

Continued profitable growth across UK retail services and Romania

For the three months ended 31 December 2017

- Group¹ like-for-like² net revenue³ grew 3.6% to £31.8 million
- UK retail services like-for-like² net revenue grew by 4.6% driven by PayPoint One
- PayPoint One now in 7,459⁴ sites, of which 109⁴ sites are operating our EPoS Pro proposition
- Continued momentum in MultiPay with transactions up 80.1% to 5.6 million
- Romania net revenue grew by 42.2% mainly driven by the acquisition of Payzone

Dominic Taylor, PayPoint's Chief Executive, commented:

'We are pleased with our performance this quarter as we have continued to drive profitable growth in UK retail services and in Romania. In November we launched our PayPoint One mobile app and EPoS Pro which is already successfully operating in over 100 retailers. PayPoint One is on target to exceed 8,000 installations by the end of this financial year, with over 7,400 sites now live. MultiPay has continued to grow with over 125,000 transactions processed on 22 December 2017, our peak trading day, an increase of 67% compared to last year. Together with the revenue benefit we have been driving from an improved client mix has resulted in a solid performance in UK bill and general. In Romania, the acquisition of Payzone has further strengthened our position with its integration into our existing operations progressing well. Overall performance for the quarter met our expectations therefore the full year outlook remains in line with previous guidance.'

Performance⁵ for the three months ended 31 December 2017

Group retail networks¹ net revenue³ declined 4.3% from £33.3 million to £31.8 million, as last year there was a one-off VAT recovery of £2.4 million. Excluding the VAT recovery, like-for-like² net revenue would have increased 3.6%. The decline was partially offset by strong growth in PayPoint One service fees and Romania. Group retail networks¹ transaction volume reduced, as expected, by 1.7% to 172.7 million transactions due to lower UK bill and general volumes partially offset by strong volume growth in Romania.

UK retail services net revenue³ decreased by 18.1% reflecting the revised commercial terms with Yodel and the card payment VAT recovery. Excluding these items, net revenue³ increased by 4.6% driven by PayPoint One service fees. PayPoint One is now in 7,459⁴ sites, with EPoS Pro already successfully operating in 109 sites following its launch in November. We remain on target to reach over 8,000 sites by 31 March 2018. Card payment transactions grew by 3.4% to 23.4 million and ATM transactions grew 1.4% to 10.2 million. In light of the performance with some of our ATM sites and LINK's proposals to reduce the interchange rate, we have commenced an initiative to reallocate a portion of our ATM estate to better performing locations. Collect+ parcel service volumes declined by 3.1% to 7.0 million as a result of reduced volumes in Yodel, validating our strategy to expand the parcel service to other carriers and to reduce our dependence on any single carrier. As at 31 December 2017, Collect+ was in c. 7,200 sites.

UK bill and general net revenue³ decreased, as anticipated, by 3.3% as transaction volumes declined by 10.5%. This was driven by a 13.9% reduction in prepay energy volume, offset somewhat by continued momentum in MultiPay where transactions increased by 80.1% to 5.6 million. Our strategy of pursuing an increased mix of smaller but higher yielding clients continues to perform well, partly offsetting the impact of reduced transactions. UK top-up transactions declined by 15.9% from 15.5 million to 13.1 million as result of UK prepaid mobile transactions reducing by 19.1%, partially offset by increased eMoney top-ups.

Romania net revenue³ grew by 42.2%, mainly driven by the acquisition of Payzone in October 2017. Total transactions increased by 49.2% to reach 28.7 million. As at 31 December 2017, our Romanian network consists of 11,755 PayPoint and 9,714 Payzone sites.

1 Group retail networks consists of our UK, Ireland and Romanian retail networks and excludes PayByPhone which was sold on 23 December 2016. PayByPhone generated net revenue of £1.8 million in the third quarter of last year.

2 Like-for-like comparison excludes the impact of the revised commercial terms with Yodel for parcels with an impact of £0.1 million on a like for like volume basis and the one-off card payment VAT recovery of £2.4 million included the third quarter of last year.

3 Net revenue is revenue less the cost of mobile top-ups (where PayPoint is principal), SIM cards and other costs incurred by PayPoint which are recharged to clients and merchants. These costs include retail agent commission and card payment merchant service charge. Net revenue is a measure which the directors believe assists with a better understanding of the underlying performance of the group.

4 As at 15 January 2018. On 31 December 2017 PayPoint One sites were 7,252 and PayPoint Pro sites were 91.

5 PayPoint's auditors have not been requested to review the performance or financial position.



PayPoint

Balance sheet at 31 December 2017

The group had net cash of £48.4 million (30 September 2017: £27.6 million) which includes client cash of £48.1 million (30 September 2017: £18.1 million). The increased proportion of client cash was due to the Christmas trading period which was settled on 2 January 2018. The interim dividend of £10.5 million (2017: £10.2 million) and the additional dividend of £8.3 million were both paid in the quarter.

Enquiries

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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 7,400 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 29,000 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.