

PayPoint plc

Half year results presentation

29 November 2012



Agenda

- Results summary
- Strategy and execution
- Financial review
- Operational review
- Summary

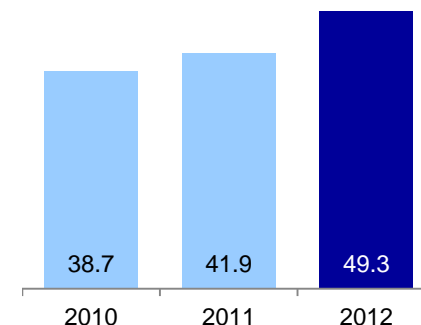
Results summary

- Good results with progress in all parts of the business in line with our strategy
- Record transaction volumes of 345m up 18%, and operating profit up 13% to £18.9m
- Retail network transactions have increased 17%
 - UK and Ireland (UK & I) retail network transactions up 17% (net revenue up 19%)
 - Romanian retail network continues to grow profit, with 11.7m bill payment transactions (up 38%)
 - Improved retail yield underpinned by 24% transaction growth in retail services (net revenue up 29%)
 - Parcels service¹ profitable and starting to scale with transactions up 2.3x
- e&m commerce channels delivering good growth with transactions up 23%, net revenue up 11%
 - Internet payment transactions up by 22%
 - PayByPhone transaction growth of 27%
- Dividend of 10.2p per share, up 17%

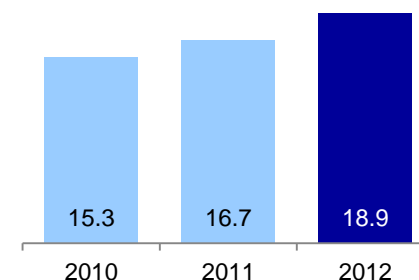
1. Comprises of our share of JV loss and UK retail network parcels net revenue less direct costs
 2. The 2012 results cover a period of 27 weeks (2011 & 2010: 26 weeks) and as a consequence percentage increases are flattered by an additional week of trading. Pro-rata increases would be less, generally between 3 to 5 percentage points.

Period ended September²

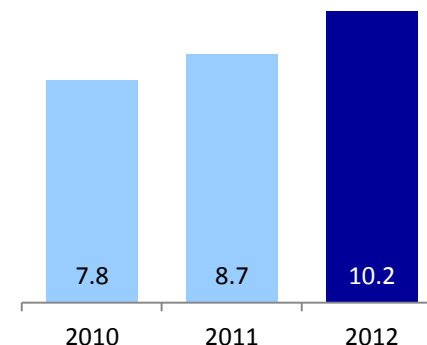
Net revenue £m



Operating profit £m



Dividends per share pence

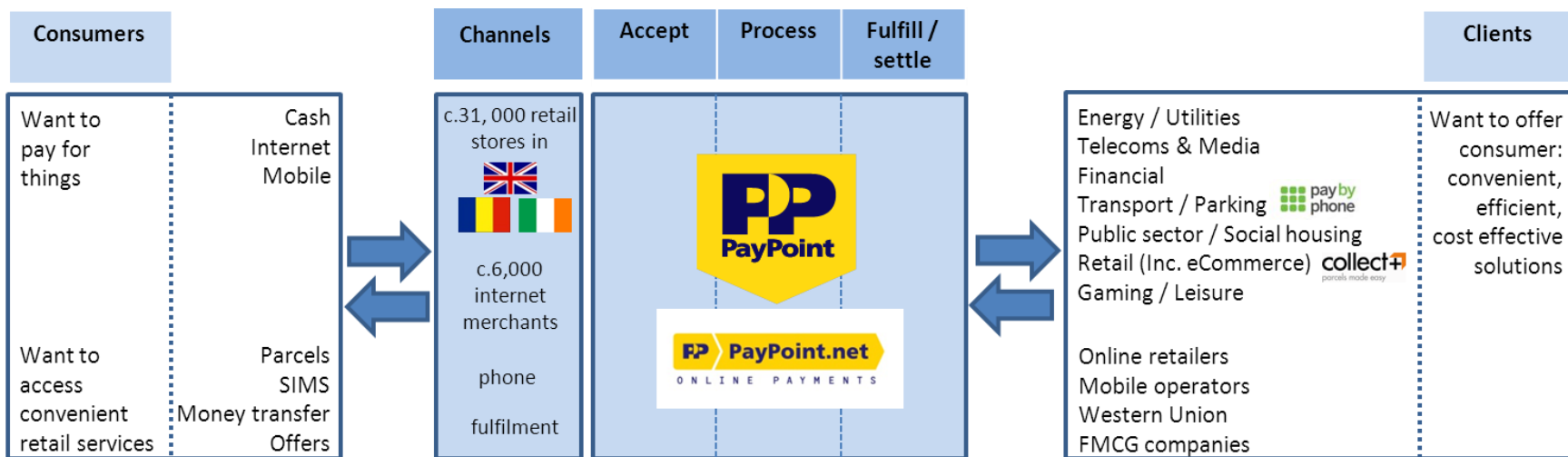


Strategy and execution



The 'essence' of what we do

- We process high volume consumer transactions, whether for **multi-channel payments** or **retail services** (e.g. parcels) for clients in **vertical markets**, through an **integrated flexible platform**
- Payments are typically low value and cover retail, internet and mobile, with money flowing to and from clients and consumers
- The platform connects to retailers and internet merchants, across different geographies, to whom we seek to add value by providing new services
- We aim to help our clients deliver greater convenience to their consumers



We aim to grow by leveraging our platform in targeting more clients, merchants and retailers, in turn attracting more consumers to use our services

Execution of strategy

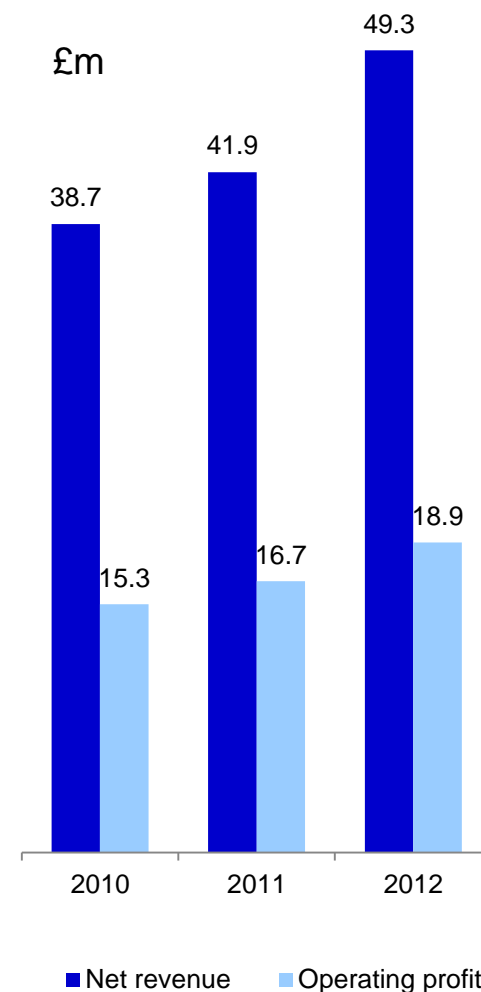
- Our businesses have shown good growth, leveraging their assets and driving new revenue streams
- Roll out of the Simple Payment service (SPS) for the Department for Work and Pensions has begun, enhancing our existing cash out capability. Successful implementation of SPS is material to results this year
- Our e&m commerce businesses are developing well in fast growing markets, with net revenue up 11%, though they are not yet at scale
- We are creating an integrated technology platform to improve our capability, efficiency and scalability
 - Infrastructure developments focus on a single group architecture
 - Integration of PayPoint.net as payment service provider for PayByPhone
 - Consolidation of datacentres over time

Financial review



Strong business momentum

Period ended September	2010	2011	2012
	£m	£m	£m
Net revenue ¹	38.7	41.9	49.3
Other cost of sales	(4.0)	(4.3)	(5.5)
Administrative expenses	(17.5)	(19.3)	(23.1)
Operating profit	15.3	16.7	18.9
Share of Collect+ JV	(0.7)	(0.9)	(0.7)
Profit before taxation	14.6	15.8	18.3
Tax	(4.5)	(4.5)	(4.6)
Earnings per share	14.8p	16.7p	20.2p
Interim dividend per share	7.8p	8.7p	10.2p



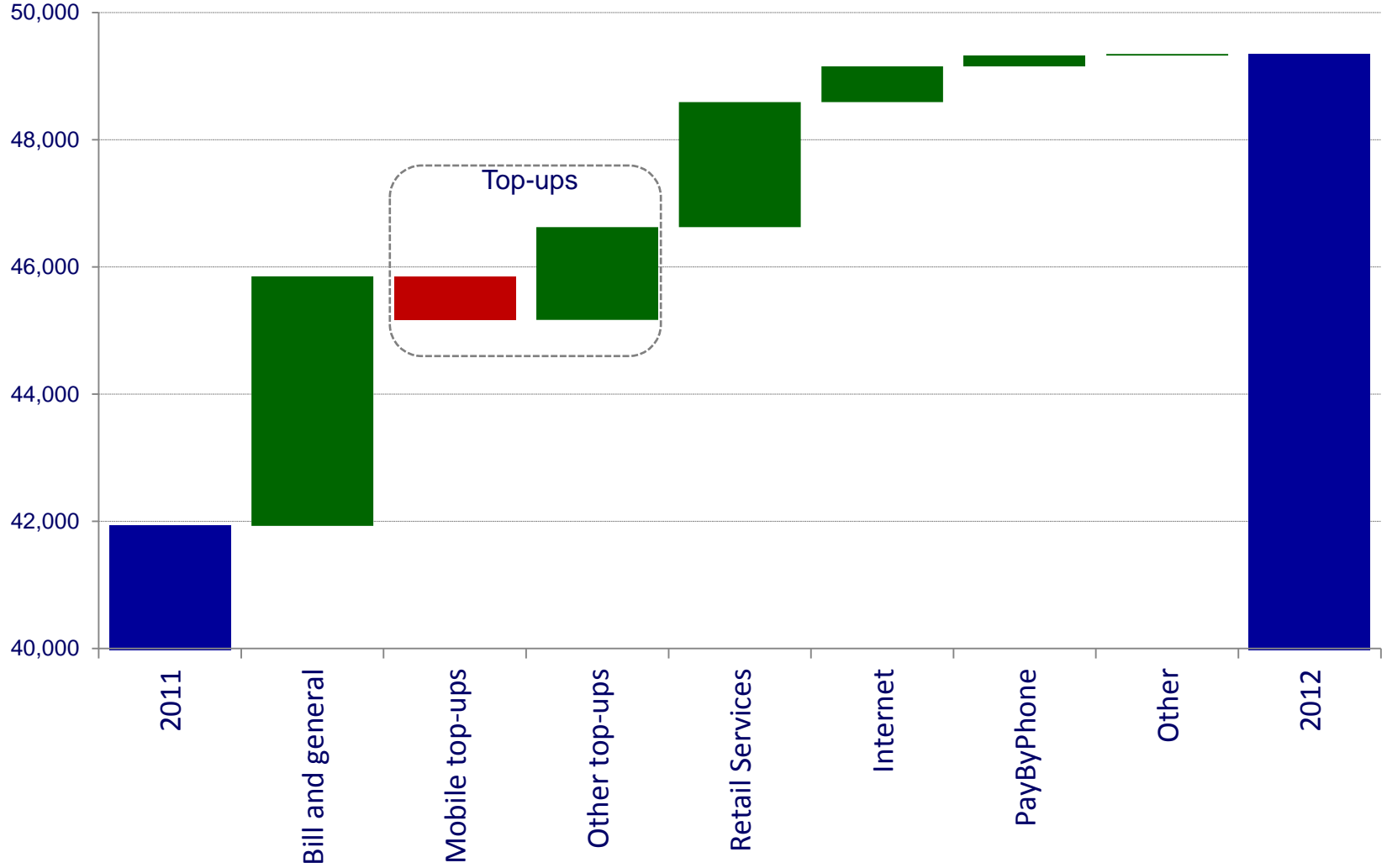
¹ Net revenue is revenue less commissions paid to retail agents, the cost of mobile top-ups and SIMs where PayPoint is principal, card scheme sponsors' charges and out sourced call centres.



Net revenue bridge

Period ended September

£000



Cash generation and use

Period ended September	2010	2011	2012
	£m	£m	£m
Operating cash flows	17.8	18.9	21.4
Working capital	(2.4)	(5.5)	(2.8)
Cash generated by operations	15.4	13.4	18.6
Tax paid	(5.9)	(5.3)	(5.2)
Net cash inflow from operating activities	9.4	8.1	13.4
Net cash used in investing activities	(1.4)	(2.4)	(5.4)
Bank loan	4.0	-	-
Equity dividends	(9.8)	(10.6)	(12.1)
Net cash used in financing activities	(5.8)	(10.6)	(12.1)
Net increase/(decrease) in cash	2.3	(4.9)	(4.1)
Cash at beginning of year	20.8	26.5	35.5
Effects of foreign exchange rate changes	(0.1)	(0.1)	(0.4)
Cash at end of year	23.0	21.5	31.0

Key messages

- Net revenue and profit growth
- Excellent cash conversion
- Ongoing investment to secure future growth
- Balance sheet strong

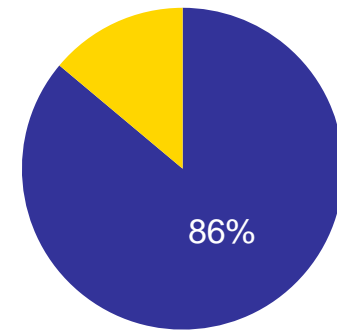
Operational review



Retail (UK, Ireland & Romania)

Period ended September

Group net revenue



- Strongly differentiated over the counter payment proposition
- The network:
 - Over 31,000 convenience stores open early till late
 - In the UK, a good mix of major chains, buying groups and independents with low churn (c. 3% pa)
 - Servicing most major utilities and service companies with long term contracts, some with exclusivities
- Offering a variety of services:
 - *Cash in*: household bill payments, mobile top-ups, e-money loads and lotteries
 - *Cash out*: SPS, energy company rebates
 - *Retail services*: Parcels, ATMs, broadband, money transfer, SIMs, debit/credit processing, receipt advertising
 - Parcels service profitable ahead of expectations
- Leading technology partner:
 - Market leading terminal for payments and services
 - Virtual terminal integrated into retailer EPOS systems
 - Largest provider of contactless technology in stores

	2011	2012
Transactions (m)	250	293
Average spend per transaction (£)	15.1	14.6
Transaction value (£m)	3,766	4,264
Net revenue (£m)	35.8	42.5

UK multiple retail partners include:



UK clients include:



Retail

UK & Ireland

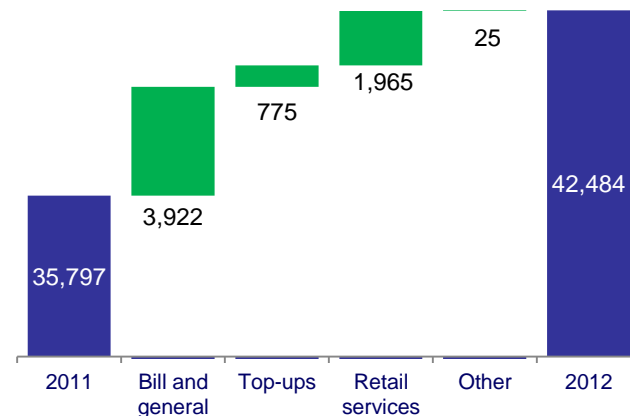
- Bill and general payment revenues continue showing growth, enhanced by SPS
- Consumers starting to be migrated to the DWP's Simple Payment service
- Increase in top-up transactions driven by Health Lottery and e-money despite continued fall in mobile top-ups
- Strong retail services net revenue growth
 - ATMs +3%, debit and credit +45%, SIM sales +47% and parcels volumes growth x2.3
- Continued retail service innovation
 - Field sales force increased by over 40%
 - Virtual terminals; 2,400 now live
 - Broadband connectivity currently in almost 3,000 sites
 - 'MyPayPoint.com' agent extranet; 9,145 currently registered

Romania

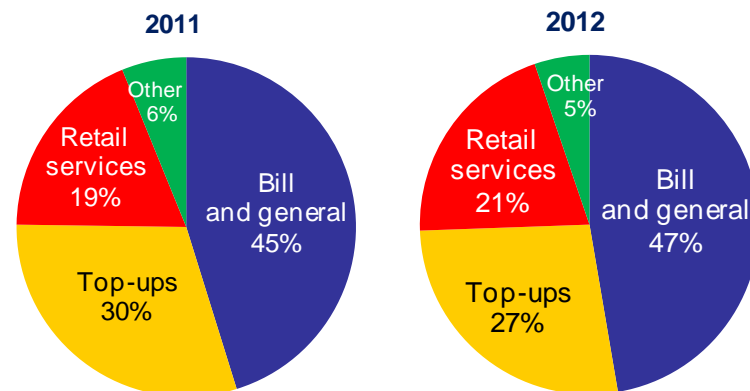
- Bill payment transactions increased by 38% and mobile top-ups by 4%
- Money transfer now contributes 13% to Romania's net revenue with 7.6x more volume than H2 last year

Period ended September

Group retail net revenue bridge £000



Group retail net revenue by service



Other net revenue includes the fees for software development, configuration and settlement of claims

Romanian clients include:



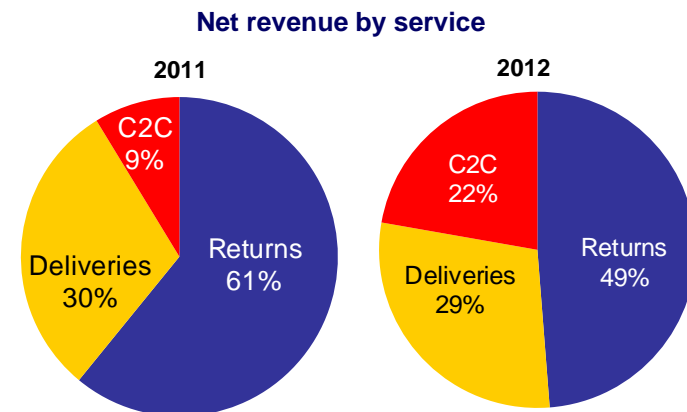
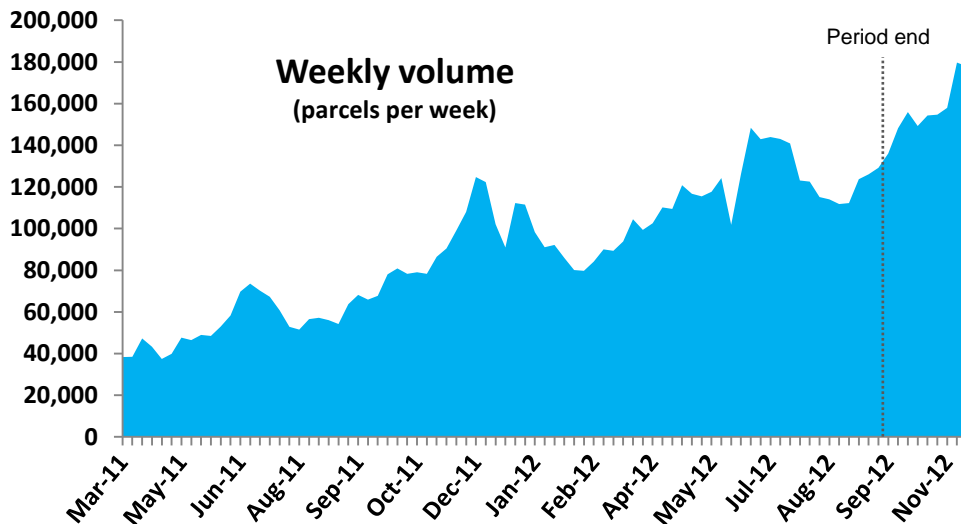
Collect+

- Transforming home shopping fulfilment for consumers
- Joint venture with Yodel to service fast growing e-commerce / mail order (B2C) opportunities
- Collect+ provides B2C and C2C parcel services through PayPoint retailers
 - Now 5,000 sites in the UK and growing
 - 160 clients now live (+34 since year end) including Amazon
 - Volumes up 2.3x, revenue up over 2.7x to £7.5m

Period ended September

Collect+ at 100%	2011	2012
Transactions (m)	1.4	3.3
Collect+ revenue (£m)	2.8	7.5
JV loss* (£m)	(1.9)	(1.4)

* JV loss at 100%. PayPoint reports 50% of this loss in the Consolidated Income Statement as well as the net revenue and direct costs from parcels in the UK retail channel results.



Collect+ is reported in the Consolidated Income Statement on a loss after tax basis only and therefore its revenue and net revenue are not included in the consolidated revenue and net revenue.

Corporate customers include:



e&m commerce

- Core to group strategy to provide clients with multi-channel payment capability
- Accesses fast growing markets and acts as a bridge for the eventual migration of cash to electronic payments

Our Internet payment business (PayPoint.net)

- Provides secure debit/credit card and other payments for web merchants
- Now integrated as payment service provider for PayByPhone
- Volumes growing (22%) but remains sub-scale
- Includes 1.6m energy prepayment transactions from UK
- Investing in reporting platforms, fraud screening and international opportunities to drive differentiation and growth

Web merchant partners include:

Severn Trent Water

sportingbet

TESCO

WHSmith

wonga.com

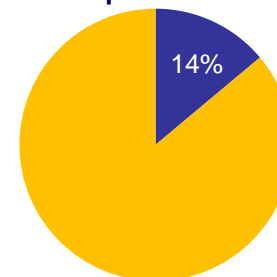


StanJames.com

British Gas

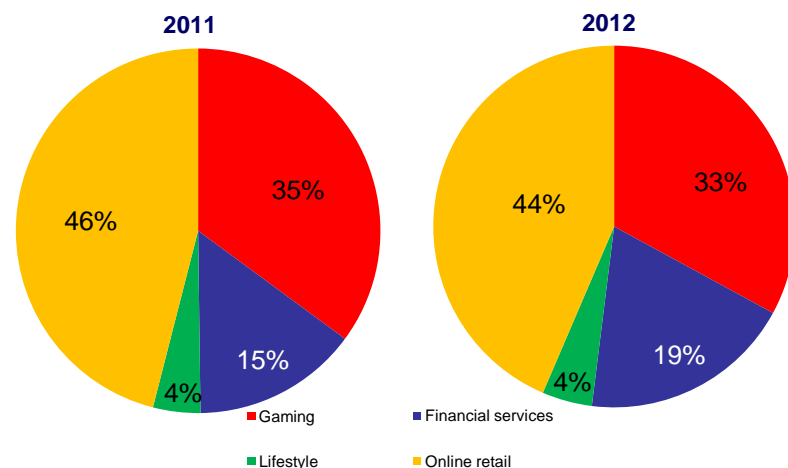
Period ended September

Group net revenue



e&m commerce	2011	2012
Transactions (m)	42.0	51.7
Average spend per transaction (£)	43.4	46.0
Transaction value (£m)	1,823	2,378
Net revenue (£m)	6.1	6.9

Internet net revenue by service

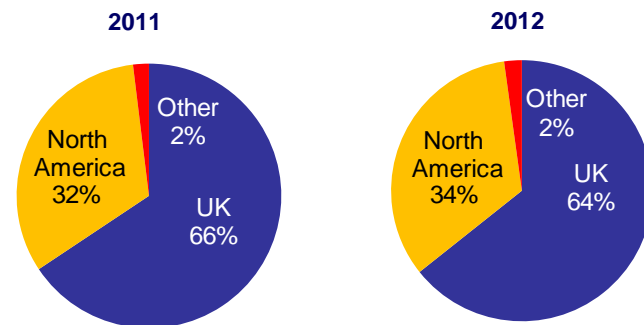


Our mobile payment business (PayByPhone)

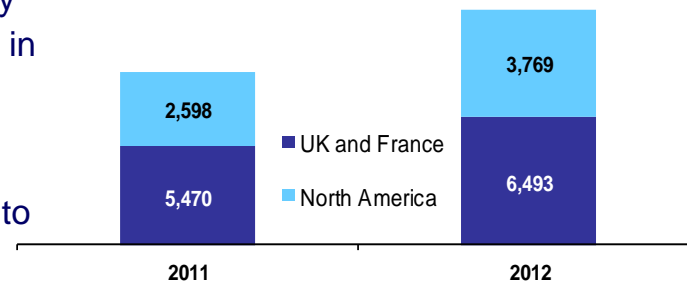
- Leader in mobile payments in UK, France, USA and Canada
- Fast growing; registered users up by 24% to 5.1m
- Continued development
 - Apps rather than interactive voice recognition
 - NFC (contactless) deployment
 - Focus on urban mobility; parking, toll payments, bicycle rental
- Good sales success
 - Haringey, Waltham Forest, St Albans, Herefordshire
 - New York City trial, Seattle, California state university
 - 8 new wins in France, including 5 additional suburbs in Greater Paris
- Profitability driven through
 - Continued revenue growth, but tenders remain slow to implement
 - Cost improvements e.g. call centre and text costs
- Business remains well placed in fast growing markets

Period ended September

PayByPhone net revenue by geography



PayByPhone transaction volume 000



PayByPhone clients include:



Summary and outlook



Summary and outlook

We will continue to execute on our strategy:

- Leverage and grow our retail business
 - further revenue growth in UK and Romania
 - further enhance retail yield through the continued development of our retail services proposition
 - further growth of the Romanian retail network
- Continued progress in the internet and mobile payments channel, accessing fast growing markets
- Continued investment into the group payments platform to drive greater multi channel capability and efficiencies
- PayPoint UK retail, Romania, PayByPhone and Collect+ are all market leaders and are getting stronger
- Current year trading is in line with the company's expectations