

Juventus FC

1H14-15A Results

Juventus FC - Key estimates and data					
Y/E June		2013/14A	2014/15E	2015/16E	2016/17E
Revenues	EUR M	315.8	302.6	309.6	316.6
EBITDA	EUR M	69.17	58.40	71.90	79.40
EBIT	EUR M	8.85	-3.10	18.40	25.90
Net Income	EUR M	-6.67	-18.30	2.66	11.49
Dividend ord.	EUR	0	0	0	0
Adj. EPS	EUR	-0.01	-0.02	0.00	0.01
EV/EBITDA	x	6.2	7.9	6.1	5.1
Adj. P/E	x	Neg.	Neg.	98.4	22.8

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

- Revenue broadly stable in 1H14-15A.** Juventus' 1H14-15A revenues were EUR 156.2M, +0.6% vs. the previous year. In detail: 1) ticket revenues were EUR 19.4M (+0.7% yoy); 2) TV rights revenues increased by 5.5% to EUR 91.5M; 3) sponsorship and advertising increased by 1.2% yoy to EUR 26.3M; 4) players' rights disposals were down by 48.8% to EUR 7.0M; 5) other revenues were EUR 12.1M, +24.9% yoy, mainly coming from revenue adjustments relative to the 2013-14 Champions League and Europa League.
- Players costs affected income.** Operating costs increased by 4.6% to EUR 119.4M, mainly due to: 1) players' wages rising by 5.1% to EUR 81.2M; 2) players' rights management increased by 97.5% to EUR 4.7M; 3) other wages increased by 23.9% to EUR 7.6M; 4) on the other hand, service costs decreased by 11.5% to EUR 20.1M (also including management costs for the new Juventus Stadium). The company reported a 1H14-15A EBITDA of EUR 36.8M, -10.5% yoy. Amortisation and write-downs of players' registration rights were EUR 29.4M, +18% yoy. Net income was a EUR 6.7M loss, vs. a EUR 4.8M profit in 1H13-14A. FY13-14A net debt was EUR 224M, worsening by EUR 18M vs. FY13-14A, mainly due to the net transfer campaign investment (EUR 18.8M), other investments (EUR 1.2M), the advance payment for the Continassa project (EUR 0.7M), and financial flows (EUR 4M), only partially offset by operating cash flow (EUR 6.7M).
- Outlook.** In 2014-15, Juventus made an economic effort (net investment of EUR 50.5M in the first and second phase of the transfer campaign) to maintain the best players and further reinforce the first team, and lay the foundation for the future inclusion of young talents in the first team. This led to increase sports' costs, while revenue, as always, will be influenced by the sport results, in particular by those in UEFA Champions League. At the moment, management expects a net loss for the FY14-15 season, hopefully continuing the improving trend recorded in the last three seasons.
- Estimates and valuation.** In light of the 1H14-15A results and sports achievements, we confirm the FY14-15E bottom line, but with 4% higher revenue (higher Champions League TV rights), and 3% higher costs (mainly related to players' right trading costs). Our FY14-15E estimates do not include the costs related to the premium for the possible Serie A victory, the TV rights and ticket revenue for the possible qualifications to Champions League semi-final, and the possible sale of Continassa area. We value Juventus with a DCF model, **resulting in a target price of EUR 0.30/share (EUR 0.25/share previously) and an ADD rating, mainly driven by a reduction of risk free rate to 2.0% (from 3.0% in our previous research).**
- Key risks.** The Juventus business model is partially dependent on football results. The financial results are also dependent on the players' trading campaign, which we consider part of the business model (and not an extraordinary item), but which may fluctuate considerably year by year according to the club's strategy. Furthermore, some non-predictable events (such as player injuries) could also affect results..

See page 9 for full disclosures and analyst certification

Banca IMI is Specialist to Juventus FC

2 April 2015

ADD

Target Price: EUR 0.30
(from EUR 0.25)

Italy/Travel&Leisure
Company Update

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Price performance, -1Y



Source: FactSet

Data priced on 31.03.2015

Target price (€)	0.30
Target upside (%)	14.05
Market price (€)	0.26
52Wk range (€)	0.26/0.21
Market cap (€ M)	262.22
No. of shares	1,007.8
Free float (%)	36.2
Major shr (%)	Exor
Reuters	JUVE.MI
Bloomberg	JUVE IM
FTSE IT All Sh	24734

Performance %			
Absolute	Rel. to	FTSE IT All	All
-1M	8.9	-1M	4.5
-3M	18.3	-3M	-3.7
-12M	7.7	-12M	0.8

Source: FactSet and Intesa Sanpaolo Research estimates

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Contents

1H14-15A Results

3

Valuation

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1H14-15A Results

Juventus' 1H14-15A revenues were EUR 156.2M, +0.6% vs. the previous year. In detail:

1H14-15A revenues up by 0.6%

- Ticket revenues were EUR 19.4M (+0.7% yoy);
- TV rights revenues increased by 5.5% to EUR 91.5M, due to higher revenue from UEFA rights (+23.5% yoy to EUR 52.4M), attributable to a lower number of Italian teams participating in the Champions League (2, vs. 3 in FY13-14) which implied higher revenue from the "national pool", while TV rights in Italy declined by 11.7% due to a lower number of home matches in the semester;
- Sponsorship and advertising increased by 1.2% yoy to EUR 26.3M;
- Players' rights disposals were down by 48.8% to EUR 7.0M;
- Other revenues were EUR 12.1M, +24.9% yoy, mainly coming from revenue adjustment relative to the 2013-14 Champions League and Europa League.

Juventus FC – 1H14-15A revenue breakdown			
EUR M	1H13-14A	1H14-15A	% yoy
Tickets	19.3	19.4	0.7
TV, radio rights and media revs.	86.7	91.5	5.5
Sponsorship & Advertising	25.9	26.3	1.2
Players' rights disposal	13.6	7.0	-48.8
Other revenues	9.6	12.1	24.9
Total revenues	155.2	156.2	0.6

A: actual; Source: Company data

Operating costs increased by 4.6% to EUR 119.4M, mainly due to:

Operating costs increase by 4.6%

- Players' wages rising by 5.1% to EUR 81.2M;
- Players' rights management increased by 97.5% to EUR 4.7M;
- Other wages increased by 23.9% to EUR 7.6M;
- On the other hand, service costs decreased by 11.5% to EUR 20.1M (also including management costs for the new Juventus Stadium).

Juventus FC – 1H14-15A costs breakdown			
EUR M	1H13-14A	1H14-15A	% yoy
Raw materials	1.9	1.6	-19.4
Services	22.7	20.1	-11.5
Players' wages	77.3	81.2	5.1
Other wages	6.1	7.6	23.9
Players' rights management	2.4	4.7	97.5
Other	3.8	4.4	16.2
Total costs	114.1	119.4	4.6

A: actual; Source: Company data

The company reported a 1H14-15A EBITDA of EUR 36.8M, -10.5% yoy.

EBITDA at EUR 36.8M

Amortisation and write-downs of players' registration rights were EUR 34.3M, +17.6% yoy.

EBIT was EUR 2.4M, vs. a EUR 11.9M in 1H13-14A.

Net income was a EUR 6.7M loss, vs. a EUR 4.8M profit in 1H13-14A.

Juventus FC – 1H14-15A key results			
EUR M	1H13-14A	1H14-15A	% yoy
Total revenue	155.2	156.2	0.6
EBITDA	41.1	36.8	-10.5
EBITDA margin %	26.5	23.5	
EBIT	11.9	2.4	-79.6
EBIT margin %	7.6	1.6	
Net profit	4.8	-6.7	NM
Net equity	*42.6	35.5	-16.7
Net debt	*206.0	224.0	8.7

NM: not meaningful; A: actual; Source: Company data * FY13/14A data

1H14-15A net debt was EUR 224M, worsening by EUR 18M vs. FY13-14A, mainly due to the net transfer campaign investment (EUR 18.8M), other investments (EUR 1.2M), the advance payment for the Continassa project (EUR 0.7M), and financial flows (EUR 4M), were only partially offset by operating cash flow (EUR 6.7M).

Net debt EUR 224M

Relevant facts

2014/15 transfer campaign

The first and second phase of the transfer campaign led to a net investment of EUR 50.5M and a capital gain of EUR 11.8M.

The contracts of a few players have been renewed, among others: Barzagli up to 30 June 2016, Chiellini up to 30 June 2018, Lichsteiner up to 30 June 2017 (lower depreciation in 2H14-15 for EUR 1.7M), Pirlo up to 30 June 2016, Pogba up to 30 June 2019, Storari up to 30 June 2015.

The contracts of Giovinco and Motta, expiring on 30 June 2015, were terminated in the second phase of the 2014/15 transfer campaign, with a write-off of EUR 2.2M.

Juventus Training Centre (JTC) project in Vinovo

The first team training centre, currently based in Vinovo, will be moved to the Continassa area. Therefore, Vinovo, along with the existing Juventus college, will host the training centre for all youth teams.

In this regard, Juventus bought some adjacent land, with a buildable area of around 22.9k sqm and a gross buildable area for tertiary activities of around 11.8k sqm.

The cost of the acquired land is of EUR 10.8M, but has been paid through the conversion of EUR 10.7M credit towards Finanziaria Gilardi (Juventus still has a EUR 1.6M credit expiring by 31 July 2016).

Business outlook

In 2014-15, Juventus made an economic effort made to maintain the best players and further reinforce the first team, and lay the foundation for the future inclusion of young talent in the first team.

This led to increased sports' costs, while revenue, as always, will be influenced by the sport results, in particular by those in the UEFA Champions League.

At the moment, management expects a net loss for the FY14-15 season, hopefully continuing the improving trend recorded in the last three seasons.

Valuation

In light of the 1H14-15A results and sports achievements, we confirm the FY14-15E bottom line, but with 4% higher revenue (higher Champions League TV rights), and 3% higher costs (mainly related to players' right trading costs). Our FY14-15E estimates do not include the costs related to the premium for the possible Serie A victory, the TV rights and ticket revenue for the possible qualifications to Champions League semi-final, and the possible sale of the Continassa area.

Estimates

We used a DCF approach to value the company, incorporating a 2.0% risk-free rate (3.0% previously) and 5.50% a risk premium.

DCF approach

We obtained a WACC of 4.5%.

Juventus FC - WACC assumptions %	
Gross debt rate	5.50
Tax rate	28.50
Net debt rate	3.93
Beta levered*	0.91
Gearing	82.86
Beta re-levered	0.91
Risk free rate	2.00
Equity risk premium	5.50
Cost of equity	7.01
WACC	4.5

(*) Bloomberg; Source: Intesa Sanpaolo research estimates

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

Juventus – DCF calculation				
EUR M	2014/15E	2015/16E	2016/17E	LT
EBIT	-3.1	18.4	25.9	34.4
Tax	-7.0	-6.0	-6.0	-12.8
Depreciation	61.5	53.5	53.5	
NOPAT	51.4	65.9	73.4	21.6
WC	-15.0	-15.0	-15.0	
Capex	-20.0	-20.0	-20.0	
FCF	16.4	30.9	38.4	21.6
Discounted FCF	16.4	29.6	35.2	18.9
WACC (%)	4.5			
TV growth (%)	0.0			
Sum of FOFCF	81			
TV	424			
EV	505			
Debt 2013-14A	206.0			
Equity	299			
Shares (M)	1007.8			
Target price (EUR/share)	0.30			

Source: Intesa Sanpaolo Research estimates

We raised our DCF target price to EUR 0.30/share (from EUR 0.25/share) and rate the company an ADD.

Juventus FC - Key data							
Rating	Target price (EUR/sh)	Mkt price (EUR/sh)	Sector		Free float (%)	Reuters Code	
ADD	Ord 0.30	Ord 0.26	Travel&Leisure		36.2	JUVE.MI	
Values per share (EUR)			2012/13A	2013/14A	2014/15E	2015/16E	2016/17E
No. ordinary shares (M)			1,007.8	1,007.8	1,007.8	1,007.8	1,007.8
No. NC saving/preferred shares (M)			0.00	0.00	0.00	0.00	0.00
Total no. of shares (M)			1,007.8	1,007.8	1,007.8	1,007.8	1,007.8
Market cap			211.14	225.82	262.22	262.22	262.22
Adj. EPS			-0.02	-0.01	-0.02	0.00	0.01
CFPS			0.04	0.05	0.04	0.06	0.06
BVPS			0.05	0.04	0.02	0.03	0.04
Dividend ord			0	0	0	0	0
Income statement (EUR M)			2012/13A	2013/14A	2014/15E	2015/16E	2016/17E
Sales			283.8	315.8	302.6	309.6	316.6
EBITDA			56.71	69.17	58.40	71.90	79.40
EBIT			-3.81	8.85	-3.10	18.40	25.90
Pre-tax income			-10.92	0.15	-11.30	8.66	17.49
Net income			-15.91	-6.67	-18.30	2.66	11.49
Adj. net income			-15.91	-6.67	-18.30	2.66	11.49
Cash flow (EUR M)			2012/13A	2013/14A	2014/15E	2015/16E	2016/17E
Net income before minorities			-15.9	-6.7	-18.3	2.7	11.5
Depreciation and provisions			60.5	60.3	61.5	53.5	53.5
Others/Uses of funds			0	0	0	0	0
Change in working capital			-27.4	-30.5	-15.0	-15.0	-15.0
Operating cash flow			17.2	23.2	28.2	41.2	50.0
Capital expenditure			-56.6	-46.0	-20.0	-20.0	-20.0
Financial investments			0	-12.2	0	0	0
Acquisitions and disposals			0	0	0	0	0
Free cash flow			-39.3	-35.0	8.2	21.2	30.0
Dividends			0	0	0	0	0
Equity changes & Other non-operating items			6.7	-10.7	0	0	0
Net cash flow			-32.6	-45.7	8.2	21.2	30.0
Balance sheet (EUR M)			2012/13A	2013/14A	2014/15E	2015/16E	2016/17E
Net capital employed			208.9	248.6	222.1	203.6	185.1
of which associates			0	0	0	0	0
Net debt/-cash			160.3	206.0	197.8	176.6	146.6
Minorities			0	0	0	0	0
Net equity			48.6	42.6	24.3	27.0	38.5
Minorities value			0	0	0	0	0
Enterprise value			371.4	431.8	460.0	438.9	408.9
Stock market ratios (x)			2012/13A	2013/14A	2014/15E	2015/16E	2016/17E
Adj. P/E			Neg.	Neg.	Neg.	98.4	22.8
P/CFPS			4.7	4.2	6.1	4.7	4.0
P/BVPS			4.3	5.3	10.8	9.7	6.8
Payout (%)			0	0	0	0	0
Dividend yield (% ord)			0	0	0	0	0
FCF yield (%)			-18.6	-15.5	3.1	8.1	11.4
EV/sales			1.3	1.4	1.5	1.4	1.3
EV/EBITDA			6.5	6.2	7.9	6.1	5.1
EV/EBIT			Neg.	48.8	NM	23.9	15.8
EV/CE			1.8	1.7	2.1	2.2	2.2
D/EBITDA			2.8	3.0	3.4	2.5	1.8
D/EBIT			Neg.	23.3	Neg.	9.6	5.7
Profitability & financial ratios (%)			2012/13A	2013/14A	2014/15E	2015/16E	2016/17E
EBITDA margin			20.0	21.9	19.3	23.2	25.1
EBIT margin			-1.3	2.8	-1.0	5.9	8.2
Tax rate			NM	NM	NM	69.2	34.3
Net income margin			-5.6	-2.1	-6.0	0.9	3.6
ROCE			-1.8	3.6	-1.4	9.0	14.0
ROE			-28.1	-14.6	-54.7	10.4	35.1
Interest cover			-0.5	1.0	-0.3	1.9	3.1
Debt/equity ratio			329.6	483.3	813.1	654.4	381.0
Growth (%)			2013/14A	2014/15E	2015/16E	2016/17E	
Sales			11.3	-4.2	2.3	2.3	
EBITDA			22.0	-15.6	23.1	10.4	
EBIT			NM	NM	NM	40.8	
Pre-tax income			NM	NM	NM	NM	
Net income			58.0	NM	NM	NM	
Adj. net income			58.0	NM	NM	NM	

NM: not meaningful; Neg.: negative; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Notes

Notes

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Equity rating key: (long-term horizon: 12M)

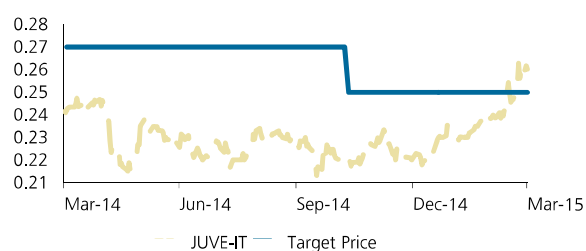
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Equity rating key (long-term horizon: 12M)

Long-term rating	Definition
BUY	If the target price is 20% higher than the market price
ADD	If the target price is 10%-20% higher than the market price
HOLD	If the target price is 10% below or 10% above the market price
REDUCE	If the target price is 10%-20% lower than the market price
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TARGET PRICE	The market price that the analyst believes the share may reach within a one-year time horizon
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Historical recommendations and target price trends (long-term horizon: 12M)

Target price and market price trend (-1Y)



Historical recommendations and target price trend (-1Y)

Date	Rating	TP	Mkt Price
07-Nov-14	ADD	0.25	0.22

Equity rating allocations (long-term horizon: 12M)

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of which Intesa Sanpaolo's Clients % (*)	77	68	43	0	0

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

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

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

Company specific disclosures

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

- 1 The Intesa Sanpaolo Group plans to solicit investment banking business or intends to seek compensation from Juventus FC in the next three months
- 2 One or more of the companies of the Intesa Sanpaolo Group have granted significant financing to Juventus FC and its parent and group companies
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- 4 Banca IMI acts as Specialist relative to securities issued by Juventus FC

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