FACULTAD DE CIENCIAS ECONOMICAS

VALENCIA CF BUSINESS PLAN AND FINANCIAL VALUATION

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Abstract

The purpose of this work is to understand how changes in the strategic decisions in a football team administration can influence in the achievement of competitive and financial objectives.

The selected team to conduct this work will be Valencia Club de Fútbol, a historical top tier team in Spain, which is currently underperforming in the Spanish League due to a naïve, inefficient management of the strategy and the resources of the team.

Of course, profitability, as in any other industry, is crucial to maintain a sustainable business. However, in order to achieve financial stability, the results that the team may achieve during the season will be decisive in the final economic result of the year.

Therefore, this paper will be focused on the core activity management and how the strategic plans can be settled in order to obtain the maximum outcome from the team (football results), and consequently from the firm (economic and financial growth).

Finally, I will perform a financial valuation of the firm in order to know the maximum price to be paid by a hypothetical potential investor willing to undertake this business plan. The difference between this price and the current value of the Equity will set the range of future negotiations and will determine the attractiveness (over or under valuated) of the firm.

To be able to put into context all the information regarding Valencia Club de Fútbol, during the course of this paper I will develop several analyses about the football industry. The situation of the whole industry, the Spanish league and some teams in particular will be subject of a more in depth analysis.

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1. Top down approach

1.1 Football industry analysis. Porter: The five competitive forces

In order to develop the best possible strategic model to implement, it is important to understand how the different forces surrounding every business affect this industry in particular. The degree of threat of each force will determine the attractiveness of the football industry.

Porter's Five Forces is a model of analysis that helps to explain why different industries are able to sustain different levels of profitability. This model was originally published in Porter's book, "Competitive Strategy: Techniques for Analyzing Industries and Competitors" in 1980. The model is widely used, worldwide, to analyze the industry structure of a company as well as its corporate strategy. Porter identified five undeniable forces that play a part in shaping every market and industry in the world. The forces are frequently used to measure competition intensity, attractiveness and profitability of an industry or market.

Competition in the Industry

The importance of this force is the number of competitors and their ability to threaten a company. The larger the number of competitors, along with the number of equivalent products and services they offer, dictates the power of a company. Suppliers and buyers seek out a company's competition if they are unable to receive a suitable deal.

Potential of New Entrants into an Industry

A company's power is also affected by the force of new entrants into its market. The less money and time it costs for a competitor to enter a company's market and be an effective competitor, the more a company's position may be significantly weakened.

Power of Suppliers

This force addresses how easily suppliers can drive up the price of goods and services. It is affected by the number of suppliers of key aspects of a good or service, how unique these aspects are and how much it would cost a company to switch from one supplier to another. The fewer number of suppliers, and the more a company depends upon a supplier, the more power a supplier holds.

Power of Customers

This specifically deals with the ability customers have to drive prices down. It is affected by how many buyers, or customers, a company has, how significant each customer is and how much it would cost a customer to switch from one company to another. The smaller and more powerful a client base, the more power it holds.

Threat of Substitutes

Competitor substitutions that can be used in place of a company's products or services pose a threat. For example, if customers rely on a company to provide a tool or service that can be substituted with another tool or service or by performing the task manually, and this substitution is fairly easy and of low cost, a company's power can be weakened.

In this sense, I will use the Porter´s five forces model to analyze the competitive forces that the football industry challenges, by reviewing individually the bargaining power of clients and suppliers, the threat of substitute products and new entrants and the competitiveness between participants within the industry.

The five competitive forces applied to football industry

1. **Bargaining power of suppliers -** Suppliers: Raw material suppliers, staff (footballers and non-footballers), other teams, football institutions (national league and international championships) and formation academies).

"Their power lies in the uniqueness of their input and the switching cost (cost that arises when changing a supplier), as well as the employee solidarity (for example labor unions)" - *Argyro Elisavet Manoli.*

The degree of **competitiveness within a domestic league** will affect heavily in the capacity of teams to generate higher revenues coming from competition leagues performances. The more competitive (the better the teams as a whole) a league is, the more revenues will generate and be distributed to the teams participating. Being able to participate in the international league (Champions and Europa League) will boost the revenues significantly.

Regarding **other teams**, each year seems to be more difficult and expensive to be able to sign quality players from other teams. Utopic termination clauses and off-the-market prices paid by some teams are making high switching costs between one and another player to become ignored. Potential vendor teams know the economic potential of the rest of the teams and of the players they acquired, and therefore tend to squeeze the transfer price to the maximum possible.

It is important to maintain an adequate **formation academy** that allows the young promises in town to improve their skills and feel part of the team since the first moment of their careers.

Players are the suppliers with highest bargaining power. They offer their unique skills to the team in return of a succulent contract that convinces him to join the team. Players (and especially top players) will always have many chances to decide where to play and will ask for the highest possible remuneration according to his status. As they normally carry high switching costs, due to the difficulties to sign new players and to the uniqueness of their skills, they have a very high bargaining power over teams.

Ordinary staff, in the other hand, tends to provide non-differentiated services that can be replaced easily and with low switching costs (as there is an intense competition and disequilibrium between labor demand and supply in favor of labor suppliers). Therefore, the group is classified under low bargaining power. **Bargaining power of suppliers:** Has to be evaluated individually.

Players bargaining power**: Very high**

Other teams bargaining power**: High**

Raw material suppliers**: Low**

Non players staff: **Low**

GENERAL: MEDIUM-HIGH

2. **Bargaining power of clients -** Customers: sponsors, broadcasters and fans.

"Customer power is defined by various factors, such as the buyer concentration to company (football team) concentration ratio, the degree of dependency upon existing channels of distribution, the buyer switching costs, the availability of existing substitute products, the buyer price sensitivity and the differential advantage of industry product or service. " - *Argyro Elisavet Manoli.*

The achievement of succulent contracts with **sponsors** and **TV broadcasters** will definitely ensure a prosperous economic year for the team. In this case, the position achieved in the national and international competitions will determine the amount received by each team in this concept.

On the other hand, not being able to achieve budgeted amounts regarding sponsorships and TV broadcasting rights will definitely push down the economic result of the year.

Therefore, one more time, its observable how the operating results of the team (final league position) will move up or down the revenues from this account. Sponsors do not hold a high bargaining power as they do not offer a differentiated service and the switching costs between one or another sponsor is zero most of the times. Therefore, sponsors have to adapt to the necessities arising in the football market in order to maintain competitive.

The national league as a whole normally regulates TV broadcasting activity. Therefore, teams have no real option to negotiate individually their contracts or to switch between one and another broadcaster. Although the service is not really unique (as many other distributors could offer the same service at similar prices), TV broadcasters have a high bargaining power related to football teams, but maybe not so much to the national league (that can decide democratically to change of broadcaster).

Fans revenues represent the less dependent and fluctuating variable on football results. In this business, fans usually stick to one single unreplaceable team. In case the team starts to underperform, they will get raged but they will probably still maintain their expending on the team. In this account, it is important to be aware of the economic situation of the country so that prices are reasonable and affordable for citizens.

Bargaining power of clients: Evaluation individually:

Sponsors bargaining power: Low

TV broadcasters bargaining power: Medium

Fans bargaining power: Low

GENERAL: MEDIUM-LOW

3. **Threat of Substitute products** - Other industry sports or leisure activities and other leagues within the football industry.

“The existence of close substitute products increases the propensity of customers to switch to alternatives in response to price increases.

The threat is measured by the buyer propensity to substitute, the relative price performance of substitutes, the buyer switching costs and the perceived level of product differentiation”. - *Argyro Elisavet Manoli.*

Although there are many **other sports and leisure activities** that are very popular and followed, football offers a highly differentiated product which makes switching costs for supporters really high.

This force implies no threat at all for the football industry as a whole.

4. **Rivalry among existing competitors** - Competitors: Other clubs

“This factor determines how competitive the industry is and is determined by the number of competitors, the economies of scale and the sustainable competitive advantage through improvisation”. - *Argyro Elisavet Manoli.*

There is an increasing economic difference between the top tier teams and the rest of teams participating in the different leagues. Therefore, each team has to know its potential and try to maximize it, independently of the rest of the team’s performance.

The key factor giving a team the possibility to become top tier is the social mass supporting it. In this sense, the city economy and population, as well as the number of teams registered in such city, will certainly influence in the potential a team has to become top tier. There are other slower and more difficult ways to become a top tier team like carrying out an efficient management for a long period.

Of course, once the team is established, there is a hard competence between teams of similar tiers, as they fight for similar objectives. However, the capacity to overcome this competence s mainly focused on the correct management and planning of the team and season, respectively.

5. **Threat of New entrants** - Barriers: Capital and infrastructure requirements

This factor analyses the existence of barriers to enter an industry. Barriers in the football sector are few but very tough: capital and infrastructure requirements.

It is very hard and takes a lot of time for startup teams to make it through the top from the very bottom. An important investment is required in order to set up the infrastructure needed to build a football team. However, it is not only about money, also the mass support represents a key element on the evolution and sustainability of a football team. This devotion is most of the times attained from very early ages and therefore is very hard for newcomers to attract new fans that can support the team in every aspect.

After this analysis, we can state that the football industry is very strong and it seems like it will remain growing for a long period due to the countries culture and to the lack of real powerful threats.

1.2 Spanish league economic and financial analysis

Once understood the potential attractiveness of the industry as a whole, the next step is to analyze in-depth the situation of the football industry in Spain. The CSD (Consejo Superior de Deportes) is the institution in charge of receiving all the financial information for the teams playing in the Spanish League. It has recently published a paper named "Balance de la situación económica-financiera del fútbol español 1999/2015", in which it analyzes the evolution of the Spanish Football teams conforming the 1st division (except Real Madrid and FC Barcelona). This is a perfect paper to understand how the industry has behaved during the last years as it offers verified, objective and hard to find data.

This paper focuses in the main indicators that reflect how the teams have performed financially in the last fifteen years:

-Ordinary results
-Extraordinary results
-Net Income
-Leverage
-Financial expenses
-Working capital

It also provides quantitative data describing the evolution of the main sources of revenues and expenses for the same period.

Regarding the net income, the Spanish League has maintained this last year a growth tendency for the third consecutive year. During the 2015/2016 season, the League achieved a profit of nearly 89 million, which is a 16% more than in the previous one.

Earnings grew at a 7.3%; more than the expenses, which increased 6.7%. It is also remarkable the importance that broadcasting rights and personnel costs have over the revenues and expenses accounts, respectively.

In this last season, TV broadcasting rights sales provided Spanish teams regardless of Barcelona and Madrid, the 37% of their total revenues. On the other hand, personnel costs along with amortization of player's acquisition rights represent the 62.4% of the total expenses.

Ordinary results have been negative for the last 15 years in a row. This has to do with disequilibrium between the main operating revenues (TV rights, sponsors, publicity, competition, merchandising, tickets) and expenses (costs of personnel, amortizations, other operating costs).

However, thanks to the improving economic situation of the country during the last years, a positive tendency is taking place. Therefore, if ordinary results are negative, extraordinary results shall be shifting up the net income results.

Extraordinary results arise mainly from the selling of players rights to 3rd teams. The financial crisis affecting the country forced many teams to sell their star players to other teams with higher financial buffers. This resulted in a generalized increase of the extraordinary results of the teams in the Spanish league going over financial difficulties, which where the vast majority.

A very important issue affecting the Spanish teams operations is the level of debt. We have seen how many teams had no option rather than selling their top performing players in order to pay their debts with the public and private institutions. At the start of the financial crisis in 2007/08, levels of debt were already worryingly high (about 1876 M, which gives us an approximate average of 100M debt for each of the 18 teams in the league). For 10 straight years, from 1999 to 2009, the level of debt increased constantly. In this 10-year period, indebtedness in teams grew at a cumulative annual growth rate of 12.14% (from 699 million in 1999, to 2182 million in 2009). Nonetheless, in the last years, teams have been able to reduce both their level of debt and their debt expenses.

Surprisingly, in 2015, after four consecutive years with decreasing levels of debt, indebtedness of Spanish football teams has slightly increased again.

Working capital is calculated as the difference between the short-term creditors and debtors. This indicator has been negative during the whole period. During the crisis, in 2011, it reached a maximum of 688 negative million. This indicator has to do with the availability of liquid assets within the firm to be able to pay spontaneous payments to their short-term creditors.

As a whole, the league is currently recovering from the effects of the financial crisis that affected not only the common industry sectors but also the football and other sports industries. This can be noticed in all the graphs described in the paper, which show how all indicators dropped heavily during the crisis (2007-2012) (higher level of debt and financial expenses, worse operating and total results and liquidity problems) and came back right after it.

It is quite relevant to analyze not only the evolution of the results by itself, but also the origin and components of this result. In this matter, we will look at the evolution and relative weight of the different concepts conforming the revenues and expenses.

Table 1.1 shows the evolution of the four main revenue accounts during the last fifteen years: Tickets, TV rights, publicity and other revenues.

"Other revenues" includes any revenue not derived from the social purpose of the firm. For example: subventions, leasing's, financial revenues or temporal transfers of player rights.

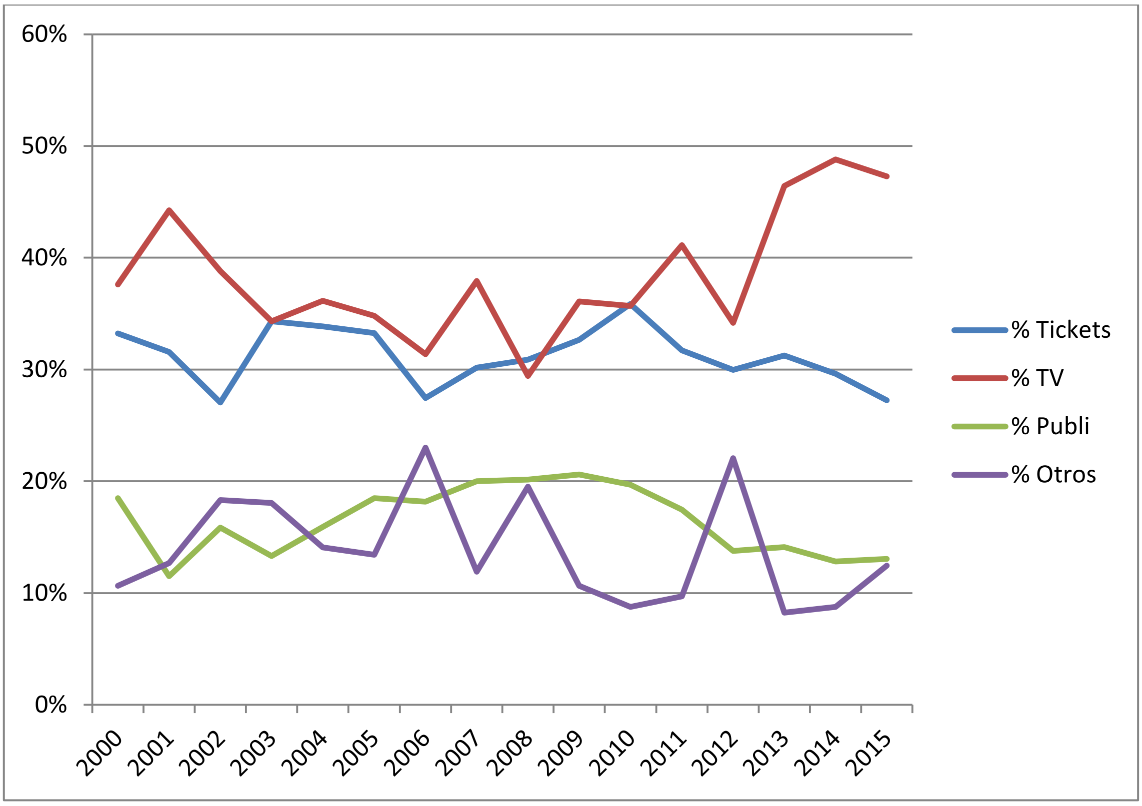
As a whole, during the period analyzed, revenues increased from 319 to 973 million, resulting in a cumulative annual growth rate of 7.7%. Only two accounts grew at a higher pace: TV rights (9.4%) and other revenues (8.8%).

Table 1.1: Evolution and relative weight of ordinary revenue accounts in La Liga Santander

	Tickets	TV Rights	Publicity	Other rev.	TOTAL	% Tickets	% TV	% Publi	% Other
2000	106	120	59	34	319	33%	**38%**	18%	11%
2001	107	150	39	43	339	32%	**44%**	12%	13%
2002	99	142	58	67	366	27%	**39%**	16%	18%
2003	152	152	59	80	443	**34%**	**34%**	13%	18%
2004	149	159	70	62	440	34%	**36%**	16%	14%
2005	151	158	84	61	454	33%	**35%**	19%	13%
2006	148	169	98	124	539	27%	**31%**	18%	23%
2007	175	220	116	69	580	30%	**38%**	20%	12%
2008	190	181	124	120	615	**31%**	29%	20%	20%
2009	190	210	120	62	582	33%	**36%**	21%	11%
2010	233	232	128	57	650	**36%**	**36%**	20%	9%
2011	209	271	115	64	659	32%	**41%**	17%	10%
2012	235	268	108	173	784	30%	**34%**	14%	22%
2013	235	349	106	62	752	31%	**46%**	14%	8%
2014	247	407	107	73	834	30%	**49%**	13%	9%
2015	265	460	127	121	973	27%	**47%**	13%	12%
CAGR 00-15	6,3%	9,4%	5,2%	8,8%	7,7%	**31%**	**39%**	**16%**	**14%**

Source: CSD (Consejo superior de deportes Balance Económico Financiero).

Graph 1.1 Evolution of relative weight of each ordinary revenue concept over total revenues.



Source: CSD.

Not only have TV Rights grown at a higher rate than the rest of the revenue concepts but it also represents the higher volume of revenues. Historically, nearly 40% of the revenues were generated only by TV rights sales. As TV right sales revenues depend mainly on the position or result of the team in the domestic league, fierce competition between similar level teams is expected.

Therefore, it is also very important to maintain a diversified revenue stream to avoid risks regarding dependence on this revenue concept in case the team underperforms one year.

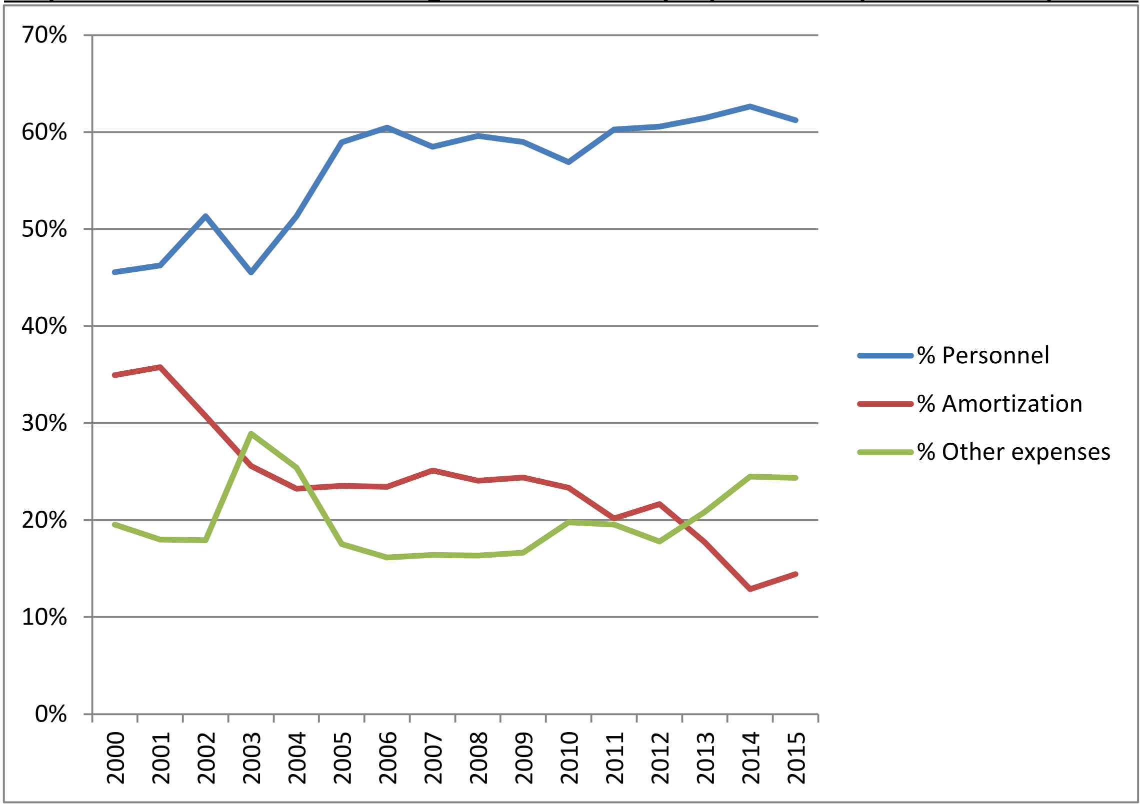
To have a better insight of the revenue figures we should compare them with the expenses so that we can figure out the operating margins football teams are dealing with.

Table 1.2: Evolution and relative weight of ordinary expense accounts in La Liga Santander.

	Personnel costs	Players Acquisition Amortization	Other expenses	Total	% Personnel	% Amortization	% Other expenses
2000	210	161	90	461	**46%**	35%	20%
2001	234	181	91	506	**46%**	36%	18%
2002	269	161	94	524	**51%**	31%	18%
2003	285	160	181	626	**46%**	26%	29%
2004	307	139	152	598	**51%**	23%	25%
2005	343	137	102	582	**59%**	24%	18%
2006	356	138	95	589	**60%**	23%	16%
2007	410	176	115	701	**58%**	25%	16%
2008	456	184	125	765	60%	24%	16%
2009	450	186	127	763	**59%**	24%	17%
2010	429	176	149	754	**57%**	23%	20%
2011	484	162	157	803	**60%**	20%	20%
2012	531	190	156	877	**61%**	22%	18%
2013	513	148	174	835	**61%**	18%	21%
2014	555	114	217	886	**63%**	13%	24%
2015	598	141	238	977	**61%**	14%	24%
CAGR 00-15	7,2%	-0,9%	6,7%	5,1%	**57%**	**23%**	**20%**

Source: CSD

Graph 1.2 Evolution of relative weight of each ordinary expense concept over total expenses.



Source: CSD.

Table 1.2 shows the evolution of the three main expense accounts during the last fifteen years: Personnel costs, acquisition rights amortizations and other expenses.

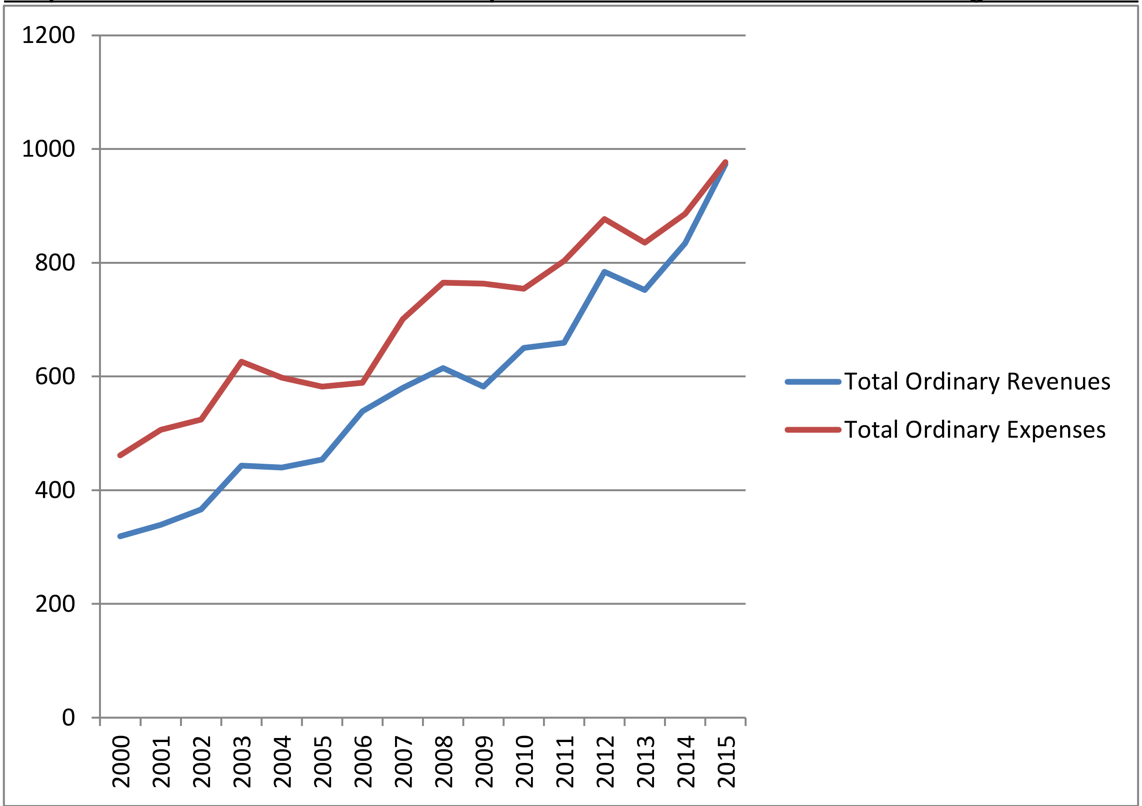
"Other expenses" includes any expense not derived from the social purpose of the firm. For example: transports costs, supplies, agency costs or license fees.

As a whole, during the period analyzed, ordinary expenses increased from 461 to 977 million, resulting in a cumulative annual growth rate of 5.1%. Both, personnel costs and other expenses grew at a higher pace than the total expenses (7.2% and 6.7% respectively).

Personnel costs have increased at the highest rate regarding expenses. It also represents the highest volume of expenses, gathering an average of 57% of the total expenses. This proportion has increased in the last years, reaching a peak of 63% in 2014.

Salaries are fixed costs that do not depend on the results of the football team or player in particular. Therefore, football teams should implement precautious control mechanisms to the personnel costs account, so in case they underperform, and consequently obtain fewer revenues at the end of the season, they can still have enough buffers to maintain their activity operative and solvent.

Graph 1.3: Evolution of Total Expenses and Total Revenues during 2000-2015



Source: CSD

It is easily observable how the Spanish Teams (without FC Barcelona and Real Madrid) have been able to improve their margins regarding ordinary activities.

This represents definitely a positive sign towards the Spanish football market. It is vital for the growth of the teams to maintain a positive operating result so that they are not forced each year to sell their most valuable players to remain sustainable. This tendency would take the Spanish League to a more competitive league were less economically developed teams could start to fight for higher prizes.

In this sense, each team has to find its way in the market and try to search and exploit opportunities that may provide them competitive advantages over the rest of the national teams. These advantages have to do with the use of strategies to create value and consequently improve margins and profitability.

These strategies will be further developed in the strategic analysis (part 2).

Another interesting paper is the “The Financial situation of professional football in Spain”.

The financial situation in Spanish football has been poor in general along its history but has being getting worse during the last few years. García and Rodríguez (2003) pointed out that the global debts of professional football rose to €1,644.9 million at the end of the 2000-01 season. Barajas (2004) warns that the indebtedness of the clubs follows an increasing pattern from 1998 to 2002. Moreover, he shows that the expenditure structure makes it very difficult to make profits. Subsequently, Ascari and Gagnepain (2006), with data up to 2003, show that the situation of Spanish football represents structural Iacknesses in club accounts.

According to them, the situation seems to be less serious than others from the most important European leagues, such as Italy. They point out that public funding is why the situation of Spanish clubs is slightly better. Boscá et al. (2008) conclude that Spanish football suffer the same problems that the Italian and English leagues have. They also point out the convenience of using similar solutions in those countries for sustainability of the football industry. Gay Saludas (2009a, 2009b) makes a detailed analysis of the accounts of First Division football clubs at the end of 2006-07 season. In his research, it stands out that clubs have excessive assets that lead them to indebtedness above reasonable levels. This leads to imbalance in the short run and also lack of reliability, liquidity tensions, and financial dependence. **Operating expenses exceed their incomes.**

As a consequence, the economic model of Spanish football is hardly sustainable. Following these works, it seems interesting to keep going deeper into the financial analysis of the Spanish professional football clubs’ accounts. In our case, our innovation with respect to the cited studies is that I are going to analyze, not only Spanish First Division football clubs (Liga BBVA), but also almost all of the Second Division A clubs (Liga Adelante). The database they work with is made up of the annual reports of the clubs (balance sheet, income statement account). I have the financial reports of 19 clubs of Liga BBVA and 16 clubs of Liga Adelante. It means that I only miss one club of Fist Division and six of Second Division. Financial ratios are commonly used in order to detect financial distresses. There are many of them but not each one fits for football industry. I have had as references the papers about financial distress by Beaver (1966), Altman (1968), Altman et al. (1977), Dimitras et al. (1999), Philosophov and Philosophov (2002), and Alfaro-Cid et al. (2009).

I have used some of the ratios employed by them. I have introduced also some other ratios used by ESIC in a study for the LFP, as Ill as their classification for qualify the clubs. Regarding financial distress and financial crisis, the works by Beaver (1966), Altman (1968), Altman et al. (1977), and Dimitras et al. (1999) have been useful in order to choose some of the ratios employed in this paper. The work of Morrow (1999) provides some specific ratios for football industry. Considering the cited papers, I have selected some financial ratios commonly used and added some more related to the football industry and some general criteria linked to dissolution causes included in the “Concursal Law.”

Specifically, the ratios used have been the Financing rate, indebtedness ratio, capacity of refunding the debt, coverage of interests, ROA and ROE, and the weight of the expenses on players in the operating results.

The financing rate reflects the relationship between current liabilities and current asset. It is the reverse of the liquidity ratio and reports the amount of financing in the short run for each euro from the current assets. This means that any value exceeding one, points out that part of the non-current assets are financed with short-term resources and, in consequence, that the company does not have liquid or semi-liquid assets to face the payments in the short run. The indebtedness ratio shows the proportion that Total Debts of the club represent relative to its Total Assets. This ratio should be less than one in any case because if not, the company will not be able to face its debt using the assets it owns. This situation would indicate that the shareholders' equity is negative.

I consider it interesting to measure the relationship existing between Total Income of the company and it's Total Indebtedness. In some way, this ratio gives us an idea of how long it would take the company to amortize the debt if it uses the total turnover for debt service. Obviously, none of the clubs will be able to use that total amount because it will have to face the different necessary expenses to obtain those incomes. However, it is illustrative of the proportion of the debt regarding the size of the company measured by its incomes.

The economic and financial return (ROA and ROE, respectively) relate the operating results or the net benefits to the investment made. The big problem that arises when I work with football clubs is that many of them announce losses, which minimize the meaning of this ratio.

The production function of football is linked to the sports entertainment to audiences offered in the matches. Players are, therefore, essential elements to develop team production. So, they represent one of the main parts of the expenses including the wages and the amortization of their transfers. Thus, it is useful to look at the proportion of resources used to maintain sporting performance. I examine this through the ratio of staff expenses to total revenues. Késenne (2009) argues that this proportion must be placed **under the 67%** for profit maximizing clubs. This parameter can be a good reference, at least for clubs that aspire to have no losses.

Finally, I will check if clubs present situations like the one contemplated in Article 260 of the Limited Companies Law (LSA). This shows the causes of dissolution of the limited companies (SA). Among them, for the purposes of our research, the following stands out: By consequence of losses that leave the net wealth reduced to an amount inferior to the half of the capital stock, unless this is not increased or decreased in enough measure, and always that it is not appropriate to request the declaration of administration according to what is exposed in the Concursal Law.

So, I can offer clear criteria to know which are the clubs under a critical situation and, also, which clubs should adopt the opportune measures to re-establish the wealth balance of the company. Otherwise, they would be doomed to dissolution. The results obtained from the calculation of these ratios reveal a discouraging panorama of the financial situation of Spanish football clubs. The diagnostic can be done in an individual or aggregated way. According to this, the situation of the First Division average is a warning with regard to the financing rate.

There are also even more concerns regarding indebtedness and the expenses of players by operating revenue. The situation is seen as critical if I look at the capacity to refund club debts. The situation gets worse for the Second Division due to the worrying financing data as Ill as the excessive expenses on players. The situation in the Second Division is critical with respect to club indebtedness and the capacity of clubs to refund the debt. It is clear that few clubs show a good situation.

Specially, if I look at three of the ratios, the main situation of the clubs is critical: 45.7% is much too high a number for indebtedness (TD/TA). Also, 57.1% of the clubs have very low capacity to refund the debt (TD/TR) and 40% of the clubs have an excessively high ratio of expenses on players relative to operating revenues.

To summarize other ratios, 88.6% of the clubs have a very low capacity of payment of interest on debt with their operating expenses. I see that the same percentage has operating losses (ROA), and that 40% of clubs show losses at the bottom line (ROE). Thus, the diagnostic of the financial health of Spanish professional football appears to be very serious. Moreover, 51.4% of the clubs are close to dissolution according to Article 260 of the LSA.

I have to consider that almost all of these debts are owed to players. The debt with the public institutions like the Tax Authority or Social Security is almost €630 million, of which more than half of them had a short-term due date. First Division clubs owe 82% of this total. In a financial year, the debt of professional football with public administrations increased by nearly €227 million.

In 2007, total debt levels among Spanish clubs or with other sporting firms were €265 million and rose to €561 million in 2008. More than the 98% of this debt belong to First Division clubs. This is reasonable because, to a large extent, this type of indebtedness has its origin in the sales of players in the transfer market for cash, and the more expensive transfers Ire made by First Division clubs.

However, the debts of the clubs with credit institutions have been reduced slightly. As at June 2007, clubs owe more than €750 million to the financial institutions, and in one year, this has been reduced slightly to €732 million. In a parallel way, a bigger cut in the short-term debt has occurred while there has been a slight increase in the long-term debt. Thus, the liquidity crisis that has affected the financial system has touched Spanish football. The consequences are clear. Part of the short-term indebtedness has been restructured to the long term and no new financing has been achieved.

The effect is that the clubs have been forced to find other ways of obtaining monetary resources. The simplest way is to go to the so-called “forced resources,” which means those resources that are not negotiable and are obtained in a more or less spontaneous way. An example is to lengthen the terms of payment, or, simply to not pay by the due date. As consequence, I observe an increase of the debts with public administrations, with the employees and with other sporting bodies.

1.3 Overview of the firm: VCF

Sportive, financial and social situation: last year's evolution

In the last years, Valencia CF has been trying to overcome a strong financial, social and sportive crisis that should force their management team to reconsider the current strategy and objectives been carried out currently.

The origin of this crisis is located in the presidential administration of the team, which has been incapable of managing successfully this firm and its crisis. This lack of knowledge to manage a football team led to wrong decisions that affected negatively the performance of the team in the Spanish league.

This team, which was prepared and budgeted to be fighting within the top positions with the top teams started to suffer a decline in their performance, leading to losses and increase of debt.

This increase of debt started to become unaffordable for the current president at the time, Amadeo Salvo, which had no other choice than selling the firm to Peter Lim, a businessperson with not too many knowledge neither about football in general nor VCF history and values.

This change of power, far from helping the team in their reconstruction has even deeper VCF in the sportive crisis. This year is currently at the 11th position after 31 matches, which is far away from their fans expectations. On the other hand, the new president board has made VCF financials look a little more reliable and strong.

However, they have to find a way to translate this positive financial reaction into operating results. In order to achieve it, this board should work in a new business model that would allow them to obtain the maximum from the resources they have.

2. VCF Strategy – Qualitative analysis

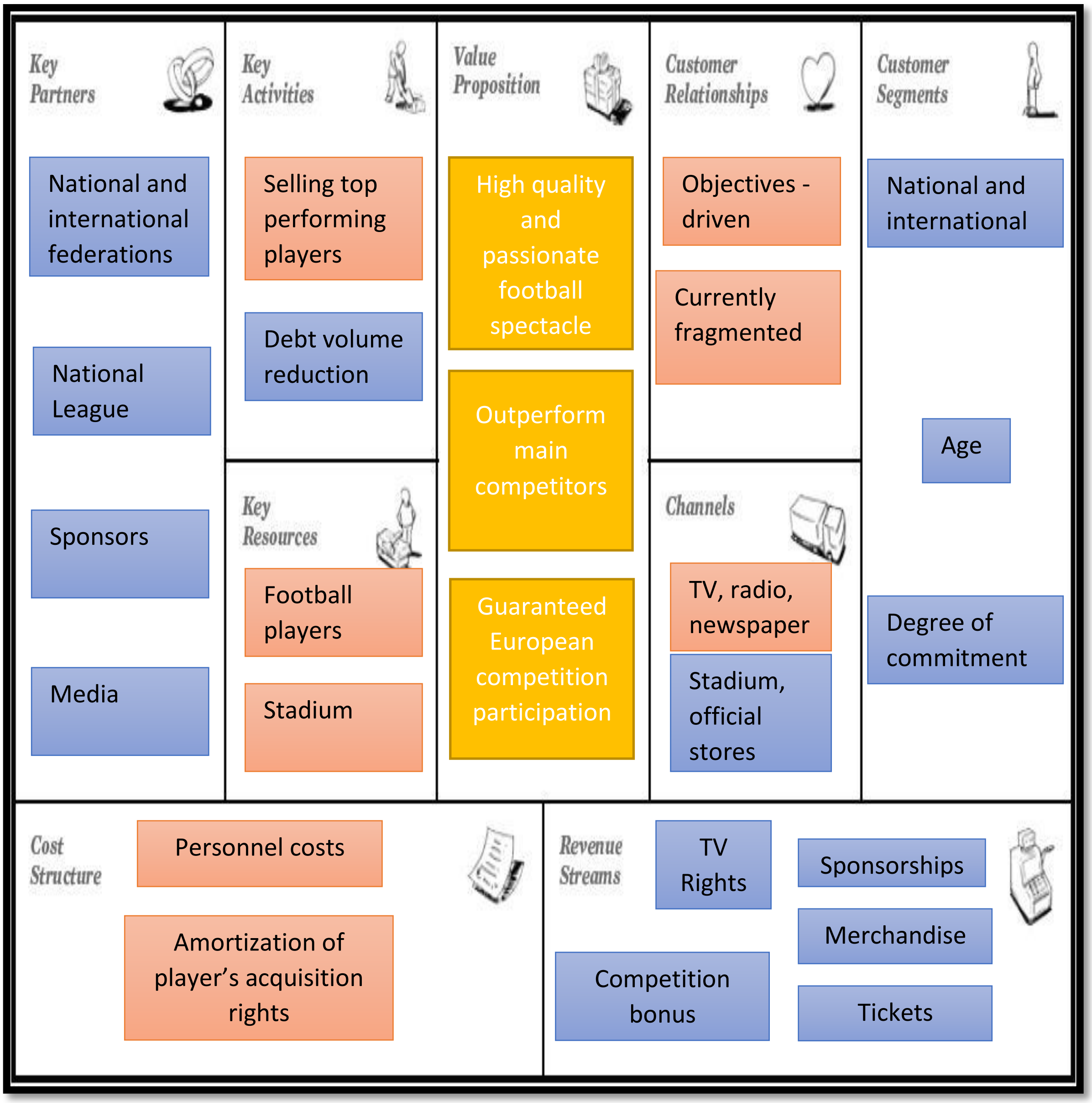
2.1 Current state- Strategic model

Business Model Canvas is a deceptively powerful business-model planning tool designed by academics Alexander Osterwalder and Yves Pigneur.

The one-page Canvas has nine building blocks: customer value proposition, customer segments, distribution channels, customer relationships, revenue streams, key activities, key partners and cost structure. Each one represents a key component in the activity and its effective management will determine the way the company will head.

It provides a global and summarized view of a firm´s environment and helps managers to clarify and focus on what is driving the business.

I will use this tool to learn everything about the current business model in development, and locate and modify the main issues that can improve the situation.



1. **Value proposition:**

The first key element of every Business Model Canvas is the value proposition associated to the company´s social purpose. It describes what a company offers to cause a customer to pick them over a competitor or alternative. Their main activity operations along with the eight other blocks will describe the value proposition of a company.

Currently the company´s value proposition is based on offering a high quality and passionate football spectacle to all the VCF fans that will lead the team to outperform other community teams, compete with top tier teams in Spain and participate year after year in European tournaments.

This proposition and its accomplishment has been the main factor allowing VCF to obtain a differentiated service and to gain social mass support year by year. Of course, if the firm continues with the negative tendency, either objectives or strategies shall be modified to maintain equilibrium between the value planned to offer and the value delivered.

In this study, I will suggest different alternatives to change the strategy of the team so that the objectives that made VCF what it is today can remain the same and be achieved again soon.

2. **Revenue streams**

TV rights, sponsorships, merchandise, tickets and annual subscriptions, and competition bonuses are currently the main sources of revenues not only for VCF but also for practically all the football teams.

TV rights represent the money earned by the teams by allowing determined distribution channels to retransmit their games to the public. This account will vary depending on the social mass each team has and the league position they achieve. League administrators review the contract every two years and I have already seen that it is the most relevant stream representing an average of 39% over the total ordinary revenues in the Spanish League in the last 15 years. Consequently, teams will prepare their budgets carefully, bearing in mind the possible movements of this revenue stream.

As I can see in graph 2.1 TV rights revenues weight fluctuated between the 40 and the 60% during the period studied, which leaves a definitely higher average than the Spanish League. Taking into account the current sportive situation of VCF it would not be a surprise to see a reduction in this account in the upcoming years.

Therefore, VCF should start to work in the exploitation and development of current and alternative revenue streams, respectively, that can compensate the eventual loss in this concept. The league currently holds a Tv rights contract with the TV distributor BeinSports that has the rights to retransmit all the football games in La Liga.

Sponsorships are services offered by third brands, which provide economic, financial and operative resources to the team as an exchange of the alignment of the football team's image and values with their brand.

This represents a fixed flow of money granted by contract with the different firms. Again, depending on the performance of the team, this account can increase due to variable bonuses programmed in the contract according to the achievement of certain objectives. This stream has been decreasing during the period analyzed. Regarding this decreasing tendency, teams should search and exploit new emerging opportunities to increase the revenue from this stream. Currently Valencia holds partnership with companies such as: Adidas (football equipment), CocaCola and Estrella Damn (products and services in the stadium and other team facilities), Volkswagen (products: cars for the players), Caixabank (financial services), Bwin.es and Fifa 17 (image rights), Prozis (nutrition), Trolli (snacks distributed in team stores) and El Ganso (clothes).

Merchandise revenues represent the sale of official licensed products manufactured by VCF or its sponsors and oriented to their main client: VCF supporters. Valencia CF distributes these products to two official establishments, aside from ordinary commercial sportive stores and online shopping (vcfshop.com). These two facilities are the Mestalla store and the Megastore (located in Valencia). In the graph, merchandise is included in the sponsorship account, as it is done in the annual accounts despite their differences.

As I see in Table 2.1 Sponsorship account (including merchandising) has decreased heavily in the last five years. The football team performance and the board instability have not incentive neither the extra expenditure by fans in merchandise (on top of annual subscriptions and tickets) nor the attraction and signing of new economically attractive sponsor contracts.

Tickets and annual subscriptions are the revenues obtained from the selling of single game tickets and annual subscriptions. Sponsorship, and tickets and annual subscription streams seem to be correlated as they both depend heavily in the image that the team is capable to deliver to their customers and suppliers. During the period studied, this account decreased from 21 to 14 million, 33% less. Number of subscriptions has been decreasing each year. While at the end of the 2013 season, there were 38.000 subscripts, nowadays VCF can only count with 35.000.

If I look to Table 1.1 (Evolution and relative weight of ordinary revenue accounts in La Liga Santander), I can appreciate an inverse tendency regarding tickets and sponsorship revenues from the League and Valencia CF. While Tickets and Sponsorship revenues for VCF decreased, League revenues according to these two streams grew from 209 to 265 million (tickets and annual subscriptions) and 115 to 127 million (sponsorship and merchandise) during the period studied (2011-2016). Of course, this mismatch in both tendencies is not consistent, but due to the current management of the team.

This very worrying tendency has to be amended by means of new strategic decisions that may restore a positive board image towards the environment and consequently achieve growth in this revenue.

National and international competitions revenues will be subject to the performance of the team in the different competitions it might dispute (La Liga, Europa League, Champions League, Copa Del Rey and Mundialito de clubes).

Those teams qualifying in the top positions will receive a bonus stream granted by the national league institution. In addition, being able to participate in the most prestigious European competition, the Champions League, will provide generous extra revenues for the teams. In the Spanish league, this advantage has to be achieved yearly by classifying in the top 4 of the Regular Spanish League. Teams ending third or fourth will have to win a knockout round against another European team to enter the actual competition.

On top of the revenues according to the team's performance, the UEFA (institution in charge of European football) will also distribute revenues according to the TV rights of these matches.

In order to analyze properly the competition bonus revenues, I shall take into account the classification the team achieved each year.

VALENCIA	July 2011	July 2012	July 2013	July 2014	July 2015	July 2016	April 2017
CLASIFICACION VCF	3	3	5	8	4	12	12

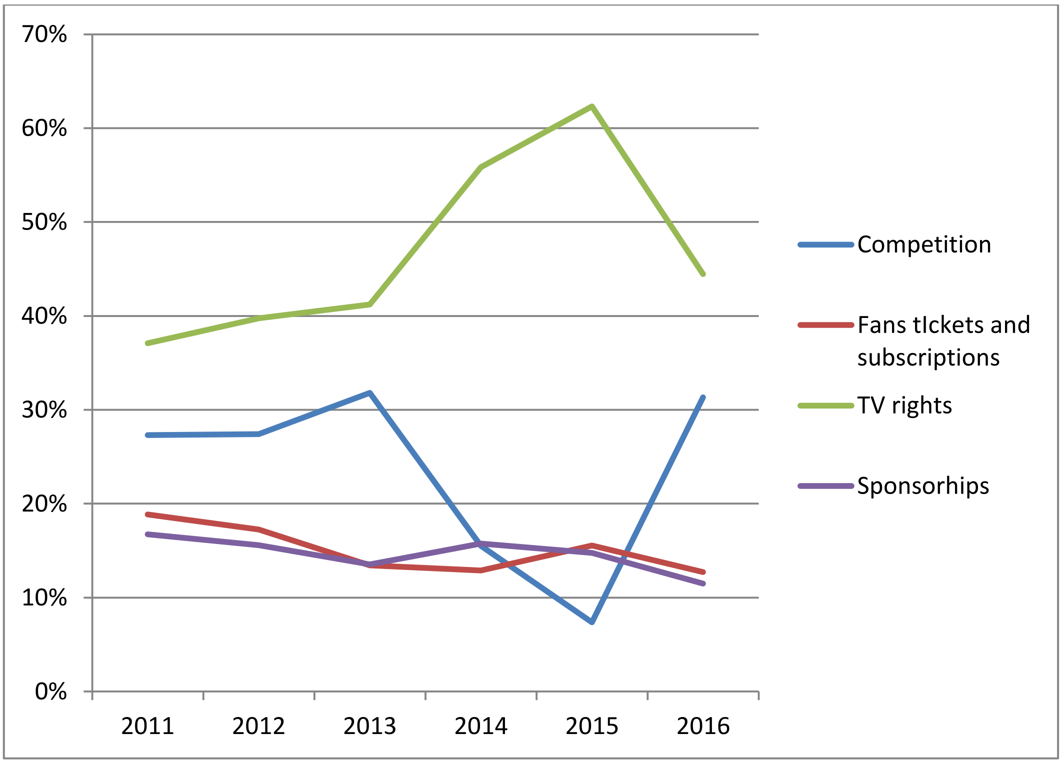
I can appreciate a very fluctuating stream. CAGR was positive during the period studied (1.6%), holver this number must be analyzed in a precautious way. During years 2014 and 2015 VCF total revenue level was really affected by the heavy decrease in the Competition bonus stream.

These fluctuations are a result of the irregular sportive performance of the team in the last years. Of course, this performance is at the same time a result of an ineffective management, which is the result of the terrible strategy management and implementation carried out.

Competition bonus peak was achieved in seasons 2012, 2013 and 2016, which are the seasons VCF accessed the Champions League due to its top 4 classification in the year before each one (3rd in 2011, 3rd in 2012 and 4th in 2015).

This information lead us to the idea that years 2017 and probably 2018 (due to its current league classification and business model) will not be too prosperous for VCF regarding this stream. In this matter, work has to be done regarding either a short-term increase in other revenue streams or a reconsideration of the current cost structure.

Graph 2.1 Revenue streams lighted evolution VCF 2011-2016



Source: VCF annual accounts (2010-2016)

Table 2.1: Evolution and relative weight of revenue streams VCF 2011-2016 (Millions)

	TV Rights	Sponsors	Tickets	Competition	TOTAL	% TV Rights	% Sponsor	% Tickets	% Comp
2011	42	19	21	31	113	**37%**	17%	19%	27%
2012	42	16	18	29	105	**40%**	15%	17%	28%
2013	45,5	15	15	35	110,5	**41%**	14%	14%	32%
2014	48	14	11	13	86	**56%**	16%	13%	15%
2015	48	11	12	6	77	**62%**	14%	16%	8%
2016	48	12	14	34	108	**44%**	11%	13%	31%
CAGR 00-1	2,3%	-7,4%	-6,5%	1,6%	-0,8%	**46%**	**15%**	**15%**	**25%**

Source: VCF Annual Accounts (own elaboration)

Table 2.2: Evolution and relative weight of revenue streams La Liga Santander (2011-2015) (Millions)

La Liga Santander	Tickets	TV Rights	Publicity	Other rev.	TOTAL	% Tickets	% TV	% Publi	% Other
2011	209	271	115	64	659	32%	**41%**	17%	10%
2012	235	268	108	173	784	30%	**34%**	14%	22%
2013	235	349	106	62	752	31%	**46%**	14%	8%
2014	247	407	107	73	834	30%	**49%**	13%	9%
2015	265	460	127	121	973	27%	**47%**	13%	12%
CAGR 11-15	4,9%	11,2%	2,0%	13,6%	8,1%	**30%**	**44%**	**14%**	**12%**

Source: CSD (Revenues without RMCF and FCB).

After analyzing each revenue stream individually, I can conclude that VCF needs a deep reform of its strategy and its management habits in order to reverse this negative tendency of their revenues as soon as possible. I can alert serious problems in each revenue stream that can push even deeper the revenue level. In the business model implementation, I will set up different alternatives and strategies to be carried out to exploit the revenues streams efficiently and stop this tendency.

Comparison table 2.1 and 2.2.

TV: Higher growth in La Liga mainly due to the worse competitive results of VCF in the last years.

Sponsors vs publicity: As Tv rights, sponsors will pay more when a team gets a better classification. As Valencia has lost some positions, sponsors and TV rights distributors have used their bargaining power to reduce their royalties.

Tickets: VCF fans have decreased in the last years due to the lack of professionality of the team administrators. The management model implemented in the last years by the different presidents led to the disenchantment of the supporters**.** As I can see in table 2.2, ticket revenues in La Liga have increased 4,9% in the last 5 years (-7,4% in VCF**).** This huge difference between the tendencies needs to be amended as soon as possible.

Main issues: Fans confidence and classification table.

3. **Cost structure**

Personnel costs (both common staff and football player's salaries), amortization of acquisition rights over players and other ordinary expenses shape the cost structure of VCF.

Before getting into each individual account, I would like to highlight the inverse movement of the revenues and the expenses in the firm in this last 6 years. As revenues have decreased at a 0.8% CAGR (113-108), expenses have increased at a 4.9% CAGR (109-145).

Personnel costs regarding football players are a key issue in the budget of a season. It results vital for the economic and the team environment to develop a proper structure of salaries so that they are controlled and fair regarding each player role. This account may increase due to the signing of a new player (which earns more than the player leaving does) or to an increase in the salary of a current player.

In the last years, this account has increased mainly due to the signing of new players that had a higher cache than the ones leaving did. However, this new players have not performed as expected, as I can see in the La Liga classification table (12 place last 2 years).

Amortization of football player's acquisition rights

This account represents the amortization of Football player's acquisition rights, which are high investments (signing fee payed to other team) which have to be depreciated along a short period of time (contract duration). It also includes the depreciation of other unmovable assets.

This account tends to be positively correlated with salaries. Signing of new players usually (in high performing teams) implies higher wages as teams and national economies grow.

As I can see in table 3.2 the amortization of football players rights in the Spanish League has decreased (inversely to VCF increase).

Main issue: Precautionary strategy regarding new investments in football player's acquisition rights. It will have an impact in both accounts due to their correlation.

Other expenses (facilities maintenance, transports and tributes)

Table 3.1 Evolution and relative light of cost structure VCF 2011-2016 (in Millions)

	Personnel costs	Players Acquisition	Other expenses	Total	% Personnel	% Amortization	% Other expenses
2011	60	32	17	109	**55%**	29%	16%
2012	69	27	16	112	**62%**	24%	14%
2013	61	25	18	104	**59%**	24%	17%
2014	58	23	20	101	**57%**	23%	20%
2015	64	29	23	116	**55%**	25%	20%
2016	77	48	20	145	**53%**	33%	14%
CAGR 00-15	4,2%	7,0%	2,7%	4,9%	**57%**	**27%**	**17%**

Source: VCF annual accounts (own elaboration)

Table 3.2 Evolution and relative light of cost structure La Liga Santander 2011-2015 (in Millions)

La Liga Santander	Personnel costs	Players Acquisitio	Other expenses	Total	% Personne	% Amortization	% Other expenses
2011	484	162	157	803	**60%**	20%	20%
2012	531	190	156	877	**61%**	22%	18%
2013	513	148	174	835	**61%**	18%	21%
2014	555	114	217	886	**63%**	13%	24%
2015	598	141	238	977	**61%**	14%	24%
CAGR 11-15	4,3%	-2,7%	8,7%	4,0%	**61%**	**17%**	**22%**

Source: CSD (Expenses without RMCF and FCB).

4. Distribution channels

Fans can see the matches either in TV or in the stadium. Currently VCF has a contract with the TV distributor Bein, which televises all their matches in live. The official team stores also acts as a distribution channel that links VCF with their fans.

In the last years, there has been lots of speculation regarding the construction of a new stadium that would be more attractive for fans. However, given the delicate economic situation the team is suffering, this project has been postponed for years that are more prosperous. This investment, aside with an improvement in the competitive aspect, could provide a real boost in the revenue accounts from tickets.

5. Key resources

Key resources over football teams should always be the same: football players, coach, scouting and general and sport directors. However, the way this are managed changes drastically depending on the team philosophy and culture.

Traditionally, VCF has been a team composed of Spanish top players and top international coaches. International players Ire bought spontaneously and where usually a guaranteed paid back investment.

Most of the players usually stayed in the team for a long period so they finally knew each other's gameplay abilities and skills. Also during the history of VCF many great coaches have remained in VCF sideline for many consecutive years.

This philosophy regarding the rotation of football players and coaches has radically changed in the last years. In the last 5 years, every summer VCF has practically renewed the whole team, including the coach. Non-compliance of the competitive objectives along with an exaggerated nervousness in the administration lead to an incredibly high rotation of staff. This has two main repercussions:

- Scouting work increased dramatically.
- Lack of rapport between players and towards coach (no time to adapt)

Scouting in VCF has provided more disappointments than joys. Given the load of work to do, it seems normal that the quality of the scouting has to resent.

While other teams have acquired great football players at reasonable prices, VCF has signed in the last years many players with no experience but for high prices. These players had few opportunities under a lot of pressure to prove their abilities.

Main issues: Structural problem: very high rotation of staff.

6. Key activities

The main and key activity a football team will develop is the signing and selling of players acquisition rights. Teams may carry out many different strategies depending on their economic budgets and their philosophy.

VCF was known for having many players that had grown up in the team playing for the inferior categories and until their retirements. These players, due to the economic growth of the football industry (mainly among top performing teams) and the lack of a consolidated project in VCF, have moved to other teams in the last years looking for stability and trophies.

In this matter, VCF has become a selling rather than a buying team (sells their best players and buys new ones, usually worse).

Main issues: Status. Absence of an attractive project to retain key players and sign new emerging stars.

7. Key partners

Sponsors, national league, national and international football federations and media are the main parties involved in the development of a football team business.

It is quite important for a football team to maintain cordial relationships with these institutions as it will have a great impact in the public image of a team.

Sponsors will provide not only financial revenues but also visibility across the world, which can also affect positively in the merchandise revenue account. It is therefore very important to sign contracts with Ill-known and reputed brands and firms, which can sponsor the team, giving wider visibility (for both sides), higher revenues and positive image.

National and international leagues and federations (as Ill as referees committees) represent the administrative side of the industry. They are in charge of setting the rules of the game, supervising their fulfillment and resolving in case someone does not comply with them. Consequently, it is important to maintain collaborative and close relationships with these institutions so that any confusion or problem that may arise from any possible discrepancy can be solved in the best possible way for VCF interests.

Media is exponentially gaining importance regarding the impact of their opinion in the fans feelings. Although it is impossible (legally) to have a direct influence in the news provided, cordial relationships between sports TV distributors and teams will help in the way the media will deliver the news.

Main issue: Sponsorship - global image

8. Customer relationship

Customer acquisition is the process of persuading a customer to select your organization's product over choices available in the market. As I have already seen in the Porter industry analysis, customers (fans) of football teams have a limited bargaining poIr, based on the unconscious loyalty inherent in the industry.

However, this relation must be addressed with extreme care, as it will affect the customer expenditure in VCF merchandise and tickets. VCF fans are Ill known in Spain for being one of the most passionate and demanding ones. Nowadays, VCF fans are more than tired about the wacky management carried out by the last two administrations. This has a direct repercussion in the ticket sales revenues, which have run parallel with the team performance, downwards. The decisions taken by the management (signing policy mainly), along with a lack of transparency, has unchain a generalized disenchantment.

Main issue: Weakening / roll-off relation between fans and team

9. Customer segments

Customer segments are the community of customers or businesses that you are aiming to sell your product or services to. Customers can be segmented into distinct groups based on needs, behaviors and other traits that they share. A customer segment may also be defined through demographics such as age, ethnicity, profession, gender, etc or on their psychographic factors such as spending behavior, interests, and motivations. An organization can choose to target a single group or multiple groups through its products and services.

I can divide customer segments in VCF in 2 main groups according to geographic factors:

National segmentation

International segmentation

For each of these groups, the following sub-segments according to age**:**

- Kids (from 3-12 years)

- Teenagers (13-19)

- Youngsters (20-40)

- Senior (41-70)

- Veterans (70+)

These segments should act as a guide to orientate the different services and products to offer in the most efficient way. Communication between the company and the customers has to be coherent and comprehensive for all their segments.

Main issue: Segmentation execution / taking place.

2.2. New strategic plan – From current to future state

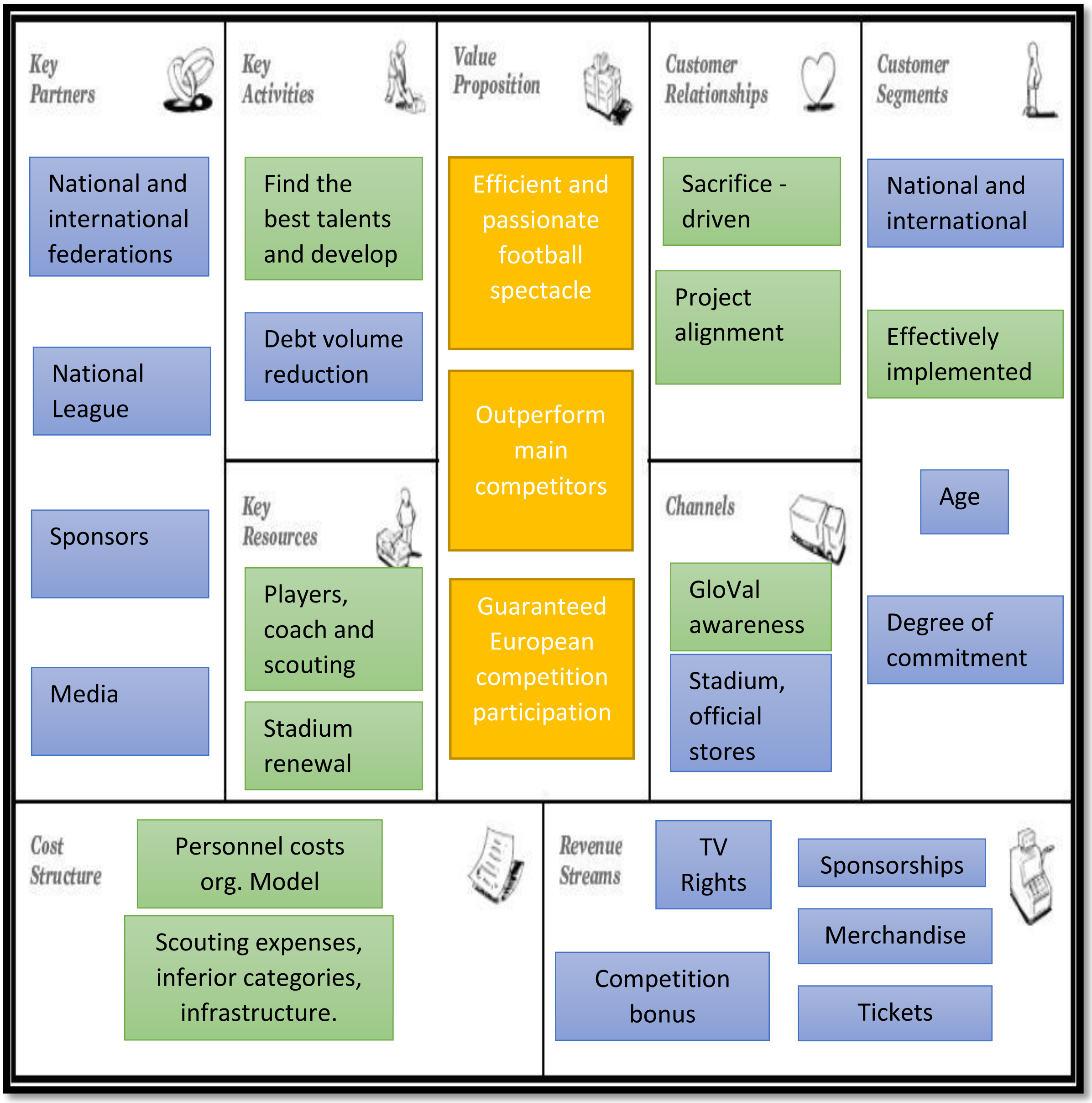
Once I have analyzed in depth the current business model I will point out the main issues that should be changed in order to achieve a more prosperous future state. These issues will conform the strategic plan.

Problem Identification:

- Fans confidence and classification table.
- High investments in football player's acquisition rights, which has an impact also in higher salaries.
- Structural problem: very high rotation of staff.
- Absence of an attractive project to retain key players and sign new emerging stars.
- Sponsorship & TV- global image and status in danger
- Weakening / roll-off relation between fans and team
- Segmentation execution not taking place.

Problems solution:

- True expert & motivator -> coach
- Salaries of a young team
- Find the best talent and develop them: Clever talent scouts
- Valencian essence: enthusiasm, self-belonging, team consolidation (loIr player's rotation)
- Infrastructure investment: inferior categories development, improve conditions, stadium renewal project…
- GloVal: Promote VCF brand all around the world with sponsorship agreements with firms and teams all around the world
- Awareness of segments: offers directed to each segment (services, promotions, merchandise, annual subscription offers).
- Project alignment: To enhance fans commitment and attract key role star players
- Exploitation of revenue streams
- Cost structure / Expenses model: Low investments in acquisition rights, low salaries, higher research and investment in new talents and infrastructure.


Key Partners
National and international federations
National League
Sponsors
Media
Key Activities
Find the best talents and develop
Debt volume reduction
Key Resources
Players, coach and scouting
Stadium renewal
Value Proposition
Efficient and passionate football spectacle
Outperform main competitors
Guaranteed European competition participation
Customer Relationships
Sacrifice - driven
Project alignment
Channels
GloVal awareness
Stadium, official stores
Customer Segments
National and international
Effectively implemented
Age
Degree of commitment
Cost Structure
Personnel costs org. Model
Scouting expenses, inferior categories, infrastructure.
Revenue Streams
TV Rights
Sponsorships
Merchandise
Competition bonus
Tickets

3. VCF Financials – Quantitative analysis

3.1 Analysis of the Balance Sheet, Income Statement and Cash Flow Statement during the period (Sept 2010- July 2016).

Once I have understood the qualitative factors that condition the economic cycle of a football company I can try to calculate the potential quantitative impact that a change in this factors could cause.

First, I will analyze the performance of the company during the last 5 years. For that, I will gather all the financial information available in the annual accounts of VCF.

Table 4.1. Profit & Loss Account VCF 2011-2016 (in thousands)

PROFIT & LOSS ACCOUNT	July 2011	July 2012	July 2013	July 2014	July 2015	July 2016
Operating turnover	113.254	105.659	110.411	85.947	77.032	107.952
Provisioning	-1.101	-826	-735	-948	-1.512	-1.519
Other operating revenues	2.951	1.485	2.773	4.912	533	6.778
Personnel costs	-60.222	-69.115	-60.704	-57.516	-63.763	-77.062
Other operating expenses	-17.044	-16.460	-18.351	-20.268	-22.606	-19.850
EBITDA	**37.838**	**20.743**	**33.394**	**12.127**	**-10.316**	**16.299**
Amortization	-31.654	-27.192	-25.351	-22.718	-29.173	-48.436
Subventions	116	116	116	116	116	116
Provisions excess	7.786	474	0	0	0	0
Impairements	967	23.641	10.975	23.226	14.507	33.940
Other results	31	-1.162	-213	-406	-269	-28.225
EBIT	**15.084**	**16.620**	**18.921**	**12.345**	**-25.135**	**-26.306**
Financial result	-14.826	-13.428	-11.012	-9.658	30.080	-10.957
EBT	**258**	**3.192**	**7.909**	**2.687**	**4.945**	**-37.263**
Taxes	-73	1.417	2.774	2.565	6.666	-5.819
Net Income	**331**	**1.775**	**5.135**	**122**	**-1.721**	**-31.444**

Source: VCF annual accounts

I have already taken a deep look at the first half of the profit and loss account (operating revenues streams and cost structure). In this part of the work, I will focus on the second half of the income statement. At a first glance, I can perceive that total results have, as operating results, followed a downside path. In the last year, more than 31 million euros Ire declared as losses.

However, in order to perform the forecast and valuation of the firm taking into account the different strategies to be implemented, I should devote all our attention to the cash flow statement (as I will be mainly using the Discounted Free Cash Flow Methodology).

As I already know, these two accounts (P&L and CF statement) are somehow linked with the Balance Sheet as Ill as between themselves. Consequently, I will gather and analyze all the cash flow and balance sheet statements for the same period.

Analyzing these financial statements, I can identify the impact of the current business model. I will be focusing more in the last 2 seasons, where the team has underperformed undoubtedly. For instance, I can see a great increase in the last season (2015-2016) CAPEX.

80 million where invested during that season, reflecting investments in the acquisition of players rights. At this point, it is not necessary to say that this strategy (buying expensive and

unexperienced players) has not provided the expected returns. On top of this, the money invested in these players was acquired via debt, so high financial expenses are expected in the future.

Table 4.2. Balance sheet VCF 2011-2016 (in thousands)

Balance Sheet Valencia CF	July 2011	July 2012	July 2013	July 2014	July 2015	July 2016
ASSETS	**432.260**	**446.695**	**412.061**	**405.203**	**435.342**	**482.099**
Non Current assets	**392.218**	**385.666**	**365.519**	**348.261**	**406.673**	**453.372**
Unmovable intangible	67.608	61.839	55.957	48.823	94.549	141.801
Unmovable tangible	281.410	283.464	269.838	259.671	262.850	263.611
Investments in subsidiaries and associates	417	688	624	295	4.257	3.961
Long term financial investments	185	95	690	702	1.533	1.206
Defered taxes	42.598	39.580	38.410	38.770	37.951	42.792
Long term commercial debtors	0	0	0	0	5.533	1
Current asstes	**40.042**	**61.029**	**46.542**	**56.942**	**28.669**	**28.727**
Inventory	210	5	4	4	24	220
Accounts receivables	25.437	32.587	26.633	30.012	24.411	22.548
ST Investments in subsidiaries and associates	10.414	16.626	17.955	18.753	1.918	0
Short term financial investments	72	437	1.033	44	175	82
Periodifications	981	962	503	2.515	1.825	495
Cash	2.928	10.412	414	5.614	316	5.382
EQUITY + LIABILITIES	**432.260**	**446.695**	**412.061**	**405.203**	**435.342**	**482.099**
EQUITY	**57.542**	**59.236**	**59.376**	**49.243**	**47.636**	**112.051**
Shareholder funds	**54.419**	**56.194**	**56.416**	**46.364**	**44.642**	**109.141**
Capital	101.664	101.664	51.086	51.086	51.086	86.942
Issue premium	0	0	0	0	0	64.329
Reserves	-2.047	-2.047	195	-4.844	-4.723	-8.965
Previous years results	-45.529	-45.198	0	0	0	-1.721
Net income	331	1.775	5.135	122	-1.721	-31.444
Subventions	**3.123**	**3.042**	**2.960**	**2.879**	**2.994**	**2.910**
Long term liabilities	**32.563**	**30.093**	**41.437**	**45.754**	**272.386**	**280.403**
Long term provisions	714	0	29	30	329	31.660
Long term financial debt	29.292	27.575	39.565	43.497	229.007	223.731
Subsidiaries and associates debt		0	0	0	40.000	22.972
Defered taxes	2.557	2.518	1.843	2.227	3.050	2.040
Short term liabilities	**342.155**	**357.366**	**311.248**	**310.206**	**115.320**	**89.645**
Short term financial debt	287.893	283.899	246.382	249.596	70.007	42.762
Subsidiaries and associates debt	339	230	482	524	2.264	2.748
Accounts payables	47.315	69.288	58.983	58.598	37.110	41.731
Periodification	6.608	3.949	5.401	1.488	5.939	2.404
Total liabilities	**374.718**	**387.459**	**352.685**	**355.960**	**387.706**	**370.048**

Source: VCF annual accounts

Table 4.3.1. CF Statement VCF Original 2011-2016 (in thousands)

CF STATEMENT 1	July 2011	July 2012	July 2013	July 2014	July 2015	July 2016
Net income before taxes	**258**	**3.191**	**7.909**	**2.687**	**4.945**	**-37.263**
Result adjustment	38.961	16.507	24.836	9.038	-13.677	52.340
Net Working capital	-15.459	20.654	-9.648	-3.688	-16.594	-5.938
Other operating cash flows	-11.239	-13.290	-16.205	-13.369	-4.912	-4.319
OPERATING CASH FLOW	12.521	27.062	6.892	-5.332	-30.238	4.820
CAPEX	-864	-14.819	-718	-4.361	-16.878	-80.106
Financing Cash Flow	**-21.880**	**-4.759**	**-16.172**	**14.891**	**41.819**	**80.352**
Free Cash Flow	-10.223	7.484	-9.998	5.198	-5.297	5.066
Cash	**2.929**	**10.413**	**415**	**5.613**	**316**	**5.382**

Source: VCF anual accounts

Table 4.3.2. CF Statement VCF without financing cash flows (in thousands)

CF STATEMENT 2	July 2011	July 2012	July 2013	July 2014	July 2015	July 2016
EBIT	**15.084**	**16.620**	**18.921**	**12.345**	**-25.135**	**-26.306**
Taxes	**-73**	**1.417**	**2.774**	**2.565**	**6.666**	**-5.819**
Result adjustment	38.961	16.507	24.836	9.038	-13.677	52.340
Net Working capital	-15.459	20.654	-9.648	-3.688	-16.594	-5.938
OPERATING CASH FLOW	38.513	55.198	36.883	20.260	-48.740	14.277
CAPEX	-864	-14.819	-718	-4.361	-16.878	-80.106
Free Cash Flow	37.649	40.379	36.165	15.899	-65.618	-65.829
Cash						

Source: Own elaboration

I have elaborate two different cash flows. The first one (Table 4.3.1.) reflects the Cash Flow statement that appears in the VCF annual accounts. The second one is a Cash Flow Statement that excludes the financing cash flow due to its distortion effect (will be used to elaborate forecasts).

I think that financial cash flows, although reflect cash inflow and outflows, cannot be taken into account for forecasting, as the future financial outflows (repayments) are not taken into consideration in the income statement (high financial debt for VCF: 265M).

I can quickly spot the main difference between both tables. Seasons 2014/2015 and 2015/2016 had an aggregate free cash flow of practically 0 €, including financial cash flows. Nevertheless, if I get rid of the financial cash flow, Free Cash Flow for these two seasons would decrease down to -130M.

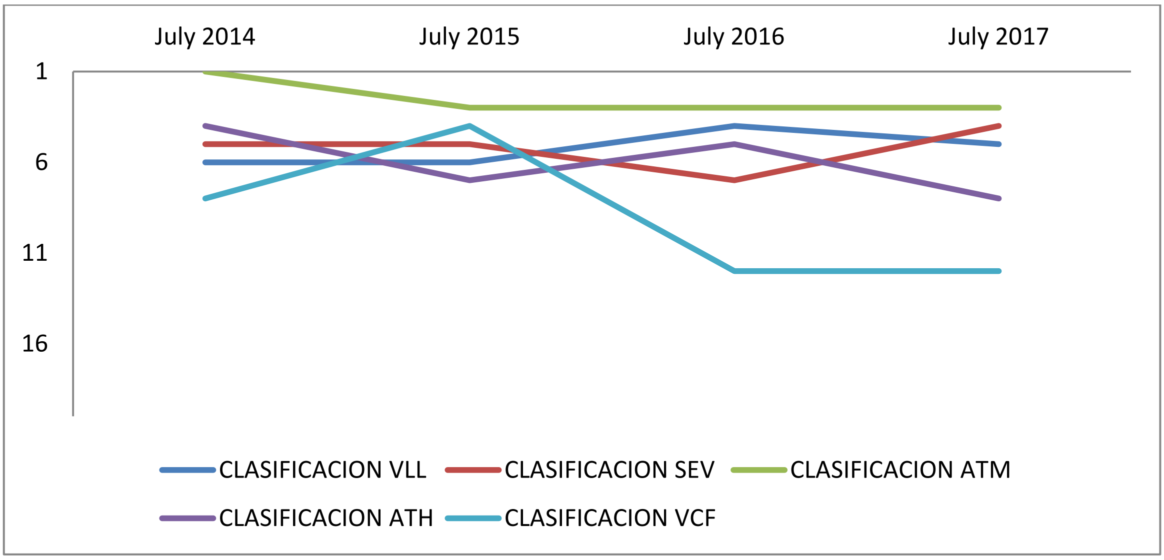
On top of this, both years already had negative earnings, before interest and taxes, of more than 25M €. This reflects the inefficient management of the administration, which has been unable to keep up the results VCF was achieving before. Even in 2015, with a positive classification result, financial results Ire not able to keep the pace.

3.2 VCF Financials compared with four Spanish competitors.

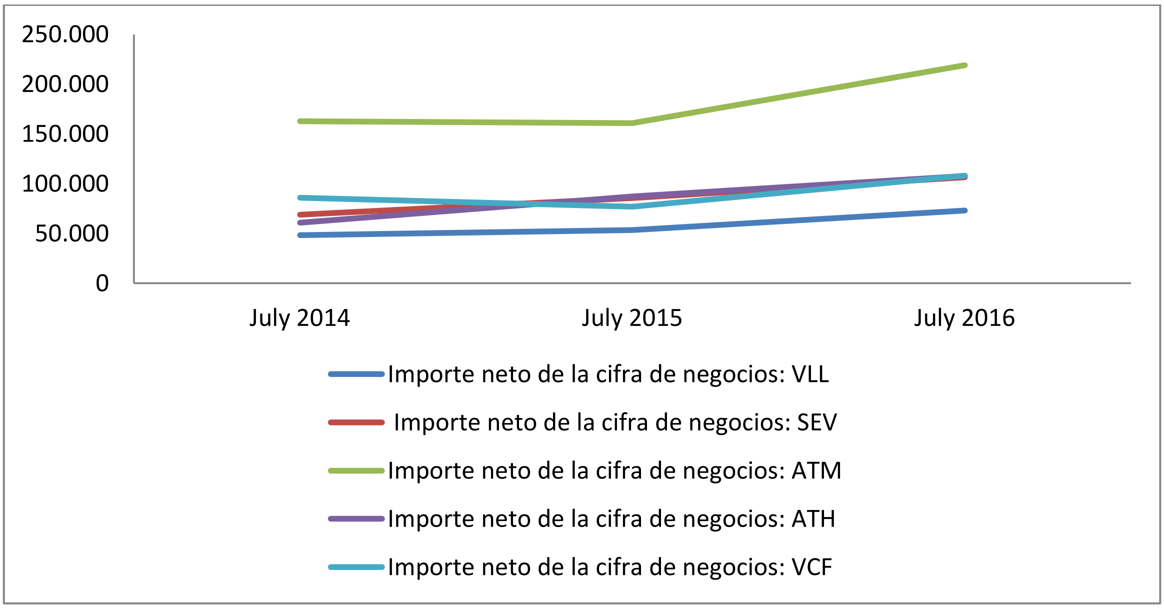
In order to put the situation of VCF into context I will perform an analysis of other Spanish team's financial accounts, which have historically been direct competitors. These 4 teams are:

- **Atlético de Madrid**
- **Villarreal CF**
- **Sevilla CF**
- **Athletic Club de Bilbao**

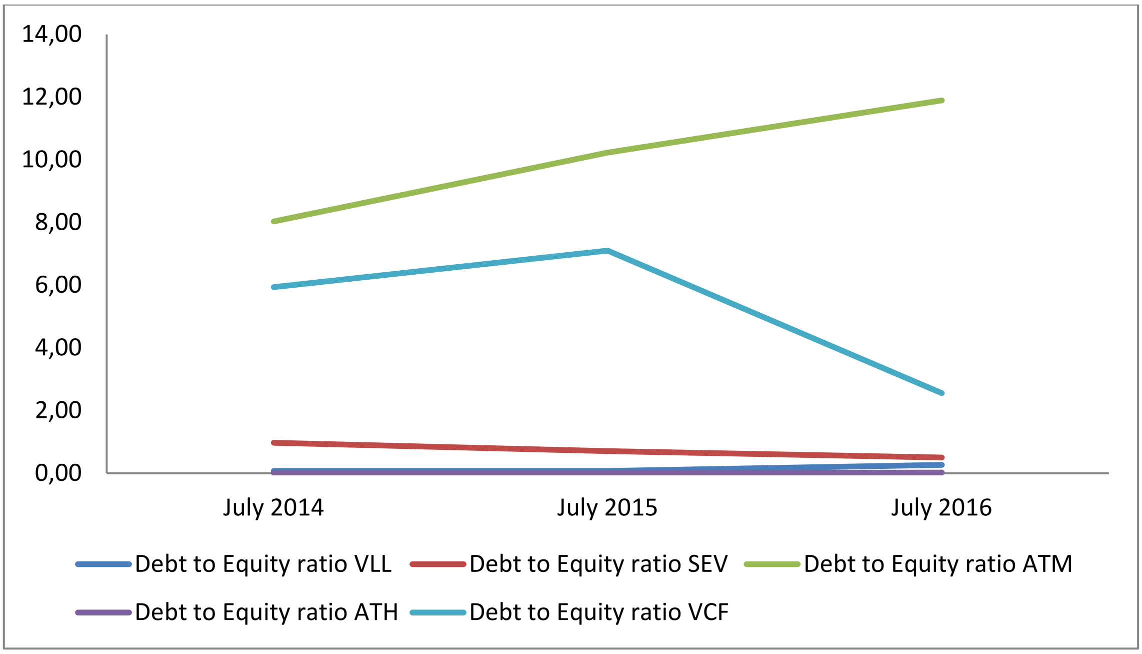
Graph 3.1. Classification results achieved by VCF + four competitors 2014-2017



Graph 3.2: Business operating revenues VCF + four competitors 2014-2017



Graph 3.3 Debt to Equity Ratio VCF and four competitors 2014-2017



Source: Annual accounts of each team.

As I can see in graph 3.1, VCF, which has traditionally outperformed this four teams (3rd in the historical classification only behind Real Madrid Club de Fútbol and Fútbol Club Barcelona), is currently being relegated to the half of the classification (12th position for second year in a row).

This result will have a direct impact in the financial accounts and should generate an immediate reaction from the strategic department in order to change the trend.

Graph 3.2 reflects the evolution of the business revenues from VCF and the four comparable. I can see how has in the last year ATM has increased considerably its revenue level thanks to coherent and efficient management strategies. ATM, which had been questioned for the past years (2000-2013), was able to restore itself thanks to some key incorporations and mainly a coach that connected fiercely with the crowd and with their players. I already have covered this area in this paper. Scouting and coach figure represent a key issue to be improved in the strategic model.

VCF, according to its history, should perform at the same level as ATM (1ST, 3RD, 3RD and 3RD vs 7th, 4th, 12th and 12th) has been doing in the recent years. Nevertheless, history records are not enough to reach objectives. Efficient management strategies and adequate team philosophy are key factors in the determination of the results during a season. Currently, due to the constant changes (high staff rotation) of the rooster, philosophy and culture of the team are completely undefined. This is responsibility of the administrators, which should try to restore the VCF philosophy by:

- New coach: A coach that knows how the team works specifically and how it has performed historically. Examples: Hector Cuper, Mario Kempes, Rafa Benitez…
- New scouting and operating management team: Selected or accepted by the coach.
- Improve infrastructure regarding inferior categories: increase promotions give opportunities to youngsters and spend less in outsiders.
- Look for market opportunities (players ending contract, unknown promises) as Ill as players that are needed (specific positions). Work by scouters, but confirmation required by coach).

- Reduce the staff rotation, be patient and give credit to those that Ire signed recently (including coach).
- Try to attract one or two world-class players that can raise the general level of the team and gain global attention.
- Recover trust and confidence with fans and supporters with the presentation of a long-term consistent project leaded by the coach, as many Valencian players as possible and one or two star players.
- Promote the ticket and annual subscription purchases. Create marketing campaigns, discounts and promotions until full level is achieved. I want a full-dedicated stadium the whole season.
- Create or improve any facility that could incentive more fans to be able to go to the stadium.
- Achieve new sponsorship contracts with important and world visible firms (be flexible in first negotiations until negotiating power is recovered).

Graph 3.3 shows the evolution of the debt to equity ratio for VCF and Sevilla, Atletico de Madrid, Villarreal and Athletic de Bilbao. As I can see, Atletico de Madrid has a much higher ratio than any of the other four. Villarreal, Athletic de Bilbao and Sevilla, which seem to follow a similar financial and strategic model (not expending so much money in players acquisition rights -> Find best talents and develop them), maintain a very stable position regarding debt.

Valencia CF stands in a middle point. Due to its signing strategy, a lot of debt has been required. This has pushed this ratio up until year 2016, when the current president, Peter Lim, executed a capital increase.

Peter Lim, the current VCF president, has been an executive for many years, making profits wherever he Int. Although the football industry seems very attractive it requires some knowledge of how it actually works. However, Peter Lim had some experience in the industry already. Some years prior to 2014, when he became VCF president, peter Lim created a football agency company named Meriton Holdings.

He possessed the acquisition rights of many football players (mainly in the Portuguese league) that he eventually signed for VCF when he became president for much higher prices than their real value. Many analysts guessed that this money expended would have returned to Peter Lims as commissions (as he was the holder of a percentage of the rights of the players signed at higher prices). These speculations affected directly to the relationship between the administration and the fans, which could no longer trust their team management due to their lack of transparency.

Truth or not, the fact is that a new figure in the presidency would be the best possible starting point for a new prosperous age in VCF.

In this sense, two valuations of VCF will be performed in this paper. The first one will take into account forecasts with the current strategic plan. The second one will include the economic impact of the new strategic plan (future state). First valuation will set the maximum price to pay for the 100% of the team shares according to current expectations. Second valuation will give us the maximum price to be paid for the 100% of the shares according to the new strategic plan effects. The range between these two valuations should indicate the negotiation margins.

Both valuations will be performed under the Discounted Cash Flow methodology for a period of five years (2017/2018 – 2021/2022). The functioning of the methodology will be explained in the next paragraph.

3.3 Factors to take into account in Forecasts

External factors: These factors will behave equally for both scenarios and are uncontrollable from the VCF administration perspective (though can be monitored).

- Country economy
- European economy
- Financial sector
- Globalization
- Industry cycle

Internal factors: Their actual outcome will depend on the efficiency and Ill doing of the administration business plan. Depending on how they are managed the results will differ. Growth/cost structure/ financial debt: Depending on internal strategies and environment, fans support and identity, infrastructure investment, employee rotation and scouting/signing philosophy; growth, cost structure and financial debt will vary.

3.4. Current valuation and valuation methodology used

TOTAL CAPITAL	86.942.079,36 €
# SHARES	3.598.596
Price share	24,16 €

This value will serve as a guide in our valuation. However, I expect to obtain a lower value taking into account the decreasing trend in the financial accounts. In order to be able to obtain control of the company, Peter Lim, current president and biggest shareholder (82,3%) should sell its share stack. According to the current valuation, the fair price for this will be 71.579.414€.

Price / share	24,16 €	TOTAL CAPITAL	86.942.079,36 €
Lim # shares	2.962.724	Lim VALUATION	71.579.414
MINOR SH #	635.872	SH VALUATION	15.362.665
# Shares	3.598.596		

Nevertheless, this would be the value if I Ire to use a static book value valuation method, which is probably the less indicated one.

In this valuation, I will use a dynamic method, which takes into account not only the past performance of a company but also the future cash flows a company can provide. In this valuation, as VCF is intended to last forever, a perpetuity cash flow (terminal value) will be also calculated and aggregate to the final valuation.

These cash flows, with the terminal value, will have to be discounted to the present moment of time. In order to obtain this discount rate I shall apply the percentage of return an investor will claim in order to carry out the investment given its potential risk. With this discount rate, if the valuation remains on top of the current valuation, then the investor will be in a good position to negotiate for the shares.

3.5 Forecast taking into account current state/ business model/financial tendencies/macro-micro environment.

Given the fact that last 2 years cash flows where absolutely negative and the trend seems to be continuing (same position in the classification in year 2017 (12^{th})), it will result timeless to execute a valuation. Taking into account that the methodology I will use is the Discounted Free

Cash Flow, which takes into account current trend and expected cash flows, a negative value would arise. This value of course not be useful for our work.

Therefore, taking into account the current state evaluation and the balance sheet data, I would state the maximum price to be paid is 71.579.414€, which represent the current valuation of the equity of the firm in hands of Peter Lim. Of course, this is the minimum price he will ask for the moment.

If he expects to continue managing the company as he is doing their will come the time when the equity will lose all its value due to the accumulation of losses.

3.6 Forecast taking into account future state/ new strategic model/financial tendencies/macro-micro environment.

The new strategic model implementation should bring back the good competitive results VCF has historically achieved. This scenario (expected classification) can be considered neutral. Operating revenues will be a reactor of these classification expectations, as I will see now. Other issues, such as personnel costs and capital expenditure will be reactors to the new strategic plan implemented.

Expected classification:

1^ST^ YEAR: 2017-2018: Uefa Europa League (5th-6th) + no continental competition

2nd YEAR: 2018-2019: Uefa Champions League (3rd-4th) + Europa League participation

3rd YEAR: 2019-2020: Uefa Champions League (3rd-4th) + Champions league participation

4th YEAR: 2020-2021: Uefa Champions League (3rd-4th) + Champions League participation

5 YEAR: 2021:2022: Uefa Champions League (3rd-4th) + Champions League participation

Operating revenues:

TV: As I have already explained during the course of the work, many of the operating revenues are absolutely correlated with the position a team achieves during a season. This is why I forecasted the growth rates according to TV rights revenues:

- Uefa Europa League competition: Provides higher returns as there are more matches to be televised (same TV distributor). Increase in 2019 of 10% thanks to the participation in the UEL.
- Uefa Champions League: Given that during 2019, it is forecasted a 3rd or 4th position UCL would be played during 2020. This would represent a higher increase of about 15%, as it is a much more prestigious and followed competition.
- During the next years, as VCF is expected to maintain its position in the UCL revenues will start to rise at a constant pace (2%) due to inflation. The amounts Ire obtained by looking at what Atletico de Madrid had earn in this account during their continental participations (Annex 2).

Tickets/Annual subscriptions: As with TV rights, revenues coming from tickets and annual subscriptions will automatically increase once the team starts to participate in continental competitions. As there are more matches to be seen in the stadium, the price of the annual subscription gets more expensive. Ticket sales during Champions League matches usually provide a great boost to this account.

I expect tickets and annual subscriptions to start rising during the first season projected at a 5% rate thanks to marketing campaigns and ambitious project presentation.

Once the team enters into continental competitions, the growth rate will boost up to 10% (UEL) and 25% (UCL).

Sponsorships: Since the beginning, the administration should look for new sponsorship opportunities. Royalties should be conditioned to team performance. This way, once the team starts to achieve better position in the national league and participates in international competitions (providing higher visibility to their sponsors) this account will proportionally increase too.

Competition: Earning from this account would increase considerably during the first year. If I take into account VCF achieved 33 million being the 12th, then I can expect a considerable increase regarding the payments the national league does each year depending on the position (5th or 6th forecasted). Once the team starts to participate in continental competitions they will receive extra prizes from this participation. The amount of the prize will vary depending on the phase hitted (group stage- quarter finals- semifinals- final- champion), as in the national league.

Table 5.1: Operating revenues forecast VCF 2017-2022

Operating revenues	July 2017	July 2018	July 2019	July 2020	July 2021	July 2022
1. Business operating revenues	*107.952*	*122.500*	*139.200*	*161.475*	*165.201*	*169.636*
% Growth	*0,00%*	*13,48%*	*13,63%*	*16,00%*	*2,31%*	*2,68%*
a) Competitions revenues	33.831	45.000	55.000	65.000	66.300	67.626
% Growth	*0,00%*	*33,01%*	*22,22%*	*18,18%*	*2,00%*	*2,00%*
b) Tickets and anual subscriptions	13.728	14.500	15.950	19.938	20.336	21.353
% Growth	*0,00%*	*5,62%*	*10,00%*	*25,00%*	*2,00%*	*5,00%*
c) Tv risghts revenues	48.000	48.000	52.500	60.000	61.200	62.424
% Growth	*0,00%*	*0,00%*	*9,38%*	*14,29%*	*2,00%*	*2,00%*
d) Sponsorship revenues	12.393	15.000	15.750	16.538	17.364	18.233
% Growth	*0,00%*	*21,04%*	*5,00%*	*5,00%*	*5,00%*	*5,00%*

Source: Own elaboration

Ordinary expenses / investments

Personnel costs: As part of the strategic plan ideals, personnel costs have to be maintained at reasonable and sustainable levels. In this regard, a salaries structure should be considered. Different levels within the roster and a maximum amount to be distributed among the staff (60 million first year and 5% increase regarding football players and 2% for non-players during the next 4 years). Contrasting with the decrease in the players' salaries (from 67 million to 50), non-players' salaries will increase from 6.5 million to 10 million. This includes salaries for scouting, general directors and coach, considered a fundamental pillar of the project.

Other operating expenses: Where considered fixed costs taking into account the past (always around 20 million).

CAPEX decreased during the forecasted period as a consequence of the implementation of the new strategic model, which is more focused on the promotion of young home town players and scout and develop of other young talents. There is absolutely no need to invest 80 million (as in 2016) in order to have a competitive roster (taking into account current roster and VCF inferior categories potential). As i already stated, one or two key players could be signed for a 30 million investment, raising the general level of the team.

Net WORKING CAPITAL Working capital is a measure of both a company's efficiency and its short-term financial health. Working capital is calculated as:

Working Capital = Current Assets - Current Liabilities

The working capital ratio (Current Assets/Current Liabilities) indicates whether a company has enough short term assets to cover its short term debt. Anything below 1 indicates negative W/C (working capital). While anything over 2 means that the company is not investing excess assets. Most believe that a ratio between 1.2 and 2.0 is sufficient.
Net working capital is calculated as:

Net working capital 2018 = Working Capital 2017- Working Capital 2018

In this forecast, net working capital was calculated as a % of sales.

2017 forecast will be equal to 2016 performance, given than the strategic plan and the results achieved where exactly the same.

Table 5.2.: Free Cash Flow VCF 2011-2016

Discounted CF	July 2011	July 2012	July 2013	July 2014	July 2015	July 2016
1. Operating turnover	113.254	105.659	110.411	85.947	77.032	107.952
2. Provisioning	-1.101	-826	-735	-948	-1.512	-1.519
3 .Other operating revenues	2.951	1.485	2.773	4.912	533	6.778
4. Personnel costs	-60.222	-69.115	-60.704	-57.516	-63.763	-77.062
5. Other operating expenses	-17.044	-16.460	-18.351	-20.268	-22.606	-19.850
EBITDA	**37.838**	**20.743**	**33.394**	**12.127**	**-10.316**	**16.299**
6. Amortization	-31.654	-27.192	-25.351	-22.718	-29.173	-48.436
7. Subventions	116	116	116	116	116	116
8. Provisions excess	7.786	474	0	0	0	0
9. Result from impairement	967	23.641	10.975	23.226	14.507	33.940
10. Other results	31	-1.162	-213	-406	-269	-28.225
EBIT	**15.084**	**16.620**	**18.921**	**12.345**	**-25.135**	**-26.306**
Taxes	**-73**	**1.417**	**2.774**	**2.565**	**6.666**	**-5.819**
Result adjustment	38.961	16.507	24.836	9.038	-13.677	52.340
Net Working capital	-15.459	20.654	-9.648	-3.688	-16.594	-5.938
OPERATING CASH FLOW	**38.513**	**55.198**	**36.883**	**20.260**	**-48.740**	**14.277**
CAPEX	**-864**	**-14.819**	**-718**	**-4.361**	**-16.878**	**-80.106**
Free Cash Flow	**37.649**	**40.379**	**36.165**	**15.899**	**-65.618**	**-65.829**
Cash	**50.801**	**91.180**	**127.345**	**143.244**	**77.626**	**11.797**

Table 5.3: Discounted free cash flow forecast 2017-2022

Discounted CF	2017	2018	2019	2020	2021	2022	TV
1. Operating turnover	107.952	122.500	139.200	161.475	165.201	169.636	
2. Provisioning	-1.519	-1.500	-1.500	-1.500	-1.500	-1.500	
3 .Other operating revenues	6.778	0	0	0	0	0	
4. Personnel costs	-77.062	-60.000	-62.700	-65.004	-66.304	-67.630	
5. Other operating expenses	-19.850	-19.850	-19.850	-19.850	-19.850	-19.850	
EBITDA	**16.299**	**41.150**	**55.150**	**75.121**	**77.547**	**80.655**	
6. Amortization	-48.436	-30.000	-40.000	-30.000	-30.000	-30.000	
7. Subventions	116	0	0	0	0	0	
8. Provisions excess	0	0	0	0	0	0	
9. Result from impairement	33.940	20.000	10.000	5.000	5.000	5.000	
10. Other results	-28.225	0	0	0	0	0	
EBIT	**-26.306**	**31.150**	**25.150**	**50.121**	**52.547**	**55.655**	
Taxes	-5.819	7788	6288	12530	13137	13914	
Result adjustment	52.340	30.000	40.000	30.000	30.000	30.000	
Net Working capital	-5.938	-6260	-7113	-8251	-8442	-8668	
OPERATING CASH FLOW	**14.277**	**62.678**	**64.324**	**84.400**	**87.241**	**90.901**	
CAPEX	**-80.106**	**-10.000**	**-30.000**	**-25.000**	**-25.000**	**-25.000**	
Free Cash Flow	**-65.829**	**52.678**	**34.324**	**59.400**	**62.241**	**65.901**	**65.901**
Cash	**-54.032**	**-1.354**	**32.970**	**92.370**	**154.611**	**220.512**	
Discounted Free cash flow	**-65.829**	**39.227**	**19.034**	**24.529**	**19.140**	**15.091**	**204.105**

4. Financial valuation

NPV	430.266
Debt	**321.125**
Price	**109.141**
Discount rate	**24,86%**

Financial valuation will depend on the return an investor expects to obtain taking into account the risk he considers the operation may have. I can calculate the internal rate of return that would give a zero sum NPV, taking current debt level and equity values (as the expected required initial investment: 109.141 thousand) into consideration. In this case, the IRR will be of 24.86%, which is, in my opinion, higher than the risk/return relation the company offers.

Therefore, taking into account this new strategic plan implementation forecast, the firm could be regarded as a good opportunity for eventual investors, which would expect less than the IRR given the risk it carries.

Methodology explanation: Given the fact that there are currently no teams in the Spanish League quoted in the financial markets I decided to avoid using betas in order to obtain cost of equity.

On the other hand, there are many discrepancies among investors in which is the real number that should be placed as the denominator for each cash flow in a financial valuation. While many theorists explain that the WACC is the adequate discounting tool to obtain the real NPV of an investment, others argue that the discount rate should be obtained differently by each investor and should reflect the expected return an investor expects from the exposition given the risk the project has.

For instance, if an investor is willing to buy VCF with an expected annual return of 10%, then he will charge this 10% to the denominator of each cash flow. If the NPV of this valuation is positive, then the return should actually be higher than the 10% he forecasted.

Results depending on Discount rate:

Discount rate	NPV
5%	2.111.031,00
10%	706.953,00
15%	364.974,00
20%	203.601,00
25%	107.012,00
30%	41.646,00
35%	-5.992,00

Growth rate applied was 2%.

5. Conclusions

This business plan was created with the objective of restoring the performance and the image VCF disposed of before the crisis. During the development of this plan, many negative issues regarding the current strategy where pointed out. This had to do with the management of the team and influence negatively the following general factors:

- Competitive results
- Cost - Revenue streams relation compared with competitors (negative vs positive).
- Image - attractiveness
- Excessive debt level

In order to reverse the situation, a new strategic plan has been developed and proposed. The main ideas regarding this change are:

- Fans alignment with a competitive project (coach-> key, mix of local and new talents with few star players).
- Revenue streams stimulation - Cost structure renewal
- Brand exploitation
- Debt reduction

Hopefully, an efficient implementation of all this measures would drive to a better sportive and financial situation.

Given the results of the valuation I performed and the current administrative and strategic situation of the team, I think that there is still time for a new investor to obtain reasonable profits from the purchase of the VCF shares. VCF is a football team with an extremely high potential, both nationally and internationally, which is currently being mistreated. This means that if an investor knows where to implement the necessary changes in the strategy, VCF could result to be a really undervalued company right now.

Risk of the industry (market risk) is not very high as I have already seen in the industry overview. Therefore, if internal risks are closely monitored along with the new strategic plan, expected returns of investors regarding risk should not be especially high (not higher than 20%).

Peter Lim is currently not willing to sell its participations of the team. However, if the tendency continues, sooner or later it’s time to sell will arrive. Given the amount of money invested by Peter Lim in the team during the last two years it seems pretty impossible to obtain the 100% of the shares (or at least the 83% corresponding to Lim) at a price lower than 25 € per share. This means that the price of the 100% of the shares will not be below 100M €.

However, if I take a look at the data obtained from the forecast, I can see that new investors would have quite a lot of room to negotiate. Depending on the analysis of the team and the industry each investor performs, offers may vary from 110 M (minimum price and 25% risk assumption; to 364 M (with 15% risk assumption).

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7. Annex

Forecast calculations:

SCENARIO 1: SAME STRATEGIC PLAN								FORECAST					
PROFIT & LOSS ACCOUNT	July 2011	July 2012	July 2013	July 2014	July 2015	July 2016	Operating revenues	July 2017	July 2018	July 2019	July 2020	July 2021	July 2022
A) OPERACIONES CONTINUADAS													
1. Importe neto de la cifra de negocios	113.254	105.659	110.411	85.947	77.032	107.952	*1. Importe neto de la cifra de r*	107.952	122.500	139.200	161.475	165.201	169.636
% Crecimiento		-6,71%	4,50%	-22,16%	-10,37%	40,14%	*% Crecimiento*	0,00%	13,48%	13,63%	16,00%	2,31%	2,68%
a) Ingresos por competiciones	30.934	28.962	35.114	13.332	5.671	33.831	a) Ingresos por competiciones	33.831	45.000	55.000	65.000	66.300	67.626
% Crecimiento		-6,37%	21,24%	-62,03%	-57,46%	496,56%	*% Crecimiento*	0,00%	33,01%	22,22%	18,18%	2,00%	2,00%
b) Ingresos por abonados y socios	21.339	18.229	14.844	11.067	11.984	13.728	b) Ingresos por abonados y so	13.728	14.500	15.950	19.938	20.336	21.353
% Crecimiento		-14,57%	-18,57%	-25,44%	8,29%	14,55%	*% Crecimiento*	0,00%	5,62%	10,00%	25,00%	2,00%	5,00%
c) Ingresos por retransmision	42.000	42.000	45.500	48.000	48.000	48.000	c) Ingresos por retransmision	48.000	48.000	52.500	60.000	61.200	62.424
% Crecimiento		0,00%	8,33%	5,49%	0,00%	0,00%	*% Crecimiento*	0,00%	0,00%	9,38%	14,29%	2,00%	2,00%
d) Ingresos de comercializacion y publicidad	18.981	16.468	14.953	13.548	11.377	12.393	d) Ingresos de comercializacic	12.393	15.000	15.750	16.538	17.364	18.233
% Crecimiento		-13,24%	-9,20%	-9,40%	-16,02%	8,93%	*% Crecimiento*	0,00%	21,04%	5,00%	5,00%	5,00%	5,00%
2. Aprovisionamientos	-1.101	-826	-735	-948	-1.512	-1.519		-810	-1.500	-1.500	-1.500	-1.500	-1.500
a) Consumo de materiales deportivos	-629	-362	-547	-392	-1.155	-758		-758	-1.500	-1.500	-1.500	-1.500	-1.500
b) Otros consumos	-353	-354	-275	-496	-498	-709		0					
c) Deterioro de material deportivo, comercializa	-119	-110	87	-60	141	-52		-52	0				
3. Otros ingresos de explotacion	2.951	1.485	2.773	4.912	533	6.778		6.778	0	0	0	0	0
a) Ingresos accesorios y otros de gestion corrient	2.951	1.432	2.773	4.703	297	6.550		6.550					
b) Subvenciones de explotacion incorporadas al	0	53	0	209	236	228		228					
4. Gastos de personal	-60.222	-69.115	-60.704	-57.516	-63.763	-77.062		-77.062	-60.000	-62.700	-65.004	-66.304	-67.630
a) Sueldos y salarios plantilla deportiva	-52.919	-60.747	-53.396	-49.635	-53.127	-67.564		-67.564	-50.000	-52.500	-54.600	-55.692	-56.806
% derechos	78,6%	98,7%	95,8%	102,0%	56,3%	47,7%		0					
b) Otros sueldos, salarios y asimilados	-5.365	-6.255	-5.359	-5.373	-7.921	-6.500		-6.500	-10.000	-10.200	-10.404	-10.612	-10.824
c) Cargas sociales	-1.943	-2.196	-2.103	-2.508	-2.715	-3.052		-3.052					
d) Provisiones	5	83	154	0	0	54		54					
5. Otros gastos de explotación	-17.044	-16.460	-18.351	-20.268	-22.606	-19.850		-19.850	-19.850	-19.850	-19.850	-19.850	-19.850
a) Servicios exteriores	-11.771	-11.738	-14.095	-15.801	-15.904	-15.622		-15.622	-15.622	-15.622	-15.622	-15.622	-15.622
b) Tributos	-1.010	-272	-445	-482	-635	-645		-645	-645	-645	-645	-645	-645
c) Desplazamientos	-1.182	-1.493	-1.369	-1.768	-1.022	-2.045		-2.045	-2.045	-2.045	-2.045	-2.045	-2.045
d) Perdidas, deterioro y variacion de provisiones	-1.317	-7	349	56	-1.995	1.822		1.822	1.822	1.822	1.822	1.822	1.822
e) Otros gastos de gestion corriente	-1.764	-2.950	-2.791	-2.273	-3.050	-3.360		-3.360	-3.360	-3.360	-3.360	-3.360	-3.360
6. Amortizacion del inmovilizado	-31.654	-27.192	-25.351	-22.718	-29.173	-48.436		-48.436	-30.000	-40.000	-30.000	-30.000	-30.000
a) Amortizacion de derechos de adquisicion de ju	-30.008	-25.636	-23.832	-21.171	-27.330	-46.409		-46.409	-30.000	-40.000	-30.000	-30.000	-30.000
b) Otras amortizaciones	-1.646	-1.556	-1.519	-1.547	-1.843	-2.027		-2.027					
7.) Imputacion de subvenciones de inmovilizado r	116	116	116	116	116	116		0					
8. Excesos de provisiones	7.786	474	0	0	0	0		0					
9. Deterioro y resultado por enajenaciones del inn	967	23.641	10.975	23.226	14.507	33.940		33.940	20.000	10.000	5.000	5.000	5.000
a) Resultados por enajenaciones y otras de jugad	968	23.735	18.318	22.151	33.944	33.955		33.955	20.000	10.000	5.000	5.000	5.000
b) Resultados por enajenaciones y otras de otro i	-1	-94	-633	-3	-440	-15		-15					
c) Deterioros y pérdidas	0	0	-6.710	1.078	-18.997	0		0					
10. Otros resultados	31	-1.162	-213	-406	-269	-28.225		-28.225					
RESULTADOS DE EXPLOTACION	**15.084**	**16.620**	**18.921**	**12.345**	**-25.135**	**-26.306**		**-25.713**	**31.150**	**25.150**	**50.121**	**52.547**	**55.655**
11. Ingresos financieros	2.077	2.024	1.971	1.841	55.602	5.378		5.378	0	0	0	0	0
a) De valores negociables y otros instrumentos fi	2.077	2.024	1.971	1.841	55.602	5.378		5.378	0	0	0	0	0
a1) De empresas del grupo y asociadas	420	552	798	838	573	20		20					
a2) De terceros	1.657	1.472	1.173	1.003	55.029	5.358		5.358					
12. Gastos financieros	-15.652	-15.858	-12.853	-11.100	-12.281	-16.133		-16.133	-16.670	-15.000	-15.000	-10.000	-10.000
a) Por deudas con empresas del grupo y asociada	-12	-12	-11	-10	-322	-670		-670	-670				
b) Por deudas con terceros	-15.554	-15.846	-12.842	-11.090	-11.959	-15.463		-15.463	-16.000	-15.000	-15.000	-10.000	-10.000
c) Por actualizacion de provisiones	-86	0	0	0	0	0		0					
13. Diferencias de cambio	-329	225	-1	-82	208	101		101	0				
14. Deterioro y resultado de enajenaciones de inst	-922	181	-129	-317	-13.449	-303		-303	0				
RESULTADO FINANCIERO	**-14.826**	**-13.428**	**-11.012**	**-9.658**	**30.080**	**-10.957**		**-10.957**	**-16.670**	**-15.000**	**-15.000**	**-10.000**	**-10.000**
RESULTADO ANTES DE IMPUESTOS	258	3.192	7.909	2.687	4.945	-37.263		-36.670	14.480	10.150	35.121	42.547	45.655
Impuestos sobre beneficios	-73	1.417	2.774	2.565	6.666	-5.819		-5.819					
RESULTADO DEL EJERCICIO	331	1.775	5.135	122	-1.721	-31.444		-30.851	14.480	10.150	35.121	42.547	45.655

Competitors accounts:

VILLAREAL	July 2014	July 2015	July 2016	July 2017
Importe neto de la cifra de negocios: VLL	**48.220**	**53.323**	**73.004**	
a) Ingresos por competiciones	2.590	7.225	18.189	
b) Ingresos por abonados y socios	3.430	3.335	3.397	
c) Ingresos por retransmision	33.850	33.850	41.869	
d) Ingresos de comercializacion y publicidad	8.350	8.913	9.549	
RESULTADOS DE EXPLOTACION VLL	7.290	-6.370	18.646	
RESULTADO FINANCIERO	10	-197	-318	
RESULTADO DEL EJERCICIO VLL	**5.950**	**-6.985**	**14.285**	
CLASIFICACION VLL	6	6	4	5
Debt with financial expenses		4.862,0	22.222,0	
Financial expenses		230,0	392,0	
Cost of debt		4,7%	1,8%	
Equity		69.703	83.998	
Debt to Equity ratio VLL	0,07	0,07	0,26	

SEVILLA	July 2014	July 2015	July 2016
Importe neto de la cifra de negocios: SEV	**69.000**	**85.479**	**106.553**
a) Ingresos por competiciones	19.606	26.069	43.816
b) Ingresos por abonados y socios	6.544	8.675	12.200
c) Ingresos por retransmision	32.603	39.071	38.077
d) Ingresos de comercializacion y publicidad	10.247	11.664	12.460
RESULTADOS DE EXPLOTACION SEV	7.510	10.618	19.961
RESULTADO FINANCIERO	-1.450	-76	1.333
RESULTADO DEL EJERCICIO SEV	**4.696**	**6.524**	**15.568**
CLASIFICACION SEV	5	5	7
Debt with financial expenses	30.635	26.547	26.417
Financial expenses	1.087	518	192
Cost of debt	3,5%	2,0%	0,7%
Equity	31.491	37.973	53.462
Debt to Equity ratio SEV	0,97	0,70	0,49

ATLETICO DE MADRID	July 2014	July 2015	July 2016	
Importe neto de la cifra de negocios: ATM	**162.837**	**160.894**	**218.866**	
a) Ingresos por competiciones	68.157	62.398	87.582	
b) Ingresos por abonados y socios	18.544	21.958	22.903	
c) Ingresos por retransmision	45.934	41.659	68.738	
d) Ingresos de comercializacion y publicidad	30.202	34.879	39.643	
RESULTADOS DE EXPLOTACION	19.387	40.060	24.355	
RESULTADO FINANCIERO	-17.094	-21.086	-23.031	
RESULTADO DEL EJERCICIO ATM	**1.596**	**13.122**	**3.945**	
CLASIFICACION ATM	1	3	3	3
Debt with financial expenses	195.896	237.370	309.581	
Financial expenses	21.637	22.521	25.212	
Cost of debt	11%	9%	8%	
Equity	24.398	23.219	26.046	
Debt to Equity ratio ATM	8,03	10,22	11,89	

ATHLETIC DE BILBAO	July 2014	July 2015	July 2016
Importe neto de la cifra de negocios: ATH	**60.965**	**87.251**	**107.784**
a) Ingresos por competiciones	1.834	27.830	23.797
b) Ingresos por abonados y socios	22.514	23.822	28.140
c) Ingresos por retransmision	31.701	32.500	51.738
d) Ingresos de comercializacion y publicidad	4.916	3.099	4.109
RESULTADOS DE EXPLOTACION		19.576	22.082
RESULTADO FINANCIERO		-859	-750
RESULTADO DEL EJERCICIO ATH	**16.654**	**18.716**	**19.132**
CLASIFICACION ATH	4	7	5
Debt with financial expenses		632	2.481
Financial expenses		34	164
Cost of debt		5,4%	6,6%
Equity		92.197	111.895
Debt to Equity ratio ATH	0,01	0,01	0,02