



Dominic Taylor, Chief Executive
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24 May 2018

Results for the year ended 31 March 2018



Introduction

Good FY18 financial performance

- Net revenue up £2.1m to £119.6 million, with underlying growth of £6.3m
- Profit before tax £52.9 million, slightly ahead of expectations
- Operating cashflows increased by 6.5% to £65.1 million
- New financing facility secured at improved margins

Business delivering against strategic priorities

- PayPoint One in over 8,500 sites, exceeding 8,000 target
- Strong pipeline of parcel opportunities, contract discussions underway with the intention to have at least one live before peak
- Good momentum in MultiPay, transactions increased 88%, servicing 22 client brands
- Romania performing well; Payzone integration progressing

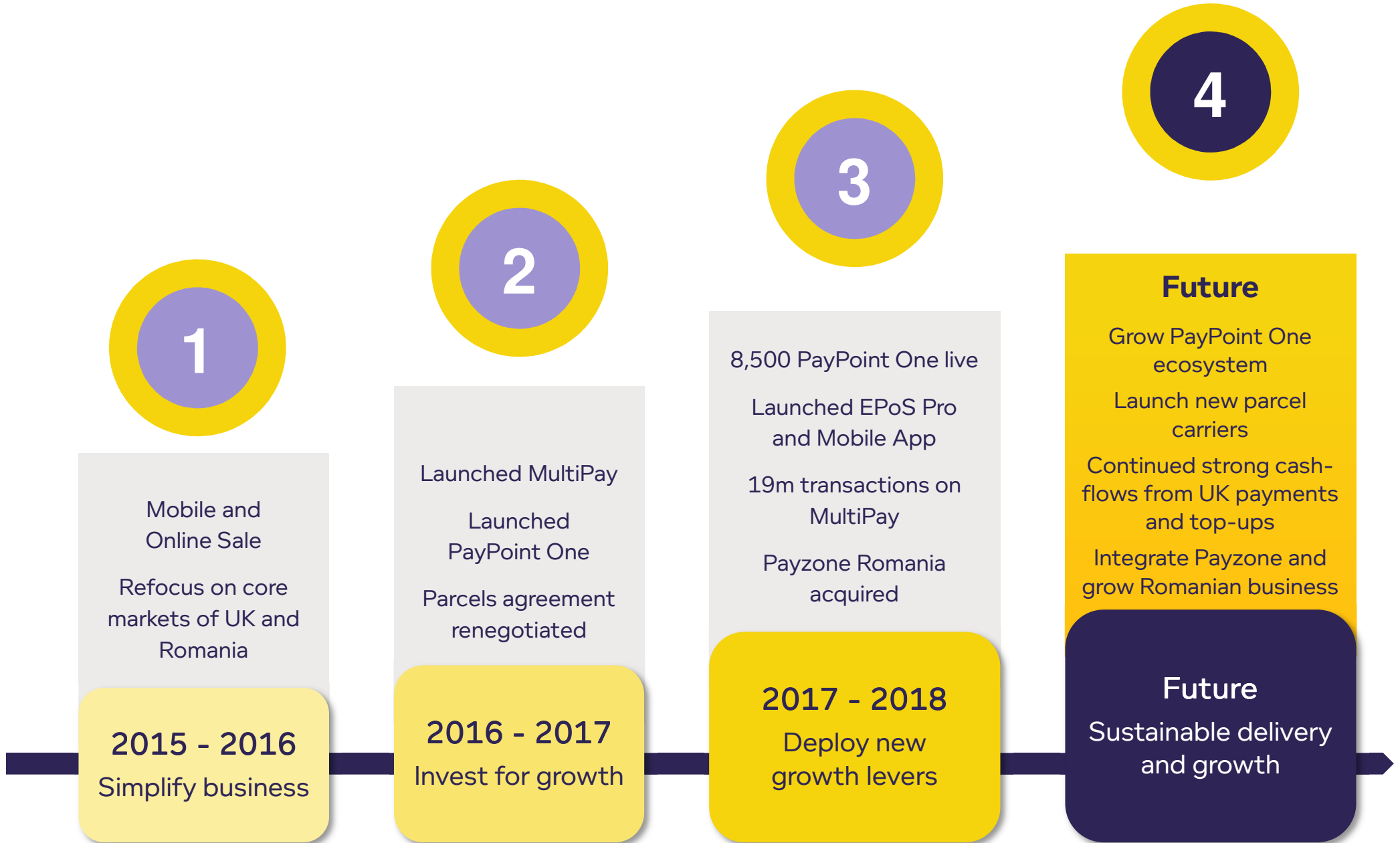
Business reorganised for better innovation and customer service

- Operations Management Group established to deliver process improvements across the business
- Product and marketing restructured to drive more focused commercial execution
- CRM implemented for new client business
- Costs down £1.0 million in second half

Ongoing attractive shareholder returns

- Full year dividend of 45.9 pence per share, up by 2%
- Additional dividend of 36.7 pence per share

Reshaping phases complete, now set for growth





Financial review

Financial results

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Year ended 31 March	2018 £m	2017 £m	% change
Gross revenue	213.5	211.9	0.8
Net revenue	119.6	123.9	(3.5)
Other cost of revenue	(19.6)	(17.9)	9.5
Administrative costs	(46.5)	(53.7)	(13.4)
Operating profit before disposals	53.5	52.3	2.3
Impairments and disposals	-	15.6	n.m.
Share of Collect+ JV	-	1.2	n.m.
Net financing costs	(0.6)	-	n.m.
Profit before tax	52.9	69.1	(23.4)
Tax	(10.0)	(9.5)	5.3
Earnings per share	63.0p	87.5p	(28.0)
Ordinary dividend per share	45.9p	45.0p	2.0
Disposal proceeds dividend per share	-	38.9p	(100)
Additional dividend per share	36.6p	36.7p	<(0.1)
Total dividend per share	82.5p	120.6p	(31.5)



PayPoint* revenue growth continues

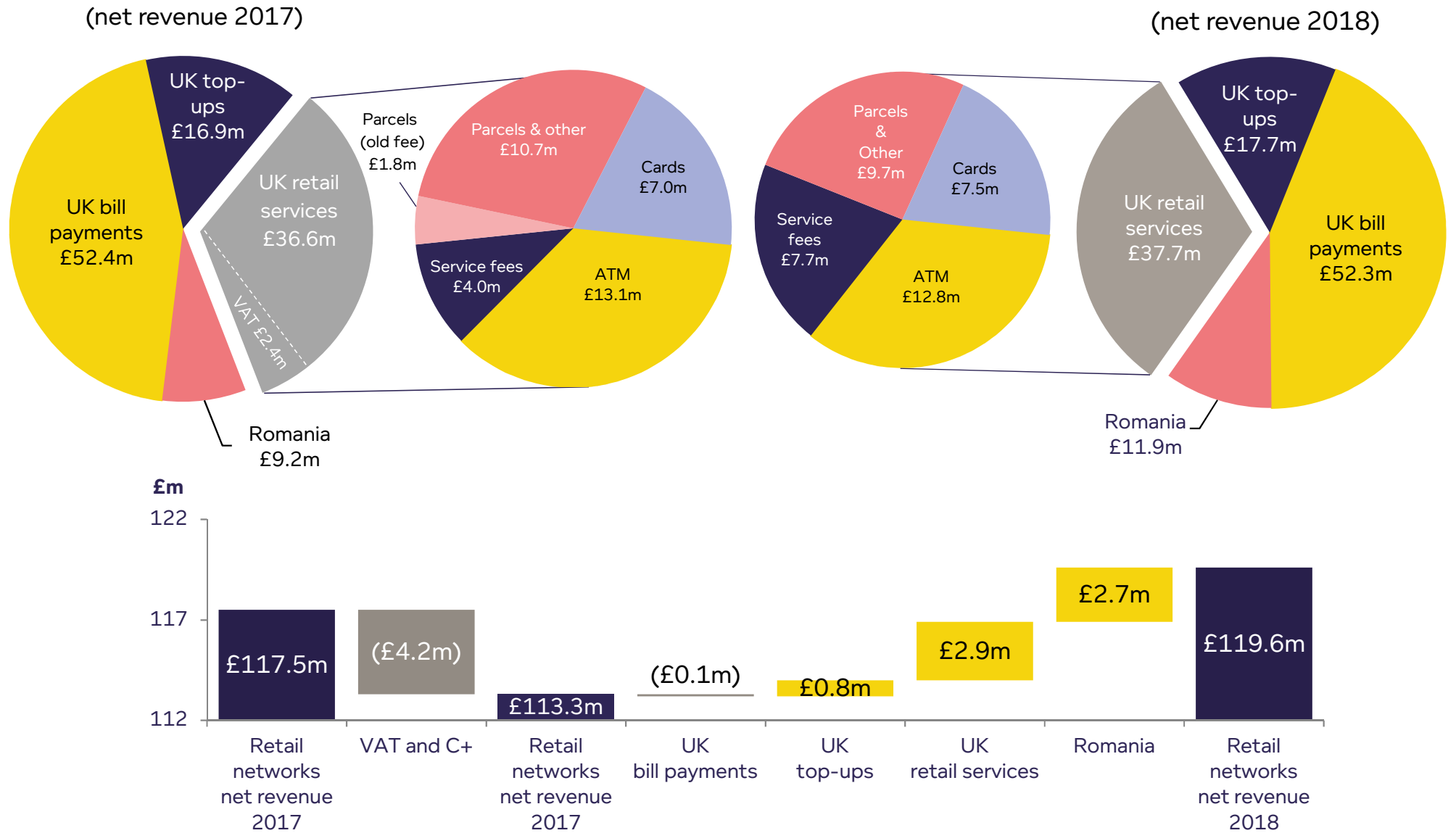
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Year ended 31 March	2018 £m	2017 £m	% change
Gross revenue	213.5	203.4	5.0
Net revenue	119.6	117.5	1.8
Other cost of revenue	(19.6)	(16.7)	17.4
Administrative costs	(46.5)	(47.5)	(2.1)
Operating profit	53.5	53.3	0.4

* Consists of our UK, Irish and Romanian retail businesses. A reconciliation, for each measure, from the financial results to Retail networks is included in note 4 to the financial statements.



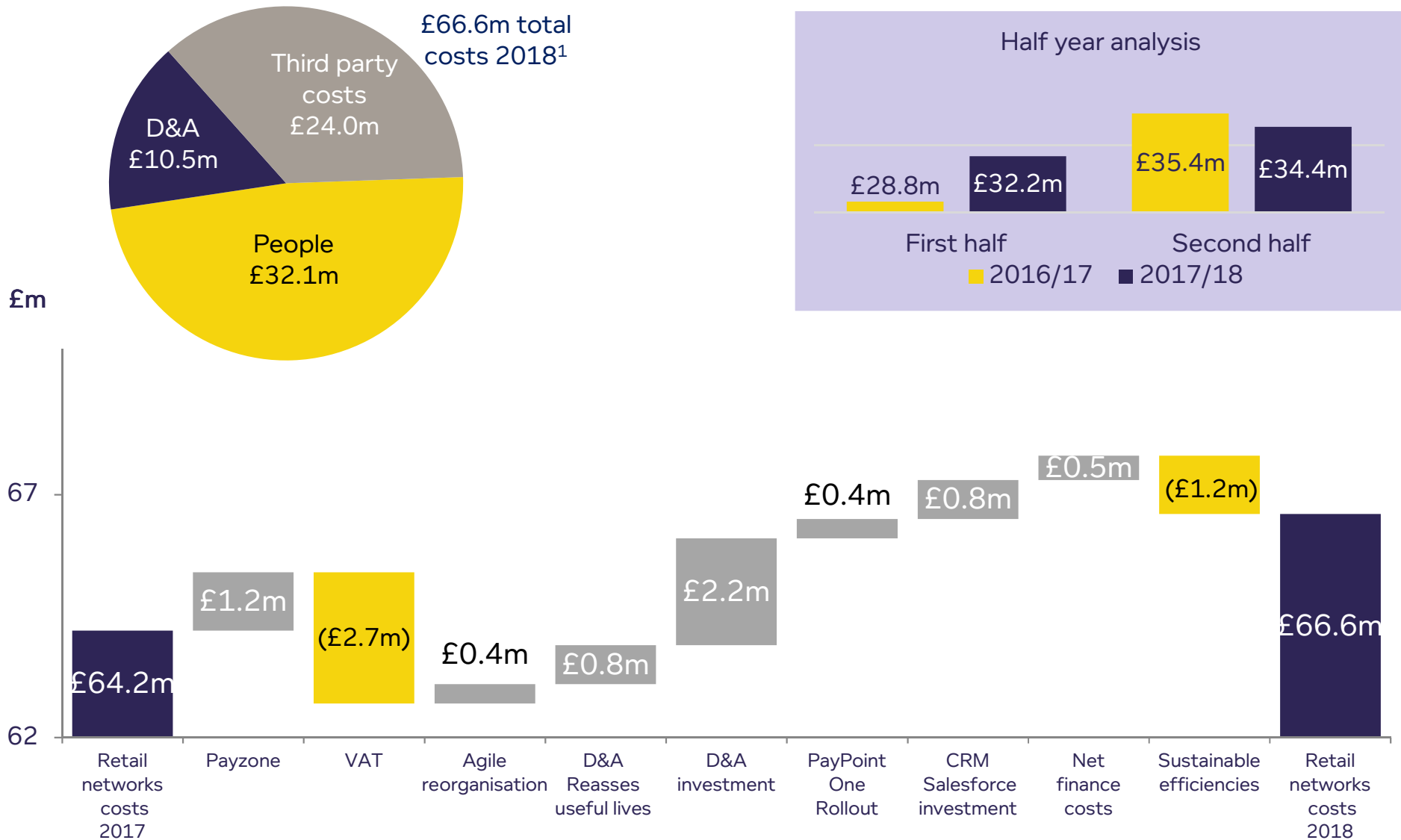
Underlying growth in net revenue



* VAT and C+ comprises the £2.4m included in prior year for benefit from the change of card payments to exempt status and the £1.8m impact in the current year from the revised terms with Yodel. Both items are included in UK retail services.



Reduction in second half costs

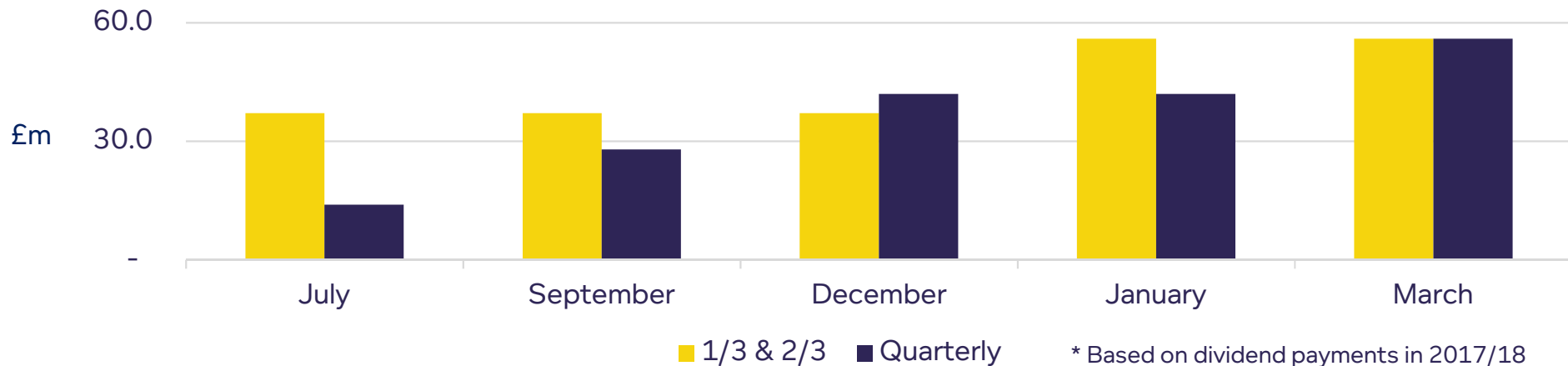


1. Comprises £19.2 million other costs of revenue, administrative expenses £46.9 million and net financing costs of £0.5 million.
2. Comprises £2.4 million benefit relating to a net VAT adjustment from the tribunal overturning the HMRC’s ruling that part of PayPoint’s services were VAT exempt, £1.5 million of this relates to years prior to 2017/18. 2016/17 included a one-off cost of £0.3m as a result of increased irrecoverable VAT arising from the change in the VAT treatment of card payment revenue.



- Working capital improvements – better terms for card rebate reduced from 3 months to 1 month
- New dividend payment profile from 1 April 2019 (ordinary and additional) – quarterly payments will reduce working capital spikes
- New financing facility in place - £75 million – five year term at better margins

Cumulative Dividend Payment profile¹

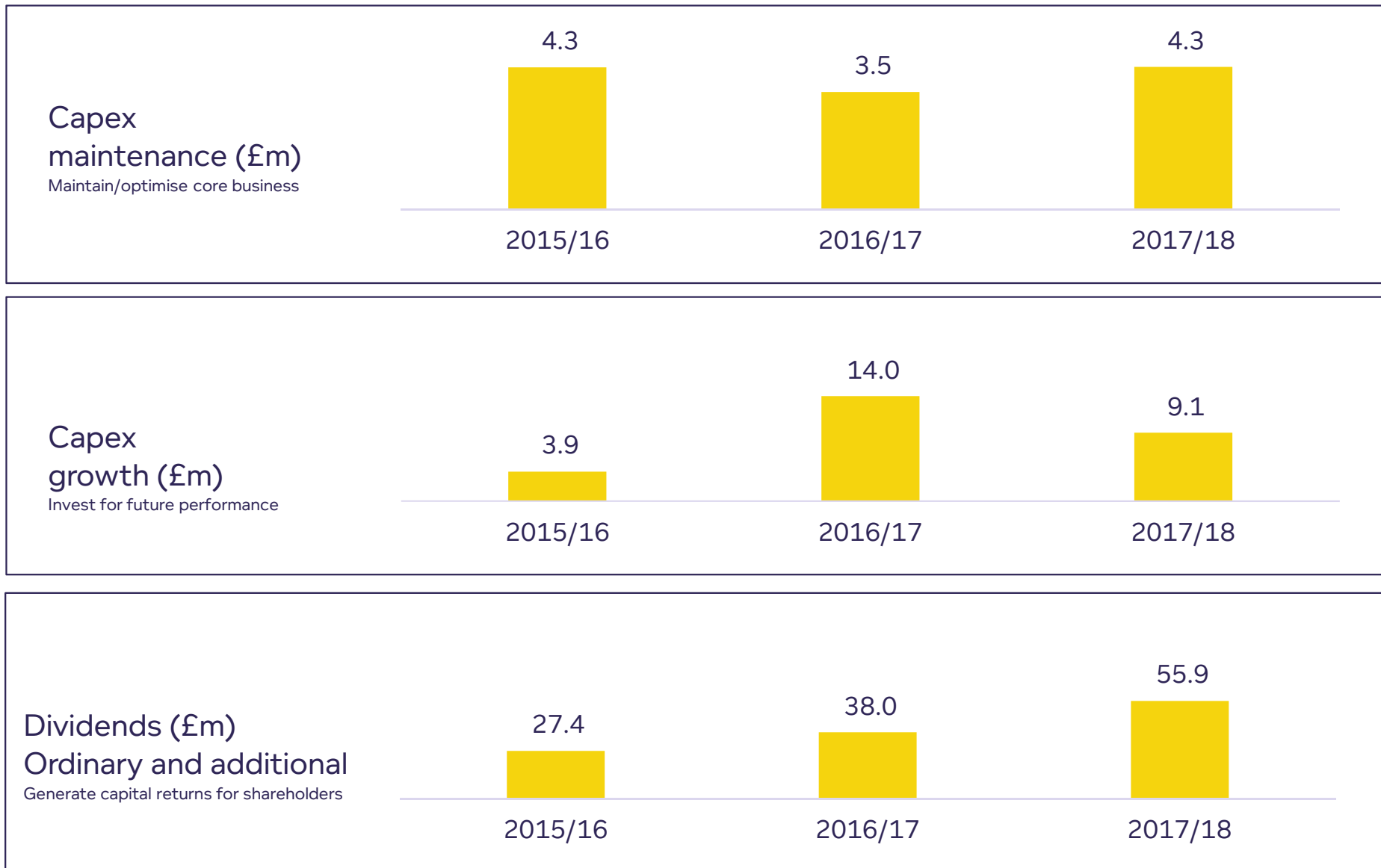


Cash generation and use

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Year ended 31 March	2018 £m	2017 £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)
Free cash flow	49.7	24.3
Net cash from business disposals	(0.9)	22.7
Dividends paid	(55.9)	(78.5)
Effects of foreign exchange rate changes	-	1.2
Net cash movement	(7.1)	(30.3)
Cash at 31 March	46.0	53.1
Client funds included in cash at 31 March	27.5	20.2

Uses of cash



Balance sheet remains strong

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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)
Net assets	61.3	73.1
Equity shareholders' funds	61.3	73.1
Non-controlling interests	-	-
Total equity	61.3	73.1

Headwinds

- DWP contract reduction £4m
- Yodel renegotiation, second year impact £1m

Growth drivers from a base of £47.9m

- Further PayPoint One rollout to 12,400 outlets and mix improvement
- Card services; volume growth
- Pipeline of parcel deals; volume & revenue this year will be influenced by speed of implementation
- MultiPay growth in clients and transactions
- Romania; organic growth and Payzone integration synergies

IFRS 15 impact (2017/18)

- Revenue £1.0m - reduction
- Cost £1.0m - reduction
- Profit before tax - broadly flat

Summary

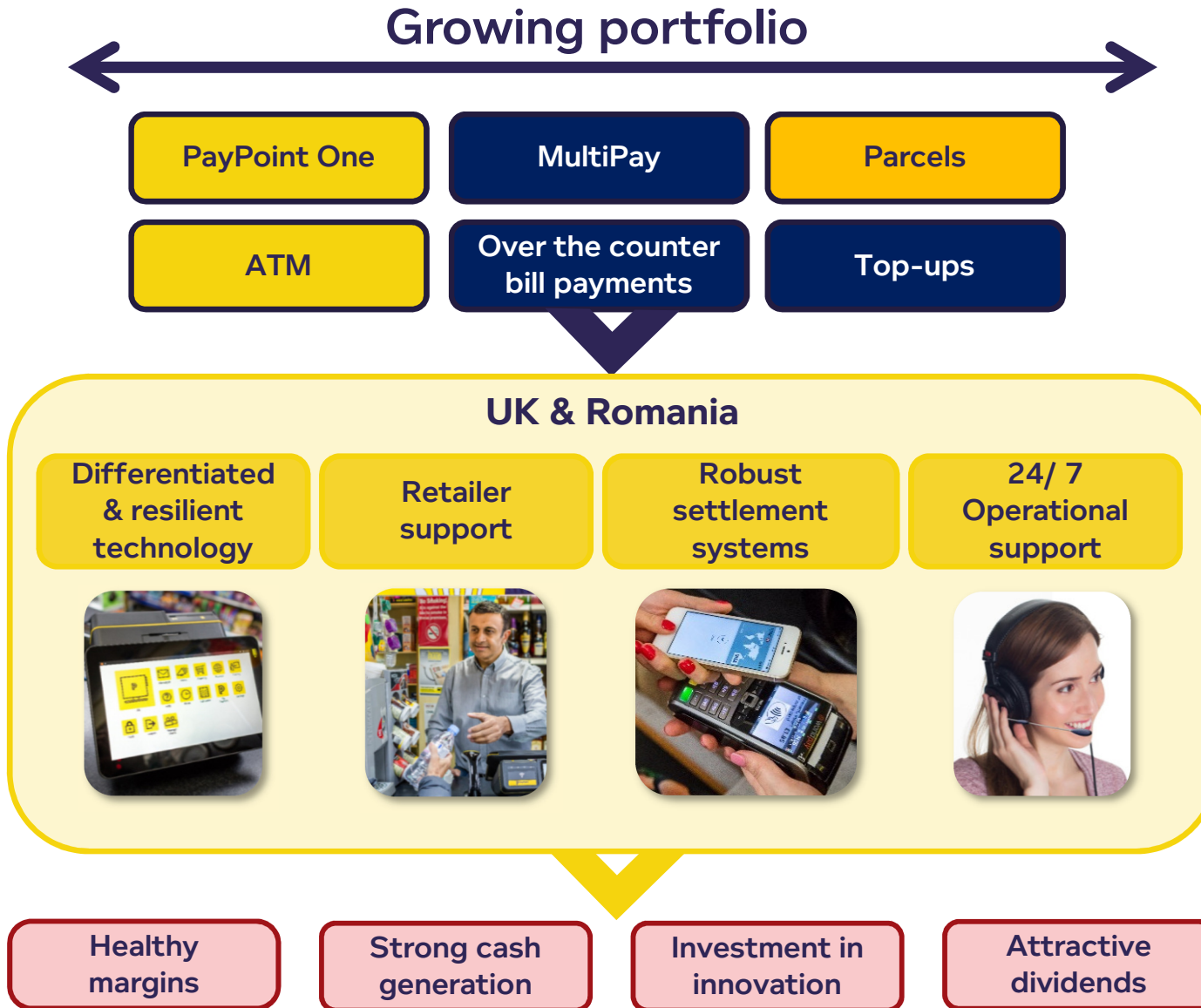
Despite these headwinds and whilst the final outturn for the forthcoming financial year will be influenced by the timing of and volumes from new parcel contracts, the Board anticipates a progression in profit before tax in this financial year as the growth drivers in our business continue to develop.



Embedding PayPoint at the heart of convenience retail



PayPoint's unique business model



Popular services for customers, retailers and clients, which increase engagement

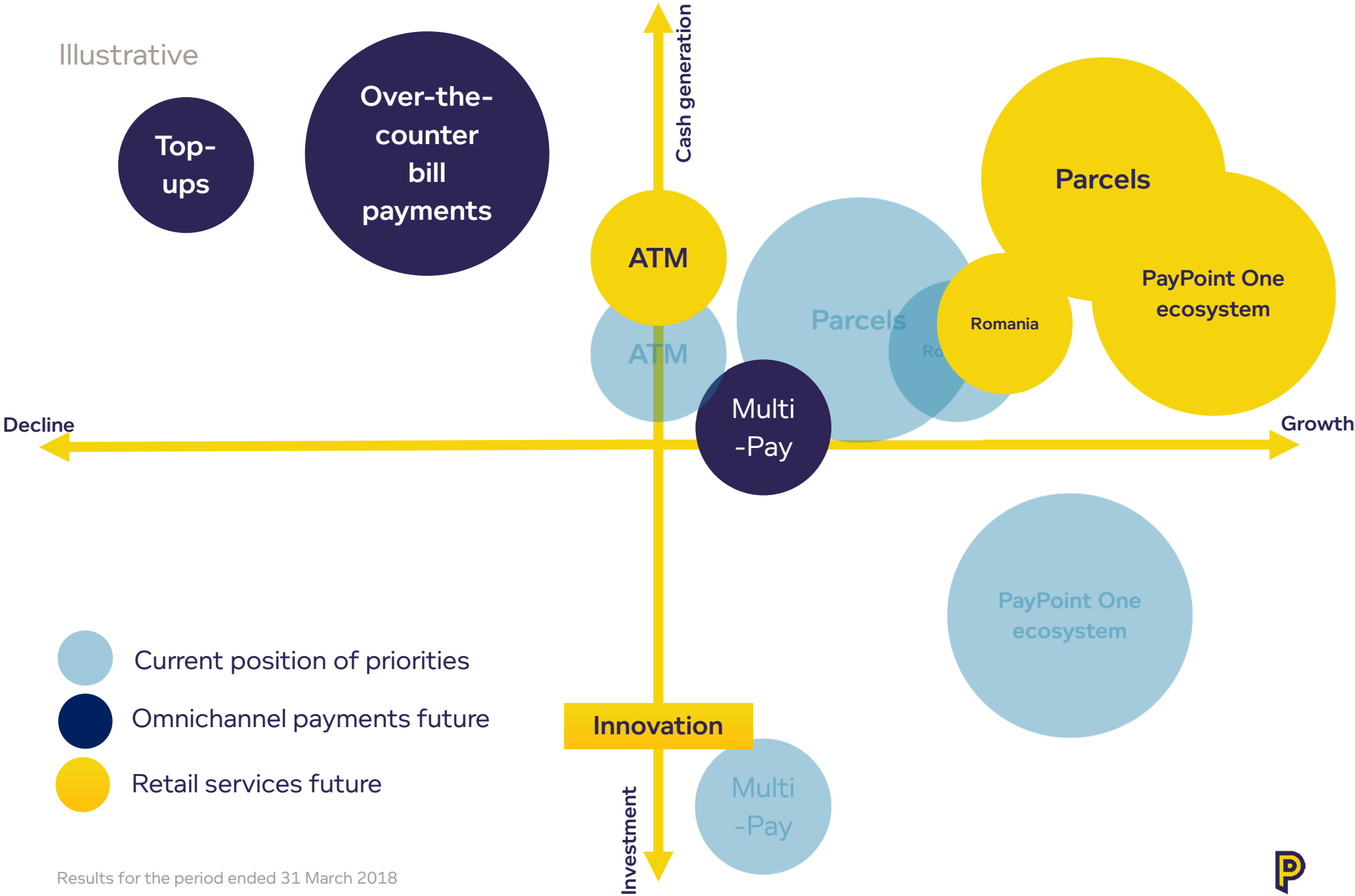
Low cost, scalable and technologically advanced platform

Consistent value creation for shareholders



Strong portfolio of products drives strategic priorities

Illustrative



Convenience is the place to be and growing

Behavioural change

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

Growing market

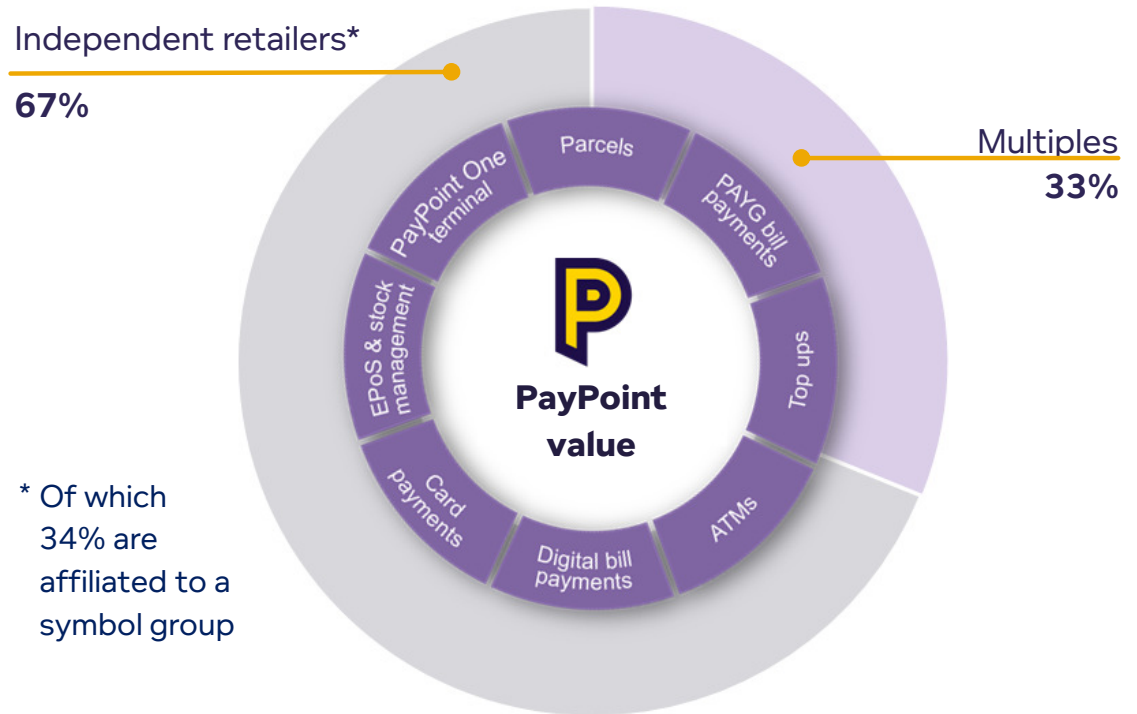
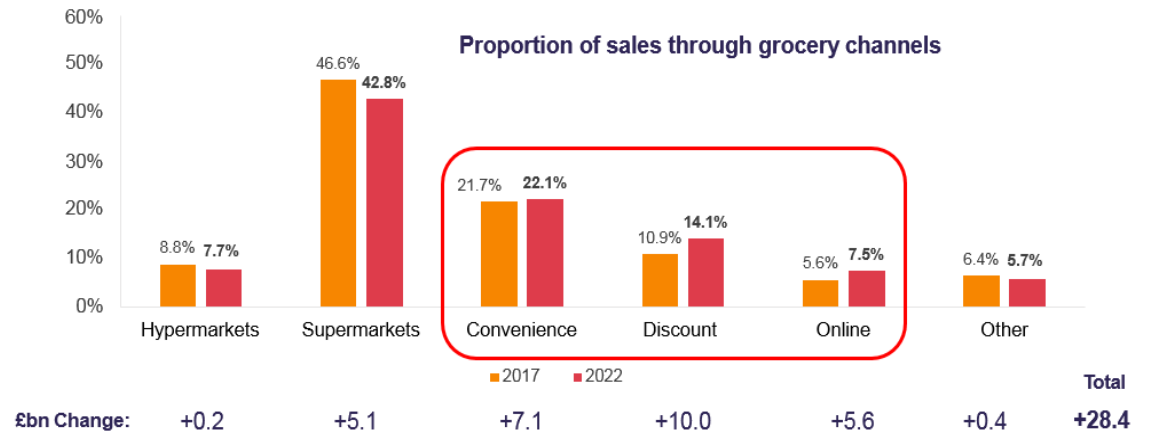
- Forecast to grow by £7bn by 2022, along with online and discounters

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



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.



Strong progress on PayPoint One

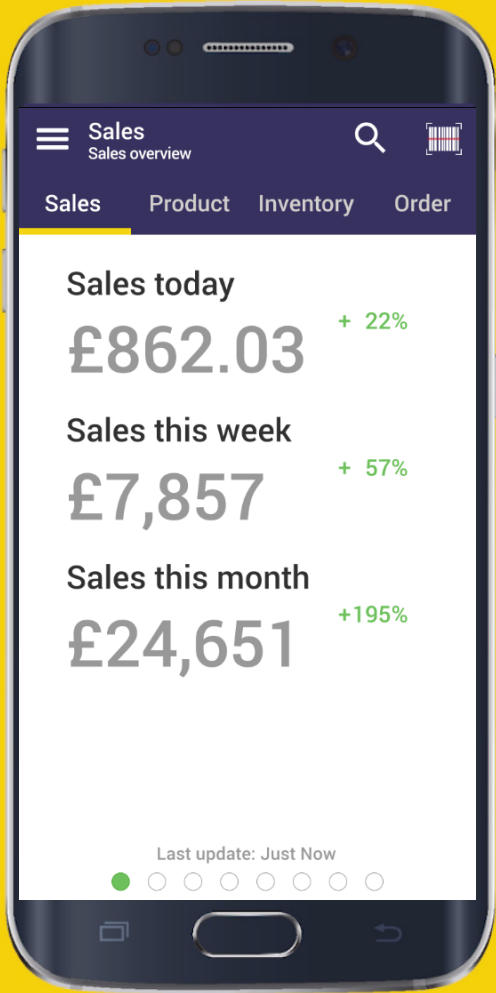
- What we have achieved**
 - Growth to over 9,000 stores (as of 21 May 2018) with continued rollout over next 12 months
 - EPoS Pro version launched offering full stock management
 - Supplier links to Nisa and Booker agreed, along with launch of ‘News Management’
 - Innovative mobile app launched enabling retailers to have their ‘store in their pocket’

	31 Mar 18	31 Mar 17
Total	8,550	3,601
EPoS Base £10/week	3,718	1,421
EPoS Core £15 or £20/week	4,678	2,180
EPoS Pro £30/week	154	3 (pilot sites)
Average service fee	£14.68	£13.94

- 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



**Monitor sales
in real-time,
wherever you are**



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

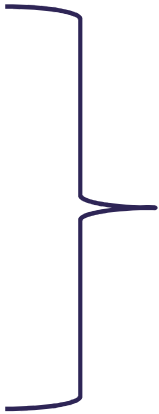
- Average revenue lost = £14,760 (1.2%)

4. Wastage

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

5. Out-of-stocks

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

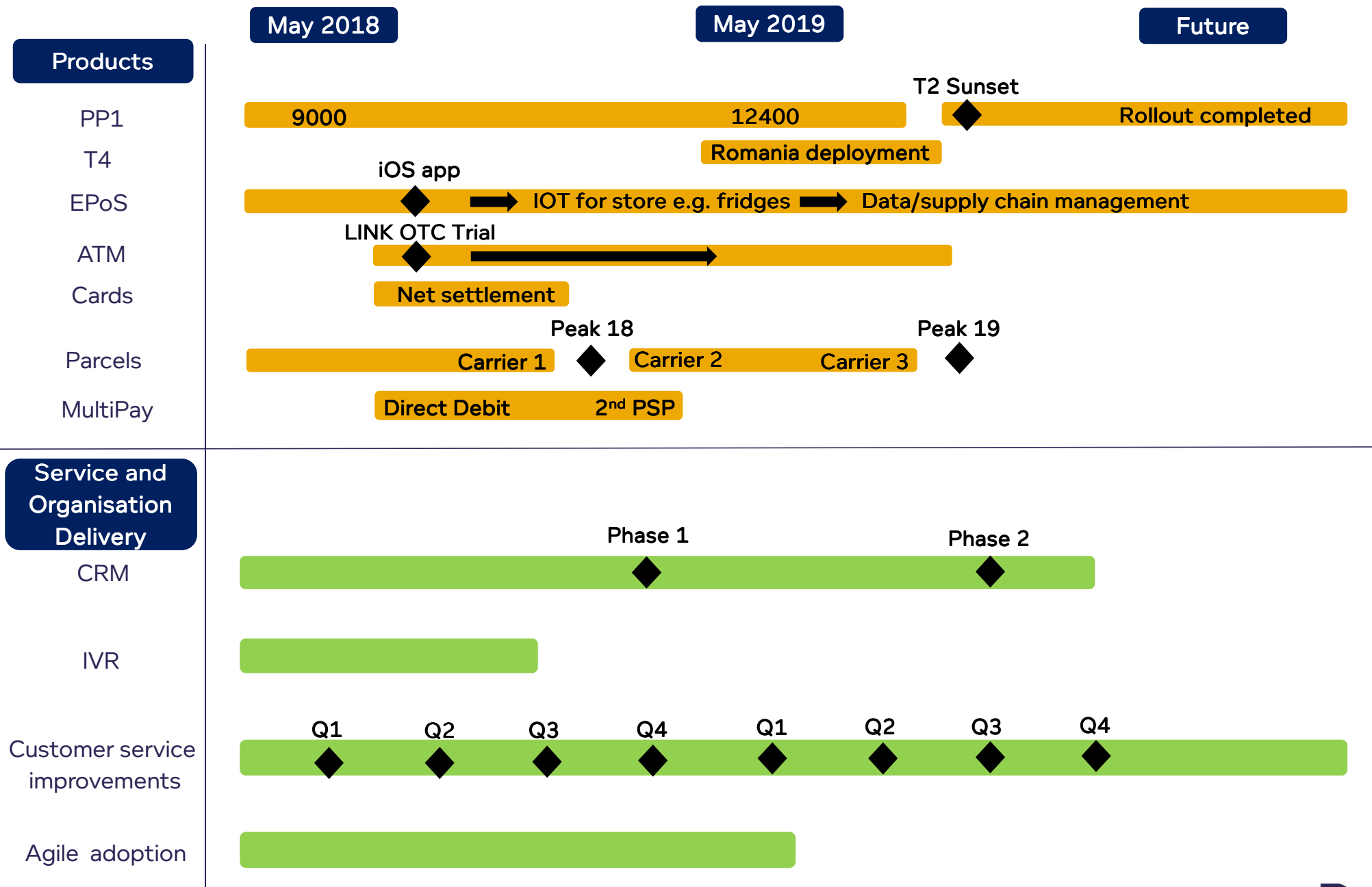


Just a 10% improvement in managing these three areas with EPoS data can bring a **c.£10,000** benefit to retailers





Delivery roadmap





PayPoint uniquely placed to benefit from market growth

- Good FY 17/18 financial performance
- Business reshaped and well positioned for future growth
- Clear strategy in place to capture market opportunities, across a strong portfolio of products
- Company reorganised to enable faster and more efficient innovation
- Prioritised capital allocation framework with a commitment to attractive shareholder returns



Appendices



Appendix 1

Strategic priorities

1. Embed PayPoint at the heart of convenience retail

- **What we have achieved**

- Growth to over 9,000 stores (as of 21 May 2018) with continued rollout over next 12 months
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- **Future ecosystem development**

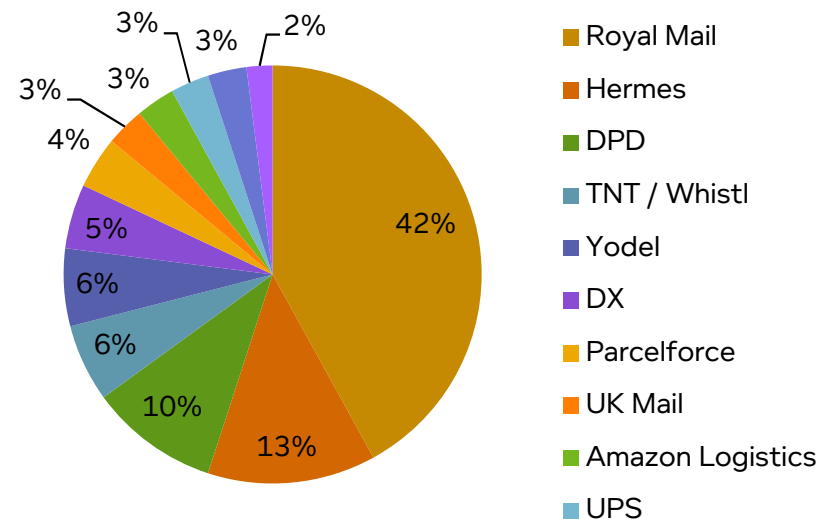
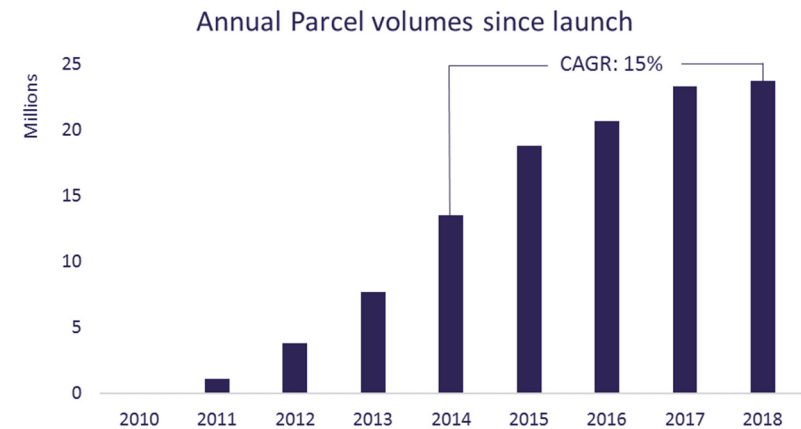
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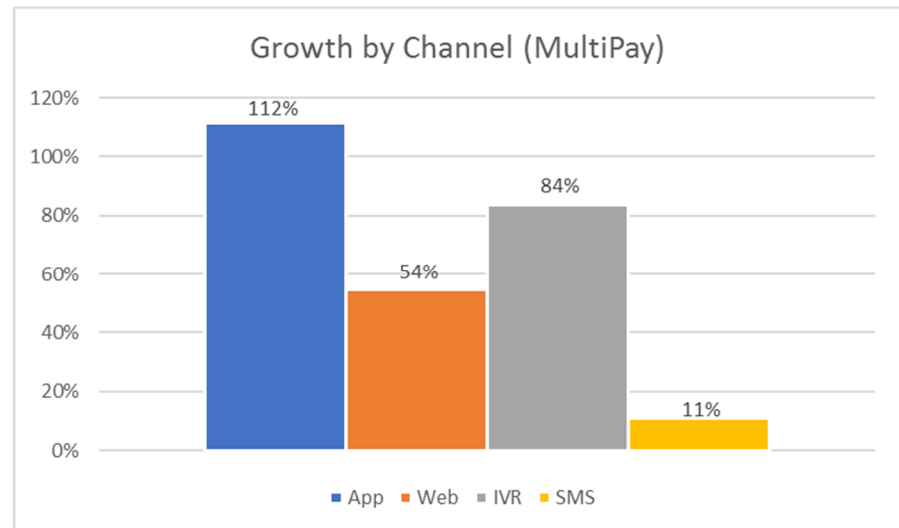
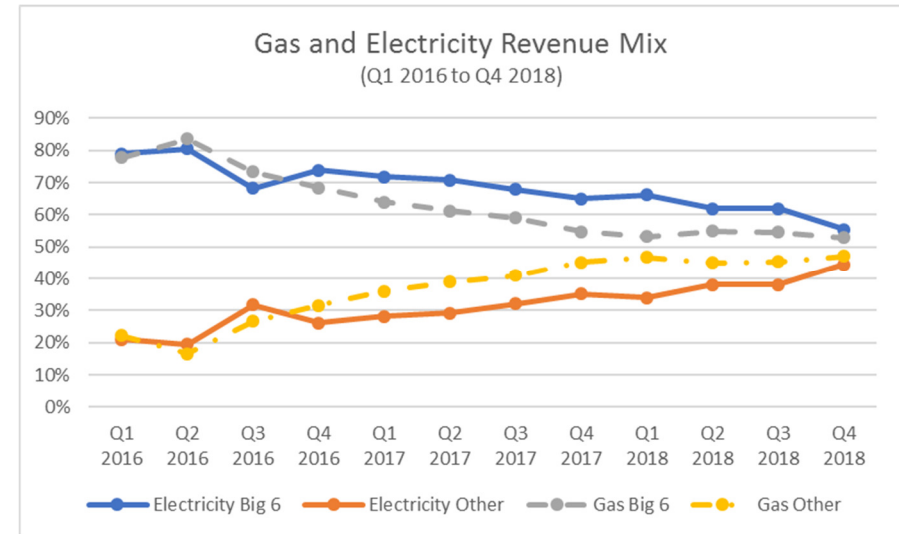
2. PayPoint becomes the definitive parcel point solution

- **Best network and brand**
 - Network was grown from just over 6,000 to over 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 carrier deals**
 - At least 1 in place for peak 2018
 - Plan to grow the business to be handling 60m parcels p.a. within 5 year plan (from 24m 17/18)
- **Operational preparedness for multicarrier**
 - Developing a range of service and UX improvements, including a new retailer app
 - Up-skilling stores, who are overwhelmingly positive about the move to multicarrier
 - Increasing network reach, enhancing consumer experience and driving extra footfall into stores



3. Sustain PAYG and grow digital bill payments (UK)

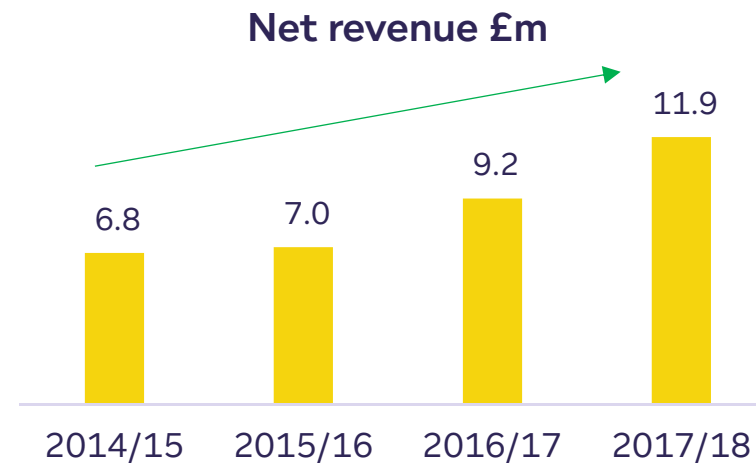
- Remain market leader in PAYG and over-the-counter bill payments**
 - TV Licensing – new long term agreement
 - All major clients retained with good contractual/relationship stability
 - Stable/increasing market shares
 - More than 20 new clients added during the year, across a range of sectors and services
- Margin improvements**
 - High focus on margin improvements – 9% volume decline vs. 1% net revenue increase
 - Strong performance of smaller clients supporting this dynamic, particularly in energy sector
- Digital is our engine of growth (MultiPay)**
 - App usage leading the channels with 112% growth in 17/18 (Mar 17 Vs Mar 18)
 - Plan to launch Direct Debit functionality
 - Integrate new PSP (Payment Service Provider)



4. Grow our Romanian business

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- **Strong country opportunity**
 - Cash has a 90% share of household payments
 - Growing economy; GDP growth of 4.6%, driven by consumption
 - Online growing but yet to take hold
 - eCommerce yet to kick off – potential cards and parcels opportunity
- **PayPoint has an advantaged market position**
 - PayPoint strong consumer brand with 75% recognition
 - PayPoint share of bill payments growing as Post Office and banks retrench
 - Payzone integration progressing
- **Romania future platform for strong growth**
 - Optimise PayPoint and Payzone networks and extend product and service offerings across the network
 - Integrate back offices and save cost
 - Developing a T4 terminal to replace legacy to include integrated card payments
 - Grow value add Retail services – Card services, money transfer, EPoS



PLATA CU CARDUL ÎN MAGAZIN,
vector de creștere a afacerii dumneavoastră!

NOU!
de la PayPoint!

Tehnologia terminalului POS oferit de PayPoint

Serviciul de acceptare carduri PayPoint: tehnologie modernă, infrastructură IT performantă, procese riguroase:

- Terminal POS de ultimă generație, conform ultimelor cerințe tehnologice;
- Capabilități contactless, terminale certificate EMV de către Visa și Mastercard;
- Terminalul se conectează folosind tehnologie GPRS, nefiind necesare investiții suplimentare din partea dumneavoastră.

Usor de instalat

Usor de utilizat

Interfață intuitivă

PayPoint

Serviciul de acceptare carduri oferit de PayPoint
Simplu • Sigur • Rapid

5. Innovate for future growth and profits

Over-the-counter cash trial with LINK

Card payment Net Settlement

T4



- Trial of over-the-counter cash withdrawal service in 15 stores
- Bolster customer choice and access to free withdrawals
- Unique ability to withdraw exact amounts, to nearest penny

- Expansion of net settlement proposition to 10k card payment customers
- Help retailers reduce banking charge burden

- Slimline terminal for deployment in Romania
- Includes card payment capability

Timings:
Trial in Summer 2018

Timings:
Trial Summer 2018, Rollout Autumn 2018

Timings:
Spring 2019



Appendix 2

Local shop economics



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:

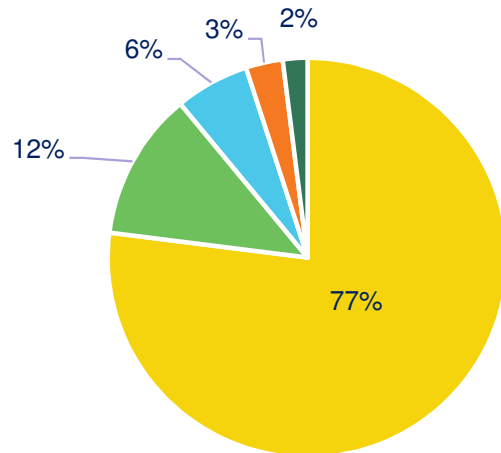
- Convenience retail under-delivering on speed of service and value for money
- Shop spend can grow up to 42% with a positive in-store experience and tailored product range
- Diverse shopper needs and missions to cater for with multiple repeat visits each week



Anatomy of a typical convenience 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 spend per week vs. £22.07 convenience average



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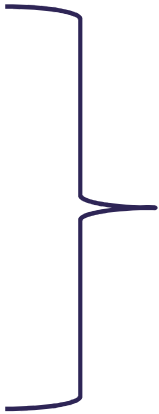
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Appendix 3

PayPoint One



Everything a modern convenience store needs

Contactless Card Payments

Parcel – pick up and drop off

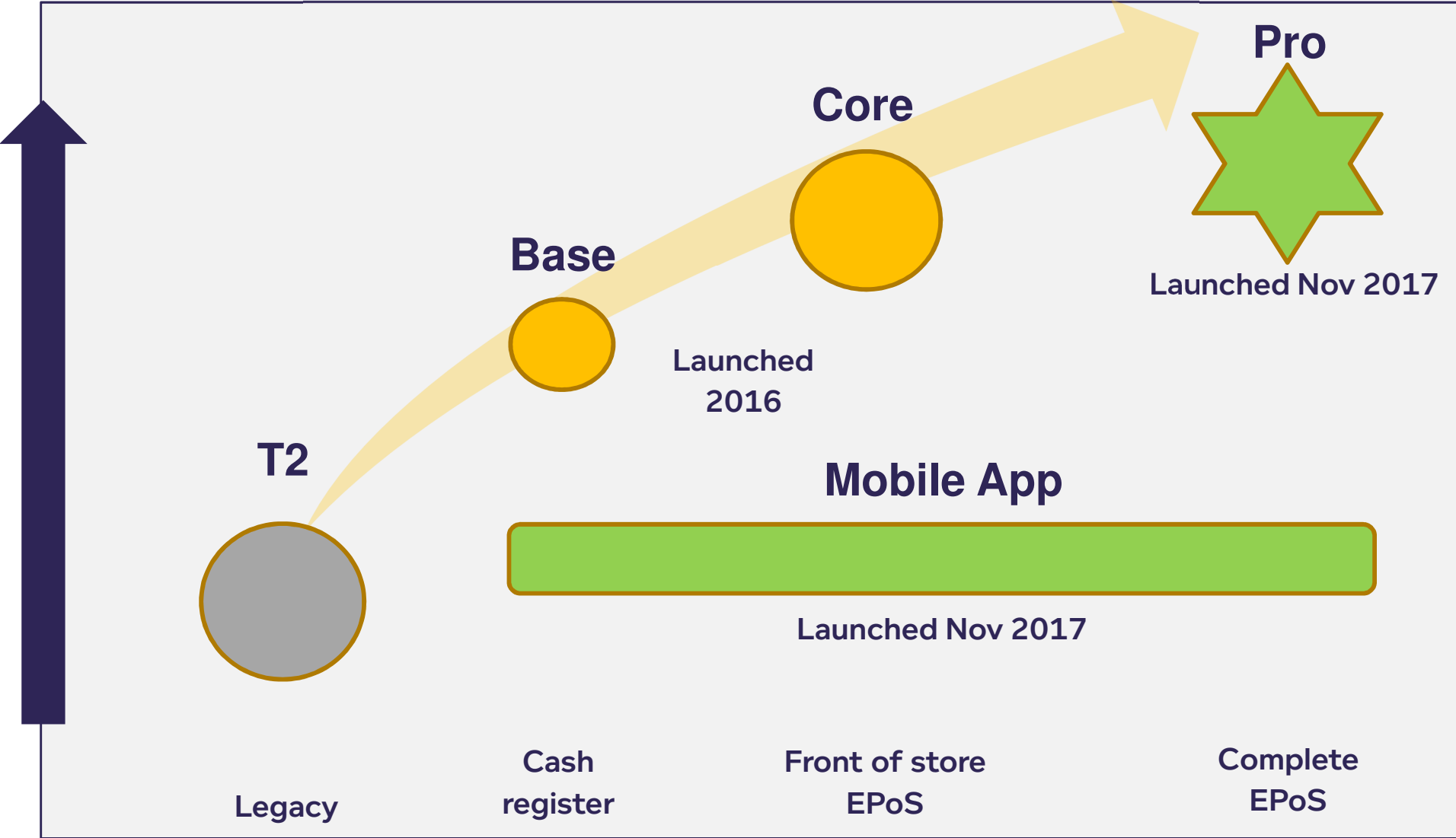
Bill Payments

EPoS

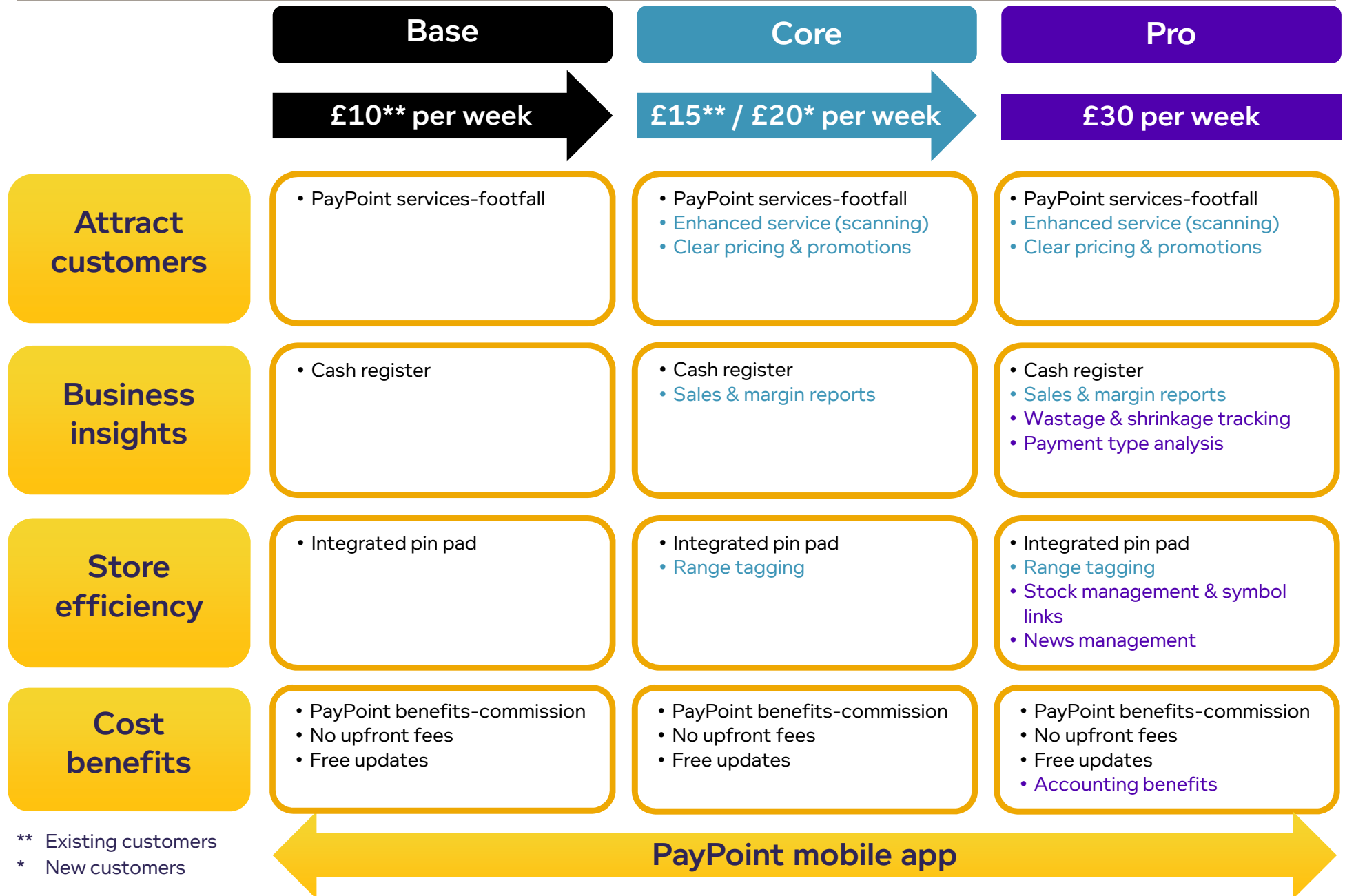
Future proof technology



Platform that grows with your business



EPoS: Base, Core, Pro



** Existing customers

* New customers





Allowing retailers to:

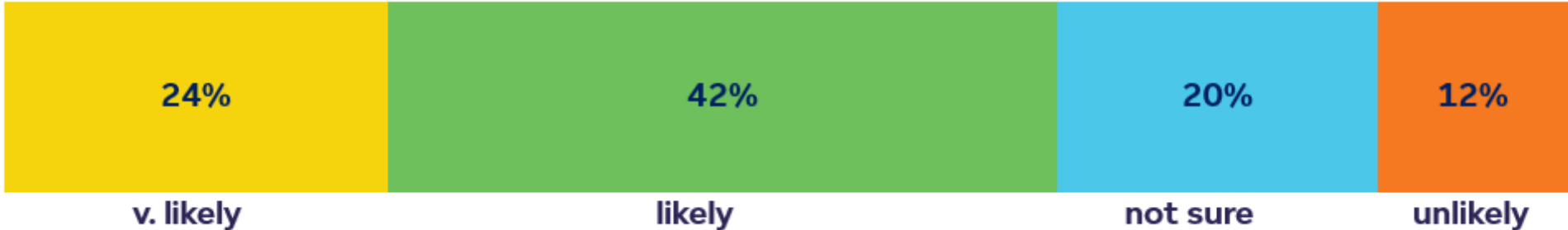
- See sales in real time
- Change prices and promotions instantly
- Control stock from anywhere

Available to all PayPoint One users with functionality aligned to their EPoS package

How do you find PayPoint One to use?



How likely are you to recommend PayPoint One to another retailer?



from an outbound telephone customer satisfaction survey of 100 PayPoint One users

