

Convocados | XP Report

Finance, History and Brazilian Soccer Market





Pre-match

Lineup

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Introduction

Brazilian soccer is passing through a moment of transformation. Actual professionalization, with Soccer's Business Corporations (SAF) and Leagues. After a pandemic that left unexciting marks, there was no alternative but to look for new directions. We recall Einstein's old saying: *"Insanity is doing the same thing over and over again and expecting different results"*.

In this scenario, our report **Convocados | XP: Finance, History and Brazilian Soccer Market** emerges. A partnership between **Convocados** consulting, which works on the Soccer industry through a 360° view – from ball to the math, from revenues to sports culture –, and **XP Investimentos**, pioneer in the Brazilian soccer restructuring movement, being responsible for the first SAFs, and ready to lead this transformation.

The moment asks for a complete industry overview, which begin from using data and information that allow us to understand where we are, as well as guide us to where we need to be. Understanding the finance, the relationships' characteristics between clubs, fans and the consuming market, and working with actual numbers will be key for whoever wants to be part of this moment. Here, you will find all of that, as well as a series of insights and provocations on Brazilian soccer.

Convocados | XP: Finance, History and Brazilian Soccer Market.

Disclaimer

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Technical Criteria

REVENUES | We analyzed soccer from two perspectives: **Total Revenues**, which consider everything that is Operational, that is, everything that is generated on the Club's daily operations, and **Recurring Revenues**, which we excluded Athlete Negotiation's revenues, since it is a very erratic revenue stream. For calculation purposes, we also exclude revenues that were not obtained from the Club's core operation, such as debt waivers, asset reevaluation, among others. Another sales adjustment made is regarding Athletes' Negotiation – we eliminate the amount that is entitled to third-parties with economic rights as well as negotiation's commissions, in order to show the net amount that goes to the Club. Although the share that belong to third parties is not the club's property, FIFA determines it needs to pass through its income statement. Commissions are also not the club's property. From a Cash Generation standpoint, this adjustment is immaterial, but it impacts potential rankings made.

RECURRING REVENUES x VARIABLE REVENUES | Soccer has been increasingly based on variable revenues. They are not non-recurring as they do exist and repeat throughout time, but their flows vary essentially with the performance on the field. Transmission Rights' Revenues and performance bonus are examples. It is important to note the difference when making your valuation.

CASH GENERATION (EBITDA) | We use EBITDA (Earnings Before Interest, Depreciation and Amortization) to show the net value available for the club to pay for its costs and recurring expenses. This is a cash generation proxy and is basically the cash that clubs have to pay for their debt and make investments. Important: we consider NET SALES for EBITDA purposes, which are lower than GROSS TOTAL SALES. The breakdown is only possible to be made based on GROSS SALES, which explains the difference.

PERSONNEL COSTS X PERFORMANCE BONUSES | When analyzing personnel costs, we would need make some adjustments, which are impossible to be made given the lack of disclosure on clubs' financial statements. One of them is splitting the soccer expenses from other activities, and the other is excluding performance bonuses from the personnel expenses. In our analysis, these amounts are considered as Personnel costs since they are a cash outflow destined to the Club's professionals, though we note it as a limitation we would rather not have.

Technical Criteria

DEBTS | In the analysis we care to separate the liability data in order to clearly see the numbers that can generate problems to the clubs. Therefore, the calculation is composed by the sum of:

- (+) Loans and financing
- (+) Providers
- (+) Debts with clubs and agents
- (+) Installment taxes
- (+) Wages, Image Rights, Social Burden, Taxes and Contributions
- (-) Availabilities

We could add the advance payments, liabilities that will not be paid with money, but rather with exhibition, while they'll represent less money in the future. We opted to leave them out because while the club is operating the advance payments tend to be recurrent. In other industries the Wages and Burdens would never be debts, but as in soccer the month usually lasts 90 days for many clubs, it is fundamental to include them in the sum. We also exclude the Receivable Assets, seen that they're not always liquid and accurate. We work pragmatically: delaying these payments can be a great problem to the clubs, and the way to avoid the delays depends on having cash in hand.

NET DEBT | In order to analyze net debt, we disregard the availabilities position of the total debt. The graphics show the gross debt by kinds, with the total net debt.

Technical Criteria

INVESTMENTS | The values are obtained from the junction of the Cash Flow data, the explaining note of the Intangible (additions) and the conciliation we make by using information about the exercise results demonstration and Cash Flow.

SOURCES | All of the economic and financial data were obtained by financial demonstration provided by the clubs and were treated according to the technical criteria settled up by this material. Whenever the source is different it will be named in the disclosed data.



Warm up



Brazilian soccer in numbers

Brazilian Football in 2021

A look towards the future

2021 showed an industry in transformation, driven by factors external to its structure.

The pandemic effects were felt differently from 2020, as the movement came with a warning sign: the scenario calls for a move, or it means a loss of relevance.

The famous inversion in the competitive pyramid is no longer an expectation, it has become a reality. Traditional clubs like Grêmio and Bahia joined Cruzeiro and Vasco in the Second Division, while América Mineiro, Fortaleza and Red Bull Bragantino took places in Libertadores. In our view, such moves reflected a reward for competence in management. And it wasn't just that.

If we consider the inflation effect, revenues in 2021 were practically the same as in 2019, showing that football, even with an extraordinary booster of resources with broadcasting rights, was stagnated. Clearly, with ticket sales it would have been better, but nothing that justified celebrations.

The clubs' debt are still high, reinforcing the need to keep stretching it to pay off the past, while maintaining the raise of new amounts of debts. The fact is that the market is losing an important part of revenues with the changes in the athlete trading market. It is no longer a question of when to change; It's a matter of survival.

On the positive side, the good news is that 2021 ended with great achievements: the passing of the SAF law; the advance in discussions about club league formation; the progress of streaming as an additional alternative for broadcast income; the growth of games; the arrival of betting. All this to serve a fan who is still passionate about his club – in other words, about football.

We are late, but to reach the final destination we need to take the first steps. May the future be right there.

Key numbers



R\$ 6,6 bn

First Division total revenue in 2021



75%

Percentage of Brazilians who have **FOOTBALL** as their favorite sport.



R\$ 3,2 bn

First Division total personal expenses in 2021



R\$ 900 mn

Second Division total revenue in 2021



R\$ 25 bn

Potential **betting market** in Brazil

Source: Sport Track Annual Survey, Clubs financial data (2022)

Key numbers



R\$ 9,2 bn

First Division total debt
in 2021



88%

Support a Brazilian football team:
24% Flamengo **18%** Corinthians
11% São Paulo **10%** Palmeiras



58%

Of fans have heard about
NFT, cryptocurrencies and
fan tokens

R\$ 832 mn

Investments in signing **First
Division** athletes in 2021

36%

Support a foreign football team:
28% Barcelona
24% Real Madrid
17% PSG

25%

Have already purchased some
digital assets, whether linked or
not to clubs

Source: Sport Track Annual Survey, Clubs financial data (2022)

A black and white photograph of a large stadium at night. The stadium is filled with spectators, and bright lights illuminate the field. A large plume of white smoke or steam rises from the center of the field, partially obscuring the stands. The image is split diagonally by a dark blue overlay that covers the bottom-left portion.

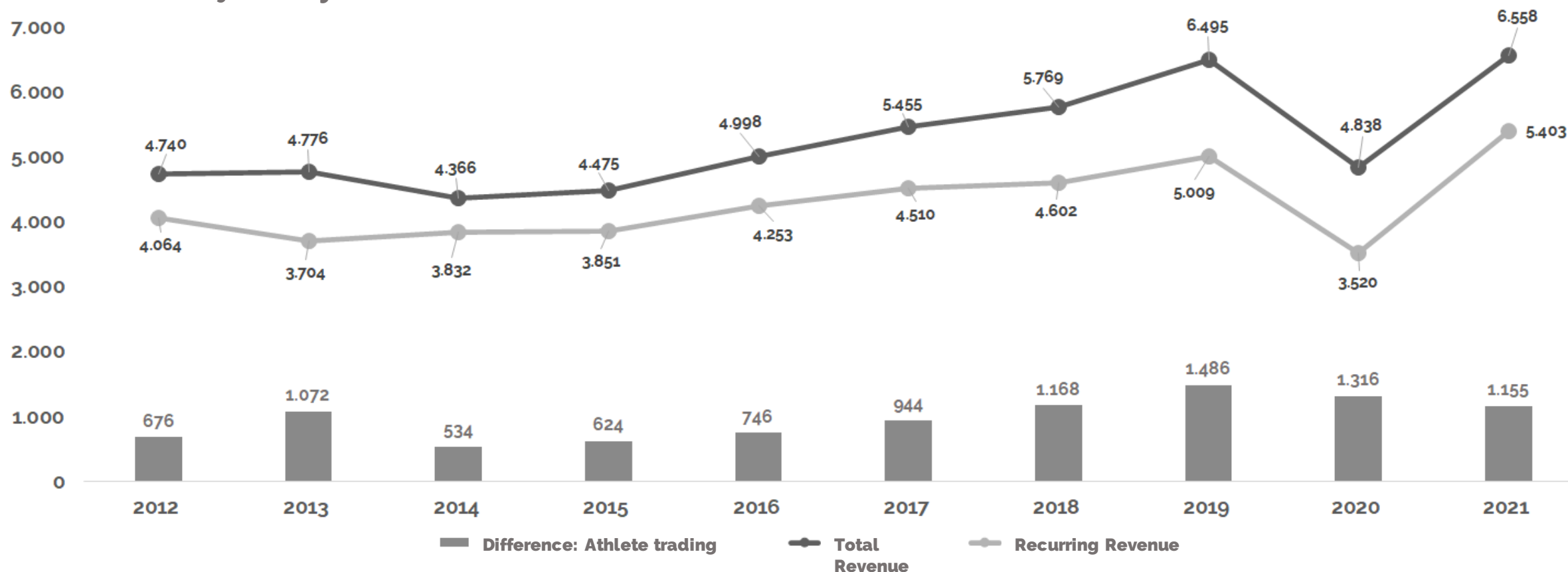
First Half



Revenues

Comparative: Total and Recurring Revenue

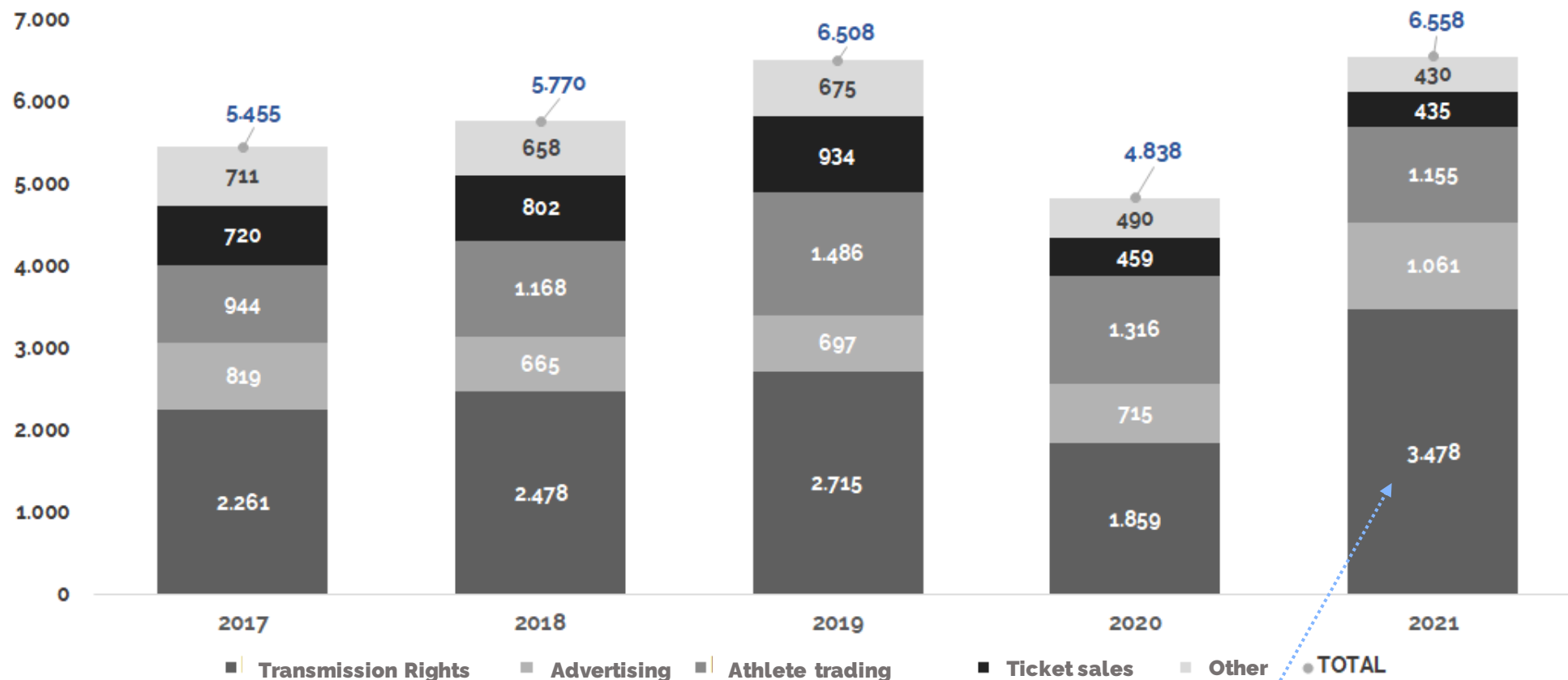
Comparative evolution of First Division total and recurring revenue
BRL (millions) adjusted by IPCA



Source: Clubs Financial Statements (2022)

First Division: Revenue Breakdown

Evolution of First Division Revenue
BRL (millions) adjusted by IPCA

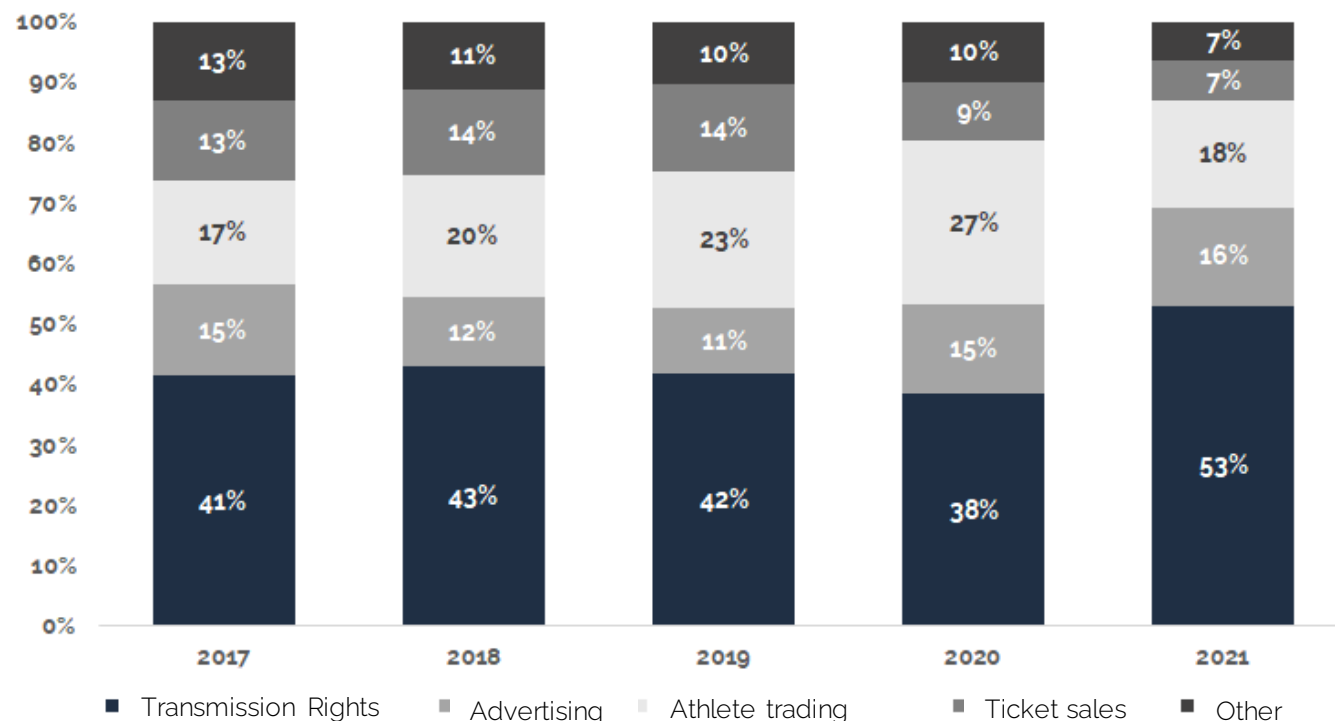


Source: Clubs Financial Statements (2022)

This growth is associated with the 2020 Copa do Brasil and Libertadores finals, paid in 2021, in addition to the accumulation of two Club World Cups and the award of the Brazilian Championship.

First Division: Revenue Breakdown

Brazilian Championship First Division Revenue Breakdown



Source: Clubs Financial Statements (2022)

Reduction in ticket sales compared to 2020 is impacted by the drop in revenue from official supporters, hit by the absence of an audience for most of the season.

Accumulation of revenues from Transmission Rights (including performance) generated an increase in the share of this revenue in the composition.

Two highlights:

- Advertising growth
- Drop in athlete trading

Receitas da Série A do Brasileiro

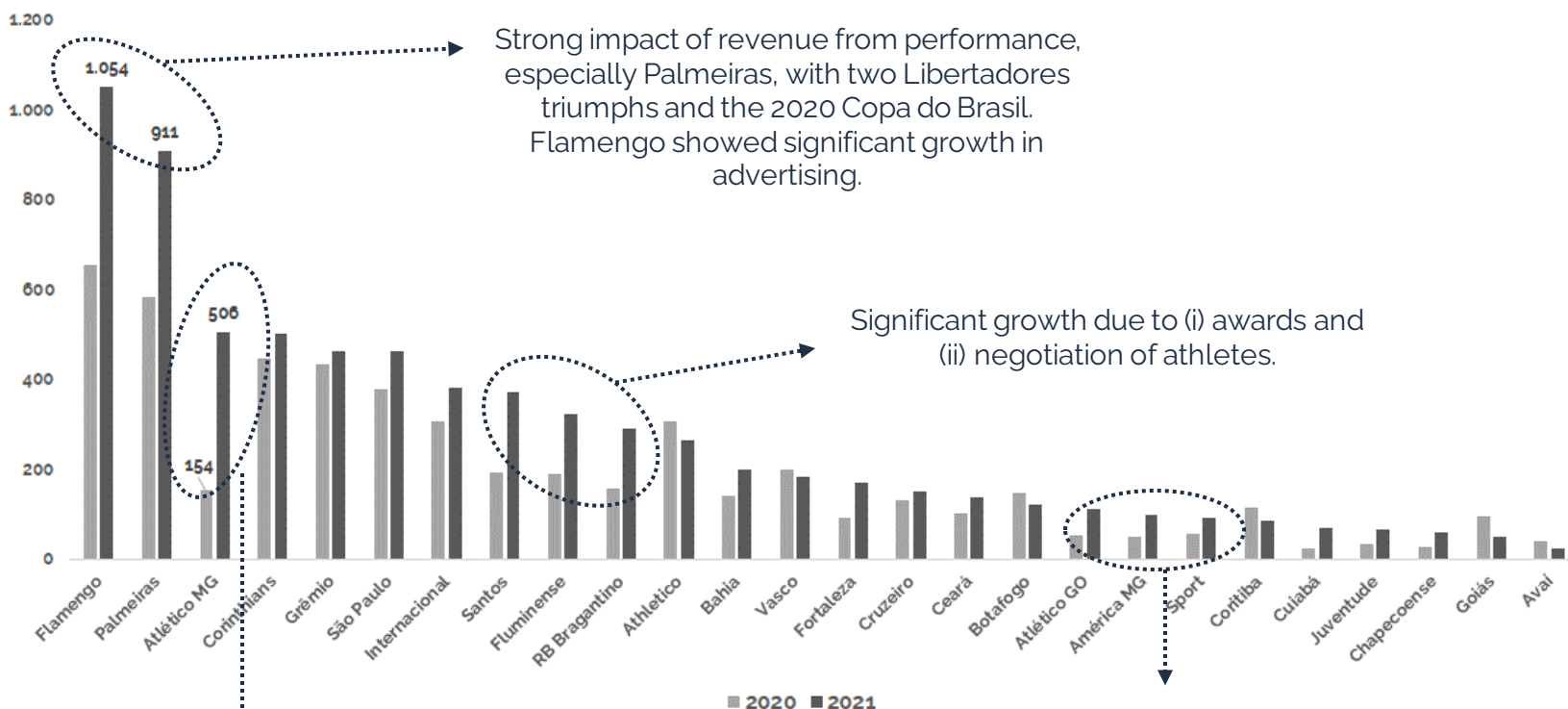
	2020	2021	Dif.	Var. %
TV Rights	1.859	3.478	1.619	87%
Advertising	715	1.061	346	48%
Athlete trading	1.316	1.155	(161)	(12 %)
Ticket sales	459	435	(24)	(5 %)
Other	490	430	(60)	(12 %)
TOTAL	4.838	6.558	1.719	36%

Source: Clubs Financial Statements (2022)

Total Revenue per Club

Broaden First Division

Comparison of the Evolution of Total Revenue
2020 x 2021 – BRL (millions) adjusted by IPCA



An important leap heavily backed by awards for the Brazilian and Copa do Brasil titles, in addition to the Libertadores semifinals.

Playing in the First Division was key to revenue growth.

	2020	2021	Dif.	Var. %
Flamengo	655	1.054	399	61%
Palmeiras	585	911	325	56%
Atlético MG	154	506	352	228%
Corinthians	447	503	56	12%
Grêmio	434	465	31	7%
São Paulo	381	465	84	22%
Internacional	309	382	73	23%
Santos	194	372	179	92%
Fluminense	190	324	134	70%
RB Bragantino	160	291	132	83%
Athletico	308	265	(43)	(14)%
Bahia	144	200	56	39%
Vasco	200	186	(14)	(7)%
Fortaleza	94	171	77	82%
Cruzeiro	132	154	21	16%
Ceará	103	140	37	36%
Botafogo	148	122	(27)	(18)%
Atlético GO	56	113	57	102%
América MG	52	102	50	96%
Sport	58	94	36	61%
Coritiba	117	88	(29)	(25)%
Cuiabá	25	70	45	180%
Juventude	35	68	33	96%
Chapecoense	29	62	34	118%
Goias	99	50	(48)	(49)%
Avai	42	25	(17)	(41)%

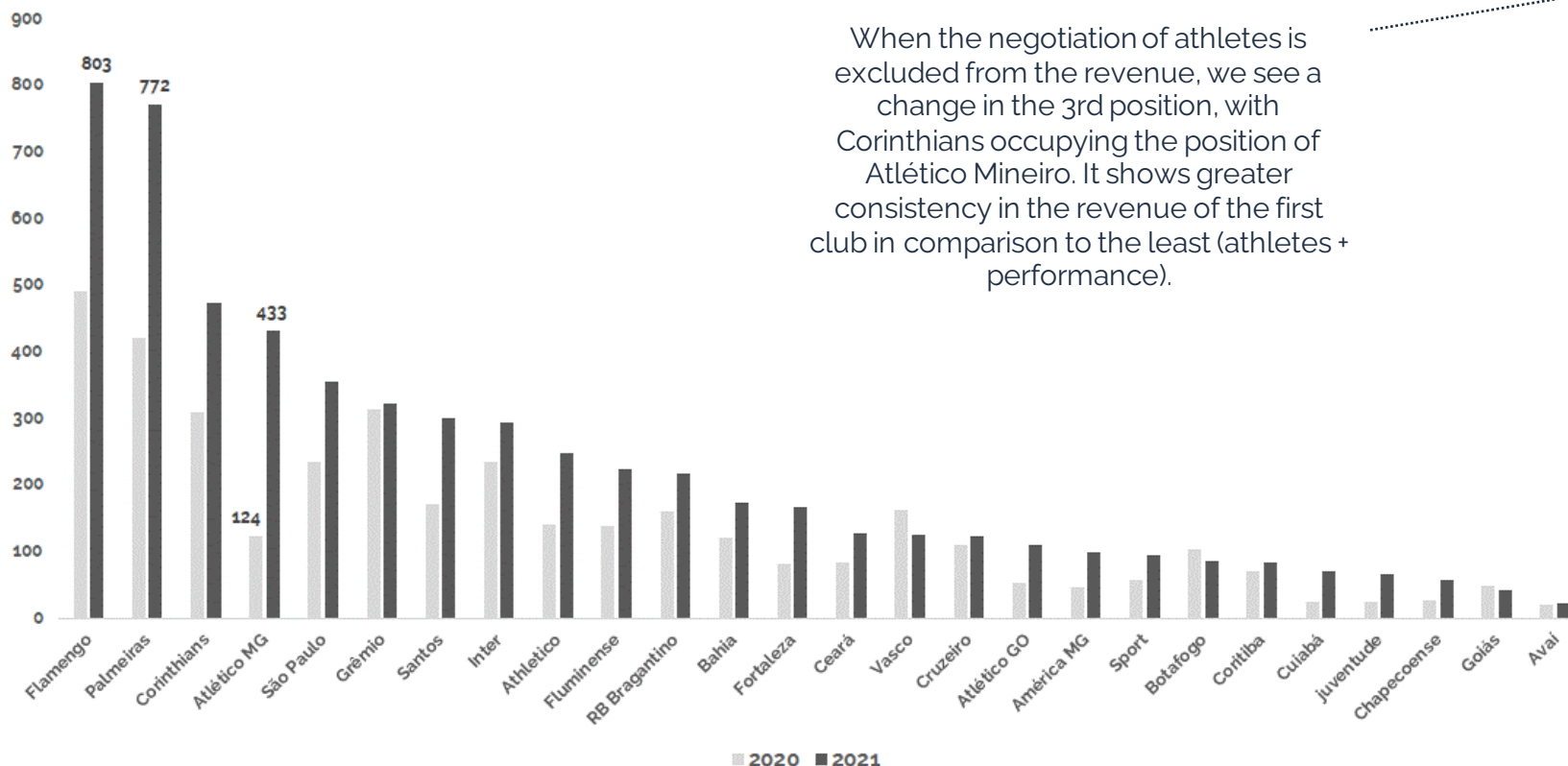
BRL million

Source: Clubs Financial Statements (2022)

Evolution of Recurring Revenue

Broaden First Division

Comparison of the Evolution of Recurring Revenue
2020 x 2021 – BRL (millions) adjusted by IPCA



When the negotiation of athletes is excluded from the revenue, we see a change in the 3rd position, with Corinthians occupying the position of Atlético Mineiro. It shows greater consistency in the revenue of the first club in comparison to the least (athletes + performance).

	2020	2021	Dif.	Var. %
Flamengo	492	803	311	63%
Palmeiras	421	772	350	83%
Corinthians	308	474	166	54%
Atlético MG	124	433	309	250%
São Paulo	235	355	120	51%
Grêmio	314	322	8	3%
Santos	171	300	128	75%
Inter	235	294	59	25%
Athletico	141	248	107	76%
Fluminense	139	224	85	62%
RB Bragantino	160	216	57	36%
Bahia	120	173	53	44%
Fortaleza	81	166	85	106%
Ceará	83	127	44	53%
Vasco	163	125	(38)	(23)%
Cruzeiro	110	123	13	12%
Atlético GO	52	110	57	110%
América MG	47	99	52	112%
Sport	58	94	36	61%
Botafogo	103	86	(17)	(17)%
Coritiba	70	84	14	19%
Cuiabá	25	70	44	177%
Juventude	24	65	41	168%
Chapecoense	26	58	32	120%
Goiás	50	42	(8)	(15)%
Avaí	20	23	3	13%

BRL million

Source: Clubs Financial Statements (2022)

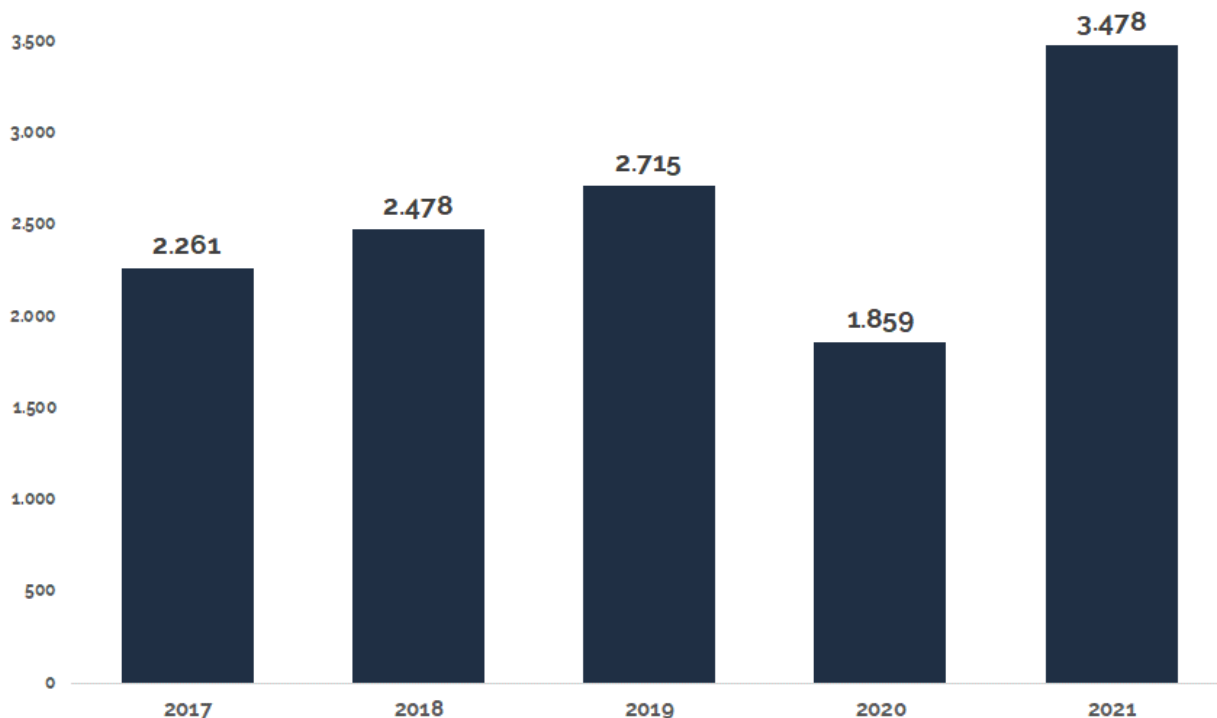


Transmission rights

Transmission Rights

First Division

Revenue with broadcast rights of all competitions
BRL (millions) adjusted by IPCA



Source: Financial Statements of Soccer Clubs (2022)

This topic asks for some concepts and explanations.

First, it represents revenues from all competitions: State, Brazilian Cup, Brazilian, Libertadores, South American, World Cup.

Except in the State and World Cups, of which revenues are usually fixed, in other competitions there are plots that depend on performance, which transforms part of this revenue into variable.

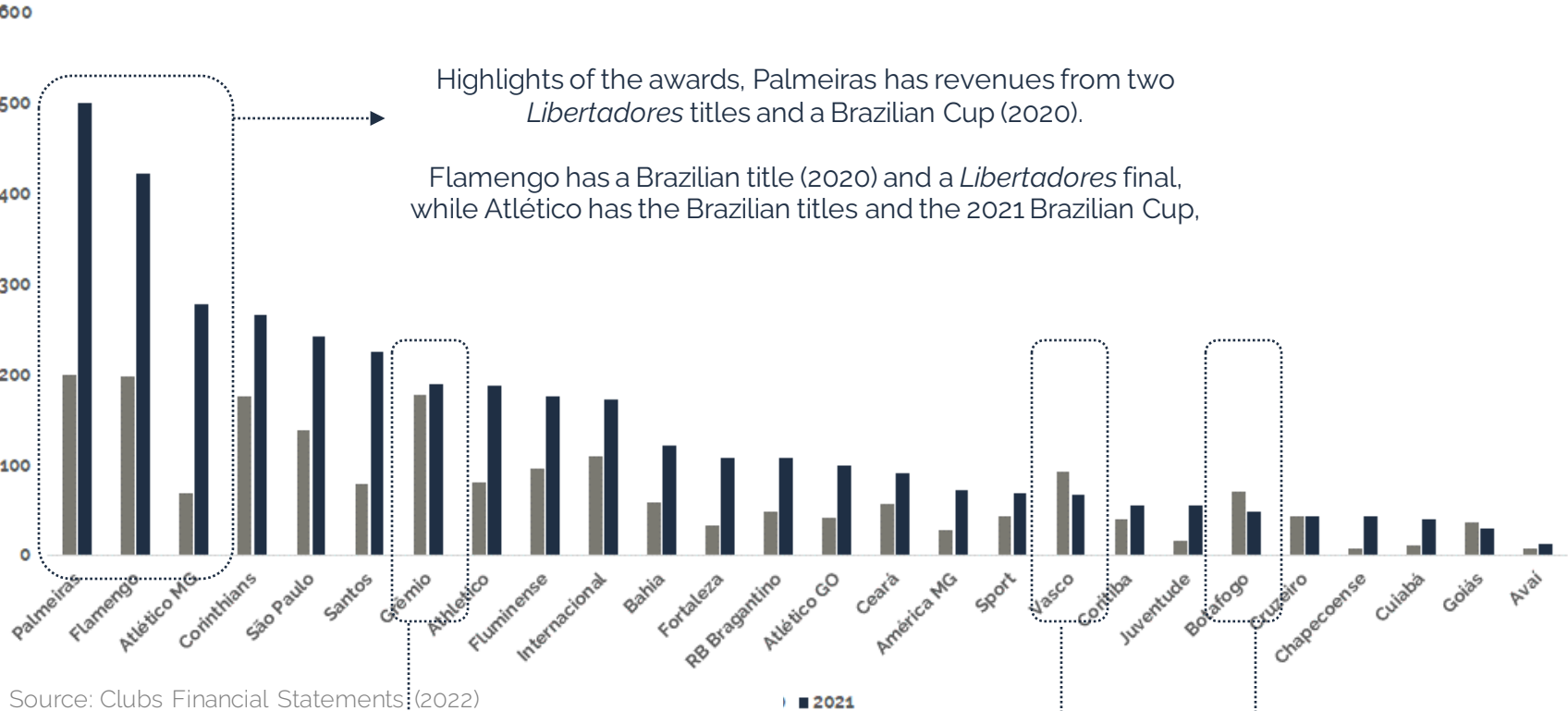
For example, in The Brazilian First Division 30% of what comes from the Open and Closed TV broadcasts are distributed by the final position of the classification, between the Champion and the 16th place, in a decreasing way of value.

In cup competitions the amount corresponds to the broadcast rights are paid according to the matches played. In the 1st phase there is a value, which increases as clubs advance.

Therefore, the values fluctuate according to the performance of Brazilians in continental competitions. In 2021 we had two finals with Brazilians in the Libertadores and one in Sulamericana, substantially increasing the amount received by national football.

Broadcast Rights Revenue by Club

Revenue versus broadcast rights
All competitions – 2020 / 2021 – BRL (millions) adjusted by IPCA



The performance of the Guild has movements with opposite signals. While the final of the 2020 Brazilian Cup increased revenue, the relegation in 2021 reduced the Brazilian's receipt.

Vasco and Botafogo lost revenue stemming from the 2021 Serie B.

	2020	2021	Variation
Palmeiras	200	501	301
Flamengo	198	422	224
Atlético MG	70	279	209
Corinthians	176	266	90
São Paulo	139	243	104
Santos	80	226	146
Grêmio	178	191	13
Athletico	82	189	107
Fluminense	97	177	80
Internacional	111	173	62
Bahia	59	123	64
Fortaleza	34	108	75
RB Bragantino	48	108	60
Atlético GO	43	100	57
Ceará	58	91	33
América MG	29	72	44
Sport	44	69	25
Vasco	92	68	(24)
Coritiba	41	56	15
Juventude	17	56	39
Botafogo	70	49	(21)
Cruzeiro	44	44	0
Chapecoense	9	44	35
Cuiabá	11	40	29
Goiás	37	30	(7)
Avai	8	13	4

BRL million

Transmission and current models



Brazil	Continent	Countries	Continent
<div>State Championship<p>Each Federation has its own negotiation. There are cases in which clubs negotiate individually (MG), and others collectively (SP/RJ). In collective cases, the broad fractionation and direct connection club/fan were chosen.</p></div> <div>Brazil Cup<p>Collective bargaining, competition, organized by the CBF. Currently there is no formal fractionation, has a single owner (Globo), who has registered part for Amazon Prime.</p></div> <div>Brazilian ("<i>Brasileirão</i>")<p>Current model will not repeat. Individual negotiation with collective demand, with a transmitter (Globo). Valid until 2024 After negotiations will be individual.</p></div>	<div>Libertadores</div> <div>South American<p>Collective bargaining coordinated by Conmebol. Packages are traded by country. In Brazil there were 3 packages per competition: Open TV + 2 Paid (Closed TV/Streaming).</p><p>Negotiations by date, time, who defines the matches and generates the images is the Confederation.</p></div>	<p>Collective negotiations coordinated by the Leagues.</p> <div>ENGLAND<p>3 packages: i) High exposure. (Sky), ii) medium exposure (BT) and iii) low exposure (Amazon); + highlights package.</p></div> <div>SPAIN<p>3 packages, similar to England;</p></div> <div>ITALY<p>2 packages: i) 100% of matches and ii) 30% of matches.</p></div> <div>FRANCE<p>2 packages: i) fewer games, but of greater interest; ii) more games, but of lesser interest;</p></div> <div>GERMANY<p>2 packages by date: i) 200 Saturday matches (Sky); ii) 106 departures on Fridays and Sundays (DAZN);</p></div>	<div>CHAMPIONS LEAGUE<p>UEFA divided auction into 3 packages:</p><ul style="list-style-type: none">i) 1st and 3rd picks per round;ii) 2nd and 4th picks per round;iii) Other matches;<p>For each country there were different adjustments. For example, in England BT bought 100% of the matches. In Italy Amazon bought 17, Mediaset bought 127 and Sky 127.</p><p>Collective bargaining, by date, with images generated by UEFA.</p></div>

Source: GE, UEFA (2022)

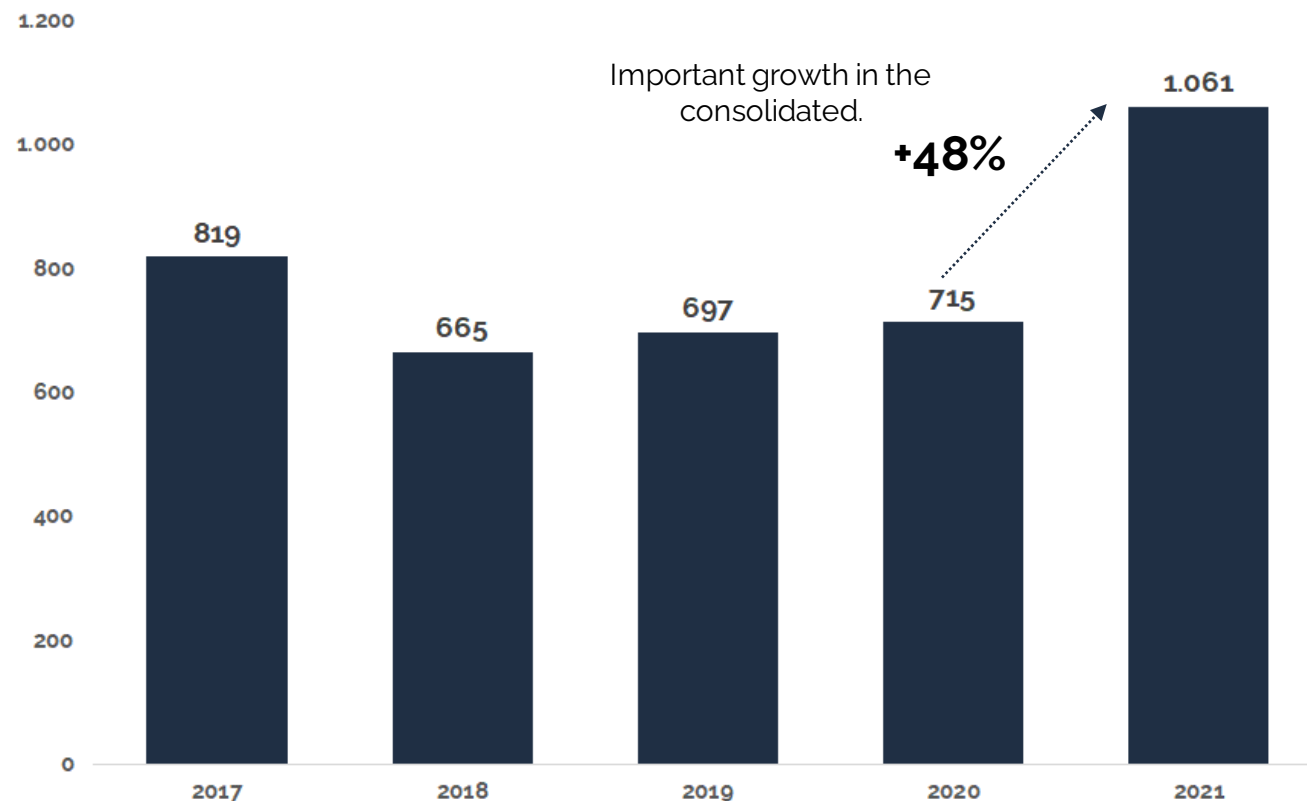


Advertising / Marketing

Advertising / Marketing Revenues

First Serie

Revenue with advertising/marketing
BRL (millions) adjusted by IPCA



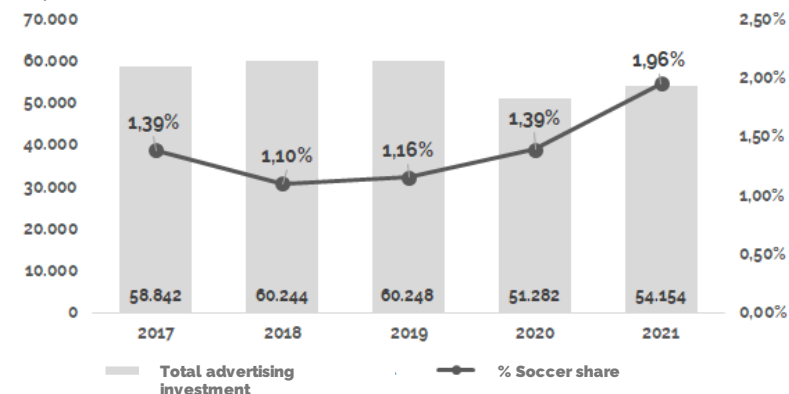
Source: Clubs Financial Statements (2022)

Advertising revenues represent a sum among traditional shirt sponsorships, the value of received from the sports equipment, royalties and licensing company.

There is a difficulty in making the proper openings of this information, because not all clubs present the data in detail. Therefore, here we have a consolidated view of the theme.

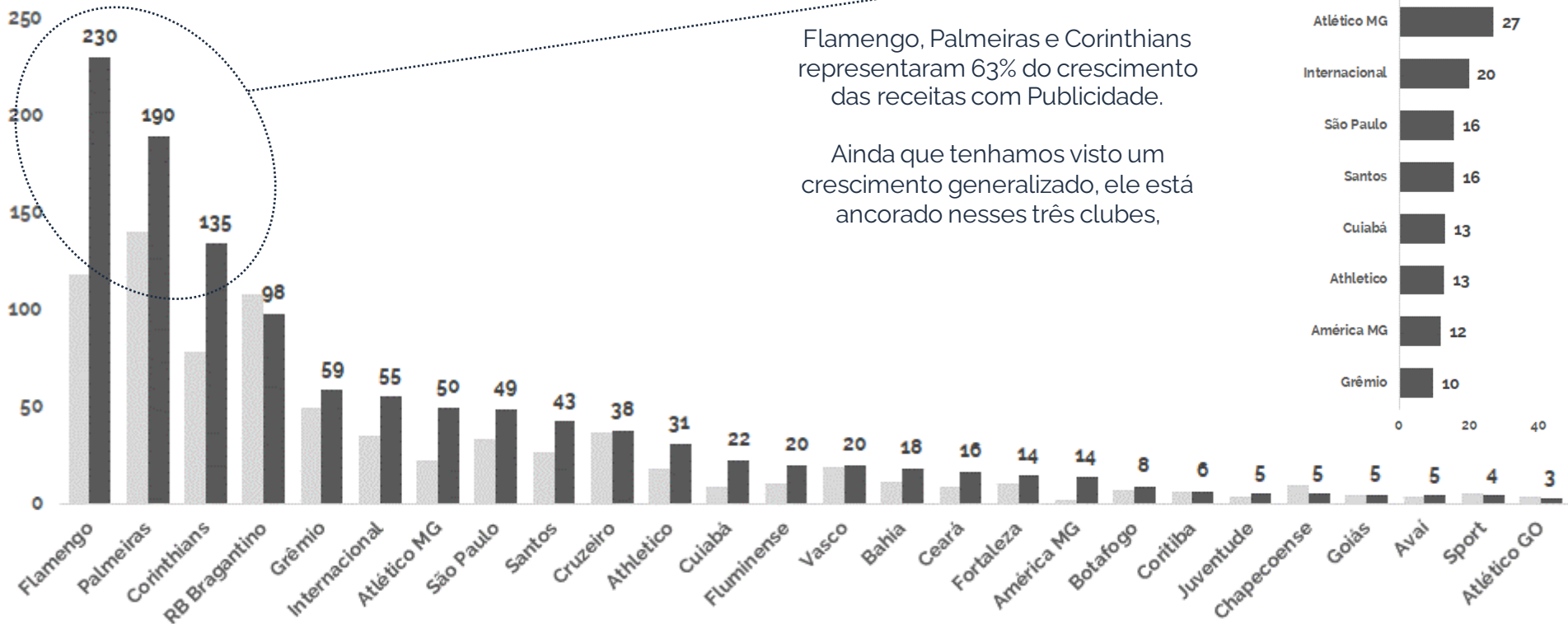
Growth trend in advertising cake.

Soccer's share on the total
advertising investment in Brazil
R\$ million – Source: eMarketer/Dentsu



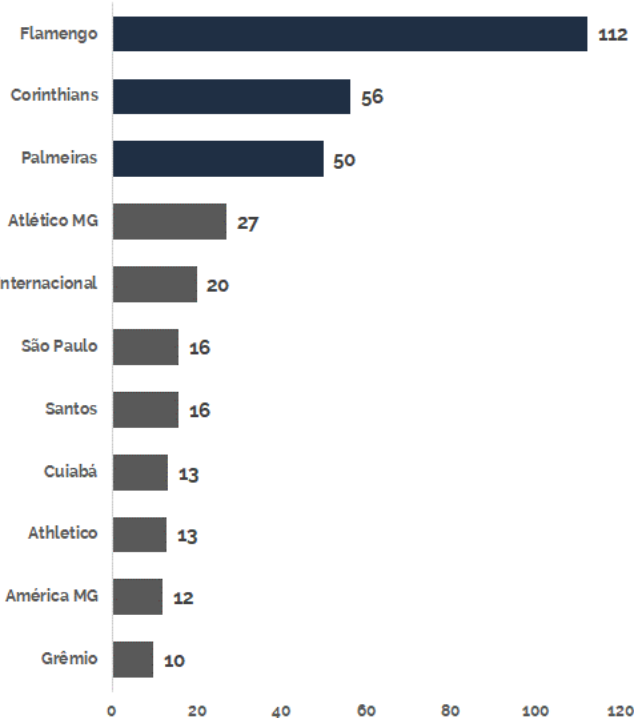
Advertising Revenue / Marketing Comparison by Club

Revenue with advertising/marketing per Club
2020 / 2021 - BRL (millions) adjusted by IPCA



Source: Financial Statements of Soccer Clubs (2022)

Revenue with advertising/marketing increase
2020 / 2021 - R\$ mn



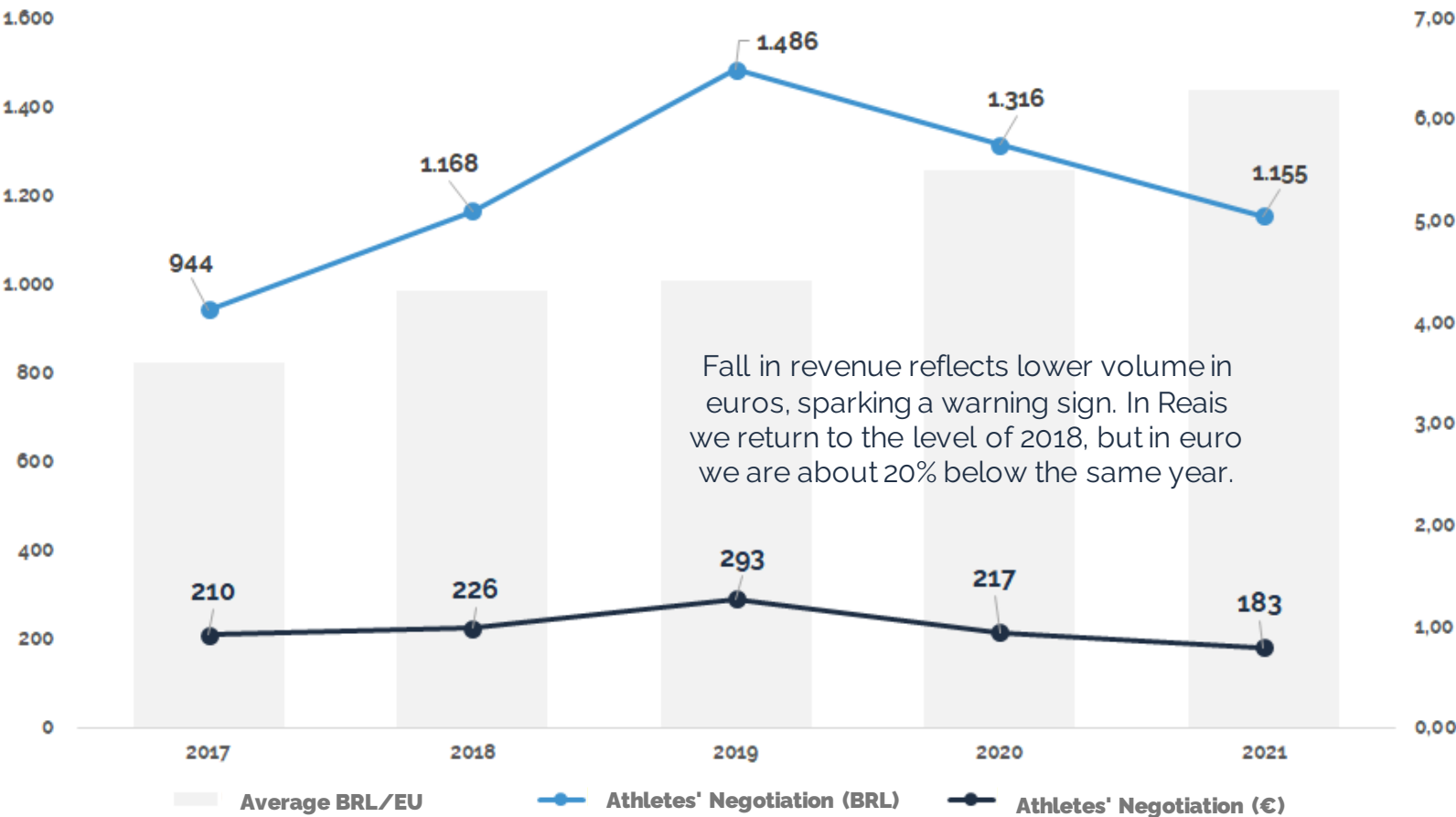


Athletes' negotiation

Revenues with Athletes' Negotiation

First Division

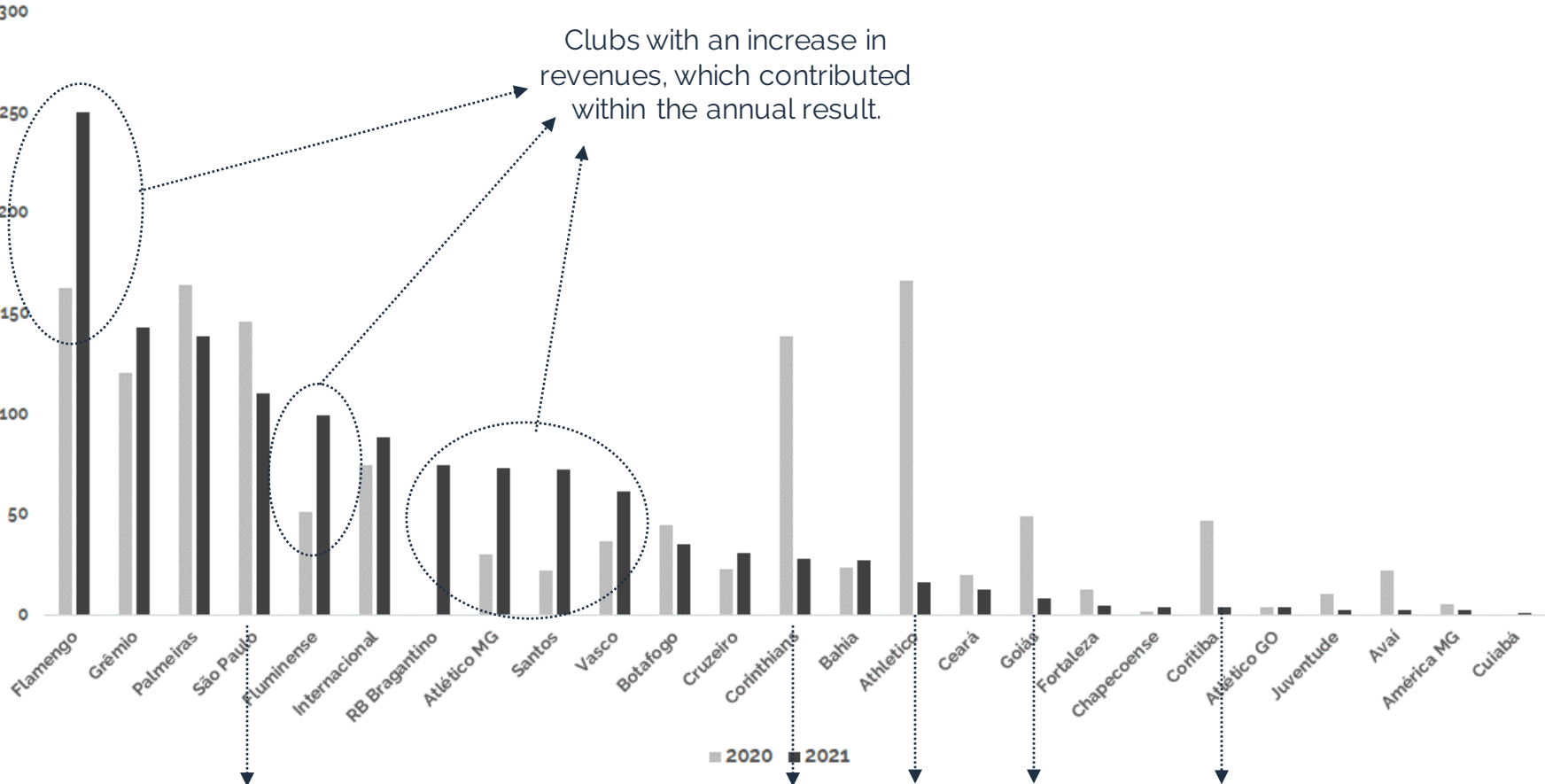
Revenue with athletes' negotiation
First division clubs – BRL and Euros (millions)



Source: Clubs Financial Statements (2022)

Comparative: Athletes' Negotiation

Composition: revenue with athletes' negotiation per club
BRL and Euros (millions) adjusted by IPCA



	2020	2021
Flamengo	163	250
Grêmio	120	143
Palmeiras	164	139
São Paulo	146	110
Fluminense	51	100
Internacional	75	88
RB Bragantino	0	75
Atlético MG	31	74
Santos	22	72
Vasco	37	61
Botafogo	45	36
Cruzeiro	23	31
Corinthians	139	28
Bahia	24	28
Athletico	167	17
Ceará	20	13
Goiás	49	8
Fortaleza	13	4
Chapecoense	2	4
Coritiba	47	4
Atlético GO	4	4
Juventude	10	3
Avai	22	3
América MG	5	2
Cuiabá	0	1

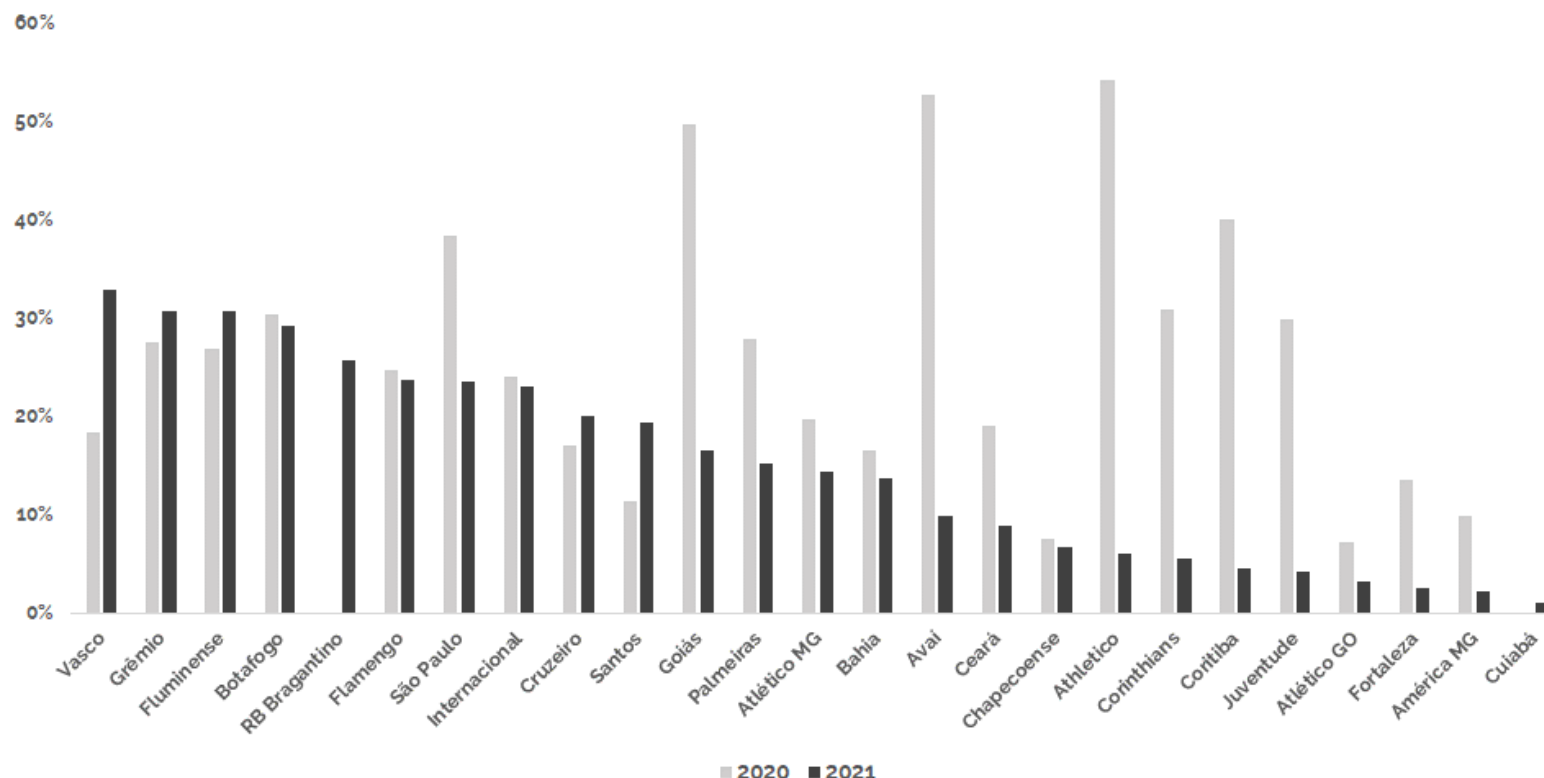
BRL millions

Source: Clubs Financial Statements (2022)

Athletes' Negotiation Representativeness

Extended First Division

Revenue with athletes' negotiation vs Total Revenue
BRL (millions) adjusted by IPCA



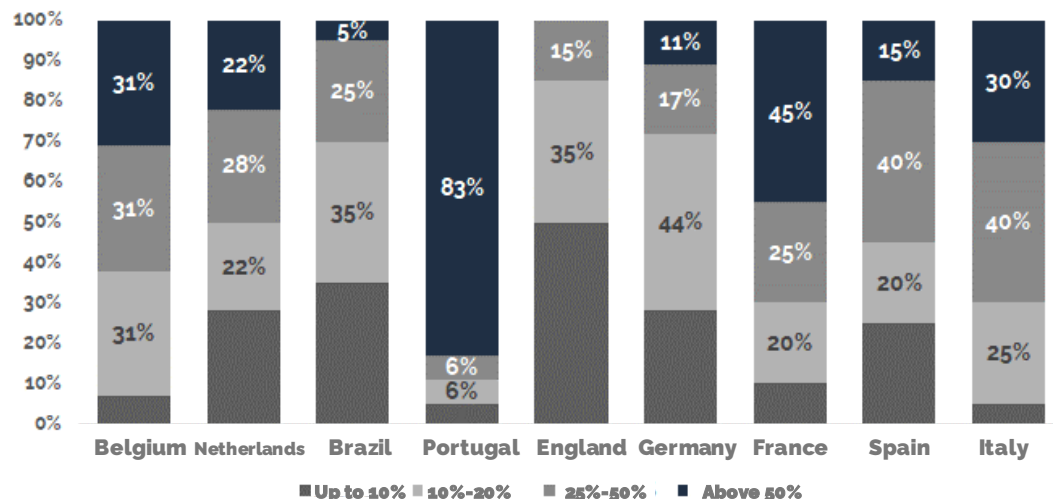
We highlight the cases in which the dependence on the athletes' negotiation is high, always above 25% of revenues, while this percentage varies within the other clubs, evidencing a huge risk in depending on this type of revenue.

	2020	2021
Vasco	18%	33%
Grêmio	28%	31%
Fluminense	27%	31%
Botafogo	30%	29%
RB Bragantino	0%	26%
Flamengo	25%	24%
São Paulo	38%	24%
Internacional	24%	23%
Cruzeiro	17%	20%
Santos	11%	19%
Goiás	50%	17%
Palmeiras	28%	15%
Atlético MG	20%	15%
Bahia	17%	14%
Avai	53%	10%
Ceará	19%	9%
Chapecoense	8%	7%
Athletico	54%	6%
Corinthians	31%	6%
Coritiba	40%	5%
Juventude	30%	4%
Atlético GO	7%	3%
Fortaleza	14%	3%
América MG	10%	2%
Cuiabá	0%	1%

Source: Clubs Financial Statements (2022)

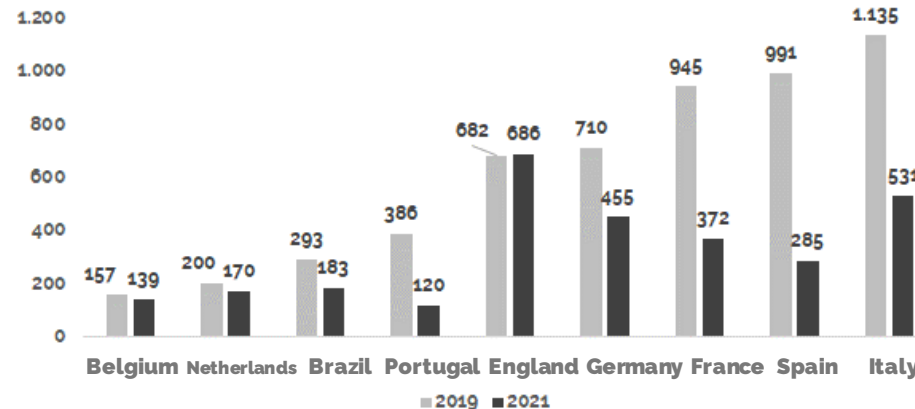
European Transfer Market

Average level of Athletes' negotiation reliance
% relevance in Total Revenue



Source: UEFA Benchmark (2021)

Revenue with athletes' negotiation in 2021
Europe: summer window
€ (millions)



Source: UEFA Benchmark (2021)

While the athletes' negotiation is a risk for those who uses it as a way to stay positive in accounts, it is also an interesting opportunity as a business model.

Some countries see this clearly, such as Portugal, France, Italy and Belgium, where more than 30% of clubs have in its revenue the athletes' negotiation representing more than 50% of total revenues.

Negotiations by value: UEFA

	2019	2021	Var. %
> € 50 milhões	14	5	(64%)
€ 20 a 50 milhões	59	32	(46%)
€ 10 a 20 milhões	99	68	(31%)
€ 5 a 10 milhões	128	102	(20%)
€ 2 a 5 milhões	209	169	(19%)
< € 2 milhões	604	578	(4%)
TOTAL	1.113	954	(14%)

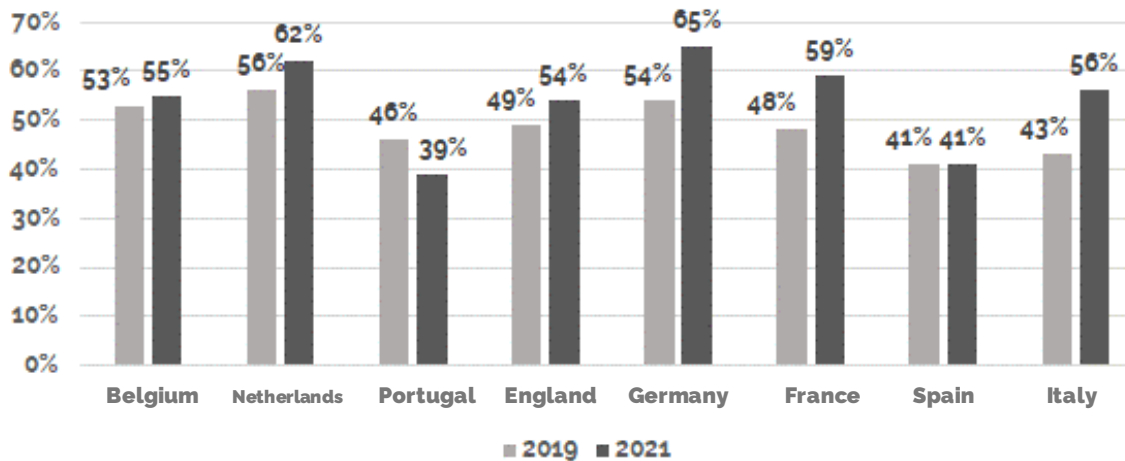
Source: UEFA Benchmark (2021)

At the same time, there is a decreasing in the financial volume traded in the last window, with a sharp decline in the case of expensive negotiations.

There is a clearly impact from the pandemic, which may become a structural change as UEFA and local federations tighten the financial sustainability controls.

European Transfer Market

% of athletes below 24 hired
Summer window 2021
Source: UEFA



Source: UEFA Benchmark (2021)

% of athletes hired outside
UEFA Zone



Source: UEFA Benchmark (2021)

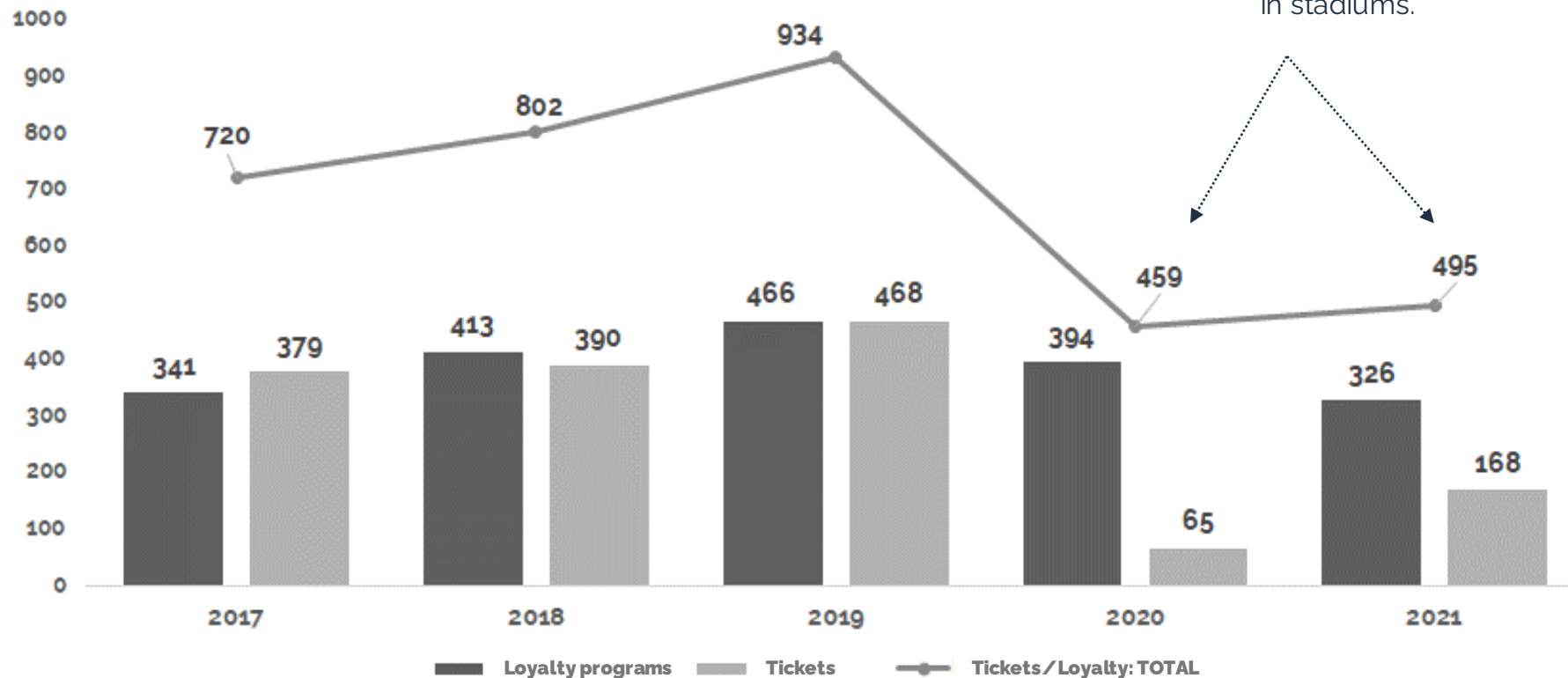
- **Brexit Effect:** when leaving the European Union, the country has created a system of scores that classifies athletes starting from a mix between nationality and their respectively league. There is a space for outstanding Brazilian athletes in other leagues;
- **FIFA Effect:** the entity difficulted the athletes' loan with more than 24, initially limiting to 8, but reaching 6 in 2025. There is a tendency in a race for younger athletes;
- **UEFA Effect:** a change in the Financial Sustainability system penalizes clubs that spend a lot on signings, not just those who pay high salaries;



Ticket sales & Fans Programs

Revenues with ticket sales & official fan loyalty programs

Evolution of ticket sales and fans loyalty programs revenue
BRL (million) - adjusted by IPCA



Source: Financial Statements of Soccer Clubs (2022)

It would be unfair for us to do more in-depth analysis of the development of these lines of business, considering the pandemic effects for two consecutive years.

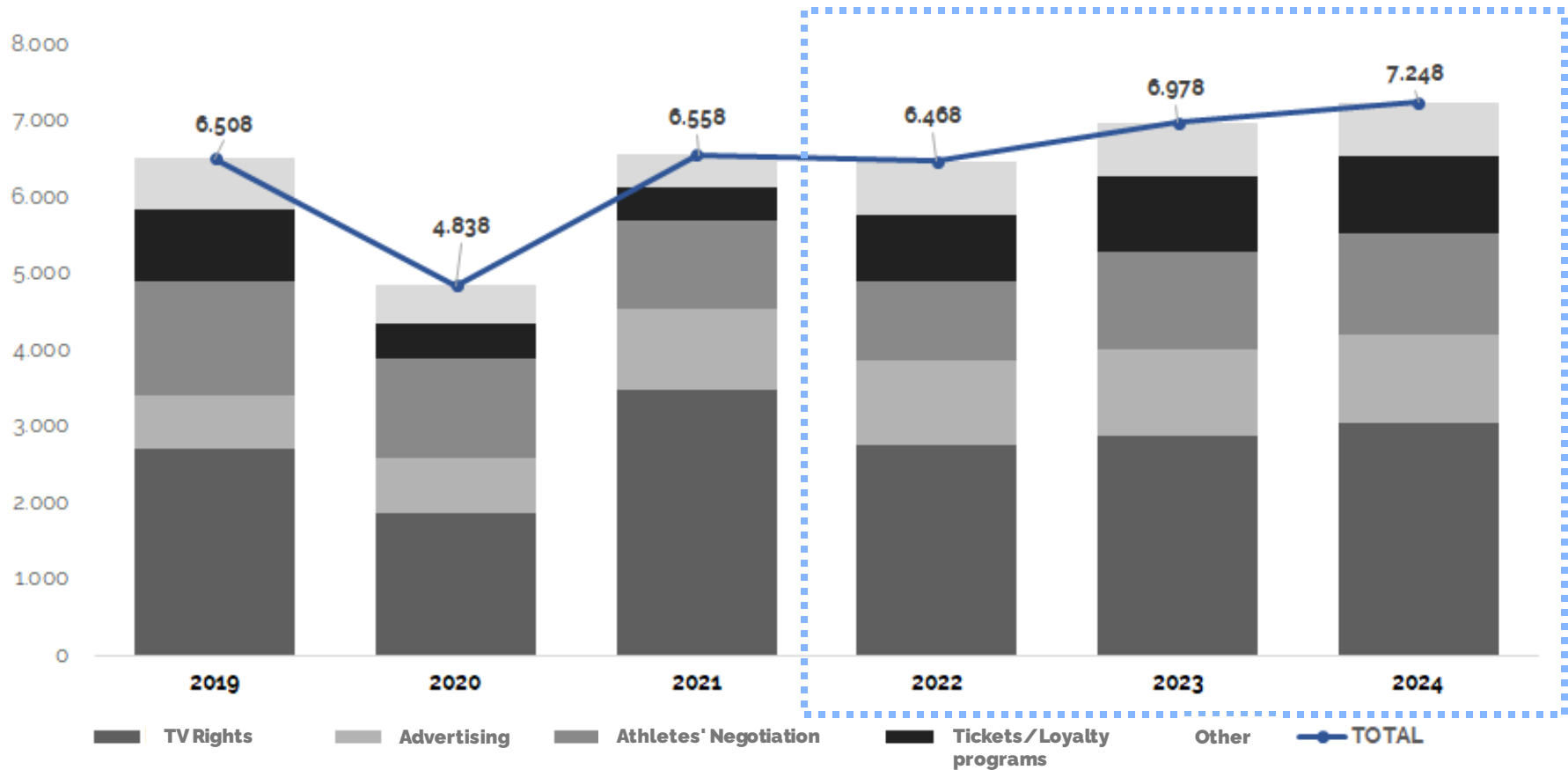


Revenues: Projections

Comparative: Total and Recurring Revenue

Revenue projections First Division

We do not expect significant increases in revenue over the next few years.



1. Revenue from TV Rights has contracts that will renew in 2025, and in the last 2 years the South American competitions were dominated by Brazilians;
2. Advertising may have growth, but the economic scenario holds back further expansion;
3. Trading of athletes depends on increasingly restricted demand and exchange rates;
4. Ticket sales / Official Fan Loyalty Programs can grow above the others, either through the return of the public to the stadiums, or through the expansion of relationship models;

Source: Financial Statements of Soccer Clubs (2022)

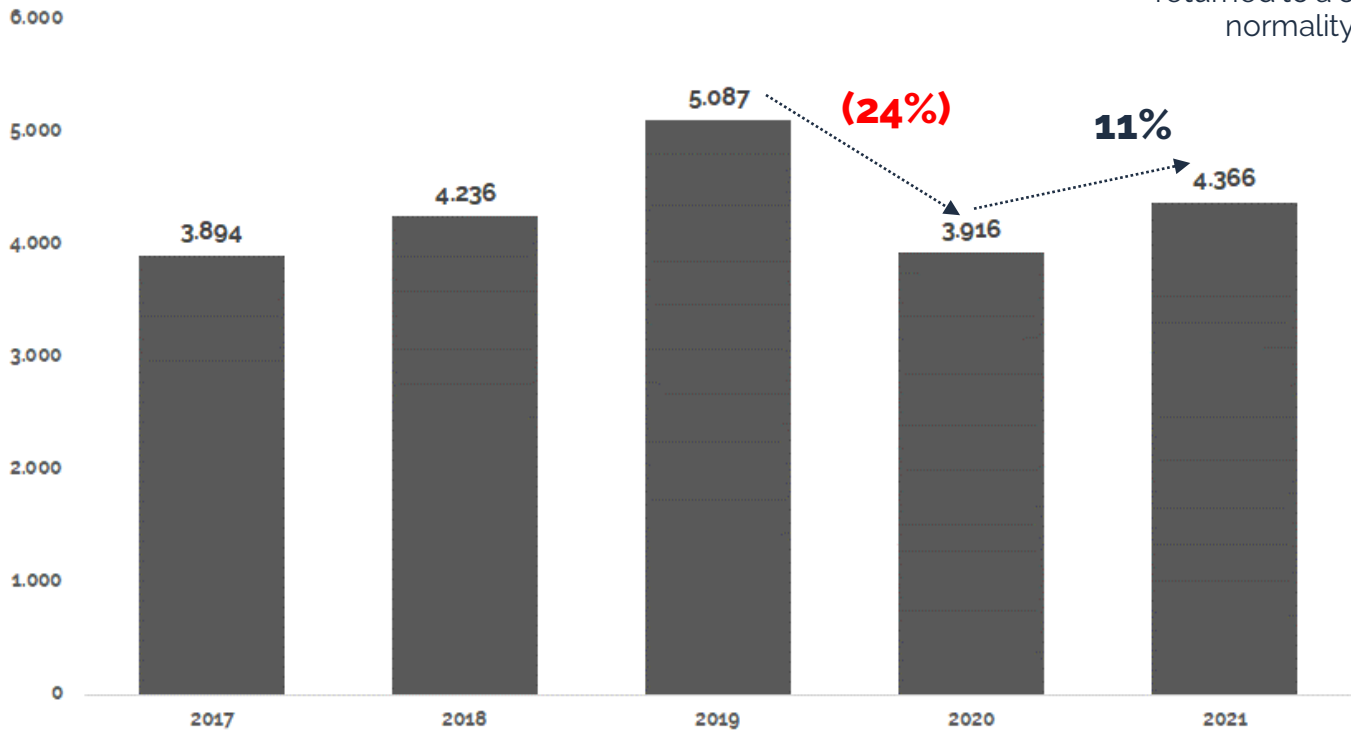


Costs & Expenses

Costs & Expenses

First Division

Costs and Expenses evolution: First division
BRL (millions) adjusted by IPCA



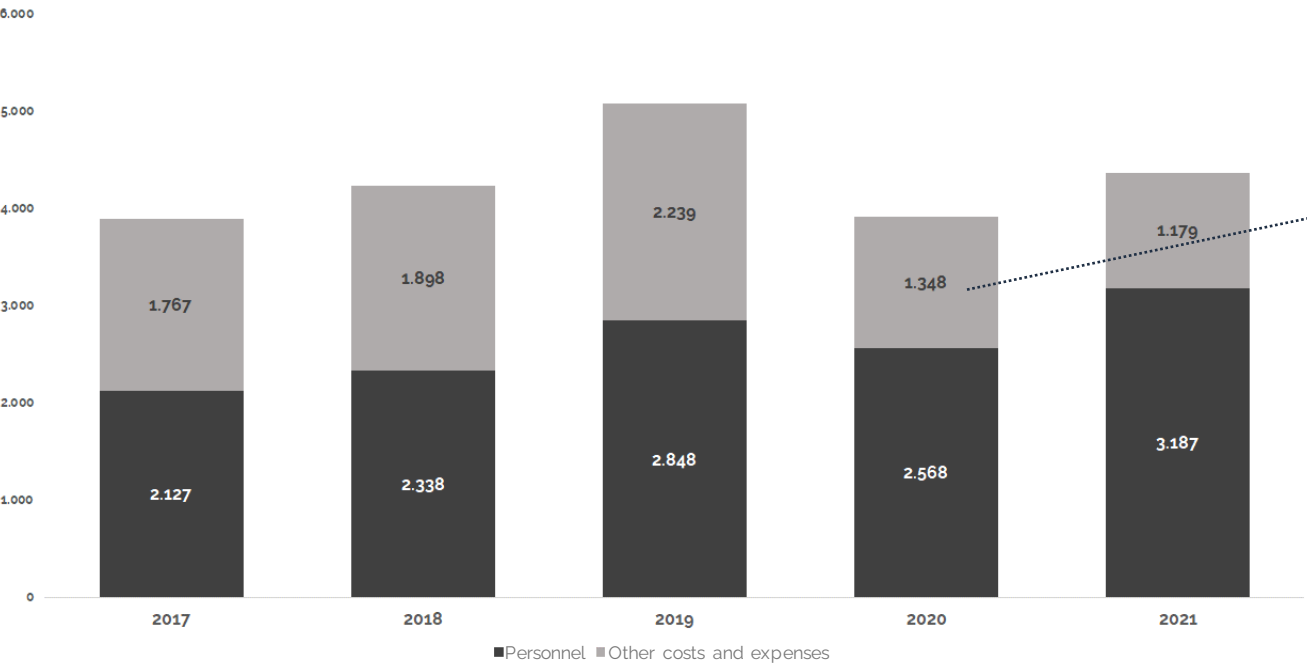
The pandemic forced a costs reduction in 2020, but that did not sustain itself as we returned to a certain normality.

IMPORTANT: These costs include the salaries and charges of all club employees, the values of image rights and the cash prizes paid for achievements.

Source: Financial Statements of Soccer Clubs (2022)

Costs & Expenses by Origin

Evolution of Costs and Expenses per Origin
BRL (millions) - adjusted by IPCA

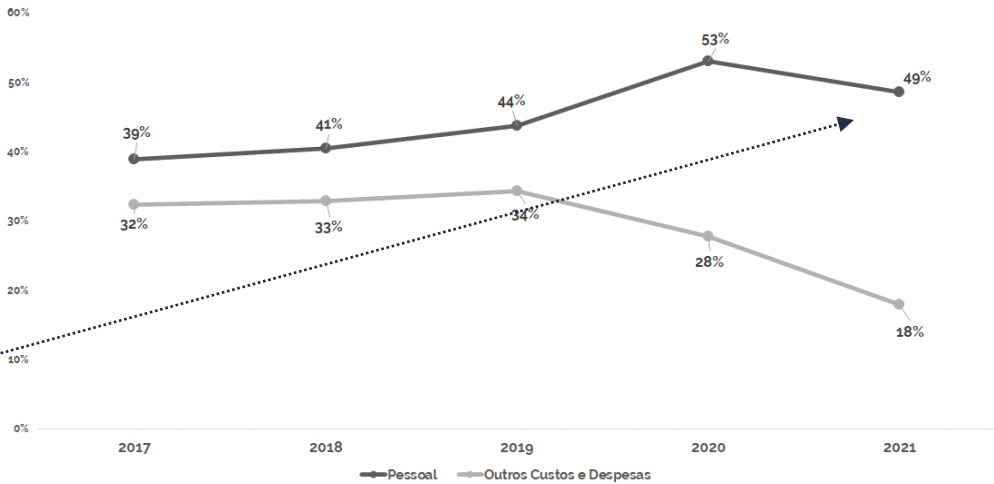


Source: Financial Statements of Soccer Clubs (2022)

In employee costs, we have the sum of all departments, not just soccer. There is no opening in every club that allows us to make the correct assessment. Even so, it is noted that clubs spend well below what is considered the ideal ceiling, which is the 70% defined by UEFA as the ceiling in the new Financial Sustainability model.

One of the positive pandemic effects was to help cut overall club costs, which was only possible due to resource constraints. And they continued to fall in 2021: a 13% reduction compared to 2020.

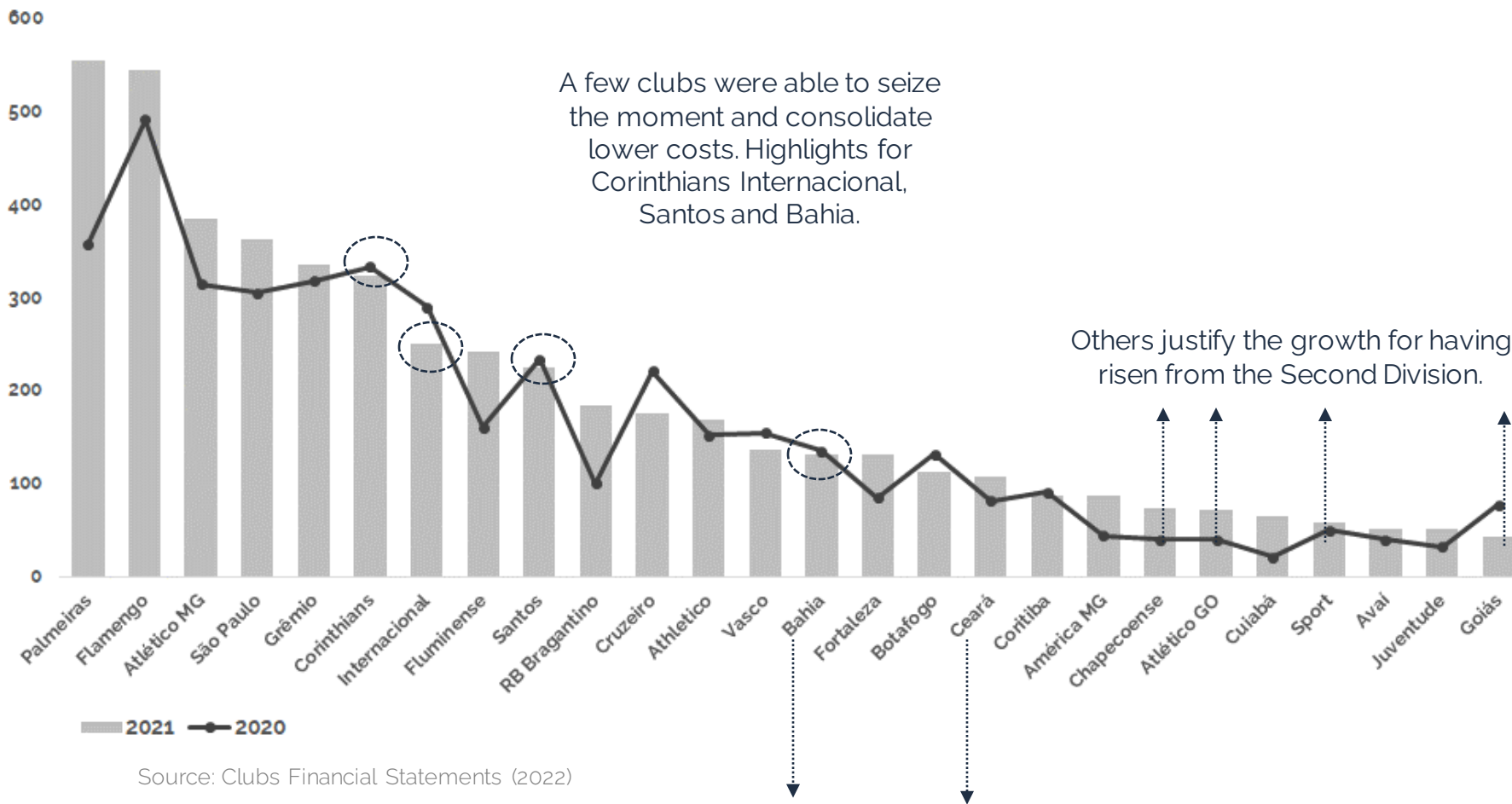
Costs and Expenses vs. Total Revenue by origin – BRL (millions) adjusted by IPCA



Source: Clubs Financial Statements (2022)

Costs & Expenses per Club

Comparison of Costs and Expenses: 2020 and 2021
BRL (millions) adjusted by IPCA

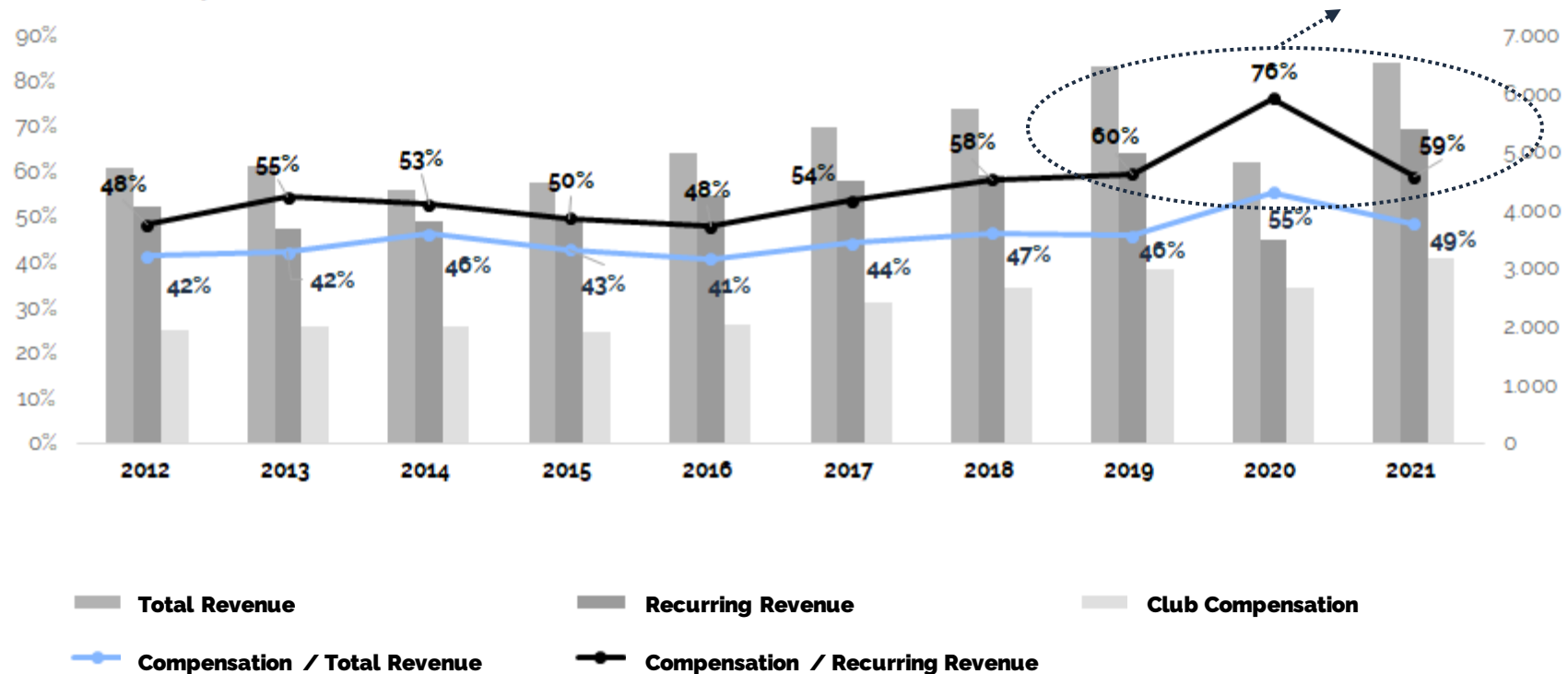


	2020	2021	Var.
Palmeiras	359	555	196
Flamengo	492	545	53
Atlético MG	315	386	71
São Paulo	306	363	57
Grêmio	319	336	17
Corinthians	333	324	(10)
Internacional	291	251	(39)
Fluminense	161	243	82
Santos	234	226	(8)
RB Bragantino	101	185	84
Cruzeiro	221	175	(46)
Athletico	153	170	17
Vasco	155	137	(18)
Bahia	135	132	(3)
Fortaleza	85	132	46
Botafogo	133	113	(20)
Ceará	83	108	25
Coritiba	91	88	(3)
América MG	45	87	42
Chapecoense	40	74	33
Atlético GO	40	73	33
Cuiabá	22	66	44
Sport	51	59	8
Avai	40	52	12
Juventude	33	51	18
Goiás	78	44	(35)

BRL million

Revenue Commitment with Compensation

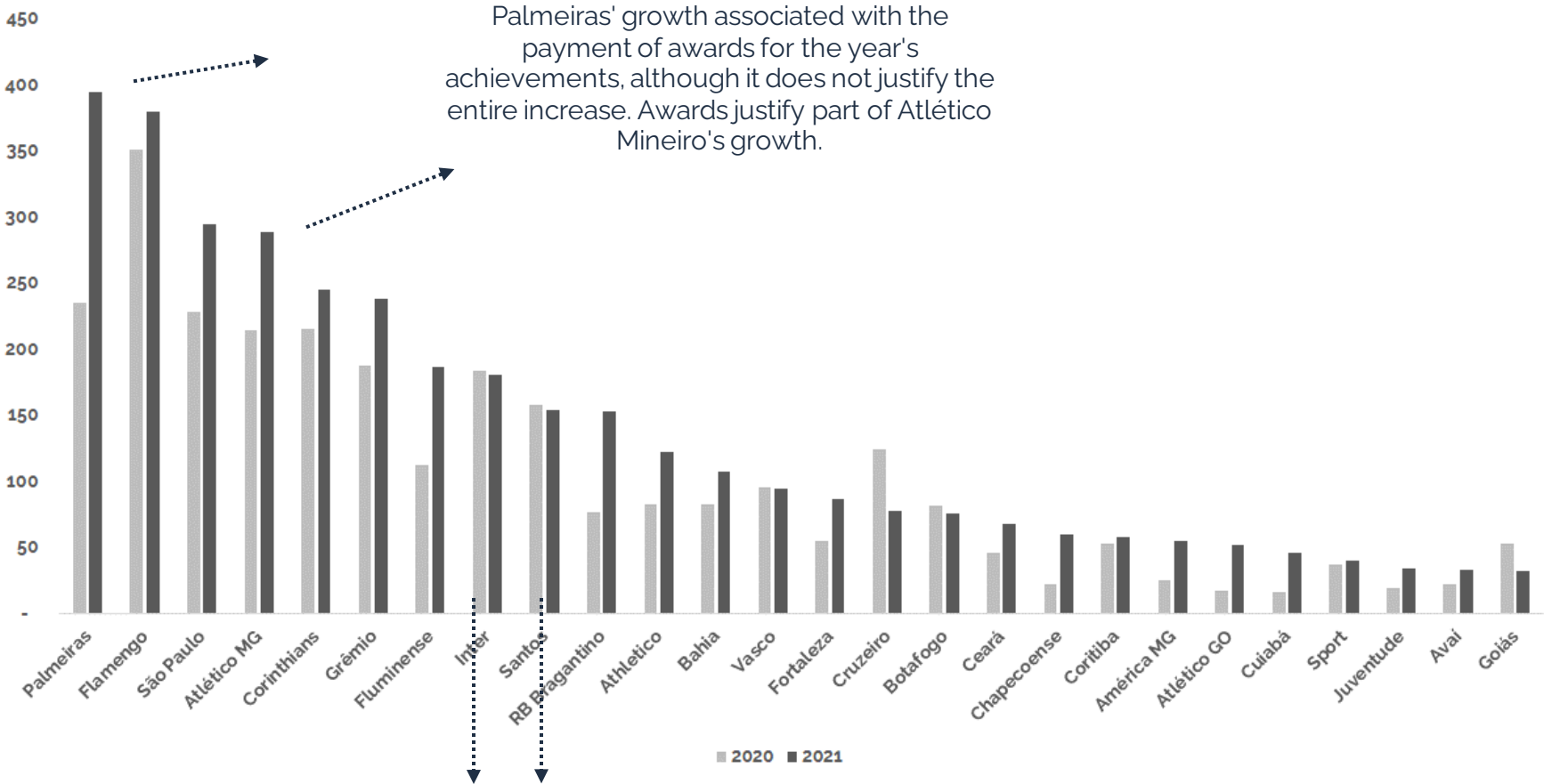
Compensation vs Revenue: Brazilian league's First Division



Source: Clubs Financial Statements (2022)

Compensation Expenses by Club

Comparison of Personnel Expenses – All Areas
BRL (millions) adjusted by IPCA



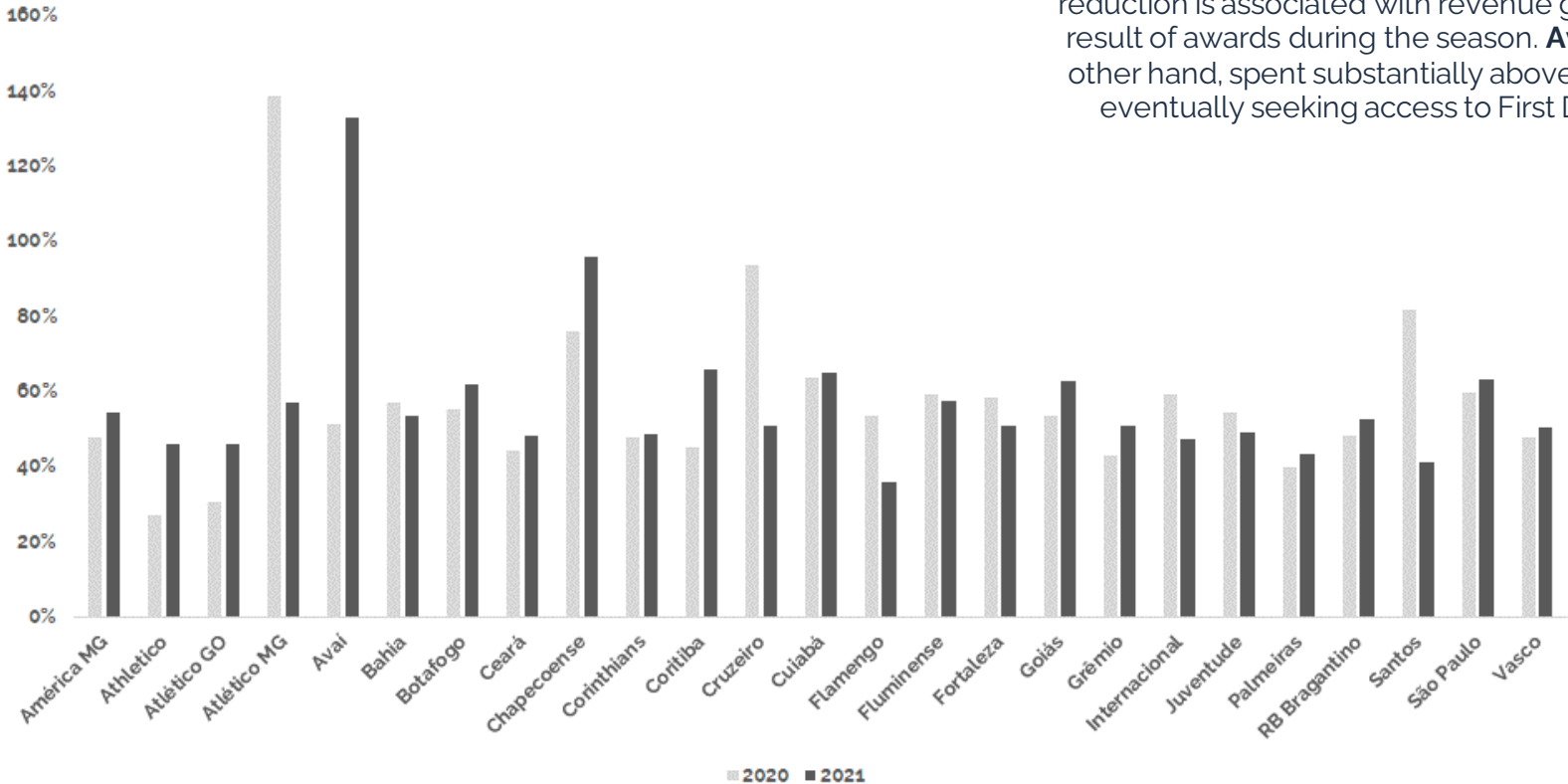
	2020	2021	Dif.
Palmeiras	235	395	160
Flamengo	351	380	29
São Paulo	229	295	66
Atlético MG	215	289	74
Corinthians	215	245	30
Grêmio	188	238	50
Fluminense	113	186	74
Inter	184	181	(3)
Santos	158	154	(5)
RB Bragantino	77	153	76
Athletico	83	123	40
Bahia	83	107	25
Vasco	96	94	(2)
Fortaleza	55	87	32
Cruzeiro	124	78	(46)
Botafogo	82	75	(7)
Ceará	46	68	22
Chapecoense	22	60	38
Coritiba	53	58	5
América MG	25	55	30
Atlético GO	17	52	35
Cuiabá	16	46	30
Sport	37	41	4
Juventude	19	34	15
Avai	22	33	12
Goiás	53	32	(21)

BRL million

Source: Clubs Financial Statements (2022)

Revenue Commitment with Compensation By Club

Percentage of Compensation on Total Revenues



Atlético Mineiro's commitment percentage reduction is associated with revenue growth as a result of awards during the season. **Avaí**, on the other hand, spent substantially above revenue, eventually seeking access to First Division.

	2020	2021
América MG	48%	54%
Athletico	27%	46%
Atlético GO	31%	46%
Atlético MG	139%	57%
Avaí	51%	133%
Bahia	57%	53%
Botafogo	55%	62%
Ceará	45%	49%
Chapecoense	76%	96%
Corinthians	48%	49%
Coritiba	45%	66%
Cruzeiro	94%	51%
Cuiabá	64%	65%
Flamengo	54%	36%
Fluminense	59%	58%
Fortaleza	58%	51%
Goiás	54%	63%
Grêmio	43%	51%
Internacional	59%	47%
Juventude	54%	49%
Palmeiras	40%	43%
RB Bragantino	48%	53%
Santos	82%	41%
São Paulo	60%	63%
Vasco	48%	51%

Some positive highlights: Flamengo, which reduced the percentage of commitment, Palmeiras, whose spending growth is associated with revenue growth and Santos, with a strong reduction.

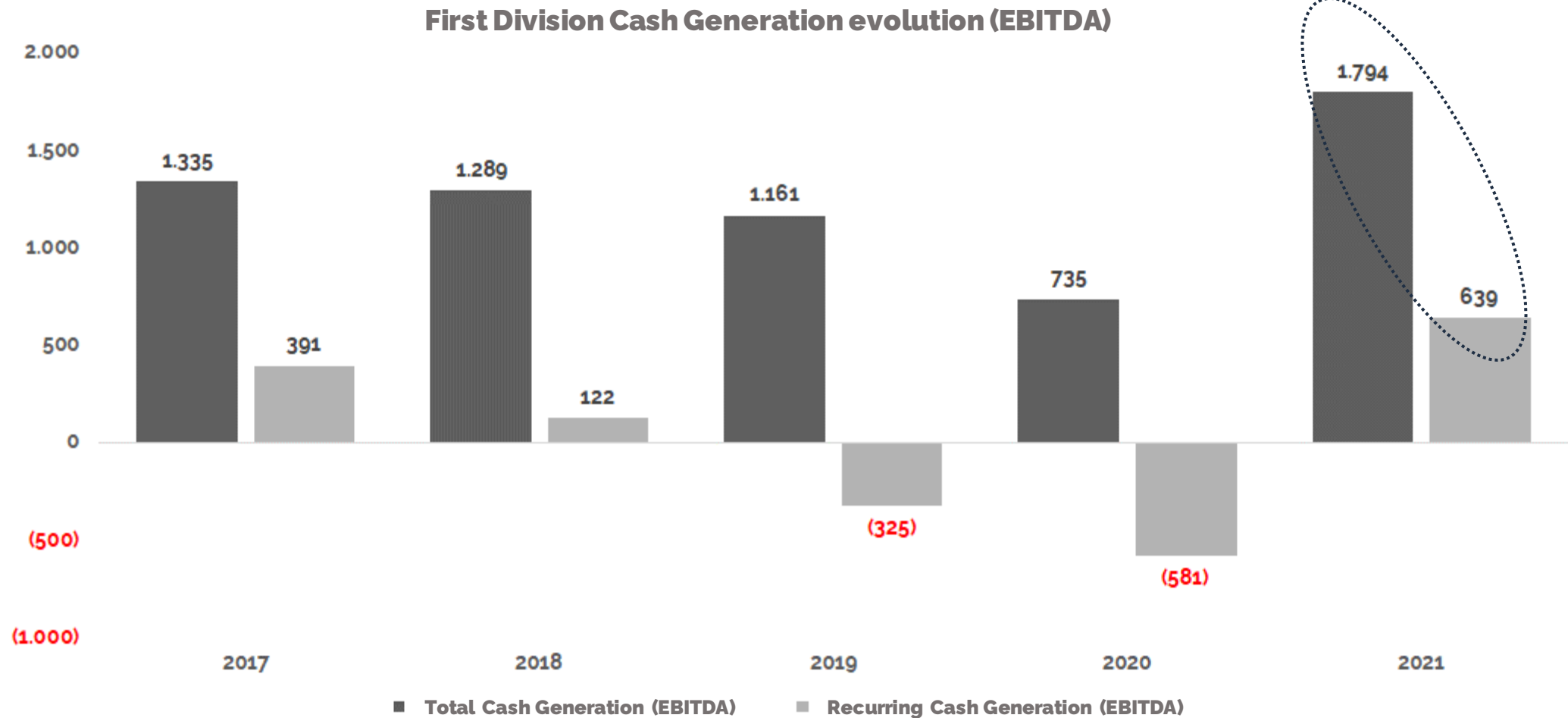
Source: Clubs Financial Statements (2022)



EBITDA: Cash Generation

First Division Cash Generation

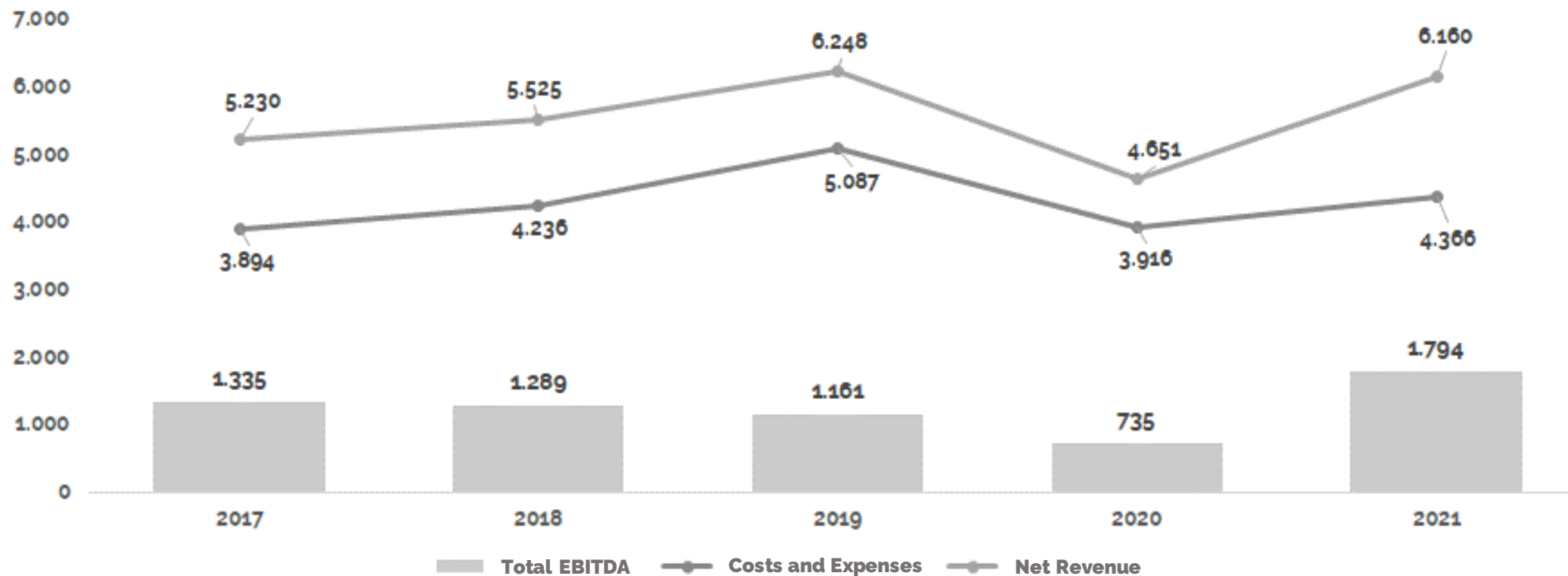
Reversal of the scenario of the two previous years based on 2020 revenues that were left for 2021.



Source: Clubs Financial Statements (2022)

EBITDA Composition

Composition of total EBITDA
BRL (millions) adjusted by IPCA



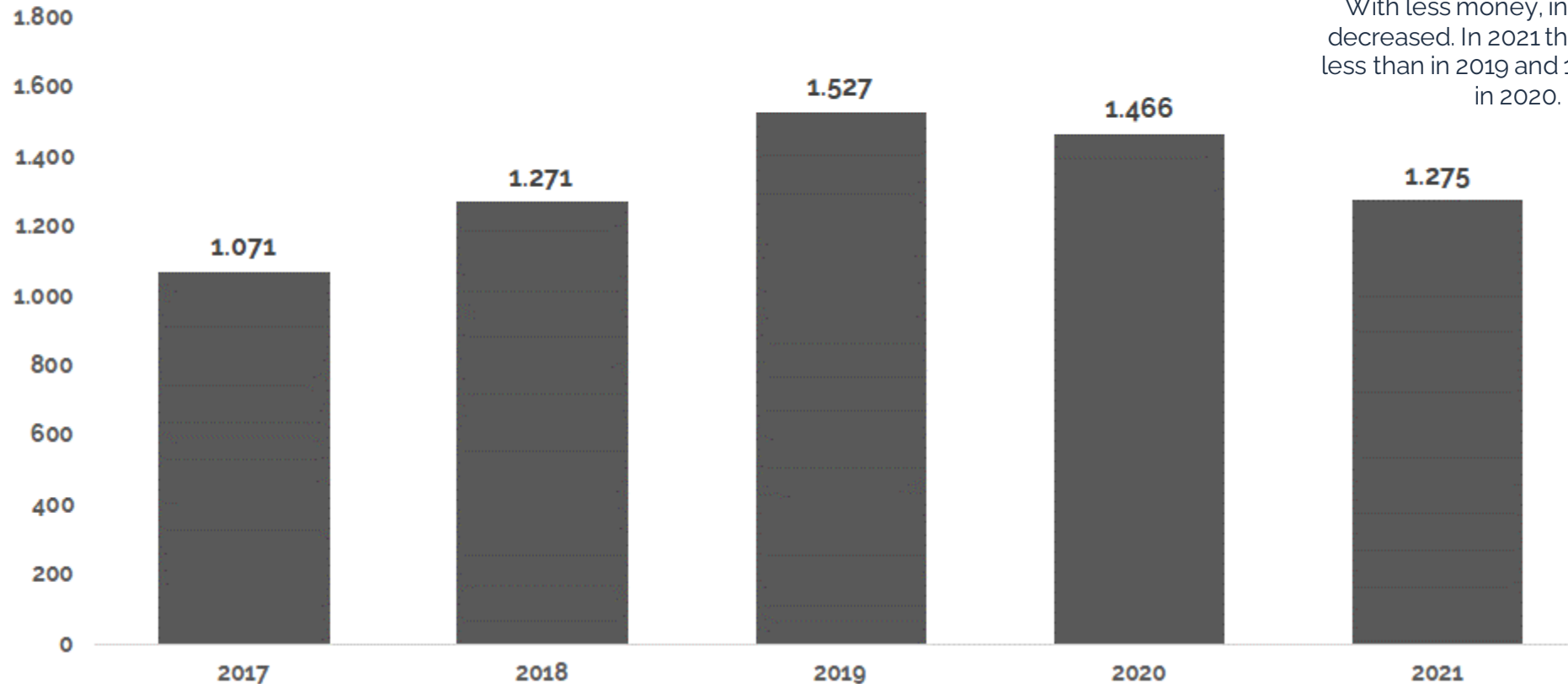
Source: Clubs Financial Statements (2022)



Investments

First Division Investments

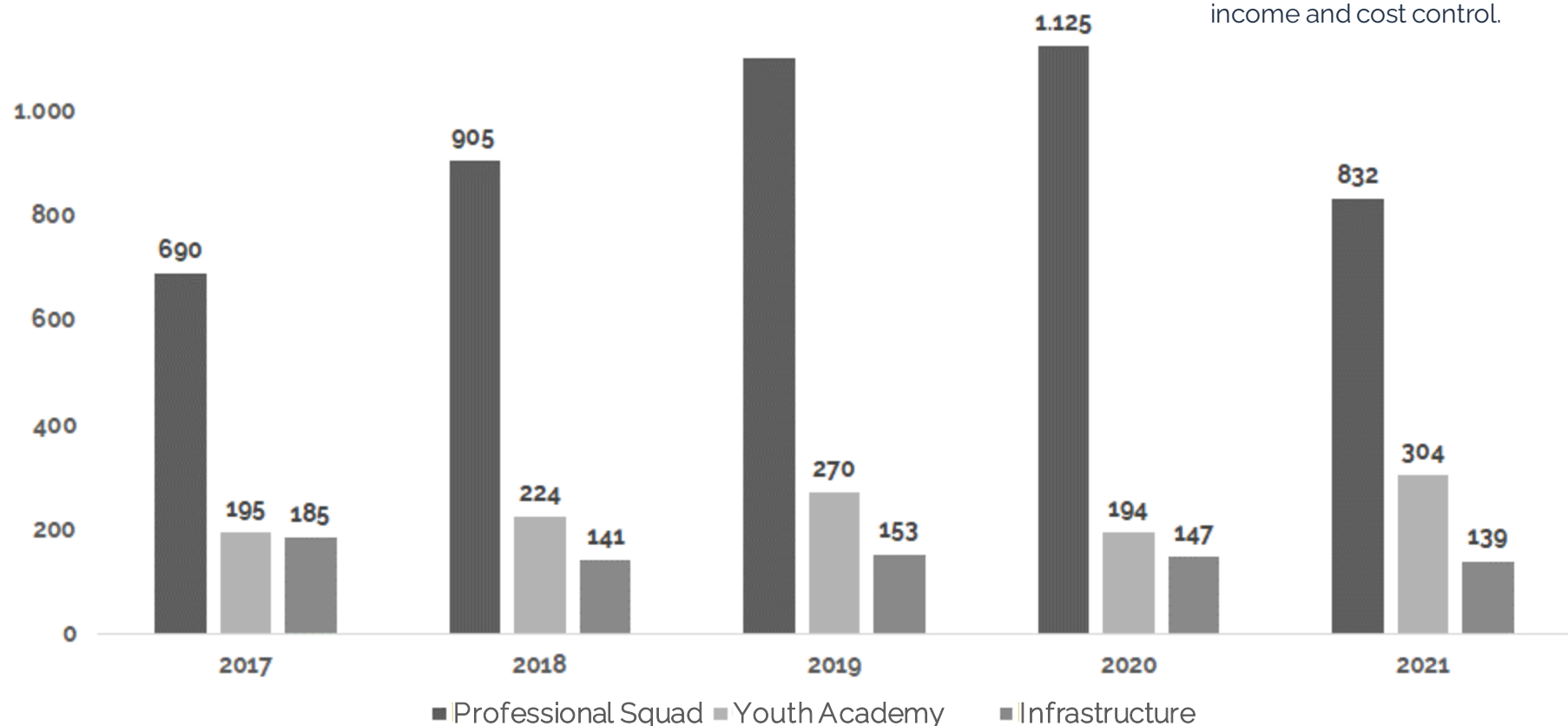
Evolution of Investments in First Division Clubs
BRL (millions) adjusted by IPCA



Source: Club Financial Statements (2022)

Investments Destinations on The First Division

First Division's Investments Evolution –by destination
BRL (millions) adjusted by IPCA



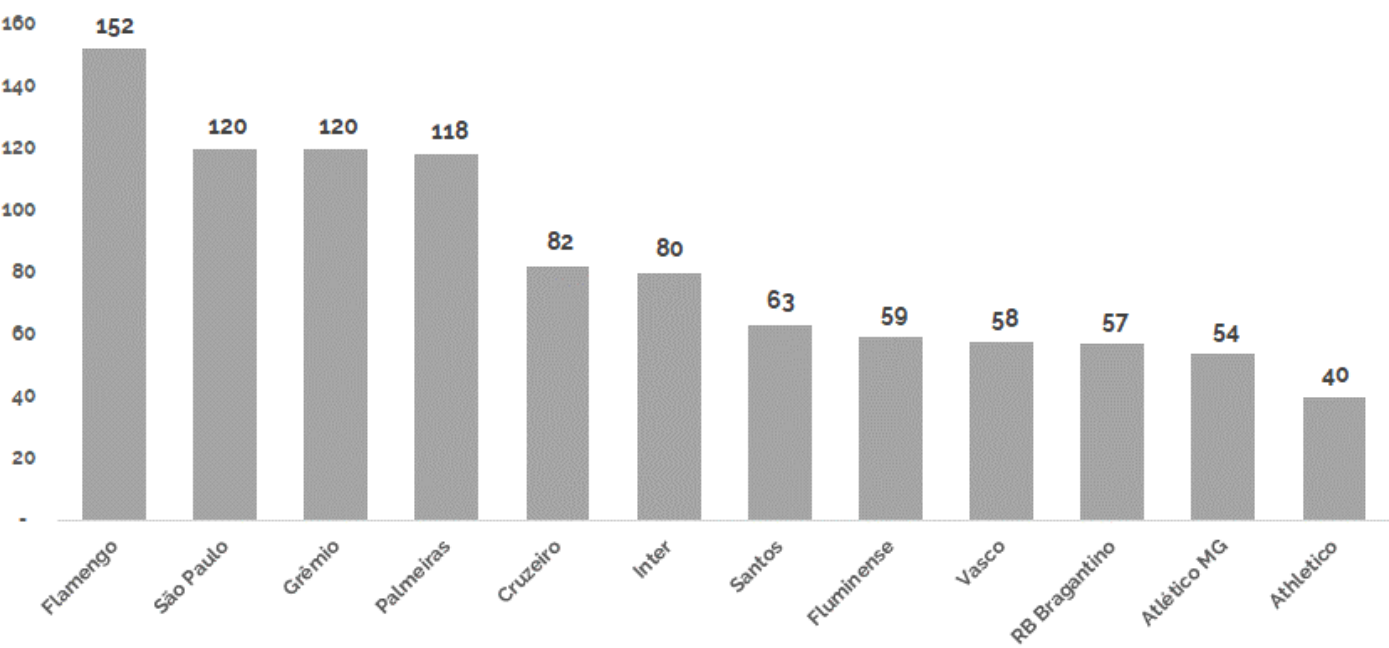
Positively, we see a reduction in investments in professional squad formation and an increase in investments in the youth academy.

With the reduction in the average age of athletes hired by Europeans, training well is an important source of income and cost control.

Source: Club Financial Statements (2022)

Youth Academy Investments

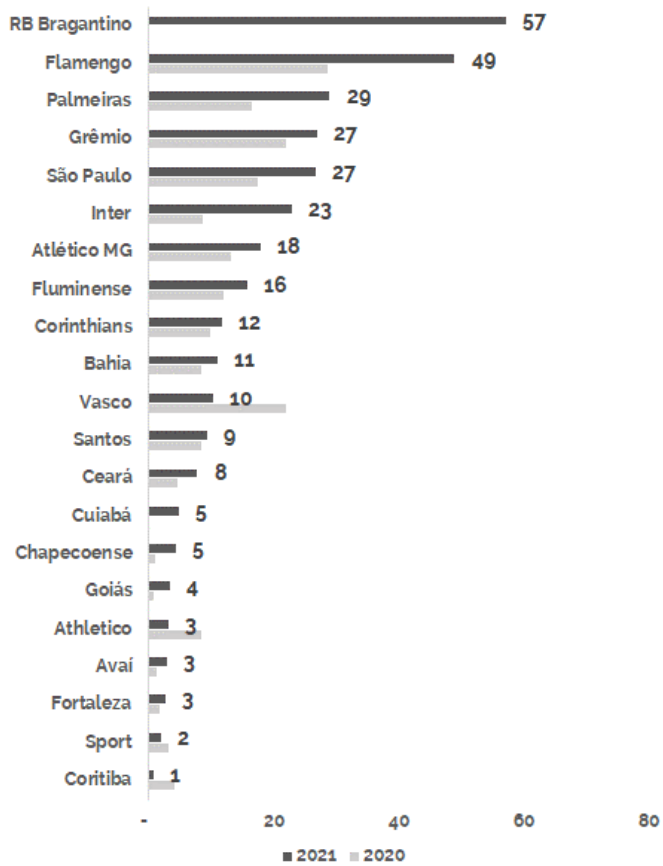
Bigger Investments in Youth Academy
5 years cumulative – BRL (million) adjusted by IPCA



Source: Club Financial Statements (2022)

No wonder clubs that most negotiate athletes trained at the youth academy are the ones that invest the most

Evolution of Investments in Youth Academy - 2020/2021
 R\$ million (IPCA adjusted)



Source: Club Financial Statements (2022)

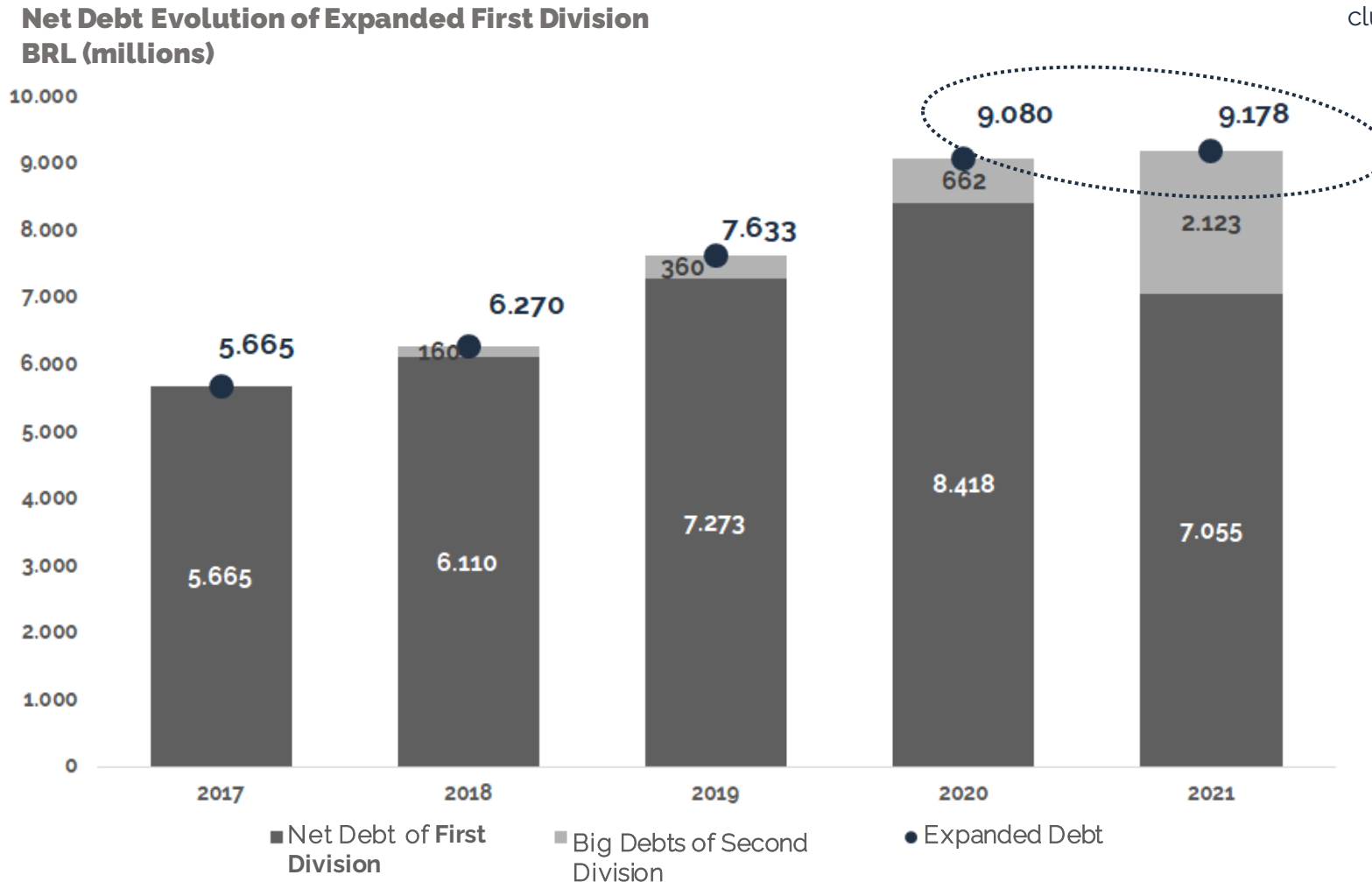


Debt

Net Debt

Expanded First Division

Debts rose slightly, despite the increase in revenues. The obligations acquired during the pandemic were stretched, and few clubs chose to pay them.



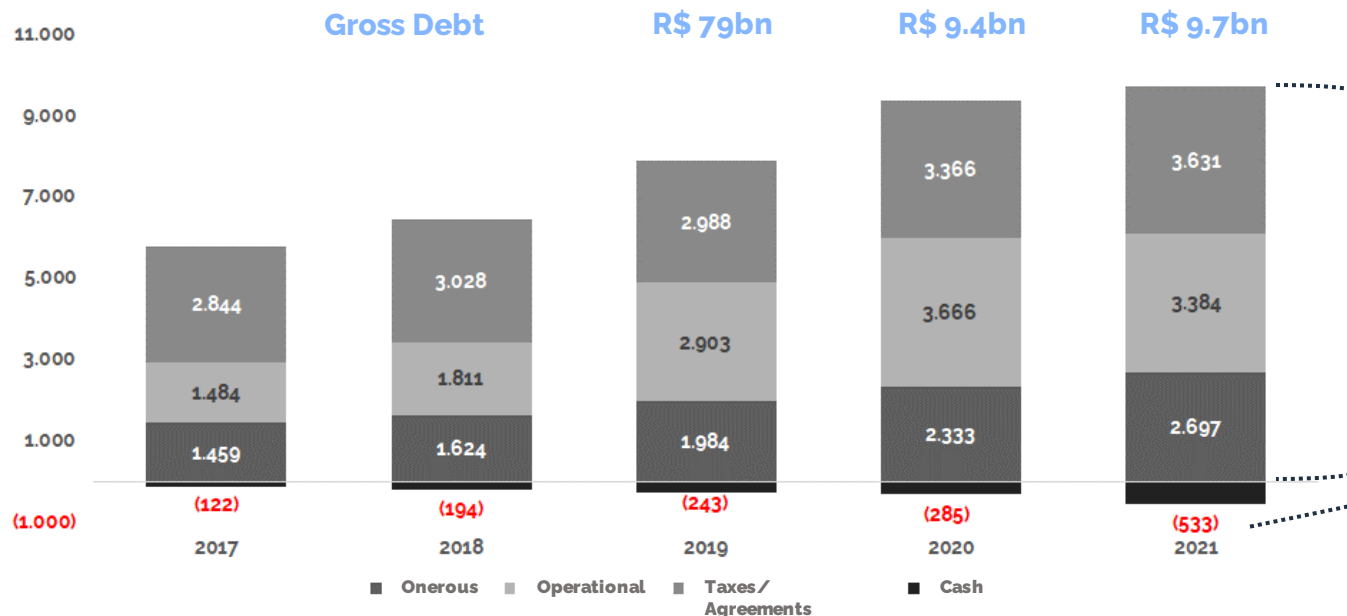
Source: Club Financial Statements (2022)

Recalling!

Expanded First Division is the sum of the First Division with Botafogo, Coritiba, Cruzeiro, Sport, and Vasco when they play Second Division. As they attend First Division, it is important to consider them together.

Net Debt Breakdown

Debt composition: Expanded First division
BRL (million)



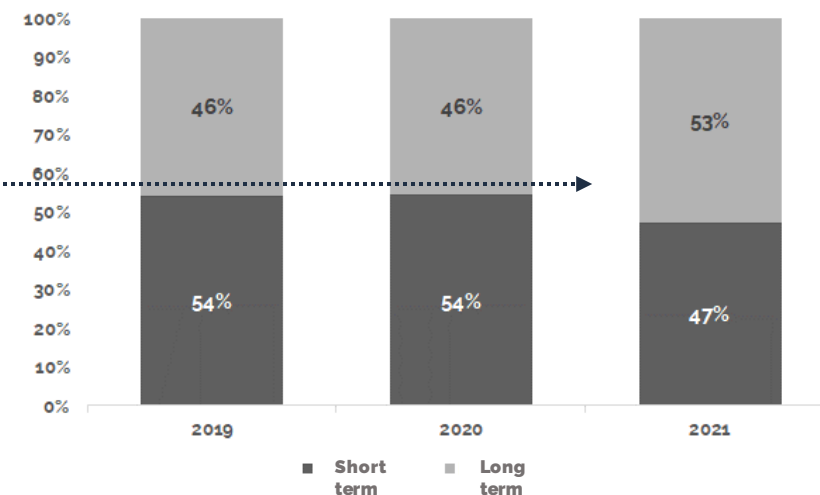
Source: Financial Statements of Soccer Clubs (2022)

In liability restructuring processes, the lengthening of terms is common, since part of the short-term debts are current arrears. During renegotiation, these debts become long-term positions.

Transfer of Operational Liabilities – mainly wages, labor charges and tax arrears – to the Taxes/Agreements position. Most of the arrears “caused” by the pandemic were renegotiated.

There was an opportunity for soccer clubs to renegotiate past debts (such as the so-called ‘Profut’ program), incorporating liabilities into other refinancing programs with reduced interest rates and fines, thus diminishing the total debt.

Debt composition overtime
Extended First Division

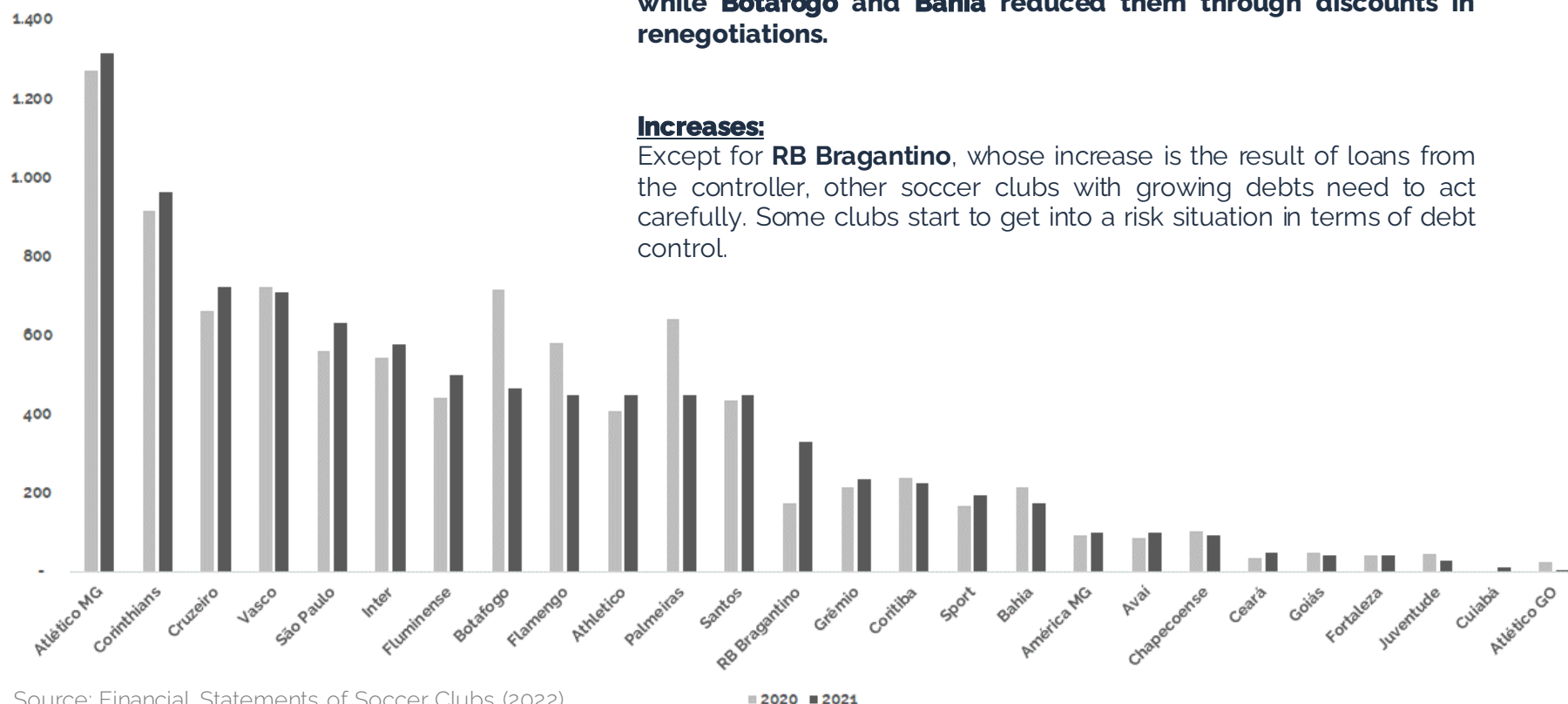


Source: Financial Statements of Soccer Clubs (2022)

Challenge: stop the negative trend.
Soccer clubs cannot incur new debts.

Net Debt per Soccer Club

Net Debt evolution
BRL (millions)



Source: Financial Statements of Soccer Clubs (2022)

Reductions:

Palmeiras and Flamengo settled liabilities with cash generation, while **Botafogo** and **Bahia** reduced them through discounts in renegotiations.

Increases:

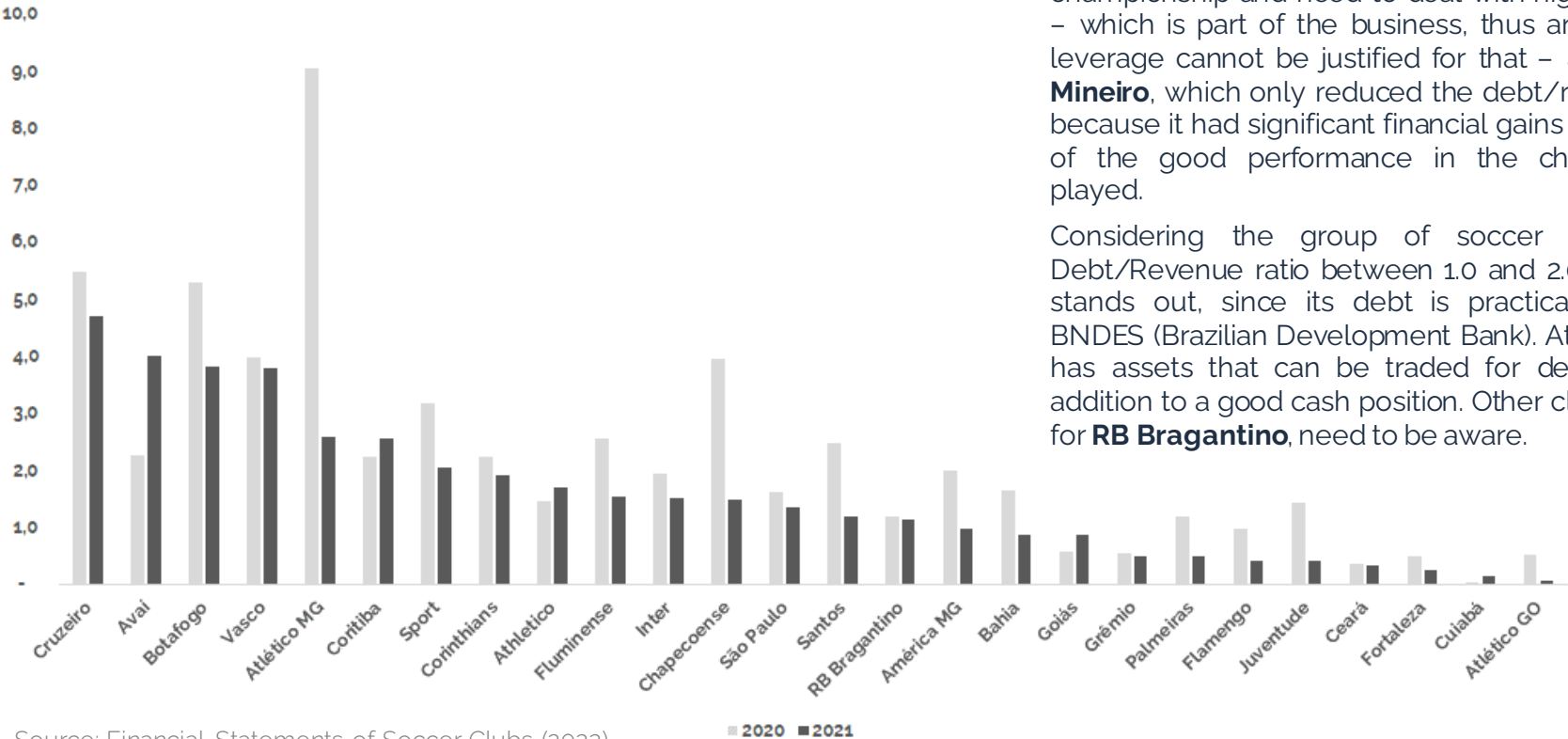
Except for **RB Bragantino**, whose increase is the result of loans from the controller, other soccer clubs with growing debts need to act carefully. Some clubs start to get into a risk situation in terms of debt control.

	2020	2021	Var.
Atlético MG	1271	1315	44
Corinthians	916	963	47
Cruzeiro	662	723	61
Vasco	724	710	(14)
São Paulo	561	632	71
Inter	545	578	32
Fluminense	441	501	61
Botafogo	717	465	(252)
Flamengo	582	450	(132)
Athletico	410	450	40
Palmeiras	642	449	(193)
Santos	437	448	11
RB Bragantino	174	331	157
Grêmio	217	236	19
Coritiba	241	225	(15)
Sport	169	195	26
Bahia	215	176	(39)
América MG	94	101	7
Avai	88	101	13
Chapecoense	103	93	(11)
Ceará	35	49	14
Goiás	51	44	(8)
Fortaleza	43	43	(1)
Juventude	46	29	(17)
Cuiabá	1	12	11
Atlético GO	28	7	(20)

BRL (million)

Debts x Revenues

Leverage: Net Debt by Total Revenue



Source: Financial Statements of Soccer Clubs (2022)

Attention: 2020 and 2021 numbers were strongly impacted by the pandemic. By the end of 2022, there will be a clearer view of how soccer clubs have dealt with that impact and which ones will really be at risk (or balanced).

Considering the group of soccer clubs that have debts greater than twice total revenues, there are those who played in the second division championship and need to deal with higher volatility – which is part of the business, thus an increase in leverage cannot be justified for that – and **Athletico Mineiro**, which only reduced the debt/revenue ratio because it had significant financial gains on the heels of the good performance in the championships played.

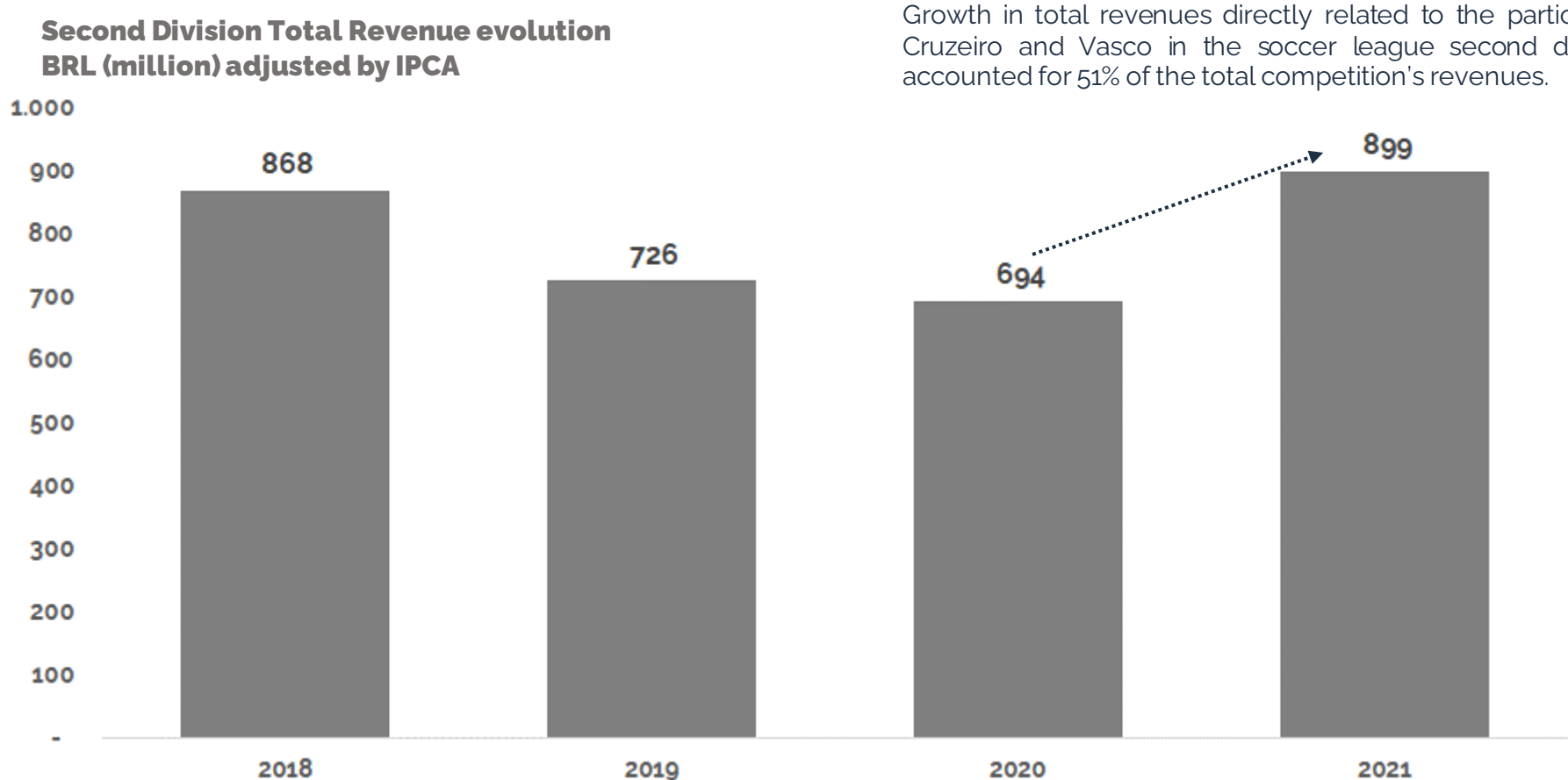
Considering the group of soccer clubs with Debt/Revenue ratio between 1.0 and 2.0, **Athletico** stands out, since its debt is practically all with BNDES (Brazilian Development Bank). Athletico also has assets that can be traded for debt relief, in addition to a good cash position. Other clubs, except for **RB Bragantino**, need to be aware.

	2020	2021
Cruzeiro	5.5	4.7
Avai	2.3	4.0
Botafogo	5.3	3.8
Vasco	4.0	3.8
Atlético MG	9.1	2.6
Coritiba	2.3	2.6
Sport	3.2	2.1
Corinthians	2.3	1.9
Athletico	1.5	1.7
Fluminense	2.6	1.5
Inter	1.9	1.5
Chapecoense	4.0	1.5
São Paulo	1.6	1.4
Santos	2.5	1.2
RB Bragantino	1.2	1.1
América MG	2.0	1.0
Bahia	1.6	0.9
Goiás	0.6	0.9
Grêmio	0.5	0.5
Palmeiras	1.2	0.5
Flamengo	1.0	0.4
Juventude	1.5	0.4
Ceará	0.4	0.4
Fortaleza	0.5	0.2
Cuiabá	0.0	0.2
Atlético GO	0.5	0.1



Second Division: Overview

Total Revenues – Second Division



Growth in total revenues directly related to the participation of Botafogo, Cruzeiro and Vasco in the soccer league second division. These clubs accounted for 51% of the total competition's revenues.

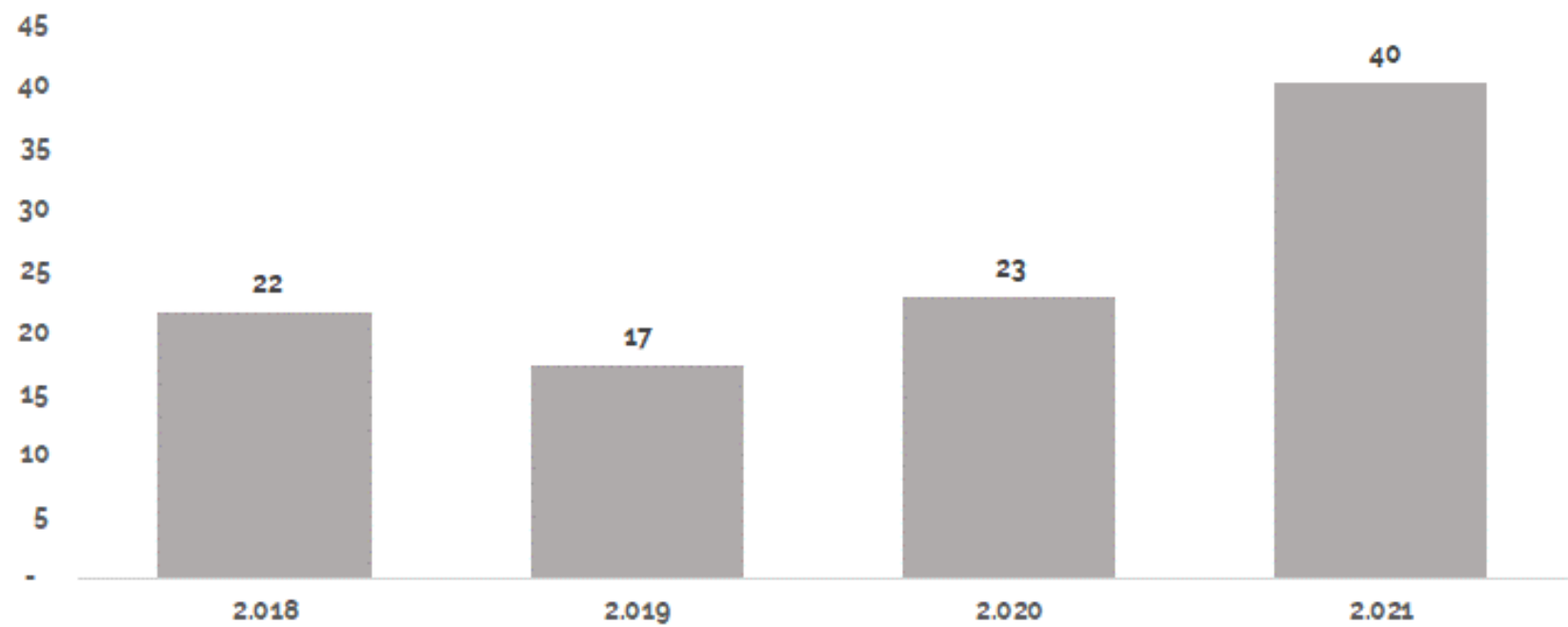
Source: Financial Statements of Soccer Clubs (2022)

Estimated revenues, as some soccer clubs did not disclose financial statements on their official websites or to state federations.

Wages and Salaries Cost – Second Division

Wages and salaries cost in 2021 were heavily impacted by the participation of **Botafogo**, **Cruzeiro** and **Vasco**. Nonetheless, as the competitiveness level of the league first division increases (better performance from soccer clubs with less fans, but good organization), it will be usual to see clubs with great public appeal playing in the league second division.

Second Division annual cost with wages and salaries
BRL (million) adjusted by IPCA



Source: Financial Statements of Soccer Clubs (2022)

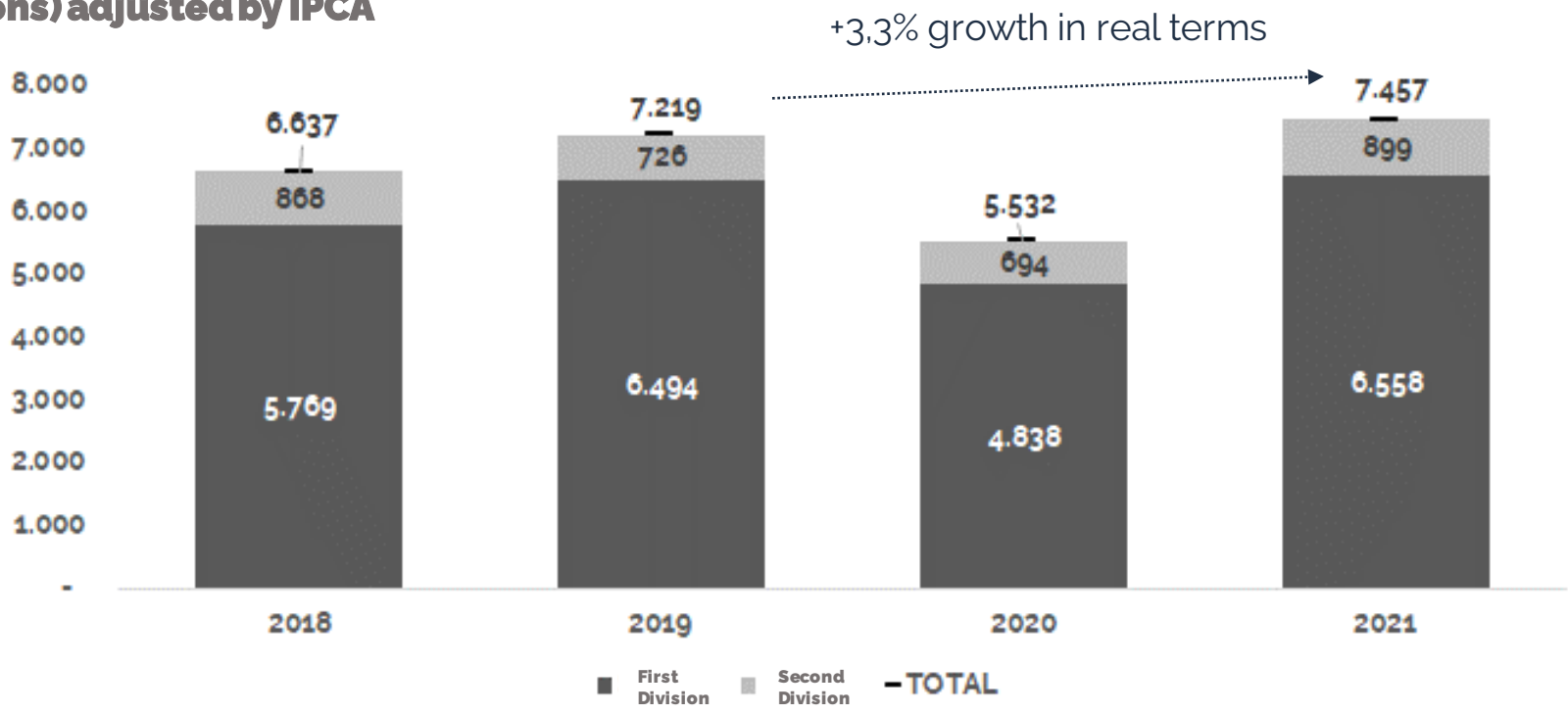


Comparing: First and Second divisions

Total Revenues

First Division vs. Second Division

Total revenues from the First and Second Divisions
BRL (millions) adjusted by IPCA

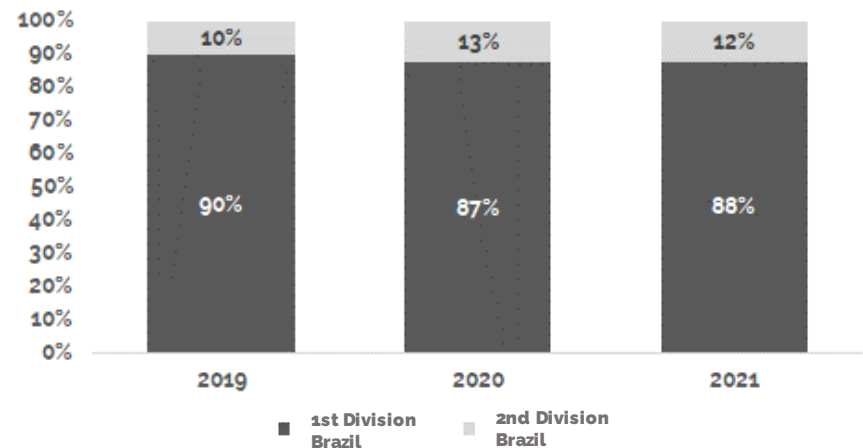


Source: Clubs' Financial Statements (2022)

First Division x Second Division

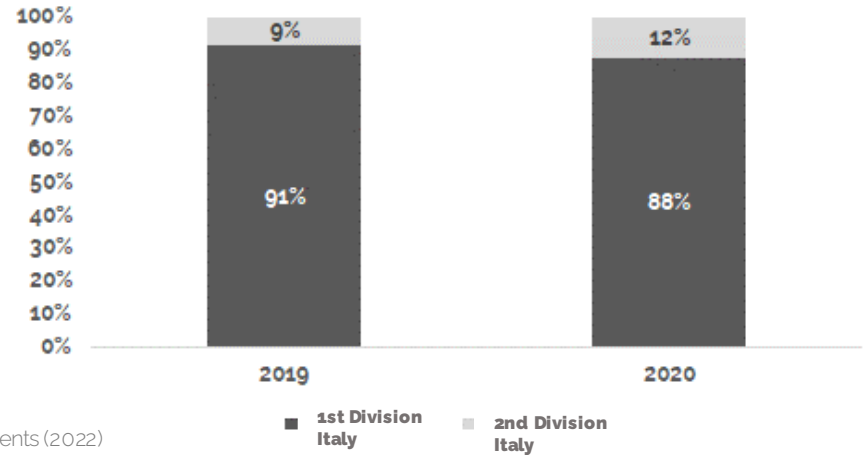
Comparing different countries

Distribution between the first and second division: Brazil

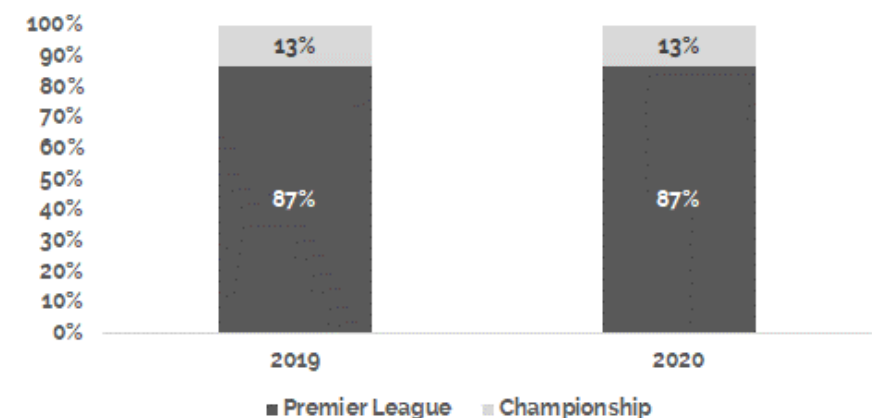


The relation between the First and Second divisions are proportional in several countries, as shown in the comparison between Brazil, Italy and England.

Distribution between the first and second division: Italy



Distribution between Premier League and Championship: England



Source: Clubs' Financial Statements (2022)



Second Half



Paths to the future

Licensing notebook

The rules outside the playing field

The Licensing Notebook is a set of rules and obligations that Professional Soccer Teams must follow. The set of rules is applicable for teams up from the Fourth Division. Without the License, a team is theoretically not allowed to dispute a national competition.

There are 5 fields of rules:

Sporting: Clubs must have a complete sporting management team – technical, medical, youth academy certificates – for Professional Men, Women and Youth Men categories.

Infrastructure: Adequate Stadium, with a minimum level of comfort, security, field and lighting; training facilities with minimum operating standards.

Administrative: base team able to manage a professional soccer team.

Legal: formal founding documents, operating licenses and valid professional contracts

Finance: report annual and quarterly financial statements and budget.

There is already a control in place. We just need to start putting it into practice, separating Professional and Amateurs activities, guaranteeing better work conditions and further developing the sport.

Licensing Book

Distortions of a hybrid system

Brazil has a unique hybrid League System.

Among the 205 countries affiliated to FIFA, it is the only one that excludes professional clubs from its system.

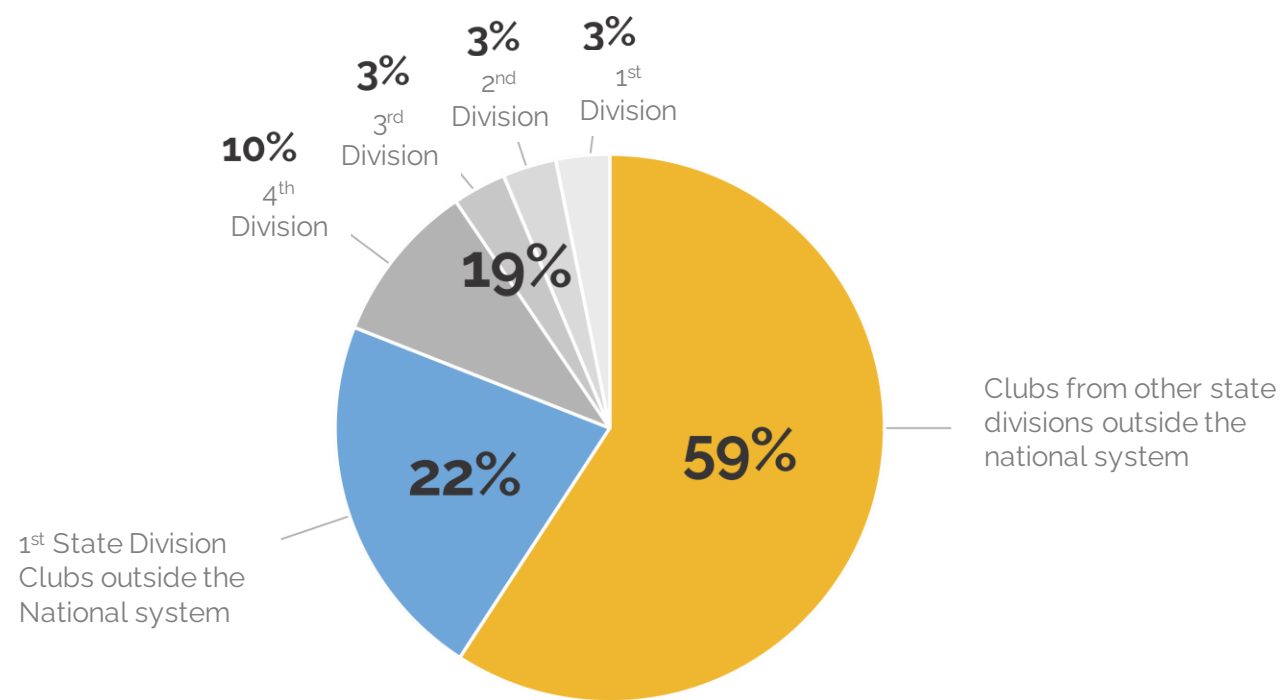
Of the 672 clubs that played in official competitions in 2021, only 68 (19%) participate in the system. 544 are excluded and only compete in state competitions, and, consequently, do not have an annual calendar.

At the same time, state competitions are important channels for training athletes and need to be preserved.

The challenge is to organize a calendar that unburdens the elite but promotes the base of the pyramid.

Creation of amateur and semi-professional leagues, defining maximum ages for athletes to compete in entry-level state divisions, with calendar distribution throughout the year.

Alternatives to a more structured soccer.



Source: Campo de Ação



The league

League in Brazil

Financial Impacts

Is it possible to quantify the impacts of an organized league in Brazil?

No. It's premature. Despite the potential to be unlocked, especially by selling international rights, discussing numbers now brings a considerable risk of error. But we can point out some signs.

Domestic Broadcasting Rights

- We start from a base of R\$ 2.5 billion at the end of 2024;
- Considering that the Copa Libertadores was recently renewed for US\$ 380 million, and assuming the Brazilian package represents 50% of it, we are talking about US\$ 190 million, circa R\$ 950 million;
- Considering that there is an increase in demand for sports rights, with the entry of streaming companies;
- It is therefore reasonable to predict some growth for the most beloved competition by Brazilian fans;

International Rights

- We start from zero;
- Link 1 invoice of €80 million;
- With an organized product, it is possible to expect something around 50% of the French competition as the start of negotiations, that is, R\$ 200 million at today's values.

Advertising

- Today, we only have the banners as relevant, which represent about R\$ 115 million.
- If the Premier League earns around R\$ 900 million, then you can expect a fraction of that amount. How much? 20%? 30%? If so, the amount should be between R\$180 million and R\$270 million.

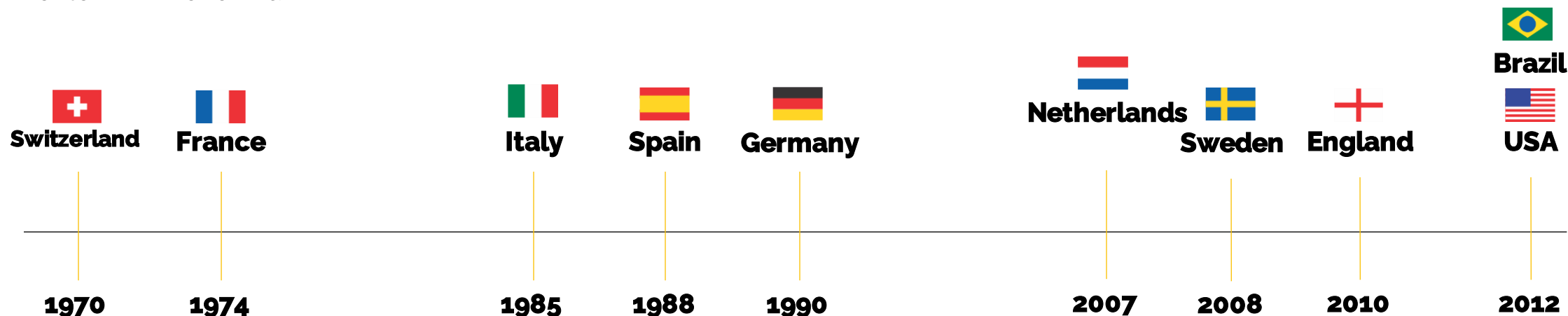


Women's Soccer

Development Evolution

Year in which professional competition started at the respective countries

Fonte: FIFA Benchmark













The evolution of Women's Football is relatively recent in the world. In the '70s, the first professional leagues and competitions appeared, but it was only in the 2000s that there was a significant increase, with the arrival of professionalism in important countries of the current environment, such as the Netherlands, England and the already usual practitioners Sweden, USA and Brazil.

Women's Soccer in the World

X-Ray

FIFA Women's Teams Ranking

Rk	Country	Points
1	 USA	2.104,06
2	 Sweden	2.081,54
3	 France	2.046,48
4	 Germany	2.040,98
5	 Netherlands	2.013,93
6	 Canada	2.010,07
7	 Spain	1.980,28
8	 England	1.977,78
9	 Brazil	1.969,34
10	 South Korea	1.940,00

1st Division General Data

Avg. Revenue per Club (2019)	Average Public (2019)	Average Age (2020)	1 st Division Clubs
-	7.383	26	10
-	900	23	12
619	897	24	12
-	833	22	12
546	-	21	8
-	-	-	-
628	749	25	18
996	996	24	12
309	400	24	16
279	300	25	8

Source: FIFA Benchmark Report Women's Football

55% of the available Top 10 average

55% of the available Top 10 average ex-USA

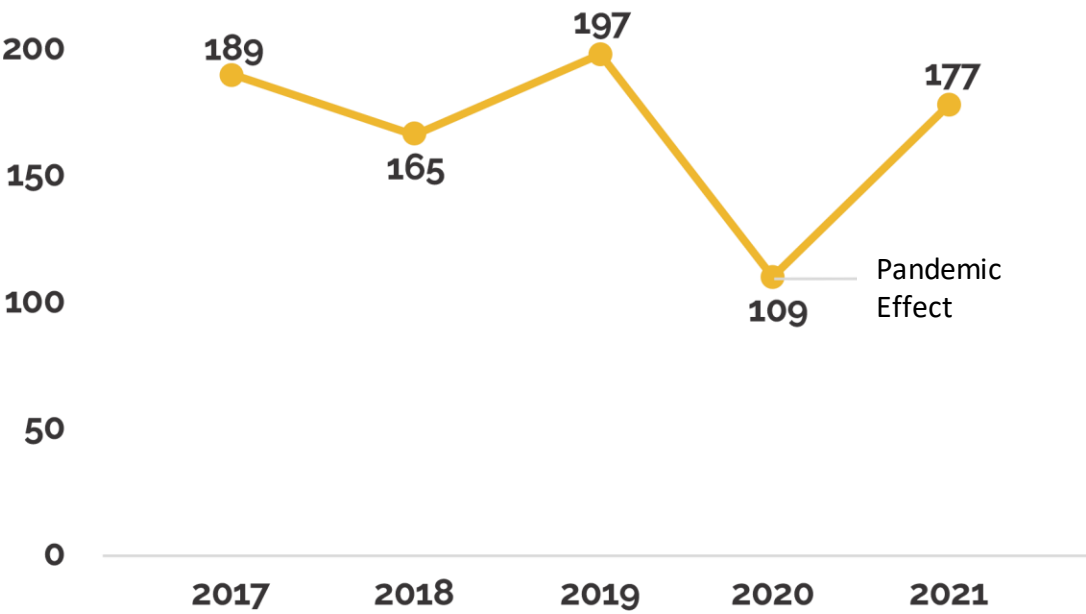
Women's Soccer

Active Clubs

Number of active clubs

Playing in official CBF and state federations competitions

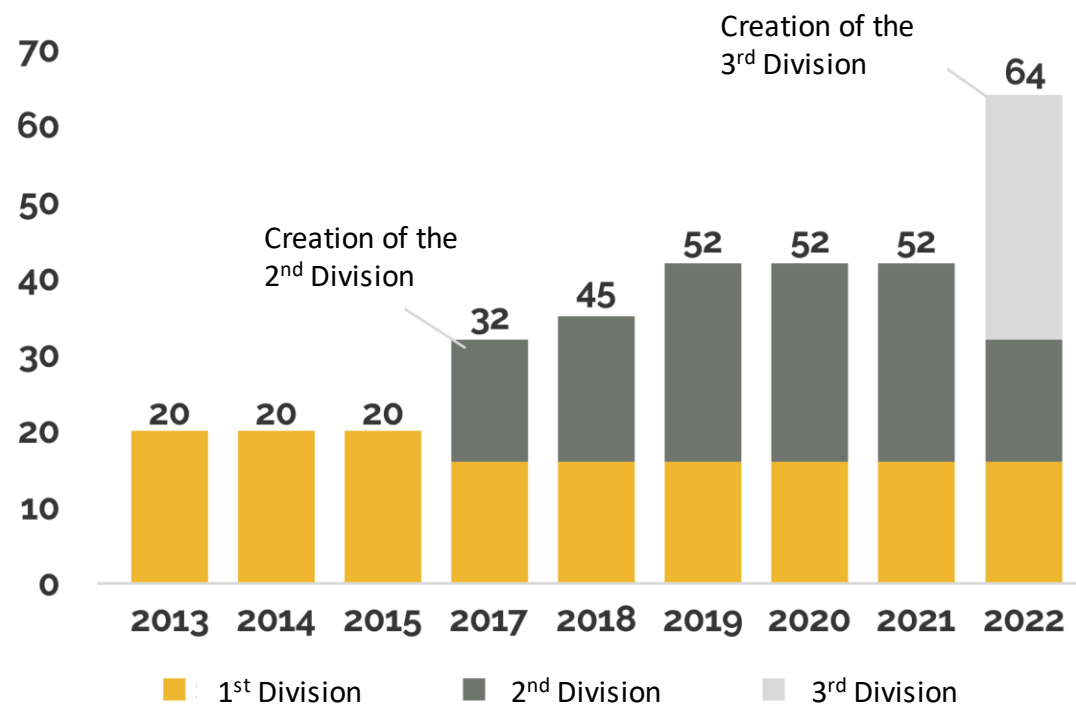
Source: Campo de Ação



Number of active clubs in the national system

Playing in official CBF competitions

Source: Campo de Ação



Women's soccer in Brazil

X-Ray

16

Clubs that compete First Division in Brazilian Championship

7

Months of First Division games: from April to October

94%

Clubs linked to associations with male soccer

400

Average audience in First Division games in 2019

24

Average age of athletes that played in First Division in 2020

73%

Clubs that keep athletes under professional contracts

75%

Revenues from Other sources within the association

65%

Share of the cost directed to athletes and technical commission salaries

Source: FIFA Benchmark Women's Football (2022)



Review

Where are we going?

We began this report saying that the year of 2021 show us that we are in the start of a path to the future. The perennial question is whether we know where we want to arrive.

The stagnation of revenues will only be reverted with the construction of a league of clubs that think as a whole. But for that, we need to surpass historical barriers that transform opposing clubs in enemies, when the reality is that they should see each Other as partners.

In this process, it is good to aim for what's best, like the LaLiga and the Premier League, without losing sight that we are after less trendy models, and that we need first to become better than these, as the Portuguese and Dutch leagues for example.

Part of the path needs to be walked with new management models, which, many times, will go through new models of control and, naturally, new controllers. This brave new world in soccer requires the generation of new ideas, without giving up of who is in the business for years and who knows the shortcuts to the goal, or to the dismantle that saves a goal.

One who does not know where he is going is never lost. Therefore, we need to find our destiny, feel lost, but with tools that can put us back on track. This may take a while, after all, the paths that the Brazilian soccer took over the last decades have lead us to dead ends. We just cannot afford to be slow, or we risk falling into oblivion.



About us

Team Convocados



The Convocados are a sum of experiences in the industry of soccer, with a macro and 360 vision of what is soccer, in Brazil and in the world. We are the consulting company capable of delivering solutions *in and off the field* in the market.

More than a sum, we are a combination of knowledge that allow us to help investors and clubs to structure and develop their businesses, from restructuring to the construction of a SAF, going through the purchase of clubs - *buy side / sell side* – and reaching the construction of a sports culture.

Management inside and outside of the field, finances, revenues, relationships, marketing, costs, scouting. What is necessary for any soccer project, in a single place.

Everything done from a vast base of proprietary data, which support our recommendations, without guesswork. This allows us to point to the best decisions, even if it doesn't mean closing the deal. For Convocados, we aim for what's best for the client, that is why our motto is "Are you prepared to hear the truth?".

Be prepared.

Team Convocados



Roque Junior

Former Sport Director of Ferroviária/SP, part of the Brazilian team who won the 2002 World Cup, having won a number of championships in Brazil and Europe for Palmeiras, AC Milan and Bayer Leverkusen. He was manager/owner of FC Primeira Camisa, forming club of São José dos Campos. Roque Junior has also coached XV de Piracicaba and Ituano FC, and was Sport Director in Paraná Clube.



Cesar Grafietti

Economist, specialist in Banking and Risks with more than 25 years of experience in financial markets (Itaú BBA, Voiter, Mauá Capital), analyzing soccer finances for over 14 years. Consultant from CBF for Fair Play Financeiro and columnist of Infomoney, where he writes about themes related to the structure of soccer.



Rodolfo Kussarev

More than 20 years of experience in the soccer market having worked in the management of clubs such as Santos, Paulista, São José, Corinthians and Flamengo. Consultant in the Red Bull BR Project since its implementation until becoming Director and President until 2017. Also worked as Director of Federação Paulista, and since 2017, as soccer management and investing consultant in Brazil and Portugal.



Rafael Plastina

For more than 22 years, Rafael Platina studies and maps out the global sport market. He was Marketing manager of EC Vitória/BA, and was executive of TNS Sport (Kantar), Informidia (IBOPE/Repucom/Kantar), Nielsen, Dream Factory and Sport Track. Re-founded Sport Track in 2016 and he has been consultant of global companies and government sport institutions such as: Caixa, AB Inbev, International Volleyball Federation, among others.



Renée Pinheiro

18 years of experience in the area of Scout in Chongqing Lifan (China), Red Bull (Brazil), and FC Granada (Spain). Marketing manager of Atlético/MG and the sport consultant that conducted the first sponsorship of a Chinese company in the Olympic Games. He was also an agente for athletes and advisor for the acquisition of clubs, such as Southampton/ING and Tondela/POR.





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