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Press Release – For Immediate Release

Real Madrid Becomes Football's Most Powerful Brand

- **Real overtakes Barça as the most powerful club brand**
- **However, a superior commercial strategy makes Man United the most valuable brand at US$1.733 billion**
- **Premier League clubs account for 46% of total football brand value, more than double other leagues**
- **Newcastle is the fastest growing brand, up 92% from 2016, following promotion**

Valuation and strategy consultancy Brand Finance conducts an annual study, calculating the power and value of the world's leading football club brands. A brand's power/strength is assessed (based on metrics such as stadium capacity, squad size and value, social media presence, on-pitch performance, fan satisfaction, fair-play rating, stadium utilization, and revenue) to create a 'Brand Strength Index' (BSI) score out of 100. This is used to determine what proportion of a business's revenue is contributed by the brand, which is projected into perpetuity and discounted to determine the brand's value. The Brand Finance Football 50 report is the first of any kind to take into account the full sporting results of the 2016/17 season.

View the Brand Finance Football 50 report here

Real Madrid's superb season sees Los Blancos eclipse rivals Barcelona to become the world's most powerful football club brand. The brand power of both clubs was already formidable and unmatched worldwide. The fierce rivalry of El Clásico, their dominance on the European stage and footballing styles, that are as beautiful as they are effective, served to create brands that are unparalleled by German, French, English or Italian rivals. Barça had remained just fractionally ahead of Real in recent years, until now. After claiming yet another La Liga title and a record 12th Champions League victory, Real's Brand Strength Index score is up from 94.6 to 96.1, edging ahead of Barcelona on 95.4.

However, whilst Real can bask in the glory of its unparalleled reputation, it could be doing a lot more to capitalise on its on-pitch success. Despite being football's most powerful brand, in terms of brand value, it still trails Manchester United by a considerable margin. United, despite finishing a disappointing 6th in the Premier League, is the most valuable brand in football, worth US$1.733 billion to Real's US$1.419 billion.

View the list of the 50 most valuable football brands here

United's success is partly the result of an enduring halo effect from the good times under Alex Ferguson. However, the most crucial ingredient has been the club's commercial nous and ability to convert its success into lucrative deals across dozens of industry sectors and national territories. In contrast, while Real has blockbuster deals such as its reported billion euro agreement with Adidas, it has not leveraged its brand equity to the same extent as United, failing to pursue the same range of partnerships.

Real could perform significantly better in growth markets outside Europe too. In some, such as the Middle East, Real is popular, yet Brand Finance research into the vast and therefore critical Chinese market demonstrates that Real has a lot of work to do; it lags behind not just United but also Bayern Munich in popularity.

David Haigh, CEO of Brand Finance, commented: *"Real must now pay as careful attention to its off-pitch strategy as it does to its on-pitch performance. Newfound status as the world's* *most powerful brand ought to provide the club with ammunition in ongoing discussions with Emirates to renegotiate the shirt sponsorship; Real must not miss the opportunity."*

Premier League clubs continue to lead the world when it comes to commercialising their brands; six of the top ten most valuable football brands are English. Title rivals Chelsea and Tottenham have recorded some of the biggest gains this year after successful seasons that saw Chelsea regain its status as England's best, under dynamic new manager Antonio Conte. Commercially, Chelsea stand to gain significantly through a reported £900 million, 15 year deal with Nike as well as from a near 50% increase to the capacity of Stamford Bridge. Tottenham is also expanding its home; the new White Hart Lane has been innovatively designed and will offer 61,000 spectators the opportunity to see Spurs on home turf. Tottenham's brand value is up 58% on last year and Chelsea's 61% to US$1.248 billion.

All Premier League teams continue to benefit from the vast revenues brought in by the latest broadcasting rights deal with Sky and BT. The relatively equitable split is particularly helpful to smaller clubs and helps to explain how a club such as Bournemouth (which joined the Premier League just two years ago and comes from a town of just 180,000 inhabitants) controls a more valuable brand than much longer established European top tier clubs such as Olympique Lyonnais, Inter Milan, and AS Roma. The costs of missing out on Premier League status are clear too. Another season in the Championship for Aston Villa and relegation for Sunderland see both drop out of this year's list.

Sunderland's loss has been Newcastle's gain. The Magpies' promotion will see revenues return and restore international exposure to the Tyneside club. As a result, brand value is up 92% to US$247 million, making Newcastle this year's fastest growing brand.

Juventus' Serie A win and full Champions League run helped improve brand strength by three points, putting the Italian club in the top 5 for brand strength. Brand value has improved significantly too, growing 72% since 2016. However, like Real Madrid, Juventus has not fully leveraged the strength of its brand for commercial purposes. Foreign tours, marketing investment, strategic partnerships with brands and even non-commercial organisations can all help to improve willingness to purchase, whether that is merchandise, match-day tickets, or subscriptions to broadcasters of Serie A matches. Juve is somewhat constrained in its ability to strike marquee deals by the duration of its existing partnerships with Adidas and Fiat. Nonetheless, Italy's most valuable football club could do better.

Bayern Munich has stayed level in 5th. The Bundesliga title has increasingly come to seem Bayern's by right. The club is so dominant locally that glory can really only come from the international stage, so a failure to reach the Champions League semi-finals could mean 2017 is interpreted as a rather mediocre season. Though this year's on-pitch performance might possibly be seen as underwhelming, Bayern is making great strides off the pitch to enhance the value of its brand. The club is trying to make up for financial differences with European rivals by investing in China. Its new Shanghai office is the first of any European football club to open in mainland China. The club has also launched two football schools in Qingdao and Shenzhen this year, which has increased the brand's familiarity among young players, as has its intensive investment in social media. Bayern's hard work is paying off. Brand Finance's research shows that the club has a very strong presence in China, while the Bundesliga (generally less widely broadcast than La Liga or even Serie A) is China's most watched foreign competition after the Premier League.

Zenit St Petersburg is Russia's only entry in the top 50. Its €168 million commercial revenues (led by headline sponsor Gazprom) are the primary driver of brand value, putting it significantly ahead of the two major Moscow clubs CSKA and Spartak. The soon to open Krestovsky Stadium should help Zenit pull further ahead of the pack; its 68,000 capacity is more than 50%

larger than any other club arena, allowing Zenit to leverage its brand through enhanced match-day revenue. The stadium will be a key venue for next year's FIFA World Cup.

At present, the Russian Premier League creates limited interest outside the CIS, however as billions of fans focus their attention on the country, 2018 could be the perfect opportunity for Russia's clubs to strengthen their brands and build a following in Asia in particular. There are risks too though. Hooliganism was once known as the English Disease but is now more closely associated with Russia, which is also seen as a laggard on issues such as racism and homophobia in sport. Russian clubs must be mindful of the fragility of this once-in-a-generation opportunity, plan carefully to improve awareness, win fans, and secure commercial partnerships.

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Note to Editors

For more definitions of key terms, methodology, and more stories, including the profiles of top 10 club brands, please consult the Brand Finance Football 50 report document.

Brand values are reported in USD. For conversions into other currencies, please hover over the 'i' button on the web version of the table and select.

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About Brand Finance

Brand Finance is the world's leading brand valuation and strategy consultancy, with offices in over 25 countries. We provide clarity to marketers, brand owners and investors by quantifying the financial value of brands. Drawing on expertise in strategy, branding, market research, visual identity, finance, tax and intellectual property, Brand Finance helps clients make the right decisions to maximise brand and business value and bridges the gap between marketing and finance.

Methodology

Definition of Brand

When looking at brands as business assets that can be bought, sold and licensed, a technical definition is required. Brand Finance helped to craft the internationally recognised standard on Brand Valuation, ISO 10668. That defines a brand as “a marketing-related intangible asset including, but not limited to, names, terms, signs, symbols, logos and designs, or a combination of these, intended to identify goods, services or entities, or a combination of these, creating distinctive images and associations in the minds of stakeholders, thereby generating economic benefits/value.”

However, a brand makes a contribution to a company beyond that which can be sold to a third party. ‘Brand Contribution’ refers to the total economic benefit that a business derives from its brand, from volume and price premiums over generic products to cost savings over less well-branded competitors.

Brand Strength

Brand Strength is the part of our analysis most directly and easily influenced by on pitch performance, publicity and brand management. In order to determine the strength of a brand we have developed the Brand Strength Index (BSI). We analyse performance in three key areas; investment, brand equity and finally the impact of those on business performance. Metrics within these categories include, stadium capacity, squad size and value, social media presence, on-pitch performance, fan satisfaction, fair-play rating, stadium utilization and revenue. Following this analysis, each brand is assigned a BSI score out of 100, which is fed into the brand value calculation. Based on the score, each brand in the league table is assigned a rating between AAA+ and D in a format similar to a credit rating.

Approach

Brand Finance calculates the values of the brands in its league tables using the ‘Royalty Relief approach’. This approach involves estimating the likely future sales that are attributable to a brand and calculating a royalty rate that would be charged for the use of the brand, i.e. what the owner would have to pay for the use of the brand, assuming it were not already owned.

The steps in this process are as follows:

1 Calculate brand strength on a scale of 0 to 100: the BSI captures the ability of clubs to drum up popular interest and then convert interest into support and custom. The BSI covers three broad topics of: brand investment, equity in the form of emotional connection harboured by a brand, and bottom line commercial performance.

2 As brand has differing effects on each source of income, we then split revenues down into three streams: match-day, broadcasting and commercial, which will each have their own respective royalty rate applicable to them. The royalty rates are derived by looking at comparable agreements and through in-house analysis.

3 Calculate royalty rate. The brand strength score is applied to the royalty rate range to arrive at a royalty rate. For example, if the royalty rate range in a brand’s sector is 0-5% and a brand has a brand strength score of 80 out of 100, then an appropriate royalty rate for the use of this brand in the given sector will be 4%.

4 Determine brand specific revenues estimating a proportion of parent company revenues attributable to a specific brand.

5 Determine forecast brand specific revenues using a function of historic revenues, equity analyst forecasts and economic growth rates.

6 Apply the royalty rate to the forecast revenues to derive brand revenues.

7 Brand revenues are discounted post tax to a net present value which equals the brand value.