

**MASTER OF SCIENCE IN
FINANCE**

**MASTERS FINAL WORK
PROJECT**

EQUITY RESEARCH:
SPORT LISBOA E BENFICA - FUTEBOL, SAD

RICARDO JOÃO DIAS FERNANDES LOPES FERREIRA

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SUPERVISOR:
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Abstract

The present study makes a detailed analysis of Sport Lisboa and Benfica SAD (SLBEN). The need to carry out this study is related to the constant growth of the Football Industry, with the sporting hegemony achieved by Sport Lisboa and Benfica and also with the objective drawn by the Directors of the company that intend to make a major change in its capital structure. The entire study follows the standards and recommendations of the CFA Institute.

In order to carry out this study, all information available as of September 7, 2017 has been taken into account, and any information or events related to Benfica SAD or to the surrounding market after this date has no impact or relevance to the results obtained.

Two approaches were used to calculate the target price: a relative valuation according to the multiples method and an absolute valuation based on the Discounted Cash Flow method. It should be noted that for both approaches the target price reached was € 1.84, representing a potential appreciation of 101.3%, since at the date of the historical price of the share, it was valued at € 0.92. Based on this information the recommendation for the shares of SLBEN is to purchase. It should also be noted that an average risk is assumed since it is a volatile industry in which sports results have some influence on the financial results as well as the low liquidity of the referred actions.

JEL classification: G10; G32; G34; Z23.

Keywords: Equity Research; Sport Lisboa e Benfica, SAD; Valuation; Free Cash Flow to the Firm; Discounted Cash Flows; Multiple Method; Capital Structure Change

Resumo

O presente estudo efetua uma análise detalhada da Sport Lisboa e Benfica SAD (SLBEN). A necessidade da realização deste estudo prende-se com o constante crescimento da Indústria do futebol, com a hegemonia desportiva alcançada pelo Sport Lisboa e Benfica e ainda com o objetivo traçado pelos Diretores da empresa que pretendem efetuar uma grande mudança na sua estrutura de capital. Todo o estudo segue as normas e recomendações do *CFA Institute*.

Para a realização deste estudo, foi tida em consideração toda a informação disponível à data de 7 de Setembro de 2017, sendo que quaisquer informações ou eventos ligados à Benfica SAD, ou ao mercado envolvente após essa data não tem qualquer impacto ou relevância para os resultados obtidos.

Foram efetuadas duas abordagens para o cálculo do preço-alvo: uma avaliação relativa, de acordo com o método dos múltiplos e uma avaliação absoluta, tendo por base o método dos Fluxos de Caixa Descontados. De referir que por ambas as abordagens o preço-alvo atingido foi de €1.84, representado um potencial de valorização de 101.3%, uma vez que à data do levantamento do preço histórico da ação, encontrava-se valorizada a €0.92. Com base nesta informação a recomendação para as ações do SLBEN é de compra. De referir ainda que é assumido um risco médio uma vez que se trata de uma indústria volátil em que os resultados desportivos tem alguma influencia nos resultados financeiros, bem como a baixa liquidez das ações referidas.

Classificação JEL: G10; G32; G34; Z23.

Palavras-Chave: *Equity Research; Sport Lisboa e Benfica, SAD; Valuation; Free Cash Flow to the Firm; Discounted Cash Flows; Multiple Method; Capital Structure Change*

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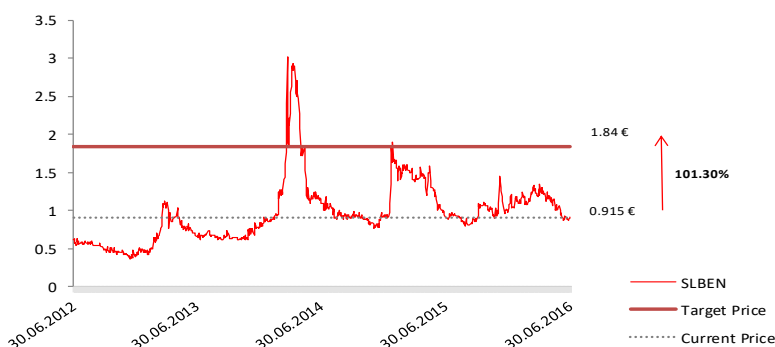
SLBEN: A New Capital Structure

(YE2016 Price Target of € 1.84 (+101.30%); recommendation is to Buy)

1. Research Snapshot

BUY is my recommendation for Sport Lisboa e Benfica, SAD (SLBEN) with a price target of € 1.84 at June 30, 2016, by using two valuation methods: Relative valuation through multiples and Absolute valuation through DCFs. Both methods support my view that SLBEN is currently undervalued. This offers a potential 101.30% upside gain from its latest closing price of € 0.92, although with Medium Risk (Table 1 and Figure 2).

Figure 2: Historical Share Price



Source: Investing.com and RF edition

Highlights

After achieving sport stability, with four consecutive league titles, Sport Lisboa e Benfica seeks to achieve financial stability through a change in its capital structure that has already started at a slow pace during the last year. The positive evolution in equity that reached positive values in 2015 and continued the trend in 2016 demonstrates the effort that SLBEN is making to achieve an equity ratio of 30% (Figure 1).

SLBEN's EBITDA has evolved positively, which demonstrates greater efficiency in the operational management of the club. While analyzing a football club it is important to take into consideration the evaluation of the company not only by EBITDA but by an indicator that would be EBITDA without the transfer of players. The name attributed was EBIDTAPS. In 2016 this guide was positive which reveals that it did not depend on the transfer of players to achieve positive financial results (Figure 3).

Table 2: SLBEN Sensitivity Analysis: Change in WACC

Wacc (Long Term)	0.40%	-0.20%	-0.10%	-0.05%	0.0%	0.05%	0.10%	0.20%	0.40%
DCF fair price	2.25	2.04	1.94	1.89	1.84	1.79	1.75	1.65	1.45
Change to initial price target	22%	11%	5%	3%		-3%	-5%	-10%	-21%

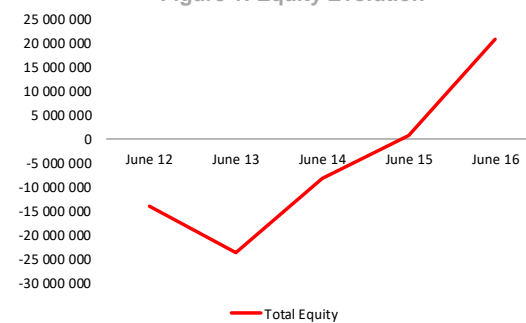
Source: Ricardo Ferreira Calculations

Table 1: Analyst's Risk Assessment

Low	Medium	High

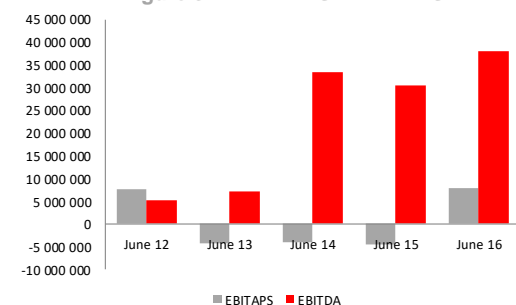
The Risk assessment attributed to SLBEN is Medium due to the industry that this company is insert and the low liquidity of their stocks.

Figure 1: Equity Evolution



Source: Sport Lisboa e Benfica Annual Report and RF edition

Figure 3: EBITDA VS EBIDTAPS



Source: Sport Lisboa e Benfica Annual Report and RF edition

2. Business Description

Sport Lisboa e Benfica – Futebol SAD (SLBEN) is the vehicle that Sport Lisboa e Benfica uses to be present in the Lisbon stock exchange (Euronext Lisbon).

Sport Lisboa e Benfica was founded on February 28, 1904, under the name of Sport Lisboa. After a morning training session, in Belém, a meeting was held at Franco Pharmacy, in the afternoon, with 24 members, including ten participants of the morning training sessions. They are considered the founders of the Club. The member called Cosme Damião is considered the “founding father” of the club.

Since 1904 the club was led by 33 different presidents. Nowadays Benfica is led by Luis Filipe Vieira who is responsible for the financial recovery of the Club.

The huge Universe called Sport Lisboa e Benfica

Sport Lisboa e Benfica is more than a football club, it is a worldwide brand that has significant business connections, partnerships and other special features.

Figure 7: Sport Lisboa e Benfica Futebol Universe



Source: RF estimates and edition

Benfica Estádio: The new Stadium Estádio da Luz was inaugurated on October 25, 2003, in a friendly game against the Uruguayan team Nacional. SL Benfica won with a result of 2-1, with Nuno Gomes to score both goals.

In the context of the Euro 2004, the former Estádio da Luz was demolished and this new stadium was built in an adjacent place, and was also the stage for the final of the competition.

On November 9, 2009, the stadium surpassed the mark of 6 million spectators.

Figure 4: Sport Lisboa e Benfica Badge



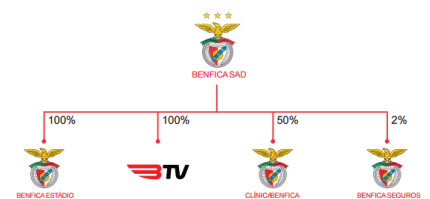
Source: Sport Lisboa e Benfica website

Figure 5: Sport Lisboa e Benfica Futebol, SAD Badge



Source: SAD report of Pizzi renew

Figure 6: Benfica SAD Organigram



Source: SAD report of Pizzi renew

On the tenth anniversary of the new Estádio da Luz, on October 25, 2013, the 11 million spectators mark was exceeded.

On January 14, 2017, in the largest of all stadiums in use in Portugal, the 15 000 000 spectators mark was passed in the national championship game against Boavista.

Estádio da Luz was the stage for the 2004 European Football Championship final and hosted three group games and a quarter-final.

On March 20, 2012, the UEFA Executive Committee announced that the Luz Stadium would host the 2013-14 UEFA Champions League Final, which came to fruition later. The final was won by Real Madrid defeating Atletico Madrid 4 - 1 after extra-time.

BTV: BTV is the television channel of Sport Lisboa e Benfica and the first television channel of a Portuguese Football Club. Globally it is the first and only club channel to market and broadcast live and exclusively Benfica league matches at home. It also broadcasts the games of Benfica B and the Youth Layers of its Football Club, from the Football Campus and the Training Center Sport Lisboa e Benfica, located in Seixal. Furthermore, Benfica TV broadcasts games of the Club's indoor sport modalities played in the pavilions of the Sport Lisboa e Benfica Stadium.

Currently the General Director of Benfica TV is José Eduardo Moniz.

The first experimental broadcast of Benfica TV was on October 2, 2008 and included the match between Benfica and Naples, a UEFA Cup edition. This game was broadcasted to Angola, Mozambique, Cape Verde, São Tomé and Príncipe, the United States, Canada, Brazil, the Middle East, France, Italy and North Africa, covering a universe of 44 million Portuguese speakers, which represents the great impact of Sport Lisboa Benfica.

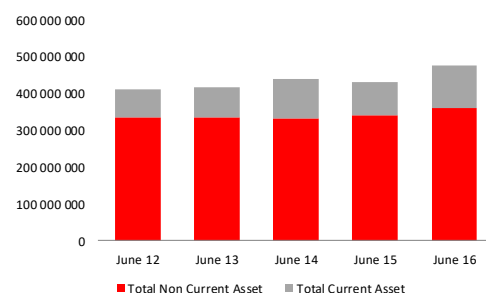
Clínica Benfica: Located in the stadium Estádio da Luz the Clínica Benfica is a clinic which attempts to fill an existing gap in the healthcare sector. It relies on the vast experience of Sport Lisboa e Benfica's clinical staff such as physicians, physiotherapists, masseurs and nurses. These healthcare professionals are highly specialised in sports medicine and do not work exclusively with athletes but also with patients from all walks of life who need rehabilitation.

Providing all people with healthcare services is the aim of Clinica Benfica. Consultations or examinations, auxiliary exams and medical treatments can be performed at the clinic. Exceptional conditions are offered to club members and supporters who seek for expertise in diagnosis, prevention, maintenance and rehabilitation.

Benfica Seguros: Benfica Seguros and Grupo SABSEG signed a co-mediation agreement which aims to offer the best insurance solutions and to dynamize Benfica Seguros both in terms of a diversified supply of products and in terms of its economic competitiveness.

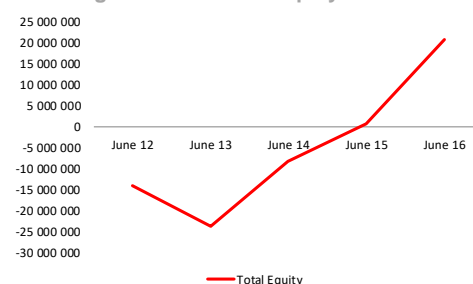
At Benfica Seguros powered by SABSEG Benfica members and supporters will find the best insurance solutions in advice, coverage and conditions. Now Benfica

Figure 8: Historical Total Assets



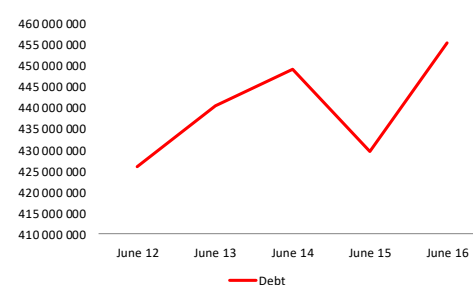
Source: Sport Lisboa e Benfica Annual Report and RF edition

Figure 9: Historical Equity Evolution



Source: Sport Lisboa e Benfica Annual Report and RF edition

Figure 10: Historical Debt Evolution



Source: Sport Lisboa e Benfica Annual Report and RF edition

members and supporters can ask for car, home and health insurances and other personal or professional protection plans.

Cosme Damião Museum: The Benfica Museum - Cosme Damião is a museum dedicated to the history of Sport Lisboa e Benfica, and is located outside the Estádio da Luz in Lisbon, Portugal.

The museum, named in memory of Cosme Damião, was inaugurated on July 26, 2013 under the presidency of Luís Filipe Vieira and opened to the public three days later, on July 29, one year and three months after its initial construction.

The building, with an area of 4 000 square meters, has three floors accompanied by a huge display cabinet that displays about 500 trophies. The museum is divided into 29 thematic areas and contains, in total, about 1 000 trophies won by different club modalities and a collection of over 30 000 cups, as well as audiovisual documents and references to Benfica's history.

The museum has an average of 5 million visitors a month.

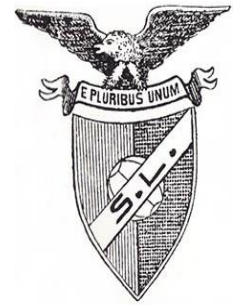
In December 2014, the museum was awarded the Best Portuguese Museum of 2014 Award by the Portuguese Museum Association.

Benfica Modalidades: SLBenfica is more than a football club, providing its staff with various modalities, currently the club has 29 - Handball, Basketball, Women's Basketball, Roller Hockey, Women's Skates Hockey, Futsal (indoor soccer), Women's Futsal (indoor soccer), Volleyball, Olympics, Combat sports, Canoeing, Rugby, Women's Rugby, Pool, Martial Arts, Athletics, Camping, Gymnastics, Judo, Swimming, Paintball, Figure skating, Water polo, Table tennis, Motocross, Sport fishing, Triathlon, Boxing - and is currently preparing to enter women's football.

Casas do Benfica: The project of the Benfica Supporter's Clubs, is much more than a national project since it is present in 12 other countries around the world - Australia, Belgium, Canada, Cape Verde, France, Germany, Guinea Bissau, Luxembourg, Macao, South Africa, Switzerland-. This was a banner project of Luis Filipe Vieira who had the vision to bring Benfica closer to the fans, creating a place where the Benfica experience was simple, closer and unique. With these supporter's clubs fans can watch the Benfica matches, buy merchandizing from the club, get along with other fans or even buy tickets for Benfica matches, whether at home or abroad. It should be noted that from the month of January 2018 all these supporter's clubs will be connected by network so that they will all be closer to each other. Nowadays there are 234 of these supporter's clubs.

Caixa Futebol Campus: The Caixa Football Campus is the training center of Sport Lisboa e Benfica and is the "home" of Benfica B. It has six soccer pitches and three pitches which hold 1600 covered seats. It is mainly used by the main team and the training levels. The name is sponsored by Caixa Geral de Depósitos, Caixa Football Campus.

Figure 11: Evolution of the Symbol



Source: SL Benfica website

The complex, with a total area for about 15 hectares, comprises a total of 62 rooms, as well as a gym for young players. It also has two gyms, changing rooms, swimming pools, jacuzzies, sauna, a cafeteria and an auditorium. After 2008, when Benfica TV was created, the complex also won a TV studio. The infrastructure is currently being expanded

The Director of Caixa Football Campus is a former Benfica player, Nuno Gomes.

Fundação Benfica: The Benfica Foundation develops integrated projects that highlight the early intervention on exclusion factors. In these areas, the Foundation has as its primary concern the prevention of deviant behavior and a promotion of the educational success of children and young people as determinants of social mobility.

This organization intends to be recognized, in the short term, as a reference institution in the area of innovation and European social responsibility, a leader without a socio-sporting segment, with a transversal presence in Portuguese society and its diaspora, intervention and proximity to public participation in situations of social exclusion or fragility.

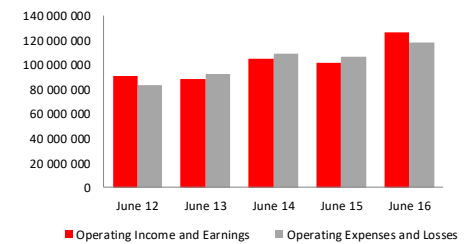
It is the goal of the Benfica Foundation to establish itself as a social parachute of the state and civil society, mobilize people and institutions and catalyze local dynamics of social development and individual and community empowerment.

Recognizing that Sport Lisboa e Benfica is a global club, the Benfica Foundation is committed in developing an international deployment covering a geo-sociological, cultural and ethnic pattern that characterizes the Benfica Universe.

Colégio Benfica: The club will move towards building an international college with a capacity for 800 students, Vieira said. "Regarding our Benfica, I want to say two or three important things: we are certain that we will continue with our strategy. Caixa Campus is part of this strategy and, at the moment, it is undergoing very deep works. We want to have a college called Benfica, which will be international, with 800 students, so that all the young people of Seixal can be there." he said, speaking for the first time about the commitment to teaching, explaining one of the advantages that this institution can bring: "We want to make a difference in this way and we want all the parents who have their children in our guard to be relaxed at home because they are part of a Benfica facility."

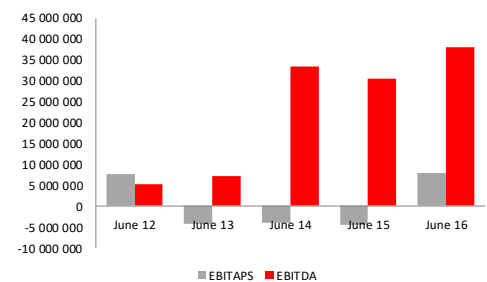
Benfica Fan Zone: This project is based on the presence of different kind of leisure zones offering fans food, drinks and entertainment before the matches in the Estádio da Luz complex. This fan zone appeared in the season 2015/2016 and was a huge success that provides more revenues. Sport Lisboa e Benfica have their own shops in this space. However, this space is characterized by the presence of different companies, such as Hamburgueria do Bairro that pays a fee to Benfica to be there on the days of the matches. This is a different approach to a match day. With this the match day is much more than a match, it's a whole experience.

Figure 12: Historical Op. Cost Vs OP Revenues



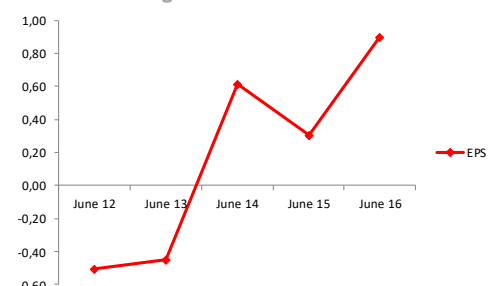
Source: Sport Lisboa e Benfica Annual Report and RF edition

Figure 13: Historical EBITDAPS Vs EBITDA



Source: Sport Lisboa e Benfica Annual Report and RF edition

Figure 14: Historical EPS



Source: Sport Lisboa e Benfica Annual Report and RF edition

Red Power: This represents the dozens of partnerships that Sport Lisboa e Benfica have. Members can benefit from a wide range of discounts. For example, when travelling with Emirates, members can benefit from a 10% discount, there are 6% off per litre at Repsol, discounts on cinema tickets, and many more discounts from several of other partnerships that Benfica fans can benefit from.

Stadium Naming: The naming of the stadium is one of the most important goals of the board of directors once it can be an important source of income. This is perhaps the most difficult partnership to achieve since it requires a lot of money invested by the sponsor as well as a set of factors relative to the stage that was not secured until then. However, in the season 2018/2019 it seems that it will be possible to get a sale of the stadium's name, with main sponsor Emirates, at the time of contract renewal. Firstly, because the first partnership agreement went very well, thanks to the growth of Emirates in Portugal, leveraged by the recognition that the company has associated with SLBenfica, and then because at the moment the Sponsorship Contracts of the Estádio da Luz ended up, thus opening a window of opportunity to realize this partnership agreement. We should not forget that Emirates is already accustomed to making this kind of agreement, especially with Arsenal.

Season 2017/2018: The season that is about to start could lead Benfica again to a historical achievement, winning the club's fifth title in a row, the so called "Penta", which was only achieved once in Portugal, by FC Porto.

Sport Lisboa e Benfica continues with the same coach and the same base of players: although there were some transfers, which is a normal procedure during the last 10 years. So, we are able to say that the players who were transferred should have a good substitute (from the academy or from a purchase).

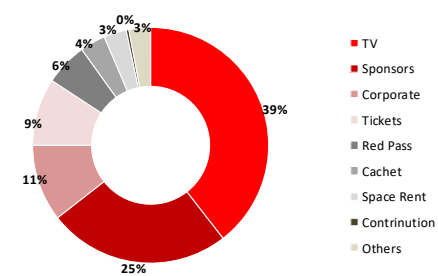
The historical rival Sporting CP is investing a significant amount of money this season. After 2 years with Jorge Jesus leading the team and with no titles. This is the year of "all or nothing". They are a serious opponent to Sport Lisboa e Benfica this season.

The rival in the north, FC Porto, is facing a huge financial problem. The club was fined by UEFA after failing to comply with Financial Fair Play regulations, so they can't spend much money or even enroll all the players in their Champions League squad (normally the clubs enroll 25 players and FC Porto this season only can register 22).

They also have a new coach, so because of all these facts they seem to have a new will to win.

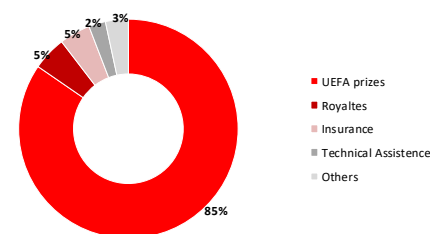
Making a quick review about Sport Lisboa e Benfica and their rivals (FC Porto and Sporting CP) for the next season we could say that this championship will be very disputed.

Figure 15: Income from Services 2016



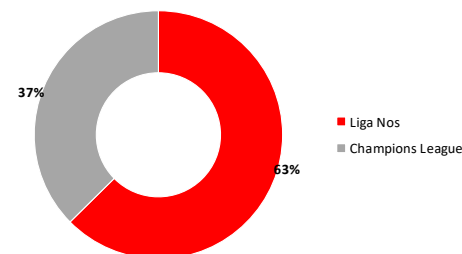
Source: Sport Lisboa e Benfica Annual Report and RF edition

Figure 16: Other Operating Income 2016



Source: Sport Lisboa e Benfica Annual Report and RF edition

Figure 17: Revenue Source of Tickets



Source: Sport Lisboa e Benfica Annual Report

SWOT Analysis:

Figure 18: SWOT Analysis



Source: RF estimates and edition

Porter's Five Forces

Porter's Five Forces is a commonly used model that helps to explain the different levels of profitability that an industry can reach. The model is extensively used, worldwide, to investigate the industry structure of a company as well as its corporate strategy. Porter recognized five irrefutable forces that perform a part in shaping every market and industry in the world. The forces are frequently used to measure competition intensity, attractiveness and profitability of an industry or market.

- **Power of Suppliers – High**

The power of the suppliers play a very important and significant role in this industry. There are two main suppliers, Sponsors and other Clubs (potential players to buy). Sport Lisboa e Benfica has three main Sponsors (Emirates, Sagres and Adidas). The International companies Emirates and Adidas are vital Sponsors in terms of revenues, technical products and worldwide visibility. The Portuguese company plays a significant role in terms of national visibility and revenues. These partnerships are difficult to find and to maintain.

Concerning other Clubs, Sport Lisboa Benfica tries to find players mainly in Clubs from South America and East Europe with the purpose to buy players when they are cheap, work on their development, have sports income and finally to sell them to football giants for a sizable profit.

- **Power of Buyers – Low**

There are two main Benfica clients: the fans and other Clubs that want to buy Benfica's players. Over all the power of these buyers is low.

First, Benfica fans don't have any power of negotiation since tickets prices, merchandise, annual sites and quotas are tabled.

Secondly, the negotiation of athletes' sales to other clubs are generally based on the relevance of the referred player in the team and on the player's desire. The clubs that want to buy Benfica's athletes face some difficulties in the negotiations due to highly costly termination clauses that are stipulated by the players at the time of contract signature and by Luís Filipe Vieira, the president, who is a hard and well-known negotiator and always tries to combine the player's will with the club's interests.

- **Threats of New Entry – Low**

This threat is very low or inexistent since to enter this industry it is necessary to have a large amount of capital and time to reach the principal national leagues. So, this industry is most commonly known as "closed".

- **Threats of Substitution – Low**

Sport Lisboa e Benfica is the Portuguese club with more fans. There are studies that indicate that Benfica have 6 million fans. Bearing this information in mind and knowing that one of the particularities of this industry is the love from the fans to the Club, the threat of Substitution is very low or inexistent.

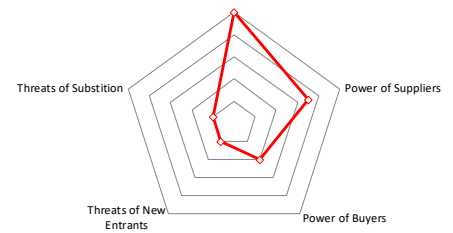
- **Industry Rivalry – High**

There are two ways to see this threat: at a national level and at an international level.

At a national level, Benfica has two main and historical rivals, Sporting Clube de Portugal and Futebol Clube do Porto. Sport Lisboa e Benfica is the one of these three with more titles, however there is always an equilibrium in the fight for the national league title and the other Portuguese competitions.

At an international level, Sport Lisboa e Benfica is the 9th best Club in UEFA's Ranking which shows the competitiveness of Sport Lisboa Benfica over the last few years. However, at this level Sport Lisboa e Benfica have more and harder competitors.

Figure 19: Porter's 5 Forces



Source: RF estimates

3. Management and Corporate Governance

The Chairman of the Board of Directors, Luís Filipe Ferreira Vieira is, simultaneously, Chairman of the Board of Directors of Sport Lisboa e Benfica and the Board of Directors of Sport Lisboa e Benfica, SGPS, SA.

The directors Rui Manuel Frazão Henriques da Cunha and José Eduardo Soares Moniz are both Vice-Presidents

From the Direction of Sport Lisboa e Benfica, Director Domingos Cunha Mota Soares de Oliveira is, simultaneously, Executive Director of Sport Lisboa and Benfica and manager of Sport Lisboa e Benfica, SGPS, SA. To the best of Benfica SAD's knowledge, there are no other family, professional or commercial relationships of the members of the Board of Directors with shareholders to whom a qualifying holding of more than 2% of the voting rights is attributable.

Luís Filipe Vieira was elected on November 3, 2003 as the 34th president of Benfica. He was involved in the relaunch and reconstruction of the club, being one of those responsible for the construction of the new Estádio da Luz and the new training center in Seixal. He made the club the 21st most profitable in Europe.

He was re-elected for a second term on October 27, 2006. Three years later, on July 3, 2009, he was re-elected for a third term, having defeated his opponent Bruno Carvalho with 91.74% of the votes, after having dismissed the board of Director to trigger early elections.

On October 26, 2012, Luís Filipe Vieira was re-elected president of Benfica with 83.02% of the votes, against 13.83% of Rui Rangel and 3.15% of white votes. Forty-two days later, on December 7, Vieira became the longest-serving president in club history, surpassing Bento Mantua.

On October 27, 2016, he was re-elected president of SL Benfica for a fifth term, with 95.52% of the votes, having had no opponents at the election.

He is the man responsible for the so-called Universe Benfica, where the financial recovery, (Benfica's SAD achieved a consolidated net result of 2.6 million euros in the first half of 2016/17, between July 1 and December 31, 2016) sports titles (4th national championship in a row) and infrastructures (Stadium, Caixa Campus, Colégio Benfica) are the feats that leave more legacy.

As far as the remuneration policy is concerned, only the names of CEO Domingos Soares de Oliveira and Executive Director Rui Costa are found on that list. This is since the statutes state that the president of SLBenfica should not be remunerated (however, it is currently debated whether this topic could change), unlike other Portuguese clubs, such as Sporting CP's, Bruno de Carvalho. These two members of the board earned 553 million euros in the period 2015/2016. (Values that take fixed and variable

Figure 20: List of Presidents of Sport Lisboa e Benfica



- 1º: José Rosa Rodrigues (1904-1905)
- 2º: Dr. Januário Barreto (1906)
- 3º: Luís Carlos de Faria Leal (1906-1908)
- 4º: João José Pires (1908-1910)
- 5º: Alfredo Alexandre Luís da Silva (1910-1911)
- 6º: António Nunes de Almeida Guimarães (1911)
- 7º: José Eduardo Moreira Sales (1912)
- 8º: Dr. Alberto Lima (1913-1915)
- 9º: Dr. José Antunes dos Santos Junior (1915-1916)
- 10º: Felix Bermudes (1916-1917/1930-1931/1945)
- 11º: Dr. Nuno Freire Thenudo (1916-1917)
- 12º: Bento Mântua (1917-1926)
- 13º: Eng.º Alberto Silveira Ávila de Melo (1926-1930)
- 14º: Manuel da Conceição Afonso (1931-1932/1936-1938/1946)
- 15º: Vasco Rosa Ribeiro (1933-1936)
- 16º: Capitão Júlio Ribeiro da Costa (1938-1939)
- 17º: Dr. Augusto da Fonseca Júnior (1939-1944)
- 18º: António Afonso da Costa e Sousa (1945-1946)
- 19º: Brig. João Tamagnini de Sousa Barbosa (1947-1948)
- 20º: Dr. Mário Lampreia de Gusmão Madeira (1949 -1951)
- 21º: Joaquim Ferreira Bogalho (1952-1956)
- 22º: Eng.º Maurício Vieira de Brito (1957-1961)
- 23º: Dr. António Carlos Cabral Fezas Vital (1962-1963)
- 24º: Adolfo Vieira de Brito (1964/1967-1968)
- 25º: Dr. António Catarino Duarte (1965)
- 26º: José Ferreira Queimado (1966 / 1977-1980)
- 27º: Dr. Duarte António Borges Coutinho (1969-1976)
- 28º: Fernando Martins (1981-1987)
- 29º: João Maria dos Santos Júnior (1987-1992)
- 30º: Jorge Artur Rego de Brito (1992-1994)
- 31º: Manuel Damásio Soares Garcia (1994-1997)
- 32º: Dr. João A. de Araújo Vale e Azevedo (1997-2000)
- 33º: Dr. Manuel Lino Rodrigues Vilarinho (2000-2003)
- 34º: Luís Filipe Vieira (2003 -?)**

remunerations) It is important to note that this total remuneration value reflects a contraction, in relation to the previous period, of 4%.

The Shareholder Structure of SLBEN can be distinguished by two main owners.

Firstly, Sport Lisboa e Benfica that owns 66.97% of the shares, which reflects in 15 403 221 shares. In this percentage of ownership, it is even possible to say that 40% are owned directly by Sport Lisboa e Benfica; 23.65% by SLBenfica, SGPS, SA; 3.28% by the president Luis Filipe Vieira and finally 0.04% by director Rui Costa.

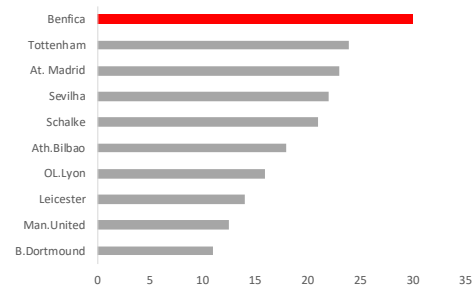
Secondly, the “other” owners, who own 33.03% of the shares. This universe is composed for example by Novo Banco, SA or even Oliverdesportos, SA (largest shareholder of the channel Sport TV) (Appendix 13).

European Club with best Operational Results

Benfica is the European club with the best operational results. This is one of the conclusions of the study 'Football Club's Valuation: The European Elite 2017', carried out by the consultancy firm KPMG and which compares the accounts of the main European emblems from last season.

No other club makes more money from the revenue it generates. For every 100 million euros in revenue, including sales of player passes, Benfica managed to earn 30 million euros profit. These numbers are computed before accruing interest and taxes (in technical language, EBITDA).

Figure 21: Operating Results of European Clubs



Source: KPMG Report

4. Industry Overview and Competitive Positioning

Portuguese Economic Outlook

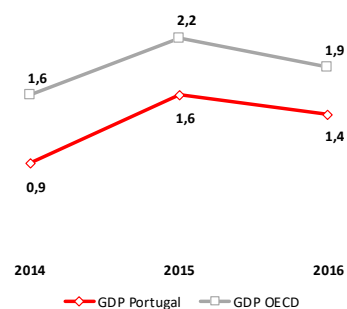
Economic activity during the second quarter of 2017 will have remained in a cycle of resilient economic recovery, supported by an improvement in the external environment, which has contributed to the strengthening of exports both inside and outside the European Union. As a result, GDP will have accelerated to 3.4% year on year. In nominal terms, the weight of exports in GDP is around 45%, while imports account for about 43% of GDP. The positive balance of the current account balance is supported by the positive balance of the balance of services, in particular the contribution of tourism and transport. The goods balance is expected to continue in a gradually lower deficit trend, with energy dependence continuing to be the most penalizing factor. Net exports to the United Kingdom, France, Angola and the United States are the most dynamic and contributing to export growth. By 2017, in real terms, exports are expected to grow by around 7% and imports by about 9%, with a slightly negative contribution to real GDP growth.

In a more favorable economic environment, economic agents generate more optimistic expectations, reflecting favorable conditions and tending to foster new investment initiatives. However, investment rates remain at historically low levels, due to the existence of installed capacity not yet used. The exporting companies are the ones that still have reinforced the levels of investment, but in function of the volume of business and profit margins generated. By 2017, investment may represent 17% of GDP, compared with pre-crisis levels of 22%. In the second quarter of 2017, investment growth is expected to exceed 8% year-on-year.

The improvement in economic conditions has been reflected in a resilient decline in the unemployment rate, in particular the long-term unemployment rate. In the first quarter of 2017, the unemployment rate was 10.1%, and in May, 9.5%. The reduction of the unemployment rate is the combined result of the increase in the employment rate and the active population, which has contributed to the improvement of family confidence and consequently the expectations of private consumption. In the second quarter of 2017, private consumption is expected to accelerate against the first quarter, supported by the increase in consumption of durable and non-food goods.

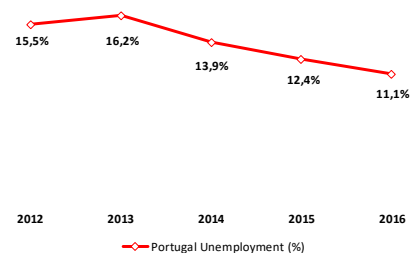
In the first quarter, the budget deficit was 2.1% of GDP, an improvement of around 1.2 pp of GDP compared to the same period of the previous year. The improvement in revenues from indirect taxes and social contributions were the main factors, while spending remained almost unchanged. The primary balance recorded a surplus of EUR 865 million (around 1.9% of GDP). Recent dynamics are in line with the budgetary targets of 1.5% of GDP for the deficit. Public debt remained at around 130.5% of GDP in the first quarter of 2017, with a projection of around 127% of GDP in 2017.

Figure 22: Portugal and OECD GDP Growth



Source: Santander Totta Report and PORDATA

Figure 23: Portugal Unemployment (%)



Source: Santander Totta Report and PORDATA

The Portuguese Republic's debt interest rates continue to reflect an improvement in the perception of sovereign risk, supported by positive results in terms of the evolution of public accounts and economic recovery, supported by more exports and investment. Currently, the 10-year interest rate is at levels slightly below 3%.

At the ECB meeting in July 2017, monetary policy remained unchanged, both in terms of interest rates and the monthly volume of asset purchases (from € 60 billion / month until the end of December 2017). Despite the cycle of economic recovery in the euro area, global risks remain relatively symmetrical and identified, with the ECB signaling, if necessary, the willingness to extend unconventional monetary policies for as long as is necessary.

In the US, the Federal Reserve revised up the interest rate range to 1% -1.25%, aligning a less expansionary monetary policy with the moderate improvement in economic activity during the first half of 2017 and a stronger employment.

Industry Overview

There is a trend that seems inexorable in European football. The five top European football leagues - the Premier League (England), the Bundesliga (Germany), La Liga (Spain), Serie A (Italy) and Ligue 1 (France) - are increasingly rich, and the financial gap for the remaining Alloys of the Old Continent is also increasing.

In the same way, the difference between the financial power of the English Premier League and the other Top 5 European leagues is also growing. These are conclusions drawn from Deloitte's Annual Review of Football Finance - released on July 12, which refers to the financial year 2015-2016.

The financial strength of English clubs is the average revenue per club of the Premier League that was 243 million euros, well above the average revenue of 151 million euros of the German clubs and 122 million of the Spanish first division clubs. In the Portuguese League the average revenue is 19 million euros per club, almost 13 times lower than that achieved by the English teams.

Overall, European leagues earned revenues of € 24.6 billion (54% for the Top 5), up from € 21.8 billion in the 2014-2015 season. Already revenues for the five main leagues alone increased by € 1.4 billion (+ 12%), with 59% of this increase being a result of growth in revenues from television rights.

The importance of television revenue is overwhelming in the Premier League, accounting for 53% of the total revenue of the clubs of the main **British league**. Revenue from television rights amounted to **€ 2.5 billion**, more than the combined revenues of **Bundesliga clubs (€ 2.7 billion)** or **La Liga (€ 2.4 billion)**. **The clubs of the English Premier League added a total revenue of 4.8 billion euros**, the highest value ever.

Figure 24: Top European Football Leagues Logos



Source: Google and RF edition

Competitors Analyses – National and International

In this section, it is important to divide these competitors in terms of Nationality: National and International.

Concerning the National competitors, it is possible to say that there are two main players: FC Porto and Sporting CP. These two clubs are the challengers' due to the historical rivalry and the constant pursuit of the Portuguese title. So, it is relevant to study the financial and the sports results in the last season.

Regarding Futebol Clube do Porto, it is possible to verify that its assets were valued at € 375 044 928 in the year 2016. In turn its DEBT was € 349 108 731, and approximately € 202 million are short deadline. It should also be noted that the lack of sporting success (0 titles in the last 4 years) is also accompanied by poor financial performance reflected in a negative EBITDA of approximately € 38 million (Table 3).

In turn, Sporting Clube de Portugal, which also had no sporting success in the last 4 years (only 1 title over this period), had in 2016 an asset valued at € 236 million and a DEBT of € 261 million, thus reflecting a negative Equity. Also note that of these € 261 million, € 135 million are short term. Finally, like the other national competitors, the club has a negative EBITDA of approximately € 16 million (Table 3).

In terms of International Competitors, it is important to take a look at the UEFA ranking of the previous season where we can insert Sport Lisboa e Benfica in the 10th place. With this information, it is accurate to say that the international competitors are the first 30 clubs of this European ranking. Knowing that there is a huge heterogeneity of clubs from different countries, with different fiscal policy, different broadcasting rights and different occupancy rate it is important to make this decision very judiciously (Table 3).

Table 3: Competitors Key Data

Futebol Clube do Porto, SAD Key Data	2015	2016
Sales	75 055 622 €	75 055 622 €
EBITDA PS*	- 48 455 181 €	- 48 455 181 €
EBITDA	- 37 562 156 €	- 37 562 156 €
EBIT	- 41 512 402 €	- 41 512 402 €
Depreciations/Amortizations	3 950 246 €	3 950 246 €
Current Assets	114 808 770 €	114 808 770 €
Currents Liabilities	202 057 264 €	202 057 264 €
Non Current Liabilities	147 123 467 €	147 123 467 €
Total Assets	375 044 928 €	375 044 928 €

Sporting Clube de Portugal, SAD Key Data	2015	2016
Sales	44 921 585 €	56 100 273 €
EBITDA PS*	27 800 540 €	- 21 009 361 €
EBITDA	39 155 691 €	- 16 286 326 €
EBIT	24 749 501 €	- 29 996 028 €
Depreciations/Amortizations	14 406 190 €	13 709 702 €
Current Assets	6 562 000 €	3 022 000 €
Currents Liabilities	140 157 523 €	135 607 202 €
Non Current Liabilities	93 761 569 €	125 581 534 €
Total Assets	240 961 373 €	236 235 185 €

Juventus, SAD Key Data	2015	2016
Sales	51 368 000 €	57 178 000 €
EBITDA PS*	5 667 859 €	6 016 469 €
EBITDA	7 982 900 €	8 473 900 €
EBIT	1 347 800 €	840 800 €
Depreciations/Amortizations	66 351 000 €	76 331 000 €
Current Assets	158 163 000 €	175 014 000 €
Currents Liabilities	312 813 000 €	267 059 000 €
Non Current Liabilities	116 809 000 €	257 116 000 €
Total Assets	474 267 000 €	577 558 000 €

Lyon, SAD Key Data	2015	2016
Sales	82 267 317 €	104 193 823 €
EBITDA PS*	- 16 444 159 €	21 061 673 €
EBITDA	- 12 747 410 €	29 664 328 €
EBIT	- 23 828 744 €	18 511 825 €
Depreciations/Amortizations	11 081 334 €	11 152 503 €
Current Assets	77 329 781 €	131 689 216 €
Currents Liabilities	59 803 552 €	103 315 680 €
Non Current Liabilities	23 787 112 €	20 200 133 €
Total Assets	77 329 781 €	131 689 216 €

Roma, SAD Key Data	2015	2016
Sales	49 783 000 €	57 542 000 €
EBITDA PS*	3 813 410 €	45 706 250 €
EBITDA	5 371 000 €	64 375 000 €
EBIT	- 34 844 000 €	9 794 000 €
Depreciations/Amortizations	40 215 000 €	54 581 000 €
Current Assets	130 355 000 €	114 567 000 €
Currents Liabilities	211 636 000 €	249 057 000 €
Non Current Liabilities	189 221 000 €	211 997 000 €
Total Assets	298 580 000 €	344 049 000 €

Source: Amadeus Data Base and RF edition

5. Investment Summary

After sporting success, translated into the hegemony of football in Portugal, Sport Lisboa e Benfica is now looking for financial success, translating it into a new capital structure and positive operating results (whether before or after the sale of football players (EBITDAPS and EBITDA, respectively).

In this evaluation, this objective of capital structure change was considered. With this, the club is expected to achieve the much-desired financial success.

According to the assessment made, it can be stated that SLBEN is undervalued. This is reflected in a target price of € 1.84 and an upside potential of 101.30% on June 30, 2016. With all this information, my recommendation for the SLBEN stands for BUY, using both valuation methods, DCF and Multiples Method. This result is explained by the steady increase in sales, both in terms of operating sales and sales of players as well as a small divider in the purchase of players since the club presents a high quality in its gym as well as an extremely competent scouting department that manages to discover youngsters with enormous potential that at the moment of their purchase are valued at a very low price and Benfica can sell them a few years later for several million euros, as for example the centre-back Lindelöf, the goalkeeper Ederson and many others.

In order to analyze the Key Performance Indicators for the main competitors and also the Valuation of the firm, I decided to search for companies which are in the same industry as Sport Lisboa e Benfica, SAD. In national terms the two clubs that have historically been Benfica's rivals, namely Sporting Clube de Portugal and Futebol Clube do Porto, were chosen (Table 4).

At the international level, the choice was more difficult and very cautious. The top 30 teams were selected by UEFA in 2016, adding the fact that they were present on the stock exchange and lastly I excluded all the teams of this universe belonging to the Premier League and the German Premier League, since in these championships, the values of broadcasting rights are much higher than those practiced in Portugal as well as the stadium occupancy rate (Table 4).

The Multiples method is computed using the Enterprise Value of each company. It reflects the market value of the entire business and it also represents the sum of investors' claims on the firm's cash flows from all holding long term debt, preferred stock, common shareholders and minority shareholders. In this valuation, I considered years N-1 (2015) and N (2016). I considered 4 main multiples: EV/Sales, EV/EBITDAPS, EV/EBITDA and EV/EBIT (Appendix 8 and Table 5).

Concerning the DCF method, Weighted Average Cost of Capital was used discount rate for the future cash flows.

Table 4: UEFA rankings for club competitions

	Club
1	Real Madrid FC
2	Club Atlético de Madrid
3	FC Barcelona
4	FC Bayern Um
5	Juventus
6	Sevilha FC
7	Paris Saint-Germain
8	Bosrussia Dortmund
9	Manchester City FC
10	SL Benfica
11	Arsenal FC
12	FC Porto
13	Chealsea FC
14	SSC Napoli
15	Bayer 04 Leverkusen
16	Manchester United FC
17	FC Schalke 04
18	FC Shakhtar Donetsk
19	FC Zenit
20	ACF Fiorentina
21	AS Monaco FC
22	Tottenham Hotspur FC
23	Villarreal CF
24	FC Basel 1893
25	AFC Ajax
26	FC Dynamo Kyiv
27	AS Roma
28	Olimpique Lyonnais
29	Olympiacos FC
30	Athletic Club
.	...
53	Sporting Clube de Portugal

Source: Uefa Website

6. Valuation

Regarding the evaluation topic, I used the two most common valuation methods that are used nowadays: Discounted Cash Flows and Comparable Multiples. These methods are divided as absolute valuation and relative valuation, respectively.

For the first method used, the multiples method, I chose five comparable companies. The criteria used to choose these companies are the ones mentioned in the previous sections. With that criteria, I come up with the following clubs: Sporting Clube de Portugal and Futebol Clube do Porto, both from Portugal; Juventus FC and Roma FC from Italy and finally Olympique Lyonnais from France.

Concerning the second valuation method, the DCF method, the approach used was the Free Cash Flow to the Firm (FCFF), once in these analyses I assumed that SLBEN will change their capital structure, so the other approach, Free Cash Flow to Equity (FCFE), will not be as suitable in this scenario. It's important to mention that this method is the one most commonly used to value companies.

KPIs

First, and before proceeding to valuation, a study was carried out on some KPIs to compare the sport performance of SLBEN with the market, and this comparison served as validation for the comparable chosen for the relative valuation method used. The KPIs used are: EBITDAPS Margin; EBITDA Margin; Return-on-Sales (ROS); Return-on-Assets (ROA); Current Ratio and Solvency Ratio. It's important to refer that this study was made for year N-1 (2015) and year N (2016) (Table 5).

Financial Forecast: Methodology Assumptions

In order to carry out this valuation, the Annual Report for the year 2016 was taken into account, as well as the third quarterly report of the season, although this was only used to check if the trend of the results would continue, not being deeply used since in this

Figure 25: Op. Revenues Vs Op. Costs Forecast



Source: SLBEN annual report and RF estimations

Figure 26: EPS Forecast



Source: SLBEN annual report and RF estimations

Table 5: Key Performance Indicators

	EBITDAPS Margin		EBITDA Margin		ROS		ROA		Current Ratio		Solvency Ratio	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Football Club, SAD												
National Teams												
Futebol Clube do Porto, SAD	-84.29%	-73.93%	-50.05%	-50.05%	-55.31%	-55.31%	-11.07%	-11.07%	0.78	0.78	-10.76%	-10.76%
Sporting Clube de Portugal, SAD	52.92%	-52.91%	87.16%	-29.03%	55.09%	-53.47%	10.27%	-12.70%	0.07	0.02	16.74%	-6.24%
National Industry	-15.68%	-63.42%	18.56%	-39.54%	-0.11%	-54.39%	-0.40%	-11.88%	0.43	0.40	2.99%	-8.50%
International Teams												
Juventus	-18.70%	-9.06%	15.54%	14.82%	2.62%	1.47%	0.28%	0.15%	1.35	0.68	15.76%	14.72%
BVB	-21.54%	-14.76%	12.71%	9.13%	0.39%	19.64%	0.13%	29.44%	3.67	2.14	83.54%	61.59%
Manchester United	-32.06%	-27.58%	2.18%	-3.70%	-44.40%	-48.53%	-10.28%	-11.14%	0.41	0.42	13.05%	13.05%
International Industry	-24.10%	-17.13%	10.14%	6.75%	-13.80%	-9.14%	-3.29%	6.15%	1.81	1.08	37.45%	29.79%
Overall Industry	-20.73%	-35.65%	13.51%	-11.77%	-8.32%	-27.24%	-2.13%	-1.06%	1.26	0.81	23.67%	14.47%
Sport Lisboa e Benfica, SAD	-4.41%	6.27%	36.91%	27.69%	6.67%	16.29%	1.58%	4.31%	0.83	0.61	-5.40%	2.87%

Source: Amadeus and RF calculations

report does not include the UEFA prizes, the sale of important players as well as the revenues of merchandising after the national title.

The Assets of SLBEN are expected to grow 2% per year in line with what has happened in recent years, more precisely since 2012.

The intangible assets are expected to grow, too. However, at two different rates. Since this entry refers to the athletes' passes, it is possible to predict that in the next two years there will be a valuation of these assets of around 3%. However, after this year and as many of these players are in training and not every year young people with potential exist, there is a more conservative stance with a growth rate of only 1.5%.

In turn, SLBEN Equity is expected to grow spontaneously, with this growth grounded in the Net Profits as well as the decline in DEBT.

With SLBEN aiming to change its capital structure, it was assumed that its Liabilities would decrease in the coming years (Appendix 6 and Table 6).

Concerning P&L, the first assumption made is related to the Operating Income and Earnings. This item is divided in Services and Other Operating Income and Earnings. The Services is expected to grow 5% in the first two years in line with the previous years. Yet, I don't know the players in the long run so I used a conservative approach and after the third year the growth rate is only 3%.

The second assumption is related to the Operating Expenses and Losses. This item unfolds in several items, the most important being: Supplies and Services and Personal Expenses. In terms of Supplies and Services the approach used is the percentage of sales method, and the percentage used was 30%.

Relative to Personal Expenses a reduction of 2% per year is assumed, explained by the investment in young players who receive lower salaries (Appendix 6 and Table 7).

Multiples Method: Methodology Assumptions

The first method is computed using the Enterprise Value of each company, which is calculated by the difference between the Equity Market Value (Shares Outstanding times the respective Share Price) and the Net Debt (Current liabilities + Non-Current liabilities – Cash and Cash equivalents). It reflects the market value of the entire business and it also represents the sum of investors' claims on the firm's cash flows from all holdings long term debt, preferred stock, common shareholders and minority shareholders (Appendix 8 and Table 8).

The comparable used in this valuation are the ones that are previously mentioned.

In this valuation, we considered the year N-1 (2015) and N (2016). I considered four main multiples: EV/Sales, EV/EBITDAPS, EV/EBITDA and EV/EBIT. Afterwards, I estimated the Enterprise value of Sport Lisboa e Benfica, SAD by multiplying each multiple of each company at both years by the respective value of sales, EBITDAPS, EBITDA and EBIT of Sport Lisboa e Benfica, SAD.

Later, I was able to reach a minimum, median and maximum average for both years. These values will be used to select a range in which the Enterprise Value will be on. Since the difference between both years was lower in terms of average I considered to use it (Appendix 8 and Table 9).

Table 6: Balance Sheet Assumptions Highlights

Assumptions	
Non Current Asset	
Tangible Assets	2% Growth
Intangible Assets	3% Growth first two years 1,5% Growth rest of the period
Clients	9% Growth first two years 3,0% Growth rest of the period
Current Assets	
Clients	6% Growth first two years 1,0% Growth rest of the period
Non Current Liabilities	
Suppliers	5% % of sales
Current Liabilities	
Suppliers	30% % of sales

Source: Amadeus Database and RF estimations

Table 7: P&L Assumptions Highlights

Operating Income and Earnings		
Services	5% Growth first two years	3% Growth rest of the period
Other Operating Income	2% Growth	
Operating Expenses and Losses		
Supplies and Services	30% % of Sales	
Personal Expenses	2% Decrease	
Athletes Transactions Results		
Revenues with Athletes	6% Growth first two years	3% Growth rest of the period
Expenses with Athletes	11% % of Sales	

Source: Amadeus Database and RF estimations

Table 8: Comparable EV

MARKET DATA OF COMPANIES IN THE SAMPLE	EV
National Football Clubs	
Futebol Clube do Porto, SAD	355 189 539 €
Sporting Clube de Portugal, SAD	285 164 749 €
International Football Clubs	
Juventus	495 813 032 €
Olympique Lyonnais	269 122 558 €
Roma	607 010 730 €

Source: Amadeus Database and RF estimations

Table 9: Equity Range

Selected Range	435 000 000,0 €	500 000 000,0 €
----------------	-----------------	-----------------

Source: Amadeus Database and RF estimations

Considering the Value of Debt and subtracting the value of cash, I already know the net of cash, so I can adopt this value as Net Debt, and estimate the Equity Value of Sport Lisboa e Benfica, SAD for the lower and upper limits of the selected range.

Finally, an Enterprise Value of € 43 million is reached, which translates into a target price of € 1.84, which reveals that SLBEN is currently undervalued. This value represents a potential upside of 101.3% (Appendix 8 and Table 10).

DCF Method: Methodology Assumptions

Commonly used in valuation, the DCF method delivers estimates of the economic value of a firm at a moment in time. Therefore, taking into account the assumptions previously mentioned, we reached the Forecasted Cash Flows for the next five years, since 2017 to 2021.

The FCFF method discounts the after tax free cash flow available to the firm from operations at the weighted average cost of capital to obtain the estimated Enterprise value.

To find the Weighted Average Cost of Capital (WACC) in this valuation I considered the year N (2016), which is calculated through the determination of the Unlevered Beta, Cost of Debt and also the Debt-to-Equity ratio. These variables are computed by the median of the respective value of each comparable (Appendix 9 and Table 11).

I know that:

$$\text{Cost of equity}(r_e) = r_f + \beta_E [E(R)_M - r_f] + \text{size premium}$$

Therefore, I came to a result of 10.6% through the following variables (Table 11):

In terms of Risk Free Rate (r_f) I did research on the website www.investing.com and on **June 30, 2017 I found a Portuguese five-year bond with a rate of 1,303%**.

Concerning the Levered Beta (β_E) I used the following formula:

$$\beta_E = \text{Median of Unelevered Beta of comparable} * \left[\left(1 + \frac{D}{E} \right) * (1 - \text{Taxe Rate}) \right]$$

For the Equity Risk Premium ($E(R)_M$) and for the Size Premium I used the Damodaran's data base so the values are: 5.9% and 3.0%, respectively (Appendix 9 and Table 11).

For the Cost of Debt (r_d) I used the Median of the comparable cost of debt which is 2.4% (Appendix 9 and Table 11).

Bearing in mind the Portuguese Tax rate of 21% (one with which in this valuation Benfica will always have positive EBT), the cost of debt net of taxes is 1.9%, which is much lower than the equity cost of capital I reached. For the initial Equity and Net Debt

Table 10: Output Multiples Method Valuation

Equity Value	42 362 000 €
Price per Share	1.84 €
Current Price	0.92 €
Upside/ Down Potential	101.3%

Source: SLBEN annual report and RF estimations

Table 11: DCF Input

Risk free rate Portugal	1.3%
Levered Beta	1.07
Equity risk premium	5.9%
Size premium	3.0%
Cost of equity	10.6%
Cost of debt	2.4%
Tax rate	21.0%
Cost of debt net of taxes	1.9%

Source: SLBEN annual report and RF estimations

Table 12: Actual Capital Structure

E/EV	4.7%
D/EV	95.3%

Source: SLBEN annual report and RF estimations

Table 13: Actual WACC Estimation

WACC	2.3%
------	------

Source: SLBEN annual report and RF estimations

Table 14: Future Capital Structure

E/EV	30.0%
D/EV	70.0%

Source: SLBEN annual report and RF estimations

of Sport Lisboa e Benfica, SAD, the Debt-to-EV ratio is 95.3%, and the respective WACC (intrinsic) is 2.3% (Appendix 9).

The formula used for the WACC calculation was:

$$WACC = \left(\text{Cost of Debt net of taxes} * \frac{D}{E+D} \right) + \left(r_e * \frac{E}{E+D} \right)$$

Since SLBEN intends to change its Capital structure, the same exercise was carried out to a Debt-to-EV of 70% and the respective WACC (long term) is 4.6% (Table 14 and Table 15).

To find the FCFF, I used the following formula:

$$FCFF = EBIT * (1 - \text{Taxe Rate}) + \text{Depreciations/Amortizations} - \text{CAPEX} - \text{Increase of Working Capital Requirements}$$

In terms of Depreciations and Amortizations I used the % of sales method of 12% in line with the values of the past five years (Appendix 9).

On the other hand, the values for CAPEX were calculated based on the Depreciation/Amortization of that year added from the change in the Total Assets.

To compute the value of the increase of Capital Requirements, I used the Net working Capital (Current Liabilities – Current Assets) and then I calculated the change by year.

With all this information, I computed the Terminal Value and the EV by the following formulas:

$$TV = [FCFF_n * (1 + g)] / [(WACC(long term) - g)]$$

Where (g) is the Perpetual Growth rate that I used as 0% (Appendix 9).

$$EV = \sum_{n=1}^{t=n} \frac{FCFF_n}{(1 + WACC(intrinsic))^n} + \frac{TV}{(1 + WACC(long term))^n}$$

With this I come to a final value for a price target of €1.84 which is in line with the price obtained in the multiples method (Appendix 9 and Table 17).

Table 15: Future WACC Estimation

WACC	4.5%
------	------

Source: SLBEN annual report and RF estimations

Table 16: DCF Output

Long term WACC	4.5%
WACC for the explicit period	2.3%
TV	438 040 131 €
PV of DCF	24 731 631 €
Entity Value	462 771 763 €
Debt	467 592 461 €
Cash	47 245 590 €
Intrinsic Value of Equity	42 424 891 €

Source: SLBEN annual report and RF estimations

Table 17: Output DCF Valuation Method

Intrinsic Value of Equity	42 400 893 €
Price per Share	1.84 €
Current Price	0.92 €
Upside/ Down Potential	101.3%

Source: SLBEN annual report and RF estimations

7. Financial Analysis

In this section, for the analysis of the financial performance of SLBEN, the following indicators were chosen: Assets; Liabilities; Equity; Operating Income; EBITDAPS and EBITDA.

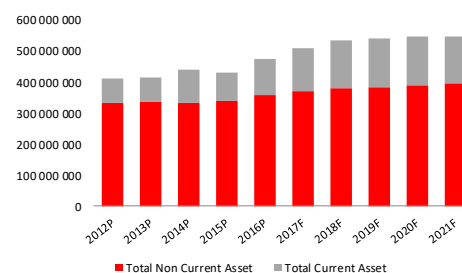
In terms of Assets over the last five years there has been an annual increase of around 2%. This increase is due to the constant appreciation of the soccer squad of Sport Lisboa e Benfica as well as to all the infrastructures that the club has. It should be noted that in this analysis this growth was assumed for the future, since it is possible that the team will continue to value itself, being possible to add an increase in Caixa Futebol Campos as well as the expected construction of the Benfica School (Figure 27).

On the other hand, with regard to Liabilities it is possible to verify that these have floated around the same value. However, and in order to change its capital structure, it was assumed that the club would be able to repay its bonds, not being necessary to make a new bond loan to pay the previous one in the future (this is the practice of the club to date) (Figure 29).

Referring to the Equity of Sport Lisboa e Benfica, SAD, it is possible to verify that this has grown in a sustained way, accompanied by the sporting successes. After many years this item has assumed positive values and it is believed that it tends to accelerate its growth rate based on the transfer market movements this year, since Benfica only spent € 8 million and achieved revenues of over € 100 million, thus managing to channel much of the money to pay its liabilities and increase its equity. In this analysis it is assumed that this will be the position of the club in the next years, which is why a marked increase is expected (Figure 28).

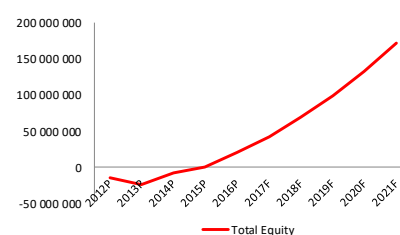
Concerning, the Operating Income I expected that these grow at two different rates. In the first two years at a rate of 5% a year since Benfica has the hegemony of national football which allows them to make more sales among their partners, namely of annual seats (Redpass). It should be noted that the fact that the contract with Emirates expires at the end of the 2017/2018 season also leads to consider this increase so fast, and it is expected that in this new agreement the sale of the naming of the stadium will be made. After two years, the growth is only 2% in a conservative vision. At the level of Other Operating Income growth is 2%, which again denotes a conservative view, because a large part of this item is related to the UEFA prizes, which each year increase their net value (around 2%), knowing that the base year is 2016 in which Sport Lisbon and Benfica only stayed among the last 16 of this competition, it was assumed that this would be the level reached each year and only the annual update of the UEFA prizes would be counted.

Figure 27: Asset Forecast



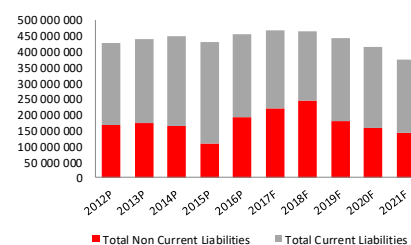
Source: SLBEN annual report and RF estimations

Figure 28: Equity Forecast



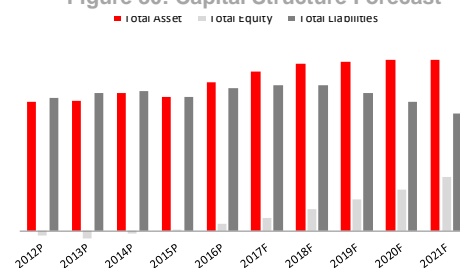
Source: SLBEN annual report and RF estimations

Figure 29: Liabilities Forecast



Source: SLBEN annual report and RF estimations

Figure 30: Capital Structure Forecast

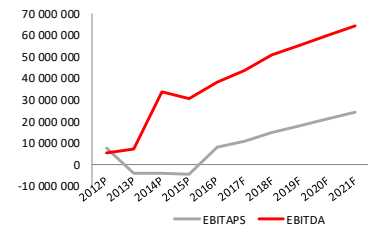


Source: SLBEN annual report and RF estimations

In terms of EBITDAPS, which is related to the results before the sale of players, has improved and stabilized most particularly in recent years in values around €30 million. For the future, it was assumed that this value would grow to almost €40 million, since with the strong investment in training and in young international values the Personnel Expenses should decrease, thus having a positive effect on this indicator (Figure 31).

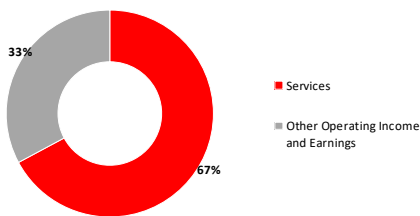
Finally, with respect to EBITDA, it is possible to verify that this item registered in 2016 its highest value of approximately €40 million, which is the corollary of sustained growth and the beginning of a strategy. On the other hand, in the future, and based on the new strategy that was already mentioned in the previous paragraph, a constant increase was assumed throughout the forecasted period, expecting to reach values around €65 million in 2021 (Figure 31; Figure 32 and Figure 33).

Figure 31: EBITDAPS Vs EBITDA Forecast



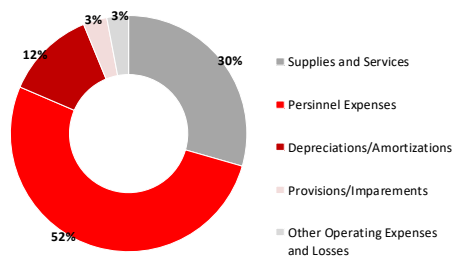
Source: SLBEN annual report and RF estimations

Figure 33: Income 2016



Source: SLBEN annual report and RF edition

Figure 32: Expenses 2016



Source: SLBEN annual report and RF edition

8. Investment Risks

Taking into account the industry and the segment where Sport Lisboa e Benfica is positioned, it is possible to state that the group is exposed to the following types of risk: Credit Risk; Fidelity Risk; Financial Fair-Play Risk; Liquidity Risk; Market Risk; Operational Risk; Refinancing Risk and Sports Risk.

These risk groups are constantly updated and monitored by the board of directors in order to provide Sport Lisboa and Benfica, SAD, for any eventuality, a contingency plan always ready to be executed. All club policies take into account the surrounding market and its associated risk.

Credit Risk

The credit Risk is linked with the incapacity of a borrower to repay a loan. Bearing this definition in mind and adapting it to the Football Industry, and more precisely to Sport Lisboa e Benfica it is possible to refer that this risk comes from the inability of the other clubs to pay the agreed fees, which correspond to the sale of players.

These player sales are the major part of the accounts receivable once the value of the players is very high and the other clubs tend to make partial payments over three or four years.

Since Sport Lisboa e Benfica sell players to the biggest clubs in the world, for example in the last transfer market, players have been sold to Barcelona FC, Manchester City and Manchester United; it is possible to mitigate the risk of non-payment of credit since these are the most prestigious clubs in the world.

With regard to the impact of this type of risk, if it occurs, it is medium since the amounts involved are large.

Fidelity Risk

The risk of loyalty occurs because a portion of the income depends on the satisfaction of the supporters as well as their militancy.

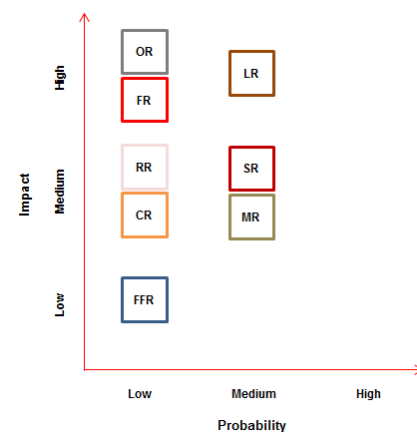
For a team to succeed, in addition to building a strong squad and hard work, it needs a good base of supporters who accompany them on the game days creating the whole environment, in football stadiums, which often facilitates the in vitro games.

When the team is not good at sport it is complicated to maintain this militancy which brings, as mentioned above, sports and financial benefits (quota payments and merchandising).

Being that this type of risk has a double effect, it is reasonable to state that it has a huge impact in Sport Lisboa e Benfica.

Meanwhile, the probability of this to occur is low due to the club's sporty stability as well as the club's huge fan base.

Figure 34: Risk Matrix



Source: Amadeus Database and RF estimations

Financial Fair-Play Risk

Financial Fair-Play was created and approved by UEFA in June 2010 and its kick off was made in 2011.

The golden rule of financial fair-play consists in the clubs not having a negative break-even point of EUR 5 million for more than two consecutive years. This break-even is the difference between the income and the expenses of the season. However, it is important to refer that if the club have cumulative negative results of EUR 30 million they are automatically disqualified from the UEFA competitions. Another important thing to refer is that investments in stadiums, training facilities, youth development and women's football are not taken into account to calculate the break-even point.

If the club incur in the financial fair-play procedure they will:

- I. Receive a warning
- II. Pay a fine
- III. Get their UEFA prizes withdrawn
- IV. Have the registration of players limited
- V. Be prohibited to participate in UEFA competitions

With regard to Sport Lisboa e Benfica, the club meets the criteria to participate in UEFA competitions without any sanction.

Liquidity Risk

Liquidity Risk occurs when the Group cannot meet its debt obligations without incurring large losses.

This type of risk is systemic and very similar throughout the industry and in all companies, so it is possible to state that the impact and likelihood that this type of risk may occur is medium.

Market Risk

The Market Risk is most commonly known as "systematic risk". This risk can be hedged; however, it cannot be eliminated. This risk is represented by the change in interest rates, exchange rates and other items that influence the market prices.

Concerning this industry and more precisely, Sport Lisboa e Benfica, the item of greater concern and which requires more caution, is the evolution of the interest rates.

To mitigate this risk SLBEN have a proactive action and contracted interest rate swaps, so they use the very common strategy of hedging.

Operational Risk

Sport Lisboa e Benfica, SAD uses the club's facilities, so if, at any time, the club refuses to give up the facilities, the public limited sports company (SAD), will face some problems.

However, this risk is minimal since the people who run the club also run Sport Lisboa e Benfica, SAD.

Another important reference to this fact is that the president Luís Filipe Vieira is trying to move the facilities to the public limited sports company (SAD), which is expected to happen in a few years.

Refinancing Risk

This type of risk is also linked to the ability of firms to finance themselves through banks at the same time as capital markets. Given the industry in which the club is present and the difficult relationship between football clubs and banks, this risk could be very high. However, in order to mitigate this risk, Sport Lisboa e Benfica has financed itself differently through bond launching.

Sports Risk

This type of risk is entirely related to the business of the company. Bearing in mind that its main source of income and expenditure is with the senior football team, this risk represents in a global way all the problems that Sport Lisboa and Benfica can face at a sporting level.

Sports performance is an extremely important condition for the company to achieve good financial results. The fact that the club achieved the hegemony of Portuguese football and the fact that it had a reasonable performance in the UEFA Champions League allowed the club to achieve financial results never before achieved. Sold tickets, television rights, sponsorships and the sale of merchandising are examples of income sources that are positively affected by good sports results.

Another implication of good sports performances is the price of the players and their sale. With the constant successes that the club achieved it was possible to sell a great amount of players for extremely high prices. It is worth noting that with the investment in training this source of income has an even greater importance, since the cost of the players has been very low, and most of the value of the transfer reverts to Sport Lisboa e Benfica that does not have to share profits with other clubs or even intermediaries.

Risks to Price Target

SLBEN is sensitive to several key variables. In this analysis, four study variables were chosen: WACC, g , R_d and EBITDA. These variables, apart from EBITDA, refer to the DCF method, with EBITDA being transversal to both methods. Note that the target price of SLBEN was found to be extremely sensitive to changes in any of these four variables having a curious effect, the effect of variations of the WCC and g are inherently proportional (Appendix 10).

Monte Carlo Simulation

The variables used to conduct this study were the same as those referenced in the study of the risk to price target.

For the Monte Carlo Simulation, two processes were performed. The first one consisted, like the sensitive analyses, in the effect that was had on our target price if only one of the variables is changed, *ceteris paribus* (Appendix 11).

The methodology used for the second consisted in the change of all the variables simultaneously, *ceteris paribus* (Appendix 11).

First, Monte Carlo simulation was applied to the rd variable, and it is possible to state that the probability of buy, which is the final recommendation of this study, presents a probability of occurring of 63.73% (Table 18 and Appendix 11).

Table 18: Monte Carlo Simulation - Rd

rd (LogNormal Distribution):

mean	1.51 €		
standard deviation	1.68 €		
Probability (z<1,84)	57.89%	Probability (z<0,92)	36.27%
Probability (z>1,84) - BUY	42.11%	Probability (z>0,92) - BUY	63.73%

Source: RF estimations

Then the same study was carried out for the variable g and once again the buy parity is supported with a probability of occurring of 73.55% (Table 19 and Appendix 11).

Table 19: Monte Carlo Simulation - g

g (LogNormal Distribution):

mean	1.99 €		
standard deviation	1.70 €		
Probability (z<1,84)	46.59%	Probability (z<0,92)	26.45%
Probability (z>1,84) - BUY	53.41%	Probability (z>0,92) - BUY	73.55%

Source: RF estimations

With a probability of the price being greater than € 0.92 of 63.66% it is possible to infer that a simulation for the WACC also supports the final purchase agreement (Table 20 and Appendix 11).

Table 20: Monte Carlo Simulation - WACC

WACC (LogNormal Distribution):

mean	1.50 €		
standard deviation	1.66 €		
Probability (z<1,84)	58.22%	Probability (z<0,92)	36.34%
Probability (z>1,84) - BUY	41.78%	Probability (z>0,92) - BUY	63.66%

Source: RF estimations

The last variable to be analyzed in isolation was EBITDA Margin being that my recommendation to buy is supported by a probability that the price will be higher than the current one of 99.00% agreement (Table 21 and Appendix 11).

Table 21: Monte Carlo Simulation - EBITDA Margin

EBITDA Margin (LogNormal Distribution):

mean	1.85 €		
standard deviation	0.40 €		
Probability (z<1,84)	49.47%	Probability (z<0,92)	1.00%
Probability (z>1,84) - BUY	49.64%	Probability (z>0,92) - BUY	99.00%

Source: RF estimations

Finally Monte Carlo simulation was performed based on all variables at the same time. Based on this proposition, it is once again possible to state that the purchase recommendation is the most probable with a probability that the price will be higher than the last historical price of 67.80% (Table 22 and Appendix 11).

Table 22: Monte Carlo Simulation - All Variables

All Variables (LogNormal Distribution):

mean	2.20 €		
standard deviation	2.77 €		
Probability (z<1,84)	44.90%	Probability (z<0,92)	32.20%
Probability (z>1,84) - BUY	54.88%	Probability (z>0,92) - BUY	67.80%

Source: Amadeus and RF estimations

Appendices

Appendix 1: Statement of Financial Position

Balance Sheet	Historical Data					Forecasted Data				
	jun/12	jun/13	jun/14	jun/15	jun/16	jun/17	jun/18	jun/19	jun/20	jun/21
Asset										
Non Current Asset										
Tangible Assets	157 675 841	160 951 939	164 416 000	166 630 000	169 331 000	172 717 620	176 171 972	179 695 412	183 289 320	186 955 106
Intangible Assets	105 039 413	115 799 421	109 476 000	104 667 000	169 007 000	174 077 210	179 299 526	181 989 019	184 718 854	187 489 637
Investments in Subsidiaries	0	0	0	0	0	0	0	0	0	0
Investments in Associated Companies	2 995 240	2 388 892	4 058 000	24 000	25 000	25 000	25 000	25 000	25 000	25 000
Other Financial Assets	100	100	836 000	5 094 000	5 118 000	5 015 640	4 915 327	4 817 021	4 720 680	4 626 267
Investment Properties	7 338 989	7 006 639	6 674 000	6 690 000	6 442 000	10 000 000	10 000 000	6 000 000	6 000 000	6 000 000
Clients	25 250 360	6 963 687	0	9 926 000	6 242 000	6 803 780	7 416 120	7 638 604	7 867 762	8 103 795
Group Companies and related Parties	35 968 796	43 916 820	46 339 000	46 638 000	3 080 000	3 018 400	2 958 032	2 898 871	2 840 894	2 784 076
Deferrals	0	0	0	359 000	333 000	0	0	0	0	0
Difered Taxes	0	0	0	347 000	484 000	0	0	0	0	0
Total Non Current Asset	334 268 739	337 027 498	331 799 000	340 375 000	360 062 000	371 657 650	380 785 978	383 063 927	389 462 511	395 983 881
Current Assets										
Other Financial Assets	5 335 466	4 739 381	4 795 000	0	0	0	0	0	0	0
Clients	53 595 312	51 801 488	79 691 000	62 733 000	69 134 000	73 282 040	77 678 962	78 455 752	79 240 310	80 032 713
Group Companies and Related Parties	6 478 495	227 192	139 000	1 674 000	4 258 000	4 500 000	4 500 000	4 500 000	4 500 000	4 500 000
Others	7 126 347	20 347 844	17 942 000	16 238 000	10 023 000	10 223 460	10 427 929	10 636 488	10 849 218	11 066 202
Deferrals	1 757 871	2 132 862	2 233 000	2 448 000	2 563 000	2 614 260	2 666 545	2 719 876	2 774 274	2 829 759
Cash and Equivalents	3 358 620	394 934	4 080 000	6 742 000	30 338 000	47 245 590	57 786 780	62 182 423	60 564 433	52 985 947
Total Current Asset	77 652 111	79 643 701	108 880 000	89 835 000	116 316 000	137 865 350	153 060 217	158 494 539	157 928 234	151 414 621
Total Asset	411 920 850	416 671 199	440 679 000	430 210 000	476 378 000	509 523 000	533 846 195	541 558 466	547 390 745	547 398 502
Equity										
Starting Stockholders' Equity	115 000 000	115 000 000	115 000 000	115 000 000	115 000 000	115 000 000	115 000 000	115 000 000	115 000 000	115 000 000
Premium Shares	121 580	121 580	122 000	122 000	122 000	122 000	122 000	122 000	122 000	122 000
Fair Value Reserves	-2 818 032	-2 081 243	-2 935 000	-2 480 000	-2 159 000	-2 000 000	-2 000 000	-2 000 000	-2 000 000	-2 000 000
Other Reserves	-1 158 240	-1 158 240	666 000	1 858 000	1 858 000	1 858 000	1 858 000	1 858 000	1 858 000	1 858 000
Accumulated Results	-113 607 688	-125 297 941	-135 419 000	-120 997 000	-114 315 000	-93 919 000	-73 049 461	-46 357 640	-15 965 522	18 182 115
Net Profit	-11 690 253	-10 393 584	14 165 000	7 072 000	20 396 000	20 869 539	26 691 821	30 392 118	34 147 637	37 960 957
Total Equity	-14 152 633	-23 809 428	-8 401 000	575 000	20 902 000	41 930 539	68 622 360	99 014 478	133 162 115	171 123 072
Liabilities										
Non Current Liabilities										
Provisions	6 230 259	6 136 310	2 851 000	2 013 000	1 442 000	1 500 000	1 500 000	1 500 000	1 500 000	1 500 000
Liabilities for Post-Employment Benefits	1 244 788	1 572 575	1 634 000	1 653 000	2 307 000	2 500 000	2 500 000	2 500 000	2 500 000	2 500 000
Loans	96 578 280	115 761 806	126 261 000	72 549 000	154 309 000	177 455 350	204 073 653	136 321 982	115 873 685	98 492 632
Derivatives	12 765 928	11 720 836	12 076 000	10 965 000	10 558 000	10 500 000	10 500 000	10 500 000	10 500 000	10 500 000
Suppliers	24 245 281	7 581 959	1 655 000	6 562 000	3 022 000	6 556 838	6 821 337	7 004 441	7 192 607	7 385 979
Group Companies and Related Parties	0	0	0	0	0	0	0	0	0	0
Others	6 789 679	10 837 210	7 293 000	8 459 000	14 153 000	14 436 060	14 724 781	15 019 277	15 319 662	15 626 056
Deferrals	12 081 451	10 939 067	8 187 000	1 799 000	1 396 000	1 423 920	1 452 398	1 481 446	1 511 075	1 541 297
Difered Taxes	7 642 411	7 171 691	5 348 000	4 509 000	4 402 000	4 000 000	4 000 000	4 000 000	4 000 000	4 000 000
Total Non Current Liabilities	167 578 077	171 721 454	165 305 000	108 509 000	191 589 000	218 372 168	245 572 169	178 327 146	158 397 030	141 545 964
Current Liabilities										
Loans	172 050 719	162 662 872	191 279 000	238 915 000	156 102 000	140 904 809	108 370 692	150 431 187	139 482 767	115 757 538
Suppliers	42 313 588	49 860 829	31 962 000	27 394 000	40 139 000	39 341 025	40 928 024	42 026 647	43 155 645	44 315 876
Group Companies and Related Parties	0	53 847	0	5 000	73 000	50 000	50 000	50 000	50 000	50 000
Others	31 388 004	47 360 175	51 889 000	40 416 000	51 716 000	52 750 320	53 805 326	54 881 433	55 979 062	57 098 643
Deferrals	12 743 095	8 821 450	8 645 000	14 386 000	15 857 000	16 174 140	16 497 623	16 827 575	17 164 127	17 507 409
Total Current Liabilities	258 495 406	268 759 173	283 775 000	321 126 000	263 887 000	249 220 294	219 651 666	264 216 842	255 831 600	234 729 466
Total Liabilities	426 073 483	440 480 627	449 080 000	429 635 000	455 476 000	467 592 461	465 223 835	442 543 988	414 228 630	376 275 430
Total Equity + Liabilities	411 920 850	416 671 199	440 679 000	430 210 000	476 378 000	509 523 000	533 846 195	541 558 466	547 390 745	547 398 502

Source: SLBEN data and Ricardo Ferreira estimates

Appendix 2: Income Statement

Income Statement	Historical Data					Forecasted Data				
	jun/12	jun/13	jun/14	jun/15	jun/16	jun/17	jun/18	jun/19	jun/20	jun/21
	Operating Income and Earnings	91 118 798	88 305 752	105 039 000	101 974 000	126 075 000	131 136 750	136 426 748	140 088 824	143 852 149
Services	63 534 113	61 227 152	75 906 000	80 049 000	84 675 000	88 908 750	93 354 188	96 154 813	99 039 458	102 010 641
Other Operating Income and Earnings	27 584 685	27 078 600	29 133 000	21 925 000	41 400 000	42 228 000	43 072 560	43 934 011	44 812 691	45 708 945
Operating Expenses and Losses	-83 562 634	-92 624 210	-109 156 000	-106 474 000	-118 170 000	-120 549 785	-121 778 646	-122 282 755	-122 857 046	-123 502 366
Supplies and Services	-23 683 008	-26 632 911	-31 804 000	-32 190 000	-34 799 000	-39 341 025	-40 928 024	-42 026 647	-43 155 645	-44 315 876
Personal Expenses	-48 130 265	-50 430 758	-63 181 000	-59 607 000	-61 456 000	-60 226 880	-59 022 342	-57 841 896	-56 685 058	-55 551 356
Depreciations/Amortizations	-8 854 976	-8 932 320	-13 883 000	-13 446 000	-14 574 000	-15 736 410	-16 371 210	-16 810 659	-17 262 258	-17 726 350
Provisions/Impairments	-890 303	-2 076 508	2 251 000	793 000	-3 835 000	-1 311 368	-1 364 267	-1 400 888	-1 438 521	-1 477 196
Other Operating Expenses and Losses	-2 004 082	-4 551 713	-2 539 000	-2 024 000	-3 506 000	-3 934 103	-4 092 802	-4 202 665	-4 315 564	-4 431 588
Operating Income without Athletes	7 556 164	-4 318 458	-4 117 000	-4 500 000	7 905 000	10 586 965	14 648 101	17 806 070	20 995 103	24 217 220
Athletes Transactions Results	-2 430 587	11 392 366	37 643 000	34 916 000	30 113 000	33 040 513	36 080 008	37 339 006	38 639 306	39 982 217
Amortizations and Impairment Losses with Athletes Rights	-31 342 780	-29 995 373	-28 902 000	-30 408 000	-36 769 000	-39 341 025	-40 928 024	-42 026 647	-43 155 645	-44 315 876
Revenues with Athletes Transactions	30 602 852	51 466 441	75 576 000	78 825 000	81 893 000	86 806 580	92 014 975	94 775 424	97 618 687	100 547 247
Expenses with Athletes Transactions	-1 690 659	-10 078 702	-9 031 000	-13 501 000	-15 011 000	-14 425 043	-15 006 942	-15 409 771	-15 823 736	-16 249 155
Operating Income	5 125 577	7 073 908	33 526 000	30 416 000	38 018 000	43 627 478	50 728 110	55 145 076	59 634 408	64 199 437
Financial Revenues and Income	5 873 853	5 236 698	4 086 000	5 225 000	3 899 000	3 743 040	3 593 318	3 449 586	3 311 602	3 179 138
Financial Expenses and Losses	-22 795 645	-22 690 806	-23 705 000	-22 943 000	-21 381 000	-20 953 380	-20 534 312	-20 123 626	-19 721 154	-19 326 731
Earnings from Investments in Associates	-27 998	-368 748	137 000	-5 892 000	1 000	0	0	0	0	0
Profit Before Taxes	-11 824 213	-10 748 948	14 044 000	6 806 000	20 537 000	26 417 138	33 787 116	38 471 035	43 224 857	48 051 845
Taxes	133 960	355 364	121 000	266 000	141 000	-5 547 599	-7 095 294	-8 078 917	-9 077 220	-10 090 887
Profit	-11 690 253	-10 393 584	14 165 000	7 072 000	20 678 000	20 869 539	26 691 821	30 392 118	34 147 637	37 960 957
					0,7%		-21,0%			
EPS	-0,5083	-0,4519	0,6159	0,3075	0,8991	0,9074	1,1606	1,3215	1,4847	1,6505

Source: SLBEN data and Ricardo Ferreira estimates

Appendix 3: Cash Flow Statement

Cash Flow Statement	Historical Data					Forecasted Data				
	jun/12	jun/13	jun/14	jun/15	jun/16	jun/17	jun/18	jun/19	jun/20	jun/21
Cash Flow from Operating Activities										
Cash Generated from Operations	-14 071 613	-16 128 039	-23 774 000	-25 774 000	9 365 000	9 922 070	10 463 413	10 986 474	11 488 510	11 966 582
Receipts from Customers	64 447 217	64 966 212	85 413 000	84 428 000	111 171 000	114 506 130	117 941 314	121 479 553	125 123 940	128 877 658
Payment to Suppliers	-32 345 180	-32 379 201	-48 776 000	-52 125 000	-44 000 000	-46 200 000	-48 510 000	-50 935 500	-53 482 275	-56 156 389
Payment to Staff	-46 173 650	-48 715 050	-60 411 000	-58 077 000	-57 806 000	-58 384 060	-58 967 901	-59 557 580	-60 153 155	-60 754 687
Cash Paid from Operations	21 588 896	19 250 608	20 022 000	15 694 000	25 148 000	21 369 200	18 159 200	15 432 086	13 115 009	11 146 173
Payment/Receipts/of Income Tax	-175 777	329 997	142 000	197 000	44 000	30 800	21 560	15 092	10 564	7 395
Others Operating Receipts/Payments	21 764 673	18 920 611	19 880 000	15 497 000	25 104 000	21 338 400	18 137 640	15 416 994	13 104 445	11 138 778
Net Cash from Operating Activities	7 517 283	3 122 569	-3 752 000	-10 080 000	34 513 000	31 291 270	28 622 613	26 418 560	24 603 519	23 112 756
Cash Flows from Investing Activities										
Proceeds from	19 781 505	66 371 851	67 342 000	135 013 000	108 820 000	110 996 400	113 216 328	115 480 655	117 790 268	120 146 073
Intangible Assets	19 548 188	65 622 170	67 259 000	117 229 000	108 820 000	110 996 400	113 216 328	115 480 655	117 790 268	120 146 073
Interest and similar	233 317	749 681	83 000	16 000	0	0	0	0	0	0
Financial Investments	0	0	0	17 768 000	0	0	0	0	0	0
Payments to	-48 404 567	-70 982 513	-80 754 000	-94 722 000	-99 001 000	-102 961 040	-107 079 482	-111 362 661	-115 817 167	-120 449 854
Tangible Assets	-2 651 429	-5 391 918	-8 536 000	-8 093 000	-7 110 000	-7 394 400	-7 690 176	-7 997 783	-8 317 694	-8 650 402
Intangible Assets	-45 753 138	-65 590 595	-72 218 000	-57 718 000	-91 891 000	-95 566 640	-99 389 306	-103 364 878	-107 499 473	-111 799 452
Financial Statements	0	0	0	-28 911 000	0	0	0	0	0	0
Net Cash from Investing Activities	-28 623 062	-4 610 662	-13 412 000	40 291 000	9 819 000	8 035 360	6 136 846	4 117 994	1 973 100	-303 781
Cash Flows from Financial Activities										
Proceeds from	74 509 503	183 195 000	172 538 000	107 776 000	140 000 000	146 300 000	152 883 500	159 763 258	166 952 604	174 465 471
Borrowings	67 580 000	183 175 000	171 538 000	107 776 000	140 000 000	146 300 000	152 883 500	159 763 258	166 952 604	174 465 471
Borrowings from related parties	350 000	0	0	0	0	0	0	0	0	0
Loans to related parties	6 579 503	20 000	1 000 000	0	0	0	0	0	0	0
Payments to	-56 907 838	-184 709 048	-151 689 000	-135 326 000	-160 736 000	-168 719 040	-177 101 770	-185 904 168	-195 147 213	-204 852 932
Interest and similar	-15 649 515	-18 614 652	-20 797 000	-19 688 000	-20 318 000	-21 333 900	-22 400 595	-23 520 625	-24 696 656	-25 931 489
Borrowings	-34 584 684	-159 856 703	-128 606 000	-114 596 000	-139 522 000	-146 498 100	-153 823 005	-161 514 155	-169 589 863	-178 069 356
Borrowings from related parties	0	0	-23 000	0	0	0	0	0	0	0
Loans to related parties	-6 537 488	-6 102 706	-1 200 000	-138 000	0	0	0	0	0	0
Amortizations of leasing contracts	-136 151	-134 987	-1 063 000	-904 000	-896 000	-887 040	-878 170	-869 388	-860 694	-852 087
Net Cash from Financial Activities	17 601 665	-1 514 048	20 849 000	-27 550 000	-20 736 000	-22 419 040	-24 218 270	-26 140 910	-28 194 609	-30 387 461
Changes in the consolidation perimeter	0	38 455	0	0	0	0	0	0	0	0
Net increase/decrease in cash and cash equivalents	-3 484 114	-2 963 686	3 685 066	2 662 000	23 596 000	16 907 590	10 541 190	4 395 643	-1 617 990	-7 578 486
Cash and cash equivalents BoY	6 842 734	3 358 620	394 934	4 080 000	6 742 000	30 338 000	47 245 590	57 786 780	62 182 423	60 564 433
Cash and cash equivalents EoY	3 358 620	394 934	4 080 000	6 742 000	30 338 000	47 245 590	57 786 780	62 182 423	60 564 433	52 985 947

Source: SLBEN data and Ricardo Ferreira estimates

Key performance indicators

	EBITDAPS Margin		EBITDA Margin		ROS		ROA		Current Ratio		Solvency Ratio	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Football Club, SAD												
National Teams												
Futebol Clube do Porto, SAD	-84.29%	-73.93%	-50.05%	-50.05%	-55.31%	-55.31%	-11.07%	-11.07%	0.78	0.78	-10.76%	-10.76%
Sporting Clube de Portugal, SAD	52.92%	-52.91%	87.16%	-29.03%	55.09%	-53.47%	10.27%	-12.70%	0.07	0.02	16.74%	-6.24%
National Industry	-15.68%	-63.42%	18.56%	-39.54%	-0.11%	-54.39%	-0.40%	-11.88%	0.43	0.40	2.99%	-8.50%
International Teams												
Juventus	-18.70%	-9.06%	15.54%	14.82%	2.62%	1.47%	0.28%	0.15%	1.35	0.68	15.76%	14.72%
BVB	-21.54%	-14.76%	12.71%	9.13%	0.39%	19.64%	0.13%	29.44%	3.67	2.14	83.54%	61.59%
Manchester United	-32.06%	-27.58%	2.18%	-3.70%	-44.40%	-48.53%	-10.28%	-11.14%	0.41	0.42	13.05%	13.05%
International Industry	-24.10%	-17.13%	10.14%	6.75%	-13.80%	-9.14%	-3.29%	6.15%	1.81	1.08	37.45%	29.79%
Overall Industry	-20.73%	-35.65%	13.51%	-11.77%	-8.32%	-27.24%	-2.13%	-1.06%	1.26	0.81	23.67%	14.47%
Sport Lisboa e Benfica, SAD	-4.41%	6.27%	36.91%	27.69%	6.67%	16.29%	1.58%	4.31%	0.83	0.61	-5.40%	2.87%

Source: SLBEN data and Ricardo Ferreira estimates

Appendix 5: Common-Size Statement of Financial Position

Balance Sheet	Historical Data					MEAN	Forecasted Data				
	jun/12	jun/13	jun/14	jun/15	jun/16		jun/17	jun/18	jun/19	jun/20	jun/21
Asset											
Non Current Asset											
Tangible Assets	38.3%	38.6%	37.3%	38.7%	35.5%	38%	33.9%	33.0%	33.2%	33.5%	34.2%
Intangible Assets	25.5%	27.8%	24.8%	24.3%	35.5%	28%	34.2%	33.6%	33.6%	33.7%	34.3%
Investments in Subsidiaries	0.0%	0.0%	0.0%	0.0%	0.0%	0%	0.0%	0.0%	0.0%	0.0%	0.0%
Investments in Associated Companies	0.7%	0.6%	0.9%	0.0%	0.0%	0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other Financial Assets	0.0%	0.0%	0.2%	1.2%	1.1%	1%	1.0%	0.9%	0.9%	0.9%	0.8%
Investment Properties	1.8%	1.7%	1.5%	1.6%	1.4%	2%	2.0%	1.9%	1.1%	1.1%	1.1%
Clients	6.1%	1.7%	0.0%	2.3%	1.3%	1%	1.3%	1.4%	1.4%	1.4%	1.5%
Group Companies and related Parties	8.7%	10.5%	10.5%	10.8%	0.6%	8%	0.6%	0.6%	0.5%	0.5%	0.5%
Deferrals	0.0%	0.0%	0.0%	0.1%	0.1%	0%	0.0%	0.0%	0.0%	0.0%	0.0%
Difered Taxes	0.0%	0.0%	0.0%	0.1%	0.1%	0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Non Current Asset	81.1%	80.9%	75.3%	79.1%	75.6%		73%	71%	71%	71%	72%
Current Assets											
Other Financial Assets	1.3%	1.1%	1.1%	0.0%	0.0%	1%	0.0%	0.0%	0.0%	0.0%	0.0%
Clients	13.0%	12.4%	18.1%	14.6%	14.5%	15%	14.4%	14.6%	14.5%	14.5%	14.6%
Group Companies and Related Parties	1.6%	0.1%	0.0%	0.4%	0.9%	0%	0.9%	0.8%	0.8%	0.8%	0.8%
Others	1.7%	4.9%	4.1%	3.8%	2.1%	4%	2.0%	2.0%	2.0%	2.0%	2.0%
Deferrals	0.4%	0.5%	0.5%	0.6%	0.5%	1%	0.5%	0.5%	0.5%	0.5%	0.5%
Cash and Equivalents	0.8%	0.1%	0.9%	1.6%	6.4%	2%	9.3%	10.8%	11.5%	11.1%	9.7%
Total Current Asset	18.9%	19.1%	24.7%	20.9%	24.4%	22%	27%	29%	29%	29%	28%
Total Asset	100.0%	100.0%	100.0%	100.0%	100.0%	100%	100%	100%	100%	100%	100%
Equity											
Starting Stockholders' Equity	27.9%	27.6%	26.1%	26.7%	24.1%	26%	23%	22%	21%	21%	21%
Premium Shares	0.0%	0.0%	0.0%	0.0%	0.0%	0%	0%	0%	0%	0%	0%
Fair Value Reserves	-0.7%	-0.5%	-0.7%	-0.6%	-0.5%	-1%	0%	0%	0%	0%	0%
Other Reserves	-0.3%	-0.3%	0.2%	0.4%	0.4%	0%	0%	0%	0%	0%	0%
Accumulated Results	-27.6%	-30.1%	-30.7%	-28.1%	-24.0%	-28%	-18%	-14%	-9%	-3%	3%
Net Profit	-2.8%	-2.5%	3.2%	1.6%	4.3%	2%	4%	5%	6%	6%	7%
Total Equity	-3.4%	-5.7%	-1.9%	0.1%	4.4%	-1%	8%	13%	18%	24%	31%
Liabilities											
Non Current Liabilities											
Provisions	1.5%	1.5%	0.6%	0.5%	0.3%	1%	0.3%	0.3%	0.3%	0.3%	0.3%
Liabilities for Post-Employment Benefits	0.3%	0.4%	0.4%	0.4%	0.5%	0%	0.5%	0.5%	0.5%	0.5%	0.5%
Loans	23.4%	27.8%	28.7%	16.9%	32.4%	26%	34.8%	36.2%	25.2%	21.2%	18.0%
Derivatives	3.1%	2.6%	2.7%	2.5%	2.2%	3%	2.1%	2.0%	1.9%	1.9%	1.9%
Suppliers	5.9%	1.6%	0.4%	1.5%	0.6%	1%	1.3%	1.3%	1.3%	1.3%	1.3%
Group Companies and Related Parties	0.0%	0.0%	0.0%	0.0%	0.0%	0%	0.0%	0.0%	0.0%	0.0%	0.0%
Others	1.6%	2.6%	1.7%	2.0%	3.0%	2%	2.8%	2.8%	2.8%	2.8%	2.9%
Deferrals	2.9%	2.6%	1.9%	0.4%	0.3%	1%	0.3%	0.3%	0.3%	0.3%	0.3%
Difered Taxes	1.9%	1.7%	1.2%	1.0%	0.9%	1%	0.8%	0.7%	0.7%	0.7%	0.7%
Total Non Current Liabilities	40.7%	41.2%	37.5%	25.2%	40.2%	36%	43%	46%	33%	29%	26%
Current Liabilities											
Loans	41.8%	39.0%	43.4%	55.5%	32.8%	43%	27.7%	20.3%	27.8%	25.5%	21.1%
Suppliers	10.3%	12.0%	7.3%	6.4%	8.4%	9%	7.7%	7.7%	7.8%	7.9%	8.1%
Group Companies and Related Parties	0.0%	0.0%	0.0%	0.0%	0.0%	0%	0.0%	0.0%	0.0%	0.0%	0.0%
Others	7.6%	11.4%	11.8%	9.4%	10.9%	11%	10.4%	10.1%	10.1%	10.2%	10.4%
Deferrals	3.1%	2.1%	2.0%	3.3%	3.3%	3%	3.2%	3.1%	3.1%	3.1%	3.2%
Total Current Liabilities	62.8%	64.5%	64.4%	74.6%	55.4%	65%	49%	41%	49%	47%	43%
Total Liabilities	103.4%	105.7%	101.9%	99.9%	95.6%	101%	92%	87%	82%	76%	69%
Total Equity + Liabilities	100.0%	100.0%	100.0%	100.0%	100.0%		100%	100%	100%	100%	100%
Income Statement											
Operating Income and Earnings	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Services	70%	69%	72%	78%	67%	72%	68%	68%	69%	69%	69%
Other Operating Income and Earnings	30%	31%	28%	22%	33%	28%	32%	32%	31%	31%	31%
Operating Expenses and Losses	-92%	-105%	-104%	-104%	-94%	-102%	-92%	-89%	-87%	-85%	-84%
Supplies and Services	-26%	-30%	-30%	-32%	-28%	-30%	-30%	-30%	-30%	-30%	-30%
Personal Expenses	-53%	-57%	-60%	-58%	-49%	-56%	-46%	-43%	-41%	-39%	-38%
Depreciations/Amortizations	-10%	-10%	-13%	-13%	-12%	-12%	-12%	-12%	-12%	-12%	-12%
Provisions/Imparements	-1%	-2%	2%	1%	-3%	-1%	-1%	-1%	-1%	-1%	-1%
Other Operating Expenses and Losses	-2%	-5%	-2%	-2%	-3%	-3%	-3%	-3%	-3%	-3%	-3%
Operating Income without Athletes	8.3%	-4.9%	-3.9%	-4.4%	6.3%	-2%	8.1%	10.7%	12.7%	14.6%	16.4%
Athletes Transactions Results	-2.7%	12.9%	35.8%	34.2%	23.9%	27%	25.2%	26.4%	26.7%	26.9%	27.1%
Amortizations and Impairment Losses w ith Athlets Rights	-34%	-34%	-28%	-30%	-29%	-30%	-30%	-30%	-30%	-30%	-30%
Revenues w ith Athletes Transactions	34%	58%	72%	77%	65%	68%	66%	67%	68%	68%	68%
Expenses w ith Athletes Transactions	-2%	-11%	-9%	-13%	-12%	-11%	-11%	-11%	-11%	-11%	-11%
Operating Income	5.6%	8.0%	31.9%	29.8%	30.2%	25%	33.3%	37.2%	39.4%	41.5%	43.5%
Financial Revenues and Income	6%	6%	4%	5%	3%	5%	3%	3%	2%	2%	2%
Financial Expenses and Losses	-25%	-26%	-23%	-22%	-17%	-22%	-16%	-15%	-14%	-14%	-13%
Earnings from Investmenrs in Associates	0%	0%	0%	-6%	0%	-2%	0%	0%	0%	0%	0%
Profit Before Taxes	-13.0%	-12.2%	13.4%	6.7%	16.3%	6%	20.1%	24.8%	27.5%	30.0%	32.5%
Taxes	0.15%	0.40%	0.12%	0.26%	0.11%		-4.23%	-5.20%	-5.77%	-6.31%	-6.83%
Profit	-12.8%	-11.8%	13.5%	6.9%	16.4%		15.9%	19.6%	21.7%	23.7%	25.7%

Source: SLBEN data and Ricardo Ferreira estimates

Appendix 6: Forecasting Assumptions

Balance Sheet	
Asset	Assumptions
Non Current Asset	
Tangible Assets	2% Growth
Intangible Assets	3% Growth first two years; 1.5% Growth rest of the period
Investments in Subsidiaries	0 Constant
Investments in Associated Companies	Constant
Other Financial Assets	2% Decrease
Investment Properties	Constant
Clients	9% Growth first two years; 3.0% Growth rest of the period
Group Companies and related Parties	2% Decrease BTV
Deferrals	0 Constant
Difered Taxes	0 Constant
Total Non Current Asset	
Current Assets	
Other Financial Assets	0 Constant
Clients	6% Growth first two years; 1.0% Growth rest of the period
Group Companies and Related Parties	Constant
Others	2% Growth
Deferrals	2% Growth
Cash and Equivalents	Come from CF statement
Total Current Asset	
Total Asset	
Equity	
Starting Stockholders' Equity	Constant
Premium Shares	Constant
Fair Value Reserves	Constant
Other Reserves	Constant
Acumulated Results	Come from P&L
Net Profit	Come from P&L
Total Equity	
Liabilities	
Non Current Liabilities	
Provisions	Constant
Liabilities for Post-Employment Benefits	Constant
Loans	Convertible Bonds
Derivatives	Constant
Suppliers	5% % of sales
Group Companies and Related Parties	0 Constant
Others	2% Growth
Deferrals	2% Decrease
Difered Taxes	Constant
Total Non Current Liabilities	
Current Liabilities	
Loans	
Suppliers	30% % of sales
Group Companies and Related Parties	Constant
Others	2% Growth
Deferrals	2% Growth
Total Current Liabilities	
Total Liabilities	
Total Equity + Liabilities	
Income Statement	
	Assumptions
Operating Income and Earnings	
Services	5% Growth first two years; 3% Growth rest of the period
Other Operating Income and Earnings	2% Growth
Operating Expenses and Losses	
Supplies and Services	30% % of Sales
Personal Expenses	2% Decrease
Depreciations/Amortizations	12% % of Sales
Operating Income without Athletes	
Athletes Transactions Results	
Amortizations and Impairment Losses with Athlets R	30% % of Sales
Revenues w ith Athletes Transactions	6% Growth first two years; 3% Growth rest of the period
Expenses w ith Athletes Transactions	11% % of Sales
Operating Income	
Financial Revenues and Income	4% Decrease
Financial Expenses and Losses	2% Decrease
Earnings from Investmenrs in Associates	0 Constant
Profit Before Taxes	

Cash Flow Statement

Cash Flow Statement	Assumptions
Cash Flow from Operating Activities	
Cash Generated from Operations	
Receipts from Customers	3% Decrease
Payment to Suppliers	5% Decrease
Payment to Staff	1% Decrease
Cash Paid from Operations	
Payment/Receipts/of Income Tax	30% Decrease
Others Operating Receipts/Payments	15% Decrease
Net Cash from Operating Activities	
Cash Flows from Investing Activities	
Proceeds from	
Intangible Assets	2% Growth
Interest and similar	0 Constant
Financial Investments	0 Constant
Payments to	
Tangible Assets	4% Growth
Intangible Assets	4% Growth
Financial Statements	0 Constant
Net Cash from Investing Activities	
Cash Flows from Financial Activities	
Proceeds from	
Borrowings	4.5% Growth
Borrowings from related parties	0 Constant
Loans to related parties	0 Constant
Payments to	
Interest and similar	5% Growth
Borrowings	5% Growth
Borrowings from related parties	0 Constant
Loans to related parties	0 Constant
Amortizations of leasing contracts	1% Decrease

Source: SLBEN data and Ricardo Ferreira estimates

Appendix 7: Statement of Financial Position/ Income Statement/ Cash Flow Statement GAR

Balance Sheet	Historical Data - GAR					MEAN
	jun/12	jun/13	jun/14	jun/15	jun/16	
Asset						
Non Current Asset						
Tangible Assets		2.1%	2.2%	1.3%	1.6%	2%
Intangible Assets		10.2%	-5.5%	-4.4%	61.5%	15%
Investments in Subsidiaries		0.0%	0.0%	0.0%	100.0%	25%
Investments in Associated Companies		-20.2%	69.9%	-99.4%	4.2%	-11%
Other Financial Assets		0.0%	835900.0%	509.3%	0.5%	209102%
Investment Properties		-4.5%	-4.7%	0.2%	-3.7%	-3%
Clients		-72.4%	-100.0%	0.0%	100.0%	-18%
Group Companies and related Parties		22.1%	5.5%	0.6%	-93.4%	-16%
Deferrals		0.0%	0.0%	0.0%	0.0%	0%
Difered Taxes		0.0%	0.0%	0.0%	0.0%	0%
Total Non Current Asset		-62.8%	835867.3%	407.8%	170.6%	
Current Assets						
Other Financial Assets		-11.2%	1.2%	-100.0%	0.0%	-27%
Clients		-3.3%	53.8%	-21.3%	10.2%	10%
Group Companies and Related Parties		-96.5%	-38.8%	1104.3%	154.4%	281%
Others		185.5%	-11.8%	-9.5%	-38.3%	31%
Deferrals		21.3%	4.7%	9.6%	4.7%	10%
Cash and Equivalents		-88.2%	933.1%	65.2%	350.0%	315%
Total Current Asset		7.6%	942.1%	1048.4%	481.0%	620%
Total Asset		-55.2%	836809.5%	1456.2%	651.6%	209716%
Equity						
Starting Stockholders' Equity		0.0%	0.0%	0.0%	0.0%	0%
Premium Shares		0.0%	0.3%	0.0%	0.0%	0%
Fair Value Reserves		-26.1%	41.0%	-15.5%	-12.9%	-3%
Other Reserves		0.0%	-157.5%	179.0%	0.0%	5%
Acumulated Results		10.3%	8.1%	-10.6%	-5.5%	1%
Net Profit		-11.1%	-236.3%	-50.1%	188.4%	-27%
Total Equity		-26.9%	-344.3%	102.8%	169.9%	-25%
Liabilities						
Non Current Liabilities						
Provisions		-1.5%	-53.5%	-29.4%	-28.4%	-28%
Liabilities for Post-Employment Benefits		26.3%	3.9%	1.2%	39.6%	18%
Loans		19.9%	9.1%	-42.5%	112.7%	25%
Derivatives		-8.2%	3.0%	-9.2%	-3.7%	-5%
Suppliers		-68.7%	-78.2%	296.5%	-53.9%	24%
Group Companies and Related Parties		0.0%	0.0%	0.0%	100.0%	25%
Others		59.6%	-32.7%	16.0%	67.3%	28%
Deferrals		-9.5%	-25.2%	-78.0%	-22.4%	-34%
Difered Taxes		-6.2%	-25.4%	-15.7%	-2.4%	-12%
Total Non Current Liabilities		11.8%	-199.0%	138.8%	208.8%	40%
Current Liabilities						
Loans		-5.5%	17.6%	24.9%	-34.7%	1%
Suppliers		17.8%	-35.9%	-14.3%	46.5%	4%
Group Companies and Related Parties		0.0%	0.0%	0.0%	100.0%	25%
Others		50.9%	9.6%	-22.1%	28.0%	17%
Deferrals		-30.8%	-2.0%	66.5%	10.1%	11%
Total Current Liabilities		32.5%	-10.7%	55.0%	150.0%	57%
Total Liabilities		44.3%	-209.7%	193.8%	358.7%	97%
Total Equity + Liabilities		17.3%	-554.1%	296.6%	528.7%	72%

Income Statement	Historical Data - GAR					MEAN
	jun/12	jun/13	jun/14	jun/15	jun/16	
Operating Income and Earnings		-3%	19%	-3%	24%	9%
Services		-4%	24%	5%	6%	8%
Other Operating Income and Earnings		-2%	8%	-25%	89%	17%
Operating Expenses and Losses		11%	18%	-2%	11%	9%
Supplies and Services		12%	19%	1%	8%	10%
Persinnel Expenses		5%	25%	-6%	3%	7%
Depreciations/Amortizations		1%	55%	-3%	8%	15%
Provisions/Imparements		133%	-208%	-65%	-584%	-181%
Other Operating Expenses and Losses		127%	-44%	-20%	73%	34%
Operating Income without Athletes		-157%	-5%	9%	-276%	-107%
Athletes Transactions Results		-569%	230%	-7%	-14%	-90%
Amortizations and Impairment Losses with Athlets Rights		-4%	-4%	5%	21%	5%
Revenues w ith Athletes Transactions		68%	47%	4%	4%	31%
Expenses w ith Athletes Transactions		496%	-10%	49%	11%	137%
Operating Income		38%	374%	-9%	25%	107%
Financial Revenues and Income		-11%	-22%	28%	-25%	-8%
Financial Expenses and Losses		0%	4%	-3%	-7%	-2%
Earnings from Investmenrs in Associates		1217%	-137%	-4401%	-100%	-855%
Profit Before Taxes		-9%	-231%	-52%	202%	-22%

Cash Flow Statement	Historical Data - GAR					MEAN
	jun/12	jun/13	jun/14	jun/15	jun/16	
Cash Flow from Operating Activities						
Cash Generated from Operations	14.6%	47.4%	8.4%	-136.3%	-16.5%	
Receipts from Customres	0.8%	31.5%	-1.2%	31.7%	15.7%	
Payment to Suppliers	0.1%	50.6%	6.9%	-15.6%	10.5%	
Payment to Staff	5.5%	24.0%	-3.9%	-0.5%	6.3%	
Cash Paid from Operations	-10.8%	4.0%	-21.6%	60.2%	7.9%	
Payment/Receipts/of Income Tax	-287.7%	-57.0%	38.7%	-77.7%	-95.9%	
Others Operating Receipts/Payments	-13.1%	5.1%	-22.0%	62.0%	8.0%	
Net Cash from Operating Activities	-58.5%	-220.2%	168.7%	-442.4%	-138.1%	
Cash Flows from Investing Activities						
Proceeds from	235.5%	1.5%	100.5%	-19.4%	79.5%	
Inatgible Assets	235.7%	2.5%	74.3%	-7.2%	76.3%	
Ineterest and similar	221.3%	-88.9%	-80.7%	-100.0%	-12.1%	
Financial Investments	0.0%	0.0%	0.0%	-100.0%	-25.0%	
Payments to	46.6%	13.8%	17.3%	4.5%	20.6%	
Tangible Assets	103.4%	58.3%	-5.2%	-12.1%	36.1%	
Intangible Assets	43.4%	10.1%	-20.1%	59.2%	23.1%	
Financial Statments	0.0%	0.0%	0.0%	-100.0%	-25.0%	
Net Cash from Investing Activities	-83.9%	190.9%	-400.4%	-75.6%	-92.3%	
Cash Flows from Financial Activities						
Proceeds from	145.9%	-5.8%	-37.5%	29.9%	33.1%	
Borrow ings	171.0%	-6.4%	-37.2%	29.9%	39.4%	
Borrow ings from related parties	-100.0%	0.0%	0.0%	0.0%	-25.0%	
Loans to related parties	-99.7%	4900.0%	-100.0%	0.0%	1175.1%	
	0.0%	0.0%	0.0%	0.0%	0.0%	
Payments to	224.6%	-17.9%	-10.8%	18.8%	53.7%	
Ineterest and similar	18.9%	11.7%	-5.3%	3.2%	7.1%	
Borrow ings	362.2%	-19.5%	-10.9%	21.8%	88.4%	
Borrow ings from related parties	0.0%	0.0%	0.0%	0.0%	0.0%	
Loans to related parties	-6.7%	-80.3%	-88.5%	-100.0%	-68.9%	
Amortizations of leasing contracts	-0.9%	687.5%	-15.0%	-0.9%	167.7%	
Net Cash from Financial Activities	-108.6%	-1477.0%	-232.1%	-24.7%	-460.6%	
Changes in the consolidation perimeter	0.0%	-100.0%	0.0%	0.0%	-25.0%	
Net increase/decrease in cash and cash equivalents	-14.9%	-224.3%	-27.8%	786.4%	129.8%	
Cash and cash equivalents BoY	-50.9%	-88.2%	933.1%	65.2%	214.8%	
Cash and cash equivalents EoY	-88.2%	933.1%	65.2%	350.0%	315.0%	

Source: SLBEN data and Ricardo Ferreira estimates

Appendix 8: Multiples Method Analysis

MARKET DATA OF COMPANIES IN THE SAMPLE

	Share Price - 30 Jun 2016	Shares Outstanding	Equity Market Value	Net Debt	EV
National Football Clubs					
Futebol Clube do Porto, SAD	0.57 €	22 500 000	12 825 000 €	342 364 539 €	355 189 539 €
Sporting Clube de Portugal, SAD	0.70 €	39 000 000	27 300 000 €	257 864 749 €	285 164 749 €
International Football Clubs					
Juventus	0.25 €	1 008 000	256 032 €	495 557 000 €	495 813 032 €
Olympique Lyonnais	2.70 €	58 171 000	157 061 700 €	112 060 858 €	269 122 558 €
Roma	0.39 €	397 570 000	154 654 730 €	452 356 000 €	607 010 730 €

ACCOUNTING DATA OF SAMPLE FIRMS

	Sales		EBITDAPS		EBITDA		EBIT	
	2015	2016	2015	2016	2015	2016	2015	2016
National Football Clubs								
Futebol Clube do Porto, SAD	75 055 622 €	75 055 622 €	-48 455 181 €	-48 455 181 €	-37 562 156 €	-37 562 156 €	-41 512 402 €	-41 512 402 €
Sporting Clube de Portugal, SAD	44 921 585 €	56 100 273 €	27 800 540 €	-21 009 361 €	39 155 691 €	-16 286 326 €	24 749 501 €	-29 996 028 €
International Football Clubs								
Juventus	51 368 000 €	57 178 000 €	56 678 590 €	60 164 690 €	79 829 000 €	84 739 000 €	79 829 000 €	84 739 000 €
Olympique Lyonnais	82 267 317 €	104 193 823 €	-9 050 661 €	21 061 673 €	-12 747 410 €	29 664 328 €	-23 828 744 €	18 511 825 €
Roma	49 783 000 €	57 542 000 €	3 813 410 €	83 043 750 €	5 371 000 €	64 375 000 €	-34 844 000 €	9 794 000 €

MULTIPLES OF SAMPLE FIRMS

	EV/Sales		EV/EBITDAPS		EV/EBITDA		EV/EBIT	
	2015	2016	2015	2016	2015	2016	2015	2016
National Football Clubs								
Futebol Clube do Porto, SAD	4.7	4.7	-7.3	-7.3	-9.5	-9.5	-8.6	-8.6
Sporting Clube de Portugal, SAD	7.9	6.3	12.8	-16.9	9.1	-21.8	14.4	-11.8
International Football Clubs								
Juventus	6.9	6.2	6.3	5.9	4.4	4.2	4.4	4.2
Olympique Lyonnais	4.3	3.4	-39.2	16.9	-27.9	12.0	-14.9	19.2
Roma	7.1	6.2	93.1	4.3	66.1	5.5	-10.2	36.3
Average of Manufacturers of water bottles								

	Sales		EBITDAPS		EBITDA		EBIT	
	2015	2016	2015	2016	2015	2016	2015	2016
Sport Lisboa e Benfica, SA	101 974 000.0 €	126 075 000.0 €	-4 500 000.0 €	7 905 000.0 €	37 643 000.0 €	34 916 000.0 €	6 806 000.0 €	20 537 000.0 €
Estimated EV (Mio) of Sport Lisboa e Benfica, SAD based on:								
National Football Clubs								
Futebol Clube do Porto, SAD	482 576 749 €	596 631 137 €	32 986 213 €	-57 945 781 €	-355 954 004 €	-330 167 362 €	-58 233 682 €	-175 719 236 €
Sporting Clube de Portugal, SAD	806 296 078 €	798 222 874 €	-57 493 592 €	-133 643 919 €	341 467 602 €	-761 485 301 €	97 675 504 €	-243 183 113 €
International Football Clubs								
Juventus	705 110 147 €	783 177 466 €	-28 200 294 €	46 668 126 €	167 488 003 €	146 352 895 €	30 282 479 €	86 082 295 €
Olympique Lyonnais	440 273 238 €	429 780 959 €	176 600 682 €	133 311 980 €	-1 048 871 874 €	418 071 090 €	-101 449 745 €	394 046 917 €
Roma	727 559 570 €	778 223 230 €	-419 140 068 €	33 810 772 €	2 489 368 798 €	192 649 288 €	-69 378 372 €	744 795 544 €
Max	806 296 078 €	798 222 874 €	176 600 682 €	133 311 980 €	2 489 368 798 €	418 071 090 €	97 675 504 €	744 795 544 €
Min	440 273 238 €	429 780 959 €	-419 140 068 €	-133 643 919 €	-1 048 871 874 €	-761 485 301 €	-101 449 745 €	-243 183 113 €
Average	632 363 156 €	677 207 133 €	-59 049 412 €	4 440 235 €	318 699 705 €	-66 915 878 €	-20 220 763 €	161 204 481 €
Median	705 110 147 €	778 223 230 €	-28 200 294 €	33 810 772 €	167 488 003 €	146 352 895 €	-58 233 682 €	86 082 295 €
Average (mio)	632 363 €	677 207 €	-59 049 €	4 440 €	318 700 €	-66 916 €	-20 221 €	161 204 €

ESTIMATED VALUE OF EQUITY

EV of Sport Lisboa e Benfica, SA - Range of comparables	630 000 000 €	680 000 000 €	Based on EV/sales	70%	441 000 000 €	476 000 000 €
EV of Sport Lisboa e Benfica - Range of comparables	-80 000 000 €	5 000 000 €	Based on EV/EBITDAPS	10%	-6 000 000 €	500 000 €
EV of Sport Lisboa e Benfica - Range of comparables	315 000 000 €	146 000 000 €	Based on EV/EBITDA	10%	31 500 000 €	14 600 000 €
EV of Sport Lisboa e Benfica - Range of comparables	-20 000 000 €	165 000 000 €	Based on EV/EBIT	10%	-2 000 000 €	16 500 000 €
Selected Range	435 000 000 €	500 000 000 €		100%	464 500 000 €	507 600 000 €
Debt of Sport Lisboa e Benfica, SA						
Cash	455 476 000 €	455 476 000 €				
Net Debt	30 338 000 €	30 338 000 €				
Equity Value	425 138 000 €	425 138 000 €				
	9 862 000 €	74 862 000 €				
		42 362 000 €				

Price per Share	0.43 €	3.26 €
Price per Share		1.84 €
Current Price		0.92 €
Upside/ Down Potential		101.3%

Source: SLBEN data and Ricardo Ferreira estimates

Appendix 9: Discounted Cash Flow Assumptions and Analysis

	Share Price	Shares Outstanding	Equity Market Value	Net Debt	EV	D/E	Levered Beta	Tax rate	Unlevered Beta	Cost of Debt
Sport Lisboa e Benfica, SAD			21 044 126 €	426 580 000 €	447 624 126 €	20.27	1.09	21.00%		5.00%
National Football Clubs										
Futebol Clube do Porto, SAD	0.6 €	22 500 000	12 825 000 €	342 364 539 €	355 189 539 €	26.70	0.60	21.00%	0.03	1.13%
Sporting Clube de Portugal, SAD	0.7 €	39 000 000	27 300 000 €	257 864 749 €	285 164 749 €	9.45	0.53	21.00%	0.06	4.72%
International Football Clubs										
Juventus	0.3 €	1 008 000	256 032 €	495 557 000 €	495 813 032 €	1 935.53	0.76	31.40%	0.00	1.67%
Olympique Lyonnais	2.7 €	58 171 000	157 061 700 €	112 060 858 €	269 122 558 €	0.71	0.89	33.30%	0.60	0.78%
Roma	0.4 €	397 570 000	154 654 730 €	452 356 000 €	607 010 730 €	2.92	1.56	31.40%	0.52	3.60%
Average of Football Club SAD										
Mn						0.71			0.00	0.8%
Max						1 935.53			0.60	4.7%
Average						395.06			0.24	2.4%
Median						9.45			0.06	1.7%

Reuters KPMG

Risk free rate Portugal	1.3%	Investing	5 years PT bond
Levered Beta	1.07		
Equity risk premium	5.9%	damodaran	
Size premium	3.0%	damodaran	
Cost of equity	10.6%		
Cost of debt	2.4%		
Tax rate	21.0%		
Cost of debt net of taxes	1.9%		

E/EV	4.7%	20.0%	30.0%
D/EV	95.3%	80.0%	70.0%
WACC	2.3%	3.62510138%	4.4977%

	jun/17	jun/18	jun/19	jun/20	jun/21 TV
Current Assets	137 865 350 €	153 060 217 €	158 494 539 €	157 928 234 €	151 414 621 €
Current Liabilities	249 220 294 €	219 651 666 €	264 216 842 €	255 831 600 €	234 729 466 €
NWC	111 354 944 €	66 591 449 €	105 722 303 €	97 903 366 €	83 314 845 €
ΔNWC	36 216 056 €	44 763 495 €	39 130 854 €	7 818 937 €	14 588 520 €
CAPEX	48 881 410 €	40 694 405 €	24 522 930 €	23 094 537 €	17 734 108 €

	jun/17	jun/18	jun/19	jun/20	jun/21 TV
Sales	131 136 750 €	136 426 748 €	140 088 824 €	143 852 149 €	147 719 586 €
EBITDA	43 627 478 €	50 728 110 €	55 145 076 €	59 634 408 €	64 199 437 €
EBITDA/Sales	33.3%	37.2%	39.4%	41.5%	43.5%
D&A	15 736 410 €	16 371 210 €	16 810 659 €	17 262 258 €	17 726 350 €
EBIT	27 891 068 €	34 356 900 €	38 334 417 €	42 372 151 €	46 473 087 €
EBIT/Sales	21.27%	25.18%	27.36%	29.46%	31.46%
CAPEX	48 881 410 €	40 694 405 €	24 522 930 €	23 094 537 €	17 734 108 €
Working Capital Requirement	111 354 944 €	66 591 449 €	105 722 303 €	97 903 366 €	83 314 845 €
Increase of WCR		44 763 495 €	39 130 854 €	7 818 937 €	14 588 520 €
Tax Rate	21.0%				
Net operational profit after	22 033 943 €	27 141 951 €	30 284 189 €	33 473 999 €	36 713 739 €
Net operational cash flow	11 111 057 €	41 944 739 €	61 702 773 €	19 822 783 €	22 117 461 €
Long term WACC	4.5%				
WACC for the explicit period	2.3%				
TV	438 040 131 €				
PV of DCF	24 731 631 €				
Entity Value	462 771 763 €				
Debt	467 592 461 €				
Cash	47 245 590 €				
Intrinsic Value of Equity	42 424 891 €				

Intrinsic Value of Equity	42 424 891 €
Price per Share	1.84 €
Current Price	0.92 €
Upside/Down Potential	101.3%

Source: SLBEN data and Ricardo Ferreira estimates

Appendix 10: Sensitive Analysis

Wacc (Long Term)	0.40%	-0.20%	-0.10%	-0.05%	0.0%	0.05%	0.10%	0.20%	0.40%
DCF fair price	2.25	2.04	1.94	1.89	1.84	1.79	1.75	1.65	1.45
Change to initial price target	22%	11%	5%	3%		-3%	-5%	-10%	-21%

Rd	0.40%	-0.20%	-0.10%	-0.05%	0.0%	0.05%	0.10%	0.20%	0.40%
DCF fair price	3.15	2.48	2.16	2.00	1.84	1.69	1.54	1.24	0.67
Change to initial price target	71%	35%	17%	9%		-8%	-16%	-33%	-64%

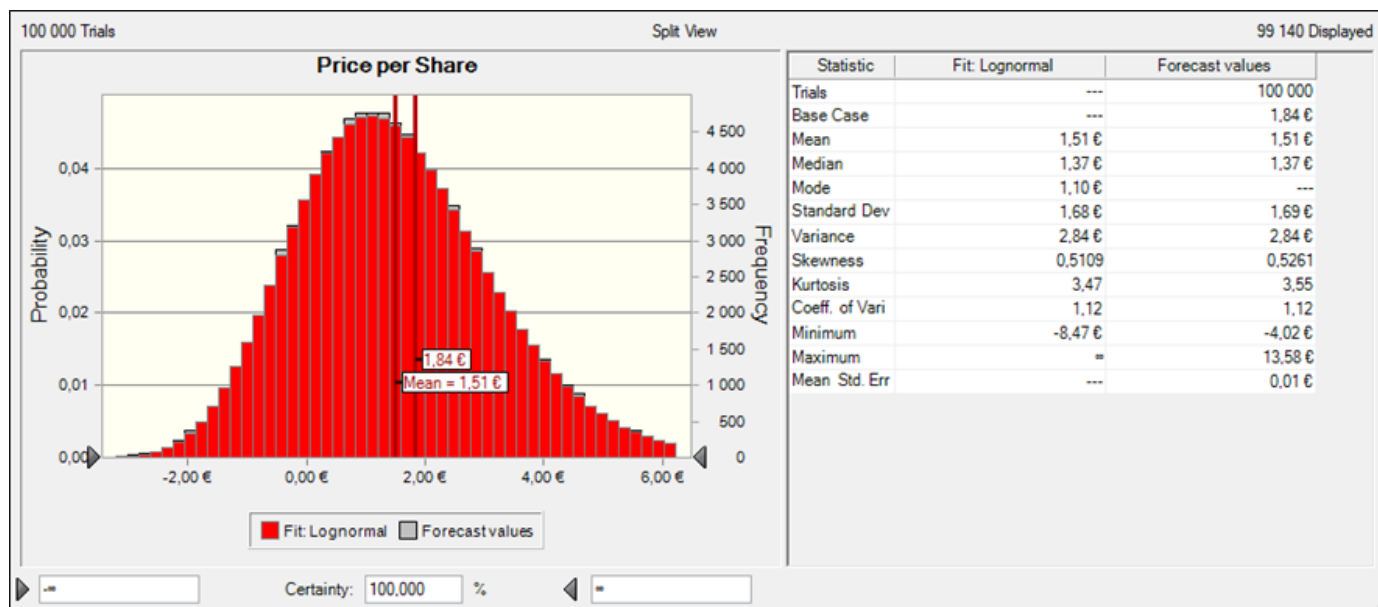
g	0.40%	-0.20%	-0.10%	-0.05%	0.0%	0.05%	0.10%	0.20%	0.40%
DCF fair price	0.29	1.03	1.43	1.64	1.84	2.06	2.28	2.73	3.70
Change to initial price target	-84%	-44%	-22%	-11%		12%	24%	48%	101%

EBITDA Margin	0.40%	-0.20%	-0.10%	-0.05%	0.0%	0.05%	0.10%	0.20%	0.40%
DCF fair price	1.61	1.67	1.73	1.79	1.84	1.90	1.96	2.02	2.08
Change to initial price target	-13%	-9%	-6%	-3%		3%	7%	10%	13%

Source: SLBEN data and Ricardo Ferreira estimates

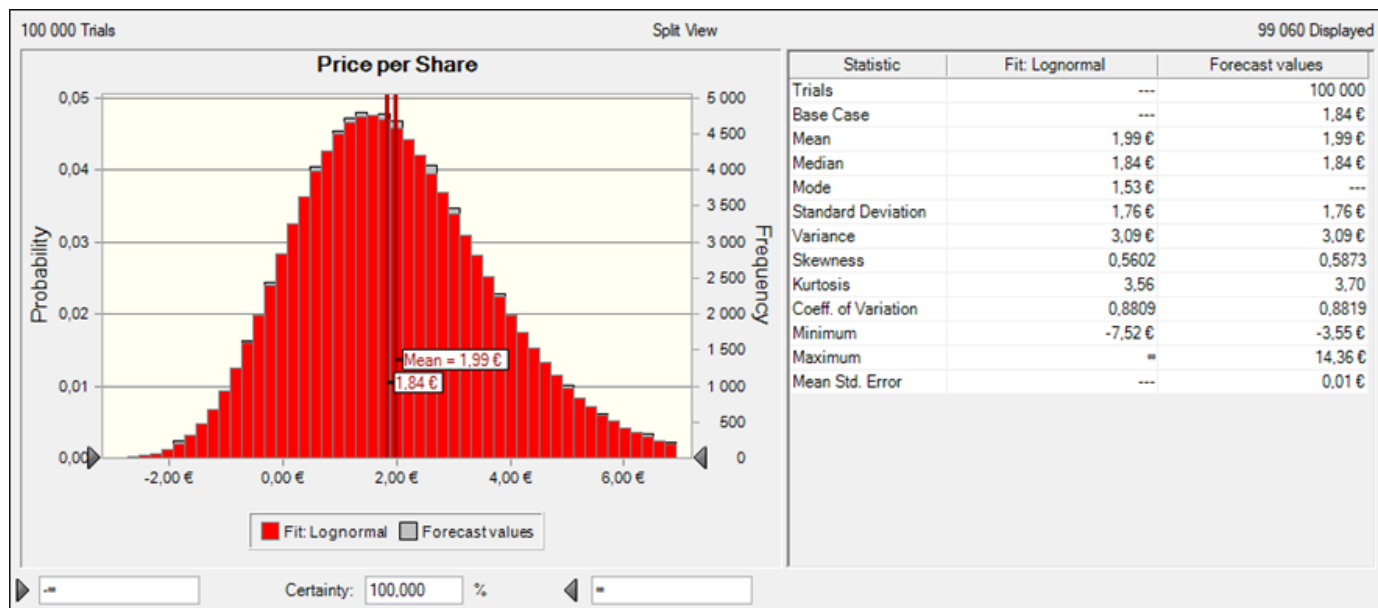
Appendix 11: Monte Carlo Simulation

Monte Carlo: Rd



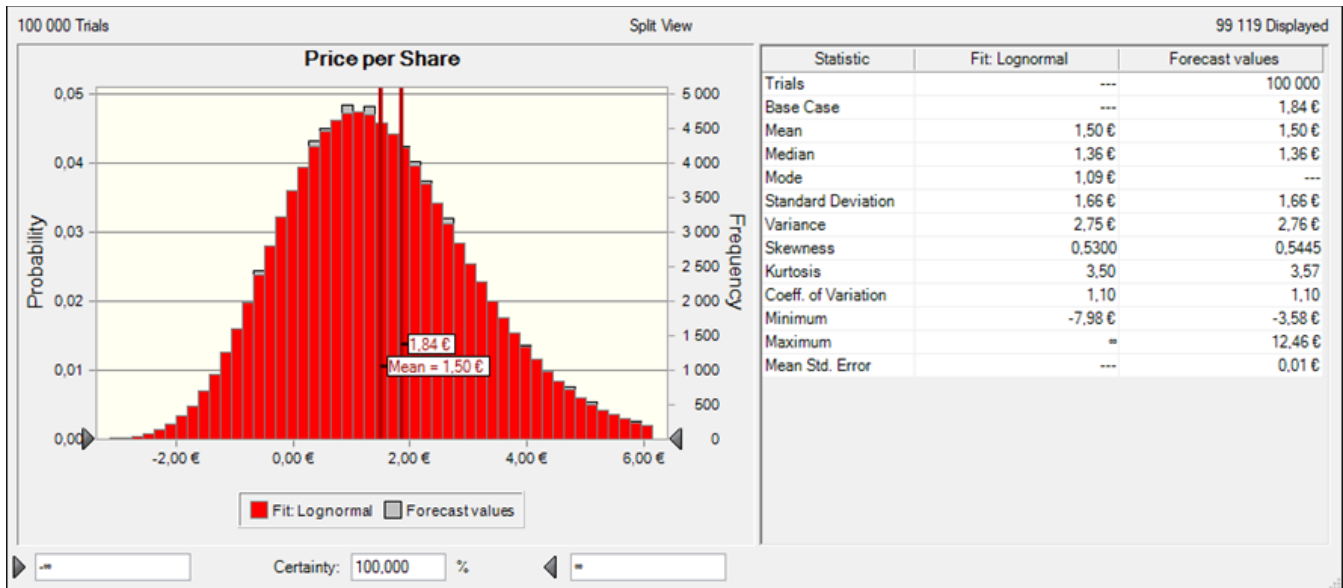
Source: SLBEN data and Ricardo Ferreira estimates

Monte Carlo: g



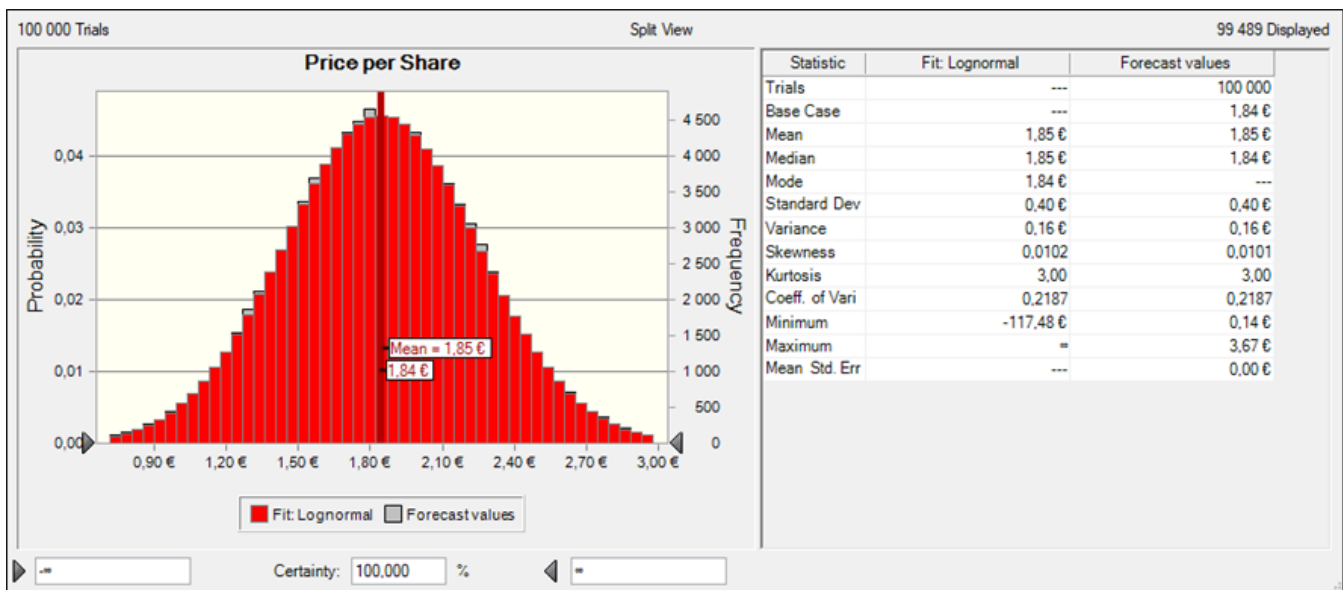
Source: SLBEN data and Ricardo Ferreira estimates

Monte Carlo: WACC



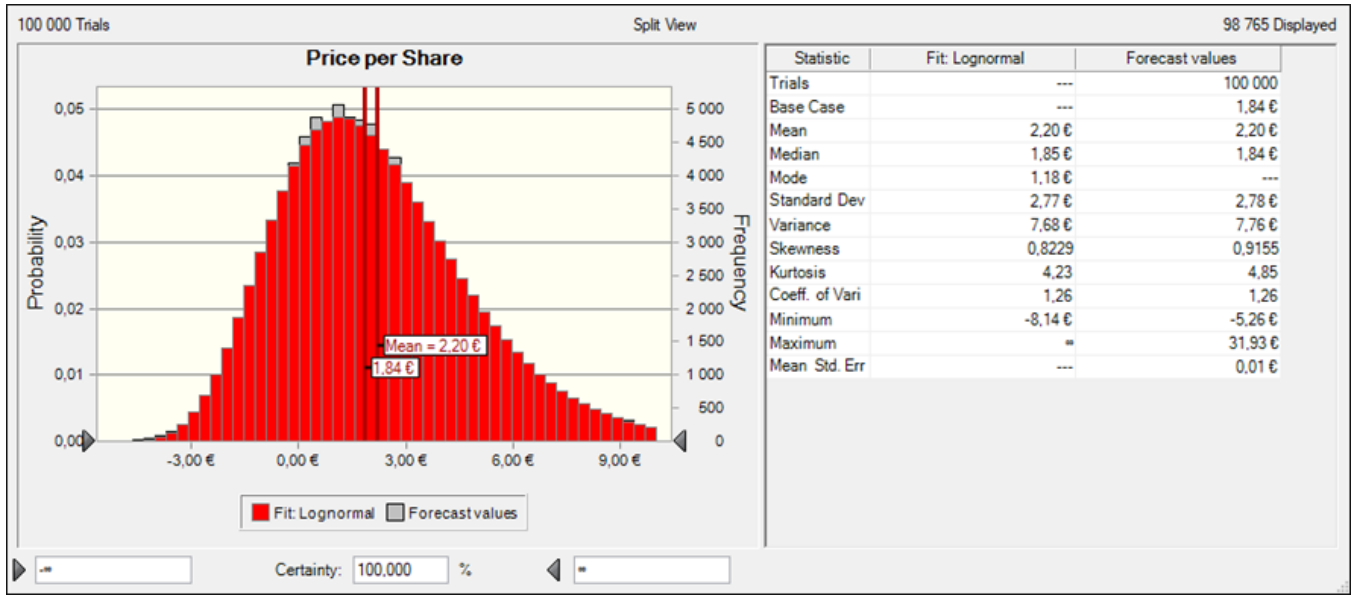
Source: SLBEN data and Ricardo Ferreira estimates

Monte Carlo: EBITDA Margin



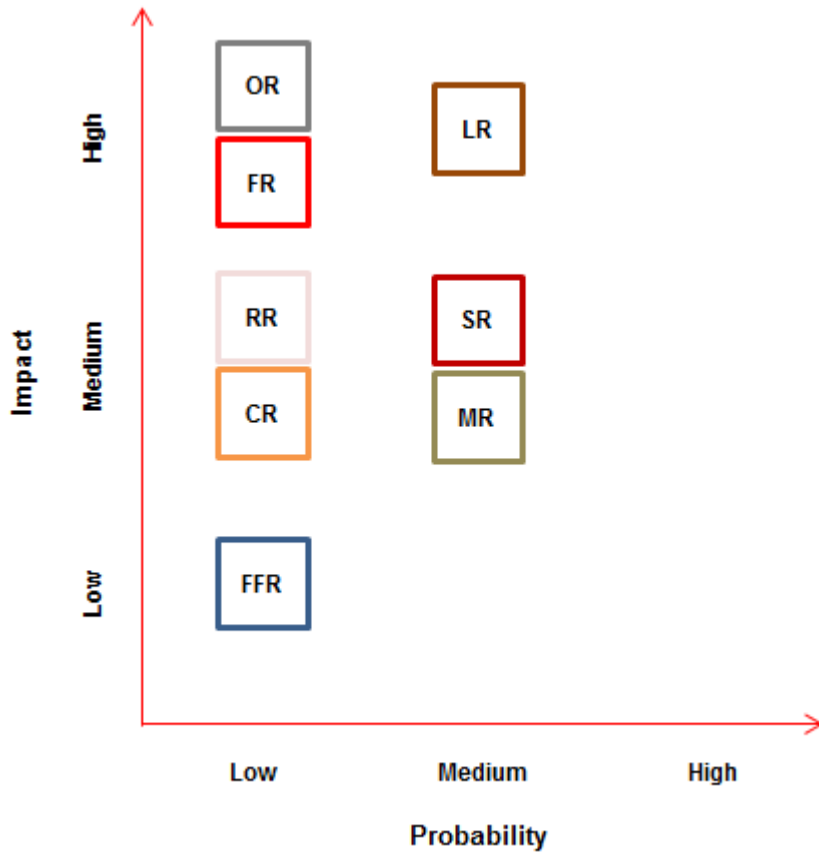
Source: SLBEN data and Ricardo Ferreira estimates

Monte Carlo: All Variables



Source: Ricardo Ferreira estimates

Appendix 12: Risk Matrix



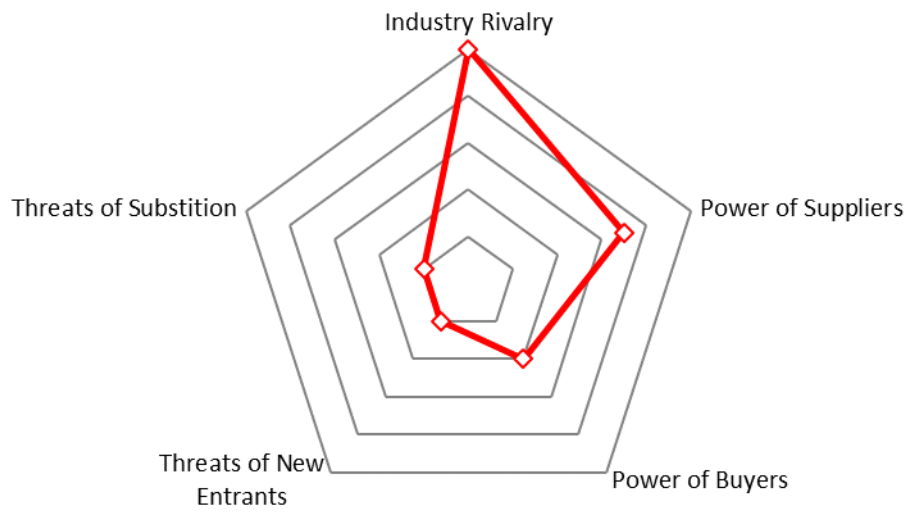
Source: Ricardo Ferreira estimates

Appendix 13: Ownership Structure

	Shares	Equity%
Sport Lisboa e Benfica	15 403 221	66.97%
Directly	9 200 000	40.00%
SLBenfica, SGPS, SA	5 438 206	23.65%
Luis Filipe Vieira	753 615	3.28%
Rui Costa	10 000	0.04%
Rui Cunha	500	0.00%
José Appleton	500	0.00%
Rui Barreira	300	0.00%
Gualter Godinho	100	0.00%
Others	7 595 823	33.03%
Novo Banco,SA	1 832 530	7.97%
José Guilherme	856 900	3.73%
Somague - Engenharia, SA	840 000	3.65%
Oliverdesportos,SA	612 283	2.66%
Others	3 454 110	15.02%
Total	22 999 044	100.00%

Source: SLBEN data and Ricardo Ferreira estimates

Appendix 14: Porter's Five Forces



Source: Ricardo Ferreira estimates

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Abbreviations

- **BTV** Benfica TV
- **CapEx** Capital Expenditure
- **D** Debt
- **DCF** Discounted Cash Flow
- **D&A** Depreciations & Amortizations
- **E** Equity
- **EBIT** Earnings Before Interest and Taxes
- **EBITDA** Earnings Before Interest Taxes and Depreciations & Amortizations
- **EBITDAPS** Earnings Before Interest Taxes Depreciations & Amortizations and Sales of Player
- **EV** Enterprise Value
- **ERm** Equity Risk Market
- **F** Forecasted (data)
- **FCFF** Free Cash Flow to the Firm
- **FCFE** Free Cash Flow to Equity
- **g** Perpetual Growth Rate
- **H** Historical (data)
- **ISEG** Lisbon School of Economics & Management
- **NOPAT** Net Operating Profit After Tax
- **Op** Operating
- **Rf** Risk free rate
- **Rd** Cost of debt
- **Re** Cost of equity
- **RF** Ricardo Ferreira
- **ROA** Return on Assets
- **ROS** Return on Sales
- **SAD** Sociedade Anónima Desportiva
- **SLB** Sport Lisboa e Benfica
- **Wacc** Weighted Average Cost of Capital
- **TV** Terminal Value
- **UEFA** Union of European Football Associations