

Everton 2012 Financial Accounts – key points

Revenue is down overall; 'club generated' is down to lowest level since 07/08

Revenue generation is the responsibility of the executives of the club and can be broken down into two parts – the revenue that the club generates through its own means (fan base) and the revenue the club receive from being a member of the Premier League (media).

<u>EVERTON P&L</u>	<u>May</u>	<u>May</u>	<u>May</u>	<u>May</u>	<u>May</u>	<u>May</u>	<u>May</u>	<u>06 v 12</u>
	<u>05/06</u>	<u>06/07</u>	<u>07/08</u>	<u>08/09</u>	<u>09/10</u>	<u>10/11</u>	<u>11/12</u>	<u>% change</u>
Gate receipts & catering	25,751	18,172	21,340	22,775	20,122	18,357	17,703	-31.3%
Commercial	6,023	5,778	7,673	8,260	8,760	10,774	10,038	66.7%
Club ops generated turnover	31,774	23,950	29,013	31,035	28,882	29,131	27,741	-12.7%
Media - PL driven worldwide	26,349	27,462	46,637	48,634	50,194	52,890	52,790	100.3%
TOTAL Turnover	58,123	51,412	75,650	79,669	79,076	82,021	80,531	38.6%

In terms of competition with other clubs, it's the ability to generate revenue 'by its own means' that will give a competitive advantage as all 20 Premier League clubs share the media pot. It's this 'club controlled revenue' that ultimately defines the true 'size' of a club.

In 2001 Everton generated 61% of their revenue from club controlled means; by 2012 it's 35% and next year (after the new deal) it will be 25%. This is a real issue as it's this proportion of revenue (as well as league placing) that gives the club its advantage over Stoke, Wigan, Fulham etc.

The club controlled revenue has gone from £32m to £27.7m over the 7 year period – a decline of 12.7% at a time when the Premier League has exploded. This performance goes against the trend of other Premier league clubs.

Of course, there is a possibility this is a deliberate strategy to keep the fans happy by lowering admission prices and catering within the ground.

Operating costs – now 106% of revenue

<u>EVERTON P&L</u>	<u>May</u>	<u>May</u>	<u>May</u>	<u>May</u>	<u>May</u>	<u>May</u>	<u>May</u>	<u>06 v 12</u>
<u>OPERATING COSTS</u>	<u>05/06</u>	<u>06/07</u>	<u>07/08</u>	<u>08/09</u>	<u>09/10</u>	<u>10/11</u>	<u>11/12</u>	<u>% change</u>
Employee benefit expenses	(36,966)	(38,427)	(44,480)	(49,069)	(54,311)	(58,026)	(63,389)	71.5%
Other operating expenses	(16,416)	(11,694)	(21,078)	(21,213)	(23,797)	(23,554)	(22,724)	38.4%
Operating Costs	(53,382)	(50,121)	(65,558)	(70,282)	(78,108)	(81,580)	(86,113)	61.3%

The increase in employee benefits is understandable given that all Premier League clubs continue to drive wages up; but the increase of 38% in operating costs is more difficult to justify given that the operating revenues generated by the club have declined.

Remember that these numbers don't include the cost of transfer fees – only employee benefits and running costs. The total increase from 06 to 12 is £33m in 7 years which is higher than the £22m increase in total turnover.

Profit before tax – £52m losses in the last 7 years

The club net loss of £9.1m this year takes the total to £52m over the last 7 years and £24m in the last 5 years since the new TV deal kicked in and revenue rose by around £25m per season.

EVERTON P&L	May	May	May	May	May
EBITDA (ex player sales)	10,092	9,387	968	441	(5,582)
EBITDA (inc player sales)	19,341	13,184	19,991	7,867	8,559
EBITDA margin (ex player sales)	13.3%	11.8%	1.2%	0.5%	-6.9%
Amortisation of player reg	(12,349)	(13,023)	(17,150)	(16,620)	(12,852)
Profit on disposal of Tang Fix Assets	11	2	39	8,432	0
Exceptional	(1,491)	(1,313)	0	0	0
Depreciation	(1,792)	(1,808)	(1,515)	(970)	(820)
EBIT (ex-player sales)	(5,529)	(6,755)	(17,658)	(8,717)	(19,254)
EBIT (inc-player sales)	3,720	(2,958)	1,365	(1,291)	(5,113)
EBIT margin (ex-player sales)	-7.3%	-8.5%	-22.3%	-10.6%	-23.9%
Interest received	183	123	29	13	112
Interest paid	(3,877)	(4,085)	(4,487)	(4,135)	(4,105)
Net finance charge	(3,694)	(3,962)	(4,458)	(4,122)	(3,993)
Profit before tax	26	(6,920)	(3,093)	(5,413)	(9,106)

Cash flow – the importance of selling players

<u>EVERTON CASH FLOW</u>	<u>May</u>	<u>May</u>	<u>May</u>	<u>May</u>	<u>May</u>
	<u>07/08</u>	<u>08/09</u>	<u>09/10</u>	<u>10/11</u>	<u>11/12</u>
EBITDA (ex player sales)	10,092	9,387	968	441	(5,582)
Exceptionals	(1,491)	(1,313)	0	9,325	1
Change in working capital	2,012	1,577	457	1,465	(1,610)
Cash from Operations	10,613	9,651	1,425	11,231	(7,191)
Cash interest received	173	151	29	13	112
Cash interest paid	(4,010)	(4,040)	(4,489)	(4,140)	(4,110)
Net cash interest	(3,837)	(3,889)	(4,460)	(4,127)	(3,998)
Cash flow before investment	6,776	5,762	(3,035)	7,104	(11,189)
Sales of players	8,582	12,071	24,475	5,065	23,364
Purchase of players	(24,257)	(17,839)	(27,960)	(11,616)	(12,782)
Net player transfers	(15,675)	(5,768)	(3,485)	(6,551)	10,582
Net capex	(1,212)	(1,010)	(341)	(568)	(428)
Total investment	(16,887)	(6,778)	(3,826)	(7,119)	10,154
Cash flow before financing	(10,111)	(1,016)	(6,861)	(15)	(1,035)
Purchase of a current asset investment					
New loans	198	207	9,000	5,000	0
Loan repayments	(717)	(765)	(3,222)	(8,873)	(866)
Other	(274)	(195)	(79)	(41)	(39)
Cash flow from financing	(793)	(753)	5,699	(3,914)	(905)
Change in cash	(10,904)	(1,769)	(1,162)	(3,929)	(1,940)
Net debt	(36,752)	(37,909)	(44,863)	(44,914)	(45,984)

This season was the first time in the last ten years cash from operations was negative. When the £4m required to service debt was added then there was an £11m cash hole to fill which came from net player transfers. Net debt has now increased to £46m.

The balance sheet – Net liabilities now over £44m v £20m in 2008

Everton FC Balance Sheet	2008	2009	2010	2011	2012
	£000's	£000's	£000's	£000's	£000's
Fixed assets					
Tangible fixed assets	9,886	9,183	8,090	6,787	6,394
Intangible fixed assets	39,435	39,378	45,270	33,328	23,927
	49,321	48,561	53,360	40,115	30,321
Current assets					
Debtors	12,327	11,779	8,646	11,101	8,056
Investments	2,767	2,767	2,767	2,767	2,767
	15,094	14,546	11,413	13,868	10,823
Creditors: amounts falling due within one year	-50,931	-51,979	-52,088	-55,985	-57,166
Net current liabilities	-35,837	-37,433	-40,675	-42,117	-46,343
Total assets less current liabilities	13,484	11,128	12,685	-2,002	-16,022
Creditors: amounts falling due after more than one year	-32,849	-37,335	-41,122	-32,004	-27,176
Provisions for liabilities and charges	-396	-474	-1,337	-1,181	-1,095
Net liabilities	-19,761	-26,681	-29,774	-35,187	-44,293
Capital and reserves					
Called up share capital	35	35	35	35	35
Share premium	24,968	24,968	24,968	24,968	24,968
Merger reserve	3,183	3,183	3,183	3,049	3,049
Profit and loss account	-47,947	-54,867	-57,960	-63,239	-72,345
Shareholders' funds	-19,761	-26,681	-29,774	-35,187	-44,293

Everton's balance sheet makes for ugly reading at present.

The balance sheet shows what the business has (assets) and what the business owes against those assets (liabilities). The difference between the assets and the liabilities shows the net worth of the business.

The net worth of this business has been much discussed and no doubt will be in the future....