



Opportunity Overview

A Global Franchise

- Manchester United Plc. (NYSE: MANU) manages and operates a professional football club and related activities, sourcing revenue through three primary sectors – Commercial, Broadcasting, and Matchday. The company monetizes the value of its global brand and loyal community of fans through retail and merchandising, product licensing, and content creation.

Pre-COVID Financial Statistics (FY2019):

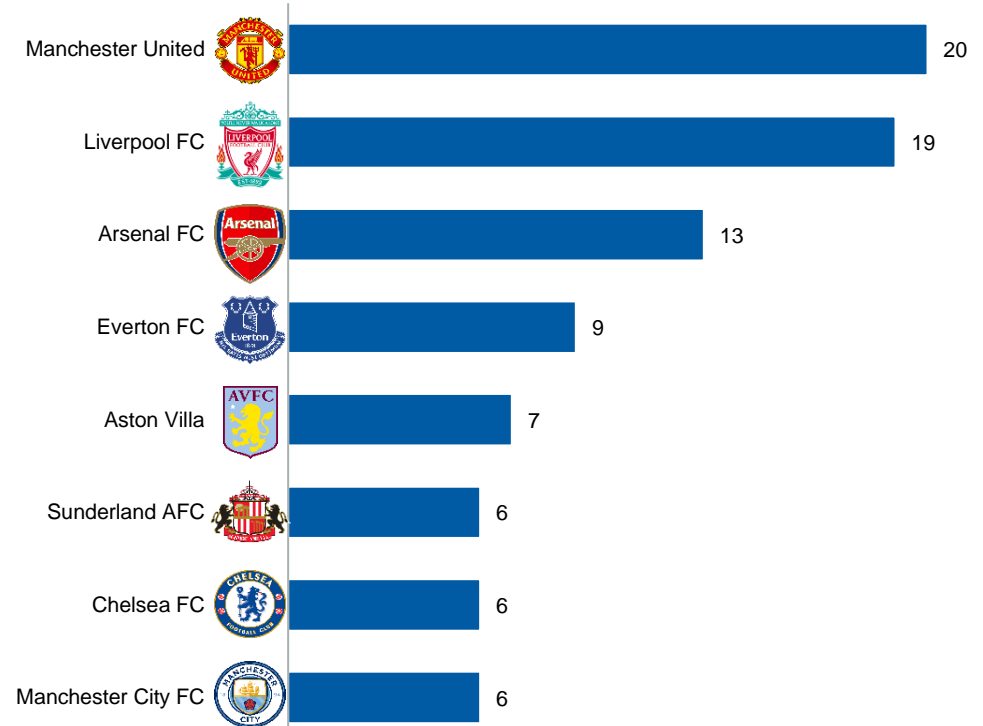
- Revenue: £627MM (6.3% YoY growth)
- EBITDA: £186MM (5.1% YoY growth)
- EBITDA Margin: 29.6%

Opportunity

- COVID-19 has left sports leagues across the world with substantial revenue shortfalls and working capital needs, opening the door to opportunistic investment firms like Arctos Sports Partners to fill the gap and make a significant value play vs. more expensive and less international American franchises
 - Private equity firms have not hesitated to take advantage of this trend, with a record \$911MM injected into the European sports market across 10 deals in 2019, the U.S. sports market not far behind at \$1.2Bn across 8 deals in 2019
- Widely regarded as the world's biggest brand in sports, Manchester United Plc. is extremely well-positioned for continued commercial success following global reopening from the COVID-19 pandemic, given key strategic investments the organization has made D2C digital distribution
- With the markets for television and digital media rights ballooning in recent years, this trend has been further accelerated pandemic while cash-strapped sports clubs are in need of liquidity, the investment case for the preeminent global sports brand among the English Premier league becomes very compelling"

A Legacy of Premier League Dominance

English Premier League Titles Won from 1889 to 2020



Source: KMPG Football Benchmark Research

Merits and Considerations

Merits

- ✓ **Investment in Digital:** Manchester United has invested actively in expanding its repertoire for D2C content creation and distribution on the most popular modern digital platforms.
 - In the 2016-2017 season, Manchester United developed and launched a direct-to-consumer subscription mobile application on iOS, Android, and MUTV.com, enabling fans to watch team matches live on mobile devices, free of any third party intermediary.
 - In July 2018, Manchester United launched MUTV applications on digital TV platforms AppleTV, Roku, Amazon Fire, and Xbox, where the club will continue to broaden and simplify access to the franchise's fan base.
- ✓ **Global Brand:** Manchester United is likely the most globally recognized brand in all sports and commands immense customer captivity across an international fan base.
- ✓ **Improved Football Club Profitability:** Recently regulated UEFA cost controls in the have brightened the outlook for football clubs to turn profits consistently, improving the profile for leveraged investment in soccer franchises worldwide.

Areas for further Diligence

- Updates on the U.K. government's approach to England's reopening from COVID-19 lockdowns will be crucial, considering the near £100MM-per-year business previously driven by the club's 23,500-capacity Old Trafford stadium
- There we will need to closely monitor UEFA signaling on the future of Financial Fair Play regulations, as there have been considerable discussion around the legislation's removal as clubs across Europe have been left scrapping for cash during the COVID-19 pandemic.
- Post-COVID projections for broadcasting revenue growth are contingent on consumer trends, which requires further market diligence to affirm

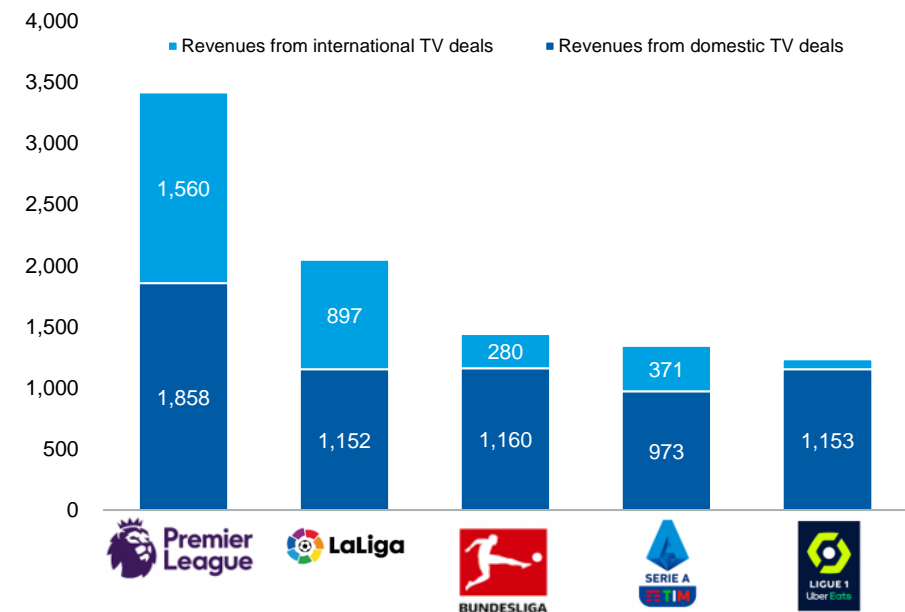
Source: Pitchbook, Statista, Manchester United

Considerations

- Considering **historically mixed profitability outcomes** and currently **unfavorable market conditions** related to the COVID-19 pandemic, expectations for consistent profitability throughout the investment horizon are uncertain.
- Vagaries of owning, operating, and exiting a football team, as well as likely **challenges in finding eligible and willing buyers** pose considerable obstacles to this opportunity's exit strategy, forecasted in our model to occur after a 5 year hold.
- Cost projections are difficult to project, considering **player trading and staff acquisition** costs that bode the potential to materially influence year-by-year profitability, making cost projections and thus returns more difficult to project than typical.

The Premier League Stands Alone in Global Broadcasting Revenues

2020-2021 Broadcasting revenues in the big 5 football leagues (€MM)



Source: Statista



Investment Recommendation

Proposed Transaction Overview

Recommendation Summary

- Under conservative assumptions – an investment hurdle rate of 20%, 7.0x leverage on LTM EBITDA, and an exit EV/Revenue multiple of 4.81x (equivalent to entry) – we recommend a 100% buyout of Manchester United Plc. with a 5-year time horizon

The Arctos Value-Add

- Through the implementation of front-footed commercial and digital strategy and profit reinvestment, we believe Arctos Sports Partners will successfully unwind the current narrative of American ownership in this football club to that of partners who build toward the club's long-term financial success
- Arctos Sports Partners has the industry expertise, technological focus, and will to elevate the franchise's opportunities for brand monetization and international commercial reach
- A strategic and financial focus on long-term growth under Arctos Sports Partners' ownership will increase the improve the likelihood for both multiple and margin expansion across the time horizon of the proposed investment

Returns Sensitivities

Assuming an IRR Hurdle Rate of 20%

IRR At Various Leverages and Exit Revenue Multiples

		Exit EV/Revenue Multiple				
	23.3%	3.81x	4.31x	4.81x	5.31x	5.81x
TLB / EBITDA Ratio	5.00x	15.1%	17.8%	20.3%	22.6%	24.8%
	6.00x	16.6%	19.4%	21.9%	24.3%	26.5%
	7.00x	17.9%	20.7%	23.3%	25.8%	28.0%
	8.00x	19.2%	22.2%	24.9%	27.4%	29.7%
	9.00x	20.8%	23.9%	26.7%	29.2%	31.6%

MOIC At Various Leverages and Exit Revenue Multiples

		Exit EV/Revenue Multiple				
TLB / EBITDA Ratio	2.85x	3.81x	4.31x	4.81x	5.31x	5.81x
	5.00x	2.02x	2.27x	2.52x	2.77x	3.02x
	6.00x	2.16x	2.43x	2.70x	2.96x	3.23x
	7.00x	2.27x	2.56x	2.85x	3.14x	3.43x
	8.00x	2.41x	2.73x	3.04x	3.35x	3.67x
	9.00x	2.57x	2.92x	3.26x	3.60x	3.95x



Investment Recommendation (cont'd)

Proposed Transaction Overview

Sources

Uses	£	%
Equity Purchase Price	£2,162	79.6%
Refinanced Net Debt	£485	17.9%
Minimum Cash	£15	0.6%
Financing Fees	£39	1.4%
Transaction Costs	£15	0.6%
Total Uses	£2,717	100.0%

Uses

Sources	Cost	Commit	Int. Rate	£	%	LTM Lev
Revolver	2.0%	£20	4.0%	£0	-	-
Term Loan	2.0%	n/a	4.0%	£969	35.7%	7.0x
Equity				£1,747	64.3%	
Total Sources				£2,717	100.0%	

Returns

	MOIC	IRR	Initial	2022E	2023E	2024E	2025E	2026E
Revolver	NM	NM	0.0	0.0	0.0	0.0	0.0	0.0
Term Loan B	1.14x	4.7%	(969.2)	217.9	231.7	240.7	249.7	165.1
Sponsor's Equity	2.85x	23.3%	(1,747.3)	0.0	0.0	0.0	0.0	4,987.3

Valuation

	Assumed Exit on June 30, 2026				
Exit EV/Revenue Multiple	3.8x	4.3x	4.8x	5.3x	5.8x
Final Year Revenue	1,014.1	1,014.1	1,014.1	1,014.1	1,014.1
Enterprise Value	3,862.4	4,369.4	4,876.5	5,383.5	5,890.6
Net Debt	(110.8)	(110.8)	(110.8)	(110.8)	(110.8)
Revolver	0.0	0.0	0.0	0.0	0.0
Term Loan B	0.0	0.0	0.0	0.0	0.0
Cash	(110.8)	(110.8)	(110.8)	(110.8)	(110.8)
Equity value	3,973.2	4,480.2	4,987.3	5,494.3	6,001.3

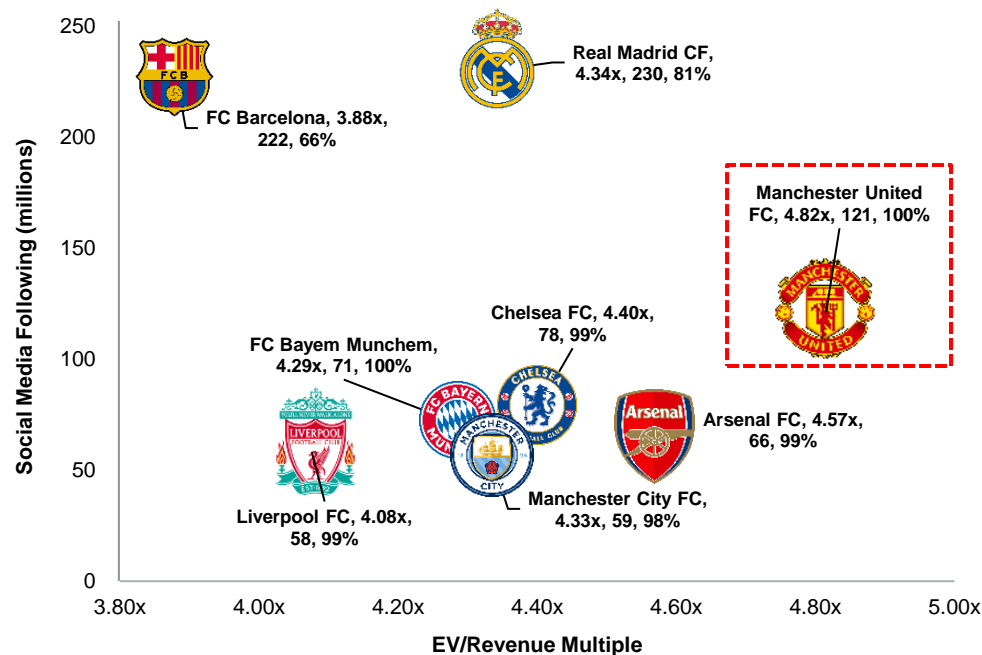
Company & Transaction Comparison

Overview

- Assessing revenue, fan base, global reach across public and private markets, Manchester United Plc. sits among the most valuable sports franchises in the world
- An Arctos investment in Manchester United would come on the heels of broader trend of American private investments in European football clubs
 - Americans now hold major stakes in on-fifth of 60 teams across the top soccer leagues in the U.K., Italy, and France

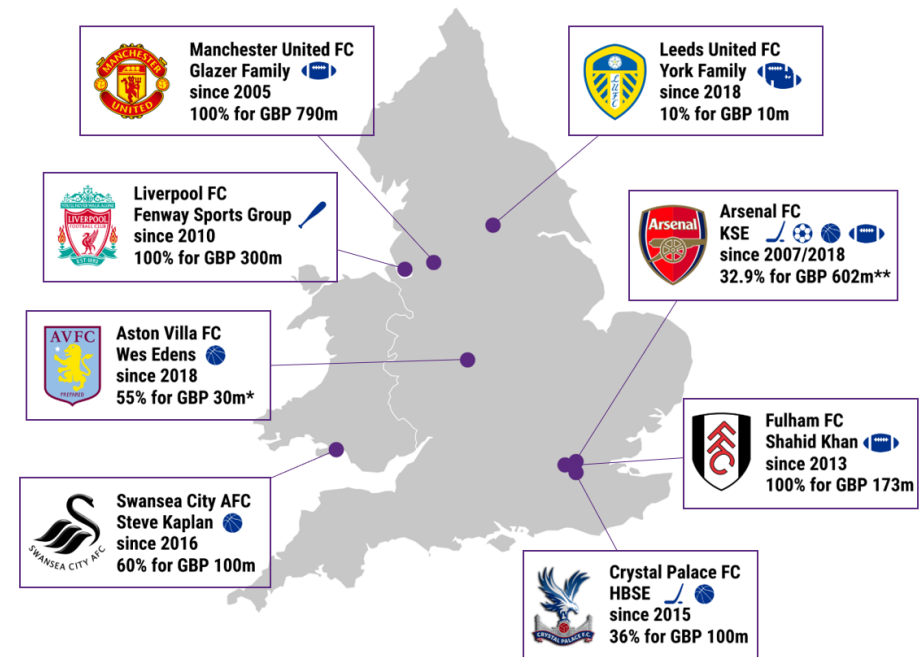
A Global Brand with Upside Potential

Europe's Highest Valued Football Clubs, by EV/Revenue, Social Media Following, and Stadium Utilization (2018)



American Capital across the Pond

Major Investments in English Football Clubs by U.S. Sports Owners



Source: KPMG Football Benchmark