

AUGUST, 2022



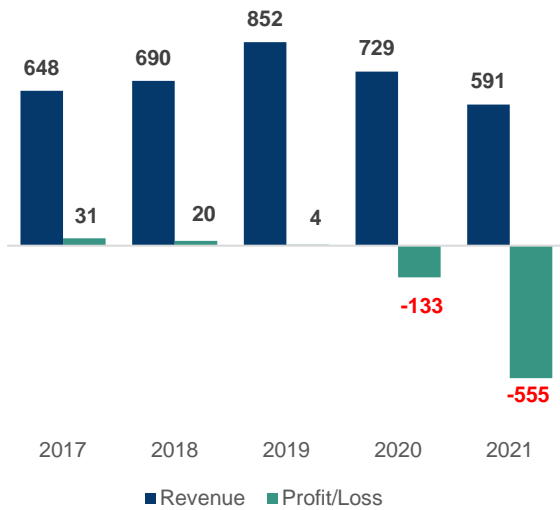
BARCELONA FINANCIAL REPORT

Financial crisis of FC Barcelona :

(Note: The financial accounting period of Barcelona ends on June 30th)

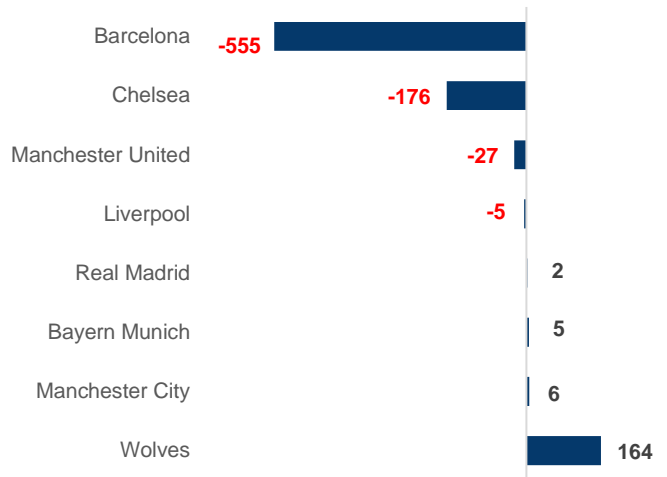
Barcelona was walking on a tight rope financially before the 2019-20 season due to high-value transfers, the club's debt structure, and the enormous number of wages they were offering to their players. In the 19-20 season, the covid pandemic had a massive impact on their finances, in total, they generated a revenue of 729 million euros which is approximately a 14% drop compared to the 850 million euros of revenue generated in the previous year and their net loss was around 133 million euros for the financial year ending on 30th June.

Exhibit 1: Barcelona's Revenue and Profit has taken a big hit during the recent years (in euros mns)



Source: SwissRamble

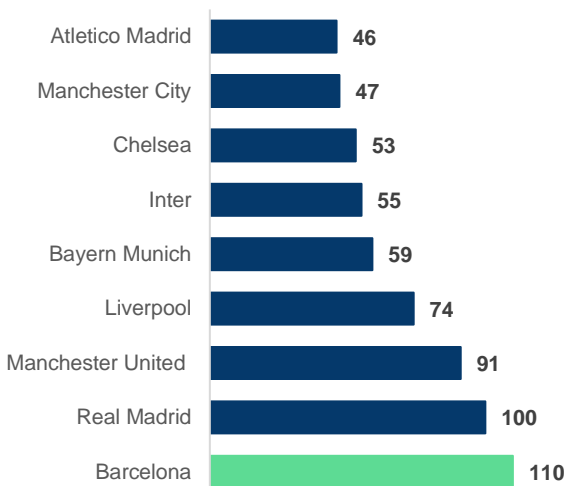
Exhibit 2: Barcelona had the highest loss amongst all the other top European clubs in 2021 (in euros mns)



Source: SwissRamble

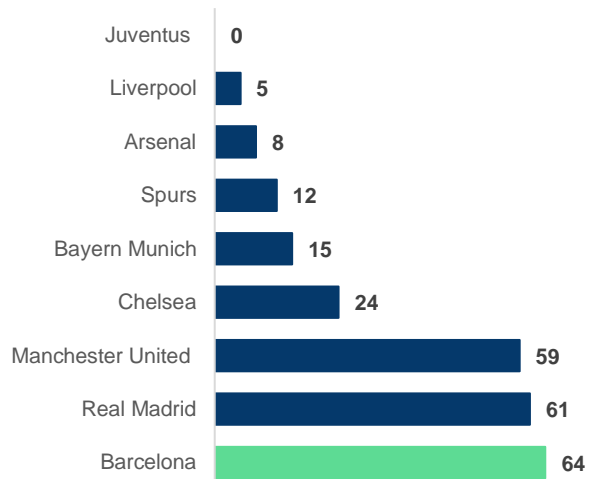
The major part of the discrepancies between the estimates and results can be attributed to the covid pandemic and a series of profit and loss items that were to be accounted for in the next financial year. The club did try to cut costs during this time of distress due to which they saved 73 million euros.

Exhibit 3: Barcelona had the highest loss in Matchday revenue amongst other top European clubs (in euros mns)



Source: SwissRamble

Exhibit 4: Barcelona had the highest loss in Commercial revenue amongst other top European clubs (in euros mns)



Source: SwissRamble

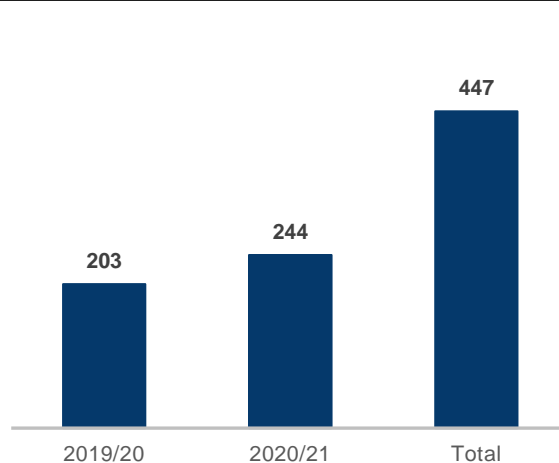
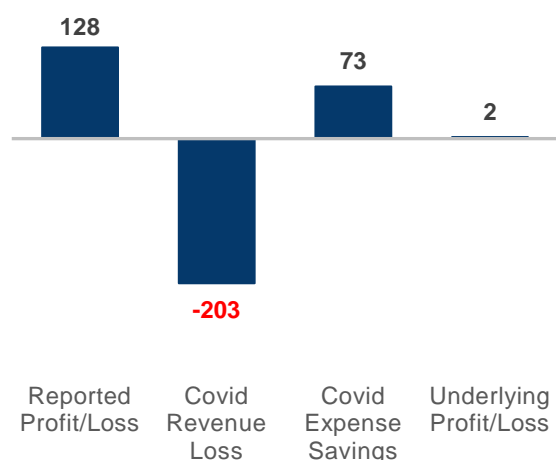
Impact of Covid-19 on the 2020-21 season:

In the 2020-21 season, the total losses posted in La Liga were around 892 million euros and Barcelona was responsible for more than half (approximately 56%) of those losses as the club still suffered from reduced match-day incomes and player transfer fees. The operating expenses for the year had significantly increased to 1,136 million euros a record in the club's history as this was the first time the expenses of the club had crossed the 1 billion euro mark, and revenue for the year had also dropped significantly. The net loss after tax for the 2020-21 season was revealed to be 481 million euros.

A major part of the rise in expenses came from player impairment, other impairments, and provisions (Lawsuits, tax cases). FC Barcelona had set aside 45 million euros for the Neymar lawsuit however the club had reached an agreement with the player on the 26th of July this amount will be classified as profits in the 2021-22 season.

Exhibit 6: Breakdown of Covid 19's impact on FC Barcelona's Financials (in euros mns)

Exhibit 7: Total loss in FC Barcelona's Revenue because of Covid 19 (in euros mns)



€ Mlns	Sixth Street	COVID Impact	Underlying	% Impact	2018/19	Growth	% Growth
Revenue	855	(203)	1058	(19%)	990	68	7%
Expenses	955	74	1029	7%	973	57	6%
Net Interest Payable	28	(1)	27		14	13	
Profit/Loss before tax	(128)	(130)	2		4	(2)	(44%)

€ Mlns	Sixth Street	2019/20	2020/21	Total
Revenue	Stadium closure, games played behind closed doors	67	181	248
Expenses	Closure of stores and museum, no pre-season tour	72	56	128
Net Interest Payable	Broadcasters rebate	35	7	42
Profit/Loss before tax	Depressed transfer market	29		29
Revenue Loss		203	244	447

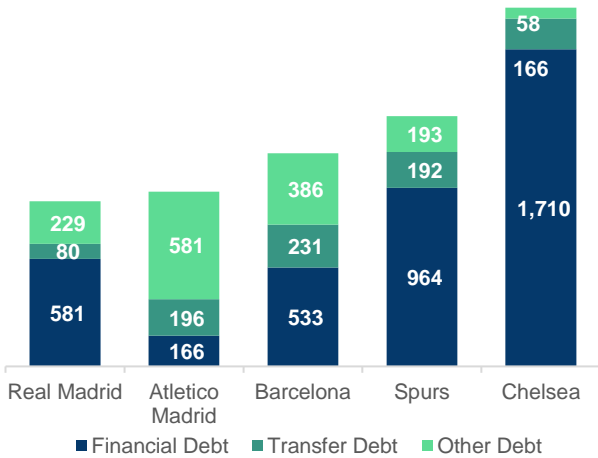
Source: SwissRamble

Debt Structure

The total outstanding debt of FC Barcelona was a whopping 1.15 billion euros in FY20-21 and it further rose to 1.35 billion euros in August 2021, as confirmed by Barcelona’s President, Joan LaPorta.

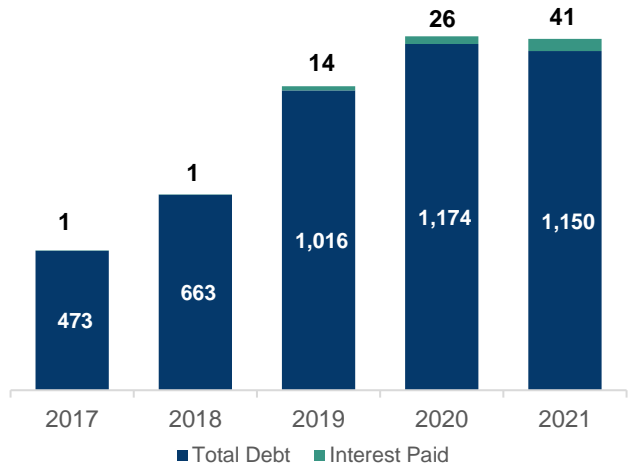
The breakdown of big clubs with the highest amount of debt is given below:

Exhibit 7: Breakdown of Total Debt of top European clubs in 2021 (in euros mns)



Source: SwissRamble

Exhibit 8: Barcelona - Total Debt & Interest Paid has been increasing over the last 5 years (in euros mns)

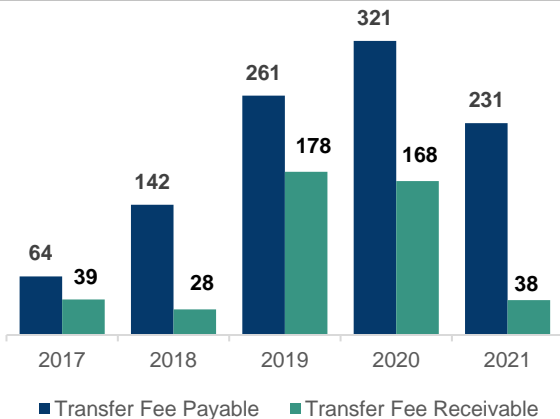


Source: SwissRamble

A good portion of Barcelona’s debt (approximately 380 million euros) emerges from the salaries owed to players. In 2020, Barcelona struck a deal with first-team players to accept a deferred payment of their salaries due to the shortage of funds and is now a part of the total debt. Barcelona owes a combined 670 million euros to banks. Some of the debt (92 million euros) constitutes the loan taken to fund Barcelona’s aspirational project *Espai Barça* which was taken up to bring Barcelona’s facilities to the 21st century by building a sports innovation hub.

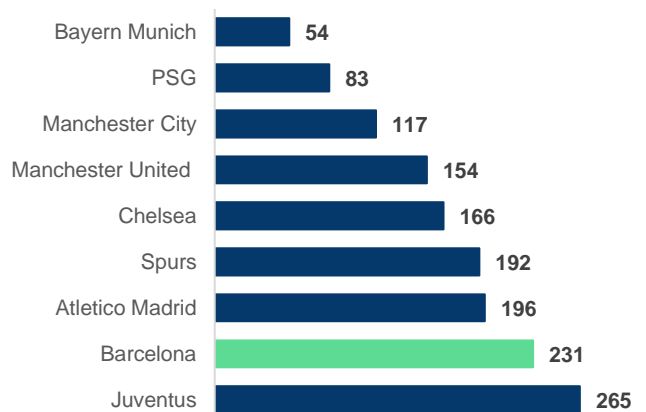
The estimated debt taken on due to the pandemic is at around 95 million euros. A lot of the debt was either used to fund long-term projects like *Espai Barça* or was used to fund immediate needs like player salaries and administrative expenses.

Exhibit 9: Barcelona’s transfer receivables has been decreasing and payables have been increasing (in euros mns)



Source: SwissRamble

Exhibit 10: Barcelona has the 2nd highest transfer payables amongst top European clubs (in euros mns)

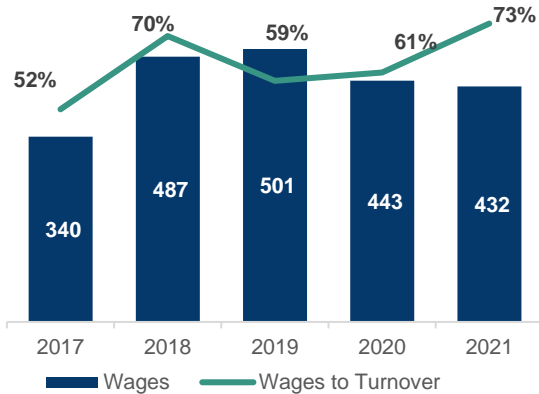


Source: SwissRamble

Wages

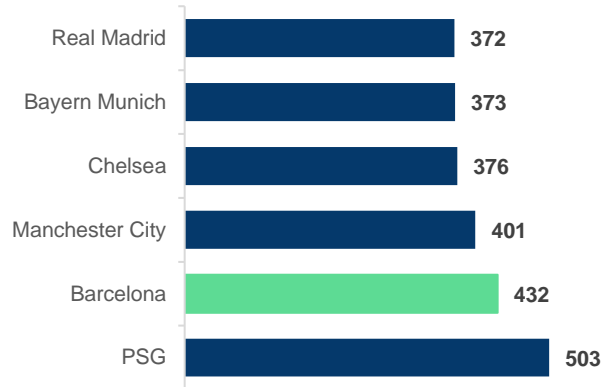
The wage bill of FC Barcelona stood at 432 million in 2020/21, the second highest in Europe! Their payroll grew a shocking 61% from 2016-17 to 2020-21 on account of bumper contract renewal offers and new player signings.

Exhibit 11: Barcelona's wages and wages to turnover has seen a sharp increase(in euros mns)



Source: SwissRamble

Exhibit 12: Barcelona has the 2nd highest wage bill amongst top European clubs (in euros mns)



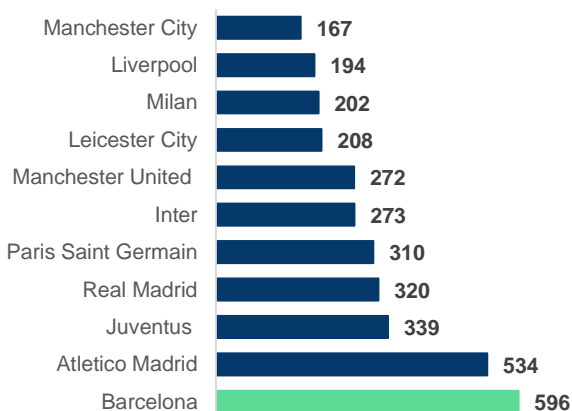
Source: SwissRamble

The wages went from taking up about 42% of the revenue in 2012 to taking up more than 73% in 2021. This steady rise in wages put a fixed burden on Barcelona's finances and is a major reason for their financial downfall.

How are they recuperating from the situation and managing to buy more Players?

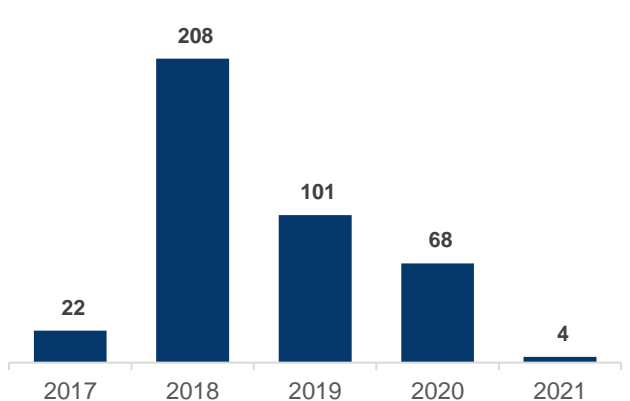
Now in the summer window of 2022 we see that Barcelona have made a hefty expenditure to strengthen their squad by making some new signings. We see the likes of Robert Lewandowski joining them for a fee of 45 million Euro and Raphinha for an undisclosed fee along with three other free agents, but Barcelona is only able to make these signings possible due to the measures they took in reducing their liabilities. They had to offload marquee players like Lionel Messi and Philippe Coutinho in 2021 who held high salary bills. Apart from savings in the wage bill the club also had to make a significant change in the debt taken up by the club. The club had a debt of Euro 595 million which they restructured to a 10-year loan at 1.98% interest replacing its old short-term debt.

Exhibit 13: Barcelona has the highest short term debt amongst top European clubs (in euros mns)



Source: SwissRamble

Exhibit 14: Barcelona's profit from sale of players has seen a sharp decline (in euros mns)



Source: SwissRamble

Besides this, the Club in an attempt to repay its long-term debt agreed to sell 25% of broadcasting revenue for the following 25 years to American investment company Sixth Street for 450 million euros. The club additionally would sell 49% of its Licensing and Merchandising Arm to raise extra money for recovery. This despite helping the club reduce its debt in the near term is only an option which the club will be able to exercise only once and would not be able to take such a step in the future if the financial situation deteriorates as it involves sale of various revenue making arms of the club for an upfront payment

Exhibit 15: Barcelona's economic levers and the breakup of their funding and payment (in euro mns)

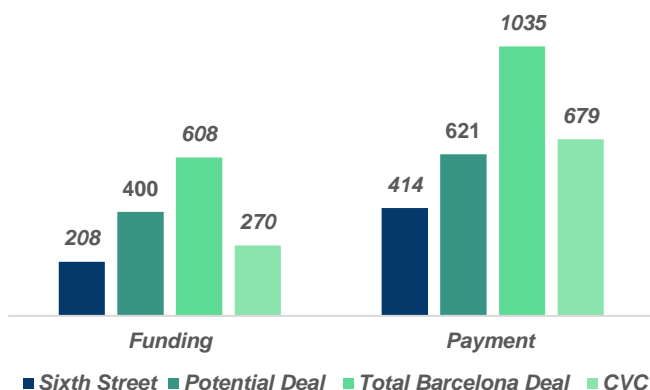
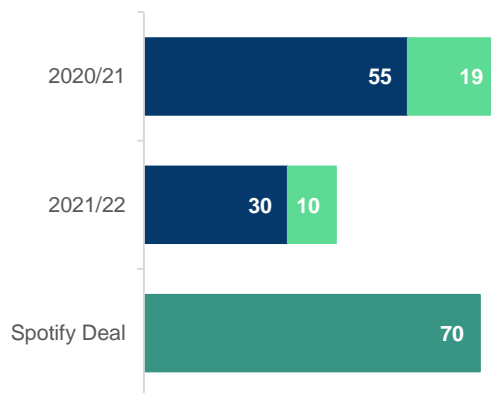


Exhibit 16: Breakup of Barcelona's Spotify deal (in euros mns)



Source: SwissRamble

Source: SwissRamble

€ Mlns	Comments	Sixth Street	Potential Deal	Total Deal	CVC
Funding	Money Provided to Barcelona Immediately	208	400	608	270
Payment	% of La liga TV rights	10%	15%	25%	8.2%
	La Liga TV Rights 2020/21	166	166	166	166
	Annual Payment	17	25	41	14
	Number of Years	25	25	25	50
	Total Payment	414	621	1035	679
Net Payment	Assumes no increase in La Liga rights	207	221	428	409
Other Factors	Buyback option	Yes			No
	Possibility to join future super league	Yes			No

Source: SwissRamble

Barcelona on 15th March 2022 announced a one of a kind deal with Spotify with a 4 year contract which kicks in from the 2022-23 season. The deal is of 280 million Euros along with the clubs training T shirts for the next 3 seasons in exchange for Shirt branding and Stadium title rights for the official stadium of Barcelona to which would now be renamed to "Spotify Camp Nou" with an opportunity to hold gigs for their artists at the stadium.

While these machinations mean #FCBarcelona can probably meet La Liga's salary cap and therefore sign the likes of Rapinha and Lewandowski, this strategy is clearly a gamble, essentially hoping that it will drive success on the pitch and generate more money in the future. Even though Laporta claimed, "This will all take place under the criteria of financial sustainability and prudence", it does feel like this approach of "short-term gain, long-term pain" means that #FCBarcelona have learned precious few lessons from the mistakes of the past.

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