Roar power
Annual Review of Football
Finance 2018
Sports Business Group
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The financial results for the 2016/17 season may well be viewed in the future as the defining moment in the delivery of sustained profitability by football clubs competing in the Premier League.
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Please visit our website at www.deloitte.co.uk/arff to download a copy of the full report and to purchase the Databook.

Our 32 page Databook includes over 8,000 data items on the various topics covered in this report, prepared on the basis of our specialist and long-established methodologies. It is available to purchase for £1,000 from www.deloitte.co.uk/arff
Roar power

Welcome to the Annual Review of Football Finance 2018, the publication that remains the most comprehensive analysis of the financial trends in, and prospects for, the football industry.

This 27th edition follows a similar structure to previous years in outlining the key developments across European football, but the storyline that flows through has changed somewhat. The phenomenal growth of the English Premier League, capped by its financial record breaking 2016/17 season, seems to have at last delivered a consistently profitable picture for top tier clubs and more signs of long-term financial sustainability for those in the Football League.

King of the jungle
The financial results for the 2016/17 season fully affirmed the English Premier League’s position as the market leader, with record revenue generated of £4.5 billion, as every one of the 20 clubs set their own personal annual revenue record.

With revenue growth outpacing the growth in the wage bill, no clubs reported an operating loss and the vast majority of any revenue increases were being paid out in wages, prompting concerns over long-term financial sustainability.

Whilst the impact of the record broadcasting arrangements for the Premier League cannot be underestimated and the increase in rights value across the past two cycles is the primary factor behind the growth in revenue, the benefit to clubs’ finances of operating in an appropriately regulated environment, via UEFA Financial Fair Play regulations and the Premier League’s cost control measures is equally evident. The financial position of the clubs competing in the Premier League on a consistent basis currently suggests that profitable performance and strengthening balance sheets, that looked so impossible a decade ago, are now the norm.

The recent announcement that the Premier League’s domestic rights selling process for 2019/20 – 2021/22 did not deliver the uplift that followers have become accustomed to over recent years should not be a cause for concern.

Top level football and the live, unscripted drama it delivers, remains the premium content that broadcasters wish to acquire and amid changing consumer habits and fragmentation that are impacting the entire entertainment industry, the Premier League has once again shown its resilience and strength by retaining the vast majority of its audience and value. Indeed, once the sales process for the remaining domestic and international rights is completed, we expect the league will have delivered overall increases in television revenue.

Whilst the ‘big six’ tighten their grip on the top of the table, on any given weekend the matches remain as competitive and exciting as ever. This was demonstrated by the fact that the leading revenue generating club in world football, Manchester United, were defeated by all three promoted clubs during the 2017/18 season. It is this unpredictability that appeals so strongly to broadcasters and other commercial partners.

The combination of financial success and stability, and the global popularity of the competition makes the Premier League an increasingly attractive asset to investors, offering a financial return alongside the thrill and excitement of owning a major football club. Nonetheless, we still sense in the market a hesitance amongst traditional financial institutions to accept that the landscape has changed. With no football league clubs entering insolvency proceedings for over five years and our consistent reporting of improved financial stability and profitability for that period, we hope that the developing financial maturity of the football industry will soon be more widely recognised.

This new era of profitability alongside the high quality of football strengthens the opportunity for the Premier League and its clubs to have a huge influence upon their local communities and more widely around the world. The Premier League currently supports not only the 20 clubs but also the 72 Football League and 68 National League clubs to deliver community programmes, which have been praised for the impact they make.

Continued growth will further boost the financial contribution to deliver high-class football facilities in communities and schools, whilst promoting the connection between the Premier League and future fans for the long-term benefits of the clubs themselves and the reputation of the competition.

You got to put your behind in your past
Below the Premier League, the desire of clubs competing in the Championship to benefit from the potential financial windfall of promotion remains unwavering. Whilst the Championship
“This new era of profitability alongside the high quality of football strengthens the opportunity for the Premier League and its clubs to have a huge influence upon their local communities and more widely around the world.”

is the biggest second tier competition in world football, generating more revenue than it ever has before, club owners and management have on the whole taken the decision to stretch themselves financially to gain promotion and this is the driver of the traditionally significant operating losses and high wages to revenue ratio.

The operating losses of the Championship are once again at record levels, in part driven by the financial results of Newcastle United, who maintained a wage bill comparable with Premier League clubs. At a revenue level, the Premier League broadcast arrangements have also impacted the Championship with there now being a more significant differentiation between those in receipt, and those not, of parachute payments. The key concern remains that financial disparity will in the future translate to more predictable on-pitch performances. If this were to become the case, then it may well be less attractive for many Championship clubs to push for promotion in the future. Championship club owners will doubtless be heartened by the success of clubs such as Burnley, Bournemouth and Huddersfield in securing and retaining Premier League status. Notably, the 2017/18 season saw no ‘yo-yo’ effect among either the promoted or relegated clubs from 2016/17.

Further down the English football pyramid, League 1 and League 2 are together financially bigger than ever before and comfortably the biggest leagues at that level anywhere in the world. The cost control measures that have been implemented by the Football League are a further clear example of the positive impact that financial regulations can have.

Germany’s Bundesliga will see growth from 2017/18 as a result of new broadcast arrangements but their opportunity to close the gap on the Premier League may well rely on their, and their clubs’, ability to innovate and have the first mover advantage as new revenue generating opportunities arise. This will be particularly crucial given the recent announcement that German clubs voted against any changes to the 50+1 ownership model that effectively retains fan control and rules out the significant owner investment seen in other countries.

The circle of life
I’d like to thank all of those that have contributed to this year’s edition of the Annual Review of Football Finance from across the football world and to say thanks to all former colleagues who have made it such a huge success in the past and now work in a variety of exciting roles across the sports industry. I am very grateful to my colleagues who have written this year’s edition and Henry Wong for his design expertise.

Deloitte is proud to support the Green Ribbon Campaign, helping to #endthestigma of mental health, an issue that impacts the football community in the same way as any other.

We hope you enjoy this edition.

Dan Jones, Partner
www.deloitte.co.uk/sportsbusinessgroup

You can either run from it, or learn from it
More widely, whilst growth was achieved across all of Europe’s ‘big five’ leagues, none of the Premier League’s competitors could match the pace, and the challenge now rests with them to try and close the gap, in revenue terms, in the coming years. Spain’s La Liga is already benefitting from its move to collective rights selling and has publicly stated its ambition and intent to significantly increase broadcasting revenue. We expect that Spain will see the fastest rate of revenue growth in the next few years and with the tight financial controls that Spanish clubs now operate under, we’d expect that this will also translate to continued profitability.

Being brave doesn’t mean you go looking for trouble
Changes to both the financial distribution mechanism and the format of the qualification process for the UEFA Champions League from 2018/19 will alter the footballing landscape in Europe slightly but the rumoured FIFA led wider changes in global club football could have a much more significant impact.

Such change to the structure of club football requires careful consideration and detailed assessment by football’s governing bodies, as whilst the initial financial boost of a new tournament or format could be substantial, the long term popularity and sustainability of the current calendar should not be undervalued. The development of football in the future remains something that we are excited to track. We hope to continue to make the Deloitte Annual Review of Football Finance a guide on that journey.
Delivering results worldwide

Deloitte has a unique focus on the sports sector, led from the UK and operating across the world. Our experience, long-standing relationships and understanding of the industry mean we bring valuable expertise to any project from day one.

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Strategic business plan
Support in the development of the strategic plan for the club’s inaugural Indian Super League season and long term future.

Business plan development
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Strategic plan
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Deloitte has an extensive track-record of delivering tailored added-value services to a wide range of investors, owners and financiers in respect of various sports assets around the world such as clubs and sports marketing companies.

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Deloitte brings to clients an unrivalled deep understanding of sports’ regulatory requirements, how the business of sport works in practice, and the wider economic, accounting and legal environment in which a sport operates.

Our clients benefit from our expert review, advice and reports to manage their risks, comply with statutory requirements, resolve disputes, and implement effective sport regulations.
Europe’s premier leagues

Strong growth in broadcasting rights values across European football’s biggest domestic and continental competitions drove total European football market revenue to €25.5 billion in 2016/17, a 4% increase on 2015/16.

European football market
The ‘big five’ European leagues grew their collective revenue by €1.3 billion (9%) in 2016/17, primarily due to increased broadcasting rights revenue as the English Premier League, Spanish La Liga and French Ligue 1 recorded uplifts as they each entered new rights cycles.

This growth was not restricted to the ‘big five’ leagues, with total revenue across non-‘big five’ European leagues also increasing.

Nonetheless, the 2016/17 season saw a continuation of the trend of polarisation within the European football market, with the ‘big five’ leagues and the UEFA Champions League growing at a rate unmatched by other leagues.

Encouragingly, the financial position of European football appears healthier than it has been for a long time, reflecting the global popularity of the game, but also the professionalism of leading clubs and the strength of the regulatory environment in which they operate.

The 2018 FIFA World Cup Finals in Russia will have an influence on the European football market in the next two years, initially through revenue directly associated with the tournament itself, and to a lesser extent the indirect legacy uplifts for Russian football.

Despite these potential increases, it is unlikely that the Russian Premier League will close the gap, in revenue terms, to the ‘big five’ in the near future, meaning that any possible transition to a ‘big six’ is not imminent.

UEFA distributions
Distributions to clubs for participation in UEFA club competitions grew by 3% to over €1.8 billion in 2016/17, with the ‘big five’ leagues receiving 67% of total distributions.

The 2018/19 season will see the commencement of the next UEFA broadcast rights cycle, with UEFA having targeted a revenue increase of around 30%. Changes to the format with staggered kick-off times and guaranteed representation for clubs in the traditionally strongest markets (with Italy set to benefit most notably) are intended to attract broadcast interest.

As both Champions League and UEFA Europa League revenue significantly increase, UEFA’s revenue distribution model is also planned to change, giving greater recognition of both current and historic sporting performance and reducing the market pool share.

The higher distributions will particularly boost the revenue of the top clubs consistently competing in the Champions League. Given that UEFA has clearly identified competitive balance as a key issue to address across European football, then various alternative regulatory measures will need to be considered in the coming seasons.
Revenue growth continued apace across the ‘big five’ European leagues in 2016/17 with an increasing gap between the English Premier League, which is in something of a financial league of its own, and French Ligue 1 which has in recent years fallen further behind the other ‘big five’ leagues.

**‘Big five’ European leagues’ revenue**
The success of La Liga’s collective sales approach has been such that broadcast revenue growth of 20%, following on from 26% growth in the 2015/16 season, has seen collective La Liga revenue increase to a record €2.9 billion in 2016/17. As a result, the Spanish league has overtaken the Bundesliga to be the second highest revenue-generating league in the world.

Bundesliga clubs collectively maintained their strong overall revenue growth, primarily through an increase in commercial revenues, up 15% from 2015/16 to €1.4 billion representing almost 75% more than generated by La Liga, as their traditional strength in this area shone through.

2016/17 saw Serie A revenue grow by 8% to over €2 billion for the first time. The majority of this growth came from commercial sources, with revenue increasing by €91m (17%) on 2015/16, a remarkable €75m (over 80%) of which was solely attributable to Internazionale, following the club’s acquisition by Chinese electronics retailer Suning in June 2016.

France’s Ligue 1 remained the lowest revenue-generating of Europe’s ‘big five’ leagues, at €1.6 billion in 2016/17, despite entering a new four-year domestic broadcasting rights cycle.

The 2016/17 to 2019/20 domestic cycle increased revenues by over 20% to a reported €738m per season, yet this still only represented c.40% of the value of the domestic rights for the Premier League. Given the contribution of broadcasting revenue to European football clubs’ total revenue, this relatively low value will see Ligue 1 fall further behind the other ‘big five’ European leagues in revenue terms.

Distributions by UEFA to clubs from the ‘big five’ participating in the Champions League and Europa League increased by 4% to €1.2 billion and continue to play a significant role in the financial performance of those leagues, as well as on the Deloitte Football Money League. Southampton’s debut appearance in the Money League top 20, and AS Roma’s absence, were both heavily influenced by their participation (or lack of) in UEFA competitions.

Premier League clubs took the largest portion of revenue distributed by UEFA to clubs in 2016/17, in total receiving more than €300m, over 50% more than Ligue 1 clubs, who collectively earned the least of the ‘big five’ leagues. However, the ratio of the difference in distributions between the most and the least among the ‘big five’ did reduce, from almost 2:1 to 1.6:1.

The success of La Liga’s collective sales approach has seen collective La Liga revenue increase to a record €2.9 billion in 2016/17. As a result, the Spanish league has overtaken the Bundesliga to be the second highest revenue-generating league in the world.
European football’s ‘big five’ leagues are already looking to other, more innovative, ways of increasing revenue, as the intrinsic link between on field success and revenue generation strengthens.

**England**

The impact of the three-year broadcasting cycle which commenced in 2016/17 looks set to ensure the Premier League remains well ahead of the other ‘big five’ European leagues (in revenue terms) over the coming years.

However, the tender process for domestic and international broadcasting rights for the three-year cycle beginning in 2019/20, whilst not yet completed, looks very unlikely to deliver the ‘step change’ growth seen across the previous two cycles.

A more mature phase of competition amongst bidders for UK domestic rights in this next cycle may see the Bundesliga and La Liga narrowing the revenue gap to the Premier League somewhat, yet once the sale process for international rights is completed, we expect full three-year collective rights sales deliver increased broadcast revenues, La Liga publicly stated its desire to close the current revenue gap to the Premier League. As such, it has looked to develop and innovate on a worldwide scale.

La Liga’s international expansion, through the ‘La Liga Global Network’ launched in 2017, has the objectives of boosting the value of international media rights, engaging new followers of Spanish football, and generating commercial opportunities for both the league and its clubs.

**Italy**

Aggregate Serie A revenues are expected to grow, with the commencement of new UEFA broadcast deals and changes to Champions League regulations, guaranteeing four Serie A clubs will compete in the Group stages of the competition, hence increasing UEFA distributions from the 2018/19 season.

In addition, 2018/19 will also mark the start of a new international broadcasting rights cycle for Serie A, delivering growth of around 80% on the existing deal, to a reported €340m per annum. Despite such growth, the value of Serie A international broadcast rights remain comfortably less than those of the Premier League and La Liga.

**France**

Whilst remaining the lowest revenue generating of the ‘big five’ leagues, Ligue 1 clubs’ collective revenues have grown at a faster rate from 2015/16 to 2016/17 than in previous years, primarily due to the start a new four-year domestic broadcast rights cycle. The international rights cycle commencing in 2018/19 is expected to deliver a less significant revenue increase.

Recent external investment in a number of French clubs is hoped to stimulate an increased level of competitiveness and in turn, commercial attractiveness, to Ligue 1, as it looks to keep pace with the revenue growth of other ‘big five’ leagues.

**Germany**

Whilst 2016/17 saw the Bundesliga temporarily slip below La Liga in revenue terms, the perennially impressive commercial performance of German clubs (9% ten-year CAGR) provides a strong platform on which the new domestic and international broadcasting rights cycle looks set to deliver a further revenue boost in 2018/19.

Reported figures suggest that the top two German divisions combined will generate an average of €1.4 billion per season over the four year cycle to 2021/22, and see the Bundesliga return to its position as the second-highest revenue generating league in the world.

**Spain**

As 2016/17 saw the first results of the new full three-year collective rights sales deliver increased broadcast revenues, La Liga publicly stated its desire to close the current revenue gap to the Premier League. As such, it has looked to develop and innovate on a worldwide scale.

La Liga’s international expansion, through the ‘La Liga Global Network’ launched in 2017, has the objectives of boosting the value of international media rights, engaging new followers of Spanish football, and generating commercial opportunities for both the league and its clubs.

**Replacement growth**

The leagues and clubs of the ‘big five’ are applying innovative international strategies to widen their global reach, as they attempt to grow commercial revenues. Several have opened offices in key overseas markets to manage local partnerships alongside market specific social media accounts and events.

An example of further innovation is Digital Billboard Replacement (‘DBR’) technology, allowing different brands to advertise to different audiences or in different geographies simultaneously. DBR has already been used across the ‘big five’ leagues to varying degrees, and may deliver enhanced commercial revenue generating opportunities.
Boosted by the increased revenue of Premier League and La Liga clubs, total wage costs across Europe’s ‘big five’ leagues grew by 4% to €8.5 billion. The overall wages to revenue ratio across the ‘big five’ leagues reduced to 58%, with the weakening of the pound against the euro masking the underlying extent of wage growth.

**England**

Premier League clubs’ wage costs increased by 9% to almost £2.5 billion (€2.9 billion), as clubs benefitted from increased centralised distributions, helping to maintain their position as by far the biggest wage spenders – paying out over 70% more than the top Spanish clubs.

**Spain**

As clubs reinvested the additional revenue generated from the collective sale of broadcasting rights, clubs in La Liga consolidated their position as the second-highest wage spenders of Europe’s ‘big five’ leagues in the 2016/17 season.

Wages increased by 14% to almost €1.7 billion, the fastest growth of any of the ‘big five’ leagues for the second year running. Real Madrid and FC Barcelona again accounted for almost half (47%) of all wage spend, each spending nearly 30 times more than the lowest-spenders, Leganes.

Despite this recent period of rapidly increased wage spending, La Liga’s wages to revenue ratio fell by two percentage points to 59% in 2016/17, highlighting the scale of growth in clubs’ revenue and the success of financial regulations implemented by the Spanish governing bodies.

**Germany**

Bundesliga clubs increased their wage bill by 10% to €1.5 billion.

The Bundesliga still has the lowest wages to revenue ratio (53%) of any of the ‘big five’ leagues, but this increased during the year amid limited revenue growth.

Bayern Munich continued to dominate on the pitch, becoming the first team to win five consecutive Bundesliga titles, as their wage costs of €265m reached almost €100m more than those of second-highest wage spenders Borussia Dortmund.

**Italy**

Serie A’s wages to revenue ratio reduced from 70% to 67% in 2016/17, it’s lowest level since the 2005/06 season, but remained the highest ratio across the ‘big five’ leagues. Wage costs grew 3% to €1.4 billion, dominated by Internazionale’s 22% increase in wage spending as Suning supported investment in the squad.

Juventus’ wage spend increased 19% to €262m, over 25 times larger than Crotone, who at €10.3m had the lowest wage spend of any club in the ‘big five’ leagues.

**France**

Wage spending in Ligue 1 grew by 6% to almost €1.1 billion in 2016/17, as increased broadcasting revenues were reinvested into playing squads. However, the French league’s wages to revenue ratio fell by three percentage points to 66%, as only 37% of revenue growth was spent on wages.

Despite a reduction in wages costs of 7% in 2016/17, PSG remain the largest spenders in France. The impact of the acquisition of Neymar Jr, and the Parisian club’s other transfer activity in the summer of 2017 is likely to see wage costs increase substantially in 2017/18.

All five leagues wages/revenue ratios are below 70%, the industry marker of a club’s financial health.
The effectiveness of financial regulations across the ‘big five’ leagues, and beyond, continues to be reflected in the improving operating results across the continent.

**England**
For the first time, no Premier League clubs recorded operating losses, delivering a record aggregate operating result of £1,034m, more than double that reported in 2015/16 (£509m).

**Spain**
After a recent concerted effort by both La Liga and its clubs to operate in a more financially sustainable manner, the combined profitability of clubs was maintained in 2016/17 at a combined operating profit of €437m (up from €397m).

The introduction and monitoring of robust financial controls by La Liga over recent seasons, coupled with the potential for continued revenue growth has given Spanish clubs the platform from which sustained operating profits may be consistently achieved.

**Germany**
Bundesliga clubs generated a record aggregate operating profit of €343m in 2016/17, a 21% increase on 2015/16 (€284m) maintaining the financial prudence which has delivered combined operating profit in each of the last 20 years.

In March 2018 Bundesliga clubs voted to retain the ‘50+1 rule’ which stipulates that members of a club maintain the majority stake, and voting rights, in the club and has contributed significantly to this stability.

However, due to the limit on significant investments, Bundesliga clubs may need to find alternative methods of generating revenue, enhancing the need for clubs to innovate as they look to develop their international brand and seek commercial partnerships.

**Italy**
2016/17 saw Italian clubs record a combined operating loss (€26m) as Serie A’s financial performance and sustainability continues to gradually improve.

However, with Serie A revenue set to benefit from upcoming changes to the UEFA competition structure and the start of a new domestic broadcast rights, Italian clubs will hope to deliver an aggregate operating profit in the near future.

**France**
Ligue 1 also reported an operating loss (€51m) in 2016/17, despite the additional revenue delivered by the new four-year domestic broadcast rights cycle and increased UEFA distributions arising from AS Monaco’s strong UEFA Champions League campaign.

Encouraging financial sustainability

UEFA’s Financial Fair Play Regulations – complemented by the introduction and evolution of financial regulations in respect of various European leagues – have helped encourage clubs across Europe to improve their governance, transparency and financial behaviour.

UEFA’s compliance monitoring and enforcement activities have promoted the effectiveness of their regulations. In the first four seasons to 2016/17, around 30 clubs in breach of the break-even requirement have been subject to sanctions and settlement arrangements.

Enhanced requirements for clubs from 2018/19 should further promote the effectiveness of UEFA’s regulations. Approved changes to the regulations will include a forward-looking assessment of clubs’ financial results, harmonisation of certain financial reporting requirements, and new risk indicators in respect of debt-levels and player transfer spending.

Whilst a decade ago it appeared improbable that football could address the prevalent losses and spiralling debts of the clubs, cost control regulations are helping to deliver a more sustainable balance between costs and revenues for the long-term benefit of the game.
At a time when UEFA have reported improved operating results across the region, and positive rates of revenue growth, Europe’s non ‘big five’ leagues’ revenue continues to develop strongly. The influence of UEFA club competition participation is becoming increasingly defining, and changes to UEFA competitions from the 2018/19 season could have a potentially significant impact for these non ‘big five’ leagues.

**Turkey**
The Turkish Süper Lig is the largest revenue generating European league outside of the ‘big five’, with total revenues of €734m. Broadcast revenues represent almost half of total revenue. A successful bid to host EURO 2024 could help boost the financial future of Turkish football.

**Russia**
Ahead of hosting the 2018 FIFA World Cup Finals, the Russia Premier League remains the seventh largest revenue generating league in Europe. The financial profile of Russian football is dominated by income from commercial sources, which accounted for 83% of total revenues.

**Netherlands**
Ajax’s run to the Final of the Europa League saw UEFA distributions to Dutch clubs increase by €7m to €55m. Yet despite this, total revenues fell by 6% to €451m in 2016/17, as no Dutch club reached the Group Stages of the Champions League. Feyenoord’s participation in 2017/18 should aid a recovery in the next edition of this report.

**Austria**
Austrian Bundesliga revenue grew by 10% to €176m, primarily driven by increased UEFA distributions up €5m to €16m as a result of the performance of Red Bull Salzburg in reaching the Champions League Play-off round before competing in the UEFA Europa League Group stage.

2017/18 has seen Red Bull Salzburg reach the Semi-final of the Europa League, which should boost Austrian Bundesliga revenues further in next year’s edition.

**Portugal**
Portugal’s Primeira Liga is now the only major European league where clubs’ broadcast rights are sold on an individual basis, resulting in significant revenue inequality. This disparity is further enhanced by UEFA distributions consistently being received by the same three clubs; Benfica, Porto and Sporting Lisbon, who generate the majority of the combined revenues, which have increased 6% to €366m.

**Scotland**
Scottish Premiership revenues increased by 63% to £181m in 2016/17, driven by the on-field success of Celtic, and the return of Rangers to Scotland’s top-flight. Celtic’s participation in the 2016/17 UEFA Champions League contributed €32m, more than the amount distributed across all 12 clubs from the Scottish leagues’ own broadcast revenues in 2016/17.

Aggregate matchday and commercial revenues both increased by over 40%, as Rangers participation in the top division for the first time since the 2011/12 season, helped to drive the top division of the SPFL back into the top ten revenue generating leagues in Europe.

**Denmark, Sweden and Poland**
Each of these leagues were heavily influenced by the performance of their member clubs in UEFA competitions, after strong showings in the previous season. The failure of Danish, Swedish and Polish clubs to replicate the respective success seen by FC Copenhagen, Malmö and Legia Warsaw in previous season resulted in reduced distributions, and overall revenue for each of their domestic leagues.

None of these leagues were represented in the 2017/18 Champions League, and as such no significant improvement is expected to be seen in the next edition.

**Note:** This chart includes a sample of countries ranking below fifth in terms of average club revenue for the most recent available financial results. Figures in respect of clubs in Sweden relate to year to December 2016. Figures in respect of Turkey, Portugal and Russia are for FY2016. Figures in respect of clubs in Denmark and Poland relate to the year to December 2017.

Source: Leagues; Club accounts; UEFA; Deloitte analysis.
The Deloitte Football Intelligence Tool (FIT) is used by clubs, investors, industry experts and the media to quickly and reliably interrogate the finances of the European football market. FIT gives you access to over 20 years of data contained within the Annual Review of Football Finance.

This digital solution allows the user to manipulate data in a quick and easy to use format, using the leading technology to display many of the data points contained in the Annual Review of Football Finance Databook and a host of other industry information. We hope FIT will be a valuable asset for anyone looking to deepen their understanding of the football business.

This subscription service is ideal for:

- Football club executives looking to understand their organisation’s performance and position within the market and to benchmark against other clubs;

- Aspiring club investors looking to identify and assess a club;

- Industry analysts, agencies, lawyers and others working closely with the football industry; and

- Sports media and broadcasters looking for further insight and analysis.

If you would like to find out more about the tool and to book your free, personalised demonstration, please contact sportsteamuk@deloitte.co.uk
04 An interactive map of Europe allows the user to quickly select the clubs most appropriate to their specific geography and circumstances, with FIT currently containing data for the ‘big five’ European leagues and the EFL Championship.

05 Matrix analysis on a club-by-club basis with the axes defined by user selected metrics. Peer group averages and correlation lines also plotted.

06 Overall revenue trend for given selection of clubs, with ability to click through to further explore historic revenue trends.

07 Users can configure the screen by selecting any metric they wish to explore, setting up the overall dashboard to reflect their areas of interest, providing visual analysis of specific clubs.

08 NEW for this year, users can see the performance of their selected club over time, compared with a selected peer group.

09 Users can create their own peer groups by filtering by a variety of possible metrics such as stadium size, whether a club has played in European competitions, their average attendance or their league position.

10 Explore the local area of a given club, with population data displaying the socio-economic profile of the catchment area.

11 Historical details of key financial measures and supporting matrix analysis for two parameters simultaneously.
Premier League clubs

Premier League clubs’ revenue grew by 25% to £4.5 billion in 2016/17. This was primarily due to the Premier League’s new three year broadcasting rights arrangements coming into effect, helping drive revenue to record levels.

Impact of individual clubs

Of the 17 clubs that competed in the Premier League in both 2015/16 and 2016/17, Manchester United generated the most revenue (£581m), as the highest revenue generating football club in the world. Leicester City had the largest revenue growth in 2016/17, with their total increasing £105m (81%) to £234m, the biggest ever single year revenue increase of an English club. This was principally due to their remarkable run to the UEFA Champions League quarter-finals which saw them receive UEFA distributions of £70m.

Other factors influencing large increases in clubs’ revenue included Tottenham’s return to Champions League football and Liverpool’s opening of their new Main Stand. Every one of the twenty clubs set a new personal record for total revenue in 2016/17.

Commercial revenue grew by 7% (£77m) to £1.2 billion and now makes up just over a quarter of the total. We expect to see further growth, as all Premier League clubs have been able to feature shirt sleeve sponsors from 2017/18, adding further commercial value to their inventory. With Chelsea recently agreeing a reported £50m five-year shirt sleeve deal with Hyundai, reported to be double the previous record in this category held by Manchester City, it is clear there is appeal and value for commercial partners.

Future revenue growth

Although the Premier League’s recent domestic rights selling process for 2019/20 – 2021/22 has not secured the large increases seen in previous cycles, once the sales process has been completed for the remaining domestic and international rights, we still expect it to deliver overall growth in Premier League broadcasting values.

In the shorter term, 2017/18 was the first season in which five English teams competed in the Champions League, while 2018/19 marks the start of a new UEFA broadcasting rights cycle, both of which will lead to significant increases in UEFA distributions received by Premier League clubs. Coupled with the increases in commercial revenue, we expect total Premier League clubs’ revenue to rise to £4.8 billion in 2017/18 and £5 billion in 2018/19.
Whilst the Premier League’s central distribution mechanism remains the most equal amongst the ‘big five’ leagues, there remains a significant revenue variance between groups of clubs within the league. The ‘big six’ clubs generated an average of £415m each in 2016/17, compared to just £147m across the rest of the clubs.

Premier League clubs’ revenue levels
The vast majority of Premier League clubs ranked in the top 40 revenue generating clubs in the world in 2016/17, with five of the Premier League’s ‘big six’ clubs taking positions in the top ten. Amongst the rest of the ‘big five’, only Spain, through Real Madrid and Barcelona, has more than one club in this elite top ten.

The average revenue of Premier League clubs participating in the Champions League fell to £353m in 2016/17. This was principally due to Manchester United taking part in the UEFA Europa League, and Chelsea and Liverpool also failing to qualify for Europe’s elite club competition. However, the importance of the Europa League was once again highlighted by Manchester United’s successful campaign, earning a Champions League spot in 2017/18 despite a sixth place finish in the Premier League.

The three relegated clubs in 2016/17 had £122m average revenue, with all three clubs receiving a parachute payment of c. £42m in 2017/18. In 2007/08, ten years previously, parachute payments to clubs were just £12m.

Media rights 2019-2022
In February 2018, the Premier League announced that it had sold the main five packages of domestic broadcasting rights to Premier League football for the 2019/20-2021/22 cycle, with Sky Sports gaining four packages (128 matches per season) for £3.6 billion (£9.3m per game), and BT Sport taking one package (32 matches per season) for £885m (£9.2m per game). As a result, the Premier League has so far secured 87% of the value generated for the 2016/17-2018/19 cycle for domestic live rights with two packages of a total of 40 games per season still remaining to be sold.

Whilst on the face of it, this may appear disappointing, especially given the decrease in value per match broadcast, the considerable growth over the last two cycles means that the Premier League will still comfortably remain the market leader. The sales process for the international rights is ongoing and we anticipate further growth in the overall value of the international broadcasting rights, which already generate over £1 billion a season. When the majority of rights for the new cycle are tendered later in 2018, with significant uplifts already agreed in the USA, China, Brazil and Africa through to 2022, it is likely that the new broadcasting arrangement’s values will once again represent a record, despite the domestic reduction.

Note: UCL clubs comprised Arsenal, Leicester City, Manchester City and Tottenham Hotspur. UEL clubs comprised Manchester United, Southampton and West Ham United.

Source: Premier League; UEFA; Deloitte analysis.

Record-breaking transfer spending
We have already seen some clubs utilising their significant revenue increases, with a record £1.9 billion spent on transfers in the 2017/18 season, as clubs seek to gain a competitive advantage over their peers in pursuit of both success and survival.

We may again see similar levels of spending in the coming year, with the FIFA World Cup providing the perfect shop window for talent; indeed, the 2018/19 season may be the first time Premier League clubs surpass the £2 billion mark in gross transfer spend.
Premier League clubs’ wage costs grew by 9% in 2016/17, reaching a record £2.5 billion. This relative restraint, compared to revenue increases, meant revenue growth outpaced wage growth for only the third time in the last ten seasons, resulting in the lowest wages/revenue ratio in almost 20 years.

**Impact of individual clubs**

The only clubs to pay more than the league’s average wage costs were the ‘big six’, once more demonstrating the gap in financial resources between them and the rest of the league. Absent of European competition and the associated costs, Chelsea and Liverpool were the only clubs to reduce their wage costs year-on-year, yet both teams saw improvements in their fortunes with the former being crowned Premier League champions and the latter qualifying for the Champions League.

Manchester United (£263m) continued to be the division’s highest wage payers on a 12 month reporting basis, but their wages/revenue ratio of just 45% was the second lowest in the league behind Tottenham Hotspur (42%). Leicester City, as in 2015/16, had the largest increase in relative terms (40%), aside from the promoted clubs. This increase is attributable in part to investment in the playing squad in the clubs maiden Champions League campaign.

**Premier League clubs’ wage costs**

In 2016/17, the Premier League’s wages/revenue ratio fell to just 55%, its lowest level since 1997/98 (52%). For the first time ever, Premier League clubs’ revenue has grown at a faster rate than wages over a ten year period, while all bar one of the clubs participating in the 2016/17 Premier League grew their revenue at a faster rate than their wage spend since 2012/13.

Such relative restraint from Premier League clubs in wage spending is assisted by the continued implementation of both the Premier League Short Term Cost Control Rules, as well as UEFA’s Financial Fair Play Regulations. It also reflects the financial lead that the Premier League has over its rivals, as well as the stronger financial discipline exercised by club owners and management, that they no longer need to, or do, spend all their revenue growth in increased wages.
Only one Premier League club reported a wages/revenue ratio in excess of 70%, the indicative warning threshold level used by UEFA as part of their Financial Fair Play Regulations. This is a decrease from seven clubs in 2015/16, as clubs once again showed spending restraint in the first year of a more lucrative broadcasting rights cycle.

**Correlation between wage costs and league position**

The Spearman’s rank correlation coefficient, which measures the relationship between league position and total wage cost rank, increased to 0.81 in 2016/17. Nine clubs finished within one place either side of the ranking of their wage costs. This level of correlation contrasts to the 2015/16 season, where the relative performances of Aston Villa, Leicester City and Chelsea helped drive the lowest level of correlation ever recorded in our analysis (0.54).

The 2016/17 league finishing positions were much more aligned to wage spend, as the top six wage spenders filled the top six league positions. At the other end of the table, the three promoted clubs had the three lowest wage costs in the Premier League, with only Burnley maintaining their Premier League status. However, with four different winners in the last six seasons, and all three promoted clubs surviving in 2017/18 for only the third time in Premier League history, the Premier League continues to prove itself as one of the most competitive, and attractive, leagues in Europe.

**Future wages trends**

In an environment of cost control, the clubs’ wages/revenue ratio is expected to remain relatively low, and with the top six wage spenders in 2016/17 occupying the top six positions in the Premier League in 2017/18, a strong correlation between wage costs and league position seems to be being maintained.

Although it is anticipated that wage costs will continue to rise in the coming seasons, we do not foresee increases to be at a level which can jeopardise the profitability of the Premier League as a whole.

Of particular interest may be the future structuring of wage spend, with performance related pay, particularly amongst those clubs recently promoted, being more and more common. Clubs are increasingly incentivising and rewarding players for avoiding relegation, with bonuses for additional points earned and number of appearances contingent on that survival, alongside the more traditional success-based bonuses.

**Note:** The 2016/17 financial statements for Crystal Palace were unavailable at the time of publication. Manchester City figures are for a 13 month reporting period. AFC Bournemouth figures are for an 11 month reporting period.

Source: Deloitte analysis.
Premier League clubs recorded record-breaking levels of operating and pre-tax profitability in 2016/17 and, for the first time, no Premier League clubs reported an operating loss. This continuing trend of profitability across the Premier League feels increasingly as if we have now entered a new financial era for the Premier League clubs and their owners and investors.

Premier League clubs’ operating profits
Premier League clubs generated record combined operating profits (which excludes player trading, amortisation of player transfer fees and finance costs) exceeding £1 billion for the first time in 2016/17. This is over double the amount reported in the 2015/16 season (£509m). Such was the extent of the clubs’ cost control amid greatly increased broadcasting revenue, Premier League clubs achieved a collective operating margin of 23%, the first time this has exceeded 20% in Premier League history.

No club recorded an operating loss in 2016/17, and all reported increased operating profitability compared to their 2015/16 result, demonstrating the overall structural changes in the finances of all of the Premier League clubs.

Manchester United (£190m) and Arsenal (£123m) were the two clubs to exceed £100m in operating profits, the first time a club other than Manchester United has achieved this. The three promoted clubs generated combined operating profits of £125m, in stark contrast to their collective £27m loss in the 2015/16 Championship.

Premier League clubs’ pre-tax profits
At pre-tax level, which includes the impact of player trading and finance costs, Premier league clubs returned to collective profitability, with a record collective pre-tax result of £534m, almost three times the previous record set in 2013/14 (£187m). Such was the level of profitability on a club by club basis, a record 15 clubs reported a corporation tax charge in the year.

A record 17 of 20 Premier League clubs reported a pre-tax profit, with Leicester City recording the largest pre-tax profit in Premier League history (£92m) off the back of their run to the Champions League quarter-finals, almost six times that achieved in their title winning 2015/16 Premier League campaign. Only Chelsea (£14m) and Sunderland (£10m) reported pre-tax losses, however both clubs significantly improved their pre-tax results from 2015/16 by £71m and £23m respectively.

Premier League clubs recorded record-breaking levels of operating and pre-tax profitability in 2016/17 and, for the first time, no Premier League clubs reported an operating loss. This continuing trend of profitability across the Premier League feels increasingly as if we have now entered a new financial era for the Premier League clubs and their owners and investors.

Future investor interest
The substantial increase in revenue delivered by the 2016/17-2018/19 broadcast rights cycle, alongside values derived from the latest announcements regarding the 2019/20-2021/22 cycle, provides current owners and any potential investors with the security of guaranteed levels of revenue for the next four years, subject to maintaining Premier League status.

The global popularity of the competition, the excitement of owning a football club and the exposure provided by an ownership position are all reasons why investment in Premier League clubs has never seemed more attractive.

Source: Deloitte analysis.
Net debt for Premier League clubs stood at less than £2 billion at the end of the 2016/17 season, a fall of £250m on the 2015/16 position and now stands at its lowest level since 2005. The majority of clubs recorded an increase in cash reserves following a year of record profitability, with the ratio of net debt to revenue falling to just 43%, down from 61% at the end of the previous season.

**Premier League clubs’ net debt**

Soft loans – clubs’ borrowings on interest-free terms typically from their owners – decreased in 2016/17 by £247m (14%). This movement was heavily driven by the relegation of Newcastle United (with a soft loans balance of £378m in 2015/16) but partially offset by the promotion of Middlesbrough (£94m), with other increases at Chelsea (£34m), Sunderland (£22m) and Stoke City (£16m). Soft loans remain the largest component of clubs’ net debt, accounting for 75% of the total, a level at which it has remained for the last three seasons. Net debt, excluding soft loans, continued to fall, standing at £488m in 2016/17, down by £2m from 2015/16.

Other loans – being borrowings from financial institutions, other parties and interest-bearing owner loans – marginally increased in 2016/17 by £55m (5%). The net finance costs for Premier League clubs have increased year-on-year from £70m to £93m. However, net finance costs were covered over eleven times by aggregate operating profits in 2016/17, such was the extent of the increase in clubs’ profitability levels.

**Individual club analysis**

Eight of the 20 clubs in the Premier League reported an improved net debt/funds position in 2016/17. The largest improvement was at Everton, by £64m to a net funds position of £10m, following the repayment of £55m of loans in the year by the club’s major shareholder.

The top ten most indebted clubs accounted for 97% of Premier League club’s total net debt. Furthermore, Chelsea, Liverpool, and Manchester United’s combined net debt of £1.5 billion accounted for over three quarters of the overall total.

Six clubs ended 2016/17 in a net funds position, these being Burnley, Everton, Leicester City, Southampton, Tottenham Hotspur and West Bromwich Albion. Four of these clubs improved on net funds positions from the prior year, with only Everton (aforementioned) and Southampton crossing into a net funds position from a net debt position year-on-year, the latter driven by a £16m increase in cash reserves as well as repayment of £26m of other loans in 2016/17.

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<table>
<thead>
<tr>
<th>Club</th>
<th>2017 Net Debt</th>
<th>2016 Net Debt</th>
<th>Change</th>
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<tr>
<td>Liverpool</td>
<td>1,786</td>
<td>1,904</td>
<td>-118</td>
</tr>
<tr>
<td>Manchester City</td>
<td>1,502</td>
<td>1,562</td>
<td>-60</td>
</tr>
<tr>
<td>Other clubs</td>
<td>2017 Total 1</td>
<td>2016 Total 2</td>
<td></td>
</tr>
<tr>
<td>Burnley</td>
<td>1,066</td>
<td>1,133</td>
<td>-67</td>
</tr>
<tr>
<td>Everton</td>
<td>625</td>
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<tr>
<td>Leicester City</td>
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<td>1,056</td>
<td>57</td>
</tr>
<tr>
<td>Southampton</td>
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<td>Tottenham Hotspur</td>
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</tr>
<tr>
<td>West Bromwich Albion</td>
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<td>0</td>
</tr>
</tbody>
</table>

Note: Net debt for Newcastle United is based on figures disclosed in financial statements of Newcastle United Ltd and St. James Holdings Ltd.

Source: Deloitte analysis.
Under my umbrella

The multi-club ownership model (whereby an individual, club or corporation owns shares in two or more football clubs) has become increasingly prevalent in world football. According to a recent UEFA report, more than 20 clubs in the top 15 European leagues are part of multi-club structures, including Manchester City, Atlético Madrid and Inter Milan, all of whom feature in the Deloitte Football Money League.

After the English National Investment Company (ENIC) pioneered and then abandoned the concept in the late 1990s and early 2000s, the multi-club model remained largely dormant, but has experienced a resurgence in recent years. This has, in part, been driven by its adoption in some of Europe’s top leagues, including Manchester City (part of City Football Group) in the Premier League and RB Leipzig (part of Red Bull’s portfolio including New York Red Bulls, Red Bull Brasil and previously FC Red Bull Salzburg), who rose rapidly through the tiers of German professional football to finish runner-up in their first Bundesliga 1 season in 2016/17.

What makes multi-club arrangements attractive?

Clubs and investors have been attracted to the multi-club model as a platform for international expansion and increased brand exposure, diversification (including geographically and across other sports); opportunities to achieve economies of scale and synergies through the centralisation of resources; creating more structured player scouting; transfer and development pathways; and ultimately increasing return on investment.

The potential commercial benefit of such a structure should not be underestimated. The acquisition of clubs in other territories offers the possibility to enhance the level of exposure of a club or organisation’s brand. For example, the City Football Group has expanded into key international markets through investment in clubs spanning six different countries in five continents around the world.

Effective player management is regularly cited as a benefit of multiple clubs operating under common ownership or alternative arrangements, including the exchange of players (e.g. loans or permanent transfers) and development of playing talent. By controlling multiple clubs, owners are able to call upon a larger pool of players when balancing first team squads, which can help ensure sufficient quality and depth without having to necessarily venture into the transfer market to the same extent. The ability to control player movement across clubs may also help talented youth players who require first team opportunities to enhance their development, whilst their parent club still maintain control over their progression. If player management is effective, on-pitch performance may improve, player opportunities would increase and this may bring investors sizeable returns on their investments into clubs, both in terms of silverware and financial gain.

What are the risks and challenges of multi-club arrangements?

Whilst there are a number of benefits to be gained from a multi-club model, a number of risks and challenges are likely to require consideration and action. Prior to the acquisition of a new club, it is essential that any investor develops a clear strategy and undertakes careful planning and due diligence. Factors to consider may include geographical location, quality of the existing staff (on and off pitch) and infrastructure, strategic fit of a target if combined with the existing portfolio of clubs and its financial sustainability. If the acquisition of a target club is deemed appropriate, a clear set of objectives and integration plan will be considered a necessity.

Conclusion

The identification, acquisition (or alternative arrangements) and integration of clubs into a new or existing structure presents a significant challenge. However, when done successfully it can provide the foundations to benefit from synergies and deliver return on investment across the organisation from both a sporting and business perspective.

The Sports Business Group at Deloitte advises clients, including investors, corporations and sports clubs, around the world in respect of targeting, acquiring and successfully integrating clubs into a new or existing operating model.
Finding the leading edge

Commercial revenue growth across the ‘big five’ leagues has been considerable and consistent over the last ten years, increasing at a CAGR of 9% from €2.1 billion in 2006/07 to €4.8 billion in 2016/17. As a key source of revenue under a club’s control, commercial revenue is the area where clubs have the greatest opportunity to differentiate themselves from their competitors. The development and exploitation of commercial opportunities over the next ten years is therefore the key growth opportunity for clubs.

Whilst for broadcasting rights, clubs act collectively, they are in a fiercely competitive market for commercial deals. As a result, this market has become increasingly crowded, with clubs at all levels offering commercial partners multiple entry opportunities at a wide variety of price points. The result is a lack of clarity and an advantageous position for the commercial partner, who can play any potential suitors off against each other in order to drive the price down.

This cluttered and fragmented picture may be one reason why many of the biggest multinational consumer brands have instead tended to choose to associate more with global, team events, such as the FIFA World Cup or the Olympic Games, despite the relatively short exposure window provided by such events compared to the potential for a continuous multi-year relationship with a top football club.

The enormous quantities of data that clubs are collecting on their fan base provides the opportunity for clubs to “know their fans” to a greater extent than ever previously possible. The depth of engagement and hence willingness to share information is greater between a fan and their club than between a normal consumer and an ordinary business. This data enables an unprecedented level of customer segmentation to be undertaken that in turn opens the football market to a whole new group of sponsors and allows deeper insights to be gained and relationships to be built. A sponsor who may never have considered the “average” football fan to be a customer may find a specific segment of that fan base to be exactly in their target area. These insights also allow existing sponsors to target their campaigns more effectively and demonstrate a much clearer return on their investment.

The potential impact of data analysis is not restricted to revenue from sponsors. As clubs learn more about their fans the matchday experience can also be individually tailored for the identified segments of fans. This is a win-win for both the club and the fan. The fan gets a more enjoyable matchday experience while the club can utilise their data to maximise the spend per fan.

The Sports Business Group at Deloitte are assisting a number of stakeholders to understand further the commercial market and to develop their commercial strategy, incorporating the use of data.
Championship clubs generated combined revenue of £720m in 2016/17, a 30% increase on the previous season and another new record for the division. A combination of the significant increases in parachute payments and solidarity distributions from the Premier League, with the return of three large clubs to the Championship, has fuelled this extraordinary growth.

Football League clubs’ revenue
Eight clubs were in receipt of parachute payments in the 2016/17 season, totalling £219m, or 30% of the total Championship revenue. For the three clubs relegated from the Premier League in the 2015/16 season (Newcastle United, Aston Villa and Norwich City), parachute payments totalled £123m (£41m per club, up from £26m for 2015/16), or 53% of their total revenue.

While the impact of the parachute payments received by the three relegated clubs is substantial for the Championship as a whole, their relative financial strength was also evident in their position in the top quartile for commercial and matchday revenue. All three clubs have significant fan bases, while Aston Villa had been in the Premier League for every previous season, Newcastle all bar two, and Norwich four of the previous five.

Fulham’s win in the Football League Championship Play-off final at the end of the 2017/18 season will result in an uplift in revenue of at least £170m, rising to more than £280m if they avoid relegation in their first season back in the Premier League. To put this in perspective Liverpool’s Champions League Final defeat only altered the prize money they received from UEFA by £4m – reinforcing the position of the Championship Play-off final as the richest one-off game in sport.

The value of promotion

The widening gap

In financial terms, the level of polarisation in the Championship is largely influenced by parachute payments and the gap between the “haves” and “have nots” continues to grow. The average revenue generated in 2016/17 by the three clubs relegated from the Premier League in the 2015/16 season (£78m) was over three times the average revenue generated by the other 21 clubs in the league (£23m). In fact the revenue earned by the fourth highest generator (Queens Park Rangers, who were also in receipt of parachute payments) was only 62% of the average of the top three. In the 2015/16 season the three relegated clubs generated only twice the average revenue of the other 21 clubs. The significant increase in parachute payments from £26m to £41m in the first year following relegation was the primary driver of this widening gap.

This helped them maintain levels of matchday and commercial revenue well above the Championship average and was a factor in the scale of the Championship revenue record.

League 1 clubs increased revenue by 7% to £146m. Revenue for the 17 clubs present in both the 2015/16 and 2016/17 season rose by 9%, an average of £0.5m per club, with growth in solidarity payments accounting for the majority of this increase. League 2 clubs revenue increased by 6% to £91m.
Championship clubs' wage costs rose by 29% to £712m in 2016/17. The associated significant growth in revenue however, means that there was a very slight reduction in the wages/revenue ratio to 99%.

**Football League clubs' wage costs**

Newcastle United's wage costs alone constituted 16% of the Championship total, with the club spending 4.5 times the median and 82% more than the second highest spender, Aston Villa.

Excluding Newcastle, the other 23 clubs recorded a combined wages/revenue ratio of 95% with the 18 consistent clubs recording a more modest wage growth of 9%. Wage costs, however, still exceeded revenue at 13 clubs as owners invested in their playing squad in pursuit of the glory and financial reward of promotion to the Premier League.

The Championship's Spearman's rank correlation coefficient in the 2016/17 season was 0.5, up from 0.42 in 2015/16, indicating a moderate correlation. Regression analysis suggests that wage expenditure explains 31% of variation in points earned, meaning that more than two thirds of the variation in performance is explained by factors other than wages.

The Championship continues to see clubs significantly over and underperform compared to their wage ranking. Huddersfield, Leeds, Brentford and Preston all finished ten places above their wage ranking, while QPR, Nottingham Forest and Aston Villa all finished eleven places below their wage ranking.

**The Newcastle effect**

Despite being relegated from the Premier League to the Championship for the 2016/17 season, Newcastle's core wage bill actually increased (by c. 8%), even when excluding promotion bonuses and amounts written off as onerous contracts. The decline in revenue recorded by the club meant that the wages/revenue ratio reached 131%, while the club recorded the largest operating loss in the league (£55m).

Newcastle was effectively run as a Premier League club taking what the club described as a “financial gamble” to secure an immediate return. The result was positive as the club achieved promotion and subsequently consolidated their position in the Premier League by finishing 10th in the 2017/18 season. It remains to be seen whether Newcastle’s success emboldens other clubs relegated from the Premier League to follow this strategy in the future.

However, it is worth highlighting that the two teams who secured automatic promotion to the Premier League, Newcastle United and Brighton, were in the top four for wage expenditure.

Given the revenue disparity noted earlier, the fact that the correlation of wages and performance is imperfect however, is encouraging for the vitality of the competition.

League 1 and League 2 both recorded growth in wages equal to the growth in revenue, resulting in increases in the wages/revenue ratio to 84% and 71% respectively. Nevertheless, more conservative wage expenditure remains a feature of these leagues as a direct result of the Salary Cost Management Protocol regulations.

**Wages and performance**

Many have asked “for how long can clubs in the Championship continue to outperform their wage expenditure?” Theoretically a wage differential must exist where a “poorer” team cannot compete with a “richer” team over a 46 match season.

Whether driven by increasing parachute payments, strong commercial/matchday revenue, or owners willing to spend to achieve success, a widening financial gap has been expected to overwhelm the impact of other internal factors (e.g. a losing mentality, the struggle to adjust post relegation etc.) on performance. Thankfully, some individual clubs performance continues to defy this logic.
For the second consecutive season, Championship clubs suffered record operating losses, rising 14% to £288m. Pre-tax losses increased to £208m.

**Football League clubs’ losses**

The combined operating losses of the 18 consistent Championship clubs year-on-year increased by £13m. Most of the increase in total operating losses was attributable to the change in club mix, with the six new joiners recording a £22m greater loss than the clubs they replaced. Notably, Newcastle and Aston Villa recorded operating losses of £55m and £19m respectively.

Four clubs reported operating profits. This is a significant result given that only two clubs recorded an operating profit in the previous season and that clubs may have been tempted to overspend given the increase in allowable losses under the new Profitability and Sustainability rules effective from 2016/17 season.

The substantial increase in pre-tax losses for 2016/17 is a result of the inclusion of a £170m waiver of the loan balance from Bolton Wanderers in their 2015/16 financial statements. If this write off is excluded, pre-tax losses actually reduced by 10% in the 2016/17 season. The underlying improvement in pre-tax losses is almost entirely explained by the change in club mix as the 18 consistent Championship clubs recorded a small (3%) increase in losses.

**Chart 15: Championship clubs’ losses – 2012/13 to 2016/17 (£m)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2012/13</th>
<th>2013/14</th>
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<td>(11)</td>
<td>(10)</td>
<td>(9)</td>
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<td>(3)</td>
</tr>
</tbody>
</table>

- Operating profit/(loss)
- Number of clubs generating operating profit/pre-tax profit
- Average club operating loss/pre-tax loss

Notes: The operating result is the net of revenues less wage costs and other operating costs. The operating result excludes player trading and certain exceptional items, which are included in the pre-tax result, along with other costs such as financing costs.

The 2013/14 pre-tax loss included a one-off credit of £60m at Queens Park Rangers.

The 2014/15 pre-tax loss included one-off credits of £26m at Cardiff City and £11m at Reading.

The 2015/16 pre-tax loss included one-off credits of £170m at Bolton Wanderers, £18m at Nottingham Forest, £12m at Derby County, and £10m at Cardiff City.

The 2016/17 pre-tax loss included provisions for onerous contracts of £22m at Newcastle United, and a one-off credit of £40m at Nottingham Forest.

Source: Deloitte analysis.

The cost of promotion

It is worth noting that all three teams that gained promotion in the 2016/17 season (Newcastle, Brighton and Huddersfield) recorded significant operating losses of c.£20m or more, while none of the teams who recorded operating profits made the play-off positions. These three clubs had combined wage costs of £174m, albeit over £30m of that amount was due to bonuses contingent on promotion that would have mitigated the losses.

Towards stability?

The Championship has long been characterised by operating losses and club wages/revenue ratios approaching, and then surpassing, 100% as owners pursue the glory and financial reward of the Premier League.

However, if the gap between the richer and poorer teams continues to widen, it is possible that the aspirations of some club owners may shift from purely promotion towards becoming an established Championship team.

As a result the motivation for middle tier and below clubs to spend beyond their means may be reduced, particularly as cost control regulations become more embedded with time, leading to greater longer term financial stability.
The 2016/17 season saw a substantial increase in Championship clubs’ aggregate net debt, up 33% on the previous season to £1.8 billion, albeit this was significantly impacted by the changed population of clubs in the division. The proportion of total net debt represented by interest-free soft loans from shareholders increased to 78% in 2017 (60% in 2016).

Football League clubs’ net debt
The combined net debt of the 18 consistent Championship clubs year-on-year grew by 19% to £1.3 billion. The increase in debt levels was widespread, with only two clubs recording debt reductions. The vast majority of the increase (£184m) was due to increased soft loans.

The additional increase in net debt is a result in the change of club mix, specifically the return of Newcastle United to the Championship. With an estimated net debt of £434m, predominantly in the form of soft loans owed to companies controlled by ultimate owner Mike Ashley, Newcastle was the most indebted club in the Championship.

Bank loans accounted for £64m of the division’s total net debt (4%), down from £83m (6%) in 2016. Bank loans are almost entirely attributable to the £50m loan held by Bristol City, with traditional financial institution funding appearing to be challenging for Championship clubs to attain. Cash reserves decreased by £8m in 2017 to £19m at year end.

Individual club analysis
The top ten most indebted clubs in the Championship accounted for 81% of the overall net debt in the division, around the same proportion as the year before. All of the top ten increased their net debt, with the increases largely due to additional funding from owners.

It is worth noting that four of the five most indebted clubs at the end of the 2016/17 season have since been promoted to the Premier League. This result lends further support to the argument that the most successful Championship clubs in recent seasons have required significant financial support from their owners.

The combination of soft loans from shareholders and other loans rose slightly to 98% of total net debt, again reinforcing the fact that Championship clubs are almost entirely funded by non-interest bearing financing.

Future trends
While we have suggested earlier that the changing dynamics of the Championship may promote greater financial stability in the future, the reality is that it may take some time until this translates to many clubs being able to operate independently of the financial backing of their owners. The current results demonstrate that the vast majority of owners have funded, and are continuing to fund, clubs through soft loans and equity injections and therefore remain committed to pursuing promotion to the Premier League. Pleasingly, 2017/18 represents the fifth consecutive season where there have been no insolvency events in the Football League, demonstrating some reason for optimism about the long term shift towards financial stability.
### Player transfers

The 2016/17 season saw another year of record expenditure by Premier League clubs of £1.6 billion on player additions, a 20% increase on last season’s then record of £1.3 billion. Football League clubs also experienced a particularly marked increase in transfer spending, with £328m spent in the 2016/17 season, an increase of 76%.

**Premier League clubs transfer activity**
Transfer expenditure by Premier League clubs increased 20% to a new record of £1.6 billion in the 2016/17 season. Agents also benefitted from this increased expenditure, with monies to agents increasing by 9% to £174m. Intra-Premier League transfers increased markedly, with £392m spent, an increase of 84%.

Both Manchester-based Premier League clubs led the way in player registrations, with Manchester United (£205m – a new Premier League record by around £30m) and Manchester City (£204m) accounting for over a quarter of total transfer expenditure by Premier League clubs. Four other clubs (Arsenal, Chelsea, Crystal Palace and Leicester City) recorded additions to player registrations of over £100m, with the average player registration additions for Premier League clubs being almost £80m.

Net transfer expenditure actually fell slightly to below £750m with amounts paid to overseas clubs remaining consistent. The increased spending within the Premier League may indicate a shift in the strategies of clubs as they look to acquire more proven Premier League talent.

**Football League clubs transfer activity**
The trend of Championship clubs spending heavily in an attempt to reach the promised land of the Premier League has again driven substantial growth in transfer spending in the Football League, with gross transfer expenditure increasing by around three quarters to £328m.

Aston Villa, relegated to the Championship for the 2016/17 season, was the Football League’s biggest spender, with the club incurring £88m on player additions. This was almost three times the amount invested by the second biggest spenders, Wolverhampton Wanderers (£32m).

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**Chart 17: Premier League and Football League clubs’ player transfer payments – 2016/17 (£m)**

Note: Arrows represent the flow of transfer payments, with players moving in the opposite direction. The estimated fees in respect of the transfer of player registrations refer to amounts committed in 2016/17, rather than actual cashflows. The sources for the amounts in the chart relate to periods that are not necessarily coterminous.

Source: Premier League; Football League; Deloitte analysis.

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**The squeezed middle?**
A UEFA study noted that the average agent commission rate for European transfers was 13% of the fee. With amounts in the transfer market continuing to inflate annually the sums flowing to agents seem to be increasing inexorably.

As a consequence the Premier League, in addition to FIFA and UEFA, is considering potential regulations to govern intermediaries due to growing concern around the sums being paid to agents. FIFA has established a working party to investigate how transfer systems can be reformed, and UEFA has publicly stated that it is looking at how a potential cap on fees paid to intermediaries could work.
Fields of dreams

The 2016/17 season on which this edition of the Annual Review focusses was the fifth year of the Elite Player Performance Plan (“EPPP”), the Premier League’s Youth Development Programme introduced at the start of the 2012/13 season for the professional game in England. Below we summarise the system, and assess the differing approaches to readying players for first team football taken by clubs at all levels of the football pyramid.

With the ultimate rationale of the EPPP system being to produce professional footballers, attention tends to fall on the Professional Development Phase (PDP), being the last EPPP phase (covering U17 to U23) within which players will be offered a senior contract. The link between academy and first team, and more pertinently the ability to transition from an academy to first team player is vital for an academy to be successful.

The strength and international composition of Premier League squads however means that one of the greatest challenges facing Premier League clubs is how to get playing experience for their youth players. Given the high turnover rate of managers, it is understandable that many are reluctant to provide opportunities to youngsters when their own career is on the line. This is often part of the rationale for the appointment of a Sporting Director, for whom a key task is to connect and align the interests of the academy and first team.

Clubs are currently approaching the challenge of providing first team experience in different ways. These include using the U23 team as a stepping stone to the first team, sending players out on loan (typically to overseas clubs or to lower divisions in England), or more commonly a combination of both. More recently, the multi-club ownership model in place at Manchester City has allowed the club to loan players to other clubs within the group to play first team football (e.g. with Girona in La Liga).

Ultimately all clubs will want to maximise the return on the investment in their academy, either through academy products playing in the first team (thus saving transfer fees) or by selling academy products to other clubs. First team exposure either at the parent club or on loan is critical in maximising player development and transfer value.

The ten highest value transfer fees received by English clubs for academy products in the 2017/18 season’s transfer windows are shown adjacent – it is interesting to note that all came from category 1 academies. Given that the average (median) running cost of a category 1 academy is c.£4m p.a., the values achieved indicate that it only takes one sizeable transfer to cover these costs for several years.

<table>
<thead>
<tr>
<th>Player/Academy product</th>
<th>Sold by</th>
<th>Sold to</th>
<th>Reported fee (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jordan Pickford</td>
<td>Sunderland</td>
<td>Everton</td>
<td>25</td>
</tr>
<tr>
<td>Kelechi Iheanacho</td>
<td>Manchester City</td>
<td>Leicester City</td>
<td>25</td>
</tr>
<tr>
<td>Nathan Ake</td>
<td>Chelsea</td>
<td>AFC Bournemouth</td>
<td>20</td>
</tr>
<tr>
<td>Ross Barkley</td>
<td>Everton</td>
<td>Chelsea</td>
<td>15</td>
</tr>
<tr>
<td>Jacob Murphy</td>
<td>Norwich City</td>
<td>Newcastle United</td>
<td>12</td>
</tr>
<tr>
<td>Francis Coquelin</td>
<td>Arsenal</td>
<td>Valencia</td>
<td>12</td>
</tr>
<tr>
<td>Wojciech Szczesny</td>
<td>Arsenal</td>
<td>Juventus</td>
<td>10</td>
</tr>
<tr>
<td>Jadon Sancho</td>
<td>Manchester City</td>
<td>Borussia Dortmund</td>
<td>10</td>
</tr>
<tr>
<td>Adnan Januzaj</td>
<td>Manchester United</td>
<td>Real Sociedad</td>
<td>9.8</td>
</tr>
<tr>
<td>Bertrand Traore</td>
<td>Chelsea</td>
<td>Lyon</td>
<td>8.8</td>
</tr>
</tbody>
</table>

Source: Deloitte analysis.

Achieving a positive return on investment for an academy is therefore particularly variable, driven by a number of factors including transfer fees, wage bill and contract renewals. While for Premier League clubs the annual operating costs of a category 1 academy may seem relatively insignificant and therefore worthwhile on the off-chance of producing either a regular first team player or player that can be sold for multiple £millions, the same figure represents a far greater proportion of a club’s revenue for those in the Football League.

What is evident is that in order to maximise the return on investment of an academy its operations need to be carefully managed, including links with the first team, senior club management and ultimately the board. Communication and decision making protocols need to be fully aligned with academy KPIs in order to ensure academy products are provided with sufficient opportunities to progress to first team football either at the parent club or elsewhere. Only if such measures are in place will a club truly be able to maximise its return on academy investment.

The Sports Business Group at Deloitte has worked with a number of clubs with category 1 academies on projects to help maximise their return on investment, including financial and operational reviews.
Total attendances at Premier League and Football League matches increased to their highest levels in almost 60 years in the 2017/18 season, driven predominantly by a 7% increase in the Premier League meaning over one million more attendees at games over the season. The Championship also saw an attendance increase of 2%.

**Premier League clubs’ attendances**

 Premier League total attendances increased to 14.6m; up 7% on the previous season, with an average stadium utilisation of 96% resulting in average matchday attendance approaching 38,500. The main driver of this was Tottenham Hotspur’s season at Wembley Stadium. The club saw a matchday attendance increase of 123% (compared with their last season at White Hart Lane) to over 70,500 per game resulting in almost 740,000 additional spectators watching the team’s Premier League fixtures. 17 clubs saw stadium utilisation above 95%, compared with 15 in the previous season. All but one club had a utilisation above 90%.

The continued draw of the Premier League is evidenced by the attendances of clubs promoted for the 2017/18 season, with all three clubs effectively filling their stadia for every match. This represented an increase of 18% for Huddersfield Town, 9% for Brighton & Hove Albion and 2% at Newcastle United.

**Football League clubs’ attendances**

 Championship clubs’ total attendances grew by 2% in the 2017/18 season, despite the promotion of Newcastle United who had the highest average attendance in the previous season. The loss of Newcastle United was offset by relegated Premier League clubs, as well as the promotion of Sheffield United, who had the sixth highest Championship attendance in the 2017/18 season. Average attendance across the Championship was more than 20,500, meaning it was above 20,000 for the second consecutive season.

However, League 1 and League 2 both saw attendance decreases. League 1 saw average attendance drop by 2%, impacted by the promotion of Sheffield United and Bolton Wanderers, who were 1st and 3rd in average attendance in League 1 in the 2016/17 season. League 2 attendance decreased by 7%, driven predominantly by the promotion of Portsmouth to League 1.

**European attendance levels**

 There was impressive growth in the Premier League’s average matchday attendance in 2017/18 but the same was also true in the German Bundesliga so the latter still holds the title of the best-attended football league in the world. Bundesliga average matchday attendance was over 44,000, more than 5,500 above that of the Premier League. There were seven English clubs that averaged crowds of over 50,000 per league match, compared with six in Germany.

Looking at other ‘big five’ European leagues, in Spain, La Liga crowds dipped slightly to 27,000. However, Italy’s Serie A saw a significant jump up to almost 25,000 and the French Ligue 1 saw a modest increase to 22,500. Despite Atlético de Madrid moving to a new stadium, and both Barcelona and Real Madrid having plans to improve their stadia, we do not expect this will threaten the dominance of the Bundesliga and Premier League in terms of attendance.
Capital expenditure by Premier League and Football League clubs rose by 45% to a record £452m in the 2016/17 season.

Premier League clubs’ capital expenditure
£395m was spent by Premier League clubs in 2016/17, a significant increase of £160m (68%).

The key component was £221m spent by Tottenham Hotspur on their new stadium, and their expenditure accounted for 56% of total capital expenditure in the league. When opened, the planned 62,062 capacity would be the second highest in the Premier League after Old Trafford (75,454). Although the London Stadium capacity has been reported to be 66,000, the stadium is currently only licenced for 57,000 attendees for West Ham matches.

Excluding Tottenham Hotspur, year-on-year capital expenditure growth was still 13%. The second highest spender in the division was Liverpool (£49m) whose infrastructure programme includes the completed redevelopment of Anfield’s Main Stand, a new retail store, training ground redevelopment and a new pitch at Anfield. Arsenal (£25m) and Manchester City (£28m) were the only other clubs to spend over £10m on capital expenditure in the season.

Only five clubs spent less than £1m, indicating Premier League clubs are still committed to improving their stadia and maximising the matchday experience.

Football League clubs’ capital expenditure
Championship clubs spent £48m on capital expenditure in 2016/17 season, a reduction of £20m (29%) on the 2015/16 season. Fulham were the division’s largest spenders in the 2016/17 season, spending £12m. Looking forward, Fulham have had their planning application approved for the redevelopment of the Riverside Stand at Craven Cottage, which would add almost 4,000 extra seats, bringing total capacity to 29,600. Bristol City spent £6m as they completed their Ashton Gate stadium rebuild and fit out. Significant amounts were also spent by Derby County (£5m) and Brentford (£4m).

League 1 clubs spent a combined £6m, up from £5m the season before. Charlton Athletic accounted for over £1m of this expenditure.

In League 2 capital expenditure was down slightly at £3m.

Increase in average Premier League stadium capacity over the past 20 years

<table>
<thead>
<tr>
<th>Year</th>
<th>Capacity</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997/98</td>
<td>32,386</td>
<td>-21%</td>
</tr>
<tr>
<td>2007/08</td>
<td>39,037</td>
<td>+3%</td>
</tr>
<tr>
<td>2017/18</td>
<td>40,096</td>
<td></td>
</tr>
</tbody>
</table>

Future capital expenditure
It is likely that Tottenham Hotspur will again be the largest capital spenders in the 2017/18 season, with their White Hart Lane redevelopment scheduled to open for the 2018/19 season. Chelsea are continuing through the planning process for the redevelopment of Stamford Bridge which would take the capacity of the stadium to 60,000. However, they are reportedly unlikely to complete the project before the 2023/24 season. Crystal Palace also obtained planning permission in April 2018 to build a new main stand, which would increase capacity by 8,000 seats.

In addition, the capacity-constrained nature of many Premier League clubs means several potential projects are in the offing in the medium term, including Everton’s quest to build a new stadium at Bramley-Moore Dock, Liverpool’s redevelopment of the Anfield Road stand, Leicester City’s expansion of the King Power Stadium and AFC Bournemouth pursuing a new stadium.

Elsewhere in The Football League, Exeter City still plan to have their £3.5m ground redevelopment completed by summer of 2018 and Brentford broke ground on their planned 17,250 capacity new stadium in March 2018 with completion planned for late 2019.
Advances in technology and increasing competition for consumers’ time and attention are driving sports organisations to innovate and improve the fan experience both at the venue or at home.

Whether imperceptibly, through the use of data analytics and process automation, or more overtly in the choice of how, when and where we watch sports, technology continues to have a significant impact on the sports industry.

Deloitte recently published the 2018 edition of our annual technology, Media and Telecommunications (‘TMT’) predictions. Here we apply a sporting filter to some of the more pertinent themes.

The kids are alright
In the past five years millennials, and trailing millennials (18-24 year olds) in particular, have been lured away from traditional TV by smartphones, computers, social media, YouTube and other short-form aggregators, subscription video-on-demand (SVOD) services like Netflix, and video piracy. Deloitte predicts that the decline in traditional TV viewing will continue at a slower rate for the next couple of years in the US, Canada and the UK before levelling out as the peak of these impacts is reached.

Yet in 2017 young people still watched an average of over 100 minutes of traditional TV per day in the US, and sport continues to be a dominant part of the ‘core’ of traditional TV content that younger viewers continue to prefer watching live.

Live thrives in an online world
Despite the mantra of consumers demanding content ‘anytime, anywhere and any format’, the thrill of watching ‘now’ means that live viewing of sports events still thrives. Fear of missing out, the desire to be part of a shared yet exclusive experience, and the convenience and inertia associated with scheduled events all contribute towards the enduring appeal of live sports on TV.

Digital platforms are wrongly categorised as a substitute for live event viewing; traditional and digital platforms are not necessarily in competition.

For event attendees, advances in technology improve the fan experience. Examples include digital ticketing, biometric security systems, way-finding advice, targeted advertising, fan engagement activities and in-the-moment offers and complementary viewing options such as Augmented Reality.

One to watch
Viewing of eSports events grew to an estimated six billion hours in 2016, a fivefold increase on 2010, yet revenue generated from live-viewing of eSports is forecast to represent just c.1% of all live revenue in 2018. Nonetheless, this growth trend is expected to continue as eSports establish more mature competition models and complement traditional sports.

The subscription prescription
Deloitte predicts that by the end of 2018, 50% of adults in developed countries will have at least two online-only media subscriptions, doubling to four by the end of 2020.

In the sports industry, such advances in technology and the desire from consumers to pay for ad-free, on-demand and digitally-fragmented content has led to rights holders and broadcasters launching dedicated online-only, ‘over-the-top’ (OTT) media platforms. Yet platform developers should beware the paralysis of choice – and additive cost – of multiple potential individual subscriptions. Many consumers may turn full circle back to content aggregators who reduce the confusion of choice and provide simple, easy-to-navigate platforms, with content curated to suit their tastes.

Connecting the dots
A unifying thread through content platforms and use of technology in the game-day experience is the ability to learn more about the fans themselves. Sports organisations can then harness the power of data analytics to provide a more individual offering to each fan, making the best sports organisations the winners in the battle for their attention.

Sports rights holders need to stay aware of wider consumption trends and embrace digital developments to position their sport for a digitally-global, fast-paced and healthy future.

The Sports Business Group at Deloitte, together with Deloitte experts in data analytics and digital strategies, have provided advice on these matters to sports organisations across the entire value chain.
Sources of information
The financial results and financial position of English football clubs for 2016/17, and comparisons between them, has been based on figures extracted from the latest available company or group statutory financial statements in respect of each club – which were either sent to us by the club or obtained from Companies House. In general, if available to us, the figures are extracted from the annual financial statements of the legal entity registered in the United Kingdom which is at, or closest to, the ‘top’ of the ownership structure in respect of each club. The vast majority of English clubs have an annual financial reporting period ending in May, June or July.

The financial results and financial position of clubs in various non-English leagues, and comparisons between them, has been based on figures extracted from the company or group financial statements in respect of each club, or from information provided to us by national associations/leagues.

If financial statements were not available to us for all clubs in a division, or an aggregate divisional totals have been estimated for all clubs for comparison purposes (from year to year or between divisions).

This publication contains a variety of information derived from publicly available or other direct sources, other than financial statements. We have not performed any verification work or audited any of the financial information contained in the financial statements or other sources in respect of each club for the purpose of this publication.

Comparability
Clubs are not wholly consistent with each other in the way they record and classify financial transactions. In some cases we have made adjustments to a club’s figures to enable, in our view, a more meaningful comparison of the football business on a club by club basis and over time. For example, where information was available to us, significant non-football activities or capital transactions have been excluded from revenue.

Some differences between clubs, or over time, may arise due to different commercial arrangements and how the transactions are recorded in the financial statements (for example, in respect of merchandising and hospitality arrangements), due to different financial reporting perimeters in respect of a club, and/or due to different ways in which accounting practice is applied such that the same type of transaction might be recorded in different ways.

Each club’s financial information has been prepared on the basis of national accounting practices or International Financial Reporting Standards (“IFRS”). The financial results of some clubs have changed, or may in the future change, due to the change in basis of accounting practice. In some cases these changes may be significant.

Financial projections
Our projected results are based on a combination of upcoming figures known to us (for example, central distributions to clubs) and other, in our view, reasonable assumptions.

In relation to estimates and projections actual results are likely to be different from those projected because events and circumstances are subject to change and there are a number of factors which are uncertain and/or out of our control. Deloitte cannot give any assurance as to whether, or how closely, the actual results ultimately achieved will correspond to those projected.

Key terms
Revenue includes matchday, broadcast, sponsorship and other operating costs. Revenue excludes player transfer fees, VAT and other sales related taxes.

Matchday revenue is largely derived from gate receipts (including general admission and premium tickets). Broadcast revenue includes distributions received from participation in domestic league competitions. Unless sponsorship revenue is separately disclosed, commercial revenue includes sponsorship, merchandising and other commercial operations. Where identifiable from a club’s disclosures, distributions received in respect of central commercial revenues are either separately disclosed, or otherwise included in broadcast revenue.

Wage costs includes wages, salaries, signing-on fees, bonuses, termination payments, social security contributions and other employee benefit expenses.

Operating profit/loss is the net of revenue less wage costs and other operating costs, excluding amortisation of player registrations, profit/loss on player disposals, certain disclosed exceptional items, and finance income/costs.

Under UK GAAP and IFRS, the costs to a club of acquiring a player’s registration from another club should be capitalised on the balance sheet within intangible fixed assets. Generally, the capitalised amount is subsequently amortised over the period of the respective player’s contract with the club. The potential market value of ‘home-grown’ players is excluded from intangible fixed assets as there is no acquisition cost. Amortisation of player registrations is as disclosed in a club’s accounts, increased by any provisions for impairment of the value of player’s registrations.

Exchange rates
For the purpose of the international analysis and comparisons we have converted the figures for 2016/17 into euros using the average exchange rate for the year ending 30 June 2017 (£1 = €1.16); for years prior to 2016/17 comparative figures as extracted from previous editions of this report; and the figures for years since 2016/17 converted into euros using the average exchange rate for the 10 months ending 31 April 2018 (£1 = €1.13).

Net debt/funds is as disclosed in the financial statements (where shown) or an aggregation of certain figures from the balance sheet. The net debt/funds figure in the financial statements has been adjusted in some cases to aid comparability, such as the inclusion of related party debt. Net debt/funds includes net cash/bank borrowings, other loans, and soft loans.
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