

TOUGH TIMES FOR TRAINERS

Nearly three-quarters say they are struggling to make it pay

THE THURSDAY REPORT

Paul Eacott examines the findings of a survey that paints a bleak picture and reveals low expectations for the future



NEARLY three-quarters of trainers in Britain are failing to make a profit from their business, according to a survey published today.

The stark realities of training racehorses in 2013 became clear when an alarming 73 per cent of those polled said they were either operating at a loss or just breaking even, leaving just 27 per cent reporting a profit.

Figures released this week by the government's Office of Budget Responsibility predict a "modest recovery" in the British economy over the next year, yet only 28 per cent of those who took part in the survey said they felt confident about their business prospects over the next six months.

While those bleak figures may come as a shock to many outsiders looking in, Rupert Arnold, chief executive of the National Trainers Federation, said the facts back up anecdotal evidence he has been hearing from his members.

"We speak to trainers all the time in the course of our work," said Arnold. "Many are pessimistic about prospects and there is no doubt in our minds that business for the majority of trainers is under severe strain."

Profits hit by rising costs

Just 17 per cent of respondents said they were more confident about the future than a year ago, with 79 per cent saying their profit margins were the same, or worse, than they were 12 months ago.

Those profit margins have been hit by continual rises in costs. Diesel has leapt from 90p a litre in January 2008 to an

average of 149p a litre this week while trainers have also had to contend with property and wage increases as well as more outgoings on other overheads such as feed and bedding.

Much of this increased expenditure has been swallowed by the trainers themselves as just over 65 per cent of those who took part in the survey said they had frozen their training fees in 2013. Added to that, almost 57 per cent said they now offer some sort of discount to attract new owners to their yard.

"The trend is for bigger yards to be growing and for the middle tier to be losing horses as they find it harder to retain and attract the smaller, mainly British-based owners," said Arnold.

Low prize-money levels are often cited as a reason for owners turning their backs on the sport but, rather surprisingly, almost 23 per cent of trainers said they did not believe the number of owners they have was affected by the sometimes paltry purses on offer.

"Trainers' responses about the role of prize-money in retaining owners is interesting," continued Arnold, who added a word of caution about foreseeable cash injections as prize-money is expected to be increased by ten per cent next year.

"Our fear is that forecasts for potential uplifts in prize-money in the near future are fairly low," he added. "There is certainly no sign of a game-changing increase whereas trainers' operating costs are continually escalating."

Prize-money levels have had little impact on owners settling their bills on time, with almost 83 per cent of trainers reporting that the promptness of payment is either better or no worse than a year ago.

'Resilient trainers digging in'

The survey was carried out by solicitors Withy King, whose Andrew Chalk has an in-depth knowledge of the sport having established his own bloodstock business in 1999 and subsequently represented a number of owners, trainers and jockeys at disciplinary and licensing hearings.

Commenting on the findings of the poll, known as the Racing Barometer, Chalk said: "It comes as no surprise that the sentiments expressed by those at the coalface in racing reflect those in wider society."

"These remain challenging times for all, but the results paint a picture of resilient trainers digging in and working hard through the recession, with many

being innovative in the way they structure fees to attract new owners."

He continued: "As always, it's a mixed picture. Some trainers continue to find trading conditions very tough, but let's hope that in time we will look back on this survey as showing the green shoots of recovery."

One of the most positive findings of the survey, which was carried out in conjunction with the Racing Post and sent to 550 trainers, concerns the prospects for stable staff, many of whom have been loyal to their employers for years.

Nearly 77 per cent of the trainers who took part said they employed either the same number of staff or more than this time last year and less than 21 per cent predict that their headcount will drop over the coming six months.

Slightly more disappointing, though, was the fact that just over 30 per cent of stable staff who leave their jobs do so to seek employment in a different industry.

Chalk's partner in Withy King's racing and bloodstock team, Richard Brooks, added: "A balance needs to be struck between keeping owners happy and having a businesslike relationship that requires good cash flow. The successful trainers maintain their cash flow with a keen eye on the business as well as their horses."

Reflecting on the findings of the survey and also the changing demographic of Britain's trainers, Brooks added: "While there are some obvious difficulties, there is also a fair degree of optimism. We see a regular stream of new businesses started by some fairly savvy characters."

I would try to hold it if I could."

Just nine winners on the Flat in 2003 was the worst year for Dow since 1990 but they still contributed towards a prize-money haul of £89,195. This year he sits on eight but his total win and place prize-money is just a shade more than £41,000.

Like almost 23 per cent of those polled, Dow does not believe the number of owners in his yard is affected by prize-money levels.

He answers immediately with an affirmative "no" when asked if he has lost owners due to poor prize-money, before offering his own take on the situation.

"My view with my clients is there is little point in keeping a horse who can't run in a Class 4 race or better... or alternatively the owner doesn't mind me training their horses for £20,000 a year and running for £1,800."

Dow, who feels more confident about the outlook for his business than he did a year ago, is aware how important it is to keep an eye on the balance sheet.

"What has happened to me is I have learned a lot," he says. "I have learned how to save money without it being to the detriment of the service I can provide. The business model of a trainer of my size is so dependent on achievement."

of the purse strings, increased overheads have had an impact.

"I would say, of my training fee, 95 per cent is taken up with the actual costs - the rent, the food, the bedding, the electricity and the water. Five or six years ago I would say it was probably around 80 per cent."

Those fees, £43 a day, have not risen in 2013. "I would normally go up on January 1 and I have gone up £1 a day for the last five years but I decided not to this year. I had a mid-year rise last year as well so I thought



HOW TRAINERS IN THE SURVEY RESPONDED

Are you . . .
Employed? 28.3%
Self-employed? 71.7%

Is your yard . . .
Owned 55.8%
Leased 44.2%

Do you train . . .
Flat 24.5%
Jumps 9.4%
Mixed 66%

How many horses do you have in your yard?
1-10 17%
11-25 39.6%
26-50 30.2%
51-100 9.4%
100+ 3.8%

How does this compare with one year ago?
Fewer 28.8%
More 32.7%
About the same 38.5%

How many horses do you own?
Fewer than 2 38.5%
3-5 36.5%
6-10 17.3%
More than 10 7.7%

How does this compare with one year ago?
Fewer 22.6%
More 26.4%
About the same 50.9%

How confident are you about the business climate for trainers over the next six months?
Confident 28.3%
Not confident 52.8%
Don't know 18.9%

How does this compare with your confidence a year ago?
More confident now 17.3%
Less confident now 21.2%
About the same 61.5%

Is your business . . .
Profitable? 26.9%
Unprofitable? 23.1%
Just breaking even 50%

How does this compare with the position a year ago?
Better 21.6%
Worse 29.4%
About the same 49%

Do you think owners are better at paying their bills now than they were one year ago?
Yes 5.8%
No 17.3%
The same 76.9%

Are you seeing more shared ownership of horses in your yard, by syndicates of four or more people, than you were one year ago?
Yes 50.9%
No 49.1%

Do you believe the number of owners in your yard is affected by prize-money levels?
Yes 77.4%
No 22.6%

Has your daily training fee changed compared with one year ago?
Yes, it has increased 34.6%
Yes, it has decreased 0%
No, it has remained the same 65.4%

Do you feel you have to offer discounts to attract owners to your yard?
Yes 56.9%
No 43.1%

Compared with this time last year, do you employ . . .
More staff? 23.1%
Fewer staff? 23.1%
About the same? 53.8%

Over the next six months, is your headcount likely to . . .
Increase? 20.8%
Decrease? 20.8%
Stay the same? 58.5%

Approximately what percentage of your staff has worked for you for more than 12 months?
More than 90% 39.6%
75-90% 18.9%
50-75% 13.2%
25-50% 17%
Less than 25% 11.3%

Where do the majority of staff go when they leave you?
A competitor's yard 28.3%
Different jobs, but still in racing 22.6%
New careers outside of racing 30.2%
Don't know 18.9%

Withy King's Racing Barometer survey, carried out in conjunction with the Racing Post, was completed by 53 racehorse trainers in Britain

'Of my training fee, 95 per cent is taken up by costs'

CASE STUDY Simon Dow

HE MAY not be in the 73 per cent of trainers failing to turn a profit, but as somebody whose business makes "a little bit of money", Simon Dow is very aware of the financial realities he and his colleagues face.

"Once upon a time the business used to make money nicely and we didn't have to worry too much about it," said Dow (below), who has held a licence since 1984, training in Epsom for all but three of those years.

By his own admission, the genial Dow used to run his business "by the seat of my pants", but such are the fiscal pressures on trainers now that things are a lot more measured.

He said: "Every board and committee I sit on has a budget and a cash-flow projection so now I have started running my business like these boards - like I should have done 25 years ago."

The now more prudent Dow has no regrets about the way things have panned out though. Of the 22 boxes at Clear Heights Stables, 20 are occupied with only "one and a half" horses in the trainer's ownership.

Despite his operating on near full capacity and a self-imposed tightening

THE DOW INDEX: TRAINING FEES V RPI

