

PNI Digital Media Announces Fiscal 2009 Year-End and Fourth Quarter Financial Results

Record Revenue, Record Cash Flow Generation for FY 2009; Profitable Fourth Quarter.

VANCOUVER, BC – December 14th, 2009 - PNI Digital Media (TSX-V: PN; OTCBB: PNDMF), (“PNI” or the “Company”), the leading innovator in digital media solutions for retailers announced revenue for the full year Fiscal 2009 was \$24.4 million, representing an increase of 43% over the same period last year. Non-GAAP adjusted EBITDA¹ for the year was \$6.2 million, compared to a non-GAAP adjusted EBITDA loss of \$2.2 million during Fiscal Year 2008. Furthermore, PNI Digital Media transacted a record 14.6M orders for the year, an increase of 94% compared to Fiscal Year 2008.

Fourth Quarter revenue was also a record for a non-holiday quarter with the quarter coming in at \$6.8 million and generating non-GAAP adjusted EBITDA of \$2.2 million or \$0.06 per share. The Company posted a GAAP profit of \$0.6 million for the Quarter and Earnings Per Share of \$0.02.

PNI Digital Media will host a conference call today, Monday, December 14th at 4:30pm ET (1:30pm PT) to discuss the company’s Fiscal 2009 year-end and fourth 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. 39626339. Please call 10 minutes prior to the scheduled start time. PNI Digital Media will also provide a live webcast, available at the company’s website <http://www.pnimedia.com/webcast>.

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.

“In addition to strong revenue results and the near doubling of transactions processed this past year, PNI had its highest EBITDA generating, non-holiday quarter in company history,” said Kyle Hall, Chief Executive Officer of PNI Digital Media. “We generated positive cash flow in each quarter of Fiscal 2009 while reducing cash expenses by 1% year over year. We remain committed to increasing positive cash flow going forward.”

Financial Highlights:

FY 2009

- Record revenues of \$24.4 million in Fiscal 2009 compared to \$17 million in Fiscal 2008
- Transactional revenue of \$18.1 million, an increase of 56% year-on-year
- Transaction fees representing 74% of total revenue vs. 68% during Fiscal 2008
- Non-GAAP adjusted EBITDA of \$6.2 million in Fiscal 2009, compared to a non-GAAP adjusted EBITDA loss of (\$2.2) million during Fiscal 2008
- Non-GAAP adjusted EBITDA per share of \$0.18 compared to a non-GAAP adjusted EBITDA loss per share of (\$0.07) in fiscal 2008.

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Fourth Quarter 2009

- Record revenue for Q4 2009 of \$6.8 million compared to \$5.3 million in Q4 of Fiscal 2008
- Record non-GAAP adjusted EBITDA of \$2.2 million for Q4 2009 compared to an adjusted EBITDA loss of (\$0.2) million in Q4 of fiscal 2008
- Profit of \$0.6 million for Q4 2009 compared to a loss of (\$2.7) million for Q4 2008.
- Earnings per share on a GAAP basis for Q4 2009 of \$0.02 compared to a loss of (\$0.08) in Q4 2008.
- Non-GAAP adjusted EBITDA per Share for Q4 2009 of \$0.06 compared to a loss of (\$0.01) in Q4 2008.

Notes:

¹ – Adjusted EBITDA is a non-GAAP financial measure which the Company defines as net loss plus amortization, interest expense, tax expense, share-based compensation expense and un-realized foreign exchange loss (gain). A full reconciliation of the Company's results between these non-GAAP figures and the results in accordance with GAAP is included on page 16 of our MD&A.

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PNI Digital Media Inc. Consolidated Balance Sheets

	<u>September 30, 2009</u>	<u>September 30, 2008</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 4,237,284	\$ 2,670,988
Accounts receivable	4,855,114	4,019,286
Prepaid expenses and other current assets	312,687	430,616
	<u>9,405,085</u>	<u>7,120,890</u>
Property and equipment	6,174,920	6,786,650
Deferred expenses	-	52,882
Intangible assets	3,892,211	5,164,492
Goodwill	1,664,759	1,498,539
	<u>\$ 21,136,975</u>	<u>\$ 20,623,453</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 7,785,812	\$ 7,480,801
Purchase consideration payable	869,803	-
Current portion of deferred revenue	410,088	658,045
Current portion of capital lease obligations	490,072	490,072
Loan payable	937,548	969,886
Asset retirement obligation	41,503	-
	<u>10,534,826</u>	<u>9,598,804</u>
Deferred revenue	195,059	363,108
Long-term portion of capital lease obligations	38,500	375,875
Restructuring liability	176,056	-
Asset retirement obligations	-	22,009
	<u>10,944,441</u>	<u>10,359,796</u>
Shareholders' Equity		
Share capital	\$ 66,017,456	\$ 65,614,347
Warrants	-	4,961,826
Contributed surplus	18,521,086	11,611,165
	<u>84,538,542</u>	<u>82,187,338</u>
Deficit	(72,536,814)	(70,767,148)
Accumulated other comprehensive loss	(1,809,194)	(1,156,533)
	<u>(74,346,008)</u>	<u>(71,923,681)</u>
	10,192,534	10,263,657
	<u>\$ 21,136,975</u>	<u>\$ 20,623,453</u>

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PNI Digital Media Inc. Consolidated Statements of Loss and Comprehensive Loss

	2009	2008	2007
Revenue	\$ 24,446,569	\$ 17,049,587	\$ 7,511,328
Expenses			
Network delivery	6,672,583	7,409,525	2,523,174
Software development	7,566,227	6,914,291	4,178,111
General and administration	4,893,640	4,480,258	3,199,727
Sales and marketing	1,202,699	1,140,028	1,134,350
Amortization of intangible assets	3,243,359	3,214,908	574,184
Amortization of property and equipment	2,770,357	2,044,145	649,270
	<u>26,348,865</u>	<u>25,203,155</u>	<u>12,258,816</u>
Loss from operations before the undernoted	(1,902,296)	(8,153,568)	(4,747,488)
Realized foreign exchange gain (loss)	115,526	53,818	(365,474)
Unrealized foreign exchange gain (loss)	435,467	407,223	(1,349,690)
Interest income	8,759	134,848	393,416
Interest expense	(219,951)	(123,192)	-
Loss on disposal of property, plant & equipment	(56,171)	(35,698)	-
Gain on settlement of asset retirement obligation	-	86,120	-
Goodwill impairment (note 8)	-	(1,086,577)	-
	<u>283,630</u>	<u>(563,458)</u>	<u>(1,324,748)</u>
Loss before income taxes	(1,618,666)	(8,717,026)	(6,072,236)
Income tax expense	(151,000)	-	-
Net loss	<u>(1,769,666)</u>	<u>(8,717,026)</u>	<u>(6,072,236)</u>
Other comprehensive loss:			
Unrealized foreign exchange loss on translation of self-sustaining foreign operations	(652,661)	(346,964)	(809,569)
Comprehensive loss	<u>\$ (2,422,327)</u>	<u>\$ (9,063,990)</u>	<u>\$ (6,881,805)</u>
Basic and fully diluted net loss per share	\$ (0.05)	\$ (0.26)	\$ (0.20)
Weighted average number of common shares outstanding	33,610,843	33,383,866	29,877,739

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PNI Digital Media Inc. Non-GAAP Adjusted EBITDA Reconciliation

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

	Three Months Ended	
	September 30, 2009	September 30, 2008
Net profit (loss) in accordance with GAAP	\$ 642,806	\$ (2,714,584)
Amortization	1,473,805	2,289,068
Interest expense	52,799	108,010
Income tax expense	151,000	-
Stock based compensation expense	449,691	445,584
Unrealized foreign exchange (gain)	(632,708)	(334,674)
Adjusted EBITDA	\$ 2,137,393	\$ (206,596)

	Twelve Months Ended	
	September 30, 2009	September 30, 2008
Net (loss) in accordance with GAAP	\$ (1,769,666)	\$ (8,717,026)
Amortization	6,013,716	5,259,053
Interest expense	219,951	123,192
Income tax expense	151,000	-
Stock based compensation expense	2,016,015	1,511,504
Unrealized foreign exchange (gain)	(435,467)	(407,223)
Adjusted EBITDA	\$ 6,195,549	\$ (2,230,500)

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 consolidated 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.



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PNI Digital Media Inc Consolidated Statement of Profit (Loss) by Quarter

	<u>Q1 2009</u>	<u>Q2 2009</u>	<u>Q3 2009</u>	<u>Q4 2009</u>	<u>Total</u>
Revenue	\$7,176,333	\$5,015,041	\$5,443,760	\$6,811,436	\$24,446,569
Expenses					
Software development	1,810,956	1,843,612	1,866,661	2,044,998	7,566,227
General and administration	988,226	1,141,451	1,211,004	1,552,960	4,893,640
Network delivery	2,371,794	1,641,783	1,302,234	1,356,772	6,672,583
Sales and marketing	322,864	346,240	297,921	235,674	1,202,699
Amortization	1,399,028	1,521,834	1,619,049	1,473,804	6,013,716
	<u>6,892,868</u>	<u>6,494,921</u>	<u>6,296,868</u>	<u>6,664,208</u>	<u>26,348,865</u>
Profit (Loss) before the undernoted	283,465	(1,479,880)	(853,109)	147,228	(1,902,296)
Realized foreign exchange (loss) gain	149,826	124,723	(280,411)	121,388	115,526
Unrealized foreign exchange (loss) gain	564,460	(66,691)	(695,010)	632,707	435,467
Interest income	6,998	671	363	728	8,759
Interest expense	(63,380)	(53,947)	(49,825)	(52,799)	(219,951)
Loss on disposal of property and equipment	(725)	0	-	(55,447)	(56,171)
	<u>657,179</u>	<u>4,756</u>	<u>(1,024,883)</u>	<u>646,577</u>	<u>283,630</u>
Profit (Loss) before income taxes	940,644	(1,475,124)	(1,877,992)	793,805	(1,618,666)
Future income tax recovery	-	-	-	(151,000)	(151,000)
Net Profit (Loss)	<u>\$940,644</u>	<u>\$(1,475,124)</u>	<u>\$(1,877,992)</u>	<u>\$642,805</u>	<u>\$(1,769,666)</u>
Non-GAAP Adjusted EBITDA	\$2,291,975	\$663,916	\$1,102,265	\$2,137,393	\$6,195,549
Non-GAAP Adjusted EBITDA per share	\$0.07	\$0.02	\$0.03	\$0.06	\$0.18



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About PNI Digital Media- The world's top retailers partner with PNI Digital Media to offer personalized products such as photo prints, photo books and gifts, personalized stationery and business cards for pick-up 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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