



Corporate
Finance &
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Expertise

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Financial Analysis of Leading Auckland Sports Organisations



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Introduction and key findings

This report provides a high-level overview and analysis of the financial performance and position of the following three Auckland sports organisations:

- Auckland Cricket Association Incorporated (ACA);
- Auckland Rugby Union Incorporated (ARU); and
- No 2 District Federation of New Zealand Soccer Federation (Auckland Football Federation (AFF)).

The report looks at a period of ten years - from 2004 to 2013. Some of the key findings are:

- aggregate total revenue has been relatively volatile ranging from \$15.4m to \$20.8m;
- the ARU has experienced a significant decline in total revenue with a compound annual growth rate (CAGR) of negative 3.6% (a decrease from \$13.5m to \$9.7m);
- in contrast, the AFF has increased its total revenue from \$0.8m in 2004 to \$1.8m in 2013, a CAGR of around 10% and the ACA has increased its total revenue from \$2.5m to \$4.1m, a CAGR of around 5.6%;
- the ARU's share of aggregate revenue has reduced from 80% in 2004 to 62% in 2013, the ACA has increased its share of aggregate revenue from 15% to 26% and the AFF has increased its share from 5% to 12%;
- aggregate net surplus has fluctuated between a high of \$2.5m in 2005 to a low of \$0.05m in 2009;
- the ARU achieved relatively good net surpluses over the past ten years (an average of \$1.2m - 8.9% of total income) with 2009 being the exception;
- on average, the ACA has experienced a small net deficit of \$0.01m (-0.2% of total income), with the past five years all producing deficits;
- the AFF has, on average, achieved a small surplus of \$0.05m (4.7% of total income);
- a comparison between the 2004-2007 average with the 2011-2013 average indicates declining net surpluses for each sports organisation (ARU: -53%; ACA: -190%; AFF: -71%);
- aggregate total assets have increased from \$9.8m in 2004 to \$13.4m in 2013 a CAGR of 3.5%;
- the ARU has increased its total assets from \$8m in 2004 to \$11m in 2013, the ACA has increased its total assets from \$1.6m to \$1.7m and the AFF has increased its total assets significantly from \$0.17m to \$0.73m;
- the gearing (total liabilities to total assets) for each sports organisation has reduced with the ARU's reducing from 29% to 12%, the ACA's reducing from 33% to 29% and the AFF's reducing from 150% (negative net worth position) to 31%;
- aggregate cash and cash equivalents have increased from a low in 2010 of \$3.8m to a high in 2013 of \$7.3m; and
- aggregate equity has been steadily increasing over the past ten years, increasing from \$6.7m in 2004 to \$11.4m in 2013.

TDB Advisory is a group of highly qualified and experienced financial and economic advisors committed to providing independent and best-practice advice in corporate finance and economic analysis to New Zealand and Australian enterprises. The expertise of our four directors includes a record of advising on major corporate restructurings and public policy reform, managing the largest debt and foreign exchange exposures in New Zealand and executing major transactions and financial restructuring programmes.

Disclosure: Philip Barry is the Deputy Chair and chairs the finance and risk committee of Capital Football.

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Financial performance

Aggregate total revenue has been reasonably volatile fluctuating between a high of \$20.8m in 2010 to a low of \$15.4m in 2012.

From 2004 to 2013 the compound annual growth rate (CAGR) of aggregate total revenue was negative 0.7%. The mean was \$17.8m with a standard deviation of around \$1.9m.

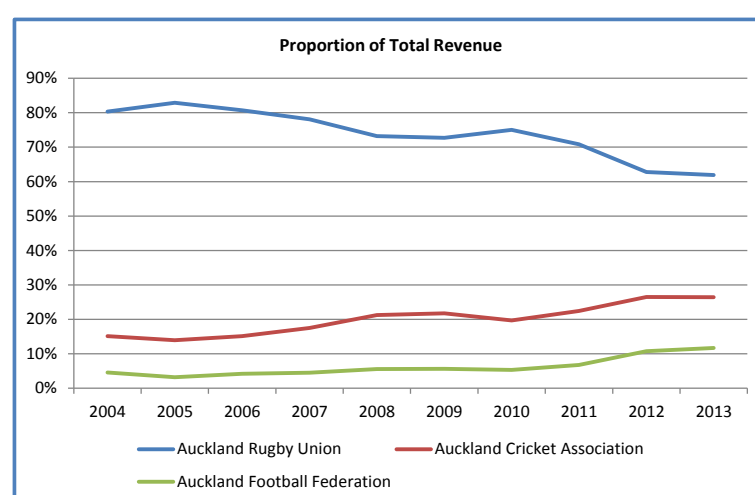
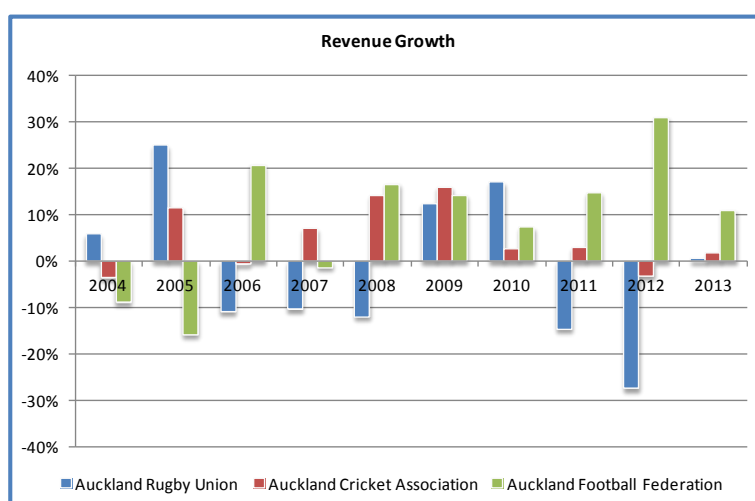
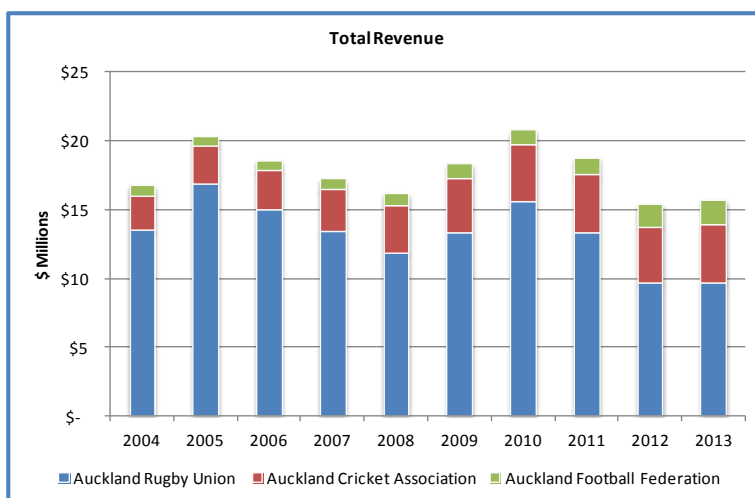
The Auckland Rugby Union (ARU) sources the majority of its revenue from grants (30%), NZRU funding (18%) and sponsorship (15%). The Auckland Cricket Association (ACA) sources the majority of its revenue from sponsorship, grants and memberships (89%). The Auckland Football Federation (AFF) sources the majority of its revenue from grants (34%) and Federation team levies (21%).

The ARU has seen revenues reduce significantly over the past ten years while the ACA and AFF have experienced growth in revenues.

The AFF saw the highest level of revenue growth over the past ten years with a CAGR of around 10%. Revenue increased from around \$0.8m in 2004 to around \$1.8m in 2013. The ACA had a CAGR of around 5.6% over the ten year period. Revenue increased from around \$2.5m in 2004 to around \$4.1m in 2013. The ARU experienced a reduction in revenue over the ten years with a CAGR of negative 3.6%. Revenue fell from \$13.5m in 2004 (a high of \$16.8m was reached in 2005) to \$9.7m in 2013.

The ARU makes up the largest proportion of aggregate revenue however its market share has been steadily reducing.

Over the period, 2004 to 2013, the ARU made up on average 74% of aggregate revenue however this share has fallen from a high of 83% in 2005 to 62% in 2013. The ACA increased its share of aggregate revenue from 15% in 2004 to 26% in 2013. The AFF increased its share of aggregate revenue from 5% in 2004 to 12% in 2013.



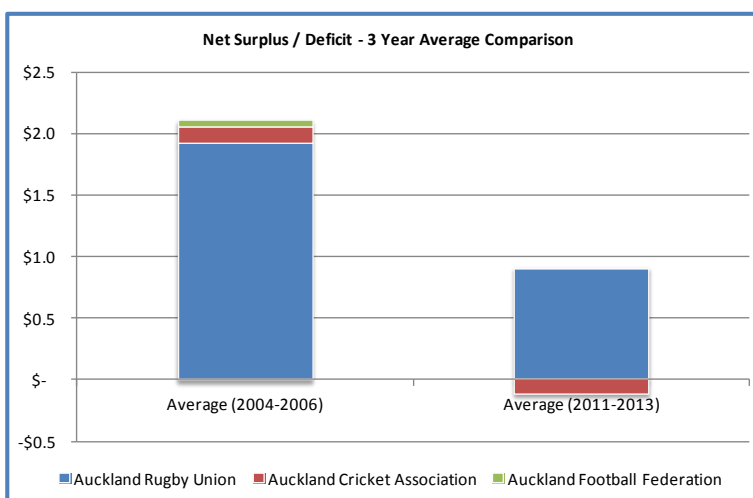
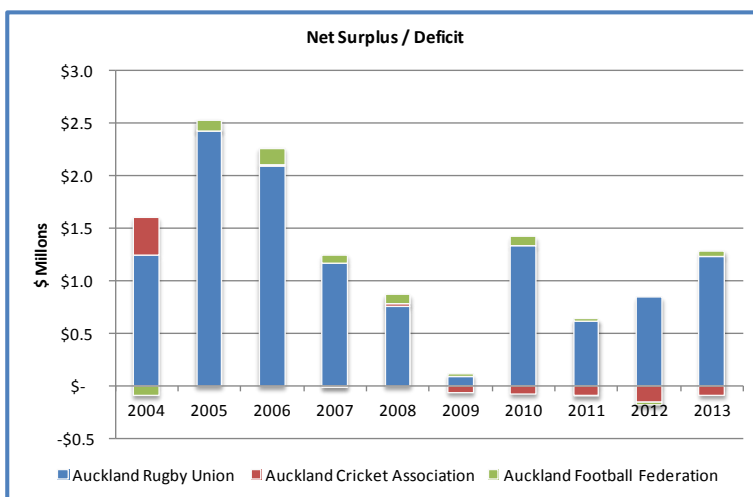
Aggregate net surplus has fluctuated between a high in 2005 of \$2.5m (12.5% of aggregate total revenue) to a low of \$0.05m (0.3% of aggregate total revenue) in 2009.

The ARU has achieved significant net surpluses over the past ten years with only 2009 being the exception. On average, the ARU's net surplus has been \$1.2m (8.9% of total income). The net surplus in 2010 was supported by \$1.1m of net income from rugby world cup activities. The ACA has, on average, achieved a small deficit of \$0.01m (-0.2% of total income) with a number of small deficits over the past five years (excluding grants for capital projects). The AFF has, on average, achieved a small surplus of \$0.05m (4.7% of total income).

A comparison of the '2004-2006' three year average and the '2011-2013' three year average demonstrates the significant reduction in the net surpluses of the three sports organisations.

The ARU has seen its average net surplus fall from \$1.9m to \$0.9m (53% reduction), the ACA has seen its average net surplus fall from \$0.13m to a deficit of \$0.11m (190% reduction) and the AFF has seen its average net surplus fall from \$0.06m to \$0.02m (71% reduction).

The table below provides a summary of the three year averages discussed above.



\$ Millions	Auckland Rugby	Auckland Cricket	Auckland Football	Aggregate
3 Year Average (2004-2006)				
Revenue	\$15.11	\$2.72	\$0.73	\$18.56
Net Surplus/Deficit	\$1.92	\$0.13	\$0.06	\$2.11
3 Year Average (2011-2013)				
Revenue	\$10.89	\$4.15	\$1.58	\$16.62
Net Surplus/Deficit	\$0.90	-\$0.11	\$0.02	\$0.80
Movement				
Revenue	-\$4.21	\$1.42	\$0.85	-\$1.94
Net Surplus/Deficit	-\$1.02	-\$0.24	-\$0.04	-\$1.31
Revenue	-28%	52%	117%	-10%
Net Surplus/Deficit	-53%	-190%	-71%	-62%

Financial position

Aggregate total assets fluctuated between \$9.8m and \$15.8m over the past ten years. The ten year average was \$13.5m

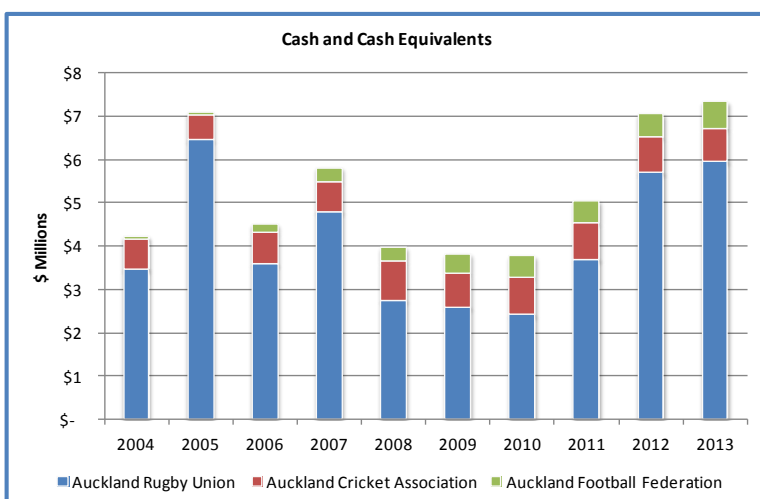
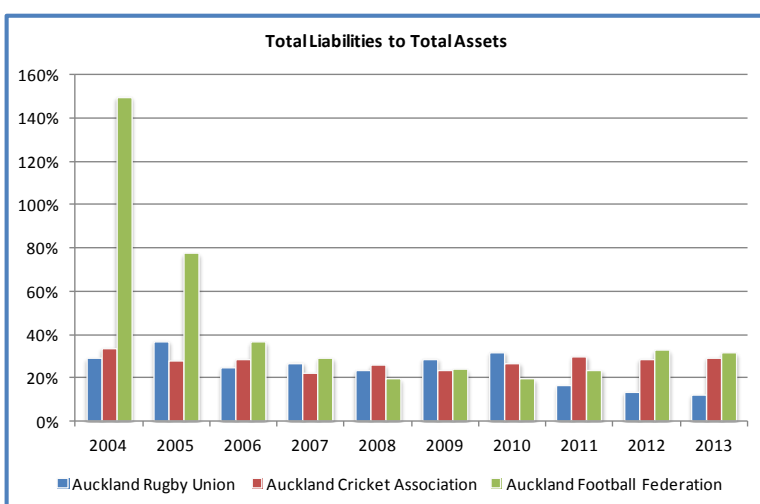
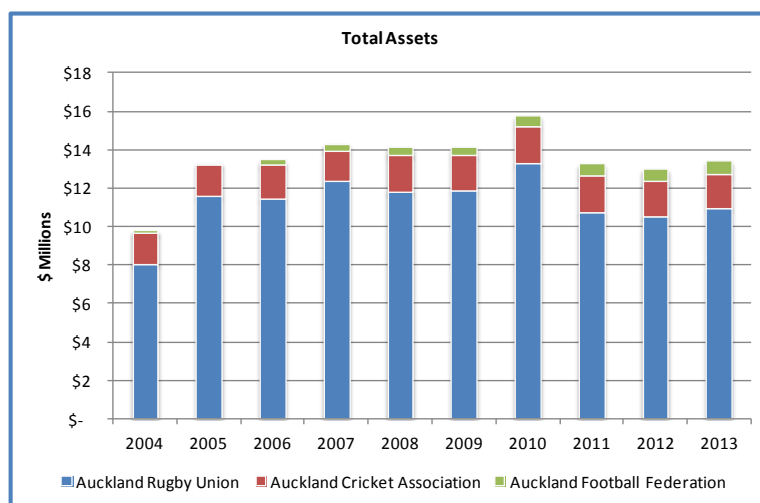
The ten year CAGR for aggregate total assets was around 3.5%. The ARU increased its total assets from \$8m in 2004 to \$11m in 2013 (a CAGR of around 3.5%), the ACA increased its total assets from \$1.6m to \$1.7m (a CAGR of around 1%), the AFF increased its total assets from \$0.17m to \$0.73m (a CAGR of around 17.5%). The ARU's and the AFF's total assets are mainly cash and cash equivalents. The ACA's main assets are cash and cash equivalents and a permanent advance to Eden Park.

In aggregate there was a significant reduction in the weighted gearing of the sports organisations.

In 2004 the weighted average gearing ratio (total liabilities to total assets) was around 32%. This ratio reduced to around 15% in 2013. The ARU's gearing ratio has reduced from 29% in 2004 to 12% in 2013; the ACA's reduced from 33% to 29%; and the AFF's significantly reduced from 150% to 31%.

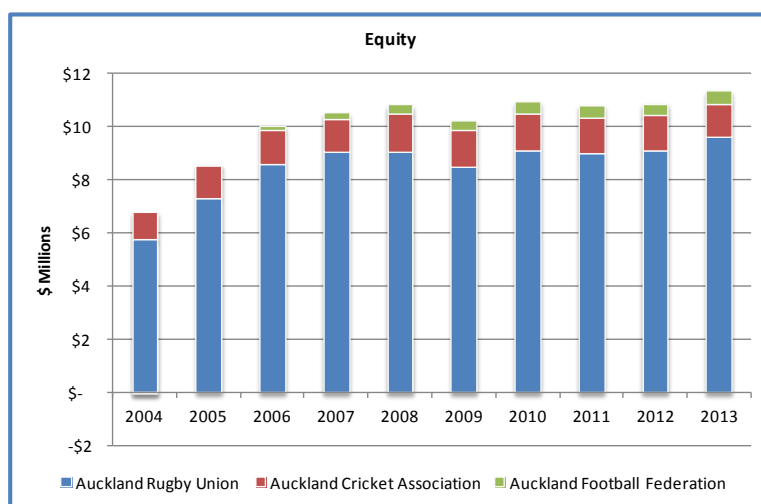
In aggregate cash and cash equivalents have fluctuated between \$3.8m and \$7.3m. There has been a significant increase in cash and cash equivalents since 2010.

In 2004 the aggregate cash and cash equivalents balance was around \$4.2m of which \$3.5m (82%) was the ARU's. This dropped to around \$3.8m in 2010 of which \$2.4m (64%) was the ARU's. In 2013 the aggregate cash balance was \$7.3m of which \$6m (81%) was the ARU's. The AFF has grown its cash balances from \$0.05m in 2004 to \$0.62m in 2013.



Aggregate equity has been steadily increasing over the past ten years. It has increased from a low of \$6.7m in 2004 to a high of \$11.4m in 2013.

The aggregate CAGR over the ten year period was 6% with an average of \$10m. The AFF had negative equity in 2004 of around \$0.1m. This was due to a large accounts payable item. The ARU has increased its equity by 68% from a low of \$5.7m in 2004 to a high of \$9.6m in 2013. The ACA has had relatively stable equity over the ten year period, increasing from \$1.1m in 2004 to \$1.2m in 2013.



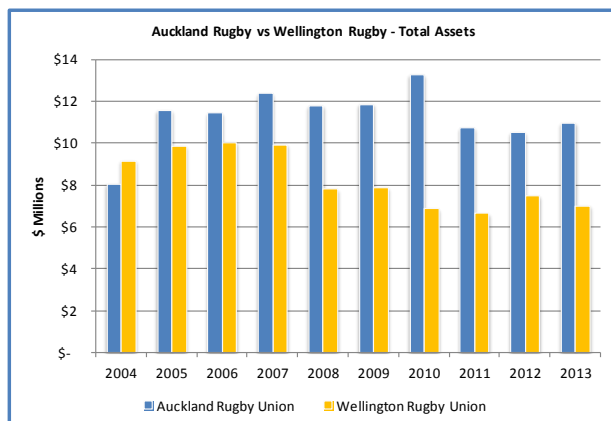
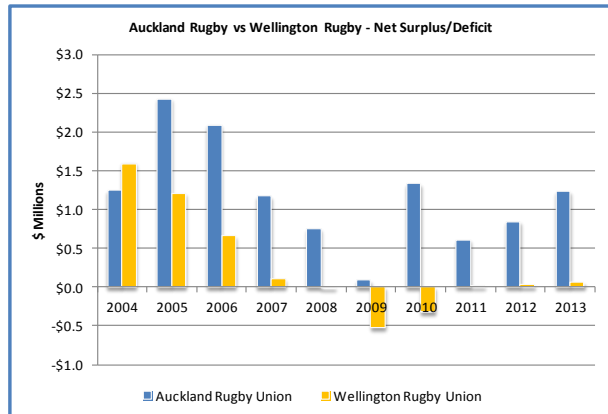
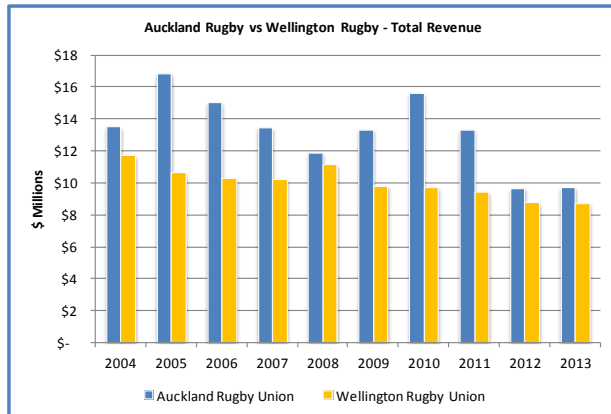
The table below provides a summary of the 2004-2006 three year average and the 2011-2013 three year average financial position for each organisation.

\$ Millions	Auckland Rugby	Auckland Cricket	Auckland Football	Aggregate
3 Year Average (2004-2006)				
Current Assets	\$6.24	\$0.83	\$0.16	\$7.23
Non-Current Assets	\$4.10	\$0.84	\$0.02	\$4.96
Total Assets	\$10.34	\$1.67	\$0.18	\$12.19
Current Liabilities	\$2.79	\$0.50	\$0.14	\$3.43
Non-Current Liabilities	\$0.34	\$0.00	\$0.00	\$0.34
Total Liabilities	\$3.12	\$0.50	\$0.14	\$3.76
Equity	\$7.21	\$1.17	\$0.04	\$8.43
Net Working Capital	\$3.45	\$0.34	\$0.02	\$3.80
3 Year Average (2011-2013)				
Current Assets	\$7.27	\$1.04	\$0.65	\$8.95
Non-Current Assets	\$3.46	\$0.80	\$0.02	\$4.28
Total Assets	\$10.72	\$1.84	\$0.67	\$13.23
Current Liabilities	\$1.49	\$0.53	\$0.20	\$2.22
Non-Current Liabilities	\$0.00	\$0.00	\$0.00	\$0.00
Total Liabilities	\$1.49	\$0.53	\$0.20	\$2.22
Equity	\$9.23	\$1.30	\$0.48	\$11.01
Net Working Capital	\$5.78	\$0.50	\$0.45	\$6.73
Movement				
Total Assets	\$0.38	\$0.17	\$0.49	\$1.04
Total Liabilities	-\$1.64	\$0.04	\$0.06	-\$1.54
Equity	\$2.02	\$0.13	\$0.44	\$2.58
Total Assets	4%	10%	274%	9%
Total Liabilities	-52%	8%	39%	-41%
Equity	28%	11%	1150%	31%

Auckland vs Wellington

On the back of our May 2014 report on leading Wellington sports organisations we can compare the three Auckland sports organisations with the three Wellington sports organisations over the same ten year period. We provide a comparison of total revenue, net surplus/deficit and total assets below.

Rugby Unions



Total Revenue (\$M)	3 Year Avg (2004 - 2006)	3 Year Avg (2011 - 2013)	Change (\$)	Change (%)
Auckland Rugby Union	\$15.1	\$10.9	-\$4.2	-28%
Wellington Rugby Union	\$10.9	\$9.0	-\$1.9	-18%

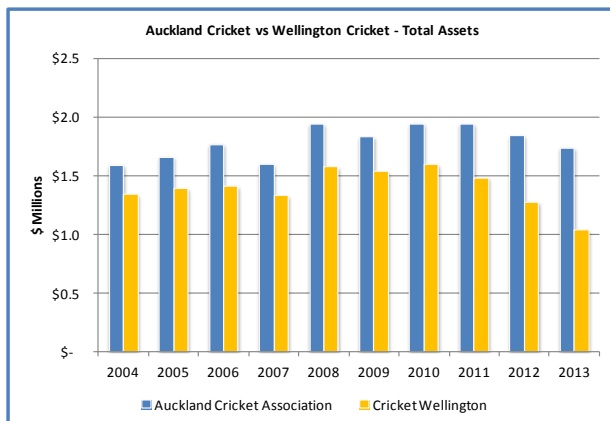
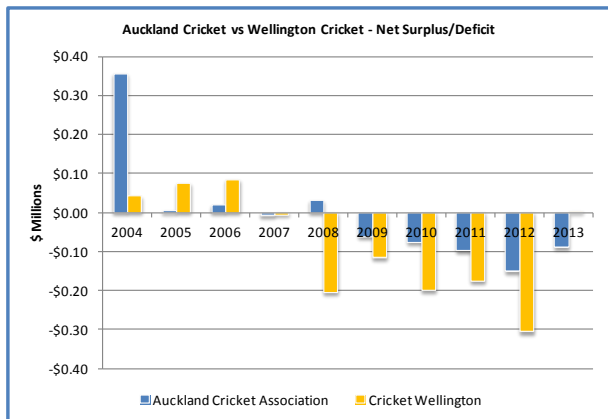
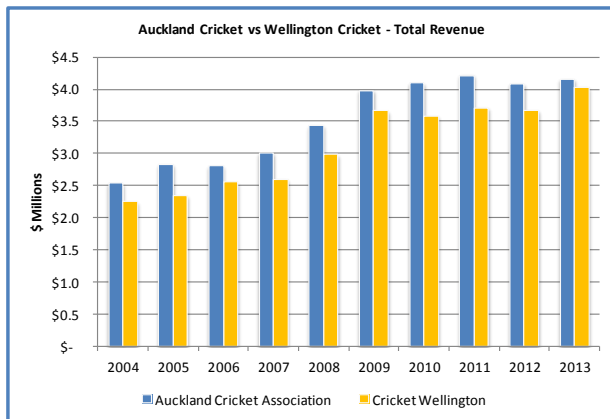
Net Surplus/Deficit (\$M)	3 Year Avg (2004 - 2006)	3 Year Avg (2011 - 2013)	Change (\$)	Change (%)
Auckland Rugby Union	\$1.9	\$0.9	-\$1.0	-53%
Wellington Rugby Union	\$1.2	\$0.0	-\$1.1	-97%

Total Assets (\$M)	3 Year Avg (2004 - 2006)	3 Year Avg (2011 - 2013)	Change (\$)	Change (%)
Auckland Rugby Union	\$10.3	\$10.7	\$0.4	4%
Wellington Rugby Union	\$9.7	\$7.0	-\$2.6	-27%

The key findings are:

- both rugby unions have experienced declining total revenue over the past ten years;
- on average the ARU has seen a larger decline in total revenue with a percentage decrease between 2004-06 and 2011-13 of 28% versus the WRFU's percentage decrease of 18%;
- both rugby unions have experienced declining net surpluses over the past ten years;
- on average the WRFU has seen a larger decline in net surplus with a percentage decrease between 2004-06 and 2011-13 of 97% versus the ARU's percentage decrease of 53%;
- the ARU has consistently achieved a net surplus while the WRFU has not; and
- on average the ARU has seen a small increase in total assets while the WRFU has seen a significant decline of 27%.

Cricket Associations



Total Revenue (\$M)	3 Year Avg (2004 - 2006)	3 Year Avg (2011 - 2013)	Change (\$)	Change (%)
Auckland Cricket Association	\$2.7	\$4.1	\$1.4	52%
Cricket Wellington	\$2.4	\$3.8	\$1.4	60%

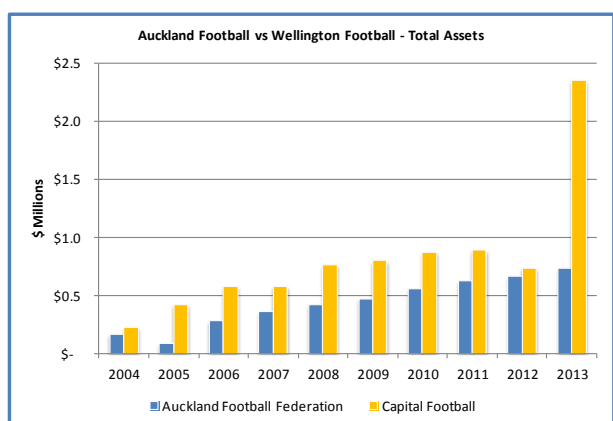
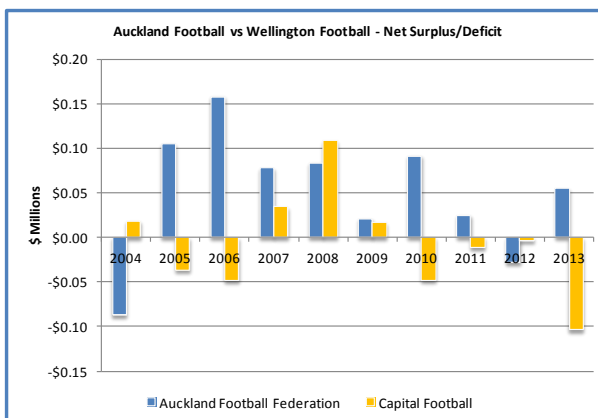
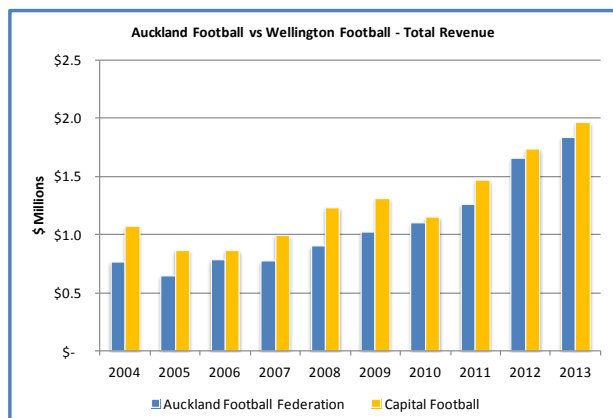
Net Surplus/Deficit (\$M)	3 Year Avg (2004 - 2006)	3 Year Avg (2011 - 2013)	Change (\$)	Change (%)
Auckland Cricket Association	\$0.1	-\$0.1	-\$0.2	-190%
Cricket Wellington	\$0.1	-\$0.2	-\$0.2	-342%

Total Assets (\$M)	3 Year Avg (2004 - 2006)	3 Year Avg (2011 - 2013)	Change (\$)	Change (%)
Auckland Cricket Association	\$1.7	\$1.8	\$0.2	10%
Cricket Wellington	\$1.4	\$1.3	-\$0.1	-8%

The key findings are:

- both cricket associations have experienced increasing total revenue over the past ten years;
- on average Cricket Wellington has seen a larger increase in total revenue with a percentage increase between 2004-06 and 2011-13 of 60% versus the ACA's percentage increase of 52%;
- both cricket associations have experienced declining net surpluses over the past ten years;
- on average Cricket Wellington has seen a larger decline in net surplus between 2004-06 and 2011-13 with a percentage decrease of 342% versus the ACA's percentage decrease of 190%; and
- on average the ACA has increased its total assets (10% increase) while Cricket Wellington has experienced a reduction in total assets (8% decrease).

Football Federations



Total Revenue (\$M)	3 Year Avg (2004 - 2006)	3 Year Avg (2011 - 2013)	Change (\$)	Change (%)
Auckland Football Federation	\$0.73	\$1.58	\$0.85	117%
Capital Football	\$0.93	\$1.72	\$0.79	85%

Net Surplus/Deficit (\$M)	3 Year Avg (2004 - 2006)	3 Year Avg (2011 - 2013)	Change (\$)	Change (%)
Auckland Football Federation	\$0.06	\$0.02	-\$0.04	-71%
Capital Football	-\$0.02	-\$0.04	-\$0.02	-79%

Total Assets (\$M)	3 Year Avg (2004 - 2006)	3 Year Avg (2011 - 2013)	Change (\$)	Change (%)
Auckland Football Federation	\$0.18	\$0.67	\$0.49	274%
Capital Football	\$0.41	\$1.33	\$0.92	224%

The key findings are:

- both football federations have experienced increasing total revenue over the past ten years;
- on average the AFF has seen a larger increase in total revenue with a percentage increase between 2004-06 and 2011-13 of 117% versus Capital Football's percentage increase of 85%;
- both football federations have experienced declining net surpluses over the past ten years;
- on average Capital Football has seen a larger decline in net surplus with a percentage decrease between 2004-06 and 2011-13 of 79% versus the AFF's percentage decrease of 71%; and
- on average the AFF has increased its total assets by 274% while Capital Football has increased its total assets by 224%.

Appendix one

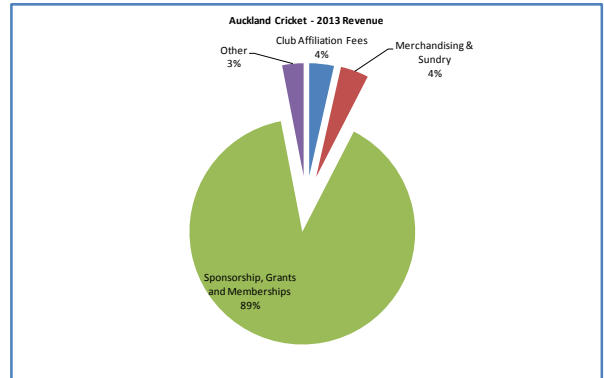
This Appendix provides a brief overview of the three sports organisations we have analysed.

Auckland Cricket Association

The Auckland Cricket Association nurtures, promotes and develops the game of cricket at every level within the Auckland region whilst promoting excellence through its representative teams. The ACA is one of the six major cricket associations within New Zealand and covers the Auckland City area from Manukau to Orewa.

The majority of revenue is sourced from Sponsorship, Grants and Memberships (89%).

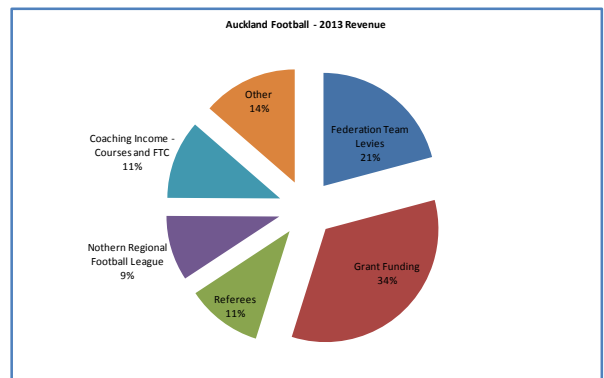
Annual balance date was 31st May from 2004 to 2008 and 31st July from 2009 onward.



Auckland Football Federation

The Auckland Football Federation is one of the seven member federations affiliated to New Zealand Football (NZF) who deliver the game at a local level in line with NZF's vision.

The AFF is responsible for local growth and developing the game in its region through improving systems, enhancing communication with members, and being more accountable to football being developed rather than purely administered. The AFF covers the Auckland region from Franklin in the south to the Harbour Bridge and Green Bay in the north and east.

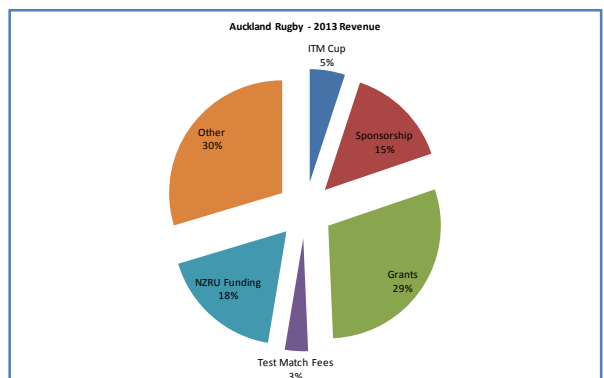


The majority of revenue is sourced from Grant Funding (34%) and Federation Team Levies (21%). Annual balance date is 31st December.

Auckland Rugby Union

On behalf of the twenty clubs within the Auckland province, the Auckland Rugby Union is responsible for the management, administration, marketing and development of rugby in the area. The union facilitates the running of school, club and representative competitions in which Auckland teams participate.

The ARU covers the central Auckland region with the North Harbour Rugby Union to the north and the Counties Manukau Rugby Football Union to the south.



The majority of revenue is sourced from Grants (29%), NZRU Funding (18%) and Sponsorship (15%). Annual balance date is 31st October.