Dons Trust and AFC Wimbledon Finance Update - September 2024

Ahead of the various meetings and votes in the last quarter of this year, we thought it would be useful to provide an update on the finances of the Trust and Club.

This update is relevant not just so that we understand where we are currently but also so that we can look ahead and ensure that we will remain solvent and competitive, while honouring all debts when they fall due.

As we have previously communicated, despite record revenues in all operating areas and a focus on cost controls, in common with other league 2 clubs we are losing approximately £1m per year.

These losses have been covered by our successful player trading strategy, which has also enabled us to handle interest payments and the first stage of debt repayment obligations in 2025.

Whilst we continue to develop amazing talent, player sales are not guaranteed and cannot be relied upon.

There are two key elements to our plans: the repayment profile of the Plough Lane Bonds, and the Club's budget and finances for the next few years.

Priorities are for the club to remain competitive on the pitch whilst maintaining our options to secure our financial future as a fan-owned club.

This should also be considered in the context of the consultation with members and subsequent vote on allowing the Trust to sell equity below the current minimum level of 75%+1 of voting capacity.

Here are some important stats to consider:

Plough Lane Bonds

Redemption Dates	Amount
By 30 June 2025	£3,327,591
By 30 June 2026	£282,473
By 30 June 2027	£3,263,608
By 30 June 2028	£310,250

By 30 June 2029	£0
By 30 June 2030	£1,624,736
After 30 June 2030	£957,246
Total	£9,795,904

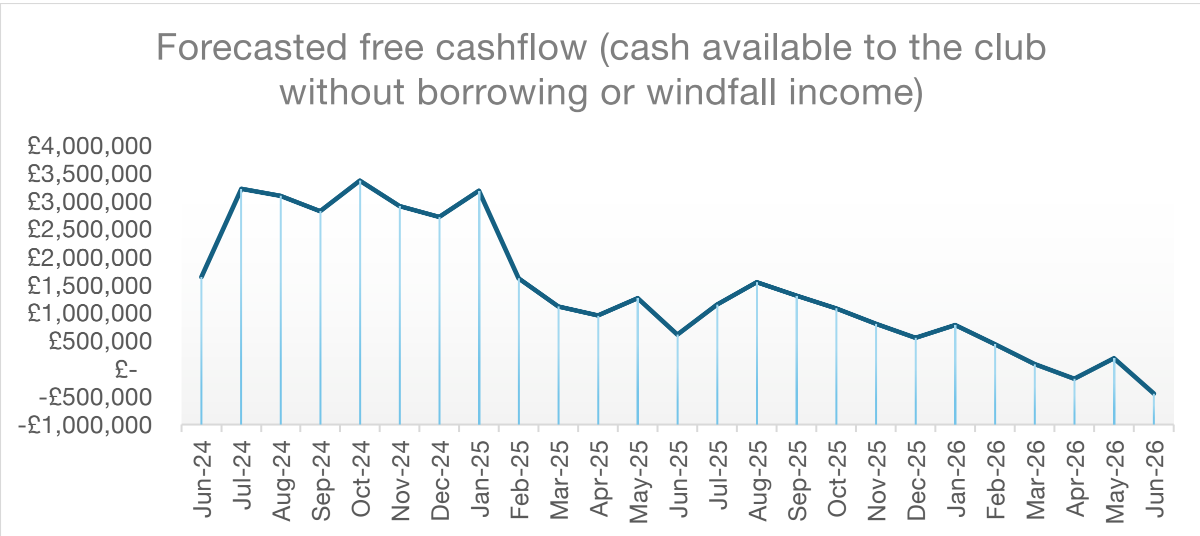
As of 18th September, of the bonds due to be repaid by June 2025, here are the bondholders decisions:

To be repaid	Rolled Over	Donated	Swap for equity	Undecided
£1,331,313	£1,539,352	£151,051	£115,000	£189,875

As things stand if all the undecided bondholders asked for their money back, the Club would need to find £1,541,688 to repay all of the debts falling due by June 2025. Currently the Club has budgeted £1,750,000 and so this total is within budget.

The current annual interest charged on the bonds is £400k. It is expected that the overall interest rate on the rolled over bonds will be closer to 4% - up from 2.4% previously.

Looking then at the period running up to June 2027 when a further £3.3m of bonds will need to be either rolled over, redeemed or replaced, we need first to consider in the Club's expected free cashflow ahead of that period – i.e. the money we have available without additional lending, player sales or investment.



Heading into the 26-27 season with no forecasted free cash flow and a potential £3.3m of bonds to repay is challenging. It means that our trading revenues alone will not be enough to enable us to repay bonds falling due if redemptions are requested.

Whilst we have had some excellent income from transfers and cup runs in the last couple of years, these cannot be guaranteed or relied upon. We are one of the few clubs at our level who are continuing to make significant money from selling players. We therefore need a clear plan and options for handling the refinancing challenges of the 25-27 period.

Options available

Rollover Debt

As with 2025 we will seek to rollover debt where possible - in and of itself the overall debt burden is not necessarily concerning so long as the terms are not too onerous. BUT our current interest payments are £400,000 per annum. As we look to grow revenues and football costs this is a material consideration and a significant percentage of our annual outgoings.

To put this in context, whilst we do not yet have final confirmation of this year's League 2 budgets, we estimate that if that £400k was added to our playing budget, it would move us from mid-table to top seven in the budget league table.

The 2027 bonds falling due were sold at a higher average interest rate (6%) and any rollovers should be expected to be higher still. We ideally need to also be able to have the flexibility to repay the holders of bonds carrying the highest rates.

External Debt

Lenders would normally want security (over the ground) and would be looking at 10-15%+ interest. It will be challenging to obtain an external loan should we want one: most lenders won't lend to a football club, whilst those that are prepared to do so will not take account of any potential player sales or cup run income when considering the Club's ability to pay interest and repay a loan. Any higher interest burden would certainly negatively impact our playing budget.

Other Fundraising

There is a new fundraising sub-committee of the DT which will look ahead to several ways in which we can raise funds. These, whilst helpful and gratefully received, will not raise sufficient funds to repay the total debt we have falling due in 2027.

The Club is actively working to grow revenues at the stadium and manage costs. The benefit of these would ideally to be used to support a higher playing budget and staff growth at the stadium - on the basis that increases in regular income along with cost savings should go towards regular increases in playing budget or staff increases to further improve our revenue potential.

Using equity to repay debt

The restricted actions mean that a vote on making more equity available is not a quick process. We do not want to wait for another emergency to have to consider this. It is one of the levers which the boards should have available to manage the club's finances.

It could also be a lever for growth when we need to expand the ground or build our own training ground. There is no one silver bullet on its own that will enable us to reduce the debt or provide funds for redevelopment.

What type of equity sales would we consider?

We have included new rules in the PLC articles of association which limit any one shareholder to a maximum of 15%. We would be looking for investors who can contribute skills and funds and who are happy to join in our collaborative journey. This has been the case with our two largest current minority investors - Nick Robertson and Ananth Nathan.

We have around 6% left which has proved hard to sell. From feedback received we believe that circa 10% needs to be on offer to make it an attractive proposition. We have previously said we would not even consider bringing someone onto the board unless they had at least 10% equity and this view has not changed.

That doesn't mean someone buying shares would be guaranteed a board seat but it is quite normal for someone at that level to want to have some input in the Club through a board seat. It is also easier to persuade an investor that their equity funds will make a difference if they are investing over £2m.

Conclusion

We cannot assume that at least £500k per annum can be set-aside for debt management in 2025 and 2026 or that we will have another big ticket player sale, or a major cup run. In which case we will need to have a source of funding to repay a significant number of bondholders in 2027. If this is through external debt, this will be expensive and potentially have to be secured against the stadium.

The most likely, useful and cheapest source would be through equity investment. Therefore, it's vital we know in 2024 whether that source of funding will be open to us or not.

We want to ensure that we are being explicit with members that refinancing in 2027 without securing further equity investment can only come through terms and costs that will negatively impact our playing budget and growth of our club overall.
The Club is looking at an extremely challenging period from early 2026 onwards.

It is our view that to provide greater certainty that the Club will be able to meet all debts when they fall due, we need resolution as to whether more equity can be made available for investment.
As anyone who has had conversations around the equity currently still available - no deal will happen overnight. Even with member support, it may take a year to sell any equity available to the right investor who fits our profile - we therefore need as much time as possible for this process ahead of 2027.

We want to remain in control of our own destiny. Making this change now gives us the ability to make the right decisions, to work with good sources of funding on terms that are palatable to us. We don't want to wait for an emergency situation where all these things may be compromised.

Michele Little

Dons Trust Treasurer and Head of AFCW Finance Committee