

PayPoint Plc
Trading update for the three months ended 30 June 2022¹

20 July 2022

A good quarter across the PayPoint Group in line with expectations

Nick Wiles, Chief Executive of PayPoint Plc, said:

"Whilst early in our financial year, we have continued to build on the strong momentum across the Group and remain confident in delivering further progress in the current year. Our focus remains on the delivery of our strategic priorities and a strong operational performance, while maintaining a tight control of our cost base.

In Shopping, we have made further progress in improving engagement with our retailer partners and key trade associations as we enhance our proposition, with the rollout of a number of key initiatives including Counter Cash, FMCG campaigns and a strengthened card proposition.

In E-commerce, our parcel volumes remain strong, reflecting the strength of our Out of Home network, the breadth of our carrier relationships and the investments we have made in technology and the in-store customer experience, with a number of new opportunities coming on stream, including our partnerships with Amazon returns and Wish.com.

In Payments and Banking, we continue to diversify our digital payments client base and strengthen our channel-agnostic payment platform as we expand the range of digital solutions we can deliver to support our clients across multiple sectors, including government, local authorities and housing associations. Our recent partnership and investment in OBConnect, a leading Open Banking software platform, adds to our capabilities in this area and immediately creates the opportunity for us, working with Pay.UK and the Payments Systems Regulator, to offer the Confirmation of Payee name checking service to our local government and energy company clients to enable the secure delivery of cost of living support payments to financially vulnerable people across the UK.

We remain confident, despite some continued headwinds, of the progress we are making in the transformation of our business as we take advantage of the accelerated growth opportunities across our key markets."

HIGHLIGHTS

Good performance across the Group with transformation gathering pace

PayPoint Group

- Group net revenue from continuing operations increased by 6.2% to £29.9 million (Q1 FY22: £28.1 million)

Shopping

- Shopping divisional net revenue increased by 8.0% to £15.3 million (Q1 FY22: £14.1 million),
 - UK retail services net revenue increased by 11.0% to £7.4 million (Q1 FY22: £6.7 million), with continued increases in service fees from PayPoint One
 - Card payment net revenue increased by £0.4 million driven by the switch to a one month rolling contract proposition which delivers higher revenues than the previous proposition, but with an accelerated depreciation in costs. Value processed remained robust with a 1.9% increase: Handepay business grew to £1.14 billion in the quarter (Q1 FY22: £1.09 billion) and PayPoint card business reduced to £0.62 billion (Q1 FY22: £0.64) against a strong Q1 FY22 driven by the Covid-19 impact in the convenience sector
 - Total Card payment sites reduced to 31,846 (31 March 2022: 32,462) as non-active/low value merchants reduced. PayPoint card sites reduced by 57 (31 March 2022: 9,666) and Handepay reduced by 559 (31 March 2022: 22,796)
 - UK retail network increased to 28,341 sites (31 March 2022: 28,254) and revenue generating PayPoint One sites increased to 18,251 sites (31 March 2022: 18,120)

E-commerce

- E-commerce divisional net revenue increased by 33.8% to £1.4 million (Q1 FY22: £1.1 million), through the Group's e-commerce technology platform, Collect+, driven by a resurgence in the clothing category, growth in the second-hand clothing market and continued improvements to the in-store consumer experience

¹ PayPoint's auditors have not been requested to review the performance

Payments & Banking

- Payments & Banking divisional net revenue increased by 1.8% to £13.1 million (Q1 FY22: £12.9 million), driven by a continued growth in digital payments partially offset by the continued reduction in cash bill payments and top ups
 - Digital net revenue grew by 59.9% to £2.9 million (Q1 FY22: £1.8 million) due to the new Payment Exception Service for the Department for Work and Pensions, with transactions of 1.7m issued in the quarter and additional net revenue of £1.1m as the migration from Post Office Card Accounts completed.
 - Cash-through-to-digital-payments net revenue decreased by 24.7% to £1.8 million (Q1 FY: £2.4 million) due to the resetting of consumer behaviour following the peaks experienced during Covid-19.
 - Cash payment net revenue decreased by 2.8%, primarily due to a continued decline in consumers topping up mobile phones in store.

PROGRESS AGAINST OUR STRATEGIC PRIORITIES

PRIORITY 1: EMBED PAYPOINT GROUP AT THE HEART OF SME AND CONVENIENCE RETAIL BUSINESSES

SHOPPING BUSINESS DIVISION – Q1 FY23 net revenue £15.3 million (Q1 FY22: £14.1 million)

Q1 Progress

- Counter Cash live in 4,112 sites with over £7.5 million withdrawn in the quarter through this new service, offering vital access to cash over the counter and complementing our existing ATM estate
- FMCG – good progress with further campaigns live, partnering with Coca-Cola, AG Barr and JTI, leveraging our PayPoint One platform and i-movo vouchering capability to help our retailer partners drive sales and engage thousands of consumers across our network, with redemption rates of up to 40%
- Enhancing our retailer proposition – next day settlement launched for new PayPoint card payment merchants from 1 July 2022 and to existing customers later this year, boosting cash flow to our retailer partners
- New Android based payment terminal launched and being actively deployed to new Handepay merchants

PRIORITY 2: BECOME THE DEFINITIVE TECHNOLOGY-BASED E-COMMERCE DELIVERY PLATFORM FOR FIRST AND LAST MILE CUSTOMER JOURNEYS

E-COMMERCE BUSINESS DIVISION – Q1 FY23 net revenue £1.4 million (Q1 FY22: £1.1 million)

Q1 Progress

- Parcel transaction growth of +60.5% year on year vs Q1 FY22, driven by a resurgence in the clothing category, growth in the second-hand clothing market and continued improvements to the consumer in-store experience, particularly through our investment in 'print in store' technology
- New partnership launched with Wish.com, one of the largest ecommerce marketplaces in the world, enabling consumers to click-and-collect initially at 60 targeted stores, and building to over 2,000 Collect+ sites over the coming months
- Amazon returns rollout expanded to 2,000 sites, enabled by further Zebra label printer rollout
- Zebra thermal printer usage continuing to grow and delivering an enhanced customer experience, with 3.2 million labels printed in the quarter (Q1 FY22: 0.6 million), highlighting growth in consumer demand for the service

PRIORITY 3: SUSTAIN LEADERSHIP IN 'PAY-AS-YOU-GO' AND GROW DIGITAL BILL PAYMENTS

PAYMENTS & BANKING BUSINESS DIVISION – Q1 FY23 net revenue £13.1 million (Q1 FY22: £12.9 million)

Q1 Progress

- Investment of £3 million in OBConnect, a leading Open Banking 'Software as a Service' business, forging partnership that enhances channel-agnostic payments platform with Open Banking services, offering payments and account information services directly to customers
- PayPoint has joined Pay.UK's Confirmation of Payee name-checking service which enables Payers to compare the account name, sort code, and account number provided to the name of the recipient of the funds, becoming the first non-banking business to be able to offer the service. This will initially cover energy rebate and council tax returns to help deliver the government's cost of living support package, with two clients already live
- First major digital contract now live with Optivo, one of the UK's largest housing associations, and strong pipeline of further opportunities building in the housing sector
- By classifying cash-through-to-digital into banking, gaming and gifting, we are creating a better targeted proposition for each of these market segments. Initial success with Pockit taking cash in (deposits) and cash out (withdrawals) together with instore sign-up campaign (account opening).
- Launched a consumer awareness campaign through our retailer partner network to grow cash-through-to-digital volumes across all three market segments with over 3,000 branded voucher display units deployed in Q1, with a plan to reach 16,000 by year end.

PRIORITY 4: BUILDING A DELIVERY FOCUSED ORGANISATION AND CULTURE

PAYPOINT GROUP

Q1 Progress

- Good progress against our ESG programme, including commitment to ensure all employees are paid a minimum of the Real Living Wage delivered in July 2022
- Inaugural Pride Month programme launched in June 2022, as part of our 'Welcoming Everyone' activities, providing educational content, further meetings of our LGBTQ+ network and events to bring colleagues together, building on our commitments to diversity, equity and inclusion and supporting our vision to create a dynamic place to work

BALANCE SHEET AS AT 30 JUNE 2022

The Group had net corporate debt of £37.7 million (31 March 2022: £43.9 million) comprising cash balances of £8.6 million (31 March 2022: £7.7 million), less loans and borrowings of £46.3 million (31 March 2022: £51.6 million).

DIVIDEND

The Board previously declared a final ordinary dividend for the year ended 31 March 2022 of 18.0 pence per share, subject to shareholder approval at the AGM on 20 July 2022, payable in equal instalments of 9.0 pence per share on 25 July 2022 and 30 September 2022.

Enquiries

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ABOUT PAYPOINT GROUP

For tens of thousands of businesses and millions of consumers, we deliver innovative technology and services that make life a little easier.

The PayPoint Group serves a diverse range of organisations, from SME and convenience retailer partners, to local authorities, multinational service providers and e-commerce brands. Our products are split across three core business divisions:

- In Shopping, we enhance retailer propositions and customer experiences through EPoS services via PayPoint One, card payment technology, Counter Cash, ATMs and home delivery technology partnerships in over 60,000 SME and retailer partner locations across multiple sectors. Our retail network of over 28,000 convenience stores is larger than all the banks, supermarkets and Post Offices put together
- In E-commerce, we deliver best-in-class customer journeys through Collect+, a tech-based delivery solution that allows parcels to be picked up, dropped off and sent at thousands of local stores
- In Payments and Banking, we give our clients and their customers choice in how to make and receive payments quickly and conveniently. This includes our channel-agnostic digital payments platform, MultiPay, offering solutions to clients across cash, card payments, direct debit and Open Banking; an eMoney offering that enables cash through to digital transactions and cash solutions providing vital consumer access across our extensive retail network

Together, these solutions enable the PayPoint Group to create long-term value for all stakeholders, including customers, communities and the world we live in.