

PNI Digital Media Announces Fiscal 2010 First Quarter Financial Results

Strongest Quarter in Company's History

VANCOUVER, BC – February 11th, 2010 - PNI Digital Media (TSX–V: PN; OTCBB: PNDMF), (“PNI” or the “Company”), the leading innovator in digital media solutions for retailers, announced financial results for the first quarter of Fiscal Year 2010. Revenue for the quarter was \$7.8 million, representing an increase of 8% over the same period last year on a reported basis. Excluding the impact of changes in exchange rates, revenue for the first quarter of Fiscal 2010 would have been \$8.4 million, or an increase of 16% over the same period last year.

First Quarter Fiscal 2010 Financial Highlights:

Record revenues of \$7.8 million, compared to \$7.2 million in the first quarter of Fiscal 2009 and an increase of 14% when compared sequentially to \$6.8 million for the fourth quarter of last year.

Record transactional revenue of \$6.2 million, compared to \$5.8 million during the first quarter of Fiscal 2009.

Net profit for the quarter increased 32% to \$1.2 million compared to \$0.9 million in the first quarter of Fiscal 2009.

Cash expenses fell 1% to \$5.0 million for the quarter, with overall expenses falling 5% compared to the same period last year.

Non-GAAP adjusted EBITDA1 of \$2.7 million, an increase of 19% compared to \$2.3 million during the first quarter of Fiscal 2009.

In October 2009, the Company fully repaid the short-term loan outstanding, which totaled \$937,548.

“PNI achieved the strongest quarter in our Company’s history, with record revenue and a 32% increase in profitability,” said Kyle Hall, Chief Executive Officer of PNI Digital Media. “In addition, we lowered our operating expenses year-over-year, demonstrating the strength of our business model as we expanded our profitability at a much greater rate than we grew revenue. We are committed to our 2010 goals of growing revenue and EBITDA, and driving into new verticals by leveraging the strength and flexibility of the PNI Digital Media Platform. The substantial financial progress we made in the first quarter indicates that we are on the right path to achieve these goals.”

Operational and Corporate Highlights:

The PNI Digital Media transaction platform handled a record 5.6 million orders during the first quarter, compared to 4.8 million during the first quarter of Fiscal 2009.

The Company successfully achieved 100% uptime during the critical retailer holiday season for the second consecutive year.

Share Buy Back Program:

The Board of Directors has authorized a share buy-back program. Further details will be available in the coming weeks.

	December 31, 2009	September 30, 2009
Assets		
Current assets		
Cash and cash equivalents	\$ 6,548,611	\$4,237,284
Accounts receivable	5,209,883	4,855,114
Prepaid expenses and other current assets	306,443	312,687
	12,064,937	9,405,085
Property and equipment	5,857,837	6,174,920
Intangible assets	2,913,613	3,892,211
Goodwill	1,623,851	1,664,759
	\$ 22,460,238	\$21,136,975
Liabilities		
Current liabilities		



Accounts payable and accrued liabilities	\$9,541,726	\$7,785,812
Purchase consideration payable	415,330	869,803
Current portion of deferred revenue	351,109	410,088
Current portion of capital lease obligations	433,376	490,072
Loan payable	-	937,548
Asset retirement obligation	10,029	41,503
	10,751,570	10,534,826
Deferred revenue	263,096	195,059
Long-term portion of capital lease obligations	-	38,500
Restructuring liability	135,694	176,056
	11,150,360	10,944,441
Shareholders' Equity		
Share capital	\$ 66,017,456	\$ 66,017,456
Contributed surplus	18,706,163	18,521,086
	84,723,619	84,538,542
Deficit	(71,292,491)	(72,536,814)
Accumulated other comprehensive loss	(2,121,250)	(1,809,194)
	(73,413,741)	(74,346,008)
	11,309,878	10,192,534
	\$ 22,460,238	\$ 21,136,975

PNI Digital Media Inc.

Non-GAAP Adjusted EBITDA Reconciliation

The following table provides a reconciliation of the Company's profit reported in accordance with GAAP to non-GAAP Adjusted EBITDA

	Three Months Ended	
	December 31, 2009	December 31, 2008
Net profit in accordance with GAAP	\$ 1,244,323	\$ 940,644
Amortization	1,372,816	1,399,028
Interest expense	28,883	63,380
Income tax expense	64,912	-
Stock based compensation expense	185,077	453,383
Unrealized foreign exchange (gain)	(167,973)	(564,460)
Non-GAAP Adjusted EBITDA	\$ 2,728,038	\$ 2,291,975

Notes

1 - Non-GAAP Measures



The Company continues to provide all information required in accordance with GAAP, but believes evaluating its ongoing operating results may not be as useful if an investor is limited to reviewing only GAAP financial measures. Accordingly, the Company uses non-GAAP financial information to evaluate its ongoing operations and for internal planning and forecasting purposes. The primary non-GAAP financial measures utilized by the Company include adjusted EBITDA and adjusted EBITDA per share. Adjusted EBITDA is defined as earnings before interest expense, taxes, depreciation, amortization, unrealized foreign currency gains and losses and stock-based compensation.

To supplement the Company's financial statements presented on a GAAP basis, we believe that these non-GAAP measures provide useful information about the Company's core operating results and thus are appropriate to enhance the overall understanding of the Company's past financial performance and its prospects for the future. These adjustments to the Company's GAAP results are made with the intent of providing both management and investors a more complete understanding of the Company's underlying operational results and trends and performance. Management uses these non-GAAP measures to evaluate the Company's financial results, develop budgets, manage expenditures, and determine employee compensation. The presentation of additional information is not meant to be considered in isolation or as a substitute for or superior to net income (loss) or net income (loss) per share determined in accordance with GAAP.

Currency

All amounts are expressed in Canadian dollars. This notice is qualified in its entirety by reference to the company's financial statements and accompanying Management Discussion and Analysis, which are accessible on the SEC'S website at www.sec.gov/edgar.shtml and on SEDAR at www.sedar.com.

Conference Call

PNI Digital Media will host a conference call today, Thursday, February 11th, 2010 at 4:30pm ET (1:30pm PT) to discuss the company's Fiscal 2010 first quarter financial results. Investors and interested parties should dial 1 (888)-300-8196 (US/Canada) or 1 (647)-427-3426 (International) and quote conference ID no. 50841775. Please call 10 minutes prior to the scheduled start time.

PNI Digital Media will provide a live webcast and downloadable presentation, available at the company's website <http://www.pnimedia.com/webcast>.

About PNI Digital Media- PNI Digital Media generates and transacts personalized content orders on behalf of the world's largest retailers by way of proprietary online, kiosk and mobile software, for pick up in store in as little as one hour. PNI Digital Media successfully generates millions of transactions each year for retailers and their thousands of locations worldwide.

For more information please visit www.pnimedia.com.

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The statements that are not historical facts contained in this release are forward-looking statements that involve risks and uncertainties. PNI Digital Media's actual results could differ materially for those expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, changes in technology, employee retention, inability to deliver on contracts, failure of customers to continue marketing the online solution, competition, general economic conditions, foreign exchange and other risks detailed in the Company's annual report and other filings. Additional information related to the Company can be found on SEDAR at www.sedar.com and on the SEC'S website at www.sec.gov/edgar.shtml. The information contained herein is subject to change without notice. PNI Digital Media shall not be liable for technical or editorial errors or omissions contained herein.

The TSX Venture Exchange has neither approved nor disapproved the information contained in this release. PNI Digital Media relies upon litigation protection for "forward-looking" statements.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts



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