Manchester United Raises $233 Million, IPO Sold Below Range

By Lee Spears and Tariq Panja - Aug 9, 2012

Manchester United Plc (MANU), the English soccer club with a record 19 championships, raised $233.3 million in its U.S. initial public offering, pricing the shares below the marketed range.

The 134-year-old team and the Glazer family that bought it in 2005 sold 16.7 million shares for $14 each, according to a statement yesterday. They had offered the shares, equivalent to a 10 percent stake, for $16 to $20 apiece. The club will start trading today, listing on the New York Stock Exchange under the symbol MANU.

The IPO gives the Glazer family’s team an enterprise value of $2.9 billion, about $1 billion more than the value of Spain’s Real Madrid, according to data compiled by Bloomberg and Forbes. Increasing competition from other teams for fans and corporate sponsorship and an expensive debt load may weigh on earnings, said Morningstar Inc. (MORN)’s Kenneth Perkins, who values the stock at $10 a share.

The company “was asking investors to pay a pretty high price and take on a lot of risk,” said Perkins, a Chicago-based analyst who covers consumer companies. “It could work out, but the risk is to the downside.”

The Glazers will maintain almost 99 percent of the voting control, according to the original terms of the prospectus, because the Class B shares they own carry 10 votes apiece, compared to 1 vote each for the Class A shares being sold in the IPO. The Glazers sold half of the shares offered, while the company sold the rest, and planned to pay down debt with the proceeds.

Sports Franchises

Real Madrid, the Spanish soccer club founded in 1902 that has a record nine European Cup/UEFA Champions League titles, is the second-most valuable sports franchise at $1.88 billion, according to Forbes. The New York Yankees, which have won the World Series 27 times, are the world’s third-most valuable sports franchise at $1.85 billion.

United, with about 70 million pounds ($109 million) of cash and 437 million pounds of borrowings as of June 30, sought an enterprise value of about $3.8 billion at the top of the offering range, according to United’s filings and data compiled by Bloomberg.

The IPO price values United at about 4.6 times estimated sales of 317.5 million pounds in the 12 months through June 30, according to filings. That compares with 0.6 times for Copenhagen-based Parken Sport & Entertainment A/S (PARKEN), the owner of F.C. Kobenhaven, and 0.5 for Italy-based Juventus Football Club SpA (JUVE), according to data compiled by Bloomberg.

At $14 a share, United has a market capitalization of $2.29 billion, according to calculations by Bloomberg.

U.S. Sale

Manchester United chose a U.S. sale after scrapping plans for an offering worth as much as $1 billion in Singapore. The club might have fared better in Asia, where it has a large and growing fan base that would have been drawn to the shares, said Ronald Wan, a Hong Kong-based managing director at China Merchants Securities, which oversees about $1.5 billion.

“U.S. investors are not as enthusiastic about soccer as those in former British colonies like Singapore and Hong Kong,” he said. “Market reactions might be slightly better if the deal was done in Asia.”

The Glazers, who own the National Football League’s Tampa Bay Buccaneers and First Allied Corp., the Batavia, New York-based owner of 6.7 million square feet of U.S. shopping centers, would have been worth at least $3.5 billion based on the original offering terms, according to data compiled by Bloomberg.

Jefferies Group Inc., Credit Suisse Group AG and JPMorgan Chase & Co. led the U.S. offering for the soccer club, along with
Deutsche Bank AG and Bank of America Corp.

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