

Football transfer tracker

January 2012

Welcome to the latest edition of Grant Thornton's football transfer tracker.

This report considers expenditure and income from the purchase and sale of player registrations during the January 2012 transfer window, analysing data from transfers involving all clubs in the top three tiers of English football,* as gathered by our Sports Advisory Group.

January 2011 saw exceptional levels of investment in the playing staff of Premier League teams. Expenditure during the January 2012 transfer window returned to more frugal levels following the spike of last year. Perhaps this is unsurprising

given the economic climate and in particular, the continued uncertainty in the face of the Eurozone crisis.

In this edition of our football transfer tracker we consider whether the UEFA's Financial Fair Play Regulations may have contributed to the drop in transfer activity and the consequences for the transfer market as a whole.



* Barclays Premier League, nPower Championship and nPower League 1

Overview of January 2012 transfer activity



Has austerity finally caught up with English football?

Figure 1 compares income and expenditure from player transfers during the 2011 and 2012 January transfer windows.

Gross expenditure by teams in the top three divisions reduced by 69% from January 2011. This is partly due to the massive circulation of funds which occurred in January 2011 with Fernando Torres moving from Liverpool to Chelsea for £50million allowing Liverpool to splash £35million on Andy Carroll from Newcastle.

However, of perhaps greater significance, is that net expenditure, after deducting revenues from player sales, reduced by 79%. From Figure 1 it can be seen that this is primarily driven by a contraction of Premier League transfer activity. Beyond the Premier League, January 2012 transfer activity was broadly similar to January 2011.

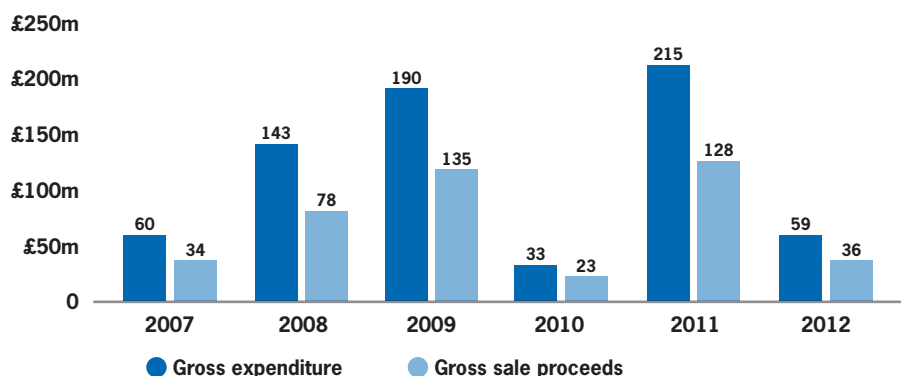
A conservative January transfer window is not unprecedented. As Figure 2 illustrates, January 2010 saw even lower levels of both income and expenditure than the most recent transfer window.

The conservative approach adopted in January 2010 was short-lived. Transfer fees paid by Premier League clubs during January 2011 smashed through the £200m barrier for the first time in a January transfer window.

Figure 1: Gross income and expenditure

	January 2012 transfer window			January 2011 transfer window		
	Paid £m	Received £m	Net £m	Paid £m	Received £m	Net £m
Premiership	58.7	(35.9)	22.8	214.7	(128.3)	86.4
Championship	8.2	(15.2)	(7.0)	7.7	(8.6)	(0.9)
League 1	1.3	0.0	1.3	1.0	(3.4)	(2.4)
	68.2	(51.1)	17.1	223.4	(140.3)	83.1

Figure 2: Gross transfer fees paid and received by Premier League teams during January transfer windows.



Will January 2012 prove to be another temporary dip (similar to January 2010) with investment in players bouncing back in January 2013?

There is now another force at work which might see the exceptional expenditure of January 2011 being consigned to the history books.

Financial Fair Play Regulations start to bite

UEFA's Financial Fair Play Regulations are effective for the financial year ending in the 2012 calendar year.

That means income and expenditure during the January 2012 transfer window will contribute directly to a club's compliance, or breach, of the regulations. It would seem that clubs with ambitions of playing in Europe in the near future are taking this seriously.

Figure 3 shows the net expenditure of the Premier League's top six clubs (as per the Premier League table at the start of 2012) for the 2012 and 2011 January transfer windows.

Of the top six teams as of 31 December 2011, only Arsenal increased their net spend when compared to last year's January transfer window, and the respective amounts were small. Manchester United, Manchester City and Tottenham Hotspur, who each look well-placed to qualify for next season's Champions League, all returned net gains from transfer activity during January 2012.

Figure 3: Net expenditure of the Premier League's top six clubs

January	Net (income)/Expenditure	
	2012 £m	2011 £m
Manchester City	(2.5)	27.0
Manchester United	(4.2)	3.2
Tottenham Hotspur	(7.5)	4.7
Arsenal	0.4	(0.8)
Chelsea	11.0	71.3
Liverpool	0.1	1.9
Total	(2.7)	107.3

In January 2011 Manchester City spent £27m acquiring Edin Dzeko from Wolfsburg to bolster their attack. They could have invested again this year in a bid to strengthen their title challenge. However, they elected to make no new permanent signings. Financial Fair Play Regulations were perhaps an influential factor in this decision. Similarly, Chelsea cut their expenditure by £60m despite being at risk of missing out on a top four finish and a place in the lucrative Champions League; in fact two top earners, Alex and Anelka, were moved on.

Assuming Financial Fair Play's influence remains effective, it seems unlikely that expenditure on new players will bounce back like it did after January 2010's comparatively meagre outlay.

Whilst the regulations apply directly to clubs trying to get into European competition, it seems likely that they will influence the transfer system as a whole. In the recent past transfers in excess of £20m have not been uncommon. This has probably inflated prices further down the transfer spectrum either by reinvestment of the monies received from the big deals or inflated player valuations by comparison. Whilst a general reduction in expenditure and player valuations theoretically puts teams on a more level playing field, financially, it could pose a threat to some clubs who rely on player sales to balance the books.



About us

Grant Thornton UK LLP
is a leading business and
financial adviser with offices
in 27 locations nationwide.

We are a member firm within Grant Thornton International Ltd, one of the world's leading international organisations of independently owned and managed accounting and consulting firms. Clients of member and correspondent firms can access the knowledge and experience of 2,600 partners and 30,000 employees in over 100 countries and consistently receive a distinctive, high quality and personalised service wherever they choose to do business.

Forensic and Investigation Services

Our Forensic and Investigation Services team provides a full suite of investigation, forensic accounting and dispute resolution services. It combines forensic accounting and business expertise with insights into the workings, perceptions and needs of clients, their advisers and enforcement agencies. Known for its independent and objective advice it is the fourth largest dedicated forensic team in the UK with a national team comprising 13 partners and directors and over 100 highly skilled staff. The UK team is supported by more than 30 accredited forensic teams worldwide through the GTI member firms network.

Sports Advisory Group

Grant Thornton's Sports Advisory Group is a national, multi-disciplinary team providing both core accountancy and advisory services to sports clubs and sports governing bodies across the UK. Our experience covers a broad spectrum of sports including Football, Rugby, Cricket, Tennis, Golf and Motorsport. We work with our clients by delivering specialist advice in Corporate Finance, Private Equity, Restructuring and Forensic Services as well as the more traditional Audit and Tax services.

Contact us

For further information please contact:



Geoff Mesher

Partner

T 029 2034 7547

E geoffrey.l.mesher@uk.gt.com



David Paton

Sports Advisory Group

T 020 7728 2757

E david.paton@uk.gt.com

