

A unique opportunity to acquire the last remaining super club of Europe

AC Milan Acquisition
July, 2018



KeffiGroup



AC Milan History: A-Grade Franchise



3x Champions Leagues Winners

06/07, 02/03, 93/94

4x European Champions

89/90, 88/89, 68/69, 62/63

18x Italian League Champions

10/11, 03/04, 98/99, 95/96, 93/94, 92/93, 91/92, 87/88, 78/79, 67/68, 61/62, 58/59, 56/57, 54/55, 50/51, 1906/07, 1905/06, 1900/01

5x Italian Cup Winners

02/03, 76/77, 72/73, 71/72, 66/67

7x Italian Super Cup Winners

16/17, 11/12, 04/05, 94/95, 93/94, 92/93, 88/89

1x FIFA Club World Cup Winners

07/08

2x Italian Serie B Champions

82/83, 80/81

3x Intercontinental Cup Winners

90/91, 89/90, 69/70

2x Cup Winners Cup

72/73, 67/68

1x Mitropacup

82/83

5x UEFA Supercup Winner

07/08, 03/04, 94/95, 90/91, 89/90

Founded in 1899

1st Most European Titles for an Italian team

2nd Most European Champions League/European Cup Wins (behind Real Madrid)

2nd Most Italian Titles

Located in Italy's economically largest City

The club play in Serie A's largest stadium, the San Siro, capacity 80,018





AC Milan: Only European Super Club Available for Sale

	Club	European Titles	League	Owner	Ownership Nationality	Ownership Since	Willing Seller
1	Real Madrid	22		Fan/Member Ownership		1902	No Restricted from sale
2	AC Milan	17		Elliott Management		July 10, 2018	Yes Foreclosure situation
3	Barcelona	14		Fan/Member Ownership		1899	No Restricted from sale
4	Liverpool	11		Fenway Sports Group		2010	No Financially strong
5	Juventus	11		Agnelli Family		1923	No Financially strong
6	Bayern Munich	10		Fan/Member Ownership		1900	No Restricted from sale
7	Inter Milan	8		Zhang Jingdong		2016	No Improving financially
8	Manchester United	7		Glazer Family		2011	No Financially strong
9	Atletico Madrid	7		Gil Family		1987	No Financially moderate
10	Chelsea	5		Roman Abramovich		2003	No Financially strong
11	Tottenham Hotspur	3		Joe Lewis		2001	No Financially strong
12	Borussia Dortmund	3		Fan/Member Ownership		1909	No Restricted from sale
13	Paris Saint Germain	2		Qatar Sports Investments		2011	No Financially strong
14	Arsenal	1		Kroenke Family		2007	No Financially strong
15	Manchester City	1		Abu Dhabi United Group		2008	No Financially strong
	Roma	0		James Pallotta		2011	No Financially moderate

Historic Super Clubs: Owner Subsidized Success: Recent Organic Success: 3





Ownership Situation Overview

APRIL, 2017	Chinese businessman, Li Yonghong, closes the acquisition of AC Milan for €740m from Silvio Berlusconi's company, Fininvest. At the time, Mr. Li, unable to secure debt (€303m) for the deal from conventional sources, resorted to high yield debt to fund the deal. This was provided by US hedge fund, Elliott Management (at a rumored 11% interest rate).
SUMMER 2017: TRANSFER MARKET	AC Milan embarked on an aggressive summer transfer market strategy, investing heavily in a number of young players, with two objectives: 1) rejuvenate the aging squad, 2) get back into the lucrative Champions League. The club record a net transfer spend of €155m.
NOVEMBER, 2017	The New York Times publishes an article noting the doubts around the existence of Mr. Li's business interests in China. UEFA note 'grave concerns' over Mr. Li's financial stability.
MARCH, 2018	Having retained advisors to source debt from lower cost providers, Mr. Li is rumored to draw further funds from the high cost liquidity facility provided by Elliott.
JUNE 22, 2018	Mr. Li fails to meet a €32m interest payment to Elliott Management. AC Milan failed to qualify for the Champions League and record their lowest revenue figure in a decade. The club are being investigated by UEFA's Financial Fair Play commission. Two US based sport franchise owners are reportedly interested in acquiring AC Milan, the Ricketts Family (owners of baseball team, the Chicago Cubs), and Roberto Commisso (owner of US soccer team, New York Cosmos). The bids are rumored to be at the low end of the €500m range.
JUNE 27, 2018	UEFA finds that AC Milan have breached the 'Break-Even Rule', as a result of their exorbitant transfer spending the previous summer and the financial instability of their owner. The club are banned from European competition for the 2018/19 season (they had qualified for the Europa League), and potentially the 2019/20 season. The club may receive a further fine (potentially €20m). The club are appealing the ruling.
JULY 10, 2018	Mr. Li fails to meet the deadline to cure the default. Elliott takes control of the holding company, stating their intention to stabilize the club's financial situation. However privately and historically have indicated desire to sell the club.
JULY 12, 2018	Elliott seeks to appoint a new Board and President of the club. However non-attendance of Chinese Board members precludes a quorum being met. Elliott will now seek to reconstitute the Board on July 21 st . Private discussions with Elliott on sale of the asset gaining pace, in-spite public statements.



Limited Buyer Universe & Secular Trends

LIMITED BUYER UNIVERSE		Chinese buyers constrained due to capital flow restrictions currently in place	
		Russian buyers prevented from entering the market due to sanctions, and political uncertainty	
		Precluded due to ownership of Paris Saint Germain	
		Precluded due to ownership of Manchester City	
		Clear appetite, acknowledgement of secular trends	

SECULAR TRENDS	<ol style="list-style-type: none">1. Media landscape moving toward content ownership2. Increasing demand for European soccer globally, carried by European super clubs3. Point 2. could culminate in a European super competition. Arsene Wenger commented May, 2018: "The next evolution? Maybe I will see you in a few years and you will certainly have a European league over the weekends."4. There are limited assets that are still available to take advantage of 1, 2, 3, bidding up prices on these assets5. Italian Football in process of renegotiating broadcasting rights
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Trading Comp Valuation: implies value around €600m

	LTM Revenue	LTM EBIT	EBIT/Rev	Net Debt	Market Cap	Enterprise Value	EV/EBIT	EV/Rev
Manchester Utd	£ 608	£ 61	10%	£ 301	£ 3,379	£ 3,680	60.4x	6.1x
Arsenal	£ 414	£ 57	14%	£ 56	£ 2,146	£ 2,202	38.6x	5.3x
Juventus	€ 538	€ 34	6%	€ 298	€ 665	€ 963	28.6x	1.8x
Roma	€ 175	(€ 33)	-	€ 209	€ 290	€ 500	-	2.9x
Borussia Dortmund	€ 580	€ 83	14%	(€ 5)	€ 517	€ 512	6.1x	0.9x
Mean*			11%				33.4x	3.4x
Median*			12%				33.6x	2.9x

AC Milan	LTM Revenue	Implied EBIT	Normalized EBIT Margin	Implied EV	Selected EV/EBIT	Selected EV/Rev
High Case	€ 196	€ 22	11%	€ 728	33.4x	3.4x
Mean Case	€ 196	€ 22	11%	€ 662	33.4x	3.4x
Base Case	€ 196	€ 22	11%	€ 622	28.6x	2.9x
Roma Case	€ 196	-	-	€ 559	28.6x	2.9x

Analysis: Previous bids in the low €500m range, below market valuations based on peer multiples

- Base Case (derived from Juventus EBIT multiple) to Mean Case (derived from peer group mean revenue multiple) represents most applicable valuation range
- High case derived does not capture the club's current distress, therefore club should trade at a discount to this
- EBIT has been normalized to peer mean – the club announced a €28m EBITDA figure on June 25, 2018
- Trading comps do not capture the control premium, and the lack of trading liquidity in some of the stocks can artificially depress the value of the corresponding club

Sources: Publicly available financial information

* Excludes Roma's EBIT/Rev & EV/EBIT figures due to negative operating earnings