

HYBRID GENERAL ASSEMBLY

ANNEX Pt 14

17 November 2021, Antwerp (BEL)

Comments to 2022 FEI budget - (Claude Praz/CFO – 23.09.2021)

(all numbers in '000 CHF unless otherwise specified)

Dear President, Members of the Board, Secretary General,

Please find attached the 2022 Budget for the FEI. For the sake of understanding these numbers, we will compare the 2022 budget with **2019** which is the last normal year we had before the Covid-19 pandemic. The past 2 years (2020 and 2021) have been affected in too many areas and we believe it would not make much sense to draw comparisons on the 2022 budget with either one of these 2 years.

The situation on the pandemic front has improved as highlighted by the statistics produced by the IT department regarding the number of events. However, in preparing the 2022 budget, we decided to have a cautious approach when evaluating the number of events for 2022 as we still see some uncertainties on the pandemic front that could impact the first few months of 2022. Regarding the revenues to be generated by the events, organizing dues, passports, registrations, anti-doping, we decided on “plan for the worst and hope for the best” approach and therefore our bias to underestimate revenues and be as accurate as possible on the expenses side is still in force.

- **Total commercial revenues:** On the sponsorship, we budgeted a “normal” year. In the event that more events are to be cancelled in the spring, we will have to reimburse the sponsor. However, expenses in that section are mainly related to prize money and sponsorship contributions to organizers. Therefore these are neutral to the p&l. In case of numerous cancellations in the spring 2022, there could very well be additional discussions with our sponsors.

The reduction in total commercial revenue compared to 2019 comes mainly from TV revenues. Further to my comments made on the 2021 revised budget, instead of taking the entire amount paid by IMG into 2021 accounts we will spread the advance payment from IMG over 2021 and 2022, hence the lower amount compared to the 2021 revised budget and actuals 2019. The license agreement with ClipMyHorseTV amounting to 672 is included in the revenues for 2022.

- **Total operational revenues:** As mentioned in the introduction, we are proposing the board to accept a reduction of 15% compared to 2019 for the whole section. We are also proposing that the annual subscription be re-instated to normal for 2022. When it comes to calendar fees, we are proposing to continue, exceptionally for 2022, to only invoice events that took place, and to do this only after the event has happened, instead of invoicing them in advance, as we did prior to the pandemic. This will avoid administrative work in case we have cancellations in 2022.
- **Total non-operational revenues:** As of this writing, we just got confirmation from the IOC of the first instalment payment of their contribution following the games in Tokyo.
 - **IOC Contribution:** For the budget we are proposing a yearly release to the p&l an amount of 3'000. The reasoning behind this is that we normally release the contribution over a period of 4 years, but with the postponement of the Tokyo Games this will now to be done over 3 years as the Paris 2024 revenue should arrive in 2024.
 - **Contribution from funds:** In this section are included the portion of expenses paid by various funds: Solidarity projects (1'190) approved by the Solidarity

committee), Campus (180), FOF Education (130), FOF internet TV (91), Vet research (275), Footing Olympics (40), Handbook fund (90), IPC fund, classification (75), IT fund (533).

- o Provision release: In this section, in 2022 we will release some specific items related to the normal usage of provisions. This amount consists mainly of
 - World Championships contributions (2'050), this is the normal provision we build over the 4 year cycle of the world championships which is released in the year of the competition. The principle matches what we have been doing with WEG.
 - EADMCP (1'125) that were built over the past years to face increased testing as the EADMCP rolled out.
 - Other provisions that were built from commercial for various projects that will be expensed in 2022, such as the archiving and video indexing (137), NAL time buy (265), and branding, on screen graphics, production and other expenses in relation with the world championships in 2022 (400). The latter amount is taken from a WEG provision built over the past editions of WEG.
- **Total commercial expenses** budget is mirroring the assumptions indicated in the commercial revenues.
 - o Sponsorship expenses: In line with revenues, we budgeted a normal year in the section. Expenses in that section mainly relate to prize money, sponsorship contributions to organizers and events activation related expenses
 - o Broadcast expenses: In that section, expenses are lined up on 2019. The main items are the production agreement with CMH-TV (1'300) which is 1'000 less than what we had with IMG in a WEG year, the time-buy agreement signed with Longines for the NAL (950), our pursuing investment in digital partnerships (657) and broadcast monitoring (115), branding and on screen graphics related to championships and WC final (300).

We are maintaining budgets for digital developments as we see this being the area of future growth in this new media environment, concentrating on social media platforms (Facebook, YouTube, Instagram etc...). Please refer to various reports issued by the commercial department in evaluating the success of our campaigns in 2021 related to the Olympics.

- **Total operational expenses.** This section has an increase of 1'841 compared to 2019. A lot of that increase is a catch-up of delayed projects in IT in the last 2 years and increased testing expenses in anti-doping, both human and equine. To soften the increase in that section we are releasing provisions (1'125) in anti-doping and using IT funds (533) to pay for some of the projects that are considered as investments.
 - o Professional fee/consulting consists mainly of:
 - IT consulting (1'655) related to software, apps and further developments such as online schedules
 - IT hardware maintenance / servers (720), this amount is a very stable and can be considered as routine maintenance of our systems.
 - Various journalistic support, corporate photos, PR expenses, awards (728)
 - Legal fees (205)
 - FEI campus development, paid by fund (180)

- GA contribution (200) and Legal clerks' services (250)
 - Eventing equiratings, audit, VAT tax audit, GA and SF outside services, Communications outsourcing (465).
- Anti-doping and Welfare: Expenses there reflect the revenues generated by that program, they have been adjusted to the volume of testing we are expecting in 2022 and they include 675 for human anti-doping.
Also note that the total expenses in this section is slightly above the revenues but we are releasing provisions to maintain the capacity to absorb the administrations costs related to the program sitting in other departments (legal, finance, human anti-doping). The FEI maintains its policy to not generate any profit from that program.
- Solidarity: The spending reflects the drawing from Solidarity fund explained above in contribution from funds Also note that the FEI is contributing yearly 500 to the operations of Solidarity.

- **Total General & Administrative expenses**

- Staff charges: Compared to 2019, this number is increased by 900. As 2020 and 2021 were impacted by partial unemployment, we thought more appropriate to compare 2022 with 2019 which was the last normal year of operations we had. The increase from 2019 comes from several decisions that were taken in 2020 and 2021 and a provision for salary increases in 2022 after 2 years of no salary increases for our staff. These are budgeted but still need to be evaluated and approved during our year-end process by the SG. They will impact our books as of March 2022. In addition, we cancelled all requests for new staff in 2022. These will be addressed on a case by case basis if we see an improvement in 2022. It is an envelope but does not presume that we will use the full envelope. We can explain the increase as follows:
 - 200 salary increases given at the end of 2019 before the outbreak of Covid.
 - 187 of full year effect of positions replacement and salary differences with the new hires.
 - 345 for new positions consequent to an increase in legal cases, to a reorganization of driving and endurance after the appointment of the new endurance director and to internal reorganization after the appointment of the new manager of the SG office.
 - -317 full year effect savings consequent to departures and cheaper replacements
 - 265 additional social charges consequent to the above
 - -230 savings on training/social events/recruiting expenses
 - 493 salary increases and bonuses for 2022
- Travel & Expenses: This section has been adapted to the volume of expected competitions for next year with the aim to keep them as limited as possible and using the new conferencing tools wherever possible when it comes to committee meetings.
- Allocation to funds: This represents the IF contributions from IOC (70) and Paralympic committee (25). It also includes the last instalment of our contract with Longines regarding the retraining of racehorses (50).

All together, we are happy to present a balanced budget for 2022 and we are hopeful that the events situation will not be as bad as forecasted, which may allow us to improve these numbers at the time of the budget revision later in the spring 2022.

FEI PROFIT & LOSS STATEMENT

ACC No	REVENUES	2017 ACTUAL <i>Audited</i>	2018 ACTUAL <i>Audited</i>	2019 ACTUAL <i>Audited</i>	2020 ACTUAL <i>Audited</i>	2021 BUDGET <i>Revised</i>	2022 BUDGET
60	COMMERCIAL REVENUE						
600 6000-19	SPONSORSHIP REVENUE	19'318'291	27'767'331	27'021'941	10'443'740	18'399'704	24'969'856
602 6020-30	BROADCAST REVENUE	3'434'954	3'544'658	3'014'406	1'362'804	3'428'287	2'514'990
604 6040-50	OTHER MARKETING REVENUE/LICENSEING/ONLINE SHOP	20'234	91'882	10'296	6'062	0	0
	TOTAL COMMERCIAL REVENUE	22'773'478	31'403'871	30'046'642	11'812'605	21'827'992	27'484'846
61	OPERATIONAL REVENUE						
610 6100-09	ANNUAL SUBSCR & GA, SF REGISTRATIONS	768'705	760'792	816'939	374'750	373'500	838'000
611 6110-20	CALENDAR FEES & ORGANISING DUES	6'712'131	7'073'232	7'274'910	2'671'570	4'368'000	5'950'000
613 6130-32	HOSTING FEES	1'186'700	4'173'670	1'198'500	206'250	489'000	850'000
614 6140-42	HORSE & RIDER REGISTRATIONS FEES	1'195'873	1'357'320	1'322'340	1'019'210	1'282'000	1'397'000
615 6150	PASSPORTS & CHANGE OF NAMES	4'411'608	4'478'199	4'573'281	3'244'196	3'000'000	4'000'000
616 6160-62	FINES & OTHER LEGAL CONTRIB.	349'599	292'752	388'098	1'133'800	190'000	180'000
617 6170	ANTI-DOPING & WELFARE	4'418'794	4'408'567	4'472'120	2'450'644	2'450'000	3'800'000
	TOTAL OPERATIONAL REVENUE	19'043'409	22'544'532	20'046'187	11'100'420	12'152'500	17'015'000
62	NON-OPERATIONAL REVENUE						
620 6200	IOC CONTRIBUTION	2'600'000	2'685'436	2'830'895	0	12'825'000	3'000'000
630 6300	IOC/IF DEVELOPMENT PROGRAMME	70'000	70'000	70'000	68'600	68'600	70'000
640 6400	RENTAL REVENUES	617'752	626'864	628'712	634'317	481'344	481'344
660 6610-19	OTHER REVENUE	1'888'631	417'875	90'465	78'786	35'000	55'000
670 6700	CONTRIBUTION FROM FUNDS	1'015'601	606'359	532'927	1'116'513	1'687'491	2'605'525
6701	PROVISION RELEASE	-	4'228'000	202'641	76'394	300'000	4'119'210
	TOTAL NON-OPERATIONAL REVENUE	6'191'984	8'634'535	4'355'639	1'974'610	15'397'435	10'331'079
	TOTAL NET REVENUES	48'008'871	62'582'938	54'448'469	24'887'634	49'377'927	54'830'924
ACC No	EXPENSES						
50	COMMERCIAL EXPENSE						
500 5000-09	SPONSORSHIP EXPENSE	14'880'347	21'526'770	17'686'911	4'601'838	10'219'384	18'860'138
502 5020-49	BROADCAST EXPENSES	4'539'719	5'104'546	4'835'078	2'674'350	3'934'642	4'938'810
505 5050-60	OTHER MARKETING EXPENSE/LICENSEING/ONLINE SHOP	734'782	950'715	430'412	96'746	123'000	282'500
	TOTAL COMMERCIAL EXPENSE	20'154'848	27'582'031	22'952'401	7'372'933	14'277'025	24'081'448
51	OPERATIONAL EXPENSES						
510 5100-09	PROFESSIONAL FEE/CONSULTING	2'701'612	3'445'593	4'265'323	3'204'760	3'885'204	4'493'262
520 5200-02	EDUCATION	806'804	505'431	553'030	339'518	779'500	1'078'000
525 5251-59	PRINTING EXPENSES	45'694	126'489	93'813	164'563	92'050	20'000
530 5300	INTEGRITY UNIT	318'974	319'043	299'915	191'687	250'000	350'000
534 5357	VETERINARY RESEARCH	60'028	191'697	187'439	1'126	160'500	275'000
535 5351-56	ANTI-DOPING & WELFARE	3'616'100	3'368'002	3'633'504	1'879'144	1'638'200	3'965'000
536 5361-65	SOLIDARITY	1'061'184	894'551	1'009'144	783'377	1'767'491	1'660'233
	TOTAL OPERATIONAL EXPENSE	8'610'396	8'850'807	10'042'169	6'564'175	8'572'945	11'841'495
54	GENERAL & ADMINISTRATION EXPENSES						
540 5400-29	STAFF CHARGES	13'182'702	13'982'984	14'817'920	12'678'598	14'167'608	15'724'407
550	TRAVEL & EXPENSES						
5500	-FEI Staff	713'359	835'915	758'664	159'268	707'980	671'275
5501	-Others	1'083'002	1'385'886	1'309'558	414'010	865'400	1'002'100
560 5600-50	FACILITIES CHARGES	364'716	369'681	478'561	353'312	391'000	431'000
570 5700-02	GENERAL SERVICES	289'991	297'494	292'609	177'726	193'000	189'500
575 5750-52	TROPHIES & MEDALS	148'053	185'528	170'945	51'330	121'668	144'699
577 5770	INSURANCE	119'652	116'607	94'856	119'642	125'000	123'000
580 5800-05	DEPRECIATION	320'168	284'865	119'308	141'087	166'000	211'000
591 5910-11	TAX	55'890	55'891	55'895	107'146	55'000	55'000
595 5950	ALLOCATION TO FUNDS	1'371'848	1'483'656	2'930'188	725'942	10'490'000	145'000
597 5970-79	OTHER EXPENSES	473'227	141'868	659'155	260'306	12'000	11'000
597 5980	SPECIAL PROJECTS	169'815	3'276'385	638'780	166'630	166'000	350'000
	TOTAL GENERAL & ADMINISTRATION EXPENSE	18'292'422	22'416'762	22'326'438	15'354'997	27'460'656	19'057'981
	TOTAL EXPENSES	47'057'666	58'849'600	55'321'008	29'292'105	50'310'626	54'980'924
## 6500-35	FINANCIAL REVENUES NET	1'500'285	-3'009'190	3'070'358	-527'062	150'000	150'000
	NET RESULT	2'451'490	724'148	2'197'819	-4'931'532	-782'699	0