## Deloitte.

## Football Money League

Changing of the guard



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## Introduction

#### By Dan Jones, Partner, Sports Business Group at Deloitte.

Welcome to the 2006 **Deloitte Football Money League**. This is the ninth year of the publication, profiling the largest clubs in the world's most popular sport for the 2004/05 season. A number of methods may be used to determine the size of a club – including measures of fanbase, attendances, TV audiences, or on pitch success. However, for the purposes of this publication, we look at the best publicly available measure of 'financial muscle': revenue from day to day football business operations. We only rank the clubs on the money coming in. We do not consider a club's budget for outgoings or what someone might pay to buy, or invest in, a club.

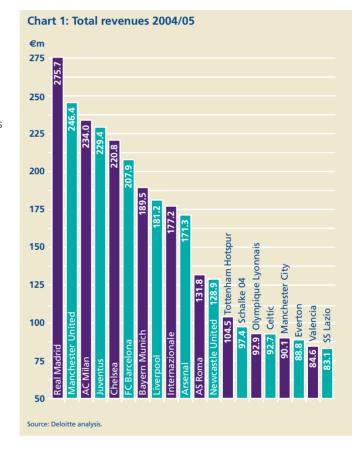
The **Deloitte Football Money League** is the most contemporary and reliable analysis of clubs' relative financial performance and is released less than nine months after the end of last season, as soon as the relevant clubs' accounts are available to us.

The big news this year is that, after eight consecutive seasons at the top of the Money League, Manchester United has been overtaken by Real Madrid. Real have transformed their revenues, doubling them in only four years. What may make other clubs look more closely at Real is the method by which they have delivered much of their revenue growth. The mainstay of Real's revenue growth is not matchday revenues, as we have seen in many of the UK clubs, or broadcasting revenue, as we have seen – and continue to see – in Italy, but strong progress in realising their commercial potential.

Real have concentrated on improving their commercial revenue, both in terms of developing a progressive and extensive partner programme, and in turning the club's strong international support into revenue for the club. To date both these objectives have been very successful, helping to propel Real's commercial revenue well above any other Money League club. We profile Real's commercial revenue, and comment on how they have made it to number one, in one of our feature articles. Whilst not every club has Real's particular strength of brand and history, we hope there are some insights that others may find comparable to their own situation.

Football remains a growth sport, especially at the highest level. The continued high level of interest in the sport – both public and commercial – is reflected by another year of strong growth. In our first Money League in 1996/97 the 20 clubs' combined revenue was €1.2 billion. This year, the total broke the €3 billion barrier for the first time after growing by 6%.

The catalyst for this remarkable long term growth was the broadcasting rights revolution of the 1990s, fuelled by soaring interest in the game, new technology and deregulation of the broadcast markets. Despite the maturing of broadcast markets,



premium content remains critical to the business models of Pay-TV broadcasters. Just look at the collapse of Premiere's share price after losing the Bundesliga rights, or the recent deals in Italy and France, for clear evidence of this. Recent deals have confirmed our view that the often forecast collapse in broadcast revenues has not materialised and will not happen. In the major European countries the value of top class broadcasting rights continues to rise. We have recently seen a large increase in the value of the German Bundesliga Pay-TV deal, following the huge French deal announced in 2005 which commences next season. And content providers continue to innovate. In Italy, for example, we have seen live rights split into Pay-TV and Digital Terrestrial, with further financial rewards for the clubs.

However, many clubs are rightly continuing to concentrate day to day on the areas over which they have direct control. The stadium development boom, started in the early 1990s in the UK, and most recently seen in Germany, has provided the perfect opportunity for clubs to enhance their revenues. We believe further opportunities in

"In our first Deloitte Football Money League in 1996/97 the 20 clubs' combined revenue was €1.2 billion. This year, the total broke the €3 billion barrier for the first time."

this area still remain for all clubs to increase matchday – and non-matchday – income. These can include ticket yield management and segmentation techniques, and the development of enhanced customer packages – all of which do not require great capital investment (but which do require careful thought). Targeted research and consulting with the market can assist clubs in ensuring that they are meeting the ever changing demands of the customer. In some cases the immediate financial benefits can be dramatic. In all cases the customer welcomes the interest in their views.

We have seen only three changes to the composition of the 20 Money League clubs since last year. In common with on pitch league tables, we have lost the three clubs in last year's 'relegation zone' (Olympique Marseille, Aston Villa and Rangers). They have been replaced by Everton (making their first appearance in the Top 20) and the return of Olympique Lyonnais and Valencia. Our Top 20 clubs are shown in the chart on the previous page. The revenue differences between clubs at the bottom of the table are small, and a number of familiar names remain slightly below the Top 20. Marginal differences in on pitch performances can be the difference between appearing in the Money League and just missing out.

#### Our focus this year

In addition to our usual profiles of the Top 20 clubs and their revenue sources, we provide two additional articles this year. As highlighted above, we comment on Real Madrid's commercial revenue transformation, the key element underpinning their rise to the top of this year's Money League. We also look back over recent trends in the Money League and highlight key areas to watch in the future. But firstly we provide the profiles of the Top 20 clubs.

The **Deloitte Football Money League** was compiled by Dan Jones, Rich Parkes and Austin Houlihan of the Sports Business Group at Deloitte. Our thanks go to all those who have assisted us, inside and outside the Deloitte international network. We hope you enjoy this edition.



Dan Jones www.deloitte.co.uk/sportsbusinessgroup

#### How we did it

We have used, for each club, the figure for total revenue extracted from the club's annual financial statements, or other direct sources, for the 2004/05 season. In some cases, the annual financial statements do not cover a whole season, but are for the calendar year, in which case we have used the figures for the most recent calendar year available.

We use the terms 'revenue' and 'income' interchangeably. Revenue excludes player transfer fees, VAT and other sales related taxes. In a few cases we have made adjustments to total revenue figures to enable, in our view, a more meaningful comparison of the football business on a club by club basis. For instance, where information was available to us, significant non-football activities or capital transactions have been excluded from revenue.

Based on the information made available to us in respect of each club, to the extent possible, we have split revenue into three categories – being revenue derived from matchday, broadcast and commercial sources. Clubs are not wholly consistent with each other in the way they classify revenue. In some cases we have made reclassification adjustments to the disclosed figures to enable, in our view, a more meaningful comparison of the financial results.

Matchday income is largely derived from gate receipts (including season tickets and memberships). Broadcast income includes revenue from television and radio and from both domestic and international competitions. Commercial income includes sponsorship (mainly derived from brand/name placing on team shirts and around stadia), conference, catering and merchandising.

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

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

All figures for the 2004/05 season have been translated at 30 June 2005 exchange rates (£1 =  $\leq$ 1.4806). Comparative figures have been extracted from previous editions of the Deloitte Football Money League.

There are many ways of examining the relative wealth or value of football clubs – and at Deloitte we have developed sophisticated models of anticipated future cash flows to help potential investors or sellers do just that. However, for an exercise such as this, there is insufficient public information to do that. Here – in the Deloitte Football Money League – we use revenue as the most easily available and comparable measure of financial wealth. Revenue, like salary for an individual, is not the be all and end all of wealth, but all would agree that – as a starting point – it is better to have more than less, and the choice of how to spend it.

#### 1. Real Madrid



Revenue 03/04: **€236.0m** (£156.3m)

There is a new name at the top of the 2004/05 Deloitte Football Money League. Real Madrid taking the lead thanks to an impressive €40m (17%) growth in revenues to €275.7m (£186.2m). This is the result of an outstanding transformation in its revenue generating ability, which has seen revenues double in four years.

Ironically, the Spanish giants assume the status of being the highest earning club in world football despite a relatively modest recent on-pitch performance. The club finished second in the Primera Liga to arch rivals Barcelona, whilst it was eliminated at the first knockout stage of the UEFA Champions League by Juventus.

Although President Florentino Perez's strategy of recruiting world class 'galactico' players has not necessarily delivered the anticipated on-pitch results recently, their presence has facilitated a transformation in the club's financial performance.

It is Real's ability to generate revenue from commercial sources such as sponsorship, merchandising and licensing, that sets it apart from its competitor clubs. The club's commercial revenue totalled €124m (£83.7m) in 2004/05, representing 45% of total revenue, and a growth of €38.1m (44%) on the previous year. Real's commercial revenue is €51.8m (£35m) more than second placed Manchester United, almost €62m (£42m) above that of arch rivals Barcelona, and more than double that of Chelsea, fifth placed in the Money League.

Recruiting players, such as Beckham, Zidane, and Ronaldo, has been the catalyst for substantial growth in merchandising and licensing revenues from Real's worldwide fan base. This was helped in both 2004 and 2005 with pre-season tours of Asia, building its support base and receiving lucrative appearance fees for matches in China, Japan and Thailand.





"Recruiting world class 'galactico' players has not necessarily delivered the anticipated on-pitch results, but their presence has facilitated a transformation in the club's financial performance."

Other key contributors to the club's commercial success are its shirt sponsorship with Siemens worth an estimated €14m (£9.5m) a season, a kit supply deal with adidas, and a lucrative band of official sponsors including Audi and Pepsi. Real have recently negotiated an improved shirt sponsorship deal with BenQ, worth a reported €20m to €25m (£13.5m to £16.9m) a season over four seasons from 2006/07.

Real's matchday revenues grew 3% to €63.7m (£43m) in 2004/05. This growth was due to an increase in average home match attendance to almost 72,000 at its Bernabeu home ground in 2004/05. The club earns lower matchday income per head than its English rivals, as ticket prices are generally lower in Spain than in England. In addition the club has a guaranteed revenue stream for another three years through its long-term broadcast contract with Sogecable, which runs until 2007/08 and is worth a reported €54m (£36.5m) a season.

Real have shown a tremendous level of revenue growth since the millennium. The challenge for the club is to now press on and maintain its position at the top of the Deloitte Football Money League, and to translate this into improved levels of success on the pitch.

#### 2. Manchester United



€246.4m Position 03/04: 1 ♦

Revenue 03/04: **€259.0m** (£171.5m)

After heading the Deloitte Football Money League in each of the eight previous years. Manchester United slip to second place for the first time. Revenues fell by €12.6m to €246.4m in 2004/05, the primary causes being a reduction in their broadcast revenues. Nevertheless, United remain one of the foremost brands in the industry and are still clearly the most profitable club in terms of day to day operations. Indeed the club themselves claim total revenues of over €300m (£200m) if the full impact of their Nike, MUTV and MUMobile numbers were included.

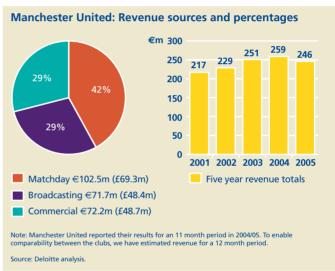
On the pitch United finished third in the Premiership, were eliminated from the Champions League at the first knockout stage by AC Milan, and reached the FA Cup final. More notable were offpitch events, as the Glazer family bought the club in June 2005, after which the club de-listed from the stock market and reverted to being a privately owned company for the first time since 1991.

United retain a claim to be the most popular team in the world – with an estimated 75m fans worldwide. As well as this global supporter base Old Trafford's average Premiership attendance of 67,900 is, by some distance, the highest in the UK. The club is expanding Old Trafford's capacity above 76,000 from the start of the 2006/07 season. United already lead the way in terms of matchday revenue – they generated €102.5m (£69.3m) in 2004/05 – and following the stadium expansion this should grow further. The stadium development includes an additional 2,400 corporate seats, bringing the total number of corporate seats at the ground to over 8,000.

Broadcasting revenue was affected by two primary factors. The reduction in value of the FA Premier League domestic broadcasting deal meant that United received €9.6m (£6.5m) less from this source than they did in 2003/04. The 2003/04 season's third place domestic finish also meant that in 2004/05 United received reduced Champions League broadcasting and sponsorship revenues, which are distributed – in part – according to domestic performance in the previous season. Nevertheless, and despite exiting at the first knockout stage, United received €16.3m (£11m) from this source.

Nike manage the club's merchandising operation as part of their €449m (£303m), 13 year partnership deal, but United's current €13.3m (£9m) a year shirt sponsorship deal with Vodafone will be terminated at the end of the 2005/06 season. This may provide an opportunity for United to increase sponsorship values further, but the club will want to improve its performance on the pitch – they finished bottom of their Champions League group and were therefore eliminated from all European competitions before Christmas – to help management's efforts to increase commercial values and regain top spot in the Deloitte Football Money League.





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#### 3. AC Milan



€234.0m | Position 03/04: 3 → ←

Revenue 03/04: **€222.3m** (£147.2m)

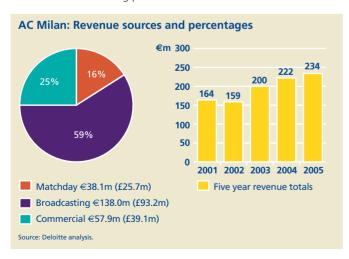
AC Milan maintain their position in the top three clubs for a third consecutive year. The runners up in both the Champions League and Scudetto increased revenues by 5% to reach €234m (£158m).

Italian clubs are able to negotiate individual Pay-TV broadcast deals, and these generate huge revenues for the larger clubs. In 2004/05 Milan generated €138m (£93.2m) from broadcasting – 59% of total revenue and the highest total in this category for any club. The majority of this is derived from domestic broadcasting deals with Sky Italia (Pay-TV) and Mediaset (Digital Terrestrial Television), but the club's Champions League campaign generated a further €26.2m (£17.7m) in centrally generated broadcasting and sponsorship revenues. Future broadcasting revenue can be expected to rise even further – 2005/06 is the first year of a new Pay-TV deal with Sky Italia which is reportedly worth over €80m (£54m) per season.

Commercial revenue totalled €57.9m (£39.1m) and the club has major partnerships with shirt sponsor Opel and technical sponsor adidas. Milan continue to work to develop their non Italian fanbase, and in the summer of 2004 toured the USA playing in the Champions World series.

Milan have almost 53,000 season ticket holders, and the average Serie A attendance at the San Siro of 64,000 is the highest in Italy and the fourth highest of any Money League club. However, Milan's matchday revenues of €38.1m (£25.7m) – while being the highest of any Italian club – are only 37% of Manchester United's. Discussions with their fellow tenants Internazionale and the Milanese Local Authority are ongoing to determine options for increasing matchday revenue.

The development and commercialisation of the stadium is the key issue to address for Milan if it is to challenge Manchester United and Real Madrid at the head of future Deloitte Football Money Leagues and hold off the chasing pack.





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#### 4. Juventus



Revenue 03/04: **€215.0m** (£142.4m)

Juventus won their 28th Scudetto title in 2004/05 (their third in four seasons) and move up one place to fourth position in the Money League, as revenue increased by €14.4m (7%) to reach €229.4m (£154.9m).

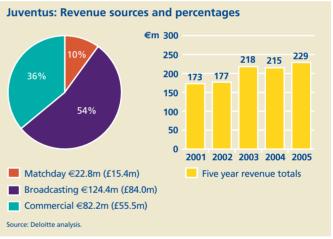
Although the most popular club in Italy – Juventus claim to have 14m Italian supporters – they have struggled in recent years to turn this support into significant matchday revenues. Average attendances at the Delle Alpi Stadium were only 26,600, the lowest of any Money League club. As a result, matchday revenues only reached €22.8m (£15.4m), 10% of total revenue. The stadium is due to be redeveloped, with a significantly reduced capacity of 40,000, and getting pricing and the package offered to supporters right in the redeveloped stadium will be critical to the club optimising matchday revenue.

Juventus compensates for its relatively small matchday revenues with their huge broadcasting deals. In 2004/05 over half of the club's total revenue – €124.4m (£84m) – came from broadcasting. Domestically, Juve have two lucrative broadcast deals – one with Sky Italia for Pay-TV, and another with Mediaset for Digital Terrestrial TV.

Looking forward, a new shirt sponsorship contract with Tamoil will reportedly deliver €22m (£14.9m) per season from 2005/06, while a new broadcast deal with Mediaset is due to come on-stream in 2007/08 generating over €100m (£67.5m) per season. If Juve get their stadium issues right, revenue from these deals, and continued on-pitch success, could see them challenge for a place in the top three in future seasons.

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#### 5. Chelsea



Position 03/04: 4 **4** 

Revenue 03/04: **€217.0m** (£143.7m)

After climbing from tenth place to fourth last season, Chelsea consolidated their status as one of the leading revenue generating clubs in world football. Revenue in Euro terms increased by 2%, and reached €220.8m (£149.1m), a new record for the club – but improved performances from Juventus meant that they dropped back slightly to fifth place this year.

Chelsea's heavy investment in the transfer market has delivered on-pitch success, and this success has been accompanied by a step change in revenues.

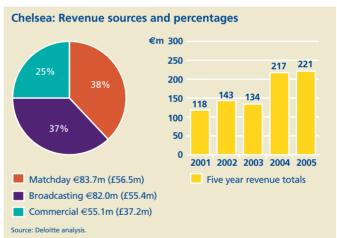
In 2004/05 Chelsea were domestic champions for the first time in 50 years and won the League Cup. Their Champions League campaign was ended at the semi-final stage by eventual winners Liverpool. Chelsea look even more dominant on the pitch so far this season.

The club's 2004/05 Champions League campaign generated €28m (£18.9m) in centrally generated broadcasting and sponsorship revenue, while FA Premier League domestic broadcasting revenue totalled €39.5m (£26.7m). Total broadcasting revenue was €82m (£55.4m), 37% of the total.

Chelsea's arrival in the top echelon of football clubs has been reflected in their recent commercial deals, which have delivered value comparable with their competitors at the head of the Money League. In April 2005, Chelsea announced a new shirt sponsorship deal with Samsung paying a reported €74m (£50m) over five years – and in 2006/07 adidas will replace Umbro as technical sponsors, paying a reported €17.8m (£12m) a year. These deals, and further on-pitch success, should see Chelsea pushing for a top three place in future.

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#### 6. FC Barcelona



Position 03/04: **7** 

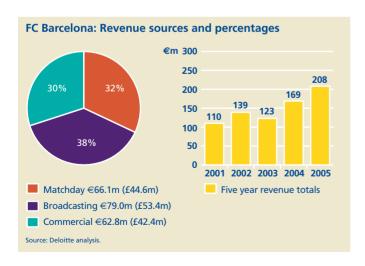
Revenue 03/04: €169.2m (£112.0m)

FC Barcelona's football business had an impressive 2004/05, with revenue increasing by 23% to reach €207.9m (£140.4m). This is the second year of significant revenue growth for the Catalans and lifts them into a top six place for the first time since 1998/99. On the pitch the club won La Liga easily, but were eliminated on their return to Champions League competition at the first knockout stage by Chelsea.

FC Barcelona is owned and run by its members. Members have the opportunity to vote in, and stand for, elections to determine the club President. Since Joan Laporta was elected President in 2003, he has initiated measures to reduce the club's debt burden and increase revenues from all sources. A membership campaign – the "Big Challenge" – helped Barca's membership base grow by 20% to 130,000.

Matchday revenues reached €66.1m (£44.6m), 32% of total revenues. The Nou Camp hosted average La Liga attendances of 73,400, the highest of any Money League club. In common with other Spanish clubs, Barca negotiate individual broadcasting deals, and 2004/05 was the second year of the club's reported €54m (£36.5m) per annum deal with Televisio de Catalunya and this, in conjunction with the €16m (£10.8m) they received from centrally generated Champions League broadcast and sponsorship revenues, helped broadcast revenues rise to €79m (£53.4m).

Commercial revenue totals €62.8m (£42.4m) or 30% of revenue despite Barca famously still having no shirt sponsor. Although the club board were given clearance to negotiate with potential future sponsors during 2005, no sponsorship deal has yet been announced. For all Barca's success on and off the pitch, a place in the top five revenue earners remains a very tough challenge.





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#### 7. Bayern Munich



Position 03/04: 9 1

Revenue 03/04: €166.3m (£110.1m)

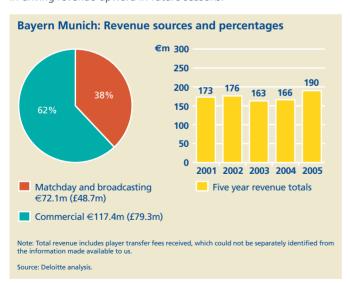
Bayern Munich's revenue grew 14% to reach €189.5m (£128.0m) in 2004/05 hauling the club back up from ninth to seventh, halting a slide from third position in 2001/02.

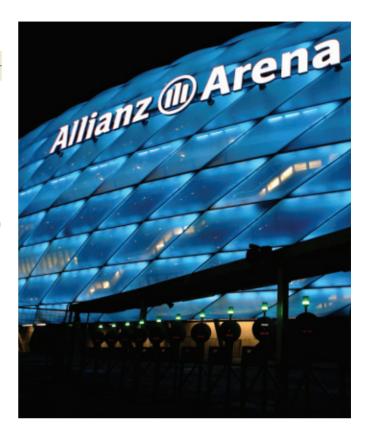
The club's commercial revenues totalled €117.4m (£79.3m), which is only bettered by Money League leader Real Madrid. Bayern continues to benefit from the strength of the German corporate market with commercial revenues driven by a €17m (£11.5m) a season shirt sponsorship deal with Deutsche Telekom as well as from a band of official sponsors including Audi and Coca Cola.

Bayern's broadcasting revenue was boosted as 2004/05 was the first season of a new improved Bundesliga broadcasting contract with Pay-TV operator Premiere. In addition, the Bundesliga recently negotiated a lucrative live broadcast contract with a consortium of cable operators, a reported increase of c.30% from 2006/07, promising improved revenues from this source in future seasons.

Bayern's matchday revenues are also set to be substantially boosted from 2005/06 as the club has moved to its new 66,000-seater Allianz Arena, and has so far consistently attracted average home attendances of well over 60,000 in 2005/06, compared to around 53,000 at the old Olympic Stadium.

The club's ability to capitalise on the interest generated from Germany hosting the 2006 World Cup, coupled with a new stadium and improved Bundesliga broadcasting contract, are likely to be key in driving revenue upward in future seasons.





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#### 8. Liverpool



Position 02/03: 10 1

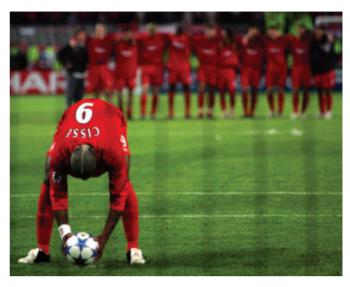
Revenue 02/03: €139.5m (£92.3m)

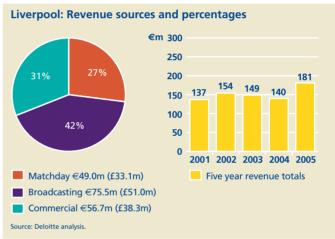
Reigning Champions League winners Liverpool move up two places to eighth position, as revenue increased, in Euro terms, by 30% to reach €181.2m (£122.4m).

On the pitch an indifferent domestic season – the club finished in fifth position in the Premiership, were knocked out of the FA Cup at the first hurdle and were beaten finalists in the League Cup – was overshadowed by their unforgettable Champions League victory in Istanbul. It was the fifth time Liverpool have won the trophy – only Real Madrid (nine times) and AC Milan (six) have won the competition more often. In revenue terms, the Champions League campaign generated €30.6m (£20.7m) in centrally generated broadcasting and sponsorship revenue, while the club also benefited from seven home matches in the competition.

In total Liverpool played 28 home matches in 2004/05, which generated €49m (£33.1m) in matchday revenue. However, this does not compare well with the levels of matchday revenue that other leading English clubs are making – or the level of revenue Arsenal will be aiming to generate from the Emirates stadium. Liverpool have been working on a potential move from their Anfield home to a new stadium in Stanley Park for some time, which would help improve matchday revenue.

"On the pitch an indifferent domestic season – the club finished in fifth position in the Premiership, were knocked out of the FA Cup at the first hurdle and were beaten finalists in the League Cup – was overshadowed by their unforgettable Champions League victory in Istanbul."





Commercially, Liverpool's shirt sponsorship deal with Carlsberg was extended for a further two years in May 2005. The relationship began in 1993 and is the longest running of any Premiership club. The club recently announced a new partnership deal which will see adidas become Liverpool's technical sponsor from 2006/07.

Liverpool have been linked with a number of potential deals which would see additional capital injected into the club. Reported potential suitors include Thai Prime Minister Thaksin Shinawatra, shareholder Steve Morgan and New England Patriots owner Robert Kraft. However, none of these approaches have resulted in a deal so far. Whoever owns the club, improved matchday revenue generation is likely to be needed if the club is to rise any higher in the Deloitte Football Money League.

#### 9. Internazionale



€177.2m Position 03/04: 8 ₩

Revenue 03/04: **€166.5m** (£110.3m)

Liverpool's success means that Internazionale slip one place to ninth in the Deloitte Football Money League. Nonetheless an improvement in on-pitch performance helped the club increase revenue by 6% to €177.2m (£119.7m).

The club finished third in Italy's Serie A, reached the quarter-finals of the Champions League, and won the Coppa Italia, although it has still to break the domestic dominance of city rivals AC Milan and luventus

Like all big Italian clubs, broadcasting revenue remains the largest single revenue source with a total of €103.2m (£69.7m), a slight increase on the previous year, representing 58% of total revenue, similar to Juve and Milan. The club benefits from lucrative broadcasting deals with Sky Italia worth a reported €49.0m (£33.1m) and also Mediaset, whilst its run in the Champions League brought in €14.9m (£10.1m) in centrally distributed revenue.

The club grew matchday revenues by 22% to €35.7m (£24.1m), due to a greater number of home matches as a result of its performances in the Champions League and Coppa Italia. However, revenue from this source is the second lowest of our top ten clubs. As with their city rivals AC Milan, Internazionale need a step change in matchday revenues – either at the San Siro or elsewhere – to reduce the club's dependence on broadcast revenue. That said, the club's recent deals with Mediaset may see it climb up the Money League again in the near future.

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#### 10. Arsenal



Position 03/04: 6 4

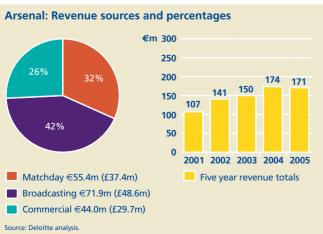
Revenue 03/04: €173.6m (£115.0m)

Arsenal slip to tenth, with 2004/05 revenue of €171.3m (£115.7m). The club was not able to match its record breaking 2003/04 undefeated season in 2004/05, and although Arsenal won the FA Cup, they finished second in the Premiership and were eliminated in the first knock-out round of the Champions League.

Broadcasting revenue represents the club's largest revenue source at €71.9m (£48.6m) equating to 42% of the total. This income dropped substantially in 2004/05 due to the first season of the new FA Premier League domestic broadcasting deal, and the club's earlier exit from the Champions League. Meanwhile, the club increased matchday and commercial income by 9% and 36% respectively in Euro terms in 2004/05.

However, Arsenal can look forward to substantial further increases in revenue in coming seasons. The club will move to a new 60,000 home ground in time for the 2006/07 season, and expect this to generate up to €50m (£33.8m) more in matchday revenue alone. A 15-year stadium naming rights deal with airline Emirates, incorporating an eight-year shirt sponsorship deal, will reportedly generate €133.2m (£90m). It is clear that, assuming it qualifies for the Champions League, Arsenal should be challenging further up the Deloitte Football Money League in future seasons.





#### 11. AS Roma



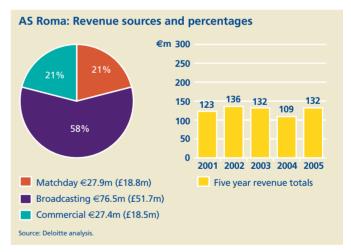
€131.8m (£89.0m) Position 03/04: 12 1

Revenue 03/04: €108.8m (£72.0m)

AS Roma climbs one place with an impressive 21% growth in revenue to €131.8m (£89m). The main contributor was a 51% increase in broadcasting revenues – 2004/05 was the first season of a new improved domestic broadcast contract with Pay-TV operator Sky Italia, worth a reported €145.0m (£97.9m) over three years. Competition within the Italian broadcast market has also allowed the club to negotiate a Digital Terrestrial deal with Mediaset worth an estimated €22m (£14.9m) over the same period, whilst participation in the Champions League brought in an additional €10.6m (£7.2m) despite the club's early exit from the competition.

Although the club attracted average home attendances of over 44,000, uncertainty surrounds the future development of its Stadio Olimpico home ground. Significant improvements in stadium facilities are necessary to grow matchday revenues.

Going forward, more consistent on-pitch performance with regular qualification for the Champions League, coupled with improved matchday and commercial performance, is essential for revenue growth. However, it will be a huge challenge to break back into the top ten as the club's revenues are €39.5m (£26.7m) below that of the tenth placed club. A disappointing league position of eighth in 2004/05 means that we expect the club to have slipped back down in next year's Deloitte Football Money League.





#### 12. Newcastle United



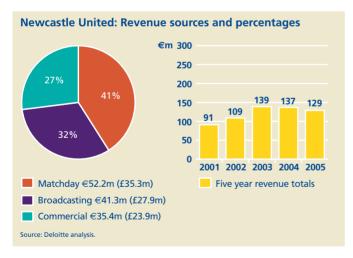
Revenue 03/04: **€136.6m** (£90.5m)

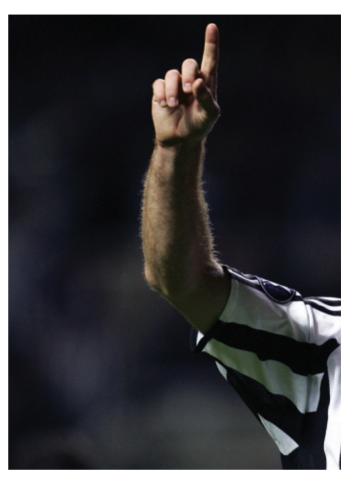
Following a disappointing season on the pitch Newcastle United swap places with Roma in this year's table. Domestically, the club finished in 14th place in the Premiership, which was partially offset by extended runs in the UEFA Cup (to the guarter final) and FA Cup (semi final). However, these were not enough to prevent revenue falling, in Euro terms, by €7.7m to €128.9m (£87.1m), a reduction of 6%.

Newcastle is the highest placed club not to benefit from Champions League revenue. This is a remarkable testament to the strength of the brand and the club's fanatical support. Average Premiership attendances stood at 51,800, while season tickets remained sold out for the thirteenth consecutive season. Matchday revenue from 30 home games increased to €52.2m (£35.3m), 41% of the total.

The reduced value of the domestic TV deal and poorer league position meant their broadcasting revenues fell to €41.3m (£27.9m), some 19% below the previous year.

Looking forward, the club will benefit from the first year of new commercial deals with Northern Rock and adidas in 2005/06 - but the club needs to be playing in the Champions League to have any chance of returning to the top ten of the Deloitte Football Money League. The injuries and turmoil the Tyneside club have experienced in the 2005/06 season to date mean such a return is likely to be delayed for at least another year.





"Newcastle is the highest placed club not to benefit from Champions League revenue. This is a remarkable testament to the strength of the brand, and the club's fanatical support. Average Premiership attendances stood at 51,800."

#### 13. Tottenham Hotspur



€104.5m

Position 03/04: **14** 

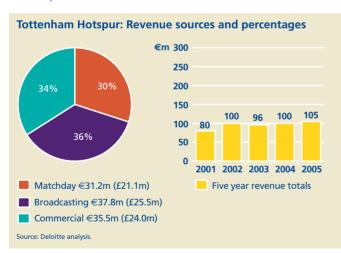
Revenue 03/04: €100.1m (£66.3m)

Tottenham's slight increase in revenue to €104.5m (£70.6m) has allowed the club to climb one place to 13th, its highest ever position. An improved league performance with a finishing position of ninth boosted overall revenue growth, although Spurs remain the only club in the Deloitte Football Money League never to have qualified for the Champions League.

The club achieved growth across each of its revenue streams in 2004/05. Broadcasting revenue increased to €37.8m (£25.5m) and contributes 36% of total revenue. The 5% growth, in Euro terms, is attributed to the club's higher league position and resulting higher central FA Premier League broadcast payments, despite the lower overall value of domestic broadcast contracts. The club also made good progress in both domestic cup competitions, reaching the quarter finals of the FA Cup, which also boosted broadcast revenue.

The club increased average home match attendances by almost 1,000 to over 35,800 to help achieve a 4% growth, in Euro terms, in matchday revenues.

A recently negotiated kit sponsorship deal, with Puma, will help increase commercial income. The impressive all round business performance will get a major boost if current improved Premiership performance translates into consistent European qualification and if the club is able to improve its matchday income either through redevelopment or relocation.





#### 14. Schalke 04



€97.4m

Position 03/04: 17 1

Revenue 03/04: **€91.4m** (£60.5m)

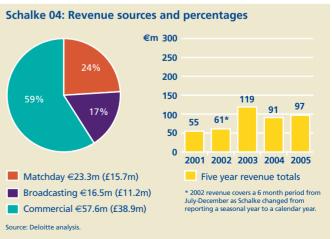
A 7% growth in revenues to €97.4m (£65.8m) moved Schalke up three places to 14th in its third successive appearance amongst the Top 20 clubs.

Commercial revenues are the largest contributor to the club's overall total at €57.6m (£38.9m) (59% of the total). The principal contributors to this total are a shirt sponsorship deal with insurance company Victoria, and a ten-year stadium sponsorship deal with brewer Veltins.

Broadcasting revenue totalled €16.5m (£11.2m), the lowest of any Money League club, despite its second place finish in the Bundesliga, and 2004/05 being the first year of a new two-year broadcast contract with Premiere. In part this is due to the low value of Bundesliga broadcast deals compared to its European rivals. However, new improved contracts negotiated with a consortium of cable operators from 2006/07, mean that this balance is likely to be redressed in future seasons.

Schalke's average home match attendance in 2004/05 was over 60,000, although the relatively low price of tickets means matchday revenues totalled just €23.3m (£15.7m). Qualification for the 2005/06 Champions League means that the club's position in next year's Money League looks secure.





#### 15. Olympique Lyonnais



**€92.9m** (£62.7m)

Position 03/04: (n/a) 1

Revenue 03/04: **€71.6m** (£47.4m)

France's most successful club in recent years returns to the Top 20 after a year's absence in 2003/04, and is the only French representative in this year's Deloitte Football Money League. This is Lyon's third appearance in the last four years and their highest ever placing. 2004/05 saw the club win its fourth successive French League title by an impressive margin and they reached the quarter finals of the Champions League before being knocked out on penalties by PSV Eindhoven. Revenue increased by €21.3m (£14.4m), fuelled primarily by significant increases in broadcasting and commercial revenue.

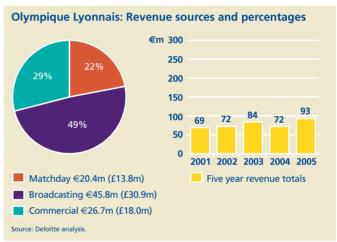
Broadcasting revenue comprises almost half of Lyon's total revenue, totalling €45.8m (£30.9m), an increase of over €12m (£8.1m) compared to 2003/04. The main reason for this increase was a change to the distribution mechanism for French broadcasting revenue. A new French League broadcasting deal with Canal Plus, worth a reported €600m (£405m) per season, commences from 2005/06 and the resultant revenue increases will provide a welcome boost to French clubs' finances. If Lyon continues to dominate French football it will be the biggest winner of all.

Commercially, 2004/05 was the first year of a new shirt sponsorship deal with LG/Renault Trucks which is reportedly worth over €12m (£8.1m) per season – a record for French football and comparable with some of the largest deals in Europe. As a result, commercial revenue reached €26.7m (£18m), 29% of turnover.

Increased broadcast revenues and further on-pitch success may well see Lyon rank higher in future editions of the Money League. The new Canal Plus broadcasting deal may well result in more French clubs joining Lyon in the Top 20 in future years.

"2004/05 was the first year of a new shirt sponsorship deal with LG/Renault Trucks which is reportedly worth over €12m (£8.1m) per season – a record for French football and comparable with some of the largest deals in Europe."





#### 16. Celtic



€92.7m

Position 03/04: **13 ↓** 

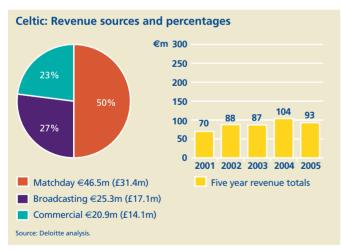
Revenue 03/04: €104.2m (£69.0m)

Celtic are the only representative in the Deloitte Football Money League from outside the 'Big Five' European Leagues. Their continued presence – this is their fourth successive appearance and their fifth in total – is largely due to their huge supporter base, and consistent qualification for Champions League football. Although overall revenues fell by €11.5m to €92.7m (£62.6m), the club retained their Money League status, albeit dropping three places.

Celtic won the Scottish Cup in 2004/05, but lost the Scottish Premier League title to Rangers in the final few minutes of the season and were eliminated from European competition at the Champions League group stage.

50% of the club's revenue came from matchday sources. This is the highest proportion of any Money League club, reflecting its large supporter base and stadium and its weak domestic broadcast revenues. In 2004/05 Celtic sold over 53,000 season tickets and their average League attendance of 58,000 is second only to Manchester United in the UK and amongst the top ten in Europe.

2005/06 will be the first year of a new kit deal with Nike reportedly worth €37m (£25m) over five seasons, and commercial revenues are boosted by impressive merchandise revenues of over €14.8m (£10m). However, for Celtic to succeed financially, Champions League qualification is imperative. The disappointing defeat to Artmedia Bratislava in the second qualifying round of this season's Champions League may endanger their place in next year's Top 20.





#### 17. Manchester City



**€90.1m** (£60.9m)

Position 03/04: **16 ↓** 

Revenue 03/04: **€93.5m** (£61.9m)

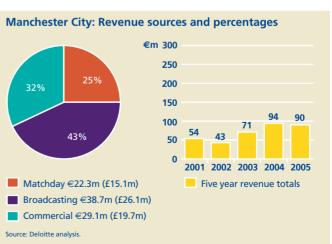
Following their first appearance last year, Manchester City consolidate their place in the Deloitte Football Money League in 2004/05, despite revenue falling by €3.4m to €90.1m (£60.9m). The club experienced an improvement in on-pitch performance in 2004/05, finishing eighth in the Premiership, although there was no participation in Europe and disappointment in the domestic cup competitions.

City received €29.6m (£20.0m) from domestic broadcasting contracts as a result of its eighth placed finish, with broadcasting income totalling €38.7m (£26.1m) representing 43% of total revenue.

The club continues to benefit from large attendances at the City of Manchester Stadium – average Premiership attendance was over 45,000 – which contributed to matchday revenues of €22.3m (£15.1m), whilst the club negotiated a two-year extension to its shirt sponsorship deal with Thomas Cook worth a reported €4.4m (£3m).

With a new stadium and improved domestic league performance, the challenge for City is to sustain this improvement with qualification for European competition and prolonged runs in domestic cup competitions to generate further revenue growth.





#### 18. Everton



€88.8m (£60.0m) Position 03/04: **(n/a)** 

Revenue 03/04: **€66.9m** (£44.3m)

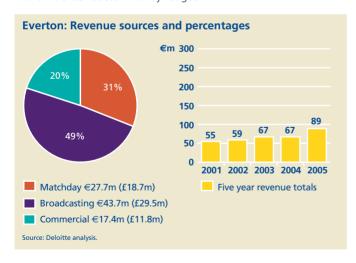
A dramatic improvement in Everton's on-pitch performance in 2004/05 makes the club the only debutant in this year's Deloitte Football Money League. This means that Liverpool joins six other cities – Glasgow, London, Madrid, Manchester, Milan and Rome – which have had two or more clubs in the Money League at some time since our first edition in 1996/97.

A fourth place finish in the Premiership represents a remarkable turnaround from the previous season, when Everton finished 17th, and the upturn has allowed the club to grow across all its revenue streams.

Domestic broadcast revenue totalled €33.3m (£22.5m), compared to €23.9m (£15.8m) in 2003/04, whilst average home match attendances of 36,800 drove matchday revenues to €27.7m (£18.7m), an increase of 20% in sterling terms.

Everton also managed to grow commercial revenues with a major contributor being its shirt sponsorship deal with Thai brewer Chang, with whom the club negotiated a three-year extension running to 2007/08, whilst merchandise sales increased 55%, in sterling terms, to €8m (£5.4m).

Having gained a place in the Top 20 for the first time, the challenge for Everton will be to maintain its upturn in on-pitch results and grow revenues accordingly. The European disappointment of the 2005/06 season means that the club will need a strong domestic league and business performance to maintain its new found status in the Deloitte Football Money League.





"A fourth place finish in the Premiership represents a remarkable turnaround from the previous season, when it finished 17th, and the upturn has allowed the club to grow across all its revenue streams."

#### 19. Valencia



€84.6m

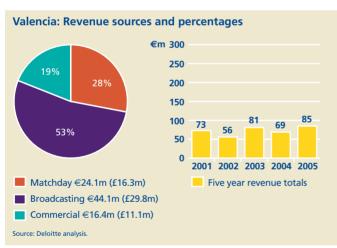
Position 03/04: (n/a) 1

Revenue 03/04: **€69.2m** (£45.8m)

Valencia make their third appearance in the Deloitte Football Money League, returning after a year's absence. Like many of the clubs at the lower end of the Top 20, they are reliant on the additional revenue generated by participation in European competition to boost revenue. In 2004/05 total revenue increased by 22% to reach €84.6m (£57.2m).

In 2004/05 Valencia came third in their Champions League group, which meant that they were eliminated from the competition but qualified for the UEFA Cup. They were subsequently knocked out of the UEFA Cup at the third round stage. The Champions League campaign generated €14.5m (£9.8m) in centrally generated revenues alone for the club. Like their fellow Spanish representatives Real Madrid and Barcelona, Valencia negotiate their own individual broadcasting deals and their current deal with RTVV is the third largest in the country, worth around €24m (£16.2m) per season.

Matchday revenues at the Mestalla Stadium were €24.1m (£16.3m), 28% of the total, from average La Liga attendances of 42,400. Valencia is reportedly considering options to further increase revenue from this source – and should any increase be delivered, this would reduce their reliance on Champions League football and help maintain their place in the Top 20.





#### 20. SS Lazio



€83.1m

Position 03/04: **15 ↓** 

Revenue 03/04: **€99.4m** (£65.8m)

A drop of €16.3m (£11m) in revenues to €83.1m (£56.1m) means that SS Lazio slip five places to 20th position. The club's well publicised financial difficulties have seen them fall from sixth in the Deloitte Football Money League just five years ago. This has been matched with difficulties on the pitch with a tenth placed finish in Serie A, and a disappointing group stage exit from the UEFA Cup.

Broadcasting income fell by €13.3m (£9m) to €44.1m (£29.8m), although income from this source still contributes 53% of total revenue. The absence of Champions League football partially explains this reduction, although the club continues to benefit from a long term commitment from Pay-TV operator Sky Italia, with the current deal reported to be worth €32m (£21.6m) a season.

Lazio's average attendances for Serie A matches was 38,200 in 2004/05, over 10,000 down on the previous season with matchday revenues dropping to €14.6m (£9.8m) as a result. As with its city neighbours AS Roma, redevelopment of the Stadio Olimpico is likely to be crucial in increasing matchday revenues.

To date Lazio have been ever present in the Top 20, but the failure to qualify for European football in 2005/06 means that we believe that Lazio may struggle to make it ten out of ten next year.





# Leagues within the Money League?

This is the ninth year of the Deloitte Football Money League. Since our first edition in 1996/97 we have seen the collective revenues of the Top 20 clubs rise from €1.2 billion to over €3.1 billion in 2004/05. In this article we review the composition of the list over the years, and identify the key trends in terms of participation and the winners and losers over that time. We also investigate what a club might need to enter a future Money League, and identify the clubs to watch in the future.

A total of 34 clubs have appeared in the nine editions of the **Deloitte Football Money League**. Of these, 13 are ever presents, while Chelsea has appeared in all but one. Eight clubs have only appeared once, and a further seven clubs have appeared less than four times.

Only eight countries have been represented in the nine Money Leagues, and two of these only appeared in our first edition. The 20 clubs are now drawn from the Big Five European Leagues (England, Italy, Germany, Spain and France) and Scotland. Europe is the primary focus of football's attention (and most of its money) and the vast majority of the world's top players now play their club football in the Big Five leagues. Only two countries – England and Italy – have ever provided more than five representatives to any Money League, and this year 13 of the 20 clubs come from these two countries.

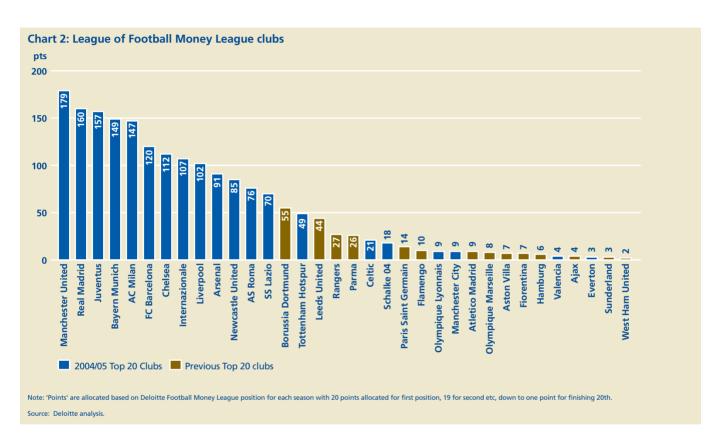
Only in exceptional circumstances is the Money League likely to see any representatives from outside the Big Five European countries (and Scotland).

"There are regular Champions
League performers, ever
presents in the league, some
aspiring to reach the top five,
others slipping back, some
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Table 1: Deloitte Football Money League clubs by number of appearances		
9 appearances	Arsenal, FC Barcelona, Bayern Munich, Internazionale, Juventus, SS Lazio, Liverpool, Real Madrid, Manchester United, AC Milan AS Roma, Newcastle United, Tottenham Hotspur	
8 appearances	Chelsea	
6 appearances	Leeds United, Borussia Dortmund, Parma, Rangers	
5 appearances	Celtic	
3 appearances	Aston Villa, Olympique Lyonnais, Schalke 04, Valencia	
2 appearances	Manchester City, Olympique Marseille, Paris St Germain	
1 appearance	Ajax, Atletico Madrid, Everton, Fiorentina, Flamengo, Hamburg, Sunderland, West Ham United	
Source: Deloitte analysis		

Awarding points based on finishing position in each list allows a 'League of Money Leagues' to be created. This gives an indication of a club's long term staying power – showing not just the ability to remain in the list itself, but to maintain a consistently high position. Chart 2 shows the League of Money Leagues, and it illustrates three broad categories of Money League clubs.

There are clear parallels with the long-term 'pecking order' seen in many domestic leagues. There are regular Champions League performers, ever presents in the league, some aspiring to reach the top five, others slipping back, some surprise packages excelling for a year or two and others overstretching and ultimately falling away.



The top five places are taken by the Money League 'elite' – truly global clubs with significant and increasing international support to add to their millions of domestic fans. Despite losing the number one spot this year Manchester United remain – using this long term league table – the most financially successful club. Behind them, another four clubs – Real Madrid, Juventus, Bayern Munich and AC Milan – are also part of this elite group. It is notable that these five clubs between them have won 11 of the 20 domestic championships in the last five seasons.

A host of other clubs are in the 'chasing pack' – FC Barcelona, Chelsea, Internazionale, Liverpool, Arsenal, Newcastle United, AS Roma and SS Lazio – who have appeared in every recent Money League. With significant domestic and, in many cases, overseas support, these clubs' appearance in the Money League is expected, but consistent on pitch performance (particularly in Europe) is the difference between a mid table slot and the possibility of challenging the big five.

Thereafter places are filled by clubs which have relatively similar revenues. In the main their Money League appearances are dependent on success on the field – both domestically and in Europe. The challenge for these clubs is to develop such that European competition is a regular occurrence, which may lead to a regular Money League place. Tottenham Hotspur is, to date, the anomalous exception that proves the rule. Some of this pack have realistic ambitions to permanently join the Money League elite, others will slip back.

At this end of the table competition is fierce. Table 2 shows the five clubs which are currently 'bubbling under' – some of the names are familiar from previous Money League editions. The difference this year between Valencia in 19th place and Middlesbrough in 25th is less than €8m, and a successful 2005/06 on the field could see any one of the clubs 'bubbling under' make the next Top 20.

Table 2: Deloitte Football Money League next five clubs

Position	Club	2004/05 Revenue (€m)
21	Rangers	81.6
22	Borussia Dortmund	79.0
23	Bolton Wanderers	78.6
24	Bayer Leverkusen	78.2
25	Middlesbrough	77.0

Source: Deloitte analysis

Looking forward, which clubs can we expect to see moving up future Money Leagues? Broadcasting revenue has underpinned all of our Money League clubs' revenue growth in recent years, but the real successes have been those clubs which have developed all three of their primary revenue streams – matchday, broadcasting and commercial. In recent years we have seen three clubs make strides towards the elite group at the top of the list, all displaying different growth factors.

Arsenal were placed in 20th position back in 1996/97, but their position has steadily improved and they have been a top ten fixture for the last four seasons. Arsenal have been restricted by the limited capacity of Highbury and although growth in other areas has been impressive, matchday revenue has been limited by both the stadium size (under 40,000) and facilities. The new, state of the art Emirates Stadium, opening in 2006/07 and seating 60,000 is likely to provide a significant boost to matchday revenues and may, given continued regular Champions League football, see Arsenal challenging in the top five when they take up residence at Ashburton Grove.

Barcelona's renaissance in recent years has seen them move back into the top six for the first time since 1998/99. The last two seasons have seen the club grow revenue by almost 70%, with significant growth in all areas. Further on pitch success – and moves to engage commercially with Barca's huge international fanbase and maybe even a shirt sponsor – could see them join the elite group.

Last year's biggest movers, Chelsea, consolidated their top five place this time round. Roman Abramovich's takeover in 2003 was the catalyst for a spending spree unlike anything seen before in football. This has been accompanied by levels of on-pitch success that have seen a step change in revenues. Further growth in commercial revenues as a result of new shirt and kit sponsorship deals can be expected in 2005/06.

"Barcelona's renaissance in recent years has seen them move back into the top six for the first time since 1998/99."

In terms of potential challengers from outside England and Spain, two countries to watch will both have cause for celebration during the summer. Germany will host the 2006 World Cup in over €1 billion worth of new and redeveloped stadia. This has allowed the German clubs to develop their facilities further – to become a revenue generating asset seven days a week – and on matchdays has enabled the development of higher margin corporate packages. The new stadia have been a big success to date. Bundesliga attendances are at record levels and if the level of interest can be maintained following the World Cup, we could see more German clubs entering the Top 20.

In France, July 2006 sees the start of a groundbreaking new domestic broadcasting deal with Canal Plus, reportedly worth €600m per season. This is a 50% increase on the value of the previous deal and, accompanied by a change in the distribution mechanism among clubs, means that the most successful clubs will get a larger share of the cake. In future years we could see Olympique Lyonnais move towards the top ten and the return of Olympique Marseille and Paris St Germain to the Top 20.

The challenge for all our Money League clubs is to keep innovating and developing. In such a competitive environment there is no standstill option. It is not just on the pitch that you lose if you snooze and we expect further developments going forward. We will continue to monitor the progress of all of Europe's premier clubs in coming years.



Rich Parkes Sports Business Consultant

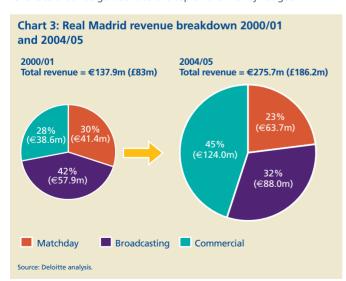
## The Real deal

Real Madrid's capture of the title of 'the world's highest earning football club' is the culmination of a remarkable transformation in the club's revenue generating capacity over the last few seasons. During this time, it has doubled its income from €137.9m (£83.0m) in 2000/01, when it was placed sixth in the Deloitte Football Money League, to €275.7m (£186.2m) in 2004/05.

In 2004/05, a €39.7m (£26.8m) growth in the club's revenue allowed it to not only overturn a €23m (£15.2m) deficit between itself and Manchester United, but open up a €29.3m (£19.8m) gap on the now second placed Manchester club – a gap which looks set to widen in 2005/06.

As interesting as there being a new number one is the fact that Real has 'broken the mould' in terms of revenue growth for football clubs. Over the last ten years, the drivers of revenue growth for the majority of clubs have been either large increases in broadcast rights fees or enhanced matchday revenues from improvements in stadia facilities. Often it has been a combination of the two.

However, in Real Madrid's case, whilst matchday revenues and broadcast revenues have grown by €22.3m (£15.1m) and €30.1m (£20.3m) respectively since 2000/01 (compound growth rates of 11% per annum in both cases), it is the club's ability to grow commercial revenues that has guided it to the top of the Money League.



Commercial revenues have increased by €85.4m (£57.7m) between 2000/01 and 2004/05, a compound annual growth rate of 34%. Income from this source now accounts for 45% of total revenue, following growth of €38.1m (£25.7m) in the past year. Broadcasting accounts for 32% of total revenues whilst matchday contributes 23%. This compares to 2000/01 when broadcasting was the major contributor to revenues at 42%, following by matchday at 30% and then commercial at 28%.

Of the Top 20 clubs, only Real and the two German clubs, Bayern Munich and Schalke 04 – who have a much larger and stronger domestic market – currently have commercial revenues as their largest income source.

It is no coincidence that this reshaping of Real's revenue profile and their growth over the last few years has occurred under the presidency of Florentino Perez. Since his election in July 2000, Perez has redrawn the club's strategy and operated the traditional members' club as a commercial business in order to allow it to compete consistently with Europe's elite. The club has always been synonymous with footballing success. It has won the Spanish Primera Liga title a record 29 times, and the European Cup nine times, more than any other club. Perez's feat has been to turn the interest and deep-seated popularity that success brings, into significantly greater monetary returns than in the past.

Underpinning this commercial growth has been the club's strategy of building 'content' in order to develop a product that people from around the world can identify with, and ultimately buy into. The primary content of course is players, and Perez has built the club around a collection of identifiable world class players. One of his key election pledges in 2000 was the acquisition of Luis Figo from arch rivals Barcelona, and this has been followed by the arrival of star players such as Zinedine Zidane, Ronaldo, and David Beckham.

The club has aimed at not only building its profile and following, but also crucially at engaging supporters sufficiently in order to generate a financial return. Whilst many clubs have championed the potential of capitalising on the interest in their club outside their domestic market, Real have been successful at actually realising this potential.

#### Put your shirt on it

One of the most publicised effects of acquiring world class players is soaring sales of shirts and associated merchandise which, in turn, has delivered increased revenues to Real. Merchandising and licensing contributes the largest proportion (44%) of the club's commercial revenues at  $\leqslant$ 54.1m (£36.5m). The remainder is derived from sponsorship and advertising ( $\leqslant$ 45.9m (£31m)), stadium tours and conferencing ( $\leqslant$ 7.2m (£4.9m)), and other marketing sources ( $\leqslant$ 16.8m (£11.3m)).



The club's merchandising and licencing strategy is built on an outsourcing model. They form partnerships with commercial organisations, whereby the buyer acquires the right to use the club's name and associated logos to produce and sell products in return for paying Real a fixed licence fee and a proportion of sales from that particular product.

The appeal of such deals to Real is obvious. The club gets paid in hard cash rather than any 'value in kind' or 'barter' arrangements, and the more successful the sale of that particular product, the more revenue is derived by Real. Meanwhile, the design, manufacture and promotion is in the hands of the 'expert'. This substantially derisks the club's business both financially and operationally, although of course partner selection and quality is fundamental to ongoing success.

In terms of sponsorship, the Real brand is hugely popular both in Spain and around the world. In the eyes of international brands seeking an association, the club is one of an elite handful which can bring cost-effective visibility and consumer credibility around the world.

Real has, under Perez, refined and modified its sponsorship strategy with a tiered model which is based around more than simply offering advertising opportunities to corporations. In common with all the best football clubs at any level, the sponsorships are partnerships whereby both parties leverage off each other.

At the top tier, the club has two main sponsor partners – international apparel manufacturer adidas and mobile communications company Siemens Mobile. The deal with the latter is worth an estimated €14.0m (£9.5m) a season, whilst the partnership with adidas, was extended in 2004 under improved terms until the end of the 2011/12 season.

Below these two top-tier sponsors, is a band of four 'international' sponsors – soft drinks company Pepsi, car manufacturer Audi, telecommunications company Telefonica, and alcoholic drinks firm Mahou. Finally, a third tier contains an expanded number of national sponsors.

#### Reaching the stars

Real's commercial strategy has been based on reaching and engaging fans, not just in its domestic market, but increasingly on an international basis.

The strategy seems to be working. The club estimates that 40% of its merchandising revenues were derived from within Spain in 2004/05, with 60% internationally. This compares with five years ago, when the club estimated that between 80% and 90% of revenues were earned in Spain.

The club has also gained increased revenues over the past five years from international tours, particularly to Asia. In 2004/05, revenue from international tours and friendly matches totalled €22.9m (£15.5m), driven mainly by a pre-season tour to China, Japan and Thailand.

Many other European clubs have also used overseas tours to try and capitalise on the strong interest within Asia. However, whilst allowing supporters in these regions to see the club 'in the flesh' rather than just through the television set, a one-off tour to these regions is unlikely to cement this relationship and provide a strong and constant source of revenue.

"In terms of sponsorship, the Real brand is hugely popular both in Spain and around the world. In the eyes of international brands seeking an association, the club is one of an elite handful which can bring cost-effective visibility and consumer credibility around the world."

Real is clear that its touring programme is part of a wider strategy for building on its popularity in these regions. The club has an internal international business development team solely responsible for building partnerships in international territories. This team actively builds and promotes the club's brand and popularity, and forms local partnerships in these regions.

#### The reign in Spain?

So can Real's revenue growth be sustained? Many companies and industries often experience periods of rapid growth followed by a slowdown. However, the signs for Real appear promising.

For a start, the club recently signed a new main sponsorship deal with information technology company BenQ reported to be worth between €20.0m (£13.5m) and €25.0m (£16.9m) a season over four seasons to the end of 2009/10.

The club boasts a relatively modern 80,000 all-seater stadium (the Bernabeu), and with strong corporate interest, it seems reasonable and logical that the club may be able to further develop its matchday corporate hospitality operations. There should be growth potential here for Real, given that its matchday revenues currently lag behind many of its European rivals.

In addition, the club's broadcasting deal, which was once the most lucrative of any individual club, has been dwarfed by recent contracts negotiated by some of its European rivals, particularly the big Italian clubs. Real's current deal with Sogecable, worth a reported €54m (£36.5m) per season, expires in 2007/08 and whilst it is difficult to predict the future value of broadcast contracts, the club is likely to be encouraged by the increased level of competition for sports rights within broadcast markets and the club's level of international support.

Of course, success on the pitch is the key to delivering further revenues and keeping the fans happy. It underpins the club's revenue generating capacity in the longer term. For example, the club derived €13.7m (£9.3m) in 2004/05 from UEFA Champions League centrally distributed revenues after being eliminated at the first knockout stage. Winning the competition in 2005/06 could earn the club at least twice that in centrally distributed revenues plus the additional matchday revenues from home matches.

Rival Money League clubs will also continue to grow revenues. Juventus' massive new broadcast deal is likely to boost revenue in future seasons, whilst over the last two years, Chelsea and Real's arch rivals Barcelona have shown the largest absolute and relative revenue growth. Equally Manchester United, has the global interest to consistently challenge for the top spot.

Standing still is not an option, but Real Madrid has already set a benchmark for its rivals. With budgeted revenues of €300m in 2005-06, the club shows no signs of waiting for the chasing pack to catch up. ●



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