



Michael Morosi

Equity Portfolio Manager, MAPFRE AM



MAPFRE AM

MAPFRE AM Behavioral Fund

Best Ideas 2020, Hosted by MOI Global

BEST IDEAS

MAPFRE AM Behavioral Fund investment philosophy

(1)

Long-term value investing

We invest in undervalued companies with the following characteristics:

- Low levels of debt or net cash
- Aligned incentives
- History of shareholder value creation

(2)

Concentrated Portfolios outperform

Concentrating exposure in our best ideas has a number of virtues:

- High-level of conviction
- High-bar for consideration and inclusion
- “Competition for Capital”

(3)

Investor behavior is predictably irrational

Investors are human beings (and algorithms are designed by human beings) that behave in predictably irrational ways:

- Over-reaction
- Under-reaction
- Availability bias
- Recency bias

A comment on cognitive diversity.

Teams with diverse styles of thinking outperform... even relative to high-ability teams¹



Luis García Alvarez
Co-Manager

España

Consumer, Industrial

ESTJ (“Executive”)

Analytical / Long-Term



Michael Morosi
Co-Manager

USA

Technology, Energy

ENTP (“Debater”)

Flexible / Connections

Birthplace

Sector Focus

Meyers-Briggs Type

Cognitive Strengths

Values + Philosophy + Education + Experience + Vision + Respect

¹ Hong, Lu, & Page, Scott, (2004). “Groups of diverse problem solvers can outperform groups of high-ability problem solvers” PNAS November 16, 2004 101 (46) 16385-16389


A comment on circle of competence.



In our opinion, the time has come to
invest in **European football.**

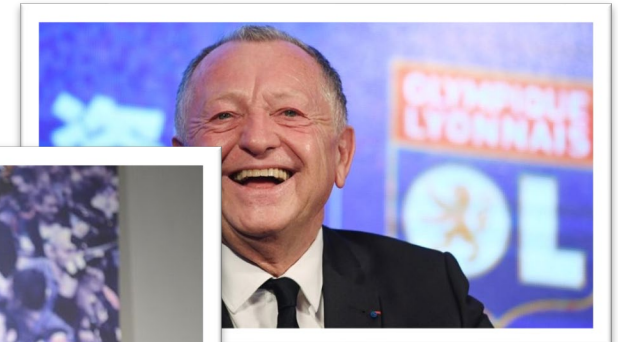
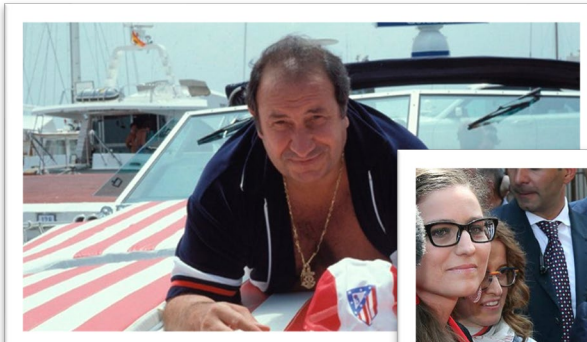


A stable and attractive (but stigmatized) business...

		Importance to the Consumer	
		Low	High
Cost to the Consumer	High		
	Low		

Behavioral Finance

Availability Bias



European football assets are undervalued relative to global peers

Franchise Value, Forbes 2018

1. Dallas Cowboys, **USD 4.800 mn** (NFL)
2. Manchester United, **USD 4.123 mn** (Football)
3. Real Madrid, **USD 4.090 mn** (Football)
4. Barcelona, **USD 4.064 mn** (Football)
5. New York Yankees, **USD 4,000 mn** (MLB)
6. New England Patriots, **USD 3.700 mn** (NFL)
7. New York Knicks, **USD 3.600 mn** (NBA)
8. Los Angeles Lakers, **USD 3.300 mn** (NBA)
9. New York Giants, **USD 3.300 mn** (NFL)
10. Golden State Warriors, **USD 3.100 mn** (NBA)
- ...
50. Cleveland Browns, **USD 1.950 mn** (NFL)

Source: Forbes.

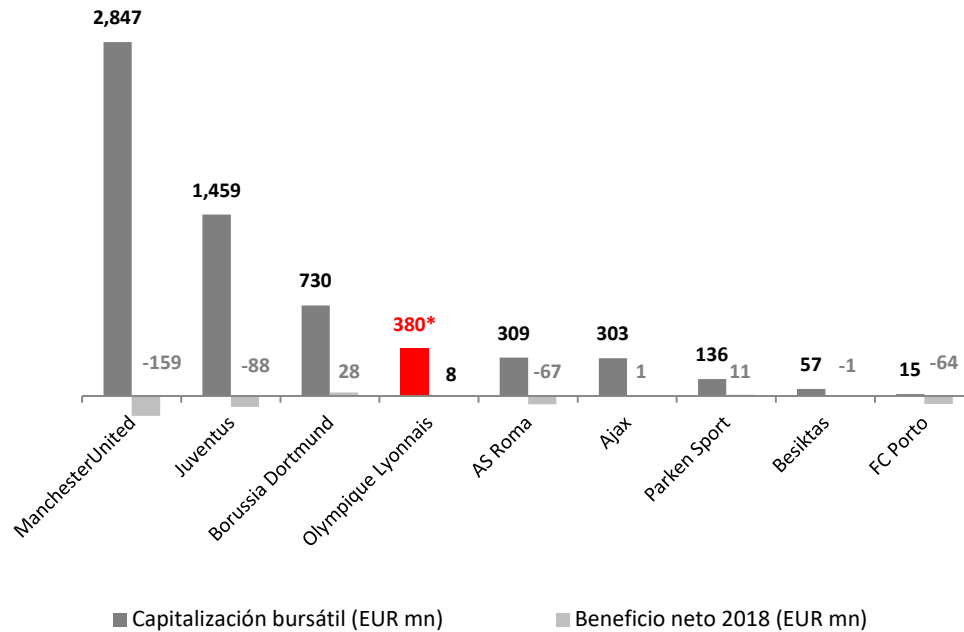
Enterprise Value Listed Clubs

1. Manchester United, **EUR 3,283 mn**
2. Juventus, **EUR 1,882 mn**
3. Borussia Dortmund, **EUR 782 mn**
4. AS Roma, **EUR 516 mn**
5. Olympique Lyonnais, **EUR 426 mn**
6. Parken Sport, **EUR 269 mn**
7. FC Porto, **EUR 262 mn**
8. Ajax, **EUR 250 mn**
9. Besiktas, **EUR 232 mn**

Source: Bloomberg.

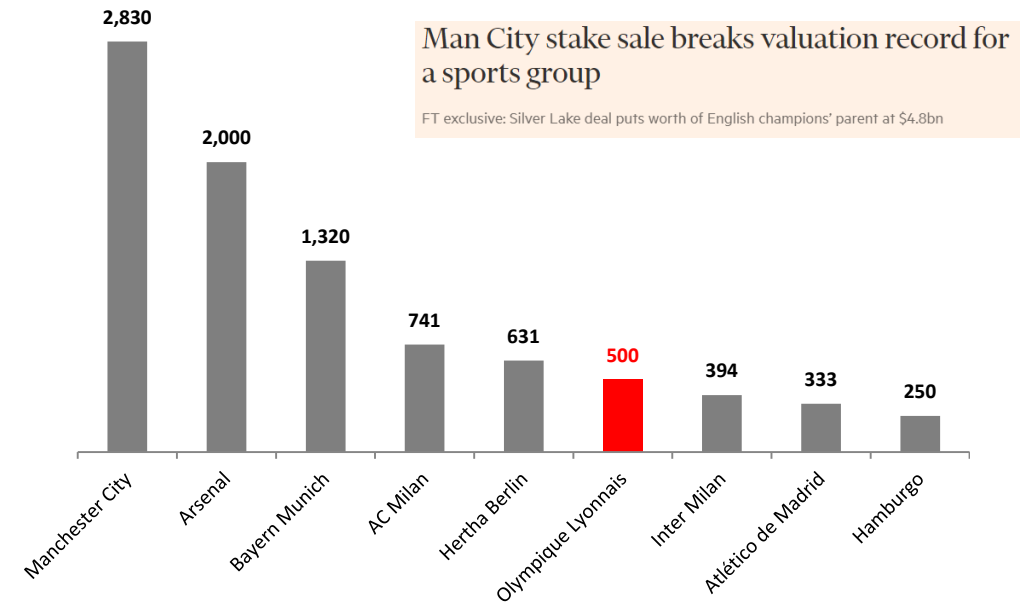
European Football: Club Valuations

Market Capitalization of European Clubs



* Assumes convertible bond dilution.
Source: Bloomberg.

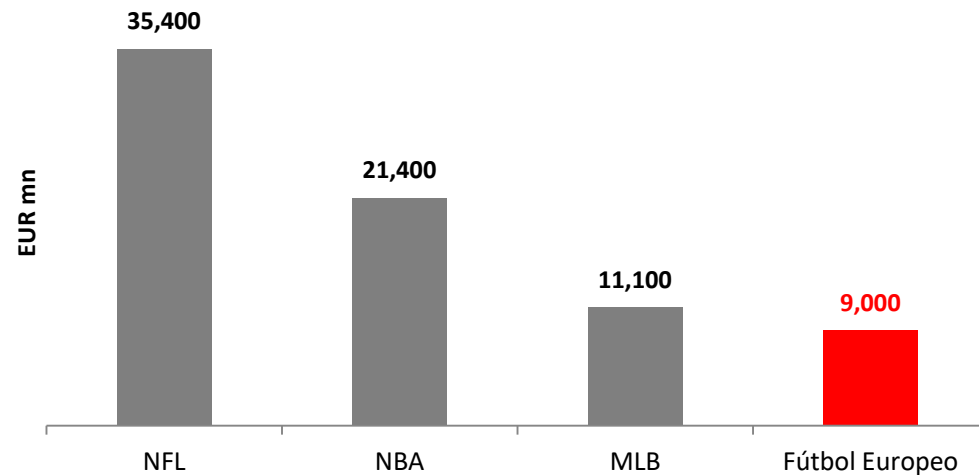
Private Investments in European Clubs



Source: Company data.

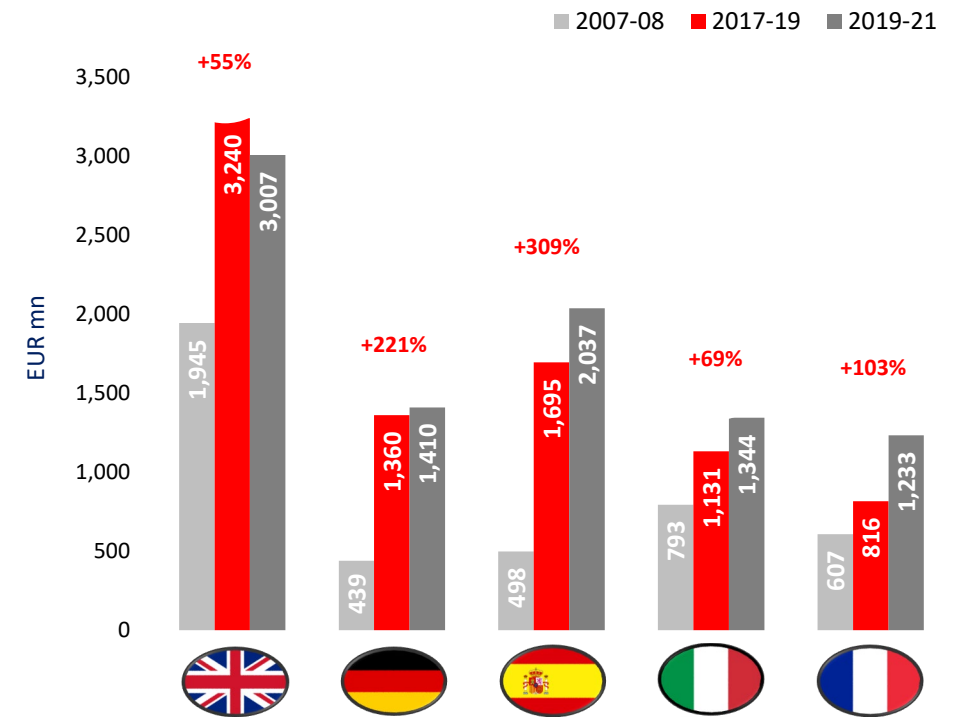
European Football: Television Rights

Comparison of Television Rights



Source: PledgeSports and MAPFRE AM estimates.

Trend in Television Rights, European Football



Source: Premier League.

THE WALL STREET JOURNAL.

European Soccer to Discuss Radical Changes to Champions League

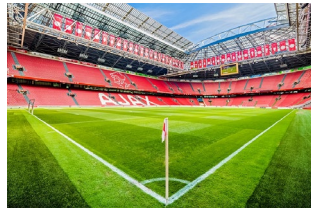
Among the proposals to be discussed by UEFA and the top clubs are a relegation system and moving games to weekend as early as 2021

How much does it cost to buy Ajax of Amsterdam?



**Market
Capitalization**
€310M

How much does it cost to buy Ajax of Amsterdam?



Market Capitalization
€310M

Net Cash + % of stadium
€75M

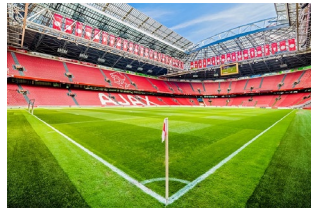
€230M

* MAPFRE AM estimate.

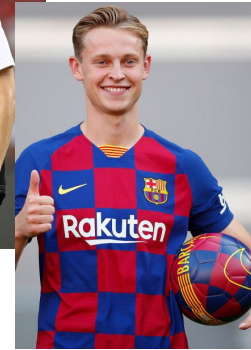
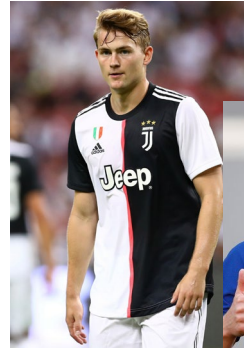
How much does it cost to buy Ajax of Amsterdam?



Market Capitalization
€310M



Net Cash + % of stadium
€75M



Net transfers Summer '19
€110M

€120M

* MAPFRE AM estimate.

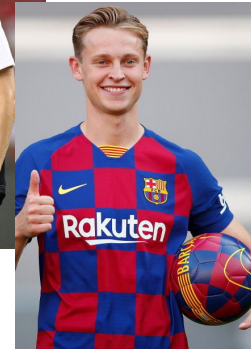
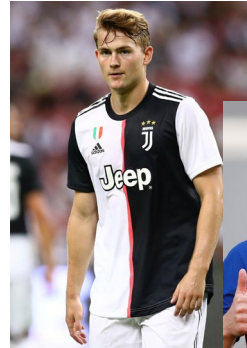
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Donny van de Beek
€45M

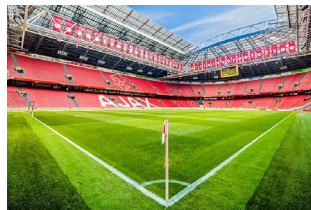
€75M

* MAPFRE AM estimate.

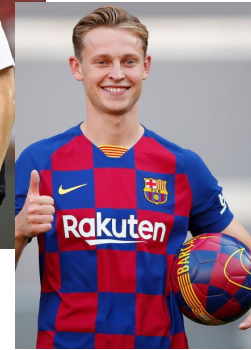
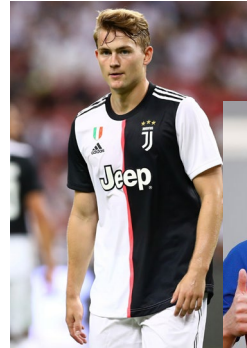
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Donny van de Beek
€45M



Champions League**
€75M

€0

Ajax has maintained a net cash position over the past 15 years, has a strong management team, a stable shareholder base, and according to Transfermarket, the market value of its roster (ex Van de Beek) is €312M.

*MAPFRE AM estimate. **Aprox. €65M net for the 2018/19 season (TV & bonuses) y Aprox. €10M for qualifying for the 2019/20 season.

How does Olympique Lyonnais make money?

Millions of Euros	30/06/2018
Tickets	37
Advertising & Sponsorships	30
TV Rights & Marketing	65
Events	16
Brand Rights	16
Player Transfer Market	125
TOTAL REVENUE	289

Millions of Euros	30/06/2018
TOTAL REVENUE	289
Operating Costs	-215
EBITDA	74
D&A, Other	-66
PBT	18
Taxes	-4
NET INCOME	8

5-Year Strategic Plan: Achieve €400M in Total Revenue

Real Estate Business: OL City



Valuation by MAPFRE AM Behavioral Fund

- + Stadium (cost) ⁽¹⁾⁽²⁾: €410M
- + Academy (cost): €40M
- Net Debt (excl. convertible): €150M
- + Transfers (pending): €30M
- + Undeveloped Land (3.5 hectares): €??M

Value of Real Estate Business > €330M

Market Cap of OLG (incl. convertible) €380M

(1) Estimated Sustainable Rent = €30M (60% of Tickets & Events)

(2) Assuming 7.5% cap rate, Sale-Leaseback could generate €400M in cash

Content Business: Merchandising



Advertising (Adidas, Hyundai...)

Women's Football (European Champions)



International Expansion (China)



Content Business: Merchandising

PALCO23

+ CLUBES

El Lyon inyectará 3,4 millones en el club de Tony Parker para relanzarlo en Euroliga

El equipo de la Ligue-1, que ya había confirmado en marzo el inicio de negociaciones en exclusiva con el Asvel Villeurbanne, ha adquirido una participación minoritaria del 25%. Su objetivo es alcanzar el 100% a medio plazo.

PALCO23

+ CLUBES

El Olympique de Lyon crea una productora para reforzar su división de espectáculos

El OL Group se ha asociado con Olympia Production para llevar a cabo este proyecto, que contempla la creación de una empresa conjunta llamada OL Production y la celebración anual de un concierto.

BESTIDEAS

Content Business: Player Transfers

Jean-Michel Aulas, CEO, regarding transfers:

“The objective is not to reinvest the proceeds in the transfer market. At least, not this year. The priority is to pay off the stadium completely and maintain a solid balance sheet.”

Player Transfers have been a consistent source of profit for OLG...

€M	13/14	14/15	15/16	16/17	17/18	Total	Avg.
Sales	16	7	58	52	125	259	52
Purchases	2	3	41	32	75	154	31
Net	14	4	17	19	51	105	21

... and this is likely to remain the case going forward.

Current roster value:

€420M Transfermarket.

€523M CIES Value.

EL MEJOR POSICIONADO PARA LA MEDULAR BLANCA

La fijación de Zidane por Ndombélé para su Real Madrid y el dinero que pide el Lyon

El presidente del Olympique de Lyon ha puesto en el mercado a una de sus joyas, Ndombélé, y clubes como Real Madrid, PSG, Juventus y Manchester United se han interesado por él

Tuttosport: Real Madrid y Bayern, interesados en Fekir

El Lyon tiene al 'nuevo Mbappé'

por BeSoccer [@besoccer_es](#) - 18 Mar 19 1,579

Investing in Football: **Short-term or long-term?**



Thank You
MAPFRE AM Behavioral Fund