

Photo-Me

24 October 2018

Photo-Me International plc
(“Photo-Me” or “the Group”)

AGM Trading Update

Photo-Me International plc (PHTM.L), the instant-service equipment group, will hold its Annual General Meeting at 2:00 p.m. today. Ahead of the meeting, the Group announces the following trading update covering the first five months of its financial year.

Trading in the period has been in line with expectations. The Group has continued to make good strategic and operational progress across its principal business areas and action has been taken to restructure its Japanese subsidiary.

Identification

Deployment of the Group’s encrypted photo ID upload technology has continued to progress well. In the UK, a total of 2,700 photoboos are now enabled for UK Passport renewals, and the Group is targeting the deployment of 4,000 enabled photoboos by the end of December 2018.

In France, more than 80% of the Group’s photoboos in the country have been upgraded with secure photo ID transfer technology for driving licence renewals, and this technology is expected to be deployed in all photoboos by the end of December 2018. Discussions are continuing within the French government to extend this technology to include photo ID for new passports and identification cards.

The Group is also in advanced discussions with the Dutch government to deploy this technology in photoboos in the Netherlands for use in driving licences, and a further update will be provided as appropriate.

Restructuring of Japanese subsidiary

In Japan, the Group has taken decisive action and implemented its plan to restructure its Japanese subsidiary and re-align activities with current market conditions. In line with the announcements about the restructuring plan on 30 May 2018 and 10 July 2018, a management reorganisation has been completed, administrative functions have been streamlined, low revenue machines have been relocated and unprofitable units have been removed. In addition, new units deployed will have a significantly lower production cost than the units deployed previously and will offer a 35% faster return on investment.

Whilst the photo-identification market in Japan remains highly competitive, the benefits of Photo-Me’s initiatives are becoming evident earlier than initially expected. The Board is confident that its Japanese subsidiary will return to growth in FY 2019.

Laundry

The expansion of Laundry operations, both organically and by acquisition, remained a key focus in the period, with the Group still on track to deploy its target of 6,000 units (owned and sold) by 2020.

For the first time, the Group expanded its Laundry services presence beyond the UK in May 2018, with the acquisition of La Wash Group, a leader in the Spanish laundry franchise market. The Group expects to benefit from a £0.7 million contribution from La Wash in FY2019.

Expansion of Revolution laundry operations has continued strongly, particularly in Portugal, Ireland and France, and there has been good expansion the UK. The Group is investigating deployment of Laundry operations into Germany where it has existing presence, and Italy.

Kiosks

The kiosk market is stable and has continued to perform as expected. In line with plan, the Board expects Photo-Me Retail to be profitable in FY 2019 as the benefits from the actions taken last year come through.

The Group will continue to opportunistically expand its kiosk presence and will present innovative products based on direct connectivity with smartphones.

Innovation

Investment in new technologies and products is ongoing. The first banking booth, which will provide front-end retail banking services to customers, will be piloted in Paris before the end of October in collaboration with Anytime, a Belgium Fintech company.

Looking forward

The Group remains focused on driving profitability across its existing estate and using the steady cash flows generated to invest in future growth, through the expansion of both its geographical footprint and developing new and complementary products

The Board has swiftly addressed the issues in Japan to recalibrate the Group's operations to the more challenging market conditions in the country. The Board is confident this business will return to growth in FY 2019.

The Board maintains its guidance for the full-year results. Results for H1 2019 will be in line with those for the corresponding period in the prior year, excluding an exchange gain and a favourable commercial litigation outcome in H1 2018.

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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 approximately 47,000 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

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.