

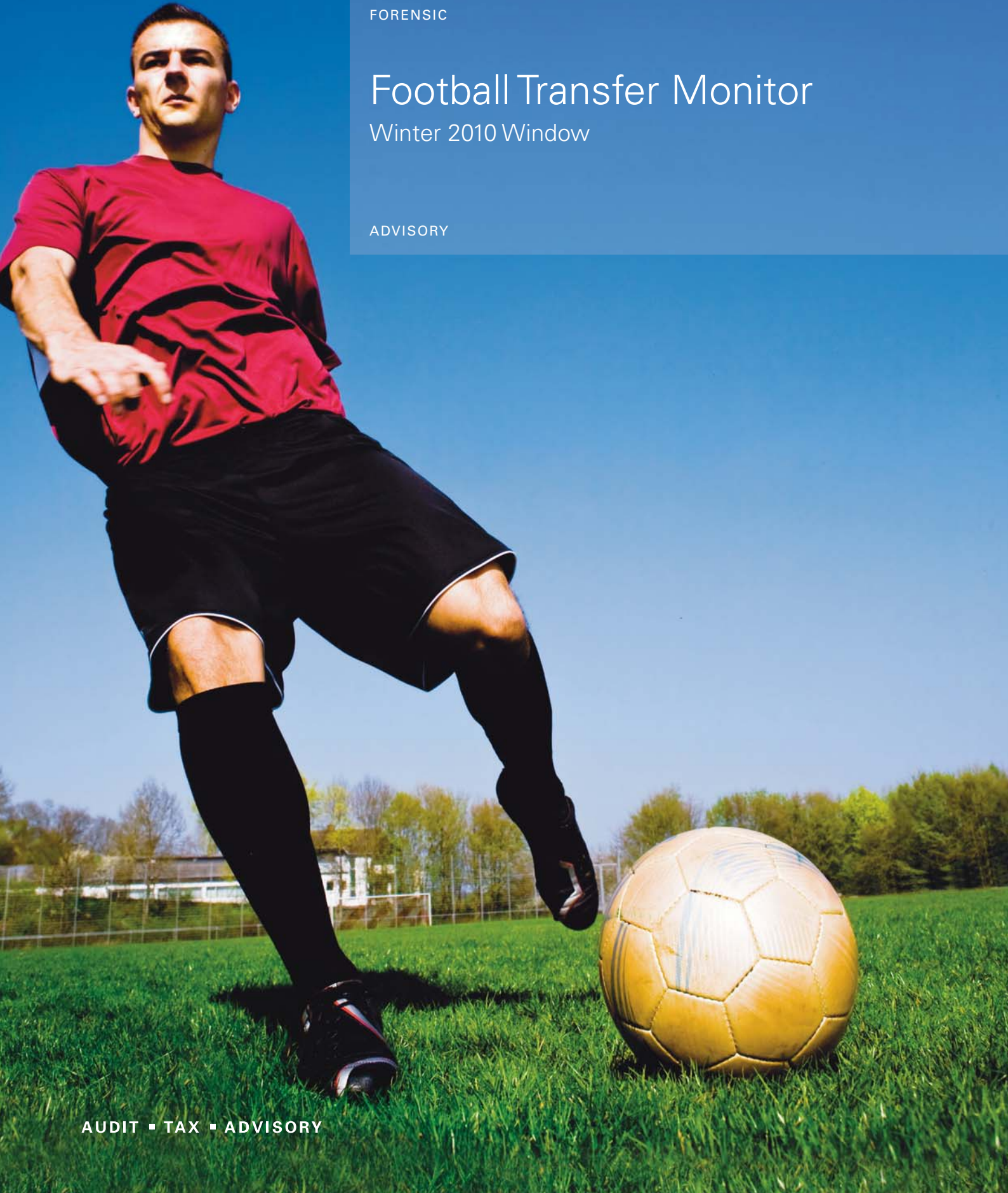


FORENSIC

# Football Transfer Monitor

Winter 2010 Window

ADVISORY



Welcome to another special bulletin of KPMG's *Football Transfer Monitor*. This edition provides analysis and commentary in respect of key financial data and trends in a January 2010 transfer window that has seen significantly lower levels of spending compared to the previous year.

The analysis has been prepared by KPMG's Forensic Sports Industry Team and considers reported transfer fee data for player transfers involving teams in the top three English leagues<sup>1</sup>.

Gross spending has fallen dramatically in the winter 2010 transfer window. Premier League clubs spent a total of £45 million during the January period, less than 25 percent of the £191 million spent in the previous year's winter transfer window. Whilst the UK economy has recently exited recession it appears that football may just be entering it, or at the very least experiencing a period of significant financial constraint.

### Transfer transactions

Of the reported £45 million spent this winter window, over a quarter of this amount is attributed to the sum that Manchester United have reportedly agreed for Chris Smalling of Fulham, a fee that could potentially rise to £12 million, after he agreed terms on a deal that would see him join Manchester United at the end of the season.

Manchester City provided the second largest transfer fee paid with the reported £7 million they have invested to sign Adam Johnson from Middlesbrough. This produced a degree of recycling of funds through the transfer market as Middlesbrough went on to invest around £3.5 million in Scott McDonald from Celtic, but largely speaking there was a lack of the 'domino effect' of cash flowing from one transfer to another which has been a feature of recent windows.

It is interesting to note that whilst the gross spending of Premier League clubs has significantly reduced since the prior year, net spending is broadly in line with January 2009. If Manchester City's spending is excluded from the analysis, net spending by Premier League clubs is only down £2.2 million to a £3 million net spend in the most recent window. This suggests that the buoyancy of the transfer market can be reliant on the recycling effect of funds through the system that can result from just a few significant deals being completed by clubs with more readily available finance.

Although clubs have been reluctant to spend money on permanent signings during this window, there has been a notable increase in the number of loan deals with clubs perhaps seeing this as being a shrewder use of available funds in the short term.

### Transfer Transactions

£m	Winter 2010 window			Winter 2009 window		
	Fees paid	Fees received	Net fees received/(paid)	Fees paid	Fees received	Net fees received/(paid)
Premier League - 'Big 4' <sup>2</sup>	(12.3)	6.6	(5.7)	(32.8)	25.7	(7.1)
Premier League - Manchester City	(7.0)	-	(7.0)	(49.9)	-	(49.9)
Premier League - Other	(25.5)	28.2	2.7	(107.8)	109.7	1.9
Premier League - All Teams	(44.8)	34.8	(10.0)	(190.5)	135.4	(55.1)
Championship	(8.8)	14.7	5.9	(8.8)	10.8	2.0
League 1	(1.7)	0.8	(0.9)	(0.8)	9.2	8.4
<b>Total</b>	<b>(55.3)</b>	<b>50.3</b>	<b>(5.0)</b>	<b>(200.1)</b>	<b>155.4</b>	<b>(44.7)</b>

Source: KPMG Football Transfer Monitor

<sup>1</sup> The Barclays Premier League, Coca Cola Championship and Coca Cola League 1.

<sup>2</sup> Manchester United, Chelsea, Liverpool, Arsenal.



### Is football's current financial model sustainable?

Last month UEFA continued to raise concerns about excessive spending at clubs in Europe with a survey reportedly finding that nearly half of clubs in Europe are running at a loss every year and that the salaries of players and coaches are increasing at nearly twice the rate of revenues across Europe. These figures indicate that player salaries appear to be outstripping club income and may go some way to explain the lack of significant spending by English teams in the most recent transfer window. This raises questions as to how sustainable these trends are for the individual clubs and the football industry in general.

Clubs across the board may regard the current state of affairs as unsustainable and could be waiting for an adjustment in the market value of player transfer fees, or perhaps more importantly wages, before making major investments in new playing staff – but in the competitive world of football can clubs afford to wait?

It will be interesting also to see what effect the new rules for next season stipulating the minimum number of 'home-grown' players in a Premier League squad will have on the transfer market – this may well result in a significant premium developing on players who meet the criteria of being 'home-grown'.

### Net spending by Premier League club

£m	Fees paid	Fees received	Net fees received/(paid)
Manchester United	(11.8)	0.5	(11.3)
Manchester City	(7.0)	-	(7.0)
Birmingham City	(6.0)	-	(6.0)
Tottenham Hotspur	(5.0)	-	(5.0)
Burnley	(3.4)	-	(3.4)
Wigan Athletic	(3.3)	-	(3.3)
West Ham United	(2.5)	-	(2.5)
Sunderland	(2.0)	-	(2.0)
Stoke City	(3.3)	2.0	(1.3)
Arsenal	(0.5)	-	(0.5)
Chelsea	-	-	-
Wolverhampton	-	-	-
Bolton Wanderers	-	-	-
Hull City	-	-	-
Everton	-	0.7	0.7
Blackburn Rovers	-	2.5	2.5
Aston Villa	-	3.0	3.0
Liverpool	-	6.1	6.1
Portsmouth	-	8.2	8.2
Fulham	-	11.8	11.8
<b>Total</b>	<b>(44.8)</b>	<b>(34.8)</b>	<b>(10.0)</b>

Source: KPMG Football Transfer Monitor

## How the KPMG Forensic Sports Industry Team can help: Enhancing revenues

As player costs continue to outstrip income, maximising revenue potential will become an increased priority for football clubs.

KPMG's Forensic Sports Industry Team can assist clubs in achieving this goal through undertaking royalty audits of self-reported relationships that football clubs have with suppliers, in particular in relation to merchandising and sponsorship revenue streams.

Royalty audits are generally permitted under the terms of licensing agreements and such audits:

- give increased visibility to the licensor;
- provide a mechanism for recovering any under-reported royalties; and
- demonstrate to the licensee that the licensor is exercising vigilance, which may improve the accuracy of future royalty declarations.

## Contact us



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