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# COMPANY INFORMATION

## Sports Cafe Holdings PLC (LSE - SCA)

Date: September 06

Company Eye Ranking

38/50

### EDITOR'S NOTE

Sports Cafe Holdings plc (formerly Coliseum Group plc) owns and operates the Sports Cafe chain, a leading licensed sports entertainment venue. The recent opening of Sports Cafe Newcastle brings the number of operating venues in the UK to seven, including London, Leeds, Manchester, Glasgow, Newcastle, Liverpool and Birmingham. The flagship venue in London's Haymarket is viewed as one of the UK's premier sports restaurant and entertainment facilities. The Sports Cafe brand capitalises on the UK consumers' passion for sport and the Board's strategy is to continue to develop a portfolio of Sports Cafe units, offering access to a wide range of UK and

international sports, and to offer additional sports related services appealing to a broad customer base. Sports Cafe caters to a wide audience, from sporting enthusiasts to late-night party goers to office and family functions, by way of multiple plasma and super screens, pool tables and its late-night licences. The increased size of the group and the continuing benefit of its focus on sporting events has enabled Sports Cafe to attract consistently large audiences and maintain their position at the premium end of the market. We believe Sports Café Holdings PLC would be a strong addition to a short/medium type investment portfolio. The Company is currently the subject of takeover speculation.

### CHART



### FUNDAMENTALS

Company Name	Sports Cafe Holdings PLC
Current Price	44.75
Status	AIM
Market Cap	£17.34 m.
Shares in Issue	38.74 m.
Activities	The group operates Sports Cafe establishments in the UK
Sector	Travel & Leisure
Corporate advisor	Teather & Greenwood Ltd
Registrar	Capita Registrars

### HISTORY

Sports Cafe Holdings PLC Formerly known as Coliseum Group PLC was incorporated on 8 February 2001 and the Existing Ordinary Shares were admitted to trading on AIM on 3 July 2001. The company was established to capitalise upon the consumers' passion for sport by creating a

leading sports entertainment bar and sports hospitality group through acquisition and organic growth. As at June 2006 the Group operated 8 UK sites under the Sports Cafe brand with a further site in Cardiff under development.

### THE BUSINESS

The licensed retail landscape has changed significantly in recent times, particularly with the emergence of premium and entertainment bar concepts which have gained considerable market share over the traditional pubs and smaller bars. This sub sector is led by established operators that have sought to differentiate their outlets through the branding, size, range and quality of products offered.

The Sports Cafe, which uses sport as its primary entertainment driver, is ideally placed to exploit the changing licensed retail landscape. Sport not only has a world-wide appeal but continually evolves and will

therefore continue to attract customers with each new sporting event shown.

The importance of sport as a leisure interest is demonstrated by the following statistics:

- \* Over 28 billion people around the world watched the 2002 Soccer World cup
- \* Over 20 million people in the UK watched England win the Rugby World cup final in Sydney
- \* 800 million people in almost 200 countries watched the 2005 Super Bowl; and
- \* FA Premier League reaches a 1.3 billion television audience in over 142 countries.



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## FTSE AIM



## DEVELOPMENT HIGHLIGHTS

In December 2001 Sports Cafe Holdings, then known as Coliseum Group bought The Sports Café Group, a recognized UK brand with the potential to be rolled out across major cities in the UK and franchised internationally, to form the core of a sports entertainment and leisure group.

Sports Cafe venues have great appeal for sports enthusiasts, with an array of sports memorabilia, including motor racing bikes, Formula One cars, Jack Dempsey's heavyweight championship winning boxing gloves, Mohammed Ali's 1996 Olympic torch, and numerous signed shirts and photographs embracing the sporting world, on display.

The Sports Cafe concept uses sport as the key driver to attract customers with the screening of all major sports, both live and recorded. Each venue, providing full bar and restaurant facilities, with its unique exhibition of sports memorabilia creates an ideal atmosphere for viewing sport.

Sports Cafe venues show sport on a large number of screens throughout the day, with special licenses for late night sporting events. They offer comprehensive food menus, and dancing into the early hours of the morning with a resident DJ. The Sports Cafe has access to the major UK and international sports channels and broadcasts all major sports and sporting events including:

- \* Football – UEFA Champions League; FA Premier League; FIFA World Cup
- \* Cricket – The Ashes; World Cup; test and county matches
- \* Golf – PGA Tour; US Open; The Open; The US Masters; Ryder Cup

- \* Tennis – Wimbledon; US Open; French Open; Australian Open
- \* Boxing – World Title fights
- \* Rugby Union – Six Nations; Tri-nations; International Tests; World Cup
- \* Athletics – Olympics; Commonwealth Games; European Championships
- \* American sports – American football (NFL and Superbowl); Baseball (World Series) and Basketball (NBA)
- \* Horse racing – The Grand National; Epsom Derby; Cheltenham
- \* Motorsport – Formula 1; rallying; CART
- \* Extreme sports

The spacious facilities provide the ideal venue to hold corporate events, private parties, product and sporting launches, book signings and other functions.

In December 2005 the Group extended its Sporting Brand with the creation of Sports Cafe Casino and Sports Cafe Poker, online gaming sites that are focused towards the existing Sports Cafe customer base. These two operations are operated in conjunction with Boss Media, a Swedish quota Software Company and are operated under license in Curacao, Netherlands Antilles.

In February 2006 the Group opened its first licensed Betting Shop at 240 Broad Street above the Birmingham Sports Cafe. Both new ventures have used the Sports Cafe brand and are seen as complimentary offerings to the Sports Cafe restaurant venues.

## ACTIVITIES

During 2005, Sports Cafe made its initial move to expand its sports brand and deliver added value to its existing and potential customer base through the creation of an online Casino and Poker site and, in a strategic partnership with Betting Shop Services Ltd to create Sports Café Bet, whose first site in Birmingham opened in February 2006. The creation of these two activities is in response to its customer's sports profile and will, in the Board's opinion, provide the opportunity for the Group to expand the Sports Cafe brand across a wider segment of the leisure industry using sport as

its primary driver. The expansion of the Sports Cafe brand across a wider segment of the leisure industry together with its attraction to corporate customers for major sporting events has enabled the Group to increase its margins during 2005 and to resist the heavy discounting reported by the media in many parts of the marketplace.

In addition to the openings during 2005, refurbishment work was undertaken in Birmingham and Manchester to ensure the continuity and attraction of the Sports Cafe brand and to continue to enhance the experience of its customers and sports fans at all times.



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## EXPANSION

The core strategy of the Group is the expansion of the Sports Cafe brand within the UK through additional venues in major sporting cities and the introduction of additional sports related activities.

Additionally, the Sports Cafe brand is a registered trademark in over 20 countries and is the subject of registry applications in many other countries around the world.

## NEW GROWTH OPPORTUNITIES

The increased size of the group and the continuing benefit of its focus on sporting events has enabled Sports Cafe to attract consistently large audiences and maintain their

position at the premium end of the market. The continuing expansion into new locations throughout the UK will enhance the brand as a leader in its field.

## TARGET MARKET

As The Company move forward the prospect of Rugby World Cup in 2007, and Euro 2008 during the next three years creates an extremely attractive sports calendar for the Sports Cafe concept and brand. In addition to the opening of the two new sites in Liverpool and Newcastle,

the Group signed a lease on a property in Bristol during October 2005 and licensing issues at the proposed Cardiff site were satisfactorily resolved. This will ensure an estate covering eight cities in advance of the 2007 Rugby World Cup.

## DIRECTORS

### Ian Lenagan, Chairman

Aged 58, is the Chairman and Chief Executive of TeleWork Systems plc, a fully listed software solutions group. He founded Teleware in 1991. He has more than 25 years' experience in the computer software business. Prior to founding Workplace Systems plc, he worked for Burroughs Corporation (now Unisys) for 10 years and was then Managing Director of Ring Electrical Limited, Banbury Homes & Gardens Limited and Digico Limited over a period of a further seven years.

### William Balkou, Chief Executive

Aged 49, is the co-founder of The Sports Cafe. He has over 20 years' experience in the design, set-up, operations and logistics of the licensed retail industry. He partnered with Canadian brewing company, John Labatts Limited, to create the London Sports Cafe in 1995. He has provided consultancy services to a variety of multi national companies on corporate strategy in the leisure and hospitality industry.

### Paul Wright, Finance Director

Aged 47 was Finance Director Vocalis Group plc, a fully listed software solutions group prior to joining Coliseum. Prior to joining Vocalis he was Finance Director of CWB System Services plc and Rolfe and Nolan plc, a fully listed Technology and Business Services Group. His focus has been the management

of UK and international businesses through change in both turnaround and growth situations. He qualified as a Chartered Accountant with Peat Marwick, London in 1981

### Christopher Akers, Non - Executive Director

Aged 40, is a founder and the Executive Chairman of Sports Resource Group and was a founder and the Executive Chairman of Sports Internet Group plc. He was also a founder and is Executive Chairman of Extreme Group Limited. He was voted 2002 Sports Entrepreneur of the year at the Sports Industry Awards. He is a Non-executive director of Hotel Du Vin Limited. He was also a founder of InTechnology plc.

### Bradley Kinsella, Non - Executive Director

Aged 46, is the co-founder of The Sports Cafe. He has over 20 years' experience in the leisure and hospitality sector. He has been involved in the design and construction of a number of multi-national food outlets including Pizza Hut, McDonalds and Taco Bell. He was also on the design board of Pizza Hut Canada.

### Stephen Ross, Non - Executive Director

Aged 54, is a founder and senior partner of Ross Bennet-Smith, Chartered Accountants, formed in 1983 specialising in media and entertainment. He was a partner in Keane Shaw Accountants having qualified as a Chartered Accountant in 1974.



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## SHAREHOLDINGS

	Number	%		Number	%
Chris Akers	1,706,666	4.4100	Paul Wright	145,000	0.375
John Connellan	1,300,000	3.3600			

## FINANCIAL HISTORY

### Unaudited Consolidated Profit and loss account for the year ended 31 June 2006

£'000	6 MONTHS ENDING 30 JUNE 2006	2005
Group turnover	9,332	14,118
Cost of sales	(2,428)	(3,853)
Gross profit	6,904	10,265
Administrative expenses	(6,867)	(10,957)
Group operating Profit / (Loss) before Amortisation charge	275	(216)
Goodwill Amortisation Charge	(238)	(476)
Group operating profit / (loss)	37	(692)
Interest Payable	(367)	(710)
Loss on ordinary activities before taxation	(330)	(1,402)
Tax on loss on ordinary activities	0	50
Loss for the period	(330)	(1,352)
Loss per share-basic and diluted	(0.85p)	(3.50p)

### Unaudited Consolidated Balance Sheet at 30 June 2006

£'000	As at 30 June 2006	2005
Tangible Assets	16,837	16,130
Intangible Assets	7,387	7,625
Total Fixed Assets	24,224	23,755
Stocks	310	287
Debtors	1,256	1,263
Cash at bank and in hand	1,241	950
Current assets	2,807	2,500
Creditors: amounts falling due within one year	(4,866)	(5,012)
Net current (liabilities)/assets	(2,059)	(2,512)
Total assets less current liabilities	22,165	21,243
Creditors: amounts falling due after more than one year	(11,866)	(10,614)
<b>NET ASSETS</b>	<b>10,299</b>	<b>10,629</b>
Called up share capital	1,933	1,933
Share premium account	5,288	5,288
Merger reserve	7,200	7,200
Profit and loss account	(4,122)	(3,792)
Equity shareholders' funds	10,299	10,629

## REVIEW OF THE PERIOD

The Company performed well during the first half of 2006. Like-for-like sales showed an increase of 10% compared to the first half 2005 whilst the impact of Sports Cafe sites in Bristol, Newcastle and Liverpool increased sales by 46% during the period.

The impact of the Football World Cup in June provided an uplift in sales in what is traditionally a quiet month for Sports Cafe although regional variances were marked with the more cosmopolitan cities outperforming the Group average.

In previous Chairman's Statements an increase in gross margins has been reported as a result of the increased Sports Cafe purchasing power and focused commercial activity. This trend has continued during 2006 with gross margins once again increasing to 74% in the first half of the year compared to 73% during 2005 and 72% in 2004.

The Company's earnings before interest, tax, depreciation and amortisation ('EBITDA') for the period increased by 52% to £980,000 (2005: £645,000) with an operating profit after amortisation of goodwill of £37,000 (2004: loss £159,000).

Interest payments during the period increased to £367,000 (2005: £312,000) reflecting the capital cost of the Company's expansion during the last twelve months.

During the period, Sports Cafe generated net cash from operating activities of £719,000 (2004: £424,000). This was used to part-

finance the capital expenditure of £1.4m on the company new Bristol venue and refurbishment projects throughout the estate.

In June 2006, the Company announced the signing of a Premier Partner Agreement with BSKyB. As part of this Agreement, high definition televisions had been installed in all Sports Cafe sites including the creation of a branded Sky HD Team Room in the flagship, London Sports Cafe site. A Marketing agreement with Avanti Screenmedia was also announced during the period under which Avanti installed its Magnetic Sports channel throughout the Sports Cafe estate. The Board views these two agreements as an important step in the further development of the Sports Cafe brand and the Company's ability to leverage the Sports Cafe estate with leading media companies.

As at 30 June 2006, Sports Cafe had Net Assets of £10.3m (2004: £11.5m). Whilst capital expenditure during the period exceeded £1.4m, long-term loans increased by £600,000 to £11.6m, (£11.0m at 31 December 2005) reflecting the Company's increasing ability to finance new opportunities from its cash resources. Gearing remained at the 31 December 2005 level of 54% (2004: 44%) whilst operational gearing, defined as long-term debt excluding property mortgages divided by equity shareholders' funds plus long-term debt excluding property mortgages increased to 45% (31 December 2005: 40%). At 30 June 2006, £3m of the Company's bank facilities with Barclays remained undrawn and available for use against future capital projects.



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During the six months to 30 June 2006, the market remained competitive and the impact of the new licensing regime introduced in November 2005 placed additional costs on the high street sector. However, driven by its focus on a wide range of major sporting events Sports Cafe reported an increase in sales and continues to use its position as a premier Sports Venue to host a wide range of corporate and related sports events. Local and national TV and Radio broadcasts were made live from several Sports Cafe sites throughout the Football World Cup and events were hosted on behalf of a wide range of International Sports including Rugby League, Cycling, Motor Racing and Soccer

during the period.

In February 2006, Sports Cafe Bet opened its first Betting Shop at 240 Broad Street, Birmingham. Since that time applications have been submitted for further outlets in Glasgow and Manchester. The initial objective of Sports Cafe Bet was to offer a new service to Sports Cafe customers and to the general public focused on sporting events being shown in the company sites. This strategy has proved to be successful with Sports Cafe Bet generating a small profit during its initial months of trading and attracting considerable interest across a wide range of UK and International sporting events.

## 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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259 Old Marylebone Road  
London,  
W1J 9EN

## RANKING

	Ranking out of 50 (50 being highest)
<b>Business model - competitive advantage</b>	
Competition	36
Customers	35
Low cost	
Management	
- corporate governance	39
- quality	38
- shareholding	40
Product	37
Sector	36
<b>Financial evaluation</b>	
Early and profitable exit potential	40
Financial strength	
- cash flow	35
- conservative accounting	38
- need for funding	
Growth at a reasonable price	43
Risk	39
<b>Overall average rating</b>	<b>38</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?

### 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?

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