

# PHOTO-ME INTERNATIONAL

## SUPPORT SERVICES

### PHTM.L

106.2p

Market Cap: £402.5m

#### SHARE PRICE (p)



12m high/low

191.4p/100p

Source: LSE Data

#### KEY INFORMATION

Enterprise value	£378.3m
Index/market	LSE
Next news	Finals, June 2019
Gearing	N/A
Interest cover	N/A

PHOTO-ME INTERNATIONAL IS A  
RESEARCH CLIENT OF PROGRESSIVE

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## Interim Results

Photo-Me has announced H1 2019E results. Underlying revenue grew 2.5% and although adjusted PBT fell 7.9%, the Group maintains its strong cash generation with net cash of £32.4m. Laundry continues to perform strongly, ID saw growth through the roll-out of secure upload enabled booths, the first banking booths were launched in France and the Japanese re-structuring is proceeding as expected. The Group maintains its full year estimate of c.£44m adjusted PBT but notes that the ability to achieve this will be dependent upon consumer sentiment, the economic environment and foreign exchange movements.

- Underlying revenue for H1 2019E grew by 2.5%, this excluded a £5.3m drop in revenues at the newly re-structured Photo-Me Retail business, which equates to a 2.0% drop in total revenues. Adjusted EBITDA margins were 34.7% compared to 36.7% for H1 2018. Adjusted PBT fell from £29.0m in H1 2018 to £26.7m. The Group maintained a strong balance sheet generating £36.1m of cash during H1 2019E.
- The expansion of the Revolution laundry business continued apace and the number of units deployed increased by 30% during H1 2019. There was, however, reduced revenue in the B2B laundry business, particularly in the UK, although the Group expects this order lag to be reversed over the remainder of FY2019E.
- The ID division revenues grew by 1% and continued to benefit from expansion in secure upload technology with roll-out of booths for UK passports and continuing negotiations with the Dutch and French governments. The first of the new banking booths were also launched in France, in line with projections.
- Japan is recovering faster than had previously been expected and excluding Japanese re-structuring costs of £1.2m, operating profit in Asia grew by 15%. We forecast total costs of £4m associated with the re-structuring. The Group remains confident that this will be completed and the Japanese ID business will return to growth in FY2019E.
- The Group re-iterated its guidance that adjusted PBT for the full year will be c.£44m, in line with our forecast. However, the Group notes that there are risks associated with this. In particular consumer sentiment, the wider economic environment and foreign exchange movements. The current share price implies a PER of 11.6x for FY2019E and an attractive dividend yield of 7.9%.

FYE APR (£M)	2017	2018	2019E	2020E
Revenue	214.6	229.8	240.1	250.9
Adj EBITDA	69.0	68.5	70.2	75.5
Fully Adj PBT	48.0	44.0	44.2	48.4
Fully Adj EPS (p)	9.3	8.8	9.1	9.9
EV/Sales (x)	1.8	1.6	1.6	1.5
EV/EBITDA (x)	5.5	5.5	5.4	5.0
PER (x)	11.5	12.0	11.6	10.7

Source: Company Information and Progressive Equity Research estimates

## Financial Summary: Photo-Me International

Year end: April (£m unless shown)

	2017	2018	2019E	2020E
<b>PROFIT &amp; LOSS</b>				
Revenue	214.6	229.8	240.1	250.9
Adj EBITDA	69.0	68.5	70.2	75.5
Adj EBIT	46.8	43.6	44.2	48.4
Reported PBT	48.0	50.2	40.7	48.4
Fully Adj PBT	48.0	44.0	44.2	48.4
NOPAT	35.1	40.3	31.8	37.8
Reported EPS (p)	9.3	10.6	8.4	9.9
Fully Adj EPS (p)	9.3	8.8	9.1	9.9
Dividend per share (p)	7.0	8.4	8.4	8.9
<b>CASH FLOW &amp; BALANCE SHEET</b>				
Operating cash flow	61.2	58.5	69.4	74.9
Free Cash flow	5.7	6.4	35.5	39.2
FCF per share (p)	1.5	1.7	9.3	10.3
Acquisitions	0.0	(1.4)	(4.2)	0.0
Disposals	0.0	0.0	0.0	0.0
Shares issued	0.8	1.4	0.8	0.8
Net cash flow	(23.5)	8.7	0.0	7.7
Overdrafts / borrowings	(10.7)	(33.7)	(33.7)	(33.7)
Cash & equivalents	47.5	58.7	58.6	66.3
Net (Debt)/Cash	39.2	26.7	24.9	32.7
<b>NAV AND RETURNS</b>				
Net asset value	129.3	144.8	146.0	152.0
NAV/share (p)	34.1	38.2	38.5	40.1
Net Tangible Asset Value	104.0	117.4	117.6	123.0
NTAV/share (p)	27.5	31.0	31.0	32.4
Average equity	126.0	137.1	145.4	149.0
Post-tax ROE (%)	27.8%	29.4%	21.9%	25.4%
<b>METRICS</b>				
Revenue growth	16.6%	7.1%	4.5%	4.5%
Adj EBITDA growth	22.1%	(0.8%)	2.6%	7.6%
Adj EBIT growth	24.4%	(6.8%)	1.4%	9.5%
Adj PBT growth	19.9%	(8.4%)	0.6%	9.5%
Adj EPS growth	19.5%	(4.7%)	3.7%	8.6%
Dividend growth	20.0%	20.0%	0.0%	5.0%
Adj EBIT margins	21.8%	19.0%	18.4%	0.0%
<b>VALUATION</b>				
EV/Sales (x)	1.8	1.6	1.6	1.5
EV/EBITDA (x)	5.5	5.5	5.4	5.0
EV/NOPAT (x)	10.8	9.4	11.9	10.0
PER (x)	11.5	12.0	11.6	10.7
Dividend yield	6.6%	7.9%	7.9%	8.3%
FCF yield	1.4%	1.6%	8.8%	9.7%

Source: Company information and Progressive Equity Research estimates

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