



**Nick Wiles, Chief Executive**  
**Alan Dale, Finance Director**

**27 May 2021**

# **Results for the year ended 31 March 2021**

# Agenda – 27 May 2021

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**1 Overview**

**2 Structural changes & Covid-19**

**3 Strategy update**

**4 Financial review**

**5 Operational review**

**6 Investment case**



## Strategic

- Step change in strategic delivery whilst delivering a solid financial performance against the backdrop of Covid-19
- Repositioning of the business for growth driven through acquisitions of Handepay/Merchant Rentals, i-movo, RSM 2000, full ownership of Collect+ and accelerated internal investments in our core UK market
- Disposal of Romanian business completed on 8 April 2021, under-pinning UK-focused strategy
- Enlarged PayPoint Group now delivering a broader range of innovative services and technology connecting millions of consumers with an expanded universe of over 60,000 retailer partner and SME locations across multiple sectors

## Financial

- Net revenue from continuing operations of £97.1m, down 9.1%, driven by impact of Covid-19 on bill payments, ATM and parcels but offset by growth in card payments, eMoney and PayPoint One service fees
- Underlying profit before tax from continuing operations of £35.5m, down 19.3%
- Romania disposal – net proceeds of £48m, completed shortly after year end. Results included a full year trading performance of £7.6m PBT
- Net corporate debt of £68.2m, reflects the impact of the strategic acquisitions made in the year and prior to benefit of proceeds from Romania disposal
- Final ordinary dividend of 16.6p per share, an increase of 6.4%, consistent with policy announced at FY in May 2020
- Provision of £12.5m made as current best estimate for resolution of Ofgem Statement of Objections

## Operational

- Major client relationship renewal programme complete with accelerated expansion to digital services
- Strong transaction growth in card payment, eMoney and parcels reflecting the PayPoint Group's position to take advantage of the trends accelerated through Covid-19
- Strengthened the proposition for clients and retailer partners, improved engagement and service to deliver better value and support to customers, and identified new areas of growth in our core UK market
- Parcels: Collect+ now fully owned; three new partners – DPD, Hubbox and Parcels2Go; Send service launched
- Executive Board strengthened to deliver growth and focus on UK market

- On 30 September 2020, we announced that we had received a Statement of Objections from Ofgem setting out its provisional views that PayPoint infringed competition law through entering into certain contractual terms with certain energy suppliers that confer exclusivity to PayPoint for the provision of payment services to prepayment energy customers in combination with exclusivity in retailer arrangements. Ofgem's Statement of Objections focuses on contracts in the period prior to October 2018
- Ofgem's findings in the Statement of Objections are provisional and Ofgem states that no conclusion should be drawn that there has been an infringement at this stage
- We are considering Ofgem's provisional views set out in the Statement of Objections and, based on the range of potential outcomes in such proceedings, we believe there will likely be a future outflow of funds in the next financial year
- Our current best estimate for a resolution of this matter is £12.5m and we have accordingly made a provision for this in the current year. This estimated provision is not an admission of liability in relation to Ofgem's provisional views in the Statement of Objections

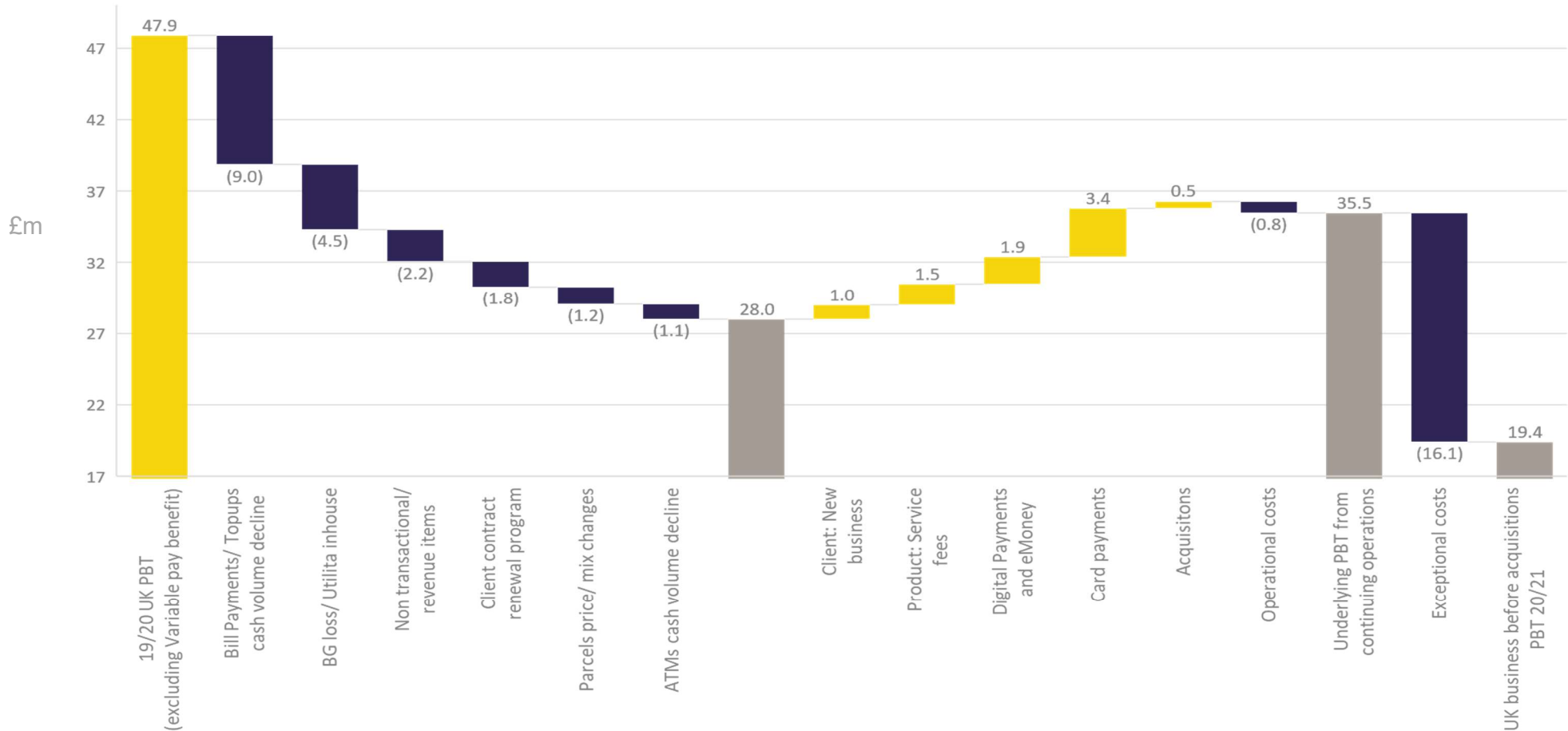


# **Structural changes and Covid-19**

# Structural changes in our legacy markets and impact of Covid-19

Going into the 2020/21 financial year, management recognised the need to reposition the business in response to the impact of structural changes in our traditional legacy markets and the Covid-19 pandemic. In addition to the full year impact from the loss of the British Gas contract (£3.8m), the business faced:

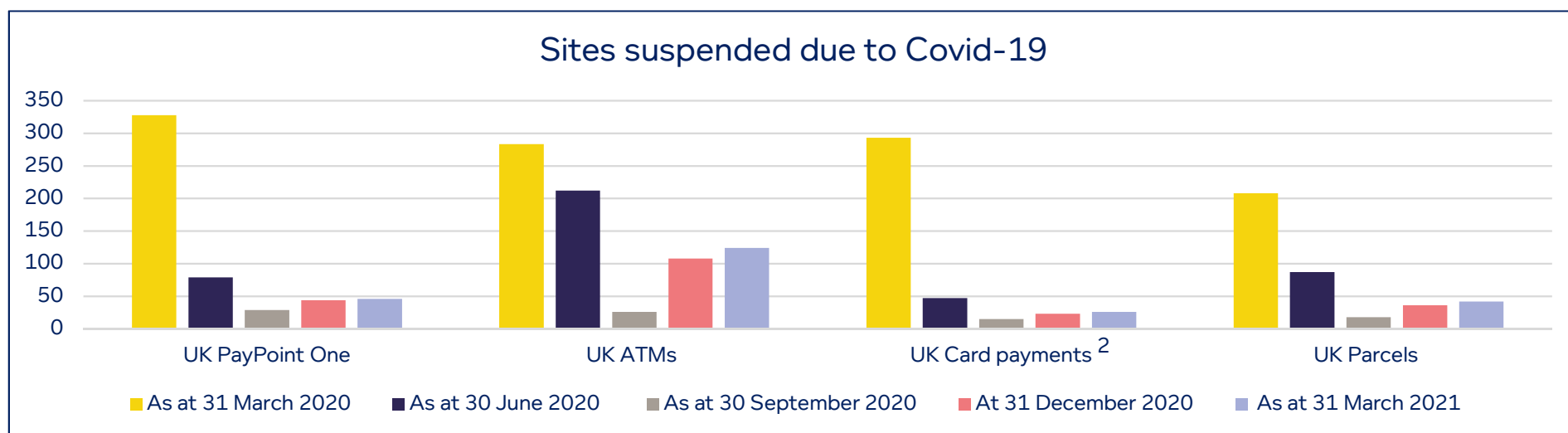
- the impact of declining bill payment transactions,
- rate reductions to a number of energy client contracts on renewal
- the long-term decline of cash usage, with its effect on our ATM business and more broadly across bill payments, a trend accelerated throughout Covid-19



- Strengthen our relationships and broaden our digital payments solutions for our core energy clients
- Broaden our digital payment offer and capabilities into non-energy sectors, including housing and local authorities
- Expand our cash through to digital payment capabilities and proposition, through acquisitions and internal investments, including card payments and Direct Debit
- Revitalise and enhance our service and retailer proposition through a combination of targeted acquisitions and investment
- Establish Collect+ as the pre-eminent technology-enabled e-commerce delivery platform
- Optimise our ATM estate and develop new innovative 'access to cash' solutions, such as the LINK Counter Service
- Broaden our retailer proposition to deliver increased value to our retailer partners, through initiatives such as launching new eMoney partnerships and developing home delivery and FMCG propositions

# Solid trading performance driven through proactive service recovery

Transactions by service	Q1 20/21 vs 19/20 % increase/ (decrease)	Q2 20/21 vs 19/20 % increase/ (decrease)	Q3 20/21 vs 19/20 % increase/ (decrease)	Q4 20/21 vs 19/20 % increase/ (decrease)
UK bill payment <sup>1</sup>	(25.0%)	(18.7%)	(25.3%)	(23.7%)
UK mobile top-up	(20.0%)	(19.0%)	(16.9%)	(16.6%)
UK eMoney	12.4%	18.4%	25.8%	41.4%
ATM	(30.3%)	(19.2%)	(23.1%)	(24.3%)
Card payment	80.3%	57.7%	46.2%	33.6%
Parcels	(13.0%)	7.5%	6.6%	33.8%



1. Excludes British Gas transactions
2. PayPoint card payment business only

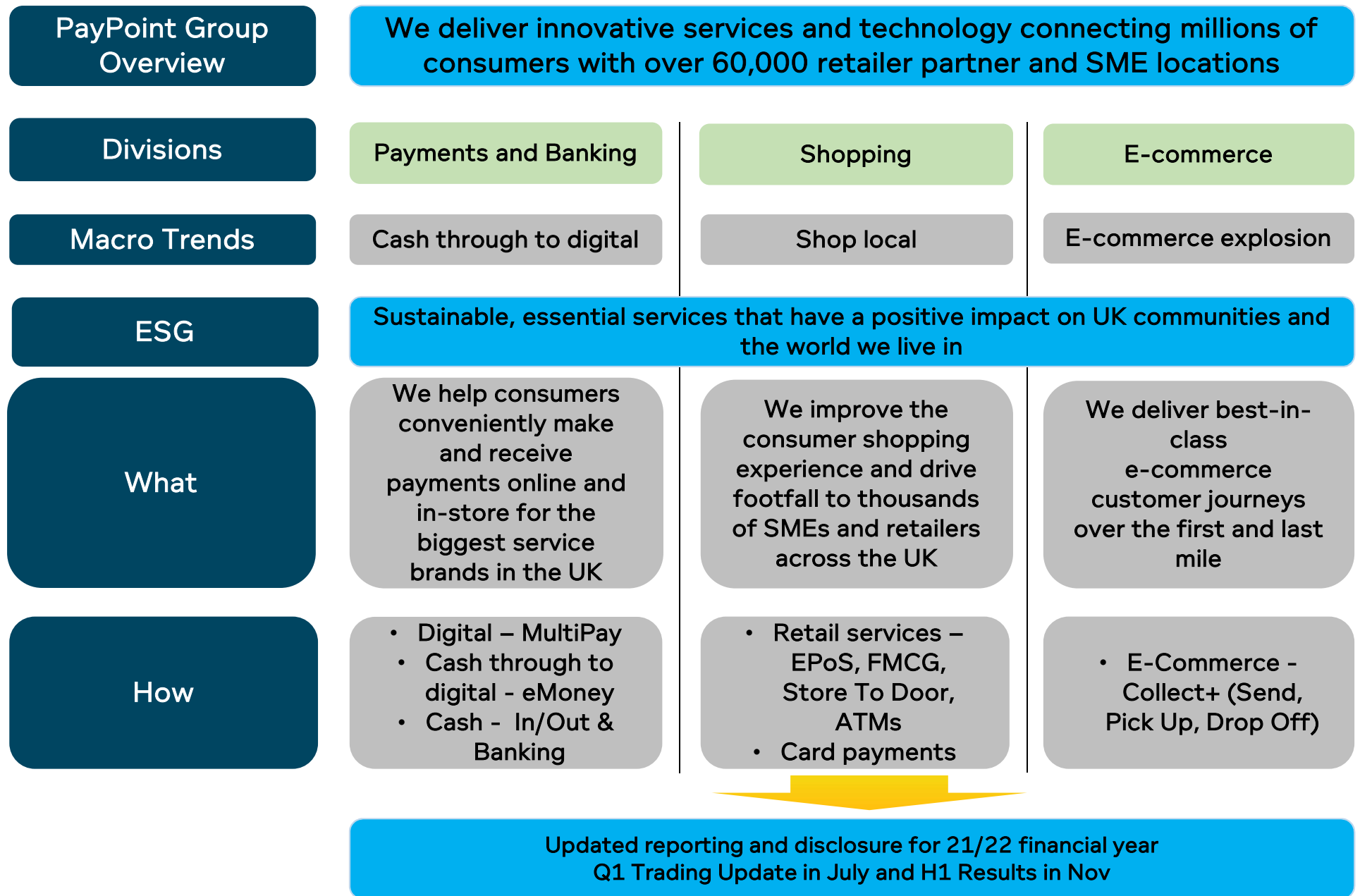
*NB. Additional ATM sites closed at 31 Dec 2020 and 31 Mar 2021 due to Covid-19 sector specific restrictions*





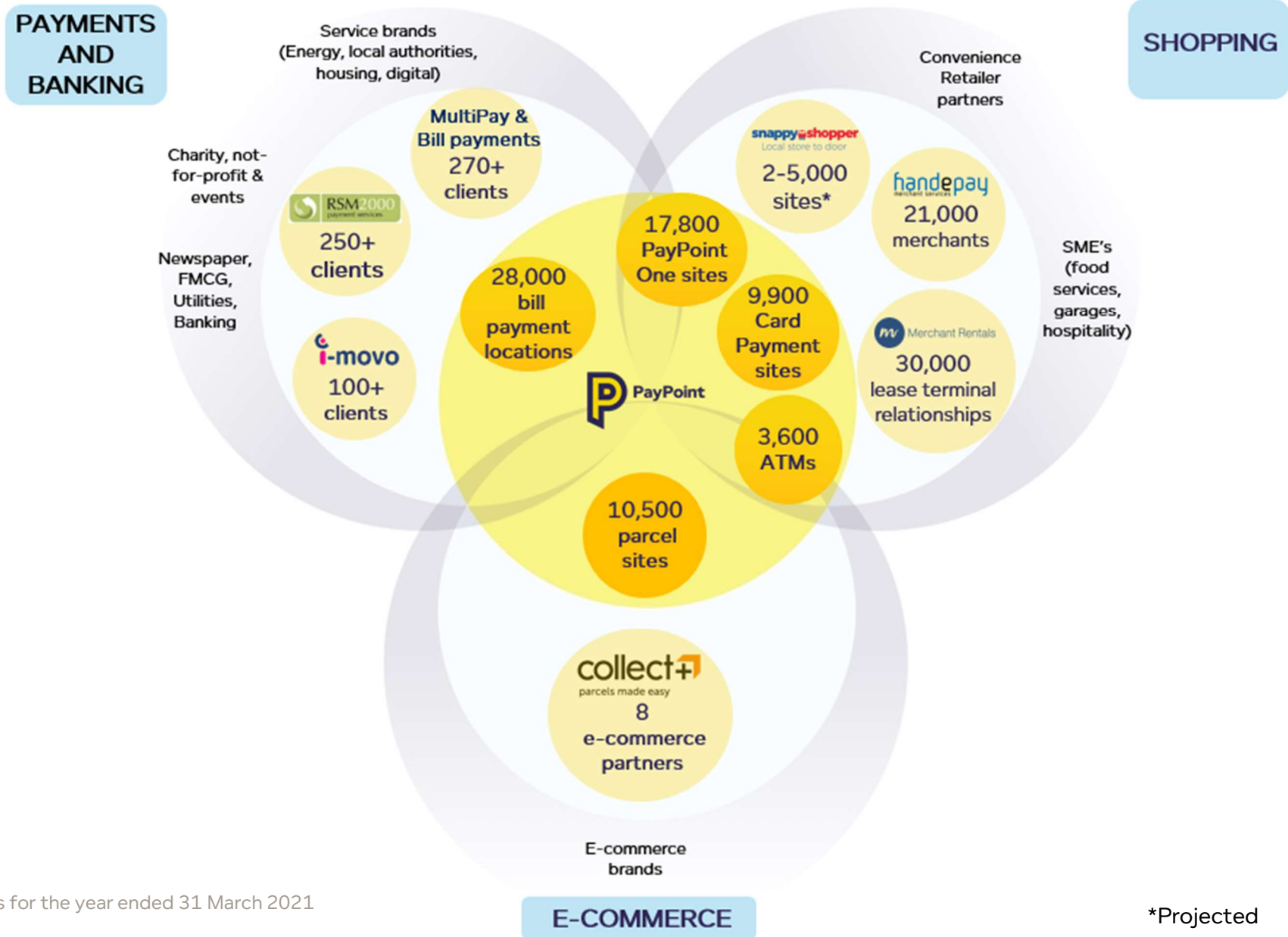
# Strategy update

# Positioned for growth in the UK



# Expanded universe with diverse brand portfolio

Strong portfolio of brands within the PayPoint Group, supporting our clients and retailer partners with innovative solutions and product offerings, across different sizes of network





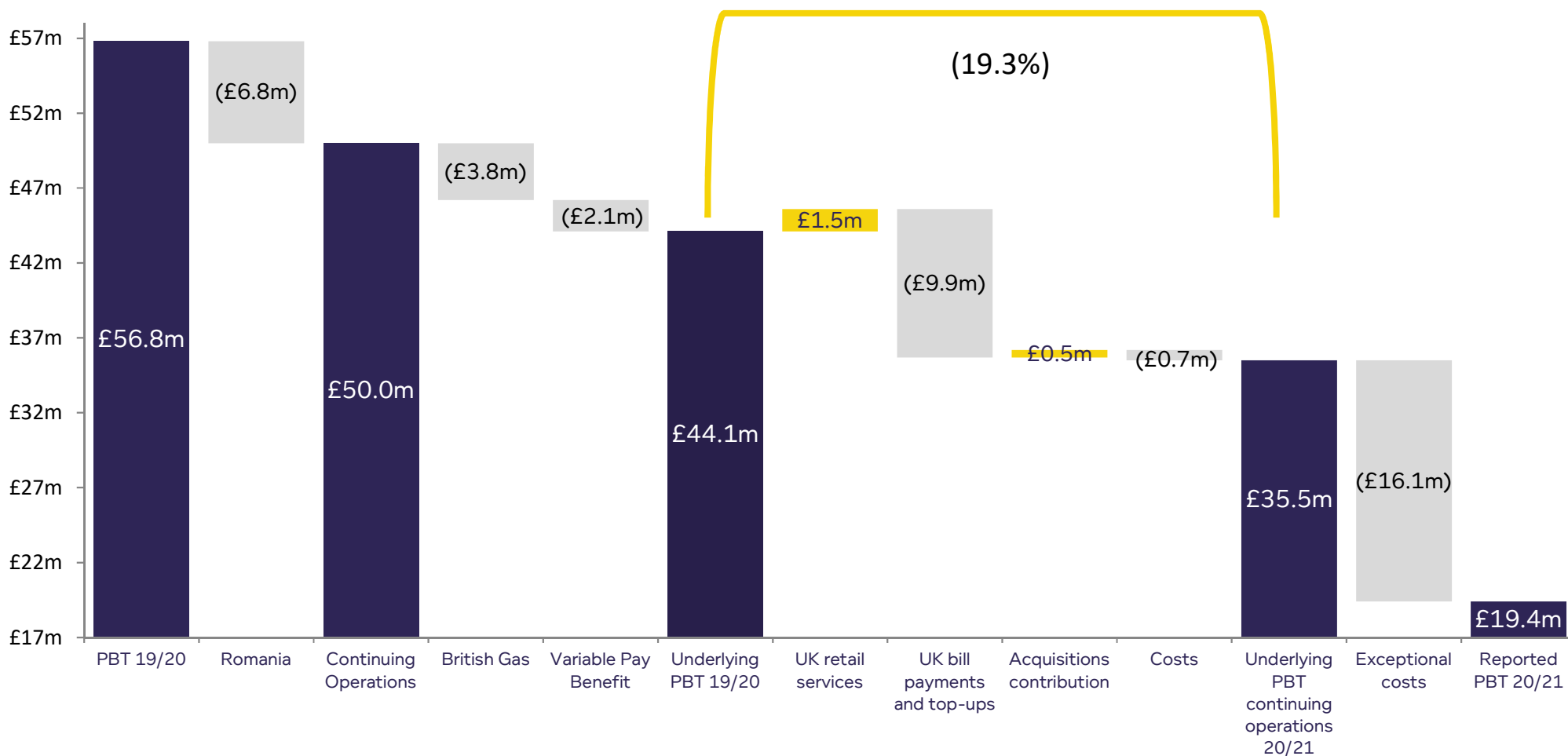
# Financial review

# Financial results

Year ended 31 March	2021	2020	Change	
	£m	(Restated) <sup>1</sup> £m		
Revenue from continuing operations	127.7	144.3	(11.5%)	
Net revenue from continuing operations <sup>2</sup>	97.1	106.8	(9.1%)	See slide 15
Operating margin from continuing operations <sup>3</sup>	38.0%	47.2%	(9.2ppts)	
Profit before tax from continuing operations <sup>4</sup>	19.4	50.0	(61.1%)	
Profit before tax from discontinued operations	7.6	6.8	10.8%	
Underlying profit before tax from continuing operations	35.5	44.1	(19.3%)	See slide 14
Diluted earnings per share	31.3p	66.3p	(52.8%)	
Ordinary dividend paid per share	31.2p	47.2p	(34.0%)	
Final dividend declared	16.6p	15.6p	6.4%	
Cash generation <sup>5</sup>	52.2	66.4	(21.4%)	
Cash generation from continuing operations	44.1	57.9	(23.8%)	See slide 17
Net corporate debt <sup>6</sup>	(68.2)	(12.0)	(465.8%)	See slide 19

1. Comparative information has been restated due to a discontinued operation. Refer to note 9 of financial information.
2. Net revenue is an alternative performance measure. Refer to note 1 of financial information for a reconciliation to revenue.
3. Operating margin % is an alternative performance measure and is calculated by dividing operating profit by net revenue.
4. Profit before tax from continuing operations includes £3.6 million of non-recurring costs associated with the acquisitions undertaken in the year and the £12.5 million provision made as a current best estimate for a resolution of Ofgem's Statement of Objections
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.

# Solid underlying performance against backdrop of Covid-19



# Underlying net revenue down, accentuated by impact of Covid-19

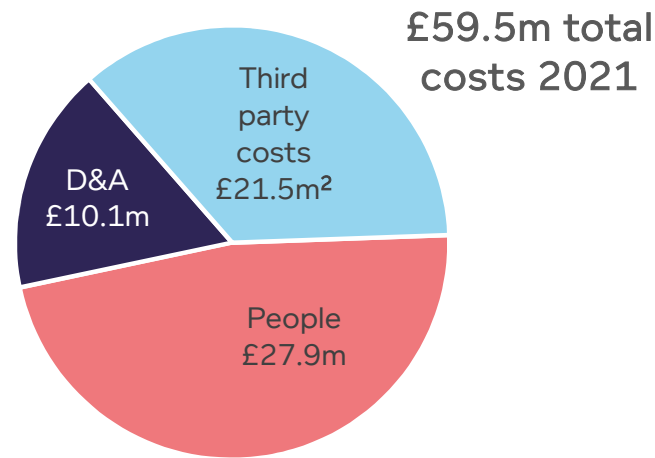
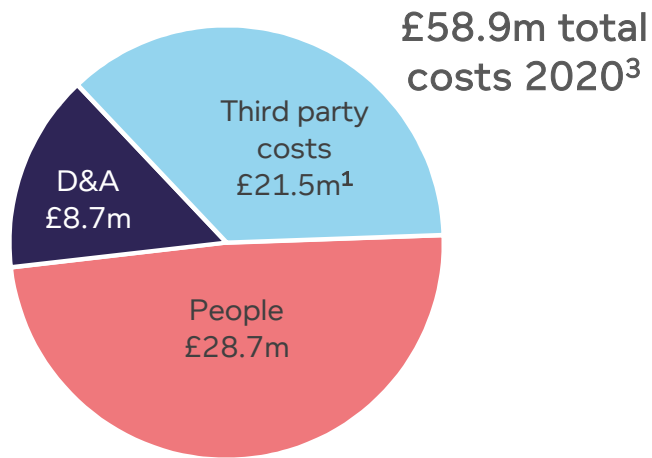
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Year ended 31 March	2021	2020 (restated <sup>1</sup> )	Change	%
Continuing operations	£m	£m	£m	Change
<b>UK bill payments and top-ups</b>	<b>52.1</b>	<b>62.0</b>	<b>(9.9)</b>	<b>(16.0%)</b>
- UK bill payments (Excl MultiPay & British Gas)	30.9	41.4	(10.5)	(25.3%)
- MultiPay	4.2	4.4	(0.2)	(6.8%)
- UK top-ups (Excl eMoney)	8.3	9.3	(1.0)	(10.4%)
- UK eMoney	8.7	6.9	1.8	25.8%
<b>UK retail services</b>	<b>45.0</b>	<b>41.0</b>	<b>4.0</b>	<b>9.8%</b>
- Service fees	14.6	13.1	1.5	11.5%
- Card payments rebate	12.1	8.7	3.4	39.1%
- Handepay & Merchant Rentals	2.5	-	2.5	-
- ATMs	9.7	11.9	(2.2)	(17.9%)
- Parcels	3.6	4.0	(0.4)	(10.1%)
- Other	2.5	3.3	(0.8)	(24.1%)
<b>Total underlying net revenue</b>	<b>97.1</b>	<b>103.0</b>	<b>(5.9)</b>	<b>(5.7%)</b>
British Gas	-	3.8	(3.8)	
<b>Total reported net revenue from continuing operations</b>	<b>97.1</b>	<b>106.8</b>	<b>(9.7)</b>	<b>(9.1%)</b>

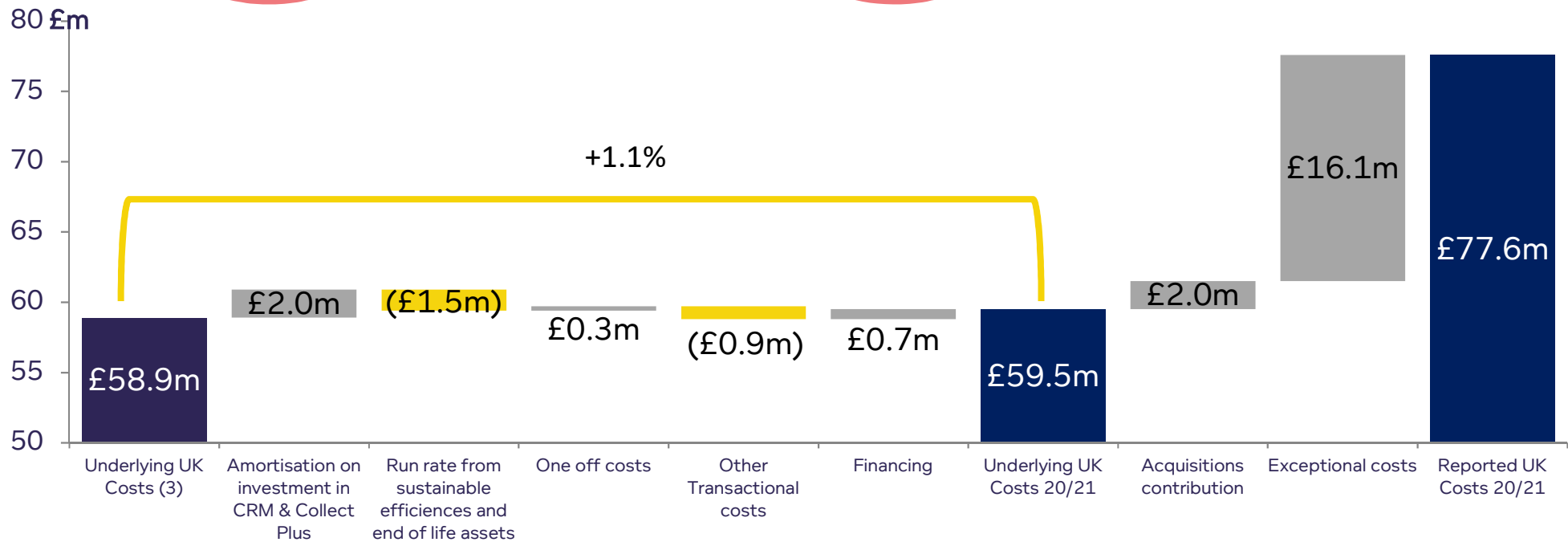
1. Comparative information has been restated due to a discontinued operation. Refer to note 9 of financial information.

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

# Underlying cost savings



Exceptional items	£'m
Ofgem provision	12.5
Acquisition costs	2.8
Refinancing costs	0.8
<b>Total</b>	<b>16.1</b>



1. Comprises £6.6 million other costs of revenue, administrative expenses £13.6 million and £1.3 million net financing costs.  
 2. Comprises £7.3 million other costs of revenue, administrative expenses £13.7 million and £0.5 million net financing costs.  
 3. Prior year underlying UK costs are adjusted for the add back of the £2.1 million variable pay benefit to make them comparable  
 The above presentation contains minor (£0.1m) roundings to ensure integrity of key numbers with those published in the year end statements.





# Cash generation and use

Year ended 31 March	2021 (continuing operations)	2020 (continuing operations)	2021	2020
	£m	£m	£m	£m
Profit before tax	19.4	50.0	27.0	56.8
Depreciation and amortisation	10.5	8.7	10.9	9.5
Share based payments / other	1.0	-	1.0	-
Exceptional item – Ofgem provision	12.5	-	12.5	-
Working capital (Corporate)	0.7	(0.8)	0.8	0.1
Cash generation	44.1	57.9	52.2	66.4
Tax paid – 2020 includes change in payment pattern			(8.4)	(15.8)
Capital and other			(6.2)	(8.7)
Acquisition of Collect+ brand			(6.0)	-
Acquisitions of subsidiaries net of cash acquired			(60.8)	-
Movement in loans and borrowings			11.3	70.0
Dividends paid			(21.4)	(57.4)
Net change in PayPoint's cash			(39.3)	54.5
Clients' funds and retailers' deposits			11.9	1.4
Effects of foreign exchange rate changes			(1.6)	0.4
<b>Net cash movement</b>			<b>(29.0)</b>	<b>56.3</b>

# Strong balance sheet

	Mar 2021 (adjusted for Romania sale)	Mar 2021	Mar 2020
	£m	£m	£m
Goodwill	51.6	51.6	11.9
Other intangible assets	41.7	41.7	17.3
Net investment in finance lease receivables	6.5	6.5	-
Property, plant & equipment	21.4	21.4	24.8
Cash held as clients' funds and retailers' deposits	28.4	28.4	35.7
Net asset held for sale – Romania including corporate and client cash	-	16.5	-
<b>Cash from continuing operations</b>	<b>10.5</b>	<b>10.5</b>	<b>58.0</b>
Revolving financing facility	(1.2)	(49.5)	(70.0)
Term loan	(32.5)	(32.5)	-
Block loan	(4.6)	(4.6)	-
<b>Net debt excluding Romania</b>	<b>(27.8)</b>	<b>(76.1)</b>	<b>(12.0)</b>
Liability clients' funds and retailers' deposits	(28.4)	(28.4)	(35.7)
Working capital	(3.5)	(3.5)	(4.4)
Deferred, contingent consideration liability – i-movo	(5.7)	(5.7)	-
Provisions	(12.5)	(12.5)	-
Lease liability (IFRS16)	(0.4)	(0.4)	(0.8)
Current and deferred tax	-	-	1.7
<b>Net assets</b>	<b>71.3</b>	<b>39.5</b>	<b>38.3</b>

The previously announced sale of the Romanian business completed on 8 April 2021 and as so close to year end the March balance sheet is also shown adjusted for the use of the £48.3 million proceeds.

## Dividend

- **Dividend policy**
  - cover ratio of 1.2 to 1.5x, consistent with policy announced at FY in May 2020
- **Final dividend declared**
  - ordinary – 16.6p, an increase of 6.4%
  - payable in equal instalments on 29 July 2021 and 30 September 2021

## Financing

- Net debt increase to £68.2m reflecting the investments in Handepay and i-movo
- Refinancing undertaken during the year for a £32.5m 3 year term loan and £75m revolving credit facility
- Additional block loan facility of up to £15m from Merchant Rentals acquisition
- Potential accordion facility of £30m approved by lender
- Proceeds from disposal of Romania of £48m received following completion after end of financial year and was used to reduce net debt

### Major future outflows

- RSM acquisition in April 2021 - £6m
- 2021/22 Capex programme

Funding availability	At 31 March 2021	Utilised at 31 March 2021
Revolving credit facility	£75.0m	£49.5m
3 year term loan	£32.5m	£32.5m
Potential accordion (approved by lender)	£30.0m	-
Block loan facility	£15.0m	£4.6m
<b>Total</b>	<b>£152.5m</b>	<b>£86.6m</b>
UK Corporate cash		10.5m
Romania corporate cash		7.9m
<b>Net corporate debt</b>		<b>68.2m</b>

- Step change in strategic delivery whilst delivering a solid financial performance against the backdrop of structural changes to our legacy markets and the impact of Covid-19
- Strategic repositioning of the business for growth driven through acquisitions of Handepay/Merchant Rentals, i-movo, RSM 2000 and investments in our core UK market
- Disposal of Romanian business completed with proceeds of £48 million, with a £29.6 million estimated gain on disposal
- Enlarged PayPoint Group now delivering a broader range of innovative services and technology connecting millions of consumers with an expanded universe of over 60,000 retailer partner and SME locations across multiple sectors
- Business better positioned to take advantage of the trends accelerated through Covid-19, including the continued shift from cash to digital payments, the growing demand for online shopping fulfilment and the increase in shopping local
- Final dividend of 16.6p per share, an increase of 6.4%, reflecting confidence in business and enhanced growth prospects
- Positive start to new financial year with a number of encouraging trends



# Operational review

# Enhancing our retailer proposition and service

## Our offering

- Provision of digital solutions, technology, payment services and increased footfall for retailers – average basket spend £10.20 (vs. £7.46 average<sup>1</sup>)

## 20/21 FY Progress

### PayPoint One

- 17,805 PayPoint One sites achieved
- Good progress on enhancing our retailer proposition - number of important initiatives now ready to launch in 2021, including FMCG proposition
- Driven significant improvements in retailer partner experience – introduction of Retail Services Hub and Trustpilot score improved to 4.8/5
- Strengthened EPoS adoption and support to retailers through the Try Before You Buy initiative in Q1 2020/21
- Home delivery and click and collect proposition developed and ready for launch in Summer 2021, in partnership with Snappy Shopper

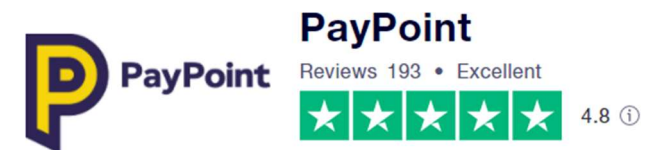
### Cards

- PayPoint card payment transactions grew significantly by 53.8% year on year, driven by increase in convenience store sales and the preference of consumers and stores for paying by card

### ATMs

- Positive progress on our banking proposition with our pioneering LINK Counter Service 'cashback without purchase' solution – legislation now implemented enabling full rollout across the retail network in late 2021

	31 Mar 21	31 Mar 20
Sites	17,805*	16,098
EPoS Base <small>£10.25/week</small>	8,258	8,304
EPoS Core <small>£15.38 or £20.50/week</small>	8,307	6,956
EPoS Pro <small>£30.75/week</small>	1,240	838
Average service fee	£16.30	£15.40

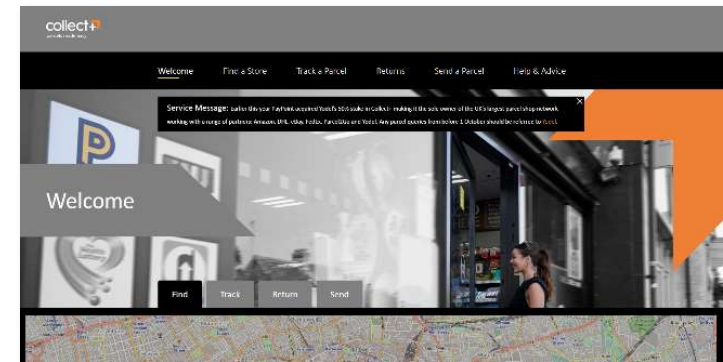


## Our offering

- Collect+ is our technology-based platform to deliver best-in-class customer journeys for e-commerce brands and their customers over the 'first and last mile', supported by a network of over 10,000 sites
- Leading e-commerce partners: eBay, Amazon, DPD, Yodel, FedEx, DHL, Hubbox and Parcels2Go

## 20/21 FY Progress

- 10,509 live parcel sites as of 31 March 2021
- Good growth in transaction volumes to 26.6 million, an increase of 8.3% year on year
- Three new partnerships successfully launched with DPD, Hubbox and Parcels2Go
- Secured full ownership of Collect+ in April and new Collect+ website launched
- Investment in 3,600 Zebra thermal printers yielded improved customer experience and transaction growth
- Send service successfully launched in March 2021, enabling customers to set up a parcel delivery online and drop off at stores in our network



# Major relationships renewed and continued shift to digital

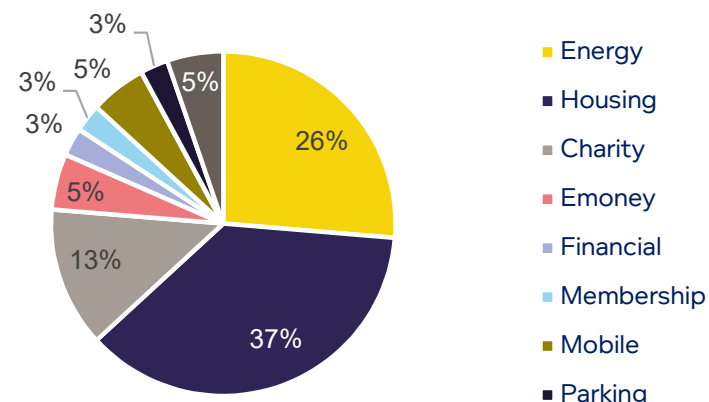
## Our offering

- Growing digital payment capability through our MultiPay platform
- Over-the-counter payments proposition maintaining vital access to cash in over 28,000 sites across the UK
- Largest network of its kind, coverage of 99.5% and 98.3% of urban (within one mile) and rural (within five miles) populations respectively

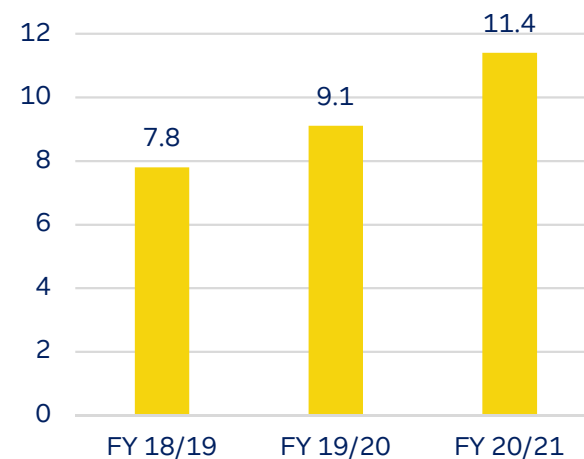
## H1 Progress

- Major relationships renewed and expanded to digital services with client contract renewal programme now complete – 36 renewals completed in the period, including EON
- Continued diversification from cash to digital solutions - 34 new clients signed, with 8 taking digital payments solutions, including Nursing and Midwifery Council, BBC TV Licensing and Curo Group
- Continued strong growth in eMoney, with transactions increasing by 24.9% and a 25.8% increase in net revenue
- Continued demand for our Cash Out service, with transactions increasing by 80.4% year on year due to ongoing Government schemes and Covid-19 hardship funds, supporting local authorities and charities in the rapid disbursement of emergency funds
- Several MultiPay product portfolio enhancements launched in year, including Direct Debit, Pay By Link and Event Streamer

New client sector mix 2020/21



eMoney Transaction Growth (m)





# Positive contribution of acquisitions since completion



Completed November 2020

- Delivered innovative cash deposit & withdrawal solution to support Access to Cash
- Implemented scheme for The Guardian to remove paper vouchers, support print edition subscriptions; two other national titles in pilot
- Renewed relationship with major SPAR franchisee (James Hall & Co); successful January promotion has led to investment in much larger summer campaign



Completed February 2021

- Transaction value processed in February and March 2021 of £401.3m
- Transacting sites stable at circa 12,700
- Early indications in April 2021 of building volumes and increasing transacting sites as government restrictions begin to ease:
- Transaction value processed of £267.7m, up 19.3% vs March 21
- Transacting sites of circa 15,600, up 22.8% vs March 21
- Net revenue contribution of £1.5m since completion



Completed February 2021

- Strong lease book with Lloyds Cardnet and Handepay continues to grow
- Expansion now underway to broaden service offering to new ISOs and acquirers, delivering greater opportunity to grow the book further
- Net revenue contribution of £1.0m since completion

# Building a delivery focused organisation and culture

## 20/21 FY Progress

- Good progress on integration of Handepay, Merchant Rentals and i-movo acquisitions, with work well underway for RSM2000 acquisition completed on 12 April 2021
- Executive Board strengthened to deliver growth and focus on UK market
- Number of internal promotions within the business to strengthen our efforts on retailer partner product delivery and IT
- Alan Dale was appointed to the Board as Finance Director on 20 November 2020, after acting as Interim Finance Director since July 2020
- Rosie Shapland was appointed to the Board as an Independent Non-Executive Director and assumed chairmanship of the Audit Committee from 1 December 2020
- Greater focus on systems resilience and service delivery to support our clients, retailer partners and consumers
- Next phase of CRM now fully rolled out to Contact Centre, enabling 'single customer view' of retailer



Ben Ford  
Retail Services  
Director



Tanya Murphy  
General Counsel and  
Head of Compliance



Mark Latham  
Card Services  
Director



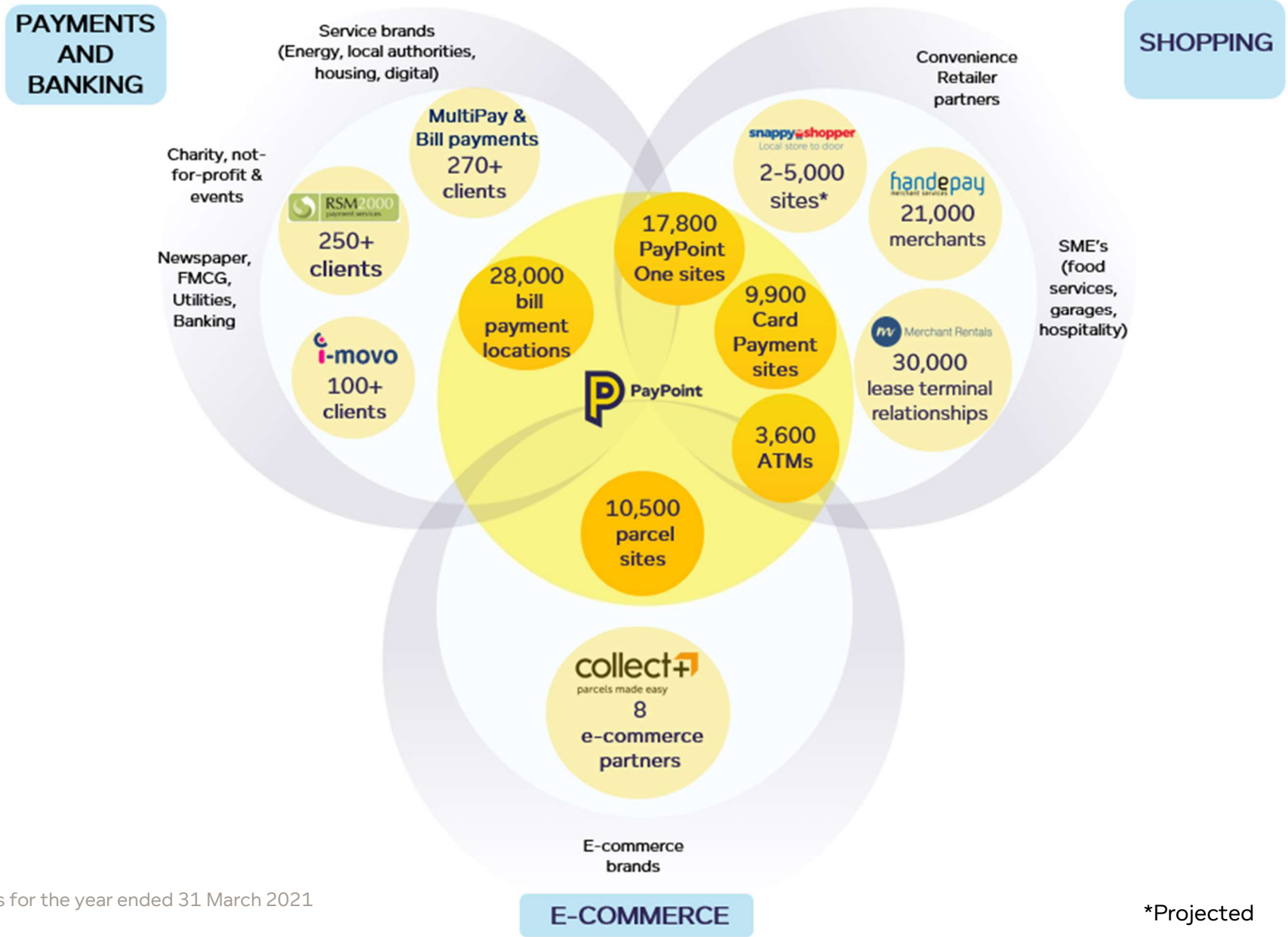
Simon Coles  
Chief Technology  
Officer



# Investment case

# Expanded universe with diverse brand portfolio

Strong portfolio of brands within the PayPoint Group, supporting our clients and retailer partners with innovative solutions and product offerings, across different sizes of network



# FY 21/22 priorities to align with growth opportunities

	Strategic Priority	Business Division	Macro Trend
1	Embed PayPoint Group at the heart of SME and convenience retail businesses	Shopping	Shop local
2	Become the definitive technology-based e-commerce delivery platform for first and last mile customer journeys	E-commerce	E-commerce explosion
3	Sustain leadership in 'pay as you go' and grow digital payments	Payments & Banking	Cash through to digital
4	Building a delivery focused organisation and culture	PayPoint Group	

# Investment case

## Enhancing retailer proposition and driving value from acquisitions

### Retail Services

- Embed the combined and restructured sales teams across PayPoint, focused on new business and retailer relationship development
- Deliver further enhancements to our retailer proposition and experience - including launch FMCG proposition, launch new eMoney clients, continue to strengthen EPoS adoption and support, launch new channels to service retailer partners
- Develop next generation terminal strategy to deliver an easy-to-use platform built for future service and product developments
- Home delivery and click and collect proposition rollout in Summer 2021, in partnership with Snappy Shopper
- LINK Counter Service – support extended trial to 31st October 2021 and deploy scaled solution in November 2021, providing access to cash and supporting Government initiatives



**snappy shopper**  
Local store to door



### Card payments

- Bring all new business across PayPoint retail and Handepay under a single acquiring service provider
- Launch PayPoint switching proposition in Q2 and additional value enhancing services such as a faster settlement option
- Drive additional value from existing introducer relationships in Merchant Rentals and sign new introducer partnerships

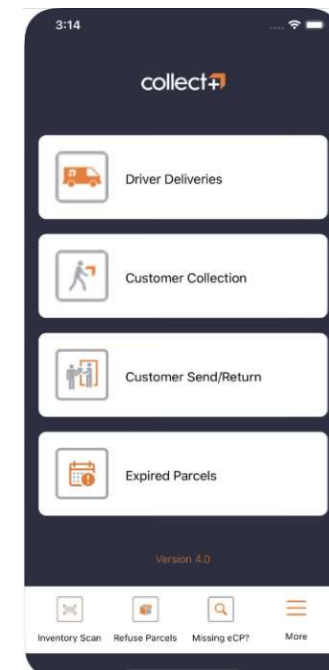
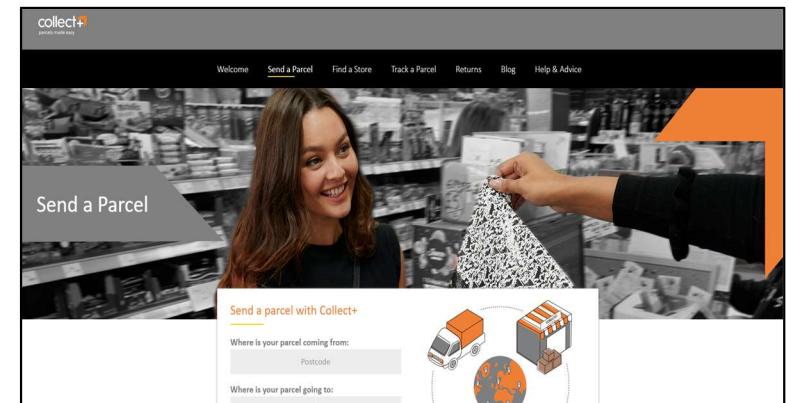
**handepay**  
merchant services

# Investment case

## Delivering best-in-class e-commerce customer journeys

### E-commerce

- Scale Send service in H1 21/22, supported by significant marketing investment plan
- Add further partners in 2021 in time to ensure BAU for Peak trading volumes
- Expand service proposition to existing partners, including staged send and in-store printing leveraging Zebra printer investment in 20/21
- Deliver further improvements to in-store consumer and retailer partner experience, including enhanced StoreScan app to replicate all terminal functionality and proactive inventory management ahead of Peak 2021

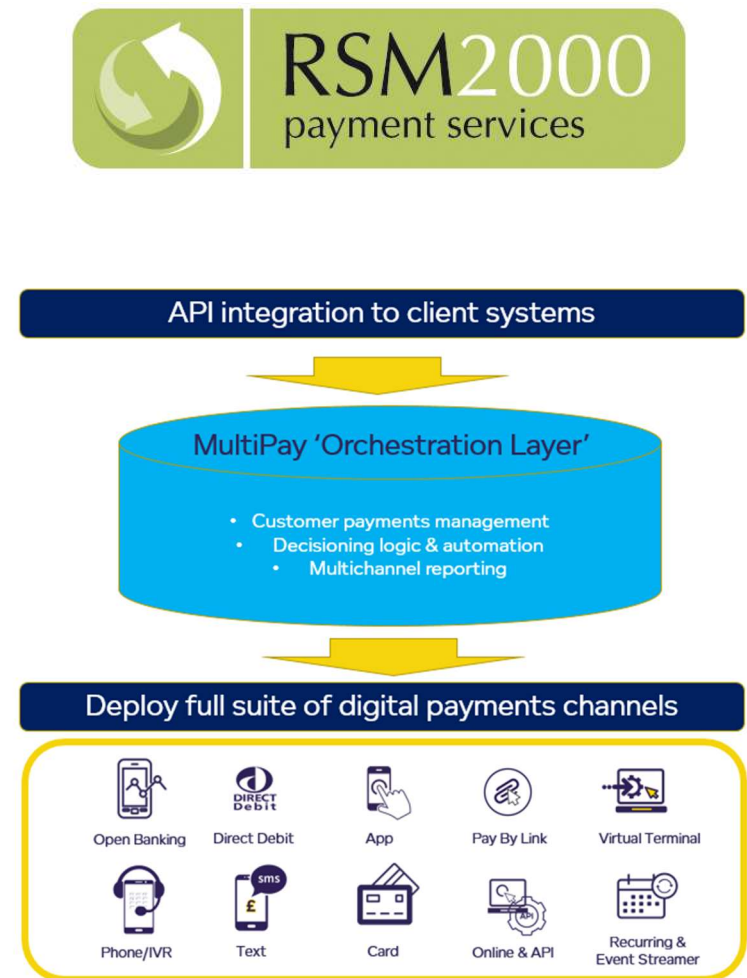


# Investment case

## Enhancing digital capability and diversifying into new sectors

### Digital payments

- Leverage RSM 2000 acquisition with enhanced digital payments capability and new sector reach
- Invest in new verticals and deliver new business wins, particularly within housing, events, charities and not-for-profit sectors
- Creation of a bid management team focusing on larger and more complex tenders centred around digital payments
- Launch comprehensive digital payments offering by the end of the calendar year to develop further our MultiPay product, including Open Banking capability
- Continue to diversify and secure broader opportunities beyond 'pay as you go' with existing clients, including the RSM 2000 portfolio





# Investment case

## Delivering sustainable synergies, growth and value

### PayPoint Group

- Deliver synergies and growth opportunities through integrating acquisitions of Handepay, Merchant Rentals, i-movo and RSM2000
- Embed new PayPoint Group purpose and values across business and further develop ESG approach to deliver responsible and sustainable value for shareholders
- Implement a smooth and effective return to office for our people, that blends the benefits of face to face interaction with working flexibly
- Continue pace of change and investment required to reposition our business in response to changes in our markets and the needs of our clients, retailer partners and consumers
- Invest to build further resilience into our service delivery, including improving quality and speed of agile delivery, reviewing 'heritage' systems and settlement infrastructure, enhancing customer support, accelerating cloud data centre strategy and maintaining Salesforce CRM now fully adopted across the business



### PayPoint Group

 handepay  
merchant services

 i-movo

 Merchant Rentals

 PayPoint

 collect+  
parcels made easy

 MultiPay

 RSM2000  
payment services

# Q&A

