

## Cristiano Ronaldo: The man who moves markets



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Cristiano Ronaldo may be out of the World Cup, but he certainly isn't out of the headlines.

With each passing year, the football and financial worlds become ever more entwined, and the recent excitement around Ronaldo wearing Juventus colours has caused colossal movement in the markets.

Juventus, known as Juve, is one of three Italian football teams to be publicly listed on the stock exchange.

But as the biggest club in Italy by some distance – both in stature and in finance – it's not unsurprising that a move for the five-time Ballon d'Or winner has caused a seismic shock.

Juve has won the last seven Serie A titles in a row, but the club has missed the Champions League from its collection since 1996.

Having lost five finals in the biggest European competition for clubs between 1997 and 2017, the prospect of Ronaldo joining is seen as a move that could undo this spell.

On Monday evening, speculation began that Ronaldo could be on his way to Italy.

Juventus was trading at around €0.66 per share then. In just three days of trading, the value of the shares jumped to a peak of €0.81, a new five-month high. Given the club has more than one billion shares, the total capitalisation of Juventus jumped by around €150m.

On Friday, Juventus shares jumped further to €0.90, adding another €90m of market cap and reaching a 16-month high, which hit levels last seen when Juve reached the final of the Champions League in 2017.

In the first few hours of this morning, over 30 million shares have changed hands, with little sign of slowing down.

However, only 34 per cent of the club is listed on the stock exchange. Another significant increase of the value of the club was reported by Exor, the holding company of Fiat Chrysler Automobiles (formerly known as car manufacturer Fiat), which controls the remaining 63.7 per cent. Exor now says it is seeing a theoretical increase of their assets by around €400m.

It's also believed Fiat will play a crucial part in this deal, paying a part of Ronaldo's salary and using him as a testimonial for their cars.

The exponential jump in the volume of shares is also staggering, with around 15 million shares traded yesterday, and more than 38 million by Thursday.

Of course, it could all be a risky investment. With shares that could continue their rally, but could also quickly turn in the opposite direction if the "affaire Ronaldo" is not going to become reality. The market movement, however, is helping to shift the balance of the company – even if we are not talking in real cash money.

But what does all this mean?

Juventus will be hoping to make a huge amount of money from this operation, and the markets also believe that this could be excellent from a financial point of view – despite its huge costs.

Once you account for marketing, the receipts from shirt sales and ticket prices in the stadium (prices for tickets at the Juventus stadium have gone up by around 25-30 per cent), it's clear to see how – with a little help from the markets – a transfer of this magnitude can begin to pay for itself. Pundits often discuss how much clubs are paying for players, but they often forget to discuss how much a club can claw back in return.

Juventus may need upwards of €200m to complete a deal for Ronaldo over four years. They are willing to pay him €30m a year, but once taxes are factored in, it could be higher at around €55m.

A four-year contract – including his transfer fee of €100m – could therefore take this to an astronomical amount.

The question is: how much will Juventus actually end up paying?