



Club funding & equalisation strategy 2012-16

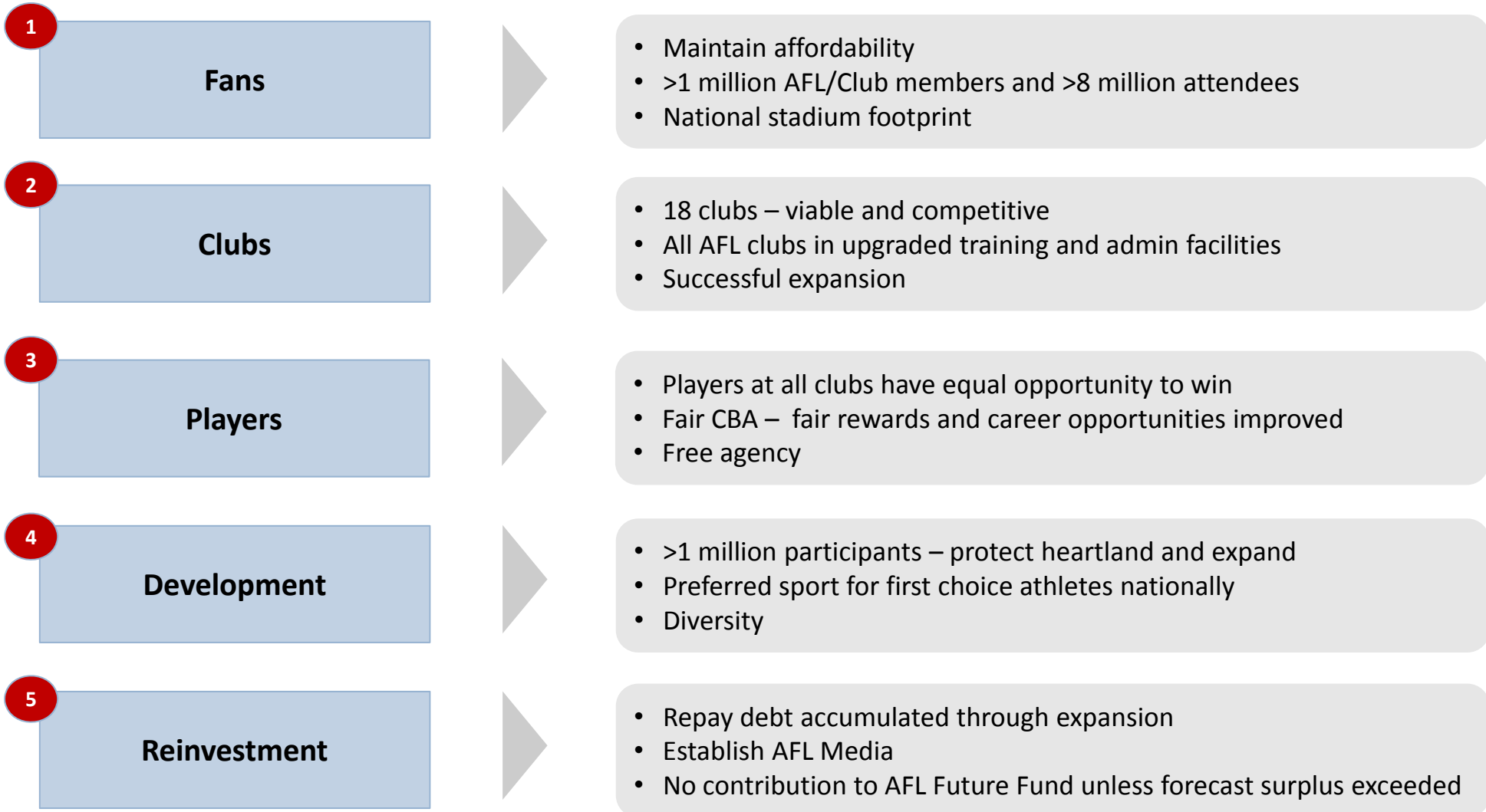
Presentation to the Media

26 September 2011



REVISIT: AFL industry overall objectives for 2012 to 2016

Investment priorities (2012-16)



Guiding principles for Equalisation and Club Funding strategy

Core objective: 18 viable and competitive clubs

<p>1</p> <p>No caps on growth</p>	<p>Continue to manage competition and clubs for growth</p>	<p><u>No</u> caps on spending or innovation for big clubs</p>	<p><u>No</u> new revenue sharing / taxes</p>	<p>Retain gate levy</p>
<p>2</p> <p>Higher proportion of distributions to be <u>disequal</u></p>	<p>Continue to fully fund increases in TPP and \$1.2m bonus distributions</p>	<p>But, recognition of constraints affecting viability of some clubs</p>	<p>More central funding for constrained clubs (disequal)</p>	
<p>3</p> <p>One fund for investing in clubs (Club Future Fund)</p>	<p>Create Club Future Fund to deal with capital, operational, debt needs</p>	<p>All clubs share in uplift from new broadcast deal (equal)</p>	<p>Additional distribution for clubs with specific needs (disequal)</p>	
<p>4</p> <p>All Club Future Fund distributions to be tied to legacy outcomes</p>	<p>Tailored package for each clubs specific needs</p>	<p>Focus distributions to large clubs on capital projects</p>	<p>Focus distributions to constrained clubs on growth strategies</p>	<p>Tightened accountability and stricter compliance</p>



Over \$1.1b of total available AFL pot of \$2.1b will be distributed to the Clubs over 2012-16

Total 5 year allocations (as at August, 2011)

	2007 - 11	2012 - 16	Increase
Club distributions	\$786m (<u>49%</u> of total)	\$1,110m (<u>52%</u> of total)	+\$324m
AFLPA/Retirement Funding	\$73m	\$111m	+\$38m
Community facilities and stadia fund	\$53m	\$63m	+\$10m
Game Development	\$138m	\$190m	+\$52m
AFL Foundation, Coaches Association	\$3m	\$5m	+\$2m
AFL operating costs	\$479m	\$589m	+\$110m
AFL Future Fund	\$86m	-	(\$86m)
AFL debt repayment	-	\$56m	+\$56m
Total	\$1,618m	\$2,125m	+\$507m

Based on AFL's CBA offer which has now expired
AFL operating costs increasing at 4.5% pa



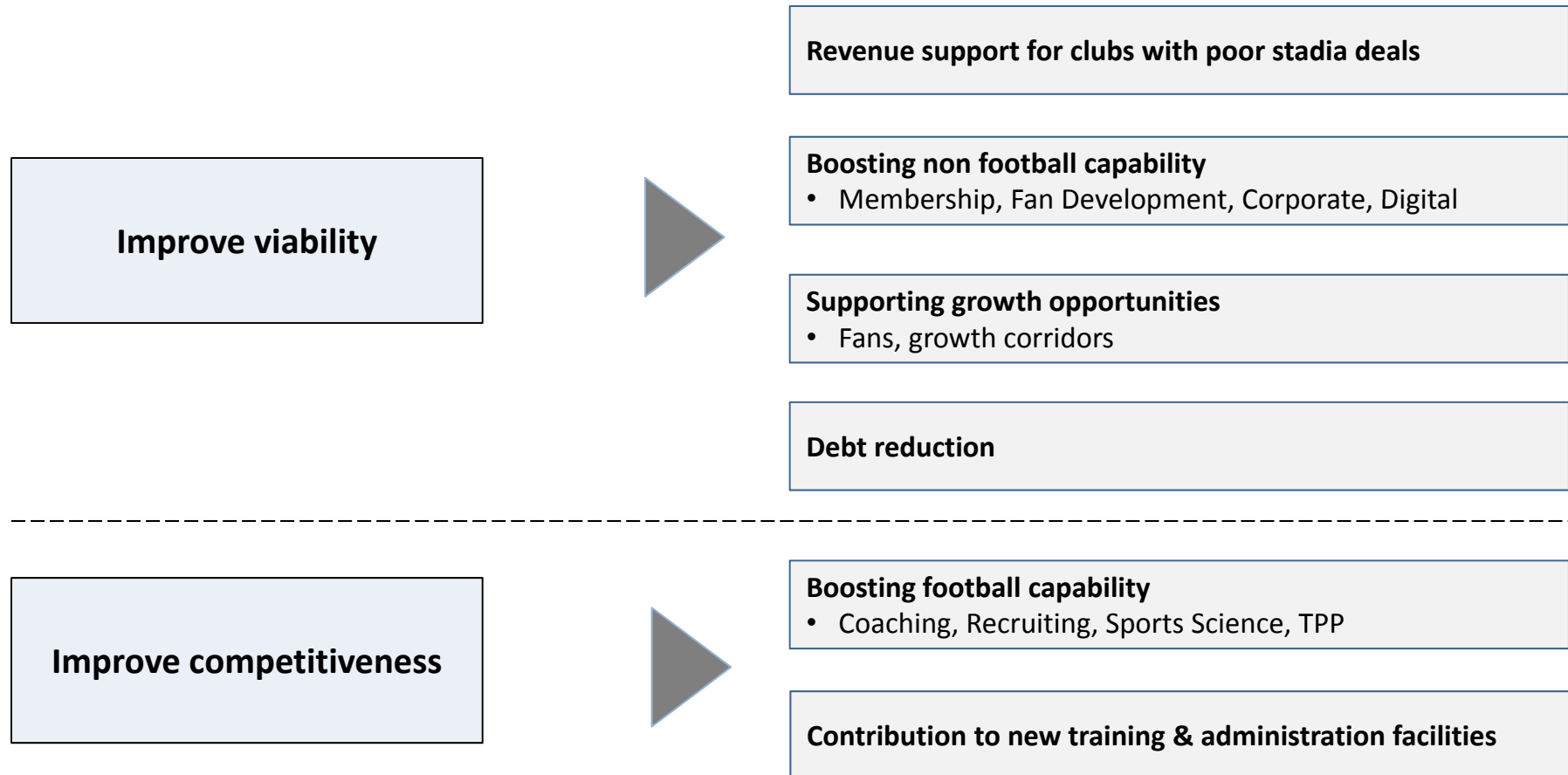
The key strategy to secure 18 viable and competitive Clubs is the creation of a \$144m Club Future Fund

	2007-11	2012-16	Increase	Comment
Base Distribution	\$456m	\$670m*	\$214m	<ul style="list-style-type: none"> Fully funds increases in TPP for 18 clubs – \$37m per club * Assumes 7% / 5% / 3% / 3% / 3%, based on AFL's CBA offer which has now expired
Bonus Distribution	\$95m	\$108m	\$13m	<ul style="list-style-type: none"> \$6m pa per club (\$1.2m pa) continued for 18 clubs including participation in new media network
Club Future Fund	\$52m	\$144m	\$92m	<ul style="list-style-type: none"> New fund replaces previous \$38m ASD, and \$14m in Club facilities Invested in specific capital, operational, debt and growth needs of each club
Other Payments to Clubs	\$103m	\$116m	\$13m	<ul style="list-style-type: none"> CPI increase in AFL Membership, Travel subsidies, Signage, Prize money, Licensing
New Markets Funding	\$74m	\$65m	(\$9m)	<ul style="list-style-type: none"> Agreed new markets funding for GC & GWS outside of Base & Bonus
Strategic Partnership Fund / Club Services	\$6m	\$7.5m	\$1.5m	<ul style="list-style-type: none"> Establish new Club services capability
Total	\$786m	\$1,110m*	+\$324m	



The Club Future Fund will be invested in needs identified by the Clubs

Needs identified through extensive consultation process with Clubs



A legacy of the Club Future Fund will be to complete the footprint of elite training & administration bases for clubs

Clubs that benefited from major facilities grants over 2007-11 included:
WB, NM, Melb, StK, RFC, Adel, Port, Geel & Carl



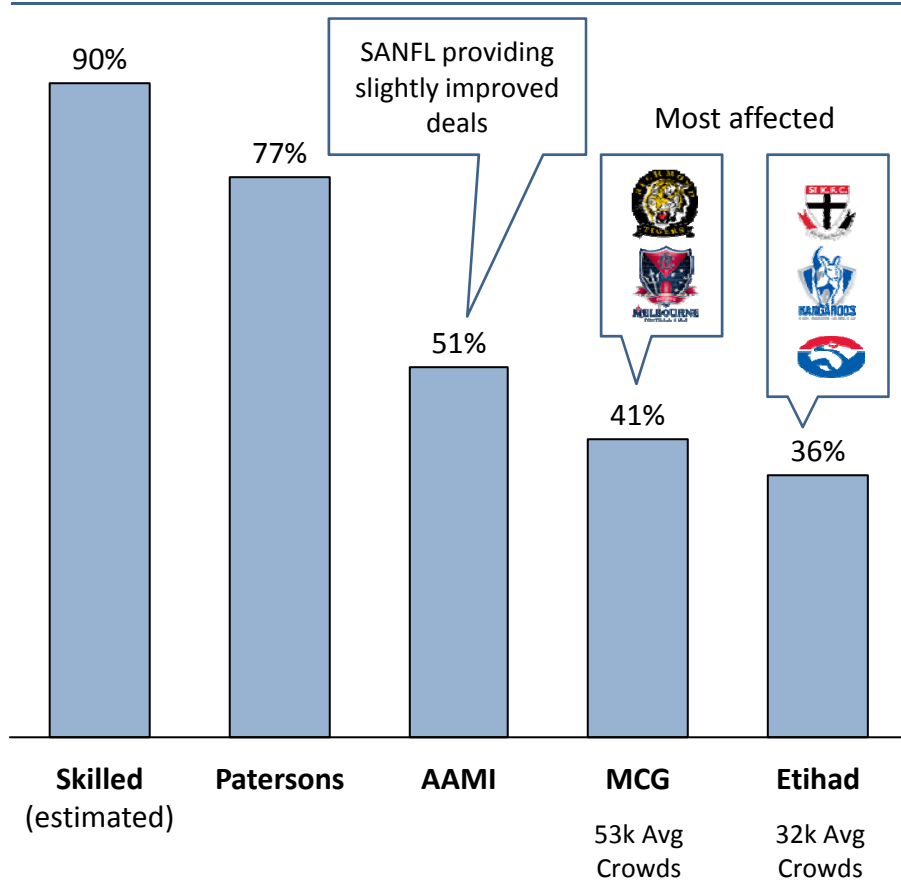
Recommendation: Focus distributions to larger Clubs into legacy facility projects
Note: Stadia fund also available for Stadium projects (Perth, Adelaide, SCG)



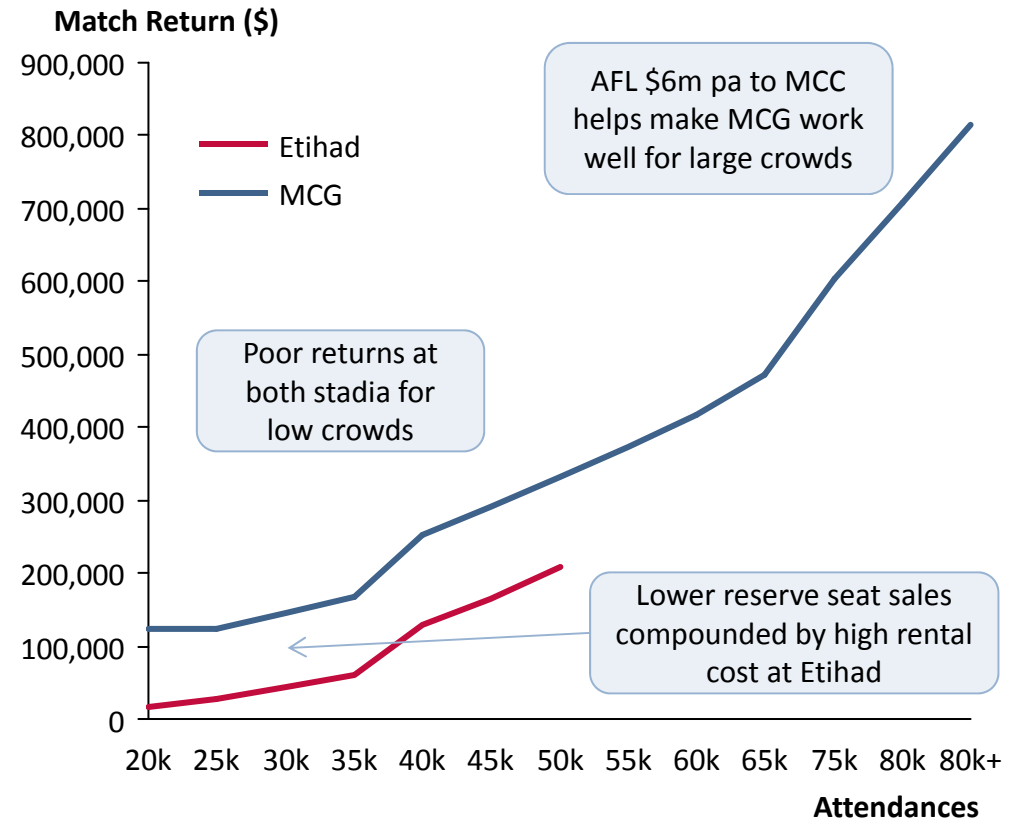
NOTE: smaller facility programs required for Richmond (Punt Road Oval); Carlton (North Corridor); St Kilda (Moorabbin)

Club Future Fund will compensate certain clubs severely constrained by poor stadium deals

Approximate club share of stadium revenue
(including \$100k game for MCG/Etihad)



Comparison of Average Match Returns – MCG vs Etihad



Recommendation

Provide revenue support to selected MCG and Etihad tenants constrained by stadia deals.

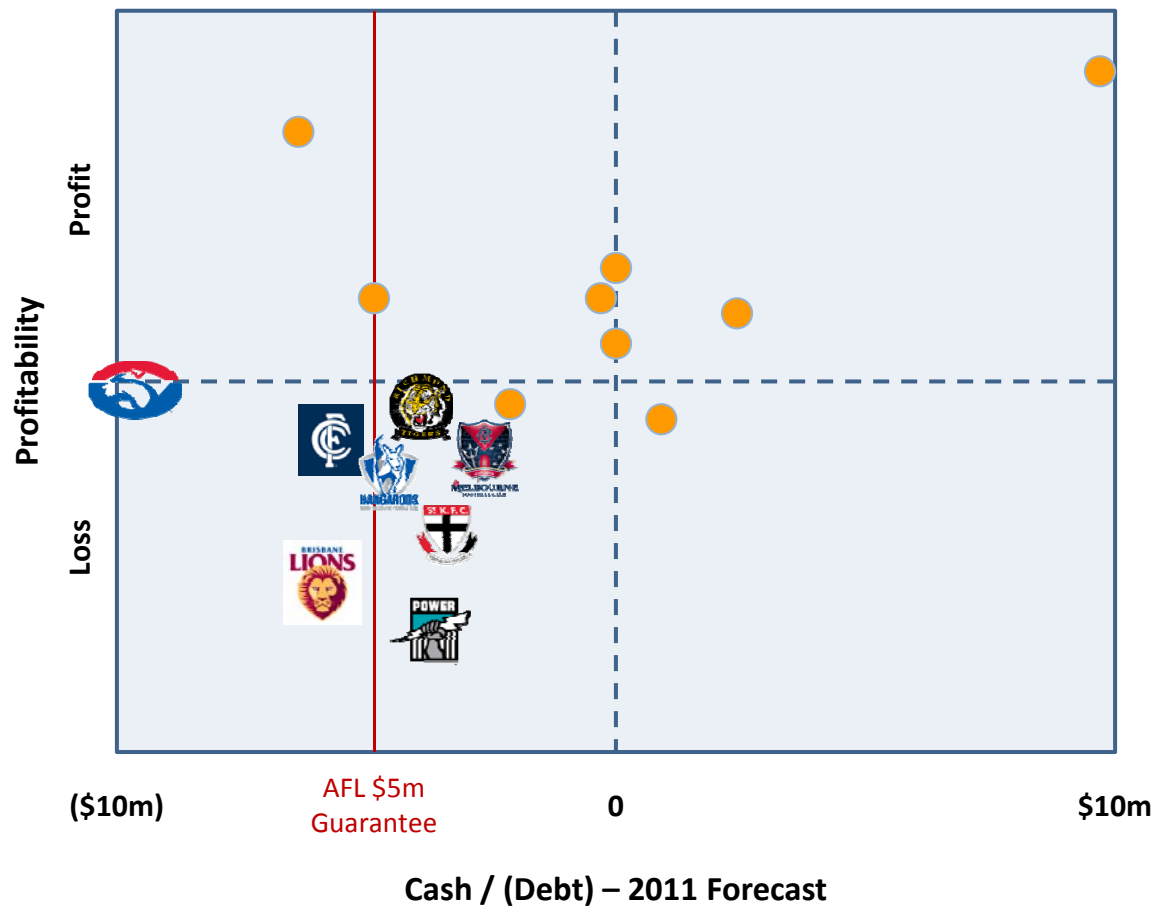
Ongoing strategic objective to change stadia arrangements, especially Etihad



A legacy of the Club Future Fund will be to accelerate debt reduction for clubs constrained by debt

Major constraint of low profitability and high debt

Recommendation



- Debt reduction is an important legacy for clubs and the industry
- Targeting minimum rate of debt reduction per annum – encourage clubs to find additional contributions
- AFL pay direct to the bank
- Corresponding reductions in AFL \$5m guarantee limit
- Debt reduction to be a priority reinvestment area if club exceeds revenue forecasts
- Commitment for 2012-14 only
- Does not apply to debt related to gaming, stadium or non-core business

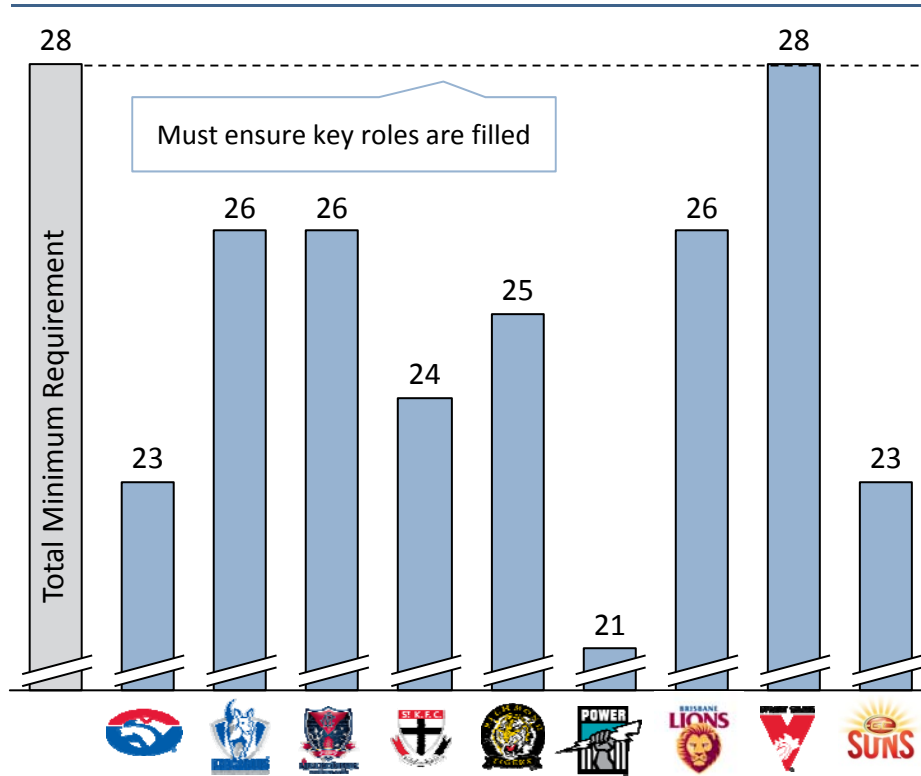
Note: Brisbane and Melbourne debt related to gaming facilities



The Club Future Fund will raise the minimum level of capability and systems at most resource constrained clubs

Gap in Football Resources

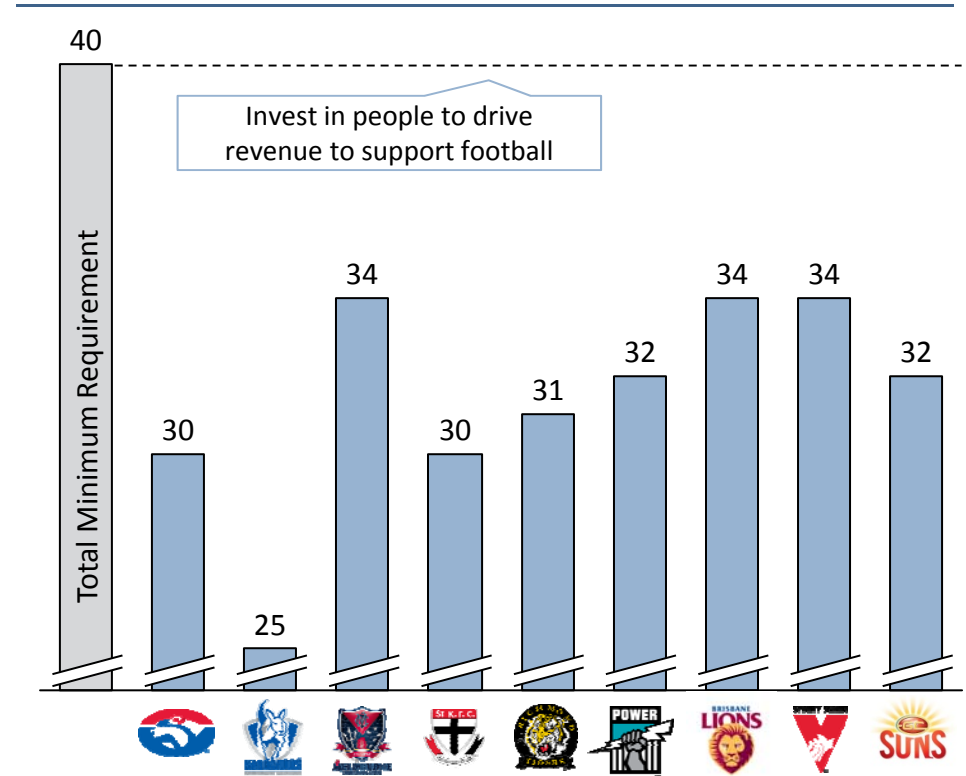
(Coaching, Development, Conditioning & List Management)



Sportscodes	X		X						
Athletic Logic				X					

Gap in Non Football Resources

(Membership, Corporate, Digital, Fan Dev & Brand, Finance/HR/IT)



Aptify	X	X	X	X	X	X	X		
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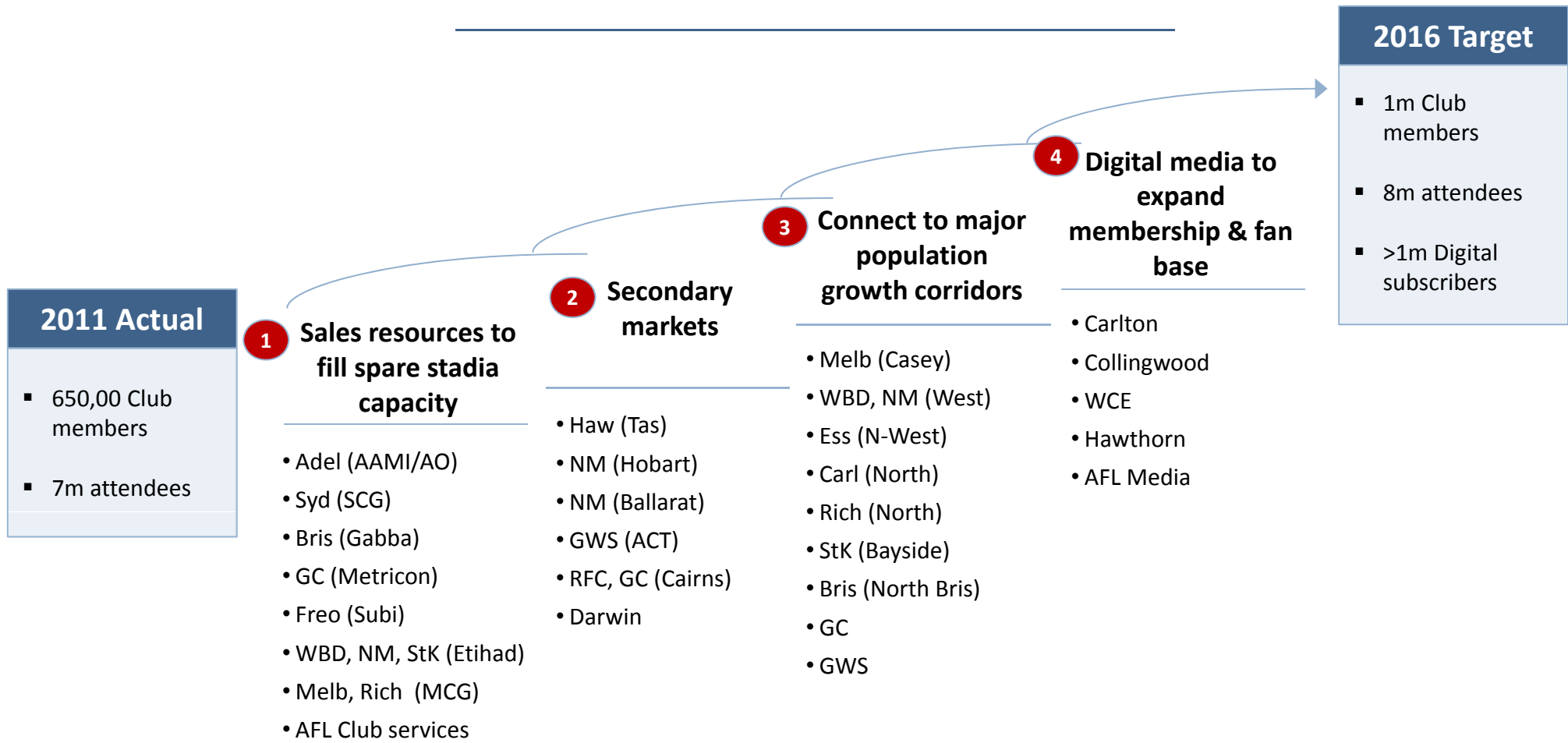
Recommendation

Invest in the specific roles and systems each club needs to bridge gap to minimum required capability. Seed fund roles for 2012-14, with clear KPI's to test effectiveness. Ambition for roles to be self sustainable by 2014, or else discontinue



Legacy of Club Future Fund will be to help clubs penetrate key growth corridors and grow digital businesses

Club & Industry Growth Opportunities



Recommendation: Digital and fan development capability as minimum standard.
Provide seed funding for specific clubs involvement in strategically important growth corridors



Club Future Fund will be distributed to the priority needs for each Club

Funding required	Club	Facilities	Revenue constraints / stadia	Football capability	Non football capability & growth	Debt reduction	Expansion Support	
Increasing funding required	Greater Western Sydney	✓		<i>tbd</i>	<i>tbd</i>			
	Gold Coast	✓		✓	✓			
	Geelong	<i>Stadia</i>						
	Hawthorn	<i>tbd</i>						
	Adelaide		<i>SANFL</i>		✓			
	Collingwood	✓						
	Carlton	✓				✓		
	West Coast	✓						
	Fremantle	✓				✓		
	Essendon	✓						
	Sydney	<i>Stadia</i>	<i>COLA</i>			✓		✓
	Brisbane	✓	<i>Floods</i>		✓	✓		✓
	Port Adelaide		<i>SANFL</i>		✓	✓	✓	
	Richmond	✓	✓		✓	✓	✓	
	St Kilda	✓	✓		✓	✓	✓	
	Melbourne		✓		✓	✓	<i>Asset Build</i>	
	North Melbourne		✓		✓	✓	✓	
	Western Bulldogs		✓		✓	✓	✓	



In addition to \$43m per Club in Base & Bonus – all Clubs will receive a minimum equal distribution of \$3.25m from the Club Future Fund over 2012-16

	2012-16	%	Comment
Equal	\$59m	41%	<ul style="list-style-type: none"> A minimum distribution of \$3.25m per Club over 2012-16
Dis-equal (Allocated, 2012-14)	\$48m	33%	<ul style="list-style-type: none"> Additional distribution allocated for specific Club needs 2012-14 Except for facilities, 3 year commitments only
Dis-equal (Not allocated, 2015-16)	\$37m	26%	<ul style="list-style-type: none"> Further amounts to be invested on a dis-equal basis over 2015-16 Not currently allocated to specific Club or specific needs
Total	\$144m	100%	

~60% of the Club Future Fund will be invested in Clubs disequally



Club Future Fund support for most constrained clubs skewed to debt reduction, commercial growth and stadia revenue gap

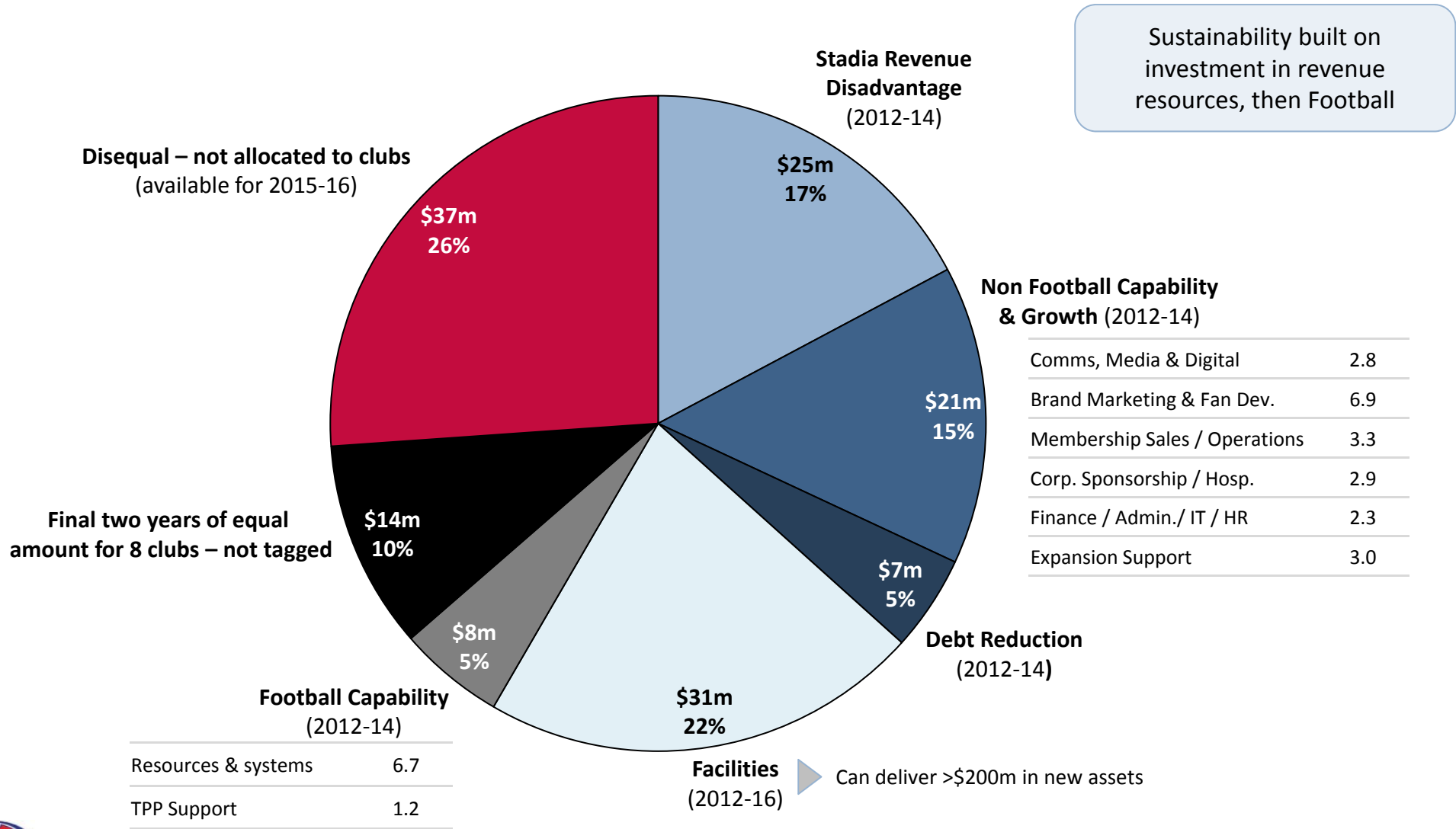
	Committed Funding				Committed Funding		
	Equal (2012-16)	Disequal (2012-14)	TOTALS (2012-16)		Equal (2012-16)	Disequal (2012-14)	TOTALS (2012-16)
	3.25	7.0	10.2		3.25	1.0	4.25
	3.25	7.0	10.2		3.25	1.0	4.25
	3.25	5.8	9.1		3.25	1.0	4.25
	3.25	5.7	8.9		3.25	1.0	4.25
	3.25	4.7	8.0		3.25	0.0	3.25
	3.25	3.9	7.2		3.25	0.0	3.25
	3.25	3.9	7.2		3.25	0.0	3.25
	3.25	3.9	7.2		3.25	0.0	3.25
	3.25	1.5	4.75		3.25	0.0	3.25

Note: For all clubs, 2015 distribution is \$725k and 2016 distribution is \$800k (last two years of equal \$3.25m) – application of these funds not yet determined



Approximately \$92m of the Club Future Fund has been tagged to specific initiatives

Allocation of \$144m Club Future Fund (2012-16)



Sustainability built on investment in revenue resources, then Football



Key recommendation of club working group was to ensure funding and budgets are managed more tightly

Model applied to Clubs receiving significant disequal funding

Funding of new resources linked to a KPI model

- KPIs agreed for each new resource
 - Financial (revenue)
 - Non-financial (web traffic, registered fans etc)
- AFL to approve key appointments
- If resources do not meet KPIs over 2012-13 then discontinued or alternative strategy pursued
- Objective for roles to be self funding/absorbed by clubs post 2014
- Note: a schedule of Club Future Fund distributions for facilities to be agreed with clubs based on project milestones

Stricter Budget Framework

- Agreed 3 year strategic plans and forecasts
- AFL to approve annual budgets
 - Expenditure commitments within achievable revenue forecasts
 - Must budget for surpluses
- If revenue achieved above forecast, then agreed reinvestment priorities
- Monthly finance meetings with AFL (tbc)
- **Funding at risk**

Shared objective that clubs will be less reliant on 'disequal' funding for survival in 2015 and 2016



Key recommendation of club working group was to apply stricter conditions to new funding packages

- 1 Adopt model applied to Gold Coast (2011-16) and Greater Western Sydney (2012-17)
- 2 Define 2012-14 as a period of 'special funding' for 8 clubs that receive significant 'dis-equal' funding
- 3 AFL to play active role in monitoring club strategic and financial performance
 - Formal review process with AFL Club Services / Strategy & Finance
 - Monthly financial reviews
 - Quarterly strategic reviews
 - Agreed 3 year plans and annual budgets
- 4 AFL to provide additional support resources, where appropriate, through Club services model
- 5 **If during the period 2012-14, there are material departures from budgets/forecast and /or agreed strategy, and the club requires additional funding support, the AFL will:**
 - **Conduct a detailed review (internal or independent) of strategy, operations, management and Board of the club**
 - **Have the right to change 2012-14 funding packages (dis-equal component only) in light of departures from forecast and/or plan**
- 6 **Depending on the circumstances the AFL reserves the right to take more serious action should clubs not adhere to the agreed plan – at the AFL Commissions discretion**

