Riding the challenge
Annual Review of Football Finance 2021
Sports Business Group
July 2021
The European football market contracted by 13% in 2019/20, the first reduction since the global financial crisis in 2008/09 and the Premier League experienced its first ever decline in revenue.
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Riding the challenge

Welcome to the 30th edition of the Annual Review of Football Finance, the publication that remains the most comprehensive analysis of the financial trends in, and prospects for, the football industry.

The 2020 edition of the Annual Review of Football Finance was published only a few months into the COVID-19 pandemic, at a time where its impact on the professional football industry and more importantly the socio-economic impact on our day-to-day lives was highly uncertain. As we write it is now 16 months after the first raft of suspensions and cancellations of European football, and the scale of the financial impact of COVID-19 across the industry is becoming somewhat clearer.

The analysis in this report focuses on the 2019/20 financial year, and hence covers a unique season across the 30 year history of the Annual Review of Football Finance, reflecting the financial impact of the first few months of COVID-19. We have also sought to consider and quantify the future impact of COVID-19, particularly on financial results for 2020/21, which we will cover in depth in next year’s edition. We believe that the full extent of the impact may take a number of years to become apparent.

Too much pressure
The 2019/20 financial year saw total revenue fall across each of the ‘big five’ leagues as the impact of completing seasons behind closed doors and rebate payments to broadcasters was felt by clubs. In total the revenue generated by clubs from the ‘big five’ leagues fell by 11% to €15.1 billion. It should be noted that aside from the Bundesliga and Ligue 1, the other ‘big five’ leagues completed their seasons after their clubs’ typical financial reporting period and hence a portion of revenue associated with the 2019/20 season, mainly linked to broadcast agreements, will be deferred into the financial year ending in 2021.

The Premier League, which was won comfortably by Liverpool in 2019/20 after a few months pause to end a 30 year drought, remains considerably ahead of the other ‘big five’ leagues in terms of revenue generation. The gap temporarily decreased between the Premier League and second placed league from €2.5 billion in 2018/19, a gap of 73% (in EUR), to under €2 billion in 2019/20, a gap of 60%, due to the impact of COVID-19. Premier League clubs’ total revenue fell by 13% from a record £5.2 billion in 2018/19 to £4.5 billion in 2019/20 as matchday and broadcast revenue fell by 12% and 23% respectively.

Of the ‘big five’ leagues the Bundesliga reported the smallest fall in total revenue as fixtures were completed pre-financial year end meaning the vast majority of broadcast revenue has been recognised in 2019/20, and minimal rebates were paid to broadcasters. This has led to the Bundesliga displacing La Liga as the second highest revenue generating league of the ‘big five’ in 2019/20. We do however expect that La Liga will reclaim this position in the next edition. The revenue decrease of 4% in Germany was driven entirely by the decline in matchday revenue as the season concluded without fans in stadia which was slightly offset by improved commercial performance.

In contrast to revenue from matchday and broadcast sources, commercial revenue grew in two of the ‘big five’ leagues as agreements signed pre-pandemic delivered revenue growth. It remains to be seen how commercial partners approach the industry in the coming seasons and what level of value they place on being associated with leading European football clubs, particularly if they face their own financial challenges, but we expect this revenue stream to be resilient in the 2020/21 season and beyond.

Serie A and Ligue 1 saw declines in revenue of 18% and 16% respectively in 2019/20. Moreover both leagues have faced significant challenges in respect of their broadcast environment. Serie A
spent much of the 2020/21 season in drawn out negotiations with Sky Italia and DAZN in respect of both the impact of COVID-19 on their match calendar and audience and their next domestic broadcast cycle beginning in 2021/22. The new domestic deals have reportedly resulted in a 5% decrease in average annual value compared to the previous cycle. In France the turmoil was even greater as Ligue 1 first cancelled their 2019/20 season due to the pandemic and then their domestic rights deal with Mediapro due to missed payments. This triggered an ongoing series of events that has led to a new broadcast agreement with Amazon and legal action being taken against the LFP by long-term partner Canal Plus. In this context the Premier League agreeing to roll over its domestic broadcast rights arrangements with the same partners for the same values for three further years feels like a wise safe harbour amid the tumult caused by COVID-19.

Diversifying revenue sources, particularly through embracing digital technology, has been a focus of leading European football clubs in recent years. The impact of COVID-19 highlighted the importance of this and accelerated some more progressive clubs’ and leagues’ efforts. Clubs across Europe created additional content or initiatives for fans to maintain and strengthen relationships and generate new revenue. The EFL allowed its clubs to stream non-televised
Due to the misalignment of the completion of seasons and some financial reporting periods we expect that some wage costs relating to the 2019/20 season including end of season bonuses may be recognised in the next financial year and potentially some temporary pay cuts will be reversed. Nonetheless it will be interesting to see how the balance of wages and revenues develops in 2020/21 and beyond, and whether the hitherto seemingly inexorable growth in wages slows, stops or reverses.

Premier League clubs largely avoided using the UK Government’s furlough COVID-19 support, with only a handful of clubs utilising the scheme, and some reversing their initial decision to apply after vociferous public criticism.

The English Football League’s ('EFL') clubs are more reliant on matchday revenue than those in the Premier League and other ‘big five’ leagues and have been more acutely impacted by COVID-19. League 1 and League 2 both had their 2019/20 season cancelled, while the Championship was completed behind closed doors. Thankfully the lost matchday revenue was somewhat offset by the start of a new broadcast rights cycle that accounted for a reported 35% increase on the previous agreement, although this could not stop operating losses increasing in the Championship and League 1.

Games through its iFollow platform which enabled clubs to both maintain a connection with fans and generate some revenue that otherwise may have been lost. The latest trend catching the industry’s attention is Non Fungible Tokens (‘NFTs’) which the NBA in particular has had significant success with. We explore this further in the article Non Fungible Tokens and the iteration of football fandom later in the report.

(Dawning of a) New Era

Given the relatively fixed nature of wage costs in the short term across the ‘big five’ leagues and the falls in total revenue, it was arithmetically inevitable that wage to revenue ratios would increase considerably in 2019/20: Both the Premier League (73%) and Ligue 1 (89%) posted their highest ever ratios with La Liga, Serie A and Bundesliga reporting their highest for over 15 years.

Behind this immediate headline though is a potentially more interesting development. In aggregate, clubs across the ‘big five’ have managed to almost halt the relentless year-on-year wage increases that have been a feature of the last decade with only a handful of exceptions. Serie A reported an 8% decline in wage costs while the other ‘big five’ reported increases of between 0.4% and 4%. It should be noted that due to the misalignment of the completion of seasons and some financial reporting periods we expect that some wage costs relating to the 2019/20 season including end of season bonuses may be recognised in the next financial year and potentially some temporary pay cuts will be reversed. Nonetheless it will be interesting to see how the balance of wages and revenues develops in 2020/21 and beyond, and whether the hitherto seemingly inexorable growth in wages slows, stops or reverses.

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The summer 2021 transfer window has seen limited activity to date, and buyers appear to be few and far between, as a number of major clubs are in a position where sales are required before purchases can be made.

These losses were despite the EFL’s clubs more extensive use of Government support schemes that included the furloughing of staff. The losses and associated cash challenges reportedly piqued the interest of TPG Capital, who were understood to be considering providing a £300m injection into the EFL for a share in the EFL’s commercial rights. Ultimately this deal did not proceed, but in March 2021 the EFL announced it has secured a £117.5m funding package from MetLife Investment Management to supports its member clubs with managing the impact of COVID-19.

Do nothing
Despite the relatively modest increases in wage costs during 2019/20, there is evidence that a prolonged period of paying significant wages and the COVID-19 driven fall in revenue is beginning to impact even the largest clubs.

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FC Barcelona currently finds itself in a position where it is unable to register new players due to being in breach of La Liga’s economic controls around squad cost, requiring the club to sell or release players in order to reduce costs to register new signings, and even to agree for its greatest ever player to reportedly halve his pay. If one of the traditional ‘super clubs’ finds itself in this position it should act as a stark warning to rest of European club football and act as a catalyst for all to work to exercise the necessary control over player costs to ensure sustainability.

Aggregate operating losses increased in Serie A and Ligue 1 by €257m and €269m respectively. Meanwhile, total operating profits reduced by 60% and 45% in La Liga and the Bundesliga respectively and fell from £837m to £55m in the Premier League. At a pre-tax level, the Premier League clubs reported a collective loss of £966m, their largest ever.

These financial difficulties, along with the seemingly unshakeable interest in, and appetite for, top level football content as evidenced by the historic growth of broadcast and commercial revenue, acted as a trigger for the unprecedented level of interest we have seen in European football from institutional investors over the past 16 months. This interest has also notably been more focused at a league wide level, rather than the more volatile individual club level, than has historically been the norm.
Some stakeholders have been amenable to exploring this interest and see raising additional funding through external sources as part of the solution. In addition to the EFL, Serie A, Bundesliga and La Liga have been subject to approaches from private equity giants. In the case of Serie A and the Bundesliga, the proposed investment was in return for a stake, and some level of control over, the league’s commercial rights, while the proposed investment in La Liga was focused on their technology services unit, La Liga Tech. Ligue 1 has taken steps to prepare itself for potential investment through the creation of a commercial subsidiary but this still requires approvals from the French government. The potential deals mentioned have not been completed with the Bundesliga clubs ultimately voting strongly against the proposed investment and Serie A’s discussions are currently on hold.

The most seismic financial and structural development mooted in European football was the ill-judged and unlamented failed breakaway by some of the richest clubs from three countries from the current competition structure towards a guaranteed place in a European Super League. This reflected the desperation of some and the fear of missing out among others. It was remarkable that a project that had been rumoured for over 20 years as a threat hanging over European club football collapsed in disarray in just a few days. The importance of solidarity in European football in securing the sport’s continued strength has never been more evident or more emphatically stated.

A message to you
European football is going through its most challenging time in recent history and is faced with serious uncertainty due to the financial issues presented by COVID-19, as detailed throughout this report, but it is also subject to significant wider social challenges.

Over the course of the recently completed 2020/21 season there have been numerous cases of racist abuse mainly emanating from anonymous social media profiles but with some high-profile on pitch and in stadium incidents too. This reached its nadir in the disgraceful abuse of England’s black penalty takers after the final of the 2020 UEFA European Championships. It is vital that clubs, governing bodies, leagues, governments and social media companies work together to educate the public and punish those that commit such offences and in doing so make it clear that there is absolutely no place in football, at any level, for racism or bigotry.

Enjoy yourself
Finally, I would like to thank my colleagues who have contributed to this year’s edition of the Annual Review of Football Finance in challenging circumstances. I am very grateful for the support we receive in creating this report from across the football ecosystem and to Henry Wong for his design expertise. As we look forward, the next edition will be launched months before the 2022 FIFA World Cup after what we all hope is a less disrupted European football season. Until then, stay safe and well and I hope you enjoy the return to football matches and this edition of the Annual Review of Football Finance.

Dan Jones, Partner
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Consulting services
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Assistance to FIA and Formula E to support the feasibility assessment, and subsequent development, of Financial Regulations for Formula E.

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Strategy development
Assisting World Athletics with development of the World Plan for Athletics.

Consulting services
Assistance with the Sport Survival Package.
A heavy challenge – how COVID-19 impacted the 2019/20 European football season

As COVID-19 began spreading across western Europe in the spring of 2020, it quickly became apparent that elite level sport, including the ‘big five’ European leagues, would be significantly impacted.

Serie A became the first of the ‘big five’ to suspend its season on 9 March 2020 after an announcement from the Prime Minister requiring all sport to be ceased. The remainder of the ‘big five’ followed within days of the Italian announcement. Aside from Ligue 1, which was controversially cancelled on 28 April 2020, (a decision which was challenged but upheld in the French High Court) the other leagues resumed behind closed doors and belatedly completed the 2019/20 season during the summer of 2020.

In addition to the human and logistical challenges faced by professional football due to COVID-19, it has become clear that there has been significant financial and administrative burdens placed on clubs, leagues and governing bodies. This 30th edition of the Annual Review of Football Finance has been prepared during an unprecedented time for the professional football industry and while we have sought to maximise the comparability of this edition to previous and subsequent editions there are a number of potential discrepancies to consider. Across this section, we provide a brief description of how the initial onset of COVID-19 affected the ‘big five’ European leagues and how it has impacted the reporting and analysis in this edition of the Annual Review of Football Finance.

These potential discrepancies are largely driven by two factors. First, the extent of the delay in completing seasons, excluding for the Bundesliga and Ligue 1, meant the seasons became misaligned with the majority of clubs’ financial reporting periods with a particular impact in respect of recognition of season long revenue, notably broadcasting revenue, and wage costs between financial years. Secondly, rebates were requested by broadcasters for the delay, cancellation or behind closed doors nature of matches. For example, the majority of Premier League clubs have a financial year ending on 30 June, with a half dozen on 31 May, which in an uninterrupted season would allow for the season to be completed. However, as the Premier League season in 2019/20 was not completed until 26 July 2020, a misalignment

The ‘big five’ at a glance

<table>
<thead>
<tr>
<th>League</th>
<th>Date suspended</th>
<th>Date resumed</th>
<th>Date completed</th>
<th>2019/20 matches played in FY21</th>
<th>Rebate to broadcasters</th>
<th>Broadcast revenue recognition for 2019/20 season</th>
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<td>13 March 2020</td>
<td>16 May 2020</td>
<td>27 June 2020</td>
<td>0</td>
<td>Minimal</td>
<td>Across FY20 and FY21</td>
</tr>
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<td>17 June 2020</td>
<td>26 July 2020</td>
<td>66</td>
<td>Yes</td>
<td>Across FY20 and FY21</td>
</tr>
<tr>
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<td>11 June 2020</td>
<td>19 July 2020</td>
<td>57</td>
<td>Yes</td>
<td>Across FY20 and FY21</td>
</tr>
</tbody>
</table>
Our approach

As outlined in the graphic, there are numerous potential impacts on club by club financial reporting due to the disruption caused by the COVID-19 pandemic. In this edition of the Annual Review of Football Finance we have sought to keep our reporting as simple as possible to enable comparability across historic and future editions once the full financial impact of COVID-19 has been realised.

A small number of clubs have submitted financial statements considering a 13 month period, typically ending 31 July 2020 to capture the full 2019/20 season. We have not made adjustments to align these numbers to a 12 month period and the ‘normal’ season as we typically would. Likewise in instances where clubs have reported financial performance across a 12 month period, typically ending 30 June 2020, we have not sought to extrapolate their financial results to ‘fit’ into the extended seasons.

The timing differences between financial reporting periods and the season’s completion in some leagues as previously outlined has raised revenue recognition questions. This is further complicated where there are significant merit related payments associated with final league position with clubs choosing a number of different approaches to recognition. Some of the different approaches taken by clubs included recognising the revenue based on the club’s actual league position at its financial year-end, the position the club would have achieved historically with its points total at the financial year-end or the lowest position theoretically possible given its points total at the financial year-end.

It should be considered that this edition includes analysis of the 2019/20 season and only represents the financial impact of the first three to four months of COVID-19 with clubs generating matchday revenue for the majority of the season. Next year’s edition along with future editions will start to reveal the full financial impact of COVID-19 as clubs feel the impact of empty stadia throughout the vast majority of the 2020/21 season, and broadcasters and commercial partners re-evaluate the value of live football in a post pandemic environment.

Note: For the purposes of this analysis FY21 is considered to begin on 1 July 2020.
This is the 30th edition of the Deloitte Annual Review of Football Finance. As we did in 2011 for our 20th edition, we have set out a timeline capturing some of the most significant events over the past 30 years that have shaped today’s football industry landscape.

Producing the Annual Review is a team effort which year on year relies on a dedicated pool of not just editors, sub-editors, authors and co-authors but numerous others who contribute to the report and its accompanying databook. We are also of course always grateful to the clubs and football bodies that continue to provide information to enable the report’s production in a timely manner. As well as striving to produce interesting and useful analysis and commentary, we are dedicated to serving clients in the business of sport and will continue to be involved in many of the significant developments both in the football and wider sports industry.

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Trusted backline

Divison One clubs’ total revenues of £170m. The first Premier League season kicks off in August, with the first BSkyB TV deal worth £38m per season.

Following the Taylor Report, all clubs in the top two divisions require all-seater stadia from 1994/95 season.

Manchester United win inaugural Premier League, and have been champions 12 more times since.

European Court of Justice ruling on Bosman case. Premier League streamlined to 20 clubs.

BSkyB’s proposed acquisition of Manchester United blocked. Richard Scudamore appointed as CEO of Premier League.

Formation of Supporters Direct and the Football Foundation. European Commission challenge against the player transfer system.

Leeds United “living the dream” up to Champions League semi-final.


England hosts Euro 96.

Leeds United

## Key Events

### 2002
- **ITV Digital collapses.** 10 Football League clubs enter insolvency in year. Premier League clubs’ revenues exceed £1 billion for first time.

### 2003
- **FIFA introduce player transfer windows.**
- **European Commission issue White Paper on Sport. Opening of the new Wembley Stadium. Michel Platini becomes UEFA President.**

### 2004
- **Glazer family takes control of Manchester United.**
- **Structural review of The Football Association.**

### 2006
- **New domestic TV deals for Premier League agreed, worth around £650m per season.**
- **Manchester City acquired by Sheikh Mansour. European Club Association replaces G14 Group.**

### 2008
- **Premier League and Championship clubs agree to implement financial fair play regulations.**
- **Premier League live domestic rights sell for over £1 billion per season from the 2013/14 season, combined.**

### 2010
- **Premier League five domestic rights sell for over £1 billion per season from the 2013/14 season, combined.**
- **First season clubs subject to sanctions resulting from UEFA FFP break even requirement.**
- **A year after narrowly avoiding relegation Leicester City wins the Premier League, only the sixth club to do so and the fourth consecutive different winner for the first time in the competition’s history.**

### 2012
- **BT invests heavily in its rights portfolio to launch the BT Sport channel. Sir Alex Ferguson retires as Manchester United manager after 26 years and 38 trophies.**
- **Deloitte report that Premier League clubs’ annual wage costs exceed £1 billion for first time.**
- **Premier League clubs’ total revenues of £2.3 billion.**
- **The 30th new club stadium built in England and Wales since 1992 opens in Brighton. Trust-owned AFC Wimbledon promoted to Football League, just nine years after formation.**

### 2014
- **Six Premier League clubs in 2014/15 each generated more revenue than the whole top division combined did in 1991/92. China Media Capital acquire minority stake in City Football Group.**

### 2015
- **BT pays £800m for Premier League’s five-year live domestic TV rights in 2019-21 season.**

### 2016
- **Record five teams competing in the UEFA Champions League help drive Premier League record revenue and two record transfer windows.**
- **The FA Women’s Super League becomes fully professional.**

### 2018
- **Liverpool lift the UEFA Champions League for the sixth time.**
- **Tottenham Hotspur’s new stadium opens. Bury FC becomes the first Football League club to go out of business since 1992.**

### 2020
- **Ongoing COVID-19 pandemic sees the majority of the season across Europe played behind closed doors. European Championships postponed to 2021. Liverpool wins its first league title since 1990.**

### 2021

## Revenue Growth

- **Deloitte report in 2012 that Premier League clubs’ annual wage costs exceeded £1 billion for the first time.**
- **Premier League clubs’ aggregate revenue exceeds £4 billion for the first time and no clubs reported an operating loss.**
- **Six Premier League clubs in 2014/15 each generated more revenue than the whole top division combined did in 1991/92.**
- **China Media Capital acquired a minority stake in City Football Group.**
- **BT pays £800m for Premier League’s five-year live domestic TV rights in 2019-21 season.**

## Other Key Events

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Europe’s premier leagues

The European football market contracted by 13% in 2019/20, as overall revenues fell by €3.7 billion to €25.2 billion. This is the first reduction in revenues since the impact of the global financial crisis was felt in 2008/09.

European football market
All parties across European football have been affected by COVID-19, not least UEFA, with its revenues falling by 21% to €3 billion following the postponement of the 2020 European Championships and rebates to broadcast and commercial partners in respect of UEFA club competitions.

UEFA worked closely with its Member Associations, leagues and clubs to manage the initial postponement and subsequent return of football, and to mitigate the associated financial strain. UEFA provided advance payments to Member Associations and maintained distributions to clubs, with repayments to broadcast and commercial partners staggered over future seasons.

FIFA also reacted quickly, establishing a COVID-19 Relief Plan and making $1.5 billion available to National Associations, of which $340m had been released in 2020, over half of which was grant funding.

Whilst the pandemic affected clubs of all sizes, and in relative terms the impact was greatest on those most reliant on matchday revenue, in absolute terms the ‘big five’ European leagues bore the brunt of the immediate impact. Combined revenues for the ‘big five’ leagues for the 2019/20 financial year fell 11% to €15.1 billion, yet this still represented a record high share of 60% of the European football market.

The repercussions of the pandemic can be seen through the reduced activity in the delayed summer 2020 transfer market: a c.40% fall in gross transfer expenditure across the ‘big five’ leagues, from c.€5.5 billion to c.€3.4 billion, lowering the amounts that would otherwise have been redistributed across other European leagues.

One of the positives to take from the pandemic was the collective response of football bodies, reacting with pragmatism and agility to resume play (where deemed safe to do so) and providing much needed entertainment and a sense of normality to fans of the sport. The record broadcast audience numbers
upon resumption of football in many countries evidenced this appetite from fans.

Yet despite this sense of unity across football stakeholders, as discussions over the future format of European club competitions reached their culmination in April 2021, news broke that 12 clubs from across three of the ‘big five’ European leagues had agreed to launch a European Super League, in place of the existing midweek UEFA club competitions. The strong unanimous negative reaction from governments, football governing bodies, leagues, clubs, broadcasters, pundits and most importantly fans saw the idea flounder, with nine of the 12 clubs announcing their intention to withdraw within the week.

The noise around the European Super League somewhat overshadowed the announcement by UEFA of a major change to the competition structure of its club competitions from 2024/25 onwards. UEFA believes that the revised ‘Swiss model’ format and increased number of matches will continue the cycle-on-cycle growth in media and commercial revenues, which increased by c.30% in the 2018/19 to 2020/21 cycle; and significant uplifts in value have been reported in some key territories for the rights to UEFA club competitions for the period commencing in 2021/22.

2021/22 will also see the commencement of the UEFA Europa Conference League, introduced by UEFA to increase the inclusivity of its competitions and foster solidarity amongst some of the smaller Member Associations. Indeed, it is this sense of solidarity, so vital in riding the challenges presented by COVID-19, that will be critical to the longer-term recovery and growth of the sport.

The differing responses from each league, in terms of recommencement of matches, rebates to broadcasters, negotiations with commercial partners, financial measures to support clubs and other domestic leagues, and competition changes, drove the different financial outcomes for each league.

Most strikingly, whilst the aggregate revenues of the ‘big five’ leagues decreased by 11% to €15.1 billion in 2019/20, total wage costs remained flat. This produced one short-term dramatic impact as the aggregate club wages to revenue ratios for the Premier League and Ligue 1 reached record levels, and the other three ‘big five’ leagues reached their highest levels since the early years of this century. Nonetheless, as the influence on revenues of COVID-19 recedes, the longer-term picture, particularly for 2021/22 and beyond, may be of healthier restraint and improved financial sustainability if wage growth remains under control, as it did in 2019/20.

This section focuses on each of the other ‘big five’ European leagues in turn, with the Premier League numbers presented in EUR € terms for comparability. A more detailed analysis of England’s top division can be found in the Premier League section of the report.
Germany

Revenue
The Bundesliga was the first major European sports league to resume matches following the pandemic-enforced pause in March 2020, and the only ‘big five’ league to complete its season within the 2019/20 financial year. As such, total revenues only declined by 4% (€137m) to €3.2 billion, driven by a 30% (€115m) fall in matchday revenues as all matches were played behind closed doors following the competition’s resumption in May 2020.

Commercial revenues from advertising and merchandise decreased in 2019/20, a 6% (€30m) drop on the prior year, whilst sponsorship revenues actually increased by 5% (€43m) due to increases at a number of participating clubs, including those taking part in UEFA competitions who are not regular qualifiers for those competitions.

The 18 Bundesliga clubs reported similar aggregate broadcast revenues to 2018/19, as the Bundesliga was able to avoid paying any significant rebates to broadcast partners in 2019/20. At €1.5 billion, broadcast revenues represented a record high proportion of 46% of total Bundesliga revenues in 2019/20.

Despite the disruption to the season caused by COVID-19, the DFL pressed ahead with its tender for domestic media rights for the 2021/22 to 2024/25 period. Sky Deutschland and DAZN have acquired the majority of live rights to the Bundesliga for the four-year period, with total rights values averaging €1.1 billion per season, a 5% decrease on the previous rights cycle (€1.16 billion per season); a satisfactory outcome given the economic context, lack of new bidders for the major rights packages and the 85% increase in domestic rights values for the previous cycle that commenced in 2017/18.

A failure to agree a deal in the MENA region and declines in value in Latin America and across Asian markets (exc. China and Japan) has reportedly seen the value of international rights fall by c.€50m to €200m in 2020/21, despite the league agreeing new deals at improved values in the US and Japan (both from 2020/21). Encouragingly, further deals have been announced in multiple markets from 2021/22, including in Italy with Sky Italia, and a long-term deal with NENT Group across nine European countries, pointing to increased international demand for the Bundesliga.

In light of the financial challenges caused by COVID-19 and in an effort to promote stability and greater solidarity, in December 2020 the DFL announced a change to the revenue

Chart 2: ‘Big five’ European league clubs’ revenue – 2019/20 (€m)

Notes: Commercial revenue is not disaggregated into ‘sponsorship’ and ‘other commercial’ for clubs in England, Spain and Italy.

2019/20 average attendances and utilisation are up to the point of suspension of each respective league.

Source: Leagues; Deloitte analysis.
distribution model for media rights revenues for the 2021/22 to 2024/25 period, which will see a higher proportion of both domestic and international revenues distributed equally between Bundesliga clubs.

**Wages**
The Bundesliga's wages to revenue ratio rose to 56%, with total wages increasing only marginally (by 0.5%) to €1.8 billion, as Christian Seifert, the DFL’s CEO, acknowledged the challenge of trying to rapidly cut contractually agreed costs. Whilst this represents the Bundesliga’s highest wages to revenue ratio in 20 years, this remains the lowest across the ‘big five’ European leagues and in line with the DFL’s Future Task Force recommendations for a commitment to sustainability in German football.

**Operating profit**
The 4% fall in total revenues coupled with an inability to immediately cut costs, saw combined operating profits of the Bundesliga clubs drop by 45% from €394m to €215m in 2019/20, its lowest level since 2011/12. Nonetheless, the DFL reports that 16 of 18 clubs recorded positive EBITDA and the Bundesliga remains, along with the Premier League, the only ‘big five’ league to have reported aggregate club operating profitability every year for over 20 years.

With the domestic and the majority of international media rights deals secured for the immediate future, and a positive trend in commercial interest in German football, the Bundesliga appears to have weathered the worst of the COVID-19 storm, helped largely by the collective foundations of economic sustainability that German clubs have built over the past 20 years.

The Bundesliga was the first major European sports league to resume matches following the pandemic-enforced pause in March 2020, and the only ‘big five’ league to complete its season within the 2019/20 financial year.

**Mutual interests: Private equity across the ‘big five’ European leagues**

Serie A was the first of the ‘big five’ leagues to publicly announce investor interest in May 2020. Private equity group CVC Capital Partners, together with Advent International and Italian state-backed Fondo Strategico Italiano, eventually agreed a deal reportedly worth €1.7 billion for a 10% interest in a new company set up to manage the media and commercial rights of the league. The offer reportedly lapsed in February 2021, and the deal appears to have stalled amid reports that the Serie A clubs failed to reach consensus on the deal terms.

Prior to the COVID-19 pandemic, the German DFL had reportedly begun conversations with private investors regarding a minority equity interest in two newly-created subsidiaries, including one that would be granted a license to both the Bundesliga’s and 2.Bundesliga’s international media and commercial rights, as well as the rights to operate and distribute the Bundesliga’s OTT platform. The opportunity reportedly attracted interest from over 30 potential bidders, but following careful assessment, in May 2021 the Bundesliga and 2.Bundesliga clubs announced that they would not pursue this further for the time being.

LaLiga’s discussions with private equity have reportedly been focused on its technology services unit, LaLiga Tech, with private equity investors contemplating acquiring up to a 60% interest in the unit, which has a reported enterprise value of €650m. Over the last seven years, LaLiga Tech has developed various services including streaming platform LaLiga Sports TV, a player performance analysis platform, fan management services and anti-piracy software, that is already used by other rights holders.

In December 2020, Ligue 1 and Ligue 2 clubs approved the creation of a commercial subsidiary for the LFP. The approval by the clubs, which still requires French government support, stipulated that the LFP must hold no less than 80% of the capital and voting rights, opening the door for potential equity investment.
Aggregate revenues of the 20 La Liga clubs fell 8% (€261m) to €3.1 billion in 2019/20, as the postponement of fixtures and extension of the season into the 2020/21 financial year resulted in the Bundesliga supplanting La Liga as the second-highest revenue generating league in Europe.

Prior to the pandemic, the first half of the season had seen Spanish clubs report rising attendances, with La Liga match goers up 5% on the prior year period. Unfortunately, this trend was halted by the suspension of football from 12 March 2020, and the resumption behind closed doors on 11 June 2020 meant La Liga clubs’ combined matchday revenues fell by 19% from €506m to €409m in 2019/20.

Rebates to broadcast partners reportedly totalling c.€100m (spread over multiple years), along with a deferral of some broadcast revenues into the 2020/21 financial year (to reflect when matches were played), saw total revenues from media rights fall by €133m (7%) to €1.7 billion 2019/20, despite this being the first year of new domestic and international broadcast rights agreements. LaLiga is expected to go to market for the next domestic rights cycle towards the end of 2021, with reports that new rights packages will be created to entice new bidders, and the option to agree deals beyond the historical three-year term following the Spanish competition authority’s ruling to remove this term limit in European markets.

Total commercial revenues fell marginally (by 3%) to €997m in 2019/20. Whilst over half of the consistent La Liga clubs recorded an increase in commercial revenues, these were offset by significant reductions for Atlético de Madrid (€17m) and Barcelona (€44m). Despite this 11% reduction in commercial revenues for Barca, they, together with Real Madrid, remained the top two clubs in the Deloitte Football Money League and continued their commercial dominance of La Liga, together accounting for 70% of commercial revenues in 2019/20.

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Since 2016, LaLiga and La Liga clubs’ commercial revenues have benefitted from the league’s internationalisation strategy, which includes commercial joint ventures to grow its profile through localised content, grassroots initiatives and commercial partnerships. This approach has facilitated better conversations with local broadcasters, and in May 2021, the league took advantage of competition in the US sports media market to secure an eight-year
broadcast rights deal with ESPN for a reported €145m ($175m) per season, a 75% increase in US Dollar terms on the reported value of the previously agreed deal, for which LaLiga bought back the rights from beIN Sports.

**Wages**
La Liga clubs' total wage expenditure rose only marginally (0.4%) to €2.1 billion in 2019/20. The league’s economic controls on each club’s squad costs encourage sustainability, and likely contributed to the significant decreases in wage expenditure shown by Atlético de Madrid (down €29m (12%)) and Barcelona (down €55m (10%)). Excluding these two clubs, total wage expenditure rose by €91m (7%) across the 15 other consistent clubs. This, combined with the drop in revenues, resulted in the wages to revenue ratio for the league rising to 67%, its highest level for 17 years.

In its attempts to help Spanish clubs manage the financial repercussions of COVID-19, LaLiga reduced the collective squad cost limits (amounts spent on player wages and transfers) by c.24% for the 2020/21 season, to c.€2.3 billion prior to the summer 2020 transfer window, working closely with clubs to find solutions for long-term sustainability.

**Operating profit**
The combined operating profits of the La Liga clubs fell by 60% from €455m to €183m in 2019/20. Nonetheless, 15 clubs reported operating profits despite the impact of COVID-19, demonstrating the influence on financial sustainability that LaLiga’s economic controls have had since their introduction in 2013.

Continued international expansion, sustained demand from domestic and international broadcast partners, and continued financial responsibility should provide a degree of comfort for La Liga clubs as the constraints caused by COVID-19 begin to ease. Nonetheless, given the heavy bias of global fan interest towards, and hence financial dominance of, La Liga’s biggest clubs, continued unity will be required for Spanish football to benefit from the foundations that LaLiga has laid.

In its attempts to help Spanish clubs manage the financial repercussions of COVID-19, LaLiga reduced the collective squad costs limits by c.24% for the 2020/21 season.
Italy

Revenue
Serie A clubs’ combined revenues fell 18% (£443m) to £2.1 billion in 2019/20, as Italy became the initial focal point for COVID-19 in Europe, which halted play on 9 March 2020.

The behind closed doors return of football in Italy on 20 June 2020 resulted in a £50m (18%) drop in matchday revenues to £234m, but given the historic lack of investment into Italian stadia (and therefore relatively low matchday revenue), in absolute terms the decrease in matchday revenues was almost half that reported by the Premier League and La Liga, and one third of the fall in Bundesliga matchday revenues.

A ‘stadium fund’ was reported to be part of the proposed private equity investment into the league (see Mutual interests box) but any such investment will take time to bear fruit, particularly given the repeated struggles to progress major Italian football stadium projects.

Serie A clubs’ total commercial revenues fell £120m (16%) to £628m in 2019/20, with Internazionale’s commercial revenue decrease alone representing almost half of this amount, as profiled in the 2021 Deloitte Football Money League. Despite the ongoing challenges, commercial revenues should remain resilient in 2020/21, as the season saw a host of new club sponsorship deals announced, whilst Serie A launched a new commercial strategy that saw it become the first of the ‘big five’ leagues to create official sponsorship categories for Video Assisted Refereeing and Goal Line Technology.

Temporarily withheld broadcast payments (reportedly worth c.€130m and repaid in February 2021) and the deferral of payments into the 2020/21 season saw aggregate broadcast revenues fall by £273m (19%) to £1.2 billion in 2019/20. Much of the focus has been on the new domestic and international rights deals from 2021/22. After a protracted tender process, domestic rights deals with DAZN and Sky Italia have been secured for a combined average value of c.€928m per season, 5% lower than in the prior rights cycle, albeit the league will also reportedly save £50-60m per season in commission payments previously made to the Infront agency. Serie A international media rights values dropped more markedly, to a reported c.€196m per season from 2021/22 to 2023/24, with the MENA region unsold at present. With incumbent MENA broadcast partner beIN Sports apparently declining to take part in the initial rights tender, the league seems unlikely to make up the shortfall.

Chart 4: ‘Big five’ European league clubs’ revenue and wage costs – 2018/19 and 2019/20 (£m)

Source: Leagues; Deloitte analysis.
**Wages**

The Italian top flight was the only ‘big five’ league to reduce total wage expenditure in 2019/20, with aggregate wages falling €147m (8%) to €1.6 billion. Nonetheless, the reduction in revenues caused by COVID-19 resulted in the wages to revenue ratio rising to 78%, the highest level in 16 years, as three clubs spent more on wages than they earned in revenues. The 2020/21 outturn for a season played almost entirely with no fans in stadia will also be challenging, but if wage restraint persists then the 2021/22 season may present a more encouraging balance between wages and revenues.

In response to this situation and to assist clubs in exercising better financial discipline, the Italian Football Federation is reportedly seeking to introduce financial regulations to encourage clubs to reduce wage costs over the coming years, with those looking to increase expenditure required to provide bank guarantees to demonstrate the sustainability of any investments.

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**Operating losses**

Serie A clubs’ combined operating losses significantly worsened in 2019/20, from €17m to €274m, their worst result since 2001/02. It should be noted that the combined operating losses of AC Milan and AS Roma accounted for almost two thirds of this amount. The road back to collective profitability in future seasons looks challenging for all the reasons described above.

A truly collaborative effort across the Italian football ecosystem will be required to arrest this trend, and promisingly, in May 2021, the Italian Football Federation created a working group including all Serie A and Serie B clubs to address the financial crisis facing Italian football, including an option to explore a return to an 18 team Serie A from 2023/24.

The Italian top flight was the only ‘big five’ league to reduce total wage expenditure in 2019/20, with aggregate wages falling €147m (8%) to €1.6 billion.
France

Revenue

Ligue 1 clubs’ total revenues fell 16% (€304m) to €1.6 billion in 2019/20, more than €450m behind their nearest ‘big five’ rivals (Serie A), as Ligue 1 became the only top flight European league to cancel its season in response to the pandemic. As a result, matchday revenue decreased by 15% (€31m) to €170m in 2019/20, albeit the financial impact on this revenue stream of cancellation is obviously not materially different to continuing behind closed doors.

Rebates to broadcast partners reportedly totalling c.€123m (between domestic and international rights holders) contributed to aggregate broadcast revenues falling 23% from €901m to €690m in 2019/20, as Ligue 1 remains the only ‘big five’ league whose clubs earn less than €1 billion from this revenue source. To help its clubs mitigate against these losses, the LFP secured government guarantees which are repayable within five years and will be offset against future broadcast rights income.

French football was further destabilised by the cancellation of the domestic rights deal with Mediapro in December 2020, following the agency’s failure to pay scheduled rights fee instalments. The LFP subsequently agreed a deal with Canal Plus for the rights previously held by Mediapro, which meant that the total value of Ligue 1 and Ligue 2 domestic rights for the 2020/21 season was reportedly c.€670m, a 42% reduction on the €1.15 billion per season that domestic rights for the 2020/21 cycle had originally been sold for, and similar to the average annual value in the 2008/09 cycle.

After lengthy discussions and legal challenges, the rights to the eight weekly Ligue 1 matches originally held by Mediapro were awarded to Amazon for the 2021/22 to 2023/24 period, for a reported €250m per season (compared with the €780m per season agreed with Mediapro). This prompted Canal Plus, the league’s long-term partner, to take legal action against the LFP and to announce it intends to pull out of its commitment to show two Ligue 1 matches per match week, reportedly worth €332m per season through to 2023/24. Canal Plus sublicenses these rights from beIN Sports, as part of a five-year distribution deal between the two broadcasters. At the time of writing it appears that the sale to Amazon of the majority of Ligue 1 rights, including the top ten matches per season, has triggered yet further problems for Ligue 1 and its clubs’ financial futures.

Aggregate commercial revenues for Ligue 1 clubs fell by 8% (€62m) to €738m in 2019/20, as the cancellation of the season and postponement of other events hit ticketing, catering, merchandising and the clubs’ ability to fulfill commercial agreements. PSG’s commercial revenues of €299m were over six times more than the next highest (Marseille), according to the financial information presented by the DNCG, emphasising the disparity in revenue generating potential among Ligue 1 clubs.

Wage costs

Despite Ligue 1 clubs’ total wage expenditure increasing at its slowest rate for five years, by 2% to €1.4 billion, the huge revenue reduction resulted in the wages to revenue ratio increasing to 89% in 2019/20, the second-highest level ever recorded across the ‘big five’ European leagues. Worryingly for the sustainability of French football, only two clubs had a wages to revenue ratio below 70%, and six clubs spent more on wages than they earned in revenues. Following the termination of the broadcast rights deal with Mediapro, the LFP and France’s National Union of Professional Footballers encouraged players to consider accepting wage reductions to “save professional football".
Operating profits

Ligue 1 clubs reported their 13th consecutive year of combined operating losses, which increased to €575m in 2019/20, an unwanted all-time record for a ‘big five’ league, as the curtailment of the football season took its toll. Only one club, Brest, reported an operating profit in 2019/20. Ten clubs reported operating losses of more than €20m and pre-tax losses will have been further affected by the fall in player transfer revenue, which has historically been a key part of some French clubs’ business models.

With the French regulatory body reportedly imposing strict requirements on clubs to balance their books, and reports in the French press of the sizeable losses facing Ligue 1 clubs, the LFP has announced a reduction in the size of Ligue 1 from 2023/24, with a return to an 18-team top league as was the case between 1997 and 2002. What influence this will have on domestic broadcast rights discussions, and whether this change will be sufficient, and soon enough, to reduce the likelihood of further financial problems for clubs, remains to be seen.

Chart 5: ‘Big five’ European league clubs’ profitability – 2010/11 to 2019/20 (€m)

Note: The operating result is the net of revenues less wage costs and other operating costs. The operating result excludes player trading and certain exceptional items. Aggregate operating results for Spanish clubs were not available prior to 2013/14.

Source: Leagues; Deloitte analysis.
Other European leagues

Due to challenges in timeliness of composite reporting of clubs’ results, some of our analysis for other European leagues reflects their financial year ending in 2019 rather than 2020 and hence is unaffected by COVID-19.

The Russian Premier League consolidated its position as the sixth-richest football league in Europe, with total revenues increasing by 17% to €877m in the financial year ending in 2019. The Portuguese Primera Liga (FY2019 results) was the only other league to record double-digit percentage revenue growth as FC Porto’s and Benfica’s UEFA Champions League performances in 2018/19 drove revenue growth of 19% to €525m.

Revenue movements for the financial year ending in 2020 for the Austrian, Belgian, Danish, Dutch, Scottish and Swedish leagues were all affected by COVID-19, with the Swedish Allsvenskan and Danish Superliga down 26% (to €108m) and 18% (to €162m) respectively. The Belgian ProLeague and Austrian Bundesliga both registered an increase in revenues in 2019/20, driven by the performance of their clubs in European competitions.

As highlighted in UEFA’s recent European Club Footballing Landscape report, the impact of COVID-19 has been felt throughout the European football ecosystem, and has the potential to exacerbate the financial polarisation in European football, as broadcast and commercial partners may focus budgets on those larger properties that are seen to deliver the greatest returns.

In response to this threat, some European leagues have sought more radical methods to grow exposure and generate extra revenue in the long term. In June 2021, the European Leagues umbrella body initiated a request for proposal process to solicit interest in the international media rights to nine of its member leagues – including the Danish, Polish, Norwegian and Swiss leagues profiled on the following page. The collective approach to the sale of these rights mirrors that taken by the European Leagues for some member leagues’ data rights since 2017. Nonetheless, unpicking existing rights deals and agreeing appropriate revenue distribution models will be a complicated process, and it will be interesting to see whether there will be sufficient interest to create a meaningful revenue source for the participating leagues in the future.

The Portuguese Primera League has focused its attention on addressing the revenue distribution imbalance caused by the league’s existing individual sales model for broadcast rights, which enables major clubs – such as Benfica – to generate an estimated 15 times more in domestic broadcast rights revenues than the lowest earning clubs. In January 2021, the Portuguese Football Federation and the league body announced plans to address this imbalance through a memorandum of understanding to centralise the sale of domestic rights from 2027/28. Creating a solution that is appealing enough to Portugal’s big three teams, whose dominance – on and off the field – is tied to the individual sales model, will be key to the Primera’s desire to replicate the success that their Iberian counterparts at La Liga have had in centralising domestic and international broadcast rights.

Amid the noise of the European Super League, it may have been easy to overlook talks of another cross-border league: the BeNeLiga, which would feature the leading clubs from Belgium and the Netherlands. The concept of a combined league between the leading clubs from these countries has been around since the mid-1990’s, but has gained traction over the last 20 months, and in March 2021 further exploration received unanimous support from the Belgium Pro League clubs. The idea has been reinvigorated
with the aim of narrowing the financial and sporting gap to the ‘big five’ European leagues, in the hope of becoming “Europe’s sixth competition”.

These examples highlight the proactive approach taken by some other European leagues to mitigate against the polarisation evident both within domestic leagues and more broadly in European football, and to help address the financial instability that has been exacerbated by the COVID-19 pandemic. What is clear in each case, is that a collaborative, coordinated approach to discussions provides the best platform for meaningful change.

The impact of COVID-19 has been felt throughout the European football ecosystem, and has the potential to exacerbate the financial polarisation in European football.

Chart 6: Selected other European league clubs’ revenue – 2019/20 (€m)

<table>
<thead>
<tr>
<th>Country</th>
<th>Matchday</th>
<th>Broadcasting</th>
<th>Sponsorship/Commercial</th>
<th>Other commercial</th>
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Average revenue per club (€m)

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<th>Country</th>
<th>Average revenue</th>
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<td>Poland</td>
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<tr>
<td>Sweden</td>
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Wages/revenue ratio (%)

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<th>Country</th>
<th>Wages/revenue ratio</th>
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<td>Sweden</td>
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Number of clubs

<table>
<thead>
<tr>
<th>Country</th>
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<tr>
<td>Portugal</td>
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<td>Poland</td>
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<tr>
<td>Sweden</td>
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Impact of COVID-19 on investment into football

The permanent loss, and/or deferral of, key revenue streams for sports rights holders due to COVID-19 resulted in acute cashflow problems and rising pressure on key stakeholders in the sports industry including team owners, leagues and Governments to provide access to emergency funding and liquidity.

Introduction – two new trends in football
One impact of this financial challenge has been greater alignment between the ambitions of private equity funds and the needs of professional sport stakeholders, which has resulted in more frequent partnership discussions.

This has led to a significant influx of private investment into sport. A recent market study reported that between January 2020 and February 2021 the investment inflow into US and European sports properties totalled €7.8 billion – approximately a 50% increase relative to 2019.

We have seen two particular themes emerge regarding sport’s relationships with private equity funds (and institutional investors):

i) Federations and Leagues – long-term commercial partnerships; and

ii) Individual clubs – private equity/institutional investors exploring club ownership to enhance, or create, their portfolio of sports assets.

Here we explore some of the driving forces behind these two themes and consider potential reasons why we are yet to see a private equity fund finalise a deal with one of Europe’s ‘big five’ football leagues.

Private equity investment into sport
Deloitte Sports Business Group’s recent research paper – Long-term partnerships and International Federations – an inevitable match? – summarised four broad types of commercial partnership observed in recent deal making between third parties and International Sports Federations:

a) Long-term license agreement – all commercial rights are granted exclusively to a third party;

b) Joint venture – a formal joint venture (JV) is established with selected rights assigned to a JV;

c) Equity investment – direct equity investment is made by the third party;

d) Strategic partnership – a long-term business relationship is established with a partner (can also include direct equity investment by the partner).

The partnership types listed above may be with traditional sports marketing agencies, private equity funds or other external investors (e.g. financial institutions).

Motorsport was a relatively early recipient of institutional equity investment, with Formula 1 following MotoGP partnering with CVC Capital Partners and Bridgepoint taking on MotoGP in 2006 and remaining invested ever since. Other sports have taken more time to engage but sizeable private equity deals have been agreed since 2018 in Rugby, Volleyball and Tennis.

Prior to COVID-19, Europe’s ‘big five’ leagues had not seen private equity investment feature as a high priority item, but the events of the last 12-18 months have prompted a significant increase in appetite and activity to explore how such a relationship could be beneficial.

Why has European football embraced private equity interest?
From 2009/10 to 2018/19 aggregate revenue of Europe’s ‘big five’ leagues roughly doubled, increasing by c.€8.4 billion to almost €17 billion. Demand from broadcasters seeking to secure premium content soared and clubs became increasingly successful in leveraging European football’s reach to develop global sponsor portfolios.

The commercial success of European football had meant that private equity partnerships were less likely to have been considered a strategic necessity for both leagues and clubs, but the impact of COVID-19 has proved a turning point.
The pandemic heightened uncertainty regarding future growth of revenue from sources that had previously surged (broadcast and commercial in particular) as well as removing near term matchday revenues entirely. This has been a catalyst for league discussions with private equity funds, who could help address both the short term financial cashflow crisis as well as bring technical capabilities and financial / human capital to support them in delivering on their strategic objectives.

Since March 2020, three of Europe’s ‘big five’ have been widely reported to be engaged in discussions with private equity funds regarding long-term commercial partnerships. Serie A, Bundesliga International and LaLiga Tech (the digital and technology arm of LaLiga) have all explored the potential for investment, but to date, no deals have been agreed.

To date the only successful partnerships announced have been limited to traditional institutional lending rather than sale of equity in a league (or a set of specified commercial rights). MetLife Investment Management’s agreement to provide a reported £117.5m debt facility to the English Football League is the most high profile deal of this type completed. J.P. Morgan had planned to be a financier for the proposed European Super League and UEFA was reported to be exploring financing discussions with Centricus Asset Management.

Considerations between league and club investment?
European football is a premium content generating machine – delivering a steady stream of live, unscripted, appointment-to-view drama to global audiences – and as such has some attractive business fundamentals for private equity investors. The resilience shown by consumer demand for this content during the pandemic has strengthened the commercial proposition that the ‘big five’ leagues offer.

Third party investment into football clubs is not a new phenomenon but the nature of investors associating themselves has certainly evolved. In the last decade, some more traditional owners of football clubs (often high net worth individuals) have sold shareholdings to sovereign wealth funds and, more recently, private equity funds.

Football clubs are often referred to as “trophy assets”, with investment motivated by non-financial reasons, rather than the belief from a new owner that they can expect to generate sustained financial return (i.e. annual profitability). Non-financial factors often cited include an individual's passion for football and the desire to enhance personal notoriety and business and social connections through owning a football club.

Examples of institutional investment into European football

**Belgium**
- Club Brugge: Orkila Capital (minority)

**England**
- Leeds United: 49ers Enterprises (minority)
- Burnley: ALK Capital (majority)
- Fenway Sports Group (incl. Liverpool: RedBird (minority)
- City Football Group: Silverlake (minority)

**France**
- Bordeaux: King St Capital (majority)
- Toulouse: RedBird Capital (majority)
- Paris Saint-Germain: Bahrain Sovereign Wealth Fund (minority)

**Germany**
- Hertha Berlin: Tennor Holdings (minority)

**Italy**
- Inter Milan: Oaktree Capital (minority)
- AC Milan: Elliott Management (majority)

**Spain**
- Atlético de Madrid: Ares Management (minority)
Whilst this perspective remains valid for certain club owners, the landscape of European football has evolved such that investors with greater focus on financial return, including through long term growth in a club’s equity value, appear more comfortable than ever in exploring ownership (or providing secured debt).

Trends that have engaged a new breed of club investor include:

- Track record of sustained growth in broadcast and commercial revenues;
- Introduction of financial regulation by UEFA and national league / federation bodies to promote financial sustainability;
- Increased profitability / reduced losses prior to COVID-19 due to the combination of revenue growth and cost control;
- A larger cohort of owners unwilling to act in a financially irrational manner hence reducing the competitive pressure driving losses;
- Potential value creation from multi-club player development strategies; and
- Disruption from COVID-19 has placed a greater burden on many traditional club owners to bridge cash shortages at a time when their wider business interests may have also been suffering financially.

Two significant (and related) risks associated with club ownership have made investment discussions with leagues more appealing to some investors:

i) Promotion and Relegation

European club football’s system of promotion and relegation brings both opportunity and risk for investors. The value of football as an entertainment product (particularly to broadcasters and fans) is enhanced by this jeopardy, but protection of an owner’s investment is not.

ii) Reputational risk

A strong correlation exists between club on pitch performances, perceived quality of player transfers, media narrative, and the response of fans and ultimately the perception of owners. For private equity funds with a lower risk appetite for factors outside their control, the potential to have to manage this complex stakeholder relationship could make club investment less attractive than league opportunities.
Despite such barriers a handful of private equity funds have been comfortable in taking European football club ownership positions and managing these investments - but the last 12-18 months has shown that league opportunities appear to be attracting most interest from the largest private equity funds.

**Why have we not seen ‘big five’ league private equity league deals close yet?**

Generally, league investment discussions have assumed that a private equity fund would acquire a minority shareholding in the centralised commercial rights of leagues - typically broadcast, sponsorship and other underexploited or nascent digital assets (e.g. esports leagues, NFTs).

In return, private equity would underwrite existing commercial rights values to deliver financial resources for leagues to distribute and provide stability to clubs at a much-needed time, as well as human capital and technical capabilities to attempt to drive more value from these rights in the future.

Whilst the concept appears straightforward no deals have completed to date. Aside from the legal complexity of integrating a new investor into ownership of a league’s commercial rights, two major barriers to completion have included:

i) **Involvement of the minority investor in league governance decisions;**

   The quality of a league’s product is intrinsically linked to its commercial value. Multiple drivers of product quality exist, but examples typically fall under sporting factors (e.g. participation of the world’s most supported/followed clubs, presence of the world’s best players, quotas on foreign players) and business factors (e.g. matchday experience, perceived quality of broadcast production).

   Investors wanting to improve financial returns may want to be involved in decision making that could alter sporting factors, but leagues and clubs may be reluctant to add an outside non-sporting participant stakeholder to these conversations.

ii) **Member club support;**

   Historically, league bodies have been delegated responsibility to maximise the value derived from commercial rights. The majority of this revenue generated is distributed back to clubs, and a small portion is retained centrally by the league to cover running costs.

   Private equity investment introduces a third stakeholder to share in revenue generated. For a deal to be ratified, it is expected that clubs would need to be convinced that the same, or potentially greater, distributions would be made available to them as participant clubs despite a private equity fund also taking their share.

A majority of clubs are yet to accept private equity entry into commercial rights ownership. Bundesliga clubs chose to end the prospect of a private equity deal for international rights and Serie A clubs are, at the time of writing, yet to approve a deal with CVC Capital Partners after lengthy negotiations.

With many of the ‘big five’ recently or currently in the process of finalising or negotiating the next cycle of their respective broadcast rights deals, the immediate potential window for private equity entry may be closing, especially if clubs and leagues agree deals close to existing rights values. If private equity deals do not close in 2021 it will be interesting to see if the ‘big five’ choose to revisit this topic as they plan their approach to mid to long-term commercial rights strategies.

Deloitte’s Sports Business Group has unrivalled experience of advising stakeholders on sports-related investments. The Group has acted as lead advisers on sporting transactions for more than 20 years and has worked on more than 100 successfully completed deals across multiple sports and countries. Our wide-ranging client base includes international sports federations, leagues, clubs and investors on both buy and sell side projects.
Premier League clubs

Clubs’ total revenue decreased by well over half a billion pounds (£648m, 13%) in 2019/20 to £4.5 billion as the average revenue per Premier League club reduced by £33m to £225m. This was the first drop in total revenue in Premier League history and the lowest total revenue level since 2015/16, with the financial impact of COVID-19 felt by all clubs.

Including the three newly promoted clubs, whose revenue increased by a combined £266m, the average revenue decrease across Premier League clubs was 13%, with the largest relative declines seen at AFC Bournemouth and West Ham United (both 27%).

As detailed in our introduction and throughout, broadcast revenue has been significantly impacted by COVID-19 with reported rebates of £330m agreed between the Premier League and broadcasters due to the disruptions. This, and some 2019/20 season broadcast revenue being recognised in the 2020/21 financial statements due to matches being played after the scheduled end of the season saw this revenue stream fall by 23% to £2.3 billion, accounting for 52% of total revenue (compared to 59% in the prior year).

The seven Premier League clubs competing in UEFA competition in 2019/20 generated 46% of total broadcast revenue. While COVID-19 was undoubtedly the major cause of the fall in broadcast revenue, worsened performance by Premier League clubs in Europe across both UEFA competitions (following both UEFA competition finals featuring only Premier League clubs in 2018/19) was also a factor in lower broadcast revenue generation. UEFA distributions to Premier League clubs fell by 18% (£90m) to £395m despite an extra English team competing in the UEL group stage (Wolverhampton Wanderers) compared to 2018/19 and the additional revenue received by Liverpool and Chelsea for competing in the UEFA Super Cup.

UEFA reported reductions in distributions as a result of COVID-19 of €13m to Premier League clubs for the 2019/20 season, accounting for only 14% of the total £90m reduction reported by the clubs in the financial year 2019/20 highlighting that the majority was as a result of worsened performance and revenue deferrals into 2020/21.

![Chart 7: Premier League clubs’ revenues 2017/18-2021/22 (£m)](chart7)

Average revenue per club (£m)

<table>
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</tbody>
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Source: Deloitte analysis.
With the confirmation of a new Premier League domestic broadcast deal for 2022/23 to 2024/25 on similar terms to the current deal, commercial revenue is reaffirmed as a key focus area for Premier League clubs if they are to achieve revenue growth. In 2019/20, commercial revenue fortunes were mixed, increasing by £145m (10%) overall, with 13 clubs reporting an increase. The fastest commercial revenue growth among the consistent Premier League clubs was at Everton (104%), driven by a significant stadium naming rights agreement. In contrast, Leicester City (21%) and Wolverhampton Wanderers (15%) suffered the heaviest declines. The commercial revenue impact of COVID-19 was limited in 2019/20 as deals were in place for the season, but there could be further fallout in the 2020/21 season and beyond, as partners suffer the effects in their own businesses and may be cautious with deal values due to both financial constraints and perceptions around marketing spend. While there are potential challenges to established commercial income sources (although appetite for football seems impressively resilient), consumer habit changes accelerated by COVID-19 and technological advances have created potential new revenue streams such as non-fungible tokens (NFTs) and digital fan engagement opportunities that clubs will be actively exploring and which may become more prevalent in the coming years.

Matchday revenue decreased by £84m (12%) to £599m, accounting for 13% of total revenue. As expected, matchday revenue was significantly impacted by COVID-19 as stadia closed to fans from gameweek 30 in March 2020 and remained closed once matches resumed to conclude the season in the summer of 2020 after many clubs’ financial year ends. With the 2020/21 Premier League, domestic and European competitions played almost entirely behind closed doors (with the exception of some matches in late 2020, the last two rounds of Premier League matches, one FA Cup semi-final and both domestic cup finals), matchday revenue will be close to nil for Premier League clubs in 2020/21, causing a hole of well over half a billion pounds in club finances.

Following the return of some fans to stadia late in the 2020/21 Premier League season, the European Championships and other sporting events throughout the summer, it was announced that the 2021/22 Premier League season would commence with no restrictions on fan attendance. This important milestone, and the confidence shown by ongoing stadia developments of clubs such as Everton and Fulham provide optimism for future matchday experiences and revenue generation.

Capital expenditure
Premier League clubs’ capital expenditure more than halved from its record 2018/19 level of £636m, falling 60% to £254m. This drop was driven by the completion of Tottenham Hotspur’s stadium in 2018/19, with the club’s capital expenditure being £435m lower than in the prior year.

Excluding Tottenham Hotspur, capital expenditure rose 32%, from £167m to £220m despite only six of the other consistent Premier League teams from the 2018/19 season increasing expenditure. This was driven primarily by Leicester City (following the construction of its new training ground) increasing its capital expenditure by £59m to £77m.
The Premier League and its clubs have previously experienced uninterrupted revenue growth year-on-year since inception. While many clubs have experienced the joy of promotion, the anguish of relegation and the accompanying revenue rises and falls, this is the first time that Premier League ‘mainstays’, and in particular the ‘big six’ have seen a significant adverse financial result not driven by their sporting performance.

The average revenue generated by a ‘big six’ club fell 13% to £437m, while the gap between the lowest-revenue generator of the ‘big six’ (Arsenal in both 2018/19 and 2019/20) and the highest revenue generator of the remaining clubs (West Ham United in 2018/19 and Everton in 2019/20) decreased to £154m from £200m. Whether this creates more realistic opportunities for non-‘big six’ clubs to bridge the gap on a consistent basis remains to be seen.

**Premier League clubs’ revenue levels**

The financial impact of COVID-19 has been felt all across the football landscape, so despite the first ever fall in Premier League clubs’ aggregate revenues they still all once again ranked in the top 50 revenue generating clubs in the world. Manchester United is still the highest ranked English club (4th overall), with Liverpool, Manchester City, Chelsea and Tottenham Hotspur all making the top ten of the Deloitte Football Money League published earlier in 2021.

Following the controversy of the aborted European Super League, the increasing emergence in the Premier League and beyond of “mini-leagues” in respect of revenue generation is a more pertinent and recognised topic than ever.

While the economic dominance of the Premier League ‘big six’ remains strong, with these clubs accounting for 58% of total revenue, COVID-19 has hit these clubs hard financially both in absolute and proportionate terms. The ‘big six’ saw their revenue fall by 13%, a slightly lower rate than the decrease suffered by the remaining consistent Premier League clubs (15%), representing an average fall of £63m for the ‘big six’ clubs and £24m for the other clubs present in the Premier League in both 2018/19 and 2019/20. The average revenue gap between the ‘big six’ and the remaining consistent Premier League clubs reduced by £39m as a result. On the pitch, the challenge to the ‘big six’ was led by Leicester City which finished in the top six (fifth) for the first time since its famous title win in 2015/16 and Wolverhampton Wanderers which finished seventh (only failing to qualify for the UEFA Europa League due to Arsenal’s FA Cup win).

Finishing in the top four and achieving UEFA Champions League qualification is the obvious route for non-‘big six’ clubs to reduce the revenue gap, but the commercial appeal of the ‘big six’ is strong and deep rooted and will be challenging to overcome, as these clubs account for 78% of Premier League clubs’ aggregate commercial revenue. The largest commercial revenue generator outside the ‘big six’ (Everton, £76m) earned £66m less than the smallest of the ‘big six’ on this measure (Arsenal, £142m) in 2019/20. As commercial partners readjust to changing market conditions and habits in light of COVID-19, further polarisation may arise should partners continue to gravitate towards the ‘big six’ for fan and customer engagement opportunities.

The virtuous circle of greater revenue generation and playing squad investment by the ‘big six’ over an extended period remains one that is hard for others to emulate, although the likes of Leicester City and Everton continue to challenge and explore opportunities to breach the dominance of their rivals on and off the pitch. Everton’s strategy is centred around a new stadium at Bramley-Moore Dock, with construction approval obtained in February 2021, while Leicester City has built a new training complex costing a reported £100m which it hopes will enhance sporting performance.

Excluding the ‘big six’, the revenue of the 11 other consistent Premier League clubs from 2018/19 fell by 15% to £1.5 billion. Compared to the ‘big six’ a greater proportion of their revenue was generated via matchday and broadcast, which were the hardest hit by COVID-19. The largest relative revenue decreases, of 27%, were suffered by both West Ham United and AFC Bournemouth.
The three promoted sides in 2019/20 all earned a sizeable uplift in revenue, seeing revenue rise by 246% in total compared to an uplift in 2018/19 of 343%. While the revenue rise was diluted by the impact of COVID-19, two of the three sides remained in the Premier League for 2020/21, while relegated Norwich City bounced back on the first attempt to return for 2021/22.

Promoted to the Premier League at the end of 2019/20 for 2020/21 were Leeds United, Fulham and West Bromwich Albion. Despite being in the Championship, Leeds United’s commercial revenue of £33m was higher than 11 Premier League teams in 2019/20. Leeds United will be optimistic that after a 15-year absence from Premier League football and comfortably maintaining its Premier League status for 2021/22, it will be able to benefit from its fan base and history to increase commercial revenue and invest appropriately to retain and enhance its Premier League standing.
While COVID-19 significantly impacted revenue generation, Premier League clubs’ wage costs only increased relatively marginally (4%) to £3.3 billion, the smallest rate of increase since 2004/05. Nonetheless, the unprecedented fall in revenue worsened the wages to revenue ratio to its highest level in Premier League history (73%).

### Premier League clubs’ wage costs

While the wages to revenue ratio has increased in the last two years, the increase from 61% to 73% is the largest year-on-year in Premier League history, driven by the fall in revenue and the inability to significantly influence the wage bill between the onset of COVID-19 and the end of the financial year. While Premier League clubs’ revenue fell by £648m, they spent an additional £126m on wages compared to 2018/19, with only six of the 17 consistent Premier League clubs (AFC Bournemouth, Arsenal, Chelsea, Manchester United, Southampton and West Ham United) reporting a reduction in wages.

The ‘big six’ clubs on average decreased wages by 2%, while the remaining consistent Premier League clubs increased wages by 7%, as those clubs attempting to battle the ‘big six’ for European qualification or achieve survival spent to try and secure on pitch advantage. While there is a sizeable gap between the revenue of the ‘big six’ and the rest, the wages gap is significantly smaller. For example, the gap from Tottenham Hotspur (lowest wages among the ‘big six’) and Everton (the highest wages among the remainder of the league) was almost halved to £10m in 2019/20 (from £19m in 2018/19), reflecting the ambition to ‘bridge the gap’. There was a notably larger gap within the ‘big six’ than to the remainder of the league, with £50m and £53m gaps between the 4th and 5th and 5th
and 6th highest wage spenders (Manchester United, Arsenal and Tottenham Hotspur). The ‘big six’ accounted for 51% of Premier League wage spending in 2019/20 compared to 58% of revenue generated.

The promoted sides prepared for Premier League returns by increasing wage costs by 45% (55% in 2018/19) on average as they strived to avoid an immediate return to the Championship. The promoted clubs had mixed success, Aston Villa and Sheffield United (relegated in 2020/21) avoided immediate relegation, while Norwich City finished bottom. Norwich City’s relatively modest expenditure of £89m (the second lowest wage bill in the 2019/20 Premier League), set the club in good stead financially and may have contributed to its immediate return, having secured the Championship title in 2020/21. While it is likely promoted side wage cost rises will be lower in 2020/21 than for previous seasons as clubs count the cost of COVID-19, it remains to be seen whether this more cautious financial approach will be adopted in the longer term, with the pressure of the drive for Premier League survival and success a constant inflationary pull to take greater financial risks around cost control.

Under pressure

The vast majority of Premier League club wages are incurred on players, and although clubs have actively looked to defer or reduce this remuneration (in agreement with players) in response to the effects of the COVID-19 pandemic to avoid staffing cuts elsewhere, there have been non-playing staff redundancies made by some Premier League clubs.

The nature and role of playing staff means redundancies and other cost cutting measures are at best difficult and at worst impossible options in professional football. This course of action has however unfortunately been applied to non-playing staff. The furlough scheme was also accessed by a number of clubs for non-playing staff, with some clubs subsequently reversing these decisions and retaining staff on full pay due to negative publicity.

The economic and social impact on people’s lives of COVID-19 has been profound and widespread. With Premier League clubs and football in general being an integral part of how many communities and individuals define themselves, the impact these clubs can have on fans and stakeholders, is as important a consideration as ever in business decisions made by clubs.
A year of financial uncertainty led to 14 Premier League clubs reporting wages to revenue ratios at or in excess of UEFA’s recommended threshold of 70%, significantly higher than the eight reported in 2018/19. AFC Bournemouth (113%) and Leicester City (105%) became the first Premier League clubs since Queens Park Rangers in 2012/13 (129%) to record a wages to revenue ratio of over 100%, while eight clubs recorded wages to revenue ratios of 90% or more (compared to none in 2018/19). This was the worst set of wages to revenues ratios in Premier League history, reflecting the unique and significant impact of COVID-19 on clubs’ financial sustainability for the 2019/20 financial year.

Correlation between wage costs and league position
The Spearman’s rank correlation coefficient, which measures the relationship between league position and total wage cost rank, decreased from 0.82 in 2018/19 to 0.66 in 2019/20, indicating a weaker correlation between final league position and total wage cost in the 2019/20 season.

At the top of the table there continues to be a strong relationship between league position and total wage costs, with five of the top six wage spenders (Arsenal being the exception) finishing in the top six league positions in the 2019/20 season, with only Tottenham Hotspur’s finishing position (sixth) exactly correlated to its wage costs.

Sheffield United, the lowest wage spending club, belied its wage ranking by finishing in 9th place. Its success was short-lived however, with the Blades unable to replicate this performance in the 2020/21 season, finishing bottom. Also with a wage ranking in the bottom three was Wolverhampton Wanderers, finishing 11 places higher in the Premier League (7th) than its wages ranking.
Norwich City was relegated with the second lowest wages in the Premier League, while AFC Bournemouth and Watford were both relegated despite incurring the 14th and 15th highest wages in the league respectively.

As is typically the case, across the rest of the division (7th to 17th) there was significantly less correlation between league position and total wage cost. Only three teams in that cohort (Arsenal, Brighton & Hove Albion and Southampton) finished within three places of their wage ranking, indicating that the Premier League mid-table continues to be a competitive and unpredictable environment.

At the top of the table there continues to be a strong relationship between league position and total wage costs.

Note: Newcastle United data is unavailable as the club is yet to publish its financial statements.

Source: Deloitte analysis.
The financial impact of COVID-19 is especially evident in profitability, almost wiping out the collective operating profit of £837m recorded by Premier League clubs in 2018/19. A reduction of £782m saw combined operating profits of £55m reported for 2019/20, with over half of the Premier League’s clubs (11) reporting an operating loss, up from four in 2018/19.

The revenue shortfall and inability to reduce wages quickly led to aggregated pre-tax losses of nearly one billion pounds across the 20 Premier League clubs (£966m) – the highest ever recorded and a deterioration of £801m from the prior year with 15 clubs reporting pre-tax losses. Chelsea was the leading light for profitability in 2019/20 following the club record sale of Eden Hazard which contributed to a pre-tax profit of £43m. In contrast, Everton recorded a pre-tax loss of £140m, the second successive year of pre-tax losses in excess of £100m for the club.

### Premier League clubs’ operating profitability

The Premier League recorded the lowest combined operating profit (which excludes profit/loss on player trading, amortisation of player transfer fees and finance income/costs) since the start of the century (1999/00) due to a combination of wage cost growth and significant reductions in revenue driven by COVID-19. This follows falling operating profitability in recent years, with a high of just over £1 billion in 2016/17 followed by reductions in the following two seasons. While the temporary collapse in operating profit is driven by the adverse financial impact of COVID-19 on revenue, a more gradual trend of declining profitability was already underway, potentially signifying a need for greater cost controls as revenue growth slowed. This is especially pertinent with the largest source of Premier League clubs’ revenue, broadcast rights, remaining at current per annum values domestically for the forthcoming three-year cycle and overseas growth also now proving harder to achieve in most markets.

The ‘big six’ saw a substantial decline in operating profits of 69% to £178m in 2019/20, with Manchester United accounting for 64% of this operating profit. Four of the ‘big six’ sides (excluding Chelsea and Manchester City) remained profitable at the operating level in 2019/20 despite the impact of COVID-19, showcasing their financial resilience, but this was not the case for the remaining consistent Premier League sides. These clubs saw an operating profit of £185m in 2018/19 transform into an operating loss of £137m, a £322m swing, with these clubs being unable to weather the financial impact of COVID-19 on profitability. Despite this, the average decrease in profitability (£29m), was less than half the decline suffered by the ‘big six’ (£65m), which were far more profitable before the outbreak of COVID-19.

The three promoted sides in 2019/20 reported an aggregate operating profit of £14m compared to an equivalent £98m profit in 2018/19. This was largely due to Aston Villa reporting the second highest operating loss in the Premier League of £32m in 2019/20.

### Testing times

The lack of profitability for Premier League clubs was already evident in 2018/19, and the fragile and highly operationally geared nature of club finances built on an inflexible fixed cost base was exposed by the revenue losses caused by COVID-19, resulting in record pre-tax losses in 2019/20. This will have hurt owners’ finances across the league and may lead to increased investment activity such as Burnley’s takeover by new owners with many further reports of other clubs being potentially up for sale.
Premier League clubs’ pre-tax losses

Even prior to the outbreak of COVID-19, Premier League clubs had reported aggregate pre-tax losses of £165m in 2018/19. The impact of COVID-19 saw a record level of combined pre-tax losses of £966m, driven by the £648m revenue reduction and worsened by the £126m increase in wages. Player trading impacts were more muted, with a £115m increase in amortisation of player registrations negated by a £117m increase in profit from sale of players.

Everton (£140m) reported the largest pre-tax loss among 2019/20 Premier League clubs, with pre-tax losses of over £100m for the second successive season. Manchester City (£125m) was the only other club to report pre-tax losses of over £100m, although 12 teams reported pre-tax losses of more than £50m compared to only two in 2018/19. Only four clubs (Burnley, Chelsea, Norwich City and Sheffield United) reported pre-tax profits compared to 11 in 2018/19. Chelsea recorded the highest pre-tax profit of £43m, driven by the sale of Eden Hazard to Real Madrid which contributed significantly to the club’s profit on player sales of £143m. Two of the promoted sides, Norwich City and Sheffield United, were still able to report a pre-tax profit despite the impact of COVID-19, but Aston Villa reported the third highest pre-tax loss of £99m, the highest ever recorded for a promoted side. Burnley, the other side to report a pre-tax profit, was recently purchased by American investors, with the financial resilience of the club a likely factor in this decision. As more professional investors look to football as an attractive proposition there may be increasing pressure to achieve profitability at clubs, rather than a reliance on capital appreciation to compensate for annual losses as has formerly been the case.

The ‘big six’ recorded a combined pre-tax profit of £15m in 2018/19. Fortunes were significantly different in 2019/20, reporting a combined pre-tax loss of £277m, with Manchester City representing nearly half of this total. The remaining consistent Premier League clubs reported pre-tax losses of £611m, up from £165m in 2018/19, with seven out of the 11 clubs reporting pre-tax losses of over £50m.

Chelsea recorded the highest pre-tax profit of £43m, driven by the sale of Eden Hazard to Real Madrid which contributed significantly to profit on player sales of £143m.
Eight clubs increased bank borrowings in 2019/20, with Tottenham Hotspur (£173m) and Liverpool (£147m) the most significant as both looked to recover from the impact of COVID-19 and current or recently completed stadia work. Tottenham currently hold the most bank debt of any Premier League side at £831m following the financing of its new stadium, with construction completed in April 2019. This includes the club’s utilisation of the Covid Corporate Financing Facility (CCFF), obtaining £175m of short-term funding from the Government in May 2020 (which has since been repaid). Significantly increased bank borrowing was also seen at Southampton and West Ham United, with increases of £79m and £42m respectively.

Soft loans – a club’s borrowings on interest-free terms typically from their owners – decreased slightly by 1% (£26m) in 2019/20. This is a sharp change from the increases seen in 2018/19 (£338m) and 2017/18 (£679m), with the changing club mix resulting in a net outflow of £68m of soft loans. 2020/21 FA Cup winners Leicester City’s soft loan balance increased by 250% to £68m, the largest growth amongst the consistent Premier League clubs in 2019/20, whilst at the other extreme Crystal Palace reduced its soft loan balance by 45% to £25m. Chelsea continue to hold the largest owner borrowings balance in the Premier League.

The cumulative net debt held by Premier League clubs reached record levels of nearly £4 billion at the end of the 2019/20 financial year, up from £3.5 billion in the summer of 2019. This represented 88% of total revenue, up from 67% in 2018/19, as clubs required greater external funding to support them during the adverse financial results discussed above. Unlike previous years, the rise was predominantly driven by an increase in bank loans, rather than cash injections from club owners.

Premier League clubs’ net debt
The financial stress since March 2020 resulted in a number of Premier League clubs exploring funding options to get through this challenging period. Bank borrowings were the main driver of increased net debt in 2019/20, rising 58% (£481m), representing 96% of the increase in net debt.

Strengthening the reserves
With many club owners suffering the financial effects of COVID-19, several clubs have sought external financial support, with increased bank borrowings seen in 2019/20 (and likely 2020/21) and some clubs utilising government funding schemes (such as the Covid Corporate Financing Facility (CCFF)) to assist their recovery from COVID-19.

While bank borrowing has long been an avenue utilised by Premier League clubs, it is unusual for it to drive net debt increases, with club owner injections usually the primary source of funding.

The terms of CCFF are for a maximum of 12 months so will not feature as a long-term presence on club balance sheets. It is worth noting that one of the criteria for eligibility is “making a material contribution to economic activity in the United Kingdom”, highlighting that football is not only valued based on its significant social value, but also its economic contribution. Other considerations for the scheme suggest only a limited number of the largest clubs in the Premier League would be eligible, primarily due to perceived/assessed investment grades.
(£1.4 billion), representing 56% of total owner borrowings held by Premier League clubs.

Other loans were relatively flat in 2019/20, increasing by 2% (£19m). Net finance costs rose by £15m to £121m in 2019/20, representing more than double clubs’ aggregate operating profits.

The aggregate cash balances of the league’s clubs remained relatively stable at c.£1 billion, with 12 clubs reporting an increase in their cash balances. Significant decreases for both Manchester City (£112m) and Manchester United (£256m) were offset by increases seen elsewhere. Both Liverpool (£112m) and Tottenham (£103m) reported increases in excess of £100m in their cash balances as a result of bank borrowings.

The increase in bank borrowings and relatively stable cash balance has resulted in a combined net cash positive position of £121m in summer 2019 transforming into a net bank borrowings position of £298m in summer 2020, a £510m swing. Again, this highlights the financial stress and restructuring forced by COVID-19.

<table>
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<tr>
<th>Net cash/bank borrowings</th>
<th>Other loans</th>
<th>Soft loans</th>
<th>Net debt</th>
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Note: Crystal Palace net debt calculated using Palace Holdco UK Limited.

Source: Deloitte analysis.
The women’s game

In 2019/20, the stakeholders in women’s football took action to reduce the barriers to entry, striving to increase professionalisation, provide viable opportunities for participation and improve player welfare across the globe.

2019/20 – review headlines

The 2019/20 season saw significant commercial investment in women's football, as leagues capitalised on the elevated global profile of the sport following the 2019 FIFA Women's World Cup. New premium title sponsors included:

- Barclays’ three-year deal with English Women’s Super League (WSL), worth a reported £10m (including a £0.5m contribution to prize money – the first time this would be paid in the league). The bank also became the lead partner of the grassroots FA Girls’ Football School Partnerships; and
- Chemicals company Arkema committing to French Division 1 Féminine for the three-year period to 2021/22 for an undisclosed fee, with the league known commercially as D1 Arkema.

Major broadcast deals were also agreed:

- The Spanish Primera División partnered with Mediapro for a reported €3m per season between 2019/20 and 2021/22; and
- WSL will partner with Sky and the BBC for a reported c.£8m per season between 2021/22 and 2023/24.

In international competitions, UEFA secured major sponsorship arrangements for its Women’s Champions League and Women’s European Championships with Just Eat (2021 through 2025) and PepsiCo (2020 through 2025). UEFA also secured landmark broadcast deals for Women’s Euro 2022 as Canal Plus and TF1 secured broadcast rights in France for €13m and BBC paid a reported £10m for the rights in the UK.

Throughout the 2019/20 season, stakeholders in women’s football came together to take actions towards reducing the barriers to entry, striving to increase professionalisation, provide viable opportunities for participation and to improve player welfare across the globe.

Professionalisation of the game

Relatively poor conditions of player welfare associated with low wages, lack of regulation and the amateur or semi-professional nature of some leagues can risk inhibiting the growth of the women’s game.

Commercial partnerships not only deliver cash but also drive increased exposure through greater activation opportunities. We expect this increased funding to also feed into greater professionalism in many areas including improved regulation, governance and welfare standards. As in all professional sport, increased revenue will also fuel higher player earnings (and hence more numerous and viable career opportunities), in turn broadening and deepening the talent pool and improving the on-pitch product. This can in-turn drive further revenue growth and propagate a truly virtuous circle.

For example:

- The Spanish Primera División was postponed for a game week due to a players’ strike calling for a collective agreement to improve their working conditions;
- After an Italian government ruling, the Italian Serie A Femminile announced its intention to fully professionalise from 2022. The ruling removes the current salary cap and allows teams to pay their players a higher wage. The senate of the Italian parliament has reportedly allocated €11m to allow semi-professional clubs to make the transition;
- The Saudi Arabian Football Federation (SAFF) launched its first women’s league, the Women’s Community Football League;
- Concacaf announced plans to create a women’s Champions League-styled competition in 2023 or 2024; and
- The Brazilian football federation confirmed the women’s national team was to be paid the same as the men’s team (for their international duties).

Increased professionalisation can also be achieved through improving regulation and governance. Adequate and appropriate regulation and governance is essential to ensure that leagues operate in the interest of their members and players. Any changes to regulation and governance need careful consideration and buy-in from key stakeholders.
Regulations such as collective bargaining agreements (CBAs) increase the likelihood of a league having minimum wage regulations (as we found in our collaboration with FIFA, ‘Setting the Pace, FIFA Benchmarking Report: Women's Football’). Indeed, the USA’s National Women’s Soccer League (NWSL) are in negotiations with the players association about introducing a CBA ahead of the 2021 season, which would likely govern a range of terms and conditions of employment including player compensation, benefits, travel and health and safety issues.

The 2019/20 season saw a trend in leagues expanding in size (or announcing their intention to). The English WSL increased to 12 teams (from 10), and the Chinese Women's Super League and Spanish Primera División announced that each will have an additional two teams from 2021. If well executed, league expansions can help generate interest, TV audiences and attendances, particularly if teams are added in areas without an existing competing team, making the sport more accessible to a wider fan base. Those teams that enter the league must be of a certain level of professionalism on and off the pitch, or there is a risk of discrediting or weakening the league. Wide gaps in ability between teams can lead to one-sided matches, reducing the excitement and interest of these games. One of the levers that has been used in professionalising the women's game is through regulation in the men's game. For example:

- The Chinese Football Association announced that establishing a professional women's football team will be one of the access conditions for the men's Chinese Super League clubs; and
- The Brazilian Football Association (CBF) announced that in order for each club to play in the men's Campeonato Brasileiro Série A they must have an affiliated women's team playing in the same name and in the same colours.

There are mutual benefits that can be shared between the women's and men's games (knowledge and personnel sharing, access to shared training facilities and infrastructure, increased marketing and activation potential etc.), and we expect the two to continue to lean on, and learn from, each other in the future whilst not inhibiting the ability of the women’s game to define its own identity and achieve its own targets.

**Outlook for 2020/21 and beyond**

The profile of women's football continues to grow at pace. Recent seasons have seen elite clubs incorporate and invest in their women's teams. As noted in our 2021 edition of the Deloitte Football Money League, 18 of the top 20 revenue generating clubs in world football now have a women's team. Women's football is becoming further embedded into a club's strategy, which we expect to lead to an acceleration in the professionalisation of the game, as more resources are channelled to the women's team and clubs begin to realise the associated benefits, including:

- Improved brand perception – as clubs become more diverse and inclusive, they can attract a greater breadth of partners;
- Appealing to a wider fan base – women's football can engage a wider population, increasing a club's popularity and driving viewing figures and attendances; and
- Revenue growth - through the continued professionalisation and development of leagues and the consequent uplifts in broadcast and commercial values, which can lead to greater earnings and other positive outcomes as noted previously.

At a broader level, UEFA and FIFA continue to stimulate growth in the women’s game, which will undoubtedly increase the level of professionalism. In 2019, UEFA announced its intention to centralise the media rights to the Women’s Champions League (from the Group stage onwards) in the 2021/22 cycle, moving away from its previous offering of centralised rights to the Final only (clubs were responsible for home game broadcast rights sales in earlier rounds). Similarly, it was announced that sponsorship rights would be unbundled from the men’s game and partially centralised from the Group stage onwards. UEFA also announced a change in its Women’s Champions League distribution model. Partly subsidised by the men’s game, €24m will be distributed directly to clubs with 23% of the total paid to non-competing clubs in a bid to support the further development of the sport across the pyramid. Meanwhile, FIFA issued a tender for the unbundled media rights of the 2023 Women’s World Cup, the first time rights for this competition were sold separately to the men’s tournament.

As the approach to marketing is optimised, we expect rights values across women’s football to grow. Deloitte’s TMT predictions expects that women's sport will be worth more than $1 billion in the years ahead, and as the revenue in the women's football increases, the game’s virtuous circle will continue to strengthen.

The Sports Business Group at Deloitte understands the business of football. We regularly work with the game’s key stakeholders to develop strategies, optimise operations and organisational structures and facilitate investment in the sport.
In 2019/20, the three EFL divisions (Championship, League 1, League 2) reported a combined reduction in revenue of 13% to £943m, leading to aggregate operating and pre-tax losses of £498m and £565m respectively. All three divisions have been significantly negatively impacted by COVID-19, with rebates to broadcasters, matches cancelled or played behind closed doors and the deferral of some revenue to the 2020/21 financial year reducing both broadcast and matchday revenues for the EFL clubs as a whole.

Whilst we expect a further significant reduction in matchday revenue in 2020/21 following the majority of matches being played without fans, there are early signs of a more determined approach to cost control with wage costs falling in all three divisions in 2019/20.
Football League clubs’ revenue
Following six successive seasons of revenue growth, the 2019/20 season saw a 14% fall in Championship clubs’ revenue to £679m, with broadcast and matchday revenues significantly impacted by COVID-19. The EFL’s new broadcast contract which commenced in 2019/20 (reportedly a 35% increase on the prior deal), and the change in clubs in the league in 2019/20 compared with 2018/19, reduced the scale of the overall fall in revenue of the Championship.

Championship broadcast revenue fell 10% (£42m) to £383m in 2019/20. This was predominantly due to: i) the deferral of some revenue to 2020/21 as the majority of the matches following the recommencement of the league in June occurred in the 2020/21 financial year; and ii) a reduction in parachute payments – down £9m to £228m as fewer clubs (seven in 2018/19 versus six in 2019/20) were in receipt of parachute payments. It has also been reported that the EFL agreed a £7m rebate with domestic broadcaster Sky Sports, although this is not expected to impact club distributions until the 2021/22 season at the earliest. The EFL’s new broadcast contract reduced the scale of the overall decline in broadcast revenue.

Matchday revenue fell 30% (£49m) to £117m as matches were played behind closed doors following recommencement of the season. The reduction in total revenue of 14% is slightly masked by the impact of the clubs being promoted/relegated into/out of the Championship. Considering consistent clubs only (i.e. the 18 clubs in the Championship in both 2018/19 and 2019/20), the financial impact of COVID-19 is much greater, with revenue of these 18 clubs falling by 24%, from an average of £35m in 2018/19 to £26m in 2019/20. This was driven by a reduction in broadcast revenue (down by an average of 35% (£7m) to £13m per club) particularly as parachute payments ceased (Hull City, Middlesbrough, Queens Park Rangers) or decreased (Stoke City, Swansea City, West Bromwich Albion) as these clubs spent another year in the Championship since relegation from the Premier League. The 18 consistent clubs’ matchday revenue also fell by an average of 25%, (£1.7m) to £5.1m per club.

The stark difference in the decrease in broadcast revenue of all clubs in the division compared with consistent clubs (present across both 2018/19 and 2019/20) only is due to the variation of clubs in the league. Consistent clubs reported an average broadcast revenue of £20m in 2018/19 versus an average of £11m for clubs either promoted or relegated in 2018/19. In 2019/20, the consistent clubs saw their broadcast revenue fall to £13m whereas the new clubs entering the Championship reported an average of £25m. This was driven by relegated clubs each receiving £41.8m in parachute payments (Cardiff City, Fulham, Huddersfield Town) from the Premier League.

Fulham reported the highest revenue (£58m) with a significant portion of this being the parachute payment received from the Premier League. Leeds United reported the next highest revenue (£57m), driven by strong commercial (£33m) and matchday (£15m) revenues, both the highest of any Championship club by a significant margin; 72% (commercial) and 84% (matchday) higher than the next best achieved, reflecting the club’s strong fanbase and commercial appeal.

Following curtailment of its season, League 1 revenue fell 16% to £166m as clubs lost out on matchday revenues from the average of nine gameweeks that were not played. This reduction is slightly lower if Bury is excluded from the analysis - the club was expelled from the Football League following a financial collapse. Excluding Bury, average revenue fell 13% (£1.1m) to £7.2m. Contrasting to League 1 and the Championship, League 2 revenues increased 2% to £98m in 2019/20. Whilst League 2 clubs suffered from the curtailment of the league and subsequent loss of matchday revenue, the new EFL broadcast agreement with Sky Sports that commenced in 2019/20 is thought to have softened the overall financial impact.
For the first time since 2003/04, wage costs of Championship clubs fell compared with the prior year (down 3% to £813m). This was primarily driven by club mix (consistent clubs’ wages increased 4% to £35m on average per club), in particular with respect to the clubs moving between the Championship and the Premier League.

### Football League clubs’ wage costs

In 2018/19, average wages of promoted clubs were £64m (Aston Villa, Norwich City, Sheffield United) compared with an average wage bill of £46m in 2019/20 for the three clubs newly relegated from the Premier League (Cardiff City, Fulham, Huddersfield Town). Ipswich Town (wages of £19m in 2018/19), also contributed to this reduction following their relegation to League 1 with a significantly higher wage bill than the three clubs promoted into the Championship.

It should be noted that in addition to club mix having an impact on Championship wage costs there are a number of other COVID-19 related factors that may have contributed to the overall wage decline. The misalignment of the end of the season and the majority of financial reporting periods will mean that some wage costs related to the 2019/20 season will be included in the next financial reporting period, while the impact of COVID-19 specific measures such as the use of furlough and temporary wage cuts will also have reduced wage costs in 2019/20.

Similarly to 2018/19, the Spearman’s rank coefficient (0.65) was higher than the previous long term average for the Championship, with those clubs spending most on player wages typically finishing near the top of the league table. Four of the five clubs paying the highest wages (Leeds United, Fulham, West Bromwich Albion and Swansea City) finished in the top six places in the league with three of these four clubs promoted to the Premier League. Stoke City were a notable exception to this trend, ranking fourth in terms of wage costs but only placing 15th in the league, highlighting that higher player wages alone do not guarantee on-pitch success, particularly when that higher wage bill is in part a legacy of contracts signed whilst in the Premier League.

Considering only the clubs that finished 7th to 21st, the Spearman’s rank coefficient (0.23) is much lower (0.23). This is perhaps driven by the relatively similar wage levels between these clubs, with 10 of the 15 clubs reporting wages

### Chart 14: Football League clubs’ revenues and wage costs – 2018/19 and 2019/20 (£m)

<table>
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<th>18/19</th>
<th>19/20</th>
<th>18/19</th>
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</thead>
<tbody>
<tr>
<td>Championship Wages/revenue ratio (%)</td>
<td>107</td>
<td>120</td>
<td>75</td>
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<tr>
<td>League 1</td>
<td>35</td>
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<tr>
<td>League 2</td>
<td>3</td>
<td>3</td>
<td>3</td>
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</tr>
</tbody>
</table>

Note: 2019/20 League 1 average wages per club excludes Bury as the club was expelled from the Football League following a financial collapse.

Source: Deloitte analysis.
between £20m and £40m. This compares to a £53m wage average for the top six placed clubs. Given relegated clubs average below this mid table range, this may indicate why Championship clubs are reticent to lower their wage bills, even though for 16 of the 21 clubs in the Championship who reported their wage expenditure, wages exceed revenues.

Given the adverse impact of COVID-19 on 2019/20 revenue, it is unsurprising that the ratio of wages to revenue reached a record high of 120%, up from 107% in 2018/19 which in itself was a record for Championship clubs and indicating the inflexible and stretched cost base of these clubs. A clear majority of the consistent clubs reported higher wages in 2019/20 than 2018/19 with Leeds United (+70%), West Bromwich Albion (+43%) and Brentford (+37%) reporting the highest increases, albeit this may include promotion bonuses for the first two of these clubs who also extended their financial year end to July to capture the full season.

Only five clubs reported wage to revenue ratios of less than 100%. Of these clubs, three (Cardiff City, Huddersfield Town, Swansea City) were in receipt of parachute payments from the Premier League. The other two clubs (Barnsley and Charlton Athletic) were involved in a relegation battle with Barnsley just avoiding relegation, finishing 21st following a win on the last day of the season, relegating Charlton Athletic who finished 22nd.

In 2019/20, League 1 and League 2 wages fell 10% and 12% respectively compared with the prior year, significantly breaking the trend of wage growth over recent years. Excluding Bury, in 2019/20, League 1 average wages per club fell slightly less (6%). Whilst the impact of COVID-19 on revenue resulted in the wage to revenue ratio of League 1 clubs increasing by five percentage points to 80%, this is still the second lowest ratio recorded for a decade. Despite COVID-19 and contrastingly to the top divisions of English football, the wage to revenue ratio of League 2 clubs decreased to 66%, the lowest recorded since 2010/11. This relatively good control on wage expenditure is likely a direct result of the Salary Cost Management Protocol which governs both divisions.

Moneyball by the Thames

Defying the conventional wisdom that Championship clubs need to pay high wages to reach the heights of the Premier League, recently promoted Brentford has achieved this feat via an alternative model. With a mid table, below average, wage bill in 2019/20 (£26m), the club finished third, narrowly missing out on promotion in the play-off final to Fulham. Fast forward 12 months, the club found themselves in the same position, this time beating Swansea City in the play-off final.

The club has consistently outperformed its wage bill ever since promotion to the Championship for the 2014/15 season. Prior to becoming Brentford’s owner, Matthew Benham, set up Smartodds, a company providing statistical research and sports modelling services to professional gamblers. Through data analytics and utilising complex statistics such as the number of chances a defender provides to the attackers, Brentford has been able to identify players that they consider to have high performance potential whilst being more affordable to acquire. A number of other clubs have tried, so far less successfully, to imitate these methods and emulate Brentford’s achievements.
With total wage costs only edging slightly down from 2018/19 levels, and total revenues falling significantly due to COVID-19, it is unsurprising that Championship clubs reported record total operating losses of £434m in 2019/20 (£18m per club on average), worsening by 16% compared with the prior year.

**Football League clubs’ losses**

Similarly to revenue, the extent of the worsening club losses is masked by the change in clubs in the Championship. Considering consistent clubs only, operating losses worsened by 61% to an average of £22m per club. This compares to an average operating loss of just £6m for the six clubs that entered the Championship in the 2019/20 season.

2019/20 champions Leeds United reported the largest operating loss (£54m) and second highest pre-tax loss (£62m). Fellow promoted clubs, Fulham and West Bromwich Albion, also recorded significant operating and pre-tax losses. Together the three clubs accounted for 26% of both Championship clubs’ operating losses and pre-tax losses, further highlighting the willingness of owners to absorb significant losses in the push for promotion. Huddersfield Town was the only club to report an operating profit, driven by a combination of parachute payments following relegation from the Premier League in 2018/19 and a significant reduction in wages (down 52% to £30m), reducing their total wage bill to a mid table level among Championship clubs.

Pre-tax losses worsened by 94% to £508m (£21m per club) with only three clubs (Hull City, Luton Town, Swansea City) reporting a pre-tax profit/(loss) before tax Operating profit/(loss) Clubs generating operating profit/pre-tax profit Average club operating loss/pre-tax loss

**Chart 15: Championship clubs’ losses – 2015/16 to 2019/20 (£m)**

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

Source: Deloitte analysis.
All of these clubs reported operating losses with pre-tax profit driven by net profits from player trading.

Championship clubs generated a profit on player transfers of £261m with five clubs (Brentford, Bristol City, Fulham, Hull City, West Bromwich Albion) each reporting profits of over £22m from this source, together accounting for 49% of profit on player transfers for the league. This was more than offset by amortisation of players’ registrations (£316m), creating a net loss from player trading (after amortisation) totalling £55m for all clubs, including 11 individual clubs reporting a net loss on that activity.

In 2019/20, operating losses worsened for League 1 (up 5% to £45m). On a per club level and excluding Bury, League 1 operating losses are slightly worse (up 11% to an average of £2m per club). On average, pre-tax losses per club (excluding Bury) improved by 19% to £1.7m. Contrastingly to the top divisions of professional English football, League 2 operating losses (improvement of 14% to £19m) and pre-tax losses (improvement of 10% to £18m) improved compared with the prior year.

COVID-19 – a tipping point for distributions reform?

Ever since we first published our Annual Review of Football Finance almost thirty years ago, Championship clubs have consistently reported operating and pre-tax losses, and those losses have increased even as revenues have increased, with record operating losses reported each year since 2014/15. COVID-19 has further highlighted the financial struggles of these clubs with all-time high operating losses (£434m) and pre-tax losses (£508m) reported in 2019/20. Even without the impact of COVID-19, the structural reasons for such significant losses are clear:

i) the rewards for reaching the Premier League are so high that clubs (and their owners) are willing to take substantial financial risks to secure them; and

ii) there is intense competition and inevitably most aspirants fail in their objective with only three clubs out of 24 achieving promotion each season.

The EFL has stated that reform is needed, “It is our strong view that parachute payments are not a form of solidarity and instead provide a reward for relegation while distorting competition”.

The average revenue of the three relegated clubs in 2019/20 was £52m compared with an average of £25m for all other clubs. A counter argument is that parachute payments are necessary to give promoted clubs the confidence to invest and secure players when they make it to the Premier League with the necessary financial cover to handle the impact of relegation – an average £75m (or 59%) decrease in revenue for those same three clubs. A reformed redistribution mechanism to all clubs across the English Football League has been suggested as a possible solution, but unless it is accompanied by strong, effective cost control measures, it is unlikely to make any meaningful impact on stemming the flow of red ink in Championship clubs’ accounts.
At the end of the 2019/20 financial year, total net debt of the Championship clubs increased by 18% (£201m) to £1.3 billion, the highest level since 2016/17 (£1.4 billion).

**Football League clubs’ net debt**
This was predominantly driven by the 18 consistent clubs which saw a cumulative increase in net debt of 15% (£153m) with 14 of these clubs reporting greater net debt in 2019/20 compared with the prior year. Five Championship clubs (Barnsley, Fulham, Luton Town, Swansea City, West Bromwich Albion) recorded net funds at the year-end rather than net debt.

Soft loans (typically representing funding from the owner(s)) increased 18% to £1.2 billion as clubs required financial support following the postponement of the league in March 2020 due to COVID-19 and the subsequent loss of revenue. Soft loans accounted for (87%) of net debt and continue to be overwhelmingly the largest contributor to Championship clubs’ net debt. Whilst traditional bank loans continue to be a less common form of financing for Championship clubs (who collectively actually had net cash at the bank of £75m at the end of the 2019/20 financial year), the EFL itself secured a £117.5m funding package from MetLife Investment Management in March 2021 to assist its member clubs with managing the financial impact of COVID-19.

**Capex on stadia and facilities**
In 2019/20, capital expenditure of the 72 EFL clubs increased by 60% (£44m) to £117m. The majority of this expenditure was incurred by the 24 Championship clubs, representing 69% (£81m) of the total. Almost 80% of this spend was attributed to Fulham (£29m), Birmingham City (£12m), Reading (£12m) and Brentford (£10m). Fulham’s expenditure was primarily related to the continued redevelopment of the Riverside Stand.

League 1 clubs spent £24m (21% of the total) and League 2 clubs spent £12m (10% of the total). AFC Wimbledon accounted for approximately 70% of League 1 clubs’ expenditure, following the construction of their new stadium (Plough Lane) located in the club’s geographical roots in South-West London.
As highlighted in the feature article *Impact of COVID-19 on investment into football*, in recent years, there has been a significant influx of private investment in sport, including into Premier League clubs. The potential benefit of this for clubs concerned is the likelihood of increased investment that these wealthy owners often bring. There are multiple reasons why an individual or organisation would want to purchase a Premier League club (e.g. growth potential of the industry/club, marketing asset, status symbol). Whilst some motivations to purchase EFL clubs may be similar to those for Premier League clubs, to attract new owners/investment, EFL clubs could emphasise their unique selling points – community and authenticity.

EFL clubs can be purchased for a lower initial price, although due to lower revenues and the loss-making nature of many EFL clubs, it is commonplace for owners to commit significant ownership funding in pursuit of on field success. EFL clubs are authentic community assets, each with their own rich history and while typically smaller they have a physical community asset – the stadium – at their heart. Average stadium capacities in 2019/20 of Championship clubs were c.26,000, with c16,000 in League 1 c.11,000 in League 2. This ability to enjoy an authentic experience and contribute to a community may be an attractive proposition to the right potential owners.
Non-fungible tokens (NFTs) intrigue as they blend new technology, speculation and abstraction of existing behaviours. They are novel, tantalisingly lucrative, yet accessible to everyone.

In 2021, NFTs have been associated primarily with two industries: art and sports. In March 2021, the art world was enthralled by the biggest ever sale price of a digital artwork: $69.3m for a digital collage, sold at Christie’s, thus placing NFTs firmly at the centre of the traditional art establishment.

The immensity of this price further cast the spotlight on the Top Shot phenomenon – the NBA having a comprehensive offering. In the first half of 2021, news and social media focused on NFT’s positives: the surge in sales volume, instant riches, the involvement of celebrities, and an intrinsic association with blockchain. The second half may see increased discussion of more negative factors: a decline in sales, potential environmental impact, the opportunity for fraud and a reliance on blockchain.

When the dust settles, a process which may take a couple of years more, NFTs are likely to become regarded as an important application of technologies that, overall, enhances the business of sports and embellishes the sports fan experience. Within that period, say by 2023, it is likely that most major football leagues in Europe will have launched multiple NFT related products. But as of mid-2021, NFTs are still in their infancy for almost all sports, with only the NBA having a comprehensive offering.

Understanding the appeal of NFTs to the sports industry requires a quick primer on the historical impact of technological progress on media assets. Technology has enabled the creation of increasingly complex and sophisticated media. It has also facilitated commoditisation of a widening array of media content with increasing degrees of fidelity. The printing press enabled the manufacture of replicas of books; photography did the same for portraits; photocopying for magazines; cassette tapes for music and the list goes on.

Technology has enabled media to become increasingly fungible, that is replaceable or substitutable by something identical. Coins, common shares and brand-new smartphones are perfectly fungible. Technology has enabled fungibility at ever-lower marginal cost; copying, sharing and distributing content is low-friction given the calibre of devices available today.

A 30 second video of an iconic sporting moment – such as a Messi dribble past five defenders ending in a goal – captured by an array of 4K cameras operated by highly skilled camera people – can be replicated and shared within seconds by a fan at home.

NFTs, conversely, enable the application of scarcity, to digital as well as analogue content. In a sports context, the major application of NFTs so far has been to enable scarcity in video clips of sporting moments. A fan could become the unique owner of a thirty-second dribble, or for a lower price, one of a hundred. The NFT contains price, ownership (including number of copies) and a link to the media file. Each NFT is unique in the same way that each limited run of prints is individually numbered yet otherwise identical. The NFT is fully tradeable, but will likely include a contract, whose terms are applicable indefinitely. This contract may include a commission on trades, enabling a share of all transactions to flow back to the platform owner.

For fans, NFTs offer a digital upgrade to printed sports cards that have existed for decades. The most coveted of these have sold in recent months for millions of dollars per card and it is worth noting that the most valuable cards have little intrinsic value aside from their scarcity. In the US, eBay alone reported sales of all cards were up 142 percent in 2020, four million more than in the prior year. For the wealthiest collectors, sports memorabilia form part of their portfolio of assets, alongside more traditional financial assets, art or classic cars.

Acquiring a sports NFT confers ownership, but typically does not include copyright. The owner of the NFT could display the content publicly, but not generate revenues from its display. So, for sports leagues, or individual teams or athletes (at any stage of their career), NFTs represent a potential additional source of revenues at a time when one major revenue pillar, matchday attendance, has been largely shut down by COVID. In the short term, revenues will be predominantly from the sale of new content generated by each week’s games. In the long-term, as the stock of NFTs steadily increases, trading volumes should rise, generating rising revenues from commissions.
For fans, the success of NFTs relies on their willingness to value the specific type of uniqueness that ownership confers. There appears to be a paradox in that a NFT of the build-up to a goal, purchased for, say, £10,000, offers ‘ownership’ of a clip that anyone could watch on their own device, or indeed which the royalty owner could license to any TV broadcaster or social media platform.

But whilst this type of ownership may feel unfamiliar to those used to physical ownership, tens of billions of dollars per year are now spent on virtual currencies within video games which are then used to purchase artefacts and capabilities which only exist virtually, and of which there is typically infinite stock. These include weapons, seeds, clothing, dance moves and doubled points for video games. Many of these digital assets can be used to enhance a player’s performance, but clothing and dance moves are often only ornamental, with the reward to the owner including the reaction from others.

NFTs are likely to become regarded as an important application of technologies that, overall, enhances the business of sports.

Similarly, a benefit of owning digital sporting collectibles in the form of sporting moments is that they can be shown off – on a smartphone, a zoom background, or an online album – and that they may confer a degree of status, or even a sense of belonging. That benefit, as well as the possibility of making a profit, has been sufficiently alluring to convince 500,000 fans to have started their NBA Top Shots collection as of May 2021, up from 4,796 at the start of the year.

Football has the biggest fan base of all sports, and NFTs and football could be a very compelling combination. As of early-July, the most extensive digital collectible platform in Europe was Sorare, which had signed up over 140 football clubs around the world, including a few Premier League teams. Sorare offers a mash-up of collecting cards and fantasy football, and as such may appeal to fans that enjoy building teams within environments like EA’s FIFA 2021. It is worth considering that fantasy football is a major industry already, and NFTs could readily be incorporated into a new or existing league. As of July 2021, whilst there had been sporadic high-value sales of individual cards, usage of Sorare remained modest (c.1500 sales over the course of July 6), and it may require entire leagues to join before take-up starts to soar.

Italy’s Serie A has also dipped its toe into NFTs. Various NFT collectibles were made available to celebrate the final of the Coppa Italia with the highest value achieved being €3,500, indicating that there is some way to go before football reaches NBA levels of success in monetising NFTs.

NFTs can also be applied to other aspects of sports. E-tickets could be sold as an NFT, with programmable features that could stipulate that a percentage of any resale value flow back to the issuing club. This approach is being considered by the Dallas Mavericks NBA team, as way of capturing a share of resold tickets.

NFTs could also be applied to physical elements, starting with collectibles. A major challenge with memorabilia is authentication. NFTs can be applied to physical collecting cards, match balls and other mementoes, using techniques pioneered for the art market. Over time the range of applications of NFTs should steadily grow.

The 2021/22 season could be the first in which NFTs start to make a major mark, from a revenue perspective, on the football market. And if the experience of early adopters proves positive, the market should continue to grow, and be part of the digitisation and hence globalisation of the fan experience.
The 2019/20 season saw a second successive decrease in transfer spending by English clubs, in what were the final two transfer windows before the onset of the COVID-19 pandemic. Premier League clubs’ transfer spend fell to £1.8 billion, a 4% reduction from the 2018/19 season (£1.9 billion). The player transfer market was understandably more muted in terms of both value and volume of transfers in the 2020/21 season as clubs sought to navigate the financial turbulence caused by COVID-19.

**Premier League clubs’ transfer activity**

The value of Premier League clubs’ transfers in during 2019/20 slightly declined by 4% to £1.8 billion, the second successive annual decline in expenditure since the record high was set in the 2017/18 season (£2.4 billion). Despite this decline, an active competitive market to acquire on-pitch playing talent remained, with Premier League clubs completing 150 transfers (excluding loans) into their playing squads during the season (153 in 2018/19).

Transfers in from overseas clubs continued to account for the majority of expenditure (56%) in 2019/20, as Premier League clubs continue to be the world’s highest spenders on acquiring on-pitch talent. Despite this, the proportion of transfer spending involving recruitment from other English clubs increased markedly to 29%, to a total of £512m in 2019/20.

The average transfer expenditure per club of the 17 consistent clubs in the Premier League in both the 2018/19 and 2019/20 seasons decreased by £7m to £90m. The three newly promoted clubs committed to average transfer expenditure of £80m, which together with the accompanying committed wages and salaries cost will have accounted for the vast majority of their revenue increase attained through promotion as they sought to retain Premier League status by investing in on-pitch talent.
The ‘big six’ clubs continue to constitute a significant proportion of Premier League clubs’ transfer expenditure. In spite of Chelsea’s transfer ban, 46% of total spending in 2019/20 was by the ‘big six’ clubs compared to 45% in 2018/19. Both Manchester clubs and Arsenal each spent in excess of £180m and Tottenham Hotspur saw the greatest increase in expenditure across the 17 consistent Premier League clubs, spending £136m in 2019/20 compared to £22m in 2018/19.

Payments to player agents edged up slightly to a new record high of £263m, despite the decrease in overall spending, representing a remarkable 15% of total transfer expenditure.

**Football League clubs’ transfer activity**

Football League clubs’ combined gross transfer expenditure in 2019/20 was £266m, a slight decline of £10m (4%) when compared to the 2018/19 season. Intra Football League club transfers continue to account for the highest proportion of transfer spend (32%) with payments to overseas clubs for the transfers in of players representing 24% of total spend, up from 18% in 2018/19. Payments to agents remain significant, accounting for 20% of total transfer spend.

Championship clubs seeking promotion to the Premier League continued to invest heavily in their on-pitch talent. The three promoted sides in 2019/20 spent an average of £15m, nearly twice as much as the average of clubs retaining their position in the Championship (£8m) and over 4.5 times the average transfer spend of the three relegated clubs (£3m).

**Future player movement**

Next year’s edition of our review will analyse the summer 2020 and January 2021 windows. These two transfer windows saw the continued trend of reduced player transfer volumes, with 143 Premier League transfer-in (excluding loans) occurring during the 2020/21 season compared to the average of 179 across the previous five seasons’ windows. Clubs exercised relative caution amid the highly uncertain environment created not only because of the COVID-19 pandemic, but also Brexit coinciding with the closing of the January transfer window.

In order for British clubs to sign a foreign player post December 2020, the player must satisfy a points based system that considers a number of factors including the number of international appearances and their country’s FIFA ranking at the time of the transfer. The implementation of the new points based system for overseas players has the potential to reduce the number of international transfers and further heighten the likelihood of reduced transfer spending for future transfer windows.
In last year’s Annual Review we noted that post-COVID-19 there may be an even greater emphasis on addressing climate change to shape a greener recovery. Despite the pandemic’s impact on professional football globally being deeper and more longer lasting than hoped for a year ago the emphasis on long term societal change and football’s contribution to that has only grown.

The last year has seen the football industry contribute positively to issues affecting wider society including through the campaign for racial equality and justice, and the COVID-19 pandemic response, with use of stadia as testing or vaccination centres. There is also the opportunity for football to play a similarly impactful role on climate change.

**Stakeholder expectations**

As we noted in last year’s edition several leading organisations in the sport, including FIFA and UEFA, are already signatories to the UN-led Sports for Climate Action framework which seeks to move the sports sector to a low carbon economy. Indeed, football has many of the characteristics required to influence change; climate change being a global problem that requires the whole of society to collaborate and coordinate to find solutions.

Across society there are expectations for individuals and organisations to take a more conscious approach to climate action and wider sustainability. Football is no exception to this, with roles for key stakeholders within the industry including:

- **Fans** – As the ultimate consumer of the sport fans are a vital stakeholder, who through their collective power can have a significant impact if they believe clubs and other organisations are not taking relevant action.

- **Players** – Social and digital media content from individual players is a more direct means of communication than official club channels, and can have a greater ability to generate a sustainable mindset and influence climate-specific actions.

- **Clubs** – Clubs will increasingly expect players, partners and suppliers to act sustainably to meet the expectations of fans and wider society.

- **Broadcasters and media** – The increasing acknowledgement of environmental causes by the media is also being accompanied by the adoption of more sustainable production principles.

- **Leagues and competitions** – As climatic conditions impact the viability of live outdoor sport, leagues and competitions are increasingly acknowledging the importance of efforts to mitigate climate change.
• **Governing bodies** – Safeguarding the future of the sport they run is a key objective for governing bodies, which can be achieved through encouraging positive climate action by the sport’s stakeholders.

• **Commercial partners** – An association with players, athletes and sporting organisations that act responsibly can benefit the game’s commercial partners, in turn generating consumer goodwill and brand loyalty.

**What can the football industry do?**
Football’s impact on climate change can be improved through enhanced coordination of organisations educating themselves on the issues and investing resources effectively. A potential course of action for stakeholders is outlined below:

1. **Set out an ambitious vision for climate action, setting targets and embedding them into all aspects of your operation.**
   - Set public targets and commitments, articulating clear goals to achieve net zero carbon emissions across operations.
   - Promote climate action messages e.g. via social media campaigns to raise awareness and activism amongst fan bases.

2. **Implement climate action roadmaps to deliver on your stated ambitions with the required investment, innovation and collaboration.**
   - Take steps to achieve net zero, engaging with key stakeholders across the value chain to encourage climate action across transport, merchandise, ticketing and other aspects of football operations.
   - Develop a sustainable culture, working with employees and other stakeholder groups to improve understanding of the importance and relevance of sustainability.

3. **Ensure climate action continues over time, with progress monitored and tracked through a culture of transparency, oversight, rigour and continuous improvement.**
   - Mandated, industry-wide reporting of carbon emissions increases the transparency of operations and encourages organisations to take more urgent action.
   - Workshops to educate fans and players, raising awareness of climate change can help and empower a large stakeholder base to act and continuously improve.

Deloitte’s Sustainability Services give clients the capability and confidence to drive real change, build competitive advantage and to make climate-smart choices, so that they can succeed in a low-carbon future. Our team is at the cutting edge, supporting clients across industries to make clear choices for a sustainable future.

Deloitte Sustainability and the Sports Business Group recently collaborated to produce an insight paper on *The role of sport in mitigating climate change.*
The leading team in the business of sport

Improve your strategy and governance

Working together with our clients, Deloitte’s unique experience, insights, robust evidence-based advice, and credibility in sport helps build a strong case and consensus for change amongst key stakeholders and enables our clients to positively influence and react to their wider political, economic and social environment.

We help deliver effective governance, strategies, operations, competitions and impact analysis for sports organisations to build their integrity, credibility, quality, youth player development, popularity and value.

Optimise your revenues

Deloitte bring experience, information, insights and leading practices to help our clients to analyse and grow their revenues and profitability.

We give our clients a competitive advantage by delivering solutions to help engage their fans, grow attendances, promote their brand, build value from new markets and accelerate growth.

We help deliver effective governance, strategies, operations, competitions and impact analysis for sports organisations to build their integrity, credibility, quality, youth player development, popularity and value.
Unlocking digital revenue

Deloitte help our clients move beyond ad-hoc, siloed, digital initiatives to create a coherent end-to-end transformation that combines emerging technology and human-experience led design.

Deloitte focus on putting smaller, more tightly scoped offerings into the market quickly and successfully, to incrementally achieve a re-imagined business ambition.

Make informed investment decisions

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

We utilise our experience, industry knowledge and global networks to provide independent and trusted advice to help our clients understand the commercial realities of their proposed investments, and plan successfully for the future.

Ensure financial integrity

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

Our clients benefit from our expert review, advice and reports to manage their risks, comply with statutory requirements, resolve disputes, and implement effective sport regulations.
The critical challenge: How is football tackling racism and discrimination?

The last year has been emotionally draining for a variety of well-documented reasons. The murder of George Floyd sparked reflection across businesses, communities and wider society on racism and discrimination.

These events have placed critical demand on tackling the prevalence of racism and discrimination in our society. While there have always been initiatives around these issues, they have evidently not yet been effective in delivering sufficient progress.

Sport, and football specifically, has a huge part to play given the profound societal influence it wields. Football has come together powerfully on the pitch through kneeling in support of racial equality with the aim of ending the social issues facing many ethnically diverse communities. Unfortunately, the social media boycott undertaken by many sporting stakeholders and the apparent lack of effective action since (as demonstrated by the continued racist abuse aimed at players on social media and disgraceful toxic aftermath of England’s Euro 2020 defeat) shows there is still plenty to be accomplished.

Across the football industry – including Deloitte and its Sports Business Group – leaders and teams are examining and reflecting on their position and challenges as they consider how to proceed and effect meaningful change. As an advisor to many of these stakeholders, we have a part to play in highlighting and acting on these issues. We have chosen to use these pages to detail the current landscape, and what initiatives stakeholders are undertaking to enact change.

To date, there is limited data underpinning any assessment of the success of efforts by football stakeholders to combat the under representation of individuals from ethnically diverse backgrounds in non-playing roles within football. We hope that in the coming months and for future editions of the Annual Review of Football Finance, this will no longer be the case.

Department for Digital, Culture, Media and Sport (DCMS) anti-discrimination review
In July 2019, the FA, the Premier League and the EFL collectively wrote to the Minister for Sport following discussions about anti-discrimination initiatives in English football between the three organisations and DCMS in an effort to further work on tackling issues affecting ethnically diverse people in English Football.

Strength in numbers
As the response to the European Super League showed, the impact fans, clubs, governing bodies and other key sporting stakeholders can have on a shared passion is monumental. Whilst this had a rapid impact on the planned breakaway, progress in the fight against racism and discrimination and for diversity and inclusion has not been as successful or immediate.

The hope remains that collaboration between stakeholders can achieve much more than individual efforts. Recognising and achieving real, meaningful change requires everyone to think and act differently, building on some of the collaborative initiatives highlighted below that are designed to tackle discrimination in the sport. The impact of all of these initiatives – and others not included here – will be bigger than the sum of their parts, but this can only be achieved when all of football’s stakeholders, including sports teams, fans, media organisations, technology companies, governments and businesses work together with a common goal of eradicating racism in football.

As a firm, Deloitte has published its Black Action Plan – five key commitments that align to the firm’s global shared values of inclusion and taking care of each other – but we acknowledge that we have work to do still.
The Football Association (FA) – Football Leadership Diversity Code (FLDC)

In October 2020, the FA launched its FLDC with over 40 clubs across the Premier League, EFL, FA Women’s Super League (WSL), FA Women’s Championship, Professional Footballers’ Association (PFA), League Managers Association (LMA), Professional Game Match Officials Limited (PGMOL), Kick It Out and the Football Supporters Association (FSA) united for a social media boycott from 30 April 2021 to 3 May 2021.

The code has the following targets:

Senior Leadership and Team Operations
- 15% of new hires will be Black, Asian or of Mixed-Heritage or a target set by the club based on local demographics; and
- 30% of new hires will be female.

Coaching: Men’s professional clubs
- 25% of new hires will be Black, Asian or of Mixed-Heritage; and
- 10% of new senior coaching hires will be Black, Asian or of Mixed-Heritage.

Coaching: Women’s professional clubs
- 50% of new hires will be female; and
- 15% of new hires will be Black, Asian or of Mixed-Heritage.

Recruitment
- Shortlists for interview will have at least one male and one female Black, Asian or of Mixed-Heritage candidate, if applicants meeting the job specifications apply.

The Premier League – The Equality, Diversity and Inclusion Standard (PLEDIS)

The Premier League launched PLEDIS in 2021 to build on the Premier League Equality Standard, which was created in 2015. The standard provides a framework to help clubs progress equality, diversity and inclusion across all areas of their business.

All Premier League clubs, and some EFL clubs, are working towards achieving the Preliminary, Intermediate and Advanced levels of the Standard.

Note: The Football Association also has initiatives focused on disability, Asian inclusion, LGBT inclusion, women’s football, faith and mental health, partnering and collaborating with over 20 inclusion partners.
FIFA – Looking towards the future
As the governing body for global football, FIFA’s actions need to lead the way. In 2016, FIFA created an annual award to recognise an outstanding organisation, initiative or football personality that stands up for diversity and anti-discrimination in football at national or international level and on a sustained basis.

More recently in 2019, FIFA introduced the “three-step procedure” at their tournaments: a mechanism that allows referees to go as far as to abandon a match in case of discriminatory incidents. To date, this has not led to any high-profile abandonments despite a number of recent accusations of racist actions on the pitch.

Further, as part of its 2020-2023 Vision, FIFA has created a new human rights and anti-discrimination department. It has also committed to investing significant funding into women’s football and its communities.

Note: The FIFA Foundation aims to harness the unique power of football to create a sense of reconnection in society, to promote and support mental health awareness, to empower and inspire people to use football for healthy minds and bodies and most importantly, to instil a sense of healing and unity through the beautiful game.

UEFA – #EqualGame
#EqualGame is UEFA’s campaign to promote its vision that everyone should be able to enjoy football, regardless of who they are, where they are from or how they play the game.

Note: Through its Football and Social Responsibility unit and UEFA Foundation, UEFA partners with a number of organisations to tackle social issues.

The English Football League
The EFL and its clubs run the ‘Not Today or Any Day’ campaign that brings together a range of anti-discrimination work carried out by the EFL and with its Clubs, partners and stakeholders.

In June 2016, the EFL introduced regulations aimed at tackling the under-representation of ethnically diverse managers and coaches employed by clubs. The regulations require clubs to formally advertise any position in their Academy that require the employee to hold a UEFA A or B licence.

In addition, clubs are required to shortlist at least one suitably qualified BAME candidate for interview as part of a formal recruitment process.

The League Manager Association (LMA)
The LMA has been vocal in its support of various initiatives undertaken by the FA, Premier League and EFL. While supportive of the FA’s Diversity Code, The LMA has vocalised that integrating such a code into the club licensing of English Football may enhance efforts made by clubs to comply and tackle the issue.

The LMA’s charity works with a number of selected charity partners, linking the LMA members directly with important community and grassroots programmes.

The Professional Footballer’s Association (PFA)
The PFA operates an equalities department aimed at tackling all areas of discrimination, bigotry and prejudice.

The Equalities departments runs a number of schemes for its players such as Diversity training and coaching placements, while conducting research on areas such as racial abuse and discrimination.

Note: The PFA runs initiatives across age, anti-racism, disability, faith, gender and sexuality, working with its social and community partners to enact change.

Kick It Out
Kick It Out is English football’s primary equality and inclusion organisation, running a number of campaigns aimed at tackling racism, discrimination and inclusion issues. These have included:

• Industry leading research on these issues;

• Raise Your Game (RYG): RYG is Kick It Out’s unique programme which provides opportunities for people who aspire to work within the football industry. RYG has been running for over 10 years;

• Sky Documentary: Sky has announced a new programme to air on Sky Documentaries in November, investigating the alarming rise of racism in English football directed at players and fans and the sport’s response to the recent political movements tackling racism; and,

• Take A Stand: A call to action initiative, encouraging people across the football community to take an action or make a pledge, in the fight against discrimination.
Basis of preparation

**Sources of information**

The financial results and financial position of English football clubs for 2019/20, and comparisons between them, has been based on figures extracted from the latest available company or group statutory financial statements in respect of each club, which were either sent to us by the club or obtained from Companies House. In general, if available to us, the figures are extracted from the annual financial statements of the legal entity registered in the United Kingdom which is at, or closest to, the ‘top’ of the ownership structure in respect of each club. The vast majority of English clubs have an annual financial reporting period ending in May, June or July. For 2019/20, some English clubs have reported financial statements for a 13-month accounting period due to the impact of the COVID-19 pandemic. We have not made any adjustments to these figures and they are included in the divisional totals as reported.

The financial results and financial position of clubs in various non-English leagues, and comparisons between them, has been based on figures extracted from the company or group financial statements in respect of each club, or from information provided to us by national associations/leagues. If financial statements were not available to us for all clubs in a division, then aggregate divisional totals have been estimated for comparison purposes (from year to year or between divisions).

This publication contains a variety of information derived from publicly available or other direct sources, other than financial statements.

We have not performed any verification work or audited any of the financial information contained in the financial statements or other sources in respect of each club for the purpose of this publication.

**Comparability**

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

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

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

The number of clubs in the top division of each country can vary over time. In respect of the ‘big five’ leagues for 2019/20, each division had 20 clubs except for Germany (18 clubs).

The figures for some comparative years have been re-stated compared to previous editions of this report due to changes in estimates arising from additional information available to us and/or due to the actual restatement by clubs of their annual financial statements.

**Financial projections**

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

In relation to estimates and projections actual results are likely to be different from those projected because events and circumstances frequently do not occur as expected, and those differences may be material. In particular, there are uncertainties as a consequence of COVID-19 including the impacts on football competitions, clubs' operations and the global economy. 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.

**Key terms**

- **Revenue** includes matchday, broadcast, sponsorship and commercial revenues. Revenue excludes player transfer and loan fees, VAT and other sales related taxes.

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

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

- **Pre-tax profit/loss** is the operating result plus/minus amortisation of player registrations and other intangible assets, profit/loss on player disposals, certain disclosed exceptional items, and finance income/costs.

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

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

Bank borrowings is debt advanced by lenders in the form of term loans, overdrafts or hybrid products, net of any positive cash balance. Other loans includes securitisation and player finance monies, bonds and convertible loan stock, intercompany loans and loans from related parties that are not otherwise soft loans. Soft loans includes amounts from related parties with no interest charged.

**Exchange rates**

For the purpose of the international analysis and comparisons we have converted the figures for 2019/20 into euros using the average exchange rate for the year ending 30 June 2020 (£1 = €1.14); for years prior to 2019/20 comparative figures as extracted from previous editions of this report; and the figures for years since 2019/20 converted into euros using the average exchange rate for the 10 months ending 30 April 2021 (£1 = €1.12).