

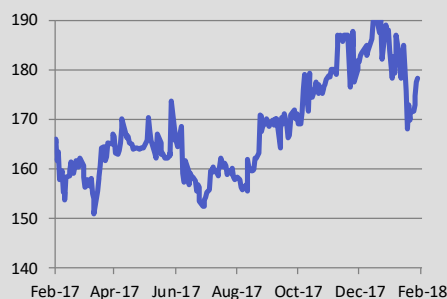
## PHOTO-ME INTL SUPPORT SERVICES

### PHTM.L

178p

Market Cap: £671m

#### SHARE PRICE (p)



12m high/low

191.4p / 151.0p

Source: LSE Data

#### KEY INFORMATION

Enterprise value	£634m
Index/market	LSE
Next News	Final Results June 2018
Gearing	n/a
Interest cover	45x

PHOTO-ME LTD IS A RESEARCH CLIENT  
OF PROGRESSIVE

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## Proposed Listing of Max Sight Ltd

Photo-Me has an 18.33% ownership holding in Max Sight Ltd, a leading operator of ID photo booths in Hong Kong and Guangdong Province, China. Max Sight intends to raise a net HK\$39m, by way of a share offer, to expand its current operations. This represents 25% of the enlarged share capital. Photo-Me's holding will consequently be reduced to 13.75%. Assuming the shares trade at the mid-point of the indicative offer range, the revaluation of Photo-Me's holding would result in an unrealised gain of £3m in FY18 which will be recognised in the Income Statement and marked to market at every subsequent reporting date. We have left our EPS forecast unchanged at 9.7p for FY2018E, ahead of the planned first day of trading on 28 February.

- Max Sight Ltd operates photo booths in both Hong Kong and Guangdong Province, China. For the year ended 31 December 2016 it reported revenues of HK\$47.5m and gross profits of HK\$20.8m. Photo-Me's current shareholding is 18.33%. Photo-Me has been a supplier of photo booths to Max Sight for over 24 years. In July 2017, Photo-Me and Max Sight entered into a Master Supply Agreement which will run until 31 December 2019.
- Max Sight intends to offer 200m shares at HK\$0.30-HK\$0.35. The new shares will represent 25% of the enlarged share capital. Assuming the shares are placed at the mid-point of HK\$0.325, the net proceeds, after underwriting fees and other expenses associated with the offer, are expected to be HK\$39m. The pricing of the offer will be finalised on 23 February and trading will commence on 28 February and the proceeds will be used to expand and upgrade the Group's current network of photo booths.
- The placing will dilute Photo-Me's holding to 13.75%. Photo-Me will not participate in the offer and intends to retain its holding for at least six months after the completion of the share offer. Assuming the shares trade at HK\$0.325, the mid-point of the range, Photo-Me's holding would have an implied fair value of approximately £3.3m. This would result in a revaluation gain of £3m. This unrealised gain will be recognised in Photo-Me's Income Statement with the holding being marked to market at each subsequent balance sheet date. Movements in fair value will be recognised in the Income Statement.

FYE APR	2016A	2017A	2018E	2019E
Revenue (£m)	184.0	214.6	225.3	236.6
Adj. EBITDA (£m)	56.7	69.2	73.9	78.4
Adj. EPS (p)	7.7	9.3	9.7	10.2
DPS (p)	5.86	7.03	8.44	8.86
P/E	23.0x	19.2x	18.3x	17.4x
EV/EBITDA	11.2x	9.2x	8.6x	8.1x
YIELD	3.3%	3.9%	4.7%	5.0%

Source: Company Information and Progressive Equity Research estimates

## SUMMARY FINANCIALS

PROFIT & LOSS	FY1-16A	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>40.0</b>	<b>46.8</b>	<b>49.6</b>	<b>52.1</b>
Reported PBT	40.0	48.0	50.7	53.3
<b>Fully adj PBT</b>	<b>40.0</b>	<b>48.0</b>	<b>50.7</b>	<b>53.3</b>
NOPAT	54.6	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-17A	FY-18E	FY-19E	
Operating cash flow	37.6	61.2	74.2	78.7
Free Cash flow (£m)	37.6	5.7	36.7	40.5
FCF per share (p)	10.0	1.5	9.7	10.7
Acquisitions	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0
Shares issued	0.0	0.8	0.8	0.8
<b>Net cash flow</b>	<b>19.4</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>32.6</b>	<b>34.3</b>	<b>35.8</b>	<b>37.4</b>
Net Tangible Asset Value	102.4	103.8	107.9	112.7
<b>NTAV/share (p)</b>	<b>27.2</b>	<b>27.5</b>	<b>28.6</b>	<b>29.9</b>
Average equity	113.6	126.0	132.1	138.2
<b>Post-tax ROE (%)</b>	<b>25.7%</b>	<b>27.7%</b>	<b>27.9%</b>	<b>28.1%</b>

METRICS	FY-16A	FY-17A	FY-18E	FY-19E
Revenue growth	<i>n.a.</i>	16.6%	5.0%	5.0%
Adj EBITDA growth	<i>n.a.</i>	22.1%	6.8%	6.1%
Adj EBIT growth	<i>n.a.</i>	16.8%	6.1%	5.0%
Adj PBT growth	<i>n.a.</i>	19.9%	5.7%	5.1%
Adj EPS growth	<i>n.a.</i>	19.5%	5.2%	5.1%
Dividend growth	<i>n.a.</i>	20.0%	20.0%	5.0%
Adj EBIT margins	21.8%	21.8%	22.0%	22.0%

VALUATION	FY-16A	FY-17A	FY-18E	FY-19E
EV/Sales	3.4	3.0	2.8	2.7
EV/EBITDA	11.2	9.2	8.6	8.1
EV/NOPAT	11.6	13.4	22.6	26.1
PER	23.0	19.2	18.3	17.4
Dividend yield	3.3%	3.9%	4.7%	5.0%
FCF yield	5.6%	0.9%	5.4%	6.0%

Source: Company Information and Progressive Equity Research Estimates.

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