



# The European Elite 2021

**Football Clubs' Valuation:  
Dribbling around COVID-19**

May, 2021

KPMG Sports Advisory Practice

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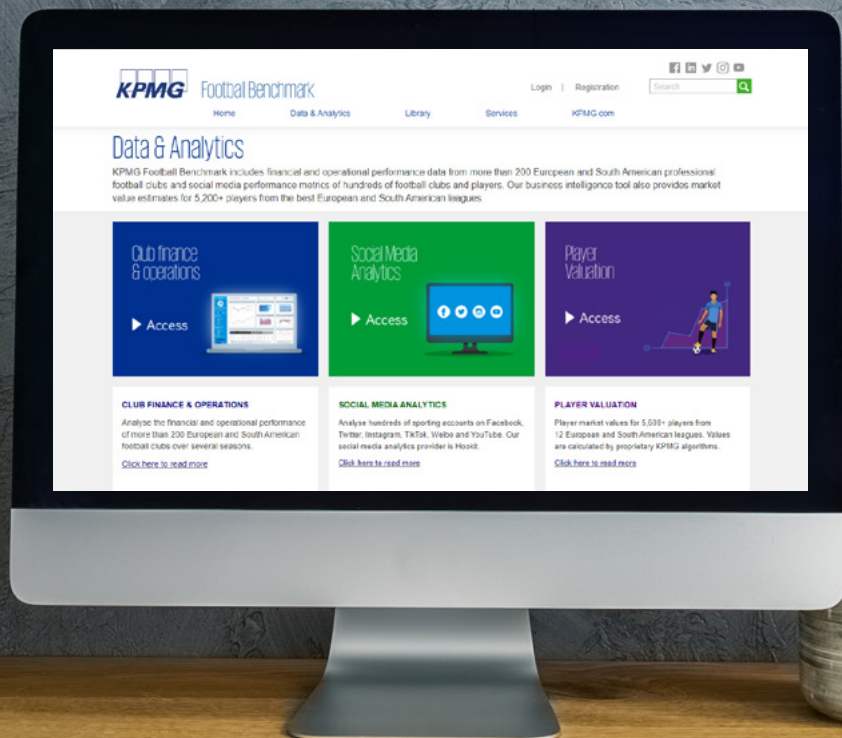
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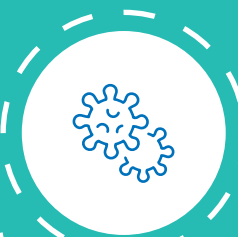
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# Foreword

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Dear Reader,

Welcome to the sixth edition of our Football Benchmark's "Football Clubs' Valuation: The European Elite 2021". This year, we evaluate the impacts of the coronavirus pandemic on the Enterprise Value (EV) of Europe's 32 most prominent football clubs, and also analyse the devastating effects of COVID-19 on European football. In addition, we provide context around the failed European Super League (ESL) proposition and offer reform ideas for the football industry to build a more sustainable football ecosystem.

**For the first time in our annual reports, the aggregate Enterprise Value of the 32 most prominent European football clubs has dropped by 15% year on year** (- EUR 6.1 billion), down to EUR 33.6 billion, a value slightly higher than the 2018 level.

**The overall EV decrease has been a result of the aggregate annual decline in the 32 clubs' total operating revenues,** in contrast to the constant growth over the five years before COVID-19, **and their deteriorating profitability.** Broadcasting and matchday income were impacted to the greatest extent by the pandemic, whereas commercial revenues slightly increased, mainly thanks to agreements signed before the start of the health crisis. **The impact of the pandemic is apparent in clubs' profitability as well: only seven of the top 32 clubs reported a net profit, while there were 20 profitable clubs in this elite a year earlier. Despite the latest 15% EV drop mostly caused by COVID-19, the 32 clubs increased their aggregate EV by 27% from 2016 until now.**

Regarding this year's ranking, **Real Madrid CF retained their position as the most valuable European football club for the 3<sup>rd</sup> consecutive year.** FC Barcelona, for the first time in our annual EV ranking, gained the 2<sup>nd</sup> position, overtaking Manchester United FC. However, compared to a year ago, when all three increased their EV (*Los Blancos* by 8%, the *Blaugrana* by 19% and the *Red Devils* by 4%), this time they suffered an EV decline of 16%, 10% and 20%, respectively. Consequently, while all three clubs boasted EVs above EUR 3 billion last year, now they have dropped below that threshold. **The top 10 of our ranking has seen three changes:** besides FC Barcelona's ascension to the 2<sup>nd</sup> position, Paris Saint-Germain FC moved up to the 8<sup>th</sup> position, overtaking Tottenham Hotspur FC, while Juventus FC returned to the top 10, replacing Arsenal FC – the *Gunners* have lost six positions since the 2016 edition of our ranking.

**Obviously, the coronavirus pandemic delivered a staggering blow to football clubs beyond Europe's elite – in this year's report, we dedicate a chapter to surveying the wide-scale impacts of the virus.** According to our estimation, the top division clubs of all 55 UEFA Member Associations combined are projected to suffer an annual 11% drop in their aggregate operating revenues (-EUR 2.5-2.7 billion) in the 2019/20 season, down to levels recorded in the 2016/17 season. Player values have not been immune either – the

aggregate market value of the 500 most valuable football players has decreased by 10% between February 2020 and April 2021. Moreover, net result figures for the 2019/20 season give an appalling view of the adverse ramifications of COVID-19. **Eighty clubs, including all European football giants which have made public their financial results so far, recorded an aggregate net loss of EUR 2.04 billion:** this means that this sample of approximately 10% of the roughly 700 UEFA first division clubs has already racked up more losses in the 2019/20 season than the previous overall negative record of EUR 1.7 billion in losses registered in 2010/11, prior to the introduction of UEFA Financial Fair Play.

**Besides its damaging financial impacts, the global health crisis has also accentuated the underlying issues already present in football clubs' business models.** In today's highly interconnected football ecosystem, reforms are needed, adopting a holistic approach, involving all stakeholders. A review of governance and redistribution of power, reduction of leagues' size and rationalisation of match calendars, balance sporting merit with financial predictability, the creation of regional leagues by merging smaller domestic leagues, and last but not least, the redesign of FFP with a focus on more stringent cost control mechanisms – are among the reforms to be considered.

For years, industry stakeholders have been focusing on their individual positions to protect the interests of their own organisations, without looking at the collateral effects of their expectations and ambitions on the overall industry. All parties need to realize and accept that football has gone through a very deep transformation in recent years, mainly caused by the evolution of consumers' habits and digitalization, which, in turn, has led to the globalization of the industry, benefitting mostly major clubs and leagues. To ameliorate the state of European football, unprecedented flexibility, wisdom, responsibility and cooperation from all parties at all levels is needed. There is no other way to save the "beautiful game" and to make it sustainable for the benefit of all parties involved, above all for players and fans from all over the world, football's most important participants.

We trust our report provides a stimulating insight into the European football landscape. If you would like to receive further information or discuss our findings, please contact us at [www.footballbenchmark.com](http://www.footballbenchmark.com).



# The European Elite: Selection criteria

Besides availability of annual financial statements of the clubs, KPMG set three parameters to be fulfilled in order for a club to be included in our research. The two primary criteria that have to be simultaneously fulfilled are:

1. Clubs must be among the top 50 European teams by total operating revenues; and
2. Clubs must be among the top 50 teams according to the 5-year UEFA coefficient.

In case one of the above criteria is not fulfilled, a club could still be shortlisted if

3. It is among the top 30 European teams by number of social media followers (Facebook, Twitter, Instagram,

YouTube, TikTok and Weibo combined) as at 1 January 2021.

The rationale behind these selection criteria is that the chosen clubs are largely successful on pitch, are unlikely of being relegated and possess a brand with high international visibility.

Based on the pre-established selection criteria, 35 clubs from 9 European countries have met the requirements and have been analysed by KPMG.

The 32 clubs ranked according to EV which make this year's edition of KPMG's Football Clubs' Valuation report are provided in the map below, while the three "runners-up" ranked by their EV, are: Beşiktaş JK (Turkey), Celtic FC (Scotland) and Sporting Clube de Portugal (Portugal).



### Who is new in the top 32

Atalanta BC	(Italy)
Fenerbahçe SK	(Turkey)
Olympique de Marseille	(France)



### Who is out of the top 32

Athletic Club Bilbao	(Spain)
Beşiktaş JK	(Turkey)
West Ham United FC	(England)



# Headline findings

## The Spanish giants lead the ranking

**For the 3<sup>rd</sup> consecutive year, Real Madrid CF are the most valuable European football club, while FC Barcelona, for the first time in our annual Enterprise Value ("EV") ranking, gained the 2<sup>nd</sup> position, overcoming Manchester United FC.**

Cheers go to the winners, however the figures behind the podium below are less cheerful, and reveal the devastating impact of the COVID-19 pandemic. Compared to a year ago, when all three clubs could increase their EV (*Los Blancos* by 8%, the *Blaugrana* by 19% and the *Red Devils* by 4%), they have suffered an EV drop of 16%, 10% and 20%, respectively, this year. Consequently, while the three clubs boasted EVs above EUR 3 billion last year, now they have all dropped below that threshold.

Broadening our analytic window to a 5-year span, FC Barcelona showed the best performance among the three clubs, as their EV grew by a modest 4% and their operating revenues

by 27%. Meanwhile, Real Madrid CF's EV dropped to the level of the first edition of our report (2016) and Manchester United FC suffered an 8% decrease in the same timeframe.

The illustration below summarises some key metrics of the three clubs on the podium: their EV and total operating revenues' growth over the six editions of our report and the changes in those metrics over the COVID-hit past season.

**Real Madrid CF's** lead at the top is mainly driven by the international on-pitch success and the commercial development achieved over the past years. Their total operating revenues have grown by 18% since 2014/15, driven by a 5-year 43% increase registered in the commercial revenues stream. In the 2019/20 season, despite an 8% drop in revenues, the club managed to slightly increase their income from commercial activities, thus limit the negative impact of the pandemic and achieve a positive net result of EUR 0.3m. In subsequent seasons, they will likely benefit from additional

### Top 3: EV 2021 and operating revenues 2019/20 (EURm)

● Annual change

● 5-year change



Source: KPMG Football Benchmark



revenues coming from the new Santiago Bernabéu: the renovation works of the stadium will be terminated earlier than originally planned as their matches were moved to the Alfredo Di Stéfano stadium during to the pandemic.

**FC Barcelona**, for the first time, have jumped to the 2<sup>nd</sup> position with an EV of EUR 2,869m, only EUR 40m below the top spot and with a remarkable margin on the third place. Two years ago, in the 2019 edition, they could not finish on the podium, but the operating revenues growth and the improvement in the staff cost-to-revenue ratio allowed them to regain their place amongst the top 3 in 2020. However, the COVID-19 pandemic has highlighted the fragility of the club's business model. In the past few years, soaring fixed costs have been counterbalanced by similarly high revenues and financed by large amounts of debt. Following the pandemic, the *Blaugrana* are facing a serious shortfall in revenues (-15% y-o-y) and rapidly maturing obligations, putting them in a more

vulnerable position in terms of liquidity. In the near future, further exploitation of the brand (FC Barcelona are the most followed football club on social media), the reopening of the stadium and additional income coming from the Espai Barça project could be key drivers for generating further revenues. However, the key challenges for the club's management and new president will be cost reduction and the refinancing of debt.

**Manchester United FC** take the last step of the podium with an EV of EUR 2,661m, a 20% decrease compared to 2020. The English side not only lost the 2<sup>nd</sup> position, but they also see FC Bayern München catching up to and posing a challenge in forthcoming years for the bronze medal. Over the past 5 years, the *Red Devils* suffered an 8% decrease in EV resulting in an inevitable drop after three years on top of the ranking until 2018. The devaluation of the British pound also needs to be taken into account when assessing their 5-year performance.

## Overall trends and EV by league

**For the first time in our annual reports, the overall Enterprise Value of the 32 most prominent European football clubs has decreased, dropping by 15% year on year (- EUR 6.1 billion in absolute terms),** down to EUR 33.6 billion, a value slightly higher than the 2018 level. **Nevertheless, since the first edition in 2016, the aggregate EV of the 32 clubs has grown by 27%.**

In terms of value distribution, the top 3 and the top 10 keep 25% and 67%, respectively, of overall EV aligned with last year's report but lower than the first edition in 2016, when these two groups accounted for 32% and 70%, respectively.

When the impact of the coronavirus pandemic in the football industry is analysed in comparison to the major European Stock Exchanges, notably the STOXX Europe 50 Index<sup>1</sup>, we can observe a lower, 9% year-on-year decrease. However, taking the 5-year evolution into account, the pace at which football clubs grew (27%) is definitely higher than the modest 3% increase the STOXX Europe 50 Index has registered since 1 January 2016.

The overall annual EV decrease of the top 32 clubs can primarily be attributed to a decrease in total operating revenues – in contrast to the constant growth over the previous 5 years – and deteriorating profitability. Taking a deeper look into the key revenue streams of the 32 clubs included in the report, broadcasting income was impacted to the greatest extent, suffering a 19% drop on average compared to a year before. The main reasons for the decrease are rebates paid

out to some broadcasters and the deferral of a portion of broadcasting revenues to the future financial year at many clubs, due to the rescheduling of several domestic and UEFA competitions matches after the financial closing date of the past sporting season. While matchday income decreased to a similar extent year on year, commercial revenues were the least impacted by the unprecedented circumstances, as the average of the 32 clubs remained stable.

Profitability figures confirm the remarkable impact of the pandemic: only 7 clubs out of the 32 reported a net profit, while there were 20 profitable clubs in this elite group a year before.

**In the 2021 edition there are 3 newcomers: Atalanta BC, Olympique de Marseille and Fenerbahçe SK.** In particular, the Italian side represent a brand-new entry: the *Bergamaschi* enter the ranking at the 24<sup>th</sup> position with an EV of EUR 364m, benefitting from their impressive results both on and off the pitch achieved over the past 5 years. For example, Atalanta accounted for the second lowest staff costs-to-revenue ratio (49%, after *Spurs'* 46%) and the highest net profit (EUR 51.7m) among the 32 clubs. The French and Turkish sides return to the ranking, occupying the last two positions, after four and three years of absence, respectively.

**On the other hand, West Ham United FC, Athletic Club Bilbao and Beşiktaş JK drop out.** Both West Ham United FC and Athletic Club Bilbao are excluded from the ranking as they do not meet the selection criteria required to be shortlisted<sup>2</sup>.

### Aggregate EV of Top 32 (2016-2021, EUR billion) and EV share of top groups in 2021 (%)



Source: KPMG Football Benchmark

<sup>1</sup>The STOXX Europe 50 index, Europe's leading blue-chip index, provides a representation of supersector leaders in Europe covering 50 stocks from 18 different European countries.

<sup>2</sup>Please see page 5 for more details on the selection criteria adopted for this report.





Porto, a new joiner in the past edition, could improve one position further this year in our ranking

Credits: FC Porto

In particular, the English side lost their position in the top 30 clubs by social media followers (as at 1<sup>st</sup> January 2021), while the Basque club did not qualify for UEFA competitions in the recent years, pushing them out of the top 50 clubs by UEFA ranking. Finally, Beşiktaş JK dropped out of the top 32 mainly because of their poor profitability performance; having recently been crowned Süper Lig champions again for the first time in four years, it would be reasonable to see them rising up in our ranking in subsequent editions.

**The representation of the big 5 leagues remains the same, with 27 clubs placed among the top 32.** The five non-big 5 leagues' clubs (from Portugal, Turkey and the Netherlands)

count for only 5% of the total Enterprise Value, in line with the previous edition.

**At league level, despite the loss of one club, the English Premier League has confirmed its absolute dominance, having eight clubs in the top 32 and accounting for 39% of the total aggregate value.** The Spanish LaLiga maintained the second position per aggregate EV, even with one club less compared to the previous edition. The German Bundesliga and the Italian Serie A have the same weight on the total EV (approximately 13%), but while the ranking includes only three German clubs, Serie A can rely on seven clubs included in the top 32.

### Number of clubs, aggregate value by country and share of EV

Countries	Number of clubs						Total EV 2021 (EURm)	Average value per club (EURm)	Σ 100%
	2016	2017	2018	2019	2020	2021			
England	7	8	9	9	9	8	13,021	1,628	39%
Spain	5	6	6	6	7	6	7,862	1,310	23%
Germany	3	3	3	3	3	3	4,343	1,448	13%
Italy	7	6	6	6	6	7	4,337	620	13%
France	4	3	3	3	2	3	2,439	813	7%
Portugal	2	1	1	1	2	2	601	300	2%
Turkey	2	3	3	2	2	2	529	265	2%
Netherlands	2	2	1	1	1	1	418	418	1%
Scotland	-	-	-	1	-	-	-	-	-

Source: KPMG Football Benchmark

## Top 10 vs. the rest: Is this a different business?

The elite 10 clubs have performed better than the other 22 clubs combined when considering total operating revenues, staff costs-to-revenue ratio and net result in each of the six years under scrutiny.

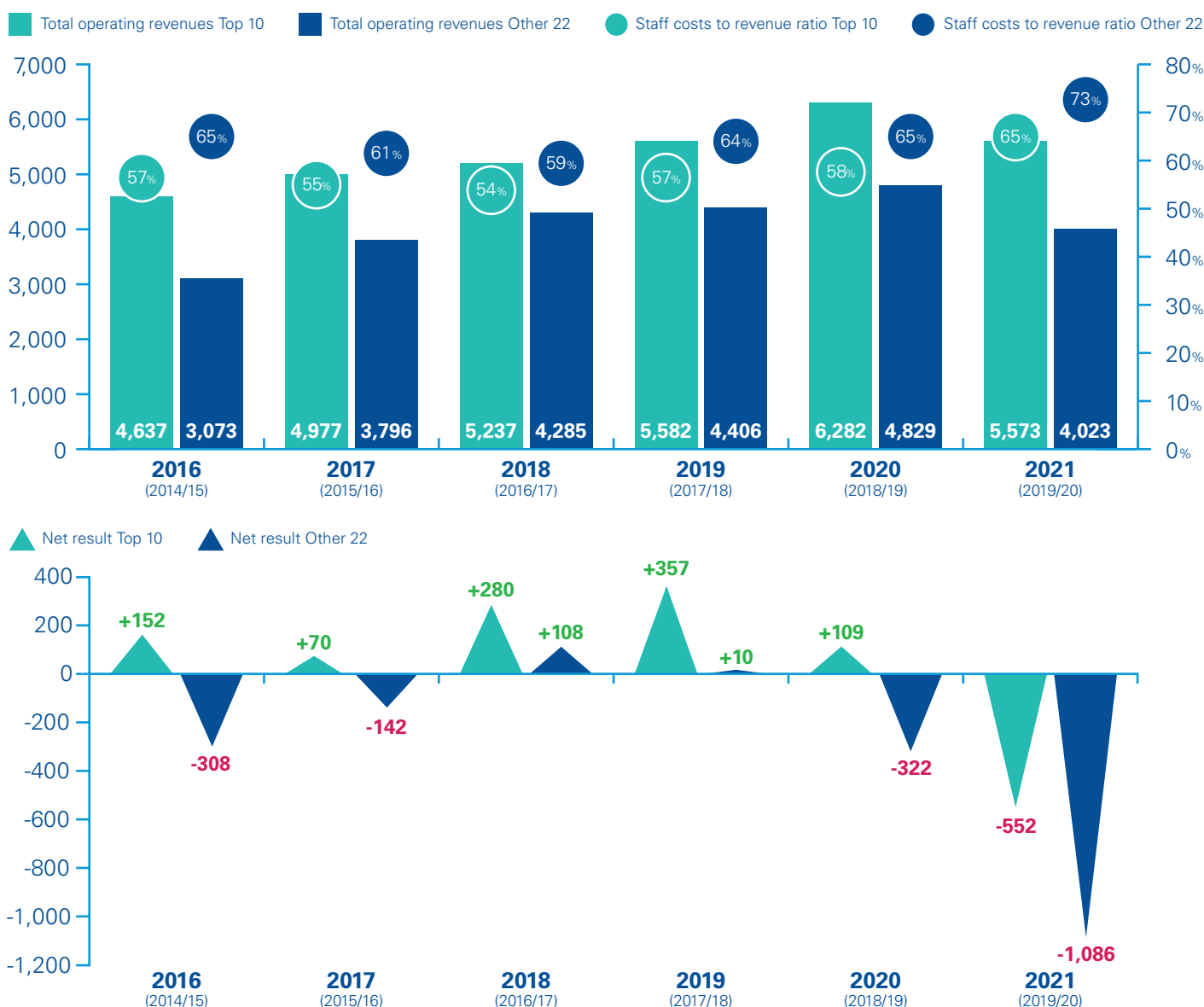
The chart below shows the evolution of these key metrics at the aggregate level for the top 10 clubs by EV compared to all the other clubs in each edition of our valuation report.

The revenues of the top 10 clubs have always been significantly higher than those of the remaining 22, while the staff costs-to-revenue ratio of the top 10 clubs has always been much lower. Moreover, in terms of profitability, the aggregate net result of the elite clubs has always been positive, with the COVID-impacted past season being the only exception. The other 22 clubs have accounted for a negative combined net loss in four years out of six.

It's particularly interesting to note that in the past season the top 10 clubs' operating revenues accounted for almost 60% of the total income of all 32 clubs (EUR 9.6 billion), while they accounted for only a third of the aggregate net loss of the 32 clubs (EUR 1.6 billion).

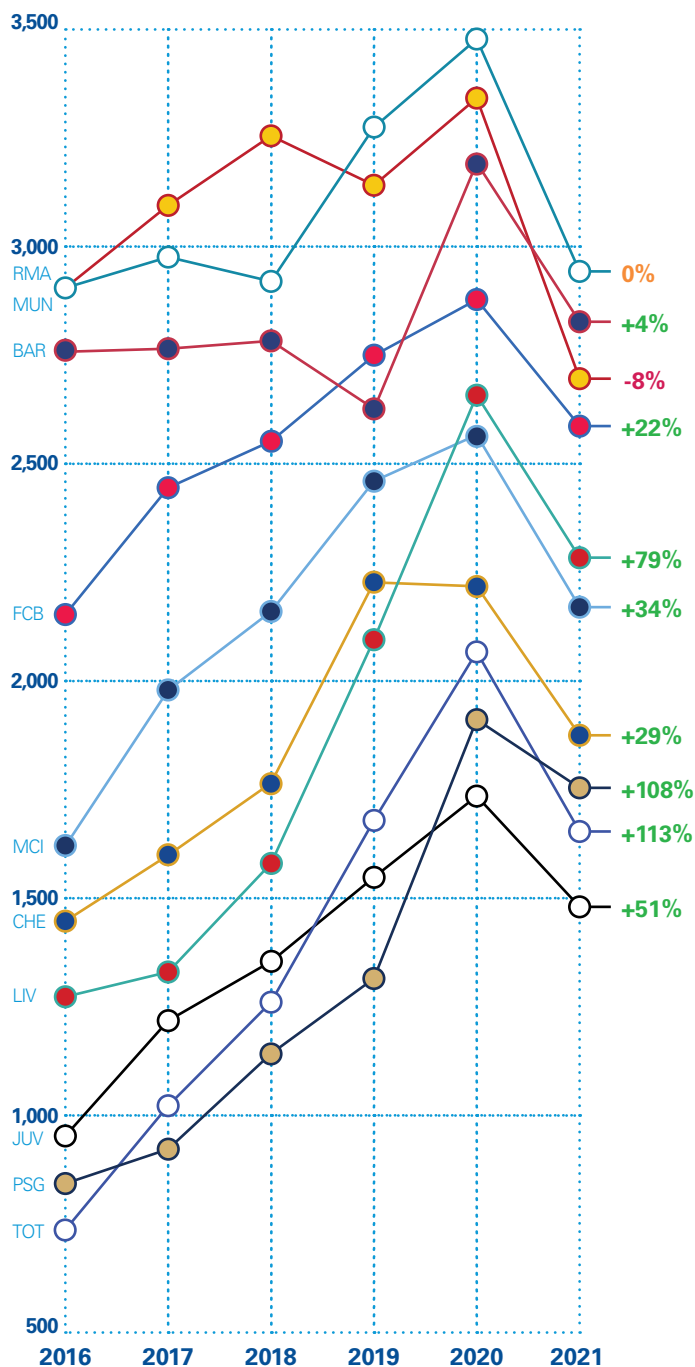
This analysis is a testament to how **the operating model of the clubs at the very top of the football pyramid has become noticeably different from that of the rest of other European football clubs'**, even if comparing them with the second best category of clubs – the other 22 top clubs included in our EV ranking. This evidence, together with many other factors addressed in the next chapter of the report, can partially explain the diverging interests of football clubs and the recent failed attempt to create a breakaway European Super League.

## Top 10 vs the rest: Key metrics evolution (EURm)



Source: KPMG Football Benchmark

## Top 10: EV trend 2016-2021 (EURm)



- Real Madrid CF (RMA)
- Manchester City FC (MCI)
- FC Barcelona (BAR)
- Chelsea FC (CHE)
- Manchester United FC (MUN)
- Paris Saint-Germain FC (PSG)
- FC Bayern München (FCB)
- Tottenham Hotspur FC (TOT)
- Liverpool FC (LIV)
- Juventus FC (JUV)

Source: KPMG Football Benchmark

## Top 10 evolution by EV

The top 10 has witnessed three position changes this year: besides FC Barcelona's progression to the 2<sup>nd</sup> position, Paris Saint-Germain FC have moved up to the 8<sup>th</sup> position, overcoming Tottenham Hotspur FC, while Juventus FC returned to the top 10, replacing Arsenal FC.

**All the clubs of the top 10 suffered an EV loss year on year**, the average in percentage terms being -14%, with Manchester United FC recording the highest (-20%), and PSG the lowest (-8%).

Despite the *Gunners* dropping out, **the English Premier League still dominates the top 10 with five clubs**, while Spain's La Liga maintains its second position, represented by its giants, Real Madrid CF and FC Barcelona. The other big 5 leagues, namely Bundesliga, Ligue 1 and Serie A, are all represented by one club each.

2019/20 UEFA Champions League (UCL) winners **FC Bayern München** (EUR 2,621m) are placed 4<sup>th</sup>, with an EV just EUR 40m below the podium. Although their EV suffered an annual decrease of 9%, the German champions recorded a 22% overall EV growth since 2016, mainly thanks to their performance in the profitability metric. Indeed, their 2019/20 bottom-line profit represented an impressive 28<sup>th</sup> positive result in a row. The conclusion of the Bundesliga campaign before the end of June last year allowed the club to limit its loss in operating revenues to only -4%, mainly in relation to matchday receipts.

After the *Bavarians*, there is a trio of English clubs confirming their position in the ranking: Liverpool FC and the 2020/21 UCL finalists, namely Manchester City FC and Chelsea FC.

**The Reds** (EUR 2,284m) maintained their 5<sup>th</sup> position, registering an annual worsening in EV of 14%. Despite the landmark victory of the Premier League after 30 years in the past season, they suffered an 8% decrease in total operating revenues, due to lost matchday income, deferred broadcasting revenues and the poorer performance in the UEFA UCL, only partially compensated by increased commercial revenues. Their EV performance remained positive from a 5-year perspective: +79% since 2016.

**Manchester City FC** (EUR 2,170m) kept their 6<sup>th</sup> position, despite a 17% EV decrease compared to the previous edition of our report. After five consecutive profitable seasons, the *Citizens* closed the 2019/20 financial year with a net loss of EUR 143m. However, they can still rely on the most valuable squad in the world (EUR 1.1 billion as of January 2021).

**Chelsea FC** (EUR 1,875m) have also retained their 7<sup>th</sup> position in the ranking. The 9% annual decrease in operating revenues represented the main reason of the *Blues'* EV worsening of 15% compared to the previous edition. However, the London club managed to improve their profitability, thanks to cost reduction and the EUR 162m profit on players' disposals, mainly associated with the sale of Eden Hazard and Álvaro Morata to Real Madrid CF and Atlético de Madrid, respectively.

Scrolling down the top 10, we find **Paris Saint-Germain FC** (EUR 1,754m) and **Tottenham Hotspur FC** (EUR 1,708m). The French side overtook *Spurs* in the 8<sup>th</sup> position of our ranking, thanks to a lower annual EV worsening of -8% vs *Spurs*'-17%, despite the cancellation of the last part of the Ligue 1's season and the deferral of part of their 2019/20 UEFA income, which boosted from reaching the final of the Champions League. In addition, both sides are among the best clubs by EV growth since the first edition of the report: +113% for *Spurs* and +108% for PSG.

**Juventus FC** (EUR 1,480m) returned back to the top 10 after only one year of absence, mainly benefitting from Arsenal FC's misfortunes. Indeed, while the *Bianconeri*'s EV decreased by 15% over the past year, the *Gunners* lost 22% of their value. Since 2016, when Arsenal FC held the 5<sup>th</sup> position with an EV of EUR 1,663m, the English side have dropped six positions in the ranking and 13% in value. In the 2019/20 season, Juventus FC registered a 13% annual drop in operating revenues, due to the losses in matchday and broadcasting income while, on the other hand, they managed to keep their commercial revenues stable.



*Spurs increased their EV by 113% over the past 5 years*

Credits: Tottenham Hotspur FC

## COVID-19 impact: All clubs suffer an annual EV decrease

**All the clubs included in our report in 2020 and 2021 suffered an annual decrease in their EV.** Consequently, this year the best-performing clubs are those whose performance was less negative.

**The average annual EV decrease has been equal to 15%.** There are 10 clubs that managed to limit their EV's worsening below the 10% threshold, 13 clubs recorded a year-on-year change between -10% and -20%, and finally, six clubs suffered an annual EV decrease above 20%.

At country level, **the eight Premier League clubs registered the worst average annual decrease (18%),** closely followed by the three German and the six Italian clubs, both groups accounting for an average decrease of 17%. The English sides were particularly penalised by the deferral of a portion of broadcasting revenues, considering the higher absolute value of the Premier League media rights compared to the other European leagues. French and Spanish clubs registered a lower average annual decrease, 9% and 12% respectively. In particular, the two French clubs included in this analysis, PSG and Olympique Lyonnais, managed to partially balance the negative effect of the cancellation of the remainder of the season thanks to the monetary aid provided by the Ligue de Football Professionnel and the very positive sporting performance in the 2019/20 UCL campaign.

At club level, **AFC Ajax, Borussia Dortmund and Atlético de Madrid registered the lowest annual decrease, while FC Schalke 04, AS Roma and Leicester City FC suffered the highest year-on-year worsening in EV.**

AFC Ajax registered only a 3% drop thanks to their positive performance in terms of profitability, mainly driven by the Dutch side's renowned player trading activities. This has been a remarkable achievement also considering the 19% annual decrease in operating revenues and the cancellation of the last part of the 2019/20 Eredivisie season.

The low EV decrease registered by Borussia Dortmund (-5%) derives from the fact that the German side was one of the three clubs among the top 32 who managed to increase, although only slightly (+1%), their total operating revenues in the past season. The other two clubs were Atalanta BC (+14%), not included in the previous editions of the report, and Sevilla FC (+6%), which, however, in contrast to most clubs, accounted for the full 2019/20 sporting season in their financial statements as at 30 June 2020.

Finally, Atlético de Madrid's EV decreased by only 5%, thanks to the efficient cost control measures implemented at the club, resulting in an improvement in the profitability pillar considered in our valuation.

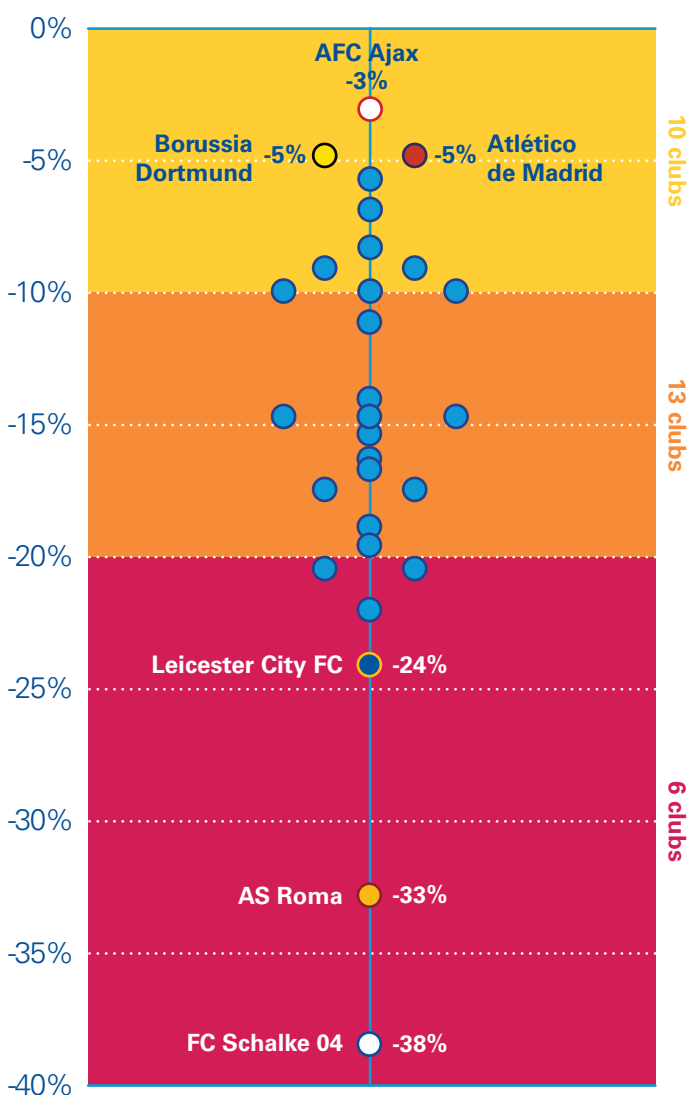
Moving to the clubs with the heaviest year-on-year EV decrease, we find Leicester City FC (-24%) and the two negative outlier values registered by AS Roma and FC Schalke 04, at -33% and -38%, respectively.

The record annual decrease in EV suffered by FC Schalke 04 is mainly due to a 37% decrease in operating revenues. The club have also underperformed on the pitch in the current 2020/21 sporting season, which ended with relegation to 2. Bundesliga for the first time in 30 years.

AS Roma's 2021 EV was highly impacted by an extremely negative performance in the profitability area: they registered the highest staff costs-to-revenue ratio among the top 32 (110%) and a record net loss of EUR 204m.

Finally, the Foxes were particularly hard hit by the decreasing revenues and increasing costs that led to a 105% staff costs-to-revenue in the 2019/20 season. This figure is a direct consequence of the investments made by the club to keep fighting for the top positions in the Premier League, as the last two campaigns have demonstrated.

**EV annual change: Top 3 and Bottom 3**



Source: KPMG Football Benchmark

Galatasaray were among the clubs who registered the lowest annual EV decrease among the top 32 clubs (-6%).

Credits: Galatasaray SK



## Top and bottom clubs by overall EV % evolution (2016-2021)

**Expanding the timeframe under analysis to all six editions of our valuation report**, the overall trend is still positive despite the negative results registered in 2021 because of the pandemic. Indeed, **23 of the 27 clubs included in the ranking both in 2016 and 2021 increased their EV, while only four clubs suffered an overall EV decrease.**

The three “celebrating” clubs in the chart below represent the best clubs in terms of their 5-year EV percentage growth, namely Olympique Lyonnais (+164%), FC Internazionale Milano (+120%) and Tottenham Hotspur FC (+113%).

Conversely, the “conceding” players on the pitch below represent the clubs which suffered the heaviest EV drop in relative terms: AC Milan (-22%), FC Schalke 04 (-20%) and Arsenal FC (-13%).

**Olympique Lyonnais** managed to increase their EV by 2.6 times in five years. Since 2016, they have benefitted from the opening of their new stadium, a constant positive performance in terms of profitability and, in particular over the past season, from the qualification to the UCL semi-finals, mitigating the impact of COVID-19.

**FC Internazionale Milano** managed to boost their commercial revenues since the arrival of the Suning ownership in 2016 and could also improve their popularity performance. However, a combination of factors including the recent expiration of some relevant commercial deals in the Asian market, the impact of the pandemic and the restrictions to foreign investments imposed by the Chinese government have created a relevant liquidity issue for this season’s Serie A champions.

The 3<sup>rd</sup> position is taken by **Tottenham Hotspur FC**. *Spurs’* growth is mainly driven by their ability to control costs, as demonstrated by their 46% staff costs-to-revenue ratio, the lowest among the 32 clubs. Moreover, once restrictions on fan attendance are eased, the new stadium, inaugurated at the end of the 2018/19 season, will likely deliver further benefits to the club.

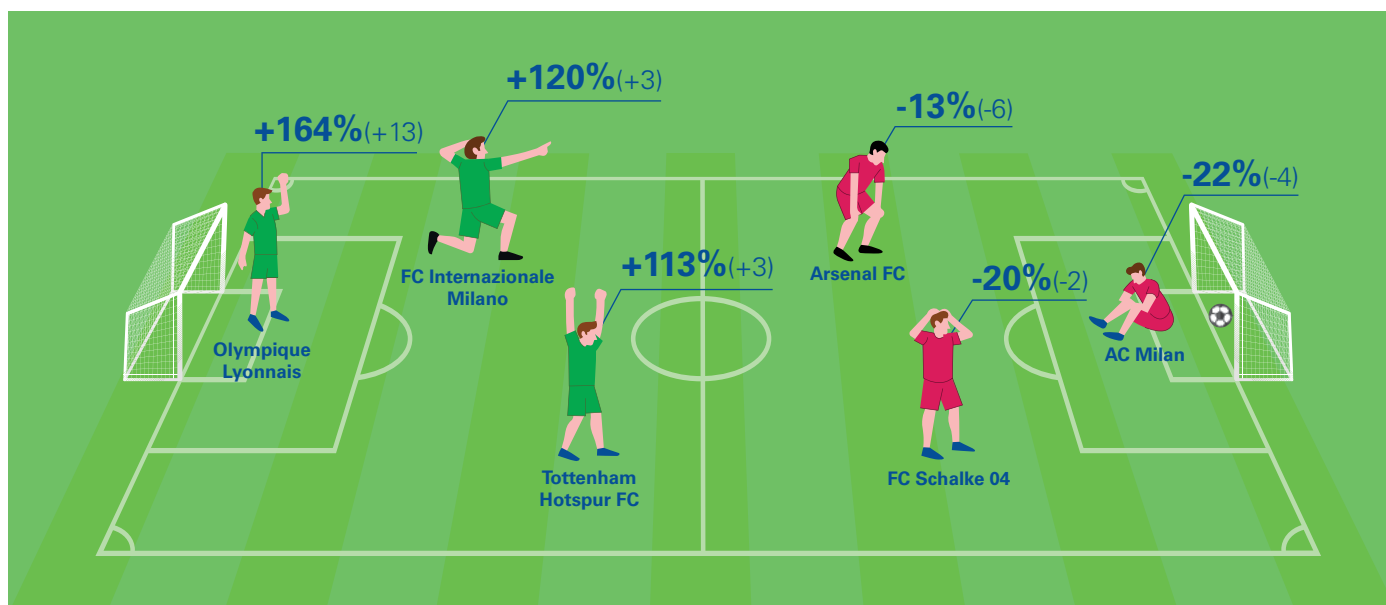
Moving to less positive performances, **AC Milan** register the worst 5-year EV decrease, mainly because of their operating revenues stagnation over the past years, even before the pandemic, and poor profitability performance. Indeed, the *Rossoneri* have accounted for cumulative net losses in excess of EUR 700m over the past six seasons. Achieving qualification to the UEFA Champions League for the first time in seven years will be a crucial step for the future of the club.

The second worst result is recorded by **FC Schalke 04** – who already showcased the highest year-on-year decrease – as they are paying the price for their poor performance both on and off the pitch, which culminated in finishing the 2020/21 Bundesliga campaign at the bottom of the table.

Finally, **Arsenal FC** have been struggling on the field in recent seasons, and have missed out on UEFA Champions League participation since 2016/17. By consequence, they also struggle on the financial side: in particular, since 2016 they registered a 13% EV decrease.

**In absolute terms the highest EV increase over our six editions has been achieved by Liverpool FC (more than EUR 1 billion), while on the opposite the worst one was registered by Manchester United FC (-EUR 244m).**

## EV 5-year percentage growth: Top 3 vs. Bottom 3 (position change in the ranking)



Source: KPMG Football Benchmark

## COVID-19 impact on listed football clubs

Predictably, the pandemic heavily impacted the market cap evolution of top football clubs listed on stock exchanges. An analysis of the performance of AFC Ajax, AS Roma, Borussia Dortmund, Juventus FC, Manchester United FC, and Olympique Lyonnais concludes that **the aggregate market capitalization of these six clubs dropped by 32% in the past 12 months.**

The chart below displays the quarterly evolution of the aggregate market cap of such selection of clubs between 2 January 2020 and 4 January 2021.

Unsurprisingly, the first quarter produced the worst decrease, at -33%. Indeed, after the pandemic outbreak in March 2020, the overall market instability and uncertainty about the conclusion of the 2019/20 football season severely penalised listed clubs.

In the 2<sup>nd</sup> quarter there was a slow recovery (+12%), mainly thanks to resuming games in many leagues that allowed football seasons to come to an end, with the exception of the Eredivisie and the Ligue 1. The 3<sup>rd</sup> quarter (-11%) shows the overall pessimism at the time due to the perspective of playing the full season behind closed doors and due to the outbreak of new waves of the pandemic. Finally, in the last quarter, the aggregate market cap of the selected six clubs registered a slight 4% growth, displaying some optimism regained on the market.

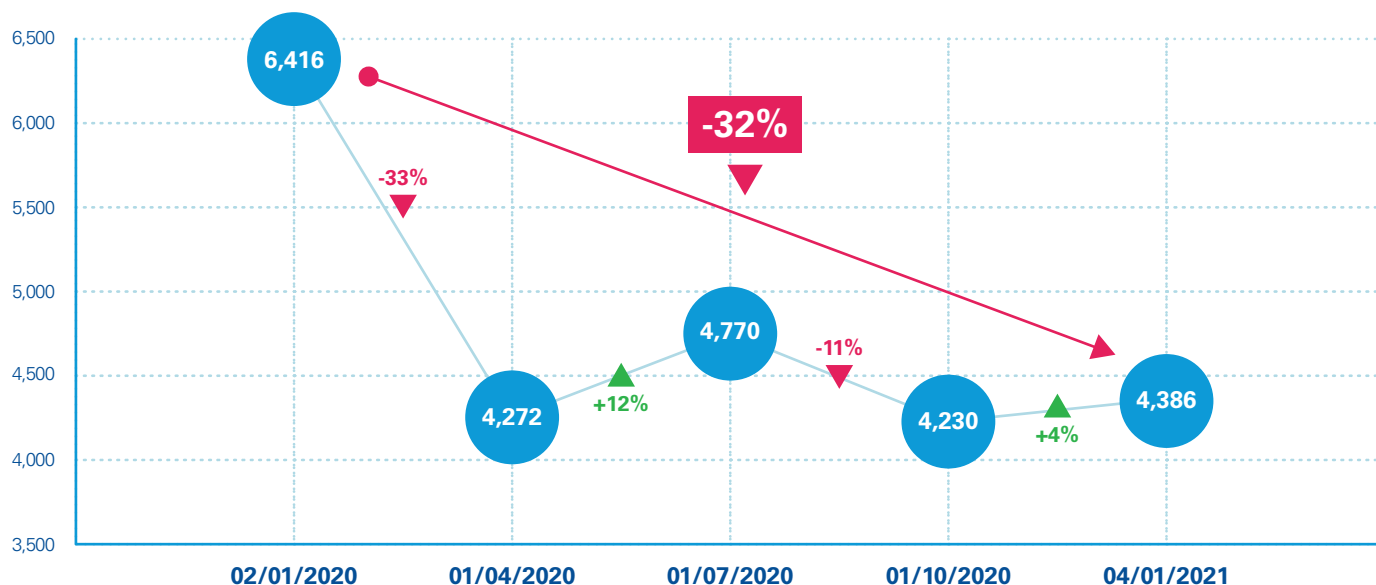
Regarding the chart below, one should bear in mind that the market capitalization of listed clubs – and any other company – refers to the value attributable to the shareholders, while Enterprise Value is the entire value of football clubs without giving consideration to their financing structure.



*Borussia Dortmund registered one of the lowest annual EV decreases (-5%) in the pandemic-impacted season*

*Credits: Borussia Dortmund*

## Aggregate Market Capitalization evolution for a selection of six clubs\* (EURm)



Source: Capital IQ and KPMG analysis

\*Note: AFC Ajax, AS Roma, Borussia Dortmund, Juventus FC, Manchester United FC and Olympique Lyonnais



# Beyond the pandemic

## The future of European football

What started off as any other ordinary season in 2019 became one of the most historic due to the effects of the COVID-19 pandemic, setting the stage for what could be labelled as a “new normal”, characterised by empty stadia and fake crowd noises. The booming football sector, driven by advancements in digital technologies contributing to the industry’s globalization and ultimately to record media rights and sponsorship deals, was forced to downshift and lost acceleration following the global economic and social disruption.

In the years immediately preceding the virus, from 2016 to 2020, the 32 most prominent European football clubs in our annual [“Football Clubs’ Valuation: The European Elite”](#) report increased their Enterprise Value by an average of 10.9% annually. Moreover, European top division clubs from all UEFA member associations displayed an annual average revenues growth of 7.2% in the period from 2009 to 2019. Increasingly-sophisticated financial regulations promoting sustainability have contributed to the industry’s growth as well. Indeed, European top division clubs recorded an aggregate loss of EUR 1.7 billion in 2011, but following the implementation of the UEFA Club Licensing and Financial Fair Play Regulations (FFP) starting from that year, the same clubs had posted an aggregate profit of EUR 579m by 2017 (EUR 140m by 2018).

However, despite the progress made in the past decade, there still remained widespread reservations, even prior to the pandemic, regarding football clubs’ business models, through which a high fixed cost base in combination with growing transfer and agent fees placed significant strain on finances. In an industry in which limited liquidity is typical, minor disruptions paling in comparison to COVID-19, such as the volatility of qualification to certain competitions or player trading income, had already driven some clubs into financial distress.

The ongoing global health emergency has magnified the vulnerability of the football ecosystem and put its financial sustainability under scrutiny, even in the short-term. Football clubs were financially tested, with games cancelled or played behind closed doors and all of their income streams affected by the absence of gate receipts in addition to the renegotiation, suspension or cancellation of payments from media and commercial agreements. Further down the football pyramid, clubs in smaller leagues and lower divisions were hit the hardest, since these clubs typically depend more on income streams from the matchday activities most affected by the virus. Football clubs have been exposed during this period, as they take most of the financial risk and make most of the capital and operational investment.



*Inter Milan increased their EV by 120% over the past 5 years*

*Credits: FC Internazionale Milano*



## Operating revenues

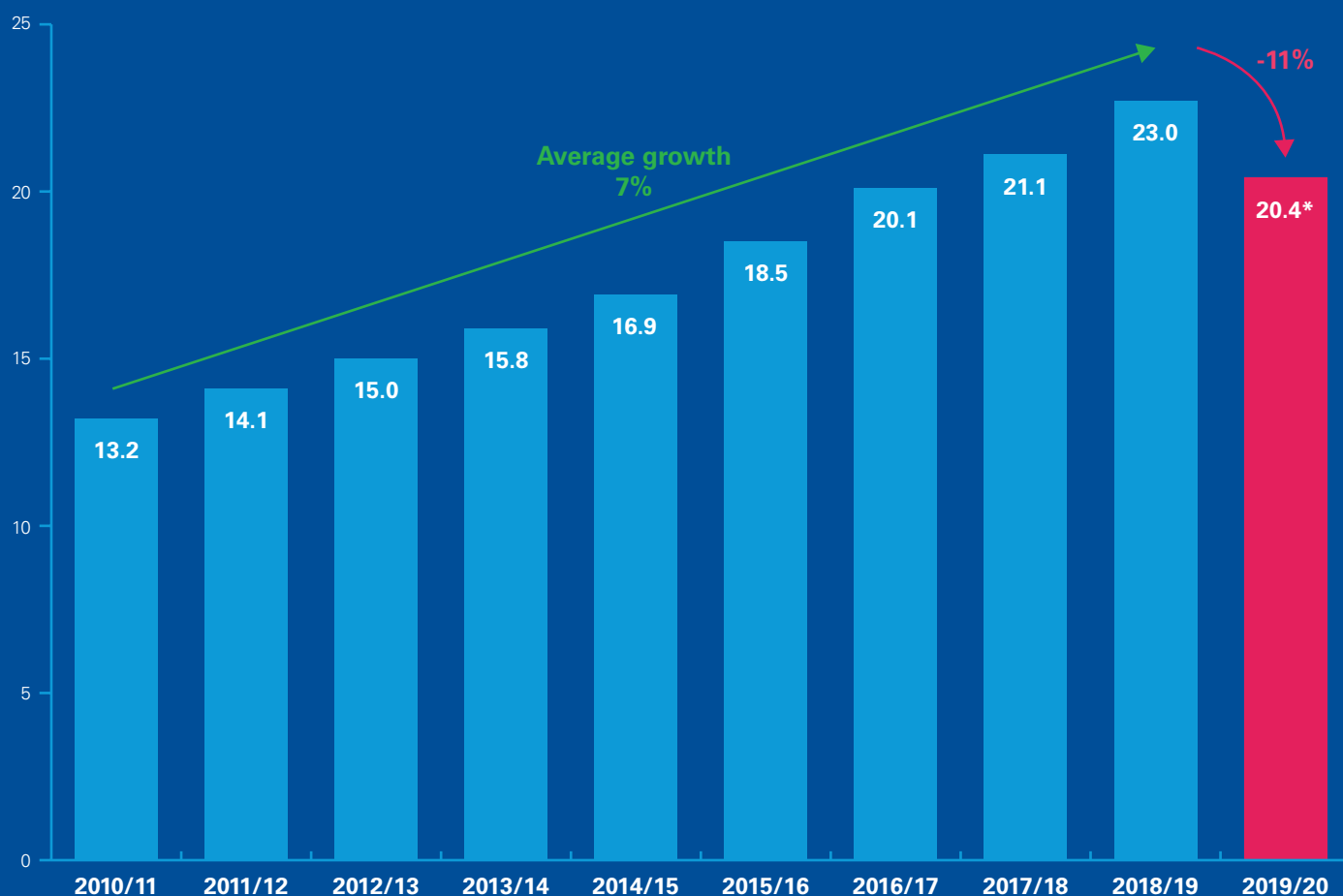
KPMG Football Benchmark estimates aggregate operating revenues losses of EUR 2.5-2.7 billion for the 2019/20 season in Europe, a minus 11% year on year, when considering the top division clubs of all 55 UEFA Member Associations combined. Such estimations, derived from available annual accounts for the 2019/20 season, result in a cut of aggregate operating revenues down to approximately EUR 20.4 billion, a decrease for the first time in the past decade in contrast with the constant and steady growth in the previous years, reverting back to the similar levels seen during the 2016/17 season. Matchday revenues were the most significantly impacted due to fans' absence from stadia in the latter part of the season, or in some rarer cases due to the curtailment of domestic competitions, most notably for the French Ligue 1. Thus, we expect a EUR 650-750m decrease from this crucial revenue stream on aggregate in 2019/20.

Our estimations also project that clubs from the big 5 leagues would be responsible for the majority of the decrease with an estimated EUR 1.8-1.9 billion in operating revenues decline,

while the clubs from the remaining 50 European top divisions are forecasted to lose approximately EUR 750m in operating income.

Amongst the big 5 leagues, Serie A and Ligue 1 experienced the pandemic most severely, with matchday, broadcasting and commercial revenues all expected to significantly decrease. Available data from the Deutsche Fußball Liga (DFL) indicates matchday revenues decreased the most in relative terms in the Bundesliga (-30%) among the big 5 leagues, given the high utilization rate of German stadia. However, the German top flight kept aggregate broadcasting revenues stable, thanks to the termination of the football season before most clubs' financial year-end. Clubs in LaLiga also suffered major losses in matchday revenues in 2019/20, but more interestingly, clubs' accounts show only a narrow 5% loss in broadcasting revenues. This was mainly thanks to LaLiga's clubs benefiting from the commencement of a new, more remunerative broadcasting cycle in the 2019/20 season, partially offset by reported rebates to broadcasters. Finally, in the Premier League both matchday and broadcasting revenues decreased since English clubs also paid out rebates to broadcasting partners.

### Aggregate operating revenues in European top divisions (EUR billion)



Source: UEFA Club Licensing Benchmarking report

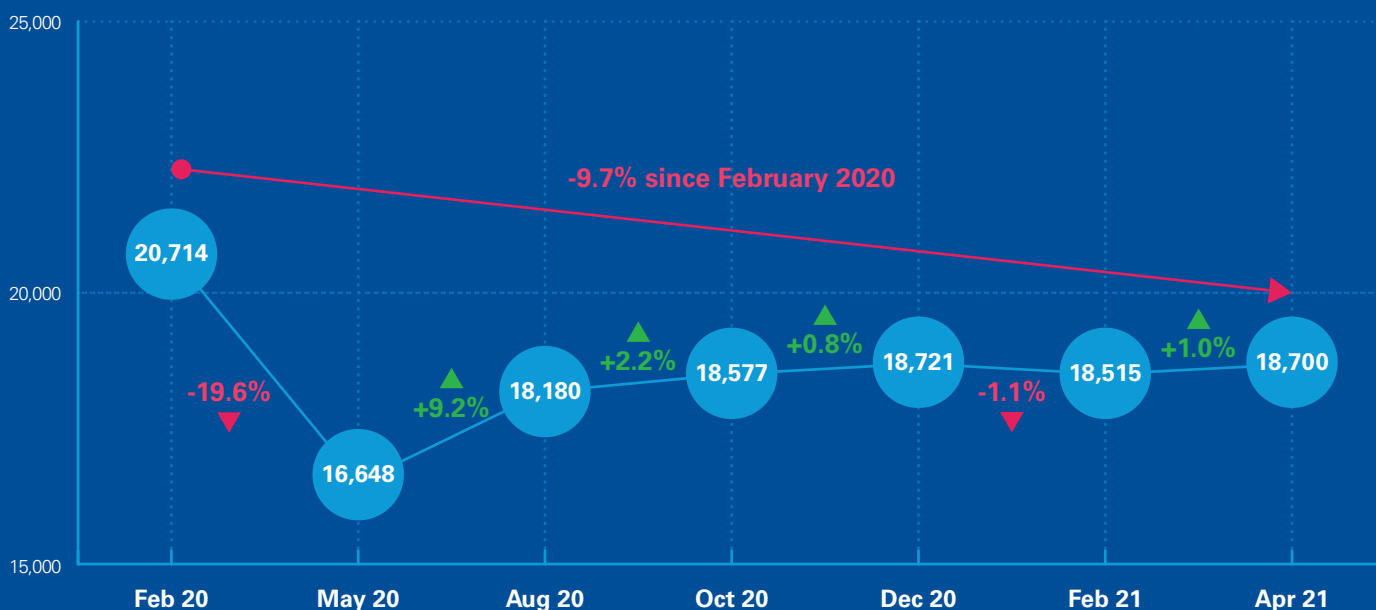
\*Note: KPMG Football Benchmark estimations in 2019/20

## Player trading

The pandemic is also having a lasting impact on player values, as clubs look to shore up their finances through generating player trading income in a depressed market, often forced to sell key players at a discount. Our KPMG Player Valuation Tool indicates that the aggregate market value of the 500 most valuable football players has decreased by 9.7% between February 2020 and April 2021.

Likewise, as predicted by our [“Player value not immune to pandemic”](#) report published in May 2020, the most recent summer and winter transfer windows were characterized by decreased volume of high-priced player movements. Instead, it was dominated by an abundance of low value transfers along with loan deals, often with future buy options, and swaps as clubs did not possess cash at hand to purchase players at the price tags they had been accustomed to.

### Aggregate player value changes of the top 500 players (EURm)



Source: KPMG Football Benchmark Player Valuation Tool as of April 2021.

## Profitability

If the revenues estimates and downturn in player value were not convincing enough, net result figures for the 2019/20 season give a crystal clear portrait of the adverse ramifications of COVID-19. The 80 clubs that have made public their financial results so far recorded a historically-high aggregate net loss of EUR 2.04 billion. Putting the numbers into context, this means that approximately 10% of the roughly 700 UEFA first division clubs have already racked up more losses in the 2019/20 season than the previous overall negative record of EUR 1.7 billion in losses registered in the 2010/11 season, prior to the introduction of FFP. This is a staggering change from the aggregate profits earned during the 2016/17 (EUR 579m) and 2017/18 (EUR 140m) seasons.

While the 2019/20 season was the worst yet, the financial impact of the pandemic did not cease with its completion. Rather, the ripple effects of this crisis will still be felt in 2020/21, even if the season has been played out in full. On one hand, revenue items related to the games played after the financial year-end will boost revenues in the 2020/21 season. On the other, due to stadia being closed and many industries which have been actively sponsoring some of the major European giants struggling with the consequences of the pandemic (most notably, aviation), we expect that the

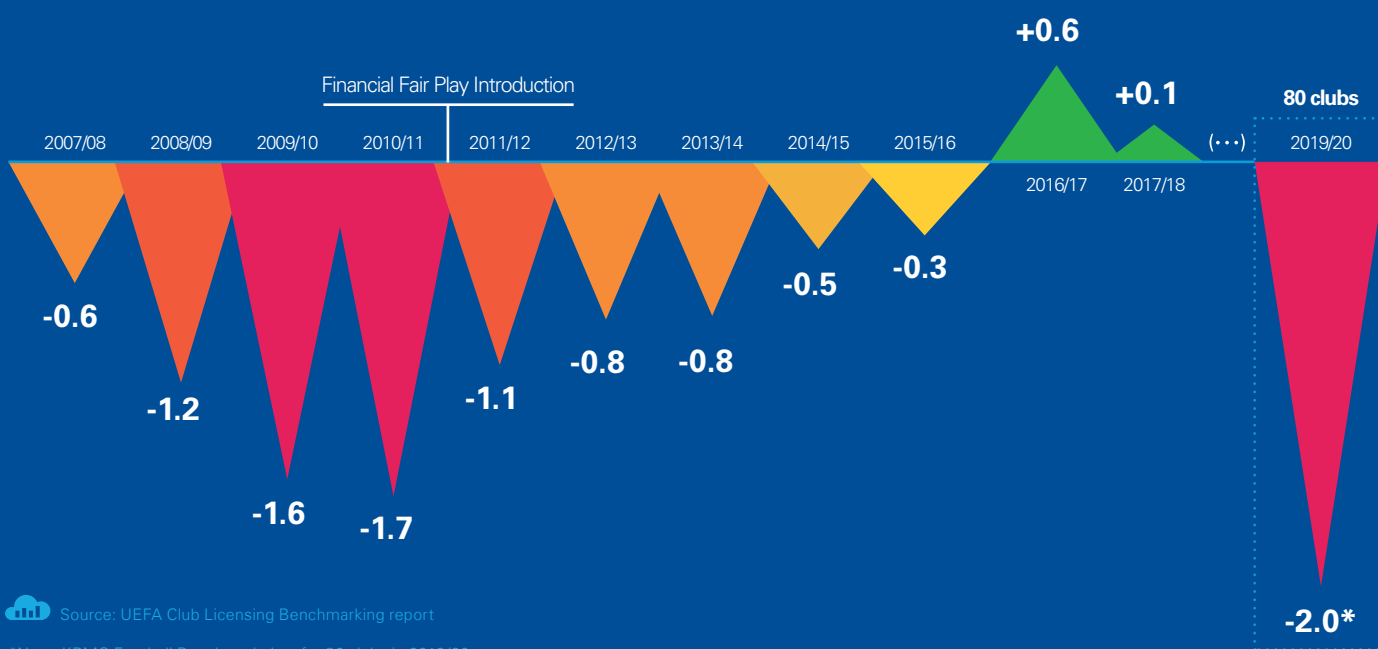
impact of COVID-19 on clubs' commercial income – which was relatively mild for the 2019/20 season – will be felt significantly more in the next financial years, as negotiation of sponsorships which have reached or are approaching the expiration date would seem to confirm. Indeed, one of the first new major deals negotiated and announced after the pandemic is the new agreement signed by Manchester United FC. Chevrolet's deal (around EUR 67m per year) will be replaced by a 5-year deal with German software company TeamViewer (at an annual value of around EUR 54m). Even if the two deals include different levels of exclusive exposure for the commercial partner, the 20% decrease compared to the previous deal represents a falling off for one of the most appealing football brands. Furthermore, the delay of last season's completion also lead to the postponement of the transfer window. Many clubs, crucially those whose model relies heavily on player trading, could not sell their players and register the profits in the 2019/20 season and, as such, will record player trading income only in forthcoming financial reports.

Projecting even further into the future, recent broadcasting deals appear to suggest that media rights deals have passed their peak and a market correction is to come, at least in the short-term. For instance, the Bundesliga renewed its domestic partnership for 5% less. Even the most popular Premier League could not escape, as the league opted to rollover the current

domestic deal into the next cycle in order to provide steady income to participating clubs, rather than attempt to increase the value of a deal via a bidding process. In extreme cases, broadcasting partners have pulled out of the arrangements completely following fallout from the pandemic, such is the case for Mediapro's dispute with Ligue 1, and PPTV's disagreements with the Premier League. To compensate for this period of activities with diminished income, clubs have tried to look for alternative measures to monetize live games, accelerating football's digitalization.

Overall, the growing football industry has been enormously impacted by the damaging consequences of the global health crisis, as the pandemic drew attention to key underlying issues already present in contemporary football clubs' business models. While devastating in the short-term, COVID-19 has spurred a re-evaluation of industry practices and may have inspired an evolution. Recent months have witnessed, on one hand, a growing interest from PE houses and, more generally, institutional investors in injecting capital into an industry which is still seen as offering favourable long-term outlooks; on the other hand, the aborted creation of a break-away European Super League has materialized once and for all the diverging interests of the various stakeholders.

### Aggregate net results in European top divisions (EUR billion)



### What led to the revolution of some European most powerful clubs?

The football world was shocked in April when a two-day power struggle materialized in which 12 football clubs unsuccessfully pursued the formation of a break-away European Super League. They were: six from the Premier League – Arsenal FC, Chelsea FC, Liverpool FC, Manchester City FC, Manchester United FC, Tottenham Hotspur FC; three from LaLiga – Atlético de Madrid, FC Barcelona, Real Madrid CF; three from Serie A – AC Milan, FC Inter Milan, Juventus FC. Four of the above mentioned clubs are owned by American investors: Premier League clubs Arsenal FC, Liverpool FC and Manchester United FC, plus AC Milan.

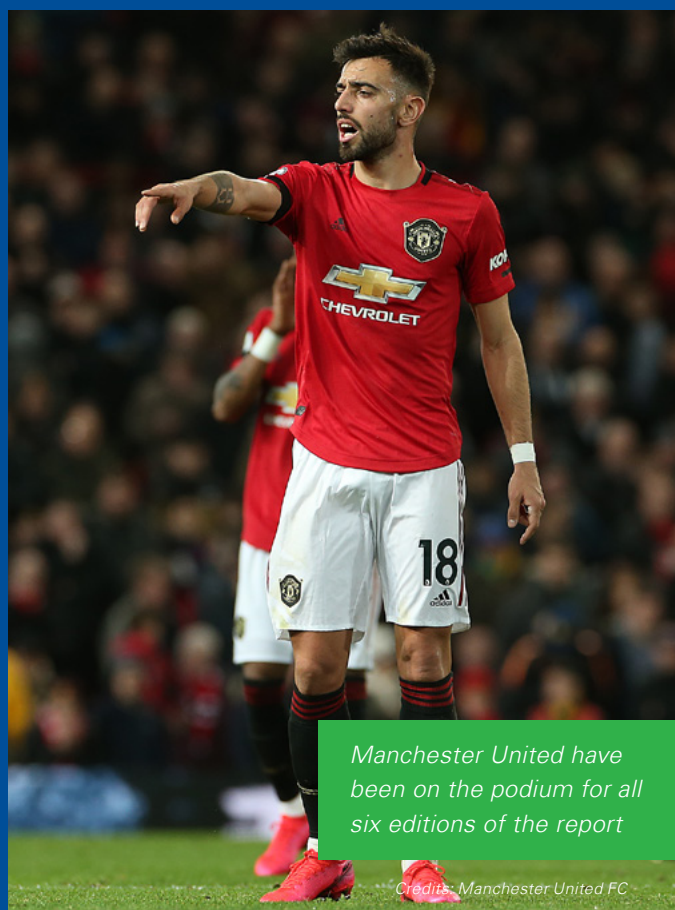
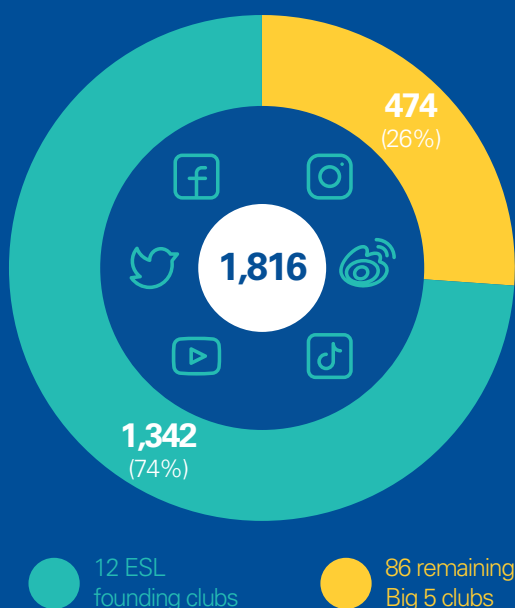
The key reasons for the initiative of 12 of Europe’s most powerful clubs in establishing the privately-owned Super League could be summarised as follows:

- Increasing crystallisation of sporting results and polarisation of clubs’ economic power.
- Media landscape evolution and digitalisation: through the appearance and growth of social media and streaming platforms in recent years, football has become accessible at relatively low cost anywhere in the world at any time.
- This transformation was accompanied by two effects: firstly, it changed the way fans (especially generation-Z, expecting top-end digital entertainment and communication solutions) access and consume football and, secondly, it transformed large football clubs – which have become media and entertainment enterprises, rather than sporting organisations – into true global brands, generating the majority of their revenues from commercial activities. As a result, focus has progressively shifted towards the global fan, who often

supports more than one club and is much more interested in international games between the continent’s biggest teams. Looking at the global marketability of European football, the founding members of the European Super League enjoy high popularity, as our analysis of followers on social media platforms below confirms. In fact, the 12 clubs who committed to the ESL combine for a total of 1.3 billion followers across the major social media channels, while the 86 remaining clubs from Europe’s big 5 football leagues combined hover below 500 million (49% of which is represented by the aggregate followers of the three major clubs that have not adhered to the break-away league’s attempt: Paris Saint-Germain FC, FC Bayern München and Borussia Dortmund).

- Huge economic losses and high amounts of debt, which have been further magnified by the coronavirus pandemic. The entrenched and long-lasting impact of the COVID-19 crisis has accelerated the needs of structural changes to the football ecosystem in order to ensure the game’s long-term financial health.
- Even pre-pandemic, the expectation of stabilising cash-flows and reduce the financial implications associated with sporting performance risk.
- Limited control on the governance of international clubs’ competitions and revenues distribution vs. entrepreneurial risk, almost entirely borne by the clubs.
- Perceived missed maximisation of UCL income, mainly due to its format, compared, for example, to the American leagues.

### Big 5 leagues: popularity on social media channels (followers in million)



Manchester United have been on the podium for all six editions of the report

Credits: Manchester United FC

## What's next?

Although this specific proposal has failed, change is needed and is to come since the underlying issues merit some attentions.

### 1) Reform of the UEFA Financial Fair Play regulation system

First and most importantly, more consistent and rigorous cost control is essential to improve sustainability, as many clubs' revenues are absorbed by their ever-growing staff expenditures. A more stringent system is required – break-even requirement redesigned, focus broadened to all the financial commitments of clubs, implementation of cash flow-related indicators and improved cost control mechanisms. The introduction of a soft salary cap by working closely together with the players' union, albeit complex due to EU competition law, deserves some serious consideration. However, the long-term and guaranteed nature of football contracts at the top of the pyramid will require a transition period in which the new measures are introduced gradually. Another possible area of intervention is a transfer system reform with a particular focus on how players' activities are accounted for and on a cap for transfer and agents' fees.

### 2) Reform of match calendars

Better coordination of the domestic and international match calendars is also a necessity, in order to maximise meaningful matches at all levels. Crucially, the decision makers have to strike a fine balance between promoting the international game and protecting the lower levels of the domestic football pyramid. A reduction of national competitions to 18 or, in a more extreme case, to even 16 teams, may open up space on an already congested competition calendar.

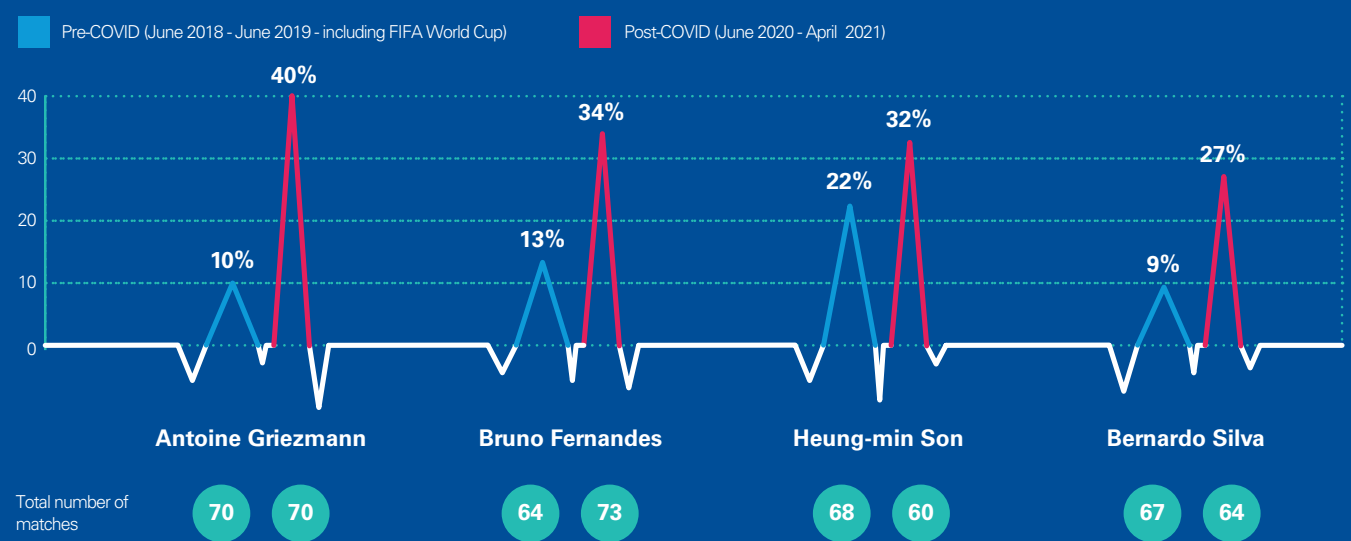
We firmly believe that more matches, especially when some of those have low sporting relevance, do not necessarily mean more revenues generation capabilities for domestic leagues. Furthermore, more games imply decreasing recovery

time between matches, higher injury risk for the players and ultimately sub-optimal sporting performance. The schedule's congestion was most clearly shown during the emergency calendar after the pandemic pause. Data below from the [Player Workload Monitoring Tool](#), developed by FIFPRO in collaboration with KPMG Football Benchmark, demonstrates the decrease in recovery time for four leading footballers plying their trade in Europe since the restart of the football season in June 2020, compared to the 13-month period beginning in June 2018, still unaffected by the health crisis, including many international tournaments such as the FIFA World Cup, or CONMEBOL Copa América. The tool also sheds light on the excessive traveling players are subjected to. For example, Heung-min Son flew approximately 125,000km internationally, equivalent to circling around the globe three times in the 13-month period mentioned above. These and other considerations need to be carefully assessed in order to protect the players' health and ensure the quality of their performance.

### 3) Balancing sporting merit with financial predictability and stability

Club owners' desire for financial stability and predictability of cash flows usually conflicts with the uncertainty of on-pitch results and qualification to competitions on sporting merit, a fundamental principle of European football and most sports which – on the basis of strong fan and government opposition to the Super League – should be preserved in any future reform. Clubs' revenues have a certain degree of correlation to on-pitch performance, often volatile and unpredictable season to season. Conversely, their cost bases are mostly fixed, since players' salaries are locked in via multi-year guaranteed contracts. This evident dichotomy between revenues and costs creates significant headaches for club officials when planning budgets for future years. In order to mitigate the financial uncertainty, but at the same time preserve the sporting merit principle, a model granting an assurance to clubs with outstanding historical performance, underperforming in one season, might be considered.

## Percentage of matches played with less than three\* days of rest (selected players from a sample of 350)



Source: FIFPRO Player Workload Monitoring in collaboration with KPMG Football Benchmark

\*Note: FIFPRO recommends five days of rest between matches

For example, within an established timeframe (e.g. five or seven years) a selection of clubs who meet certain criteria might be provided with additional opportunities to qualify via a “wild card” or, alternatively, supported with monetary aid that partially offsets lost revenues (similarly to the parachute payments system) in a season in which a club failed to reach the top continental competition. As such, fluctuations in revenues can be alleviated in case of single season underperformance within the set timeframe, while also maintaining the integrity of the sport.

#### 4) Reform of governance

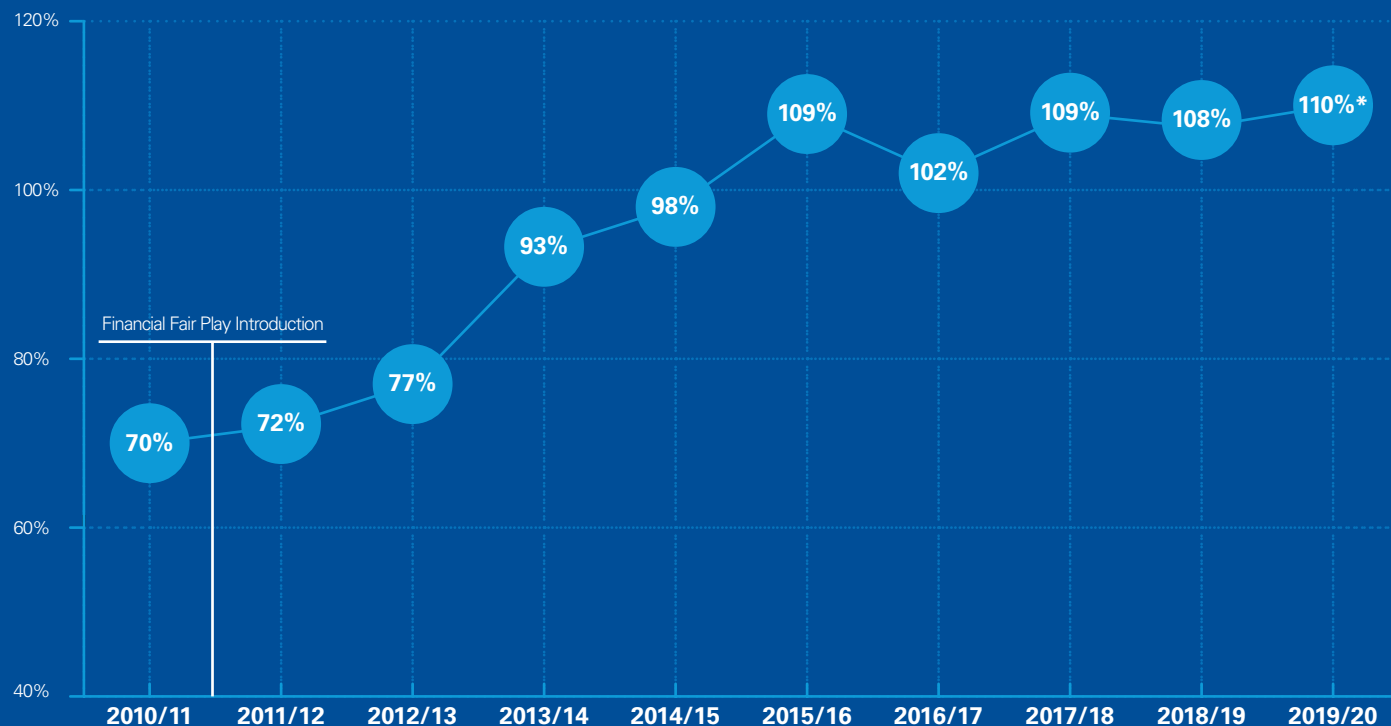
There is also a critical need for a drastic change in football governance and in the redistribution of decisional powers. As mentioned above, clubs bear the entrepreneurial risk of the industry related to operational and capital investment, but at the same time have limited influence over the distribution of revenues and the governance of the industry and competitions. In particular, they felt their voice in urging reforms regarding the Champions League was not treated on merit, claiming that the UCL did not offer enough high-quality games and did not capitalize on the broadcasting revenues potential. As long as the governing bodies retain full control over their competitions and the revenues distribution systems, ideas like the European Super League or Project Big Picture might periodically pop up. Moving away from the top clubs, governance reforms should also target efficient measures to enhance the sustainability of the entire football pyramid through improved solidarity payment mechanisms in order to ensure a competitively balanced competition.

#### 5) Reform of smaller markets – regionalisation

Finally, serious attention should be turned towards improving the competitiveness of less developed football markets. The Champions League demonstrates the dominance of the big 5 leagues year in year out and, as the chart below shows, since the 2015/16 season, the top 10 clubs by operating revenues generated higher income in every year than all the non-big 5 European first division leagues combined (approximately 600 clubs).

Creating regional leagues through merging smaller domestic leagues with similar cultures and history – as well as allowing some top clubs of a geographically close league to join another national championship (e.g. the major Scottish and Portuguese teams respectively joining the Premier League and LaLiga) – would improve the quality of play and be more appealing to commercial and broadcasting partners. For instance, the planned BeneLiga, involving top Belgian and Dutch clubs, bears the potential to become the 6<sup>th</sup> biggest league in Europe. Similar mergers could be worked out, for example, in Scandinavia, the Balkans or in Central and Eastern Europe. Ultimately, clubs from these areas would be more competitive on the continental scene, and possibly have an increased presence in the later stages of the Champions League, all while developing a more competitively balanced European football landscape.

Combined revenues of top 10 clubs as a percentage of the combined revenues of all non-big five clubs



Source: UEFA Club Licensing Benchmarking report

\*Note: KPMG Football Benchmark estimations in 2019/20

## Conclusions

These recommendations do not purport to be exhaustive, as more considerations are deemed necessary in order to tangibly reform European football and meet the various parties' distinctive interests and expectations, but this could be considered as the starting point before broadening the discussion.

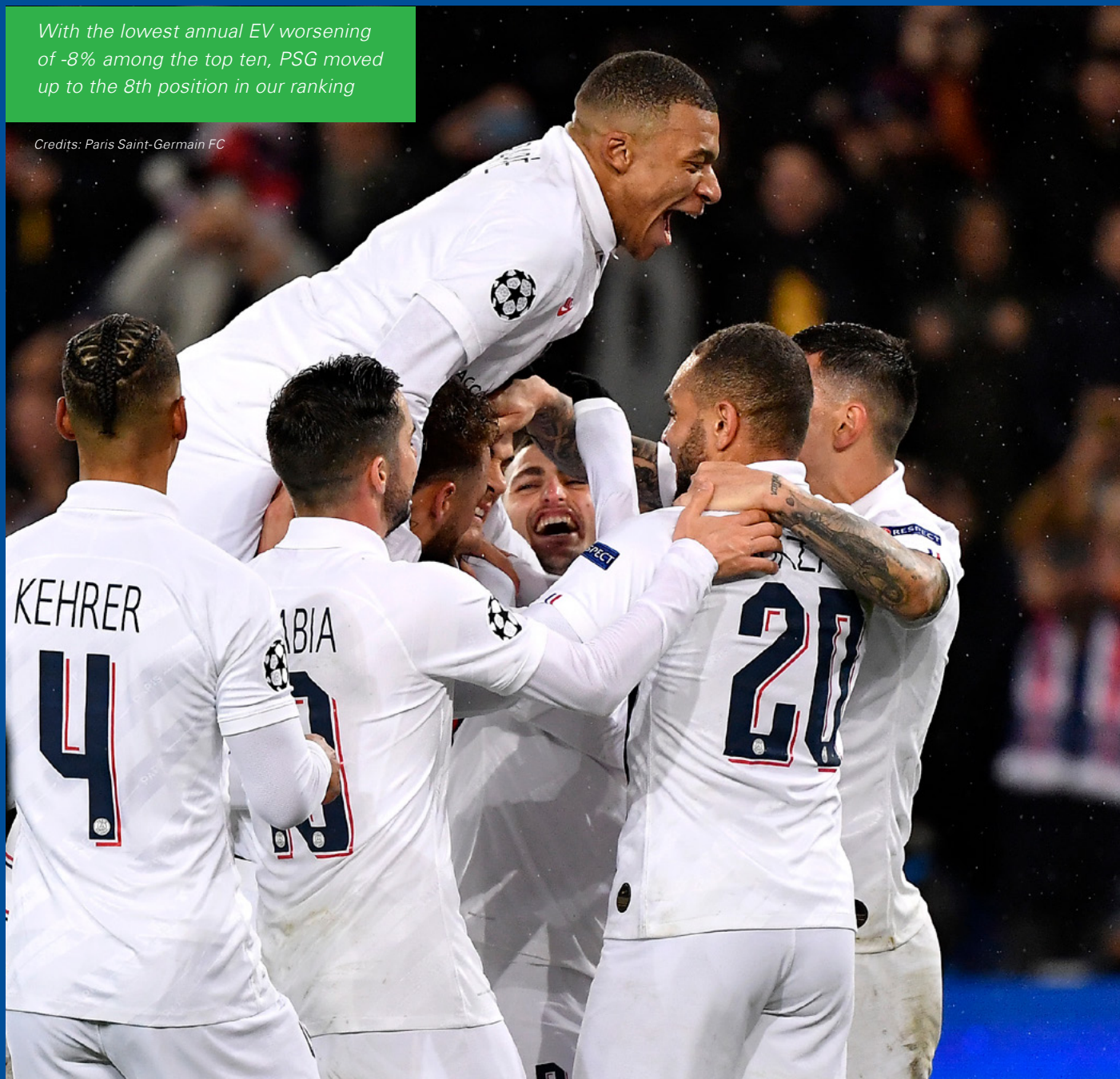
For years, the industry stakeholders have been firm on their individual positions, exclusively focusing on protecting the interests of the organisations they represent. This, without looking at the collateral effects of their expectations and ambitions on the overall industry, which needs to be reformed adopting a holistic approach, rather than looking at each organisation's goals in isolation from the rest of the highly

interconnected football ecosystem. All parties need to realise and accept that in recent years, football – which has become a major industry, employing tens of thousands of people, and playing a significant emotional role in our society – has gone through a very deep transformation, mainly caused by the evolution of consumers' habits and digitalisation. There is no way back. Having a "romantic" view of such global sport and entertainment product is anachronistic and not necessarily helpful in moving forward with the needed reforms.

To ameliorate the state of European football, unprecedented flexibility, wisdom, responsibility and cooperation from all parties at all levels is needed. There is no other way to save the "beautiful game" and to make it sustainable for the benefit of all parties involved, above all for players and fans from all over the world, football's most important participants.

*With the lowest annual EV worsening of -8% among the top ten, PSG moved up to the 8th position in our ranking*

*Credits: Paris Saint-Germain FC*





# Enterprise Value ranges & mid points

EV on stock exchange for a selection of six clubs  
as at 4 January 2021 (EURm)

Club	EV on stock exchange*
 Manchester United FC	2,708
 Juventus FC	1,446
 Borussia Dortmund	546
 Olympique Lyonnais	454
 AS Roma	451
 AFC Ajax	344

 Source: Capital IQ and KPMG analysis

\*Note: EV on stock exchange has been calculated as Market Capitalization plus Net Debt

Clubs	Range - EUR million	
	Bottom	Top
1 = Real Madrid CF	2,810	3,007
2 ↑ FC Barcelona	2,760	2,978
3 ↓ Manchester United FC	2,555	2,768
4 = FC Bayern München	2,527	2,716
5 = Liverpool FC	2,204	2,364
6 = Manchester City FC	2,094	2,246
7 = Chelsea FC	1,803	1,946
8 ↑ Paris Saint-Germain FC	1,684	1,824
9 ↓ Tottenham Hotspur FC	1,639	1,776
10 ↑ Juventus FC	1,421	1,539
11 ↓ Arsenal FC	1,387	1,503
12 = Borussia Dortmund	1,176	1,264
13 = Atlético de Madrid	1,082	1,184
14 = FC Internazionale Milano	838	917
15 = FC Schalke 04	483	521
16 ↑ Olympique Lyonnais	465	514
17 = SSC Napoli	463	507
18 ↑ Everton FC	439	471
19 ↑ AC Milan	405	449
20 ↓ Leicester City FC	404	443
21 ↑ AFC Ajax	398	438
22 ↓ AS Roma	385	425
23 ↑ Valencia CF	352	382
24 NEW Atalanta BC	348	380
25 ↓ SL Benfica	333	365
26 = Sevilla FC	330	362
27 = Galatasaray SK	330	361
28 = SS Lazio	283	313
29 ↑ FC Porto	239	264
30 ↑ Villarreal CF	227	251
31 NEW Olympique de Marseille	187	204
32 NEW Fenerbahçe SK	174	194



Clubs	YoY increase	Mid point*		
		Million EUR	Million GBP	Million USD
1 Real Madrid CF	-16%	2,909	2,622	3,576
2 FC Barcelona	-10%	2,869	2,587	3,528
3 Manchester United FC	-20%	2,661	2,399	3,272
4 FC Bayern München	-9%	2,621	2,363	3,223
5 Liverpool FC	-14%	2,284	2,059	2,808
6 Manchester City FC	-17%	2,170	1,956	2,668
7 Chelsea FC	-15%	1,875	1,690	2,305
8 Paris Saint-Germain FC	-8%	1,754	1,581	2,157
9 Tottenham Hotspur FC	-17%	1,708	1,540	2,100
10 Juventus FC	-15%	1,480	1,334	1,820
11 Arsenal FC	-22%	1,445	1,303	1,777
12 Borussia Dortmund	-5%	1,220	1,100	1,500
13 Atlético de Madrid	-6%	1,133	1,021	1,393
14 FC Internazionale Milano	-11%	877	791	1,079
15 FC Schalke 04	-38%	502	452	617
16 Olympique Lyonnais	-10%	489	441	602
17 SSC Napoli	-18%	485	438	597
18 Everton FC	-15%	455	410	560
19 AC Milan	-19%	427	385	525
20 Leicester City FC	-24%	424	382	521
21 AFC Ajax	-3%	418	377	514
22 AS Roma	-33%	405	365	498
23 Valencia CF	-10%	367	331	451
24 Atalanta BC	NEW	364	328	448
25 SL Benfica	-15%	349	315	429
26 Sevilla FC	-7%	346	312	425
27 Galatasaray SK	-6%	345	311	424
28 SS Lazio	-9%	298	269	367
29 FC Porto	-20%	252	227	310
30 Villarreal CF	-21%	239	216	294
31 Olympique de Marseille	NEW	195	176	240
32 Fenerbahçe SK	NEW	184	166	227
<b>Total</b>		<b>33,550</b>	<b>30,249</b>	<b>41,253</b>

\*Note: Exchange rates as at 4 January 2021: 1 EUR = 0.902 GBP, 1 EUR = 1.230 USD



# Our methodology



*The Citizens retained their 6<sup>th</sup> position and boast the most valuable squad (EUR 1.1 billion)*

*Credits: Manchester City FC*

For the purposes of this study we adopted the Revenue Multiple approach, a method that measures the value of a company relative to the revenues that it generates. This methodology is suitable and often applied for establishing an indicative value of football clubs for three main reasons:

- Revenue figures are quite easy to access and compare, as they are less distorted by accounting adjustments;
- Unlike earnings, which can be negative for many clubs, revenue multiples can be applied also to the most troubled clubs;
- Revenues are not as volatile as earnings.

Revenue figures are then multiplied by a multiplier derived from observations of similar clubs which are publicly listed (Comparable Companies Methodology) and acquisitions of similar companies (Comparable Transactions Methodology). Obviously, this approach also presents some limitations. First, focusing on revenues could lead to high EV for clubs generating high volumes of revenues while making significant losses because of their inability to control costs. Second, it does not fully reflect a club's assets position.

What KPMG professionals have developed is a **proprietary algorithm** that, **starting from the premises of the Revenue Multiple** used in corporate finance valuations, seeks to

reduce risks and shortcomings inherent in the methodology and provides an indication of the EV of the most prominent European football clubs as at 1 January 2021 on the basis of a review of the financial statements of the 2018/19 and 2019/20 football seasons.

In the simplest application of the Revenue Multiple method, once the multiplier is determined, it is uniformly applied to all clubs in our analysis. However, this overly simplistic approach is unsuitable for taking into account differences between football clubs in terms of the markets in which they operate, their broadcasting revenue sharing methods, operational efficiency and level of profitability, potential to succeed on-pitch at national and international level, etc.

Therefore, in order **to reflect club-specific characteristics that influence clubs' EV, our proprietary formula takes into account five parameters—each with their own specific weight—so that the applied revenue multiplier varies from club to club.**

Hereafter, we list the five key metrics which express differences between clubs, the markets and the economies in which they operate. These parameters, which bear different levels of significance and therefore a different weight in our formula, are the most important factors that can influence the EV of a club.



## What is Enterprise Value (EV)?

The Enterprise Value (EV) of a company is calculated as the sum of the market value of the owners' equity, plus total debt, less cash and cash equivalents. It indicates what the business is worth regardless of the capital structure used to finance its operations.

## Why do we use EV?

Because EV is a capital structure-neutral metric which allows to compare companies (in our case football clubs) with different debt and equity structures.



### Profitability

In our formula, in order to consider the profitability dimension of a football club, the staff costs-to-revenue ratio of the last two financial years is taken into consideration. Wages of players, technical and other staff make up by far the largest part of all expenditures. A high ratio indicates a lower capability to generate bottom-line profits. Although with a lower weight, because of their higher volatility, clubs' Profit before Player Trading and EBIT are also considered in our algorithm.



### Popularity

Undoubtedly, there is a strong correlation between on-field success and social media engagement expressed, amongst others, by the number of Facebook, Twitter, Instagram, YouTube, TikTok and Weibo followers. Therefore, in our formula the social media followers of a team are deemed to be a good indicator of popularity and fan engagement.



### Sporting potential

In order to take into account the potential of the on-field success of a club, which in turn can generate significant matchday, commercial and broadcasting revenues, we assume that clubs with a more valuable squad (the key asset of any football club) have better chances to succeed on pitch. To capture this effect, the market value of the squad measured by KPMG's Player Valuation tool has been adopted within our formula.



### Broadcasting rights

The impact of broadcasting rights already agreed upon at league level for the next seasons and the distribution method utilised are also captured in KPMG's algorithm, as this metric plays a fundamental role in the revenue generation potential of football clubs.



### Stadium ownership

Beside players' registrations, a club's stadium is one of the most relevant assets of a football team. A club-owned stadium generally represents more opportunity to generate revenues. Therefore, ownership of the home ground is also considered in our formula.



## Basis of preparation

The objective of this report is to provide an indication of the EV of the most prominent European football clubs as at 1 January 2021.

The foundation of this study is an analysis of the publicly available statutory financial statements (“the Financial Statements”) of the 32 professional football clubs selected for the purposes of this report. In respect of each professional football club, all financial figures have been extracted from the Financial Statements of the 2018/19 and 2019/20 football seasons. Thus, this analysis does not take into account the sporting results achieved by the 32 clubs in the 2020/21 football season.

Wherever we considered it necessary, KPMG member firms have consulted with the management of the clubs in order to obtain additional information or clarifications to support our value analysis. For the few clubs having a financial year-end not aligned with the European football season, we extrapolated financial figures from their two latest publicly available Financial Statements.

The Financial Statements utilised for the purpose of KPMG’s analysis were acquired from the relevant public sources in each country. As far as the team responsible for the production of this report is aware, the Financial Statements for each professional football club have been prepared on the basis of the accounting regulations and principles in their respective country or in compliance with International Financial Reporting Standards (“IFRS”). In performing our analysis, we also relied upon information of a non-financial nature obtained from publicly available sources: national governing bodies, trade associations, international federations and social media.

The team responsible for the production of this report has relied on information included in the published Financial Statements of each club. KPMG professionals have not performed any verification work or audited any of such financial information or any of the non-financial publicly available data obtained from other sources considered authoritative.

The squad market values have been calculated using the KPMG’s Player Valuation tool. Based on proprietary algorithms, this tool provides market values for all players from the top professional leagues in Europe and South America (Belgium, England, France, Germany, Italy, Netherlands, Portugal, Spain, Turkey, Argentina and Brazil).

The estimated players’ market values are aimed at capturing the worth of a player based on an analysis of several thousands of past player transfers, historical sports performance and all the drivers that have an impact on the transfer fees. Our consistent approach and methodology, together with an understanding of the difference between the concept of price and value, might explain the possible discrepancies between our value estimate conclusion and the specific price at which a transaction has taken place.

Whilst every effort has been made by KPMG to make the analysis between professional football clubs consistent and comparable, in undertaking this research we faced several challenges that are difficult to overcome. Differences of accounting practice in the respective countries, differences in reporting currencies, fluctuation in exchange rates, and differences in year-ends limit to a certain extent the comparability of data and affect the outcome of our analysis. Furthermore, the postponement of a certain number of matches after the closing date of the 2019/20 financial year, due to the COVID-19 health emergency, has in some cases caused discrepancy between clubs, and within the same club when compared to the 2018/19 season, in terms of accrual basis of revenues and costs.

We used consistent methodologies for the value analysis of the subject football clubs. This might explain the possible differences between the conclusion of our value analysis and the share prices of publicly traded entities. As share prices of listed football clubs are not necessarily an indication of the intrinsic value of the club itself, due to the fluctuations and the number of shares actually traded, the value conclusion of our analysis cannot be strictly compared to the pricing of publicly listed companies.

KPMG is aware that some professional football clubs have diversified their businesses into other sports and/or into non-sport activities. Where the financial results of this diversification are evident in the Financial Statements, they have been excluded from the analysis.

For interpretation of financial terms used in this report, please refer to the methodology section of the Data & Analytics tab of KPMG’s [www.footballbenchmark.com](http://www.footballbenchmark.com) website.



## Limiting Conditions and Assumptions

This report, and all opinions formulated and conclusions stated regarding the football clubs included in the survey are subject to, and contingent upon, all of the following general assumptions and limiting conditions and any additional assumptions and limiting conditions set out elsewhere in this report. Acceptance and/or use of this report constitutes acceptance of the assumptions and limiting conditions included therein.

### Scope of Analysis

The pricing analysis of any asset or business is a matter of informed judgment. The accompanying analysis has been prepared on the basis of information and assumptions summarised in the report and includes certain limitations and exclusions. Amounts presented have in some cases been rounded off from the detailed underlying calculations.

### Nature of Opinion

Neither our opinion nor our report are to be construed as an opinion as to the fairness of an actual or proposed transaction, a solvency opinion, or an investment recommendation. Instead, they are the expression of our determination of indicative Enterprise Values based on publicly available information and a consistently applied methodology. For various reasons, the price at which an entity might be sold in a specific transaction between specific parties, or quoted on a stock exchange, on a specific date, may be significantly different from the indicative Enterprise Value presented in this report. Potential investors always need to perform their own investigation and analysis, and are advised to seek their own professional legal, financial and taxation advice. Nothing in this report is, or should be interpreted or relied upon as a warranty or representation as to the future, nor should it replace the due diligence investigations which a prudent investor would be expected to make prior to investing. Prospective investors are not to construe the content of this report as investment, legal or tax advice. In making an investment decision, investors must rely on their own examination of the investment and the terms of the investment, including the merits and risks involved.

### Value Conclusions

While every effort was made to be consistent in the methodology applied, in order to arrive at our value range conclusions, in certain instances, we have applied professional judgment to club-specific factors that were not addressed by the valuation methodology.

### No Verification of Information Provided

We relied upon publicly available data from recognised sources of financial and other information. KPMG International and KPMG member firms make no representations nor provide any warranties regarding the accuracy or completeness of the information contained in this report. KPMG International and KPMG member firms, their managers, directors, partners and employees expressly disclaim any and all liability for errors and omissions from the report. The information contained in it is selective and does not purport to contain all the information that a reader, including potential investors, may require.

### No Undisclosed Contingencies

Our analysis: (i) is based on the past and present financial condition of the entities as of the analysis date; and (ii) assumes that entities had no undisclosed real or contingent assets or liabilities, no unusual obligations or substantial commitments other than in the ordinary course of business, no pledges or encumbrances on assets limiting their tradability and had no litigation pending or threatened that would have a material effect on our analyses.

### Subsequent Events

This report is based on information available at the date we wrote it. KPMG has no obligation to update this report or to revise the analysis if new information becomes available or because of events and transactions occurring subsequent to the analysis date.



Juventus returned to the top 10  
by EV after a one year absence

Credits: Juventus FC





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& Transaction  
support**



**Governance  
& Organization  
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& Socio-economic impact**



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