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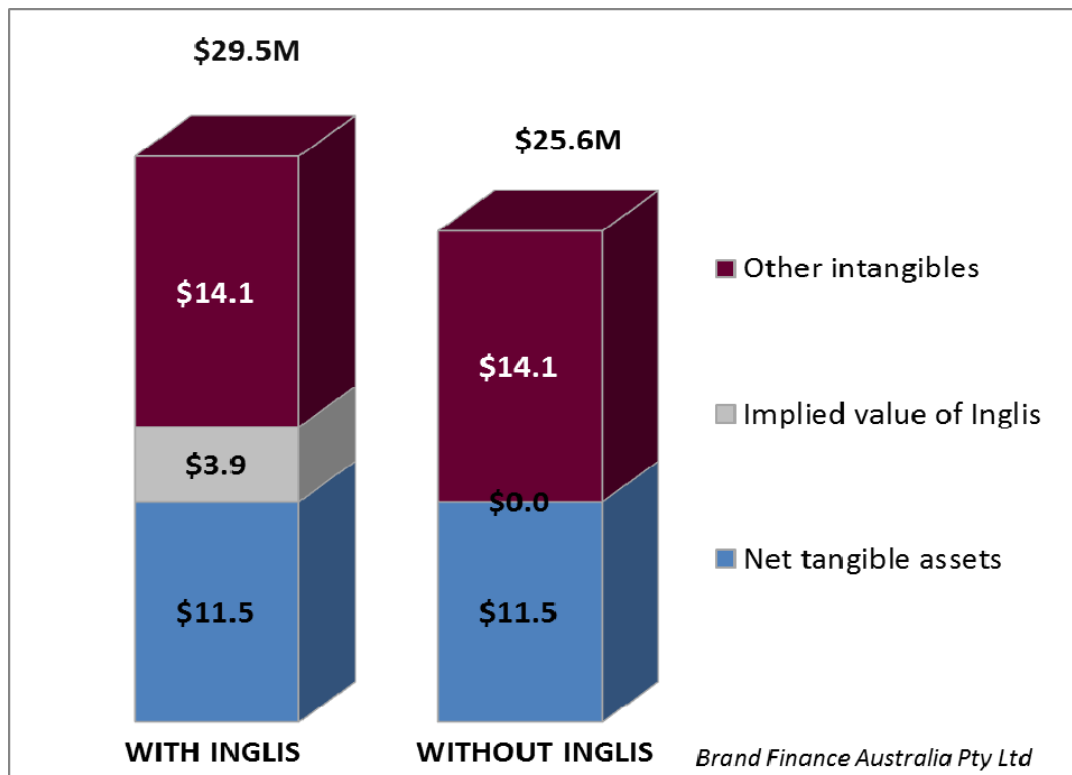
## How much is Greg Inglis really worth? \$3.9 million according to the stock market.

On the weekend of November 6<sup>th</sup> rugby league headlines swirled as details emerged of Greg Inglis’s probable deal with the South Sydney Rabbitohs, and the crumbling of his informal agreement with the Brisbane Broncos.

On November 11<sup>th</sup>, the Brisbane Broncos share price fell from 30 cents to 26 cents, **reducing the Club’s market capitalisation by \$3.9 million** – significantly more than Inglis’s reportedly \$1.2 million two year deal.

Prior to the news of Inglis’ defection, the market capitalisation of Brisbane Broncos Limited was \$29.5 million. This is backed by \$11.5 million of tangible assets according to the most recent financial statements. This implies that \$18 million is represented by intangible assets. The chart shows how the loss of Greg Inglis’ signature - a key intangible asset - reduced the market capitalisation. (It’s hard to describe a 110kg athlete as ‘intangible’ – the term refers to the player’s contract.)

Breakdown of the Market Capitalisation of the Broncos



Two weeks ago, 60% of the market capitalisation of the Broncos was contributed by intangible assets. In addition to the anticipated contract with Inglis, the intangibles include the Brisbane Broncos brand, the Club's NRL licence and associated media agreements, sponsorship contracts, player contracts, and the Club's membership list.

Tim Heberden of Brand Finance Australia noted that *"In common with many sectors, the bulk of the value of football clubs is made up of intangible assets. For listed companies, the loss of a major contract or damage to the brand's reputation highlights the value of these assets. The value of Greg Inglis to either the Broncos or Souths is linked to his ability to increase their revenues from sponsorship, merchandise sales, and match attendance."*

Time will tell the true value of Greg Inglis to Souths. The club have stressed that they expect his presence to lift the performance of other players.

Tim Heberden believes that the key lesson from this experience is that *"the financial success of organisations is increasingly driven by their ability to protect and leverage their intangible assets, with brands often being the most significant intangible asset. For example, Brand Finance has valued the Manchester United brand at A\$540 million and the IPL Super Kings cricket brand at A\$50 million."*

It has been a tough year for the Broncos. The share price has dropped by 35% since January, having already been hit by the loss of Israel Folau and not making the finals series.

As all coaches and fans know, the greatest intangible is performance. With or without new signings, can Darren Lockyer and the rest of the Broncos squad unleash a final's winning performance next year? If so, the value of the club is likely to reach new highs.

#### Assumptions and Notes:

- Brisbane Broncos Limited (BBL) is a tightly held and thinly traded stock – low number of days traded per year, and low volume per day
- Tangible asset values taken as at 30 June 2010
- The Greg Inglis news came out on 6/7 Nov. On November 8<sup>th</sup> 5,000 shares traded at 30 cents, on November 11<sup>th</sup> 9,149 shares traded at 26 cents.
- Brand Finance, and its employees, do not hold stock in BBL, nor have any contractual arrangements with BBL.

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