

Corporate finance sem assignment

Business



The given case study is mainly concerned with the management decisions that are considered by the chairman of Atonement Hotshot Football Club, Mr... Daniel Levy, in order to generate a steeper rise in revenues for the club. The major investments in question are the construction of a new stadium that is almost twice the present capacity, an improved practice facility and further improvement of the team through desired player acquisitions.

But, Atonement being a publicly owned club need to justify the time and resources that would be at stake In order to undertake this project. The four major sources of revenue for the team Include the number of fans attending the match, the sponsorship rights It receives from other companies, the sale of club merchandise and Its broadcast rights sold to television channels. By building a new stadium, which has an estimated cost of 250 million spread over the next two years, Atonement hopes to increase the current capacity of 36500 people to 60000 fans per match.

This is estimated to increase the revenues through attendance by 40 percent ND considerable merchandise sale as well. The club also plans on investing in better practice facility and better players, thus increasing the odds of winning matches. This would not only increase the revenues from the matches but also increase the sponsorship amounts by 20 percent at the same time hiking the damnable price for broadcast rights. The collective rise in revenue is estimated to be around 9 percent. Body Decision Criteria 1 .

Joseph Lewis is a majority stake holder in the firm; the only one with greater than 3 percent stake. He can be expected to work solely in favor of appreciation of his share value. His company EUNICE has 82 percent overall

beneficial interest in the club. One needs to determine whether this would negatively affect the decisions made by him. 2. Daniel Levy and Joseph Lewis were former partners at EUNICE from 2001 to 2007 and once EUNICE had a large majority in Atonement Hotshot, in early 2008 Daniel Levy' decides to make this radical change in the club.

He further went on to claim that it is not just about the money but a long term prosperity of the club. We must however, consider the fact that he had to his advantage a prior experience managing a Scottish Football Club ladled Rangers considered to judge whether the investment is profitable. 4. A quantitative analysis of the investment including the computation of various factors such as the Cost of Capital, WACC, AIR, DC analysis, etc can point towards the right direction 5.

By calculating the percentage of games won over a period of 2004 to 2007 and comparing it to the market reaction towards the shares of Atonement Hotshot we can make decision about what factors negatively affected the market; whether it was an external matter or something related to Atonement hotshot itself. Assumptions 1 . The predictions made about the future growth of revenue with respect to the predicted inflation of the country. 2.

Operating expenses are based on historical data of other clubs. So, we need to analyse reasons why that might not project the right image of the future for Atonement 3. Changing the players may not automatically improve performance of the team and hence may not lead to as many wins as expected and hence the growth in revenues through sponsorships and

merchandise may be stunted. Data Analysis (To be discussed tomorrow)

Preferred alternative with rationale (To be discussed tomorrow)