Why Manchester United may be worth only £3bn

If Sir Jim Ratcliffe sticks to his guns on price, the Glazers could be left in a quandry

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Sir Jim Ratcliffe is likely to offer as little as £3bn to buy Manchester United, according to the former UK boss of Goldman Sachs.

Lord Jim O'Neill, the City grandee that led a failed bid to try and wrest Manchester United away from its American owners 12 years ago, says the British billionaire is unlikely to match a £6bn price tag that has been put on the Premier League football club.

Manchester United's owners, the Glazer family, are desperate to sell at the top of the market. But Lord O'Neill says their price ambitions would be thwarted by the "collapse of a ridiculous European Super League" – last year's doomed breakaway competition.

"The Glazers are going to have to lower their expectation to £3bn or £4bn if they want to find a proper interested party like Jim Ratcliffe," he says.

Meanwhile, he believes the spectre of a change in Government in two years' time could put off suitors from America and the Middle East.

"The small, albeit growing prospect with the risk of a Labour government, of a tougher regulator – does not bode well for any future owner unless they have a proper purpose," he says.

Lord O'Neill's comments follow revelations by The Telegraph that Sir Jim, the founder of chemicals group Ineos and a Manchester United fan, is planning to bid for the club.

The Glazer family have endured a difficult time since buying Manchester United in 2005. Off the pitch, fans have regularly staged demonstrations against their ownership with claims that the property tycoons are only interested in the money rather than the club's rich heritage.

Manchester United fans protest against the Glazer family during a Premier League game at Old Trafford | CREDIT: Oli Scarff/AFP

On the pitch, the club's fortunes have taken a turn for the worse since manager Sir Alex Ferguson stepped down in 2013.

And there are now fears that the boom years of football, which started with the launch of the Premier League in 1992 and was turbocharged by lucrative deals with Rupert Murdoch's Sky television empire, are coming to an end.

The sport is no longer at the centre of younger people's lives as it was in the 1990s and 2000s.

In the nascent days of the Premier League, viewing choices revolved around terrestrial television or Sky Sports rather than digital or streaming content. Today, with a much wider variety of content available, young people are turning away from live sport.

Research conducted in 2016 signalled this trend had already begun. Research company Ampere found that young people were 17pc less likely to identify sport as their favourite form of programming compared with the general population.

Despite waning interest, UK and overseas TV rights have risen by nearly 4,000pc since 1992 from £232m to £9.1bn.

“There are going to be two weeks of people banding around atmospheric numbers,” says one senior City figure. “Good luck to the idiots willing to pay that.

“How are you going to make a lot of money on it, unless you are convinced the next 20 years is going to be another version of the previous 20 years?”

Another senior City executive who has worked in the football industry adds: “The Glazers have had a number of approaches over the years. I am surprised they haven’t sold out earlier.

“The timing is strange, however. It’s not like there isn’t another club 30 miles down the road that isn’t up for sale.”

The person was referring to the potential sale of Liverpool, Manchester United’s arch rivals, which also has American owners: Fenway Sports Group, whose interests include baseball’s Boston Red Sox and ice hockey franchise Pittsburgh Penguins.

The catalyst appears to have been the £2.5bn sale of Chelsea, another of English football’s big clubs, earlier this year.

The west London club’s price tag was eye-catching. Not least because it was a forced sale by owner Roman Abramovich, a sanctioned Russian oligarch.

Raine, the American boutique investment bank, masterminded Chelsea’s sale and has been hired by Manchester United in the hope that the Glazers’ £6bn price ambitions can be achieved.

Manchester United's owners, the Glazer family, are desperate to sell at the top of the market | CREDIT: Icon Sportswire

But the world has moved on since Chelsea's sale – again to an American-led group – in May.

Soaring inflation and with it, rising interest rates mean the debt markets have largely dried up. For the long list of private equity funds that sought to buy Chelsea, convincing investment banks to lend them the money to buy United is now far harder.

The senior figure says: "People will automatically look at the Chelsea underbidders. But things have changed since. The debt markets are effectively closed to a deal of this size. It will be a challenge for many private equity funds to raise their sort of money given the current conditions.

"That's why Jim Ratcliffe must be in pole position – because he doesn't need to raise the debt."

But if Sir Jim sticks to his guns on price, as Lord O'Neill suggests, the Glazers could be left in a quandry.

The Briton is not the only person with deep pockets, however.

David Beckham is understood to be interested in joining a consortium to buy the club. Amancio Ortega, the clothing magnate that founded Zara, has also reportedly registered an interest in buying Manchester United. And with an estimated net worth of $62bn, putting him in the 20 richest people on the planet, Mr Ortega has the firepower.

Meanwhile, The Daily Star reported that Apple could make a bid – though sources claim this is little more than an attempt by bankers at Raine to create competitive tension between interested parties.

Fellow tech giant Amazon has also been cited as an obvious candidate.

“But the weakness of the tech market this year means the chances of Apple or Amazon paying enormous prices are low,” according to one senior City figure, who highlights that there is precedent for media companies to be blocked from buying sports teams on competition grounds.

“I think that anyone who looks at the Sky attempts to buy Manchester United [in 1998] would conclude that the chance of a more complex media company buying them is close to zero,” they add.

Steve Gans from US law firm Prince Lobel Tye has worked with the owners of Liverpool in the past. Despite plenty of eyebrow-raising about the price tag on Manchester United he says that the club is a unique asset. Chelsea and Liverpool are examples of “marquee clubs”; but United “is in a different stratosphere”.

Many US sports investors see the likes of Manchester United as a way to diversify their interests internationally amid fears that basketball, American football, baseball, and ice hockey have “reached saturation point” and the growth will be limited.

Whether that means United can command a £6bn price tag is doubtful, according to investment bankers.

Sir Jim Ratcliffe is not the only person with deep pockets and an eye on Manchester United | CREDIT: Bertrand Guay/AFP

Live TV rights will remain important because in a world that is pivoting towards streaming, advertisers are more likely to guarantee eyeballs on an event that cannot be fast-forwarded.

One banker says: “I don't see how football delivers, if I'm an investor, systemic growth in the next 10 years. I don't know how £2.5bn invested in Chelsea will end up being worth £8bn. Yes, if there was going to be a Super League – but no-one is stupid enough to bet on that.

“Investors have got to be seeing what I am seeing. I don't see systemic drivers that make you feel confident that football is going to double in size in another five or 10 years.”

Whether this matters for suitors more interested in Manchester United as a trophy asset remains to be seen.

Saudi Arabia's sports minister said last week that he would “definitely support” bids for Manchester United, for instance.

But strict ownership rules will preclude the involvement of some deep-pocketed investors. Saudi's Public Investment Fund owns Premier League club Newcastle United, for instance. Meanwhile, Qatar's sovereign wealth fund owns top French team Paris Saint Germain.

Rules under European football's governing body UEFA are unequivocal, “No two clubs or more participating in a UEFA club competition may be directly or indirectly controlled by the same entity or managed by the same person,” they state.

“If I’m the Glazers, I’d absolutely sell,” says the investment banker.

Whether anyone is willing to match their price tag remains to be seen.

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