



Commercial Effectiveness of Sport Facilities & Infrastructure

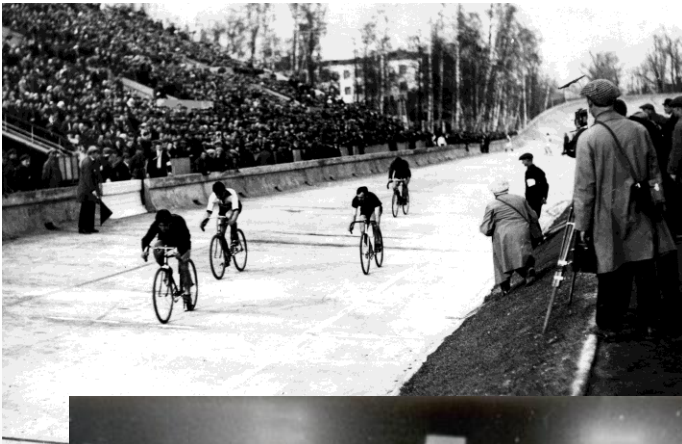
Prepared for AEB Russia

Real estate committee open event

Moscow 18-03-2013

A bit of history.....

In the 20-th century construction of most Stadium's and Arena's was financed by Government sources



As a result:

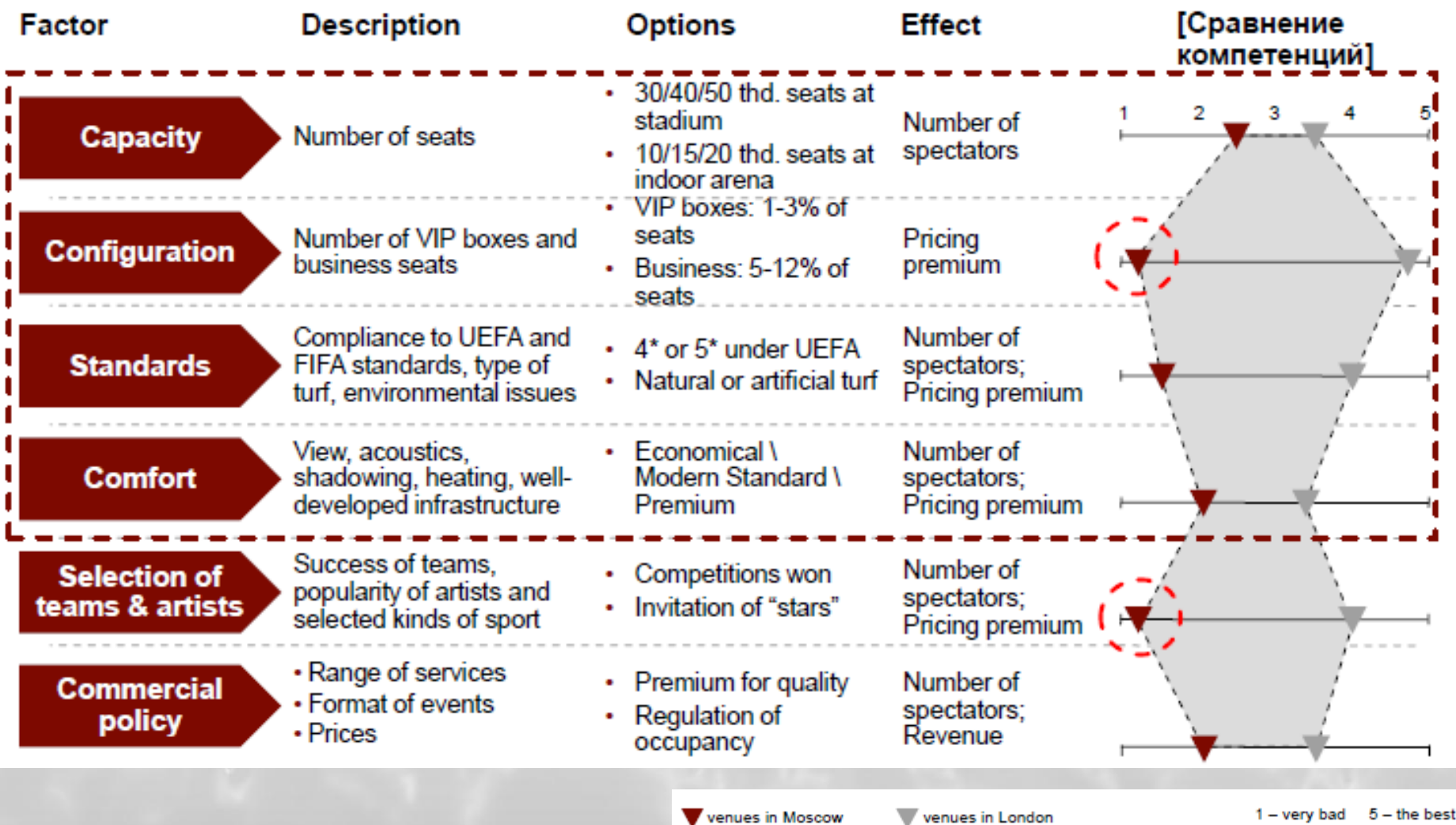
- Large facility expenses became a headache to City's councils,
- Being not professional venue operators City council's had no idea how to effectively operate their Sport infrastructure to raise and increase revenue streams and mostly used them only for a small number of local events,
- During financial crisis City council budget's got major cut's which almost left Sport Venue's without proper financing – most closed down,
- A number of venues that were developed for short time special events like FIFA WORLD CUP'S are now out of operation, some closed, some even demolished (e.g. Stadia's left after Soccer World Cup in South Africa, Venues after Olympics' in China) – they are called “WHITE ELEPHANTS”



So what are the key factors for a business success?



Commercial success of the venue depends on combination of six key factors, four of which should be determined at the design stage



Let's take a closer look at all of them...





Capacity

vs.

Effect

Most successful stadiums attract more than 2 million visitors and host more than 50 events per year

Key parameters of largest stadiums

Parameters	Philips Stadion	Maksimir	Commerzbank Arena	Amsterdam ArenA	HSH Nordbank Arena	Allianz Arena	Emirates Stadium
Size (number of seats)	36 500	37 000	52 300	51 600	57 000	66 000	60 400
Number of visitors (per year)	900 000	850 000	950 000	1 700 000	2 000 000	2 800 000	2 700 000
Prices (EUR)	16 - 40	5 -20	20 - 130	22 - 47	9 - 48	10 - 60	35 – 70
VIP seats	690	716	1 000	820	1 000	1 374	2 222
Business seats	1 800	2 000	2 000	4 109	3 400	2 200	7 139
Number of events	30	25	20	50	40	45	50
Number of clubs	1	1	1	1	1	2	1

The most successful arenas attract over 2 mln visitors and host more than 200 events a year

The largest arenas specification

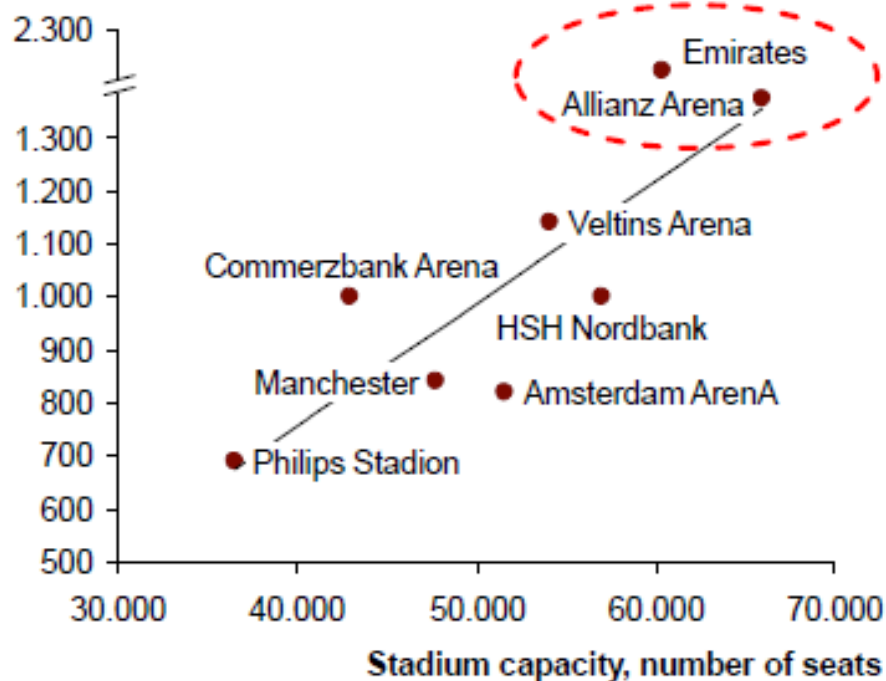
Specification	O2 London	O2 Berlin	O2 Prague	Prudential Center	Staples Center	United Center	Air Canada Centre
Size (number of seats)	23 000	16 000	16 800	18 500	19 000	21 500	19 800
Number of visitors (per year)	2 000 000 ⁽³⁾	1 100 000	1 800 000	1 200 000	2 300 000	1 700 000	2 000 000
Ticket price ⁽¹⁾ (Euro)	30 - 90	15 – 60	15 – 80	35 – 140	30 – 90	25 – 100	50 – 60
VIP boxes	96	59	70	78	160	212	153
Business seats	2100	1800	2 436	2 330	2 500	3 000	1 020
Number of events ⁽²⁾	200	69	115	66	133	88	110
Number of sporting clubs	0	2	1	3	4	2	3

Is configuration that important...?



The number of VIP seats at the European stadiums depends on their capacity and year of construction; new stadiums tend to have more VIP seats

Seats in skyboxes



- Popularity of skyboxes is relatively high: in Allianz Arena they are sold out several years ahead
- With respect to this new stadiums have more skyboxes (Emirates - 150 boxes with capacity of more than 2200 persons)
- Boxes can be organized in several levels. At Amsterdam Arena there is one king skybox, 10 boxes for stadium's founders, 50 skyboxes, 8 skylounges, 12 skyrooms
- Prices for season tickets start from 108 (Emirates Arena) – 124 (Wembley) thousand USD per year
- For reference prices for other sports:
 - Basketball (NBA) : 137-281 tsd. USD
 - Hockey (NHL): 64-197 tsd. USD
- Term of lease – from 3 to 10 years

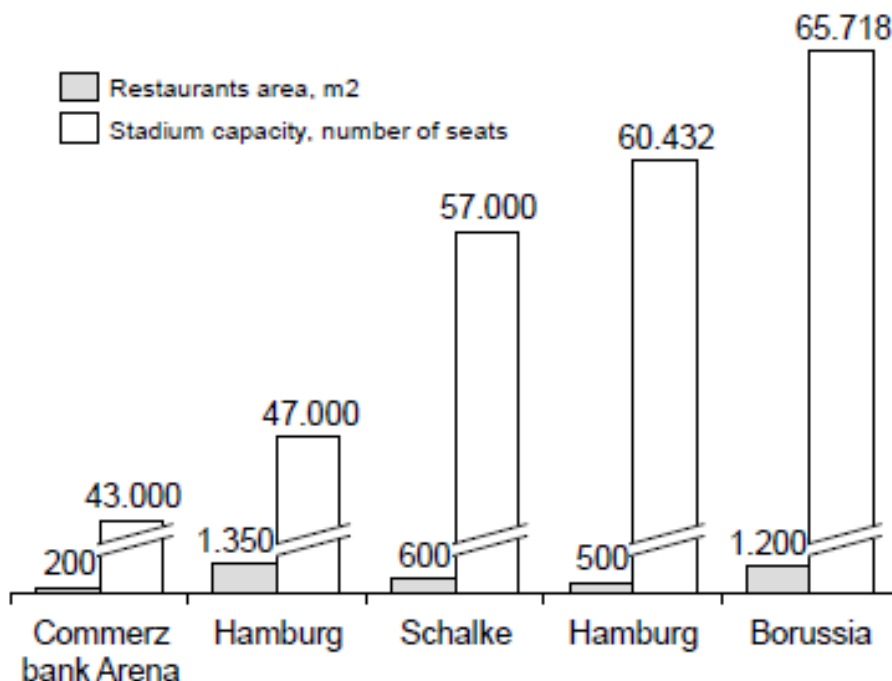
**Average number of VIP lounges varies from 40 to 80,
with capacity for 500 - 1000 people**

What about comfort...?



Modern stadiums feature several types of restaurants for different types of clients

Restaurants at the European stadiums



Approaches to catering

- There are two types of catering depending on the target audience:
- VIP and business class – stationary restaurants, that are elements of the corporate hospitality area
 - Such area is determined on the basis of the following norm - 5-6 m² per person (including kitchen and other facilities)
- Crowds of fans – fast food restaurants
 - Maximum of 200 visitors for one point of sales (counter of 1-1,5 m)

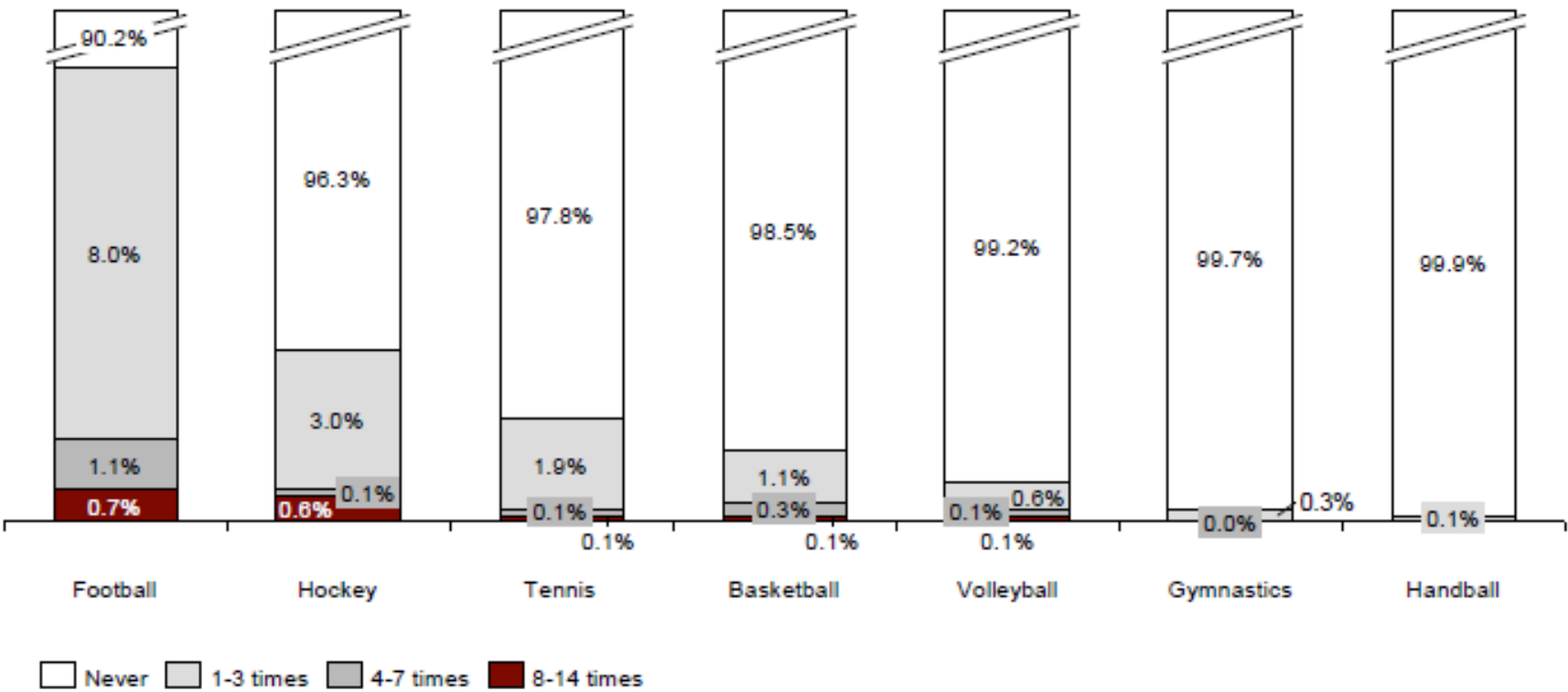
**Average restaurant area is 500-1000 m²;
in addition 120-140 food counters are open during the match**

Let's talk about content...



Total number of people in Moscow and its region interested in most popular sports exceeds 2 million













Analysis of attendance of sport events



10 % of respondents attended football matches at least once a year

Apart from football, sports with highest potential are hockey and basketball

Analysis of key parameters of most popular kinds of sport

	Hockey	Basketball	Volleyball	Tennis	Handball	Gymnastics
Attendance: Annual Average per match	<1 mn 4.7k	< 0.3 mn 2.5k	< 20k 1.7k	68k 2k	22k 1k	20k 6k
Number of matches	c.170 (main + play-off) c.35 per team	c.115 (Superliga + Euro League) c.30 per team	c.10 (5 main + 3-6 play-off) c. 10 per team	1 – annual "Kremlin cup"	22	1 – annual World Cup stage in Russia
Number of arenas	5	4	2	2	1	2
Number of clubs	5 (KHL)	4 (Superliga)	1 (Superliga)	Not relevant	1 (Superliga)	Not relevant
Interest, % of targeted audience ⁽¹⁾	3,7%	1,5%	0,8%	2,1%	0,01%	0,3%
Average spendings ⁽²⁾	Ticket 350 rub. Food 164 rub. Merchandise 92 rub.	Ticket 525 rub. Food 273 rub. Merchandise 26 rub.	Ticket 90 rub. Food 101 rub. Merchandise 0 rub.	Ticket 753rub Food 350 Merchandise 124 rub.	Free tickets	Free tickets
Potential increase of attendance ⁽²⁾						
Potential increase of average spendings ⁽²⁾						

In terms of sport programming:

Major Sport Venue Tenants are

- Football
- Hockey
- Basketball

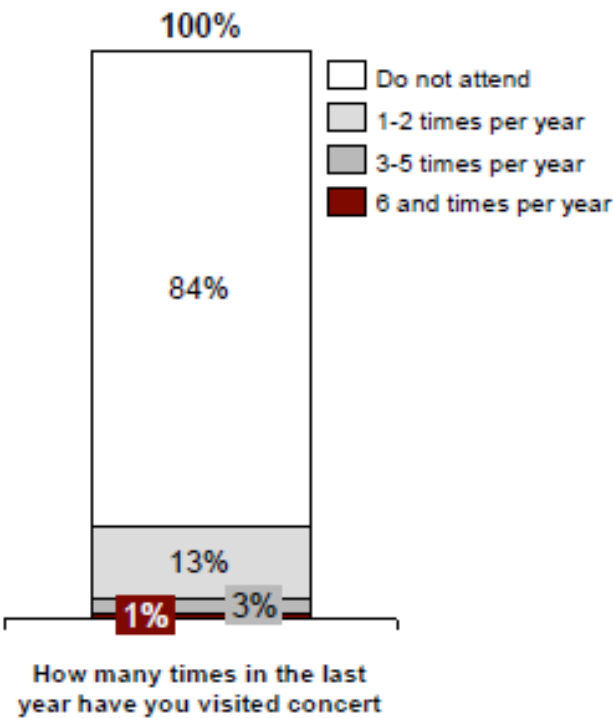


What about other event's...?

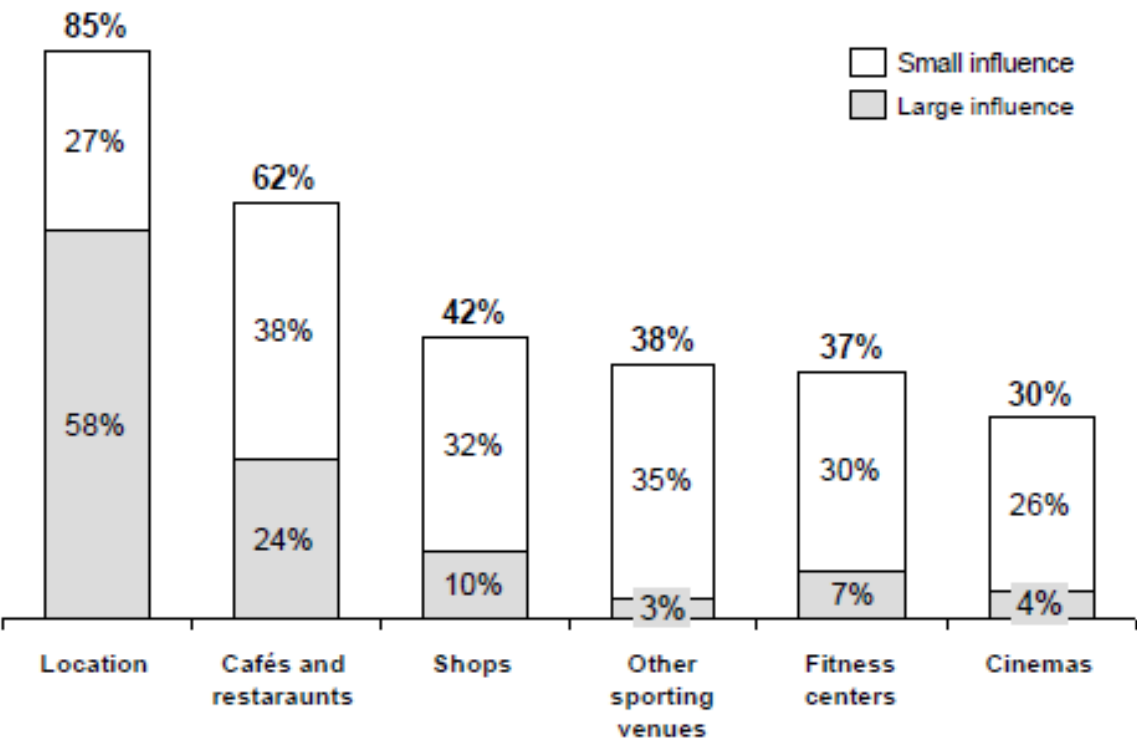


More than 15% of Moscow population regularly attends concert events

Frequency of attendance



Factors of influence on the customers opinion

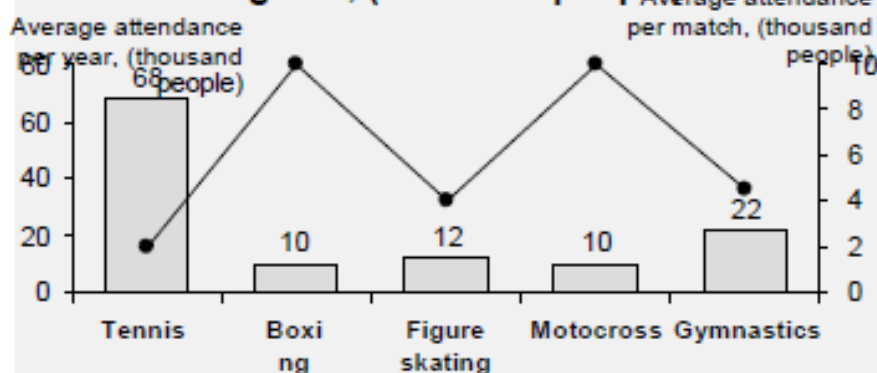


Location is the main factor of selecting the concert venue

Tennis, boxing and figure skating are interesting as one-time events with high attendance

Sports and Events

Attendance figures, (thousand people)



- Moscow hosts 1 major tennis tournament - the Kremlin Cup which was attended by 68,000 spectators in 7 days in 2008. Seven tennis courts, including the central court for 12,000 spectators, are being built in the sports complex "Olimpiyskiy". The average ticket price can vary between 700-800 rubles.
- As for boxing, normally 1-2 matches between famous boxers are held, with estimated attendance being 10,000 spectators. In 2008 boxing matches were not held. In 2005-2007 there was one match at the Khodynka Arena and one at "Olimpiyskiy". The average ticket price can vary between 700-800 rubles. A significant proportion of VIP tickets: about 200-300 at a price of 10,000 to 50,000 rubles



- Figure skating: the Grand prix stage is held once a year, with estimated attendance being 4,000 spectators on each of 3 days. The average ticket price can vary between 200-1,500 rubles. The average price is about 500 rubles.
- Motocross: stages of the Freestyle World Championship (2008) and Supercross World Championship (2007) are held once in several years. These are full-house events held at "Olimpiyskiy" and attended by nearly 10,000 spectators (once or twice a year).

It is possible to hold commercial sporting events

In terms of event programming:

Serialized content:

- Circus
- Family ice shows
- Recurring annual events

Individual shows and events:

- Concerts
- Festivals
- Sports tournaments



Event Programming Snapshot

ROCK AND POP CONCERTS



WORLD CLASS SPORTING EVENTS



INTERNATIONAL CLASSICAL MUSIC



INTERNATIONAL FAMILY SHOWS



What about the commercial policy...?



COI (Contractually obligated income)

Founding sponsors



Microsoft

BlackBerry.



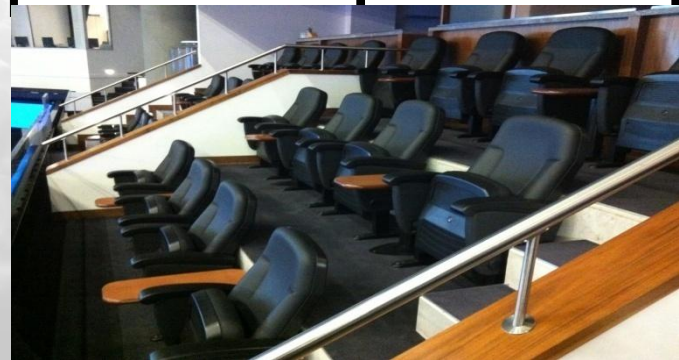
Naming Rights



Pouring Rights



Suite Leases
Club Seat Leases



In accordance with international practice, an average fee for the stadium brand is ~ \$2-3 million a year.

Recent sales of stadium names in the USA, with a stadium capacity being 30-45 thousand spectators.

Stadium	Capacity	Annual revenue from sale, (million USD)
Safeco Field	30,100	2.0
Tropicana Field	37,000	1.5
PNC Park	38,500	2.0
U.S. Cellular Field	40,600	3.4
Minute Maid Park	40,950	6.0
Comerica Park	41,800	2.2
Citi Field	41,800	20.0
Miller Park	41,900	2.1
Great American Ball Park	42,100	2.5
Petco Park	42,445	2.7
Citizens Bank Park	43,600	2.3
Average value		4.2 (2.7 – excluding City Field)

Recent sales of stadium names in Europe

Stadium	Capacity	Annual revenue from sale, (million USD)
Allianz Arena	70,000	8.0
Commerzbank Arena	52,300	4.4
Emirates	60,500	13.3
Average value		8.6

- In the USA, sale of a stadium name in the case of a 35-40000 capacity stadium yields an annual return of about \$2-3 million to the owner over 10-20 years.
- Europe is typically characterized by selling names of larger and more modern stadiums, which results in a higher return: \$4.4 to \$13.3 million per year.
- Terms and conditions of each transaction are individual, a return from certain ones being up to \$20 million per year.
- Contracts generally include privileges, such as VIP boxes and additional advertising at stadiums.

Depending on the intended capacity of stadiums, a potential return from selling a stadium name can amount to \$3-5 million a year

Naming Rights and Sponsorship Deals

O2 ARENA LONDON



EMIRATES STADIUM LONDON



BARCLAYS CENTER BROOKLYN NY



ALLIANZ ARENA MUNCHEN



Event-Related Income:

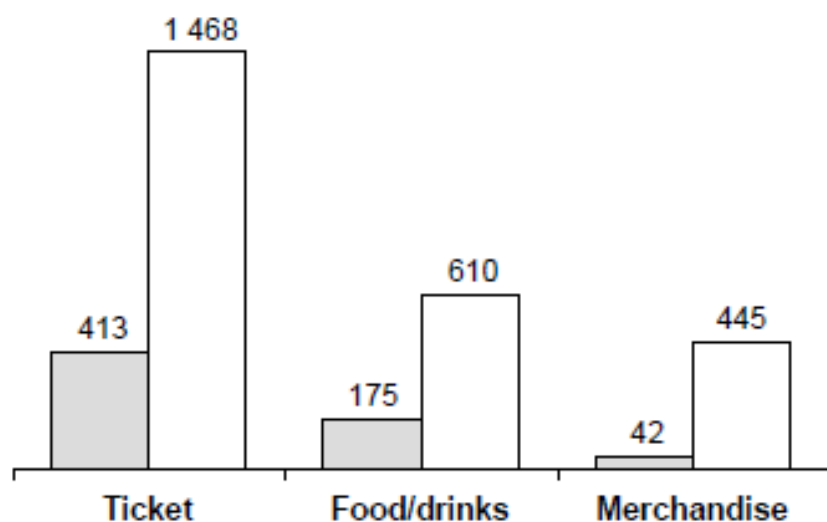
- **Rent**
- **Food and Beverage**
- **Merchandise**
- **Suite Rentals**
- **Ticketing Fees**
- **Event-Specific Sponsorship**



A survey of sport fans in Moscow shows that they are ready to spend ~ 40% more if matches are held at a modern stadium

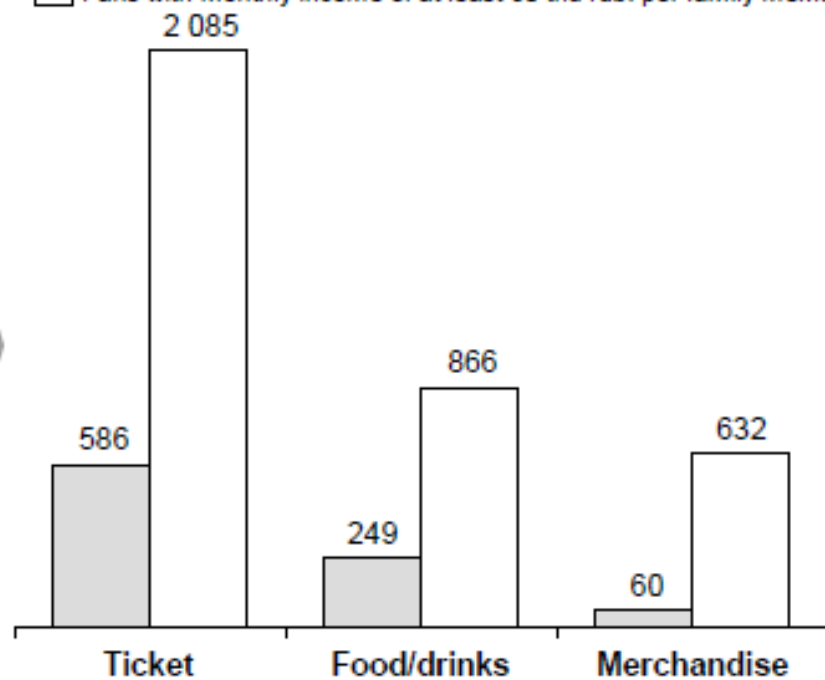
How much did you pay for: (rub.)

■ Average fans
□ Fans with monthly income of at least 30 thd rub. per family member



Expected expenditures: (rub.)

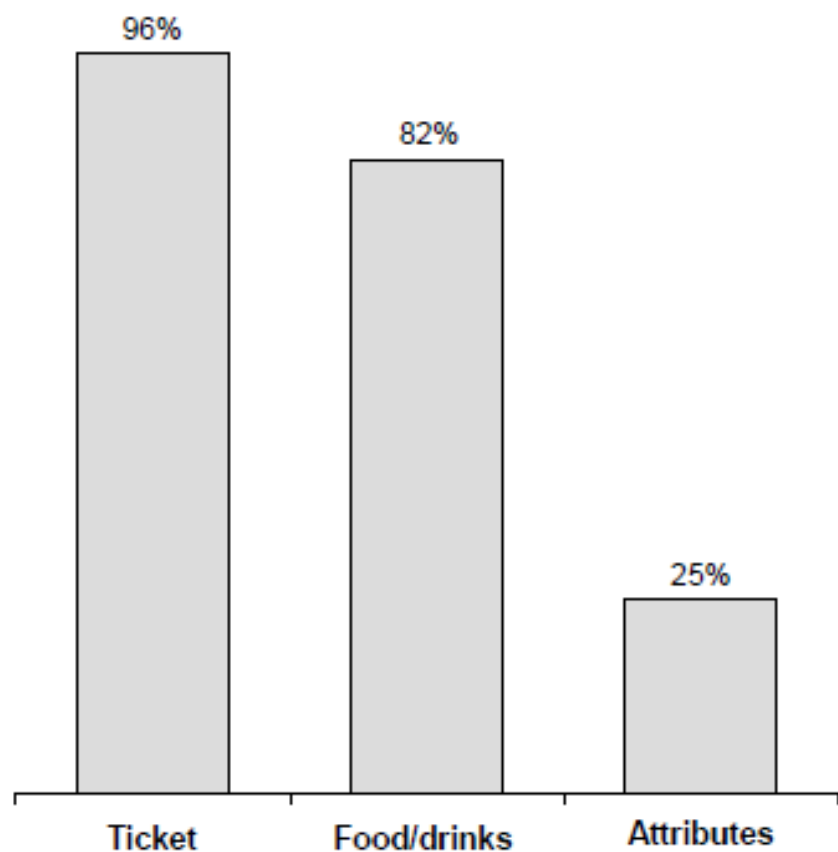
■ Average fans
□ Fans with monthly income of at least 30 thd rub. per family member



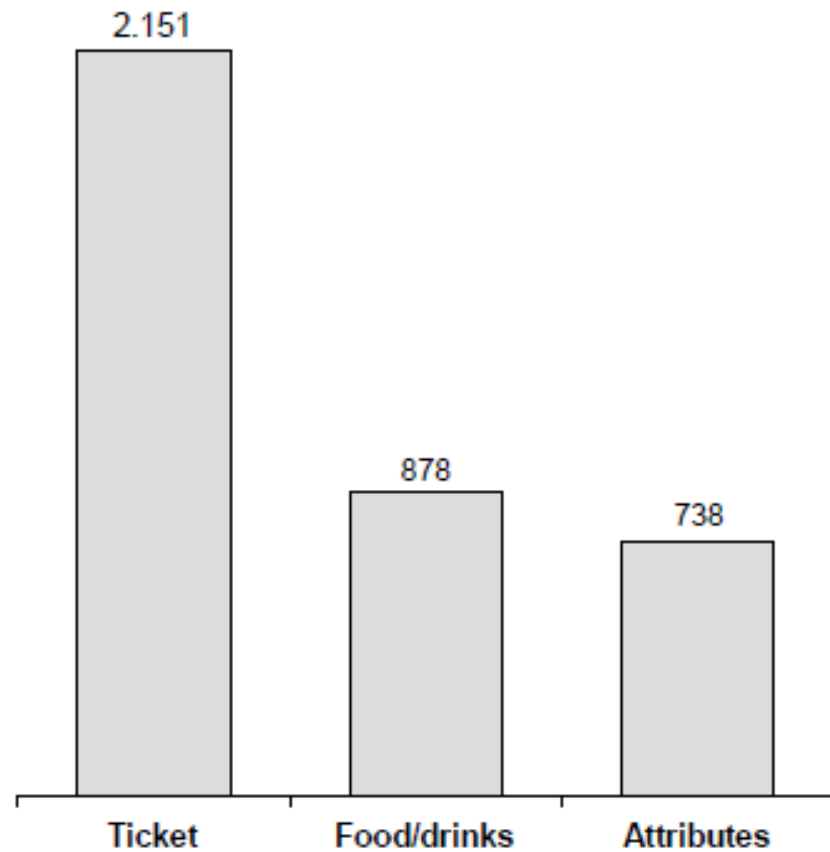
Increased quality of the stadium and services provided also allows to attract more fans with high level of income

Over 80 % of concert visitors spend more than 50 % of the ticket price on food, drinks and attributes (souvenirs)

Did you spent money on: (%)



How much did you spend on: (rub.)

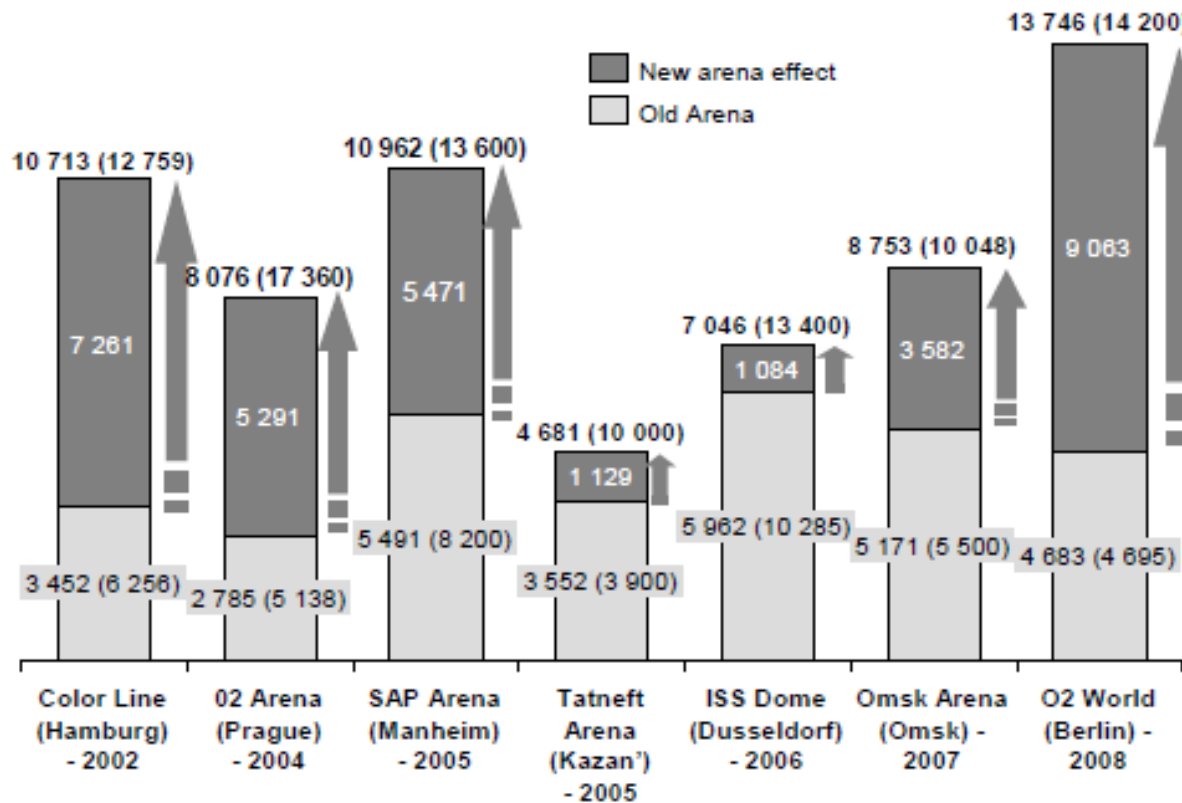


**How does a “new venue effect”
reflect commercial policy...?**



The “new arena effect” can potentially increase attendance by 80% on average





New European arenas, av. attendance per season



- Every new arena which we analyzed showed increase in attendance after opening
- However several arenas like Tatneft Arena, Omsk Arena and O2 World may not be taken into account as their home clubs have already reached 90-100% occupancy rate on the old arenas
- Thus when calculating “new arena effect” we took into account the data on Color Line Arena, O2 Arena, SAP Arena and ISS Dome. Average attendance increase on them was 130%

“New arena effect” in best case can increase attendance by 130%

Top world clubs actively invested in their stadiums, which resulted in substantially increased attendance of events and revenue per seat

Club		Stadium	Investments	First season after constr-n	Revenue per seat growth	Occupancy, % ⁽²⁾
Real Madrid		Bernabeu, 80.4 thd seats	EUR 127 mn during 6 years – 5 thd Seats added, new VIP boxes	2006/2007	86%	93%
Arsenal		Emirates 60.4 thd seats	EUR 640 mn – construction of Emirates	2006/2007	55%	99%
Bayern		Allianz Arena, 69.9 thd seats	EUR 340 mn – construction of Allianz Arena	2005/2006	35%	100%
Manchester United		Old Trafford, 76.2 thd seats	EUR 65 mn – 8 thd seats added (of which 2.4 thd – business)	2006/2007	20%	99%

(1) Comparison of annual matchday revenues of clubs per one seat at a stadium before and after construction / increasing capacity of stadiums

(2) Ratio of average attendance of home matches of club in regular championship to stadium capacity (data for 2008/2009 season)



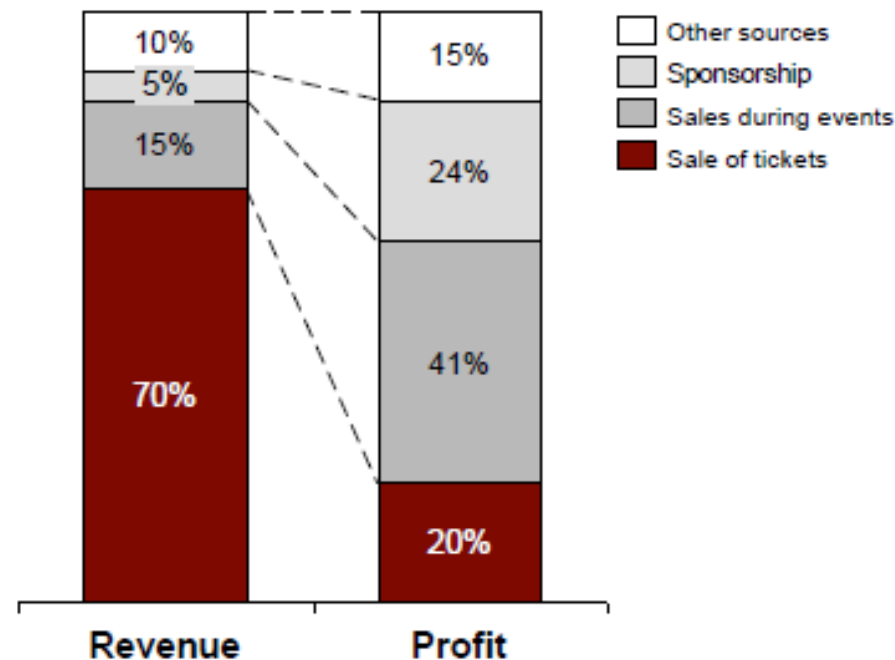
Revenue

vs.

Profit

Sales made during events as well as sponsor contracts are most profitable for a management company

Segment Revenue and Profit



Comments
<ul style="list-style-type: none">• Sale of tickets is the least profitable element of revenue due to low margins• Sales of food, drinks and accessories during events are most profitable as a result of the monopoly effect• Sales of sponsor contracts are also an important element of profit as they do not require significant expenses

In business, revenue and profit generating activities differ significantly from one another

Are there any other views on the commercial success of a venue ...?



Promoters agree on key factors causing commercial success of a venue

Concert venues' key success factors

Factors	Importance	Quotes of market players
Location	●	"The main problem of current venues is that it is too difficult to reach them"
Professional management	●	"Management professional level is very low. Looks like they don't need money. Just give me an arena with qualified management team and I will fill the whole arena with celebrities"
Flexibility (ability to transform)	●	"So as to organize a good number of events it is critical to be able to divide the 20k arena at least on 2 parts, better – on 4"
Furnishing and infrastructure	◐	"The main problem of Lyzhniki is that the venue is too old and shabby. It is just not good enough for key events"
Image and prestige	◐	"People attend events in Kremlevsky Dvoretz because it is glamorous"
Acoustics	◐	"The main reason for limited number of events in Khodynka is that the hall has bad acoustics. You just can hear nothing"
Availability of parking lots	◑	"Parking lots are of greatest importance for VIP. Crowd prefers to wait their whistle and have a walk"

Thank you...

