



## Red Bull investment in sport: an analysis of the financial, sporting and brand returns on that investment - to assist with a BBC Sport feature by Alex Bysouth

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### 1. The Headlines

- Red Bull's sporting investments into clubs such as RB Leipzig brings **direct financial benefits** which includes: significant potential return on investment from **capital appreciation**, i.e. the increase in value between acquisition cost (plus subsequent investment) and ultimate sale price. In the case of RB Leipzig, the club currently has an assessed market value of €590.40 million (making them the third wealthiest Bundesliga club), and we estimate that this presently represents a return of **3-times** its investment (with an even higher multiple forecast over the next couple of season as capital expenditure subsides, and further player trading returns come to fruition).
- In addition, the investment in RB Leipzig (and the other football clubs) throws-off various ongoing revenue streams such as **matchday revenue** through a large increase in average attendances of each club (e.g. for RB Leipzig in the 2019/20 season (so far) this currently sits at an average of 40,560); as well as **player trading revenue**.
- Red Bull has realised a positive player trading revenue stream at FC Red Bull Salzburg of **£74m** since acquisition of the club in 2005. By comparison, RB Leipzig currently has a negative balance of **£89m** on player trading but it has been operating for four years less than FC Red Bull Salzburg, and there is obviously a lag between acquisition of the player asset and sale. It could be that (subject to any predetermined release fees) Timo Werner and Dayot Upamecano might speculatively realise a combined sale value of over £100m within the next 12 months (with their acquisition costs (c.£12.6m and c.£9m respectively) already 'baked-in' to the £89m negative player trading revenue). Within the next couple of seasons Red Bull could, at Leipzig, replicate (on a significant multiple) the player trading revenue returns it is already enjoying at Salzburg.
- Red Bull also receives **indirect financial benefits** such as **brand awareness** which is shown through the company's aggressive and consistent marketing strategy of altering club names, kits, badges and stadium names to be exposed to as many *eyeballs* as possible. According to Forbes' list of the world's most valuable brands, published in May 2019, Red Bull ranked 71 with a **brand value of \$9.9bn** (value attributed to the brand by the company) and **\$6.5bn brand revenue** generated in 2018 (which is an annual value incorporating brand sales, intellectual property and brand valuations).

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- By investing and managing multiple sporting franchises, Red Bull has built a smart ‘in-house, self-perpetuating’ ability to market its brand without heavy reliance on external sponsorship investment. The sheer size of the Red Bull sports group, ranging across an unparalleled myriad of sports, leisure activities, athletes and brand ambassadors is unique; and provides a level of brand recognition that has created a low *propensity to buy acquisition cost* for each new, marginal customer with diverse ranges of interests.
- Association with **genuine sporting success**. RB Leipzig has climbed through the German Leagues to achieve second place in the 2018/19 season. FC Red Bull Salzburg is currently on course to win its 6th successive league title. Both of these clubs also compete in the Champions League. In F1, Red Bull Racing achieved four consecutive Drivers’ and Constructors’ Championships from 2010 to 2013, and has grown this part of the Red Bull business to return a retained annual profit of c.£10m.
- Red Bull’s global structure to football club ownership has established a **global scouting network**. Much like City Football Group, Red Bull utilises a **pyramidal structure** for player development purposes, whereby players will move up the group ladder if they are good enough, helping with not only player development, but also with each respective club’s sporting objectives. Of course, players can be sold at any point on the pyramid to realise a return on investment to Red Bull from **player trading** (if Red Bull does not believe that the player has the potential to move to the next, higher level of the pyramid). In this context, the pyramid can also be viewed as a pyramid of ‘shop windows’ to showcase the playing talent at increasing higher levels, and thus incrementally increasing a player’s market value.
- **The reasons behind these sporting investments are multifaceted**. Despite brand awareness being arguably the main purpose, Red Bull’s goals of achieving genuine sporting success through establishing a global network, as well as the lucrative financial revenue streams that are gained from these sporting investments, are integral to the company’s ultimate plans and are not merely ancillary functions. This is certainly not a vanity project.

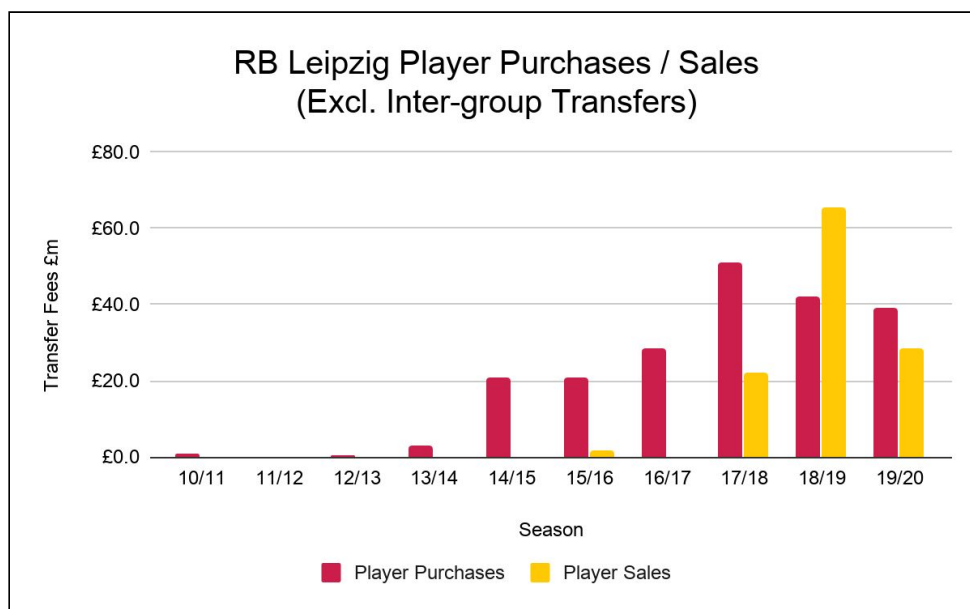
## 2. RB Leipzig

Red Bull sold approximately 6.8 billion cans across 171 countries in 2018. Red Bull’s “it gives you wings” slogan serves as the brand message to target millennials (and now - as a new challenge/objective - GenZ) and the brand is associated with extreme sports and other activities and events such as music festivals. So why would Red Bull invest in RB Leipzig and other sporting franchises?

### 2.1 Direct Financial Benefits

Red Bull has created a bespoke, globalised player trading platform that incorporates RB Leipzig with other clubs within the group of football clubs, particularly FC Red Bull Salzburg. By owning each club it enables Red Bull to benefit from smart, efficient player trading. In relation to RB Leipzig, Exhibit 1 below is a graph to show player purchases and sales by season, from 2010 to 2020:

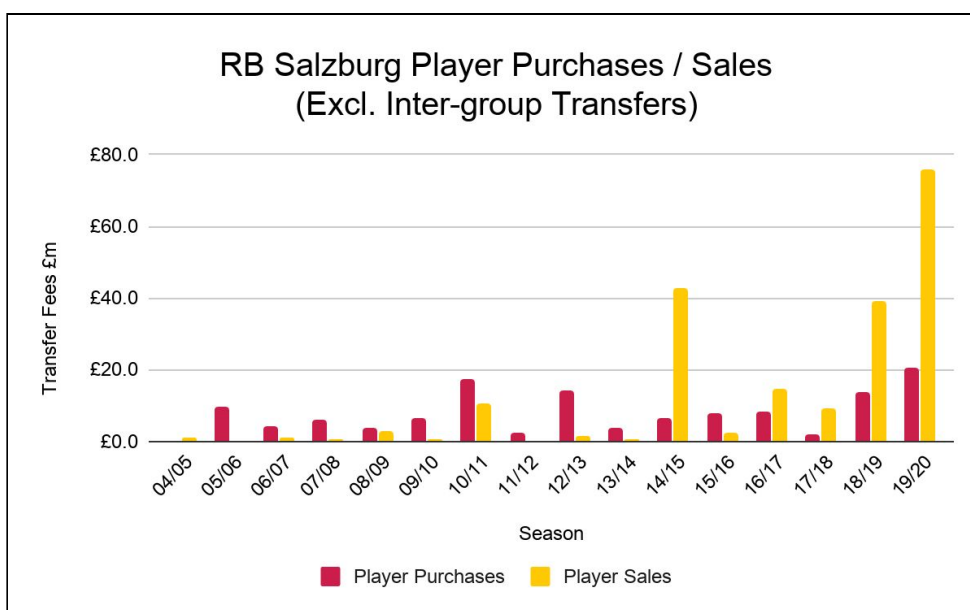
Exhibit 1: Bar chart showing RB Leipzig player purchases and sales by season



Source: Carteret Capital

Notwithstanding the figures showing a negative balance £(89m), RB Leipzig has been trading for 4 years less within the group when compared with FC Red Bull Salzburg. FC Red Bull Salzburg’s player trading figures, which has a positive balance of £74m, can be seen in the graph below:

Exhibit 2: Bar chart showing RB Salzburg player purchases and sales by season

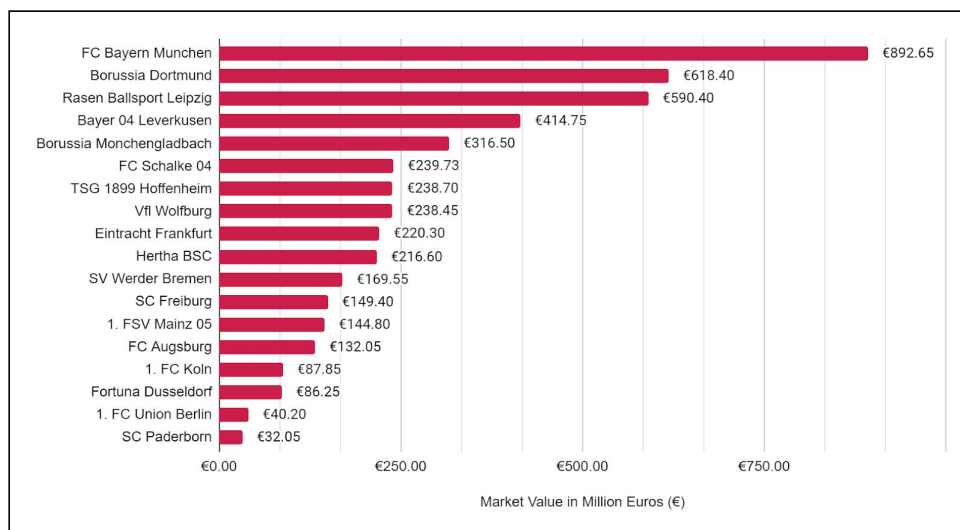


Source: Carteret Capital

Red Bull also benefits from realising capital appreciation as a result of owning RB Leipzig. As the club climbed the divisions in Germany, as well as moving into the Champions League, the TV revenue has

also increased and improved the club’s market value. The club’s market value can be seen in the chart below, which uses comparables to show its increase in value to become one of the wealthiest clubs in the Bundesliga:

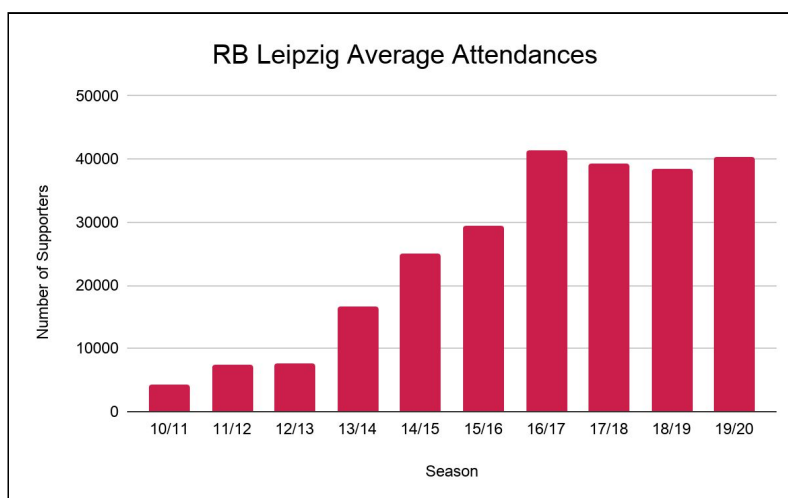
Exhibit 3: Bar chart showing market value of Bundesliga football clubs in Germany as of December 2019



Source: www.statista.com

Furthermore, matchday revenue is another source of income that Red Bull gains from its ownership of RB Leipzig. Since acquiring the playing rights of fifth tier side SSV Markranstädt, located in the small village town of Markranstädt with a population of 15,000, success on the pitch has seen the team promoted into the Bundesliga, subsequently achieving second place in 2016/17. As a result, the average attendances and ticket sales have increased since taking ownership of the club, shown in the graph below:

Exhibit 4: Bar chart showing average attendance figures by season



Source: Carteret Capital

## 2.2 Indirect Financial Benefits

One of the primary benefits and perhaps one of Red Bull's main purposes behind their investment into RB Leipzig, as well as other sporting ventures, is **brand awareness**. As part of their aggressive marketing strategy, Red Bull names each club to place their brand front-and-centre in the forefront of consumers' minds. Historically, this tactic has resulted in criticism from some fans, leading supporters to establish phoenix clubs. For example, when Red Bull acquired SV Austria Salzburg in 2005 and altered its name to FC Red Bull Salzburg, some of the original club's fans decided to form a phoenix club to retain its identity.

Interestingly, although the name of RB Leipzig is often perceived as being synonymous with Red Bull, the 'RB' actually stands for 'RasenBall Sport' which translates to 'Lawn Ball Sport'. This highlights the power of Red Bull's brand awareness methodology because many consumers will simply associate the abbreviation with the brand.

In relation to marketing, Red Bull utilises all the typical marketing techniques that City Football Group (owners of football clubs such as Manchester City, New York City and Girona FC) employ, however, the level of consistency in Red Bull's approach achieves unparalleled brand awareness. For example, RB Leipzig's kit and badge have been given the full Red Bull makeover with the ubiquitous combination of red and yellow on the shirt with the two bulls, as well as the two bulls clashing on the badge, synonymous with the brand. In addition, the club's stadium has been named the Red Bull Arena, which is also the name of other club stadiums such as FC Red Bull Salzburg and New York Red Bulls. These marketing features are also prevalent in Red Bull's other football clubs within their network. For example, FC Red Bull Salzburg received changes from its traditional violet and white coloured kit, to the red and white, with the aforementioned red and yellow branding, along with the two bulls being placed on the club's new badge.

Exhibit 5: Image showing the 2019 home kits for RB Leipzig, RB Salzburg and New York Red Bulls



Source: Carteret Capital

Once these features have been utilised by each club within the group, the next limb of Red Bull's brand awareness strategy is to display the brand to as many *eyeballs* as possible. Each sport, club, league and competition that Red Bull are involved with, provides an opportunity to showcase their brand to an array of consumers in various jurisdictions. The on-field success of the group's clubs has brought increased matchday attendance, promotions into top divisions, as well as participation in the Champions League, which increases the amount of viewers exposed to this marketing. This means more people absorbing

the red and yellow branding on their kits, the bulls on the badges, the Red Bull Arena, and the club names respectively, which highlights an effective, consistent marketing platform.

This marketing strategy has resulted in RB Leipzig achieving 59,400 followers on Twitter and 362,000 followers on Instagram respectively.

The Bundesliga has held a long established '50+1 Rule'. This rule refers to a clause in the regulations of the Deutsche Fußball-Liga. The clause states that, in order to obtain a license to compete in the Bundesliga, a club must hold a majority of its own voting rights. The rule is designed to ensure that the club's members retain overall control, by way of owning 50% of shares, +1 share, protecting clubs from the influence of external investors.

As with many rules there are exceptions, namely that in cases where a person or company has substantially funded a club for a continuous period of 20 years, it is possible for that person or company to own a controlling stake in the club. This exception most notably applies to Bayer 04 Leverkusen (owned by pharmaceuticals company Bayer), and VfL Wolfsburg (owned by automobile manufacturer Volkswagen), and has more recently allowed SAP co-founder Dietmar Hopp to gain control of his former youth club of 1899 Hoffenheim.

Red Bull appears to have circumvented these rules, only having 17 members who hold voting rights, each of whom are linked directly to the company. Compare this to Borussia Dortmund which has 139,000 paying members who have a veto over issues such as ticket prices. Membership at Dortmund costs adults €62 per annum, whereas a gold membership at RB Leipzig will set you back €1,000 per year and this only makes you a 'supporting' or 'non-voting' member.

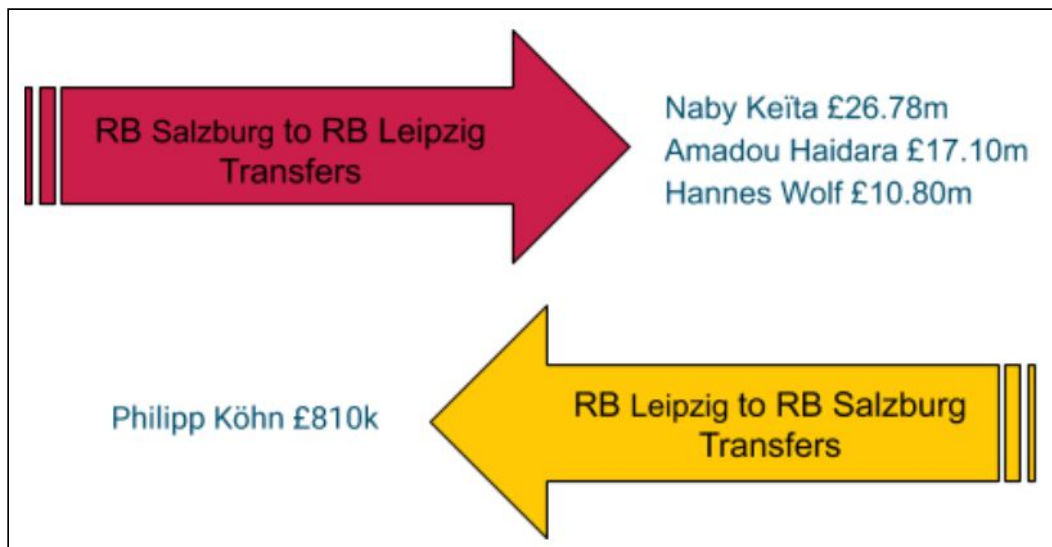
### **3. Global Football Network**

Red Bull GmbH is not your average sponsor when it comes to their investments made in the football sector. Much like City Football Group, Red Bull do not merely sponsor football clubs, paying large sums of money to place their brand on kits or boards, as well as naming rights over stadiums. Instead, both of these companies take complete ownership of football clubs, they become architects of both the business and sporting strategies behind the group, which also enables them to essentially market their respective brands for free.

Both Red Bull and City Football Group operate with a pyramidal structure in regards to their respective football clubs. Each club essentially assists the next club in the group. This is particularly the case when looking at player development. Players will spend some time with one of the clubs within the group to develop, and if they become good enough, the goal is for them to move over to a better club in the structure. Of course, players can be sold at any point on the pyramid to realise a return on investment to Red Bull from player trading (if Red Bull does not believe that the player has the potential to move to the next, higher level of the pyramid). In this context, the pyramid can also be viewed as a pyramid of 'shop windows' to showcase the playing talent at increasing higher levels, and thus incrementally increasing a player's market value.

As an example, below is a list of inter-group transfers of various players:

Exhibit 6: Notable player transfers between RB Salzburg and RB Leipzig



Source: Carteret Capital

Red Bulls' recruitment strategy mirrors the target demographic of their renown products which are mainly 17-23 year olds. The company tends to hire young, energetic and talented individuals who are enthusiastic about the brand but also believe in the global sporting project which is taking shape.

### 3.1 Select Red Bull Football Clubs

- RB Leipzig.
  - Founded in 2009.
  - Formerly known as SSV Markranstädt.
  - League: German Bundesliga.
  - Notable Competitions: UEFA Champions League.
- Red Bull Salzburg.
  - Refounded in 2005.
  - Formerly known as SV Austria Salzburg.
  - League: Austrian Bundesliga.
  - Notable Competitions: UEFA Champions League.
- New York Red Bulls.
  - Founded in 1994.
  - Formerly known as New York/New Jersey MetroStars.
  - League: U.S. Major League Soccer (MLS).
  - Notable Competitions: U.S. Open Cup
- Red Bull Bragantino.
  - Founded in 2019
  - Formerly known as Bragantino
  - League: Brazilian Série A
  - Notable competitions: Copa do Brasil

#### 4. F1

Red Bull Technology (a company which owns Red Bull Racing) has invested heavily into the Formula 1 sector since its acquisition of Jaguar F1 in 2004. Red Bull Racing (currently sponsored name Aston Martin Red Bull Racing) started competing in 2005, subsequently going on to win four successive Drivers' and Constructors' Championship titles from 2010 to 2013, becoming the first Austrian team to win the title. Red Bull also has another F1 team called Scuderia Toro Rosso, which debuted in 2006 becoming its 'feeder team'. As of 1 January 2020, the team became known as Scuderia AlphaTauri, promoting AlphaTauri which is a fashion brand that was founded in 2016 as a brand extension of Red Bull into the fashion industry.

Exhibit 7: Image of the RB15 Formula One car



Source: [www.redbull.com](http://www.redbull.com)

Exhibit 8: Red Bull Driver Max Verstappen



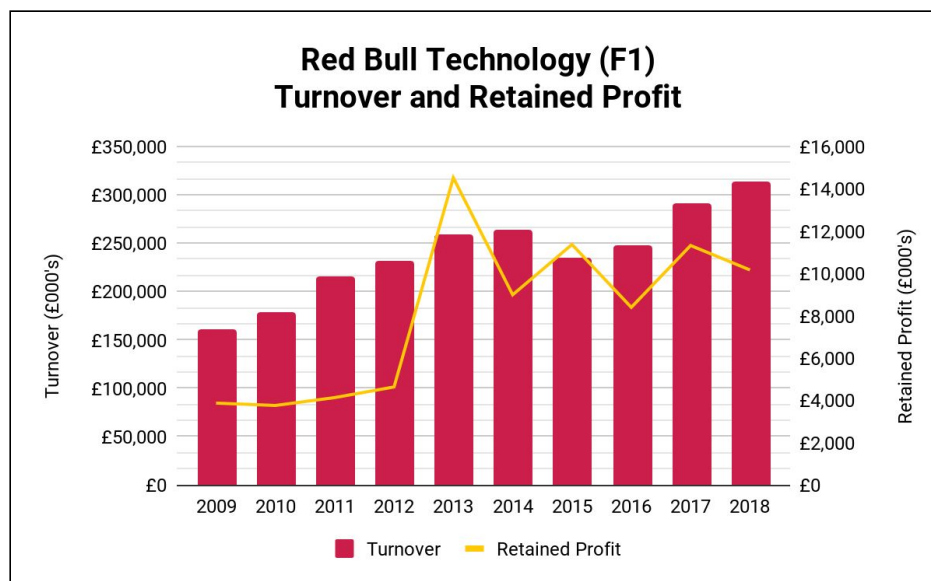
Source: The Telegraph



#### 4.1 Direct Financial Benefits

Much like its ventures within the football sector, Red Bull's interests in Formula 1 provide a huge amount of financial revenue. This can be seen when looking at the graph below:

Exhibit 9: Combo chart showing annual turnover and profit



Source: Carteret Capital

Notwithstanding the level of profit shown above, Red Bull has continued to invest in its F1 franchises with a view to reigniting the success that the team enjoyed years ago. For example, in 2018, Red Bull Technology made record investment into F1, totalling a sum of £304.2 million which was an 8.9% increase from the previous year. This highlights the purpose behind these ventures, it is not limited to financial gains, the company wants to achieve **genuine sporting success** across numerous sectors.

#### 4.2 Indirect Financial Benefits

Red Bull's investments into f1 has resulted in the establishment of yet another marketing platform. The Red Bull brand is displayed throughout the cars, drivers and crew uniforms, as well as the pits themselves in each respective team. The racing circuit in the 2019 season had each of their teams (displaying the brand) compete in 21 different stages across the world, as well as a different demography of fans and audiences watching, culminating in achieving further **brand awareness**, arguably the primary benefit of Red Bull's investment in F1.

The current recruitment strategy mirrors that of the practice within the football sector. Red Bull tends to hire young, energetic drivers such as Albon, Kvyat, Gasly, and Verstappen. This diverse list of drivers opens the door for Red Bull to showcase their brand to fans in various countries across the globe (Thailand, Russia, France, and Netherlands respectively).

## 5. Extreme Sports

Red Bull GmbH's marketing strategy originated from exclusively sponsoring various extreme sports. The company identified a gap in the market allowing them to heavily market their brand in sports which had not been commercialised, at an extremely low price. Red Bull has sponsored various extreme sports including; cliff diving, BMX, skiing, flying, mountain biking, skateboarding, soapbox derby and Flugtag ('flight day' whereby competitors launch themselves off a ten metre ramp in homemade constructions into water below).

Once again, this reinforces the company's efforts towards their target demographic of young urban professionals and conveys the brand messaging of Red Bull being 'cool'.

The highlight of Red Bull's involvement in unique events came in the form of the Red Bull Stratos high altitude diving project which, on 14 October 2012, saw Felix Baumgartner fly 127,852ft (24 miles) into the atmosphere and subsequently jumped back down to earth. It took 9 minutes and 18 seconds to complete the jump. It was recorded as the world's highest freefall parachute jump, reaching a vertical speed of 843.6 mph. The cost of this project was reportedly \$30 million and was watched by 9.1 million users on YouTube, setting a record for the live stream with the most concurrent views ever on YouTube.

Exhibit 10: Felix Baumgartner before his freefall parachute jump



Source: [www.redbull.com](http://www.redbull.com)

## 6. Red Bull Athletes (Sponsorship)

Similar to other large international corporations, Red Bull increases its marketing portfolio by sponsoring various individual athletes to **showcase their brand** to even more *eyeballs*. For example, Ben Stokes, who recently won the Sports Personality of the Year award for his efforts in earning the super over leading to England's Cricket World Cup victory in 2019, as well as his performance in the third test in the Specsavers Ashes Series against Australia in 2019 when England achieved their highest run chase in Tests. This results in yet another demographic of sporting fans which can see Red Bull's branding on Ben Stokes' bat during the games and is an example of smart marketing.

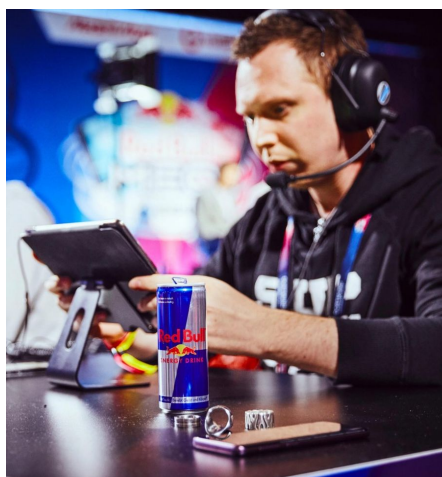
Exhibit 11: England cricketer Ben Stokes during the 2019 Ashes Test Series against Australia

Source: [bbc.co.uk](http://bbc.co.uk)

## 7. Esports

Red Bull has recently gained a foothold in the esports industry, sponsoring gaming teams to compete against each other playing the most popular games around. Once again, this provides the company with a platform to market their brand to another demographic of gamers, usually millennials. Not only do they sponsor the teams themselves, Red Bull also sponsors some of the events too, such as the Red Bull Dragon Ball FighterZ World Finals.

Exhibit 12: Esports gamer in action

Source: [www.redbull.com](http://www.redbull.com)

## 8. Final Verdict

In summation, it is clear that the benefits enjoyed by Red Bull, along with the reasons behind each of their sporting investments are multifaceted, there is no one primary focus. For instance, arguably their biggest purpose behind these ventures is **brand awareness**. The key is consistent, aggressive marketing by ensuring that the iconic brand is viewed by as many people as possible. However, take that away and what is Red Bull left with? The answer is a combination of benefiting from **highly profitable**

**franchises**, as well as achieving **genuine sporting success** across all of their sporting ventures. This is certainly not a vanity project. Red Bull has shown themselves to be thought-leaders, its goals are similar to City Football Group, both have established a global pyramidal structure in relation to its player development with each team in the group assisting the other. However, Red Bull appears to have succeeded in developing marketing nuances that set the benchmark for other companies.

## 9. Link to BBC Sport Article

A copy of the BBC Sport website feature can be found at the following link:

<https://www.bbc.co.uk/sport/football/51475532>

## 10. Further Information and Contact Details

If you have any questions, please feel free to contact one of the team members listed below. We would be delighted to hear from you and discuss any element in more detail.

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