



## The small company specialists

# COMPANY INFORMATION

Goals Soccer Centres plc (LSE:GOAL)

Info sheet compiled March 2007

Company Eye Ranking

33/50

### EDITOR'S NOTE

Goals Soccer Centres (GOAL) constructs and then runs 5-a-side soccer centres each of which is easily accessible by over 150,000 people. GOAL employs the same teams to start up each of the centres, leading to an understanding between all parties, speeding up construction work and the smooth running of the centres.

In our opinion GOAL will continue to grow and be increasingly profitable with this expansion.

However, to achieve this, the company refrains from giving a meaningful dividend. We see the growth potential as being very strong. We also believe that like David Lloyd, which was acquired by a leading leisure operator, Goals has the same potential. As GOAL growth activity slows the share price will stabilise but with planned development for 2007 the near future is bright.

### 1 YEAR CHART



### FUNDAMENTALS

Company Name	Goals Soccer Centres PLC
Current Price	372
Status	AIM
Market Cap	156.02
Shares in Issue	41.88
Price-to-Book Ratio	8.8
Activities	Operates 5-a-side outdoor soccer centres
Sector	Travel and Leisure
Corporate advisor	KBC Peel Hunt Ltd
Registrar	Capita Registrars

### HISTORY

Keith Rogers co-founded Anchor International Limited, which opened its first 5-a-side centre in 1987. He successfully expanded the business before it was sold to 3i for £28 million in 1999. Anchor International's first site is still operating today.

Following the sale of Anchor International, Keith Rogers led an MBI of an existing 5-a-side business operating five centres, backed by HBOS Plc and Dunedin. This provided an opportunity to create an enhanced 5-a-side concept based on strong branding, convenient locations and high quality facilities.

Following the MBI, the Directors implemented a programme of facility upgrading, staff development and training and new management information systems. This programme, together with brand development and strong management has contributed to an increase in the earnings before interest, tax, depreciation and amortisation of the five centres acquired in the MBI ("MBI centres") of approximately 95 per cent since their acquisition. Subsequently, the Company has opened a further 13 centres, with 15 more currently planned for opening in the next three years.

### THE BUSINESS

The Directors believe that 5-a-side football is one of the fastest growing sports in the UK and that there is a major commercial opportunity to satisfy significant potential demand through the provision of "next-generation" facilities. The market is relatively undeveloped and there are high barriers to entry.

The Company's objective is to offer the best 5-a-side centres in the UK.

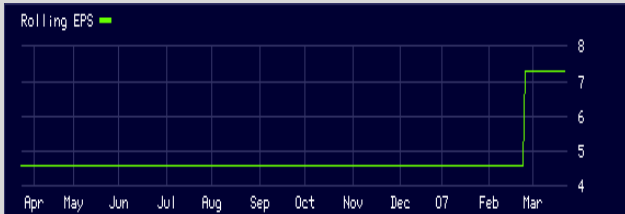
Its "next generation" offering comprises the latest artificial pitch technology, high-quality facilities and superior customer service provided by highly-trained staff at convenient locations. A Goals centre typically comprises between 9 and 14 floodlit 5-a-side courts set in an area of at least 2.5 acres. A modern "pavilion" provides quality changing facilities and a licensed lounge catering for post match refreshment. Parking is provided for approximately 100 cars. The majority of centres also include one or two 7-a-side courts.



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# COMPANY INFORMATION

## ROLLING EPS



## P/E RATIO



## ACTIVITIES

The Directors believe that Goals is the premier operator in the market, and that this has been achieved by the provision of quality facilities together with a strong and exciting brand concept which reflects the passion and excitement of the sport of football.

The Directors have unrivalled management experience in the 5-a-side sector. This has led to many innovative decisions, the most significant of which is the Company's use of the latest artificial grass technology, which gives significant advantages over traditional artificial grass systems. This "third generation" playing surface utilises long pile artificial grass with rubber crumb infill and is

designed to reflect far more accurately the characteristics of real grass with regard to look, feel and play. All but two of the current centres use, and all new planned centres will use, third generation playing surfaces.

The existing Goals centres are located in areas of high population density. All centres since the MBI have been developed to reflect the Goals concept and brand. All of the courts utilise 3rd generation rubber crumb artificial grass. The MBI centres have also been upgraded and re-branded to be consistent with the Goals concept. The existing centres and those currently under construction are summarised in the following table:

## LIST OF SITES

Aberdeen  
Beckenham  
Bexleyheath  
Birmingham West\*  
Black Country (Wolverhampton)  
Bradford  
Dagenham  
Dartford  
Glasgow South  
Glasgow West  
Heathrow

Leeds  
Leicester  
Plymouth  
Ruislip  
Sheffield  
Southampton  
Star City  
Sutton  
Teesside  
Wembley  
Wimbledon

## DEVELOPMENT HIGHLIGHTS

**May 2004** – Site opened at Wimbledon on time and on budget.

**December 2004** – First Day of Dealings on AIM

**Jan – Dec 2005** – Completed six sites; black country, Teesside, Heathrow, Sheffield, Beckenham, Southampton.

**Jan 2006 – Sept 2006** – Completed centres at Sutton,

Star City, Plymouth, Bradford bringing total to 21, of which ten have been added since flotation.

The Company has signed sponsorship deals with:

\* Umbro – Sponsors of the FA

\* Powerade – 'Official Sports Drink' of The World Cup, The European Championships and The Football League.

## STRATEGY

The company's strategy is to accelerate its rollout of next-generation centres, to continue to build a nationally recognised 5-a-side football brand, to develop marketing

partnerships with known brand operators and to continue to innovate and lead the industry.



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## EXPANSION

Goals has a well-progressed pipeline of sites, each of which exceeds the Company's minimum criteria. The minimum criteria for a centre are well-located and easily accessible sites within urban areas with populations of at least 150,000.

Goals develops sites by working with both the public and private sectors. All but one of the current centres are held on long leases, the remaining centre being held freehold. Many of the current centres are located on land leased from schools or local authorities, who Goals allow to use the pitches during off-peak times free of charge. This mutually beneficial partnership arrangement enables Goals to secure well-located sites from both the public and private sectors.

Goals uses the same team of professional advisers to develop each centre and now has a well established process for centre rollout. This consistency provides for accurate costing and development programmes. A typical Goals centre has a capital cost of around £1.85 million and a build time of approximately 5 months.

Goals continues to be innovative in seeking out new and special development opportunities, as demonstrated by the opening of Goals Birmingham at Star City, Europe's largest urban entertainment complex. This exciting centre features 10 pitches developed on the top deck of a multi-storey car park adjacent to an elevated section of the M6 motorway resulting in both high visibility and accessibility.

## DIRECTORS

### Keith Rogers - Managing Director

Keith co-founded Anchor International (trading as "Pitz") which opened its first 5-a-side centre in 1987. As managing director, he oversaw the growth of that company to 11 branches before it was sold to 3i. Together with Bill Gow, he effected the MBI of Goals in November 2000, since when he has been the Company's Managing Director.

### Bill Gow - Finance Director

Bill is a Chartered Accountant, and also completed an MBA in 1992. He subsequently held management positions at British Aerospace and Clydesdale Bank before joining KPMG in 1997, where he specialised in Corporate Finance. Together with Keith Rogers, he effected the MBI of Goals in November 2000, since when he has been the Company's Finance Director.

### Morris Payton - Operations Director

Morris held a number of leisure management positions for various local authorities before joining Anchor International in 1989. He held the position of National Operations Manager before Anchor was sold to 3i and was subsequently promoted to Operations Director. Morris joined Goals in November 2001 as Operations Director.

### Sir Rodney Walker - Chairman

Sir Rodney has held a number of influential and important posts across a wide range of sports. His most recent appointment was as Chairman of the UK Sports Council from 1998 to 2003. He previously served as Chairman of the English Sports Council and was also Chairman of Rugby League for ten years, Chairman of Leicester City for five years, Chairman of Brands Hatch Leisure for three years and for a time was Chairman of the 2002 Manchester Commonwealth Games. Sir Rodney is currently Chairman of Donington Park Estates, Spice Holdings plc and a number of other publicly listed companies. Sir Rodney joined Goals in February 2002.

### Graham Wilson - Non-Executive Director

In 1989 Graham led the management buy out of Beazer's holiday subsidiary by Parkdean Leisure which subsequently floated on the London Stock Exchange in 1993. In 1995 Parkdean Leisure was acquired by Vardon plc and Graham joined the Vardon board of Directors. In 1998 Vardon sold the holiday division to Rank plc and Graham left the company. In 1999 Graham established Parkdean Holidays for the acquisition of holiday parks, and floated the company on AIM in 2002. Graham is also Non-Executive Chairman of Amdega and of Premier Direct plc. Graham joined Goals in February 2002.



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# COMPANY INFORMATION

## SHAREHOLDINGS

	Number	%
BlackRock Group	5,312,257	12.68
Keith Rogers	4,047,896	9.7
Lehman Brothers International	3,426,723	8.18
J O Hambro Capital Management Ltd	2,935,480	7

	Number	%
Schroder Investment Management Ltd	2,490,000	5.9
Morley Fund Management Limited	2,309,904	5.5
Bill Gow	1,450,000	3.5

## FINANCIAL HISTORY

### Profit and loss account for year ended 31<sup>st</sup> December 2006

£000	Year ended 31st Dec 2006	Year ended 31st Dec 2006
Turnover	15,952	11,166
Cost of sales	(2,098)	(1,506)
Gross profit	13,854	9,660
Administrative expenses - general	(7,763)	(6,023)
Administrative expenses - goodwill amortisation	(122)	(122)
Operating profit	5,969	3,515
Other interest receivable and similar income	-	2
Interest payable and similar charges	(1,282)	(888)
Profit on ordinary activities before taxation	4,687	2,629
Tax on profit on ordinary activities	(1,647)	(1,007)
Profit on ordinary activities after taxation and for the financial year	3,040	1,622
Earnings per ordinary share - Basic	7.3p	3.9p
Earnings per ordinary share - Diluted	7.0p	3.9p

### Balance Sheet as at 31<sup>st</sup> December 2006

£000	As at 31 December 2006	As at 31 December 2005
Intangible assets - goodwill	1,726	1,848
Tangible assets	44,317	31,221
Fixed assets	46,043	33,069
Stocks	240	121
Debtors	650	608
Cash in hand	333	216
Current assets	1,223	945
Creditors: amounts falling due within one year	(5,310)	(2,703)
Net current liabilities	(4,087)	(1,758)
Total assets less current liabilities	41,956	31,311
Creditors: amounts falling due after more than one year	(22,828)	(15,680)
Provisions for liabilities and charges	(1,480)	(891)
Net assets	17,648	14,740
Capital and reserves		
Called up share capital	104	104
Share premium account	12,679	12,679
Profit and loss account	4,865	1,957
Equity shareholders' funds	17,648	14,740

## FINANCIAL REVIEW

\* Sales increased by 43% to £16.0m (2005: £11.2m). This included a contribution of £1.6m from the new centres opened during the year.

\* The gross profit margin was maintained at 87%, the EBITDA profit margin increased to 45% (2005: 41%).

\* Cash inflow from operating activities increased by 52% to £7.3m (2005: £4.8m). The company invested £13.7m in capital expenditure during the year, £12.6m of which relates to investment in new centres. This has resulted in an increase in interest costs from £0.9m to £1.3m.

\* Profit on ordinary activities before tax and amortisation has risen by 75% to £4.8m (2005: £2.7m) and profit before

tax increased by 78% to £4.7m (2005: £2.6m).

This resulted in a 79% increase in basic earnings per share (before amortisation) to 7.5p (2005: 4.2p) and an 87% increase in basic earnings per share to 7.3p (2005: 3.9p).

\* Net Debt at 31 December 2006 was £23.9m (2004: £15.5m). This level of debt represents 135% of shareholders' funds and 54% of tangible fixed assets.

The company has put in place a new £30m five year revolving credit facility with HBoS. This will fully fund its objective of 10 further centres over the next two years and provide a significant contingency for further centre openings.



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# COMPANY INFORMATION

## RISK FACTORS

In addition to the other relevant information, the following specific factors should be considered carefully when evaluating whether to make an investment in the Company. The investment offered in this document may not be suitable for all of its recipients. Before making an investment decision, prospective Investors should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities. A prospective Investor should consider carefully whether an investment in the Company is suitable for him/her in the light of his/her personal circumstances and the financial resources available to him/her. There are various risk and other factors associated with an investment of the type described in this document. In particular:

The value of an investment in the Company is largely dependent upon the expertise of the Directors and their ability to identify and acquire or invest in suitable companies or businesses. There can be no certainty that the Company will be able to identify suitable acquisition targets or complete the purchase of any identified targets at a price the Directors consider acceptable. In the event of an aborted acquisition it is likely that resources may have been expended on investigative work and due diligence, which cannot be recovered.

The acquisition of other businesses can involve significant commercial and financial risks and there can be no certainty that any acquired business will not have a material adverse effect on the operations, results or financial position of the Company.

## CONTACT

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East Kilbride,  
Peel Park,  
GLASGOW,  
G74 5PR,  
United Kingdom

## RANKING

	Ranking out of 50 (50 being highest)
<b>Business model - competitive advantage</b>	
Competition	33
Customers	33
Low cost	40
Management	
- corporate governance	30
- quality	
- shareholding	35
Product	30
Sector	30
<b>Financial evaluation</b>	
Early and profitable exit potential	36
Financial strength	
- cash flow	30
- conservative accounting	
- need for funding	
Growth at a reasonable price	39
Risk	30
<b>Overall average rating</b>	<b>33</b>



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### FURTHER INFORMATION ABOUT THE RANKING

#### Competitive advantage

Companies are assessed according to their business model and how this translates into strong and sustainable competitive advantage. This can only be achieved with low cost activities and doing something different from the competition. This 'differentiation' must add value to the customer who is then prepared to pay a premium price. The differentiation is most obvious in the product but it can exist anywhere in the company's

value chain of activities, such as easy payment terms, convenient locations, superior management, and quality of suppliers. Companies that do not achieve competitive advantage because they have the same costs and/or do the same as the competition are marooned in a profitless zone. They helplessly try to compete with the one weapon left open to them, which is the disaster of cutting prices and typically leads to similar retaliation by competitors, with disastrous results.

### THE FOLLOWING ELABORATES ON THE RANKING CRITERIA

#### Competition

How intense is the competition and are there barriers to entry?

Services tend to be more protected than products from international competition. Does the sector ride the tailwind of multi-year mega trends? Is the business well positioned in the current stage of the economic cycle? What is its resistance to a recession?

#### Customers

Is the company controlling its customers and therefore its revenue streams? Are customers glued to the company and providing valuable and reliable recurring revenue or are they one-off, or 'transactional', providing shaky revenue? The company should ideally have weak and numerous customers.

#### Profitable exit potential

What is the potential for selling the share profitably? This is more applicable to pre-flotation investments.

#### Low costs

Has the company achieved low cost activities thus allowing more of the top line revenue to trickle down to the profit line?

#### Financial strength

Does the company have strong cash flow, the lifeblood of any business? Is the accounting conservative or is there 'accounting for growth'? Does it need more funding? Is the profit margin healthy and at least equal to its sector? What has been the track record in the growth rate of profits?

#### Management

Is there good corporate governance? What is the quality of management, as this is crucial to any business? Are the directors' shareholdings significant but not so large that they control the company?

#### Growth at a reasonable price

Does the share offer growth at a reasonable price? This is commonly measured using the PEG. This is the price earnings ratio (PE) divided by the forecast growth rate in earnings per share (EPS). The lower the PEG the better and under 1.0 is considered good for a blue chip company and under 0.6 for a small growth company.

#### Product

Is the product different from the competition and adds value to the customer? Are there threatening substitutes? Does it have a powerful brand?

#### Risk

What is the risk rating of the share due to factors such as new markets, its business model and strategies?

#### Sector

Is the company in an attractive sector that is profitable and adds value?

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