



The small company specialists

# COMPANY INFORMATION

**Myhome International plc (LSE:MYH)**

**Date: July06**

**Company Eye Ranking**

**13/50**

## EDITOR'S NOTE

Myhome is an international franchise providing Home Services including residential cleaning. Originally developed by Unilever, the Company was admitted to Ofex in January 2002. The following year the Company launched its franchise programme and has identified as many as 300 potential franchise territories within the UK. Myhome is a member of the British Franchise Association.

The acquisition from Unilever provided the Company with extensive training systems, bespoke scheduling and billing software and valuable marketing materials. In addition it acquired Unilever's unique Tri-Colour Cleaning system, an efficient home cleaning methodology that was the result of extensive time-and-motion studies. Myhome currently has 44 franchises.

## HIGHLIGHTS

\* 13 further franchises awarded, bringing the total to 75 group franchises.

\* First International Master Franchise awarded in Ireland. This provides a blue-print for further opportunities with discussions in Spain, Australia and New Zealand underway.

\* Acquisitions of Nicenstripy Ltd and Surface Doctor - marking the first steps in Myhome's strategy of growing a franchise company offering full home services

## FUNDAMENTALS

| Company Name      | Myhome International plc  |
|-------------------|---|
| Current Price     | 70.00   |
| Status            | AIM   |
| Market Cap        | £31.4438 m.   |
| Shares in Issue   | 46,240,853  |
| Activities        | Originally established by Unilever, the Company is one of the UK's leading Home Services Franchise businesses. Its franchise partners provide premium house cleaning services to the residential market throughout the country. |
| Sector            | Support Services  |
| Corporate advisor | Noble & Company Ltd (London)  |
| Registrar         | Capita Registrars (Beckenham)   |

## HISTORY

Originally established by Unilever, Myhome was acquired in October 2001 and its shares admitted to Ofex in January 2002. Unilever retain a significant shareholding in the Company.

Since then, the Company has been completely transformed into the UK's Home Services Franchisors with franchise partners across the UK.

## CHAIRMAN'S STATEMENT

The Board is pleased to announce that the Company has achieved a profit on ordinary activities for the year of GBP176,992, against a loss of GBP15,874 during the same period in 2003/2004. The increase in the number of franchise operations has increased the network turnover by over 300% to GBP3,181,660 (2004: GBP756,426).

These figures exclude an unrealised gain of GBP425,000 from the Company's earlier investment in Franchise Investment Strategies Plc. The Company has continued the expansion of its franchise operation, with 31 cleaning franchises in place at the end of the period under review, which has risen to 44, at time



## The small company specialists

# COMPANY INFORMATION

of writing. The staggered payment of franchise fees over the Year End goes much of the way to explaining the apparently large rise in debtors on the Balance Sheet. With the 31 Nicenstripy franchises added to the group since year end, Myhome currently boasts a portfolio of 75 franchise operations.

It has been a notable year for the Company on the corporate front, too, with a number of significant achievements and milestones all centred on our commitment to further strengthen investor communications and build shareholder value.

A key step towards these objectives was the appointment in March 2005 of Noble & Co. Limited

as Corporate Finance Advisers to enhance the Company's profile within the professional investment community. The success of this move was demonstrated in August 2005, when the Company successfully raised GBP500,000 through a Placing with institutional investors.

The Company has also actively promoted itself to the financial media and at a number of financial events, the success of which are evident in both the rising value and excellent liquidity of the Company's shares.

In closing, I'd like to take this opportunity to thank all shareholders and staff for their continued support in what has been a very busy period for the Company.

## STRATEGY

The company strategy is to take the original Myhome business and from it grow a multi-brand, multi-service group of franchised companies operating in the home services market all drawing on the considerable franchising expertise developed by the Myhome team. Each brand will act as an individual operating company with its own vision, brand strategy and professional management team but will benefit from the central franchising expertise.

Given the logical growth of Myhome into a multi-branded franchise group the choice of additional companies for them to target to acquire will be involved in the residential service sector already. These will include: carpet cleaning; oven cleaning; roofing; painting; plumbing; electrical services; security; dry cleaning and many more to be considered.

## THE MASTER LICENCE OFFERING

The company announced its first international master licence agreement in Ireland on 14 February 2006, generating a fee of £150k.

Under the licence agreement, myhome's master franchising partners are targeting 25 new myhome cleaning franchises in Northern Ireland and the Republic of Ireland.

## THE NICENSTRIPY ACQUISITION

Myhome has acquired a 58% stake in nicenstripy Ltd, a garden services franchise operation, for a consideration of £254.5k, raised by issuing 1,413,821 shares at 18p per share.

Formed in 1996 and now based in Crawley, nicenstripy is the franchisor of a yearround lawn maintenance system which includes grass cutting, winter tidy-up and green-up lawncare. In 2005, nicenstripy acquired Spearfin Ltd, a company that operates the franchise businesses in Watford, Herts, Heathfield, Sussex and Camberley, Surrey. Spearfin will operate as a company-owned pilot operation.

## THE SURFACE DOCTOR MASTER FRANCHISE ACQUISITION

myhome announced on 22 February 2006 the purchase of the master franchise rights for Surface Doctor in the UK and Ireland for £100k. Surface Doctor is a well-established brand in the US, where it was established as Miracle Method over 25 years ago and is now rated as the foremost franchise in its category.

Surface Doctor provides a highly economical process to repair and refurbish kitchens, bathrooms, tiles and other surfaces, utilising a proprietary

bonding agent to restore and re-colour kitchen cabinets, worktops, baths, sinks and tiles. The process applies a highly durable new surface to the old surface. For the end customer, the Surface Doctor provides a durable refurbishment with a high quality appearance for about a quarter of the cost of replacement and in only two days.

The Surface Doctor franchise operation will be located in Northampton.



The small company specialists

# COMPANY INFORMATION

## SHAREHOLDINGS

|                           | Number    | %     |                                | Number    | %    |
|---------------------------|-----------|-------|--------------------------------|-----------|------|
| Mr R O'Connell            | 4,112,801 | 16.93 | BNY (OCS) Nominees Ltd         | 1,600,000 | 6.58 |
| Starvest Limited          | 3,300,000 | 13.59 | HSBC Global Custody Nominee UK | 1,552,500 | 6.39 |
| Rathbone Nominees Limited | 1,900,000 | 7.82  | S Yee                          | 1,500,002 | 6.17 |
|                           |           |       | Adworth Plc                    | 1,400,000 | 5.77 |
|                           |           |       | Unilever UK Holdings Limited   | 1,099,987 | 4.5  |

## FINANCIAL HISTORY

Profit and loss account for the year ended 30 September 2005

| m.            | 2005    | 2004      |
|---------------|---------|-----------|
| Revenue       | 897,423 | 572,797   |
| Gross Profit  | 656,455 | 572,797   |
| Pretax Profit | 176,992 | (227,106) |

Balance Sheet as at 30 September 2005

| m.                 | 2005      | 2004      |
|--------------------|-----------|-----------|
| Total Assets       | 1,721,790 | 519,114   |
| Net Current Assets | 1,515,717 | 442,096   |
| Retained earnings  | (569,606) | (959,278) |
| Total Equity       | 1,515,717 | 442,096   |

## DIRECTORS

Mr R O'Connell  
 Mr S McNeill Ritchie  
 Mr G R Boot  
 Mr A B Virani

## 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.



## The small company specialists

# COMPANY INFORMATION

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. If the Company has not undertaken an acquisition or a significant investment within 24 months of the start of trading on PLUS, there is no guarantee that the Company can maintain an PLUS trading facility if the

Directors do not deem any acquisitions or investments to be suitable within any such period. It is likely that the Company will need to raise further funds in the future, either to complete a proposed investment or acquisition or to raise further working or development capital for such a transaction. There is no guarantee that the then prevailing market conditions will allow for such a fundraising or that the new investors will be prepared to subscribe for Ordinary Shares at prices that are the same or greater than the price at which they are being introduced.

### CONTACT

119 Richmond Road  
Kingston-upon-Thames  
Surrey KT2 5BX  
England

### RANKING

|   | Ranking out of 50 (50 being highest) |
|---|--------------------------------------|
| <b>Business model - competitive advantage</b> |                                      |
| Competition                                   | 12                                   |
| Customers                                     | 15                                   |
| Low cost                                      | 15                                   |
| Management                                    |                                      |
| - corporate governance                        | 14                                   |
| - quality                                     | 20                                   |
| - shareholding                                | 15                                   |
| Product                                       | 12                                   |
| Sector  | 14                                   |
| <b>Financial evaluation</b>                   |                                      |
| Early and profitable exit potential           | 11                                   |
| Financial strength                            |                                      |
| - cash flow                                   | 17                                   |
| - conservative accounting                     | 11                                   |
| - need for funding                            | 10                                   |
| Growth at a reasonable price                  | 11                                   |
| Risk  | 13                                   |
| <b>Overall average rating</b>                 | <b>13</b>                            |



## The small company specialists

# COMPANY INFORMATION

### 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?

#### 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.

#### Low costs

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

#### 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?

#### Product

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

#### Sector

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

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?

#### Profitable exit potential

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

#### 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?

#### 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.

#### Risk

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

**This document must not be reproduced without the prior written consent of Company Eye.**

Risk Warning: Should you have any doubts about the suitability of this investment please consult with a professional adviser in accordance with the Financial Services and Markets Act 2000 ("FSMA 2000"). This document is provided as information only and is not intended to act as a financial promotion without the approval in accordance with section 21 of the FSMA by an authorised and regulated company. Company Eye does not accept responsibility for the accuracy of the information contained in this document and investors should not rely on this document when contemplating an investment. The value of investments can go down as well as up and you may not get back the full amount originally invested. This document should not be reproduced without the prior consent of Company Eye.