



**Dominic Taylor, Chief Executive**

**8 August 2018**

# **Canaccord Genuity Growth Conference 2018**

**Boston**

# Introduction to PayPoint

- Founded in 1996. Listed since 2004
- Core asset

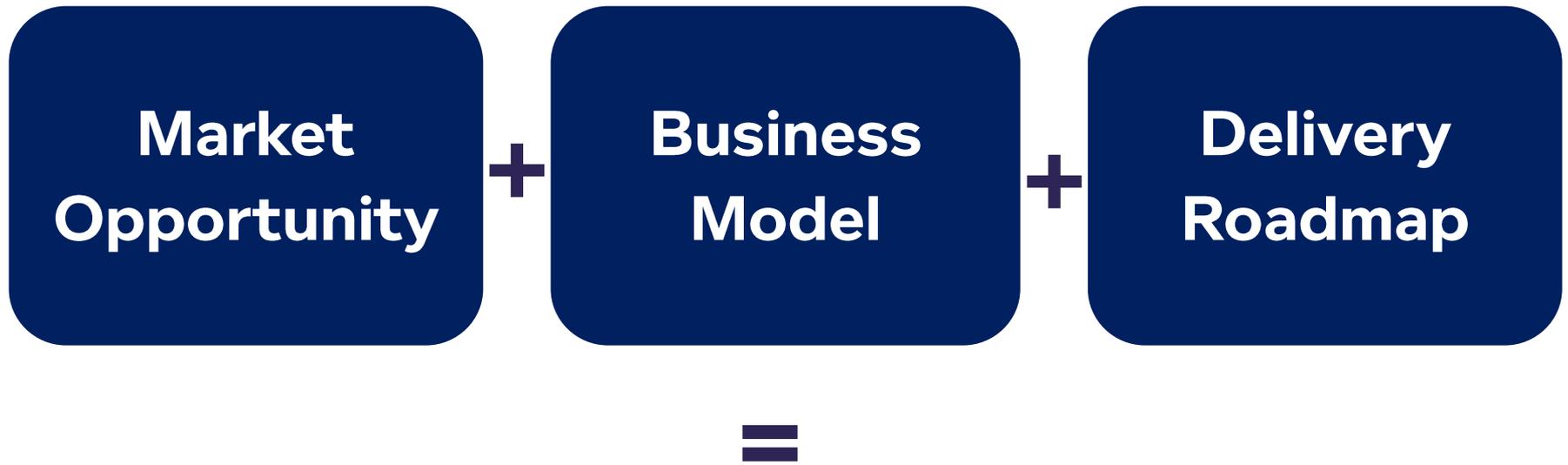
**technology enabled platform, integrated across the UK and Romanian convenience retail estates**

- Vision is to embed PayPoint at the heart of convenience retail, generating revenue from
  - Driving footfall into shops (bill payments; mobile & eMoney top ups; parcels)
  - Providing a range of retail services to shopkeepers (ePoS, payments, ATMs etc.)
  - The potential benefit of a wider ecosystem

## 2017/18 Financials

|                           | £m    |
|---------------------------|-------|
| Revenue                   | 213.5 |
| Net revenue               | 119.6 |
| Operating profit          | 53.5  |
| Cash flow from operations | 65.1  |





**PayPoint uniquely placed to benefit**



**Market  
Opportunity**

+

**Business  
Model**

+

**Delivery  
Roadmap**

# UK Convenience is the place to be and growing

## Behavioural change

- Consumers want convenience, variety and choice, whether online or close to home

## Growing market

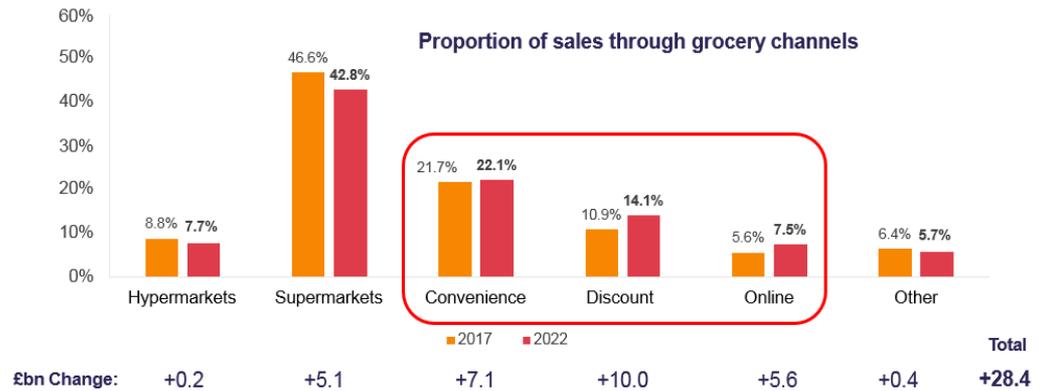
- Forecast to grow by £7bn by 2022, along with online and discounters

## Independent retail opportunity

- Represent 67% of the convenience market, yet only a third have EPoS

## PayPoint increases retail value opportunity

- Move to heart of store, providing technology that helps retailers run their whole store profitably and efficiently

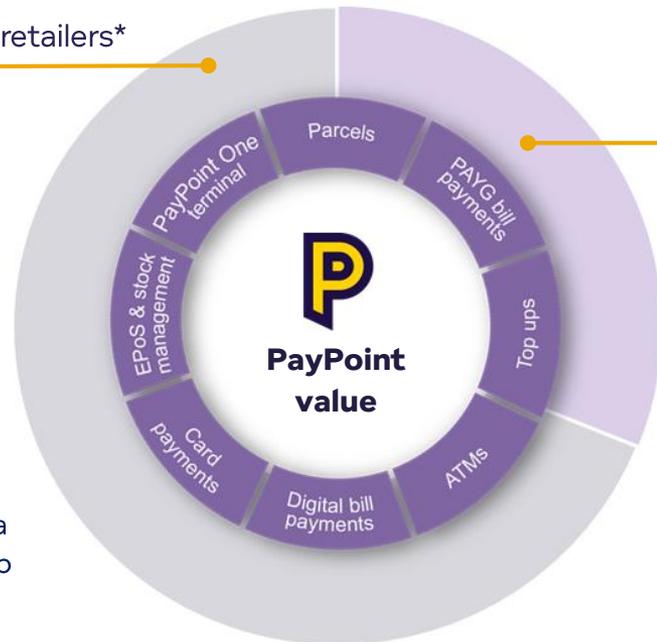


Independent retailers\*

67%

Multiples

33%



\* Of which 34% are affiliated to a symbol group

Source: William Reed Grocery Retail Structure 2017 & IGD 2017. The Retail Sectors that are included are Convenience, Forecourts, Supermarkets, Specialist CTN & Specialist Off-licences. Includes symbols managed as a multiple Group. Excludes non-retail locations.

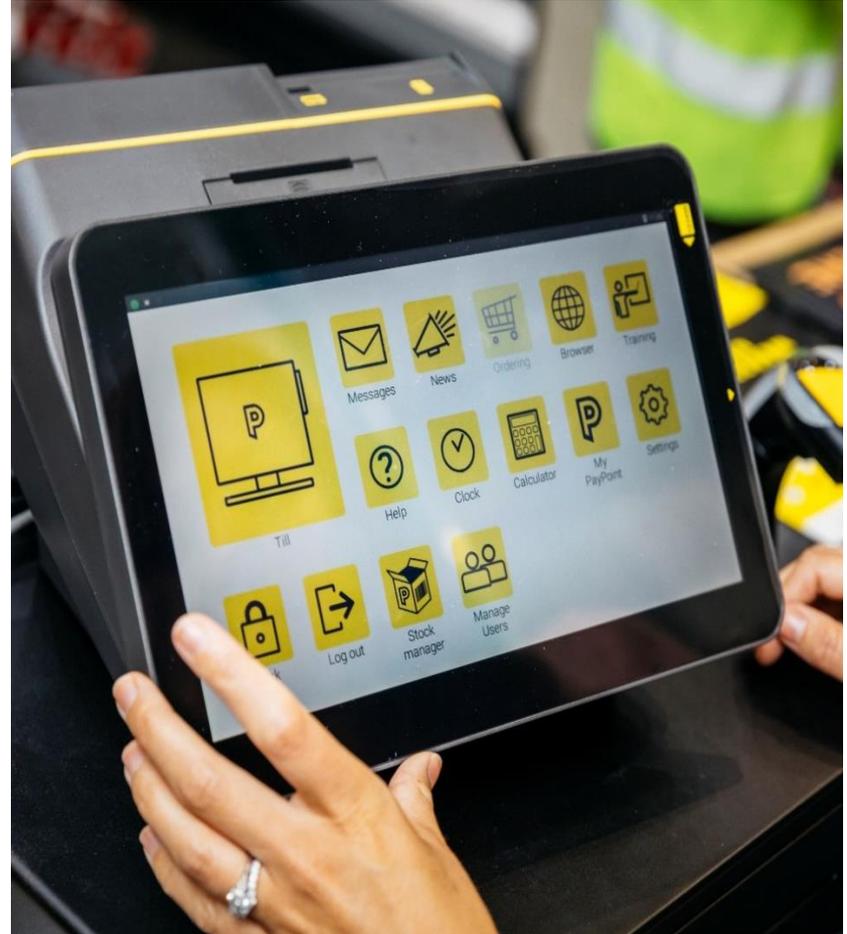


# Shops have a wide range of standards...





# ...and of technology

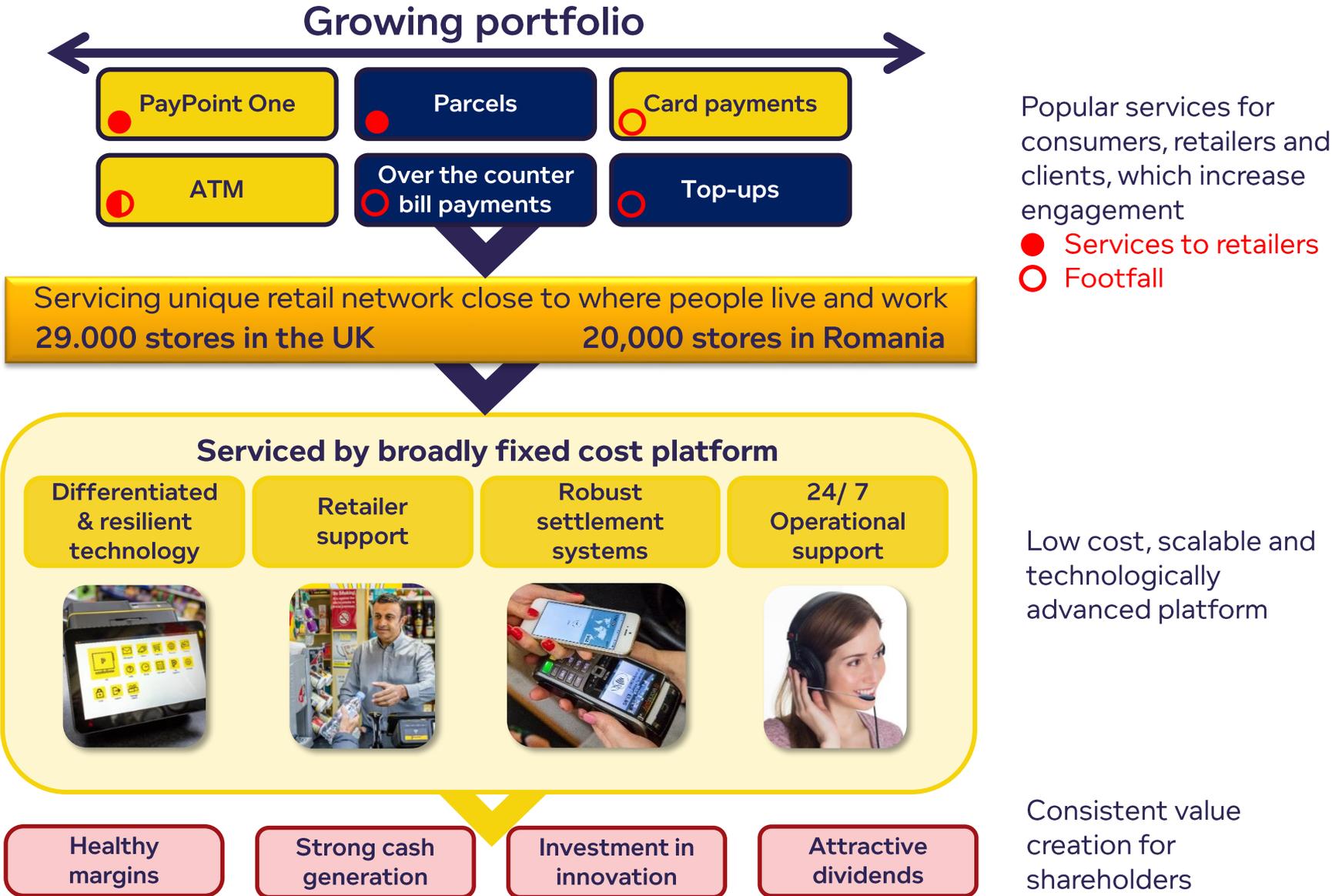


## **PayPoint is about the only technology provider that can help convenience retailers achieve their destiny**

- ✓ First to bring bill payments to local shops
- ✓ First to bring parcel services to local shops
- ✓ First to bring cloud enabled, tablet based till system to local shops

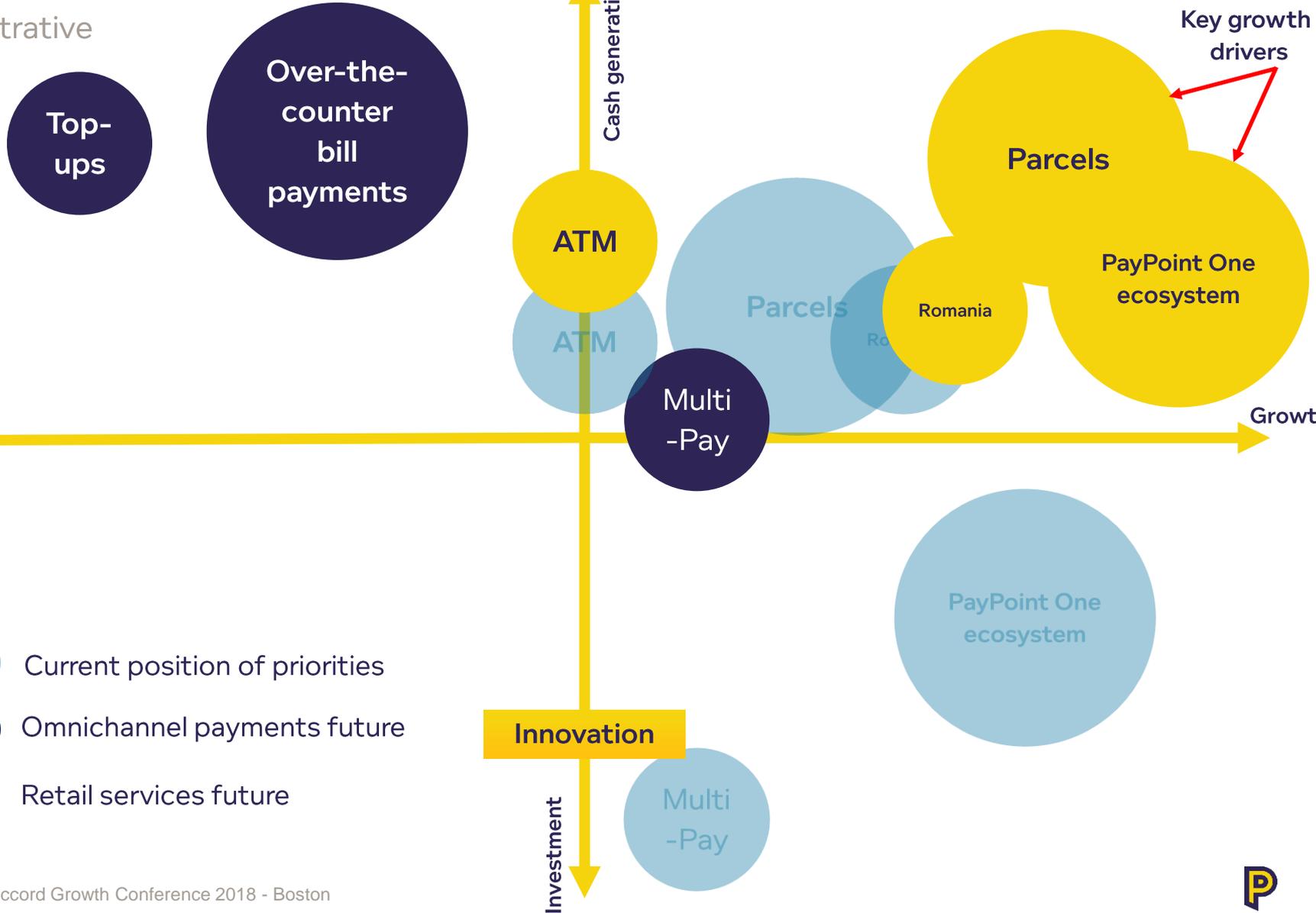


# Business model delivers strong cash generation



# Strong portfolio of products with 2 prime growth drivers

Illustrative



# 1. EPoS - benefits of using an in-store EPoS system



**Converting a retailer from a shopkeeper to a businessperson**

# 1. EPoS - 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%)

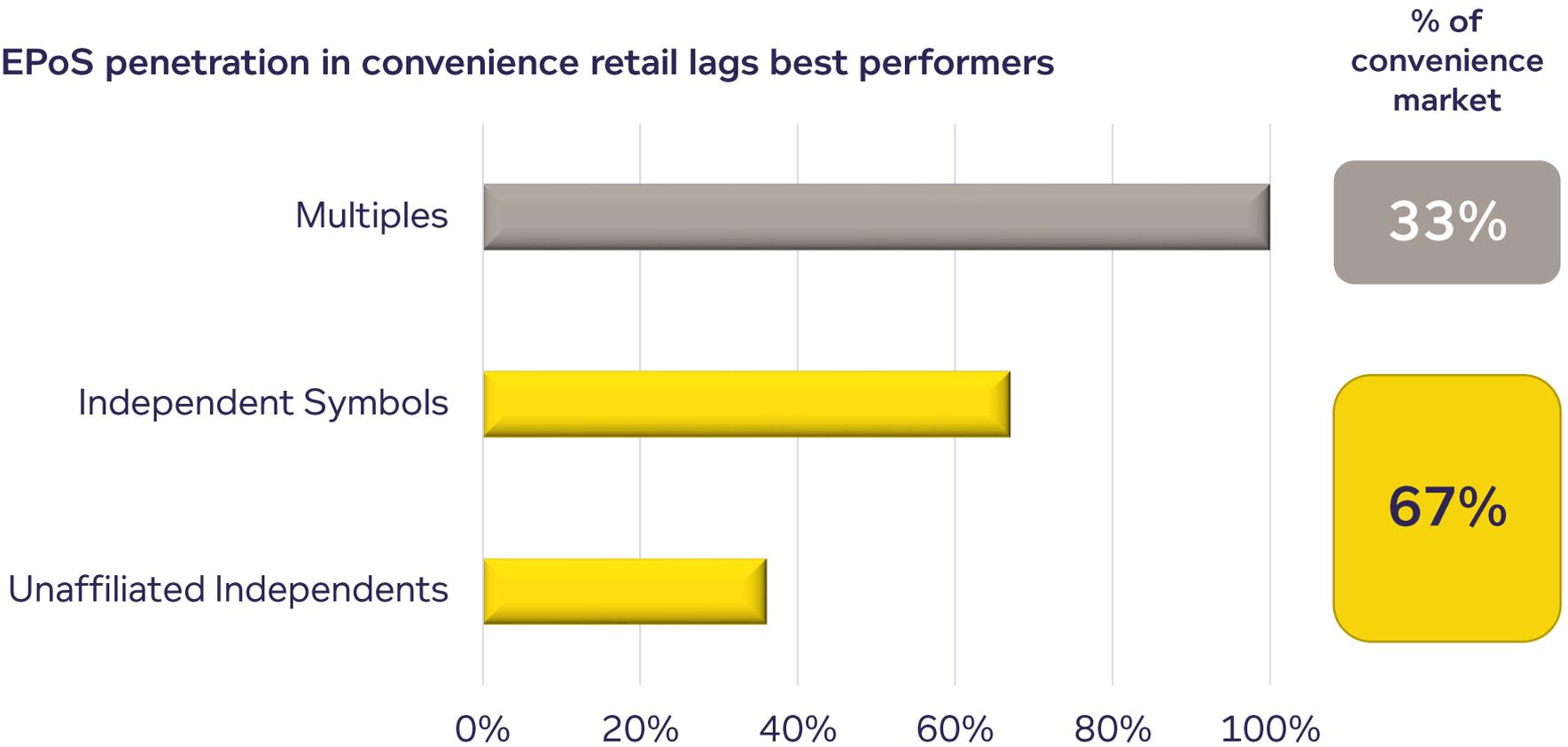
### 5. Out-of-stocks

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

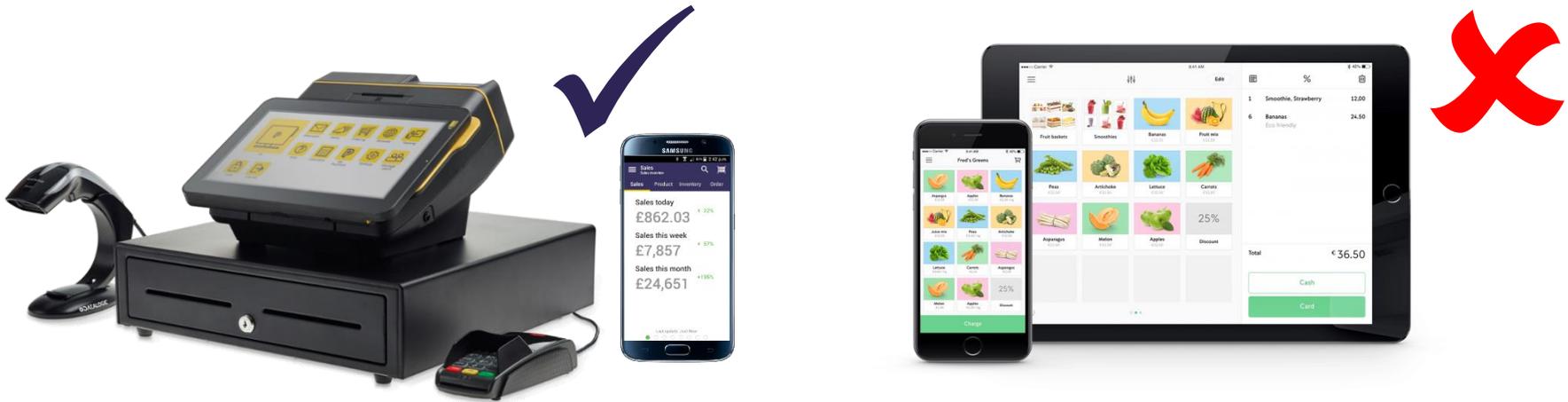
Just a 10% improvement in managing these three areas with EPoS data can bring a **c.£10,000** benefit to retailers

# 1. EPoS - not all convenience store retailers use EPoS

EPoS penetration in convenience retail lags best performers



# 1. EPoS - choosing the right EPoS system

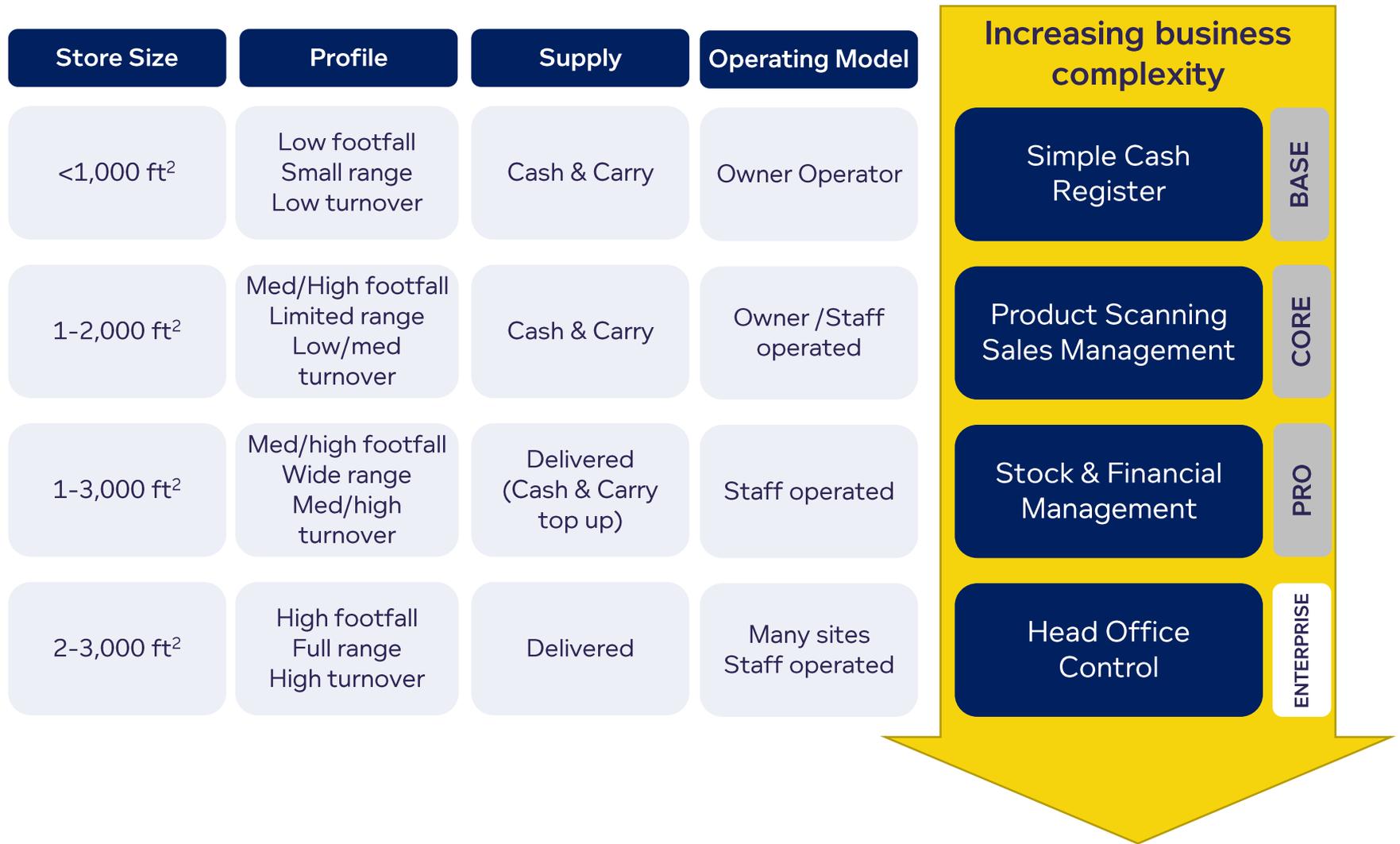


## High volume retail requires:

- Ruggedized hardware that can withstand constant use
- Integrated scanner to read barcodes
- Secure cash drawer
- Customer facing display to show amount payable.
- Integrated PIN pad for quick and accurate payment handling



# 1. EPoS - one size does not fit all



# 1. EPoS – meeting the needs of convenience retail

|  | PayPoint One | RDP | Oracle | EPoS Now | Clover |
|--|--------------|-----|--------|----------|--------|
| Product, price & stock management            | ✓            | ✓   | ✓      | ✓        | ✓      |
| Integrated news management                   | ✓            | ✓   | ✗      | ✗        | ✗      |
| Wholesaler links                             | ✓            | ✓   | ✗      | ✗        | ✗      |
| Cloud-based, real-time remote access via web | ✓            | ✗   | ✗      | ✓        | ✓      |
| Mobile app access & control                  | ✓            | ✗   | ✗      | ✗        | ✗      |
| 4 hour hardware swap                         | ✓            | ✗   | ✗      | ✗        | ✗      |
| No upfront costs                             | ✓            | ✗   | ✗      | ✗        | ✗      |



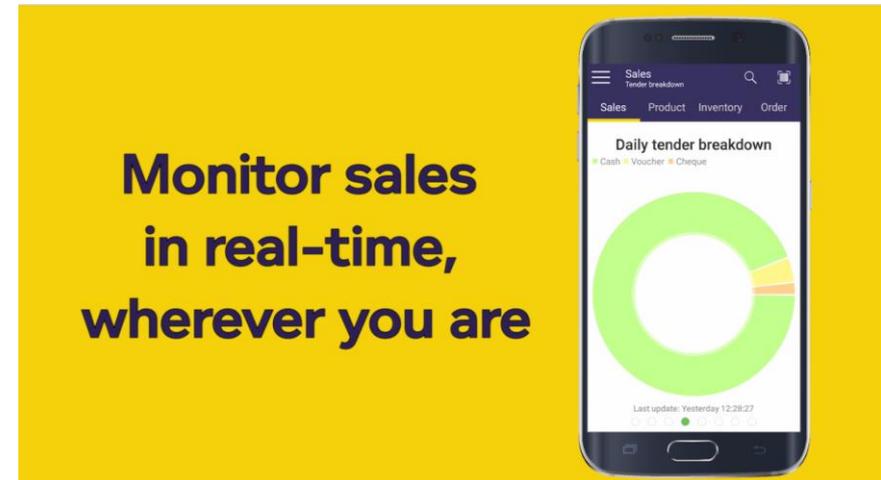
# 1. EPoS - strong progress on PayPoint One rollout

- **What we have achieved**

- Growth to over 9,260 stores (as of 26 July 2018) with continued rollout over next 12 months
- EPoS Pro version launched offering full stock management
- Supplier links to Nisa and Booker agreed, along with launch of 'News Management'
- Innovative mobile app launched enabling retailers to have their 'store in their pocket'

- **Future ecosystem development**

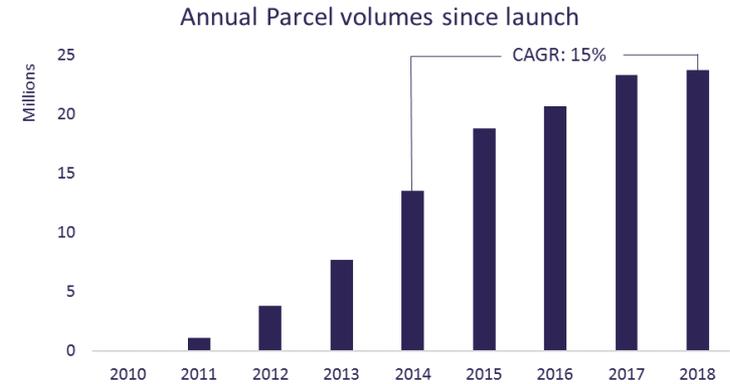
- Continued rollout and usage focus e.g. scanning
- Continued enhancements delivering value to independent retailers e.g. iOS app, multisite management, further supplier links
- Unlocking data insights to support retailers, FMCG companies and industry commentators



## 2. Parcels - PayPoint leading UK parcel network

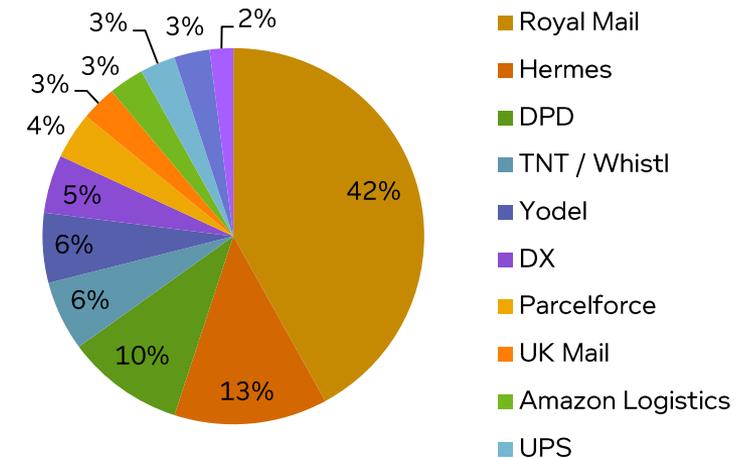
- **Best network and brand**

- Network of c.7,400 sites across the UK
- Tesco have opened over 400 locations along with over 700 in McColls
- Trusted brand (Trust Pilot: 9.2 out of 10)
- Opportunity to serve other carrier networks – discussions progressing well



- **Pipeline of new partner deals**

- JV with Yodel since 2011; renegotiated at the end of 2016 to add new partners
- Ebay launched for peak 2018
- Anticipate 2 more partners before peak 2019
- Plan to grow the business to be handling 60m parcels p.a. within 5 year plan (from 24m 17/18)





**Market  
Opportunity**

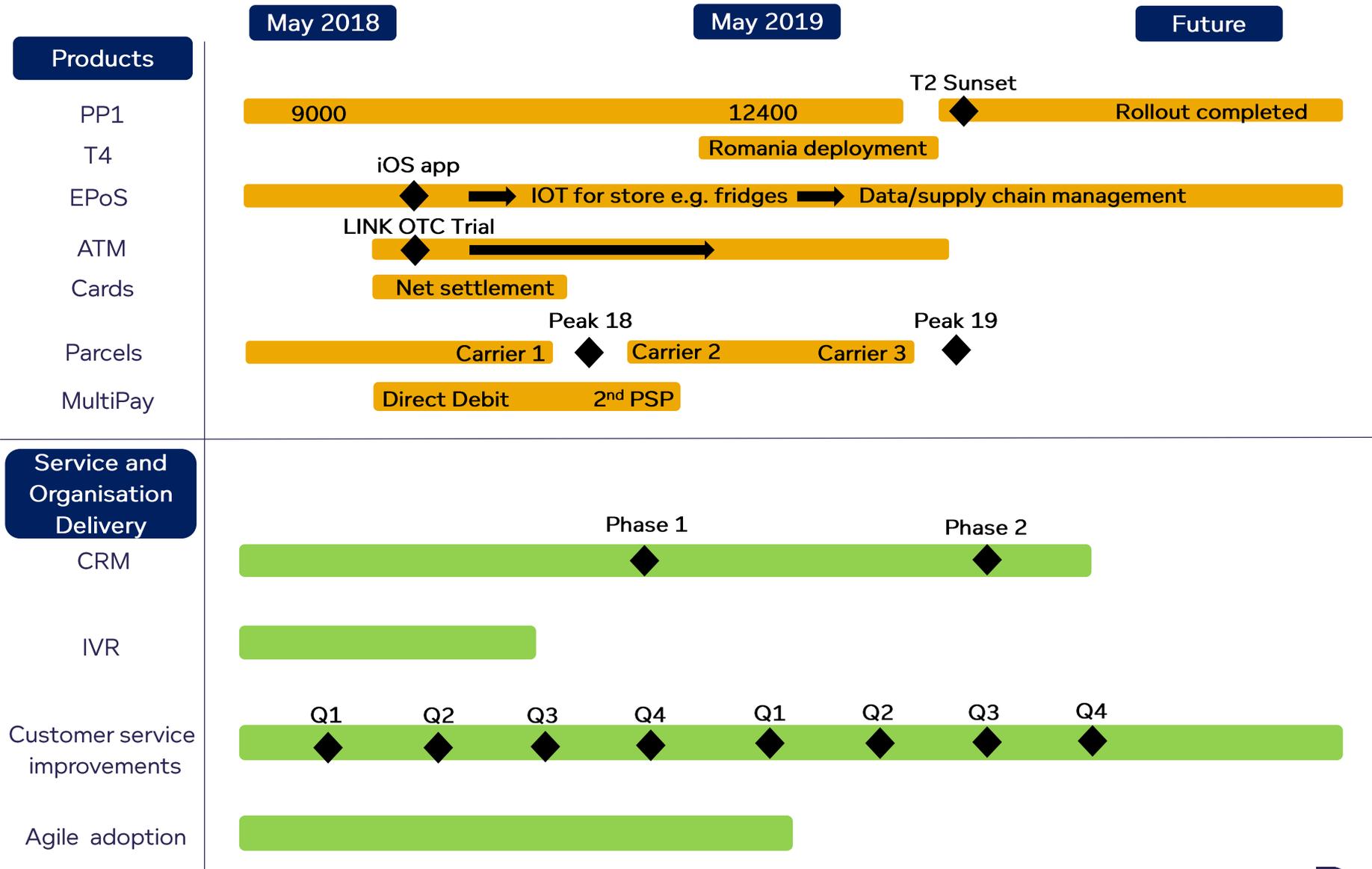
**+**

**Business  
Model**

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**Delivery  
Roadmap**

# Clear delivery roadmap





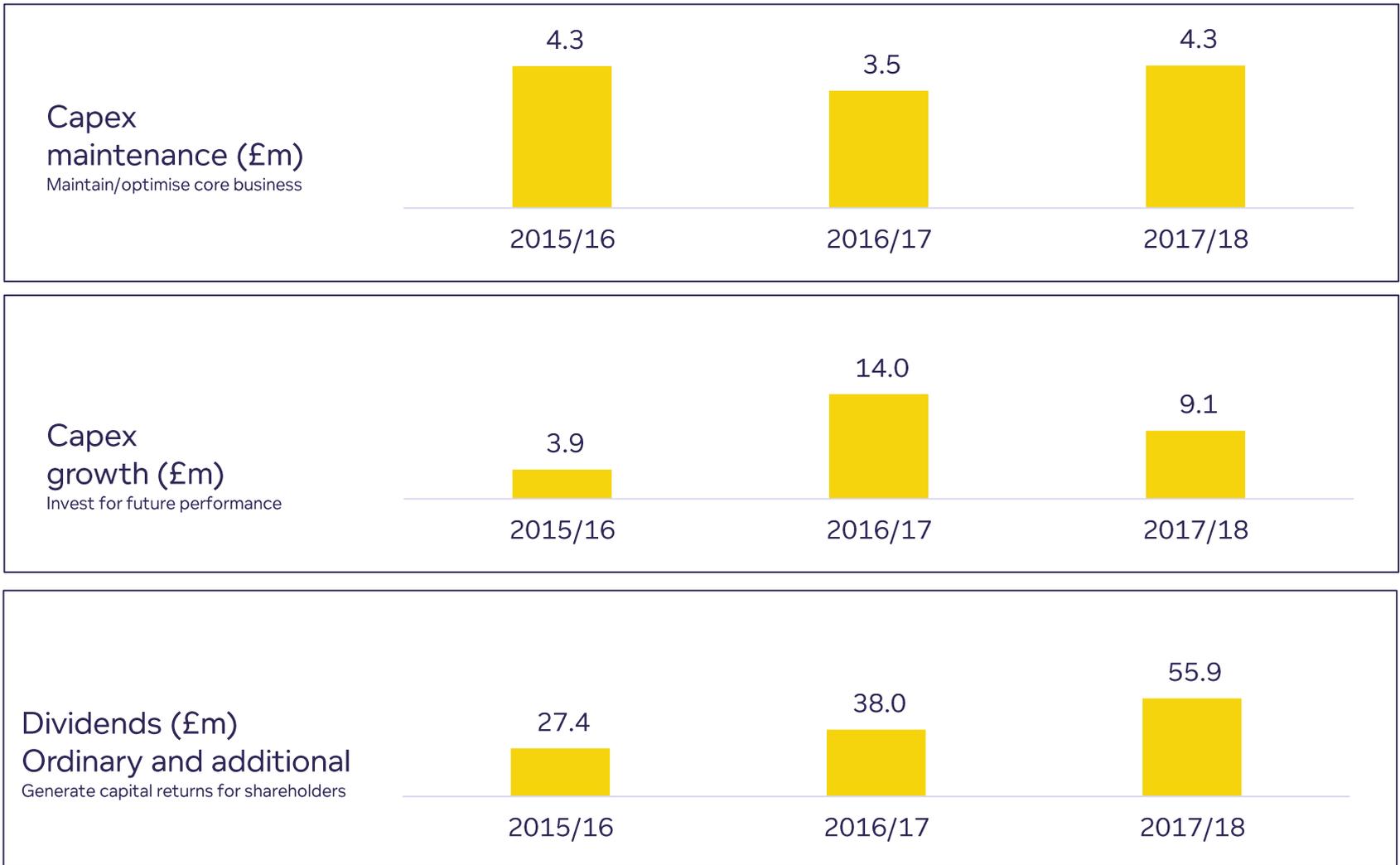
# Key financials

# PayPoint highly cash generative

24

| Year ended 31 March                              | 2018<br>£m   | 2017<br>£m    |
|--|--------------|---------------|
| Profit before tax                                | 52.9         | 69.1          |
| Non-cash items / other                           | 12.2         | (8.0)         |
| Operating cash flows                             | 65.1         | 61.1          |
| Working capital – PayPoint / other               | 2.9          | 0.9           |
| Working capital – Client funds                   | 5.4          | (11.6)        |
| Tax paid   | (10.3)       | (8.6)         |
| Capital and other expenditure                    | (13.4)       | (17.5)        |
| <b>Free cash flow</b>                            | <b>49.7</b>  | <b>24.3</b>   |
| Net cash from business disposals                 | (0.9)        | 22.7          |
| Dividends paid                                   | (55.9)       | (78.5)        |
| Effects of foreign exchange rate changes         | -            | 1.2           |
| <b>Net cash movement</b>                         | <b>(7.1)</b> | <b>(30.3)</b> |
| <b>Cash at 31 March</b>                          | <b>46.0</b>  | <b>53.1</b>   |
| <b>Client funds included in cash at 31 March</b> | <b>27.5</b>  | <b>20.2</b>   |

# Uses of cash



# Balance sheet strong

26

| Year ended 31 March                        | 2018        | 2017        |
|--|-------------|-------------|
|  | £m          | £m          |
| Goodwill                                   | 12.2        | 8.2         |
| Other intangible assets                    | 13.6        | 11.9        |
| Property, plant & equipment & deferred tax | 28.6        | 27.5        |
| Cash                                       | 46.0        | 53.1        |
| Working capital                            | (34.9)      | (23.1)      |
| Current tax                                | (4.2)       | (4.5)       |
| <b>Net assets</b>                          | <b>61.3</b> | <b>73.1</b> |
| Equity shareholders' funds                 | 61.3        | 73.1        |
| Non-controlling interests                  | -           | -           |
| <b>Total equity</b>                        | <b>61.3</b> | <b>73.1</b> |



# Summary

- Business model delivers superior margins and cash generation
- Strong market position in growing market
- Well positioned for future growth from PayPoint One technology and Parcels
- Prioritised capital allocation framework with a commitment to attractive shareholder returns