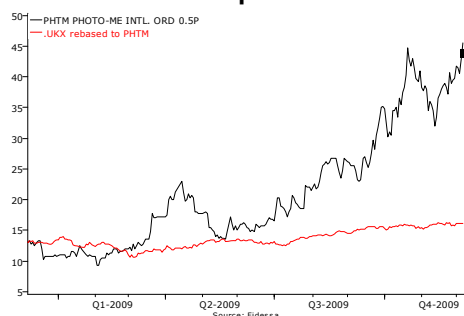


**Photo-Me International 43.75p**  
**FLASH: Good Interims. Dividend Resumed.**  
**Another Upgrade**

9 December 2009

**Share Price: 43.75p**



**12m High:** 45.5p

**12m Low:** 9.25p

**Market Cap:** £157m

**Shares in Issue:** 360m (368m inc. shares held in Treasury)

**NAV/Share:** 22p inc. intangibles

**Gearing:** Nil; £2.6m net cash

**Interest Cover:** n.a.

**EPIC Code:** PHTM

**Sector:** Leisure Goods

**Market:** London Full List

**Broker:** JPMorganCazenove/Evolution Securities

**PR:** Bankside Consultants +44 (0)20 7367 8888

**Website:** www.photo-me.co.uk

**Description:** Photo-Me operates photobooths and other vending equipment throughout Europe and Japan. It also manufactures printing kiosks, photo album machines, minilabs and other photo processing equipment. The co. services equipment for itself and third parties.

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**Tel:** +44 (0)20 7929 3399

**Email:** research@hardmanandco.com

Interim profits announced this morning are ahead of our expectations. Key points are:

- Adjusted Pre-tax Profit is up 72% on a continuing basis. While Photo-Me has gained strongly from the weak Pound, even in constant currency terms profit is up 52%.
- The company is 'hopeful' that it will still be in profit in the seasonally weaker second half. In last year's second half Photo-Me made an adjusted loss of £3.4m.
- A return to dividends is being made with an Interim payment of 0.25p.
- There is net cash in the bank of £2.6m; there has been a £28.7m turn-round in the cash position within six months.

The Sales & Servicing Division, which has been a problem, returned to a small profit in the half, compared to a £6m loss. H2 prospects depend on sales of the new Photobook Maker.

The Operations Division, which includes the photoboosts, increased sales, operating margin and profit. All three would have been marginally down without the impact of currencies.

As far as the balance sheet is concerned, Photo-Me has turned more of its receivables into cash. It has cut its capital spend still further, to £4.3m compared to £7.5m in the first half of last year. The combined H1 depreciation and amortization charge is £15m.

We are pleased with these results and for the third time in two months have UPGRADED our estimates. Full year profits will be influenced by currency movements and by how fast the Sales & Servicing Division can both make and sell the new Photobook Maker.

Investors will be pleased with these results. The shares have hugely outperformed the market over the past twelve months.

Y/E	Group Sales	EBITDA	Adjusted Profit	Adjusted EPS	EV/EBITDA	P/E ratio	Divi	Yield
April	£m	£m	£m	p.			p.	%
2008A	193.5	36.5	-6.3	-1.8	5.5	-	-	-
2009A	210.5	38.6	1.6	0.2	4.5	219.8	-	-
2010E	223.8	42.3	9.2	1.8	3.7	24.3	0.6	1.4
2011E	224.7	40.7	10.7	1.9	3.9	23.0	0.75	1.7

## Photo-Me International

9 December 2009

**Photo-Me International**

9.12.2009

£m	2002/3A UKGAAP	2003/4A UKGAAP	2004/5A IFRS	2005/6A IFRS	2006/7A* IFRS	2007/8A IFRS	2008/9A IFRS	2009/10E IFRS	'0010/11E IFRS
<b>Turnover</b>									
Operations	149.8	141.4	140.0	146.4	142.9	148.8	166.1	179.4	179.4
Sales & Servicing	37.6	78.5	97.4	83.6	69.9	44.7	44.4	44.4	45.3
<b>Total Turnover</b>	<b>187.4</b>	<b>219.9</b>	<b>237.4</b>	<b>230.0</b>	<b>212.8</b>	<b>193.5</b>	<b>210.5</b>	<b>223.8</b>	<b>224.7</b>
<b>Change in Turnover</b>									
Operations	1.8%	-5.6%	-1.0%	4.6%	-2.4%	4.1%	11.6%	8.0%	0.0%
Sales & Servicing	-5.5%	108.8%	24.1%	-14.2%	-16.4%	-36.1%	-0.7%	0.0%	2.0%
Total Turnover	0.2%	17.3%	8.0%	-3.1%	-7.5%	-9.1%	8.8%	6.3%	0.4%
<b>Operating Margin</b>									
Operations**			10.9%	12.6%	10.6%	6.1%	7.3%	7.5%	7.7%
Sales & Servicing			25.5%	12.2%	7.4%	-15.9%	-11.5%	0.0%	2.0%
Group			14.9%	10.5%	7.4%	-1.3%	2.4%	4.4%	4.8%
<b>Operating Profit</b>									
Operations			15.3	18.5	15.1	9.1	12.1	13.5	13.8
Sales and Servicing			24.8	10.2	5.2	-7.1	-5.1	0.0	0.9
Group Overheads			-4.8	-4.8	-4.5	-4.6	-2.0	-3.5	-4.0
Associates			0.0	0.2	0.0	0.0	0.0	0.0	0.0
(Discontinued item not included for 05/6)									
Operating Profit			35.3	24.1	15.8	-2.6	5.0	10.0	10.7
Non-Operating Profit (Ins Recovery, Currency Gain)			0.0	5.4	0.0	0.0	2.1	0.0	0.0
Net Finance Costs			-1.4	-1.7	-1.9	-3.6	-3.4	-0.8	0.0
<b>Group Pre-Tax Profit</b>			<b>33.9</b>	<b>27.9</b>	<b>13.9</b>	<b>-6.3</b>	<b>1.6***</b>	<b>9.2</b>	<b>10.7</b>

\* Restated to exclude US Vending, since sold \*\* From 2007/8 Operations assets depreciated over shorter lives.

\*\*\* rounding

**Photo-Me International**

9.12.2009

£m	2002/3A UKGAAP	2003/4A UKGAAP	2004/5A IFRS	2005/6A IFRS	2006/7A IFRS	2007/8A IFRS	2008/9A IFRS	2009/10E IFRS	'0010/11E IFRS
<b>Restated</b>									
Gross Profit	23.0	42.1	60.4	47.4	37.6	16.5	22.5	29.8	30.1
Gross Margin %	12.3%	19.1%	25.4%	20.6%	17.7%	8.5%	10.7%	13.3%	13.4%
Administrative Expenses	23.9	20.8	25.8	24.8	22.9	20.2	18.9	19.4	19.5
Change in Admin Expenses		-13.0%	24.0%	-3.7%	-7.8%	-11.8%	-6.5%	3.0%	0.0%
Other	1.3	0.9	1.5	1.3	1.1	1.1	1.4	0.0	0.0
Profit on Insurance Recovery		0.0	0.0	3.3	0.0	0.0	0.0	0.0	0.0
Joint Venture/Associates	-0.4	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0
Operating Profit	0.0	22.2	36.1	27.4	15.8	-2.6	5.0	10.3	10.7
Asset Impairment Charge	0.0	0.0	0.0	0.0	0.0	-7.8	-5.5	0.0	0.0
Disposals/Exceptionals/JVs/I	-1.1	0.4	-0.8	2.3	1.8	-6.8	-1.2	-3.0	0.0
Interest Charge(-) or Credit (-)	-2.3	-1.5	-1.4	-1.7	-1.9	-3.6	-3.4	-1.1	0.0
Interest Cover X	0.0	14.8	26.7	15.8	8.3	n.a.	1.5	9.4	
<b>Declared Pre-tax Profit</b>	<b>-3.4</b>	<b>21.1</b>	<b>33.9</b>	<b>27.9</b>	<b>15.7</b>	<b>-20.9</b>	<b>-5.1</b>	<b>6.2</b>	<b>10.7</b>
<b>Adjusted Profit</b>	<b>-2.3</b>	<b>20.7</b>	<b>34.7</b>	<b>25.7</b>	<b>13.9</b>	<b>-6.3</b>	<b>1.6</b>	<b>9.2</b>	<b>10.7</b>
Tax Charge on Declared Profit %		28.4%	32.4%	26.5%	33.2%	0.0%	-99.4%	44.0%	35.0%
Tax Charge (- = credit) £m	0.8	6.0	11.0	7.4	5.2	0.2	-1.6	2.7	3.7
After Tax Profit	-4.2	15.1	22.9	20.5	10.5	-21.1	-3.5	3.5	6.9
Discontinued Operations				0.4	-3.1	0.0	0.0	0.0	0.0
Minority Interests	-0.1	-0.5	-0.4	-0.8	0.4	-0.2	0.0	0.0	0.0
For Ordinary Shareholders	-4.3	14.6	22.5	20.1	7.8	-21.3	-3.5	3.5	6.9
Declared EPS p.	-1.2	4.0	6.1	5.5	2.1	-5.9	-1.0	1.0	1.9
Cost of Dividend	0.0	3.7	6.6	4.4	8.8	0.0	0.0	1.8	2.7
Retained Earnings	-4.3	10.9	15.9	15.7	-1.1	-21.3	-4.3	1.7	4.2
<b>Adjusted EPS</b>	<b>-0.9</b>	<b>3.9</b>	<b>6.3</b>	<b>4.7</b>	<b>2.1</b>	<b>-5.1</b>	<b>0.2</b>	<b>1.8</b>	<b>1.9</b>
Divi p.	0.00	1.00	1.80	1.20	2.40	0.00	0.00	0.50	0.75
Avg No Shares m.	365.2	367.0	369.0	368.2	367.9	359.3	359.3	359.3	359.3

\* Loss from US Vending in 'Discontinued Operations'

Management	Major Shareholders
<p><b>Chairman:</b> Hugo Swire</p> <p><b>Deputy Chairman and Interim Joint CEO:</b> Serge Crasnianski</p> <p><b>Joint CEO:</b> Richard Seurat</p> <p><b>Group Finance Director:</b> Françoise Coutaz-Replan</p>	<p><b>Serge Crasnianski:</b> 22.2%</p> <p><b>Western Management Overseas Ltd:</b> 18.3%. Beneficial ownership: Philippe Wahl.</p> <p><b>Dan David:</b> 13.2%</p> <p><b>Schroder Investment Management:</b> 10.0%</p> <p><b>Artemis Investment Management:</b> 5.0%</p> <p><b>Legal &amp; General Group PLC:</b> 3.0%</p>
Key Dates	Key Milestones
<p><b>Interim results:</b> Wednesday 9 December 2009</p> <p><b>IMS:</b> March 2010</p> <p><b>Full year results:</b> Late June/early July 2010</p>	<p><b>2007:</b> Disagreement between directors and certain shareholders. Several directors resign.</p> <p><b>2008:</b> Re-lifing of fixed assets. Announcement of new strategy. End of rift between certain shareholders and the company.</p> <p><b>2009:</b> Sale of Imaging Solutions (wholesale lab manufacturing). Appointment of CEO Designate.</p>

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