

FINANCIAL REPORTING & ANALYSIS



Clayton Eveleigh
Partner, Audit
National Sector Leader - Tourism, Leisure & Hospitality



WHAT WE WILL TACKLE TODAY

What Drives
Financial
Performance at
Clubs

01

Key Performance
Indicators and
Benchmarking

02

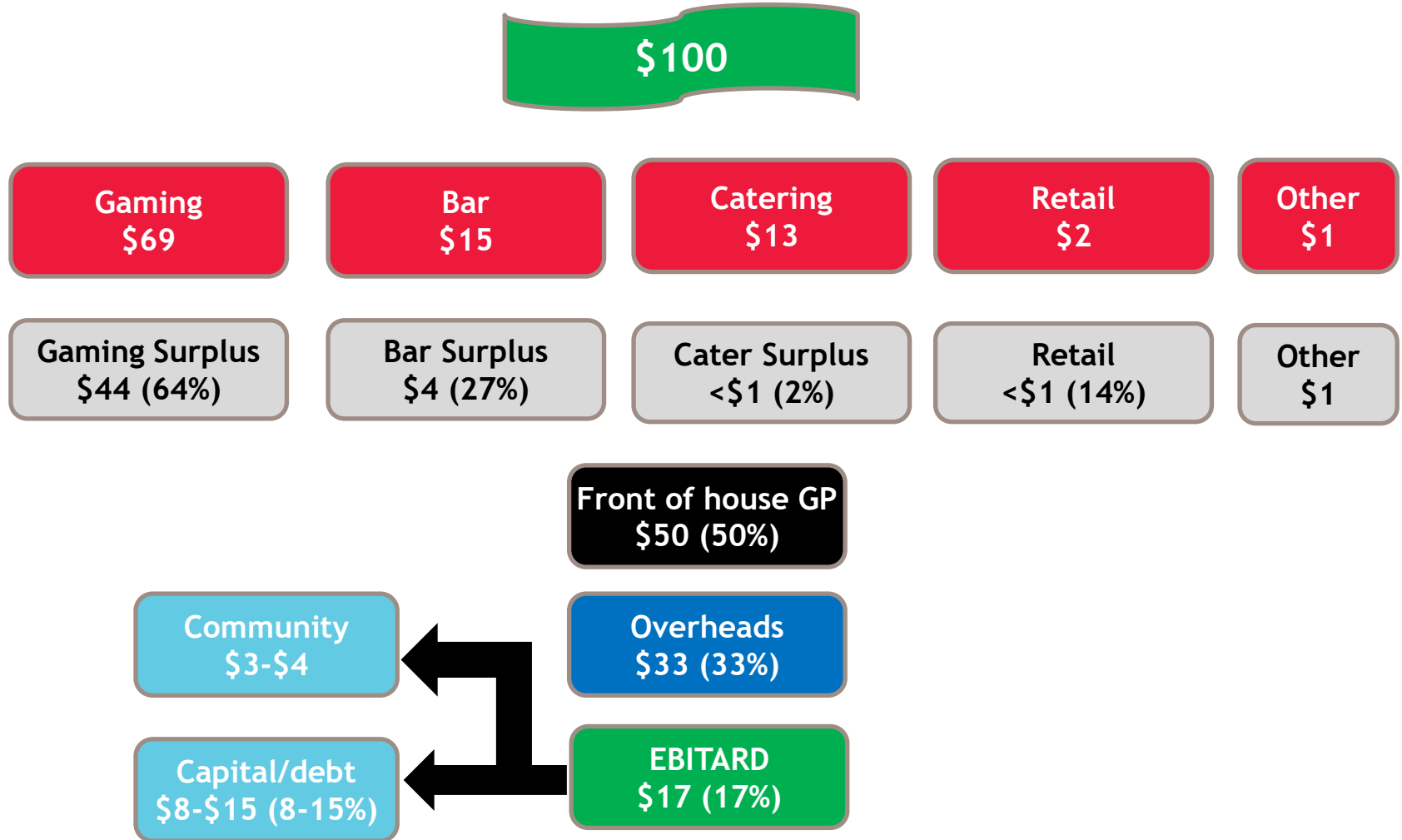
An Introduction
to Financial
Statements

03

WHAT DRIVES FINANCIAL PERFORMANCE

1

HOW \$100 FLOWS THROUGH A CLUB



A high-angle, wide shot of a train platform in India. The train is packed with passengers, and many are sitting on the roof, which is covered with a blue tarp. The crowd is diverse in age and attire, with many men and children visible. The train is moving along tracks, and the background shows a hilly landscape. The overall scene conveys a sense of mass transit and the challenges of overcrowding.

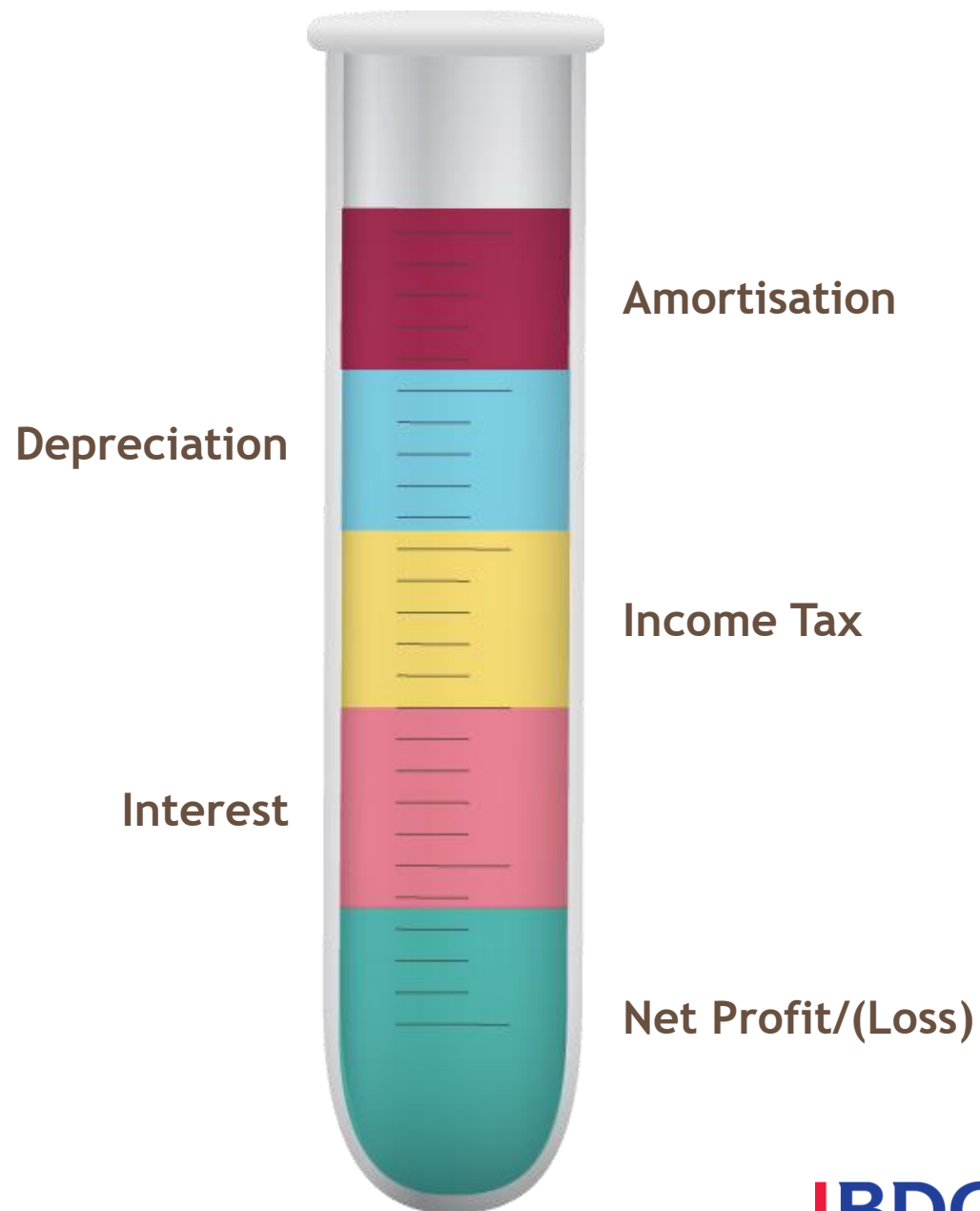
GAMING PERFORMANCE

Business intelligence

KEY PERFORMANCE INDICATORS

2

EBITDA & EBITDARD



KEY PERFORMANCE INDICATORS

EBITDA % & EBITDARD %

$$\text{EBITDA \%} = \frac{\text{EBITDA (excluding extraordinary items)}}{\text{Revenue (excluding extraordinary items)}}$$

$$\text{EBITDARD \%} = \frac{\text{EBITDARD (excluding extraordinary items)}}{\text{Revenue (excluding extraordinary items)}}$$

KEY PERFORMANCE INDICATORS

EBITDA %s

EBITDA %

EBITDA %	Financial Condition
> 25%	Business flourishing - ability to reinvest and reinvent as required.
15%-25%	Solid financial position - needs to critically evaluate capital purchases.
10%-15%	Stable financial position - sufficient cash flow to maintain current business operations. May find it difficult to reinvest and reinvent as required.
5%-10%	Financial distress - changes required to ensure viability.
0%-5%	Serious financial distress - serious questions as to whether the club can operate as a going concern.

KEY PERFORMANCE INDICATORS

Free Cash Flow to Operating Cash Flow Ratio

$$\text{FCFR} = \frac{\text{Operating Cash} - \text{Capital Expenditure}}{\text{Operating Cash}}$$

This ratio is a measure of a club's ability to invest, acquire or expand based on excess cash flows after required capital expenditure

KEY PERFORMANCE INDICATORS

Working Capital

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

A ratio of more than 1 = a working capital surplus

A ratio of less than 1 = a working capital deficit

KEY PERFORMANCE INDICATORS

Debt Service Cover Ratio ('DSCR')

$$\text{DSCR} = \frac{\text{EBITDA}}{\text{All Principal \& Interest Payments}}$$

- Include all HP/Lease obligations in the principal payments
- Ideally we would like to see a ratio of 1.5 times or more to allow for other essential capital expenditure

KEY PERFORMANCE INDICATORS CONTINUED

GENERAL BENCHMARKS

Measure	Benchmark (% of Revenue)
Overall Wages	20% or less
Wages (non-trading)	7% or less
AEMP	6% or less
Total Overheads	30% or less

FOOD BENCHMARKS

Measure	Benchmark (% of Revenue)
Gross Profit	Greater than 60%
Gross Wages	Less than 42%
Contribution*	Greater than 10%

GAMING BENCHMARKS

Measure	Benchmark (% of Revenue)
Gaming promotions	Less than 6%
Gross gaming wages	Less than 6%
Gaming contribution	Greater than 55%

BAR BENCHMARKS

Measure	Benchmark (% of Revenue)
Bar Gross Profit	60-65%
Bar Gross Wages	20-25%
Bar Contribution*	Greater than 30%

FINANCIAL STATEMENTS

3

KEY TERMINOLOGY

Balance Sheet

- Assets - things the Club holds of value
- Liabilities - amounts of money that the Club owes others
- Equity / 'members funds' - the sum net amount left over after using assets to pay liabilities
- Current - <12 months
- Non current - >12 months

Income Statement or Profit & Loss Statement

- Income - proceeds received from sales and providing services, returns on investments
- Expenses - costs to keep the Club running



KEY TERMINOLOGY

Cash flow statement

- Operating cash flows
- Investing cash flows
- Financing cash flows



WHY PREPARE FINANCIAL STATEMENTS

1. Statutory Compliance

- Companies limited by guarantee > \$1m turnover
- Registered Clubs Act 1976 (OLGR)
- ATO - income tax & GST
- OSR - payroll

2. Measuring Business Performance

3. Member information

PERIODS TYPICALLY CREATED FOR

1

Monthly

2

Quarterly

3

Year to Date

4

Annually

MANAGEMENT REPORTING

1

Critical / key information for decision making

5

Preparation and use of budgets

2

Less is more

6

Cash flow projections and rolling cash flows

3

Information on the key areas of the Club

4

Presented in a manner that is easy to understand

PROFIT & LOSS

Example

	YTD	FY14	FY13
Sales	8,701,275	17,464,067	17,087,801
Cost of Goods Sold	(1,096,352)	(1,952,096)	(1,740,947)
Gross Profit	7,604,923	15,511,971	15,346,854
Gross Margin (%)	87.4%	88.8%	89.8%
Operating Expenses	(2,517,356)	(5,409,635)	(4,730,327)
Operating Expenses as a % of Revenue	28.9%	31.0%	27.7%
Wages Expenses	(3,358,367)	(6,540,007)	(5,734,425)
Wages Expenses as a % Revenue	38.6%	37.4%	33.6%
AEMP	(786,605)	(2,086,996)	(1,967,071)
AEMP %	9.0%	12.0%	11.5%
Finance and Interest	(402,287)	(870,847)	(973,047)
Depreciation and Amortisation	(904,023)	(1,785,046)	(1,517,150)
Donations/Grants	(224,252)	(281,222)	(304,805)
Income tax	0	12,692	0
Net Profit/(loss) after tax	(587,967)	(1,086,217)	120,029
Net Profit (%)	-6.8%	-6.2%	0.7%
EBITDA	602,887	1,309,386	120,029
EBITDA %	6.9%	7.5%	.7%

PROFIT & LOSS

Performance by Trading Area

	YTD	FY14	FY13
Revenue	743,916	1,507,185	1,570,456
COGS	(225,257)	(470,270)	(561,762)
Gross Profit	518,659	1,036,915	1,008,694
Gross Margin (%)	69.7%	68.8%	64.2%
Operating Expenses	(71,145)	(122,799)	(176,723)
Operating Expenses (% of Revenue)	9.6%	8.1%	11.3%
Wages Expenses	(340,662)	(638,610)	(683,482)
Wages (% of Revenue)	45.8%	42.4%	43.5%
AEMP	0	(6,119)	(142,940)
AEMP (% of Revenue)	0.0%	0.4%	9.1%
Depreciation and Amortisation	(16,500)	(33,455)	(40,000)
Net Profit/Loss	90,352	235,932	(93,702)
Net Profit/Loss (% of Revenue)	12.1%	15.7%	-6.0%

BALANCE SHEET EXAMPLE

	YTD	FY13	FY12
Current Assets			
Cash	83,234	114,689	72,674
Receivables	3,801	75,195	24,838
Inventory	27,544	27,738	18,618
Prepayments	17,220	0	0
Total Current Assets	131,800	217,622	116,130
Non-Current Assets			
Property, Plant & Equipment	3,936,875	3,987,744	4,122,467
Intangibles	247,000	247,337	234,337
Total Non-Current Assets	4,183,875	4,235,081	4,356,804
Total Assets	4,315,674	4,452,703	4,472,934
Current Liabilities			
Trade Payables	72,254	60,039	189,471
GST	0	0	0
Provisions	7,414	10,249	7,742
Interest Bearing Liabilities	925,500	929,567	523,461
Loans from sub branches	2,000	2,000	0
Total Current Liabilities	1,007,168	1,001,855	720,674
Non Current Liabilities			
Long Term Provisions	11,697	8,862	11,521
Interest Bearing Liabilities	24,538	0	18,973
Total Non-Current Liabilities	36,234	8,862	30,494
Total Liabilities	1,043,403	1,010,717	751,168
Net Assets	3,272,272	3,441,986	3,721,766



TAKEAWAYS

- Don't be afraid of financial statements
- Develop, understand and own critical financial KPIs specific to your club and role
- Think about how you want to shape the industry over the next 5, 10, 20 years

QUESTIONS



Clayton Eveleigh

Partner, Audit

National Sector Leader - Tourism, Leisure & Hospitality

(02) 8264 6639

clayton.eveleigh@bdo.com.au