



Corporate
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Financial Analysis of Leading Wellington 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 Wellington sports organisations:

- Capital Football (No. 5 District Federation of New Zealand Soccer Incorporated);
- Wellington Cricket Incorporated; and
- Wellington Rugby Football Union Incorporated (WRFU).

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

- aggregate total revenue was relatively stable over the past ten years with a compound annual growth rate (CAGR) of negative 0.2%;
- the WRFU remains the largest of the three sports organisations (with around 56% of aggregate revenue) but experienced a significant reduction in revenue: from \$11.7m in 2004 to \$8.7m in 2013. This is largely due to a reduction in 'match income' which fell from \$3.7m in 2004 to around \$1m in 2013;
- Capital Football and Cricket Wellington both experienced relatively strong revenue growth with CAGRs of 7% and 6.7% respectively;
- the WRFU's main sources of revenue are sponsorship & hospitality and event/franchise management; Capital Football's are affiliation fees and ground levies; and Cricket Wellington's is New Zealand Cricket grants;
- in aggregate the three sports organisations recorded net deficits between 2008 and 2013 with Cricket Wellington experiencing significant net deficits between 2007 and 2012. The WRFU had large net surpluses between 2004 and 2006 but these large surpluses have since ceased;
- aggregate total assets declined over the ten years from a high in 2006 of \$12m to a low of \$9m in 2011. Capital Football experienced a large increase in total assets in 2013 of \$1.2m due to the development of Memorial Park;
- the majority of assets were funded by equity with the weighted average gearing ratio relatively stable around 20% to 30%;
- aggregate cash and cash equivalent balances declined substantially in 2008 from a high of around \$7m in 2006 to a low of around \$1.8m in 2008 and as at the end of 2013 was around \$2.3m; and
- aggregate equity reduced to around \$6.6m in 2012 after peaking in 2006 at \$8.4m. Due to Capital Football's Memorial Park transaction, aggregate equity in 2013 increased to \$7.9m.

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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 was relatively stable between 2004 and 2013, ranging between \$13.6m and \$15.3m.

From 2004 to 2013 the compound annual growth rate (CAGR) of aggregate total revenue was negative 0.23%. The mean was around \$14.4m with a standard deviation of around \$0.55m.

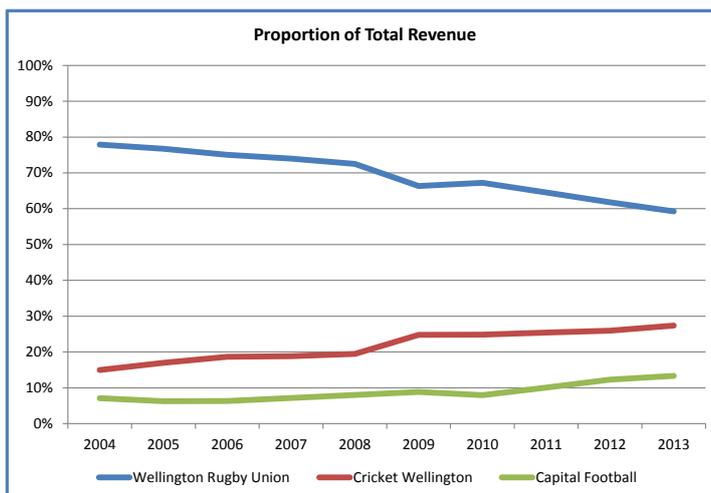
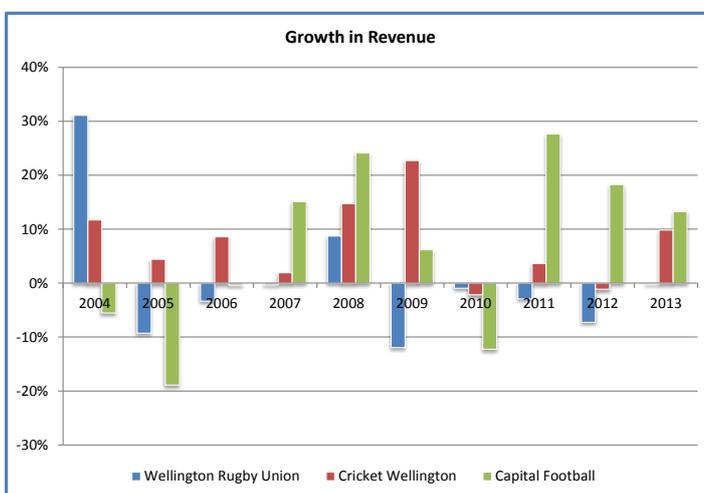
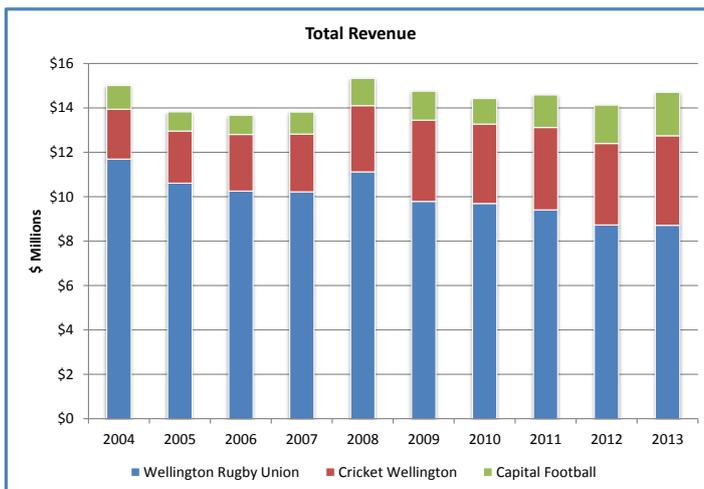
The Wellington Rugby Football Union (WRFU) sources the majority of its revenue from sponsorship deals & hospitality (30%) and event & franchise management (27%). Cricket Wellington sources the majority of its revenue from New Zealand Cricket (54%) and other funding organisations (13%) while Capital Football sources the majority of its revenue from federation affiliation fees (20%), federation ground levies (16%), NZ Community Trust grants (12%) and New Zealand Football grants (11%).

The WRFU experienced a significant reduction in revenue over the past ten years while Capital Football and Cricket Wellington saw relatively strong growth in revenues.

Capital Football saw the highest level of revenue growth over the past ten years with a CAGR of around 7%. Revenue increased from around \$1m in 2004 to around \$2m in 2013 (excluding Memorial Park grants and donations). Cricket Wellington had a CAGR of around 6.7% over the ten year period. Revenue increased from around \$2m in 2004 to around \$4m in 2013 (excluding capital development grants). The WRFU experienced a reduction in revenue over the ten years with a CAGR of around negative 3.2%. Revenue steadily fell from around \$11.7m in 2004 to around \$8.7m in 2013.

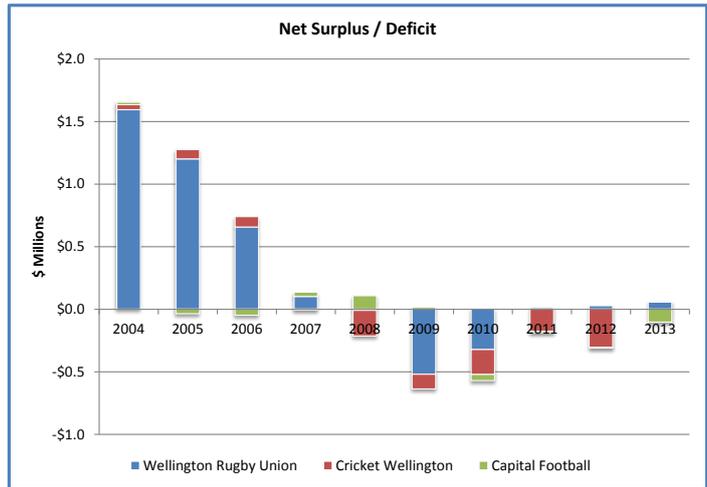
The WRFU makes up the largest proportion of aggregate revenue however this has been steadily reducing.

Over the period, 2004 to 2013, the WRFU made up on average 67% of aggregate revenue however this share has fallen each year and in 2013 was 59%. Cricket Wellington increased its share of aggregate revenue from 15% in 2004 to 27% in 2013. Capital Football also increased its share of aggregate revenue from 7% in 2004 to 13% in 2013.



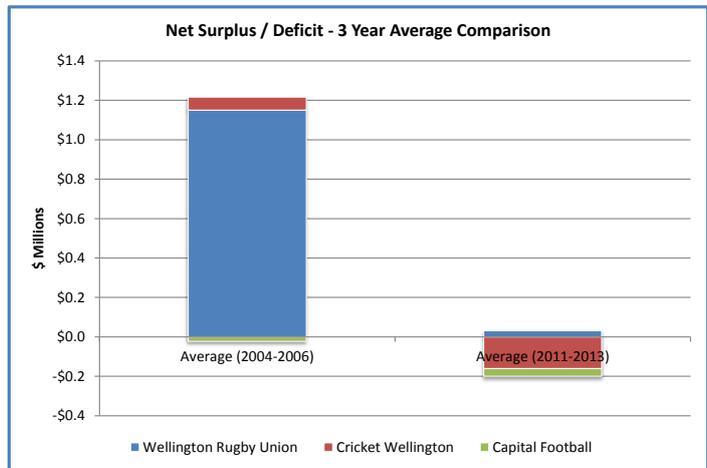
Aggregate net surplus fell over the past ten years. Aggregate net deficits since 2008. Some recovery seen in 2013.

Aggregate net deficits occurred every year since 2008. The WRFU achieved a small net surplus over each of the past three years. Cricket Wellington experienced large net deficits (excluding capital development grants) between 2007 and 2012. Capital Football experienced significant net deficits (excluding Memorial Park grants and donations) between 2010 and 2013.



The aggregate net surplus reduced from around \$1.6m in 2004 to negative \$0.05m in 2013.

The WRFU experienced the greatest surplus (\$1.6m in 2004) and deficit (negative \$0.52m in 2009). A comparison of the '2004-2006' three year average and the '2011-2013' three year average demonstrates the significant reduction in the net surplus of the three sports organisations.



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

\$ Millions	WRFU	Cricket Wellington	Capital Football	Aggregate
3 Year Average (2004-2006)				
Revenue	\$10.85	\$2.38	\$0.93	\$14.17
Net Surplus/Deficit	\$1.15	\$0.07	-\$0.02	\$1.19
3 Year Average (2011-2013)				
Revenue	\$8.95	\$3.80	\$1.72	\$14.48
Net Surplus/Deficit	\$0.03	-\$0.16	-\$0.04	-\$0.17
Movement				
Revenue	-\$1.90	\$1.42	\$0.79	\$0.31
Net Surplus/Deficit	-\$1.12	-\$0.23	-\$0.02	-\$1.36
Revenue	-18%	60%	85%	2%
Net Surplus/Deficit	-97%	-342%	79%	-114%

The following assumptions have been made in calculating revenue and net surplus/deficit:

- Capital Football: excludes Memorial Park donations and grants.
- Cricket Wellington: excludes capital development grants.
- WRFU: includes net profit/loss of associates (Union Projects Limited and Hurricanes Investment LP).

Financial position

Aggregate total assets fluctuated between \$9m and \$12m over the past ten years. There was a significant increase in 2013 due to the installation of further artificial turfs at Memorial Park for Capital Football.

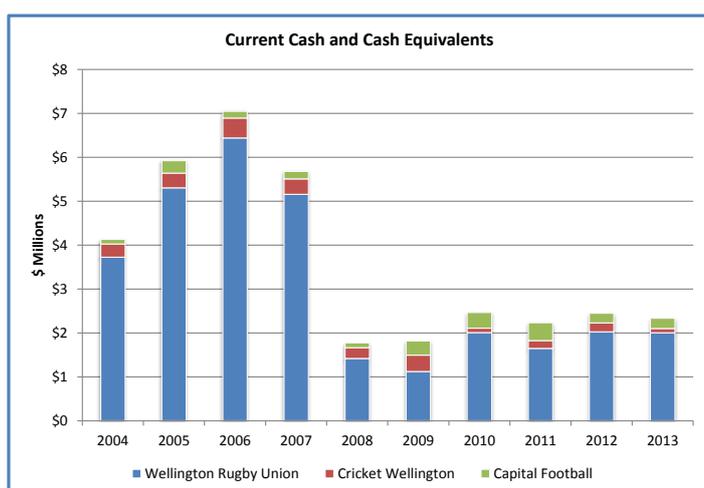
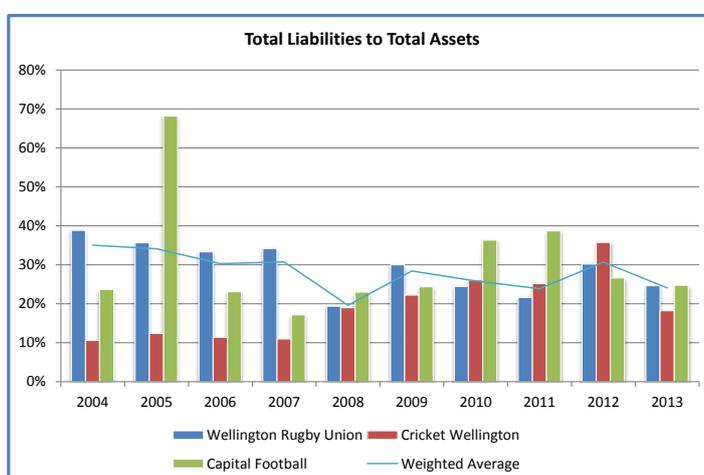
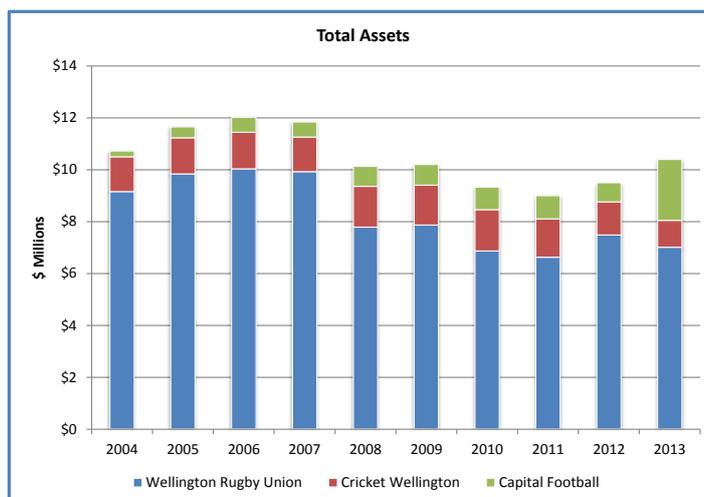
The ten year CAGR for aggregate total assets was around negative 0.34%. There were significant changes in the make-up of these assets. The WRFU's total assets reduced from around \$9m in 2004 to \$7m in 2013. Of note is the increase in total assets in 2012 when the WRFU invested \$1.6m to acquire a 50% interest in Hurricanes Investment LP which is responsible for the management of the Hurricanes franchise. Capital Football's total assets increased from around \$0.22m in 2004 to around \$2.3m in 2013. This large increase is due to the construction of the artificial turf at Memorial Park (financed by a donation from the Hutt City Council, NZCT grant and FIFA).

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

In 2004 the weighted average gearing ratio (total liabilities to total assets) was around 35%. This ratio reduced to around 24% in 2013. Overall there was no significant change in the weighted average gearing ratio.

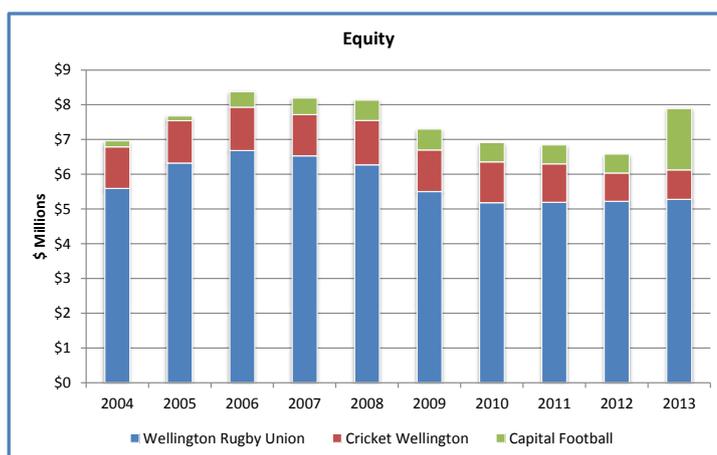
In aggregate cash and cash equivalents reduced significantly in 2008.

In 2004 the aggregate cash and cash equivalents balance was around \$4.1m of which \$3.7m (90%) was the WRFU's. Since 2007 this dropped to around \$2.3m of which \$2m (86%) was the WRFU's. As a percentage of total assets cash and cash equivalents reduced from around 39% to around 22%.



Aggregate equity peaked in 2006 at around \$8.4m before reducing year on year. Capital Football experienced a large increase in equity in 2013 due to the Memorial Park development.

Capital Football experienced a large increase in 2013 (from around \$0.5m in 2012 to around \$1.7m in 2013) due to the Memorial Park development – this increased aggregate equity by 20% to around \$7.9m.



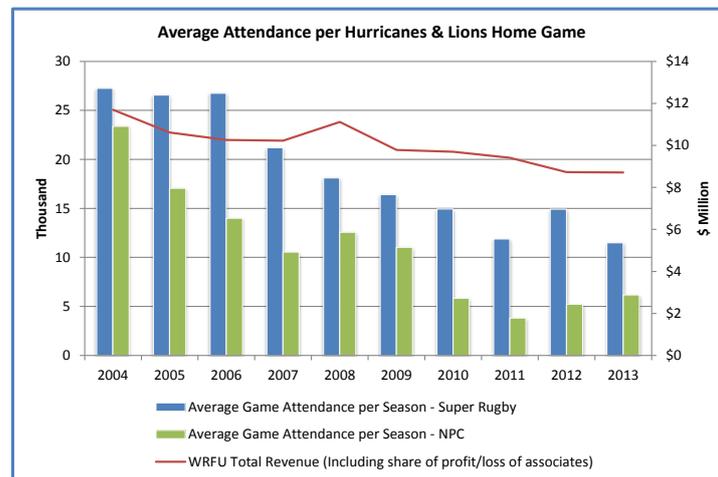
The Table below provides a summary of the 2004-2006 three year average and the 2011-2013 three year average financial position for each organisation.

\$ Millions	WRFU	Cricket Wellington	Capital Football	Aggregate
3 Year Average (2004-2006)				
Current Assets	\$6.59	\$0.50	\$0.21	\$7.30
Non-Current Assets	\$3.09	\$0.88	\$0.20	\$4.16
Total Assets	\$9.67	\$1.38	\$0.41	\$11.46
Current Liabilities	\$3.47	\$0.16	\$0.16	\$3.79
Non-Current Liabilities	\$0.00	\$0.00	\$0.00	\$0.00
Total Liabilities	\$3.47	\$0.16	\$0.16	\$3.79
Equity	\$6.20	\$1.22	\$0.25	\$7.67
Net Working Capital	\$3.12	\$0.34	\$0.05	\$3.51
3 Year Average (2011-2013)				
Current Assets	\$3.60	\$0.28	\$0.37	\$4.25
Non-Current Assets	\$3.43	\$0.98	\$0.96	\$5.37
Total Assets	\$7.04	\$1.26	\$1.33	\$9.63
Current Liabilities	\$1.34	\$0.26	\$0.29	\$1.89
Non-Current Liabilities	\$0.47	\$0.08	\$0.09	\$0.63
Total Liabilities	\$1.81	\$0.34	\$0.37	\$2.52
Equity	\$5.23	\$0.93	\$0.95	\$7.11
Net Working Capital	\$2.26	\$0.02	\$0.08	\$2.36
Movement				
Total Assets	-\$2.63	-\$0.11	\$0.92	-\$1.83
Total Liabilities	-\$1.66	\$0.18	\$0.22	-\$1.27
Equity	-\$0.97	-\$0.30	\$0.70	-\$0.56
Total Assets	-27%	-8%	224%	-16%
Total Liabilities	-48%	114%	136%	-33%
Equity	-16%	-24%	280%	-7%

Where have the rugby supporters gone?

Over the past ten years the attendance numbers at Hurricanes Super Rugby and Wellington Lions NPC home games (games played at the Westpac Stadium) declined significantly.

The average growth rate between 2004 and 2013 was around negative 8% for Super Rugby and negative 10% for NPC games. There has been a slight bounce back in attendance numbers since 2011. The Rugby World Cup was held in New Zealand in 2011 and appears to have reduced attendance numbers at domestic games.

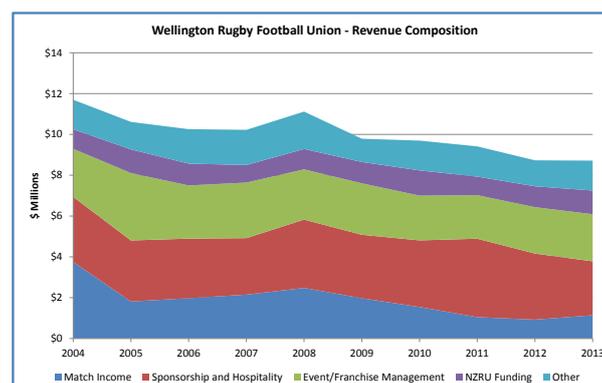


We did not undertake a detailed analysis as to why attendances at Wellington rugby matches have declined over the past ten years; however, it is likely the result of a combination of factors which may include:

- an increasing number of supporters watching games on television (Sky TV has increased its total subscriber base over the same ten year period);
- too many games being played in a season resulting in 'insignificant' matches that supporters are not interested in attending;
- the price of tickets is too high (the entertainment value derived does not match the price of the ticket); and
- the majority of games are played to suit television audiences (i.e. at night) which may not suit many supporters.

The performance of the team does not appear to have been a major influence in attendance levels given the Wellington Lions made the final of the national championship in six of the last ten years.

The downward trend in attendances is reflected in the WRFU's match revenues which reduced from around \$2m per year in 2005-2006 to around \$1m per year in 2012-2013. Sponsorship and hospitality revenue remained flat at around \$3m per year. The Figure below shows the downward trend in the WRFU's total revenue and match revenue.



Appendix one

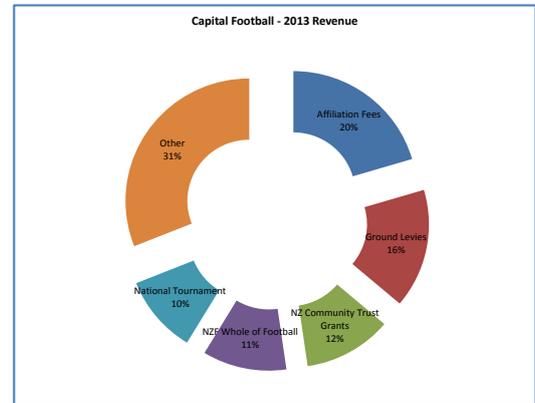
This Appendix provides a brief overview of the three sports organisations we have analysed.

Capital Football

No. 5 District Federation of New Zealand Soccer Incorporated (Capital Football) provides, develops and safeguards the future of football in the Wellington region. Capital Football 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 majority of revenue is sourced from federation affiliation fees (20%), federation ground levies (16%), NZ Community Trust grants (12%) and New Zealand Football grants (11%).

Annual balance date is 31st December.

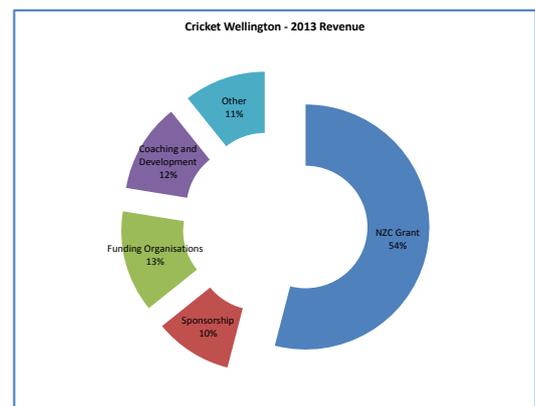


Cricket Wellington

Cricket Wellington Incorporated (Cricket Wellington) is responsible for promoting cricket in the Wellington region and responsible for its administration. Cricket Wellington administer club cricket and assist New Zealand Cricket in the promotion and management of all international and representative cricket held in the Wellington region. The premier team, the Wellington Firebirds, compete in the domestic first class four-day, one-day and T20 competitions.

The majority of revenue is sourced from New Zealand Cricket (54%) with the remaining revenue from other funding organisations (13%), coaching and development income (12%) and sponsorship deals (10%).

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



Wellington Rugby Football Union

The Wellington Rugby Football Union (WRFU) is responsible for fostering and developing rugby within the Wellington region. The Union administers the local club competition and the premier team, the Wellington Lions, who compete in the domestic national provincial competition. The WRFU is also a 50% stakeholder in the Hurricanes franchise and manages the country's biggest annual rugby event, the Wellington Sevens.

The majority of revenue is earned through sponsorship deals and hospitality (30%), event and franchise management (27%), match income (13%) and NZRU funding (13%).

Annual balance date is 31st December.

