4	48.2	(3.8%)
British Gas	-	2.1	
Total	46.4	50.3	(7.8%)

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

Sustainable efficiencies identified to keep costs flat



1. Comprises £7.6 million other costs of revenue, administrative expenses £21.3 million and £0.7 million net financing costs.
 2. Comprises £7.6 million other costs of revenue, administrative expenses £21.9 million and £0.2 million net financing costs.
 The above presentation contains minor (£0.1m) roundings to ensure integrity of key numbers with those published in the half year statements.



Cash generation and use

Half year ended 30 September	2020	2019
	£m	£m
Profit before tax	20.6	24.0
Depreciation and amortisation	4.9	4.3
Share based payments / other	0.6	-
Working capital (VAT deferral)	3.3	-
Working capital (Corporate)	0.1	(1.2)
Cash generation	29.5	27.1
Tax paid – 2019 includes change in payment pattern	(4.2)	(10.2)
Capital and other expenditure – includes £6m Collect+	(9.8)	(4.1)
Acquisition of subsidiary, cash acquired	0.9	-
Lease payments	(0.1)	-
Movement in facility	(49.0)	18.0
Dividends paid	(10.7)	(28.7)
Net change in PayPoint's cash	(43.4)	2.1
Clients' funds and retailers' deposits	7.7	0.8
Effects of foreign exchange rate changes	0.4	0.1
Net cash movement	(35.3)	3.0
Net corporate debt at period end	(6.1)	(12.3)
Clients' funds and retailers' deposits	27.2	34.8

Balance sheet remains strong

	Sept 2020 £m	Mar 2020 £m	Sept 2019 £m
Goodwill	-	11.9	12.0
Other intangible assets	22.3	17.3	17.0
Property, plant & equipment	22.1	24.5	26.5
Cash held as clients' funds and retailers' deposits	27.2	35.7	34.8
Net asset held for sale - Romania	9.0	-	-
Cash	14.9	58.0	5.7
Revolving financing facility	(21.0)	(70.0)	(18.0)
Net debt	(6.1)	(12.0)	(12.3)
Liability clients' funds and retailers' deposits	(27.2)	(35.7)	(34.8)
Working capital	(4.0)	(4.3)	(3.0)
Lease liability (IFRS16)	-	(0.8)	(1.0)
Current and deferred tax	1.7	1.7	2.2
Net assets	45.0	38.3	41.4

Dividend

- **Dividend policy**
 - cover ratio of 1.2 to 1.5x, consistent with policy announced at FY in May 2020
- **Interim dividend declared**
 - ordinary – 15.6p
 - payable in equal instalments on 29 December 2020 and 8 March 2021

Financing

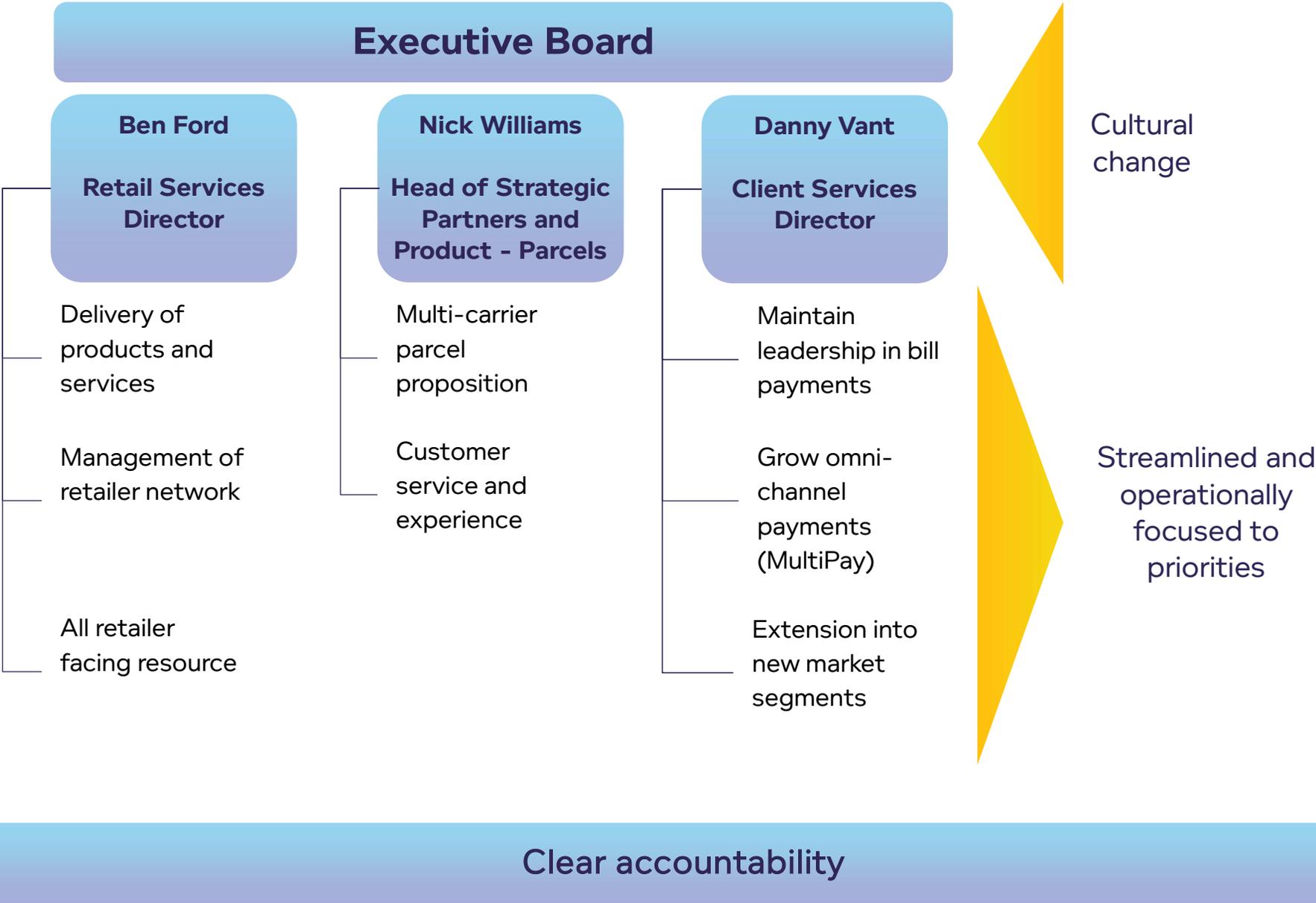
- Net debt reduction from £12m to £6m at half year
- Rolling Credit Facility (RCF) of £70m + £5m ancillary facilities
- Additional accordion facility of £20m approved by lender
- Funding sufficient for i-movo (£2m) & Handepay (£70m) acquisition
- Estimated proceeds from disposal of Romania of £47m due following completion at end of financial year

- Resilient network recovery and continued client, retailer and consumer support through Covid-19
- Strengthened organisational structure and operating model to support growth opportunities in UK
- Strategic priorities unchanged – further underpinned by acquisitions and sale of Romania:
 - i-movo - leading secure digital vouchering system, enhancing our EPOS and terminal services proposition and creating new opportunities with banking, FMCG, Newspaper, Utilities and Government clients
 - Handepay/Merchant Rentals – leading card payments business, significantly enhancing our existing cards business, creating access to new SME sectors, including food services, garages and hospitality and the opportunity to accelerate the growth of the combined business in a growing cards market through clear operational initiatives, cross selling opportunities and synergies
- Incremental growth opportunities identified and focused investment in place
- H2 outlook factors – impact of new national restrictions; parcel and bill payment volumes; continued growth in cards, eMoney and digital payments
- Strong actions to manage our costs, apply a tight operational focus and maximise new business opportunities
- Dividend of 15.6p per share reflecting confidence in business and enhanced growth prospects
- Overall expectations for the full year remain unchanged



Operational review

Re-organisation delivering a more streamlined and accountable structure across the business



PayPoint at the heart of convenience – good progress

Our offering

- Provision of technology, payment services and Increased footfall for retailers – average basket spend £10.20 (vs. £7.46 average¹)

H1 Progress

PayPoint One

- 16,900 PayPoint One sites achieved
- EPoS Try Before You Buy promotion launched in July
- EPoS re-platforming completed; retailer self-service portal launched

Cards

- Card net revenue growth of 63% YOY, fueled by consumer behaviour changes; first phase of improvements to retailer lifecycle delivered; card payment net settlement sites increased by 179% (881 sites)

ATMs

- ATMs – net revenue down 18% YOY by end of H1, good site recovery from 330 suspended to 26 by 30 Sept 2020. Estate optimisation and tight cost management driving the right results. Link Counter Service in trial.

	30 Sep 20	31 Mar 20	30 Sep 19
Sites	16,900	16,098	15,088
EPoS Base <small>£10.25/week</small>	8,153	8,304	7,579
EPoS Core <small>£15.38 or £20.50/week</small>	7,411	6,956	6,685
EPoS Pro <small>£30.75/week</small>	1,336	838	824
Average service fee	£15.70	£15.40	£15.51

H2 Priorities

Refocus of sales team and continued building of sales pipeline, including key initiatives:

- Field Sales team refresh, driving sales and retailer partnering
- EPoS Try Before You Buy – phase 2
- Card attachment rate recovery and onboarding improvements with a focus to buy-out of contracts partnered with our acquirer
- Store to Door – create an open platform for Delivery partners to fulfil customer orders with home delivery.



Opening up new revenue streams from PayPoint One

Driving conversion and footfall for retailers and new engagement channels for FMCG brands to their consumers

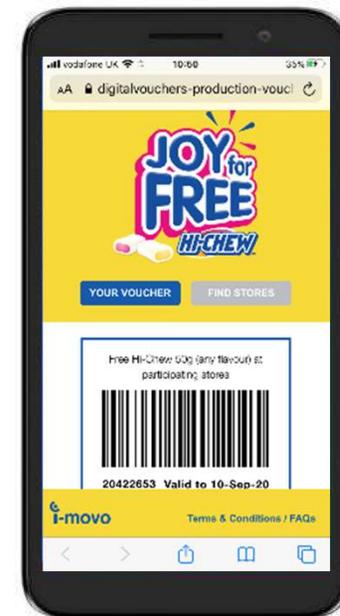
1. Pilot of digital advertising screens

- Circa 200 store trial of PayPoint One digital advertising screens
- 5 inch digital screen displaying animated videos and graphics
- 5-10 seconds per advertising slot, 3 week period for each



2. Digital vouchers (via i-movo)

- Unique single-use digital vouchers for distribution via social media and digital comms
- PayPoint One in-store technology can currently scan barcodes and mobile phones to enable voucher redemption, with single-use governance.
- Future development - validate in-basket to prevent miss-redemption



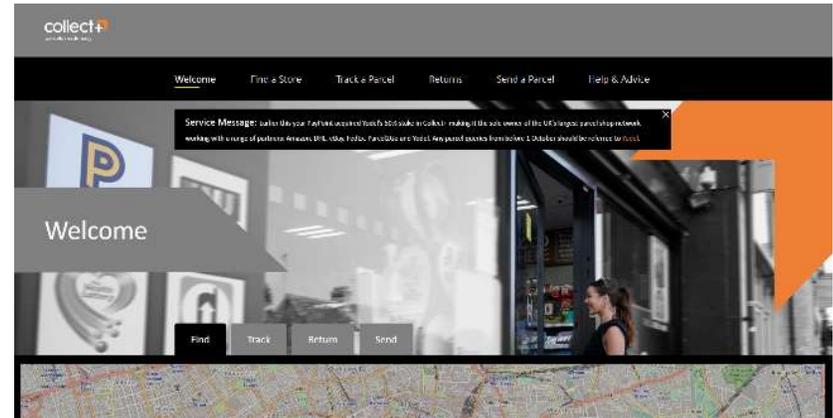
Successful new parcel partnerships

Our offering

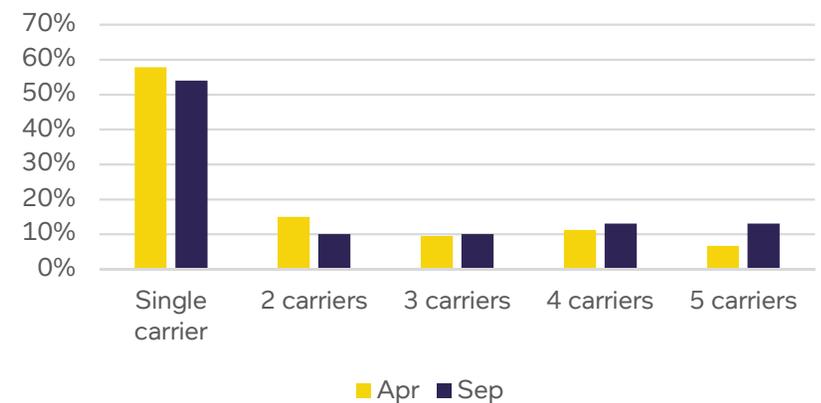
- Leading pick-up and drop-off network with over 10,000 sites
- Recognised partners: eBay, Amazon, Yodel, FedEx and DHL

H1 Progress

- 10,486 live parcel sites, an increase of 1,840 sites since 31 March 2020
- Secured full ownership of Collect+ in April, maintaining Yodel as key carrier partner
- New Collect+ website launched, platform for future send service and further integrations with carrier partners
- New carriers signed, DPD PickUp and Send trial with Parcel2Go
- Scaling existing carriers store presence pre-peak, which expresses their confidence in our network
- Rollout of new thermal label printers, enhancing our send proposition



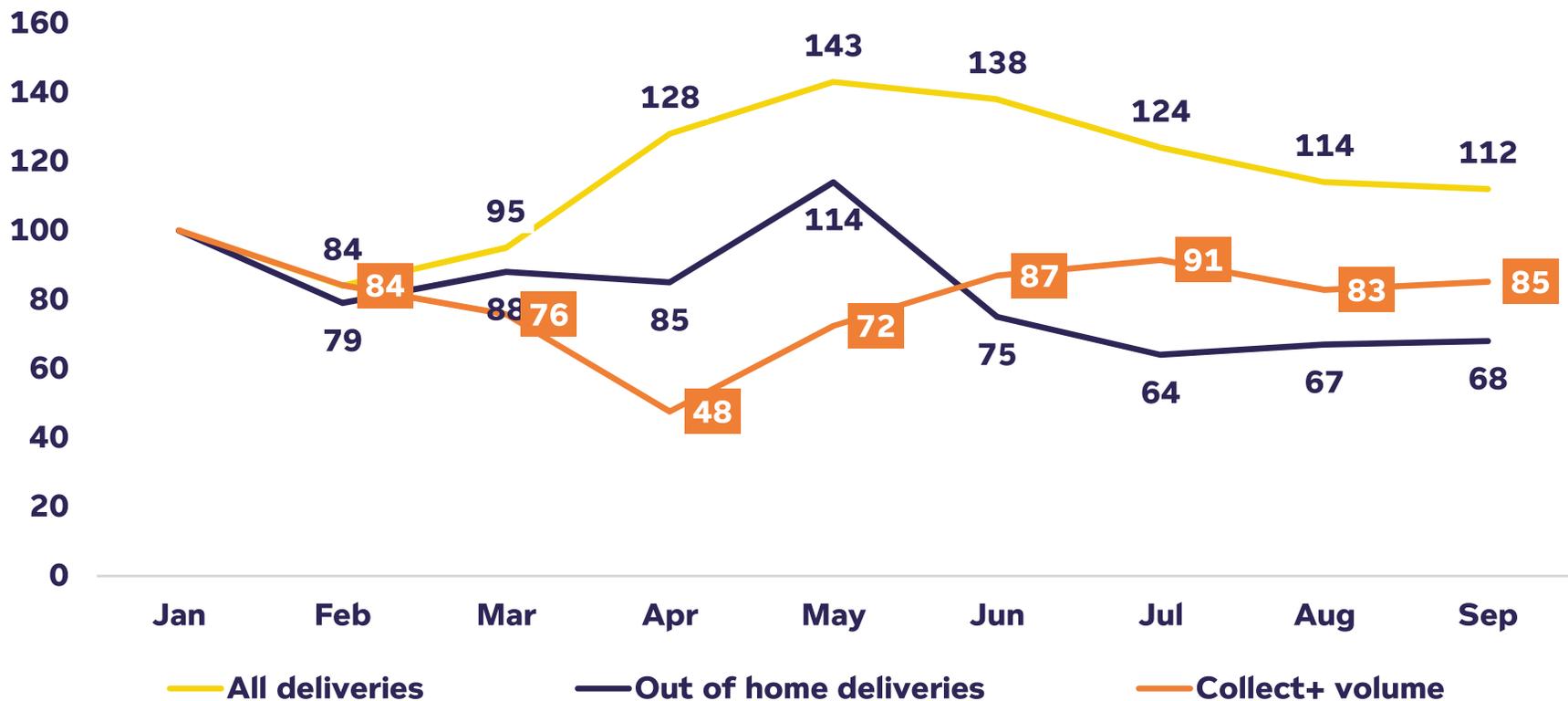
% of sites offering multiple carriers



Covid-19 impact

- Overall online sales increased during lockdown, (particularly electronics, leisure equipment and grocery)
- As people were generally at home, we also saw a reduction in the requirement for out of home pick up points
- Collect+ saw a drop in demand due to fashion focus of our carrier partners, but recovery faster than broader out of home market due to non-fashion focus of new carrier partners like eBay and increase in convenience store footfall

Indexed Parcel Delivery Trends 2020



H2 parcels priorities

Ensure excellent customer experience during Peak 2020

- Closely watching the impact of Lockdown 2 and more importantly managing any surge in demand when the current lockdown ends (currently the week after Black Friday)
- Build on the brand trust, which becomes even more important for our enhanced Send proposition

Successfully launch new partners

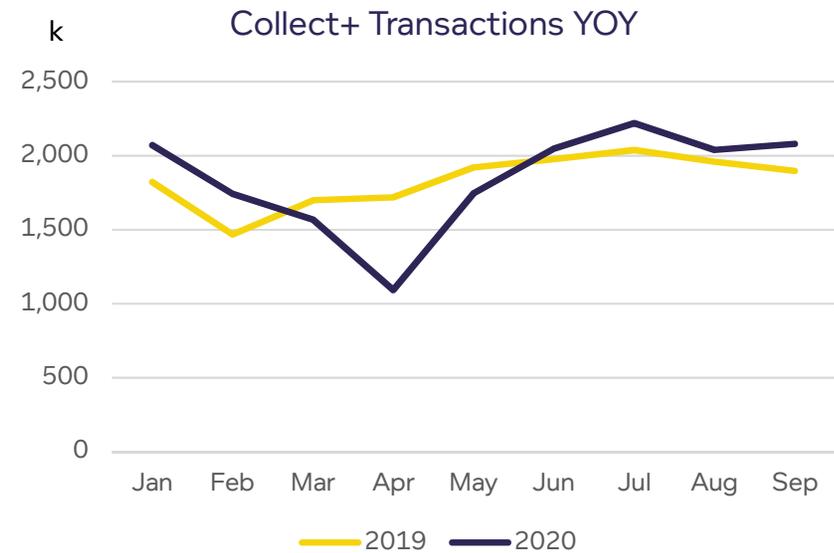
- DPD roll out to 3,000 sites before Black Friday
- Work with Parcel2Go to implement a store to door service and further develop into store to store product

Acceleration of Zebra printer rollout

- Faster rollout to meet the requirement of more online retailers to offer label-less returns and to facilitate in store printing for our Send proposition

Enhancing our send proposition

- Increasing opportunity in the 'Staged Send' market
- Fully owning Collect+ brand enables us to control consumer interactions via website
- We intend to develop our offering in this market using the trusted Collect+ website to offer a carrier agnostic parcel comparison and booking facility



Our offering

- Largest network of its kind, coverage of 99.5% and 98.3% of urban (within one mile) and rural (within five miles) populations respectively
- Growing and robust omnichannel payments solution, MultiPay

H1 Progress

Major relationships renewed and expanding to digital services

- Proactive management of client and retailer relationships yielding positive results on digital opportunities beyond ‘pay-as-you-go’
- Major client contract renewal programme largely complete – 17 client renewals¹, including EDF, delivering a broader range of services from our MultiPay digital payments portfolio. BBC TV Licensing App now live.
- 26 new clients signed, with over 75% coming from non-energy sectors
- 7 multiple retailer contract renewals, including EG Group, Motor Fuel Group and several regional Co-ops

Digital payments growth

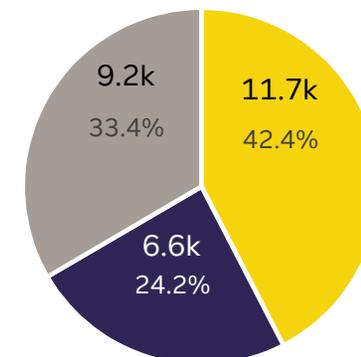
- MultiPay - +17.7% in net revenue YOY – Direct Debit and PayByLink products launched.
- 13 new Cash Out clients signed, driven by local authorities digitising operations due to COVID
- Strong eMoney growth with transactions +15.4% and net revenue +19.9%

H2 Priorities

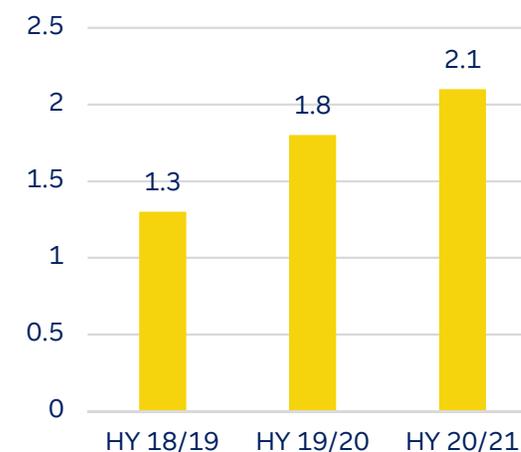
- Complete remaining key energy and retailer contract renewals
- Deliver new business sector wins – Housing & eMoney
- Continue to diversify and secure broader opportunities beyond ‘pay as you go’ with existing clients – PayByLink, card, and DD

PayPoint UK Network

■ Unaffiliated independent ■ Symbol ■ Multiple



MultiPay Net Revenue Growth (£m)



Growing our digital payment capability

Key MultiPay product enhancements

1. Direct Debit

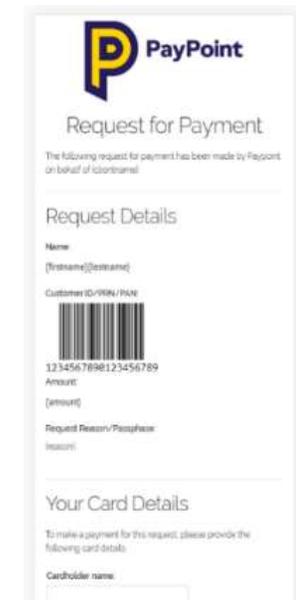
- Supports a wide range of collection processes through easy to use interface
- Extensive APIs for integrating into existing customer processes and back office systems

2. PayByLink

- Personalised SMS reminders containing a payment link to increase engagement and reduce payment friction
- Fully PCI compliant and can be used effectively in a call centre environment, including home-based teams
- Reduce the costs of chasing arrears
- Recurring card payments now being added to enable more considerate re-payment plans for consumers

3. Event Streamer

- Ability to see live cash transactions in real-time in our MultiPay platform alongside digital payments
- Allows customers to have a clear view of debtors and focus resources on unpaid amounts only



Building a delivery focused organisation and culture

H1 Progress

- Ben Ford joined PayPoint on 1 July 2020 to lead our new Retail Services function. Focus on aligning all our retailer-facing resource and capability, the end-to-end delivery of products and services to our retailers and the management of retailer relationships, leveraging our new CRM system
- Next phase of CRM now fully rolled out to Contact Centre, enabling 'single customer view' of retailer and enhanced retailer experience
- First phase CRM benefits yielding better data to drive key business decisions
- In-house warehouse operations extended to products and consumables, giving complete control of experience and key moments of retailer lifecycle



H2 Priorities

- Deliver successful integration of Handepay, Merchant Rentals and i-movo businesses
- Start to deliver synergies from acquisitions



- Resilient business model driving solid performance through Covid-19
- Accelerating execution of strategy to drive growth in UK, through acquisitions of Handepay, Merchant Rentals and i-movo
- Sale of Romanian business to realise value and focus on UK business
- Incremental growth opportunities identified and focused investment in place
- Strong actions to manage our costs, apply a tight operational focus and maximise new business opportunities
- Dividend of 15.6p per share reflecting confidence in business and enhanced growth prospects

Q&A

