

# PHOTO-ME

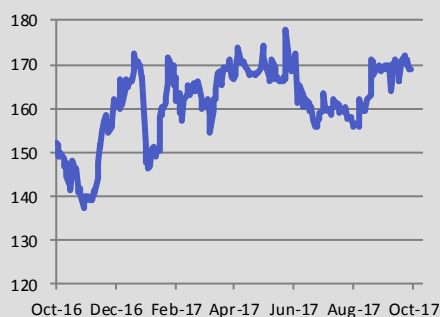
## SUPPORT SERVICES

### PHTM.L

170p

Market Cap: £616m

#### SHARE PRICE (p)



12m high/low

177.8p/137.4p

Source: LSE Data

#### KEY INFORMATION

Enterprise value	£579m
Index/market	LSE
Next news	Interim results
Gearing	n/a
Interest cover	n/a

PHOTO-ME IS A RESEARCH CLIENT OF  
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### In-line trading update

Ahead of its AGM, Photo-Me's trading update confirms that performance is "consistent with expectations". The announcement notes that the Group's investments in integrated identification technologies and the laundry business have remained a key focus. Revenues have grown by 11.2% in the first five months of Photo-Me's current financial year, aided by currency tailwinds. The Group has continued the rollout of its encrypted photo ID upload technology, while expansion of the owned and operated laundry business has continued in line with strategy. Photo-Me says that it is currently reviewing the progress of the UK Photo Division of Asda which it acquired last year. The outlook comment is overall positive, while noting some softening of the UK and Japanese markets. We make no changes to estimates at present noting the growth in revenues in the first five months of the current financial year which underpins our current numbers for FY 2018E.

- The trading outlook ahead of today's AGM statement remains positive and anticipates 'another year of progress'. Investment in new technologies and products continues and, at TRUSTECH in Cannes in November, Photo-Me will showcase retail banking services technology and proprietary 3D capture and enrolment technologies.
- The announcement notes further steps in the rollout of the Group's encrypted photo ID upload technology. It has deployed 178 secure digital upload enabled photobooths since the Irish Government launched its Online Passport Application service in April, and expects to roll out a total of 300 units by the end of April 2018.
- Testing of the Online Passport continues with the UK Passport Office and Photo-Me anticipates that the new service will be rolled out to photobooths across the UK in early 2018.
- The laundry business continues to perform in line with the Group's strategy to deploy 6,000 units (both owned and sold) by 2020. It has 66 launderettes in operation and continues to target acquisitive expansion of its presence in the launderette market (particularly in Japan). Following the (presumably small) acquisition of Inox and Tersus in the UK in July, it will look for further, similar, bolt-on acquisitions.
- As we note above, the Group is reviewing the progress of the UK Photo Division of Asda which it acquired last year. It expects to 're-shape' its digital printing operations to boost profitability and will update on any restructuring at the interim results.

YE APRIL (£M)	2016A	2017A	2018E	2019E
Sales	184.0	214.6	225.3	236.6
Adj EBITDA	56.7	69.2	73.9	78.4
Adj EPS (p)	7.7	9.3	9.7	10.2
DPS	5.86	7.03	8.44	8.86
P/E	22.1x	18.4x	17.5x	16.6x
EV/EBITDA	10.2x	8.4x	7.8x	7.4x
Yield	3.5%	4.1%	5.0%	5.2%

Source: Company Information and Progressive Equity Research estimates

## SUMMARY FINANCIALS

PROFIT & LOSS	FY-16A	FY-17A	FY-18E	FY-19E
<b>Revenue</b>	<b>184.0</b>	<b>214.6</b>	<b>225.3</b>	<b>236.6</b>
Adj EBITDA	56.7	69.2	73.9	78.4
<b>Adj EBIT</b>	<b>39.7</b>	<b>46.8</b>	<b>49.6</b>	<b>52.1</b>
Reported PBT	40.1	48.0	50.7	53.3
<b>Fully adj PBT</b>	<b>40.1</b>	<b>48.0</b>	<b>50.7</b>	<b>53.3</b>
NOPAT	29.2	47.2	28.1	24.3
Reported EPS (p)	7.7	9.3	9.7	10.2
<b>Fully adj EPS (p)</b>	<b>7.7</b>	<b>9.3</b>	<b>9.7</b>	<b>10.2</b>
Dividend per share (p)	5.9	7.0	8.4	8.9

CASH FLOW & BALANCE SHEET	FY-16A	FY-17A	FY-18E	FY-19E
Operating cash flow	49.4	61.2	74.2	78.7
Free Cash flow (£m)	(3.7)	(26.9)	10.2	8.6
FCF per share (p)	(1.0)	(7.1)	2.7	2.3
Acquisitions	(1.6)	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0
Shares issued	1.0	0.8	0.8	0.8
<b>Net cash flow</b>	<b>8.7</b>	<b>(25.5)</b>	<b>11.6</b>	<b>7.5</b>
Overdrafts / borrowings	(10.8)	(10.7)	(8.9)	(7.2)
Cash & equivalents	71.0	47.5	57.3	63.0
<b>Net (Debt)/Cash</b>	<b>60.2</b>	<b>36.8</b>	<b>48.4</b>	<b>55.9</b>

NAV AND RETURNS	FY-16A	FY-17A	FY-18E	FY-19E
Net asset value	122.8	129.2	135.1	141.2
<b>NAV/share (p)</b>	<b>32.7</b>	<b>34.3</b>	<b>35.7</b>	<b>37.1</b>
Net Tangible Asset Value	102.4	103.8	107.9	112.7
<b>NTAV/share (p)</b>	<b>27.3</b>	<b>27.5</b>	<b>28.5</b>	<b>29.6</b>
Average equity	113.6	126.0	132.1	138.2
<b>Post-tax ROE (%)</b>	<b>25.6%</b>	<b>27.7%</b>	<b>27.9%</b>	<b>28.1%</b>

METRICS	FY-16A	FY-17A	FY-18E	FY-19E
Revenue growth	3.8%	16.6%	5.0%	5.0%
Adj EBITDA growth	9.5%	22.1%	6.8%	6.1%
Adj EBIT growth	14.1%	17.1%	6.1%	5.0%
Adj PBT growth	14.6%	20.2%	5.7%	5.1%
Adj EPS growth	3.9%	19.9%	5.2%	5.1%
Dividend growth	30.1%	44.1%	20.0%	5.0%
Adj EBIT margins	21.6%	21.8%	22.0%	22.0%

VALUATION	FY-16A	FY-17A	FY-18E	FY-19E
EV/Sales	3.1	2.7	2.6	2.4
EV/EBITDA	10.2	8.4	7.8	7.4
EV/NOPAT	19.8	12.3	20.6	23.8
PER	22.1	18.4	17.5	16.6
Dividend yield	3.5%	4.1%	5.0%	5.2%
FCF yield	-0.6%	-4.2%	1.6%	1.3%

Source: Company information, Progressive Equity Research estimates

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