



China wins the M&A Cup

Soccer champions with a
€2.1 billion score



Premier League Table 2014-2016

Top 20 countries

Position	Nation	Deal value (€m)
1	China	2149.9
2	US	313.0
3	Singapore	256.4
4	Iran	253.7
5	UK	182.3
6	France	104.0
7	Switzerland	89.2
8	Belgium	70.8
9	Thailand	68.3
10	Mexico	53.0
11	Italy	50.7
12	Qatar	25.0
13	Angola	18.6
14	Germany	14.8
15	Malta	10.0
16	Spain	8.8
17	South Korea	8.7
18	Portugal	5.7
19	Netherlands	5.1
20	Malaysia	5.0

source: ThinkingLinking SoccerBase

China red – rest of the world blue

China wins the M&A Cup

We have analysed 201 global soccer investments between 2014-2016 to find out what has been going on and why.

The total disclosed value of the 201 deals was €4,087 million. The main finding is that China has won the M&A Cup!

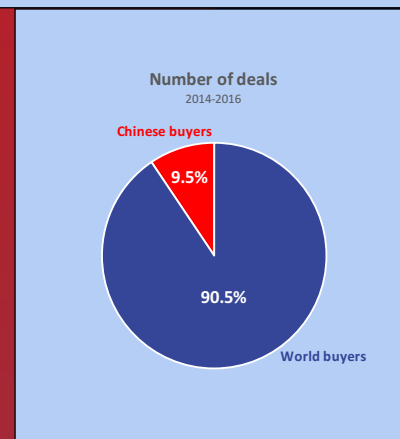
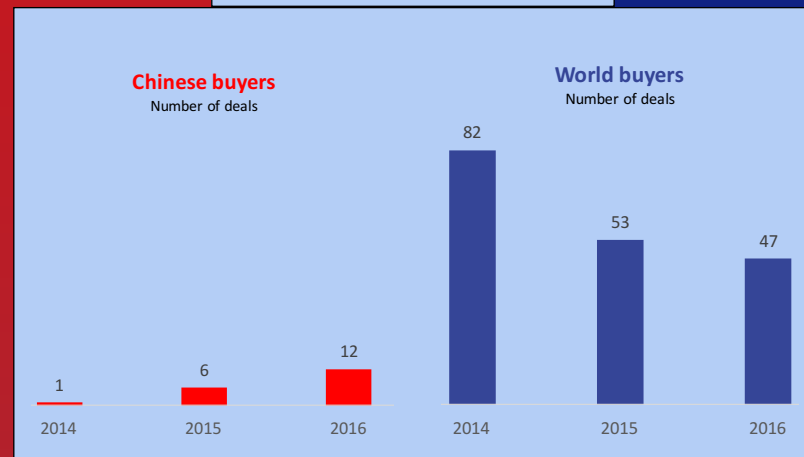
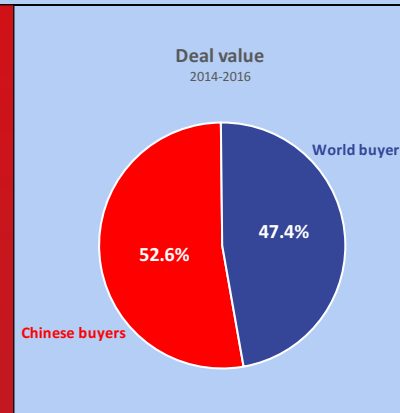
- China topped the table with €2,150 million of investments over the three years.

- This is seven-fold lead over the runner-up, USA, at €313 million.

- China scored more investments than all 40 other countries combined, which made a total of €1,937 million.

China's year-on-year investment rise has had its own driving forces back home. But it has also coincided with a decline in Western investment in the sector.

Chinese investment levels on disclosed value deals rose from zero in 2014 to €1,595 million in 2016.



Meanwhile, over the same period, the rest of the world's investment went from €974 million down to €591 million.

Western attention lapsed at precisely the time when Chinese ambition soared.

This vacuum coincided with this Chinese energy, letting China score time and again on more open pitch.

Since the end of 2016, Chinese appetite for soccer club investments has continued apace. AC Milan, a deal which kicked off in 2016, ended up in April 2017 agreeing to accept €740 million from Sino-Europe Sports. In May 2017, 75% of Reading was bought, and rumours of Chinese buyers were circulating around three

clubs at the time of going to press: Southampton, Parma and Crystal Palace.

The Annual League Tables

Value

Premier League Table 2016		
Position	Nation	Deal value (€m)
1	China	1594.4
2	Iran	253.7
3	US	123.9
4	France	77.3
5	Qatar	25.0
6	Malta	10.0
7	UK	9.7
8	Netherlands	4.9
9	Germany	4.0
10	Denmark	2.7
11	Luxembourg	2.5
12	Spain	1.2
13	Poland	0.1

Note: Only 13 countries in 2016 had disclosed deal values

Premier League Table 2015		
Position	Nation	Deal value (€m)
1	China	554.8
2	US	136.1
3	Thailand	35.2
4	Switzerland	28.0
5	UK	23.0
6	Mexico	16.7
7	Belgium	15.0
8	Germany	9.3
9	South Korea	7.3
10	Malaysia	5.0
11	France	2.6
12	Spain	2.0
13=	Netherlands	0.2
13=	Russia	0.2

Note: Only 14 countries in 2015 had disclosed deal values

Premier League Table 2014		
Position	Nation	Deal value (€m)
1	Singapore	256.4
2	UK	149.6
3	Switzerland	61.2
4	Belgium	55.8
5	US	53.0
6	Italy	50.7
7	Mexico	36.3
8	Thailand	33.1
9	France	24.1
10	Angola	18.6
11	Portugal	5.7
12	Spain	5.6
13	Oman	3.0
14	Bermuda	2.0
15	Japan	1.8
16	Denmark	1.7
17	Germany	1.5
18	Poland	1.5
19	South Korea	1.4
20	Ghana	0.1

Note: The single Chinese deal in 2014 did not have a disclosed value

Deals

Premier League Table 2016		
Position	Nation	Number of deals
1	China	12
2	Italy	6
3	Spain	4
4=	Germany	3
4=	Poland	3
4=	UK	3
4=	US	3
8=	Belgium	2
8=	Denmark	2
8=	Russia	2
11=	Bulgaria	1
11=	Czech	1
11=	France	1
11=	India	1
11=	Iran	1
11=	Iraq	1
11=	Japan	1
11=	Luxembourg	1
11=	Malta	1
11=	Mexico	1

Premier League Table 2015		
Position	Nation	Number of deals
1	UK	7
2	China	6
3=	Germany	5
3=	Spain	5
5=	Belgium	3
5=	Russia	3
5=	US	3
8=	France	2
8=	Italy	2
8=	Netherlands	2
11=	Bulgaria	1
11=	Chile	1
11=	Malaysia	1
11=	Mexico	1
11=	Nigeria	1
11=	Qatar	1
11=	South Korea	1
11=	Switzerland	1
11=	Thailand	1
11=	Turkey	1

Premier League Table 2014		
Position	Nation	Number of deals
1	UK	17
2	Italy	9
3	US	5
4=	Poland	4
4=	Spain	4
6=	Belgium	3
6=	Germany	3
6=	Ghana	3
9=	Denmark	2
9=	France	2
9=	Mexico	2
9=	Singapore	2
9=	South Korea	2
14=	Angola	1
14=	Australia	1
14=	Bermuda	1
14=	Brazil	1
14=	China	1
14=	Hungary	1
14=	Japan	1

Never has one country risen so fast in the league, nor left the others so far behind.

In value terms, China wasn't even in the league table in 2014 because its single deal had no disclosed price. China then went from nowhere to 1st place in 2015 and held 1st place in 2016 spending three times as much.

Meanwhile, in deals count, China kicked off in bottom equal position in the league in 2014. it leapt to 2nd place in 2015 and to 1st place in 2016, with twice as many deals as the next country, Italy.

How they score

Leaving aside motivation and ambition, in mathematical terms the way Chinese investors were able to spend more than the rest of the world put together was by making much larger deals.



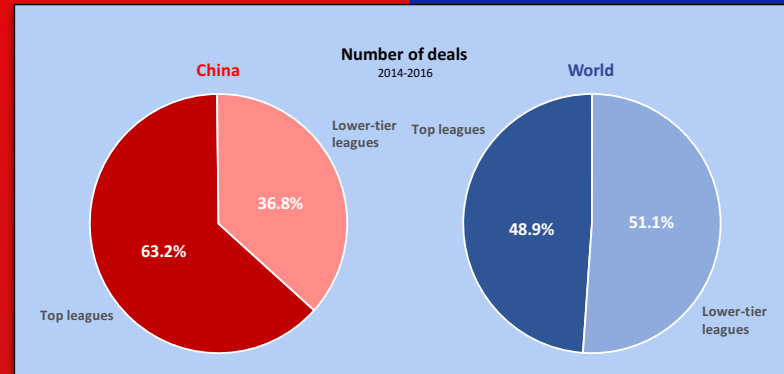
When the Chinese win, they score big. The average size of deals, at €126 million, was five times larger than the average for other countries.

Where they play

Level

A reason behind the larger ticket price per deal is that China targets top league clubs – 63% of the time versus 49% for investors from other countries.

The Chinese are well-known for always wanting to buy the best – they like the prestige of owning the premier league clubs.

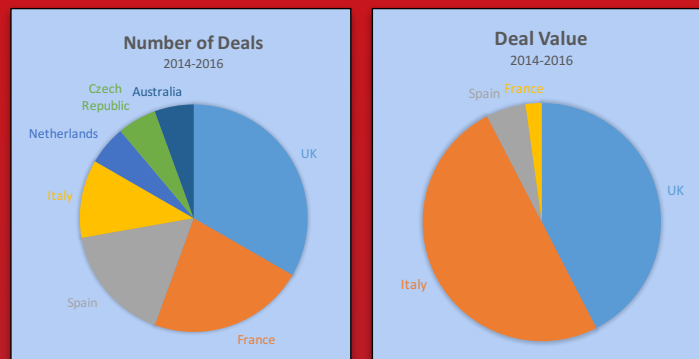


Plus these are the only clubs of interest to Chinese fans.

The investors in lower-tier leagues often fall into one of two categories: wanting to tick the box of owning a soccer team; or enjoying the thrill that their team might make it to the top league.

Away

More Chinese money was spent in Italy but more of the deals happened in the UK.

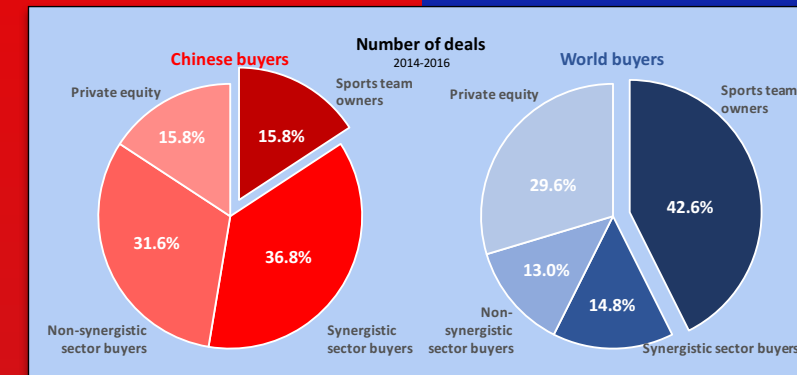


Who's on the team

In the feeding frenzy, China has even been competing against itself, driving up prices further in some cases.

The number of Chinese industries involved in buying clubs was broader than other countries. Western investors have typically been from businesses already involved in soccer or other sports team owners and private equity groups.

Outsider sectors (synergistic and non-synergistic



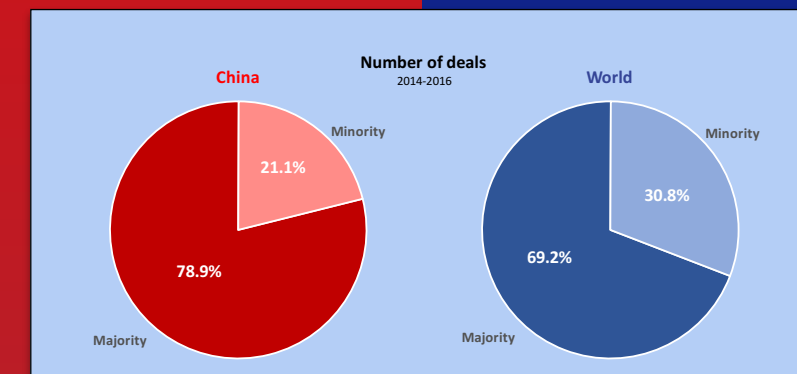
investors) made up 25% of Western investors. But for Chinese investors outsider sectors made up 65%.

Almost every industrial sector in China has been looking at soccer investments. Seemingly irrelevant sectors have shown no restraint, without deference to industrial logic or conventional wisdom. Investors from pharmaceuticals to toy manufacturing and LED lighting production have piled in.

How they play

Another reason for larger deals is that China prefers control. Buying more than 50% of a club not only costs more in actual terms but the control carries a premium as well.

Chinese investors insisted on control 80% of their deals versus 70% for other investors. Control is important to be able to bring back the knowhow to China.



What's the thinking behind the linking?

The increasing popularity of soccer in China is a valid commercial opportunity in its own right. Add to this the prestige of owning a Western soccer club and add to that the Chinese culture of prestige and status – and the case for making an investment in a Western soccer club increases further.

Then there is the X factor – which should not be underestimated in a country where the will or even the whim of

the leader ripples across the corporate sector touching every CEO.

President Xi is a soccer 'fanatic'. He made clear in 2011, before becoming president, his goal for China to qualify, host and win the World Cup. In April 2016 the National Development & Reform Commission announced China's plan to become a "world football superpower" by 2050. This 34-year plan – and the rise of soccer as a sport and a spectator sport among the people – has put it firmly on the national agenda.

This strategy at the top manifests itself in the strategies of individual companies in two ways. First, the companies build 'government guanxi' by investing in areas of patriotic priority.

Secondly, they need government permission to spend foreign exchange – and money for soccer has been readily available..

The 4 irresistible factors

✓ **The Knowhow Factor:** Gain foreign knowhow in soccer economics and team management for a fast-growing sector at home.

✓ **The Prestige Factor:** Many Chinese women are willing to pay for the self-esteem of owning a Louis Vuitton bag. Chinese companies are showing a similar attitude to owning Western soccer teams. It's partly status for status' sake, and of course partly the real commercial value of that status.

✓ **The Thrill Factor:** The traditional investment mantra that reward is good and risk is bad so you need weigh them against each other doesn't always seem to apply in Chinese soccer investments. A country famous for gambling – where risk-taking can be viewed less as imprudent than courageous – can break traditional investment dogma. For example, brother and sister Dai Yongge and Dai Xiu Li acquired 75% of Reading just 13 days before the play-off match where it had the chance to enter the premier league and a hundred million pounds of revenue as a result of that single game. It lost.

✓ **The X Factor:** Making President Xi happy. One man's hobby has become a national's duty. And being dutiful in China can be both satisfying and lucrative.

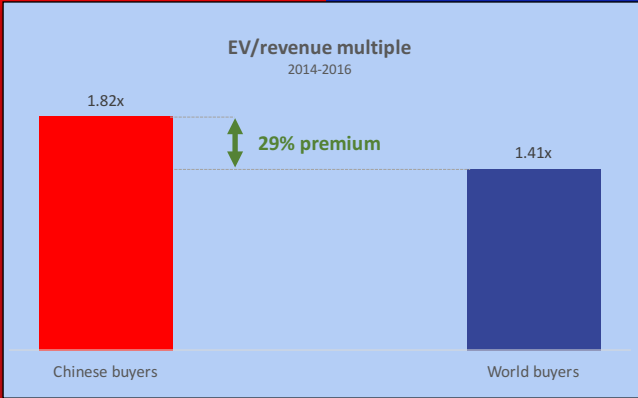
China pays more

We investigated the valuations to see if there’s evidence of the Chinese enthusiasm translating through to paying more than other for companies.

Looking at profit multiples is useless because so many soccer clubs don’t make money, so we compared revenue multiples paid by Chinese vs the rest of the world. The result is that China paid an

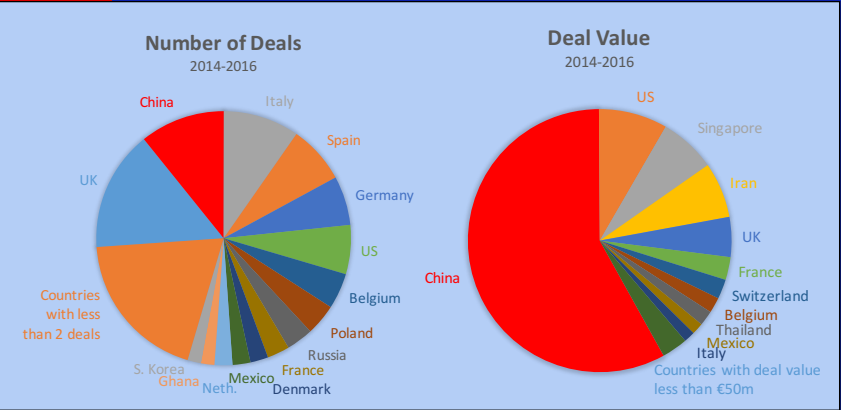
average of 1.8 x revenues compared to 1.4 x revenues for buyers from the rest of the world. The evidence is below.

A portion of the higher multiple may be that China targets more premier clubs and also because it favours controlling stakes. But the 28% premium looks juicy enough to suggest there’s a real trend.



The Players

201 deals from 41 countries over the last three years, into 35 countries and worth a total of €4,087 million.



Chinese multiples

Acquirer	Target	Multiple
Chien Lee	OGC Nice	0.72
China Media Capital	City Football Group	5.59
Fosun International	Wolverhampton Wanderers F.C.	1.46
IDG European Sports Investment Ltd	Olympique Lyonnais	3.13
LEDUS Club Ltd	FC Sochaux-Montbéliard	0.33
Ort Sports Ltd	AJ Auxerre	1.02
Recon Group	Aston Villa F.C.	0.63
Sino-Europe Sports Investment Management Changxing Co., Ltd	AC Milan	3.35
Suning Holdings Group Co., Ltd	Inter Milan	2.68
Wanda Group	Atlético Madrid	1.32
Wuhan Double Co., Ltd	Granada CF	1.22
Xinghui Auto Model Co., Ltd	RCD Espanyol	0.79
Yunyi Guokai (Shanghai) Sports Development Co., Ltd	West Brom	1.36
Average		1.82

World multiples

Acquirer	Target	Multiple
4Energy SA	Ruch Chorzów	0.23
Aleksander Kurczyk	Ruch Chorzów	0.56
AMG Silesia SP Zoo	Ruch Chorzów	0.36
Ascoli Picchio Football Club 1898 Spa	Ascoli Picchio F.C. 1898	0.06
Bidco 1874	Heart of Midlothian F.C.	0.43
Blackrock Investment Management (UK) Ltd	Borussia Dortmund	1.32
BNP Paribas Arbitrage Snc	Rangers F.C.	1.17
Crowd-funding Investors	Turun Palloseura	0.31
David Blitzter	Crystal Palace F.C.	2.71
Dean Holdsworth	Bolton Wanderers F.C.	0.32
Dejphon Chansiri	Sheffield Wednesday F.C.	2.07
Eleonora Sport Ltd	Leeds United F.C.	1.80
Eurofoot BV	Clube Desportivo Santa Clara	0.32
Farhad Moshiri	Everton F.C.	1.19
Finsbury Growth & Income Trust Plc	Celtic F.C.	0.97
Fluorsid Group Srl	Cagliari Calcio	0.96
Fruchthandels- Und Transport GmbH	Hamburger SV	4.21
Futebol Clube do Porto	FC Porto	0.27
Gianluca Paparesta	F.C. Bari 1908	0.32

Acquirer	Target	Multiple
Hannover 96 Sales & Service Gmbh & Co Kg	Hannover 96	0.27
Haute Savoie Football Developpement SAS	Evian Thonon Gaillard F.C.	0.14
Hojvangen Holding APS	AaB Footbold	0.63
Holdimo Participacoes SA	Sporting Clube de Portugal	1.27
le Strating	AFC Ajax	1.23
Im 1872 SA	Hertha BSC	11.21
Invesco Ltd	AFC Ajax	1.35
Jan Bech Andersen	Brøndby IF	1.15
Joe Tacopina	Bologna F.C. 1909	0.10
Klaus-Michael Kuhne	Hamburger SV	4.18
L Holding SASU	Lille LOSC	1.15
Lindsell Train Ltd	Juventus F.C.	3.81
Mash Holdings Ltd	Rangers F.C.	1.14
Miguel Ramirez	UD Las Palmas	0.16
Mike Ashley	Rangers F.C.	1.58
New Oasis Investments Ltd	Rangers F.C.	1.17
Pathways Group Ltd	FC Nordsjælland	1.36
Przedsiębiorstwo Produkcji Farmaceutycznej Hasco-lek SA	Śląsk Wrocław	0.22
River And Mercantile Asset Management LLP	Rangers F.C.	1.02
Roland Duchatelet	AD Alcorcón	0.85
Samrit Bunditkitsada	Rangers F.C.	1.00
Skyline International LLC	Elche CF	0.93
Solferino Sarl	RC Lens	0.66
Staprix NV	Charlton Athletic F.C.	1.51
Steve Kaplan	Swansea City A.F.C.	0.90
Stewart Donald	Oxford United F.C.	1.72
Tino Saques	CD Lugo	0.67
Undisclosed	Borussia Dortmund	1.87
Undisclosed	Fenerbahçe S.K.	5.18
Undisclosed	GKS Katowice	2.30
Undisclosed	Manchester United F.C.	4.75
Undisclosed	Manchester United F.C.	4.98
Undisclosed	Nottingham Forest F.C.	2.73
Undisclosed	Rangers F.C.	0.90
Undisclosed	Rangers F.C.	1.06
Undisclosed	Recreativo de Huelva	1.12
Undisclosed	Urbs Sportiva Reggina 1914	0.35
Utz Classen	RCD Mallorca	0.17
Vincent Tan	KV Kortrijk	0.45
Yves Bontaz	Evian Thonon Gaillard F.C.	0.14
Average		1.41

Note: Only the deals where deal value and target revenues were disclosed are included in this analysis.

The Players

201 deals from 41 countries over the last three years, into 35 countries and worth a total of €4,087 million.

Acquirer	Acquirer Nation	Target	Target Nation	Top League?	% acquired	Deal size (€m)	Sports team Owner	Synergetic Sector Buyer	Non-synergetic Sector Buyer	Private Equity	Private Individual
4Energy SA	Poland	Ruch Chorzów	Poland	✓	8%	0.1					
Agapito Iglesias	Spain	Real Zaragoza	Spain		90%	n.a.					
Agenzia per l'Italia	Italy	A.C. Pavia	Italy		100%	n.a.					
Alan Hardy	UK	Notts County F.C.	UK		100%	n.a.					
Aleksander Kurczyk	Poland	Ruch Chorzów	Poland	✓	4%	0.1					
Alessandro Bacci	Italy	A.S. Lucchese Libertas 1905	Italy		51%	n.a.					
Alexander Margaritoff	Germany	Hamburger SV	Germany	✓	1%	2.0					
Alfonso Garcia Lopez SA	Spain	Pontevedra CF	Spain		27%	0.4					
Alisher Usmanov	Russia	Arsenal F.C.	UK	✓	16%	0.2					
Alycidon Technologies Ltd	UK	Oxford United F.C.	UK		n.a.	n.a.					
American Investors	US	RCD Mallorca	Spain		95%	n.a.					
AMG Silesia SP Zoo	Poland	Ruch Chorzów	Poland	✓	38%	0.4					
Andy Holt	UK	Accrington Stanley F.C.	UK		75%	1.7					
Anton Stehlik	Czech	FK Baník Most	Czech		100%	n.a.					
Ascoli Picchio Football Club		Ascoli Picchio F.C.									
1898 Spa	Italy	1898	Italy		100%	0.9					
ASD SS Passo Corese 1936	Italy	SS Passo Corese	Italy		100%	n.a.					
ASD Valdarno Football Club	Italy	A.S.D. Giallo-Blu Figline	Italy		100%	n.a.					
Aspire Academy	Qatar	Cultural y Deportiva Leonesa	Spain		100%	n.a.					
Ayuntamiento de Huelva	Spain	Recreativo de Huelva	Spain		76%	n.a.					
Bidco 1874	UK	Heart of Midlothian F.C.	UK		80%	3.1					
Blackrock Investment Management (UK) Ltd	UK	Borussia Dortmund	Germany	✓	1%	3.5					
Blue & White Investment Vagyonkezelő Zrt	Hungary	MTK Budapest FC	Hungary	✓	100%	n.a.					
BNP Paribas Arbitrage Snc	France	Rangers F.C.	UK	✓	4%	24.1					
Bruno Venanzi	Belgium	Standard Liège	Belgium	✓	100%	n.a.					
Carmelo Anthony	Undisclosed	Puerto Rico Bayamón	Puerto Rico	✓	100%	n.a.					
Caseificio La Pagliara Srl	Italy	Casertana F.C.	Italy		45%	n.a.					
CEFC China Energy Co., Ltd	China	SK Slavia Prague	Czech	✓	100%	n.a.					
Cheil Worldwide Inc	South Korea	Suwon Samsung Bluewings	South Korea	✓	100%	1.4					
Chin Lee	China (HK)	OGC Nice	France	✓	80%	20					
China Media Capital	China	City Football Group	UK	✓	13%	378.4					
Christophe Maillol	France	Le Havre AC	France		n.a.	n.a.					
Club Union Deportiva Las	Spain	Real Ávila CF	Spain		65%	n.a.					
Costruzioni Geni Zoldan Srl	Italy	Mantova F.C.	Italy		75%	n.a.					

PARTIAL LIST



SPORTSLINKING TEAM

ThinkingLinking's SportsLinking division focuses on Chinese-European soccer and sports M&A. The principal activity currently is introducing Chinese investors to European club clients.

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Ayla Ji	Senior Linker, UK
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Yu Xiao	M&A Analyst

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- sale of minority/majority stakes
- buy side mandates
- emerging market-focused mandates
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- Counter-party Synergy Analysis (CSA)
- hosting of Joint Business Planning (JBP)

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ThinkingLinking is a cross-border M&A firm which applies predictive analytics to investors and acquirers. It specialises in emerging investors and emerging growth markets including China. Headquartered in London, it has offices in Beijing, Milan, New York and Paris.

The firm uses its M&A methodologies, predictive analytics and strategies to deliver more opportunity to buyers or more money to sellers. The predictive data and strategic thinking identify the partners with the strongest strategic fit & need, and probability & propensity to invest. We then focus on negotiating the best deal with the best of the partners. This thinking-first approach and coverage of the emerging investors and market opportunities gives clients an advantage in completing the optimal transaction for the benefit of their businesses and their shareholder value.

We thus bridge the gap between the right opportunity in one market and the right investor in another which otherwise either may not meet each other or fail to conclude a deal.

We operate under a strategy-before-finance slogan 'We think before we link'.