PitchBook Data, Inc.

John Gabbert Founder, CEO

Nizar Tarhuni Vice President, Institutional Research and Editorial

Dylan Cox, CFA Head of Private Markets Research

Institutional Research Group

Analysis

Nicolas Moura, CFA
Analyst, EMEA Private Capital
nicolas.moura@pitchbook.com

Data

Charlie Farber
Senior Data Analyst

Oscar Allaway
Associate Data Analyst

pbinstitutionalresearch@pitchbook.com

Publishing

Designed by **Jenna O'Malley**

Published on August 3, 2023

Contents

Private Capital in European Football

Analysing club ownership structures in the "Big Five" European leagues

PitchBook is a Morningstar company providing the most comprehensive, most accurate, and hard-to-find data for professionals doing business in the private markets.

Key takeaways

- A mixture of COVID-19 financial distress and booming private capital markets has led to a plethora of dealmaking in Europe's "Big Five" football leagues, taking deal value from €66.7 million in 2018 to €4.9 billion in 2022. Record deals in 2022 fetched revenue multiples of 5.3x for Chelsea Football Club and 4.5x for AC Milan—the first football clubs valued in the billions. These valuations have set new milestones and opened the doors to further dealmaking in 2023, which we expect to hit a record if Manchester United is sold.

- We find that 35.7% of the Big Five clubs have PE, VC, or private debt participation at the club-ownership level. Private capital sponsors have turned to football team ownership in pursuit of uncorrelated returns, diversification, buy-and-build strategies, and prestige.

- Similarly, we find that 34.7% of the Big Five clubs have US-based participation at the ownership level with a high correlation between US participation and PE participation—21 out of the 98 clubs we analysed featured both.

- The Big Five leagues operate under different dynamics, which impact the level of private capital flows into club ownership. The "50+1" rule in the German Bundesliga has been a major barrier to PE investment, while PE capital is involved in the ownership of half of the French Ligue 1 clubs. The different components of the leagues impact financial success, valuations, and competition within the league.

Introduction

The past few years have been unprecedented in European football due to the COVID-19 pandemic, which saw games played with no stadium attendance, thus lowering revenue for football clubs facing rising costs. This has led to a flurry of deals and change in ownership within football clubs, opening the floodgates to private capital sponsors such as PE, VC, and sovereign wealth funds (SWFs). 2022 was a record year in European football deal activity, setting new precedents in terms of valuations, which have reached the billion-euro threshold. Chelsea was sold for £2.5 billion (€3.0 billion) to a consortium of PE firms, while AC Milan was sold for €1.2 billion to a dedicated sports PE firm. In light of these recent deals, other team owners are seeking a valuation check and exploring potential sales, with Manchester United leading the pack at a valuation as high as €5.5 billion.

In this introductory analyst note, we explain what has led to such a bonanza of football deals in Europe and how complex football club ownership structures are. We review how much private capital participation football clubs have, where this capital is coming from, and why it is being invested in football. We also provide a breakdown of clubs' business models to understand how they differ depending on the country's league. Our data set focuses on the "Big Five" European football leagues,[1] comprising 98 football clubs as of the 2022-2023 season.

Private capital sponsors have approached investing in the sport from various angles. While this first note focuses on club ownership, we note that sponsors have also explored investing directly in football broadcasting rights (at both the club level and the league level); commercial and sponsorship rights; and stadium rights. We will dive deeper into these investment types in a future note, expanding on the different types of private capital investors deploying capital in the sport through various investment vehicles.

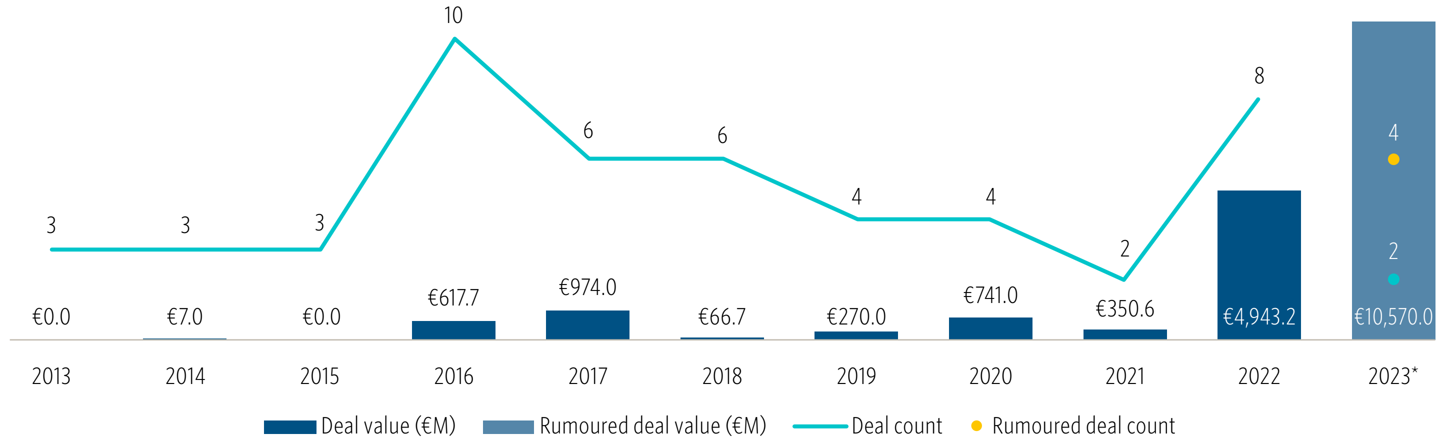
Football deal value booming thanks to private capital

Our data shows that dealmaking within the Big Five leagues went from €66.7 million in 2018 to €4.9 billion in 2022. With some teams facing a dire financial situation in the aftermath of COVID-19, many football club owners looked for external financing or for an outright sale. The largest deal ever recorded in football saw Chelsea sold through a leveraged buyout (LBO) to a consortium of US-based PE firms in 2022 for £2.5 billion (€3.0 billion) after its former Russian owner was forced to sell the club—which he had bought in 2003 for £60.0 million (€85.7 million). Other recent PE deals include the purchase of AC Milan for €1.2 billion, Newcastle United FC for €350.6 million, and Atalanta BC for €275.0 million. These recent transactions have set a precedent in terms of club valuation but also prompted many owners to consider selling to PE.

1: We define the "Big Five" leagues as the English Premier League, the Spanish La Liga, the Italian Serie A, the German Bundesliga, and the French Ligue 1, which historically have been the five most popular football leagues of the past three decades in terms of viewership, revenue, and competition between teams.

As of writing, Manchester United is being bid for and could fetch a record-breaking valuation over $6.0 billion (€5.5 billion).[2] Similarly, Liverpool, Everton, Inter Milan, Hellas Verona, Angers SCO, and Monaco have all been rumoured to be seeking either a full or partial sale, signalling that dealmaking will continue increasing. As a result, dealmaking could double from 2022's total and reach a total deal value over €10.6 billion in 2023 if the current deals pipeline crystalises. This pickup in activity can be attributed to a flood of private capital chasing these prestigious clubs and their owners, as illustrated by the recent deals involving PE firms. In 2023 so far, Chelsea's new owners bought RC Strasbourg Alsace for an estimated €75.0 million.[3]

M&A deal activity in European football clubs



Source: PitchBook • Geography: Europe
*As of August 3, 2023

2: "Exclusive: Manchester Utd Negotiating Exclusivity with Qatar's Sheikh Jassim in $6 Billion-Plus Sale Talks," Reuters, Anirban Sen, June 15, 2023.
3: "Chelsea Owners Agree Deal to Buy Majority Stake in Strasbourg," BBC, June 22, 2023.

Top 20 largest deals in European football by deal size from 2005-2023*

Football club	Close date	Deal size (€M)	Deal type	Country
Chelsea FC	May 4, 2022	€2,991.9	Buyout/LBO	UK
AC Milan	August 31, 2022	€1,200.0	Buyout/LBO	Italy
AC Milan	April 13, 2017	€740.0	Buyout/LBO	Italy
A.S. Roma	August 17, 2020	€591.0	M&A	Italy
Manchester United	September 15, 2005	€550.3	Buyout/LBO	UK
Newcastle United FC	October 7, 2021	€350.6	Buyout/LBO	UK
Liverpool FC	October 15, 2010	€348.4	M&A	UK
Atalanta B.C.	February 19, 2022	€275.0	Buyout/LBO	Italy
F.C. Internazionale Milano	June 5, 2016	€270.0	M&A	Italy
Manchester City FC	September 1, 2008	€264.2	Buyout/LBO	UK
Liverpool FC	February 6, 2007	€263.9	M&A	UK
AFC Bournemouth	December 13, 2022	€241.4	M&A	UK
Southampton FC	August 14, 2017	€234.0	M&A	UK
Newcastle United FC	June 15, 2007	€198.0	M&A	UK
RCD Espanyol De Barcelona	January 20, 2016	€178.0	M&A	Spain

Source: PitchBook • Geography: Europe
*As of August 3, 2023

We define participation as any minority or majority investment by a PE, VC, or private debt investor.

We define US-based private capital participation as any type of investment (minority or majority) from a PE, VC, private debt, corporate or HNWI headquartered in the US. The investment can be either direct ownership or indirectly through a parent company.

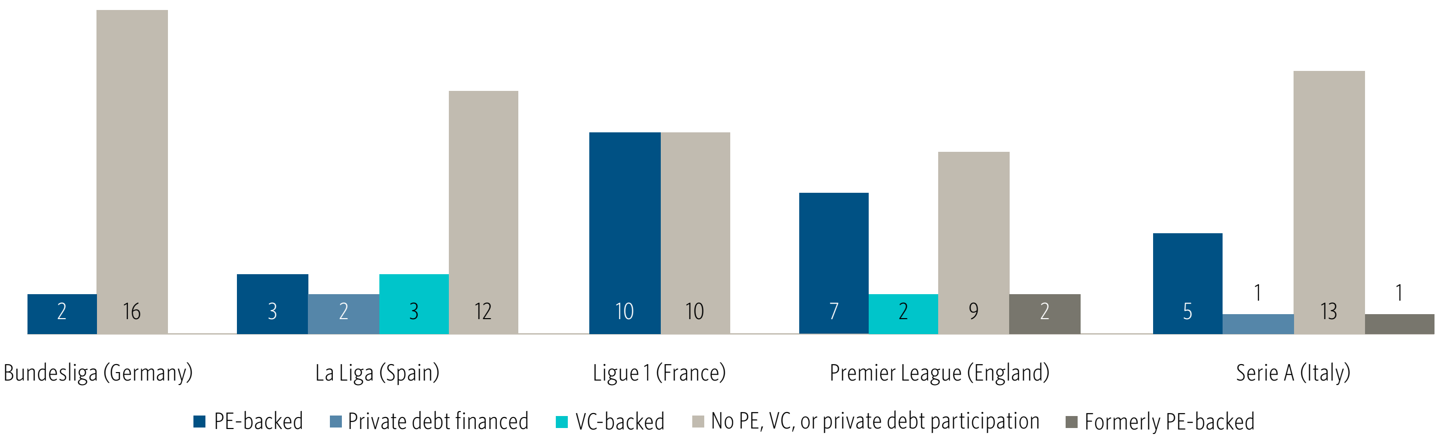
Example: US-based PE firm Silver Lake invested in City Football Group, the parent company of Manchester City FC.

Private capital ownership in football increasing

We found that 35.7% of clubs have PE, VC, or private debt participation, whether it is a minority or majority stake. To collect data on PE in football team ownership, we looked at the ownership structure of 98 clubs that make the Big Five leagues in Europe by exploring company websites, company filings, and PitchBook data. Football clubs often have complex ownership structures, and we believe this to be understated in the data as football clubs can be rather opaque in terms of disclosure. We also note that private capital doesn't only flow into football through ownership but also through specific revenue segments including broadcasting, commercial, and others.

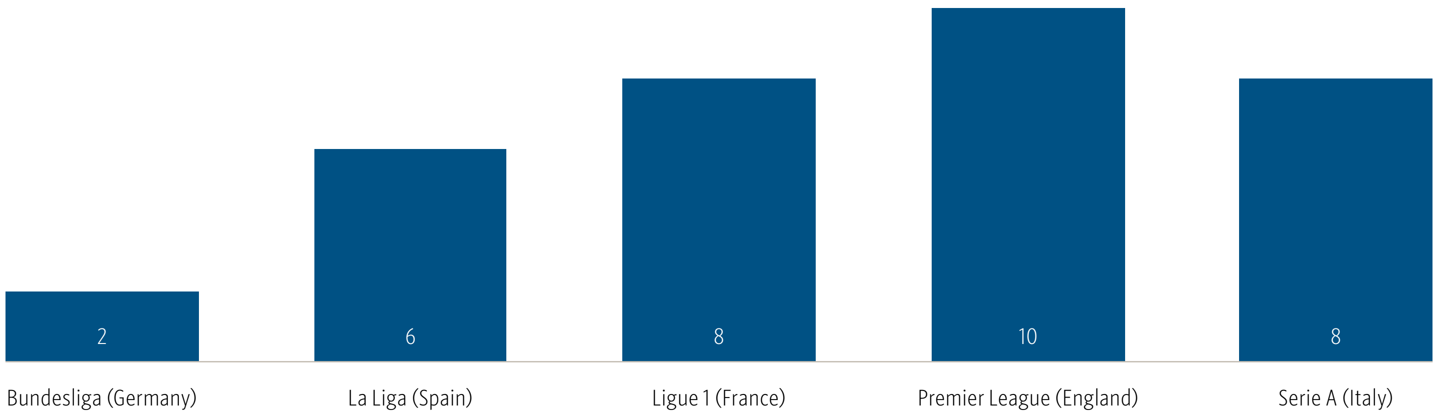
Our data also finds strong US participation in football ownership—we find that 34.7% of the Big Five clubs have US-based capital participation at the ownership level (disregarding broadcasting and sponsorship stakes). Diving deeper into those 34 clubs with US participation, 21 of them are also PE-backed, showing the correlation between US ownership and PE financing. The remaining US ownership can be attributed to high-net-worth individuals (HNWIs), VCs, or corporations. This makes sense for three reasons. The first explanation is that 60% of the world's PE capital lies in the US. Second, we have seen the rise of dedicated sports funds in the US, such as 777 Partners, which have been deploying newly raised capital in European football. The third reason is that the popularity of football is growing rapidly in the US, both in terms of time spent playing as well as time spent watching. In the US, Paramount secured a six-year deal to broadcast the Champions League to US viewers on CBS, paying a record $1.5 billion or 2.5x the previous contract's value. The Champions League final in 2022 attracted a record US viewership of 5.2 million.[4] The US will also be one of the host nations for the 2026 World Cup. These factors put together give US investors a comparative advantage through their dry powder and track record to bid for football clubs. Out of the 34 clubs with US-based participation, 19 of these US investments have come in the previous five years, showing the growing interest in European football ownership by US investors. The Premier League in particular has US participation in half of its clubs, the most out of the Big Five. US participation has effectively been a major reason for the increase in private capital ownership of European football clubs, also driving valuations to new highs. However, there are a number of additional reasons explaining the rise of private capital ownership in football.

Aggregate financing status for "Big Five" leagues*



Source: PitchBook, Company filings • Geography: Europe
*As of August 3, 2023

Clubs with US participation by league*



Source: PitchBook • Geography: Europe
*As of August 3, 2023

4: "Paramount Pays Record $1.5bn to Keep Champions League on CBS," Financial Times, Samuel Agini and Sara Germano, August 19, 2022.

Rise of private capital in football explained

Dealmaking has increased, and we expect the share of private capital to continue increasing in European football ownership over the next few years due to several reasons.

Financial needs of clubs have grown, ownership structures have evolved

Following the loss of revenue caused by the lack of matchday revenues from the pandemic, football clubs have had to find new ways to refinance their debts and strengthen their balance sheets.[5] Private capital players such as PE firms have seized this opportunity to enter the football market. Football clubs across the continent have evolved in ownership structure—just 40 years ago, most clubs were fan-owned or part of a club membership. Then came the rise of HNWIs owning football clubs, often purchasing the club for nonfinancial purposes such as prestige, indulgence, reputation, ego, and love for their team. Clubs then went from HNWIs to attracting PE, VC, and SWFs as we have seen the ownership structure change and get increasingly complicated, often involving a lead investor who will be the face of the club's ownership but will lead many minority investors. These new types of private owners have looked into investing in football for its attractive risk/reward profile, buying and selling football clubs for their intrinsic value as an investment that can increase or decrease in value depending on team management and performance.

Firepower and familiar investment thesis for private capital sponsors

PE has exploded as an asset class in the past decade, growing globally from an AUM of €2.1 trillion in 2013 to an AUM of €4.6 trillion in 2022. Along with this, PE sponsors have amassed record amounts of dry powder during a decade of low interest rates. They are now seeking opportunities across sectors, with football being a viable candidate.

PE firms have been increasing investments in football as it provides compelling metrics: It is an illiquid asset, often highly indebted, offers opportunities to improve management, boasts high costs from things like player wages, features high barriers to entry, has potential for organic growth, and more. There is a typical case for PE to restructure football clubs by implementing experienced management, cutting unnecessary costs, lowering the wage/revenue structure, and growing revenue in order to improve margins and EBITDA. The time frame is also in line with PE return horizons, as restructuring and rebuilding a football club can take several seasons before results are crystalised. It took former Chelsea owner Roman Abramovich nine years to make the club profitable again, which also coincided with the club winning its first Champions League trophy, earning €59.9 million for the club.[6] PEs also typically look to crystalise their investment returns within seven to 10 years.

5: Matchday revenue refers to all the revenue generated when hosting a live event in the football club's stadium. This can be a football game, a concert, other sport events like an NFL game, and more. The revenue can be further broken down into ticket sales, day-of merchandise sales, as well as food and beverage sales.
6: "Clubs Benefit From Champions League Revenue," UEFA, July 13, 2023.

PE firms have also helped football clubs optimise revenue by growing their matchday and commercial revenue. Modern stadiums offer an all-around fan experience, capitalising on the fan's matchday experience before, during, and after the game by providing food, drinks, and merchandise outlets. Tottenham Hotspur FC's recently built stadium is the best example, providing 65 different food stalls, the first craft brewery inside a stadium, and the longest bar in Europe. The stadium is also multipurpose with a retractable pitch, which allows for concerts and NFL games to be played in the stadium, generating further revenue.

Performance on the pitch also leads to higher sponsorship contracts, which football clubs continue to bankroll as an important part of commercial revenue. It is now common to have sponsors for every aspect of the club. Arsenal FC had 21 sponsorship agreements in the 2022-2023 season, which contributed to an estimated £134.0 million (€156.6 million) in revenue,[7] roughly 30% of total revenue based on last year's figure of £433.5 million.[8] These lucrative sponsorship contracts have also been the target of PE players opting to invest in a club's sponsorship and merchandising agreement, which we will explore in a future note.

Portfolio diversification and alternative PE exposure

Club ownership can bring diversification to a portfolio, because it tends to be uncorrelated with other financial assets. It is mostly recession-proof given that broadcasting rights and matchday revenue would only be affected very lightly during a recession, as they are locked-in months in advance. Commercial revenue may be more affected with less merchandise being sold during a recession; although, most sponsorship deals are contracted for a few years to avoid earnings volatility related to the state of the economy. For sports funds, which own teams across different sports, we note there is little interdependence between the various sports, and thus they offer portfolio diversification. For example, a European football club owner may own an NFL team, and apart from common ownership, the performance of one team both on and off the pitch is largely unaffected by the performance of the other. However, if the overarching owner's portfolio is impacted by a poorly performing team that needs investment, this could impact the performance of the fund and restrict capital available to other teams.

Although our research finds that 27 clubs have PE participation, many clubs are linked to PE in one way or another through partnerships deals, broadcasting rights, or stadium deals. For instance, FC Barcelona has sold a 25% stake in its broadcasting rights to PE firm Sixth Street Partners, while Real Madrid CF struck a deal with Sixth Street for its stadium operations.[9,10] The different types of investment allow for further portfolio diversification, especially for sports funds, which may target various areas within the sport.

7: "Top Ten Current Sponsor Partners of Arsenal FC," Sportcal, May 23, 2023.
8: "Deloitte Football Money League 2023," Deloitte, n.d., accessed July 25, 2023.
9: "FC Barcelona and Sixth Street Reach Agreement for the Acquisition of an Additional 15% Share of the Club's LaLiga Broadcasting rights," Sixth Street, July 22, 2022.
10: "Annual Report 2021-2022," Real Madrid C.F., September 2022.

We also note that certain football clubs are owned by successful PE investors. Aston Villa FC is partially owned by Wes Edens, founder of Fortress Investment Group, while Spezia Calcio is owned by MSD Capital partner Robert Platek. This close relationship to the private markets makes these clubs more likely to be linked with PE capital in the future. So, although 27 clubs have direct PE participation, we estimate the number may be higher due to a lack of transparency in deal terms and the fact that more clubs may have indirect participation, such as Barcelona and Real Madrid.

Attractive valuations: multiples in football

Valuing a football club is a complex exercise given the high volatility in earnings, which depend on how the team finishes in the league in a given season. A DCF methodology is highly sensitive to assumptions, which in football are highly unpredictable. We tend to see relative valuation techniques using multiples of EBITDA or revenue.

We could use English Premier League clubs Manchester United and Newcastle United as a case study. Newcastle was bought in 2021 for £300.0 million (€350.6 million) by a consortium led by Saudi Arabia's public investment fund and including PE firms PCP Capital Partners and Reuben Brothers. Despite a tumultuous decade prior to new ownership, Newcastle is regarded as one the 10 biggest clubs in England and ranks 20th in Europe in terms of highest revenue in the 2021-2022 season.[11] The new owners immediately implemented new management and provided capital in the midseason January transfer window when football clubs can purchase and sell players. The club spent €90.0 million buying 12 new players to help the team avoid relegation in their first season and qualify for the Champions League in their second season, adding a minimum of €35.0 million in revenue with this competition.[12]

Manchester United, on the other hand, has been owned by the Glazer family since 2005 and is often regarded as one of the most successful football clubs of all time, globally. Currently, the club's owners are contemplating a bidding war between British billionaire Jim Ratcliffe, who also owns OGC Nice, and Sheikh Jassim, a member of the Qatari royal family. At the time of writing, it is rumoured that bids could be in excess of €5.5 billion, or over 15.7x the price of Newcastle, which will be competing in the exact same competitions as Manchester United. Perhaps the club's history and loyal fan base add some premium, but the price tag is still unprecedented. This goes to show that it is still very difficult for PE to compete with HNWIs and other buyers investing for personal reasons and thus willing to pay much higher multiples.

In 2022, Newcastle generated €212.3 million in revenue, putting its valuation-to-revenue ratio at 1.7x. Manchester United generated €688.6 million in 2022, which would imply an 8.0x ratio.[13] Chelsea was sold on 5.3x revenue, while AC Milan was sold on 4.5x the previous year. Less than two years on from the Newcastle change

11: "Deloitte Football Money League 2023," Deloitte, n.d., accessed July 25, 2023.
12: "Newcastle United in the Champions League: The Financial Impact," The Athletic, Jacob Whitehead, May 23, 2023.
13: "Deloitte Football Money League 2023," Deloitte, n.d., accessed July 25, 2023.

of ownership, the club's valuation will have doubled at the very least given recent valuations across Europe and considering that it secured a spot for Champions League for the upcoming season.

As shown in the preceding case study, buyers tend to purchase football clubs for a single-digit multiple of revenue. For context, this tends to be higher than your average valuation/revenue multiple for PE buyout transactions, which stands at 2.4x for Europe and North America combined according to our latest Global M&A report. We conclude most football clubs will sell at a premium to businesses in other sectors. This premium can be associated with the fame that comes from owning a football club as well as the aforementioned diversification benefit.

Replicating the buy-and-build strategy with multi-club ownership

Owning more than one club can create synergies, and this model has been deployed by certain PE firms currently investing in football. The strategy essentially replicates a buy-and-build strategy for PEs but within the sport of football. The multi-club ownership (MCO) structure has been the prime focus of PE funds entering the sport, especially those with a dedicated sports fund. Miami-based PE firm 777 Partners has built up stakes in seven football clubs in the past two years. Private capital investments can be directly invested in clubs or indirectly invested through the parent company controlling the MCO structure. For instance, US PE firm Silver Lake has built up an 18% stake in City Football Group (CFG), which has stakes in 13 different clubs globally, including Manchester City FC—their "star club." The investment approach will depend on whether the sponsor wants to have an operational function or is content with a passive investment. We will discuss MCO synergies and sports funds in more detail in a future note.

The major limitation to the MCO structure for European football investors comes from the Union of European Football Associations' (UEFA) rules. The UEFA, the European organization that governs football, forbids two clubs from competing in the same competition if they are majority-owned by the same shareholders. In 2021, Italian football club US Salernitana 1919 was promoted back to Italy's top league, the Serie A, but needed to change ownership quickly given that its owner also owned bigger Serie A club SS Lazio. This rule could pose problem to investors pursuing MCO structures, such as 777 Partners and MSP Sports Capital, but could also promote dealmaking across a wider variety of private capital backers. It can be an issue domestically if two clubs compete in the same league, but also internationally if two clubs compete in one of the three continent-wide competitions, such as the Champions League. RedBird Capital owns Toulouse FC in Ligue 1 and AC Milan in Serie A. Next season, AC Milan will compete in the Champions League while Toulouse failed to qualify for any European competition. However, if both clubs perform well next season, the potential for them to enter the same competition could happen. CFG has somewhat mitigated this risk by purchasing stakes across continents in teams like Mumbai City FC, Melbourne City FC, New York City FC, and more, as well as in lower leagues in Europe with teams including Lommel SK and Palermo—a collection of teams that are unlikely to play in the same competition.

Exogenous events triggering a sale

Football clubs have historically been owned by HNWIs often as a trophy asset. However, there are many reasons as to why an owner would seek a fire sale. In the case of Chelsea, its Russian owner was hit with sanctions following the start of the Russia-Ukraine war and forced to sell the club. AS Monaco is also currently under Russian ownership and could face a similar situation.

Other fire sales include Salernitana, as previously mentioned. HNWIs often have their wealth tied to specific businesses they depend on, which risks affecting their other investments, such as football clubs. Inter Milan is majority-owned by Zhang Kangyang through his conglomerate Suning Company. Financial distress, presumably stemming from COVID-19, caused the club to receive an emergency loan from Oaktree Capital Management for €275.0 million in 2021. Failure to repay this loan in 2024 could result in Oaktree Capital Management claiming ownership of Inter Milan. Financial distress in a business is often seen as an opportunity by PE firms that are able to acquire assets or stakes at a lower valuation and grow the investment from there.

The deals pipeline will continue driving private capital in football

Currently, two bidders for Manchester United may well access PE funds given that their other clubs have had PE participation. Jim Ratcliffe's OGC Nice had participation from NewCity Capital, a US-based buyout firm. On the other hand, PSG is owned by Qatar Sports Investments, which sold a 30% stake to Colony Capital and Butler Capital Partners. Similarly, Everton has been linked with US-based PE sports investors MSP Sports Capital as well as 777 Partners. Inter Milan is in talks to be acquired by one of their creditors, Oaktree Capital Management. Other teams are open for minority stakes, such as Liverpool and Tottenham Hotspur.

Ownership dynamics and limitations by league

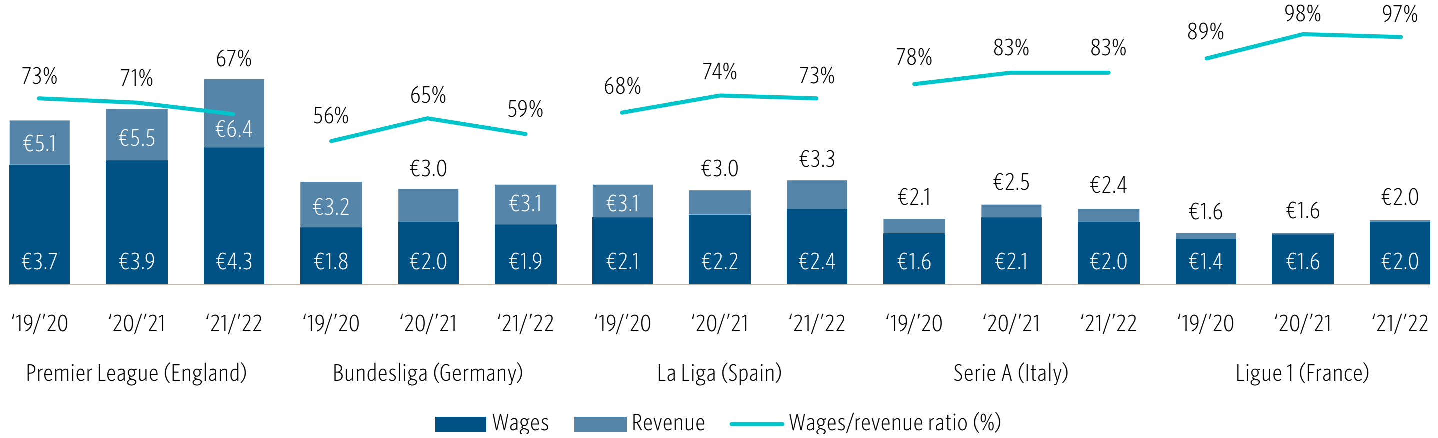
Football club business model

Revenue for football clubs can be broadly segmented into three parts: Matchdays earn 10% to 20%; broadcasting earns 40% to 60%; and commercial deals earn 25% to 35%.[14] Matchday revenue tends to be stable for the Big Five clubs, as the stadium capacity is known and the ticket prices remain consistent and predictable. Broadcasting revenue has largely increased year after year, and the amount received will also depend on a club's performance and league position at the end of the season. For instance, in the Spanish La Liga, Barcelona and Real Madrid receive a much higher share of broadcasting revenue than some of the smaller clubs due to their consistently higher league positions and larger fan base. Commercial and sponsorship revenue is the most volatile segment but also the segment that clubs can focus on growing, as the upside is theoretically uncapped, unlike the other two segments that are often locked-in months or years in advance.

14: "Annual Review of Football Finance 2023," Deloitte, June 2023.

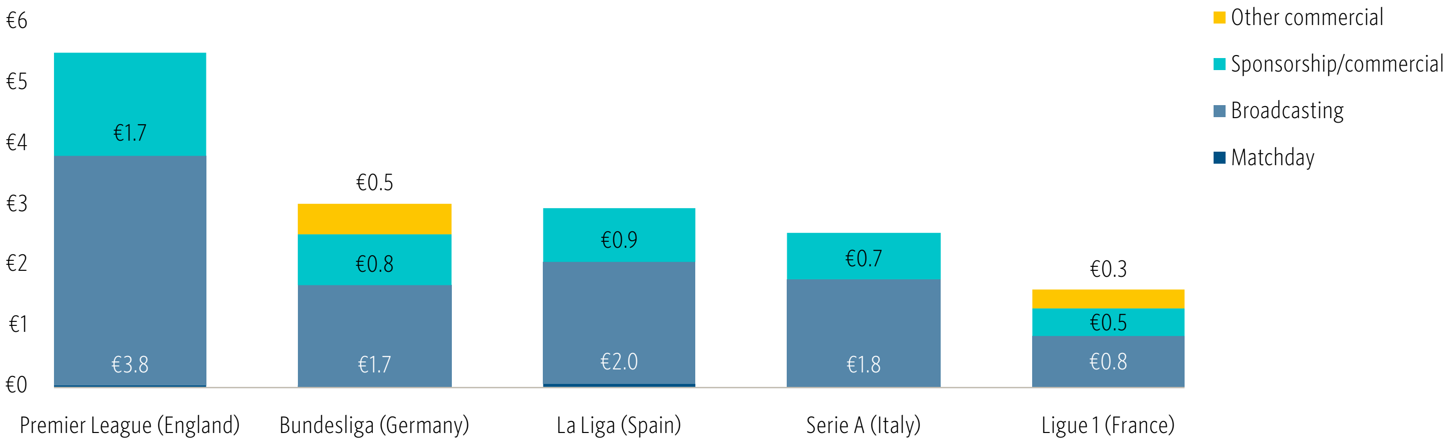
In 2020, COVID-19 led most countries to adopt restrictions on large gatherings, translating into no stadium attendance and a lack of matchday revenue. This was a financial disaster for many clubs looking to service their high levels of debt while continuing to pay lavish salaries to footballers. In fact, player wages are the single highest cost to these businesses, which usually have a wages/revenue ratio ranging from 59% for the average Bundesliga club in 2021-2022 to 98% for the average Ligue 1 club in 2020-2021 during the pandemic.[15] Unlike in the US franchise model—which includes the NBA, NFL, MLS, and MLB—where salaries are most often capped by the league, none of the Big Five European leagues have any cap. This is a problem for football clubs that are having to grow their top line quickly in order to finance increasingly larger player salaries.

"Big Five" leagues revenues and wages (€B) over three football seasons*



Source: Deloitte • Geography: Europe
*As of June 2023

"Big Five" leagues revenue breakdown (€B) in 2021-2022 football season*



Source: Deloitte • Geography: Europe
*As of June 2023

15: "Annual Review of Football Finance 2023," Deloitte, June 2023.

Each of the Big Five leagues has its own regulatory body, which is responsible for making its respective league as competitive as possible—in terms of football performance and broadcasting rights—as well as attracting new owners. The following is an analysis of some of the key differentiations and limitations of each league:

Ligue 1 (France)

We find the French Ligue 1 has the most PE participation among the Big Five leagues with half the league's clubs involved in some form of PE investment at the ownership level. The rest of the clubs are in the hands of HNWIs, with the exception of AJ Auxerre being owned by a Chinese packaging company. The French Ligue 1 ranks last in terms of revenue, profitability, and broadcasting rights. However, this also means it has the highest upside potential for PE investors seeking to grow their business. Starting from the takeover of PSG in 2011, the league has overseen many ownership changes. Olympique Lyonnais went through an LBO in October 2022 via its financial sponsors Ares Management, Elmwood Asset Management, and Iconic Sports Acquisition, valuing the club at €884.0 million, or 3.5x revenue from the 2021-2022 season.[16] Comparing this to the multiples listed for some of the big deals in other leagues, we see that the French league comes at a relative discount to other leagues.

Premier League (England)

We count seven clubs with PE participation and two with VC participation in the Premier League, which possesses the highest revenue, profitability, and broadcasting rights among the Big Five European leagues. Premier League clubs can also often be the crown jewel asset for PE firms that operate MCOs. The prime example is Manchester City, a team owned by the parent company CFG, which owns stakes in 12 other football clubs and is backed by Silver Lake. Similarly, Southampton's VC owner has a majority stake in Turkish club Göztepe S.K., while Bournemouth's PE-backed owners have a stake in FC Lorient.

Premier League clubs command the highest premiums of the Big Five leagues in terms of valuations/revenue, as illustrated previously with Manchester United seeking to fetch 8.0x revenue and Chelsea selling at 5.3x revenue.

Bundesliga (Germany)

The Bundesliga is unique in its ownership regulation stipulating that each club has to be majority-owned by its members, which often means its fans. This is called the "50+1" rule and has been the reason why German clubs have lacked PE investment. Members have largely voted against selling to private investors, preferring instead to keep the team within the hands of the fans, which is the case of 15 out of the 18 clubs. A more common approach has been to sell minority stakes to its sponsors or

16: "Annual Reports," OL Group, n.d., accessed July 25, 2023.

local conglomerates. For instance, VfB Stuttgart has a minority stake from Daimler, the city's largest employer, which has its headquarters in Stuttgart. Similarly, FC Bayern Munich's ownership is split between its members, who have a 75% stake, and then equally among it sponsors: Adidas AG, Audi AG, and Allianz. The final German model is to be fully owned by a corporation. For example, Bayer 04 Leverkusen is owned and founded by German pharmaceutical company Bayer AG.

Majority PE investments have nonetheless occurred at FC Augsburg and Hertha Berlin SC, which have received investments in the past year from US-based MSP Sports Capital and 777 Partners, respectively. These "exceptions" to the rule have been allowed as the club's members voted in favour of selling to PE firms that have slowly built up their stake from minority to majority over the past few years. We expect more exceptions eventually leading to the rule being abandoned in the medium term, especially if the Bundesliga loses its competitive edge and financial firepower compared with the other leagues. This would then become a big opportunity for private capital players.

Serie A (Italy)

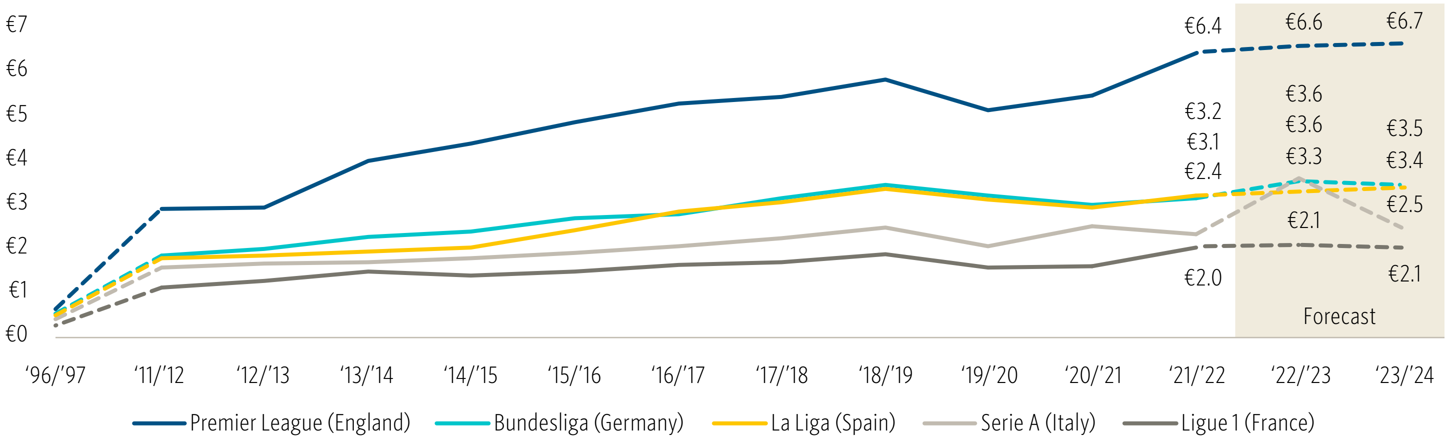
Italian football clubs are known to be owned by HNWIs, from the late former prime minister Silvio Berlusconi to film producer Agostino "Dino" De Laurentiis. In recent years, however, we have seen an increase in PE ownership with AC Milan, Inter Milan, Atalanta, and Sampdoria all receiving PE funding in the previous four years.

La Liga (Spain)

La Liga represents a good blend of all the other leagues. Similar to German clubs, certain teams in Spain remain under fan ownership, such as Real Madrid with 92,480 members.[17] In the late 1980s, football clubs in Spain started becoming unprofitable, leading to a major restructuring of the league and the clubs' ownership structure. Article 19.1 of the new Law 10/1990 stipulated that Spanish football clubs would become privately owned entities unless they had been profitable for the past five years, which was the case for Athletic Club Bilbao, CA Osasuna, FC Barcelona and Real Madrid CF. These four clubs remain in the hands of "socios," its club members. However, for all the other clubs, this opened a floodgate of potential investors from HNWIs to VCs, PEs, corporations, and SWFs. La Liga currently sits second in Europe in terms of revenue and television rights, closely followed by the more profitable Bundesliga.[18] However, due to the lack of having the "50+1" rule, we believe La Liga will eclipse the Bundesliga in the near future thanks to private capital investments flowing into the league. La Liga currently has PE participation in three clubs and VC participation also in three clubs, with Atlético de Madrid—the biggest club in Spain—with PE ownership. Ares Management purchased 34.0% of the club's shares in 2021.

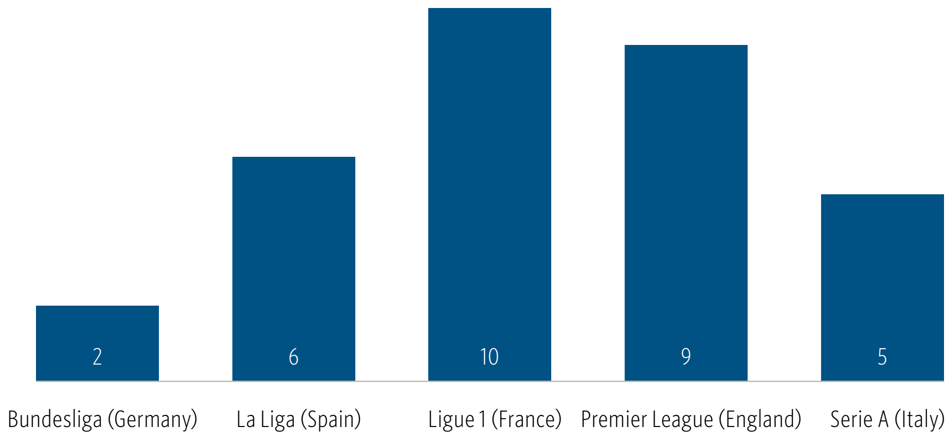
17: "Annual Report 2021-2022," Real Madrid C.F., September 2022.
18: "Annual Review of Football Finance 2023," Deloitte, June 2023.

"Big Five" leagues revenues (€B) by football season*



Source: Deloitte • Geography: Europe
*As of August 3, 2023

PE-backed and VC-backed clubs by league*



Source: PitchBook, Company filings • Geography: Europe
*As of August 3, 2023