The Financial Landscape of European Football

EUROPEAN LEAGUES

Foreword

Foreword (1/2)

Introduction

The essence of exciting professional football competitions is having sporting merit and sporting ability as the deciding factor in winning or losing. This leads to competitions filled with matches where unpredictable outcomes are possible and where the excitement and passion for the fans lies in the possibility their side could triumph.

The objective of the *European Leagues* (EL), as representative of the domestic league organisers, is to enhance and protect competitive balance within domestic football competitions.

At the end of 2019, the EL decided to make a study to better understand the financial landscape of European professional football and its impact on polarisation and ultimately sporting competitive balance.

COVID-19

The world at the beginning of this year looked very different. The COVID-19 pandemic surprised societies and the impact was and is still enormous for many, including the entire football industry. All competitions were stopped, and football showed a great level of adaptability and flexibility to allow many leagues to resume their competitions, first with matches to be played behind closed doors and then, where possible, with the gradual return of fans to the stadiums.

The sporting, financial and social impact is immense in the short term, while the mid and long-term effects are still very uncertain because of the unpredictable development of the virus. However, it is already clear that the pandemic will lead to billions of lost revenue for football, with the consequence that hundreds of professional clubs of all sizes, playing in many different domestic competitions, face serious negative financial (cash) issues.

The fight against the pandemic and the battle to safeguard our industry still needs our full attention. If the logical consequence was to push back this study, the topic and insights revealed by this work did not become any less relevant.

Foreword (2/2)

The financial landscape of European football

KPMG was commissioned to provide data and analysis for the report which provides clear insights on the financial developments over recent years. All available data used in the report is related to the pre-COVID-19 era, as well as all conclusions made from the report. The report mainly focuses on the financial landscape from a domestic top-tier league perspective.

The analysis does not solely reflect the 36 professional football leagues (29 top-tier divisions) and associations of clubs from 29 countries which are members of the EL, but all 55 UEFA members. Given the fundamental (financial) differences between the biggest and smallest leagues, a cluster approach was developed and implemented to facilitate the analysis.

The findings of the report will further help to define the direction and goals of our Association and its Members. In these times of uncertainty, it is essential to blend the values of European football – such as our meritocratic promotion and relegation structure and the distribution of solidarity payments – with the forces of change to ensure the game is healthy at all levels of the pyramid. More even distribution of UEFA Club Competitions (UCC) revenue, enhanced professionalisation of leagues and clubs, closer cooperation between all stakeholders, and the sensible deployment of club budgets will be central to a healthy future for European football.

The cooperation between all football stakeholders to overcome the COVID-19 crisis has proven that it is possible to put individual interests aside and to find solutions for the benefit of professional football as a whole. Let this be the spirit and the motivation for collectively tackling and overcoming our future challenges.

The report is the result of the boundless efforts of many people, for which we owe them all gratitude and appreciation. Hopefully, you will study it with great interest.

Nyon, November 2020

Lars-Christer Olsson
President

Jacco Swart
Managing Director

EUROPEAN LEAGUES

Executive Summary

Introduction

The Biggest Market in the Greatest Game

Football is the world's most popular sport and Europe is its largest market. Featuring more professional leagues and clubs than anywhere else on earth and four in every 10 of the world's professional players.

Created by the Football Community

For more than a hundred years, this success has been the result of the choices and actions of the whole football community – from players and fans, to coaches and administrators. Together they have developed a European professional football ecosystem that has generated mass appeal through its competitive balance – with opportunities for any single team to beat another, and for clubs to rise through the football pyramid to trophy-lifting glory.

The Appeal of Competitive Balance

This competitive balance, throughout the whole competition, has stimulated the highest aggregate attendance figures in the world, with approximately 103 million football fans filling stadiums during the 2017/18 season across approximately 12,000 European league games played largely at weekends. With a further 10 million fans attending 735 UEFA Club Competitions (UCC) mid-week matches. TV and media audiences are just as significant, with Ampere Analysis estimating that approximately a quarter of all expenditure on broadcast content in Europe is allocated to football.

Growing Pains

Over the past two decades, the growth at domestic and international level has been particularly rapid, leading to the expansion of club finances.

The three revenue streams driving this growth for clubs have been central league revenue (from TV and league sponsorship), individual club commercial income (sponsorship and merchandising) and UCC distributions.

But this rapid commercial expansion has brought some growing pains with it. Specifically, on-pitch performances and off-field financial records indicate that the gap is widening between clubs, which has brought concerns about polarisation and competitive balance to the forefront of discussions between football stakeholders.

Understanding Polarisation

A degree of polarisation has always existed between and within leagues due to local market and socioeconomic conditions, the heritage and longevity of leagues, and individual club popularity, but it has increased recently due to the diverging scale of media markets in different countries, the unequal impact of the forces of globalisation, and the changing model for UCC revenue distribution.

Financial development of European football (1/4)

In general, the findings indicate that European football has continued to grow its revenues; however, the financial gaps both between and within leagues are increasing.

An overarching theme is that there is a growing concentration of financial resources in the top clubs throughout the leagues in Europe. While the phenomenon of having financial and sporting disparities between clubs is not new, the growth rate of this inequality is increasing and represents a worrying trend.

Unlike other industries, the football industry thrives on, and needs, healthy levels of competition between its participants, whether in terms of a title race, a relegation battle or qualification for UCC. When financial disparities become too large, this becomes increasingly difficult to achieve.

Overview

Over the recent 10-year period, centralised revenues (league broadcasting, UCC) and individual club (commercial) revenues have driven top-tier European club football financial growth. In relation to the transfer market, growing transfer spending at the top continues to support the financial ecosystem further down and it is now playing a more important role in club financial operations.

Although European football was becoming more profitable in recent years, nearly half of all the clubs still operate with deficits.

A consistent increase of players wages (almost doubling during the past decade) is the main cost driver for clubs, resulting in persistent unsustainable business models.

The variance in revenues between leagues is largely explained by domestic socio-economic and cultural realities. However, professional league/club structures as well as league and club appeal are also fundamental to financial development, especially in relation to non-domestically generated revenues.

Financial development of European football (2/4)

Cluster-based analysis

The landscape of top-flight European football consists of many domestic leagues that are at different stages of development. Due to these differences, we opted to showcase the recent financial development through a clustering approach. The top tiers of UEFA's 55 member associations were divided into five distinct groups or 'clusters' based on their average operating revenue across the last five full financial years.

There has been impressive revenue growth, but this trend is not widespread throughout the whole ecosystem. However, it should be noted that there are large differences between and within leagues that may not be fully represented using average figures. The result is that the financial gaps between most clusters are increasing. The main reasons for the increases between and within clusters are revenues from centralised domestic league broadcasting deals, individual club commercial contracts and centralised international UCC distributions to clubs.

At the very top, if we consider the last decade (since FY2009), the revenues of the 10 financially most dominant clubs in Europe are growing faster than the rest of the professional clubs across the continent.

CLUSTER A	CLUSTER B	CLUSTER C	CLUSTER D	CLUSTER E
5 leagues (98 clubs)	**6 leagues (96 clubs)**	**11 leagues (~150 clubs)**	**11 leagues (~140 clubs)**	**22 leagues (~230 clubs)**
England, France, Germany, Italy, Spain	**Belgium, Netherlands, Portugal, Russia, Switzerland, Turkey**	**Austria, Denmark, Greece,** Hungary, **Israel, Kazakhstan, Norway, Poland, Scotland, Sweden, Ukraine**	**Azerbaijan,** Belarus, Bulgaria, Croatia, Cyprus, **Czech Republic, Finland, Romania, Serbia, Slovakia,** Slovenia	Albania, Andorra, Armenia, Bosnia-Herzegovina, Estonia, Faroe Islands, Georgia, Gibraltar, Iceland, Kosovo, **Latvia,** Liechtenstein*, **Lithuania,** Luxemburg, Macedonia, Malta, Moldova, Montenegro, **Northern Ireland,** Republic of Ireland, San Marino, Wales

*Note: European Leagues members are highlighted above in bold. Please see Appendix for a detailed list of European Leagues' members, including Associate Members and Development members. *Liechtenstein has been included separately from a country analysis perspective.*

Financial development of European football (3/4)

Centralised and individual club revenue streams, wages and profitability:

Centralised revenues: League broadcasting

- **The value of league broadcasting rights is driven by different socio-economic and cultural factors, including the popularity of football, domestic market size, league and club appeal, professionalisation of leagues, media market competition and international interest. These drivers have mostly benefited the top leagues.** The uneven growth of broadcasting revenues has resulted in significant differences between and within leagues. This is evident when analysing league turnover and the mounting share broadcasting is playing in league revenues, especially in the bigger countries that have also invested strategically for the medium and long term. Leagues, in general, aim to distribute broadcasting revenues to foster increased competitive balance in their competitions.

Centralised revenues: UEFA Club Competitions (UCC)

- **Over the past 10 years, UCC revenues have been growing the fastest. As a consequence, UCC distributions to clubs - driven by the evolution of the UCC distribution models and access list - are increasingly impacting all levels of the ecosystem.** As from the current 2018-21 UCC cycle, UEFA Champions League (UCL) revenues have grown much more than UEL, while solidarity payments have fallen behind and remain small.
- **The importance of UCC revenues as part of the total league revenues has grown significantly and impact all leagues.** In addition, it was found that during the previous 2015-18 UCC cycle, in each league, the top three clubs received (on average) 85% of all UCC revenues distributed in the same country. These factors contribute to further increase financial differences between and imbalances within leagues. Qualifying round payments to clubs have the same distortive effect in smaller leagues as UCL and UEL payments have in bigger domestic leagues.

Individual club revenues: Commercial

- **Clubs from top leagues and very small leagues have registered growth in their commercial revenues but it is noticeable that such growth is more evident among clubs from the top leagues.** Although the share of club commercial income at a cluster level has fallen, it remains a key source of differentiation within all leagues, especially for top clubs, where individual club differences drive premium values.

Financial development of European football (4/4)

Individual club revenues: Matchday

- **Although its relative percentage share has remained flat, matchday revenues remain fundamental for financial and non-financial (i.e. fan appeal) reasons for all clubs in all clusters.** For leagues with lower centralised broadcasting revenues, matchday revenues can represent an even more important income stream for their member clubs.

Individual club revenues: Transfers

- **The growth and net spending on the transfer market is driven by those clubs belonging to the top leagues.** The redistribution of transfer fees continues to support the wider ecosystem with clubs in the top leagues acting as 'net spenders'. At the same time, clubs from other leagues remain 'net sellers' and the transfer market has increasingly become an important source of income in medium and small leagues.

Wages and Profitability

- **Profitability remains a challenge for the industry, as clubs carry high fixed player wage costs compared to revenues that can fluctuate significantly season to season. On aggregate, player wages have been continuously increasing and have almost doubled during the past 10 years.** Wages are pushed upwards by clubs' pursuit of domestic and, increasingly, UCC-focused success. This has resulted in the wage-to-revenue ratio, in general, rising over the period analysed.

- Financial regulations, both domestic and at UEFA level, have guided clubs to more sustainable models but considerable differences exist between and within clusters. Out of 54 leagues, only 17 have managed to generate an average positive net profit over the 5-year period FY2014 – FY2018. The presence of outlier clubs, in particular in medium and small leagues, can drag down figures.

- With 37 leagues across the whole of European football with negative profitability, the issue is not league-specific but club-specific and industry-wide. A combination of factors impact club profitability; however, the level of professionalism in league/club structures and management are a key determinant.

Finance and Sporting Performance

Financial differences impact competitive balance in professional club competitions and can undermine competitiveness. The report, based on data and analysis from the International Centre for Sports Studies (CIES) and 21st Club, looks at both title races and differences in team quality to analyse competitive balance within the leagues and the relationship between financial strength and sporting performance.

The analysis reconfirms that financial performance impacts and is impacted by sporting performance with on-pitch success more likely when clubs have more revenue to invest in their playing squads.

In addition, it was identified that domestic leagues with less revenue have a bigger difference in the on-pitch quality between any two consecutively ranked teams within their competitions.

The key findings indicate a greater dominance by a fewer number of clubs in many domestic leagues and the sporting advantage these top clubs have from regular participation in UCC competitions.

These indicators are:

- A sharp decline in the number of different domestic champions.
- Teams crowned domestic champions achieved a record number of points per game.
- The percentage of domestic league games remaining at the point of title win increased.
- The points gap between the champions and runner-up teams also increased.
- The advantage clubs have in domestic competitions from playing regularly in UCC.

Future outlook will depend on tackling challenges collectively

The Financial Landscape of European Football highlighted many positive aspects that professional club football in Europe can and should be proud of. However, there are important and difficult challenges to consider as we plan for the future. A collective approach from all stakeholders will be necessary to overcome these challenges:

- **Protecting competitive balance:** Match unpredictability and competitiveness throughout the competition are fundamental to ensuring long-term success of club competitions and the interest of fans. The trend points to greater dominance by a fewer number of clubs in many competitions.

- **Growing revenue gap between top clubs and others:** The financial polarisation between clubs competing domestically and internationally is increasing and accelerating.

- **Distortive impact of UCC payments:** Club distributions from UCC are having a greater distortive effect in domestic leagues due to the increased size and concentration of these payments to a small number of top clubs in each league.

- **Wage growth:** The escalation of wages to levels that in some cases exceed club revenues creates an unsustainable long-term business model which poses systemic risks.

- **Overarching challenge of virtuous/vicious cycle:** Supporting and maintaining virtuous cycles in European football while negating the emergence and growth of vicious cycles.

The unprecedented shock of COVID-19 has magnified these issues, but the extraordinary levels of cooperation amongst all stakeholders in the emergency response to the pandemic should give us all hope for the future.

Now, the challenge for these stakeholders is to come together and plot a sustainable path forward for European football at a time of paradigm-shifting digitisation, rapidly changing audience behaviour and extreme economic uncertainty. It will depend upon the ability of the footballing stakeholders to take bold and potentially difficult decisions that are genuinely in the interests of the game. Not individual interests but collective interests. Not for the short term but for the long term. Not as owners but as custodians.

Content


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Structure of the Report

The report on The Financial Landscape of European Football, based on data and analysis by KPMG, covers all European domestic top-tier professional football leagues where over 700 clubs compete from 55 countries. The analysis is structured in five different sections:

Section 1, the focus of the report, delves into the financial development of European football, beginning with an overall financial review to provide background and context, before moving onto more detailed cluster-based analysis of all domestic top-tier leagues in Europe. A five-cluster approach (A, B, C, D & E), based on the average revenue of clubs, is used to group leagues. The timeline used in the report includes both a more recent 5-year and a longer 10-year period to derive insights.

This section primarily focuses on the different centralised revenues (league broadcasting, UCC) and individual club (commercial, matchday, transfers) revenue streams. In addition, the analysis covers club operating expenditures (transfers, player wages and non-wage) that comprise the income statements of clubs. Each revenue or expenditure stream is accompanied by descriptions of the various drivers and factors that affect them.

Section 2 is about financial and sporting performance. The relationship between these two topics and its impact on competitive balance are addressed.

Section 3 provides a brief overview of European professional football including the position of the domestic professional leagues being at the heart of the European football ecosystem.

Section 4 includes a conclusion containing the key findings.

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England, France, Germany, Italy, Spain	**Belgium, Netherlands, Portugal, Russia, Switzerland, Turkey**	**Austria, Denmark, Greece**, Hungary, **Israel, Kazakhstan, Norway, Poland, Scotland, Sweden, Ukraine**	**Azerbaijan**, Belarus, Bulgaria, Croatia, Cyprus, **Czech Republic, Finland, Romania, Serbia, Slovakia,** Slovenia	Albania, Andorra, Armenia, Bosnia-Herzegovina, Estonia, Faroe Islands, Georgia, Gibraltar, Iceland, Kosovo, **Latvia**, Liechtenstein*, **Lithuania**, Luxemburg, Macedonia, Malta, Moldova, Montenegro, **Northern Ireland**, Republic of Ireland, San Marino, Wales

*Note: European Leagues members are highlighted above in bold. Please see Appendix for a detailed list of European Leagues' members, including Associate Members and Development members. *Liechtenstein has been included separately from a country analysis perspective.*

Glossary of terms

Broadcasting revenue	The media broadcasting revenue received by clubs due to their participation in national leagues and other domestic competitions. The domestic deals and – where they exist – the sale of media rights to international territories are both covered. Deals related to UCC are not part of this revenue stream.
Commercial revenue	Merchandising, shirt sponsors, kit suppliers, stadium naming rights partners and other commercial partnerships.
Matchday revenue	All income from single and season ticket sales, matchday hospitality and F&B (Food & Beverage).
Net Profit	The final result after all costs, gains and losses.
Other revenue	Miscellaneous items, such as grants, donations and other exceptional revenue.
Solidarity payments	The solidarity system of UEFA distributes solidarity payments to every national federation; the exact amount is determined by a variety of factors; countries which had a representative in the UCL group stages receive a higher amount. Generally this income is distributed to clubs who did not play in either the UCL or UEL group stages. This covers around 650 clubs, versus the 32+48 which are represented in group stages every season.
UEFA Club Competitions (UCC) revenue	Revenue distributed by UEFA in the form of competition payments (participation, performance, market pool) to clubs who play in the Champions League (UCL) or Europa League (UEL) and in the form of solidarity payments (Qualifying Rounds and Non-Participating Clubs) to those who do not.
Wages	Basic salaries, performance bonuses, social security and pension contributions paid to all employees, including players, backroom staff and employees.

Note: Growth or cumulative values on pages of this report may not sum to total. This is due to rounding only.

CAGR	Compound Annual Growth Rate
WTR	Wage-to-Revenue (ratio)
WLF	World Leagues Forum
EL	European Leagues
WFCA	World Football Club Association
ECA	European Club Association
FIFPRO	Fédération Internationale des Associations de Footballeurs Professionnels
FSE	Football Supporters Europe
SDE	Supporters Direct Europe

Financial development of European football

EUROPEAN LEAGUES

Overview

Overall financial analysis framework

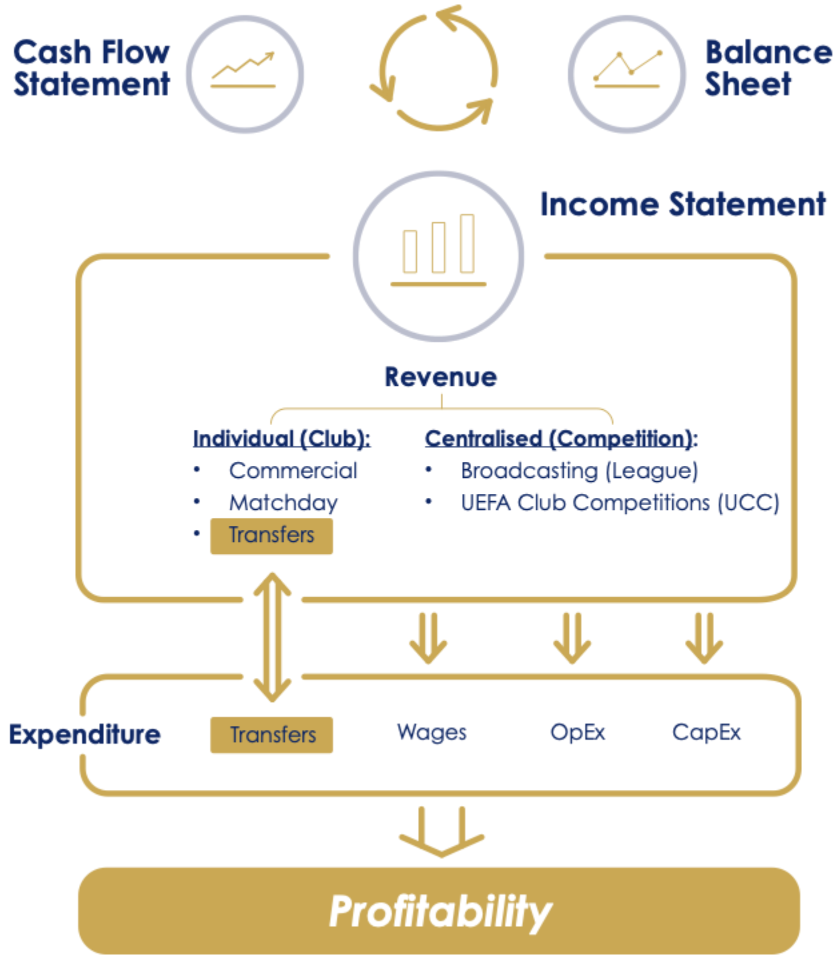
This report, reflecting data availability, primarily focuses on the different centralised (league broadcasting, UCC) and individual club (commercial, matchday, transfers) revenue streams and club operating expenditures (transfers, wages and non-wage) that comprise the income statements of clubs, to understand the financial landscape and health at a league level of top-tier professional club football in UEFA's 55 member countries.

The financial analysis framework and timelines used are as follows:

- Overall, a 10-year period (Financial Years - FY2009 to FY2018) is used to measure the key indicators and observe trends.
- Within the cluster-based analysis sections, a 5-year period (FY2014 to FY2018) is used to analyse revenues, wages and profitability in further detail.
- For transfers, a 10-year period was used from season 2010/11 due to data availability.

In addition to the above time periods, a five-cluster approach is used to group leagues to facilitate analysis given the significant differences in the sizes of the countries and therefore respective clubs that form the top-tier leagues in Europe.

Finally, it should be noted that the report does not seek to provide a holistic overview of financial health as the analysis does not include Operating Expenditure (OpEx), Capital Expenditure (CapEx), Cash Flow Statements and Balance Sheet analysis.



Source: KPMG Data & Analysis

Centralised (league broadcasting, UCC) and individual (club commercial) revenues drive top-tier European club football revenue growth

With an increase in all revenue streams, total revenue* rose from €11.7 billion in FY2009 to €21 billion in FY2018. In absolute terms, broadcasting and club commercial/other revenue have grown most significantly, while UCC has grown fastest on a CAGR basis across the 55 European leagues.

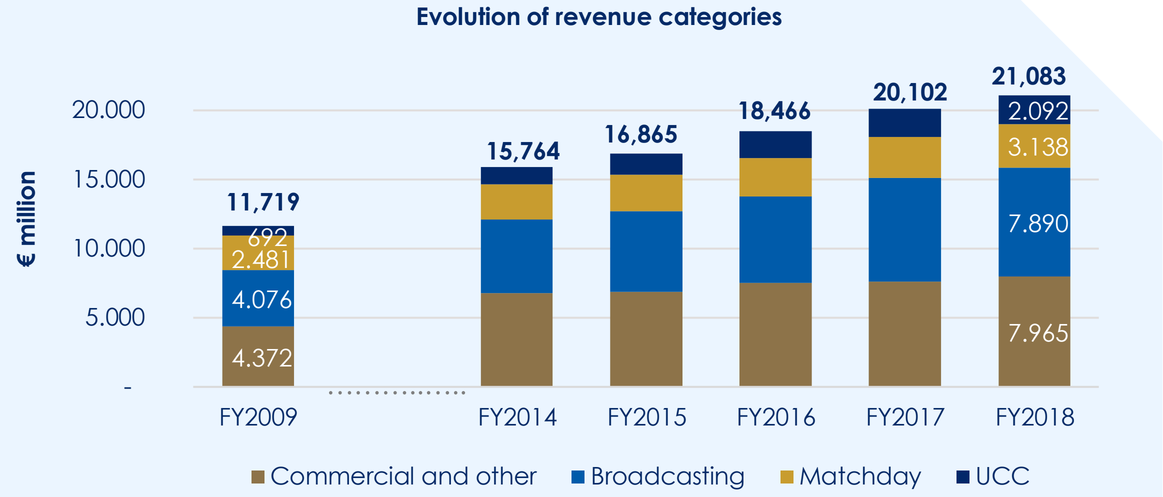
- League broadcasting and club commercial revenue grew by 94% and 82% respectively, indicative of the development of the European game and advancements in the commercial and broadcasting proposition. Together, these two revenue sources are responsible for 75% of total revenue in FY2018, up from 72% in FY2009.
- Since FY2009, the share of UCC revenue increased from around 6% to 10% in FY2018, while share of matchday revenue decreased from 21% to 15% over the same period.

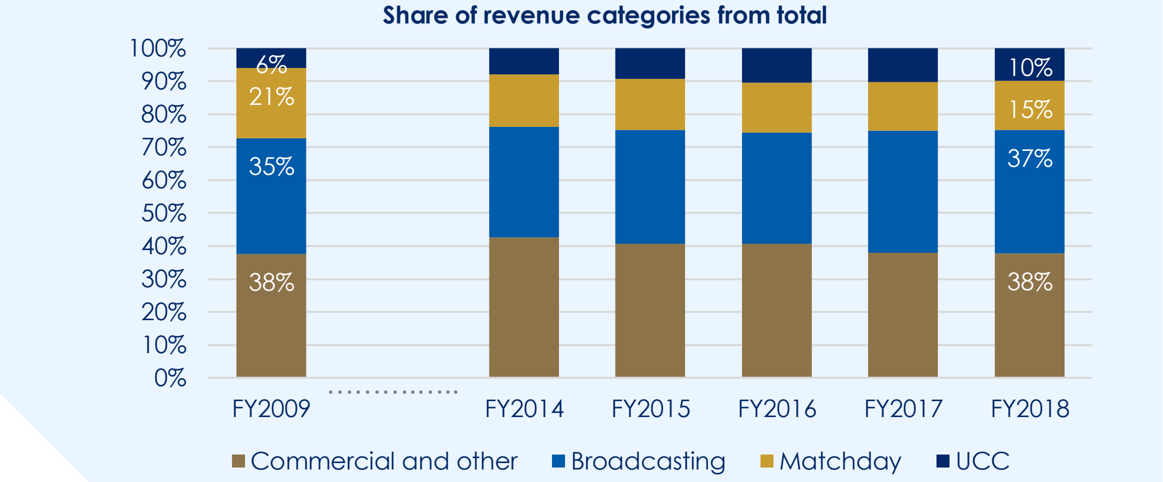
While league broadcasting and club commercial/other have grown most on an absolute basis, UCC has grown the most in relative terms based on growth rates:

Compound Annual Growth Rates (2009-2018):	
UCC:	13.1%
Broadcasting:	7.6%
Commercial/Other:	6.9%

Source: KPMG Data & Analysis

UCC income, which is distributed mostly to the top clubs, has already substantially increased from season 2018/19 (+ €700m) and is forecasted to continue growing in the 2021/24 cycle.





Source: UEFA Club Licensing Benchmarking Report / KPMG Data & Analysis

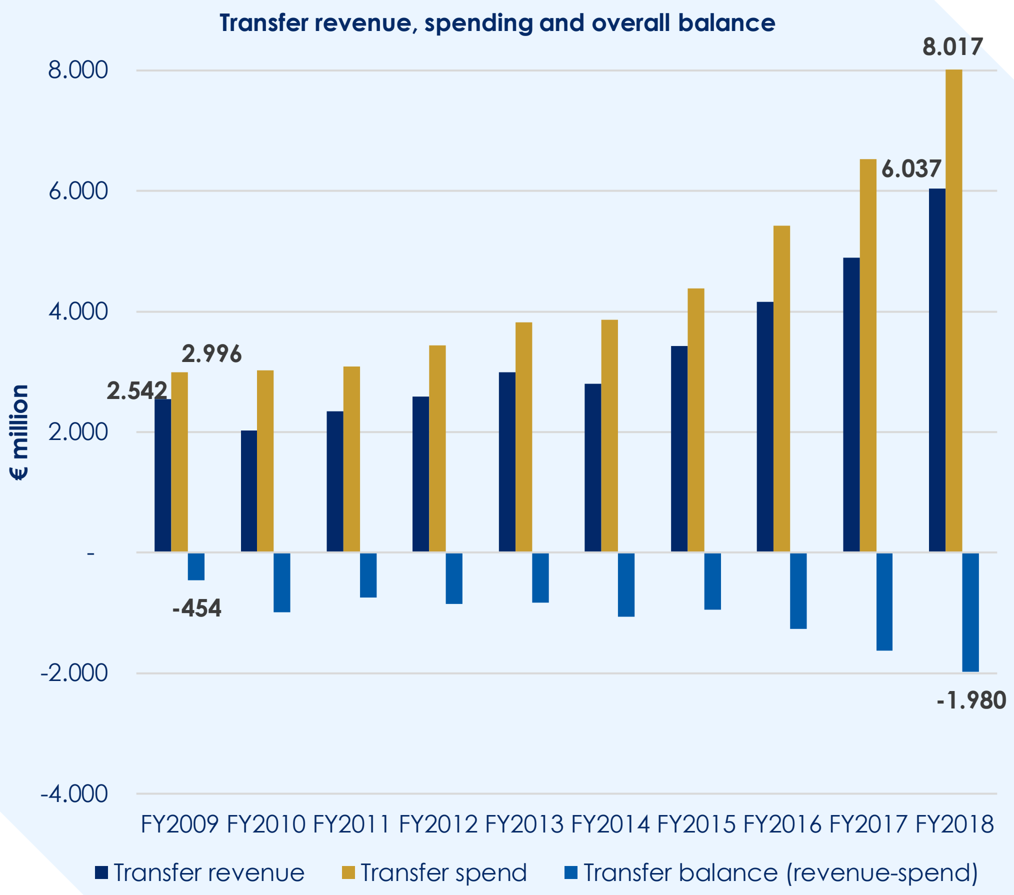
* European club football = 55 UEFA top tiers within the scope of this study

Growing transfer spending continues to financially support ecosystem, and plays a more fundamental role in club finances

Transfer spending is not homogeneous in each country, with some that could be labelled 'net buyers' and others 'net sellers' based on the strategies adopted by clubs in those leagues. This netting of buyers against sellers across the football ecosystem continues to support the transfer of wealth between clubs and leagues. With the overall increase in transfer spending reaching a record of €8 billion in FY2018, many 'net seller' clubs now see this revenue stream as an additional vital source of income.

- Overall transfer spending has been higher than transfer revenue, resulting in a negative transfer balance of €2 billion in FY2018, slightly below 10% of total operating revenue.
- The €2 billion negative transfer balance is the result of clubs in the biggest leagues being 'net buyers', purchasing players from throughout the football ecosystem.
- However, it should be noted that within leagues and between clubs there are also considerable differences in club spending power when it comes to the transfer market, resulting in 'net buyers' and 'net sellers' in the same league.

However, given the inherent characteristics of the transfer market and the 'chain reaction' of payments between clubs, relying too heavily on this revenue stream could expose a club to financial challenges. As such, a prudent approach should be taken by clubs to ensure that an appropriate transfer strategy is put in place, depending on whether the club is on the buying or selling side of the market.



Source: UEFA Club Licensing Benchmarking Report / KPMG Data & Analysis

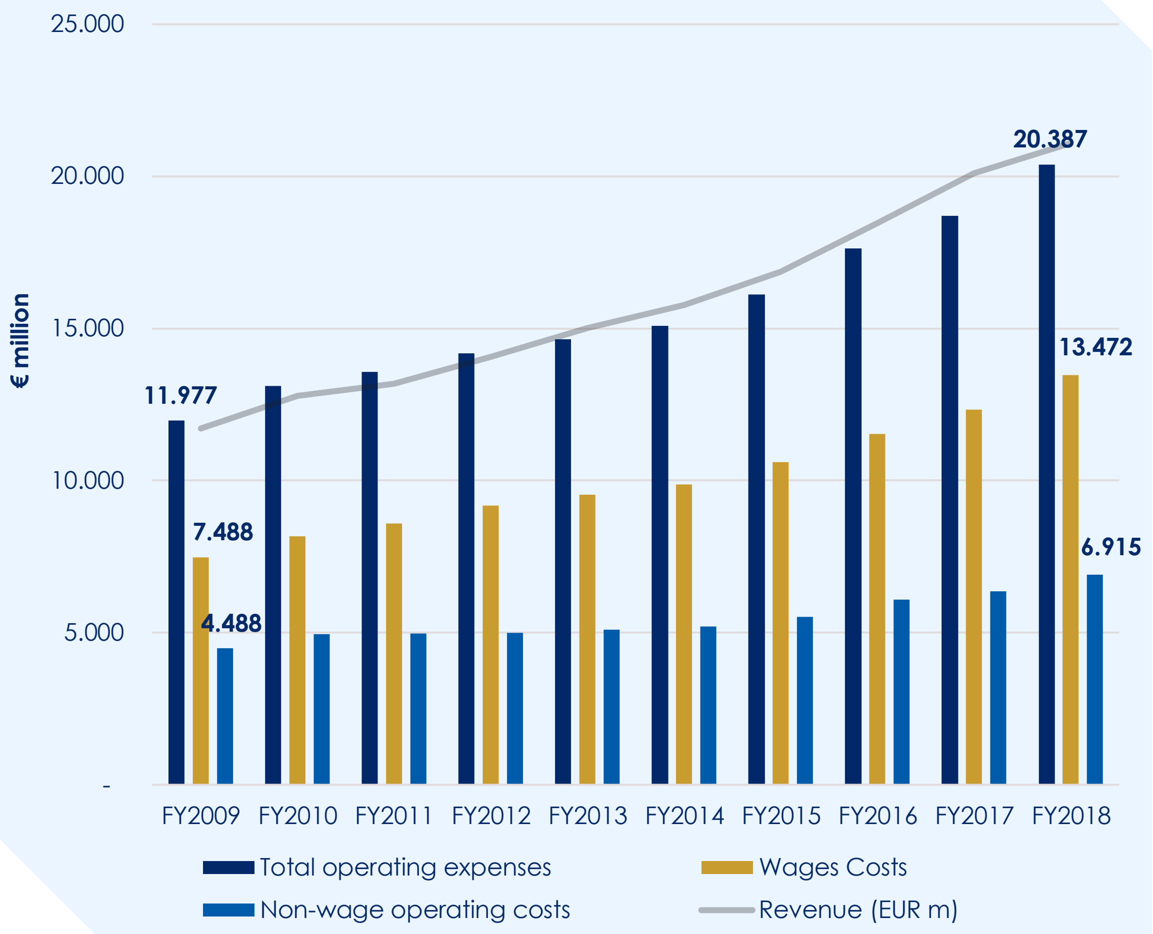
Operating costs rose by 70% with near doubling of wages being main driver

Total operating expenses stand at almost €20.4 billion in FY2018, an increase of approximately 70% from €12 billion in FY2009, with player wages, the largest component, nearly doubling to €13.5 billion. With regard to non-wage operating costs, these grew by 54% to support and develop clubs' advancements in off-pitch operations and professionalism.

- Player wages increased by €6 billion over the analysed period. The top 10 leagues account for €5.5 billion (91%) of the increase while the remaining 45 leagues make up €0.5 billion. Interestingly, there were 7 medium and small leagues that recorded falls in aggregate wages levels indicating not all leagues experienced growth.
- Within leagues, spending on player wages is driven by clubs' desire to achieve sporting success domestically and internationally, to create additional revenue opportunities (virtuous cycle) or to avoid losing revenues through, for example, avoiding relegation (vicious cycle). However, overspending to stay competitive can lead to unsustainable wage-to-revenue ratios if not managed with appropriate safety measures.

Managing relatively fixed operating costs (in particular long-term player contracts) against more variable revenues is a difficult challenge for all clubs. Club profitability can easily be distorted season by season if annual income fluctuates significantly, leaving the football ecosystem potentially exposed from a financial risk management perspective.

Total operating expenses & Revenue : wages and non-wages



Source: UEFA Club Licensing Benchmarking Report / KPMG Data & Analysis

Although European club football has turned profitable in recent years, half of top-tier clubs still operate with deficits

The implementation of UEFA Financial Fair Play Regulations in 2011 along with domestic league cost-control mechanisms played a major role in regulating club expenditure. A significant improvement in profitability from FY2012 can be seen.

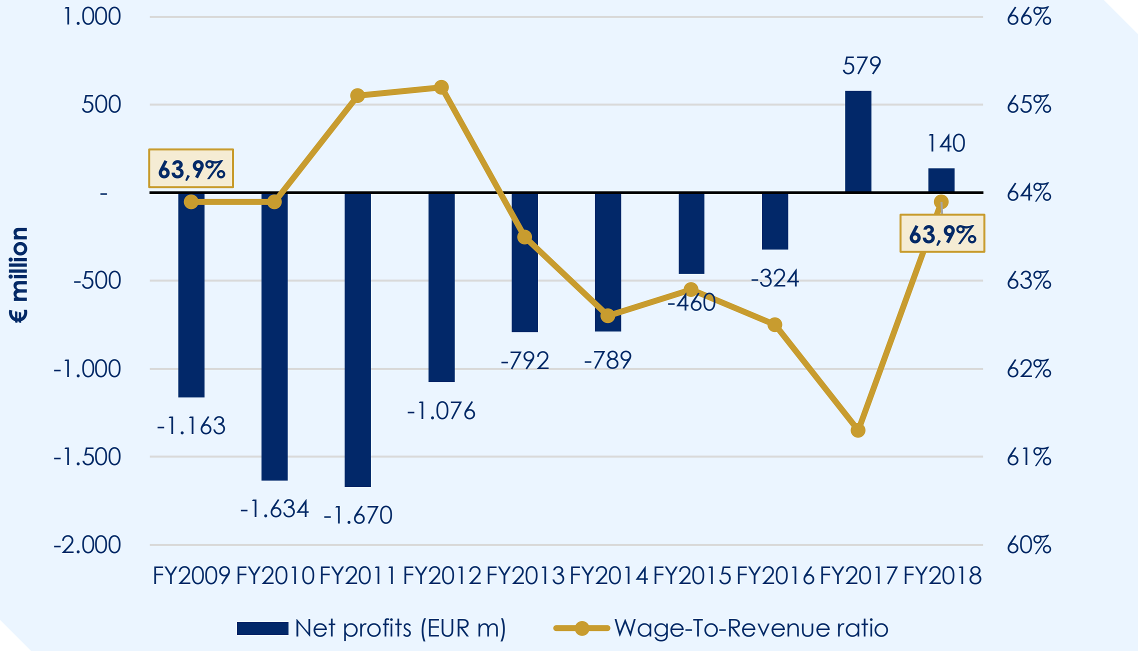
- **At an aggregate level top-tier European club football turned profitable for the first time in FY2017 reaching +€579 million** (with 54% of clubs being profitable) after six years of recovery from a low of -€1.7 billion in FY2011. However, in FY2018 the percentage of profitable clubs fell from to 51%, indicating that **half of all clubs are still operating with deficits**, showing that there is no room for complacency.
- Expenditure on player wages is an important determinant of profitability. **The wage-to-revenue (WTR) ratio** reflects the percentage of revenue allocated to paying players which has **fluctuated between 61% and 65% over the period, ending at 64%**.

Although the overall picture is much more positive that in the past, significant differences exist between and within leagues.

- First, not all clubs can grow revenues at the same pace as others.
- Second, consistently spending more than you earn, in order to try and be more successful (i.e. utility maximisation), can lead to long-term profitability/sustainability issues.
- Third, operating without a strong balance sheet and cash reserves to draw down upon in case of poor performance or external shocks to the system can threaten the sustainability of clubs going forwards and the ecosystem as a whole.

In later sections we will analyse these differences between leagues highlighting the challenges clubs face.

Net profit/loss and Wage-To-Revenue ratio



Source: UEFA Club Licensing Benchmarking Report / KPMG Data & Analysis

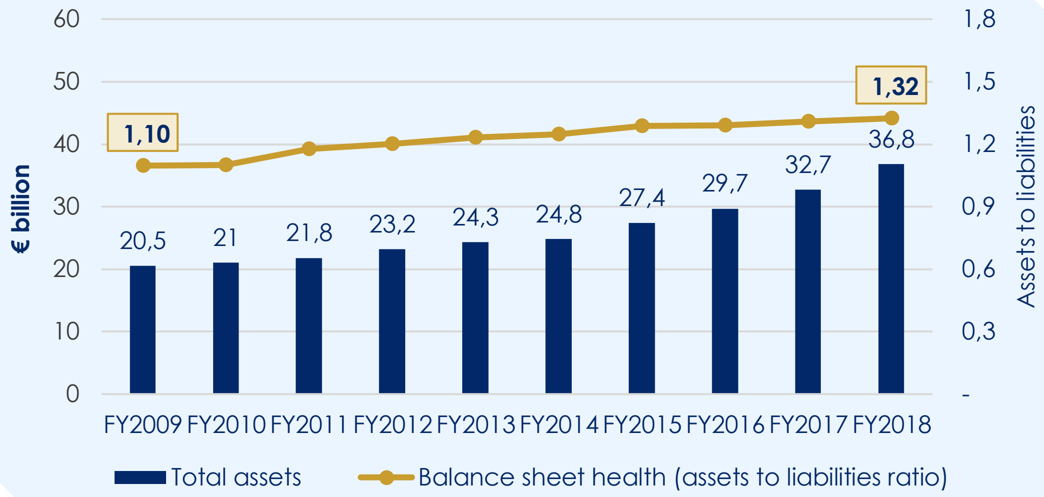
Balance sheet health shows positive trend but unsustainable business models persist

Financial Fair Play (FFP) has positively impacted the improvement in clubs' balance sheets through, for example, providing protection to creditors, encouraging self reliance on own revenues and fostering responsible spending. FFP has also contributed to limiting major losses and the piling up of soft loans by requiring owners to inject permanent capital. However, even with these positive developments, with half of clubs operating with deficits unsustainable operating models remain a concern for the strength of the football industry as whole.

- Total **Balance Sheet Assets** have increased by 80% from €20.5 billion to €36.8 billion, with a CAGR of 6.7% between FY2009 and FY2018. Driven by increased transfer spending, the book value of player assets (Intangible Assets) has grown from €4.9 billion to €10.8 billion overtaking the book value of fixed assts (e.g. training ground, stadium) which increased from €5.6 billion to €9.6 billion.
- Total **Liabilities** have grown by 49%, while total Equity surged by 400% up to €9 billion in FY2018, illustrating the reliance in shareholder investment in clubs over debt financing arrangements.
- Consequently, the **Assets/Liability ratio** stands at 1,32 (FY2018), which although positive, indicates the relatively low liquidity position of football clubs especially when further analysis shows the large variation - from 0.32 to 2,3 - across all leagues in Europe.

A fall in revenues and/or transfer devaluations could lead to bankruptcies, without appropriate safety belts, due to long-term wages/costs against short-term cash shortages. A self-sustainable approach, prioritising cost management to improve cash positions versus relying on owner capital injections or external investor financing, is required to increase the resilience of the ecosystem.

Total assets and balance sheet health



Source: UEFA Club Licensing Benchmarking Report / KPMG Data & Analysis

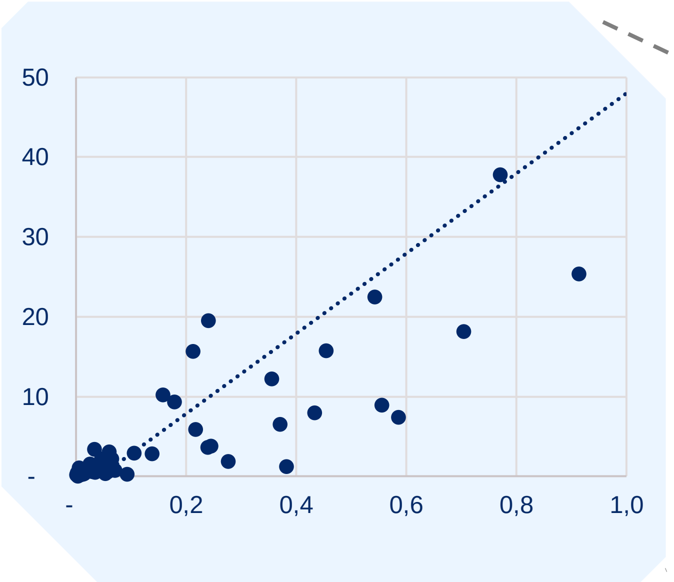
Cash – Liquidity Position:

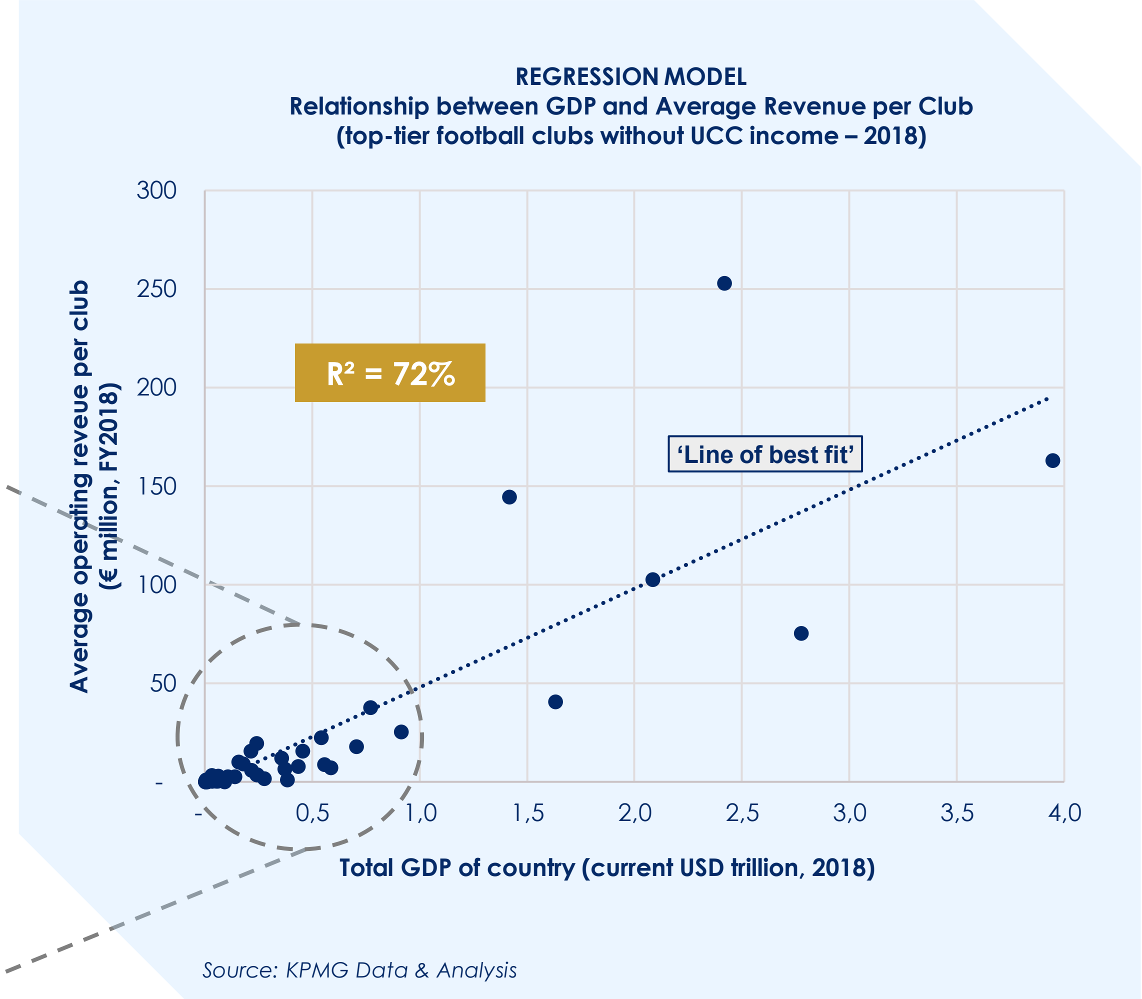
- In relation to liquidity, a club's cash position helps it pay for its debts; during an economic industry downturn or external negative shock, clubs might struggle to maintain sustainability in the face of significant revenue losses and possible devaluation of players, which could in turn trigger lower transfer fees and a lower number of transfers.

Domestic socio-economic and cultural realities largely explain variance in revenue between leagues

The financial development of the football industry in each national market is governed largely by the socio-economic realities of that country. Even though matches can be broadcast internationally, the size of the population and the wealth (GDP) of its inhabitants are still important aspects that can determine how much a domestic football market could potentially grow.

- Running the regression model (see appendix for methodology) on all 55 UEFA member countries results in an R^2 of 72%. This means that according to the model, **GDP can explain up to 72% of the variance that occurs in the average club revenue** between European top-tier leagues.
- However, GDP – as a proxy for financial wealth – does not explain all differences. There are leagues that are outliers, i.e. located far from the 'line of best fit', implying that although GDP is indeed a main factor, there are **other important domestic factors (e.g. social/cultural, league appeal) as well as global factors (e.g. international broadcasting)** that will explain the ultimate differences between leagues.





Source: KPMG Data & Analysis

Professional league and club structures underpin financial development

The degree of professionalisation of league and club structures also influences the ability to generate and grow revenue, and contributes to explaining some of the variation between leagues. The table below highlights some of the key areas from a league and club perspective.

Leagues and clubs must continue to improve and innovate to keep up with new trends in the media and technology landscape, as well as longer-term societal changes, such as demographic and cultural shifts, which will impact its relationship with its fans and thereby, also, its financial development.

LEAGUE AND CLUB STRUCTURES: Degree of Professionalisation		LEAGUE	CLUB
GOVERNANCE	Governance structure	Legal form; organigram; organs; leadership; management; controls	Legal form; shareholders; organs; organigram; leadership; mgmt.; controls
	Member representation	Club representation	Fan/shareholder representation
	Expertise committees	League commissions; club working groups	Strategic vs. operational working groups
	Decision-making	Committees; authorities; quorum	Committees; authorities; quorum
INTERNAL BUSINESS SETUP	Divisions/Departments/ Workforce *(inhouse vs. external expertise)*	***Sport:*** Football; Youth; Club Licensing; Fan; Certification ***Business:*** Legal; Finance; Business Intel.; Stakeholder Affairs; Communication; HR ***Commercial:*** Audio-visual; Production; Distribution; Marketing; Sales; Events; Intl.	***Sport:*** Football; Youth; Fan Affairs; Medical; Science(Nutrition); Analysts; Scouting ***Business:*** Legal; Finance; Business Intel.; Stakeholder Affairs; Communication; HR ***Commercial:*** Marketing; Merchandise; Sponsoring; Content; Internationalisation
	Value Chain (inhouse vs. external expertise)	***Sporting:*** Regulatory; Competition organisation ***Commercial/Media (league rights):*** Sells broadcasting rights on behalf of participating clubs. Sells sponsorship and other league-related IP rights	***Sporting:*** Player recruitment; development; sporting/business ROI **Commercial *(club rights)*:** Sells brand and other marketing IP, including sponsorship IP rights
VALUE PROPOSITION	B2B	***Content:*** Centrally-managed rights offer exclusivity to high-quaility sports content, business intelligence data ***Commercial rights and audience:*** Unique opportunity to reach target audiences and local/global exposure to boost sales and brand awareness **Opportunities** for diversification and digitalisation	***Commercial rights and audience:*** Unique opportunity to reach target audiences and local/global exposure to boost sales and brand awareness utilising various assets, data sources and touchpoints provided by the club
	B2C	***Content and merchandise:*** Access to content and merchandise to boost fan engagement and strengthen connection with and loyality of fans ***Reliability:*** Organize the league and matches with integrity and safety standards	***Community:*** Connect people who share the same passion and values with the sense of belonging to an exclusive community ***Content and merchandise:*** Access to content and merchandise to boost fan engagement and strengthen the connection and loyality of the fans
EXTERNAL BUSINESS SETUP	Leverage / Accelerator	Strategic approach; assets; target market/ groups; stakeholder/consumer management; monetisation	Strategic approach; assets; target market/ groups; stakeholder/consumer management; monetisation

INTERDEPENDENT

Source: European Leagues

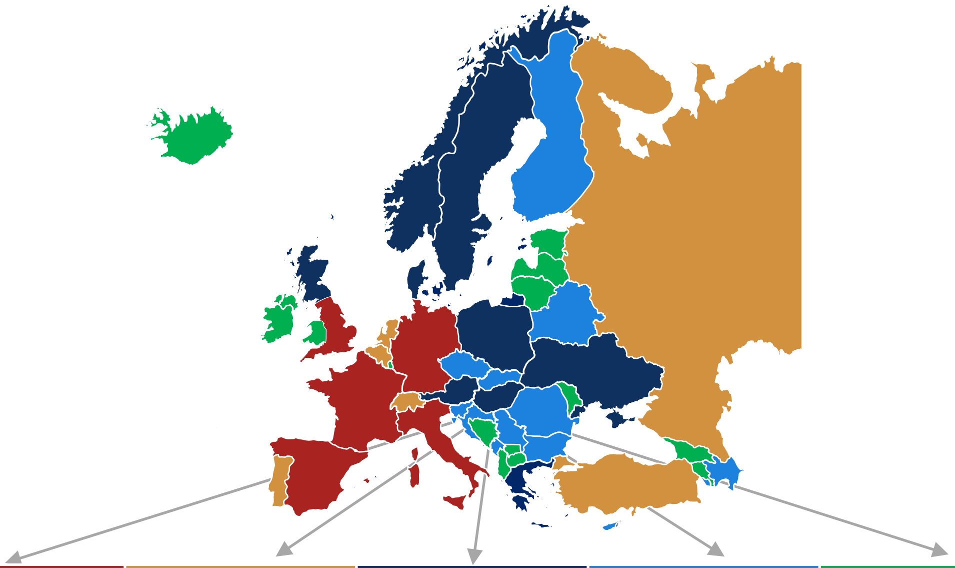
Cluster-based analysis

Approach to cluster analysis

The landscape of top-flight European football consists of many domestic leagues that are at different stages of development. They display a diverse range of characteristics, especially regarding their size (number of clubs), format and the length of their seasons.

Some countries, especially in Northern Europe, organise their competitions on a spring-autumn calendar, as opposed to the more common autumn-spring system. Furthermore, the socio-economic and cultural situation, league appeal and domestic media market context of European leagues are also quite varied.

- Due to these differences, we opted to showcase the recent financial development through a clustering approach, which is consistently used throughout this report. The top tiers of UEFA's 55 member associations were divided into five distinct groups or 'clusters' based on their average operating revenue across the last five full financial years (FY2014, 2015, 2016, 2017, 2018). This methodology alleviates the distorting effect of one or two unusually good or bad years in terms of total revenue. Moreover, this five-year period includes seasons from two different UEFA club competition broadcasting cycles.
    - **Cluster A** → leagues where average club revenue was above €50 million per season
    - **Cluster B** → between €20 and 50 million
    - **Cluster C** → between €5 and 20 million
    - **Cluster D** → between €1.5 and 5 million
    - **Cluster E** → below €1.5 million



CLUSTER A	CLUSTER B	CLUSTER C	CLUSTER D	CLUSTER E
5 leagues (98 clubs)	6 leagues (96 clubs)	11 leagues (~150 clubs)	11 leagues (~140 clubs)	22 leagues (~230 clubs)
England, France, Germany, Italy, Spain	**Belgium, Netherlands, Portugal, Russia, Switzerland, Turkey**	**Austria, Denmark, Greece,** Hungary, **Israel, Kazakhstan, Norway, Poland, Scotland, Sweden, Ukraine**	**Azerbaijan,** Belarus, Bulgaria, Croatia, Cyprus, **Czech Republic, Finland, Romania, Serbia, Slovakia,** Slovenia	Albania, Andorra, Armenia, Bosnia-Herzegovina, Estonia, Faroe Islands, Georgia, Gibraltar, Iceland, Kosovo, **Latvia**, Liechtenstein*, **Lithuania**, Luxemburg, Macedonia, Malta, Moldova, Montenegro, **Northern Ireland**, Republic of Ireland, San Marino, Wales

*Note: European Leagues members are highlighted above in bold. Please see Appendix for a detailed list of European Leagues' members, including Associate Members and Development members. *Liechtenstein has been included separately from a country analysis perspective.*

Large differences in revenue stream mix between clusters

An overview of the five clusters shows a very diverse picture, with significant differences in the relative share of the various Centralised versus Individual revenue streams clubs rely on.

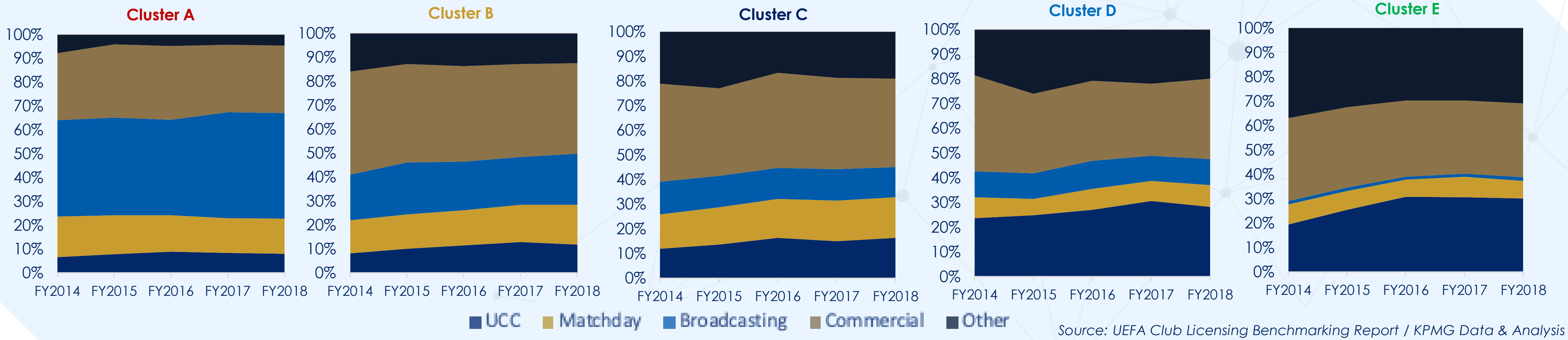
Centralised Revenue Sources: Broadcasting / UCC

- The share of **broadcasting** revenue diminishes as we move down the clusters, with a noticeable drop from **44% (A) to 21% (B)** and then a range of **12-2% for C, D and E** in FY2018. Medium/small leagues have challenges when marketing their media rights: smaller domestic target audience sizes and a lower international profile can limit growth. The opposite is true for larger leagues, which have successfully grown their broadcasting revenues to remarkable levels.
- The proportion and weight of **UCC** income as a key revenue source for clubs has grown for all clusters. In FY2018 **Cluster A's share (8%)** is more limited due to the absolute growth of other revenue streams. However, for the other clusters, especially **clusters D and E, the share of UCC income has increased to approximately 30%** and will increase further with the new UCC cycle from season 2018/19.

Individual Club Revenue Sources: Commercial / Matchday / Other

- Except for Cluster A, the relative share of **Commercial** revenue decreased in every other cluster as clubs were unable to maintain commercial revenue growth alongside increases in other revenue streams.
- As of FY2018, **Matchday** income share is consistent across the clusters **A, B and C (with range of 15%-21%)**, highlighting the importance of this revenue source, especially for medium-sized leagues.
- The relevance of **Other** revenue increases as you move down the clusters. This is partially due to (public) grants and other donations that clubs rely on in these leagues.

Revenue mix evolution by cluster



Source: UEFA Club Licensing Benchmarking Report / KPMG Data & Analysis

Impressive average club revenue growth but not throughout the ecosystem

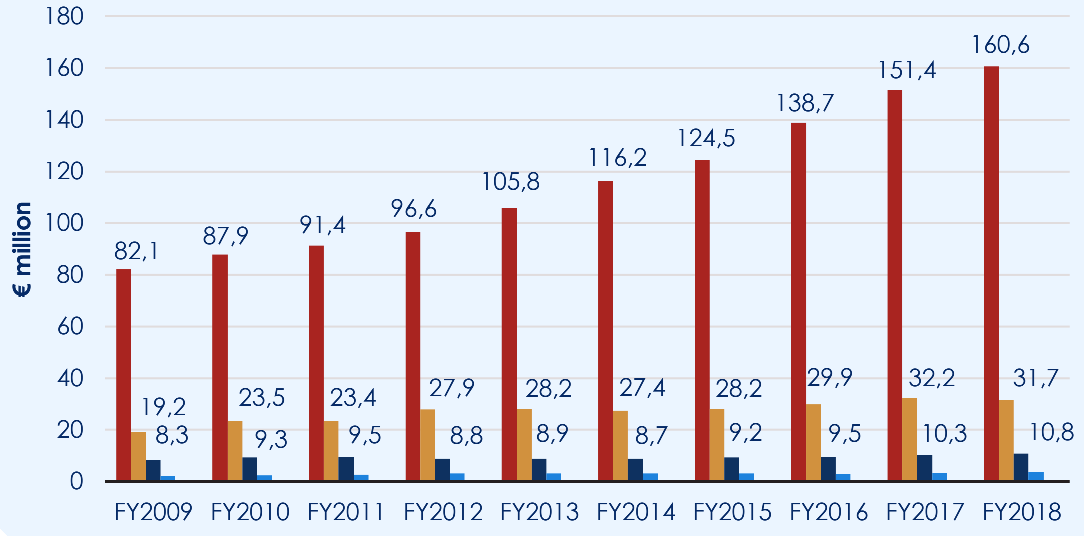
The average operating club revenue of all European top-tier leagues has shown significant growth between FY2009 and FY2018, achieving a compound annual growth rate (CAGR) of 6.7% for this 10-year period. At first sight, the data presented points to a financially successful period for European football that is unparalleled in its long history. However, the growth in income has been unequally divided between the various levels of the footballing pyramid, resulting in greater financial polarisation both between and within leagues.

- Revenue of Cluster A doubled between FY2009 and FY2018, representing an annual CAGR of 7.7% to FY2018. This period was characterised by new, increasingly lucrative broadcasting rights deals, the international expansion of top clubs from these countries and greater UCC income.
- Clusters B, D and E grew revenue by an annual CAGR of 5.7%, 5.9% and 5.2% respectively between FY2009 and FY2018.
- Cluster C recorded only minimal gains: the 11 leagues that make up this group recorded an average annual growth of 3% over the period.

Although at a cluster level CAGR figures show positive growth, there are large variances between leagues and clubs within each cluster. For example, between FY2014 and FY2018 the average annual growth of average revenue per club within the clusters ranged from 8.9% to 46.7%, with some leagues experiencing negative annual growth rates (as can be seen in the table), indicating varied club revenue growth throughout the ecosystem.

Clusters A, B, D and E all had larger differences between the average club revenue of the top and bottom league in each cluster, indicating polarisation between leagues. This trend of greater financial polarisation is also reflected at a domestic league level, where the revenues the top clubs in each country are able to generate, especially those that compete in UCC, are increasing more than their domestic peers.

Average operating revenue per club by cluster



Source: UEFA Club Licensing Benchmarking Report / KPMG Data & Analysis

Average Annual Growth of Average Operating Revenue per club by cluster from FY2014 to FY2018:

Clusters	Minimum	Maximum	Range
Cluster A	3.5%	12.4%	8.9%
Cluster B	-1.2%	9.9%	11.1%
Cluster C	-1.7%	45.0%	46.7%
Cluster D	-7.9%	32.1%	40.0%
Cluster E	4.0%	41.7%	37.7%

Source: EL Data & Analysis

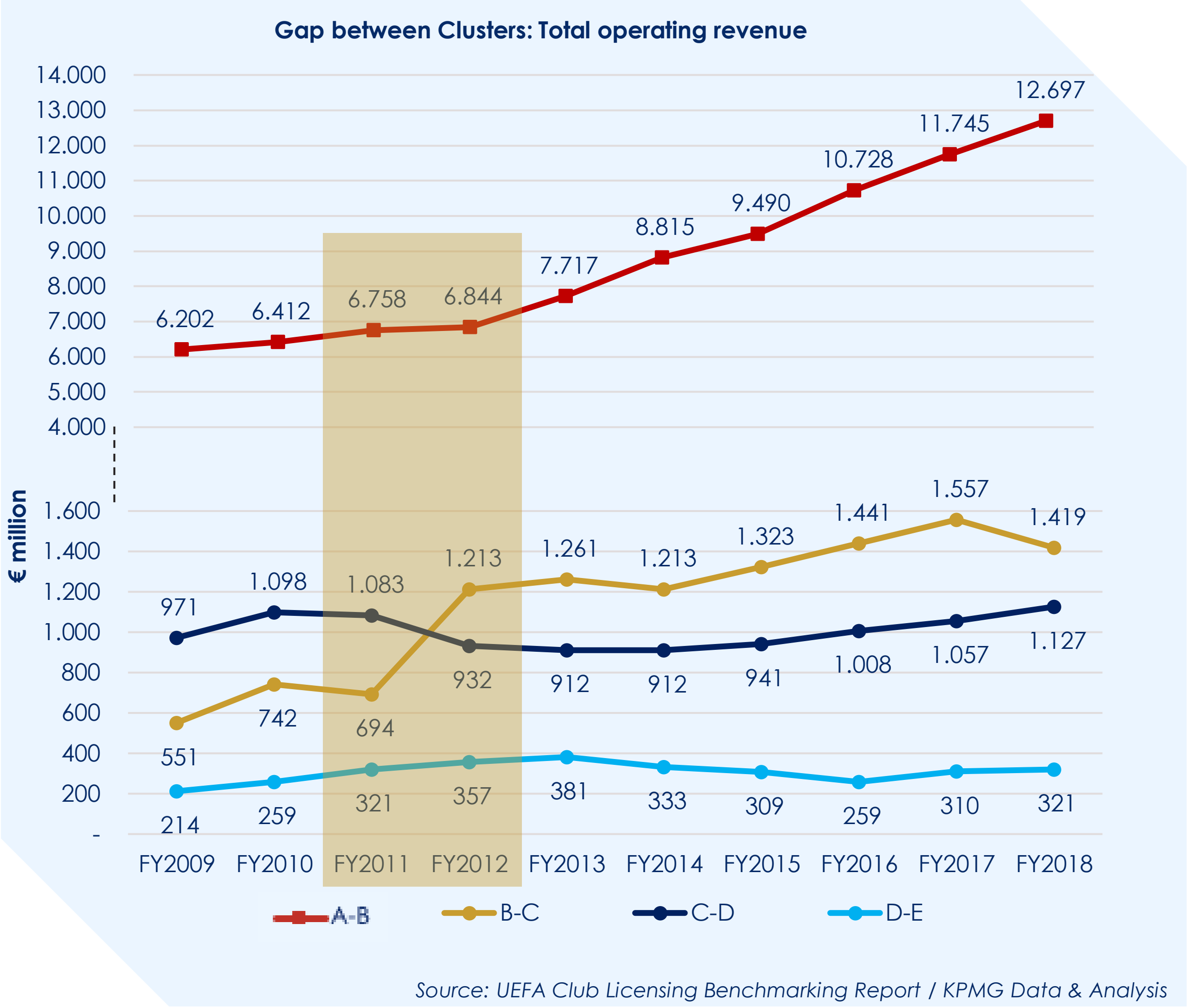
Financial gaps, especially between top three clusters, have accelerated from 2011-2012

Another way to look at the changes in revenue is to calculate the difference between the total revenue per club between clusters directly 'next to each other'. The objective is to look beyond simple growth rates and identify at which point the development paths of leagues started to diverge. To this end, the chart shows the difference or 'gap' between certain clusters.

- Clusters A-B: The gap between Cluster A and B has been constantly increasing since FY2012. By the end of the 2018 financial year, the gap between all clubs in Cluster A and B had increased to €12.6 billion, more than doubling from €6.2 billion in 2019.
- Clusters B-C: Between Clusters B and C, FY2011-2012 saw the gap almost double. Over the period, the difference between these clusters has continued to increase to a total of €1.4 billion by FY2018.
- Clusters C-D and D-E: Between these clusters, although the gap has increased over the period it has remained more stable, ending FY2018 at €1.1 billion and €320 million respectively.

The gaps, ultimately a function of both league and club development efforts which are interdependent, also mirror the dynamics within leagues, where similar levels of financial polarisation can be seen between the top clubs and the rest in the domestic leagues throughout Europe.

An overview of the more recent increase in the growing gap between clusters from FY2014-18 is explored on the following page, while further details of the key reasons and drivers for the financial differences between clusters will be explored later in the report.



Source: UEFA Club Licensing Benchmarking Report / KPMG Data & Analysis

Broadcasting, commercial and UCC driving increase of financial gaps

When analysing the more recent trends over a 5-year period (FY2014 – FY2018), except for the gap between clusters D and E, all other clusters experienced an increase over the period concerned, ranging from 17% to 44%. The key reasons for these changes were centralised (broadcasting, UCC) and individual (commercial) revenues as summarised below:

- **Centalised Revenues:**
  - **Broadcasting revenues**: With **54% (between Cluster A-B)** and **48% growth (between Cluster B-C)**, the successful broadcast revenue generating strategies of the leagues have significantly contributed to increasing the gap between these clusters. Besides macro-economic circumstances, the key drivers for broadcasting revenue growth are league/club professional structures and appeal, media rights tender specifics and the international footprint of the league and their member clubs.
  - **UCC revenues**: As shown in section 2.1, overall, UCC revenues have been growing fastest on a CAGR basis. This growth is reflected in the figures below, which show a **68%, 84% and 129%** increase during the 4-year period. The new UCC cycle for 2018-21, with its substantially increased revenues, should see this trend continue, especially for the small fraction of clubs able to qualify for UCL, due to changes in UEFA's distribution model which has allocated, in relative terms, much more prize money to a small group of clubs instead of potentially sharing more of the increased revenues, via solidarity payments, with all European clubs who also contribute to the football ecosystem.
- **Individual Revenues**: Compared to centralised UCC and broadcasting revenues which are distributed to all participating clubs, **commercial revenues** are club-specific. Based on the analysis below, only clubs in Cluster A saw a meaningful increase as **the gap between Cluster A-B grew by 57%** or, in absolute terms over €2 billion. As we will see in later sections of this report, much of this growth is concentrated in a handful of the very top clubs.

Clusters' value drivers comparison, € million

Gap in Total revenue between…	Total revenue			Broadcasting revenue			Commercial revenue			Matchday revenue			UCC revenue		
	FY2014	FY2018	Change %	FY2014	FY2018	Change %	FY2014	FY2018	Change %	FY2014	FY2018	Change %	FY2014	FY2018	Change %
Cluster A and B	8815	12697	**44%**	4111	6336.8	**54%**	2096.7	3297	**57%**	1587.9	1799.4	**13%**	544.3	915	**68%**
Cluster B and C	1213.2	1419	**17%**	307.5	454.2	**48%**	565.2	565.8	**0.1%**	165.5	238.1	**44%**	49.9	91.8	**84%**
Cluster C and D	911.6	1127	**24%**	133.8	144.4	**8%**	367.7	420.3	**14%**	152.2	224.5	**48%**	55.1	126.3	**129%**
Cluster D and E	332.7	321	**-4%**	45.3	49.4	**9%**	135	109.3	**-19%**	28.4	31.3	**10%**	84	87	**4%**

Source: UEFA Club Licensing Benchmarking Report KPMG Data & Analysis

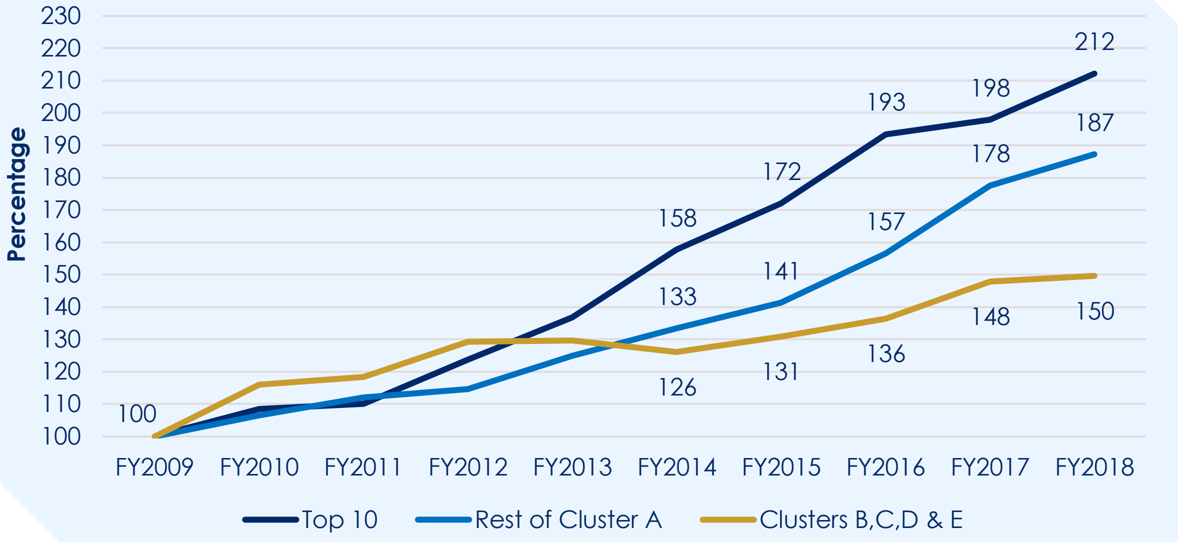
Top clubs' revenues growing faster than all other clubs

Even though socio-economic realities, as measured by GDP, can largely explain the variance in club revenues across clusters, top clubs – compared at a domestic level as well as internationally – are experiencing the fastest growth. Driven by regular participation in international competitions versus their counterparts, who primarily only compete in national competitions, the top clubs – in all leagues – are able to generate surplus revenues from sizable UCC distributions, whether this be from group stage onwards or qualifying round payments. Participation in UCC not only provides direct additional benefits (i.e. receiving prize money) but also provides indirect benefits via additional matchday and commercial revenue growth opportunities, if capitalised on, through exposure on the international stage. While the club data below relates to the top 10 wealthiest clubs, the analysis can be seen as a proxy for similar differences within individual domestic leagues where the top clubs continue to pull away financially, especially those that have strategically (re)invested surplus financial resources into strengthening their commercial capabilities.

- **Bottom Left Chart:** The top 10 wealthiest clubs have grown revenues faster (212%) than the rest of all 88 clubs in Cluster A (187%) and also the 600+ clubs in Clusters B, C, D and E combined (150%).

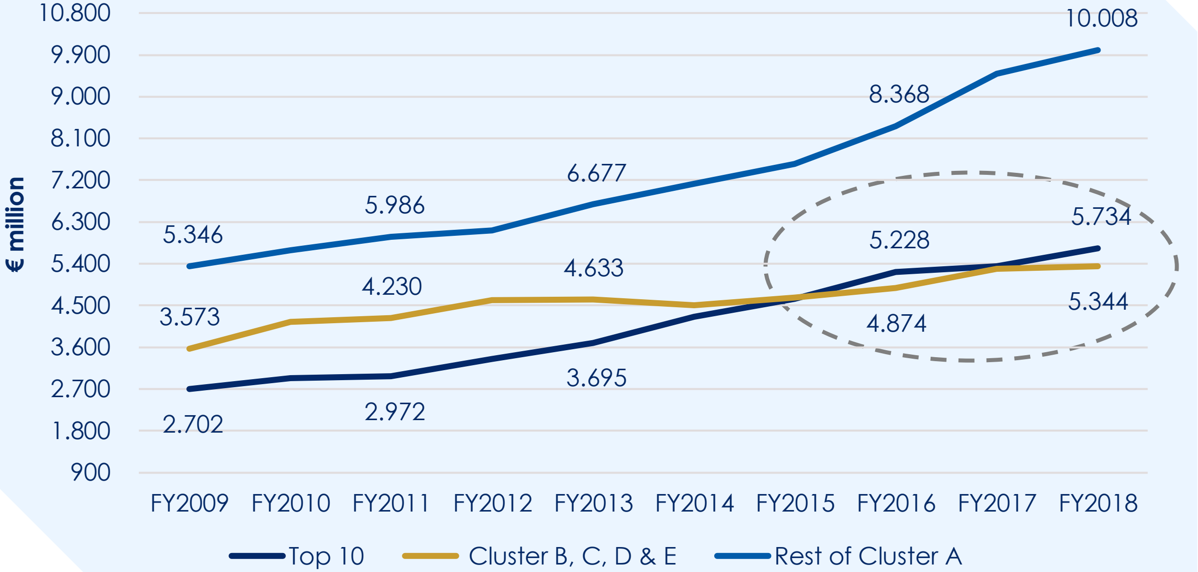
- **Bottom Right Chart:** Following a relatively stable period between FY2009 and FY2013, the combined revenue of the 10 wealthiest clubs caught up and overtook – for the first time in FY2016 - the total aggregate revenues of all 600 clubs in the four other clusters (B, C, D and E) combined.

Revenue growth (%) of top 10 wealthiest clubs, rest of clubs in Cluster A and the combined revenue of all clubs in Clusters B-E



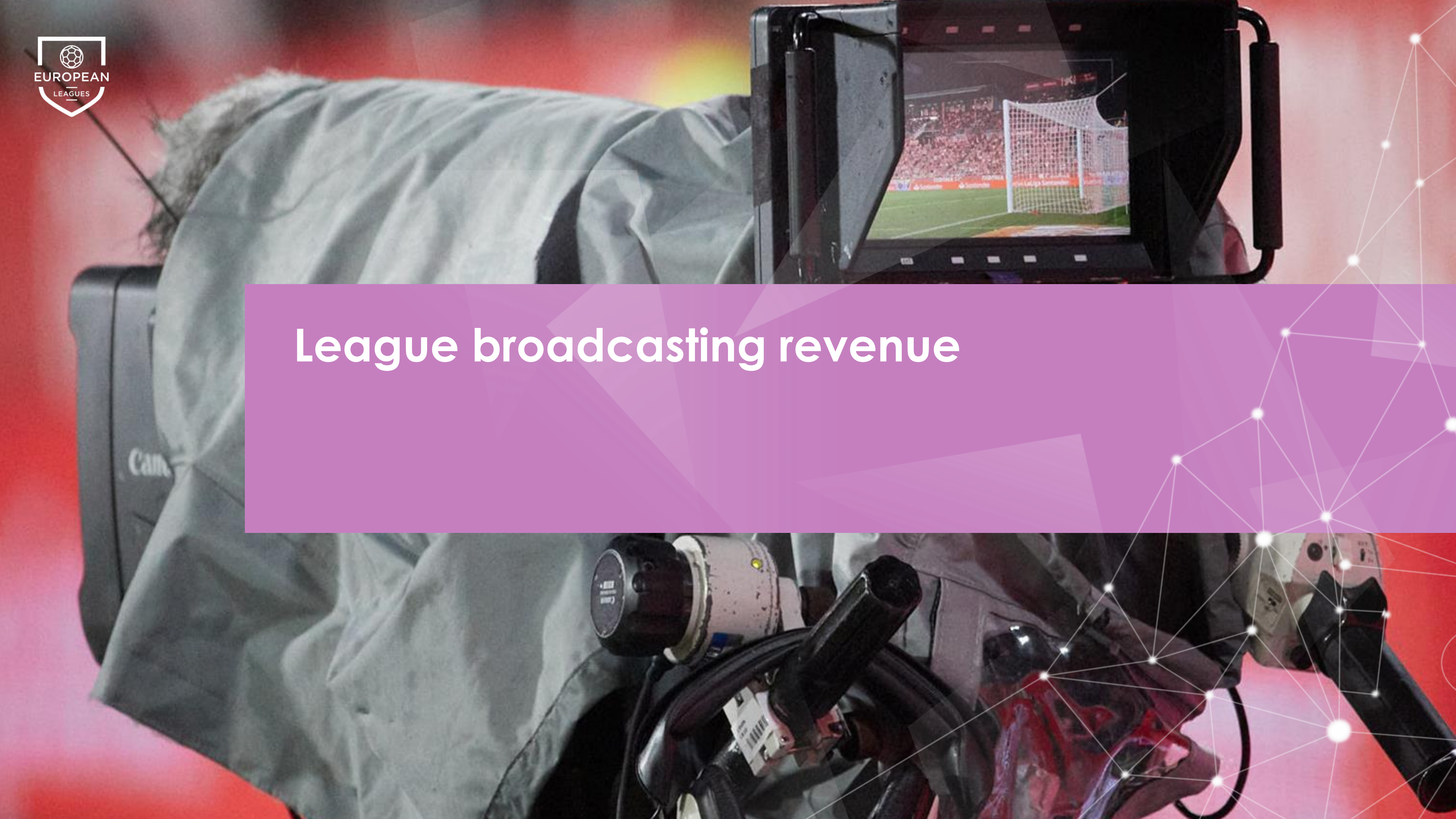
Source: UEFA Club Licensing Benchmarking Report / KPMG Data & Analysis

Evolution of revenue of top 10 wealthiest clubs, rest of clubs in Cluster A and the combined revenue of all clubs in Clusters B-E



Source: UEFA Club Licensing Benchmarking Report / KPMG Data & Analysis

Analysis by revenue and expenditure streams



League broadcasting revenue

Uneven growth of broadcasting revenues

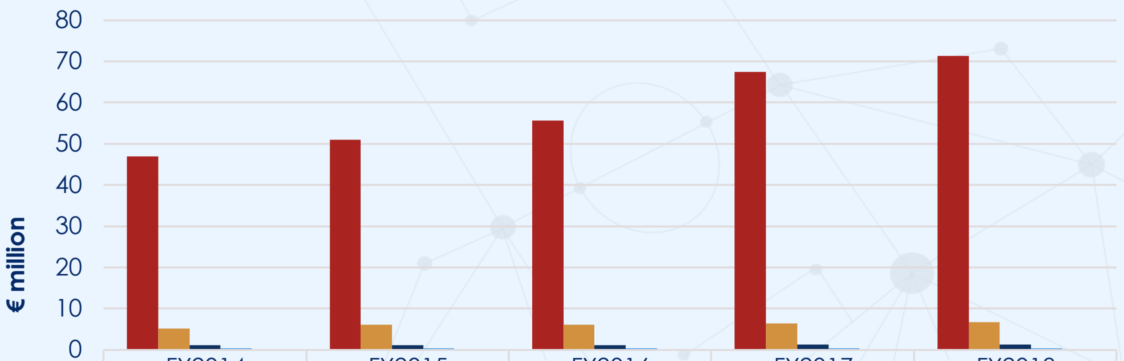
The attraction of live sport as a general strategy to power subscription-based media business models has benefited the football industry. However, the ability of a league to take advantage of this business environment depends on many factors, both domestic and international, with domestic socio-economic realities a significant determinant as illustrated earlier in this report. In addition, although football leagues are on the whole well placed to benefit from strong interest for their broadcasting rights, there has been a significant premium attached to 'must-have' rights for the very top leagues, which has driven their impressive growth.

- By FY2018, leagues in Cluster A had almost reached the €7 billion threshold in terms of combined broadcasting revenue on the back of successfully executing their respective media strategies, both domestically and increasingly internationally. On a club level this equated to generating an average of €71.3 million for their member clubs.
- Outside of Cluster A there is a large fall in the value of broadcasting revenues, with leagues in Cluster B distributing on average €6.8 million (ten times less than Cluster A) to their member clubs in FY2018.

A complex combination of endogenous and exogenous factors (see value drivers on p.38) define broadcast rights values. These factors are further influenced by several specific drivers, such as domestic market size, the packaging of matches and international appeal. A league's ability to growth its broadcasting rights will also depend upon how it works with its members clubs to successfully plan and execute their collective media rights strategy.

The broadcasting landscape is undergoing significant changes. Rights-holders have started to distribute directly to fans via their own platform, rather than solely relying on conventional broadcasting rights; furthermore, the introduction of OTT players has affected the financial power of traditional broadcasters.

Average broadcasting revenue per club by cluster



	FY2014	FY2015	FY2016	FY2017	FY2018
A	46,93	51,01	55,65	67,45	71,30
B	5,19	6,14	6,09	6,43	6,78
C	1,16	1,18	1,21	1,32	1,31
D	0,33	0,33	0,34	0,34	0,37
E	0,01	0,01	0,01	0,01	0,01

Source: UEFA Club Licensing Benchmarking Report / KPMG Data & Analysis

With regards to growth rates, only Cluster E grew by more than Cluster A. However, this is due to the fact that Cluster E started from a very low base:

Clusters	Compound Annual Growth Rates (2014-2018):
Cluster A	11.0%
Cluster B	6.9%
Cluster C	3.1%
Cluster D	3.5%
Cluster E	15.5%

Source: KPMG Data & Analysis

Broadcasting share of total revenues varies significantly within leagues

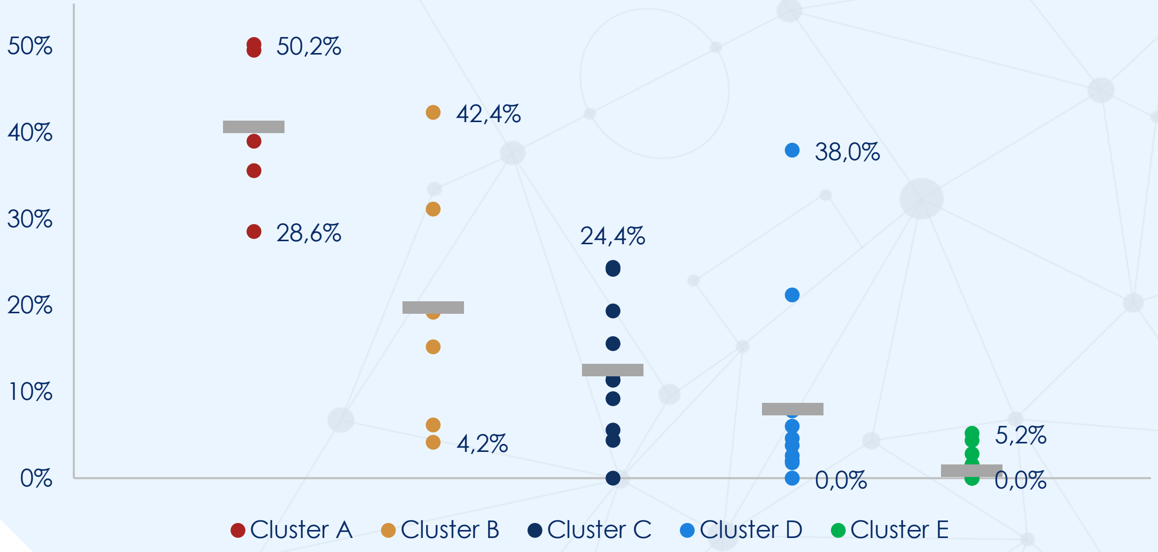
There is significant variation in what percentage broadcasting revenues have in different leagues, reflecting the multitude of factors that can affect the ability to maximise income from this revenue stream. Over the period observed, the average percentage share for Cluster A was 40%, double Cluster B and multiples of Clusters C, D and E, reflecting the significant absolute growth of these revenues in the top leagues.

Within clusters, whether broadcasting rights are sold collectively or individually can also impact a league's ability to grow this revenue stream.

- Within the clusters, B and D have the largest spread with a difference of 38% between the maximum and minimum indicative of the significant variation across European football. Clusters A and C have a lower spread; however, Cluster A's minimum (28%) is actually higher than Cluster C's maximum (24%), highlighting again the difference between clusters.
- If we exclude the two top outliers in cluster D, the majority of all leagues in Clusters D and E are less than 6~7%, indicating the more challenging domestic market conditions in these leagues when it comes to generating broadcast revenues.

The main driver of broadcasting revenues is the degree to which a domestic league is a 'premium sports property' within its media market and its substitutability (i.e. other premium properties exist). Due to strategic importance, premium properties or 'must-have' rights generate significantly more revenue, both in domestic and international markets. In the case of selling international rights, an additional dimension has to be considered, which includes - among others - the foreign market presence, the sales approach, the degree of localisation and the language.

Share of broadcasting in revenue mix by league within clusters
(Average of FY2014-FY2018)
Grey lines denote cluster averages



Source: UEFA Club Licensing Benchmarking Report / KPMG Data & Analysis

The below table lists the top league per cluster:

Clusters	League	Broadcasting (%)
Cluster A	Premier League (ENG)	50.2
Cluster B	Süper Lig (TUR)	42.4
Cluster C	Ekstraklasa (POL)	24.4
Cluster D	Liga Profesionista de Fotbal (ROU)	38.0
Cluster E	Úrvalsdeild karla (ISL)	5.2

Source: KPMG Data & Analysis

Broadcasting revenue distributed to foster increased competitive balance

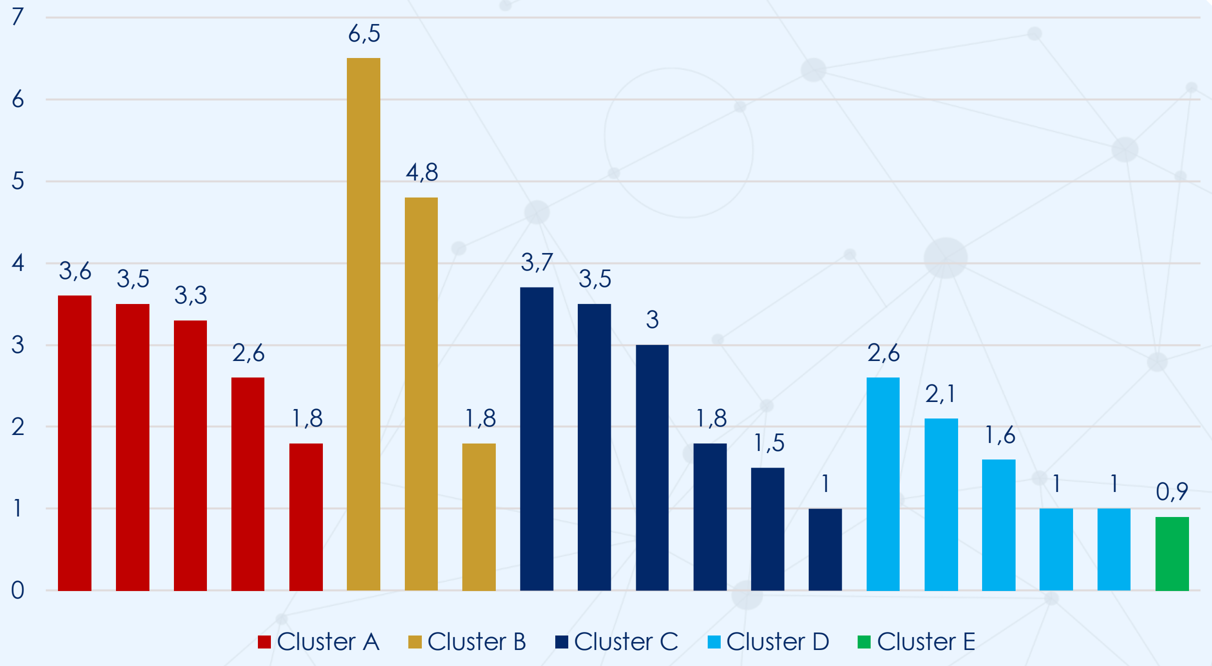
League broadcast rights are mostly sold centrally with redistribution models divided, in general, between the two main criteria of an equal share component and a sporting performance component, along with other criteria such as TV notoriety, youth development, club licensing, sustainability and stadium attendance.

- Based on a survey undertaken during 2020 of members* of the European Leagues, the average First-to-Last club ratio was 2.6X, with a range of 6.5X to 0.9X, indicating that the first-ranked club at the end of the season receives 2.6 times as much money as the last club, based on the principle of financially rewarding better sporting performance. For details on each individual league, please see the data book.

- Cluster E (0.9x) is the only league where the first club receives less than the last club. Due to the influence of UCC revenues, a principle has been introduced in the Northern Ireland Football League that means that the first-ranked club actually receives less than the last club, as the top three ranked clubs in the league are compensated by receiving additional UCC revenues.

In distributing centralised revenues (dominated by broadcasting income), leagues have to find a balance between domestic competitive balance, club media values and international competitiveness (i.e. in UCC) considerations based on their own circumstances.

Domestic League Broadcasting Revenue Redistribution Ratios: First-to-Last Club



> 1 : First club receives MORE THAN last club
= 1 : All clubs receive same (i.e. 100% equal sharing)
< 1 : First club receives LESS THAN last club

Source: European Leagues

*Members = The survey was based on available data for 20 leagues and does not include, for example, member leagues that do not have centralised broadcasting agreements, such as the Greek Super League, Liga Portugal and Ukrainian Premier League. A list of the leagues in the survey can be found in the appendix.

Besides macro-economics, media rights values are driven by league and club appeal, tender specifics and international footprint

Macro-economics

- Domestic market size and purchasing power parity
- Level of competitiveness of the media market
- (Sport) Media consumption
- Regulatory framework
- Media and advertising spend
- Pay-TV penetration / market maturity
- 'Substitutable' alternatives to drive pay TV business

Sales and Partner Approach

- Exclusivity
- Rights packaging / inventory
- Rights cycle / Contract duration
- Tender vs. negotiation (i.e. timing, duration)
- Differentiation (territory-by-territory vs. pan-regional)
- Broadcast regulations
- Global (partner) network
- Broadcaster collaboration & servicing

Media Product

- Production (Live, Non-Live)
- Distribution (feeds, satellite, virtual overlay, platforms)
- Match schedule / Kick-off slots
- Diversification (broadcast, web, app, social)
- Localisation (i.e. language)
- Innovation
- Anti-Piracy measures

League Structure

- Management/Governance Structure (i.e. local office)
- Business Model/strategy
- Expertise Committees
- Departments/Workforce Media Value chain (in-house vs. external expertise)

League Appeal

- Domestic popularity of football
- Overall playing quality
- Sporting success
- Club and layer brands
- (Star) players
- Fan engagement and atmosphere
- Competitive balance
- Marketing & Promotion
- Reach

Club Structure

- Management/Governance Structure (i.e. club office)
- Business Model/strategy
- Departments/Workforce Media Value chain (in-house vs. external expertise)

Club Appeal

- Size and elasticity of fan demand
- Club and player brands
- (Star) players
- Sporting success & heritage
- Stadium atmosphere
- Reach

Source: *European Leagues*

EUROPEAN LEAGUES

Commercial revenue

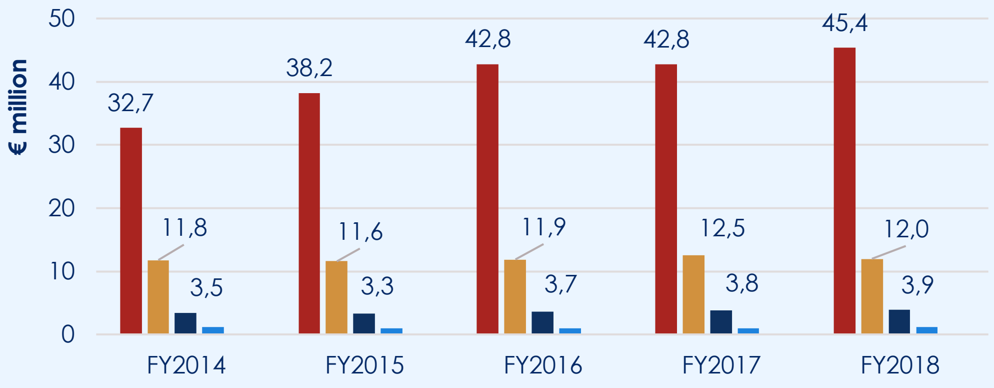
Individual club commercial revenues continue to grow, but are increasingly concentrated

Club commercial income, which is out of the control of leagues and associations, is derived through club-specific sponsorship arrangements and income related to retail, merchandising, apparel and licensing activities. The ability of clubs to generate commercial revenues can, in general, be explained by an individual club's ability to capitalise on the economic opportunity afforded to it based on national and international factors.

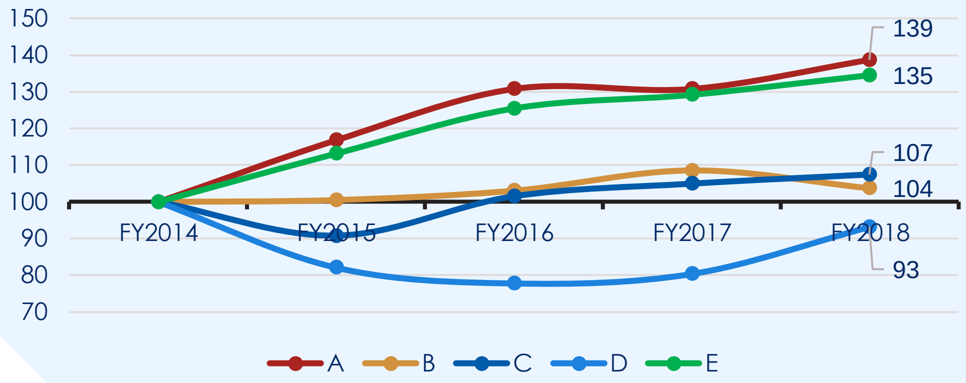
- The difference in average commercial revenue per club between clusters can be largely explained by the different domestic market conditions, i.e. clusters B to E are predominately followed at a national level with less of an international audience. Consequently, clubs in these leagues are reliant primarily on domestic, regional or local commercial arrangements.
- When comparing across leagues, we can see that top clubs from bigger leagues - and those clubs that have invested in their commercial capabilities - have generally benefited the most, due to their ability to capitalise on the growing international profile of the competitions they play in, both domestic and international, as well as the higher-profile players in their squads.

Increasingly, just participation in UCC is a differentiating factor in which clubs are able or not able to grow this revenue stream. Regular participation, driven by the UEFA's access list and qualification paths, in the group stages of UCC can help drive premium values. Based on EL data analysis, there is a high degree of correlation (84% from FY2014 to FY2018) between average club commercial revenues and average UCC revenues per club by cluster. UCC provides the stage to capitalise on the global audiences and international appeal that would not normally be available to most individual clubs if they only compete in their respective domestic competitions.

Average commercial revenue per club by cluster



Growth of average commercial revenue per club by cluster
(2014 = 100)

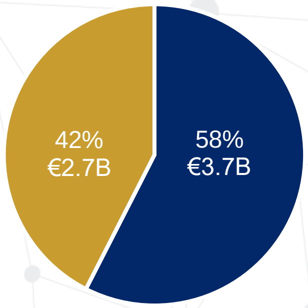


Source: UEFA Club Licensing Benchmarking Report / KPMG Data & Analysis

Relative share of commercial income has fallen but remains a key source of differentiation

A common factor in the percentage fall of commercial revenue's share in Clusters B, C, D and E (top right chart) is the increased share of UCC income due to the growth of UEFA's revenues relative to other sources. On the other hand, Cluster A has remained flat over the period as clubs have been able to increase their own commercial revenues in line with overall revenue growth. As with commercial revenues, the majority of UCC revenues are concentrated in fewer clubs (see box below).

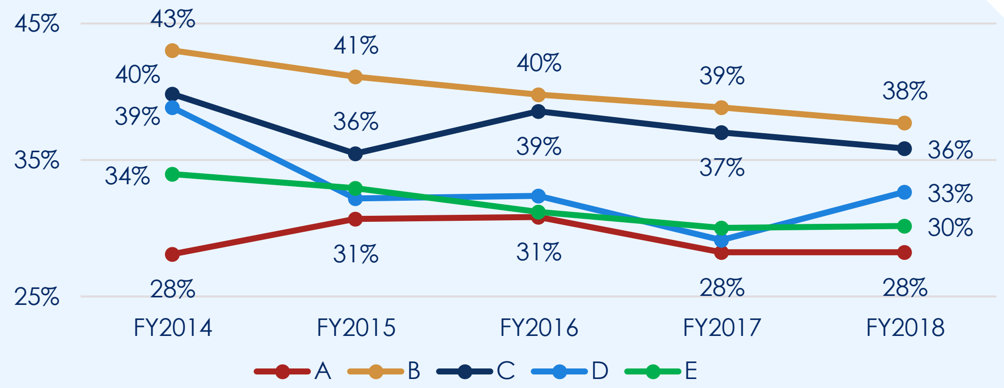
- Within clusters (bottom right chart), as you move from Cluster A to Cluster E, the percentage range that commercial revenues have in the revenue mix increases consistently. This dispersion signifies that, although at a cluster level the trend indicates an overall fall in relative percentage weight, in many leagues commercial revenues continue to be vitally important for individual clubs.



- **The most successful and high profile (for example top 20) clubs in European football are able to earn a considerable amount of commercial revenue.**
- **This is not a new phenomenon; however, the ability of these clubs to attract the biggest brands from all over the world has allowed them to extend their dominance in extracting more and more value from this revenue stream, above and beyond their domestic economies.**
- **Regular participation in European club competitions provides additional global exposure, which further increases the brand value of the very top clubs.**

Source: Deloitte / European Leagues

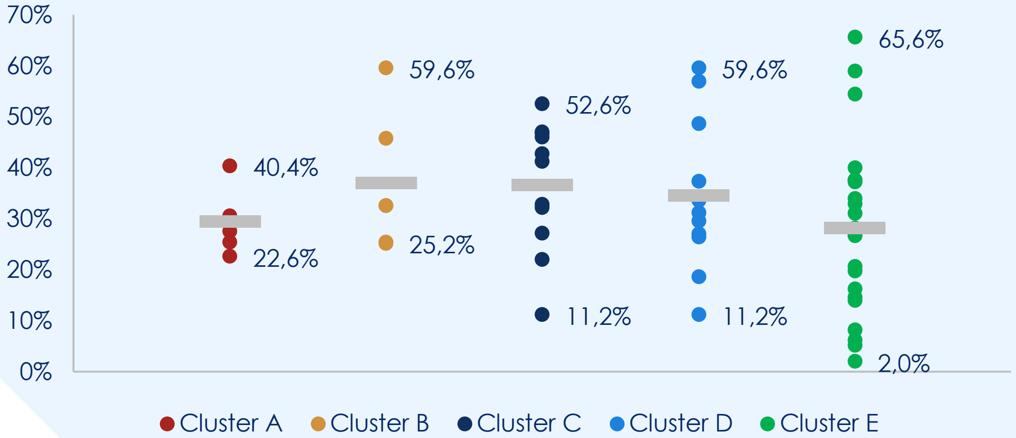
Share of commercial in revenue mix by cluster



Distribution of leagues within clusters

Commercial to total revenue ratio (average of FY14-FY18)

Grey lines denote cluster averages



Source: UEFA Club Licensing Benchmarking Report / KPMG Data & Analysis

Value of commercial deals driven by a combination of factors; however, individual club differences drive premium values

The fees a club can command across its various commercial activities and properties can be influenced by many value drivers that affect a club's proposition and negotiation position with commercial partners.

Macro-economics

- Domestic market size and purchasing power parity
- Digitalisation and Access to technology
- Regulatory framework
- Media and advertising spend
- Market maturity
- Competition in key industries

UEFA / UCC

- Participation
- (Competition access criteria, e.g. slots available per country)
- Performance

League Appeal

- Domestic popularity of football
- Overall playing quality
- Sporting success
- Club and payer brands
- (Star) players
- Fan engagement and atmosphere
- Competitive balance
- Marketing & Promotion
- Reach

League Structure

- Management/Governance Structure (i.e. local office)
- Business Model/strategy
- Expertise Committees
- Departments/Workforce
- Media Value chain (in-house vs. external expertise)

Club Structure

- Management/Governance Structure (i.e. club office)
- Business Model/strategy
- Departments/Workforce
- Commercial Value chain (in-house vs. external expertise)

Club Appeal

- Size and elasticity of fan demand
- Club and player brands
- (Star) players
- Sporting success & heritage
- Stadium atmosphere
- Reach

Sales and Partner Approach

- Exclusivity
- Rights packaging / Licensing / inventory
- Public access/availability (e.g. pay/free
- Stadium & infrastructure quality
- Commercial regulations
- Attendance / Membership / Hospitality areas
- Global (partner) network
- Partner collaboration & servicing
- Business facilitator (i.e. league/club)
- (Physical) proximity

Commercial Product(s)

- Production (i.e. perimeter boards, content formats)
- Distribution (i.e. virtual overlay, platforms)
- Match schedule / Kick-off slots
- Diversification (broadcast, web, app, social)
- Customisation (i.e. language)
- Innovation

Source: European Leagues

Matchday revenue

Lower matchday revenue growth but remains fundamental for financial and non-financial reasons for all clusters

Matchday revenues remain an important and fundamental revenue stream for all clubs. The ability to attract fans to stadiums is beneficial in both financial and non-financial terms. Fans bring stadiums to life and create the unique atmospheres in all leagues around Europe.

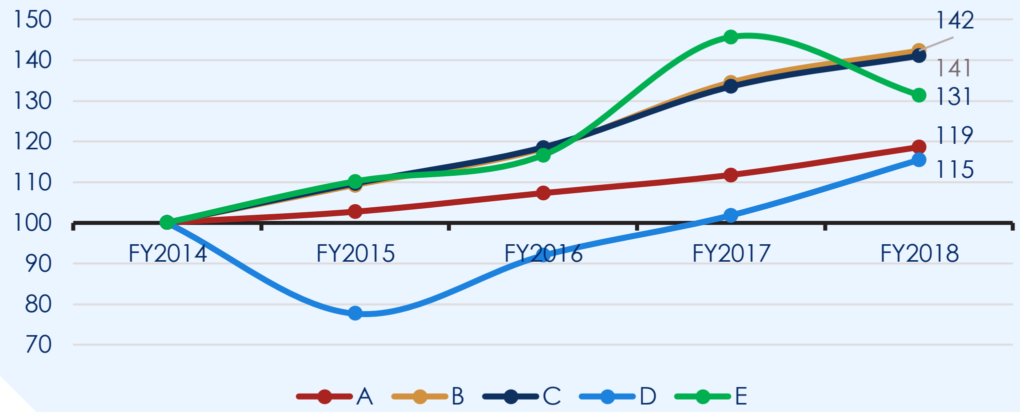
- When looking at the growth of this revenue stream across all clusters, you see positive figures for the most part, even if Cluster D experienced a fall in growth during the beginning of the period.

- On a CAGR (Compound Annual Growth Rates) basis, Cluster C showed the highest CAGR between FY2014 and FY2018 at 10.1%, while Clusters A and D showed a more limited increase at 4.4%. In some leagues of Cluster A, stadiums are already operating at close to maximum capacity, resulting in modest growth between FY2014 and FY2018 of 4.4% and likely capping further growth.

Clusters	CAGR (2014-2018):
Cluster A	4.4%
Cluster B	8.7%
Cluster C	10.1%
Cluster D	4.4%
Cluster E	7.6%

Source: KPMG Data & Analysis

Growth of average matchday revenue per club by cluster
(2014=100)



Source: UEFA Club Licensing Benchmarking Report / KPMG Data & Analysis

The ability of clubs to generate more matchday revenues will depend upon a variety of factors but will likely increasingly be driven by the quality of the matchday experience they are able to offer:

- At a **macro** level, factors such as purchasing power indicate whether fans can generally afford to attend football matches in addition to catchment-area size.
- At **club** level, reinvestment into improving stadium infrastructure and facilities will be crucial to offering new services to both entice more spectators and increase spend by those attending games.
- At **league** level, the overall playing quality, level of competitive balance and the presence of historical clubs/star players further influence matchday revenue.

Relative share of matchday revenue flat; however, large differences exist within clusters, reflecting different levels of importance for leagues

Although matchday revenues have grown as highlighted on the previous slide, on a relative basis their share of the revenue mix has remained flat:

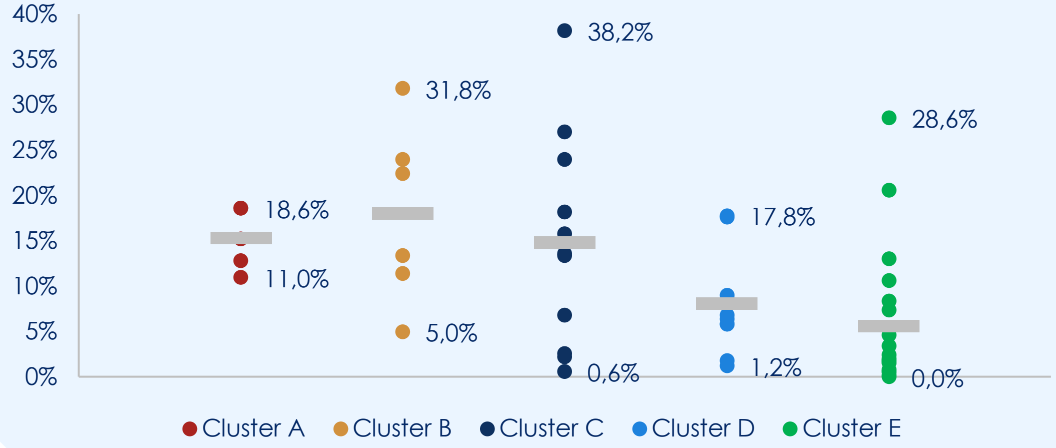
- The share of matchday income was consistent between FY2014 and FY2018 for all clusters, indicative of the inherent barriers for significant matchday income growth at any level of European football. The clusters can be split into two groups: Clusters D and E have 9% and 7% respectively, while the other three clusters have between 15%~17% of match revenues in their income mix based on FY2018 figures.

Within clusters, however, large differences exist reflecting how important this individual revenue stream is for certain leagues as illustrated in the bottom chart:

- Clusters B and C in particular show how important matchday revenues are to clubs in some of these leagues, with figures as high as 32% and 38% respectively. However, in general there is a large range within all clusters except for Cluster A.

In addition to **macro-level**, **club-level** and **league-level** factors mentioned on the previous page, at a **UCC level** regular participation and strong performance in European club competitions, for those clubs that are able to qualify, can provide meaningful additional revenue opportunities and become a key differentiator among clubs. Further details of the drivers related to matchday revenue are shown on the following page.

Distribution of leagues within clusters
Matchday to total revenue ratio (average of FY14-FY18)
Grey lines denote cluster averages



Source: UEFA Club Licensing Benchmarking Report / KPMG Data & Analysis

The importance of matchday revenue for the top league in each cluster is shown in the table below. Scotland and Switzerland have the highest percentages with 38% and 32% respectively.

Clusters	League	Matchday Revenue (%)
Cluster A	Bundesliga (GER)	18.6%
Cluster B	Super League (SUI)	31.8%
Cluster C	Premiership (SCO)	38.2%
Cluster D	Championship (CYP)	17.8%
Cluster E	Premier Division (IRL)	28.6%

Source: KPMG Data & Analysis

Matchday revenue influenced by a variety of factors with UCC matches creating additional revenue opportunities

Macro-economics

- Domestic market size and household income
- (Sport) consumption
- Digitalisation and access to technology
- Regulatory framework
- 'Substitutes' / event alternatives

UEFA / UCC

- Participation
- (Competition access criteria, e.g. slots available per country)
- Performance

League

- Domestic Popularity of football
- Overall playing quality
- (International) Club success
- (International) Star players
- Fan engagement and atmosphere
- Competitive balance
- Marketing & Brand Promotion

Infrastructure

- Stadium ownership
- Stadium (operating) costs
- Stadium location/accessibility
- Capacity Overall
- VIP Area Capacity / Offer
- Security

Club

- Size and elasticity of fan demand
- Season tickets and membership
- Stadium attendance
- Sporting performance
- Fan Experience and stadium atmosphere
- Ticket prices
- Departments/Workforce

Source: European Leagues

UEFA Club Competitions revenue

Significant growth of UCC revenue distributions to clubs increasingly impacting all levels of the ecosystem

The successful commercial strategy of UCC has led to a significant period of revenue growth, which is having a much greater impact on the entire football ecosystem. Historically, UCC revenues have represented a smaller share of club revenues but the combination of being the fastest growing revenue stream, on a percentage basis, along with the significant increases in absolute terms now means UCC revenues have a greater impact.

At a cluster level we can observe the following trends:

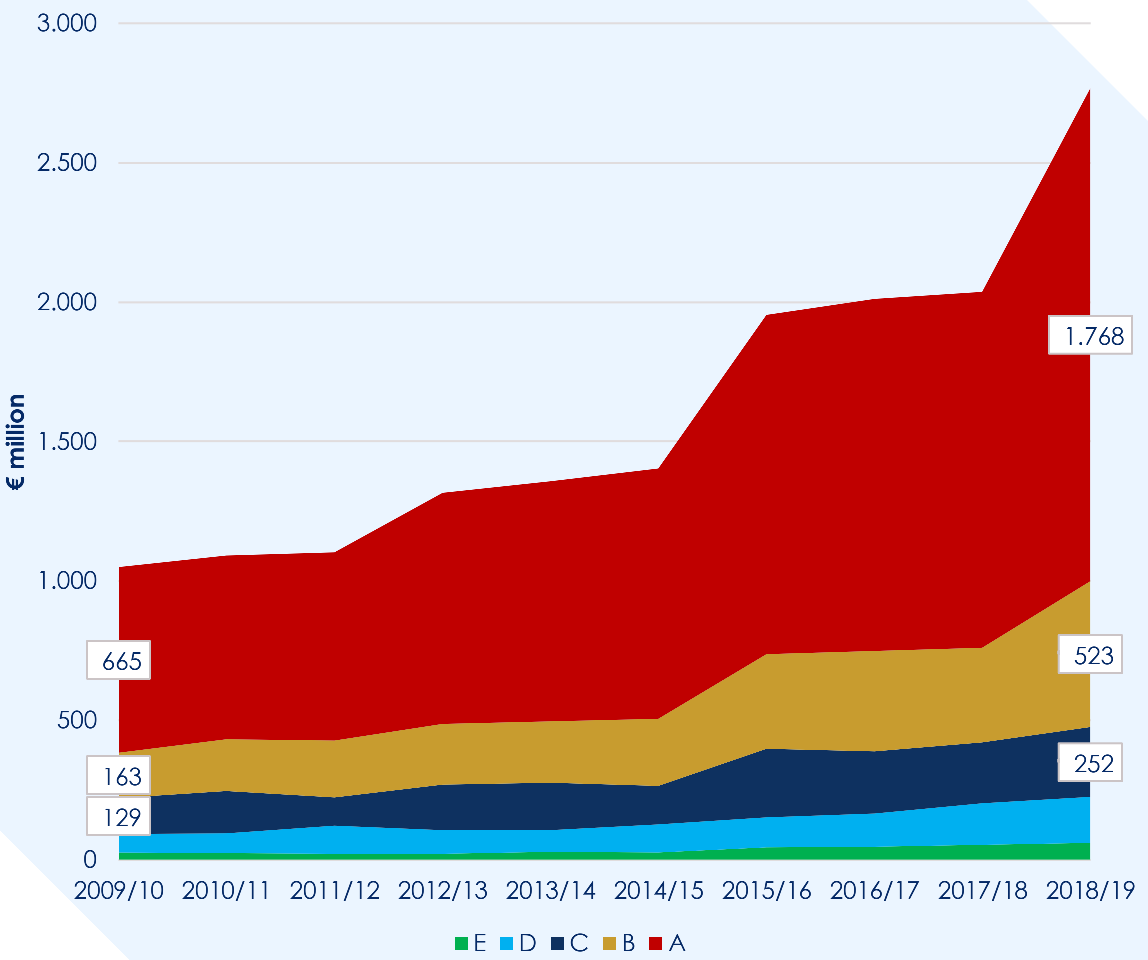
- UCC distributions per club have experienced strong growth in all clusters between 2009/10 and 2018/19, ranging from 8.4% (Cluster C) to 13.6% (Cluster B):

Clusters	Compound Annual Growth Rates (2009/10-2018/19):
Cluster A	11.5%
Cluster B	13.6%
Cluster C	8.4%
Cluster D	11.9%
Cluster E	9.8%

Source: KPMG Data & Analysis

- Cluster B clubs display the highest increase in UCC revenues from €163m to €523m (221%) over the 10-year period. In absolute terms, however, Cluster A clubs received €1.1 billion more from 2009/10 to 2018/19.
- Cluster A clubs consistently received the vast majority of total annual UCC distributions between 2009/10 and 2018/19 due to a combination of the structure of the access list (i.e. qualification process), their comparative on-field success, the size of the media markets they play in and changes to the financial distribution model which benefitted clubs playing in UCL the most.

Evolution of UCC revenue by clusters



Source: UEFA Club Licensing Benchmarking Report / KPMG Data & Analysis

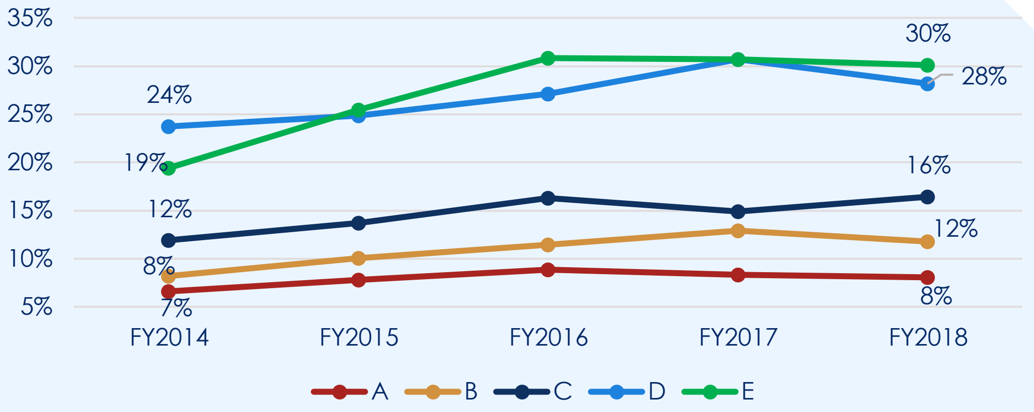
UCC revenues having greater influence on all domestic leagues, especially in medium and smaller leagues

The redistribution of UCC revenues to clubs is having a greater influence on the financial structure of the European football ecosystem. The financial impact is significant across all leagues but especially noticeable when analysing UCC share in medium and smaller leagues.

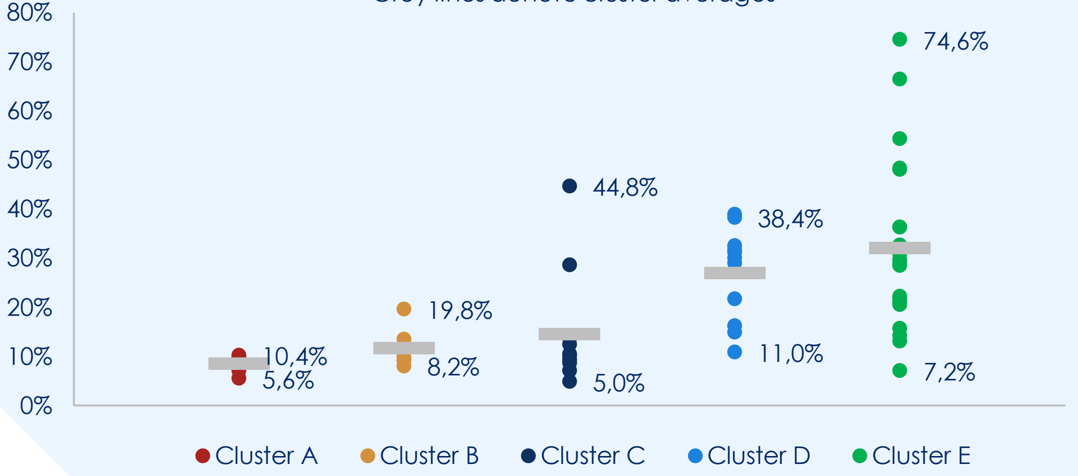
- At a cluster level (top chart), in Clusters D and E the UCC share has reached approximately one-third of all revenue in FY2018. For Clusters A, B and C, the share mix is in a lower range, of 8-16%; however, the absolute amounts in these leagues are much higher so the financial impact is still significant, even for leagues in Cluster A.
- Within clusters (bottom chart), we can see a clear trend that in the smaller leagues - Clusters C, D and E - the influence of UCC revenues increases dramatically, reaching highs of 45%, 38% and 75% respectively. Even in Cluster B, the maximum reaches 20%.

When analysing the impact (positive, neutral or negative) of UCC revenues on the ecosystem as a whole, it is necessary to understand in further detail how these revenues are actually being shared and which clubs are receiving the bulk of the money. Specific analysis, for example, focused on the percentage share of UCC revenues received by the top three clubs in each domestic league is explored further in this section of the report. The analysis not only considers group stage payments but also qualifying round payments, as the relative size of UCC distributions to clubs must be considered against the revenues of a league as a whole to understand the financial impact at a domestic level.

Share of UCC in revenue mix by cluster



Distribution of countries within clusters
UCC to total revenue ratio (average of FY14-FY18)
Grey lines denote cluster averages

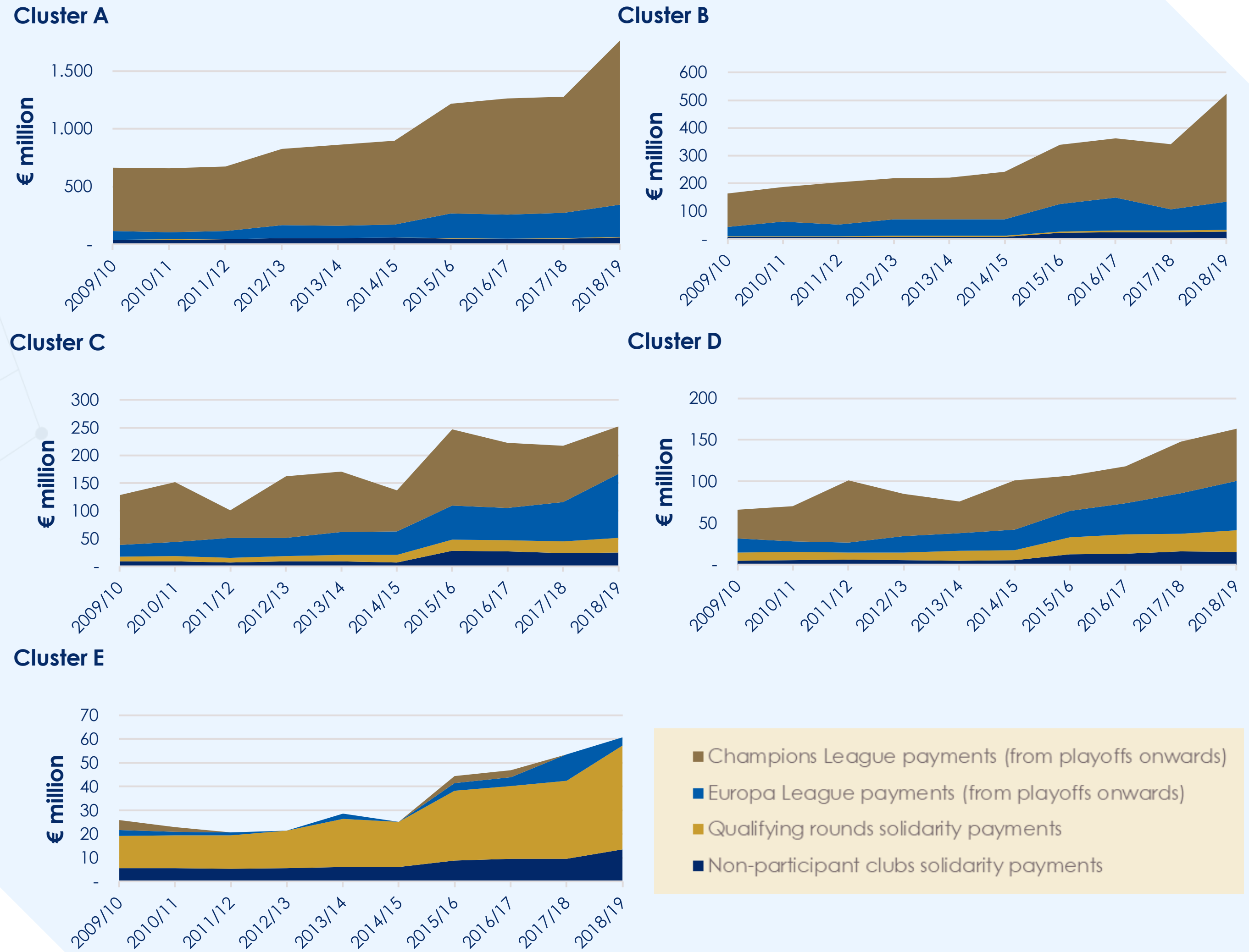


Source: UEFA Club Licensing Benchmarking Report / KPMG Data & Analysis

Individual club distributions (UCL, UEL and Qualifying Rounds payments) impact all clusters

When it comes to UCC club distributions (from cycle 2018-21), 93% is shared between clubs participating in UCL and UEL (80 clubs), with UCL's 32 clubs being by far the most dominant beneficiary. The remaining 7% is split between 4% for Qualifying Round payments (approx. 180 clubs) and 3% for Non-Participating solidarity payments (over 600 clubs).

- Clusters A and B: UCL and UEL participation are the most important sources of revenue from UCC. Both clusters do receive Non-Participating solidarity payments, while Qualifying Round payments are insignificant.
- Clusters C and D: UCL and UEL participation are also the most important sources of revenue; however, income from Qualifying Round and Non-Participating solidarity payments start to play a larger role.
- For Cluster E, the situation is reversed with Qualifying Round and Non-Participating solidarity payments representing the only consistent source of UCC income, as opportunities for further participation in the competition are limited. The rare occasions when clubs from Cluster E reached the UCL or UEL group stages are clearly visible in the chart. However, this revenue category only contributed a very small portion of overall UCC income.



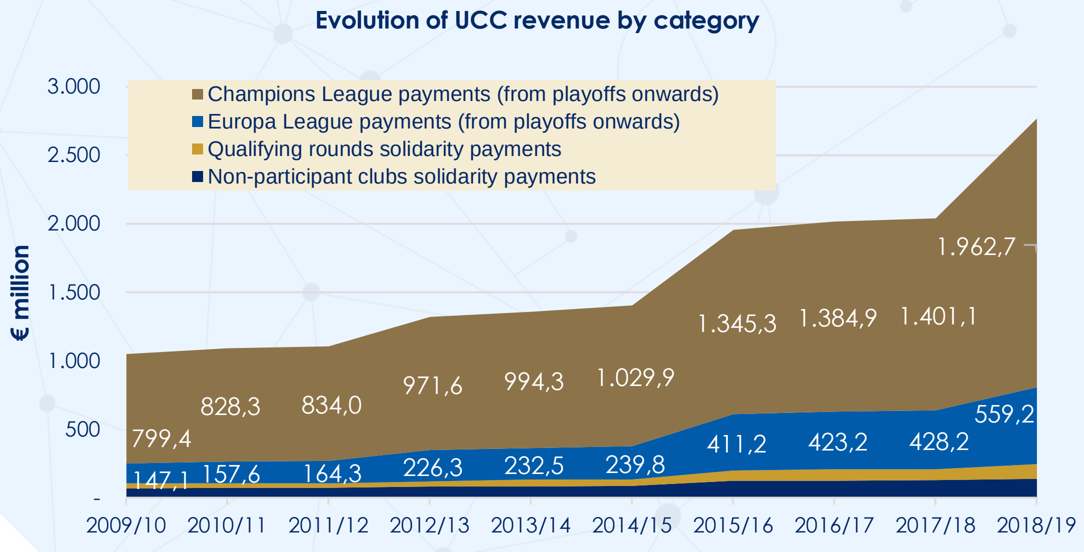
Source: UEFA distribution to clubs

UCL growing much more than UEL, while solidarity payments have fallen behind and remain small

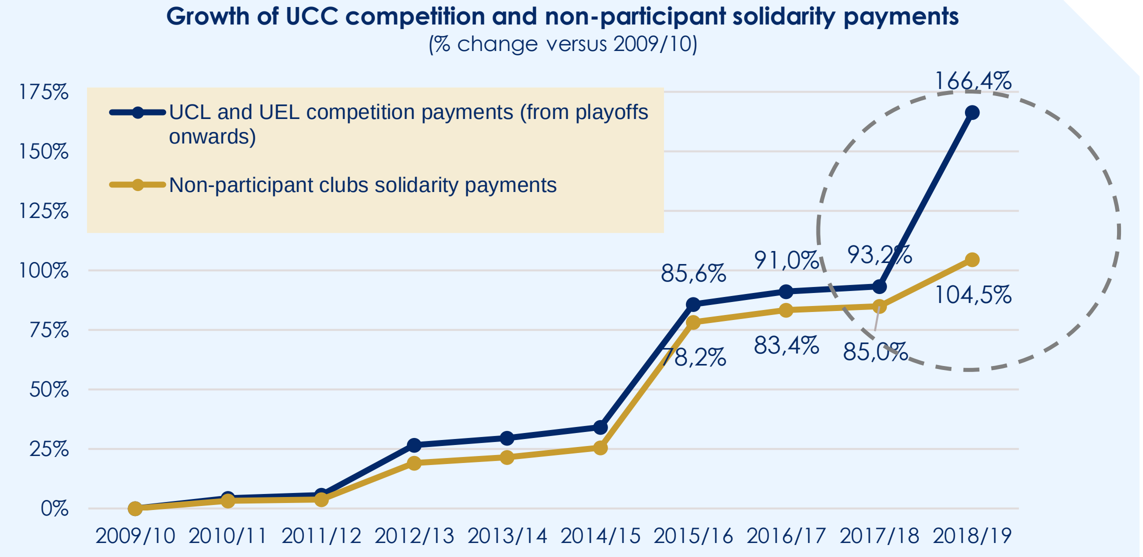
Although prize money for both the UCL and the UEL have grown over the last 10 seasons, the absolute gap between the two competitions has significantly increased. From 2018/19, clubs in the UCL received around €650 million more from the growth of total revenues than their counterparts in the UEL due to a change in the UCC distribution model. During the 10-year period, Non-Participating solidarity payments were growing in line with UCL/UEL, until 2018/19 when a divergence occurred resulting in UCL/UEL growing to 166% (+70%) while Non-Participating solidarity payments grew to 105% (+20%).

- **Left Chart:** The start of the new three-year broadcasting cycles (in 2012/13, 2015/16 and 2018/19) creates an incremental jump in UCC payments due to the revised and improved deal values. From 2018/19, the difference between UCL and UEL had expanded to over €1.4 billion while Non-Participating solidarity payments were only €130 million.

- **Right Chart:** Solidarity payments were increasing in tandem with UCL/UEL Prize Money payments until the beginning of the new three-year broadcasting cycle starting FY2018/19, when a divergence occurred, leading to an even higher increase in the gap between solidarity payments and competition prize money.



Source: UEFA distribution to clubs / KPMG Data & Analysis



Source: UEFA distribution to clubs / KPMG Data & Analysis

In each league the top three clubs receive 85% of individual UCC distributions, adding to financial imbalance across and within leagues

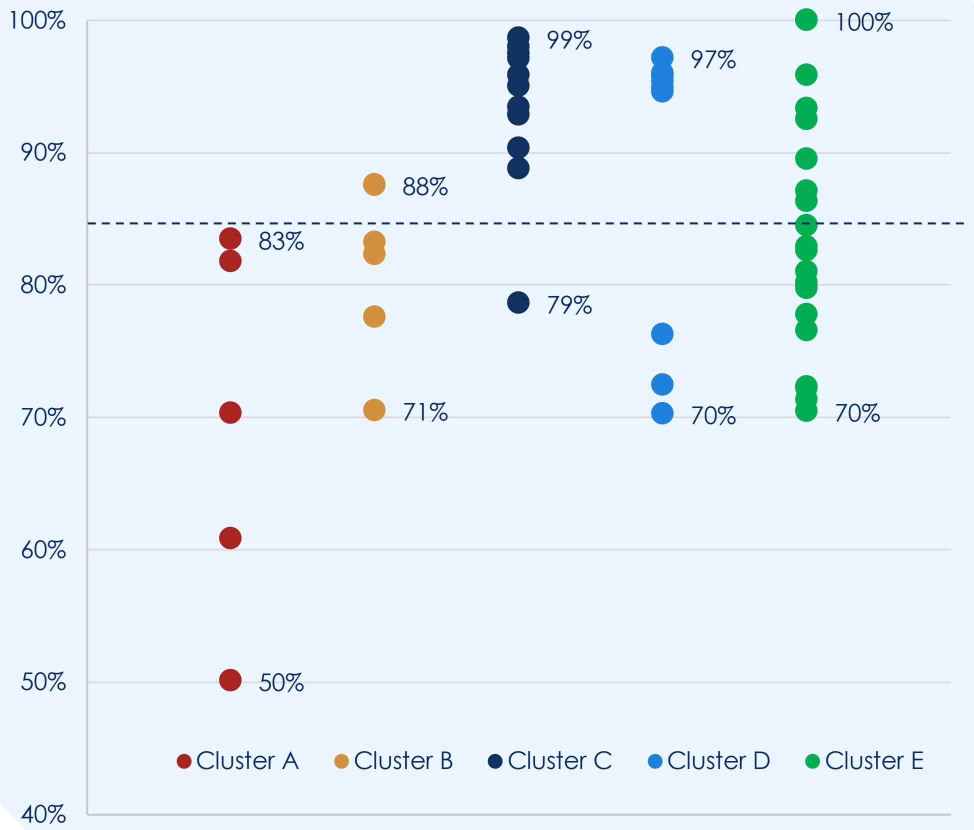
The top three clubs in each league, by UCC income received over the course of the 2015-18 cycle, were selected for every country. Their total UCC income was compared to all UCC income in their respective countries. The findings of the analysis can be summarised as follows:

- UCC revenue distribution is concentrated within a small number of top clubs of each league.
- The average UCC share amongst the top 3 clubs from all leagues stands at 85%. This value suggests that in most countries it is usually the same group of clubs that performed the best in UCCs (e.g. reaching late qualifying rounds or the group stages), further contributing to financial imbalance across and within leagues.
- Cluster A is the only cluster with two leagues with below 70% UCC revenue share amongst the top three clubs, demonstrating a more balanced share of UCC prize money.
- In Clusters B to E, the min. is 70% while the max. reaches 100%, indicating the degree to which the top clubs in these leagues consistently benefit from receiving UCC income, whether this be from group stage onwards or from qualifying round payments in either the UCL or UEL competitions.

Top league in each cluster ranked by 'UCC as a % of Total League Revenue' with the % the top 3 clubs receive of these UCC revenues in each respective league:

Clusters	League	UCC as a % of Total League Revenue	% of UCC revenue concentrated in top 3 clubs
Cluster A	Ligue 1 (FRA)	11%	82%
Cluster B	Liga Portugal (POR)	20%	88%
Cluster C	Ukrainian Premier League (UKR)	58%	95%
Cluster D	Azerbaijan Professional Football League (AZE)	44%	96%
Cluster E	Gibraltar Premier Division(GIB)	76%	100%

% of UCC revenue concentrated in top 3 clubs by league in each cluster
(Revenue of 2015-18 cycle combined)



Source: UEFA distribution to clubs / KPMG Data & Analysis

Distribution model and access list drive club share of UCC revenue

The reasons for overall UCC revenue growth are very similar to the drivers of broadcasting and commercial income, as have been explored in previous sections. However, from the perspective of how clubs receive UCC income, the framework is based on the UCC access list and distribution model which defines how revenues are to be distributed to participating clubs and the amount for solidarity payments.

Macro-economics

- Domestic market size and purchasing power parity
- Level of competitiveness of the media market
- (Sport) Media consumption
- Regulatory framework
- Media and advertising spend
- Pay-TV penetration / market maturity
- 'Substitutable' alternatives to drive pay TV business

Media Product

- Diversification (broadcast, web, app, social)
- Localisation (i.e. language)
- Innovation
- Anti-Piracy measures
- Production (Live, Non-Live)
- Distribution (feeds, satellite, virtual overlay, platforms)
- Match schedule / Kick-off slots

Sales and Partner Approach

- Differentiation (territory-by-territory vs. pan-regional)
- Broadcast regulations
- Global (partner) network
- Broadcaster collaboration & servicing
- Exclusivity
- Rights packaging / inventory
- Rights cycle / Contract duration
- Tender vs. negotiation (i.e. timing, duration)

Domestic League Appeal

- Popularity of football
- Popularity of local league and clubs
- Fan engagement and atmosphere

UCC Appeal

- Overall playing quality
- Club brands
- Star players
- Fan engagement and atmosphere
- Competitive balance
- Marketing & brand promotion

UCC Distribution Model

- Coefficient system
- Starting fee
- Market pool
- Sporting (current UCC performance)
- Solidarity payments (qualifying rounds)
- Solidarity payments (non-participating clubs)

Access List

- Participation (Competition access criteria, e.g. slots available per country)
- Performance

Club

- Access List
- Sporting Performance T-1 (Qualification)
- Current UCC performance
- Historical UCC performance

Source: European Leagues

EUROPEAN LEAGUES

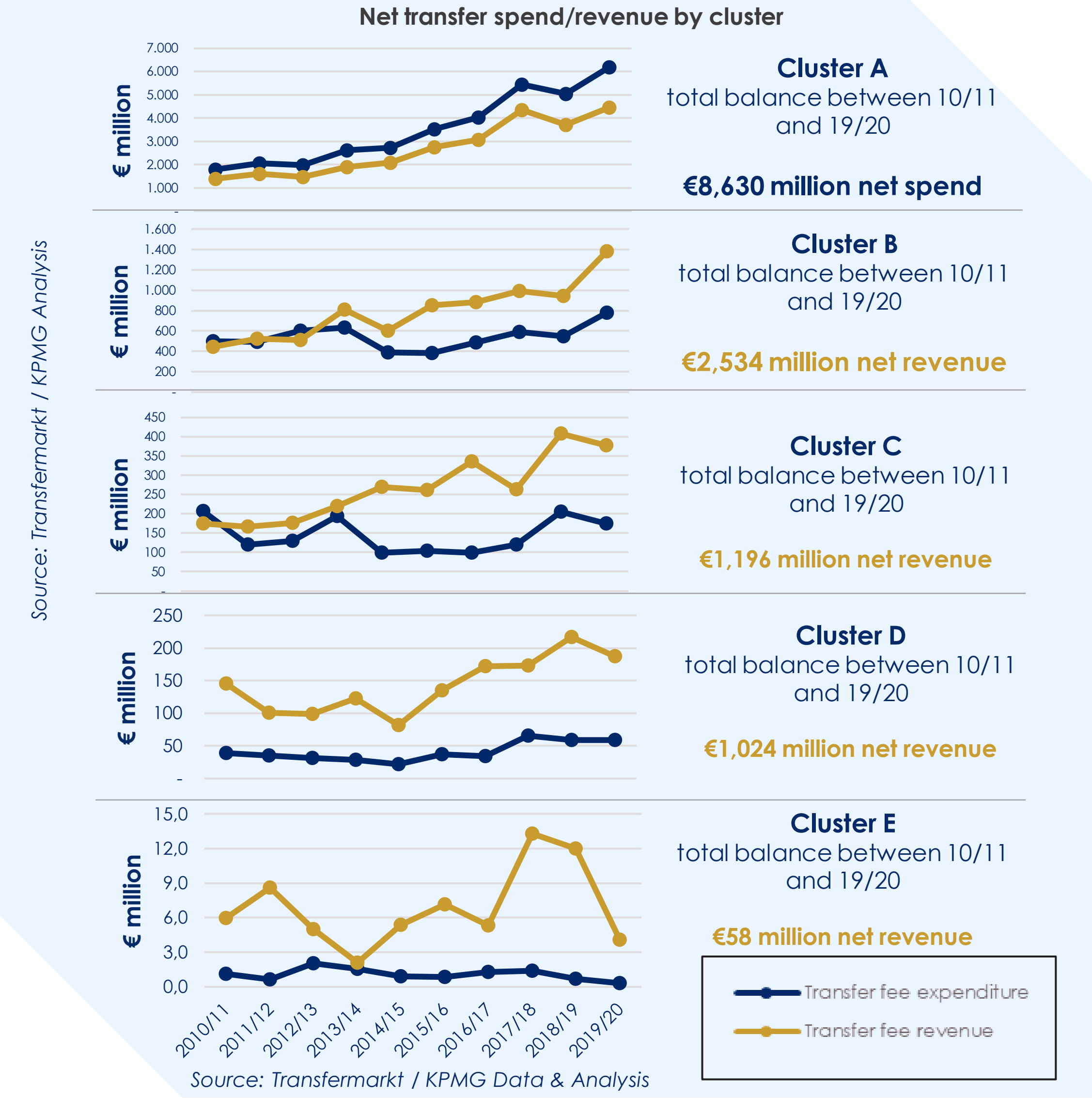
Transfer revenue and expenditure

Net transfer spending and growth led by Cluster A

The player transfer market can act as a significant source of expenses or income for clubs, depending on their strategy and their circumstances. New players are purchased to improve teams, generate interest and increase the chance of sporting success. This is funded by income generated by the revenue streams explored in the preceding chapters or through the sale of other players.

- Cluster A is the only net spending cluster, in effect driving the transfer market. Clubs in Cluster A spent €6.2 billion on transfers in 2019/20, an increase of 247% from 2010/11, accounting for 86% of all transfer expenditure of the 55 European top tiers, up from 71% in 2010/11. The combination of increases in UCC, broadcasting and commercial revenue has in turn supported transfer spending growth and allowed them to be 'net spenders' versus the other clusters who are 'net sellers'.
- For Clusters B, C, D and E, transfer income has consistently exceeded spending in recent years, often by a considerable margin. For 'net seller' clubs in these clusters, the transfer market has increasingly become an important source of income as a way to diversify their revenue streams from the traditional three core pillars of broadcasting, matchday and commercial.

An analysis of the differences between leagues within each cluster is explored on the following page.



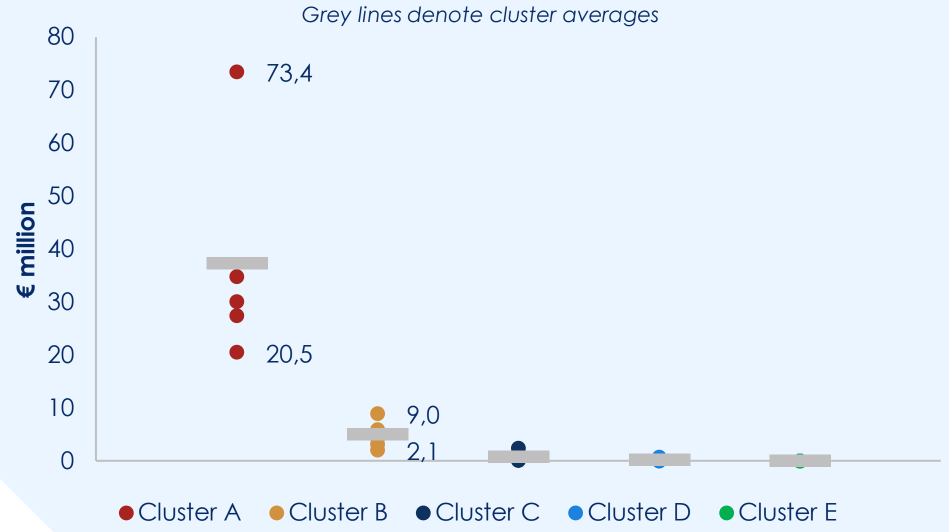
Transfer spend versus transfer revenue within clusters

When analysing within clusters, we can see how the transfer activity of clubs within leagues has impacted both transfer spending and revenues. However, it should be noted that comparing 'gross spend' versus 'gross revenue' does not capture the annual costs (amortisation) and transfer gains (receipts minus book value). On this page the analysis is focused on absolute values, while the following page seeks to analyse the trends on a percentage basis where the concept of the transfer system acting as a redistribution mechanism throughout the ecosystem is self evident.

- **Transfer Spend:** When analysing differences within Cluster A, we can see a clear difference as a result of the spending power available to clubs in the English Premier League, with an average of €73 million per club, versus the average of €37 million for the cluster. Within Cluster B, clubs in the Russian Premier League lead with an average of €9 million.

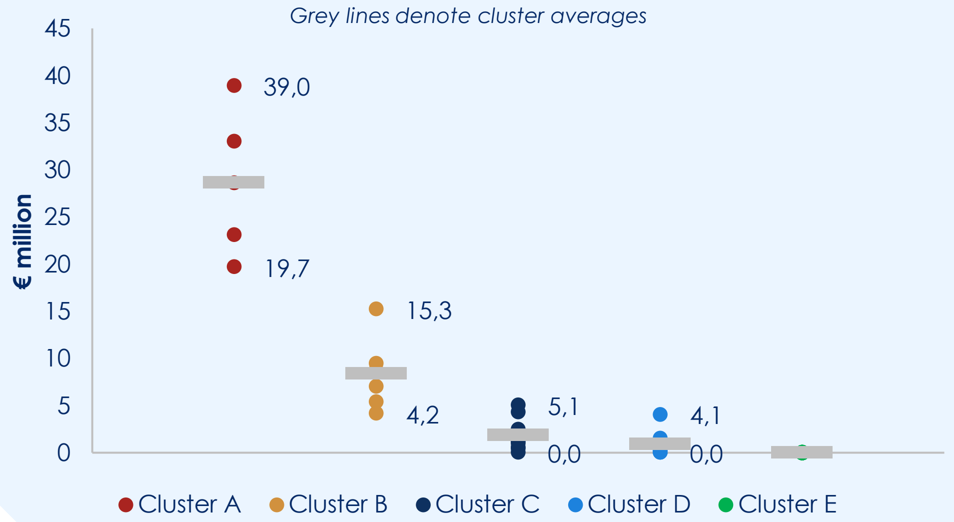
- **Transfer Revenue:** In Cluster A, clubs in the English Premier League lead with an average of €39 million although the spread with the average (€29 million) has reduced to €10 million. Within Cluster B, clubs in Liga Portugal lead with €15 million versus the average of €8.4 million, although, as in many leagues, this is often driven by a few clubs that have consistently demonstrated their ability to successfully execute their player development and transfer strategies.

Distribution of leagues within clusters: Transfer Spend
Transfer fee spending per club in every league in € million
(average of FY14-FY18)



Source: Transfermarkt / KPMG Data & Analysis

Distribution of leagues within clusters: Transfer Revenue
Transfer fee revenue per club in every league in € million
(average of FY14-FY18)



Source: Transfermarkt / KPMG Data & Analysis

Transfer fees continue to redistribute revenue across the ecosystem

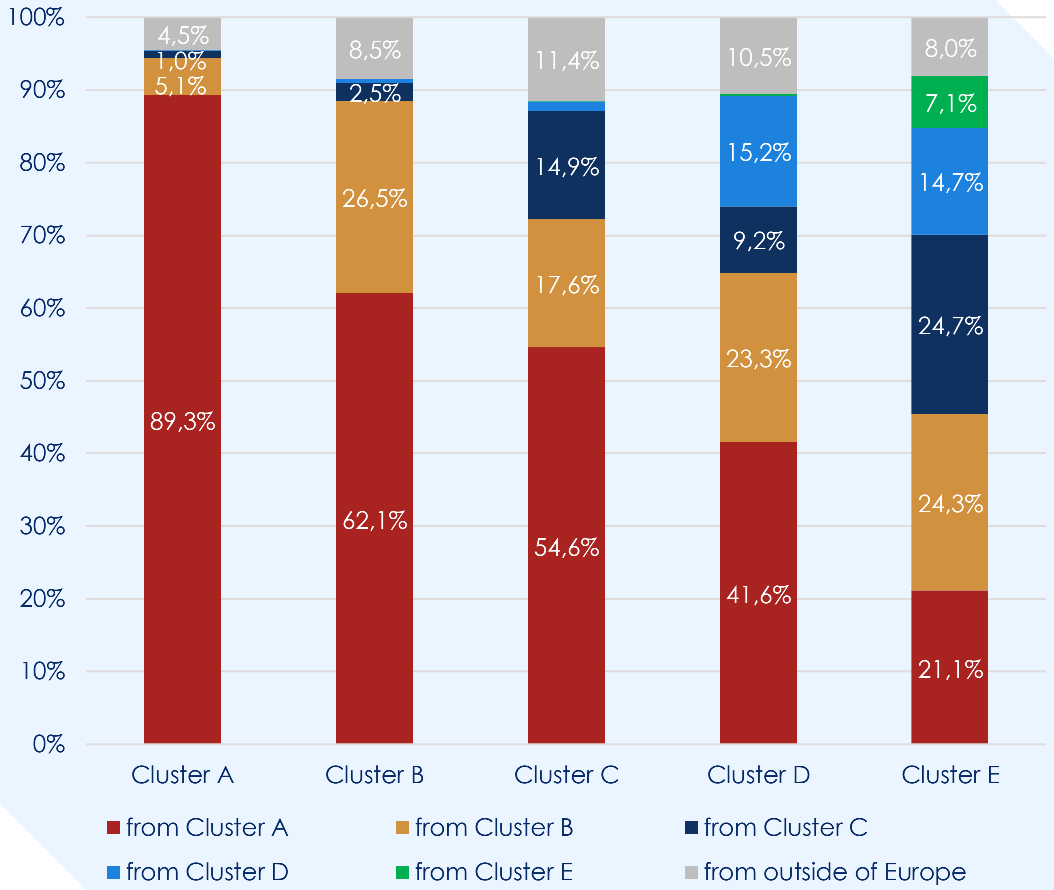
Transfers act as a revenue redistribution mechanism where clubs 'fund' others through the purchases of their players. Clubs in Cluster A can be considered to be 'buying' clubs based on their transfer profile, i.e. at a cluster level their transfer fees spent routinely exceed income from this source. This is enabled by the high average club revenue explained in the preceding chapters. The share and number of buying clubs decrease sharply in the other clusters: many here need to pursue a strategy based on selling top talent for a profit in order to cover losses and/or to finance the wages of the squad.

The chart illustrates, on a percentage basis for comparative purposes, how transfer fees received by each cluster throughout the last 10 years are distributed by buying clusters:

- Clubs in Cluster A act as the most important buyer at almost every level of football in Europe. The only exception is Cluster E, but this is due to the relative rarity of Cluster E players being suitable for Cluster A leagues. However, it should be noted that almost 90% of transfer activities in Cluster A are inter-cluster, due to the most lucrative deals happening between clubs within this cluster because of the already high profile players being transferred and the funds available, especially to the very wealthiest clubs.
- Clusters B, C and D receive the majority of their transfer income from Cluster A, accounting for 62%, 55% and 42% respectively, showing that transfer fees continue to redistribute revenue across the European footballing ecosystem.

Overall, the data indicates that the redistribution mechanism between top clubs/leagues to smaller clubs/leagues continues to function.

Percentage of transfer fee revenue received based on selling cluster
All transfers between 2010/11 and 2019/20 combined



Source: Transfermarkt / KPMG Data & Analysis

Transfer market driven by a combination of supply and demand factors

Macro-economics

Economic market conditions (incl. exchange rate)

Market financial performance

Taxation system

UEFA / UCC

Participation

(Competition access criteria, e.g. slots available per country)

Performance

League / Football Market Conditions

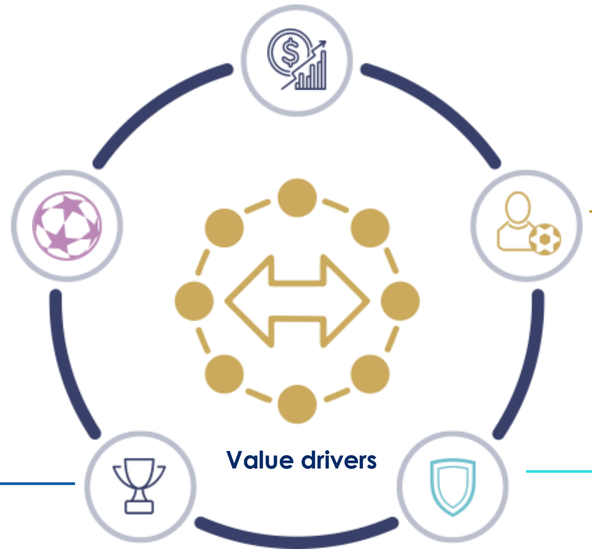
Competition

Financial performance

Sporting regulation (e.g. squad quotas)

Financial regulation (domestic cost control; FFPs)

Agents



Player

Sporting performance

Career progression

International status

Contract duration

Age

Brand strength

Limited supply of quality players

Club

Sporting & financial performance

Significant investor spending (soft budget constraint), relative to overall revenue

Distance to top clubs pushes second/third tier to overspend

Sophistication of approach (e.g. scouting networks, data)

Source: European Leagues

EUROPEAN LEAGUES

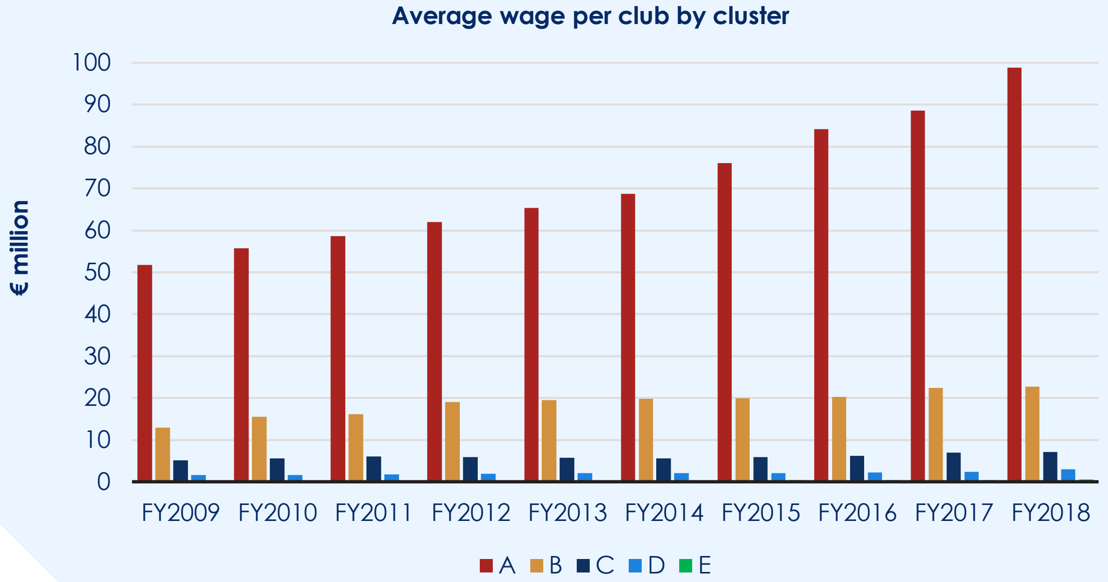
Wages

Continuous absolute increase and almost doubling of wages in 10 years

Players are the most valuable assets for football clubs; as clubs increase their revenues, they are likely to prioritise spending in the transfer market for the most talented players, with the objective of creating greater and sustained on-pitch performance. This in turn drives greater opportunities across all revenue streams. Players in this context are a key driver behind the virtuous/vicious cycle of the industry which has resulted in a near doubling of wages.

- Cluster A has almost doubled its collective wage bill in 10 years, growing by 91% to an average of €98.7 million per club in FY2018. Although this represents considerable growth, it is in line with overall revenue increases over the same period. This is in contrast to Clusters B to E , which have seen the growth in annual wage costs exceed revenue growth between FY2009 and FY2018 by 11%, 5%, 9% and 57% respectively, eroding the operating profit position over time.
- This trend demonstrates the pressure many clubs are under to strengthen the playing squad in the prospect of on-field and off-field success, both domestically and internationally, despite the adverse financial implications on profitability, sustainability and overall balance sheet health.

For many clubs from countries where domestic macro-economic factors may limit new revenue generating opportunities, the appeal of pursuing success (i.e. utility maximising) – domestically and/or internationally - is understandable; however, that should not be a reason to pursue reckless and unsustainable financial management. Overall, a reflection of what an appropriate wage-to-revenue ratio is will be fundamental to managing wage costs in the future in order to safeguard the interconnected financial ecosystem.



Source: UEFA Club Licensing Benchmarking Report / KPMG Data & Analysis

Growth of Wages versus Revenue (FY2009 – FY2018):			
Clusters	Wages %	Revenue %	Difference %
Cluster A	90.8	95.6	-4.8
Cluster B	75.8	64.9	+10.9
Cluster C	30.1	25.5	+4.6
Cluster D	62.8	54.0	+8.8
Cluster E	119.1	62.4	+56.8

Source: KPMG Data & Analysis

Wage-to-revenue ratio increasing, with large variations between leagues

UEFA's Financial Fair Play guideline to clubs in UCC is that the Wage-to-Revenue (WTR) ratio should not exceed 70%, which has become, in general, a benchmark and reference point for the football industry. However, similar rules at domestic level are not homogenous and can be more or less accommodating. The outcome of this is that WTR ratios vary enormously when comparing between leagues and their member clubs.

At European level the WTR did not change considerably over the period between FY2009 to FY2018; however, the general trend was for an increase in all clusters except Cluster A.

- Cluster A is the only cluster to see a fall in WTR between FY2009 and FY2018 as growth in revenue outstripped the increase in wages. All other clusters finished the period with higher WTR ratios, with Cluster E recording the largest increase while Cluster D reached a high of 84%.
- At a league level, 44 out of 55 leagues fall within the 50-80% WTR band, indicating that it is largely a few outlier leagues that are pushing up cluster averages. This is especially noticeable for leagues in Clusters C, D and E.

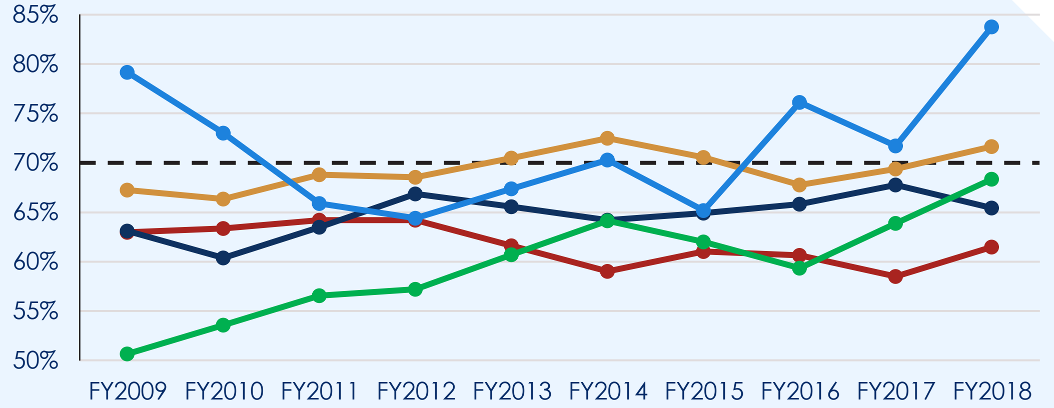
However, due to differences in individual clubs' approach to financial management, even larger variations exist within leagues as many clubs (over)spend in their pursuit of sporting success.

Wage-to-Revenue ratio: Average versus Min. and Max. Spread

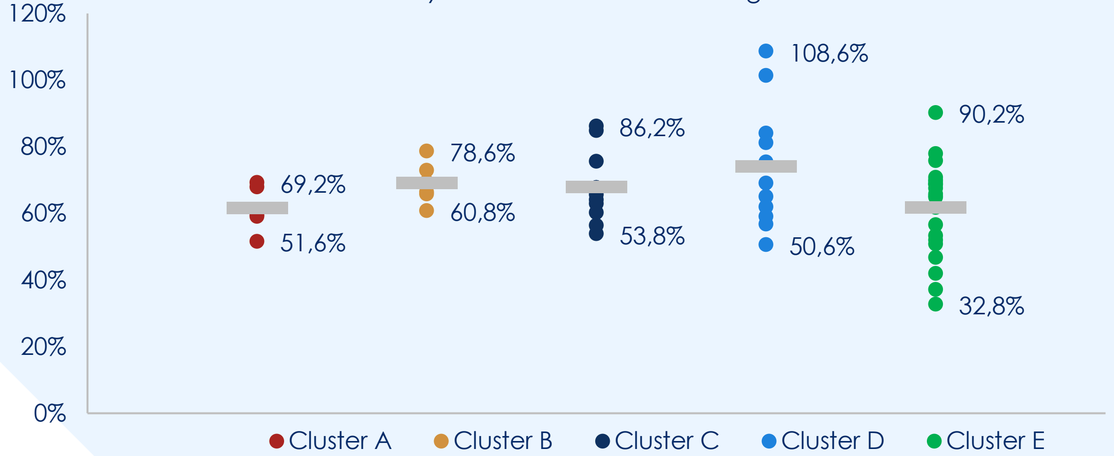
Clusters	Average (%)	Min. and Max. Spread	Leagues per cluster
Cluster A	61.4%	17.6%	5
Cluster B	69.0%	17.8%	6
Cluster C	67.7%	32.4 %	11
Cluster D	73.9%	58.0%	11
Cluster E	61.7%	57.4%	22

Source: KPMG Data & Analysis

Wage-to-Revenue (WTR) ratio by cluster



Distribution of leagues within clusters
Wages to total revenue ratio (average of FY14-FY18)
Grey lines denote cluster averages



Source: UEFA Club Licensing Benchmarking Report / KPMG Data & Analysis

Wages pushed upwards by clubs' pursuit of domestic and, increasingly, UCC focused success

There is a significant overlap between factors affecting transfer fees and wages, as summarised in the diagram below. However, one additional component has been added: qualification for UCC.

Macro-economics
- Economic market conditions (incl. exchange rate)
- Market financial performance
- Taxation system
- Regulatory framework

UEFA/UCC
- Participation
- (Competition access criteria, e.g. slots available per country)
- Performance

League / Football Market Conditions
- Competition
- Financial performance
- Sporting regulation (e.g. squad quotas)
- Financial regulation (domestic cost control; FFPs)
- Agents

Player
- Sporting performance
- Career progression
- International status
- Contract duration
- Age
- Brand strength
- Limited supply of quality players

Club
- Sporting & financial performance
- Significant investor spending (soft budget constraint), relative to overall revenue
- Distance to top clubs pushes second/third tier to overspend
- Sophistication of approach (e.g. scouting networks, data)

Source: European Leagues

Profitability

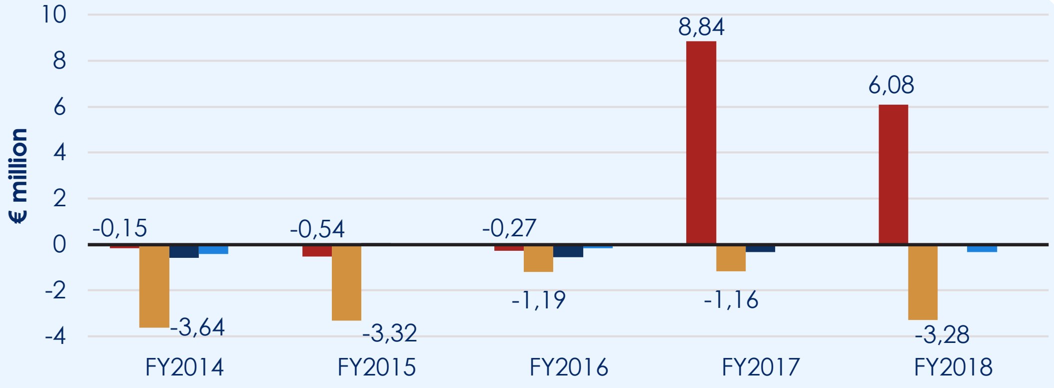
Financial regulations have guided clubs to more sustainable models but considerable differences exist between and within clusters

The historical trend is for clubs to maximise sporting success (i.e. utility maximisation) rather than profits (i.e. profitability maximisation). As such, revenues earned are often almost all spent on the playing squad, through transfer fees and wages. However, in line with the introduction of UEFA FFP regulations together with the implementation of cost-control regulations in many domestic leagues, the overall profitability of European football has improved over the last decade, but considerable differences between clusters and leagues exist when a deeper analysis is undertaken.

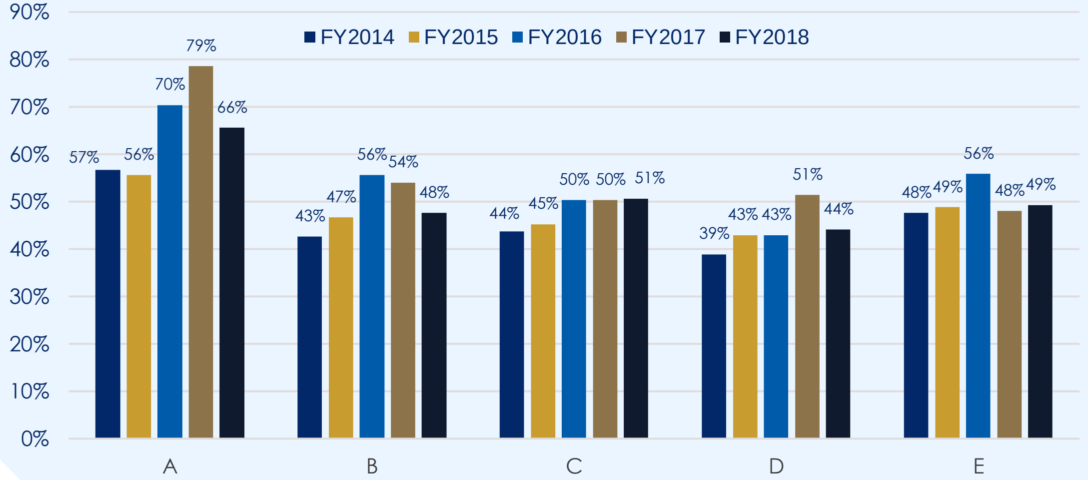
- Overall, out of all top-tier leagues, profitability in FY2017 and FY2018 is entirely down to Cluster A. Crucially, a large portion of net profits in that group is attributable to a single league (English Premier League) recording €587 million in FY2017 and €381 million in FY2018, suggesting large differences within the cluster. Clusters B, C, D and E did not record a net profit in any of the analysed years.
- The highest share of profitable clubs was consistently achieved by Cluster A. Nevertheless, the number of profitable clubs increased in every cluster between FY2014 and FY2018, albeit at a considerably slower pace. However, with an overall average of circa 50%, half of all clubs remain unprofitable.

Each club's approach to (over)spending without appropriate 'safety belts' in the pursuit of on-pitch success (i.e. utility maximisation) will continue to ultimately determine levels of profitability. As such, leagues and clubs will need to collectively address profitability imbalances, whether through domestic cost controls or changes to wage structures, if the whole ecosystem is to become more financially sustainable and resilient, especially in the face of any economic challenges.

Average net profit per club by cluster



Share of profitable clubs by cluster by season



Source: UEFA Club Licensing Benchmarking Report / KPMG Data & Analysis

Between and within clusters, significant differences exist, especially in medium and small leagues

Although all clusters have both profitable and unprofitable leagues, the spread between them varies significantly. This is most evident in Cluster B, C and E, as summarised in the table below:

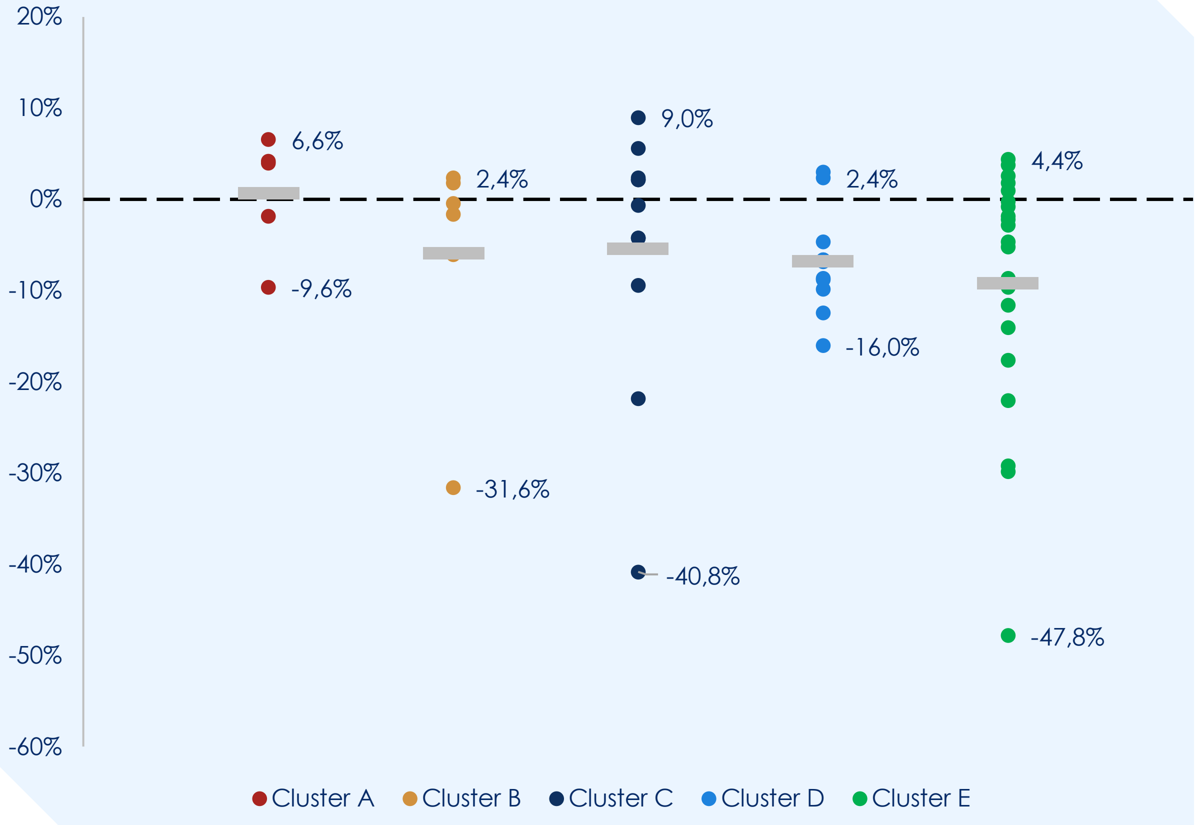
Net profit margin (average of FY2014 - FY2018):		
Clusters	Average	Min. and Max. Spread
Cluster A	0.7%	16.2%
Cluster B	-5.9%	34.0%
Cluster C	-5.4%	49.8%
Cluster D	-6.8%	18.4%
Cluster E	-9.2%	52.2%

Source: KPMG Data & Analysis

- Out of 54 leagues, only 17 have managed to generate a positive net profit margin over the 4-year period. Based on averages, only Cluster A has a marginally positive figure of 0.7%, while all other clusters are negative. The presence of outliers, in particular for Clusters B, C and E, can drag down the averages; however, with 37 leagues across the whole of European football in negative territory, the issue is not league-specific.

In this analysis, clubs were analysed at a league level; however, profitability is ultimately controlled and managed by clubs themselves. Although competition organisers should of course provide the right framework, including strict regulations and appropriate incentive structures, club ownership is ultimately responsible.

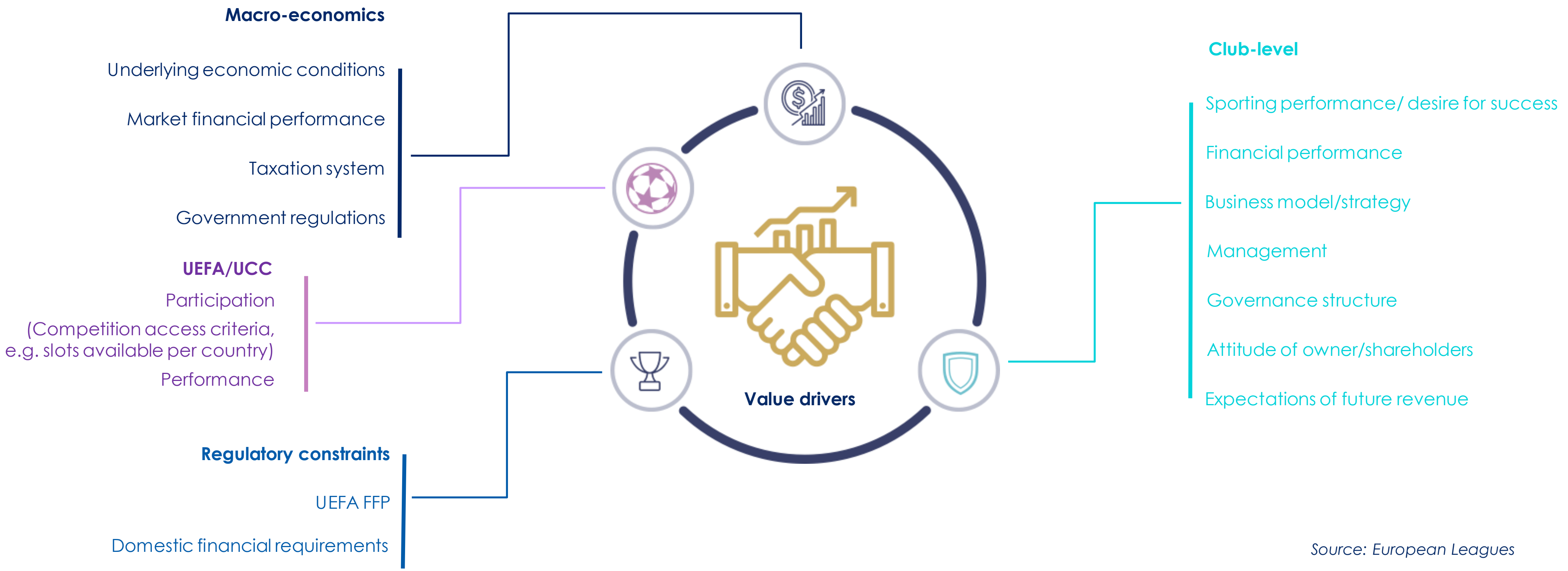
Distribution of leagues within clusters
Net profit margin (average of FY14-FY18)
Grey lines denote cluster averages



Source: UEFA Club Licensing Benchmarking Report / KPMG Data & Analysis

Combination of factors impact club profitability; however, level of professionalism in league/club structures and management is key driver

Among the factors affecting profitability, club-level (e.g. business model/management) and regulatory constraints (e.g. domestic financial requirements) represent the main drivers. While ultimately individual clubs will be responsible for their financial health, competition organisers are fundamental to creating the right environment for the clubs to operate in. Appropriate incentives and regulations should be put in place to reward sustainable operating models and punish those that do not comply, who can create systemic risk through poor and short-term financial mismanagement. A competition is only as strong as its weakest link.



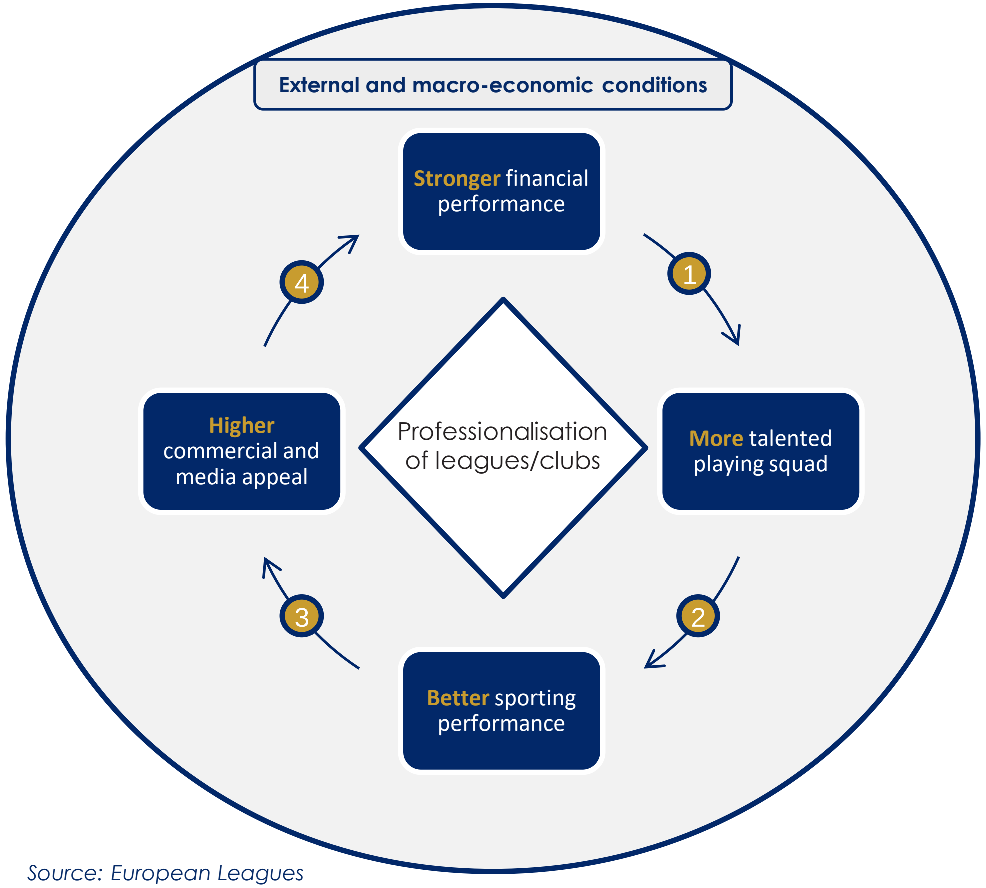
Source: European Leagues

Finance and sporting performance

Financial performance impacts and is impacted by on-field sporting performance

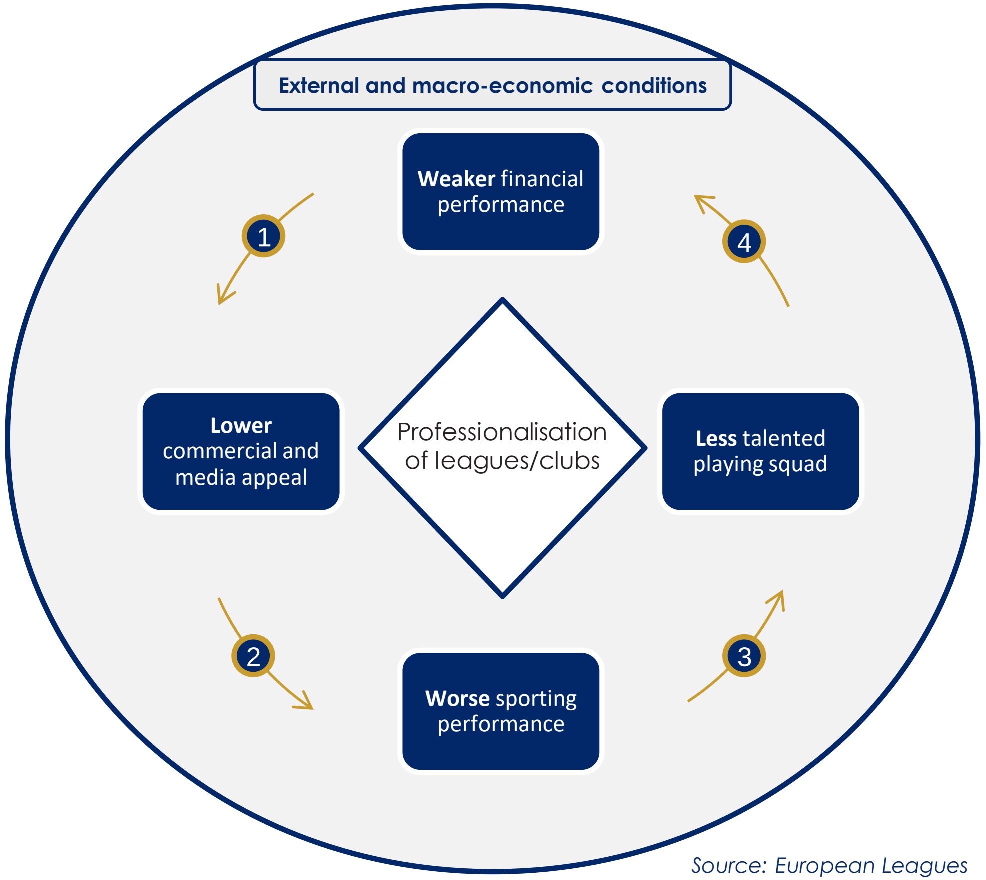
Financial performance is both an input and an output, causing long-term impacts – vicious and virtuous. How centralised revenues are shared impacts competitive balance. In this section, we assess competitive balance in domestic European leagues and the correlation between revenues and on-field sporting performance.

The virtuous cycle of football



Source: European Leagues

The vicious cycle of football



Source: European Leagues

EUROPEAN LEAGUES

Squad and sporting performance

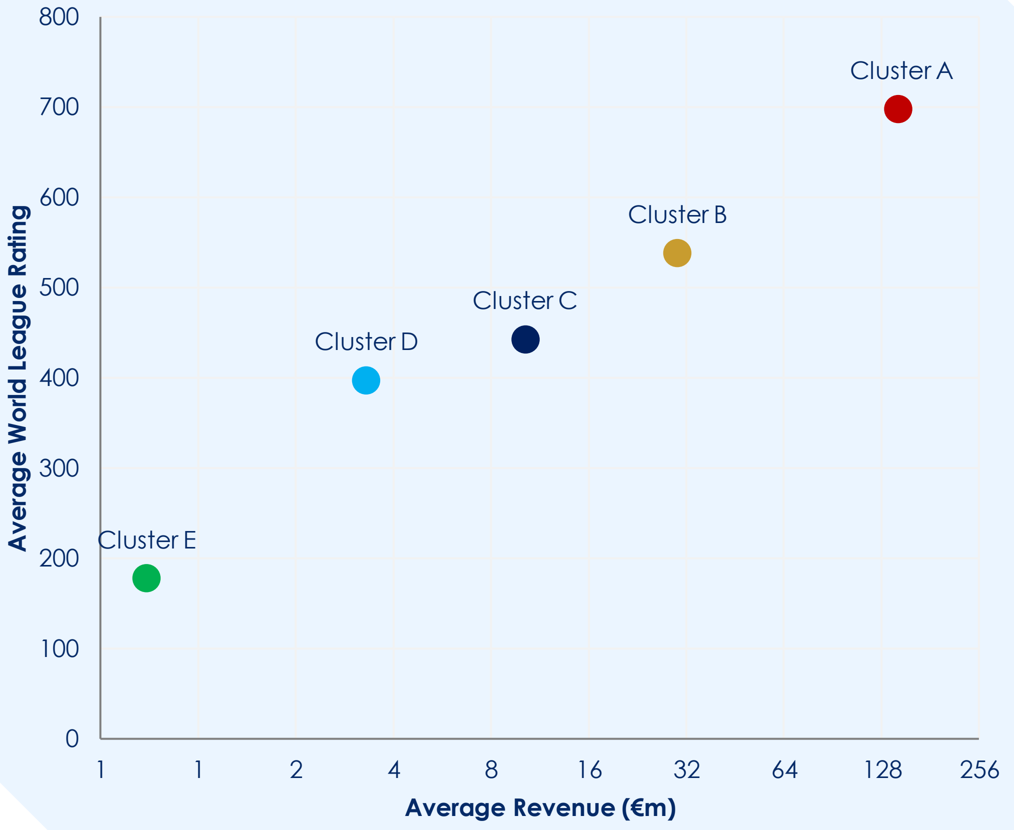
On-pitch performance strongly correlated with revenue

Performance-Revenue Correlations: Greater financial resources can be used by clubs to improve their playing squad, through the transfer system and/or by increasing the wages they are able to offer to players in an effort to generate better on-pitch performance.

- The analysis confirms, once again, that **revenue is strongly correlated with on-pitch performance,** with teams in Cluster A on average having better results than teams in Cluster B, and so on as you move down the clusters.

On-pitch success is more likely when clubs are able to spend more revenue on attracting the best players to their squads. This, in turn, impacts competitive (im)balance in domestic European leagues, which has been analysed in the following section.

Average World League rating vs average revenue (€m) 2015-2019



Source: 21st Club

Competitive (Im)Balance

Competitive balance is a function of the differing financial performance of clubs within leagues

Competitive balance as a construct can be viewed in a number of ways. A virtuous/vicious cycle exists at a club and league level – what's good for one may not be what's good for the other in the long term; there is a need to find balance. Why do clubs have different experiences of the virtuous/vicious circle? How can competitive balance play out within domestic leagues? In order to explore these questions we commissioned two reports with different approaches to measure trends in competitive balance, primarily focused on title races, in European domestic leagues:

Non cluster-based analysis - CIES: This study covers 31 top-tier European leagues and 25 years: from 1993/94, the season after the introduction of the Champions League, to 2017/18. The analysis covers, for example:

- The number of different champions
- Average points per match of champions
- Percentage of games remaining at title win
- Points per match gap between champions and runners-up

Cluster-based analysis - 21st Club: This analysis covers all top-tier European leagues, from 2014/15 to 2018/19 and incorporates the Cluster A to E approach used through this report. The analysis looks at range and variation in team performance, match odds and expected outcomes through the lens of a team strength model, using a machine-learning-based algorithm. The world league model ranks over 4,000 teams in one 'league table', enabling team comparisons across countries on a like-for-like basis. The benefits of using this approach to assess competitive balance are as follows:

- Allows assessment of competitive balance in the context of quality, as the model identifies differences in strengths across leagues
- Allows one to compare leagues and clusters consistently, as every team is rated on the same system
- Allows one to look across a league as a whole on a consistent basis (which may not be possible using points per game when there are split seasons)
- Utilises an understanding of the underlying strength of teams, and therefore the level of uncertainty before matches

Indicators confirm general trend towards a greater dominance by fewer clubs

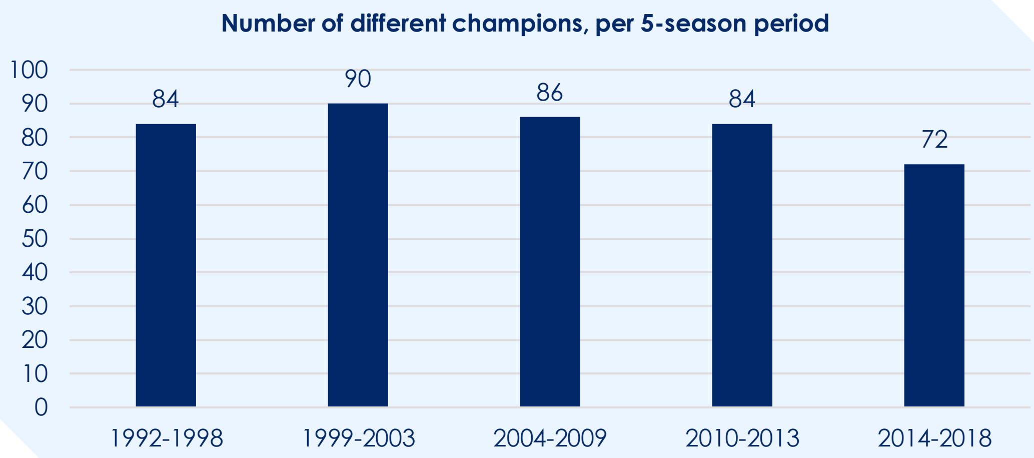
Main findings of the non-cluster based CIES report related to number of different champions and title race competitiveness over a 25-season period for 31 top-tier leagues.

Number of different champions

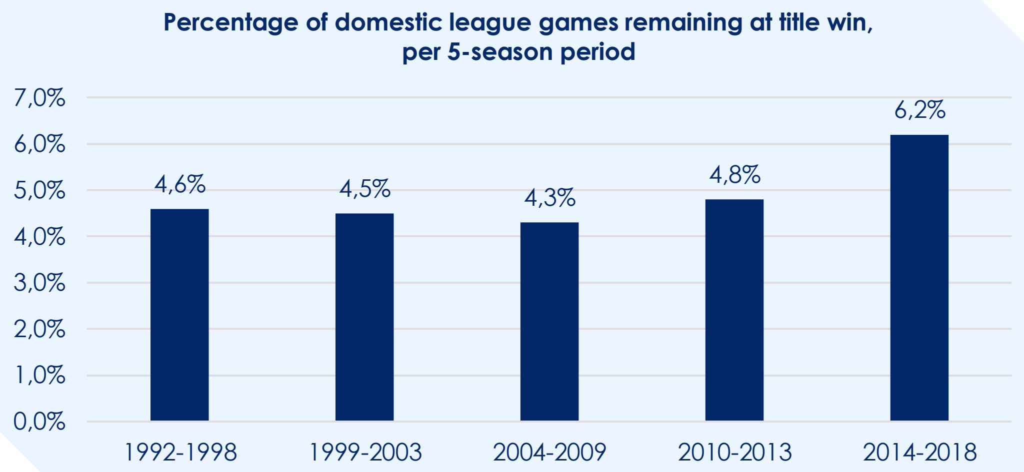
- A sharp **decline in the number of different champions** was observed between 2014 and 2018 compared to the 20 previous seasons, from an average of 2.77 different champions every five seasons between 1994 and 2013 to only 2.32 during the last period.
- The **average points per match of champions** remained extremely stable at around 2.23 throughout the 20-season period between 1993/94 and 2012/13; however, **during the last five seasons, teams crowned champions achieved a record number of points per game** of 2.30.

Title race competitiveness

- The **percentage of domestic league games remaining at title win increased** from about 4.5% for the 1994-2013 period, to a record figure of 6.2% during the last period of 2014-2018.
- In addition, the **gap to runner-up teams also increased** during the last period.



Source: CIES

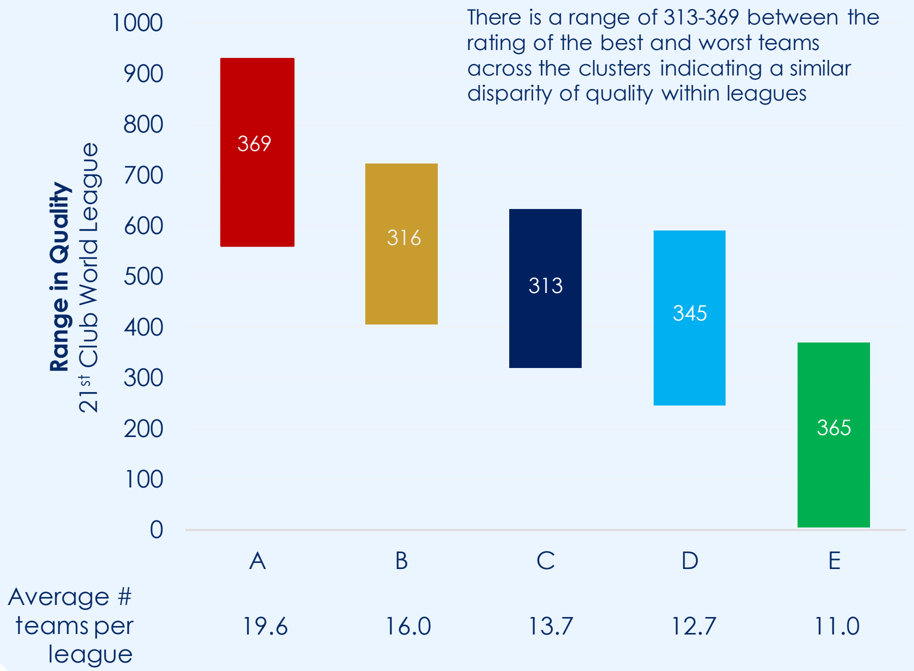


Source: CIES

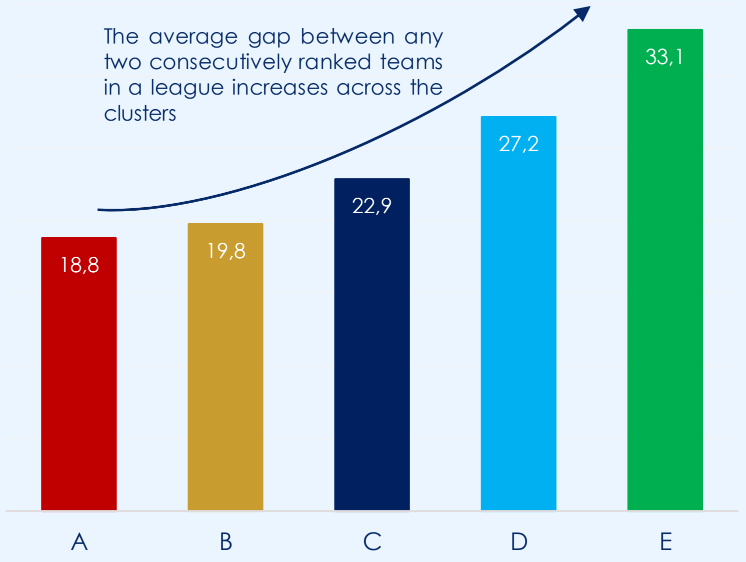
Domestic leagues with less revenue have a bigger difference in the quality of teams within their competitions

Range in team quality within leagues: Most league clusters have a similar range in quality with a range of 313-369 between the rating of the best and worst team (left chart). However, leagues with less revenue have a bigger difference in the quality of teams within their competitions, as the 'average gap' between any two consecutively ranked teams in a league increases from 18.8 to 33.1 as you move from Cluster A to E (right chart).

Average gap in World League rating between best and worst team in a league 2016-2020



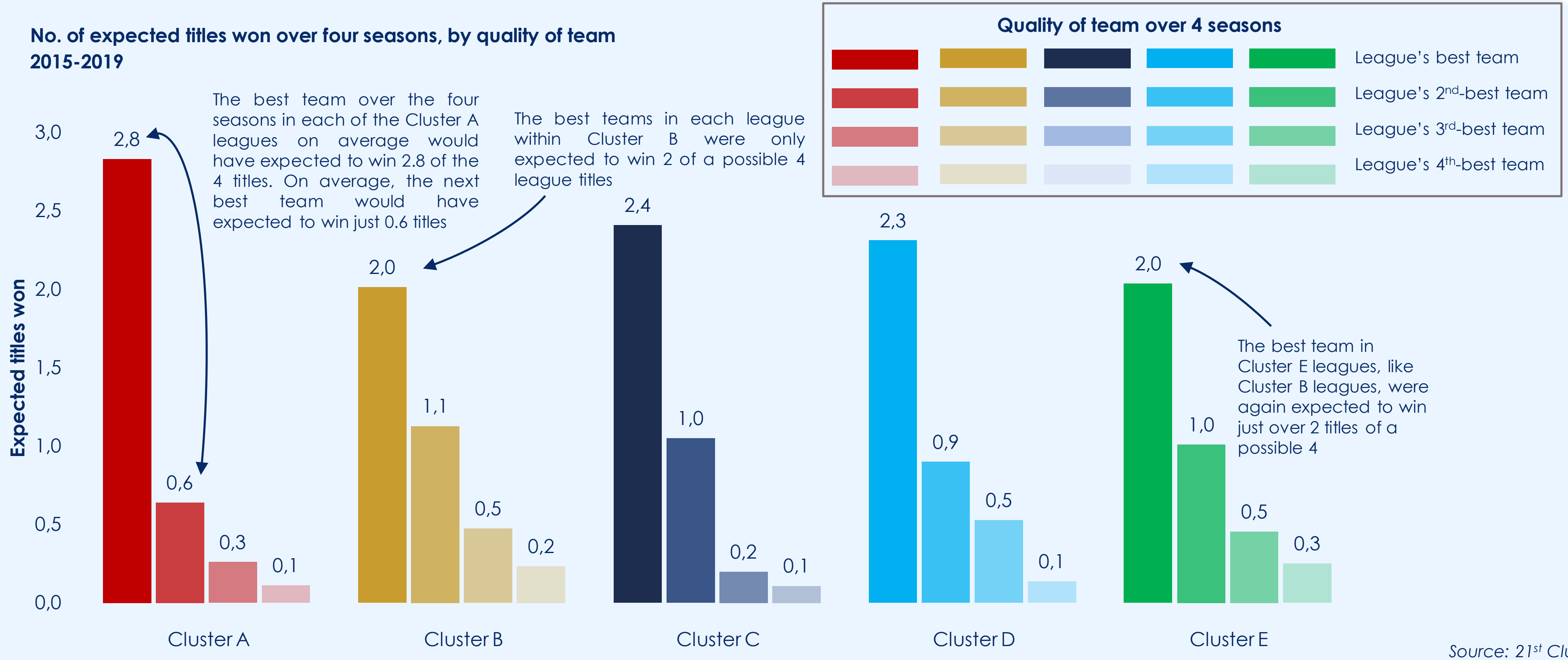
Average gap in World League rating between any two teams in a league 2016-2020



Source: 21st Club

Expected title races closer in Clusters B to E

Top of the table competitiveness: The best teams on average within Cluster B and E leagues were only expected to win 2 out of a possible 4 league titles, making them the most unpredictable clusters for title races.



Source: 21st Club

All clusters have had similar internal levels of competitiveness, including comparable relative advantage of UCC teams

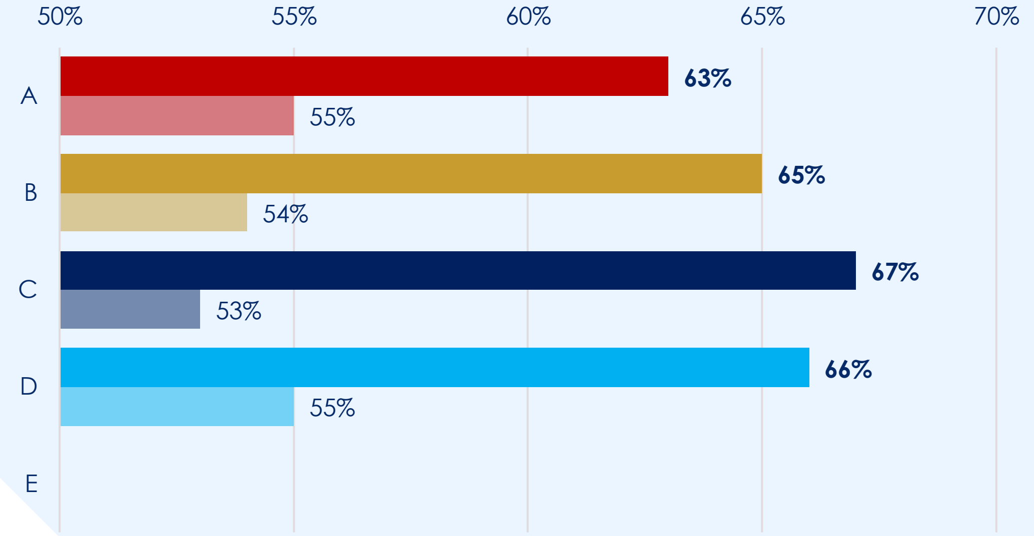
Match unpredictability: The average match in each league cluster has a favourite with a 53-57% chance of victory, indicating a similar overall level of competitiveness. However, when comparing a UCC team versus a non-UCC team, we notice that the percentage chance that the favourite wins increases to an average range of 60-67% depending upon if the stronger club has regularly qualified for the group stages of UCC or consistently participates in UCC qualifying rounds. In both cases, UCC teams have a comparable relative advantage.

- For clubs who have regular **UCC Group Stage (GS)** experience, their win likelihood increases to **63-67%** (from 53-57%) when playing a team in their own league who has no UCC history.
- For clubs who have consistent **UCC Qualification Round (QR)** experience, their win likelihood increases to **60-62%** (from 53-57%) when playing a team in their own league who has no UCC history.

'Regular UCC GS Team' defined as having qualified for 3+ UCC Group Stages

Average pre-match win likelihoods for UCC GS Teams and Favourites

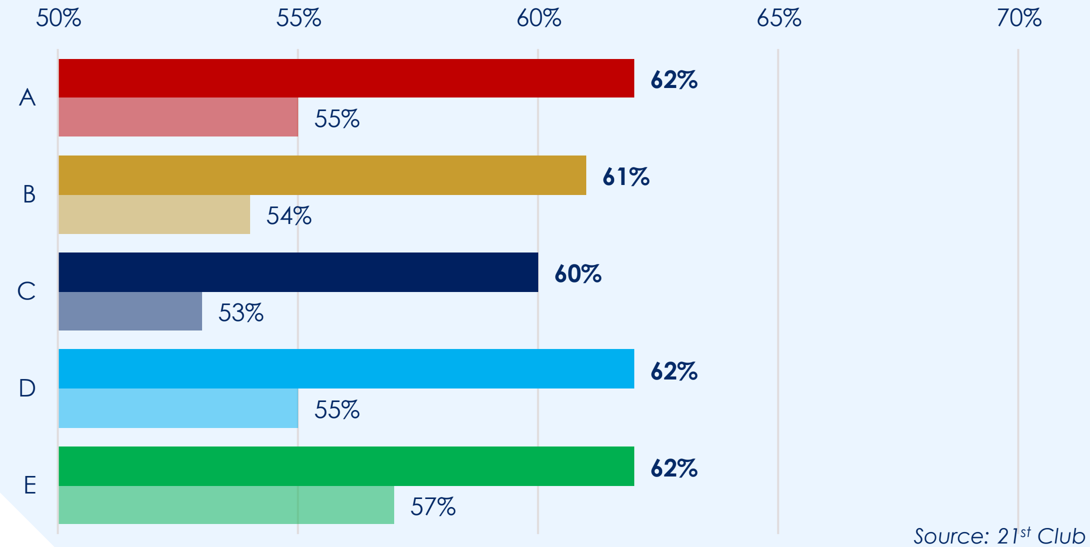
2016-2020



'Regular UCC QR team' defined as having qualified for 3+ UCC Qualifying Rounds

Average pre-match win likelihoods for UCC QR Teams and Favourites

2016-2020



Source: 21st Club

Competitive balance is a function of the differing financial performance of clubs within leagues

The key findings of both reports are summarised below:

21st Club:

- **In general, domestic leagues with less revenue have a bigger difference in the quality between any two consecutively ranked teams within their competitions.**
- **However, expected title races are closer in Clusters B to E than in Cluster A.**
- **In most league clusters, the average favourite going into any given match has a 53-57% chance of victory, however, this increases to 60-67% if the favourite club is a UCC team playing against a team with no UCC history.**

CIES:

- **The report confirms the general trend towards a greater dominance by a smaller number of clubs in many domestic leagues.**
- **Number of different champions: A sharp decline in the number of different champions was observed between the 2014 and 2018 5-season period compared to the 20 previous seasons. In addition, the average points per match of champions reached a record during this last 5 seasons.**
- **Title race competitiveness: The percentage of domestic league games remaining at title win increased to a record figure during the last period, 2014-2018.**

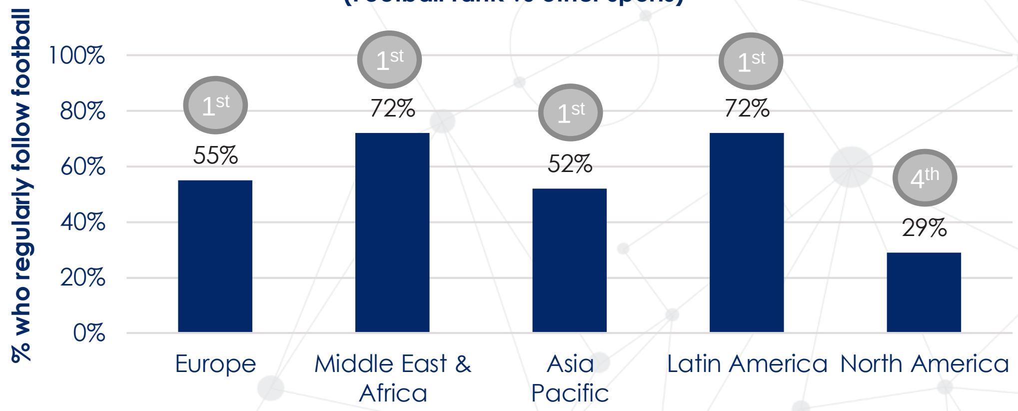
Overview of European professional football

Europe is at the heart of the world's most popular sport

Football is the world's most popular and followed sport and it is driven by a highly developed European professional football ecosystem.

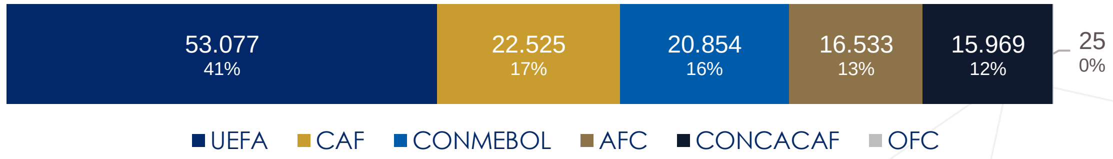
- The scale of football in Europe is unseen elsewhere in the world. The continent has **more professional leagues and clubs** than any other region in the world, and four in ten of all professional footballers ply their trade in Europe.
- European football boasts **the highest aggregate attendance figures in the world**, as well as the individual leagues with the highest attendances (German Bundesliga) and highest attendance per capita (Scottish Premiership), and dominates global football TV viewing.
- The scale and popularity of professional football in Europe make it a **significant economic activity**. Ampere Analysis estimates that approximately a quarter of all expenditure on broadcast content in Europe is spent on football.

Chart 1: Popularity of football by world region (Football rank vs other sports)



Source: Global Web Index: Sports Around the World, 2019

Chart 2: Professional footballers by confederation



Source: FIFA

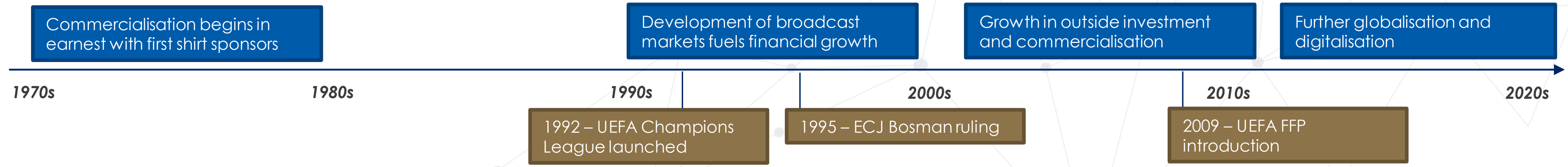
- The financial success of European football enables it to attract the best players from around the world. In 2018, UEFA countries had a **net transfer balance with the rest of the world of -€2 billion**, even though three quarters of all transfers occurred between European clubs.

Internal and external factors have shaped the development of professional European football

The European football industry has developed significantly over recent decades and has transformed from a national pastime to a global sports entertainment phenomenon.

- Since the 1970s, commercial entities have been sponsoring football clubs to benefit from their widespread appeal. This has created an additional revenue stream for clubs that had long relied on matchday revenue.
- The major financial development began in the mid-1980s when football become a cornerstone of many countries' emerging **pay-TV markets**. European football would come to be driven by and drive the development of European and global media markets, along with the increased formation of dedicated independent league bodies to help further professionalise the management and commercial growth of domestic league competitions.
- Clubs and competitions recognised that new leagues and formats were needed to capitalise on these new opportunities, resulting in the creation of new domestic leagues and the expansion of European club competitions.
- In the mid-1990s, a judgment by the European Court of Justice, the **'Bosman ruling'**, liberalised the movement of players in the European Union, making playing squads more international and increasing the quality of play, as footballers shared new styles of play and techniques.
- From the 1990s, the internationalisation and growing revenues of European football increasingly attracted the interest of investors and international companies looking for sponsorship opportunities. At the same time, stadiums were updated and football began to reach a broader, more diverse audience.
- As revenues continued to increase, the 2000s and 2010s saw regulation introduced in many countries to protect clubs (e.g. owners' and directors' test) and support financial sustainability (e.g. **UEFA Financial Fair Play**).
- European football continues to be shaped by a variety of factors, from economic globalisation and technological innovation to industry-led reforms, such as FIFA's changes to the international transfer system.

Timeline



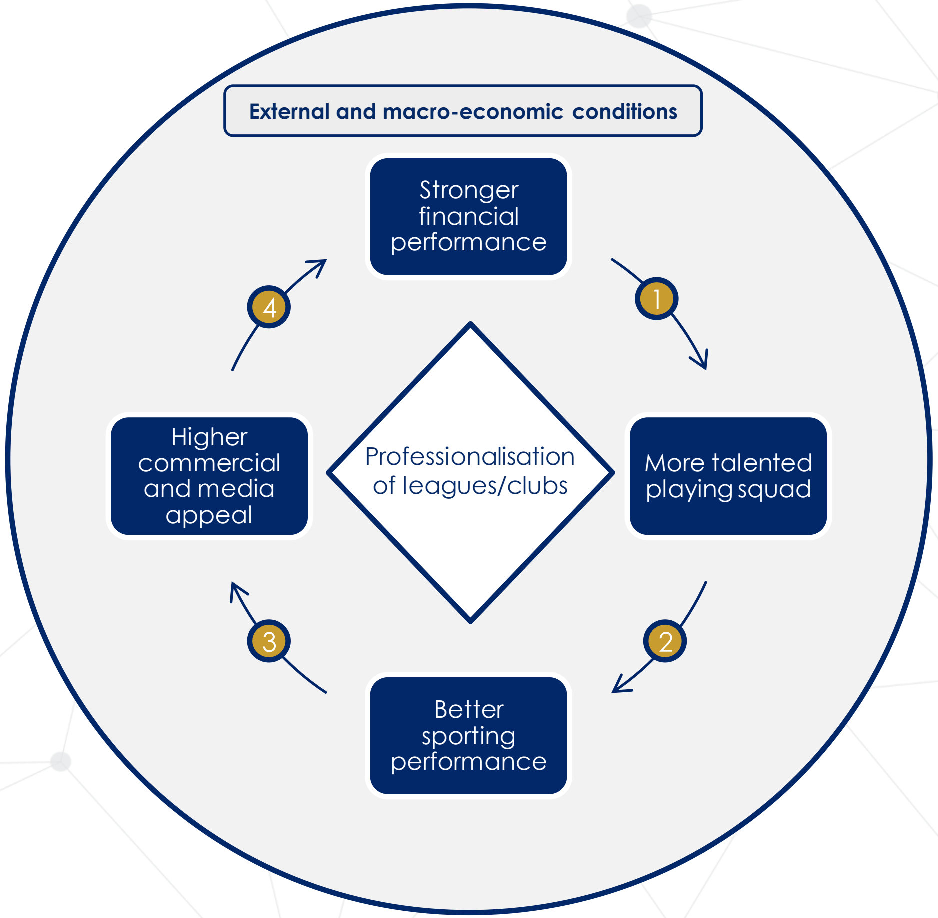
Source: KPMG Analysis

Internal and external factors have shaped the development of professional European football

The development of European professional football is explained by a simplified version of the cycle which can reinforce or undermine success.

- The strength of a club's financial performance allows it to attract the best players and coaches, which improves its sporting performance and in turn makes the club more appealing to fans and commercially. This leads to greater revenues, continuing the cycle.
- The flow can be strengthened or weakened by external conditions (e.g. broadcast market conditions, consumer demand, immigration rules) and the degree of professionalisation of the club and its league (e.g. marketing/commercial capabilities, governance).
- While the success of European football as a whole is perpetuated by this virtuous cycle, inevitably some clubs and leagues benefit more than others as resources are concentrated at the most successful clubs.
- The challenge for many clubs and leagues, and therefore the whole of European football, is to ensure that this 'virtuous cycle' does not transform into a 'vicious cycle' and that a sustainable and resilient ecosystem exists.

The cycle of European professional football



Source: European Leagues

Professional club football is governed by a simple logic but has many stakeholders with differing views

The development of European professional club football has resulted in an ecosystem that consists of many separate stakeholders seeking different outcomes with, at times, conflicting interests.

- **Governing Bodies:** National Associations govern and oversee football in the territory they cover, administering the Laws of the Game. They are members of one of six continental confederations, for example UEFA in Europe, as well as world football's governing body, FIFA. In addition to setting the international match calendar, , they are also organisers of regional and world club competitions, such as the UEFA Champions League and FIFA Club World Cup.
- **Competition Organisers:** Professional club competitions at a domestic level are organised by either an independent league or the national association. Domestic leagues operate a system of promotion and relegation between tiers and many are members of European Leagues (EL) as well as the World Leagues Forum (WLF).
- **Clubs** play in domestic leagues as well domestic and international competitions. Clubs that regularly participate in international club football are often members of the European Club Association (ECA) as well as the World Football Club Association (WFCA).

Governance of professional club competitions

Level	Governing Bodies	Competition Organisers
World	FIFA	FIFA
European	UEFA	UEFA
Domestic	National Association	League*

*In some countries the competition organiser is also the National Association.

Stakeholder Representation

Organisation	Stakeholder
WLF WFCA FIFPRO	Leagues Clubs Players
EL ECA FIFPRO SDE / FSE	Leagues Clubs Players Fans
Various Clubs, Players and Fans Associations	

- **Players** are members of national and international player associations, with FIFPRO as the global representative body.
- **Fans** are the lifeblood of the game. In Europe, fans are often members of national or international fan groups such as SD Europe (SDE) or Football Supporters Europe (FSE).

In addition to the above stakeholders, broadcasters, commercial partners and local authorities (governments, regulators, police, health services, etc) all are important actors in the organisation of professional club football in Europe

Domestic top-tier professional leagues compared to UEFA Club Competitions (UCC)

The vast majority of football in Europe is played in domestic league competitions, which use their weekend matchdays in the international match calendar to generate the broadest benefits to society and the economy, locally and nationally.

- Domestic top-tier leagues organise approximately 12,000 matches per season. This means that, on average, 300 matches take place every weekend matchday (Friday to Monday) highlighting how important each weekend is for supporting all clubs of difference sizes that participate in the domestic professional leagues.
- Weekday matchday slots (Tuesday to Thursday, except for the UCL final) are used for the completion of UCC, totaling approximately 735 matches. The average number of matches per weekday matchday is 32, indicating far fewer clubs financially benefit from each respective UCC matchday.

Domestic leagues provide the most **employment opportunities for professional football players,** which supports Europe's dominant position in world football.

- A total of 1,567 professional football clubs operate across Europe, with almost half (720) playing in top-tier leagues.
- According to FIFA's Global Football Report 2019, approximately 41% (53,077) of all professional football players in the world ply their trade in Europe. Out of these 53,077 players, 23% (5,900) compete in UCC, meaning 77% (25,200) of players rely on domestic leagues to earn a living.

By managing competitions that provide an opportunity for the most clubs to compete, domestic leagues support the entire European football industry and provide the foundation for the pyramidal structure and the so-called European Sports Model with promotion and relegation.

	Domestic Level Leagues (Top Tier)	European Level UCC (UCL , UEL, QR)		
	Total	**Total**	Group Stage Onwards	Qualifying Rounds
Calendar				
- Matchday Slot	**Weekends***	**Weekdays***	Weekdays*	Weekdays*
- Total Number of Matches	**12,000**	**735**	330	405
- Average Number of Matches per Matchday	**300**	**32**	27	41
Clubs	**720**	**236**	80	156
Players	**25,200**	**5,900**	2,000	3,900

**Weekends are considered as Friday to Monday while weekdays are from Tuesday to Thursday, except for the UCL final which is played on a Saturday.*

More than 100 million fans attend domestic league matches per season

Fans are at the heart of the game and are vital for the development of football clubs and leagues around Europe. Domestic leagues provide the most opportunities for fans to attend matches:

- Based on European Football Statistics, **approximately 103 million football fans** filled the domestic top-tier leagues' stadiums during the 2017/2018 season. In comparison, total attendance for UEFA Club Competitions in the same season, excluding qualifying rounds, accounted for around 10 million football fans.
- According to European Football Statistics, since 2015, average **domestic fan attendance in Europe has increased by almost 7%**.

Domestic football matches provide the foundation for maintaining **regular fan engagement and local rivalries**. This in turn results in revenue creation opportunities for local and regional businesses, as well as often providing the social fabric that binds communities together.

Every match provides an opportunity for **clubs of all sizes** to generate local economic, social and cultural benefits and to grow the fanbase of the game.

Source: UEFA Club Licensing Benchmarking Report

Domestic leagues generate substantial and broad economic benefits

Domestic top-tier leagues play a particularly important role as the main generators of revenue and in their ability to support the rest of the football pyramid:

- A survey of European Leagues members estimates that **12%** (€1.1 billion) **of centralised league revenues (i.e. broadcasting) is redistributed by top-tier leagues in the form of 'domestic solidarity payments'** to relegated clubs and clubs in lower leagues, highlighting the significant direct financial contribution domestic leagues make to supporting professional club football.
- In addition to the above amount, domestic leagues support the wider football economy through the redistribution of financial resources through their social responsibility initiatives as well as supporting National Associations and grassroots football.

Domestic leagues also generate **substantial broader economic benefits** due to the scale of their activities and the income they and suppliers and licensees earn:

- **Gross Value Added (GVA):** gross income from salaries, depreciation, taxes and corporate profits generated by professional football
- **Employment**: impact of professional football on employment
- **Taxes:** monies paid to the state by professional football

Redistribution from Centralised League Revenues: Domestic Solidarity Payments

Broader impact

- **Direct impact:** the revenue and jobs generated directly by professional football providers (clubs, leagues)
- **Indirect impact:** the revenue and jobs generated by the licensees, suppliers, and independent beneficiaries of professional football.
- **Induced impact:** the revenue and jobs generated through the consumption by the employees of professional football
- **Wider impacts:** non-quantifiable impacts (e.g. social impact of community / charitable activities, reputation of country)

Conclusions

Conclusions

A successful yet fragile financial ecosystem

The Financial Landscape of European Football report, based on KPMG data and analysis, has shown that distinct financial profiles and operating models exist across Europe, both across and within leagues. Regardless of these differences, all clusters indicated revenue growth over the 10-year period analysed, demonstrating the success of the European football ecosystem. However, revenue growth has been uneven due to a growing concentration of financial resources in the top clubs throughout leagues in Europe, differences in socio-economic and cultural realities, and variation in league and club professionalisation.

Overall balance sheet health has improved but due to player wage costs consuming almost all of the increase in revenues, unsustainable business models persist throughout the football industry, jeopardising its financial resiliency.

Financial performance, underpinned by league and club professionalisation, drives and is driven by on-pitch footballing performance, which in turn generates more interest among fans, creating a commercially successful yet financially fragile ecosystem.

Key findings

Financial Development of European football

Overview

- Total revenues for European club football have grown during the past decade from €11.7 billion in FY2009 to €21 billion in FY2018. The key drivers of this growth have been centralised revenues (league broadcasting, UCC) and individual club commercial revenues.
- Growing transfer spending continues to financially support the ecosystem and now plays a more important role in club financial operations.
- Operating costs rose by 70%, mainly due to players' wages, which nearly doubled during the 10-year period.
- Although European football has turned profitable in recent years, nearly half of top-tier clubs operate with deficits, resulting in persistent unsustainable business models.
- Domestic socio-economic and cultural realities largely explain the variance in revenue between leagues.
- The professional level of league/club structures and management are fundamental to financial development.

Conclusions

Cluster-based analysis

- There has been impressive revenue growth but not throughout the ecosystem, with financial gaps between most clusters increasing.
- The main drivers of the increase in financial gaps between clusters, leagues and clubs have been centralised league broadcasting, individual club commercial and centralised UCC revenues.
- At the very top, the revenues of the 10 wealthiest clubs are growing faster than the rest of the professional clubs across the continent.

Analysis by revenue and expenditure streams

League broadcasting revenues

- The value of broadcasting rights is driven by factors such as different socio-economic and cultural realities, the overall popularity of football, domestic market size, media market competition, league and club appeal, and international interest. The top leagues have been able to benefit the most from these factors on the back of strengthened professional league and club structures.
- The uneven growth of broadcasting revenues has resulted in significant differences across and within clusters when considering the weight broadcasting revenues play within league revenues.
- Leagues, in general, aim to distribute broadcasting revenues in a manner that fosters increased domestic competitive balance, but additional factors such as club media values and international competitiveness are also taken into consideration.

Commercial revenue

- The importance and contribution of commercial club revenues varies from league to league.
- The relative share of commercial income has fallen in general but remains a key source of differentiation, especially for top clubs.

Matchday revenue

- Matchday revenues remain fundamental for both financial and non-financial reasons (i.e. fan appeal) for all clubs in all clusters. However, in financial terms it is even more important for clubs in leagues with lower broadcasting revenues.

Conclusions

UEFA Club Competitions Revenue

- UCC revenues have grown the fastest during the period analysed. The significant growth of UCC distributions to clubs, based on the evolution of distribution models and access list, are thus increasingly impacting all levels of the ecosystem.
- UCL distributions to clubs have grown much more than UEL, both in absolute and relative terms, as from the implementation of a new UCC revenue distribution model for the current 2018-21 UCC cycle. At the same time, solidarity payments to non-participating clubs have fallen behind and remain small.
- During the previous 2015-18 UCC cycle, in each domestic league in Europe, the top three clubs received (on average) 85% of all UCC revenues distributed, adding to financial imbalance in the country.
- Qualifying round payments have the same distortive effect in smaller leagues (Clusters D and E) as UCL and UEL payments have in bigger leagues.

Transfer revenue and expenditure

- The growth and the net spending on the transfer market is led by the clubs playing in the top leagues.
- Redistribution of transfer fees continues to support the wider ecosystem with clubs in the top leagues acting as ‘net spenders’ and clubs outside the top leagues acting as ‘net sellers’.
- For ‘net seller’ clubs, the transfer market has increasingly become an important source of income.

Wages

- Player wages have been continuously increasing and almost doubled over the past 10 years.
- Wages are pushed upwards by clubs’ pursuit of domestic and, increasingly, UCC-focused success.
- This has resulted in the wage-to-revenue ratio, in general, increasing although there are large variations between and within leagues.

Conclusions

Profitability

- Financial regulations have guided clubs to more sustainable models than in the past, but considerable differences exist between and within clusters, especially in medium and small leagues.
- Out of 54 leagues, only 17 have managed to generate an average positive net profit margin over the 5-year period FY2014 – FY2018.
- The level of professionalism in league/club structures and management is a key factor in club profitability.

Finance and Sporting Performance

- The analysis reconfirms that financial performance impacts and is impacted by sporting performance, with on-pitch success more likely to happen when clubs have more revenue to invest in their playing squads.
- The key findings indicate a greater dominance by a smaller number of clubs and the advantage these top clubs have as a result of playing regularly in UCC, with a sharp decline in the number of different domestic champions.

Overview of European professional football

- European football continues to be the most successful football ecosystem globally.
- The development of European professional club football has resulted in an ecosystem that consists of many stakeholders seeking different outcomes with, at times, conflicting interests.
- Domestic professional leagues deliver broad benefits to the football industry by using their matchdays in the international match calendar to organise competitions that support the most clubs, players, fans and local communities.
- Domestic leagues also generate substantial broader economic impact, both directly and indirectly, in their own respective countries due to the scale of their activities.

Appendix

Member Leagues, Associate Members and Development Members of European Leagues

Member Leagues

- Österreichische Fußball Bundesliga (Austria)
- Azerbaijan Professional Football League (Azerbaijan)
- Pro League (Belgium)
- Ligová Fotbalová Asociace (Czech Republic)
- Divisionsforeningen (Denmark)
- Premier League (England)
- English Football League (England)
- LaLiga | Liga de Fútbol Profesional (Spain)
- The Finnish Football League Association Veikkausliiga (Finland)
- Ligue de Football Professionnel (France)
- DFL Deutsche Fußball Liga GmbH (Germany)
- Super League Greece (Greece)
- Israeli Professional Football Leagues (Israel)
- Lega Serie A (Italy)
- Lega Serie B (Italy)
- Professional Football League of Kazakhstan (Kazakhstan)
- Eredivisie CV (Netherlands)
- Norsk Toppfotball (Norway)
- Polish Professional Football League Ekstraklasa (Poland)
- Liga Portugal (Portugal)
- Liga Profesionista de Fotbal (Romania)
- Russian Football Premier League (Russia)
- Scottish Professional Football League (Scotland)
- Serbian Super Liga (Serbia)
- Swiss Football League (Switzerland)
- Föreningen Svensk Elitfotboll (Sweden)
- Ukrainian Premier League (Ukraine)

Associate Members

- Union des Clubs Professionnels de Football (France)
- Lega Pro (Italy)
- Federatie van Betaald Voetbal Organisaties (Netherlands)
- Football National League (Russia)
- Association Professional Football League (Russia)
- Turkish Union of Clubs (Turkey)

Development Members

- Futbola Virslīga (Latvia)
- Lithuanian Football Clubs Association A lyga (Lithuania)
- Northern Ireland Football League (Northern Ireland)

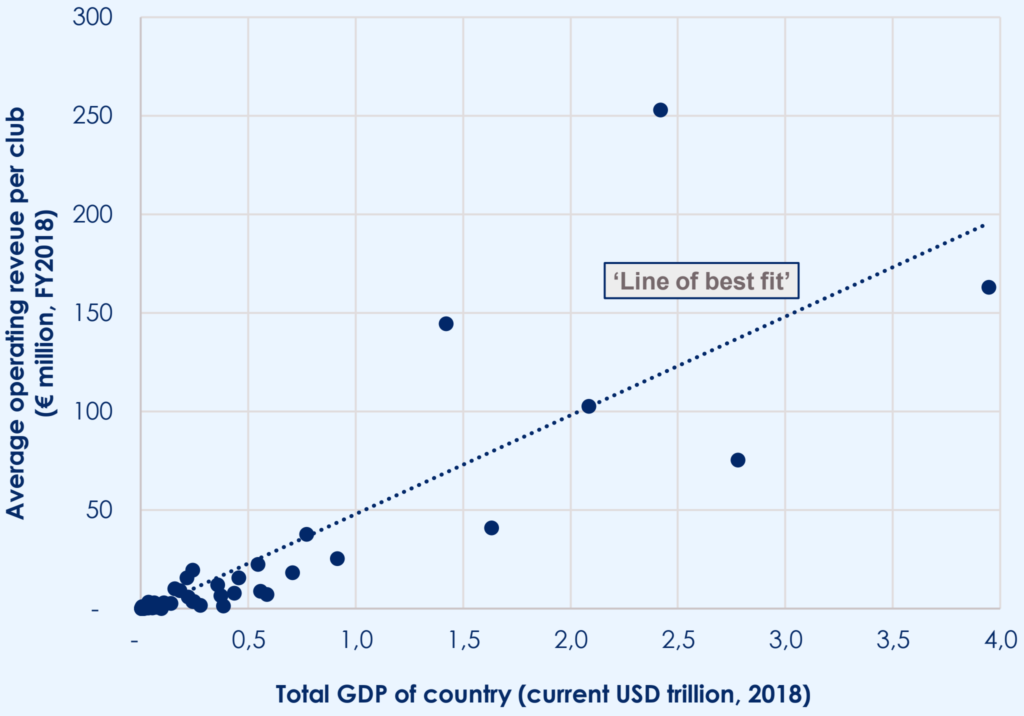
Source: European Leagues

Regression Model

- In order to test the impact of factors external to football and clubs' average revenue, a regression analysis has been developed.
- **Dependent variable**: Average revenue per first division club in FY2018 was selected as the dependent variable. All UCC income was removed from this figure in order to have a better approximation of the domestic football market. UCC income is very volatile between seasons, especially for smaller leagues.
- **Explanatory variables**: A wide range of metrics were selected, each covering one socio-economic aspect that could arguably have an impact on the financial development of football in a country. This included variables such as country population, median age of population, level of urbanisation, total GDP (current prices and at PPP), GDP per capita, disposable income per household per capita, etc. All variable values were collected for 2018. In order to have the model with the best fit, we had to account for multicollinearity between explanatory variables. As a result, those variables whose impact is already captured in others were excluded from the modelling process.
- **Regression results**: After running several model variations, the best performing version was the one that included a single explanatory variable: total GDP at current prices. All other variables were deemed to be not significant enough; their inclusion in the model would not have increased its explanatory power or R2.

Limitations: Sample size of the dataset is one of the important factors that determines whether the data fits the model. If the sample size is too small, the fit of the model may not depict the true model for the independent variable. In this example, the sample size is 55 (for the 55 UEFA countries) and is considered relatively low.

REGRESSION MODEL
Relationship between GDP and Average Revenue per Club (top-tier football clubs without UCC income – 2018)



Source: KPMG Data & Analysis

21st club - Glossary

League cluster
Leagues have been placed into five groups, A to E, based on their revenue. The analysis compares these clusters, taking an average of the leagues within each cluster

World League (WSL)
21st Club's team and league rating system (see appendix for more detail)

UCC team
A UCC team is one that has played in qualifying or group stage rounds in at least three of the four seasons analysed, or one that has played in 3+ UCC group stages (defined on individual slides)

Non-UCC team
A non-UCC team is one that does not meet the criteria above

Top 25%, Middle 50%, and Bottom 25% of teams
Each league is divided into three divisional 'sub-groups', taking the top 25%, middle 50%, and bottom 25% of teams. These cut-offs loosely represent teams who are competing for the title and European qualification, teams in mid-table that are either looking up or down, and teams who are threatened by relegation, and is applied consistently across all leagues

Expected titles won
Using the World Super League ratings for team strength, each league season is re-simulated to understand the range of possible outcomes that could have occurred based on underlying team performance. These simulations give us a sense of the number of different possible and realistic title winners that could have happened over the last four seasons

21st Club - World League model explanation

The 21st Club WSL model ranks over 4,000 teams in one 'league table', enabling us to compare teams across countries on a like-for-like basis

The benefits of using this approach over points or goal difference to assess competitive balance are as follows:

- Allows us to assess competitive balance in the context of quality, as the model identifies differences in strengths across leagues
- Allows us to compare leagues and clusters consistently, as every team is rated on the same system
- Allows us to look across a league as a whole on a consistent basis (which may not be possible using points per game when there are split seasons)
- Utilises an understanding of the underlying strength of teams, and therefore the level of uncertainty we feel before matches

The 21st Club WSL model uses a machine-learning algorithm to rank teams based on recent results

The model considers the following factors to rate teams:

- **Recent results are weighted much higher than older results.** A recent run of poor results would mean that the team's rating is downgraded
- **Scorelines are taken into consideration.** A team that has won 4-0 in three consecutive games will be rated higher than a team that has won 1-0 in three consecutive games, all else being equal, despite both teams having the same number of points
- **Home advantage is taken into consideration.** A win away from home is worth more than an win with the same scoreline at home
- **Strength of opposition is taken into consideration.** A team won't be downgraded due to poor results if those results were expected given the level of opposition
- **The nature of victories is taken into consideration**. A team that wins 2-0 having scored twice in the first ten minutes is rated higher than a team that wins 2-0 with two late goals, as the former tends to reflect a better team. The model also accounts for red cards, as teams with 11 players are more likely to win when playing against 10 (or fewer) players

After accounting for all these factors, teams are awarded a rating, which updates after any match is played.

21st Club - Match unpredictability explanation

We use the WSL ratings to provide predictions for individual matches

For any given match, we use the ratings at the time of the two teams to generate three probabilities:

1. Home win probability
2. Draw probability
3. Away win probability

•For example, for Levante vs Granada on 8th March 2020, the WSL model produced the following prediction, based on the strength of the teams at the time:

1. Levante win — 46% chance
2. Draw — 29% chance
3. Granada win — 25% chance

As such, we can say that the favourite had a 46% chance of winning, and the underdog a 25% chance of winning. Matches where the favourite has a lower chance of winning reflects greater uncertainty, as the two teams are more evenly matched than when there is a heavy favourite.

EUROPEAN

LEAGUES