THE THOROUGHBRED GROUP

Commercial Partnerships Proposal

Summary

January 2025 Update

Introduction

History

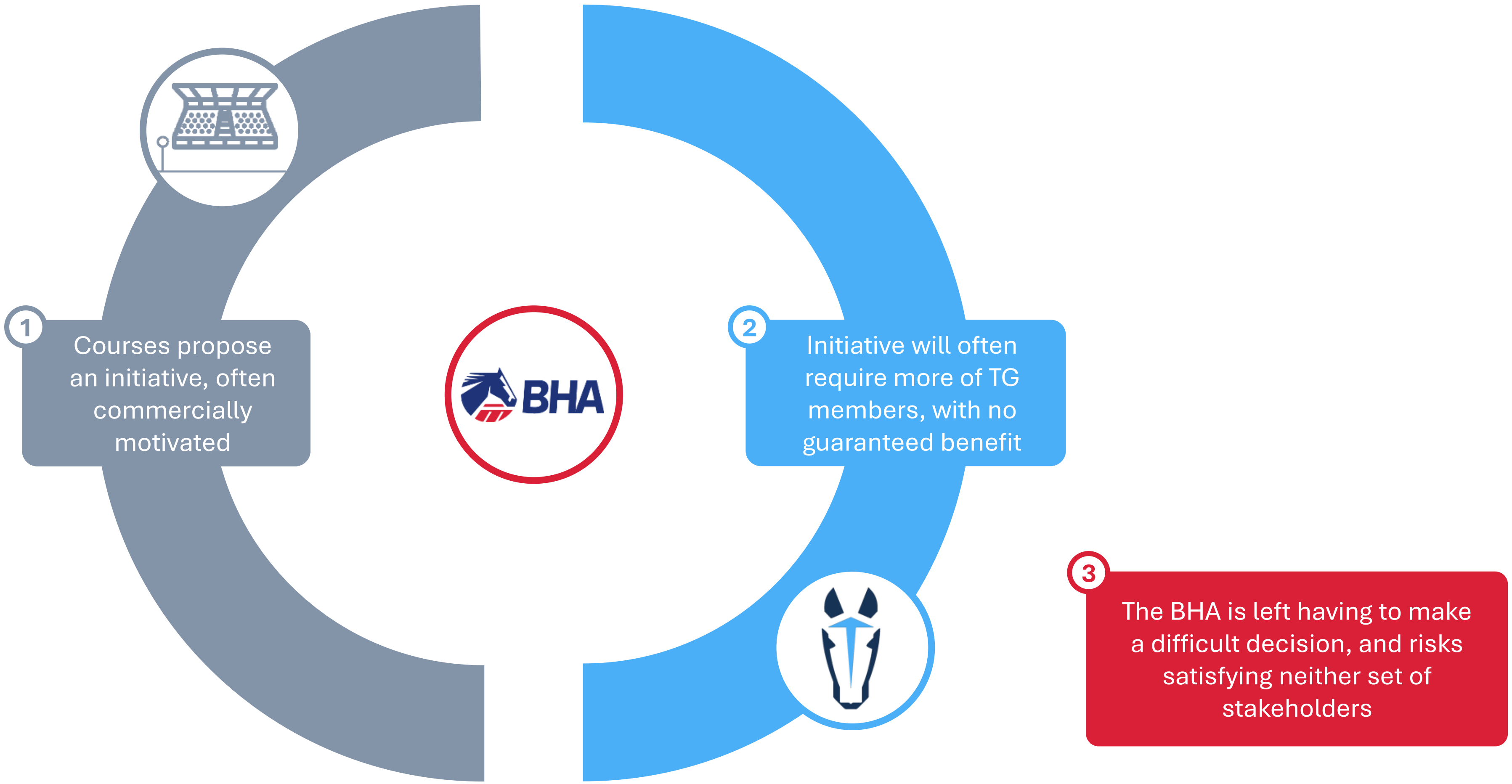
Formalised agreements defining minimum levels of prize money investment from racecourses were last established in 2013, and were signed by all but a handful of venues. These agreements saw racecourses commit to investing 33% of their media rights income as Executive Contribution to prize money, which was then recognised in selected areas of fixture policy. Premier Prize Money Agreements offered a number of enhanced benefits to courses who invested a minimum of 40% of their media rights income back into prize money. The impact of the pandemic on racecourse revenue streams meant that these agreements fell away in 2020.

Today's landscape

The Thoroughbred Group believes that the re-establishment of agreements is in the best interests of the sport, and represents the only way of guaranteeing a genuinely collaborative approach to the growth of British horseracing. This document sets out why new agreements, termed Commercial Partnerships, are so important for British horseracing. It also illustrates how Thoroughbred Group members would see the partnerships structured, and how racecourses would be recognised for their relative levels of investment into prize money.

The Thoroughbred Group welcomes questions and discussion on the proposal and its mechanics. For all enquiries, please contact Jack Connor via jconnor@thoroughbredgroup.org.

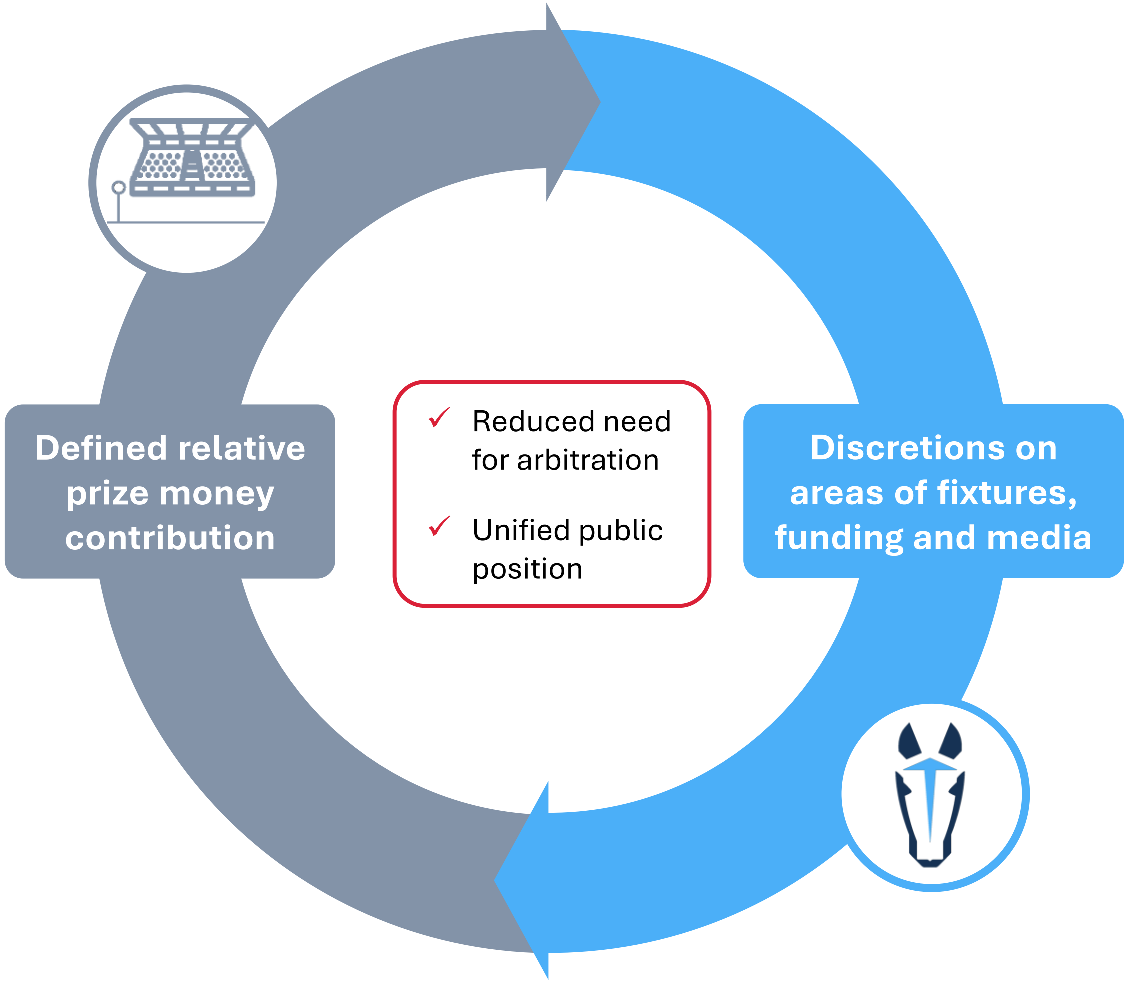
The lack of Commercial Partnerships is paralysing the industry



The initiatives in question have the potential to be mutually beneficial, but no mechanism exists to ensure that any upside is shared across the industry

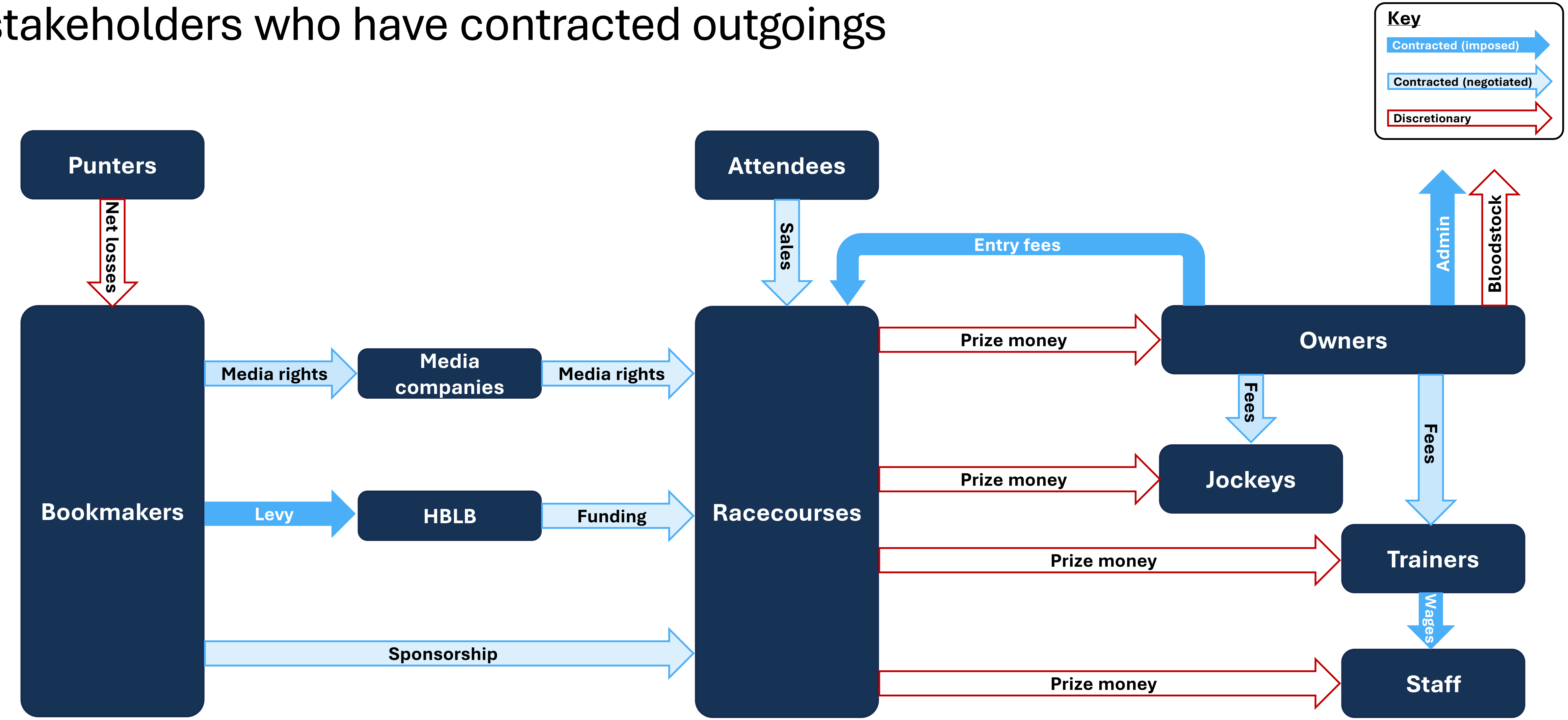
The sport would benefit from a mechanism that ensures commercial upsides are shared fairly

- ✓ Ability to unlock commercially powerful initiatives
- ✓ Flexibility of investment

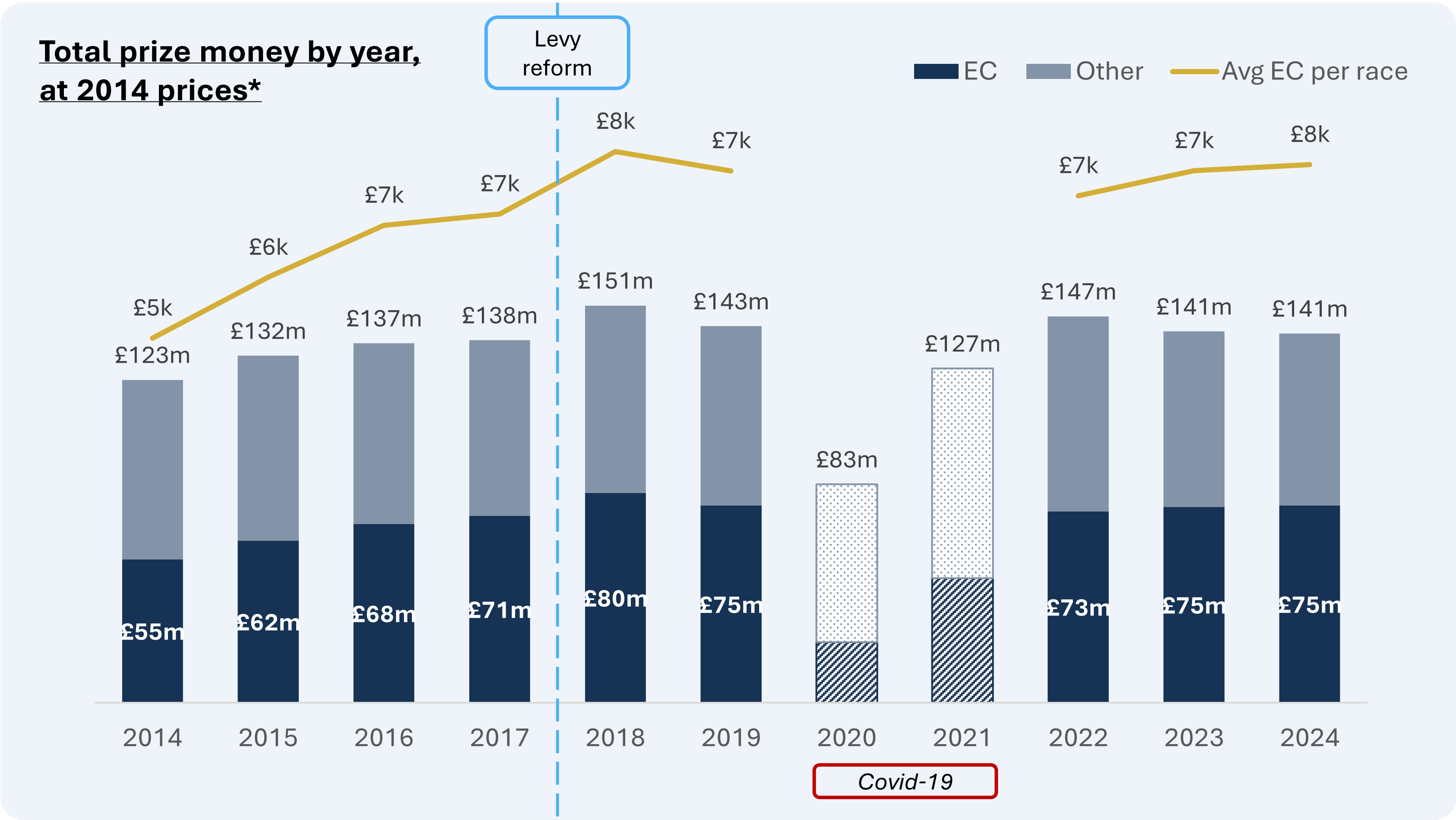


- ✓ Comfort that upside will be shared
- ✓ Introduces greater degree of competition between racecourses

Discretionary revenue flows undermine trust amongst stakeholders who have contracted outgoings



Commercial Partnerships can facilitate a real-terms increase in prize money



In real terms, total 2024 prize money was the lowest seen since the Levy was reformed to capture remote gross win in 2017, and only 2% higher than that pre-reform level.

Executive Contribution (EC) has also fallen in real terms from its peak in 2018.

Average EC per race remains almost unchanged in real terms since 2016. This is despite there having been a number of changes made to fixture policy with the aim of increasing betting turnover and associated media rights income.

* Source: ONS CPI Index

Measuring a racecourse's relative contribution against gross racing profit is the best way of achieving meaningful progress

Deal structure	**Media only**	**All racing revenue**	**Gross racing profit**	**Net racing profit**
Pros	✓ Relatively simple ✓ Historic precedent	✓ Captures a fair share regardless of business model ✓ Promotes efficiency	✓ Captures a fair share regardless of business model ✓ Recognises non-discretionary cost bases	✓ Relatively simple
Cons	× Punitive for courses at which media income is relatively large	× Some income lines incur significant costs, e.g. catering	× Increased degree of complexity	× Open to manipulation × Doesn't incentivise efficiency × Prize money remains the balancing item
			TG proposal	

The General Contribution Percentage (GCP) calculation must be fair to all and not overly complex

General Contribution Percentage (GCP) =

Executive Contribution + **O&T experience**

divided by

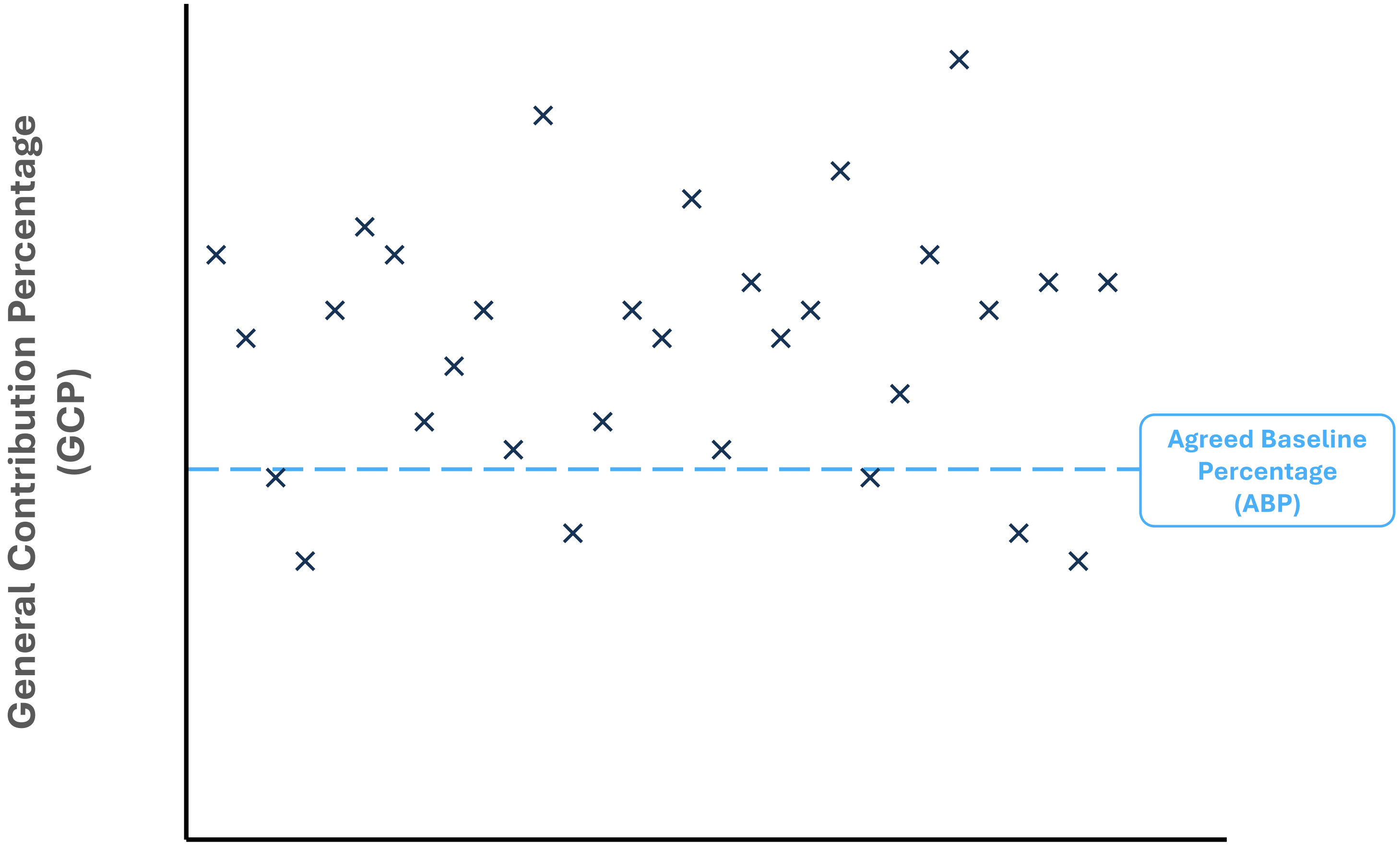
Racing revenue + **Catering profit** − **Cost mitigations**

Racing revenue:
- Admissions
- Memberships
- Sponsorship
- Media rights

Cost mitigations:
- Business rates and rents
- Temporary facilities
- Officials
- Raceday staff catering

n.b. calculations would be independently audited, with no TG member access to the detail

A baseline percentage will be collaboratively set, and determine access to initiatives



n.b. JCR + ARC treated as groups

Each racecourse will have its General Contribution Percentage (GCP) independently audited on an annual basis.

Once the industry picture is known, an Agreed Baseline Percentage (ABP) will be collaboratively set. The intention is that this level will be achievable for all, and should represent a fair level of return for participants. The level of the ABP should be periodically revisited.

A racecourse's GCP will feed directly into several policy areas, outlined on the following page.

The clearing of the ABP will be a prerequisite in a racecourse accessing various other initiatives.

GCP becomes a key determinant in a number of policy areas

%
General Contribution Percentage

Policy areas

- **Central funding**
- **Fixture allocation**
- **Share of race volume**

Policy mechanics

Central funding

- Ratecard to be used to incentivise and reward racecourse investment into prize money
- Rate of return paid by Ratecard to link directly to a course's GCP

Fixture allocation

- Racecourse must clear the ABP to stage a BHA Fixture
- PAS allocation system to include GCP as a metric
- Competing applications for other BHA-held criteria slots to feature GCP as a determinant

Share of race volume

- Races per card above an agreed level to be allocated on a competitive basis
- "Spare" races to be distributed in-line with PAS principles until race volume reaches required level

There are five areas of the industry that should be defined by Commercial Partnerships

The allocation of central funding should be made more meritocratic, rewarding courses for their relative investment levels.

Key to this is the Ratecard, which allocates c.£60m in central funding per annum. The Ratecard can be reworked so that payments are directly linked to a racecourse's General Contribution Percentage.

Investing an agreed minimal level into prize money should be reinstated as a prerequisite in the application to stage BHA Fixtures.

The allocation of BHA and additional fixtures should take greater account of a racecourse's investment relative to its peers.

Racecourses who are investing in their race programmes can be prioritised in discussions and trials of new initiatives.

Participants can recognise and support racecourses who adhere to Thoroughbred Group principles.

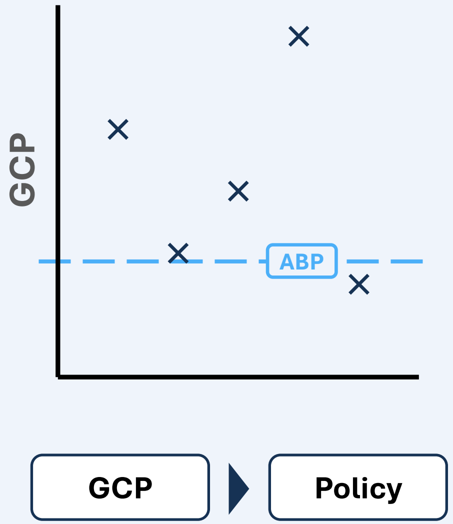
Discretions around race volume and selected race conditions should depend on a racecourse's contribution.

Participants can also be signposted towards the race programmes of those courses that demonstrate higher levels of relative investment.

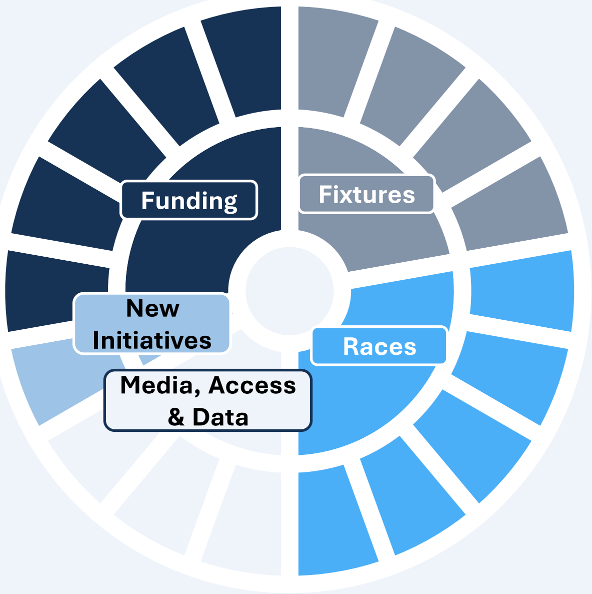
Commercial Partnerships can unlock collaborative growth

GCP = Exec Contribution / Gross Racing Profit

General Contribution Percentage (GCP) independently calculated for each racecourse on an annual basis



Agreed Baseline Percentage (ABP) set collaboratively in determining which racecourses invest a fair share of gross profits into prize money



Racecourse GCP feeds directly into policy areas, and clearing the ABP determines access to further initiatives

Commercial Partnerships can align the incentives of all stakeholders, uniting the sport and enabling collaborative growth