



Home truths

Annual Review of Football
Finance 2020

Sports Business Group
June 2020

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Home truths

Welcome to the Annual Review of Football Finance 2020, the publication that remains the most comprehensive analysis of the financial trends in, and prospects for, the football industry.

The 29th edition of this report is written at a time like no other, set against the backdrop of the ongoing COVID-19 pandemic which is impacting all industries at every level. The world of elite football is no exception.

Whilst this report focuses on the finances of European football in the 2018/19 season, completed ahead of the COVID-19 outbreak, we have sought to consider the impact on the 2019/20 season and those which follow.

It is a reflection of the importance of elite European club football in many people's lives that for them the postponement of matches was one of the first clear signals of the seriousness and ubiquitous impact of the pandemic on society. That importance to people, coupled with ongoing progress towards the return of football, gives us confidence that the industry will thrive again in the future, despite the seismic short-term shock in the spring of 2020.

Don't stop me now

2018/19 saw further revenue increases to record levels across each of the 'big five' leagues, further growing the overall size of the European football market. Due to COVID-19, the next edition of this report will show a decrease in the scale of the market.

Across Europe revenue growth was driven by clubs in the 'big five' leagues receiving the majority of a c.€700m increase in distributions from UEFA club competitions, delivered through a raft of new broadcast arrangements for the cycle 2018/19 to 2020/21.

Liverpool lifted the UEFA Champions League for the sixth time, as a new distribution mechanism favoured the biggest clubs, rewarding historical performance and adding to polarisation across and within the European game.

2018/19 saw Premier League clubs' revenue total over £5 billion for the first time, as the revenue gap to La Liga and the Bundesliga was extended again, following a slight narrowing in the previous season.

The commercial powerhouses of FC Barcelona and Real Madrid, which delivered a Spanish one-two in the latest edition of the Deloitte Football Money League, drove Spain's La Liga revenues ahead of those of its German counterpart, the Bundesliga.

The anticipated uplift of c.20% in value of La Liga's domestic and international broadcast rights agreements from 2019/20 had looked set to ensure they remain the Premier League's nearest challenger, in revenue generation terms, as the English top-tier also entered a new rights cycle.

Instead, by virtue of its earlier return to play and, uniquely amongst the 'big five', planned completion of matches by the end of June, the Bundesliga will likely report higher revenues than La Liga in 2019/20. La Liga is expected to return to being Europe's second highest revenue-generating league in 2020/21.

Despite recording double-digit revenue growth, Italian and French top-tier clubs recorded operating losses. Italy's revenue growth from a new broadcast cycle was outpaced as wage spending increased at the fastest rate of any of the 'big five'. Ligue 1's record operating loss, ahead of a now expunged season in 2019/20, gave particular cause for concern.

I want it all

Record revenues were accompanied by increased disparity between the biggest and the rest within the Premier League, with the average revenue of the 'big six' clubs now at £500m, over three times that of the remaining clubs.

Wage cost growth outpaced revenue growth for the second season in a row, increasing 11% to over £3 billion for the first time, resulting in a wages to revenue ratio of 61%.

In previous editions we have reported increased wage spending in the final year of a broadcast cycle, ahead of commencement of the Premier League's next bumper deal. This time, clubs were aware that no large increases would follow as they have in each of the two previous cycles, despite the increased value of international rights being set to deliver an incremental uplift to Premier League revenues.

Clubs' spending on playing talent, through wages and transfer fees, was already set to reduce profitability in 2019/20, as it had in 2018/19. The COVID-19 pandemic will have had a destructive impact on profitability in 2019/20, as revenues fell dramatically and costs did not in the final quarter of the season.

The negative swing of almost £600m in 2018/19 compared to 2017/18 saw previous hopes for sustained pre-tax profitability shattered, with

clubs recording an aggregate loss of £165m, as player transfer profits fell and amortisation charges grew as Premier League clubs invested to strengthen squads.

This result was not the responsibility of a small minority. Almost half of the Premier League's clubs recorded losses, delivering only the second aggregate pre-tax loss in the past six seasons. The previous example, in 2015/16 (£115m), came ahead of a known near 50% increase in domestic broadcast rights values for the following year. Not so on this occasion.

It is clear that even before the onset of the COVID-19 pandemic there was some evidence of weakening cost control and profitability among Premier League clubs. The sudden hit to revenues will have compounded this and tipped many clubs into, or deeper into, a loss making position overnight.

Returning to action is clearly critical to limiting the financial impact of the pandemic and leagues have now responded in different ways at different paces. The Bundesliga has returned to crowdless action, the Premier League, La Liga and Serie A are all on the path to a resumption in mid-June, whilst the Ligue 1 season was quickly expunged.

Broadcast and commercial revenue streams delivered 86% of 'big five' league revenues, and with the remaining 14% from matchday not available for the foreseeable future, clubs and leagues must do everything they can to find ways to strengthen these relationships, and deliver value to their partners through alternative content and activation.

The strength of these relationships will be tested under the current strain. There are substantial implications for the European football landscape over the coming seasons, including potentially significant and lasting impacts on the financial strength of clubs and leagues.

I want to break free

A step below Europe's elite, the finances of the English Football League ('EFL') have been thrust into the spotlight in recent weeks as the COVID-19 outbreak has accentuated the losses, and cash flow difficulties, of Football League clubs which have manifested themselves over a number of years.

2018/19 saw record revenues of £785m in the Championship, as three established Premier League clubs relegated in 2017/18 returned to the second-tier. These clubs also brought large, though reduced from Premier League level, cost bases with them.

The trend, identified in numerous previous editions of this report, continued as the spending behaviour of EFL Championship clubs remained unsustainable without owner funding, with the pursuit of promotion to the World's richest league continuing. For the fourth time in seven seasons, a record-breaking wages to revenue ratio (107%) demonstrated the collective lack of control. In no other industry would such a metric be viable, and whilst football benefits from the desire of many to fund those losses, the impact of the pandemic on club owners' broader finances and business interests brings the question of long-term sustainability into sharper focus than ever.

Across the rest of the EFL, League 1 and League 2 clubs together reported record revenues of £282m, driven by a change in club mix, as Sunderland played in the third tier for the first time in over 30 years. Sunderland's higher revenues aided a decreased wages to revenue ratio in League 1 (80%), whilst League 2 wage spending stabilised at 78% of revenues.



Hammer to fall

At the start of the 2019/20 season, Bury FC became the first Football League club to go out of business since Maidstone United's liquidation in 1992. A number

of other clubs struggled through, supported from month to month by owner contributions. More rigorous and robustly enforced regulation than the EFL's existing rules is required to force clubs to act more responsibly and save them from themselves to ensure this does not become commonplace.

Whilst COVID-19 has presented so many challenges to the global population and the football industry alike over the past three months, it will inevitably provide opportunities for change. And change is needed desperately, both collectively, and in many cases individually, for the good of the now 71 football league clubs.

The commencement of a new broadcast rights arrangement for 2019/20 has delivered a c.35% increase in value on the previous deal, but nothing has suggested that this additional revenue isn't already wholly spent, and then some, on playing talent. As such, this increase will have, unfortunately, done little to support EFL clubs which have lost their matchday income over the past three months.

Deferrals and temporary wage cuts may be applied to ease the short-term cash implications, but in the long run more meaningful changes are likely, and required. A squad salary cap at Championship level, if collectively driven and enforced, could significantly reduce losses rapidly with a financial benefit far in excess of any damage to the on-pitch competitiveness or quality in the division.

A kind of magic

The recent lockdown has highlighted the importance of live sport to so many, particularly that unbeatable experience of matchday. Whilst the revenue derived from match-going fans had become an ever smaller proportion of the total revenue of top-flight clubs, the period of behind closed doors football that lies ahead looks set to reinforce the importance of fans, without their presence in the stadium to create the atmosphere for both players and broadcast audiences to enjoy.

This period also provides a new challenge for clubs in their relationships with fans – who cannot currently build their connection through the age-old matchday channels.

The importance of being able to meaningfully connect with fans digitally has never been greater and presents an opportunity and

responsibility for clubs. We may well see shifts in fan behaviour that impact the future of the game in unpredictable ways.

More so than ever, this period of crisis shows the huge positive impact that professional football can have on wider society with the activity of organisations like Common Goal, the use of club stadia to enhance healthcare capacity, anti-racism activities and Premier League players' contribution to NHS Charities being clear examples. Stakeholders who work in the football industry know more than ever the incredible power and influence the sport holds in society.

The show must go on

In many ways everything has changed in the world of football finance since we started planning this year's Annual Review of Football Finance, but fundamentally much has also stayed the same.

The absence of football from our screens, and its tentative return, has reinforced the public's love for it and hence broadcasters' appetite for, and in some cases, dependence upon, it. This in turn will continue to attract sponsor and corporate interest, although the ability of many companies to fund the game to the degree they previously did – or at all – may have

been harmed by the ravages of the pandemic. Polarisation will be even more evident – for the biggest clubs and competitions others will step forward and fill the breach, for many though times will be tough.

For fans, while for some the path back to the stadium may be slow and uncertain initially, the thirst to reconnect with friends, family and the rituals of the crowd on match day will pull them back in their tens of thousands again as a welcome measure of normality.

The clubs will as ever be the magnets for this activity, setting the stage upon which the players will again have the chance to show their skills, and those talents will rightly reap the biggest share of the financial rewards the public's interest generates.

Play the game

The game of football will recover and thrive and remain a great universal passion for the world. Critical to how the finances of football emerge from this extraordinary short-term shock will be the actions of the game's business leaders. Football has the potential to return not only intact, but stronger and more resilient if the right lessons are learned and measures are taken, perhaps collectively. The current cohort of administrators and investors are the



custodians of institutions that are older than any of us, and that hopefully will outlive all of us. Their response will determine whether this crisis is viewed in the future as the end of a golden age, or the beginning of a new, better, era.

I would like to thank my colleagues, Henry Wong and all those from across the football community who have helped us compile this year's report. By the time of our next edition we will hopefully be looking forward to the delayed Euro 2020 tournament and reflecting on the financial impact of a football season like no other. Until then, stay safe and well and enjoy this edition.

Dan Jones, Partner

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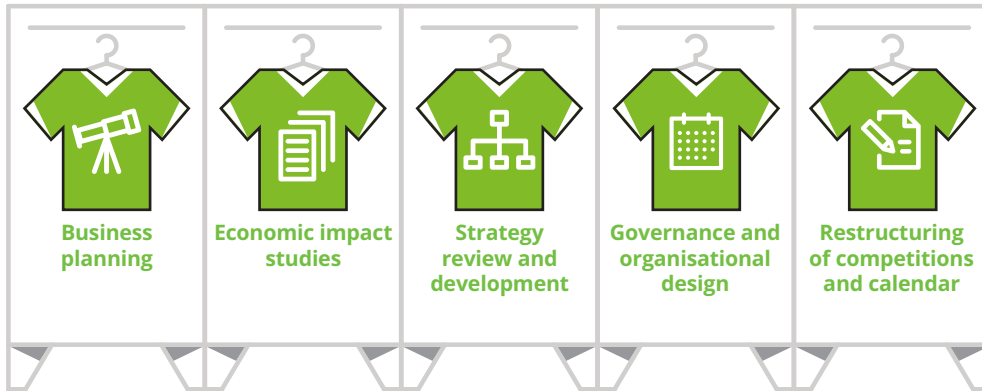


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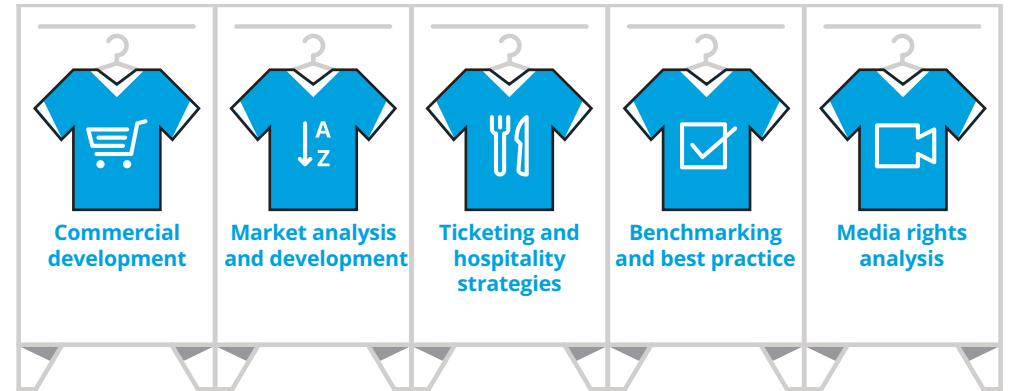
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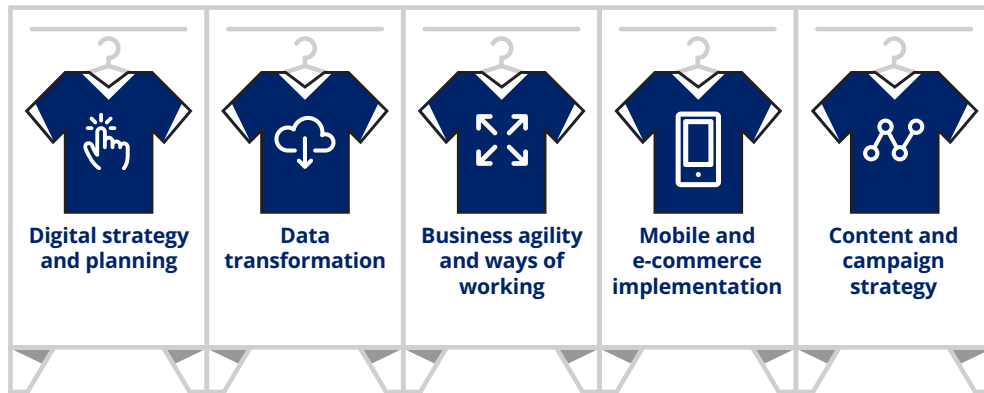
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Unlocking digital revenue

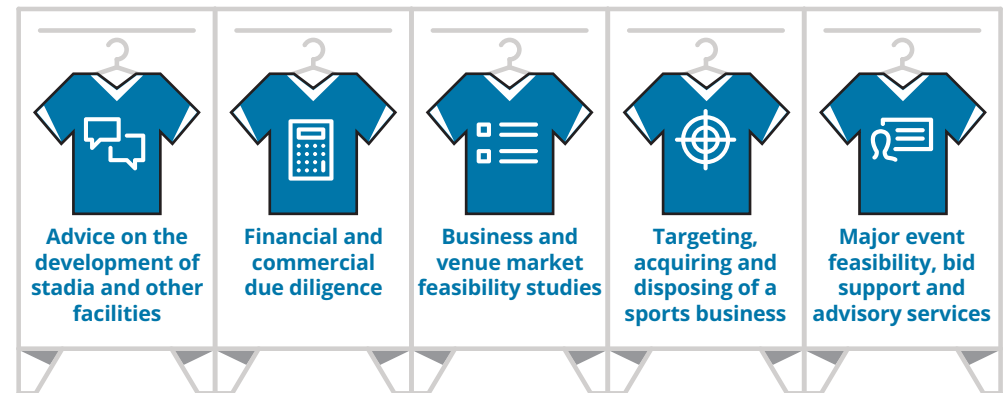
Deloitte help our clients move beyond ad-hoc, siloed, digital initiatives to create a coherent end-to-end transformation that combines emerging technology and human-experience led design.

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Europe's premier leagues

In 2018/19, the commencement of the new three-year broadcast cycle for UEFA club competitions drove growth in European club football, although the challenge of revenue polarisation remains.

European football market

European football market revenue for the 2018/19 season totalled €28.9 billion. This equates to 2% growth since 2017/18.

Excluding the biennial impact of UEFA and FIFA's international tournaments, the European football market has grown every year throughout the 21st century to date. European football remains incredibly popular, with the value of broadcast rights soaring in recent years and fans' interest higher than ever. Clearly, challenging times now lie ahead for European football and in future editions we may well be reporting a revenue decline. Nonetheless, in the long-term the fundamentals of the public, and hence corporate, appetite for elite football remain strong and will help the industry overcome these challenges.

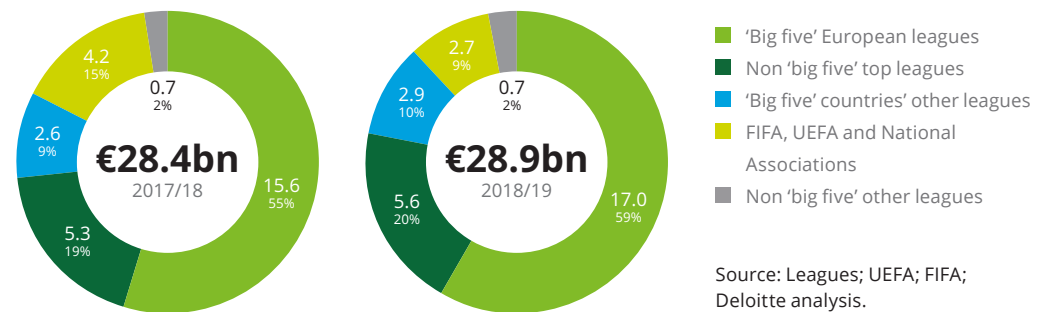
2018/19 growth was driven by the commencement of the new three-year broadcast cycle for UEFA club competitions. Substantial uplifts to media rights values meant almost €700m of additional prize money was distributed to clubs through UEFA competitions.

Revenue increases, whilst benefitting all in absolute terms, have not resolved the longstanding challenge of polarisation as relative gaps widen. Clubs from the 'big five' leagues benefited from 70% of the additional UEFA prize money distributions, amounting to €483m, driving their share of the European football market to 59%.

In an effort to help redress the balance, UEFA has responded with a new club competition starting in 2021/22, the UEFA Europa Conference League.

The self-fulfilling nature of polarisation has been well recorded, as the most successful teams on the pitch reap financial rewards in increased revenue and invest in playing talent to further strengthen on-pitch performance. This has been seen again in the 2019/20 season as, for the first time since the introduction of the round of 16 in 2003/04, all 16 of the clubs reaching the knock-out stages of the UEFA Champions League play their domestic football in a 'big five' league. The correlation and causation is imperfect, as 'big' clubs can underperform and 'smaller' clubs can

Chart 1: European football market size – 2017/18 and 2018/19 (€ billion)



excel, but the overall strength of the relationship between revenue and on-pitch success in the same direction is hard to resist.

Recent developments have further intensified the challenges facing football's governing bodies. Currently, the European competition format beyond 2023/24 is yet to be agreed and the possibility of a European Super League to disrupt the status quo is regularly

Clubs from the 'big five' leagues benefited from 70% of the additional UEFA prize money distributions, amounting to €483m.

reported. UEFA's ability to ensure its member associations' clubs remain aligned will be critical to the future direction and health of European football.

Alongside this, the continuing evolution, and associated perception, of UEFA's financial regulations will play a key part. Whilst it is likely UEFA will face increased scrutiny, the principles of ensuring sporting integrity should remain, with all stakeholders having a responsibility to act accordingly.

In the immediate term, UEFA has commenced its sales process for the 2021/22-2023/24 rights cycle. Early indications suggest impressive value uplifts in some key markets, although it is acknowledged that sustaining this across all territories is likely to be challenging.

Weathering the storm

European football has been a huge success story in its ability to generate revenue growth, led by broadcast but supported by commercial and matchday revenues. The impact of COVID-19 with all major leagues severely disrupted, or ended prematurely, and the postponement of Euro 2020, will mean 2019/20 will see a marked reduction in revenues.

While all will be impacted, those clubs from smaller countries, typically with a greater dependence on matchday revenues risk being hit the hardest. The expected quiet summer player transfer window may also limit vital additional funds as bigger traditional buying clubs have their own financial challenges. A likely mixed picture on the timing and nature of the return of fans to stadia, economic weakness faced by broadcasters and commercial partners and even ongoing restrictions on European travel suggest it could be a bumpy recovery.

In addition to appropriate government support, necessary and justified to protect a sport which means so much to so many, it will be important all stakeholders play their part in this recovery. Solidarity across all stakeholders as well as strong leadership and action individually will be needed to ensure none of the rich diversity European football has built over decades of history is lost.

Spain's La Liga saw strong growth during 2018/19 and pushed ahead of the German Bundesliga to regain its position as the world's second-highest revenue generating football league.

'Big five' European leagues' revenues

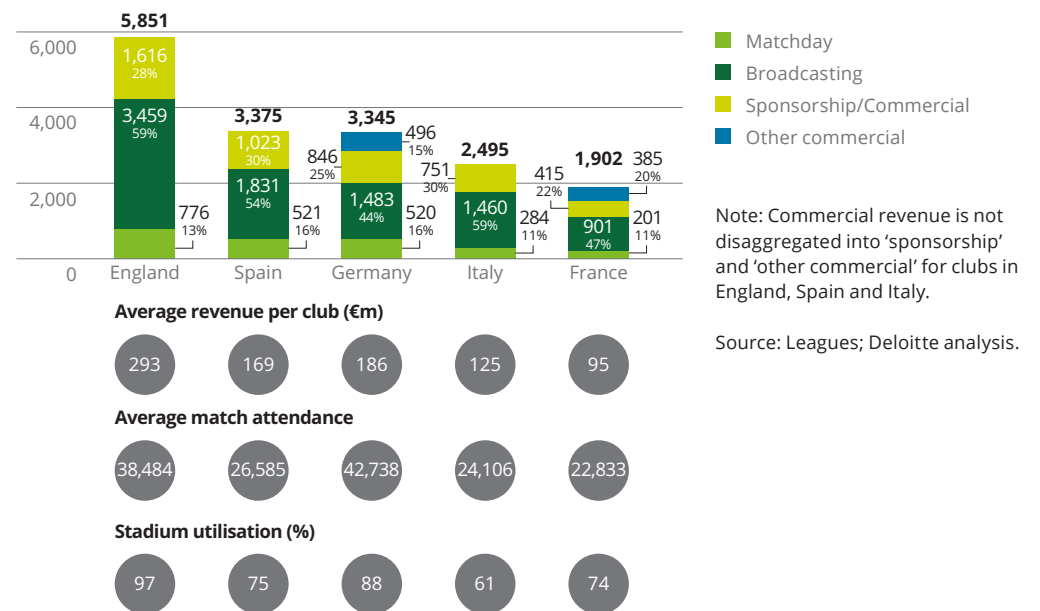
La Liga clubs reported revenue growth of over €300m (10%) in the 2018/19 season, the second highest absolute growth amongst the 'big five' leagues. Broadcast revenues continued to be the primary driver as the league benefited from uplifts to media rights and the clubs competing in European competitions profited from increased UEFA distributions.

Top flight Spanish clubs grew commercial revenues by 7%. Within this, the extent of polarisation within top-level football leagues is evident as FC Barcelona alone accounted for 88% of the increase. The club benefitted from changes to its licensing and merchandising that saw a reduced reliance on third parties as more of its revenue generating functions operated in-house.

Having regained the status of the second-richest football league in 2017/18, the Bundesliga's change in club mix for 2018/19, from promotion and relegation reduced matchday and commercial revenues, allowing La Liga to retake second place in revenue terms through its superior growth.

Bundesliga clubs still achieved impressive revenue growth of €177m (6%) for the 2018/19 season, due to the uplift in broadcast revenues (19%) as the league benefitted from a contractual annual domestic rights revenue increase.

Chart 2: 'Big five' European league clubs' revenue – 2018/19 (€m)



In Serie A and Ligue 1, strong revenue growth was noted, with 11% and 12% uplifts respectively. As we see across the football industry, broadcast rights income continues to be a critical factor in driving overall revenue growth. In Italy, the start of a new three-year international media rights deal resulted in broadcast revenues increasing by 11%. French clubs generated an additional €110m from broadcast income as club performance improved in UEFA competitions.

In Italy and France, growth was actually achieved across all revenue streams. Similar to the situation in Spain, the primary drivers for matchday and commercial revenue growth were individual clubs' financial performance, most notably in Italy with Internazionale accounting for c.70% of matchday revenue growth and

Juventus accounting for around half of Serie A's commercial growth. In Ligue 1, Paris Saint-Germain continues to dominate French football, generating almost half of the league's non-broadcast revenue. This is one of the clearest examples of polarisation across Europe's 'big five' leagues.

The Premier League continues to generate the highest revenues across the 'big five' (€5.9 billion). The 20 clubs' combined revenue grew by 7%, driven by commercial revenue growth of 9% and clubs competing in UEFA competitions benefiting from increased distributions.

English clubs achieved the highest absolute growth (€411m) amongst the 'big five' leagues, despite the 2018/19 season having been the final year of their current broadcast cycle.

The 2019/20 and 2020/21 financial years will be directly impacted by COVID-19, with lost, and deferred, revenue from the 2019/20 season creating a 'V-shaped' recovery for many 'big five' leagues as fans' continuing desire to consume top level football helps to drive recovery and future long term revenue growth.

England

2019/20 marks the first year of a new three-year broadcast cycle in England that was estimated to deliver a c.8% increase to broadcast revenues. The growth is entirely driven by an increase in international rights values. A relative lack of competitive intensity in the domestic broadcast market compared to previous cycles causing these values to fall slightly. This should be viewed in the context of having achieved over 150% growth across the previous two cycles, however, maintaining close to those levels should be viewed favourably.

Of particular interest was the entrance of Amazon into the market and its acquisition of two full game-weeks through each season from 2019/20. Whilst its broadcast product differed minimally from traditional broadcasters, the introduction of concurrent broadcasting and staggered kick-off times generated a high level of interest. Amazon has reported significant growth in its Prime subscription packages over the period when Premier League matches were broadcast and we await with interest whether this will signal a more substantial move to acquire rights by Amazon, or other similar organisations in the future.

Spain

Commencing in 2019/20, new domestic broadcast rights agreements are set to deliver an uplift of c.15% in centralised revenue for La Liga clubs. Alongside a five-year international rights agreement, this may see the league's clubs achieve combined broadcast revenues in excess of c.€2 billion in the coming years.

Following the move to a centralised rights sales model in 2015/16, a clear objective of the league was to reduce the financial disparity between clubs. For 2018/19, La Liga has publicly heralded its ability to reduce the ratio of central broadcast revenues between the top and bottom earning clubs from almost 8:1 in 2014/15 to 3.5:1. This reduced disparity should further help the attractiveness and value of the Spanish league.

Germany

A key factor in the structure of the current domestic media rights agreement in Germany is the step changes between seasons that provides Bundesliga clubs with incremental increases to broadcast income between 2017/18 and 2020/21.

The Bundesliga faces a challenging broadcast rights market for its tender for the next cycle starting in 2021/22, and will be hoping to create competition between potential media partners that have suffered financially in recent months. In order to promote competitive tension and to entice new entrants to the market, the Bundesliga has implemented a "no exclusive owner rule", requiring rights to be shared with internet and media providers if the first four packages of rights are acquired by one partner.

Italy

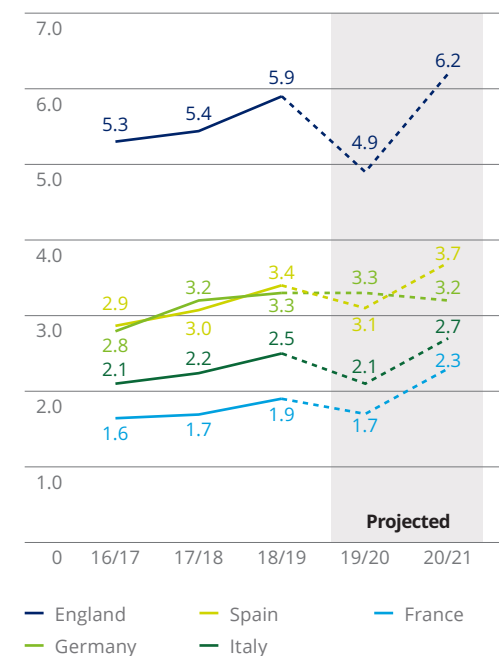
Under the leadership of a new President, Serie A has highlighted key priorities of increasing the international appeal of the Italian league and potentially transforming it into an organisation with broadcasting capabilities, as it seeks to regain lost ground from competitors.

Domestic and international broadcast rights agreements expire at the end of the 2020/21 season. Serie A is currently assessing its options, which may include accessing private equity investment and / or the creation of its own platform in partnership with a third party, likely a non-traditional broadcaster that may also commit to underwriting revenue commitments to clubs. The decisions taken by Serie A clubs and the successful execution of the chosen strategy will be key to the league's ability to narrow the gap to Germany and Spain in revenue terms.

France

Before the cancellation of the 2019/20 season, reducing polarisation within the league and achieving future (likely international) revenue growth continued to be key priorities for Ligue 1. Domestically, the broadcast rights for the 2020/21-2023/24 seasons are sold, with French top-tier clubs collectively agreeing that the additional revenues are to be distributed under a new equal-share model. This distribution model is forecast to generate an additional c.€20m for each club, which will at least help to mitigate the impact of the cessation of the 2019/20 season and consequent shortfall in broadcast revenue for that year.

Chart 3: 'Big five' European league clubs' revenue – 2016/17 to 2020/21 (€ billion)



Source: Leagues; Deloitte analysis.

As normality returns, the French Football League's (LFP) focus will switch to international exposure. The LFP is considering renegotiating with the current international rights holder following pressure from clubs which believe these rights are undervalued. The most successful nine clubs are bullish on the long-term growth of international rights, and a pre-condition of agreeing to the equal split of additional domestic rights value was that future additional international broadcast revenues be shared between just those nine clubs. Only the results of future rights sale processes will demonstrate which faction got the better deal.

Wage costs across the 'big five' leagues increased by almost €1 billion as their combined wages to revenue ratio increased to 63%.

England

Top-tier English clubs increased their wage spend by 11% to €3.6 billion in 2018/19 season. As is typical in the final year of the Premier League's broadcast rights cycle, wage growth outpaced revenue growth, resulting in an increase in the wages to revenue ratio from 59% to 61%.

In previous cycles, Premier League clubs were spending in the comforting knowledge of contracted increased central distributions to come for the next three seasons. The fact this was not the case in 2018/19 raises concerns about the impact on overall levels of profitability for 2019/20 and beyond, even without any other disruption.

Spain

After three consecutive seasons of double-digit wage growth, the increase in La Liga clubs' wage expenditure was a much more modest 3% for the 2018/19 season. This was driven by a reduction in wage spend at Real Madrid (a decrease of €36.5m), due in part to the transfer of Cristiano Ronaldo to Juventus. Removing Real Madrid's wage cost decrease reveals an underlying increase across the other 19 La Liga clubs of 6%.

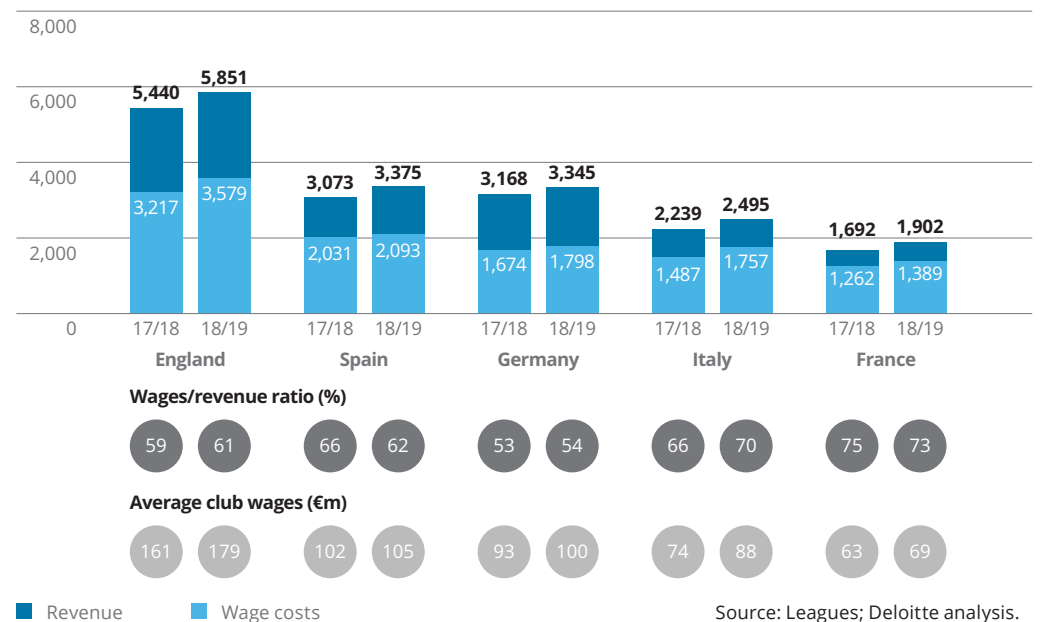
The wages to revenue ratio decreased to 62% in 2018/19, from a 15 year high in the previous season (66%). 2019/20 marks the start of a new broadcast cycle, bringing Spanish clubs further revenue growth and scope to further reduce the ratio in the coming years.

Germany

Bundesliga clubs increased their wage expenditure by 7%. Despite top-tier German clubs benefitting from revenue growth during the second year of a four-year domestic broadcast cycle, the wages to revenue ratio actually rose slightly to 54%. Whilst this is the highest level since the 2009/10 season it is worth noting that no other 'big five' league has recorded as low a level as this in the past 20 years.

An interesting trend across German football recently has been the approach of acquiring the best young playing talent from other leagues around the world. This has included both players that have made a rapid impression in non 'big five' leagues and those denied first team playing opportunities in other 'big five' leagues. Whilst in the short-term these players may not demand the same level of wages as a more established 'star name', it is likely that if Bundesliga clubs wish to retain them through the peak of their careers, we will see inflationary pressure on the wages to revenue ratio over time. The Bundesliga will look to counter that by the development and longer-term retention of the playing talent, assisting in achieving the strategic objective of developing the competition's international image and hence revenues.

Chart 4: 'Big five' European league clubs' revenue and wage costs – 2017/18 and 2018/19 (€m)



Source: Leagues; Deloitte analysis.

Italy

Serie A clubs increased their wage expenditure at the fastest rate of the 'big five' leagues in 2018/19, and returned to a wages to revenue ratio in excess of 70%, compared to seven in the previous season. As the league's clubs continued to acquire playing talent to compete at both domestic and European levels we expect to see a further increase in the league's wage spending and wages to revenue ratio in the next edition of this report.

With Italian clubs seeking to improve their playing talent through the transfer market, significant additions were made to playing squads and 11 of the 20 Serie A clubs reported a wages to revenue ratio in excess of 70%, compared to seven in the previous season. As the league's clubs continued to acquire playing talent to compete at both domestic and European levels we expect to see a further increase in the league's wage spending and wages to revenue ratio in the next edition of this report.

France

After a period of intense transfer activity helped drive Ligue 1 clubs' wage costs up by 10%, Paris Saint-Germain, Monaco, Olympique Lyonnais and Olympique de Marseille were again the top four biggest wage spenders, accounting for over half of the league's total wage costs between them.

As Ligue 1 clubs benefitted from strong revenue growth, the wages to revenue ratio reduced to 73%, however this remains the highest wages to revenue ratio across the 'big five' leagues. The broadcast rights uplifts secured from the 2020/21 season may enable the wages to revenue ratio to be reduced further in future seasons.

The 'big five' leagues generated aggregated operating profits of €1.4 billion for the 2018/19 season, an increase of 7% on the prior year.

England

After a number of years in which we have reported a trend of Premier League clubs moving towards consistent operating profits, 2018/19 saw a decline in overall operating profit to €934m as wages and other operating costs grew faster than revenue.

With centralised revenue unlikely to deliver growth in operating profits over the rights cycle that commenced in 2019/20, the emphasis more than ever is on individual clubs to consider ways in which they can develop their own revenue and efficiently deliver operating profits. With Premier League clubs appearing in recent years to have become more sustainable businesses, there is a risk that 2018/19 marks a turning point back towards clubs making operating losses even without external market shocks such as those faced in 2020.

Spanish top-flight clubs achieved aggregated operating profit of €445m for the 2018/19 season and, for the first time in the league's history, no La Liga club reported an operating loss.

Spain

Spanish top-flight clubs achieved aggregated operating profit of €445m for the 2018/19 season and, for the first time in the league's history, no La Liga club reported an operating loss. This is a remarkable position for Spain's top flight clubs, especially given the financial picture of just a few years ago. Whilst the centralised sale of broadcast rights has undoubtedly been a key factor, credit should also be given to the league's regulatory environment, which monitors clubs' spending and imposes restrictions if appropriate.

Revenue uplifts are secured for the next domestic media rights cycle, and the league has publicly stated a desire to reduce the central distributions ratio between the top and bottom earning clubs. Twinned with a tight regulatory environment, it is likely that sustained profitability can be achieved across La Liga in the long-term.

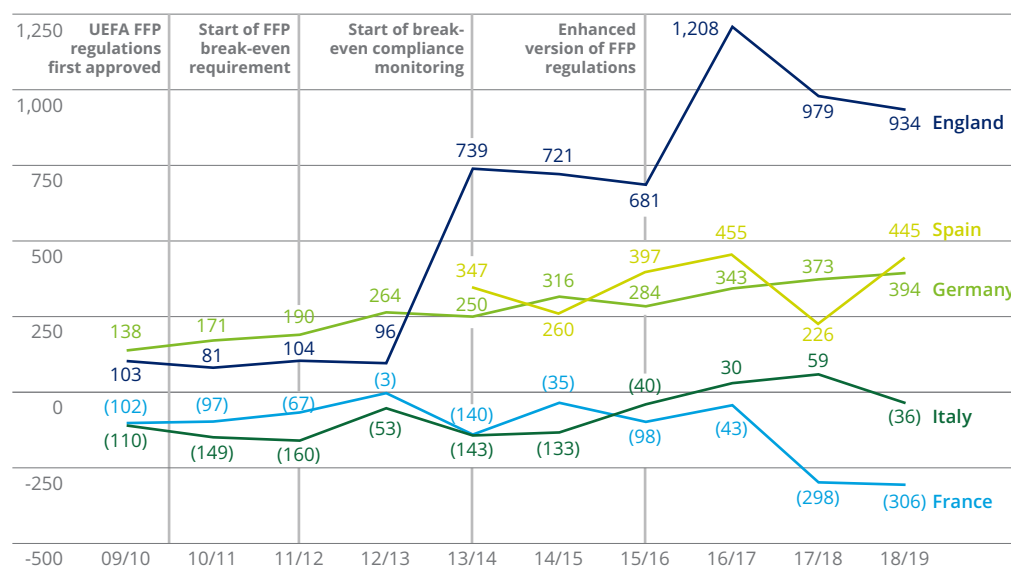
Germany

Likewise in Germany, the implementation of the DFL's licensing standards has created a strong regulatory environment and facilitated financial responsibility amongst Bundesliga clubs. In 2018/19, clubs benefited from broadcast revenue growth and controlled overall expenditure. Consequently, clubs achieved a league record high operating profit of almost €400m.

Italy

After two successive seasons of operating profits, Serie A clubs generated a combined operating loss of €36m for the 2018/19 season. Despite revenue growth, the increase in wage spending has led to a collective loss-making position.

Chart 5: 'Big five' European league clubs' profitability – 2009/10 to 2018/19 (€m)



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

Source: Leagues; Deloitte analysis.

France

Ligue 1 clubs reported a record aggregate operating loss of €306m for the 2018/19 season, their 12th successive year of generating combined losses.

Increased investor interest in Italian football coupled with a more robust regulatory and governance approach could provide the opportunity for a return to profitability, but it is undoubtedly a challenging time for Italian football. Those responsible for the Italian game will need to consider carefully how best to proceed for a successful future.

More positively, the new domestic broadcast cycle in 2020/21 is expected to generate revenue uplifts of c.€400m. This, if combined with improved cost control rather than further wage increases, could provide an opportunity for Ligue 1 clubs to operate profitably and increase the investor appeal of top-tier French clubs.

Whilst 2018/19 saw growth across many of Europe's non 'big-five' leagues, the impacts of COVID-19, particularly on those leagues with a higher reliance on matchday revenue, will present a major challenge.

Russia

The Russian Premier League (RPL) maintained its position as the sixth-richest football league, despite a revenue decline, in Euro terms, of €61m (8%).

In order to deliver growth for future seasons, the RPL entered into an agreement with YouTube to distribute international rights during 2019/20 via a paid-for membership. Furthermore, the league is seeking to increase the intensity of competition and entertainment value by voting in favour of an expansion of the league to 18 teams.

Turkey

The Turkish Süper Lig reported limited revenue growth of 2% in Euro terms over the period. Difficult economic conditions and turbulence in the Turkish Lira exchange rate both presented growth challenges.

Nonetheless, the twin impacts of a new broadcast cycle and matchday revenue improvements helped maintain Turkey's strong financial ranking amongst European leagues. Turkish clubs' stadium redevelopment projects and the Turkish Football Federation's use of initiatives, such as UEFA Grow, to increase the country's participation in football and encourage families to attend Süper Lig matches have also helped strengthen performance.

Netherlands

The 2018/19 season saw revenues increase by 20% across the Dutch Eredivisie clubs. This was driven primarily by Ajax's progression to the Champions League semi-finals which earned the club €79m from UEFA distributions.

Portugal

The Primeira Liga saw further revenue polarisation amongst its clubs, as the league achieved overall revenue growth of 2% to €440m. The top three clubs, S.L. Benfica, FC Porto and Sporting CP, drove growth through increased matchday revenues and distributions from UEFA club competitions.

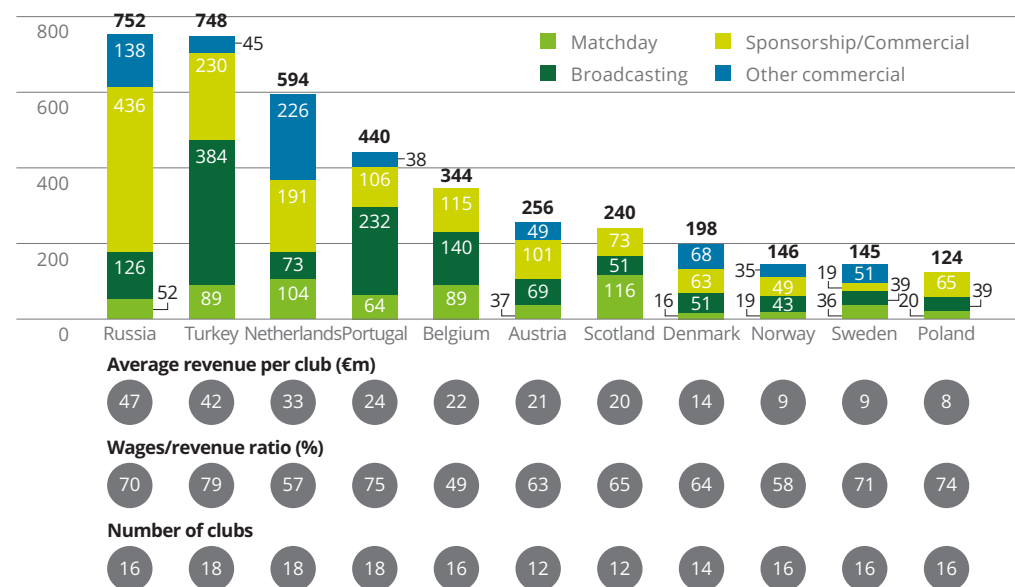
Belgium

Jupiler Pro League clubs achieved revenue growth of 16% to €344m. A key driver of growth was broadcast revenue (up 32%) as Belgian clubs benefited from an improved collective performance in UEFA club competitions compared to 2017/18. From 2020/21 broadcast revenue growth is expected, as a new five-year domestic and international rights deal is anticipated to deliver an increase of over 25% on the existing agreement.

Austria

The 2018/19 season marked significant growth for the Austrian Bundesliga, as the league expanded the number of competing teams to 12 and revenues grew by 45% to €256m. The commencement of the new broadcast cycle, starting in 2018/19 further drove growth. Longer term growth has seemingly been secured as the existing broadcast rights holder has negotiated an option to extend its current agreement for a reported c.20% increase in annual revenues, from the 2022/23 season.

Chart 6: Selected other European league clubs' revenue – 2018/19 (€m)



Note: This chart includes a sample of countries ranking below fifth in terms of average top division club revenues for the most recent available financial information. Figures in respect of Norway, Poland, Portugal, Russia and Turkey relate to FY2018. Figures in respect of Denmark and Sweden relate to the year to December 2019. The wages to revenue ratio in respect of Belgium is based on player payroll only.

Source: Leagues; Club accounts; UEFA; Deloitte analysis.

Scotland

The Scottish Premiership clubs' revenues increased by 3% to £212m (€240m) in 2018/19. The presence of both Old Firm clubs in the UEFA Europa League helped to deliver overall matchday and commercial growth. Matchday revenues, boosted by a fourth successive season of attendances growth, comprised 48% of total revenue – the highest amongst the European

top-tier leagues analysed in this report. Central distributions from the SPFL will be boosted by a new, long-term, domestic broadcast rights agreement commencing in 2020/21, which is anticipated to deliver a c.20% increase on the existing arrangement.

Denmark, Poland, Norway and Sweden

In 2018/19 no club from Denmark, Poland, Norway or Sweden qualified for the Champions League group stage, and the advent of the UEFA Europa Conference League therefore offers these clubs an additional opportunity to benefit financially from a share of UEFA distributions. These leagues also continue to look to other sources of revenue to achieve growth. For example, the Danish Superliga has agreed a new three-season broadcast rights deal from 2021/22 to 2023/24 and the Polish Ekstraklasa launched its own OTT platform in 2019/20.

Fans for the memories

Fans – as the ultimate consumer of its product – will always be a primary consideration for decision-makers in the football industry. The three revenue types by which the industry's income is categorised are all ultimately driven by fan consumption. It is fans who subscribe to television or streaming providers to watch the sport and provide broadcast revenue, fans that organisations partnering with football clubs and leagues wish to increase their profile with thus providing commercial revenue, and fans directly providing matchday revenue through their attendance.

The consumption demands of the fan in a post-COVID-19 world will therefore be of paramount importance and interest to the industry as it consolidates, recovers and ultimately grows in the face of the pandemic. An adaptation of existing business models is likely in the short-term at least as the industry adjusts to competing in a behind-closed-doors scenario, where the consumption preferences of fans watching from home become even more critical.

To get a glimpse into the current viewpoint of the football fan we conducted a global survey in early May 2020 of fans in over 30 countries. The responses provided notable insights both on how fans prefer to consume football and several topical issues in the game which will undoubtedly continue to be discussed in the coming year.



90%

of fans surveyed still watch live football via traditional linear broadcasts (via satellite or cable broadcasters).

50%

watch live football via streaming (i.e. web based solutions), with the same proportion watching via attendance at matches.

Key finding:

Traditional linear broadcast therefore remains hugely important for live sport, backed by considerable demand amongst fans.



When fans were asked to rank their methods of consumption by order of preference the results were particularly telling. Attendance at matches received the highest number of first preference selections with 40%. The most selected second and third preferences were live television and live streaming broadcasts, with highlights via television and streaming the most common fourth and fifth preferences respectively.

Key finding:

There is still an insatiable appetite for live sport, and despite significant advances in broadcast and technology, from the perspective of the fan, nothing beats being there.



The consumption methods for highlights are again still led by traditional linear broadcasts with 72% of respondents using this method, although a significantly higher proportion (60%) consume via streaming compared to live football.

Key finding: Greater use of streaming for highlights than for live football shows that different content is viewed via different media by the same consumers.

Of those fans that streamed (either live or highlights) the device most commonly used was the phone, with 42% of fans that stream using that method compared to around 25% for laptop and television.

Key finding: As mobile technology and video quality continues to evolve with the advancement of 5G the trend of phone as the primary streaming device looks set to continue.

The preferred channels used to access information about clubs, leagues and players vary. Despite the proliferation of social media over the past decade respondents still used websites for clubs and leagues more than any other channel. The most common source for players was their Instagram feed.



High profile official domestic matches taking place in other territories have become more prevalent, recent examples being the Italian Supercoppa and Spanish Supercopa in Saudi Arabia. The fans surveyed expressed negative sentiment for this, with 57% disapproving and only 17% expressing approval.



Key finding: Whilst such offers from host cities and countries may be attractive to leagues and federations, especially in a post-COVID-19 scenario where cashflow challenges are commonplace, careful consideration should be given to the core consumers – the fans – when making these decisions.



56%

Key finding: Fans appear to be broadly supportive of the continental and domestic competition formats currently in operation.

of respondees view the current competition formats at continental and domestic level as fit for purpose. 30% were neutral on the issue with only 14% expressing negative sentiment.

When asked about 'Super League' style competitions the fans surveyed were mainly disapproving of such formats which would potentially match the largest, but not necessarily the current best on-pitch, clubs against each other on a regular season basis. 57% of fans posted negative sentiment with less than a quarter (24%) supportive.

63% also disapproved of the notion that these competitions should be 'closed shop' (i.e. no promotion/relegation) to guarantee that the largest teams play each other each season.

Key finding: The current domestic and continental calendars, coupled with the drama, fluidity and jeopardy that promotion and relegation provides appear to be much valued.

Premier League clubs

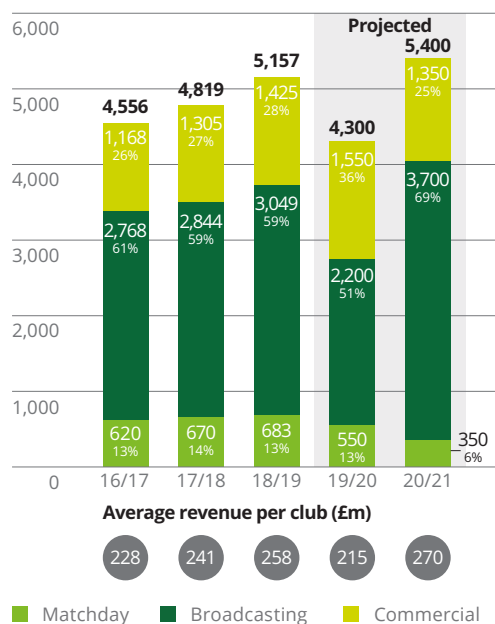
As predicted in last year's edition, Premier League clubs' total revenue exceeded £5 billion for the first time in 2018/19, an increase of 7% compared to the previous season.

Revenue increased across all three streams with the majority of growth in broadcast revenue. Increased distributions from participation in UEFA club competitions were received by clubs as a new cycle of broadcast agreements commenced and changes to the distribution model adopted by UEFA for its Champions League and Europa League competitions became effective. Commercial revenue grew faster than broadcast revenue (9% compared to 7%), due to the commencement of multiple new commercial deals, particularly at the largest clubs.

Premier League clubs' revenue

Clubs' total revenue increased by £338m (7%) in 2018/19 taking average revenue per Premier League club to £258m, an increase of £17m compared to 2017/18. Total revenue increases to new club record levels were seen at the majority of Premier League clubs. Aside from newly promoted clubs, four other clubs

Chart 7: Premier League clubs' revenues 2016/17-2020/21 (£m)



Source: Deloitte analysis.

generated revenue growth of more than 10%. The increase in broadcast revenue (£205m) accounted for 61% of the total revenue increase. The rise was predominantly driven by the combination of the increased value of UEFA broadcast rights; a new UEFA distribution mechanism, which introduced a coefficient ranking element based on a club's historical

Into the valley

The huge disruption to the 2019/20 season caused by COVID-19, with a quarter of the season delayed until at least June and July and played behind closed doors, will trigger the first ever drop in Premier League revenues. The fall is made up of two elements – 1) revenue delayed until the following financial year when the final games are played (football accounting years typically end in May or June) and much more seriously, 2) revenue permanently lost due to the impact of the pandemic.

While much uncertainty remains, assuming a completed 2019/20 season, we estimate revenue may fall to c.£4.3 billion (17% reduction from 2018/19), with over £500m now recognised in 2020/21 but almost £500m lost to the sport.

The completion of the 2019/20 season in the summer of 2020 could, surprisingly, prompt a rebound to a new revenue record for the 2020/21 financial year, as it will effectively cover one and a quarter seasons. There are a number of inherent uncertainties in trying to estimate the revenue levels for 2020/21 – the speed and scale of return of fans to stadiums, the easing of travel restrictions to facilitate UEFA competitions, the strength of broadcast and commercial partnerships and most fundamentally the prevalence of COVID-19 will all shape the outcome.

It is highly likely that the first truly "new normal" set of financial results will not be seen until the 2021/22 season, reflected in the 2023 edition of the Annual Review of Football Finance.

performance in UEFA competitions; and strong performances by Premier League clubs in UEFA competitions. Approximately 80% of the increase in broadcast revenue was generated by the four Premier League clubs that participated in the 2018/19 Champions League, with the winners Liverpool generating £264m in broadcast revenue across all competitions, a 19% increase on the previous season.

Commercial revenue increases (£120m, 9%) accounted for most of the remaining total revenue increase, with all but four of the consistent Premier League clubs reporting increases. The two Champions League finalists, Liverpool and Tottenham Hotspur generated over half of the total commercial growth

between them. Both clubs continue to seek ways to utilise their stadiums on non-match days, with 2019/20 seeing concerts at Anfield for the first time since 2008 and Tottenham Hotspur Stadium hosting its first NFL fixtures.

As expected, matchday revenue continues to be the smallest component of total revenue and its share of total revenue decreased marginally to 13%. Nonetheless, most of the Premier League clubs which also participated in the 2017/18 season reported increases in matchday revenue as the total edged up to a new record level for the League. Stadium utilisation was 97%, further highlighting the limited scope for growth in matchday revenue without ticket price or capacity increases.

The gap between the average revenue generated by a 'big six' club and the remaining clubs has continued to widen. In 2018/19 the average revenue generated by a 'big six' club was £500m, an increase of £39m (9%) from 2017/18, whilst average revenue for the remaining clubs increased £7m (5%) to £154m.

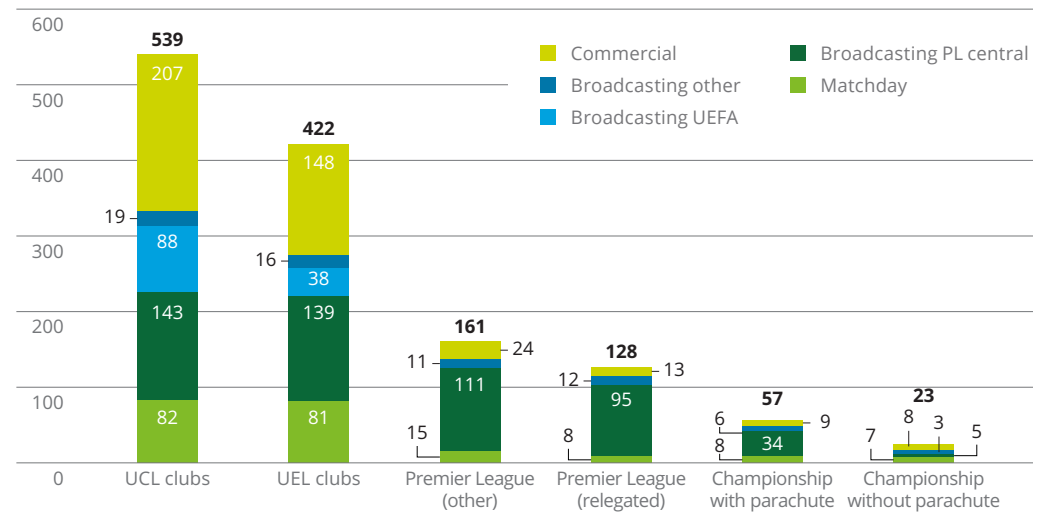
Premier League clubs' revenue levels

Once again, all Premier League clubs ranked in the top 50 revenue generating clubs in the world with Manchester United the highest ranked English club in third, with FC Barcelona and Real Madrid continuing their recent dominance of the top two positions in the Deloitte Football Money League.

An emerging theme in the sector in respect of the highest revenue generating clubs, and which is also observed in the Premier League, is the emergence of "mini-leagues" which represent the grouping of clubs in terms of revenue generation.

The revenue gap between the 'big six' and the rest is the largest it has ever been. Arsenal, the sixth highest revenue generating club (£393m), earned more than double the revenue of West Ham United (£193m) in seventh, a revenue gap of £200m. The introduction of historical performance coefficients into UEFA's distribution model will further benefit those clubs with previous success in the competition, many of whom have already built strong fanbases and global brands. It is becoming increasingly apparent that for clubs outside of

Chart 8: Premier League and Championship clubs' average revenues – 2018/19 (£m)



Note: UCL clubs comprised Liverpool, Manchester City, Manchester United and Tottenham Hotspur. UEL clubs comprised Arsenal and Chelsea only as Burnley was eliminated in the play-off round of qualification.

Source: Premier League; UEFA; Deloitte analysis.

the 'big six' to reduce the revenue gap they need to consistently challenge on the field and finish inside the top six league positions. Breaking through and establishing themselves in this virtuous circle is neither easy (as many have tried and failed) nor cheap, as the most recent successes in doing so have shown.

The clubs relegated from the Premier League in 2018/19 were three of the four lowest revenue generating clubs. Fulham, Cardiff City and Huddersfield Town generated an average revenue of £128m whilst the 11 clubs that were not relegated and did not take part in the Group Stages of UEFA competitions achieved average revenue of £161m.

Binge watching on catch up

The disruption to the 2019/20 season has reportedly resulted in agreed (c.£330m) rebates to the domestic and international broadcasters, in recognition of the impact to broadcasters' revenues from the extended absence of live matches, subsequent disruption to planned schedules and the loss of subscribers (revenue therefrom). Illustrating the public's thirst for a return to live football, and the broadcasters' appetite for live content, all 92 of delayed games of the 2019/20 season will be shown live. New innovative extended schedules have been agreed with matches staggered across familiar and new kick-off slots and spread between Sky, BT Sport, Amazon and the BBC – the first time the BBC has broadcast live Premier League matches, bringing matches

to the maximum audience in a unique moment of peacetime national crisis.

The 2019/20 season is the first of the three-year broadcast cycle. In normal times domestic negotiations for the next cycle (starting 2022/23) would be expected to progress in early 2021. Any ongoing uncertainty over COVID-19 would make such discussions more complex and point to a tough market. Nonetheless, there was already emerging new competitors for Premier League rights, and Amazon's 'experiment' is reported to have been a success. The popularity of the streaming services has increased through the crisis and it is very possible they could become more prominent in the future cycle.

Hard choices

The deep public love for sport – whether watching or participating – has been clearly demonstrated during the crisis and sport will play a valuable role in the nation's recovery, indeed way beyond its direct economic contribution.

In the long-term, commercial partners will still want to be associated with the passion of sport, but for many corporates tough spending decisions will be required and short-term discretionary expenditure such as sponsorship and corporate hospitality will come under scrutiny. Some partner industries to sport may retreat, certainly in the medium term, but others have the opportunity to become more prominent supporters.

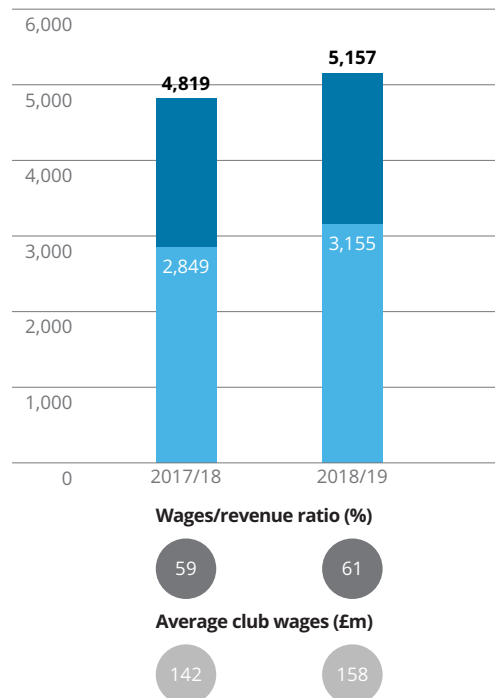
Premier League clubs' wage costs surpassed £3 billion for the first time ever in 2018/19, an increase of 11% from 2017/18 to £3.2 billion. Over the last two completed seasons the combined increase in wage costs has outstripped revenue growth of Premier League clubs.

Premier League clubs' wage costs

The wages to revenue ratio increased again from 59% to 61% in 2018/19 as Premier League clubs spent an additional £306m on wages compared to 2017/18 with only Arsenal and Watford reporting decreases. The 'big six' clubs, excluding Arsenal, all significantly increased their wage spend, ranging from 18% to 28%. Similar to the disparity in revenues, the average wage cost for a 'big six' club was £284m, an increase of 17%, compared to an average of £110m for the remaining consistent Premier League clubs. Despite its significant increase in wage costs, Tottenham Hotspur had the lowest wages to revenue ratio in the league (39%) for the third season running.

Outside the 'big six' there were also some significant increases, as the promoted clubs increased wage costs in a bid to avoid immediate relegation, with mixed success, and other clubs sought to maintain Premier League status or challenge the 'big six' at the top of the table. Two promoted clubs increased their wage costs by 70% and 82% respectively – the first, Fulham was relegated, the second, Wolverhampton Wanderers qualified for European competition. The remaining 11 clubs increased their wage bills by an average 9% (£8m).

Chart 9: Premier League clubs' revenues and wage costs – 2017/18 and 2018/19 (£m)



■ Revenue
■ Wage costs

Source: Deloitte analysis.

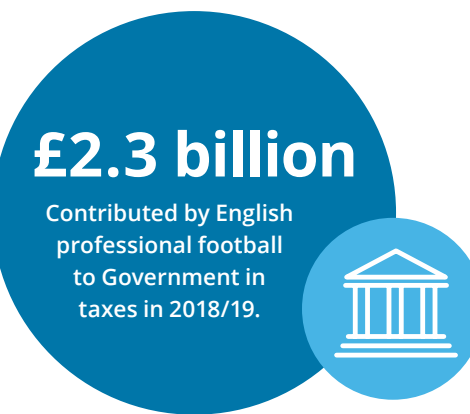
A brave new world

The COVID-19 crisis has starkly demonstrated the risk that clubs face due to their high operational gearing. Revenues are volatile and at risk from one year to the next, whereas costs (with players' wages the dominant cost) are largely fixed, often for years at a time due to the nature of players' contracts and competition to secure and retain their services. While a pandemic affecting all 20 clubs almost overnight could not have been foreseen, the relegation risk and impact crystallises for three clubs each year and the threat of a plateau or decline in other revenues is much discussed.

In other sports, teams are better protected against this through formal revenue sharing and collective bargaining agreements between players and teams. Whilst the

same structures may not directly work in the Premier League, some more direct linkage of wages costs to revenue would seem an obvious route for clubs to explore in order to better share risk and reward with players, and in turn create a more sustainable and robust business model.

Premier League clubs also benefit from visibility on future revenues as broadcast contracts are known one or two years in advance. Historically, given the typical substantial increases in broadcast revenues, this has fuelled wage inflation. A more prudent approach will now be required, given – as a minimum – uncertainty over future revenue increases coupled with the need to repair eroded balance sheets.



Outside the 'big six' there were also some significant increases in wage costs, as the promoted clubs increased wage costs in a bid to avoid immediate relegation.

Eight Premier League clubs reported wages to revenue ratios of 70% or more, the indicative warning threshold used by UEFA as part of its Financial Fair Play Regulations. AFC Bournemouth, Everton and Leicester City reported wages to revenue ratios of 85%, 85% and 83% respectively, this is the first time there has been more than one club with a wages to revenue ratio of over 80% since 2015/16.

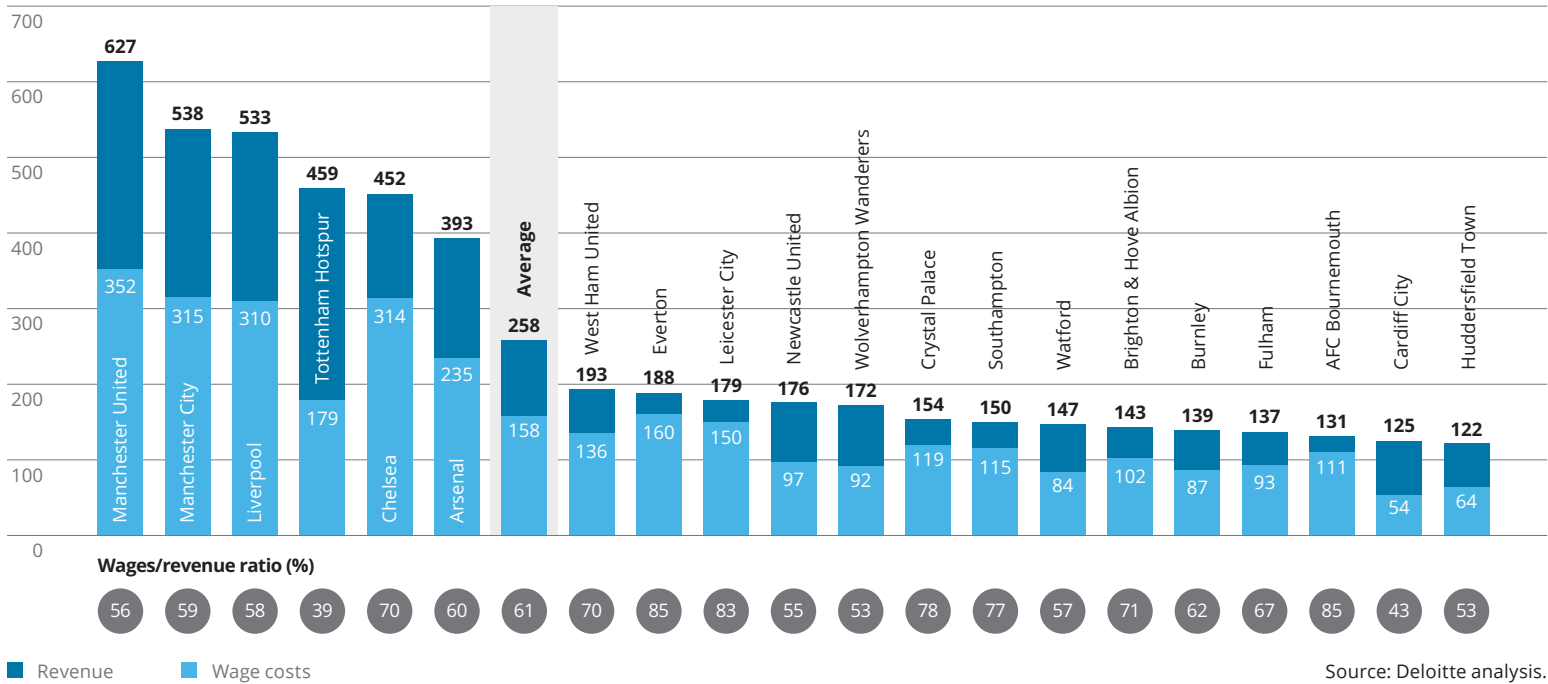
Correlation between wage costs and league position

The Spearman’s rank correlation coefficient, which measures the relationship between league position and total wage cost rank, increased from 0.75 in 2017/18 to 0.82 in 2018/19, indicating a relatively strong correlation between final league position and total wage cost in the 2018/19 season. Across the league, 14 clubs finished within two places either side of their wage costs rank with eight clubs finishing within one place.

At the top of the table there continues to be a strong relationship between league position and total wage costs. The top six wage spenders all finished in the top six league positions in the 2018/19 season, however only Arsenal and Chelsea’s finishing positions (third and fifth) perfectly correlated with their their wage cost ranks.

Cardiff City and Huddersfield Town, the two lowest wage spending clubs in the league were both relegated along with Fulham, which also ranked in the bottom third for wage spending. This indicates that while spending significant amounts on wages cannot guarantee the club

Chart 10: Premier League clubs’ revenues and wage costs – 2018/19 (£m)



Source: Deloitte analysis.

will avoid relegation it certainly gives clubs a greater chance, all other things being equal.

Across the rest of the division (7th to 17th) there is significantly less correlation between league position and total wage cost. The Spearman’s rank correlation coefficient drops to 0.25 for this section of the league indicating that the mid-table remains a highly competitive and unpredictable environment as has been highlighted again by the 2019/20 season to date.

At the top of the table there continues to be a strong relationship between league position and total wage costs, while the mid-table is a highly competitive and unpredictable environment.

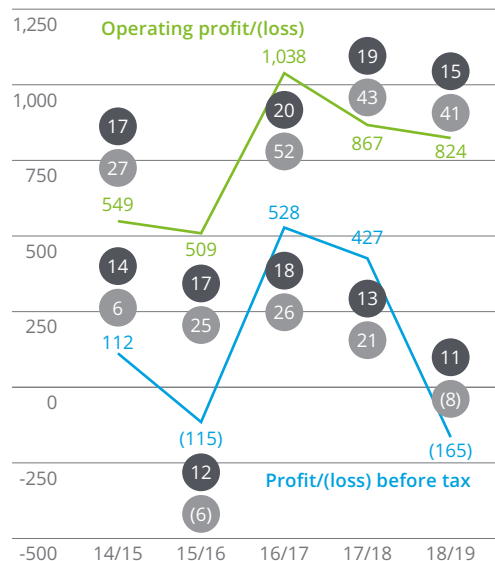
In 2018/19, the collective operating profit of Premier League clubs reduced to £824m, a decrease of 5% and a decline for the second consecutive season. Five clubs reported an operating loss compared to just one in 2017/18. Whilst cumulative operating profits of clubs are at their third highest level ever and hence remained strong, aggregate pre-tax losses of £165m were reported in 2018/19, which is a dramatic £592m reduction from profitability in 2017/18 and the worst reported losses since 2012/13. Nine clubs recorded pre-tax losses, the largest number since 2012/13 when 13 clubs were loss making.

Premier League clubs' operating profit

The combined operating profit (which excludes profit on player trading, amortisation of player transfer fees and finance costs) of Premier League clubs has reduced for the second successive year, as the pace of wage cost increases outstripped the rate of revenue growth and other operating costs grew. The pattern of successive operating profit reductions in the second and third years of the 2016/17 to 2018/19 broadcast rights cycle is a consistent trend with the 2013/14 to 2015/16 rights cycle. Despite this, reported cumulative operating profit of £824m is still the third highest in Premier League history.

Chelsea was the only 'big six' club to report an operating loss (£2m), with the other five clubs generating a combined operating profit of £566m, approximately 70% of Premier League clubs' total operating profits. Despite this, of the six only Liverpool and Arsenal recorded year-on-

Chart 11: Premier League clubs' profitability – 2014/15-2018/19 (£m)



- Clubs reporting operating profit/pre-tax profit
- Average club operating result/pre-tax result

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

Source: Deloitte analysis.

year operating profit increases. Outside the 'big six' operating losses were made by an additional four clubs. Five clubs generating operating losses is the highest number of clubs to do so since 2012/13 with all five increasing their wage costs by more than revenue increased, indeed in three cases increasing wage costs despite a decline in total revenue.

Testing times

It is clear that COVID-19 will have a very material impact on the profits of Premier League clubs, but it is not the sole cause of declining profitability.

Even before the COVID-19 pandemic there were some worrying signs in the profitability of English clubs. In the 2018/19 season it was already known that the new Premier League rights deals for 2019/20 onwards would not deliver large revenue increases as the previous two had. Wage growth and transfer spending had eroded hundreds of millions of pounds of profitability since the 2016/17 season as clubs carried record book values of players on their balance sheets going into the 2019/20 season. The clubs were therefore already due to see profitability fall again in the 2019/20 season, an effect that will be magnified by the loss of revenue from the season being paused.

It is very possible that Premier League clubs will report a collective operating loss for the first time when we report results for the 2019/20 financial year in the summer of 2021. The expected much quieter summer 2020 transfer window, certainly for most clubs, means much reduced opportunities for generating significant profits on disposal of players. This has previously been facilitated by a perpetually rising market and aided by the sale of home grown players with no recognised balance sheet value.

Therefore it is very likely that 2019/20 will see a record pre-tax loss (currently a £406m loss from 2009/10), and potentially well in excess of this. While clearly unwanted, a crisis provides the opportunity to reconsider established but sub-optimal business practices. Clubs should adopt an open minded approach to reform.

The three newly promoted clubs, Cardiff City, Fulham and Wolves, received a total of £332m in central distributions from the Premier League in 2018/19, helping boost their combined operating profits to £98m, having generated operating losses of £113m in 2017/18. This transformation of clubs' profitability highlights the financial opportunity on offer to clubs promoted to the Premier League and underpins the level of operating losses owners appear willing to incur in their efforts to do so.

Five clubs generating operating losses is the highest number of clubs to do so since 2012/13.

Premier League clubs' pre-tax losses

Having achieved pre-tax profits of £427m in 2017/18, Premier League clubs reported significant aggregate pre-tax losses of £165m in 2018/19. This was the highest losses total since 2012/13 and only the second cumulative pre-tax loss in the past six seasons, representing a negative swing of almost £600m compared to 2017/18. The predominant driver has been the combination of a significant reduction in profit from the sale of players and increased amortisation of player registrations.

Chelsea generated the largest pre-tax loss due to marginal revenue growth (1%), a reduction in profits achieved on sale of players (from £113m to £60m) and the largest increases among Premier League clubs in both wage costs (£69m) and amortisation of player registrations (£44m). Tottenham Hotspur reported the highest pre-tax profit for the second successive season, albeit this reduced from £139m (2017/18) to £87m (2018/19).

In 2018/19, nine clubs reported pre-tax losses, the highest number since 2012/13. Outside of the 'big six' the average pre-tax loss was £13m, which included a range from pre-tax losses of £112m (Everton) to pre-tax profits of £41m (Newcastle United). Notably, two of the three relegated clubs (Cardiff City and Huddersfield Town) reported pre-tax profits indicating careful cost control. In normal times this approach should, alongside parachute payments, provide a club with a more stable financial base as they attempt to adjust to life in the Championship.

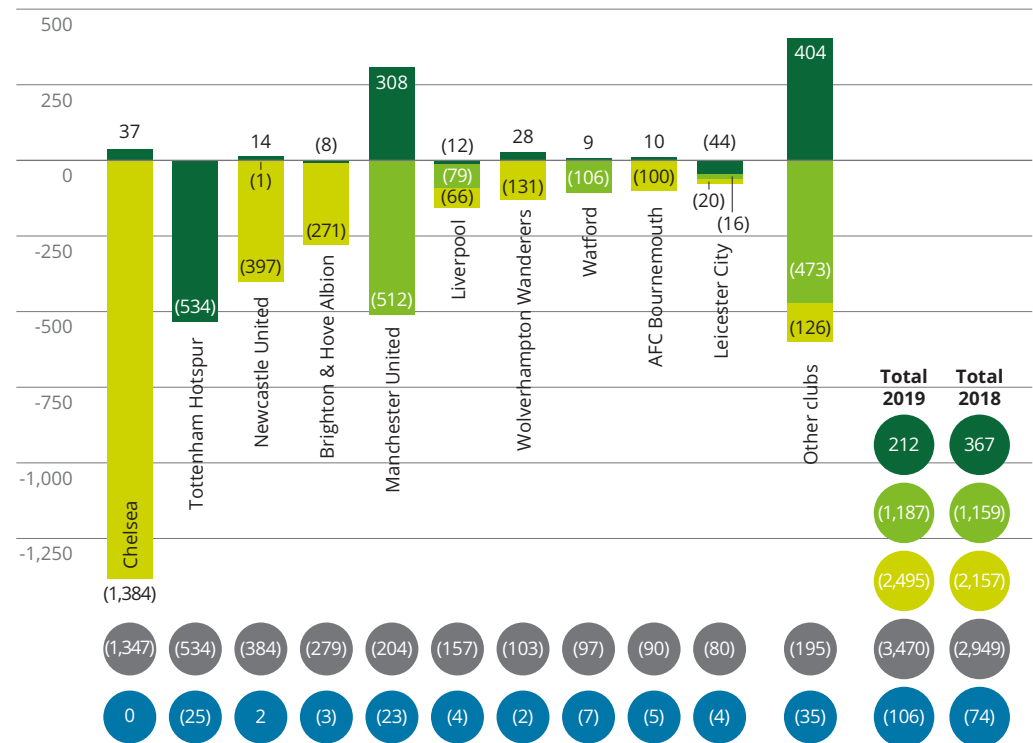
The cumulative net debt held by Premier League clubs surpassed £3 billion in 2018/19 for the first time since 2008/09, reaching a total of £3.5 billion, up from £2.9 billion in 2017/18. Whilst this is the highest level of cumulative net debt ever recorded by Premier League clubs, it represents just over two thirds of combined revenues. Ten years previously the then record £3.3 billion represented 167% of that season's revenues. The rise has predominantly been driven by an increase in soft loans from club owners.

Premier League clubs' net debt

Soft loans – a club's borrowings on interest-free terms typically from their owners – increased by 16% (£338m) in 2018/19. The increase is considerably smaller than was seen in 2017/18 (£679m) which was the result of promoted clubs contributing a combined soft loans balance of over £700m. Chelsea's soft loan balance increased by £228m in 2018/19 and the club continue to hold the largest owner borrowings balance in the league (£1.4 billion). Other notable increases were reported by Bournemouth and Brighton, which increased their soft loans by £80m between them during 2018/19.

Bank borrowings, which increased by £282m compared to 2017/18, was the other main driver of increased net debt. The increase was underpinned by a significant increase at Tottenham, with bank loans increasing from £461m to £658m as the club completed work on its new stadium. Significantly increased bank borrowing was also seen at Huddersfield Town and Leicester City, increases of £31m and £55m respectively. These increases were offset by an

Chart 12: Premier League clubs' net debt – 2019 (£m)



improved cash balance, increasing by £127m to over £1 billion across the league. This was largely driven by increases in the cash balances of the two Manchester clubs, with Manchester City and Manchester United reporting increases of £102m and £66m respectively. This meant across the 20 Premier League clubs they had combined net cash in the bank of £212m.

Other loans remained at much the same level as in 2017/18, showing a 3% (£28m) increase. Net finance costs rose by £32m to £106m in 2018/19, however these remain comfortably covered by the clubs' aggregate operating profits.

Legend:
■ Net cash/bank borrowings
■ Net debt
■ Other loans
■ Soft loans
■ Net finance costs

Note: Newcastle United net debt calculated using Newcastle United Limited 2018/19 financial statements and St James Holdings Limited 2017/18 financial statements.

Source: Deloitte analysis.

The women's game

Women's football made further substantial progress in the 2018/19 season and, notwithstanding the current COVID-19 induced hiatus, the outlook remains positive with strong existing and potential growth opportunities for stakeholders.

2018/19 – review headlines

Club football

The 2018/19 season witnessed numerous record one-off attendances in the women's domestic game, including: in Spain (Atlético Madrid v Barcelona, 60,739, March 2019), in Italy (Juventus v Fiorentina, 39,027, March 2019), and in France (Lyon v Paris Saint-Germain, 25,907, April 2019). Although these leagues now boast impressive record attendances, the picture is remarkably different for average match attendances. The majority of major women's domestic leagues achieve average attendances of c.1,000 with the two exceptions being:

- 1) The American NWSL – which has achieved an average attendance of c.6,000 in the three seasons to 2018/19; and
- 2) The Australian W-League – with attendances of c.1,800.

2018/19 was also the season that Manchester United entered the professional women's game and, despite playing in the second tier of English football, achieved an average attendance of over 2,000.

Regarding commercial interest in the women's game, in England the FA announced Barclays as the first ever title sponsor of the FA Women's Super League (FA WSL) in a reported £10m three-year deal. In Spain, Spanish energy company Iberdrola announced an extension to its title sponsorship of the top-flight league in a deal reportedly worth €1m per year.

International football

UEFA announced two major women's football sponsors:

- 1) VISA became the first ever sponsor of UEFA women's football with a seven-year partnership through to 2025, reportedly worth €2.5m per season; and
- 2) In March 2019 Nike was announced as the official match ball supplier.

Given the upcoming World Cup in France there was also significant commercial interest in the national team game. As a prominent example, Boots signed as a main sponsor

of all four UK home nations and the Republic of Ireland in April 2019. Whilst FIFA's major partners of the tournament are predetermined, (FIFA's six Global Partners have rights to all FIFA competitions) the tournament is able to negotiate its own national sponsors. The six national sponsors generated a reported US\$11.8m of rights fees and with reports that FIFA may unbundle the rights to the Men's and Women's World Cup (WWC) from 2022 onwards, the 2023 World Cup could see a significant uplift in value for the women's competition.

The 2019 World Cup more than delivered on the pre-event promise to act as a supercharger for interest in the women's game. Match attendances were sizeable, at an average of 21,756. These figures were by no means unprecedented (the average attendance recorded at the previous edition in Canada was 26,029) but the tournament shattered TV records. The average global live match audience of 17m was more than double the 8m in Canada in 2015, with a total viewership across the tournament of more than 1 billion. Digital engagement was another key success for the World Cup, with players such as Alex Morgan, Megan Rapinoe and Lieke Martens becoming recognised star names, among football fans and beyond, and not just in their own countries.

Outlook for 2019/20 and beyond

Given the exposure of women's football during the World Cup, many domestic leagues were planning how to capitalise on the "buzz" created around the game and its players. One such initiative, implemented by the FA WSL, was the introduction of women's football weekends with women's games played at larger men's stadia. During these weekends, attendances for the English domestic game reached new heights. The first Manchester derby saw a WSL record crowd of 31,213 at the Etihad Stadium, only to be surpassed a few months later by the 38,262 who turned out at Tottenham Hotspur's new stadium for the first top-tier North London derby. The confirmation of the power of local derbies to drive interest was an important proof of concept for the women's game.

There has also been a surge in commercial interest following the World Cup. For example, the BBC reportedly paid €10-12m for the rights to the Women's Euro in 2021 (now 2022) being hosted in England, up from €1m that Channel 4 reportedly paid for the 2017 edition. Canal Plus and TF1 followed this trend in France with a joint €13m deal for the French rights to the same competition. Whilst progress may have been temporarily paused in the wake of COVID-19, this pause may create opportunities for growth as the game's key decision makers are given time to reflect and consider its future direction.





Three such opportunities are:

- Rivalries;
- Ownership; and
- Game changing thinking.

Rivalries

Many of the greatest and most valuable stories in sport are built upon rivalries. Whether it is Pakistan v India (cricket), LA Lakers v Boston Celtics (basketball), Real Madrid v Barcelona (football) or America v Europe (Ryder Cup golf). These matches draw the biggest crowds, the highest audiences and the greatest commercial value because they mean more to all concerned. Rivalries create a sense of identity and belonging – recognised by Maslow's hierarchy of needs as the third level of human need, only surpassed by physiological needs (water, food etc.) and safety needs (employment, health etc.). Rivalries in sport not only deeply embed fan loyalty but also create "appointment to view" moments that even casual fans do not want to miss. In the context of women's football, the creation and strengthening of rivalries should be an important consideration for rights holders and clubs. This can be through creating new rivalries

built on past encounters in women's football or through building on pre-existing local rivalries. For example, Manchester United entering a women's team and the subsequent attendance record from the first Manchester derby shows the value a rivalry can have on fan engagement.

Ownership

Fuelled in part by the challenging current financial environment for sports organisations, investors are increasingly interested in sports leagues and clubs, offering immediate investment in return for an equity stake and influence and involvement in a potentially rewarding long-term business opportunity. With the majority of domestic women's leagues owned and operated by their respective National Association (a key difference with their male counterparts which are predominantly owned by the clubs themselves), the current situation may be an opportunity for rights holders to consider attracting third party investment. This could take a variety of forms, such as: joint ventures, long-term strategic partnerships, direct purchases or partial equity investments. Women's football, with both a lower entry price

tag and a steeper potential growth trajectory compared to many other sports properties, could be an attractive proposition. For the leagues and the clubs themselves, while there remains a need to be sure of the benefits of any long-term partnership, and the intentions of the partner, the immediate investment would provide a significant opportunity to further professionalise and grow their fanbase, subsequently attracting increased commercial interest and thus accelerating a virtuous circle of growth.

Game changing thinking

Despite the significant surge in interest in women's football, particularly following on from the 2019 World Cup, the industry is still in its infancy. This presents an opportunity for key stakeholders to contemplate revolutionary ideas that other longer established sports lack the agility to implement. For example, could the global club game be structured in a different way to its men's counterpart in terms of the interaction of national, continental and global competitions? While such a concept might be dismissed immediately in the men's game, for

a nascent professional sport such as women's football, without the logistical behemoth of an overloaded calendar deeply-rooted in tradition, this may be possible. Indeed, such bold ideas can be a key catalyst for growth.

Grasp the opportunity

Given the success of its most recent major competitions (e.g. 2019 FIFA WWC), the current and predicted global interest in the sport and the outlook of three major events in the next three years (Olympic Games in 2021 – Japan, UEFA Women's Euro 2022 – England and FIFA WWC 2023 – location TBC), the potential for women's football has never been stronger. Rights holders and investors that can grasp this opportunity and invest in the key catalysts for change will be well placed to generate and reap the rewards from the next phase of growth.

The Sports Business Group at Deloitte advises sports leagues and clubs on developing their strategic future direction, and regularly assists investors considering acquiring a sports asset.

Football League clubs

2018/19 saw a sixth successive season of revenue growth in the Championship. Clubs generated record revenues of £785m, a 5% rise on 2017/18. The increase was largely driven by the return to the Championship of three long standing Premier League sides in Swansea City, Stoke City and West Bromwich Albion which had stayed in the top flight for a combined 25 seasons before their relegations.

Revenue is expected to fall for the 2019/20 season given the disruption to the football calendar caused by COVID-19. On a positive note, a new domestic broadcast rights deal began in the 2019/20 season, providing a 35% increase in value on the current deal, which will provide a boost to Championship revenues during this deal cycle.

Football League clubs' revenue

Broadcast revenue (including parachute payments) continues to dominate the revenue profile of Championship clubs, accounting for over 54% of total revenue. Commercial revenue (25%) and matchday revenue (21%) combined made up just under half of total revenue in 2018/19. West Bromwich Albion recorded the highest revenue in the Championship, reporting revenue of £71m, with over 62% coming from parachute payments.

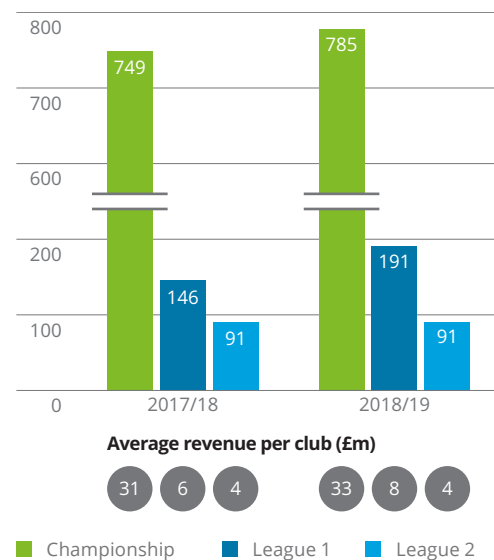
Parachute payments were the single largest contributing item to total Championship clubs' revenue, accounting for 30%. Seven Championship clubs were in receipt of parachute payments, ranging from £16m to £44m and totalling £237m, a decline on last year due to the back-to-back relegations suffered by Sunderland, which now competes in League 1. Aston Villa was the only one of the three sides promoted to the Premier League which received parachute payments in 2018/19, confirming that whilst parachute payments can be a key differentiator in assisting on-pitch success they bring no guarantees. While success was apparent for Aston Villa, only one of the other six clubs reached the playoffs.

The average revenue of a club in receipt of parachute payments was £57m compared to £23m for those not in receipt. For those not in receipt of parachute payments, it is very challenging to generate the matchday and

commercial revenue to make a meaningful contribution to bridging the financial gap. Leeds United was the most successful Championship club at generating matchday (£18m) and commercial (£21m) revenue, which accounted for a combined c.80% of their total revenue, enabling it to generate higher total revenue than some clubs in receipt of parachute payments. Leeds United was the only club to do so, though Norwich City also came close.

Commercial revenue also accounted for a higher percentage of Championship club's total revenue in 2018/19 at 25%, up from 23% in the prior year, driven by the three newly relegated clubs averaging £10m of commercial revenue each.

Chart 13: Football League clubs' revenues - 2017/18 and 2018/19 (£m)



Source: Deloitte analysis.

Good or evil – Parachute payments

Parachute payments are being increasingly scrutinised for the financially polarising effect they have within the Championship as they attempt to bridge the vast revenue gap between the top two divisions in English football. The average revenue of the three newly relegated clubs was £70m compared to an average of £48m for the other four clubs in receipt of parachute payments and £23m for the other 17 clubs, representing a sizeable financial advantage.

In 2018/19, all three clubs relegated from the Premier League in the prior season failed to secure promotion. The challenges of adjusting to life in the Championship meant that while the parachute helped break their financial fall, it failed to facilitate the required bounce to catapult them back into the Premier League.

The 18 consistent Championship clubs from the 2017/18 season saw their combined revenue fall by £27m, largely due to parachute payments either ending (Cardiff City and Norwich City) or tapering (Aston Villa, Hull City, and Middlesbrough) and the gap not being filled by other revenue streams.

Sunderland's first season in the third tier of English football since 1987 drove the increase in revenues generated by League 1 clubs from £146m to £191m, a record high for the division. Meanwhile, League 2 revenue remained stable at £91m.

Record revenue was coupled with record wage costs of £837m in the 2018/19 season, a 5% increase on the 2017/18 season.

The wages to revenue ratio rose to a new record of 107%. This reconfirms the huge financial risks that Championship clubs are willing to take in order to chase promotion to the Premier League for as long as they are able to. Overall, wage levels in League 1 and League 2 were marginally more sustainable, although most clubs remain loss making and reliant on a combination of owner funding and windfall transfer receipts.

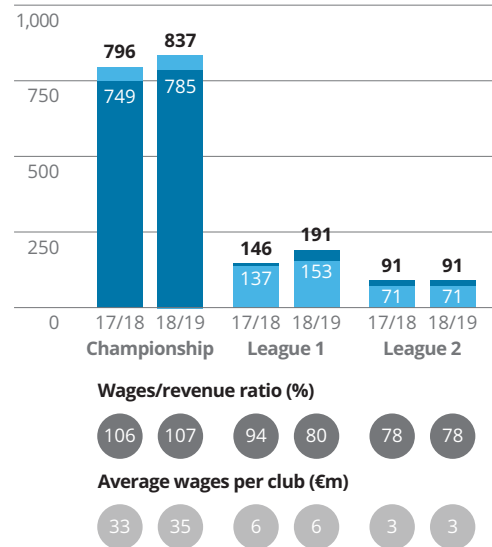
Football League clubs' wage costs

Aston Villa had the highest wage cost in the Championship in 2018/19 with £95m, more than 12 times that of Rotherham United (which recorded the lowest wage spend, at £7.8m). Whilst in some senses, the difference on the pitch at these extremes was clear, with Aston Villa finishing 17 places higher in the Championship, the four clubs that finished above Aston Villa each spent around half as much as them on wages. The average wage spend per club was £35m in the Championship, an increase from £33m in 2017/18.

Only four of the consistent Championship clubs from 2017/18, reported a decrease in their wage spend in 2018/19 as the majority of clubs began the season with a business plan built upon the objective of reaching the Premier League, despite only three teams being able to do so.

Around half of the clubs reported a wage spend greater than total revenue in 2018/19 with Reading spending over twice as much on wages as the club received in revenue.

Chart 14: Football League clubs' revenues and wage costs – 2017/18 and 2018/19 (£m)



■ Revenue ■ Wage costs Source: Deloitte analysis.

Promoted sides Sheffield United (190%) and Aston Villa (181%) were close to wages to revenue ratios of 200%, which may have been partly driven by promotion bonuses.

Birmingham City, with a wages to revenue ratio of 136%, was sanctioned by the Football League for breaching Profitability and Sustainability rules.

Sheffield United was the success story of the 2018/19 season, gaining promotion on the eighth largest reported wage bill. Furthermore, as Sheffield United's wage bill likely included promotion bonuses, the underlying wage bill and ranking would likely have been even

lower than this reported figure, making this achievement even more remarkable. Sheffield United showed that promotion is achievable on a mid-table budget, albeit still one that required substantial owner funding of losses.

There was a much stronger than usual positive correlation between wages and final league position in the Championship in 2018/19. The Spearman's rank coefficient for the Championship was 0.70, a significant rise from 0.47 in 2017/18. The rankings showed that generally the highest spenders finished at the top and the lowest at the bottom, with very few clubs finishing in the 'wrong half' of the table relative to their spending. Nonetheless, despite

the increased correlation, the correlation between wage spending and finishing position remains weaker than in the Premier League.

2018/19 saw League 1 wages rise 12% to £153m however the wages to revenue ratio fell from 94% to 80%, with the introduction of Sunderland to League 1 having a significant impact on the financial landscape of English football's third tier. League 2 wages remained stable at £71m in 2018/19, as did the wages to revenue ratio at 78%. Whilst the significant wage growth in League 1 and falling wages to revenue ratio may largely be driven by Sunderland's presence, the stabilising wage spending in League 2 is more promising.

Put a cap on it

The scale of the financial risk taken in the Championship through wage spending and the consequential recurring losses of most Championship clubs has been evident for many years. A combination of owner funding and in some cases, occasional windfalls from promotion to the Premier League or player transfer receipts has been the method of financial survival for many clubs. The COVID-19 crisis and the impact it has had on clubs and on some of their owners' financial resources is forcing deeper scrutiny into the current financial environment these clubs operate in.

Salary capping is reported to be under active consideration. As an observation, if a straightforward salary cap at 70% of revenue at each club (the benchmark level generally seen as the sustainable level) had

been in place for the 2018/19 season, the wage decrease would have reduced operating losses by £308m and reduced the number of clubs losing over £10m at that level to just two, whilst almost entirely wiping out the combined pre-tax loss recorded by Championship clubs.

Interestingly, whilst this measure would have changed the wage ranking of Championship clubs for the 2018/19 season, the wage ranking of clubs under such a cap is more closely correlated with their pre-cap wage ranking than their pre-cap wage ranking was with their league position. This indicates that the financial benefit gained by all collectively from the wage cap would seem to outweigh any sporting performance loss for a few.

With wage cost growth continuing to outstrip revenue growth, Championship clubs recorded record operating losses for the fourth successive season, worsening by 6% to £382m. Championship clubs narrowly avoided setting a new record for combined pre-tax losses which remained over £300m.

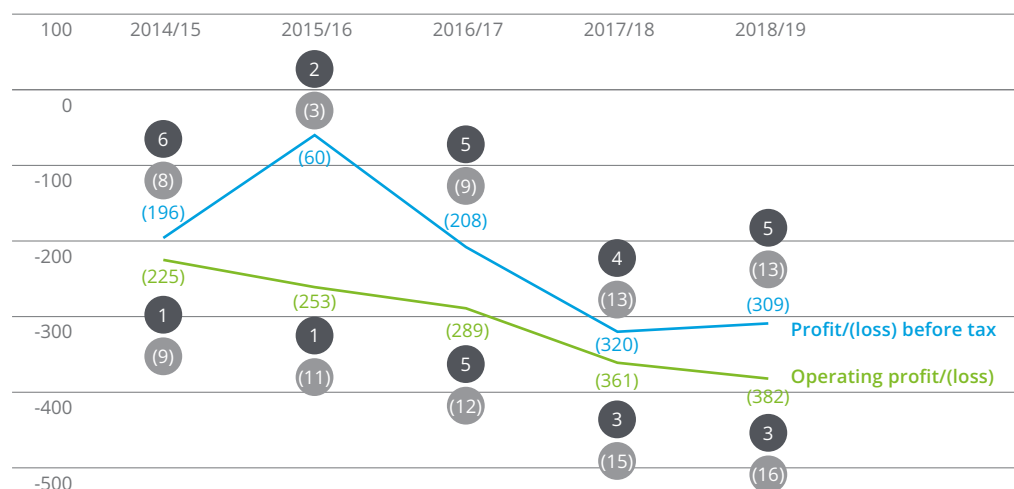
Football League clubs' losses

Only two Championship clubs (Hull City and Rotherham United) reported both operating and pre-tax profits. Brentford, Bristol City and Middlesbrough recorded pre-tax profits despite operating losses after averaging £34m profit on player trading, as some Championship clubs still manage to use transfer receipts to offset losses. Over half of Championship clubs reported operating losses of over £10m with the average operating loss being £16m across the league as a whole.

Championship play off final winners Aston Villa recorded both the highest operating loss (£60m) and highest pre-tax loss (£69m) in the Championship, demonstrating once again how much is at stake in the biggest game in world football, in financial terms. The three clubs promoted to the Premier League in 2018/19 accounted for 32% of the Championship clubs' total operating losses and 42% of pre-tax losses, highlighting the financial risks that clubs are willing to take in the pursuit of promotion to the Premier League.

Championship clubs generated a profit on player trading of £271m. This was largely offset by amortisation of player contracts of c.£250m, meaning a net c.£20m contribution to profits was created by player trading.

Chart 15: Championship clubs' losses – 2014/15 to 2018/19 (£m)



As a result of significant player sales that resulted in a profit on player trading of £30m, Brentford recorded the highest pre-tax profit in the division of £24m.

2018/19 has seen League 1 pre-tax losses fall from £81m in 2017/18 to £22m. This reduction was driven by a change in club mix, with Blackburn Rovers and Wigan Athletic exiting League 1 upon promotion the previous year, which had combined pre-tax losses of £34m in 2017/18, and an increase in profit on player trading. League 2 pre-tax losses increased to £20m from £10m in 2017/18.

The financial collapse of Bury FC and its consequential loss of membership of the Football League in August 2019 will be deplored by all who value the role that clubs play in their local communities. As noted in the subsequent independent review commissioned by the Football League, the case should act as “a real wake-up call for football authorities generally.”

- Clubs generating operating profit/pre-tax profit
- Average club operating loss/pre-tax loss

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

The 2014/15 pre-tax loss included one-off credits of £26m at Cardiff City and £11m at Reading. The 2015/16 pre-tax loss included one-off credits of £170m at Bolton Wanderers, £18m at Nottingham Forest, £12m at Derby County, and £10m at Cardiff City.

The 2016/17 pre-tax loss included a one-off credit of £40m at Nottingham Forest.

The 2017/18 pre-tax loss included one-off credits of £40m at Derby County, £38m at Sheffield Wednesday, £8m at Sunderland, and £5m at Nottingham Forest.

The 2018/19 pre-tax loss included one-off credits of £30m at Reading, £17m at Birmingham, £14m at Brentford and £5m at Aston Villa.

Source: Deloitte analysis.

Regulating the clubs

As part of a wider agreement between the Football League and the Premier League, from the 2016/17 season the Championship clubs became subject to the Profitability and Sustainability (P&S) Rules, replacing the Championship's Financial Fair Play Rules which were assisting clubs in restraining losses. Unfortunately, losses have risen significantly since the adoption of the P&S rules and the financial health of Championship clubs has deteriorated.

In 2019, Birmingham City became the first club to be deducted points for its failure to comply with the P&S Rules, given excessive spending over the three financial years covering the 2015/16 to 2017/18 seasons. Subsequently, other Championship clubs have been subject to charges for non-compliance and the reported cumulative losses of Championship clubs indicates others are struggling to comply.

With football currently on pause due to the impact of COVID-19, and losses set to spike due to the financial impact of this disruption, now is the opportune time to create more effective cost control regulations for the future and an overall regulatory framework to facilitate, monitor and enforce a more financially sustainable environment for Football League clubs.

At summer 2019, Championship clubs' aggregate net debt was 14% higher than at summer 2018, totalling £1.1 billion, largely driven by the presence of Blackburn Rovers and Stoke City in the Championship, which reported combined net debt of £248m. The majority of Championship clubs' reported net debt was in the form of interest-free soft loans from shareholders reflecting their continued heavy reliance on their owners for funding and solvency.

Football League clubs' net debt

Eight Championship clubs reported net debt in excess of £50m. Four reported net debt in excess of £100m.

Four clubs (Aston Villa, Rotherham United, Swansea City and West Bromwich Albion) all reported net funds at the year-end rather than net debt. The absence of soft loans was not due to a lack of owner funding in Aston Villa's case, with an equity injection of £106m provided during 2018/19.

Substantial bank lending continues to be an uncommon form of financing in the Championship. Overall, only £4m is owed to banks in total across Championship clubs at the summer of 2019, ranging from a cash balance of over £20m at Aston Villa and Swansea City to borrowing of £50m at Bristol City.

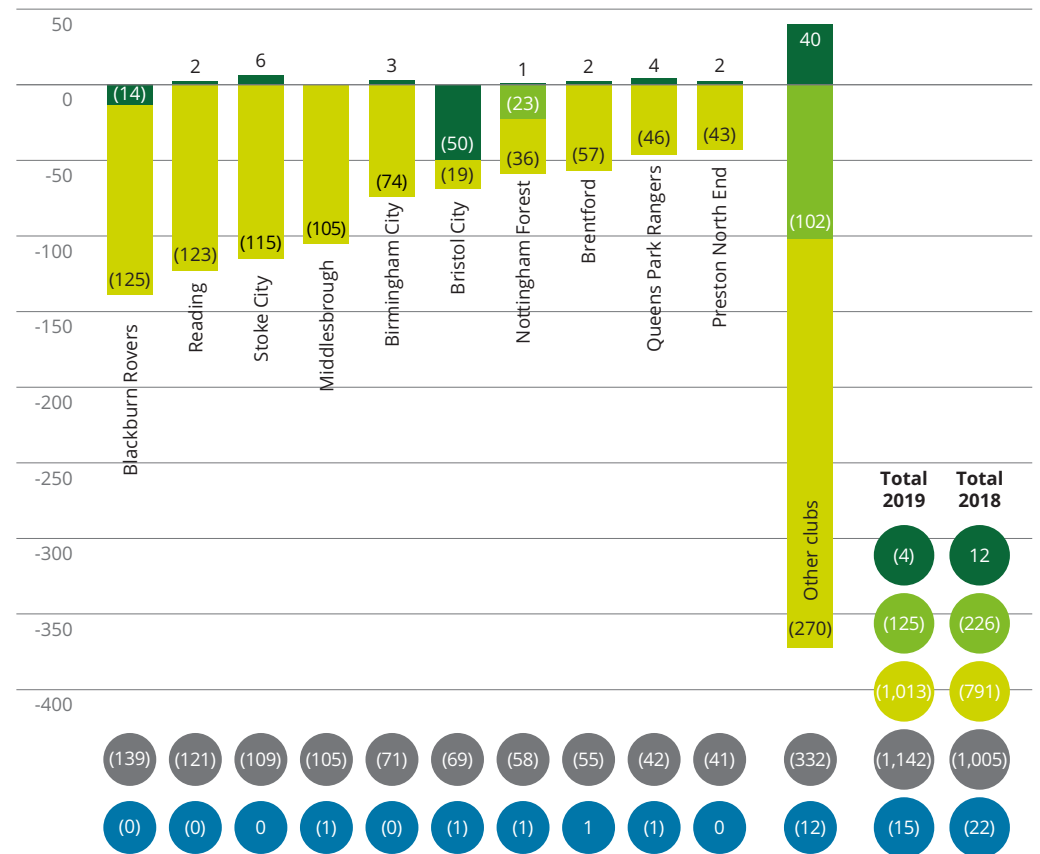
All stand together

It is evident that COVID-19 represents the greatest threat to the survival of many English Football League clubs since the demise of ITV Digital in 2002.

The opportunity does exist for clubs to address existing major structural weaknesses as part of the recovery from COVID-19. However, in order for clubs to have the ability to develop these more sustainable future business models, all stakeholders will need to play their part in funding and reducing what will be very significant operating losses in 2019/20 and the start of 2020/21. A raft of actions will be necessary including ongoing government support, the coordination between and support of football bodies to an extent not seen before, existing owners' contribution and players and club staff likely to have to share the pain through wage deferrals and reductions (with the Professional Footballers' Association taking a leading role).

New owners will almost certainly be required for some clubs and new investment should be welcomed. It is critical that any such owners are committed to the long term future of the respective clubs and protect the rich heritage of such valuable community assets.

Chart 16: Championship clubs' net debt - 2019 (£m)



At summer 2019 Championship clubs' aggregate net debt was 14% higher than at summer 2018, totalling £1.1 billion.

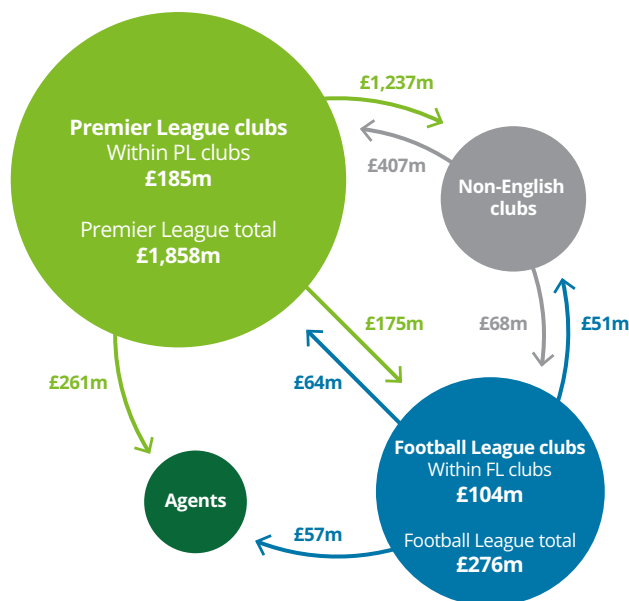
■ Net cash/bank borrowings ■ Net debt
 ■ Other loans ■ Net finance costs
 ■ Soft loans

Source: Deloitte analysis.

Player transfers

The 2018/19 season saw a reduction in transfer spend by English clubs, having reached a record high in 2017/18. Premier League clubs' transfer spend fell to £1.9 billion, marking a 21% reduction compared to the previous season (£2.4 billion), whilst Football League clubs also reduced expenditure, by 8% to £276m.

Chart 17: Premier League and Football League clubs' player transfer payments - 2018/19 (£m)



Note: Arrows represent the flow of transfer payments, with players moving in the opposite direction. The estimated fees in respect of the transfer of player registrations refer to amounts committed in 2018/19, rather than actual cashflows. The sources for the amounts in the chart relate to periods that are not necessarily coterminous.

Source: Premier League; Football League; Football Association; Deloitte analysis.

Premier League clubs' transfer activity

In recent years, central distributions from the Premier League have granted clubs the opportunity to acquire talent at premiums that can only be matched by a relatively small number of clubs internationally.

Recognition by Premier League clubs that significant increases in central distributions were not going to be received for the 2019/20 to 2021/22 broadcast rights cycle had a noticeable impact on their approach in the transfer market.

Of the 17 clubs in the Premier League in both the 2017/18 and 2018/19 seasons, the average transfer expenditure per club decreased by £35m, with the three promoted clubs committing a year-on-year average increase of £66m as they invested in talent in an attempt to secure their position in the top-tier of English football.

12 of the 17 consistent Premier League clubs spent less compared to the 2017/18 season, with Chelsea the highest spenders (£281m). Liverpool was the only 'big six' club to increase their spending year-on-year with total spend reaching £223m. Manchester City and Manchester United reduced spend by more than £200m and £100m respectively, demonstrating the relative restraint of the league's largest clubs. Player agents further increased income from English clubs despite the reduction in overall transfer fee spend, with amounts paid to agents increasing from £258m to £318m.

Football League clubs' transfer activity

Football League clubs saw their combined gross transfer expenditure fall by 8% to £276m from the 2017/18 season figure of £300m. Middlesbrough, which spent £66m in 2017/18 but only £11m in the 2018/19 season, was the largest contributor to the overall reduction.

In the Championship, the seven clubs in receipt of Premier League parachute payments on average spent twice as much as those without, with clubs receiving said payments spending an average of £18m in 2017/18 compared with £9m by clubs which did not.

Restricted movement

The 2019/20 transfer payments analysis we publish next year will reflect the activity in the summer of 2019 and January 2020. That is likely to be a high watermark for the foreseeable future as a very different summer transfer window is expected in 2020 due to the financial impact of the COVID-19 pandemic. We anticipate a much quieter, and more polarised, transfer window this summer in money terms. A few large clubs funded by wealthy owners may remain well equipped to secure their top targets, but many clubs will be unable or unwilling to invest and many that sell may be similarly not in a position to reinvest. There may still be a lot of player movement as clubs seek to adjust their cost base to compensate for lost revenue, but fees overall are likely to be greatly subdued relative to previous years.

Climate for change?

Environmental sustainability has, over recent years, become front-page news. Whilst COVID-19 has shifted football's current priorities, post-COVID-19 there may be an even greater emphasis on addressing climate change to shape a greener recovery after the pandemic.

Football's activities have an impact upon climate change through multiple areas such as travel, energy and water use, catering, plastics, waste management and construction. Equally, climate-related episodes such as flooding and extreme weather conditions have negative impacts on both professional and amateur football (as when storm Ciara caused multiple postponements in UK sports fixtures in February 2020).

As the world's most popular sport, football has huge potential to influence fans to address climate change, if football takes a conspicuous lead in adapting its activities to have a positive environmental impact. But is football putting enough emphasis on addressing its carbon footprint, and sustainability?

Encouraging signs

A long list of sports organisations have signed up to a UN-led framework – Sports for Climate Action – seeking to move the sports sector to a low carbon economy. Signatories should commit to a set of five principles and incorporate them into strategies, policies and procedures, integrating them into their sports communities, for a wider dissemination of the message.

The aim is for the global sports community to address its own impact (e.g. via measuring, reducing, and reporting greenhouse gas emissions) and in so doing to *“use sports as a unifying tool to drive climate awareness and action among global citizens”*. Football organisations that have signed up include FIFA, UEFA, the English FA, and Spain's La Liga.

There are plenty of positive examples of initiatives across the sporting world. F1 and SailGP have pledged to be carbon neutral by 2030 and 2025 respectively, and London Marathon Events has implemented measures to reduce environmental impact and deliver more sustainable mass participation events. In football, Germany's Bundesliga clubs are perhaps leading the way, with numerous examples of action being taken. Examples include an optional €1 on ticket prices towards a climate change fund, tickets doubling up as public transport passes and solar panel installations on stadium rooftops.

The challenge facing sport – including football – is to move from undertaking ad-hoc environmental initiatives to embedding environmental sustainability into strategy.

Responsive action not reaction

The latest edition of Deloitte's European CFO Survey asked 1,200 CFOs about their company's measures on climate change. The results reveal a mixed picture which, unsurprisingly based upon our experience, reflects the situation in football;

- there is increasing pressure from a range of stakeholders to act; but
- companies' climate responses focus on short-term cost-saving effects;
- a thorough understanding of climate-related business risks is rare;
- few companies have a mechanism in place to develop and implement comprehensive climate strategies; and
- targets for carbon emission reductions are usually not aligned with the Paris Agreement.

There is therefore much work to do; sentiment is shifting and football (like other industries, but perhaps even more so given its profile) will need to respond further. Can clubs, leagues and governing bodies truly embrace and embed environmental sustainability into their activities?

Under pressure

Stakeholder pressure leads to action. Whilst there are examples of clubs taking the initiative (with Forest Green Rovers possibly being the most celebrated example), arguably the onus is on FIFA, UEFA and national associations to take the lead in setting out guidelines – and potentially regulations – to embed climate strategies throughout football.

The thorniest challenge may always be global fan travel. Landmark events such as the FIFA World Cup, UEFA European Championship and Champions League offer compelling festivals of football (much missed this year) but millions of fans travelling to attend has a big environmental cost. Everyone wants international football to return, but over the coming years the game will have to make significant efforts to address what it can, where it can. Recovery, post-COVID-19, may provide a unique opportunity for the game to build back better and to reconsider and integrate environmental considerations.

At Deloitte we help our clients on their sustainability journey. Our economists, climate scientists and energy experts can help sports organisations to uncover the financial costs of climate change, demonstrate a commitment to a green future, create and implement a decarbonisation strategy and embed reporting and monitoring practices to ensure long-term success.

Common Goal – past, present and future

Since its launch in 2017, Common Goal has already achieved high-profile coverage and backing from an increasing number of players across the globe. The initiative has audacious and transformational goals for the next decade.

Common Goal – founded by Juan Mata and Jürgen Griesbeck – sees football as a unique accelerator for community activity and initiatives.

The idea is simple – to put 1% of revenues from the commercial income of football into a collective impact fund that advances the UN's Sustainable Development Goals (the Global Goals 2030). The premise is that by establishing a systemic link between football as a business and football as a tool for social development, the game can play its role in tackling key global challenges, such as advancing gender equality, driving employment and growth, and promoting greater peace and social justice.

Past

The origin of Common Goal lies in a Colombian youth football project, Fútbol por la Paz (Football for Peace) set up by Jürgen Griesbeck to combat violence in Medellín, with the backdrop being the tragic and shocking murder of Andrés Escobar days after his own goal at the 1994 World Cup.

Griesbeck then founded streetfootballworld in 2002 to help connect similar grassroots initiatives that were active globally, to amplify their impact. streetfootballworld has since grown to encompass over 135 football-based organisations, in c.90 territories across the world, that engage with over two million young people. Common Goal was the next step to link the professional game with these organisations, and beyond.

Present

The Common Goal concept is to link the professional football industry with non-governmental organisations (NGOs) that are using football as a tool to transform their communities. This is a powerful partnership. The football industry has the resources from monetising the game and huge profile with fans and the general population. NGOs complement this with expertise in delivering meaningful impact, direct access to disadvantaged local communities and trusted relationships with those communities.

As of today, Common Goal has c.150 professional players and managers as members (and hence contributing at least 1% of their earnings) and Danish Superliga club FC Nordsjælland became the first club to join. The club has the 1% as an opt-out clause (i.e. the default is to opt-in to support Common Goal) across all contracts (staff, athletes and businesses) and they also provide 1% of stadium revenues. To date, Common Goal members collectively have contributed over £1.5m.

Future

Pooling donations should create economies of scale, decreasing costs and increasing focus and impact, as the movement grows, with the aim of achieving a critical mass so that the 1% contribution from the football industry becomes the norm, at the latest by 2030. Globally, 1% of a football industry worth many billions could potentially unlock hundreds of millions per year.

Though driven initially by professional players, the aim is to also engage football's huge global fan base. Individuals pledging 1% of their time – 90 minutes per week – could result in a huge global workforce to help sustainably develop people and the planet.

Common Goal's approach is based on three 'pillars': team play, solidarity and individual responsibility. During and post-COVID-19,



these pillars remain strong. The pandemic has fostered a spirit of global solidarity, with a greater realisation that we are all interconnected and share the impact of each other's actions and all have a role to play. Common Goal aims to sustain and further build upon this sentiment and make it an integral part of the 'new normal' to accelerate progress towards a better and more sustainable future for all (guided by the Global Goals 2030).

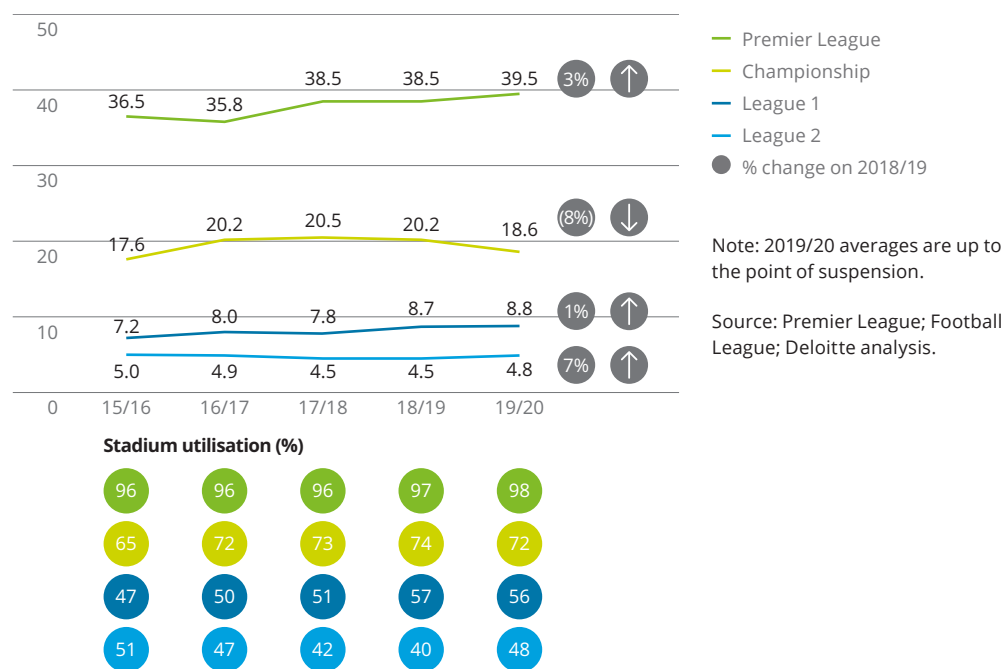
Football is in a unique position to actively drive and accelerate progress, as the biggest shared passion point, combining cultural influence on a global scale with everyday relevance in the life of people. Time will tell if and how Common Goal will grow and develop but arguably its aims will be even more relevant in a post-COVID-19 world.

Deloitte is led by a purpose: to make an impact that matters. This purpose defines who we are. It also resonates powerfully with the aims of Common Goal. Deloitte and Common Goal are therefore working together to explore ideas and initiatives, within football, that support the shared aims of both organisations.

Stadia

At the time of writing the 2019/20 football season remains paused in the majority of European countries with any restart to involve matches being held behind closed doors. It is a real possibility that the 2020/21 season will also see at least part of the season played in empty stadiums.

Chart 18: Premier League and Football League clubs' average matchday attendances – 2015/16 to 2019/20 (000s)



Note: 2019/20 averages are up to the point of suspension.

Source: Premier League; Football League; Deloitte analysis.

Analysis in this section reflects attendances up to the suspension or cancellation of 2019/20 football seasons. In comparing 2019/20 averages to previous seasons, it is noted that any comparison with previous completed seasons is therefore on a best available, not wholly like for like, basis.

Premier League clubs' attendances

The 2019/20 Premier League season was suspended with 288 of the scheduled 380 matches completed (76%). At the time of suspension, average attendance had increased 3% to 39,490 per match for the season to date from 38,484 for the whole of the 2018/19 season.

The increase in attendances was driven by a change in composition of the league and the impact of Tottenham Hotspur's new stadium. The three newly promoted sides (Aston Villa, Sheffield United and Norwich City) averaged 32,908 per match, an increase of 24% on the three clubs they replaced which averaged 26,482. Aston Villa in particular averaged more than 41,500 fans per match (with 98% utilisation), the eighth highest average attendance in the Premier League. Tottenham now has the second highest attendances in the league at more than 61,000.

With the largest stadium in the league and utilisation of 99%, Manchester United matches continue to generate the highest attendance with an average of almost 74,000 despite mixed on-pitch results. This contrasts to AFC Bournemouth which averages 11,112 in the league's smallest stadium that has a capacity of just 11,329.

The average stadium utilisation across the league was 98% in 2019/20 before the season was suspended demonstrating that most clubs have limited capacity to increase attendances. Notable exceptions include Newcastle United which suffered an 8% fall in attendances in 2019/20, a likely result of mixed on-pitch performance and uncertainty regarding the future ownership of the club. In addition, Southampton, Burnley and Watford all had stadiums which were less than 94% full.

At the time of suspension, average attendances were up 3% in the Premier League.

COVID-19 impact on matchday revenue

Matchday revenue is the smallest contributor to total revenue of the three primary revenue sources in the 'big five' European Leagues. In 2018/19, matchday revenue contributed only 13% of total revenue in the Premier League, compared to 59% for broadcast and 28% for commercial. It is a similar situation across the 'big five' European Leagues where matchday contributes between 11% (Ligue 1 and Serie A) and 16% (Bundesliga and La Liga) of total revenue.

As one moves further down the football pyramid and away from lucrative broadcast deals and the interest of major corporate sponsors, the importance of matchday revenue increases. In the Football League Championship, even including the distorting impact of parachute payments, matchday revenue still accounted for 21% of total

revenue in 2018/19. Whilst public reporting requirements for League 1 and League 2 clubs mean that they are not compelled to break down their revenue sources it is clear that matchday revenue makes up an even greater proportion of total revenue for League 1 and League 2 clubs.

Under a worst-case scenario where a full season is played in front of empty stadiums, the 'big five' European Leagues are facing an 11-16% reduction in total revenue from earning no matchday revenue. Clubs lower down the football pyramid are facing an even greater proportional decrease in total revenue. A further unknown variable is what longer term impact COVID-19 may have on sport attendances in terms of both permitted capacity (supply) and propensity to attend (demand) and therefore the ability of clubs to generate matchday revenue.

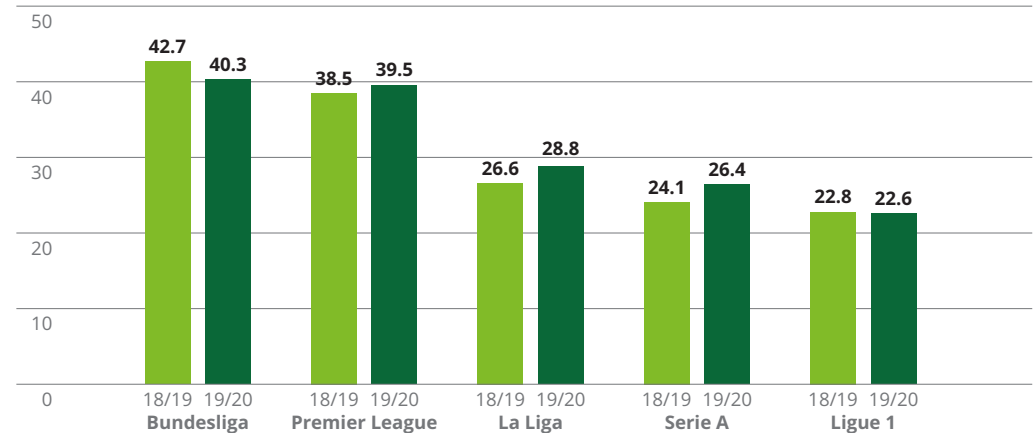
Disappointing on-pitch performance of a number of former Premier League clubs contributed to a reduction in Championship attendances.

Championship clubs' attendances

The 2019/20 Championship season was suspended with 444 of the scheduled 552 matches completed (80%). Average attendance had decreased from 20,193 per match for the full 2018/19 season to 18,624 for the 2019/20 season to date, while capacity utilisation had also slipped slightly from 74% to 72%.

The aforementioned promotion to the Premier League of three clubs that generated above league average attendances was a contributor to the decline in attendances for

Chart 19: 'Big five' European leagues average matchday attendances – 2018/19 and 2019/20 (000s)



Note: 2018/19 averages are for the full season; 2019/20 averages are up to the point of suspension.

Source: Leagues; Deloitte analysis.

the Championship. The disappointing on-pitch performance of a number of former Premier League clubs has also had a substantial impact. Middlesbrough (attendances down 14%), Birmingham City (down 10%), Stoke City (down 9%) and Wigan Athletic (down 9%) have all recorded substantial declines in attendances as they spent the majority of the season to date at significant risk of relegation. Swansea City has fared better on the pitch, but is seeing its second consecutive season of double-digit percentage declines in attendances following relegation from the Premier League in 2017/18.

League 1 and League 2 clubs' attendances

The League 1 and League 2 seasons were suspended when 72% and 80% of matches had been played respectively. At the time of suspension, League 1 average attendances were up slightly to 8,744 per match, compared to 8,690 for the full 2018/19 season. In League 2, average attendance increased 7% from 4,526 per match for the full 2018/19 season to 4,854 for the 2019/20 season to date. League 1 stadium utilisation decreased slightly to 56%, however League 2 stadium utilisation was up significantly to 48%.

European attendances

The Bundesliga continues to achieve the highest attendances of the 'big five' European Leagues, with an average attendance of 40,264 at the point of season suspension. This is however, a decline of 6% from the 2018/19 season average of 42,738, primarily due to the clubs that were promoted for 2019/20 averaging significantly lower attendances than those they replaced. Based upon this data, for the 2019/20 season to date the Premier League had closed the average attendance gap to less than one thousand fans per match. Borussia Dortmund continued to attract average attendances of nearly 81,000 fans during the 2019/20 season, the highest of any of the clubs in the 'big five' European Leagues.

La Liga average attendances grew more than 8% to 28,755 in 2019/20 to date, but there is significant variability in average attendances across the league. FC Barcelona and Real Madrid led the way averaging 72,472 and 66,736 respectively, but half of the league's clubs averaged less than 20,000 fans per match. Meanwhile, Serie A average attendances were 26,352 per match, an increase of more than 9% on 2018/19. Ligue 1 attendances decreased slightly to an average of 22,554 with Olympique de Marseille, Paris Saint-Germain and Olympique Lyonnais averaging approximately 50,000 fans per match.

Fan interaction becomes digital

The impact of empty stadiums will extend beyond just a reduction in revenue. Whilst direct interaction with fans at the stadium is impossible the primary channel for fan interaction becomes digital. This is not a new concept. The biggest clubs, particularly, but not exclusively, in the 'big five' European leagues, consider their fan base to be international and recognise there is untapped revenue potential from engaging with fans beyond just those in the stadium.

To date, the efficacy of club existing digital strategies is mixed, with few clubs having truly embraced the breadth and depth of 'digital transformation' required to maximise results. The overnight, but enduring, impact of COVID-19 has forced clubs to accelerate change in how they interact with their fans on digital channels.

Capital expenditure

Capital expenditure across the top 92 clubs in English professional football exceeded £700m for the first time in the 2018/19 season.

The total investment during the season by Premier League clubs narrowly set a new record at £636m in 2018/19, an increase of just £7m from the previous season. Tottenham Hotspur again accounted for the vast majority of this expenditure with spend of £469m on its new stadium, which officially opened on 3 April 2019.

Excluding Tottenham Hotspur, Premier League capital spending increased by £52m to £167m with Liverpool (£25m), Leicester City (£18m) and Chelsea (£15m) all spending in excess of £15m on various capital projects.

Championship clubs spent £54m in 2018/19, up £4m from the previous season. Approximately 60% of this spend was attributed to Aston Villa (£17m) and Reading (£16m). Aston Villa's expenditure was primarily related to a complete reconstruction of its academy, while Reading opened the new Bearwood Park training facility.

League 1 clubs spent a combined £14m, up from £11m the previous year and League 2 clubs spent £5m, up from £2m. Notable capital spend came from AFC Wimbledon (£4m) and Accrington Stanley (£3m) in League 1 and Port Vale (£1m) in League 2. Work on AFC Wimbledon's new stadium at Plough Lane is ongoing while the club seeks additional funding to complete the development.

While COVID-19 has had a direct and immediate impact on clubs' matchday revenue through suspension of the season and likely recommencement without crowds, there may also be longer-term impacts. Premier League clubs including Everton, Watford, Crystal Palace, Leicester City, Chelsea and Bournemouth have all confirmed or have rumoured plans for stadium developments. Any extended period where matches are to be played in empty stadiums or with reduced capacities to accommodate social distancing, naturally reduces the incentive for clubs to invest in their stadiums in the near future.

Chart 20: Premier League and Football League clubs' expenditure on stadia and other facilities – 2017/18 and 2018/19 (£m)



Source: Deloitte analysis.

The Bundesliga continues to achieve the highest attendances of the 'big five' European Leagues, with an average attendance of 40,264.

5G in football – a winning strategy

5G might not currently be top of mind for football clubs as they respond to the unique and evolving challenge that is COVID-19. However, teams should consider that 5G may well be integral to the future of elite sport, impacting results on the pitch, operational performance, fan experience and, hence, financial results.

Successful new technologies enable evolution as well as revolution. 5G is often positioned as revolutionary, enabling, for example, viewing in virtual reality or the use of augmented reality applications. However, the most significant benefits from 5G are likely to be evolutionary: upgrades to a wide range of processes, not just those taking place on match day, but, also, every other day of the year.

So what is 5G, and why does it matter to football clubs?

5G offers multiple increments to the performance levels of 4G, which has been available in the UK since 2012.

One of the upgrades is transmission speed: up to 20 gigabits per second per cell, when all upgrades are deployed. These speeds are far faster than what a consumer would need, but are within the parameters of what a television broadcast crew may require.

5G enables TV cameras to be connected wirelessly, providing all the freedom that offers, but with the speed performance and reliability of a wired connection. Major stadia already have fixed locations, equipped with fibre connections for TV cameras, but 5G enables camera crews to roam around without worrying about the length of a cable. Broadcasters around the world, including BT Sport and Fox Sports have already used 5G for broadcasts.

A 5G connection could enable cameras to relay footage from the team bus (before and after the match), to provide more behind-the-scenes access, to relay content from the team hotel when preparing for matches, or to provide additional viewing angles.

Cameras have been proliferating in the coverage of all elite sports for many years – be this multiple in-car cameras in Formula 1 or cameras embedded within cricket stumps – there is effectively no limit on the video feeds

that could be added to enhance the TV viewer experience, and the value of televised coverage. In the 2018 Winter Olympics, 5G was used to relay images from 4K cameras integrated into the front of bobsleighs.

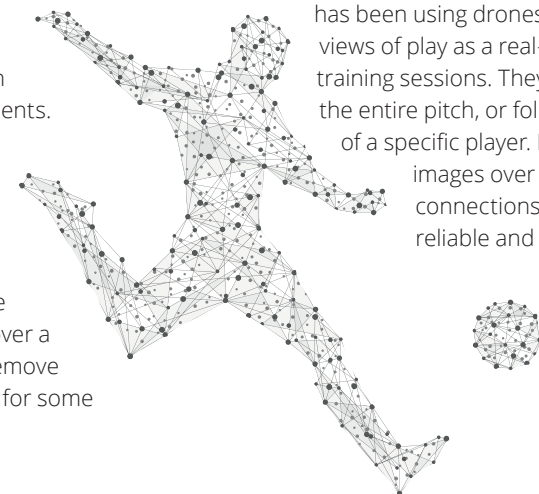
The very high speeds that 5G can offer should also ease the migration to 8K coverage of matches. 8K video is four times the file size of 4K, which itself is four times greater than HD. Branded 8K TV sets are already available for under £2,500. The price points will continue to decline over the course of the decade, and sports will be one of the most compelling forms of content filling those screens.

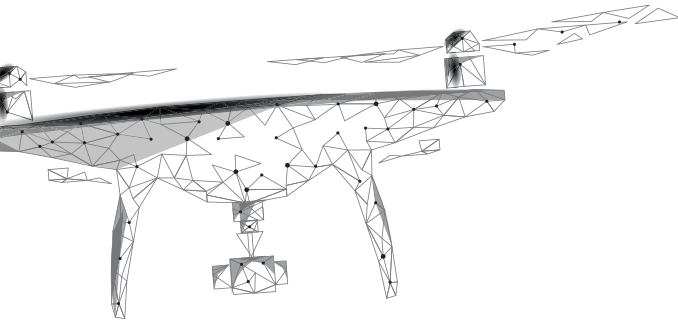
One aspect of 5G which was not available in prior generations of mobile technology is network slicing, which enables the partitioning of segments of the network for specific applications, with custom service level agreements. For live TV, reliability is paramount, and a mobile operator could offer a specific contract for a guaranteed uplink, with an agreed level of reliability. The ability to guarantee quality over a wireless connection could remove the need for a satellite truck for some broadcasts.

Alternatively, a private 5G network could be set up at a stadium, with spectrum rights granted for a fixed period to the football club, giving it control over which entities had access to that network. This means that a football club could have the rights to a specific tranche of spectrum (the radio waves which data is carried over) for its own stadium.

5G can enhance player performance

5G can be used for more than broadcasting matches; it is likely to be increasingly important for training situations, where video capture is now commonly used. Additional viewing angles provide new perspectives that can feed into new training approaches. 5G can enable cameras to relay images to monitors on the other side of the field. Manchester City has been using drones to provide aerial views of play as a real-time input into training sessions. They can also capture the entire pitch, or follow the movement of a specific player. Drones can send images over Wi-Fi, but 5G connections should be more reliable and offer better range.





During a game, pitchside cameras can also be placed to monitor individual player movement without players having to wear GPS trackers, which can be cumbersome, and which collect a limited set of movement related data. Cameras on the main pitch can also enable additional data to be collected, such as orientation of players during the course of a play, or throughout a session.

5G could also be used to collect data in real time from multiple sensors on a player, measuring an array of vital signs. This data could be used to help inform when a player should be taken off, or rested to prevent injury. Usage of 5G in hospitals to relay ultrasound scans for remote analysis may also be applicable in understanding injuries to players, whilst still at the side of the pitch.

5G can enhance stadium experience

5G also enables far more connections in a given area: up to a million connections per square kilometre, versus a maximum of 100,000 for 4G. This capability could be used to enhance multiple operational and strategic aspects of a football club. Every seat in a stadium could be connected, enabling purchasing of refreshments from each seat as well as other capabilities. However, it's not just static objects that could benefit.

A popular benefit is likely to be the ability to send more photos and video while watching the game.

Lawn mowing machines could be controlled remotely. The grass at a training ground could be cut to the same length as the pitch for the next away match. This would enable players to get used to the movement of the ball on that pitch. A mower equipped with a camera could relay video of the pitch via a 5G connection to help assess the quality of the turf; Ajax currently uses sensors in mowers to monitor the state of the pitch.

Sprinklers could also be controlled with greater precision, with each nozzle connected. The volume of water sprayed at half time could be varied, on a per nozzle basis, according to the home team's strategy for the second half.

Preventative maintenance of sprinklers and undersoil heating machinery could also be improved by connecting key components to a 5G network so as to provide early warning of elements needing repair or replacement.

At a more prosaic level, grounds could use 5G to help with pest control, as happened at Uajji, one of the sites of the Winter Olympics in 2018.

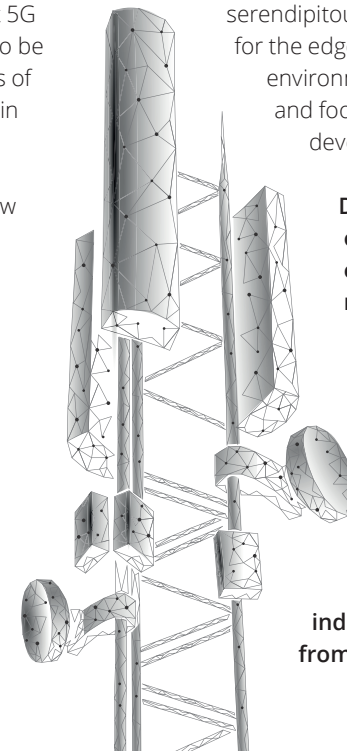
Sensors were used to detect animals, and a combination of scents and pre-recorded voice and sounds were used to repel them.

Other operational aspects could also benefit from 5G, including what may feel like quite mundane tasks such as processing credit card payments. Vendors of food or merchandise around the stadium, equipped with hand-held 4G connected credit card machines, may not be able to connect when a stadium is busy, due to the aggregate demand on what is a shared network. But 5G can enable a slice of bandwidth to be dedicated to the singular process of card payment authorisation within seconds. 5G trials have already proven this to be an important commercial application of the new standard.

5G can also enhance the experience for fans. A popular benefit is likely to be the ability to send more photos and video while watching the game. However, more esoteric applications, such as augmented reality overlays may not be that useful when fans are focused on the players on the pitch in front of them.

The game of elite football spans multiple facets – from results on the pitch to financial performance, including revenue generation. Underlying each outcome are multiple processes, many of which could be improved through the application of 5G technologies. Football clubs should study how the highest performing organisations across all industries are applying 5G and determine whether these deployments would also make sense in their environment. 5G is a brand new technology and its benefits are still being revealed, often serendipitously. In the continuing quest for the edge in an intensely competitive environment, 5G can be a game changer and football clubs should be alert to its developing potential.

Deloitte believes in the power of technology to iterate the every day – as well as the match day. Deloitte's teams in enterprise connectivity, network deployments, machine learning and regulation are all working on 5G projects around the world, helping apply this technology to deliver improved outcomes in a wide range of industries, from logistics to ports, from hospitals to sports teams.



Basis of preparation

Sources of information

The financial results and financial position of English football clubs for 2018/19, and comparisons between them, has been based on figures extracted from the latest available company or group statutory financial statements in respect of each club – which were either sent to us by the club or obtained from Companies House. In general, if available to us, the figures are extracted from the annual financial statements of the legal entity registered in the United Kingdom which is at, or closest to, the ‘top’ of the ownership structure in respect of each club. The vast majority of English clubs have an annual financial reporting period ending in May, June or July.

The financial results and financial position of clubs in various non-English leagues, and comparisons between them, has been based on figures extracted from the company or group financial statements in respect of each club, or from information provided to us by national associations/leagues.

If financial statements were not available to us for all clubs in a division, then aggregate divisional totals have been estimated for all clubs for comparison purposes (from year to year or between divisions).

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

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

Comparability

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

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

Each club's financial information has been prepared on the basis of national accounting practices or International Financial Reporting Standards (“IFRS”).

The financial results of some clubs have changed, or may in the future change, due to the change in basis of accounting practice. In some cases these changes may be significant.

The number of clubs in the top division of each country can vary over time. In respect of the ‘big five’ leagues for 2018/19, each division had 20 clubs except for Germany (18 clubs).

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

Financial projections

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

In relation to estimates and projections actual results are likely to be different from those projected because events and circumstances frequently do not occur as expected, and those differences may be material. In particular, there are uncertainties as a consequence of COVID-19 including the impacts on football competitions, clubs' operations and the global economy. Deloitte can give no assurance as to whether, or how closely, the actual results ultimately achieved will

correspond to those projected and no reliance should be placed on such projections.

Key terms

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

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

Wage costs includes wages, salaries, signing-on fees, bonuses, termination payments, social security contributions and other employee benefit expenses. Unless otherwise stated, wage costs are the total for all employees (including, players, technical and administrative employees).

Operating profit/loss is the net of revenue less wage costs and other operating costs, excluding

amortisation of player registrations and other intangible assets, profit/loss on player disposals, certain disclosed exceptional items, and finance income/costs.

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

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

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

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

Exchange rates

For the purpose of the international analysis and comparisons we have converted the figures for 2018/19 into euros using the average exchange rate for the year ending 30 June 2019 (£1 = €1.13); for years prior to 2018/19 comparative figures as extracted from previous editions of this report; and the figures for years since 2018/19 converted into euros using the average exchange rate for the 10 months ending 30 April 2020 (£1 = €1.14).



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