

Testing times
Football Money League

Deloitte Sports Business Group
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We estimate that those clubs in this year's Money League will have missed out on over €2 billion of revenue across the 2019/20 and 2020/21 seasons. This is primarily driven by matchday revenue, due to the absence of fans, but also rebates to broadcasters and some commercial impacts as well as the lost potential to continue their previous growth trajectory over the period.

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Introduction

Welcome to the 24th edition of the Deloitte Football Money League, our most challenging to produce to date. Whilst it continues to profile the highest revenue generating clubs in world football and remains the most contemporary and reliable independent analysis of the clubs' relative financial performance, it also reflects the implications of the unprecedented disrupted 2019/20 season and we have remained cognisant of the impact of COVID-19 throughout this publication.

As the potential effects of COVID-19 became clearer in the first quarter of 2020, causing global economic and social disruption, professional football was no exception. Governments around the world responded to the pandemic in different ways at different speeds and to varying degrees, including enforcing national lockdowns, closing sports venues and stadia, and on the whole, at least initially, prohibiting sporting events. As professional sport made a return, extended restrictions on mass gatherings and non-essential travel also meant that fans could not attend matches even when they were permitted to take place and many of these restrictions remain in place or have been reintroduced in the early stages of 2021 having previously been eased later in 2020.

Leagues across the world had different ways of adapting to the challenges faced. Many opted to postpone matches until they could take place under safer conditions, some were terminated (with final standings determined using different methodologies) and others annulled entirely. Each outcome had ramifications with broadcast and commercial partners alike, many of which sought rebates on rights fees for the changes to the delivery of the on-pitch product. The outcome pursued by the respective leagues and the reaction of their broadcast and commercial partners, therefore, had a significant impact on clubs, not least on revenue generated (and hence recognised) in the financial year

ending in 2020 reflecting the majority of the 2019/20 season. As a result, assessing the comparability and relative performance between clubs in this year's Money League is uniquely challenging this time around.

In this edition, whilst we have published the Money League rankings as usual, we have also sought to highlight where clubs' revenues were specifically impacted and where this may well have, in a more normal year, meant revenues (and hence rankings) were different. We also consider the effects of COVID-19 on clubs' operations and business models, provide insight into the changing strategic priorities of clubs and explore the collective and individual actions taken by stakeholders to adapt during the global pandemic.

For Once in My Life

There are a number of metrics, both financial and non-financial, that can be used to compare clubs, including attendances, worldwide fan base, social media following and on-pitch performance. In the Money League we record clubs' ability to generate revenue from matchday (including ticket and corporate hospitality sales), broadcast rights (including distributions from participation in domestic leagues, cups and UEFA club competitions) and commercial sources (e.g. sponsorship, merchandising, stadium tours and other commercial operations).

This year, as in previous years, the financial information in this publication is from the annual financial statements of clubs or sourced directly from clubs. The unprecedented impact of the COVID-19 pandemic has led to some different accounting treatments between clubs for the financial year ending in 2020. Throughout this introduction, and within individual club pages, we will provide guidance on how one can interpret the financial information, highlighting potential areas of inconsistency as well as helping to understand the comparability of revenue across the Money League.

We Didn't Know

When analysing the financial information in this publication it is important to understand that clubs typically have a financial year covering the entirety of domestic and international club competition seasons (as scheduled prior to COVID-19). For most European clubs, this is typically a financial year to May or June, meaning that one season's worth of matchday, broadcast and commercial revenue would be captured in each financial year, allowing comparability between clubs across multiple seasons. Clearly, this is challenging for the 2019/20 season as a result of the varying decisions made by leagues in respect of the season and the differing accounting treatments adopted by clubs referred to above.

The challenges in making comparisons between clubs in this edition of the Money League are most prominent in respect of broadcast revenue. Clubs that completed the full league campaign within their respective financial years – such as those in the Bundesliga (which concluded in June 2020) – recognised the majority of domestic broadcast distributions in their financial statements for the year ending in 2020 in line with previous years. Other clubs that completed a longer campaign that ran into July (such as the Premier League, Serie A and La Liga), will recognise the 2019/20 season's broadcast revenue over two financial years (ending in 2020 and 2021), net of any rebates, meaning that only a proportion is recognised in this year's Money League, with the remainder falling into the next edition. Whilst some clubs (such as those in Ligue 1) suffered reduced broadcast revenue because the league campaign was terminated resulting in rebates to broadcasters.

There are further complexities regarding the composition of broadcast revenue. The revenue distribution model in most leagues includes an element of reward that is based on a club's final league position. With many clubs' year-ends falling before the 2019/20 season was completed, there are a number of ways in which the recognition of these amounts has been interpreted with reference to respective accounting standards. For example, a club might recognise a proportion of the full league campaign's broadcast revenue based on:

- the club's actual league position at its financial year-end;
- the position the club would have historically achieved in previous seasons with its points total at the year-end; or

- the lowest position theoretically achievable (i.e. if the club lost all of its remaining fixtures).

Each scenario can have a significant effect on the revenue recognised in the financial year.

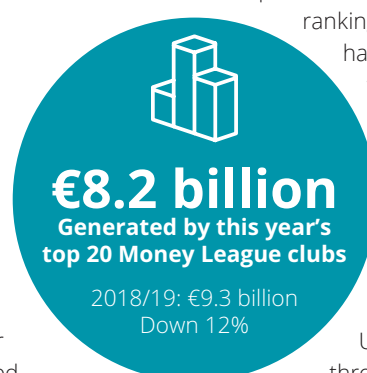
The disruption caused by COVID-19 also meant that for the majority of leagues, the number of matches agreed to be delivered over a specified period was varied. As a result, broadcasters in some countries have sought to negotiate a rebate on rights fees, and the amounts leagues can distribute to clubs has, therefore, been reduced.

Matches in UEFA club competitions – the UEFA Champions League and UEFA Europa League – were also postponed, during the Round of 16 fixtures. The Finals – typically the last fixtures in the competitive European club competition calendar – took place in August as opposed to May or early June. Those clubs who managed to complete their Round of 16 matches before the postponement and in front of a live audience, were able to recognise both the associated matchday and majority of broadcast revenue in the financial year ending in 2020. Those clubs that were still in the competition after the restart, will recognise revenue generated from performance in the competition over two financial years (ending in 2020 and 2021). This means that the next edition of the Money League is likely to be a “bumper year” in respect of broadcast revenue, assuming no further disruption or delay, as some clubs will also be able to recognise a full season of revenue in relation to the 2020/21 season in the financial year ending in 2021.

Regular readers of the Money League will know that performance in UEFA club competitions is a critical factor for the club rankings. This year, it continues to have a significant impact, but with the added complexity in respect of on-pitch performance and the timing of matches relative to clubs' financial year-ends. It will take at least another financial year for the impact of the timing of UEFA distributions to wash through, before allowing for easier comparison between clubs across a combined two-year period.

As live football returned, matches were largely broadcast without fans in attendance, with the strange sight of empty seats and lack of crowd atmosphere. The financial impact of fans absence will be fully reflected in next year's Money League and depends, in no small part, on the timing and scale of fans return; with the hope being a return to full stadia in 2021 as soon as public health and safety considerations allow. Those clubs traditionally at the top of the Money League will be most impacted in absolute revenue terms, even though smaller, particularly lower league, clubs have potentially suffered more in relative terms. Matchday operations are a cornerstone of a club's business model and also help drive other revenue generating activity. Whilst we expect that many fans will want to return to their old habits, it remains uncertain how quickly and easily the revenue generating ability of clubs will return to pre-pandemic levels.

From a commercial perspective, matches being played behind closed doors forced a rapid and significant shift to digital platforms as the only way to interact and engage with fans, and activate the



sponsorship rights of, commercial partners. Those clubs who had already taken steps to work in a more digital manner benefitted from a more seamless transition. Whilst this might not provide immediate revenue generating benefits, when normality returns, the combination of matchday attendance and digital engagement could be compelling.

The impact of the pandemic on commercial partnerships across clubs varies significantly, depending on individual contractual arrangements between clubs and partners, as well as the strength of relationships, which should not be underestimated. The broadcasting of additional matches, in most cases to a wider audience, has helped to placate most commercial partners. However, certain sponsorship arrangements may not be as straightforward to satisfy, with those clubs that are most innovative and adaptable, best placed to mitigate any potential commercial revenue losses.

Such clubs were able to identify new methods of delivering rights to commercial partners, including hosting virtual events, or amending the commercial rights sold, for example offering sponsorship of these events or other bespoke digital inventory, such as those associated with esports. Other more typical approaches included extending existing contracts to ensure services would still be provided (just at a later date). Nonetheless, some revenue was still unavoidably lost. A proportion of sponsors defaulted on contracts through financial difficulties, often induced by the impact of COVID-19 on their own industry, whilst others whose benefit is derived mainly from corporate hospitality or from fan presence in the stadia, pursued rebates from clubs.

Travelin' Man

Before analysing the financial performance of the Money League clubs, it is important to understand the impact of COVID-19 on the 2019/20 seasonal calendar, fan attendances and broadcast rights across leagues that contain clubs in this year's publication as illustrated opposite.

Superstition

This year's edition of the Money League saw the top 20 clubs generate €8.2 billion of revenue, an average of €409m per club and a decline of 12% compared to last year's top 20 which generated revenue of €9.3 billion (an average of €464m per club). This year's Money League is still the third highest total ever across the top 20 clubs.

The cumulative decline in revenue (€1.1 billion) was predominantly a result of the decrease in broadcast revenue of €937m (down 23%), through a combination of deferrals of broadcast revenue into the following financial year ending in 2021 and broadcaster rebates in relation to the 2019/20 season. Matchday revenue fell €257m (down 17%), largely in line with the proportion of matches postponed. Impressively, commercial revenue increased by €105m (up 3%) to again (temporarily) become the most significant contributor to revenue after a three-year break, thanks to the commencement of a number of new major commercial deals across the Money League, combined with clubs' ability to successfully mitigate losses despite the closure of stadia and associated facilities, merchandise stores and the cancellation or postponement of matches, stadium tours and major events (such as concerts).

On a club-by-club basis, only two clubs in the Money League generated an increase in revenue (in local currency) in this year's

Premier League

- Commenced a new domestic and international broadcast rights cycle for the 2019/20 – 2021/22 cycle, worth a reported £1.7 billion and £1.5 billion per season respectively (total combined uplift of c.8% in value compared to the previous cycle).
- Postponed on 13 March 2020.
- Resumed (behind closed doors) on 17 June 2020.
- Completed (behind closed doors) on 26 July 2020.
- Broadcast revenue for 2019/20 season recognised over two financial years.
- Broadcast rights rebate of a reported c.£330m, shared proportionately between clubs, with cash flow impact deferred over the remaining period of the rights cycle.

UEFA club competitions

- Postponed in mid-March 2020, part way through the Round of 16 fixtures, which were completed in early August 2020.
- Remaining knock-out fixtures were played as single-match knockout ties at neutral venues in Lisbon, Portugal (Champions League) and across four cities in Germany (Europa League) between 7 to 23 August 2020 (behind closed doors).
- Broadcast rebates in respect of the 2019/20 season of a reported €575m for the disruptions to the season.
- Broadcast revenue for clubs knocked out of 2019/20 UEFA club competitions prior to postponement largely recognised in one financial year.
- Broadcast revenue for clubs knocked out of UEFA club competitions after the postponement recognised over two financial years.

Bundesliga

- Postponed on 13 March 2020.
- Resumed (behind closed doors) on 16 May 2020.
- Completed (behind closed doors) on 27 June 2020.
- Broadcast revenue for 2019/20 season largely recognised in one financial year.
- Minimal broadcast rights rebate in respect of the 2019/20 season as a result of the completed season.

Russian Premier League

- Postponed on 17 March 2020.
- Resumed (with limitation on attendance – 10% of capacity) on 19 June 2020.
- Completed (with limitation on attendance – 10% of capacity) on 22 July 2020.
- Minimal impact on broadcast rights values. Remainder of 2019/20 matches broadcast free-to-air.
- Broadcast revenue for 2019/20 season recognised over two financial years.

La Liga

- Commenced a new domestic broadcast cycle from 2019/20 to 2021/22 worth a reported €1.2 billion per season for La Liga and La Liga 2 (uplift of c.15% compared to the previous cycle) and new international broadcast cycle from 2019/20 to 2023/24 worth a reported €0.9 billion per season (uplift of c.38% compared to the previous cycle).
- Postponed on 12 March 2020.
- Resumed (behind closed doors) on 11 June 2020.
- Completed (behind closed doors) on 19 July 2020.
- Broadcast revenue for 2019/20 season recognised over two financial years.
- Broadcast rights rebate reported to be c.€100m and split between all clubs

Ligue 1

- Postponed on 13 March 2020.
- Cancelled on 28 April 2020.
- Announced on 30 April 2020 that league rankings would be decided on a points per game basis.
- Broadcast revenue for 2019/20 season recognised in one financial year.
- Domestic broadcast rights rebates reported to be c.€73m (Canal Plus) and c.€31.4m (beIN Sports), as well as international broadcast rights rebate reported to be €18.5m (beIN Sports), to be split between all clubs.
- The Ligue de Football Professionnel (LFP) secured government guaranteed loans to make up for the shortfall in distributions to clubs. These loans are to be repaid within five years and repayments are to be offset against future broadcast rights income.

Serie A

- Postponed on 9 March 2020.
- Resumed (behind closed doors) on 20 June 2020.
- Completed (behind closed doors) on 2 August 2020.
- Broadcast revenue for 2019/20 season recognised over two financial years.
- Sky Italia is reported to be withholding payment of c.€130m in respect of domestic broadcast rights after requesting a 15-18% reduction as a result of the delayed season. A court ruling on the dispute with Serie A is expected imminently, whilst the league managed to reach an agreement with DAZN (the league's other domestic broadcaster) in respect of the fulfilment of its obligations.

Source: Trade press; competition organisers;
Deloitte analysis.

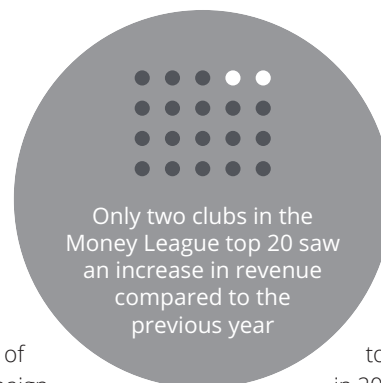
edition (FC Zenit and Everton). Of the 18 clubs to experience a decline in revenue, seven dipped by less than 10%, ten saw revenue drop between 11-20% and one experienced a fall of over 20%. This is unsurprisingly a dramatically different landscape to the previous year, where only two clubs in the Money League saw a decrease in revenue (both less than 10%).

Ligue 1 Money League clubs (Paris Saint-Germain and Olympique Lyonnais) on average suffered a 16% decline in revenue, largely as a result of the early termination of the league campaign and the subsequent deferral of Champions League broadcast revenue for both clubs. This decline would have been greater had the LFP not secured government guaranteed loans to make up for the shortfall in distributions to clubs.

The four Bundesliga clubs in the Money League (Bayern Munich, Borussia Dortmund, Schalke 04 and Eintracht Frankfurt) were the least impacted among the 'big five' leagues as the

domestic campaign was completed in the financial year, with the lost revenue predominantly as a result of the prolonged UEFA campaign and lost matchday revenue. This resulted in an average revenue decline of just 3% for Bayern, Dortmund and Frankfurt, whilst Schalke 04's revenue fell by 31% due to poorer on-pitch performance and failure to qualify for 2019/20 UEFA club competitions.

In our most recent Annual Review of Football Finance, released in June 2020, we predicted that the revenue of the 'big five' leagues (other than the Bundesliga) would decline by between 9-17% in this financial year, which is broadly the level of revenue decline seen across the club data received so far. The speed of growth and relative financial scale of each league has largely been driven by broadcast revenue, a recurring theme in many previous editions of the Money League, albeit a decrease on this occasion. Any long-term impact of the pandemic on broadcast rights values may well determine the state of recovery in future editions of the Money League.



reportedly see the overall international rights value fall from c.€250m in 2019/20 to c.€200m (down 20%) in 2020/21. Whilst this was largely as a result of being unable to finalise a deal in the Middle East and North Africa over ongoing piracy concerns. Broadcast rights values also reportedly fell by approximately a third in Asia (outside of China) and over 90% in Latin America. A proportion of these losses were offset by an increase in North America, as a long-term strategic partnership with ESPN commenced. The value of the international rights of the Bundesliga and 2. Bundesliga is reportedly expected to decline further in 2021/22, by between €25-40m (12.5-20%).

There is the potential for significant change in the Italian football landscape during 2021 as **Serie A** is in the advanced stages of finalising private equity investment in a new entity that will manage its media-rights operations. The league has just launched its domestic broadcast rights tender for the next rights cycle from the 2021/22 season, setting itself a challenging target to secure a minimum of €1.15 billion

Matchday revenue

17%

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