



# HHL



## The German Bundesliga Clubs and Their Future

An Outlook on the  
Robustness of the Clubs  
in Times of Covid-19

Leipzig, May 14<sup>th</sup>, 2020



# The research is led by Prof. Dr. Henning Zülch, Philipp Ottenstein and Ewald Manz as practical partner

## Team Introduction

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# The research team led by Prof. Dr. Henning Zülch conducted an in-depth analysis of the German Bundesliga clubs

## Team Introduction

### Research Team



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# Agenda

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# The outbreak of Covid-19 in Germany reveals several challenges for the Bundesliga clubs

## Covid-19 and the Bundesliga



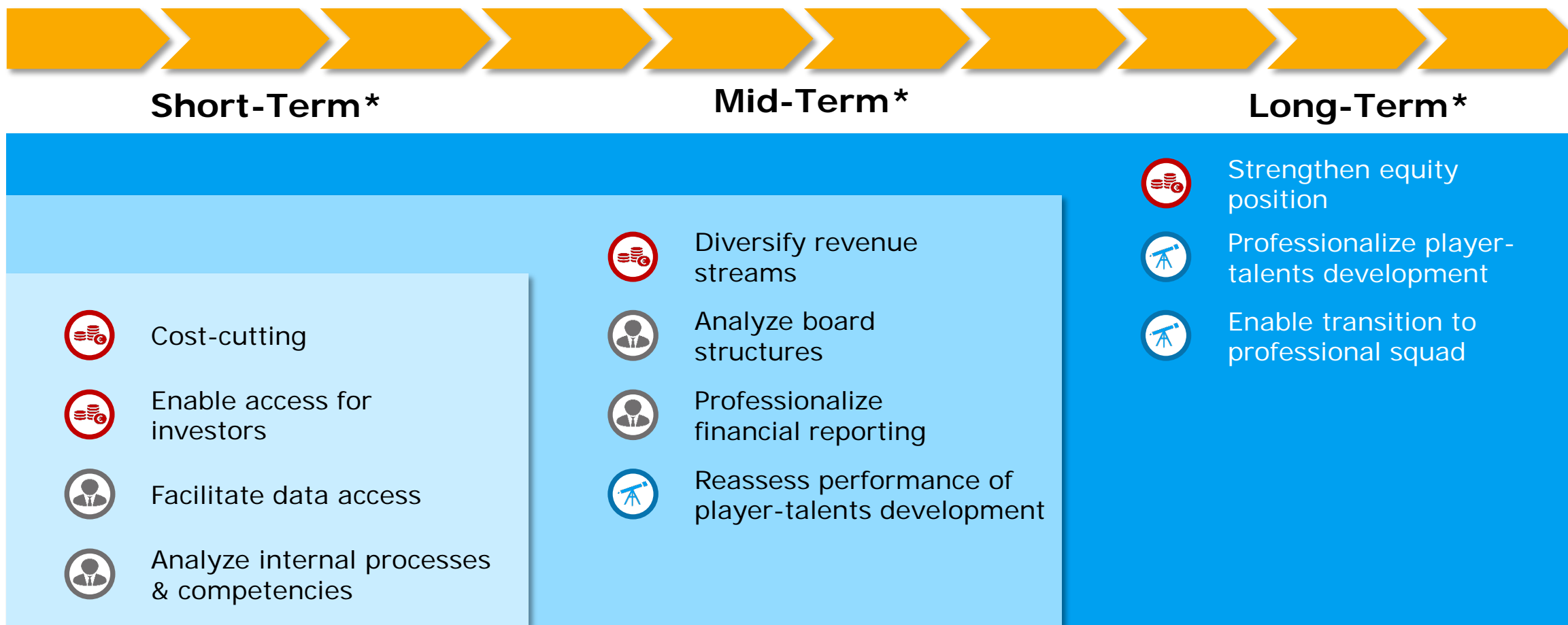
# The study follows a top-down approach considering both the overall market and the single club perspective

## Approach

	 Market Understanding	 Financial Analysis	 Multi-dimensional Analysis	 Evaluation	 Recommendations
<b>Objective</b>	Understanding the <b>business model Bundesliga</b> and the relevant success factors	Understanding the financial situation of the clubs as a result of the <b>Covid-19 short-term effects</b>	Understanding the holistic <b>long-term viability</b> of clubs going beyond financial figures	<b>Comparing</b> the multi-dimensional <b>performance</b> of the clubs	<b>Developing guidelines</b> for overcoming challenges
<b>Why?</b>	Covid-19 hits German Bundesliga during booming	Game break impacts liquidity and solvency	Short-term financing is ensured by broadcasters	Identification of differences and trends	Ensuring future success and increasing crises resilience
<b>What?</b>	<b>Market analysis</b> and <b>international benchmarking</b> against other leagues (Premier League, La Liga, Ligue 1, Serie A)	<b>Financial analysis</b> of the clubs with respect to liquidity, solvency, investment management and operational management and profitability	Analysis of the clubs regarding three additional dimensions: <b>sporting success, player-talents development</b> and <b>management quality</b>	<b>Scorecard</b> development based on relative importance of dimensions to create a unified ranking	<b>Understanding pain points</b> and comparing the strengths and weaknesses of clubs with potential challenges
<b>Data source</b>	Report of the leagues e.g. "DFL Wirtschaftsreport"	Reports of the clubs e.g. annual statements, additional information provided by clubs	Web-based research, external studies and rankings, interviews with clubs	Web-based research, external studies and rankings, interviews with clubs	Web-based research, external studies, interviews with clubs

## To overcome the crisis and ensure sustainable business performance, different measures should be adopted






### Recommendations



\*Short term: <1 year; Mid-term: 1-3 years; Long-term: >3 years

## Several recommendations will enable the clubs to improve their financial situation






### Recommendations – Financial Situation

					
	What?	Why?	How?	When?	
1	Cost-cutting	Improve profitability & liquidity	Analyze cost structure & employ opportunities	Short-term	
2	Strengthen equity position	Improve stability	Retain share of broadcasting revenue	Long-term	
3	Enable access for investors	Improve liquidity & stability	Change legal form to corporation	Short-term	
4	Diversify revenue streams	Weaken dependencies & improve profitability	Create new business models (e.g. e-sports)	Mid-term	



## Several recommendations will enable the clubs to improve their management quality

### Recommendations – Management Quality

					
	What?	Why?	How?	When?	
1	Analyze board structures	Improve supervisory board quality	Strive for independent board members	Mid-term	
2	Professionalize financial reporting	Attract investors	Establish investor relations department	Mid-term	
3	Facilitate data access	Improve transparency	Publish current data & reports online	Mid-term	
4	Analyze internal processes and competencies	Improve internal communication processes	Check best practices, also from other industries	Mid-term	

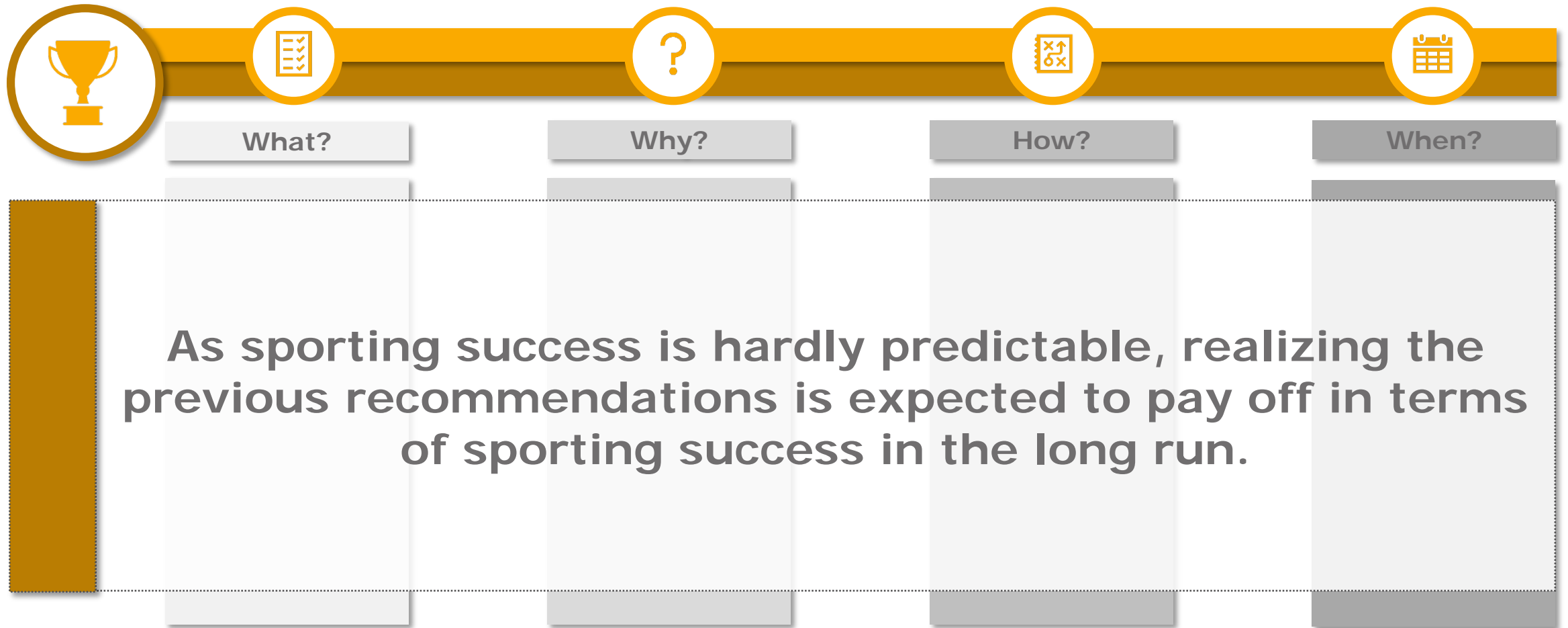
## Several recommendations will enable the clubs to improve their player-talents development

### Recommendations – Player-Talents Development

	What?	Why?	How?	When?
1	Professionalize player-talents development	Increase pro production	Allocate more budget to youth department	Long-term
2	Enable transition to professional squad	Improve internal transformation rate	Integrate promising youth players earlier	Long-term
3	Reassess performance of player-talents development	Improve controlling concerning target markets	Incorporate pro production rate	Mid-term

The actions recommended for the previous dimensions will also impact future sporting success

## Recommendations – Sporting Success



In order to be viable in the future, it is strongly recommended to install a DFL-Taskforce when considering the analysis' findings

### Answers to Research Question



How robust are the German Bundesliga clubs in times of Covid-19?

1

Besides the five flagged clubs, another seven clubs perform mediocre regarding the four analysis dimensions.

2

The high revenue dependence on match operation indicates insufficient management professionalization.

3

The lack of data transparency reveals deficits in financial communication.

4

The significant differences in management quality imply a lack of overall Bundesliga governance standards.

The findings of this study strongly support the idea of installing a **DFL-Taskforce** to develop respective incentives.



## The guiding principles of the DFL-Taskforce should be based on strong leadership pillars

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Leipzig Leadership Model - Application for German Football

# It is time to bring football back to its base!

To do that, football clubs should learn ...

- ... to know their **purpose** and direct all their actions towards it,
- ... to be **effective** in terms of strategic action,
- ... to be innovative in the sense of **entrepreneurial** action and
- ... to be **responsible** in a holistic sense.

Source: Kirchgeorg, Meynhardt, Pinkwart, Suchanek, Zülch (2019). Das Leipziger Führungsmodell: The Leipzig Leadership Model. Leipzig: Academic Press.

## The Bundesliga clubs have to establish professional financial communication and ensure credibility as well as transparency

### Disclaimer

“  ”

**Es fehlt an Glaubwürdigkeit und Transparenz**

Sven Mislintat,  
Sports Director VfB Stuttgart  
29.04.2020

### Disclaimer

The data represented in this study was collected and analyzed in the best knowledge and belief. However, the data and especially recommendations are to be understood without prejudice to not available or reliable data.

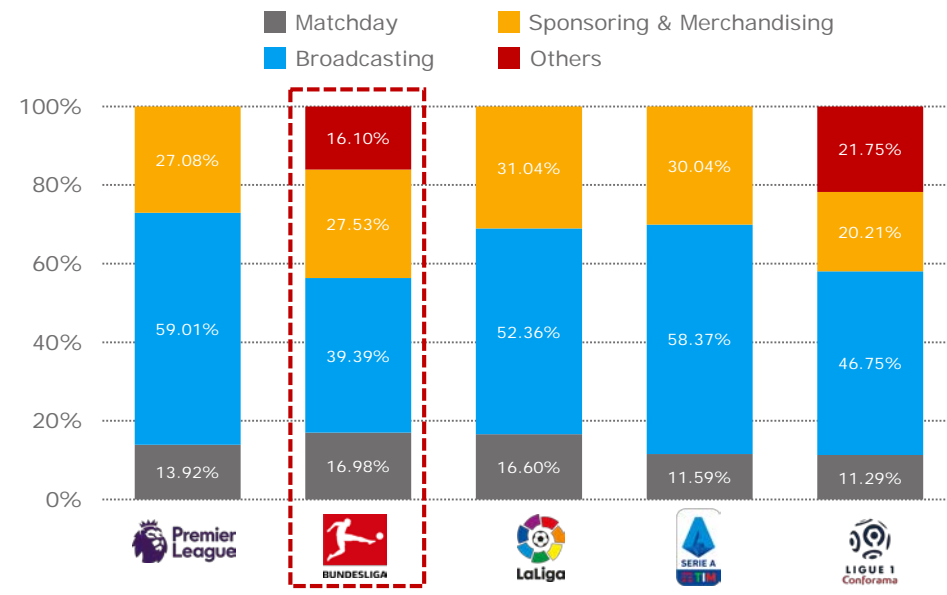
As aforementioned the transparency of financial as well as organizational data was limited, however, every club was asked to participate in this study and provide up-to-date data. Therefore, **transparency and credibility** of data disclosure can be identified as one major deficit of German Bundesliga clubs.

Due to the Bundesliga clubs' role as protagonists in German business reality, solving this deficit should be considered as major imperative. **The hereby generated transparency and credibility should be comparable to the one implemented on capital markets.**

# Considering its revenue diversification and personnel expenses, the German Bundesliga is the most stable European league

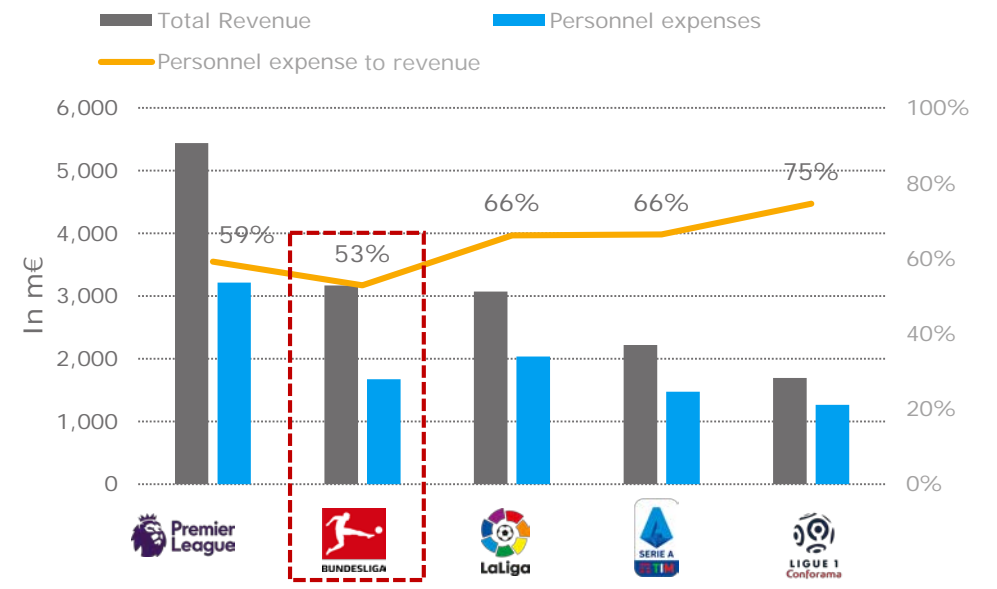
## Market Analysis Before Covid-19

### Revenue Distribution



- Compared to the European top leagues, Bundesliga displays best diversified revenue profile

### Personnel Expenses



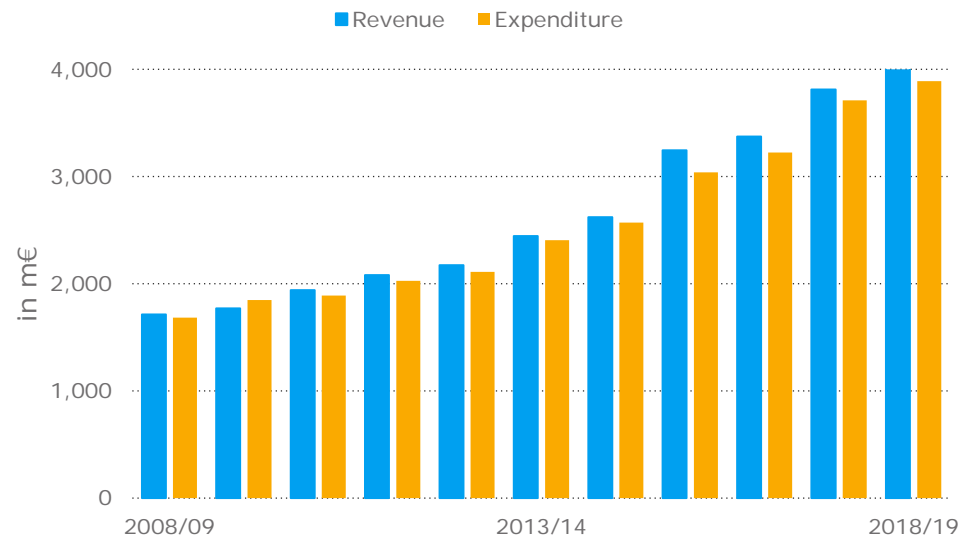
- Compared to the European top leagues, Bundesliga displays lowest personnel expense ratio to revenue

German Bundesliga displays the **most diversified revenue profile** and **lowest ratio of personnel expenses to revenue**

# The development of revenues and transfer activities indicates a strong growth of the Bundesliga during the last decade

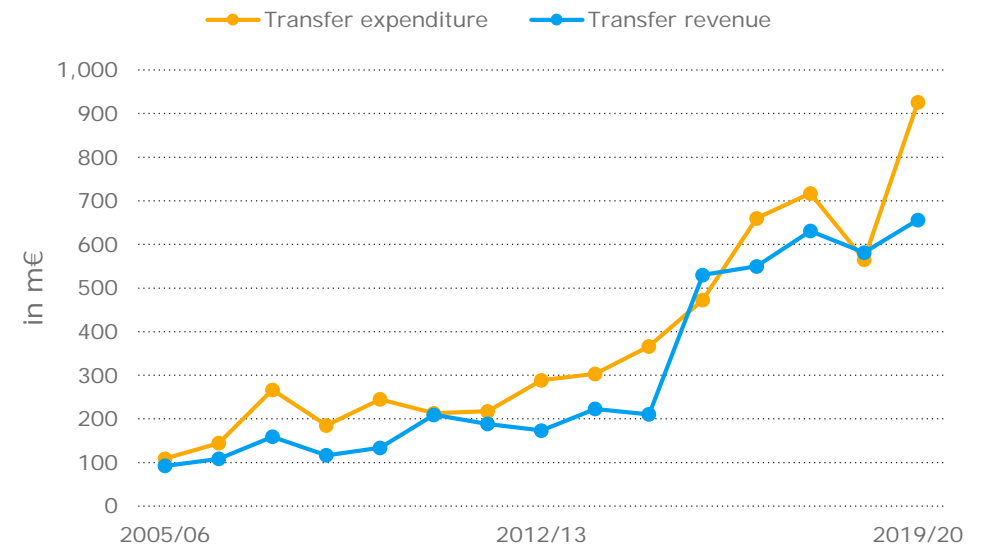
## Market Analysis Before Covid-19

### Revenue & Expenditure



- Continuously growing revenues with a CAGR of 8,9%
- Proportional growth of expenses

### Transfer Cashflow



- Steep increasing transfer cashflows
- Several years with deficits in transfer balance

Even though transfer market might be **overheated**, the overarching circumstances in a **booming market** should have enabled Bundesliga clubs to successfully **drive business**





**Have the Bundesliga clubs been leveraging the booming market in order to stabilize their financial situation?**

## A Kicker article raised several questions that provided the impetus for the analysis of the Bundesliga clubs

### Starting Statement



**13 der 36 Profivereine  
droht wegen der  
Corona-Pandemie die  
Insolvenz noch in  
dieser Saison**

03.04.2020



### Key Questions



Which **clubs** are affected?



Why are these clubs at risk?



What are the **implications**?

## Compared to the Kicker statement, this analysis shows that five 1. and 2. Bundesliga clubs face financial distress

### Financial Analysis

Research Method	Flagged Clubs	Limitations
<p>Analysis of ratios in the following categories</p> <ul style="list-style-type: none"> <li>▪ Liquidity</li> <li>▪ Solvency</li> <li>▪ Investment Management</li> <li>▪ Profitability &amp; Operating Management</li> </ul>	<p><b>1. Bundesliga</b></p> <hr/> <p>FC Schalke 04 1. FC Union Berlin SC Paderborn 07</p> <p><b>2. Bundesliga</b></p> <hr/> <p>VfL Osnabrück Karlsruher SC</p>	<ul style="list-style-type: none"> <li>⚡ Conservative interpretation of the respective ratios</li> <li>⚡ Restricted financial transparency of 1. and 2. Bundesliga clubs</li> <li>⚡ Dark figure significantly higher due to restricted financial transparency</li> </ul>

Five clubs of the 1. and 2. Bundesliga are financially unstable. The **dark figure might be significantly higher** due to missing financial transparency of clubs

# The deal with broadcasters ensures the short-term survival of German Bundesliga clubs

## Broadcasting Deal



Germany's Bundesliga could be the first major football league back playing amid the coronavirus pandemic

24.04.2020



Rettungsgeld von Sky: 230 Millionen Euro sollen Bundesligaklubs das Überleben sichern

21.04.2020



### Takeaways



Broadcasters will ensure short-term **liquidity**



**Financial view** is not enough to evaluate the clubs' business forecasts

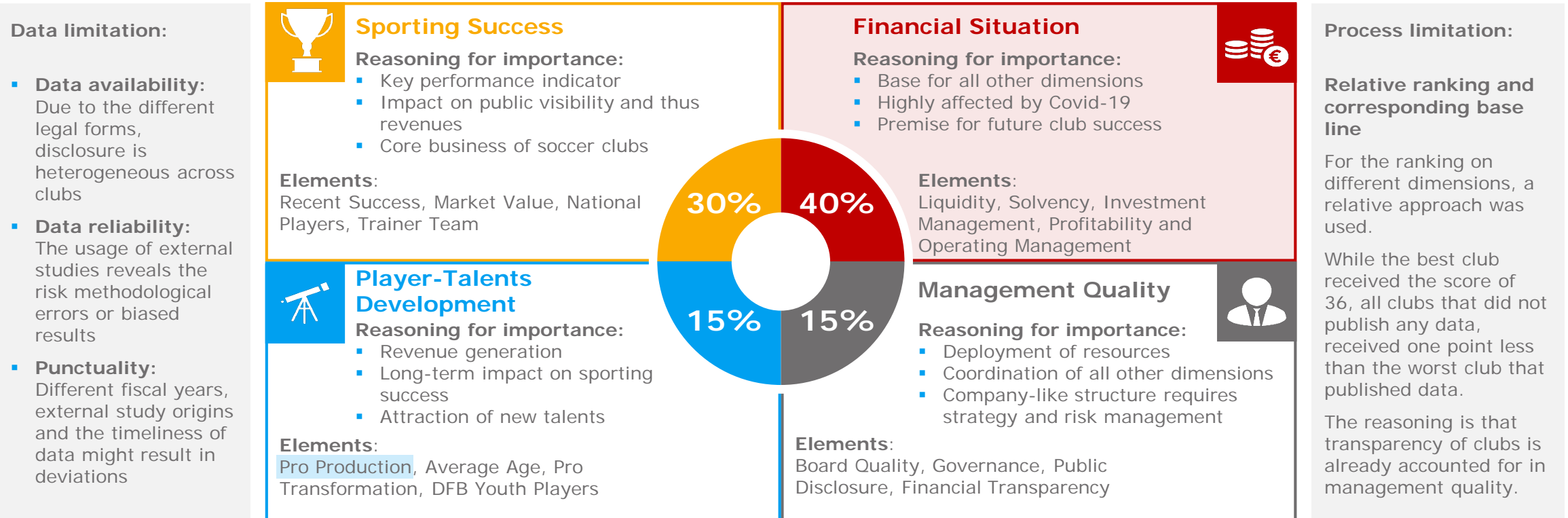


A **holistic approach** is necessary to assess the clubs' future viability



## The final ranking is based on four dimensions namely sporting success, financial situation, management quality and player-talents development



### Methodology



#### Insights from financial analysis:

As the financial position is highly affected by liquidity and solvency, flags for those two dimensions are introduced. Flags did not impact the score itself, but rather the future financial stability.

## A combined analysis shows that certain 2. Bundesliga clubs perform better than some 1. Bundesliga clubs

Rank	Club	Total Points	Prognosis	Rank	Club	Total Points	Prognosis	Legend
1	FC Bayern München	31,6		19	1. FSV Mainz 05	20,3		 Strong position
2	Borussia Dortmund	30,3		20	SV Werder Bremen	20,0		
3	Eintracht Frankfurt	28,1		21	FC St. Pauli	19,8		
4	TSG 1899 Hoffenheim	25,5		22	Fortuna Düsseldorf	19,7		 Stable position
4	Hertha BSC Berlin	25,5		23	1. FC Union Berlin	19,6		
6	Bayer 04 Leverkusen	25,3		24	VfL Bochum	19,1		 Mediocre (to be reformed)
7	FC Augsburg	25,2		25	DSC Arminia Bielefeld	18,0		
8	RB Leipzig	24,8		26	SV Darmstadt 98	17,7		
9	Borussia Mönchengladbach	24,5		27	Dynamo Dresden	17,3		 Flagged
10	Hamburger SV	23,4		28	SSV Jahn Regensburg	16,8		
11	FC Schalke 04	23,3		29	SC Paderborn 07	16,3		
12	1. FC Köln	22,8		30	SpVgg Greuther Fürth	16,2		
13	VfL Wolfsburg	22,6		31	FC Heidenheim	15,5		
14	VfB Stuttgart	21,5		32	FC Erzgebirge Aue	13,6		
15	SC Freiburg	21,1		33	SV Wehen Wiesbaden	13,1		
16	Hannover 96	21,0		34	VfL Osnabrück	12,2		
16	Holstein Kiel	21,0		35	SV Sandhausen	11,9		
16	1. FC Nürnberg	21,0		36	Karlsruher SC	11,7		

## While five clubs show urgent financial deficits, additional seven clubs reveal an overall insufficient performance

### Explanation of Shortcomings

#### To Be Reformed

Analysis of all four dimensions shows deficits in clubs' **business model** regarding

- Sporting Success
- Financial Situation
- Player-Talents Development
- Management Quality

#### Flagged Clubs

- Analysis of financial situation reveals significant deficits regarding **liquidity** and **solvency**
- These shortcomings in one dimension are expected to **overshadow** the clubs' performance in other dimensions

#### Clubs 'To Be Reformed'

FC Heidenheim	SpVgg Greuther Fürth
SV Wehen Wiesbaden	Dynamo Dresden
SSV Jahn Regensburg	SV Sandhausen
	FC Erzgebirge Aue

#### Flagged Clubs

FC Schalke 04  
1. FC Union Berlin  
SC Paderborn 07  
VfL Osnabrück  
Karlsruher SC

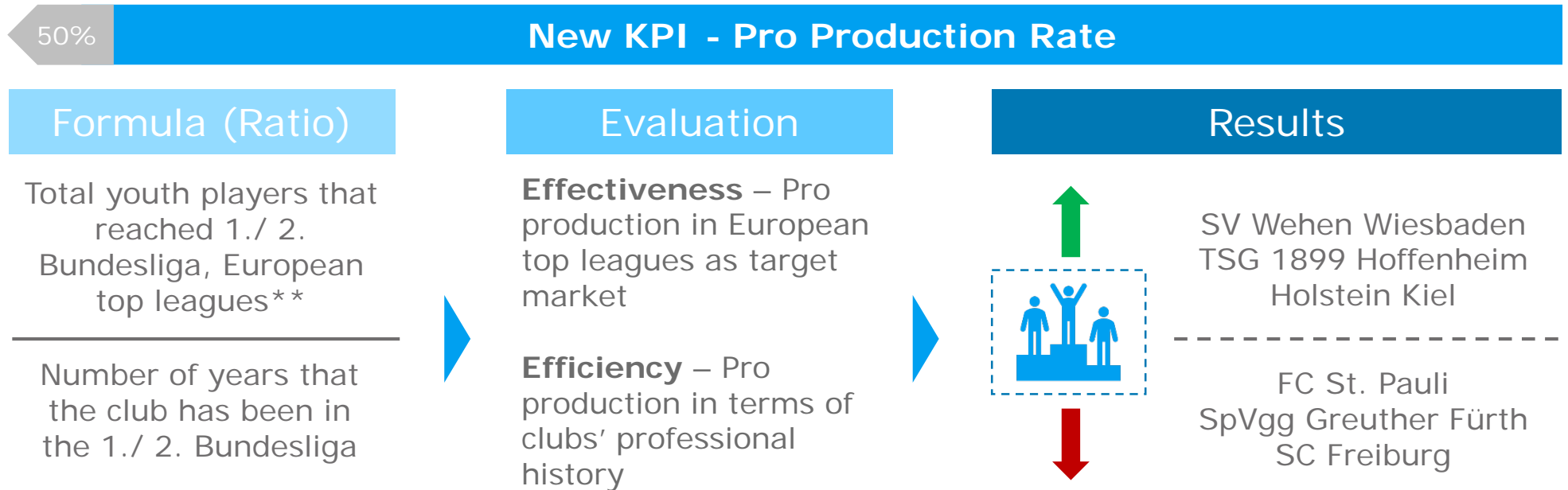
Five 1. and 2. Bundesliga clubs reveal an **unstable financial performance**. Additional seven clubs show an **unsatisfactory** performance regarding the four analysis dimensions

# Future sporting success requires an effective and efficient player-talents development in terms of a high pro production rate

## Deep Dive Player-Talents Development – Pro\* Production Rate



„Das Ziel eines Trainers darf es nicht sein, die meisten Spiele zu gewinnen, sondern die meisten Spieler zu entwickeln.“ – Markus Krösche, Sportdirektor RB Leipzig (2019)



Several **established** Bundesliga **clubs fail** in **producing** European **top players** whereas **younger clubs** perform **better** considering player-talents development since joining the Bundesliga

\*Pro=Professional \*\* Premier League, La Liga, Serie A, Ligue 1; Source: Rblive (2019)



## Consolidated key findings resulting from the four-dimensional analysis are the foundation for future recommendations

### Key Findings







“Ist die Krise  
überstanden, wird ein  
Umdenken stattfinden  
müssen.

Ein 'Weiter so'  
kann es nicht geben.”

Robin Dutt, Ex-DFB Sports Director

“Ein 'Weiter so' kann  
und darf es nicht geben.”


Lutz Pfannenstiel, Sports Director Fortuna  
Düsseldorf

Quote Translation:

Once the crisis is over, a rethink will have to take place. There can be no 'business as usual'.  
There can and must not be 'business as usual'.

Source: Sport Bild (2020), WDR (2020); Picture: Frankfurter Neue Presse (2019)





“Es muss ein Konzept für  
den neuen Fußball geben  
und der beinhaltet für  
uns zum Beispiel eine  
gerechtere Verteilung  
von Fernsehgeldern, aber  
ganz klar auch die  
Verpflichtung, nachhaltig  
zu wirtschaften.”

Helen Breit von der Faninitiative “Unsere Kurve”





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