Sporting Clube de Portugal – Equity Valuation

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Dissertation written under the supervision of Professor Ricardo Reis

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Abstract

Sporting Clube de Portugal is one of the most prominent sports clubs in Portugal, holding a considerable position in Portuguese and European football due to its consistent domestic success and its contribution to the development of elite player talent.

The following dissertation contains an equity valuation for the club, with the intention of providing an accurate value for Sporting Clube de Portugal´s share price. To do so, two valuation techniques were performed (Discounted Cash Flow and Multiple Valuation). The DCF analysis served as the primary valuation approach, given its forward-looking nature and robust theoretical foundation. To arrive at the final target price, a weighted average was applied, assigning a weight of 80% to the DCF valuation and 20% to the Multiple valuation.

Thus, a target price of €1.36 per share for Sporting Clube de Portugal was achieved, on the 30th of June 2024. Consequently, a "Buy" recommendation is proposed for the shares of the club.

Keywords: Equity Valuation, Discounted Cash Flow, Multiple Analysis, Sporting Clube de Portugal

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Resumo

O Sporting Clube de Portugal é um dos clubes desportivos mais relevantes em Portugal, ocupando uma posição de destaque no futebol português e europeu, em virtude do seu sucesso doméstico consistente e da sua reconhecida capacidade de formação de jogadores de elite.

A presente dissertação apresenta uma avaliação do capital próprio do clube, com o objetivo de determinar um valor para o preço de uma ação do Sporting Clube de Portugal. Para esse efeito, foram aplicadas duas metodologias (um Discounted Cash Flow e uma Avaliação por Múltiplos). A análise DCF assumiu-se como metodologia principal, atendendo à sua natureza prospetiva e à sua sólida fundamentação teórica. Para a determinação do preço final, foi utilizada uma média ponderada, atribuindo-se um peso de 80% à avaliação DCF e 20% à avaliação por múltiplos.

Desta forma, foi obtido um preço de €1,36 por ação para o Sporting Clube de Portugal, com referência a 30 de junho de 2024. Consequentemente, é emitida uma recomendação de "Compra" para as ações do clube.

Palavras-Chave: Avaliação de Ações, Fluxo de Caixa Descontado, Análise de Múltiplos, Sporting Clube de Portugal

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Last but not least, I would like to thank my supervisor, Ricardo Reis, for his ongoing and unconditional support.

List of Abbreviations

Capex – Capital Expenditures

CAPM – Capital Asset Pricing Model

COGS – Cost of Goods Sold

CRP – Country Risk Premium

D&A – Depreciation and Amortization

DCF – Discounted Cash Flows

EBIT – Earnings before interest and taxes

EBITDA – Earnings before interest, taxes, depreciation and amortization

EPS – Earnings per share

EV – Enterprise Value

FCFF – Free Cash Flows to the Firm

MRP – Market Risk Premium

NWC – Net Working Capital

NRevenue – Net Revenue

PB - Price to Book

PE - Price to Earnings

SCP – Sporting Clube de Portugal

SMV – Squad Market Value

TV – Terminal Value

WACC – Weighted Average Cost of Capital

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1.Introduction

Equity valuation is the process of determining the worth of a company's equity, either by assessing factors believed to influence future returns or by comparing it with similar companies. This term covers the various methodologies used to assess the value of a company. These approaches serve multiple objectives, including investment analysis, financial reporting and strategic decision-making (Koller et al., 2020).

This dissertation intends on doing an equity valuation for Sporting Clube de Portugal, using theoretically established valuation methods. Sporting is one of the biggest clubs in Portugal, with an unquestionable impact on Portuguese and European Sports. Several assumptions were made in this process, to ensure that the valuation stays close to reality. Selecting the most appropriate methods for the specific asset in question is essential. By comparing the asset's estimated intrinsic value to its current market value, investors can make informed decisions on whether to buy, hold, or sell the asset (Reilly and Brown, 2012).

Chapter 2 will comprise a literature review regarding the valuation methods and techniques which will be used for the company´s valuation. Chapter 3 will include a brief company description. In turn, Chapter 4 will include an industry analysis, which will examine the structural characteristics of the Football Industry, followed by a brief financial analysis performed to the club in Chapter 5. Chapter 6 and 7 provide both a Discounted Cash Flow (DCF) and a Multiple Valuation, respectively, while section 8 presents the final conclusions regarding the equity valuation.

2. Literature Review

The following sections will explore, in depth, suitable valuation methods for accurately measuring Sporting Clube de Portugal´s share price, drawing on established academic research and financial literature.

Damodaran (2012) argues that there are many different valuation models, all of whom can be grouped into two main approaches: intrinsic valuation and relative valuation. Intrinsic valuation relies on fundamental financial principles, particularly the time value of money. This method involves estimating the future cash flows of an asset and discounting them back to their present value through use of an appropriate discount rate. On the other hand, relative valuations work

on the assumption that market prices of comparable assets or companies reflect investor expectations accurately. This approach involves comparing a specific asset to similar ones, in order to determine its value.

2.1. DCF Valuation

A Discounted Cash Flow (DCF) valuation is a fundamental method used to estimate the intrinsic value of a company by projecting its future cash flows and discounting them back to their present value using an appropriate discount rate (Wacc). According to Damodaran (2012), the underlying principle of the DCF approach is that the value of a business is the sum of the present value of all future cash flows. This method is based on assumptions made towards the company's revenue growth, profit margins, asset depreciations and amortizations, capital expenditures and working capital throughout the forecast period, followed by a terminal value estimation used to account for cash flows in perpetuity (Janiszewski, 2011). The DCF model is highly useful for company evaluation. Though sharply sensitive to input assumptions (Damodaran, 2012), it still represents one of the most widely respected tools in corporate finance for computing a company's actual value.

$$Value\ of\ the\ firm = \Sigma \frac{\mathrm{CFn}}{(1+\mathrm{r})^{\mathrm{n}}} + \frac{TVt}{(1+r)^{t}}$$

2.1.1 Free Cash Flow to the Firm

A company´s Free Cash Flow to the Firm (FCFF) represents the amount of cash generated by a company's core operations that is available to all the investors in the firm, both debt and equity holders (Brealey et al., 2020).

Net income is an accounting measure that reflects profits who may be attributed to shareholders. Still, not all elements within the net income reflect actual cash flow. Therefore, non-cash accounting measures like depreciation and amortization must be added back to eliminate their impact. Additionally, capital expenditures (CAPEX) should also be deducted, as they represent real cash outflows that are not captured in the net income. Lastly, changes in net working capital (NWC) should also be deducted, as they affect the company's short-term liquidity, reflecting how much cash is tied up in day-to-day operations (Palepu & Healy, 2013).

$$FCFFt = EBITt * (1 - T) + D\&A - CAPEXt - \Delta\mathrm{NWCt}$$

2.1.2 Weighted average cost of capital

The Weighted Average Cost of Capital (wacc) is the discount rate used to convert the firm´s future free cash flows into the present enterprise value (Koller et al., 2020). It represents the opportunity cost that both debt and equity holders endure, weighted by their relative contribution to the firm´s capital structure. Essentially, the wacc reflects the lowest return that a company should earn on its investments with a specific level of risk.

$$Wacc\ (post-tax) = \left(\frac{Equity}{Debt + Equity}\right) * Re + \left(\frac{Debt}{Debt + Equity}\right) * Rd * (1 - Tax)$$

2.1.3. Long-term Growth Rate and Terminal Value

The estimation of the long-term growth rate is largely conditioned by a macroeconomic consideration: the economic growth of the market in which the company operates. It has been widely established that in no feasible way a business´s long-term growth should surpass that of the economy in which it operates. As Damodaran (2012) points out "a company's perpetual growth rate must not exceed the long-term growth rate of the broader economy". The author adds that there are three main methods for calculating terminal value. The first involves estimating the amount that could be received through selling the company's assets in liquidation. The second approach uses a multiple applied to the company's book value, earnings or revenues to determine the terminal value. Lastly, it can be calculated by assuming a constant, infinite growth rate (g) for the free cash flow to the firm (with n being the last forecasted year).

$$Terminal\ Value = FCFFn * \frac{(1+g)}{(wacc - g)}$$

Where:

g = Long-term growth rate

n = Last period on forecasted years

2.1.4 Cost of Debt

The cost of debt is given by the interest rate a firm pays on its borrowed funds, expressed as a percentage. It reflects the overall effective rate on the firm's current debt, adjusted for tax benefits, since interest payments are tax-deductible (Koller et al., 2020).

Three specific approaches may be feasible to accurately calculate the cost of debt (Ross et al., 2021). First, the cost of debt may be assessed by averaging the Yield to Maturity of all

outstanding debt, weighted by the relative proportion that each debt instrument holds on the total portfolio.

$$rd = \left(\frac{D1}{DTotal}\right) * YTM1 + \left(\frac{D2}{DTotal}\right) * YTM1 + \cdots + \left(\frac{Dn}{DTotal}\right) * YTMn$$

Where:

Dtotal = Total Market Value of Debt

If there is limited information regarding the debt instruments that comprise the total debt portfolio, the cost of debt may be calculated by dividing the total interest expenses from the overall outstanding debt balance.

$$rd = \frac{Interest\ Expenses}{Outstanding\ Debt\ Balance}$$

Additionally, if the company no longer has long-term bonds outstanding, or if existing ones have low maturity, it should be computed by adding a default spread to the risk-free rate, which may reflect the company's specific credit risk to the risk-free rate.

$$rd = rf + Default\ Spread$$

2.1.5. Cost of Equity

The cost of equity is the minimum rate of return a company expects to earn from an investment for it to be worthwhile, from the shareholders' perspective.

One of the most widely accepted approaches to calculate the cost of equity is the Capital Asset Pricing Model (CAPM). This model provides a theoretical framework for estimating the return that investors may require in exchange for the risk of holding equity instruments. The CAPM includes company and market specific risk factors which allow analysts to quantify the cost of equity based on the risk-free rate, the firm's sensitivity to market movements and the overall market and country risk premium (Koller et al., 2020).

$$Cost\ of\ Equity\ (Ke) = Rf + \beta * MRP + CRP$$

2.1.5.1 Risk-Free Rate

The risk-free rate is the hypothetical return an investor would receive from an investment that carries no loss risk. It depicts the minimum interest that an investor expects to earn from a completely safe asset over a specific time frame. Damodaran (2012) suggests using government bonds that carry the lowest default risk, preferably none whatsoever, such as U.S or German Government Bonds, as the most appropriate proxy for the risk-free rate, as long as they are issued in the same currency as the cash flows under analysis.

2.1.5.2. Market Risk Premium and Country Risk premium

The market risk premium (MRP) consists in the expected return on the market portfolio in excess of the risk-free rate, reflecting the additional compensation investors demand for carrying the risk of equity investments (Koller et al., 2020). Damodaran (2012) argues that low-risk investments should carry lower returns, while riskier investments should expect higher returns. Thus, the amount of risk that a specific investment may uphold should be reflected in the market risk premium, since it may influence the excess return over the risk-free rate.

$$MRP = Rm\ (Market\ Expected\ Return) - Rf\ (Risk - free\ Rate)$$

The market risk premium can be estimated by calculating the historical excess returns of stock indexes (such as EuroStoxx or Nasdaq) which align with the firm´s regional exposure (Fama & French, 2002).

The country risk premium (CRP) represents the additional return that investors demand to account for the increased risk of investing in countries with unstable economic or financial conditions, such as emerging markets. This premium is incorporated into the cost of capital to account for potential risks like currency volatility, unsteady inflation or liquidity issues (Koller et al., 2020).

$$CRP = Yield\ on\ Sovereign\ Bond - Yield\ on\ Risk\ Free\ Rate$$

Since many firms don´t strictly operate in one specific country, to accurately assess the market and country's risk premium, it is essential to evaluate the firm's exposure to different countries, considering the geographic distribution of its operations and revenues. Thus, if that is the case, a weighted average must be performed depending on the relative proportion that each area holds on total revenue. Estimates for MRP and CRP may be retrieved from reliable databases.

$$MRP = \left(\frac{Rev1}{RevTotal}\right) * MRP1 + \left(\frac{Rev2}{RevTotal}\right) * MRP2 + \cdots + \left(\frac{Revn}{RevTotal}\right) * MRPn$$

$$CRP = \left(\frac{Rev1}{RevTotal}\right) * CRP1 + \left(\frac{Rev2}{RevTotal}\right) * CRP2 + \cdots + \left(\frac{Revn}{RevTotal}\right) * CRPn$$

Where:

RevTotal = Total revenue

2.1.5.3. Beta

According to Damodaran (2012) the CAPM model assumes there are no transaction costs and that investors cannot distinguish between plausible and bad investments. As a result, they all end up holding the same market portfolio, which includes all publicly traded assets. Under these conditions, the risk of an individual asset is defined by how much additional risk it contributes to the market portfolio. This systemic risk is measured by the Beta (β). A beta higher than 1 indicates that the asset is more volatile than the overall market, which means that it holds not only greater risk, but also the possibility of higher returns as well. Because of this, the market Beta plays a key role in estimating the cost of equity. This indicator is measured by dividing the covariance between the company's returns and the market returns with the variance of the market returns.

$$\beta = \frac{Cov(Ri, Rm)}{Var(Rm)}$$

Where:

Ri = Returns of the Security

Rm = Returns of the Market

2.1.5.4. Market Value of Debt and Equity

The market value of equity is calculated by multiplying the number of shares outstanding with the current market share price.

$$MV\ Equity = Number\ of\ Shares\ Outstanding * Share\ Price$$

The market value of debt is more complex to estimate. The market value of publicly-traded bonds is achieved by summing the market value of all individual debt instruments, whereas the market value of non-traded debt can be estimated, according to Damodaran (2012), with the following formula:

$$MV\ Debt = I * \left(\frac{1 - \frac{1}{(1+kd)^T}}{kd} \right) + \left(\frac{1}{(1+kd)^T} \right) * BVNTD$$

I = Interest Expense

D = Cost of Debt

B$VNTD$ = Book Value of Non-Traded Debt

T = Average Maturity

2.2. Multiples Valuation

Relative valuation models, often referred to as valuation multiples, is an often-used market-based approach to valuing a company. This method involves comparing key financial ratios, such as equity or price multiples of similar companies to the one being analyzed, to estimate its expected market value. According to Koller et al. (2005), there are two specific requisites necessary to carry out a meaningful analysis of comparable multiples. The first one is to use the right peer group, which should be selected not only based on the financial performance of each firm but also based on qualitative aspects, such as the geography in which the analyzed company operates. A key concern in performing multiple analysis lies with the possibility that the peer company is not a reliable source for comparison, due to operational differences, capital structure or even geographical concerns. Small differences between the company and its supposed peers may lead to large differences in the valuation, thus one needs to be careful when using this approach. The second one is multiple selection. There are several multiples to choose from, whilst some may be more suitable than others depending on the company and industry under analysis, since some financial metrics may be distorted due to accounting policies or non-recurring items (Schøler, 2020). Therefore, we must pick those that most accurately capture the value drivers of the business, depending on the industry characteristics, the firm´s capital structure and reliability of its financial metrics.

The following sub-chapters include commonly used multiples for relative valuation.

2.2.1. Price to Book Ratio

The price-to-book (P/B) ratio measures the firm's market value in comparison with its book value of equity. It´s frequently used to assess whether a firm´s net assets are over or undervalued. Lower P/B ratios may indicate either lower profitability or limited growth, whereas higher ones can suggest strong expected returns on equity. Petersen and Plenborg (2012) warn that this multiple requires careful accounting considerations to ensure there is comparability across companies, given that differences in accountability towards asset management, impairments and depreciation mechanisms can distort book values and subsequently, the P/B multiple.

$$PB\ multiple = \frac{Market\ price\ per\ share}{Book\ value\ per\ share}$$

2.2.2. Enterprise Value to EBITDA

The EV/EBITDA measures a firm´s total value over its earnings before interest, taxes, depreciation and amortization. This ratio is useful to evaluate a firm's cash-generating capacity since it depicts the returns from its core operational activities, independently of its capital structure, tax policies and non-cash accounting instruments. A low EV/EBITDA ratio may indicate undervaluation or low profitability, whereas a high EV/EBITDA often suggests positive performance or higher growth expectations. An accurate use of this multiple requires consistency in EBITDA calculations, as well as necessary adjustments for non-recurring items and acquisition accounting, since these disparities may affect the firm´s EBITDA and subsequently the EV/EBITDA multiple (Koller et al., 2005).

$$EV\ to\ EBITDA\ multiple = \frac{Enterprise\ Value}{EBITDA}$$

2.2.3. Price to Equity

The price-to-earnings (P/E) ratio measures the relationship between a specific firm´s market share price and its earnings per share (EPS). This toll is extensively used to assess how much a given investor is willing to pay for each unit of profit, which in turn can provide valuable insight regarding market expectations about growth, profitability and risk. Lower P/E ratios may indicate that the firm´s stock is valued under its fair price. On the other hand, higher P/E ratio suggests that robust growth rates are expected. An accurate use of the P/E ratio demands precise

determination of earnings, along with adjustments for non-recurring revenues or expenses, since these may distort EPS and, subsequentially, the P/E multiple (Damodaran, 2012).

$$PE\ multiple = \frac{Share\ Price}{Earnings\ per\ Share}$$

2.2.4. Enterprise Value to Revenue

The EV/Revenue multiple assesses the relationship between the company´s enterprise value and its total revenue. This indicator is broadly used to measure how much investors are available to pay for each revenue unit, providing insights into growth expectations and operational efficiency. Lower EV/Revenue ratios suggest that the stock is undervalued. For a valid interpretation of the EV/Revenue ratio, one should accurately measure not only stable revenues, but also non-recurring revenue streams driven by irregular events that may distort the valuation multiple. This improves the accuracy and relevance of the EV/Revenue analysis (Koller et al., 2020).

$$EV\ to\ Revenue\ multiple = \frac{Enterprise\ Value}{Revenue}$$

2.2.5. Enterprise Value to Squad Market Value

The Enterprise value to Squad Market Value (EV/SMV) multiple assesses the relationship between a club's enterprise value and the market value of its player squad. This metric is broadly used to value similar-sized football clubs, with similar investment capacities regarding talent acquisition, providing reliable insight regarding a club´s future performance, as well as its efficiency in converting player talent into pitch performance and commercial results (Dobson & Goddard, 2011). Lower ratios may indicate that the club is undervalued relative to its squad.

$$EV\ to\ SMV = \frac{Enterprise\ Value}{Squad\ Market\ Value}$$

3. Company Description

Sporting Clube de Portugal is one of Portugal's biggest and most successful sports institutions. The club was founded in Lisbon in 1906 and has since become a well-known multi-sport organization, holding a sports portfolio in Europe marked by diversity. Beyond professional football, the club has professional teams in many sports, including (but not only) futsal, basketball, table tennis, athletics and gymnastics, all of whom are recognized across national and international competitions. Regarding professional football, which is by far its core activity and the sharp majority of its revenue sources, the club has competed in the Portuguese Primeira Liga, the top tier of Portuguese football, ever since it was created, being among the so-called Portuguese "Big Three", alongside Benfica and Porto, who chronically compete for national titles. The club´s football matches are played in Estádio José Alvalade, which holds capacity for over 50.000 people. Additionally, it holds regular participation in UEFA European competitions, including the Champions League and Europa League.

The club is listed on Euronext Lisbon, being subject to IFRS financial reporting standards. Recently, the club won the Primeira Liga championship for the 2023-24 season and has managed to regularly participate in the Uefa Champions league. Sporting's business model is set towards a variety set of revenue streams, similar to that of medium/large-sized European football clubs, which include matchday income, broadcasting rights, merchandising, competition prize money and player transfer fees. Similarly to its main domestic competitors SL Benfica and FC Porto, Sporting places significant emphasis on its renowned youth academy, the "Academia Cristiano Ronaldo", famous for producing world-class players such as Cristiano Ronaldo, Luís Figo, Nani, among others.

From a financial perspective, Sporting faces a demanding environment typical for mid-tier European leagues, marked by relatively modest domestic broadcasting revenues in comparison with "Big-5 league clubs", along with considerable revenue volatility in other dimensions, caused by sporting results, transfer market performances and UEFA competitions participation and performance prizes, since results can fluctuate meaningfully from year to year.

Overall, Sporting CP combines a well-established brand with a considerably large fanbase, along with high ambitions towards pitch performance, which support its consolidated position as one of Portugal's leading sports clubs.

4. Industry Analysis

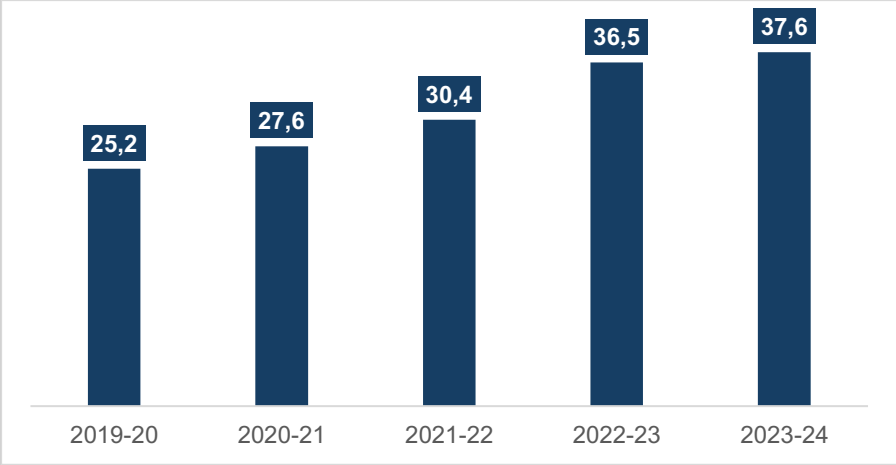
The football industry has long been seen as one of the most influential and lucrative sectors in global sports. With hundreds of millions of fans at a worldwide level, it transcends national borders, cultures and even economic classes, creating a powerful cultural and commercial phenomenon. From youth development to elite professional leagues, football fuels a dynamic market comprising media rights, sponsorships, merchandising and player transfers.

Still, despite its current economic growth, the industry faces complex challenges, including financial inequality between clubs and governance issues (Szymanski & Weimar, 2019). Recently, revenue concentration among elite clubs has widened competitive gaps, with a small group of teams mainly from top performing leagues consistently capturing most of the income, either from broadcasting rights, retail sales, marketing and European competition prizes. This not only affects sporting competitiveness but also compromises long-term financial sustainability for smaller clubs, as these may struggle to avoid financial distress (Ramchandani et al., 2023).

4.1 European Market Overview

The European football market is currently one of the biggest among the global sports industry. As shown in Figure 1, recently, it has experienced sharp consistent growth between the 2019-20 season and the 2023-24 season, from €25.2 billion to €37.6 billion, respectively, rising at a CAGR of 10.5%, reflecting a resilient and expanding industry despite various economic challenges. The data suggests accelerated growth following the Covid-19 pandemic, highlighting the sport's strong commercial appeal and global visibility.

Figure 1: European Football Market size (€bn)



Source: Deloitte Sports Business Group

Despite its fast growth, the European football industry is facing significant volatility. Costs like player wages and transfer fees have increased rapidly, even outpacing revenue growth, which in turn has placed considerable pressure on several clubs. Leverage levels and short-term revenue dependence have considerably risen in recent years, making many clubs financially unstable (Deloitte Sports Business Group, 2025).

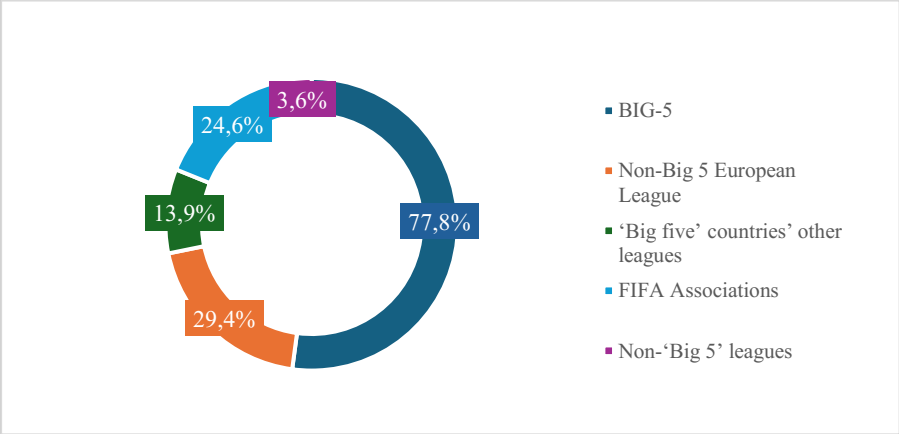
4.2 Economic Structure of a football club

The economic structure of football clubs includes many diverse revenue streams, which comprise (but are not limited to) broadcasting rights, matchday revenues, merchandise and licensing, sponsorship deals and player trading (Szymanski & Kuypers, 1999). Income from broadcasting rights derives from agreements between leagues, television and other broadcasting frames and clubs, depending on league popularity, global fan range and competitiveness. Matchday earnings are a stable source of revenue, mostly depending on stadium size, fan engagement and team performance. Sponsorship and merchandise are heavily influenced by a club´s global brand visibility. Player trading income also holds an important financial role for many clubs, with gains from developing and transferring players being able to support overall budget balance. Regarding expenses, football clubs face high and often unavoidable costs. Wages consistently represent one of the largest portions, especially in big-sized clubs from top-performing leagues (He et al., 2015), driven by growing competition on top talented player acquisition. Transfer fees also comprise a big portion of total expenses, particularly for clubs seeking to compete at the highest level, which in turn may add to further financial pressure. Stadium expenses costs like maintenance, security and event management, as well as investments in youth academies also make significant contribution to operating expenses.

4.3 The Big-5 Leagues

The European football landscape is dominated by the so-called “Big Five” leagues: the English Premier League, Spain’s La Liga, Germany’s Bundesliga, Italy’s Serie A and France’s Ligue 1. Financial disparities have been growing between the Big-5 league and non-Big 5 league clubs. These leagues hold stronger commercial partnerships, higher broadcasting revenues and greater brand visibility, demonstrating their substantial economic power within the competitive landscape (Deloitte Sports Business Group, 2025).

Figure 2: Geographical distribution of European Football Market size (%)



Source: Deloitte Sports Business Group

The prominence of the Big Five leagues is further strengthened by the clubs´ performance in European club competitions, such as the UEFA Champions League and Europa League, which enhance their financial capability, through performance prize money and commercial partnerships. In turn, they can further invest in squad depth and infrastructures which will make positive pitch performance more likely. This phenomenon depicts a virtuous cycle, such as the one proposed by Lago et al. (2006), that shows that large and stable financial power enables the attraction of highly valuable resources, capable of achieving good sporting results. In turn, positive pitch performance increases TV broadcasting rights, merchandising sales, advertising rights and match day revenues, which strengthen the club´s financial position. The growing disparity between the Big 5 and non-Big 5 leagues leaves the latter ones more at risk for financial distress, since they don´t benefit from self-sustained financial and sporting feedback loops that accompany the success of wealthier clubs (Szymanski, 2017).

4.4. Financial Distress in football clubs

Reviews of the existing literature show us that it is common for European clubs to face financial distress situations and that this usually happens through an inability to meet debt payments and unsustainable amounts of capital expenditures. Football clubs frequently operate on the brink of bankruptcy (Szymanski & Weimar, 2019). Clubs frequently incur large amounts of expenses to increase their sporting competitiveness, which directly leads to short-term deterioration of profits. This may leave them vulnerable to changes at a macroeconomic level, as well as to unexpected sudden drops in revenues, which in turn lead to further financial pressure, increasing the risk of financial distress.

Buraimo & Simmons (2008) state several causes for these situations, such as insufficient revenue-generating capability, excessive wages and high transfer fee costs, incurred as a means to increase sportive performance and loss of revenues from league relegation through worse stadium attendances and TV broadcasting rights. Szymanski & Weimar (2019) also stated that smaller clubs have become more prone to financial distress situations, because of reckless financial management.

4.5. Impacts of Covid-19

The Covid-19 pandemic had a significant impact not only on professional football, but also on global sports economics. The main effects caused by the pandemic include sharp revenue decrease caused by broadcasting rights, stadium attendances and player transfer fees (Parnell et al., 2022).

Clubs were under severe financial pressure, which led many to negotiate salary reductions in order to be able to meet short and medium-term obligations. The severity of the shock even led to the possibility of introducing certain regulations like the imposition of salary caps, which would drastically change the so-called "free player labour market" (Drewes et al., 2021).

Furthermore, player market values also suffered a severe downturn as a result from this (Parnell et al., 2022). Still, despite this downturn it is worth noticing that the record amount for player transfers was recorded in 2020, matching the same year as the beginning of the pandemic, which in turn could indicate that the biggest clubs in Europe in terms of investment capabilities might not have been severely affected by the pandemic (Metelski, 2021).

4.6. Uefa Regulations

To ensure financial health and long-term sustainability in European football, UEFA has introduced a comprehensive set of regulations that govern the economic and operational conduct of clubs that participate in its competitions (UEFA, 2018).

Recent measures implemented by UEFA include the Financial Fair Play Regulations, to prevent football clubs from getting into financial distress situations (UEFA, 2018). These regulations were set during a period where the industry was facing substantial growth in revenues, while increasingly funding its investments externally. It was created to prevent overspending, since it operates under a breakeven assumption, demanding that clubs' expenditures should remain under the income received. Any break of these terms may result in severe penalties such as absence from European competitions for a limited period or financial sanctions (François et al., 2018).

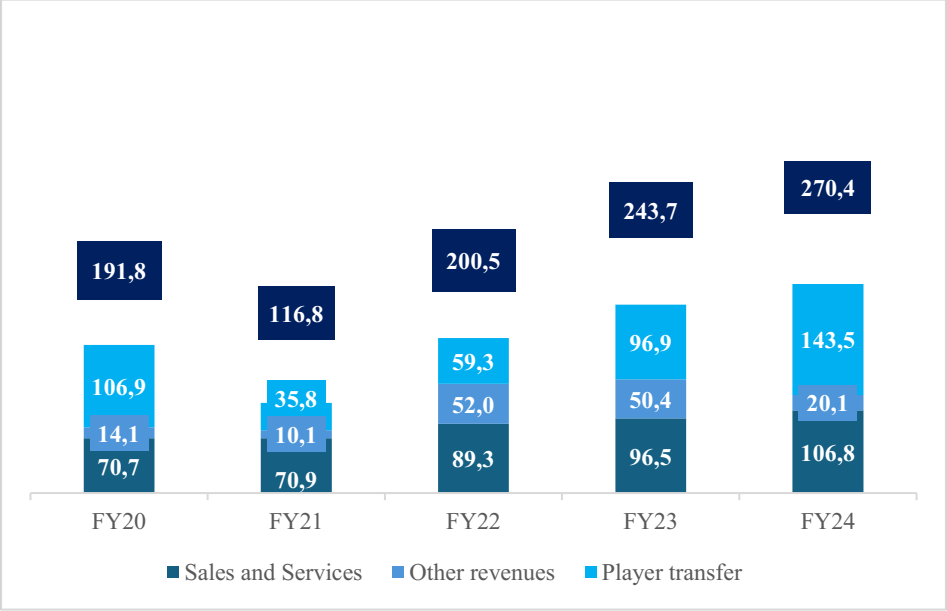
5. Financial Analysis

The following chapter provides a brief financial analysis for Sporting Clube de Portugal with the aim of assessing the club´s overall financial health and identifying key strengths and risks.

5.1.1. Revenues

Total revenue has fluctuated between €116.8 million and €270.4 million throughout the last 5 years, peaking in FY24. The impact caused by the COVID-19 pandemic lead to decreases in several revenue streams, especially in FY21, where mobility restrictions conditioned match attendance, broadcasting rights and even the player transfer market. Soon after, a sharp increase in total revenues was noted from FY22 onwards, showing strong volatility under specific macroeconomic factors.

Figure 3 : Total Revenue by Segment



Source: Author

Revenues from sales and services increased from €70.7 million in 2020 to €106.8 million in 2024, with an overall growth of 51%. This growth was gradual, with the sharpest acceleration happening in FY22, moving from €70.9 million to €89.3 million. This strongly highlights a

significant expansion in commercial activities and marketing campaigns set for fan engagement, increased brand visibility and successful pitch performance.

Sporting´s other revenues showed high volatility over the analyzed time frame, from €14.1 million in FY20 to a period-low of €10.1 million in FY21, then surging to €52.0 million in FY22 and €50.4 million in FY23, before closing at €20.1 million in FY24. These large variations are mainly driven by the club's inconsistent results and participation in European competitions, along with variable income streams associated with these results and participation. The highest recorded were registered in FY22 and FY23, overlapping with the club´s presence in the Uefa Champions League. This pattern highlights the inherently unpredictable nature of this revenue category, which is strongly dependent on pitch performance and contingent events.

Player Transaction earnings, on the other hand, represent an incredibly significant percentage of the majority of European 1st Division Clubs. According to the last 10-year historical average, Sporting is one of the 10 European clubs who earned the most from player transactions, whilst its main rivals Benfica and Porto also book a spot in this list (Football Benchmark, 2025). Sporting Clube de Portugal demonstrated an overall upward trajectory between FY20 and the FY24 regarding revenues from transfer fees, though marked by extreme volatility. Amounting to €106.9 million in FY20, the figure dropped sharply to €35.8 million in FY21, aligned with the significant downturn caused by the Covid-19 pandemic, which decreased the clubs' financial capacity and willingness to engage in expensive player transactions. However, from FY22 onwards, transfer revenue rebounded significantly, from €59.3 million in FY22 to €96.9 million in FY23 and €143.5 million in FY24. This trend is consistent with Sporting´s business and financial strategy, which regards the player transfer market as a crucial source of cash-flow generation, either from developing youth players or acquiring new ones at relatively low transfer fees, only to sell them at a profit.

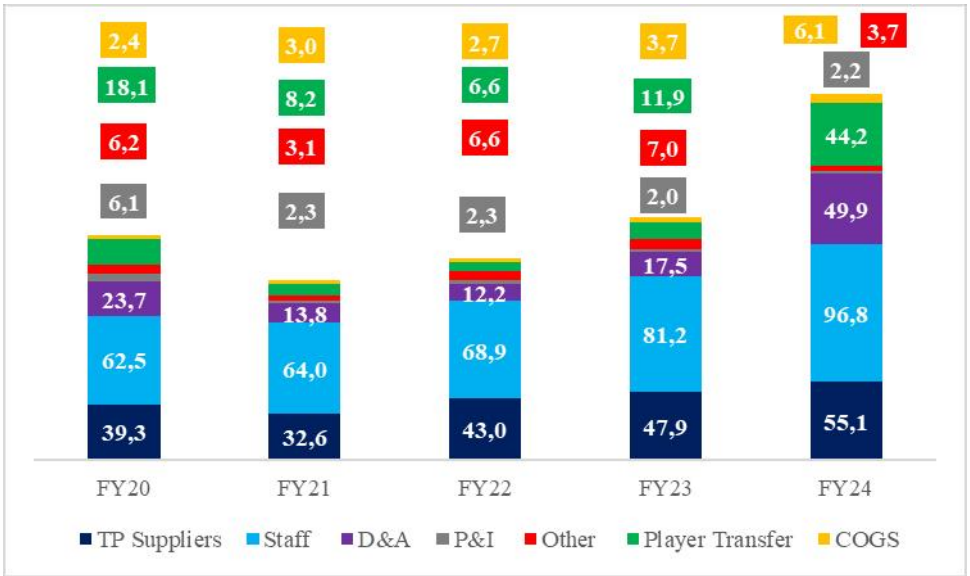
The upward trend in total revenues suggests strong long-term growth, aligned not only with the overall football market size but also with the club's ability to capitalize on commercial opportunities, enhance fan base and optimize player trading activities, though with occasional variations depending on factors like sportive performance and macroeconomic disturbances.

5.1.2. Cost Analysis

Sporting Clube de Portugal has seen its total costs increase throughout the period under analysis, rising from €158.4 million in FY20 to €257.9 million in FY24, with considerable changes in expenses like staff costs, player purchases and depreciation and amortization

expenses. The impact of the COVID-19 pandemic in FY21 likely constrained spending, which led to an immediate attempt at the reduction of operational costs. From FY22 onwards, costs sharply increased, driven by higher investment in player transfers, growing staff salaries, and increased amortization of player contracts. This pattern highlights Sporting's strategic focus on squad development and financial growth.

Figure 4: Operational Costs by segment



Source: Author

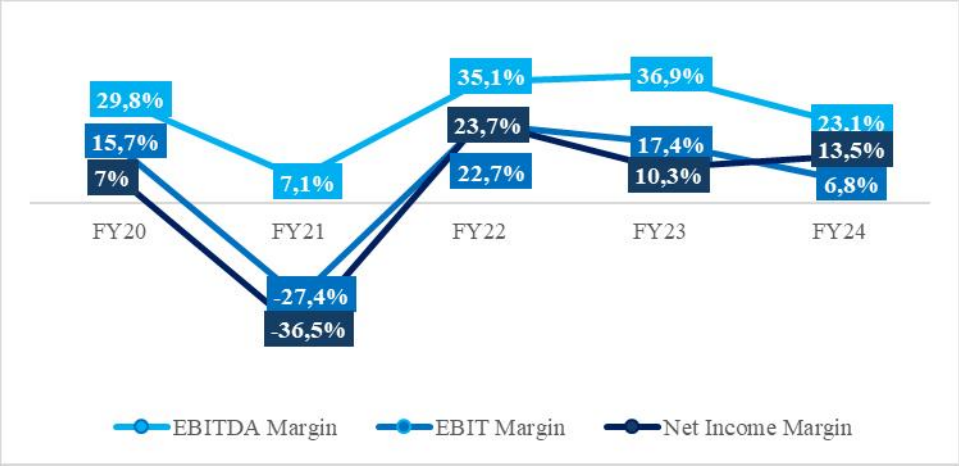
Overall, the cost structure indicates that the club is steadily expanding both on and off the field. Staff costs are the largest expense throughout the period, rising steadily from €62.5 million in FY20 to €96.8 million in FY24, emphasizing the club's focus on increasing sporting and commercial competitiveness by attracting highly talented players and other human resources through higher wages. Depreciations and amortizations are mostly comprised by player amortizations (depreciations on property, plant and equipment hold less prominence in the total amount). The sharp increase from €23.7 million in FY20 to €49.9 million in FY24 is also more likely tied to investments in squad depth and quality. After a slight decrease in FY21, from €39.3 million in FY20 to €32.6 million, most likely connected to Covid-19 restrictions who limited match attendance and other commercial activities, Third-party suppliers resumed stable growth between FY22 and FY24, amounting to €55.1 million in the latter year, reflecting an increase in matchday attendance, merchandising products and additional investment on infrastructure and training facilities. Player transfer costs presented a volatile trend, decreasing from €18.1 million in FY20 to €6.6 million in FY22, before increasing to €11.9 million in FY23

and rising sharply to €44.2 million in FY24. This spike reflects a substantial acceleration in player acquisition investment, likely driven by the club´s objective to enhance squad depth and overall quality. Regarding Costs of Goods Sold, Provisions and Impairment losses and Other expenses, have consistently represent smaller fractions within total operating expenses, showing high volatility depending on each fiscal year.

5.1.3 Profit

As a result of the increase of some of the club's revenue sources and expenses, mainly driven by indicators such as pitch performance and extension of operational activities, Sporting's margins have presented some volatility throughout the period.

Figure 5: EBITDA, EBIT and Net Income Margins



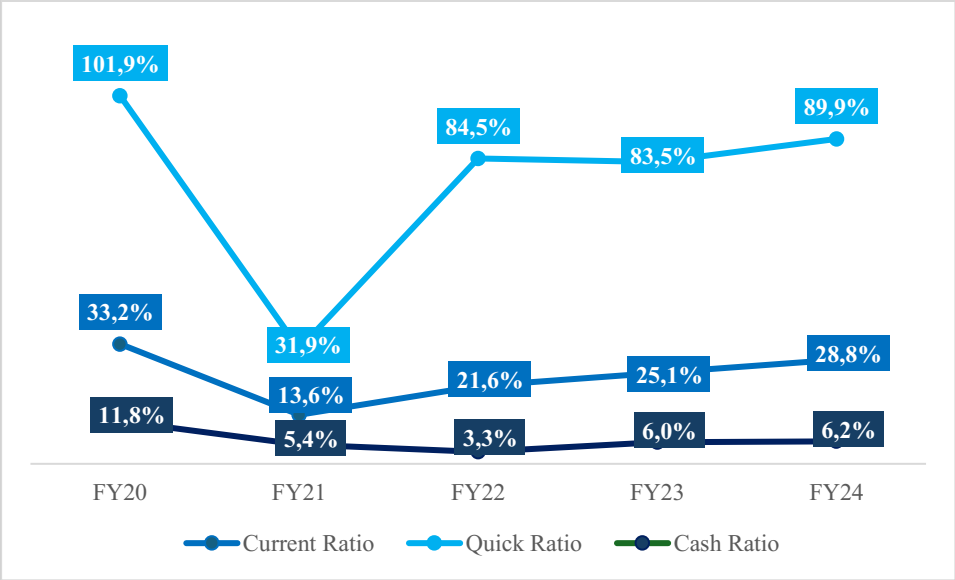
Source: Author

FY21 was marked by the effects of Covid-19 which limited revenue generation in areas like match attendance, merchandising and other important commercial activities, resulting in a decrease of the EBITDA margin, from 29.8% of total revenue in FY20 to 7,1% in FY21. Subsequently, this year stands out as the worst financial point of the analyzed period, since the combined impact of the decrease in total revenue with the reduced operational activity lead the EBIT (-27.4%) and net income (-36.5%) margins to negative numbers. As operational activity returned to normal levels, Sporting CP experienced a significant financial recovery in FY22, seeing its EBITDA, EBIT and net income margin increase to 35.1%, 22.7% and 23.7%, thus surpassing pre-Covid figures, reflecting upward operational efficiency and higher revenue streams. FY23 maintained this positive trend, though with a lower net income margin (10.3%), caused by higher costs and investments associated with squad expansion and operational

growth, which surpassed overall revenue growth in this period. In FY24, revenues further expanded to an all-time high of €270.4 million, with the EBITDA margin reaching 23.1% and the net income 13.5%, suggesting that overall costs accompanied revenue growth in a proportional way.

5.1.4 Liquidity

Figure 6: Liquidity Ratios



Source: Author

The club´s liquidity position shows consistently low current ratios. This suggests that Sporting may struggle to meet its short-term financial demands, becoming more dependent on external financing. FY21 was marked by a decrease in liquidity levels driven by the effects of the COVID-19 pandemic, which sharply reduced cash generation, leading to a current ratio of 13.6%, after a 19.4% decrease from FY20. This change highlighted the adverse impact on operating cash flows from matchday revenue, merchandising sales and other commercial revenues. In turn, from FY22 (21.6%) until FY24 (28.8%), the club´s current assets performed better than its current liabilities, leading to a progressively better ability to meet its short-term demands.

The club´s cash ratio suggests very little cash and equivalents in comparison with its short-term liabilities, since it has been consistently low in the period analyzed (under 12%), declining sharply from 11.8% in FY20 to a period-low of 3.3% in FY22, before slightly improving to around 6.0% and 6.2% in FY23 and FY24, respectively. These values indicate considerable

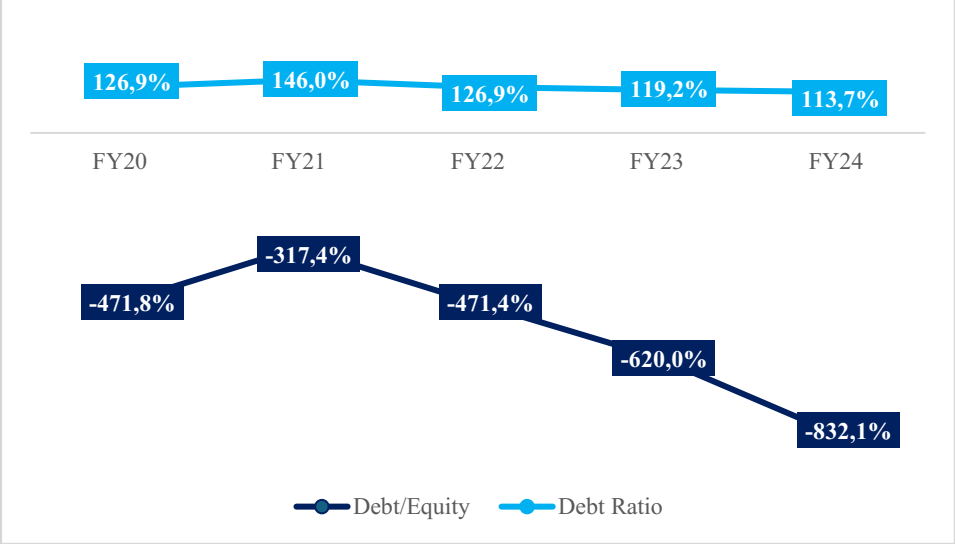
liquidity risk in situations marked by immediate cash needs, as the club may have limited cash reserves to cover its short-term liabilities.

Regarding the quick ratio, it has shown considerable volatility between FY20 and FY24, particularly in FY21 as a response to the pandemic, where it sharply fell by 72.0%, to 31.9%, reflecting the sharp impact on liquid assets and depicting severely adverse impacts on short-term liability meetings through current liquid assets. Still, this sharp decrease was short-lived, with the quick ratio reaching 84.5% in FY22 and stabilizing onwards (83.5% in FY23 and 89.9% in FY24).

Overall results suggest that the club holds significant liquidity risk, since it may have trouble meeting its short-term obligations, which may be aggravated by external macroeconomic constraints.

5.1.5 Solvency

Figure 7: Solvency Ratios



Source: Author

The club's solvency position shows long-lasting structural weaknesses, demonstrated by negative equity values, throughout the 5-year period, with leverage amounts surpassing that of total assets. Sporting Clube de Portugal´s Debt-to-Equity ratios were negative across all five years, indicating that Sporting's capital structure is dominated by debt and that equity has been steadily undermined by accumulated losses. Likewise, the Debt Ratio consistently remained above 100% throughout the entire period, highlighting once more that Equity levels are on the

negative side and that the club operates with assets whose value is insufficient to cover its debt obligations.

Affected by the Covid-19 pandemic, the D/E ratio increased from –471.8% in FY20 to -317.4%, likely a result from cost cutting policies driven by the pandemic, which help reduce operational losses, putting less pressure on equity. From FY22 to FY24, it kept decreasing, eventually reaching a period-low of -832.1%. This sharp decrease indicates that the debt levels are increasing in relative proportion to its equity, which may concern investors due to heightened financial risk.

In accordance with the effects noted above, the Debt Ratio increased from 126.9% in FY20 to 146.0% in FY21, reflecting an increase on short-term debt levels to cover operational needs during a period of diminished revenue streams and financial uncertainty. Since then, the debt ratio decreased to 126.9% in FY22 and further to 119.2% in FY23 and to 113.7% in FY24.

The variability observed across this period suggested significant volatility, driven by further external financing dependency, resulting in aggravated total debt levels.

6. DCF Valuation

The following chapter will propose a DCF valuation for Sporting Clube de Portugal based on the premises and methods described in the literature review, by estimating the present value of all Free Cash flow to the Firm predictions throughout a period of 5 years (FY25-FY29) and the present value of a terminal value, to capture the club's financial performance in perpetuity, discounted at a weighted average cost of capital rate (wacc).

6.1. Forecasts

Forecasts for the income statement are presented in the subchapters below.

6.1.1. Revenues

Revenues are one of the most crucial items to forecast since many others are driven from their values. Revenue forecasting for Sporting Clube de Portugal was performed through a combination of historical growth patterns, contractual constraints and specific operational expectations highlighted in the club's annual reporting. The goal was to create realistic trajectories for each revenue source, while still incorporating possible changes expected to influence future income generation.

6.1.1.1 Revenues from Sales and Services

Total revenue from Sales and Services is expected to grow at a CAGR of 10.3%. Sales revenues were projected using the historical annual average growth rate observed between FY21 and FY24. FY20 was left out when computing the growth rate due to the COVID-19 Pandemic, which caused sharp atypical fluctuations in total sales. The resulting forecast reflects an assertive expansion, aligned with Sporting´s business model.

Historically, Sporting's membership base has shown a stable pace rise, with little volatility towards the number of members registered. This reflects both membership loyalty and the club's efforts to maintain and increase its fan base. Given this historical pattern, it is reasonable to assume that membership fee revenues will continue to increase at a similar, predictable pace throughout the forecast period (at 9.4% yearly, similar to the FY20-FY24 period). Though highly volatile due to UEFA European competition presence and performance, Broadcast Rights were also forecasted based on the FY20–FY24 historical average, at a CAGR of 8.9%. Sporting TV rights´ revenue is held constant at €5.4 million from 2023/24 onward, since it reflects the existing contract, which remains active until FY30, with no other contracts announced to date, suggesting no changes are expected in this revenue stream. Sponsorship and Advertising revenues were estimated using a CAGR of about 6.4% per year (computed through the FY20-24 period), aligning with the club's commercial partnerships and marketing plans, since stable growth is expected. Season tickets, on the other hand, require a different approach. Estimation was based on post-pandemic figures, since FY20 was highly influenced by Covid-19 restrictions, which severely prevented stadium attendance. Additionally, recent investments in the club´s stadium have led to an increase of the stadium capacity, raising its available seats by nearly 5%, in FY25. Thus, season tickets were forecasted by adding 5% to the FY22-FY24 CAGR, from FY25 onwards. Finally, due to the uncertainty regarding other sales caused by atypical and inconsistent patterns, we assumed that this amount would be kept similar to FY24, as well as Registrations from Sports. All forecasts are depicted in Appendix 3.

6.1.1.2 Other Revenues

Since revenues from European competitions make up for a sizable portion of the total value, especially in years where Sporting books a spot in UEFA Champions League, Other revenues are highly volatile and therefore difficult to forecast, since they´re heavily dependent on pitch performance, which tends to vary from season to season. We assumed that for FY25, its value is set to equal FY23, since Sporting qualified for the UEFA Champions League in both seasons. Thus, this amount will most likely be similar. From FY26 onward, these revenues were estimated follow the FY22–FY24 historical average, excluding both FY20 and FY21 due to

fluctuations caused by the Covid-19 pandemic and an atypical absence on European competition (rarely seen in the clubs´ history). The remainder of other revenue sources including revenues from national competitions, friendly matches, player loans and leases were estimated using the historical average of the full period under analysis (FY20-FY24), due to their predictability and steady performance throughout this time frame, with exception of World cup/Euro Prizes, which were assumed to remain perpetually at 0€. All forecasts are depicted in Appendix 4.

6.1.1.3 Player Transactions

Player Transactions represent a large percentage of the majority of European 1st Division Clubs. According to the last 10-year historical average, Sporting is one of the 10 European clubs who profited the most from player transactions, whilst its main rivals Benfica and Porto also book a spot in this list (Football Benchmark, 2025).

Player transfer income (see appendix 5) is closely associated with the club's financial and pitch performance. Not only do higher net revenues generally indicate better sportive results, but they also lead to greater brand visibility and increased investment in player development, all of whom improve a club's capacity to create value over the sale of player sportive rights (Lago et al., 2006). These revenues have historically been highly volatile. To mitigate this volatility and provide a sustainable long-term projection, player transaction revenues in the forecast period were projected as a percentage of net revenue, set at 78.2%, corresponding to the 5-year historical average. According to this approach, income from player sales is expected to increase, reaching €134.5 million in FY25, further rising to €173.9 million by FY29.

In turn, player transaction costs (see appendix 6) were forecasted as a percentage of player transaction revenues, since the investment in player acquisition tends to be strongly correlated with the amount received (Maguire, 2011). Considering historical fluctuations, a normalized ratio of 19% was applied throughout the forecast period, aligned with the 5-year historical average. Thus, player transaction expenses are projected to grow between 2025 and 2029, from €25.3 million to €32.2 million respectively, reflecting a consistent cost structure relative to transfer income. This methodology provides a stable estimate of transfer-related cash-flows, avoiding year-specific distortions and anomalies, while reflecting the fundamental role of player transfers in Sporting Clube de Portugal's business model.

6.1.2. Operating Expenses (excluding Depreciations & Amortizations)

The club´s operating expenses were forecasted based on revenue projections, depending on their nature.

Cost of Goods Sold (COGS) are projected to increase from €4.8 million in FY25 to €7.1 million in FY29. These costs were forecasted as a percentage of Revenues from Sales and Services since they´re directly correlated with the club's sales volume (at 4.6% specifically), computed as the historical 3-year average, since FY20 and FY21 were left out due to Covid-19 distortions) (see Appendix 7).

Likewise, the same method was used for forecasting Third-Party Supplies, since they´re also closely linked to operational activities associated with sales (49.8% of Revenues from Sales and Services), such as marketing campaigns and stadium operations, which are assumed to significantly increase €59.5 million in FY25 to over €90.7 million in FY29 (see Appendix 8).

Staff Costs were projected as a percentage of Total Revenue (66.6% achieved from calculating the 5-year historical average) since these are not only driven by operational activities consistently linked to sales, but to other revenues as well, which largely depend on investments in human resources, such as player and staff wages, both crucial for pitch performance and subsequent competition monetary prizes. These costs represent largest operational expense, with an estimated increase from €114.5 million in 2025 to €145.6 million in 2029 (see Appendix 9).

Provisions and Impairment Losses are expected to remain stable at approximately €3.0 million annually, since no fluctuations in the number of doubtful debts or other impairments is expected (see Appendix 10). Likewise, Other Expenses are also projected to remain stable at about €5.3 million per year (see Appendix 11).

6.1.3. Capex, Fixed tangible and Intangible Assets and D&A

Overall, Sporting Clube de Portugal´s gross Tangible and Intangible assets are expected to rise from €175.0 million and €176.8 million in FY25 to €198.5 million and €226.3 million in FY29, respectively.

Capital expenditures (CAPEX) for tangible assets are projected to undergo a stable path, consistent with Sporting's historical trend. Therefore, tangible CAPEX is forecasted to represent around 3.2% of net revenue throughout the forecast period (calculated as the FY21-FY24 historical average), reflecting the already on course investment in stadiums and training facilities set by the club´s business strategy, expecting to increase between FY25 and FY29, from €5.5 million to over €7 million. Since they are directly tied to investments in infrastructure such as academy facilities and stadium maintenance, we forecasted Depreciations and

Amortization in property, plant and equipment as a stable percentage of total fixed assets (3.6%, computed through the FY20-FY24 average), thus growing from €6.5 million in FY25 to €7.5 million in FY29. As a result, the net value of fixed tangible assets should increase from €168.5 million in FY25 to about €191.0 million in FY29. Likewise, Capital expenditures for intangible assets are forecasted as a percentage of total net revenue, also computed as the FY21–FY24 average ratio (41.1%), rising between €70.7 million and €89.9 million between FY25 and FY29. This aligns with the club´s recent strategic emphasis on acquiring high quality players to aim for improved pitch performance. Yearly amortizations were projected as a percentage of gross intangible assets (32.3%). These represent a large share of total intangible assets because the vast majority of Sporting's intangible asset base consists of player ownership rights, whose contracts have durations of less than 5 years, which will inevitably be amortized over short time frames. All values are depicted in Appendix 12.

6.1.4. Net Working Capital

Inventories were forecasted as a stable percentage of COGS (83.9% using the FY20-FY24 average) since they´re directly associated with the production and consumption of goods. Client balances, which comprise receivables from ticket sales, membership fees and commercial partnerships were forecasted as a percentage of net revenue, according to its post-Covid average (16.6%), since these revenues were affected by the pandemic. On the other hand, Suppliers make up for most of the overall current liabilities amount. They were projected as a percentage of the sum between COGS plus third-party supplies, computed through the average value of the total period (152.9%).

Both Receivables and Payables from the State and Public Entities were projected at 2.2% and 7.4% of EBIT, while Other debtors and creditors were estimated at 3.3% and 4.6% of net revenue and Other current assets and liabilities at 2% and 25.1%, respectively.

As a result, overall net working capital is expected to decrease from €-110.5 million in FY25 to €-162.8 million in FY29, aligned with Sporting's operating model, in which the club upfronts cash collection from multiple revenue sources such as season tickets and sponsorship advances, while having extended payment terms on operating liabilities. All values are depicted in Appendix 13.

6.2. DCF Calculations

6.2.1. Free Cash Flow to the Firm

To perform an equity valuation for Sporting Clube de Portugal, one must estimate the Free Cash Flows to the firm, for each period in the forecast horizon. This is given by the following formula:

$FCFFt = EBITt * (1 - T) + D\&At - CAPEXt - \Delta NWCt$

Where

EBIT = Earnings Before Interest and Taxes

D&A = Depreciations and Amortizations

CAPEX = Capital Expenditures

NWC = Net Working Capital

The tax rate applied in the calculation of FCFF was 21%, aligned with the Portuguese corporate income tax law. All computed FCFF are presented in Appendix 14.

6.2.2.WACC

The weighted average cost of debt plays a crucial role in any Discounted Cash Flow valuation, being the rate used to discount the forecasted future cash flows. In the following sections, we will break down and explain essential components used to estimate this measure, reflecting upon the concepts discussed earlier in the Literature Review chapter (see Appendix 15).

6.2.2.1 Cost of Equity

To calculate Sporting Clube de Portugal´s cost of equity, several key inputs were assessed, such as the risk-free rate, the market risk premium and the market beta. In addition to these standard components, a country risk premium was also included. This adjustment ensures that the valuation reflects the additional uncertainty regarding the geographic location of the company.

6.2.2.1.1. Risk-Free Rate

A standard method to determine the risk-free rate is by using government bond yields. Since a large portion of Sporting Clube de Portugal´s revenue comes either from European competitions or European player transfer market (transactions made with other European clubs), the 10-year German Treasury yield was chosen as the appropriate proxy for the risk-free rate, since they carry low risk and are expressed in the same currency of the company´s

cash flows (€). As of June 30th, 2024, according to Bloomberg, this bond´s yield was estimated at 2.67% (see Appendix 16).

6.2.2.1.2. Beta

We calculated the club´s beta by measuring the sensitivity of the stock's returns relative to the overall market. Thus, it was determined by dividing the covariance of Sporting's returns along with the market returns by the variance of the market returns, which resulted in a value of 0.37 (see Appendix 17).

6.2.2.1.3. Market Risk Premium and Country Risk Premium

The Market Risk Premium (MRP) measures the extra return investors expect to earn from investing in the overall market compared to a risk-free investment. It is calculated as the difference between the expected return of the market (Rm) and the risk-free rate (Rf).

Estimating the proportion of total revenue by each geographical area is a challenge for two reasons. Firstly, because a significant share of the club's income is tied to non-recurring and highly volatile items. Secondly, a large portion of these revenues come from player transfer fees and sponsorships, which may arise from different markets. Since these revenues don´t follow a consistent geographic pattern and can fluctuate sharply from year to year depending on pitch performance, we performed a weighted average using the Portuguese market risk premium and the Euro-Area risk premium, assuming that nearly 50% of total revenues come from within the domestic market and remaining 50% from other European markets (revenues from non-European markets are negligible and thus assumed to be 0), since player transfer revenues and European competition prizes consistently account for nearly half of total revenue. Thus, for market risk premium estimations, we assumed that domestic and international markets would share the same weight (50%). The same assumption was used to compute the country risk premium. To get values for both the Portuguese and the European market and country risk premium, we used Damodaran's database, reaching final total values of 5.22% for the MRP and 1.10% for CRP (see Appendix 18).

6.2.2.2. Cost of Debt

Since there is limited information regarding the debt instruments that comprise the total debt portfolio, to calculate the cost of debt, we divided the total interest paid on the outstanding debt by the total amount of that debt. Interest paid on debt amounted to €12.5 million, while total

outstanding debt reached €170.1 million. Thus, the cost of debt was estimated at 7.32% (see Appendix 19).

6.2.3. Market value of Debt and Equity

The market value of Equity was calculated by multiplying the number of shares outstanding by the share price. On the other hand, the total book value of debt was used as a proxy for market value of such debt. This method is appropriate for companies whose liabilities consist mostly of bank loans rather than publicly traded bonds (Eberhart, 2005), (as is the case for the club). We also assumed that the Debt to Assets ratio and the Equity to Assets ratio will stay constant throughout the forecasted period (see Appendix 20).

6.2.4. Growth Rate

According to Koller et al. (2020), a perpetuity growth rate should never exceed the expected long-term growth of the economy where the company operates. Banco de Portugal estimates the Portuguese GDP long-term growth at 1.8%. Thus, we adopted a conservative approach in the assessment of the perpetuity growth rate, setting a slightly lower value, set at 1.5%.

6.2.5. Terminal Value

To compute Sporting´s terminal value, we assumed that the club´s free cash flows will grow at a steady rate in perpetuity (1.5% as stated in the previous section). Firstly, we estimated the free cash flow for the first year of perpetuity FY30. Then, we divided this value by the subtraction between the weighted average cost of capital and the projected growth rate. We then discounted the value achieved for the present year, reaching a total value of €366.4 million (see Appendix 21).

6.2.6. Enterprise Value & Share Price

The enterprise value of Sporting Clube de Portugal was achieved by summing the present value of all future cash flows, along with the terminal value, reaching a value of €452,9 million. Following the computation of the club´s enterprise value, we deducted the Net Debt (i.e. total interest-bearing debt of the company to date minus total Cash & Cash Equivalents), reaching a total Equity of €294,7 million, which leads to a share price of €1,46 as of June 30th, 2024 (see Appendix 22).

6.2.7. Sensitivity Analysis

The sensitivity analysis is a relevant mechanism to assess the impact of fluctuations in specific values that may alter the value of a company. In the case of Sporting Clube de Portugal, we performed a sensitivity analysis for the terminal value, by introducing small changes in the perpetual growth rate and the weighted average cost of capital (Wacc).

The growth rate was capped at the previously established perpetual growth limit derived from the Portuguese long-term GDP growth estimation (1.80%).

Figure 8: Sensitivity Analysis for the Terminal Value

		Wacc						
		5,18%	5,38%	5,58%	5,78%	5,98%	6,18%	6,38%
g	1,20%	417,7	402,2	387,8	374,3	361,8	350,1	339,1
	1,30%	418,1	402,6	388,1	374,7	362,2	350,5	339,5
	1,40%	418,5	403,0	388,5	375,1	362,5	350,8	339,8
	1,50%	418,9	403,4	388,9	375,4	362,9	351,1	340,1
	1,60%	419,3	403,8	389,3	375,8	363,2	351,5	340,5
	1,70%	419,8	404,2	389,7	376,2	363,6	351,8	340,8
	1,80%	420,2	404,5	390,0	376,6	364,0	352,2	341,1

Source: Author

7. Multiples Valuation

The following chapter will propose a Relative valuation for Sporting Clube de Portugal through a multiple analysis, in accordance with the premises and methods described in the literature review.

7.1 Peer Selection

Benfica and Porto were selected as peers for the multiple valuation because both clubs operate in the same domestic football market, face comparable competitive dynamics and have similar standards regarding pitch performance, both in national and European competitions. Additionally, they also share similar structural characteristics at a financial level, since indicators like revenue size, cost structure, asset-size and investments in player acquisitions tend to be similar amongst them. These similarities make them useful benchmarks for performing valuation multiples. Ajax was also included as peer since its financial scale and

competitive profiles align closely with the Portuguese clubs already selected, either in profitability or in asset-size, making it also a suitable benchmark for a relative valuation.

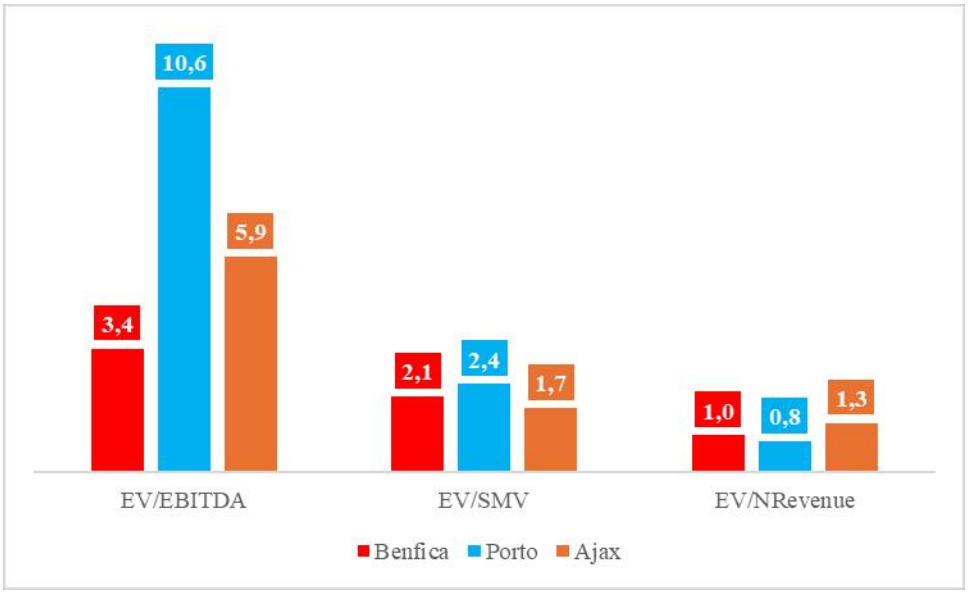
7.2 Multiple Selection

Performing multiple valuations in football clubs may be particularly difficult since a considerable portion of earnings often comes from non-recurring items, such as competition prize money and revenues from player sales, which can lead to high volatilities in net income, potentially making multiples like P/E or P/B non-accurate indicators of a club's actual operational performance (Szymanski & Kuypers, 1999). Regarding Sporting Clube de Portugal, several factors such as accounting measures from amortizations or player transfer receivables may distort reported earnings, making it an unreliable indicator of the club's operational performance. Therefore, the Price to Earnings multiple will not be assessed in the analysis. Additionally, the Price-to-book ratio won´t also be used in our relative valuation since the club consistently reports negative equity. When the book value of equity is negative, the P/B ratio becomes highly misleading to interpret, since it doesn´t reflect the value of the club's underlying assets or capital structure, lacking the ability to provide a reliable basis for comparison (Penman, 2013).

7.3 Multiple Analysis

The following multiples were applied to perform the relative valuation of the peer group: the EV to EBITDA, the EV to Net Revenue and the EV to Squad Market Value.

Figure 9: Multiples analysis for each Peer



Source: Author

The EV/EBITDA between the clubs shows large disparities, ranging from 3.4x to 10.6x, with a weighted average of 6.6x. EV/SMV multiples present similar values, all between 1.7x and 2.4x, averaging 2.1x, which suggest identical revenue generation between the clubs. In turn, the EV/NRevenue ranged between 0.8x and 1.3x, with an average of 1.1x.

The computed share price valuations based on the above-mentioned multiples range from €0.65 to €1.17, highlighting the difficulty in performing multiple valuations for football clubs, since key indicators such as non-recurrent financial factors or accounting policies may significantly distort multiple metrics. The share price obtained from the EV/EBITDA (€1,17) and EV/SMV (€1,12) slightly surpasses that of the actual market share price (€1,01). However, on the other hand, the EV/NRevenue ratio suggests that the stock is clearly overpriced (€0,65). This may occur due to several factors such as the timing and magnitude of player transfer gains, performances in European competitions and fluctuations in commercial and broadcasting revenues, which lead to a level of uncertainty uncommonly seen in more traditional industries. All values are presented in Appendix 23.

8. Conclusion

The main purpose of this dissertation was to reach the equity value of Sporting Clube de Portugal, as of 30th June 2024, followed by an estimation of the target price. To do this, an in-depth examination of the club´s operational and financial performance was required.

Thus, two valuation methods were performed throughout the dissertation: an Intrinsic Valuation made through a Discounted Cash Flow model and a Relative Valuation assessed using a multiple analysis. Several assumptions were made throughout the valuations. The DCF method provided a final share value of €1,46, considerably above the market share price (1,01€). However, the multiple analysis suggested that the club´s share is valued at €0.98 (weighted average of each multiple target price), slightly under the current market value.

To reconcile the recorded valuation, we used a weighted-average methodology, assuming an 80% weight to the DCF valuation and a 20% weight to the relative valuation. The weight disparity stems from two reasons: firstly, the discounted cash-flow model reflects its intrinsic and prospective nature, since it´s grounded on the club´s future expected cash flows, incorporating key values such as sportive performance and long-term strategic assumptions; secondly, the relative valuation stands on peer comparisons, which may be less suitable for football clubs, due to large revenue volatility and differences on business models. Thus, with the above-mentioned procedure we reached a final share price of €1,36 (see Appendix 24).

Since the weighted target price exceeds the current market price, the analysis suggests that Sporting Clube de Portugal's shares may be trading under its fair market value. Thus, a BUY recommendation is issued, since the market price has not reached the intrinsic value assessed by the valuations performed.

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10.Appendix

Table A 1: Historical Balance Sheet

	30.06.2020	30.06.2021	30.06.2022	30.06.2023	30.06.2024
Assets					
Non-Current Assets	**245 155**	**233 269**	**282 235**	**272 614**	**307 668**
Fixed Tangible Assets	164 607	163 268	162 606	160 773	166 076
Investment Properties	2 742	2 742	2 742	2 742	2 742
Intangible Assets - Team	70 060	60 081	94 190	96 163	108 442
Intangible Assets	269	470	632	1 025	1 635
Right-of-use Assets	7 005	5 451	6 513	8 027	8 407
Other Non-current Assets	472	1 257	15 552	3 884	20 366
Current Assets	**48 196**	**26 784**	**37 359**	**43 287**	**54 930**
Inventories	1 504	1 584	2 885	4 222	5 117
Clients	18 460	8 370	21 702	16 836	30 342
State and other public entities	2 536	1 256	245	2 118	192
Other debtors	2 767	2 293	912	2 158	2 458
Other Current Assets	5 782	2 706	5 870	7 668	4 954
Cash and Cash Equivalents	17 147	10 575	5 745	10 285	11 867
Total Assets	**293 351**	**260 053**	**319 594**	**315 901**	**362 598**
Equity + Liabilities					
Equity	**-78 911**	**-119 613**	**-86 051**	**-60 754**	**-49 527**
Own Funds	8 480	8 480	8 480	8 480	8 480
Reserves	4 770	4 770	4 770	4 770	4 770
Other Equity Changes	1 039	913	839	1 101	977
Retained Earnings	-179 138	-170 422	-131 579	-95 998	-51 802
Net Income	7 201	-27 137	35 300	21 337	34 602
Minority Interests	78 737	63 783	-3 861	-444	-46 554
Total Equity	**-78 911**	**-119 613**	**-86 051**	**-60 754**	**-49 527**
Total Non-Current Liabilities	**226 978**	**182 440**	**232 425**	**204 526**	**221 212**
Provisions	16 187	12 067	10 701	7 408	5 695
Post-employment benefit obligations	5 433	3 915	924	824	777
Loans	140 607	95 962	136 105	103 771	122 931
Leases	8 583	7 797	8 825	10 076	10 016
Deferred Tax Liabilities	11 990	11 743	10 594	10 392	9 533
Other Non-Current Liabilities	44 178	50 956	65 276	72 055	72 260
Total Current Liabilities	**145 285**	**197 226**	**173 220**	**172 129**	**190 913**
Suppliers	58 449	57 030	74 776	64 000	107 952
State and other public entities	2 137	3 559	4 253	4 658	3 820
Loans	42 146	95 974	69 365	78 863	47 133
Leases	1 724	1 211	1 469	1 411	1 739
Other Creditors	5 032	6 342	7 492	4 387	6 712
Other Current Liabilities	35 797	33 110	15 865	18 810	23 557
Total Liabilities	**372 263**	**379 666**	**405 645**	**376 655**	**412 125**
Total Liabilities + Equity	**293 352**	**260 053**	**319 594**	**315 901**	**362 598**

Table A 2: Historical Income Statement

P&L (in EUR 000´)	30.06.2020	30.06.2021	30.06.2022	30.06.2023	30.06.2024
Net Revenue (without football team)	**84 843**	**81 054**	**141 277**	**146 843**	**126 902**
Revenues from Sales and Services	70716	70 923	89 313	96 451	106 823
Other revenues	14127	10 131	51 964	50 392	20 079
Operating Expenses (without football team)	**-122 139**	**-105 947**	**-129 608**	**-147 836**	**-170 056**
COGS	-2 407	-2 952	-2 731	-3 683	-6 144
Third-Party Supplies	-39 296	-32 594	-42 978	-47 935	-55 064
Staff Costs	-62 547	-63 990	-68 938	-81 249	-96 750
Depreciation and Amortization (without football team)	-5 611	-5 602	-6 006	-5 962	-6 291
Provisions and Impairment Losses	-6 081	2 332	-2 325	-2 029	-2 155
Other expenses	-6 197	-3 141	-6 630	-6 978	-3 652
Operating Income (without player transaction)	**-37 296**	**-24 893**	**11 669**	**-993**	**-43 154**
Player Transaction Revenues	106 946	35 765	59 254	96 877	143 499
Player Transaction Expenses	-18 113	-8 209	-6 638	-11 857	-44 245
Player depreciation and Amortization	-21 364	-34 614	-18 807	-41 521	-37 769
Operating Income (from player transaction)	**67 469**	**-7 058**	**33 809**	**43 499**	**61 485**
EBIT	**30 173**	**-31 951**	**45 478**	**42 506**	**18 331**
Financial Interests	-17 516	-12 256	984	-16 903	17 673
EBT	**12 657**	**-44 207**	**46 462**	**25 603**	**36 004**
Income Tax Expense	858	1 596	1 024	-381	378
Net Income	**13 515**	**-42 611**	**47 486**	**25 222**	**36 382**
Net Income to the Club	**7 201**	**-27 137**	**35 300**	**21 337**	**34 602**
Net Income for non-controlling Interests	**6 314**	**-15 473**	**12 186**	**3 885**	**1 780**

Table A 3: Revenues from Sales and Services

	FY20	FY21	FY22	FY23	FY24	FY25 (F)	FY26 (F)	FY27 (F)	FY28 (F)	FY29 (F)	Assumptions
Sales	4 236	4 543	7 792	8 455	14 173	17 845	22 468	28 289	35 618	44 846	FY21-FY24 Historial average growth rate
Membership Fees	8 463	8 604	9 613	10 417	12 126	13 267	14 515	15 880	17 374	19 009	FY20-FY24 Historial average growth rate
Broadcast Rights	20 768	29 036	25 960	27 665	29 249	31 863	34 711	37 814	41 193	44 875	
Sporting TV Rights	5 000	5 000	5 000	5 400	5 400	5 400	5 400	5 400	5 400	5 400	Contract due in FY30
Sponsors and Advertising	14 860	18 044	18 579	18 483	19 029	20 243	21 533	22 907	24 368	25 922	FY20-FY24 Historial average growth rate
Registrations from Sports	1 273	634	1 864	2 267	2 093	2 093	2 093	2 093	2 093	2 093	
Season Tickets	12 514	973	17 357	19 881	20 364	23 160	24 318	25 534	26 811	28 152	FY21-FY24 Historical average growth rate. 5% Increase in FY25 due to stadium expansion
Other Sales	3 601	4 089	3 147	3 883	4 387	4 387	4 387	4 387	4 387	4 387	
Total Revenues from S.S	**70 715**	**70 923**	**89 312**	**96 451**	**106 821**	**118 258**	**129 426**	**142 304**	**157 245**	**174 684**	

Table A 4: Other Revenues

	FY20	FY21	FY22	FY23	FY24	FY25 (F)	FY26 (F)	FY27 (F)	FY28 (F)	FY29 (F)	Assumptions
European Competitions	9 340	277	45 900	39 002	12 396	45 900	35 800	35 800	35 800	35 800	FY25 similiar to FY23 due to UCL. 2022-24 Historical average from FY26 onwards
National Competitions	211	345	546	400	597	420	420	420	420	420	
Friendly Competitions	543	107	69	0	151	174	174	174	174	174	
Player Loans	1 090	470	1 263	5 948	1 622	2 131	2 175	2 221	2 268	2 315	
World Cup/Euro Prizes	0	0	428	1 166	0	0	0	0	0	0	FY20-24 Historical average
Leases	441	363	369	445	446	423	432	441	450	460	
Operating Grants	813	615	1 241	636	1 014	885	904	923	942	962	
Others	1 690	7 955	2 148	2 795	3 852	3 780	3 765	3 765	3 765	3 765	
Other Revenues Total	**14 128**	**10 132**	**51 964**	**50 392**	**20 078**	**53 713**	**43 670**	**43 744**	**43 819**	**43 896**	

Table A 5: Revenues from transfer fees

	FY25 (F)	FY26 (F)	FY27 (F)	FY28 (F)	FY29 (F)
Player Transaction Revenues	**134 540**	**135 420**	**145 553**	**157 300**	**171 004**
as % of Net Revenue	78,2%	78,2%	78,2%	78,2%	78,2%

Table A 6: Expenses from transfer fees

	FY25 (F)	FY26 (F)	FY27 (F)	FY28 (F)	FY29 (F)
Player Transaction Expenses	**25 338**	**25 504**	**27 412**	**29 624**	**32 205**
as % of Player Transfer Revenues	19%	19%	19%	19%	19%

Table A 7: Costs of Goods Sold

	FY20	FY21	FY22	FY23	FY24	FY25 (F)	FY26 (F)	FY27 (F)	FY28 (F)	FY29 (F)	Assumptions
Total COGS	**2 407**	**2 952**	**2 731**	**3 683**	**6 145**	**4 776**	**5 228**	**5 748**	**6 351**	**7 055**	
% of Revenues from Sales and services	***3,4%***	***4,2%***	***3,1%***	***3,8%***	***5,8%***	***4,0%***	***4,0%***	***4,0%***	***4,0%***	***4,0%***	**FY20-24 Average % of Rev. Sales & Serv.**

Table A 8: Third-Party Suppliers

	FY20	FY21	FY22	FY23	FY24	FY25 (F)	FY26 (F)	FY27 (F)	FY28 (F)	FY29 (F)	Assumptions
Third-Party Suppliers	**39 296**	**32 594**	**42 989**	**47 935**	**55 064**	**59 538**	**65 743**	**72 879**	**81 132**	**90 729**	
% of Revenues from Sales and services	***55,6%***	***46,0%***	***48,1%***	***49,7%***	***51,5%***	***49,8%***	***49,8%***	***49,8%***	***49,8%***	***49,8%***	**FY20-24 Average % of Rev. Sales & Serv.**

Table A 9: Staff Costs

	FY20	FY21	FY22	FY23	FY24	FY25 (F)	FY26 (F)	FY27 (F)	FY28 (F)	FY29 (F)	Assumptions
Total Staff Costs	**62 546**	**63 990**	**68 939**	**81 249**	**96 750**	**114 545**	**115 294**	**123 921**	**133 922**	**145 589**	
as % of Total Revenue	***73,7%***	***78,9%***	***48,8%***	***55,3%***	***76,2%***	***66,6%***	***66,6%***	***66,6%***	***66,6%***	***66,6%***	**FY20-24 Average % of Total Revenue**

Table A 10: Provisions & Impairments

	FY20	FY21	FY22	FY23	FY24	FY25 (F)	FY26 (F)	FY27 (F)	FY28 (F)	FY29 (F)	Assumptions
Provisions & Impairments	**6 081**	**2 332**	**2 325**	**2 029**	**2 155**	**2 984**	**2 984**	**2 984**	**2 984**	**2 984**	**FY20-24 Historical Average**

Table A 11: Other Expenses

	FY20	FY21	FY22	FY23	FY24	FY25 (F)	FY26 (F)	FY27 (F)	FY28 (F)	FY29 (F)	Assumptions
Other Expenses	**6 197**	**3 141**	**6 630**	**6 978**	**3 652**	**5 320**	**5 320**	**5 320**	**5 320**	**5 320**	**FY20-24 Historical Average**

Table A 12: Assets, CAPEX & D&A

	30.06.2020	30.06.2021	30.06.2022	30.06.2023	30.06.2024	30.06.2025 (F)	30.06.2026 (F)	30.06.2027 (F)	30.06.2028 (F)	30.06.2029 (F)
Tangible Assets										
CAPEX Tangible Assets		2 415	3 420	2 427	8 890	5 524	5 561	5 977	6 459	7 022
As % of Net Revenue		*3,0%*	*2,4%*	*1,7%*	*5,6%*	*3,2%*	*3,2%*	*3,2%*	*3,2%*	*3,2%*
Net Fixed Tangible Assets	158 996	157 666	156 600	154 811	159 785	168 448	173 738	179 055	184 779	190 977
Gross FTA	164 607	163 268	162 606	160 773	166 076	174 966	180 490	186 051	192 028	198 487
Year Depreciation	5 611	5 602	6 006	5 962	6 291	6 518	6 753	6 996	7 249	7 510
As % of FTA	*3,4%*	*3,4%*	*3,7%*	*3,7%*	*3,8%*	*3,6%*	*3,6%*	*3,6%*	*3,6%*	*3,6%*
Intangible Assets										
CAPEX in Intangible Assets		44 827	42 117	60 236	66 685	70 726	71 189	76 516	82 691	89 895
As % of Net Revenue		55,3%	29,8%	41,0%	52,5%	41,1%	41,1%	41,1%	41,1%	41,1%
Net Intangible Assets	48 965	25 937	76 015	55 667	72 308	119 687	128 930	135 502	143 559	153 196
Gross IA	70 329	60 551	94 822	97 188	110 077	176 762	190 414	200 120	212 018	226 251
Year Depreciation	21 364	34 614	18 807	41 521	37 769	57 075	61 483	64 617	68 459	73 055
As % of IA	30,4%	57,2%	19,8%	42,7%	34,3%	32,3%	32,3%	32,3%	32,3%	32,3%
Total CAPEX		**47 242**	**45 537**	**62 663**	**75 575**	**76 251**	**76 750**	**82 493**	**89 151**	**96 917**

Table A 13: Net Working Capital

	30.06.2020	30.06.2021	30.06.2022	30.06.2023	30.06.2024	30.06.2025 (F)	30.06.2026 (F)	30.06.2027 (F)	30.06.2028 (F)	30.06.2029 (F)
Inventories	1 504	1 584	2 885	4 222	5 117	4 009	4 388	4 825	5 331	5 922
As % of COGS	*62,5%*	*53,7%*	*105,6%*	*114,6%*	*83,3%*	*83,9%*	*83,9%*	*83,9%*	*83,9%*	*83,9%*
Clients	18 460	8 370	21 702	16 836	30 342	28 486	28 672	30 817	33 304	36 206
As % Net Revenue	*21,8%*	*10,3%*	*15,4%*	*11,5%*	*23,9%*	*16,6%*	*16,6%*	*16,6%*	*16,6%*	*16,6%*
Receivables from State & OP	2 536	1 256	245	2 118	192	680	461	500	540	586
As % of EBIT	*8,4%*	*-3,9%*	*0,5%*	*5,0%*	*1,0%*	*2,2%*	*2,2%*	*2,2%*	*2,2%*	*2,2%*
Other debtors	2 767	2 293	912	2 158	2 458	3 488	3 511	3 774	4 079	4 434
As % of Net Revenue	*3,3%*	*2,8%*	*0,6%*	*1,5%*	*1,9%*	*2,0%*	*2,0%*	*2,0%*	*2,0%*	*2,0%*
Other Current Assets	5 782	2 706	5 870	7 668	4 954	5 543	6 066	6 670	7 370	8 187
As % of Sales	6,8%	3,3%	4,2%	5,2%	3,9%	4,7%	4,7%	4,7%	4,7%	4,7%
Suppliers	58 449	57 030	74 776	64 000	107 952	98 342	108 519	120 227	133 769	149 521
As % of COGS + TPS	*140,2%*	*160,4%*	*163,6%*	*124,0%*	*176,4%*	*152,9%*	*152,9%*	*152,9%*	*152,9%*	*152,9%*
Payables from State & OPE	2 137	3 559	4 253	4 658	3 820	2 303	1 563	1 693	1 831	1 985
As % of EBIT	*7,1%*	*-11,1%*	*9,4%*	*11,0%*	*20,8%*	*7,4%*	*7,4%*	*7,4%*	*7,4%*	*7,4%*
Other Creditors	5 032	6 342	7 492	4 387	6 712	8 804	9 141	9 884	10 744	11 746
As % of OPEX	*4,1%*	*6,0%*	*5,8%*	*3,0%*	*3,9%*	*4,6%*	*4,6%*	*4,6%*	*4,6%*	*4,6%*
Other Current Liabilities	35 797	33 110	15 865	18 810	23 557	43 214	43 497	46 752	50 525	54 926
As % of Net Revenue	*42,2%*	*40,8%*	*11,2%*	*12,8%*	*18,6%*	*25,1%*	*25,1%*	*25,1%*	*25,1%*	*25,1%*
Net Working Capital	**-70 366**	**-83 832**	**-70 772**	**-58 853**	**-98 978**	**-110 457**	**-119 622**	**-131 971**	**-146 244**	**-162 842**

Table A 14: Free Cash Flow to the Firm

Free-Cash Flow to the Firm	FY25 (F)	FY26 (F)	FY27 (F)	FY28 (F)	FY29 (F)
EBIT	31,0	21,1	22,8	24,7	26,8
Income Tax	21,0%	21,0%	21,0%	21,0%	21,0%
EBIT * (1-t)	**24,5**	**16,6**	**18,0**	**19,5**	**21,1**
Depreciation and Amortization	63,6	68,2	71,6	75,7	80,6
Changes in NWC	-11,5	-9,2	-12,3	-14,3	-16,6
CAPEX	76,3	76,7	82,5	89,2	96,9
FCFF	**23,3**	**17,3**	**19,5**	**20,3**	**21,4**

Table A 15: Wacc

WACC	FY25 (F)	FY26 (F)	FY27 (F)	FY28 (F)	FY29 (F)	Terminal Value
Cost of Debt (after-tax)	**5,78%**	**5,78%**	**5,78%**	**5,78%**	**5,78%**	**5,78%**
Debt Weight	45%	45%	45%	45%	45%	45%
Cost of Debt (pre-tax)	7,32%	7,32%	7,32%	7,32%	7,32%	7,32%
(1 - Tax Rate)	0,79	0,79	0,79	0,79	0,79	0,79
Cost of Equity	**5,50%**	**5,50%**	**5,50%**	**5,50%**	**5,50%**	**5,50%**
Equity Weight	55%	55%	55%	55%	55%	55%
Risk Free Rate	2,67%	2,67%	2,67%	2,67%	2,67%	2,67%
Beta	0,37	0,37	0,37	0,37	0,37	0,37
Market Risk Premium	5,22%	5,22%	5,22%	5,22%	5,22%	5,22%
Country Risk Premium	0,90%	0,90%	0,90%	0,90%	0,90%	0,90%
Wacc	**5,63%**	**5,63%**	**5,63%**	**5,63%**	**5,63%**	**5,63%**

Table A 16: Risk-Free Rate

Description	Risk-Free Rate
5Y German Treasury Yields	2,27%
10Y German Treasury Yields	2,67%
20Y German Treasury Yields	3,23%

Table A 17: Beta

Beta	0,37

Table A 18: Market and Country Risk Premium

Portugal	5,9%
% of total Revenues	50%
Europe	4,5%
% of total Revenues	50%
MRP	5,22%
Portugal	2,2%
% of total Revenues	50%
Europe	0,0%
% of total Revenues	50%
CRP	1,10%

Table A 19: Cost of Debt

Paid Interest	12 451
Outstanding Debt	170 064
Cost of Debt (kd)	7,32%

Table A 20: Market Value of Debt and Equity

		As % of Assets
Debt Value	170 064	45,5%
Equity Value	204 010	54,5%
D/E	83%	
Debt + Equity	374 074	

Table A 21 Terminal Value

FCFF (FY30)	21 701
Growth rate (g)	1,50%
Wacc	5,74%
PV Terminal Value	**366 386**

Table A 22: DCF Share price

Enterprise Value @ 30.06.2024	**452,9**
Net Debt	-158,2
Equity Value @ 30.06.2024	**294,7**
# Shares Outstanding (million)	202,0
Share Price @ 30.06.2024	**1,46**

Table A 23: Multiple Valuation Equity and Share Price

SCP Multiples	EV/EBITDA	EV/SMV	EV/NRevenue
Enterprise Value	412,4	403,8	308,8
Net Revenue			126,9
SQM		384,2	
Equity Value	**235,7**	**227,2**	**132,1**
Nr Shares	202,0	202,0	202,0
Share Price	**1,17**	**1,12**	**0,65**

Table A 24:Target Share Price for SCP

DCF Target Price	1,46
Weight	80%
Multiple Target Price	0,98
Weight	20%
Target price @ 30.06.2024	**1,36**