

Race Club and Key Stakeholders Monthly Report

February 2014



Introduction









This monthly stakeholders' report provides an update on the financial and operational performance of New Zealand Thoroughbred Racing.

The report reviews progress to date relative to key performance targets and priorities set out in the Business Plan 2014-2016 and provides an update on key initiatives, projects and other matters of interest to stakeholders.

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

Greg Purcell
Chief Executive

Key Performance Indicators YTD

| KPI | Actual | FY13 | Budget | Commentary | Status |
|---------------------------------|-----------------|-----------------|-----------------|---|---|
| Funded prizemoney | \$25.0m | \$25.1m | \$25.2m | For the six months ending 31 January 2014 1,523 races run against a budget of 1,556 races. Includes Special Interest and Iconic races funding. |  |
| Average funded prizemoney | \$16,405 | \$15,757 | \$16,236 | For the six months ending 31 January 2014 |  |
| Race meetings conducted | 181 | 187 | 184 | To 26 Jan 2014, against Business Plan (BP) 14-16 and Funding Model, applied YTD. |  |
| Average field size | 10.53 | 10.50 | 10.55 | Average field size in NZ thoroughbred racing to 26 Jan 2014, against average field size in BP 14-16, applied YTD. Improvement on FY13, slightly behind Budget |  |
| Races with less than 8 starters | 229 | 211 | 201 | To 26 Jan 2014 v pro rata amount 26 Jan 2013 for Budget. Note Northern Region drought in Feb to Mar FY13 will likely close gap. |  |
| Total starts | 15,831 | 16,386 | 16,165 | Total starts made by thoroughbreds to 26 Jan 2014, against budgeted starts in Business Plan 14-16, applied YTD. Behind budget although, a decline in starts was budgeted. |  |
| Individual starters | 4,104 | 4,215 | 4,130 | Individual thoroughbreds making starts to 26 Jan 2014, against budgeted starts in BP 14-16, applied YTD. Individual starters also projected to decline on FY13. |  |
| Domestic sales (FOB and Tote) | \$238.9m | \$243.3m | \$241.9m | Total domestic turnover to 26 Jan 2014, against budget in BP14-16, applied YTD. Turnover declining partly on decrease in races – per race turnover is actually up. |  |



On track or likely to achieve target










Still possible to achieve target but some risks to outlook



Low possibility of attaining FY14 target

Key Performance Indicators YTD (cont'd)

| KPI | Actual | FY13 | Budget | Commentary | Status |
|---|----------------|----------------|----------------|---|--|
| Domestic market share | 55.08% | 55.67% | 55.43% | For the six months ending 31 January 2014 |  |
| NZRB distribution to NZTR | \$40.8m | \$39.7m | \$40.8m | For the six months ending 31 January 2014 NZRB Distributions on budget. |  |
| International royalties | \$4.39m | \$5.51m | \$5.37m | To 26 Jan 2014, against budget in BP14-16, applied YTD. Exchange rate and reduction in Sky 1 coverage. |  |
| NZTR core op ex (excl. marketing) | \$3.0m | \$2.9m | \$2.9m | For the six months ending 31 January 2014 Full Year forecast to be below budget. |  |
| Females as % of individual starters | 48.59% | 48.23% | 49.31% | Behind expected % of female individual starters as at 26 Jan 2014. However, still some Improvement on FY13 season being shown. |  |
| Races conducted at venues with 10+ mtgs p/a | 69.88% | 64.06% | 69.71% | To 26 Jan 2014 a higher than budgeted % of races have been run at venues with 10+ meetings a year. Significant improvement on FY13 projected. |  |
| % of starts from strategic training tracks | 71.68% | 70.89% | 71.00% | To 26 Jan 2014 a higher number of horses trained at Strategic Training Centres have started compared to FY14 budget. Improvement on FY13 projected. |  |



On track or likely to achieve target







Still possible to achieve target but some risks to outlook



Low possibility of attaining FY14 target

Key Projects as at January

| Project | Commentary | Status |
|-------------------------------|--|---|
| Race Club Partnership Program | The roll out of the race club partnership program has commenced with eight race clubs. Feedback from these pilot clubs will be incorporated into the full roll-out due to commence by 31 March 2014. Stakeholder surveys for initial race clubs will roll out in the next fortnight. Racecourse venue inspections have been conducted at a number of South Island racecourses. |  |
| 2014-15 Race Dates | A meeting of the regional programming chairs was held in Wellington on 18 December 2013 to finalise the initial draft roll-over calendar which will be discussed with NZRB and the other codes on 17 January 2014. Draft 1 2014/15 Racing Calendar will be distributed to Clubs on 24 th February 2014. |  |
| Minimum Top Weight Proposal | This issue will have further industry consultation prior to consideration by the NZTR Board on 20 February 2014. |  |
| Thoroughbred Brand | A meeting of the marketing group was held at Karaka on 14 December 2013 and supported the continuation of the development of a thoroughbred racing brand for launch in November 2014. A proposal from Interbrand will be considered by the NZTR Board at its February meeting. |  |



Project on time/budget









Project on track but some elements requiring further development



Project requires urgent action to achieve targeted outcomes

Key Projects as at January

| Project | Commentary | Status |
|--|---|---|
| Synthetic Track | NZTR is still working with the NZRB on the synthetic trials and training track proposed at Cambridge or Matamata. NZTR is holding \$2m to fund its share of the project. Two preferred providers are being evaluated for site engineering and survey assessment. |  |
| Impact of proposed Health & Safety Legislative changes | NZTR is working with the NZRB and other codes to review current racing club Health & Safety practices and understand what impact there may be to clubs under the proposed changes to Health & Safety legislation. |  |
| New caddy gates for Northern and Central regions | NZTR is working with Northern Raceday Services and Mike Alton Engineering to design and build a new set of caddy gates for use in the Northern region. A meeting is being held at Counties on 13 February with representatives from the Northern and Central Starting Gate crews and management to see the prototype gates in action. NZTR is also looking at the practicalities of having a mobile set of overhead gates available in the North and Central Districts to service the strategic and significant venues. |  |
| On-course Wi-Fi evaluation | The trial of a potential on-course Wi-Fi solution was conducted at Trentham on Saturday 25 January. The trial is currently being evaluated and a second trial has tentatively been scheduled over Auckland Cup week. |  |
| Self-Service Terminals | 25 self service terminals have been ordered for use at Ellerslie (6), Te Rapa (4), New Plymouth (3), Awapuni (4), Trentham (4) and Riccarton (4). It is anticipated that delivery of the self-service terminals will be in April/May 2014. |  |
| Sectional Timing System | Currently in test and evaluation phase. Once the units have been produced it is intended to undertake live-trialling at Ellerslie and, once completed, roll the system out to all meetings by 1 August 2014. |  |



Project on time/budget



Project on track but some elements requiring further development



Project requires urgent action to achieve targeted outcomes

Matters for Information

1. NZTR BOARD

Des Friedrich attended his last meeting of the NZTR Board on 24 January and departed for Australia on 25 January. The Members' Council met on 24 January after the Board meeting and has begun the recruitment process to fill this vacancy.

2. NZTR MEMBERS' COUNCIL

The Members' Council met with the Board on 24 January to review and appraise the performance of the Board. The Council meets with the Board twice each year. Charles Whyte (Central Region) has resigned from the Members' Council. This vacancy will be filled by appointment by the Members' Council. In accordance with clause 10.7 of the Constitution, every person who fills a casual vacancy will hold the seat until the next AGM (in November 2014) and will be eligible for re-election.

3. THOROUGHBREDS IN EQUESTRIAN SPORT (TiES)

A partnership between NZTR and Equestrian Sports New Zealand (ESNZ), titled Thoroughbreds in Equestrian Sport (TiES), promoting opportunities for second careers for thoroughbreds in equestrian sport, has begun.

2014 TiES events will be held as follows:

- The TiES Jumping Competitions will take place at the National Championships, National Equestrian Centre McLeans Island, Christchurch, 6-9 February 2014 and Taranaki Showjumping Series Finals, 8-9 March 2014
- The TiES Dressage Competitions took place at the South Island Dressage Championships, National Equestrian Centre McLeans Island, 24-26 January and will follow on to the National Championships, Manfeild, 27 February - 1 March
- The TiES Eventing Competitions will take place at the National Equestrian Centre McLeans Island, 1 March 2014, Te Rapa, Waikato, 19-20 April 2014 and Central Districts, 26-27 April 2014

Matters for Information (cont'd)

4. NOTIFICATION OF DEATH OR DE-REGISTRATION OF A HORSE

In November 2013 NZTR introduced a new Rule to the Rules of Racing which offers de-registration of a horse from racing and/or breeding and places certain requirements on the owner of a horse leaving the racing industry to inform NZTR when a horse is sold or gifted to another party, including the full identity and contact details of the new owner. See form SR24 at www.nzracing.co.nz.

5. FREE-TO-AIR BROADCAST: HERBIE DYKE STAKES

Prime will broadcast the Group 1 Herbie Dyke Stakes on Saturday, February 8. This race will run as Race 7 at 4.19pm, although Prime will be on air from 4pm. In terms of the raceday schedule this time is ideal for Prime as Trackside will be able to offer a generous lead-in window to viewers.

6. PAEROA

The Waikato Racing Club has indicated it intends to cease racing activity at Paeroa from August 1. The course (36.8ha), which has hosted races for almost 140 years, is now for sale. All up, the site comprises eight properties, with mixed residential and active reserve zoning. Tenders close February 27.

7. ASIAN RACING CONFERENCE

The 35th Asian Racing Conference will be held in Hong Kong from May 5-8 2014.

8. AUSTRALASIAN RACING MINISTERS' CONFERENCE

The annual conference of Australasian Racing Ministers will be hosted by the Minister for Racing, the Hon. Nathan Guy, in Wellington on 28 February. The conference will be attended by the Chairs and CEOs of the New Zealand racing Codes and the NZ Racing Board. Each party will be making submissions.

Matters for Information (cont'd)

9. KARAKA SALES

Good results at New Zealand Bloodstock's National Yearling Sales series.

Waikato Stud principals Mark and Lisa Chittick become the leading vendors by aggregate in the Premier session. Waikato Stud sold 46 yearlings for a total of \$7,655,000 at an average of \$166,413 to top the aggregate list.

Market conditions have been challenging this year – particularly in light of the currently strong New Zealand dollar – but sales figures across the Premier and Select sales are reasonably solid.

While Premier sales figures were slightly down on last year, there has been a steady gain in Select sale numbers.