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Manchester Divided?



Manchester United, \$MANU:

- Current Price: \$21.50
- Target Price: \$33.29

This equates to 54.8% upside from the current price.

Current (Known) Bidders

Sir Jim Ratcliffe & INEOS

- Believed to only be bidding for the Glazer's shares.
- Rumored to be behind the Sheikh's bid.
- Sir Jim's personal net worth is estimated at \$14b USD.
- His bid would involve debt at the acquirer level, but not for Manchester United.

Sheikh Jassim/Qatar

- The Qatari Sovereign Wealth Fund has an estimated \$444b in Assets under Management.
- He is Chairman of the Qatari Islamic Bank (QIB), which had a 2021 Net Profit of ~\$900m USD and is one of the most valuable Middle Eastern companies.
- Qatar produces ~1.3m barrels of oil a day, which at \$80/bbl is \$104m USD in oil revenue **per day**, or \$38b per year.

Thomas Zilliacus

- Thomas is a Finnish business who currently lives in Singapore and is Founder & Chairman of *XXI Century Capital*.
- He's active on twitter about his bid, at the handle @TZilliacus.
- It is believed that his first bid was below Qatar & SJR's.
- He places a large emphasis on letting the fans have a voice, and them owning the club.

Elliott Management & Paul Singer

- Elliott is expected to be the main actor for a minority stake.
- Elliott could offer anything from a minority equity stake, senior debt, preferred shares, or anything else.
- However, Elliott would not invest just for the public attention, and they would require a serious financial return, with a cheap valuation.

Thesis

A scenario in which the Glazer family does not sell Manchester United, the stock would crater, and the Glazers stake would collapse with it. Because the bidding process has already gone so far for Sir Jim Ratcliffe (SJR) and Sheikh Jassim, if the Glazers were to cancel the selling process now it would be catastrophic for the stock's foreseeable future. The question remains that if they delayed the sale until 2026, who would bid then that is not bidding now? The Sheikh and SJR would not want to put up with it again, all this to say that there is serious downside for the Glazer family should they cancel the sale process. The Glazers own 69% of the company, which at the company's current price equals \$2.47b. If Manchester United is sold @ £6b Enterprise Value, the Glazer family would net \$4.5b. However, if the share price fell to \$7 with no deal, their stake would be worth only \$790m! All of this to say that there are very strong incentives for the Glazer family to agree to a sale, even if it's at £5.5b instead of £6b.

Furthermore, this is enhanced by the fact that there are at least 2 confirmed and serious bidders for the club. It's estimated that SJR & Sheikh Jassim have already placed bids above £5b EV. By combining the fact that there are willing bidders, and the fact that Glazers would be crushed if the deal is cancelled, leads to my conclusion that a sale is extremely likely.

Main Risks

1. Timeline (still) Unknown
 - a. With the transfer window opening in June, and the Premier League ending in May, it's safe to believe that if a deal were to happen, it would need to happen before those 2 deadlines. However, there could continue to be delays.
2. If no deal, grim for Manchester United's Stock
 - a. While it's simultaneously a reason why the Glazer family will make a deal happen, it means if one doesn't, the downside could be > -60%.
3. Only Glazer shares are bought
 - a. The Qatari delegation is the only to have confirmed their intention to buy all of the float, and it's still not clear if SJR would buy the non-Glazers shares. The bidder Zilliacus has confirmed he would initially only purchase the Glazer's shares.
4. Further unknowns
 - a. It's a volatile bidding process, with an American family owning a British sports jewel, being bid on by a Petrostate's beneficiary, a chemical conglomerate billionaire, and a Finnish financier living in Singapore... a lot could still happen for better or worse that nobody is forecasting.

Valuation

1. Current Metrics
 - a. Market Cap: \$3.54b (163.6m shares outstanding)
 - b. Enterprise Value: \$4.36b (\$820m/£666 net debt)
2. Estimated Probabilities
 - a. M&A Offer for \$MANU- 90%

- i. £5b Enterprise Value: \$32.58 (30%)
 - ii. £5.5b Enterprise Value: \$36.34 (25%)
 - iii. £5.7b Enterprise Value: \$37.85 (20%)
 - iv. £6.0b Enterprise Value: \$40.10 (15%)
 - b. No Deal- 5%
 - i. In this scenario, we believe that the stock would re-price in the \$6-8 per share range. We assigned a value of \$7 to this scenario.
 - c. Minority Stake- 5%
 - i. The mostly likely deal here would be something involving Elliott Management, the investment firm run by legendary investor Paul Singer.
 - ii. This could involve everything from further dilution for Manchester United, preferred stock, or anything else proposed by Elliott.
 - iii. For this scenario, I assumed a value of \$10, around where the stock traded pre-deal. This would be a negative for the thesis of selling, but still shows Glazers are open to deals.
3. Based on these estimated probabilities, we get a price target of \$33.29, which as a base case equates to a market cap of \$5.44, or a \$4.6b Enterprise Value.

Conclusion

Overall, I believe that this Manchester United bidding proceeds offers a unique opportunity for people who believe that the Glazers are sincere in their efforts to sell the club. If the stock were to close the 54.8% gap between my price target and the current share price before the end of May, it would be an incredibly compelling investment. However, the investment has many risks, and should any come to fruition, the stock may fall to compensate for them.