



From Madrid to Turin: Ronaldo Economics

- Portuguese super star Cristiano Ronaldo moved on 10 July from UEFA Champions League winners Real Madrid CF to Juventus FC for EUR 117 million. The annual financial impact that such transfer acquisition will have on Juventus FC's accounts is estimated to be EUR 85 million, or EUR 340 million over the 4-year contract period;
- In order to support such investment, Juventus FC need to increase their operating revenues over the next 2-3 seasons;
- Ronaldo can be an accelerator of the visible growth that Juventus FC have already experienced throughout the years of Andrea Agnelli's presidency;
- Expectations are that brand and social media exposure of Juventus FC will rapidly grow worldwide. Monetizing on digital activities will be crucial in order for them to meet revenues growth expectations;
- Implications for Serie A and Cristiano Ronaldo himself are relevant aspects to consider in order to provide a complete analysis of this transfer.

Following Cristiano Ronaldo's transfer from Real Madrid CF to Juventus FC, the Football Benchmark team of KPMG's Sports Advisory Practice is releasing "*From Madrid to Turin: Ronaldo Economics*", a report providing an indicative evaluation of the overall impact of Cristiano Ronaldo over Juventus FC, in terms of costs, revenues, and broader benefits, such as international brand recognition, which CR7 might generate for the Turin club.

Andrea Sartori, KPMG's Global Head of Sports and the report's author, commented:

"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 currently available at Juventus FC, will also be required to meet revenue growth expectations. These efforts will obviously be facilitated by further success on the pitch and eventually by the win of the UEFA Champions League".

Sartori continued:

"The positive aspects highlighted in the 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 the inevitable costs in relation to the signing of Cristiano which will not depend on future circumstances, as revenues do. In fact, the revenue figures are estimations and forecasts which will highly depend on the management capabilities of Juventus FC and on the on-field performance of the team".

It is unquestionable that securing Ronaldo's performance increases the chances of sporting success, which, in today's football, potentially means higher revenues generated through media, sponsorship and fan engagement. Ronaldo is an accelerator opportunity for an already fast-growing club. 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.

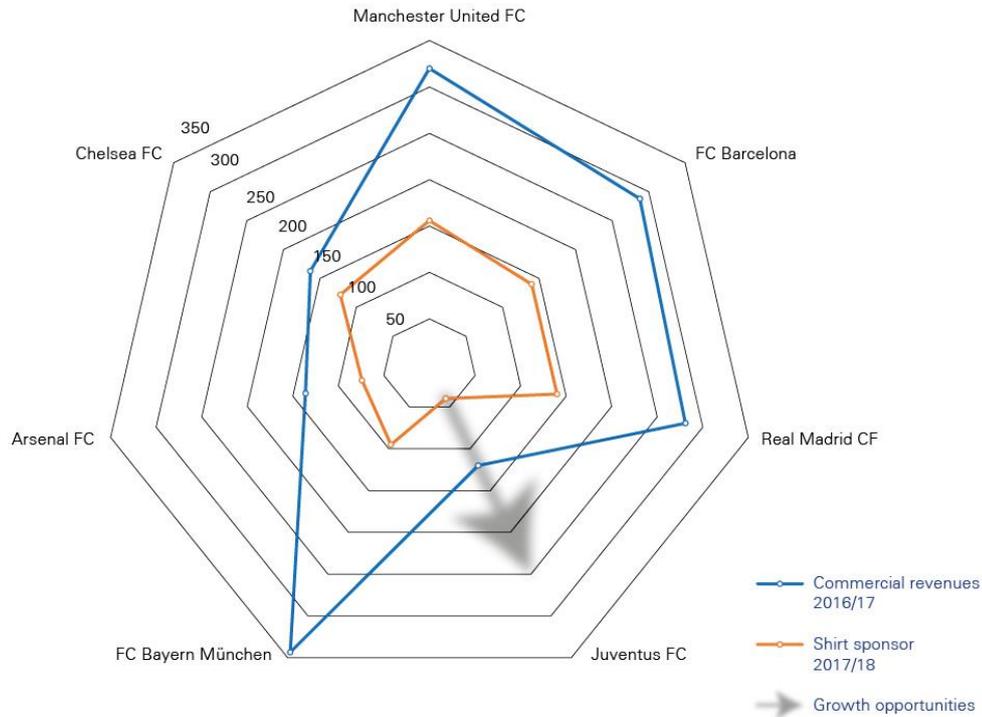
The annual financial impact that the acquisition of Cristiano Ronaldo will have on Juventus FC's accounts is around EUR 85 million, given a net salary of EUR 30 million (gross EUR 55-56 million) and an annual amortization of EUR 29.25 million, or EUR 340 million over the 4-year contract period.

Besides financing this acquisition through player trading activities, in order to justify the investment, 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 other European top clubs. However, it is unlikely that they will see a major positive impact from the CR7 acquisition in the 2018/19 financial year.

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. In addition to that, KPMG's estimations forecast that Juventus FC

might receive total revenues from broadcasting distributions at national and international levels, ranging from around EUR 170 million to EUR 255 million. However, 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. Leveraging on the unique communication and business opportunities offered by the Cristiano Ronaldo transfer, Juventus FC shall aim to at least partially fill the relevant gap with European top clubs in terms of commercial revenues over the next two to three seasons. Within three football seasons, 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.

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



Source: KPMG Football Benchmark

In addition to the direct economic impact, Cristiano Ronaldo will unquestionably exert a huge effect upon Juventus FC's brand and social media exposure in those countries where Juventus FC have not yet established a strong brand presence, but where Cristiano Ronaldo has major visibility (e.g. countries such as India, Brazil and the US). Particularly, Ronaldo's social media exposure within Asia, South and Central America, and the US would help Juventus to create a more global brand which, in turn, would eventually result in higher revenues. Within this context, Juve have indeed to capitalize on the opportunity to become the second or third favorite choice for football fans. 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 rather than clubs these days.

Ultimately, this transfer might bring some spillover effects and benefits to stakeholders other than Juventus FC, such as Serie A (whose product has to a certain extent lost its appeal in recent years) and Cristiano Ronaldo himself.

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 various factors which cannot be accounted for in advance.

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