

**PayPoint plc**  
**Trading update for the three months ended 30 June 2021<sup>1</sup>**

**21 July 2021**

**A good start to the year, focused on delivering growth across the Group**

**Nick Wiles, Chief Executive of PayPoint plc, said:**

“The Group has had a good start to the year. We’ve seen a continuation of the trends seen in the second half of the last financial year, and a positive early contribution from the Handepay/Merchant Rentals and RSM 2000 acquisitions.

Good progress has been made on our strategic priorities; we’ve enhanced our retailer proposition to increase footfall, increased the revenue opportunities and engagement with our retailer partners, secured more client wins for our digital payments solutions in non-energy sectors and continued progress in expanding our e-commerce delivery offering with key partners.

Strategically, we are focused on delivering on the significant growth opportunities across our expanded Group and leveraging the strengthened capabilities we have acquired over the past 12 months, including the acquisition of RSM 2000 completed in early April. I am also delighted that we have made a £6.6m investment in Snappy Group, positioning us to take advantage of the explosion in consumer demand for local home delivery seen over the past 18 months.

Whilst it is too early in the year to judge how consumer behaviours will change longer-term as Covid-19 restrictions are eased, we continue to be well-placed to take advantage of the wider trends that have accelerated through the pandemic, including the continued shift from cash to digital payments, the growing demand for online shopping fulfilment and the increase in shopping local.”

**HIGHLIGHTS**

**Delivering on significant growth opportunities in the UK**

- **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
- **Acquisition of RSM 2000 completed on 12 April 2021**, enhances our digital payments capability, bringing strategic Direct Debit platform, adding innovative mobile payment products and enabling reach into new sectors, including charities, not-for profit organisations, events and SMEs in the UK
- **Investment of £6.6m in the Snappy Group home delivery business**, building on recently announced commercial partnership, enables PayPoint to take advantage of the explosion in consumer demand for local home delivery and its convenience retailer partners to remain at the forefront of retail and consumer trends, with PayPoint Group Chief Executive, Nick Wiles, having joined their board as a Non-Executive Director
- **Disposal of Romanian business completed on 8 April 2021, with proceeds of £48 million**, and at a significant profit, underpinning UK-focused strategy

**Good start to the year, continuing trends seen in last financial year**

**PayPoint Group**

- Group net revenue from continuing operations increased by £4.9 million (21.3%) to £28.1 million (2021: £23.2 million), with positive early contributions from the Handepay/Merchant Rentals and RSM 2000 acquisitions
- Business division net revenue contribution mix for the quarter was 50.4% from Shopping, 3.8% from E-commerce and 45.8% from Payments & Banking, demonstrating the shift away from our legacy bill payment markets

**Shopping**

- Shopping divisional net revenue increased by 45.5% to £14.1 million, driven by a positive contribution from the Handepay/Merchant Rentals card payments businesses of £4.6m and by the roll out of PayPoint One to additional sites
- UK retail services net revenue increased by 11.5% to £6.7 million, with increases in sites and service fees from PayPoint One
- Strong card payment volumes continued – Handepay business growing since completion of acquisition to 33.4 million transactions in Q1 FY22 (Q4 FY21 – from acquisition: 23.3 million), offset by PayPoint business decreasing by 6.1% year on year to 55.8 million transactions, vs. strong volumes in Q1 FY21 which were driven by increased consumer usage during the first Covid-19 lockdown
- UK retail network increased to 28,436 sites (31 March 2021: 28,067)

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<sup>1</sup> PayPoint’s auditors have not been requested to review the performance. Comparative information has been restated for the discontinued operation in Romania.

**E-commerce**

- E-commerce divisional net revenue increased by 60.6% to £1.1 million (Q1 FY21: £0.7m), through our e-commerce technology platform, Collect+, driven by the growth and recovery in transaction volumes vs. the Covid-19 impacted Q1 FY21 performance

**Payments & Banking**

- Payments & Banking divisional net revenue increased by 0.8% to £12.9 million, driven by continued growth in digital transactions but offset by fewer cash bill payment and top up transactions
- Continued cash through to digital payments growth, with eMoney transactions increasing by 29.6% and net revenue by 27.6%
- Cash payments net revenue decreased by 6.2%, primarily due to consumers making fewer, larger bill payments and a continued reduction in consumers topping up mobile phones in store

**Good progress on strategic priorities**

- Embedding PayPoint at the heart of SME and convenience retail businesses** – further enhancements made to retailer proposition, delivering increased revenue opportunities and footfall to our retailer partners: Snappy Shopper home delivery partnership launched in July 2021, with first store now live and good early retailer demand; MyStore+ retailer rewards app launched in July 2021; Love2Shop e-gift cards launched in June 2021 offering richer retailer commission; PayPoint card switching trial launched and faster settlement enabled for all Handepay EVO-acquired customers
- Becoming the definitive e-commerce delivery platform** – expanding services to existing clients with DHL In Store returns launched and further opportunities with other partners being developed; Send service expansion in progress with significant marketing activity commencing; network review and optimisation to ensure sites are in the right location to service post-Covid-19 commuter and hybrid working habits
- Growing digital payments** - continued diversification from cash to digital with 6 new clients now live, 5 coming from non-energy sectors and 4 taking digital payments solutions; cash through to digital expansion with Love2Shop e-gift cards launched in June 2021, enabling consumers to shop with high street and online brands, including Argos, Halfords, Marks & Spencer, ASOS, Costa and Uber Eats
- Building a delivery-focused organisation** – first phase of acquisition integration work now complete; plans in progress to invest further resiliency in our systems and technology; return to office/hybrid work plans in place for implementation in September 2021

**BUSINESS DIVISION NET REVENUE AND MIX**

| Net revenue from continuing operations by business division (£m) | Q1 21/22 | FY 20/21 | Q1 20/21 |
|--|----------|----------|----------|
| Shopping   | 14.1     | 40.2     | 9.8      |
| E-commerce   | 1.1      | 3.6      | 0.7      |
| Payments & Banking   | 12.9     | 53.3     | 12.7     |
| PayPoint Group Total   | 28.1     | 97.1     | 23.2     |
| Business division mix  | Q1 21/22 | FY 20/21 | Q1 20/21 |
| Shopping   | 50.4%    | 41.4%    | 42.1%    |
| E-commerce   | 3.8%     | 3.7%     | 2.9%     |
| Payments & Banking   | 45.8%    | 54.9%    | 55.0%    |

**PROGRESS AGAINST OUR STRATEGIC PRIORITIES**

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

**SHOPPING BUSINESS DIVISION**

We enhance the retailer proposition and consumer experience, driving new commission opportunities, better store management tools and footfall for thousands of SMEs and retailer partners across the UK.

**Retail services** - we provide digital solutions to help our retailer and SME partners keep pace with changing shopper needs, service expectations and demographics. Our retail services platform, PayPoint One, is live in over 18,100 stores across the UK and offers everything a modern convenience store needs, including EPoS, parcel services, card and bill payments, home delivery and digital vouchers. This empowers our retailer partners to grow their businesses profitably, achieving higher footfall and increased spend. We also provide access to cash solutions via our network of circa 3,700 ATMs and our pioneering 'cashback without purchase' solution, partnering with LINK, is due to launch in late 2021 following a successful trial.

- PayPoint One sites increased by 324 to 18,129 since 31 March 2021
- Service fee net revenue increased by 15.3% to £4.0 million (2021: £3.5 million) driven by the roll out of PayPoint One to additional sites and an increase in Core sites
- The PayPoint One average weekly service fee per site increased by £0.30 to £16.60 since 31 March 2021, benefiting from the increase in Core sites which are charged at a higher rate and the annual RPI increase. EPoS Core sites increased by 411 since 31 March 2021, mainly due to new sales and Covid-19 suspended sites returning
- Home delivery partnership with Snappy Shopper launched in July 2021, enabling home delivery and click and collect for our retailer partners, with first store now live and good early retailer demand since launch
- Investing to deliver further enhancements to our retailer proposition – retailer rewards app partnership announced with McCurrach, a leading field marketing agency, with PayPoint's retailer partners now able to access exclusive rewards as part of their package on the MyStore+ app; Love2Shop e-gift cards launched in June 2021 offering richer retailer commission
- Restructure of sales teams initiated across PayPoint - new business managers are focused on bringing new retailer partners to the network and our retailer relationship managers are supporting new and existing retailer partners with installation, training and ensuring the value of PayPoint One is maximised in their store
- Continued progress on retailer engagement, with regular quarterly meetings established with the leadership of key retail trade associations, a new partnership with the Scottish Grocer's Federation announced and an open letter sent to all retailer partners reinforcing commitment to engage more regularly and strengthen the retailer proposition
- ATM services were live in 3,765 sites at 30 June 2021, an increase of 139 sites since 31 March 2021, with Covid-19 suspended sites opening back up
- ATM net revenue increased by 5.8% to £2.4 million (2021: £2.3 million) due to a 7.1% increase in transactions, versus the Covid-19 impacted Q1 FY21
- Plans for full rollout of the LINK Counter Service underway for launch in November 2021, providing cash withdrawals over the counter in communities with limited access to cash

**Card payments** – we provide card payments services for over 30,000 SMEs and convenience retailers across the hospitality, convenience retail, auto trade, clothing and household goods sectors via our PayPoint, Handepay and Merchant Rentals brands.

- PayPoint card payment transactions decreased by 6.1% to 55.8 million and net revenue decreased by £0.8 million to £2.9 million (2021: £3.7 million), versus strong volumes in Q1 FY21 driven by increased consumer usage during the first Covid-19 lockdown
- PayPoint card payment services were live in 10,186 sites at 30 June 2021, an increase of 256 sites since 31 March 2021, mainly due to new sales and Covid-19 suspended sites returning
- Use of our card payments net settlement functionality continues to grow and is now active in 1,782 sites, an increase of 11% since 31 March 2021
- Launched new PayPoint switching proposition trial in June 2021 to make it easier for customers to switch card payment services from competitors
- Handepay card payment and terminal lease net revenue of £4.6 million (Q4 FY21 – Feb and March only: £2.5 million) and transaction volumes of 33.4 million in the quarter (Q4 FY21 - Feb and March only: 23.3 million) as SMEs across key sectors have reopened as government restrictions have eased
- Handepay card payment services were live in 24,183 sites at 30 June 2021, an increase of 5,378 sites since 31 March 2021 as sectors have reopened
- Handepay - faster settlement solution enabled for all existing and new EVO-acquired customers and successful pilot and roll out completed of new Castles range of terminals
- The average transaction value for the quarter, across PayPoint and Handepay sites, increased to £19.16 (2021: £17.45), driven by the continuing consumer shift to paying by card, SME sectors reopening as restrictions have eased and with the increasing average basket size in the convenience sector

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

### **E-COMMERCE BUSINESS DIVISION**

We provide a technology-based platform to deliver best-in-class customer journeys for e-commerce brands and their customers over the 'first and last mile'

**E-commerce** - we enable the delivery of best-in-class customer journeys for e-commerce brands over the first and last mile in circa 10,600 locations through our Collect+ brand, helping consumers pick up and drop off online shopping or send parcels across the UK. We work with a comprehensive range of partners, including Amazon, eBay, Yodel, Fedex, DPD, DHL, Hubbox and Parcels2Go. Our proprietary software solutions are built inhouse, with a singular focus on the delivery of great consumer experiences and confidence in the crucial first and last mile of parcel journeys. These solutions are easily deployable in thousands of diverse locations across multiple sectors through the PayPoint Group. Our unique blend of in-depth parcel operations experience, consumer interaction and agile IT development capability has been built over years of delivering best-in-class customer experiences.

- Parcel services were live in 10,635 sites at 30 June 2021, an increase of 126 sites since 31 March 2021 due to increasing sites for newer parcel partners
- Parcels transactions increased by 51.1% and net revenue grew by 60.1% year on year to £1.1 million (2021: £0.7 million) versus the same period last year, which was adversely impacted by Covid-19 restrictions

- Investment in Zebra thermal printers continuing to yield improved customer experience and transaction growth – 38% of returns (3.1m transactions) were printed in store during the quarter with 52% of those transactions using the new printer technology, highlighting growing popularity and consumer demand for the service
- Expanding service proposition to existing partners progressing well, with DHL In Store Returns launched in May 2021 to 3,000 stores
- Further carrier by carrier opportunities being explored to strengthen our proposition and expand our service provision, including returns, send and supplying our proprietary software solutions
- Continuing network review and optimisation to ensure sites are in the right location to service post-Covid-19 commuter and hybrid working habits
- Enhancement of Send proposition making good progress, supported by significant marketing activity launched in June 2021

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

#### **PAYMENTS & BANKING BUSINESS DIVISION**

We help consumers conveniently make payments online and in-store for the biggest service brands in the UK

**Digital** - we are developing new ways of using digital payments so organisations can seamlessly and effectively serve their customers. Our market-leading omnichannel solution – MultiPay – is an integrated solution offering a full suite of digital payments. It enables transactions online and through smartphone apps and text messages, as well as event payments, over the counter, over the phone and via interactive voice response (IVR) systems. It also supports a full range of Direct Debit options, including scheduling collections, as well as new product developments such as PayByLink, recurring payments and Event Streamer. MultiPay customers benefit from real-time visibility of all payments received, through one easy-to-use portal that is fully PCI compliant, and allows visibility of all payment channels - including cash. The platform is used by a growing number of organisations across the UK, including many housing associations, local government authorities and utility providers. Our Cash Out service also enables the rapid dispersal of funds through secure digital channels and is actively used by local authorities and charities to distribute emergency funds.

- Continued diversification from cash to digital - 6 new clients now live, with 5 coming from non-energy sectors and 4 taking digital payments solutions
- MultiPay net revenue decreased by 32.6% and transactions by 17.4%, driven by the expected volume reduction due to Utilita moving customers to their in-house solutions
- Cash Out net revenue increased by 12.8%, driven by continued demand from local authorities seeking to digitize their payments offering and despite Covid-19 meal voucher schemes winding down
- Acquisition of RSM 2000 completed on 12 April 2021 – early positive contribution of £0.5m net revenue and charity sector action plan underway to expand digital payments services to new and existing clients
- MultiPay new product development continues apace with releases of the new PayByLink service, offering more payment and message options.
- Enhanced Direct Debit platform in development for launch by end of calendar year, built around giving clients more flexibility in Direct Debit and customer payments management

**Cash through to digital** – we enable consumers to access digital brands and services through a comprehensive portfolio of banking, e-Commerce, gaming and loyalty card partners, including Amazon, Xbox, Playstation, Paysafe, Monzo and the Appreciate Group. Consumers simply pay for a 'pin on receipt' code in cash in any of our 28,400 retail locations and then can use that value online with the digital brand or service chosen. For our digital banking partners, consumers can deposit cash into their accounts across our extensive retail network.

- Continued strong growth in eMoney, with transactions increasing by 29.6% and a 27.6% increase in net revenue
- Love2Shop e-gift cards launched across retail network in June 2021, enabling consumers to shop with some of the nation's favourite high street and online brands, including Argos, Halfords, Marks & Spencer, ASOS, Costa and Uber Eats

**Cash** - we provide vital access to cash across the UK by helping millions of people every week control their household finances, make essential payments and access in-store services. Our UK retail network of more than 28,400 stores is bigger than all banks, supermarkets and Post Offices together, putting us at the heart of communities nationwide

- Bill payments net revenue decreased by 5.4% and transactions decreased by 0.4%, primarily due to the continued shift in consumer behaviour for making fewer, larger payments through Covid-19 and structural changes in this market
- UK top-ups net revenue decreased by 6.7%. Top-up transactions reduced by 9.2% due to further declines in the prepaid mobile sector and changes in consumer behaviour driven by Covid-19

## **PRIORITY 4: BUILDING A DELIVERY FOCUSED ORGANISATION AND CULTURE**

### **PAYPOINT GROUP**

Underpinning the PayPoint Group's future success is the continued development and investment in our people, systems and organisation. We aim to create a dynamic place to work for our people, enabling us to deliver for our customers by collaborating and being good colleagues to each other, creating a positive and inclusive environment where everyone can learn, grow and shine.

- First phase of integration work now complete for acquisitions of Handepay/Merchant Rentals, RSM 2000 and i-movo
- Return to office/hybrid working plans complete and ready for implementation in September 2021
- Employee engagement survey completed in May across PayPoint Group, with overall engagement score improved to 72% (2019: 68%)
- Key product development projects in-flight and on track to launch new capabilities and services from Q2 FY22 onwards
- Investing to build further resiliency into our service delivery, with improvement plans for key services agreed and planned for implementation throughout FY22. Heritage systems assessment underway and review of IT strategy to complete in Q3 FY22
- Integration of service support and product development teams underway, to improve quality of response to service issues and speed of product development

### **OFGEM**

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 and retailers for the provision of payment services to prepayment energy customers. We are considering Ofgem's provisional views set out in the Statement of Objections. In accordance with IFRS, and as previously advised in our preliminary results on 27 May 2021, the Board made a provision of £12.5 million as a current best estimate for a resolution of this matter in the financial year ended 31 March 2021.

### **BALANCE SHEET AS AT 30 JUNE 2021**

The Group had net corporate debt of £24.3 million (31 March 2021: £68.2 million) reflecting cash balances of £11.2 million (31 March 2021: £18.3 million), less loans and borrowings of £35.5 million (31 March 2021: £86.6 million). The proceeds received from the sale of the Romanian business in April 2021 were used to repay the majority of the revolving credit facility and reduce Group net corporate debt.

### **DIVIDEND**

The Board previously declared a final ordinary dividend for the year ended 31 March 2021 of 16.6 pence per share, subject to shareholder approval at the AGM on 21 July 2021, payable in equal instalments of 8.3 pence per share on 29 July 2021 and 30 September 2021.

### **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, 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 sent, picked up and dropped off at thousands of local stores
- In Payments and Banking, we help companies and their customers make and receive payments quickly and conveniently. This includes our digital payments platform, MultiPay, 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.