

Own goal or net profit? New research shows best way to value a football club

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Football club investors will be able to make sure the price is right thanks to ground breaking research from Henley Business School at the University of Reading.

Tom Markham, from Henley Business School's ICMA Centre, has developed a new method of valuing a football club. Using the unique financial model Tom created the most accurate English Premier League financial table to date. Manchester United sit top, worth more than twice as much as the Red Devils' closest rivals except Arsenal, while Wigan languish at the foot of the table.

Tom analysed six established corporate [valuation](#) methods to see if any are reliable and universally applicable to value English Premier League (EPL) clubs between 2003/04 and 2011/12. Results showed none of the established methods met these criteria so a new bespoke valuation technique, the Markham Multivariate Model (MMM), was designed specifically to value EPL clubs.

The majority of traditional valuation models require an organisation to be profitable to provide an accurate value but most football clubs are perpetually loss making. Tom's model is calculated using audited accounting data and football industry key performance indicator figures. It provides the most accurate club valuations of any of the models reviewed when compared to the values of actual club sale prices over the nine season sample period.

Tom Markham said: "In recent weeks Arsenal was rumoured to be the target of £1.5bn offer by a Middle Eastern consortium which turned out to be a hoax. So where do these club valuation figures come from and which can be trusted? Uniquely my model considers income, profits, stadium capacity and usage, player spending, debt and other factors to produce a 'like for like' price that a 'neutral' person might pay for any particular club.

"The table provides interesting reading. The MMM 2012 English Premier League valuation table shows regularly profitable Tottenham Hotspur is worth more than both Manchester City, the [Premier League](#) title-holders, and Liverpool, 18-times champions. Manchester City being fifth is not surprising as the club don't own their stadium, which anyway has only 47,805 seats, much lower than the likes of United and Arsenal and they've spent over the odds on player transfers and wages.

"Liverpool is as low as sixth for two main reasons: missing out on the large revenue streams rivals make from the Champions League and losing out to rivals every match day due to their stadium situation. Liverpool earns £1.5m per match day, versus Manchester United's £3.7m. I expect the club's valuation to increase significantly when the re-development of Anfield is complete."

More information: "What is the optimal method to value a football club?" was published online on 24 March 2013 and available here: [papers.ssrn.com/sol3/papers.cfm ... ?abstract_id=2238265](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2238265).

Provided by University of Reading

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