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CHAMPIONS LEAGUE SLATE FEATURES PRIVATE EQUITY SHOWDOWNS

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Elliott Management Corporation-backed A.C. Milan will face Atletico Madrid, last year's LaLiga champions whose 34% stake was acquired by Ares Management Company in June for $212 million.
AP/ANTONIO CALANNI

It's the most wonderful time of the year for soccer fans. English Premier League, LaLiga and Serie A matches are again regular staples of weekends, while weeknights (or afternoons in the U.S.) are reserved for the Champions League. Europe's star-studded top tournament is going into its third week with two crucial games on Tuesday: Qatari-owned Paris Saint-Germain will face Abu Dhabi-backed Manchester City. At the same time, Elliott Management Corporation-backed A.C. Milan will face Atletico Madrid, last year's LaLiga champions whose 34% stake was acquired by Ares Management Company in June for $212 million.

These games—if not the tournament altogether—mark an important opportunity for **private equity(https://www.sportico.com/t/private-equity/)** firms to prove skeptics wrong. "Football is a tricky business for PE firms that have relatively short-term investment horizons," a Brazilian PE analyst who followed similar deals and asked to remain anonymous said in a phone interview with *Sportico*. "Rebuilding a team can take longer, maybe over a decade, and governments are known to intervene to protect such a public good. There is nothing exactly new here; let's not forget Hicks Muse and its investments in football in Brazil."

Because of COVID-19, the sports industry has suffered from revenue losses not seen since World War I. In Europe, the pandemic's toll on soccer is estimated to be between $5 billion to $8 billion for 2021-2022, according to KPMG

billion in revenue due to non-existent ticket sales, sports-related tourism and loss of television revenues. While this was a difficult time for sports teams, it provided an opportunity for private equity firms worldwide.

Take, for instance, A.C. Milan. Having failed to qualify for the Champions League in each of the last five seasons, beleaguered by match-fixing scandals and bad management, the club was seen as risky for investors. According to *SempreMilan.com*, the team's official site, New York-based Elliott Management Corporation has spent more than $800 million since acquiring 99.93% of A.C. Milan's stakes in 2018. Meanwhile, Los Angeles-based Ares invested in a more promising club: Atletico Madrid won its second championship title in more than 20 years last season, beating Real Madrid and F.C. Barcelona. The Spanish club was still under pressure due to COVID-related losses but remains in a stronger position than their Italian rival.

Given the Champions League's total purse—$1.285 billion to be distributed among the 32 clubs—just holding this year's tournament will financially relieve the clubs involved, but it's still not enough to ease investors' worries over short-term returns. At best, clubs can win $99 million. On top of the prize money, clubs also share the $350 million broadcast revenues, according to UEFA, European soccer's governing body. Even with these added revenues, both A.C. Milan and Atletico Madrid will still need help from their investors to survive the season. Last November, *Goal* reported that Atletico Madrid's debt reached $1.2 billion at the end of 2019/2020 season. A.C.Milan reported $226 million in losses for the same time period.

The last 18 months, however, has done little to dissuade private equity firms from betting on soccer. Most recently, Miami-based

777 (https://www.sportico.com/business/finance/2021/777-partners-acquires-genoa-

Serie A's Genoa Cricket and Football Club for $175 million, a few months after acquiring a 15% stake in Spain's Sevilla. Meanwhile, where some firms invested in clubs, CVC Capital Partners decided to **buy into** **(https://www.sportico.com/business/finance/2021/cvc-laliga-investment-smaller-clubs-1234639624/)** the league itself. The company signed an agreement to invest $2.7 billion in Spain's LaLiga even though the league's top clubs did not want to be part of the deal. Last month 38 out of the 42 teams that make up the league voted in favor of the investment. The firm plans to strengthen the league, focusing on smaller clubs, hoping to close the gap that separates them from top-tier teams through "investing in the brands, fan experience, world-class infrastructure and digital development."

"What is driving this heightened interest? Enormous revenues," Salvatore Galatioto, the President of Galatioto Sports Partners, said in a phone interview. "There is no business like sports business. People are more likely to change their religion before they change their sports teams. Half of the Fortune 500 companies that existed in the year 2000 don't exist anymore. But sports, as the pandemic showed us, have been remarkably resilient. I will debate you that New York Yankees will be here another 100 years and Apple computer won't," he said.

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