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Photo-Me

10 June 2020

Photo-Me International plc
("Photo-Me" or "the Group")

Trading Update

Photo-Me International plc (PHTM.L), the instant-service equipment group, announces an update on the Group's trading for the 12 months ended 30 April 2020 and its cash position.

Trading Update

As previously announced, the COVID-19 pandemic has severely impacted all the Group's end markets, and the majority of expected Group revenue in March and April did not materialise. Trading has also been weaker in Asia (especially China) since the second part of January to date.

Consequently, the Group's overall trading performance for the four months ended 30 April 2020 was significantly affected. Total Group revenue is now expected to be 5.5% lower than in the previous 12 months to 30 April 2019. Profit before tax before deduction of the provisions detailed below is expected to be approximately £28 million, compared with £42.6 million for the 12 months to 30 April 2019, with a similar reduction in operating cash flows.

The Board has acted (and continues to act) to mitigate the impact of the current environment on the business and to preserve cash. Steps taken to date include reducing capital expenditure; utilising governmental support schemes available to the Group, such as furloughing employees through job retention schemes, deferring repayment of loans and withdrawal of the interim dividend payment to shareholders. All members of the Board will take a voluntary 20% reduction in salary, from 1 July 2020 to at least the end of December 2020, and bonus payments for all management are being reviewed.

Nevertheless, the Group has decided to include provisions of £14 million to £18 million, which mainly relates to impairment of goodwill and write down of the carrying value of non-profitable machines due to the disruption caused by the unprecedented COVID-19 situation. This also includes a provision for the anticipated cost of a major reorganisation of Photo-Me's UK business which has experienced a significant loss in identification revenue, due to reduced consumer activity. The Government's policy to accept photos taken at home for passport identification, has taken a significant part of Photo-Me's market share for ID photos. In response to this and the challenging COVID-19 trading environment, the Group plans to restructure its UK operations. The Group also plans to restructure its operations in China and South Korea. In addition, there are provisions for receivables from customer defection, and installation of security tools in the photobooths.

Profit before tax for the 12 months ended 30 April 2020 (including the provision of £14 million to £18 million) is now expected to be in the range of £10 million to £14 million.

Update on funding and liquidity

As at 30 April 2020, the Group had gross cash of £66.5 million, drawn debt facilities of £58.5 million (to be repaid by April 2025), resulting in a net cash balance of £8 million.

Since the end of April 2020, the Group has obtained additional debt funding to ensure that it has sufficient liquidity during this uncertain period. A €30 million loan was secured with three French banks participating under the French government-backed “PGE” scheme. The Group has the right to make the loan repayment after one and within five years without penalty.

The Group continues to comply with all its banking covenants.

With this additional funding in place, the Board believes that the Group has the financial resources to ensure it has sufficient liquidity available and anticipates it will continue to operate within its banking covenants, subject to a modest improvement in trading conditions over the coming months.

Looking forward

As previously announced on 27 March 2020, the Board has withdrawn current market guidance until more clarity is known around the outlook of the business becomes clearer.

Since the period end, total Group revenue has remained at the lower levels seen in March and April. The ongoing governmental travel bans and restrictions on the movement of people continue to reduce demand significantly for photo ID via photobooths as well as the use of children’s rides, which together account for approximately 63% of Group revenue. The Board is reasonably confident that as lockdown restrictions are eased, consumer demand will return; however, it is likely it will take time to recover to pre-COVID-19 levels. The Group continues to diversify its operations through its Laundry and KIS Food business areas.

The Board continues to closely monitor the COVID-19 situation as lockdown measures are eased and will review its options and take further action where possible to restructure the business and align operations to the current market conditions and consumer activity levels.

As announced, the Board has extended the Group’s current financial year end to 31 October 2020. The Group intends to announce an interim statement from 1 May 2019 to April 2020 on 7 July 2020.

ENQUIRIES

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NOTES TO EDITORS

Photo-Me International plc (LSE: PHTM) operates, sells and services a wide range of instant-service vending equipment, primarily aimed at the consumer market.

The Group operates vending units across 18 countries and its technological innovation is focused on three principal areas:

- Identification: photobooths and integrated biometric identification solutions
- Laundry: unattended laundry services, launderettes, B2B services
- Kiosks: high-quality digital printing

The Group entered the self-service fresh fruit juice equipment market in April 2019, with the acquisition of Sempa. This will become a key business area ('KIS Food') alongside Identification, Laundry and Kiosks, and will be a significant part of the Group's future growth strategy.

In addition, the Group operates vending equipment such as children's rides, amusement machines and business service equipment.

Whilst the Group both sells and services this equipment, the vast majority of units are operated and maintained by Photo-Me. Photo-Me pays the site owner a commission based on turnover, which varies depending on the country and location of the machine.

The Group has built long-term relationships with major site owners and its equipment is generally sited in prime locations in areas of high footfall such as supermarkets, shopping malls (indoors and outdoors) and public transport venues. The equipment is maintained and serviced by an established network of 700 field engineers.

The Company's shares have been listed on the London Stock Exchange since 1962.