KPMG

The European Elite 2020

Football Clubs' Valuation

May, 2020

KPMG Sports Advisory Practice

footballbenchmark.com

About KPMG Football Benchmark

A business intelligence tool enabling relevant comparison with competitors, including:

Finance & operations

A consolidated and verified database of the financial and operational performance of over 200 football clubs, both in Europe and South America

Social media analytics

An updated and historical tracking of the social media activity of 400 football clubs, 300 footballers and 270 competitions and other sporting accounts

Player valuation

A proprietary algorithm, which calculates the market value of 5,200+ football players from ten European and two South American leagues.

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Foreword

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Dear Reader,

Welcome to the 5th edition of KPMG's "Football Clubs' Valuation: The European Elite 2020", an analysis that provides an indication of the Enterprise Value (EV) of the 32 most prominent European football clubs as at 1 January 2020.

Our figures are from just five months ago – whereas today, we seem to be in a different era, as the COVID-19 pandemic has upended the world of football, causing an unprecedented complexity of logistical, financial, regulatory and legal issues for the European football ecosystem. Club values have certainly been affected, too, but the immediate impact cannot yet be quantified, as the financial statements for the current football season will only be published in the months to come.
While we have witnessed a significant drop in share prices of football clubs listed on various stock exchanges since the outbreak of the crisis, there has been a slight recovery recently with the hope of a restart of the current season in most countries. This year's enterprise values are nonetheless exciting to examine, especially as they allow us to analyse 5-year business performance trends of Europe's elite football clubs. That analysis could be a crucial benchmark to compare values and trends in our next yearly report, and thus see the true impact of the pandemic.

This year's report reveals that **Real Madrid CF and Manchester United FC maintained the 1st and 2nd positions, respectively, while FC Barcelona have regained the 3rd position**, leapfrogging FC Bayern München, who have never posted a loss in their Financial Statements during the last 27 years.

Further major changes in the top 10 this year include UEFA Champions League title holders **Liverpool FC advancing two spots** to reach the 5th position, and Arsenal FC, similarly to the previous year, dropping two spots again, to land in the 10th position, down five spots in the ranking since our first edition of the report in 2016. For the first time in our analysis, **there is no Italian club among this elite**, as Juventus FC have dropped out of the top 10, while Paris Saint-Germain FC have advanced two spots to land in the 9th position, thus re-joining the elite 10 for the first time since 2016. At club level, Galatasaray SK registered the highest (49%) year-on-year EV increase, followed closely by Paris Saint-Germain FC and FC Internazionale Milano.

Over the five years of our analysis, Real Madrid CF managed to retain their leadership primarily due to the rewards of their three UEFA Champions League trophies in a row, and a 41% aggregate growth in commercial revenue. After three years on top, Manchester United FC stayed up on the podium thanks to the brand's appeal and an impressive cumulative EBIT of EUR 338m. FC Barcelona's 5-year trend reveals a 50% growth in total operating revenues, while commercial activities became their most successful revenue stream, resulting in 52% growth from 2016.

The overall enterprise value of the 32 clubs has increased for the fourth consecutive year: the aggregate EV of these clubs has grown by 51%, primarily driven by an aggregate 44% increase in total operating revenues over the past five years. All the revenue streams have consistently risen, with broadcasting income being the main source of growth: average broadcasting revenue among the top 32 clubs increased by 65%, while matchday and commercial revenues grew by 22% and 39%, respectively, during this period. It is interesting to note that 25 out of 32 clubs have decreased their matchday dependence over the years: considering the fact that this revenue stream will be affected the most by the COVID-19 pandemic, this could be seen as a relatively positive trend in the short term. **On club level, Olympique Lyonnais have seen their EV grow the most in five years** (+193%), followed by Tottenham Hotspur FC and FC Internazionale Milano. Within the same timeframe, Liverpool FC are the club who have grown their EV the most in absolute terms (EUR 1,385m). Remarkably, **AC Milan are the only club** in our 5-year analysis **that suffered a decrease in EV from 2016 to 2020**, showing a 3% drop. **Tottenham Hotspur FC and AC Milan are again on the opposite end if we analyse clubs' profitability over the five years:** the *Spurs* are by far the best performers in this regard with a cumulative EUR 439m EBIT, while AC Milan registered a similar amount of negative EBIT (EUR -442m) since 2016.

Looking at the costs side, aggregate staff costs continued to grow in 2018/19, but the average staff costs-to-revenue ratio of the top 32 remained stable at around 63%, compared to 64% in 2016.

In this year's report, we dedicate a separate chapter to the impacts of the coronavirus pandemic. As there is a lot of uncertainty regarding the immediate effects and reactions (amongst others, calendar issues, effects on clubs' revenue and financial losses, players devaluation and impact on transfers activities), we are focusing on longer-term implications, with five industry personalities sharing their views on the most topical questions. **All contributors to our report have underlined the importance of ensuring that football stakeholders**, in response to the COVID-19 crisis, **grasp the opportunity to create a more balanced, financially sustainable and competitive** football ecosystem, **with a focus on common goals and mutual long-term benefits,** rather than short-term individual objectives. This for the benefit of rights holders, clubs, players, media and sponsors involved in the industry, but, above all, this should be done for the millions of fans and supporters of the "beautiful game" globally.

We trust our report, prepared by the Football Benchmark team of KPMG's Sports Advisory Practice, provides stimulating insight into the European football landscape.

If you would like to receive further information or discuss our findings, please contact us through footballbenchmark.com, or myself directly. I would be pleased to discuss them with you.

The European Elite: Selection criteria

Besides availability of annual financial statements of the clubs, KPMG set three parameters to be fulfilled in order for a club to be included in our research. The two primary criteria that have to be simultaneously fulfilled are:

1. **Clubs must be among the top 50 European teams by total operating revenues; and**

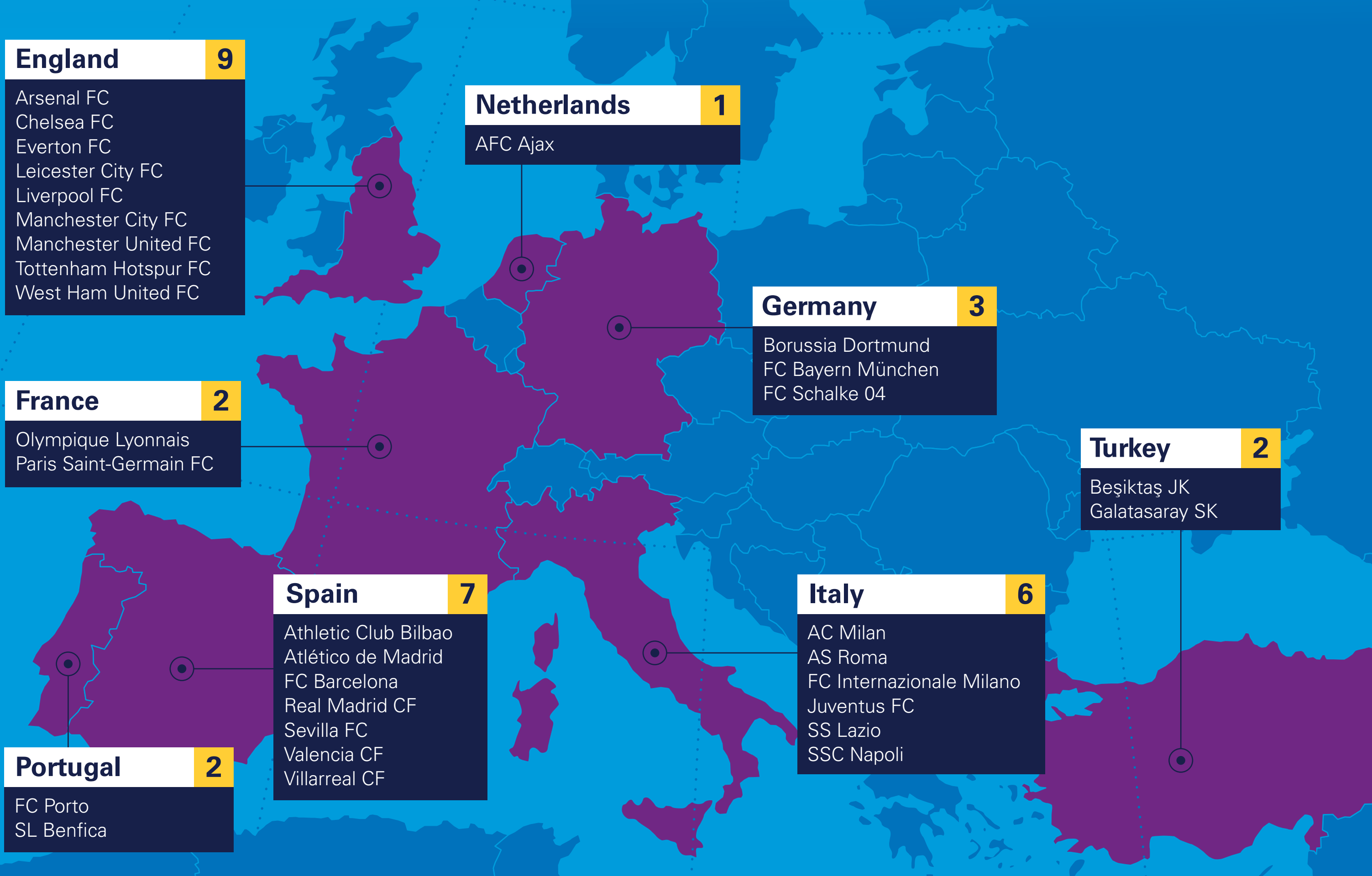
2. **Clubs must be among the top 50 teams according to the 5-year UEFA coefficient.**

In case one of the above criteria is not fulfilled, a club could still be shortlisted if:

3. **It is among the top 30 European teams by number of social media followers (Facebook, Twitter, Instagram and YouTube combined) as at 1 January 2020.**

The rationale behind these selection criteria is that the chosen clubs are largely successful on pitch, are not in danger of being relegated and possess a brand with high international visibility.

Based on the pre-established selection criteria, 38 clubs from 9 European countries have met the requirements and have been analysed by KPMG. The 32 clubs which make this year's edition of KPMG's Football Clubs' Valuation report are provided in the map below, while the six "runners-up" ranked by their EV are: Celtic FC (Scotland), PSV Eindhoven (Netherlands), Olympique de Marseille and AS Monaco FC (France), Fenerbahçe SK (Turkey) and Sporting Clube de Portugal (Portugal).



Who is new in the top 32

FC Porto	(Portugal)
Valencia CF	(Spain)

Who is out of the top 32

AS Monaco FC	(France)
Celtic FC	(Scotland)

Headline findings

Top three clubs reaffirm their presence on the victory bus

The positions of the top three clubs atop the podium have been stable over the first three editions of our report. In the first year (2016), Real Madrid CF and Manchester United FC shared the 1st spot, followed by FC Barcelona, while in the following two seasons, the *Red Devils* finished ahead of *Los Blancos*, with the *Blaugrana* holding the 3rd spot until last year, when FC Bayern München leapfrogged them and stepped up to the podium for the first time. **In this year's edition, Real Madrid CF and Manchester United FC maintained the 1st and 2nd positions while FC Barcelona returned to the 3rd position after only one year of absence.**

Los Blancos are once again the most valuable football club thanks to an 8% annual EV increase, which put the *Red Devils* at a safe distance, as the English club's EV has grown by only 4% in a year. The Catalans secured the lowest seat on the victory bus thanks to an impressive annual EV increase of 19%.

The chart shows the evolution of some key performance indicators over the past five years, underlining the reasons that have ultimately led to the consolidation of these three as the most valuable football clubs globally.

Over the five years of our analysis, Real Madrid CF managed to retain their leadership, in particular thanks to their international on-pitch success, the resultant cashed-in UEFA prizes (having won three UEFA Champions League trophies in a row) and a 41% aggregate growth in commercial revenue. Despite a slight decrease in total operating revenues registered in the 2018/19 season, they managed to further improve their EV by achieving higher profitability. This is mostly a consequence of Cristiano Ronaldo's disposal to Juventus FC, as the EUR 117m transfer generated an important profit for the Spanish side, which also benefitted from a total staff costs reduction (-8% year on year). It will be interesting to see how these positive effects in the short run will impact the sporting success of the club in the seasons that follow.

After three years on top, Manchester United FC retained their runners-up position for the second consecutive year. Despite modest sporting results over the past five seasons, the *Red Devils* stayed up on the podium thanks to the brand's appeal and an impressive cumulative EBIT of EUR 338m, an average of almost EUR 68m per year. It is also relevant to observe that the devaluation of the British pound has negatively affected the value of all English clubs over the past five years.

Top 3 by EV 2020 (EUR m) and evolution of KPIs from our editions 2016 to 2020 (analysing seasons 2014/15 - 2018/19)

CHAMPIONS

Change over last year	Ranking	EV 2020	Club	EV growth	Operating revenues growth	Commercial revenues growth	Cumulative EBIT (EUR m)	UEFA trophies: UCL or UEL
=	1st	3,478	Real Madrid CF	20%	29%	41%	237	3
=	2nd	3,342	Manchester United FC	15%	37%	21%	338	1
↑	3rd	3,193	FC Barcelona	16%	50%	52%	177	1

Source: KPMG Football Benchmark

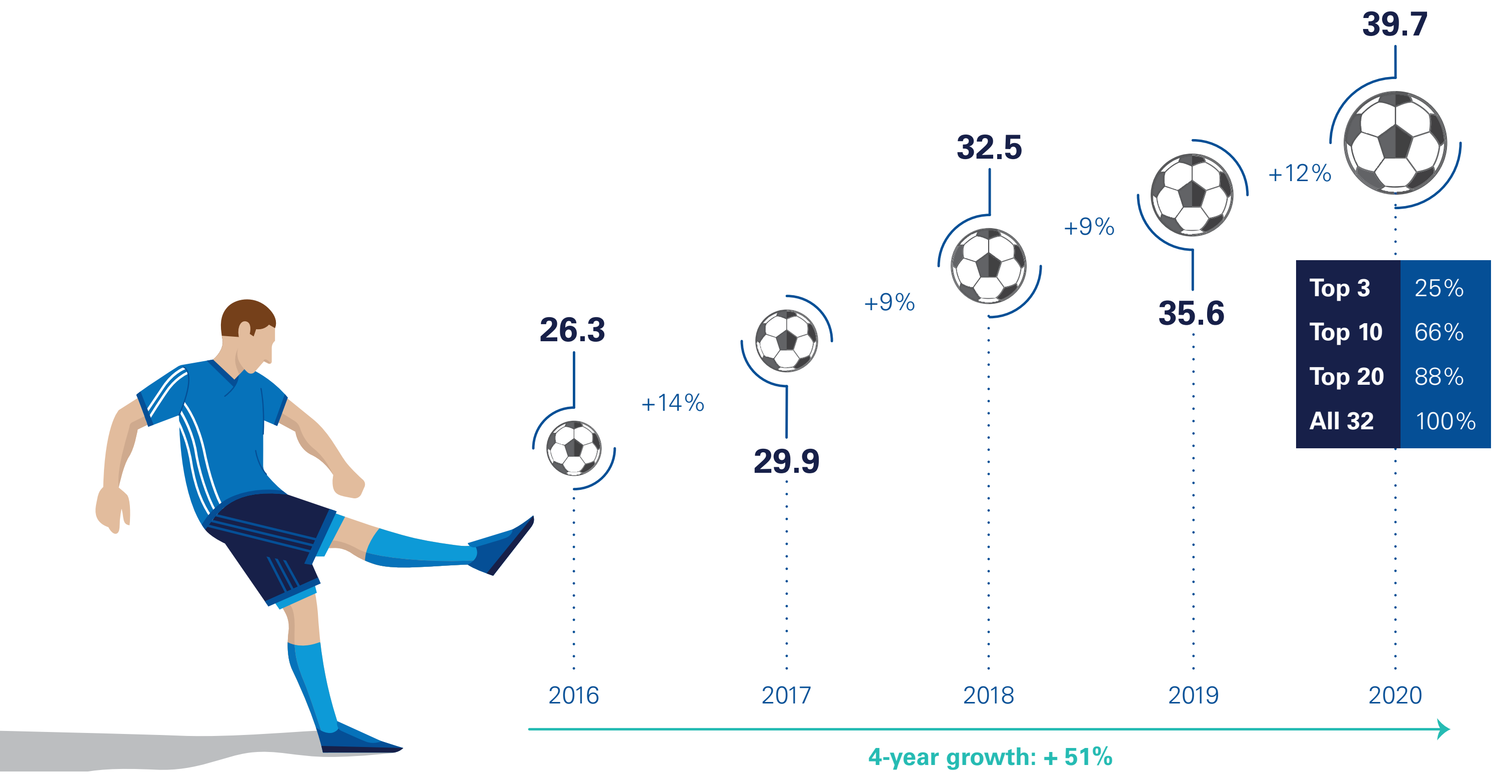
Los Blancos are once again the most valuable football club thanks to an 8% annual EV increase.

Credits: Real Madrid CF

During the 2018/19 season, FC Barcelona achieved record total operating revenues of EUR 839m. Such turnover increase was mainly due to a 35% year-on-year growth in broadcasting revenues, up to EUR 298m. The main drivers behind such significant growth were a new, more remunerative UEFA cycle, which kicked-off in 2018/19, and a better sporting result in the UEFA Champions League (semi-finals vs quarter finals). Although FC Barcelona remained the biggest spenders in staff costs among any football club, their operating revenue growth has allowed them to significantly decrease their staff costs/operating revenue ratio from 81% to 69% in only one season, another contributing factor to their 19% growth in EV since last year. If we look at the *Blaugrana*'s 5-year trend, they registered 50% growth in total operating revenues, while commercial activities became their most successful revenue stream, resulting in 52% growth since 2016.

Interestingly, these top three clubs by EV coincide with the top three by total operating revenues in 2018/19. However, the ranking is not the same: FC Barcelona are now the leading football club in terms of total operating revenues, registering a EUR 100m advantage on their historical opponents, Real Madrid CF, whose revenues totalled EUR 740m, with Manchester United FC following the two Spanish giants in this ranking (at EUR 711m).

Aggregate EV of Top 32 (2016-2020, EUR billion) **and EV share of top groups in 2020** (%)



Top 3	25%
Top 10	66%
Top 20	88%
All 32	100%

Source: KPMG Football Benchmark

Overall trends and EV by league

For the fourth consecutive year, the overall enterprise value of the 32 most prominent European football clubs has increased to EUR 39.7 billion, an annual growth of 12%. **Since our first edition in 2016, the aggregate EV of the 32 clubs has grown by 51% and EUR 13.4 billion in absolute terms.**

However, **the coronavirus pandemic**, which emerged after our valuation date of 1 January 2020, **will definitely change the football ecosystem**, including the pace of growth of Europe's football elite. **Club values have certainly been affected too, however, the immediate impact cannot yet be quantified.** While there has been a significant drop in share prices of football clubs listed on various stock exchanges since the outbreak of the crisis, with the hope of a restart of the 2019/2020 football season in most countries, there has been a slight recovery recently. This year's enterprise values are nonetheless exciting to examine, especially as they allow us to analyse 5-year business performance trends of Europe's top football clubs.

Overall EV growth of the top 32 clubs has primarily been driven by an aggregate annual 11% increase in total operating revenues, which, over the past five years, have grown by 44%. Since 2016, all revenue streams have consistently grown, but broadcasting revenues can undoubtedly be considered the main driver of industry growth. Indeed, **average broadcasting revenue among the top 32 clubs increased by 65% from 2016 to 2020**. Such a remarkable increase can be attributed to new domestic and international deals, with special mention given to the English Premier League which distributed EUR 3.3 billion per year between 2016/17 and 2018/19, and the new UEFA cycle already mentioned. On the other hand, the **average matchday and commercial revenues grew by 22% and 39%, respectively**.

Moving to the costs' side, in the 2018/19 season aggregate staff costs continued to grow too, but **the average staff costs-to-revenue ratio of the top 32 remained stable at around 63%**, a similar value to the 2016 edition (64%).

At club level, Galatasaray SK registered the highest (49%) year-on-year EV increase, elevating them five positions up in this ranking, followed by Paris Saint-Germain FC and FC Internazionale Milano, which saw growth of 45% and 42%, respectively. The exploit of the Turkish club can mainly be explained by their participation in the group stage of the UEFA Champions League and consequent improved profitability in 2018/19, which proved crucial in view of the compliance with a settlement agreement signed with UEFA in October 2018.

Eight clubs have seen their EV drop compared to last year: Beşiktaş JK (-19%), Leicester City FC (-12%) and Arsenal FC (-8%).

The representation of the big five football leagues remained the same, with 27 clubs placed among the top 32. The newcomers are Spain's Valencia CF and Portugal's FC Porto, in both cases mainly thanks to the financial benefits associated with their participation in the UEFA Champions League in the 2018/19 season.

The *Nerazzurri* have registered a 146% increase in EV since 2016.

Credits: FC Internazionale Milano

On the other hand, last year's debutant, **Scotland's Celtic FC, and French club AS Monaco FC have dropped out**. The five clubs from non-big five leagues account for approximately 5% of the total enterprise value, slightly more than in the previous edition of our analysis.

The English Premier League has again exhibited its absolute dominance, having nine clubs in the top 32 and accounting for 41% of the total aggregate value, down from the 43% of last year. Spanish La Liga maintained the second position per aggregate EV, with its seven clubs accounting for 23% of total EV, followed by the German Bundesliga, whose three clubs represent higher aggregate EV (accounting for 13%) than the six clubs of Italy's Serie A altogether (12%). Although the French Ligue 1 is now represented by only two clubs, remarkable annual growth of both Paris Saint-Germain FC and Olympique Lyonnais helped to sustain the league's 6% weight within total EV.

Throughout the past editions of our report, the dominance of the big five leagues has been palpable. When looking at the number of clubs by country, the positions of the English Premier League and Spanish La Liga are even stronger, as even more of their clubs have made their entry onto the list. Germany's position remained stable with three clubs, while both the French Ligue 1 and the Italian Serie A saw some clubs exit, dropping two and one club, respectively, over the years. The overall representation of the non-big five leagues has also been decreasing.

Number of clubs, aggregate value by country and share of EV

Countries	Number of clubs					Total EV 2020 (EUR m)	Average value per club (EUR m)	Σ 100%
	2016	2017	2018	2019	2020			
England	7	8	9	9	9	16,395	1,822	41.3%
Spain	5	6	6	6	7	9,268	1,324	23.4%
Germany	3	3	3	3	3	4,972	1,657	12.5%
Italy	7	6	6	6	6	4,764	794	12.0%
France	4	3	3	3	2	2,454	1,227	6.2%
Portugal	2	1	1	1	2	723	362	1.8%
Turkey	2	3	3	2	2	676	338	1.7%
Netherlands	2	2	1	1	1	432	432	1.1%
Scotland	-	-	-	1	-	-	-	-

Source: KPMG Football Benchmark

Top 10 evolution by EV

The top 10 of our ranking has seen a major reshuffle: **with the exception of the top two, Real Madrid CF and Manchester United FC, all clubs changed their positions**. There is also a **new joiner, Paris Saint-Germain FC**, who advanced two spots to land in 9th position, while **Juventus FC have dropped out of the elite 10** for the first time.

Beyond FC Barcelona leapfrogging FC Bayern München to grasp the 3rd position, the other **remarkable advance in the top 10 is Liverpool FC's jumping up two spots to the 5th position**, overcoming domestic rivals Manchester City FC and Chelsea FC. On the other hand, **Arsenal FC**, similarly to the previous year, **have dropped two spots** again to land in the 10th position, and have been surpassed by both Tottenham Hotspur FC and Paris Saint-Germain FC. In the first edition of our report in 2016, the *Gunners* were 5th in the ranking.

Unsurprisingly, the top 10 is dominated again by the English Premier League (with six clubs), while Spain's La Liga maintains its second position, thanks to its giants Real Madrid CF and FC Barcelona. The German Bundesliga and the French Ligue 1 are represented by one club each, whereas, for the first time, the Italian Serie A doesn't have any club in the top 10.

FC Bayern München have lost one position, despite having increased their EV by 7% compared to their figure in our last edition. Over the five editions, the German champions' EV has grown by 34%, thanks to their cost control and profitability levels.

UEFA Champions League winners Liverpool FC placed themselves in 5th position for the first time, two places up in the ranking since last year, thanks to a 27% year-on-year EV growth and an impressive 109% increase since 2016. During the 2018/19 season, they were able specifically to benefit from commercial and broadcasting revenues growth of 22% and 19%, respectively, capitalising on the first major trophy lifted since 2005.

Scrolling through the top 10, we find **Manchester City FC**, having **dropped one position** with a 6% EV growth compared to the previous year's; the *Citizens* can still rely on the most valuable squad (EUR 1.3 billion as of January 2020).

In 7th and 8th positions we find two London clubs, although displaying opposite trends. Indeed, **Chelsea FC** are suffering a stagnation of their EV, due to a significant deterioration of their profitability in 2018/19 (from a net profit of EUR 28m to a net loss of EUR 125m). On the other hand, **Tottenham Hotspur FC**, runners up of the 2018/19 UEFA Champions League, are climbing the ranking steadily in the latest seasons, driven by their remarkable revenue growth (a 103% increase in 4 years and 22% since last year) and their cost efficiency (39% staff costs to revenue ratio – the lowest in Europe), both metrics leading to record profit results.

Paris Saint-Germain FC went back into the top 10, jumping from the 11th to the 9th position. The French champions registered the 2nd highest annual EV increase, +45% (+127% from 2016), thanks in particular to their focus on commercial development. The acquisition of football stars like Neymar and Mbappé, and the establishment of their global lifestyle brand (e.g. the exclusive partnership with iconic sportswear Air Jordan), helped *Les Parisiens* to become the club with the highest commercial revenues (EUR 377m).

Moving to less positive news, the 3rd London club in the top 10, Arsenal FC, deserves a special note. The *Gunners* are struggling on the field in the latest seasons, having missed out in UEFA Champions League participation since 2016/17, and by consequence also suffering on the financial side. This year they registered an 8% EV decrease, mainly because of worsened profitability. A final mention should be made for Juventus FC, the only Italian club represented in the top 10 since the first edition of this publication. The *Bianconeri*, despite an annual EV growth of 12%, are in 11th position in this year's ranking.

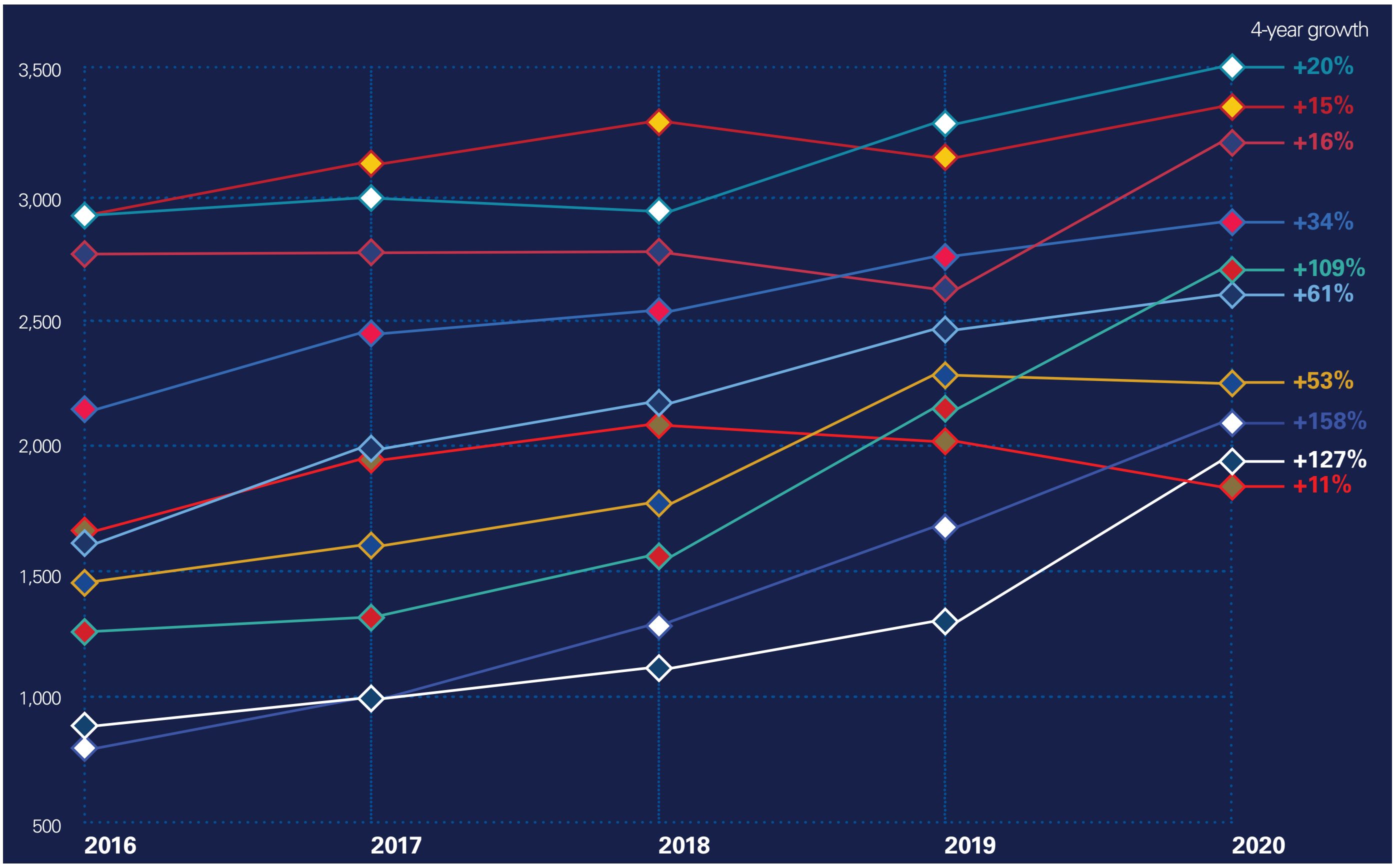
The *Reds* took the 5th position for the first time. They are the club with the highest growth in value since 2016: EUR 1,385m (+109%).

Credits: Liverpool FC

Top 10: total operating revenues growth (2014/15 - 2018/19) **and revenues breakdown evolution** (delta in % points)

2020 Position	Top 10 Clubs	Total operating revenue 2014/15 (EUR m)	4-year growth	Total operating revenue 2018/19 (EUR m)	Delta in % points		
					Matchday % share	Broadcasting % share	Commercial % share
1	Real Madrid CF	575	29%	740	-1.8	-1.9	+3.7
2	Manchester United FC	518	37%	711	-5.3	+11.2	-6.0
3	FC Barcelona	561	50%	839	-0.7	+0.1	+0,6
4	FC Bayern München	474	39%	660	-4.9	+9.6	-4,7
5	Liverpool FC	391	55%	605	-4.0	+7.7	-3.8
6	Manchester City FC	462	32%	610	-2.1	+8.6	-6.6
7	Chelsea FC	419	22%	513	-7.4	+1.8	+5.6
8	Tottenham Hotspur FC	258	103%	523	-3.3	+4.4	-1.1
9	Paris Saint-Germain FC	477	34%	638	+0.2	+2.6	-3.0
10	Arsenal FC	435	2%	442	-5.6	+8.4	-2.8

Top 10: EV trend 2016-2020 (EUR m)



Source: KPMG Football Benchmark

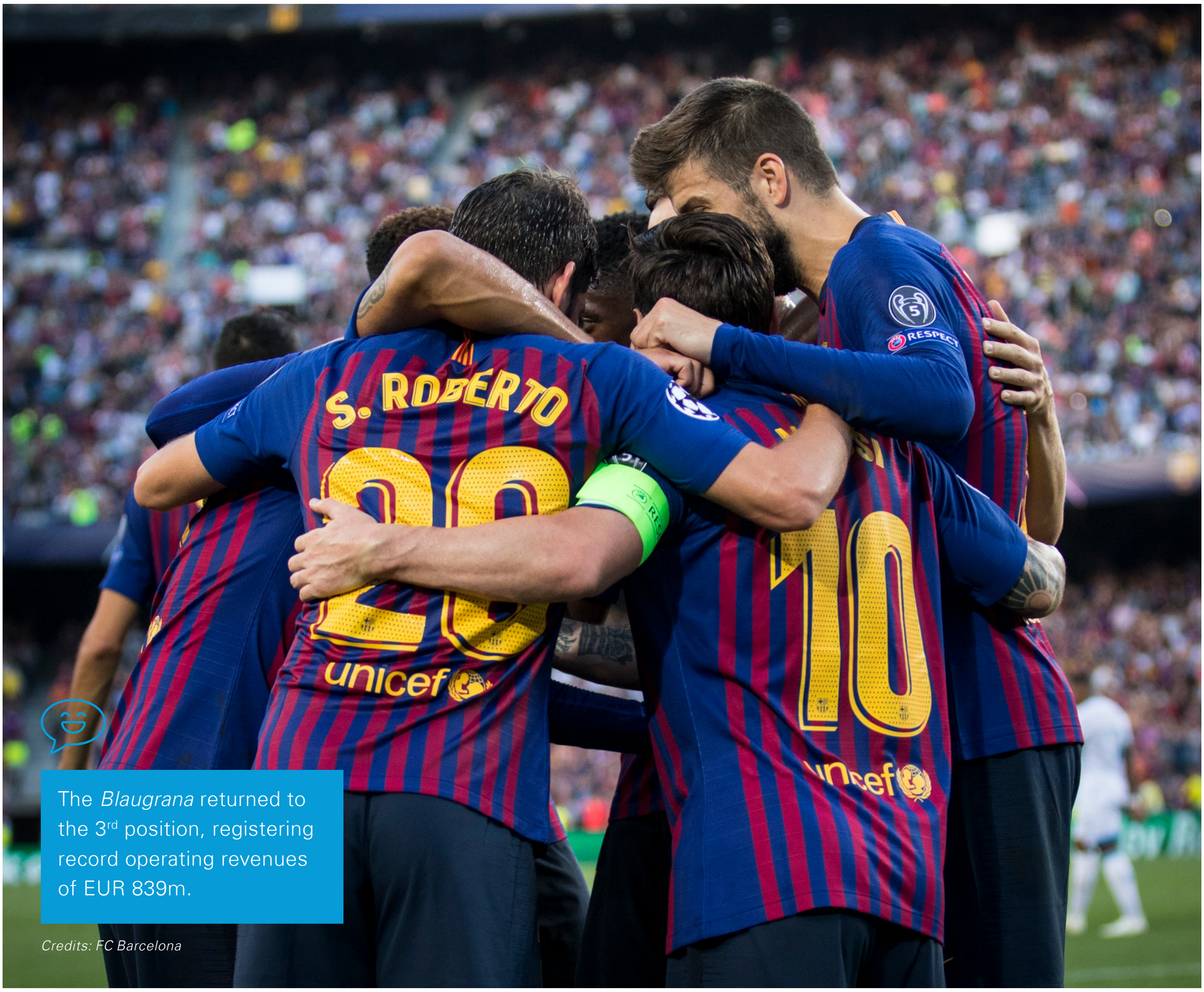
A focus on top 10 operating revenues evolution

The foundation of the KPMG algorithm that establishes the clubs' EV is based on the Revenue Multiple approach, with a specific multiple determined for each club, considering five parameters (profitability, sporting potential, broadcasting rights, popularity and stadium ownership) with their own specific weight. Therefore, in order to understand the reasons behind the top 10 clubs' leadership and their evolution over the past five editions, it's fundamentally important to focus on clubs' revenue growth. In addition, to fully grasp top clubs' strategies, it is also essential to analyse the evolution of the three main revenue streams' percentage share of total operating revenues over the past five seasons.

All clubs decreased their matchday dependence, except for Paris Saint-Germain FC. This evolution of the revenue mix could be seen as a relatively positive feature, considering the fact that this revenue stream will be affected the most by the COVID-19 pandemic in the short term.

Despite the increasing efforts made by top clubs to capitalise on their brands, the weight of commercial activities on total revenues has also decreased for the majority of the clubs, with Chelsea FC, Real Madrid CF and FC Barcelona being the only exceptions. Spanish giants Real Madrid CF and FC Barcelona can benefit especially from their huge fan bases (they are the 1st and 2nd most followed clubs on social media).The *Blaugrana* have insourced the management of their stores from the 2018/19 season, considerably increasing their merchandising revenues if compared to those of previous seasons, when they received royalties from the kit supplier.

All clubs in the top 10 (except for Real Madrid CF and, partially, FC Barcelona) registered an increasing dependence on broadcasting revenues over the past five seasons. Manchester United FC registered the highest increase, followed by FC Bayern München and Manchester City FC. Indeed, all English and German clubs benefitted from the new, more remunerative domestic broadcasting cycles started in 2016/17 and 2017/18, respectively. The other main reason behind the major TV dependence for the top clubs is the already mentioned new UEFA cycle kicked off in 2018/19, distributing EUR 2.55 billion per year to the clubs participating in UEFA competitions.



The *Blaugrana* returned to the 3rd position, registering record operating revenues of EUR 839m.

Credits: FC Barcelona

Clubs' profitability - 5-year cumulative EBIT (2014/15 - 2018/19)

Together with the staff cost-to-revenue ratio, EBIT ("Earnings Before Interest and Taxes") represents a pivotal parameter in KPMG's proprietary algorithm adopted to estimate clubs' EV. Hereafter, we present an analysis of the Top 3 and the Bottom 3 clubs in terms of cumulative EBIT, therefore after consideration of player trading activities[1], over the past five seasons.

Top 3 clubs by cumulative EBIT (EUR m)

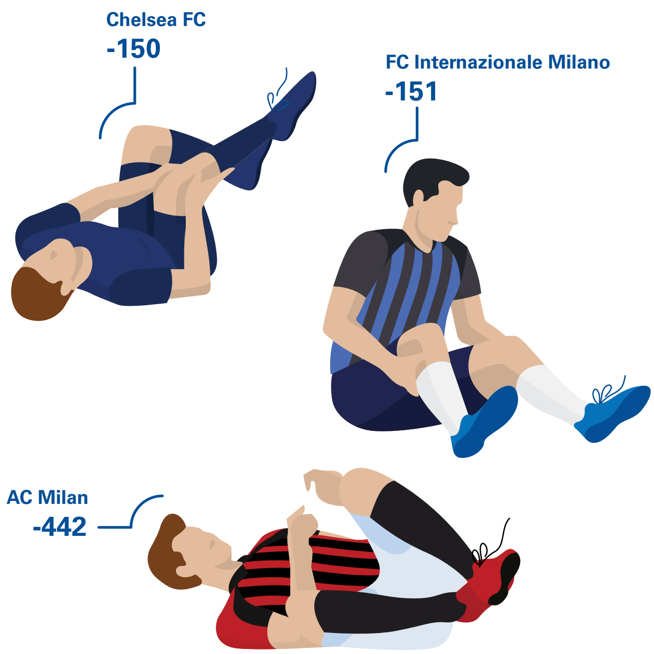
The three "celebrating" clubs in terms of 5-year cumulative EBIT are all from England: Tottenham Hotspur FC (EUR 439m), **Manchester United FC** (EUR 338m) **and Liverpool FC** (EUR 278m).

The *Spurs'* achievement derives from the ability to combine operating revenue growth and cost efficiency with astute player trading activities. They also accumulated the biggest profit after tax over the past five seasons: EUR 310m. Their new 62,000-seat stadium, inaugurated at the end of the 2018/19 season, will likely deliver multiple benefits for the club going forward.

The second highest cumulative EBIT was achieved by Manchester United FC (EUR 338m), as profitability is one of their key strengths, despite their less successful sporting results in recent years. Before player trading activities the *Red Devils* managed to reach close to EUR 1 billion of operating profits.

With EUR 278m cumulative EBIT in the past five years, the *Reds'* 3rd place in this special ranking is a direct consequence of their international success on the pitch last season, paired with remarkable profit on player disposals (e.g. EUR 139m in 2017/18, mainly thanks to the sale of Coutinho to FC Barcelona).

Bottom 3 clubs by cumulative EBIT (EUR m)



Source: KPMG Football Benchmark

On the other side, **among the "injured" clubs in terms of cumulative EBIT, we find two Italian clubs, AC Milan** (EUR -442m) **and FC Internazionale Milano** (EUR -151m), **together with** another English club, **Chelsea FC** (EUR -150m).

Although the two Milan giants are both at the bottom of this ranking, the reasons vary significantly. Indeed, the *Rossoneri* seem to be stuck after their ownership's turmoil: operating revenues are at the same level of five years ago and in the past five seasons they have accumulated an impressive net loss after tax of EUR 509m. These financial difficulties have also resulted in their exclusion from the UEFA Europa League in 2019/20, which might have a further negative effect on the club's accounts. Their negative trend is most palpable if we consider the fact that **AC Milan are the only club in our 5-year analysis that suffered a decrease in EV from 2016 to 2020, showing a 3% drop**.

In contrast, FC Internazionale Milano are slowly balancing their books, benefitting from the investments made by the Suning family, the new owners of the club since 2016, but are also investing significant resources in strengthening their squad.

Finally, Chelsea FC suffered a 29% annual increase in staff costs in 2018/19, the main reason for the negative EBIT of EUR 127m registered in the same season, leading to a negative cumulative EBIT of EUR 150m.

[1] Player trading activities consist of profit/loss on disposal of players' registrations, amortisation of players' registrations and other revenue/costs related to players on loan.

Clubs' popularity

Social media followers are one of the five pillars considered by our model in calculating clubs' EV, as a key indicator of clubs' popularity, size of fan base and commercial appeal. In this regard, our algorithm takes into account the total number of followers and engagement on the four major social media channels: Facebook, Instagram, Twitter and YouTube, as at the valuation date.

Sport accounts, and football clubs in particular, have always been some of the most popular profiles on the Web. The most followed football club, Real Madrid CF, with their 240 million total followers in May 2020, are almost as popular as Nike, Adidas and Puma combined.

Whilst the **club who has grown the most in absolute terms is Real Madrid CF, with around 100m additional followers**, our chart shows the top 5 clubs by growth in percentage terms of social media followers from 2016, the first edition of our report, to 2020. **FC Internazionale Milano lead the ranking with a total growth of 232%, followed closely by AFC Ajax (+201%).** The Suning's club established their Inter Media House in 2017, a subsidiary company managing the digital development of the club, demonstrating a special focus on social media development, a move that has proven to generate significant benefits. As for AFC Ajax, the impressive UEFA Champions League campaign of last year is the main driver of social media popularity growth.

A 4-year growth of 191% in total followers has earned Juventus FC the 3rd place in this ranking, while the Italian champions are currently the 4th club in terms of total social media followers among the top 32. Changing their logo triggered growth on social media in 2017 and, in addition to this, the arrival of Cristiano Ronaldo in the summer of 2018 gave a real boost to development. On Instagram alone, their 2-year growth is higher than 300% since the arrival of the Portuguese superstar, the most followed personality on this social network.

Finally, we find two English clubs, namely **Tottenham Hotspur FC** (+166%) and **Manchester City FC** (137%), **in the top five**. The *Spurs* could take advantage of consolidating their position in the English Premier League top 6, and finishing runners-up in the 2019 UEFA Champions League. On the other hand, beside their entertaining game and numerous star footballers in their squad, the *Citizens* also benefitted from their Premier League successes and the synergies derived from the City Football Group network.

Top 5 clubs by % growth in social media followers (from January 2016 to January 2020) (Facebook, Instagram, Twitter and YouTube combined)

	Club	% growth
01	FC Internazionale Milano	+232%
02	AFC Ajax	+201%
03	Juventus FC	+191%
04	Tottenham Hotspur FC	+166%
05	Manchester City FC	+137%

Source: KPMG Football Benchmark

Top and bottom clubs by overall EV growth (2016-2020)

Prior to analysing the top and bottom clubs by EV increase in relative terms, it is relevant to highlight that the **three clubs who have grown the most in absolute value** during the 2016-2020 period are: **Liverpool FC** (by EUR 1,385m), **Tottenham Hotspur FC** (by EUR 1,266m) and **Paris Saint-Germain FC** (by EUR 1,068m).

Top performers

Olympique Lyonnais top our ranking by EV growth in percentage terms since the first edition of our report in 2016. The French club managed to increase their EV from EUR 186m to EUR 543m, a growth of 193% in four years. *OL* were able to benefit primarily from the opening of their new stadium, the Parc Olympique Lyonnais (known as Groupama Stadium) in the 2015/16 season and a consequent increase in matchday revenues (an impressive 365% growth from 2016 to 2020), a fact coupled with their regular presence in UEFA competitions. Last but not least, player trading results have also played a crucial role; indeed, Olympique Lyonnais achieved the highest cumulative player trading result (EUR 202m over the past five seasons) among the top 32 clubs.

Tottenham Hotspur FC (4-year growth of 158%) find themselves in 2nd position: beyond their excellent performance in all five pillars (profitability, sporting potential, broadcasting rights, popularity and stadium ownership) considered by our algorithm, their cost efficiency and the record profitable results represent the key factors of their significant growth.

The 3rd position is taken by FC Internazionale Milano (+146%). The main reasons behind the growth registered by the Italian club are a commercial revenue increase (+168% over the past five seasons, the highest growth rate among the top 32), partially linked to the outstanding social media performances, and their efficiency on the cost side (staff costs-to-revenue ratio decreased from 69% to 53% in the period under consideration).

Paris Saint-Germain FC (+127%) and Liverpool FC (+109%) are in 4th and 5th positions, respectively. The French side saw EV growth mainly driven by a great improvement in profitability and by increasing all their income streams. Liverpool FC's achievement mostly derives from their revenues' increase, improvements in popularity and in sporting potential (squad market value), undoubtedly fuelled by the recent remarkable on-pitch results.

Bottom performers

AC Milan are the only club having registered a decrease (a drop of 3%) in EV from 2016 to 2020 among the top 32. The *Rossoneri* have been suffering in terms of sporting results and revenue generation, both factors resulting in profitability issues. A qualification to the UEFA Champions League in the forthcoming seasons would be pivotal toward stopping this negative trend.

Arsenal FC show the second lowest 4-year growth (+11%). Worsened profit results and the weakening of their squad market value represent the main factors behind their moderate growth pace. Like AC Milan, the Gunners also need to come back to the European top competition to see improvement off the pitch.

Interestingly, despite their podium spots by absolute EV, we find Manchester United FC (+15%) and FC Barcelona (+16%) among the bottom 5 according to 4-year EV growth in relative terms. The English club have suffered a worsening sporting potential, while the Spanish giants are paying the toll for their record staff costs. On the other hand, it is also worth mentioning that these two clubs could already boast the 1st and 3rd highest EV among the top 32 in 2016, thus starting from a very high value. Finally, Everton FC's modest 17% EV growth over the years is a consequence primarily of their massive net loss registered in the 2018/19 season.

Top and bottom clubs by overall EV growth (2016-2020)

(EV 2016 and EV 2020 in EUR m, 4-year growth in %)

Club	EV 2016	Change	EV 2020	Growth
Olympique Lyonnais	186	+357	543	+193%
Tottenham Hotspur FC	801	+1,266	2,067	+158%
FC Internazionale Milano	399	+584	983	+146%
Paris Saint-Germain FC	843	+1,068	1,911	+127%
Liverpool FC	1,273	+1,385	2,658	+109%
Everton FC	455	+78	533	+17%
FC Barcelona	2,758	+434	3,193	+16%
Manchester United FC	2,905	+437	3,342	+15%
Arsenal FC	1,663	+189	1,852	+11%
AC Milan	545	-19	526	-3%

Source: KPMG Football Benchmark

COVID-19 impact on the football industry

The European football industry has found itself in dire straits due to the strict social measures introduced following the sudden outbreak of the COVID-19 pandemic. Indeed, clubs' business and sporting activities have been set on pause in an unprecedented fashion, leaving thousands of organizations and staff in dark, choppy waters. With clubs unable to host and play games, all of their income streams have been affected by the absence of gate receipts and suspension or cancellation of broadcasting and commercial payments by media partners and sponsors. The expected deflation of transfer fees will also lead to poorer player trading results, an activity that has been pivotal to the growth and success of many football clubs across the continent.

Whilst operating revenues have been severely hit, operating costs (i.e. mainly player wages) have not decreased at the same rate, leading to a negative impact on financial profitability, which in turn has translated into severe liquidity issues for the vast majority of clubs across Europe. In addition, the situation has posed complex challenges from legal (e.g. players' contracts), logistical (travel restrictions), regulatory (UEFA Financial Fair Play) and match calendar perspectives.

However, beyond the immediate and short-term effects of the crisis, it is the overall uncertainty around the resumption of football competitions and the long-term consequences on clubs' revenue streams and business models that are at the centre of the ongoing discussions between all relevant parties. The overall value proposition of the football sector, including clubs' financial valuation, will surely be affected and will need to be assessed depending on various scenarios.

It is important to note that our current enterprise value estimates are pre-COVID calculations, hence all financial, operational and sporting information have been collected and analysed prior to the surge of the pandemic in February 2020. However, **the expected drop in revenue and profitability (from the 2019/20 season onwards) will negatively affect football clubs' valuation in the future**, despite measures to decrease players salary and other operating costs (e.g. matchday operations, internal support functions), initiated in order to mitigate impact on profitability. **This situation, together with liquidity issues faced by most clubs, will also result in decreasing squad valuation**, as illustrated in our recent report focusing on the effect of the crisis on players' market values. In fact, our research reveals that the aggregate value of all the 4,180 players in the 10 European leagues[2] analysed by KPMG decreased by a total of almost EUR 10 billion, a 26.5% drop since February in case of cancellation of the 2019/2020 season. On the other hand, players' values would drop by EUR 6.6 billion, a 17.7% decrease, in an alternative scenario which assumes the continuation and completion of the current season behind closed doors.
All these aspects combined are likely to have a negative impact on the future EV of football clubs. However, at the time of writing this publication, we believe it is not possible to quantify such impacts in a reliable fashion.

All that said, herein we are aiming to provide an overview of the main discussion points around the impact of the COVID-19 crisis on professional football through the following dedicated chapter, in which we have asked leading senior representatives from some of the key stakeholders organizations of the football ecosystem to answer specific questions.
Highly valuable in this particular context, their experience and deep industry knowledge bring relevant insights to the discussion and help shed light on some central topics at stake as well as to offer an understanding of what the future may hold in store for the game.

FC Schalke 04 have registered a 30% increase in EV since 2016.

Credits: FC Schalke 04 / Karsten Rabas

[2] Beside the "big five" leagues, the English Championship, the Dutch Eredivisie, the Portuguese Liga NOS, the Turkish Süper Lig and the Belgian Jupiler Pro League were included in our analysis.

Jonas Baer-Hoffmann
General Secretary
FIFPRO – Football Players Worldwide

Q: How do you see the crisis impacting contractual aspects and the average player's salary in the future in top/mid-size/small European leagues?

A: There is a need for innovative conditions for players, clubs and leagues in the football industry.

While FIFPRO and the relevant international football stakeholders have taken initial steps on the operational level to address pragmatic needs of players and the football industry, such as adjustments to the Regulation on the Status and Transfer of Players, the uncertainty of the current situation requires us to consider new paths to imagine the future of the football industry. This squarely includes industrial relations and mandated decent employment safeguards, as a bedrock for innovative business solutions for players, clubs and leagues alike.

Different to the 2008 crisis, the high-level financial impact of this crisis on our economies and societies will not leave global football markets unharmed. Several months into the crisis it is evident that players' salaries and contracts, at all levels of the football industry, are coming under pressure. Our economic impact assessment on players and the football industry shows that the crisis impacts big and small football markets – leagues or clubs alike. While elite markets have the necessary means to mitigate the current crisis, we can see especially in lower leagues and smaller football markets that club revenues have come under severe stress due to competition cancellations and the absence of matchday revenue. This is married with often times an underdevelopment of collective bargaining, which leaves individual people exposed and the competitions fragmented.

The prospect of losing clubs to insolvencies, losing wages and losing jobs for players, sporting staff and other club officials is a concern across our membership. Beneath the surface of iconic star players and elite clubs there is a fragmented, precarious and diverse economic and social situation evolving for players. As many workers, many players are currently facing a threat to their careers and ability to provide for their families.

Looking ahead, the uneven economic recovery poses a serious threat to economic division and escalating the wealth gap in the football industry. While everyone in football is facing the same crisis, domestic circumstances differ significantly and require tailored responses. Nevertheless international leadership in football is needed to correct some of the weaknesses in the governance of the professional game, establish safeguards for the people of football and establish a new solidarity to ensure that football remains viable around the world. Professional football requires now a forward looking review of the current situation that analyses the complete picture of the global football markets, taking the diverse needs of players and clubs into account. Therefore, the solidarity, courage to change and collectivism between players, clubs, leagues and federations will be essential to find fair and sustainable measures to the future of the football industry.

Jacco Swart
Managing Director
European Leagues

Q: What are the expected effects of the crisis on competitive balance? Will the pandemic further accentuate the disparity in wealth or help favour more balanced competitions and revenue sharing mechanisms?

A: We are living an unprecedented time for the whole of society, including the world of sport and football. There is no doubt the COVID-19 pandemic will be remembered for generations and also by everyone involved in the football industry. We must ensure that football seizes the opportunity to use the crisis to create a more balanced and competitive environment for the future of the game – and for the benefit of all involved like our fans, players, clubs, leagues, federations, media and commercial partners, so that football confirms and even reinforces its connecting role in society. We are positive that the premise for this to happen can be created.

The COVID-19 crisis has affected the entire football industry. Competitions were (temporarily) stopped, matches are being played behind closed doors, revenues have collapsed and necessary cost reductions have been made. From big to small, everyone in the industry is confronted with the consequences and has been made aware of the interconnectedness and interdependence in the entire ecosystem of professional football. The transfer window will register a lower amount of transactions with lower transfer fees. A deflationary effect on (players') wages is inevitable as are further necessary cost-saving measures by clubs, leagues and federations.

It is thus more important than ever to consider solidarity as a key factor to strengthen the pyramidical football system, to temper the financial and sporting disparities within the game, and to apply the principle of enhancing solidarity to any form of financial distribution mechanism. Football stakeholders have been working closely together since the start of the crisis and have quickly learned how to adapt themselves to the new reality. Commitment, flexibility and creativity were shown to find solutions and develop new scenarios in a constantly evolving environment. New match calendars, protocols and procedures for the resumption of domestic and international club competitions were created. Licensing and Financial Fair Play regulations (FFP) were adapted to help clubs overcome the negative impact of the crisis. At the same time, however, it is paramount that the FFP structure and system remain in place to protect the integrity of competitions and promote a level playing field for all clubs. We must and will be vigilant because further divisions with the game are just around the corner.

More than ever, a true spirit of cooperation is now needed while football gets back to (the new) normal. Soon, discussions about calendar, format and revenue distribution models of competitions will be back on the agenda. Increasing solidarity and competitive balance will be the key factors to resuming our success and to further drive the growth of football. Sport is different from other businesses. Strong rivalries and opponents are required to create compelling competitions, both domestic and international. Competitive balance is therefore fundamental and undoubtedly the secret of the success of sport and the real driver of the passion of millions of fans across Europe. We are steadfast and ready to deliver our contribution to achieving these goals.

Luis Vicente
CEO
Eleven Sports

Q: What will be the likely impact of the COVID-19 pandemic on market value and future broadcasting deal negotiations with rights-holders?

A: My hope is that the current situation will make the sports industry understand that we need to modernise the way we operate rights models. Our current securitized model places all the risk with the media operators. Pre-COVID, this system was already showing signs of fatigue, with many broadcasters unable to secure a positive return on their investment. In the current climate, I do not see how this one-sided model can be sustained without us seeing a significant reduction in the value of the vast majority of rights packages.

Ultimately, the sports industry is an ecosystem where all parties rely on each other for their success so if one side is overexposed, that is a problem for the whole ecosystem.

One solution is a risk/revenue-share proposition, which will create a much more robust ecosystem for everyone and ultimately, the potential for a bigger upside for all parties. Everyone would need to come together to make this work – from the federations, leagues, clubs and players to media and commercial partners. It would take time of course, but I believe it will be in the best interests of us all to protect the industry we love.

Q: Will the pandemic's impact on the industry see further rise of OTT and other digital platforms?

A: We have seen that OTT has been on an upward curve for some time, in terms of user numbers, watch time and revenue. I think that curve will accelerate now as the focus on direct to consumer distribution platforms continues to grow. More generally, the environment that we now find ourselves in will encourage disruption and innovation on a massive scale. More operators will build out their D2C offerings to challenge the status-quo and there will be a move towards the greater consolidation and aggregation of existing content, attracting the attention and support of some powerful investment companies, who will help to accelerate the process. If there was a time where we could assemble more easily, strategically and strongly a new global consumer-centric distribution ecosystem for sports, I would say that it is now. Every crisis brings large, disruptive opportunities and I am sure the famous idea of building a "Netflix of Football" would be now more than ever in the mind of many global investors.

Another trend I think will be sped up by the current environment is the move towards embracing data in a more meaningful way and to focus more than ever on the end user. I believe the industry will finally realize that the more we apply data to understand our audiences and their behaviours, the more we will realize that actually there is a huge number of underserved fans today, that an intelligent, data led approach can help us to find, nurture, engage and convert. I'm proud to say that at Eleven Sports we have been working towards this objective, with a fully platform agnostic model which serves fans their content on whatever platforms they naturally use. And we are using our data to really deliver the right content to them, at the right time and to the right device.

Gianluca Di Marzio
Journalist and transfer market specialist
SKY Italy

Q: What will be the impact of the COVID-19 pandemic on the future transfer windows (average deal value, transfer volume, transfer types, i.e., more transfers from a particular country or region, increased loans/player swap)?

A: It is very unlikely that the upcoming transfer market will entail sensational transfers. We can no longer expect any top club to sign three or four players for hundreds of millions of euros in one transfer session anymore. This is due to both economic and moral reasons. As for transfer fees, top players should not suffer major devaluations, as it is unlikely that their clubs will be willing to sell them at highly discounted fees. Clubs would rather postpone their transfers to better times. On the other hand, I no longer believe young prospects will be valued to the tune of EUR 25/30m, while players of lower rankings won't be transferred at inflated value that often exceeded EUR 10m anymore. We can expect budding players coming from the Academy to be given more playing time by their clubs.

The transfer window will be characterised by players' swaps, loans and acquisitions with future rights to purchase. Many clubs will try to help each other, swapping players in view of the beginning of the next football season. In order to do so, I expect that they will primarily loan players. At the same time, many players coming back to their clubs after one season out on loan could again play for the club that owns their rights. Transactions will likely occur with foreign clubs. Indeed, while it is true that clubs from the same league will try to support each other, on the other hand, no one will want to strengthen a direct competitor. For this reason, it will be much better to sell/buy/loan to/from 'external', foreign leagues.

Q: When do you foresee a return to normal in terms of volume of transfer transactions and transfer fees?

A: Once the COVID-19 emergency is over, it will be easier for the big clubs – i.e. those with the strongest financial power – to "get back to normal" and operate on the transfer market as they have done in recent years. However, for all other clubs, the knock-on effects of the pandemic might still also be felt during the summer 2021 transfer window. Indeed, to overcome liquidity issues which most clubs are facing, many transfers will occur as acquisitions with future rights to purchase: if a club acquires a player with this option in 2020, it will exercise the rights in 2021 or, in some cases, even later. We will most likely see even more extended payment terms than in past years. I do not foresee a final realignment of the transfer market before 2022.

Charlie Marshall
CEO
European Club Association

Q: Assuming the 2019/20 season can be completed in most European countries, what will be the long lasting effects and learning points of this crisis?

A: As I write this, most of European top-flight club football is working, in co-ordination with the competent authorities, towards resuming 2019/20 competitions between now and the middle of summer.

The German Bundesliga is up and running again, albeit without the beating heart of stadium crowds. A few notable exceptions, including the Netherlands, France and Scotland, have called a halt to proceedings for this season, as have certain leagues underneath the top tier. Some competitions – the so-called 'summer leagues' of northern Europe – are delayed in starting their 2020 campaigns.

The overriding concern of all participants as they go about resuming play is, rightly, ensuring the health and safety of all involved – players, staff and of course fans – in light of the pernicious effects of the Coronavirus pandemic.

As we examine scenarios to understand what all this means for European club football, the scale of the disruption caused by Coronavirus is increasingly evident. Long-lasting effects – sporting, social as well as financial – will be felt not just on the current season but in seasons to come.

Sporting calendars are in a tremendous state of flux, requiring rapid stakeholder collaboration and dynamism in re-planning. The game itself, with the operations and productions that surround it, are undergoing deep scrutiny and adaptation to make things 'fit for purpose' in a new world. The economic and regulatory structures surrounding football are being put to extreme tests, so flexibility and innovation without losing track of core principles will be crucial.

Through it all, everyone involved in this beautiful game needs to reflect on football's role in uniting societies, promoting fairness with sporting excellence and providing entertainment.

We can expect a very different financial climate in future. Not least, the absence of fans in stadiums cuts off one of clubs' key revenue streams (THE key revenue stream for many), namely match day income. This absence will more than likely continue, perhaps deep, into next season. Commercial relationships with broadcasters and sponsors are changing to cope with the current 'force majeure' and the longer term implications – whether in the form of revised commercial terms or the emergence of new, creative commercial offerings. We have yet to see the full force of the effects on the player transfer market; this will be another system shock.

Working directly with our member clubs across Europe, ECA keeps track of likely financial impacts as time unfolds. Analysis of 10 major leagues across Europe, accounting for 85% of European club football revenues, puts the likely revenue loss at around EUR 3.5 billion across this season and next, even in the event of all the competitions completing. At the extreme end of the spectrum, if for whatever reason the competitions were not able to be completed, the loss would be nearer EUR 6.5 billion. So we're looking at between EUR 4 billion and EUR 7 billion coming off the top line over the next 18 months, before factoring in any effects from the transfer market.

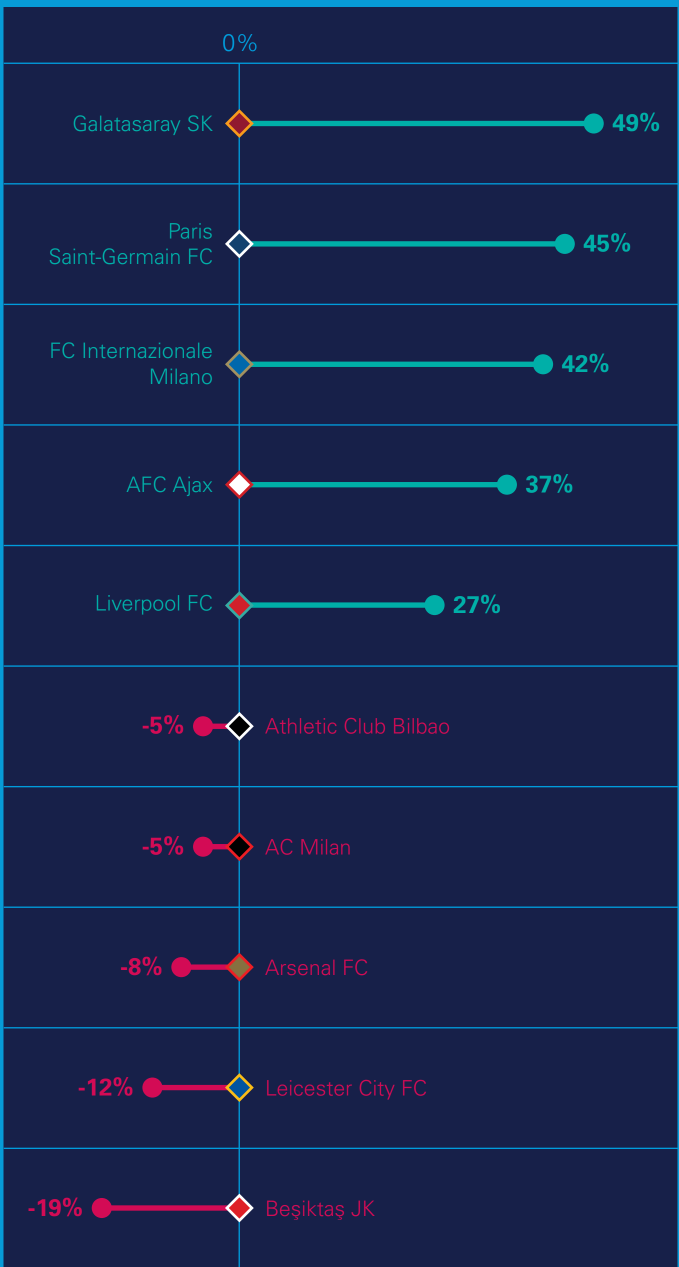
Without doubt, the impact of Coronavirus will be felt in years to come and the clubs will bear the brunt of this impact. Clubs make the major investments in football, clubs take the financial and economic risks and, ultimately, clubs will need to deliver the innovation needed to reset football for a more sustainable future.

PSG advanced two spots landing 9th, thus rejoining the top 10 for the first time since 2016.

Credits: Paris Saint-Germain FC

Enterprise Value ranges & mid points

EV annual growth: Top 5 vs. Bottom 5



Source: KPMG Football Benchmark

		Clubs	Range - EUR million Bottom	Top
1	=	Real Madrid CF	3,360	3,596
2	=	Manchester United FC	3,209	3,476
3	↑	FC Barcelona	3,049	3,336
4	↓	FC Bayern München	2,774	2,981
5	↑	Liverpool FC	2,565	2,751
6	↓	Manchester City FC	2,528	2,684
7	↓	Chelsea FC	2,133	2,302
8	↑	Tottenham Hotspur FC	1,984	2,149
9	↑	Paris Saint-Germain FC	1,825	1,997
10	↓	Arsenal FC	1,778	1,926
11	↓	Juventus FC	1,665	1,804
12	=	Borussia Dortmund	1,235	1,327
13	=	Atlético de Madrid	1,143	1,251
14	↑	FC Internazionale Milano	939	1,027
15	↓	FC Schalke 04	783	845
16	↑	AS Roma	572	632
17	↑	SSC Napoli	563	616
18	↓	West Ham United FC	542	581
19	↓	Leicester City FC	539	578
20	↑	Olympique Lyonnais	516	570
21	↓	Everton FC	514	552
22	↓	AC Milan	495	558
23	↑	AFC Ajax	406	458
24	↑	SL Benfica	392	429
25	NEW	Valencia CF	391	424
26	↓	Sevilla FC	353	391
27	↑	Galatasaray SK	349	382
28	=	SS Lazio	312	345
29	↓	Athletic Club Bilbao	307	333
30	NEW	FC Porto	298	329
31	↓	Beşiktaş JK	291	328
32	↓	Villarreal CF	286	316

Clubs		Mid point*			
		YoY increase	EUR million	GBP million	USD million
1	Real Madrid CF	+8%	3,478	2,950	3,893
2	Manchester United FC	+4%	3,342	2,835	3,741
3	FC Barcelona	+19%	3,193	2,708	3,574
4	FC Bayern München	+7%	2,878	2,441	3,221
5	Liverpool FC	+27%	2,658	2,255	2,975
6	Manchester City FC	+6%	2,606	2,210	2,917
7	Chelsea FC	-0.4%	2,218	1,881	2,482
8	Tottenham Hotspur FC	+23%	2,067	1,753	2,313
9	Paris Saint-Germain FC	+45%	1,911	1,621	2,139
10	Arsenal FC	-8%	1,852	1,571	2,073
11	Juventus FC	+12%	1,735	1,472	1,942
12	Borussia Dortmund	+18%	1,281	1,086	1,434
13	Atlético de Madrid	+19%	1,197	1,015	1,340
14	FC Internazionale Milano	+42%	983	834	1,100
15	FC Schalke 04	+6%	814	690	911
16	AS Roma	+17%	602	511	674
17	SSC Napoli	+4%	590	500	660
18	West Ham United FC	-3%	561	476	628
19	Leicester City FC	-12%	558	473	625
20	Olympique Lyonnais	+17%	543	461	608
21	Everton FC	-2%	533	452	597
22	AC Milan	-5%	526	446	589
23	AFC Ajax	+37%	432	366	483
24	SL Benfica	+23%	410	348	459
25	Valencia CF	NEW	408	346	456
26	Sevilla FC	+6%	372	316	416
27	Galatasaray SK	+49%	366	310	409
28	SS Lazio	+11%	328	278	367
29	Athletic Club Bilbao	-5%	320	271	358
30	FC Porto	NEW	313	266	351
31	Beşiktaş JK	-19%	310	263	347
32	Villarreal CF	+22%	301	255	337
	Total		39,684	33,663	44,418

***Note:** Exchange rates as at 2 January 2020: 1 EUR = 0.848 GBP, 1 EUR = 1.119 USD

Our methodology

For the purposes of this study we adopted the Revenue Multiple approach, a method that measures the value of a company relative to the revenues that it generates. This methodology is suitable and often applied for establishing an indicative value of football clubs for three main reasons:

- Revenue figures are quite easy to access and compare, as they are less distorted by accounting adjustments;
- Unlike earnings, which can be negative for many clubs, revenue multiples can be applied also to the most troubled clubs;
- Revenues are not as volatile as earnings.

Revenue figures are then multiplied by a multiplier derived from observations of similar clubs which are publicly listed (Comparable Companies Methodology) and acquisitions of similar companies (Comparable Transactions Methodology). Obviously, this approach also presents some limitations. First, focusing on revenues could lead to high EV for clubs generating high volumes of revenues while making significant losses because of their inability to control costs. Second, it does not fully reflect a club's assets position.

What KPMG professionals have developed is a **proprietary algorithm** that, **starting from the premises of the Revenue Multiple** used in corporate finance valuations, seeks to reduce risks and shortcomings inherent in the methodology and provides an indication of the EV of the most prominent European football clubs as at 1 January 2020 on the basis of a review of the financial statements of the 2017/18 and 2018/19 football seasons.

In the simplest application of the Revenue Multiple method, once the multiplier is determined, it is uniformly applied to all clubs in our analysis. However, this overly simplistic approach is unsuitable for taking into account differences between football clubs in terms of the markets in which they operate, their broadcasting revenue sharing methods, operational efficiency and level of profitability, potential to succeed on-pitch at national and international level, etc.

Therefore, in order **to reflect club-specific characteristics that influence clubs' EV, our proprietary formula takes into account five parameters—each with their own specific weight—so that the applied revenue multiplier varies from club to club**.

Hereafter, we list the five key metrics which express differences between clubs, the markets and the economies in which they operate. These parameters, which bear different levels of significance and therefore a different weight in our formula, are the most important factors that can influence the EV of a club.

The *Red Devils* retained their runners-up position for the second consecutive year.

Credits: Manchester United FC

What is Enterprise Value (EV)?

The EV of a company is calculated as the sum of the market value of the owners' equity, plus total debt, less cash and cash equivalents. It indicates what the business is worth regardless of the capital structure used to finance its operations.

Why do we use EV?

Because the EV is a capital structure-neutral metric which allows to compare companies (in our case football clubs) with different debt and equity structures.

Profitability

In our formula, in order to consider the profitability dimension of a football club, the staff costs-to-revenue ratio of the last two financial years is taken into consideration. Wages of players, technical and other staff make up by far the largest part of all expenditures. A high ratio indicates a lower capability to generate bottom-line profits. Although with a lower weight, because of their higher volatility, clubs' Profit before Player Trading and EBIT are also considered in our algorithm.

Popularity

Undoubtedly, there is a strong correlation between on-field success and social media engagement expressed, amongst others, by the number of Facebook, Twitter, Instagram and YouTube followers. Therefore, in our formula the social media followers of a team are deemed to be a good indicator of popularity and fan engagement.

Sporting potential

In order to take into account the potential of the on-field success of a club, which in turn can generate significant matchday, commercial and broadcasting revenues, we assume that clubs with a more valuable squad (the key asset of any football club) have better chances to succeed on pitch. To capture this effect, the market value of the squad measured by KPMG's Player Valuation tool has been adopted within our formula.

Broadcasting rights

The impact of broadcasting rights already agreed upon at league level for the next seasons and the distribution method utilised are also captured in KPMG's algorithm, as this metric plays a fundamental role in the revenue generation potential of football clubs.

Stadium ownership

Beside players' registrations, a club's stadium is one of the most relevant assets of a football team. A club-owned stadium generally represents more opportunity to generate revenues. Therefore, ownership of the home ground is also considered in our formula.

With a 193% growth, *OL* are the club who have been able to boost their EV the most between 2016 and 2020.

Credits: Olimpique Lyonnais - ARTHUR HAGOPIAN - LE PROGRES

Basis of preparation

The objective of this report is to provide an indication of the EV of the most prominent European football clubs as at 1 January 2020.

The foundation of this study is an analysis of the publicly available statutory financial statements ("the Financial Statements") of the 32 professional football clubs selected for the purposes of this report. In respect of each professional football club, all financial figures have been extracted from the Financial Statements of the 2017/18 and 2018/19 football seasons. Thus, this analysis does not take into account the sporting results achieved by the 32 clubs in the 2019/20 football season.

Wherever we considered it necessary, KPMG member firms have consulted with the management of the clubs in order to obtain additional information or clarifications to support our value analysis. For the few clubs having a financial year-end not aligned with the European football season, we extrapolated financial figures from their two latest publicly available Financial Statements.

The Financial Statements utilised for the purpose of KPMG's analysis were acquired from the relevant public sources in each country. As far as the team responsible for the production of this report is aware, the Financial Statements for each professional football club have been prepared on the basis of the accounting regulations and principles in their respective country or in compliance with International Financial Reporting Standards ("IFRS"). In performing our analysis, we also relied upon information of a non-financial nature obtained from publicly available sources: national governing bodies, trade associations, international federations and social media.

The team responsible for the production of this report has relied on information included in the published Financial Statements of each club. KPMG professionals have not performed any verification work or audited any of such financial information or any of the non-financial publicly available data obtained from other sources considered authoritative.

The squad market values have been calculated using the KPMG's Player Valuation tool. Based on proprietary algorithms, this tool provides market values for all players from the top professional leagues in Europe and South America (Belgium, England, France, Germany, Italy, Netherlands, Portugal, Spain, Turkey, Argentina and Brazil).

The estimated players' market values are aimed at capturing the worth of a player based on an analysis of several thousands of past player transfers, historical sports performance and all the drivers that have an impact on the transfer fees. Our consistent approach and methodology, together with an understanding of the difference between the concept of price and value, might explain the possible discrepancies between our value estimate conclusion and the specific price at which a transaction has taken place.

Whilst every effort has been made by KPMG to make the analysis between professional football clubs consistent and comparable, in undertaking this research we faced several challenges that are difficult to overcome. Differences of accounting practice in the respective countries, differences in reporting currencies, fluctuation in exchange rates, and differences in year-ends limit to a certain extent the comparability of data and affect the outcome of our analysis.

We used consistent methodologies for the value analysis of the subject football clubs. This might explain the possible differences between the conclusion of our value analysis and the share prices of publicly traded entities. As share prices of listed football clubs are not necessarily an indication of the intrinsic value of the club itself, due to the fluctuations and the number of shares actually traded, the value conclusion of our analysis cannot be strictly compared to the pricing of publicly listed companies.

KPMG is aware that some professional football clubs have diversified their businesses into other sports and/or into non-sport activities. Where the financial results of this diversification are evident in the Financial Statements, they have been excluded from the analysis.

For interpretation of financial terms used in this report, please refer to the methodology section of the Data & Analytics tab of KPMG's footballbenchmark.com website.

Limiting conditions and assumptions

This report, and all opinions formulated and conclusions stated regarding the football clubs included in the survey are subject to, and contingent upon, all of the following general assumptions and limiting conditions and any additional assumptions and limiting conditions set out elsewhere in this report. Acceptance and/or use of this report constitutes acceptance of the assumptions and limiting conditions included therein.

Scope of analysis

The pricing analysis of any asset or business is a matter of informed judgment. The accompanying analysis has been prepared on the basis of information and assumptions summarised in the report and includes certain limitations and exclusions. Amounts presented have in some cases been rounded off from the detailed underlying calculations.

Nature of opinion

Neither our opinion nor our report are to be construed as an opinion as to the fairness of an actual or proposed transaction, a solvency opinion, or an investment recommendation. Instead, they are the expression of our determination of indicative Enterprise Values based on publicly available information and a consistently applied methodology.
For various reasons, the price at which an entity might be sold in a specific transaction between specific parties, or quoted on a stock exchange, on a specific date, may be significantly different from the indicative Enterprise Value presented in this report. Potential investors always need to perform their own investigation and analysis, and are advised to seek their own professional legal, financial and taxation advice. Nothing in this report is, or should be interpreted or relied upon as a warranty or representation as to the future, nor should it replace the due diligence investigations which a prudent investor would be expected to make prior to investing. Prospective investors are not to construe the content of this report as investment, legal or tax advice. In making an investment decision, investors must rely on their own examination of the investment and the terms of the investment, including the merits and risks involved.

Value conclusions

While every effort was made to be consistent in the methodology applied, in order to arrive at our value range conclusions, in certain instances, we have applied professional judgment to club-specific factors that were not addressed by the valuation methodology.

No verification of information provided

We relied upon publicly available data from recognised sources of financial and other information. KPMG International and KPMG member firms make no representations nor provide any warranties regarding the accuracy or completeness of the information contained in this report. KPMG International and KPMG member firms, their managers, directors, partners and employees expressly disclaim any and all liability for errors and omissions from the report.
The information contained in it is selective and does not purport to contain all the information that a reader, including potential investors, may require.

No undisclosed contingencies

Our analysis: (i) is based on the past and present financial condition of the entities as of the analysis date; and (ii) assumes that entities had no undisclosed real or contingent assets or liabilities, no unusual obligations or substantial commitments other than in the ordinary course of business, no pledges or encumbrances on assets limiting their tradability and had no litigation pending or threatened that would have a material effect on our analyses.

Subsequent events

This report is based on information available at the date we wrote it. KPMG has no obligation to update this report or to revise the analysis if new information becomes available or because of events and transactions occurring subsequent to the analysis date.

Thanks to their remarkable 2018/19 UCL campaign, AFC Ajax recorded a 37% y-o-y EV growth.

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KPMG member firms deliver value to the sports industry

Strategy & Business planning

Commercial revenue maximization

Operating review & Cost optimization

Venue feasibility and conceptualization

Club valuation & Transaction support

Governance & Organization development

Event planning & Socio-economic impact

Sport digital planning

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