



cutting through complexity

SPORTS ADVISORY PRACTICE

European Stadium Insight 2011

Prospects for football stadium development
and commercialisation across Europe



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Dr. Andrea Sartori
Partner
Sports Advisory

T.: +36 1 887 7215

F.: +36 1 887 7407

E.: andreasartori@kpmg.com

Dear Reader,

One of the phenomena of globalisation has been the spread in popularity of football from its traditional home in Europe and South America to the rest of the world. This expansion has been actively fostered by FIFA who have taken the World Cup finals to the USA (1994), Korea/Japan (2002) and South Africa (2010), over the last two decades. Brazil, Russia and Qatar will host the next three World Cups. Similarly, the UEFA EURO 2012 will be hosted by Eastern European countries, Poland and Ukraine, for the first time since the end of the Cold War.

Accompanying this expansion has been the rise in popularity and commercial revenues of some of the leading European football clubs. However, this success has also brought new challenges. The need for success on the pitch has led to massive inflation in transfer fees and the salaries paid to star players. It has also led to the recognition of the need for additional investment in youth development programmes. Some clubs have attracted new owners, but new investment has not always been spent wisely. There is a growing gap between the top clubs and the rest, with the real threat of financial distress looming for many. In reaction to some of the strains that have become apparent, UEFA is pressing for financially sound and fair competition across the leagues and introducing new regulations to enforce this.

Against this background, one of the critical challenges is to help clubs develop sustainable business models which make the most of their revenue-generating opportunities. There is also a need to put an end to uncontrolled investments with little, if any, business rationale. In this context, the role of stadia as key revenue-generating assets for clubs is often not well understood.

Although team performance and economic conditions will always remain critical, our analysis demonstrates that scenarios repeatedly arise in which state-of-the-art new-build facilities assist football clubs to discover and activate latent demand. This can create additional revenue-generating opportunities and serve as a robust platform for the sustainable business growth of the clubs.

This study explores the role of stadia in explaining the varying success of clubs in generating matchday revenues. Following a snapshot of the European football business, we review stadium development trends, analyse performance figures and highlight business opportunities.

We hope you will find our report informative and that our conclusions will provide valuable insights for owners, operators, developers and public authorities concerning the business aspects of football stadium development and commercialisation.

If you would like to receive further information or to discuss the findings of the study, please contact any member of KPMG's Sports Advisory Services practice or myself.

Yours sincerely,
 Dr. Andrea Sartori





Club and country abbreviations

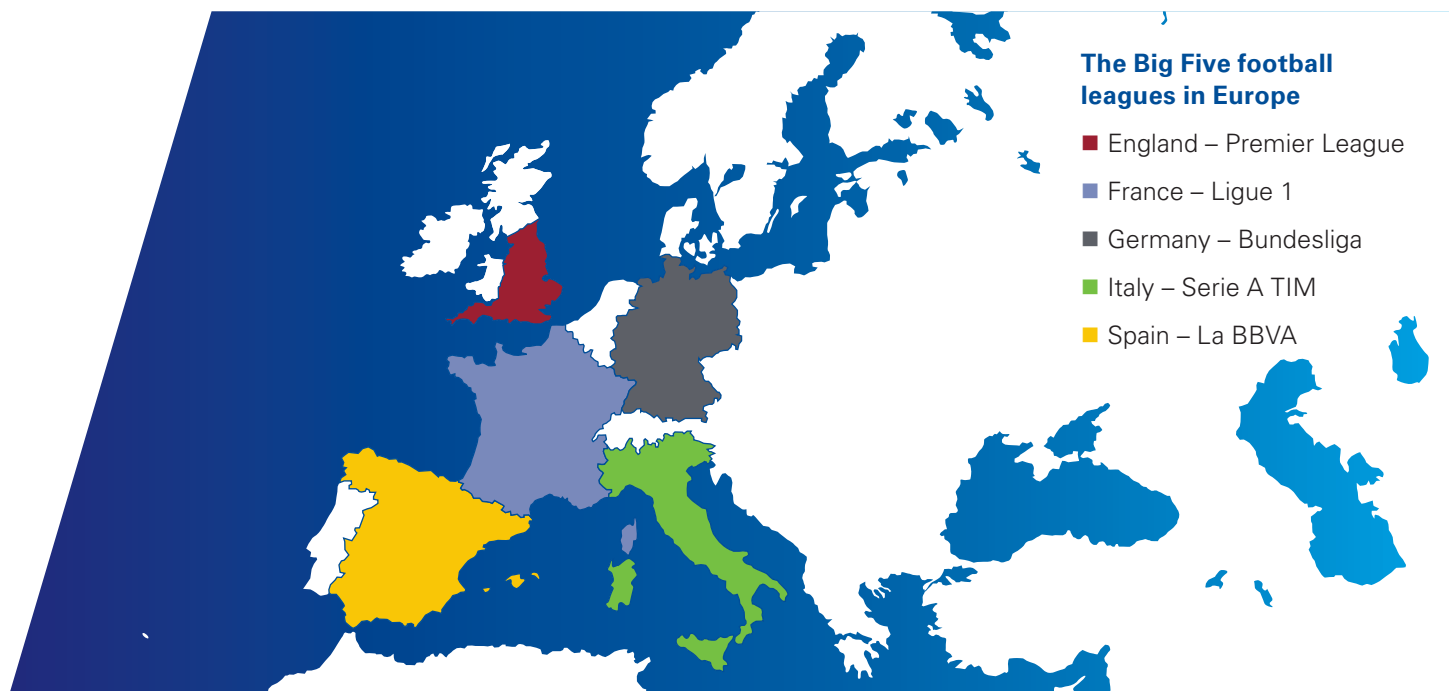
ARS	Arsenal	AUT	Austria		
ASV	Aston Villa	BEL	Belgium		
ATM	Atlético Madrid	BUL	Bulgaria		
BAR	Barcelona	CYP	Cyprus		
BMU	Bayern Munich	CZE	Czech Republic		
CHE	Chelsea	DEN	Denmark		
HSV	Hamburger SV	ENG	England		
INT	Internazionale	ESP	Spain		
JUV	Juventus	FRA	France		
LIV	Liverpool	GER	Germany		
MCY	Manchester City	GRE	Greece		
MIL	AC Milan	HUN	Hungary		
MU	Manchester United	IRL	Ireland		
OLY	Olympique Lyonnais	ITA	Italy		
OMA	Olympique de Marseille	NED	The Netherlands		
RMA	Real Madrid	NOR	Norway		
ROM	AS Roma	POL	Poland	SCO	Scotland
S 04	Schalke 04	POR	Portugal	SUI	Switzerland
TOT	Tottenham Hotspur	ROU	Romania	SWE	Sweden
VFB	VfB Stuttgart	RUS	Russia	TUR	Turkey

1. A snapshot of the football industry in Europe

Football is arguably the most popular sport in the world. In the 20th century, football became the national sport in many countries across the globe, with an estimated fan base of over 3 billion people.

Over the last two decades, the business of football has gained significance in Europe. In the 2009/2010 season, the European football market recorded modest growth, with top-flight clubs generating revenues over EUR 11 billion, albeit with profits falling.

Football is a concentrated market; just over 10% of clubs generate almost 70% of the total revenues of top-division clubs in Europe. Furthermore, approximately 80% of the clubs reporting over EUR 50 million revenues play in the so-called "Big Five" leagues of England, France, Germany, Italy and Spain. It is no coincidence that these are the five largest countries with the most significant consumer power in the European Union.



Note: A Welsh club, Swansea City, is participating in the Premier League during the 2011/12 season.



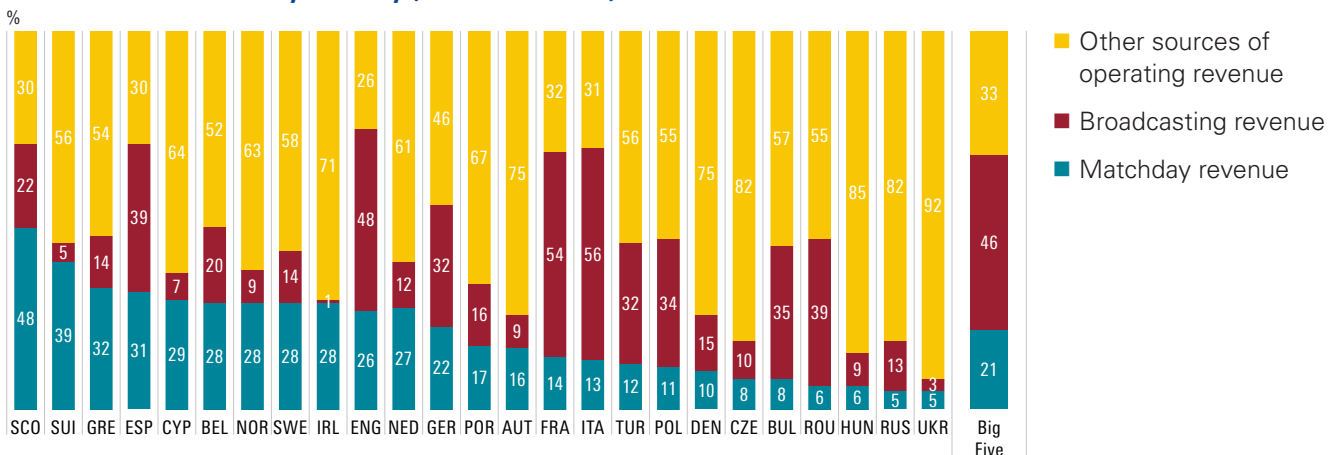
Football clubs generate their operating revenues from three main sources:

- 1) Matchday revenues: home matchday tickets, season tickets, premium seating, etc.
- 2) Broadcasting revenues: television deals may come from UEFA central distributions, league contracts, club-owned TV channels, etc.
- 3) Other sources: sponsorship, merchandising, licensing, etc.

Maximising revenues at football clubs is critical in order to afford top-quality players and to fund youth development programmes that could propel clubs to new heights of success.

Teams from the English Premier League have finished on top of UEFA's revenue rankings in recent years. English Premier League clubs generated EUR 122 million on average in 2009/2010, 40% more than clubs of the second-ranked German Bundesliga, and 63% more than the Spanish Liga BBVA. By contrast, the Ekstraklasa of Poland, a country with comparable population to Spain, generated less than 6% of Spanish revenues.

Revenue distribution by country (2009/10 season)



Source: UEFA, KPMG analysis

Is football a business for all?

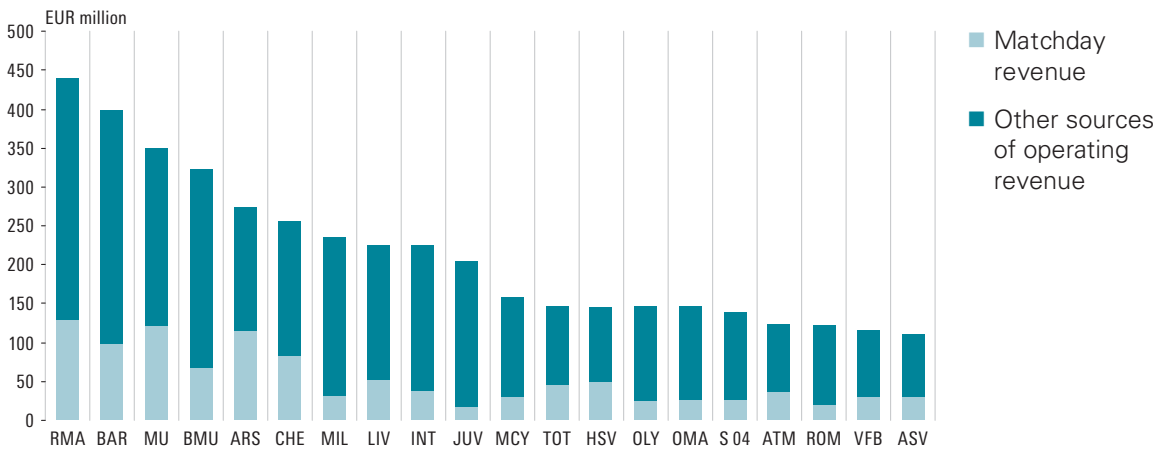
Clubs of the “Big Five” leagues generated over a fifth of their revenues from matchday receipts. However, they received the largest share of their revenues (46%) from broadcast contracts and another third from other sources. Western European clubs, other than those of the Big Five leagues, have an even higher share of their income from matchday sources, showing the significance and the potential of this revenue stream. In contrast, revenues of clubs in Eastern Europe show a different distribution. Due to low attendance figures, the lack of modern stadia and relatively low ticket prices, matchday revenues often account for a much smaller (below 10%) portion of total revenues.

Matchday revenues are maximised through carefully calibrating the stadium’s size, design and seating product mix to market requirements, combined with effective pricing strategy, executed by an efficient stadium management

team who maintain a close relationship with the fan base. The development and operation of football stadia is capital intensive, hence there is pressure on operators to better utilise their facilities. However, ownership and operation models differ from country to country, and stadium owners/operators often struggle to break even.

The comparison of total revenues between Europe’s top football clubs reveals significant differences, even within this “elite group”. Matchday revenues show a somewhat different distribution country by country. English clubs, for example, tend to have a larger share of their income from matchday sources, whilst Italian clubs tend to have the lowest share of matchday income among the top clubs. The reasons for these differences are various, as our analysis in the following chapters will show.

Total operating revenue of top European clubs and share of their matchday revenue (2009/10 season)



Source: Deloitte Football Money League 2011, KPMG analysis



Signal Iduna Park, Dortmund
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2. The stadium landscape in Europe



Unsurprisingly, given the variety of the football business in Europe, there are structural differences in how clubs of various leagues utilise their stadia. This chapter presents some basic facts and analysis in order to set the stage for understanding stadium development issues.

2.1. Facts regarding the stadia of top European clubs

Whilst the teams' performance on the pitch and their financial performance are inextricably linked, stadium commercialisation is a controllable factor that can change the long-term dynamics, and hence the clubs' development path.

The stadia used by the top clubs are large, with average capacity of approximately 60,000 seats and rarely with capacity of less than 40,000 seats. The largest stadia, above 80,000 seats, are in Spain and Italy, though top English and German clubs are not far behind. Most of these mega stadia, however, were constructed over 50 years ago. Hence their revenue-generating ability is compromised by their basic structure, developed without contemporary business priorities in mind.

Key stadium data of the top European clubs ranked by stadium capacity (2010/11 season)

Club	Stadium	Stadium capacity (# seats)	Inauguration date	Stadium owner
Barcelona	Camp Nou	99,354	1957	F.C. Barcelona
Real Madrid	Estadio Santiago Bernabéu	80,354	1947	Real Madrid C.F.
AC Milan	Stadio Giuseppe Meazza	80,018	1926	Milan Municipality
Internazionale	Stadio Giuseppe Meazza	80,018	1926	Milan Municipality
Manchester United ¹	Old Trafford	76,098	1949	Manchester United
AS Roma	Stadio Olimpico di Roma	72,698	1932	Italian National Olympic Committee
Bayern Munich	Allianz Arena	69,901	2005	Allianz Arena München Stadion GmbH
Schalke 04	Veltins Arena	61,673	2001	Schalke 04
Arsenal	Emirates Stadium	60,335	2006	Arsenal F.C.
Olympique de Marseille	Stade Vélodrome	60,031	1937	City of Marseille
Hamburger SV ²	Imtech Arena	57,000	1998	Hamburger SV
VfB Stuttgart	Mercedes-Benz Arena	55,896	1933	Landeshauptstadt Stuttgart
Atlético de Madrid	Estadio Vicente Calderón	54,851	1966	Atlético de Madrid
Manchester City	City of Manchester Stadium	47,715	2002	Manchester City Council
Liverpool	Anfield	45,522	1884	Liverpool F.C.
Aston Villa	Villa Park	42,786	1897	Aston Villa F.C.
Chelsea	Stamford Bridge	41,841	1877	Chelsea Pitch Owners plc
Olympique Lyonnais	Stade de Gerland	40,494	1926	City of Lyon
Tottenham Hotspur	White Hart Lane	36,240	1899	Tottenham Hotspur F.C.
Juventus ³	Stadio Olimpico di Torino	27,994	1933	City of Turin
Top 20 average		59,541	1945	

Source: Clubs' homepages, KPMG analysis

Note: (1) Manchester United's stadium was rebuilt after being bombed during WWII.

(2) Hamburger SV's stadium was rebuilt in 1998 at the same location where the previous one stood.

(3) In 2010/11, Juventus used the Stadio Olimpico as a temporary home whilst building a new 41,000-seat stadium.

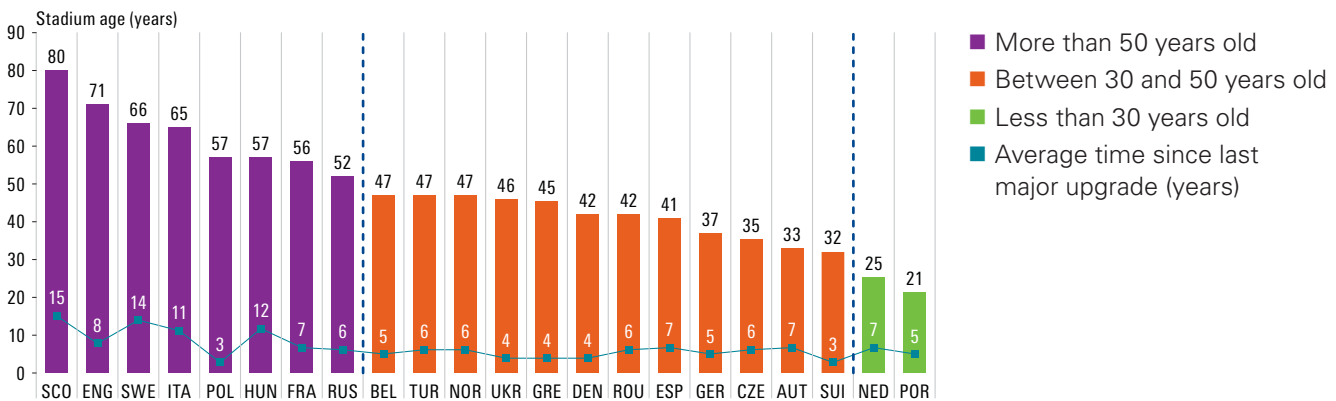
- Capacity over 80,000
- Capacity is between 60,000 and 80,000
- Capacity is between 40,000 and 60,000
- Capacity below 40,000



Larger clubs aim to gain more control over their stadia as these are one of their key revenue generating assets.

Red Bull Arena, Salzburg
© Copyright FC Red Bull Salzburg

Stadia's average age by country as of 2010



Source: UEFA, KPMG analysis
Notes: The sample was taken from European top division clubs' stadia.

An overview of the average age of stadia within the European leagues indicates that, on average, Scotland, England, Sweden and Italy have the oldest stadia in Europe. Most of these facilities have been upgraded several times since inauguration. Nevertheless, if new stadia with contemporary design and facilities replaced the old ones, the revenue generation of clubs in these leagues could likely be improved. Another telling conclusion of this analysis is that the leagues with the more contemporary stadia are typically in those countries that have hosted a major international tournament recently, namely Austria, Germany, the Netherlands, Portugal, and Switzerland. Major events like football World Cup and a European Football Championship trigger new stadium development programmes in order to meet FIFA or UEFA requirements.

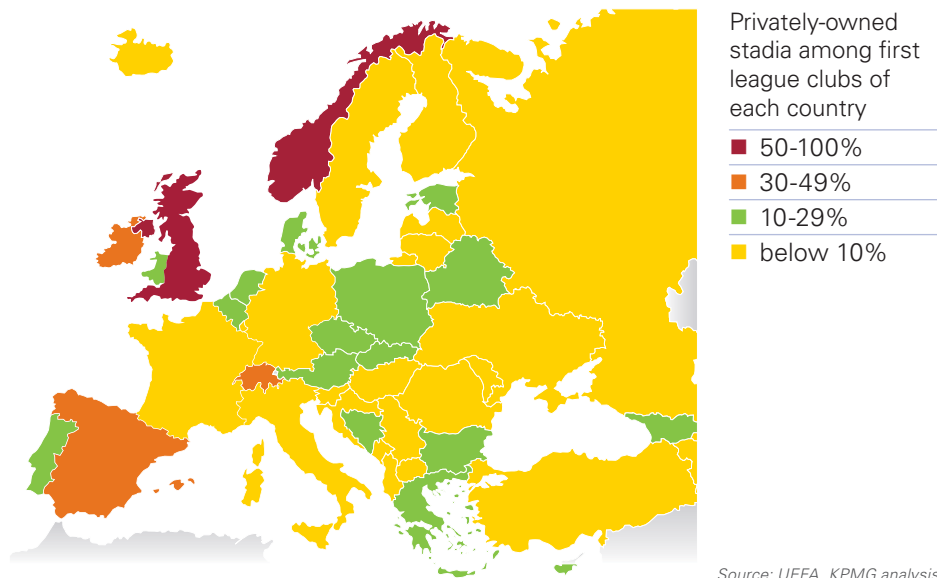
Many large facilities have been built for major events with little attention to legacy use.

When looking at the ownership status of the top leagues' stadia, it is apparent that most of the facilities in Europe are publicly owned.

There is a tendency, however, towards larger clubs trying to gain more control over their stadia, as these are one of their key revenue-generating assets. Careful management of stadia may provide a strong financial basis for the club's success.

In most European countries, the majority of football stadia are publicly owned.

Ownership map of stadia in Europe as of 2010



2.2. How the top clubs of Europe utilise their stadia

The majority of the top European clubs tend to own their stadium. These top clubs generate a disproportionately large share of revenues compared to the rest of the clubs across Europe. This is partly due to the professional way they manage their facilities. Their ability to utilise their stadia are exemplary for most of the clubs with an ambition to grow.

Even among top clubs, there are significant differences in the volume and share of revenues generated from stadium-related services. Influencing factors include ticket pricing policy, the venue size, sponsorship market maturity, the success of the club in national and international competitions, as well as alternative patterns for distributing broadcasting revenues across clubs in each league. In relative terms, Arsenal shows the way forwards through a recently-developed stadium that allows the club to generate 42% of total revenues from matchday income.

An analysis of the revenues generated per event (RevPE) reveals that much of the variance is explained by the ownership structure (i.e. public vs. private ownership) of the stadium, the varying international popularity of the

Revenue generation in the top European clubs' stadia (2009/10 season, ranked by the share of matchday revenue)

Club	Country	Total operating revenue (EURm)	Matchday revenue (EURm)	Proportion of matchday revenue against total operating revenues (%)
Arsenal	ENG	274	115	42
Manchester United	ENG	350	122	35
Hamburger SV	GER	146	50	34
Chelsea	ENG	256	82	32
Tottenham Hotspur	ENG	146	45	31
Real Madrid	ESP	439	129	30
Atlético de Madrid	ESP	125	36	29
Aston Villa	ENG	109	30	27
VfB Stuttgart	GER	115	30	26
Barcelona	ESP	398	98	25
Liverpool	ENG	225	52	23
Bayern Munich	GER	323	67	21
Manchester City	ENG	153	30	20
Olimpique de Marseille	FRA	141	25	18
Schalke 04	GER	140	25	18
Internazionale	ITA	225	39	17
Olympique Lyonnais	FRA	146	25	17
AS Roma	ITA	123	19	16
AC Milan	ITA	236	31	13
Juventus	ITA	205	17	8
Average		214	53	25

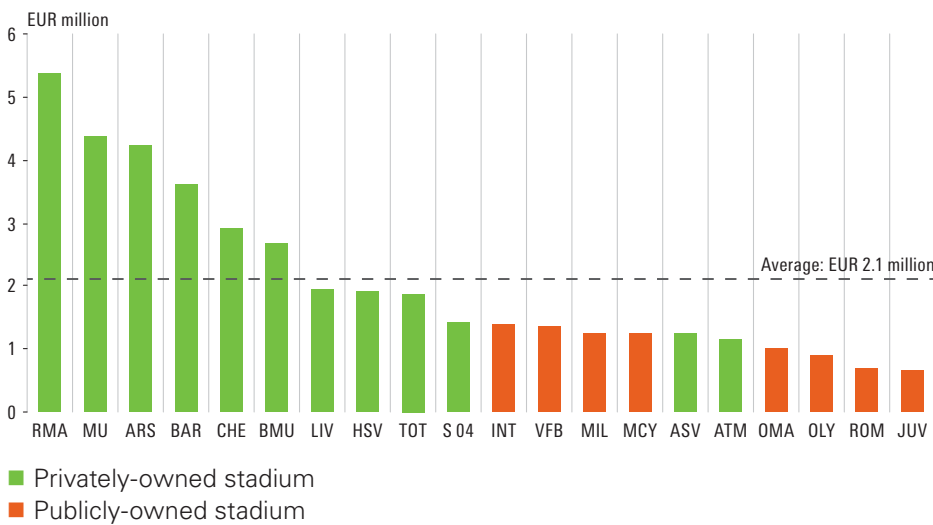
- Matchday revenue is more than 30% of the total revenue
- Matchday revenue is between 20% and 30% of the total revenue
- Matchday revenue is less than 20% of the total revenue

Source: Deloitte Football Money League 2011, KPMG analysis

clubs and their leagues, their success, as well as the size, age, design and structure of the stadium facilities and services they offer. From the above it is clear why clubs like Real Madrid, Manchester United and Barcelona, together with Arsenal, have a significantly above average RevPE. A striking contrast is discernable for Italian and French clubs, where less than 20% of their revenues comes from matchday income. This is largely due to inefficient stadium utilisation, as their RevPE figures confirm.

RevPA	Revenue per Attendee – Calculated as total matchday revenues in a season divided by the total number of attendees (i.e. average spend)
RevPAS	Daily Revenue per Available Seat – Calculated as annual matchday revenues divided by (number of available seats in the stadium x 365 days)
RevPE	Revenue per Event – Matchday revenues generated during the season divided by the number of games played

Revenue per Event (RevPE) of the top European clubs (2009/10 season)



Source: UEFA, clubs' homepages, Deloitte Football Money League 2011, KPMG analysis
 Note: RevPE: Revenue per Event; matchday revenues generated during the season divided by the number of games played.

A comparison of how much matchday income the top European clubs generate highlights that privately-owned stadia mostly outperform publicly-owned ones. In part this reflects the fact that the publicly-owned stadia in the sample are typically very old, whilst some of the privately-owned stadia have been built recently with great emphasis placed upon revenue generation. However, this finding is in line with the trend that successful clubs aim to gain more control over their stadia, which in turn may have a positive effect on revenue generation.

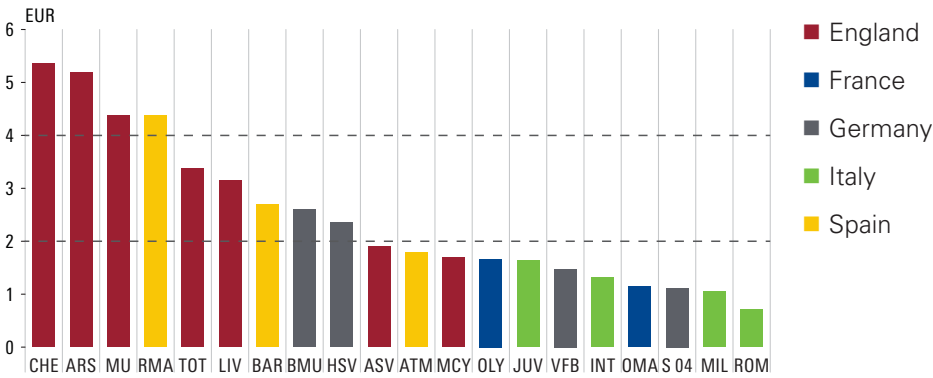
Another analysis compared the top clubs in terms of revenue per available seat (RevPAS), a measure of how much money clubs make from a seat on a daily basis, irrespective of whether there are any events actually arranged for a given day. This is a measure of efficiency focused on revenue generation and capacity utilisation. Compared to the standard ranking based on annual matchday revenues, the fundamental ranking of top clubs does not change significantly, with a few remarkable exceptions like Chelsea and Juventus. These clubs jump several positions in the ranking due to the relatively small size of their stadia.



AFAS Stadium, Alkmaar
 © Copyright AZ Media / Ed van de Pol

State-of-the-art, new-build facilities provide the opportunity for additional revenue-generating services.

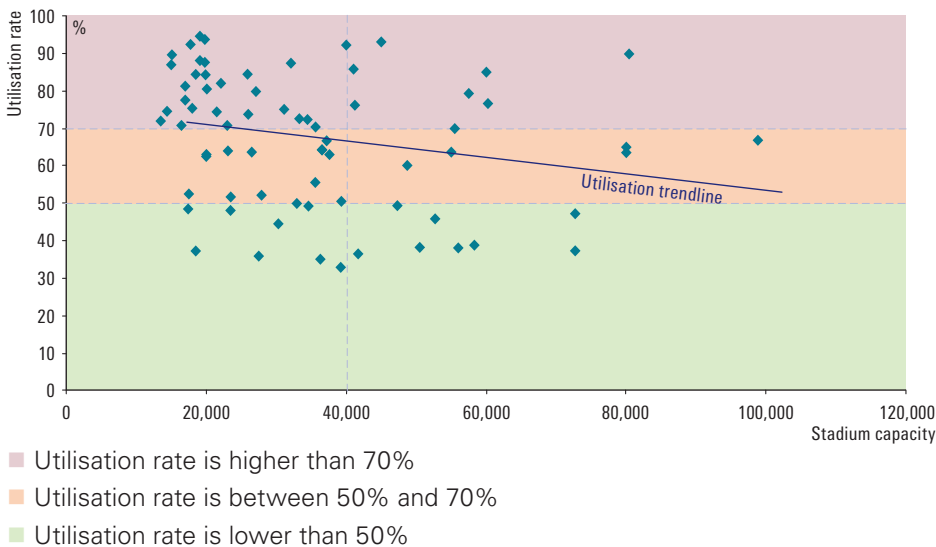
Daily Revenue per Available Seat (RevPAS) of top European clubs (2009/10 season)



Source: Deloitte Football Money League 2011, clubs' homepages, KPMG analysis
 Note: RevPAS: Daily Revenue per Available Seat; calculated as annual matchday revenues / (number of available seats in the stadium x 365 days).

Utilisation rates vary greatly among clubs, including those outside the top European clubs. An analysis of stadia capacity and utilisation data highlights the fact that larger facilities tend to be less utilised than smaller ones. This may be explained by the fact that some of the large stadia were built for major events (e.g. the Olympic Stadium in Rome was built for the 1960 Olympic Games) and face the serious challenge of legacy use, or that they were simply built in an era when demand characteristics for football matches differed greatly from contemporary patterns.

Capacity utilisation of more than 50 European stadia during the period 2003-2009 in France, Italy, Spain and Turkey



Source: KPMG research and analysis



A new stadium may serve as a robust platform for the sustainable success of a football club.



Signal Iduna Park, Dortmund
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2.3. Socio-economic factors affecting stadium utilisation

When looking at international benchmarks in terms of stadium capacity, attendance and stadium utilisation, some fascinating facts arise, highlighting football's structural challenges and opportunities.

Italian stadia are relatively old and have a large average capacity, hence they are only 61% utilised, despite a competitive quality of play. This is in contrast with Germany, where there are a number of modern stadia because of the 2006 FIFA World Cup. The German Bundesliga has the highest average stadium capacity and average attendance, and the third highest stadium capacity utilisation of 88%, compared to the 92% utilisation of the top performer, the English Premier League. This is compelling evidence of the importance of a good quality stadium to attract fans, provided the quality of play is competitive.

Furthermore, whilst major events can often stimulate the building of larger-than-necessary facilities, in the case of the 2006 FIFA World Cup in Germany, developers were able to align stadium development to market needs, laying the foundation for future revenue growth and better club performances.

Overview of football stadia key performance indicators and underlying drivers

UEFA coefficient ranking (2011)		Average stadium capacity (2009/10)	Average number of attendance (2009/10)	Capacity utilisation (2009/10)	Total number of attendance (2009/10)	Matchday revenue per club (2009/10 EUR m)	GDP per capita (2010, EUR)	Total personal disposable income (2010, EUR bn)
Premier League	ENG	GER 48,295	GER 42,500	ENG 92%	GER 13,005,000	ENG 32.9	NOR 63,506	GER 1,589
Primera División	ESP	ITA 40,913	ENG 34,151	NED 90%	ENG 12,977,380	ESP 23.3	SUI 50,377	FRA 1,286
Bundesliga	GER	ESP 38,748	ESP 28,286	GER 88%	ESP 10,748,680	GER 19.8	DEN 42,121	ITA 998
Serie A	ITA	ENG 37,121	ITA 24,957	ESP 73%	ITA 9,483,660	ITA 10.6	SWE 36,683	ENG 904
Ligue 1	FRA	FRA 29,114	FRA 20,089	FRA 69%	FRA 7,633,820	FRA 7.8	NED 35,651	ESP 736
Liga ZON Sagres	POR	RUS 25,034	NED 19,608	BEL 69%	NED 6,000,048	SCO 7.7	AUT 33,702	RUS 646
Premjer-Liga	RUS	POR 24,224	SCO 13,920	NOR 67%	BEL 3,323,269	NED 6.5	BEL 33,063	TUR 416
Premjer-Liha	UKR	SCO 23,200	RUS 12,517	AUT 63%	SCO 3,173,760	SUI 5.2	FRA 30,912	NED 272
Eredivisie	NED	UKR 21,812	BEL 11,743	ITA 61%	TUR 3,058,776	GRE 4.2	GER 30,137	SUI 257
Turkcell Süper Lig	TUR	NED 21,787	SUI 11,059	SCO 60%	RUS 3,004,080	BEL 3.6	ENG 27,218	POL 227
Superleague	GRE	GRE 20,586	POR 10,901	SUI 58%	POR 2,616,240	POR 3.2	SCO 27,218	BEL 211
SAS Ligaen	DEN	TUR 19,992	TUR 9,996	DEN 51%	NOR 2,149,440	NOR 2.8	ITA 25,728	GRE 175
Jupiler Pro League	BEL	SUI 19,067	NOR 8,956	RUS 50%	UKR 2,146,320	TUR 2.5	ESP 23,136	SWE 173
Liga I	ROU	SWE 17,235	UKR 8,943	TUR 50%	SUI 1,990,620	AUT 2.2	GRE 20,859	AUT 168
Scottish Premier League	SCO	BEL 17,019	DEN 8,313	CZE 46%	SWE 1,902,720	SWE 1.7	POR 16,258	NOR 138
Super League	SUI	DEN 16,300	SWE 7,928	POL 46%	GRE 1,828,080	DEN 1.3	CZE 13,745	POR 116
Gambrinus Liga	CZE	NOR 13,367	AUT 7,873	SWE 46%	DEN 1,645,974	RUS 1.2	HUN 9,812	DEN 102
Bundesliga	AUT	ROU 12,595	GRE 7,617	POR 45%	ROU 1,500,012	UKR 0.5	POL 9,239	ROU 93
Ekstraklasa	POL	AUT 12,497	POL 5,247	UKR 41%	AUT 1,417,140	POL 0.4	RUS 7,792	SCO 87
Tippeligaen	NOR	POL 11,407	ROU 4,902	ROU 39%	POL 1,259,280	CZE 0.3	TUR 7,423	UKR 75
Allsvenskan	SWE	CZE 10,641	CZE 4,895	GRE 37%	CZE 1,174,800	ROU 0.2	ROU 5,682	CZE 75
NB I	HUN	HUN 9,733	HUN 2,920	HUN 30%	HUN 700,800	HUN 0.1	UKR 2,261	HUN 63

Source: UEFA, Economist Intelligence Unit (EIU), Office for National Statistics (UK), KPMG analysis

Notes: (1) UK GDP per capita data: there is no split available for England and Scotland.

(2) Total personal disposable income for England and Scotland are 2009 data.

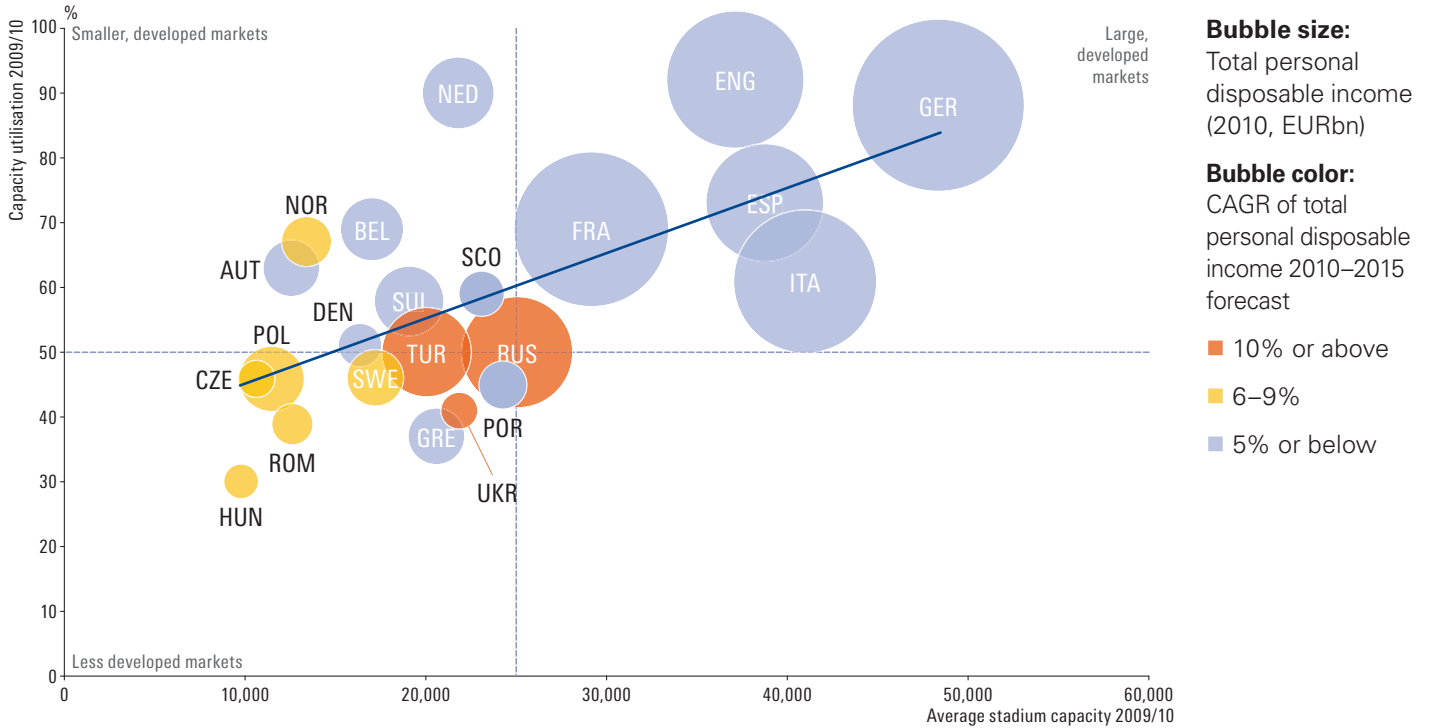
A comparison of how top-level football leagues from different European countries utilise their stadia shows an interesting distribution. The “Big Five” leagues form a separate group, as they generally have high-capacity stadia with over 60% utilisation. Some smaller but developed Western European countries form another group, with less than 25,000 average capacity, but over 55% utilisation (e.g. Holland with 90% utilisation in the 2009/2010 season, Austria with 63% and Switzerland with 58%).

The Central-Eastern European countries, as well as a few underperformers from Western Europe (e.g. Greece and

Portugal) form a third group with much lower average capacity and below 50% utilisation. These facts highlight the socio-economic constraints that these countries face regarding the business performance of their leagues, as they have smaller populations and less discretionary income for leisure activities. With competitive quality of play and efficient stadium management, they may achieve better utilisation of their stadia. However, socio-economic and demographic barriers restrain them, under the current business framework of European football, from ever becoming one of the big leagues of Europe.

A strong domestic market and state-of-the-art stadia have at least as strong influence on stadium revenue generation as relative sport success.

Capacity utilisation in selected European leagues



Source: UEFA, Economist Intelligence Unit (EIU), Office for National Statistics (UK), KPMG analysis
 Notes: (1) Total personal disposable income data are EIU estimates.
 (2) Total personal disposable income for England and Scotland are 2009 data.
 (3) CAGR: compound annual growth rate.

Are Russia and Turkey the next giants?

On the other hand, whilst the GDP per capita of Russia and Turkey are relatively low, they offer strong growth prospects. This, coupled with the opportunities inherent their large populations, qualifies these two countries as potential challengers to the Big Five leagues of Europe. In other words,

if the Big Five leagues become the “Big Six” or “Big Seven” in the foreseeable future, new joiners of this strategic group will most likely be Russia and/or Turkey. For that to happen, applying the best practice of stadium development and operations in these countries will be necessary.



Fritz-Walter Stadion, Kaiserslautern
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3. Stadium development trends



Having seen how stadia play a key role in the football business in Europe, this chapter addresses recent stadium development trends and proposes directions for future developments.

3.1. What kind of stadia have been built recently, and for how much?

A comparative analysis of recent stadium developments shows the typical amenities provided by modern stadia. Some of these are considered core business by stadium managers, while others are additional revenue generating opportunities linked to ancillary services which can add value to the visitor experience.

Corporate box	Hosts VIP guests and can generally seat between 12 and 50 people
Loge box	Semi-enclosed boxes accommodating between 4 and 12 guests, modelled on opera balconies
Premium seating	First-class seating within the best locations in the stadium with exclusive access to VIP networking and catering areas
Exclusive corporate tier	A tier which contains only corporate boxes, loge boxes and premium seating around the stadium

Typical amenities provided by modern-day stadia

Facilities	Mega	Large	Medium
All-seater	Found at almost every modern stadium	Found at almost every modern stadium	Found at almost every modern stadium
75% covered seats	Found at almost every modern stadium	Found at almost every modern stadium	Found at almost every modern stadium
In-house restaurants, bars	Found at almost every modern stadium	Found at almost every modern stadium	Found at almost every modern stadium
Conference facilities	Found at almost every modern stadium	Found at almost every modern stadium	Found at almost every modern stadium
Corporate boxes	Found at almost every modern stadium	Found at almost every modern stadium	Found at almost every modern stadium
High-end catering	Found at almost every modern stadium	Found in many cases	Occasionally found in modern stadia
Merchandising outlet	Found at almost every modern stadium	Found in many cases	Occasionally found in modern stadia
10% premium seat ratio	Found at almost every modern stadium	Found in many cases	Occasionally found in modern stadia
Retail & leisure facilities	Found at almost every modern stadium	Found in many cases	Occasionally found in modern stadia
Museum	Found at almost every modern stadium	Occasionally found in modern stadia	Occasionally found in modern stadia
VIP underground parking	Found in many cases	Found in many cases	Occasionally found in modern stadia
Hotel	Found in many cases	Found in many cases	Occasionally found in modern stadia
Loge boxes	Found in many cases	Found in many cases	Occasionally found in modern stadia
Music arena	Found in many cases	Occasionally found in modern stadia	Occasionally found in modern stadia
Exclusive corporate tier	Found in many cases	Occasionally found in modern stadia	Occasionally found in modern stadia
Retractable roof	Occasionally found in modern stadia	Occasionally found in modern stadia	Occasionally found in modern stadia
Nightclubs	Occasionally found in modern stadia	Occasionally found in modern stadia	Occasionally found in modern stadia
Offices	Occasionally found in modern stadia	Occasionally found in modern stadia	Occasionally found in modern stadia

- Found at almost every modern stadium
- Found in many cases
- Occasionally found in modern stadia

Source: KPMG analysis
 Note: Mega stadia: 60-80,000; Large stadia: 40-60,000; Medium stadia: 20-40,000 seats.

The extent to which clubs benefit from the opportunities is greatly contingent upon the design and management of their stadia and the services they offer.

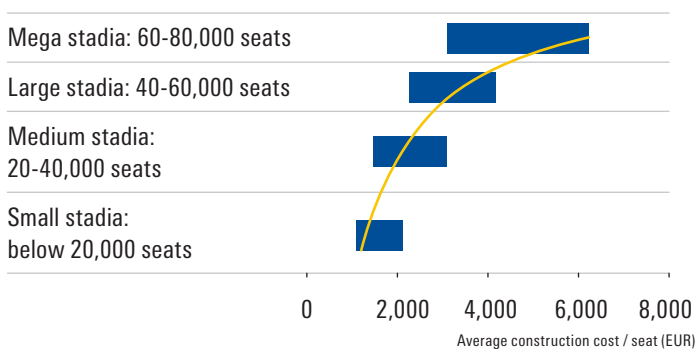


Wembley Stadium, London
© Copyright Wembley National Stadium Ltd

All-seater stadia are an absolute must⁽¹⁾. Although this is mainly due to safety and security requirements, business rationale also supports an all-seater stadium as tickets may be sold for higher prices. Furthermore, the provision of premium seating, including services such as high-end catering and access to exclusive networking areas justifies substantial increases in ticket pricing and revenue.

The sale of naming rights is becoming increasingly common as a way to further commercialise sports stadia. The increase in the uptake of naming rights within a market is a fairly good indication of the extent of stadium commercialisation.

Development cost per seat in recently built stadia (I)



Source: Gardiner & Theobald

- Notes: (1) The survey considered over 40 newly built stadia (i.e. not refurbishment) since 2005.
 (2) The costs are current for construction works in Q2/Q3 2011 with no allowance for future price movements.
 (3) The construction costs within the review were taken from a large number of predominantly UK stadium projects constructed from 2005 to 2010 and reflect the prices at a mean UK position.
 (4) Differences in the timing of construction, inflation, fluctuation of exchange rates and country variances are constraints that we could only partially overcome in our analysis.
 (5) Much of the construction cost data relied upon are pre financial crisis and economic downturn of 2008.

(1) Although German Bundesliga clubs tend to have standing places for the matches of the national championship, for clubs which participate in international competitions, all seater stadia are required by UEFA.

Stadium development is highly capital intensive, as even a small facility with 15-20,000 seats may cost well over EUR 20 million.

Development costs vary significantly depending on the size of the project, location, construction quality and the required supporting infrastructure. Our findings show a general trend that larger stadia tend to cost more per seat. This is mainly due to the increased cost of the structural support required for a large upper tier, as well as the supporting infrastructure required to service higher spectator numbers, such as more lifts, staircases, parking spaces, etc. Furthermore, in order to be well commercialised, larger stadia require more extensive premium seating offerings, which must be serviced by high-end catering and require a higher quality of finishings throughout an exclusive corporate tier.

Marginal cost of development rises with stadium size.

The size of a stadium and its configuration primarily determine its revenue-generating ability and operating costs.

Development cost per seat in recently built stadia (II)

Name	City	Stadium capacity (# seats)	Development cost (EURm)	Opening year	Development cost per seat (EUR)
Wembley Stadium	London	90,000	912	2007	10,137
Emirates Stadium	London	60,335	440	2006	7,292
Grande Stade Lille Metropole	Lille	50,157	324	2012*	6,460
Donbass Arena	Donetsk	51,504	294	2009	5,706
Olympique Lyonnais Stadium	Lyon	60,000	320	2013*	5,333
Allianz Arena	Munich	69,901	340	2005	4,864
St. Jakob Park	Basel	38,512	173	2001	4,492
Municipal Stadium	Wroclaw	42,771	180	2011	4,215
Veltins Arena	Gelsenkirchen	61,673	192	2001	3,113
Juventus Arena	Turin	41,000	120	2011	2,927
RheinEnergie Stadion	Cologne	50,000	118	2004	2,350
AFAS Stadion	Alkmaar	17,023	38	2006	2,232
Estádio José Alvalade	Lisbon	50,049	105	2003	2,098
Hypo Arena	Klagenfurt	31,957	67	2007	2,097
Red Bull Arena	Leipzig	44,345	91	2004	2,052
Stade de Genève	Geneva	31,228	64	2003	2,049
Coface Stadium	Mainz	33,500	44	2011	1,313

- Development cost per seat is higher than EUR 6,000
- Development cost per seat is between EUR 3,000 and EUR 6,000
- Development cost per seat is lower than EUR 3,000

Source: UEFA, SportBusiness Group, clubs' homepages, KPMG analysis
Notes: *expected opening year.

As stadium size increases, average ticket prices decline due to reduced visibility, whilst construction costs generally rise. This would normally limit the ambitions of developers to build large or mega stadia. However, stadium size is often driven by non-commercial parameters, as well as by standards set by international organisations such as UEFA and FIFA for hosting specific international competitions. Consequently, a careful analysis of local market demand and calibration of stadium size and mix of facilities and amenities is necessary to evaluate long-term sustainability.

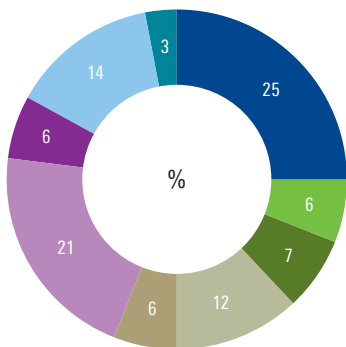
International experience demonstrates that the size of a stadium (number of seats) and its configuration (number of VIP seats and boxes, food & beverages facilities, etc.) primarily determine its revenue-generating ability and operating costs. Therefore it is imperative that the design be well tailored to the requirements of the corporate and consumer markets, built to an appropriate size, based on local market requirements, with the right product mix and appropriate supporting infrastructure for sustainable and profitable stadium operations.

Analysis of the cost structure of recent stadium developments shows that there is no major difference between the cost structure of a smaller and a mega stadium: 20-25% of construction cost is spent on the structure, approximately 20% on mechanical and electrical installations, and another 10-15% on internal walls, doors and finishes. The only real difference is due to the significant extra cost incurred in building a larger roof, especially if a retractable one. The cost of the playing surface and the seats and turnstiles, however do not change much with size, hence as the stadium size increases, the proportional cost of these elements decreases.

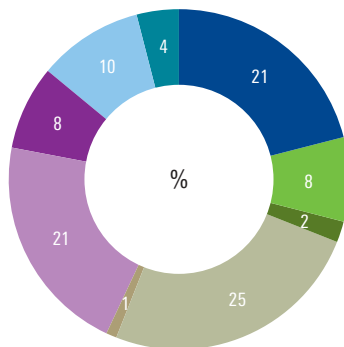
The cost of the land, infrastructure and utilities and car parking (which is excluded from the analysis above) usually increases with the stadium size, as larger stadia require more land for parking, infrastructure, road and other transport connections, as well as adjacent facilities to further benefit from the stadium's large attendances.

The cost structure of recent stadium developments

**Small stadia
(below 20,000 seats)**



**Iconic stadia with retractable roof
(above 60,000 seats)**



- Structure
- Substructure
- Seats, turnstiles etc.
- Roof
- Playing surface
- Mechanical and electrical installations
- External walls, windows and doors
- Internal walls, doors and finishes
- Communications installations

Source: Gardiner & Theobald

Notes:

(1) The costs exclude:

- land acquisition and soft costs (i.e. fees, planning and permitting charges, finance charges, marketing, sales and advertising, contributions, in house developer costs, VAT, etc.)
- some hard costs such as infrastructure works outside of plot boundary, demolition, abnormal site conditions (i.e. piling, removal of rock or contaminated material, utility diversions etc.), external works within the plot, car parking, fit out to concession, hospitality and retail areas, furniture, fittings and equipment and operating supplies and equipment etc.

(2) The survey considered over 40 newly-built stadia (i.e. not refurbishment) since 2005.

(3) The construction costs within the review were taken from a large number of predominantly UK stadium projects constructed from 2005 to 2010 and reflect the prices at a mean UK position.



Grand Stade Lille Métropole, Lille
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Multi-use and mixed-use options

Some clubs, which are concerned about the low utilisation of their football stadia, believe that multi-use stadia development is an attractive solution. However, though the delivery of multiple uses within a football stadium has become more extensive, doing so further drives up capital costs, with event promoters capturing a substantial share of additional revenues brought in by non-football related events. Furthermore, whilst additional revenues may be generated from organising other sporting events, or even non-sporting events, the core business of football stadia is to host football matches. As such, the delivery of multiple-use stadia may not prove a worthwhile investment in many cases and should be carefully investigated.

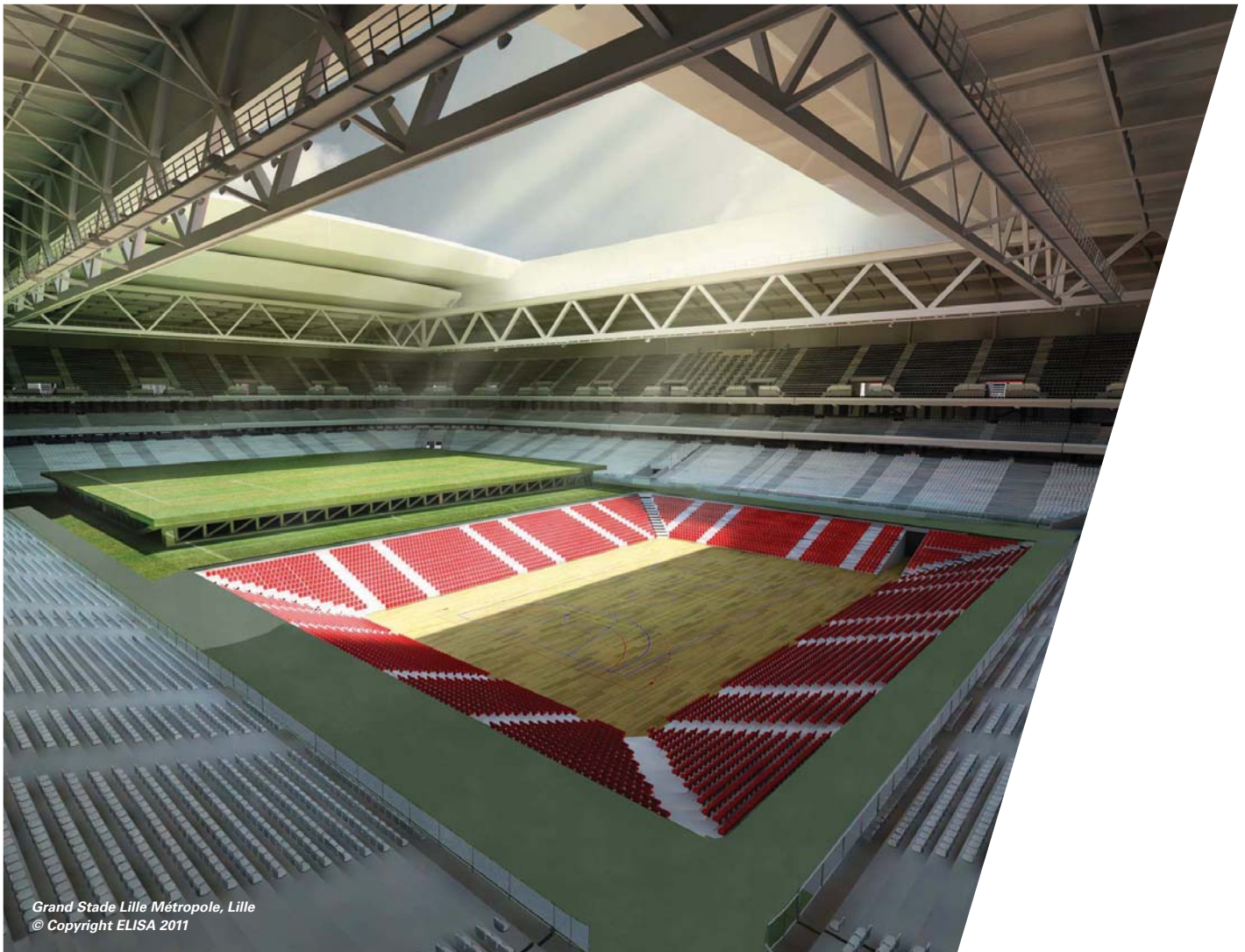
Increasingly, stadia are being built within mixed-use developments. The high levels of awareness and footfall generated by a sport stadium and other facilities within a mixed-use development may be of benefit to other development functions such as office space (with cross-sale of corporate hospitality opportunities), retail

(benefiting from the footfall) and even residential (with a lifestyle dimension attracting young professionals).

Furthermore, potentially high returns secured from residential or other traditional land uses may assist in financing the capital costs associated with a stadium, whose revenues may be more variable.

Mixed-use facilities are becoming more popular, as land uses adjacent to a stadium can enjoy a broader utilisation on non match days as well, whereas capital-intensive multi-use stadia remain unutilised outside of event days.

For example, Arsenal FC's decision to construct a new stadium at Ashburton Grove proved the catalyst for a much wider regeneration scheme, including housing and community projects. The 60,000 capacity stadium provides 150 executive boxes, 250 catering service points and a 1,000 m² merchandising store. As well as functioning as a football stadium, the Emirates Stadium also operates as a conference centre and music venue.



Grand Stade Lille Métropole, Lille
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3.2. Financing stadium developments

In all stadium projects, arranging the financing structure for the development is a challenging task.

The foundation of any financing effort is a robust business plan. Stadium owners and operators need to think ahead and identify the expected revenues and costs of operation over their planning horizon. This exercise will result in understanding the financing need and its varying structure over time. Contract-backed revenues may also serve as a source of development financing. The success factors of raising finance are a large and loyal fan base, strong, real and predictable revenue streams, a positive operating budget and a stable cash flow position.

Although each case will be different, the methods for funding stadium development usually involved a combination of private and public sources, including equity, debt and some special arrangements.

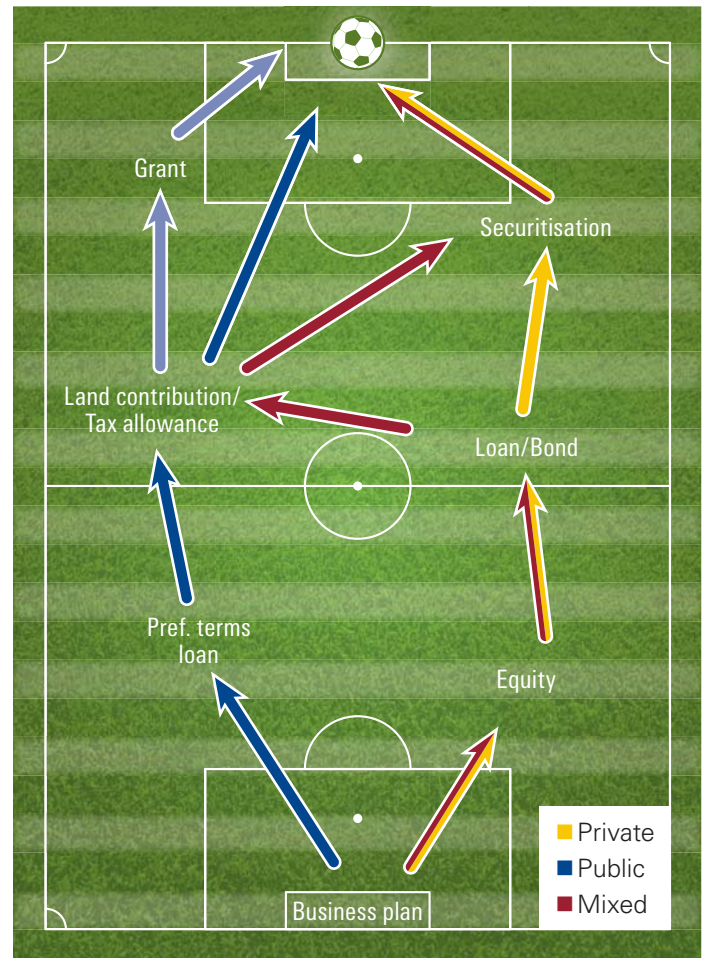
One form of equity financing is through issuing shares: going public with an initial public offering (IPO) or (if quoted on the stock exchange already) the issue of additional shares. The initial enthusiasm of markets regarding IPOs has been decreasing in recent years, and the current trend is to de-list football clubs' shares from the stock exchanges.

Debt financing usually takes the form of bank loans or a bond issue. For example, half of the cost of Juventus' new stadium development was financed by two commercial loan contracts signed and guaranteed by a mortgage. However, when securing a commercial mortgage against the property value of a stadium, the realisable value of the facilities should be carefully assessed. This is influenced by the fact that the revenues generated in stadia largely depend on the variable sport success of the local team and there are usually few alternative options for venue use.

Another option to raise financing is a bond issue. This instrument was chosen by Arsenal in 2006, when the club issued the first publicly-marketed, asset-backed bonds to refinance its bank debt used for the development of the new Emirates Stadium.

Securitisation is increasing in popularity, as clubs pre-sell part of their future revenues, raising financing for stadium developments. Typical subjects of securitisation are revenues from naming rights, shirt sponsorship, catering facilities, premium seat licenses (PSLs) and more recently season ticket sales. For example, before opening its doors in 1997, the naming right of Stoke City's new stadium was sold to financial services company, Britannia, which contributed to the overall financing and finishing of the project. Apart from the naming right, the agreement between Arsenal and Emirates included an eight-year shirt sponsorship as an instrument of the new stadium's financing. Delaware North also contributed to the capital costs of Emirates Stadium, signing a 20-year exclusive contract to run the stadium's catering operation.

Alternative financing structures of stadium developments



Public authorities may choose developing stadia for wider socio-economic reasons. Public participation in financing stadium developments includes various forms of allowances and grants provided by governments, local municipalities and other public bodies. Tax allowances can also be used. Authorities can also contribute to financing through the provision of land at favourable terms, building access roads and upgrading adjacent public infrastructure.

While there is an impressive range of successful financing solutions applied by flagship stadium developments across Europe, a careful analysis and planning of the appropriate financing structure needs to be made for any stadium project. Each case is individual and there are no quick-fix solutions, nor is there a single best way of financing.

The continuing trend is for stadia to be financed through a mix of private and public funding.

The new Juventus stadium

In the summer of 2003, Juventus bought the Delle Alpi Stadium from the Municipality of Turin for approximately EUR 25 million. In 2008, construction started for developing a new stadium, which is the first new stadium in Italy to be privately owned by a football club. The overall project cost is estimated at EUR 120 million.

With a capacity of over 40,000, the stadium hosts eight restaurants, 24 bars, and 459 press seats. The stadium was inaugurated in September 2011.

Key data of the Juventus stadium development

Capacity	Opening year	Owner	Length of construction	Sky boxes	Car parking spaces	VIP seats
41,000	2011	Juventus FC	2008-2011	62	4,000	3,736

8,000 m²

dedicated to commercial activities partially linked with the sport business; wellness centre, Juventus Store, museum

37,000 m²

hosting facilities dedicated to people attending the event (corporate & fan) and match organisation

45,000 m²

inside the stadium



Source: Juventus F.C.'s webpage

The financing of the new stadium is complex. About half of the required funds are financed from two loan agreements. Another source of financing comes from the sale of a commercial centre to be developed in coordination with the stadium. Furthermore, Sportfive Italia S.r.l. also signed a long-term partnership with Juventus involving regular payments to the club in return for an exclusive right to sell the stadium naming rights and part of the premium seating capacity. This solution exemplifies how much the financing may actually be linked to the future revenue generating potential of a modern stadium.

The Sportfive agreement also highlights a particularly interesting opportunity for stadium financing. Football is a fluctuating business, as the on-the-field performance of teams naturally varies over the years. However, financiers need predictability in order to opt for securitising future revenue generation for financing purposes. If a football club is able to sign a long-term contract with an agent for selling premium seats, this transfers much of the demand risk to the agent, allowing the clubs to show more security in their future revenues. The agent is able to spread the risk of this multi-year contract across its portfolio of similar contracts with other clubs; hence it is better able to manage the inherent risk in the teams' sports performance. For clubs with a significant fan base, this financing solution seems to be gaining in popularity.

The breakdown of construction costs

Cost driver	Construction cost (EUR million)
Hard costs	
Demolition and building works (including electro-technical systems and the playing field)	83.1
Furnishings, fittings and special equipment	12.3
Sub-total:	95.4
Soft costs & contingency	
Technical expenses (infrastructures required by the City of Turin, designers, PM&C)	21.0
Unforeseen expenses and additional costs for changes with work in progress	3.6
Sub-total:	24.6
Total capital expenditure	120.0

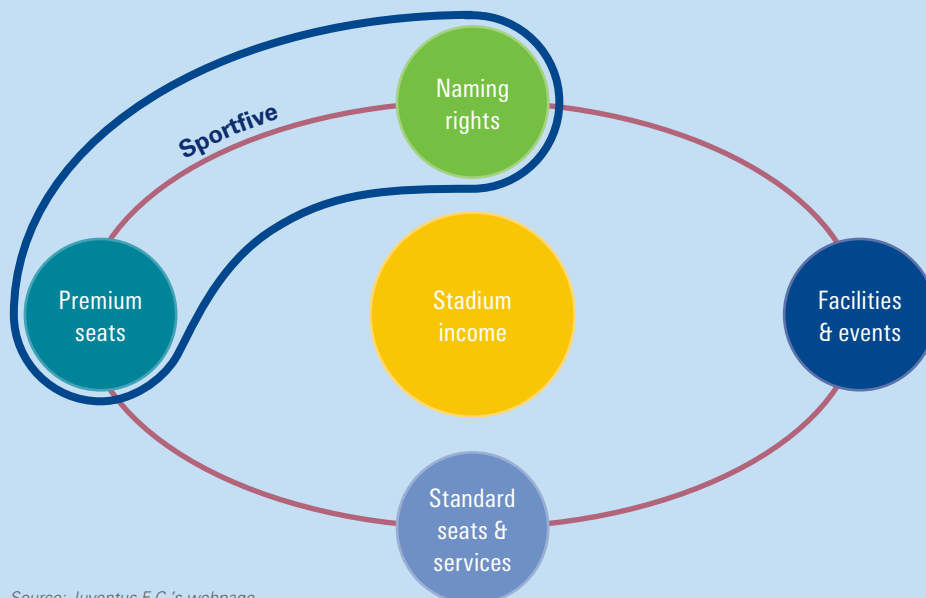
Source: Juventus F.C.'s webpage

Note: These figures do not include museum costs.

The financing structure of the Juventus stadium development

Loan contract	Sale of the commercial centre	Sportfive agreement
<p>Juventus has signed loan contracts for a total sum of EUR 60 million in 2009 and 2010. The loan term is 12 years, during which Juventus will make annual repayments from the Sportfive and ticket sales revenues. The loan is guaranteed by a mortgage and had been underwritten by the Istituto per il Credito Sportivo.</p>	<p>In 2008 Juventus and Nordiconad Soc. Coop. (one of the leading food retailing co-operatives in Italy and member of the CONAD national consortium) entered into a contract, under which Nordiconad group would build an innovative and modern commercial centre integrated into the area surrounding the stadium. The contract is worth EUR 20.25 million. In addition, Nordiconad also agreed to pay the costs of the infrastructures required by the City of Turin for the development of the commercial areas.</p>	<p>Juventus and Sportfive Italia S.p.A. signed a long-term strategic partnership agreement on 18 April 2008. The agreement exclusively entitled Sportfive to sell the naming rights of the new stadium and to market part of the sky boxes and VIP seats. The partnership runs for 12 years from the completion of the new stadium and provides a minimum of EUR 75 million to Juventus. Significant payments were to be made during the construction of the new stadium, and as of March 2011 Juventus had already received EUR 35 million.</p>

Income generating activities of the new stadium covered by the Sportfive agreements



Source: Juventus F.C.'s webpage

4. Stadia for a sustainable future



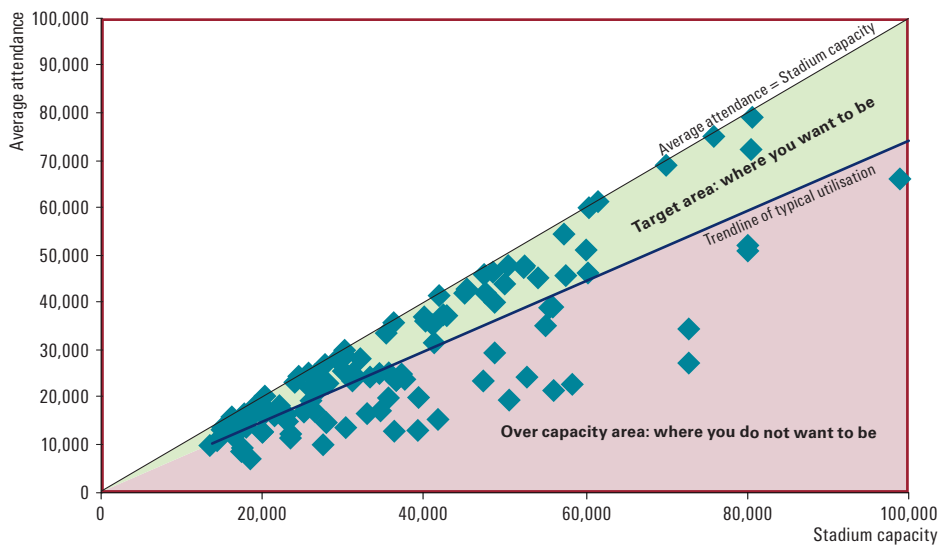
This chapter highlights general recommendations to develop stadia capable of supporting a sustainable future for football clubs.

4.1. Building stadia designed to market demand requirements

One crucial decision when designing a new stadium is its seating capacity. Comparative analysis of stadium utilisation rates in Europe highlights how often stadia have been built without carefully assessing specific demand characteristics, and considering peak demand rather than average demand. As a consequence, up-front capital costs and annual operational costs are often too high, whilst stadia are underutilised on the majority of match days. Furthermore, creating excess supply of seating undermines efforts to securitize revenue streams via annual or multi-year ticket sales, as fans can always buy match-day tickets at the gate for peak matches instead of buying annual tickets in advance. The atmosphere of a game played in a half-empty stadium is also less attractive for supporters.

From a business perspective, football clubs should set the capacity of their future stadium in a range that prioritises average attendance rather than peak attendance.

The relationship of stadium capacity and average attendance in selected European football stadia



Source: KPMG analysis
 Notes: (1) Data collected from the period of 2003-2009
 (2) A sample of stadia from England, France, Germany, Italy, Spain, and Turkey

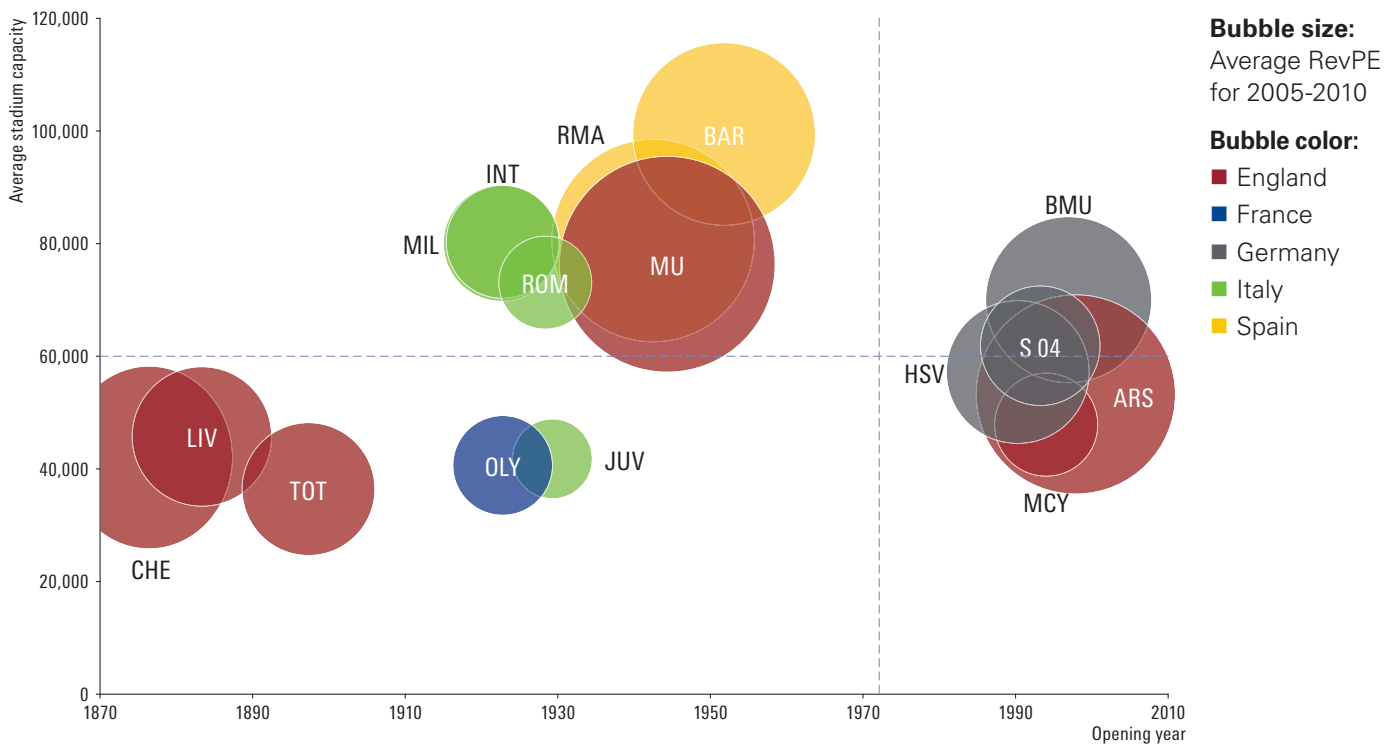
To shed some light on the fundamentals of revenue generation, it is interesting to see how the year of opening, the total stadium capacity and the revenue generated per match compare across the top clubs. Firstly, most of the stadia were constructed in the first half of the 20th century; only five were built in the last 20 years. The amount of revenue generated by the stadia is not directly related to stadium age, though the real underperformers are clubs using very old facilities. The few state-of-the-art stadia of the top European clubs are in England and Germany, the two leagues with the strongest economic performance. These facilities provide the opportunity for additional revenue-generating services and provide a robust platform for the sustainable growth of business. While stadia should be developed with a long-term perspective in mind, direct short-term benefits can also be significant. If planned and executed well, clubs enjoy a “New Stadium Effect” of higher attendances for a few years after the new stadium has been inaugurated. For example, Juventus sold 24,000 seats as season tickets, even before the start of the first season of the new stadium. This is already 5% more than the average attendance of last season, when Juventus played in the Stadio Olimpico of Turin.

It is imperative that stadium design be well tailored to the requirements of the local corporate and consumer markets.



AFAS Stadium, Alkmaar
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Revenue generating ability of the top European clubs' stadia



Source: UEFA, Clubs' homepages, Deloitte Football Money League 2006-2011, KPMG analysis

Notes:

- (1) RevPE: Revenue per Event; matchday revenues generated during the season divided by the number of games played; 2005-2010 data.
- (2) This chart comprises only those 16 teams which were consistently among the top European clubs throughout the examined period.
- (3) No data available for Manchester City for the 2006/07 season.
- (4) Manchester United's stadium was rebuilt after being bombed during WWII.
- (5) Hamburger SV's stadium was rebuilt in 1998 at the same location where the previous one stood.
- (6) The difference between Milan's and Internazionale's bubble size is only EUR 0.1 million therefore they cannot be differentiated.

With 42% of total operating revenues from matchday income, Arsenal is one of the best examples of clubs owning a modern stadium capable of fully capitalising on local market opportunities.

The legacy issues of stadium development programmes for major events: the case of Poland-Ukraine UEFA EURO 2012 and the 2018 Russian FIFA World Cup

Major events typically create an opportunity to attract interest in the sport and reach new attendees. However, when a country is planning to host such major events, attention needs to be paid to legacy issues and particularly how the new-build facilities will be utilised after the end of the event. Poland and Ukraine will host the UEFA EURO 2012, which is linked to a major stadium development programme in both countries.

As the table shows, most of these facilities are publicly financed and owned.

The cost of investment varies greatly with the size of the venue. The Warsaw, Kiev, Donetsk and Lviv stadia are very large stadium developments, having development cost per seat between EUR 5,700 and EUR 6,700.

Russia as an assigned host nation of the 2018 FIFA World Cup has a relatively long time to prepare for the event. Through the hosting of the event, Russia will have great opportunity to improve football facilities across the country. Sixteen stadium developments have been announced as potential sites for the FIFA World Cup matches, however only ten will be selected as host venues.

Key data on stadia hosting the UEFA EURO 2012 in Poland and Ukraine

	City population	Stadium capacity	Investment budget (EUR m)	Cost per seat (EUR)	Number of VIP seats	VIP seats, %	Owner	To be used by
Poland								
Warsaw (New)	1,716,855	56,995	377	6,615	896	1.57	State treasury	-
Wroclaw (New)	632,561	42,771	180	4,215	1,623	3.79	City of Wroclaw	Slask Wroclaw
Gdansk (New)	456,874	42,000	155	3,692	1,383	3.29	City of Gdansk	Lechia Gdansk
Poznan (Upgrade)	552,735	41,018	163	3,985	480	1.17	City of Poznan	Lech Poznan
Average	839,756	45,696	219	4,627	1,096	2.40		
Ukraine								
Kiev (Upgrade)	2,785,131	68,050	404	5,936	4,001	5.88	State ownership	-
Donetsk (New)	968,250	51,504	294	5,706	2,799	5.43	Private ownership	FC Shakhtar
Kharkiv (Upgrade)	1,452,256	38,633	55	1,424	506	1.31	State/Private ownership	Metalist Kharkiv
Lviv (New)	733,989	33,400	200	5,988	450	1.35	State ownership	-
Average	1,484,907	47,897	238	4,764	1,939	4.05		

Source: KPMG research

Notes: 1) FC Dynamo Kiev will play its Champions League matches in the new Kiev stadium, which will host national team matches as well.

(2) FC Karpaty Lviv may play home games in the new Lviv stadium.

Key data on the stadia considered to host the 2018 Russian FIFA World Cup

City	City population	Stadium capacity	Investment budget (EUR m)	Cost per seat (EUR)	Number of VIP seats	VIP seats, %	Owner	To be used by
Moscow (Luzhniki) (Major renovation)	11,514,300	89,318	189	2,116	1,440	1.61	Olympic Complex Luzhniki	-
Saint Petersburg (New)	4,848,700	69,501	316	4,547	1,360	1.96	City of St. Petersburg	F.C. Zenit
Krasnodar (New)	744,900	50,015	205	4,099	640	1.28	Krasnodar region	F.C. Kuban
Moscow (Spartak) (New)	11,514,300	46,990	229	4,873	654	1.39	F.C. Spartak	F.C. Spartak
Kazan (New)	1,143,600	45,105	197	4,368	837	1.86	City of Kazan	F.C. Rubin
Kaliningrad (New)	431,500	45,015	166	3,688	640	1.42	Government of the region	F.C. Baltika
Saransk (New)	297,400	45,015	166	3,688	640	1.42	Mordovian Government	F.C. Mordovia
Volgograd (New)	1,021,200	45,015	166	3,688	640	1.42	Volgograd region	F.C. Rotor
Moscow (Dynamo) (Major renovation)	11,514,300	44,920	221	4,920	630	1.40	F.C. Dynamo	F.C. Dynamo
Nizhny Novgorod (New)	1,250,600	44,899	189	4,209	600	1.34	City of Nizhny Novgorod	F.C. Volga
Moscow (Region) (New)	11,514,300	44,257	205	4,632	665	1.50	City of Moscow	F.C. Saturn
Samara (New)	1,164,900	44,918	142	3,151	683	1.52	City of Samara	F.C. Kryliya Sovetov
Yekaterinburg (Major renovation)	1,350,100	44,130	126	2,855	600	1.36	Groupe Sinara	F.C. Ural
Yaroslavl (New)	591,500	44,042	158	3,587	600	1.36	City of Yaroslavl	F.C. Shinnik
Rostov-on-Don (New)	1,089,900	43,702	174	3,982	754	1.73	Rostov region	F.C. Rostov
Sochi (New)	343,300	47,659	178	3,724	650	1.36	Olimpistroy	F.C. Zhemchuzhina
Average	3,770,925	49,656	189	3,883	752	1.51		

Source: FIFA, KPMG analysis

A closer look at the planned developments in Russia reveals that all stadia are designed according to the minimum requirements for hosting World Cup games, as set out by FIFA. The standardised size of the planned stadia and the similar number of VIP seats across almost all sites do not seem to reflect an effort to customise facilities to local demand characteristics.

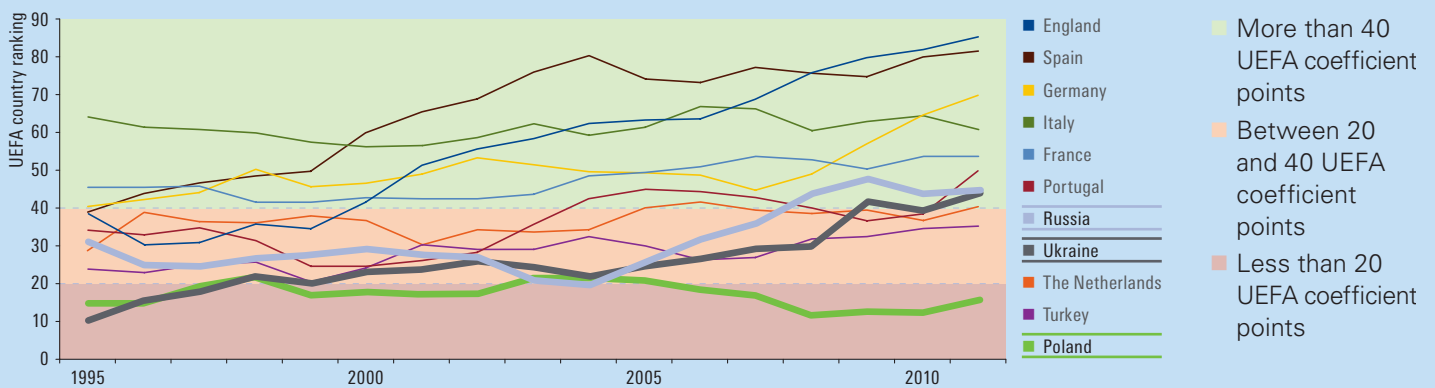
A budget of EUR 3 billion has been set for stadium construction and renovation for the 2018 FIFA World Cup. Again, budgets seem to be very similar without much customisation to the specific sites. For it to be less of a legacy challenge, more detailed business planning is needed before construction actually starts.

In terms of legacy issues, the situations of the three countries are somewhat different, as population, size, economic development potential, success of club teams, and the success of the three national leagues are quite different. Looking at these parameters, the case of Poland seems to

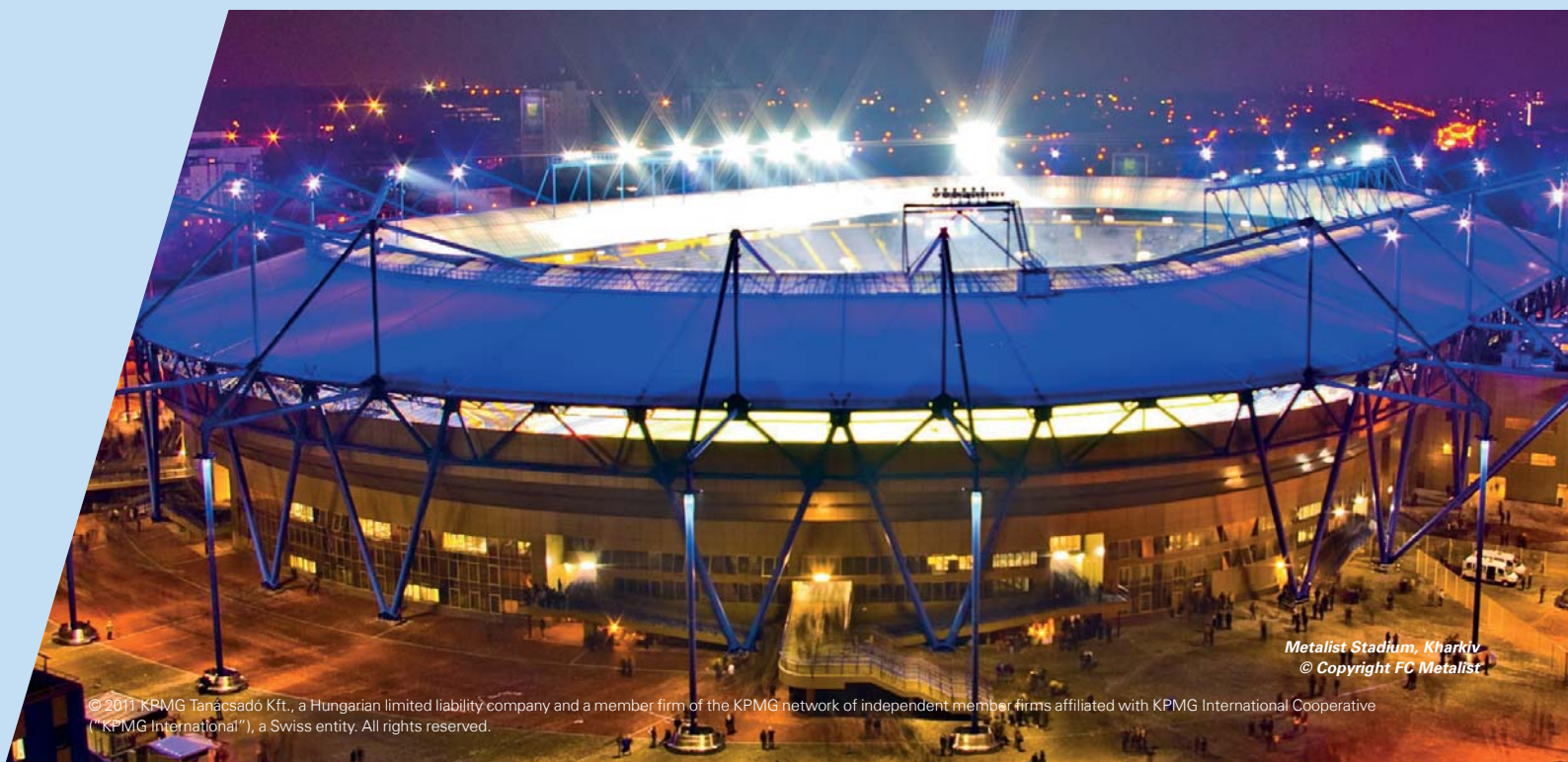
mount some challenges to the utilisation legacy, especially in view of the relatively poor performances of Polish teams on an international basis and the UEFA ranking of Poland's Ekstraklasa. In comparison to Poland and Ukraine, Russia has better reasons to embark upon a major stadium development programme, as the improving sport success of the teams, the expected growth of the economy, and even the current market size comparable to that of the Big Five nations in Europe make a compelling argument for ambitious developments.

However, building large stadia will not in itself guarantee the continuing success and growth of Russian football business. General economic conditions need to continue to improve, while the new stadium developments need careful adjustments to the specific market conditions and demographics of each location. If the development and the legacy utilisation of the new stadia are carefully and professionally managed, Russia may indeed become a new member of Europe's top football nations.

Historical football success of selected European leagues



Source: UEFA, KPMG analysis
Notes: UEFA country ranking is calculated by the 5-year moving sum of the UEFA coefficients of the leagues.



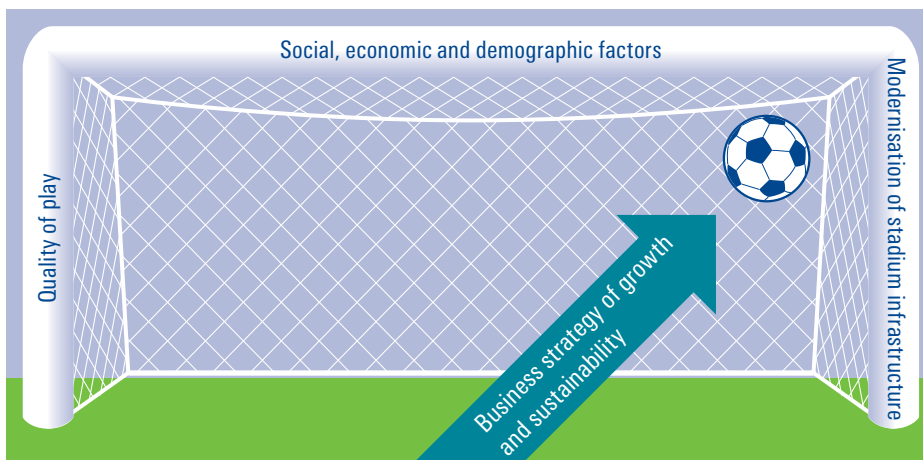
Metalist Stadium, Kharkiv
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4.2. The role of stadia within European football clubs' business strategy and financial sustainability

The football business in Europe faces serious challenges related to developing a business model that provides sustainable operations for football clubs. While businesses aim to grow, sustainability requires that revenue generation opportunities are maximised to the fullest possible extent, providing a basis for further investment into players and facilities.

Growth opportunities for a club are facilitated or limited by socio-economic and demographic factors of the country, while the quality of play of the football teams is also a key driver of success. How much clubs may actually benefit from the opportunities shaped by these factors is greatly contingent upon the design and management of their stadia and the services they offer. Stadia play a key role in achieving sustainable long-term success for football clubs.

Key factors of growth and sustainability in the business of football



Sport success is clearly a factor that may positively influence revenue generation. Hence, if Revenue per Available Seat (RevPAS) results are assessed in light of a trophy index reflecting historical sport success in domestic and international club competitions, interesting findings appear.

Italian clubs congregate at the low end of the RevPAS scale, which indicates that, quite irrespective of their sport success, they tend to perform weakly in terms of stadia revenues. This is even more evident if we compare their revenue generation to German club Hamburger SV and English club Tottenham Hotspur that have not achieved any significant sport success recently, but still outperform any Italian club in terms of RevPAS.

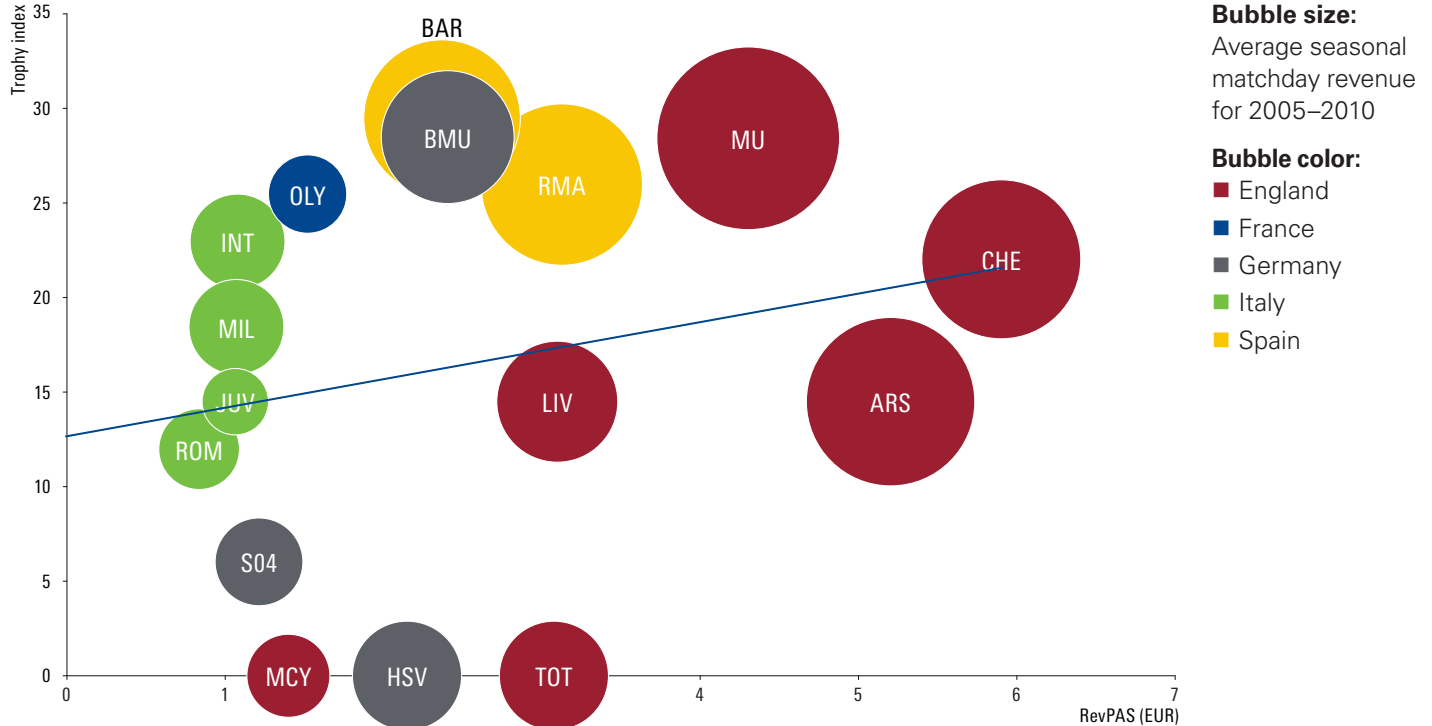
English clubs are leading the field, with Arsenal being one of the best performers despite not having won a trophy for several years. Both the two Spanish giants, Real Madrid and FC Barcelona, underperform financially in terms of RevPAS compared to how successful they have been at winning trophies.



In football, to maximise opportunities on and off-the-field, you need to have a clear goal: stadia play a key role.

Top Italian teams are in need of new, modern venues.

Relationship between sport success and revenue generation during the period 2005-2010



Source: UEFA, Deloitte Football Money League 2006-2011, KPMG analysis

- Notes:
- (1) Trophy index: based on the last 10 years performance in the Champions League, the UEFA Cup/Europa League, the national championships and domestic cups.
 - (2) RevPAS: Daily Revenue per Available Seat; calculated as annual matchday revenues / (number of available seats in the stadium x 365 days); 2005-2010 data.
 - (3) This chart comprises only those 16 teams which were consistently among the top European clubs throughout the examined period.
 - (4) No data available for Manchester City for the 2006/07 season.



Stadium of Light, Sunderland
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This analysis highlights the fact that a strong domestic market and state-of-the-art stadia have at least as strong influence on revenue generation as relative sport success.

Disaggregating the key drivers of matchday revenue, and comparing the top European clubs along all these factors, lead to clear recommendations as to how clubs may improve their revenue generation. The top European clubs are positioned in four identifiable strategic groups.

There are three clubs that seem to excel in terms of high attendance, a high number of games played (which is partially linked to football success), and also in terms of average spectator spending (Revenue per Attendee, RevPA). Arsenal, Barcelona and Manchester United appear in this group, and while their business could still improve, they are better off in terms of realising their business opportunities than their competitors.

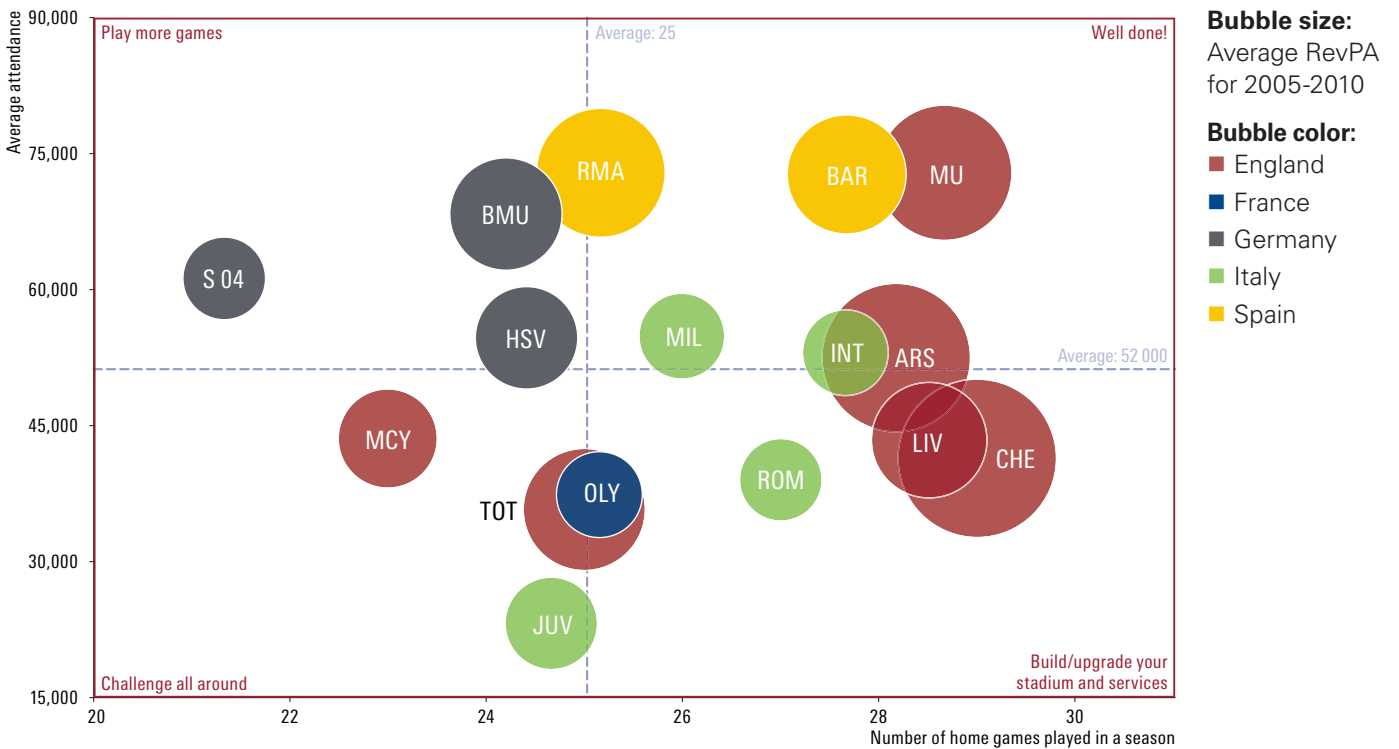
Some clubs could financially benefit from more games played in a year. German clubs Bayern München, Hamburg and Schalke belong to this group. This is partly explained by the fact that the German Bundesliga has fewer teams than the other four leagues. Somewhat surprisingly, Real Madrid is also positioned here due to having been knocked out relatively early in the national cup and in the UEFA Champions League over the last few seasons.

Chelsea, Liverpool and AS Roma form another strategic group. These clubs could clearly benefit from the opportunity to move into a state-of-the-art new stadium, and with Chelsea also in need of a capacity increase. Looking at their

stadium revenue performances all top Italian teams (with the exception of Juventus, who inaugurated its new stadium in September 2011) seem to be in need of new, modern venues. The small RevPA they generate is clearly connected to their outdated stadia with services far behind in quality compared to European best practice.

Finally, the less successful English clubs, Manchester City and Tottenham Hotspur, together with the only French club in the sample, Olympique Lyon need to challenge the leading clubs in all aspects (i.e. sport success, upgrade and/or further commercialise their stadia) if they wish to close the gap with the top performers.

Key drivers of matchday revenue during the period 2005-2010



Source: UEFA, Deloitte Football Money League 2006-2011, European Football Statistics, KPMG analysis

- Notes:
- (1) RevPA: Revenue per Attendee; calculated as total matchday revenues in a season divided by the total number of attendees; 2005-2010 data.
 - (2) This chart comprises only those 16 teams which were consistently among the top European clubs throughout the examined period.
 - (3) No data available for Manchester City for the 2006/07 season.



5. Conclusion

Stadia are key revenue-generating assets for football clubs and play an important role in achieving sustainable long-term success. Matchday revenues of clubs across Europe paint a picture with dramatic contrasts, reflecting the unrealised business opportunity for football clubs in many countries, as well as different business models of developing, financing and commercialising their stadia.

In terms of matchday income, the tendency shows privately-owned stadia outperforming publicly-owned ones. This is mainly due to the fact that publicly-owned stadia of the top European clubs are typically very old, whilst some of the privately-owned stadia have been recently built with great attention to revenue generating potential. Successful clubs aim to gain more control over their stadia, which in turn is a key factor in stadium commercialisation and may have a positive effect on revenue generation.

Stadium development is highly capital intensive, as even a small facility with 15-20,000 seats may cost well over EUR 20 million. For long-term sustainability, careful analysis of the specific market demand, calibration of stadium size, and mix of facilities and amenities is strictly necessary. The size of a stadium and its configuration primarily determine its revenue-generating capability and operating costs. Therefore, it is imperative that their design be well-tailored to the requirements of the corporate and consumer markets.

The foundation of any financing effort is a robust business plan. While there is an impressive range of successful financing solutions applied by flagship stadium developments across Europe, careful analysis and planning of the appropriate financing structures needs to be made for any stadium project.

Growth opportunities for a club are facilitated or limited by socio-economic and demographic factors of the market in which a club operates, while the football team's quality of play is also a key driver of success. How much clubs may actually benefit from the opportunities shaped by these factors is greatly contingent upon the design and management of their stadia and the services they offer. Developing and operating stadia with a clear business focus on commercialisation and attention to long-term sustainability may indeed improve the football clubs' matchday revenue generating ability, giving a strong basis for further business growth.

Relatively old, large average capacity stadia in Italy with only 61% utilisation, in spite of the competitive quality of play, large population and sizable economy suggest great development potential in the Italian market for new club-owned facilities. The example of Juventus' newly developed venue will hopefully set the path for the construction of stadia offering better commercial opportunities.

Given their strong growth prospects coupled with the opportunities inherent within the large populations, if the Big Five leagues become the "Big Six" or "Big Seven" in the foreseeable future, new joiners of this strategic group will most likely be Russia and/or Turkey. For that to happen, applying the best practice of stadium development and operations in these countries will be necessary. Through the hosting of the 2018 FIFA World Cup, Russia will have a unique opportunity to improve football facilities across the country.



Who we are

KPMG is a global network of professional firms providing Audit, Tax and Advisory services. We have 138,000 outstanding professionals working together to deliver value in 150 countries worldwide.

KPMG's Sports Advisory addresses the specific needs of clients active in the sports business. We are well positioned to serve clients in the sports sector, based on the understanding of specific sports markets and our dedicated team of professionals serving sports sector clients.

How can we help you?

Whether you wish to develop a new sports facility, enhance your sports business, or host a sporting event, it is imperative to gain a clear understanding of the opportunities and risks that lie ahead.

With that in mind, the following are some of the concerns KPMG's Sports Advisory practice may help you to address:

- How can we maximise the commercialisation of our stadium by tailoring the product offering to local market trends and preferences?
- What are the success factors for our development project? Will the planned facility development pay back in the foreseeable future and remain sustainable in the long term?
- How can we prepare a first-class bid for an international event, and gain support from our key stakeholders?
- What are the overall economic impacts and costs / benefits of hosting a major sporting event? How can we finance it?
- How can our organisation show appropriate transparency as required by our supervising bodies and sponsors?

These and similar questions often arise, and organisations from the sports sector are increasingly turning to KPMG's Sports Advisory practice for support.

Stadia & Arena

- Market study
- Pricing analysis and modelling
- Feasibility study
- Partner search

Major Events

- Predictive and/or evaluative Economic Impact Study
- Bidding assistance
- Strategic advisory

Mixed-Use Developments

- Conceptualisation
- Feasibility study
- Transactional assistance



Contact

Dr. Andrea Sartori
Partner
Sports Advisory

T.: +36 1 887 7215

F.: +36 1 887 7407

E.: andreasartori@kpmg.com

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