



28 January 2016

PayPoint plc

Interim Management Statement

The board reports on events, transactions and trading since the half year results to 30 September 2015.

Dominic Taylor, PayPoint's Chief Executive, said: "We have continued to make progress across the businesses in the third quarter. Retail services have grown strongly, our new terminal is in pilot in the UK and we have made good progress in developing our core epos software. Since the end of the quarter, we have also concluded the sale of our Online Payments business, further strengthening our balance sheet.

However, our progress has been partially offset by the unseasonably warm weather and its impact on energy consumption, an extension of the additional costs in Collect+ to facilitate the shareholder discussion and a delay in the sale of our Mobile Payments business. The restructuring of our business continues apace. We aim to resolve the Collect+ joint venture arrangements and complete the sale of our Mobile Payments business by the time we report our full year results in May, so we can focus all our effort on the development of our retail networks."

Performance¹ for the third quarter period ending 31 December 2015

Group: Net revenues² were £35.0 million, up 1.8% from net revenues for the third quarter last year³ whilst revenues of £58.1 million were down 3%³. We saw strong growth in retail services of 22.7% and Mobile and Online of 9.6% offset by declines in top ups of 13.7% and bill and general of 2.4%, the latter mainly due to lower energy consumption. Overall transactions processed during the quarter were 225.4 million, up 3.9% on the 216.9 million transactions in the same period last year. The adverse VAT ruling from HMRC, as previously reported, along with the unseasonably warm weather, has slowed the improvement in our results.

UK and Ireland Retail: Retail services transactions (ATMs, debit/credit cards, parcels, money transfer and SIM card sales) continued to grow, up 14.3% on last year. UK and Irish bill and general transactions were down 8.1% on last year. Mobile top-ups continued to decrease as the prepaid mobile sector declined, partially offset however, by an increase in other top-ups. UK and Irish retail sites at 31 December numbered 29,044, up by 113 since the half year end.

Romania: Profitable growth continued. We processed 15.3 million bill payments in the period, up 11.0% on last year. Top-ups increased by 6.2% and retail services by over 50%. We increased our terminal estate since the half year end by 307 sites to 9,765 and continued to add new clients.

Collect+: Volumes increased by 5% to over 6.0 million transactions in the period, with a record Christmas week of 638,000 transactions. Our Collect+ network continued to expand with an increase of 75 sites to 5,970 since the half year end. Discussions are ongoing with Yodel regarding the future of the joint venture and the proposed increases in charges put forward by Yodel. Some of these charges have been allowed pending the outcome of negotiations, which has resulted in the joint venture generating a small loss.

Mobile and Online: Transactions increased by 37.6% to 50.2 million in the period, compared to 36.5 million last year, with Mobile Payment transactions up 38% to 13.3 million and Online Payment transactions up 37% to 36.9 million. The Online Payments business was sold to Capita after the end of the period on 8 January 2016 for £14.4 million. We have continued to progress the sale of the Mobile business, PayByPhone, and have carried its continued loss.



Balance sheet at 31 December 2015

We have maintained a strong balance sheet. The group had cash of £55.7 million (30 September: £46.1 million), after payment of the interim dividend of £9.7m in the period (2015: £8.4m). The cash balance includes amounts held to settle short term client obligations of £28.3 million (30 September: £19.0 million).

¹ PayPoint's auditors have not been requested to review the performance or financial position.

² Net revenue is revenue less the cost of mobile top-ups (where PayPoint is principal), SIM cards and other costs incurred by PayPoint which are recharged to clients and merchants. These costs include retail agent commission, merchant service charges for card payments and costs for the provision of call centres for PayByPhone clients. Net revenue is a measure which the directors believe assists with a better understanding of the underlying performance of the group.

³ Prior period revenue and net revenue have been restated by an increase of £2 million, representing the cost of production of cash out vouchers that had been incorrectly netted off revenue, net revenue and cost of sales, the latter of which is also restated. There was no impact on profit of these restatements.

Enquiries

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ABOUT PAYPOINT

PayPoint is an international leader in payment technologies, its solutions transforming payments for everyone from consumer and financial services companies to retailers, utilities, media, e-commerce, gaming and government clients.

PayPoint delivers payments and services by taking the complexity of multi-channel payments and translating it into convenient, simple, value-added solutions. It handles almost £15 billion from almost 800 million transactions annually for more than 5,000 clients and merchants.

With the backing of 24/7 operations centres with dual site processing, PayPoint is widely recognised for its leadership in payment systems, smart technology and service.

Retail networks

The PayPoint retail network across the UK numbers over 29,000 local shops (including Co-op, Spar, McColls, Costcutter, Sainsbury's Local, Tesco Express, One Stop, Asda, Londis and thousands of independents), where it processes energy meter pre-payments, bill payments, benefit payments, mobile phone top-ups, transport tickets, BBC TV licences, cash withdrawals and a range of other transactions. In Romania, the retail network numbers 9,700 terminals in local shops, helping people to make cash bill payments, money transfers, road tax payments and mobile phone top-ups. In the Republic of Ireland, over 500 terminals in shops and credit unions process mobile top-ups and bill payments.

Collect+, a joint venture with Yodel, provides a parcel drop-off and pick-up service at 6,000 PayPoint retailers. PayPoint's ATM network numbers more than 4,000 'LINK' branded machines across the UK, and 10,000 PayPoint terminals enable retailers to accept credit and debit cards.

Mobile Payments

PayPoint Mobile Payments (trading as PayByPhone and Adaptis) handles over 118 million payments for parking, payments and consumer services. In major cities in the UK, Canada, USA, France, Switzerland and Australia, its parking solutions make it easy for people to pay for parking by mobile, as well as providing electronic parking permits, automatic number plate recognition systems for car parks and penalty charge notices.