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The Impact of the creation of SASs in the Management of Football Clubs

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Master in Management

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Department of Marketing, Strategy and Operations

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Resumo

Num contexto em que o futebol há muito se afirmou como o desporto mais popular em Portugal, com uma predominância clara de três clubes (todos centenários), sem dúvida que a criação das SAD - Sociedades Anónimas Desportivas, ocorrida no final da década de 90, marcou uma mudança clara na forma como a gestão do futebol é exercida no seio dos clubes.

Passados que estão mais de 20 anos sobre a criação deste tipo de Sociedades, apesar de existir alguma literatura sobre a matéria, persistem dúvidas sobre a sua eficácia, nomeadamente sobre a efetividade dos benefícios esperados, em face da evolução ocorrida e sobretudo dos modelos de gestão implementados. Pretende-se, com a realização deste trabalho, elaborar uma reflexão sobre os impactos decorrentes da criação das Sociedades Anónimas Desportivas na gestão dos Clubes de Futebol, nas várias vertentes inerentes, a sua existência, objetivos e resultados.

O presente trabalho assenta então numa pesquisa sobre os resultados obtidos pelas Sociedades que gerem os três maiores clubes em Portugal, focando-se na sua performance financeira, obtenção de resultados desportivos e ainda na relação que desenvolvem com os diferentes *stakeholders* no seio do ecossistema do futebol em Portugal. Pelo papel fundamental que a gestão destas Sociedades assume, será naturalmente dado um enfoque especial ao impacto das suas medidas, nomeadamente no garante da sustentabilidade financeira e desportiva dos clubes, cuja razão da sua existência assenta fundamentalmente no futebol.

Palavras Chave: SAD, Estrutura Financeira Equilibrada, Sucesso Desportivo, *Stakeholder*

Sistema de Classificação JEL:

M10 – Business Administration

Z20 – Sports Economics

Abstract

In a context where football has long established itself as the most popular sport in Portugal, with a clear predominance of three clubs (all centenarians), there is no doubt that the creation of SAS – Sports Anonymous Societies, which took place in the late 1990s, marked a clear change in the way football is managed within the clubs.

After more than 20 years have passed since the creation of this type of Societies, despite the existence of some literature on the matter, doubts persist about their effectiveness, namely about the effectiveness of the expected benefits, in view of the evolution that has occurred and, above all, of the management models implemented. It is therefore intended, with the performance of this work, to elaborate a reflection on the impacts resulting from the creation of Sports Anonymous Societies in the management of Football Clubs, in the various aspects inherent to their existence, objectives and results.

The present work is therefore based on research on the results obtained by the Companies that manage the three biggest clubs in Portugal, focusing on their financial performance, obtaining sports results and also on the relationship they develop with the different stakeholders within the football ecosystem in Portugal. Due to the fundamental role that the management of these Societies assumes, a special focus will naturally be given to the impact of their measures, namely in guaranteeing the financial and sporting sustainability of the clubs, whose reason is fundamentally based on football.

Keywords: SAS, Balanced Financial Structure, Sporting Success, Stakeholder

JEL Classification System:

M10 – Business Administration

Z20 – Sports Economics

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Introduction

Study Problem

We are currently living in a very complicated period at an economic level, not only in our country, but in the rest of Europe. Recent events, which we know as the COVID-19 pandemic and the most recent War in Ukraine, ended up collapsing the economies of practically the whole world, and we are in fact going through a period in which economic inflation has increased drastically and the future forecast is for an imminent global recession.

In relation to the football sector in our country, the situation is not very different. Most Portuguese clubs go through many economic difficulties, and the big three are no exception to the rule. The financial policy of these three clubs mainly consists in large sales of players to more attractive markets, in order to be able to honor their commitments with financial institutions, as well as with the rules imposed by the bodies that manage football at European level.

Football is the most important and influential sport in Portugal. Inevitably, this sport ended up being an area to invest, both publicly and privately. Contrary to what the initial objectives of the interveners in this area were, they ended up being forced to adopt a posture much more focused on the economic and financial aspect of the football clubs. Having professional sport (largely football) such an enormous financial, media and social weight, on our society, only this way, is possible to understand the true current sporting reality, which is inseparable from current society.

If in the decades of 60's, 70's and 80's football was much more viewed from the sport panorama, nowadays the sport is much more like a business, where everyone tries to make as much money as possible. This of course, generates a big concern for the average fan with less money, which of course is not able to attend matches where the price is almost, on average, around 20/25 euros (on the Portuguese reality).

With this current situation, the organization and management of Football Clubs has evolved over the last few years, and is currently, at a professional level, almost entirely based on the figure of Sports Anonymous Societies. The transition from the classic figure of football management within the Clubs, to the Sports Societies, beginning in the 90s, is now a reality throughout Europe and in particular in Portugal, at the level of the three largest Portuguese clubs.

After the creation of the Sports Anonymous Societies in these 3 clubs, the objectives of the clubs ended up changing a little. If before this event, the goals of the clubs were not only to

allow athletes to practice sports and of course, getting sports victories not only on football, but also with its directors, which at the time throughout the associativism, tried to gain some recognition as some social and political influence for its clubs. Currently the paradigm of Portuguese football has changed. The clubs started to have a growing concern also for the financial part, in order to be able to have a well-supported club financially, in order to be able to have more successes in terms of sports.

On the other hand, as an integral part of the European football ecosystem, with the evolution seen in the rules of the bodies that manage and protect football in this broader context, Portuguese clubs ended up having to adapt to a reality in which they compete with well-established economies. more developed, ending up becoming quite dependent on the sales of players that they recurrently make to these markets.

Indeed, in addition to a simple evolution towards a new model of football governance within the clubs, there were also several aspects that evolved into a new reality of football management in Portugal, which includes the relationship between clubs and public limited companies, as well as its interaction with the different actors operating throughout the football market in Portugal

The study problem of my thesis, it is essentially based in three different topics, sustained in the analysis of the three biggest clubs in Portugal (Benfica, Porto and Sporting):

1. How did the creation of Sports Anonymous Societies (SAS) impact the entire management of football clubs?
2. What were the main Benefits and Consequences for the Clubs concerning the creation of SAS?
3. Which were the deviations from initial goals with the creation of SAS?

Objectives and Expected Results

The objectives from this thesis development, are basically related on getting supported answers for the previously questions.

In addition, depending of the results of the several analyses to be made, it is also my objective to reflect on key points that still need to be developed in order to improve the actual management model of SAS which can enable the clubs to reach their main initial goals.

Finally, as I am passionate about the sporting phenomenon in general and football in particular, I must also mention the fact that it is quite gratifying in personal terms, being able

to contribute in some way to a deeper reflection, on the way in which the SAS are currently managed in Portugal.

Structure

In order to obtain the most sustained answers possible, the entire dissertation will be organized and carried out with the development of the different necessary steps, although very supported by concepts that must be perfectly clear.

Thus, after identifying the object of study and objectives to be achieved, the chapter of literature review is absolutely vital for a good understanding of the entire document, as well as for all the analyzes that will be carried out. In the approach taken to the literature review, it is also important to consider the past and current situation of clubs in terms of their football management model, which will be addressed in a specific contextualization chapter.

The methodology used will also be described in a specific chapter, with the aim of detailing all the support for financial and sports analysis. Bearing in mind a critical view of the relationship between clubs and SAS with the different actors in the sporting phenomenon, the analysis mechanism used will also be explained.

Regarding the presentation of the results of the data analysis, there will be, whenever possible, the concern to support the referred results in tables and graphs.

Finally, it is intended to reach conclusions, recommendations and future research directions, in the most sustainable way possible, as previously mentioned.

Chapter 1 - Literature Review

1.1. SAS concept

According to the website of the Portuguese Sports and Youth Institute (IPDJ), we can define a SAS, as “a collective person governed by private law, constituted in the form of a public limited company, pursuant to Decree-Law n°10/2013, of 25 January, whose object is the participation in a modality, in sports competitions of a professional nature, except in the case of companies constituted under Article 8, the promotion and organization of sports shows, and the promotion or development of activities related to the professionalized sports practice of that modality”.

Trying to summarize a little better the main aspects of the current legal regime applicable to Sports Societies, we can help ourselves to the summary made by *Telles de Abreu e Associados, Sociedade de Advogados RL*, regarding Decree-law n.º 10/2013 of 25 January, diploma that establishes the new legal regime applicable to Sports Societies, previously provided for in Decree-Law n.º 67/97 of 3 April.

The aforementioned diploma, in addition to establishing that the participation of Clubs in professional sports competitions must be carried out under the corporate legal form, determines that the Commercial Companies Code is subsidiarily applicable to the new legal regime.

Its constitution can be made from scratch, by transforming a sports club or by the legal personification of a team that participates or intends to participate in sports competitions.

Taking in account the new regime of the Commercial Companies Code, it was important to understand if it was possible the transmissibility of shares.

The number 2, of the article 14º of the law of the Sporting Societies, doesn't allow restrictions regarding the transmissibility of shares of the Sports Anonymous Societies. This matter, generated a lot of disagreement between some authors. For example, *José Manuel Meirim (1999)* was very much against this issue. “This norm, regarding the freedom of the transmissibility of shares established on the article 21º, damages the value of the sporting truth”. This transcription comes, from the annotation of the article 20º of the law of 1997, which now, takes us to the article 19º, regarding the “Limitation of the exercise of social rights”, which takes us to the article 21º, regarding the “Limits of the transmissibility of shares”, prevision now in the number 2, of the article 14º.

It should also be noted that, at the time of their incorporation, the minimum value of the share capital of Sports Anonymous Societies, participating in professional football competitions in the First League, cannot be less than 1 million euros. This diploma also determines how the capital can be subscribed, as well as the type of shares to be subscribed,

namely through Category A shares, to be subscribed by the founding club and Category B for the rest.

Finally, this diploma also imposes some rules regarding the governing bodies. In the case of Sports Anonymous Societies, the composition of the board must be ensured by a minimum number of two executive managers, who must dedicate themselves full time to the management of the respective companies, and cannot be holders of governing bodies of sports federations or associations of clubs of the same modality, or practitioners, coaches and acting referees, of the respective modality.

1.2. Understanding the Financial Information

In order to perform a correct analysis of the financial performance of the SAS's, it is important to sustain, in a reasoned manner, with regard to the good understanding of the financial information.

In general, I will use the information provided by William J. Bruns, JR (Harvard Business School), Jonathan Berk & Peter DeMarzo (Corporate Finance) and Ciaran Walsh (Key Management Ratios). Nevertheless, I also can use opinions and descriptions of different authors, with recognized merits in the financial area.

Accounting Concepts

In general, assets may be thought of as all things of value that the organization has a right to use. They consist of financial resources, equipment, other physical resources, and other resources having value to the entity (Bruns, 1992). Then, we designate and use the term Asset, when we want to refer to a resource controlled by an entity, from which it is expected to obtain a future benefit in economic terms. It represents the valuation of assets held by a company.

On the opposite there is the concept of Liability defined as a claim against a company's asset (Harvard BSP, 2003). When we talk about Liability, we are referring to an obligation or payment from which the outflow of a resource is expected.

Finally, there is the concept of Equity similar to Net Worth or Shareholder' Funds. The basic accounting equation is commonly expanded to highlight the two major equity classifications (Bruns, 1992):

$$\text{Assets} = \text{Liabilities} + \text{Owners' Equity} \quad (1.1)$$

Financial Statements

The Balance Sheet (or statement of financial position) presents a company's financial position as of a specific date, based on measurements made in accordance with generally accepted accounting principles or some other reporting basis (Bruns, 1992). In another words, the Balance Sheet is the document that illustrates the equity situation of a company at a given time. It is a picture of the financial situation at a given moment, relating the company's Assets with its funding sources.

The results of operations of business over a period of time are shown in the Statement of Income, or the Income Statement. Just as the balance sheet can be represented by the account equation, the Income statement can be represented by the following equation (Bruns, 1992):

$$\text{Revenues} - \text{Expenses} = \text{Net Income (or Net Loss)} \quad (1.2)$$

It is also important to remind the concept of Revenue, as the revenue generated by the sale of goods, services or Assets, without having associated the respective cost or expense. So, the total revenue earned is generally the amount invoiced (Walsh, 2003). There is therefore a separate concept of Expense, which basically represents the cost related to carrying out the business and which is the money spent by the organization to generate Revenues.

Financial Ratios Approach

With a view to the financial analysis of a company and its comparison with the others, since it is important to relativize its dimensions, different ratios are used. The same ratios may affect the Profitability, Activity and Risks of the different companies under analysis.

Risk Analysis Ratios

In the analysis that I will carry out on the financial risk situation of the main SASs in Portugal, I will give special focus to the assessment of their Solvency and Liquidity. To evaluate the SAS's ability to meet its long-term liabilities I will be using the following solvency ratio.

$$\text{Solvency ratio} = \frac{\text{Net Worth}}{\text{Total assets}} \quad (1.3)$$

Concerning the Liquidity analysis, there are several ways to calculate it. Even if some authors do not consider it as the best way to measure the Liquidity of a firm, a very common

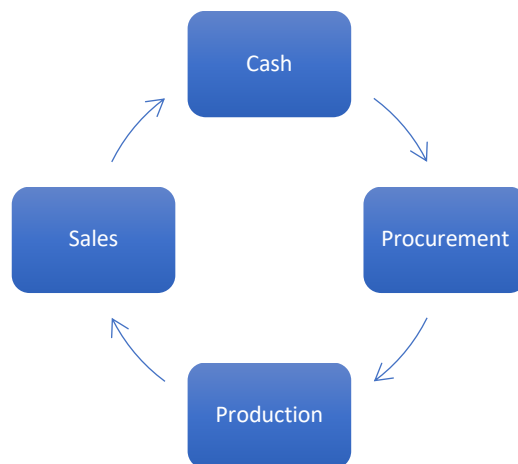
and quick way is the current ratio calculation. The current ratio is obtained by dividing the firm's current assets by its current liabilities (Hawawini & Viallet, 2002):

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}} \quad (1.4)$$

It is often said that the bigger the current ratio, the more liquidity the firm has, and that the ratio should be at least bigger than one and preferably close to two (Hawawini & Viallet, 2002). As I said some authors don't consider this the best way to measure the liquidity of a company, being one of them Ciaran Walsh. He says that this ratio has a disadvantage, which is that it does not distinguish between different types of current assets, some of which are more liquid than others. He concludes by saying, that a company could be getting into cash problems and still have a strong current ratio (Walsh, 2003).

Working Capital Requirements and Managerial Balance Sheet

In order to define and calculate the Working Capital Requirement it is important to perfectly understand the concept of Operating Cycle coming from the Operating Activities. These activities require investments in the form of inventories and trade receivables that are generated by the firm's Operating Cycle (Hawawini & Viallet, 2002):



Picture 1.1 – Operating Cycle

Source: Hawawini & Viallet, 2002

As a consequence, we can define the Working Capital Requirement as the net investment (at the date of the balance sheet) that the firm must make to support its operating cycle (Hawawini & Viallet, 2002):

$$\text{WCR} = \text{Account receivable} + \text{Inventories} - \text{Account payable} \quad (1.5)$$

After the calculation of the WCR, we can restructure the standard balance sheet into the managerial balance sheet, a variation that Hawawini & Viallet (2002) believes provides a more appropriate tool to identify the links between managerial decisions and financial performance and also identify in a very clear way the Invested and Employed Capital.

Invested Capital or Net Assets	Capital Employed
Cash	Short-term debt
Working Capital Requirement (WCR)	Long-Term Financing
<i>Operating Assets or Operating Liabilities</i>	
Net Fixed Assets	
	Long-Term Debt plus Owners' Equity

Picture 1.2 – Managerial Balance Sheet

Source: Hawawini & Viallet, 2002

Profitability Ratios

Every manager has a favourite measure of profitability. According to Hawawini & Viallet (2002), it is usually a ratio calculated by dividing the firm's earnings after tax (net profit) by (1) sales to get return on Sales (ROS), or (2) total assets to get return on assets (ROA or ROI), or (3) owner's equity to get return on equity (ROE).

These two separate measures are necessary, because they throw light on different aspects of the business, both of which are important. Return on total assets looks at the operating efficiency of the total enterprise, while return on equity considers how that operating efficiency is translated into benefit to the owners (Walsh, 2003).

Finally, a very common way, according Hawawini & Viallet (2002), to calculate a firm's operating profitability can be measured by the ratio of its EBIT divided by the invested capital. This ratio is known as the firm's return on invested capital or ROIC:

$$\text{ROIC} = \frac{\text{Earning before interest and tax (EBIT)}}{\text{Invested capital}} \quad (1.6)$$

1.3. Sporting Success and Competitive Advantage

The concept of sporting success is obviously related to the goals outlined by each club, before the beginning of each sporting season, and is essentially based on the sporting victories achieved, however this concept turns out to be quite relative.

The considered sporting success, ends up varying from club to club, for example a 5th place in the Portuguese League for a club like Estoril Praia, would be considered a great sporting success, and the same would not happen, if we were talking about one of the "big three" in Portugal.

Another factor that demonstrates the volatility of this concept is the current financial situation of a club at a given moment. In other words, a club that is not experiencing its best financial situation, and having to invest less in the preparation of a sporting season, under normal conditions, will end up having to lower its expectations in relation to what will be considered a sporting success, at that specific time.

However, there is something that turns out not to be relative. For a club to obtain victories and consequently sporting success, it will have to be superior to its rivals, having to obtain a competitive advantage in relation to its rivals.

The concept of Competitive Advantage ended up having different definitions from different authors over the years, however in my opinion the definition given by Hofer & Schendel, 1978,

turns out to be the most appropriate in the football sector. These actors define competitive advantage by “unique positions that an organization develops *vis-à-vis* its competitors through its pattern of resource implementation and/or decision making”.

Another author who has done many studies and researches related to this topic, is Michael E. Porter. Here I will use the information from his book *Competitive Advantage: Creating and Sustaining Superior Performance* (1985)

In a general way, competitive strategy is viewed as the proper way to gain a competitive advantage. According to Michael E. Porter (1985) competitive strategy is “the search for a favourable competitive position in an industry (..) aims to establish a profitable and sustainable position against the forces that determine industry competition”. For Porter is very important to understand the competition characteristics, in order to gain a competitive advantage. Competition is at the core of the success or failure of firms (Porter, 1985).

In this book, Porter explains his theory regarding the ways that a company can gain a competitive advantage in comparison to its competitors. In the author opinion, there are only two basic types of competitive advantage: cost leadership and differentiation (Porter, 1985). This being, or a company gains a cost advantage or its able to differentiate itself.

Porter believes that the value chain of a company, is a major instrument to use, in order to diagnosing competitive advantage and finding ways to enhance it. He continues by saying that the scope of a firm’s activities, can have a powerful role in competitive advantage through its influence on the value chain (Porter, 1985)

To conclude, Porter makes a statement regarding the concept of competitive advantage that I think is very much relatable to the football market. According to Porter (1985) “Competitive advantage in one industry can be strongly enhanced by interrelationships with business units competing in related industries, if these interrelationships can actually be achieved”. This statement, can clearly be translated to the football world, where many clubs create alliances between them, regarding for example, transfers of players. This is a way, as Michael E. Porter said to enhance a competitive advantage in a certain industry, in this case the football industry.

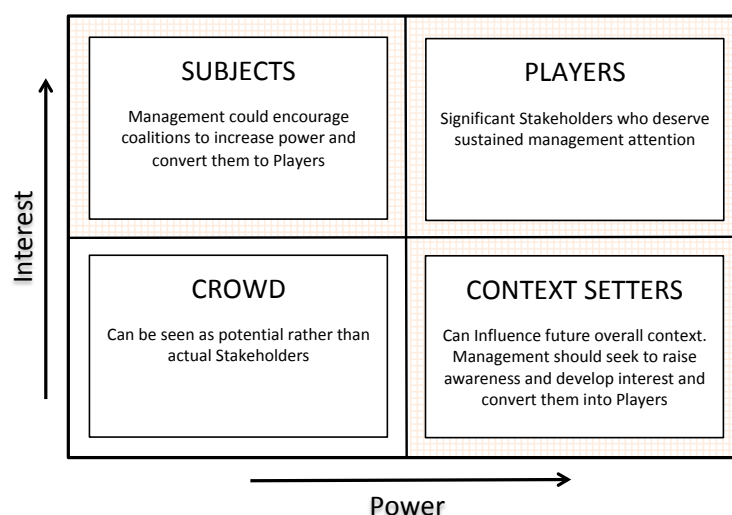
1.4. Stakeholders Concept

According to Freeman (1984;2010), stakeholders are groups and individuals that can affect or can be affected by an organisation.

More than the stakeholder’s concept, a specific approach to value creation, has been developed (Kujala, Lehtimäki & Freeman, 2019), explaining that leaders need to pay attention

to a broad array of stakeholders and understand how value is created in stakeholder's relationships.

About the proper way to manage the relationship with stakeholders, important researches have been developed (Ackerman & Eden, 2011) during a 15-year period, based on working with 16 top management teams. As a result of the research developed, the different types of stakeholders can be classified according the power and interest of each one for the organisation (Picture 1.3).



Picture 1.3 – Outline stakeholder power-interest grid

Source: Ackermann & Eden, 2011

As we will see later (chapter 4) on the stakeholder's analysis, there is an important relationship between the SAS's and the entities that manage football in Portugal. It is therefore, at this stage, important to understand the full organization of Football (in Portugal), in particular explaining the role of League of Clubs, the Portuguese Football Federation and also CMVM as the SASs are companies listed on the stock exchange market.

League of Clubs (Liga Portugal)

Regarding the League of Clubs (*Liga Portugal*), this entity is responsible for the organization of three competitions in Portugal. The Portuguese League (*Liga Portugal*), the 2nd division Portuguese League (*Liga Portugal SABSEG*) and the Portuguese League Cup (Allianz Cup).

This institution is a private, non-profitable association governed by the provisions of its Statutes and Regulations and other applicable legislation. Regarding its mission, the League of Clubs, tries to provide a level of excellence in the organization of the competitions, assuring as well the economic and financial sustainability of the institution and its associates. This

organization has as main objectives: to organize and regulate the competitions, according to the proper legislation, to promote the defence and common interests of its associates, provide to the national competitions the needed skills and also, to promote formations regarding the organization, management and integrity in the professional competitions.

About the organization's values, according to their website, they are:

1. Credibility
2. Aggregation
3. Talent
4. Show

In terms, of the League's vision, this institution wants to be recognized as one of the best leagues in Europe, allied with good-practices internationally, therefore increasing the Professional Football value. Regarding these objectives, the league implemented a five-year plan from 2019 to 2023, that had five topics, each one with lots of tasks to be completed until the end of the next year. These five topics are:

1. The Affirmation of *Liga Portugal*
2. The valorisation of the competitions
3. The industrialization of the Portuguese Football
4. The Digital implementations
5. The Internationalization of the *Liga Portugal*

Portuguese Football Federation (FPF)

Like I stated previously, there is another institution responsible for organizing football competitions in Portugal and it is called Portuguese Football Federation (FPF)

This entity is responsible for the organization of two competitions of the Portuguese football, the Portuguese Cup and the Portuguese Supercup.

About the Portuguese Football Federation, its vision is to empower itself as the main role model to the development of the sport in Portugal, in a way to try to push it all over Europe and the rest of the world.

Regarding this entity's mission, it is to coordinate, streamline, develop and organize Football in all its dimensions and categories, ensuring its continuity and growth throughout the Portuguese territory and in all social environments and age groups, with the aim of, to position itself as one of the most competitive on the international scene. The FPF cooperates closely

with its international and national, public and private partners, in a perspective of independence and mutual benefit, in favour of the success of its mission.

CMVM (Comissão Mercados Valores Mobiliários)

Other important stakeholder, that has a very close and important relationship with the Portuguese clubs it's the CMVM (*Comissão do Mercado de Valores Mobiliários*).

This entity was constituted in May of 1991 (Decree-Law nº142-A/91, de 10 de *Abril*) and has as a mission to supervise and regulate the markets of financial instruments, as well as the agents that impact them, always promoting the protection of the investors.

Outside the football world, this entity has many other functions in order to be aligned to its mission, such as:

1. Sanction the infractions of the code of the organization and of the complementary legislation
2. Assure the stability of the financial markets, also trying to identify and prevent the possible risk
3. Development of the market's financial instruments
4. Give information and handle the complaints of the non-qualified investors
5. Proceed to the conflicts resolution between entities that are under the commission supervision, and also between the entities and the investors
6. Help the government and its respective member for the financial area
7. Preform its functions, that are assigned by law

In regards to the football world, as I said the CMVM has a very close relationship with the football clubs. Being the SAS's, entities listed on the stock exchange, they end up being under the radar of the CMVM. This way, the clubs are legally obligated to inform this commission about all its businesses, as well as the release of their Reports & Accounts. This commission, is also, a very important help for all the new investors that want to enter in the Portuguese market and that in today's reality exist much more.

The current Sporting's Chief of Financial Operations (CFO), *Francisco Salgado Zenha*, recently addressed this matter in the Thinking Football Summit, regarding the financial control and the transparency in football. *Francisco Zenha's* opinion is that, *it has to exist the freedom for the investors to enter the market, and therefore has to exist the possibility for the clubs to perform a careful analysis about these investors.*

Chapter 2 - Contextualization and Club History

As previously mentioned, this document bases its analysis on the three biggest clubs in Portugal. Therefore, it is important, at this stage, to contextualize the history and sporting success of each one, as well as the creation of SAS's, a legal figure that currently governs the management of football in each of these clubs.

2.1. Sport Lisboa e Benfica

Sport Lisboa e Benfica was founded on February 28, 1904, under the name of Sport Lisboa. After a morning training session in *Belém*, a meeting was held in the afternoon at *Farmácia Franco*, in which 24 people were present, including the ten from the morning training session, who are considered the founders of the club.

Benfica has in its history, 37 Portuguese leagues, 26 Portuguese cups, 7 league cups and 8 Portuguese Super Cups, as well as 2 Champions Leagues and a Latin Cup, thus being currently the Portuguese club with the most trophies won.

On February 2, 2000, a Sports Anonymous Society (SAS) was created for Benfica's football, formalized in the office of President *Vale e Azevedo*. Therefore, Benfica followed the example of its two rivals, in order to remain competitive, modern and above all independent.

2.2. Futebol Clube do Porto

On September 28, 1893, *Futebol Clube do Porto* was founded by the the 20-year-old *António Nicolau d'Almeida*, a Porto wine merchant, who discovered football on his travels to England.

Futebol Clube do Porto also has an enviable record. At national level, it has 30 Portuguese Leagues, 18 Portuguese Cups, 4 Portuguese Championships and 23 Portuguese Super Cups. In international terms, of the 3 clubs, it is the one that has the greatest success, with 2 Champions Leagues, 2 Europe Leagues, 1 European super cup and 1 Intercontinental Cup. *The Futebol Clube do Porto - Futebol, SAD*, was incorporated on August 5, 1997.

The creation of the SAS aimed at the exclusive management of professional football at *Futebol Clube do Porto*. Its fundamental strategic guidelines are based on the search for sporting success in a sustainable way and the offer to the public of high-quality sports shows, in order to satisfy its fans and supporters. This way, the various activities related to professional football will have more and better conditions to be successfully developed.

2.3. Sporting Clube de Portugal

Founded on July 1, 1906, *Sporting Clube de Portugal* was born thanks to *José de Alvalade*. Sporting is considered together with SL Benfica and FC Porto as one of the big three, in short, these are the three clubs in our country, with more trophies won and also with a bigger number of fans.

Sporting has 19 Portuguese Leagues won, 17 Portuguese Cups, 4 Portuguese Championships, 9 Portuguese Super Cups, 4 League Cups and 1 Cup of Cups, won in the 1963-1964 season.

In 1997, and being the first of the three, Sporting ended up creating its SAS. With the intention of returning Sporting to its origins, the president at the time, *José Roquete*, bet on modernity and the fight for the credibility of Portuguese football, starting the process of idealization and construction of a new generation stadium, at the level of the best in the world. *Sporting Sociedade Desportiva de Futebol - SAD*, is then incorporated before the Notary of the 6th Notary Public of Lisbon on October 28, 1997 and admitted to the Stock Exchange in 1998.

Chapter 3 - Methodology

3.1. Global Alignment

Regarding the quantification of the study of my dissertation, I can say that it adopts a hybrid method, that is, quantitative, namely when questions related to the SAS's accounts are addressed, where the reality is objective and singular, independent of value judgments. However, it is also qualitative, as we are facing a somewhat subjective reality such as the analysis of sports results, and of certain events.

Concerning the methodology used in this document, I would say that after a key basic definition of the SAS concept, I analysed the several points that impact the SAS management, which is one of the main topics of this dissertation.

Due to the fact that it is not reasonable to analyse a lot of different situations, I decided to focus on the three most important clubs in Portugal, in terms of sporting results and number of associates. Related with this fact, just before I start with the analysis, I will make some points on the context of analysis, trying to explain the history of the clubs and also its SAS's creation.

I tried to understand the SAS results on financial, sportive area, but also explore and properly understand the relation of SAS and the several stakeholders on this market. Finally, a global overview of the SAS results will be done, to see the relations between the several topics under analysis and also find some conclusions and recommendations.

It is also important to mention, at this stage, that a huge investment will be done on the financial part, concerning the literature review, using several bibliographic references.

Regarding the information gathering, it was done by primary sources, this being, books and articles relevant to the study, where are inserted, the Reports & Accounts of the clubs (which are available for the public) and original works of authors and researchers, that require a detailed analysis in order to be able to understand the importance and relationship they may have with the subject I seek to develop. However, the information gathering was also done by secondary sources, such as abstracts or encyclopaedias, written by authors who interpret the works of other authors and who demonstrate relevance by agglomerating, filtering and compiling knowledge from various primary sources.

3.2. Financial Analysis

About the financial analysis part, I used for my research the Reports and Accounts of the three clubs, which are totally available in the institutional sites of its respective entities. Just want to

mention that SAS are listed on the stock exchange and as so, are regulated by the CMVM and with different obligations in terms of transparency and regulation.

Firstly, I started by collecting all the information in the Reports & Accounts of the clubs, on an Excel file made by myself, with the information regarding both the balance sheet and the income statement of the clubs, between 2011 and 2021. It is important to mention that in order to have the same scope of analysis (in term of period) for the three SAS, I decided to use the data for the last ten years.

For the financial analysis I will cover several aspects like the financial statement, risk activity and profitability.

After some consideration for two of the main financial statements (balance sheet and income statement), as explained in the literature review, some ratios will be used for analysing the risk of the several societies.

Finally, for the profitability, some ratios will be used and also the managerial balance sheet, to see how are the companies managing the business.

3.3 Sporting Success

For the analysis of the sporting success of these three clubs, I kept my spectrum only in the Portuguese competitions.

Currently, in Portugal, there are four different competitions for the major division teams. The one, with most the importance, is of course the Portuguese League, with the eighteen best teams in the country. We also have in the Portuguese football calendar, the Portuguese cup (the 2nd most important competition), the Portuguese Super Cup (with the winner of the league and the winner of the Cup) and the latest competition, the Portuguese League Cup (started in 2008).

For my analysis, I have to say that I only included national competitions, in order to only have head-to-head comparisons and also that, despite the fact that all titles don't have the same importance, I ended up only adding the totals, for practical reasons.

After reaching the total number of titles, of each club, between 2011 and 2021, I made a chart bar, with those number of titles per year and with the evolution of these numbers throughout the years of the three clubs.

3.4. Stakeholders Analysis

For the stakeholder's analysis, essentially, I gathered the most relevant stakeholders in a Sports Anonymous Society, knowing of course, that every company has many stakeholders that can influence its activity, but I decided to only mention the most relevant ones.

For these different stakeholders, I explained the different ways that each one of them, can influence its SAS's activity and results, and also that each stakeholder can be impacted by the SAS existence. It is also important to mention that some opportunities have been identified in this kind of relation (SAS versus Stakeholders).

After this, I used the Ackermann & Eden (2011) method and placed all the stakeholders present in my analysis, in their respective categories. The authors' opinion is that, there are four possible categories to include the stakeholders. The crowd (low power and interest), the subjects (low power and high interest), the context setters (high power and low interest) and the players (high power and interest)

3.5. Global Overview

The global overview is probably one of the most interesting parts of my thesis, due to the fact that enable us to have a global view of the SAS performance, but also establish, by a very easy way a comparison analysis.

I started by performing an Excel table for the three clubs, trying to incorporate both the financial and sports aspects.

I used for the financial part, the rubrics that I thought were the most relevant ones, including the Net Worth, Net Income, Liquidity and ROIC.

For the sports aspects, I used the number of titles won by each club in every year, giving each title the same value.

Finally, to get a global overview, I incorporated all of these aspects and give a global classification for the SAS's performance each year. In this part, I gave as many importance to the financial part as to the football results, because in my opinion they are both important to a football club Sports Anonymous Society, on today's reality. With this being said, in my global classification of each year, I never gave the highest performance classification if a club didn't have both a good financial performance and sporting results that year.

Chapter 4 – Data Analysis

4.1. Financial Statements

In order to properly understand the Key Figures, at the financial point of view, I started by an analysis of the Balance Sheet and Income Statement for the three clubs under the scope of this work.

Sport Lisboa e Benfica

Looking at the Benfica's balance sheet (Table 4.1), we can observe a situation quite particular. Over these years, we were able to witness a large growth in the asset item (141,2 million), however the liability value ended up remaining practically unchanged. As a result, we have seen a great increase in equity in recent years, around 141,2 million euros.

Table 4.1 – Benfica SAS Balance Sheet (2011-2021), values in thousands of euros

BENFICA SAD - BALANCE SHEET											
BALANCE SHEET	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Cash	6 843	3 359	395	4 080	6 742	30 338	13 252	7 539	16 295	5 326	44 072
Accounts Receivable	28 468	53 595	51 801	79 691	62 733	70 686	67 638	76 906	73 409	63 146	31 653
Inventory	0	0	0	0	0	0	0	0	0	0	0
Accruals & Other	22 875	20697	27 447	25 109	20 360	15 292	11 788	15 065	184 488	26 172	26 595
Current Assets	58 186	77 651	79 643	108 880	89 835	116 316	92 678	99 510	274 192	94 644	102 320
Fixed Assets	323 892	334 269	337 027	331 799	340 375	360 062	413 387	385 567	226 588	392 422	420 940
Total Assets	382 078	411 920	416 670	440 679	430 210	476 378	506 065	485 077	500 780	487 066	523 260
Accounts Payable	76 010	86 625	106 096	92 496	82 211	107 785	110243	114 289	121 375	115 035	105 238
Taxes payable	0	0	0	0	0	0	0	1 894	739	612	480
Short Term Bank Loans	92 625	172 051	162 663	191 279	238 915	156 102	31 613	99 091	52 401	31 903	91 285
Short Term Liabilities	168 635	258 676	268 759	283 775	321 126	263 887	141 856	215 274	174 515	147 550	197 003
Others LT Liabilities	66 343	64 588	49 824	36 193	33 947	35 838	45 884	110 221	115 733	109 223	127 429
Accruals (Long Term)	5 377	6 230	6 136	2 851	2 013	1 442	1 415	1 415	1 415	2 967	1 480
Long Term Bank Loans	139 274	96 578	115 761	126 261	72 549	154 309	249 178	71 344	92 940	66 177	53 694
Long Term Liabilities	210 994	167 396	171 721	165 305	108 509	191 589	296 477	182 980	210 088	178 367	182 603
Total Liabilities	379 629	426 072	440 480	449 080	429 635	455 476	438 333	398 254	384 603	325 917	379 606
Paid in Capital	115 000	115 000	115 000	115 000	115 000	115 000	115 000	115 000	115 000	115 000	115 000
Retained Earnings	-105 944	-113 607	-125 298	-135 419	-120 997	-114 315	-93 749	-50 739	-30 193	4 117	43 622
Earnings	-7 663	-11 690	-10 394	14 165	7 072	20 396	44 537	20 582	29 390	41 705	-17 380
Others	1 056	-3 855	-3 118	-2 147	-500	-179	1 944	1 980	1 980	327	2 412
Total Net Worth	2 449	-14 152	-23 810	-8 401	575	20 902	67 732	86 823	116 177	161 149	143 654
Total Liabilities & NW	382 078	411 920	416 670	440 679	430 210	476 378	506 065	485 077	500 780	487 066	523 260

Source: Elaborated by the author

Moving on to the income statement (Table 4.2), we can see that excluding the year 2021, we could see a continuous growth in net income over the years, as well as in other items such as EBIT and Gross Margin. In my opinion, this fact is largely due to a large increase in revenues

over the years and without a growth in the same proportion of the cost of goods sold, resulting in a very positive gross margin ratio.

Table 4.2 – Benfica SAS Income Statement (2011-2021), values in thousands of euros

BENFICA SAD - INCOME STATEMENT											
INCOME STATEMENT	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues	118 249	120 030	129 693	180 615	180 799	207 968	251 230	199 253	257 055	285 108	194 047
Cost of Goods Sold	22 921	23 683	26 633	40 835	45 691	49 810	57 278	50 789	76 206	92 102	58 664
Gross Margin	95 328	96 347	103 060	139 780	135 108	158 158	193 952	148 464	180 849	193 006	135 383
Personnel	42 343	48 130	50 430	63 181	59 607	61 456	74 697	67 903	96 799	85 660	97 061
EBITDA	52 985	48 217	52 630	76 599	75 501	96 702	119 255	80 561	84 050	107 346	38 322
Depreciations	22 998	24 526	23 929	28 334	28 650	32 958	32 624	29 392	30 303	28 101	34 386
Impairments	19 487	16 561	17 074	12 200	14 411	22 220	21 785	17 325	17 638	22 862	27 539
Other Expenses (not usual expenses)	3 182	2 004	4 551	2 539	2 024	3 506	1 941	1 441	842	2 416	1 514
EBIT	7 318	5 126	7 076	33 526	30 416	38 018	62 905	32 403	35 267	53 967	-25 117
without Players	-629	7 556	-4 318	-4 117	-4 500	7 905	3 971	1 389	1 389	-31 961	-60 436
with Players	7 946	-2 430	11 392	37 643	34 916	30 113	58 934	31 014	33 878	98 081	35 319
Interest Expense	14 962	16 949	17 821	19 482	23 610	17 481	17 521	11 526	10 189	7 474	8 904
Profit Before Taxes	-7 644	-11 823	-10 745	14 044	6 806	20 537	45 384	20 877	25 078	46 493	-34 021
Taxes	17	-134	-355	-121	-266	141	847	295	-4 312	4 788	-16 641
Net Profit	-7 661	-11 689	-10 390	14 165	7 072	20 396	44 537	20 582	29 390	41 705	-17 380

Source: Elaborated by the author

Futebol Clube do Porto SAD

Looking at the balance sheet of Porto (Table 4.3), we can perhaps observe the worst club of the three at a financial level. With an increase in assets in the amount of 142,8 million, SAD Porto ends up also having a much higher growth in the liabilities item of 313,2 million. This, of course, ended up meaning a sharp decrease in equity of 170,3 million.

Table 4.3 – Porto SAS Balance Sheet (2011-2021), values in thousands of euros

PORTO SAD - BALANCE SHEET											
BALANCE SHEET	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Cash	22 539	98	16 561	14 965	18 241	7 392	14 473	29 020	9 490	6 000	8 656
Accounts Receivable	59 315	32 366	60 382	64 499	74 758	71 507	46 957	82 788	86 042	29 765	57 145
Inventory	607	0	0	1 597	2 180	2 549	3 105	3 038	2 895	3 457	3 678
Accruals & Other	16 128	12893	15 722	15 071	31 397	19 631	13 799	35 021	16 434	10 818	14 602
Current Assets	98 589	45 357	92 665	96 132	126 576	101 079	78 334	149 867	114 861	50 040	84 081
Fixed Assets	126 734	154 699	122 403	104 264	232 659	250 687	277 408	249 572	227 168	214 518	284 138
Total Assets	225 323	200 056	215 068	200 396	359 235	351 766	355 742	399 439	342 029	264 558	368 219
Accounts Payable	39 680	38 754	56 829	35 846	46 133	50 334	56175	57 878	55 047	60 621	71 271
Taxes payable	0	0	0	0	0	4 613	4 963	5 220	5 042	4 798	5 892
Short Term Bank Loans	101 191	118 385	82 468	144 480	105 328	151 141	169 950	153 211	148 989	189 155	154 384
Short Term Liabilities	140 871	157 139	139 297	180 326	151 461	206 088	231 088	216 309	209 078	254 574	231 547
Others LT Liabilities	11 680	28 854	21 622	14 218	24 671	70 069	89 091	70 372	63 990	59 812	82 097
Accruals (Long Term)	0	0	1 514	410	0	1 394	1 321	878	878	878	878
Long Term Bank Loans	49 479	24 213	42 752	38 509	99 999	82 641	76 650	182 984	129 541	126 819	200 783
Long Term Liabilities	61 159	53 067	65 888	53 137	124 670	154 104	167 062	254 234	194 409	187 509	283 758
Total Liabilities	202 030	210 206	205 185	233 463	276 131	360 193	398 150	470 543	403 487	442 083	515 305
Paid in Capital	75 000	75 000	75 000	75 000	112 500	43 837	43 884	43 884	43 884	43 884	43 884
Retained Earnings	-53 335	-52 143	-85 613	-68 267	-108 261	9 161	-41 272	-75 767	-104 272	-94 920	-211 035
Earnings	534	-33 468	20 033	-40 701	19 352	-50 433	-34 494	-30240	8 507	-116 329	30 366
Others	1 094	461	463	901	59 513	-10 992	-10 526	-8 981	-9 577	-10 160	-10 301
Total Net Worth	23 293	-10 150	9 883	-33 067	83 104	-8 427	-42 408	-71 104	-61 458	-177 525	-147 086
Total Liabilities & NW	225 323	200 056	215 068	200 396	359 235	351 766	355 742	399 439	342 029	264 558	368 219

Source: Elaborated by the author

Looking at the Income Statement (Table 4.4), and despite the fact that last year there was a positive net result, this year turned out to be just an exception. This fact is essentially due to the amount spent annually by the SAS on personnel expenses, which ultimately leads to a lower EBITDA value.

Table 4.4. – Porto SAS Income Statement (2011-2021), values in thousands of euros

PORTO SAD - INCOME STATEMENT											
INCOME STATEMENT	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues	121 698	78 864	134 418	96 604	176 088	154 271	168 375	183 512	267 223	114 070	268 326
Cost of Goods Sold	32 805	16 984	23 519	44 654	35 890	74 035	62 417	67 792	93 094	69 434	79 104
Gross Margin	88 893	61 880	110 899	51 950	140 198	80 236	105 958	115 720	174 129	44 636	189 222
Personnel	50 065	46 435	50 849	48 885	69 998	81 002	78 858	85 205	98 074	90 279	100 091
EBITDA	38 828	15 445	60 050	3 065	70 200	-766	27 100	30 515	76 055	-45 643	89 131
Depreciations	29 309	36 871	26 950	27 689	34 147	36 332	42 143	41 033	42 229	50 806	35 416
Impairments	722	82	0	0	632	415	20	1 132	775	1 005	610
Other Expenses (not usual expenses)	1 819	2 507	2 514	1 161	1 037	2 745	2 172	1 402	3 524	1 233	1 275
EBIT	6 978	-24 015	30 586	-25 785	34 384	-40 258	-17 235	-13 052	29 527	-98 687	51 830
without Players	3 457	-16 805	-19 333	-22 562	-16 745	-47 362	-21 748	-27 626	23 417	-54 153	6 898
with Players	3 521	40 820	49 919	-3 223	51 129	7 101	4 510	14 571	6 105	-44 535	44 929
Interest Expense	6 002	8 406	10 176	11 702	13 823	15 991	16 124	14 610	17 981	16 615	20 089
Profit Before Taxes	976	-32 421	20 410	-37 487	20 561	-56 249	-33 359	-27 662	11 546	-115 302	31 741
Taxes	503	1 046	376	3 219	600	1 093	900	1 027	1 776	677	1 284
Net Profit	473	-33 467	20 034	-40 706	19 961	-57 342	-34 259	-28 689	9 770	-115 979	30 457

Source: Elaborated by the author

Sporting Clube Portugal SAD

Talking about the balance sheet of Sporting (Table 4.5), as we can see over the last few years, the club, despite having increased the value of assets (in 99.28 million), ended up also increasing the value of its liabilities (111.046 million). In conclusion, the value of the club's equity decreased (11.766 million), which is the most relevant item to be highlighted in sporting's balance sheet.

Table 4.5 – Sporting SAS Balance Sheet (2011-2021), values in thousands of euros

SPORTING SAD - BALANCE SHEET											
BALANCE SHEET	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Cash	156	64	1 256	1 942	10 595	3 324	6 306	1 783	3 538	15 416	9 642
Accounts Receivable	20 587	15 121	12 638	19 283	22 738	11 625	56 559	13 155	23 419	17 236	7 339
Inventory	0	0	0	0	774	923	960	1 446	1 293	1 504	1 584
Accruals & Other	2 974	2 787	6 483	3 852	9 995	11 402	27 387	12 659	17 594	31 755	29 649
Current Assets	23 717	17 972	20 377	25 077	44 102	27 274	91 212	29 043	45 844	65 911	48 214
Fixed Assets	146 180	126 436	119 087	121 675	191 440	197 065	225 285	240 182	255 357	222 816	220 963
Total Assets	169 897	144 408	139 464	146 752	235 542	224 339	316 497	269 225	301 201	288 727	269 177
Accounts Payable	57 216	56 396	40 417	31 602	42 107	58 379	96378	90 823	96 921	106 919	110 684
Taxes payable	2 269	3 214	1 985	1 218	3 597	4 202	3 044	7 761	3 659	1 526	2 516
Short Term Bank Loans	53 271	36 075	101 398	149 057	49 709	43 936	91 106	74 755	40 287	37 857	90 199
Short Term Liabilities	112 756	95 685	143 800	181 877	95 413	106 517	190 528	173 339	140 867	146 302	203 399
Others LT Liabilities	38 271	39 706	53 375	46 291	44 255	43 843	72 230	56 576	65 426	50 172	56 890
Accruals (Long Term)	6 227	4 319	5 240	4 934	8 487	10 814	11 856	16 146	9 040	13 349	11 031
Long Term Bank Loans	42 289	80 291	56 458	31 680	80 344	88 119	36 265	36 488	109 472	88 801	39 269
Long Term Liabilities	86 787	124 316	115 073	82 905	133 086	142 776	120 351	109 210	183 938	152 322	107 190
Total Liabilities	199 543	220 001	258 873	264 782	228 499	249 293	310 879	282 549	324 805	298 624	310 589
Paid in Capital	39 000	39 000	39 000	39 000	67 000	67 000	67 000	67 000	67 000	67 000	67 000
Retained Earnings	-79 080	-123 071	-169 018	-211 823	-213 715	-194 474	-226 344	-195 597	-217 902	-224 593	-210 632
Earnings	-43 991	-45 947	-43 816	368	19 333	-31 905	30 537	-19 902	-7 877	12 521	-32 955
Others	54 425	54 425	54 425	54 425	134 425	134 425	134 425	135 175	135 175	135 175	135 175
Total Net Worth	-29 646	-75 593	-119 409	-118 030	7 043	-24 954	5 618	-13 324	-23 604	-9 897	-41 412
Total Liabilities & NW	169 897	144 408	139 464	146 752	235 542	224 339	316 497	269 225	301 201	288 727	269 177

Source: Elaborated by the author

Moving on to the Income Statement (Table 4.6), we can see some problems that end up contributing to the negative result recorded in practically every year. For example, in the Gross Margin item, we had been witnessing an increase in this item in recent years (since 2017), however in the last year, this value has decreased sharply, due to a large decrease in revenues. Another big problem that Sporting SAS should solve is the amount spent annually on personnel expenses. With the decrease in the Gross Margin in recent years, the value of personnel expenses did not decrease in the same proportion, resulting in a very low EBITDA value, mainly in 2021, resulting in a negative EBIT value.

Table 4.6 – Sporting SAS Income Statement (2011-2021), values in thousands of euros

SPORTING SAD - INCOME STATEMENT											
INCOME STATEMENT	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues	53 534	46 382	48 897	54 253	86 384	77 306	172 998	126 109	151 630	175 473	100 211
Cost of Goods Sold	17 161	18 070	17 014	12 768	15 049	20 429	35 436	27 945	38 329	44 609	30 896
Gross Margin	36 373	28 312	31 883	41 485	71 335	56 877	137 562	98 164	113 301	130 864	69 315
Personnel	29 692	42 532	41 652	25 008	25 140	48 865	63 998	73 864	68 901	60 542	61 991
EBITDA	6 681	-14 220	-9 769	16 477	46 195	8 012	73 564	24 300	44 400	70 322	7 324
Depreciations	24 245	22 263	20 432	9 091	14 406	13 710	23 098	32 990	35 939	28 137	29 633
Impairments	4 964	4 630	6 477	3 123	8 326	5 662	7 842	6 501	4 400	14 968	2 186
Other Expenses (not usual expenses)	0	0	0	0	0	14 991	0	0	0	0	0
EBIT	-22 528	-41 113	-36 678	4 263	23 463	-26 351	42 624	-15 191	4 061	27 217	-24 495
without Players	-17 408	-66 300	-66 212	-6 617	6 277	9 744	16 925	-18 671	-29 073	-38 903	-27 492
with Players	-5 120	25 187	29 534	10 880	17 186	-1 616	59 549	3 480	33 134	66 120	2 997
Interest Expense	7 331	4 718	6 898	3 775	1 113	5 760	7 427	7 074	10 405	15 401	9 926
Profit Before Taxes	-29 859	-45 831	-43 576	488	22 350	-32 111	35 197	-22 265	-6 344	11 816	-34 421
Taxes	14 132	116	240	120	3 017	-206	4 660	-2 364	1 532	-705	-1 466
Net Profit	-43 991	-45 947	-43 816	368	19 333	-31 905	30 537	-19 901	-7 876	12 521	-32 955

Source: Elaborated by the author

4.2. Risk Analysis

As mentioned in the methodology chapter and using the ratios defined and explained in the Literature review, the risk evaluation of the SAS for the three clubs will be done under the perspective of Solvency and Liquidity.

Sport Lisboa e Benfica, SAD

In order to investigate about the capacity of Benfica SAS to meet its financial commitments, I started by calculating the Liquidity and Solvency ratios, for the risk analysis (Table 4.7).

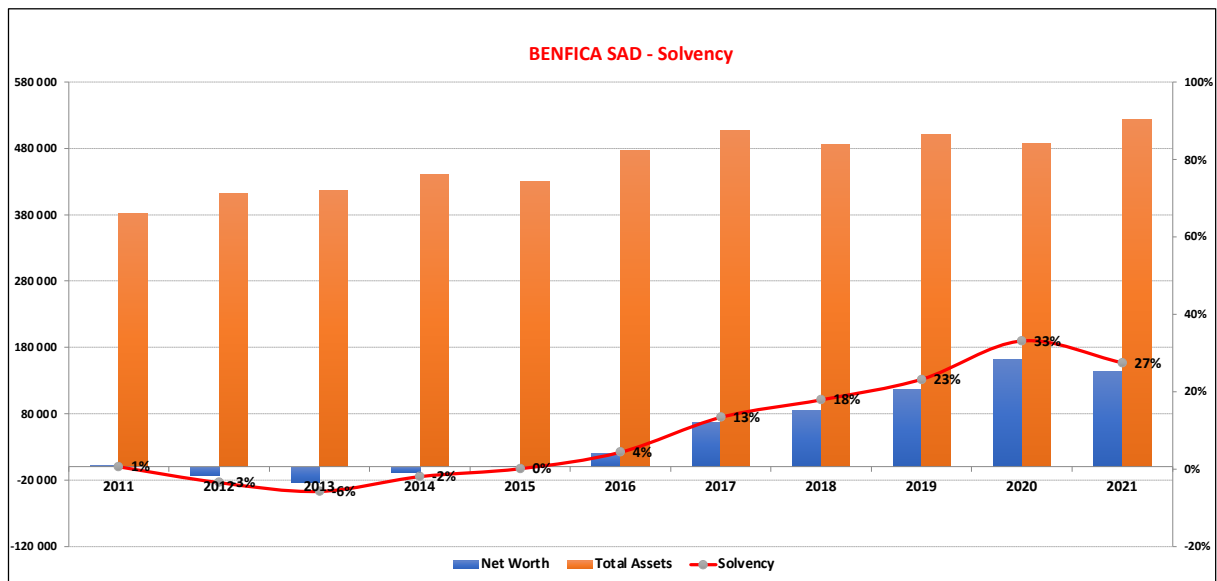
Table 4.7 – Benfica SAS Risk Analysis (2011-2021), values in thousands of euros

BENFICA SAD - RISK ANALYSIS											
FINANCIAL ANALYSIS	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
RISK											
Net Worth	2 449	-14 152	-23 810	-8 401	575	20 902	67 732	86 823	116 177	161 149	143 654
Total Assets	382 078	411 920	416 670	440 679	430 210	476 378	506 065	485 077	500 780	487 066	523 260
Solvency	1%	-3%	-6%	-2%	0%	4%	13%	18%	23%	33%	27%
Current Assets	58 186	77 651	79 643	108 880	89 835	116 316	92 678	99 510	274 192	94 644	102 320
Short Term Liabilities	168 635	258 676	268 759	283 775	321 126	263 887	141 856	215 274	174 515	147 550	197 003
Liquidity Ratio	35%	30%	30%	38%	28%	44%	65%	46%	157%	64%	52%

Source: Elaborated by the author

On the solvency part (Picture 4.1), we can see mainly positive percentages, only with the exception of the years between 2012 and 2014. From the year of 2017 till 2021, we see a gradual

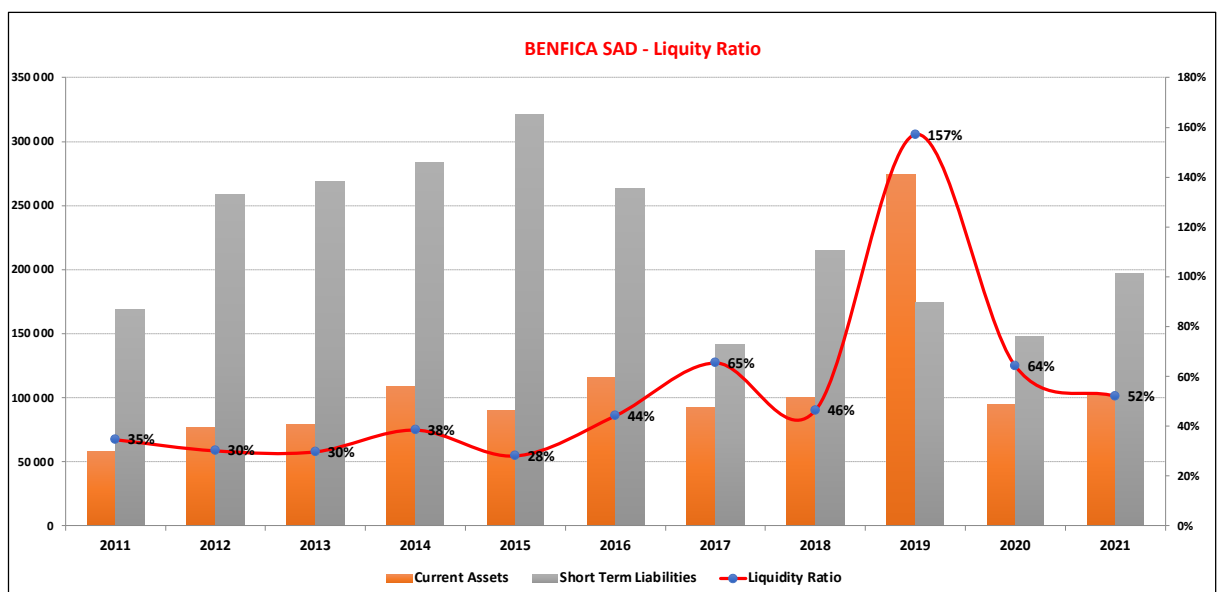
improvement on the solvency ratio. This is due to the big increase on the net worth, of the Benfica SAS in 2017.



Picture 4.1 – Benfica SAS Solvency Analysis (2011-2021)

Source: Elaborated by the author

Regarding the liquidity ratio (Picture 4.2), even if the ratio is lower than one, the situation is quite good, mainly concerning the period 2017-2021.



Picture 4.2 – Benfica SAS Liquidity ratio (2011-2021)

Source: Elaborated by the author

Futebol Clube do Porto SAD

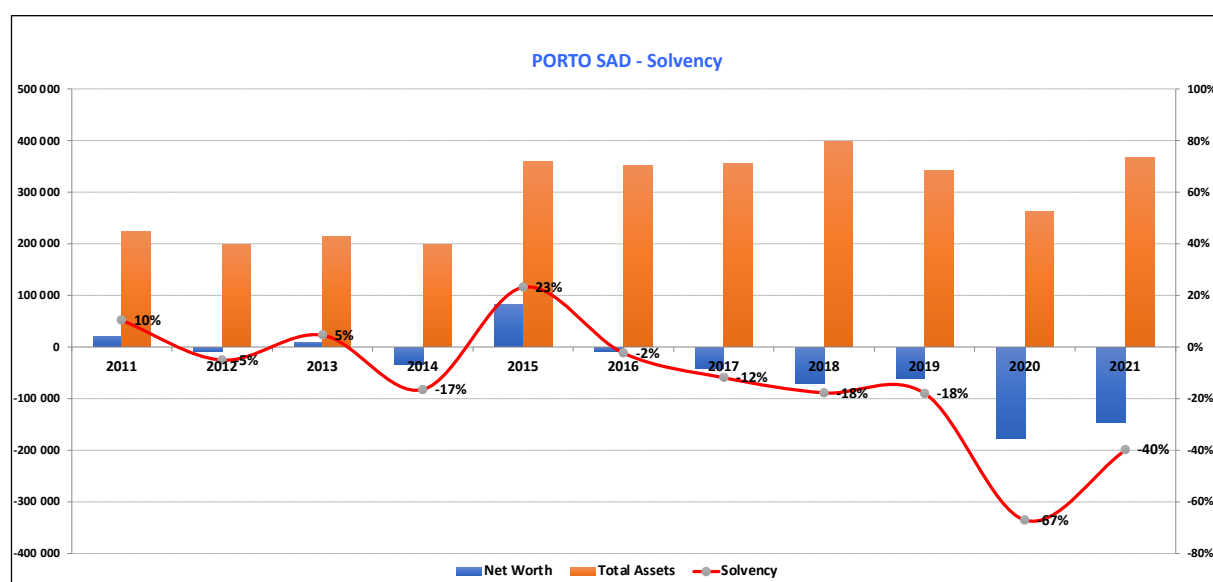
Following the same methodology, in order to evaluate the Porto SAS risk, I started by calculating the solvency and liquidity ratios (Table 4.8).

Table 4.8 – Porto SAS Risk Analysis (2011-2021), values in thousands of euros

PORTO SAD - RISK ANALYSIS											
FINANCIAL ANALYSIS	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
RISK											
Net Worth	23 293	-10 150	9 883	-33 067	83 104	-8 427	-42 408	-71 104	-61 458	-177 525	-147 086
Total Assets	225 323	200 056	215 068	200 396	359 235	351 766	355 742	399 439	342 029	264 558	368 219
Solvency	10%	-5%	5%	-17%	23%	-2%	-12%	-18%	-18%	-67%	-40%
Current Assets	98 589	45 357	92 665	96 132	126 576	101 079	78 334	149 867	114 861	50 040	84 081
Short Term Liabilities	140 871	157 139	139 297	180 326	151 461	206 088	231 088	216 309	209 078	254 574	231 547
Liquidity Ratio	70%	29%	67%	53%	84%	49%	34%	69%	55%	20%	36%

Source: Elaborated by the author

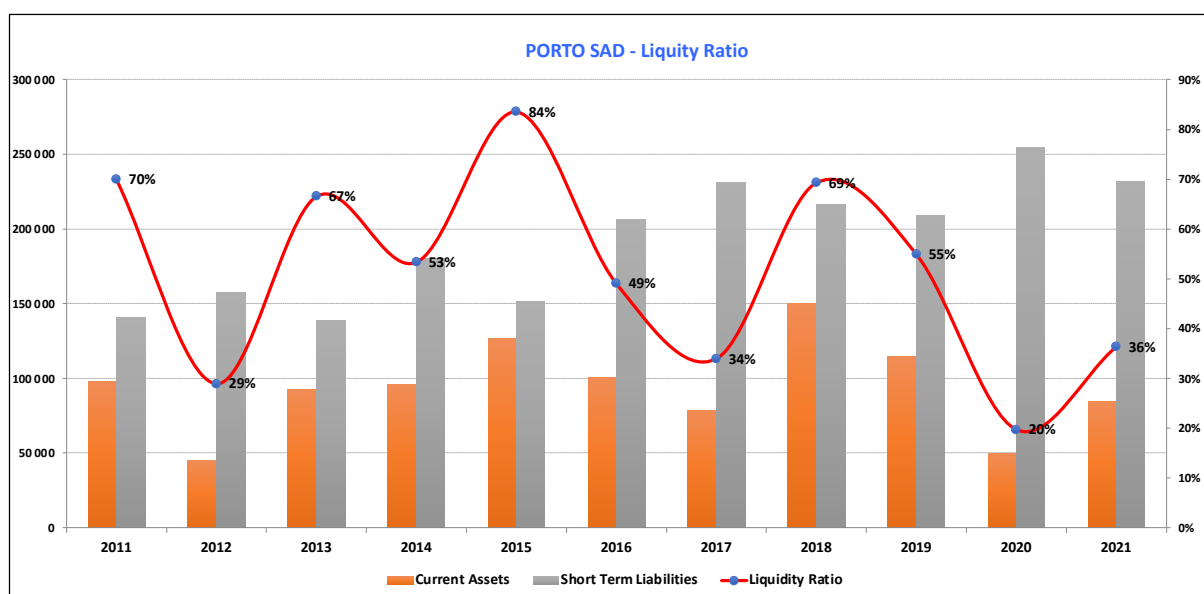
Concerning the solvency ratio (Picture 4.3), once again, we can observe, that in many years, the SAS had a negative Net Worth. Being the solvency ratio, calculated through the net worth divided by the total assets, of course that this ratio presented a negative number in many years (all except 2011, 2013 and 2015). This is of course, a very bad reality for the SAS. A sustainable business cannot continue to perform, if year after year, its net worth results are always negative.



Picture 4.3 - Porto SAS Solvency Analysis (2011-2021)

Source: Elaborated by the author

However, in the liquidity ratio (Picture 4.4.), the situation is a little bit better. Despite, the bad numbers on the net worth rubric, the Porto SAS managed to have through the years a very good number of current assets, which of course impacted the liquidity ratio of the SAS, in a positive way. With these calculations, I understood that Porto, still has some leverage, in a case of a Short-Term Liability, which may be urgent to liquidate.



Picture 4.4 - Porto SAS Liquidity ratio (2011-2021)

Source: Elaborated by the author

Sporting Clube de Portugal, SAD

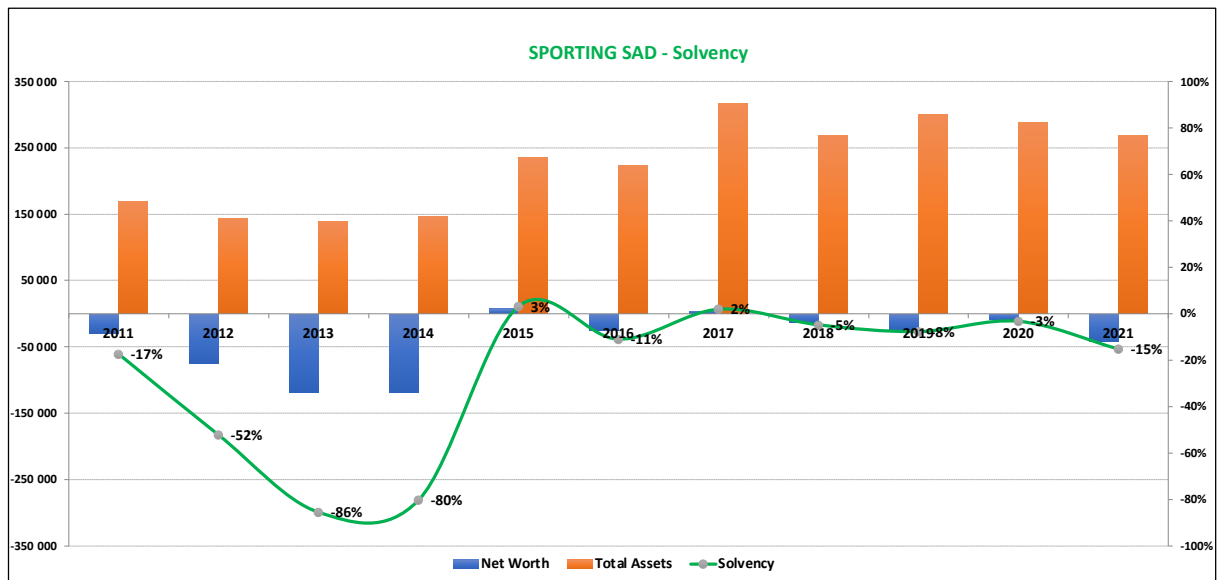
One more time, in order to investigate about the capacity of Sporting SAS to meet its financial commitments, I have calculated the Liquidity and Solvency ratios (Table 4.9).

Table 4.9 - Sporting SAS Risk Analysis (2011-2021), values in thousands of euros

SPORTING SAD - RISK ANALYSIS											
FINANCIAL ANALYSIS	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
RISK											
Net Worth	-29 646	-75 593	-119 409	-118 030	7 043	-24 954	5 618	-13 324	-23 604	-9 897	-41 412
Total Assets	169 897	144 408	139 464	146 752	235 542	224 339	316 497	269 225	301 201	288 727	269 177
Solvency	-17%	-52%	-86%	-80%	3%	-11%	2%	-5%	-8%	-3%	-15%
Current Assets	23 717	17 972	20 377	25 077	44 102	27 274	91 212	29 043	45 844	65 911	48 214
Short Term Liabilities	112 756	95 685	143 800	181 877	95 413	106 517	190 528	173 339	140 867	146 302	203 399
Liquidity Ratio	21%	19%	14%	14%	46%	26%	48%	17%	33%	45%	24%

Source: Elaborated by the author

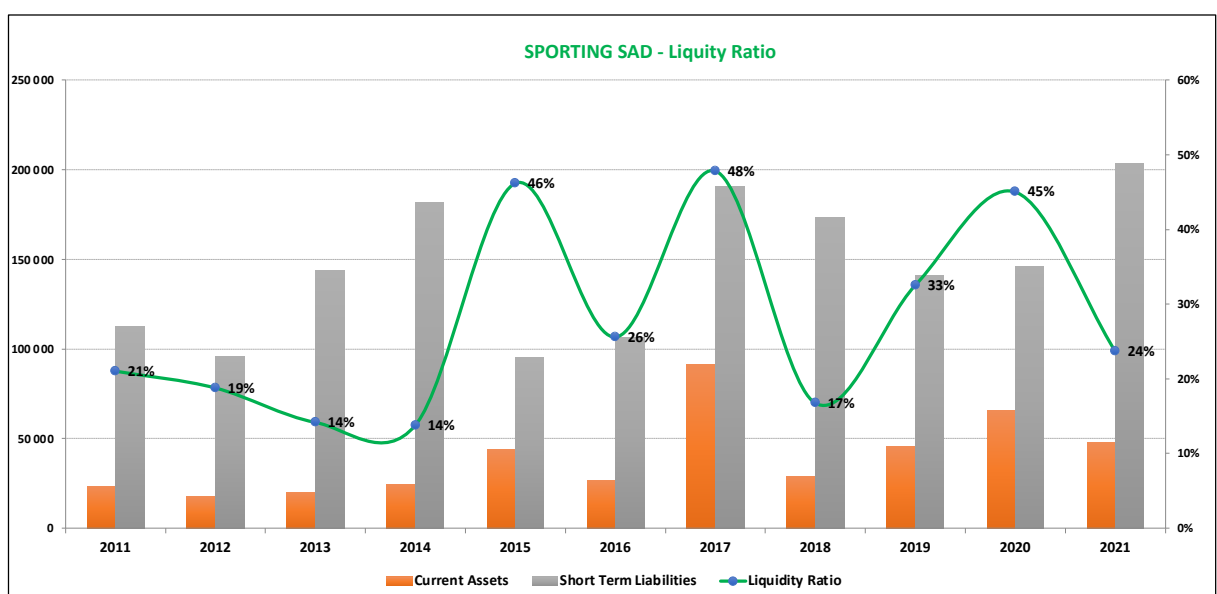
On the solvency ratio (Picture 4.5), and despite the fact that all these last years had negative ratios, we see that the liquidity situation of the SAS, has been clearly improving in the last years. Even if with really bad ratios until 2014, from 2015 to 2021, the situation changed, with the solvency ratio of the club, never under the -15% mark (in 2021).



Picture 4.5 - Sporting SAS Solvency Analysis (2011-2021)

Source: Elaborated by the author

On the liquidity side (Picture 4.6), we can see some very positive numbers. Nevertheless, all above the linear of Risk (<1).



Picture 4.6 - Sporting SAS Liquidity ratio (2011-2021)

Source: Elaborated by the author

4.3. Profitability Ratios

Following the described in the Methodology chapter and in the Literature Review, I will now go deeply on the profitability of the SASs of the three clubs under analysis.

Sport Lisboa e Benfica, SAD

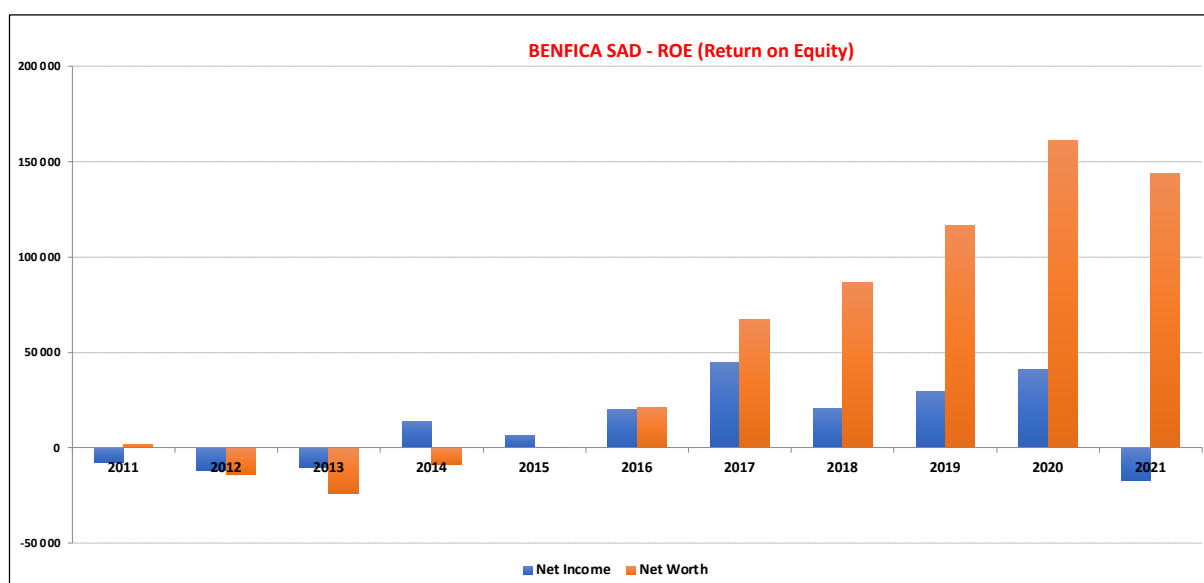
Concerning the Benfica SAS, I have calculated the ROI and ROE ratios (Table 4.10).

Table 4.10 - Benfica SAS Profitability Analysis (2011-2021), values in thousands of euros

BENFICA SAD - PROFITABILITY ANALYSIS											
FINANCIAL ANALYSIS	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
PROFITABILITY											
Net Income	-7 661	-11 689	-10 390	14 165	7 072	20 396	44 537	20 582	29 390	41 705	-17 380
Net Worth	2 449	-14 152	-23 810	-8 401	575	20 902	67 732	86 823	116 177	161 149	143 654
ROE	-313%	83%	44%	-169%	1230%	98%	66%	24%	25%	26%	-12%
EBIT	7 318	5 126	7 076	33 526	30 416	38 018	62 905	32 403	35 267	53 967	-25 117
Assets	382 078	411 920	416 670	440 679	430 210	476 378	506 065	485 077	500 780	487 066	523 260
ROI	2%	1%	2%	8%	7%	8%	12%	7%	7%	11%	-5%

Source: Elaborated by the author

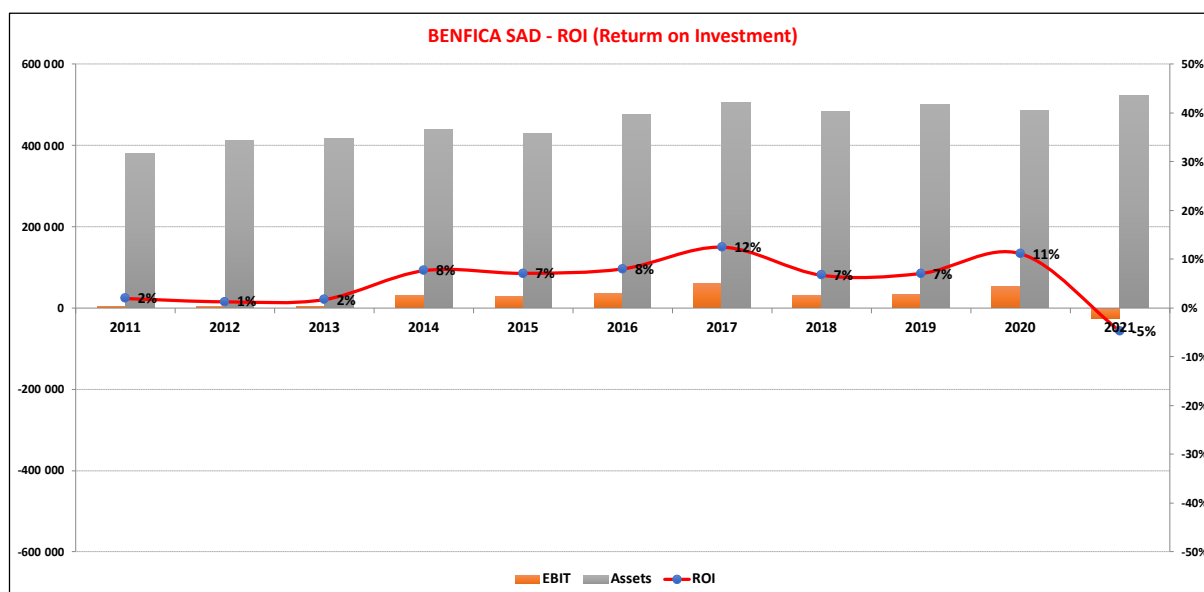
Regarding the ROE (Picture 4.6), we can see some very good results. Actually, between the years of 2015-2020, Benfica SAS, always had positive numbers in the net income, as well as in the net worth. Therefore, the results of the ROE are very high and positive.



Picture 4.6 - Benfica SAS ROE ratio (2011-2021)

Source: Elaborated by the author

On the ROI (Picture 4.7), the situation is not very different. Thanks to the positive numbers of the Benfica SAS, on the net income and net worth, this will automatically mean positive values on the EBIT rubric (with the exception of the 2021 year), which will mean always positive percentages on the return on investment.



Picture 4.7 - Benfica SAS ROI ratio (2011-2021)

Source: Elaborated by the author

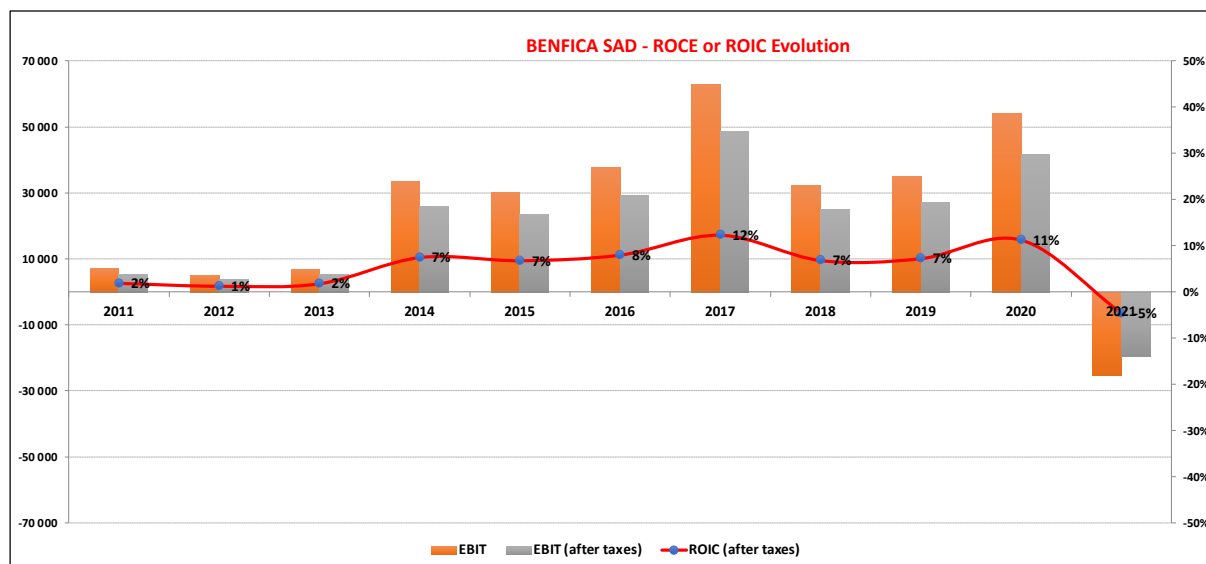
After the calculation of the two simple ratios, is now time to go deeper and try to evaluate the operating profitability using the return of invested capital or capital employed. For that, it is key to start adapting the usual balance sheet to the managerial balance sheet (Table 4.11).

Table 4.11 – Managerial Balance Sheet of Benfica SAS, values in thousands of euros

BENFICA SAD - MANAGERIAL BALANCE SHEET											
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
INVESTED CAPITAL											
Cash	6 843	3 359	395	4 080	6 742	30 338	13 252	7 539	16 295	5 326	44 072
Working Capital Requirements	-24 667	-12 333	-26 848	12 304	882	-21 807	-30 817	-24 212	135 783	-26 329	-47 470
Net Fixed Assets	323 892	334 269	337 027	331 799	340 375	360 062	413 387	385 567	226 588	392 422	420 940
	306 068	325 295	310 574	348 183	347 999	368 593	395 822	368 894	378 666	371 419	417 542
CAPITAL EMPLOYED											
Short-Term debt	92 625	172 051	162 663	191 279	238 915	156 102	31 613	99 091	52 401	31 903	91 285
Long-Term debt	210 994	167 396	171 721	165 305	108 509	191 589	296 477	182 980	210 088	178 367	182 603
Owners Equity	2 449	-14 152	-23 810	-8 401	575	20 902	67 732	86 823	116 177	161 149	143 654
	306 068	325 295	310 574	348 183	347 999	368 593	395 822	368 894	378 666	371 419	417 542
EBIT	7 318	5 126	7 076	33 526	30 416	38 018	62 905	32 403	35 267	53 967	-25 117
EBIT (after taxes)	5 671	3 973	5 484	25 983	23 572	29 464	48 751	25 112	27 332	41 824	-19 466
ROIC (after taxes)	2%	1%	2%	7%	7%	8%	12%	7%	7%	11%	-5%

Source: Elaborated by the author

Analysing the ROIC evolution of the Benfica SAS (Picture 4.8), we can see a globally positive indicator, which basically means a very good usage of total assets, having as a consequence a positive and good result (firm's earnings).



Picture 4.8 – Benfica SAS ROIC evolution (2011-2021)

Source: Elaborated by the author

Futebol Clube do Porto SAD

I started the analysis in the profitability of the FC Porto SAS (Table 4.12), using the same methodology used before.

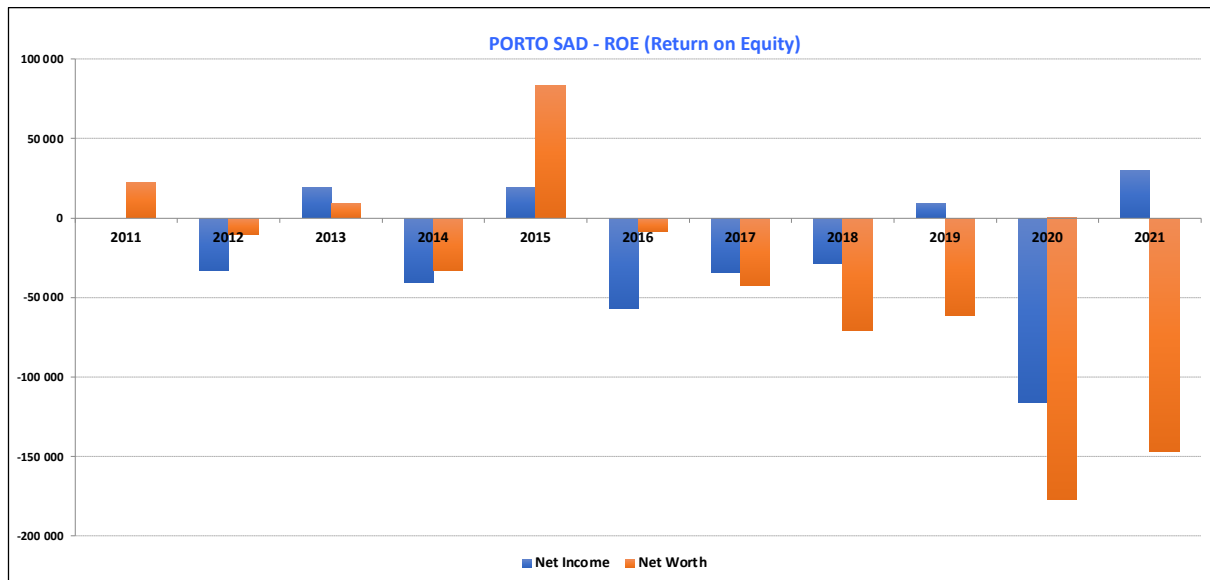
Table 4.12 - Porto SAS Profitability Analysis (2011-2021), values in thousands of euros

PORTO SAD - PROFITABILITY ANALYSIS											
FINANCIAL ANALYSIS	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
PROFITABILITY											
Net Income	473	-33 467	20 034	-40 706	19 961	-57 342	-34 259	-28 689	9 770	-115 979	30 457
Net Worth	23 293	-10 150	9 883	-33 067	83 104	-8 427	-42 408	-71 104	-61 458	-177 525	-147 086
ROE	2%	330%	203%	123%	24%	680%	81%	40%	-16%	65%	-21%
EBIT	6 978	-24 015	30 586	-25 785	34 384	-40 258	-17 235	-13 052	29 527	-98 687	51 830
Assets	225 323	200 056	215 068	200 396	359 235	351 766	355 742	399 439	342 029	264 558	368 219
ROI	3%	-12%	14%	-13%	10%	-11%	-5%	-3%	9%	-37%	14%

Source: Elaborated by the author

Looking at the evolution of the Return of Equity, in the majority of the years the Return on Equity has a positive percentage.

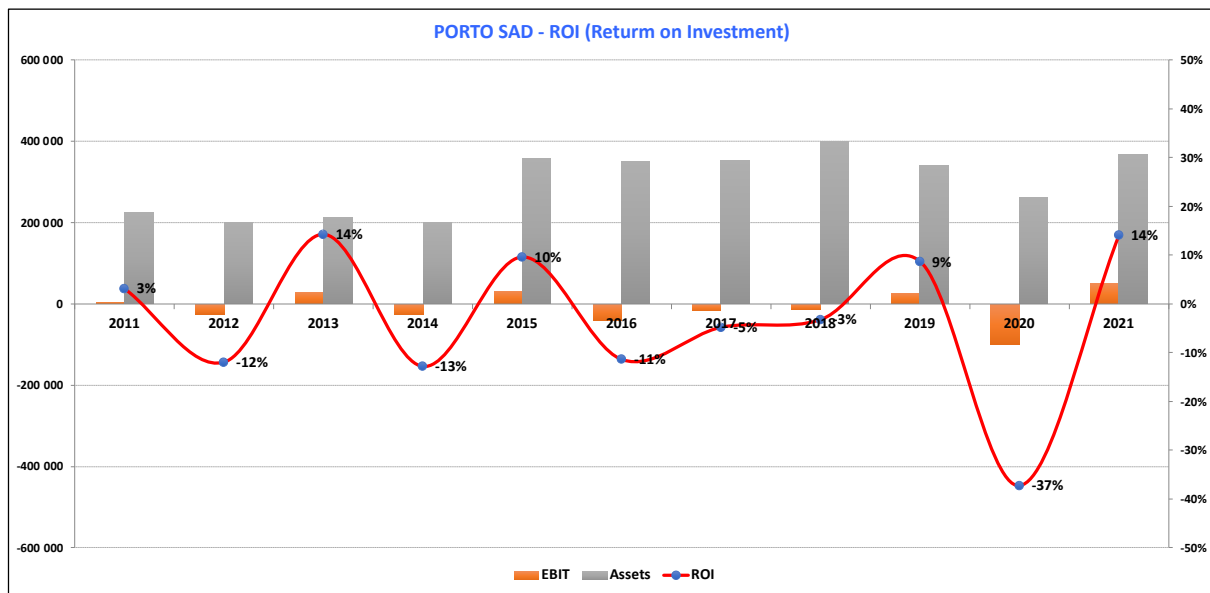
However, this is not a good sign for the Porto SAS, because the reality, is, that this values from the ROE, are only positive, because in the majority of this years, the SAS had negative numbers for both the net income and net worth (Picture 4.9), which of course, is a really bad situation for the club.



Picture 4.9 - Porto SAS ROE ratio (2011-2021)

Source: Elaborated by the author

On the other side, the EBIT numbers were also negative in many years. Therefore, the ROI numbers were impacted as well. As we can see (Picture 4.10), the ROI numbers throughout these years, were very up and down, being extremely difficult to analyse the direction in which this numbers will go in these next few years.



Picture 4.10 - Porto SAS ROI ratio (2011-2021)

Source: Elaborated by the author

Again, to properly evaluate the operating profitability, the return of invested capital (or capital employed) will be used. For that, I will start by presenting the managerial balance sheet (Table 4.13).

Analysing the evolution of ROIC (Picture 4.11) of the FC Porto SAS, the situation is very different from the Benfica SAS.

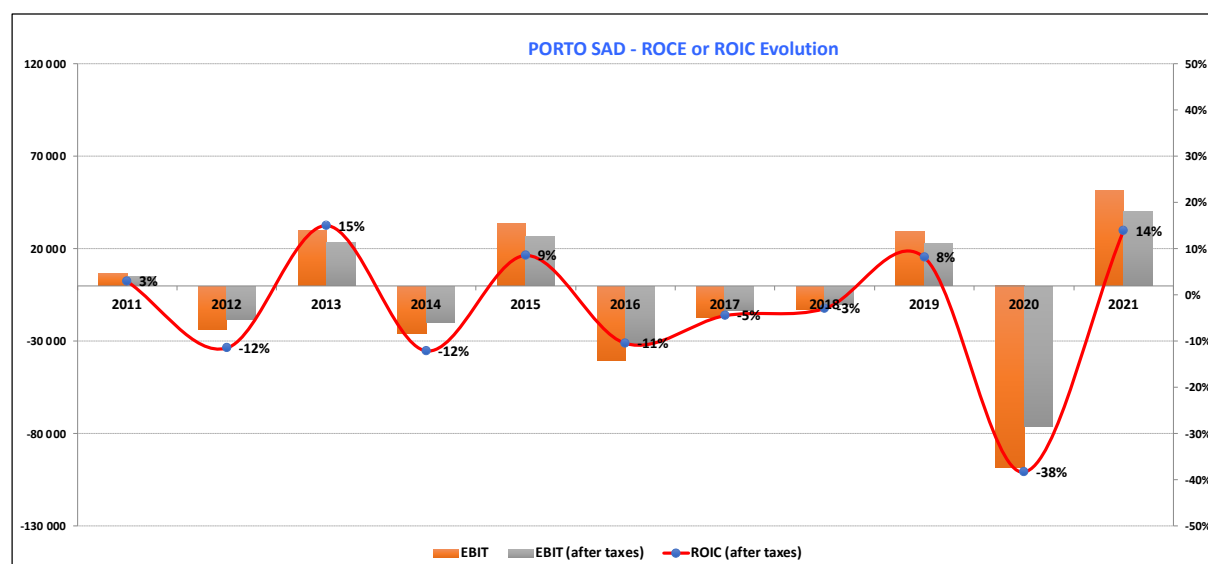
The ROIC percentages have been very up and down in this last 11 years, being very difficult to encounter a pattern in this evolution and what to expect in the next years for the FC Porto SAS.

My advice, in order to seek better results for his indicator, is to try to decrease the number of the working capital requirements and to try to keep the EBIT number always positive, even if it not with a big value.

Table 4.13 - Managerial Balance Sheet of Porto SAS, values in thousands of euros

PORTO SAD - MANAGERIAL BALANCE SHEET											
INVESTED CAPITAL	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Cash	22 539	98	16 561	14 965	18 241	7 392	14 473	29 020	9 490	6 000	8 656
Working Capital Requirements	36 370	6 505	19 275	45 321	62 202	38 740	2 723	57 749	45 282	-21 379	-1 738
Net Fixed Assets	126 734	154 699	122 403	104 264	232 659	250 687	277 408	249 572	227 168	214 518	284 138
	185 643	161 302	158 239	164 550	313 102	296 819	294 604	336 341	281 940	199 139	291 056
CAPITAL EMPLOYED	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Short-Term debt	101 191	118 385	82 468	144 480	105 328	151 141	169 950	153 211	148 989	189 155	154 384
Long-Term debt	61 159	53 067	65 888	53 137	124 670	154 104	167 062	254 234	194 409	187 509	283 758
Owners Equity	23 293	-10 150	9 883	-33 067	83 104	-8 427	-42 408	-71 104	-61 458	-177 525	-147 086
	185 643	161 302	158 239	164 550	313 102	296 819	294 604	336 341	281 940	199 139	291 056
EBIT	6 978	-24 015	30 586	-25 785	34 384	-40 258	-17 235	-13 052	29 527	-98 687	51 830
EBIT (after taxes)	5 408	-18 612	23 704	-19 983	26 648	-31 200	-13 357	-10 115	22 883	-76 482	40 168
ROIC (after taxes)	3%	-12%	15%	-12%	9%	-11%	-5%	-3%	8%	-38%	14%

Source: Elaborated by the author



Picture 4.11 - Porto SAS ROIC evolution (2011-2021)

Source: Elaborated by the author

Sporting Clube de Portugal, SAD

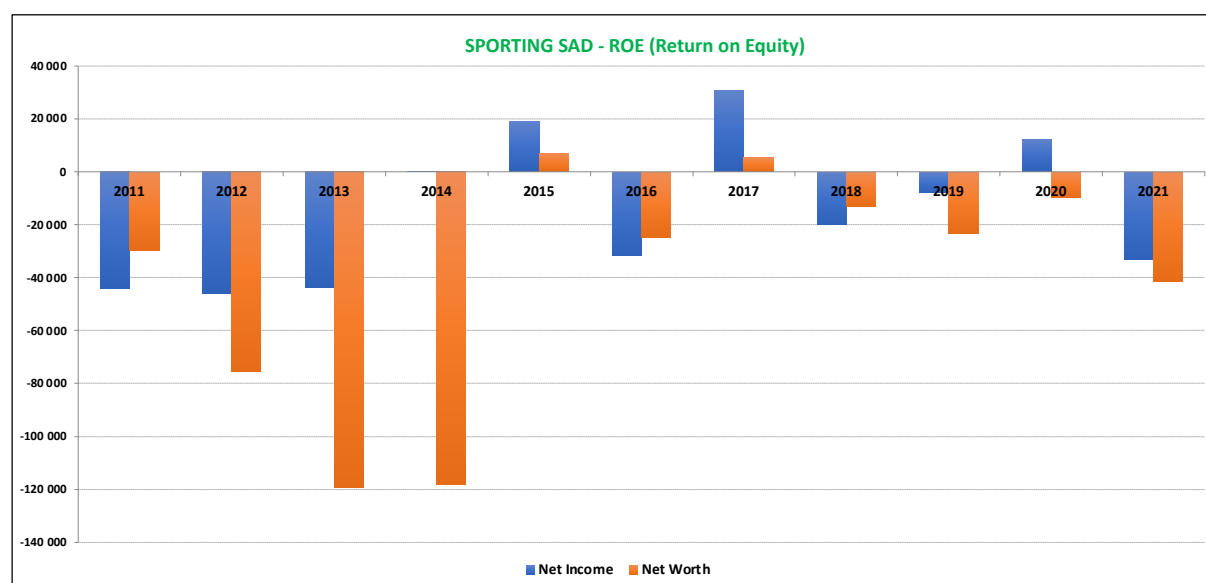
Finally, the profitability analysis of the Sporting SAS will also be done. At a first stage, I started by calculating the ROI and ROE ratios (Table 4.14).

Table 4.14 - Sporting SAS Profitability Analysis (2011-2021), values in thousands of euros

SPORTING SAS - PROFITABILITY ANALYSIS											
FINANCIAL ANALYSIS	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
PROFITABILITY											
Net Income	-43 991	-45 947	-43 816	368	19 333	-31 905	30 537	-19 901	-7 876	12 521	-32 955
Net Worth	-29 646	-75 593	-119 409	-118 030	7 043	-24 954	5 618	-13 324	-23 604	-9 897	-41 412
ROE	148%	61%	37%	0%	274%	128%	544%	149%	33%	-127%	80%
EBIT	-22 528	-41 113	-36 678	4 263	23 463	-26 351	42 624	-15 191	4 061	27 217	-24 495
Assets	169 897	144 408	139 464	146 752	235 542	224 339	316 497	269 225	301 201	288 727	269 177
ROI	-13%	-28%	-26%	3%	10%	-12%	13%	-6%	1%	9%	-9%

Source: Elaborated by the author

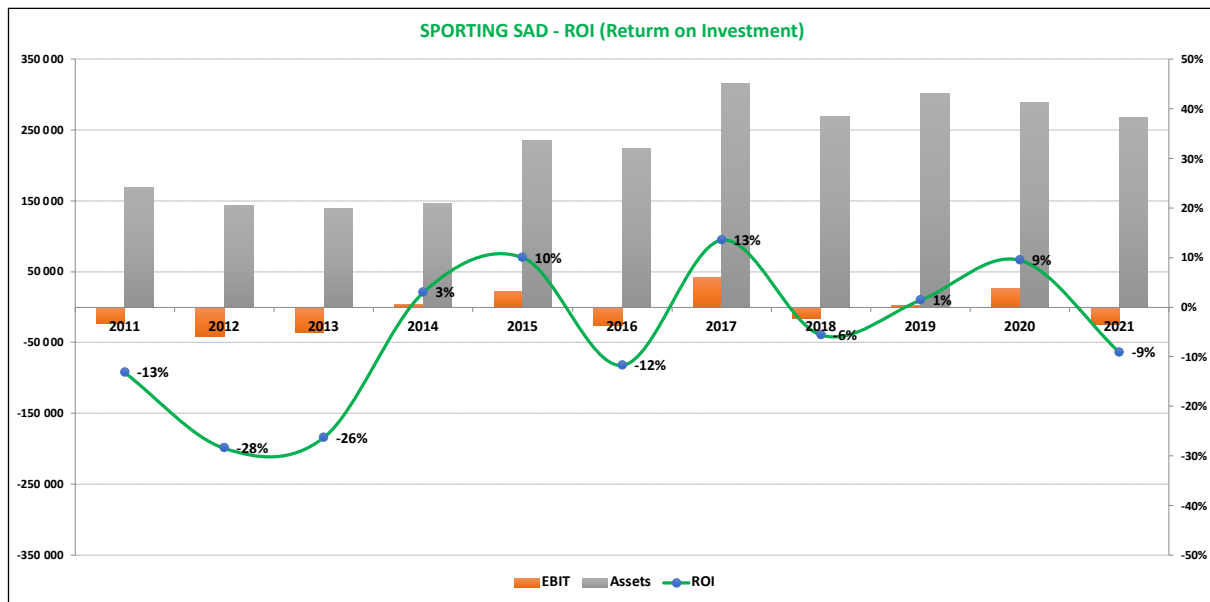
Regarding the ROE of the Sporting SAS, we can see some very bad results. Despite the fact, that the majority of the results of the ROE were positive in percentage, that is due to the fact that the values for the net income and net worth of the Sporting SAS were negative in the majority of the years (Picture 4.12). Therefore, in this situation, this ratio is not very useful, to understand the return on equity of the Sporting SAS.



Picture 4.12 - Sporting SAS ROE ratio (2011-2021)

Source: Elaborated by the author

Concerning the Return on Investment (Picture 4.13), we can see a gradual improvement, since the year of 2013. If we eliminate the years of 2016, 2018 and 2021, we see a growth on EBIT and always with positive numbers. This evolution plus the very positive evolution of the assets throughout the years managed to capture some positive percentages of the ROI in this last 10 years.



Picture 4.13 - Sporting SAS ROI ratio (2011-2021)

Source: Elaborated by the author

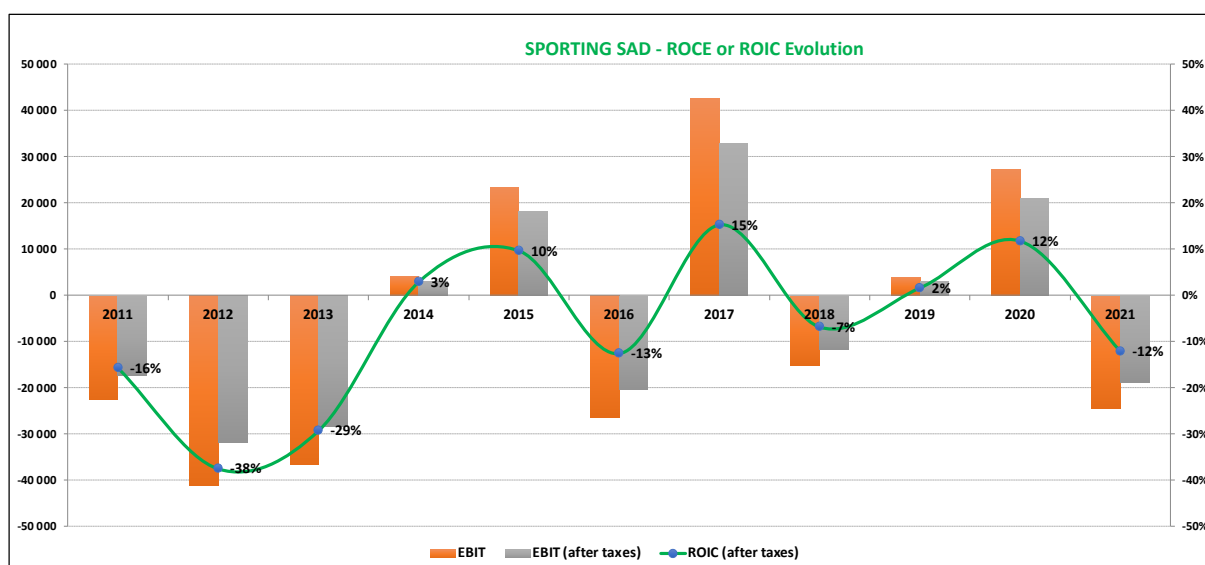
Regarding the Managerial Balance Sheet (Table 4.15) and ROIC (Picture 4.14) of the Sporting SAS, once again, we have some up and down figures.

Excluding the years between 2012-2014, the Sporting SAS had some very consistent results. Sporting managed to keep the number of working capital requirements in a negative number, which is a positive, for the ROIC numbers. The only thing that prevented Sporting, from presenting better results, was in certain years when the EBIT numbers were negative. Therefore, this is the clear indicator that the Sporting SAS has to improve drastically.

Table 4.15 - Managerial Balance Sheet of Sporting SAS, values in thousands of euros

SPORTING SAD - MANAGERIAL BALANCE SHEET											
INVESTED CAPITAL	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Cash	156	64	1 256	1 942	10 595	3 324	6 306	1 783	3 538	15 416	9 642
Working Capital Requirements	-35 924	-41 702	-23 281	-9 685	-12 197	-38 631	-14 516	-71 324	-58 274	-57 950	-74 628
Net Fixed Assets	146 180	126 436	119 087	121 675	191 440	197 065	225 285	240 182	255 357	222 816	220 963
	110 412	84 798	97 062	113 932	189 838	161 758	217 075	170 641	200 621	180 282	155 977
CAPITAL EMPLOYED	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Short-Term debt	53 271	36 075	101 398	149 057	49 709	43 936	91 106	74 755	40 287	37 857	90 199
Long-Term debt	86 787	124 316	115 073	82 905	133 086	142 776	120 351	109 210	183 938	152 322	107 190
Owners Equity	-29 646	-75 593	-119 409	-118 030	7 043	-24 954	5 618	-13 324	-23 604	-9 897	-41 412
	110 412	84 798	97 062	113 932	189 838	161 758	217 075	170 641	200 621	180 282	155 977
EBIT	-22 528	-41 113	-36 678	4 263	23 463	-26 351	42 624	-15 191	4 061	27 217	-24 495
EBIT (after taxes)	-17 459	-31 863	-28 425	3 304	18 184	-20 422	33 034	-11 773	3 147	21 093	-18 984
ROIC (after taxes)	-16%	-38%	-29%	3%	10%	-13%	15%	-7%	2%	12%	-12%

Source: Elaborated by the author



Picture 4.14 - Sporting SAS ROIC evolution (2011-2021)

Source: Elaborated by the author

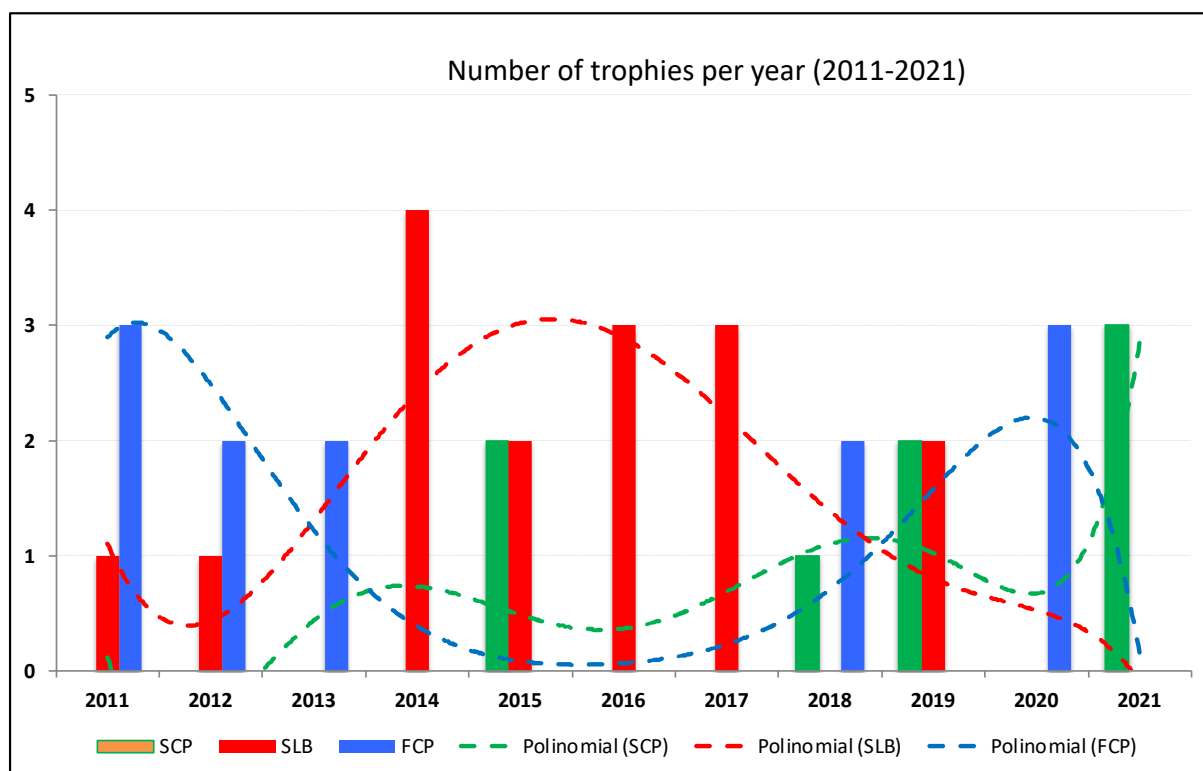
4.4. Sporting Success

Regarding the sporting success of the 3 clubs in the analysis scope, in the last 11 years, I have detailed all the results (Table 4.16), in the national competitions (Portuguese League, Portuguese Cup, Portuguese League Cup and the Portuguese Super Cup).

Table 4.16 – Number of Portuguese trophies per club (2011-2021)

NUMBER OF TROPHIES (Main Clubs) - PORTUGAL											
Portuguese League	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
SCP											X
SLB				X	X	X	X		X		
FCP	X	X	X					X		X	
Portuguese Cup	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
SCP					X				X		
SLB				X			X				
FCP	X									X	
Portuguese Super Cup	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
SCP					X						X
SLB				X		X	X		X		
FCP	X	X	X					X		X	
Portuguese League Cup	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
SCP								X	X		X
SLB	X	X		X	X	X					
FCP											
Trophies Number	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
SCP	0	0	0	0	2	0	0	1	2	0	3
SLB	1	1	0	4	2	3	3	0	2	0	0
FCP	3	2	2	0	0	0	0	2	0	3	0
Totals	4	3	2	4	4	3	3	3	4	3	3

Source: Elaborated by the author



Picture 4.15 – Trophies of Portuguese Clubs with trendline

Source: Elaborated by the author

Regarding the total number of trophies achieved by each club, it is important to state that Benfica, was the one with the highest number in this period of years. Benfica has won sixteen, against Porto's twelve and Sporting's eight.

Obviously, is clear that Sporting has not been in its best years. In this period, Benfica and Porto have been dominating the Portuguese League, with 5 leagues each. Despite the fact, that in the other competitions the numbers are more even, the major factor to decide the success of a season is the performance in the league.

However, if we look at Picture 4.15, we can see some more hopeful signs for Sporting fans, observing the club's performance in this last 3 years. After some years with no trophies (2011-2014), after 2018, the club has been improving its performances on the national competitions, winning 6 titles in the last four years. Coincidence, or not, 2018 was the year that the current President *Frederico Varandas*, took over the club's control.

In Benfica's case, we see the peak of its results in the span of 4 years (2014-2017), when Benfica managed to achieve an impressive twelve titles in possible sixteen. On the other side, since 2018, Benfica has won two titles in possible sixteen, being of course a worrying situation for the club's management staff. The good news for Benfica, is that despite, the fact that its

results have not been positive, the club have been selling its players with good monetary rewards and that way, has managed to still invest in these years to come, in order to try to change this last couple of years.

Regarding Porto's situation, in my opinion, it has been the most consistent one of the three. Despite, having won 4 less trophies than Benfica, the two clubs are even in the number of Portuguese Leagues and Portuguese Cups (the two most important trophies). The only bad period for Porto was the 4 years that Benfica clearly dominated, because the true is that in the other years, Porto managed to always win at least two trophies (besides 2019 and 2021). In conclusion, when Porto managed to win trophies they always clearly dominated in that year, being able to bounce back from the trophyless years, that of course every club has.

4.5. Stakeholder's Analysis

In order to properly understand the relationship between all stakeholders on the SAS scope of action, I identified the main actors on the Football ecosystem (Picture 4.16), and also reflected about the way each part can impact or is being impacted by the SAS management and performance.



Picture 4.16 – Stakeholders (identification) of SAS

Source: Elaborated by the author

Members & Fans

Starting with club members and supporters in general, it is important to start by mentioning that their expectations are fundamentally based on sports results. It is therefore important, to remember the fact that one of the biggest impacts arising from the creation of the SAS's is based on the fact, that they are now listed on the stock exchange, therefore, coming under the supervision of the respective regulator, in the case of Portugal the CMVM. On the other hand, with the rules imposed at European level, through UEFA, the financial aspects ended up taking on a huge priority in the management of the SAS's, this because the sporting results are no longer the main concern priority in the club's management. It is common, that this aspect, is not always well perceived by the supporters, sympathizers and club members, and ends up being a point of contention between the SAS's and its supporters.

It should also be noted that the bigger the transparency resulting from the creation of the SAS, materialized by the information to be provided at the General Meeting of Associates, who overwhelmingly, in Portugal, are the main shareholders of the SAS's, consequently ends up bringing bigger clarity in the management of the clubs, which unfortunately is not always valued by the members (supporters).

Shareholders & Investors

It is indeed interesting to check the structure of shareholders and investors in the SASs in Portugal, which contrasts with what happens in most of the biggest clubs at a European level.

It turns out that, surprisingly, in Portugal, contrary to the reality of the big European clubs, the majority of the capital of the SAS's remains in the possession of the clubs, meaning their members. This aspect, from my point of view, ends up annihilating a huge opportunity that arises from creation of SAS's. The possibility of investing outside the clubs in the SAS's, represents a huge opportunity to create value, which unfortunately does not happen in Portugal. In a huge portion of the larger European clubs, a good portion of the capital of the SAS's is held by external investors, who naturally seek a return on their investment, capitalizing on possible synergies with other areas of activity also managed by the same shareholders.

This is therefore a huge opportunity arising from the creation of the SAS's, not taken advantage of, in the reality of football in Portugal.

Sponsors

This is probably one of the best examples, in Portugal, of the advantages arising from the creation of SAS's. Effectively, the main sponsors of the clubs, are nowadays at the origin of the biggest sources of income for the SAS's, which happens to most of the clubs in Europe. In particular, the income from the television broadcast of football matches is a huge source of income for clubs. Moreover, these are often negotiations led by the Leagues of Clubs, responsible for the global management of football, which ends up giving enormous negotiating power to the SASs in the search for the best revenue provided by the entities that manage the media sector. In Portugal, all the three biggest clubs signed very long and rewarding deals.

Firstly, on the 2nd of December, the *Sport Lisboa e Benfica SAD* stated to the CMVM, that had reached an agreement with *NOS Lusomundo Audiovisuais, S.A*, for the broadcasting rights for the Benfica games in the Portuguese League. This contract started in the 2016/2017 season and has a duration of ten years, worth of four hundred million euros.

On the 27th of December, 2015, it was Porto's turn to announce its contract. This contract was signed with *PT PORTUGAL SGPS SA*, worth of four hundred fifty-seven million euros, with many implications:

1. PT had the right of exploration of the publicity signs of the stadium, for ten years (starting in the 2018/2019 season)
2. Broadcasting rights for Porto's channel (*Porto Canal*), for twelve and a half years (starting in January of 2016)
3. Main Sponsor of Porto, with the right to stamp on the front part of club's equipment, for a duration of seven and a half years, starting in January of 2016

Finally, on the 29th of December, it was *Sporting SAD's* turn. Like the Benfica one, this contract was signed *NOS LUSOMUNDO AUDIOVISUAIS, S.A*, worth of five hundred and fifteen million euros, also with different requirements:

1. Rights for the broadcasting of the Sporting's team games in the Portuguese League
2. Rights for exploring the static and virtual publicity of the stadium, for a duration of ten years (starting on the 1st of July of 2018)
3. Rights of the broadcasting and distribution of the Sporting channel, during twelve years (starting on the 1st of July of 2017)

4. Right of being the main sponsor, for a duration of also twelve years (starting on the 1st of January of 2016)

CMVM

As previously mentioned, since the SASs are listed on the stock exchange, they end up being under the protection of an official regulator, in this case the CMVM. It is important in this case to see this situation, once again, as an opportunity. Situations such as various transactions, namely the purchase and sale of players or contractual termination with important SAS's officials, must be communicated to the CMVM, which brings much more transparency to the business and equal rights for all actors in this market.

Once again, the impact of the creation of the SASs on club management is extremely positive.

Official Entities

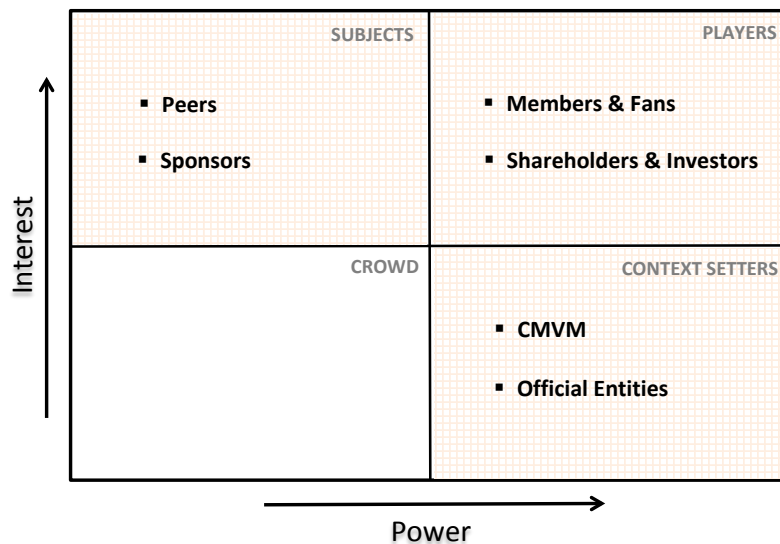
The relationship of the SASs with the different official entities turns out to be very important at the level of the Portuguese sector. As football is, by far, the most popular sport in Portugal, being a sport for the masses, which moves a huge number of people, it often ends up demanding specific legislation, namely in the regulation of cheerleading. On the other hand, the growing concern with the phenomena of doping or, in general, with the creation of rules that end up changing the sport, ends up demanding the intervention of the State, essentially as legislator and inspector. The most important ones in Portugal, are of course, the League of Clubs and the Portuguese Football Federation.

Peers

Finally, it is also important to mention the relationship between the SASs and the others operating in the same market. Clearly, all the professionalization of the sector that resulted from the creation of the SASs, ended up bringing a new way of discipline of the rules in force, which in the Portuguese case, emanates from the Clubs League and the Portuguese Football Federation, which together end up defining the rules of practically all national competitions. This fact is only possible because all SASs are subject to common regulations, all enjoying the same legal status.

SAS and Stakeholders relationship

As a consequence of power and interest for each stakeholder in SAS ecosystem, the global picture and classification according Ackerman & Eden (2011) method can be seen in Picture 4.17, where I placed all the stakeholders present in my analysis, in their respective categories.



Picture 4.17 – Stakeholders Analysis on SAS ecosystem

Source: Elaborated by the author

4.6. Global Overview

In order to consolidate most of the information worked so far, it is now intended to be able to make a summary of it, through a global vision (Table 4.17) with a focus on the main points, taking the opportunity to identify the reality of the three SASs under review.

Table 4.17 – Global overview performance (2011-2021)

BENFICA SAD - GLOBAL ANALYSIS (2011-2021)												
Analysis - item	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Avr/Sum
Net Worth (m€)	2 449	-14 152	-23 810	-8 401	575	20 902	67 732	86 823	116 177	161 149	143 654	50 282
Net Income (m€)	-7 661	-11 689	-10 390	14 165	7 072	20 396	44 537	20 582	29 390	41 705	-17 380	11 884
Liquidity Ratio (%)	35%	30%	30%	38%	28%	44%	65%	46%	157%	64%	52%	54%
ROIC (%)	2%	1%	2%	7%	7%	8%	12%	7%	7%	11%	-5%	5%
Sport Results	1	1	0	4	2	3	3	0	2	0	0	16
Global	(+/-)	(+/-)	(+/-)	(+)	(+)	(+)	(+)	(+/-)	(+)	(+/-)	(-)	NA
PORTO SAD - GLOBAL ANALYSIS (2011-2021)												
Analysis - item	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Avr/Sum
Net Worth (m€)	23 293	-10 150	9 883	-33 067	83 104	-8 427	-42 408	-71 104	-61 458	-177 525	-147 086	-39 540
Net Income (m€)	473	-33 467	20 034	-40 706	19 961	-57 342	-34 259	-28 689	9 770	-115 979	30 457	-20 886
Liquidity Ratio (%)	70%	29%	67%	53%	84%	49%	34%	69%	55%	20%	36%	51%
ROIC (%)	3%	-12%	15%	-12%	9%	-11%	-5%	-3%	8%	-38%	14%	-3%
Sport Results	3	2	2	0	0	0	0	2	0	3	0	12
Global	(+)	(+/-)	(+)	(-)	(+/-)	(-)	(-)	(+/-)	(+/-)	(+/-)	(+/-)	NA
SPORTING SAD - GLOBAL ANALYSIS (2011-2021)												
Analysis - item	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Avr/Sum
Net Worth (m€)	-29 646	-75 593	-119 409	-118 030	7 043	-24 954	5 618	-13 324	-23 604	-9 897	-41 412	-40 292
Net Income (m€)	-43 991	-45 947	-43 816	368	19 333	-31 905	30 537	-19 901	-7 876	12 521	-32 955	-14 876
Liquidity Ratio (%)	21%	19%	14%	14%	46%	26%	48%	17%	33%	45%	24%	28%
ROIC (%)	-16%	-38%	-29%	3%	10%	-13%	15%	-7%	2%	12%	-12%	-7%
Sport Results	0	0	0	0	2	0	0	1	2	0	3	8
Global	(-)	(-)	(-)	(+/-)	(+)	(-)	(+/-)	(+/-)	(+/-)	(+/-)	(+/-)	NA

Source: Elaborated by the author

Net worth

With regard to the net worth, it is important to mention its importance in the balance sheet structure. Remember that it incorporates not only the Company's Share Capital, but also its Net Results.

From the analysis of Table 4.17, the Equity of the Benfica SAS, easily follows as being the most robust one. In fact, both Sporting SAS and Porto SAS have negative equity, in most of the years, which constitutes a situation of technical bankruptcy. This situation is of course a big advantage for Benfica in the years to come. Being the only club with positive net worth, Benfica manages to have a different freedom than Porto and Sporting, when it comes to buying more expensive players.

Net Income

Also, in terms of net results, it is easy to verify the consistency of the good results of the Benfica SAS, in comparison with Sporting SAS and Porto SAS, which only present positive results in rare situations. This like the net worth numbers, is of course a very worrying sign for these two clubs, in order to have a healthier situation in the club, financially wise.

Liquidity ratio

Regarding the ability of SASs to deal with both current debts and assets, it is important to highlight the situation of Sporting SAS, whose situation is generally quite weak, in comparison to the other two. This shows the difficult situation that Sporting SAS has been through these years with many short-term debts to pay and very few assets to support it.

However, none of the Companies under analysis present a situation that, in terms of liquidity, we can classify as comfortable, because in the majority of the years they presented results under the line considered of high risk (<1)

ROIC

Regarding business management, once again the Benfica SAS stands out positively, not only because it has a virtually always positive ROIC, but also because in recent years it has had very good values. Regarding the other examples it's clear that these results are not good enough. Both Sporting and Porto's SASs are not being able to "create value" in the company year by year, consistently, like Benfica has been doing

Sport Trophies

Finally, we have the sporting results. Regarding this aspect, it is interesting to highlight the fact that winning trophies is normally associated with more than one sporting season (2-3) in a row. This aspect is very evident with the Benfica SAS in the period 2014-2017, or in the case of Porto in the period 2011-2013.

This happens to not be a coincidence. This fact, shows the importance to have a stable structure in the club, surrounded by the correct people, in every department of the club (finances, marketing, customer support) and not only on the football field. Only this way, the clubs are able to have a long period of time where they consistently can win trophies. Another example, of this situation, is the association that can be established between the sporting results

and the net result, which once again becomes evident with the Benfica SAS in the period 2014-2017.

In conclusion as we can see, Benfica is the one, with the highest number of trophies achieved with sixteen, while Porto has twelve and Sporting only eight. Therefore, being clear that Benfica has the most stable financial structure, this happened to originate the most trophies achieved. In order to, Porto and Sporting start to win trophies more consistently, the number one reminder for them, has to be to achieve better financial numbers and ratios in order to have a more stable structure that can allow them to have more freedom financially, to get them closer to the Benfica's status.

Chapter 5 – Conclusions and Recommendations

Regarding the conclusions and recommendations of my thesis, it is important to remember the 3 open questions referred to in the description of the object of study of my project:

1. How did the creation of Sports Anonymous Societies (SAS) impact the entire management of football clubs?
2. What were the main Benefits and Consequences for the clubs concerning the creation of SASs?
3. Which were the deviations from the initial goals of the clubs with the creation of SASs?

After the creation of the Sports Anonymous Societies for the Portuguese clubs, the way of thinking of everyone around the sport changed completely. However, it was not only the way of thinking that changed around football. The management of the clubs, in particular the ones that I studied in this project, completely changed, since the creation of each one of them SAS's.

It is important to remember that club members, mostly hold the shareholding structure of the sports companies that manage football in Portugal, which ends up influencing the management of these companies, which naturally ends up favouring sports success, to the detriment of financial performance. Even so, as already mentioned, the whole financial aspect turns out to be vital to the survival of the clubs, so their management cannot forget this fact. It is therefore, nowadays, already consensual and globally accepted, that for the sustainability of the SAS, a constant concern should happen with the two aspects that guide its global objectives, which are Sporting Success and Financial Performance.

One of the clear and obvious benefits arising from the creation of SASs is related to their funding. Although, as already verified, the capital invested by private investors is still a minority in the capital of the SASs, it is still an additional source of funding, which clearly translates into a benefit brought with the creation of the SASs. On the other hand, as these companies are listed on the stock exchange, being therefore sensitive to the volatility of the price of their shares, it ends up implying a permanent concern with their financial performance, which leads to a much more robust sustainability, along with the sporting performance.

However, many times the sports component ends up prevailing in the priorities established in the management of the SASs, presenting itself as a clear deviation from the initial objectives, when it was created. This aspect is clearly visible in the financial performances analysed and presented in this work, with huge differences between the performance and financial

sustainability of Benfica SAS and the other SASs analysed (Sporting SAS and Porto SAS). These striking differences essentially result from the priorities established in the management of the SASs, when often, in the incessant pursuit of sports results in the short term, financial sustainability is forgotten and undervalued.

As already perceived, it is in the priorities established at the level of the management of the SASs, that lies the core of the disagreement between the investors of the same. If, on the one hand, private investors value the creation of financial value, club members favour sporting success. This is therefore, the biggest criticism that we see from supporters and club members, the fact that clubs today are managed with only financial concerns. Even so, it is important to mention Benfica SAS again, which I think is an excellent example of a perfectly stable and consolidated society in financial terms, having simultaneously achieved good sporting results.

Like any other business, football has its particularities. It is therefore essential that the teams that lead and manage the SASs can understand this very specific market. On the other hand, due to the necessary balance between the financial sustainability of the SASs and their sporting success, it is essential that the actions are carried out through highly professionalized management teams, with a medium and long-term vision and adequate strategic plans.

Finally, far beyond the SASs model used in Portugal, where private capital is in a clear minority, it is important to dig deeper into the specific issue of financing SASs. At the level of many of the biggest European clubs, there are excellent examples of private investment in football, where different synergies can be created within the sports ecosystem, with clear sporting success and also an unequivocal creation of financial value. This is clearly an aspect that remained unexplored in this work (only focused on the Portuguese market) and which is important to be studied in future works.

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