

# MANCHESTER UNITED

## 1. Company Overview & Financials

### 1.1 Soccer Club Overview

Manchester United plc is the group that owns and conducts the financial operations of the professional sports team of Manchester United in the UK. They evolve in the Premier League, the 1<sup>st</sup> division of one of the most popular soccer championships, not only in the world but also worldwide. The company develops marketing and sponsorship relationships with international and regional companies to take advantage of its brand and make it more popular.

The company also markets and sells sports apparel for training, leisure wear, and other clothing featuring the Manchester United brand.

It also sells other licensed products, such as coffee mugs, stickers, and fan accessories, featuring the Manchester United brand and trademarks.

It distributes these products as well through Manchester United branded retail shops and e-commerce platforms, like the football club's official website and the company's partners.

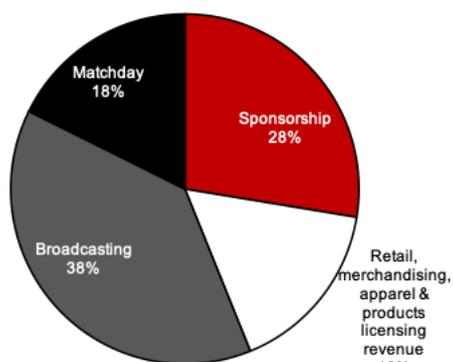
In addition, it distributes live football content directly through the club's streaming platform, as well as through commercial partners; broadcasts television rights relating to the Premier League, Union of European Football Associations (UEFA) club competitions, and other competitions.

It finally delivers Manchester United exclusives programs, such as training content, players interviews or documentaries through MUTV television channel to territories worldwide.

Further, the company offers a direct-to-consumer subscription mobile application; and operates Old Trafford, the Legendary Arena of the Red Devils, with 74,140 seats, as well as invests in the real estate industry. Manchester United plc was founded in 1878 and is based in Manchester, the United Kingdom.

### 1.2 Manchester United Financials

Manchester United Revenue Segments 2019



The revenue generated by Manchester United varies around 600m GBP. Due to Covid, the Matchday segment has been affected, this represents 120m GBP. Trying to balance it with Broadcasting and other segments, the loss in revenues for the years 2020 and 2021 is understandable.

In terms of expenditures, it isn't surprising that employee benefits (332m GBP) took up more than half of the total operating expenses (603m GBP) as the A players have high salaries and cost a lot to acquire them from other clubs.

## MANCHESTER UNITED PLC | FINANCIAL REPORT | Anthony Dablé-Wolf

Man Utd's revenue was £516m in 2016. £581m in 2017.

Just £509m in 2020 and £494m in 2021, considering that 2020 was hit by Covid.

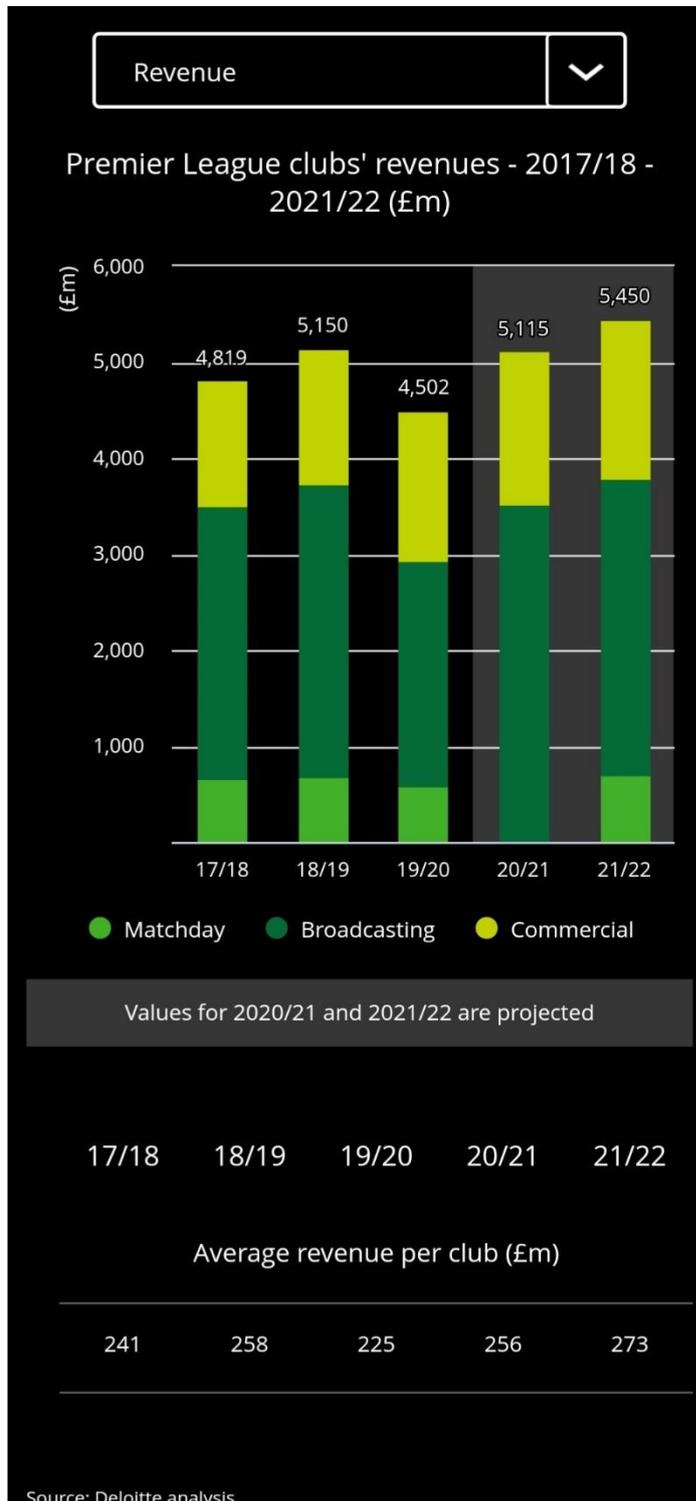
You can see that both the Broadcasting and Matchday revenues have gone down, but back up for 2021 due to Covid adaptation.

	Year ended 30 June				
	2021	2020	2019	2018	2017
<b>Statement of profit or loss data:</b>	(€'000, unless otherwise indicated)				
Revenue from contracts with customers(1) . . . . .	494,117	509,041	627,122	589,758	581,254
<i>Analyzed as:</i>					
Commercial revenue . . . . .	232,205	279,044	275,093	275,835	275,521
Broadcasting revenue . . . . .	254,815	140,203	241,210	204,137	194,098
Matchday revenue . . . . .	7,097	89,794	110,819	109,786	111,635
Operating expenses—before exceptional items . . . . .	(538,424)	(522,204)	(583,337)	(562,089)	(516,068)
<i>Analyzed as:</i>					
Employee benefit expenses . . . . .	(322,600)	(284,029)	(332,356)	(295,935)	(263,464)
Other operating expenses . . . . .	(76,467)	(92,876)	(108,977)	(117,019)	(117,942)
Depreciation and impairment . . . . .	(14,959)	(18,543)	(12,850)	(10,755)	(10,228)
Amortization . . . . .	(124,398)	(126,756)	(129,154)	(138,380)	(124,434)
Operating expenses—exceptional items . . . . .	—	—	(19,599)	(1,917)	4,753
Total operating expenses . . . . .	(538,424)	(522,204)	(602,936)	(564,006)	(511,315)
Operating (loss)/profit before profit on disposal of intangible assets . . . . .	(44,307)	(13,163)	24,186	25,752	69,939
Profit on disposal of intangible assets . . . . .	7,381	18,384	25,799	18,119	10,926
Operating (loss)/ profit . . . . .	(36,926)	5,221	49,985	43,871	80,865
Finance costs . . . . .	(36,411)	(27,391)	(25,470)	(24,233)	(25,013)
Finance income . . . . .	49,310	1,352	2,961	6,195	736
Net finance income/(costs) . . . . .	12,899	(26,039)	(22,509)	(18,038)	(24,277)
(Loss)/profit before income tax . . . . .	(24,027)	(20,818)	27,476	25,833	56,588
Income tax expense(2) . . . . .	(68,189)	(2,415)	(8,595)	(63,462)	(17,379)
(Loss)/profit for the year(1)/(2) . . . . .	(92,216)	(23,233)	18,881	(37,629)	39,209
Weighted average number of ordinary shares (thousands) . . . . .	162,939	164,253	164,526	164,195	164,025
Diluted weighted average number of ordinary shares (thousands)(3) . . . . .	162,939	164,253	164,666	164,195	164,448
Basic (loss)/earnings per share (pence)(1)/(2) . . . . .	(56.60)	(14.14)	11.48	(22.92)	23.90
Diluted (loss)/earnings per share (pence)(1)/(2)/(3) . . . . .	(56.60)	(14.14)	11.47	(22.92)	23.84

Considering Cash Flow, Man Utd had suffered 3 losses in the last 5 years.

	Year ended 30 June				
	2021	2020	2019	2018	2017
(Loss)/profit for the year . . . . .	(92,216)	(23,233)	18,881	(37,629)	39,209
<i>Adjustments:</i>					
Tax expense . . . . .	68,189	2,415	8,595	63,462	17,379
Net finance (income)/costs . . . . .	(12,899)	26,039	22,509	18,038	24,277
Profit on disposal of intangible assets . . . . .	(7,381)	(18,384)	(25,799)	(18,119)	(10,926)
Exceptional items(a) . . . . .	—	—	19,599	1,917	(4,753)
Amortization . . . . .	124,398	126,756	129,154	138,380	124,434
Depreciation and impairment . . . . .	14,959	18,543	12,850	10,755	10,228
Adjusted EBITDA . . . . .	95,050	132,136	185,789	176,804	199,848

**2. Sector Overview**



Overall, the revenues tend to increase. This chart of the past 5 seasons in Premier League shows an improvement of Premier League general revenues from 4.8 billion GBP to 5.4 billion GBP.

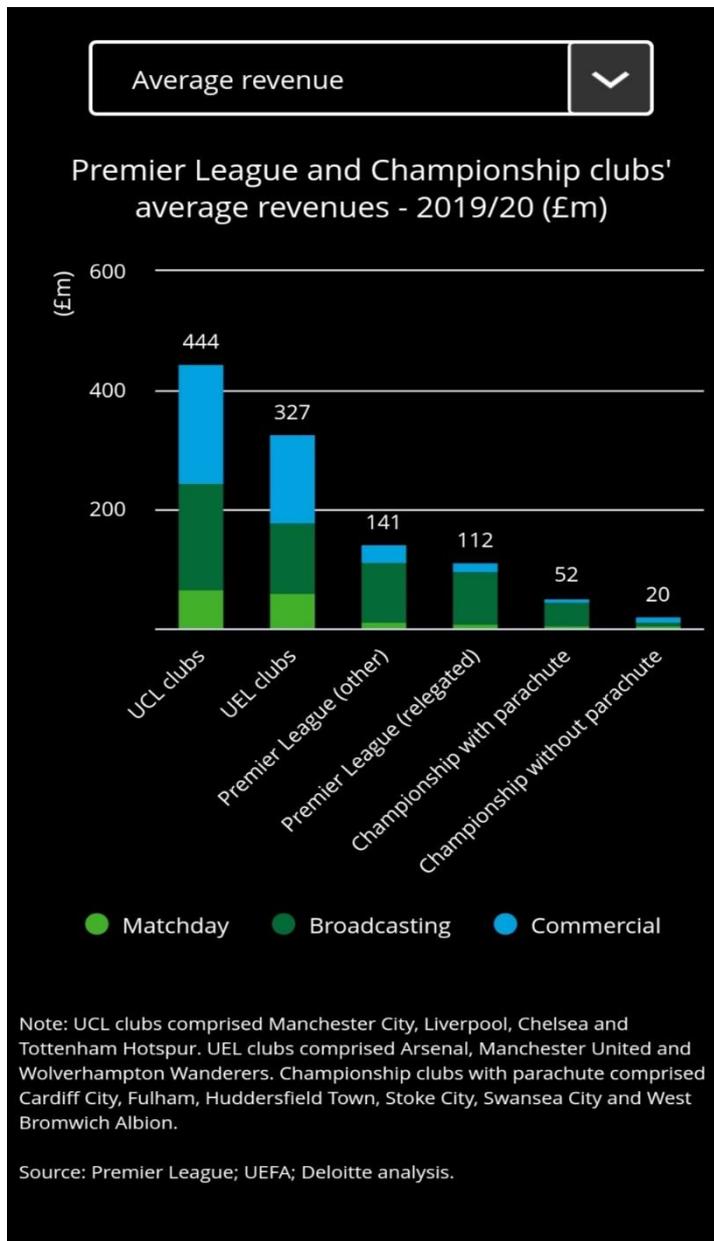
The main challenges of the past 5 years has been the Pandemic effect on revenues:

Half of the season 2019/2020 has was affected by the emergence of Covid-19, and the revenues decreased by more than 300 million GBP compares to the revenues 2 seasons before.

With more experience and time to strategically plan in response to Covid-19, the marketing efforts in terms of commercial and broadcasting even exceeded the season 2020/2021 expectations as Covid regulations allowed Matchday revenues:

1,508 billion GBP for Commercial;  
391 million GBP for Matchday.  
4,133 billion GBP for Broadcasting.

For a total of over 6 billion GBP in revenues.



This is the most critical graphic as it explains and justifies the investment logic of the top clubs.

Manchester isn't any more since 2013 and the departure of SIR Alex Ferguson.

Manchester hasn't won the premier league championship ever since:

20 wins in the Premier League 2007, 2008, 2009, 2011, 2013.

12 wins in FA Cup 2004, 2016.

5 wins in League Cup 2006, 2009, 2010, 2017.

3 wins in the Champions League 1968, 1999, 2008.

The reputation, the influence, the dominance of the club clearly isn't the same as the late 2000' and early 2010', but this is a status that they are trying hard to get this status back.

This is what leads us to our next graphic.

Premier League and Football League clubs' player transfer payments - 2019/20 (£m)



Note: Note: The arrows represent the flow of payments, with players moving in the opposite way. The estimated amount of fees in respect of the transfer of player registrations refer to amounts committed in 2019/20, rather than actual cashflows. The sources for the amounts in the chart relate to periods that are not necessarily coterminous.

Source: Premier League; Football League; The Football Association; Deloitte analysis.

The most important resource is the players:

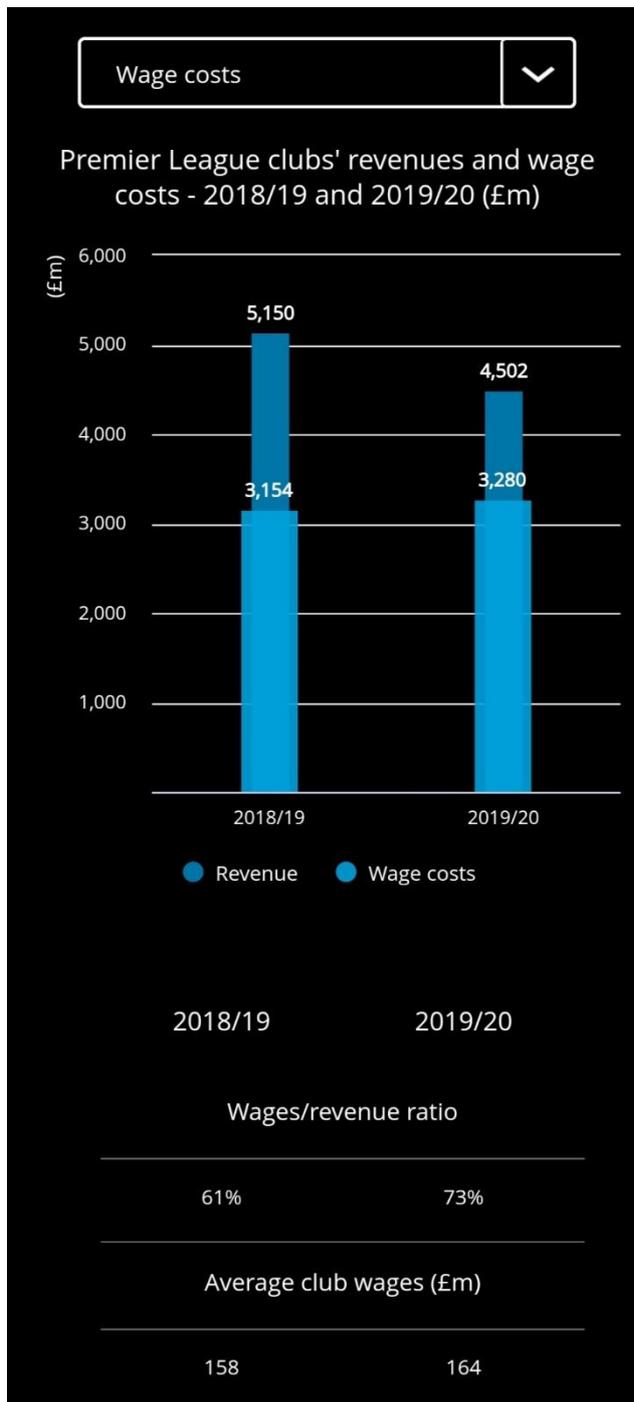
The better the players, the better chance to win games and the championship, to qualify for cups and European cups and expect big marketing, broadcasting revenues.

Marketing and Soccer-wise, to recruit back Cristiano Ronaldo to Manchester United is a great and understandable invest move.

Cristiano's transfer did cost **£220.5m**: this represents more than twice the transfer budget of the 20 clubs of the Premier League.

Cristiano Ronaldo has as off today 424 million followers in Instagram only! This speaks louds in terms of Marketing potential and he is arguably the best player to ever play this game. All Love to Pelé, Ronaldo & Ronaldinho for my Brazilian friends.

Such a huge investment reflects the winning intentions of the club and the expectations that wears such an investment. Not paying dividends yet as Man U stands at the 7<sup>th</sup> of the Premier League Championship.



In addition to the cost of the transfer, you must now pay the appropriate salary to the player who now wears your colors.

Cristiano will now cost annually 26.5m GBP to Manchester United.

For the year season 2019/2020, the salaries represented on average a 75% proportion compared to the revenue the football clubs made on average.

Like we said, it might seem like an important proportion but it is understandable as they are the main actors of the financial success of the club: on the field success means revenue generation.

10 highest-paid players in Man Utd (per week basis):

1. Cristiano Ronaldo: £480,000
2. David De Gea: £375,000
3. Jadon Sancho: £350,000
4. Raphael Varane: £340,000
5. Paul Pogba: £290,000
6. Anthony Martial: £250,000
7. Edinson Cavani: £250,000
8. Marcus Rashford: £200,000
9. Harry Maguire: £189,000
10. Bruno Fernandes: £180,000

Just these 10 players will cost Man Utd £151m in a year, and you need 11 on the field and their replacements...

### **3. Risks & Opportunities**

This is where I started to fear for the business as a good stock investment.  
The list of risks in the annual report, though making sense all along, is awfully long.

#### **3.1 Risks Related to Our Business**

The COVID-19 pandemic has had, and may continue to have, a material impact on our business, results of operations, financial position and cash flows.

#### **We are dependent upon the performance and popularity of our men's first team.**

European competitions cannot be relied upon as a source of income.

If we are unable to maintain and enhance our brand and reputation, particularly in new markets, or if events occur that damage our brand and reputation, our ability to expand our follower base, sponsors, and commercial partners or to sell significant quantities of our products may be impaired.

Our business is dependent upon our ability to attract and retain key personnel, including players.

We are exposed to credit related losses in the event of non-performance by counterparties to Premier League and UEFA media contracts as well as our key commercial and transfer contracts.

Matchday revenue from our supporters is a significant portion of overall revenue. ( 20% )

The markets in which we operate are highly competitive, both within Europe and internationally, and increased competition could cause our profitability to decline.

Our digital media strategy may not generate the revenue we anticipate.

Serious injuries to or losses of playing staff may affect our performance, and therefore our results of operations and financial condition.

Our international expansion and operations in foreign markets expose us to risks associated with international sales and operations

Failure to adequately protect our intellectual property and curb the sale of counterfeit merchandise could injure our brand.

Piracy and illegal live streaming may adversely impact our Broadcasting revenue.

Fluctuations in exchange rates may adversely affect our results of operations

We are subject to tax in multiple jurisdictions, and changes in tax laws (or in the interpretations thereof) in the United States, United Kingdom or in other jurisdictions could have an adverse effect on us.

#### 4.0 PAST STOCK PERFORMANCE



Manchester United struggled to perform on the field after legendary manager, Sir Alex Ferguson, left the club in 2013.

Little reminder since 2013 performance:

20 wins in the Premier League 2007, 2008, 2009, 2011, 2013.

12 wins in FA Cup 2004, 2016.

5 wins in League Cup 2006, 2009, 2010, 2017.

3 wins in the Champions League 1968, 1999, 2008.

It has not won the League even after changing several managers and investing millions in the transfer market. A very poor return on investment has been observed.

The profit margin was only a mere 3%. Revenue growth was flat too – the compound annual growth rate over the past 5 years was just 1%.

Hence, that explains the poor performance of the stock – gaining 5% after almost 8 years. That's worse than bond returns.

## **5. PEER COMPARISON CONFRONTING SIMILAR INDICATORS**

### **Top 4 Soccer Clubs trading in the stock market:**

#### **#1 Manchester United**

##### **EBITDA**

Manchester United's EBITDA for the three months ended in **Dec. 2021** was **\$61.1 Mil.** Its EBITDA for the **trailing twelve months (TTM)** ended in **Dec. 2021** was **\$113.8 Mil.**

##### **P/E Ratio**

As of **today** (2022-04-09), Manchester United's stock price is **\$14.72.** Manchester United's [Earnings per Share \(Diluted\)](#) for the **trailing twelve months (TTM)** ended in **Dec. 2021** was **\$.** Therefore, Manchester United's [PE Ratio](#) for **today** is **At Loss**

##### **EV to EBIT**

As of **today**, Manchester United's [Enterprise Value](#) is **\$3,050.9 Mil.** Manchester United's [EBIT](#) for the **trailing twelve months (TTM)** ended in **Dec. 2021** was **\$-90.4 Mil.** Therefore, Manchester United's EV-to-EBIT for **today** is **-33.74.**

#### **#2 Borussia Dortmund**

##### **EBITDA**

Borussia Dortmund GmbH KGaA's EBITDA for the three months ended in **Dec. 2021** was **\$36.5 Mil.** Its EBITDA for the **trailing twelve months (TTM)** ended in **Dec. 2021** was **\$131.0 Mil.**

##### **P/E Ratio**

As of **today** (2022-04-09), Borussia Dortmund GmbH KGaA's share price is **€3.88.** Borussia Dortmund GmbH KGaA's [Earnings per Share \(Diluted\)](#) for the **trailing twelve months (TTM)** ended in **Dec. 2021** was **€-0.09.** Therefore, Borussia Dortmund GmbH KGaA's PE Ratio for **today** is **At Loss.**

##### **EV to EBIT**

As of **today**, Borussia Dortmund GmbH KGaA's [Enterprise Value](#) is **€422.4 Mil.** Borussia Dortmund GmbH KGaA's [EBIT](#) for the **trailing twelve months (TTM)** ended in **Dec. 2021** was **€3.0 Mil.** Therefore, Borussia Dortmund GmbH KGaA's EV-to-EBIT for **today** is **139.54.**

### **#3 As Roma EBITDA**

A.S. Roma SpA's EBITDA for the six months ended in **Dec. 2021** was **€-56.8 Mil**. Its EBITDA for the **trailing twelve months (TTM)** ended in **Dec. 2021** was **€-107.7 Mil**

### **P/E Ratio**

As of **today** (2022-04-09), A.S. Roma SpA's share price is **\$0.34**. A.S. Roma SpA's [Earnings per Share \(Diluted\)](#) for the **trailing twelve months (TTM)** ended in **Dec. 2021** was **\$-0.42**. Therefore, A.S. Roma SpA's PE Ratio for **today** is **At Loss**.

### **EV to EBIT**

As of **today**, A.S. Roma SpA's [Enterprise Value](#) is **\$573.4 Mil**. A.S. Roma SpA's [EBIT](#) for the **trailing twelve months (TTM)** ended in **Dec. 2021** was **\$-241.9 Mil**. Therefore, A.S. Roma SpA's EV-to-EBIT for **today** is **-2.37**.

### **#4 Juventus**

#### **EBITDA**

Juventus Football Club SpA's EBITDA for the six months ended in **Dec. 2021** was **€-16.9 Mil**. Its EBITDA for the **trailing twelve months (TTM)** ended in **Dec. 2021** was **€18.0 Mil**.

#### **P/E Ratio**

Juventus Football Club SpA stock (JVTSF) PE ratio as of Apr 09 2022 is 0.

#### **EV to EBIT**

As of **today**, Juventus Football Club SpA's [Enterprise Value](#) is **€872.0 Mil**. Juventus Football Club SpA's [EBIT](#) for the **trailing twelve months (TTM)** ended in **Dec. 2021** was **€-199.0 Mil**. Therefore, Juventus Football Club SpA's EV-to-EBIT for **today** is **-4.38**.

## **6. Conclusions**

We can follow our favorite football clubs and support them by going to the stadium or buying their merchandise. But we should not invest in their stocks.

\$US 2,4 billion The Manchester United stocks have done poorly ever since the company got stock listed. 9 years after being listed, the price of the Manchester United Stock is basically back to where the first-ever stock price was, just a couple of cents above...

The Soccer stock market isn't attractive at all.

Love the clubs. Not their stocks.

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