Looking to score big in a risky business

While English Premier League has become more profitable, many large European clubs still hemorrhage money.

By ANGUS NANCE in London angus@mail.chinadailyuk.com

Chinese companies have invested in European football at a startling rate over the past 18 months, snapping up clubs across countries and divisions, prompting fans and industry players to wonder, “Why now?” And how do the Chinese plan on succeeding in the volatile world of football investment?

At the start of last year, no Chinese company had money invested in an elite European club. Today, they own stakes in four. Wang Jianlin, chairman of Wanda Group, bought a 20 percent stake in Atlético Madrid in January last year, then China Media Capital bought a 13 percent stake in Manchester City, then Suning picked up Inter Milan. On Aug 5, a Chinese conglomerate also took control of AC Milan.

“One of the most notable developments in global football in the past 12 months has been a marked increase in the level of interest of Chinese stakeholders in the game,” says Richard Battle, senior manager of Deloitte’s Sports Business Group.

While President Xi Jinping’s policy drive to make China a football powerhouse has secured investment, the sport has also become increasingly attractive to buyers. The threat of sanctions under UEFA’s financial fair play regulations and ballooning TV rights deals have made clubs both more responsible and more profitable.

In the 2012-13 season, only half of the English Premier League’s 20 clubs were operating profit. The next year, it was 17, according to Deloitte. In England, thanks to a record 5.14 billion pound ($6.6 billion; 6 billion euros) television rights deal, each Premier League club will now make 170 million pounds over three years. The recent depreciation of the pound—a result of the Brexit referendum—is also likely to have contributed to intense interest in British clubs this summer.

Yet football clubs remain risky investments, as many large European clubs continue to hemorrhage money. AC Milan has a strong international brand, but last year it reported a loss of about 94 million euros ($104 million). The sale included an estimated 250 million euros of debt.

Kathya Santos, CEO of Guanxi Global, which brokers investment deals between Chinese corporations and European clubs, says Chinese buyers with other large commercial interests are interested in leveraging club brands to reach more consumers, as well as to generate revenue directly.

“They may already be in real estate or online retail, and it’s about attracting a new audience to your other products,” she says. “If you can attract an audience with what’s happening with the football club, you can increase sales elsewhere in your business.”

In addition to internationally known teams, Chinese investors have targeted top-flight clubs with moderate profiles—La Liga side Espanyol is owned by Rastar Group, and also in this month a Shanghai company purchased a controlling stake in Premier League side West Bromwich Albion.

Money has even seeped down into the lower divisions. This summer, English second-tier clubs Aston Villa and Wolverhampton Wanderers were both taken over by Chinese buyers. Santos says purchasing lower-tier clubs can be a shrewd move, as promotion can provide a significant return on investment. Of course, such purchases are also a gamble, and Santos says there are a number of warnings to look at when advising Chinese investors.

“We look at (the club’s) history, their ownership contracts, their squad, the cost of running the club, employee contracts,” she says. “Do they own the fields they are training on or are they rented? We look at the management that is in place, from a business side. Sometimes...the club is performing really well, but it’s in debt.

“What I’ve learned is that Chinese people really don’t like to make mistakes. They are more risk averse than most,” she adds. “They double-check everything and are big negotiators.”

Above all, Santos says she tries to fire home the need to install strong management when advising Chinese investors.

“|I stress the importance of good management from a business perspective, as well as football performance, to secure the viability of a football club as a healthy business,” she says. “Investors are always looking to diversify their portfolio and their main objective, of course, is to keep their wealth and are interested in any investment they make. Football is no exception.”

China still working on producing top players

By CHRIS PETERSON in London chrisc@mail.chinadailyuk.com

Despite the dramatic increase in Chinese investment in European football and the huge interest in the game back home, few Chinese players have made their mark on the game here.

There have been a couple of exceptions—Sun Jiahui made 130 appearances for English Premier League club Manchester City after spending a season on loan at Crystal Palace, where he also played with compatriot Fan Zhizhi. Both made their mark in various ways. Sun signed for Man City in 2002, becoming the club’s first Asian player, and stayed until 2007, when he moved to Sheffield United, which was in the second-tier Championship at the time. He had mixed fortunes in Yorkshire and was eventually loaned to the club’s Chinese affiliate, Chengdu Blades.

Sun reappeared in Britain briefly in October when, watched by President Xi Jinping, he was inducted into the English Football Hall of Fame in Manchester. Fan, meanwhile, became something of a hero at Crystal Palace. He joined in 1998, becoming the first Chinese player to turn out for an English league team, and went on to captain the club. He was named the 2001 Asian Player of the Year.

In October 2001, he transferred to Scottish Premier League side Dundee, and played briefly for Shanghai International before joining Cardiff City for a year and then moving back to Asia. He is now a coach at Chinese Super League team Shanghai SIPG alongside former England manager Sven-Goran Eriksson.

For the record, no Chinese at present plays in the English Football League, although the internet was awash with rumors in the autumn that Zhang Limeng, the talented Guangzhou Evergrande defender, was a transfer target for Chelsea. That came to nothing.

Analysts believe several factors work against Chinese players coming to Britain: First, securing a working visa is difficult; and second, English Premier League games are played at a faster pace than in most other countries and can be much more physical. There is a cultural aspect that puts many Asian players off, too, while money also plays a part.

Chinese Super League clubs pay good salaries, so it’s hard to tempt homegrown players out of their comfort zone. According to the National newspaper in Abu Dhabi, there are only three Chinese playing in European leagues: Wei Shihao at Boavista in Portugal, Wang Shangyuan at Club Brugge in Belgium, and Wang Chu at Luxembourg side Jeunesse Esch. Simon Chadwick, a professor of sports enterprise at Salford University Business School, says there is a straightforward reason for the lack of Chinese players in Britain.

“At the moment, Chinese players in general are not yet good enough to succeed in the Premier League,” he says. “This is one of the reasons for China’s football development program: The country wants its players to be able to successfully compete with the top players and teams worldwide.”

Sun and Fan both played a part in the process, but many of the deals being struck by Chinese investors in Europe contain a provision for the establishment of an academy in China, and although there are no data, it is becoming part of the push to grow the sport in China.

“A growing number of European clubs, as well as former European players, are setting up academies in China,” Chadwick says, adding: “Many in Europe perceive an opportunity both to contribute to China’s football development and to generate revenue from it.”

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