

## Lazio Roma - unprecedented valuation at stock exchange

Soccer club Lazio Roma trades on Milan stock exchange (apart from some short hikes) for many years now under 40 million euro.

As of today *market cap* at 37 million euro is even *lower than market values of individual soccer stars like Ronaldo, Bale, Pogba or Higuain*, but also even *lower than individual market values (asking prices) that the club seems to demand for several of its own players!*

In recent years prices payed (and asked) for quality players, have tremendously risen. The same did valuations of soccer clubs (see **Forbes** and **KPMG** reports on soccer clubs).

If as easy explanation one would believe that high indebtedness of Lazio Roma will surely be the reason for this low *market capitalization*, then falsely thought.

As of 30 June 2016 *net financial debt* of Lazio Roma was 27 million euro, which in this sector is virtually nothing.

Italian competitors **Juventus** and **AS Roma** for example have at the same point in time *net financial debt* of 199 million euro and 170 million euro respectively.

Lazio's *Enterprise Value* of 64 million euro (as of today) is utmost peculiar since players are the *main asset of soccer clubs*, and, for good reasons, clubs are commonly traded *at least equal to their squad values*. The biggest clubs however are even valued up to *5 times their respective squad values*.

Lazio's neighbor AS Roma currently trades, including its net financial debt, at 338 million euro (*Enterprise Value*), which is also clearly more than its complete squad value. The same holds for Juventus.

One may ask why such a clear correlation *club value - squad value* exists. Basically since squad value is *the main asset in soccer* and ultimate prerequisite for (future) sportive succes and therefore also for generating *future revenue streams*, which as such allows clubs to properly compete in this unprecedentedly booming sector.

### Comparison of Lazio Roma against its Italian peers AS Roma and Juventus

Currently **Juventus** is over Milan stock exchange valued at *505 million euro (Enterprise Value i.e. true market value)*, **AS Roma** is valued at *338 million euro* and **Lazio Roma** at *64 million euro*. See table below.

Taken into account the respective values of their squads, the *valuation multiple EV / Squad Value* for both Juventus and AS Roma is about **1,20**.

Being both valued at least at the value of their major asset is no coincidence and completely reasonable, since in fact squad values of Transfermarkt.de (which for up-striving clubs even are tendentionously conservative) can easily provide liquidity in the same amounts of money.

Lazio Roma however is *even valued far below its squad value*. Precisely this multiple at **0,40** shows that currently just 40% of its official squad value is priced in. Unofficial squad value, as pointed out, seems for Lazio to be still much higher.

According to this peer group comparison, Lazio's *fair enterprise value* stands at **193 million euro** and thus *fair share price* at about **2,45 €**. Then the value of its squad would be priced in at *same 120% level as both Juventus and AS Roma squads*.

And since squad value of Lazio currently may even be at **300-350 million euro** (see table "transfer rumors" below), this implicates that if share price currently stood at about **5,00 €** there would still be no reason to see Lazio as overvalued.

#### Company Value to Squad Value 1 – Lazio Roma against Juventus and AS Roma

as of 12 october 2016	Juventus	AS Roma	Lazio Roma	reference for Lazio Roma
number of shares (million)	1007	398	68	68
share price (€)	0,303	0,422	0,550	2,45 €
<u>in million €</u>				
market cap	305	168	37	166
net financial debt <sup>1)</sup>	199	170	27	27
enterprise value (EV)	505	338	64	193
squad value <sup>2)</sup>	428	276	161	161
EV / squad value	1,18	1,22	0,40	1,20

<sup>1)</sup> as of june 30, 2016 <sup>2)</sup> source Transfermarkt.de

#### Further remarks

From the side of the club (and its "investors relations") there is clearly *nothing done* against the extreme poor market valuation!

If this were on purpose, it would of course also *imply* that true club interests *are massively corrupted*, for the obvious reason that every listed company has a strong competitive edge from being listed properly according to common sector multiples. And of course the more as many of the competitors in soccer aren't publicly listed.

Only capital or private equity that tries to seek *complete ownership* of poorly listed companies (and most likely seeking a delisting after-wards) have tremendous financial advantage of such deprived market valuations in the peer group as Lazio Roma has. This of course largely at the cost of other financial stakeholders, as well as of the company itself as a going concern.

Since Lazio has 1) this ludicrous valuation and 2) nevertheless at Milan stock exchange sudden demand hikes are instantaneously counterattacked by equal massive rise of supply volume, the question could be raised :

who could be the single one that is fiercely holding (manipulating) against a proper market valuation of Lazio Roma? And how naive (they obviously believe that) Italians are in seeking explanations for such tremendous financial anomalies?

Refusal to sell players at virtually any price and building such costly squad assets are for clubs at current revenue and valuation scale of Lazio Roma from both financial and economical standpoint completely crazy.

And as such one may argue that this (*strategy*) has three major consequences (*objectives*).

1. Preventing tremendous profits that immediately would arrive from book gains because of in general enormous differences between true transfer values and often very much lower or even zero book values.
2. Mutatis mutandis transferring such massive profit potential into future.
3. Keeping (short-term) operational costs and depreciation levels far bigger than is necessary (and wise), thus also assisting in turning down (short term) profitability potential.

Strangling short term cash and profit gains, and building massive *hidden* assets instead, are in general well known *takeover tactics*, but in soccer business such practices build even a much more attractive scenario, since main assets (nevertheless to be written fastly down) instead, over time, mostly *increase* in value.

Such would make the (by far) to low market valuation of Lazio Roma the more transparent, since trying to gradually build a competitive soccer club over good scouting and transfer-policies, which require (sometimes) cashing in on players, is common and clever business practice.

Only for biggest clubs with 400 million plus revenues, this revenue stream of course is much less relevant.

PG, October 13, 2016

#### Company Value to Squad Value 2 – Lazio Roma against Peer Group Leader

as of 12 october 2016	Manchester United	Lazio Roma	reference for Lazio Roma
number of shares (million)	165	68	68
share price (€)	14,490	0,550	11.53 €
<u>in million €</u>			
market cap	2391	37	781
net financial debt <sup>1)</sup>	289	27	27
enterprise value (EV)	2680	64	808
squad value <sup>2)</sup>	534	161	161
EV / squad value	5,02	0,40	5,02

<sup>1)</sup> as of june 30, 2016 <sup>2)</sup> source Transfermarkt.de

## TRANSFER RUMORS - LAZIO'S IMPLICIT VALUATION

Up to 160 million Euro for just four players ... but complete Lazio Roma has a market cap of just 37 million euro???  
 Value at stock exchange of complete Lazio is lower than Lazios price tag for Felipe Anderson.  
 This seems biggest market imperfection (or manipulation) of all time.

Official Squad Value of Lazio Roma according to *Transfermarkt.de* stands at 161 million euro, but it seems that true value easily reaches 300 million euro.

It is to consider that the biggest clubs (ManU, Barca, Real, Bayern) even are valued up to 5 times their squad value!

9 Oct 2016	Sept 24 2016	2 Oct 2016	12 October 2016
<p><b>Antonio Conte is reportedly keeping tabs on Lazio winger Felipe Anderson</b></p> <p>The 23-year-old has a contract that runs out in 2020 at the Italian outfit, but could be prized away if Chelsea offer an adequate fee for his services. Lazio are expected to <u>command a sum in the region of 45 million</u> if they are to let go of their prized asset.</p>	<p><b>Lazio raise Stefan De Vrij price tag to £50 million</b></p> <p>Chelsea's search for a new defender appears to have reached another dead end, as <b>Lazio have demanded a ludicrous £50 million for Dutch international Stefan De Vrij.</b></p>	<p><b>Pep Guardiola send scout to watch highly-rated Lazio striker Alessandro Rossi</b></p> <p><b>Manchester City</b> are weighing up a move for highly-rated <b>Lazio</b> forward <b>Alessandro Rossi</b>.</p> <p>The 19-year-old is one of Europe's hottest prospects having scored an incredible nine goals in four matches for the Italian side's youth team.</p>	<p><b>Lazio offer AC Milan target Keita Balde new contract with €30m release clause</b></p> <p>Lazio are preparing a new contract offer for their star <b>Keita Balde</b> who's had an excellent start to the season.</p>
<p><a href="http://www.thehardtackle.com/news/2016/10/09/chelsea-fc-in-the-market-for-lazio-winger-and-manchester-united-target-felipe-anderson/">http://www.thehardtackle.com/news/2016/10/09/chelsea-fc-in-the-market-for-lazio-winger-and-manchester-united-target-felipe-anderson/</a></p>	<p><a href="http://www.espnfc.com/blog/transfer-talk/79/post/2958709/west-ham-united-interested-in-signing-cesc-fabrega">http://www.espnfc.com/blog/transfer-talk/79/post/2958709/west-ham-united-interested-in-signing-cesc-fabrega</a></p>	<p><a href="https://www.thesun.co.uk/sport/football/1900044/manchester-city-transfer-news-pep-guardiola-send-scout-to-watch-highly-rated-lazio-striker-alessandro-rossi/">https://www.thesun.co.uk/sport/football/1900044/manchester-city-transfer-news-pep-guardiola-send-scout-to-watch-highly-rated-lazio-striker-alessandro-rossi/</a></p>	<p><a href="http://www.calciomercato.com/en/news/lazio-offer-ac-milan-target-keita-balde-new-contract-with-€30m-r-84596">http://www.calciomercato.com/en/news/lazio-offer-ac-milan-target-keita-balde-new-contract-with-€30m-r-84596</a></p>