

Company Value Case Analysis

AFC Ajax N.V. (Ticker: AJAX.AS)

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I. Project Overview

1. Introduction

This analysis provides a complete review of one of the most famous football clubs in Europe — Ajax — focusing on their Capital Structure, Financial Performance, Intrinsic Valuation, my insights, and Investment Recommendation.

2. About Ajax

Football Club Ajax (Dutch pronunciation: ['a:jaks]), also known as AFC Ajax, Ajax Amsterdam, or simply Ajax, is a Dutch professional football club based in Amsterdam that plays in the Eredivisie, the top tier of Dutch football. Historically, Ajax, named after the legendary Greek hero, is the most successful club in the Netherlands, with 36 Eredivisie titles and 20 KNVB Cups. It has continuously played in the Eredivisie since the league's inception in 1956 and, along with Feyenoord and PSV Eindhoven, is one of the country's "big three" clubs.

3. Choice of The Company

I am interested in sports teams and how their operations affect their stock value, which is quite a unique topic I want to address. Ajax is an iconic club in Europe but not a top powerhouse like Manchester United or Real Madrid, making it more interesting to understand how financial management, player transfers, sporting success, and international competition participation influence stock performance. Studying Ajax offers a balanced perspective because the club must manage between developing young talent, maintaining competitive results, and ensuring financial sustainability without overwhelming commercial advantages. This dynamic makes Ajax an ideal case study to explore the relationship between on-field operations and shareholder value.

II. Capital Structure Analysis

Debt-to-Equity Ratio:

- Total Liabilities (2024): €354million
- Total Equity (2024): €226 million
- Debt-to-Equity Ratio= (Total Liabilities / Total Equity)
- Debt-to-Equity Ratio = $354 \div 226 \approx 1.57$

This ratio indicates a moderate level of leverage, suggesting that Ajax utilizes debt financing but maintains a solid equity base.

Cost of Debt and Equity:

- Cost of Debt: Approximately 5.50%
- Cost of Equity: Approximately at 5.2%
- Corporate Tax Rate: 25.8% (official Dutch corporate tax rate for companies > € 200k profits)
- Weighted Average Cost of Capital (WACC): Approximately 4.517%

Industry Comparison:

Ajax's capital structure shows a balanced approach compared to other publicly listed football clubs. With a debt-to-equity ratio of approximately 1.57, Ajax uses a fair amount of debt but still keeps a strong equity base. This is not over-leveraged like Juve or United, but also not as cautious as Dortmund. Ajax's strategy of developing young talent and staying financially disciplined fits well with industry norms, especially for clubs that focus on sustainability rather than aggressive spending.

Impact of Interest Rates and Market Volatility:

Looking at the numbers, Ajax isn't heavily over-leveraged. Their borrowing is moderate and manageable, suggesting they maintain enough financial flexibility without taking on excessive risk. Rising interest rates could slightly raise their financing costs, but given their moderate debt levels and careful financial management, the impact should be limited. What's more concerning for Ajax is market volatility — their heavy dependence on player sales and European competition earnings means that fluctuations in the football market could affect their financial performance more than changes in borrowing costs.

III. Financial Health & Performance

Key Financial Ratios:

Ratio	2024	2023	2022
Return on Equity (ROE)	-4.21%	17.95%	-11.59%
Return on Assets (ROA)	-10.00%	-6.32%	-7.85%
Net Profit Margin	-6.42%	19.85%	- 12.85%

Current Ratio	1.12	1.05	1.29
Quick Ratio	1.07	1.00	1.25
Debt-to-Equity Ratio	0.48	0.44	0.74
Asset Turnover Ratio	0.27	0.39	0.39
Inventory Turnover Ratio	2.09	3.52	4.07

Analysis:

Ajax's financial health has weakened from 2022 to 2024. After a strong rebound in 2023, the club's ROE dropped to -4.21% and net profit margin fell to -6.42% in 2024, reflecting reduced revenue from European competitions, weaker player transfer income, and the club's worst domestic finish in a decade — ending 5th in the Eredivisie. Liquidity remains solid, with a current ratio of 1.12 and a quick ratio of 1.07, suggesting Ajax can still meet short-term obligations.

However, asset turnover and inventory turnover both declined, signaling less efficient use of resources. Debt-to-equity rose slightly to 48% but remains manageable. Overall, Ajax's operational health is under pressure, and continued poor on-field results and missed European qualifications could strain its finances further.

IV. Intrinsic Valuation

Discounted Cash Flow (DCF) Analysis:

DCF Model Inputs:

- Revenue Growth Rate: -1.84% (5-year average)
- WACC :4.52%
- Corporate Tax Rate :25.80%
- Terminal Growth :1.50% (Based on Eurozone economic standards)
- EBIT Margin: -45.58% (5-year average)

Valuation Results:

- Projected Free Cash Flows (2025–2029): Starting Revenue €152M (2024), growing at -1.80 % annually
- Terminal Value :- €1551.25M
- Discounted Terminal Value : -€1243.79M
- Total Enterprise Value : -€1453.98M
- Net Debt: -€51.53 M

- Equity Value: –€1,505.51M

Implied Share Price: Negative (–€82.134, indicating that the intrinsic value per share is below zero under current assumptions).

Market Price (as of April 28, 2025): €9.96 [ajax.nl+14Stockopedia+14Investing.com+14](#)

Analyst Consensus: Hold, with an average target price of €9.00.

Reasons to Suggest Hold (not Sell):

- **Brand strength:** Ajax still has strong brand equity, a top-tier youth academy, and long-term fan/investor trust.
- **Turnaround potential:** A strong 2025 season (e.g., finishing top 3 or a Europa/Champions League run) could quickly restore financials and sentiment.
- **Volatile but not worthless:** While the DCF shows negative value today, the club's performance-driven income can rebound fast — making “Hold” a cautious but fair stance.

Valuation Conclusion:

The DCF analysis suggests that Ajax's stock is significantly overvalued under current financial assumptions. The deeply negative equity value reflects ongoing operational challenges, including consistent operating losses and declining revenue. However, the market price reflects investor optimism about future performance, particularly regarding player development and potential European competition success, along with huge possibility winning Eredivisie (Dutch football league) once again in 2025 season.

V. Strategic Insight & Investment Recommendation

Rationale:

AFC Ajax N.V. presents a mixed investment opportunity. The club boasts a strong brand, a proven youth development pipeline, and a solid equity base. However, recent poor financial performance — including a negative EBIT margin (–45.58%), declining

revenues (–1.84% average growth), and heavy reliance on volatile income streams like player sales and European competition — raises significant caution. While Ajax's underlying brand remains strong, current cash flow fundamentals suggest limited upside without operational turnaround.

Risks:

- **Performance Risk:** Failure to qualify for European competitions & fail the expectation of finishing top 3 in Dutch League can significantly impact revenue.
- **Transfer Market Risk:** Dependence on player sales for profitability is uncertain and market-dependent. (For example, if a promising prospect didn't sell at a price which reflect his value)
- **Operational Risk:** High fixed costs and potential increases in player wages can strain finances.

Recommendations: Investment Opinion “Hold”

- **Diversify Revenue Streams:** Invest in commercial activities, merchandising, and global branding to reduce reliance on variable income.
- **Cost Management:** Implement stringent cost controls, particularly concerning player wages and administrative expenses. Although this might affect the player acquisition which might lead to give up attracting star players in transfer market. Keep balance between player wages control and improving roster strength.
- **Youth Development:** Continue focusing on the youth academy to develop talent internally while maintaining team strength to be strong contender in both domestic league and Euro series, which also affect the stock market dramatically.

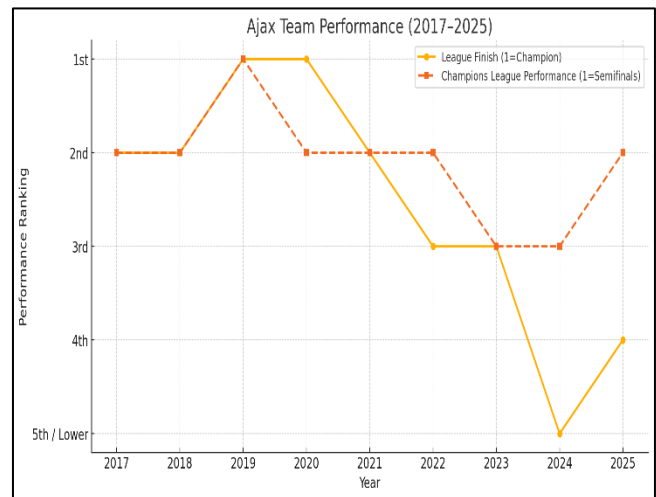
Impact of the team performance:

One of the main factors that has a huge impact on a sports team's stock value is team performance. Ajax had a great run in the 2018–2019 season, reaching the Champions League semifinals, and during the same time, their stock value rose to an unprecedented level. However, when Ajax dropped to fifth place in the Dutch league last year, their stock value also reached the lowest point in their history.

Although many factors influence a sports team's financial status, there is no doubt that team performance has the greatest effect. Based on the comparable charts below, we can clearly see that the stock value trend closely mirrors team performance.

A football club's success is interconnected with every aspect of its operations, including financial management, player transfers, sporting achievements, and participation in international competitions. Likewise, a club's league performance can significantly impact its stock value — either boosting it to new heights or causing it to plummet. When a club acquires a bright young prospect or signs a star player, it not only increases season ticket sales but also builds investor confidence.

It's fascinating how a football club's financial statements, operations, and sporting success form a symbiotic relationship. A successful sports manager must carefully balance all aspects of team operations to sustain both on-field success and long-term financial value..



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Source : <https://drive.google.com/file/d/1pFYEpwX2wXu2p5UhKXkor7qbdWS9jS8c/view?usp=sharing>

Source: ValueInvesting.io <https://valueinvesting.io/AJAX.AS/valuation/wacc>

source: PwC Netherlands

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