



The Jags Foundation

Summary and review of the Club AGM of January 2024

The Football Club held its Annual General Meeting on Thursday 11th January 2024. The main items of business concerned the Club's annual accounts for the financial year 2022-23 and the appointment and re-appointment of directors to the Club Board.

The Jags Foundation is now a corporate trustee of the PTFC Trust, the majority shareholder in the Football Club. We, and the other Trustees, attended the AGM to listen, to put relevant questions to the Club Board, and to hear the thoughts of other shareholders.

The format of the evening was a presentation from the Club Board directors, followed by a Q&A (firstly on the accounts and then on wider matters to do with the Football Club).

The Club has issued [its own update post-AGM](#), which we would recommend all supporters read. It is a positive development to see these kinds of update. What follows is our assessment of the state of play, having had the time to scrutinise the presentation, the 2022-23 accounts and the responses given by the Club Board in the room.

1. The Football Department

Douglas McCrea, who has now stepped down from the Club Board, gave the main presentation around the Club's strategy in relation to the Footballing Department.

The primary strategy of the Football Club has been to tie-down important players on longer-term contracts. This approach reflects a conscious decision by the Manager, Kris Doolan, to "protect our assets".

This has been a priority especially with Academy Graduates who have broken into the first team. The longer contracts awarded to Ben Stanway, Aiden Fitzpatrick, James Lyon and Zander MacKenzie are to be welcomed in that context.

The Club has also secured contract extensions for Harry Milne and the evergreen Stevie Lawless. Most recently, the Club extended Brian Graham's contract by a further year, signalling his long-term commitment to the Club both as the men's team player and captain and as the manager of the Thistle women's team.

Despite this shift towards longer contracts, our understanding is that the Club has not "budgeted" for any upside in terms of future player fees. This seems like a prudent working assumption, certainly in the short-term. Speculation about revenue from players should not be used to plug holes in either the footballing or operational budgets. We support this approach.

2. The Club's Financial Position

Richard Beastall delivered the presentation concerned with the Club's accounts to year-end 31st May 2023, the current Club budget, and financial forecasts through to the end of season 2025-26.

Annual Accounts 2022-23

The accounts do not make for good reading, but present no significant surprises. The Club said back in June that it anticipated very substantial losses. As TJF said at the time, these losses could have been in the region of £600k but for income from the Cup tie with Rangers.

As it transpired, the figures for 2022-23 were actually worse than had been anticipated in the summer, with an operating loss of £358k.

Operating losses are never desirable. They are a much more serious problem, however, when the cash reserves of the Football Club are depleted. We noted, in our analysis of the 2021-22 accounts, that the "Current Ratio" of the Club had fallen from 1.65 to 1.1. If the Current Ratio falls below 1, that implies that the Company lacks the liquid assets to meet its short-term liabilities.

The 2022-23 accounts indicate a Current Ratio of 0.76. This threatened the continued existence of the Football Club.

The annual accounts show £250k of "soft-loans" from directors which eased these immediate pressures. But they were never intended to be a long-term solution. We understand those loans were fully repaid well in advance of Donald McClymont and others investing new working capital into the Club. That £500k investment means that the Club should not encounter cashflow problems this season.

However, even with the immediate cashflow issues addressed, it is imperative that the Club stops losing money on the scale it has in recent seasons. It needs to become a sustainable business, so that cashflow challenges do not recur.

The 2023-24 Budget

The Club Board also disclosed to shareholders its financial forecasts for the remainder of 2023-24. It looks likely, based on those forecasts, that the Club will post a six-figure loss again, albeit one that is much reduced on the previous year (especially after ignoring exceptional unbudgeted Cup income). It should be noted that the Club budgeted to depart the Scottish Cup in the 4th Round. Our progress to the 5th Round should therefore yield some unbudgeted upside, which will improve this position.

The exact figures for the losses for this season will depend in major part on final league position, as this greatly affects prize-money. It will also depend on forecast expenditure and income levels being delivered as expected. We agree with the Club's approach that the

Club's budgets in the Championship should normally operate on the assumption of a 5th place finish, so that any additional prize-money is up-side, rather than plugging losses.

It is not surprising that the Club is unable fully to close a £600k+ deficit overnight. It takes time to make improvements to the off-field operations to generate sustainable revenue. But we are encouraged by some of the progress that has been made to close that gap.

The most significant gains have been delivered, and are expected in future to be delivered, through increased revenues. Improved revenues this season have notably included:

- significantly higher season ticket sales (up by 32%), although we would note that this can impact "walk-ups" income, when more fans have paid upfront;
- new, predictable, recurring financial support from TJF (through its £10kpm pledge, sponsorships and other donations).

Future Budgets

The Club's forecasts point to a break-even budget in 2024-25, and an operating profit in 2025-26. The underlying assumptions behind this depend on effective and rigorous cost controls, but also significant improvements in revenues and margins from:

- fan sources
- commercial and sponsorship
- hospitality facilities

The revenue growth targets for these areas strike us as ambitious. It is clear that there are opportunities for growth in these areas (especially when key sponsorship opportunities come up for renewal/renegotiation). The question will be whether the level of growth projected is deliverable on the timescales envisaged. We will be monitoring progress on this very closely, both with our representative in the Boardroom and in our capacity as a Trustee.

Under the Club-Trust Agreement, which is currently out for consultation and expected to come into force in late-February 2024, the Club Board will have to secure the approval of the PTFC Trust trustees for the 2024-25 budget, strategic plan and business plan.

This is a fundamental shift in the way financial scrutiny will work at the Football Club. Instead of inferring trends and challenges after the fact (as happens with annual accounts at the AGM) there will be the opportunity to test the budgeting assumptions of the Club Board **in advance** of the budget being set.

Other provisions of the CTA will also, we hope, make cost control (especially for off-field operations) a lot more robust, as Trust approval will be needed for any significant decisions that could deviate from the agreed budget.

3. Growing revenues at the Football Club

We have the following further reflections on the key target growth areas for revenue in seasons 2024-25 and 2025-26.

Fan Revenues

The Jags Foundation committed £50k in June 2023 to the Club by way of a donation, out of accumulated income from our members' subscriptions and donations. We are not (yet) in a position to repeat that kind of lump sum contribution. However, ongoing contributions from TJF have been made at £10kpm.

The £10kpm pledge we introduced for this season was initially a stretch target (our monthly pledges were lower than this until June 2023). The position is now materially stronger, thanks to membership growth, donations and Thistle Pins revenue. We are confident that TJF can deliver at least a £10kpm pledge in future seasons, and will explore whether it is sustainable to increase this ahead of the 2024-25 season. However it is important to stress that TJF is only part of the picture on fan revenues, and the Club will need to deliver income from other sources to meet their targets here.

Whether this means growing revenues from existing sources (such as the Players Fund, Centenary Fund and streaming services) or establishing new ones, the growth in this area has to be sustainable. Different parts of the Thistle community will need to co-ordinate with one another to ensure that fundraising sources are complementary rather than in competition with one another. TJF stand ready to support this effort, wherever we can.

In the longer-term, sustainably growing fan revenue will depend mainly on growing the fanbase itself. The Club will need to develop its strategy to appeal to new audiences, and to encourage occasional attendees to come along to Firhill more often. We understand that this work is underway.

Commercial and sponsorship revenue

At the AGM we highlighted (in a question to the Board) the fact that the Club's revenues for commercial/sponsorship dropped by 20% between season 2021-22 and 2022-23. This is, in any case, an area of the business that has been underperforming for years.

The Club's projections on commercial revenue for this season is significantly higher than last season (and above 2021-22 levels). However, the Club also anticipates a similar level of improvement in 2024-25 (the season in which the Board expects to return to break-even).

This is an area where we understand there are many moving parts. Delivering on the forecast growth will depend both on securing new commercial partnerships and, perhaps just as importantly, getting better value for the Club from existing commercial assets as and when existing deals expire.

The Club has increased its number of commercial partners by 38% compared with last season. This has included new commercial initiatives, such as the stadium naming sponsorship with Wyre. We will be tracking the progress on this against the backdrop of the Trustee approval for the 2024-25 budget.

Hospitality revenue

The Club has acknowledged that hospitality has proved a challenging part of the business. As we noted in a question at the AGM, hospitality costs increased by 35% between 2021-22 and 2022-23, but function event income was static. Revenues from hospitality this season are also expected to be slightly lower than the previous season, and have been consistently below the industry standard. The twin challenges of cost-control and revenue growth in this context are not insignificant.

New Club Board Director, Elaine Hamilton, has been working on a volunteer basis for several months at the Club, and has been tasked specifically with overhauling the hospitality facilities and offering. The Club's presentation pointed to a renewed focus on:

- Facilities improvements, so that more of the stadium is used 7 days per week
- Service improvement standards, including better engagement, development and training for staff
- Revamping the sales and retention function of the in-house team, so that hospitality is fully utilised on match-days

Anyone who has been in the Alan Rough Lounge or the '71 Club at recent fixtures will have seen the significant improvements to the decor. Attention to these details are what help to make the Club's facilities more appealing not just for premium match-day entertainment, but also other functions and events. It is vital that this up-front investment actually delivers greater revenues. The Club will need a clear marketing strategy to make the best use of its event spaces for the rest of this season and beyond.

To support this work, we will be sharing feedback from our members who attended the TJF Hospitality take-over with the Club. Further work from the Club is also expected around:

- Feasibility of conversion of other areas of the stadium that are currently underutilised (both on match-days and non-match-days)
- Digital sales and marketing

We will monitor progress made in this area as part of the budget approvals process.

4. Investment

In October 2023, the PTFC Trust formally approved an investment agreement, which saw Donald McClymont, Mark Tyndall and Stewart Smith invest a combined £500k into the Football Club, in return for 10% of the voting share capital of the Football Club (in the form

of Class C preference shares). This diluted all existing shareholdings, including for the PTFC Trust from 74% to 68%.

The agreement contemplated a two-phase investment, allowing for a further £500k of further capital to be injected into the Club a later date on similar terms. At the AGM, the Club Board indicated a desire to progress this second phase of investment in the first quarter of 2024.

The Club Board emphasised at the AGM that this second tranche of investment would not be for the same purposes as the first tranche (which was essentially a bailout given the Club's cashflow position). The AGM presentation suggested that the further investment could be used to:

- Redevelop hospitality to increase capacity
- Invest in income-generating staff
- Implement ticket and till system improvements
- Create a substantial financial buffer for stadium repairs and improvements

Under the new Club-Trust Agreement, any decision to issue new shares requires the approval of the majority shareholder, the PTFC Trust, following a beneficiary vote in favour. We would expect open and transparent engagement from the Club and the investors in providing information not just to the Trustees, but also to the wider support.

At the time of writing, no formal proposal for the second tranche of the investment has been presented to the PTFC Trust trustees. As and when any proposal is presented, we will consider it on its merits.

The Trustees met with Donald McClymont late last week. We discussed (among other things) the potential second tranche of investment. We at TJF found this meeting helpful, as it allowed both parties to clarify their intentions and expectations (on both the substance and process). We hope these initial exchanges will positively influence the proposals that are eventually put to the Trustees.

TJF intends to ask the Club Board for a detailed plan about how any extra funds would be used, if invested. We would expect this plan to include detailed financial forecasting on the proposed use of the funds.

Especially given that the Club is not yet a break-even business, there needs to be vigilance and budgetary discipline to ensure that any cash injection is used strategically and sustainably, and not simply used to cover over-spends or budgeting shortfalls.

5. Stadium

TJF members and other fans often ask us about Firhill, its upkeep and its future. The Trustees asked questions about both stadium maintenance and redevelopment at the AGM.

6.1 Maintenance and safety

The Club provided an update at the AGM on stadium improvements and safety. This is a key aspect of the matchday experience. A lot of this has focused on parts of both the Colin Weir Stand and the Jackie Husband Stand. However, there is also a rolling broken-seat repair/replacement plan across the whole stadium.

Colin Weir Stand

- There is an ongoing programme to repaint the internal concourse and to replace windows
- New windows are being manufactured for installation on the roadside
- The Aitken Suite's kitchen and utility areas have been revamped
- Gym renovations have been made to modernise and improve appearance, equipment and the environment

Jackie Husband Stand

- Ongoing roof repairs
- Hospitality lounges & 71 Club have been upgraded

6.2 Redevelopment

A common question we, and the Club, are asked about is whether the City End could be redeveloped at Firhill. The Club is in extremely early-stage exploratory discussions about whether the land could be used for a mixed-purpose redevelopment, consisting mainly of social housing and some stand provision for the stadium itself.

In terms of managing expectations about this, several attempts have been made to come up with a commercially viable and planning-approved proposal for that part of the ground in the past, without success. As we understand it, the Club has not committed resource to this, and any progress would be dependent on any project receiving significant external funding.

Any proposal to redevelop the City End would require the proper consultation and approval of the majority shareholder, the PTFC Trust, including a beneficiary vote on any sale of land or buildings.

7. Conclusion

One shareholder at the AGM commented at the end that the contrast with the previous AGM was "night and day". Whilst there are still undoubtedly challenges facing the Club, there are reasons to be optimistic about the future. The next 12 months will be critical to demonstrating that Thistle can become a sustainable fan-owned Club, and we are ready to do our bit to give us the best possible chance of succeeding.