KPMG

Football Clubs' Valuation

The European Elite 2017

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Consolidated and verified database of football clubs' financial and operational performance.

Business intelligence tool enabling relevant comparisons with competitors.

An ever-growing platform that includes data from over 150 European football clubs.

A tool offering insights into many aspects of football clubs' operations, including, but not limited to, revenue generators, expense categories, profitability indicators, balance sheet items and stadium statistics.

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Dear Reader,

Following the success of last year's launch, let me please introduce you to our second edition of KPMG's *"Football Clubs' Valuation: The European Elite 2017"*, an analysis undertaken by the Football Benchmark team of the KPMG Sports Advisory Practice, providing an indication of the Enterprise Value (EV) of the 32 most prominent European football clubs as at 1 January 2017.

Some of the most striking findings of our research:

- After having shared first place with Real Madrid CF last year, Manchester United FC stand clearly at the top of our 2017 ranking. Enjoying a 7% EV increase, the *Red Devils* outstrip *Los Blancos* (who had a 2% growth) by more than EUR 100 million. They are the first club to surpass the EUR 3 billion threshold; in fact, despite missing UEFA Champions League qualification at the end of the 2015/16 campaign, Manchester United FC continue to achieve consistent off-the-pitch performance. Also in this year's edition, the top four are the only clubs above the EUR 2 billion landmark: in third position, FC Barcelona have confirmed their ranking, showing no significant EV increase year-on-year, while FC Bayern München's 14% increase narrows the gap with the Catalans.
- The Top 10 clubs comprise more than two-thirds of the overall EV; within this group, Manchester City FC have overtaken Arsenal FC in 5th position. Furthermore, the strength of the English Premier League, combined with their good operating and financial results, allows London side Tottenham Hotspur FC to oust Paris Saint-Germain FC from the 10th position, thus increasing the number of English teams in this top ranking to six, together with two Spanish, one German and one Italian. While *Les Parisiens* show stable improvement in almost all the parameters taken into account in our valuation (which led to an 18% EV increase), *Spurs* are displaying a significant upward trend, especially in terms of profitability and squad value, as demonstrated by a higher EV growth (26%). The future looks bright for Tottenham Hotspur FC, as they plan to move to a new multi-purpose stadium, and as they have recently secured UEFA Champions League qualification for the second year in a row.
- Juventus FC remain the only Italian club in the Top 10. Their significant on-pitch performances, both domestically and internationally, are mirrored in a 24% EV growth and in a growing share price.

- In terms of growth per se, Olympique Lyonnais score the best result (+71%), followed suit by Galatasaray SK (+68%) and Sevilla FC (+44%).
- In this year's edition we introduce three new clubs: Leicester City FC, Athletic Club Bilbao and Beşiktaş JK. As the lead characters in what has been referred to as the greatest sporting fairy-tale of all time, Leicester City FC's journey to the English Premier League crown in 2015/16 has passed into the annals of history, earning them a remarkable 16^{th} position in our report.

The foundation of this report is an analysis of the latest publicly available financial statements for 39 European football clubs, of which the top 32 by EV are selected for the purpose of this publication. Thus, it is important to note that this analysis does not consider the business and sporting results achieved by each club in the 2016/17 football season.

The proprietary algorithm developed by KPMG and applied for the purposes of this report is consistent with the one applied last year. It is based on the Revenue Multiple approach, where each club's revenues are multiplied by a specific multiple which takes five metrics into account—each one with a specific weight—expressing differences between clubs, the markets and the economies in which they operate.

As the amount of broadcasting revenues and their distribution method play a crucial role in the income generation potential of football clubs and has a significant impact on European clubs' EV, this year we have incorporated in our report a chapter focused on this metric.

Despite some difficult challenges—among others, differences in accounting practices across countries, differences in reporting currencies, fluctuation of exchange rates and differences in financial year-ends—we trust our report provides an insightful overview of some of the economic peculiarities of the European football landscape.

If you would like to receive further information or discuss our findings, please contact us at **footballbenchmark.com**, or me directly. I would be delighted to discuss them with you.

Yours sincerely,

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Headline findings

Despite volatile economic conditions and challenging international affairs, **the overall value of football, as an industry, has grown**. In this year’s edition, **the 32 most prominent European football clubs’ EV totalled approximately EUR 29.9 billion, a 14% increase from the previous season**. This growth has been sustained by almost all the actors in play, as **only three clubs saw their EV decrease year-on-year, namely AFC Ajax (-8%), SS Lazio (-2%) and Olympique de Marseille (-1%)**.

This year, the same number of countries (8) is represented among our top 32 clubs. However, while England (Leicester City FC), Spain (Athletic Club Bilbao) and Turkey (Beşiktaş JK) have gained one new team each, Italy (ACF Fiorentina), Portugal (FC Porto) and France (AS Monaco FC) have each dropped one.

Top 3 clubs by EV as at 1 January 2017

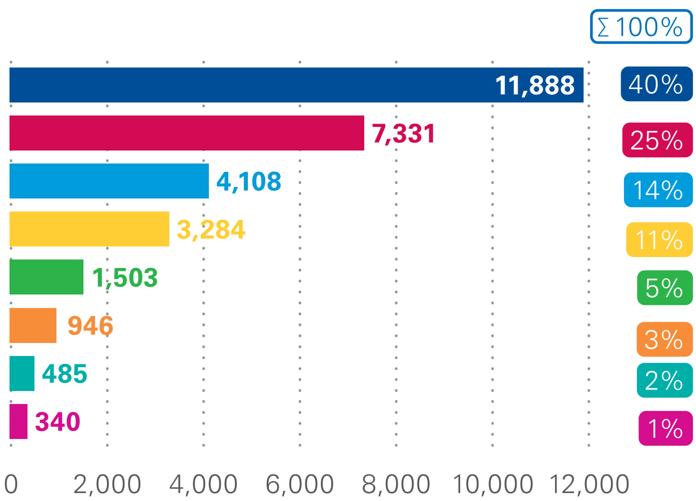
	Real Madrid	Man Utd	FC Barcelona
Operating Revenues	619 million	688 million	616 million
Staff costs/ revenues	50%	47%	60%
EBIT	41 million	92 million	68 million

Source: KPMG Football Benchmark

Strengthening and consolidating its position, **the English Premier League once again makes a strong showing in our report, accounting for approximately 40% of the aggregate value**. As a new broadcasting deal has started in the 2016/17 season, this dominant position will likely be more pronounced in next year’s edition. However, **the most significant increase year-on-year is showcased by Turkey**; thanks to increased revenues and significant improvements in terms of cost control and profitability by

Number of clubs, change in EV and aggregate value by country (EURm)

	No. of Teams 2016	2017	% change EV
England	7	8	17%
Spain	5	6	10%
Germany	3	3	14%
Italy	7	6	7%
France	4	3	6%
Turkey	2	3	97%
The Netherlands	2	2	2%
Portugal	2	1	-28%
Total	**32**	**32**	**14%**



Source: KPMG Football Benchmark

both Galatasaray SK and Fenerbahçe SK, plus the addition of the 2015/16 national champions Beşiktaş JK, **the three Turkish giants achieve a 97% increase in EV**. It is important to mention that both Galatasaray SK and Fenerbahçe SK have faced UEFA Financial Fair Play sanctions, which have had a positive impact on their improved sustainability.

Spain, also thanks to the new Basque entry Athletic Club Bilbao, follows suit in second place, with a 10% year-on-year increase, while Italy, despite dropping one club, witnesses a 7% increase, carried predominantly by the significant performance of Juventus FC (24% EV growth). **The only country that saw an aggregate value decrease is Portugal (-28%)**, due to FC Porto dropping out of the top 32.

Thirteen clubs out of the 32 are currently listed on a stock exchange. **Although in the 1990s many clubs, especially in England, explored the public exchanges, most of them have since delisted as their shares tended to be illiquid and prices tended to be stagnant. Indeed, listed football clubs recorded mixed share price performances in 2016**. Manchester United FC, despite experiencing a 20% decrease in their share price and failing to qualify for the 2016/17 UEFA Champions League, enjoyed an EV increase of 7%, topping this year's table. In a few cases, the clubs' on-pitch performances were mirrored by their share price. As an example, Juventus FC won their fifth consecutive Serie A title in 2015/16 and also saw their stock market performance improve by 15.8%.

Two out of three Turkish clubs selected in our report—Beşiktaş JK and Galatasaray SK—experienced the highest growth in share price in local currency. These clubs' stock prices seem to have been positively impacted by various non-sporting events such as new sponsorship agreements, development of new infrastructures and reforms in league governance, all of which are factors that increase the commercial value of the Turkish top-division clubs.

Alongside the above, Olympique Lyonnais also experienced a significant increase in share price. Their performance was positively impacted by key events such as the minority stake acquisition by Chinese investment fund IDG and the inauguration of the club's new stadium, the only privately-owned venue in French Ligue 1. Interestingly, **Galatasaray SK and Olympique Lyonnais are also two of the three clubs that experienced the highest EV increase year-on-year**.

Annual change in share price, 30 Dec 2015 — 30 Dec 2016 (local currency)

Club	Annual change
Beşiktaş JK	85,2%
Galatasaray SK	82,8%
Olympique Lyonnais	44,8%
Borussia Dortmund	31,1%
Juventus FC	15,8%
SS Lazio	11,8%
Arsenal FC	5,4%
Fenerbahçe SK	4,8%
AFC Ajax	2,9%
SL Benfica	-5,8%
AS Roma	-15,1%
Manchester United FC	-20,0%

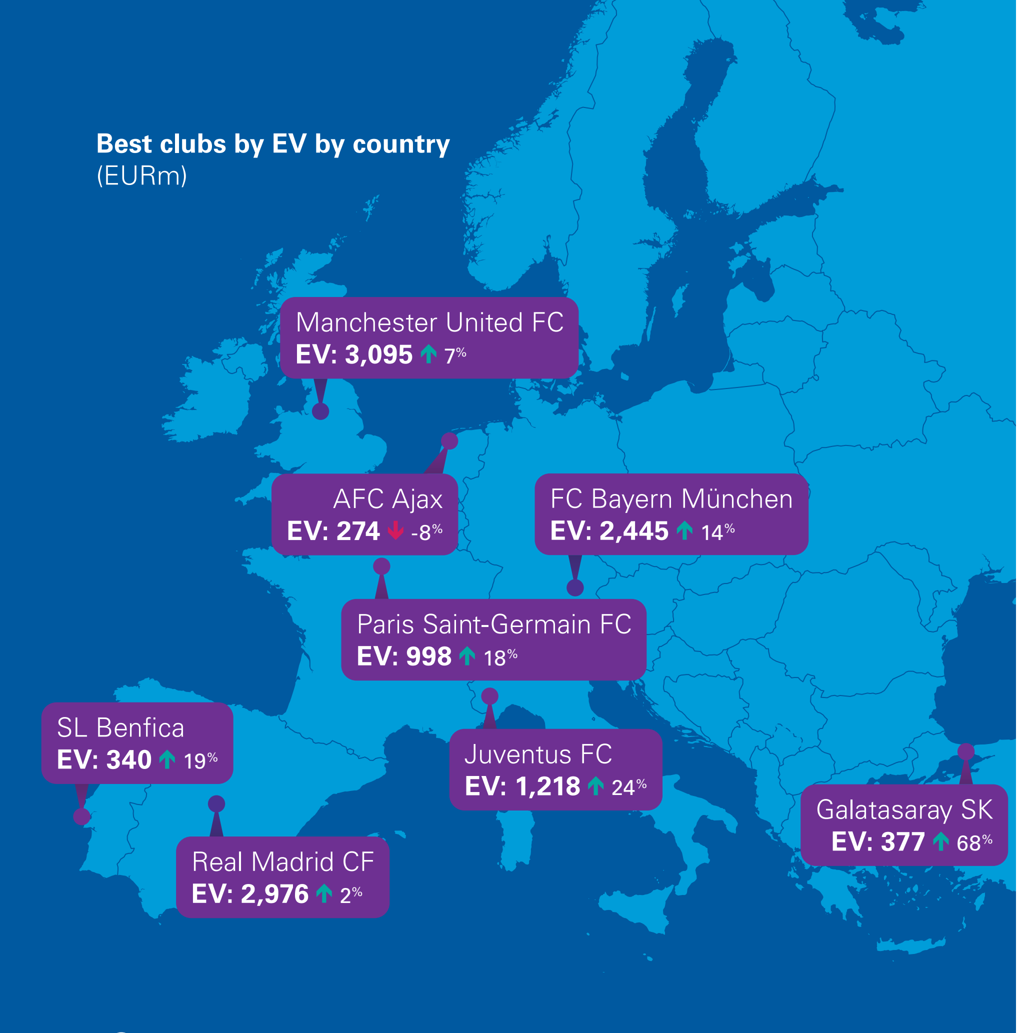
Source: Thomson Reuters

EV of the top groups as % of total (EURm)

Top 3	Top 10	Top 20	Top 32
8,837 → 30%	20,374 → 68%	26,584 → 89%	29,883 → 100%

Source: KPMG Football Benchmark

Best clubs by EV by country (EURm)



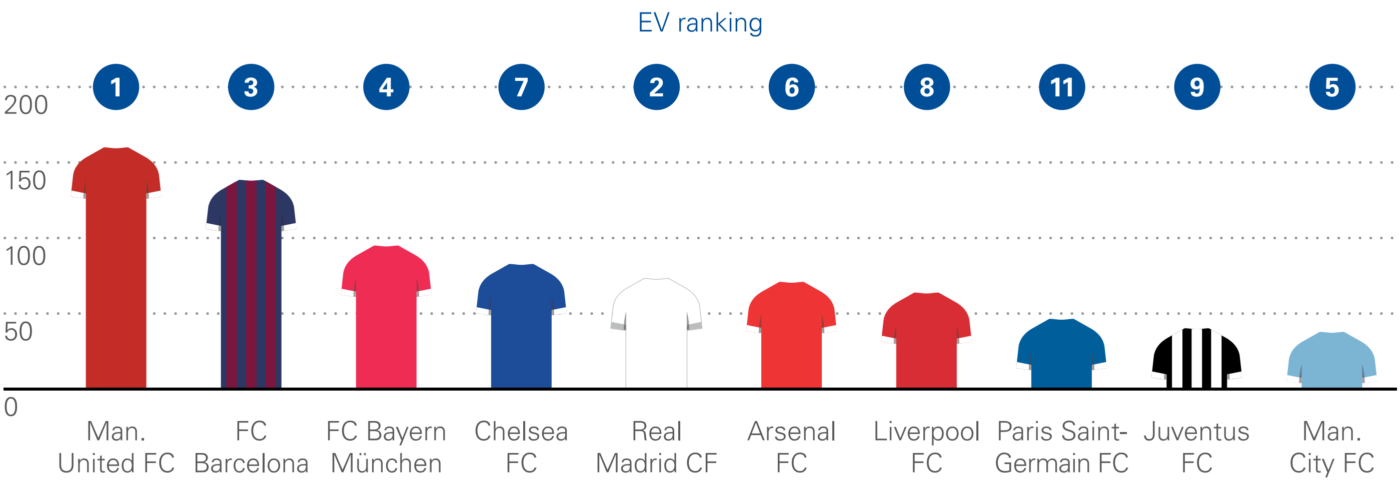
Source: KPMG Football Benchmark

While the possibility to increase matchday and broadcasting revenues is respectively limited by stadium capacity and various economic and regulatory aspects in each market, football clubs with a strong brand position can potentially leverage commercial income on a global scale.

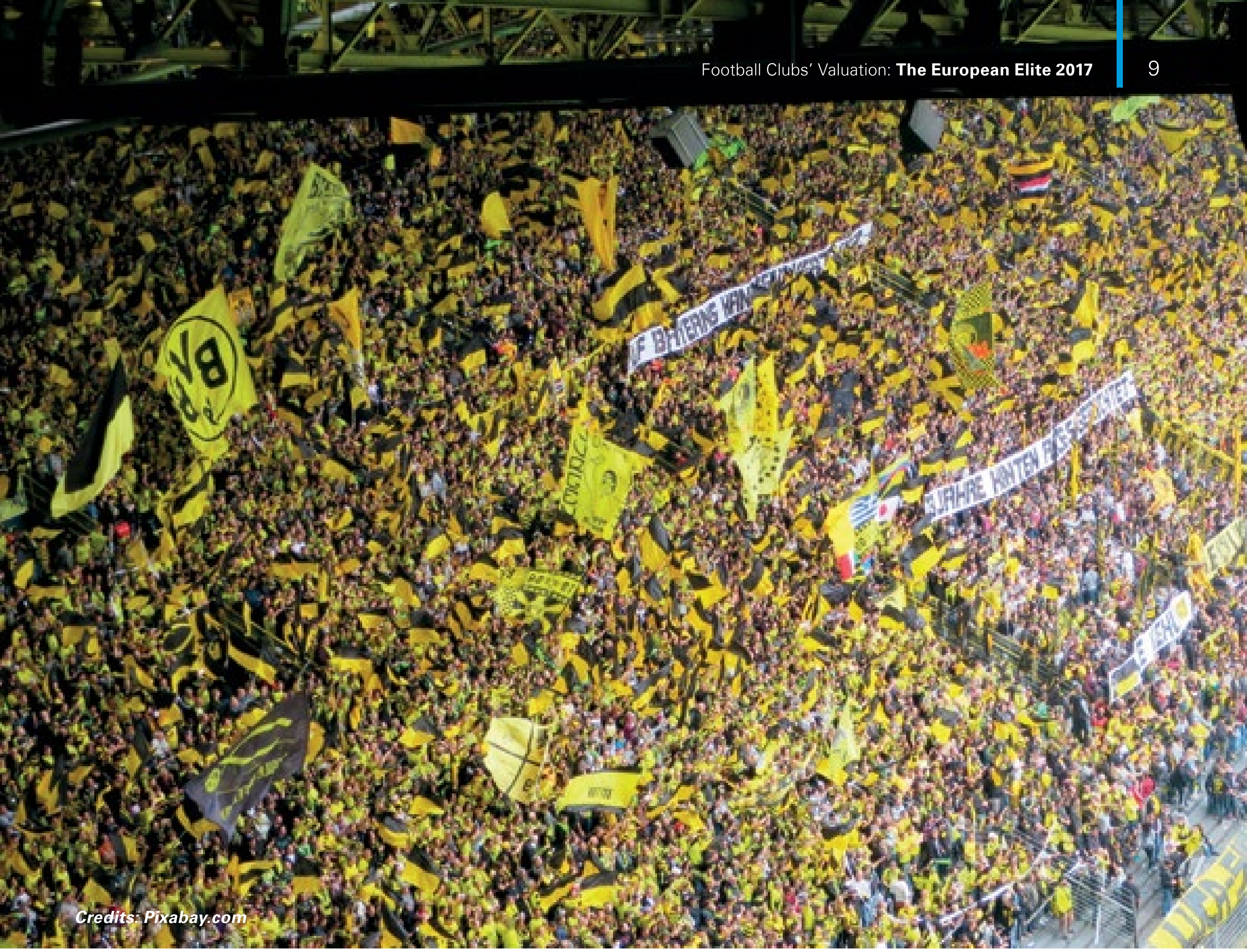
Unsurprisingly, **the Top 10 by EV is virtually replicated in the Top 10 by reported overall kit value**, an indicator which shows how much a jersey is worth. The best example is provided by the *Red Devils*, as they clearly stand out from all the other teams, representing the best club in this regard. **The appeal Premier League enjoys for sponsors is confirmed by the fact that five clubs in the top 10 by overall kit value are English**. FC Barcelona, four-time UEFA Champions League winners in the past 11 seasons, sit comfortably in second position. The only club that is part of the Top 10 by EV, but is missing in this table, is Tottenham Hotspur FC, displaced by Paris Saint-Germain FC. Since Qatar Investment Authority took over the French team, they have exploited their commercial muscle.

This is also demonstrated by a strong social media following of the French giant (40 million followers on Facebook, Twitter and Instagram), an impressive number when compared, for instance, to AC Milan (with 32 million followers) although the Italian club lifted the UEFA Champions League trophy seven times.

Top 10 by overall reported kit value (2016/17) and EV ranking (EURm)



Source: Club communications and media articles as reported in KPMG Football Benchmark



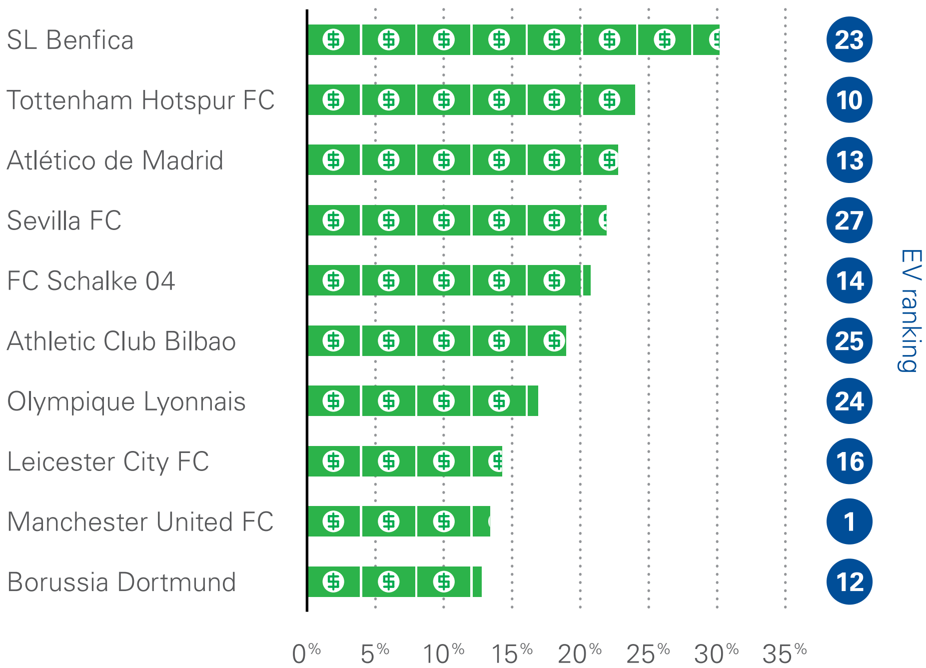
Credits: Pixabay.com

Return on Sales (ROS) measures the profitability of the operating activities of a company which, for the purpose of this analysis, include clubs' player trading results.

For instance, in the case of SL Benfica (the best performer in this space), for every EUR 100 million of revenues, the club generated EUR 30 million in Earnings Before Interest and Taxes (EBIT).

The financial sustainability of our EV leader, **Manchester United FC**, is also reflected in their ability to generate a significant level of EBIT despite bearing one of the highest wage bills of all clubs examined here. Together with their peer English side, **Tottenham Hotspur FC, they are the only two clubs of the top 10 by EV appearing in this ranking**.

Top 10 by ROS (2015/16) and EV ranking



Note: ROS represents EBIT as a percentage of revenues
Source: KPMG Football Benchmark

A focus on broadcasting revenues and their impact on European clubs' EV

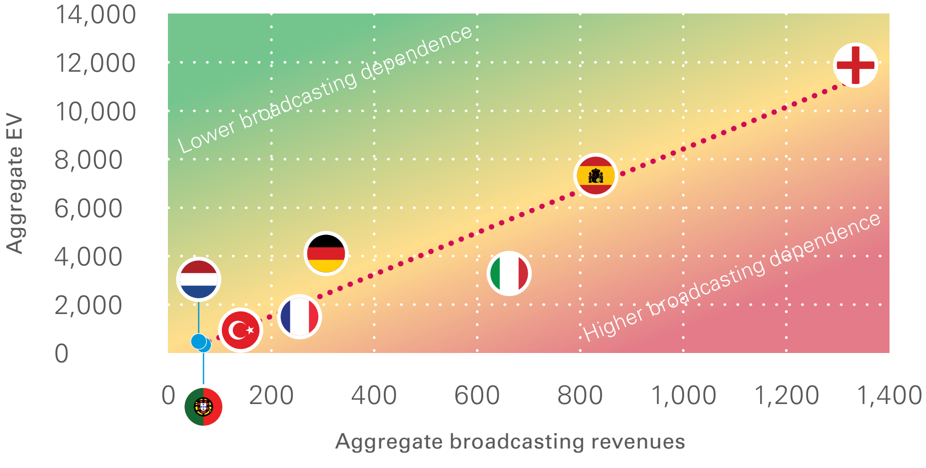
The size and the impact of a competition's broadcasting revenues and their distribution method are captured in KPMG's proprietary algorithm, as they play a fundamental role in the income generation potential for Europe's elite football clubs. Indeed, the impact of broadcasting revenues on a club's enterprise value is very evident, with only a handful of clubs being less dependent on this vital income stream.

Despite the existing correlation between broadcasting revenues and enterprise value, **an individual club's ability to influence this income is often limited**, as the value of a league's media rights is impacted by several market-specific factors such as:

- league/product appeal;
- market size (e.g. number of TV households);
- consumers' spending power;
- level of competition amongst media rights holders; and
- pay-tv penetration rate.

Furthermore, **the level of broadcasting revenues generated by a club is also influenced by the revenue distribution method applied by its national league as well as by UEFA.**

Aggregate EV and aggregate broadcasting revenues of top 32 clubs by country (2015/16) (EURm)



Source: KPMG Football Benchmark

Credits: Leicester City FC/Plumb Images

Domestic broadcasting rights

A high percentage of the total broadcasting revenues of a league is invariably generated from its domestic market.

Profiting from a sizeable and relatively wealthy population, broad commercial appeal, a large and mature pay TV market as well as the fierce competition between Sky and BT, **the English Premier League (at GBP 1.7 billion/season for 2016-2019) sits comfortably at the top, with the most valuable domestic media rights deal**. The combination of this dominant position with a relatively equitable revenue distribution model (1.5:1 ratio between the first and last club in the 2015/16 season) partially explains the high number and position of English clubs in KPMG's Enterprise Value ranking.

Behind the Premier League, albeit under very different scenarios, **Spanish LaLiga and Italian Serie A both stand to generate approximately EUR 1 billion** in domestic broadcasting revenues in 2016/17.

In the case of **LaLiga**, this sum represents a 65% year-on-year increase over the 2015/16 season, the league's first season selling its media rights on a collective basis. **Aiming for a distribution ratio below 4:1 this season** (5:1 ratio in the 2015/16 season), LaLiga's new system equally distributes half of the available funds and assigns the rest according to a club's performance (25%) and popularity (25%). Therefore, while Real Madrid CF (2nd on KPMG's EV ranking) and FC Barcelona (3rd) will still receive a larger revenue share than their peers, clubs with large fan bases, such as Atlético de Madrid (13th) or Sevilla FC (27th), are expected to profit from this system in the coming seasons.

By contrast, Serie A's next media cycle (2018-2021) will start soon. Domestically, the league previously benefited from intense competition (Sky/Mediaset) to strike a record deal, which currently accounts for more than 80% of its total broadcasting revenues. However, Mediaset's recently reported strategy, with a more "opportunistic approach" to football rights acquisition, seems to have cast some uncertainty over future negotiations.

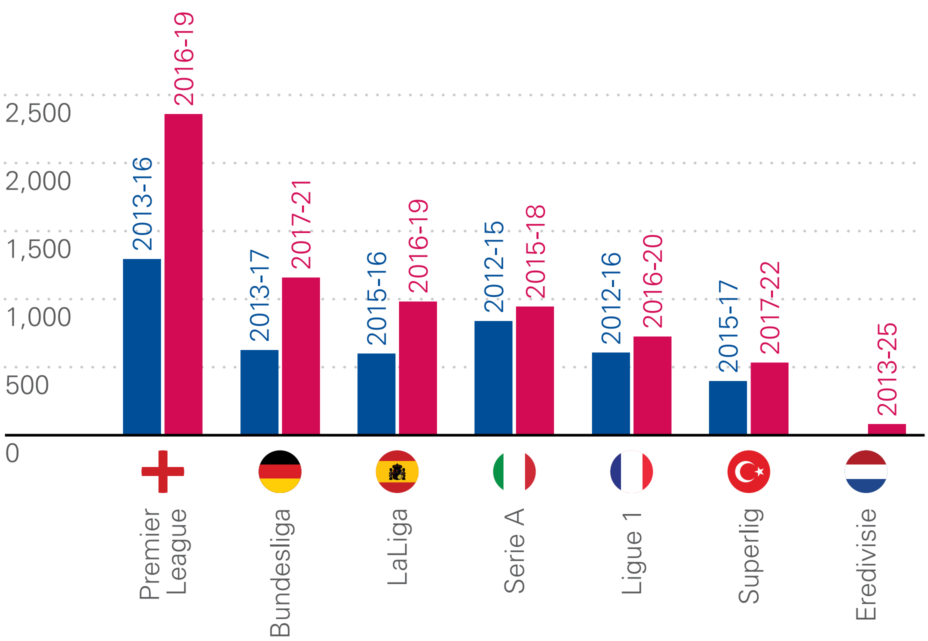
With generally lower commercial and matchday income than their European counterparts, the outcome will have a major impact on Italian clubs' mid-term ability to keep the pace with their European peers.

In Germany, the Bundesliga's expiring agreement, impacted by Sky's dominant position and the country's low penetration rate of pay TV, has historically kept the German league (at EUR 628m/season for 2013-2017) behind its European counterparts. However, benefiting from the approval of the non-single buyer rule by the German anti-trust authorities, the **Bundesliga has recently recorded an increase of 85% in the value of its domestic rights**, from which member clubs will potentially derive significant profits from next season **(EUR 1,160m/season for 2017-2021)**.

The landscape seems more challenging for French and Turkish clubs. Despite the growth achieved by Ligue 1 and SüperLig's latest agreements, expiring respectively in 2020 and 2022, both competitions are now even further away from the industry leaders which may lead to an even wider gap in total revenues and EV in the medium-term.

Maximising media revenues domestically becomes more important for leagues that are less appealing to global audiences. However, in a weaker negotiating position, these leagues—or clubs, when rights are not sold collectively—often need to enter into long-term agreements, thus struggling to maintain growth rates comparable to the industry leaders. Prime examples are the Dutch Eredivisie's 12-year deal with Fox and the 10-year agreements signed by leading Portuguese clubs with NOS and Portugal Telecom.

Domestic broadcasting rights deals per season of major European leagues (EURm)



Note: Portugal is not represented as Primeira Liga does not sell broadcasting rights collectively.
Source: KPMG analysis and research from various sources

Credits: Beşiktaş JK

International broadcasting rights

Besides the importance of the domestic market, **in an increasingly globalised sport and entertainment industry, a league's ability to generate revenues internationally will be a key differentiator in years to come**. Recognising this trend, rights holders are investing significant resources to consolidate their international brand.

Having promoted their product and projected a consistent brand for longer than any other football league, **the Premier League's popularity on the global stage is unrivalled**. The Premier League dominates key markets in Asia and North America and **its international media rights are now more valuable than the domestic rights of any of its European counterparts**.

Unlike other leagues, **the Premier League distributes international revenues** equally among its members, which helps to position English clubs among Europe's most valuable ones. For example, if the distribution system was more biased towards clubs consistently at the top of the table, clubs like Liverpool FC (8^{th}) or Everton FC (17^{th}) could find themselves further down KPMG's top 32 ranking.

While **LaLiga has recently achieved significant growth in terms of international media revenues**, it is still focused on improving the way its product is presented internationally, especially outside of the markets it has traditionally dominated (e.g. Middle East and South America).

LaLiga already spreads kick-off times and schedules major clashes to maximise international audiences and will soon follow the Premier League in launching a 24/7 English channel for international licensees. **These efforts are expected to yield a further significant increase in the league's next broadcasting cycle (2019-2022)** to keep Spanish clubs as close to their English peers as possible.

Conquering foreign audiences will be a more challenging task for the Bundesliga, which has traditionally focused on its core domestic market and does not have the linguistic ties with key growth areas that both the Premier League and LaLiga enjoy.

However, the Bundesliga is currently restructuring its international operations and has intensified its efforts in foreign markets with the recently-reported five year agreement (USD 272 million for 2018-2023) with Chinese broadcaster PPTV suggesting the league is starting to reap some rewards. Under its motto *"Football as it's meant to be"*, **the league's international revenues are expected to continue growing in the mid-term, albeit they are likely to stay behind Premier League and LaLiga**.

Despite the equitable distribution of Bundesliga's domestic rights, revenues generated from international rights are concentrated among clubs participating in European competitions. Therefore, the expected growth of the Bundesliga's global appeal is likely to assist FC Bayern München's (4^{th})

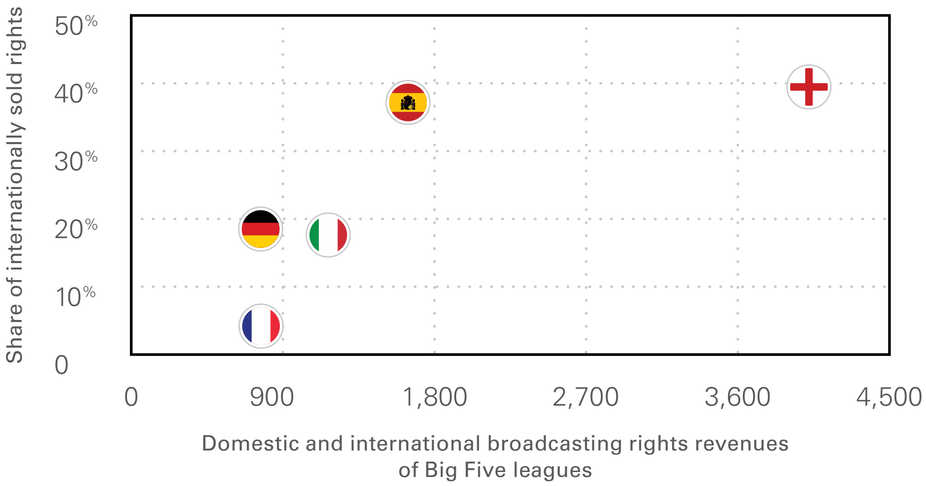
battle with the Spanish giants and Manchester United FC for a place on the podium of Europe's most valuable clubs in the years to come.

Similarly, the best performing clubs in Italy may also benefit from a potential increase in **Serie A's international media rights value, as the distribution system highly favours clubs finishing in the top half of the table. This circumstance partially explains why, despite being behind Premier League and LaLiga in terms of broadcasting revenues, Italy is still represented by as many as six clubs in KPMG's EV ranking**.

As Serie A and Bundesliga compete for third position on the global stage, Ligue 1's international media rights are likely to remain behind their competitors. Starting in 2018, Ligue 1's 6-year deal with BeIN Sports is the longest term agreement among the "Big Five" leagues. As a result, **French clubs may see the competitive gap in international revenues increase further before the end of their upcoming media rights cycle (2018-2024)**.

In a very competitive landscape, leagues require a well-defined strategy to present themselves in an attractive manner to global fans. Only those able to reach larger audiences and reinvest in improving the appeal of their product are likely to stay ahead of the curve. The same can certainly be said of their clubs.

Domestic and international broadcasting rights deals of European Big Five leagues (2016/17) (EURm)



Source: www.sportbusiness.com, Media rights value in the top European Football leagues, 2016/17

Revenues from UEFA competitions

When considering the impact of broadcasting income on a clubs' financial results, revenues from international competitions should also be taken into consideration. **In the 2015/16 season the UEFA Champions League and Europa League's media rights generated EUR 1.6 billion and EUR 312 million, respectively**. These figures are expected to increase significantly in the next broadcasting cycle.

Whilst **the largest share of funds available to participants is distributed on the basis of sporting performance**, more than 40% of funds is still allocated according to the value of UEFA's broadcasting agreements within clubs' domestic market ("market pool"). Therefore, **due to lucrative deals with BT** (United Kingdom) **and Mediaset** (Italy), **the distribution system is currently most beneficial for Premier League and Serie A clubs**.

Sharing Italy's large Champions League's market pool revenues with a limited number of other Italian clubs, Juventus FC are an example of a team that has benefited from the current distribution to secure a place among Europe's top 10 by EV. Indeed, in the last two seasons the *Bianconeri* have received EUR 165 million from UEFA, EUR 111 million alone from the Italian market pool.

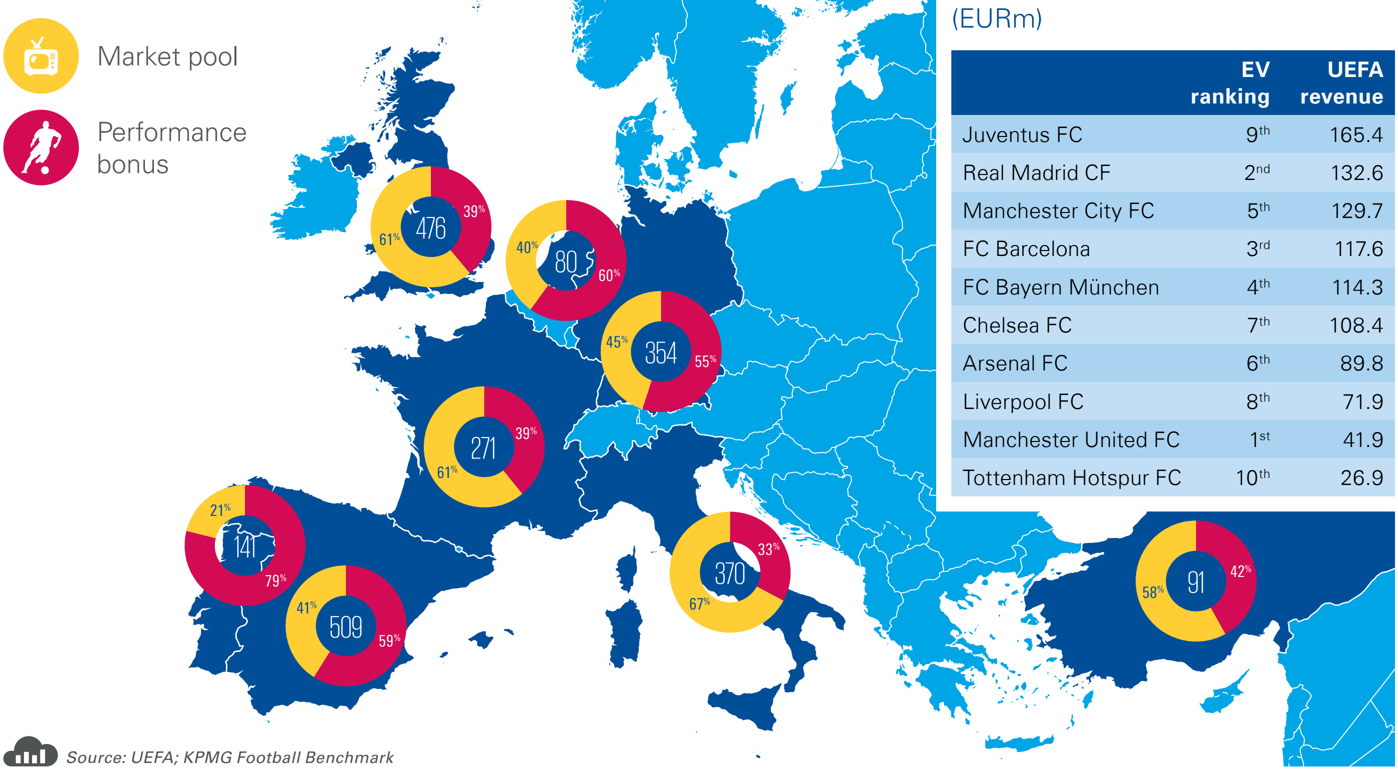
By contrast, it is interesting to note how Manchester United FC have maintained their position as the most valuable club despite missing European football in 2014/15 and only qualifying for the UEFA Europa League at the end of the 2015/16 season, thus receiving lower income from international competitions.

In the last two seasons Spanish clubs have been the top earners in terms of revenues from UEFA competitions. This result has been mainly driven by performance bonuses resulting from international on-pitch dominance rather than being due to the market share allocated to Spanish clubs. Indeed, in the last Champions League edition, UEFA's distribution system "penalised" clubs from LaLiga as they had to share the market pool revenues among five participants.

With the aim of rewarding greater sporting performance, from the 2018/19 season UEFA will introduce a new four-pillar financial distribution system, including a fixed starting fee, bonuses according to the clubs' performance and individual coefficient and a **reduction of the market pool's weight**.

However, the recently approved reform of the UEFA Champions League will also guarantee each of the four top-ranked national associations four spots in the group stage. While limiting the extent to which some clubs benefit from the market pool, this new format highlights once again the impact a club's underlying market can have on operating revenues and, ultimately, on its EV.

UEFA Competitions – Revenue breakdown by association (2014/15 and 2015/16) (EURm)



Top 10 by EV – UEFA revenue distribution (2014/15 and 2015/16) (EURm)

	EV ranking	UEFA revenue
Juventus FC	9th	165.4
Real Madrid CF	2nd	132.6
Manchester City FC	5th	129.7
FC Barcelona	3rd	117.6
FC Bayern München	4th	114.3
Chelsea FC	7th	108.4
Arsenal FC	6th	89.8
Liverpool FC	8th	71.9
Manchester United FC	1st	41.9
Tottenham Hotspur FC	10th	26.9

Source: UEFA; KPMG Football Benchmark

The European Elite: Selection criteria

Besides the availability of annual financial statements of the clubs, we 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 and Instagram) as at 31 March 2017.

The rationale behind these selection criteria is that the chosen clubs are largely successful on pitch, are not in danger of being relegated and possess a brand with high international visibility.

Based on the pre-established selection criteria, 39 clubs from 10 European associations 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 below, while the seven "runners-up" ranked by their EV, are: ACF Fiorentina (Italy), AS Monaco FC (France), FC Porto (Portugal), Villarreal CF (Spain), FC Basel (Switzerland), Sporting Clube de Portugal (Portugal), and Celtic FC (Scotland).

Number of clubs by country and difference from 2016

England 8 clubs (+1)	Arsenal FC, Chelsea FC, Everton FC, Leicester City FC, Liverpool FC, Manchester City FC, Manchester United FC, Tottenham Hotspur FC
France 3 clubs (-1)	Olympique Lyonnais, Olympique de Marseille, Paris Saint-Germain FC
Germany 3 clubs (0)	Borussia Dortmund, FC Bayern Munich, FC Schalke 04
Italy 6 clubs (-1)	AC Milan, AS Roma, FC Internazionale Milano, Juventus FC, SS Lazio, SSC Napoli
Portugal 1 club (-1)	SL Benfica
Spain 6 clubs (+1)	Athletic Club Bilbao, Atlético de Madrid, FC Barcelona, Real Madrid CF, Sevilla FC, Valencia CF
The Netherlands 2 clubs (0)	AFC Ajax, PSV Eindhoven
Turkey 3 clubs (+1)	Beşiktaş JK, Fenerbahçe SK, Galatasaray SK

Who is new in the top 32

- Leicester City FC
- Athletic Club Bilbao
- Beşiktaş JK

Who is out of the top 32

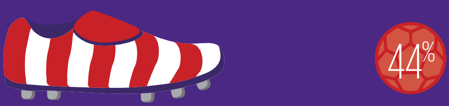
- AFC Fiorentina
- AS Monaco FC
- FC Porto

32 clubs' Enterprise Value range

Top 3 by EV growth

Olympique Lyonnais

Galatasaray SK



Sevilla FC

Bottom 3 by EV decrease

AFC Ajax -8%

SS Lazio -2%

Olympique de Marseille -1%

Source: KPMG Football Benchmark

		Clubs	Range – EUR Million	
			Bottom	Top
1	▲	Manchester United FC	3,004	3,186
2	▼	Real Madrid CF	2,895	3,057
3	=	FC Barcelona	2,688	2,843
4	=	FC Bayern Munich	2,367	2,523
5	▲	Manchester City FC	1,909	2,049
6	▼	Arsenal FC	1,882	2,029
7	=	Chelsea FC	1,524	1,674
8	=	Liverpool FC	1,260	1,400
9	=	Juventus FC	1,158	1,277
10	▲	Tottenham Hotspur FC	978	1,044
11	▼	Paris Saint-Germain FC	948	1,049
12	▼	Borussia Dortmund	917	1,025
13	▲	Atlético de Madrid	771	815
14	▼	FC Schalke 04	663	719
15	=	AC Milan	504	590
16	NEW	Leicester City FC	442	482
17	▼	Everton FC	431	483
18	▲	AS Roma	433	473
19	▼	FC Internazionale Milano	407	451
20	▼	SSC Napoli	388	431
21	▲	Galatasaray SK	357	398
22	=	Fenerbahçe SK	330	368
23	▼	SL Benfica	326	353
24	▲	Olympique Lyonnais	301	334
25	NEW	Athletic Club Bilbao	285	315
26	▼	AFC Ajax	258	290
27	▲	Sevilla FC	249	273
28	▼	Valencia CF	225	246
29	▼	SS Lazio	215	240
30	NEW	Beşiktaş JK	207	231
31	=	PSV Eindhoven	201	220
32	▼	Olympique de Marseille	179	196

32 clubs' Enterprise Value mid points

	Clubs		Mid point[1]		
		YoY increase	Million EUR	Million GBP	Million USD
1	Manchester United FC	+7%	3,095	2,635	3,239
2	Real Madrid CF	+2%	2,976	2,534	3,114
3	FC Barcelona	=	2,765	2,354	2,894
4	FC Bayern München	+14%	2,445	2,082	2,559
5	Manchester City FC	+22%	1,979	1,685	2,071
6	Arsenal FC	+18%	1,956	1,665	2,047
7	Chelsea FC	+10%	1,599	1,361	1,673
8	Liverpool FC	+4%	1,330	1,132	1,392
9	Juventus FC	+24%	1,218	1,037	1,275
10	Tottenham Hotspur FC	+26%	1,011	861	1,058
11	Paris Saint-Germain FC	+18%	998	850	1,044
12	Borussia Dortmund	+17%	971	827	1,017
13	Atlético de Madrid	+34%	793	675	830
14	FC Schalke 04	+11%	691	588	723
15	AC Milan	=	547	466	573
16	Leicester City FC	New	462	394	484
17	Everton FC	=	457	389	478
18	AS Roma	+17%	453	386	474
19	FC Internazionale Milano	+7%	429	365	449
20	SSC Napoli	+4%	409	348	428
21	Galatasaray SK	+68%	377	321	395
22	Fenerbahçe SK	+36%	349	297	366
23	SL Benfica	+19%	340	289	356
24	Olympique Lyonnais	+71%	317	270	332
25	Athletic Club Bilbao	New	300	256	314
26	AFC Ajax	-8%	274	233	287
27	Sevilla FC	+44%	261	222	273
28	Valencia CF	+16%	235	200	246
29	SS Lazio	-2%	227	194	238
30	Beşiktaş JK	New	219	187	229
31	PSV Eindhoven	+20%	210	179	220
32	Olympique de Marseille	-1%	187	160	196
	TOTAL		**29,883**	**25,443**	**31,273**

1 Exchange rates as of 2 January 2017: 1 EUR = 0,8514 GBP, 1 EUR = 1,0465 USD

Our methodology

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 revenue 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 2017 on the basis of a review of the financial statements of the 2014/15 and 2015/16 football seasons.

In the simplest application of the Revenue Multiple method, once the multiplier is determined, it is applied uniformly 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 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.

Price vs. Value: two different concepts

Economic theory teaches us that **price is what a person pays for a given product or service, whilst value is what any given product or service is worth**. It is important to highlight that **KPMG used consistent methodologies for the value analysis of the subject football clubs**. Our approach, together with an understanding of the difference between the concept of price and value, might explain the possible discrepancies between the conclusion of our value analysis and the specific price at which a transaction has taken place, as well as any possible difference with the share prices of listed football clubs.

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.

1. 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[2] are also considered in our algorithm.

2. Popularity

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

3. 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 published by Transfermarkt has been adopted within our formula.

4. 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.

5. 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.

2 Earnings Before Interest and Taxes.

Credits: SL Benfica

Credits: Valencia CF

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 2017.

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 2014/15 and 2015/16 football seasons. Thus, this analysis does not take into account the sporting results achieved by the 32 clubs in the 2016/17 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 either from the relevant public sources in each country[3] or other public sources (for example a club's official website).

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 of the clubs. 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.

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 which 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.

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 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** website.

3 For example Companies House (England); Registro delle Imprese (Italy); Registre du Commerce et des Sociétés (France); Registro Mercantil (Spain); Unternehmens Register (Germany); etc.

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.

Credits: Leonardo S.

KPMG delivering value to the sports industry

Delivering value through insight, experience and expertise, KPMG's Sports Practice supports those active and making critical decisions related to the sports sector. Through knowledge sharing, co-ordinated working practices and a multi-disciplinary team, we are ideally suited to provide worldwide coverage to clients.

Providing an in-depth and interactive analysis of more than 150 of Europe's top professional football clubs, **footballbenchmark.com** is the latest initiative developed for the global football industry by KPMG. The digital platform democratises and consolidates financial and operational performance data to assist the decision-making process of stakeholders associated to the football industry.

In addition to the wealth of information and knowledge shared on the platform, KPMG's dedicated Football Benchmark professionals deliver services to those invested, participating and governing the world of football.

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Club valuation and transaction support

Event planning and economic impact assessment

Operational review, benchmarking and business planning

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