

# Juventus Football Club

## FY13-14 Results

Juventus Football Club - Key estimates and data					
Y/E June		2012/13A	2013/14A	2014/15E	2015/16E
Revenues	EUR M	283.80	315.78	291.10	309.10
EBITDA	EUR M	56.71	69.17	53.90	71.40
EBIT	EUR M	-3.81	8.85	-1.60	17.90
Net income	EUR M	-15.91	-6.67	-18.26	1.83
Dividend ord.	EUR	0.00	0.00	0.00	0.00
Adj. EPS	EUR	-0.02	-0.01	-0.02	0.00
EV/EBITDA	x	6.76	6.20	7.92	5.69
Adj. P/E	x	-14.0	-33.43	-12.22	121.96

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

- Revenue growth driven by players' rights disposal.** FY13-14A revenues were EUR 315.8M, +11.3% vs. the previous year. In detail: 1) ticket revenues were EUR 41M (+7.7% yoy), mainly due to higher revenue from the Champions League and Europa League home matches, and higher revenue from friendly matches; 2) TV rights revenues declined by 7.7% to EUR 151M, negatively influenced by lower revenue from the Champions League; 3) sponsorship and advertising rose by 14.6% yoy to EUR 60.3M, thanks to a premium from sponsors (EUR 6M) in relation to the sport results achieved in the last few years; 4) other revenues were EUR 27.1M, +48.2% yoy; and 5) players' rights disposals were up by 219.7% to EUR 36.4M.
- Operating costs up.** Operating costs increased by 8.6% to EUR 246.6M, mainly due to players' wages up by 12.7% to EUR 167.9M, and service costs up by 6.4% to EUR. EBITDA was EUR 69.2M, +22% yoy. Net income was a EUR 6.7M loss, vs. a EUR 15.9M loss in FY12-13A. FY13-14A net debt was EUR 206M, worsening by EUR 45.7M vs. FY12-13A, mainly due to the net transfer campaign investment (EUR 46.1M), and to the advance payment for the Continassa project (EUR 5.5M), other investments (EUR 6.7M) and financial flows (EUR 7.5M), only partially offset by operating cash flow (EUR 20.1M).
- Outlook.** In the FY13-14 season, management finalised sponsorship agreements at better conditions, by changing the technical sponsor from Nike to Adidas from the 2015-16 season (an improvement of around EUR 15M/year) and by renewing the sponsorship with FIAT-Jeep (an improvement of around EUR 5M/year). Moreover, the valorisation of the Continassa area is ongoing, in January, Juventus granted Beni Stabili Gestioni an exclusive assignment to set up a real estate fund to develop the Continassa project. In 2014-15, the effort made to maintain the best players in the first team, and to buy young talents, will lead to an increase of sport costs, while revenue, as always, will be influenced by the sport results, in particular by those in UEFA Champions League. Management expects a net loss for the FY14-15 season, hopefully continuing the improving trend recorded in the last few seasons.
- Estimates and valuation.** In light of the FY13-14A results, and the renewal of few contracts, we changed our FY14-15E and FY15E-16E estimates, in particular for the new Serie A and Champions League TV rights framework from 2015-16, and for an increase in labour costs of around EUR 15M, to align them with the FY13A-14A level. We also increased net debt by 9.8% in FY14-15E and 10.2% in FY15-16E, due to a FY13-14A net debt of EUR 206M, around EUR 15M higher than our estimates. We value Juventus with a DCF model, **resulting in a target price of EUR 0.25/share (EUR 0.27/share previously) and an ADD rating.**
- Key risks.** The Juventus business model is partially dependent on football results. The financial results are also dependent on the players' trading campaign, which we consider part of the business model (and not an extraordinary item), but which may fluctuate considerably year by year according to the club's strategy. Furthermore, some non-predictable events (such as player injuries) could also affect results.

See page 9 for full disclosures and analyst certification

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7 November 2014

**ADD**

Target Price: EUR 0.25  
(from EUR 0.27)

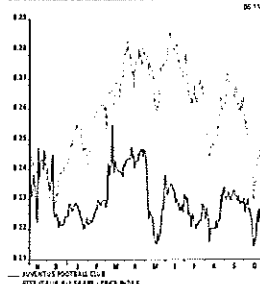
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Company Update

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Price performance, 1Y




Source: Thomson Reuters

Data updated on 05/11/2014

Target price (€)	0.25		
Target upside (%)	12.92		
Market price (€)	0.22		
52-week range (€)	0.3/0.2		
Market cap (€ M)	223.12		
No. of shares (M)	1,007.77		
Free float (%)	37.8		
Major shareholder (%)	G. Agnelli&C S.a.p.a., 60		
Reuters	JUVE.MI		
Bloomberg	JUVE IM		
FTSE It All Shares	20498		
Performance %			
Absolute	Rel. to FTSE All Sh		
-1M	-3.1	-1M	0.9
-3M	-2.7	-3M	0.9
-12M	-8.9	-12M	-10.0

Source: Intesa Sanpaolo Research estimates and Thomson Reuters

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## FY13-14A Results

Juventus' FY13-14A revenues were EUR 315.8M, +11.3% vs. the previous year. In detail:

### FY13-14A revenues

- Ticket revenues were EUR 41M (+7.7% yoy), mainly due to higher revenue from the Champions League and Europa League home matches, and higher revenue from friendly matches;
- TV rights revenues declined by 7.7% to EUR 151M, due to lower revenue from UEFA rights (-23.3% yoy to EUR 50.1M), attributable to a higher number of Italian teams participating in the Champions League (3, vs. 2 in FY12-13) which implied lower revenue from the "national pool", and to an earlier elimination from Champions League compared to FY12-13;
- Sponsorship and advertising increased by 14.6% yoy to EUR 60.3M, thanks to a premium from sponsors (EUR 6M) in relation to the sport results achieved in the last few years;
- Players' rights disposals were up by 219.7% to EUR 36.4M;
- Other revenues were EUR 27.1M, +48.2% yoy, mainly coming from commercial activities such as memberships, stadium tours, the museum and non-sport activities carried out at the stadium, and a contribution from UEFA for the Europa League final at Juventus Stadium.

Juventus' FY13-14A revenue breakdown			
EUR M	FY12-13A	FY13-14A	% yoy
Tickets	38.1	41.0	7.7
TV, radio rights and media revs.	163.5	151.0	-7.7
Sponsorship & Advertising	52.6	60.3	14.6
Players' rights disposal	11.4	36.4	219.7
Other revenues	18.3	27.1	48.2
<b>Total revenues</b>	<b>283.8</b>	<b>315.8</b>	<b>11.3</b>

A: actual; Source: Company data

Operating costs increased by 8.6% to EUR 246.6M, mainly due to:

### Operating costs increase

- Players' wages rising by 12.7% to EUR 167.9M, for higher wages to the first team (+EUR 14.3M) and a higher premium (+EUR 3.5M);
- Service costs rose by 6.4% to EUR 48M (also including management costs for the new Juventus Stadium), due to higher transport and trip costs, particularly for a summer tour in the US.

Juventus' FY13-14A costs breakdown			
EUR M	FY12-13A	FY13-14A	% yoy
Raw materials	2.9	3.5	18.4
Services	45.1	48.0	6.4
Players' wages	149.0	167.9	12.7
Other wages	14.5	16.2	12.1
Players' rights management	5.6	3.8	-31.3
Other	10.0	7.3	-27.6
<b>Total costs</b>	<b>227.1</b>	<b>246.6</b>	<b>8.6</b>

A: actual; Source: Company data

The company reported a FY13-14A EBITDA of EUR 69.2M, +22% yoy.

### EBITDA at EUR 69.2M

Amortisation and write-downs of players' registration rights were EUR 50.8M, -1.1% yoy.

EBIT was EUR 8.8M, vs. a EUR 3.8M loss in FY12-13A.

Net income was a EUR 6.7M loss, vs. a EUR 15.9M loss in FY12-13A.

EUR M	FY12-13A	FY13-14A	% yoy
Total revenue	283.8	315.8	11.3
EBITDA	56.7	69.2	22.0
EBITDA margin %	20.0	21.9	
EBIT	-3.8	8.8	NM
EBIT margin %	NM	2.8	
Net profit	-15.9	-6.7	NM
Net equity	48.6	42.6	-12.3
Net debt	160.3	206.0	28.5

NM: not meaningful; A: actual; Source: Company data

FY13-14A net debt was EUR 206M, worsening by EUR 45.7M vs. FY12-13A, mainly due to the net transfer campaign investment (EUR 46.1M), and the advance payment for the Continassa project (EUR 5.5M), other investments (EUR 6.7M) and financial flows (EUR 7.5M), only partially offset by operating cash flow (EUR 20.1M).

**Net debt EUR 206M**

## Relevant facts

### Sport results

Juventus won the 2013-14 Italian Championship and qualified for the group stage of the 2014-15 Champions League. It also won the Supercoppa Italia.

It reached the quarter final of Coppa Italia and the semi-final of the Europe League.

### 2013/14 transfer campaign

The first and second phase of the transfer campaign led to a net investment of EUR 51.5M and a capital gain of EUR 35.3M.

### New technical sponsor

In October 2013, Juventus finalised an agreement with Adidas, which will be the new technical sponsor for all teams (replacing Nike) for six seasons starting from the 2015-16 season, for an amount of EUR 139.5M, not including products supplied annually and bonus/incentives related to Juventus' sports performance. Moreover, Adidas will manage Juventus' licensing and merchandising for EUR 6M/year, plus royalties if the sales threshold is exceeded.

### Renewal of Fiat-Jeep sponsorship

Juventus extended the agreement with Fiat, signed in April 2012, for the exclusive sponsorship, of all national and international competitions, of its jersey. From the 2015-16 season up to June 2021, Juventus will receive EUR 17M/year, in addition to the supply of FIAT group vehicles. Due to the exceptional results already achieved, FIAT recognised a bonus in 2013-14 season of EUR 6M. The terms and conditions of the existing agreement will continue in 2014-15, for a consideration of EUR 13M.

### Continassa project

Juventus acquired a renewable long-term lease (99 years) from the city of Turin for a value of EUR 11.7M, for a portion of the Continassa area, adjacent to the Juventus Stadium, equal to 180k sqm and the related Gross Floor Area (GFA), equal to 38k sqm.

The GFA area will house the new training and media centre for the first team, tourism and hotel facilities, entertainment activities, private residences, restaurants and support services. Juventus will also dedicate a further already-owned 5k sqm for the construction of the new headquarters.

After submitting the Agreed Executive Plan (PEC) in July 2013 to the competent official of the City of Turin, preliminary works for the fencing off and securing the area began in September 2013.

In January 2014, Juventus granted Beni Stabili Gestioni an exclusive assignment to set up a real estate fund to develop the Continassa project. In July 2014 an executive plan with the City of Turin was signed.

**2014/15 transfer campaign – first phase**

The first phase of the transfer campaign led to a net investment of EUR 36M and a capital gain of EUR 4.7M.

**2014/15 season tickets campaign**

The campaign closed with the sale of all 28k season tickets, for a net value of EUR 20.8M (EUR 20.2M in FY13-14), including premium seats and additional services.

**Business outlook**

In 2014-15, the effort made to maintain the best players in the first team, and to buy young talent, will lead to an increase of sports costs, while revenue, as always, will be influenced by the sport results, in particular by those in UEFA Champions League.

Management expects a net loss for the FY14-15 season, hopefully continuing the improving trend recorded in the last few seasons.

## Estimates Revision

In light of FY13-14A results, and the renewal of few contracts, we changed our FY14-15E and FY15E-16E estimates, and introduced FY16E-17E estimates. In particular:

- We revised upwards revenue from ticket sales to include a further improvement in hospitality services and new services (eg the possibility for season ticket owners to sell the ticket when not attending the match);
- We revised upwards the TV rights revenue, to incorporate the participation of only two Italian teams in the UEFA Champions League in 2014-15, and the following seasons to incorporate the new framework agreement between Lega Calcio and some media players (Sky, Mediaset, MP&Silva) for the sale of Serie A TV rights for the seasons 2015-16 to 2017-18, and the new UEFA Championship broadcasting rights revenue for the seasons 2015-16 to 2017-18;

Evolution of Serie A TV rights			
	Avg. 2012-15	Avg. 2015-18	% chg
Domestic Serie A PTV rights	829	943	13.8
International Serie A rights	114	186	63.2

Source: Il Sole 24 Ore

- We slightly increased players' rights disposals revenue (EUR 2M in FY14-15E and EUR 4M in FY15-16E), however in FY14-15E the income could be significantly higher (as it was in FY13-14A, at EUR 36.4M) considering the outcome of some player sharing agreements (eg. Berardi, Gabbiadini, etc.);
- We increased labour costs in FY14-15E and FY15-16E by around EUR 15M, to align them with the FY13-14A level;
- We increased net debt by 9.8% in FY14-15E and 10.2% in FY15-16E, due to a FY13-14A net debt of EUR 206M, around EUR 15M higher than our estimates.

Juventus FC - Estimate revision (2014-15 - 2016-17)							
EUR M	FY14-15E old	FY14-15E new	% chg	FY15-16E old	FY15-16E new	% chg	FY16-17E new
Sales	277.1	291.1	5.1	290.1	309.1	6.5	316.1
EBITDA	55.4	53.9	-2.7	68.4	71.4	4.4	78.9
EBIT	-0.1	-1.6	NM	14.9	17.9	NM	25.4
Net income	-14.9	-18.3	NM	0.7	1.8	NM	10.6
Net debt/cash	185.6	203.8	9.8	166.4	183.4	10.2	154.3

NM: not meaningful; Source: Intesa Sanpaolo Research estimates

## Valuation

We used a DCF approach to value the company, incorporating a 3.0% risk-free rate (3.5% previously) and 5.50% a risk premium. **DCF approach**

We obtained a WACC of 4.6%.

Juventus - WACC assumptions %	
Gross debt rate	5.50
Tax rate	28.50
Net debt rate	3.93
Beta levered*	0.91
Gearing	82.86
Beta re-levered	0.91
Risk free rate	3.00
Equity risk premium	5.50
Cost of equity	8.01
WACC	4.6

(\*) Bloomberg; Source: Intesa Sanpaolo research estimates

For the long-term (LT) flows, we assumed EBITDA in line with the 2016E-17E season and that capex equals depreciation.

Juventus - DCF calculation				
EUR M	2014/15E	2015/16E	2016/17E	LT
EBIT	8.8	-1.6	17.9	33.9
Tax	-6.8	-6.0	-6.0	-13.4
Depreciation	59.1	55.5	53.5	
NOPAT	61.1	47.9	65.4	20.5
WC	-30.5	-15.0	-15.0	
Capex	-58.2	-20.0	-20.0	
FCF	-27.6	12.9	30.4	20.5
Discounted FCF	-27.6	12.9	29.1	17.9
WACC (%)	4.6			
TV growth (%)	0.0			
Sum of FOCF	77			
TV	386			
EV	463			
Debt 2013-14A	206.0			
Equity	257			
Shares (M)	1007.8			
Target price (EUR/share)	0.25			

Source: Intesa Sanpaolo Research estimates

**We reduce our DCF target price to EUR 0.25/share (from EUR 0.27/share) and rate the company an ADD.**

Juventus Football Club Key figures

Sector	Travel & Leisure	Mkt price EUR/Share	Ordinary	Rating
REUTERS CODE	JUVE.MI	Target price EUR/Share	0.22	ADD
Values per share (EUR)	2011/12A	2012/13A	2013/14A	2014/15E
No. ordinary shares (M)	1,007.77	-	1,007.77	1,007.77
No. NC saving/preferred shares (M)	-	-	-	-
Total no. of shares (M)	1,007.77	1,007.77	1,007.77	1,007.77
Adj. EPS	-0.05	-0.02	-0.01	-0.02
CFPS	0.00	0.04	0.05	0.04
BVPS	0.06	0.05	0.04	0.02
Dividend Ord	-	-	-	-
Dividend SAV Nc	-	-	-	-
Income statement (EUR M)	2011/12A	2012/13A	2013/14A	2014/15E
Sales	213.8	283.8	315.8	291.1
EBITDA	7.5	56.7	69.2	53.9
EBIT	-41.2	-3.8	8.8	-1.6
Pre-tax income	-45.9	-10.9	0.1	-12.3
Net income	-48.7	-15.9	-6.7	-18.3
Adj. net income	-48.7	-15.9	-6.7	-18.3
Cash flow (EUR M)	2011/12A	2012/13A	2013/14A	2014/15E
Net income before minorities	-48.7	-15.9	-6.7	-18.3
Depreciation and provisions	48.7	60.5	60.3	55.5
Change in working capital	-55.9	-27.4	-30.5	-15.0
Operating cash flow	-55.9	17.2	23.2	22.2
Capital expenditure	-70.0	-56.6	-58.2	-20.0
Other (uses of Funds)	0.0	0.0	0.0	0.0
Free cash flow	-125.9	-39.3	-35.0	2.2
Dividends and equity changes	119.4	6.7	-10.7	0.0
Net cash flow	-6.5	-32.6	-45.7	2.2
Balance sheet (EUR M)	2011/12A	2012/13A	2013/14A	2014/15E
Net capital employed	192.3	208.9	248.6	228.1
of which associates	-	-	-	-
Net debt/cash	127.7	160.3	206.0	203.8
Minorities	-	-	-	-
Net equity	64.6	48.6	42.6	24.4
Market cap	223.1	223.1	223.1	223.1
Minorities value	-	-	-	-
Enterprise value (*)	350.8	160.3	429.1	426.9
Stock market ratios (x)	2011/12A	2012/13A	2013/14A	2014/15E
Adj. P/E	-4.6	-14.0	-33.4	-12.2
P/CEPS	223119.5	5.1	4.2	6.0
P/BVPS	3.5	4.6	5.2	9.2
Dividend yield (% ord)	0.0	0.0	0.0	0.0
Dividend yield (% sav)	-	-	-	-
EV/sales	1.6	1.4	1.36	1.47
EV/EBITDA	47.0	6.7	6.20	7.92
EV/EBIT	-8.5	-100.9	48.51	-266.17
EV/CE	1.8	1.8	1.73	1.87
D/EBITDA	17.1	2.8	2.98	3.78
D/EBIT	-3.1	-42.1	23.29	-127.05
Profitability & financial ratios (%)	2011/12A	2012/13A	2013/14A	2014/15E
EBITDA margin	3.5	20.0	21.9	18.5
EBIT margin	-19.3	-1.3	2.8	-0.6
Tax rate	-6.0	-45.8	NM	-48.9
Net income margin	-22.8	-5.6	-2.1	-6.3
ROE	-75.3	-32.7	-15.7	-74.9
Debt/equity ratio	2.0	3.3	4.8	8.4
Growth (%)		2012/13A	2013/14A	2014/15E
Sales		32.8	11.3	-7.8
EBITDA		659.4	22.0	-22.1
EBIT		90.8	332.4	-118.1
Pre-tax income		76.2	101.3	-8466.9
Net income		67.3	58.0	-173.5
Adj. net income		67.3	58.0	-173.5

(\*) EV = Mkt cap+ Net Debt + Minorities Value - Associates A: actual, E: estimates; Source: Company data and Intesa Sanpaolo Research; NM: not meaningful

Notes



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**Valuation methodology (long-term horizon: 12M)**

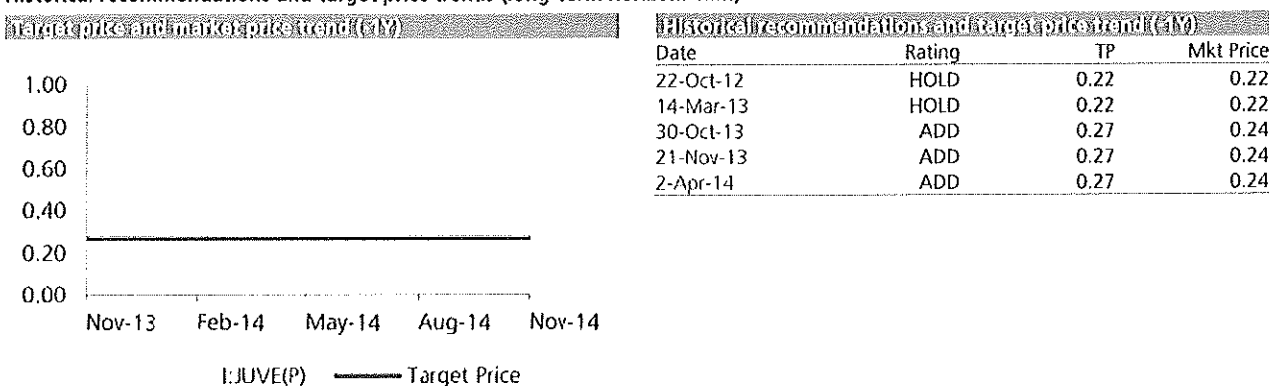
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Equity rating key (long-term horizon: 12M)	
Long-term rating	Definition
BUY	If the target price is 20% higher than the market price
ADD	If the target price is 10%-20% higher than the market price
HOLD	If the target price is 10% below or 10% above the market price
REDUCE	If the target price is 10%-20% lower than the market price
SELL	If the target price is 20% lower than the market price
RATING SUSPENDED	The investment rating and target price for this stock have been suspended as there is not a sufficient fundamental basis for determining an investment rating or target. The previous investment rating and target price, if any, are no longer in effect for this stock.
NO RATING	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulations and/or firm policies in certain circumstances, including when Intesa Sanpaolo is acting in an advisory capacity in a merger or strategic transaction involving the company.
TARGET PRICE	The market price that the analyst believes the share may reach within a one-year time horizon
MARKET PRICE	Closing price on the day before the issue date of the report, as indicated on the first page, except where otherwise indicated

**Historical recommendations and target price trends (long-term horizon: 12M)****Equity rating allocations (long-term horizon: 12M)**

Intesa Sanpaolo Research Rating Distribution (as November 2014)					
Number of companies considered: 95	BUY	ADD	HOLD	REDUCE	SELL
Total Equity Research Coverage %	40	33	27	0	0
of which Intesa Sanpaolo's Clients % (*)	76	68	54	0	0

(\*) Companies on behalf of whom Intesa Sanpaolo and the other companies of the Intesa Sanpaolo Group have provided corporate and investment banking services in the last 12 months; percentage of clients in each rating category

**Valuation methodology (short-term horizon: 3M)**

Our short-term investment ideas are based on ongoing special market situations, including among others: spreads between share categories; holding companies vs. subsidiaries; stub; control chain reshuffling; stressed capital situations; potential extraordinary deals (including capital increase/delisting/extraordinary dividends); and preys and predators. Investment ideas are presented either in relative terms (e.g. spread ordinary vs. savings; holding vs. subsidiaries) or in absolute terms (e.g. preys).

The companies to which we assign short-term ratings are under regular coverage by our research analysts and, as such, are subject to fundamental analysis and long-term recommendations. The main differences attain to the time horizon considered (monthly vs. yearly) and definitions (short-term 'long/short' vs. long-term 'buy/sell'). Note that the short-term relative recommendations of these investment ideas may differ from our long-term recommendations. We monitor the monthly performance of our short-term investment ideas and follow them until their closure.

**Equity rating key (short-term horizon: 3M)****Equity Rating Key (short-term horizon: 3M)**

Short-term rating	Definition
LONG	Stock price expected to rise or outperform within three months from the time the rating was assigned due to a specific catalyst or event
SHORT	Stock price expected to fall or underperform within three months from the time the rating was assigned due to a specific catalyst or event

**Company specific disclosures**

Banca IMI discloses interests and conflicts of interest, as defined by: Articles 69-quater and 69-quinquies, of Consob Resolution No.11971 of 14.05.1999, as subsequently amended and supplemented; the NYSE's Rule 472 and the NASD's Rule 2711; the FSA Policy Statement 04/06 "Conflicts of Interest in Investment Research – March 2004 and the Policy Statement 05/03 "Implementation of Market Abuse Directive", March 2005. The Intesa Sanpaolo Group maintains procedures and organisational mechanisms (Information barriers) to professionally manage conflicts of interest in relation to investment research. We provide the following information on Intesa Sanpaolo Group's conflicts of interest:

- 1 The Intesa Sanpaolo Group has a conflict of interest inasmuch as it plans to solicit investment banking business or intends to seek compensation from the Company in the next three months.
- 2 One or more of the companies of the Intesa Sanpaolo Group have granted significant financing to JUVENTUS FC SPA and its parent and group companies.
- 3 Banca IMI acts as Specialist relative to securities issued by JUVENTUS FC SPA.

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