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Master Degree Program in
Statistics and Information Management

Financial Risk Management in Practice

Insights from an Internship at Sport Lisboa e Benfica

Daniel Robim Batata Batista

Project Work

presented as partial requirement for obtaining a Master's Degree in Statistics and Information Management

NOVA Information Management School
Instituto Superior de Estatística e Gestão de Informação

Universidade Nova de Lisboa

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Financial Risk Management in Practice

Insights from an Internship at Sport Lisboa e Benfica

by

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Project Work presented as partial requirement for obtaining the Master's degree in Statistics and Information Management, with a specialization in Statistics and Information Management

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STATEMENT OF INTEGRITY

I hereby declare having conducted this academic work with integrity. I confirm that I have not used plagiarism, any form of undue use of information or falsification of results along the process leading to its elaboration. I further declare that I have fully acknowledged the Rules of Conduct and Code of Honor from the NOVA Information Management School.

Lisbon, 27th September of 2024

Daniel Batista

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ABSTRACT

The decision to carry out this Internship Report for the Master's in Statistics and Information Management with a specialization in Risk Analysis and Management at Nova IMS University was primarily motivated by the opportunity to record the experiences gained, the activities undertaken, the projects I participated in, and the responsibilities I assumed. Additionally, it demonstrates the practical application of theoretical knowledge in real-world professional settings. By preparing this report, I will also demonstrate the development of my competencies and skills in terms of critical analysis and the practical experiences I have encountered. This will allow me to identify both strengths and areas for improvement related to the challenges I face in performing tasks. Undoubtedly, these insights will translate into opportunities for personal and professional growth as they enable me to cultivate strategic thinking. A brief overview of the organization's activities, emphasizing my area of involvement and related tasks, will be followed by an analysis of financial risk management. This will explore the mechanisms and stages available to companies, from risk identification to determining the optimal coverage procedure. In the context of risk management, this research will present a case study involving an investment decision, analyzing the primary risk factors, the mitigation methodology, and the associated impacts, in line with the theoretical assumptions assimilated during the Master's degree. Although it may be ambitious, I will work with the purpose that the outcome of this report can bring some impact to the organization, particularly in the service of detecting potential clients. This will allow me to make recommendations, suggestions, and improvements in the result presentation, provide insights, and contribute to fulfilling the service's mission.

KEYWORDS

Risk management; Financial analysis; Revenue; Financial sustainability; Sports performance; Football club; Benfica; Corporate partnerships; Operational costs; Comparative analysis; Financial models; European football market; Risk-return relationship; Expense management; Legal proceedings; Economic growth; Sports market; UEFA Financial Fair Play; Graphical data analysis; Matchday revenue; Predictive models; Business solutions; Brand management.

Sustainable Development Goals (SDG):



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LIST OF ABBREVIATIONS AND ACRONYMS

CMVM -	Comissão do Mercado de Valores Mobiliários (Securities Market Commission)
COSO -	Committee of Sponsoring Organizations of the Treadway Commission's
DFL -	Deutsche Fußball Liga (DFL)
ERM -	Enterprise Risk Management Framework
FFP -	Financial Fair Play
FPF -	Federação Portuguesa de Futebol (Portuguese Football Federation)
ISO -	International Standards Organization
LP -	Liga Portugal
NIF -	Número de Identificação Fiscal
NOVA IMS -	NOVA Information Management School
RAROC -	Risk-Adjusted Return on Capital
SAD -	Sociedade Anónima Desportiva (Sports Public Limited Company)
SLB -	Sport Lisboa e Benfica
TIN -	Tax Identification Number
UEFA -	Union of European Football Associations

1. INTRODUCTION

1.1 CONTEXTUALIZATION

The requirement for adhering to protocol within a sports club emphasizes the importance of understanding and following a comprehensive set of principles that govern behavior and operations. These principles extend beyond formal occasions, shaping day-to-day interactions and ensuring professionalism in all activities. Standards such as politeness, ethical conduct, good manners, and the application of common sense are integral to fostering smooth social and professional dynamics in a highly collaborative and visible environment.

During my internship at NOVA IMS, I had the unique opportunity to work with one of Portugal's most prestigious sports institutions, Sport Lisboa e Benfica. This experience allowed me to witness firsthand the interplay between sports and financial management, as I assumed the role of a financial analyst. My responsibilities were diverse, encompassing tasks that ranged from the meticulous preparation of financial statements to conducting strategic analyses aimed at risk mitigation and revenue optimization.

A core component of my role was the preparation of financial statements mandated by Liga Portugal. These statements were essential for facilitating matches held at Estádio da Luz for both the A and B teams in the Championship and League Cup. Additionally, I was responsible for similar financial preparations for home matches in the Portuguese Cup and the Women's Championship under the jurisdiction of the Portuguese Football Federation. These activities required strict attention to detail and a robust understanding of financial reporting standards specific to the sports sector.

Beyond financial reporting, my work also involved conducting risk analyses for potential business partners and suppliers seeking to collaborate with Benfica. To contextualize these analyses, I employed recognized frameworks such as Kaplan and Mikes' risk categorization, which considers operational, strategic, and external risks. This approach ensured a systematic evaluation of factors such as contract value, historical payment behaviors, and the existence of ongoing legal proceedings. These assessments were critical to ensuring the financial and reputational stability of the club. In this report, I will delve deeper into these processes, illustrating their significance and impact on the organization's broader objectives.

Another important aspect of my responsibilities was the reconciliation of revenue accounts with opposing clubs, a process that included direct collections and mutual settlements. To execute these tasks effectively, I utilized data analytics tools for revenue tracking and credit risk scoring methodologies to evaluate financial relationships. These tools not only facilitated accuracy but also improved efficiency in handling financial operations.

In the finance department we use advanced data analysis techniques to track revenues, using platforms such as SAS - RedBi.Benfica. This tool makes it possible to compile detailed ticket sales data, calculate net revenues and carry out pre- and post-tax revenue analysis, ensuring compliance with the transparency standards demanded by bodies such as Liga Portugal.

For partner selection and risk management, credit risk analysis methodology is applied, using tools such as Iberinform's Insight View. This system makes it possible to assess the financial health, legal compliance and operational integrity of candidate companies. In this software we can put, for example, data from profit and loss accounts and the number of legal proceedings, which is then provided with risk scores that guide the choice of partners with low-risk profiles, protecting those who make these decisions.

The purpose of this report is to provide a comprehensive account of my internship at Sport Lisboa e Benfica, highlighting the multifaceted nature of financial management in a major sports institution. Furthermore, I will draw comparisons with practices in other prominent clubs to contextualize Benfica's operations within the broader sports industry. By introducing preliminary examples and contrasting methodologies, this analysis aims to underscore the importance of financial sharpness in supporting the success and sustainability of a globally recognized football club.

1.2 GOALS AND OBJECTIVES

Effective risk analysis, defined by the ability to benchmark specific risk management KPIs against those of leading European clubs, along with proactive risk management practices, is essential for ensuring the sustainability and success of any sports organization. In the context of football, clubs like Sport Lisboa e Benfica face a variety of risks that can significantly impact their performance and reputation. I will relate the various functions of my work to some of the topics I covered in this master's program, as well as demonstrate how my activities can contribute to identifying, assessing, and mitigating risks within the organization.

The purpose of this study is to evaluate and analyze key financial and operational metrics associated with the performance and management of SL Benfica's stadium events, as well as the financial health and risk factors of potential business partners. By dissecting attendance rates, cost structures, and revenue generation from stadium events, and by conducting detailed assessments of partner companies' financial profiles, this research seeks to provide a comprehensive framework for informed decision-making.

1.3 STUDY RELEVANCE AND IMPORTANCE

Risk management in sports organizations, particularly at Sport Lisboa e Benfica, is crucial for ensuring the safety of athletes, staff, and spectators and protecting the club's financial assets and reputation. Through this investigation, I aim to identify the best management practices in the financial sector, where I work as an analyst. This study will analyze the various revenue streams from football matches within Benfica's SAD and the different contracts and partnerships between Sport Lisboa e Benfica and other companies, particularly in the commercial area.

Management methods vary between companies and clubs, making it essential to conduct a comparative analysis with data from various entities to achieve a more comprehensive study and reach a more reliable conclusion.

This practice not only ensures compliance with transparency and regulatory requirements, but also strengthens Benfica's credibility with Liga Portugal and other stakeholders. In addition, the club must comply with UEFA's Financial Fair Play rules, which aim to ensure that clubs do not spend more than their income, promoting the financial sustainability of European football.

Given the significant relevance of this topic in the current context of professional sports, and specifically for a large scale and impactful organization like Sport Lisboa e Benfica, risk management has become essential to ensure the sustainability and competitiveness of sports

clubs. These clubs face market uncertainties and pressure for financial, reputational, and performance.

In this context, my work at Sport Lisboa e Benfica focuses on two fundamental risk management processes:

Preparation of financial statements for each home game and reporting to Liga Portugal/FPF: This process aims to ensure precise and transparent monitoring of financial data associated with each event, such as ticket revenue, operational expenses, and other sources of income and related costs. This practice is essential for regulatory compliance and transparency, strengthening Benfica's credibility with Liga Portugal and stakeholders.

Risk analysis in the context of business partnerships with Sport Lisboa e Benfica: This analysis aims to assess the viability and security of collaborations, protecting the club's reputation and financial stability. When evaluating companies interested in sponsorship contracts, commercial partnerships, or other forms of collaboration, Benfica must identify potential financial, legal, and reputational risks that could affect its image and sustainability.

2. LITERATURE REVIEW

2.1. WHAT IS RISK MANAGEMENT AND HOW COULD WE APPLY IT IN SPORTS?

As we learned in our course, there are many ways to consider risk. Risk concerns the deviation of one or more future event results from their expected value. Technically, the value of those results may be positive or negative. Risk involves a complex and interconnected web of factors that must be carefully considered and managed to minimize the likelihood and impact of adverse events.

Risk management is defined as the systematic process of identifying, analyzing, and responding to potential uncertainties that may positively or negatively impact organizational objectives. The COSO ERM Framework (2017) emphasizes that risk management is embedded within the culture, strategy, and operations of an organization, aiming to balance risk and reward while achieving value creation. As COSO notes:

"Enterprise risk management is not a function or department, but rather the culture, capabilities, and practices integrated with strategy-setting and across the organization to manage risk in creating, preserving, and realizing value" (COSO, 2017).

ISO 31000 complements this by offering a structured approach to risk management, emphasizing the integration of risk considerations into decision-making processes. It defines risk as "the effect of uncertainty on objectives," highlighting the importance of proactive risk identification and mitigation strategies to align organizational goals with its risk appetite (ISO, 2018).

The framework emphasizes the importance of understanding risk appetite—the level of risk the organization is willing to take—ensuring decisions align with both the organization's goals and its tolerance for uncertainty (Rittenberg & Martens, 2012).

In sports, risk management is particularly relevant given the sector's exposure to diverse and high-stakes risks, ranging from financial instability and operational challenges to compliance and reputational issues. Applying risk management principles in this context allows organizations to systematically address uncertainties. For instance, strategic risks in sports, such as major investments in facilities or high-value players, align with Kaplan and Mikes's (2012) categorization of risks that are intentionally taken to achieve significant returns. These risks, while essential, must be closely aligned with organizational strategy and carefully managed to avoid unintended consequences (Arena et al., 2010).

Operational risks, such as player injuries, event disruptions, or logistical failures, are another critical area. Frameworks like COSO ERM (2017) and ISO 31000 (2018) offer structured approaches to manage these risks by systematically identifying potential challenges, evaluating their likelihood and impact, and implementing effective controls (ISO, 2018).

Financial risks, often driven by revenue uncertainties from ticket sales or sponsorships, require scenario planning and other predictive measures to ensure organizational resilience (Gates, 2006).

Compliance and reputational risks in sports also demand careful attention. The sector is subject to strict regulations, from anti-doping rules to ethical standards. Effective risk management processes safeguard the integrity and reputation of sports organizations by ensuring adherence to these guidelines. Additionally, as technology continues to evolve, new risks, such as cybersecurity threats or data breaches, further highlight the need for adaptive and forward-looking risk management strategies (Arena et al., 2010; Rittenberg & Martens, 2012).

Despite its importance, integrating risk management into strategic and operational processes remains challenging for many organizations. Research points to difficulties in defining and quantifying abstract risks, especially those of a strategic nature, which complicates their effective management (Arena et al., 2010; Gates, 2006). Moreover, embedding risk management into an organization's culture often requires a shift in mindset and commitment across all levels of the organization (Rittenberg & Martens, 2012).

Frameworks like COSO ERM (2017) and ISO 31000 (2018) provide a foundation for overcoming these challenges. COSO emphasizes the interconnectedness of risk factors, integrating different risk categories into a cohesive and holistic management system. Similarly, ISO 31000 highlights the importance of a multidimensional approach, where risks are understood and managed in relation to their broader organizational and environmental contexts (ISO, 2018). Together, these frameworks equip organizations with the tools to build resilience, make informed decisions, and sustain long-term success.

Risk management is not just a protective measure but also a strategic enabler, offering organizations—whether in business or sports—the ability to navigate uncertainties and leverage opportunities effectively. With its structured approaches and focus on integration, it helps ensure that risks are addressed comprehensively and in alignment with an organization's strategic vision (COSO, 2017; Kaplan & Mikes, 2012).

As Arena et al. (2010) conclude, “The choice of framework depends on the maturity of the organization's risk management processes and the level of integration sought with its strategic and operational activities.” Both frameworks contribute significantly to a well-rounded risk management practice and can be leveraged together for maximum benefit.

“A successful risk assessment program must meet legal, contractual, internal, social, and ethical goals, as well as monitor new technology-related regulations. By focusing attention on risk and committing the necessary resources to control and mitigate risk, a business protects itself from uncertainty, reduces costs, and increases the likelihood of business continuity and success.” (Arvind Krishna, 2021)

2.1.1. SPORTS INDUSTRY

Sports play a significant role in the ethical, aesthetic, cultural, and, above all, economic realms worldwide. However, its perception, regulation, and understanding as an industry vary widely across different geographic and cultural contexts. According to Carvalho (2009), professional sport is defined as “a sporting activity that integrates a professional competition recognized by the State, in which specific organizations and professional sports practitioners participate, whose organization and regulation belong to a specific organization.” This definition is based on four structural elements that shape professional sports in Portugal, like sports companies that organize and sustain sports practice, professional sports practitioners, professional club leagues, and competitions officially recognized as professional.

The understanding of the sports industry in Europe is intrinsically influenced by the European model of sport, which, in turn, presents great structural and organizational complexity. Some authors consider it unrealistic to define a single European sports model due to the diversity of structures and practices among countries, especially when compared to the North American model. The latter is broadly characterized by differences associated with the political, organizational, and managerial context (Carvalho & Ribeiro, 2019).

Regardless of the perspective adopted, it is undeniable that, globally, sport has grown significantly in recent decades, particularly in financial terms. In the specific case of men's football, even during the COVID-19 pandemic, revenues in the European market increased by 10%, reaching €27.6 billion, according to Deloitte's Annual Review of Football Finance 2022. This exponential growth reflects the different strategies adopted by sports clubs. On one hand, some clubs invest heavily in player signings and high salaries to achieve top sporting results (such as Real Madrid). On the other hand, clubs such as Sport Lisboa e Benfica excel in developing and negotiating talent, a fundamental strategy for ensuring their financial stability.

It is precisely in this context that UEFA regulations, such as UEFA Financial Fair Play, emerge to curb excessive spending by some clubs and promote a more equitable financial environment. “UEFA Financial Fair Play regulations were established to encourage clubs to operate within their revenues, promote financial discipline, and avoid excessive risk-taking. The aim is to ensure the long-term viability and equitable competitiveness of European football clubs” (UEFA, 2018). For organizations like Benfica, which balance sporting performance with economic sustainability, adhering to these regulations involves careful risk assessment, particularly when engaging with potential partners and service providers. This approach not only aligns with UEFA's goals but also protects the club's financial health and reputation. UEFA (2018). *UEFA Financial Fair Play regulations: Promoting financial discipline in European football.*

Additionally, it is important to consider that major sporting events, such as the Olympic Games and FIFA World Cups, represent another facet of the economic and political dimensions of

sport. These events transform not only the clubs and athletes involved but also the host cities and countries. Although initial investments are generally driven by local governments, public and private funding is crucial in building and modernizing infrastructure to host the event (Carvalho & Ribeiro, 2019). The legacy of these events is often measured by their economic, political, and social impact on host communities, as seen with the 2022 World Cup in Qatar, which elevated the country's global profile, highlighting its economic and geopolitical relevance.

In the specific context of financial management at Sport Lisboa e Benfica, this scenario highlights the need for a robust approach to risk analysis. The selection of reliable business partners, the sustainability of contracts, and the mitigation of financial and reputational risks are critical factors for the club's success, especially in a sector characterized by significant investments and constant challenges.

Although 2024 is marked by uncertainty, it will also present numerous opportunities. As the global population continues to grow and more people adopt healthier and more active lifestyles, brands, retailers, and manufacturers have the chance to expand. However, this potential must be contrasted with the ongoing political and economic unpredictability, which is evident in almost every region of the world (Alexander Thiel, partner at McKinsey & Company, 2024).

2.1.2 FOOTBALL BUSINESS

Broadcasted all over the world and played globally, Football can take on various interpretations. Starting in Brazil, where it is recognized for the beauty of how Brazilians play the sport, earning worldwide notoriety as the 'Country of Football', moving to Italy, where there is a culture of 'Catenaccio' that values defensive play, or to Germany, where tactical discipline among players is recognized (Rocco & Moraes, 2019). The business of Football is a global industry that moves millions of euros annually, with a passionate global fan community. Thus, there are various stakeholders involved that drive both the popularity of the sport and the business it generates.

However, the fame and success that this sport has gained was not by chance. In fact, the business and commercial side of football began to take on proportions that are still questioned today. It all started in the early 20th century with the development of communication channels and the entry of new sponsors. However, it was in the 1970s, with the World Cup in Mexico, that profound changes began to be noticed in football, marking the initiation of a process of professionalization and commercialization. For the first time, live color broadcasts of matches were introduced, which led to a significant increase in public interest worldwide, as well as a growing number of television stations and sponsors, becoming increasingly profitable on a global scale (Rocco & Moraes, 2019). In 1930, FIFA's main earnings came from ticket sales and membership fees from associations, which represented 85% of its income.

Today, in the 21st century, these earnings account for only 1%. Between 2007 and 2010, FIFA managed to generate approximately 4 billion euros, with the 2010 World Cup alone accounting for 2.272 billion euros in TV broadcasting rights and another 1 billion euros in marketing rights (Cornelissen, 2010; Hoye et al., 2015).

With the globalization of football, the interest from broadcasters worldwide in broadcasting matches from FIFA-organized competitions has grown, resulting in a substantial increase in the value of television rights, as well as a rise in investments from other companies in competitions bearing the FIFA brand (Rocco & Moraes, 2019). As the sport has become more internationalized, clubs have also identified a unique opportunity to gain global recognition, attracting more fans, sponsors, and, above all, profits. In the case of Real Madrid, its growth is directly tied to the arrival of current president Florentino Pérez at the club at the start of this century. The strategy used by Pérez to transform the club into a global entertainment media industry is based on three key pillars: (1) sports strategy, aiming to sign the best players in the world who can adapt to the club's identity and generate both media and commercial impact (e.g., Figo, Zidane, Cristiano Ronaldo) (Kase et al., 2006); (2) social strategy, through the famous 'madridismo' and the associated winning mentality and history of achievements (Kase et al., 2007); (3) marketing strategy, which aims to turn fans into customers of the club by enhancing and leveraging the brand (Mandis, 2016). Another more recent model of internationalization is the formation of international holdings specializing in business and enterprises (Rabasso et al., 2015). This model involves the acquisition and control of a sports organization or company from one country by an organization based in another. The controlling company then promotes the transfer of resources and addresses the financial difficulties that the acquired organization once faced, creating jobs, improving facilities, and increasing both the quantity and quality of capital (Dickson & Santos, 2017), as seen in the famous case of the Austrian energy drink company Red Bull, which owns two ice hockey teams (Red Bull Salzburg and Red Bull Munich), an eSports team (Red Bull), two Formula 1 teams (Red Bull Racing and Scuderia Toro Rosso), a NASCAR team (Red Bull Racing Team), five football teams (Red Bull Salzburg, New York Red Bull, Red Bull Bragantino, Red Bull Leipzig, and Red Bull Ghana), as well as various athletes. The goal of this globalization by clubs and sports brands is to gain recognition in every corner of the world, enter diverse markets, and build a global fanbase. The Champions League final also plays a crucial role in making football a multimillion-dollar industry. Analyzing the 2014 final between Real Madrid and Atlético de Madrid held in Lisbon, we observe a staggering economic impact, with an estimated 409.8 million euros. The prizes were: 29.5 million euros for the winning club; 21 million euros for the losing club; 46.3 million euros for the city of Lisbon; 154 million euros for the Spanish market; and 159 million euros for the global market.

2.1.3 ABOUT SPORT LISBOA E BENFICA

Sport Lisboa e Benfica is identified as a private legal entity, established in the form of a non-profit association, with the primary goal of promoting and practicing sports. This framework is established in Article 26, Section III, titled "Clubs and Sports Societies," of the 2007 Basic Law on Physical Activity and Sports. Also defines "Sports Clubs" as non-profit associations dedicated to sports practice and promotion.

However, for the club to be subject to the special management regime as stipulated by legislation, it is required to operate as a profit-oriented entity, as stated in paragraph 2 of the same article. Due to its participation in high-level sports competitions, organization of sporting events, and development of activities related to professionalized sports, Sport Lisboa e Benfica is also established as a Sports Corporation (*Sociedade Anónima Desportiva - SAD*). This transformation is in line with Article 27 of the same Law, which defines sports societies as entities intended for the professional practice of sports and with business objectives.



Figure 1 - SLB's composition

Furthermore, Portuguese legislation outlines the responsibilities and obligations of sports agents, which are fundamental to the financial and institutional context of the club. Sports agents are defined as individuals or companies duly regulated that provide services representing athletes, coaches, or other sports participants. They are subject to a strict legal framework that requires the protection of the personal and professional data of their clients, prohibits the representation of minors, and regulates transparency practices. These provisions are detailed in Article 37, Chapter IV, Section II, titled "Sports Agents," of the same Law.

"At Benfica, it's something else, more connected to feeling, to the people, to passion. It comes from the roots, it's genuine. The fans managed to transmit exactly what's in their soul." — Javier Saviola, former player of Sport Lisboa e Benfica.

Sport Lisboa e Benfica has a rich history of national and international achievements mere sports results. Since its founding in 1904, Benfica has been more than just a sports club: it is a cultural and social symbol deeply rooted in the lives of the Portuguese people. In a period when the country faced numerous challenges, the club became an escape for the population, representing an ideal of overcoming and unity.

Its connection with the fans goes beyond sport, establishing itself as a sociocultural phenomenon. This relationship is evidenced by its large fanbase, which includes millions of supporters worldwide. According to Pereira (2020), Benfica is the second-largest club in the world in terms of membership, illustrating its grandeur and global impact.

This institutional magnitude is also reflected in its financial dimension and the challenges associated with risk management. Balancing sporting aspirations with responsible financial management is crucial to ensuring long-term sustainability. Benfica, as one of the largest clubs in the world, faces a scenario in which strategic decisions must be made based on rigorous risk analysis, both in terms of its financial operations and in the choice of business partnerships and sports investments.

In this internship report, I intend to highlight the importance of Sport Lisboa e Benfica, more specifically the financial department, both in the national and international sports panorama and in the business world, its organizational structure, and its contribution to sports and society, reflecting the values and vision of the club.

2.1.4 RISKS IN SPORTS ORGANIZATIONS

Risks introduce uncertainty for sports organizations. Categorizing different types of risks can clarify which parts of your operations might be impacted and assist in developing strategies to manage these risks effectively. "All risks should be understood in the context of the organization and of the sector. In other words, while many of the risks above are common to many different organizations, you should understand the specific context in which your sport operates to fully understand the risks it faces and how to manage them." (2022, Mora-Spencer)

Risks introduce uncertainty into the operations of sports organizations, affecting their ability to achieve strategic objectives. Identifying and categorizing risks is crucial, as it allows for an understanding of the most vulnerable areas of the organization and the development of strategies to mitigate adverse impacts. Mora-Spencer (2022) states: "All risks must be understood in the context of the organization and the sector. In other words, while many risks are common to various organizations, it is essential to understand the specific context in which the sport operates to fully assess the risks and how to manage them."

In the specific case of Sport Lisboa e Benfica, the financial report for the 2023/2024 season identifies several risks that directly impact the club's financial and operational sustainability. These can be classified into four main categories:

1. Financial Risks

Financial risks are one of the biggest challenges for sports organizations, and Sport Lisboa e Benfica is no exception. The club's significant reliance on variable revenues, such as ticket sales, broadcasting rights, and player transfers, exposes it to financial fluctuations. According to the 2023/2024 financial report, 45% of operational revenue comes from broadcasting rights and European competitions. Therefore, sporting failure, such as not qualifying for prestigious tournaments like the UEFA Champions League, could result in a severe financial impact.

Furthermore, Benfica's approach, which focuses on developing and selling talent, carries an inherent risk. Although this strategy has generated significant revenue in recent years, including record player transfers to European clubs, there is a high dependency on this capital flow. The financial report emphasizes the need to balance the reliance on sales with other stable and diversified revenue sources.

2. Operational Risks

Operational risks include factors that can disrupt the daily operations of the club, such as inadequate infrastructure management or logistical failures during sports events. The Estádio da Luz, one of the main revenue sources, requires continuous investments in maintenance and security, as identified in the report. Unexpected events, such as adverse weather

conditions or technical issues, can directly affect the revenue generated from matches and events held at the stadium.

3. Reputational Risks

Reputation is an intangible but critical asset for Sport Lisboa e Benfica. Sports scandals, ethical failures, or poor management practices can have a lasting negative impact. The 2023/2024 financial report emphasized the importance of complying with UEFA regulations, including Financial Fair Play, to maintain the integrity of the brand and the trust of fans, sponsors, and investors.

4. Regulatory and Compliance Risks

Sports organizations are subject to strict regulations at both the national and international levels. In the case of Benfica, compliance with Financial Fair Play and Portuguese sports legislation is essential to avoid penalties, which can range from fines to disqualification from competitions. The report also highlights the importance of a robust internal control system to ensure fiscal and legal compliance.

2.1.5 MANAGEMENT STRATEGIES OF SPORTS CLUBS IN PORTUGAL AND EUROPE

The management of sports clubs has evolved significantly, driven by the growing professionalization of the sector and the complex financial, operational, and social challenges faced by sports organizations. In the European context, the adoption of effective management strategies is essential to achieve sustainability and competitiveness. This section analyzes the main strategies implemented by sports clubs in Portugal and Europe, contextualizing them with contributions from academic literature.

Modern sports management requires a multidimensional approach that integrates financial, sporting, and organizational aspects (Smith & Stewart, 2010). According to Shilbury et al. (2020), financial sustainability and fan engagement are critical factors for the success of clubs. Furthermore, the literature highlights the importance of corporate governance in sport, with authors such as Hoyer et al. (2015) arguing that transparency and integrity are fundamental pillars for risk management and stakeholder trust.

In the European context, Healy and McDonagh (2021) explored the impact of UEFA's Financial Fair Play on the economic stability of clubs, concluding that the regulation contributed to a significant reduction in excessive debt practices, although it has generated inequalities between clubs with different financial capacities. On the other hand, works by Mora-Spencer (2022) emphasize the need for sports clubs to adapt their strategies to local specificities, such as the economic constraints in smaller leagues compared to the major football powers in Europe. - Based on this, several key risk management strategies emerge.

Financial sustainability is one of the central concerns in sports management. In Portugal, many clubs have adopted the Stepping Stone model, in which talent development is used to generate revenue through player sales. Sport Lisboa e Benfica is often cited as a success story, having profited significantly from transfers of athletes to top European clubs (SL Benfica Financial Report, 2023/2024). While the Stepping Stone model is effective in smaller league contexts (Carter, 2018), it carries risks associated with reliance on fluctuating transfer markets.

In contrast, European clubs such as Real Madrid and Bayern Munich adopt models based on revenue diversification, combining sources such as ticket sales, merchandising, broadcasting rights, and commercial partnerships, creating a more resilient structure to economic shocks (Shilbury et al., 2020). Benfica's financial strategy, while benefiting from player sales, also incorporates these diverse revenue streams, aligning with broader European trends.

Investment in infrastructure and technology is a strategic pillar for the modernization of sports clubs. Studies by Hoye et al. (2015) highlight that modern infrastructures not only attract fans but also enhance the game experience and contribute to sports performance.

Benfica has invested in the modernization of the Estádio da Luz and the Seixal training center, creating conditions for the training and development of athletes. In parallel, clubs like Manchester City have implemented data analysis technologies that maximize operational efficiency and sports performance, following the recommendations of Smith and Stewart (2010) regarding the use of technology as a competitive advantage.

Internationalization is another strategy commonly adopted by sports clubs, especially in Europe. According to Carter (2018), clubs that expand their presence in international markets benefit from increased revenues and a stronger brand.

Sport Lisboa e Benfica has used international academies and strategic partnerships to strengthen its presence in markets such as Asia and South America. Clubs like Barcelona and Manchester United go further by organizing global tours and developing personalized content for fans in different regions (Mora-Spencer, 2022).

Corporate governance is a central element for the sustainability of sports clubs. Studies by Healy and McDonagh (2021) emphasize that transparency in financial decisions and adherence to regulations, such as UEFA's Financial Fair Play, are essential to avoid reputational and financial crises.

Benfica has implemented robust governance mechanisms, including internal control systems to ensure compliance with regulations and minimize operational risks. This approach is aligned with best practices recommended by the literature, which highlights the importance of integrity policies and clear communication with key stakeholders (Shilbury et al., 2020).

Fan engagement is a critical factor for the success of clubs, both financially and reputationally. According to Hoye et al. (2015), fans are the foundation upon which clubs build their identity and stability.

Benfica, with one of the largest fan bases in the world, continuously invests in strategies to deepen the emotional connection with its fans, such as the Benfica Play program and membership expansion campaigns. These efforts align with best practices highlighted by Mora-Spencer (2022), who suggests that using digital platforms to personalize the fan experience can significantly increase loyalty and engagement.

Benfica, like many top European clubs, relies heavily on diverse revenue streams, with matchday revenues, broadcasting rights, and sponsorships playing a key role in their financial strategies. According to Deloitte's *Football Money League*, Benfica ranked 13th in terms of revenue, with total income of approximately €24.85 million for the 2022–23 season. While this places them among the top clubs in Europe, their revenue is still below financial powerhouses like Real Madrid, Barcelona, and Manchester United.

A key area where Benfica aligns with leading European clubs is in generating substantial matchday revenues. Clubs such as Manchester United and Liverpool, also featured prominently in the *Football Money League*, generate over €100 million annually from matchday activities, underscoring the importance of such income for financial sustainability.

Benfica's financial reporting and transparency are comparable to the best practices in Europe. Like clubs in the Premier League and La Liga, Benfica is required to provide detailed financial reports, covering revenues from matchdays, broadcasting, and commercial activities. This transparency, combined with adherence to UEFA's FFP regulations, ensures that the club operates within its financial means, contributing to long-term sustainability and competitiveness.

Thus, Benfica's management strategies—focused on maximizing revenue from matchdays, broadcasting, and sponsorships—are in line with those of many top European clubs. Their emphasis on financial transparency and adherence to FFP guidelines further reinforces their strategic alignment with broader trends in European football finance. *Football Money League* report by Deloitte.

The management strategies of sports clubs in Portugal and Europe demonstrate the crucial balance between financial, sporting, and social objectives. The literature underscores that a well-rounded approach, tailored to each club's unique context, is vital to mitigate risks and ensure long-term success. The example of Sport Lisboa e Benfica showcases how innovative business models, strong governance, and a deep connection with its fans have created a solid foundation, positioning the club to thrive amidst the challenges of an ever-changing industry.

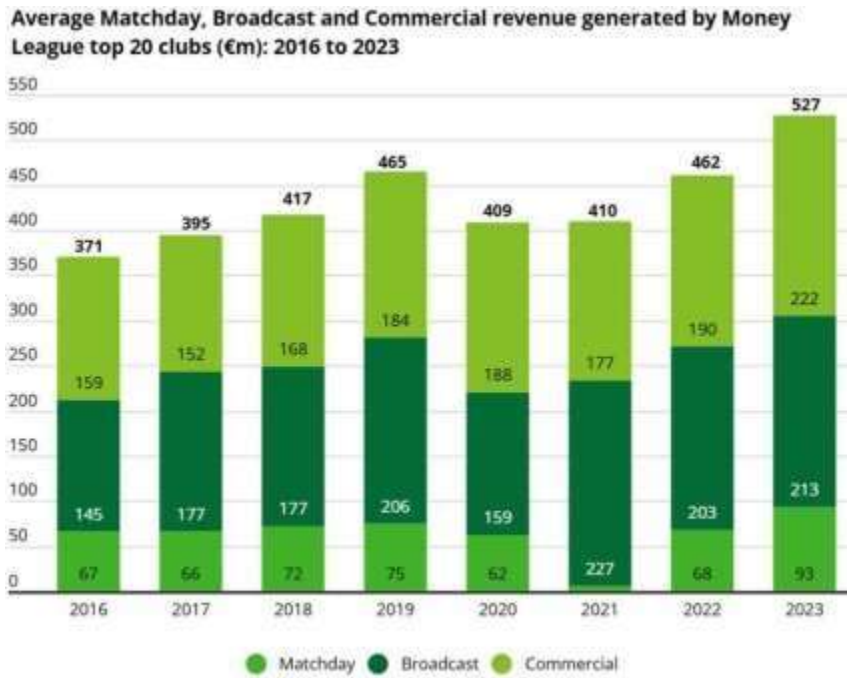
2.2 BENCHMARKING ANALYSIS ON CLUBS REVENUE

In the complex world of professional football, managing financial risks effectively is crucial for clubs to stay financially stable and competitive. Benchmarking analysis has become a key tool for understanding how well clubs are handling these financial risks by allowing them to compare their own strategies and results against those of the top performers in the industry.

With benchmarking, clubs can get a clear view of where they stand on important financial practices, like diversifying income sources, keeping costs in check, and managing debt. This means analyzing income from major sources like broadcasting rights, ticket sales, and sponsorship deals—all of which can be highly unpredictable. For example, clubs can face huge financial challenges if there's a sudden drop in ticket sales or if a global crisis, like the COVID-19 pandemic, limits their income.

Insights from organizations like Deloitte's Football Money League and UEFA financial reports give clubs valuable examples and data on financial strategies and risk management used by industry leaders. For top-tier clubs, benchmarking can show how they compare to similar organizations, while smaller clubs can use it to improve their own financial practices, making them less vulnerable in an unpredictable industry. This type of analysis is increasingly important for clubs to adapt and plan for sustainable growth, even in a highly variable market.

“Deloitte Football Money League, an annual profile of the highest revenue generating clubs in world football. The publication remains the industry's most reliable independent analysis of the top earning clubs and, for the first time, reports that the cumulative revenue of Money League clubs surpasses €10bn.”



Source: Deloitte Football Money League

Figure 2 - Average Matchday, top 20 clubs: 2016 to 2023; Deloitte Football Money League, 2024

Figure 1 shows the evolution of average revenues for the top 20 clubs in the Deloitte Football Money League from 2016 to 2023, divided into matchday, broadcast, and commercial revenues. Total revenues increased from €371 million in 2016 to €527 million in 2023, reflecting steady growth, particularly in commercial and broadcast revenue streams. During the pandemic, matchday revenues dropped significantly, falling from €159 million in 2019 to €62 million in 2020 and 2021, due to limited stadium attendance. However, these revenues recovered in 2022 and 2023, reaching €93 million in 2023. Broadcast revenues remained relatively stable, proving to be a reliable income source during the pandemic, while commercial revenues grew consistently, becoming the largest portion of total revenue in 2023 at €222 million. The chart highlights the clubs' ability to adapt by boosting commercial revenues while gradually recovering matchday income post-pandemic.

2.2.1 CLUB ANALYSIS

The following clubs are the ones in the top 20 that we are referring to.



Figure 3 - Top 20 Football clubs ranked by their revenue: Deloitte Football Money League, 2024

This image shows a list of the top 20 football clubs ranked by their revenue, as measured by Deloitte in what is often called the Deloitte Football Money League. This ranking is usually released annually, providing insight into which clubs generated the highest income over the previous financial year. The figures beside each club indicate their total revenue in millions of euros (€), likely from various sources like matchday sales, broadcasting rights, sponsorships, and commercial deals.

Benfica ranks in 22nd position with €233.4 million, being the Portuguese club with the highest revenue every year, at least since the last decade. According to what I could gather, Benfica has been showing a continuous improvement in its revenue since 2015, following the general trend in the graph in Figure 1. It is the most likely Portuguese club to appear in the Deloitte ranking, especially when the club qualifies for the group stage or advances in European competitions like the Champions League.

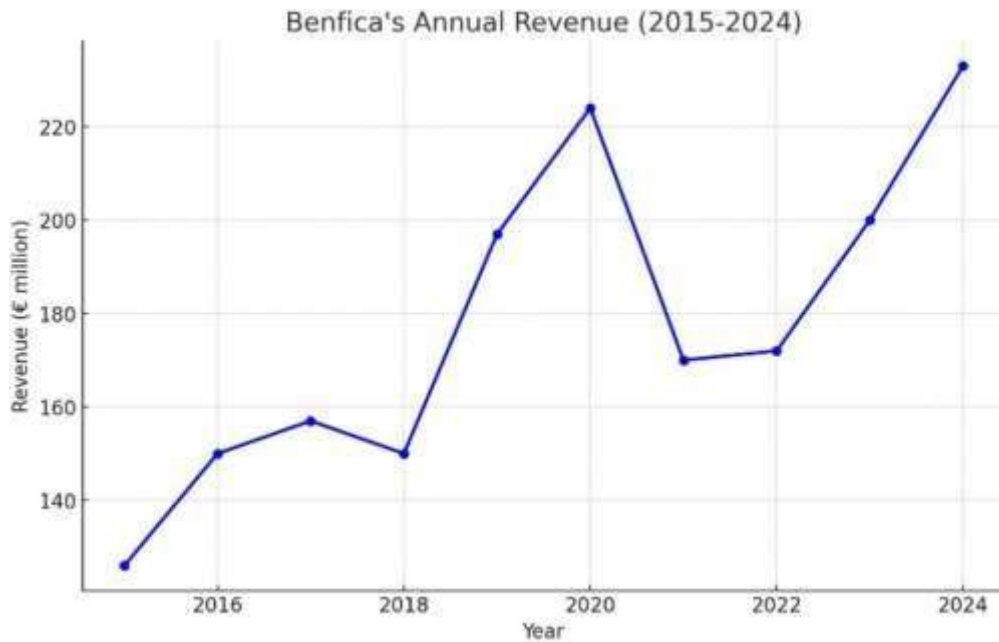


Figure 4 - Benfica's Annual Revenue (2015-2024)

The graph shows the evolution of Benfica's annual revenues from 2015 to 2024. There is a gradual growth until 2019, followed by fluctuations influenced by sports performance and external events, particularly the COVID-19 pandemic.

From 2015 to 2019, Benfica experienced steady revenue growth, rising from approximately €126 million to around €197 million in 2019. This increase was attributed to a strong European campaign, success in domestic competitions, and solid commercial strategies, such as sponsorship deals and broadcasting rights.

In 2020, Benfica reached its highest revenue during this period, with about €224 million. This peak reflects strong performance and a stable normal economic situation before the effects of the pandemic.

However, in 2021, the club's revenue sharply dropped to around €170 million, a direct result of the COVID-19 restrictions. The absence of fans in stadiums and a decrease in matchday and commercial revenue significantly affected European clubs, including Benfica. The slow recovery is evident in 2022, with a slight increase to €172 million.

From 2023 onwards, a more solid recovery is seen, with revenues rising to €200 million, and in 2024, Benfica reaches a record again of approximately €233 million. This recent growth can be attributed to the return of fans to stadiums, stronger performances in European competitions, and new revenue opportunities like sponsorship contracts.

This constant revenue increase demonstrates the club's resilience and the importance of remaining competitive in international competitions to strengthen its financial position.

This study, when contrasted with the chart in Figure 1, shows that the economic situation in Europe and worldwide has a greater impact than sporting success. Therefore, it is essential to adopt balanced risk management to prevent any potential events that could undermine the club's stability.

To further develop this study, I used the values presented in Figure 2 and combined them with those in Figure 3 to calculate the correlation coefficient between the Average Matchday Revenue of the top 20 clubs and Benfica's revenue from 2016 to 2023.

As shown in the table below:

Average Revenue		
Year	Top 20	Benfica
2016	371	137
2017	395	160
2018	417	178
2019	465	197
2020	409	224
2021	410	170
2022	452	172
2023	527	200

Table 1 - Average Revenue (2016-2023)

To calculate the correlation, I used the "CORREL" function in Excel, where I selected the "Top 20" column and the "Benfica" column. The result was as follows:

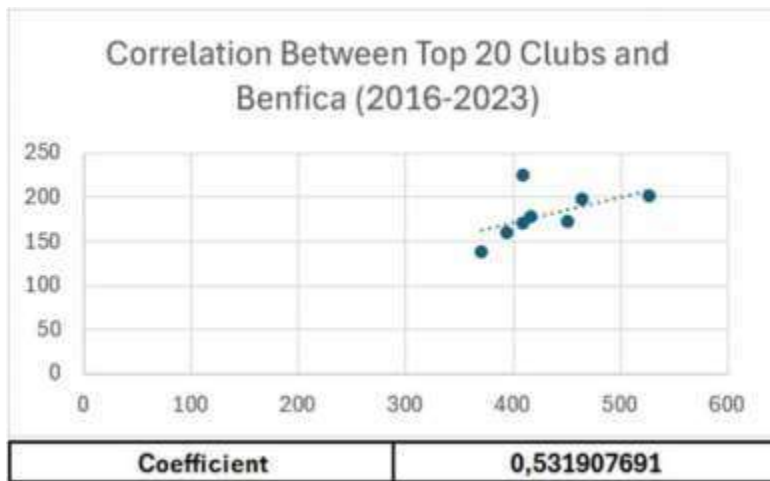


Figure 5 - Correlation between Top 20 Clubs and Benfica (2016-2023)

A correlation coefficient of 0,53 was obtained, indicating a moderate positive correlation between Benfica's revenue and the average revenue of the top 20 European clubs. This indicates that, overall, when the revenues of these clubs increase, Benfica's revenue also tends to grow, although not proportionally or strongly.

This coefficient suggests that Benfica is dependent on European market trends. It may indicate that factors affecting the revenue of top European clubs, such as broadcasting rights, sponsorships, and matchday revenues, also impact Benfica, albeit to a lesser extent. Benfica may be in a position where, even as it grows, its revenue does not keep pace with the top 20 clubs' revenue growth. This reflects challenges in terms of financial competitiveness, particularly when compared to clubs from major leagues such as the Premier League, La Liga, and Bundesliga.

Although there is some relationship with the revenue trends of top European clubs, a considerable gap still needs to be closed to increase financial competitiveness. The club needs to understand the factors driving these revenues and explore ways to leverage its growth in a competitive market.

2.3 FINANCIAL MAPS FOR LIGA PORTUGAL

The financial maps required for Portuguese football clubs serve as essential tools for ensuring transparency, promoting sustainability, and fostering competitiveness in the league. By mandating the disclosure of detailed financial data, these maps align with broader objectives of fairness and accountability in the sport. UEFA's Financial Fair Play (FFP) regulations highlight the necessity for clubs to operate within their financial means, and financial maps play a vital role in monitoring and ensuring compliance (UEFA, 2018). Such measures are not only a step

toward financial discipline but also aim to maintain equitable competition by preventing excessive spending disparities among clubs.

For Portuguese clubs, financial maps also offer an opportunity for performance benchmarking, allowing them to compare their financial operations with competitors. This comparative analysis supports efforts to optimize revenue streams, manage costs effectively, and improve operational efficiency. Smith and Stewart (2015) argue that financial benchmarking is a critical aspect of sustaining competitive advantage, particularly in professional sports where market dynamics evolve rapidly.

Moreover, the insights derived from financial maps facilitate strategic decision-making. Detailed knowledge of a club's revenues, expenses, debts, and investment potential helps shape decisions on key matters such as player acquisitions, stadium development, or sponsorship agreements. Deloitte's Annual Football Money League consistently underscores the role of financial data in guiding clubs toward improved commercial and on-field success (Deloitte, 2023).

Sustainability remains a core concern in the Portuguese league, particularly given the financial vulnerabilities some clubs face. Financial maps address this by highlighting risks like over-dependence on specific revenue streams or unsustainable expenditure patterns, such as high wage-to-revenue ratios. Lago, Simmons, and Szymanski (2006) emphasize that ensuring financial sustainability is essential for maintaining the integrity of football leagues and preserving their competitive balance.

In addition, clear and transparent financial maps enhance a club's appeal to potential investors and sponsors by offering a clear picture of financial health and growth opportunities. Müller, Lammert, and Hovemann (2012) suggest that transparency in financial reporting is crucial for building trust and securing long-term partnerships.

In the context of Portuguese regulations, Article 100 of the Regulamento das Competições explicitly outlines the role of financial maps in overseeing the economic viability of clubs. This aligns with national and international standards, including UEFA's guidelines, reinforcing a framework of accountability and governance that is crucial for the league's reputation. Governance literature, such as the work by Hamil and Walters (2010), further highlights the importance of integrating regulatory compliance with operational transparency to foster trust among stakeholders.

In essence, financial maps are not merely administrative requirements but strategic tools that support Portuguese football's alignment with international best practices. They strengthen governance, promote sustainable growth, and ensure that clubs are equipped to navigate financial challenges while enhancing the league's overall integrity and competitiveness.

Many European football leagues, including the Premier League, have implemented financial controls and regulations to ensure transparency and financial responsibility, much like those seen in the Liga Portugal. In particular, the Premier League monitors matchday revenues as part of its broader financial regulations. In addition to the UEFA Financial Fair Play regulations, clubs in the Premier League are required to submit detailed financial reports regularly. These include matchday revenues, which encompass ticket sales, hospitality, and other game-day related income. This detailed reporting helps ensure that clubs operate within their financial means, promoting sustainable growth and fair competition across the league.

In line with this, the Premier League also integrates external audits to maintain transparency. These audits examine various income sources, including matchday revenue, to provide a clearer picture of each club's financial health. As highlighted in Deloitte's Annual Review of Football Finance, the Premier League saw significant growth in matchday revenues, which rose by 14% in the 2022/23 season, reflecting the full attendance at stadiums and rising ticket prices (Deloitte United States, web page, 2024).

Moreover, these financial reporting measures are crucial not only for compliance with national and international regulations but also for driving economic impact across the UK. In the 2019/20 season alone, matchday revenues contributed £0.6 billion to the Premier League's total economic output. (Premier League Resources, web page, 2024).

These practices exemplify the importance of financial maps in ensuring the integrity and competitiveness of leagues, ensuring that clubs remain financially sustainable while also promoting fair play and transparency. The implementation of such mechanisms in Portugal, alongside the example of the Premier League, reinforces the broader trend in European football towards improved governance and financial discipline.

La Liga, like other top European football leagues, has stringent financial controls, particularly regarding matchday revenues. The league's focus is on ensuring financial stability and transparency among clubs. One of the key aspects of this oversight is the monitoring of matchday revenues, which include ticket sales, hospitality, and other stadium-related income. La Liga requires clubs to report their financial data regularly, including detailed information on matchday income, to ensure they are operating within the league's financial frameworks.

A significant feature of this control is the regulation of salary caps and financial fair play, which are designed to ensure that clubs live within their means. This includes limits on spending based on overall club revenues, which inevitably involves a close look at matchday income, as it constitutes a critical revenue stream for many clubs. Transparency is a core value for La Liga, and their regulatory efforts ensure that clubs report their financial data thoroughly, including

detailed matchday revenue reports, which are integrated into the clubs' annual financial disclosures (La Liga, web page,2024).

Through these financial controls, La Liga aims to promote not only fiscal responsibility but also a fair competitive environment for its clubs. By closely monitoring matchday revenue and incorporating it into broader financial reports, the league helps ensure that no club gains an unfair advantage by overspending relative to their actual income, including matchday earnings.

In the Bundesliga, financial sustainability is a key principle. Clubs are required to submit detailed financial reports as part of their licensing process, which includes matchday revenues from ticket sales, hospitality, and other related activities. The Deutsche Fußball Liga (DFL) also focuses on the overall financial health of clubs by monitoring these revenues closely, with an emphasis on avoiding financial overreach that could compromise long-term stability. This is in line with the DFL's broader regulatory framework, which aims to keep clubs financially responsible while promoting competitive balance (Bundesliga, web page, 2024).

Serie A aligns with UEFA's Financial Fair Play (FFP) regulations to curb financial excesses by enforcing a balance between club expenditures and revenues. This ensures that clubs do not exceed their financial capacity and helps create a more competitive and sustainable league environment.

The alignment with FFP regulations aims to prevent clubs from accumulating unsustainable debts while promoting long-term stability in the league (UEFA, 2018). Moreover, these financial controls are crucial for preventing the distortion of competition caused by clubs operating with inflated budgets. The efforts to adhere to financial sustainability standards are key to fostering a more equitable competitive balance, not only in Serie A but across European football (Müller et al., 2012).

2.4 BUSINESS RISK ANALYSIS: WHAT TO CONSIDER BEFORE A PARTNERSHIP

In today's work world, marked by unknowns and global troubles, looking at business risks before forming partnerships or hiring suppliers is a key task. Knight (1921) says risk is a sign of uncertainty, linked to not being able to fully guess what will happen next and the chance that these happenings might bring bad or unwanted results. This idea sets risk apart from just uncertainty since risk can be measured based on chances. In the business scene, this meaning is important because it shows why structured ways are needed to find, look at, and lessen risks before they show up. In business management tasks, risk checking serves as a guard against losing money legal issues work problems; and harm to one's name. According to Kaplan and Mikes (2012), risks can be categorized into three groups: preventive risks, related to internal failures; strategic risks, arising from deliberate strategic choices; and external risks, which are beyond the organization's direct control. Each category requires distinct approaches to ensure the company is prepared to handle specific challenges.

The risk analysis process, therefore, is not just reactive but also proactive. It enables companies to not only minimize adverse impacts but also identify opportunities for strategic gain in uncertain situations. For instance, when evaluating potential partners, the use of quantitative tools such as Value at Risk (VaR) or Monte Carlo simulation models can quantify the impact of different scenarios and support informed decisions. Also, frameworks like COSO ERM (Committee of Sponsoring Organizations' Enterprise Risk Management) and ISO 31000 (International Standard on Risk Management) play a pivotal role in structuring risk analysis processes. These frameworks provide comprehensive guidance for identifying, assessing, and mitigating risks while fostering a risk-aware culture (Frigo & Anderson, 2011; ISO, 2018).

In the context of sports organizations, COSO ERM has been applied to enhance decision-making by aligning risk management practices with organizational goals, ensuring financial and cultural alignment in partnerships. Similarly, ISO 31000 emphasizes creating resilient systems through a continuous and iterative risk management process tailored to the specific needs of industries, including sports (Drennan et al., 2014). Applying these frameworks can prevent disputes or contractual failures that could jeopardize long-term business objectives.

Sources such as "Corporate Risk Analysis: Assessing Companies for Safe Contracts" and Altman (1968) emphasize the importance of financial analysis as one of the fundamental pillars. Indicators such as debt-to-equity ratio, operational cash flow, and Z-score are widely recommended.

From another perspective, the work "How to Protect Your Business" underscores the importance of verifying the partner's regulatory compliance, including licenses, certifications, and litigation history. For instance, the Banking and Insurance Regulation courses reinforced these practices, promoting alignment with international standards.

Marginal cost, in the context of business risk analysis, plays a significant role in evaluating strategic partnerships and the potential implications of operational decisions (Caleb Silver, 2019). It refers to the additional cost incurred when producing one more unit of a good or service (Jones, 2018). Understanding marginal cost helps businesses assess whether scaling up operations or diversifying partnerships would be profitable or could potentially expose the company to unnecessary financial strain (Caleb Silver, 2019). In risk management, analyzing marginal cost is crucial for making informed decisions about resource allocation, ensuring that the benefits of strategic actions outweigh any additional costs that might arise (Kaplan, 2017). This understanding helps companies better anticipate the financial impact of their choices, contributing to more robust risk management strategies that align to maximize returns while maintaining resilience against economic uncertainty (Miller & Clark, 2021).

Studies such as those compiled in the “Risk Analysis Checklist” suggest using sentiment analysis tools to identify potential negative reputational impacts before they materialize. The use of quantitative models is also widely discussed in sources like “Step-by-Step Guide to Potential Business Risk Analysis.” Statistical methods, such as regression analysis and Monte Carlo simulations, can be used to forecast the impact of adverse scenarios. According to the book “Security in Partnerships,” creating contracts that include specific clauses to protect the company in adverse situations, such as penalties for non-compliance, legal safeguards, and clear agreements on the responsibilities and obligations of the parties, is crucial. For example, in strategic partnerships, confidentiality clauses and dispute resolution clauses are common to protect business interests. These concepts can be reinforced by the practical application of lessons from Financial Derivatives Management.

Business risk analysis, by integrating both quantitative and qualitative approaches, can reduce exposure to uncertainties and align actions with strategic objectives, involving four fundamental steps: identifying risks through financial audits and frameworks like COSO ERM, quantifying and prioritizing them using tools such as probability matrices and VaR calculations, developing mitigation strategies such as well-specified contracts and supplier diversification (a strategy to reduce dependence on a single partner or resource source), and implementing continuous monitoring with dashboards and Business Intelligence systems. This cycle allows for a proactive and effective approach to minimizing vulnerabilities and maximizing security in strategic decisions.

3. METHODOLOGY

3.1 INTERNSHIP DESCRIPTION AND METHODOLOGIES

3.1.1 FINANCIAL MAPS

The financial stability and effective management of resources are critical for any sports organization. Benfica's financial department plays a pivotal role in ensuring the club's financial health.

In this section, I will go through step by step what my functions are and the main activities I have developed in this company. I begin by describing the process of preparing the financial maps, which will be one of the most discussed topics in this report, not only because of its importance but also because of the involvement they have during financial activities and, in comparison, with the topics covered in the master's degree.

Intervenient

- Sport Lisboa e Benfica – SLB;
- Sport Lisboa e Benfica - Futebol SAD – SLB SAD;
- Liga Portugal;
- Federação Portuguesa de Futebol – FPF.

The two organizations that are also involved in this process: Liga Portugal and the Portuguese Football Federation. Liga Portugal aims to license, design, and produce products related to the professional sports competitions it organizes, as well as to be a vector of revenue and enhancement of the assets and products of its Sports Societies. The mission is to grow and maximize Professional Football in Portugal, aware that its responsibility goes far beyond the organization of competitions. To be known as an excellent league, it was necessary to reverse a less positive past and create conditions for self-sustainability. Based on this conviction, the League intends to enhance the real estate heritage and manage the new home of Portuguese Professional Football.

The core objective of the Portuguese Football Federation (FPF) is to oversee, invigorate, advance, and structure football across all levels and divisions. The FPF strives to guarantee the ongoing development and expansion of football throughout Portugal, encompassing all social environments and age groups. The aim is to establish Portugal as one of the most formidable nations in the global football landscape.

Based on the objectives we have outlined; Liga Portugal and the Portuguese Football Federation have decided to conduct a more succinct analysis of the clubs' revenue values when they play in their stadium for the competitions of their respective organizations. The maps are sent according to the competitions that are organized as follows:

Men's Football (Sport Lisboa e Benfica, Futebol SAD) – The map is reported to Liga Portugal when it concerns a home game for the championship, whether it's A team (1st division) or B team (2nd division). The same applies to a League Cup game. When the map is reported to the FPF, it refers to a home game of the Portuguese Cup.

Women's Football (Sport Lisboa e Benfica, Futebol SAD) – The map is reported exclusively to the FPF since both the championship and the league cup belong to this organization.

information needed for completion. This includes details such as ticket prices, the number of tickets sold, and their respective categories. Below this, the VAT Calculation (“Cálculo do IVA”) division calculates the net revenue (excluding VAT) and the corresponding tax amount, showing the total revenue both before and after tax deductions.

Next is the Effective Expenses (“Despesa Efetiva”) segment, which documents the costs associated with organizing the event. These include expenses for police presence, private security, additional personnel (such as firefighters and cleaning staff), and miscellaneous services (such as ticketing staff and service providers). These expenses are based on invoices from companies contracted for these services, adjusted according to the anticipated requirements or the risk level of the match. It is important to note that while other expenses like utilities and maintenance exist, this report focuses solely on costs directly tied to external providers and the event itself.

The Revenue (“Receita”) section summarizes the total net revenue after expenses have been deducted. Following this, the LPFP Sponsor Tickets (“Bilhetes de Patrocinadores LPFP”) part is used to record the tickets allocated to sponsors and the number of tickets that were utilized.

The Effective Attendance (“Lotação Efetiva”) division tracks the number of tickets distributed and used across various categories, such as public, members, invitations, official entities, security forces, league representatives, and promotional tickets. This table provides a complete overview of the stadium’s actual attendance figures.

Finally, the document includes a space for the club/SAD’s signature and stamp, as well as the date on which the report was prepared. This financial report is essential for managing and monitoring match events while ensuring transparency in the accounts submitted to Liga Portugal.

Having established the importance of financial reports for event control and management, as well as for complying with Liga Portugal’s transparency standards, a more detailed analysis will now be conducted using data exclusively from matches played at SLB’s stadium, to carry out a comparative study.

3.1.2 RISK ANALYSIS AND MANAGEMENT IN THE BUSINESS SELECTION PROCESS

In an increasingly competitive and regulated market, choosing reliable business partners with an appropriate risk profile is a determining factor for the success and sustainability of organizations. This need becomes particularly relevant in large and high-profile entities, such as Sport Lisboa e Benfica, where the careful selection of suppliers and service providers not only ensures the efficiency and quality of contracted services but also mitigates potential financial, legal, and reputational risks.

In this chapter, a risk analysis and management methodology will be presented, and applied to potential partner companies of Benfica, to support the decision-making process regarding hiring services. The approach consists of evaluating the risk profile of candidate companies based on strategic, financial, operational, and ethical criteria, establishing key indicators that can guide decision-making and contribute to the effective management of potential risks associated with each partnership.

My job as a risk analyst plays a crucial role in this area, where analysis must be conducted with extreme care, as every detail can be decisive. In risk reports, it is essential to rigorously address the various components involved. At SLB, we use a specific tool, Iberinform's Insight View, which allows us to search for and consult essential data for evaluating the risk associated with a given company.

In this study, I will present data from a report I prepared on two different companies: one classified as high risk and the other as low risk. Based on the analysis, we decided to go ahead with one of them, while the other was rejected because it didn't meet the minimum trust criteria required.

It should be noted that the anonymity of the companies will be fully guaranteed in these examples. Finally, we will compare the results and present a detailed conclusion to this study.

For this purpose, we will create two fictitious companies. One called "Eagle" and the other called "Light".

The "Eagle" company will have a low risk of complying with the requirements and the "Light" company will have a high risk of failing some of them.

The following figure is a classification of the "risk score" and other indicators related to the status of companies. Here is a detailed explanation of each element:



Figure 7 - Risk Score by Iberinform

Risk of Non-Compliance Scores:

10-9: Minimum Risk of Non-Compliance

- Indicates a company that is financially healthy and highly likely to meet its obligations.

8-7-6: Low Risk of Non-Compliance

- Represents companies with good financial health but a slightly higher risk than the top category.

5-4: Medium Risk of Non-Compliance

- Refers to companies with an intermediate likelihood of failing to meet financial obligations.

3-2: High Risk of Non-Compliance

- Indicates companies facing evident financial challenges and a significant probability of non-compliance.

C: Insolvent

- Denotes a company undergoing insolvency proceedings and unable to meet its financial commitments.

Other Activity-Related Indicators

- **No signs of activity:** The company shows no operational or financial activity.
- **Recently incorporated:** The company was recently established, which may limit available financial and operational history.

Specific Legal Situations

- **D (Dissolved):** The company has been formally closed or dissolved.
- **Ex (Extinct):** The company is fully terminated, ceasing to exist legally.
- **E (Split):** The company was split into new entities (e.g., a legal division).
- **O (Registration canceled):** The company's official registration has been annulled.
- **IR (Recent non-compliance):** Indicates recent instances of financial non-compliance.

Sector or Classification

- **NC (Sector not classified):** The company's activity sector is undefined or not categorized.
- **ND:** Information about the company is unavailable or not classified.

Other Financial/Legal Situations

- **II (Incomplete information):** Insufficient data is available to assess the company.
- **EI (Entrepreneur in a specific situation):** Refers to an entrepreneur facing legal or financial difficulties.
- **PI (Company in pre-insolvency):** The company exhibits signs of financial distress that could lead to insolvency.
- **CR (Revoked taxpayer):** The company's taxpayer registration has been revoked, preventing legal operations.
- **EN (Company not contracted):** The company has not engaged in any contractual activities during the analysis period.

This scoring system plays a crucial role in assessing a company's financial stability and legal standing, making it an indispensable tool for businesses and stakeholders. It provides valuable insights into key areas of concern. First, it helps evaluate risk by determining whether a company is a trustworthy partner or client, based on its likelihood of meeting obligations. Second, it facilitates thorough due diligence, ensuring that the companies you engage with are not insolvent, embroiled in legal troubles, or operating without proper registration. Finally, it serves as a critical resource for business planning, enabling creditors, suppliers, and investors to gauge financial health and spot potential red flags, such as signs of pre-insolvency.

I use a structured and strategic methodology to select companies for partnerships or business contracts, ensuring alignment with SLB's objectives and values. I start by defining specific

needs and goals, followed by market research to identify potential companies, considering sector leadership, track record, and cultural alignment. Next, I conduct a rigorous screening to assess financial health, reputation, and regulatory compliance, as well as analyze financial, operational, and reputational risks.

After this stage, I review data from Iberinform's Insight View, focusing on the results of the selected companies. Subsequently, a detailed study is conducted on the benefits offered, financial conditions, and potential return on investment. I am not involved in the negotiations but adjust the terms and align expectations, culminating in the formalization of contracts with specific clauses that ensure transparency and protect Benfica's interests. After the agreement, the Procurement team continuously monitors the partnership's performance using Business Intelligence tools, ensuring quality and outcomes aligned with strategic objectives.

4. EMPIRICAL STUDY

4.1 DATA STUDY OF THE FINANCIAL MAPS

Table 1 shows the stadium's attendance the stadium's attendance for home games up to the 11th round of the championship and the first game of the Allianz Cup. As can be seen, the stadium has an excellent attendance percentage, which implies increased attention and a more cautious risk management approach. These figures are official and publicly available on the Liga Portugal website.

Season 2024/2025		Capacity of the stadium		64642	
Date	Matchday	Competition	Opponent	Fans	% of fans
30/10/2024	1 ^a	Allianz Cup	Santa Clara	48639	75,24%
17/08/2024	2 ^a	Liga Portugal	Casa Pia	58926	91,16%
27/10/2024	9 ^a	Liga Portugal	Rio Ave	58961	91,21%
28/09/2024	7 ^a	Liga Portugal	Gil Vicente	58965	91,22%
24/08/2024	3 ^a	Liga Portugal	Estrela Amadora	59490	92,03%
14/09/2024	5 ^a	Liga Portugal	Santa Clara	60145	93,04%
10/11/2024	11 ^a	Liga Portugal	Porto	63342	97,99%

Table 2 - Capacity of the SLB's Stadium per Matchday

We observed that the game with the lowest attendance at SL Benfica's stadium this season was the match for the League Cup – Allianz Cup, which had 48 639 spectators, filling 75.24% of the stadium's capacity. On the other hand, the match with the highest attendance so far was Benfica vs. FC Porto, with 63 342 spectators, occupying approximately 97.99% of the stadium. The tickets for this game were sold out, but there was still space in the stadium. What could have happened?

Next, I will share a table with approximate values on the scale of costs associated with each event and compare them with the level of risk for each game. Note that, due to confidentiality, I will not disclose the names of the companies or the exact values. Instead, I will present a scaled comparison with rounded numbers to give an idea of the cost and revenue differences between the games.

The following table presents the data on the costs and expenses for the games against Santa Clara (Allianz Cup), and Gil Vicente and Porto (*Liga Portugal*).

Costs							
Teams	Fans	Cleaning	Firefighters	Police	Security	Ticket Sellers	Total
Santa Clara	48639	10 000,00 €	5 000,00 €	20 000,00 €	58 000,00 €	1 100,00 €	94 100,00 €
Gil Vicente	58965	10 000,00 €	5 000,00 €	28 000,00 €	69 000,00 €	1 500,00 €	113 500,00 €
Porto	63342	10 000,00 €	6 500,00 €	37 000,00 €	80 000,00 €	3 100,00 €	136 600,00 €

Table 3 - Costs per Game

As we can see, regardless of the game or attendance, SL Benfica always hires the same cleaning team to ensure a pleasant environment before and after the matches. The number of firefighters available for each game also tends to remain consistent, except in situations where the risk of the game is higher. Regarding the police and security, an increase in personnel is expected as the number of spectators and the level of risk rise. The increase in ticketing costs is directly related to the number of spectators and the time they spend on this task.

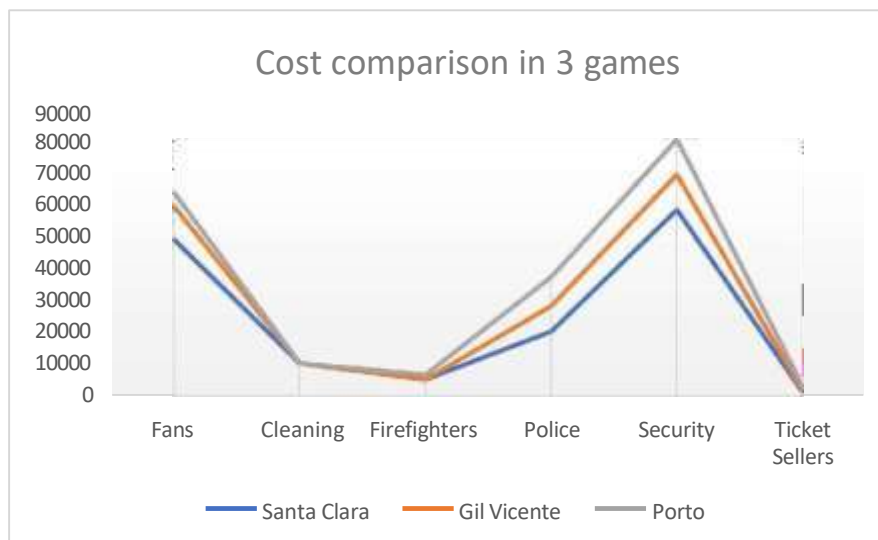


Figure 8 - Cost Comparison

The increase in the audience is directly related to the increase in costs. Costs rise more rapidly in the game against Porto due to its enormous importance and rivalry. As such, the probability of any issues arising is higher, which necessitates an increase in security and policing.

To deepen the analysis, I will approximate the total revenue for the three games mentioned above. This way, we can make a final analysis to determine whether the increase in costs for high-stakes games will be offset by the increase in revenue.

To calculate the revenue generated from the Red Passes (annual seat for members) per game, we add up all the entries from these passes and equate them to the value of the cheapest member ticket. Note that any tickets given as invitations, marked at 0,00€, are considered as complimentary.

Let's begin with the detailed breakdown for the game against Santa Clara, which had the lowest attendance in the stadium due to the lower importance the fans attributed to the competition. For this reason, Benfica decided to sell cheaper tickets to attract more spectators. Even so, the generated revenue was quite positive.

Detailed Information - Game Tickets			
Santa Clara		48639	
Member Tickets/Offers		Public Tickets/Visitors	
Quantity	Unit price	Quantity	Unit price
2649	0,00 €	3000	15,00 €
26750	5,00 €	1250	20,00 €
7500	10,00 €	550	25,00 €
4500	15,00 €	15	50,00 €
2300	20,00 €		
125	30,00 €		
43824	326 000,00 €	4815	84 500,00 €
Total Revenue		410 500,00 €	

Table 4 - Santa Clara's Game Tickets

The total revenue from the game was 410 500,00€, combining both tickets sold to members and the public.

The data presented in the following figure details the tickets sold for the game against Gil Vicente, which are valid for the league. This game, being more attractive and in higher demand, shows more significant figures. Additionally, it is interesting to note that the average attendance and revenue generated from home games are in line with the values recorded for this match.

Detailed Information - Game Tickets			
Gil Vicente		58965	
Member Tickets/Offers		Public Tickets/Visitors	
Quantity	Unit price	Quantity	Unit price
3665	0,00 €	2000	30,00 €
27450	15,00 €	750	35,00 €
10560	20,00 €	20	37,50 €
6700	25,00 €	60	42,50 €
4600	30,00 €	230	45,00 €
2800	35,00 €	20	60,00 €
80	60,00 €	20	65,00 €
		10	95,00 €
55855	1 031 250,00 €	3110	103 350,00 €
Total Revenue		1 134 600,00 €	

Table 5 - Gil Vicente's Game Tickets

The following figure presents the ticket information for the match against FC Porto. These tickets have a slightly higher price compared to the other two games due to the high demand and the level of importance and rivalry that these two clubs represent in Portuguese football.

BANCADA		SÓCIO	
ETV / Emírotos			
Piso 0	INF	45€	
	SUP	45€	
Piso 1		75€	
Piso 2	INF	40€	
	SUP	35€	
Sogres / Mais Vantagens			
Piso 0	INF	20€	
	SUP	25€	
Piso 1		60€	
Piso 2	INF	25€	
	SUP	20€	

Venda Exclusiva a Sócios inscritos até 24.10.2024

Nota:

1. Os preços são apenas orientativos e podem sofrer alterações.
2. Os preços de venda são válidos até ao dia 10 de Novembro às 20h45, sendo que os preços de venda são válidos até ao dia 10 de Novembro às 20h45.
3. Os preços de venda são válidos até ao dia 10 de Novembro às 20h45, sendo que os preços de venda são válidos até ao dia 10 de Novembro às 20h45.
4. Os preços de venda são válidos até ao dia 10 de Novembro às 20h45, sendo que os preços de venda são válidos até ao dia 10 de Novembro às 20h45.

Figure 9 - Ticket Information vs. FC Porto

As we can see, only the ticket prices for club members are listed, as no tickets were made available to non-members due to the high demand. In the following table, all the values in the section referring to tickets for the public represent the mandatory values that Benfica must offer to FC Porto fans.

Detailed Information - Game Tickets			
Porto		63342	
Member Tickets/Offers		Public Tickets/Visitors	
Quantity	Unit price	Quantity	Unit price
1617	0,00 €	3470	25,00 €
32540	20,00 €	1800	50,00 €
11500	25,00 €		
6700	35,00 €		
2400	40,00 €		
2750	45,00 €		
350	60,00 €		
215	75,00 €		
58072	1 429 675,00 €	5270	176 750,00 €
Total Revenue		1 606 425,00 €	

Table 6 - FC Porto's Game Tickets

Organizing the values and presenting them in a tabular format, we have the following final table:

Final Data				
Teams	Fans	Costs	Tickets Revenue	Total Revenue
Santa Clara	48639	94 100,00 €	410 500,00 €	316 400,00 €
Gil Vicente	58965	113 500,00 €	1 134 600,00 €	1 021 100,00 €
Porto	63342	136 600,00 €	1 606 425,00 €	1 469 825,00 €

Table 7 - Final Data

The most important games, such as the one against Porto, despite requiring higher costs due to increased security and logistics, are extremely profitable. The audience for these games is significantly larger, resulting in a much higher ticket revenue that more than compensates for the additional expenses.

Marginal Cost Analysis

The marginal cost per additional spectator was calculated by observing the incremental costs

between games with different attendance figures. For example, comparing the Santa Clara and Gil Vicente matches:

$$\text{Marginal Cost} = \frac{\text{Change in Total Cost}}{\text{Change in Attendance}}$$

Equation 1 - Marginal Cost

Marginal Cost per Spectator	
Santa Clara and Gil Vicente	Gil Vicente and Porto
(113 500 - 94 100) / (58 965 - 48 639)	(136 600 - 113 500) / (63 342 - 58 965)
= 1,97€ per Spectator	= 5,38€ per Spectator

Table 8 - Marginal Cost per Spectator

The analysis of marginal costs per spectator reveals a clear and intriguing pattern: the costs per additional attendee do not increase linearly, varying significantly depending on the context of the match. For instance, when comparing the games against Santa Clara and Gil Vicente, the marginal cost per spectator was just 1,97€, indicating that for smaller matches, the rise in expenses is relatively controlled. However, when analyzing the costs between the games against Gil Vicente and Porto, this figure jumps to 5,38€ per spectator.

This sharp difference highlights the impact of larger matches. High-profile games, such as those against Porto, bring substantial additional costs, from enhanced security to more complex logistics and event management. This shows how, as attendance grows, the benefits of economies of scale begin to diminish, and incremental costs become increasingly significant.

Nonetheless, major matches remain essential. Despite higher costs, they are crucial for brand projection, fan loyalty, and, of course, revenue maximization. Therefore, understanding and managing these variable costs is vital to ensuring that profits and intangible benefits outweigh expenses, especially in large-scale events.

RAROC - Risk-Adjusted Return on Capital

The highest attendance recorded was 63 342 fans for the Porto match, representing 97.99% of the stadium's capacity, while the lowest attendance was 48 639 fans for the Santa Clara match in the Allianz Cup, corresponding to 75.24% capacity. Higher attendance correlates directly with greater fan interest, the importance of the competition, and higher ticket revenue. Fixed costs, such as cleaning and firefighters, remain consistent across games, while variable costs, including police, security, and ticket sellers, increase proportionally with attendance and the perceived importance or risk level of the match. The Porto game incurred the highest total cost, €136,600, due to its high-risk profile. Regarding revenue, ticket earnings show a strong correlation with attendance and strategic pricing, peaking at €1,606,425 for the Porto game. This match also benefited from higher ticket prices and limited sales to non-members, maximizing revenue potential.

$$RAROC = \frac{\text{Net Revenue (Total Revenue - Costs)}}{\text{Costs}}$$

Equation 2 - RAROC

This way we can calculate RAROC:

RAROC Calculation				
Teams	Costs	Tickets Revenue	Total Revenue	RAROC
Santa Clara	94 100,00 €	410 500,00 €	316 400,00 €	3,36
Gil Vicente	113 500,00 €	1 134 600,00 €	1 021 100,00 €	9,00
Porto	136 600,00 €	1 606 425,00 €	1 469 825,00 €	10,76

Table 9 - RAROC Calculation

In the case of the Santa Clara game, a RAROC of 3,36 is positive but the lowest compared to the other matches. This shows that although the game generated some revenue, the returns earned concerning the costs incurred were modest.

For the Gil Vicente match, RAROC = 9,00 is quite reasonable and shows a good return from the operation, efficient working with lower costs, and good revenue head.

For the Porto match RAROC = 10,76, now the return is even greater which emphasizes the fact that big matches do have a great scope of returns over the operational costs and even the expense is significant.

The interpretation of RAROC in the sports sector was developed based on observed behaviors in the entertainment and event management industries, where higher return margins are expected for large-audience events due to the variable nature of costs and dynamic pricing capabilities.

Additionally, the values were compared to generic benchmarks from the financial sector and adjusted to reflect the reality of football clubs and the operational costs identified in the analyzed matches.

4.2 DATA STUDY OF BUSINESS SELECTION PROCESS

Let's start with the "Eagle" company and make a detailed analysis of its values.

A Eagle é uma empresa de construção que abriu a sua atividade em 2010. A sua sede localiza-se em Alcochete, Portugal. No balanço de 2023 (último disponível) aumentou a sua faturação em 105% até aos 3 169 110,00€ registando benefícios depois de impostos de 254 405,00€.



Figure 10 - Introduction to "Eagle"

Eagle is a construction company founded in 2010, and headquartered in Alcochete, Portugal. In 2023, the most recent year available, the company showed significant growth, increasing its revenue by 105% to 3 169 110€. After taxes, the company reported profits of 254 405€ reflecting solid financial performance.

Eagle’s risk assessment indicates a low risk of default, with a score of 7 and a recommended credit limit of 435 434€. No outstanding debts have been reported, suggesting sound financial management. No insolvency cases have been identified as of October 10, 2024, although there

is one recorded judicial publication. Additionally, there are no records of defaults with public entities.

Since August 2018, some alerts have been issued regarding the company, including three high-risk alerts, six medium-risk alerts, sixteen positive alerts, and four informative alerts. Although Eagle demonstrates financial strength and stability. However, it is advisable to review details about the judicial publication and risk alerts to ensure they do not threaten its future performance.

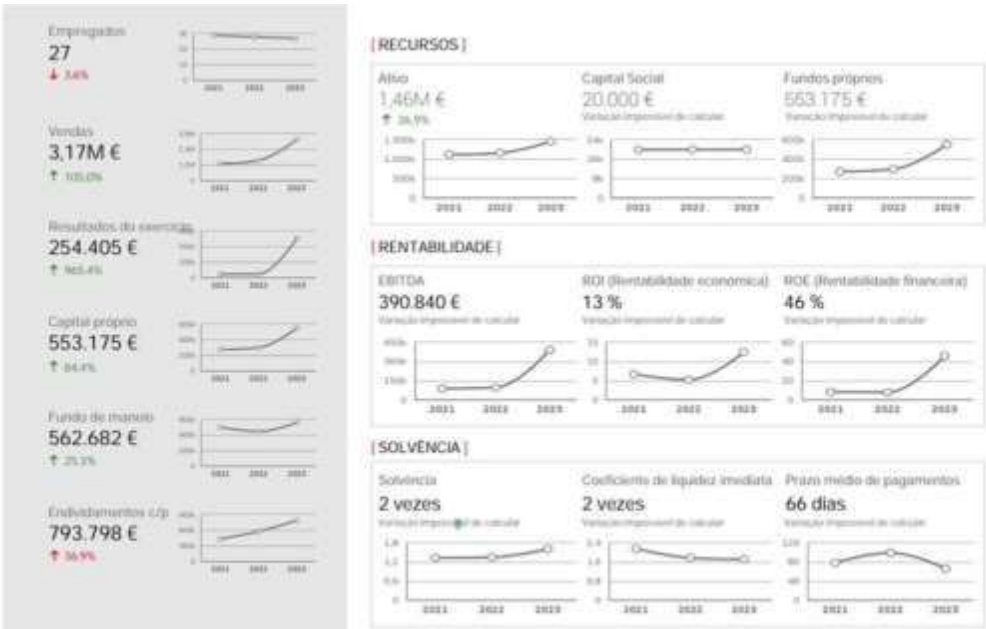


Figure 11 - Financial Performance and Risk Indicators Overview - Eagle

Eagle is experiencing a period of strong financial growth, highlighted by a significant increase in sales and operating results. Despite a slight reduction in the number of employees, equity and financial resources continue a positive trajectory, indicating a solid financial foundation. Sales grew by 105%, reaching 3.17 million euros, and the net income increased by 965%, demonstrating high profitability. The financial structure is also healthy, with equity rising by 84.4% and working capital increasing by 25.3%, reinforcing financial solidity.

Additionally, profitability is attractive, with an ROI of 13% and an ROE of 46%, while the solvency ratio of 2 times indicates the company’s ability to meet its short-term financial obligations. The company’s profitability is another standout feature, with an ROI of 13% and an ROE of 46%, figures that reflect an efficient and highly profitable operation.

These indicators show that the company is using its resources well and delivering returns to its investors.

However, some points require attention, such as the 36.9% increase in short-term debt, totaling 793 798€, and the average payment term of 66 days, which could put pressure on cash flow. It is also important to consider the reliance on a lean workforce, with only 27 employees, which might pose a challenge in scenarios of expansion. Despite these concerns, the strong operational and financial performance suggests that the company can meet its obligations, if debt levels and cash flow management are closely monitored within the contract.

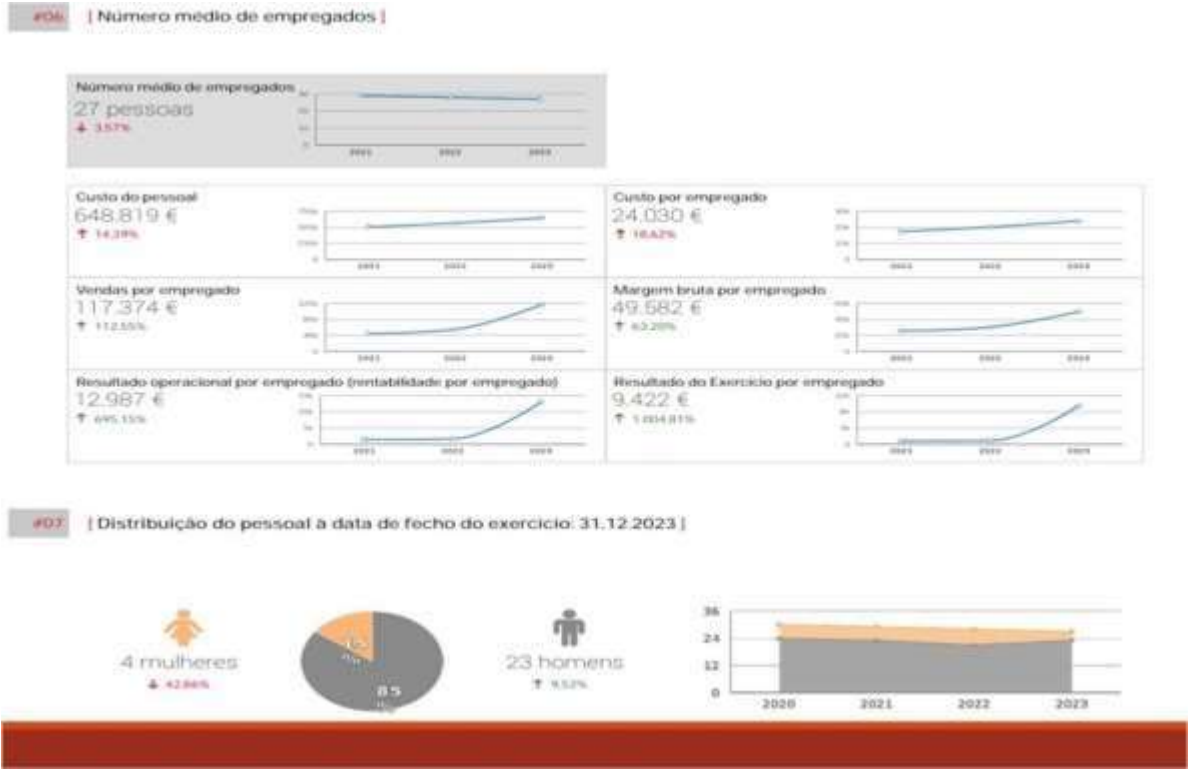


Figure 12 - Employee Metrics and Workforce Distribution Analysis - Eagle

Productivity and profitability per employee have increased substantially. Still, reliance on a lean workforce could pose a risk, especially in the event of rising demand or the loss of key employees. Additionally, the cost per employee rose by 18.62%, which, although offset by high productivity, could put pressure on margins if revenue slows down. The 3.57% reduction in the average number of employees might indicate a potential workload overload, possibly impacting efficiency or team satisfaction in the future. Another key concern is the decrease in diversity, with a 42.86% drop in female participation, resulting in women making up only 15% of the workforce. This lack of diversity could affect organizational culture, innovation, and even the company’s reputation. Therefore, the organization must monitor rising costs, the sustainability of its workforce structure, and diversity levels to prevent long-term negative impacts.



	31 dez. 2023		31 dez. 2022		31 dez. 2021	
Volume de negócios	3.169.110 €	100,0%	1.546.208 €	100,0%	1.303.683 €	100,0%
Vendas	337.263 €	10,6%	244.381 €	15,8%	193.518 €	14,8%
Prestação de serviços	2.831.847 €	89,4%	1.301.827 €	84,2%	1.110.165 €	85,2%
Variação nos inventários de produção	0 €	0%	0 €	0%	0 €	0%
Trabalhos realizados para a própria entidade	0 €	0%	0 €	0%	0 €	0%
Custo das mercadorias vendidas e das matérias consumidas e	-1.820.380 €	-57,3%	-495.558 €	-32,1%	-551.586 €	-42,3%
Outros ganhos de exploração	18.201 €	0,6%	20.175 €	1,3%	5.106 €	0,4%
Gastos com o pessoal	-648.819 €	-20,5%	-563.214 €	-36,5%	-507.627 €	-39,0%
Outros gastos de exploração	-111.514 €	-3,5%	-222.544 €	-14,4%	-163.270 €	-12,5%
Amortizações	-82.590 €	-2,6%	-50.533 €	-3,3%	-48.927 €	-3,7%
Ganhos com subprodutos de ativos não financeiros	0 €	0%	0 €	0%	0 €	0%
Provisões	0 €	0%	0 €	0%	0 €	0%
Gastos e perdas em alienação de investimentos não financeiros	-23 €	0%	13.264 €	0,9%	0 €	0%
Diferença regatista das aplicações/fundos	0 €	0%	0 €	0%	0 €	0%
Outros resultados	-6.624 €	-0,2%	2.045 €	0,1%	2.258 €	0,2%
RESULTADO ANTES DE ATIVIDADES FINANCEIRAS	288.822 €	9,1%	-45.122 €	-2,9%	-60.622 €	-4,7%
Ganhos financeiros	0 €	0%	0 €	0%	0 €	0%
Gastos financeiros	-19.307 €	-0,6%	-9.666 €	-0,6%	-9.425 €	-0,7%
Varição do justo valor de instrumentos financeiros	0 €	0%	0 €	0%	0 €	0%
Diferenças de câmbio	59 €	0%	-363 €	-0,2%	-649 €	-0,5%
Gastos e perdas em investimentos financeiros	59 €	0%	0 €	0%	42 €	0%
Outros rendimentos e gastos de carácter financeiro	0 €	0%	0 €	0%	0 €	0%
RESULTADO FINANCEIRO	-19.200 €	-0,6%	-10.029 €	-0,6%	-10.022 €	-0,8%
RESULTADO ANTES DE IMPOSTOS	269.622 €	8,5%	-55.151 €	-3,5%	-70.644 €	-5,5%
Imposto sobre rendimento	-16.996 €	-0,5%	-11.823 €	-0,8%	-1.125 €	-0,9%
RESULTADO LÍQUIDO DO PERÍODO ANTES DE ATIVIDADES	252.626 €	7,9%	-66.974 €	-4,3%	-71.769 €	-5,5%
Resultado líquido do período de atividades descontinuadas	0 €	0%	0 €	0%	0 €	0%
RESULTADO LÍQUIDO DO PERÍODO	252.626 €	7,9%	-66.974 €	-4,3%	-71.769 €	-5,5%

Figure 13 - Income Statement – Eagle

Based on the financial statement presented, the company shows several positive aspects. Sales grew significantly, reaching 3.17 million euros in 2023, a 105% increase compared to the previous year, demonstrating strong market expansion and growth potential. The gross margin also improved, reaching 1.34 million euros, a 57.4% increase, indicating efficient management of direct costs and higher operational profitability. Additionally, the company achieved an impressive increase of 828.2% in earnings before taxes (EBT), totaling 331 401€, and a 965.4% rise in net income, reaching 254 405€, reflecting its strong ability to generate consistent profits.

However, there are some points of concern. Personnel costs rose to 648 819€ (+14.3%), which, while in line with the increase in sales, could become a pressure point if growth slows down. Other operating costs and amortizations also remain significant and should be closely monitored to avoid potential impacts on operational margins in less favorable scenarios. The company's strong performance is heavily dependent on sustained growth, and a slowdown or market shift could affect its profitability.

Based on the results, this company appears to be financially solid, with strong performance in 2023, making it a good candidate for signing a contract. The sales growth, improved margins, and increasing profits indicate efficient management and a strong ability to meet obligations.

However, it would be prudent to closely monitor operational costs and ensure the sustainability of growth, especially in long-term contracts.

Now, we will analyze the data from the company "Light" to ultimately compare it with the data from the company "Eagle."



Figure 14 - Introduction to "Light"

The company "Light," based in Lisbon and operating in the forestry and silviculture sector since 2010, reported a 39% increase in revenue in 2022, reaching 2 736 882€. However, it achieved a low net profit of only 2 520€, reflecting a reduced net margin. Despite the growth, the high default risk suggests the need for close attention to its ability to meet financial obligations. The suggested credit limit is 168 306€, with no outstanding debts.

There are no records of insolvencies, but 14 legal proceedings are noted, potentially indicating commercial or financial issues. No critical alerts or new signs of elevated risk have been reported. While the significant revenue growth and absence of insolvencies are positive aspects, the high default risk requires careful evaluation. Additionally, the number of legal proceedings and low profitability are concerning factors that warrant further investigation.



Figure 15 - Financial Performance and Risk Indicators Overview - Light

The company showed a significant 39% growth in turnover, reaching 2 736 882€ in 2022, which indicates a good performance in terms of expansion and increased sales, as well as showing potential to increase its presence in the market and generate more revenue. Another positive point is the absence of insolvency records, which demonstrates good financial stability, showing that the company has managed to remain solvent so far.

However, there are areas of concern. The company's net profit was very low, just 2 520€, which points to a low net margin. This suggests that, despite the increase in revenues, the company faces difficulties in generating effective profit, possibly due to high operating costs or tight margins. In addition, the risk of default is high, which implies a high probability that the company will have difficulties honoring its financial obligations in the future, affecting its credibility in the market and making it difficult to obtain credit or partnerships. The company is also facing 14 lawsuits, which may reflect legal problems or commercial disputes and pose risks to its business relations or reputation. Despite this, there are no outstanding debts, which is a good sign, but the suggested credit limit of 168 306€ seems to be a cautious assessment considering the high risk of default.

Despite the growth in turnover and financial stability in terms of insolvencies, the company faces considerable challenges, such as low net profit, a high risk of default, and several lawsuits.

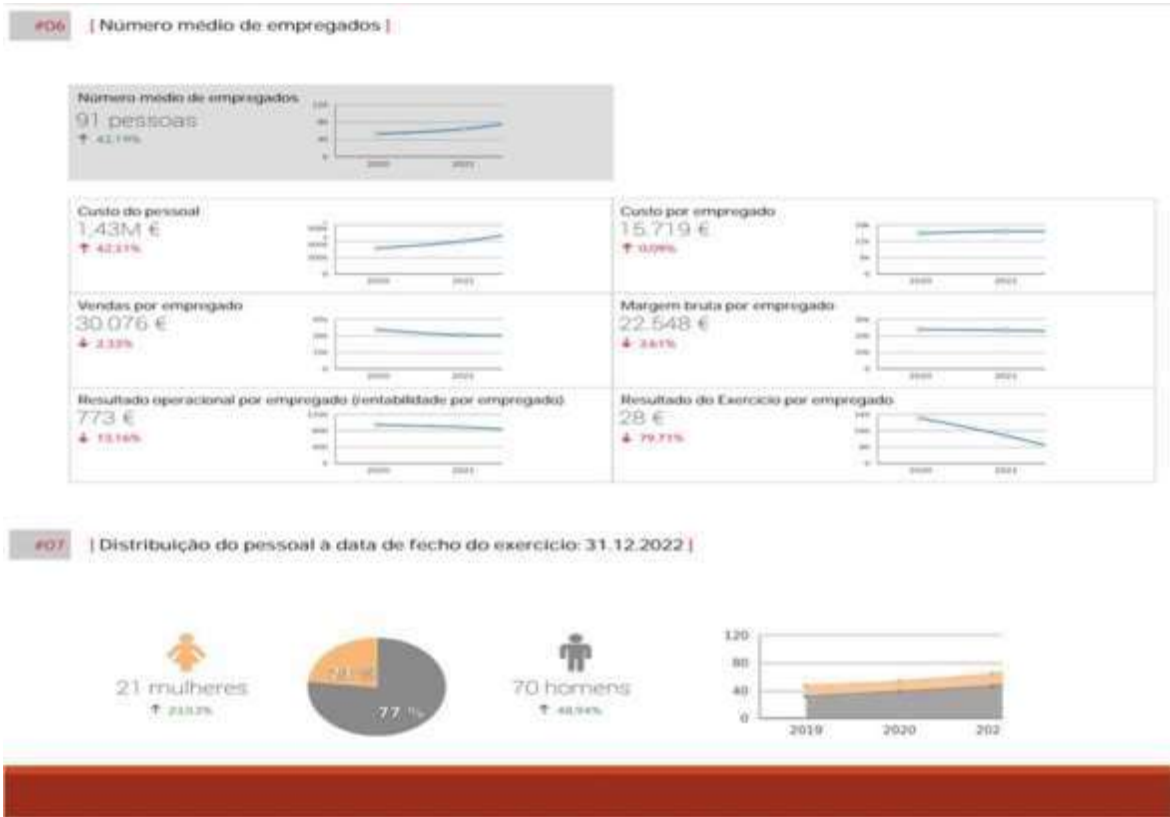


Figure 16 - Employee Metrics and Workforce Distribution Analysis – Light

The presented analysis reveals that the company experienced a 42.19% growth in the average number of employees in 2021, totaling 91 people. The total personnel cost decreased by 12.31%, amounting to 1.43 million euros, while the cost per employee remained practically stable, with a slight reduction of just 0.09%, reaching 15 719€. In terms of productivity, sales per employee amounted to 30 076€, representing a 2.33% decline, and the gross margin per employee was 22 548€, also decreasing by 3.61%.

The operating result per employee was 773€, a 13.16% drop, while the net income per employee showed a significant reduction of 79.71%, falling to just 28€. These figures indicate significant challenges in operational efficiency and profitability.

The composition of the workforce as of December 31, 2022, shows a total of 91 employees, with 21 women (23%) and 70 men (77%). Both groups showed growth: women increased by 23.53% and men by 48.94%.

Over the analyzed period, between 2019 and 2021, there was a continuous increase in the number of employees, but the financial indicators point to difficulties in maintaining profitability per employee.



	31 dez 2022		31 dez 2021		31 dez 2020	
Volume de negócios	2.736.882 €	100,0%	1.920.751 €	100,0%	1.889.976 €	100,0%
Vendas	245 €	0,01%	2.888 €	0,15%	2.208 €	0,12%
Prestação de serviços	2.736.637 €	99,9%	1.917.863 €	99,8%	1.887.768 €	99,9%
Varição nos inventários da produção	0 €	0%	0 €	0%	0 €	0%
Trabalhos realizados para a própria entidade	0 €	0%	0 €	0%	0 €	0%
Custo das mercadorias vendidas e das matérias consumidas e	-685.002 €	-25,0%	-473.690 €	-24,6%	-421.884 €	-22,3%
Outros ganhos de exploração	5.293 €	0,1%	2.323 €	0,1%	1.650 €	0,0%
Gastos com o pessoal	-1.430.457 €	-52,3%	-1.000.176 €	-52,0%	-793.553 €	-41,9%
Outros gastos de exploração	-505.321 €	-18,4%	-344.944 €	-17,9%	-365.220 €	-19,3%
Amortizações	-50.621 €	-1,8%	-42.161 €	-2,2%	-41.634 €	-2,2%
Ganhos com subsídios de ativos não financeiros	0 €	0%	0 €	0%	0 €	0%
Provisões	0 €	0%	0 €	0%	0 €	0%
Gastos e perdas em alienação de investimentos não financeiros	4.288 €	0,1%	-5.070 €	-0,3%	0 €	0%
Diferença negativa das aquisições/fusões	0 €	0%	0 €	0%	0 €	0%
Outros resultados	-4.489 €	-0,1%	-38.083 €	-1,9%	-19.584 €	-1,0%
RESULTADO ANTES DE ATIVIDADES FINANCEIRAS	70.317 €	2,5%	50.950 €	2,6%	50.345 €	2,6%
Ganhos financeiros	0 €	0%	5.607 €	0,3%	2.681 €	0,1%
Gastos financeiros	-44.568 €	-1,6%	-35.956 €	-1,8%	-27.099 €	-1,4%
Varição do justo valor de instrumentos financeiros	0 €	0%	0 €	0%	0 €	0%
Diferenças de câmbio	0 €	0%	0 €	0%	0 €	0%
Gastos e perdas em investimentos financeiros	0 €	0%	0 €	0%	0 €	0%
Outros rendimentos e gastos de carácter financeiro	0 €	0%	0 €	0%	0 €	0%
RESULTADO FINANCEIRO	-44.568 €	-1,6%	-30.349 €	-1,5%	-24.418 €	-1,3%
RESULTADO ANTES DE IMPOSTOS	25.749 €	0,9%	20.601 €	1,0%	25.927 €	1,3%
Imposto sobre rendimento	-23.229 €	-0,8%	-17.864 €	-0,9%	-13.960 €	-0,7%
RESULTADO LÍQUIDO DO PERÍODO ANTES DE ATIVIDADES	2.520 €	0,0%	8.738 €	0,4%	11.967 €	0,6%
Resultado líquido do período de atividades descontinuadas	0 €	0%	0 €	0%	0 €	0%
RESULTADO LÍQUIDO DO PERÍODO	2.520 €	0,0%	8.738 €	0,4%	11.967 €	0,6%

Figure 17 - Income Statement - Light

In 2022, the company achieved a significant increase in sales, reaching 2.74 million euros, representing a growth of 38.9% compared to 2021. The total business volume also rose, amounting to 2 736 882€ (+38.9%). The gross margin reached 2.05 million euros, recording a growth of 37.1%, reflecting an improvement in core revenues. The operating result before financial activities (EBIT) was 70 317€, an increase of 23.5% compared to the previous year. Still, the result before taxes was 25 749€, showing a slight decline of 3.2%. Despite these improvements, the net income for the year dropped by 71.2%, amounting to 2 520€ in 2022, compared to 8 738€ in 2021.

Regarding costs and operating expenses, the cost of goods sold, and materials consumed increased to 685,002€ (+25.03%), while personnel expenses saw a significant slide by 52.27% to 1 430 457€, reflecting efforts to optimize expenditures. Exploration expenses, including amortizations, totaled 505 321€. However, financial results were negative, amounting to -44 568€ in 2022, worsening compared to 30 349€ in 2021.

The company Light succeeded in increasing its revenues and gross margin, indicating operational efficiency in sales. However, the impact of financial costs and other operating expenses put pressure on the bottom line, resulting in a sharp decline in net income for the year. Although the control of personnel costs was a positive factor, financial expenses and other challenges continue to affect the company's profitability.

Projection for 2023 - Light

To make a projection for 2023 based on the data presented in previous years, I'm going to consider the upward or downward trend of the main components of the income statement to analyze whether there will be any possibility of this company being Benfica's partner if the growth rates can remain constant or follow some pattern identified in the historical data.

I will first analyze the year-on-year variations and then apply a simple projection formula to estimate the figures for 2023. I'll start with a general analysis and an observation of the main indices to identify a pattern.

Starting with Revenue, we have an increase of 4.27% from 2020 to 2021 and 38.91% from 2021 to 2022. This could be a sign of growth or stabilization, so I will adopt a growth of around 10% from 2022 to 2023:

- $2\,736\,882\text{€} \times 1,10 \approx 3\,010\,570\text{€}$

Costs: after a considerable increase of 44.70% from 2021 to 2022, a growth projection of 10-15% for 2023 can be considered:

- $-685\,002\text{€} \times 1,10 \approx -753\,502\text{€}$

Personnel Expenses: after an increase of 42.29%, a growth projection of 10% can be applied:

- $-1\,430\,457\text{€} \times 1,10 \approx -1\,573\,503\text{€}$

Net Period Result: The sharp decline in 2022 may indicate that the company is facing difficulties. If costs continue to rise faster than revenue, the net result may continue to fall. Assuming a 20% decrease:

- $2\,520\text{€} \times 0,80 \approx 2\,016\text{€}$

Summary Projection for 2023:

Revenue: 3 010 570€

Costs: (-)753 502€

Personnel Expenses: (-)1 573 503€

Net Period Result: 2 016€

Does this projection work in Light's favor?

5. RESULTS AND DISCUSSION

5.1 FINAL ANALYSIS OF THE FINANCIAL MAPS

The analysis of Benfica's home game attendance, costs, and revenue reveals a strong correlation between the importance of a match and its financial outcomes.

The relationship between the total cost of organizing the games and the number of spectators reflects how the increase in attendance is directly related to the rise in expenses, especially in areas such as security and policing.

Game	Fans	Total Cost	Cost p/ Fan
Santa Clara	48639	94 100,00 €	1,93 €
Gil Vicente	58965	113 500,00 €	1,92 €
Porto	63342	136 600,00 €	2,16 €

Table 10 - Cost per Fan

The cost per spectator in the games against Santa Clara and Gil Vicente was very similar, at around 1,93€ per fan.

The game against FC Porto had a higher cost per spectator of 2,16€, due to the greater investment in security and policing because of the risk involved.

It's worth mentioning that, although the cost per fan for Santa Clara and Gil Vicente is practically the same, these two games had a difference of around 10 000 spectators, which shows that the cost depends on the amount of fans in the stadium.

In the case of the game against Porto, we have a significant increase in the cost per fan as it is a match with a very high degree of risk. This is mainly due to the need for more security and policing.

With this small analysis, we can see that, in general, matches with larger crowds generate higher costs, especially for high-risk events. For games with smaller crowds, efficient cost management is essential to maintain profitability, while for higher risk games, investment in security is vital to preserve the integrity of the event.

Although the cost per spectator is higher at games like Porto, the increase in attendance more than offsets these costs through revenue generation.

Game	Fans	Total Cost	Cost p/ Fan	Tickets Revenue	Total Revenue
Santa Clara	48639	94 100,00 €	1,93 €	410 500,00 €	316 400,00 €
Gil Vicente	58965	113 500,00 €	1,92 €	1 134 600,00 €	1 021 100,00 €
Porto	63342	136 600,00 €	2,16 €	1 606 425,00 €	1 469 825,00 €

Table 11 - Final Study

Putting the revenue figures together with the costs per fan, we can see that the increase in attendance results in higher costs, but also generates higher revenues.

The game against Porto generated the highest net revenue, 1.47 million euros, due to the high demand and rivalry. Despite being the most expensive game in terms of costs, the high ticket revenue offsets the additional costs.

Games less attractive, for example, the Santa Clara game, generate lower net revenues, but even so, the cost-benefit ratio is positive. The cost per spectator remains low, which is advantageous for games with smaller crowds.

The most awaited matches are crucial to the club's financial health, as the costs are high, but the ticket income is considerable, compensating for these expenses.

Low-rated matches still generate profit but on a smaller scale. These games are necessary to maintain the club's operation, but their financial impact is limited. It is important to balance cost management in the less important games, taking advantage of operational efficiency to guarantee positive profit margins in all situations. As expected, the most profitable games are those with the highest attendance and ticket revenue, such as the game against Porto, which despite having a higher cost, offers a significant return.

5.2 FINAL ANALYSIS OF BUSINESS SELECTION PROCESS

The analysis of the two companies, Eagle and Light, reveals a contrasting view of financial performance, resource management and operational risks. Let's explore these points to understand the differences and implications for each company.

In terms of profitability and future projection, as mentioned in the data study, Eagle showed an impressive 105% growth in sales, reaching 3.17 million euros in 2023. The substantial increase in net profit of 965% to 254 405€ indicates not only growth, but efficient management of its operations and costs. The ROI of 13% and ROE of 46% are indicative of a good use of resources, reflecting high profitability.

Meanwhile, Light experienced a 39% growth in revenues in 2022, reaching 2.74 million euros. The company, however, faced an extremely low net profit of 2 520€, showing difficulties in achieving a solid profit margin, even with the increase in revenue. The company is expanding

well, but the lack of profitability is a critical factor that needs to be addressed to ensure sustainable growth.

Light has a high default risk, and there is a substantial risk of this company not forthcoming with the funds. There are no records of insolvency, but the presence of 14 lawsuits and a net margin of 5% or less might raise potential issues likely relating to commercial disputes or liquidity. As these factors are associated with high risk the company has a suggested credit limit of 168 306€.

Although profitability per employee has drastically decreased, along with a 79.71% drop in net profit per employee, these figures highlight serious struggles with operational efficiency. Costs are being managed, as reflected in the specific reduction in personnel expenses (-12.31%). However, the pressure on results becomes significantly greater due to financial and operational costs.

Based on Light's 2023 projection, the financial outlook is mixed, and the possibility of being chosen as a partner by Benfica will depend on several factors, particularly the criteria the club considers for strategic partnerships.

The company's revenue is expected to reach approximately 3 010 570€, representing growth compared to 2022 but at a slower pace than in previous years. Projected expenses are 753 502€ reflecting an increase in costs, while personnel expenses are expected to total 1 573 503€, which still represents a significant burden for the company. Net profit for the period is estimated at only 2 016€, indicating a decline from the already low profit recorded in 2022.

For Light to be considered an attractive partner for Benfica, the company must demonstrate robust financial health and consistent profitability, ensuring that the partnership positively contributes to the club's image and finances. The fact that Light's projected net profit is so low, coupled with increasing operational expenses, may lead the club to view the company as a risk rather than a strategic ally. Although the company is showing revenue growth, its ability to generate profit is under pressure, especially due to high personnel costs. For Benfica to consider a partnership, Light must present a clear path to sustainable profitability, something that, given the current figures, does not appear guaranteed. Besides, the club typically analyzes the reputation and market presence of the companies it associates with. Without additional data highlighting Light's impact and importance in the market, as well as a clear strategic alignment with the club's values, it becomes difficult to justify selecting the company as a partner.

Although Light has achieved revenue growth and maintained some financial stability by avoiding insolvency, the projections for 2023 reveal significant challenges, particularly in profitability. Without improvements in cost management and a substantial increase in profits, the company is unlikely to be seen as an ideal candidate for a partnership with Benfica.

We must not forget that, despite the possible economic growth of a company in the following years, a very significant factor to consider, and one that Benfica places special importance on is legal proceedings! In the case of Light Company, with 14 legal proceedings, it would be very difficult to accept, as trust in a company is also a key factor in the decision-making process.

6. CONCLUSIONS AND FUTURE RESEARCH

This report has allowed me to address various topics from my master's degree and link them to my work at Benfica. The detailed analysis of cost, revenue and RAROC data demonstrates the strategic relevance of matches of great importance to SL Benfica's financial health and brand projection.

This study opened with a literature review in which the concept of risk management and its application in the sports sector were put into context. I began by discussing the sports industry and football, highlighting the importance of business in this world.

Special attention was paid to Sport Lisboa e Benfica, where it was possible to analyse its structure and management practices, as well as the common risks faced by sports organizations, such as financial, reputational and operational risks.

A study was carried out on the comparative analysis of revenues between clubs, highlighting the strategic and operational differences between the institutions. In this, I was able to compare the evolution of SLB's revenue in the context of European football and explore the relationship between the club's performance and market trends, as observed by graphical analysis and the correlation index. This value points to a moderate positive correlation, indicating that Benfica follows the general trends of the European market, but with a non-proportional relationship. This reflects the limitations faced by the club in terms of financial competitiveness, especially in comparison with clubs from the biggest leagues.

I conclude this literature review by exploring Liga Portugal's financial statements and their main objective, addressing UEFA's Financial Fair Play and analyzing its rules and how it influences the sustainability of clubs. Finally, I address business risks in partnerships, identifying the critical factors that must be considered. Here I explore some essential models and tools in the search for the best deal.

Concerning the methodologies of my work and the empirical study of this report, it is possible to state that financial statements are fundamental to understanding Benfica's economic performance, specifically in its home games. An analysis was carried out in which it was proved that the most profitable games are the same ones in which the costs are the highest. This is because there are more fans in the stadium and, due to the importance of the game, tickets are sold at higher prices, which in general allows Benfica to make a high margin of profit. I carried out a RAROC analysis which proved the results and conclusions we drew from the revenue study. RAROC measures the efficiency of investments, reflecting whether the additional costs associated with high-risk matches are offset by revenues. In the case of the Porto game, for example, the RAROC of 10.76 indicates that the return far outweighed the

operating costs. This methodological approach was essential for connecting theory to practice.

In the section on the corporate selection process, we can see several issues that deserve our full attention. The analysis of the “Eagle” and “Light” companies shows that there are several components to judge during the selection process. This implies a careful search for all the elements. One factor to consider is legal proceedings. The greater the number of cases, the more difficult it is to make a positive choice. And we can see that with these two companies. Eagle has one lawsuit and Light has 14! This is undoubtedly a determining factor. Many companies are insolvent, so it's important to understand which and how many lawsuits each company has. Another factor to ponder is revenue after taxes. Eagle had an impressive 254 405€ in profits for the year 2023 compared to Light with a meager 2 520€.

Eagle stands out as a financially solid and efficient company, although it must address workforce-related risks and ensure effective debt management. Light, while showing promising growth in sales, faces significant challenges in profitability, operational efficiency, and risk management. Moving forward, addressing these areas will be crucial for both companies to maintain their market positions and sustain long-term success.

I conclude this study with the projection of Light's data for 2023 and the question of whether it will be possible, following its growth model, to achieve a partnership with Benfica in 2023. Well, the answer to this question lies, not only in the data, but also in their Legal history.

This study is also important for the State and for suppliers, as it is crucial to determine whether there is a risk of default or not, and consequently to know if their receivables are secured.

Ultimately, the financial health of Benfica relies on balancing cost management across all games while capitalizing on the profitability of marquee matches. The analysis highlights the need for strategic planning to optimize operational efficiency for lower attendance games and to maximize returns from high demand fixtures.

This report shows how academic theory can be applied to the practical reality of a club like Benfica, highlighting the importance of efficient strategic management to maintain financial health and brand projection. The detailed financial analysis and the application of RAROC reveal how high-profile matches are crucial for the club's profitability, demonstrating that despite the high costs involved, they generate profit and justify the investment.

The comparison between Eagle and Light emphasizes a critical point: the importance of carefully selecting partners. Eagle stands out as a solid and financially efficient company, while Light faces serious challenges, such as high exposure to legal proceedings and low profitability, making it a risk for potential partnerships.

The report shows that Benfica is on the right track by balancing risk and return, but to continue succeeding, it must focus on cost management and choosing reliable partners. The analyses

not only help understand the club's situation but also provide valuable lessons on management and sustainability in football.

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