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Price: \$0.32
Symbol: PGMI.OB

Market Cap (mil) 6.59

Trading Data

Fiscal Year-End	June
52-Week Range	0.12-0.64
Shares Out (mil)	20.6
Float (mil)	8.90
Price / Sales	0.353x
Revenue (mil)	18.658
Revenue / Share	0.906
Price / Book	0.884x
Book Value (mil)	7.458
Book Val/Share	0.362
Avg. 10-Day Vol	100,228
Total Cash (mil)	\$12.14
Op. Cash Flow (mil)	\$6.87
DJIA	11,381.15
S&P 500	1,303.82

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Updated Research

PGMI, Inc. (PGMI.OB)

Fair Value Range: \$0.63 - \$1.07
(based on P/S & P/B analysis below)

Industry: Services – Gaming

Short-Term Rating: Buy
Long-Term Rating: Speculative Buy
Risk Profile: High

Location: Japan

FINANCIAL HIGHLIGHTS

- **PGMI has only 8.9 million free trading shares with 20.6 million shares issued and outstanding.**
- **Through an elaborate industry analysis, the following metrics have been determined to be applicable to PGMI:**
 - **PGMI Price-to-Sales ratio is currently 0.353x, but 1.18x seems more appropriate for this company.**
 - **The Price-to-Book ratio is 0.884x, and it seems a more applicable figure would be 1.72x.**
- **Based on this P/S and P/B analysis, PGMI common stock appears to be appropriately valued in the range of \$0.63 to \$1.07. Simply put, the stock seems to be undervalued in the marketplace based on the Sales and Book Value of this type of company in this industry.**
- **Given some historical long-term profitability or forward-looking guidance from the company a Price-to-Earnings ratio might have been possible to calculate in addition to P/S and P/B.**

PGMI has most recently posted a profit in the quarter ended March 31, 2006, but still has an aggregated loss over the 12 month term rendering a Price-to-Earnings model useless. We look forward to the filing of the PGMI 10-K in the coming weeks to get a better grasp on the financials for fiscal 2006 and the calendar year-to-date figures. The stated valuation range is based upon historical performance and current share price due to the lack of forward-looking guidance from the company; however the price targets above have been calculated and explained mathematically.

We feel PGMI has a unique position in an outstanding segment of the Japanese economy. In fact, the company has recently broken ground on two new locations which will bring them to 15 operating stores before the end of 2006, resulting in over 5,500 gaming machines under PGMI management.

Although the stock has traded higher by 28% recently from \$0.25 to \$0.32, the stock still seems to have upward potential based on Sales and Book Value metrics. With strong sales, improving profits, plenty of cash, positive shareholder equity, and \$2.6 million in retained earnings, we feel PGMI is trading below its appropriate valuation range.

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