

CONTINUED GOOD PROGRESS ACROSS ALL KEY GROWTH DRIVERS

For the three months ended 31 December 2018¹

- Group underlying net revenue increased by 1.4% to £30.9 million
- PayPoint One rolled out to 12,000² sites; year-end target increased to 12,700 sites from 12,400
- UK service fee revenue up by 31.3% to £2.6 million
- A third partner contracted to the Collect+ network, to go live before the end of the financial year
- Resilient performance in UK bill payments with underlying net revenue flat
- Continued strong growth in MultiPay with transactions up 43.6% to 8.0 million

Dominic Taylor, Chief Executive, commented:

“PayPoint has reported another solid quarter with good progress being made across all our key growth drivers. We continue to rollout PayPoint One, now operating in over 12,000² convenience retailers and we have increased our year-end target to 12,700 sites. Our parcels business had a successful first Christmas with our new partner, eBay, and we are pleased to have a third partner contracted to the Collect+ network. Bill payments in the UK and Romania delivered a resilient performance with 11 new clients contracted and we saw strong growth in our MultiPay platform of 43.6% with 8.0 million transactions in the quarter. We continue to innovate to improve our retail proposition with respect to service and products in order to drive value to local shopkeepers. Our solid underlying net revenue growth and continued strong cost management in the quarter means that the Board’s full year expectations remain in line with the outlook provided in November.”

Performance for the three months ended 31 December 2018

Group

Underlying net revenue increased by £0.4 million (1.4%) to £30.9 million. Including the impact of £1.3 million from the closure of the Simple Payment Service by the Department for Works and Pensions and the renegotiated Yodel parcel fees, net revenue declined by 2.8%. Transactions increased 0.9% to 174.2 million from 172.6 million in the third quarter of last year.

UK

Underlying net revenue increased by £0.2 million (0.9%) to £27.2 million driven by underlying net revenue growth of 3.9% in retail services. As indicated at the half year results, the Irish network of 426 sites was closed on 16 October 2018 (Irish network generated £0.2m net revenue in the third quarter of last year). UK retail network sites increased from 28,460 on 30 September 2018 to 28,505 on 31 December 2018.

UK retail services underlying net revenue increased by £0.4 million (3.9%) to £9.7 million³ driven by good growth in service fee revenue which increased by 31.3% to £2.6 million. As at 31 December 2018, the PayPoint One terminal was in operation in 11,697 convenience retailers, an increase of 1,455 sites since 30 September 2018. EPoS Pro was in operation in 520 convenience retailers. Given the strong momentum in the first nine months of the year, the year-end target of 12,400 sites by 31 March 2019 has been increased to 12,700 sites. Our sales effort in the quarter continued to focus on extending penetration of the Base version of PayPoint’s EPoS solution (charged at £10 per week) to replace our legacy T2 devices and, as a result, average weekly service fee per site reduced to £14.89 from £15.01 at 30 September 2018.

Card payment transactions grew by 23.0% to 28.8 million driving a £0.2 million increase in net revenue. ATM performance was strong despite the difficult market conditions with transactions increasing by 3.1% to 10.6 million. ATM net revenue declined £0.2 million primarily due to the reduced Link interchange fee which became effective in July 2018.

¹ PayPoint’s auditors have not been requested to review the performance or financial position.

¹ Compared to the three months ended 31 December 2017.

² As at 23 January 2019.

³ Excludes the impact of £0.2 million from the reduced Yodel parcel fees.

Strong momentum continued in the Parcels business. PayPoint delivered a successful first Christmas with new partner, eBay, with over 2,500 sites processing ebay parcels; volumes are anticipated to grow as awareness of the service increases. A third partner has now⁴ been added to the Collect+ network and is expected to go live before the end of the financial year. As anticipated, Yodel volumes continued to decline albeit at a lower rate, resulting in overall parcel volumes reducing by 3.2% to 6.8 million in the quarter. The Collect+ network was in 7,049 sites on 31 December 2018 and remains the consumer's most popular pickup and drop off location.

Bill payment underlying net revenue was flat at £13.2 million⁵, despite a 1.5% decline in transactions. PayPoint has continued to successfully execute its strategy to diversify its client portfolio to smaller higher margin customers. In the quarter PayPoint added five new clients. MultiPay drove a strong performance in energy transactions as businesses increasingly adopt our omni-channel platform, where transactions increased by 43.6% to 8.0 million.

Overall top-up and e-money transactions declined by 15.0% to 11.1 million. As anticipated, this was driven by the continued decline in the prepaid mobile sector. However, e-money transactions continued to grow strongly with transactions increasing by 13.2%. Top-up and e-money net revenue declined by 2.9% with the reduction in volumes offset by increased average top-up values and the growth of e-money transactions, which have a higher net revenue per transaction.

Romania

Net revenue increased by £0.2 million (4.8%) to £3.7 million. The migration of the Payzone network is making good progress with over 1,200 sites now transitioned onto PayPoint's systems increasing operational efficiency and profitability. Romanian sites reduced to 18,317 sites from 18,984 in line with rationalisation plans to remove unprofitable sites. Transaction volumes declined by 0.5 million (1.9%) to 28.1 million primarily due to telecom operators switching consumers to post-paid bills and new EU legislation reducing roaming charges.

Balance sheet as at 31 December 2018

The group had net cash of £52.1 million (30 September 2018: £39.4 million) including the balance held in respect of client cash and retailer deposits of £42.3 million (30 September 2018: £32.7 million). The interim ordinary dividend of 15.6 pence per share together with an additional dividend of 12.2 pence per share, in total amounting to £18.9 million, was paid to shareholders on 11 January 2019.

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 12,000 sites 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 over 28,000 sites 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 400 consumer service providers to save time and money while making it easier for their customers to pay – via any channel and on any device.

⁴ The contract was signed in the fourth quarter.

⁵ Excludes the impact of £1.1 million from the closure of the Simple Payment Service by the Department for Works and Pensions.