



A premium blend
Annual Review of
Football Finance
– Highlights



Deloitte Annual Review of Football Finance 2014

Our first football finance report was produced in June 1992, a couple of months ahead of the start of the inaugural Premier League season. For more than 20 years we have documented clubs' business and commercial performance, striving to provide the most comprehensive picture possible of English professional football's finances, set within the context of the regulatory environment and the wider European game.

The Sports Business Group at Deloitte provides an in-depth analysis of football's finances in its 52 page full report, which includes:

Europe's premier leagues

Scale of the overall European football market; Comprehensive data and analysis of trends for clubs in the 'big five' leagues including revenue breakdowns, wage costs, operating results, and match attendances; Factors impacting on clubs' future revenues; Key financial indicators for 13 more European leagues.

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Our perspectives on seven topics facing football, including the reasons for continued interest from investors in top European football clubs, the challenges facing mid-tier European leagues, the factors underpinning commercial growth at Europe's top clubs, the future for media rights to European football and the issue of Third Party Player Ownership.

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The full report, incorporating a pull-out Databook, includes over 8,000 data items, prepared on the basis of our unique and long-established methodologies.

The following sections of the full report include comprehensive data and analysis of the business drivers and financial trends for clubs in the top four divisions of English football, with a particular focus on Premier League and Championship clubs. The analysis covers through to the end of the 2012/13 season and we also include some pointers to future financial results.

Revenue and profitability

Analysis of matchday, broadcasting and commercial revenue streams; Revenue projections to 2014/15; The financial impact of participation in UEFA club competitions, promotion and relegation; Operating results and pre-tax profits and losses; Average attendances and stadium utilisation in the Premier League and Football League up to the 2013/14 season.

Wages and transfers

Analysis of clubs' total wage costs; The relationship between revenue growth and wage costs; Club-by-club analysis of wage costs including rankings, comparison to on-pitch performance, and wages to revenue ratios; Estimated total player wages; Cost control regulatory developments; Premier League wage costs projections for 2013/14 season; Player transfer spending; Transfer flows between the top four divisions and to agents.

Club financing and investment

Analysis of the sources of net debt financing, profiling the aggregate net debt position of Premier League and Championship clubs, as well as an analysis of the top ten clubs; Capital investment by clubs in the top four English divisions over the five years to 2012/13, with a focus on the clubs with the highest levels of investment in 2012/13.

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Full report price £1,000

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Foreword

Welcome to the 23rd edition of the Deloitte Annual Review of Football Finance, our analysis and commentary on the recent financial developments within the world's most popular sport.

Once upon a time

This year's review primarily covers the 2012/13 season, a year of sporting landmarks. It began in the wake of London 2012 when some questioned whether football could, or should, ever regain its dominance in the nation's sporting consciousness. It ended with blanket coverage across all media – whether sport, business or news led – of the departure of Britain's most successful manager.

Reflections on Sir Alex Ferguson's retirement served as a reminder of how much changed during his tenure. In Manchester United's first Premier League title winning season, 1992/93, clubs generated average revenue of £9m. As Sir Alex signed off, the average top flight club generated revenue of £126m and his own club made almost three times as much.

As the Premier League celebrated its 21st birthday, its emergence from adolescence showed little sign of slowing its growth. The league's combined revenues will have exceeded £3 billion in the 2013/14 season, a mere four years since passing £2 billion, having doubled revenues in seven years. A remarkable achievement in isolation, but phenomenal in the wider economic context of that same period.

Alive and kicking

Interest from broadcasters remains core to the Premier League's ability to translate strong support and exciting, high quality football into revenue. The entry of BT Sport into the market to compete with BSkyB has applied huge upward pressure to broadcast revenue – from the 2013/14 season onwards each domestic live game on average generates broadcast revenue of £6.5m.

BT Sport represents a significantly different challenge to BSkyB's leadership. Earlier competitors were focused exclusively on Pay-TV customers, but BT's core business means the Premier League is becoming a key differentiator in the battle for customers across a range of technology, media and telecommunications products.

It is clear that BT Sport's entry is not a passing fad but a serious, focused, long-term commitment. Securing all live rights for the UEFA Champions League was a clear statement of intent and further evidence that the fight for premium football rights and the benefits this has for the clubs, in revenue terms at least, shows no sign of ending.

Glittering prize

The attractiveness of the Premier League is not limited to broadcasters. Ownership of a Premier League club continues to be a trophy asset of global appeal. In 2012/13 half of the clubs had foreign owners, in contrast with only one in 2002/03. The continued arrival of international owners has also influenced the increasingly global commercial perspective driving clubs' business plans, as well as helping the overall export of the Premier League brand around the globe. Premier League clubs' ability to attract overseas partners drove a 21% commercial revenue increase across the league in 2012/13 and is central to its continued growth.

In this context, it is noteworthy that some major markets remain relatively untapped. China, the world's second largest economy, is both a huge broadcast market for the Premier League as well as consumer market for its sponsor brands, but has yet to be represented either in the ownership of a Premier League club or as a major commercial partner. We expect this situation to change soon. The Premier League's strategic alliance with the Chinese Super League is likely to be only one small component of a rapidly developing relationship between China and English football over the next few years.

New gold dream

On the pitch, the 2013/14 season has been compelling and, when the financial results become known, these will be of particular interest too, as it is the first season when clubs were subject to sanctions resulting from UEFA's Financial Fair Play break even requirement. This marks the start of a new financial era in European football. A change potentially as profound as that brought about by the Bosman ruling. UEFA's regulations are now part of the football lexicon and a critical consideration for any club aspiring to continental football. It is interesting that the early signs are that continental European clubs have generally reacted more rapidly and radically to this change than their wealthier English counterparts.

Domestically, in 2013/14 top flight clubs benefitted, on average, from an extra £25m in broadcast revenue. Unsurprisingly therefore, clubs' desire to be in the Premier League has never been greater. These aspirations come with significant costs attached, presenting a profitability challenge to clubs across the top two divisions. Despite increases in revenue, Premier League operating profits decreased by 2%, representing a razor thin margin of 3% in 2012/13, due mainly to increasing wage costs. We await 2013/14 financial figures with interest to see if any restraint is evident.

This desire to reach the Premier League, coupled with the prospect of new cost control measures in the Championship, also saw clubs gamble heavily in 2012/13 to achieve promotion. Wage costs exceeded revenues in the Championship for the first time in 12 years, causing a record high wages/revenue ratio of 106% and record operating losses of £241m. This is a reckless model and one which Championship clubs themselves voted in regulations to address. These are scheduled to take effect from the 2013/14 season, with available sanctions including fines and transfer embargoes. Some clubs who missed out in the rush for the exit, and even some who made it, are anxious that what they (in some cases) or their predecessor clubs (in others) voted in, may not now suit them so well.

We have so far detected no meaningful evidence of these threatened sanctions curbing clubs' financially exuberant behaviour. The ever changing population of the Championship, with 25% of clubs leaving or joining each year, makes achieving sustainable and supported regulations a challenge, but looking at the chart of wages v revenue it is clear a dangerous line has now been literally, not just metaphorically, crossed.

Promised you a miracle

The escalation of wage costs (to an average salary of £1.6m in 2012/13) makes being a Premier League footballer ever more desirable and has enabled the attraction of talent from across the globe. Over 100 Premier League players were named in provisional squads to participate in this summer's World Cup, including 22 in the final England squad, eight of whom are aged 23 or younger.

With record levels of investment in playing talent comes significant expectation, felt most acutely by first team

managers. As both the rewards and the costs of success become ever greater in the Premier League, the role of the manager in balancing these interests whilst delivering aesthetically pleasing and effective football becomes ever more difficult. At the start of the 2013/14 season Arsène Wenger was the only Premier League manager who had been in his current job for more than four years. This pressure has only increased in the 2013/14 season and the consequent instability and short-termism is a cause of great concern to many in the game.

On matchday, the beautiful game remained very much the nation's game. The 2012/13 season saw over 29m people attend English league football matches, with the Premier League enjoying record levels of stadium occupancy. This record has again been broken in the 2013/14 season. The challenges facing the Football League are also evident in comparison, as their attendances – whilst still vastly better than any other second tier football league in the world – were at a ten year low.

Someone, somewhere in Summertime

As the focus shifts from the club game to a World Cup in the tournament's spiritual home of Brazil, there will be little time to pause and reflect. There will be more players from Europe's top leagues – and particularly England – on show than ever. The ubiquity of the game and its protagonists in the media means there may not be another player to explode into the public consciousness to the same degree as Roger Milla or Gazza did in Italia '90, the last World Cup of the pre-Premier League era, and the first during Sir Alex Ferguson's reign at Manchester United. Nevertheless, all England fans hope this summer's tournament can bring similar success.

(Don't you) forget about me

The 2012/13 season saw another significant departure for us at Deloitte as the Foreword's longest serving "ghost" moved on to a new haunt. We thank Rich Parkes for his help and insight over the years and wish him all the best at the BBC.

Finally, my colleagues and Henry Wong deserve huge thanks for their hard work in delivering what I hope you will find to be another interesting and comprehensive edition of our Annual Review of Football Finance.



**Dan Jones, Partner,
Sports Business Group**

Delivering more to sport

Deloitte has a unique focus on the sports sector, in the UK and across the world. Our experience, long-standing relationships and understanding of the industry mean we bring valuable expertise to any project from day one. For over 20 years we have worked with more sports organisations than any other advisers.

Our specialist Sports Business Group at Deloitte provides consulting, business advisory and corporate finance services including:

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Deloitte are also audit and tax advisers to many sports businesses.

For further details on how Deloitte can add value to your project and your business, visit our website www.deloitte.co.uk/sportsbusinessgroup or contact Dan Jones.

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Assistance with the ECB's design of a tender process for the award of Major Matches.



Support to FIBA on strategic projects.



London Irish

Financial and tax due diligence services in respect of the acquisition of London Irish.



Support in developing ITN's strategy within sport.



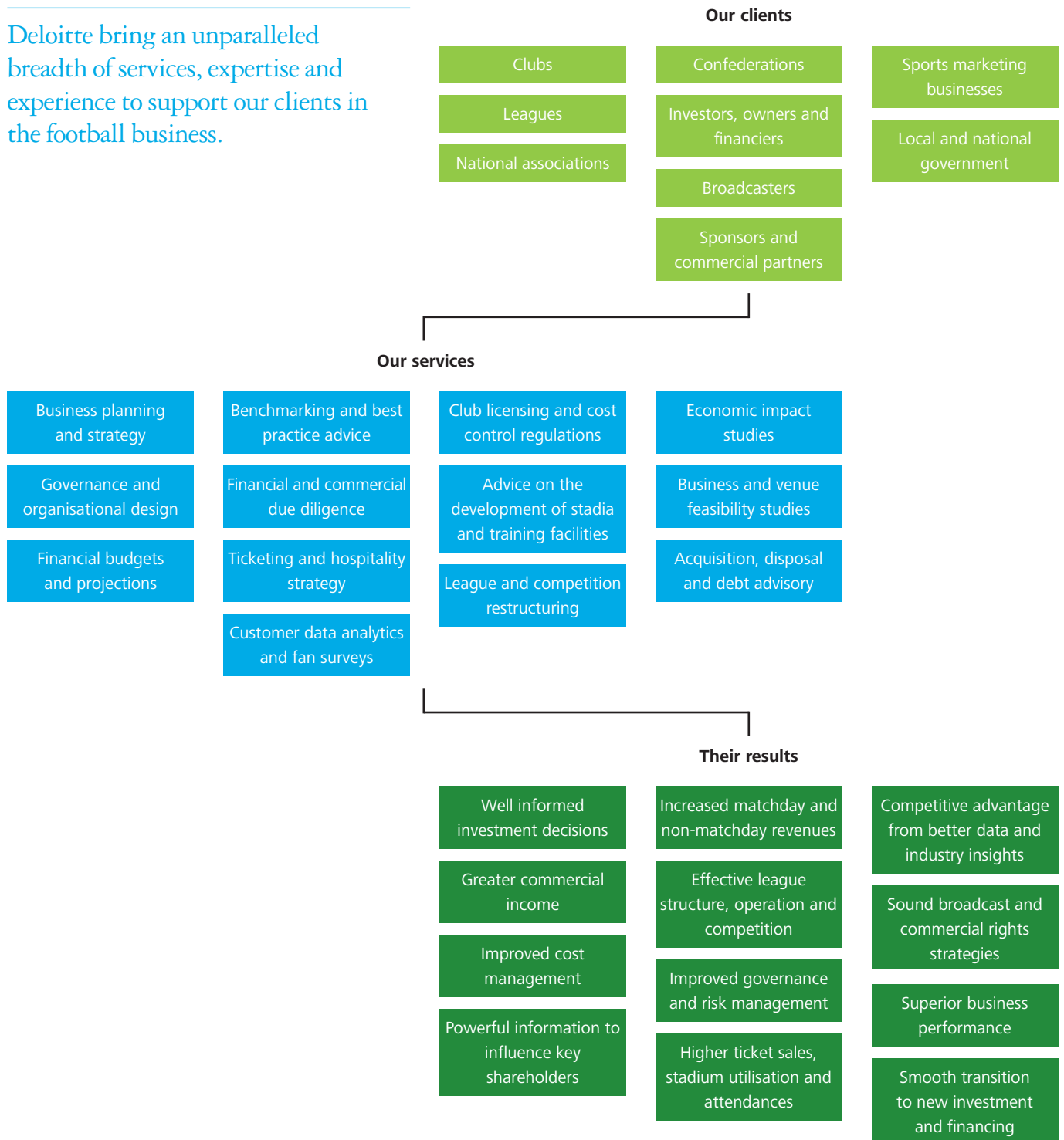
Provision of consultancy services for FC Zenit regarding governance and organisational structure.



Strategic review of All-Weather horseracing and fixture list considerations.

Delivering more to football

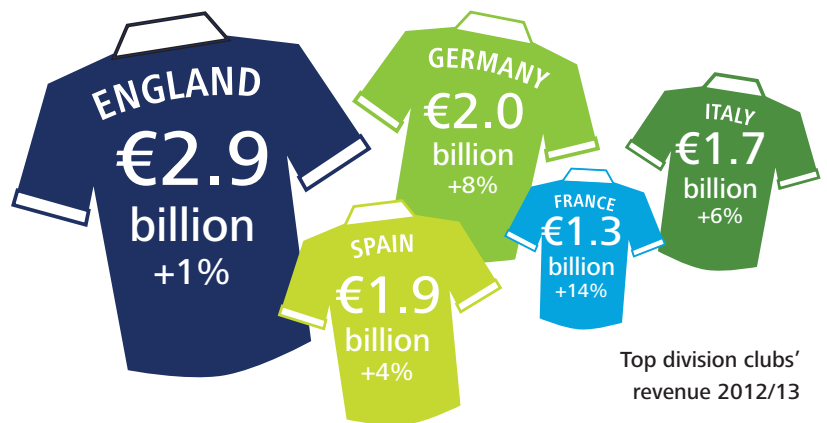
Deloitte bring an unparalleled breadth of services, expertise and experience to support our clients in the football business.



Highlights

Europe's premier leagues

- In 2012/13, the cumulative revenue of the 'big five' European leagues grew 5% to €9.8 billion, representing almost half of the overall size of the European football market of €19.9 billion (up 2%). Much of the growth was at a limited number of eminent clubs.
- The Premier League remained, by over €900m, the world leader in revenue terms. Its revenue grew £165m (7%) in sterling terms, driven by the two Manchester clubs and Liverpool. This represented the largest absolute growth of any of the 'big five' leagues. Sterling's devaluation against the euro meant that growth was only 1% in euro terms.
- The Bundesliga continues to be the only 'big five' league where broadcast is not the largest revenue source. Instead, commercial revenue, which accounts for 46% of the total, dominates. Bayern Munich and Borussia Dortmund together represented over 80% of the league's €146m (8%) revenue increase.
- New television deals commencing in 2013/14 will ensure that the Bundesliga and, more particularly, the Premier League, will pull further away from the other 'big five' in revenue terms.
- For the second successive year, La Liga and Serie A displayed a lower rate of revenue growth than the other 'big five' leagues, as their economies have struggled to recover. New and improved broadcast deals for a number of La Liga clubs drove the league's €77m (4%) increase in 2012/13, with commercial and matchday revenue both down.



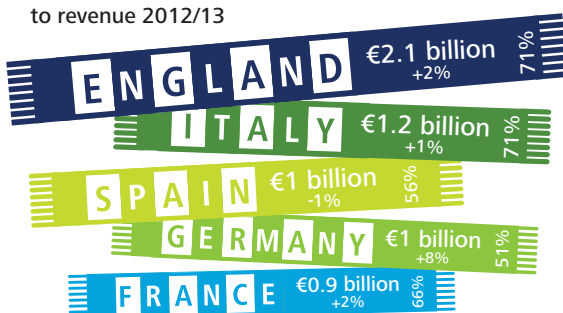
Top division clubs' revenue 2012/13

- As a result of their return to the Champions League, Juventus accounted for over three quarters of Serie A's €97m (6%) revenue growth in 2012/13. Broadcast revenue continues to dominate Italian clubs' revenue profile, contributing 59% (€1 billion) of their total revenues.
- Ligue 1 provides another illustration of the increasingly polarised European football landscape, with Paris Saint-Germain accounting for all of the league's revenue growth for the second successive year. However, the infrastructure investment ahead of EURO 2016 should have a more general positive impact on French clubs' revenues in the coming years.
- Elsewhere in Europe, Russia has the next highest revenue-generating top tier league (€896m), followed by Turkey (€551m) and the Netherlands (€452m). England's second tier Football League Championship is positioned eighth in Europe with total revenues of €508m (£435m).
- Revenue growth across the 'big five' leagues far outstripped their wage cost growth (2%) in 2012/13, leading to an overall improvement in operating profitability. Four of the five leagues had static or improved wages/revenue ratios, the exception being the Premier League.



Bayern Munich and Borussia Dortmund accounted for over 80% of the Bundesliga's €146m revenue increase in 2012/13.

Top division clubs' total wages and ratio to revenue 2012/13





In 2012/13, Paris Saint-Germain accounted for all of Ligue 1's revenue growth; the second consecutive year this has been the case

- The Bundesliga remains by some margin the 'big five' league with the strongest cost control, with a wages/revenue ratio of 51%. Its strict domestic club licensing system is a key contributory factor. The Premier League's wage cost growth of £125m (8%) meant that its wages/revenue ratio reached its highest ever level of 71%.
- In 2012/13, for the sixth successive year, the Bundesliga (€264m) and the Premier League (€96m) were the only 'big five' leagues to generate an operating profit (before player trading and finance costs).
- La Liga's wages/revenue ratio (56%) fell to its lowest level since 1999/2000, continuing the recent trend in Spain towards greater cost control. The combined wages/revenue ratio for Real Madrid and Barcelona increased marginally to 48%, while it fell to 66% for the other 18 La Liga clubs.
- As a result of their relative restraint in terms of expenditure in 2012/13, both Serie A and Ligue 1 displayed notable improvements in profitability, with operating loss reductions of €107m and €64m respectively.
- The advent of UEFA's Financial Fair Play Regulations, along with the interventionist measures taken by some of Europe's domestic leagues, appears to have led to a change of mindset for many clubs. The signs are that most clubs are adopting a more financially robust and balanced approach to the way they run their businesses, and they must continue down this path if they are to safeguard the long term financial health of the game.

Juventus accounted for over three quarters of Serie A's €97m revenue growth in 2012/13



€19.9 billion

+2%

European football market 2012/13

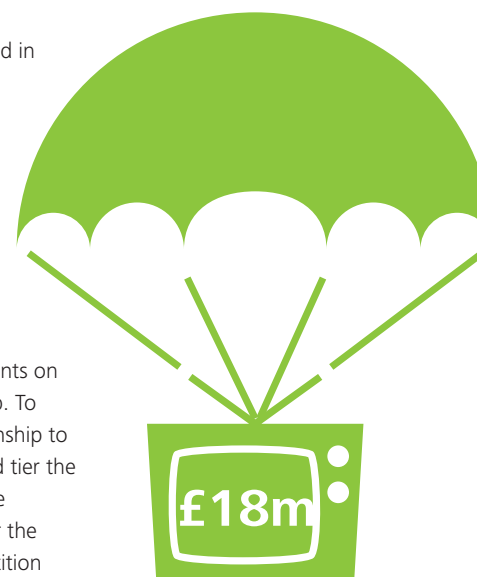


Revenue and profitability

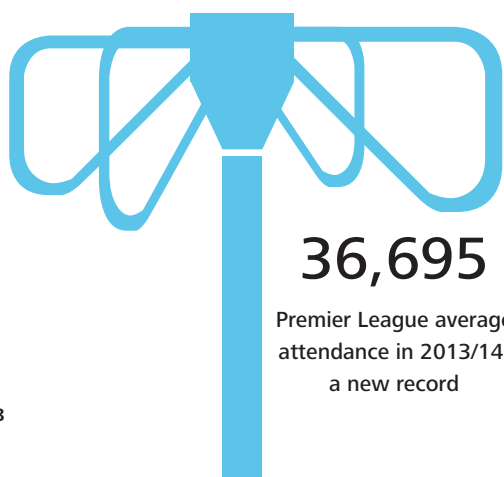
- In 2012/13 the total revenues of the 92 clubs in the top four divisions of English football reached almost £3.2 billion.
- Within the Premier League total of £2,525m for 2012/13 (up 7%), revenues ranged from £363m (Manchester United) to £58m (Wigan Athletic).
- There were six Premier League clubs with revenue above the average (£126m), including the four clubs that competed in the UEFA Champions League in 2012/13. UEFA distributions to those four clubs for their participation in the Champions League averaged £28m per club.
- Commercial revenue was the main area of growth (up £129m, 21%) in 2012/13, in particular due to growth at the two big Manchester clubs and Liverpool. Broadcast revenue (up £2m) changed only marginally.
- The increase in attendance (up 4% to a record average of 35,903) drove an overall uplift in matchday revenue of £34m (6%) to £585m in 2012/13. There were fewer unsold seats at Premier League games (5%) than ever before. The record was broken again in 2013/14 when attendances averaged 36,695.
- Premier League clubs' revenue for 2013/14 is estimated at £3,240m (up 28%) – a significant projected uplift of £715m largely driven by the first season of the new broadcast deals, allied with continued strong commercial growth at the biggest clubs.

- Domestic broadcast deals, largely relating to BSkyB and BT Sport for the live television rights, will generate around £3.4 billion over the three seasons from 2013/14 (up about 60% on the previous cycle). Overseas broadcast rights covering over 200 territories will generate around £2.2 billion (up over 50% on the previous cycle).
- Based on the Premier League's long-established central revenue distribution mechanism, for 2013/14 TV monies to clubs ranged between £58m and £93m; on average an extra c.£25m per club. The equivalent TV monies for 2012/13 ranged from £40m (to relegated Queens Park Rangers) to £61m (to Premier League winners Manchester United).
- The aggregate operating profit (before player trading and finance costs) of Premier League clubs fell by £2m to £82m in 2012/13; a margin equivalent to only 3% of revenue. However, despite this reduction, 13 of the Premier League clubs made an operating profit compared with ten in the previous year.
- Premier League clubs' net losses (after player trading and finance costs) for 2012/13 were £316m (2011/12: £245m). Five clubs made pre-tax losses in excess of £50m. This included Liverpool, the most severe at £70m, as well as two other clubs, Chelsea and Manchester City, who finished in the top four in the Premier League in 2013/14.
- Championship clubs' revenues were £435m (down 8%) in 2012/13. This was largely due to a reduction of c.£17m in basic award distributions and facility fees from the Football League, as well as the change in club mix within the division following the previous season's promotions and relegations.

- Championship revenue is expected to rebound in 2013/14 by around £40m to around £475m, driven by the increase in the number and value of parachute payments to clubs in the division. Eight Championship clubs were in receipt of such payments in 2013/14 at an average value of c.£18m (2012/13: seven clubs averaging £12m).
- There has been much discussion over recent seasons about the effect of parachute payments on the competitive balance of the Championship. To compare the revenue profile of the Championship to the Premier League in 2012/13: in the second tier the 'richest' 25% of clubs account for 39% of the division's revenue; this figure rises to 53% for the Premier League. Once again on-pitch competition was intense in the division, with higher levels of revenue no guarantee of a higher league placing.
- The revenue reduction of £39m in the Championship in 2012/13 has been compounded by an increase in wages of £40m and an increase in other operating costs of £20m. The cumulative effect was an increase operating losses to £241m, an alarming 70% increase from the previous record of £142m in 2011/12.
- Of the total increase in operating losses of £99m, £85m is attributable to Championship clubs who played in the division in both 2011/12 and 2012/13 (an average of £4.7m per club across those 18), and £14m to the change in mix of the clubs in the division.
- Pre-tax losses in the Championship increased by £170m (111%), equivalent to an additional £7m per club, to £323m. This exceeds the previous record loss (£189m in 2010/11) by £134m.
- In 2012/13 the average revenue of a League 1 club remained at £5m and in League 2 it grew to £3.6m (up 9%).
- Net losses of league 1 clubs improved to an average of £2m in 2012/13 (2011/12: £2.4m); in League 2 the average net loss increased to £0.5m from £0.3m.

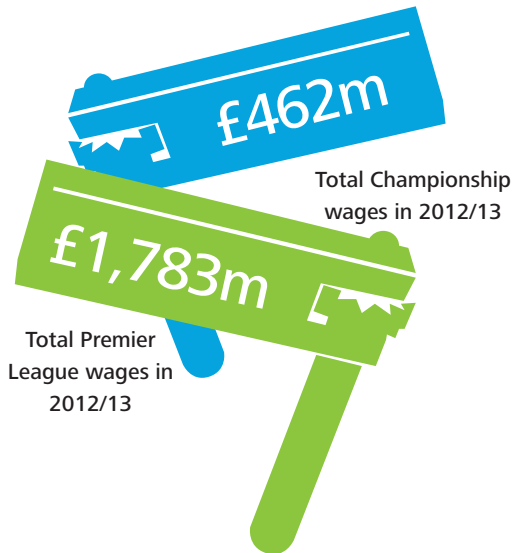


The average parachute payment received by a Championship club in 2013/14



Wages and transfers

- Total Premier League wages rose by £125m to £1,783m in 2012/13, an 8% rise on 2011/12. Wages ranged from £233m (Manchester City) to £45m (Wigan Athletic).
- Six Premier League clubs had total wages above the average of £89m (the same number that had above average revenues) and all finished in the top seven positions in the table. The other 14 clubs had total wages in a relatively narrow range of £45m to £78m.
- The wages/revenue ratio for the Premier League rose to 71%, the first time that the 70% threshold has been exceeded in the top division. 11 clubs recorded wages/revenue ratios over 70%, with Queens Park Rangers' ratio of 129% the highest ever recorded for a Premier League club.
- The £125m increase in total Premier League wages was not as significant an increase as was anticipated, demonstrating that restraint is being shown at some clubs. We still expect 2013/14 to see another rise in wages as the first payments of the new broadcast deal flow through, although this may be tempered to some extent by the financial regulations recently introduced by the Premier League and – at the top end – by UEFA Financial Fair Play rules.
- Total Championship wage costs rose by £40m to £462m in 2012/13, a 9% increase. Wage costs ranged from £37m (Bolton Wanderers) to £6m (Peterborough United).



- Over the same period Championship revenue fell by £39m to £435m resulting in a wages/revenue ratio of 106%, the highest ever recorded by an English division. Half the clubs in the Championship had wage costs greater than revenue.
- This level of spending poses a significant risk to clubs' medium to long-term viability with serious implications on the requirement for owner funding and the ability (or lack of) to readjust the cost base to comply with Financial Fair Play in 2013/14.
- Both League 1 and League 2 saw a fall in their respective wages/revenue ratios. The League 1 decrease may have been influenced by the introduction of Salary Cost Management Protocol sanctions in 2012/13, a mechanism that has helped restrain wage costs and limit clubs' losses in League 2 since 2004.
- The 2012/13 season represents the first time that total player related payments (players' wages and net transfer payments) for English clubs has exceeded £2 billion. Players' wages for all clubs in the top four divisions of English football increased to over £1.7 billion, a 6% rise on last year.
- Premier League clubs spent a combined gross total of £722m on transfers, a 28% increase on the £564m of 2011/12. The biggest change in Premier League spending was increased payments to non-English clubs, up by £167m (77%) to £384m.



The average wages/revenue ratio for 2012/13 Championship clubs: the highest ever

Tax contributed by English professional football to Government in 2012/13



£1.6 billion

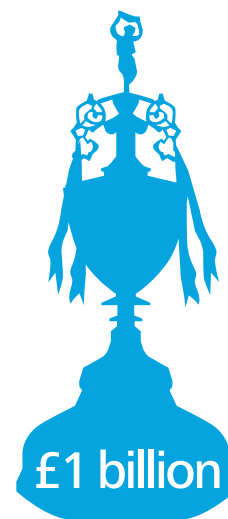
Premier League clubs' aggregate interest free loans from their owners at summer 2013



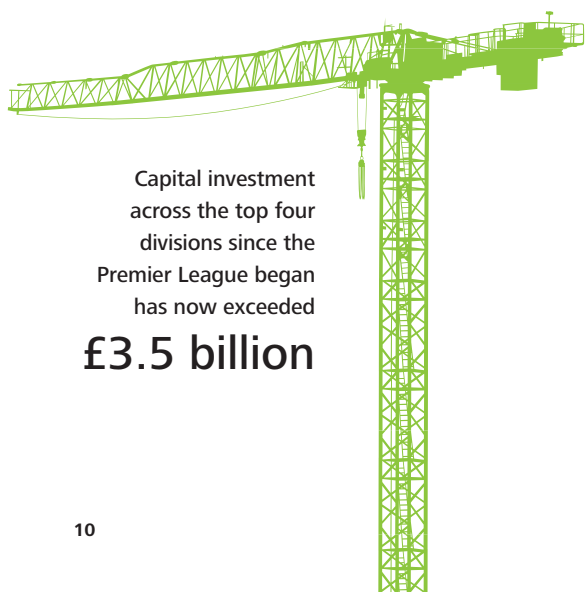
Club financing and investment

- An increase of £139m in Premier League clubs' aggregate net debt saw the total grow to over £2.5 billion at summer 2013. This was driven by an increase in interest-free soft loans from owners of £228m and offset somewhat by a decrease in other loans.
- A significant (£71m) reduction in net debt by Manchester United was the most notable of eight Premier League clubs that improved their net debt position across the 2012/13 season; although at summer 2013 only two clubs – Norwich City and Swansea City – recorded an overall net funds position.
- Soft loans of £1.6 billion (2012: £1.4 billion) represented almost two-thirds of total net debt at summer 2013, over 90% of which was attributable to four of the most indebted Premier League clubs – Chelsea, Newcastle United, Aston Villa and Queens Park Rangers, who together paid less than £1m of the total £118m in net finance costs.

- Arsenal (£154m) and Manchester United (£88m) were the two largest contributors to the positive aggregate net cash/bank borrowings position for Premier League clubs, with six other clubs reporting a positive net cash position.
- Championship clubs' aggregate net debt rose to another record level, exceeding £1 billion for the first time at summer 2013, well over twice the clubs' total annual revenues of £435m in 2012/13. Only one – Blackpool – recorded a net funds position, whilst 15 second-tier clubs had net debts in excess of the average Championship club revenue (£18m).
- Around 60% of aggregate net debt is in the form of other borrowings (i.e. from financial institutions, other parties and interest-bearing owner loans), which rose slightly to £593m in 2013.
- The recently introduced Financial Fair Play Regulations in England and across Europe actively encourage clubs to invest in youth development and facilities. With the exception of Tottenham Hotspur's and Brentford's investment towards new stadia in 2012/13, the majority of capital investment by clubs was focused towards improvements to existing venues and development of training and academy facilities.
- The 2012/13 season saw the highest amount of capital investment (£211m) by the top 92 professional clubs since Arsenal's Emirates stadium opened in 2006.
- Capital investment across the top four divisions since the Premier League began has now exceeded £3.5 billion, excluding any investment in facilities made by public sector bodies and other stakeholders. We anticipate that investment in upgrading and expanding existing stadia to continue, as clubs are recognising the benefit of a modern matchday venue to increase revenues and enhance the experience for fans.
- English football continues to make an extraordinary contribution to life in the UK in terms of economic impact, investment in facilities and community activities, not to mention non-financial benefits such as its diversity, popularity, social contribution and unique global reach.



Championship clubs' aggregate net debt at summer 2013 reached £1 billion for the first time



Capital investment across the top four divisions since the Premier League began has now exceeded **£3.5 billion**

Sphere of influence

One of football's most appealing and valuable characteristics is its unpredictability, and two decades ago no-one foresaw its current riches. Nonetheless, we offer some hostages to fortune below. We will report back in future editions.



Trophy assets

Despite the general lack of profitability, investors continue to be attracted to top European football clubs. The prestigious status of owning a football club can provide a useful media and business profile, access to important corporate, personal and political relationships, and excitement and emotional returns if on-pitch results go well.



Paul Rawnsley,
Director

There is also an economic rationale as the scarcity of such assets coupled with the sport's huge popularity means demand has continued to exceed supply over the past 20 years with the inevitable impact on price. In addition most owners have the self confidence that their actions will successfully build-up the club's on-pitch performance, business, facilities and brand, such that their prospective exit value grows.

Facilitated by the business culture and regulatory environment, the transactions market for English clubs is the most active in European football. Over the past ten years around two-thirds of the clubs in the top two divisions in England have had a change of majority ownership and around half of the clubs are now owned by non-UK nationals.

Retaining or gaining Premier League status is typically the central aim behind investor interest in England's top 40-50 clubs, and for a handful, the ambition to perform on the European football stage. In addition to the hunger of domestic fans to watch their club compete with the best domestically, the global reach of the Premier League far exceeds that of other national league

competitions with matches broadcast to over 720 million homes across over 200 territories. For some owners, this is a global opportunity to be exploited through new marketing and commercial arrangements.

Changes of ownership result in a range of opportunities and risks for a club and its stakeholders. Unfortunately, in the absence of appropriately experienced and independent advice, the recent history of English and wider European football is littered with examples of vendors and acquirers suffering unpleasant surprises in the process or aftermath of a change of club ownership.

There are unique circumstances in respect of each change of club ownership. One of the more challenging aspects is valuation, where – without a track record or immediate prospect of positive cash flows or profits – analysis of comparable transactions tends to fall back onto multiples of revenue. Based on the recent history of transactions, the enterprise value – being the price paid for the equity plus (or minus) the net debt/funds acquired – for Premier League clubs has typically been in the range of 1 to 2 times annual revenue. This is best seen as an arithmetic product of deals which have been struck, rather than a guide to sensible pricing – for either side.

Looking forward, the growing global interest in English football from fans, broadcasters and commercial partners means there will continue to be a significant level of investor interest in the top 40-50 English clubs. Beyond England, there is a growing trend of investor interest in clubs in major cities who offer the prospect of performing strongly in their domestic league and playing in European competition.

Sample of Premier League club changes of ownership transactions

Club	Timing	Acquirer	Country	Enterprise value (EV)	EV/revenue
Queens Park Rangers	2011	T Fernandes & others	Malaysia	106	1.7x
Liverpool	2010	NESV (Consortium)	USA	264	1.4x
West Ham United	2010	D Sullivan & D Gold	UK	108	1.5x
Sunderland	2009	E Short	USA	86	1.3x
Manchester City	2008	Sheikh Mansour	UAE	210	2.6x
Newcastle United	2007	M Ashley	UK	212	2.4x
Aston Villa	2006	R Lerner	USA	75	1.5x
Manchester United	2005	Glazer family	USA	776	4.7x
Chelsea	2003	R Abramovich	Russia	136	1.2x

Notes: Enterprise value (EV) is estimated as the aggregate of the reported amount paid by the acquirer for the equity of the club, plus (or minus) the club's estimated net debt (or net funds) acquired. The EV/revenue ratio is the enterprise value divided by the annual revenue figure for the accounting period ending in the year of the transaction.

Source: Financial statements; Corporate returns; Media reports; Deloitte analysis.

Basis of preparation

Basis of preparation

Our review of the financial results and financial position of English football clubs, 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 clubs 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.

Our review of the financial results and financial position of clubs in various European leagues, and comparisons between them, has been based on figures extracted from the company or group financial statements or from information provided to us by national associations/leagues.

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.

In relation to estimates and projections, actual results are likely to be different from those projected because events and circumstances frequently do not occur as expected, and those differences may be material. Deloitte can give no assurance as to whether, or how closely, the actual results ultimately achieved will correspond to those projected and no reliance should be placed on such projections.

Availability of financial information regarding football clubs

For the 2012/13 season there were several League 1 and League 2 clubs for which financial statements were not available to us at June 2014.

Divisional totals have been ‘grossed up’ to represent an estimate of the full divisional total for comparison purposes (from year to year or between divisions). Where necessary, the aggregate divisional totals for European leagues have been ‘grossed up’ in a similar manner.

Limitations of published information

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, are due to different commercial arrangements and how the transactions are recorded in the financial statements; or due to different ways in which accounting practice is applied such that the same type of transaction might be recorded in different ways.

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 financial information contained in the financial statements or other sources in respect of each club for the purpose of this publication.

The aggregated results shown in this publication for the clubs in the top four divisions of English football are not a true consolidation exercise because transactions between clubs, such as the transfer of player registrations, are not eliminated.

Wage costs

The published financial statements of clubs rarely split wage costs between playing staff and other staff. Therefore, the great majority of references in this publication to wages relate to the total wage costs for a club/division, including playing and non-playing staff.

Exchange rates

For the purpose of our international analysis and comparisons we have converted all figures into euros using the closing exchange rate at 30 June 2013 (£1 = €1.1668).

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