

QUARTER PERFORMANCE
<ul style="list-style-type: none"> Convention & Exhibitions (C&E) delivered over 100 events in Q2 including a number of school prize givings and graduations. Conferences included the ARISE annual men's conference (1,500 delegates), the Waste Management Institute New Zealand Conference (multi-day for 350pax), and the 16th International Conference on Harmful Algae (multi-day for 330pax). Performance & Events (P&E) highlights during the quarter included Lorde, Nick Cave (2 shows), The Seekers, the season of Mamma Mia and Royal New Zealand Ballet's <i>A Christmas Carol</i> Work continued on transitioning Venues into the new Wellington Regional Economic Development Agency (WREDA).

YEAR TO DATE PERFORMANCE
<ul style="list-style-type: none"> Over Christmas the TSB Bank Arena was prepared for the installation of two new retractable seating units (now installed). The new motorised units provide modern and comfortable seating, time savings and greater flexibility in terms of possible lay-outs. Venues notes strong pipeline bookings for the rest of the year. A review and repairs to the air circulation system at the St James Theatre was successfully undertaken. The Wellington Region Economic Development Agency was established on 5 November 2014. PWV is now part of that organisation.

SUMMARY FINANCIALS

(\$,000's)							
FINANCIAL PERFORMANCE	Q2 Actual	Q2 Budget	Variance	YTD Actual	YTD Budget	Variance	FYE
Total Revenue	4,737.5	4,579.5	158	9,180.5	9,301.5	(121)	16,003
Direct Costs	2,854	2,659.5	(194.5)	5,296	5,128.5	(167.5)	8,962
Operating Expenses	1,614.7	1,455.5	(159.2)	3,258.7	3,220.5	(38.2)	6,276
EBITDA	268.8	464.5	(195.7)	625.8	952.5	(326.7)	765
Net Profit	213.6	400.9	(187.3)	512.6	824.9	(312.3)	510
FINANCIAL POSITION							
Total Assets				4,568			
Total Liabilities				3,018			
Equity				1,551			
CASH FLOWS							
Total Net Cash Flows				878			
Opening Cash				1,002			
Closing Cash				1,880			

- The YTD EBITDA result is \$429k ahead of the previous year's result, but \$327k behind budget. PWV expects to recover this in the second half of the year and is on track to reach its year-end target of \$765k.
- YTD revenue of \$9.2m was \$121k (1%) under budget, but \$1m ahead of the same period in 2013/14. PWV notes that this result is in part due to the restructuring of the Food and Beverage side of the business. Good results in the Performance and Events business have been offset by declines in the Conference and Exhibitions side of the business, resulting in the overall event business coming in \$45k below budget.
- Q2 operating expenses were \$159k over budget, driven primarily by higher wage and salary costs, in part as a result of the restructuring of Food and Beverage and technical services, and an initiative to improve the cleaning standard across venues.

KPI DASHBOARD					
MEASURE		Q2	YTD	Trend	Comments
		31 Dec 14	31 Dec 14		
Increase economic contribution to Wellington over previous year.	Target	\$12.7m	\$24.8m	Improving ↗	This is based on PWV revenue earned from events (times the multiplier), and does not include indirect and induced spend. P&E revenue is \$1m (13%) ahead of budget. YTD the C&E contribution is behind target by \$1.4m (8%). These are still expected to be on target by year end.
	Actual	\$13.1m ✓	\$24.4m ✓		
Improve venue utilisation by 5% over previous year.*	Target	57%	60%	New measure	Utilisation for Q2 is 4% below target but 3% ahead of the previous year. Forward bookings are strong and the company remains confident of reaching the full year target of 51%.
	Actual	53% ✗	53% ✗		
Improve venue yield by 4% over previous year.*	Target	43%	43%	New Measure	Venue yield for the quarter is 10% below target and 1% below Q2 last year. The change in timing of WOW has contributed to this result.
	Actual	33% ✗	35% ✗		
Improve PWV Profitability (EBITDA) over previous year	Target	\$465	\$953k	Improving ↗	YTD EBITA is ahead of the previous year by \$429k, but \$327k behind budget.
	Actual	\$269	\$626k ✗		
Maintain a mix of commercial and community hires	Target	>40	>80	Improving ↗	PWV supports community access through five investment categories: City Growth; Creative Sponsorships; Community Causes; Civic Occasions; and Commercial Discounts. In Q2 the total subsidy provided was over \$327k.
	Actual	56 ✓	94 ✓		
Improve gross margin by 1% over previous year *	Target	42%	45%	New Measure	Gross margin is 4% ahead of the previous Q2 result, but 2% behind budget. The company anticipates that the restructuring of the Food and Beverage side of the business will improve operating margins.
	Actual	40% ✗	42% ✗		

* Target is based on a percentage improvement on 2013/14 actual results, excluding PAF grants

ISSUES & OUTLOOK
<ul style="list-style-type: none"> The company has identified the following priorities over the next six months/new financial year: securing funding for new flat floor seating for TSB Bank Arena, replacement the fixed sports court at the TSB Bank Arena with a mobile court, and improvements to the kitchen, toilets and Shed entrance way. \$270k in capital expenditure for the refurbishment of the Opera House is planned for January 2015. The company is monitoring the effectiveness of the repairs to the St James air conditioning system to understand whether an upgrade of the system is required. Venues will present its new Food and Beverage strategy in Q3, including the establishment of a new and enhanced café offering at the St James Theatre.



**POSITIVELY
WELLINGTON
VENUES**

.....
**Because things
are better LIVE**
.....

**Economic Growth and Arts Committee
Quarter 2 Report
October 14 –December 14**

1. Introduction

PWV's second quarter result for the 2014/15 financial year is well ahead of the same period last year, but we have fallen short of our fairly challenging budget. We are however confident that we will achieve our EBITDA budget by year end - once we have absorbed some one-off costs and realised the benefits of some of the structural and strategic changes that we introduced in Q2.

The months of December and January are traditionally very quiet for PWV and we have an enforced close down period as a consequence of that. While December's result took some shine off our financial performance, January (not included in the Q2 result) delivered a better than budget result.

Although we refer to the close down period, some members of the team were still on the job working with WCC and a team of contractors on some significant venue upgrade and improvement projects (these are outlined below).

We remain committed to supporting the development of a purpose build convention centre and multipurpose performance arena but until such time as new purpose built venues are confirmed, commissioned, completed and operational, ensuring that our existing portfolio of venues are of a competitive standard (without over capitalising on improvements) is a priority for us if we are to continue to attract and retain our conventions and events and show and performance businesses.

2. Operations

The key facility projects that were worked on during the break included:

- TSB Bank Arena and Convention Centre - preparing the TSB Bank Arena for the installation of two new retractable seating units (now installed). The old seating units were at the end of their usable life and we were encountering both health and safety issues and operational efficiency issues.

The new motorised units provide modern and comfortable seating, enormous time savings and far greater flexibility in terms of possible lay-outs.

The northern end retractable seating unit is fixed whereas the southern end units are mobile – so we can move into a variety of set ups very easily which will benefit a range of different users – from sports, to live performance and conventions and events.

- At the Michael Fowler Centre new operable walls were installed in the Renouf Foyer. Further work will be undertaken on brining the parquet floor back into better condition and the fixed bar areas will be de-installed and replaced with mobile bars which will add the flexibility with which we can layout the rooms.
- With special thanks to Dave Finley from WCC's property team we have been able to repair the air conditioning system at the St James. This work was completed in time for the Webstock Conference (a requirement of the conference organisers) and we are monitoring the effectiveness of the repairs to understand whether a second phase of work to upgrade the system is required
- A substantial amount of work was completed at the Opera House over the break – this included refreshing the paint and gilt work on the proscenium arch and boxes, reconditioning the marble in the entranceway, repainting the entrance and first floor gallery spaces – including new gilt work on the ceilings using local artists, installing new bars and improving the ticket boxes. The venue is back in hire now and in mid-April it will be taken out for a week to install new lighting fixtures, new drapes (entrance, gallery and boxes), mirrors and furniture. The upgrades have been funded by WCC, PWV and a PAF grant.

- Our priorities over the next six months/new financial year are new flat floor seating for TSB Bank Area (noting that the seating can be used in our other venues as well), the replacement of the fixed sports court at TSB with a mobile court enabling us to concrete the underlying floor which will allow better/faster pack ins when we are not in sports mode, and improvements to the kitchen, toilets and Shed entrance way. Unfortunately these were not able to be funded as part of the exterior upgrade of the Arena and Shed 6 the details of which are due to be announced shortly. We will also be pursuing funding for the installation of digital signage across the venues.

3. Summary

The PWV team are all back on desk and ramping up for the year ahead. While the establishment of WREDA creates uncertainty for people, our core business is unlikely to change substantially and we continue to focus on delivering a great venue offering that supports the goals of the City.

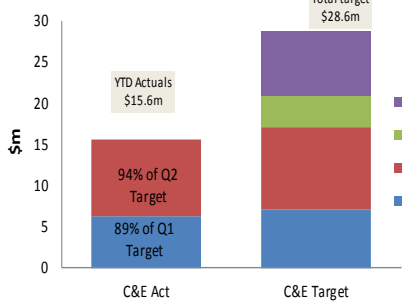
We will soon be in a position to confirm the details around a new café offering at the St James Theatre and some other developments that we are working on to enhance our offering.

Glenys Coughlan
CEO

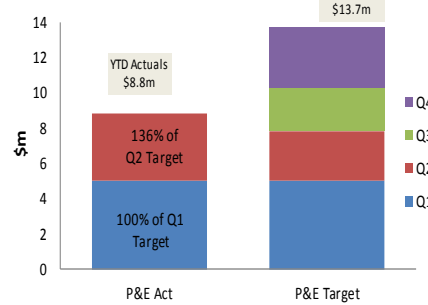
4. Key Performance Indicators

Grow contribution to Wellington

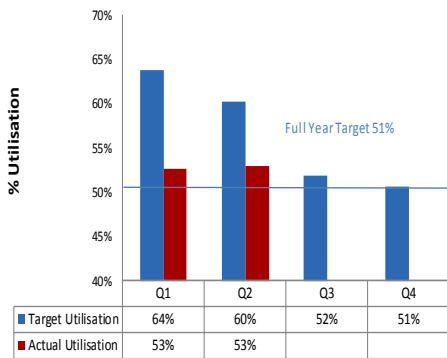
C&E Economic Benefit (\$m)



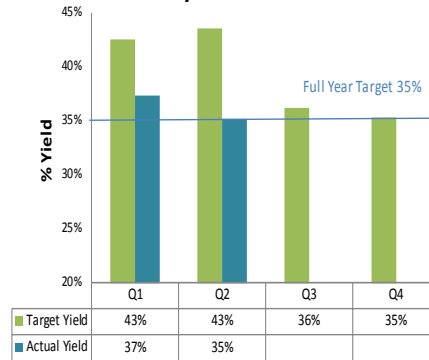
P&E Economic Benefit (\$m)



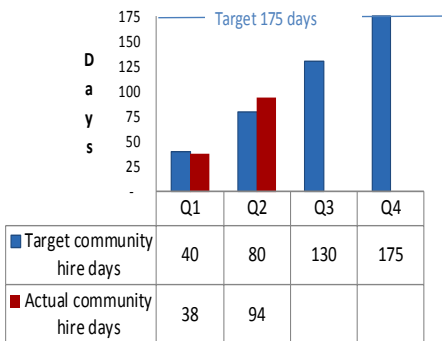
Cumulative Venue utilisation



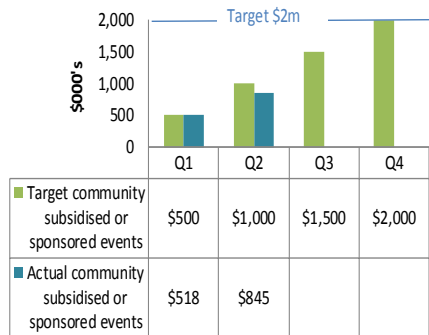
Cumulative Venue yield



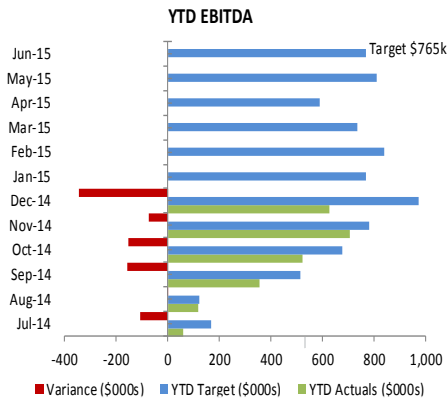
Cumulative community hire days



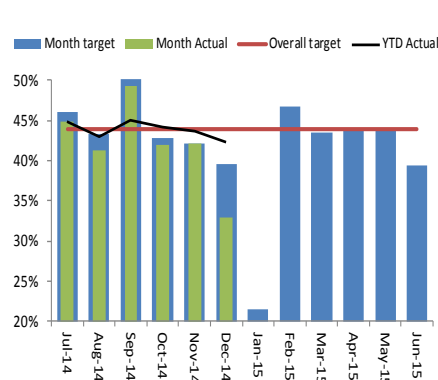
Cumulative value of funded events



Improve PWV profitability



Monthly gross margin %



Key



Q2-14 Q1-14



The estimated direct economic contribution (which measures the relationship between event revenue and total direct event-related expenditure) to Wellington is based on expenditure multipliers 3.37x C&E event revenue and 2.46x P&E event revenue.



For improving venue optimisation we are targeting a 5% increase in venue utilisation to 51% and a 4% increase in venue yield to 35%. Utilisation of 48% and Yield of 33% were achieved in FY14.



'Community hire days' is about ensuring our venues are open to community and for funded events. Funding categories that are captured include City Growth, Creative Sponsorship, Community Support, and Civic Occasions. The measure is both the 'hire days' made available and the monetary value of the subsidy.



Improving profitability and margin is about ensuring the ongoing viability of the business, ensuring we prosper and contribute to the economic growth of the Wellington community. We have targeted a \$765 EBITDA return. Gross margin is defined as a 1% improvement on FY14 result (being 43% excluding PAF grant) therefore the target is 44% gross margin.

KPI commentary

Grow contribution to Wellington

The total economic contribution for Q2 was \$13.1m, \$435k ahead of target for the quarter. The total year to date contribution of \$24.4m is 58% of the full year target of \$42.3m; the full year result for 2013/14 was \$40m. Note: our measure of economic contribution to Wellington is based solely on the revenue PWV earned from events (times the multiple) and does not include indirect and induced spend generated by this activity.

P&E revenue for Q2 was \$1m or 13% ahead of budget with an estimated economic benefit to the Wellington economy of \$3.8m based on the Covec expenditure multiple. The year to date P&E contribution is \$8.8m or 64% of the full year target

C&E has contributed an economic benefit of \$9.3m to the Wellington economy in Q2. This is behind target by \$600k or 6% for the quarter, 8% or \$1.4m behind the YTD budget.

Optimising venue utilisation and yield

The year to date venue utilisation has remained constant at 53%, 2% above the full year target of 51% but down on target expectations for the quarter. Utilisation for Q2 last year was 50% bring the year to date last year to 55%.

Venue yield for Q2 was 33% (37% in Q1), bringing the YTD yield down to 35% and on par with the full year target. The extended season of WOW was not anticipated in the budget and has contributed to the slippage in this measure. Yield for the equivalent quarter last year was 36%.

Community hire days & funded events

There were 18 community funded events during Q2 for a total of 56 hire days and above the target of 40 for the quarter. The majority provided for creative sponsorship events and community causes including the Cystic Fibrosis' Christmas Tree Festival & Communities Action Trust's Diwali festival. The total subsidy for the quarter is over \$327k, slightly below the \$500k target for the quarter.

Net promoter score

We are looking at developing a more robust approach to surveying and estimating our NPS.

Health and safety

No serious harm incidence.

Staff engagement

The staff engagement survey has been completed; results are in the process of being collated.

Improve profitability & margin

Refer next section.

5. Financial performance against budget & prior year

Revenue

- December's year-to-date revenue is \$121k behind the budget but substantially up on last year by over \$1m.
- The Food & Beverage (F&B) business is the primary driver for the below budget performance which has been redressed by restructuring our F&B operations and the roll out of new F&B strategy that will kick in from quarter three.
- The Performance & Event (P&E) business gains against budget have offset the Conference & Exhibition (C&E) business decline leaving the overall event business \$45k below budget. Event revenue is up by over \$1m on YTD last year.

EBITDA

- At \$626k YTD EBITDA is down on the YTD budget but well ahead of last year and on track to achieve the full year budget of \$765k.
- The EBITDA result is impacted on by higher wage & salary costs, offset by lower utility costs and marketing underspend which will largely be due to phasing.
- Wage costs are over budget as a result of the F&B and technical services restructures, and initiative to improve the cleaning standard of venues.
- Salary costs have increased as a result of one-off personnel changes in F&O and F&B restructuring costs.

Financial Performance December year-to-date 2014/15

Prior year		\$'000	Year-to-date			FY 14/15 Budget
YTD	Var		Actual	Budget	Var	
7,777.9	1,031.1	Event & Café revenue	8,809.0	8,978.9	(169.9)	15,405.4
385.8	(14.2)	Other income	371.6	322.6	48.9	597.6
8,163.7	1,016.8	Total revenue	9,180.5	9,301.5	(121.0)	16,003.0
1,276.3	134.4	Wages	1,410.7	1,295.3	(115.4)	2,495.2
3,621.2	264.1	Direct event costs	3,885.3	3,833.2	(52.2)	6,467.2
4,897.5	398.5	Total direct costs	5,296.0	5,128.5	(167.5)	8,962.4
3,266.2	618.3	Gross profit	3,884.5	4,173.0	(288.5)	7,040.7
40%	2%	<i>Gross Margin %</i>	42%	45%	-3%	44%
1,323.0	(404.7)	Salaries	1,727.7	1,533.0	(194.7)	3,100.7
1,746.3	215.3	Other expenses	1,531.0	1,687.5	156.5	3,174.9
3,069.3	(189.4)	Total expenses	3,258.7	3,220.5	(38.2)	6,275.6
196.9	429.0	EBITDA	625.9	952.5	(326.7)	765.0
101.7	(11.6)	Depreciation	113.3	127.6	14.4	251.8
0.0	0.0	Tax expense	0.0	0.0	0.0	3.0
95.2	417.4	Net profit/(loss) after tax	512.6	824.9	(312.3)	510.2

Note: () denotes unfavourable variance

6. Forecast update

- The Q1 forecast completed in October indicates we are on track to achieve budget EBITDA \$765k.
- Since the Q1 forecast we are seeing a further decline in C&E revenue, and some unforeseen costs (F&B restructuring) reflected in the result. These are somewhat offset by a better P&E result and future expected savings from lower salary costs and reduced utility fees.
- P&E event revenue in the pipeline is solid at 97% of budget. The C&E pipeline is currently at 81% of budget and it will be challenging to make this up in the remainder of the year but the sales team are focused on closing the gap.
- The Q2 forecast is currently being finalised with the above factors and a better than expected January result being reflected in the result.

7. Financial Position

\$'000	Actual 31-Dec-14	Prior Quarter 30-Sep-14	Quarterly Movement	Prior Year 31-Dec-13	Annual Movement
Bank & Cash	1,854	1,916	(62)	1,276	578
Debtors	892	750	142	699	193
Accrued income	455	652	(197)	346	110
Prepayments	76	155	(79)	135	(59)
Inventory	22	32	(10)	67	(45)
Total current assets	3,298	3,504	(206)	2,523	776
Fixed assets	1,270	1,313	(43)	1,226	44
Total assets	4,568	4,817	(248)	3,749	820
Creditors	1,331	1,440	(109)	1,460	(129)
Employee Entitlements	316	454	(138)	313	3
GST	155	50	105	187	(32)
Revenue in Advance	1,215	1,534	(319)	1,189	26
Provisions	0	0	0	27	(27)
Total current liabilities	3,018	3,479	(461)	3,176	(159)
Shareholders' funds	1,038	1,038	0	477	561
Current year result	513	300	213	95	417
Total liabilities and equity	4,568	4,817	(248)	3,749	820
<i>Current ratio</i>	<i>1.8</i>	<i>1.8</i>	<i>0.0</i>	<i>1.3</i>	<i>0.5</i>

Bank & Cash has remained consistently between the \$1.8m to \$2m range in the last quarter. Debtors have increased by \$142k with close to 100% of debtors being less than 60 days overdue. Liquidity remains steady with the current ratio at 1.8x, well above the average range for last year of between 1.2x and 1.5x. The ratio is expected to reduce slightly as a consequence of the holiday break.

8. Cash Flow Statement

Cash Flow Statement



\$000s	Actual JUN 2014	Actual JUL 2014	Actual AUG 2014	Actual SEP 2014	Actual OCT 2014	Actual NOV 2014	Actual DEC 2014	Projected JAN 2015	Projected FEB 2015	Projected MAR 2015	Projected APR 2015	Projected MAY 2015	Projected JUN 2015
Fiscal Year begins 1/07/2014													
Opening Cash Balance	1,379	1,002	1,609	1,666	1,933	2,088	1,858	1,880	1,622	1,625	1,693	2,049	1,740
Cash Receipts													
Receipts from Events	938	2,120	1,351	1,492	1,669	1,705	1,359	895	1,395	1,211	1,468	907	838
Receipts from Food & Beverage	102	113	60	143	90	113	0	0	0	0	0	0	0
GST refunds	0	2	0	0	0	26	5	0	0	0	65	0	0
Interest received	0	7	6	12	0	8	0	4	2	1	20	0	0
Grants - capital investments		0	0	0	0	0	0	0	0	0	4	3	3
Other	1	24	21	83	44	3	11	16	16	16	19	15	15
Total	1,041	2,266	1,438	1,731	1,803	1,855	1,488	915	1,414	1,229	1,575	925	856
Total Cash	2,420	3,268	3,047	3,396	3,736	3,943	3,346	2,794	3,036	2,854	3,269	2,974	2,596
Cash Paid Out													
Payments to Suppliers	853	1,082	702	828	888	1,455	969	562	729	640	598	745	679
Payments to Employees	326	350	393	360	543	347	376	284	284	284	416	284	284
PAYE	120	137	114	160	139	183	121	100	100	100	100	100	100
GST paid	118	64	150	116	76	100	0	126	128	136	105	105	105
Bank Fees	1	1	0	0	0	0	1	0	0	0	0	0	0
Capital purchases	0	0	0	0	0	0	0	100	170	0	0	0	0
Other	0	24	22	0	2	0	0	0	0	0	0	0	0
Total	1,418	1,659	1,382	1,463	1,648	2,086	1,466	1,172	1,411	1,160	1,219	1,234	1,168
Closing Cash Balance	1,002	1,609	1,666	1,933	2,088	1,858	1,880	1,622	1,625	1,693	2,049	1,740	1,428

The cash flow projection to June 2015 continues to improve as the pipeline is being filled. A total of \$270k in capital expenditure for the Opera House is projected to occur from January. The \$1.5m WCC overdraft facility remains unlikely to be drawn on.