



NEW ZEALAND RACING BOARD

# STATEMENT OF INTENT 2012-2015

ADDENDUM DETAILING REVISED FORECAST INFORMATION  
DECEMBER 2012

NEW ZEALAND  
**RACING BOARD**






# ADDENDUM TO THE 2012-15 STATEMENT OF INTENT



## REVISED FORECAST INFORMATION

The New Zealand Racing Board's 2012-15 Statement of Intent was presented in September 2012 with a qualification it was subject to review and, following a full evaluation of intentions and initiatives, that any change would be advised in December 2012.

A necessary reassessment of NZ Racing Board's capabilities and business priorities commenced in September 2012 with the aim of ensuring that returns to the racing industry are maximised in the short-term and that the business is positioned to achieve trajectory and momentum to deliver sustained, long-term returns.

This addendum to the 2012-15 Statement of Intent provides the NZ Racing Board's revised earnings projections for the three-year period.

A full strategic assessment of NZ Racing Board's capabilities and environment is scheduled for the first half of calendar year 2013. This will result in a redefinition of the NZ Racing Board's intentions, to be outlined in the 2013-16 Statement of Intent.

On behalf of the NZ Racing Board.

A handwritten signature in black ink, appearing to read 'A. J. Jackson', written in a cursive style.

Dr Alan Jackson, Chairman

## KEY FINANCIAL FORECASTS – SUMMARY

\$m	2010/11 Actual	2011/12 Actual	2012/13 Budget	2013/14 Forecast	2014/15 Forecast
<b>Betting Turnovers</b>					
Domestic Racing					
-Totalisator	690.5	651.2	623.6	605.1	586.1
- Fixed Odds	101.1	132.3	164.4	171.5	178.8
International Racing					
-Totalisator	502.8	536.0	589.4	612.5	636.5
- Fixed Odds	47.6	57.3	71.0	81.7	89.8
Sports	191.4	245.7	242.2	310.0	306.9
<b>Total Betting Turnover</b>	<b>1,533.4</b>	<b>1,622.4</b>	<b>1,690.5</b>	<b>1,780.7</b>	<b>1,798.2</b>
<b>Betting Net Revenues</b>					
Net Betting Revenue	228.2	237.8	246.5	253.4	255.5
Export Commission	20.8	23.0	22.9	23.4	23.9
<b>Total Betting Revenue</b>	<b>248.9</b>	<b>260.7</b>	<b>269.4</b>	<b>276.8</b>	<b>279.4</b>

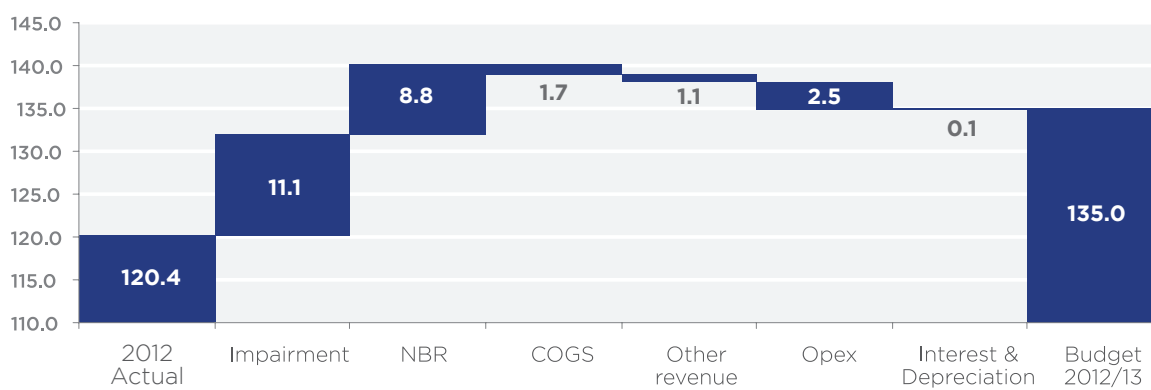
\$m	2010/11 Actual	2011/12 Actual	2012/13 Budget	2013/14 Forecast	2014/15 Forecast
<b>Total Betting turnover</b>	<b>1,533.4</b>	<b>1,622.4</b>	<b>1,690.5</b>	<b>1,780.7</b>	<b>1,798.2</b>
<b>Net Betting Margin</b>	<b>215.1</b>	<b>224.6</b>	<b>233.3</b>	<b>240.4</b>	<b>242.8</b>
Other direct revenue	13.1	13.2	13.2	13.0	12.7
<b>Net Betting Revenue</b>	<b>228.2</b>	<b>237.8</b>	<b>246.5</b>	<b>253.4</b>	<b>255.5</b>
Export commission	20.8	23.0	22.9	23.4	23.9
<b>Total Turnover</b>	<b>248.9</b>	<b>260.7</b>	<b>269.4</b>	<b>276.8</b>	<b>279.4</b>
Cost of Goods Sold	(47.3)	(53.5)	(55.2)	(56.7)	(57.3)
Other operational revenue	21.5	24.1	23.0	23.0	23.0
<b>Total Operating Income</b>	<b>223.1</b>	<b>231.3</b>	<b>237.2</b>	<b>243.0</b>	<b>245.1</b>
Operational Expenses	(84.5)	(88.3)	(90.8)	(94.7)	(93.8)
Impairment	(3.2)	(11.1)	0.0	0.0	0.0
Depreciation & Interest	(11.6)	(11.4)	(11.4)	(11.4)	(11.4)
<b>Betting Profit</b>	<b>123.8</b>	<b>120.4</b>	<b>135.0</b>	<b>137.0</b>	<b>140.0</b>



### Summary cost trend

\$m	2010/11 Actual	2011/12 Actual	2012/13 Budget	2013/14 Forecast	2014/15 Forecast
<b>Total expenses</b>					
Cost of goods sold	(47.3)	(53.5)	(55.2)	(56.7)	(57.3)
Operating expenses	(84.5)	(88.3)	(90.8)	(94.7)	(93.8)
Impairment	(3.2)	(11.1)	0.0	0.0	0.0
Depreciation	(13.7)	(13.4)	(12.9)	(12.9)	(12.9)
	<b>(148.7)</b>	<b>(166.3)</b>	<b>(159.0)</b>	<b>(164.3)</b>	<b>(163.9)</b>
TOTE Growth %		-0.5%	2.2%	0.4%	0.4%
FOB Growth %		28.1%	9.7%	18.0%	2.2%
COGS % Increase/(decrease)		13.0%	3.2%	2.7%	0.9%
OPEX % increase/(decrease)		4.6%	2.8%	4.2%	(1.0%)

### Waterfall - From the 2012 financial year result to the 2013 budget



NBR = net betting revenue, COGS = cost of goods sold; Opex = operating expenditure

## Summary of the expected financial impact of initiatives

\$m	Initiatives - total	Comment
<b>Turnover</b>	60.7	Total turnover from sum of initiatives
<b>Net betting revenue</b>	12.0	
<b>Cost of Goods Sold</b>	(2.5)	High Value Customer management/overseas racing costs (\$2.0)
<b>Other operational revenue</b>	0.0	
<b>Operational expenses</b>	(5.7)	Customer acquisition (\$2.8), live-streaming (\$0.9), lifecycle of odds (\$0.5), Place6 (\$0.3), High Value Customers (\$0.7)
<b>Interest</b>	0.0	
<b>Depreciation</b>	0.0	
<b>Profit</b>	3.8	
<b>Total costs</b>	(8.1)	

## Year-on-year increase in costs

<b>Total costs 2011/12</b> (\$166.3m less impairment of \$11.1m)	(155.2)
<b>Total costs 2012/13</b>	(159.9)
<b>Net movement</b>	(4.7)
<b>Cost of initiatives</b>	(8.1)
<b>Other reductions in cost base, excluding initiatives</b>	3.4
<b>Net movement</b>	(4.7)



\$m	2011/12 year per 2011 SOI	2011/12 year per Actual	Change	Comment
<b>Total Turnover</b>	<b>1,597.2</b>	<b>1,622.4</b>	25.2	Tote down overall, domestic tote down, imported tote up. Fixed Odds up.
<b>Net Betting Revenue</b> <i>Net Betting Margin</i>	<b>233.4</b> 14.61%	<b>237.8</b> 14.65%	4.4	Turnover growth, FOB margin up.
<b>Cost of Goods sold</b>	(44.8)	(53.5)	(8.7)	Turnover-driven cost, higher cost of sport FOB – payments to NSO \$0.7 and higher cost of overseas racing \$1.9.
<b>Gross Margin</b>	<b>188.5</b>	<b>184.2</b>	(4.3)	
<b>Other revenue</b>	43.0	47.0	4.0	Export revenue \$2.3 including release of tax paid in Australia on overseas racing revenue – ATO settlement \$1.8; spectrum license sale \$0.9.
<b>Total Operating Income</b>	<b>231.5</b>	<b>231.3</b>	(0.3)	
<b>Total operating expenses</b>	(88.8)	(88.3)	(0.4)	Includes restructuring \$0.8, Labour capitalisation \$2.4 not achieved, higher telecoms spend \$1.2; Consulting – computer project review 2011 \$0.5, Legal \$0.5 – includes cost of ATO settlement.
<b>Impairment</b>	0.0	(11.1)	(11.1)	Computer system impairment.
<b>Depreciation and interest</b>	(12.8)	(11.4)	1.4	Interest up \$0.4, Depreciation down \$1.8 because of lower capital expenditure.
<b>Profit</b>	<b>130.0</b>	<b>120.4</b>	(9.5)	
<b>Total expenditure (excluding impairment)</b>	<b>(147.9)</b>	<b>(156.0)</b>	(8.0)	
<b>Total profit (excluding impairment)</b>	<b>130.0</b>	<b>131.5</b>	1.5	



\$m	2012/13 year per 2011 SOI	2012/13 year per this 2012 SOI	Change	Comment
<b>Total Turnover</b>	<b>1,628.0</b>	<b>1,690.5</b>	62.5	Tote down overall, domestic tote down, imported tote up. Fixed Odds turnover up for both Racing and Sport.
<b>Net Betting Revenue</b> <i>Net Betting Margin</i>	<b>238.2</b> 14.63%	<b>246.5</b> 14.58%	8.4	Turnover growth, bet mix includes more lower margin FOB product, mitigated by a change in tote takeout rates.
<b>Cost of Goods sold</b>	(44.8)	(55.2)	(10.4)	Turnover-driven cost – higher cost of sport FOB payments to NSO \$0.7 and higher cost of importing and selling overseas racing product \$3.1.
<b>Gross Margin</b>	<b>193.3</b>	<b>191.3</b>	(2.0)	
<b>Other revenue</b>	43.0	45.9	2.9	Export revenue \$0.8, racing services recharge for calendar changes \$0.4, cost recovery – gaming overheads \$0.4, bank transaction fees \$0.5, broadcasting \$0.2.
<b>Total Operating Income</b>	<b>236.3</b>	<b>237.2</b>	0.9	
<b>Total operating expenses</b>	(89.7)	(90.8)	(1.2)	Includes new initiatives \$5.7, broadcasting cost – new calendar \$0.6, insurance \$0.7, telecoms \$0.6, IT maintenance \$0.4.
<b>Depreciation and interest</b>	(12.7)	(11.4)	1.4	Depreciation down \$0.5 because of lower capital expenditure.
<b>Profit</b>	<b>134.0</b>	<b>135.0</b>	1.0	