

PayPoint Plc  
Trading update for the three months ended 31 December 2024<sup>1</sup>

29 January 2025

**PayPoint Group delivers another positive quarter with strong performance from key seasonal businesses**

**Group remains on track to deliver expectations for FY25 and a further step to achieving £100m EBITDA by the end of FY26**

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

*“Our business has continued to deliver further progress in the third quarter building on our strong first half year performance, despite a more challenging overall trading environment and a stalled recovery in consumer confidence. During the period, our seasonal businesses in particular have performed well and, for the business as a whole, the Board remains confident in the delivery of further progress in the year and meeting expectations.*

*The resilience of our business, our investment to enhance capabilities, combined with the growing opportunities to deliver value-add solutions to our clients continue to underline our confidence in building further momentum in our key growth building blocks and achieving £100m EBITDA by the end of FY26.*

*In Shopping, the use of data and analytics to drive better support to our retailers and card merchants is becoming increasingly important and, during the period, we have initiated a number of projects to better harness these capabilities to support engagement with our retailers, identifying performance trends in the PayPoint and card merchant networks and where best to direct new resources to deliver the highest return. We have continued to grow the PayPoint estate, enhance our proposition and create more opportunities for retailers to make money from being a PayPoint retailer. In Cards, lower consumer spending during the quarter and the continuing challenging environment for UK consumers have impacted processed volume and value. In the PayPoint estate, we have delivered continued site growth, and in the Handeipay estate, it has been a consolidation quarter, with the focus being on the transition of all new merchant business to Lloyds Cardnet supported by training of the field and telesales teams and introduction of new onboarding processes. Early signs are encouraging, with an enhanced proposition and onboarding process and a good response from new merchants. We are now building momentum and returning to growth in the estate for the current quarter, further supported by the launch of our new Merchant App, targeted marketing campaigns to specific sectors, and the launch of a new AI-driven statement reader to enhance the merchant sales experience. In addition, although early in Q4, we are seeing some signs of better processed volumes across the estates. We continue to see growth in our FMCG pipeline, with consumer brand campaigns in planning for delivery over the next 6-12 months, and good progress in our YouLend Business Finance product with over £16m lent in the year to date to our SME and retailer partners.*

*In E-Commerce, we have delivered a record quarter, with volumes up 36.8% against the peak quarter of FY24, reflecting the strong positioning of our growing Collect+ network for Out of Home (OOH) fulfilment with both consumers and carriers and a continuing market shift towards OOH delivery. We continue to work hard to support all our carrier relationships and our partnership with Royal Mail continues to gather pace, with parcel volumes growing quickly from a low base and plans now in place to grow further the number of Royal Mail sites and volumes. We also continue to make progress in our engagement with Chinese and South Asian marketplaces and expect our services to go live with some of these partners during our final quarter. In addition, we will be starting a number of initiatives through our network with SF Express in Q4, the leading integrated logistics service provider with an extensive PUDO network in China, focused on enabling our services in Chinese communities across the UK.*

*In Payments and Banking, there was continued growth through our MultiPay platform, with underlying net revenue increasing by 4.7% and 14 new client services live in the quarter, including Click Energy and Shelter. Our Local Banking initiatives are gathering pace, with the first High St bank on track for launch of consumer deposits at the end of Q4 FY25, with SME deposits to follow later in the year. In addition, over £373 million of consumer deposits have been processed in the year to date for neobanks through our extensive network. The legacy energy sector business continues to be resilient, both in transaction volumes, rates and the renewal of a number of key contracts including Scottish Power. In Open Banking, there continues to be a growing number of upsell opportunities to our existing client base, for example providing a digital solution for cheque replacement, as well as further client wins for our Open Banking services, with over 50 clients now live, including further regional Citizens Advice Bureaus. In the quarter, we completed the majority ownership of obconnect in October 2024, with a modest contribution expected in H2, and the major contract win for the New Zealand Banking Association to provide Confirmation of Payee ecosystem went live in early December 2024. The obconnect team have a strong pipeline of future opportunities and are well placed to capitalise on this rapidly evolving market.*

*In Love2shop, all of our business and consumer channels have performed extremely well during the critical third quarter, building on the strong performance delivered in the first half and benefiting from the excellent planning and preparation by the Love2shop team well in advance of the peak trading period. In Love2shop business, billings are ahead of last year after a strong peak and the pipeline of opportunities for Q4 FY25 is already encouraging. The performance of highstreetvouchers.com continues to reflect the benefits of the actions taken earlier in the year with billings +9.2% ahead of plan, and we expect this performance to continue as we re-platform our consumer business to Love2shop in the next financial year. Our strategic partnership with InComm Payments, enabling the distribution of Love2shop gift cards into leading UK grocers and High St stores, has delivered an outstanding*

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<sup>1</sup> PayPoint's auditors have not been requested to review the performance

performance in the quarter, with an incremental £1.7m of billings and further enhanced consumer Love2shop brand recognition. In addition, sales of Love2shop gift cards over the quarter through our multiple retailers have increased materially year on year with value loaded up 69%. Park Christmas Savings has delivered a solid outcome to the 2024 campaign with final billings of £162.2m, consistent with the previous year. The 2025 prepayments saving season is already well underway, with early indications encouraging in terms of growth in retained clients, increased order value and the recruitment of new clients supported by an enhanced proposition and a strong multichannel marketing campaign. In Love2shop, MBL and our prepayment savings platform there is a growing pipeline of opportunities to expand our sales channels and partnerships and to broaden the base of the business, reducing the importance of peak over time.

Planning for the 25/26 financial year is in place to deliver our growth ambitions for the year ahead, build on the progress we have achieved in the current year and ensure we have the right plans in place to maximise the opportunities from our key growth building blocks. As we continue towards delivering £100m EBITDA by the end of FY26, our confidence in our business resilience and growth is underpinned by the breadth of opportunities across all of our divisions and maintaining the right organisational structure and cost base to support the delivery of our growth plans.”

## **GROUP AND DIVISIONAL HIGHLIGHTS**

**Group net revenue increased by 1.9% to £53.0 million (Q3 FY24: £52.0 million), driven by a positive performance in the quarter by the E-commerce and Love2shop divisions.**

**Shopping divisional net revenue decreased by 2.0% to £16.1 million (Q3 FY24: £16.4 million)**

- Retail services net revenue increased by 1.9% to £8.2 million (Q3 FY24: £8.1 million) driven by further PayPoint One/Mini site growth to 20,092 (31 March 2024: 19,297)
- Card payments net revenue decreased by 5.7% to £7.8 million (Q3 FY24: £8.3 million) with further site growth in the PayPoint Lloyds Cardnet estate to 10,433 (31 March 2024: 10,064) and a reduction in the Handepay EVO/Lloyds Cardnet estate to 19,220 (31 March 2024: 19,682) as we transitioned to a new acquirer
- Card processed value decreased by 5.9% overall to £1.7 billion (Q3 FY24: £1.8 billion), with the Handepay EVO estate -1.8% and the Lloyds Cardnet estate -11.4% versus the prior year
- UK retail network increased to 30,311 sites (31 March 2024: 29,149), with 70.0% in independent retailer partners and 30.0% in multiple retail groups

**E-commerce divisional net revenue increased strongly by 32.0% to £4.1 million (Q3 FY24: £3.1 million)**

- Strong transaction growth of 36.8% to 35.8 million parcel transactions (Q3 FY24: 26.2 million)
- Collect+ network increased to 13,930 sites (31 March 2024: 11,786)

**Payments & Banking<sup>1</sup> divisional net revenue increased by 0.8% to £14.0 million (Q3 FY24: £13.9 million)**

- Continued growth through our MultiPay platform, with underlying net revenue increasing by 4.7% to £1.8 million (Q3 FY24: £1.7 million)
- Strong growth through Open Banking with net revenue within the PayPoint business growing to £0.3 million from a low base and with an initial contribution from obconnect of £0.7m (Q3 FY24: £nil)
- Total digital net revenue increased by 22.0% to £4.4 million (Q3 FY24: £3.6 million)
- Cash through to digital net revenue increased 3.3% at £1.8 million in the quarter (Q3 FY24: £1.7 million)
- Cash payments net revenue decreased by 8.8% to £7.8 million (Q3 FY24: £8.6 million). Legacy energy sector net revenue decreased by 10.8% for the quarter

**Love2shop divisional net revenue increased by 1.3% to £18.8 million (Q3 FY24: £18.5 million)**

- Love2shop Business experienced a positive Q3 with £71.2 million of billings delivered (Q3 FY24: £66.8 million)
- The performance of highstreetvouchers.com continues to reflect the benefits of the actions taken earlier in the year with billings +9.2% ahead of plan
- Park Christmas Savings has delivered a solid outcome to the Christmas 2024 campaign with final billings of £162.2m, consistent with the previous year
- MBL, the leading gift card technology platform acquired by Love2shop in June 2022, delivered a strong performance, processing £45.2 million of gift card value in the quarter (Q3 FY24: £23.7 million)

## **BALANCE SHEET AS AT 31 DECEMBER 2024**

The Group had net corporate debt of £108.9 million (31 March 2024: £67.5 million), comprising cash balances of £2.4 million (31 March 2024: £26.4 million), less loans and borrowings of £111.3 million (31 March 2024: £93.9 million). This has increased by £22.1 million since September 2024 following the £10.5 million further investment in obconnect, share buyback and seasonal working capital requirements. Net corporate debt is expected to reduce to below £100 million by 31 March 2025.

<sup>1</sup> Payments & Banking analysis has been re-presented to better aggregate revenue streams and key KPIs

## **DIVIDEND**

The Board have declared an increased interim dividend of 19.4 pence per share, consistent with our dividend policy, an increase of 2.1% vs the prior half year of 19.0 pence per share. The dividend is payable in equal instalments of 9.7 pence per share on 20 December 2024 and 28 March 2025.

## **SHARE BUYBACK PROGRAMME**

On 1 July 2024, the Group commenced a three-year share buyback programme, returning at least £20 million to shareholders over the next 12 months, with the potential to increase in years 2 and 3 depending on business performance, market conditions, cash generation and the overall capital needs of the business. As of market close on 27 January 2025, a total of 1,554,667 shares had been purchased at a total value of £11.2m.

Throughout this period, we will continue to increase dividends at a nominal rate and grow our cover ratio from the current 1.5 to 2.0 times earnings range to over 2.0 times earnings by FY27. Combined with the Buyback Programme, this will enhance shareholder returns and ensure the business continues to maintain an efficient capital structure, balancing an appropriate leverage ratio of around 1.0 times net debt/EBITDA with the overall capital needs of the business.

## **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, government, multinational service providers and e-commerce brands. Our products are split across four core business divisions:

- In Shopping, we enhance retailer propositions and customer experiences through our PayPoint One/Mini devices, card payment technology, Counter Cash, ATMs and FMCG partnerships in over 60,000 SME and retailer partner locations across multiple sectors. Our retail network of over 29,000 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 picked up, dropped off and sent at thousands of local stores
- In Payments and Banking, we give our clients and their customers choice in how to make and receive payments quickly and conveniently. This includes our channel-agnostic digital payments platform, MultiPay, offering solutions to clients across Open Banking, card payments, direct debit and cash. PayPoint also supports its eMoney clients with purchase and redemption of eMoney across its retail network.
- In Love2shop, we provide gifting, employee engagement, consumer incentive and prepaid savings solutions to thousands of consumers and businesses. Love2shop is the UK's number one multi-retailer gifting provider, offering consumers the choice to spend at more than 140 high-street and online retail partners. Park Christmas Savings is the UK's biggest Christmas savings club, helping over 350,000 families manage the cost of Christmas, by offering a huge range of gift cards and vouchers from some of the biggest high street names.

Together, these solutions enable the PayPoint Group to create long-term value for all stakeholders, including customers, communities and the world we live in.