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October 17, 2016

Gabelli & Company

Manchester United Plc

(MANU – $15.86 – NYSE)

Source: gifts.vectors.co.nz, skysports.com

Source: 101greatgoals.com

The Team to Beat

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-Please Refer To Important Disclosures On The Last Page Of This Report-

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Manchester United Plc (MANU - $15.86 - NYSE) — The Team to Beat - Buy

FYE 6/30	EBITDA	EV/EBITDA	PMV			
2019P	£218	11.0x	£24	Dividend:	$0.18	Current Return: 1.1%
2018P	200	12.0	21	Shares O/S:	164.0 million	
2017E	177	13.6	19	52-Week Range:	$ 19.74 - $ 13.30	
2016A	192	12.5	21			

Note: Year's denoted end June 30th of the year, i.e. "2016E" ends 6/30/2016. US stock price $15.79 translates to UK £13.05

COMPANY OVERVIEW

Manchester United, headquartered in Manchester, England, was founded in 1878 and is one of the most successful and followed sports team in the world, playing in the English Premier League which is the most watched professional sports league in the world. The team, nicknamed the "Red Devils," moved to Old Trafford, its current stadium, in 1910 with a capacity for 75,635 fans. The club has won a record 20 English Premier League titles and has 659 million global followers of which 325 million live in Asia. Last season's 44 games attracted an average cumulative audience reach of 50 million people per game across 200 territories, providing Manchester United with a worldwide platform to generate significant revenue from multiple sources, including sponsorship, merchandising, product licensing, mobile and content, broadcasting and matchday. We estimate 2017 revenues of £540 million and EBITDA of £177 million.

Investment Case

We are initiating coverage of Manchester United with a Buy recommendation and a PMV £19/$23.40 per share based on 19x F17 EBITDA, the same multiple paid to acquire the club by the Glazer family.

- We believe that investors are re-rating sports as premium content due to sports being primarily watched live. Manchester United is ranked the third-most valuable soccer team by Forbes at £2.7 billion/$3.3 billion. United's stock is trading at a 12% discount to the Forbes valuation.

- President Xi has stated that there are two sports in China - soccer and everything else. Earlier this year, the Chinese bought a minority position in Manchester City (#6 by Forbes), control of West Bromwich Albion, Aston Villa, and Wolverhampton Wanderers and is speculated to be negotiating with Liverpool FC (#8). Manchester United, with its red color and yellow logo matches both the Chinese flag and the Chinese penchant for red. Manchester United can be bought, unlike German teams such as Bayern Munich (#4) which require 51% public ownership, and Real Madrid (#1) and Barcelona (#2) which are owned by their members.

- The majority shareholding Glazer family has stated that the company is not currently for sale. The approximately 20% drop in the British pound potentially makes acquiring Manchester United cheaper. The club's economic model is attractive as broadcast revenues are growing rapidly even though they have to be shared with the league and effectively the players. The primary attraction is that United has exclusive ownership of its high margin domestic and global sponsorship rights which now generate over half the revenue.

- Risks - the team does not return to winning. Manchester United has a global franchise which would take a generation of weak teams to erode - hiring manager Jose Mourinho aka "the special one" brings a match winning flair that keeps the team in the public eye. A switch to the US collusional league model and away from the English meritocratic model is always possible.

Table 1

Manchester United Plc
Earnings Model
2012A-2021P

(in millions, except per share data)

FYE 6/30	2012A	2013A	2014A	2015A	2016A	2017E	2018P	2019P	2020P	2021P	'16A- '21P CAGR
Revenue	£320	£363	£433	£395	£515	£540	£592	£641	£686	£732	7.3%
% growth	*-3.4%*	*13.4%*	*19.3%*	*-8.8%*	*30.4%*	*4.8%*	*9.7%*	*8.3%*	*6.9%*	*6.7%*	
EBITDA	92	109	130	120	192	177	200	218	229	238	4.4%
% margin	*28.6%*	*29.9%*	*30.0%*	*30.5%*	*37.2%*	*32.8%*	*33.8%*	*34.0%*	*33.3%*	*32.5%*	
TEV / EBITDA	26.3x	22.2x	18.5x	20.0x	12.6x	13.6x	12.0x	11.1x	10.5x	10.1x	
Player Net Acquisitions	£72	£49	£90	£102	£105	£169	£147	£119	£117	£115	
Net (Debt)/Cash	(366)	(295)	(275)	(255)	(261)	(309)	(316)	(278)	(230)	(172)	
PMV	**£9**	**£11**	**£13**	**£12**	**£21**	**£19**	**£21**	**£24**	**£25**	**£27**	5.2%

Source: Public data and Gabelli & Company estimates

Company Overview

Manchester United Football Club was formed in 1878 originally as Newton Heath LYR and changed its name to Manchester United in 1902. The club won its first league title in 1908 and moved to Old Trafford, its current stadium, in 1910, with a capacity for 75,635 fans. Manchester United bring a storied history: as the Busby Babes; survivors of the 1958 Munich air crash; renamed as the "Red Devils"; and fielding the fifth Beatle, George Best. United are the only English team to win (1998/9) the treble of domestic league and cup, together with the Champions League. The club has won a record twenty English Premier League titles and has 659 million global followers.

Manchester United first came public in the UK in 1991. BSkyB's attempted takeover with a bid of £625 million was blocked by the Mergers Commission following Murdoch's acquisition of the Los Angeles Dodgers for $311million in 1997. At the time, the clubs fan base was 100 million, although MUTV was launched in 1998 as the world's first dedicated soccer club channel (funded by subscriptions).

The US-based Glazer family bought Manchester United for £790M (19x EBITDA) in May 2005 and then took the company private. The club came public in the US at $14 per share in August 2012 with the $230 million IPO proceeds split between the Glazers and the club. The Glazer's control 94% of the vote via Class B 10 vote per share stock and 78% of the economics. The Glazer family also own the Tampa Bay Buccaneers valued at $1.5 billion by Forbes as well First Allied Corporation which owns US shopping malls.

Avram and Joel Glazer both serve as Executive Co-Chairmen. Edward Woodward is the Executive Vice Chairman and has overseen the Club since 2013 subsequent to joining in 2005 after working as an M&A investment banker. The team is based in Manchester with the sponsorship group being based in London.

Soccer

Soccer is the most popular sport in the world with over four billion followers. Cricket is the number two global sport with an estimated two billion+ followers with basketball ranking a fast-growing third with two billion followers. The English Premier League (EPL) is the most-watched professional sports league in the world, broadcast in 212 territories with over 5 billion viewers. NBC Sports EPL viewership reached 36 million in the 2016 season with the average game of 514K beating the average National Hockey League game of 503K viewers. Soccer is now the second most-followed sport in US with 12-24 year olds.

Exhibit 1 illustrates that Manchester United's top match last season was watched by 80.6 million, 2.5x the top NFL regular season match.

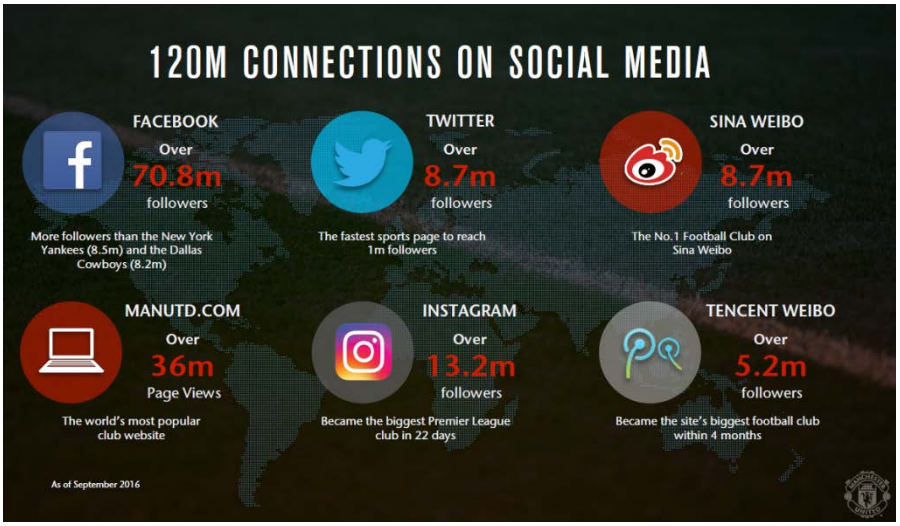
Exhibit 1

Source: Manchester United presentation

Manchester United commissioned Kantar in 2012 to conduct a worldwide survey which highlighted that the club had a base of 659 million followers, up from 333 million 2007. Worldwide estimates of fans (who follow one club only) range from 76 million to 333 million - followers include those who follow more than one club. There is some skepticism about the survey but Kantar also compiled similar data but with far lower results for Real Madrid, Barcelona and Liverpool. Of the 659 million figure, Kantar says roughly one-half of the followers (325 million) live in the Asia Pacific region, 173 million in the Middle East and Africa, 90 million in Europe and 71 million in the Americas.

Real Madrid and Barcelona are the most followed teams of any sport on social media with over 100 million followers each. United only set up an official Facebook page in 2010 and a Twitter account in 2012. United now has a following of more than 70 million people, ahead of Chelsea with 47 million, Arsenal with 38 million, Liverpool with 30 million and Manchester City with 21 million. Ironically, social media doesn't allow watching content after live airing.

Exhibit 2



Source: Manchester United presentation

How many soccer teams does China want to own?

England was the first country to codify soccer in 1863, after originally being played in 1280. It is claimed that soccer, 蹴鞠 or *cuju*, kickball, originated in China in the Shandong province, Confucius' birth place around the time of the Qi Kingdom (319BC-201BC). Soccer was also employed in military training in the Han Dynasty (202BC-220AD).

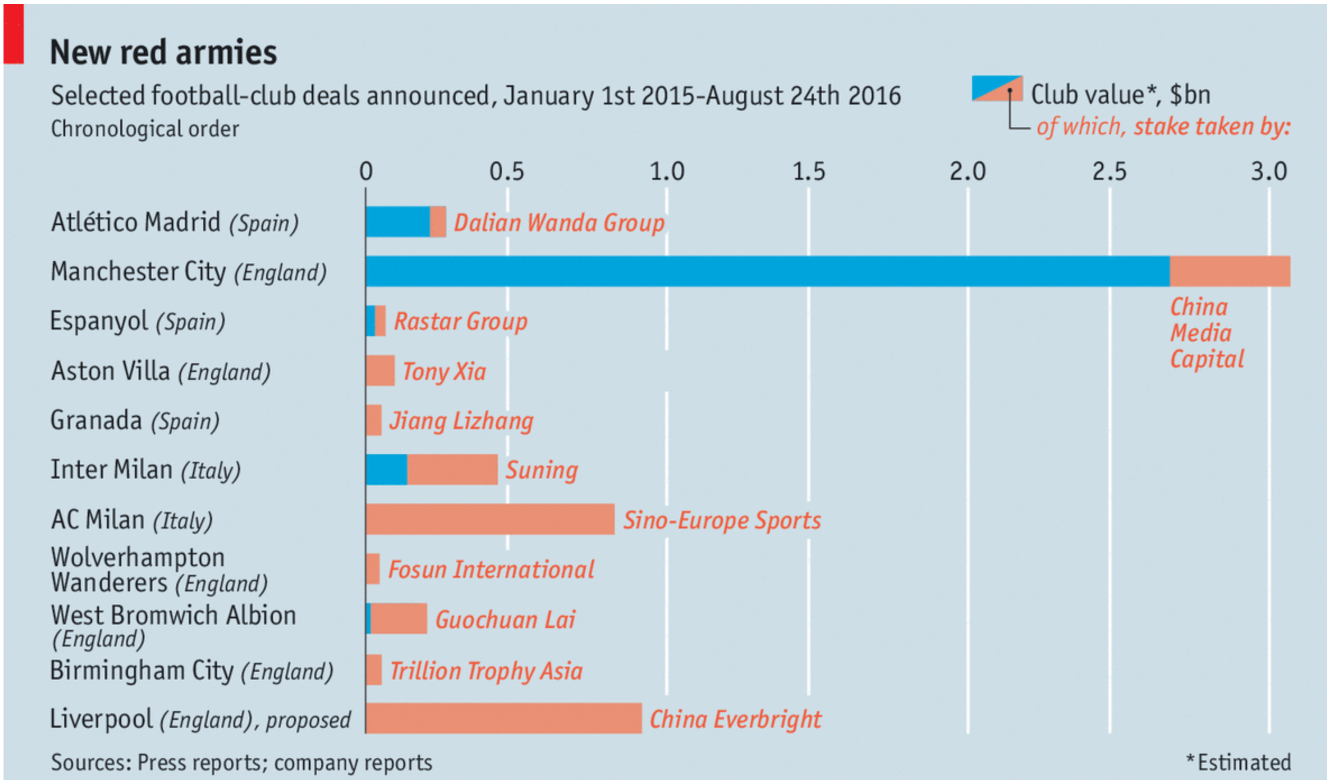
President Xi Jinping has stated that there are two sports in China - soccer and everything else. Soccer is becoming mandatory in school with the broader objective of becoming a "world football superpower" by 2050. The strategy also has broad economic and political implications with the objective of building a sports industry worth $800 billion by 2025. China also pursues a policy of "stadium diplomacy" and donates soccer facilities to resource-rich territories. In 2010, when Angola hosted soccer's Africa Cup of Nations, four new stadiums were built and paid for by the Chinese. Today, Angola is China's second-biggest source of oil.

IChina Media Capital (CMC) paid $1.3 billion (RMB8 billion - RMB2 billion for the first two years and RMB6 billion for the next three) in October 2015 for five years of television rights to the Chinese Super League (CSL), which compares to 8 million yuan a year previously paid by state television. CMC Chairman Li Ruigand argued that the cost was 1.1 yuan per viewer in China compared to England with a cost of 200 yuan per viewer. In February, the first two years were flipped to online video company LeEco for an RMB2.7billion - a 35% mark up.

In December 2015, CMC bought a 13% stake for $400 million in Manchester City, a few weeks after CMC's chairman accompanied Mr. Xi on a tour of the club's facilities. Wang Jianlin, China's richest man acquired 20% in Atlético Madrid and is now financing coaching of 180 Chinese players at world-class facilities in Spain.

Guo Guangchang - China's Warren Buffet and cofounder of Fosun was detained by the police for three days in December 2015 and released with no charges placed. In July, Fosun purchased Wolverhampton Wanderers for £45 million, a Championship (i.e. second levels) league team after briefly dropping to League One. Guo has promised to get the team back into the premier league. In May US investor Randy Lerner sold EPL relegated Aston Villa to the Dr. Xia's Recon Group for £76 million and an additional £30 million if the team returns to the EPL within three years. Foreign football clubs are an attractive state-sanctioned way to move money out of China and reduce their exposure to the yuan.

Exhibit 3 **Recent Chinese Investments in European Clubs**



Economist.com

In addition to investing in the teams, China's January-February winter transfer-period saw the Chinese Super League (CLS) spend around $300 million net compared to second-highest English Premier League clubs about $220 million followed by China's second division ranked third at $55 million.

Timing issues for improving Chinese soccer include:

- Rigid decision-making exacerbated by the state which still chooses young teen soccer players based on height and measurements which results in missing the mini Lionel Messi, who persevered even after he was told he was "too small to play" as a kid.
- The Chinese men's team has only qualified for the world cup once in 2002, but did not score a single goal. The team is currently ranked 78 by Fédération Internationale de Football Association (FIFA).
- Corruption in the form of match-fixing has been reduced. The Hong Kong Jockey Club - revenues $20 Billion of which 35% is soccer - still does not allow bets on Chinese football matches.

One result is that Chinese soccer fans follow other leagues.
The July 25 Manchester City v Manchester United match in China was canceled in the summer as rain left Beijing Bird's Nest stadium in an unplayable state. However, the EPL derby game on September 10 was played early at 12:30 pm GMT - rather than 3:00 pm (after a pub lunch) - which was inconvenient for the US to start watching at 7:30am EST, but very convenient for Asian watchers at 8:30pm.

Why are fans loyal to a team? 85% of fans develop their loyalty by the age of 22. Manchester United was early in scheduling Asian friendly tours and academies combined with local offices to win Asian sponsors. There may be a continued "Beckham and Ronaldo effect" (two of United's greatest stars) whereby they went "beyond the pitch" as media was beginning to grow in China and got in first. Manchester United Korean midfielder Park Ji-Sung was the first Asian footballer to win the UEFA Champions League and now serves as a club ambassador after also captaining the South Korean national team.

Manchester United is the most popular football brand in Asia (sports marketing agency Octagon suggests AC Milan is more popular in Japan due to a marketing deal with Sanrio, the owner of Hello Kitty).

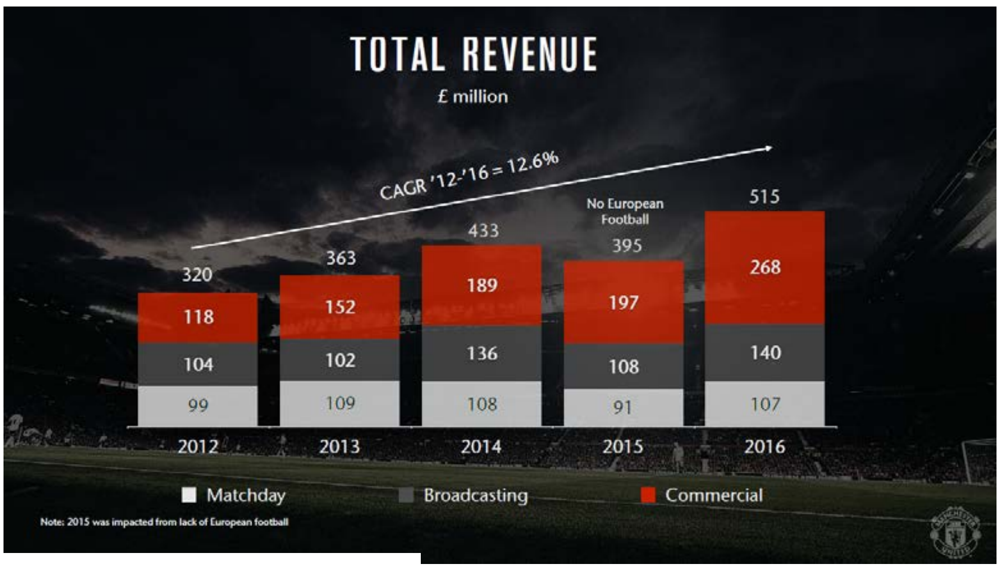
United States - Potential Expansion?

Manchester United primarily grows organically. However, the US MLS is expanding to 24 teams from 20 by 2020 and 28 beyond. Manchester United alumnus David Beckham is a part owner of the Miami team. Manchester United does not appear to be focused on buying another non-British club and potentially diluting its brand equity. It is possible that it could acquire an MLS team as a "half-way club." United has a strong internal training program – which threw up Rashford recently – the problem is that upon reaching 18+, good, but not great players who need more time have nowhere to go – the MLS could be the perfect half-way house for them to develop their skills while fighting for the chance to play for the lead team.

Manchester United - Revenue

Broadcasting generates a high 20% of revenue with Matchday 20%; the leading share is generated by Commercial with over 50%, which is primarily sponsorship. Revenue has grown at an annual compound growth rate of 12.6% over the past five years to £515 million. We forecast future revenue to grow 7.3% a year compounded to £730 million, a large amount of which is locked in with the adidas and General Motors multi-year contracts.

Exhibit 4



Source: Manchester United presentation

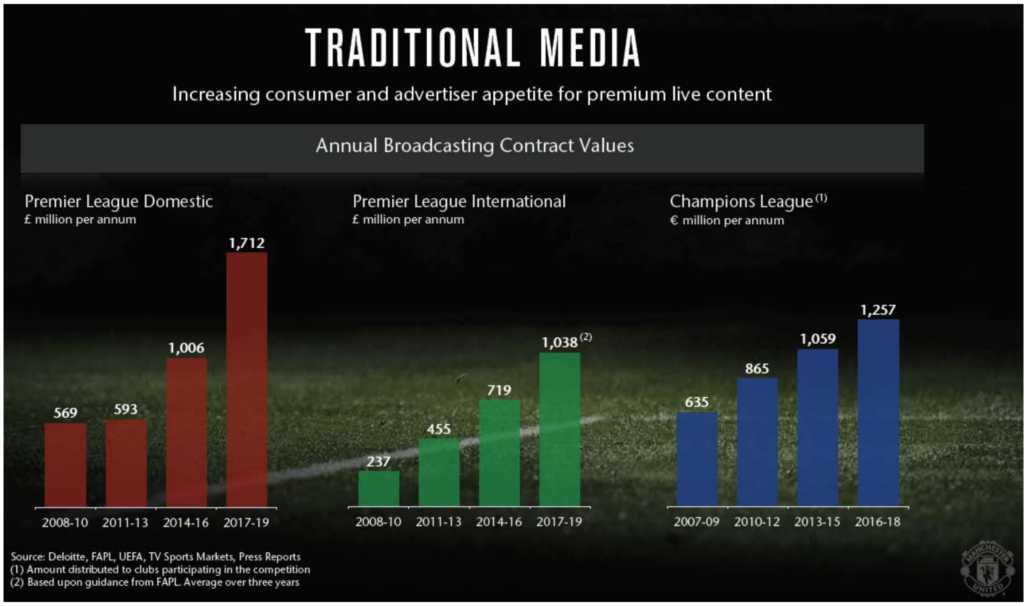
Broadcasting

UK based SkySports and BT Sports are paying £5.3 billion for the UK premier league rights between three years 2017-19, a 70% increase over the previous period. The EPL international rights (NBC) should generate £3 billion over the same three year period and increased over 40%. Broadcast deals typically have a three-year duration unlike the NBA for nine years ($24 billion) and MLB seven years ($12.4 billion) highlighting an earlier re-rating opportunity.

Broadcast revenue is reasonably evenly distributed and with a total of £8 billion over three years. Even the last placed 20th team should receive £100 million for a season with the champions getting up to £160 million.

Manchester United's broadcast revenue has grown to £140 million in 2016 from £104 million in 2012 and is projected to grow to £234 million in 2021 with potential upside with any return to Championship soccer. A facilities fee £750k is paid every time United is on TV with a maximum of 28 games of 38 games broadcast. UEFA broadcasts percentage has ranged between 2-29% depending on United European participation.

Exhibit 5

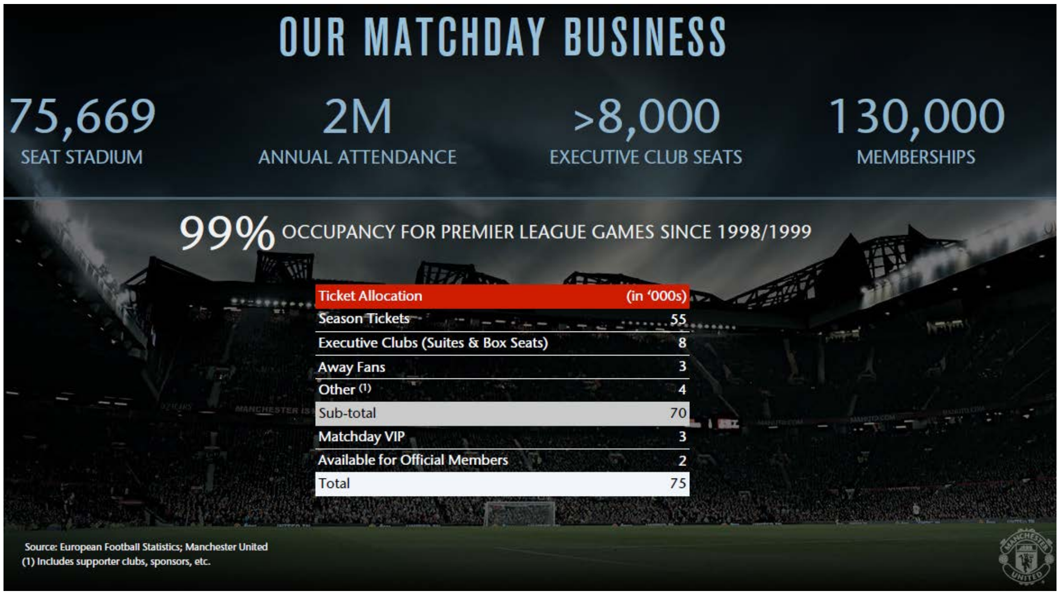


Source: Manchester United presentation

Matchday

Old Trafford attendance averages 75,615 and has been sold out with 99% occupancy since 1998-99. There are 154 luxury boxes and 140,000 memberships. Matchday revenues grew to £107 million in 2016 (split £52 million gate receipts and £34 million hospitality) and should tick up to £109 million in 2021.

Exhibit 6



Source: Manchester United presentation

Commercial

Commercial revenues have grown to £268 million in 2016 from £118 million in 2012. We project £390 million in 2021. Commercial is broken down between sponsorship, retail and apparel and mobile.

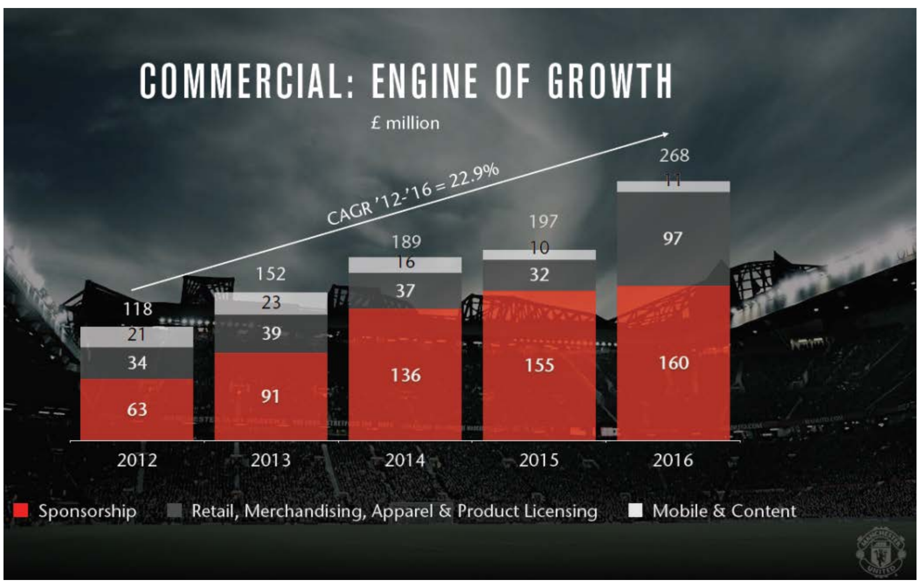
United dropped NIKE, who were paying £23 million, and now have control of in-house retail merchandising and apparel and product licensing. United are now able to build on their single mega-store at Old Trafford (and branded retail operations in Macau and Thailand) and should announce expansion plans soon. Options include building stores in Manchester, airports, high streets, China or the US.

In summer 2014, adidas was signed for ten years for £750 million; adidas generated 14% of United's total revenue in FY16. The adidas signing in the summer of 2014 was after the worst BPL performance in 26 years highlighting that winning is not everything. United needs to be out of Champions League for two years before adidas pay 30% less. Notwithstanding last year's weak season, adidas sold a record 1.7 million official replica United kits.

Adidas and United are both well placed regionally with their own offices in Hong Kong. Other sponsorship opportunities are to build on the owned TV channel in China. United should be launching an app soon which should further develop its mobile strategy.

The German Bundesliga is regarded as having excellent soccer and thought to be about five years behind England in developing marketing programs. Borussia Dortmund opened an office in Singapore in 2015.

Exhibit 7



Source: Manchester United presentation

Signing Mourinho with personal endorsement (Jaguar) as opposed to team (Chevrolet) endorsement necessitated some renegotiations and use of different price points. Manchester has Bulova and Mourinho has Hublot.

Shirt Sponsorship

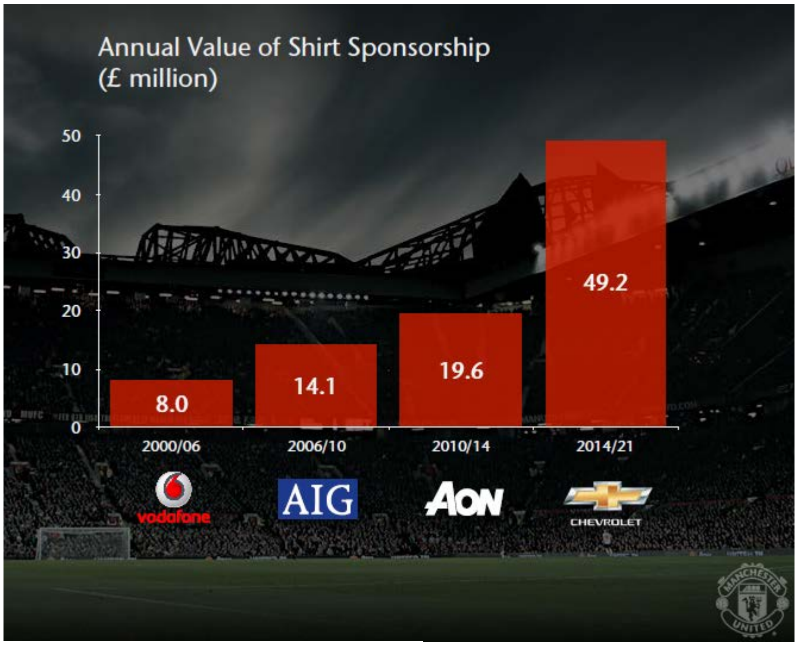
Britain's twenty top football teams' shirt-sponsorship revenues grew by one-third to €330 million in during the 2015-2016 seasons. Total shirt-sponsorship fees paid to Europe's top six divisions clubs have nearly doubled since 2010 to €830 million.

The 2016 European championship Final between Portugal and France, in June captured an audience of more than 300 million - a global audience nearly three times as many viewers as America's Super Bowl in February. In the 2016-2017 season, at least four Premier League clubs should sport Chinese characters on their shirts.

An attraction of supplying kit rather than sponsoring events guarantees that brands' logos are seen wherever the teams play and reduce the risk of sponsoring an individual player. Nike signed a decade-long, £600 million contract with Chelsea in May.

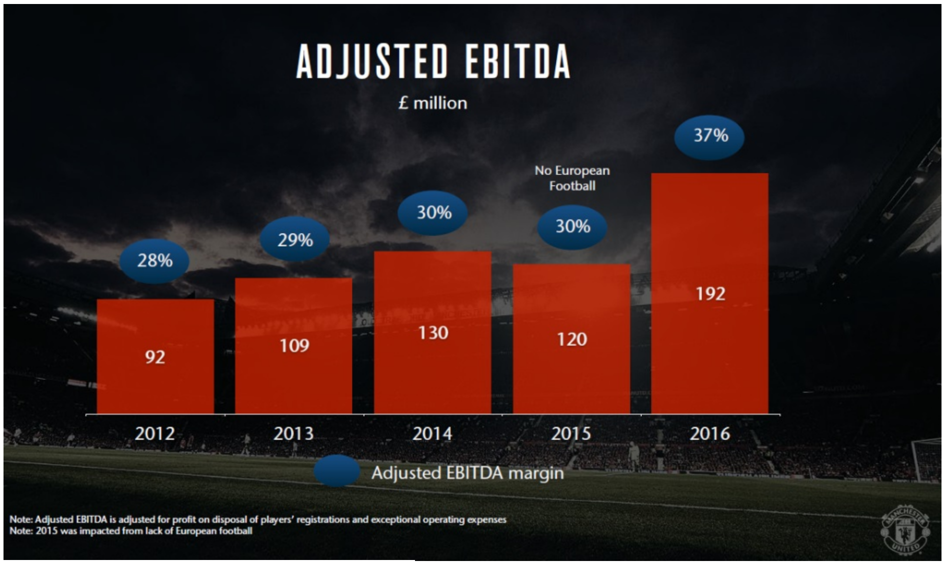
Exhibit 8 highlights the increasing value of United's shirts! United is being paid £559 million for 2015-2021, £49 million a year, to put Chevrolet on the front of its shirts. GM generated 11.4% of United's total revenue in FY16. GM is advertising a car no one has heard of in England - Chevrolet is called Vauxhall - in a drive to better market in China. For the first nine months on 2016 GM and joint venture sales increased 9% to 2.7 million units. The sponsorship is paid in dollars which partially hedges united dollar debt of $650 million.

Exhibit 8



Source: Manchester United presentation

Exhibit 9



Source: Manchester United presentation

Earnings Model

Since coming public in August 2012, United's revenue has grown to £515 million from £320 million and EBITDA to £192 million from £91 million. We estimate revenues of £540 million in 2017, up 5% and we estimate EBITDA of £177 million in 2017, down 8% on higher wages. We project revenues growing 7% compounded a year over the next five years to £730 million in 2021 and EBITDA 4.4% to £240 million. The EBITDA margin had increased to ~37% in 2016 but is then capped by increasing player wages. Staff costs are £232 million in 2016 up from £162 million in 2012. Staff costs are predicted to increase to £260 million in 2017 with the new manager's signings and £360 million in 2021.

Soccer wages are about 50% of revenues, but with a high variable element. Players are awarded bonuses which create a hedge against not winning or not getting into Europe as costs come down. Manchester United is attractive as the exploding league broadcast rights are partly transferred to the player's but it retains its own commercial rights globally which are not shared with the league or the players.

The relatively even distribution of media rights to the Premier League soccer clubs results in average player wage inflation of 10% and a broad level of competition to keep the league interesting. Leicester City's victory last season was gripping as its odds of victory at the start of the season were similar to Elvis Presley being found alive. UEFA Financial Fair Play rules require a break-even test by 2013-14 should help a profitable United and keep other teams from going overboard on player bids. The combined net losses of European clubs have fallen by 80% for the four seasons to 2015 compared to the three seasons to 2011.

Amortization of registration is a non-cash item excluded from EBITDA. It is the write-off of player transfer costs /capital expenditure. We estimate an increase to £150 million in 2017 from £88 million due to recent new signings for £160 million over summer. The loss/profits disposal of a player's registrations reflects players sold but is generally about £10 million annually. Approximately one-third of the first team is from the Academy with zero value on the books which helps reduce player losses.

United pays tax at the US rate of 35%, notwithstanding being organized as a Cayman Islands exempted company. NOL's should run for another five years with the result that de minimus cash tax are actually paid.

Exhibit 10 **Player Expenditure & Accounting**

Source: Manchester United presentation

Table 2

Manchester United Plc
Financials
2012A-2021P

(£ in millions, except per share data) FYE 6/30	2012A	2013A	2014A	2015A	2016A	2017E	2018P	2019P	2020P	2021P	'16A- '21P CAGR
Company											
Commercial Revenue	£118	£152	£189	£197	£268	£282	£307	£332	£360	£389	7.7%
Broadcasting Revenue	104	102	136	108	140	160	183	204	219	234	10.8%
Matchday revenue	99	109	108	91	107	98	103	105	107	109	0.5%
Total Revenue	320	363	433	395	515	540	592	641	686	732	7.3%
Staff Costs	162	181	215	203	232	267	288	312	336	363	9.4%
Other Operating Expenses	67	74	88	72	91	96	103	112	121	130	7.4%
EBITDA	92	109	130	120	192	177	200	218	229	238	4.4%
Margin	28.6%	29.9%	30.0%	30.5%	37.2%	32.8%	33.8%	34.0%	33.3%	32.5%	(2.7%)
Depreciation	7	8	9	10	10	10	11	11	11	12	3.0%
Amortization of players' registrations	38	42	55	100	88	150	149	147	146	144	10.4%
Exceptional items	11	6	5	2	15	5	5	5	5	5	(19.9%)
Operating Income	35	53	61	8	79	12	36	55	67	77	(0.3%)
Interest expense	50	71	27	35	20	22	22	22	22	22	
Loss/(profit) on disposal of players' registrations	(10)	(9)	(7)	(24)	10	(11)	(11)	(9)	(9)	(9)	
Pre-Tax Income	(5)	(9)	41	(4)	49	1	25	43	54	65	
Total Tax Provision	(28)	(155)	17	(3)	12	0	9	15	19	23	
Net Income, reported	23	146	24	(1)	36	1	16	28	35	42	
Primary Shares	155	163	164	164	164	164	164	164	164	164	
EPS	£0.15	£0.90	£0.15	-£0.01	£0.22	£0.00	£0.10	£0.17	£0.22	£0.26	

Source: Company filings and Gabelli & Company estimates

Balance Sheet

USD 3.79% Senior Secured Notes of $425 million mature June 2027. The Term Loan facility of $225 million matures June 2025, no amortization and LIBOR plus 1.25-1.75%. Management believes that they are underleveraged at 2.8 times. We anticipate free cash flow should be used to pay down debt. US dollar revenue was 24% of United’s total revenue in FY16 which partially hedges the US debt interest expense.

United pay a dividend to $0.09 every six months which ties into cash flow planning more effectively given the seasonality of its business.

Valuation - Exclusivity

We believe that investors are re-rating sports as premium content due to it being primarily watched live. We compute Manchester United PMV at £19/$23.40 in Fiscal 2017, based on 19x estimated 2017 EBITDA, the same multiple that the Glazers paid on acquisition. Note that 2017 EBITDA of £177 million is estimated to be lower than 2016 £192 million due to higher wages costs.

Manchester United is ranked the third-most valuable team by Forbes at £2.7 billion/$3.3 billion. Our 2017 valuation is $4.5 billion/£3.7 billion including debt, equivalent to 6.2x 2017 estimated revenue - is higher than Forbes spring 2016 valuation based 5.3x last season’s revenue. Forbes valuations have been 30% light relative to actual deals. Forbes average team valuation increased 23% in 2016 and should increase with United’s growing revenues.

United, subject to swings in sterling, could become the most valuable soccer team in the world as Real Madrid and Barcelona have lost the benefit of directly negotiating their own unshared broadcast deals, which are 7x United’s broadcast revenue. United’s current total public capitalization of £2.4 billion/$2.9 billion is a 12% discount to the Forbes valuation.

The Chinese bought a 13% minority position in Manchester City (Forbes #6) earlier this year for $400 million. The minority price paid equates to $3.1 billion implying that full control of a more successful Manchester United at the

Forbes $3.3 billion valuation is low. Other Chinese acquisitions this year include West Bromwich Albion, Wolverhampton Wanderers and are speculated to be negotiating with Liverpool FC (#8). Manchester United with its red color and yellow logo matches both the Chinese flag and the Chinese penchant for red. Manchester United can also be bought unlike German teams such as Bayern Munich (#4) which require 51% public ownership and Real Madrid (#1) and Barcelona (#2) which are owned by their members.

Table 3

Manchester United Plc
Private Market Value Analysis
2012A-2021P

(£ millions, except per-share amounts)

FYE 6/30	**2012A**	**2013A**	**2014A**	**2015A**	**2016A**	**2017E**	**2018P**	**2019P**	**2020P**	**2021P**	**'16A- '21P CAGR**
Company											
Revenue	£320	£363	£433	£395	£515	£540	£592	£641	£686	£732	7.3%
EBITDA	92	109	130	120	192	177	200	218	229	238	4.4%
Valuation Multiple	19.0x	19.0x	19.0x	19.0x	19.0x	19.0x	19.0x	19.0x	19.0x	19.0x	
Segment Value	1,741	2,062	2,471	2,287	3,645	3,363	3,803	4,144	4,343	4,524	4.4%
Total Private Market Value	1,741	2,062	2,471	2,287	3,645	3,363	3,803	4,144	4,343	4,524	13.7%
Less: Net (Debt) Cash	(366)	(295)	(275)	(255)	(261)	(309)	(316)	(278)	(230)	(172)	
Less: Options *(b)*				-	-	-	-	-	-	-	
Equity Private Market Value	1,375	1,768	2,196	2,032	3,385	3,054	3,487	3,866	4,113	4,352	15.1%
Shares Outstanding (year-end)				164	164	164	164	164	164	164	0.0%
PMV per share				**£12**	**£21**	**£19**	**£21**	**£24**	**£25**	**£27**	15.1%
Current Discount to PMV				-5%	37%	30%	39%	45%	48%	51%	
CAPEX	72	49	90	102	105	169	147	119	117	115	
EBITDA margins	28.6%	29.9%	30.0%	30.5%	37.2%	32.8%	33.8%	34.0%	33.3%	32.5%	

Source: Company filings and Gabelli & Company estimates

The closest comparable might be the Liberty Braves, Madison Square Garden and the Madison Square Garden Network and Liberty Media/Formula One. The Braves PMV is based on 4.5x revenues, Formula One is being acquired by Liberty Media for 17x EBITDA - reflecting the high multiples which exclusive businesses are awarded. Madison Square Garden trades at 11x EBITDA. However, analyst Brett Harriss highlights that the PMV is substantially higher due to the complexities of MSG holding real estate, sports teams the Knicks and Rangers, and entertainment assets.

Soccer Team Valuations

Team	Controlling Shareholder	2016 value	2015 value	% change	Revenue	Rev Mult.	Ebitda	Ebitda Mult.
1 Real Madrid	Club Members	$3,650	$3,259	12%	$694	5.3 x	$162	22.5 x
2 Barcelona	Club Members	3,560	3,179	12	675	5.3	108	33.0
3 Mancester United	Glazer family	3,320	3,103	7	625	5.3	190	17.5
4 Bayern Munich	Club Members	2,680	2,351	14	570	4.7	60	44.7
5 Arsenal	Stan Kroenke (67%)	2,020	1,312	54	524	3.9	122	16.6
6 Manchester City	Sheikh Al Nahyan/China Media Capital (13%/$400M 13% Dec 1 2015)	1,920	1,371	40	558	3.4	131	14.7
7 Chelsea	Roman Abamovich (21%)	1,660	1,372	21	505	3.3	25	66.4
8 Liverpool	John Henry, Tom Werner / Fenway Sports Group	1,550	981	58	471	3.3	115	13.5
9 Juventus	Agnelli family	1,300	839	55	390	3.3	81	16.0
10 Tottenham Hotspur	Joseph Lewis / ENIC International; Ltd.	1,020	604	69	310	3.3	73	14.0
11 Borussia Dortmund	Bernd Geske (12%) / Club Members	836	703	19	338	2.5	52	16.1
12 AC Milan	Silvia Berlusconi - to be finalized - Sino-Europe Sports Investment $830M after debt	825	778	6	240	3.4	(29)	-28.4
13 Paris Saint Germain	Qatar Sports Investment	814	636	28	578	1.4	1	814.0
14 Schalke 04	Club Members	655	570	15	264	2.5	67	9.8
15 Athletico de Madrid	Gil family, Dalian Wanda acquired 20% for €45M ($54M) March 2015	633	437	45	225	2.8	46	13.8
16 Inter Milan	Suning Retail (69%)	559	440	27	198	2.8	6	93.2
17 West Ham United	David Sullivan	542	308	76	194	2.8	43	12.6
18 AS Roma	James Pallotta / Raptor Capital	508	508	0	217	2.3	(19)	-26.7
19 Napoli	Aurelio de Laurentiis	396	354	12	151	2.6	37	10.7
20 Newcastle United	Michael Ashley	383	348	10	204	1.9	68	5.6
Total		$28,831	$23,450	23%	$7,931	3.6 x	$1,339	21.5 x

Forbes 2016 Top 20 teams value based on enterprise value (equity plus net debt) based on April 20, 2016 exchange rates.

Manchester United has a small 22% float but is investable. Borussia Dortmund is quoted in Germany with a market cap of €490 million, but cannot be acquired. Juventus FC is quoted in Italy but is controlled by the Agnelli family with 60% and a market capitalization of €300 million; other Italian companies have small floats with AS Roma €165 million capitalization and 82% controlled by Jim Pallotta (and speculated to be for sale as they face a $1 billion new stadium build); SS Lazio market capitalization is €36 million. Technically, Arsenal is only public on the non-quoted public limited company sheets.

Risks

Manchester United had an unprecedented run under Sir Alex Ferguson, the clubs longest-serving manager between 1986 and 2013. Ferguson won 38 trophies including 13 premier league titles and two Champions League titles. United fired manager Louis van Gaal this summer after only serving two of his three year contract due to coming in fifth in the EPL when the Champions League requires a fourth place finish. United did qualify to play in the Europa League. Hiring Jose Mourinho was a deft move, who in turn bought Pogba and overnight made United a "hot" team again. There is a correlation between high wage playing clubs and success but given the relatively even distribution of broadcast revenues and desire for rich team owners to achieve glory the level of competition remains is high.

UEFA, the sport's European governing body, is making future qualification easier for "also-ran" clubs. In 2018-19, one-half of the 32 group-stage places will be reserved for the top-four teams in the four best-performing leagues in European competitions (Spain, Germany, England and Italy). Four more automatic places will go to France and Portugal, and two to Russia and Ukraine. Champions from the Netherlands, Switzerland and Turkey have to make it through the play-offs.

Italy, Spain and Germany want a more profitable Champions League and the English need to counter years of continental underperformance with the Premier League potentially losing its status as Europe's third-best league (as measured by its clubs' recent performances in European competition) to Italy. Failing to qualify can cost a big club around £40-50 million – (less the variable cost of player's bonuses).

There is continued speculation, partly driven by Wanda, which recently invested in Athletico Madrid and US investors, that a "European Super League" should be formed. The drive for a European Super League increases as big clubs such as Manchester United and Liverpool keep failing to qualify for the Champions League on merit alone. Fans love soccer for its unpredictability but investors prefer the opposite. By contrast the US offers a profitable collusive model. US team sports - baseball, basketball, football and ice hockey – avoid unpredictability by having a closed circuit of around 30 teams which cannot be relegated for poor performance and cannot move up to a higher league. A broadcast revenue sharing system allows all the clubs to be profitable even if they lose. Furthermore championships are evenly distributed due to salary restrictions and annual draft which allocated the most talented young players to the weakest franchises.

Leicester City's spring from the third division to the Champions League in eight years is impossible in America as are late season matches with relegation at stake. The pedigreed Manchester United is well hedged even if it does not win as many games!

Other Companies Mentioned:

Adidas	(ADS	–DE)

Arsenal Holdings plc	(AFC	– PZ)
AS Roma	(ASR	– MI)
Borussia Dortmund	(BVB	– DE)
Comcast	(CMCSA	– NASDAQ)
Facebook	(FB	– ")
General Motors	(GM	– NYSE)
Juventus	(JUVE	– MI)
Lazio	(LAZI	– MI)
Liberty Braves	(BATRA	– NASDAQ)
Liberty Media	(LMCA	– ")
Madison Square Garden	(MSG	– NYSE)
Madison Square Garden Network	(MSGN	– NASDAQ)
NIKE	(NIKE	– NYSE)
Twitter	(TWTR	– ")

I***, John Tinker,*** the Research Analyst who prepared this report, hereby certify that the views expressed in this report accurately reflect the analyst's personal views about the subject companies and their securities. The Research Analyst has not been, is not and will not be receiving direct or indirect compensation for expressing the specific recommendation or view in this report.

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Important Disclosures

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Analysts' ratings are largely (but not always) determined by our "private market value," or PMV methodology. Our basic goal is to understand in absolute terms what a rational, strategic buyer would pay for an asset in an open, arms-length transaction. At the same time, analysts also look for underlying catalysts that could encourage those private market values to surface.

A **Buy** rated stock is one that in our view is trading at a meaningful discount to our estimated PMV. We could expect a more modest private market value to increase at an accelerated pace, the discount of the public stock price to PMV to narrow through the emergence of a catalyst, or some combination of the two to occur.

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As of September 30, 2016, our affiliates beneficially own on behalf of their investment advisory clients or otherwise approximately 7.47% of Madison Square Garden, 6.36% of Madison Square Garden Networks, 2.91% of Liberty Braves,1.21% of Liberty Media Corp, 1.0% of Liberty Media Corp. C and less than 1% of all other companies mentioned Because the portfolio managers at our affiliates make individual investment decisions with respect to the client accounts they manage, these accounts may have transactions inconsistent with the recommendations in this report. These portfolio managers may know the substance of our research reports prior to their publication as a result of joint participation in research meetings or otherwise. No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report. In addition, the undersigned lead analyst(s) has not and will not receive any compensation for providing a specific recommendation or view in this report. The analyst or members of his household own 870 Liberty Braves and 2,175 Liberty Media.

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