IRISH GREYHOUND BOARD: Strategic plan not on track

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Well into the second year of a five-year plan for the greyhound industry, Investigative Correspondent **Conor Ryan** studies the latest forecasts

THE Irish Greyhound Board is in a battle to balance its books before its hefty debt pile comes off interest-only terms.

At that point, the embattled semi-state company will need to start whittling down at least €23m worth of loans drawn down to pay for its botched Limerick project.

Following a ministerial report last month, visitors to tracks around the country are now facing the imminent prospect of seeing ‘for sale’ signs hanging outside.

Trainers have been warned to expect lower prize pots and fewer races.

This year was supposed to be the second in a five-year turnaround strategy.

However, internal figures drawn from its critical income stream, the Tote, have shown that after falling well short of targets in 2013 the first six months of 2014 have slumped further.

One of the worst-affected facilities is the new Limerick track. Nine of the 17 tracks here suffered slumps of greater than 10% year-on-year.

It meant that turning into the second half 2014 the IGB’s Tote had already done almost €850,000 less business than during the same six months in 2013.

The Tote performance has been flagged as a key yardstick for how attractive the greyhound product is for punters.

This income source has been singled out by the Comptroller and Auditor General and the consultants who reviewed the industry, Indecon, as a litmus test of the IGB’s financially viability without a bailout from taxpayers.

Raw internal nightly receipt totals have been gathered and analysed by the Irish Examiner. They reveal the significant reduction in revenue this year compounded a disappointing 2013, when the Tote fell 11.5% short of expectations.

Last week, the chairman of the company, Phil Meaney, celebrated positive news with a 14% increase in Tote betting for the first round of this year's derby.

The betting activity for these two nights resulted in an additional €7,000 of turnover at Shelbourne Park and a consequential €1,600 profit.

In contrast, the results for the first six months of this year showed that this boost came after the Tote was €848,000 down in turnover and almost €200,000 behind on profit against 2013.

Unrealistic targets

Since it first became embroiled in controversy, the IGB has consistently argued that it is financially sound. It has told the Public Accounts Committee and the Department of Agriculture it can increase revenues.

The Indecon report, published last month, said the IGB's recovery strategy and plan to turn the Tote into an international product was unrealistic and it should instead focus on selling assets.

In response to a set of queries on the Tote data, the IGB said it was operating in a challenging climate where there was reduced consumer spending. But it said it had met its targets.

"[The] Strategic Plan lays down annual financial targets. IGB generated earnings before interest, depreciation and other exceptional items that were in excess of the 2013 strategic plan target," it said.

In order to stand on its own two feet, the IGB will have to generate up to €5m a year extra if it is to pay off its debts according to their schedule. This is under negotiation.

In its five-year plan, published in late 2013, the IGB said it expected to increase its Tote profit by €175,000, and double this in 2014. Indecon reviewed the books and said it was already one year behind where its strategic plan predicted and Tote was 11.5% below target.

The larger gap is looming this year with the 8.6% early year drop in Tote profits.

The raw data, tested against figures presented to the board, supports Indecon's position.

By the end of October 2013, the total track performance was already more than €300,000 behind the budget target.

For the first half of this year, Limerick continued to suffer with a 13% reduction.

Shelbourne Park, which accounts for more than a fifth of the overall Tote pool, was 11% down on last year.

The overall picture was salvaged by Harold's Cross, which got to within 3% of its 2013 performance. The IGB was recently told to sell this track in order to pay off its debt.

Altogether, it meant an income of €9.8m across the entire Tote pool dropped to €8.9m. The profit from the Tote is worked out at a standard ratio which means 77% of it is paid out on winning wagers and 23% is retained. This year's drift will have cost the company €200,000 before July.

The raw figures are rounded and are not audited. However, the total turnover for 2013 was accurate to within 1.55% of the final estimate published in the recent Indecon report.

In its statement, the IGB said it would not comment on the data.

"The Irish Greyhound Board is not going to make specific comment on unverified and unaudited Tote figures from individual tracks," it said.

Worst case scenario

According to the IGB's five-year strategic plan, there was a worst case scenario.

It allowed for the results to undershoot targets by 15%. The plan said it could absorb this 15% drop and still meet its obligations to the bank.

However if this worst-case scenario comes to pass, the plan said it will have to offset it by cutting advertising and reducing the number of race nights.

Indecon described the Tote receipts as being "of particular importance in judging the financial sustainability" of the IGB.

It noted that in 2006 the Tote generated €50m in income with a profit of €10.2m.

The estimates for 2013 showed that turnover was predicted to decline to €20.8m, with a profit of €4.8m.

Unusually for a semi-state company in which its shareholders are two government ministers, there is a doubt about its ability to trade as a going concern.

The law was changed to allow it increase its debt limit to €25m, to allow it build a new stadium in Limerick, but Minister for Agriculture Simon Coveney did not guarantee the debt to AIB.

Instead, AIB has been given security over six of the company's tracks and has taken increased control over the company's affairs.

In 2012, AIB looked for a renegotiation of the terms of its loan, which had been availing of a 1.6% interest rate. The deal struck meant the IGB was left paying 2.8% if it stayed inside its overdraft limit and 12% if it went beyond it. The additional interest was to cost €160,000 extra last year. The deal, which was approved by the board of AIB, gave the bank unprecedented say in the running of the company.

It cannot spend money on capital project without the consent of the bank and it must deliver audited financial results within three months of the end of each year.

Turnaround

Rather than seeking to cash in on a booming industry internationally the IGB's five-year plan is based on the assumption that following the "demise of greyhound racing in the UK and USA", there is a chance for the Irish product to take their place.

In its statement, it said it was expecting to reap rewards from its international pursuits later in 2014.

"In this context, IGB has achieved significant progress with the agreement of international wagering contracts in the past year.

"Income is forecast to be generated from these contracts by the end of quarter 3 of the current year. IGB will be announcing a significant advancement in this area in the coming weeks," it said.

But online betting into the Tote accounts for less than 3% of this income stream. Yet by 2017 it has been set out as the hope for the salvaging the finances.

The Indecon report offered a dim view of its ability to trade out of its problems, and instead said it would have to look at selling tracks.