



CFA Institute

CFA Institute Research Challenge

Hosted by CFA Society Chile

Dream Team

Dream Team – Research

Cruzados S.A.D.P.

Owns and operates a professional soccer team
Santiago Stock Exchange, Chilean Electronic Stock Exchange

Date: 09-Nov-2017
Ticker: CRUZADOS CI Equity

Recommendation: HOLD
Target Price: CLP \$131

Santiago de Chile
Current Price: CLP \$128.5

EXECUTIVE SUMMARY

Fig. 1: Cruzados Market Data

Market Data	Unique Class
Closing Price (CLP\$)	128.00
Average daily Volume (MCLP\$)	1.79
Shares (Thousands)	64,221.60
Free Float (Thousands)	41,909.77
Market Cap (MCLP\$)	8,220.40
P/E	43.58
Enterprise Value (MCLP\$)	6,181.25
EBITDA 12 * (MCLP\$)	2,042.14
EV / EBITDA	3.03
Industry Median EV / EBITDA	9.54

Source: Bloomberg

Cruzados S.A.D.P is a Chilean Company engaged in the operation of Club Deportivo Universidad Católica's soccer division, a professional soccer club based in Chile. Cruzados is one of the main three national team, beside Colo Colo and Universidad de Chile.

INVESTMENT RECOMMENDATION

We issue a HOLD recommendation with a 12-month target price of CLP \$131 with a proposed upside of 1.94% from its closing price of CLP \$128.5 on November 9, 2017.

To obtain this target price we applied a discount cash flow model and a multiple valuation model. Given the long-term growth prospect we weight the DCF with 90% in our valuation approach. Our multiple valuation is based on EV/EBITDA.

Investment thesis

There is a medium growth potential for Cruzados, rooted in three elements, the increasing demand for soccer content, the modification of the sponsorship contracts and the motivation of the fans responding to the companies' efforts of enhancing the experience inside and outside the stadium.

In relation to the increasing demand for soccer content, this revenue gets to Cruzados through the A.N.F.P, that is the organization that distribute to the professional soccer teams the revenues generated by the CDF, that is 80% owned by the soccer teams. The growth is in the form of the rising demand of the HD subscription of the channel.

The motivation of the fans and the change in the sponsorships contracts responds to the strategy of the club to try to decrease the dependence of the revenues, and the sporting achievements, that is an actual phenomenon in the soccer industry.

Fig. 2: Cruzados Financial Data

Cruzados	2012	2013	2014	2015	2016
Gross Margin	26,87%	37,55%	32,95%	22,60%	30,55%
EBITDA Margin	4,45%	21,30%	15,64%	9,96%	17,84%
Market Cap (MCLP\$)	10000	10000	9000	9435	9437
Dividend yield	-	-	-	-	-
ROE	-6,29%	1,79%	0,55%	-3,19%	1,28%
Price/Book Value	0,97	0,95	0,82	0,80	0,74
ROE to New Investor*	-6,51%	1,90%	0,68%	-3,99%	1,73%
ROA	-6,29%	1,79%	0,55%	-3,19%	1,28%

Source: Team research

There is also a revenue generator, that is the transfers of players, this generator of revenues, is also the biggest generator of costs in this industry, and that happens for Cruzados too. This is an uncertain variable because it depends on the prices of the external players, and the internal ones.

INVESTMENT HIGHLIGHT

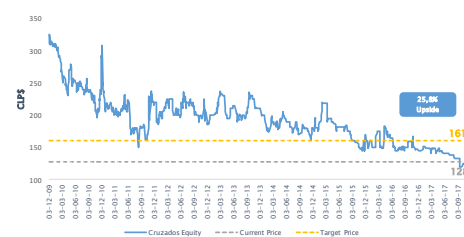
Concession

Cruzados S.A.D.P is a Chilean Company dedicated to the economic and financial management of the Club Deportivo Universidad Católica's soccer area through a renewable 40 years term concession. This contract expires in 32 years (2049), but it has a 20 more year's extension if both parties agrees on it (Club Deportivo Universidad Católica and Cruzados). This is the first time in the club history, that the team get pass by a concession, so it is unknown if the 20 years renewable is a probable event or it isn't.

Capital increase process

In 2015 Cruzados start a capital increase process in which they issued 35,087,720 additional shares. Currently there are still 18.660.504 shares remaining to be subscribed, and paid.

Fig. 3: Cruzados' Stock Price (CLP)



Source: Bloomberg & Team Research

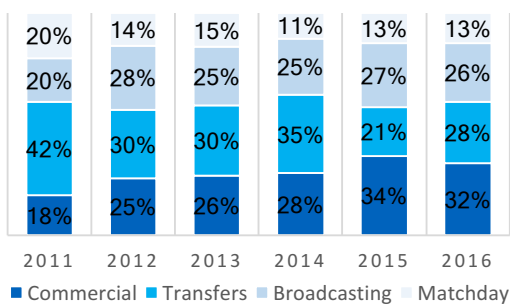
CDF

The Chilean's professional soccer teams own through the ANFP 80% of the CDF, a Professional soccer Channel, who is in charge of the national television rights of the Chilean's soccer industry. Because of this, each team receive a fix percentage of the 80% of the CDF revenues. The owner of the remaining 20% is Jorge Claro, who's offering to sell his ownership. The current potential buyers are FOX, ESPN and Turner. If this transaction is completed, each team of the first division will receive a one-time amount of \$2.000 Million CLP.

Corporate governance

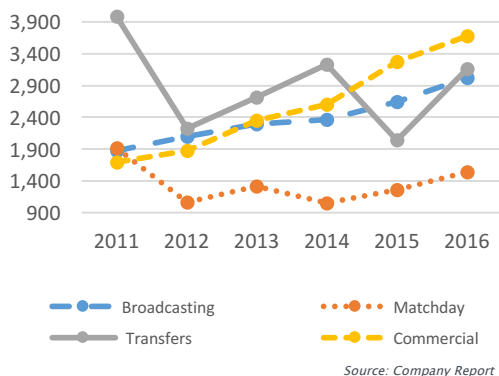
Unlike the other two large Chilean's team, Cruzados hasn't had any control takeover and it's difficult that it will happen in the future, because there would always be two shares (series B) with veto rights over the final decisions, that are in the hands of Club Deportivo Universidad Católica, and the Pontificia Universidad Católica de Chile.

Fig. 4: Revenues Evolution Breakout



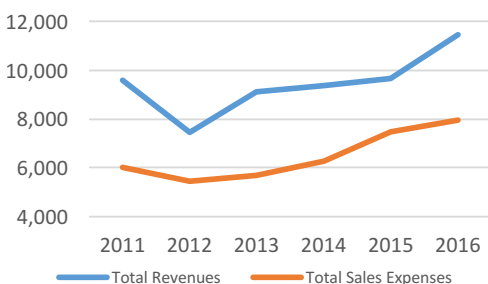
Source: Company Report

Fig. 5: Revenues Evolution



Source: Company Report

Fig. 6: Revenues versus Expenses Evolution (M CLP\$)



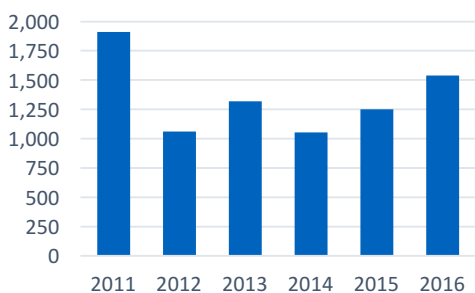
Source: Company Report

Fig. 7: ANFP's Broadcasting Limits

	2016	2017	2018	2019	2020	2021	2022	2023	2024
Limit three main teams	25%	23%	21%	20%	19%	18%	17%	16.5%	16.5%
Cruzados as % of total	6.69%	6.34%	5.79%	5.51%	5.23%	4.96%	4.68%	4.55%	4.55%

Source: Company Report

Fig. 8: Matchday Revenues Evolution (M CLP\$)



Source: Company Report

BUSINESS DESCRIPTION

Cruzados S.A.D.P. is a Chilean Company engaged in the operation of Club Deportivo Universidad Católica's soccer division. Universidad Católica is one of the most successful companies in Chilean professional soccer and one of the few clubs listed on a stock exchange. In addition to the professional team of the university, which is playing in the first division A, the company is also responsible for the management of the amateur team and cadets.

Club Deportivo Universidad Católica grant Cruzados through a 40-years-term concession renewable for 20 additional years. The concession includes the rent of the stadium, and its facilities, the use of the different brands associated with the team and the sale of the players, among others.

Fundación Club Deportivo Universidad Católica was founded in 1937 as a non-profit organization, and in accordance to a regulation in the Chilean law that took place in 2009 Fundación Club Deportivo Universidad Católica originates Cruzados S.A.D.P as a result to separate from the organization and constituted itself as a sports corporation. S.A.D.P. stands for Sociedad Anónima Deportiva Profesional. This last one is responsible of the professional team, the management for the cadets and the female team, thru the concession given by Club Deportivo Universidad Católica.

The company generates revenues from the operation of the stadium in San Carlos de Apoquindo, use the trade mark "UC" in merchandising as well as the television rights and revenues from advertising and players transfers.

Main Revenues

Soccer clubs generate revenues in four broad ways: commercial activities, broadcasting, matchday and transfers of players. In FY 2016, 71% correspond to sales, commercials and tickets revenues and 28% to transfers (figure 4). About this last stream is relevant to mention that between 2011 and 2014 was the main source of revenues and is the most volatile revenue as shown in figure 5.

Since 2013 Cruzados has been increasing its revenues at a CAGR of 8% after a decrease of 22% between 2011 and 2012 given the 3,982 million of transfers' revenues in 2011, which is the highest amount until the date, against 2,220 million in 2012. Consequently, the expenses have been increasing in a similar rate maintaining a margin of 21% in average (Figure 5 and 6).

Advertising and Sponsorship as driver of Commercial Activities

This stream includes mainly revenues from advertising and sponsorships agreements, which correspond a 77% of the Commercial revenues in 2016, it's also compound by soccer membership fees, soccer school enrollment, UC store sales and merchandising rights, which complete the remaining 23% (Figure 5).

Broadcasting

It contemplates the television right of the national and international tournaments. Primarily the most important is the revenues from domestic rights, which in Chile is the distribution generated by the soccer channel (CDF for its Spanish acronym), as for 2016, represents 94% of the total broadcasting segments the revenues.

This national right is assigned by the National Association of Professional soccer (ANFP) who distribute 80% of the cash flows generated by CDF. The ANFP define the percentages for the 32 teams that conform the professional soccer which is restricted for the three main (Colo Colo, Universidad de Chile and Universidad Católica). This restriction implies a established limit for those teams that will decrease annually until 2023 and then it will remain fixed at 16,5%. Regarding Cruzados, the amount received is shown in figure 7.

Matchday

This segment revenues are generated by seasonal tickets and general admission tickets. The Matchday streams do not follow a defined trend (figure 8), this can be explained because the main drivers are both team's performance and Cruzados' fans and followers.

The Stadium has a capacity of 14.118 viewers, but because of Chilean security standards the average capacity that can be sold is 13.000. To ensure an occupation rate, the management course to stimulate the sale of seasonal tickets. In a short-term horizon the goal is to reach 5,000 seasonal tickets (Appendix B).

Transfer of Player

This segment is driven by all the movements of players to different soccer clubs, which is a stream hard to predict. As figure 2 confirms, there is no defined trend and the transfers, this revenue goes from 3,981 million in 2011 to a decrease of 44% to the following year and then increase two more year near of 20% and decrease 36% to the fourth year. This can be explained by the fact that the quantity of players able to sell and the price, depends not only in the sport success and players abilities, but also on market factors, as the supply and demand at a certain time. Additionally, every team should define the number of players for each position to complete its roster. Each position has a different range of prices and if the team change the soccer manager, he can change the existent roster to adapt it to a different strategy. Then, purchases affect directly sells or loans of players and vice versa to achieve a complete competitive roster.

Fig. 9: Expenses Evolution Breakout

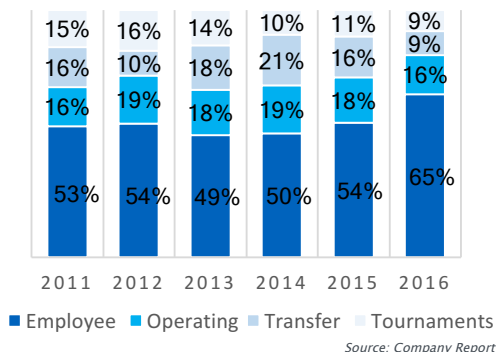


Fig. 10: Cruzados' Synergy Cycle

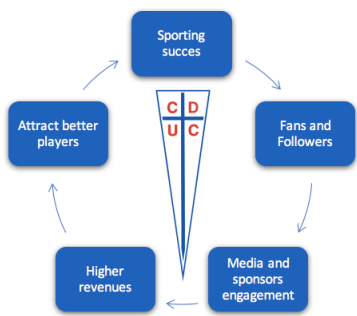


Fig. 11: Organization Chart of Cruzados

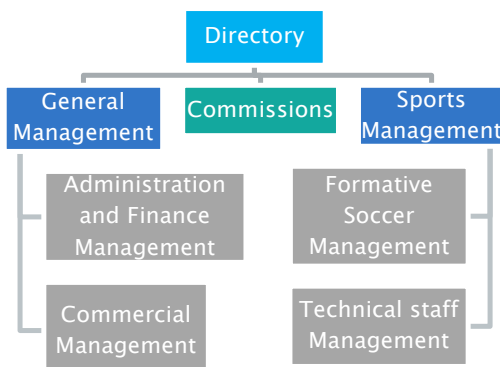


Fig. 12 : Revenue's Market Share

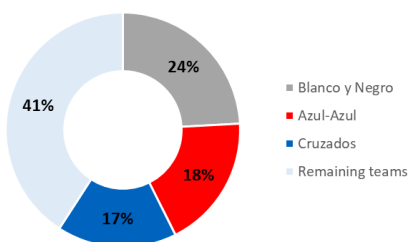
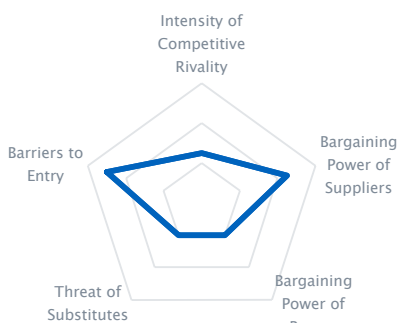


Fig. 13: Porter's five forces analysis



Expenses

The main expense of Cruzados are the players and coaching staff expenses reaching 65% in FY 2016 and representing a 54% of the total expenses in average between 2011 and 2016 (Figure 9). The remaining percentage is represented by three expenses: Operating, Transfers and Tournament.

Fans and Followers – Team Performance the main drivers

The principal drivers of the business are the number of fans and followers of the Club, and the team performance. Cruzados' goal is to gain prestige and sporting success (on-pitch). If the Club is successful on-pitch, will be capable of capture more fans and followers, that generate the attraction of best media and sponsor agreements. This produce revenues, which can be invested in improving the squad to increase chances of further sport success (figure 10). This means that on-field achievements of the club generate significant broadcasting revenues, commercial and matchday streams.

The financial success can be achieved partly by an intensified fan involvement, which subsequently influence the utilization of the stadium, ticket price and the merchandising revenues. That's why Cruzados has been developing its customer relationship programs and it's looking for further opportunities to deepening fan engagement, through its different activities such as the fair they organized, the program "Cruzados por dentro", and lunches with the players, to name some of them.

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MANAGEMENT AND GOVERNANCE

Regarding the governance of the company is relevant to highlight that as Cruzados is a concession from Club Deportivo Universidad Católica is must maintain aligned to the values of the university. As a result, the university remains as a fundamental government on the company represented in the possession of the only two Serie B shares. This shares have specific right in which the important one is having veto right over the final decisions.

There is no natural or juridical person who possess over 10% of the property and that could take control of the firm. Club Deportivo Universidad Católica (CDUC) owns 15% of the series A shares, however it is a non-profit organization, so it can not take control of the firm. The only other entity is Inversiones Santa Filomena Ltda. who manages 13%, but is constituted by three partners with 34%, 34% and 32% respectively, so neither of them reach the 10% or more of Cruzados capital on their own.

Cruzados' management is a matricidal organization, on one branch is the sports management (Formative soccer and professional soccer) and on the other is the general management (Administration & Finances and Commercial) (figure 11) both below the directory. This directory

Its concerned that given the tend to gain on-pitch in this industry the only entity above these two branches is the directory. Thus, the sport management is going to have constants confrontations with the general management and given the industry it is possible that most of the time the sports area is going to have a higher relevance over the final decision.

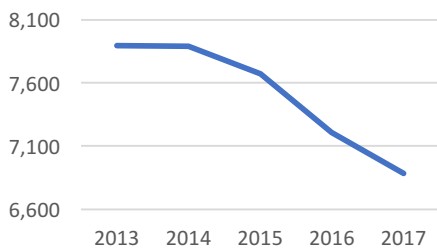
On the other hand, is it relevant to consider the fact that in this industry sporting success cannot be always bought. That means, a higher investment in a squad do not always ensure better sporting success

INDUSTRY OVERVIEW AND COMPETITIVE POSITIONING

Soccer is the most popular sport worldwide and in Chile. This industry generated around US\$ 111 millions in Chile as for 2016, in which the main parties are Blanco y Negro, Azul Azul and Cruzados, in terms of revenues. In aggregate, this three teams concentrate a 59% of the industry (Figure 12) in which Cruzados have a 17%.

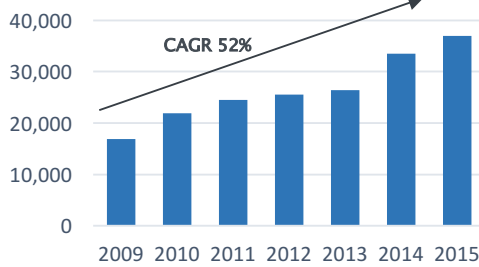
This industry have percentage of market share defined, due to the fanaticism of the followers, so getting each player to increase their market share is difficult. The teams in this industry do not compete for the price, instead the pursue differentiation. This strategy allows addition of income for the commercial part that represents on average 30% of the revenues. For a new entrant it is easy to enter, but to afford keeping incomes is difficult due the fact of the lower fans and followers that do not sustain the business. This las concept is what makes a barrier that obstruct new soccer teams to compete in the relevant market. (figure 13). (Complete Porter's analysis at Appendix J)

Fig. 14: Chileans' Fans and Followers Evolution in millions of persons



Source: Gfk Adimark of soccer 2015

Fig. 15: Salaries Evolution in the Chilean Market in CLP Millions



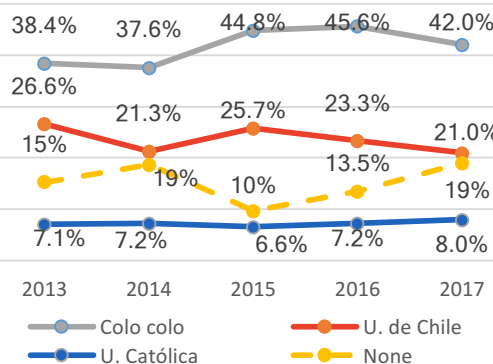
Source: Unidad de Control Financiero ANFP 2015

Fig. 16: Fans and Followers per team as total of the people interested in soccer in Chile



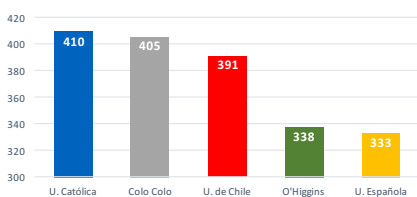
Source: Gfk Adimark of Soccer 2017

Fig. 17: Fans and Followers per team as total of the people interested in soccer in Chile Evolution



Source: Gfk Adimark of Soccer 2013, 2014, 2016 and 2017

Fig. 18: Cumulative Soccer Results



Source: Team Research

Fans and followers as driver of the business.

The soccer teams cannot survive without fans and followers, they are the engine of this industry. They generate all the tickets related revenues and the merchandising revenues directly. Additionally, are the main driver of the broadcasting and sponsorships revenues.

ANFP distribute CDF revenues.

The television rights are administrated by the CDF, this entity provides 80% of its revenues to the ANFP who is in charge of distribute the amount in the 32 teams. The main fundament for the definition of each's club percentage depends on the number of followers that each club has.

Demographics characteristic are relevant

The geographic location, age and socioeconomic situation makes differences in the revenues. For example, if the fan lives in another city its unlikely to them to assist in the Matchday to the stadium every time, but he can support his team by television broadcasting. The disposition of economics resources of the fan affects directly the amount that he can spend in merchandising or the number of matches that he attends and for example the sector he buys can depend on the age, as older people is no always willing to be at gallery.

Sports succeeds provide fans and monetary prizes

Winning competitions and been recognize as the best team (or one of the best) can capture more fans, more merchandising sells and better sponsorship contracts. Other privilege of winning tournaments is the monetary prize for the winners and the possibility to participate in other tournaments with a higher exposure. Only by broadcasting terms the revenues for just one round played in Sudamericana international tournaments is USD \$ 250,000. But must considerer that one-time success does not provide all these benefits, must be constantly good to gain more adepts and classify to international tournaments.

Intensive capital expenditure industry

The clubs must count with a complete roster to it soccer season and they can try to generate the best team as they can. For this reason, try to have the best player is not cheap. Every team must pay millionaire amount for transfers of players and then pay theirs expenses each month.

The salaries expenses have been increasing at a CAGR of 52% since 2009 (figure 15) and this trend can continue upwards. The main problem is that a higher inversion does not assure sports success.

COMPETITIVE POSITIONING

Cruzados has the smaller number of fans and followers between the three main clubs, and it has not increase strongly over the last years, even though it is the Club with less leakage of followers. Colo Colo has grown the number, but it has also a high leakage of them and U. de Chile has leaked more fans than that they could attract. (Figure 17). The fan profile of Cruzados has a better purchased power than Blanco y Negro and Azul Azul, this helps them attract better sponsorships agreements, because the agreements are based in the potential of exposure that the team gives, and the potential that their customers has.

Excluding the transfers of players, Cruzados gain less revenues than the other two main teams in 2015 and 2016 (Figure 19), but comparing the revenues per fan/follower of each team the relation between the teams is the opposite as before (figure 20). Cruzados is the more efficient collecting revenues per fan and follower than Blanco y Negro and Azul Azul.

Performance outcome - Regarding this driver, Cruzados does not have the same amount of winning championship than the other main teams. Since 2009 Cruzados have been champion only in two national's tournaments compare to eight of Azul Azul and four of Colo Colo - excluding international performance. However, Cruzados competitive position is not based on most tournament's winning in the national's competition, instead it is known as the more consistent one in relation of result, since 2010 (Figure 18). This is supported by the cadets' strategy they have, in which they put special emphasis in the quality of the player they form. Giving consistency to their results.

INVESTMENT SUMMARY

INVESTMENT THESIS

We issue a HOLD recommendation on Cruzados with a target price of CLP \$131 per share representing a 2% upside from closing price of CLP \$128.5 per share of November 9, 2017. Our target price is based on a mix of the Discounted Cash Flow to Equity Model and EV/EBITDA multiples, attributing 90% and 10% weighting respectively to each methodology.

KEY POTENTIAL DRIVERS:

Engagements of the Fans and Followers - Fans and Followers is a key driver since they are the base of a soccer club. (FIG GRAFICO HINCHA CONI) Even so this aspect has been decreasing, Cruzados maintain their range of support, thus it is foreseeing that this driver will be as positive as in historical information. As the scenario used represent a conservative approach we forecast that fans and followers will remain in it historical 64% of assistance to the stadium in the long-term.

Winning Stars - Sporting success on-field triggers positive results for both club and players of the professional roster. Historically, Cruzados have shown that after good result on-pitch

respectively. Furthermore, achieving soccer success induce to more fans and followers that cause a “domino effect” resulting in positive revenues for the club.

MERITS:

Reliable Sponsorship’s Revenues – In Chile there is a socio-economic classification for the population based on the spending capacity been the denomination ABC1 the richest and D the poorest. Based on this measure, Cruzados’ mainly fans are assign as ABC1. On the other hand, sponsorship contracts are based on the fans and follower the team have, because of the exposure it means for the brand and potential consumers. Consequently, Cruzados’ sponsorship contracts pay CLP \$4,074 for each fan, which we foresee it will increase responding to inflation and population growth

Engaging up-coming talents – Regarding Cruzados’ strategy in sport management, the club pursue to discover potential players with talent recruiters and develop them to become a prospective youth talent for both professional roster and as possible revenue. This cadet-program create upcoming talent with a strong soccer culture which facilitate the adaption of the player in any kind of team, those discipline values turns Cruzados into an attractive club to buy players from. This strategy is forecast to continue in the long-term in which we expect to be 60% of the total transfers revenues.

CONCERN

Intangible Fixed Assets – Cruzados’ historical EBITDA is 16% of the total revenues which remains the same in our projections in the long-term. This stream is not reflected in a high equity value due the intensive expense on players. In this industry, soccer clubs must invest in buying player to improve the roster with the purpose to achieve on-field results. On the other hand, buying players trigger higher expenses, as a result, clubs must balance their revenues with their capex and their expenses to afford that decision.

Fig. 19: Target Price

Total Equity Value (Th) (Multiples Approach)	\$	17,658,423
Total Equity Value (Th) (DCF Optimistic Scene)	\$	7,378,793
Total Equity Value Weighted (Th) (10% / 90%)	\$	8,406,756
Outstanding Shares (Th)		64,201
Target Price (CLP)	\$	131
Current Share Price (CLP) 11/09/2017	\$	128.5
Upside (Downside)		1.90%

Source: Team research

Fig. 20: Discount Rate

Risk Free Rate	4.45%
Beta	0.83
Equity Risk Premium	6.55%
CAPM	9.89%
Illiquidity Premium	4.20%
Discount Rate	14.09%

Source: Team research

Fig. 21: Sensibility Test

WACC	13.0%	13.5%	14.1%	14.5%	15.0%
Precio	134	125	115	109	102

Source: Team research

Fig. 22: Betas

Historical Method	
Beta	0.50
R ²	3.99%
Unleverage-peers Method	
Beta	0.63
R ²	4%
Entertainment Method	
Beta	0.83

Source: Team research

VALUATION

Frameworks considered for modeling

The main approach used for the valuation was the Discounted Cash Flow (DCF) to the Equity weighted 90% and the remainder 10% correspond to the Multiple model. (Figure 19).

Between the present value models, the Dividend Discount Model was not used because extrapolating the historical information for future dividends is not an option. On the other hand, the fact that Cruzados does not manage any financial debt, nor it is expected, means the equivalence of the used approach with the APV and the DCF to the Firm. Furthermore, this DCF to the Equity was estimated based on a conservative scenario root on their historical results.

Comparing footballs clubs across borders frequently involves cultural and economic differences, resulting in different risks and growth opportunities implying a possible misprice if we use any of the ratios Price to Cash Flow, Price to Sales and Price to Book Value for Cruzados relative to the chosen peers. Also, since some of the comparable football teams have trailing losses using P/E would suggest a negative price. Therefore, the ratio used was EV/EBITDA, which reflects in an objective and comparable manner the efficiency of the company, on the based on the resources invested. Hence, we can not use more than one valuation indicator than EV/EBITDA we decided to weight this approach 10% in the target price.

Valuation Horizon

The forecasting method consist in a two-stage growth model. The first phase is based in a specific year to year forecast up to 2022, considering the historical movements of each account (see Appendix H and I). And the second phase is based more in macroeconomic variables like the GDP growth and the expected inflation rate. Since the most important assets of Cruzados, are given by concession, and the renewal isn’t clear, we used residual value for the year 2049, when the actual concession should end, for the only big asset that is not under concession, the players rights.

Explanation of Cash Flow Generation

The two main drivers of this industry are the number of fans and followers, and the sportive achievements obtain by the team in the national and international levels. These ones are the responsible for the movement of the revenues and main cost streams. The number of fans and followers, moves the revenues that the CDF distribute, the occupation rate in the stadium and the sponsorships contacts, to name few. The achievements, generates international broadcasting revenues, sales of players, and more exposure, that is appreciated by the sponsors. This movement generates more revenues, but also more costs by the hand of the players and coaching staff expenditures, and tournaments expenses.

Estimating the discount rate

For the estimation of the discount rate, we applied the Capital Assets Pricing Model (CAPM) to obtain the cost of equity. A Central Bank Bond 10Y in CLP which yield a return of 4.45% was used as risk-free rate. For the Equity Risk Premium, we used a common target premium used for Chilean company valuations.(Fig. 20)

For the beta, if we administer a historical approach for Cruzados’ return, the value obtained and its relevance in term of coefficient of determination (R²) imply a non-statistical significance. Not even including international soccer clubs as comparable, to achieve an unleveraged-industry-beta, the relevance does not change. Hence the best proxy to estimate the beta of a soccer club, was to use the ones provided by Damodaran* for the global entertainment industry. Due there is not financial. (Fig.22)

Fig. 23: Multiples Approach

Median EV/EBITDA Industry	7.21
EBITDA 2018E	1,998,909
EV	14,402,139
(-) Finance Debt	-
(+) Cash and Equivalents	3,256,284
Total Equity Value	17,658,423
Number of Shares	64,201
Fair Value per Share (CLP)	275

Due there is not financial debt, Cruzados' beta is the same as the unleveraged one. Finally, we add to the cost of capital an illiquidity premium from the study of Yakov Amihud*** for Chile, to adequately reflect the real risk of the stock since their trading volume.

Multiples Approach

We identified Enterprise Value (EV) to Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) as the appropriate multiple to compare Cruzados to its peers. We used EV/EBITDA mainly because the soccer industry is a capital-intensive business compromised by substantial amortization. This multiple valuation will consider a 10% of the total value obtained (the remainder 90% correspond to DCF valuation).

The relevant market are national and international soccer clubs. Thus, we considered as peers both Blanco y Negro and Azul Azul (National Clubs) and seven clubs from other countries, trying to emulate the industry. Hence, the average historical industry multiple as for 2014 to 2016 is 7.55x. Since the first semester of 2017 has an abnormal international broadcasting revenue, we used the Cruzados' forecast 2018 EBITDA. (Fig. 23)

Fig. 22: Ratio Analysis

	2012	2013	2014	2015	2016
Profitability Analysis					
Net Profit Margin	-9.96%	2.43%	0.77%	-4.99%	1.65%
Operating Profit Margin	-15.24%	-0.62%	1.06%	-11.87%	1.35%
Return on Assets	-6.29%	1.79%	0.55%	-3.19%	1.28%
Return on Equity	-6.29%	1.79%	0.55%	-3.19%	1.28%
Liquidity Analysis					
Current Ratio	1.32x	2.17x	1.64x	1.35x	2.71x
Cash Ratio	0.03x	0.04x	0.07x	0.58x	1.84x
Others Ratios					
P/E	-13.48	45.33	125.43	-19.58	50.05
P/Book	0.97	0.95	0.82	0.80	0.74
P/Operating Cash Flow	27.82	18.40	4.66	18.41	2.43
P/Free Cash Flow	29.19	-25.39	5.61	22.76	152.36
EV/Revenues	1.53	1.28	1.16	1.13	0.71
EV/EBITDA	26.79	4.77	5.09	7.91	3.03
EV/EBIT	-10.04	-206.28	109.91	-9.52	52.85

Source: Team research

Fig. 25 Net Income Evolution (M CLP\$)

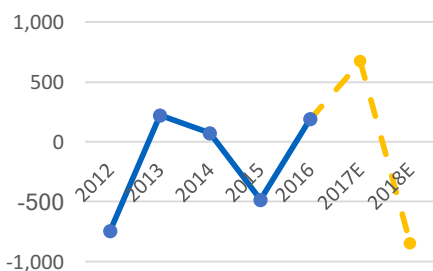
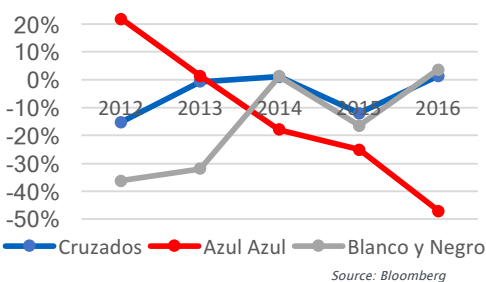


Fig. 26: Historical Operational Margin



Source: Bloomberg

FINANCIAL ANALYSIS

Weak Profitability

The profitability ratios show a poor performance, especially in 2012 and 2015, when the net income was negative, because of a significant decrease in the revenues from the sale of players. (Figure 22)

When compared with its peers, Cruzados is the one with the lowest revenues. (Azul Azul and Blanco y Negro) in the last 5 years, regardless of that, is more stable than the others, with an 11.3% of revenue growth YoY. In the same period Blanco y Negro achieved a 20.2%, but with highest volatility. Meanwhile, Azul Azul showed a consistent decline in its revenues (Figure 24).

In spite of the above, Cruzados historically has obtained the highest operating income, due their strategy, mentioned previously, followed closely by Blanco y Negro (Figure 23). Likewise, both teams are the ones with the highest operating margin, this means that they are better prepared than Azul Azul for future crisis, or an increase in competition.

For the year 2018, there are expected negative net income, given the low performance reached in the current year, and to the increase in the total costs (Figure 25). Because Cruzados didn't qualify to Copa Libertadores nor Copa Sudamericana for the next year, they will not receive any income from International Broadcasting.

From the Dupont Analysis (figure 24), we can get the following information:

Profit Margin - This industry shows a very volatile ratio. Due to the high dependence that the teams have on their sporting successes, and in the transfer of players (Figure 1). It is important to notice that the transfers depends highly on external factors that can not be controlled by the teams. However, Cruzados shows better results in comparison to its peers in the form of only two years of losses instead of the three or more that shows the other two firms.

Asset Turnover - Even though a 0.7x ratio isn't much in the general of industries, by comparing it with the national and international football industry, the 0.7x it is above average. Cruzados is the most efficient in the use of their assets, implying that the firm is generating more sales per Chilean pesos of assets. Azul-Azul and Blanco y Negro has a 0.58x and 0.29x ratio respectively. Cruzados efficiency even exist when comparing it with one of the most profitable teams at the international level, Manchester United, that has a 0.48x ratio. All ratios were calculated as a five years average.

However, if the turnover of the gross purchase of player rights is analyzed, the conclusions change, being Blanco y Negro the most efficient with a rotation of 2.45x in 2016, followed by Cruzados slightly below with a 2.41x, and finally Azul Azul with a 0.87x (Figure 27 and 28).

Financial Leverage - The main three teams have the same financial leverage ratio, this happen because non has any financial debt. This can be explained by the fact that it is difficult for them to have access to funding, from banks or financial institutions because of the risks they represent because Chilean teams don't have assets to put as collateral. In the case of Cruzados, they don't own the Stadium San Carlos de Apoquindo, because it is part of the concession given by Club Deportivo Universidad Católica. Therefore, it can not be used as collateral to secure for leverage. Additionally, they have a policy of not having this kind of debt. Because of this Cruzados kept in having enough cash to buy players and carry out projects (see the table in the next page: "Selected Key Financials"). Because of that, we believe that Cruzados should continue without financial debt, since it is a feature of the industry in Chile that teams can not obtain financing through banks or other financial entities.

Fig. 27: Cruzados versus Peers

Cruzados	2012	2013	2014	2015	2016
In M\$					
Operational Margin	-15.24%	-0.62%	1.06%	-11.87%	1.35%
EBIT	-1,136	-57	99	-1,148	154
Revenues	7,451	9,097	9,360	9,667	11,450
Dupont analysis					
Profit Margin	-9.96%	2.43%	0.77%	-4.99%	1.65%
Asset Turnover	0.63x	0.74x	0.72x	0.64x	0.78x
Financial Leverage	1x	1x	1x	1x	1x
Azul Azul					
In M\$					
Operational Margin	22.01%	1.49%	-17.89%	-25.18%	-46.97%
EBIT	5,748	230	-2,659	-3,442	-6,009
Revenues	26,118	15,428	14,864	13,669	12,793
Dupont Analysis					
Profit Margin	16.39%	0.81%	-11.28%	-17.48%	-35.21%
Asset Turnover	0.86x	0.52x	0.57x	0.54x	0.43x
Financial Leverage	1x	1x	1x	1x	1x
Blanco y Negro					
In M\$					
Operational Margin	-36.22%	-31.94%	1.28%	-16.42%	3.72%
EBIT	-2,901	-2,970	203	-2,449	621
Revenues	8,010	9,299	15,855	14,917	16,715
Dupont analysis					
Profit Margin	-31.77%	-24.90%	3.66%	-12.19%	-3.22%
Asset Turnover	0.17x	0.22x	0.35x	0.34x	0.39x
Financial Leverage	1x	1x	1x	1x	1x

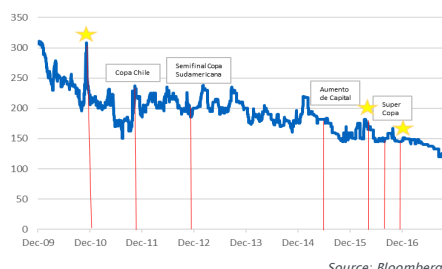
Source: Team research

Fig. 28: Gross Transfer of Players Turnover

	2015	2016
Cruzados	1.73x	2.41x
Blanco y Negro	1.97x	2.45x
Azul Azul	1.81x	0.87x

Source: Team research

Fig. 29: Year Share Price



Source: Bloomberg

Liquidity Ratios

Cruzados has been healthy in terms of liquidity over the years (Figure 22). The current rate is around 1.84x, and the historical ratio has never been below 1x. Because of this, Cruzados has the ability to pay all its current obligations. It is important to mention that in 2015a capital increase took place, collecting \$1,345.9 millions, a large part was used for purchasing players and infrastructure. The capital increase continued in 2016, raising an additional \$788.1 millions.

The increase in cash and equivalents can be explained with the capital increase, with a decrease in the receivable documents that is generated by the sale of the economic rights of the players.

Although Cruzados had losses for several years, it has also generated flows, largely due to the intangible assets amortization, compound mainly by the concession and the purchased of players right. Because of this, we believe that they will continue being able to pay their current obligations, and therefore the ratios related to liquidity will continue to be place above 1x, around 1.6x.

Selected Key Financials

	2012	2013	2014	2015	2016
In M\$					
Net Income	- 742	221	72	- 482	189
Depreciation	39	46	62	61	97
Amortization	1,429	1,943	1,303	2,050	1,791
Capital Expenditure	1,060	944	1,258	1,516	1,530
Change in Net Working Capital	- 677	1,660	- 1,427	- 301	484
Free Cash Flow	343	- 394	1,605	415	62
Revenues	7,451	9,097	9,360	9,667	11,450
EBITDA	332	1,938	1,464	963	2,042
EBIT	-1,136	-57	99	-1,148	154
Enterprise Value	8,888	9,247	7,446	7,613	6,181
(+) Market Capitalization	10,000	10,000	9,000	9,435	9,437
(+) Finance Debt	-	-	-	-	-
(-) Cash and Marketable Securities	1,112	753	1,553	1,822	3,256

Source: Bloomberg & Team Research

Other Ratios

EV ratios (Figure 22) present a downward trend, driven by a reduction of the EV between 2012 and 2016. This is explained by a generalized decrease in the market capitalization and an increase in cash and equivalents, specially in 2016 (See table: "Selected Key Financials"). The big difference between EV/EBITDA and EV/EBIT is explained by the large amortizations that have to be recognized for the purchase of the players rights and the concession.

Downward Trend Price

Since Cruzados IPO, it can be seen a generalized decrease in their price. This cause the negative expectation that the market is foreseeing for the future cash flow generation and in specific a weak EBITDA (Figure 29).

INVESTMENT RISKS

*Impact and likelihood of the following risk are presented in figure XXXXX.

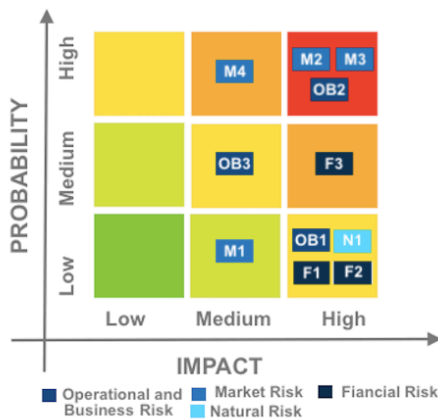
Market Risks

(M1) ANFP'S new reduction of broadcasting revenues share-out limits - (Impact: Medium/Probability: Low)

Since 2016 until 2023 the ANFP has already limited the percentage of revenues for broadcasting to be distribute reducing it from 6% to 4%. As a limit has being set and reduce already there is no certainty that this will not happen again reducing the broadcasting revenue.

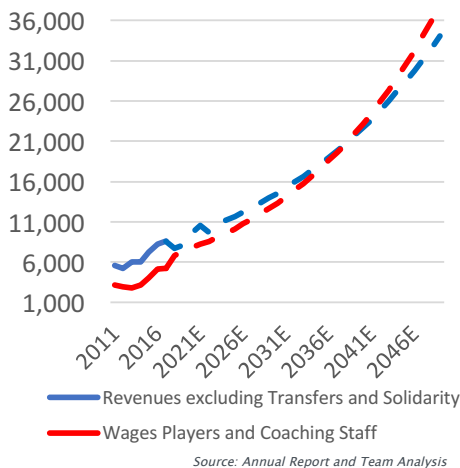
-Impact on Revenues: If the broadcasting revenues to be distributed by the ANFP to the clubs stays in the revenues obtained in FY 2016, then a reduction of 0,5% in the share-out limit to Cruzados would be equal to CLP \$ 212.9 Millions in the yearly revenues.

Fig. 101: Risk Matrix



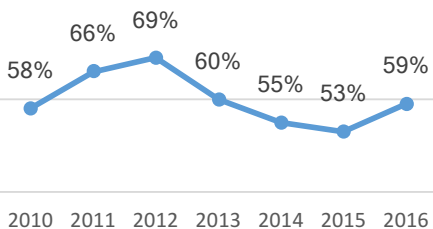
Source: Team Analysis

Fig. 102: Wages Players and Coaching Staff risk in CLP millions



Source: Annual Report and Team Analysis

Fig. 10: Percentage of Players on the Squad Formed by Cruzados



Source: Company Report

(M2) Growth of Players and Coaching Staff Expenses – (Impact: High/ Probability: High)

This industry is players expenses intensive, demanding the best roster it can be afford. The teams must mainly employ Chilean players (only can be 4 non-Chilean players on field per team). The players expenses in Chile increased on average 52% YoY from 2009 to 2016 (figure IO). The best Chilean players are usually being recruit by European clubs with higher monetary offers. Consequently, the clubs are expending more in players every year, but the performance of the players do not represent the increase in expenses and it do not generate revenues growth at the same or higher rates. If the revenues and expenses keep increasing as it historically grown, it is possible to the wages beats the revenues excluding transfers related revenues (figure 102).

(M3) Limited potential fans and follower’s expansion – (Impact: High/ Probability: High)

The fans and follower can stop supporting the club, but they are not going to change and support another Chilean team. In other words, the Colo Colo’s fans are never going to be Universidad Católica’s fans. Thus, the increase of fans and followers is limited to the number on people interest in soccer but with no team chose and this population can reduce in the followings years.

In FY 2017 Cruzados potential market was 165 thousand persons, and persons who are interest in soccer has stayed near 50% of the Chilean population since 2013.

(M4) Pour Chilean national soccer team’s performance – (Impact: Medium / Probability: High)

As the Fans don’t change their team preferences, the population that are interest in soccer but they do not have preference for any Chilean Club are the only possibility to increase the followers of Cruzados. Therefore, the performance of the national team can encourage or discourage potential followers. A pour performance with no classifications to international tournaments discourage the interest in soccer of the Chilean population, reducing the potential fan and followers

Operational and Business Risks

(OB1) Severe or Chronic injuries of relevant players – (Impact: High / Probability: Low)

Injuries disable the players to take part of the game for a time and possible limits the injured future performance. Additionally, the transfers of players is the main revenue source historically, then a severe or chronic injure reduce significantly the sell possibilities and its price.

(OB2) High Players and Coaching Staff expenses not assure sporting success – (Impact: High / Probability: High)

Cruzados’ revenues depend on the sport success of the roster, but the hiring expenses do not ensure performance. Therefore, the club spend an amount expecting certain performance and return, but it is possible that those foresees do not accomplish. Not fulfill the expected performance affect directly the revenues, the club must pay the players despite the results and the sell prices tend to decrease with low sport results.

- Mitigant: Cruzados is starting to try new sponsorships terms where the variable revenues of it depends on commercial goals rather than the team performance.
- Mitigant: The club intensively promotes its upcoming talents (figure 10), thus it can spare in expenses and cruzados has proof that its cadets can generate a good team performance.

(OB3) Change of trainer, key players or management – (Impact: / Probability:)

These three factors are all related, the management decide who is going to be the trainer and for how long and the trainer define the roster according his strategy. Then every time that management change or the trainer change the roster can be completely renovated.

Financial Risks

(F1) Short term illiquidity – (Impact: High / Probability: Low)

Cruzados’ EBITDA has been in average 817 Millions since 2010 and its average of payable debts to the buyer team is 1,151 Millions. Thus, if the debt accreditors require all the payments at ones, Cruzados do not have the paying capacity.

(F2) Non-Banks’ financing – (Impact: High / Probability: Low)

If Cruzados appeal to the banks for financing, they can not put Universidad Católica’s in concession assets as collateral. Thus the banks do not loan resources to the club. This could be a future liquidity problem for Cruzados.

(F3) Issue of Shares – (Impact: High / Probability: Medium)

In 2015 the club issued 35 millions shares for the first time and there are still 18 millions shares available to subscribe. If Cruzados is not able to subscribe the hole issuance of present a real difficulty selling the remaining shares, is going to difficult even more future financings.

Natural Risks

(N1) Seismic Country – (Impact: High / Probability: Low)

The Stadium is located in San Carlos de Apoquindo, nearby the San Ramón geological fault in a seismic country with constant telluric activity. Then it is possible that an earthquake could disable the installations for a time or even destruct them leaving Cruzados without court to train and compete.

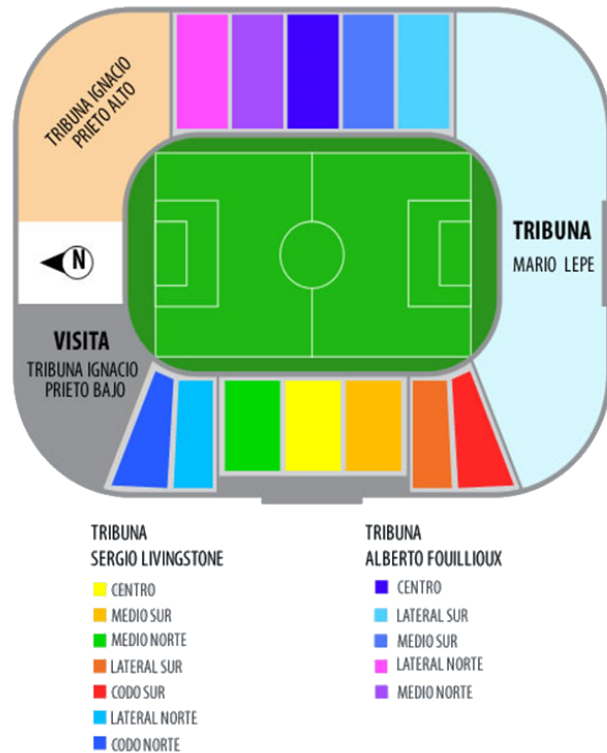
APPENDIX A: BUSINESS MAIN AREAS



Source: Company Report

APPENDIX B: CRUZADOS' STADIUM

In 2014, seats were installed, instead of plank, in the Sergio Livingstone grandstand. This allowed the different locations to be segmented by prices, with the middle and center being the most expensive ones.



APPENDIX C: CHILEAN FANATISM BREAKOUT

Club	% over Chilean Population Interest in Soccer	Number of Fans / Followers
Colo colo	42%	3,648,505
U. de Chile	21%	1,824,252
U. Católica	8%	694,953
Santiago Wanderers	1.8%	156,364
Cobreloa	1.4%	121,617
Everton	0.8%	69,495
O'higgins	0.6%	52,121
Antofagasta	0.5%	43,435
Rangers	0.5%	43,435
Deportes Iquique	0.4%	34,748
Coquimbo Unido	0.4%	34,748
Magallanes	0.4%	34,748
Deportes Concepción	0.3%	26,061
Unión Española	0.3%	26,061
Audax italiano	0.3%	26,061
Palestino	0.3%	26,061
Huachipato	0.3%	26,061
San Marcos de Arica	0.3%	26,061
Deportes La Serena	0.2%	17,374
Don't have a favorite Club	19%	1,650,514

Distribution of the Chilean Population by Socioeconomic Group

ABC1	7%
C2	15%
C3	22%
D	34%
E	21%

The Chilean population is distributed in the socioeconomic groups mentioned in the table above, ordered from highest to lowest income.

Monthly Income of Each Socioeconomic Group (in CLP)

ABC1	1,700,000 or more
C2	600,000 to 1,200,000
C3	400,000 to 500,000
D	200,000 to 300,000
E	Less than 160,000

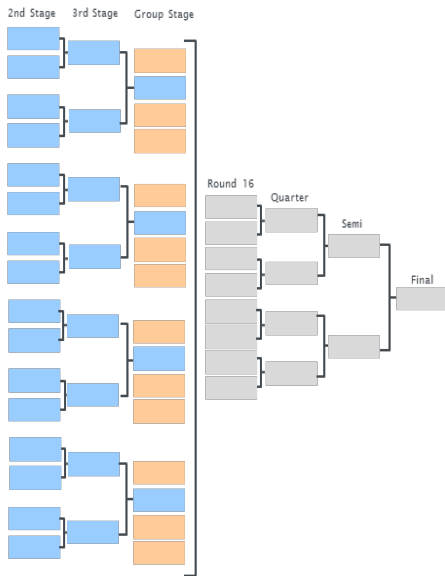
Source: GFK Adimark, 2017

APPENDIX D: CHAMPIONSHIP VICTORIES

Torneo	2008	2009	2010	2011	2012
Apertura Primera división	Cuartos de Final	Semifinales		Semi-Campeón	Cuartos de Final
Clausura Primera división	Cuartos de Final	Semi-Campeón	Campeón de Primera División	Semifinales	9° Fase Regular
Copa Chile	Segunda Fase	Quinta Fase	Octavos de Final	Campeón	
Copa Libertadores de América	Primera ronda		Segunda Fase	Cuartos de Final	Segunda Fase
Cupo			Cupo Chile 3 --> F1	Cupo Chile 1 --> F2	Cupo Chile 2 --> F2
			Best-placed non-champion por clausura 2009	Campeón Primera División 2010	Primera División 2011 aggregate table best non-champion
Copa Sudamericana	Octavos de Final			Octavos de Final	Semifinales
Cupo				Cupo Chile 2 --> FR	Cupo Chile 1 --> F1
				Clasificación Apertura 2011	Campeón Copa Chile
Torneo	2013	2014	2015	2016	2017
Apertura Primera división	Semi-Campeón	14'	Semi-Campeón (2°)	Campeón	
Clausura Primera división	Semi-Campeón	Semi-Campeón	Semifinales (4')	Campeón	Semifinal
Copa Chile	2° vs U. de Chile (2012-13)	Semifinales (2013-14) Fase de Grupos (2014-15)	Octavos de Final (2015)	Campeón	Segunda Fase
Copa Libertadores de América					Fase Grupo
Cupo					Cupo Chile 1 --> FG Campeón Clausura 2016
Copa Sudamericana	Octavos de Final	Primera ronda	Segunda ronda	Primera Fase	Segunda ronda
Cupo	Cupo Chile 3 --> F1	Cupo Chile 3 --> F1	Cupo Chile 3 --> F1	Cupo Chile 1 --> F1	
	2do lugar transición 2013	Primera División 2014-14 aggregate table best team not qualified	Campeón Liguilla Clausura 2015	Campeón Liguilla Apertura 2015	

APPENDIX E: TOURNAMENTS

Fig. ...: Libertadores Qualifying Stages



Source: Team research

In Chile the 16 best teams, according previous year results, use to play three national tournaments (Torneo de Clausura, Torneo de Aperura and Copa Chile). Torneo de Clausura and Torneo de Apertura, known as national Championship, were half a year tournament, but from the next year both tournaments are going to be replaced by an annual tournament. Additional to the national tournaments the Chilean teams are able to qualify in two international tournaments, Copa Libertadores de América and Copa Sudamericana.

National Tournaments

National Championship – This Championship is the is comprised of the top 16 soccer teams in Chile known as the Primera A. The basic principles of the championships have change several times, especially the quantity and the calendar of tournament (Appendix X). In March, the ANFP announced the change of this championship from two half year tournaments to an annual tournament. Until the date the ANFP has no specify all the principles, but they declare it would be a 16 teams’ tournament and all will meet in two games (one home and one away). Until this year the Torneo de Apertura and Torneo Clausura were played by the top 16 teams and each tournament had 15 match days. The team that has the most points at the end of the tournament wins the title, each win is awarded three points and each draw is awarded one point. At the end of each season the bottom three teams will be relegated from the Primera A. The first half competition grants two places in international competitions. The second half competition grant four places in international competitions (Figure 15). As the classification system to international tournament for the annual championship has not been specified yet, it is plausible to estimate that the annual competition will grant the same places that the two half year competition.

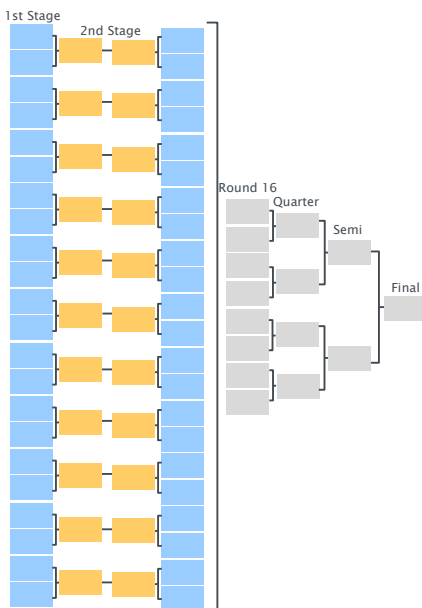
Copa Chile – This Cup is played by the top 32, the teams from the Primera A and the following top 16 teams (Primera B). In its First round each team from Primera A plays against a team of the Primera B, one home and one away, according from the geographic location with direct elimination. This cup grant two places in international competitions (See Table “Chilean classifications to International Competitions”).

International Tournaments

Copa Libertadores de América – It is one of the most prestigious tournaments in the world and the oldest and most prestigious club competition in South American soccer. The competition has had several times over its lifetime. The last basics principles define the participation of 32 teams of which 4 teams classification in the National Chilean’s tournaments.

Copa Sudamericana – It is the second most prestigious club competition in South America soccer. The competition comprised 48 teams in a knockout format, with 16 sides getting by to the second round where the last 32 teams

Fig. ...: Sudamericana Qualifying Stages



Source: Team research

Tournaments Calendar

2010		2011		2012		2013		2014	
Q1 - Q2	Q3 - Q4	Q1 - Q2	Q3 - Q4	Q1 - Q2	Q3 - Q4	Q1 - Q2	Q3 - Q4	Q1 - Q2	Q3 - Q4
Primera Division		Apertura	Clausura	Apertura	Clausura	Transición	Apertura	Clausura	Apertura
Libertadores	Sudamericana	Libertadores	Sudamericana	Libertadores	Sudamericana	Libertadores	Sudamericana	Libertadores	Sudamericana

2015		2016		2017		2018		2019	
Q1 - Q2	Q3 - Q4	Q1 - Q2	Q3 - Q4	Q1 - Q2	Q3 - Q4	Q1 - Q2	Q3 - Q4	Q1 - Q2	Q3 - Q4
Clausura	Apertura	Clausura	Apertura	Clausura	Transición	Nacional		Nacional	
Libertadores	Sudamericana	Libertadores	Sudamericana	Libertadores	Sudamericana	Libertadores	Sudamericana	Libertadores	Sudamericana

Source: Team research

Chilean classifications to International Competitions

Copa Libertadores de América

	2018	2019E
Chile 1	1° Torneo Clausura 2017	1° Nacional Championship
Chile 2	1° Torneo Apertura 2017	2° Nacional Championship
Chile 3	1° Copa Chile 2017	1° Copa Chile 2017
Chile 4	Winner - 2° Apertura vs 2° Clausura	3° Nacional Championship

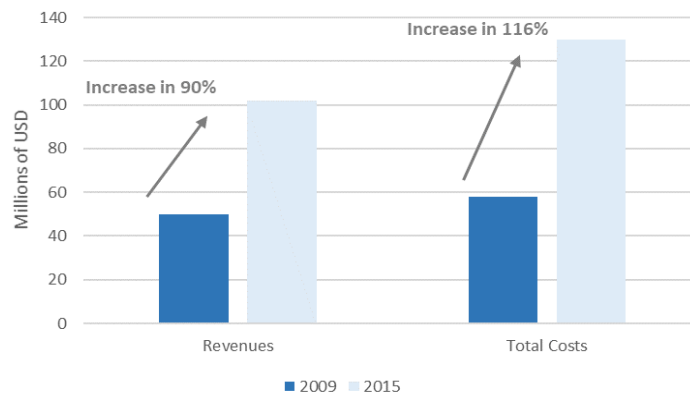
Copa Sudamericana

	2018	2019E
Chile 1	Losers - 2° Apertura vs 2° Clausura	4° Nacional Championship
Chile 2	3° Torneo Apertura	5° Nacional Championship
Chile 3	4° Torneo Apertura	6° Nacional Championship
Chile 4	2° Copa Chile	2° Copa Chile

Source: Team research


























APPENDIX F: REVENUES AND COSTS CHANGE

The costs have grown at a higher rate than revenues for the last few year in the soccer industry. In the following graph you can see the change between 2009 and 2015. This is mainly due to the increase in the cost of the squad and coaching staff.



Source: ANFP Financial Control Unit, 2015

APPENDIX G: ROSTER AND COACHING STAFF

Name	Contract expiry	Nationality	Provenance	Age	Market Value (M CLP\$)	Formed by Cruzados	In Cruzados Since
Goalkeepers							
Cristopher Toselli	2018		Up-and-coming-talent	29	477	yes	2007
Franco Constanzo	2017		Olympiacos	37	-		2013
Álvaro Ogalde	-		Up-and-coming-talent	20	37	yes	2016
Defenders							
Benjamín Vidal	2020		Palestino	26	331		2017
Branco Ampuero	2018		Deportes Antofagasta	24	331		2017
Cristián Álvarez	2017		Universitario	37	73	yes	2011
Germán Lanaro	2018		Palestino	31	367		2015
Fernando Cordero	2018		Unión Española	30	441		2012
German Voboril	2018		Newell`s Old Boys	30	331		2017
Stefano Magnasco	-		Groningen	25	624	yes	2014
Juan Carlos Espinoza	2019		Huachipato	26	404		2015
Benjamín Kuscevic	2019		Real Madrid Juvenil	21	514	yes	2015
Midfield							
César Fuentes	2019		O`higgins	24	606		2015
Carlos Lobos	2018		Up-and-coming-talent	20	294	yes	2014
Ignacio Saavedra	-		Up-and-coming-talent	17	37	yes	2017
Fabián Manzano	-		Up-and-coming-talent	23	220	yes	2012
Luciano Aued	2019		Racing Club	30	514		2017
Carlos Espinosa	2018		Huachipato	34	147		2015
Diego Buonanotte	2019		AEK Atenas	29	918		2016
Forwards							
Jeisson Vargas	-		Estudiantes de la Plata	20	882	yes	2017
José Luis Muñoz	2018		Santiago Wanderers	30	184		2017
José Pedro Fuenzalida	2019		Boca Juniors	32	367	yes	2016
Diego Vallejos	2020		Audax Italiano	27	441		2017
David Llanos	2018		Huachipato	28	294		2014
Santiago Silva	2017		Banfield	36	257		2017

Source: Team Research

The Roster is compound by 25 players, 10 of them were formed by the same team in previous years, and 5 were promoted from the cadets (Up-and-coming-talent). Those who have been in the team the largest time are Cristopher Toselli, Cristián Álvarez, Fernando Cordero and Fabián Manzano, compelling more than 5 years in Cruzados. According to Transfer Markt figures the market value of this team is valued in CLP\$ 9,091 millions (Euro 12,4 millions).

The coaching staff is compound by 6 members; Mario Salas, the coach of the team, of Chilean nationality has been with Cruzados one and a half year and his contract is ending on 2018. The rest 5 are Leonardo Zamora, Fernando Gutierrez, Osvaldo Alegría, Cristián Villagrán and Javier Rodríguez that are assistant coach and physical trainer of the players.

APPENDIX H: STATEMENT OF FINANCIAL POSITION

Balance Sheet

<i>In Millions CLP \$</i>	Dec-12	Dec-13	Dec-14	Dec-15	Dec-16	Jun-17
ASSETS						
Current Assets						
Cash & Cash Equivalents	46	55	116	1,822	3,256	3,291
Other Current Financial Assets	1,066	698	1,437			
Other Non Financial Current Assets				19	10	
Commercial Debtors & Other Current Accounts Receivable	791	2,504	1,327	2,354	1,492	948
Accounts Receivable from Related Entities	-		2			2
Inventories	12	22	28	31	26	36
Current Tax Assets	-		16	19	17	10
Total Current Assets	1,915	3,279	2,926	4,245	4,802	4,286
Non Current Assets						
Commercial Debtors & Other Noncurrent Accounts Receivable			724	256	241	239
Intangible Assets Different from Capital Gain	8,128	7,062	7,197	7,474	6,567	6,616
Property, Plants and Equipment	142	167	185	539	535	500
Deferred Tax Assets	1,620	1,783	1,985	2,607	2,607	2,607
Total Non Current Assets	9,890	9,012	10,092	10,876	9,951	9,962
Total Assets	11,805	12,291	13,018	15,120	14,753	14,248
EQUITY AND LIABILITIES						
LIABILITIES						
Current Liabilities						
Commercial Payable Accounts & other Accounts Payable	1,238	1,227	1,383	2,753	1,444	1,208
Current Accounts Payable from Related Entities	28	82	160	29	76	1
Other Current Provisions	130	138	170	246	70	173
Other Current Non Financial Liabilities	51	63	70	106	183	107
Total Current Liabilities	1,447	1,510	1,783	3,134	1,773	1,488
Non Current Liabilities						
Non Current Liabilities	-	203	204	178	194	470
Total Non Current Liabilities	-	203	204	178	194	470
Total Liabilities	1,447	1,712	1,988	3,312	1,967	1,958
EQUITY						
Total Common Equity	15,030	15,030	15,030	16,455	17,243	17,246
Gain (loss) Accumulated	(4,721)	(4,500)	(4,048)	(4,530)	(4,342)	(4,840)
Emission Premiums	79	79	79			
Other Reserves	(30)	(30)	(30)	(116)	(116)	(116)
Equity Attributable to the Owners of the Parent	10,358	10,578	11,030	11,809	12,785	12,290
Total Equity	10,358	10,578	11,030	11,809	12,785	12,290
Total Equity and Liabilities	11,805	12,291	13,018	15,120	14,753	14,248

Source: Company Report

APPENDIX I: STATEMENT OF FINANCIAL POSITION

Income Statement

In Millions CLP\$	2015	2016	2017E	2018F	2019F	2020F	2021F	2022F	2023F
Revenues from National Broadcasting	2,449	2,850	2,756	2,753	2,853	2,951	3,102	3,255	3,494
YoY growth	7.8%	16.4%	-3.3%	-0.1%	3.6%	3.4%	5.1%	4.9%	7.3%
Revenues from International Broadcasting	199	172	1,174	0	177	356	553	183	584
YoY growth	122.9%	-13.4%	581.2%	-100.0%	-	100.8%	55.2%	-66.9%	219.6%
Revenues from Matchday	1,254	1,543	899	918	976	1,636	1,686	1,420	1,611
YoY growth	19.4%	23.0%	-41.8%	2.1%	6.4%	67.6%	3.0%	-15.8%	13.5%
Revenues from Transfers	2,037	3,156	3,864	4,593	2,896	4,486	2,502	3,063	3,236
YoY growth	-37.0%	54.9%	22.4%	18.9%	-37.0%	54.9%	-44.2%	22.4%	5.7%
Commercial Revenues	3,272	3,677	3,765	4,184	4,532	5,452	6,425	7,272	7,598
YoY growth	25.7%	12.4%	2.4%	11.1%	8.3%	20.3%	17.8%	13.2%	4.5%
Solidarity & Others	455	51	87	67	69	71	73	76	78
Revenues from Ordinary Activities	9,667	11,450	12,545	12,515	11,504	14,954	14,341	15,267	16,600
Players & Coaching Staff Expenses	(4,028)	(5,168)	(5,219)	(6,749)	(7,424)	(7,499)	(7,724)	(7,955)	(8,273)
YoY growth	29.3%	28.3%	1.0%	29.3%	10.0%	1.0%	3.0%	3.0%	4.0%
Operating Costs	(1,367)	(1,263)	(1,271)	(1,463)	(1,661)	(1,535)	(1,677)	(1,688)	(1,738)
YoY growth	13.6%	-7.6%	0.7%	15.1%	13.6%	-7.6%	9.2%	0.7%	3.0%
Tournament & Other Expenses	(798)	(679)	(614)	(472)	(613)	(522)	(513)	(464)	(477)
YoY growth	30.0%	-14.9%	-9.6%	-23.1%	30.0%	-14.9%	-1.7%	-9.6%	3.0%
Transfer Expenses	(1,214)	(738)	(1,352)	(1,710)	(1,609)	(979)	(565)	(1,034)	(1,065)
YoY growth	-5.9%	-39.2%	83.0%	26.5%	-5.9%	-39.2%	-42.3%	83.0%	3.0%
Sales Costs Products	(75)	(104)	(69)	(122)	(81)	(169)	(588)	(439)	(464)
Cost of Goods Sold	(7,482)	(7,952)	(8,524)	(10,516)	(11,389)	(10,703)	(11,066)	(11,579)	(12,018)
Other Operating Income & Expenses	(1,221)	(1,456)	(1,293)	(1,412)	(1,064)	(1,269)	(2,094)	(1,860)	(1,915)
YOY growth	-24.6%	19.2%	-11.2%	9.2%	-24.6%	19.2%	65.0%	-11.2%	3.0%
EBITDA	963	2,042	2,728	587	(949)	2,982	1,181	1,829	2,667
Depreciation & Amortization	(2,111)	(1,888)	(1,865)	(1,749)	(2,717)	(2,682)	(2,508)	(2,481)	(2,612)
YOY growth	54.7%	-10.6%	-1.2%	-6.2%	55.4%	-1.3%	-6.5%	-1.1%	5.3%
EBIT	(1,148)	154	863	(1,162)	(3,666)	301	(1,327)	(652)	55
Earnings Before Taxes	(1,104)	190	895	(1,168)	(3,673)	294	(1,334)	(659)	47
Income Expenses	622	(2)	(228)	315	992	(79)	360	178	(13)
Net Income	(482)	189	667	(853)	(2,681)	215	(974)	(1,728)	35

Source: Company Report & Team Research

Free Cash Flow

	2015	2016	2017E	2018F	2019F	2020F	2021F	2022F	2023F
In Millions CLP\$									
Net Income	(482)	189	667	(853)	(2,681)	215	(974)	(1,728)	35
Depreciation	61	97	108	119	133	147	163	181	192
Amortization	2,050	1,791	1,757	1,629	2,584	2,534	2,345	2,299	2,421
Capital Expenditure	1,516	1,530	667	(853)	(2,681)	215	(974)	(1,728)	35
Change in Net Working Capital	(301)	484	683	(1,235)	(782)	767	138	6	122
Free Cash Flow	415	62	1,101	1,019	(1,286)	448	(356)	(1,039)	642

Source: Company Report & Team Research

APPENDIX J: PORTER ANALYSIS

In the soccer industry, the Clubs compete for market share in terms of fans and followers and Cruzados participate in the professional Chilean soccer clubs' industry. This industry is compound by 32 soccer Clubs, but the relevant competitors for Cruzados are the top 16 clubs of Chile, which represent the first division A. The remaining 16 teams represents the first division B.

Barriers to Entry

The principal barrier in this industry is the number of fans and followers. Without fans and followers, the teams are not able to survive in the long term. As it was mentioned before, the Fans and followers are the key driver of the soccer clubs. On the other hand, there is a limited number of potential followers. As the phrase "a fan can change its partner but not its team" says, people choose one team and its steamily difficult to change it.

A clear example of the importance of this driver lies in the inclusion on the the first division A. To enter in the top 16 soccer Clubs the entrant must be part of the first division B (top 17–32) and be the best team of that division. Additionally, the entrant must pay a fee of 50,000 UF (1,332 Millions CLP). To afford that amount, the entrant must have a number fans who support them. For this reasons, there are high barriers to entry in this industry.

Bargaining Power of Buyers

In this industry, there are many intermediaries like the CDF, ANFP and the sponsors, but the fans and potential followers are the final buyers. Through the number of fans and followers the clubs generate Broadcasting revenues, Commercial revenues and Matchday revenues. Therefore, the teams attempt to engage as much fans and followers as they can, due soccer is considered as a passion, the fans are generally loyal, and it's unlikely that they will change their preferences. In consequence, costumers don't have a high bargaining power.

Bargaining Power of Suppliers

The ANFP allows a maximum of four foreign players in field per team. Consequently, the principal suppliers are the Chileans teams and its upcoming talents. In average 20% of the roster of each team are players formed by the club itself and the remaining 80% proceeds from other Chileans teams. The players from other teams change of club depending on the benefits offered by them, in the form of money, a greater development of his career or a combination of both. Additionally, between 2009 and 2015 the wages growth an 118% in Chile, which represent a CAGR of 52% (figure 14). If added to other factors the total cost of the industry grew an 116% in the same period. (Appendix D).

It's important to have in account that the earnings in the same period grew only a 90%, which makes a narrow margins industry. This can explain the losses that this industry suffers in the last years, both in the national and international level. Hence the suppliers have a high power.

Threat of Substitutes

There are a lot of substitutes. Within them are, any recreational activity classified as entertainment, therefore takes into consideration from the cinema to the zoo. However, considering the passion of the fans, they don't consider the option of going to the cinema instead of going to the stadium. Consequently, the fanaticism grants a low threat of substitute, because of the inelasticity of the demand.

Industry Rivalry

The market share in this industry remains stable, because as it was mentioned, due the fanaticism is unlikely that the fans change their team. Then the growth of the market is the only option to gain more followers and the ANFP in conjoint the Chileans Clubs are taking measures to try to generate an increase of Chilean population who follows a Chilean club. Therefore, the industry has a medium rivalry.

In conclusion, the professional soccer industry of the top 16 teams in Chile is an unattractive industry given low incomes rooted in the bargaining power of suppliers and the high barriers to entry.