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Photo-Me

9 December 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 and cash position.

Trading Update

Since publication of the Group's results on 7 July 2020, trading across all of the Group's end markets and business areas has continued to be severely impacted by the COVID-19 pandemic as a result of significantly lower consumer demand for its vending equipment and services.

The Group's instant-service machines are typically situated in busy locations, such as travel hubs and shopping centres. Ongoing government lockdown restrictions, constraints on international travel, and social distancing rules across its jurisdictions have significantly impacted consumer activity, most notably for photobooths (-26% from 1 May to 31 October 2020 compared to last year same period) and more deeply for children's rides, which represented only 1.2% of total Group revenue during the same six-month period.

The Group saw a slight return of consumer activity as countrywide and regional lockdowns were eased across Europe in the summer. However, since then the increase in infection rates resulted in new national and local government lockdown measures being implemented, and revenue has once again been significantly impacted. Nevertheless, Revolution laundry machines remain resilient with average revenue down only -2% compared with the same period last year.

Consequently, total Group revenue for the six months ended 31 October 2020 is expected to be 26% lower than in the six months ended 31 October 2019.

Profit before tax for FY20 (18 months to 31 October 2020), excluding IFRS16 impact, is expected to be approximately £0.5 million, taking account of the previously announced £23.7 million impact from exceptional items, provisions and impairment in the 12 months ended 30 April 2020, and a second impact of approximately £7 million in the six months ended 31 October 2020. The Group was cash flow positive in the period.

As a result of the difficult operating environment, the Group utilised government furlough schemes where available and may seek to continue to use the schemes as necessary in the future.

Diversification of the Group's product offering has remained a key priority for the Board during this time. The expansion of the Group's Laundry operations has continued, with 203 Revolution machines being installed between May to October 2020. In addition, new professional apple and pineapple juice machines have been developed and are undergoing market testing with promising results in a number of locations across France and Belgium.

Update on restructuring programmes

The Group has made good progress with its previously announced restructuring programmes to remove unprofitable machines across the UK, China and South Korea, and is adapting to a lower consumer activity environment. These machines are predominately photoboosts and children's rides which will be decommissioned, refurbished or relocated to other countries or sold to third parties, depending on the age and condition of the machine.

The Group now expects to remove approximately 3,000 photoboosts in the UK, 700 units in China and 200 units in South Korea. In Continental Europe (mainly France, the Netherlands and Spain), the Group plans to remove 1,000 machines. Together, these programmes will reduce the number of photoboosts in operation by around 17%, successfully streamlining the business and aligning its vending estate to expected lower consumer activity in the short to medium term.

Update on funding and liquidity

As at 31 October 2020, the Group had a net cash balance of £22 million.

The Group continues to comply with its banking covenants, with the exception of a breach of the covenant relating to the loan from BNP Paribas ("BNP") owing to the impacts caused by the COVID-19 pandemic. However, BNP has confirmed that this covenant has been waived owing to the exceptional circumstances that gave rise to it. Photo-Me and BNP have agreed in principle to amend the existing gross cash to debt covenant, to give Photo-Me more flexibility in the current environment. Subject to agreeing the amended terms, the Group does not expect to breach this covenant going forward.

In the light of the second wave of COVID-19 and further lockdown measures, the Board's scenario planning indicates that the Group has sufficient liquidity to navigate this uncertain period following the amendment of the Group's BNP loan facility as described above.

Governance

The Group announces, in accordance with Listing Rule 9.6.11 that, Jean-Marc Janailhac will step down as a member of the Remuneration Committee and Audit Committee with immediate effect. Mr. Janailhac was appointed an Executive Director of Photo-Me on 17 July 2020, having served as a Non-executive Director since July 2019. He chairs the Strategic Committee whose members include the top five managers of the Group and the CEO.

Following this change, members of the Audit Committee and Remuneration Committee are set out below:

Audit Committee

- Jean-Marcel Denis, Non-executive Director (Committee Chairman)
- Sir John Lewis OBE, Non-executive Chairman
- Emmanuel Olympitis, Non-executive Director
- Françoise Coutaz-Replan, Non-executive Director
- Yitzhak Apeloig, Non-executive Director

Remuneration Committee

- Emmanuel Olympitis, Non-executive Director (Committee Chairman)
- Sir John Lewis OBE, Non-executive Chairman
- Jean-Marcel Denis, Non-executive Director

Membership of the Nomination Committee remains as follows:

- Sir John Lewis OBE (Committee Chairman)
- Emmanuel Olympitis, Non-executive Director
- Jean-Marcel Denis, Non-executive Director

Looking forward

The Board has acted, and continues to act, to mitigate the impact of the current trading environment on the business and to preserve cash. The COVID-19 situation is being closely monitored as government lockdown measures across the Group's operating jurisdictions change. The Board will continue to closely review its vending estate in light of the continuing uncertainty and assess the need for further restructuring measures and will seek to take action as required.

Due to the second wave of COVID-19 and its possible long-term global effects on the economy and social interactions, the Board has very limited visibility on how the market will be in 2021. Nevertheless, subject to the above, the Board estimates and has budgeted for revenue of £175 million in FY21 (12 months to 31 October 2021), and estimates profit before tax will be £9 million before any exceptional items, and also estimates that the Group will be cash flow positive. Even in a downside scenario, the Board believes that the Group's existing financial resources will be sufficient for the Group to withstand the uncertain economic conditions which are currently expected in 2021.

As announced in March 2020, the Board extended the Group's financial year end by six months to 31 October 2020. The Group will publish its results for the 18 months ended 31 October 2020 in February 2021.

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.