

Manchester United again the world's most valuable soccer team



The piles of cash handed out by Europe's top tournaments continue to drive team values higher for the best teams on the pitch.

During the 2011 season the UEFA Champions League, the world's richest annual soccer competition, doled out a total of \$1.14 billion to the 32 teams that qualified for the group stage, 23% more than the previous year (generally the further a team advances in the tournament, the greater their share of the distribution). A 25% increase in UEFA's broadcasting revenue, to \$1.28 billion, fueled the increase.

Special Report: The World's Most Valuable Soccer Teams

The average enterprise value (equity plus debt) of the top 20 teams rose 20%, to \$770 million. Revenue (excluding player transfers) went up 23%, to an average of \$319 million per team during the 2010-11 season. Operating income (earnings before interest, taxes, depreciation and amortization) increased 13%, to an average of \$45 million. In local currencies, the results were much more modest (our results are calculated using June 31 exchange rates), as the U.S. dollar fell sharply against both the euro and British pound from June 2010 through June 2011. In euros, the average team value stands at 531 million, just 1.5% higher than a year ago. And in British pounds, the average team value is 503 million, a 4.8% year-over-year gain.

The five teams that are worth at least \$1 billion—Manchester United, Real Madrid, Barcelona, Arsenal, Bayern Munich—advanced to at least the round of 16 in last year's Champions League. Not only do these teams reap direct revenue from finishing near the top of their domestic leagues and tournament competition, but they also generate rich sponsorship and merchandise deals from the powerful brands they have built through success on the pitch over time.

The most valuable team is Manchester United, which won the English Premiership in 2011 and is owned by billionaire Malcolm Glazer and his family. The Red Devils, which have been the top soccer team every year since Forbes began calculating valuations for the sport in 2004, are worth \$2.24 billion, 20% more than last year. Manchester United's global fan base of some 330 million also helps makes it the most valuable team in any sport, worth \$385 million more than both Major League Baseball's New York Yankees and the Dallas Cowboys of the National Football League.

During the 2010-11 season Manchester United reaped \$192 million in broadcasting revenue, 22% higher than the previous season. The club's run last year to the final of the Champions League, where it lost to Barcelona, commanded a \$80 million payout from UEFA. It will be more challenging for the Red Devils to boost revenue this year, as the team was stunned early in the Champions League by Basel.

The second-most valuable team, Real Madrid, is closing in fast on Manchester United. Los Blancos received a \$59 million payout for reaching the semi-finals of the 2011 Champions

League and is now worth \$1.88 billion, 29% more than last year. Real Madrid posted the highest operating income of our top 20, \$214 million, \$36 million more than second-best Manchester United. Real Madrid's 2011 commercial revenue of \$250 million, powered by sponsorships with Adidas, Emirates Airlines and Bwin, was second only to Bayern Munich. Although Real's sponsorship deal with Austrian online betting group Bwin may be in jeopardy, the team's revenue is not. Not only would it not be difficult for Real Madrid to replace Bwin, but the team's run deep into the 2012 Champions League tournament also will be quite lucrative.

Also gaining a lot of ground on Manchester United is Barcelona, the winner of last year's Champions League which has made it to the final four of the tournament this year. Barcelona, led by the world's greatest striker, Lionel Messi, is worth \$1.31 billion, a 34% increase from last year. Barcelona pulled in \$77 million in Champions League distributions and the team's broadcasting revenue of \$266 million in 2011 was the most of any team. Barcelona's revenue and value should increase again next year as it enjoys its first full year of its sponsorship deal with the Qatar Foundation, which is worth an average of \$44 million a year through the 2015-16 season.

Although Germany's Bayern Munich finished third in the Bundesliga and was ousted in the first knockout round of the 2011 Champions League (both highly disappointing for the traditional power), the team was still first in commercial revenue, with \$258 million. Bayern pulls in \$36 million a year from its long-term sponsorship deal with Adidas and has been having talks with Gazprom, the Russian energy company. We value Bayern Much at \$1.24 billion, 18% more than last year. Having made it to the semi-finals of this year's Champions League, the team is poised to increase in value further.

The top teams on the pitch are going to continue to get richer. This year's Champions League payout will be higher than 2011 for the 32 tournament teams. Also, UEFA has also hatched a plan to sell the television rights for international games for Europe's top teams collectively beginning in 2014 rather maintain the current practice whereby broadcasters must contact individual national football federations independently. UEFA believes selling rights on pan-European basis can increase revenue over 60%.

We began our valuations with the Football Money League report, published by the Sports Business Group at Deloitte, which compiles vital figures for the 20 soccer teams with the most revenue. We then use our own research, which includes reviewing financial documents and speaking to sports bankers, to derive operating income, debt and values for each team.

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