

Football Money League

The reign in Spain



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Welcome

By Dan Jones, Partner, Sports Business Group at Deloitte.

Welcome to the 2005/06 Deloitte Football Money League. This is the tenth year of our publication, profiling the largest clubs in the world's most popular sport. A number of methods may be used to determine the size of a club – including measures of fanbase, attendances, TV audiences, or on pitch success. For the purposes of this publication, however, we look at the best publicly available measure of 'financial muscle': turnover from day to day football business operations. We don't consider a club's budget for outgoings or what someone might pay to buy a club.

The Deloitte Football Money League is the most contemporary and reliable analysis of clubs' relative financial performance and is released less than nine months after the end of last season, as soon as all the clubs' accounts are available to us.

This year Real Madrid retains its place at the top of the Money League, the club's second season at the top, while Barcelona move up four places to second. With both clubs having announced major broadcasting deals in recent months, and forecasting revenues of €300m (£200m) in 2006/07, we may well see the two Spanish giants at the top of the Money League again next year.

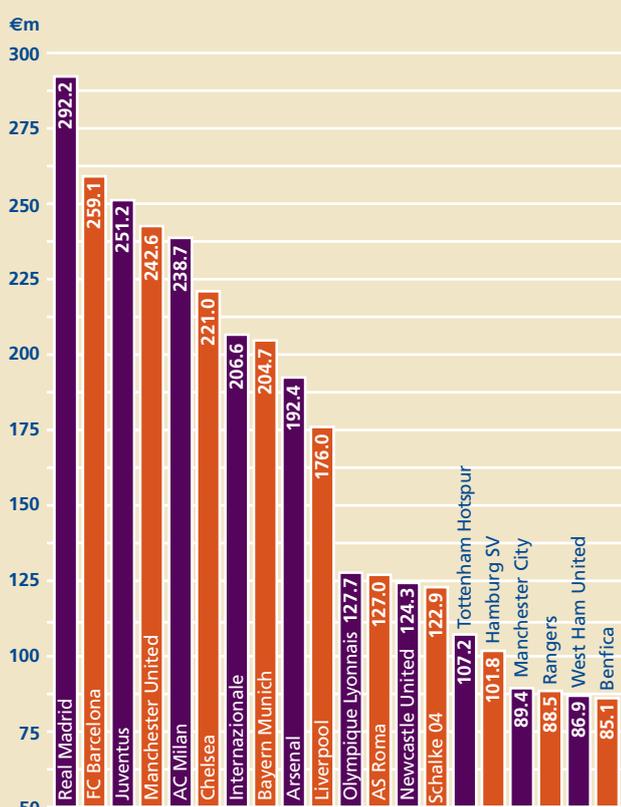
Barcelona have undergone a remarkable transformation in recent seasons, doubling their revenue since 2002/03 (when they were placed 13th in the Money League). Barca's revenue has grown in all three major areas, matchday, broadcasting and commercial, while their great rivals Real Madrid, have made commercial revenue the mainstay of their growth. It will be fascinating to watch these two giants compete in future Money Leagues.

As the football business continues to develop, we are witnessing further evidence of sustained financial polarisation in the sport, a trend emphasised by the fact that in our ten editions we have had 12 ever presents, plus Chelsea who have appeared in nine editions. The composition, but not the order, of the top ten clubs remains the same as in 2003/04 and 2004/05, with Newcastle United the last other club to break into the top ten in 2002/03. An indication of the difficulty in breaking into the top ten is illustrated by comparing the revenues of the tenth and eleventh clubs. In 2005/06 this gap has increased to almost €50m (£34.5m).

Manchester United fall to fourth place this year after an indifferent 2005/06 on the pitch, but we expect them to bounce back strongly in next year's table with the impact of their stadium expansion, while Arsenal will be aiming to reach the top five in 2006/07 given the revenue boost from their move to the Emirates Stadium.

Football remains a growth sport, especially at the highest level. The continued high level of public and commercial interest is reflected by another year of strong growth. In our first Deloitte Football Money League in 1996/97 the 20 clubs' combined income was €1.2 billion. This year, collective revenues of the top 20 clubs was over €3.3 billion after growing by 7%. Next year we can expect the top 20 clubs to have three times their revenue of ten years ago.

Chart 1: Total revenues 2005/06



Source: Deloitte analysis.

“Barcelona has undergone a remarkable transformation in recent seasons, doubling their revenue since 2002/03 (when they were placed 13th in the Money League).”

How we did it

We have used, for each club, the figure for total revenue extracted from the club's annual financial statements, or other direct sources, for the 2005/06 season. In some cases, the annual financial statements do not cover a whole season, but are for the calendar year, in which case we have used the figures for the most recent calendar year available.

We use the terms 'revenue' and 'income' interchangeably. Revenue excludes player transfer fees, VAT and other sales related taxes. In a few cases we have made adjustments to total income figures to enable, in our view, a more meaningful comparison of the football business on a club by club basis. For instance, where information was available to us, significant non-football activities or capital transactions have been excluded from income.

Each club's financial information has been prepared on the basis of national accounting practice or International Financial Reporting Standards ("IFRS"). In some cases, a club has changed the basis of accounting to IFRS for the 2005/06 period, or will be changing to IFRS for 2006/07 or later. The financial results of some clubs have changed, or may in future change, due to the change in the basis of accounting practice. In some cases these changes may be significant.

Based on the information made available to us in respect of each club, to the extent possible, we have split income into three categories – being income derived from matchday, broadcast and commercial sources. Clubs are not wholly consistent with each other in the way they classify revenue. In some cases we have made reclassification adjustments to the disclosed figures to enable, in our view, a more meaningful comparison of the financial results.

Matchday income is largely derived from gate receipts (including season tickets and memberships). Broadcast income includes revenue from television and radio and from both domestic and international competitions. Commercial income includes sponsorships and merchandising revenues.

The 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 information contained in the club financial statements for the purpose of this publication.

All figures for the 2005/06 season have been translated at 30 June 2006 exchange rates (£1 = €1.4464). Comparative figures have been extracted from previous editions of the Deloitte Football Money League.

There are many ways of examining the relative wealth or value of football clubs – and at Deloitte we have developed sophisticated models of anticipated future cash flows to help potential investors or sellers do just that. However, for an exercise such as this, there is insufficient public information to do that. Here – in the Deloitte Football Money League – we use income as the most easily available and comparable measure of financial wealth. Income, like salary for an individual, is not the be all and end all of 'richness', but all would agree that – as a starting point – it is better to have more than less, and the choice of how to spend it. ●

The main driver of this growth has been broadcasting rights values, fuelled by continuing (and arguably still increasing) interest in the game and deregulation of broadcast markets. Premium content remains critical to the business models of Pay-TV broadcasters, and as a result values for top class broadcasting rights continue to rise. The development and convergence of technologies has seen new entrants into the broadcast rights market, increasing competition for rights.

With major new broadcasting deals coming onstream in the coming seasons we may see some interesting changes to future Money Leagues. This year we have eight English representatives, four from Italy, three from Germany, two from Spain, and one each from France, Scotland and Portugal. 2007/08 – the first year of new Premiership broadcasting deals – could see England provide half the Money League clubs – a sign of strength in depth, unlike Spain whose big two are three times bigger than any other Spanish club. In 2007/08 another important milestone could be reached as all 20 clubs could have turnover over €100m (£69m).

We have seen four changes to the composition of the 20 Money League clubs since last year. Lazio drop out of the top 20 for the first time, and we have also lost Celtic, Valencia and Everton. They have been replaced by Hamburg, Rangers, West Ham United and Benfica. At the bottom of the table, on pitch performance often tends to be the difference between appearing in the Money League and just missing out.

Our focus this year

In addition to our usual profiles of the top 20 clubs and their revenue sources we provide three additional articles this year. We outline recent developments in the football broadcast market and some of the recently agreed deals and their implications for club revenues. Perhaps as a result of these broadcasting deal announcements, and the broadly healthy state of the game, we have seen a wave of interest in football clubs from investors, and a number of takeover deals have been completed. We profile this trend in a feature article. Finally, we discuss Barcelona's impressive increase in revenues, which has resulted in their reappearance in the Money League top two after an eight year absence. But firstly we provide the profiles of the top 20 clubs.

The Deloitte Football Money League was compiled by Dan Jones, Rich Parkes, Austin Houlihan, Grant Ingles and Martyn Hawkins of the Sports Business Group at Deloitte. Our thanks go to all those who have assisted us, inside and outside the Deloitte international network. We hope you enjoy this edition. ●



Dan Jones

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Ups and downs

2005/06 Revenue (€m)

1	0	Real Madrid	€292.2
2	4	FC Barcelona	€259.1
3	1	Juventus	€251.2
4	2	Manchester United	€242.6
5	2	AC Milan	€238.7
6	1	Chelsea	€221.0
7	2	Internazionale	€206.6
8	1	Bayern Munich	€204.7
9	1	Arsenal	€192.4
10	2	Liverpool	€176.0
11	4	Olympique Lyonnais	€127.7
12	1	AS Roma	€127.0
13	1	Newcastle United	€124.3
14	0	Schalke 04	€122.9
15	2	Tottenham Hotspur	€107.2
16	New	Hamburg SV	€101.8
17	0	Manchester City	€89.4
18	New	Rangers	€88.5
19	New	West Ham United	€86.9
20	New	Benfica	€85.1

2004/05 Revenue (€m)

1	1	Real Madrid	€275.7
2	1	Manchester United	€246.4
3	0	AC Milan	€234.0
4	1	Juventus	€229.4
5	1	Chelsea	€220.8
6	1	FC Barcelona	€207.9
7	2	Bayern Munich	€189.5
8	2	Liverpool	€181.2
9	1	Internazionale	€177.2
10	4	Arsenal	€171.3
11	1	AS Roma	€131.8
12	1	Newcastle United	€128.9
13	1	Tottenham Hotspur	€104.5
14	3	Schalke 04	€97.4
15	New	Olympique Lyonnais	€92.9
16	3	Celtic	€92.7
17	1	Manchester City	€90.1
18	New	Everton	€88.8
19	New	Valencia	€86.6
20	5	SS Lazio	€83.1

■ Position in Football Money League
■ Change on previous year – up
■ Change on previous year – down
■ No change
■ New entry

1. Real Madrid

 €292.2m (£202.0m)	Position 04/05: 1 →←
	Revenue 04/05: €275.7m (£186.2m)

Real Madrid retain the Money League number one spot with revenues of €292.2m (£202.0m) in 2005/06. Revenue grew by €16.5m (6%), slower growth than in recent years, but they still have a lead of more than €30m (£20.7m) over the second placed club.

While commercial revenues have underpinned Real's strong overall revenue growth over the last five years, and this is another record year for that revenue area, growth in 05/06 was primarily driven by a €11.5m (18%) increase in matchday income to €75.2m (£52.0m).

The club's average home league match attendance of 71,500 in 2005/06 is similar to the previous season, but an increase in corporate hospitality capacity and pricing at its Santiago Bernabeu home ground which resulted in a €6.4m (£4.4m) growth in income from this source to €25.6m (£17.7m) has driven the overall increase in matchday revenue.

Nevertheless, commercial revenues continue to represent the largest source of income with a total of €125.6m (£86.8m) in 2005/06. The club's strong domestic fan base coupled with a substantial following overseas, particularly in Asia, allows it to generate significant revenue from merchandising and licensing which totalled around €52m (£36m) in 2005/06. The catalyst for Real's growth in this area has been the 'galactico' player recruitment policy initiated by President Florentino Perez. Perez was replaced by Ramon Calderon in July 2006, and it is as yet unclear whether this will lead to a large shift in emphasis in recruitment policy and commercial strategy. Real's most marketable player, David Beckham, will leave the club in the Summer 2007.



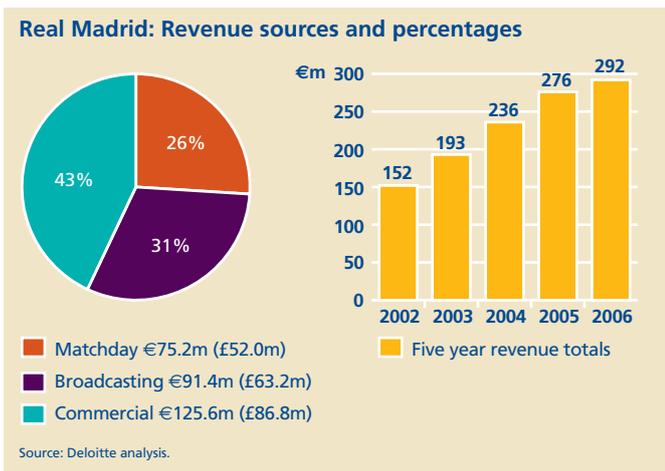
“The catalyst for Real’s growth has been the ‘galactico’ player recruitment policy initiated by President Florentino Perez.”

The club is expecting to increase the value of its shirt sponsorship contract from 2007/08 as its current deal with BenQ Mobile, which is worth an estimated €20m to €25m (£14m to £17m) annually, will end earlier than expected after the current season. Its kit supply deal with adidas runs until the end of the 2011/12 season. Real continues to experience relatively modest results on the pitch, with a second placed finish in La Liga in 2005/06 behind arch rivals Barcelona for the second consecutive year whilst the club was eliminated from the UEFA Champions League at the first knockout stage by Arsenal.

Income from broadcasting totalled €91.4m (£63.2m), a €3.4m (£2.4m) increase from the previous year, with the club's domestic rights deal with Sogecable representing a large proportion of this total. The club also received €15.7m (£10.9m) in central distributions from competing in the UEFA Champions League.

Revenue from this source is likely to be substantially boosted in forthcoming seasons as the club recently negotiated a new contract with Spanish media company Mediapro for the seven years to 2012/13. The club stated that it is guaranteed to earn over €1.1 billion (£760m) from the sale of broadcast rights over the contract period, equating to an average of almost €160m (£111m) a season – substantially more than the amount it received in broadcasting income in 2005/06.

Whilst Real is strongly placed to maintain its position at the top of the Football Money League in future years, particularly given the recent negotiation of the improved broadcasting contract, a key challenge for the club is to reproduce its strong financial performance on the pitch.



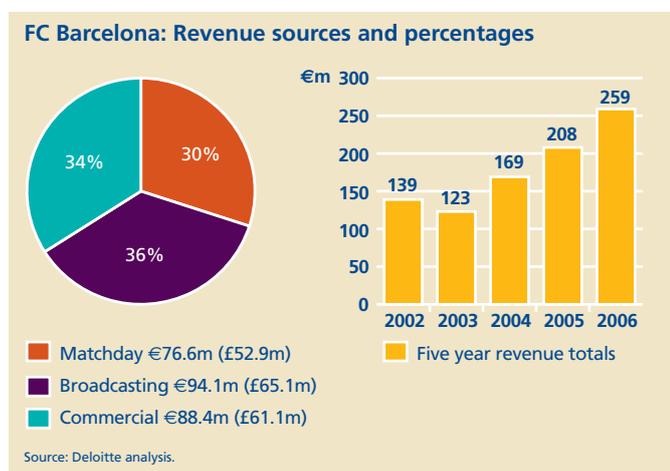
2. FC Barcelona

	€259.1m (£179.1m)	Position 04/05: 6 ↑
		Revenue 04/05: €207.9m (£140.4m)

2005/06 has been a year to celebrate for Barcelona, both on and off the pitch. The Catalans added a second UEFA Champions League title to the one they won in 1992, and retained their Spanish domestic title with ease. Club revenues increased by an impressive 25% to reach €259.1m (£179.1m), and as a result they are the Football Money League's big movers (along with Olympique Lyonnais), up four places to second place. This represents an extraordinary turnaround in the club's financial position in recent years – in 2002/03 Barca's revenues were only €123.4m (£85.9m) and the club was 13th in the Money League.

Barca has a balanced looking three legged revenue model. The largest proportion comes from broadcasting, which increased by 19% to reach €94.1m (£65.1m) in 2005/06. Spanish clubs negotiate domestic broadcast rights individually and Barcelona's current deal with Televisió de Catalunya is worth a reported minimum €54m (£37m) a season. In addition, the successful Champions League campaign generated a further €31.3m (£21.7m) in centrally generated broadcast and sponsorship revenue.

Broadcasting revenue is likely to increase significantly in 2006/07 and 2007/08, as a result of a recently announced agreement with Spanish media company Mediapro, reportedly worth around €250m (£170m) over these two seasons. From 2008/09 this is due to rise to over €150m (£104m) a season in domestic broadcasting rights for the club.



“Club revenues increased by an impressive 25% to reach €259.1m (£179.1m), and as a result they are the Football Money League’s big movers, up four places to second.”

The club announced two major commercial deals in recent months. Their existing kit sponsorship contract with Nike, which began in 1998, was extended for a further five years until 2013, at a reported €30m (£21m) a season. Barcelona also broke with the club's tradition by signing its first shirt sponsorship deal. The agreement, with Unicef, will see the club receiving no payment from the organisation. Instead in an interestingly innovative arrangement the club will promote the organisation on its shirt and support the organisation's projects itself.

Barcelona now has over 150,000 members, an increase of around 40,000 since 2003. Average La Liga attendances at the Nou Camp were 73,200, the highest average of any current Money League club, and matchday revenues totalled €76.6m (£52.9m), 30% of the club's total revenue.

The membership own and run the club, and in August 2006 Joan Laporta was re-elected as President of the club. Laporta has declared an objective of delivering further increases in revenue, to €300m (£207m) in 2006/07 and €400m (£275m) by 2010 – which would see Barcelona challenging at the top of our Money League for years to come.

We profile Barcelona's recent performance in the feature article on page 28.

3. Juventus

	€251.2m (£173.7m)	Position 04/05: 4 ↑
		Revenue 04/05: €229.4m (£154.9m)

Juventus return to the top three in the Money League for the first time since 2002/03 thanks to a €21.8m (10%) increase in revenue to €251.2m (£173.7m). Juve have been in the top five of all ten Money Leagues but will drop down the list next year as a result of both the ‘Calciopoli’ scandal, which resulted in the club being stripped of the Scudetto and relegated to Serie B for 2006/07, and the application of International Financial Reporting Standards (“IFRS”).

Juve’s revenue profile – like other big Italian clubs – is increasingly unbalanced with a heavy reliance on media income. Broadcasting revenue rose 38% to reach €172.0m (£118.9m), 68% of total revenue, the most reliant any club has been on a single source of revenue in the history of our analysis. Key contributors to this total are individually negotiated broadcasting deals with Sky Italia and Mediaset, and €18.8m (£13.0m) in centrally distributed revenue from reaching the quarter-final of the UEFA Champions League. During the year the club negotiated a two year €218m (£151m) broadcasting contract with Mediaset, which commences in 2007/08, but included an upfront payment for option rights, which contributed €30m (£21m) to revenue under Italian accounting principles, but would have been deferred under IFRS.

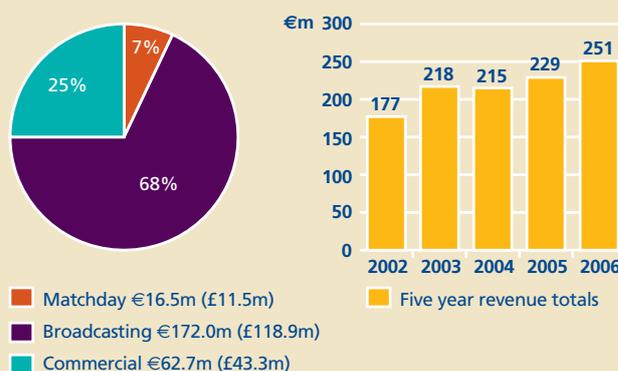
As well as not benefiting from Champions League revenues in 2006/07, the club will receive €14.3m (£9.9m) less than originally anticipated from its contract with Sky Italia, following its relegation.

Although the most popular club in Italy, with a reported 13m Italian fans, Juve continue to struggle to generate significant attendances and have the lowest average attendance of any current Money League club. Whilst average league match attendances increased by almost 15% to 30,400, matchday revenue decreased by €6.3m (27%) to €16.5m (£11.5m) representing just 7% of total income, as a result of a reduction in average season ticket prices.

The club’s commercial revenues totalled €62.7m (£43.3m) in 2005/06, a 24% reduction compared to the previous year. The 2005/06 season represented the first year of a new shirt sponsorship deal with oil company Tamoil, with this contract combined with the club’s kit sponsorship deal with Nike contributing €34m (£24m). The Tamoil contract will expire at the end of 2006/07 season after negotiations on a potential renewal ended.



Juventus: Revenue sources and percentages



Note: The revenue figure for 2005/06 is from the club’s audited annual financial statements prepared on the basis of Italian accounting principles. The club has since published unaudited financial information that included a restated revenue figure for the 2005/06 period, prepared on the basis of International Financial Reporting Standards. Adjusting for player trading transactions, the restated revenue figure was €220m.

Source: Deloitte analysis.

“Although the most popular club in Italy, with a reported 13m Italian fans, Juve continue to struggle to generate significant attendances and have the lowest average attendance of any current Money League club.”

4. Manchester United

	€242.6m (£167.8m)	Position 04/05: 2 ↓
		Revenue 04/05: €246.4m (£166.4m)

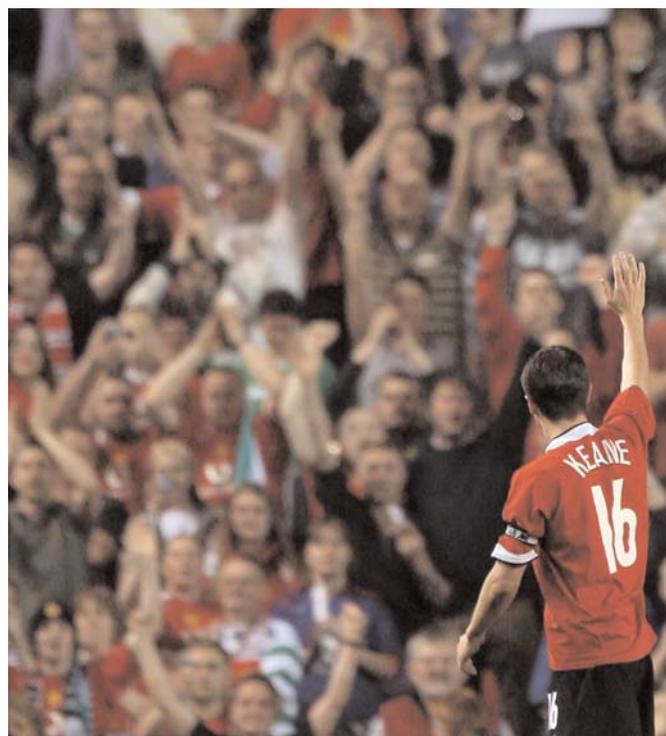
Following last year's drop from the top spot, Manchester United slip further down the Money League to fourth place, with revenue of €242.6m (£167.8m). Nonetheless, the club remain one of the strongest commercial brands in football and the most profitable football club operation in the world. One reason it is not higher in the list is the structuring of some of its key commercial partnerships; if the gross revenues from Nike, MUTV and MUMobile were taken into account, overall revenues would be in the region of €300m (£200m). In 2005/06 United's fall in revenue (in Euro terms) was due in part to a disappointing on pitch performance – a group stage UEFA Champions League exit and a third successive season without winning the Premier League trophy mitigated only to a small degree by a League Cup victory.

United retain the largest support of any UK club and average Premier League attendances in 2005/06 were 68,800. During the season the club expanded Old Trafford's capacity with the completion of the Quadrant developments, increasing capacity to 76,000 from 2006/07. These will deliver increased matchday revenues in our next edition.

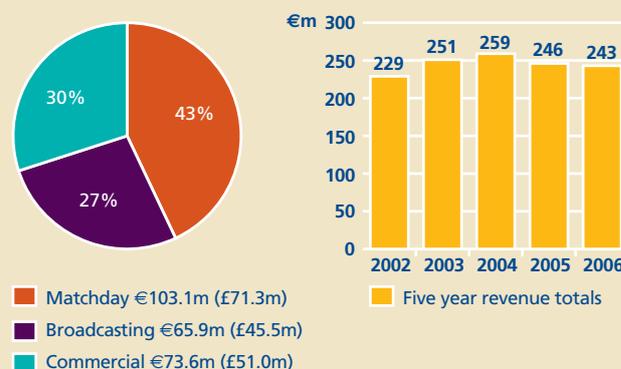
United's broadcasting revenue reached €65.9m (£45.5m) in 2006/07. Only Bayern Munich in our Top 10 earned less from this source in 2006/07. Premier League broadcasting payments will increase significantly from 2007/08 as a result of new broadcasting deal.

United will also increase commercial revenue in 2006/07 with the start of a new shirt sponsorship deal with AIG. The four year deal, worth a reported €20.4m (£14.1m) a season, represents an increase of over 50% compared to the club's previous deal with Vodafone. In addition, the club's €438m (£303m) 13 year partnership with Nike continues.

With improved on pitch performance, the expanded stadium, increased broadcasting and commercial revenues and the troubles in Italy, United should be back in the top three in the Money League soon.



Manchester United: Revenue sources and percentages



Source: Deloitte analysis.

“The club expanded Old Trafford’s capacity with the completion of the Quadrant developments, increasing capacity to 76,000 from 2006/07. These will deliver increased matchday revenues from 2006/07.”

5. AC Milan

	€238.7m (£165.0m)	Position 04/05: 3 ↓
	Revenue 04/05: €234.0m (£158.0m)	

Despite a €4.7m (2%) increase in revenue to €238.7m (£165.0m), AC Milan drop two places to fifth in the Money League.

Broadcasting is the major contributor to Milan’s income, totalling €154.3m (£106.7m), a €16.3m (12%) increase on the previous year, equating to 65% of total revenue. Revenues across the club’s other two revenue streams actually decreased. 2005/06 was the first year of a new Pay-TV contract with Sky Italia reportedly worth over €80m (£55m) a season. The club also received payments from Mediaset in respect of Digital Terrestrial broadcast rights, and an advance payment relating to a broadcast deal starting in 2007/08. The Rossoneri also earned €20.3m (£14.0m) in centrally distributed revenues as a result of reaching the semi-final in the UEFA Champions League.

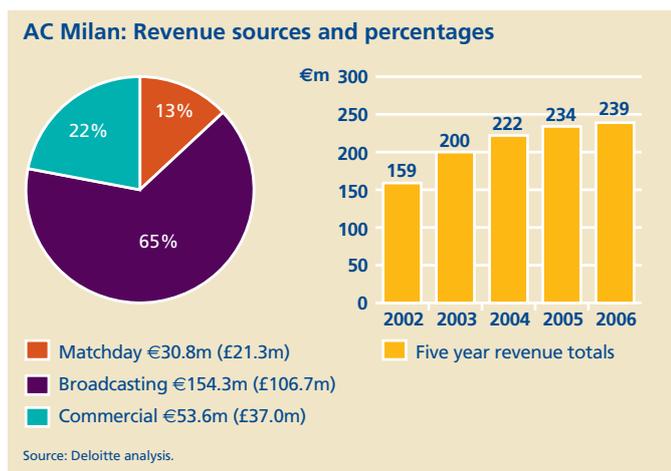
Matchday revenues totalled €30.8m (£21.3m), only 13% of total revenue and a €7.3m (19%) reduction on the previous year. The club’s average Serie A home attendance fell by around 5,000 to 59,300, mirroring a general trend in Italian football, and emphasising the need for investment to improve physical security and comfort for fans in stadia, in order to reverse this decline.

Commercial revenues of €53.6m (£37.0m) represented a drop of €4.3m (7%) on the previous year. Key contributors included the club’s shirt sponsorship deal with Opel, which expired at the end of the season, and its kit supply deal with adidas, which runs until 2009/10. Betandwin will replace Opel as shirt sponsor from 2006/07 in a deal worth a reported €10m (£7m) a season.

Milan may drop down the Money League next year after being implicated in the ‘Calciopoli’ scandal, which resulted in the club being deducted 8 points from Serie A in 2006/07.



“Broadcasting is the major contributor to Milan’s income, totalling €154.3m (£106.7m), a €16.3m (12%) increase on the previous year, equating to 65% of total revenue.”



6. Chelsea

	€221.0m (£152.8m)	Position 04/05: 5 ↓
		Revenue 04/05: €220.8m (£149.1m)

Following Roman Abramovich’s takeover in July 2003, Chelsea delivered an immediate and impressive step change in revenues. However in recent seasons the club’s revenue has stayed steady at c.€220m. As a result they fall one place to sixth in the Money League with revenue of €221.0m (£152.8m). Although revenue in sterling terms increased slightly, this was balanced by exchange rate movements.

Chelsea’s heavy investment in the transfer market has delivered significant domestic success, with the club retaining its Premier League title in 2005/06. However, the UEFA Champions League remains elusive, and the club were eliminated by eventual winners Barcelona in the first knock-out stage.

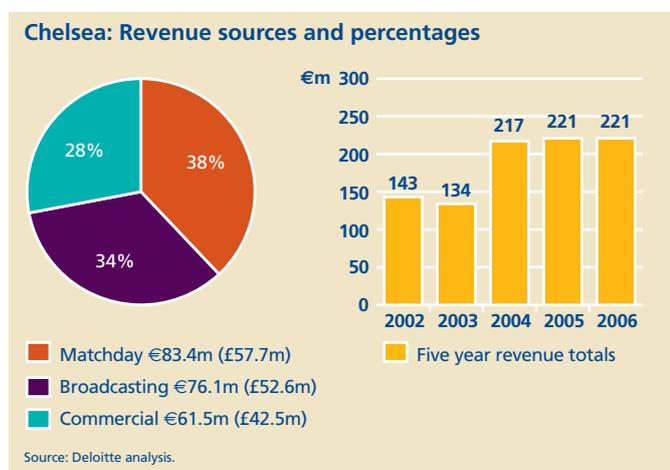
The 2005/06 Champions League campaign generated €24.7m (£17.1m) in centrally generated broadcasting and sponsorship revenue, while Premiership broadcasting revenue totalled €44m (£30.4m). Chelsea’s broadcasting revenue will be boosted significantly by the Premier League’s new broadcasting deal, which comes into force in 2007/08.

Commercial revenue grew by 12% to reach €61.5m (£42.5m), partly as a result of a shirt sponsorship deal with Samsung worth a reported €72m (£50m) over five years. Commercial revenue can be expected to increase further in 2006/07 as a result of the club’s kit sponsorship deal with adidas, which is worth a reported €17m (£12m) a year.

Chelsea’s matchday revenues are limited by the 42,000 capacity of their home ground. The ground is effectively sold out for all Premier League matches, but this attendance is some distance behind those at Premier League rivals Arsenal and Manchester United. The club’s Chief Executive, Peter Kenyon has stated the club’s intention to be internationally recognised as the world’s number one club by 2014. To compete at the very top of the Money League, Chelsea may need to expand Stamford Bridge, or move to a new stadium.



“Chelsea’s heavy investment in the transfer market has delivered significant domestic success, with the club retaining its Premier League title in 2005/06. However, the UEFA Champions League remains elusive.”



7. Internazionale

	€206.6m (£142.8m)	Position 04/05: 9 ↑
		Revenue 04/05: €177.2m (£119.7m)

A €29.4m (17%) increase in revenues means that Inter break the €200m barrier for the first time, with a total of €206.6m (£142.8m), and climb two places to seventh in the Football Money League.

On the pitch, the club reached the quarter final of the UEFA Champions League for the second consecutive season, and although they finished third in Serie A Inter were awarded the Scudetto for the first time since 1989, after sanctions were imposed on Juventus and AC Milan following the 'Calciopoli' scandal.

Broadcasting income is the club's largest single revenue source totalling €130.4m (£90.1m), 63% of total income. 2005/06 was the first season of a new two-year live rights deal with Sky Italia which contributed well over half this total, whilst the club also received €14.9m (£10.3m) from its run in the Champions League.

A new two-year broadcasting deal from 2007/08 with Mediaset is reportedly worth €100m (£69m) a season, and includes an up-front payment of €21m (£15m) for the option to renew the rights for a further year.

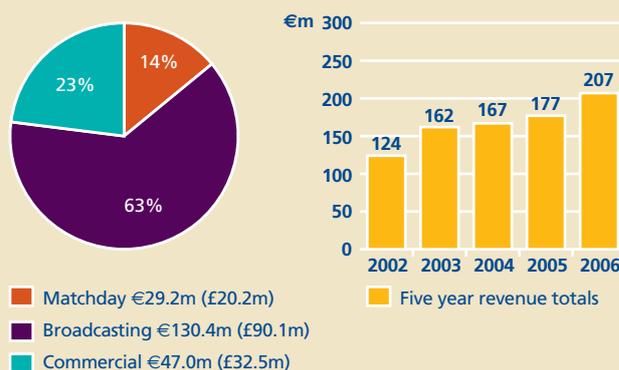
Commercial revenue increased €8.7m (23%) to €47.0m (£32.5m), with key contributors being its shirt sponsorship deal with Pirelli and kit supply deal with Nike, each worth around €8m (£6m) a season.

Like other Italian Money League clubs Inter receive relatively small matchday revenues, which dropped €6.5m (18%) to €29.2m (£20.2m), with a decrease in average home league match attendance from 57,000 to 51,600.

Whilst the club are strongly placed to climb the Money League in future seasons as a result of its lucrative new broadcast deal, a continuation of its strong 2006/07 on pitch performance and growth of commercial and, in particular, matchday revenues are likely to be key to sustaining an improved position.



Internazionale: Revenue sources and percentages



Source: Deloitte analysis.

“A €29.4m (17%) increase in revenues means that Inter break the €200m barrier for the first time.”

8. Bayern Munich

	€204.7m (£141.5m)	Position 04/05: 7 ↓
		Revenue 04/05: €189.5m (£128.0m)

A €15.2m (8%) increase in revenue has allowed Bayern Munich to generate over €200m for the first time, although the club's total of €204.7m (£141.5m) means that it slips one place to eighth in the Money League.

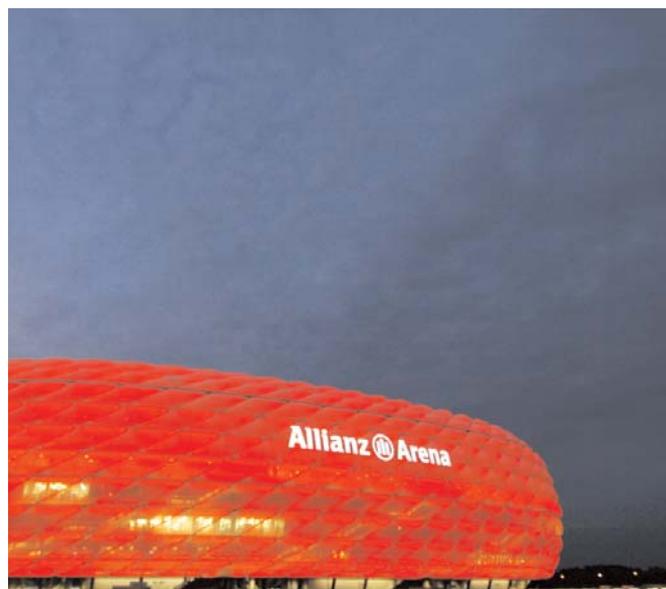
This revenue increase is due to the fact that Bayern enjoyed its first full season in its new Allianz Arena home ground in 2005/06, which resulted in average home league match attendances increasing from 53,000 to over 67,000, significantly boosting matchday revenues.

Commercial revenue, despite a slight dip, remains the club's most lucrative income stream and totalled €109.8m (£75.9m) in 2005/06, 54% of total revenue. The strong German corporate market means that Bayern is able to negotiate lucrative sponsorship contracts including a shirt sponsorship deal with Deutsche Telekom worth €17m (£12m) a season.

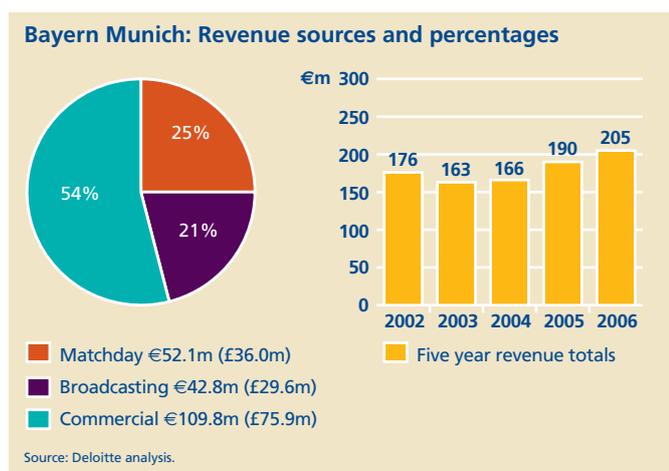
Bayern reached the first knockout stage of the UEFA Champions League, before being eliminated by AC Milan, and earned €19.9m (£13.7m) from centrally distributed UEFA revenues.

Broadcast revenues remain small (the smallest of any top 10 club) in comparison to those of its main European rivals. Bayern received €22.9m (£15.8m) in broadcast revenues from domestic competitions and friendly matches in 2005/06. 2006/07 will represent the first season of an improved centralised broadcast deal for the Bundesliga, with distributions increasingly weighted towards the more successful and popular clubs such as Bayern.

A sustained run in the Champions League, and optimising income from its new stadium as well as the sizeable German corporate market, are the opportunities to increase revenue, and strengthen the club's top 10 place in the coming years.



“Bayern enjoyed its first full season in its new Allianz Arena home ground in 2005/06, which resulted in average home league match attendances increasing from 53,000 to over 67,000.”



9. Arsenal

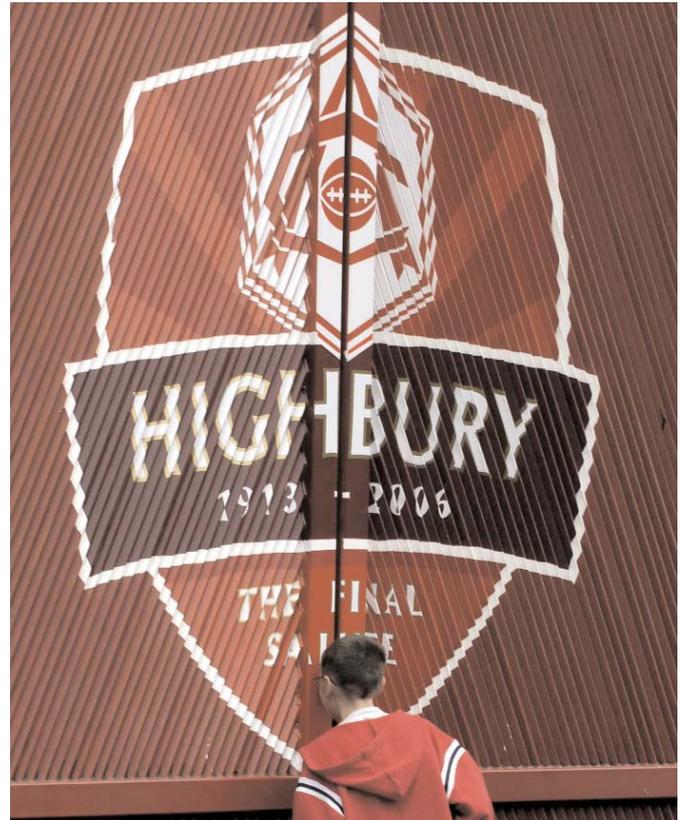
	€192.4m (€133.0m)	Position 04/05: 10 ↑
	Revenue 04/05: €171.3m (€115.7m)	

UEFA Champions League runners-up Arsenal rise one place to ninth, with a €21.1m (12%) increase in revenue. Matchday revenue showed the most significant increase of 15% buoyed by Champions League gate receipts which nearly doubled to €12.2m (£8.4m). In August 2006, Arsenal moved into its new 60,000 seat Emirates Stadium, and this is likely to deliver incremental matchday revenue of around €58m (£40m) per season.

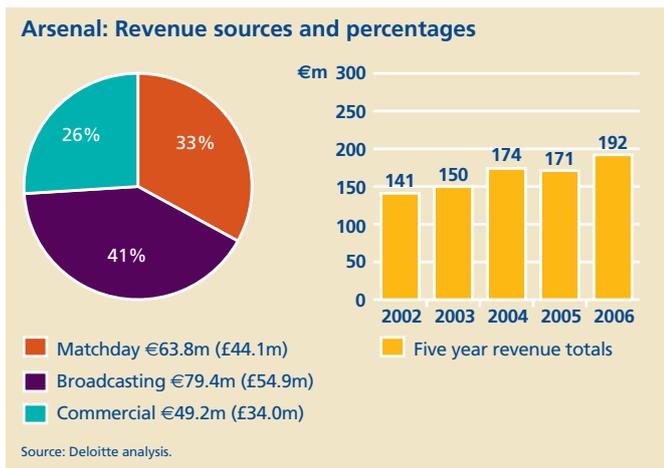
Broadcasting income represents the club's largest revenue source at €79.4m (£54.9m), 41% of the total. The club received €34.7m (£24.0m) in Champions League centrally generated broadcast and sponsorship revenues – the largest amount of any club – and a further €41.5m (£28.7m) from Premier League broadcasting rights.

Commercial income increased by 12% due to revenues associated with the Final Salute season at Highbury and a Nike royalty payment triggered by worldwide sales of Arsenal merchandise. From 2006/07 commercial revenue will be boosted by a reported €130m (£90m) deal with Emirates which includes an eight year shirt sponsorship and 15 year stadium naming rights deal.

The club did not match its European performances domestically and only secured a 2006/07 Champions League place on the last day of the season. Continued on pitch success could see Arsenal break into top five Football Money League clubs for the first time, and challenge Manchester United's long held position as the leading English club – although United's Old Trafford redevelopment and on pitch success should keep them ahead next year. Should the planned takeover of Liverpool proceed it would leave Arsenal as the only one of the big four English clubs not to have attracted majority foreign ownership in recent years.



“Commercial income increased by 12% due to revenues associated with the Final Salute season at Highbury and a Nike royalty payment triggered by worldwide sales of Arsenal merchandise.”



10. Liverpool

	€176.0m (£121.7m)	Position 04/05: 8 ↓
	Revenue 04/05: €181.2m (£122.4m)	

2004/05 UEFA Champions League winners Liverpool slip two places to tenth position, as revenue decreased by 3% in Euro terms.

On the pitch an improved domestic season – the club finished in third position in the Premiership and won a classic FA Cup final – helped offset the disappointment of a first knockout round exit from the Champions League. This on pitch performance is reflected in the revenue generated from each competition. The Champions League campaign generated total revenue – including matchday receipts – of €27.0m (£18.7m), a reduction of €14.6m (£10.1m) from the previous year. This was partially offset by €4.8m (£3.3m) from the Super Cup and World Club Championship and an additional €3.2m (£2.2m) generated from domestic cup competitions.

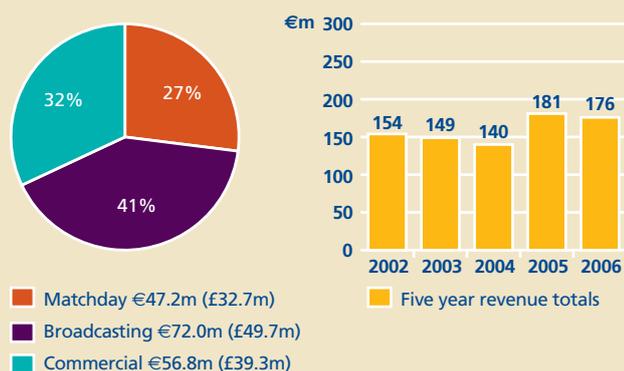
Liverpool's matchday revenue was €47.2m (£32.7m). This is less than half of the matchday revenue generated by Manchester United, while Arsenal and Chelsea both generate significantly higher matchday revenue from similar sized stadia, largely due to higher ticket prices. Arsenal's move to the Emirates Stadium in 2006/07 means Liverpool are likely to fall further behind.

For some time, Liverpool has been strongly linked with deals which would see additional capital introduced into the club and help fund a new stadium development in Stanley Park. This move would enable Liverpool to significantly increase its matchday revenues and, providing it continues to qualify for the Champions League, it should see the club challenging further up the Football Money League. In February 2007, the club announced that its Board had agreed the terms of an offer for the club from George Gillett and Tom Hicks.



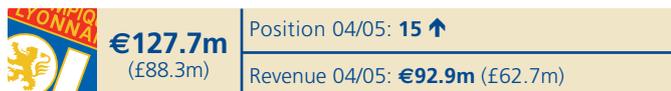
“On the pitch an improved domestic season – the club finished in third position in the Premiership and won a classic FA Cup final – helped offset the disappointment of a first knockout round exit from the Champions League.”

Liverpool: Revenue sources and percentages



Source: Deloitte analysis.

11. Olympique Lyonnais



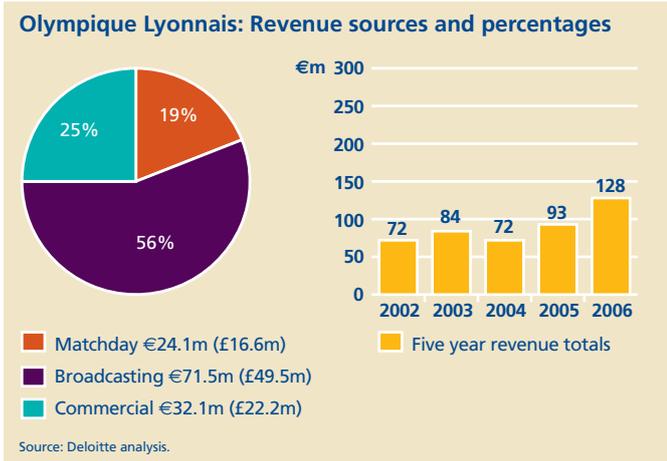
In recent years Olympique Lyonnais has been the leading French club by some distance. 2005/06 saw the club increase revenue by 31% to a record €127.7m (£88.3m) and move up four places to eleventh, its highest ever Money League position.

Lyon won their fifth successive domestic title in 2005/06, a French record, and are well placed to make it six in 2006/07. In addition, they reached the quarter final of the UEFA Champions League for the second successive season.

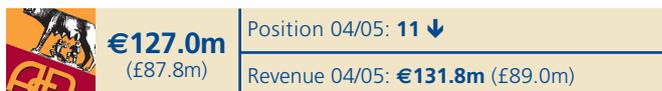
Lyon's revenue has increased by almost 80% since 2003/04, with all categories showing strong growth. 2005/06 was the first season of the French League's broadcasting deal with Canal Plus, worth a reported €600m (£415m) per season – and this helped Lyon's broadcasting revenue rise by over 50% to €71.5m (£49.5m).

Average Ligue 1 attendances stood at 38,500, and the club has sold a record 26,000 season tickets in 2006/07. With the Stade Gerland's capacity limited to 41,000 the club has been keen to move to a larger stadium for some time. In recent months a change in French laws has permitted sports clubs to float on the stock exchange, and the club see this as a potential route to generate additional funds to help finance a new stadium.

Lyon is currently placed at the top of a number of middle ranking Money League clubs. However, moving into the top ten clubs remains a significant challenge, as despite the improvement in the club's revenues a gap of almost €50m (£35m) to the tenth placed club remains.



12. AS Roma



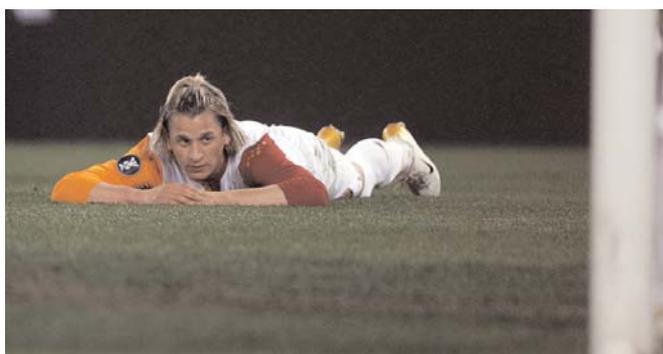
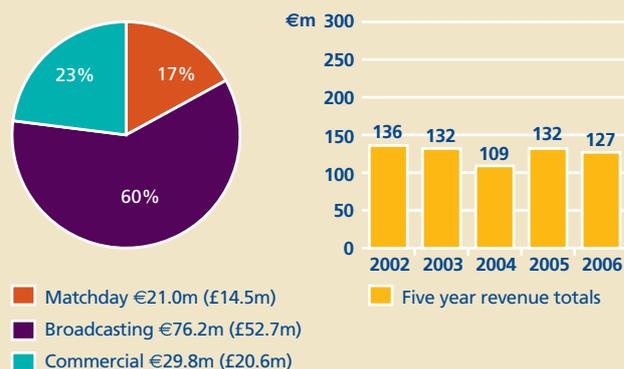
AS Roma slips one place with revenue falling slightly to €127.0m (£87.8m). They are the highest placed Money League club which did not participate in the UEFA Champions League in 2005/06.

As with all Italian Money League clubs, broadcasting revenue was the main contributor to their success bringing in €76.2m (£52.7m), 60% of the total. The club's individually negotiated broadcasting deal with pay-television operator Sky Italia is reportedly worth €145m (£100m) between 2004/05 and 2006/07. Talks are ongoing between the clubs and Lega Calcio about how broadcast revenue will be marketed in future, with a return to central selling a possibility. In common with all the bigger Italian clubs, such a change would result in Roma needing to improve its revenue in other areas, to maintain its current Money League position.

Again, in common with many Italian clubs Roma's attendances fell in 2005/06. The average attendance of 39,700 at their Serie A home matches was 11% lower than the previous season and used less than half the Stadio Olimpico's 85,000 capacity. A successful Euro 2012 bid by Italy could be a catalyst for Roma and other Italian clubs to address their stadium issues.

Going forward, more consistent on pitch performance with regular qualification for the Champions League, coupled with improved matchday and commercial performance, is essential for revenue growth. Following the sanctions imposed on Juventus and AC Milan in the 2006 'Calciopoli' scandal, Roma were awarded second place in the Scudetto and therefore qualified for the 2006/07 Champions League, which will provide a boost to revenues.

AS Roma: Revenue sources and percentages



13. Newcastle United

	€124.3m (£85.9m)	Position 04/05: 12 ↓
		Revenue 04/05: €128.9m (£87.1m)

Newcastle United drop one place to 13th after a slight drop in revenue. An improved Premiership campaign could not offset the impact of an absence of European football for the first time since 2001/02. Newcastle United is the highest placed Money League club which did not benefit from either UEFA Champions League or UEFA Cup football in 2005/06.

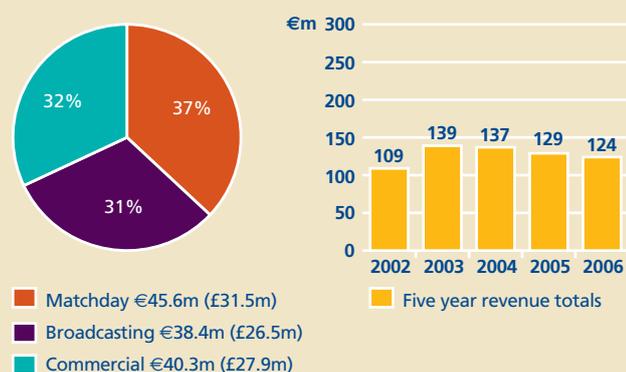
Newcastle's Money League placing is largely due to the club's strong home support. Average Premier League attendances have been above 50,000 for all six seasons since St James' Park expanded. However, matchday revenues fell to €45.6m (£31.5m) as the club played nine fewer home matches.

Broadcasting revenues were also reduced – to €38.4m (£26.6m) – as higher Premiership broadcasting payments following the club's 7th placed finish partially offset the absence of UEFA Cup television revenues. The new Premier League broadcasting deal in 2007/08 will increase broadcasting revenue significantly and reverse this trend.

Newcastle have not taken part in the Champions League since 2002/03. Although this has not had a significant impact on Newcastle's Money League position its revenues have suffered. In 2003/04, Newcastle were one place behind Liverpool with €2.9m (£2.0m) separating the clubs. The difference is now three places and €51.7m (£35.7m). Champions League football needs to return to Newcastle for them to break into the Money League top ten. This does not look likely before the 2008/09 season at the earliest.



Newcastle United: Revenue sources and percentages



Note: Newcastle United reported their results for an 11 month period in 2005/06. To enable comparability between the clubs we have estimated revenue for a 12 month period.

Source: Deloitte analysis.

“Newcastle’s Money League placing is largely due to the club’s strong home support, and average Premier League attendances have been above 50,000 for all six seasons since St James’ Park expanded.”

14. Schalke 04

	€122.9m (£84.9m)	Position 04/05: 14 →←
	Revenue 04/05: €97.4m (£65.8m)	

Schalke 04 remain in 14th place despite a €25.5m (26%) increase in revenues to €122.9m (£84.9m). Participation in the UEFA Champions League helped the club to generate revenues of over €100m for the first time since 2003.

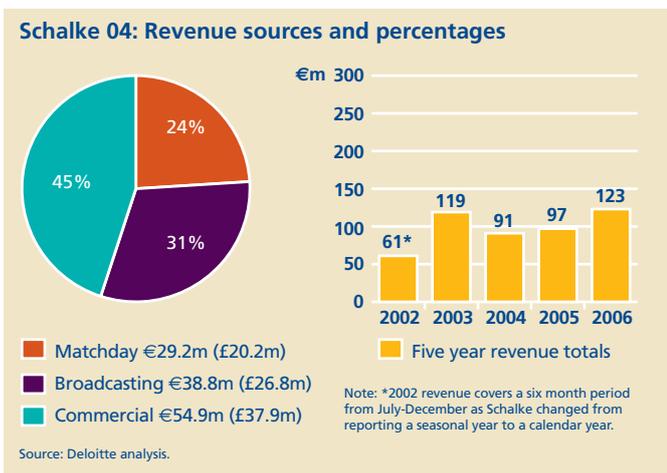
The club finished third in their Champions League group and went on to reach the semi finals of the UEFA Cup. As a result Schalke more than doubled broadcasting income to €38.8m (£26.8m), including €14.7m (£10.2m) in centrally generated Champions League broadcasting and sponsorship revenue.

Schalke played seven home European matches and this, coupled with a strong average Bundesliga home attendance of 61,300, facilitated a €5.9m (25%) increase in matchday revenue to €29.2m (£20.2m). However, relatively low ticket prices mean that Schalke’s matchday income is small in comparison to some of its European rivals.

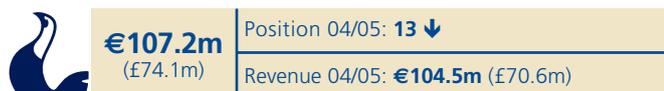
Commercial revenue contributes the largest proportion of Schalke’s revenue, with a total of €54.9m (£37.9m), 45% of total income. Major contributors to this total are the club’s shirt sponsorship deal with insurance company Victoria, and a stadium naming rights sponsorship deal with brewer Veltins expiring in 2015. The club’s new principal sponsorship with Russian energy company Gazprom, is reportedly worth between €100m and €125m (£70m to £90m) over the period to 2011/12. However, a fourth place Bundesliga finish meant that it did not qualify for the 2006/07 UEFA Champions League, which may result in a big drop down the next Money League.



“The club finished third in their Champions League group and went on to reach the semi finals of the UEFA Cup. As a result Schalke more than doubled broadcasting income to €38.8m (£26.8m), including €14.7m (£10.2m) in centrally generated Champions League broadcasting and sponsorship revenue.”



15. Tottenham Hotspur



Tottenham Hotspur have been a part of all ten Money Leagues – a significant achievement considering it has never qualified for the UEFA Champions League. The club has slipped two places to 15th despite achieving record revenue of €107.2m (£74.1m).

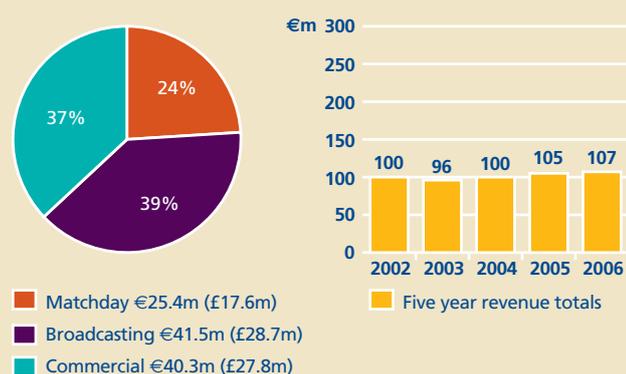
An improved league performance helped broadcast revenue to increase to €41.5m (£28.7m), but early exits from both domestic cup competitions meant that only 19 matches were played at White Hart Lane in 2005/06. Although Premier League average attendances were over 36,000, matchday revenue fell by 19% to €25.4m (£17.6m).

The increase in total revenue is due largely to a 14% rise in commercial revenue to €40.3m (£27.8m). Furthermore, Spurs signed two major sponsorship deals during the year – a shirt sponsorship deal with Mansion reportedly worth a minimum of €49m (£34m) over four seasons and a 5 year Puma kit deal. These should boost commercial revenues from 2006/07.

The club's fifth placed finish in the league – its highest placing since 1989/90 – meant European football returned in 2006/07. This, combined with the new sponsorship agreements may well help the club improve on its position in the Money League next year.

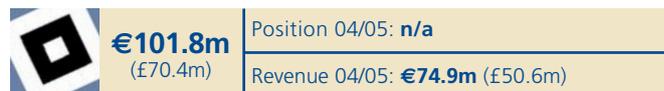


Tottenham Hotspur: Revenue sources and percentages



Source: Deloitte analysis.

16. Hamburg SV



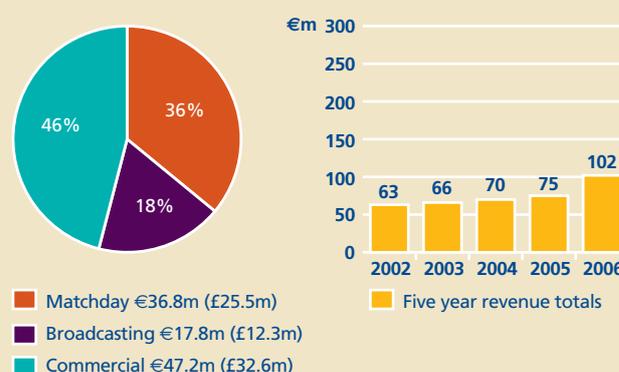
Hamburg makes its first appearance in the Money League since 2000/01 with revenues of €101.8m (£70.4m), an increase of 36% compared to the previous season. In 2005/06 Hamburg finished third in the Bundesliga in 2005/06 and reached the round of 16 in the UEFA Cup. However, despite the club struggling in the Bundesliga in 2006/07 we may see them again in next year's Money League because of their participation in the UEFA Champions League.

Qualification for the 2005/06 UEFA Cup came via the Intertoto Cup, which meant that in total the club played nine home European matches, which, along with an impressive home Bundesliga attendance of 52,600, helped matchday revenue increase by 40% to reach €36.8m (£25.5m), 36% of total revenue.

The club's redeveloped stadium – which hosted 5 matches during the 2006 World Cup – opened in 2000 and includes 50 executive boxes and over 2,000 corporate seats. Many German clubs redeveloped or built new stadia in advance of the World Cup, containing state of the art corporate boxes and hospitality areas, which has helped them to develop this lucrative market.

As a result of operating in the largest European economy, German clubs generate significant commercial revenue, and Hamburg's commercial revenue of €47.2m (£32.6m) is comparable with that of Inter Milan and Arsenal. In addition to naming rights for the stadium, Hamburg holds key commercial contracts with Puma and Emirates.

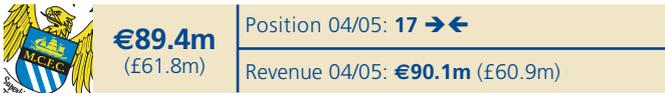
Hamburg SV: Revenue sources and percentages



Source: Deloitte analysis.



17. Manchester City

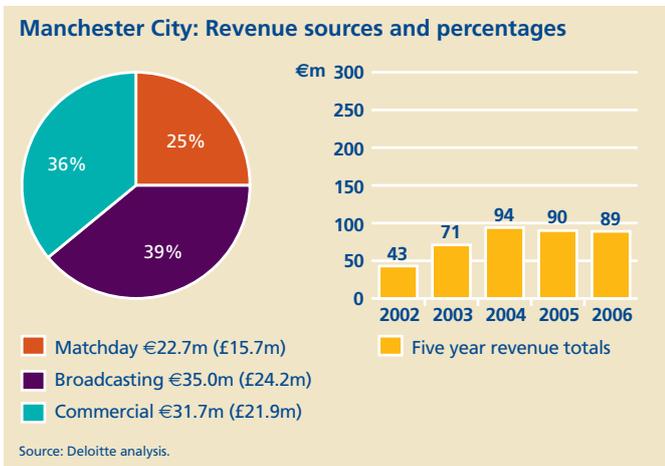


This is Manchester City's third consecutive year in the Football Money League and the club maintain their 17th position despite a slight fall in revenue in Euro terms to €89.4m (£61.8m).

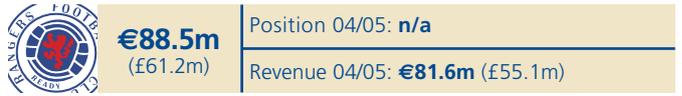
City's debut in the Money League resulted from their move to the City of Manchester Stadium, which delivered a step change in attendances and matchday revenues. Despite falling slightly in 2005/06 average Premier League attendances were almost 43,000, the fourth highest in England. Matchday revenue stands at €22.7m (£15.7m), 25% of total revenue.

Commercial revenues rose to €31.7m (£21.9m), largely as a result of an improved shirt sponsorship agreement with Thomas Cook.

City finished in 15th place in the Premier League, and this generated €29.8m (£20.6m) in broadcasting revenue. A run to the 6th round of the FA Cup helped total broadcasting revenue reach €35.0m (£24.2m), and City can look forward to a significant increase in broadcasting revenue from the Premier League's broadcast deal from 2007/08. This may see City climb further up the Money League in coming seasons.



18. Rangers

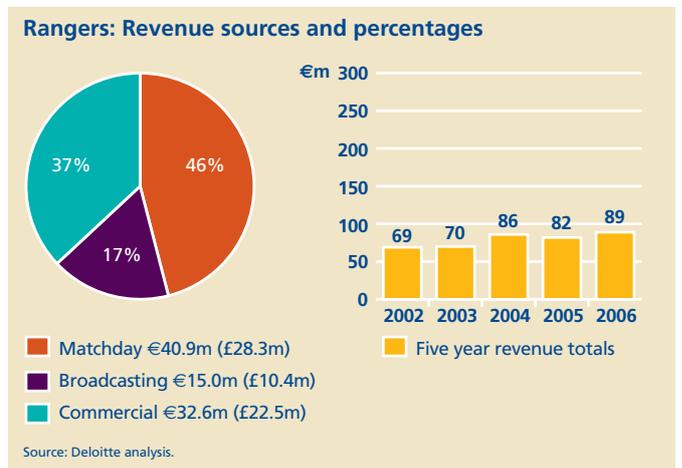


Rangers return to the Money League after a year's absence, despite a poor domestic season in which the club failed to win any trophies and finished outside of the top two SPL places for the first time since in 18 years. Along with Benfica, Rangers is the only representative from outside the Big Five countries and their presence is largely due to core revenues from their strong fanbase, bolstered by UEFA Champions League success.

Average SPL home attendances have been over 47,000 for each of the past five years and matchday revenue of €40.9m (£28.3m) is, at 46%, the highest percentage of total revenue of all of the Money League clubs. Matchday revenue was boosted by the club's European campaign which saw them become the first Scottish team to reach the last 16 of the Champions League.

By contrast, Rangers have the lowest absolute level of broadcasting revenues of all of the Football Money League with €15.0m (£10.4m). The vast majority of this – €12.8m (£8.8m) – came from the Champions League as the club suffers from its small domestic broadcast income. This is to an extent compensated by relatively high commercial revenue of €32.6m (£22.5m). On the commercial side, the club signed a ten year license with JJB Sports in March 2006 with worth a minimum €69m (£48m).

Rangers' will struggle to maintain its position in next year's Money League as it failed to qualify for the 2006/07 Champions League.



19. West Ham United

	€86.9m (£60.1m)	Position 04/05: n/a
Revenue 04/05: €47.1m (£31.8m)		

West Ham United are the fourth London club in this year's Money League, and make their second appearance largely as a result of their on pitch performances in 2005/06. The club finished in ninth place on its return to the Premier League and reached the FA Cup final for the first time in 26 years. Revenue increased by 85% compared to their promotion winning season.

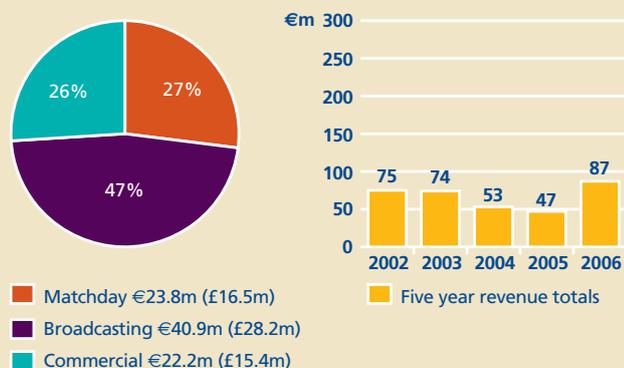
Almost half of the club's revenue came from broadcasting, which totalled €40.9m (£28.2m). Along with Schalke 04, West Ham are one of only two Money League clubs never to have won their domestic Championship, although 2005/06 saw West Ham's highest Premier League finish since 2001/02. This meant they received €34.2m (£23.6m) in Premier League broadcasting payments.

The club generated €23.8m (£16.5m) in matchday revenue from 21 games played at Upton Park, with an average league attendance of 33,700 and a stadium utilisation of 98%.

In November 2006 West Ham were taken over by an Icelandic consortium headed by Eggert Magnusson in a deal worth a reported €123m (£85m). The new owners' immediate aim will be to secure the club's Premiership status.



West Ham United: Revenue sources and percentages



Source: Deloitte analysis.

20. Benfica

	€85.1m (£58.8m)	Position 04/05: n/a
Revenue 04/05: €63.4m (£42.8m)		

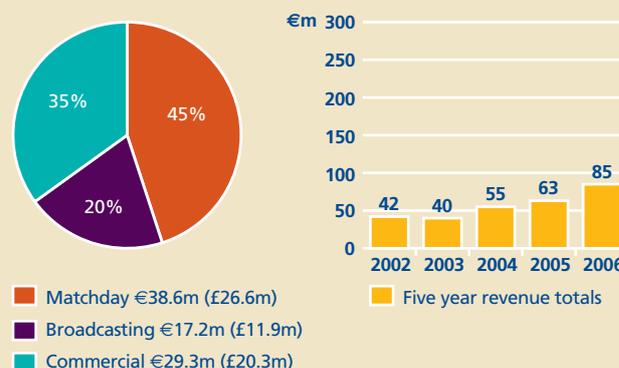
In 2005/06 Benfica's revenue increased by 34% to reach €85.1m (£58.8m), and as a result they are the first Portuguese club to appear in the Money League. The club joins Rangers as this year's only representatives from outside the Big Five countries, and their appearance represents a significant achievement for the club.

Benfica won their first Portuguese League title for 11 seasons in 2004/05, and as a result qualified for the 2005/06 UEFA Champions League. Their subsequent run to the quarter final of the competition generated €16.4m (£11.3m) in total revenues, of which €9.5m (£6.6m) related to centrally generated broadcast and sponsorship payments.

Portugal hosted the 2004 European Championships and Benfica's Stadium of Light was redeveloped for the competition, and now has a capacity of 65,000. The stadium includes over 150 executive boxes, allowing the club to develop new revenue streams. An average league attendance of 43,100 – the highest in Portugal – helped matchday revenue rise to €38.6m (£26.6m), 45% of total revenue.

Commercial revenue of €29.3m (£20.3m) comprises 35% of total revenue and includes major partnerships with adidas and Portugal Telecom. For the club to maintain their Money League position in future seasons they will need to continue to develop all its revenue streams, and continue to deliver regular Champions League football and the revenues that the competition delivers.

Benfica: Revenue sources and percentages



Source: Deloitte analysis.





Deal or no deal

Television companies have helped shape the European football landscape over the past decade, with increases in broadcasting income driving overall revenue growth. Following a period of slower growth, a spate of recent deals for leagues and clubs is set to drive further revenue increases in future seasons.

More than half of the increase in overall revenues for clubs in the top tier domestic football leagues in England, France, Germany and Italy in the period 1996/97 to 2004/05 can be attributed to broadcast income growth. Annual broadcasting revenue in those leagues increased over that time from €0.5 billion (£0.3 billion) to €2.3 billion (£1.6 billion), at an annual rate of almost 20%. Overall revenues have meanwhile increased from just less than €2 billion (£1.4 billion) to €5.2 billion (£3.6 billion).

The growth of the UEFA Champions League has undoubtedly contributed to this increase, and remains a crucial source of income for Europe's top clubs. However, it is the rising value of broadcast rights to top-tier domestic leagues that has underpinned overall revenue growth.

Despite remaining a key driver of overall revenues, broadcast income growth slowed considerably over the early part of this decade with an annual growth for the four leagues of less than 5% between 2000/01 and 2004/05 as the high profile collapse of several media companies created scepticism over the true value of sports broadcast rights.

Since then, technological developments within broadcast media has stimulated competition for rights in many markets. This, coupled with the acceptance that football, and in particular top-tier domestic league football, is one of the few entertainment properties which can generate high audiences and drive subscriptions has re-energised broadcast markets and delivered a recent surge in the value of domestic league rights.

Even in this buoyant market, differing conditions within national broadcast markets and varying regimes for selling domestic league broadcast rights, means that the difference in earning ability between this year's Money League clubs is more pronounced in broadcasting than in other areas. Within the top 20 clubs, Juventus is the highest earning club from broadcasting, receiving €172m (£119m) in 2005/06. This is over ten times the amount received by Rangers, the club earning the lowest broadcasting income – an absolute a difference of over €150m (£104m).

England drives ahead

The English Premiership has traditionally generated the highest broadcast revenues of any domestic football league, contributing to its success in generating higher total income than its competitors.

The collective sale of the rights and a redistribution mechanism whereby a half of overall revenues are split equally amongst competing clubs means that England consistently contributes more clubs to the Money League than any other country, with eight in this year's list. Whilst England's top earning clubs have not necessarily been the highest earners in Europe, with clubs in leagues where rights are negotiated individually able to earn more, it has more strength in depth.

New three-year domestic and overseas broadcast contracts commencing in 2007/08 will deliver a huge 70% increase on the value of current contracts, benefiting all Premiership clubs.

Chelsea received €44m (£30.4m) in distributions from the sale of domestic and overseas rights from winning the Premiership in 2005/06. The winners of the league in 2007/08 could pocket around €72m (£50m). All of the top four placed Premiership clubs could earn at least €70m (£48m) from 2007/08, with increases of at least €25m to €30m (£17m – £21m) on income received in 2006/07.

The impact of the new Premiership broadcasting deal means that we believe English clubs could make up half of the top 20 Money League clubs in 2007/08.

Spain

This year's top two Money League clubs are Spain's top two – Spanish Superclubs Real Madrid and Barcelona. They are set for a substantial increase in broadcasting income from 2006/07 with growth fuelled by an intensely competitive broadcast market.

The Spanish football market is highly polarised with Real and Barca having substantially larger fanbases, both domestically and abroad, than other Spanish clubs with knock-on revenue differences. To put their scale in context, it is estimated that 120 million people watched a league fixture between the two clubs last season.

Sports marketing agency Mediapro has acquired broadcasting rights to Real Madrid and Barcelona home league and cup matches for the seven year period from 2006/07 to 2012/13. As a result of signing the agreement, Real Madrid is set to earn €1.1billion (£0.8 billion) from its audiovisual rights over this seven year period, which at an average of over €155m (£107m) per season, will drive a substantial uplift in overall revenues, given broadcasting income totalled €91m (£63m) in 2005/06.

Barcelona is anticipating broadcast income of €127.8m (£88.4m) in 2006/07, which is a €33.7m (£23.2m) increase on that achieved in 2005/06. The Mediapro contract is set to net the club a minimum of €150m (£104m) a season from 2008/09 to 2012/13.

The two deals, combined with the ability demonstrated by both clubs to grow other revenue streams in recent seasons (as discussed elsewhere in this publication), indicates that Real and Barca will be difficult to topple from the top two Money League positions in future seasons, with both clubs budgeting revenues of €300m (£207m) in 2006/07.

Italy

Like their Spanish counterparts, Italian clubs are able to individually negotiate the sale of broadcast rights to their home league matches. The top clubs are therefore able generate substantial revenues from the sale of their rights, although unlike the two Spanish Superclubs who have also grown income across other revenue streams in recent seasons, Italian club revenue profiles are unbalanced with broadcasting contributing over 60% of total revenues for each of the top four clubs.

“Whilst these deals are set to drive revenues for clubs over coming seasons, government-led pressure for Serie A to return to collective selling means the sustainability of the current level of broadcast revenues for the top clubs is uncertain.”

Whilst Sky Italia, and before it, Telepiu and Stream, have traditionally had a stranglehold on Serie A club rights, recent competition from Digital Terrestrial operator Mediaset and Telecom Italia has driven further increases in rights fees.

Mediaset has acquired rights across all platforms to the top three Italian clubs for the two seasons 2007/08 and 2008/09 with the deals set to drive further increases in revenues. Juve’s deal is worth a combined €218m (£151m) over the two seasons, (providing it returns to Serie A), whilst deals with AC Milan and Inter are reported to be worth up to €100m a season, all significant uplifts on current values.

Table 1: Revenue growth for the top 10 Money League clubs 2002/03 to 2005/06

Club	Revenue 2005/06	Growth (02/03 to 05/06)					
		Overall		Overall (excl. broadcasting)		Broadcasting	
		€m	%	€m	%	€m	%
Real Madrid	292.2	99.6	15%	74.4	17%	25.2	11%
FC Barcelona	259.1	135.7	28%	84.2	27%	51.5	30%
Juventus	251.2	32.9	5%	(22.3)	(8%)	55.2	14%
Manchester United	242.6	(8.7)	(1%)	9.0	2%	(17.7)	(8%)
AC Milan	238.7	38.5	6%	(5.6)	(2%)	44.1	12%
Chelsea	221.0	87.2	18%	54.3	17%	32.9	21%
Internazionale	206.6	44.2	8%	6.4	3%	37.8	12%
Bayern Munich	204.7	42.0	8%	n/a	n/a	n/a	n/a
Arsenal	192.4	42.8	9%	38.3	15%	4.5	2%
Liverpool	176.0	26.6	6%	20.3	8%	6.3	3%

Note: English club revenues for each year have been converted from sterling to euros using the exchange rate as at 30 June for the relevant year. Therefore absolute and relative growth in euro terms for English clubs shown above will not translate to actual sterling movements. Bayern Munich overall revenue figures includes net transfer fees. Bayern Munich revenue growth (excluding broadcasting), and broadcasting income growth for 2002/03 to 2005/06 not available.

Source: Deloitte analysis.

Whilst these deals are set to drive revenues for clubs over coming seasons, government-led pressure for Serie A to return to collective selling means the sustainability of the current level of broadcast revenues for the top clubs is uncertain.

The government argues that although clubs are currently required to pool 19% of the value of individually negotiated contracts for redistribution, the inequality in broadcast revenues between clubs has created both a financial and on pitch imbalance in Italian football, and is driving for a more equal distribution of broadcast revenues through collective selling.

Negotiations between the clubs, the league, and the government continue, with the timescale for any return to collective selling remaining uncertain.

Germany

Whilst operating in Europe's largest broadcast market, the top German Bundesliga clubs generate lower broadcast revenues than their European rivals, with the profusion of free-to-air television channels within the country's broadcast market suppressing the growth of Pay-TV operators and with it the rights values for top-tier domestic league football.

Bayern Munich, Germany's champion club, could expect to increase its revenues from Bundesliga broadcast deals by as much as 40% in 2006/07, the first season of new deals. However, the €16.5m (£11.4m) it received in 2005/06 is just a fraction of that received by its rival European clubs.

Whilst the redistribution model for the new deal has been altered in favour of the larger, more successful clubs, the differential in earning ability from domestic league rights between Bayern and its European rivals must be a source of frustration for the club's officials. Although this lower broadcast income is partially compensated for by relatively high commercial income from a strong domestic corporate market, the additional centrally distributed and matchday income generated from a successful run in the UEFA Champions League are particularly important to the top Bundesliga clubs in driving revenues.

“The increased broadcasting revenues to clubs has allowed Olympique Lyonnais to move to eleventh position in the Money League.”

France

The 2005/06 season was the first season of a new broadcasting deal between the French Ligue and Pay-TV operator Canal Plus, worth €600m (£415m) per season, a substantial increase on the previous deal of more than 60%.

The increased broadcasting revenues to clubs has helped Olympique Lyonnais advance to eleventh position in the Money League, its highest position since we started our analysis.

Live broadcasting rights to the Ligue used to be shared between the country's two rival Pay-TV operators Canal Plus and TPS, but the two operators have now merged.

Sustainable growth

Whilst increased broadcast income from domestic leagues is set to drive revenue growth for many clubs in future seasons, a key challenge is to ensure that the uplift in broadcast income achieved in forthcoming seasons is used as a platform for achieving sustainable long-term growth.

Broadcasting income is essentially a 'non controllable' revenue stream for clubs. Leagues and clubs can influence rights negotiations to a certain extent, through the collective sale of rights and/or delivery of a strong product, but rights fees are essentially a result of prevailing broadcast market conditions.

Whilst there is little evidence to suggest that rights values to the major European domestic leagues are likely to deteriorate, healthy club finances and consistent revenue growth is likely to be best sustained in the longer term by growth across all revenue streams.

As indicated, clubs in the Money League that have shown the greatest rates of revenue growth in recent years have done so by growing income across all three major revenue streams. Real Madrid and Barcelona's success in this area has allowed them to rise to the top of the Money League, and England's balanced, collective model has allowed it to build strength in depth. ●



The foreign legion

There has been a recent surge of investor interest in English clubs and a number of high profile takeovers. Here we profile the recent events, the underlying driving forces, and some of the concerns expressed about, and possible implications of, the influx of foreign owners.

The Chief Executive of the FA Premier League, Richard Scudamore, recently noted that the Premiership *“has a cosmopolitan approach to players and a cosmopolitan approach to ownership”*. This was reflected in November 2006 when West Ham United became the sixth Premier League club to be acquired by a foreign investor, joining Manchester United, Chelsea, Portsmouth, Fulham and Aston Villa. Furthermore, in February 2007, Liverpool announced that its Board had agreed the terms of an offer for the club from George Gillett and Tom Hicks.

Table 2 summarises some headlines from the publicly available information on deals which have taken place. The reported acquisition prices paid for five of the six Premiership clubs have been under €200m (£140m), and the three most recent deals have been done at multiples of between 1.5 and 2 times annual turnover. Manchester United was valued significantly higher, as the €1 billion plus price was equivalent to more than four times turnover (or 15 times operating profit). In contrast to the other investors in Premiership clubs shown below Mohammed Al-Fayed bought Fulham when it was languishing near the bottom of the Football League and financed its rise to the Premiership.

This recent wave of interest in football comes at a time when the top end of the sport is arguably in its best financial shape ever. Revenues in many countries are set to rise again as a result of significant increases in broadcasting revenue, whilst clubs have also demonstrated their ability to steadily increase matchday and commercial revenue. In addition, in recent years we have seen clubs appear to have reduced player wage inflation, leading to an increase in profitability.

Why the English Premiership and why now?

The English Premiership remains the largest and most profitable league in world football. Premiership revenues were around €2 billion in 2005/06; well ahead of all of the other top divisions in the ‘big five’ countries.

Premiership clubs’ overall revenues are set to grow significantly in the 2007/08 season when new broadcasting contracts should increase annual revenue to over €2.5 billion. Provided the clubs can keep wages under control, profitability of the league looks likely to increase further. The majority of Premiership clubs already generate annual operating profits.

Table 2: Current Premiership clubs with non-UK nationals as majority owners

Club	Deal date	Buyer	Country	Initial deal value		Price/ turnover
				€m	(£m)	
Fulham	May 1997	Mohammed Al-Fayed	Egypt	€45m	(£30m)	15.0
Chelsea	July 2003	Roman Abramovich	Russia	€195m	(£135m)	1.2
Manchester United	May 2005	Malcolm Glazer	USA	€1,050m	(£725m)	4.6
Portsmouth	January 2006	Alexandre Gaydamak	France	€100m	(£68m)	1.9
Aston Villa	August 2006	Randy Lerner	USA	€110m	(£75m)	1.5
West Ham United	November 2006	Eggert Magnusson and Bjorgolfur Gudmundsson	Iceland	€155m	(£108m)	1.8

Note: Initial deal value is our estimate of enterprise value. This has been estimated as the aggregate of the reported amount paid for net equity plus (or minus) estimated net debt (or cash) acquired (based on each club's annual financial statements). The price/turnover multiple is that enterprise value divided by the annual turnover figure in the financial year before the transaction.

Source: Press reports and financial statements.

One of the key drivers of matchday and commercial revenue for clubs is control of their stadia. In England the majority of stadia are owned by the clubs themselves who have invested significant amounts in the stadia and associated facilities (c.€3 billion since 1992/93). In contrast to this, some other European countries, where stadia are often owned by government or municipal bodies, have not experienced as much investment over the past 10-15 years. Hence, clubs in Italy, for example, have a higher dependency on broadcast revenue. The four Italian Money League clubs generated over 60% of their income from broadcasting and less than 20% from matchday sources. Premiership clubs thus have the attractive competitive advantage for investors of growing matchday revenues and achieving a more balanced spread of revenue.

Importantly also, the legal structures and business culture leaves English clubs more open to changes of ownership than in many other European countries, easing 'deal do-ability'.

The Premiership also has a greater reach than any other domestic football league competition with over 1,500 hours of coverage transmitted weekly to over 200 countries. The Premiership's popularity is illustrated by its recently negotiated overseas broadcasting deals, which from 2007/08 will deliver almost €300m (£200m) of revenue per season, twice the current values.

The 100 years plus of history of great interest and support for English clubs is a further reason for choosing to invest in a Premiership club. This track record of sustained popularity and high levels of interest also helps support the clubs' values should an investor want to sell the club in the future.

“The Premiership also has a greater reach than any other domestic football league competition with over 1,500 hours of coverage transmitted weekly to over 200 countries.”

“Premiership’s revenues are set to grow significantly in 2007/08 season when new broadcasting contracts are likely to help to increase revenue to over €2.5 billion.”

Haven't we been here before?

Ten years ago in June 1996 an extraordinary TV deal was announced. Broadcasters agreed to pay a huge amount more for the rights to Premier League football. The new deal represented an increase of over 300% in annual domestic broadcasting revenues for the Premiership clubs. This had excited investors interest and between that deal's announcement in June 1996 and its coming into force in August 1997 eleven English football clubs floated on either the AIM or the London Stock Exchange. Investors eyed a strong growth opportunity and the money flooded in. Ten years on most of those clubs are now back in private hands.

So what is different now? It is tempting to say nothing, as the revenue growth since has translated more into wages than profit growth. But the reality is that this time around things feel different. Firstly, there is the simple fact of the last 10 years experience. Lessons have been learned, sometimes the hard way, and after the boom, and – for a few – bust of the 1990's more sobriety and stability has been evident in the past few years, as profits climb steadily. Secondly, this new breed of investors seem different. The mid 1990's flotations saw detached City institutions, and fans, provide funding but often left the old regime and prior owners in charge, often retaining a large shareholding. This time around the investors are more hands on, and in some cases bring experience of running a more tightly cost controlled and profitable sports business in America. Also, as with many a maturing industry, individual club businesses have a clearer place in the industry, and a more apparent financial model for success specific to their market position.

Time to worry?

Even if one accepts that these major new investors in English Premiership clubs are different to those a decade ago other concerns have surfaced. Whether these have merit or not, the changing face of the ownership of clubs has generated resentment from some people and debate about the future impact on the English game.

The focus has seemed to be on the increased level of foreign ownership in English football and expressions of concern about that. Some claim that foreign owners may have less understanding about the intrinsic value to supporters of a club's history and tradition. Also, they fear foreign owners may operate differently to conventional UK business culture and that, in future, the collectivism exercised amongst the English clubs may be challenged.

We do not believe these concerns should be based on the nationality of owners. Regardless of nationality, it is good business for owners to conduct their affairs appropriately, including their responsibilities to a club's supporters and rules to protect the integrity of the game.

Changes of ownership increasingly have a more global and complex nature. One of the concerns raised in some instances, surrounds the origins of funds. Sometimes the complexity and lack of transparency in this area can lead to rumour and innuendo which can be damaging to football's image. A related aspect flowing from this uncertainty is concern, particularly around takeovers of some smaller clubs, or in smaller nations, about protecting the independence of clubs and the integrity of competitions. Football needs to continue efforts to ensure that those involved at a senior level at clubs exercise good business practices and adhere to the rules. These concerns must be addressed by football through an international framework that utilises the platforms provided by both football's existing governance and regulatory structures and those of competent national and international authorities. The international football authorities will need to take the lead on such initiatives to work beyond the rhetoric towards balanced substantive solutions.

The football authorities will need to ensure that their rules keep pace with developments in football's business dynamics and that the rules are appropriately policed. Whilst some may wish it otherwise, the globalisation of football club ownership is here and here to stay. In the Premiership, Europe's richest league, it will be particularly fascinating to see how influence from across the Atlantic helps the business model develop and if and how that impact ripples out across Europe. ●



More than a club

FC Barcelona has long been one of the iconic brands in football. However, in recent years the club has been able to turn its strong worldwide support into revenue growth and move up from thirteenth place to second in the Money League with revenues of €259.1m (£179.1m). Here we profile the club's remarkable turnaround in fortunes.

Many football commentators remember the summer of 2003 for Roman Abramovich's purchase of Chelsea which completely changed the football business landscape. However, in Catalunya it also marked the start of a transformation in Barcelona's fortunes which has seen the club rise to second place in the Money League and regain both La Liga and UEFA Champions League titles.

Since winning La Liga in 1998/99 the club had struggled on and off the pitch. Four successive trophyless seasons culminated in an annus horribilis in 2002/03, when the club finished in sixth place in La Liga – its lowest league position since 1987/88 – and only qualified for the UEFA Cup on the final day of the season.

The club's financial situation was of equal, if not greater concern. Revenues of €123.4m (£85.9m) were less than half of Manchester United's and left Barcelona in 13th position in the Football Money League. Player wages were €109.3m (£75.6m) or 88% of turnover, and the club's operating loss was €88m (£60.8m). A number of years of ongoing losses had left the club €186m (£128.6m) in debt. The club faced potentially serious financial difficulties.

A time for change

Barcelona is a mutual organisation, owned and run by its membership. The club motto 'more than a club' reflects its philosophy and status as a symbol of Catalan pride and commitment to democracy and freedom. In addition to the football team, Barcelona operates basketball, handball, and hockey teams and is involved in numerous other activities.

Members have the right to vote in (or out) the club's executive, and in June 2003 Joan Laporta was elected as club President, supported by a team of young entrepreneurs. Laporta won with an agenda of implementing a radical programme to improve both the club's financial position and on pitch performance, while retaining the club's two key principles – spectacular football and social commitment.

One option was an austere approach – involving a radical reduction in costs combined with moderate player investment in the short term – this would be financially safe but risky in terms of on pitch performance. Instead, Laporta’s strategy would see significant immediate investment in the team, designed to produce immediate results on the pitch and deliver increased revenues as a result. Cost reductions would deliver a balanced budget in 2003/04 – the club’s first since 1999/00. Although carrying greater financial risk, this option delivered better prospects for the club on the pitch.

Following the 2003 election, seven of the nine previous executives departed, and the newly elected Board stepped in to implement the strategy on a day to day basis, while recruiting key senior club staff. A review of all operations was instigated with the aim of identifying and implementing opportunities for increasing revenues, while controlling costs.

The first year saw a number of key changes on the playing side, with high profile arrivals of coach Frank Rijkaard, together with Ronaldinho, Rafael Márquez and others, together with a series of departures of high earners.

A mainstay of the cost control strategy has been the introduction of performance related pay throughout the squad, to incentivise players and protect the business model against on pitch fluctuations. All contracts now include fixed and bonus elements, with the bonus elements relating to individual and team performance. As a result 18% of the club’s 2005/06 wage bill was related to the team’s on pitch success, while another 18% related to player performance.

The club’s debt situation was managed in the medium term by a finance agreement signed in January 2004 with a number of financial institutions, which provided an option to borrow up to €150m (£105m).

The strategy delivered an immediate and dramatic improvement in financial performance. In 2003/04 revenues increased by 37%, while player costs fell to €85.2m (£57m), returning the player wages to turnover ratio to 50% and delivering operating profit of €6.7m (£4.6m). Revenue has since continued to grow to reach €259.1m (£179.1m) in 2005/06, while operating profits now stand at €17m (£11.8m). As a mutual organisation Barcelona does not need to make a profit to serve shareholders’ interests, as is the case at many other clubs. The club’s profit on pure football operations is in fact higher, at €53m (£36.6m), which allows it to deliver its commitment to other sporting, cultural and social activities including the Fundació FC Barcelona, the club’s cultural arm.

On the pitch the transformation in fortunes saw the club finish in second place in 2003/04, win La Liga the following season, and add the Champions League title to a retained La Liga title in 2005/06.

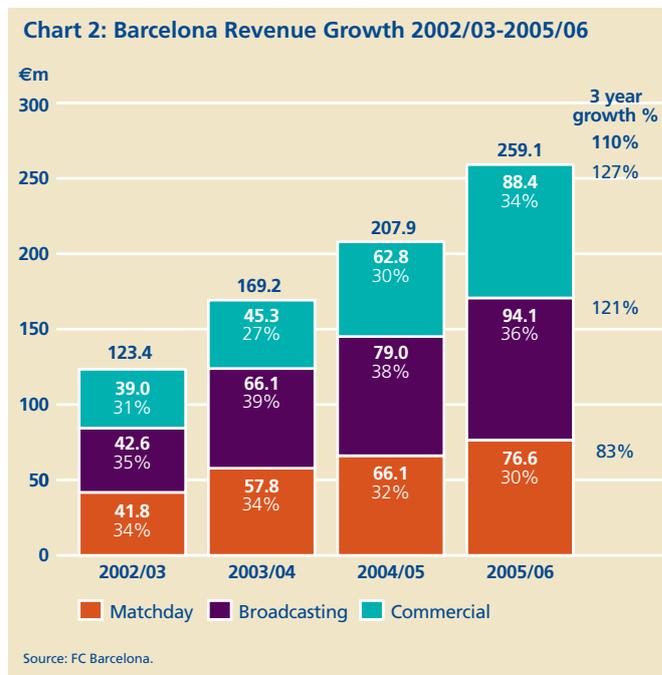


Chart 2 illustrates the scale and nature of revenue growth. With all key revenue sectors growing, the club has been able to maintain a balanced revenue profile compared to some other Money League clubs. Here we profile some of the key changes underpinning revenue growth in each of the three major categories.

Matchday

Between 2002/03 and 2005/06 matchday revenue increased by 83% to reach €76.6m (£52.9m) – only Manchester United and Chelsea generated more from this source in 2005/06. Matchday revenue growth has come from two main areas – increased club memberships and increased attendances and gate revenue.

In 2003 Barcelona launched ‘The Big Challenge’, a campaign which aimed to grow the club’s then 105,000 membership base. It was a great success, and within a year memberships increased by over 20% to 130,000. Membership is still growing, and now stands at 155,000.

Ticket prices were initially increased by between 20% and 40%, but have only increased by inflation thereafter. Pricing remains competitive, with the most expensive Nou Camp season ticket seat priced at €900 (£622). La Liga attendances have increased by 11% since 2002/03 to top 73,000 in 2005/06.

Barcelona now has 85,000 season ticket holders. Season ticket holders do not attend every game, and a scheme which allows resale of tickets has been implemented. This facilitates the resale of up to 5,000 tickets per match, with the club receiving 50% of the proceeds. Similarly, combined ticket and hotel packages target overseas supporters. Other stadium related revenues have increased

“On the pitch the transformation in fortunes saw the club finish in second place in 2003/04, win La Liga the following season, and add the Champions League title to a retained La Liga title in 2005/06.”

from €4m (£2.7m) in 2002/03 to €21m (£14.5m) in 2005/06, by marketing the stadium and its facilities as a venue for conferences and conventions, while stadium tour revenue continues to grow.

In 2004/05 36 new executive boxes were created and these have all been sold for the past two seasons. The club is investigating options to expand corporate facilities at the stadium, and the stadium capacity overall.

Broadcasting

The biggest growth area has been in broadcasting revenues, which in 2005/06 stood at €94.1m (£65.1m) – the highest broadcasting revenue of any non Italian club. Spanish clubs market their own broadcasting rights, and 2003/04 saw the start of a new five year deal with Televisió de Catalunya lasting until 2007/08, reportedly worth a minimum of €54m (£37m) per season.

In addition to this the club receive revenues related to Pay Per View (“PPV”) TV audiences for each match. The additional interest in the club has seen these payments increase from €50,000 (£34,600) to €120,000 (£83,000) per game. The scale of interest in Barcelona v Real Madrid matches gives an indication of the two main Spanish clubs’ potential – the games are reportedly seen by over 120m people worldwide, three quarters of whom are based outside Spain. Each match against Real Madrid generates additional PPV revenues of €700,000 (£485,000).

In June 2006, the club signed a new contract with Mediapro which saw the Spanish media agency take over the remaining two years of the current contract in a deal which will generate €250m (£173m) for the club. From 2008/09 a further agreement with Mediapro will earn the club at least €750m (£520m) over the duration of the agreement.

The club’s TV channel Barca TV now has over 25,000 subscribers, and runs at a profit.

Commercial

Commercial revenues, at €88.4m (£61.1m) may be some distance behind the market leaders Real Madrid, but Barcelona earn more than Manchester United from this source, despite foregoing a potentially lucrative shirt sponsorship deal.

A key aspect of Laporta’s revolution was originally going to be negotiating the club’s first shirt sponsorship deal, as a method of delivering an immediate boost to revenues. However, following a number of unsuccessful negotiations management decided that the improvement in Barca’s revenues from other areas did not make a shirt deal essential. Instead of going ahead with a traditional shirt sponsorship deal the club announced a different partnership with human rights organisation Unicef in September 2006.

Unicef and Barcelona believe they share a similar social outlook, and the five year partnership agreement sees Barcelona promoting Unicef on its shirts, while Unicef receives 0.7% of Barca’s operating revenue – €1.5m (£1m) per year – in support of a number of projects focusing on helping to protect children in areas of humanitarian crisis.

The club’s partnership with Nike is also different to a traditional kit deal, but similar to Nike’s agreements with other leading Money League clubs. Nike take a 50:50 stake in a joint venture company to manage all Barcelona’s merchandising operation, as well as being the technical sponsor. Nike’s relationship with Barca started in 1998, and in October 2006 the partnership was extended for a further five years with a reported value of at least €30m (£21m) per season. Barca also has commercial partnerships with Coca Cola, Audi, Estrella Damm and La Caixa.

Looking forward

Barcelona aren’t finished yet. The club have also been investing in facilities, and a new training ground – Cuitat Esportiva Joan Gamper – was opened in June 2006, costing €42.4m (£29.3m). The facility includes nine training pitches, a multisport pavilion and numerous other facilities, and will be used for youth team training and many of the club’s other teams.

The club has also set up a strategic department to oversee international revenue growth and capitalise on Barca’s global fanbase. In addition to annual tours (in 2006 they visited the USA), soccer schools have been opened in Mexico and Egypt, with more planned in Argentina and other countries.

The club is budgeting for revenues of €300m (£200m) in 2006/07 with operating profits of €20m (£13.8m), with the increase largely delivered by increased broadcast revenue, and is on course to achieve this objective. In the longer term the club aim to have annual revenues of €400m (£275m), and be debt free, by 2010. The Barcelona revolution is a remarkable story which appears set to continue, and keep the club in the upper echelons of the Money League. ●

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