Brand Finance®

Top 25 Football Club Brands

The annual report on the most valuable European Football club brands

September 2010

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Introduction

The results of the Brand Finance report into the 'Most Valuable European Football Brands 2010' show Real Madrid, Manchester United and Barcelona dominating the league's top spots. The trio have a combined brand value of over £1 billion - a figure achieved through a mixture of on-pitch success and off-pitch marketing expertise. All three clubs have dedicated teams working on managing, building, extending and protecting the club's brand. From pre-season tours to far-flung destinations, websites in multiple languages and limited edition watches, all are intent on attracting fans and developing a relationship to bring about greater commercial returns through strategic alignment of the club to the fan.

This is no easy task. Note, for example, that Italian clubs have been unable to break into the top five, primarily due to the inability of clubs to fill their aging grounds, combined with the lack of success in exporting Serie A outside of its home nation. Italy's clubs need to concentrate on building their local markets, ensuring full (and safe) stadiums and more lucrative commercial deals to better balance their revenue streams away from reliance on individually negotiated broadcast deals.

A different picture emerges lower down the table. The brand league is heavily populated with Premier league clubs, which is an indication of the magnitude of revenues the clubs generate relative to other leagues. The efficiently organised and licensed Bundesliga could be seen as hindering the brand opportunities and subsequent value of its members' clubs. However, the efficiency does result in more profitable and stable operations that could quickly attract additional commercial and media interest should the UK football bubble burst.

Across the board, the 2010 results show an overall 18 percent increase in Brand Value, which has been driven largely by the continued impressive revenue growth of Europe's top football clubs in the 2008/09 and 2009/2010 seasons. This growth implies that the game has weathered the economic downturn well – largely due to the contractual nature of the major revenue streams: broadcasting, season tickets and sponsors. However, as these contracts expire, the clubs will increasingly need to justify their value and turn to savvy marketing and branding.

Why is understanding the brand value so important in valuing today's football clubs? Takeover activity in UK top tier football clubs has proven that wealthy investors are willing to pay premium prices for these trophy assets. Whilst business valuation is always a mixture of science and art, the unique business model of football clubs (lack of profitability) makes this a tougher task. For football clubs, the fixed assets within the business can be valued (e.g. cost to recreate - stadia & equipment) as well as players (the transfer market deals) but it is increasingly the hidden Undisclosed Intangible assets that savvy investors are keen to tap into.

At the core of this Undisclosed Intangible asset base is a club's brand; the brand being trademark and associated intellectual property. With over half of Premier League clubs now in foreign hands, it is the brand that is commonly mooted as a key driver in the buying decision.

The Most Valuable European Football Club Brands 2010

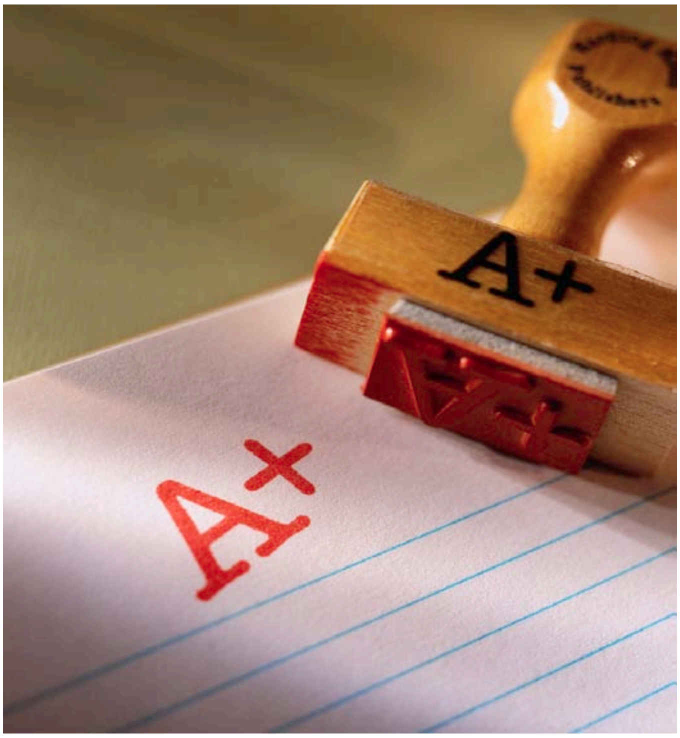
2009 Rank	2010 Rank	Football Club Brand	Brand Value 2010 (£m)	YoY BV	Brand Value 2009 (£m)	Brand Rating
2	1	Real Madrid	386	29%	300	AAA
1	2	Manchester United	373	13%	329	AAA
3	3	Barcelona	362	36%	266	AAA
4	4	Bayern Munich	301	22%	247	AAA
5	5	Arsenal	215	7%	201	AA+
6	6	Chelsea	200	11%	180	AA
7	7	AC Milan	167	9%	154	AA
9	8	Inter Milan	160	60%	100	AA
8	9	Liverpool	141	4%	136	AA
10	10	Juventus	127	37%	93	A
14	11	Hamburg SV	96	42%	68	A
11	12	AS Roma	87	3%	84	A+
12	13	Olympique Lyonnais	81	2%	80	A
13	14	Schalke 04	79	1%	78	BBB+
15	15	Tottenham	76	15%	66	BBB-
New	16	Borussia Dortmund	74	n/a	n/a	A
16	17	Olympique de Marseille	70	13%	62	BBB+
New	18	Werder Bremen	56	n/a	n/a	BBB
19	19	Manchester City	54	23%	44	BB+
18	20	Vfb Stuttgart	52	4%	50	BBB-
n/a	21	Ajax	45	16%	39	BBB+
23	22	Aston Villa	41	29%	32	BB+
n/a	23	Newcastle United	38	-25%	51	BB+
n/a	24	Everton	38	11%	34	BB
n/a	25	Celtic	37	1%	37	BBB+

Brand Ratings/Definitions

Brand Rating	Strength
AAA	Extremely strong
AA	Very strong
A	Strong
BBB-B	Average
CCC-C	Weak
DDD-D	Failing

Brand Value (BV):
The value of the clubs “Trademarks and associated intellectual Property.”

Brand Ratings:
These are calculated using Brand Finance’s ßrandßeta® analysis, which benchmarks a brand relative to its competitors on a scale ranging from AAA to D. It is conceptually similar to a credit rating.
Sector specific metrics are used to score the brand strength including brand awareness, revenue allocation, club heritage, European honours, UEFA ranking, and stadium utilisation among others.



How We Did It:

Brand Finance has used the ‘royalty relief’ approach to perform the brand valuation. This is an intuitively simple approach that assumes a company does not own its own brand and calculates how much it would need to pay to license it from a third party.

The present value of that stream of (hypothetical) royalty payments represents the value of the brand. We have scored each club’s brand strength through a range of metrics to calculate the royalty each individual club could expect to command. We used the ‘royalty relief’ methodology for two reasons.

Firstly, it is the valuation methodology that is favoured by accounting and tax authorities and the courts because it calculates brand values by reference to documented, third-party transactions. Secondly, it can be performed on the basis of publicly available financial information. We have used a number of data inputs to complete this project.

Steps in the Royalty Relief brand valuation process

1. Obtain brand specific financial and revenue data

2. Determine market related revenue forecasts

3. Establish the notional royalty rate for each clubs branded revenue streams

4. Calculate the notional future royalty income stream for each brand

5. Calculate discount rate specific to each brands Rating

6. Discount future royalty stream to a net present value (NPV)

TOP TEN BRANDS

Real Madrid

Ranking 2010: 1st   2009: 2nd   Value: £386m
Average Attendance: 64,300   Key Sponsors: Bwin, Addidas
TV Channel: RMTV - Spain

Spending the big bucks on a new era of Galacticos last summer saw the club receive huge media hype and press coverage all around the world. With some of the biggest transfers in history, acquiring players such as Ronaldo, Kaka and Benzema, shirt sales rose rapidly. Having reportedly reaped €100m in revenues from Ronaldo's shirts alone in his first year at the club, Real Madrid are benefitting from millions of shirts being worn all over the world promoting their brand freely. The arrival of a new form of a managerial Galactico in Mourinho, together with more big signings, has seen a second summer with Real Madrid at the forefront of the press and rumour mills.

As hosts of the much coveted 2010 Champions League final, the club will have undoubtedly seen a boost to revenue and received greater attention from millions of viewers. They will be hoping that Mourinho can further cement his reputation as "the special one" and keep Real at the top of the Brand league.

Manchester United

Ranking 2010: 2nd   2009: 1st   Value: £373m
Average Attendance: 74,800   Key Sponsors: Aon, Nike
TV Channel: MUTV

It is no coincidence that Manchester United are runners up in another table this year. Not being able to replicate their on-field success in the past few seasons, with only the Carling Cup to their name last season, has cut the global brand's growth by half. Early exits in the FA cup and a disappointing result in the Champions League will have led to significantly less exposure of the brand compared to the global audience of 206 million who watched their UEFA Champions League 2009 final alone. However, despite this on-field disappointment, off the pitch the red devils' commercial team has been more successful. After the demise of AIG, the club secured a greatly improved shirt sponsorship deal with global insurer Aon. This was a competitive process, where brands pitched to be affiliated with this global club. Man Utd are still very much the pioneers in the commercial arena and signed a number of lucrative and unique deals.

Not stopping there, United have once again partaken in a tour of America. The club visited Mexico for the first time this summer, aiming to reach yet another base of new fans. With their staggering global reach and leading marketing machine, United don't look like they will be running out of steam any time soon, despite this year's deceleration.

Barcelona

Ranking 2010: 3rd 2009: 3rd Value: £362m
Average Attendance: 76,000 Key Sponsors: Unicef, Nike
TV Channel: Barca TV - Spain, US, Australia, UK

The brand is still enjoying substantial growth from the success of Barcelona's treble winning 2008/09 season, which saw the team win every competition they entered and gave them world-renowned recognition as the best club in the world. This led to new mobile and betting partnerships but the club are still holding onto their tradition by declining their first paid offer of shirt sponsorship after 111 years, even with global brands lining up to be associated with them.

Having had to take out a GBP 130 million loan to manage its cash flow problems in July, confidence in the brand will have taken a hit and there could be further complications ahead due to problems in the Spanish economy and concerns about money owed to the club by its TV rights partner Mediapro, which announced it was seeking bankruptcy protection in July.

As La Liga moves towards a collective TV rights arrangement, Barca along with Real will feel the pinch. With its army of loyal fans around the world, the club has been at the forefront of exploring new digital media opportunities to reach its wider audience. The challenge now is to focus on making these new channels pay and better diversify the clubs revenues.

Bayern Munich

Ranking 2010: 4th 2009: 4th Value: £301m
Average Attendance: 69,000 Key Sponsors: T-Home, Adidas
TV Channel: FCB – online only

Having revealed its 17th consecutive profitable year at the end of 2009, the leading brand in the Bundesliga is a typical example of the German tradition of efficiency and professionalism. It is therefore no surprise that many brands with the same principles want to be associated with Bayern Munich. They were able to secure important commercial deals with Continental, the German automotive and tyre manufacturer, and improvements in deals with Audi and Deutsche Telekom. Audi also acquired a 9.09% share in FC Bayern Munich AG, providing a strong indication of how valuable they believe the brand will become.

After achieving a further double victory and making it to the final of the Champions League last season, FC Bayern Munich now plays in televised Bundesliga matches, which reach a growing fan base both in and outside of Germany. This undoubtedly includes viewers in Asia, a growing market into which the brand is trying to expand. The team's numerous international appearances outside of regular competition further boost FC Bayern Munich's very high degree of visibility.

Arsenal

Ranking 2010: 5th   2009: 5th   Value: £215m
Average Attendance: 59,800   Key Sponsors: Emirates, Nike
TV Channel: Online only

The relatively low increase of Arsenal's brand value over the past few years is simple enough to explain: with the club's last silverware being the FA cup win in 2005, the brand has clearly not been as dominant on either the domestic or the European football stage, as others above them have. Chief Executive Ivan Gazidis' aim of running a financially self-sufficient club has meant that big spending has been discouraged. As seen by Real Madrid's acquisitions, high profile players attract the largest of audiences, boost shirt sales and increase general awareness of the brand. The club must therefore face the inevitable consequences of passing up the opportunity to sign world-class players.

With tickets selling out for most games of the season and roughly 47,000 fans on a season ticket waiting list, it would seem viable for Arsenal to switch from a 5th season out of the last 6 of static ticket prices to an increase in prices to help revenue grow and subsequently look for new marketing avenues to develop the brand. However, the club will be hoping that their overseas avenues of soccer schools and retail outlets in the USA, Asia and the Middle East will enable the brand to match the scale of growth currently enjoyed by those above.

Chelsea

Ranking 2010: 6th   2009: 6th   Value: £200m
Average Attendance: 41,400   Key Sponsors: Samsung, Adidas
TV Channel: ChelseaTV - Europe and selected countries across the world

Winning the double last season in style as well as being just a few seconds away from a consecutive Champions League final in 2009 has helped the brand recover from a decrease in last year's table. While on-field success will no doubt raise brand value, Chelsea's stadium capacity is constantly hindering growth away from the pitch. With extensions prohibited, the club has been looking to construct a new stadium; however, with the recession having squeezed fans' spending, it is no longer a top priority.

Chelsea are still able to increase the value of their brand: their award-winning digital media division has produced successful marketing projects such as the launch of a branded club channel on You Tube and a Facebook page, the latter of which has proved more successful than other channels in reaching territories such as Turkey and Indonesia.

To compete for a place in the top 5, however, Chelsea may still need to wait for a new state-of-the-art stadium.

AC Milan

Ranking 2010: 7th   2009: 7th   Value: £167m
Average Attendance: 41,600   Key Sponsors: Emirates, Adidas
TV Channel: AC Milan Channel - Italy

A steady growth for AC Milan has been helped by their return to the Champions League last season, which is expected to increase broadcasting revenues and brand value after going through the 2008/2009 season without these benefits. But they will need to repeatedly appear in the Champions League to continue to receive the substantial broadcasting revenue required to counteract the likely reduction in Milan's Serie A broadcasting rights revenue as it returns to collective selling.

Considering the fact that Italian clubs rely heavily on their broadcasting revenues, they should expand their other sources (commercial and match-day) which are noticeably behind their European competitors. Milan have attempted to do just that by securing a five-year shirt sponsorship with Emirates airlines worth £51m and announcing plans to renovate the San Siro as part of Italy's bid for Euro 2016, in the hope of generating additional match-day revenue.

Infront Sports & Media, the club's official marketing partner, has presented new concepts to help the brand's exposure. These include the reduction from 42 to 32 sponsors with a clear, four-tier sponsorship hierarchy that will create stronger and more profitable partners, with more visibility for both partner brands and the club's brand. They are also developing the "Milan Media Factory", an integrated pool of top quality content about A.C. Milan customized for various platforms including broadcast, online and mobile media.

Inter Milan

Ranking 2010: 8th   2009: 9th   Value: £160m
Average Attendance: 52,500   Key Sponsors: Pirelli, Nike
TV Channel: None

A clear indication of how valuable the Champions League is to a club's brand and why it should be a top priority. Having fallen at the knockout stage in the 2008/2009 cup to winning it last season, Inter's brand value has had a meteoric rise of 60%. Helped also with the league title and the Coppa Italia they have become, like Barcelona the year before them, world renown with their treble success.

Jose Mourinho guided Inter to their highest appearance in the top football club brands, closing the gap with their rivals AC Milan. Following his departure, it will be interesting to see if Rafa Benitez can emulate the results to keep the brand in people's minds across the world.

The Italian clubs are generally behind the Spanish and English because they miss out on huge revenue streams by renting not owning their stadiums, hence their broadcasting revenues equate to an average of 60% of total revenue. To generate the revenue needed to promote the brand to higher levels, Inter should bring their plans for a new stadium, which will house 60,000 fans, to the fore once more.

Liverpool

Ranking 2010: 9th 2009: 8th Value: £141m
Average Attendance: 43,300 Key Sponsors: Standard Chartered Bank, Adidas TV Channel: LFCTV - UK

Slowly slipping down the rankings over the last few years, Liverpool need to find a way to recapture their former stature. Finishing 2nd in the league in 2009 and reaching the quarter-final of the Champions League has helped to keep the brand stable this year. However, their poor performances last season, a 6th place finish and their failure to reach the last 16 in the Champions league, will have seriously affected their prospects of growing in the near future, especially considering the loss of their Champions League revenue.

A new and vastly improved shirt sponsorship deal with Standard Chartered Bank will provide a needed boost to commercial revenues. Standard Chartered Bank touted the high brand awareness of the Liverpool brand in its key Asian markets as a driver behind the deal.

Uncertainty off the pitch regarding the American owner's financial standing still remains, which is weighing on the brand's equity and subsequent club value.

Juventus

Ranking 2010: 10th 2009: 9th Value: £127m
Average Attendance: 23,900 Key Sponsors: Betclick, Nike
TV Channel: Juventus Channel - Italy

Starting to recover from the damage caused to their brand from the match fixing scandal and dismissal from Serie A but still below their value before the demotion. Juventus' growth of 37% can be attributed to their return to the Champions League in 2008/2009 which saw them receive £18.8m from their progress to the last 16 and hence increased their broadcasting revenue by 24%. A 2nd place finish in Serie A during the same season ensured Champions League entry for 2009/2010 but dropping to the UEFA Cup after failing to progress from the group stages, along with a disappointing position in the league (7th), will not help their recovery as the visibility they need starts to escape them. An innovative commercial strategy of splitting the rights of the first and second jersey has attracted a new deal for the home shirt worth €16m over two years with gambling company Betclic. In an attempt to once again be recognised as the iconic club in Italy their away kit is in the red, white and green of the Italian flag. Juventus have been constructing a new stadium which is due to be ready for the 2011/2012 season and will hold 13,000 more fans than its current stadium. This will hopefully bring about the kind of match-day revenues that have been lacking in Italian football and keep the once leading Italian side fighting off other top 10 candidates.

How were the rankings compiled?

The Brand Finance Index of ‘The Most Valuable European Football Club Brands’ was compiled using, where available, publicly available information regarding market share, market growth and company financials. Where information was not publicly available we directly approached the football clubs who were in our report last year.

Our main sources of publicly available data were the Deloitte Football Money League Reports, Bloomberg, clubs annual reports and press releases. Brand value was derived using a ‘relief from royalty rate’ method that values brands according to the cost of re-licensing them from a hypothetical third party. Brand Finance plc has a particular expertise in determining royalty rates for commercial and valuation purposes.

What is ßrandßeta® analysis?

ßrandßeta®’ analysis is a benchmarking study of the strength, risk and future potential of a brand relative to its competitor set. It is conceptually similar to a credit rating, which companies are awarded based on their strength, risk and future potential.

ßrandßeta® quantifies the strength and performance of the brand being valued. It provides an indication of the risk attached to future earnings of the brand, and can be used in the determination of an appropriate discount rate for valuation purposes. It also provides a basis for value-based brand tracking, by measuring performance.

The analysis typically uses 8 to 10 measures, which include perceptual, behavioural and performance measures. For the purposes of the most valuable European Football club brands the measures included; recent and historical success in domestic and European competitions, commercial coverage, transfer fees, UEFA rankings, ground utilisation and commercial income as a percentage of total revenue.

About Brand Finance

Brand Finance is an independent consultancy focused on the management and valuation of brands and of branded businesses. Since 1996, Brand Finance has performed hundreds of brand valuations with an aggregate value of over $150 billion. The valuations have been in support of a variety of business needs including:

Technical valuations for accounting, tax and legal purposes

Valuations in support of commercial transactions (acquisitions, divestitures, licensing and joint ventures) involving different forms of intellectual property

Valuations as part of a wider mandate to deliver value-based marketing strategy and tracking, thereby bridging the gap between marketing and finance.

Brand Finance is headquartered in London and has representative offices in Toronto, New York, Santiago, São Paulo, Madrid, Amsterdam, Paris, Zagreb, Moscow, Dubai, Bangalore, Colombo, Singapore, Hong Kong, Sydney, Istanbul, Cape Town and Geneva.

For any further information, please contact:

Dave Chattaway ● Brand Consultant ● +44 208 607 0300 ● D.Chattaway@brandfinance.com

Or visit:

www.brandfinance.com

www.brandfinance.com