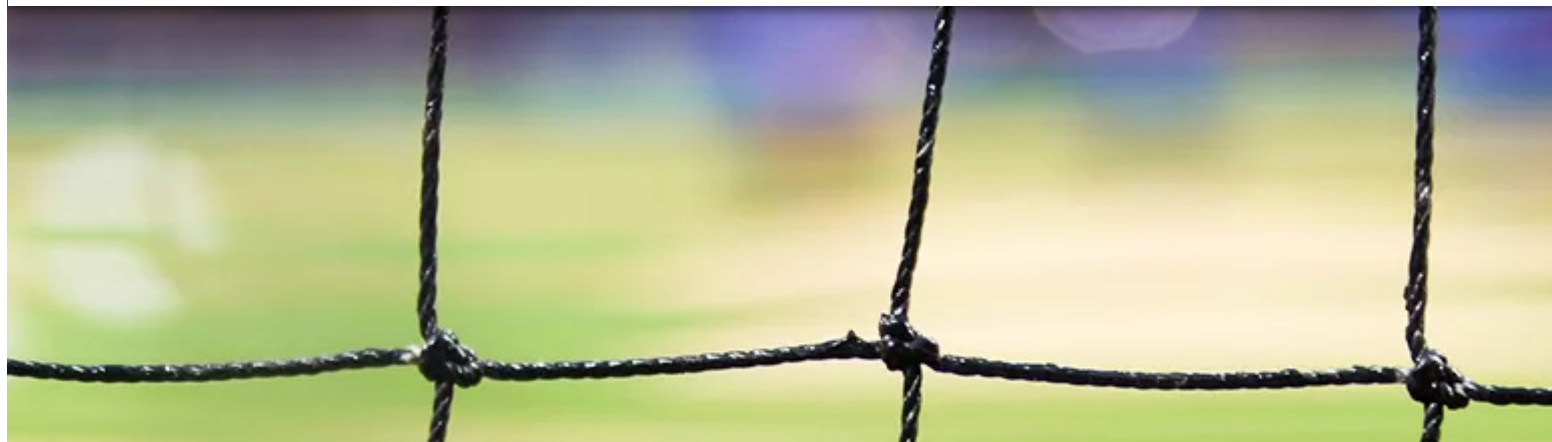


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How much do you value your favorite football star?

Sport is big business. And like any big business, accounting and valuation issues are important.

Johannes Post, Partner | 8 August 2018

The FIFA Football World Cup is over for another four years. In some teams, a new generation of players made their mark. In others, the old guard stood firm. For both, performances on the world stage may fuel transfers between clubs, with huge amounts of money at stake. But how are players' values determined? And are approaches to valuing younger players different to those with longer track records?

Sport is big business. And like any big business, accounting and valuation issues are important. But apart from the money that changes hands, why is the valuation of football players important? The answer is simple: players can be a football club's most valuable asset. A club may need to determine a transaction price if they wish to buy or sell a player. Also in the context of lending, collateralization or insurance. Or in relation to impairment tests or over-indebtedness. Whatever the cause, players can have a considerable financial and balance sheet impact.

Valuation methods for football players

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Key factors include the player's age, playing position, nationality, playing characteristics, and weighted performance criteria. Similarities can then be drawn with comparable players for whom transactions have already taken place in the market. The individual's circumstances such as long-term injury must of course also be taken into account to determine either discounts or surcharges as well as the probability of the club being able to transfer the player.

Past performance versus future potential

Clubs may pay a talent bonus for a very young player, based on future potential performance, rather than proven past performance. This is basically an advance on expected future results.

[click graphic to enlarge](#)

Talent bonuses involve a higher risk as there is a chance that something affects the player's future performance. But the bonus also reflects a future transfer price as the player is still likely to have much potential at the point of transfer. [Download our new transfer compensation framework document](#)

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Valuation development over the contract term

"Self-developed" players cannot be capitalized by the football club. But an acquired player may become an intangible asset. The highest component of this asset value is usually the transfer fee, which reflects the usage of the player and the related cash flow generation, including a possible resale. It also includes consulting and brokerage fees.

[click graphic to enlarge](#)

Players are central assets in many ways

While uniform standards exist and are applied in practice for accounting for typified assets, the valuation of players is not uniformly implemented. However, players play an important role in accounting and financing questions of football clubs and federations. Clubs can actively manage investor or lender uncertainties by introducing an objective valuation model. But such a model must endure and perform – just like the players it aims to value.

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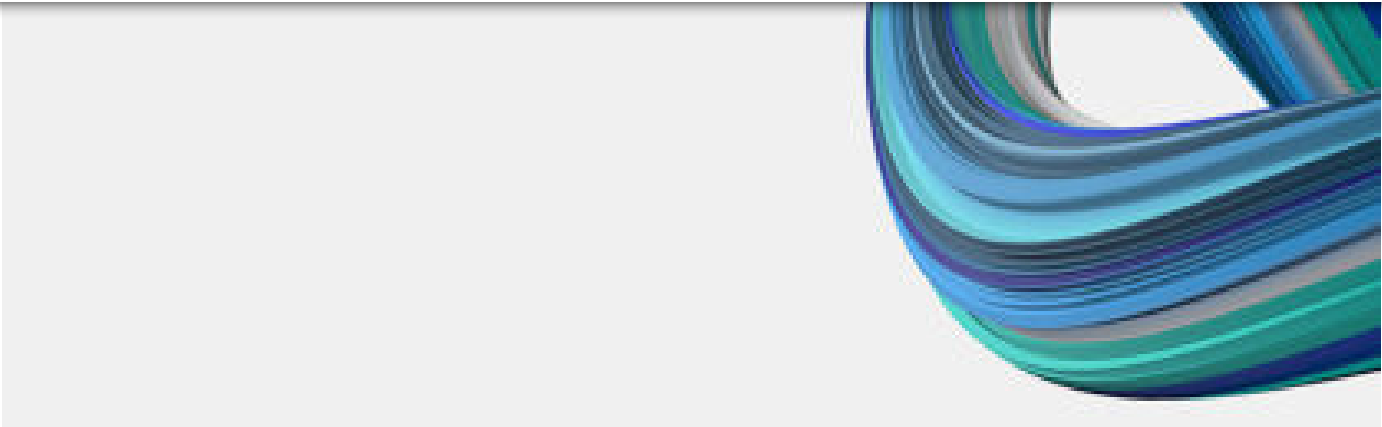
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