

Presidents Letter 2017

Our aim continues to be to provide a fun, safe and enjoyable experience to our members while generating sufficient income to sustain and grow the organization.

While we believe we have met our goal there remain many avenues for improvement. We have the long term goal of being the best regarded sporting association on the northern beaches. While we are not there yet we see clear signs of longer term sustainable improvements across our operations.

Financial Results

The accompanying accounts are impacted by two issues, one of which we have discussed before. To fund the 2016 expansion we gave NBISC \$350k as an equity contribution. This is being amortized over 10 years. Thus when analyzing our profits there is a non cash \$38k charge taken in 2017. This will continue until 2026.

Second, during the year we made the decision to make major changes to our **Senior local competition**. Over the past few years our Senior competition has struggled. While team numbers in Juniors have grown by double digit rates for the past five years Senior team numbers had declined. There was a risk that we could easily fall below critical mass in this area.

We have fully rejigged the competition, changing the duration, format and scoring requirements. As part of this we changed from 16-18 weeks twice a year to 9 weeks four times a year. The financial impact on 2017 results was that in October we billed customers for a 9 week competition rather than an 18 week competition.

This had the effect of reducing revenue by around \$45k in 2017 without changing costs. At the time we expected to recover that revenue in February 2018, which has happened.

There were a number of other less significant changes that impacted the year. The extraordinary success of our development and representative programs results in more (and often more expensive) court hire requirements.

Our local competition has grown remarkably over the past few years. Team numbers rose by 11.2% in 2016 and 11.7% in 2017. For the first half of 2018 they have grown by 12.2%.

During the year we used more than 7000 hours of court hire at a cost of \$376,000. Roughly 25% of this was outside NBISC. We expect an increase of nearly double digits this year. We will continue to work with NBISC and other suppliers to increase capacity.

A summary of our financials can be seen below.

MWBA Summary Financials

YE 31/12	2010	2011	2012	2013	2014	2015	2016	2017
Sales	905.9	993.6	1051.9	1114.2	1220.7	1222.1	1229.3	1405.5
EBITDA	18.3	27.3	47.0	40.3	89.0	57.7	118.0	53.7
Profit	15.6	24.9	49.1	40.5	90.5	60.3	80.2	13.7
Cash from Operations	14.9	48.4	59.5	43.7	106.2	69.4	121.8	42.5
Capex	0.0	-7.3	-0.2	0.0	0.0	0.0	-374.2	-9.9
Cash generated	14.9	41.1	59.4	43.7	106.2	69.4	-479.6	45.1
Cash at year end	255.2	296.3	355.7	398.8	505.0	574.4	94.8	139.9
Equity	313.4	338.3	381.6	422.2	512.7	573.0	653.2	666.9
Capital employed	58.2	42.0	25.9	23.4	7.7	-1.4	558.4	527.0

I would like to make the following points regarding these results.

First, our **staff** performs at a very high level and has done so for many years. We have to continue offering them a flexible and interesting working environment.

In 2017 we had our first full year operating in the expanded facility. The number of teams and players has increased by more than 30% since the expansion opened. We had exactly zero lost time injuries to staff or players that were not sporting related.

Second, we **have to manage our finances tightly**. The remuneration of the board remained unchanged at \$0 for the year. We take some pride in the fact that all our transactions involve no payments to directors, director entities or family members.

Third, **NBISC** is approaching capacity. In 2016 team numbers increased by 11% to 674. In 2017 they increased by a further 12% to 753. This year we expect a similar rate of increase to around 840-850 teams. At this rate of growth we will have fully utilized the expansion capacity at NBISC by Christmas.

Artistic Outcomes

It appears to me that we continued to have some exceptional outcomes. The **performance of our Rep teams and players** is covered separately. I would summarize by noting that we continue to bat above our weight in both individual and team success.

Five years ago, when our women's program was struggling, Paula Martin and Dave Greenberg began coaching the U12W and U14W rep teams. These teams have performed remarkably, winning metro, State and national competitions.

In 2017 we had 10 State players and four reserves out of a Sydney metro total of 52. Isaiah Lee, from our U18 Men's team, made the National team and was named NSW Junior player of the year by BNSW.

We had 7 Junior Rep teams (out of 16) make grand finals. Four of those teams won. We had four (out of 6) senior teams make finals, two made grand finals and our Senior Women's team were State Champions.

For an association that accounts for 10% of Metro registrations and 6% of State registrations these are remarkable outcomes.

Our **development** efforts are covered separately, but full courts, successful rep programs and profitable development programs are not an accident. The board has insisted on funding development programs in both good and bad times and the excellent work done by Brad Dalton and associates in this role can be felt throughout the association.

Our Saturday learn to play program, run by Jerome Lee and John Peet, again attracted over 2000 children last year. We expect further growth this year.

Our Potter League competition, which is run by Brad and Eileen Thompson, has more than doubled team numbers over the past five years and continues to be an important feeder for local competition.

Our camps, which could not be offered during construction, have performed well. We have decided to experiment with the types of specialist camps we offer (Reps, Girls, a shooting camp, etc) and are progressively offering a broader scope of services at the camps and expect to see strong growth over the next few years.

Our schools related programs continue to perform well. During the year we conducted programs at schools representing 30% of all enrolments in the Northern Beaches. We continue to work very hard, particularly with some of the smaller private schools at enabling access to high quality programs at affordable prices.

Life Members

Over the past year three Life Members died. Bill Goodman OAM died in April 2017 having refereed into his nineties. Tom Dalton died in November at 82. David White died in February 2018 aged 62.

These men contributed enormously to the success of the Association over decades. Having attended each of their funerals I was surprised to discover how much time they had somehow found to give to other organizations. We were extremely fortunate to have had the benefit of their energies for so long.

It should also be noted that Eileen Thompson, one of the original life members at MWBA, turned 80 during the past year. While allegedly retired Eileen still works untold hours in the office and court controlling and remains a critical link to the beginnings of our Association.

Board

The board consists of one person with nearly 20 years' service, four with more than 10 years' service and one with more than five years service. We added three new directors

over the past three years to upgrade and refresh the board. At present the balance is about where it should be.

PCYC

The PCYC opened a Council funded \$16m two court facility in Dee Why in May 2017. We presently use 17 hours of court time per week. As the facility is only open for 45 hours a week (90 hours/week of court availability) we are almost certainly the largest paying customer.

The PCYC also runs its own basketball operations including Learn to Play, Seniors and School Boys for a total of 10-15 hours per week servicing more than 200 players. As such they are a material competitor.

PCYC and BNSW have signed an agreement that may ultimately positively alter the dynamic between us. At present there is no way of knowing how this might play out.

NBISC Expansion

For MWBA practical capacity at NBISC is 900-1000 hours per court per year or 5400-6000 hours. In 2017 we used nearly 5100 hours. We expect to be around 5700 hours this year. We are beginning to work with NBISC and some private groups regarding expansion opportunities.

We have funded a new scoreboard at NBISC facilitating the installation of an existing scoreboard at Narrabeen Sports High. We have also won a grant which will help upgrade the facility at Galstaun College.

These modest expenditures will create some incremental court availability. If we can access more space at PCYC we will have created quite quickly and inexpensively the equivalent of one new court.

We still expect that over the next five years we will need an incremental 1200-1500 hours of court availability. This is equal to 1.5 courts at NBISC.

Outlook

As a consequence of having to fund and fill an extra two courts at NBISC our margin for error as a business has shrunk significantly. While we believe we are well prepared to handle these challenges we must be more vigilant than in past years. Thus we have moved quickly to make changes to the Senior competition and to alter our camp offerings.

We expect to end the year in a stronger financial position with a record number of players, particularly in Junior competitions.