



From Madrid to Turin:

Ronaldo Economics



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Foreword

Cristiano Ronaldo dos Santos Aveiro represents one of the brightest football stars of modern football, alongside Argentinian striker Lionel Messi. In the past 15 years, these two phenomenons have battled against each other in order to sit atop the throne as best footballer in the sport's recent history, a situation accentuated by the Madrid – Barcelona rivalry. But what makes the Portuguese superstar special is his off-the-pitch domain, which differentiates him as a brand of his own. However, any description of Cristiano Ronaldo may sound hollow because of the hype and resonance that media have created around his personality throughout his entire career.

CR7 has been awarded with *Ballon d'Or* five times (once while at Manchester United FC and four times at Real Madrid CF), and only Lionel Messi has received as many. To understand the magnitude of this achievement, consider the fact that Michel Platini, Johan Cruyff and Marco van Basten are the closest to Messi and Ronaldo, having won such a prize three times in their careers. Cristiano Ronaldo is the top scorer ever in all UEFA club competitions (123 goals), and he has been the best scorer of the UEFA Champions League seven times. During his spell at Real Madrid CF, the Portuguese superstar scored 450 goals in 438 matches overall, and in particular he scored

311 goals in 292 LaLiga games, receiving the *Pichichi* award three times. The UEFA European Championship win in 2016 is another milestone in his career, as it represented the first international title ever achieved by the Portuguese senior national team.

It comes as no surprise that all these great sporting results be somehow rewarded, as Cristiano Ronaldo is one of the best-paid athletes worldwide. Specifically, according to Forbes, his net income (net salary, bonuses and endorsements) for the 2017/18 season amounted to about EUR 92 million. Ronaldo represents a highly valuable enterprise by himself, able to generate more revenues than many clubs against which he plays, on a weekly basis. He is sponsored by a number of high profile brands such as Nike, Electronic Arts and Herbalife, but he has also created his own brand (i.e. CR7) around his sporting performance and image. Among the many lines of business he is involved in, the main ones are fragrances, apparel and shoes, underwear, hotels and his own museum.

With 332 million followers among Facebook, Instagram and Twitter, the Portuguese star is the most-followed personality in the world and thus enjoys a massive fan base globally. After 9 years at Spanish giants Real Madrid CF, and now given the somewhat



Credits: Leonardo S.

unexpected move to Juventus FC officially announced on 10 July, the Football Benchmark team of KPMG's Sports Advisory Practice undertook an analysis of "Ronaldo economics", an attempt to estimate the costs against the potential benefits of his transfer to Juventus FC, as well as the broader impact of his move to Serie A.

In a world in which major football clubs competing on the international stage are closer and closer to becoming entertainment companies, rather than being sport entities with a limited focus on shareholders' value creation, our analysis demonstrates that although the acquisition of Cristiano Ronaldo presents some risks, Juventus FC's investment might prove to be beneficial from the sporting, commercial and financial perspectives if not immediately, then within 2-3 years, when Juve might reach half billion Euros turnover. We believe that Ronaldo can be an accelerator of the visible growth that Juventus FC have already experienced throughout the years of Andrea Agnelli's presidency. The economic success of this investment will be further enhanced if the *Bianconeri* are also able to couple Ronaldo's acquisition with a regular, consistent high level of performance in the UEFA Champions League, and potentially win it in the near future. Their last successful campaign dates back to 1995/1996.

Besides having acquired the potential of his on-field performance, the signing of such an iconic player can provide the *Old Lady* with the unique opportunity of leveraging on Ronaldo's massive fan base, both from a communication and commercial perspective.

However, we also do believe that Juventus FC's shareholders will be able to fully capitalize on this investment if their business strategy will be adapted in order to better monetize their social media audience, which is expected to grow significantly in the months to come; as well as offer innovative and engaging programs, products and experiences to their sponsors and fans, based on multi-channels and multimedia programs rather than a commercial strategy mostly focused on the sale of tangible assets such as shirts, advertisement, sponsorship placement and premium seats at their stadium.

We hope you will find this report of interest. If you would like to receive further information or discuss our findings, please contact us at www.footballbenchmark.com.

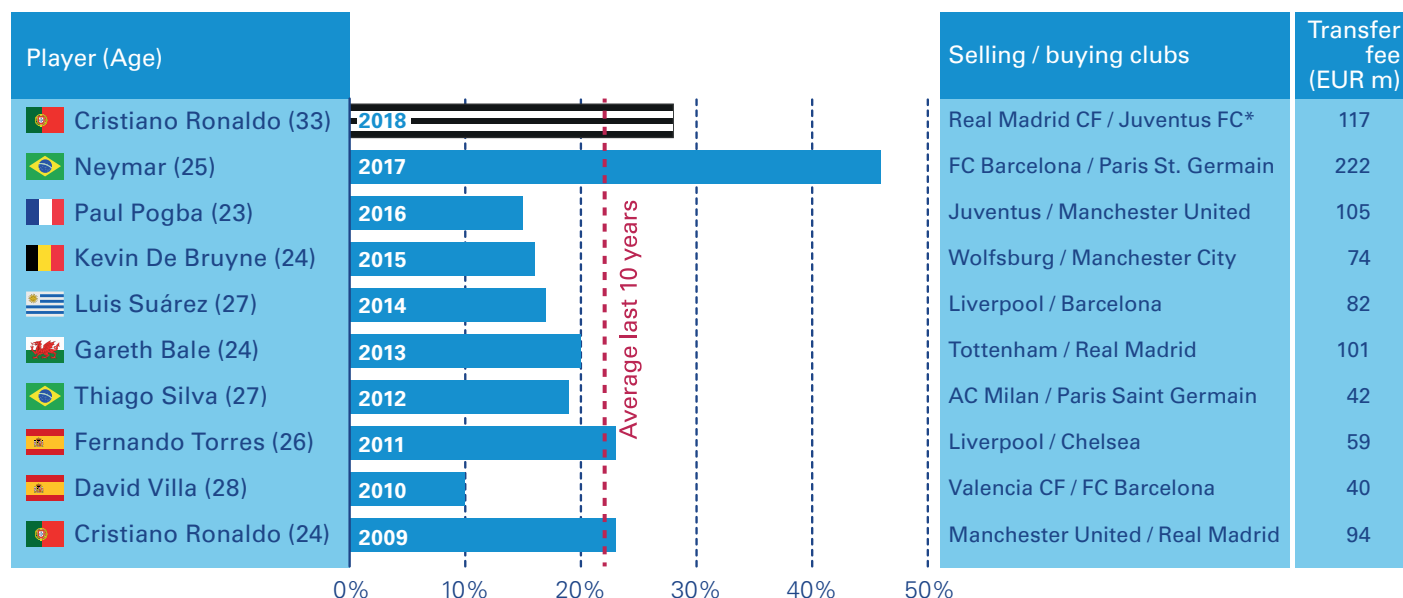
Yours sincerely,
Andrea Sartori

Is Cristiano Ronaldo a good investment for Juventus?

It is unquestionable that securing Ronaldo's performance increases the chances of winning on the pitch, which, in today's football, potentially means higher revenues generated through media, sponsorship and fan engagement. That said, the real questions behind the transfer of Cristiano Ronaldo are **how Juventus FC will finance such an investment and how a positive ROI can be generated.** While increasing transfer fees continue to command the attention of the media and fans, it is noticeable that

the ratio between the fee paid for record transfers and the operating revenues of the acquiring club has remained stable at 22% in the last 10 years. While last summer's record-breaking transfer of Neymar (42%) could be considered as an exception, Ronaldo's move is much closer to the average (28%). **In the following pages we attempt to estimate costs, revenues, and broader benefits, including the international brand recognition which CR7 might generate for the Turin club.**

Most relevant transfers by year (2009 to 2018) and transfer fee to operating revenues ratio



Source: KPMG Football Benchmark research, www.transfermarkt.com

*based on 2016/17 operating revenues

Investment cost analysis and UEFA FFP implications

Juventus FC's official statement reports that the total fee for Ronaldo's acquisition was EUR 117 million: EUR 100 million for the transfer fee (payable in two financial years), plus EUR 5 million to be paid out as FIFA solidarity payments, and EUR 12 million of additional charges owed to agent Jorge Mendes. The Portuguese superstar penned a 4-year deal, which makes the **annual amortization of the transfer fee, spread over the duration of the contract, EUR 29.25 million**. Finally, the Bianconeri committed to pay a reported net salary of EUR 30 million, resulting in a **total gross annual wage cost borne by the club of approximately EUR 55-56 million**. Looking at the latest available financial statement as of 30 June 2017, Ronaldo's wage cost would represent around 21% of Juventus' total staff costs (EUR 262 million). Based on the previous calculations, **the annual financial impact that the acquisition of Cristiano Ronaldo will have on Juventus FC's accounts is around EUR 85 million, or EUR 340 million over the 4-year contract period**.

In order to be compliant with UEFA FFP Regulations, Juventus FC need to abide by some specific rules. One

of the most stringent ones is the "break-even" rule, which requires them to report a maximum accumulated loss of EUR 30 million over the course of the three latest financial years. As mentioned above, Ronaldo's acquisition certainly represents a heavy burden to the income statement of Juventus FC, something that could jeopardize the respect of such a requirement. However, the club can count on a positive net result of EUR 42 million registered in the 2016/17 season, less the likely loss of 2017/18, to mitigate the effects of Cristiano Ronaldo's acquisition over the net result of the 2018/19 season, the first one in which such effects will be visible. In addition to that, according to a new UEFA FFP requirement, clubs need to register a maximum negative balance of EUR 100 million between acquisitions and disposals of players in a specific season. This is why there is an expectation that Juventus FC sell one or two players in order to meet such requirement.

Financing through top players' disposal

The arrival of Ronaldo in Turin might imply the disposal of one or more players by Juventus, providing an immediate source of funding. In the table below we attempt to assess the net impact after the potential disposal of some of Juventus' star players:

	Savings on salary and annual amortization ¹	Potential selling price ²	Estimated savings on salary and annual amortization + Profit on players' disposal ³
Gonzalo Higuaín (30)	EUR 32-33 million	EUR 60-70 million	EUR 56-66
Paulo Dybala (24)	EUR 19-20 million	EUR 105-120 million	EUR 104-120
Miralem Pjanic (28)	EUR 14-15 million	EUR 55-60 million	EUR 56-62
Mario Mandzukic (32)	EUR 12-13 million	EUR 20-25 million	EUR 15-20
Alex Sandro (27)	EUR 10-11 million	EUR 40-45 million	EUR 35-40
Daniele Rugani (23)	EUR 4-5 million	EUR 35-40 million	EUR 36-42

¹ Source: Juventus FC financial statement and media reports.

² According to values reported by Transfermarkt, CIES, media and elaboration from KPMG.

³ Profit on players' disposal is calculated as the difference between potential selling price and net book value of the players.

How much will Juventus FC have to pay to protect their investment in CR7?

As at the time of Neymar's astonishing move to PSG last summer, and possibly even more in case of Ronaldo, because of his age at the transfer, media have highlighted the financial risks associated with such a major investment in one single Player. How can Juventus FC protect their asset against any unforeseeable negative event? There are principally 3 types of insurance programs and risk transfer solutions that specialized Sports Personal Accident insurers provide Football Clubs with. These are usually based on the Player's age, previous injuries, asset value and the prospective salary that need to be covered:

1. Accidental Death (AD) and Permanent Total Disability (PTD), usually offered in combination: AD will principally protect the Club in case of death through accident whereas PTD applies when a Player is not able to play professional football anymore due to an injury, accident, or as a result of an illness and the Club may have to write-off the Player's asset value partially or completely.
2. Life, generally the least expensive and most traditional insurance, covering natural caused death

(e.g. heart attack or illness) which is mainly driven by the Player's age and pre-existing medical and current health conditions.

3. Temporary Total Disability (TTD), also called salary or income protection, can be taken out either by the Player directly or through the Club, in order to cover the contractual salary obligation of the Player. This insurance is especially relevant in Italy, a country particularly protective of players during injury periods. The TTD protection is generally the most expensive insurance cover and mainly based on the Player's age, pre-existing medical conditions and the ultimate salary amount to be protected.

Although various additional risk factors, as well as terms and conditions can determine a high variation of the total cost of risk of the above mentioned insurance programs, consultations with industry experts have confirmed that the total annual insurance costs for Ronaldo can vary between EUR 3 and 5 million. It was also noted that insurers might even be reluctant to provide adequate protection and favorable cover terms for a relatively matured and highly compensated sportsman like Ronaldo.

Revenue analysis

In order to justify their investment in the Portuguese superstar, **Juventus FC need to increase their operating revenues over forthcoming seasons.**

Expectations are that over the next 2-3 seasons the club would likely benefit from an increase in turnover, and eventually narrow the current revenue gap with the nine clubs⁴ that are ahead of Juventus. However, it is unlikely that they will see a major positive impact from the CR7 acquisition in the 2018/19 financial year.

Matchday revenues

Regarding stadium-related income, we take into account seasonal and matchday tickets, as well as revenues from home matches of UEFA Champions League and the Serie A. Well in advance of the official announcement of the CR7 acquisition, the club published season ticket prices for the upcoming 2018/19 Serie A season, with an average price increase of approximately 30% on the previous season's pricing.

If the total number of season ticket subscribers remains the same as last year (29,300), Juventus FC would generate EUR 33-34 million from this source (compared to EUR 24 million for 2016/17).

Match-ticket revenues for Serie A games could also increase to EUR 15-18 million (up from EUR 11 million in 2016/17), considering the expected price increases as well as the chance to boost the current occupancy rate of 95% in both the 2016/17 and 2017/18 seasons. **The total for Serie A match-ticket and season-ticket revenues would thus amount to EUR 48-52 million for 2018/19.**

In addition to match-day revenues for Serie A games, **Juventus FC could also enjoy higher receipts for hosting UEFA Champions League matches.** For the purposes of this prognosis, we set up four different scenarios and differing ranges of revenues, according to Juventus FC performance:

- In a worse-case scenario, being eliminated either in the group stage or in the round of 16, the Bianconeri would earn EUR 5-8 million;
- If Juventus FC perform as in 2017/18, reaching the quarter-finals, they will likely earn EUR 8-11 million;
- In the first, better-case scenario of entering the UEFA Champions League semifinals, Juventus would earn EUR 11-13 million;

⁴ According to the latest available financial statements (2016/17), these clubs are: Manchester United FC, Real Madrid CF, FC Barcelona, FC Bayern München, Manchester City FC, Arsenal FC, Paris Saint-Germain FC, Chelsea FC, and Liverpool FC.

- In the second better-case scenario of reaching the UEFA Champions League final in 2018/19, Juventus FC could earn EUR 13-15 million (compared to EUR 12 million in 2016/17, when they reached their last final in Cardiff).

Depending on their on-field play, especially in the UEFA Champions League, overall, total match-day revenues for 2018/19 might range EUR 55-70 million, representing an increase from the EUR 47 million of the 2016/17 season, and from the estimated EUR 45-50 million for the 2017/18 season.

Broadcasting revenues

Broadcasting revenue receipts will be affected domestically by the most recent deal with Sky and Perform, and internationally by the implementation of UEFA's new cycle, ending in 2021. In particular, in relation to national TV rights, **should Juventus FC win the title for the eighth consecutive year, they would likely earn EUR 105-115 million**. This might represent a slight decrease from the EUR 122.5 million of the 2016/17 season, due to the new distribution system that will kick off in the upcoming season.

In terms of UEFA TV rights, total revenues will be affected by revised methods of distribution and Juventus FC's performance throughout the competition, together with the one of other Italian clubs. Again, we have based our estimations on four different scenarios:

- In the worse-case scenario of being **eliminated in the group stage or in the round of 16**, total

revenues might reach **EUR 65-75 million or EUR 85-95 million**, respectively;

- If they record the same performance as for 2017/18 (**elimination in the quarter finals**), Juventus FC would get **EUR 95-105 million**, approximately EUR 20-30 million more than for the 2017/18 season;
- In the first better-case scenario of reaching the UEFA Champions League **semifinals**, Juventus FC would get **EUR 105-115 million**, or EUR 25-35 million more than the earnings for the 2017/18 season;
- In the second better-case scenario of reaching the **UEFA Champions League final**, the club would earn **EUR 120-130 million**, an additional EUR 40-50 million in comparison to the revenues for 2017/18, or EUR 10-20 million in comparison to 2016/17, the year of the final in Cardiff.

In addition to such considerations, in the very best-case scenario of winning the UEFA Champions League in the 2018/19 season, broadcasting revenues will further increase by EUR 8 million: EUR 4 million for winning the competition, and additional EUR 4 million (in 2019/20) for qualifying for the UEFA Super Cup. All in all, **Juventus FC might receive total revenues from broadcasting distributions at national and international levels, ranging from around EUR 170 million to EUR 255 million** (EUR 233 million in 2016/17 and an estimated EUR 190-200 million for the 2017/18 season).



Credits: Juventus FC/LaPresse



Credits: Leonardo S.

Commercial revenues

As several media organizations have also reported, **we do believe the real growth opportunity for Juventus FC is in the commercial space**, although hard to achieve in the first season. Indeed, while matchday revenues are limited by stadium capacity (and ticket pricing limits), and media income is generated through agreements set at league/international levels, the Bianconeri need to strongly capitalize on the acquisition of Ronaldo, especially in merchandising and sponsoring. **The club still lag behind the main European superpowers in this area.** In 2016/17 Manchester United FC, Barcelona FC, Real Madrid CF and FC Bayern München recorded EUR 320 million, EUR 288 million,

EUR 280 million and EUR 344 million, respectively, more than twice as much Juventus FC's figure of EUR 120 million.

Such a gap is even clearer when comparing the jersey value figure for the 2017/18 season. In particular, Juventus FC get EUR 17 million/season from their main shirt sponsor, Jeep, and EUR 23 million/season from kit supplier Adidas, making for a total of approximately EUR 40 million. On the other hand, Manchester United FC, Barcelona FC and Real Madrid report a total jersey value of EUR 156 million, EUR 140 million and EUR 95 million, respectively.

Value of main and kit sponsors in 2017/18



Source: Club communications and media articles as reported in KPMG Football Benchmark

Leveraging on the unique communication and business opportunities offered by the Cristiano Ronaldo transfer, Juventus FC shall aim to at least partially fill this relevant gap in terms of commercial revenues over the next two to three seasons. **Within three football seasons, we do believe it is realistic for Juventus FC to add an additional EUR 75-100 million**, complementing the EUR 120 million reported in their latest accounts as at 30 June 2017. This would mean reaching approximately 2/3 of the average commercial revenues of the aforementioned clubs in the same year. **A possible way for Juventus FC to do so is to increase the international portfolio of their sponsors, targeting those countries where their brand is currently less popular.** Indeed, more than 40% of Juventus FC's sponsors are Italy based, with relatively few regional

partners in Asia, North America and Africa. On the other hand, clubs like Manchester United FC, Real Madrid CF and FC Barcelona have only between 15% and 25% local sponsors.

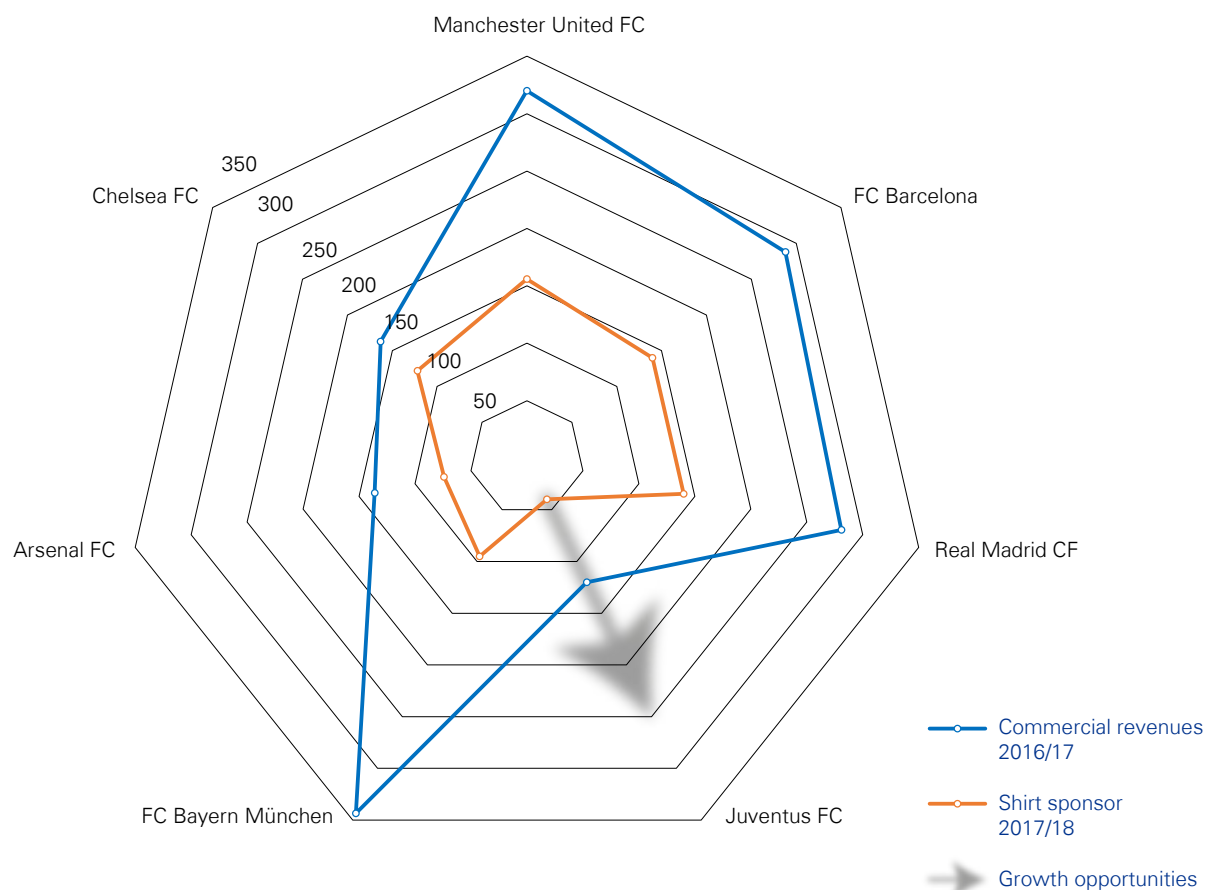
Our estimates are supported by the arguments which follow. In the 2015/16 season, Juventus FC switched their technical sponsor from Nike to Adidas for EUR 139.5 million for six seasons. This makes for an average annual value of EUR 23.25 million, representing an increase of 88% compared to their earlier agreement with Nike. In the new agreement, the club decided to manage merchandising and licensing activities on their own, giving up on the fixed basis of EUR 6 million originally agreed upon with the kit supplier. Such strategy has already paid some dividends, as in the

2016/17 season the club recorded EUR 19.2 million from this source. Obviously, **the arrival of Cristiano Ronaldo represents a clear opportunity to increase merchandising, especially considering the sale of his jersey, as well as that of other players, considering the likely boost to international popularity for Juventus FC.** Indeed, media outlets have reported how, in the first days after the official announcement, stores have been invaded by fans willing to buy a Ronaldo jersey, while the club's website has been assaulted by supporters eager to place their bookings from across the globe. In this regard, taking into account different distribution channels, related selling price and achieved margins, as well as Juve's global fan base (reportedly estimated to be around 20 million), **the net total incremental revenues from jersey sales of all players and other merchandising items could total EUR 12-20 million for the 2019/20 season.**

While the figures above highlight the great potential for Juventus FC to leverage from Cristiano Ronaldo's presence (as well as from other players') from a merchandising perspective, it is important to consider that estimations are more challenging on the sponsorship side. Taking into account, for example, the existing kit sponsor, the due date of such a contract expiring at the

end of the 2020/21 season might limit the Juventus FC's maneuvers in striking a better deal in the immediate short term. The relationship with jersey sponsor Jeep, which is part of Fiat Chrysler (FCA), might provide an easier opportunity to grow achieved revenues or to replace them with a different sponsor. Indeed, **there is no doubt that the signing of CR7 provides the club with a new, greater bargaining position with their main sponsors.** In addition to that, **the global appetite for Ronaldo throughout the world provides the Bianconeri with the opportunity to sign new lucrative licensing agreements, combined with the identification of new global sponsors.** In particular, a new source of commercial revenues might be found in those countries where Juve have not yet established a strong brand presence, but where Cristiano Ronaldo has major visibility. This aspect is addressed in the next chapter.

Commercial revenues (2016/17) and jersey value (2017/18) of selected clubs (EUR million)



Source: KPMG Football Benchmark

Summary of Juventus Fc's Revenue Estimations

Infuencing factors of revenue performance

Matchday



18/19
EUR
55-70 million

Broadcasting



18/19
EUR
170-255 million

Commercial



within 2/3 years
EUR
195-220 million

Sporting performance



✓✓

✓✓✓

✓✓✓

Management capability



✓

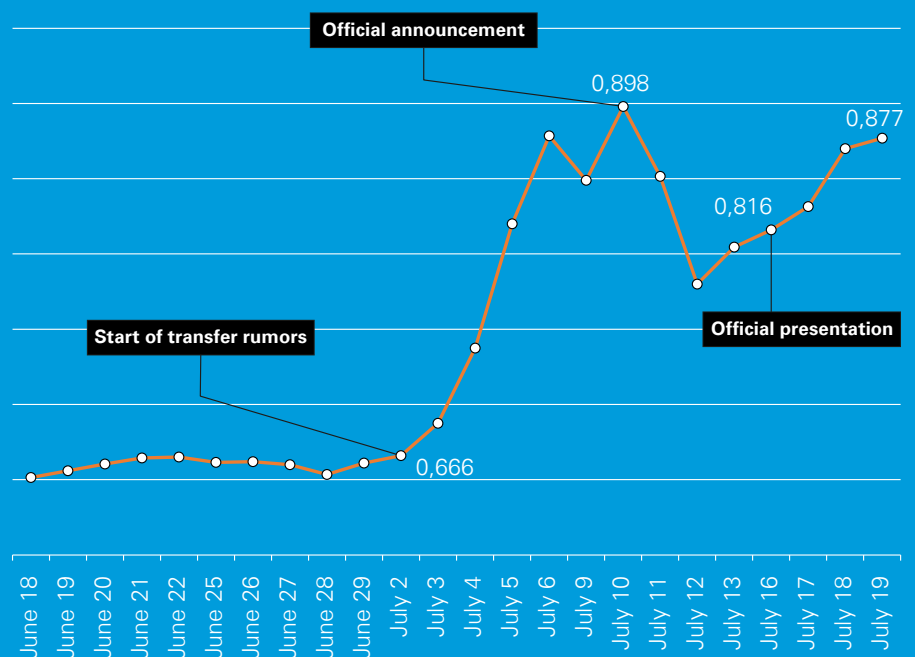
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Source: KPMG Football Benchmark estimations

Juventus FC's share price trend

As shown in the chart, emerging rumors on 2 July regarding the possible transfer of Cristiano Ronaldo to Juventus FC significantly affected the club's share price, leading to a steep increase in market capitalization, from EUR 650-700 million to about EUR 900 million, within a week. During the period examined, from 2 July (the start of transfer rumors) to 19 July, the price of Juventus FC stock increased by approximately 32%.



Highest value 365 days	0,898	10 July 2018
Lowest value 365 days	0,544	20 July 2017

Source: Italian Stock Exchange

Social media and branding implications

In addition to the direct economic impact we have attempted to estimate, **Cristiano Ronaldo will unquestionably exert a huge effect upon Juventus FC's brand and social media exposure.** Social media's omnipresence in today's world has not only changed the way people interact, but also opened up new opportunities for businesses in targeting customers, and in a football context this means fans. Clubs no longer regard social media channels as just communication tools to push out messages, they also realize their underlying commercial value, allowing them to reach new audiences on an unprecedented scale. Increasingly, clubs are activating their audiences, as fans can be converted into customers.

Although overall income from digital activities is still negligible, **monetizing the inherent value in social media is crucial for clubs in order to stay competitive and to enhance their profitability.** Club channels also provide a unique setting for partners and sponsors to activate their brands and, ultimately, increase their sponsorship value or return on investment. This is the area in which Juventus FC will have to make a major effort to fully leverage Ronaldo's investment. **Management commitment, creativity, innovation and, potentially, new skills not necessarily currently available at Juventus FC, will also be required to exploit revenue growth opportunities.**

The Portuguese superstar represents a company in and of himself that, thanks to massive media reach, is known throughout the world, also due to his numbers on the main social media platforms: namely Facebook, Instagram and Twitter (comprising 332 million followers in total). Follower numbers for an athlete like LeBron James, or for a pop star like Justin Bieber (102 million and 285 million, respectively) pale in comparison. Ronaldo's social media superiority is also evident when benchmarked against his main football rivals, such as Neymar and Messi, who score significantly lower numbers. Such massive visibility does not go unnoticed for his sponsors, which are willing to remunerate him between EUR 350,000 and EUR 500,000 per Instagram post, ranking him as the most profitable athlete worldwide in such terms, yet another record for CR7.



Credits: Leonardo S.

Geographical distribution of Facebook followers: Ronaldo, Real Madrid CF and Juventus FC (in million)



Source: KPMG Football Benchmark

Note: Date retrieved on 29 January 2018

He has about six times as many followers as the *Old Lady* (at 55 million) and approximately 100 million more than Real Madrid CF, the most popular and successful club in football history. Before even stepping on the pitch with a black and white jersey, the acquisition of Ronaldo resulted in high visibility for Juve, with social media numbers already headed upward.

What matters is not only the absolute number of followers, but also their geographical distribution in order to understand in which markets Juventus FC can expand their presence. In particular, **Ronaldo's social media exposure within Asia, South and Central America, and the US would help the club to create a more global brand which, in turn, would eventually result in higher revenues.**

As shown in the chart, there are clear contrasts in the geographical distribution of Facebook followers for Juventus FC, Real Madrid CF and Cristiano Ronaldo. The chart also highlights growth opportunities for his new club.

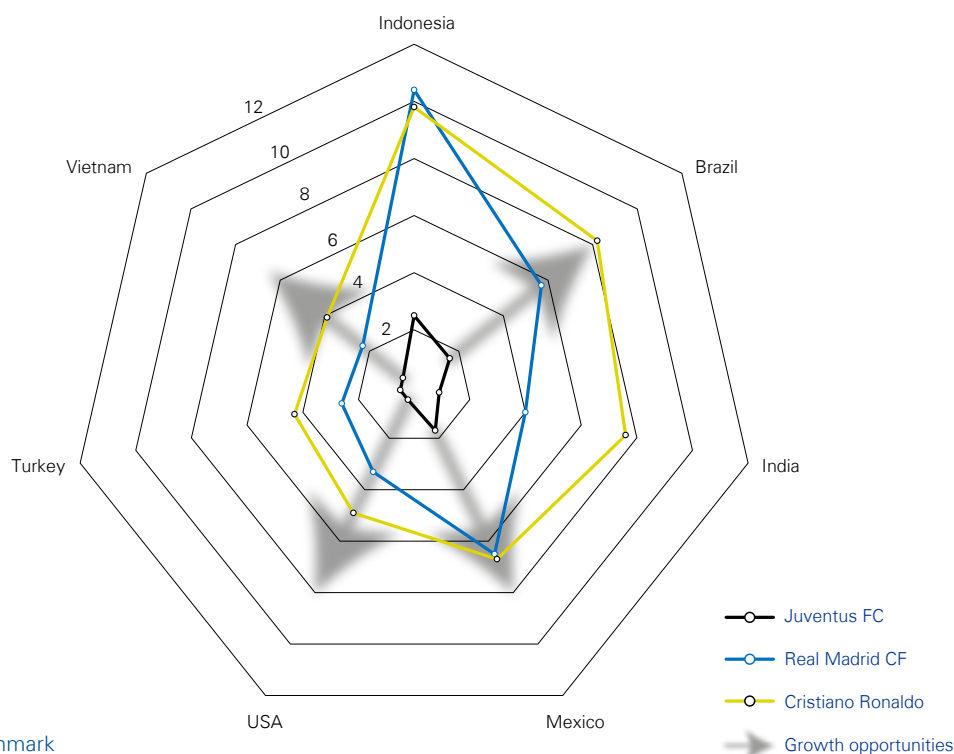
Specifically, **countries like Brazil, India and the US** (representing highly-populated, high growth potential countries) **are interesting markets for Juventus FC to**

target in order to boost their brand exposure and, directly or indirectly, depending on future agreements between the parties, that of FCA.

Juventus FC lag behind Cristiano Ronaldo and Real Madrid CF also in most of the European countries compiled in the graph. These represent the largest and wealthiest economies in the old continent. Indeed, the Bianconeri rank first only in Italy with about 3 million followers (which account for about 10% of Juventus' total Facebook fan base, highlighting their strong domestic recognition). In Turkey, the most populous among the European countries considered here, the Bianconeri register around 500,000 Facebook followers, showing a considerable gap against the 2.6 million of Los Blancos and the 4.3 million of the Portuguese superstar.

Across the Asian countries listed in the graph (Indonesia, India, Malaysia, Pakistan and Vietnam), Juventus FC still have great room for improvement in leveraging on the image of Cristiano Ronaldo; indeed, their total Facebook followers are less than 5 million in those markets, while overall in Asia CR7 enjoys more than 25 million subscribers, showing once more how popular he is there.

Geographical distribution for Cristiano Ronaldo, Real Madrid CF, Juventus FC in selected countries (million)

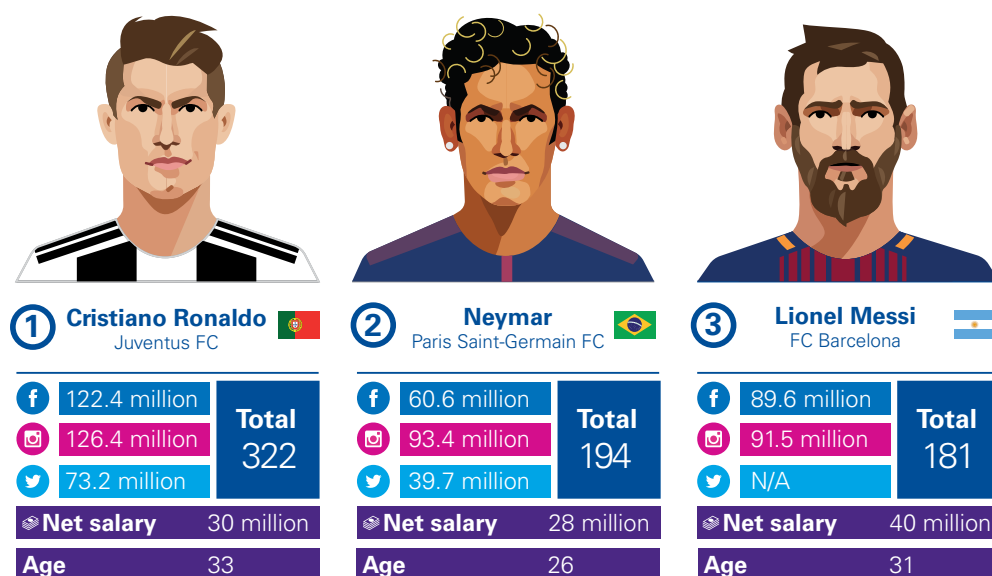


Source: KPMG Football Benchmark

Within that context, **Juve have also to capitalize on the opportunity to become the second or third favorite choice for football fans.** Indeed, if a star player like Ronaldo moves to a new team, he also brings his sizable follower base with him, as, to a certain extent, **fans tend to link more with individuals than clubs these days.** The best example in this context is Paris Saint-Germain FC, who were able to increase their online followership by 30% since acquiring Neymar⁵. Winning over a crowd following Ronaldo's new club would not only increase that club's digital footprint,

but could ultimately result in a commercial boost. **The most recent figures for Juventus FC official accounts on Facebook, Instagram and Twitter show a "Cristiano Ronaldo effect" of sorts.** Specifically, from 5 July to 17 July, Juventus' Twitter and Instagram followers increased by about 15% and 25%, respectively, marking an increase from around 7 million to more than 8 million in terms of total Twitter followers (considering the main Italian page and the English page), and an increase from 10.1 million to 12.5 million followers for their Instagram account.

Overview of Ronaldo, Neymar and Messi



Note: salary and age as of July 2018. Social media data retrieved as of 17 July 2018.

Source: KPMG Football Benchmark; Media articles

⁵ Data retrieved between 1 August 2017 and 17 July 2018.

Extra time

In addition to the economic, branding and social media impacts highlighted in previous sections, the transfer of Cristiano Ronaldo might bring some spillover effects to stakeholders other than Juventus FC.

As far as Serie A are concerned, the two main implications regard a new title sponsor and possible bonus from the new broadcasters of Serie A, Sky and Perform, towards achieving a certain number of subscribers.

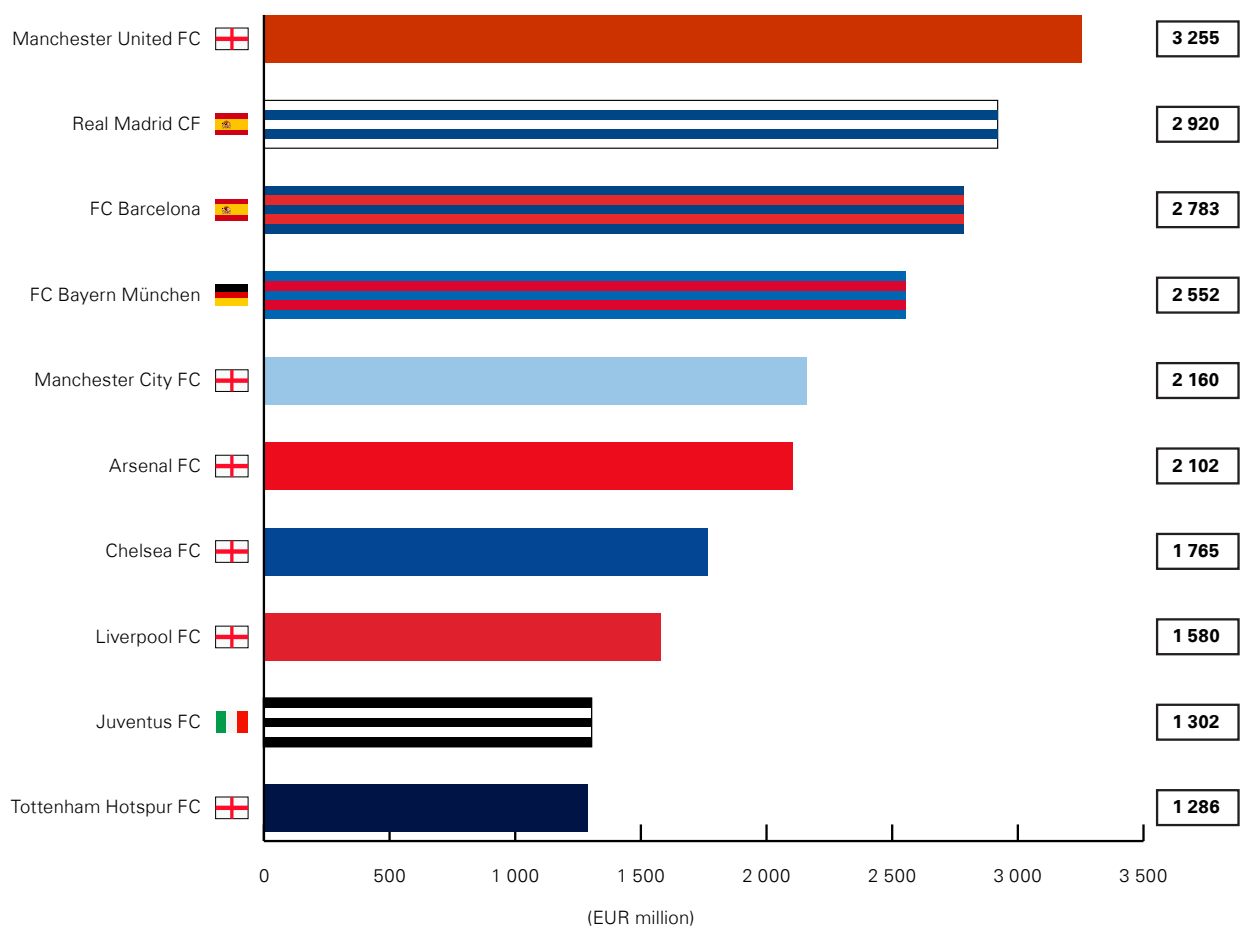
Serie A's deal with title sponsor TIM has expired at the end of the 2017/18 season. As a result, **Lega Serie A are currently looking for a new title sponsor. The opportunity to leverage on the presence of Cristiano**

Ronaldo might allow the league to strike a more favorable deal.

In addition to the new title sponsor, Serie A might also enjoy a bonus fee of approximately EUR 150 million from new broadcasters Sky and Perform. Indeed, according to a particular clause, if the two companies achieve specific figures regarding both revenues and total subscribers, they will have to pay out such fee to the Lega Serie A. All other clubs, as well as Juventus FC, would then reap some benefits.

Most importantly, **the move of Ronaldo to the Italian league is certainly uplifting for the image of Serie A and Italian football in general**, whose product

Top 10 clubs by EV as at 1 January 2018 (EUR million)



Source: KPMG's "Football Clubs' Valuation: The European Elite 2018". Click [here](#) to download the report.

has to a certain extent lost its appeal in recent years, especially against the English Premier League and Spanish LaLiga.

Not only the Italian league and Juventus FC, but also Cristiano Ronaldo himself might enjoy significant advantages following his move to Italy. Indeed, he may be able to benefit from a substantial tax advantage as, according to the new tax regime introduced by the 2017 Budget Law (Law n.232 – 11 December, 2016), **individuals moving their fiscal residence to Italy, once accepted by the Tax Authority, may benefit of a forfeit tax of EUR 100,000 for each tax year on income generated from foreign sources.** The specific requirements to be eligible for this exception (which may last for up to fifteen years and might also be extended to family members, through the payment of EUR 25,000 for each member) are not to be currently resident in Italy, or not to have been resident in Italy for nine of the past ten years. However, it is important to stress the fact that Cristiano Ronaldo will not enjoy such tax regime for what concerns his income relating to sporting activities with Juventus FC, due to the fact that those activities are Italy based.

This major tax benefit might have been a key factor for Cristiano Ronaldo's decision to join Juventus FC, considering the high amount of revenues he generates from foreign sources.

The various positive aspects highlighted in this report are only one side of the coin. The other side, which is to be taken into account to provide a full-blown analysis, regards the **risks that Juventus FC will incur by pursuing such a burdensome investment.** Indeed, the club will bear inevitable costs in relation to

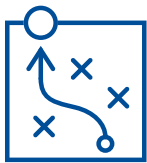
the signing of Cristiano which will not depend on future circumstances, as revenues do. In fact, as explained in the previous sections of this report, the figures provided are estimations and forecasts of **revenues which will highly depend on the management capabilities of Juventus FC and on the on-field performance of the team.**

Surely, the acquisition of Ronaldo will place Juventus FC among the favorite to win all the competitions in which they will play. However, by its nature, on-pitch performance is unpredictable, depending on factors which cannot be accounted for in advance, such as luck, injuries and physical conditioning over the course of the season. It remains to be seen how these and other factors, such as chemistry in the dressing room, or Ronaldo's physical form considering his age, will unfold in order to see whether the club will be able to continue their domestic winning streak, and to eventually win again a Champions League after more than 20 years. However, winning a competition like the Champions League not only drives revenues up but also costs, due to the increase in total staff costs caused mainly by bonuses paid out to players, as demonstrated by the recent increase recorded by FC Barcelona in 2014/15 (+35% year on year) and Real Madrid CF in 2016/17 (+32% year on year).

In conclusion, **our analysis contends that the investment in CR7 might provide Juve with sporting, media, branding and economic benefits that might well outpace the related costs,** allowing the club to increase their revenues, profitability and, ultimately, enterprise value over the next few years, when major football clubs are expected to become true entertainment and media corporations.

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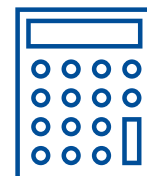
**Governance and
Organization
Development**



**Event Planning and
Socio-economic Impact**



**Sport Digital
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