

# MANGAUNG-BLOEMFONTEIN PRESENTATION TO SPORT PORTFOLIO COMMITTEE 17 AUGUST 2010

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# PRESENTATION OVERVIEW

- Overview of the upgraded stadium
- Business plan for sustainability assessment
- Conclusions

# OVERVIEW OF THE UPGRADED FREE STATE STADIUM



# FREE STATE STADIUM



# FREE STATE STADIUM OVERVIEW



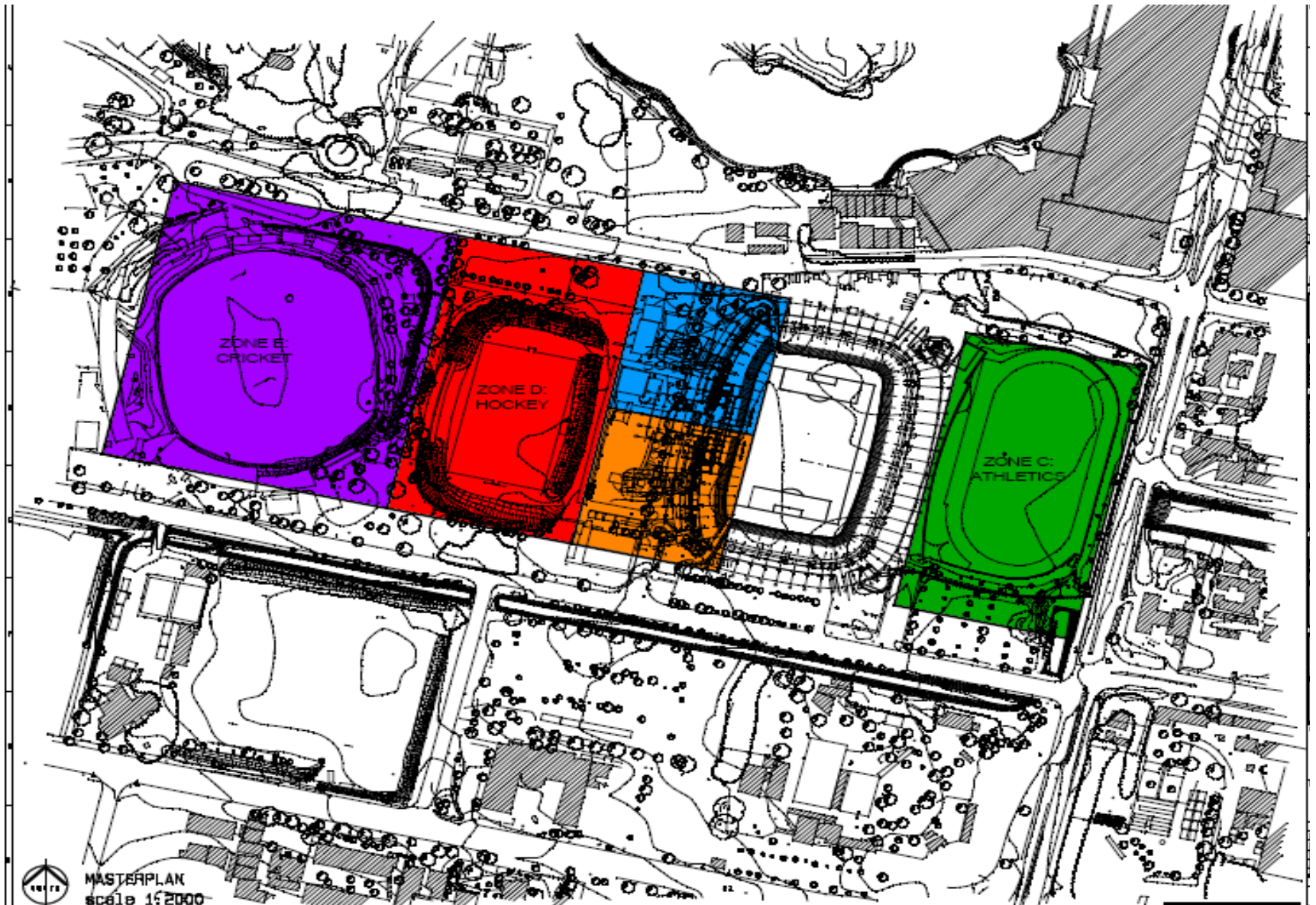
- Built in 1952
- Capacity: 45 146
- Parking: 3005 bays
- Parking for VIP's: 10 996 m<sup>2</sup>
- Has 100 private suites with 2000 seats AND VIP suite with 650 seats
- Recent upgrading cost R350m
- Owned by Mangaung Host City
- Has 20 year lease with Free State Rugby Union since 2001, option to renew for another 20 years

# WHAT IS NEW AT STADIUM

- Increased seating (additional 8000 prime seats), potential revenue of R9 m per year,
- Larger VIP (additional 500 seats), potential revenue of R1. 75 m per year
- More concession areas
- Additional parking
- Additional storage
- Larger media facility
- More office space
- 2 Video screens



# WHAT IS NEW AT STADIUM



# BUSINESS PLAN FOR STADIUM SUSTAINABILITY





# MAIN ASSUMPTIONS

- Stadium to be utilised for both Soccer and Rugby matches
- Revenue from FCC and FWC included
- Additional two Soccer matches per annum at the stadium
- One Bafana match per annum at the stadium
- No increase in the rugby matches
- Penalty from Naming Rights
- Additional revenue from the following streams
  - Ticket revenue
  - Parking revenue
  - Advertising rights
  - Corporate suite revenue



# PROJECTED REVENUE/LOSS

|                                       | 2007               | 2009             | 2010              | 2011             | 2012             | 2013             |
|---------------------------------------|--------------------|------------------|-------------------|------------------|------------------|------------------|
| <b><u>Spectator Based Revenue</u></b> |                    |                  |                   |                  |                  |                  |
| Ticket Sales                          | (6 315 789)        | 3 413 377        | 1 878 289         | 1 878 289        | 1 878 289        | 1 878 289        |
| Retail                                |                    | 756 000          | 756 000           | 756 000          | 756 000          | 756 000          |
| Parking                               | (11 579)           | 20 842           | 20 842            | 20 842           | 20 842           | 20 842           |
| Pouring Rights                        | (33 000)           | 52 100           | 25 850            | 25 850           | 25 850           | 25 850           |
| 2009 FIFA Confederations Cup          |                    | 1 843 211        |                   |                  |                  |                  |
| 2010 FIFA World Cup                   |                    |                  | 10 077 632        |                  |                  |                  |
| <b>Total Spectator Based Revenue</b>  | <b>(6 360 368)</b> | <b>6 085 531</b> | <b>12 758 613</b> | <b>2 680 982</b> | <b>2 680 982</b> | <b>2 680 982</b> |
| <b><u>Non-Spectator Revenue</u></b>   |                    |                  |                   |                  |                  |                  |
| Corporate Suites                      | (780 000)          | 1 560 000        | 1 560 000         | 1 404 000        | 1 404 000        | 1 404 000        |
| Sponsorship/Naming Rights             |                    | (384 615)        | (576 923)         | -                | -                | -                |
| Advertising - Rugby                   | (1 232 640)        | 506 160          | 506 160           | 506 160          | 506 160          | 506 160          |
| <b>Total Non-Spectator Revenue</b>    | <b>(2 012 640)</b> | <b>1 681 545</b> | <b>1 489 237</b>  | <b>1 910 160</b> | <b>1 910 160</b> | <b>1 910 160</b> |
| <b>Total Revenue</b>                  | <b>(8 373 008)</b> | <b>7 767 075</b> | <b>14 247 850</b> | <b>4 591 142</b> | <b>4 591 142</b> | <b>4 591 142</b> |

# PROJECTED CAPEX, ETC

## Capital Costs

| <u>Cost Category</u>                  | <u>ZAR</u>         |
|---------------------------------------|--------------------|
| Estimate of Current Construction Cost | 176 655 976        |
| Pre-Tender Escalation @ 6%            | 10 599 359         |
| Contract Escalation @ 4 %             | 7 066 239          |
| Professional Fees @ 15%               | 29 148 236         |
| <b>Total</b>                          | <b>223 469 810</b> |

## Cash flow

| <b>2007</b> | <b>2008</b> | <b>2009</b> | <b>2010</b> | <b>2011</b> | <b>2012</b> | <b>2013</b> |
|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| -8 373      | -1 878      | 3 607       | 11 139      | 2 036       | 1 773       | 1 700       |

## NPV

| <b>Primary Ratios</b>            |               |
|----------------------------------|---------------|
| Project NPV - (including capex)  | (212 016 648) |
| Project NPV - ongoing cash flows | 11 453 162    |

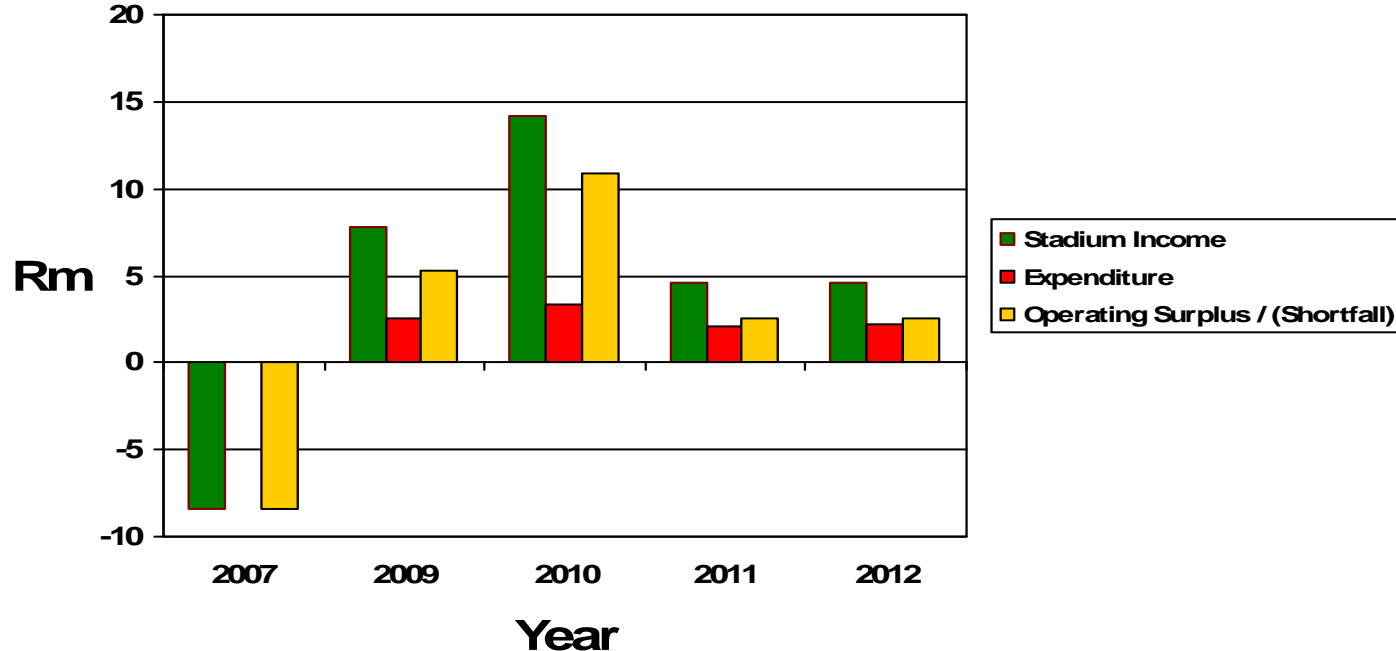
# FINANCIAL OUTCOMES

|                                      | 2007               | 2009             | 2010              | 2011             | 2012             |
|--------------------------------------|--------------------|------------------|-------------------|------------------|------------------|
| <u>Income</u>                        |                    |                  |                   |                  |                  |
| Spectator Based Revenue              | (6 360 368)        | 6 085 531        | 12 758 613        | 2 680 982        | 2 680 982        |
| Non-Spectator Stadium Revenue        | (2 012 640)        | 1 681 545        | 1 489 237         | 1 910 160        | 1 910 160        |
| Total Income                         | (8 373 008)        | 7 767 075        | 14 247 850        | 4 591 142        | 4 591 142        |
| <u>Expenditure</u>                   |                    |                  |                   |                  |                  |
| Operational Costs                    | 0                  | 2 478 992        | 3 300 767         | 2 134 384        | 2 164 574        |
| <b>Operating Surplus/(Shortfall)</b> | <b>(8 373 008)</b> | <b>5 288 083</b> | <b>10 947 083</b> | <b>2 456 758</b> | <b>2 426 567</b> |

# PROJECTED REVENUE/LOSS

- *In construction period, the stadium will suffered loss in revenue to the value of approximately R8,3 million*
- *Additional income from 2009 and 2010 FIFA projected to provide additional income in excess of lost revenue.*

**Stadium Operating Surplus / (Shortfall)**



# CURRENT FINANCIAL SITUATION

- Stadium costs increased by **R1.7m**
  - Maint. increased by R50k (63%)
  - Cleaning increased by R20k (20%)
  - Security increased by R15k (30%)
  - Electricity increased by R100k (230%)
  - Insurance increased by R200k (37%)
  - Big screens increased by R200k
- Revenue increased by **R700k**



# CURRENT FINANCIAL SITUATION

- Some of revenue streams not included or underestimated
  - Potential additional income from new seats (8000 seats) not included (R5m)
  - Revenue from VIP Tribune should be R1.5m, instead of R680k
  - Advertising sponsorship not changed, despite enhanced stadium asset value
  - Revenue from concessionaires not included



# CONCLUSIONS





# CONCLUSIONS

- Stadium is sustainable
- Concerted effort required to increase number of soccer and rugby matches hosted by Mangaung
  - Bafana Bafana / PSL competitions matches
  - Rugby Test/Tri Nations matches
- Revenue model to be revised
  - VIP tribune ticket pricing
  - Marketing of the matches to maximise attendance
  - Sponsorship contracts to be reviewed
  - Income from non-match related activities at the stadium



# THANK YOU

2010 FIFA WORLD CUP SOUTH AFRICA™  
Host City Mangaung/Bloemfontein

11 JUNE – 11 JULY 2010

