



AusCycling

Financial modelling output

October 2019



1. Introduction and background

Introduction and background



- The purpose of the financial model is to provide an overview of the expected financial performance of AusCycling and in particular to determine an opening balance sheet position such that AusCycling is appropriately capitalised to trade successfully and achieve its objectives.
- The model was built by former Morgan Stanley analyst, Sarah Lester, who was appointed by Sport Australia, in collaboration with Steve Drake of CA.
- It has been reviewed by the Sport Australia Finance team.
- It is based on the combined financial performance of the 19 current entities (CA and 8 state and territory bodies, BMXA and eight state and territory bodies and MTBA) with overlays for changes in service provision which would be introduced by AusCycling (such as Integrity Officer, advocacy function etc)
- In building AusCycling from the current entities, there were a range of issues to be addressed including:
 - A number of different financial year ends, including 28 February, 30 June, 30 September, 31 October and 31 December. At each entity level the model uses historical (usually annual) data which is then converted into monthly data and combined to produce AusCycling financials to a 30 June year end
 - Differing levels of disclosure from different entities. Whilst some specific forecasts were available, in many cases we have extrapolated historical data to produce forecasts for FY20, 21 and 22
 - Differing accounting treatments applied across the entities. For example, some entities recognise revenue on a cash basis and others use the accruals method. It was not thought sufficiently material to seek to reconcile these differences
- One of the key issues in the establishment of AusCycling is establishing its opening balance sheet. This is addressed in the next section of this Paper.



2. Opening balance sheet

Opening balance sheet



- AusCycling needs a sufficiently strong balance sheet to enable it to trade successfully in its first 2-3 years as there will be transition costs and it will take time to realise synergies and to generate a return from sponsorship and philanthropy origination efforts.
- For the purposes of this Paper, it has been assumed that all existing entities join AusCycling. For the avoidance of doubt, the Australian Cycling Team division of CA is excluded from the analysis as its assets are formally segregated and cannot be used in other areas of the business. If the Australian Cycling Team were added as at 30 June 2018 this would add Total Assets of \$5.4m and Net Assets of \$0.8m to AusCycling. If one or two States elected not to join AusCycling it would still proceed although the speed of rollout of additional services may vary depending on the size of the state(s) that did not join.
- The financial modelling in this Paper has been prepared on the assumption that additional funding of \$2.5m is secured through Sport Australia support. Sport Australia's support would be conditional on:
 - AusCycling comes into existence (via the existing 19 entities, or a material subset thereof, unifying).
 - All entities joining AusCycling contribute all of their assets and liabilities on the basis that we are all working together for the benefit of all disciplines of cycling.
 - All entities joining AusCycling not to undertaking any material change of operating expenses, unbudgeted capital expenses or making distributions to members.
- The support from Sport Australia allows AusCycling to have opening net assets of approximately \$5.8 million which is considered adequate for an NSO of its size given that there will be a period of 1-2 years during which the benefits of the combination, such as operating efficiencies and additional sponsor support, are still to accrue. This gives AusCycling sufficient headroom to pursue its expanded objectives.
- It is important to note that the balance sheet analysis in the model and this paper is based on 30 June 2018 balance sheets and will need to be updated for 30 June 2019 or a date closer to the closing date of the creation of AusCycling.
- The obligation of existing entities to deliver and acquit on any pre-existing government grants (national, state or local) will transfer to AusCycling. The same applies to other forms of deferred revenue, particularly membership revenue.

3. Forecast financial performance

Assumptions



- There are a number of assumptions which underlie the AusCycling model. These were identified as part of a desktop review conducted by the NSO CEO group, including:
 - The model assumes that AusCycling comes into existence on 1 July 2019 (a notional start date given the modelling was done prior to the FY 19 results for all entities were available) and produces financial forecasts for FY20, 21 and 22
 - Estimated staff costs for AusCycling are based on the new service platform. A more detailed organisational chart (exec and non-exec/committees) is set out at Appendix 2. An additional \$150,000 per annum has been included for outsourced IT capability.
 - Inflation rate of 2% on expenses and other revenue, 0% on grants.
 - Membership revenue growth is based on the figures in the table below, comprising 3% growth in member numbers and 3% growth in membership prices

	Road/track	BMX	MTB
FY20	6.0%	6.0%	6.0%
FY21	6.0%	6.0%	6.0%
FY22	6.0%	6.0%	6.0%

Membership fees

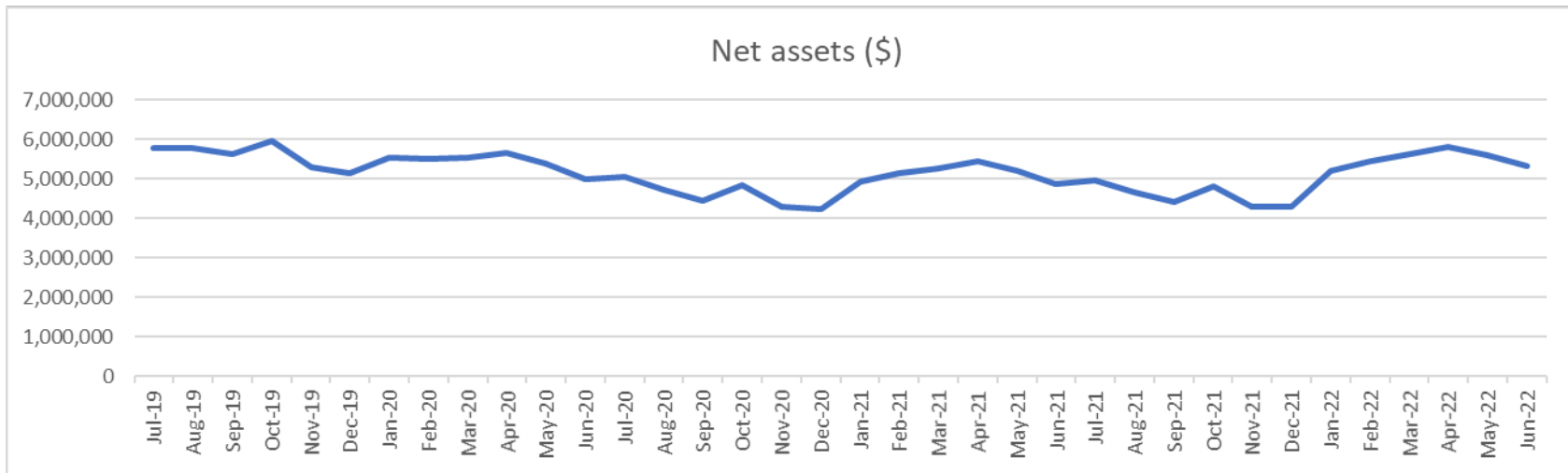
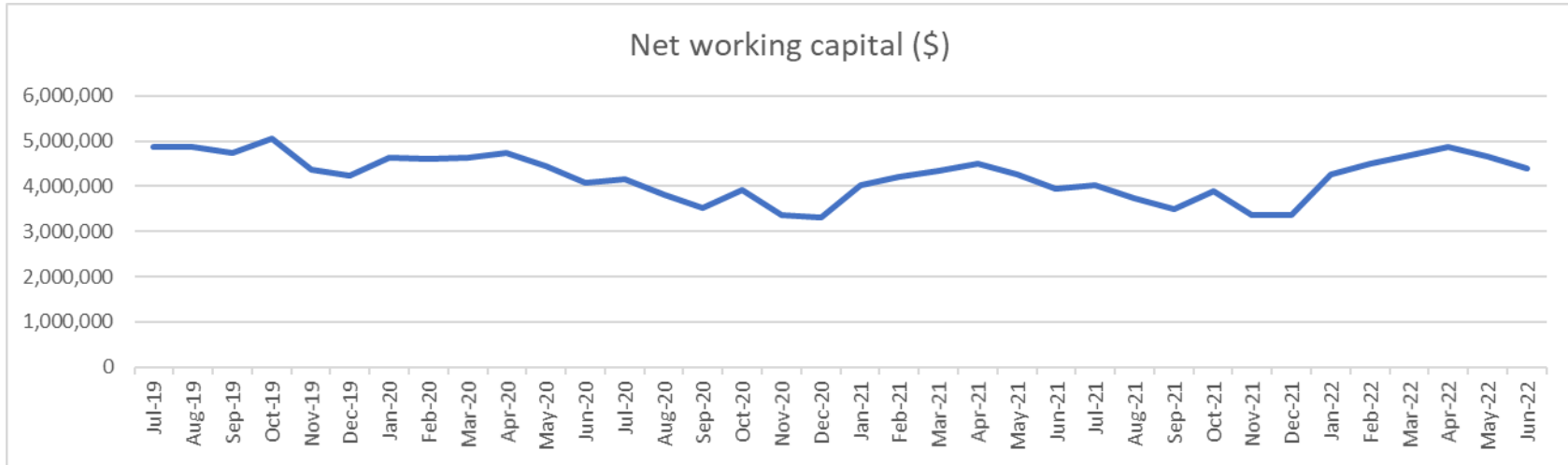


- Across the three NSOs there are a wide range of membership fees currently charged, which include state and regional variations for CA and BMXA. Reconciling and simplifying this offering is a key part of establishing AusCycling. Doing so will reduce administration costs and improve member experience, particularly when one race licence will be able to access all disciplines (not the case today)
- At a high level, BMXA currently charges junior members much more than either CA or MTBA does, and CA charges adult members much more than either BMXA or MTBA. For modelling purposes we have assumed a new approach to membership charges and assessed the likely overall impact on revenue for AusCycling.
- We have developed a broadly revenue neutral fee structure (+/- 5%) with a bias towards lower fees for junior participants. The principle adopted is similar to that of British Cycling where there is a base membership offer and a racing licence overlay
 - Junior membership is \$50 and adult membership is \$80 for all disciplines
 - A racing licence allows access to all disciplines for the same price, with the exception of Adult road/track, which costs an additional \$100 (similar to the UK where a full licence is an additional £40)
- In future the intention would be to reduce the road/track race licence to the level of the other disciplines by moving to a per event capitation based model administered via the online entry system

Category	Membership Fee (Recreation)	Membership with Race Licence (Total Cost)	
		BMX, MTB & CX	ALL DISCIPLINES (BMX, MTB, Road, Track & CX)
Mini-wheelers (U7)	\$50	n/a	\$50
U13	\$50	n/a	\$75
U19	\$50	n/a	\$120
Adult	\$80	\$150	\$250
65+	\$80	n/a	\$120

Forecast performance – AusCycling

- Net working capital is sufficient throughout the forecast period and contains sufficient headroom.



Forecast profit and loss statement

PROFIT & LOSS STATEMENT:

		FY2020	FY2021	FY2022
Revenue:				
Membership	A\$	6,672,003	7,113,564	7,630,976
Sponsorship	A\$	820,174	1,017,718	1,209,844
Grants	A\$	3,584,090	3,584,090	3,584,090
Other revenue	A\$	10,016,708	7,421,432	7,438,615
Total revenue	A\$	21,092,976	19,136,804	19,863,526
Expenses:				
Staff	A\$	7,358,000	7,419,000	7,479,000
Office and Admin	A\$	1,253,413	1,255,159	1,256,976
Events	A\$	4,742,702	3,846,702	3,846,702
Other expenses	A\$	6,870,527	6,838,630	6,931,405
Total Expenses	A\$	20,224,642	19,359,491	19,514,083
EBIT	A\$	868,334	-222,688	349,443
Net interest income	A\$	109,786	95,649	97,796
Net income	A\$	978,120	-127,038	447,239

- In the first year of AusCycling, extraordinary items impacting the P&L include income of \$2.5m through Sport Australia support and transition costs of \$450k including for IT system convergence, website rationalisation and review of race entry systems.
- Model includes adjustment in FY20 for additional insurance costs incurred by CA and States/Territories in that year of \$400k.

Note: FY2020 income includes extraordinary items for Sport Australia support and one-off expenses



Appendices

Appendix 1 – Existing entity balance sheets



- As at 30 June 2018 except where indicated
- Cycling Australia excludes Australian Cycling Team (High Performance) as funding is fully segregated

		NSO Bodies			CYCLING								BMX							TOTAL	
		CA	BMXA	MTBA	Victoria	NSW - Dec '18	QLD	SA	NT	ACT	TAS - Feb '18	West Cycle	Victoria - Dec '17	NSW - Oct '17	QLD - Sept '18	SA	NT	ACT - Dec '17	Tas - Sept '18		WA
Current Assets:																					
Cash and cash equivalents	A\$	331,000	360,447	453,326	814,506	440,040	739,341	104,910	147,844	108,220	155,371	422,090	181,196	182,680	288,615	144,886	105,527	37,838	18,574	373,468	5,409,879
Trade and other receivables	A\$	48,000	109,130	60,285	141,045	139,457	59,189	9,808	8,352	21,251	15,324	88,299	7,977	2,349	(327)	600	7,518	-	-	3,571	721,828
Financial assets	A\$	122,000	1,200,000	51,283	-	751,229	148,294	-	-	-	-	-	-	-	-	-	-	-	-	-	2,272,806
Other current assets	A\$	57,000	29,716	56,800	23,270	-	1,490	-	-	-	-	-	499	-	-	-	-	-	-	-	168,775
Total Current Assets	A\$	558,000	1,699,293	621,694	978,821	1,330,726	948,314	114,718	156,196	129,471	170,695	510,389	189,672	185,029	288,288	145,486	113,045	37,838	18,574	377,039	8,573,288
Non-Current Assets:																					
Property, plant & equipment	A\$	112,000	55,797	144,423	137,699	83,282	101,263	38,316	-	9,221	-	36,590	23,606	7,709	128,183	7,262	-	-	26,018	42,739	954,108
Other non current assets - CA loan	A\$	-	11,200	-	100,000	160,000	6,667	-	10,000	13,333	10,000	5,500	-	-	-	-	-	-	-	-	316,700
Total Non-Current Assets	A\$	112,000	66,997	144,423	237,699	243,282	107,929	38,316	10,000	22,554	10,000	42,090	23,606	7,709	128,183	7,262	-	-	26,018	42,739	1,270,808
Total Assets	A\$	670,000	1,766,290	766,117	1,216,520	1,574,008	1,056,243	153,034	166,196	152,025	180,695	552,479	213,278	192,738	416,471	152,748	113,045	37,838	44,592	419,778	9,844,095
Current Liabilities:																					
Trade and other payables	A\$	(265,169)	(70,413)	(88,078)	(84,085)	(88,900)	(67,719)	(15,859)	(23,023)	(6,028)	(11,499)	(84,980)	(52,151)	-	(5,552)	(5,935)	(3,210)	-	-	-	(872,601)
Deferred revenue	A\$	(1,296,000)	(63,790)	(98,143)	(150,805)	(352,350)	-	(32,066)	(43,850)	-	(7,880)	(179,536)	(16,500)	-	-	-	(20,328)	-	-	-	(2,261,248)
GST payable	A\$	(339,000)	(19,059)	(5,981)	(28,498)	(16,793)	(49,984)	(52,779)	-	(4,563)	-	-	-	5,105	(12,489)	-	-	-	-	(7,862)	(531,902)
Provisions (inc for PAYG)	A\$	(83,993)	(27,359)	(54,893)	(95,240)	(43,769)	(12,964)	(8,127)	-	(1,336)	-	(27,860)	-	-	(1,304)	-	-	-	-	(9,596)	(366,440)
Total Current Liabilities	A\$	(1,984,162)	(180,621)	(247,095)	(358,628)	(501,812)	(130,667)	(108,830)	(66,873)	(11,927)	(19,379)	(292,376)	(68,651)	5,105	(19,345)	(5,935)	(23,538)	-	-	(17,458)	(4,032,192)
Non-Current Liabilities:																					
Borrowings	A\$	(1,721,000)	(2,698)	-	-	-	-	-	-	-	-	-	-	-	(90,000)	-	-	-	-	-	(1,813,698)
Employee Entitlements	A\$	-	-	-	(5,327)	(18,896)	(30,849)	-	-	-	-	-	-	-	-	-	-	-	-	-	(55,072)
Special grants	A\$	-	-	-	-	-	-	-	-	-	-	(3,117)	-	-	-	-	-	-	-	-	(3,117)
Total Non-Current Liabilities	A\$	(1,721,000)	(2,698)	-	(5,327)	(18,896)	(30,849)	-	-	-	-	(3,117)	-	-	(90,000)	-	-	-	-	-	(1,871,887)
Total Liabilities	A\$	(3,705,162)	(183,319)	(247,095)	(363,955)	(520,708)	(161,516)	(108,830)	(66,873)	(11,927)	(19,379)	(295,493)	(68,651)	5,105	(109,345)	(5,935)	(23,538)	-	-	(17,458)	(5,904,079)
Net Assets	A\$	(3,035,162)	1,582,971	519,022	852,565	1,053,300	894,727	44,204	99,323	140,098	161,316	256,986	144,627	197,843	307,126	146,813	89,507	37,838	44,592	402,320	3,940,016
Operating assets	A\$	28,007	28,438	89,530	37,132	20,617	57,450	30,189	-	7,885	-	8,730	23,606	7,709	126,879	7,262	-	-	26,018	33,143	532,595
Other assets	A\$	(3,063,169)	1,554,533	429,492	815,433	1,032,683	837,277	14,015	99,323	132,213	161,316	248,256	121,021	190,134	180,247	139,551	89,507	37,838	18,574	369,177	3,407,421
Members	A\$	36	206	15,360	6,200	9,477	4,370	1,611	776	773	794	1,827	1,830	3,133	5,222	941	988	356	349	3,294	57,543
Net assets per member	A\$	(84,310)	7,684	34	138	111	205	27	128	181	203	141	79	63	59	156	91	106	128	122	

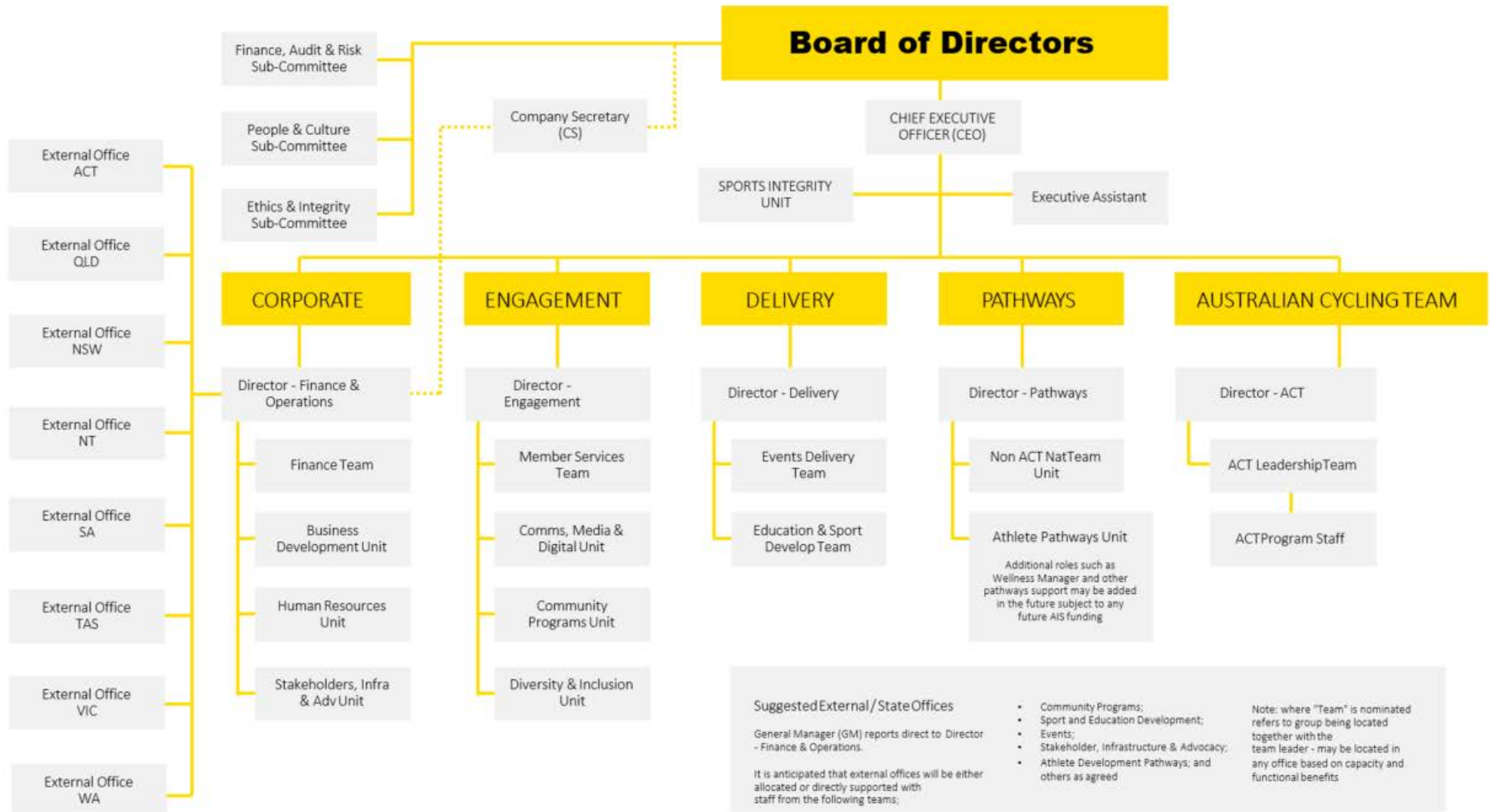
Appendix 1 – Existing entity balance sheets



- Cycling Australia consolidated balance sheet as at 30 June 2018

	CA Operations	Australian Cycling Team	CA Consolidated
Current Assets:			
Cash and cash equivalents	A\$ 331,000	4,184,000	4,515,000
Trade and other receivables	A\$ 48,000	6,000	54,000
Financial assets	A\$ 122,000	299,000	421,000
Other current assets	A\$ 57,000	62,000	119,000
Total Current Assets	A\$ 558,000	4,551,000	5,109,000
Non-Current Assets:			
Property, plant & equipment	A\$ 112,000	890,000	1,002,000
Other non current assets - CA loan	A\$ -	-	-
Total Non-Current Assets	A\$ 112,000	890,000	1,002,000
Total Assets	A\$ 670,000	5,441,000	6,111,000
Current Liabilities:			
Trade and other payables	A\$ (265,169)	(489,674)	(754,843)
Deferred revenue	A\$ (1,296,000)	(3,801,000)	(5,097,000)
GST payable	A\$ (339,000)	98,000	(241,000)
Provisions (inc for PAYG)	A\$ (83,993)	(448,397)	(532,390)
Total Current Liabilities	A\$ (1,984,162)	(4,641,071)	(6,625,233)
Non-Current Liabilities:			
Borrowings	A\$ (1,721,000)	-	(1,721,000)
Employee Entitlements	A\$ -	-	-
Special grants	A\$ -	-	-
Total Non-Current Liabilities	A\$ (1,721,000)	-	(1,721,000)
Total Liabilities	A\$ (3,705,162)	(4,641,071)	(8,346,233)
Net Assets	A\$ (3,035,162)	799,929	(2,235,233)

Appendix 2 – Organisational charts



Appendix 2 – Organisational charts

