



**Dominic Taylor &  
George Earle**

**26 November 2015**

# **Results for the half year ended 30 September 2015**

<b>Progress</b>	<b>3</b>
<b>Financial review</b>	<b>4</b>
<b>Operational review</b>	<b>9</b>
<b>Our retail differentiation</b>	<b>15</b>
<b>Summary and future developments</b>	<b>18</b>
<b>Appendices</b>	
The essence of what we do	21
Materials to support the consumer transaction (UK retail)	23
Retail technology	29

## ***Focus on multichannel payments and services, where we have retail networks***

- Busy transition as we refocus back on our retail business
  - Sale of Mobile and Online
  - Discussions with Yodel with respect to Collect+
  - Reorganisation to improve focus and cost efficiencies

These activities will continue into the second half

- We have had a solid performance with good progress within our retail business
  - 3.5% growth in net revenue, despite warm weather
  - 16.2% retail services net revenue growth
  - Third generation terminal in pilot
  - Multi-channel payment platform attracting strong client interest
- We are confident in our continuing differentiation driving future growth in the UK and abroad
- We anticipate double digit dividend growth for the year as a whole – reflecting our confidence in the business and its long term prospects



# Financial review

# Results in line with expectations

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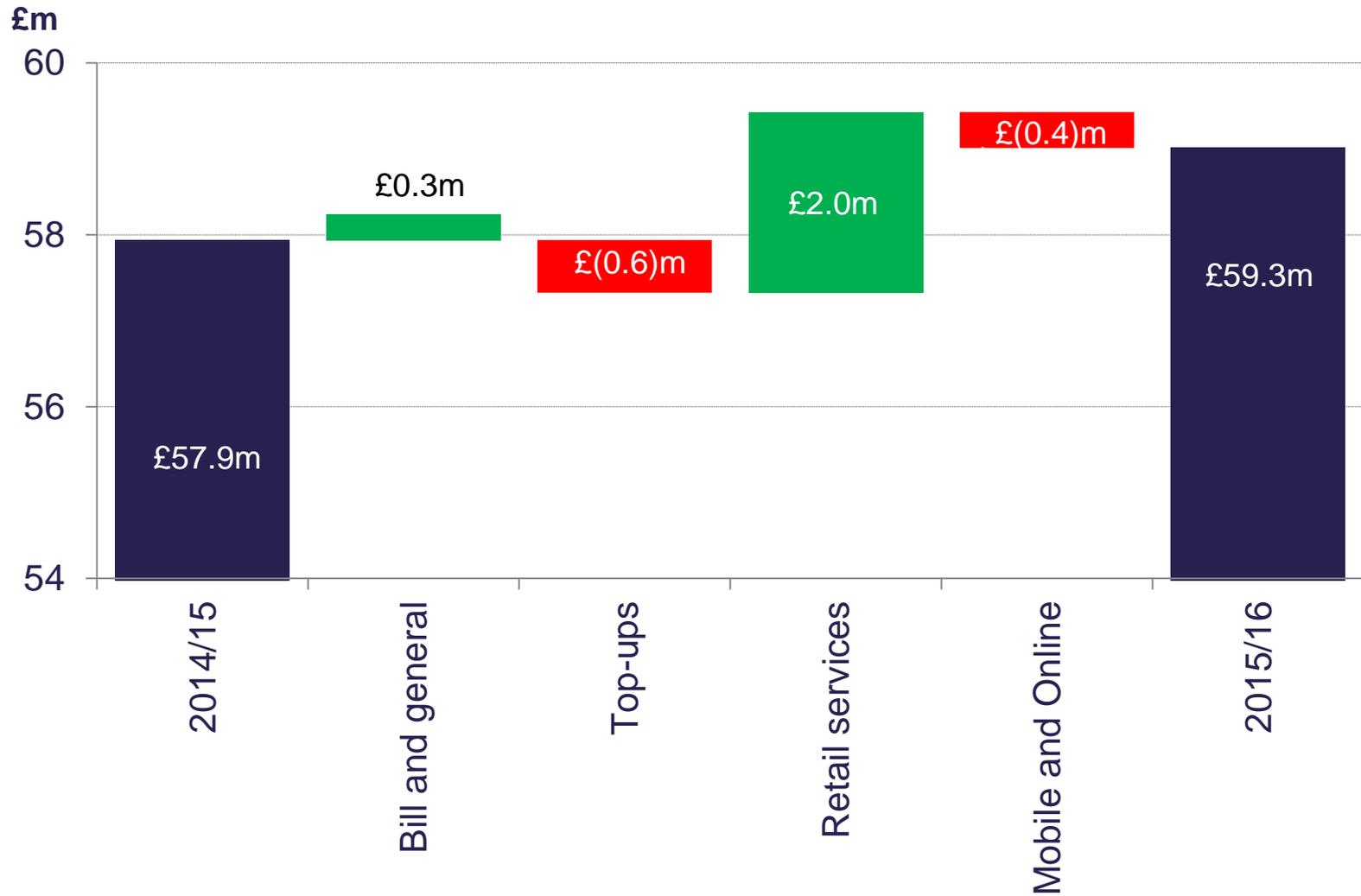
<b>Period ended September</b>	<b>6 months 2014</b>	<b>6 months 2015</b>
	<b>£m</b>	<b>£m</b>
Net revenue <sup>1</sup>	57.9	59.3
Other cost of sales	(7.9)	(8.2)
Operating costs (administrative expenses)	(27.8)	(29.3)
Share of Collect+ JV	0.2	(0.4)
Operating profit before goodwill impairment <sup>2</sup>	22.4	21.4
Impairment of goodwill	0.0	(18.2)
Profit before tax	22.5	3.2
Tax	(4.7)	(4.4)
Adjusted earnings per share <sup>3</sup>	26.0p	24.8p
Dividend per share	12.4p	14.2p

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

2. Operating profit before goodwill impairment of £18.2m includes our share of joint venture results

3. Adjusted earnings per share are stated before the £18.2m impairment of goodwill in the Online Payment business

# Net revenue growth 2.4%



# Cash generation and use

7

Period ended September	6 months	6 months
	2014	2015
	£m	£m
<b>Operating cash flows</b>	<b>25.9</b>	<b>25.4</b>
Working capital	(8.9)	4.0
<b>Cash generated by operations</b>	<b>17.0</b>	<b>29.4</b>
Tax paid	(5.0)	(4.9)
<b>Net cash inflow from operating activities</b>	<b>12.0</b>	<b>24.5</b>
<b>Net cash used in investing activities</b>	<b>(5.2)</b>	<b>(5.4)</b>
Cash settled share based remuneration	(2.8)	(0.6)
Equity dividends:	(16.3)	(17.8)
<b>Net cash used in financing activities</b>	<b>(19.1)</b>	<b>(18.4)</b>
Net (decrease)/ increase in cash	(12.3)	0.7
Cash at beginning of period	41.6	47.2
Effects of foreign exchange rate changes	(0.6)	0.1
<b>Cash at end of period <sup>1</sup></b>	<b>28.7</b>	<b>48.0</b>

1. Includes £2.0m of Mobile & Online cash at 30 September 2015

- Good cash generation
- Strong balance sheet
- Dividend
- Exciting opportunities to address:
  - Client multi-channel opportunities
  - Retail services and technology development
  - International expansion

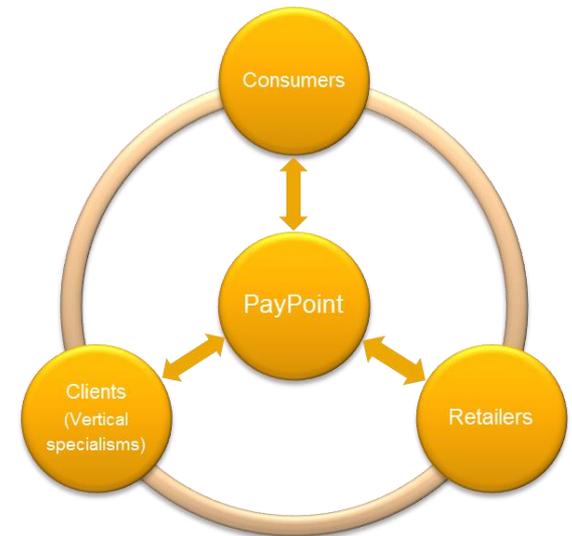


# Operational review

# Retail Payments and Services

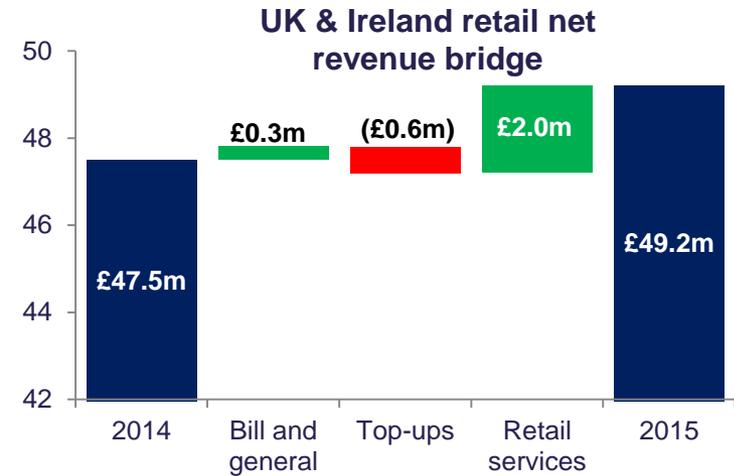
- Solid underlying results with progress across the business
- Strongly differentiated, over-the-counter payment proposition
- The network:
  - UK, Ireland and Romania
  - Over 38,300 convenience stores open early til late
  - Major utilities and service companies under long term contracts, with some exclusivity
  - Across multiples, symbol groups and independents
- Offering a variety of services:
  - Cash in: household bills, mobile top-ups, rents, licenses taxes and e-money loads
  - Cash out: DWP's Simple Payment service, energy company rebates and local authority payments
  - Retail services: Parcels, ATMs, broadband, money transfer, SIMs, card payments, receipt advertising
- Leading technology partner
  - Multi-channel capability provided to clients extending our offer beyond cash payments
  - Retail systems provider, uniquely positioned to drive growth in the convenience sector
  - Market leading point of sale for payments and services
  - Next generation terminal in pilot which will expand service proposition for retailers and clients

<b>Retail</b>	2014	<b>2015</b>
Transactions (m)	303	<b>313</b>
Average spend per transaction (£)	15.4	<b>15.4</b>
Transaction value (£m)	4,657	<b>4,824</b>
Net revenue (£m)	50.5	<b>52.3</b>

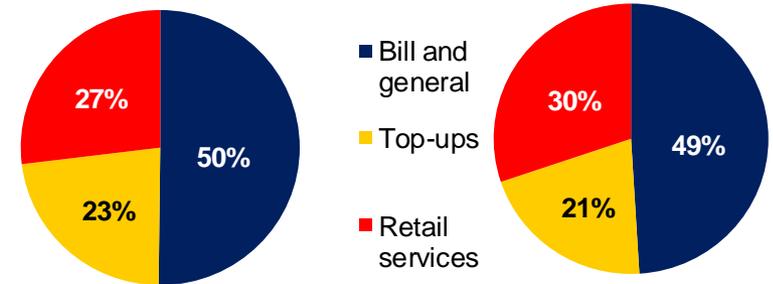


# Retail Payments and Services – UK & Ireland

- Bill and general net revenues continued to show growth, despite reduced electricity consumption
- Multi channel payment solution attracting strong sales interest from clients across verticals
- Top-ups net revenue has continued to decline as expected
- Retail services net revenue growth of 16.1% driven by ATMs, debit/credit and parcels
  - ATM net revenues up 15.6%; 4,000 sites
  - Dr/Cr net revenues up 54.4%; 10,000 sites
  - Parcels net revenue up 17.1%; 6,000 sites
- Strengthening retail relationships



**UK & Ireland retail net revenue by service**



Clients include:



Multiple partners include:

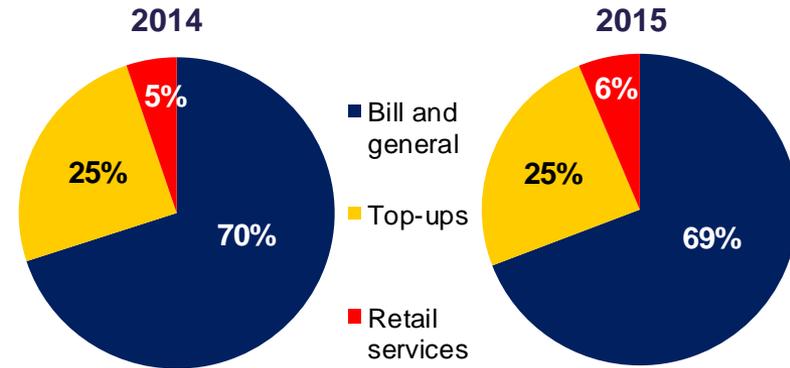


# Retail Payments and Services - Romania

- Bill payment transactions increased by 15.6%
- Bill payment share 21.3% (September 2015), up 1.3ppts from March 2015, with significant growth opportunities supported by national advertising campaigns to increase awareness
- Fast growing list of local clients providing further differentiation: water, financial and refuse collection
- Top-up transactions up by 4.9% reflecting strength of network, visibility and branding
- Retail network continued to grow, with differentiation through strong rural presence
- Road tax payments success – now available in all sites
- Money transfer developing well with transactions up 60.8% year on year and in 2,000 sites
- Further retail services under review

Romania	2014	2015
Transactions (m)	28.3	32.5
Net revenue (RON m)	18.3	21.4
Terminal sites	8,756	9,458

Romania net revenue by service



Clients include:



- Growth in volume 18% and revenue 15%
- 6,000 sites (4.9% growth since last year)
- Over 300 participating brands boosted by Click and Collect and returns
- Clear market leader in collection and returns
- JV loss reflects Yodel increase in charges
- We will report on the conclusion of our discussions with Yodel at the time of our year end results

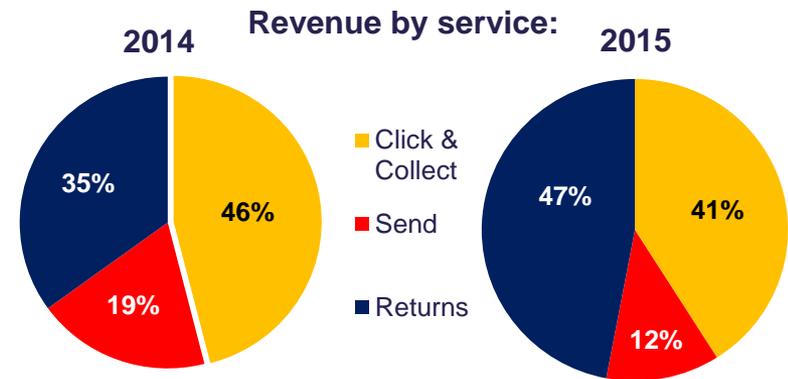
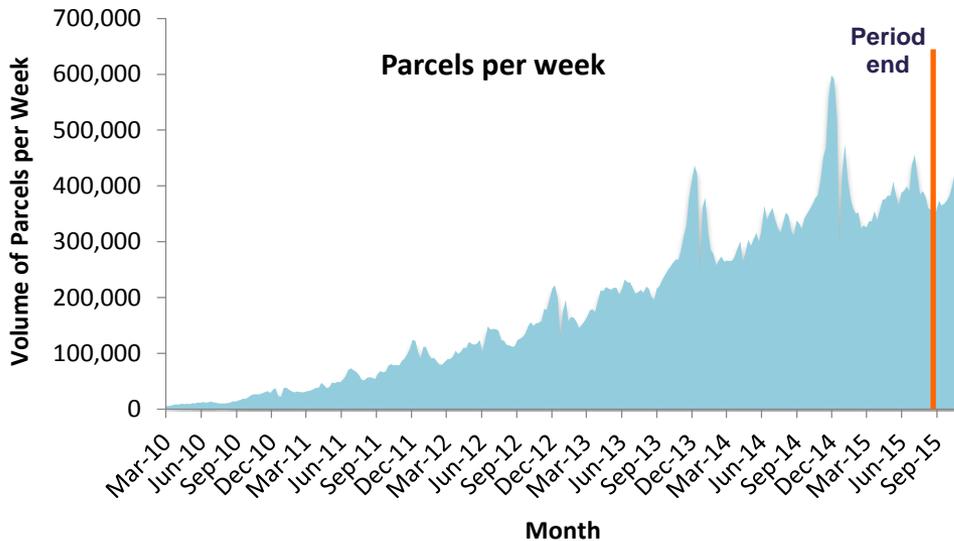


Excellent  
9.2/10



Collect+ at 100%	2014	2015
Transactions (m)	8.4	9.9
Collect+ revenue (£m)	20.6	23.7
JV profit* (£m)	0.5	(0.8)

\* JV profit at 100%. PayPoint reports 50% of this profit in the Consolidated Income Statement as well as the revenues arising in PayPoint UK Retail.



Clients include:

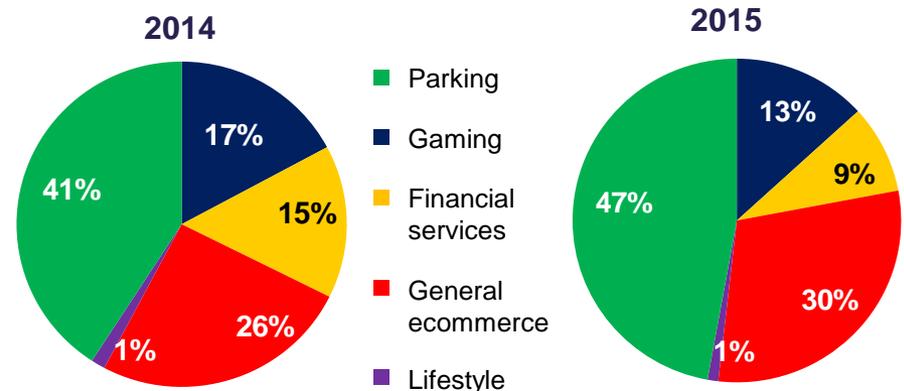


# Mobile and Online in sale process

- 12% of group net revenue
- Transaction growth 22.2%
- Net revenue declined by 5.7% from lower core online payment processing offset by strong mobile growth
- Mobile:
  - Leader in mobile parking payments, (UK, France, USA, Canada and Switzerland)
  - Parking services in Paris fully rolled out
- Online Payments:
  - Payments platform links into 16 acquiring banks in the UK, Europe and North America
  - Emerging sales of new products

Mobile and Online	2014	2015
Transactions (m)	70	86
Transaction value (£m)	2,424	2,388
Net revenue (£m)	7.4	7.0

Mobile and Online net revenue by service

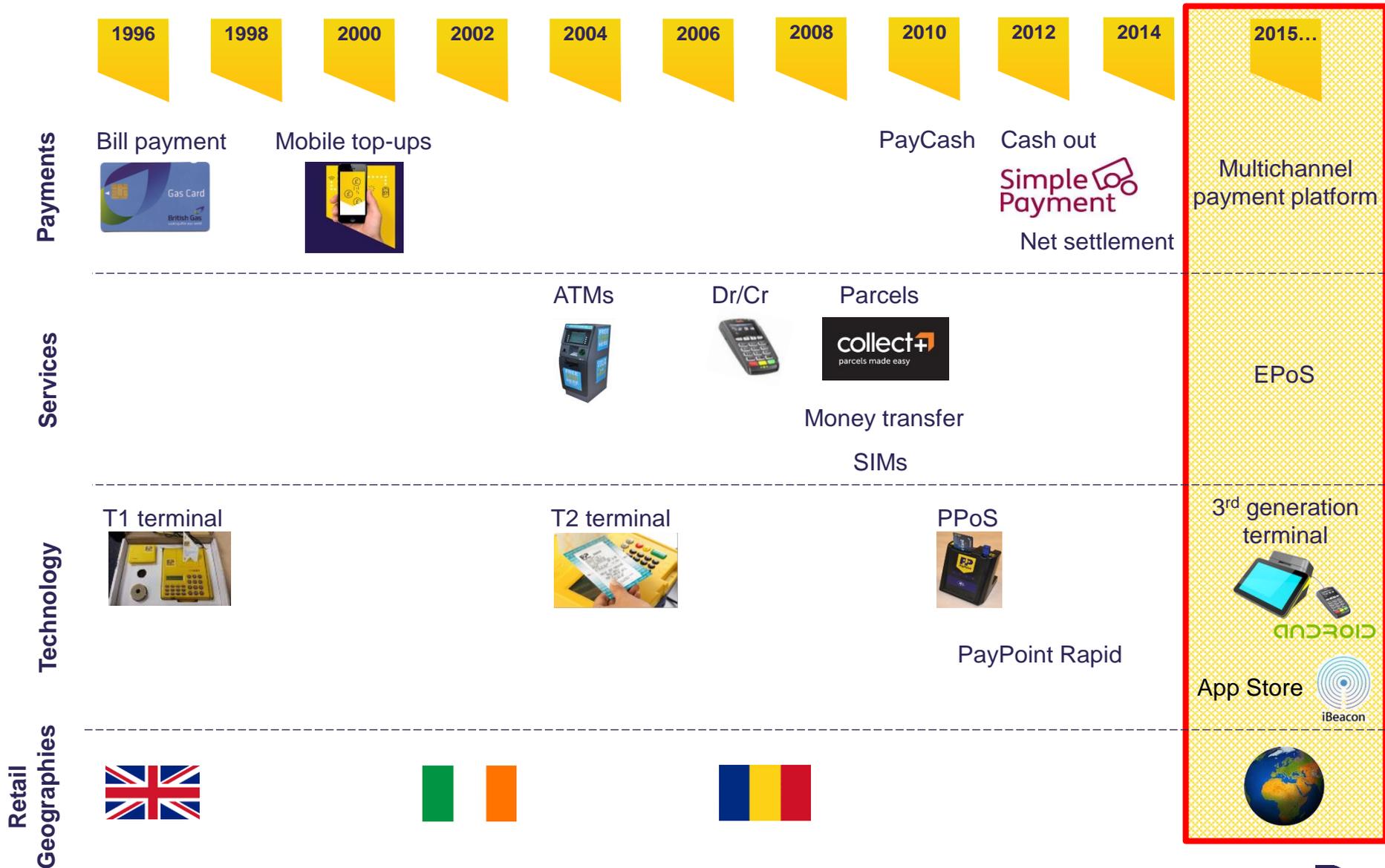




# Our retail differentiation



# PayPoint retail differentiation – our track record...



## Our differentiation will allow us to ...

- Extend our payments offer beyond cash
  - via our multichannel payments platform for clients and
  - via our terminal for retailers
- Broaden our retail services platform
  - introducing EPOS capability primarily to independent and symbol retailers
  - improving the presentation of our existing services
  - helping the retailer digitally engage their consumer via beacon technology
- Leverage our network to service new verticals

## PayPoint is uniquely placed, due to ...

- The footfall we provide to the retailer and brand association
- Our existing range of integrated products and services
- Our operations and settlement expertise with the retailer
- Our ability to offer our terminal technology to the retailer at no or low cost



# Summary and future developments



# Summary and future developments

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- Overall trading in the first half is in line with the company's expectations and provides the foundation for future growth
- The sale of Mobile and Online should complete by the year end and will enable us to focus on multi-channel payments and services where we have retail networks
- The retained PayPoint businesses are market leaders and continue to get stronger in their markets
- We will continue to execute our strategy: multi-channel, leverage retail and international





# Appendices



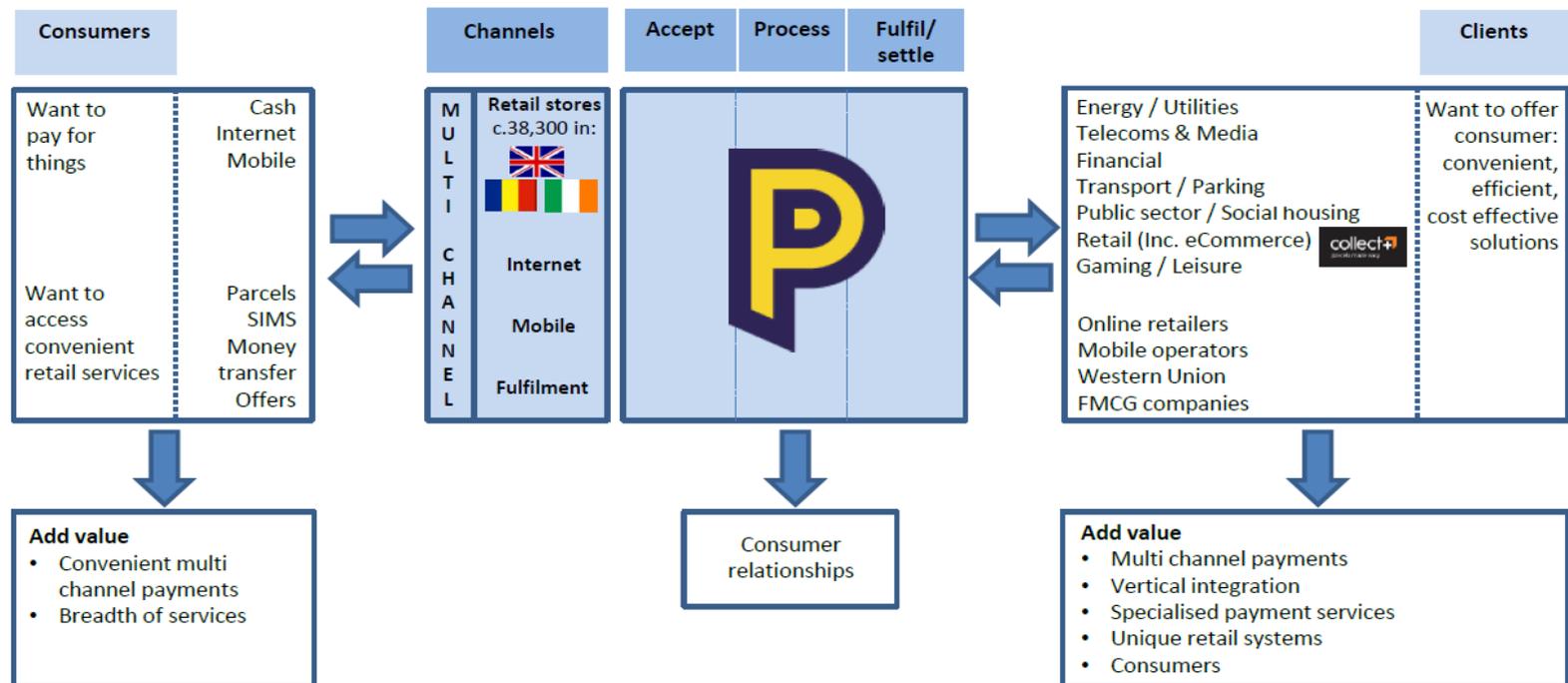


# Appendix 1

The essence of what we do

# The essence of what we do

- We process high volume consumer transactions, for **multi-channel payments** and **retail services** (e.g. parcels) for clients in **vertical markets**, through **integrated flexible platforms**
- 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 clients, across different geographies, to whom we 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 and retailers, in turn attracting more consumers to use our services



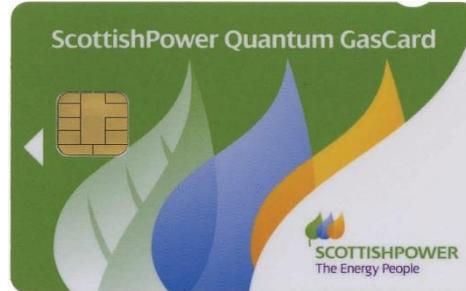
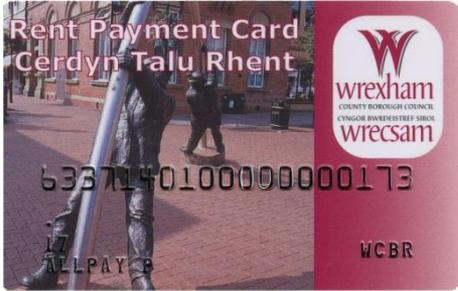


# Appendix 2

Materials to support the consumer transaction  
UK retail

# Materials to support the consumer transaction

## UK Retail: Client media payment



# UK Retail: Retail store



# Materials to support the consumer transaction

## UK Retail: Terminals, Pin Pads and ATMs



# Materials to support the consumer transaction

## UK Retail: PPOS virtual terminal



## Digital content

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**Pick up more from your local store**  
 To find out more visit [paypoint.co.uk/game](http://paypoint.co.uk/game)



**NEW**

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- START GAMING

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 WALLET TOP UP  
 799366133285  
**AMOUNT GBP 20.00**  
 15:22 20/11/14  
 SN 025590404 TXN 2307  
**YOUR VOUCHER IS READY TO USE - PLEASE STORE IN A SAFE PLACE**  
**PAYMENT SUCCESSFUL**  
 REF PIC324001628  
**PIN: 7R8E-6RNM-B597**  
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**REDEMPTION INSTRUCTIONS**  
 1. Go to Playstation(R) store  
 2. Sign in to your Sony Entertainment Network Account  
 3. Select "Redeem Codes" (For PS Vita, First tap Options icon at foot of the screen)  
 4. Follow on-screen instructions to redeem code

Code issued by Sony Network Entertainment Europe Ltd  
 Expires 12 months from purchase  
 Full terms apply at [sonyentertainmentnetwork.com/legal](http://sonyentertainmentnetwork.com/legal)

**PlayStation Store**

Thank you!

## Cash Out

**ENERGY CLIENT**

0000000000000000  
 Mr. N. Nobody  
 99 Nobody Road,  
 NOBODY TOWN,  
 Nobody County  
 NO1 290

**Good news – here's your £140.00 Warm Home Discount**

Dear Mr. Nobody  
 We're pleased to let you know that you qualify for the Warm Home Discount Scheme with us. So you'll get a £140 Winter 2014/15 discount on your electricity use.

**How to collect your £140.00**  
 All you need to do is take this letter to your local PayPoint outlet, within 3 months of the date of this letter, to collect your £140.00. All these vouchers must be cashed together, and on your electricity key. You'll also need to take some identification with you when you go to pick up your discount – please see over the page for details.

**Where to get help if you've any questions**  
 The Warm Home Discount Scheme is a five year programme run by the Government and energy companies to help households that need it most with their bills. And as you've qualified for the winter 2014/15 discount you may qualify in the coming years (subject to applying and meeting eligibility criteria).  
 If there's anything you'd like to know about the scheme, or if you have any questions, please visit [direct.gov.uk/warmhome](http://direct.gov.uk/warmhome) and you should find what you're looking for.

Yours sincerely

Mr. Somebody  
 Managing Director, Residential Energy

**ENERGY CREDIT VOUCHER**

**£45.00**  
 Voucher No. 1234567890  
 This Voucher can be redeemed at any participating PayPoint outlet. To find your nearest PayPoint outlet, visit [www.paypoint.co.uk/locator](http://www.paypoint.co.uk/locator). Terms and conditions overleaf.  
**RETAILER** - Please scan barcode to redeem. Further instructions overleaf.

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**Simple Payment**



**BEST ALTERNATIVE PAYMENTS PROGRAMME**

**Category Winner**

TCPA 2014





# Appendix 3

## Retail Technology



## T2 standalone terminal

- Introduced in 2005
- UK & Ireland estate of 18,000
- Standalone terminal with CHIP/PIN functionality
- Offers swipe card, smart card/key & bar code scanning
- No EPoS integration
- Proprietary operating system
- Broadband enabled but no wireless comms
- Small screen size (3.5 inch)

## PPoS integration

- Introduced in 2010
- Delivers PayPoint functionality via retailers own EPOS
- In use across 8,000 Co-ops, One Stop & McColls sites plus selected independent convenience retailers
- Enables PayPoint service to be offered across multiple lanes in store

## T3 terminal

- Tablet based design
- EPoS enabled with full PayPoint functionality
- Android operating system
- Browser enabled
- Large screen (11 inches)
- Customer facing screen
- Video capability
- Future opportunities to access basket data for performance, value analysis & insight etc