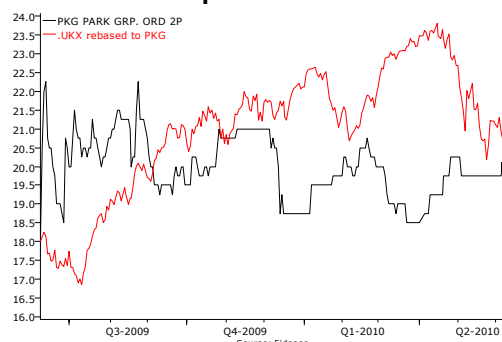


# Park Group 20p

## FLASH NOTE: Results Ahead Of Expectations. Confidence for 2011

10 June 2010

### Share Price: 20p



**12m High:** 22.25p

**12m Low:** 18.5p

**Market Cap:** £35m

**Shares in Issue:** 165m

**NAV/Share:** Negative

**Gearing:** n.a. (£15.5m net cash at 3/2010)

**Interest Cover:** n.a.

**EPIC Code:** PKG

**Sector:** Consumer Finance

**Market:** London AIM

**Broker:** Arden Partners

**PR:** Tavistock Communications

+44 (0)20 7920 3150

**Website:** www.parkgroup.co.uk

**Description:** Park Group is the UK's leading multi-redemption voucher business. It is also the dominant provider of Christmas savings schemes in the UK, which it provides through a network of sales agents. It has a smaller share in the Corporate Voucher marketplace, but this business has been growing rapidly.

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Full year profits from this cash savings and multi-redemption voucher business are better than we expected.

- Sales were £8m higher than we expected at £263m, and also 5% higher than the previous year.
- Operating Profits were £0.3m higher than we expected at £4.3m, and were up 38% on the previous year.
- Only an abnormally high 32% tax charge kept eps down to our forecast (2.14p vs the 2.20p we had expected).
- The dividend has been maintained at 1.32p/share, giving a very good 1.6X cover.
- As expected, there are no bank borrowings, and cash, excluding monies held in trust for customers, is £15.5m, equivalent to over 9p a share.

We found the recovery in margins in the cash savings business particularly encouraging. In fact the company's cost control has been first rate, with distribution and admin costs down as a % of revenue, and also a significant gain in the gross margin.

The Chairman's statement makes encouraging comments on the current year, with both core businesses ahead of the comparable period twelve months earlier, even before the new pre-paid card, flexecash®, has any impact. We also note that inter-bank short term money rates have been hardening over the past two months, and at peak times Park Group has c. £120m on deposit.

We highlight an increase in the number of customers in Christmas Savings so far in the current year (good), over 40% of orders now being placed via the internet (good, it cuts costs) and an increase in the pension deficit caused by changed actuarial assumptions (up from £1m to £3.8m, bad).

We are very comfortable with our estimates, and believe there may be scope to upgrade as the year progresses.

Y/E	Group Sales	Declared Profit	Adjusted Profit	Adjusted EPS	P/E ratio	Divi	Yield
March	£m	£m	£m	p.		p.	%
2008A	225.1	4.5	5.2	2.2	9.1	1.20	6.0
2009A	250.5	6.2	6.2	2.4	8.3	1.32	6.6
2010A	263.2	5.3	5.3	2.1	9.3	1.32	6.6
2011E	274.9	6.0	6.0	2.6	7.7	1.40	7.0

Park Group

10 June 2010

**Park Group**

10.6.2010

Y/e 31 March £m	<u>2007A</u>	<u>2008A</u>	<u>2009A</u>	<u>2010A</u>	<u>2011E</u>
<b><u>Christmas savings</u></b>		<i>restated</i>			
Revenue	216.8	143.5	165.4	156.0	159.1
Growth %		-33.8%	15.3%	-6.0%	2.0%
EBIT	5.1	0.7	2.0	2.8	3.0
Margin %	2.35%	0.49%	1.21%	1.79%	1.20%
<b><u>Corporate vouchers</u></b>					
Revenue	88.4	81.6	85.0	107.2	115.8
Growth %		-7.7%	4.2%	18.0%	8.0%
EBIT	3.2	3.4	2.8	3.2	3.4
Margin %	3.6%	4.2%	3.3%	3.0%	3.4%
<b><u>Cash Lending</u></b>					
Revenue	0	0.0	---	---	
<b><u>Discontinued operations</u></b>					
Revenue	10.0	0.0	0.0	0.0	
<b>Total continuing</b>					
Revenue	305.2	225.1	250.4	263.2	274.9
Total Revenue Growth %		-26.2%	11.2%	5.1%	4.4%
EBIT allocated	8.3	4.1	4.8	6.0	6.4
Unallocated		-1.6	-1.7	-1.7	-1.6
Group EBIT		2.5	3.1	4.3	4.8
<b>Profit &amp; Loss Account</b>	<b><u>2007A</u></b>	<b><u>2008A</u></b>	<b><u>2009A</u></b>	<b><u>2010A</u></b>	<b><u>2011E</u></b>
		<i>restated</i>			
<b>Revenue - continuing</b>	<b>305.2</b>	<b>225.1</b>	<b>250.4</b>	<b>263.2</b>	<b>274.9</b>
Growth %		-26.2%	11.2%	5.1%	4.4%
Cost of sales	-287.4	-211.3	-235.4	-246.8	-257.7
Gross profit	17.8	13.7	15.0	16.4	17.2
Margin %	5.8%	6.1%	6.0%	6.5%	6.3%
Distribution costs	-3.0	-2.4	-2.5	-2.5	-2.7
<i>Distr costs as % Rev</i>	<i>1.0%</i>	<i>1.1%</i>	<i>1.0%</i>	<i>0.9%</i>	<i>1.0%</i>
Admin expenses	-8.0	-9.0	-9.4	-9.6	-9.7
<i>Admin costs as % Rev</i>	<i>2.6%</i>	<i>4.0%</i>	<i>3.8%</i>	<i>3.6%</i>	<i>3.5%</i>
<i>Depreciation and Amortisation (included in admin)</i>	<i>-1.8</i>	<i>-1.2</i>	<i>-0.9</i>	<i>-0.8</i>	<i>-0.7</i>
<b>EBIT</b>	<b>6.8</b>	<b>2.3</b>	<b>3.1</b>	<b>4.3</b>	<b>4.8</b>
Margin %	2.22%	1.03%	1.24%	1.63%	1.74%
Finance income	3.3	2.7	3.2	1.0	1.3
Finance costs	0.0	0.0	0.0	0.0	0
Net interest income	3.3	2.7	3.1	1.0	1.2
<b>PBT - continuing</b>	<b>10.1</b>	<b>5.0</b>	<b>6.2</b>	<b>5.3</b>	<b>6.0</b>
Taxation	-3.5	-1.4	-2.2	-1.7	-1.7
Tax charge %	35%	28%	35%	32%	29%
<b>Declared PAT - continuing</b>	<b>6.6</b>	<b>3.6</b>	<b>4.0</b>	<b>3.6</b>	<b>4.2</b>
<b>Declared PBT - discontinued</b>	<b>-3.9</b>	<b>-0.7</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Declared PBT - Total</b>	<b>6.2</b>	<b>4.3</b>	<b>6.2</b>	<b>5.3</b>	<b>6.0</b>
Declared PAT - discontinued	-2.4	1.0	0	0	0
Available for shareholders	4.2	4.6	4.0	3.6	4.2
Dividends	-2.0	-2.0	-2.2	-2.2	-2.3
Basic number of shares	164.8	164.8	164.8	164.8	164.8
EPS	2.6	2.8	2.4	2.2	2.6
DPS	1.20	1.20	1.32	1.32	1.40
Retained profit	2.2	2.7	1.8	1.4	1.9
Diluted number of shares	165.7	165.7	165.7	165.7	165.7
<b>EPS - continuing</b>	<b>4.0p</b>	<b>2.2p</b>	<b>2.4p</b>	<b>2.1p</b>	<b>2.6p</b>
EPS - total	2.6p	2.8p	2.4p	2.1p	2.6p

Management	Major Shareholders								
<p><b>Chairman:</b> Peter Johnson</p> <p><b>Managing Director:</b> Chris Houghton</p> <p><b>Finance Director:</b> Martin Stewart</p>	<table> <tr> <td>Peter Johnson</td> <td>57.4%</td> </tr> <tr> <td>BSW/IPP Trustees Ltd</td> <td>9.8%</td> </tr> <tr> <td>Schroders plc</td> <td>9.7%</td> </tr> <tr> <td>The Johnson Foundation</td> <td>3.5%</td> </tr> </table>	Peter Johnson	57.4%	BSW/IPP Trustees Ltd	9.8%	Schroders plc	9.7%	The Johnson Foundation	3.5%
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Key Dates	Key Milestones								
<p><b>Annual Meeting:</b> September 2010</p> <p><b>Interim Results:</b> December 2010</p>	<p><b>July 2006:</b> Disposal of loan business</p> <p><b>August 2007:</b> Establishment of The Park Prepayments Protection Trust, an independent trust to improve the security of savers' money.</p> <p><b>October 2007:</b> Transfer from London Stock Exchange to AIM</p> <p>May 2010: Launch of card-based flexecash®.</p>								

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