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Sports Finance Insights 2024
Football Investment Survey

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Welcome to the Sports Finance Insights 2024. For two decades, we have contributed to the football industry by publishing the Football Finance Directors Survey, layering our own financial insights over the data and opinions of financial leaders from clubs across the domestic professional football leagues. Recognising that the way we all consume financial information and thought leadership has changed, we will now focus on shorter, more frequent, and more topical insights throughout the year. With no fixed agenda, our 'annual campaign' will give us the freedom to comment on live and emerging issues across football and the wider Professional Sports Sector. We hope you enjoy our first Sports Finance Insight, kicking off with the Football Investment Survey.

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A word from **Ian Clayden**,

Partner, Head of Professional Sports, BDO

It is no surprise that recent headlines around men's football have been about financial matters! Manchester United announced record revenues, only to be swiftly outdone by Manchester City; Everton and Nottingham Forest were docked points for breaches of the Premier League's Profitability & Sustainability (P&S) Rules, and all the while the English Premier League (EPL) broke its own UK record by negotiating a new domestic TV rights deal, with Sky and TNT Sports paying a combined £6.7bn for 2025-28: an increase on the current £4.9bn 3-year deal.

By way of contrast, in the women's game the recent focus has been on control and governance. Clubs in the Women's Super League and Women's Championship have voted to form a club-owned competition from the 2024/25 season, taking control from the FA, and the UK government has endorsed the recommendations of the independent review into the domestic women's game led by Karen Carney.

Amidst all of this, we take our annual deep dive into the opportunities and challenges that clubs within different leagues face, and take a look at how their operating models might be evolving to fit the ever changing financial and regulatory landscape.

In light of record-breaking revenues, we have had the opportunity to question when and if clubs will transition from principally loss-making ventures to profit making businesses. In fact, with sustainability being such an overpowering mantra, we question whether actual accounting profits are even relevant. We also take some time to share our insights on what now appears to be three distinct operating models throughout the football hierarchy:

Big 6 (Manchester United, Manchester City, Liverpool, Chelsea, Arsenal, and Tottenham Hotspur)	Other EPL	Football League Championship (FLC) and below
Maximise spending on players in search of those all-important marginal gains at the highest level.	**Optimise** player trading to outperform the competition in getting the most bang for their buck (and more recently in most cases, offset trading losses).	**Utilise** all available losses and player trading opportunities in a gamble to break through to the riches of the EPL.

In doing so, for the first time, we have taken a closer look at a "wages-to-points" league table where we see Brentford, Brighton and Bournemouth topping the 2023 table. We look forward to having this as a rolling data set for future reference as we observe how easy, or otherwise, it is to transition between models following promotion or relegation, and how well understood these models are by those making investment decisions.

The quest to remain competitive also plays a key role in decisions related to infrastructure investment. In order not to divert funds away from on-the-pitch activities, infrastructure spend needs to come from new or existing investors (shareholders) rather than from operating cash flows.

This creates global investment opportunities where we are seeing increasingly creative and diverse structures put in place.

Keeping with the theme of headline grabbing, not only have we concluded that the mid-tier clubs are setting the standard for return on investment in player wages, but we resolutely conclude that EPL players are not, I repeat, NOT, over-paid. At least not based on club revenue metrics! The same is not said of FLC players. So, a single player breaking the £1m a week wage threshold, appears not only inevitable, but commercial (for the few clubs that can afford it).

Player spend comes in two parts of course: wages and transfers. And whilst wages in the EPL are proportionate to club revenues, transfer fees are now set apart. The transfer market has become distorted by the levels of transfer fees being paid by EPL clubs. Whilst much of this is a is zero-sum-game within the EPL itself, where players are selected from lower leagues this creates a very welcome redistribution of wealth, the correction of which would actually be damaging to English Football League (EFL) clubs.

When it comes to ownership, I noted above that clubs are not run for profit, but this does not mean that they are not run with a view to achieving a significant return. Institutional investors represent a challenge to super rich, profile-building ownership in this regard, as they are all about achieving a return on their investment. They have a long-term plan and an exit strategy.

Institutional investors, particularly from the US, have two chances to achieve their return, depending on the nature of their target club:

1. **Promotion up the football pyramid (ideally to the EPL) then exit.** The 'hold' for subsequent 'commercial enhancement' strategy is too long term given:
   i. the already expended investment period to achieve promotion; and
   ii. the need to leave something on the table for prospective buyers (the classic private equity (PE) model).

   We would not expect the PE investor to fall for the temptations that often trap the profile building investor.
2. **Commercial enhancement of established EPL clubs then exit.** But the question here is who the investor sells to once commercial optimisation is achieved. Investors may need to seek strategic minority investments or sell back to the super rich profile builder.

Much of the findings of this report point to the power and dominance of the 'elite' clubs, the Big 6. However, there are more than enough reference points to market dynamics that dispel the myth that this dominance is impenetrable. There are numerous challenger clubs looking to step up and, with a new breed of potential backers behind them, there will be more to follow.

Media rights fees have gone up, transfer fees will go up, wages will go up (subject to spending caps), the law of diminishing returns will prevail, and the EPL and the FLC will become more competitive with more clubs vying for the top spots. Maybe!

Key metrics and headlines

How does player spend strategy differ across the leagues?

Big 6	Maximise spending on players within allowable loss parameters
Other EPL	Optimise (rather than maximise) player trading principally to be as competitive as possible
FLC, FL1 & FL2	Utilise allowable losses and have a net gain on player trading strategy to invest in a strong squad

59%

of clubs we surveyed have been subject to informal or formal investment (M&A) inquiries in the last year.

The balancing act between type of investment and competitiveness.

Reserves and loans

Investor funding

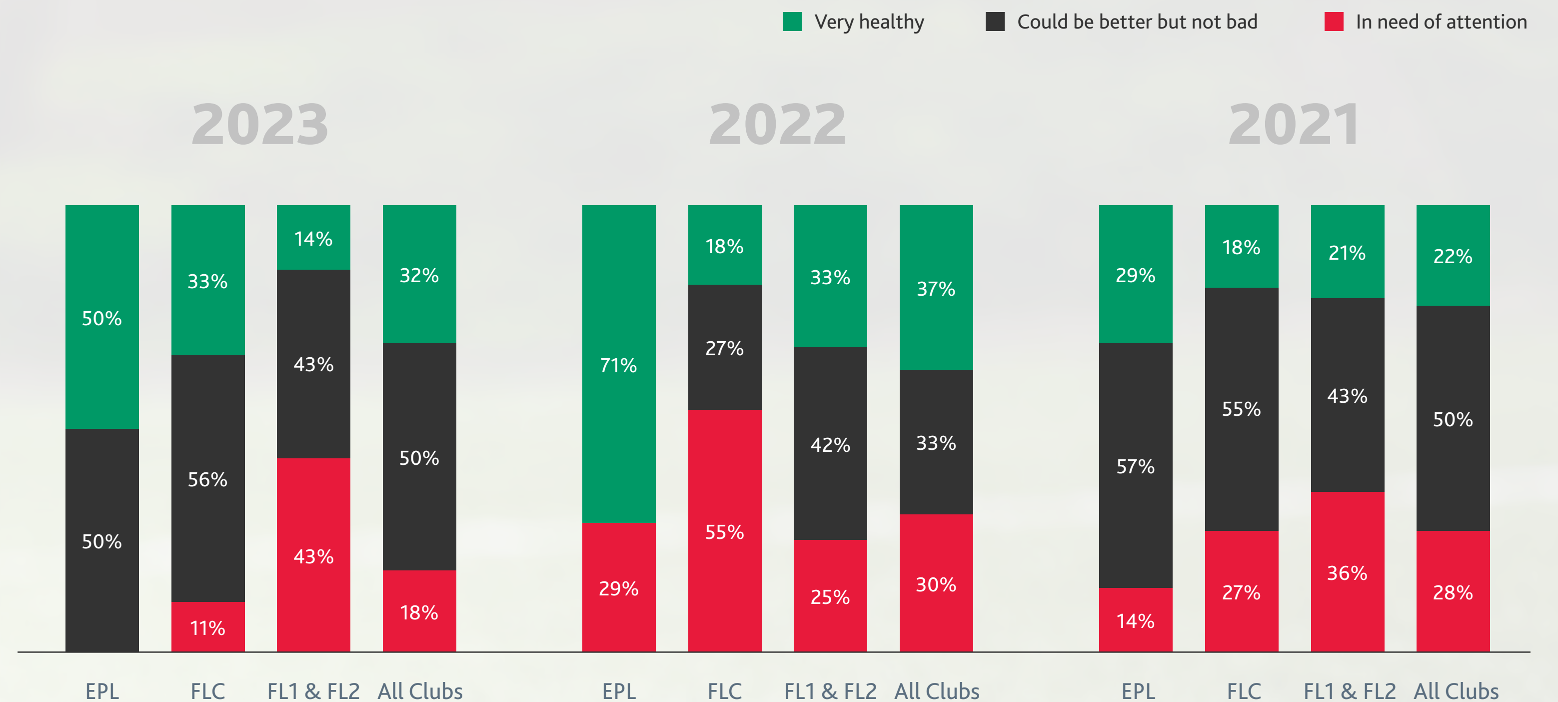
Financial health of clubs

In our last Football Finance 2.0 report, we noted how COVID-19 had exacerbated the divergence in financial health between EPL club finances and the rest of the football pyramid. Fast forward to this year, and there is still an obvious gulf between the EPL and the lower leagues both in terms of financial stability and growth opportunities. FLC and Football League 1 and Football League 2 (FL1 & FL2) clubs who perceive their finances as "healthy" are not necessarily trading profitably, and there is an increasing divergence between the largest (so called "Big 6") EPL clubs and the rest of the EPL.

Profitability versus financial health

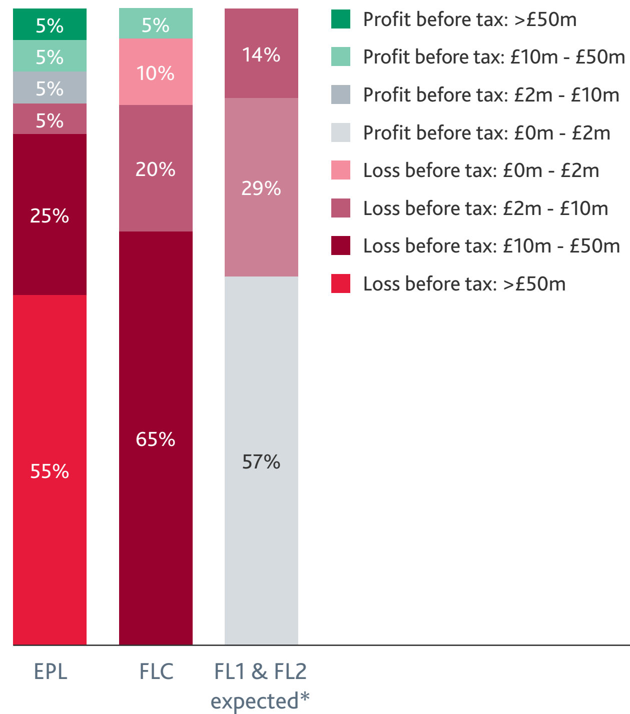
Based on our latest survey, the overall financial health of clubs has improved slightly, with fewer respondents having finances "in need of attention", down to 18% from 30% in our 2022 survey. However, almost one-fifth of clubs surveyed having finances in need of attention is still higher than we would like to see.

That said, looking closely, there are some surprising results within each league. It is particularly interesting to see a reduction in "very healthy" EPL clubs (down from 71% to 50%), given the relative financial resources available to them. However, the largest, and most surprising, year-on-year change has been a reduction in FLC clubs reporting their finances as being "in need of attention", reducing to 11% from 55% last year, despite the alarming level of FY23 losses and a widespread expectation that losses will increase in FY24 - see opposite.



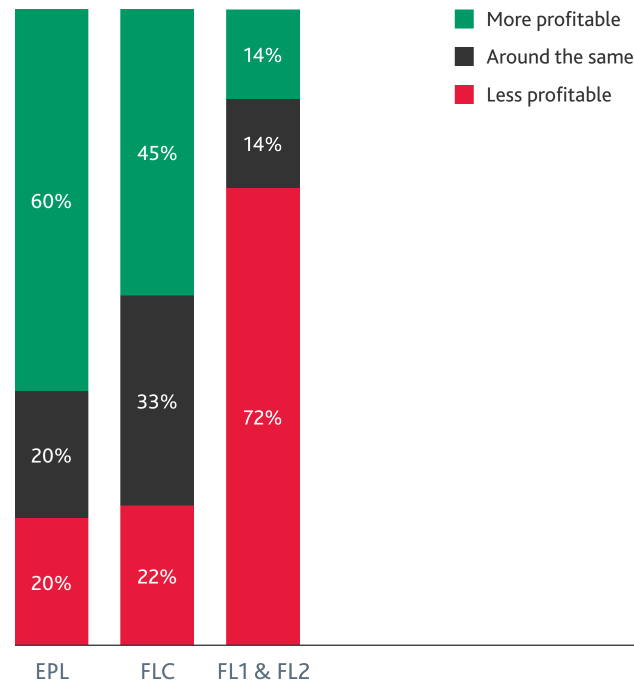
Financial health of clubs

EPL, FLC and FL1 & FL2 2022/23 profit before tax



*Based on FL1 & FL2 club expectations per survey responses
Source: Club financial statements - 2022/23 season and BDO Survey Results

How do you expect your profitability to change in 2023/24 versus 2022/23?



Source: BDO Survey Results

When we compared clubs' views on financial health with their profitability for FY22/23 and their expectations for the current year, it is clear that the definition of "healthy" is open to clubs' own interpretations. In the EPL, the number of profitable clubs in 2022/23 as per financial statements (profit before tax) was 3 (vs 5 in 2021/22) despite 50% of survey responses for the EPL reporting they are "very healthy". We note that trading losses do not necessarily equate to poor health in the eyes of FLC and FL1 & FL2 clubs either. 89% of surveyed FLC clubs described themselves as having finances that are either "could be better, but not bad" or "very healthy", albeit the vast majority of FLC clubs incurred significant losses in 2022/23 - 65% of clubs reported a loss before tax of between £10m and £50m in their 2022/23 annual report. 71% of FL1 & FL2 clubs surveyed expected to report a loss before tax in 2022/23, with increased losses expected next year, whilst 57% of FL1 & FL2 clubs surveyed described themselves as having finances that are either "could be better, but not bad" or "very healthy". Clearly, for football clubs, financial health is assessed on more than just bottom-line results.

The loss-making model seen across the football pyramid is not a new trend, and why would it be given the financial rewards associated with EPL promotion/retention and a P&S structure that allows losses (within pre-defined parameters)? Arguably, being profitable is competitively disadvantageous.

Across the spectrum, clubs look to maximise the quality of their playing squad whilst managing financial performance and cash flows to stay within P&S limits. Clubs who give their first team manager the best opportunities, while successfully balancing their use of shareholder funding, debt factoring and player trading, without exposing the club's finances to undue risk, may be right to consider themselves "healthy", despite their accounting losses. These topics are considered in more detail later.

Financial health of clubs

The increasing gulf between the Big 6 and the rest of the EPL

The disparity in revenue and profit potential between the EPL and lower leagues is both inevitable and part of football's natural equilibrium. However, this does not mean that the level of disparity will not continue to be a point of contention. In fact, there is an increasing divergence between the so called Big 6 EPL clubs (comprising Manchester United, Manchester City, Liverpool, Chelsea, Arsenal, and Tottenham Hotspur) and the rest of the EPL.

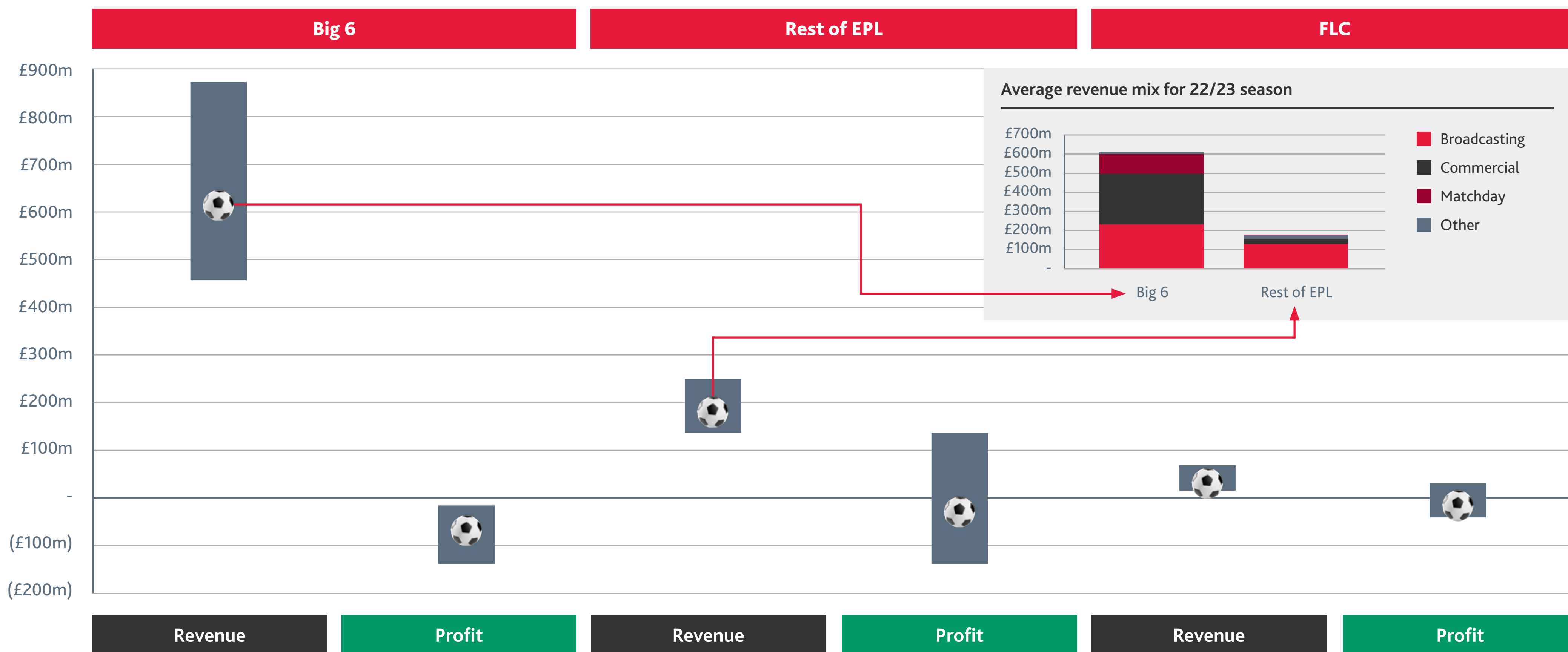
The analysis opposite shows for the 2022/23 season (being the latest publicly available statutory accounts) the minimum, maximum and average revenue and profit before tax for the Big 6, rest of EPL, and FLC, including only clubs that were in the respective leagues that year.

The minimum 2022/23 revenue for the Big 6 was £467m, which was more than £210m higher than the next highest club. Average Big 6 revenue (£608m) was a massive £423m more than the average for the rest of the EPL (£185m).

The chart also highlights the difference in scale and breadth of Big 6 revenues, as they benefit from global fan engagement strategies, additional income streams, lucrative commercial partnerships and multi-club/academy investment models, which give them a significant financial competitive advantage.

Revenue and profit before tax (min, max and average): Big 6 vs Rest of EPL vs FLC

Source: Club financial statements 2022/23 season



Financial health of clubs

Most of the time, this translates into on-field competitiveness due to the sums they are able to consistently and sustainably invest in coaching staff and players (investment priorities are discussed in the following section). This creates a virtuous circle as better on-field performance allows for further revenue growth, such as higher EPL merit distributions (based on league position) and Champions League qualification/income.

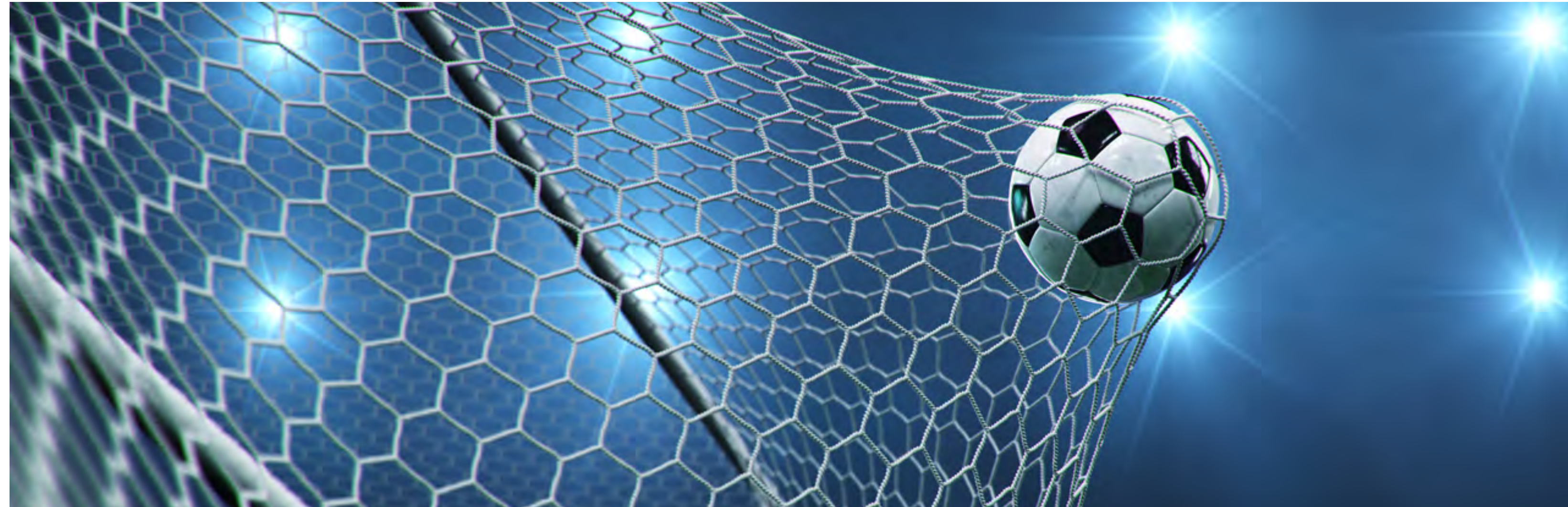
Another key takeaway from the above chart is that whilst there is a significant divergence in revenues between the different groups of clubs, there is a much greater similarity in the profit situation. All clubs are seeking to max out their allowable losses in order to optimise their squads.

Average revenue in the FLC generally lags more than £150m behind non-Big 6 EPL clubs. The obvious difference lies in contracted broadcasting (media rights) distributions, but this is compounded by FLC clubs typically not being able to attract the scale and breadth of commercial revenues of even the bottom half of their tier 1 counterparts. Simple EPL ratchets in sponsorship contracts make this inevitable.

Clubs in different positions, and with different revenue generating capacity, are forced to operate different business models. These can be broadly summarised as follows:

	Player Spend Strategy	Goal
Big 6	**Maximise** spending on players within allowable loss parameters.	To win EPL and/or qualify for Europe, to obtain UEFA revenues and maximise domestic and international commercial revenues.
Other EPL	**Optimise** (rather than maximise) player trading principally to be as competitive as possible.	Avoid relegation or steadily improve league position with a view to sustainability.
FLC	**Utilise** allowable losses and have a net gain on player trading strategy to invest in a strong squad.	To compete for promotion/avoid relegation.

What are clubs' investment priorities?

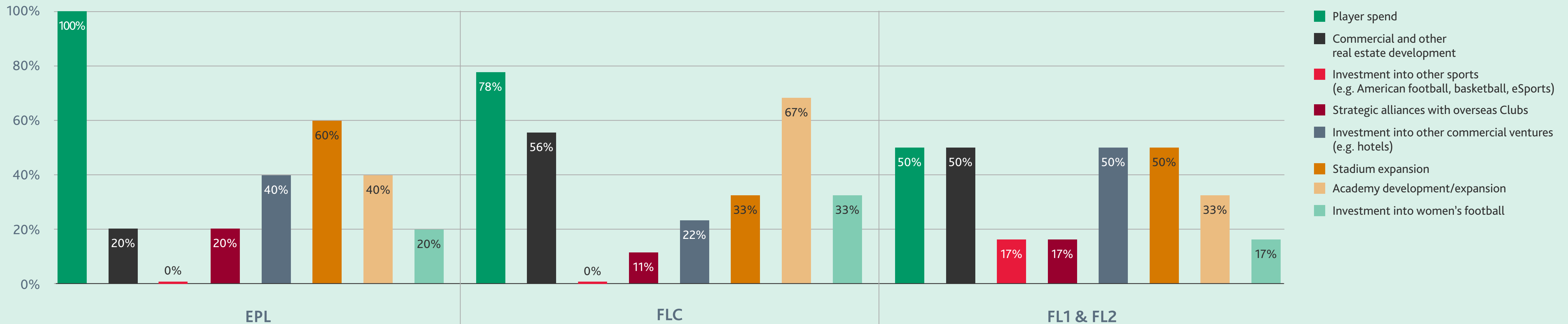


The continuing divergence of wealth rears its head in the contrasting investment priorities throughout the domestic football pyramid, with the desire to reach or maintain the riches of EPL membership the primary driver.

The varying investment priorities are not just defined by the financial health of a club, but also by its ownership model, i.e. the priorities of the owners. Based on the latest survey responses, it is clear that the allure of the EPL, and success within the EPL and within Europe, has meant player spend (wages and transfers) is the top priority for all EPL and most FLC clubs, who see it as the key determinant of EPL promotion and/or retention.

Investment priorities (top 3)

Source: BDO Survey Results



What are clubs' investment priorities?

Player transfer spend

In recent times we have seen an unprecedented level of player transfer spend by domestic football clubs. This is despite, only 29% of EPL clubs and 9% of FLC clubs expecting their transfer budget for 2022/23 to increase (as per our latest survey), alongside a consensus view that liquidity in the transfer market was at best unchanged or worsening.

The most recent respondents (who completed our survey ahead of the Summer 2023 transfer window) could be forgiven for underestimating the impact of Saudi investment in football (which we discuss later) and/or the level of spending from the likes of Chelsea after the takeover led by Todd Boehly.

From 2021/22 to 2022/23, transfer expenditure for all EPL clubs combined increased by 80%, and the summer 2023 (in the 2023/24 season) window spend of £2.4bn was a record for the EPL, an increase of over 25% from summer 2022. Since the arrival of new owners, Chelsea have led transfer spending in the EPL, spending over £900m since the summer 2022 transfer window.

In the FLC, expenditure increased by 40% from 2021/22 to 2022/23, and 102% from 2022/23 to 2023/24. However, whilst FLC club transfer expenditure has increased year-on-year, the league as a whole, and the majority of clubs within, have received a net cash inflow from player trading. A lot of this is driven by recently relegated teams selling expensive players.

EPL transfer window total spend

Source: Transfermarkt

Season	Summer*	Winter*	Total*
2020/21	£1,327m	£101m	£1,428m
2021/22	£1,165m	£288m	£1,453m
2022/23	£1,913m	£743m	£2,656m
2023/24	£2,414m	£114m	£2,528m

Converted from EUR to GBP using average exchange rate

FLC transfer window net spend analysis

Source: Transfermarkt

Season	Expenditure*	Income*
2020/21	£78m	£360m
2021/22	£76m	£127m
2022/23	£108m	£213m
2023/24	£218m	£503m

Converted from EUR to GBP using average exchange rate

What are clubs' investment priorities?

Player wages

100% of FLC clubs surveyed were operating at a loss for the 2022/23 season, with two-thirds reporting a wages/turnover ratio above 70%, and 55% reporting a ratio over 100%. There is simply a base level of wage spend required in order to be competitive in the FLC (and more in order to achieve promotion) that is currently not supported by revenues.

In FL1 & FL2, player contracts are typically shorter-term or season-long deals and clubs have Financial Fair Play (FFP) Salary Cost Management Protocol restrictions to comply with. As a result, clubs are continuously having to flex squads with restricted player budgets and are more likely to focus on alternative player acquisition methods such as free transfers, loan deals or graduation of youth players. However, there are an increasing number of disrupter clubs that have broader commercial revenues and access to larger resources, such as AFC Wrexham and Salford City, who have the financial backing to invest more heavily in squads to super-charge their competitive advantage.

In the EPL, 50% of clubs surveyed reported a wages/turnover ratio below 70%, with none reporting a ratio over 100%. That said, as EPL revenues are significantly higher than the lower leagues, and with EPL clubs' propensity to spend all the incremental revenue they earn, this has fuelled significant wage inflation in the EPL.

So what does this mean in terms of wages within the different leagues?

As reported above, clubs in the EPL and FLC are, on the whole, spending all of their available revenues. The lower wage ratio in the EPL compared to the FLC means that EPL clubs are spending a higher proportion of their revenues elsewhere.

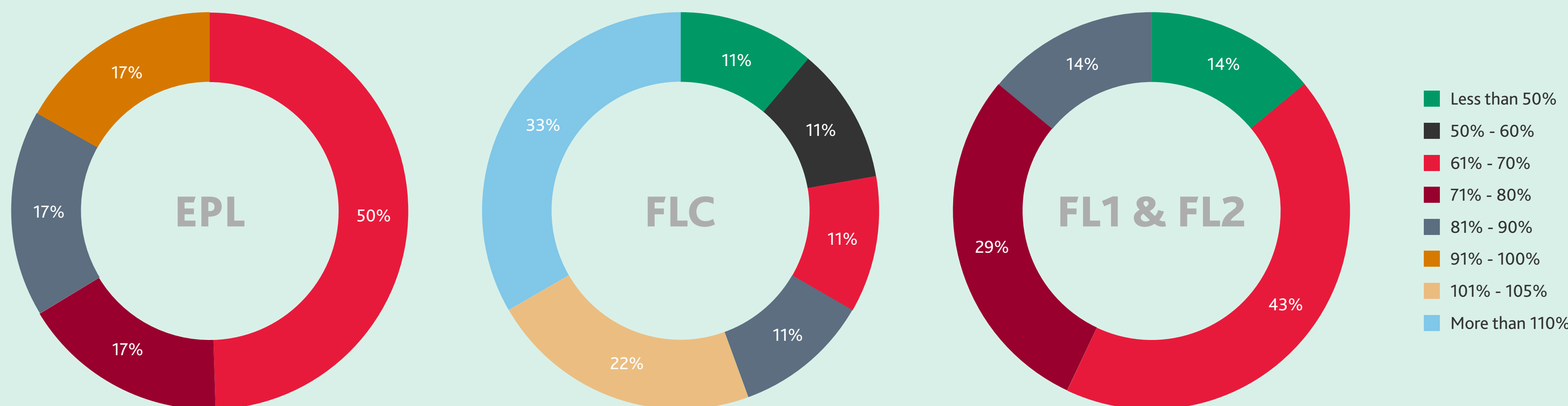
The first insight from this is, that whilst EPL wages are often headline grabbing, EPL players are not earning a disproportionate amount of their club's available funds, whereas players in the FLC are. This in turn means that EPL players are arguably not being overpaid, despite the absolute level of wages. In fact, it is FLC players that are being overpaid (relative to what is affordable for their clubs).

These statistics also show that EPL clubs are spending proportionately less on wages than they are on transfer fees. This may be because there is a different market dynamic between the EPL clubs and their players, compared with the dynamic in other leagues. The dynamic between clubs have many factors, but include increased prices when selling to perceived rivals (either domestic or in Europe).

In our last report we highlighted the growing trend for high profile players to run down their contracts, often in a bid to earn moves to other clubs on lucrative terms. Whilst this is still happening, it seems to have been usurped as a headline by the record-breaking levels of transfer spend by clubs and the wages available to players moving to clubs in Saudi Arabia.

What is your current wages to turnover ratio (2023/24 season)?

Source: BDO Survey Results



What are clubs' investment priorities?

Wage spending power of the Big 6 versus the rest of the EPL

Whilst EPL clubs are spending proportionately less on wages than FLC clubs, the absolute spend on wages is still far higher. Furthermore, within the EPL, there is a staggering difference between wage spend at the Big 6 clubs and some of the smaller clubs. Whilst the Big 6 have more available funding to spend on wages, are they using this additional resource efficiently and effectively? Opposite, we have analysed the points earned in the EPL for every pound spent on wages in the 2022/23 season.

EPL 22/23 wage spend and ranking

Source: Club financial statements - 2022/23 season and EPL 22/23 table

Club	Final points total 22/23 season	22/23 wages (£'m)	22/23 wages ranking (1-20)	22/23 wages per point (£'m)	22/23 wages per point ranking (1-20)	22/23 revenue (£'m)	Wages % revenue
Manchester City	89	536.1	1	6.0	19	877.1	61%
Arsenal	84	204.6	6	2.4	6	466.7	44%
Manchester United	75	291.4	4	3.9	14	648.4	45%
Newcastle United	71	164.8	9	2.3	4	250.3	66%
Liverpool	67	330.0	3	4.9	17	593.8	56%
Brighton and Hove Albion	62	112.2	17	1.8	2	204.5	55%
Aston Villa	61	168.9	8	2.8	8	217.7	78%
Tottenham Hotspur	60	218.9	5	3.6	12	549.6	40%
Brentford	59	86.2	20	1.5	1	166.5	52%
Fulham	52	121.5	14	2.3	5	182.3	67%
Crystal Palace	45	114.2	16	2.5	7	180.1	63%
Chelsea	44	352.4	2	8.0	20	512.5	69%
Wolverhampton Wanderers	41	123.8	13	3.0	10	168.6	73%
West Ham United	40	118.8	15	3.0	9	236.7	50%
Bournemouth	39	87.8	19	2.3	3	141.0	62%
Nottingham Forest	38	129.8	11	3.4	11	154.9	84%
Everton	36	138.4	10	3.8	13	172.2	80%
Leicester City	34	172.0	7	5.1	18	177.3	97%
Leeds United	31	129.4	12	4.2	15	189.7	68%
Southampton	25	106.7	18	4.3	16	145.5	73%

The analysis highlights the following key trends

- Big 6 wages are significantly higher than the rest of the EPL. The Big 6 are compelled to spend at these levels in order to compete with each other, with the Champions League being another key motivating factor.
- Outside of a few outliers, the variation in wages for non-Big 6 EPL clubs is relatively small, and so success is largely dependent on the ability of a club to invest in the right players and coaching staff. This supports the current sentiment that there are 10-12 EPL clubs that cannot rule out relegation at the start of each season.
- Three of the Big 6 were in the bottom five in terms of most £m spent per point earned in the EPL, with Brentford, Brighton and Bournemouth achieving the best league result based on their wage spend. In 2022/23, four of the Big 6 clubs finished in the top 6 places in the EPL.
- Chelsea and Manchester City had wages to turnover ratios in excess of 60%, but the rest of the Big 6 spent at more sustainable levels, below 60% of revenue.

What are clubs' investment priorities?

So what has changed?

The mid-tier clubs have become smarter in the transfer markets because they have needed to be. Brighton has attracted a lot of plaudits for a business model based on unearthing talent and selling players for significant profits. But this means there is a continuous need to find new players to replace those sold.

In 2022/23, as shown on the previous page, Arsenal was the only Big 6 club that was in the top 10 on a wages per point basis. Both Arsenal and Tottenham Hotspur have wages significantly lower than the rest of the Big 6, at under £220m. Both clubs borrowed heavily to build new stadiums, which would have restricted their subsequent spending power. But given the increased competitiveness of the mid-tier clubs, this approach may be under threat.

One of the other noticeable factors over recent seasons has been the signing of big name players and the friction between "club signings" and players that the manager actually wants. The Board or Chair may want to sign players for commercial reasons, and then the manager is forced into playing a player who may not be optimal for the style of play.

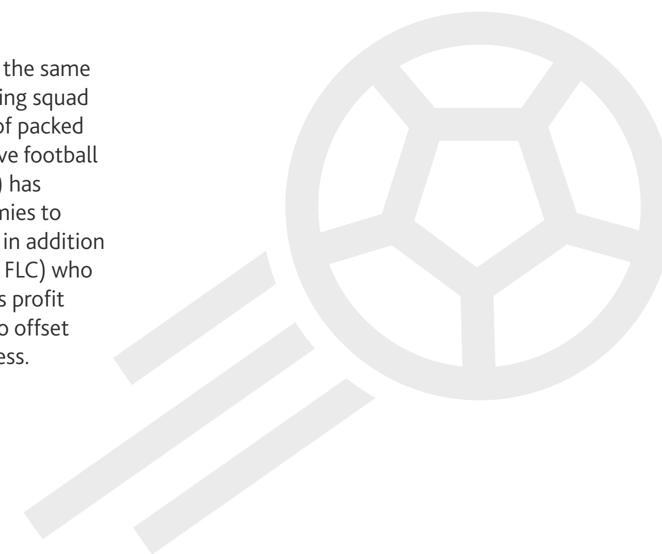
Speaking of the manager, they may be the single most important person at the football club. Jurgen Klopp at Liverpool and Pep Guardiola at Manchester City are the two longest serving managers in the EPL, having been appointed in 2015 and 2016 respectively. Guardiola in particular has brought huge, sustained success to Manchester City, winning the EPL in 5 of the 7 seasons he has been in charge.

Academy development

With inflated player transfer costs and wages, competitive advantage can be gained by clubs with larger scouting networks and academies, multi-club/academy strategies, and more effective talent selection tools (for example, Brentford and Brighton are regularly cited for their data-driven strategies for targeting and developing players and coaching staff).

Academy development features in the top three investment priorities for 40% of EPL clubs and 67% of FLC clubs, second only to player spend in the latter case.

Player wage inflation has meant that the same wage bill affords clubs an ever-shrinking squad size over time, and the combination of packed fixture lists with longer, more intensive football matches (now with more injury time) has placed increased emphasis on academies to supplement first team squads. This is in addition to those clubs (mainly in the EPL and FLC) who are successfully running academies as profit centres, using player trading profits to offset trading losses elsewhere in the business.



What are clubs' investment priorities?

Stadium expansion

Maximising stadium income remains a key priority across all leagues. Half of all respondents had it in their top four priorities, with half of EPL clubs surveyed having it as their number one priority.

For EPL teams, this is mainly driven by increasing capacity and maximising commercial revenues, such as recent stadium developments by Manchester City, Liverpool, Tottenham Hotspur, Everton and Fulham. The concept of "Americanisation" of stadiums has since been coined, whereby clubs are incorporating elements of American sports venues to heighten fan experience and augment top-line revenue generation via premium corporate and commercial opportunities (including non-matchday services and events). It is no surprise that at just over 58,000 fans, the average stadium capacity of the top six is 71% larger than the remaining fourteen clubs (34,000). As shown, the big differentiator in terms of revenue between the Big 6 and the rest of the EPL relates to commercial revenue, meaning this is an area of targeted growth for most clubs. It is therefore commercial revenue which provides the best return on investment. The size and appeal of the stadium is linked to this, as bigger and better stadiums give the perception of a bigger fan base which in turn attracts higher sponsorship deals, including the sale of stadium naming rights.

Outside of the EPL, stadium investment is typically more focused on capex investment and enhancement works. Unless owners have deep pockets, lower league clubs are having to prioritise key stadium upgrades, such as safety and regulatory/compliance-related improvements.

Women's Football

The women's 2023 World Cup in Australia was the latest milestone in the continued growth of women's football globally. In the UK, the final peaked at 14.8m viewers, with 21.2m watching TV coverage across the tournament.

This growing interest has been both a result and driver of domestic clubs placing greater focus on women's football as an investment priority.

While only 25% of respondents across all leagues reported investment in women's football as a top three priority, it is clear that it is more of a focus for clubs than in prior years (albeit skewed more towards the top two divisions given there is a level of investment required to establish and grow a professional women's football team). Importantly, this has also supported more lucrative professional playing contracts for women footballers. Whilst there has been progress in terms of contracts and sponsorship, we expect further increases to come as more lucrative commercial and media rights deals are signed. Our recent report "Catching the rising tide – investing in women's sport" showcased opportunities that exist in women's sport and how to take advantage of these opportunities.

Outside of investment from within clubs, increased financial resources are being directed to the women's game via improved sponsorship and commercial deals, and there is also increasing investor interest in the women's game.

London City Lionesses, the only fully independent women's only football club in England's top two professional leagues, was acquired in December 2023 by American businesswoman Michelle Kang. Kang is also the owner of the National Women's Soccer League's Washington Spirit, and majority owner of OL Feminine in France. A statement from Kang and the London City Lionesses said that Kang is aiming to build the "preeminent female sports organization in the world" and that "this deal is a continuation of Kang's mission to create a level playing field between men and women in football."

How are clubs affording this increased level of spending?

As discussed earlier, despite clubs finding ways to broaden revenues – and our domestic leagues having a significant competitive advantage over other European leagues – many clubs are still unable to be sustainably profitable (or cash generative from pre-player trading operating activities).

Therefore, where increased financial support is required - with traditional sources of debt funding still rarely an option for clubs - the answer most commonly lies in the following sources:

- Funding from owners (see later)
- Third party debt factoring (advancement of broadcasting distributions or transfer receivables)
- Cash flows from player trading.

Third party debt factoring

It has been a long time since we have seen more traditional forms of debt in football; lending to loss-making businesses where there is also risk of relegation and taking security on football stadia are not attractive options for several obvious reasons.

Instead, debt factoring has become by far the most common avenue of obtaining third-party finance and tends to be used for working capital and player spend, rather than major investment purposes. This typically takes either of the following forms:

- Advanced broadcasting distributions: a club is given advanced financing in lieu of future, predictable, central funds due from the EPL (including parachute payments)
- Transfer receivable financing: a club is given advance funding secured on deferred transfer fees that are due from a buying club (typically those in receipt of central funds from the EPL). Half of our EPL respondents this year highlighted this funding strategy as a near term requirement (shown later).

In both cases, the lender – who these days is typically one of a handful of EPL-approved specialists, as opposed to high street banks – benefits from the funding being an advancement of a predictable, contracted income source. Given the scale of investment required by clubs, and the significant sums of money tied to EPL distributions and transfer fees, this is mutually attractive to both lenders and clubs.

Naturally, these terms mean that outside of the EPL this funding is largely only available if a club is in receipt of EPL parachute payments or has sold a player to an EPL club (or club in receipt of parachute payments). This gives EPL clubs yet another advantage over the rest of the English football pyramid.

How are clubs affording this increased level of spending?

Cash flows from player trading

As discussed earlier, clubs are increasingly reliant on player trading profits to both offset losses and comply with FFP regulations. However, it is worth noting that profits are not the same as cash flows, particularly when player trading is not combined with transfer receivable factoring. To highlight the difference, we can walk through the accounting.

Player registrations (transfers in) are initially recorded as assets on the balance sheet, valued based on the full amounts paid and payable and not expenses. As the purchase itself does not immediately appear in the profit and loss account (P&L), it does not matter if the buying club pays up front or in instalments. The impact on the P&L is the future amortisation of this asset over the length of the contract (assuming no modifications thereafter). Therefore, if a club signs a player for £10m on a five-year contract, there is a £2m amortisation charge per annum. This is one of the key contributors to the recent trend of EPL clubs offering increasingly long contract terms.

Once the player is sold, the profit recognised is the difference between the consideration receivable (again, regardless of whether that payment is in instalments) and the remaining unamortised cost of the player's registration. So, if after the third year the player above is sold for £20m, his or her amortised cost would be £4m, (i.e. £10m up-front cost less three years of £2m amortisation) resulting in a profit of £16m. If the player was sold for only £2m, then a loss of £2m would be recognised.

However, the cash flow impact is purely dependant on the timing of instalments. Traditionally, most high value player acquisitions (relative to the club size) were paid for in two or three equal (typically annual) instalments. However, longer term instalment profiles for purchases, selling players for up-front cash (intuitively, a lower amount than if by instalments), or accelerating the receipt-profile via factoring (but incurring an interest charge on these amounts of course), are strategies that can be used to accelerate the availability of cash resources.

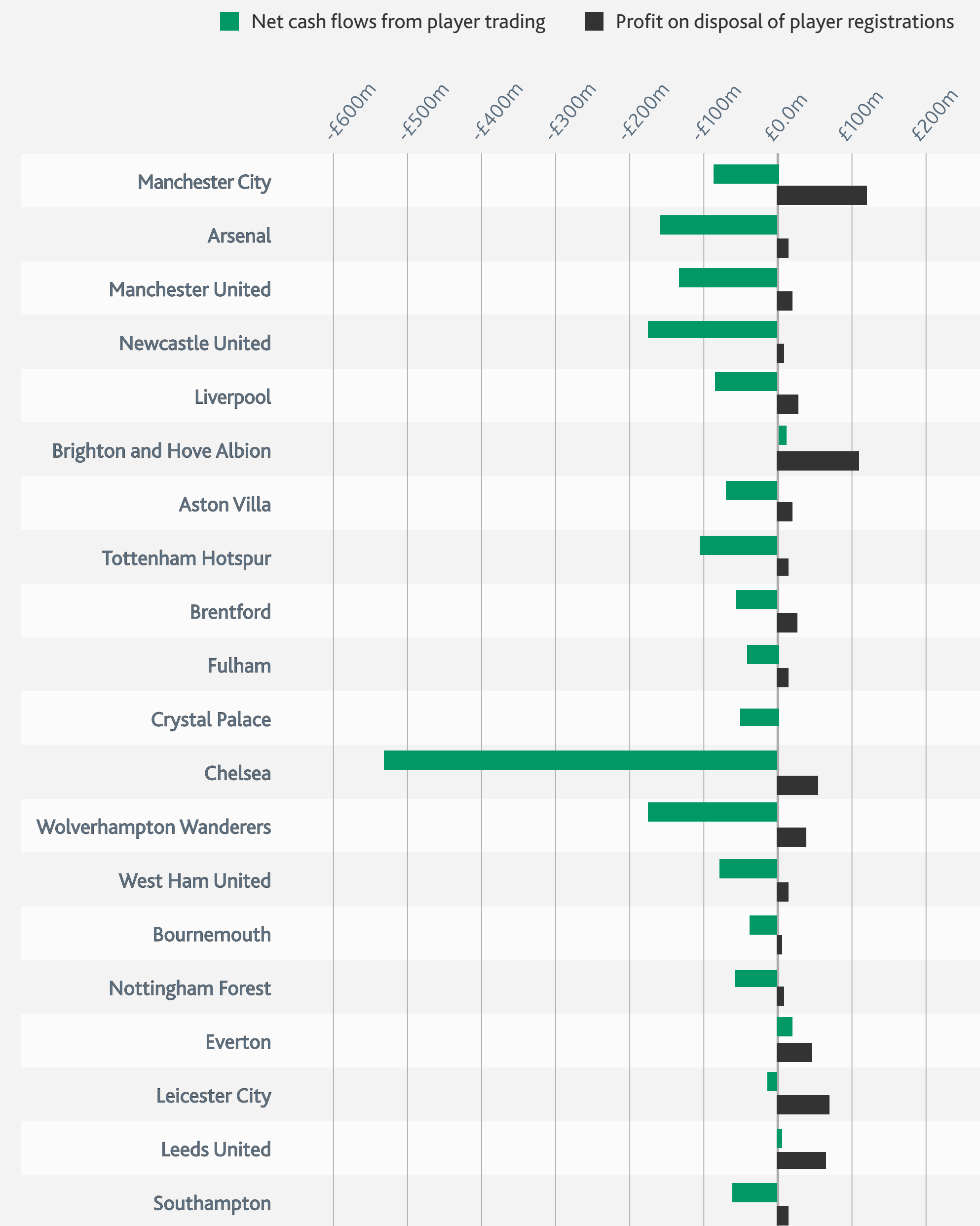
The opposite graph shows the levels of **profit** on player trading versus the **net cash flows** from player trading based on EPL club 2022/23 statutory accounts. If you take the example of Manchester City, they made a profit on player trading of c£130m, but had negative cash flows from player trading of c£96m. In fact, in virtually all cases profits on player trading were more than offset by ongoing installments on players and reinvestment in new players, resulting in significant net cash outflows from player trading. This is likely to be largely a result of the increasing amount of player spend required over recent seasons.

In some cases, where clubs have FFP profitability in mind, it is easy to see why they may choose to hold on to players rather than sell them and crystallise a loss (without immediate cash flows).

The trend from the table opposite further suggests that player trading windfalls ('profits on disposals of player registrations') are used at an operational level, for increased squad investment or to balance the books.

As both player trading and third-party debt factoring appear to be largely used for operational purposes, when it comes to infrastructure development, there seem to be three choices:

- Use existing reserves, though there is an opportunity cost here as this will prevent investment in the playing squad and impact short term competitiveness
- Seek traditional loans, if available, though interest costs may again prevent investment in the playing squad
- Owners/shareholders provide additional investment.



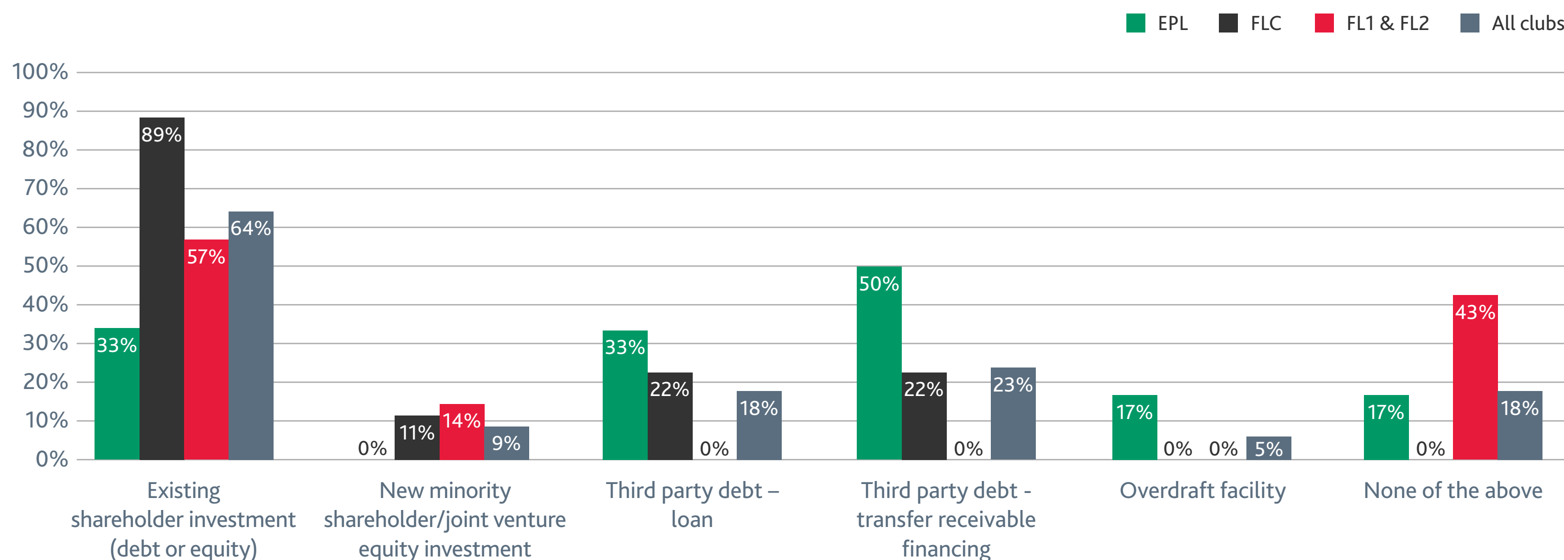
The owners' dilemma: funding losses and shifting strategies

77% of clubs told us they would report a financial loss in the 22/23 season, including 50% of EPL clubs, maxing out their allowable losses to be as competitive as possible within their respective leagues. In reality, 85% and 95% of EPL and FLC clubs respectively have reported a loss before tax in their 2022/23 financial statements. Regardless of fans' views on their club's owners it is clear that in many cases, they are repeatedly stepping in to fill the financial shortfalls.

The message is clear: either these owners believe in the long-term potential of their clubs or they are aware that not investing risks relegation and loss of shareholder value. Either way, they are willing to back their club, with 64% of clubs expecting to require additional financing from existing owners. Of all clubs surveyed, only 18% expected to have no requirement for additional debt or equity finance in the short term.

Do you currently require or envisage requiring in the near future the following types of external financing?

Source: BDO Survey Results



Alongside this, some owners are exploring alternative avenues with mergers and acquisitions (M&A) activity, including obtaining partial investment. In these cases, owners are seeking capital to protect their investments for the medium to long term, raising new capital to fund infrastructure projects and squad development, and/or to re-finance existing debt. As discussed above, third party loans or equity investment are the only ways to fund infrastructure investment without putting short-term competitiveness at risk.

The price of passion: every club has its price

It is often said in football circles that every club is for sale at the right price. Based on this year's survey, 59% of clubs have been subject to formal or informal investment inquiries in the past year, which echoes our predictions from prior years that M&A activity would increase as club trading normalised post COVID-19.

The landscape of M&A in English football is dynamic and ever evolving. Sports investment has historically been seen as a long-term endeavour, with ever-enduring brand loyalty and business models largely insulated from the vagaries of inflation, interest rates and debt markets that characterise more "traditional" investments.

The sector continues to attract an array of investors, including the usual high net worth and profile-building investors from across the US, Europe and the Middle East (discussed later). However, increasingly, English football is subject to institutional interest from US private equity and consortiums, these days often including other sports franchise investors and the occasional sportsperson/celebrity backer. This has driven a flurry of M&A activity across domestic clubs since the pandemic.

It remains to be seen whether the proliferation of private equity and consortium ownership models will result in shorter ownership periods, but surely it must when these investors enter their investments with an exit strategy. The difference here is that sporting and/or commercial success will trigger an exit for institutional investors whereas for traditional investors it discourages it (ironically, a lack of success tends to discourage it too as traditional investors hold out for a better price in the future).

The owners' dilemma: funding losses and shifting strategies

Football club valuations are typically benchmarked on revenue multiples, and – as shown in the chart opposite – we are seeing a continuous increase in revenue multiples (and therefore valuations).

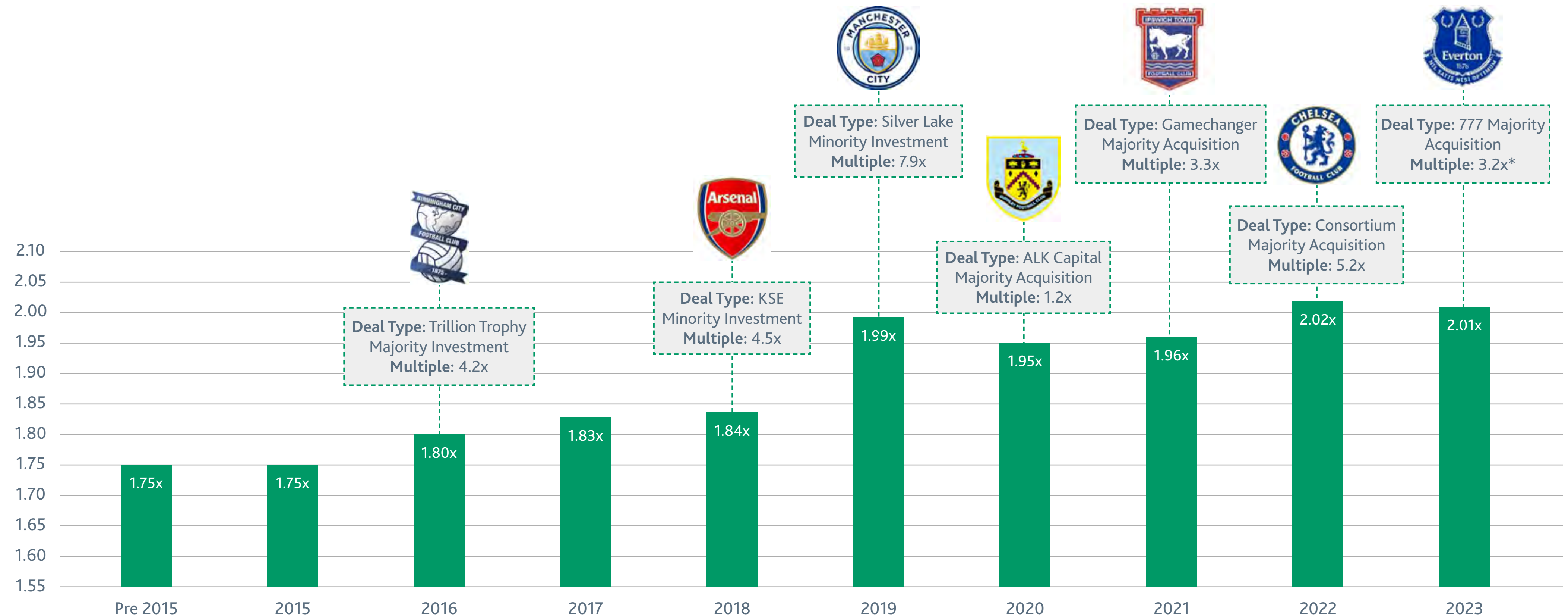
Increased M&A demand and climbing revenue multiples cannot be attributed to just one factor, but instead are generally owing to a combination of drivers:

- Increased global visibility and demand for content
- Predictable and growing recurrent income streams
- Arguably more recession-proof business models
- Many clubs being underinvested and primed for commercial expertise (which can be capitalised on by the right investor)
- A mix effect, with some of the more recent M&A transactions involving larger EPL clubs which tend to attract disproportionately high multiples.

The visibility of the EPL has always been there but, more so now than ever, clubs outside of the EPL are becoming increasingly attractive opportunities, particularly for US investors.

Football club average valuation revenue multiples to 2023

Source: Publicly available information



*Deal announced but not complete per media sources at the date of this publication

The owners’ dilemma: funding losses and shifting strategies

The American dream in English football

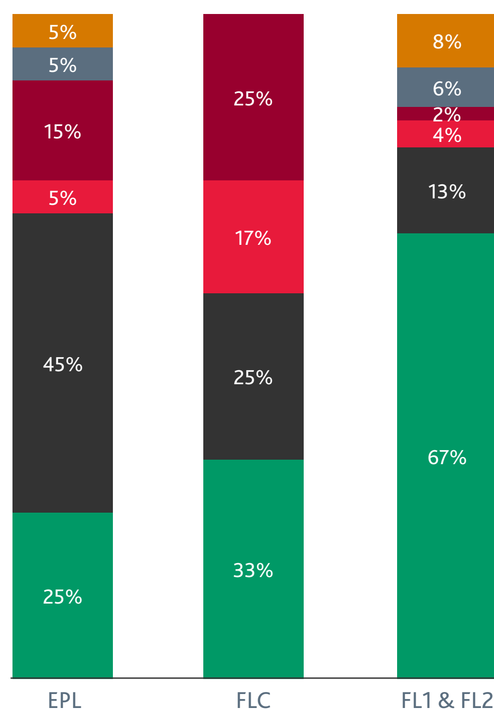
Interest in English football from across the Atlantic continues to surge, accounting for 85% of inquiries. American investors discern the value proposition in English football, thanks to large amounts of US private equity money available to invest post-COVID, the lower entry costs in English football in comparison to US sports franchises, favourable exchange rates, and the potential for new revenue streams through the application of the US brand-and-media driven model in untapped markets.

The UK sport model is different to the US in which the major sports leagues consist of franchises, for example in Major League Soccer (MLS), and the valuation of these is less dependent on individual club situations e.g. relegation and promotion. There are also fewer franchises available, for example there are 29 MLS franchises, compared to 92 teams in the EPL and EFL.

Evidently, the American approach thrives on the strength of brand power. Historically, this has led to a notable level of interest from the US in top-tier football clubs. The pursuit of commercial opportunities has even led to a change in this trend, with clubs in lower leagues like Wrexham, Ipswich, Birmingham City and West Brom coming into focus. This dynamic shift towards exploring commercial potential is reshaping the football landscape, making previously overlooked clubs more appealing to US investors.

Nationality of owners - as at the start of the 23/24 season

Source: Publicly available information



Diverse buyer profiles: the tapestry of ownership

The mosaic of buyers in English football is diverse, with an increased focus on sovereign wealth funds including from the Kingdom of Saudi Arabia (KSA).

KSA is already the dominant footballing force in the Middle East and Asia, and with a national strategy to diversify its economy away from oil dependency, KSA intends to utilise football as a vehicle to enact this diversification in the sports and leisure space. To achieve this, the Public Investment Fund (PIF), has begun investing heavily into buying the biggest names, as well as taking ownership of KSA's four largest clubs and the EPL's Newcastle United.

Currently targeting mostly older, established players, KSA offers European clubs an avenue to comply with stringent FFP rules with the added benefit of selling players on high wages. Liverpool, for example, sold Jordan Henderson and Fabinho to KSA clubs in the most recent summer transfer window – enabling them to use the proceeds (and available salary budget) to invest in younger talent.

However, it's not just the unwanted; the lucrative contracts on offer to the world's best has led to seven of the world's ten highest-paid players to plying their trade in KSA (see opposite). Only two of the top ten currently play in Europe.

Player	Club	Reported wage (£)
Cristiano Ronaldo	Al Nassr	3.4m p/w
Neymar	Al Hilal	1.7m p/w
Karim Benzema	Al-Ittihad	1.6m p/w
Kylian Mbappe	PSG	1.2m p/w
Lionel Messi	Inter Miami	750k p/w
Sadio Mane	Al Nassr	650k p/w
Riyad Mahrez	Al-Ahli	580k p/w
N'Golo Kante	Al-Ittihad	500k p/w
Kalidou Koulibaly	Al Hilal	500k p/w
Harry Kane	Bayern Munich	400k p/w

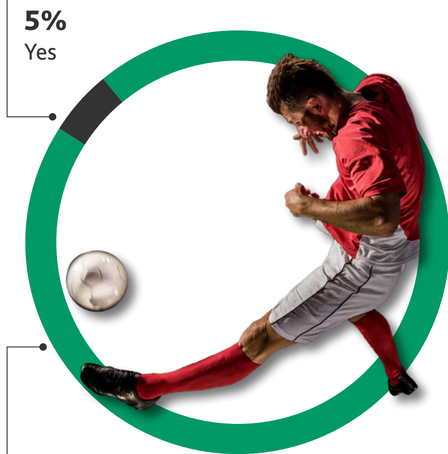
Source: Radio Times

How does all this fit in with Financial Fair Play?

Whilst all clubs that responded to our survey say that they will meet FFP profit and sustainability requirements for the 2022/23 season and the 2023/24 season, there is an increased reliance on net positive income from player trading in order to comply, with 23% of clubs saying that they will require profitable player trading in 2023/24. As to be expected, the biggest requirement for player trading income is in the FLC.

Do you comply with financal fair play/profitability and sustainability rules for the period 2022/23?

Source: BDO Survey Results

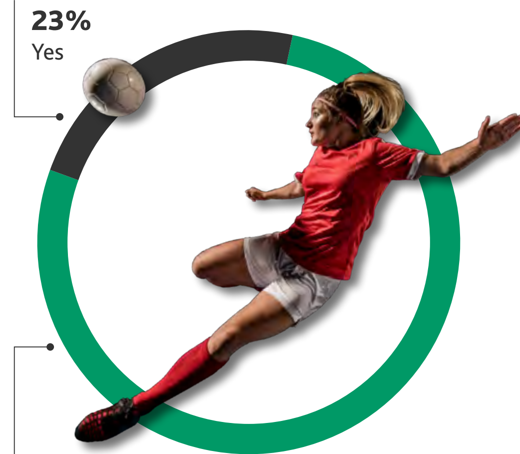


5%
Yes

95%
Yes, but has required net positive income from player trading

Do you expect to comply with financal fair play/profitability and sustainability rules for the period 2023/24?

Source: BDO Survey Results



23%
Yes

77%
Yes, but will require net positive income from player trading.

In the past, some may have concluded that clubs are selling players as a desperate, last minute action to comply with FFP rules. However, this should no longer be considered the case. Trading of players is now considered by clubs to be a regular income stream and generating profits or losses from player trading is just a part of club operations, rather than being seen as capital or asset transactions. In reality, this is a crucial, yet normal, part of financial performance and capital management for football clubs.

As has been the case since the regulations were introduced, a number of clubs have provided constructive feedback about the aims and operations of the regulations. The most common issues include:

- Clubs across all leagues (particularly FLC and FL1 & FL2) say that the rules do not actually target sustainability
- A general complaint that the rules are not effectively or transparently enforced.

The most common changes that clubs would like to see are:

- Control over debt levels, either third party debt or shareholder debt, although many clubs believe that equity investment should not be restricted if made up front
- Control over player wages – this needs to be within the means of the club.

Thoughts on FFP rules

"They neither address profitability nor sustainability. In the Championship very few clubs ever record a profit. The overriding issue for Championship clubs is solvency so we need financial rules that treat that as the number one threat. The secondary issue is player wages and we need financial rules that stop clubs/owners from over-stretching themselves but also allow clubs to be ambitious and invest in the football pyramid via transfer fees if they can sensibly and demonstrably afford to do so."

FLC Club

And what about expanded governance requirements?

Why is it needed and what is being proposed?

The **White Paper** by the Department for Culture, Media and Sports (DCMS) sets out the Government's view that reform is needed to protect the legacy of English football.

The White Paper highlighted an unacceptably high and growing risk of financial failure among football clubs, as well as a lack of governance to limit or scrutinise the powers of club owners, a lack of resilience to financial shocks, and an inability of the market to regulate itself, both financially and for the wider social impact of football clubs on the communities that they serve.

The Government has proposed the introduction of a new independent regulator for English football clubs across the top five men's football leagues (EPL, FLC, FL1 & FL2, and the National League). The new regulator will be a standalone body, separate from Government and the existing football authorities and, as set out in the White Paper, its fundamental strategic purpose will be to ensure that English football is sustainable and resilient, for the benefit of fans and the local communities that clubs serve.

The Government believes it will ensure a stronger foundation for the continued growth and success of English football, so that the top, mid and bottom levels down to the grassroots can all thrive alongside.

The primary priorities for the regulator are currently planned to be:

- Club sustainability: the financial sustainability of individual clubs
- Systemic stability: the overall stability of the football pyramid
- Cultural heritage: protecting the heritage of football clubs that matter most to fans.

This review recommended that the interconnected issues associated with women's football be uncovered through a separate dedicated review. Subsequently, a recent review of women's football chaired by Karen Carney, highlighted four areas where minimum standards across the game need to be lifted, to protect and preserve women's football at such a pivotal moment in its history:

- Corporate structures
- Professional environment
- Fan experience
- Grassroots.

Recent updates on the regulation

As of March 2024, the Football Governance Bill has been introduced in Parliament as it paves the way for the creation of an Independent Football Regulator (IFR) for English Football, ensuring fairness, transparency, and accountability in the beautiful game. Supporting documents for legislation, which introduces an independent regulator for professional clubs in the English football pyramid, are available here.

We will continue to share our views on this as there are further developments around the IFR and new rules are introduced.

What does it involve?

Under the new regulations, all clubs in the top five leagues of English football would need to be licensed by the regulator to ensure that clubs are accountable, transparent, and inclusive in their operations. To do so, they would need to meet the following proposed conditions, which should be the focus for clubs looking to prepare for the future:

1. Financial resilience: clubs to:

- Demonstrate good basic financial practices
- Have appropriate financial resources to meet cash flows and financial shocks
- Protect the core assets of the club – such as the stadium.

2. Corporate governance:

- Clubs will be required to apply a new code of governance and report on how they have applied it, to improve transparency and accountability
- The code will be applied proportionally, based on the size, league, and complexity of a club's business.

3. New test for prospective owners and directors:

- Clubs to undergo a fitness and propriety test to ensure integrity of owners and directors
- Enhanced due diligence over source of owners wealth
- A requirement for robust financial plans of owners.

4. Minimum standard for fan engagement:

- Clubs to have a framework in place to regularly meet a representative group of fans to discuss key matters at the club
- Framework to discuss other issues of interest to the supporters
- Give fans veto over changes to badge & home shirt colours and strong protection to club names.

And what about expanded governance requirements?

What are clubs' views?

Some of our respondents' specific views are shared opposite.

Of the clubs surveyed, 64% responded that they were very confident in their ability to comply with new regulation requirements (without external support), with all others stating that they are "somewhat confident but may need assistance in specific areas".

While there may be a period of adjustment for some clubs whilst the requirements are being embedded, none of the clubs surveyed responded negatively to the proposals.

Clubs' ability to comply with the new regulation Source: BDO Survey Results

Thoughts on governance rules

"There will just be a greater admin burden for Clubs to demonstrate governance rather than actually applying these principles."

FLC Club

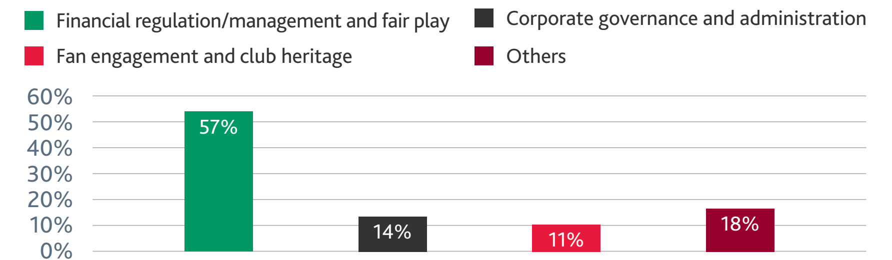
"Needs to be truly independent of the Football Association, Premier League and EFL."

FLC Club

"With any new regulations, loopholes and unforeseen consequences will need to be carefully reviewed."

League One Club

Club's assesment of regulation aspects with most impact



Source: BDO Survey Results

Perhaps unsurprisingly, 57% of club responses reflected that "financial regulation/ management and fair play" would have the most significant impact on them as opposed to corporate governance and administration, fan engagement and club heritage, and others.

As we have illustrated earlier, football is a cash flow driven business and therefore financial regulation would undoubtedly require a change in many clubs' operational processes, impacting company structuring, material transactions, leveraging debt and financial transparency, reporting: all of which are currently informal and inconsistent across leagues and clubs alike.

Holding football clubs to account, like corporate entities, is fundamental to achieving financial and operational stability which in turn protects both fan and cultural interests. Strong corporate governance application will be central to preserve the integrity of the game as it continues to receive such significant global financial investment and interest. Therefore, in our view, in the best interests of fans, football, and investors, regulatory change should be embraced. However, there will no doubt be a period of adjustment for clubs and regulators where the effectiveness of, and approach to, regulation changes will need to be continually evaluated and flexed accordingly.

A consistent challenge to previous layers of regulation has been that these have not been sufficiently well constructed, have had too many loopholes, have not been enforced appropriately, and have not necessarily hit their core purpose.

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