

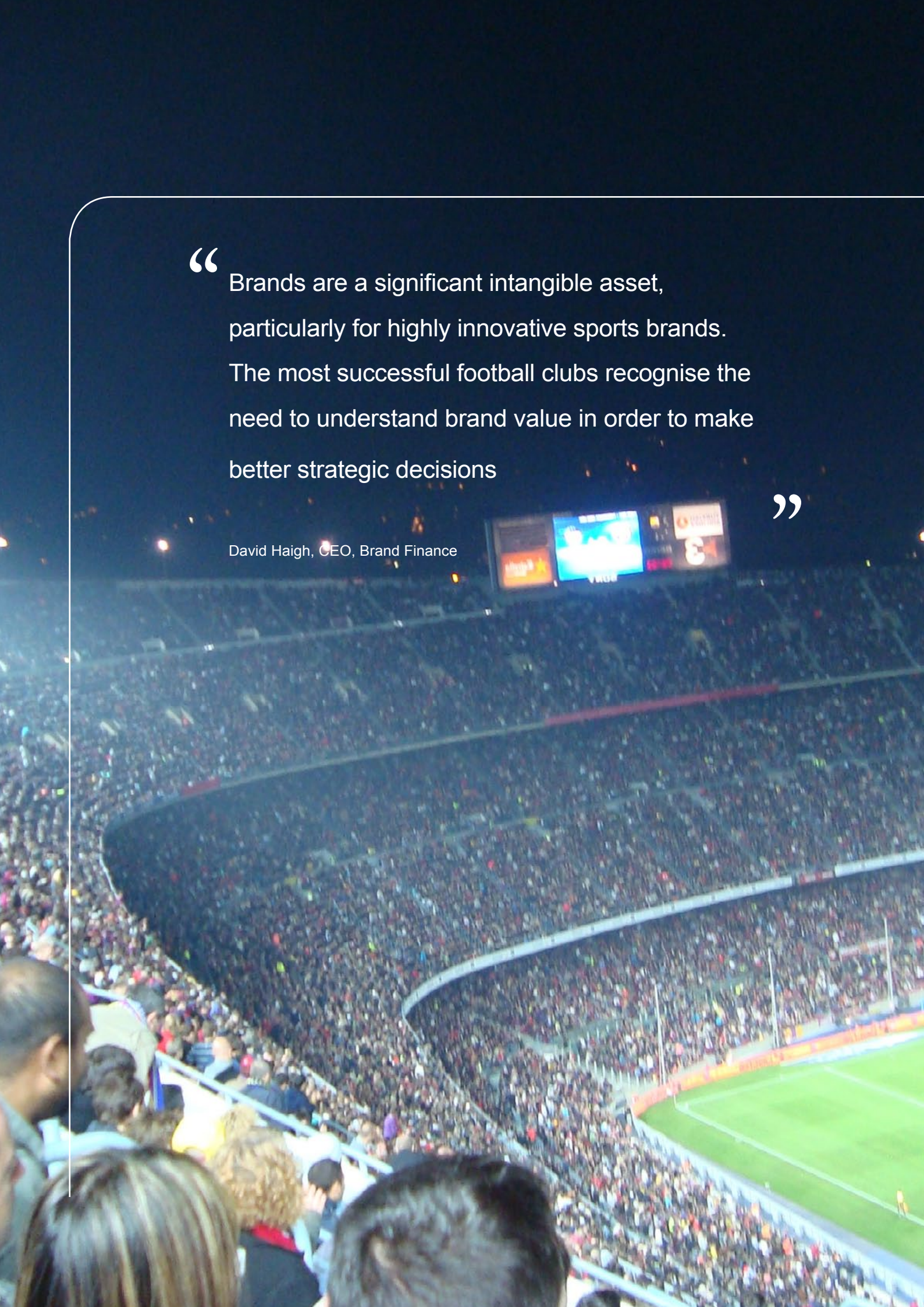


# Brand Finance<sup>®</sup> European Football Brands 2011

The annual report on Europe's  
most valuable Football brands  
September 2011







“ Brands are a significant intangible asset, particularly for highly innovative sports brands. The most successful football clubs recognise the need to understand brand value in order to make better strategic decisions ”

David Haigh, CEO, Brand Finance

## Executive Summary

### This year

Welcome to the 2011 edition of the Top 30 European Football Brands 2011. This year, the report has been extended to include 30 clubs as the football businesses revenues continue to grow.

Manchester United regains the title of most valuable football brand with a brand value of £412m, pushing last year's champions Real Madrid into second spot. This value is driven by continued on pitch success, sell out match-days, innovative commercial deals, financial strength and global reach of the Red Devils.

However, it's the "other" team from Manchester that is this year's biggest riser. Manchester City moves up eight places, with almost 100% brand growth as the superstars continue to flock in and commercial partners pay record breaking sums to be affiliated with the increasingly marketable squad.

### What will the new regulations mean?

To help regulate the financial operations of the game, the 2011-12 season sees the first year of the new UEFA financial fair play rules being rolled out. In response we expect to see clubs concentrate on increasing their brand strategies to create vital additional revenue streams to ensure they "operate within their means". Where matchday and media revenues are largely capped by fixtures and centrally derived deals, it's the commercial brand revenue streams that provide clubs with the potential of uncapped returns and financial might.

Despite the continued European economic downturn, the 2011 results show an average 3% growth in brand value for the league members. A review of the recently signed commercial deals show global companies' appetite to get involved continues to be high. The clubs in the Premier League alone now have over 100 commercial partners, as traditional advertising methods demise, brands are increasingly seeing football as prime marketing collateral.

### The Brand Finance Top 30

The Brand Finance Top 30 European Football Brands league table once again shows a divide as the big four European clubs (Man Utd / Real / Barca / Bayern) accelerate ahead and report a combined brand value of over £1.5bn. Driving this divide is:

- Consistent domestic success and Champions League presence
- Large, commercially developed and fully utilised stadiums
- A global fanbase and brand awareness
- A clearly defined commercial strategy to attract global partners
















The league table shows the magnitude of value held within football club brands. However, the top line value alone has little immediate application to football clubs. Just as clubs have dedicated teams that look after servicing, upgrading and maximising the use of their fixed assets (stadia) and keeping their players match-fit, they now need similar investment and processes in servicing the brand. In-depth valuation and bench marking against competitors is the first step in understanding the brand and the value it gives football club businesses.



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# Top 30 Most Valuable European Football Brands

RANK 2011	RANK 2010	CLUB	2011 BRAND VALUE £M	2010 BRAND VALUE £M	% CHANGE	BRAND FINANCE BRAND RATING	COMMENTARY
1	2	MANCHESTER UNITED FC 	412	373	10.6%	AAA	The Red Devils add another title to the trophy cabinet. Continued on pitch success, backed up with increased off pitch commercial innovation and clout.
2	1	REAL MADRID CF 	401	386	3.9%	AAA	Real lose out to United this year, but huge revenues still drive strong brand value as major brands look to be affiliated with the club and its Galacticos.
3	3	FC BARCELONA 	392	362	8.5%	AAA	The Catalans continue to impress the world with their sublime football, this year they took their first paid shirt sponsor to help tackle debt.
4	4	FC BAYERN MUNICH 	308	301	2.3%	AAA	The biggest commercial revenues in world football ensure Bayern firmly remain as one of the big four brands - its prudent financial model sets it apart from its European peers.
5	6	CHELSEA FC 	196	200	-2.1%	AA	With no trophies last year and £50m flop Torres failing to hit form the boys from Stamford Bridge see their brand value stagnate. The club needs a better global presence to challenge the leaders.
6	5	ARSENAL FC 	188	215	-12.5%	AA	Things go from bad to worse for the Gunners, its under par contracted commercial deals and loss of superstars puts a strain on its ability to maximise its brand potential
7	7	AC MILAN 	170	167	1.9%	AA-	Poor attendances at the aging San Siro stadium and a disappointing Champions League (CL) hold back AC's brand despite domestic success.
8	8	FC INTERNAZIONALE MILANO 	164	160	2.8%	AA	Behind AC Milan in Serie A, Inter have done well to hold onto star man Wesley Sneijder.
9	9	LIVERPOOL FC 	156	141	10.6%	AA	A resurgent Liverpool may not be in Europe this year, but the club's heritage remains strong and we expect the new owners to add some marketing magic to push brand equity up.
10	10	JUVENTUS FC 	115	127	-9.9%	BBB+	Missing out on CL football combined with Italian clubs moving to collective media rights have dampened the outlook for Juve. Hopefully the new club owned stadium will provide a platform for growth.
11	19	MANCHESTER CITY FC 	106	54	97.1%	BBB	Huge sponsorship deals, star signings, Champions League football and a first trophy in 35 years. Unsurprisingly Manchester's 'other' club performs well.
12	14	FC SCHALKE 04 	84	79	6.6%	BBB+	Contrasting fortunes saw Schalke reach the semi final of the Champions League but finish 14th in the Bundesliga. Will need a far better domestic year to keep their brand gains.
13	11	HAMBURGER SV 	84	96	-12.5%	BBB+	No European football and an 8th place finish in the financially stringent German league, Hamburger seem to have peaked
14	15	TOTTENHAM HOTSPUR FC 	79	76	4.0%	BBB	A strong CL debut saw a boost to revenues and global reach. Losing out on the Olympic stadium means Spurs will have to look elsewhere to increase matchday marketability.
15	16	BORUSSIA DORTMUND 	78	74	6.4%	BBB+	The German champions will want a good showing in Europe this year to cement increased revenues and increase brand value.

RANK 2011	RANK 2010	CLUB	2011 BRAND VALUE £M	2010 BRAND VALUE £M	% CHANGE	BRAND RATING	COMMENTARY
16	13	OLYMPIQUE LYONNAIS 	76	81	-6.9%	A	Lyon will be hoping on another CL run this year, to help reverse the drop in commercial revenues. A new deal with Adidas and stadium build on track should provide a boost.
17	17	OLYMPIQUE DE MARSEILLE 	74	70	5.7%	BBB+	Marseille continue to catch rivals Lyon in the brand value league with the biggest French average attendance set to increase when a stadium redevelopment is completed.
18	12	AS ROMA 	63	87	-27.1%	BBB+	A disappointing year for Roma with no trophies and poor attendances. However its new US owner has set a clear strategy to return to winning ways
19	NEW	ATLÉTICO DE MADRID 	55	-	-	BBB+	The loss of Agüero and no Champions League this year means Atletico face an uphill struggle to improve their brand strength
20	20	VFB STUTT GART 	51	52	-3.0%	BBB-	A disappointing 10-11 domestic season, will see no CL football this year and the riches that go with this.
21	20	VALENCIA CF 	50	-	-	BBB+	Uncertainty still surrounds Valencia, huge debts, unfinished stadia and disappointing ticket sales - the club needs on pitch success to distract from its off pitch problems.
22	NEW	FC GIRONDINS DE BORDEAUX 	48	-	-	BBB-	The 2008/9 Ligue 1 champions have not seen European football or domestic success for two years now. They need a good 2011/12 if they want maintain their brand value.
23	21	AFC AJAX 	46	45	2.0%	BBB+	The only Dutch brand to make the list, the Eredivisie Champions will hope a good CL run will see them revitalise the clubs global heritage
24	NEW	SSC NAPOLI 	43	-	-	BBB	New entries Napoli complete their stunning comeback gaining a place in the Champions League after being in the Italian bottom division a mere 6 years ago.
25	22	ASTON VILLA FC 	43	41	3.8%	BBB-	Villa have lost both their wide men Young & Downing. With no European football this year, we expect Randy Lerner to dip into his cash pile to bolster the brands potential
26	18	SV WERDER BREMEN 	42	56	-24.9%	BBB-	A poor 13th in last year's Bundesliga ensures no European football this year. Werder Bremen will need to a big turn-around to stop their brand value from falling further.
27	24	EVERTON FC 	38	38	1.3%	BB+	Strapped-for-cash Toffees take a tumble. With no European football this season it will take an excellent domestic campaign to stop them falling further next year.
28	NEW	SL BENFICA 	36	-	-	BBB	A brand strength increase from 2010's domestic double season has seen matchday revenues rise and overall brand value increase.
29	NEW	ACF FIORENTINA 	35	-	-	BB+	Despite no European football, Fiorentina continue to make a profit and steadily grow their brand value. They need to reach Europe next year to take a step up.
30	NEW	SS LAZIO SPA 	34	-	-	BBB-	A good 5th spot finish in Serie A is a marked improvement on last year. A good run in the Europa league is needed as poor attendances are holding the Rome based team back.



# Review of the Top 10 Most Valuable European Football Brands



## Manchester United FC

01



£ 412 m

10.8%

Rating: AAA

2010 Rank: 2

2010: £373 m

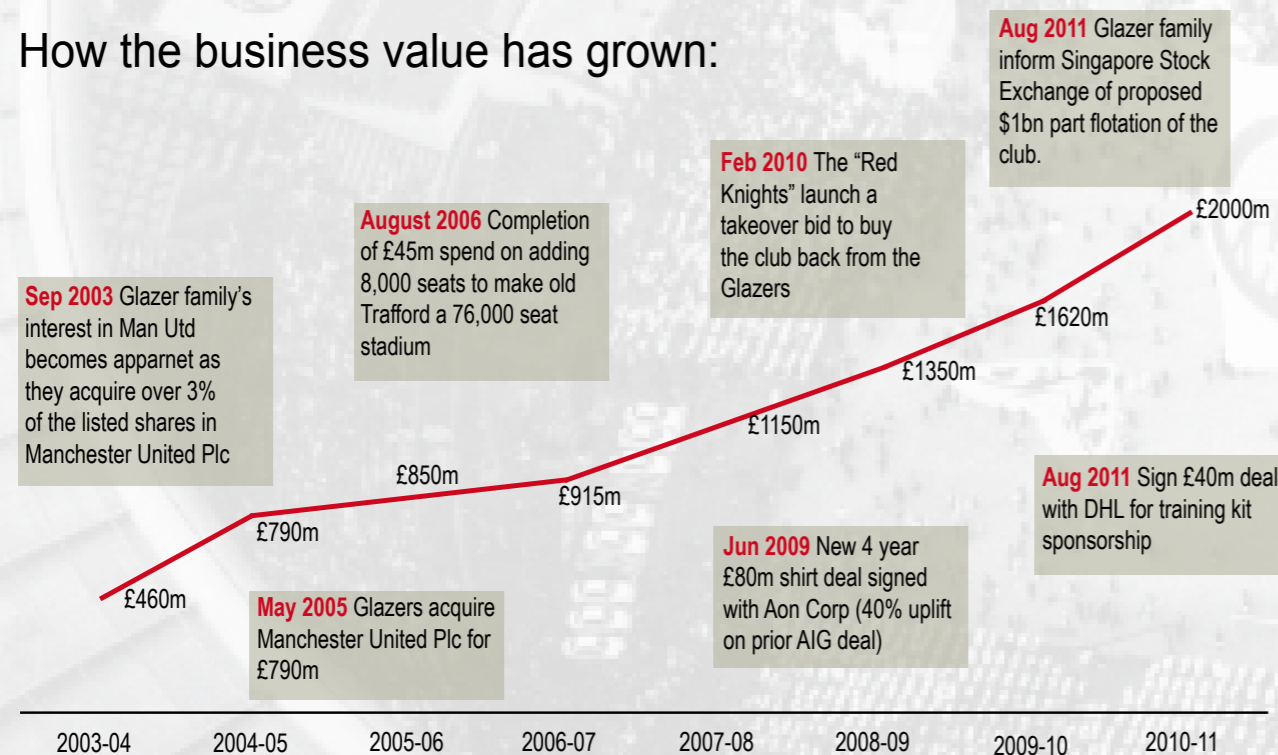
The Red Devils return to the top of the Brand Finance Top 30 European Football Brands table after a record breaking season.

Manchester United produced a 19th English League title this year, allowing them to surpass Merseyside rivals Liverpool. They also reached the Champions League final, the single match alone watched by over 300 million people globally, ensuring the clubs brand was beamed into front rooms around the world.

A testament to Manchester United's global reach and brand power is their recent innovative £40m deal with DHL to sponsor training kits. The commercial team at United have developed such a compelling and well protected brand, that global partners are willing to pay premium sums to be affiliated with the champions. In the upcoming IPO, we would expect the Brand strength of the club to feature prominently in the investment story. With broadcasting and match-day revenues all but maxed out, it's the commercial brand revenues that provide the club and investors with contractual and highly profitable streams of income less dependent with on pitch success.

With United's upcoming Singapore listing - Brand Finance has analysed the clubs business value growth since the Glazers involvement;

## How the business value has grown:



## Manchester United shirt sponsorship values:



Despite losing the title of the most valuable European football brand to Manchester United, Real Madrid continues to report the biggest revenues in football and enjoys another year of steady brand value growth. Real's brand strategy is more akin to that of a Hollywood movie than a football club. Recognising fans will pay handsomely to see the biggest stars in football, they consistently spend huge sums on big name players such as Ronaldo, Kaka, Ozil & Di Maria. These big signings have enhanced Real Madrid's brand potential and allowed them to negotiate huge commercial and broadcasting deals.

With UEFA's Fair Play rules on the way these deals will help them turn off-pitch success into on-pitch success. For a club of Real Madrid's stature, three years without a domestic league title and a decade since European success has started to damage the brand. The value of Real and Barca's brands relative to their BBVA La Liga competitors is moving further apart leaving many Spanish teams now questioning how they can compete.



## Real Madrid CF

02



£ 401 m

3.9%

Rating: AAA

2010 Rank: 1

2010: £386 m



# Review of the Top 10 Most Valuable European Football Brands



**FC Barcelona**

**03**



£ 392 m  
8.5%  
Rating: AAA  
2010 Rank: 3  
2010: £362 m

An incredibly successful season in 2010-11 saw the Catalans win a treble with both European and domestic success. This has allowed Barcelona to close the brand value gap on Spanish rival's Real Madrid. Barca's sumptuous brand of football attracted the largest average attendances of any club in Europe and star quartet Messi, Xavi, Iniesta & Villa have made the Catalan club incredibly marketable. The club's administration need to build on this to maximise the use of their strong brand.

However, on pitch success has come at a price and a large debt pile continues to plague the club. With the highest average player salaries in Europe, this season sees Barcelona demote their former charitable ambitions and take on a paid shirt sponsor for the first time in its 110 year history. This change of strategy marks a significant moment in the sport as business and sport "values" are being debated. The not-for-profit Qatar Foundation has agreed to pay at least €30m a year until 2016 to be on the front of the Barca kit. Whilst this move provides vital funds for the club, it has also upset many of the clubs Socios owners.

The last member of our 'big four' Bayern Munich are the most successful German side, streaks ahead of the domestic competition. They comfortably sell out their 69,000 seater Allianz Arena stadium. Bayern Munich clearly has a strong domestic brand which accounts for their huge commercial revenues. The clubs has cemented long term sophisticated partnerships and uniquely some partners e.g. Adidas/Audi, actually have equity stakes in the club. We expect to see more brands investing directly into clubs, taking an active role in providing not only financial input but commercial guidance. In 2010 Bayern Munich posted profitable accounts for the 18th year in row in stark contrast to many of its European rivals that are struggling to rein in heavy losses. As the financial fair play rules begin to bite, the values engrained in Bayern Munich's financial operations will see it start ahead of competitors. Overseas still provides a growth opportunity for Bayern Munich. However, as the clubs sees itself as a "national" team, it could benefit more from satisfying the local audience than chasing new global followers.



**FC Bayern Munich**

**04**



£ 308 m  
10.8%  
Rating: AAA  
2010 Rank: 4  
2010: £301 m



**Chelsea FC**

**05**



£ 196 m  
-2.1%  
Rating: AA  
2010 Rank: 6  
2010: £200 m

In footballing terms many see the 2011-12 season as a transition period for Chelsea, this is reflected in 2011's negative brand growth. With no trophies, their big signing Torres struggling to find form and a relatively small stadium, the brand is stagnating. Since the arrival of Abramovich in 2003, the club has propelled its global recognition. With the Premier League now reaching over 200 territories, the club has recognised and commercialised its player icons into "brand ambassadors" for the club. By owning the individual image rights for its players, the club can produce alternative returns on investment from its players.

Another shopping spree over the summer leaves the club with an unhealthy wage to turnover ratio of over 80%. This urgent problem means Chelsea will either need to cut costs or drive income. The Blues will be hoping that its 5<sup>th</sup> manager in as many years will have the right tactics to change the on-pitch success of the club and collect some trophies. The club now needs some stability and success to enrich its heritage and help convert its global followers into more lucrative global fans and consumers.

The 2010-2011 season was one to forget for Arsenal, as the Gunners endured another trophy free campaign. The departure of their captain Cesc Fabregas and star Frenchman Sami Nasri over the summer means that the 2011-12 looks set to be another tough season.

The size of recent commercial agreements signed by Europe's biggest football clubs highlights the under-par principle commercial deal that Arsenal is contracted into with Emirates. The £100m deal struck with Arsenal in 2004 was a record for English football at the time, however the 15 year "partnership" highlights the risk of agreeing long term deals in such a volatile environment. The Arsenal – Emirates example shows that clubs need to ensure they have carefully researched and modelled potential deals to reach the best price, or be left regretting their partnerships later down the track.



**Arsenal FC**

**06**



£ 188 m  
-12.5%  
Rating: AA  
2010 Rank: 5  
2010: £215 m



# Review of the Top 10 Most Valuable European Football Brands



AC Milan

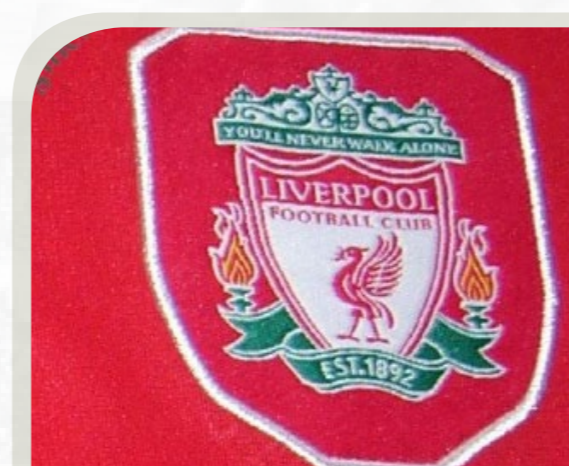
07



£ 170 m  
1.9%  
Rating: AA-  
2010 Rank: 7  
2010: £170 m

As attendance falls and stadia infrastructure deteriorates Italian football is losing popularity, which is reflected in poor growth for the two Milan based clubs. AC Milan's Serie A title keeps them just ahead of Inter Milan in brand value despite a poor European campaign.

The club has chosen to manage its commercial and marketing affairs through a separate specialist sport agency. This decision allows the clubs to utilise out-sourced expertise rather than develop this strategy internally. One of the first strategies adopted by AC Milan in the new agency agreement was a "less is more" policy, which sees the number of sponsors affiliated with the club reduce. With a smaller number of commercial partners, the club believes it is better able to leverage brand value through the exclusivity available.



Liverpool FC

09



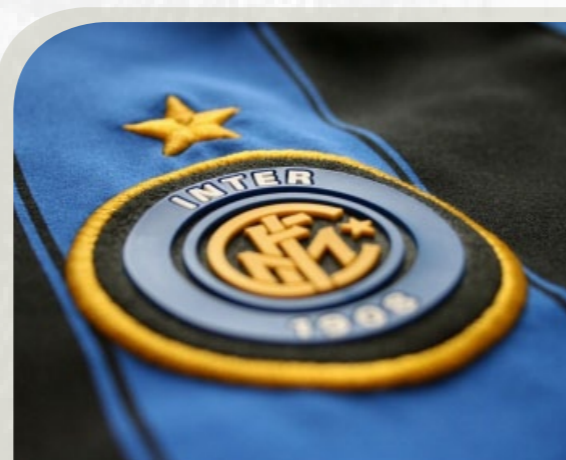
£ 156 m  
10.6%  
Rating: AA  
2010 Rank: 9  
2010: £141 m

Liverpool's brand starts to bounce back after several years of steady declines, offloading Torres and bringing in Uruguayan maestro Suarez at the right time, is helping the club improve its brand value. With no European football this year the club misses out on all three lucrative revenue streams that participation in Europe provides.

With the Hicks – Gillett saga behind them, the new American owners have cited their intention to exploit the clubs popularity in regions such as Asia. To help drive this move, the club has poached Graham Bartlett from Nike UK, whose role will be to oversee the clubs development in commercial partnerships, digital media channels, merchandising and licensing. We expect to see the clubs brand value rise as a result of Bartlett's guidance.

Despite a higher average attendance than AC Milan in the same stadium, Inter are still behind their Milan rivals in brand value. However, 2010's Champions League win helped them boost their brand awareness globally. But like AC Milan they need to boost their brand domestically to gain match day revenues and provide a platform for future success. To tackle its nominal commercial returns, the club has appointed a new commercial director Mario De Vivo, who brings his FMCG experience to help drive development of the Inter Milan brand.

Inter reported a "reduced" loss of €70m in the 2009-2010 period and will need to further eradicate this to meet the new UEFA Financial Fair Play rules (FFP). The move to collective TV selling rights in the Italian league has dented Inter's revenues and the club will need to continue its European success to access the lucrative prize pots available and seal more lucrative commercial deals off the back of the sporting success.



FC Internazionale Milano

08



£ 164 m  
2.8%  
Rating: AA  
2010 Rank: 8  
2010: £160 m

A poor season for Juventus saw them finish 7th in Serie A and miss out on European football this year. As with Italian football as a whole, attendances continue to fall at the Stadio Olimpico and Juve remain far from their pre-match-fixing-scandal heights. In a pioneering move for an Italian club, the 2011-2012 season will see Juve play in the new "club owned" 41,000 seat stadium.

By owning the stadium, the club has full access to its earning capability on match-day revenues, a new and increased corporate hospitality offering, and naming rights opportunities. It's interesting that the new stadium holds 26,000 less seats than its former home which was commonly only 30% utilised. Juventus now need on pitch success to ensure its new investment is a triumph and its brand value can grow again.



Juventus FC

10

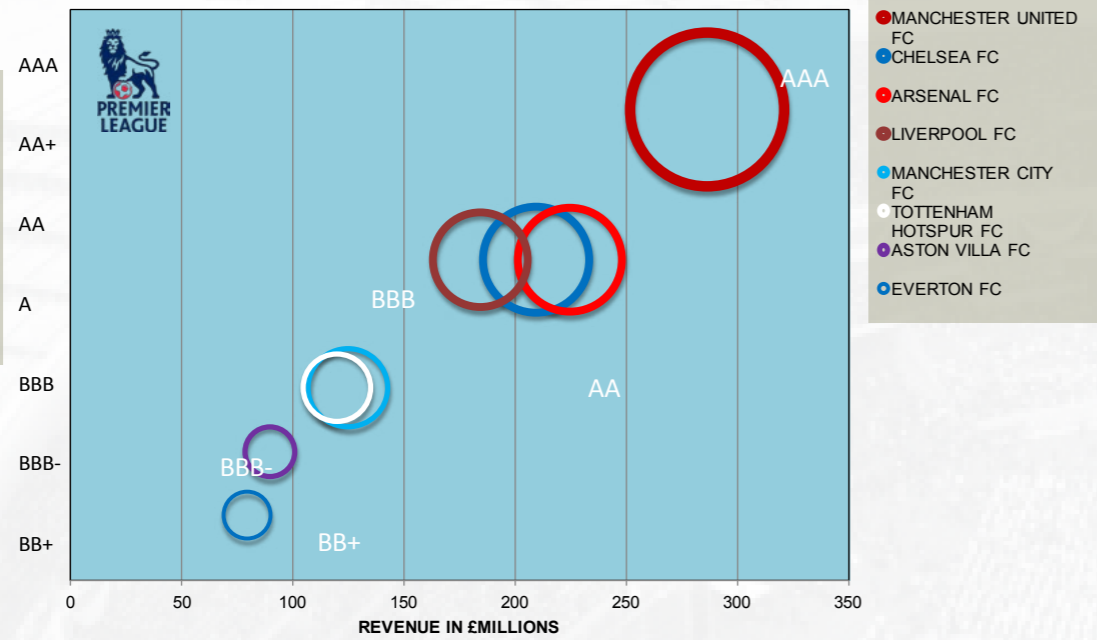


£ 115 m  
-9.9%  
Rating: BBB+  
2010 Rank: 10  
2010: £127 m

# Key Developments

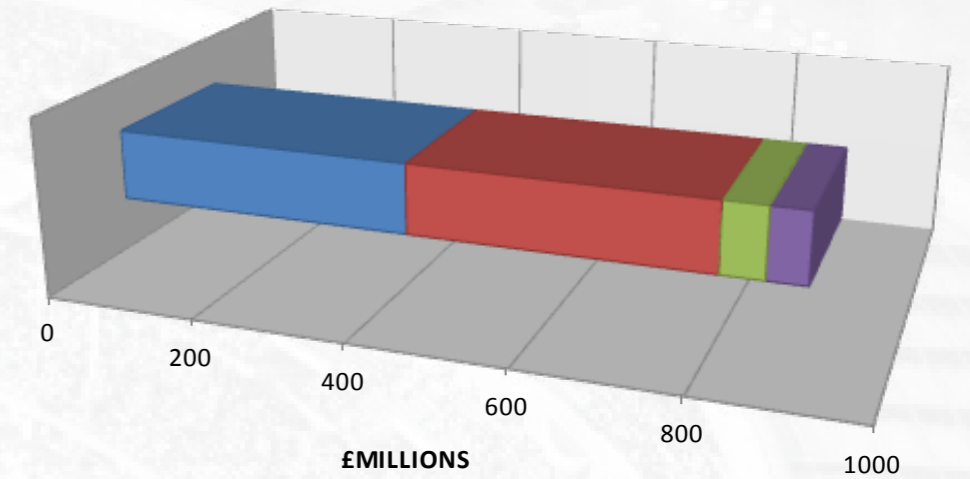
## BRAND RATING VS REVENUE VS BRAND VALUE

The larger the circle the higher the brand value. The graph shows the link between high brand ratings and the high revenues, which in turn facilitates a high brand value.



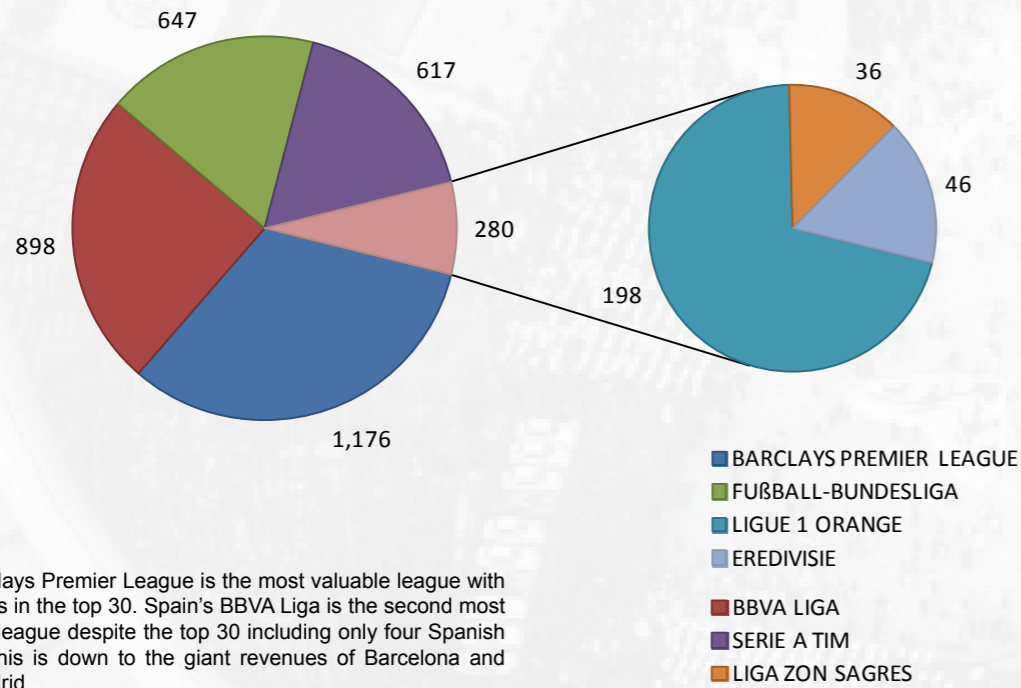
## BRAND VALUE OF THE TOP 4 SPANISH CLUBS

- Real Madrid CF
- FC Barcelona
- Atlético de Madrid
- Valencia CF



Real Madrid CF and FC Barcelona account for 88% of the Spanish club's brand value in our top 30. With the two remaining clubs well down our table, this analysis shows the polarisation of the BBVA Liga. Despite a new collectively sold TV rights deal for the BBVA league, Real and Barca will still take home 35% of the media income.

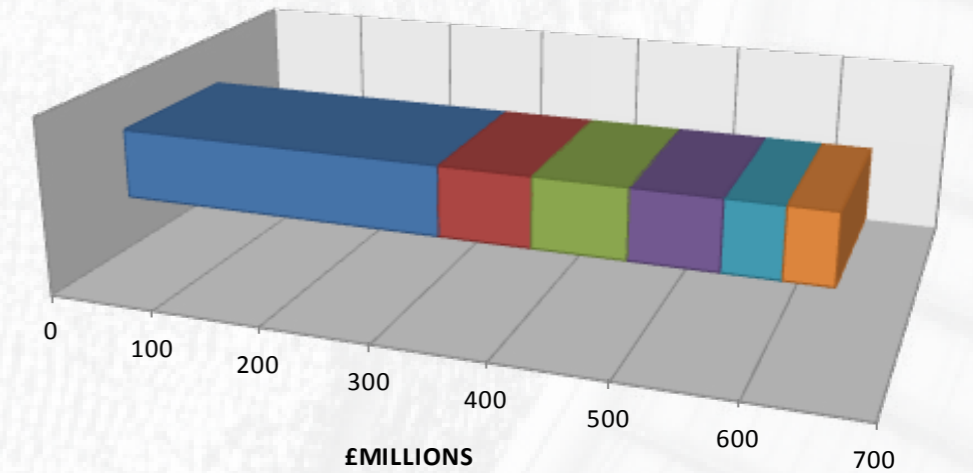
## LEAGUE BRAND VALUE BY TOP 30 CLUBS



The Barclays Premier League is the most valuable league with right clubs in the top 30. Spain's BBVA Liga is the second most valuable league despite the top 30 including only four Spanish teams. This is down to the giant revenues of Barcelona and Real Madrid.

## BRAND VALUE OF THE TOP 6 GERMAN CLUBS

- FC Bayern Munich
- Hamburger SV
- VfB Stuttgart
- FC Schalke 04
- Borussia Dortmund
- SV Werder Bremen



Bayern's strong AAA rated brand facilitates huge commercial revenues. The Bayern brand value currently eclipses the rest of the Bundesliga. The club make up 48% of the value for all German clubs in the Brand Finance Top 30.



# The Battle of Manchester

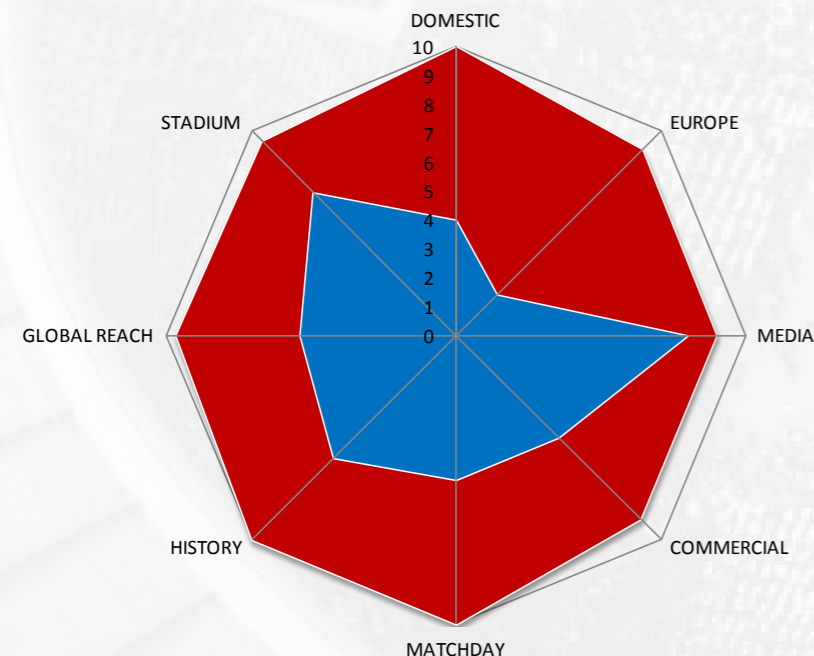
With Manchester City's 97% brand growth this year, we look at how the "noisy" neighbours compare against the most valuable European football brand, Manchester

United. Here are some of the metrics that feed into evaluating a clubs brand strength and subsequent ability to create and drive brand value.



# VS

## BRAND STRENGTH COMPARISON UNITED VS CITY



■ MANCHESTER UNITED FC  
■ MANCHESTER CITY FC

Each key area is given a score out of 10, weighted and totalled - the higher the score the higher the brand rating.

United's AAA rating comfortably encompasses City's BBB. The Blues need to improve across the board by raising revenues and winning trophies if they want that AAA rating.

Expect to see the blue bubble grow in the future.

			COMMENT	SCORE
<b>BRAND RANK</b>	1ST	11TH	Years of brand investment and high revenues ensure Manchester United take an early lead despite astounding Manchester City growth. <b>VERDICT: United take an early lead.</b>	<b>1-0</b>
VALUE	£412m	£106m		
GROWTH	10.6%	97.1%		
RATING	AAA	BBB		
<b>REVENUE SPLIT</b>				
COMMERCIAL	28%	37%	United have well balanced revenue streams whereas City's matchday revenues let them down. With huge sponsorship deals on their way for City, expect their reliance on commercial revenue to only grow. <b>VERDICT: An easy 2nd goal for Manchester United.</b>	<b>2-0</b>
MATCHDAY	35%	20%		
BROADCASTING	37%	43%		
<b>TRANSFERS</b>				
RECORD	£30.75m BERBATOV	£39.5m MAGUERO	Manchester City have been bankrolled by their Abu Dhabi-based owners with unprecedented levels of Premiership spending. Agüero, Dzeko, Silva, Nasri, to name a few big name star signings. <b>VERDICT: Manchester City peg one back, has the comeback started?</b>	<b>2-1</b>
NET OVER 5 YEARS	£67.5m	£461.9m		
SQUAD VALUE	£356.2m	£381.18m		
<b>STADIUM</b>				
CAPACITY	75,957 OLD TRAFFORD	47,726 ETIHAD STADIUM	Both teams fill their stadium week-in week-out but the Etihad Stadium cannot compare to Old Trafford. A strong brand ensures Manchester United fill their 75,957 seater stadium every match. <b>VERDICT: Manchester United halt the City comeback.</b>	<b>3-1 HT</b>
AVERAGE ATTENDANCE	75,008 (99%)	46,178 (97%)		
<b>HISTORY</b>				
FOUNDED	1878	1880	Founded at about the same time, but despite a successful era in the 60s City cannot compete with the Red Devil's history of continued success.  It will take many years for City to catch up with Manchester United's growing trophy cabinet - an almost impossible task if Manchester United keep winning. 35 years between silverware has really hurt City's legacy. <b>VERDICT: Manchester United find the net again, it's becoming a thrashing!</b>	<b>4-1</b>
TROPHIES	39	9		
EUROPE	5	1		
CHAMPIONS LEAGUE	3	0		
OTHER EUROPEAN CUPS	2	1		
"DOMESTIC LEAGUE FA CUP LEAGUE CUP"	34	8		
LEAGUE	19	2		
FA CUP	11	4		
LEAGUE CUP	4	2		
<b>2010/11 SEASON</b>				
EUROPE	CL FINAL	EUROPA LAST 16	It has been a good season for both clubs in many respects. Manchester City won their first piece of silverware in 35 years winning the FA Cup. Manchester United became English champions again and reached the Champions League final. Manchester United edge this one. <b>VERDICT: Closer but Manchester United take it.</b>	<b>5-1</b>
LEAGUE	1ST	3RD		
FA / LEAGUE CUP	0	1		
<b>ANNUAL SPONSORSHIP *</b>				
TOTAL	£110m	£47m	Manchester City's £400m deal with Etihad is astounding, but so is Manchester United's £40m deal with DHL for training kit sponsorship. Manchester United's brand team have done wonders and make sure the Red Devils just about take this one too. <b>VERDICT: Against almost any other club this would have been City's.</b>	<b>6-1</b>
SHIRT	£20m	£20m		
KIT	£30m	£8m		
OTHER	£60m	£19m		
<b>FINAL SCORE</b>	<b>6</b>	<b>1</b>	In the end a comfortable win for United who've had a big headstart on City. But don't discount the blue side of Manchester just yet, massive growth funded by big spending Abu Dhabians will likely see the gap close.	<b>FT</b>

Sources: Transmarkt, Deloitte, and press reports - \*ESTIMATED



# How were the rankings compiled?

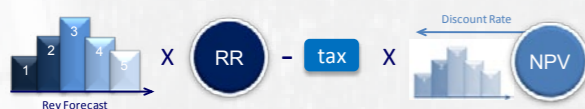
The Brand Finance Index of 'The 30 Most Valuable European Football Club Brands' was compiled using, where available, publicly available information regarding market share, market growth and company financials. Our main sources of publicly available data was the Deloitte Football Money League Report, Bloomberg, Individual Football club Annual Reports and press releases. Brand value was derived using a 'relief from royalty rate' method that values brands according to the cost of re-licensing them from a hypothetical third party.

## What is a Brand Value?

We define the brand as the trademark and associated intellectual property. A football clubs tends to be made up of a mixture of fixed tangible assets (stadium, training ground) and disclosed intangible assets (purchased players) with brand value, internally developed players & goodwill making up the difference to provide the combined clubs value.

## How do we measure its value?

We use the Royalty Relief approach. This approach assumes the company doesn't own their brand and must license it from a third party. The method determines how much it would cost to do this. It is called the Royalty Relief It is called the Royalty Relief approach because when a business owns their own brand they are 'relieved' from paying a 'royalty' rate for its use.



## What is the Royalty Relief Approach?

The Royalty Relief method is used for three main reasons:

1. It is the most recognised by technical authorities world-wide and favoured accounting, tax and legal users because it calculates brand values by reference to comparably third-party transactions.
2. The method ties back to the commercial reality of brands and their ability to command a premium in an arm's length transaction.
3. It can be performed on the basis of publicly available financial information

## How does the Royalty Relief approach work?

Determine forecast revenues - referencing historic trends market growth estimates, competitive forces, analyst projections and company forecasts.

1. Assess the Brand Strength – we use our  $\beta$ BrandBeta® Index which in the case of football clubs scores ; domestic and European honours, club heritage, revenue scale and split, attendances and global reach amongst other to benchmark the brands against each other.
2. Establish a Royalty Rate – We review comparable licensing agreements as well as analysing margins and value drivers to establish an average royalty rate range for the sector, in this case football. The  $\beta$ BrandBeta® is then applied to find the correct royalty rate for each brand within the range.
3. Determine the Discount Rate – with a discount rate determined we can calculate the net present value (NPV) of the brand's future earnings. This allows us to calculate the brand's value in today's money.
4. Brand Valuation Calculation – steps 1-4 are then brought together to determine brought together to determine the NPV of post-tax royalties, which is the brand value.

## Brand Ratings:

These are calculated using Brand Finance's Brand Strength Index analysis, which benchmarks the strength, risk and future potential of a brand relative to its competitors on a scale ranging from AAA to D. It is conceptually similar to a credit rating.

The data used to calculate the ratings comes from various sources including Bloomberg, annual reports and Brand Finance research.

## Brand Ratings Definitions:

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

## Valuation Date:

All brand values in the report are as 30th June 2011 and displayed in GBP.

For any further information, please contact:

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