# The European Elite 2018

## Football Clubs' Valuation


May 2018

KPMG Sports Advisory Practice

footballbenchmark.com

# What is KPMG Football Benchmark?

Consolidated and verified database of football clubs' financial and operational performance.

Daily updated and historical tracking of football clubs' social media performance.

Business intelligence tool enabling relevant comparisons with competitors.

An ever-growing platform that includes financial and operational data from over 200 European and South American football clubs and social media information for 500+ clubs and 2,000+ footballers.

**footballbenchmark.com**

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**Dear Reader,**

**I am delighted to introduce you to the third edition of KPMG's "Football Clubs' Valuation: The European Elite 2018", an analysis undertaken by the Football Benchmark team of the KPMG Sports Advisory Practice, providing an indication of the enterprise value (EV) of the 32 most prominent European football clubs as at 1 January 2018.**

# Foreword

Some of the most striking findings of our research:

- Despite lower than the previous year's 14% growth, the football industry continues its pace, showing for the second successive season an EV increase (9%) for the top 32 clubs included in our ranking.
- Overall growth is driven by various factors, one of these being the increase of operating revenues of the top 32, at 8%. In addition, eye-catching transfer deals and spiralling staff costs have not prevented such clubs from registering a striking upward trend, as the profits before taxes increased by some 17 times in comparison to the previous year. One of the reasons can be found in the significant pull exercised by English clubs, as well as the improved financial health of many mid-size clubs in our ranking, which also reflects compliance with the UEFA FFP Regulations.
- England gains one more spot in this year's ranking thanks to the addition of West Ham United FC; although represented by four clubs, the city of London has an aggregate EV of EUR 5.7 billion, just EUR 300 million more than the city of Manchester, represented by two clubs.
- The top three places are again occupied by Manchester United FC (EUR 3.26 billion), Real Madrid CF (EUR 2.92 billion) and FC Barcelona (EUR 2,78 billion). The *Red Devils* (5% EV growth in EUR and 10% in GBP), despite significantly worse sporting results in comparison to Real Madrid CF and a slight decrease in operating revenues, were able to improve on their high level of profitability and increased their lead over *Los Blancos*. For Real Madrid CF, winning the *quadruple* in the 2016/17 season came at a major cost, as the club worsened their profitability parameters and the final EV (-2%), despite registering 8% operating revenue growth. On the other hand, FC Barcelona registered a minor 1% increase, while FC Bayern München have narrowed the gap with the *Blaugrana* by EUR 89 million.
- The top 10 ranking order has not changed since last year, with Tottenham Hotspur FC taking the headlines again, displaying the highest EV increase (27%). Such increase is even more prominent if considered over the past two seasons (61% or + EUR 485 million).
- Further down our ranking, SSC Napoli (17th by EV with a 27% rate of growth) becomes the second most valuable club in Italy, behind seven consecutive times Serie A winners Juventus FC and ahead of the two Milan sides: AC Milan (18th) and FC Internazionale Milano (20th).
- Taking a look outside of the "big fish" of European football, Beşiktaş JK's top growth (52%) does not go unnoticed, capitalising on the first full season played in the brand new Vodafone Arena and advancing to the Europa League quarter finals in the 2016/17 season.

The foundation of this report is an analysis of the latest publicly available financial statements for 39 European football clubs that meet our selection criteria, and of which the top 32 by EV are selected for the purposes of this publication. Thus, it is important to note that this analysis does not consider the business and sporting results achieved by each club in the 2017/18 football season.

The proprietary algorithm developed by KPMG and applied for the purposes of this report is consistent with the one applied in the past two editions. It is based on the *Revenue Multiple* approach, where each club's revenues are multiplied by a specific multiple which takes five metrics into account — each one with a specific weight — expressing differences between clubs, the markets and the economies in which they operate.

Performance on social media is one of the five drivers reflected in KPMG's proprietary algorithm determining the enterprise value of a football club. As there is a clear correlation between a club's social media presence, on-pitch success, brand value and ultimately EV, this year we have dedicated a separate section in our publication to the topic.

Despite the same challenges faced in the past to undertake the enclosed analysis — among others, differences in accounting practices across countries, differences in reporting currencies, fluctuation of exchange rates and differences in financial year-ends — we trust our report provides a stimulating insight into the European football landscape.

If you would like to receive further information or discuss our findings, please contact us at **www.footballbenchmark.com.**

Yours sincerely,

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KPMG Global Head of Sports
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*Credits: Chelsea FC*

# Headline findings

For the second successive year, **the overall enterprise value ("EV") of the 32 most prominent European football clubs has increased**, this time growing **by 9% to EUR 32.5 billion**, surpassing the EUR 30 billion mark. The top three places are again occupied by Manchester United FC, Real Madrid CF and FC Barcelona.
The *Red Devils,* despite a lack of major silverware and a slight decrease in operating revenues to EUR 676 million (which were EUR 688 million in 2015/16)[1], partly affected by the devaluation of the British pound since the referendum on leaving the European Union, were able to improve slightly on their high level of profitability, both in terms of staff costs-to-revenues (47% vs. 45%) and EBIT (EUR 92 million vs. EUR 94 million).

**Real Madrid CF and FC Barcelona** both saw their revenues increase, but **suffered a decline in most of the key financial parameters that are part of the algorithm utilized in this KPMG analysis**. In the case of *Los Blancos*, winning the *quadruple* in the 2016/17 season came at a major cost, as the club witnessed a 32% increase in staff costs, which brought the staff cost/revenues ratio up to 61% (from 50% in 2016). **With total staff costs in excess of EUR 400 million, Real Madrid CF have the biggest payroll in world football.** In addition, EBIT also declined (EUR 41 million vs. EUR 26 million) to around a quarter of the EBIT of Manchester United FC. On the other hand, FC Barcelona registered only minor changes, so their EV remained stable. KPMG's proprietary algorithm puts emphasis on the financial sustainability of football clubs, so the profitability parameter is weighted heavily in our formula.

The pace at which football clubs are growing outperforms the overall trend of European Stock Exchanges, notably the STOXX Europe 50 Index[2]. Indeed, while the latter shows a year-on-year increase of 5%, the football sector has grown by 9%.

Compared to last year, **six clubs have seen their individual EV drop in our report: Real Madrid CF (-2%), FC Schalke 04 (-3%), SL Benfica (-3%), AC Milan (-6%), Fenerbahçe SK (-9%) and Galatasaray SK (-13%).**

As in the past two editions of this study, **clubs from eight countries make our list with just two newcomers, AS Monaco FC and West Ham United FC**, the latter further strengthening the English presence.

[1] GBP 515 million vs. GBP 581 million in local currency. As per our policy, we have converted Statement of Comprehensive Income figures by the average exchange rate for the 12 months prior to 30 June of each year: 30 June 2016 1 GBP = 1,336 EUR; 30 June 2017 1 GBP = 1,163 EUR.

[2] The STOXX Europe 50 Index, Europe's leading blue-chip index, provides a representation of supersector leaders in Europe covering 50 stocks from 17 different European countries.

## Key figures of Top 3 by EV since 2014/15 season (EUR m)

### 3 years financial results


| | Man United | Real Madrid | Barcelona |
|---|---|---|---|
| **2018** EV | ▲5% **3,255** | ▼-2% **2,920** | ▲1% **2,783** |
| **2017** EV | ▲7% 3,095 | ▲2% 2,976 | ●0% 2,765 |
| **2016** EV | 2,905 | 2,905 | 2,758 |
| 3-year aggregate operating revenues | 1,882 | 1,865 | 1,819 |
| 3-year aggregate EBIT | 228 | 140 | 128 |
| 3-year aggregate Staff costs-to-revenue ratio | 47% | 54% | 64% |

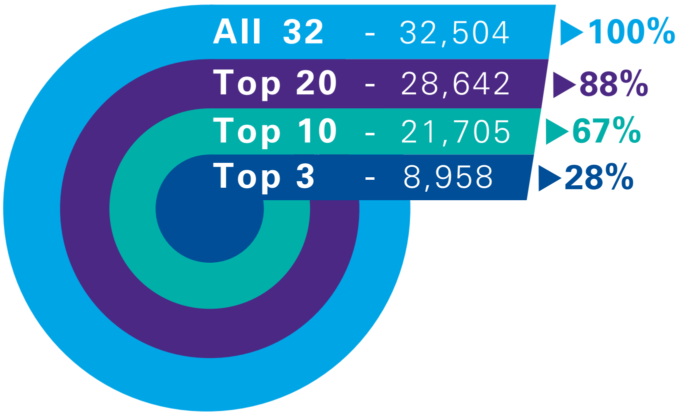
**VS**

### 3 years sporting results


Source: KPMG Football Benchmark

Note: Please note that not all sporting competitions have been considered in this table and the 2017/18 season has not been taken into account.

## Enterprise value of the top groups (EUR m)




Source: KPMG Football Benchmark

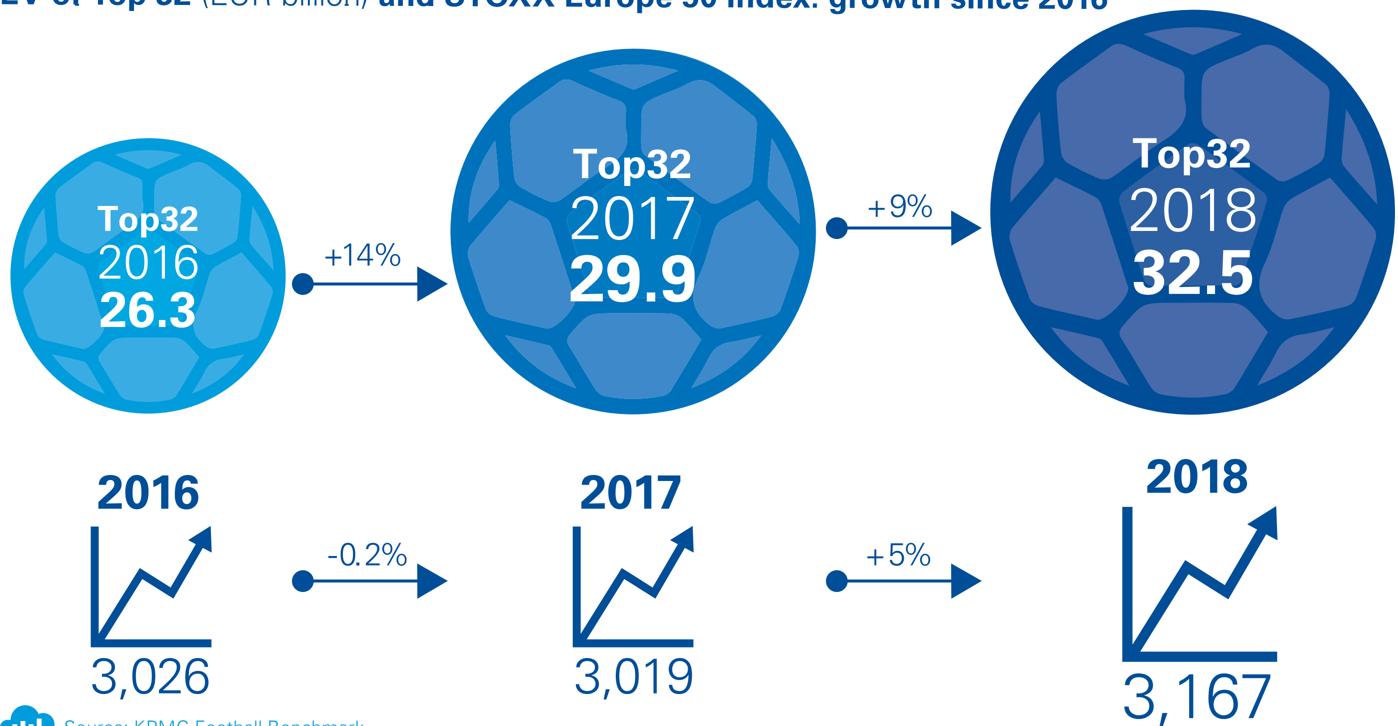
At the same time, Olympique de Marseille and PSV Eindhoven are no longer included in our list.

The *Hammers* jump into the top 32 thanks to the benefits derived from the first season of improved TV broadcasting rights in the Premier League, as well as a 10% increase in social media followers, which made the club one of the 30 most followed clubs in Europe. These two factors facilitate **West Ham United FC** in meeting two of our selection criteria. This new joiner **increases to nine the number of English clubs in the top 20 and six in the top 10**; in addition, it must be considered that English clubs, despite showing overall growth, have all been affected by the devaluation of the pound since the referendum on leaving the European Union.

The top 10 clubs by EV represent almost the same percentage of aggregate EV (67%) compared to the previous year (68%).


*Credits: Paris Saint-Germain FC*

## EV of Top 32 (EUR billion) and STOXX Europe 50 Index: growth since 2016




Source: KPMG Football Benchmark

*Credits: SL Benfica*

Since the first edition of our report in 2016, the only addition to the elite cluster has been Tottenham Hotspur FC, which leap-frogged Paris Saint-Germain FC in 2017 and demonstrated that the creation of a football powerhouse generally takes place over a period of time.

**Among the top 10, *Spurs* are** also the club **displaying the highest EV growth in the past two years (61%)**, thanks to constantly-increasing operating revenues, improved profitability (41% staff costs to revenues in 2016/2017, the best among the top 32) and a huge boost in squad market value (EUR 706 million). There is no denying that Tottenham Hotspur FC, who are challenging Juventus FC's 9th place, have emerged as contenders, not only on the domestic, but also on the international stage. Furthermore, the club have been planning their move to the New White Hart Lane stadium, a modern, 62,000 all-seater arena that will be ready for the 2018/19 season and which will likely deliver multiple future benefits for the club.

While Manchester United FC (5% EV growth in EUR and 10% in GBP) are widening the gap between themselves and Real Madrid CF, **FC Bayern München are moving slightly closer to FC Barcelona, as the German team grew by 19% over the past two years, while the Spaniards were almost flat for the second consecutive year**. Failing to reach the semi-finals of the Champions League for the first time in six years in the 2016/17 season meant broadcasting revenues stagnated for FC Bayern München. However, a tangible boost in broadcasting revenues is expected from the 2017/18 season, as the much-awaited new Bundesliga domestic TV deal becomes effective.

Manchester City FC, after surpassing Arsenal FC in 2017, have slightly extended the margin between themselves and the *Gunners* thanks to the second-highest EV growth among the top 10 over a two years time span, while Liverpool FC have moved closer to Chelsea FC.

## Number of clubs, aggregate value by country and share of EV (EUR m)

| Countries | #Teams 2016 | #Teams 2017 | #Teams 2018 | Total EV 2018 | ∑100% |
|---|---|---|---|---|---|
| England | 7 | 8 | 9 | 13,787 | 42% |
| Spain | 5 | 6 | 6 | 7,489 | 23% |
| Germany | 3 | 3 | 3 | 4,286 | 13% |
| Italy | 7 | 6 | 6 | 3,521 | 11% |
| France | 4 | 3 | 3 | 1,830 | 6% |
| Turkey | 2 | 3 | 3 | 981 | 3% |
| Portugal | 2 | 1 | 1 | 328 | 1% |
| Netherlands | 2 | 2 | 1 | 283 | 1% |
| | 32 | 32 | 32 | 0 2,000 4,000 6,000 8,000 10,000 12,000 14,000 16,000 | |

Source: KPMG Football Benchmark



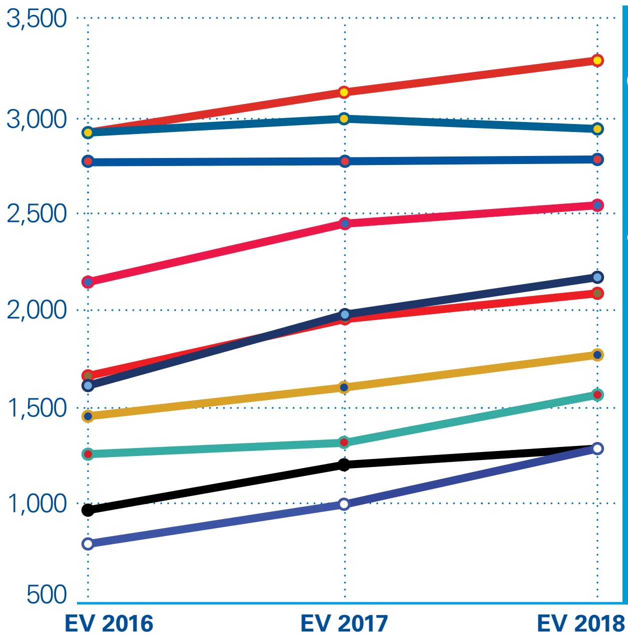
The 2017 Champions League journey of Juventus FC, losing the final against Real Madrid CF in the National Stadium of Wales, in Cardiff, was one of the two key drivers in the club recording the third-highest EV increase in the top 10 over two years (32%), as UEFA distributions allowed the *Bianconeri* to generate record operating revenues. Also important was the one-time record sale of Frenchman Paul Pogba to Manchester United FC, which generated a net profit on his disposal of EUR 72.5 million. This was the main driver in Juventus FC achieving a record EBIT of EUR 67 million and a pre-tax profit of EUR 58 million at the end of the past season—a fourfold increase on the previous year. Pogba's transfer record has already been surpassed by three players after only one season, with the acquisition of flamboyant striker Neymar by Paris Saint-Germain FC making the headlines last summer.

With a slight decrease in operating revenues and lower profitability indicators, *Les Parisiens* maintained the 11th position in our ranking, just one step below the top 10 for the second consecutive year. The financial implications of Neymar's acquisition on the club's performance will be reflected in the next accounts; however, in this edition of our report, PSG have already benefitted from a significant 63% growth in squad market value. **French side Olympique Lyonnais**, on the other hand, **display the most remarkable EV growth over the past two years, with a striking 130%**.

**In terms of bottom-line result, Leicester City FC were the best performer, with a pre-tax profit of EUR 108 million in the 2016/17 season and revenues up by 57%**, both clearly boosted by a successful Champions League campaign that saw the *Foxes* reach the quarter-finals against Atlético de Madrid.

Very close to the English club are **SSC Napoli**, regularly among the top 32 clubs by EV thanks to an optimal balance between sporting and financial performance,

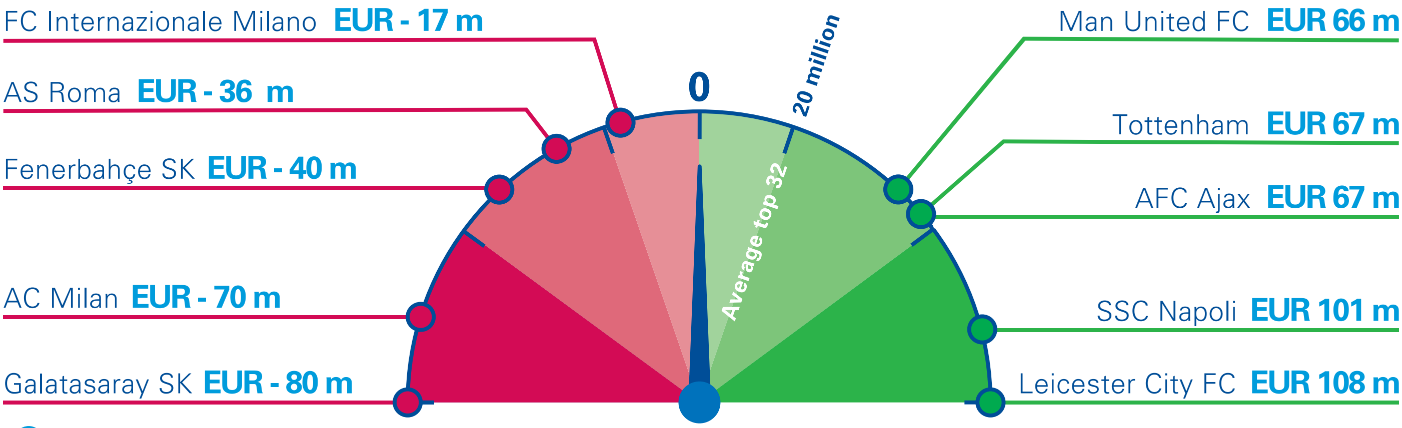
## Key Performance Indicators of Top 10 by EV (EUR m)




| Club | EV growth - 2 years | 2016/17 Operating revenues | 2016/17 Staff costs to revenues | Squad Market Value as at March 2018 |
|---|---|---|---|---|
| Man United FC | 12% | 676 | 45% | 742 |
| Real Madrid CF | 1% | 671 | 61% | 859 |
| FC Barcelona | 1% | 643 | 62% | 957 |
| FC Bayern München | 19% | 588 | 47% | 643 |
| Man City FC | 33% | 527 | 54% | 793 |
| Arsenal FC | 26% | 487 | 48% | 492 |
| Chelsea FC | 21% | 428 | 60% | 696 |
| Liverpool FC | 24% | 424 | 57% | 548 |
| Juventus FC | 32% | 412 | 64% | 564 |
| Tottenham | 61% | 356 | 41% | 706 |

Source: KPMG Football Benchmark and Transfermarkt

### **Pre-tax profit/loss: Top 5 vs. Bottom 5** (EUR m)




Source: KPMG Football Benchmark

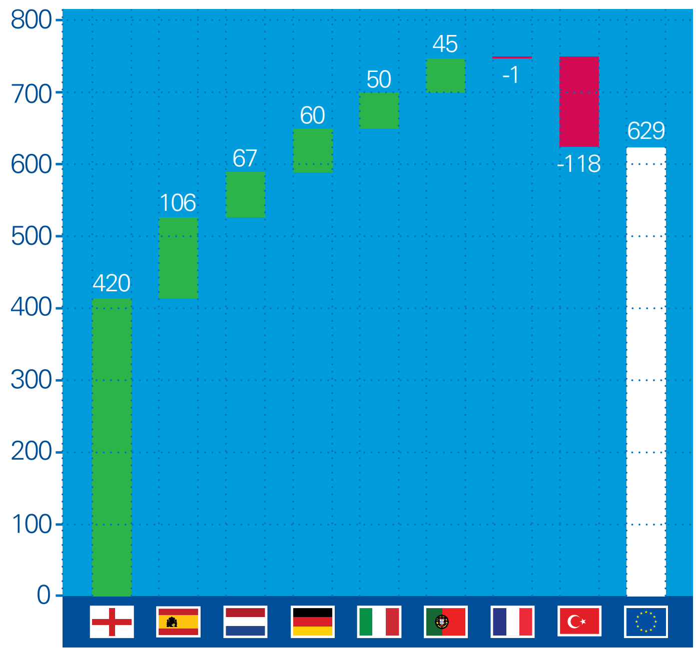
which earns them the title of **second most valuable Italian side after Juventus FC, ahead of AC Milan and FC Internazionale Milano, an unpredictable result 12 years ago when the club played in the Italian third tier.** The *Azzurri* profited from reaching the last 16 stage of the Champions League and from the disposal of Argentinian striker Gonzalo Higuaín to domestic rivals Juventus FC.

While the additional presence of Tottenham Hotspur FC and Manchester United FC among the top five most profitable clubs further underlines the financial strength of English clubs, the story is very different for Turkish and some Italian clubs. **Turkey's Galatasaray SK and Fenerbahçe SK suffered the most significant year-on-year decreases in EV[3].** UEFA banned Galatasaray SK from participation in international competitions in 2016/17, something that denied the club the UEFA distributions that positively impacted their figures in 2015/16. For Fenerbahçe SK, their pre-tax loss was comparable to the previous year and a decrease in revenues did not help the bottom-line. Finally, it is important to highlight that all Turkish clubs are also negatively impacted by the devaluation of Turkish Lira.

The situation for non-profitable Italian clubs is slightly different. While the most common factor is that none of these clubs participated in the Champions League in 2016/17, AS Roma and AC Milan suffered from declining revenues and, consequently, deteriorating profitability, while FC Internazionale Milano experienced significant growth in commercial revenues, a major contributor to their 14% EV growth, following the takeover of the club by Chinese conglomerate Suning Group. However, due to significant interest payable related to shareholders' and bank loans, the bottom-line result shows a negative EUR 17 million figure, which is still a considerable improvement on the previous season.

**The aggregate pre-tax profitability of the top 32 clubs is EUR 629 million**. With three clubs from the top five by pre-tax profit being English, it is no surprise the Premier League contributes the lion's share in the percentage of profitability by country. With the only exception being Chelsea FC, all the Premier League clubs in our report managed to record a pre-tax profit. Most telling, five other countries combined — namely Italy, Spain, Netherlands, Germany and Portugal — make less than England's share. France is at break even, while Turkey is the only country registering an aggregate pre-tax loss. ■

### **Total pre-tax profits by country** (EUR m)




Source: KPMG Football Benchmark

[3] As per our policy, we have converted Statement of Comprehensive Income figures by the average exchange rate for the 12 months prior to 30 June of each year: 30 June 2016 1 TRY = 0,311 EUR; 30 June 2017 1 TRY = 0,272 EUR.

*Credits: FC Bayern München*

# Social media focus

### Social Media and enterprise value: The Top 32

As there is a clear correlation between a club's social media presence, on-pitch success, brand value and ultimately the enterprise value (EV), performance on social media is one of the five drivers in KPMG's proprietary algorithm determining the enterprise value of a club.

Social media's omnipresence in today's world is undeniable. It has not only changed the way people interact, but also opened up new opportunities for businesses in targeting customers, and in a football context, this means fans.

The presence of European football clubs on social media has continued to grow significantly over the past season. Clubs no longer regard these channels as just communication tools to push out messages, they also realize their underlying commercial value, allowing them to reach new audiences on an unprecedented scale. Increasingly, this audience is being activated, as fans can be converted into customers.

Although overall income from digital activities is still negligible, **monetising the inherent value in social media is crucial for clubs in order to stay competitive and to enhance their profitability**. Club channels also provide a unique setting for partners and sponsors to activate their brands and, ultimately, increase their sponsorship value or a sponsor's return on investment.

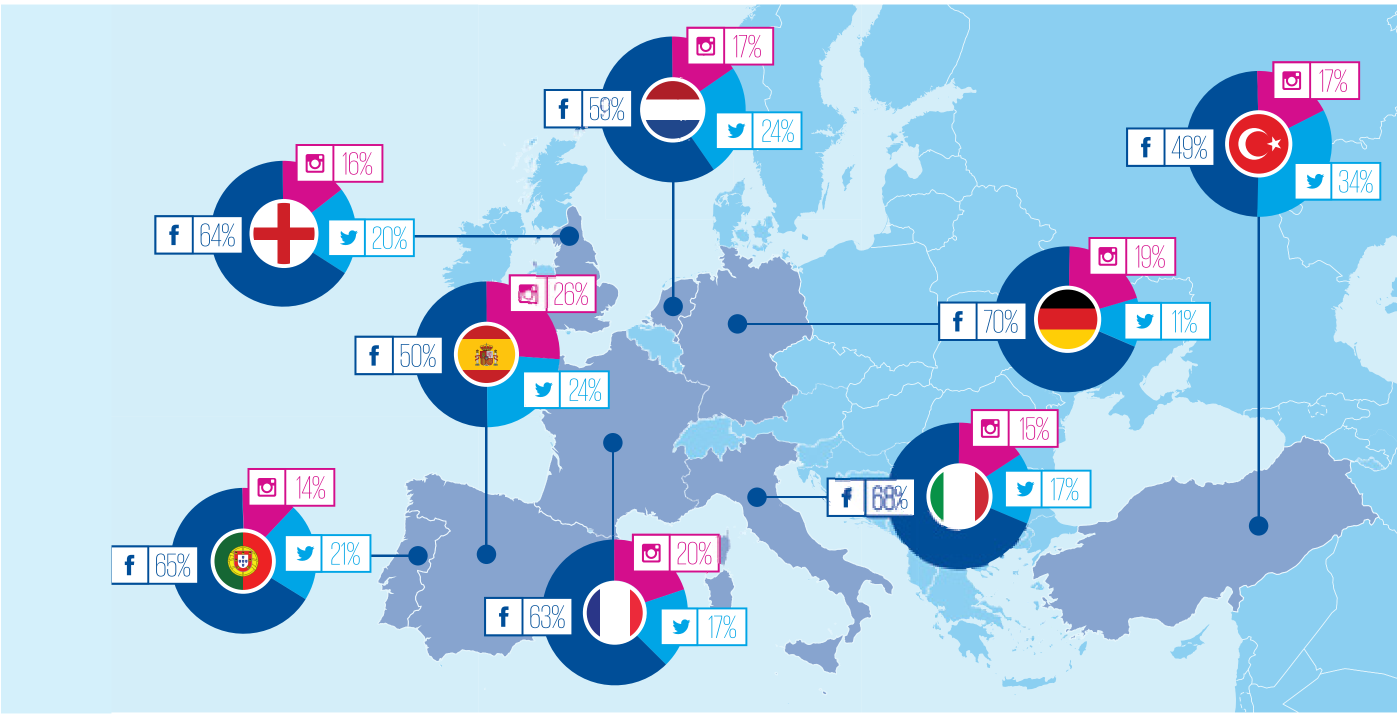
### Clubs' followers

With the aid of the *KPMG Football Benchmark Social Media Analytics* tool, KPMG professionals tracked all clubs' social media activities from 1 August 2017 to 22 April 2018 in order to identify their follower numbers, growth and follower share across platforms. For this exercise, we surveyed the three most prevalent social networks: Facebook, Twitter and Instagram.

Even though Facebook remains the strongest platform in terms of total followers (page likes) for most clubs (at 59%), **the growing importance of Instagram is indisputable**. Despite being a relatively new platform for football clubs, out of the top 32 clubs ranked by EV, Instagram accounts for almost the same share of followers as for Twitter, 20% and 21%, respectively. The fact that **the three most-followed clubs (Real Madrid CF, FC Barcelona, Manchester United FC) are already bigger on Instagram than on Twitter**, is an indicator that the platform's rapid growth is likely to continue.

Furthermore, it is interesting to note that 34% of all followers from the Turkish clubs in our ranking can be

### Share of social media platforms




Source: KPMG Football Benchmark

traced back to Twitter, evidence of the site's popularity in Turkey, a country with 80 million inhabitants. To a certain extent, every market has different social media user habits and preferences, ultimately impacting the follower breakdown. This also applies to the three German teams covered in the report, where only 11% of all followers are attributable to Twitter. The Bundesliga clubs' share on Facebook, by contrast, is the highest of all countries covered in this report (70% of all followers).

**In total, the top 32 clubs according to EV gained close to 111 million new followers** across all platforms, representing a 10% increase over the course of the period under review. A noticeable trend is the slowing growth of Facebook. For the top 32, **overall growth on Facebook was just 4% compared to Twitter's 26% and Instagram's 17% rise**.

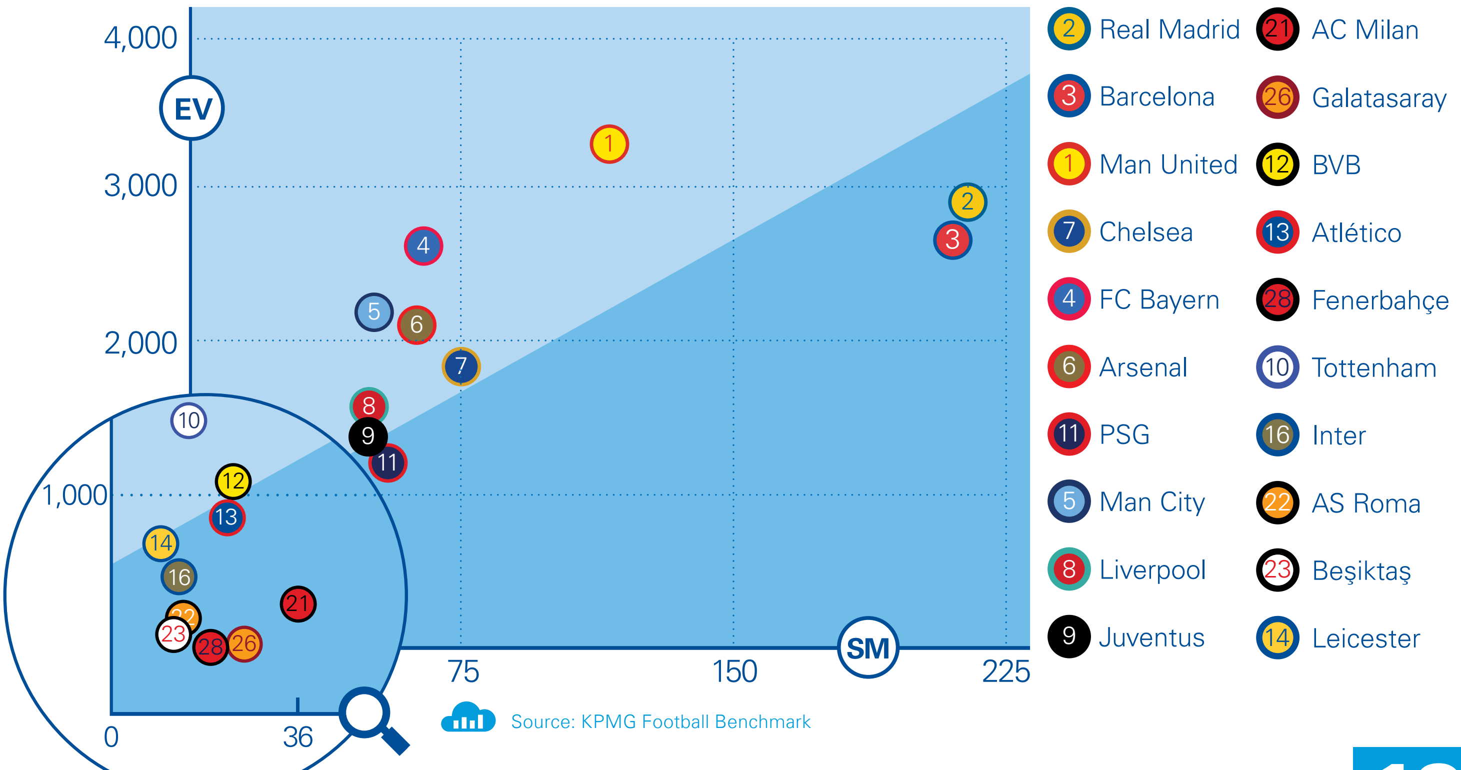
In total, **the 32 clubs possess a staggering 1.19 billion followers**. Real Madrid CF managed to attract the highest number of new supporters in absolute terms—18 million, equal to the entire population of the Netherlands. At 42%, **the highest increase in relative terms was recorded by FC Internazionale Milano**. It appears the club's rebranding and updated digital media strategy (e.g. the launch of *Inter Media House*) have paid off, expanding their Facebook follower base by close to four million. The Italian club is followed by Manchester City FC and Tottenham Hotspur FC, which exhibit relative growth levels of 29% and 26%, respectively.

The above-average English Premier League and UEFA Champions League performances of *Spurs* this season had a positive impact on their popularity. Instagram was by far their strongest platform, generating a 59% rise in followers, the highest percentage increase among the top 32 clubs. As for Manchester City FC, apart from winning the Premier League title in 2017/18, the club's growth on social media was also due to the merger of their men's and women's Facebook pages, which added 1.5 million followers to the main account overnight. The transfer of Brazilian star Neymar last summer had a considerable effect on Paris Saint-Germain FC's social media accounts. *Les Parisiens* were able to expand their online base, gaining a total of 10 million followers—four million on Instagram alone.

How does the clubs' following compare to our EV? When looking at the correlation between the clubs' popularity on social media and their enterprise value, outliers can be identified. The most striking examples are Real Madrid CF and FC Barcelona, who dominate social media as well as scoring high on value, unlike Manchester United FC, who excel in terms of EV but lag behind in terms of social media following.

**The Spanish teams are truly global power brands and their combined following of nearly 426 million would represent the third biggest population in the world.** Part of having this worldwide appeal also means clubs may attract followers who are not necessarily die-hard fans or do not have a close bond with a club, but subscribe to their accounts out of sheer curiosity or general interest.

**Correlation between Top 20 by social media following and EV** (EUR m)




Source: KPMG Football Benchmark

**Top 20 by social media following** (in million)

| Clubs | League | f | Twitter | Instagram | Total |
|---|---|---|---|---|---|
| **Real Madrid CF** | La Liga | 107.8 | 49.4 | 57.3 | 214.5 |
| **FC Barcelona** | La Liga | 103.2 | 52.0 | 56.1 | 211.3 |
| **Manchester United FC** | Premier League | 73.7 | 19.7 | 21.5 | 114.9 |
| **Chelsea FC** | Premier League | 47.8 | 15.1 | 11.3 | 74.2 |
| **FC Bayern München** | Bundesliga I | 45.9 | 6.1 | 12.3 | 64.3 |
| **Arsenal FC** | Premier League | 37.9 | 13.8 | 11.0 | 62.7 |
| **Paris Saint-Germain FC** | Ligue 1 | 34.3 | 7.8 | 12.2 | 54.3 |
| **Manchester City FC** | Premier League | 33.4 | 10.8 | 6.6 | 50.8 |
| **Liverpool FC** | Premier League | 31.0 | 11.8 | 6.3 | 49.1 |
| **Juventus FC** | Serie A | 32.0 | 7.5 | 9.5 | 48.9 |
| **AC Milan** | Serie A | 25.1 | 6.7 | 4.3 | 36.1 |
| **Galatasaray SK** | Süper Lig | 12.9 | 8.7 | 4.5 | 26.1 |
| **Borussia Dortmund** | Bundesliga I | 15.4 | 3.2 | 5.1 | 23.7 |
| **Atlético de Madrid** | La Liga | 13.8 | 4.4 | 4.2 | 22.4 |
| **Fenerbahçe SK** | Süper Lig | 9.5 | 6.7 | 3.1 | 19.3 |
| **Tottenham Hotspur FC** | Premier League | 10.1 | 3.0 | 2.0 | 15.1 |
| **FC Internazionale Milano** | Serie A | 9.5 | 1.9 | 1.8 | 13.2 |
| **AS Roma** | Serie A | 9.4 | 2.1 | 1.5 | 13.0 |
| **Beşiktaş JK** | Süper Lig | 6.0 | 4.0 | 2.0 | 12.0 |
| **Leicester City FC** | Premier League | 6.6 | 1.2 | 1.9 | 9.7 |
| **Grand Total** (Top 32 by EV) | | **59%** 699 | **21%** 251 | **20%** 241 | **100%** 1,191 |

Source: KPMG Football Benchmark

**Many clubs have started to understand the importance of becoming the second or third favourite choice for football fans.** In fact, while followers already have a club they are fiercely loyal to, almost every football supporter also has a second favourite and/or a preferred club in various countries. Winning over this crowd would not only increase a club's digital footprint, but could ultimately result in a commercial boost.

As the chart clearly highlights, among the top 20 clubs by social media followers, many of them have a strong correlation with their EV, such as Chelsea FC, Liverpool FC, Juventus FC, Borussia Dortmund and Atlético de Madrid.

Other clubs such as AC Milan, Galatasaray SK and Fenerbahçe SK all have large online audiences compared to their enterprise value. The reason for the Turkish clubs' prominence is linked to the country's populous, digital-savvy demographic, whilst AC Milan's global recognition is related to their glorious past. Then there are other clubs such as FC Bayern München and Manchester City FC, who have a considerable EV but have room to grow their fan base on social media.

| f ▲▼ | ▲▼ | ▲▼ | Total ▲▼ | Total | EV |
|---|---|---|---|---|---|
| 3% | 23% | 11% | 9% | 18.1 | 2 |
| 0% | 24% | 9% | 8% | 15.0 | 3 |
| 0% | 44% | 16% | 8% | 8.9 | 1 |
| -1% | 28% | 16% | 7% | 4.6 | 7 |
| 6% | 19% | 17% | 9% | 5.4 | 4 |
| 0% | 28% | 11% | 7% | 3.9 | 6 |
| 13% | 36% | 47% | 22% | 10.0 | 11 |
| 30% | 27% | 30% | 29% | 11.5 | 5 |
| 3% | 28% | 41% | 12% | 5.3 | 8 |
| 6% | 28% | 24% | 12% | 5.4 | 9 |
| 1% | 30% | 19% | 7% | 2.5 | 21 |
| -2% | 18% | 23% | 8% | 1.9 | 26 |
| -1% | 13% | 20% | 5% | 1.1 | 12 |
| 0% | 24% | 24% | 8% | 1.7 | 13 |
| -3% | 10% | 20% | 4% | 0.8 | 28 |
| 19% | 35% | 59% | 26% | 3.2 | 10 |
| 53% | 21% | 20% | 42% | 3.9 | 16 |
| 6% | 19% | 35% | 11% | 1.2 | 22 |
| -1% | 40% | 41% | 16% | 1.7 | 23 |
| -2% | 14% | 10% | 2% | 0.2 | 14 |
| 4% | 26% | 17% | 10% | 111 | |

*Credits: Beşiktaş JK*

## Players' followers[4]

As football clubs expand their reach on social media, where do their players stand? The role of footballers should not be underestimated, as their presence on social media is equally important, in some cases even more influential. They use social media effectively — with engagement, authenticity and good reach — and in doing so, make themselves more attractive to both sponsors and clubs, ultimately driving up their value as well as that of the team they play for. **Players have become media brands in their own right.**

Looking at the top 20 most followed players worldwide, it is notable that with the exception of two — Zlatan Ibrahimovic and Iker Casillas (marked in orange in the chart in the next page) — **all play for a team listed in our 2018 EV ranking**. Apart from Everton FC's Wayne Rooney, all belong to a team ranked in the top 10 by EV, showing **how interconnected a club's value is with their players' popularity**.

With a total of six players, **Real Madrid CF have the biggest share of most-followed players** in their team: Cristiano Ronaldo, Gareth Bale, Sergio Ramos, Marcelo, Karim Benzema and Toni Kroos boast a combined followership of close to 600 million, almost half of India's population and nearly three times more than Real's total on all platforms.

Only five players in the top 20 are defenders and all are found in the lower part of the table (with the exception of Sergio Ramos, ranked 9th) together with Iker Casillas, the most-followed and only represented goalkeeper. **Several players — Ronaldo, Neymar, James Rodriguez, Mesut Özil, Wayne Rooney and Radamel Falcao — have even more followers individually than the club they play for does.** Rooney leads this exceptional group by a multiple of 10. Ronaldo's 318 million followers are unrivalled even when benchmarked against other athletes or celebrities. For instance, NBA superstar LeBron James' following amounts to less than one third (101 million) of the Portuguese star's audience. When compared to the entertainment industry, only Justin Bieber can compete with the five time *Ballon d'or* winner (with 283 million followers).

[4] Players' followers data retrieved on April 9.

*Credits: Manchester United FC*

### **Top 20 most followed players** (in million)

| Rank | Player | Club | Position | Facebook | Instagram | Twitter | Total |
|---|---|---|---|---|---|---|---|
| 1 | **Cristiano Ronaldo** | Real Madrid CF | Forward | 122.5 million | 123.9 million | 71.9 million | 318.3 |
| 2 | **Neymar** | Paris Saint-Germain FC | Forward | 60.7 million | 91.7 million | 39.0 million | 191.4 |
| 3 | **Lionel Messi** | FC Barcelona | Forward | 89.6 million | 89.7 million | N/A | 179.3 |

| | Player | Facebook | Twitter | Instagram | Total | Club | Position |
|---|---|---|---|---|---|---|---|
| 4. | **James Rodríguez** | 32.8 | 16.8 | 35.7 | 85.3 | FC Bayern München | Midfielder |
| 5. | **Gareth Bale** | 28.8 | 16.6 | 33.2 | 78.6 | Real Madrid CF | Forward |
| 6. | **Andrés Iniesta** | 26.9 | 22.6 | 21.7 | 71.2 | FC Barcelona | Midfielder |
| 7. | **Mesut Özil** | 31.4 | 22.5 | 15.9 | 69.8 | Arsenal FC | Midfielder |
| 8. | **Zlatan Ibrahimovic** | 26.6 | 5.0 | 31.3 | 62.9 | Los Angeles Galaxy | Forward |
| 9. | **Sergio Ramos** | 23.5 | 14.5 | 22.6 | 60.6 | Real Madrid CF | Defender |
| 10. | **Luis Suárez** | 19.0 | 14.2 | 27.1 | 60.3 | FC Barcelona | Forward |
| 11. | **Wayne Rooney** | 25.3 | 17.1 | 12.1 | 54.5 | Everton FC | Forward |
| 12. | **Marcelo** | 19.6 | 10.2 | 23.6 | 53.4 | Real Madrid CF | Defender |
| 13. | **Gerard Piqué** | 19.1 | 18.4 | 15.8 | 53.3 | FC Barcelona | Defender |
| 14. | **Karim Benzema** | 23.0 | 8.2 | 21.9 | 53.1 | Real Madrid CF | Forward |
| 15. | **David Luiz** | 25.6 | 8.7 | 17.7 | 52.0 | Chelsea FC | Defender |
| 16. | **Iker Casillas** | 25.2 | 8.2 | 12.0 | 45.4 | FC Porto | Goalkeeper |
| 17. | **Falcao** | 12.8 | 16.6 | 9.5 | 38.9 | AS Monaco FC | Forward |
| 18. | **Dani Alves** | 8.2 | 8.6 | 18.6 | 35.4 | Paris Saint-Germain FC | Defender |
| 19. | **Toni Kroos** | 12.2 | 6.6 | 16.3 | 35.1 | Real Madrid CF | Midfielder |
| 20. | **Paul Pogba** | 6.9 | 5.0 | 21.8 | 33.7 | Manchester United FC | Midfielder |

Source: KPMG Football Benchmark

It is evident that a player's social media following is more than just a number, as it can also exert a major commercial impact. **If a star player moves to a new team, he also takes his often sizeable follower base with him** as, to a certain extent, fans can be more attached to individuals than clubs. The best example in this context is again Paris Saint-Germain FC, who were able to increase their online followership by 22% after Neymar joined them. Liverpool FC also gained a considerable amount of new followers from football-savvy and heavily-populated Egypt, following the transfer of Mohamed Salah. This phenomenon is especially relevant for clubs who want to establish themselves in the global football arena. The signing of iconic players with a massive brand value, can provide the opportunity to boost both their visibility and commercial revenues. These factors cannot be discounted when assessing the return on investment of acquiring certain footballers.

Similarly, the way transfers are announced and presented today (e.g. Pogba, Neymar, Sanchez) is a good indicator of how branding opportunities are used and monetised. Negotiations revolving around footballers' and/or clubs' endorsement deals increasingly focus on the social reach a player can offer.

For the future, it will be interesting to see if there is still room for much more social media growth, or whether we are approaching a saturation point. The most challenging part then, for both clubs and players, will be **how to leverage the existing fan base from both communication and commercial perspectives**, engaging the audience in a meaningful way and eventually monetising it. Clubs and players are aware that only a healthy balance will retain and foster follower attachment instead of driving people away.


*Credits: AFC Ajax*

# 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) as at 31 March 2018.

**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, 39 clubs from 9 European countries have met the requirements and have been analysed by KPMG professionals.** The 32 clubs ranked according to EV which make this year's edition of KPMG's Football Clubs' Valuation report are listed in the map below, while the seven "runners-up" ranked by their EV, are: PSV Eindhoven (Netherlands), Villarreal CF (Spain), Celtic FC (Scotland), Olympique de Marseille (France), ACF Fiorentina (Italy), FC Porto (Portugal) and Sporting Clube de Portugal (Portugal).


## Who is new in the top 32

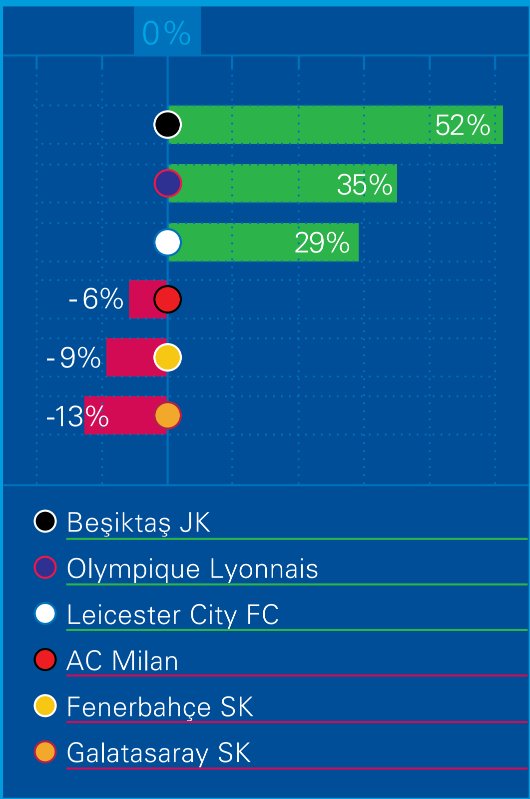
- West Ham United FC
- AS Monaco FC

## Who is out of the top 32

- PSV Eindhoven
- Olympique de Marseille

# 32 clubs' enterprise value range

### EV growth: Top 3 vs. Bottom 3




Source: KPMG Football Benchmark

### EV mid-points in local currency (million) and y-o-y growth

| Clubs | | EV local currency: Mid-point 2017 | Mid-point 2018 | Y-o-Y % growth |
|---|---|---|---|---|
| Man United | GBP | 2,635 | 2,895 | 10% |
| Man City | GBP | 1,685 | 1,922 | 14% |
| Arsenal | GBP | 1,665 | 1,870 | 12% |
| Chelsea | GBP | 1,361 | 1,570 | 15% |
| Liverpool | GBP | 1,132 | 1,405 | 24% |
| Tottenham | GBP | 861 | 1,144 | 33% |
| Leicester | GBP | 394 | 530 | 35% |
| West Ham | GBP | n/a | 473 | NEW |
| Everton | GBP | 389 | 455 | 17% |
| Beşiktaş | TRY | 813 | 1,508 | 86% |
| Galatasaray | TRY | 1,400 | 1,495 | 7% |
| Fenerbahçe | TRY | 1,296 | 1,445 | 12% |

Source: KPMG Football Benchmark

| | | Clubs | Range - EUR million: Bottom | Top |
|---|---|---|---|---|
| 1 | = | Manchester United FC | 3,118 | 3,392 |
| 2 | = | Real Madrid CF | 2,815 | 3,025 |
| 3 | = | FC Barcelona | 2,697 | 2,869 |
| 4 | = | FC Bayern München | 2,463 | 2,642 |
| 5 | = | Manchester City FC | 2,096 | 2,225 |
| 6 | = | Arsenal FC | 2,033 | 2,172 |
| 7 | = | Chelsea FC | 1,692 | 1,837 |
| 8 | = | Liverpool FC | 1,512 | 1,647 |
| 9 | = | Juventus FC | 1,244 | 1,361 |
| 10 | = | Tottenham Hotspur FC | 1,225 | 1,347 |
| 11 | = | Paris Saint-Germain FC | 1,085 | 1,200 |
| 12 | = | Borussia Dortmund | 1,005 | 1,115 |
| 13 | = | Atlético de Madrid | 868 | 932 |
| 14 | = | FC Schalke 04 | 648 | 699 |
| 15 | ▲ | Leicester City FC | 572 | 619 |
| 16 | NEW | West Ham United FC | 513 | 550 |
| 17 | ▲ | SSC Napoli | 492 | 544 |
| 18 | ▼ | AC Milan | 494 | 533 |
| 19 | ▼ | Everton FC | 485 | 538 |
| 20 | ▲ | FC Internazionale Milano | 459 | 523 |
| 21 | ▼ | AS Roma | 432 | 478 |
| 22 | ▲ | Olympique Lyonnais | 398 | 460 |
| 23 | ▲ | Beşiktaş JK | 312 | 353 |
| 24 | ▲ | Athletic Club Bilbao | 314 | 348 |
| 25 | ▼ | Galatasaray SK | 307 | 353 |
| 26 | ▼ | SL Benfica | 316 | 341 |
| 27 | ▼ | Fenerbahçe SK | 303 | 335 |
| 28 | ▼ | Sevilla FC | 302 | 329 |
| 29 | ▼ | AFC Ajax | 270 | 295 |
| 30 | NEW | AS Monaco FC | 237 | 281 |
| 31 | ▼ | SS Lazio | 229 | 253 |
| 32 | ▼ | Valencia CF | 230 | 249 |

# 32 clubs' enterprise value mid points

| | Clubs | Mid point[5] | | | |
|---|---|---|---|---|---|
| | | YoY increase | Million EUR | Million GBP | Million USD |
| 1 | Manchester United FC | 5% | **3,255** | 2,895 | 3,927 |
| 2 | Real Madrid CF | -2% | **2,920** | 2,597 | 3,523 |
| 3 | FC Barcelona | 1% | **2,783** | 2,476 | 3,358 |
| 4 | FC Bayern München | 4% | **2,552** | 2,270 | 3,080 |
| 5 | Manchester City FC | 9% | **2,160** | 1,922 | 2,607 |
| 6 | Arsenal FC | 7% | **2,102** | 1,870 | 2,537 |
| 7 | Chelsea FC | 10% | **1,765** | 1,570 | 2,129 |
| 8 | Liverpool FC | 19% | **1,580** | 1,405 | 1,906 |
| 9 | Juventus FC | 7% | **1,302** | 1,158 | 1,571 |
| 10 | Tottenham Hotspur FC | 27% | **1,286** | 1,144 | 1,552 |
| 11 | Paris Saint-Germain FC | 14% | **1,142** | 1,016 | 1,378 |
| 12 | Borussia Dortmund | 9% | **1,060** | 943 | 1,279 |
| 13 | Atlético de Madrid | 14% | **900** | 801 | 1,086 |
| 14 | FC Schalke 04 | -3% | **673** | 599 | 812 |
| 15 | Leicester City FC | 29% | **596** | 530 | 719 |
| 16 | West Ham United FC | NEW | **531** | 473 | 641 |
| 17 | SSC Napoli | 27% | **518** | 460 | 625 |
| 18 | AC Milan | -6% | **514** | 457 | 620 |
| 19 | Everton FC | 12% | **512** | 455 | 617 |
| 20 | FC Internazionale Milano | 14% | **491** | 437 | 592 |
| 21 | AS Roma | = | **455** | 405 | 549 |
| 22 | Olympique Lyonnais | 35% | **429** | 381 | 517 |
| 23 | Beşiktaş JK | 52% | **333** | 296 | 401 |
| 24 | Athletic Club Bilbao | 10% | **331** | 294 | 399 |
| 25 | Galatasaray SK | -13% | **330** | 293 | 398 |
| 26 | SL Benfica | -3% | **328** | 292 | 396 |
| 27 | Fenerbahçe SK | -9% | **319** | 284 | 385 |
| 28 | Sevilla FC | 21% | **316** | 281 | 381 |
| 29 | AFC Ajax | 3% | **283** | 251 | 341 |
| 30 | AS Monaco FC | NEW | **259** | 231 | 313 |
| 31 | SS Lazio | 6% | **241** | 215 | 291 |
| 32 | Valencia CF | 2% | **239** | 213 | 289 |
| | **Total** | | **32,504** | **28,914** | **39,216** |

[5] Exchange rates as of 2 January 2018: 1 EUR = 0,889 GBP, 1 EUR = 1,206 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 is enterprise value (EV)?**

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

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, which has remained consistent with the one of past years and provides an indication of the EV of the most prominent European football clubs as at 1 January 2018 on the basis of a review of the financial statements of the 2015/16 and 2016/17 football seasons.

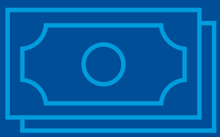
In the simplest application of the Revenue Multiple method, once the multiplier is determined, it is uniformly applied to all clubs in our analysis. However, this overly simplistic approach is unsuitable for taking into account differences between football clubs in terms of the markets in which they 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.

## Price vs. Value: two different concepts

Economic theory teaches us that **price is what a person pays for a given product or service, whilst value is what any given product or service is worth**. It is important to highlight that **KPMG professionals used consistent methodologies for the value analysis of the subject football clubs**. Our approach, together with an understanding of the difference between the concept of price and value, might explain the possible discrepancies between the conclusion of our value analysis and the specific price at which a transaction has taken place, as well as any possible difference with the share prices of listed football clubs.



## 01 Profitability

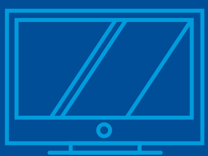
In our formula, in order to consider the profitability dimension of a football club, the staff costs-to-revenue ratio of the last two financial years is taken into consideration. Wages of players, technical and other staff make up by far the largest part of all expenditures. A high ratio indicates a 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.

## 02 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.

## 03 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 published by Transfermarkt has been adopted within our algorithm.



## 04 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.

## 05 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.

# 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 2018.

The foundation of this study is an analysis of the publicly available statutory financial statements ("the Financial Statements") of the 39 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 2015/16 and 2016/17 football seasons. Thus, this analysis does not take into account the sporting results achieved by the clubs in the 2017/18 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 either from the relevant public sources in each country or other public sources (for example a club's official website). 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, KPMG professionals 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 of the clubs. 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.

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 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 **www.footballbenchmark.com** website.


*Credits: Arsenal FC*


*Credits: Atlético de Madrid*

*Credits: Olympique Lyonnais/Lotfi Dakhli*

# 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. ■

# How can we help?

## KPMG member firms delivering value to the sports industry

**Strategy & Business Planning**

**Commercial Maximization**

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**Club valuation and transaction support**

**Governance and Organization Development**

**Event Planning and Socio-economic Impact**

**Sport Digital Planning**

**Audit and tax**