# Trophy assets

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

**Paul Rawnsley, Director**

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

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

Retaining or gaining Premier League status is typically the central aim behind investor interest in England's top 40-50 clubs, and for a handful the ambition to perform on the European football stage. In addition to the hunger of domestic fans to watch their club compete in the Premier League, the global reach of the Premier League far exceeds that of other domestic league competitions with matches broadcast to over 720 million homes across over 200 territories. For some owners, this is a global opportunity to be exploited through new marketing and commercial arrangements.

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

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

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

**Sample of Premier League club changes of ownership transactions**

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

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

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