



PayPoint plc

Quarterly update for the three months ended 31 December 2016¹ 26 January 2017

Dominic Taylor, PayPoint's Chief Executive, said: "I am pleased that we have successfully concluded the sale of the mobile payments business and the new arrangement for our parcel service, Collect+. Following completion of the restructuring, our focus is now wholly on the development of our retail business, including the rollout of our new terminal PayPoint One and the development of advanced EPoS incorporating stock management and ordering, which we expect to launch in the first quarter of next year. We are also continuing with initiatives to improve service and process efficiencies. We continue to grow profitably in Romania.

Trading for the quarter was in line with our expectations with continued growth in retail services. PayPoint One and EPoS continue to be well received."

Performance² for the third quarter period ending 31 December 2016

Group: Retail network transactions increased marginally to 175.6 million transactions and net revenue³ grew 6.7% to £33.3 million contrasting with overall transaction decline from 225.4 million to 185.9 million and net revenue up 0.2% at £35 million, caused by the sale of Online Payments on 8 January 2016 and Mobile Payments on 23 December 2016. Transaction volume from retail services was up by 11.8%, with strong growth from parcels (20.1%) and card payments (11.9%). Bill and general transactions increased 1.3%, excluding a reduction in cash-out transactions, resulting from the two year government electricity rebate scheme, which benefitted prior periods.

UK and Ireland Retail: Retail services transactions continued to grow, up 11.7% helped by parcel volumes which increased to over 7.2 million transactions, and card payment transactions which increased to 22.7 million transactions in the period. The Collect+ network expanded since the half year end by 140 to 6,100 sites. Despite the smart meter rollout delays and lower energy consumption, bill and general transactions were only 0.4% down (excluding the impact of the government electricity rebate scheme, but including this, transactions were 3.6% down). Top-up transactions fell by 13.8% as the prepaid mobile sector continued to contract. Prepaid mobile top-ups are now only 7% of total UK and Ireland transactions. Retail sites at 31 December 2016 numbered 29,178, up by 205 since the half year end.

Romania: 17.2 million bill payments were processed in the period, up 12.6% on last year. Top-ups increased by 13.5% and retail services by over 28.7%. Our terminal estate increased since the half year end by 393 to 11,055 sites and continued to add new clients.

Balance sheet at 31 December 2016

The group had net cash of £92.5 million (30 September: £49.6 million), after the payment of the interim dividend of £10.2 million (2016: £9.7 million) and the additional dividend of £8.3 million in the period. The cash balance includes the proceeds from the sale of Mobile of £26.5 million, which we subsequently paid out as a dividend to shareholders on 11 January 2017. Cash collected on behalf of clients over the Christmas period was settled from 3 January 2017 and as a consequence, the balance held in respect of short term client settlement obligations was £38.0 million (30 September: £15.4 million), which is included in cash balances.

Enquiries

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¹ This announcement contains insider information for the purposes of Article 7 of Regulation (EU) No 596/2014.

² PayPoint's auditors have not been requested to review the performance or financial position.

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



PayPoint

ABOUT PAYPOINT

We operate market leading national retail networks across 40,000 convenience stores in the UK and Romania so that our customers are always close to a PayPoint store. At these locations, as well as at home or on the move, people use us to better control their household finances, make essential payments and use in-store services, like parcel drop and collect.

Our UK network contains more branches than all banks, supermarkets and Post Offices together, putting us at the heart of communities for over 10 million regular weekly customers.

Coupled with our industry-technology solutions, we provide a first class service to the customers of over 1,500 clients - utility companies, retailers, transport firms, mobile phone providers, government and more.

We have a proven track record of decades of tech-led innovation, providing retailers with tools that attract customers into their shops. Our recently launched PayPoint One platform offers EPoS, card payments and PayPoint services, and is designed to help retailers run their whole store from one device.

We are on and offline; providing for payments by cash, card including contactless; retail, phone and digital; at home, work and whilst out and about from Land's End to the highlands and islands – helping to keep modern life moving.

Multichannel payments

We offer clients' customers the ability to pay via the channels that suit them best; cash in store, web, app and phone, though a single fully integrated solution, MultiPay.

MultiPay is live with Utilita, a fast growing challenger energy supplier, as well as more than a dozen further clients.

We have signed a framework agreement with Procurement for Housing to open this service up to Housing Associations and Local Authorities and, significantly, Scottish and Southern Energy, our first Big 6 energy client.

Retail networks

In the UK, our network includes over 29,000 local shops including Co-op, Spar, Sainsbury's Local, Tesco Express and thousands of independent outlets. These outlets are quick and convenient places to make energy meter prepayments, bill payments, benefit payments, mobile phone top-ups, transport tickets, TV licences, cash withdrawals and more.

Our Romanian network continues to grow profitably. We have more than 11,000 local shops, helping people to make cash bill payments, money transfers, road tax payments and mobile phone top-ups. Our clients include all the major utilities and telcos and many other consumer service companies.

In the UK, our Collect+ network offers parcel collection and return services in over 6,000 convenient outlets. Customers use Collect+ for their parcels from major retailers including Amazon, eBay, ASOS, New Look, John Lewis, House of Fraser, M&S and Very. The Collect+ brand is jointly owned with Yodel.

The UK network also includes over 4,000 LINK branded ATMs, and 10,000 of our terminals enable retailers to accept debit, credit and contactless payments, including Apple Pay.

We operate over 4,000 Western Union agencies in the UK and Romania for international and domestic money transfers.