



# Stadium financing

9 December 2019



# Overview

- Introduction
- Current situation
  - Q&A / discussion
- The way forward
  - Q&A / discussion



# Rewind to 3 June 2019

(Extract from slides from pre-launch meeting)

# The journey so far...

- Search for site
- Local Plan
- Exclusivity with Galliard
- Design 20,000 stadium
- Planning application
- Planning permission
- S106 & Dev't Agreement
- Sale of current stadium
- Procure contractors



# We now have...

- Freehold of site
- Planning permission
- Stadium design
- Firm price
- Contractor on site
- Most of the funding
- One season at TCRRS



# Funding (1)

- This is a £30m project
  - Includes spend to date and fit-out etc
- We have secured funds from:
  - Sale of current stadium
  - S106 agreement with Merton Catalyst
- We intend to raise a further £13m:
  - Bank loan: £6 – 10m
  - Shares: £3 – 7m (from fans and wider community)

# Funding (2)

- Why do we need to raise so much?
- Can we raise that much?
- What if we can't raise that much?





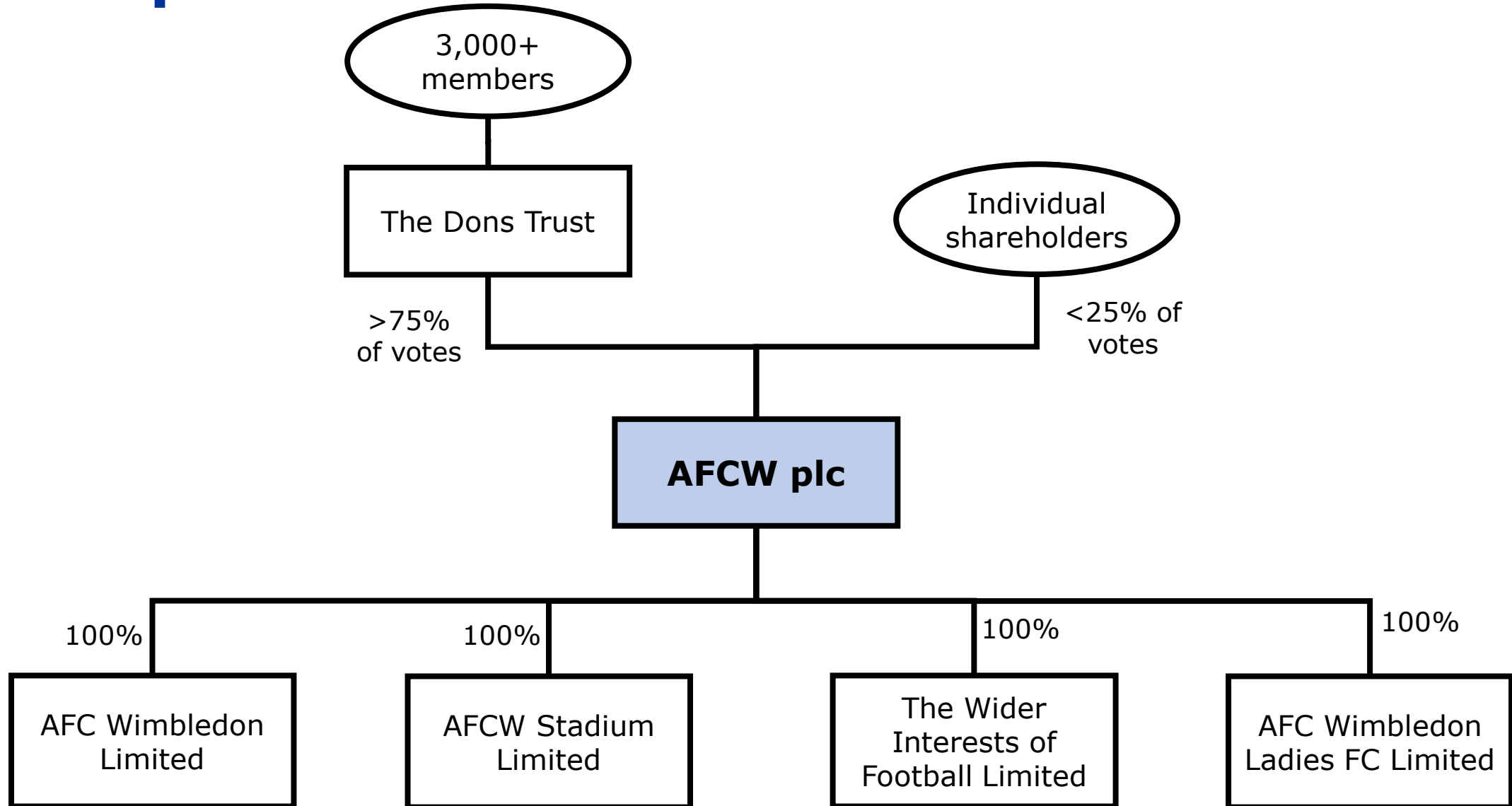
# Why would people buy shares?

- A great brand with a unique story
- Incentives that make you part of our new home
- Prospect of dividends for promotion
- To build a new stadium in the heart of Merton





# Corporate structure



# What's happening next?

Working in parallel, at speed, on multiple fronts...

- Secure and document commitment from lenders
- Finalise planning permission (S73 variations)
- Crowd funding
- Sign full construction contract
- Consultations on stadium experience

...to keep us on track for summer 2020 opening



# Fast-forward to December 2019

# Developments since June

- Construction progress
  - LOIs for £11.5m of £26m
  - Further LOI possible
  - JCT not yet signed
- Planning permission
  - S73 variation unappealable
  - S96A in process
- Funding
  - Indicative offer of loan
  - Crowd funding



# Stadium cost

	£m
Construction contract (includes LOIs to date)	26.0
Provisional items	1.0
IT, FF&E, etc	1.0
Consultants, legal, contingency, etc.	3.5
<b>TOTAL COST</b>	<b>31.5</b>

The above includes:

- All costs of the project to date
- But NOT kitchen – to be fitted out by catering contractor
- And NOT finance costs



# Sources of finance

	£m	£m
S106 from Merton Catalyst		14.0
Additional FSIF grant		0.2
<i>Sale of Kingsmeadow, less:</i>	7.6	
<i>Costs</i>	-0.1	
<i>Repay previous bank loan</i>	-0.3	
<i>Kingstonian</i>	-1.2	
<i>Retained for operating budget</i>	-2.4	
Net proceeds of KM sale	3.6	3.6
Historic costs absorbed by club		0.3
TOTAL		18.1

# Finance to be raised

	£m
Project cost	31.5
Sources of funding (from previous slide)	-18.1
Finance costs during construction*	?
Crowd funding**	-3.1
EXTERNAL FINANCE REQUIRED	10.3 + ?

*\*Finance costs during construction depend on how much we borrow, and when, as well as interest rate and fees. Could be up to £1m.*

*\*\*Crowd funding includes £2.4m held in escrow and deferred commitment from one individual for £0.75m, due 2020.*



# Possible sources of finance

- Debt (borrowing):
  - Short term bridging/development loan
  - Term loan (commercial mortgage, e.g. 15 years)
  - Sale-and-lease-back
- Equity (share capital)
  - Crowd funding
  - Investors
- Other
  - Donations
  - Dons Trust bond
  - Seat debentures etc.

# So what's the problem? (1)

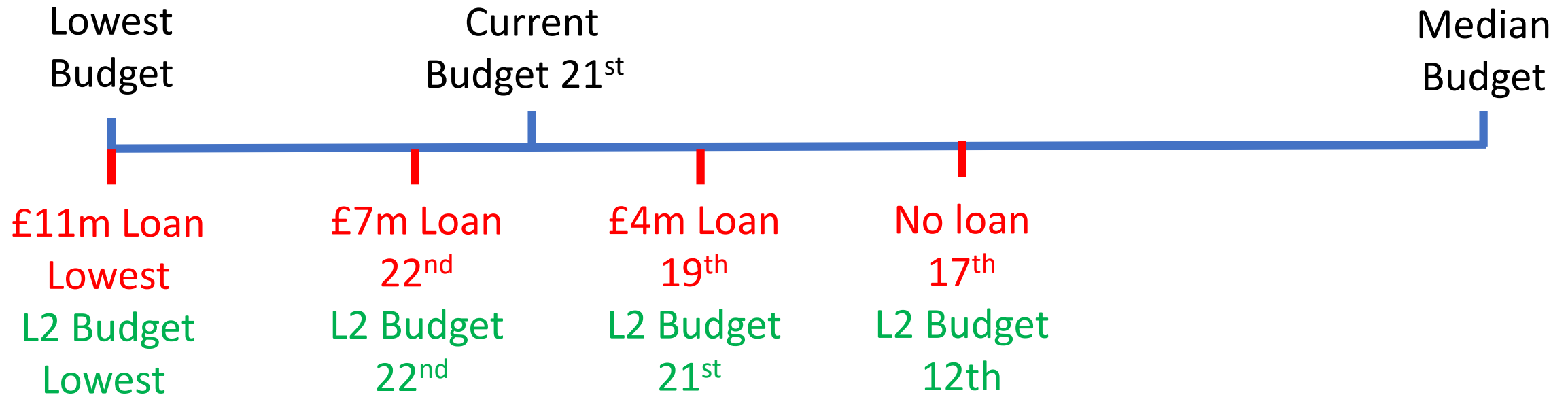
- We need to sign the construction contract by Jan...  
...and demonstrate that we have funds to pay for it
  - De-mobilising and re-mobilising would be expensive and risky
  - A delay of 3(?) months would mean 2021/22 move to Plough Lane
- We don't (yet) have an alternative ground to play in for 2020/21
  - A full season may be more difficult to negotiate than a few weeks' delay
  - Ground hire and lower revenues will erode our funds

# So what's the problem? (2)

- We don't (yet) have a loan offer we can bank on
  - One indicative offer, subject to valuation and due diligence
  - Some promising leads (not for the first time)
  - We do not currently expect to be able to borrow £11m
  - Football clubs, Brexit, economic climate...
- Even with a loan, there's still a funding gap.
- Borrowing is risky
  - Short term loans have to be refinanced
  - The more we borrow, the tighter our debt service/playing budget
  - Who are we happy to borrow from?

# Options on playing budget

## League 1 Playing Budgets Commercial mortgage (@ 6%)



**Q&A / discussion**



# The way forward

# Overview of options

- We have presented various options in the paper
  - Bare-bones stadium
  - Hang on and hope for the best
  - Further round of crowd funding
  - Donations
  - External investment(NB presented in slightly different order below)
- Options are not all mutually exclusive - permutations.





# Hang on and hope for the best (1)

- *Possibly* sign a LOI to continue construction, to give until Feb 2020 to sign main construction contract (the “JCT”).
- Continue to pursue all sources of debt in the hope that we have sufficient commitment by Jan/Feb to sign JCT.
- Mop up shortfalls through supplementary fundraising (donations etc) and reductions in stadium spec.
- If a development loan, refinance as soon as the stadium is complete (and avoid, *for now*, external investment).
- Make contingency plans to mothball project and play elsewhere in 2020/21 if we don't raise the money.



# Hang on and hope for the best (2)

- We might succeed.
  - Development loan or term loan / sale-and-lease-back
  - Supplemented with donations etc
  - And revise scope as necessary
- We will continue to pursue all these possibilities. The boards will consider whether to issue a further LOI.
- But it would now be irresponsible to rely on this option alone as time is running out – hence other options.
- If cash flow is unsustainable, we may find ourselves turning to outside investors later on (on a lower valuation).

# Bare-bones stadium (1)

- We asked Buckingham to price bare-minimum stadium, future-proofed for later upgrade.
- We thought we were within £1m of affordability when we sent SGM papers.
- But, having now got the bare-bones quotation back:
  - No bar, no conferencing & banqueting, no carpets, etc...
  - 3,260 seats only in west stand
  - No semi-permanent stands
  - Would EFL and FSIF permit?
  - Playing budget < £1m
  - And financing gap is quite a lot more than £1m

# Bare-bones stadium (2)

- The initial quote for the bare-bones option is a non-starter.
- We will work with Buckingham to refine it:
  - Options for providing some bar/catering facilities?
  - Options for (some) cheaper temporary seating?
- But:
  - How much funding would we need to raise, and can we?
  - Would we generate enough revenue to service this funding?
- “Hang on” and “bare-bones” are a continuum: how much can we raise, and what does it buy us?
  - We don’t yet know.
  - Working out all the permutations costs time and money.



# Further round of crowd funding

- We raised £2.4m – can we do more?
- This won't work:
  - We pushed the initial round as hard as we could.
  - Further appetite from outside our fanbase is likely to be low.
  - Limit of £7m (€8m) within 12 month period.
  - To launch now would have little credibility.
- Could a little bit more crowd funding raise a bit at a later stage (e.g. refinancing)? Maybe?



# Donations (& other fan funding) (1)

- Do our fans have more money to contribute?
  - Fans outside the EU who weren't allowed to participate.
  - UK fans who couldn't, or wouldn't, buy shares
  - Are there fans who didn't get how badly we need the money?
- How to access this, now the crowd funding is over?
  - Donations?
  - Dons Trust bond?
  - Seat debentures?
- Such schemes *might* have a role alongside other funding – but we do not expect them to be a game-changer.



# Donations (& other fan funding) (2)

- What ways are there to raise (say) £9m from our fans?
  - 9,000 seats x £1,000 debenture - right to buy seats for X years, with a discount equivalent to interest?
  - 3,000 people lend £3,000 @ 2% interest? (NB around 30x the size of the outstanding Dons Trust Bond.)
- Some interesting possibilities, but:
  - Takes time to arrange;
  - Any regulatory issues?
  - No guarantee of success / amount raised.



# External investment

- How did these discussions come about?
- What's on offer?
- What governance changes are needed?
- Pros & cons
- Next steps



# What's on offer?

- **£7.5m for a c.30% stake in AFCW PLC**
  - Mix of Ordinary and A Ordinary shares
  - Economic stake = voting stake
- **Implied valuation is around 60p/share**
  - We would need to increase number of shares to allocated to seedrs investors too
- **Dons Trust would have >50% of shares and >60% of votes when the deal is done (but could be diluted over time)**

# Governance changes (1)

- Most decisions would be in the hands of the AFCW PLC board
  - 3 nominees from Dons Trust board
  - 3 nominees from investors
  - CEO plus up to 2 other independent board appointees
- Some decisions would be subject to Dons Trust veto
  - Moving stadium
  - Sale of the club
  - Relocation of club
  - Name, badge, colours
  - Overall borrowings cap

# Governance changes (2)

- Directors must act in the interest of the company
  - Directors might face decisions on expansion of stadium...
  - ...and issuing shares to finance expansion (or other things)
- DTB nominees would of course liaise with the DTB... but might be out-voted on issues.
- DT would have a right to take part in any share issue, but could be diluted over time – no floor on %.

# Potential advantages of deal

- If members want this, a deal is there to be done.
- A source of share capital to get the stadium built.
- Stronger capital structure, and more conventional corporate structure, could make debt easier to raise.
- A structure that could support stadium expansion.
- Less debt means less financial strain on cash flow.
- Greater business expertise on the board.
- Pre-empting the inevitable? (Wycombe, Pompey...)
- Greater DTB focus on being a supporters' trust.



# Potential disadvantages of deal

- Are we ready for a major change to our model?
- The Dons Trust would have less control over the club.
- We may lose majority ownership sooner or later.
- Changes the AFC Wimbledon brand.
- Our ethos may change over time – future shareholders might have different values.
- We might lose some volunteers and donations.

# What next?

- Take the temperature of members' views:
  - Discussions
  - Pulse survey?
  - May inform decisions further down the road too.
- Put ourselves on a path for Restricted Action votes
  - Possibly early in the New Year
  - Precise form of votes to be decided
  - But would involve two separate votes, as previously
- We will keep going on all options.



**Q&A / discussion**