

# Final Project Report

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Dustin Smith | MBA 614 | April 11, 2012

## **Executive Summary:**

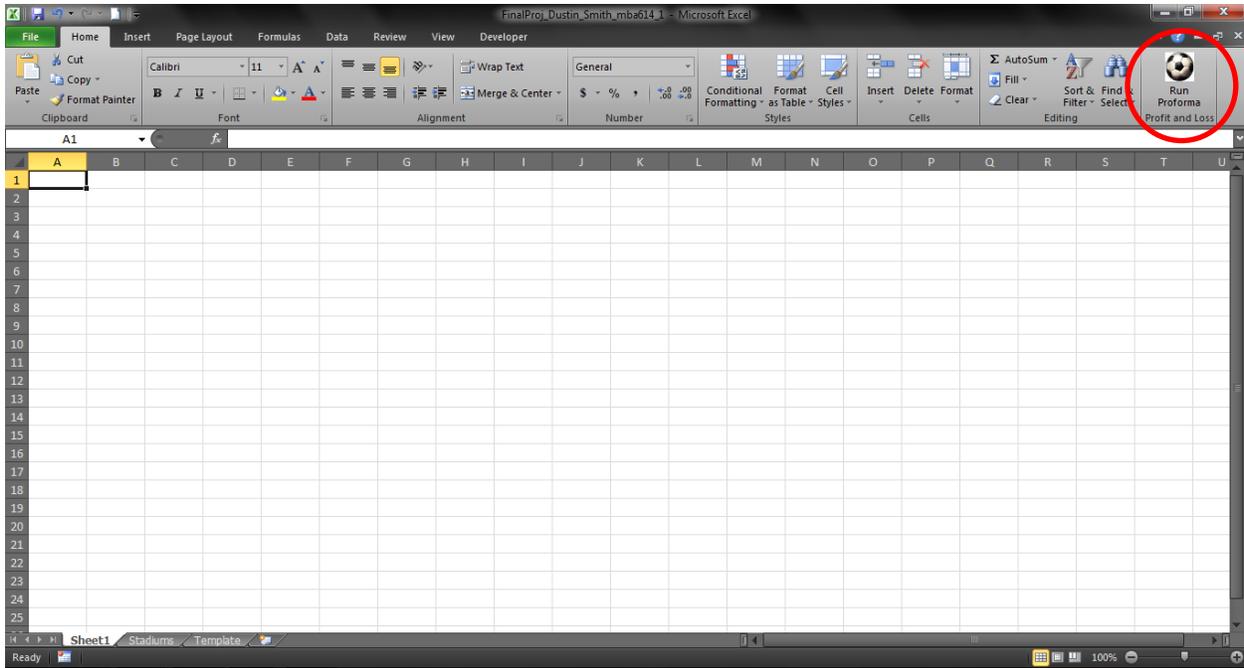
Sports Event Company (SEC) is an independent promoter of high-profile soccer matches in the United States. SEC enters into agreements with domestic and foreign soccer clubs and national teams to play exhibition matches in American football stadiums. After securing the involvement of two teams for a potential game, SEC engages stadium operators in negotiations to get the best deals possible on stadium rent and operating expenses. The nature of the business is extremely risky. SEC bears significant costs to secure the participation of the soccer teams and to reserve stadiums. Ticket sales is the major revenue source and is subject to large fluctuations in demand depending on factors like weather, attractiveness of the teams, local market demographics, and competing entertainment options (theatre, home entertainment, etc.). SEC is not a well capitalized company and must deliver strong financial results for each game it promotes in order to stay in business.

Given the levels of risk associated with the business and SEC's limited capital, SEC is very cautious about making the decision to promote a game. SEC management prefers to examine several different options, create proforma profit and loss statements and perform sensitivity analyses to measure risk. The negotiating window for these games is small and SEC must often make quick decisions about whether or not to take on a game. With the large number of unique inputs required for each P&L and the limited time frame, errors often creep into the proforma as financial analysts cut and paste data from previous games to expedite the analysis.

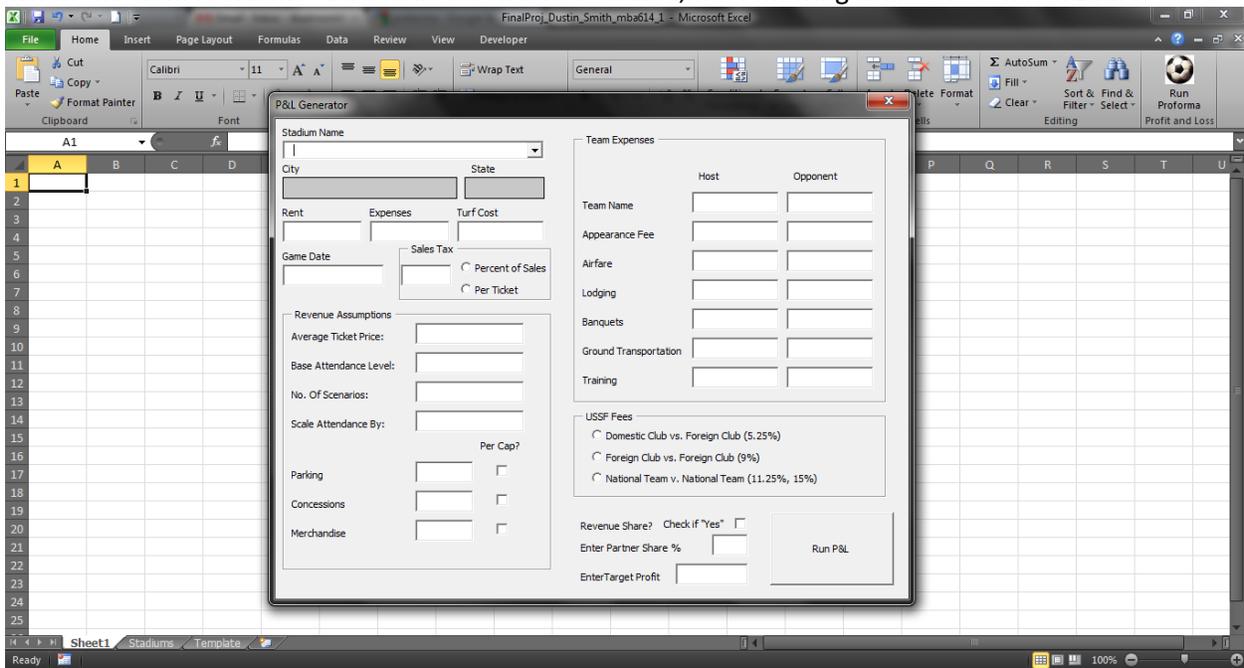
To help SEC with its decision making and to minimize errors from careless cutting and pasting, I created a user form that allows the user to select a stadium, enter unique inputs about team costs, specify revenue assumptions, select parameters for a sensitivity analysis, and indicate a target profit level. When the user pushes the "run" button, a proforma P&L statement is generated that incorporates all the revenue and expense assumptions, generates the user specified sensitivity analysis and highlights the breakeven and target profit scenarios.

## **Implementation:**

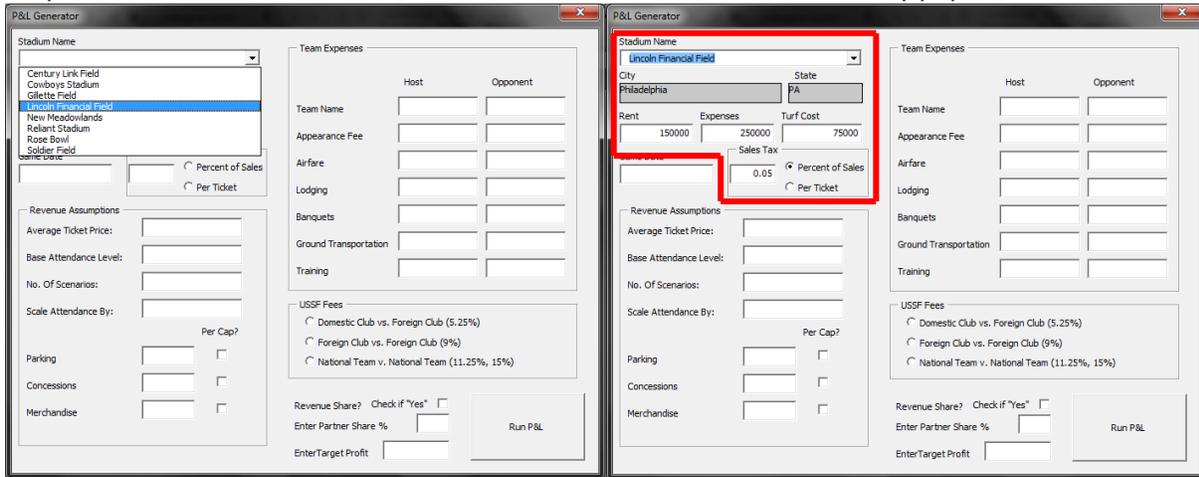
When the file is open, the user sees a blank Excel workbook with button in the ribbon:



When the “Run Proforma” button in the ribbon is clicked, the following user form is initialized:

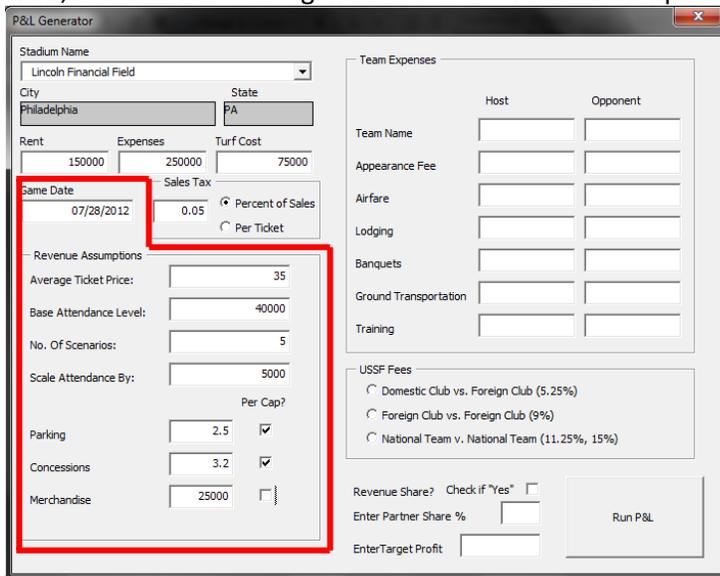


The cursor initializes into a combobox labeled “Stadium Name.” The user selects a stadium from a dropdown menu, and then all of the related stadium fields are automatically populated:



Most of the fields above are straight-forward. The values are pulled in from the “Stadiums” worksheet. City and State are not editable on the user form because they will not change. However, SEC wanted default rent, expense, turf cost and sales tax numbers to populate in their respective fields with the built in flexibility to adjust them on the user form on a game by game basis. The “Sales Tax” frame and its associated option buttons were used because while most stadiums calculate sales taxes based on a percentage of revenue basis, a few of them calculate sales tax on a per-ticket basis. Gillette Stadium in New England is an example of a per-ticket sales tax.

Next, the user fills in the game date and revenue assumptions:



A short description of each element in this section:

- Game Date: For final presentation purposes only. This value is simply carried over onto the proforma when the “Run P&L” button is pushed.
- Revenue Assumptions frame: this is used to visually separate the revenue assumptions from the rest of the form. Gives a more professional look.

- Average ticket price: this is a key input into the proforma P&L. It is standard industry practice to assume an average ticket price for financial modeling purposes.
- Base Attendance Level: This input will be used as a starting point to the sensitivity analysis.
- No. of Scenarios: the user specifies how many scenarios he/she will run in the sensitivity analysis.
- Scale Attendance By: the user specifies how the attendance will scale up from the base level in each scenario. For example, if 40,000 were selected as the base attendance level, 5 scenarios were selected, and attendance is set to scale by 5,000 then the sensitivity analysis would show scenarios of 40K, 45K, 50K, 55K, and 60K attendance.
- Parking, Concessions, Merchandising: the ancillary stadium revenues are set up so that the user can specify whether these revenues should be projected on a per-person basis or simply in total. By checking the check boxes, the user specified that parking and concessions are calculated on a per-person basis. Merchandise is left unchecked and is projected to simply total \$25K.

With the revenue assumptions completed, the user then completes the items in the “Team Expenses” frame. When the “Run P&L” button is pushed, the team names are carried over to the proforma for visual presentation purposes and the rest of the expense numbers are built in as expense lines in the net profit calculation.

Team Name	Host	Opponent
Appearance Fee	500000	150000
Airfare	60000	55000
Lodging	25000	22500
Banquets	20000	15000
Ground Transportation	7500	6000
Training	5000	4000

Next, the user can then specifies the USSF Fees. The US Soccer Federation charges a sanctioning fee for each match that is played on American soil. The fees change based on the types of teams playing. A frame with three option buttons was used because only one item can be selected among the three:

Domestic Club vs. Foreign Club (5.25%)  
 Foreign Club vs. Foreign Club (9%)  
 National Team v. National Team (11.25%, 15%)

Finally, the last few items on the form are filled out:

Descriptions are below:

- Revenue Share: SEC often partners with third parties to promote the games. If there is a partner, the user checks the box and enters the partner’s revenue share percentage.
- Enter Target Profit: The user specifies a target profit scenario. When the run button is clicked, a scenario will be generated that shows the attendance level required to meet the target profit level.

With the form completed, the user is ready to click the “Run P&L” button. When the button is clicked, the following actions take place:

- A new workbook is created incorporating all of the inputs from the user form. The worksheet tab is named in the form Host v. Opponent (so in this case, it is named “Paraguay v. Ecuador”).
- A sensitivity analysis to show potential risk and upside. The sensitivity analysis scales up in attendance according to the parameters that were set by the user.
- A breakeven and target scenario that are highlighted and set apart from the sensitivity analysis in order to immediately draw attention to the most important information.

The final product looks like this:

Book2 - Microsoft

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A2 Game Operations Budget

	A	B	C	D	E	F	G	H	I	J	K	L
1	Sports Event Co.											
2	Game Operations Budget											
3	2012 Budget											
4				<b>Breakeven</b>	<b>Target</b>		<b>Scenario 1</b>	<b>Scenario 2</b>	<b>Scenario 3</b>	<b>Scenario 4</b>	<b>Scenario 5</b>	
5				07/28/2012	07/28/2012		07/28/2012	07/28/2012	07/28/2012	07/28/2012	07/28/2012	07/28/2012
6				Lincoln Financial Fi	Lincoln Financial Field		Lincoln Financial Fi	Lincoln Financial Field				
7				Philadelphia	Philadelphia		Philadelphia	Philadelphia	Philadelphia	Philadelphia	Philadelphia	Philadelphia
8				PA	PA		PA	PA	PA	PA	PA	PA
9				Paraguay	Paraguay		Paraguay	Paraguay	Paraguay	Paraguay	Paraguay	Paraguay
10				Ecuador	Ecuador		Ecuador	Ecuador	Ecuador	Ecuador	Ecuador	Ecuador
11				Paid Tickets	45,563	57,117	40,000	45,000	50,000	55,000	60,000	
12				ATP	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	
13												
14				<b>Revenue</b>								
15	404	600	Grazz Ticket Revenue	1,594,710	1,999,038		1,400,000	1,575,000	1,750,000	1,925,000	2,100,000	
16	404	601	Suite Revenue	-	-		-	-	-	-	-	
17	404	602	Patron Banquet	-	-		-	-	-	-	-	
18	402	601	Local Sponsorship	-	-		-	-	-	-	-	
19	408	600	Broadcasting	-	-		-	-	-	-	-	
20	408	601	Local Broadcasting - Other	-	-		-	-	-	-	-	
21	412	600	Parking	113,908	142,792		100,000	112,500	125,000	137,500	150,000	
22	413	600	Concessions	145,802	182,774		128,000	144,000	160,000	176,000	192,000	
23	414	600	Novelty/Merchandise	25,000	25,000		25,000	25,000	25,000	25,000	25,000	
24	431	600	Management Fee	-	-		-	-	-	-	-	
25			<b>Total Revenue</b>	<b>1,879,420</b>	<b>2,349,653</b>		<b>1,653,000</b>	<b>1,856,500</b>	<b>2,060,000</b>	<b>2,263,500</b>	<b>2,467,000</b>	
26												
27												
28				<b>Ticket Taxes and Fees</b>								
29	613	600	Commissions	39,868	49,877		35,000	39,375	43,750	48,125	52,500	
30	647	600	Ticket Taxes	75,939	95,195		66,667	75,000	83,333	91,667	100,000	
31	647	601	Ticket Surcharge	-	-		-	-	-	-	-	
32	630	600	TMCC - Outside Ticket Charge	27,907	34,884		24,500	27,563	30,625	33,688	36,750	
33	630	601	USSF Fee/FIFA Fee	231,707	292,363		202,500	228,750	255,000	281,250	307,500	
34												
35			<b>Total Ticket Taxes and Fees</b>	<b>375,420</b>	<b>472,519</b>		<b>328,667</b>	<b>370,688</b>	<b>412,708</b>	<b>454,729</b>	<b>496,750</b>	
36												
37												
38				<b>Team Expenses:</b>								
39	646	600	Appearance Fee	500,000	500,000		500,000	500,000	500,000	500,000	500,000	
40	644	600	Flight	60,000	60,000		60,000	60,000	60,000	60,000	60,000	
41	647	600	Hotel	25,000	25,000		25,000	25,000	25,000	25,000	25,000	
42	642	600	Meals & Entertainment	20,000	20,000		20,000	20,000	20,000	20,000	20,000	
43	648	600	Ground Transportation	7,500	7,500		7,500	7,500	7,500	7,500	7,500	
44	621	600	Training Facility	5,000	5,000		5,000	5,000	5,000	5,000	5,000	
45	646	601	Appearance Fee - Opponent	150,000	150,000		150,000	150,000	150,000	150,000	150,000	
46	644	601	Flight - Opponent	55,000	55,000		55,000	55,000	55,000	55,000	55,000	
47	647	601	Hotel - Opponent	22,500	22,500		22,500	22,500	22,500	22,500	22,500	
48	642	601	Meals & Entertainment - Opponent	15,000	15,000		15,000	15,000	15,000	15,000	15,000	
49	648	601	Ground Transportation	6,000	6,000		6,000	6,000	6,000	6,000	6,000	
50	621	601	Training Facility	4,000	4,000		4,000	4,000	4,000	4,000	4,000	
51												
52			<b>Total Team Expenses</b>	<b>870,000</b>	<b>870,000</b>		<b>870,000</b>	<b>870,000</b>	<b>870,000</b>	<b>870,000</b>	<b>870,000</b>	

Ready Paraguay v. Ecuador

Continued below:

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Clipboard Font Alignment Number

A2 Game Operations Budget

	A	B	C	D	E	F	G	H	I	J	K	L
48	642	01	Meals & Entertainment - Opponent	15,000	15,000		15,000	15,000	15,000	15,000	15,000	15,000
49	648	01	Ground Transportation	6,000	6,000		6,000	6,000	6,000	6,000	6,000	6,000
50	621	01	Training Facilities	4,000	4,000		4,000	4,000	4,000	4,000	4,000	4,000
51			<b>Total Team Expenses</b>	870,000	870,000		870,000	870,000	870,000	870,000	870,000	870,000
52												
53												
54												
55			<b>Stadium Expenses</b>									
56	620	00	Stadium Rent & Opr	150,000	150,000		150,000	150,000	150,000	150,000	150,000	150,000
57	620	01	Stadium Operations - Labor	250,000	250,000		250,000	250,000	250,000	250,000	250,000	250,000
58	620	02	Grass Field	75,000	75,000		75,000	75,000	75,000	75,000	75,000	75,000
59			<b>Total Stadium Expenses</b>	475,000	475,000		475,000	475,000	475,000	475,000	475,000	475,000
60												
61												
62			<b>Operating Expenses:</b>									
63	614	00	Outside Services	5,000	5,000		5,000	5,000	5,000	5,000	5,000	5,000
64	627	00	Broadcasting Expenses	2,500	2,500		2,500	2,500	2,500	2,500	2,500	2,500
65	628	00	Signage	2,500	2,500		2,500	2,500	2,500	2,500	2,500	2,500
66	634	00	Referee/FIFA Observers	7,000	7,000		7,000	7,000	7,000	7,000	7,000	7,000
67	630	00	Insurance	-	-		-	-	-	-	-	-
68	670	00	Shipping	-	-		-	-	-	-	-	-
69	643	00	Printing and Publ	-	-		-	-	-	-	-	-
70	645	00	Press Operations/Conferences	7,500	7,500		7,500	7,500	7,500	7,500	7,500	7,500
71	647	00	Travel	5,000	5,000		5,000	5,000	5,000	5,000	5,000	5,000
72	673	00	Hospitality	7,000	7,000		7,000	7,000	7,000	7,000	7,000	7,000
73	673	01	Suite - Catering	7,000	7,000		7,000	7,000	7,000	7,000	7,000	7,000
74	690	00	Security	9,000	9,000		9,000	9,000	9,000	9,000	9,000	9,000
75	692	00	Misc. Expenses	1,000	1,000		1,000	1,000	1,000	1,000	1,000	1,000
76	692	01	League Share	-	-		-	-	-	-	-	-
77	693	00	Awards	-	-		-	-	-	-	-	-
78	649	00	Liaisons	8,000	8,000		8,000	8,000	8,000	8,000	8,000	8,000
79	645	00	Site Survey	2,500	2,500		2,500	2,500	2,500	2,500	2,500	2,500
80	698	00	Special Events	10,000	10,000		10,000	10,000	10,000	10,000	10,000	10,000
81	699	00	Roofing/Contingency	10,000	10,000		10,000	10,000	10,000	10,000	10,000	10,000
82	655	00	Revenue Share	0	123,134		(59,290)	(6,002)	47,286	100,574	152,363	
83												
84			<b>Total Operating Expenses</b>	84,000	207,134		24,710	77,998	131,286	184,574	237,363	
85												
86												
87												
88			<b>Sales and Admin:</b>									
89	628	00	Advertising, Marketing, Promotion	50,000	50,000		50,000	50,000	50,000	50,000	50,000	50,000
90	628	01	Marketing Agency Fees	-	-		-	-	-	-	-	-
91	613	00	Management Fee	25,000	25,000		25,000	25,000	25,000	25,000	25,000	25,000
92	613	01	Sales and Admin	-	-		-	-	-	-	-	-
93												
94			<b>Total Sales and Admin Expenses</b>	75,000	75,000		75,000	75,000	75,000	75,000	75,000	75,000
95												
96			<b>Total Expenses</b>	1,879,420	2,099,653		1,773,277	1,868,686	1,963,995	2,059,304	2,154,613	
97												
98			<b>Net Profit/(Loss)</b>	-	250,000		(120,377)	(12,186)	96,005	204,196	312,388	
99												
100												

Paraguay v. Ecuador

Ready

A few other notes on the mechanics of the program:

- A sheet named “template” drives the formatting of the worksheet (including account numbers and descriptions, number formats, and selected formulas). Because any changes to this sheet could potentially throw off the functionality of the program, this sheet can be hidden from the view of the user.
- All “Operating Expenses” and “Sales and Admin” expenses are defined on the “template” worksheet. In accordance with SEC practices, these expenses do not vary much on a game basis so it made more sense to simply include them as default values in the template.
- The “Stadium Name” combobox finds its values from a sheet called “Stadiums.” This sheet can be edited by the user and stadiums can be added or removed. Any changes will be picked up by the user form each time the stadium name is changed.

**Discussion of Learning and Difficulties:**

Project 4 was an excellent primer for my final project. The majority of the concepts needed to make this project function properly were mastered while I toiled through that project. One of the most difficult parts of my final project was working with the combobox—specifically getting the combobox populated with the values from the “Stadium” worksheet and getting them inserted alphabetically. I borrowed and adjusted code from the user form project and had it working but my approach wasn’t very efficient. I was creating a temporary worksheet and copying and pasting values into to to sort them. I met briefly with the instructor and he suggested an approach that sorted the values on the fly without needing to create a new worksheet.

Working with the ribbon caused some difficulty as well. I struggled to figure out how to get the ribbon button tied to a macro that would launch the user form. After quite a bit of time, I realized that it was a relatively easy fix. I just needed to pass the parameter “(control As IRibbonControl)” into my macro.

One of the major takeaways from this project is that I found a practical application for many of the topics we have learned this semester. This is the type of form that I would have found extremely valuable in my last position prior to returning to business school. I feel confident that I could step into my next job and speed up routine processes by creating programs in VBA.