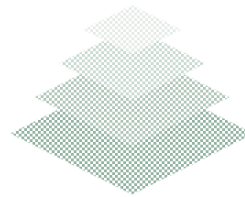


Everton FC

Financial Results, 2005

“the greatest financial results in the club's 127 year history”
(Liverpool Echo)



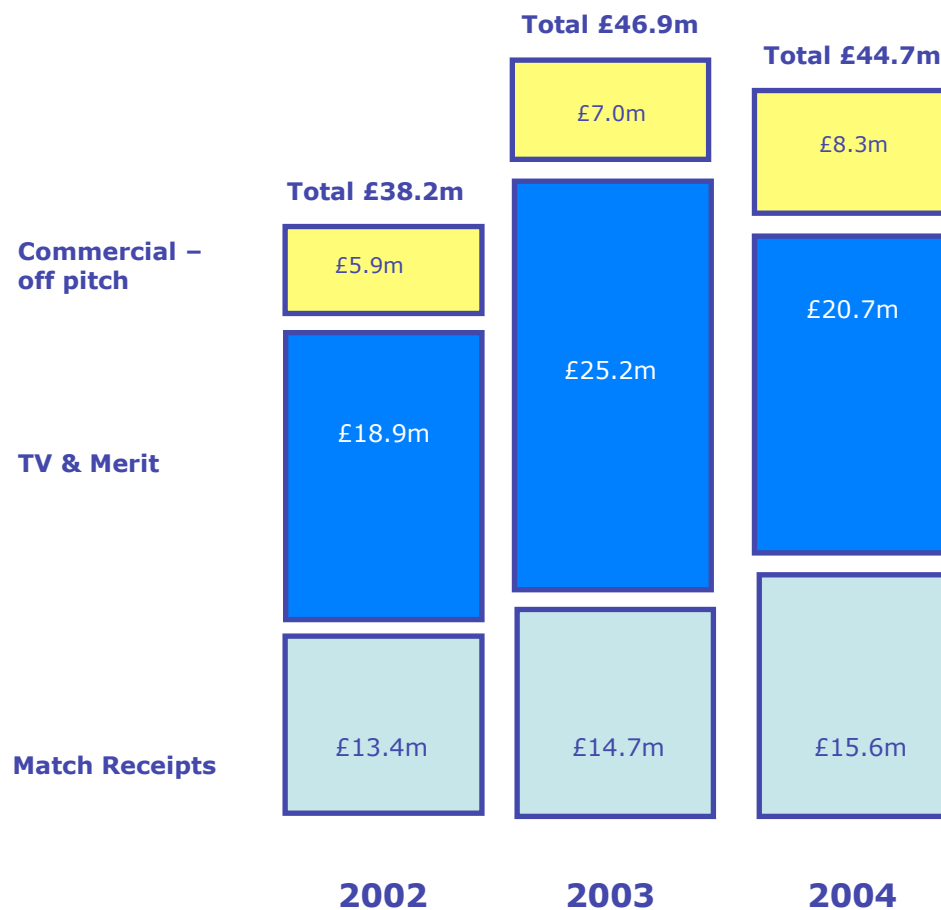
SheridanBinnie

a better team · a better result

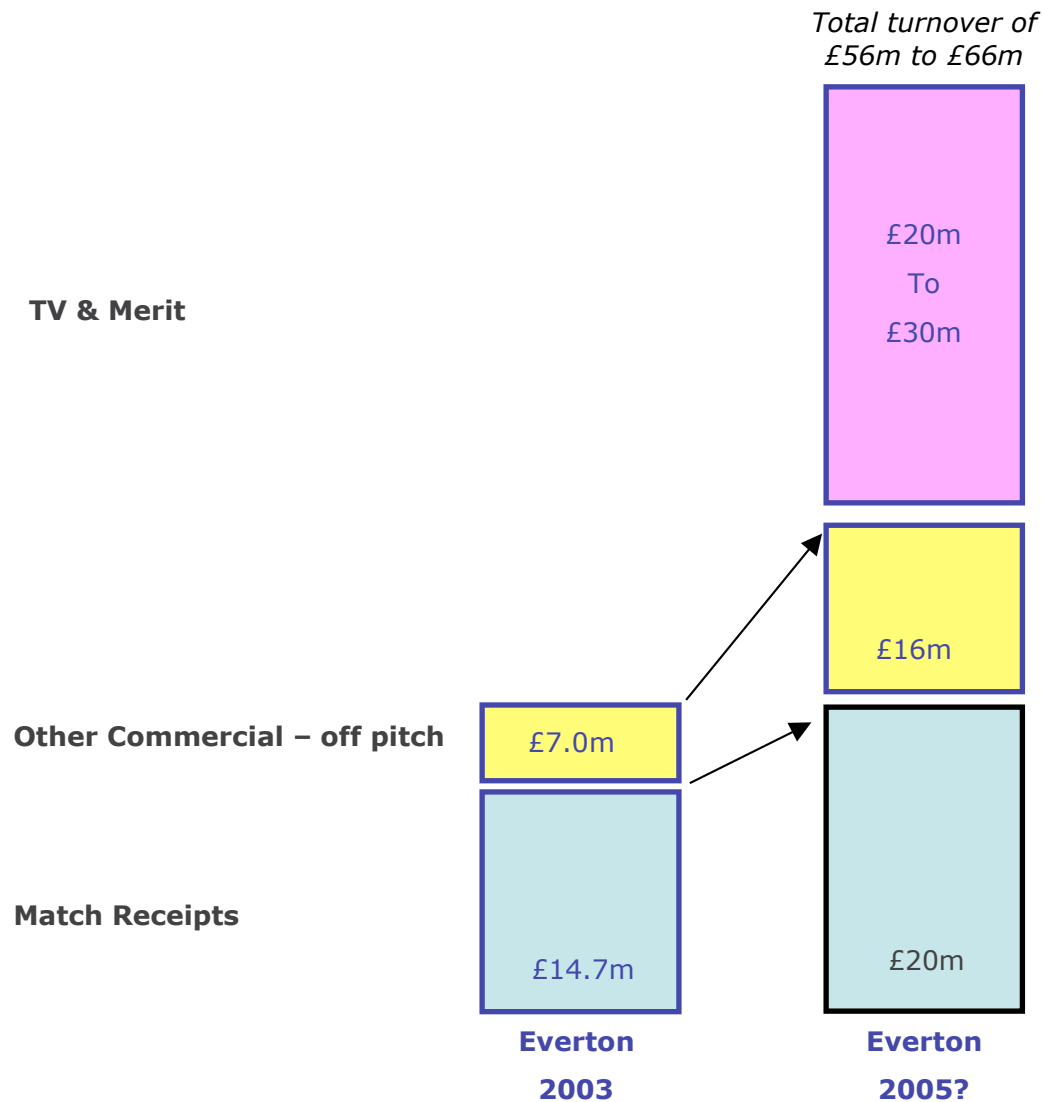
Everton Shareholder's Meeting

Monday 7th November, 2005

In May 2004 Everton finished 17th and turnover was affected.....



(Slide from Feb 04) Everton needs to aim for £60m turnover by 2005



In a presentation to Shareholders made in February, 2004 we talked about the need to focus on revenue from MATCH RECEIPTS and OFF-PITCH COMMERCIAL ACTIVITY

Summary (taken from Feb 2004)

- The business will be close to administration by July without new investment
- No major signings can be made (afforded) this summer
- No quick fix – 15 years of neglecting investment in the infrastructure
- Stakeholders (fans), shareholders, the board and manager should be united behind a single business plan
- Shareholders can play a vital role in educating and communicating to 'the fan in the street' the need to support a three year organisation change plan
- Shareholders should be leading the campaign NOT to spend
- Shareholders need to support the board to focus the on the basic KPIs
- The 'commercial business' message is a tough but necessary concept to communicate – the current plight of Leeds makes the current environment conducive
- £15m raised to build a new Bullens Road Stand is an excellent investment
- £15m raised to 'strengthen the squad' will exacerbate the problems of the last decade

Pre-season 04-05 Dunford / Hosie took action to make change....

Expected £ Increase

20% increase in ticket prices across the stadium +£3.2m

Price increase on programmes +£0.5m

New web site with more 'sales' focus +£0.5m

Umbro kit deal (ex Puma) +£0.8m

Chang replaces Keijan as shirt sponsor +£1.6m

Marquee built in car park +£0.1m

A blue and other sponsors +£0.1m

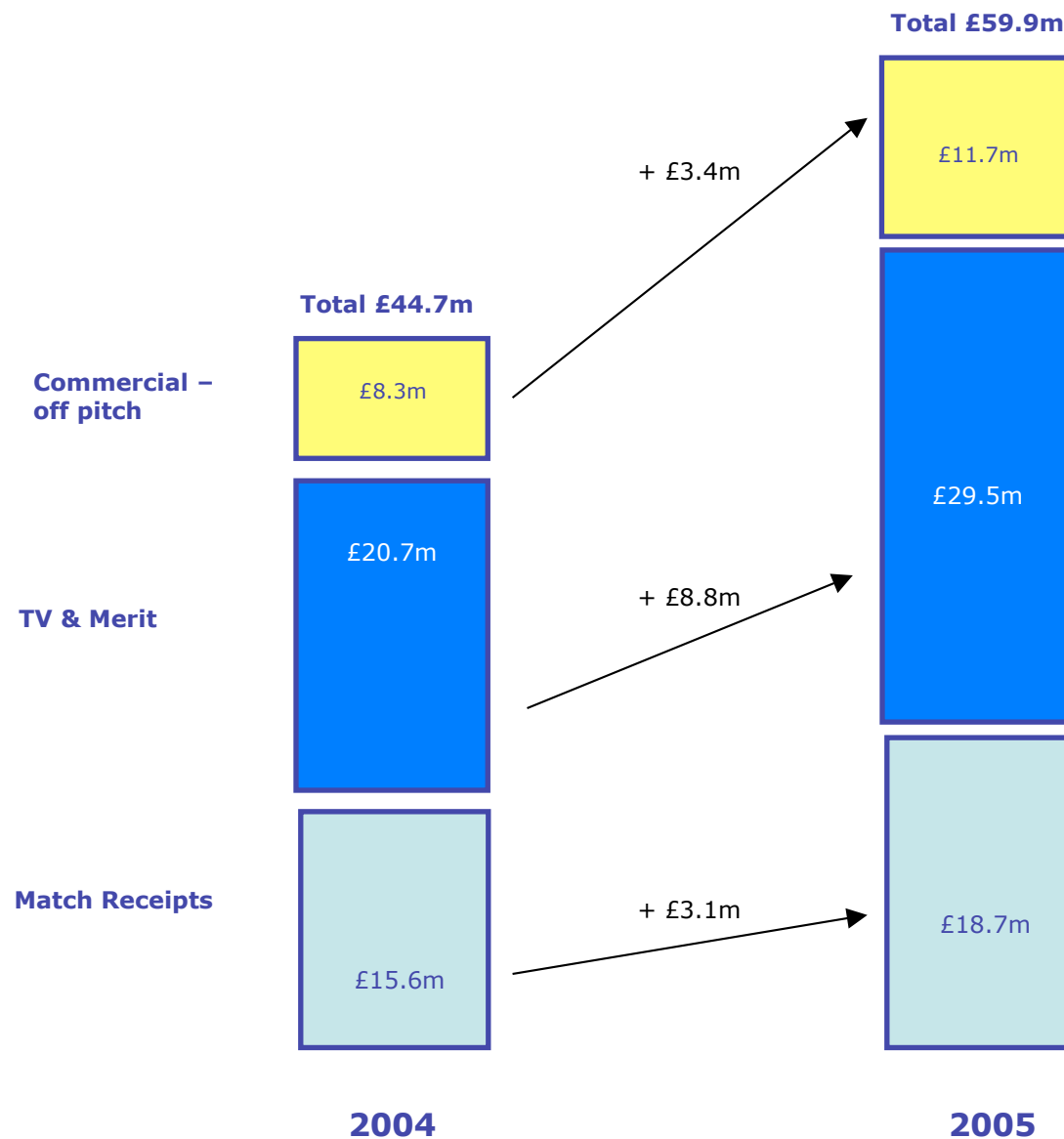
3 new retail shops (city centre etc.) +£0.2m

TOTAL projected increase in turnover +£7.0m

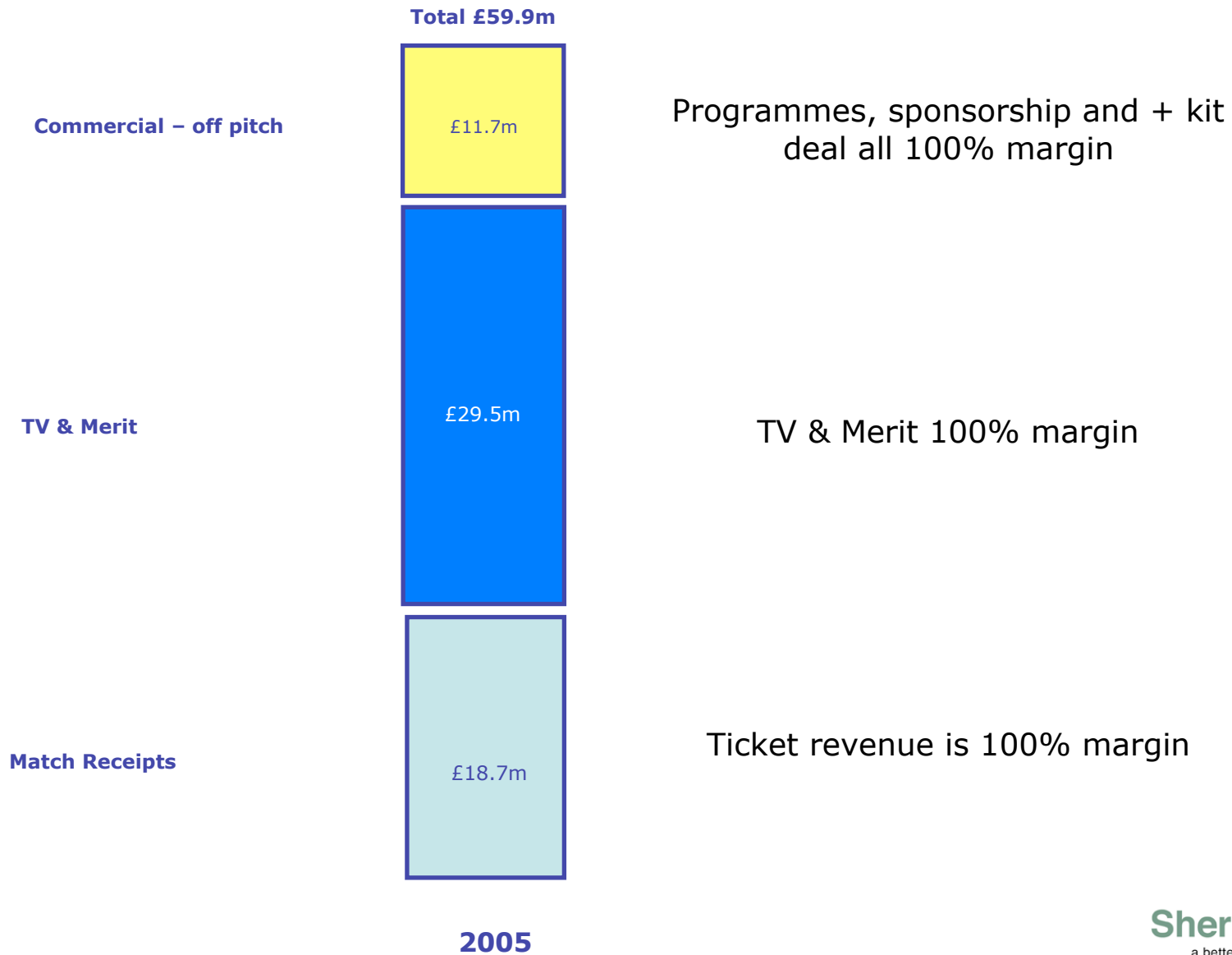
Business Objectives for Year May '05 (?)

- Sale of the key asset (Rooney) to pay off £15m critical short term borrowings and fund new signings
- Make investment a possibility – zero borrowings and operating **profit** essential
- Expenses, including wages must reduce by £7 million
- The Dunford £7m receipts plan must be realised
- Overall effect of the £7m expenses reduction & £7m income should be a break even
- New stadium / development of Goodison plan resolved
- Reduce wages bill below £28 million
- Reduce 'Other Expenses' to below the level of 2003 (under £12.3m)
- Pay no more than £2m for any player
- Purchases budget must not exceed operating profit each year
- Purchase only 'under 23' developing talent

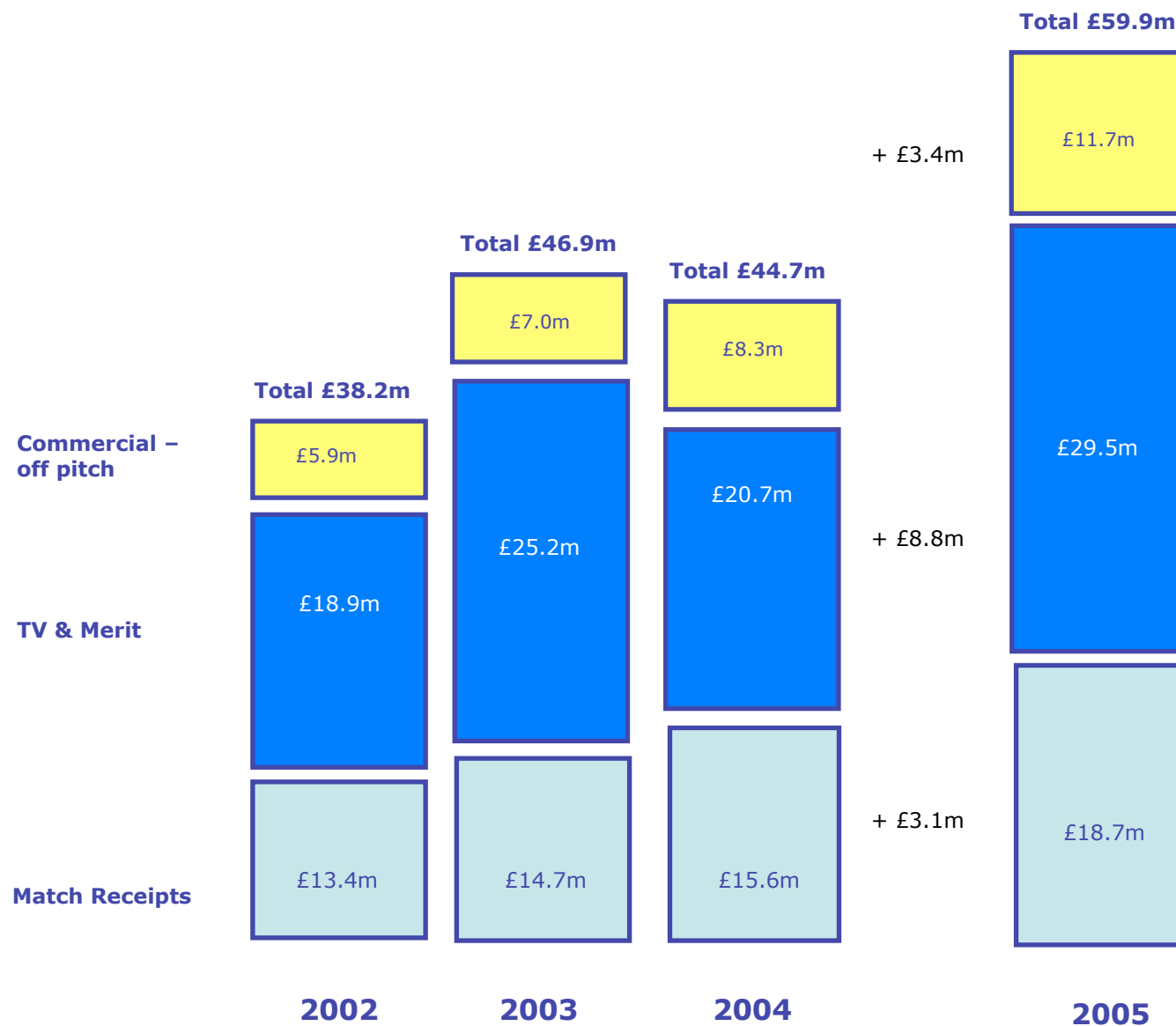
For the year May 05 Everton announced record turnover of £59.9m (Up £15.2m)



If costs are under control, then at least £14m should be pure gross profit.....



The Dunford / Hosie deals appear to have achieved £6.5m against plan £7.0m.....



However, 3 things happened in the year which were one-offs....

Expected £ Increase

Wayne Rooney sold to Man Utd (Aug 2004)	+£20.0m
Eileen Craven Car Park sold	+£2.6m
The team finish 4 th in the Premiership	+8.6m
TOTAL one off benefit	+£31.2m

- Critical this windfall is used responsibly – reduce debt and invest in Fixed Asset Infrastructure
- Important this does not distract everyone from the continued need for improvement in financial performance
- Operating model needs to show the club can break even every year without these benefits
- Rebuilding still requires prudence and long term planning

This £31.2m windfall makes the £15m Fortress Fund now seem irrelevant?

Other Expenses are up £10 million even after wages savings....

therefore *even in a season we finished 4th* the operating profit is zero

PROFIT & LOSS ACCOUNT £££millions	2002	2003	2004	2005
Turnover	38	47	45	60
Cost of sales	-30	-33	-37	-31
Amortisation & Depreciation	-9	-14	-11	-12
Admin Expenses	-9	-9	-11	-17
Operating loss / Profit	-10	-9	-14	0
Profit/loss disposals + player reg.	+14	-1	+2	+26
Profit/loss before interest & tax	4	-10	-12	+26
Exceptionals & Write offs	0	0	0	0
Net Interest Payable	-2	-3	-3	-3
Profit / loss activities before tax	+2	-13	-15	+23

Key Messages in the Annual Report

- "This (23%) decrease has resulted in a reduction in wages of some 7% to £30.8m."
- "After taking this decrease into consideration we are pleased to report that we have recorded an operating profit on operations excluding player trading of £10.4m (2004 loss of "£2.7m)
- "The Group has adopted format 2 of the Companies Act when preparing its P&L"

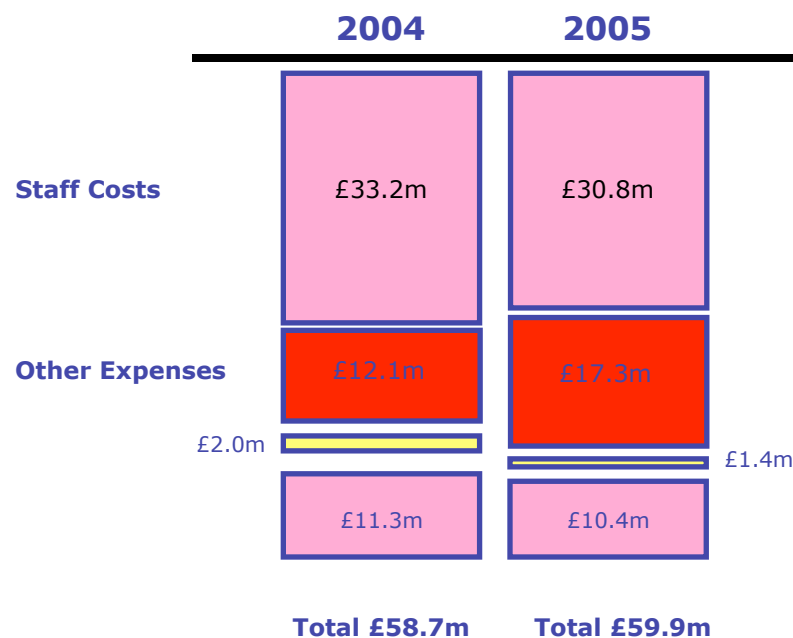
Excluding amortisation & depreciation, controllable expenses are up nearly £3m

	2004	2005
Staff Costs	£33.2m	£30.8m
Other Expenses	£12.1m	£17.3m
Total	£45.3m	£48.1m

Key Messages NOT in the Annual Report

- Excluding depreciation, expenses **increased by £2.8m**
- Given the reduction in wages, this means **other expenses** were **up £5.2m (+43%)**
- The squad was the smallest of the last few years and the downward trend will / will not continue?

The reduction in amortisation & depreciation leaves total expenses slightly up



- Amortisation of player registrations was down by £0.7m
- Depreciation reduced by £0.6m
- Total expenses increased by £1.2m

Part of the £31.2m windfall has been used to pay off short term debt....

Balance Sheets £££millions	Everton <u>2002</u>	Everton <u>2003</u>	Everton <u>2004</u>	Everton <u>2005</u>
Fixed Assets				
Intangibles (i.e. players)	27	25	18	20
Tangibles (stadium etc.)	15	14	13	13
Investments	0	0	0	0
	42	39	31	33
Current Assets				
Stocks	1	1	1	1
Debtors	4	6	3	6
Cash	9	5	4	8
	14	12	8	15
Creditors (due >1 year)	-12	-23	-30	-17
Net Current Assets (liabilities)	2	-11	-22	-2
Total Assets – Current Liabilities	44	27	9	31
Monies owed longer term	-37	-33	-30	-29
Provisions for liabilities & charges	-2	-2	-2	-2
Net Assets (liabilities)	+5	-8	-23	0

Therefore, if £23m made its way onto the Balance Sheet then the balance has been swallowed by the P&L

Transfers from June 2004 to May 2005

IN

Marcus Bent	June 04	450
Tim Cahill	June 04	2,000
James Beattie	Jan 05	6,500
Mikael Arteta (loan)	Jan 05	1,000
John Ruddy	May 05	250
Simon Davies	May 05	3,500
TOTAL TO MAY 2005		13,700

OUT

Tomas Radzinski	June 04	1,750
Tobias Lindereth	June 04	1,750
Wayne Rooney	Aug 04	20,000
Thomas Gravesen	Jan 05	2,450
Nick Chadwick	Feb 05	250
TOTAL TO MAY 2005		26,200

- Without detail, it's impossible to predict the cash flow impact as transfers may be paid in instalments
- Cash flow statement shows £29m IN and £15m OUT

Cash Movement in the year was £10m positive....

Cash Flow Statements £££millions	Everton <u>2002</u>	Everton <u>2003</u>	Everton <u>2004</u>	Everton <u>2005</u>
Net Cash in/ out from operations	2	9	1	13
Net Cash out from servicing debt	2	2	3	3
UK Tax paid	0	0	0	0
Net Capex players (in/ out)	18	0	9	29
Capex on fixed assets (out)	12	11	16	15
Cash In/ Out before Financing	2	4	11	24
FINANCING				
Net cash in (loan)/ out (repaid)	16	3	15	14
CASH MOVEMENT IN YEAR	18	7	4	10

Since September 2004 further changes have taken place

- Lounge prices doubled – will turnover double?
- Season tickets were down – will they be up / down next season?
- Season ticket sales no longer capped
- No waiting list for corporate sales
- New players signed for a spend of £23.5m since January
- No major sponsorships announced
- No stadium development
- Increase in headcount and wages with changes to catering

The squad has been added to since June 1st, 2005 with a £13.8m spend

June 05 - May 06 Signings

Andy van der Meyde	1,800
Nuno Valente	1,500
Matteo Ferrari	-
Phil Neville	3,500
Mikel Arteta	2,000
Per Krøldrup	5,000

Note: Beattie, Ruddy and Davies (total £10.5m) purchased before May 31st, 2005

We think the wage bill will be up for the FY 2005/06

Key Wages Changes for 2005/06

Let's assume that all the new squad players earn an average of £25k per week = £1.3m per year

Andy van der Meyde	£1.5m
Nuno Valente	£1.3m
Matteo Ferrari	£0.6m
Phil Neville	£1.3m
Mikel Arteta	£1.3m
Per Krøldrup	£1.3m
Simon Davies	£1.3m
James Beattie	£1.5m
Total Wages	£10.1m

Reductions

Kevin Campbell	£1.5m
Steve Watson	£0.8m
Alan Stubbs	£1.0m
Duncan Ferguson (reduced)	£0.5m
Thomas Gravesen	£1.0m
Wayne Rooney	£1.5m
Total Wages	£6.0m

The forecast for 2006 is becoming easier to predict (now past the half year)

TURNOVER

Gate Receipts & Programmes	18,711	19,500	Price increase offset reduced attendance
Broadcasting	29,504	24,187	Fewer appearance post Xmas: 13 th place merit
Sponsorship & Advertising	4,264	3,750	Lounge prices impact sponsorship
Merchandising	5,416	5,000	More retail stores v less traffic (-7%)
Other Commercial Activities	2,058	2,000	Trend of last year (-3%)
TOTAL TURNOVER	59,953	54,437	(9% decline)

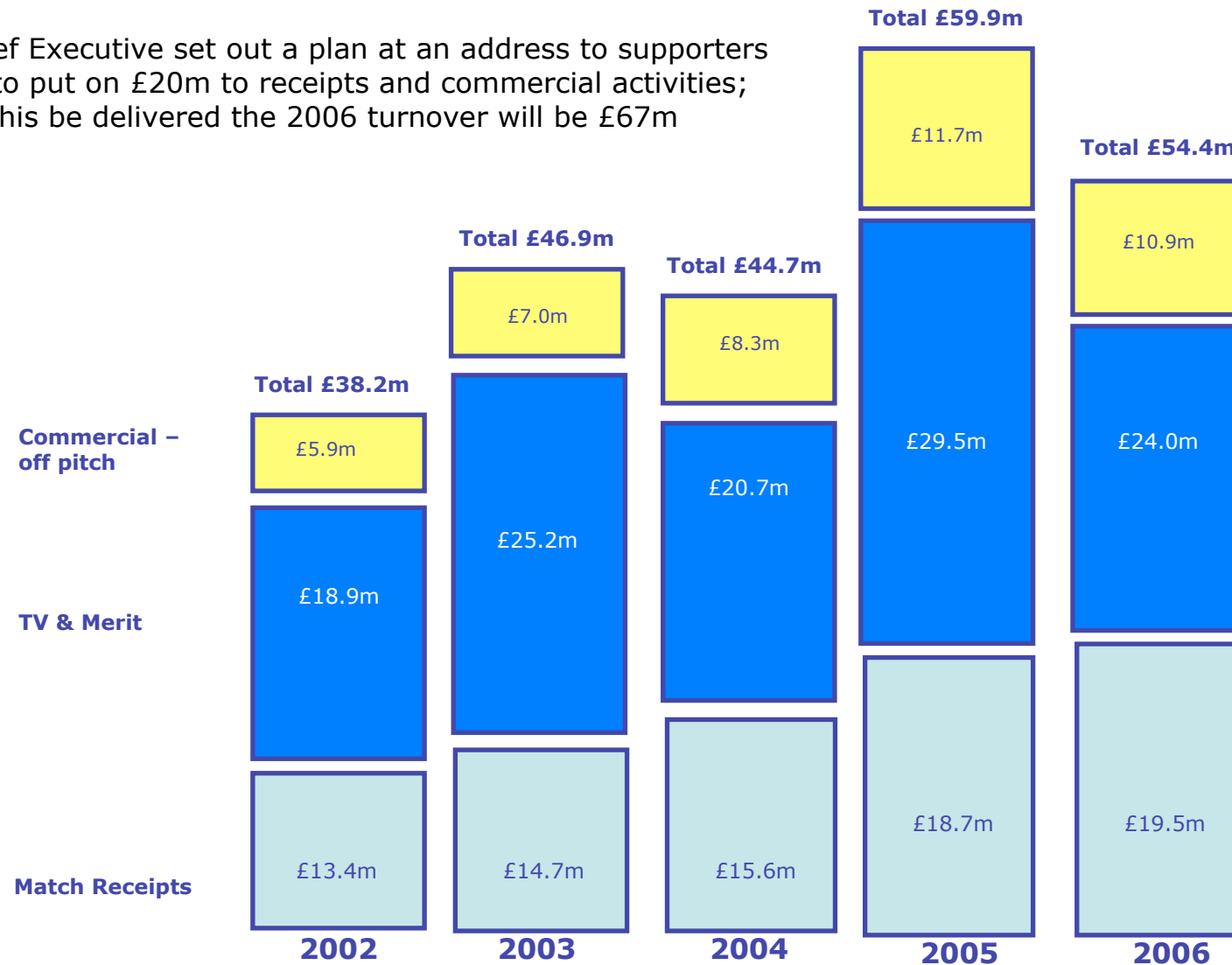
Relegation would obviously impact the forecast

TURNOVER

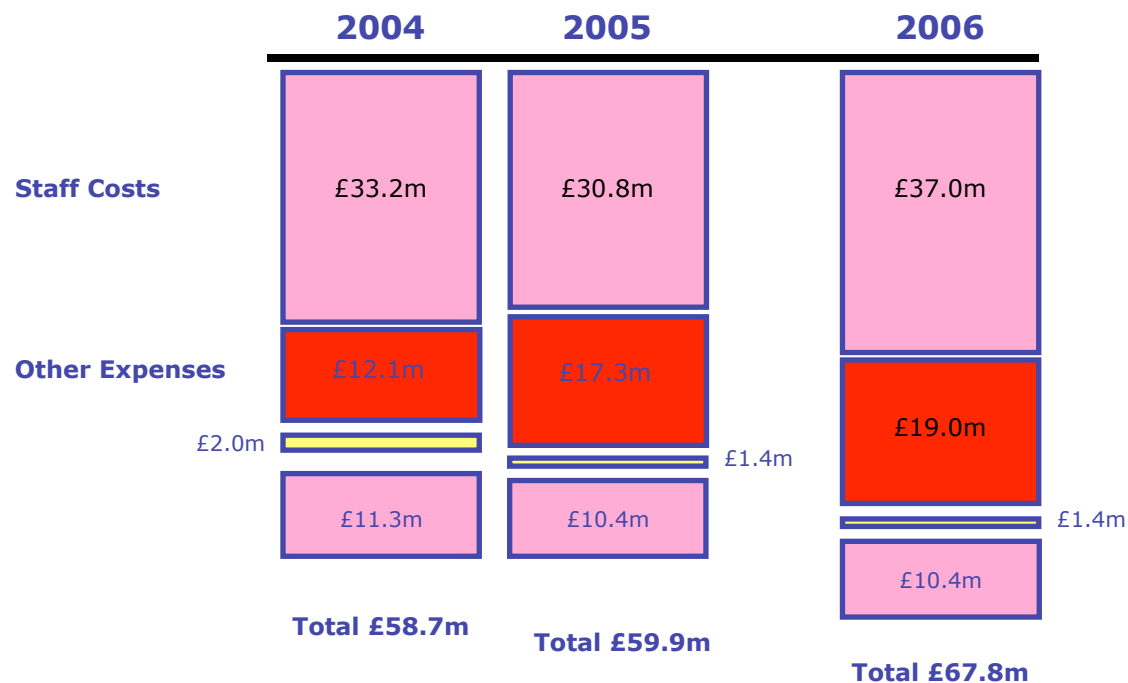
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Merchandising	5,416	5,000	More retail stores v less traffic (-7%)
Other Commercial Activities	2,058	2,000	Trend of last year (-3%)
TOTAL TURNOVER	59,953	48,400	(19% decline)

We hope our forecast for 2006 is realistic as opposed to pessimistic

The Chief Executive set out a plan at an address to supporters groups to put on £20m to receipts and commercial activities; should this be delivered the 2006 turnover will be £67m



Assuming amortisation & depreciation stays level, we expect staff costs to increase...



- Wages now exclude Campbell, Ferguson at £30k+, Stubbs & Watson
- Wages now include Beattie, Davies, Neville, Arteta, Valente, Van de Meyde & Kroldrup (average £25k per week = +£4m per season)
- Moyes, Cahill and Osman new contracts (+£2m)
- Larger squad numbers
- More retail shops, more rent, more staff, more catering etc. (+??)

Conservative estimates suggest we might lose £14 million at an operating level this year: £17 million before tax

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Squad has increased by 7 professionals

Wages estimated to increase

Player spend has been c. £14m since May

No fees received from player sales this financial year

P.R. - Communication of the 2005 Results needed careful handling....

- Manage the fans' expectations
- Manage the agents' expectations
- Manage the players' (existing and potential signings) expectations
- Communicate a message of urgency for change internally
- Attract investors

Key messages NOT to communicate

- 'The greatest financial results in the club's history' (break even not acceptable)
- 'Things have been turned round' (there is a long way to go to reach sustainable profit)
- 'Keith Wyness has conjured up a remarkable performance' (Results down to predecessors)
- 'Key areas have been streamlined' (Results show a worrying increase in other expenses)
- 'The club is more professionally run' (Still not reaching levels of off-pitch performance of Villa, Spurs, Man City and Newcastle)
- 'Everton now a top 20 club in the world' (No – we enjoyed 3 one-off benefits in the year)
- 'The club has never been in better shape financially' (No – still £27m debt and losing money on the operation)

Key messages to communicate

- £23.5m spent on players since January 2005 shows the board's commitment to the manager and the fans
- No player sales since January 2005
- Another difficult year to make profits as every penny of income is swallowed up on keeping the club competitive
- Despite the most successful performance on the pitch in 15 years, the club only managed to break even
- We need to make the club more professional
- Wages were down, but this trend will not continue
- We need to work hard to increase our other Commercial Activities
- 'Our long term plan of creating sustainable revenue streams shows progress thanks to the increase in season ticket prices and programmes – a big thank you to the fans for this '
- The increase in expenses reflects our attempts to provide a better experience for the fans