

Annex J - Assessment of Distributions

State of the Game

This annex provides further analysis of:

- the financial impact of relegation
- the incentive to spend on playing talent

This analysis supports the financial cliff-edges and distributions chapter of the draft State of the Game report.

The financial impact of relegation

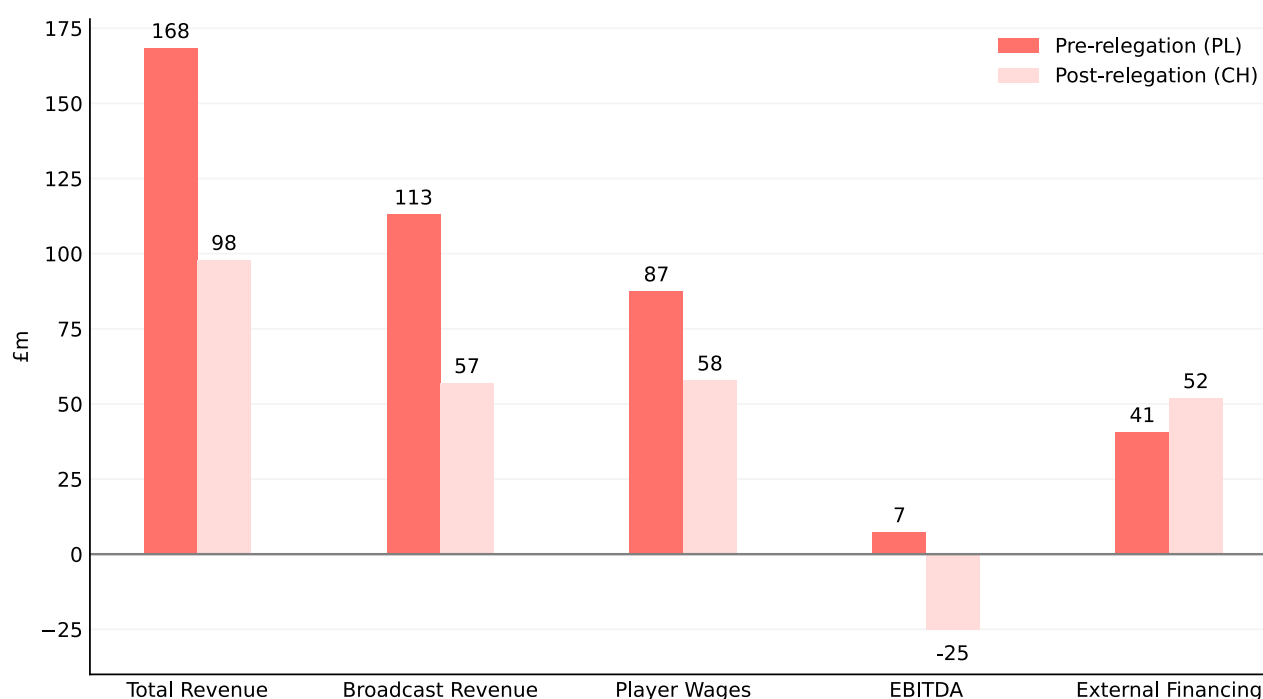
The distribution of central revenues means that clubs can experience a significant reduction in revenues upon relegation. In the following subsections, we analyse the financial impact of relegation in each league.

Premier League to the Championship

Chart J.1 shows the financial impact of relegation from the Premier League to the Championship for clubs that were relegated in the 2024/25 season. Despite parachute payments, total revenue fell by an average of £70 million (42%) following relegation, including a £55 million reduction in broadcast revenue. Whilst clubs reduced wage costs significantly, by an average of £29 million (34%), this was insufficient to offset the reduction in revenue. As such, average EBITDA fell by £32 million (447%) and external financing increased by £11 million (28%).

Despite sharp cuts to player wage expenditure, clubs relegated from the Premier League face a dramatic fall in revenue and worsening profitability.

Chart J.1: Impact of Relegation from the Premier League to the Championship (24/25 to 25/26).



Source: IFR analysis based on data received from the Premier League and EFL in response to IFR requests for information.

Note: The chart above shows the financial impact of relegation from the Premier League to the Championship. For clubs that were relegated in 2024/25, it shows the average total revenue, broadcast revenue, player wages, EBITDA and external financing before they were relegated (i.e. during the 24/25 season) and after they were relegated (i.e. during the 25/26 season).

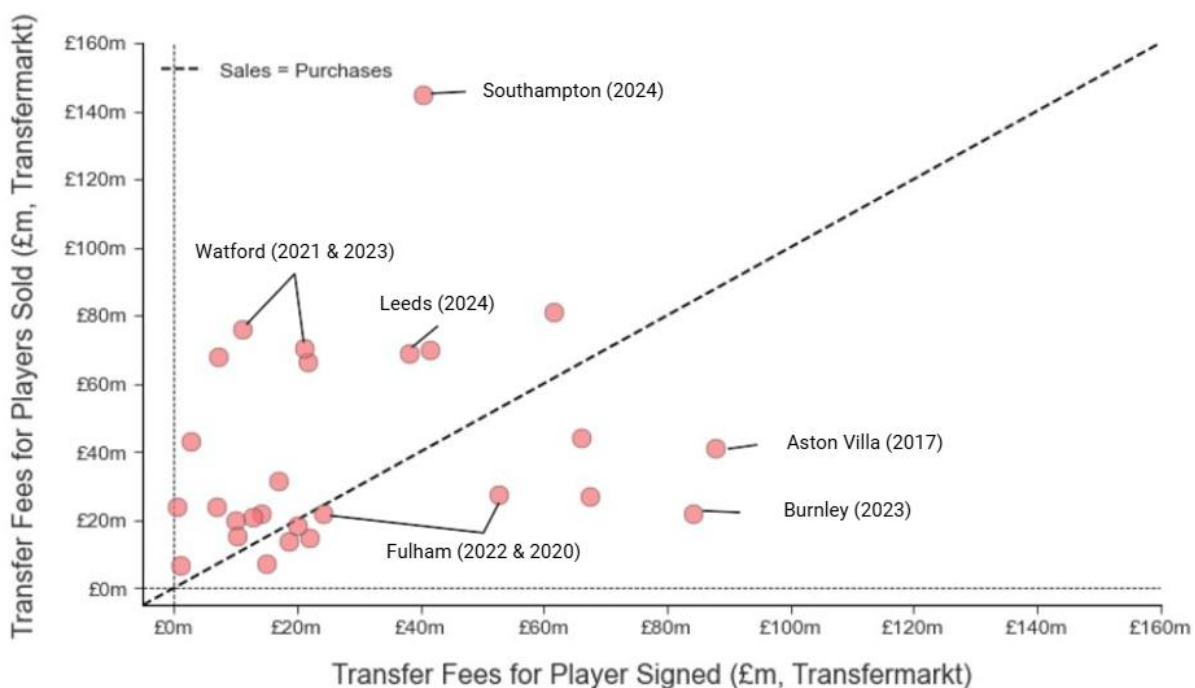
Clubs adopt different transfer strategies upon relegation. Chart J.2 shows the transfer fees for players sold and signed for relegated clubs. Most relegated clubs are net-sellers, reducing wage costs and generating transfer income that can help offset the reduction in revenues. However, clubs may still experience net cash outflows as historic transfer fees continue to be paid in instalments. Some clubs, by contrast, are net buyers following relegation. Part of the explanation is that relegated clubs have an incentive to spend to maximise their chances of promotion back to the Premier League before parachute payments end and revenues fall further.

Around half of completed parachute payment windows have included a return to the Premier League. Since 2006/07, 27 of 51 completed spells resulted in promotion back during the payment

window, equivalent to around 53%. The remaining 47% did not return during the parachute payment window, with clubs either remaining in the Championship or being relegated further down the pyramid before payments expired.¹

Whilst most clubs relegated to the Championship are net sellers, some clubs are net buyers in pursuit of being repromoted.

Chart J.2: Transfer fees for players sold and signed by clubs relegated to the Championship (£m).



Source: IFR analysis of Transfermarkt data

Overall, the analysis shows that relegation from the Premier League to the Championship has a significant financial impact even with parachute payments. However, the evidence suggests that clubs do not always use parachute payments to adjust to the lower revenues of the Championship.

Championship to League One

Chart J.3 shows the financial impact of relegation from the Championship to League One for clubs relegated in the 2024/25 season. Following relegation, average total revenues fell by £10 million

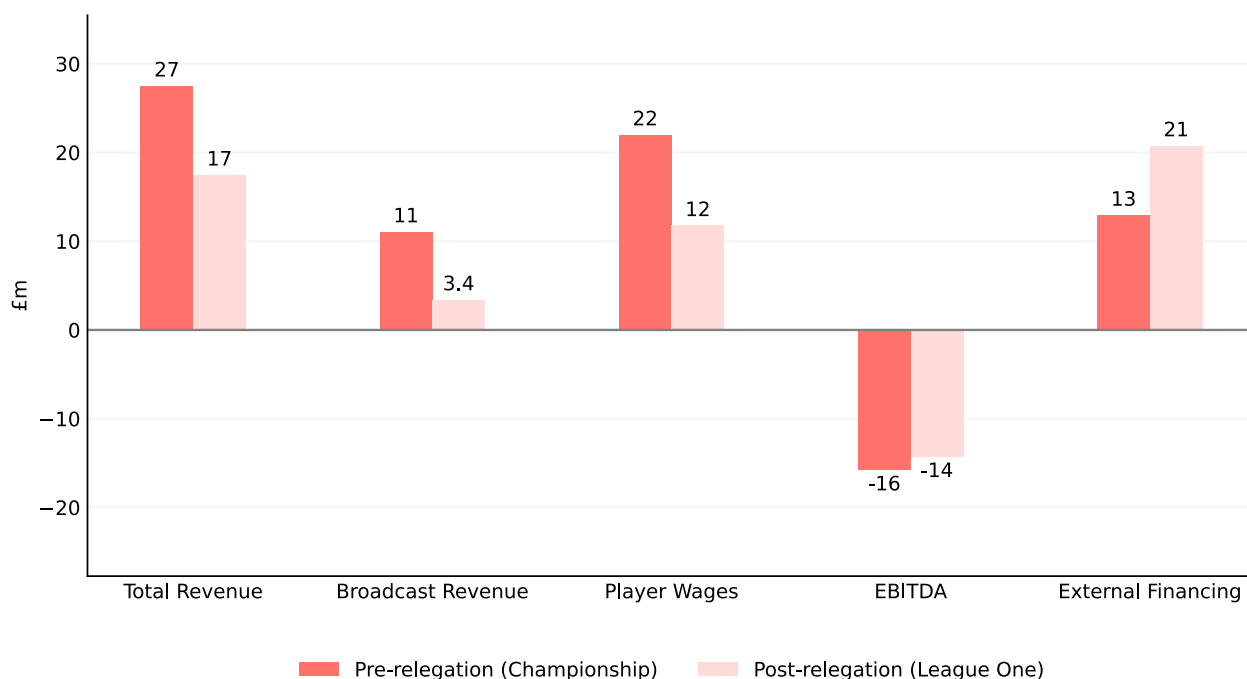
¹ A parachute payment spell begins when a club enters Year 1 of parachute payments. Clubs are tracked across the Year 1 to Year 4 (where applicable) payment window. A return is counted where the club is promoted from the Championship back to the Premier League during that period. The calculation includes completed payments spells only; active or incomplete spells are excluded so that ongoing cases are not treated as failures.

(37%), of which £7.6 million came from lower broadcast revenue. This reduction in total revenues was proportionally smaller than for clubs relegated from the Premier League to the Championship (37% compared with 42%).

Clubs relegated to League One reduced wage costs by an average of £10 million (47%), almost offsetting the £10 million reduction in total revenues. This was proportionally greater than the wage reduction among clubs relegated from the Premier League to the Championship (47% compared with 34%). As a result, average EBITDA was broadly unchanged following relegation, improving slightly from -£16 million to -£14 million (10%), although external financing increased by £8m (60%).

Clubs relegated to League One are able to adapt to lower revenues without worsening profitability.

Chart J.3: Impact of Relegation from the Championship to League One (24/25 to 25/26).



Source: IFR analysis based on data received from the EFL in response to IFR requests for information.

Note: The chart above shows the financial impact of relegation from the Championship to League One. For clubs that were relegated in 2024/25 (excluding those that were still in receipt of Premier League parachute payments upon relegation to League One), it shows the average total revenue, broadcast revenue, player wages, EBITDA and external financing before they were relegated (i.e. during the 24/25 season) and after they were relegated (i.e. during the 25/26 season).

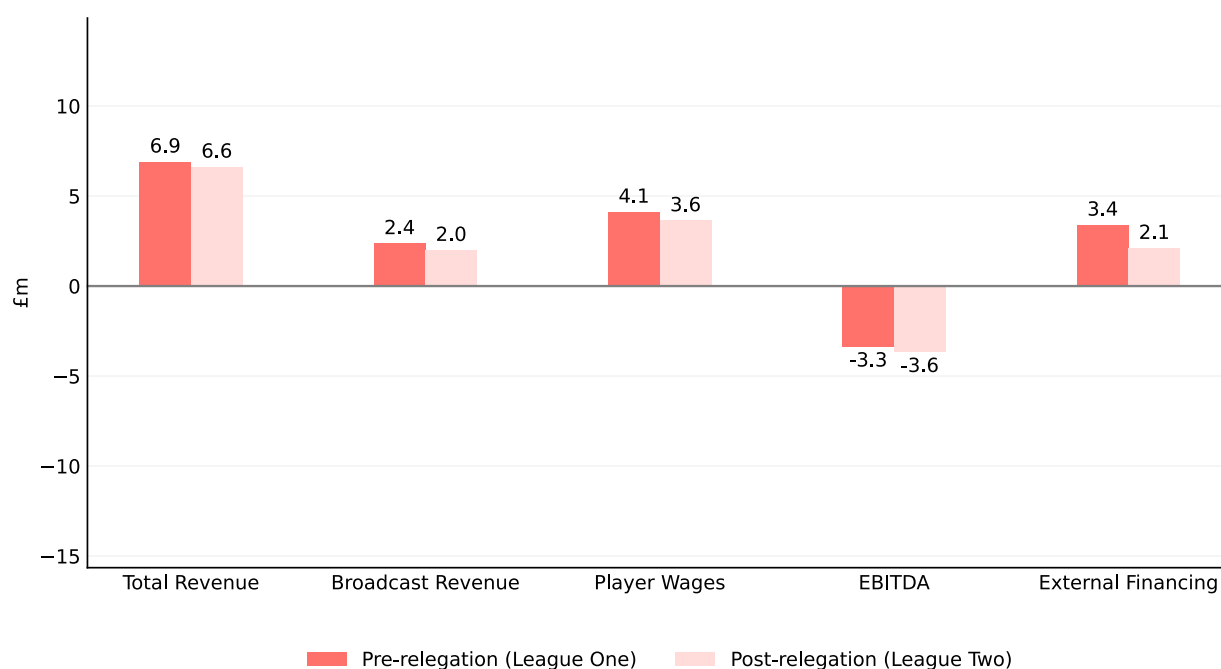
Overall, while the financial impact of relegation from the Championship to League One is material, the impact is proportionally less than that between the Premier League and Championship, with clubs largely able to manage drops in revenue by cutting wage costs.

League One to League Two

Chart J.4 shows the financial impact of relegation from League One to League Two for clubs relegated in 2024/25. Across the financial measures shown, there were relatively small differences before and after relegation. Average total revenues fell by £0.3 million (4%), while broadcast revenue fell by £0.4 million. This suggests that clubs partially offset the reduction in broadcast revenue through a small increase in non-broadcast revenue. Clubs relegated to League Two reduced wage costs by an average of £0.5 million (12%), more than offsetting the £0.3 million reduction in average total revenues. Average EBITDA was broadly unchanged, falling slightly by £0.3 million (9%). Average external financing fell by £1.3 million (38%).

Clubs relegated to League Two are able to adapt to the modest fall in revenues.

Chart J.4: Impact of Relegation from League One to League Two (24/25 to 25/26).



Source: IFR analysis based on data received from the EFL in response to IFR requests for information.

The chart above shows the financial impact of relegation from League One to League Two. For clubs that were relegated in 2024/25, it shows the average total revenue, broadcast revenue, player wages, EBITA and external financing before they were relegated (i.e. during the 24/25 season) and after they were relegated (i.e. during the 25/26 season).

Overall, the financial impact of relegation from League One to League Two is proportionally much smaller than for relegations higher up the pyramid. Clubs largely managed the relatively small fall in revenue by reducing costs.

League Two to National League

Due to data limitations, it is not possible to present the same pre- and post-relegation financial analysis for clubs relegated from League Two to the National League as in the preceding sections. Instead, we compare revenues in League Two and the National League to provide an indication of the potential impact of relegation.

The difference in central distributions between League Two and the National League is relatively limited compared with differences higher up the pyramid. Central distributions fall from around £1.7 million in League Two to around £1.3 million in the National League (including National League parachute payments), a reduction of approximately 27%. This is materially smaller than the reductions in broadcast revenue observed higher up the pyramid, where clubs relegated from the Premier League and the Championship experienced reductions of 50% and 69%, respectively.²

Moreover, average player wages in the 2025/26 season for clubs receiving National League parachute payments (£3.2 million) were slightly lower than the average in League Two (£3.3 million).³ This £0.1 million (5%) difference indicates that player wage costs for recently relegated clubs were broadly comparable to, but slightly below, the League Two average.

Taken together, these factors suggest that the financial impact of relegation from League Two to the National League may be similar to that observed for clubs relegated from League One to League Two. In both cases, the reduction in revenues appears relatively modest compared with relegations higher up the pyramid. The wage data for clubs receiving National League parachute payments also indicates some reduction in player costs following relegation.

Conclusion on financial impact of relegation

Overall, the financial impact of relegation is more material at the top of the English football pyramid, where the gap in revenues between divisions is greatest. Relegation from the Premier League to the Championship results in a substantial decline in revenue, particularly from broadcast distributions. While parachute payments significantly soften this shock, relegated clubs nevertheless tend to experience weaker operating performance and increased reliance on external financing.

Further down the pyramid, the financial impact of relegation becomes progressively smaller. Clubs relegated from the Championship to League One face a meaningful but proportionately smaller reduction in revenues and are largely able to offset this through wage reductions. Relegation from League One to League Two is associated with modest changes in revenues, costs and profitability, with clubs appearing able to adjust their expenditure accordingly. Available evidence suggests that the revenue impact of relegation from League Two to the National League is

² IFR analysis based on data received from the Premier League and EFL in response to IFR requests for information.

³ IFR analysis based on data received from the EFL and National League in response to IFR requests for information.

similarly limited, reflecting the smaller revenue differential between the divisions after accounting for National League parachute payments.

Taken together, the findings indicate that the key financial challenge associated with relegation arises in the transition from the Premier League to the Championship, with parachute payments playing a crucial role in cushioning that impact.

Assessing the impact of distribution arrangements on the incentive to spend on players

In the subsections below, we assess whether the current distribution arrangements unduly increase clubs' incentive to spend on players across each of the leagues by analysing whether they are incentivised to sustain losses over time.

Premier League

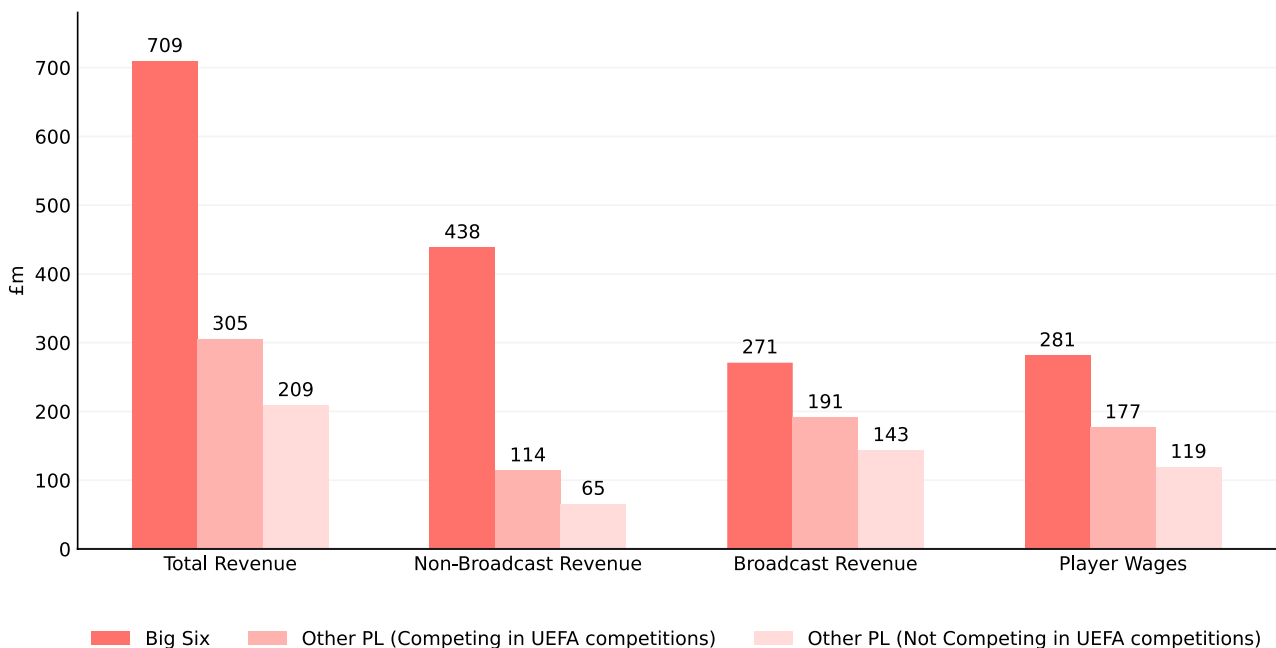
In the Premier League, there is a significant revenue gap between the big six and other Premier League clubs. However, as shown in Chart J.5, this is driven primarily by differences in matchday and commercial revenues, as well as revenues from participation in UEFA competitions, rather than the distribution of Premier League broadcast and other central revenues. The Premier League's overall top-to-bottom central distribution ratio - the difference between total central payments received by the highest- and lowest-paid clubs - is limited to 1.8:1, making it the most evenly distributed among Europe's five major leagues.⁴

- Big six clubs earned an average of £709 million in total revenues in 2025/26, of which £438 million came from matchday and commercial revenue and £271m of combined broadcast distributions from the Premier League and UEFA.
- On average, other Premier League clubs that competed in UEFA competitions earned £404 million (57%) less than big six clubs in total revenue. This was mainly driven by differences in matchday and commercial revenue, which was £324 million less than for the big six, compared with a £80 million difference in broadcast revenue.
- On average, other Premier League clubs that did not compete in UEFA competitions earned £500 million (71%) less in total revenue than big six clubs, comprising £373 million less in non-broadcast revenue and £128 million less in broadcast revenue.

⁴ Premier League submission, 'An overview of the English football ecosystem' prepared by Keystone.

The financial gap between big six clubs and the rest of the Premier League is primarily driven by non-broadcast revenues and not differences in broadcast distributions.

Chart J.5: Average differences between big six clubs and the rest of the Premier League, 2025/26



Source: IFR analysis based on data received from the Premier League in response to IFR requests for information.

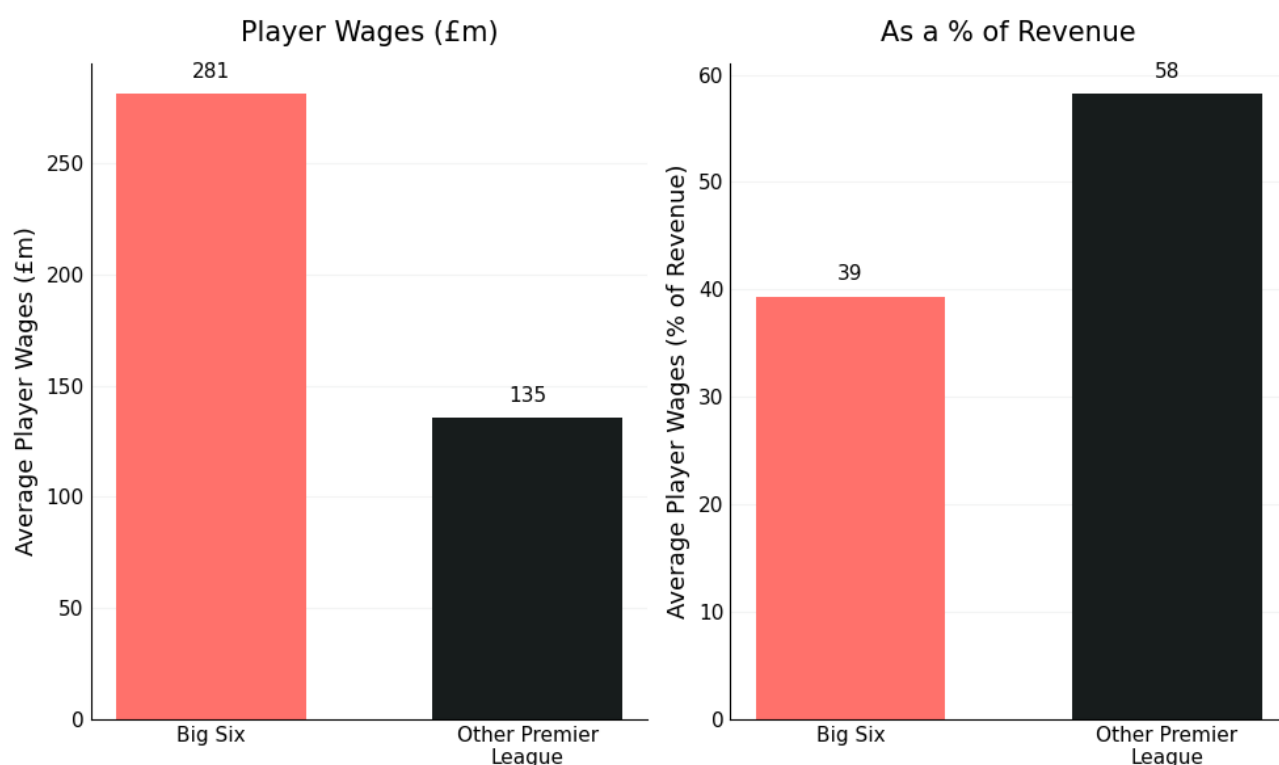
Note: The chart above displays average revenues and wages for different groups of Premier League clubs during the 2025/26 season.

The difference in Premier League broadcast revenues also does not appear to drive a clear incentive to overspend on players in a given season. As set out in Chart J.6, big six clubs spent an average of £281 million on wages in 2025/26 and typically achieved higher finishing positions and qualified for UEFA competitions, generating greater revenues. Overall, non-big six clubs would have to spend an additional £146 million per year on player wages to match the big six average level, but even if those wages translated into similar levels of sporting performance, that would only result in an additional £114 million of average broadcast revenue. Bridging the wider gap with big six clubs would also require growth in commercial and matchday revenues over time, rather than being achieved through increased broadcast revenue in a single season.

This is also reflected in the absolute and relative levels of wage spend shown in Chart J.6. Although non-big six clubs spend a greater proportion of their revenue on player wages than big six clubs, they spend significantly less in absolute terms. Premier League clubs would break even in EBITDA terms if they spent around 60% of revenues on wages. Given that the majority of Premier League clubs spend less than this on player wages, this suggests that the financial cliff-edges within the Premier League do not appear to be incentivising clubs to overspend.

Most Premier League clubs spent less on players as a percentage of revenues than the average EBITDA breakeven level in 2025/26 of 60%.

Chart J.6: Player wages, absolute and as a percentage of revenue, in the Premier League (2025/26).



Source: IFR analysis based on data received from the Premier League in response to IFR requests for information.

Note: The bar charts above display average absolute player wages (£) and player wages as a % of revenue in the Premier League during the 2025/26 season.

Championship

For Championship clubs, there are two significant financial cliff-edges, both of which are primarily driven by the distribution of domestic broadcast revenues. The first cliff-edge is between Premier League clubs and Championship clubs. The second is between Championship clubs receiving parachute payments and the rest of the league.

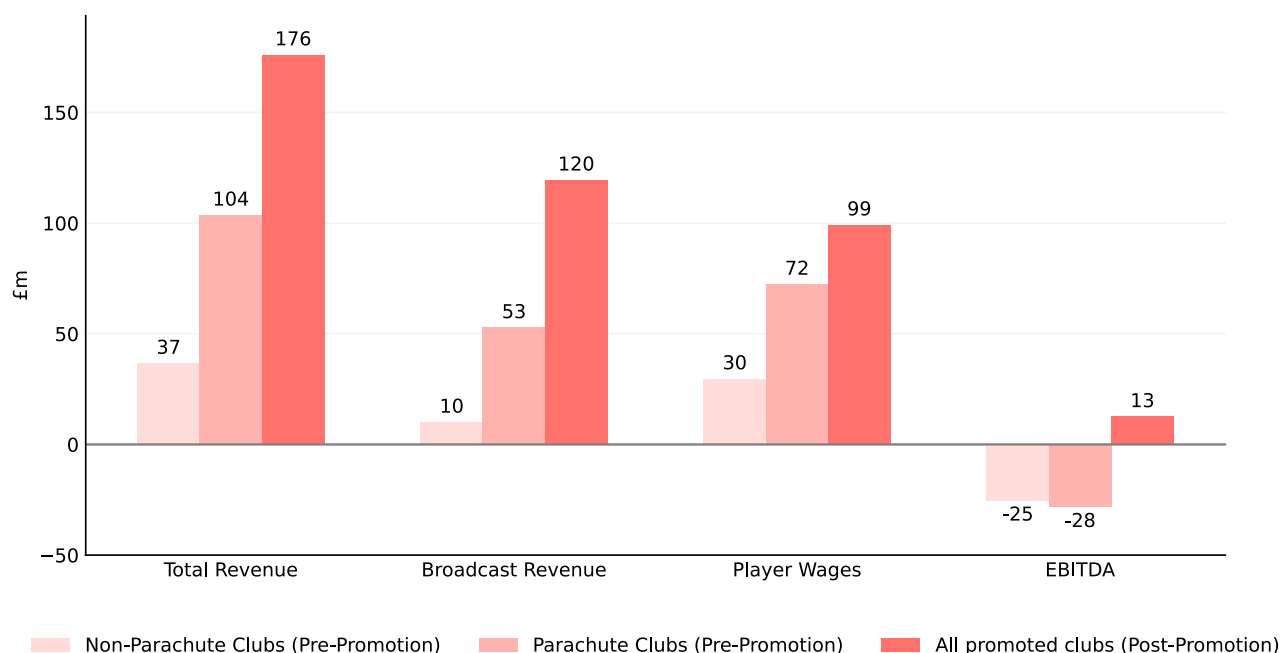
Chart J.7 shows the average financial metrics for clubs promoted to the Premier League from the Championship in the 2023/24 and 2024/25 seasons. It highlights the gap between the Premier

League and the Championship, and the financial benefits associated with promotion for both parachute and non-parachute clubs:

- For parachute clubs, promotion to the Premier League increased total revenues by an average of £73 million (70%), of which £67 million came from increased broadcast distributions. Player wages also increased by £27 million following promotion. However, the £73 million increase in revenue more than offset the increase in wages, with underlying EBITDA improving by £41 million.
- For non-parachute clubs, the reward for promotion is even greater. Promotion to the Premier League increased average revenues by £139 million (376%), of which £110 million came from increased broadcast distributions. Player wages increased by £70 million, while EBITDA increased by £38 million.
- Promotion can also increase enterprise values. Where enterprise value is estimated using a revenue multiple of 2x, the increase in revenue associated with promotion would result in a corresponding increase in the estimated enterprise value of Championship clubs.
- Taken together, the financial prize from promotion to the Premier League is significant, and this creates an incentive for Championship clubs to spend more on players. The financial benefit of promotion, and therefore the incentive to increase player spending, is greater for non-parachute clubs than for parachute clubs.

The large financial gap between the Premier League and Championship is driven by broadcast distributions and creates a significant reward for promotion.

Chart J.7: Average financial metrics for parachute and non-parachute clubs promoted from the Championship to the Premier League in the 2023/24 and 2024/25 seasons.

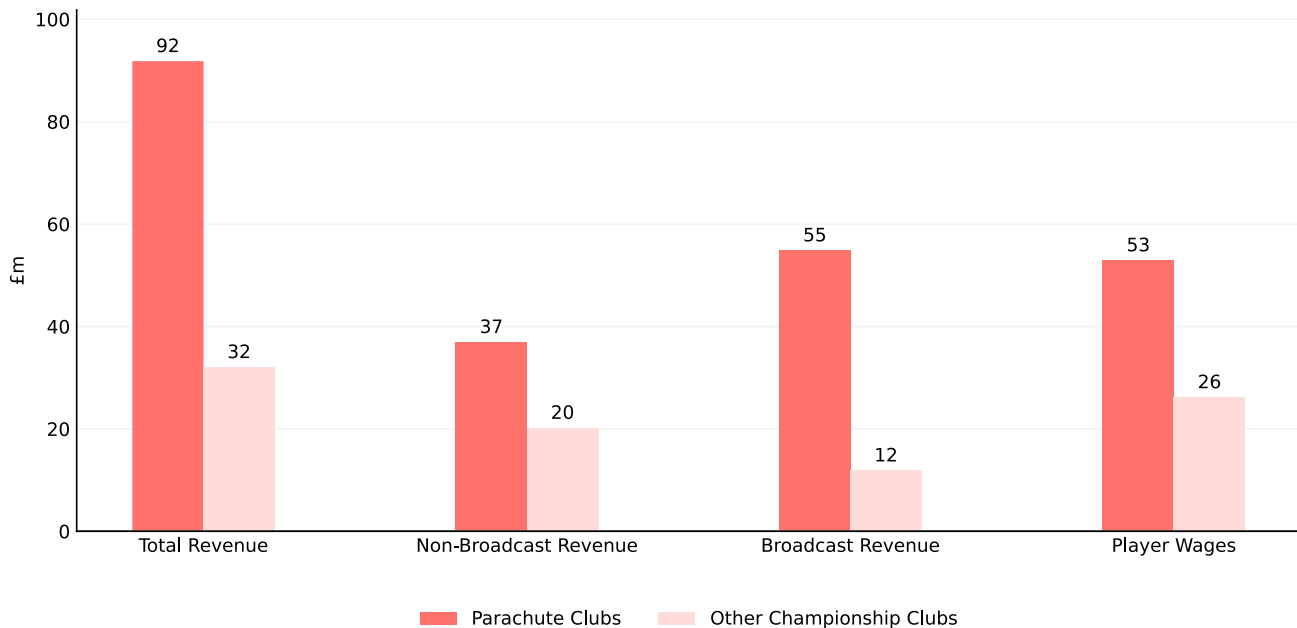


Source: IFR analysis based on data received from the Premier League and EFL in response to IFR requests for information.

In addition to the gap between the Championship and the Premier League, there is also a financial gap within the Championship between parachute and non-parachute clubs, as set out in Chart J.8. During the 2025/26 season, parachute clubs earned an average of £60 million more in total revenue than non-parachute clubs. Of this difference, £43 million came from broadcast revenues (i.e. parachute payments) and £17 million from higher non-broadcast revenues. Parachute clubs also spent an average of £53 million on player wages, £27 million more than non-parachute clubs.

Higher broadcast revenues allow parachute clubs to spend more on player wages than non-parachute clubs.

Chart J.8: Average differences between Parachute clubs and the rest of the Championship (2025/26)



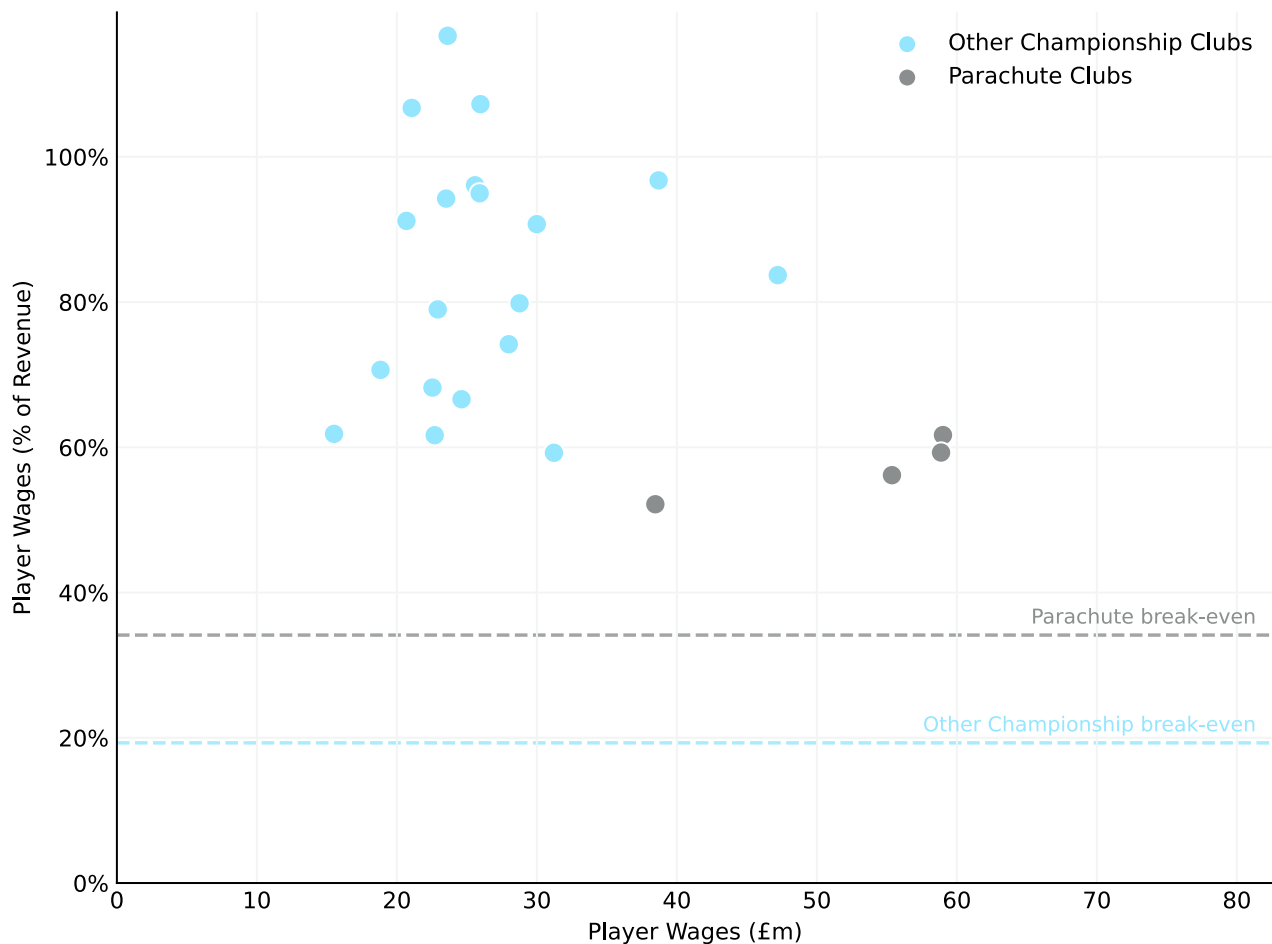
Source: IFR analysis based on data received from the EFL in response to IFR requests for information.

This difference within the Championship, coupled with the large financial rewards from promotion, appears to create an incentive for non-parachute clubs to overspend to compete with parachute clubs. Chart J.9 shows absolute and relative wage spend in the Championship in 2025/26 and shows that:

- Parachute clubs tended to spend more on player wages than non-parachute clubs in absolute terms (£53 million compared with £26 million), but wages represented a lower proportion of total revenues: 57% compared with 84%, on average.
- If non-parachute clubs spent 19% of their revenues on player wages, they would break even in EBITDA terms. However, every non-parachute club spent at least 59% of their revenues on player wages, with ten clubs spending over 80%.
- Parachute clubs would need to spend 34% of their revenues on player wages to break even. Although every parachute club spent more than this, they were much closer to breaking-even than non-parachute clubs.

Non-Parachute clubs tend to overspend in order to compete with Parachute clubs.

Chart J.9: Player wages, absolute and as a percentage of revenue, in the Championship (2025/26).



Source: IFR analysis based on data received from the EFL in response to IFR requests for information.

Note: The scatterplot above display player wages as a % of revenue, and absolute player wages (£) in the Championship, where each dot represents a club during the 2025/26 season. The dotted break-even lines represent the average level of spending on player wages as a % of revenue required for clubs to achieve an EBITDA of zero. For each club, the breakeven level is calculated as the level of player spend that, assuming all the club's revenues and other costs remain the same, results in a zero EBITDA. The median break-even level of spending is then calculated across all Parachute and other Championship clubs respectively and presented in the charts as dotted lines.

To better understand whether distribution arrangements create a financial incentive to increase player-wage spend, we modelled the expected financial pay-off from a £10 million increase in an individual club's player-wage spend. We:

- used the relationship between relative player-wage spend and sporting success to estimate how increased player-wage spending affects the likelihood of promotion and relegation
- simulated 1,000 seasons to estimate a club's likely sporting outcomes under different player-wage scenarios
- calculated the expected financial pay-off from the increased likelihood of promotion and reduced likelihood of relegation, based on the associated changes in club enterprise value
- deducted the additional wage expenditure to calculate the net financial pay-off. A positive pay-off indicates an incentive to increase player-wage spend, a negative does not.

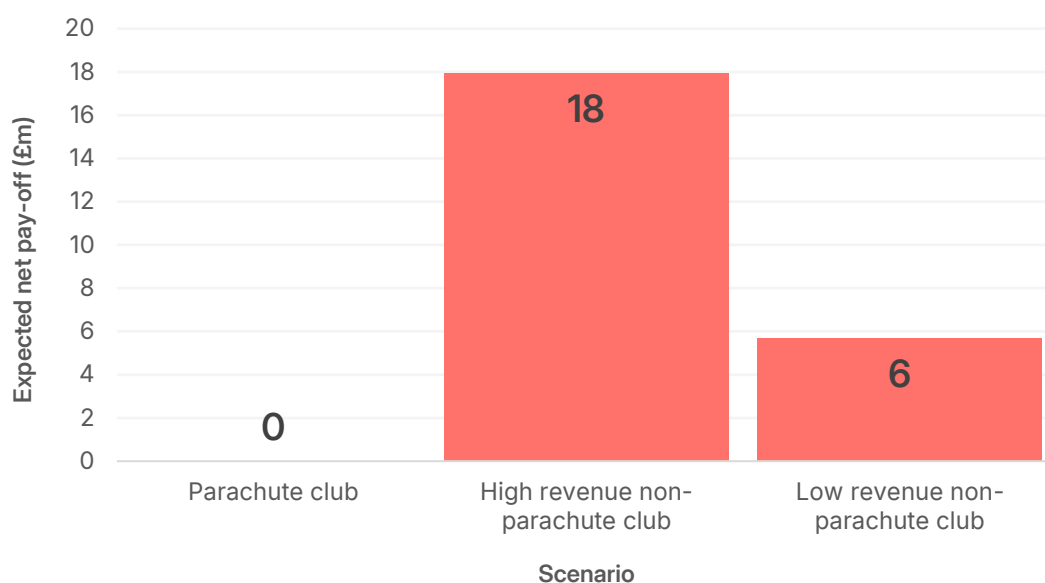
As set out in Chart J.10, we find that:

- **High revenue non-parachute clubs have a strong incentive to increase spending.** A £10 million increase in player-wage spend increases the likelihood of promotion by 12.2 percentage points, with promotion carrying an estimated £110 million increase in broadcast revenues, and reduces the likelihood of relegation by 7.0 percentage points, with relegation carrying an estimated £7.3 million reduction in revenues. This improvement in outcomes provides a combined expected pay-off of £28 million, more than compensating for the additional £10 million player-wage expenditure.
- **Low revenue non-parachute clubs also have a strong incentive to increase spending.** A £10 million increase in player-wage spend increases the likelihood of promotion by 6.0 percentage points, with promotion carrying an estimated £110 million increase in broadcast revenues, and reduces the likelihood of relegation by 16 percentage points, with relegation carrying an expected £7.3 million reduction in revenues. This improvement in outcomes provides a combined expected pay-off of £15.5 million, exceeding the additional £10 million in player-wage expenditure.
- **Year-one parachute clubs do not have the same strong incentive.** Increased player-wage spend of £10 million raises the likelihood of promotion by 6.3 percentage points, with promotion carrying an estimated £80 million increase in broadcast revenues relative to a year-two parachute payment. The likelihood of relegation remains close to 0%. This improvement in outcomes provides a combined expected pay-off of £10 million, which is offset by the £10 million in player-wage expenditure.

Overall, despite the incentive to increase player-wage expenditure, non-parachute clubs had been constrained by Championship P&S rules, which limited the losses they can incur. As of the 2026/27 season, new squad cost ratio (SCR) rules have been introduced in the Championship which loosen the financial constraints on player expenditure.

Non-parachute Championship clubs have a strong short-term financial incentive to increase expenditure on their playing squad.

Chart J.10: Expected net pay-off from increasing player wage budget by an additional £10m (2024/25)



Source: IFR analysis

As well as considering the current incentive to overspend, we also consider how this has changed over time as the gap between parachute and non-parachute clubs has grown. As set out in Charts J.11 and J.12, the gap increased from £14 million in 2012/13 to £43.4 million in 2025/26.⁵ Over the same period, the wage-to-revenue ratio of non-parachute clubs increased from 107% in 2012/13 to almost 180% in 2021, before falling back to 109% in 2025/26. Overall, this suggests that the growing gap between parachute and non-parachute clubs may have increased the incentive for non-parachute clubs to overspend, although actual levels of overspending have fallen substantially from their 2021 peak in recent years despite the significant gap.⁶

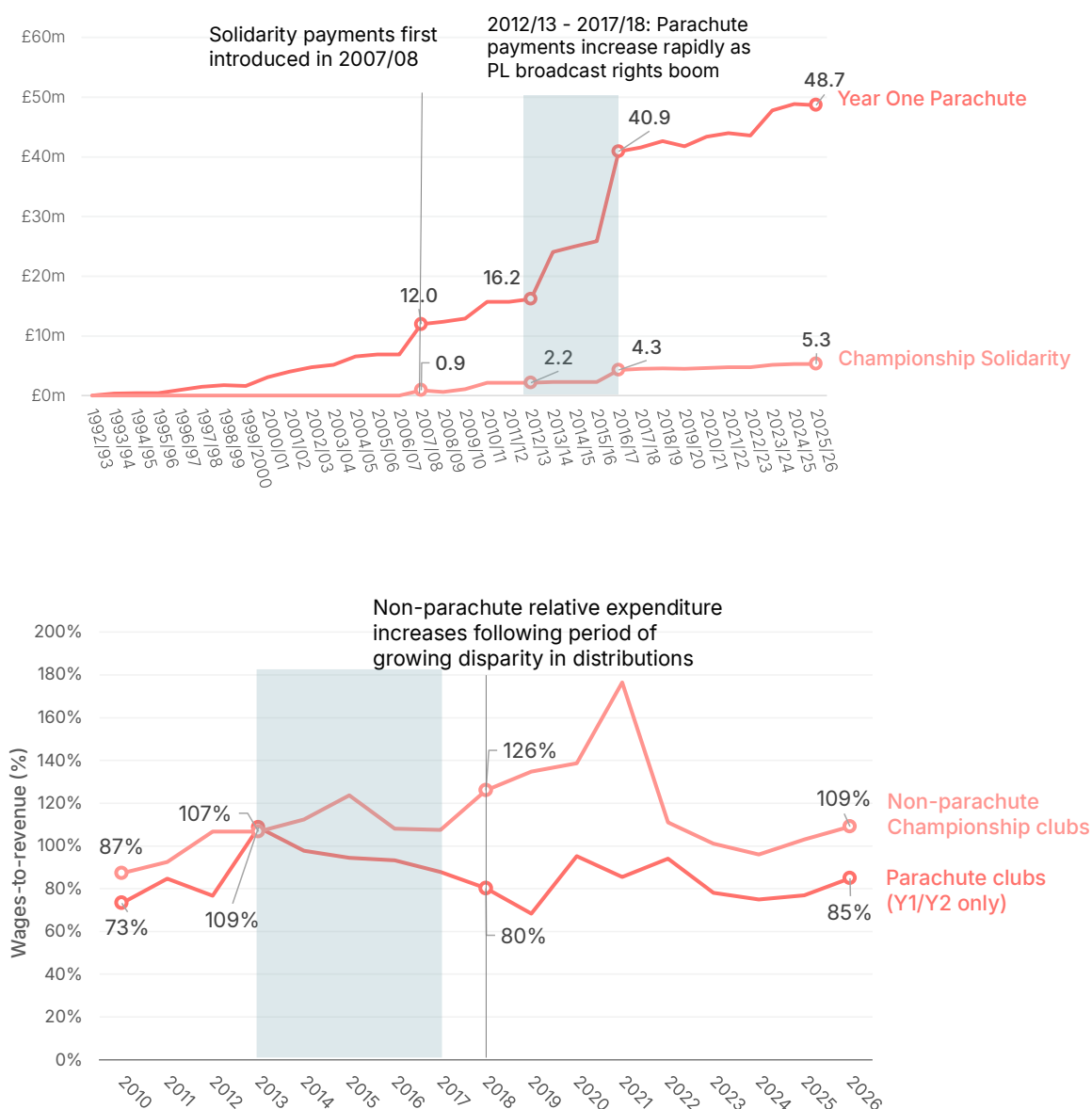
⁵ IFR analysis of Companies House financial accounts and data received from the Premier League and EFL in response to IFR requests for information

⁶ The peak in wage-to-revenue ratios in 2021 was largely as a result of reduced matchday and commercial revenues during Covid-19 rather than an increase in wage expenditure.

Taken together, the analysis suggests that the financial gaps between the Premier League and the Championship, and between parachute and non-parachute Championship clubs, create an incentive for non-parachute clubs to overspend on player wages.

As the gap between parachute payments and solidarity payments has grown, relative overspend from non-parachute clubs has increased.

Chart J.11 and J.12: Growth in Year One parachute payments and Championship solidarity payments over time (1992/93 – 2025/26). Comparison between Parachute and Non-parachute wages-to-revenue ratios over time (2009/10 – 2025/26)



Source: IFR analysis of financial accounts available at Companies House and data received from the EFL in response to IFR requests for information

League One

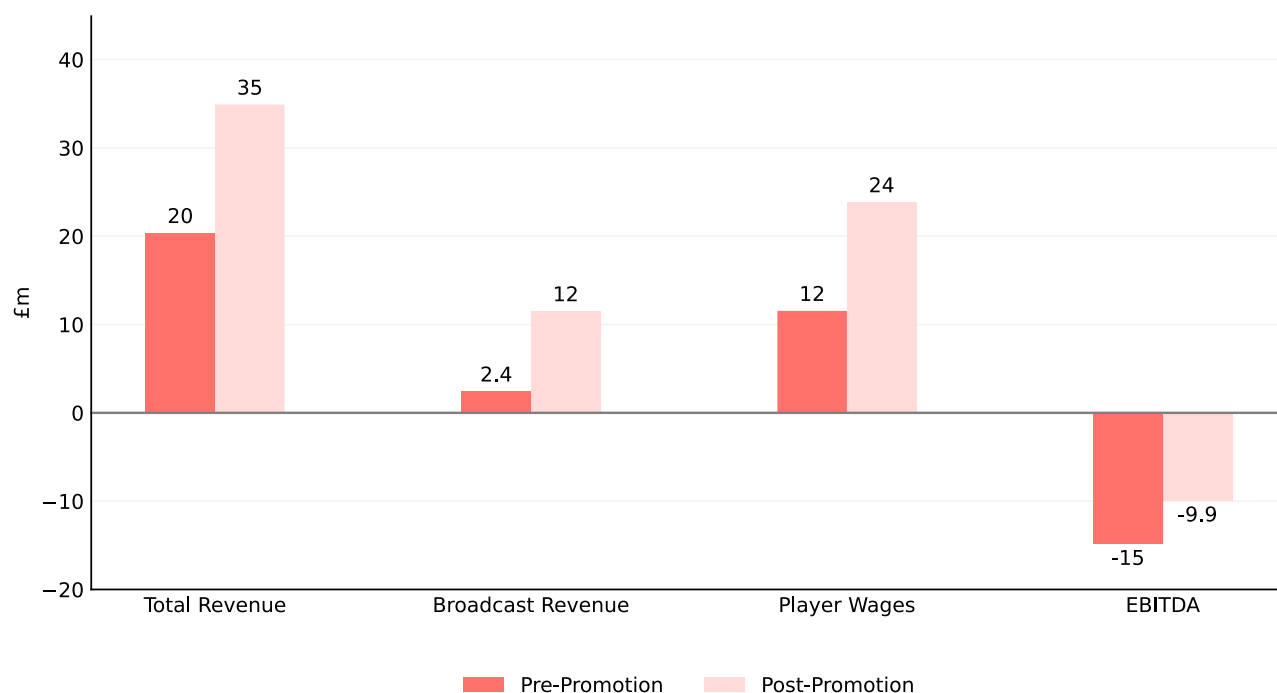
In League One, distribution arrangements do not create a cliff-edge within the league, as all clubs receive similar distributions of broadcast and other central revenues. However, promotion to the Championship results in an increase in revenues.

Chart J.13 shows the average financial impact of promotion from League One to the Championship in the 2023/24 and 2024/25 seasons. Although the financial reward from promotion is smaller than that from the Championship to the Premier League, the analysis still shows that:

- Upon promotion to the Championship, average total revenue increased by £15 million (71%), of which £9.1 million came from increased broadcast revenues.
- Average player spending also doubled, from £12 million pre-promotion to £24 million post-promotion.
- As with promoted Championship clubs, higher revenues can lead to higher enterprise values for promoted League One clubs. Given that a club's enterprise value is typically measured using a revenue multiple of 2x, promotion could increase the enterprise value of a promoted League One club by £30 million.
- Underlying EBITDA increased by £5 million but remained negative post-promotion.

League One clubs see a financial reward from promotion to the Championship, but it is less material than for promotion from the Championship to the Premier League.

Chart J.13: Average financial metrics for clubs promoted from League One to the Championship in the 2023/24 and 2024/25 seasons.



Source: IFR analysis based on data received from the EFL in response to IFR requests for information.

Taken together, while there is a financial reward from promotion from League One to the Championship, the absolute and proportionate increases in revenues (£15 million and 71% respectively) are considerably lower than for non-parachute clubs promoted from the Championship to the Premier League (£139 million and 376% respectively). The incentive for League One clubs to overspend to achieve promotion is therefore likely to be lower. Furthermore, as all League One clubs receive similar distributions of broadcast and other central revenues, the distribution arrangements do not create a cliff-edge within the league that incentivises clubs to overspend.

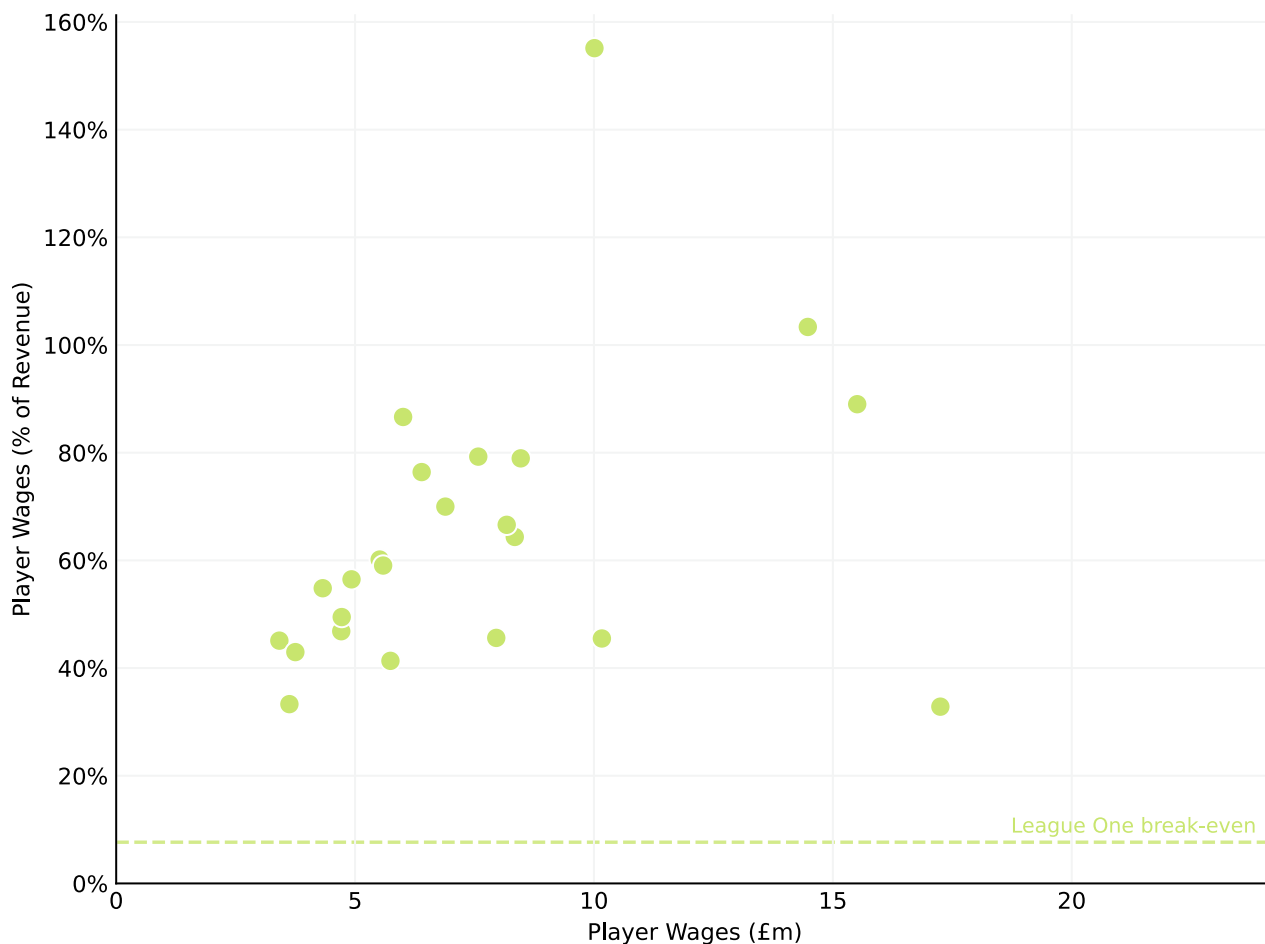
This is reflected in comparatively lower player-wage spending as a proportion of revenue in League One. Chart J.14 shows that only four League One clubs spent more than 80% of revenues on players in 2025/26, compared with 10 Championship clubs.

To break even in EBITDA terms, League One clubs would need to spend 8% of revenues on player wages, keeping revenue and other costs constant. This is significantly lower than the break-even wage-to-revenue ratios because non-player operating costs represent a larger proportion of overall expenditure.

As set out in Chart J.14, the majority of League One clubs spend over 40% of revenues on player wages, with two clubs spending over 100%, indicating significant loss-making. However, this loss-making does not appear to be driven by distribution arrangements, as the pay-off from promotion to the Championship is limited and there is no imbalance in distributed payments within the league. Instead, the loss-making is likely to be driven by one or a combination of high non-player-related costs, non-financial motivations among shareholders to achieve sporting success and responses to overspending by other clubs to improve their chances of promotion.

In League One, the clubs spending the most in absolute player wages also tended to be the clubs overspending relative to revenues.

Chart J.14: Player wages, absolute and as a percentage of revenue, in League One (2025/26).



Source: IFR analysis based on data received from the EFL in response to IFR requests for information.

Note: The scatterplot above display player wages as a % of revenue, and absolute player wages (£) in League One, where each dot represents a club during the 2025/26 season. The dotted break-even lines represent the average level of spending on player wages as a % of revenue required for clubs to achieve an EBITDA of zero. For each club, the break-even level is calculated as the level of player spend that, assuming all the club's revenues and other costs remain the same, results in a zero EBITDA. The median break-even level of spending is then calculated across all League One clubs and presented in the charts as the green dotted line.

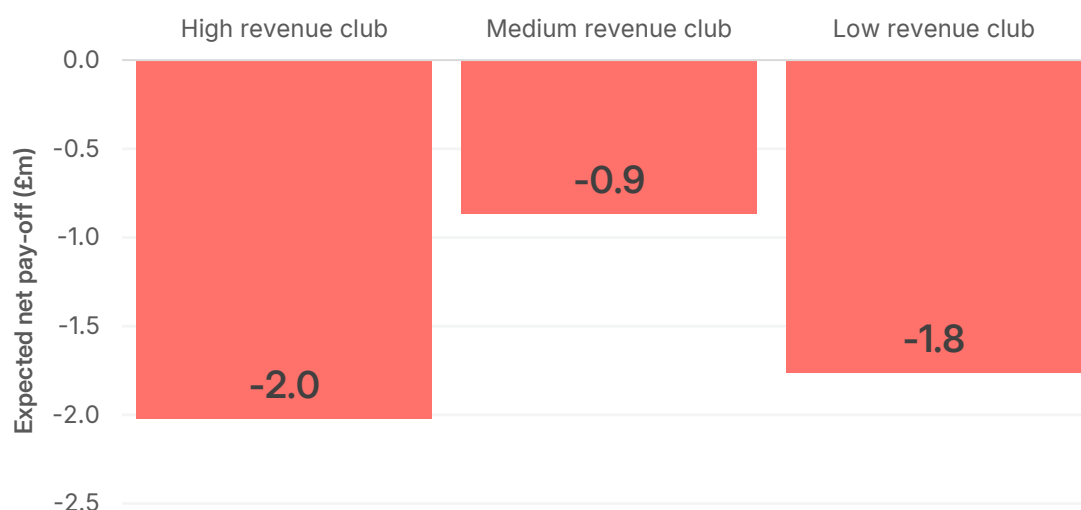
As with our analysis of the Championship, we examine the expected financial return from spending an additional £5 million on player wages to further understand whether distribution arrangements create an incentive to overspend in League One.

This is estimated by simulating one thousand seasons under each wage expenditure scenario for a representative club and comparing the probabilities of promotion and relegation. Different sporting outcomes correspond to different levels of revenues and associated enterprise values. The expected economic benefit from the change in sporting outcome is then netted off against the additional £5 million expenditure to estimate the incentive to increase spending.

As set out in Chart J.15, our modelling finds that distribution arrangements do not create a financial incentive for League One clubs to overspend. Although the additional expenditure increases the likelihood of promotion and reduces the likelihood of relegation, the expected financial benefit does not outweigh the additional £5 million spend. Instead, any incentive to overspend in League One is likely to be driven by financial factors not relating to distribution arrangements, non-financial factors or individual clubs' sporting ambitions.

Distribution arrangements in League One do not create a financial incentive to overspend.

Chart J.15: Expected net pay-off to League One clubs from increasing player wage budget by an additional £5m (2024/25)



Source: IFR analysis

Taken together, the analysis suggests that:

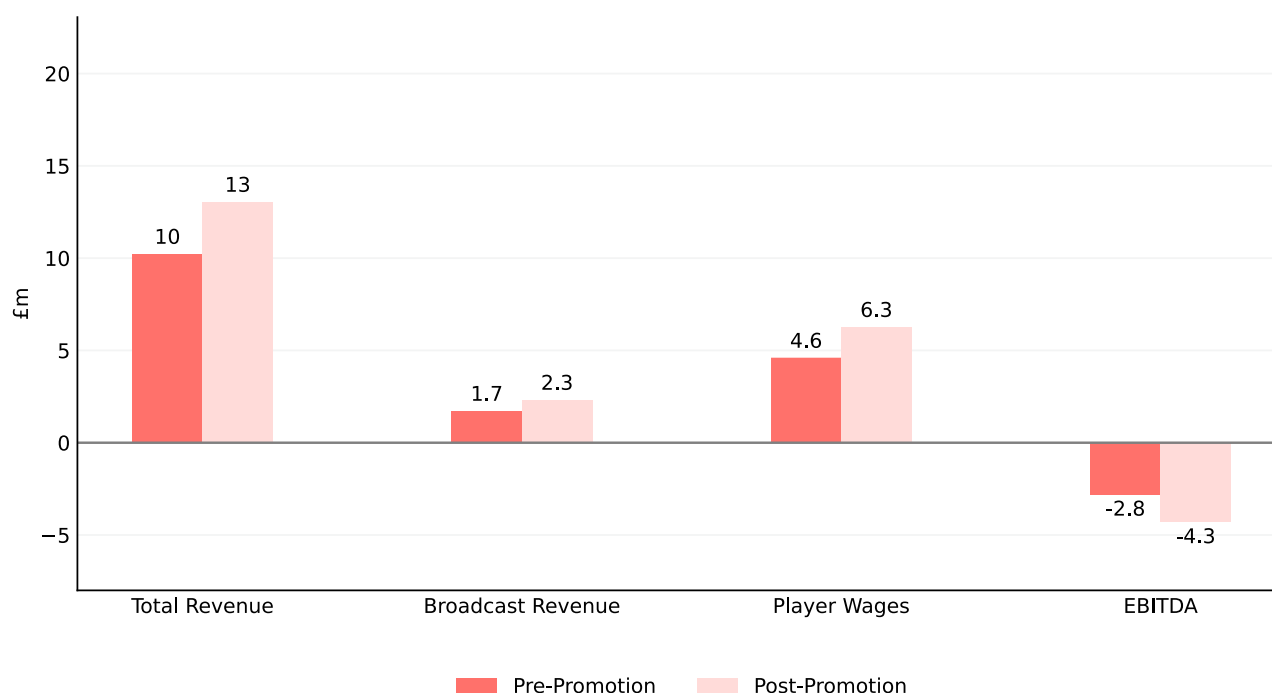
- **The financial gap between the Championship and League One does not create a significant financial incentive to overspend on player wages for League One clubs.**
- **Overspending in League One is driven not by the structure of distributions, but rather by the behaviour and ambitions of individual clubs.**

League Two

As with League One, distribution arrangements in League Two do not create a cliff-edge within the league, as all clubs receive similar distributions of broadcast and other central revenues, but they do create an increase in revenues upon promotion to League One.

Chart J.16 shows the average financial impact of promotion to League One from League Two in the 2023/24 and 2024/25 seasons. Although the financial reward from promotion to League One is smaller than in higher divisions, the analysis still shows that:

- Upon promotion to League One, average total revenue increased by £3 million (28%) for promoted clubs, of which £0.6 million came from increased broadcast revenues.
- Most of this increase in revenue was matched by increased player spending, which on average, grew by £1.7 million from £4.6 million pre-promotion to £6.3 million post-promotion.
- Given that the enterprise value of a club is typically measured by a revenue multiple of 2x, promotion from League Two to League One would result in a relatively small increase in enterprise value (c. £6 million for clubs promoted in the 2023/24 and 2024/25 seasons).
- Underlying EBITDA worsened by £1.5m following promotion.

The financial rewards from promotion from League Two to League One are modest.**Chart J.16:** Average financial metrics for clubs promoted from League Two to League One in the 2023/24 and 2024/25 seasons.

Source: IFR analysis based on data received from the EFL in response to IFR requests for information.

Taken together, the financial reward for promotion from League Two to League One is modest. The absolute and proportionate increases in revenues (£3 million and 28%, respectively) are much lower than for clubs promoted to the Championship (£15 million and 71%, respectively) and non-parachute clubs promoted to the Premier League (£139 million and 376%, respectively). Therefore, the incentive to overspend to achieve promotion is likely to be lower for League Two clubs. In addition, as all League Two clubs receive similar distributions of broadcast and other central revenues, distribution arrangements do not create financial cliff-edges within the league that incentivise overspending.

This lower incentive to overspend is reflected in comparatively lower average spending on players as a percentage of revenue (55%) relative to League One (64%) and non-parachute Championship clubs (84%). Chart J.17 shows that only two clubs in League Two spent more than 80% of revenues on players in 2025/26, compared with four clubs in League One and 10 clubs in the Championship.

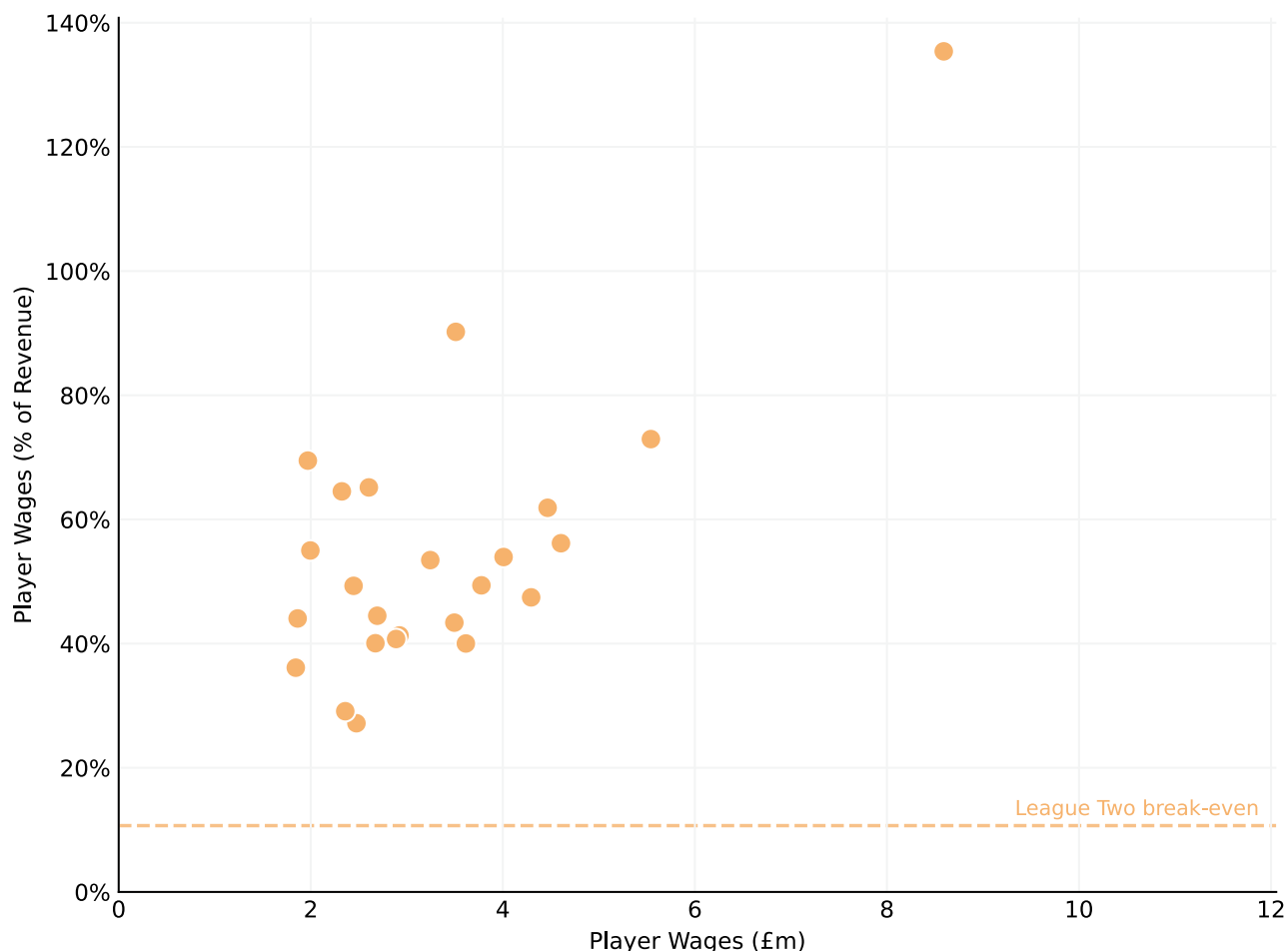
To break even in EBITDA terms, League Two clubs would need to spend 11% of revenues on player wages, keeping revenue and other costs constant. As with League One clubs, this is significantly lower than both the Premier League and Championship break-even wage-to-revenue ratios because non-player operating costs represent a larger proportion of overall expenditure.

The majority of League Two clubs spend over 40% of revenues on player wages, with one club spending over 100%. Compared with the average break-even level for the division, this indicates significant loss-making. However, this loss-making does not appear to be driven by distribution arrangements, as the pay-off from promotion to League One is limited and there is no imbalance in distribution payments within the league.

Instead, the loss-making is likely driven by one or a combination of high non-player-related costs, non-financial motivations to achieve sporting success and responses to overspending by other clubs seeking to improve their chances of promotion.

As in League One, the League Two clubs spending the most in absolute player wages also tended to be the clubs overspending relative to revenues.

Chart J.17: Player wages, absolute and as a percentage of revenue, in League Two (2025/26).



Source: IFR analysis based on data received from the EFL in response to IFR requests for information.

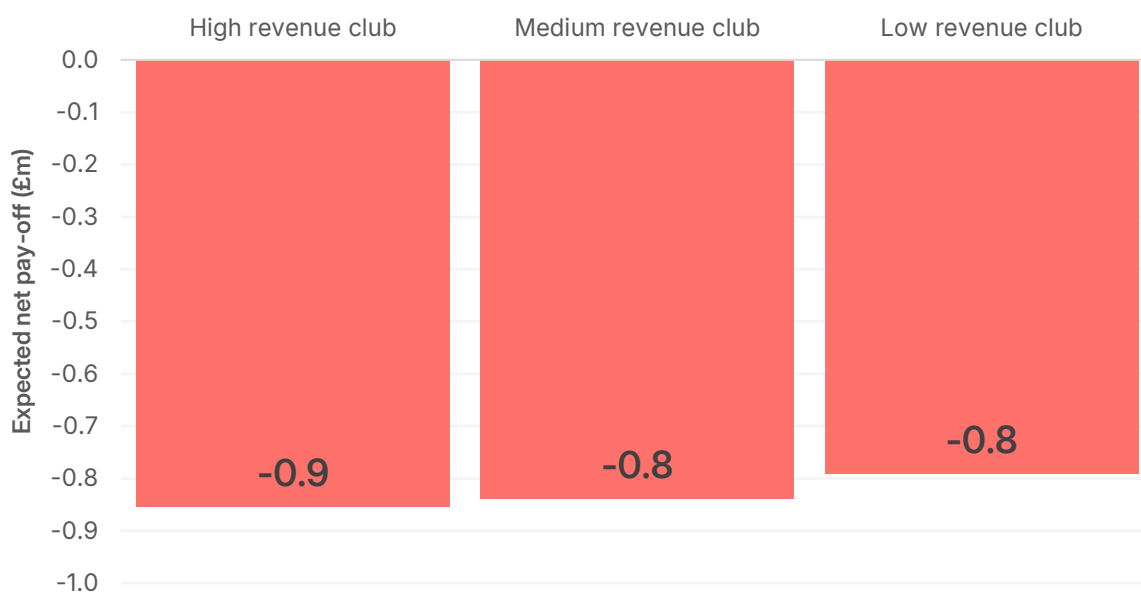
Note: The scatterplot above display player wages as a % of revenue, and absolute player wages (£) in League Two, where each dot represents a club during the 2025/26 season. The dotted break-even lines represent the average level of spending on player wages as a % of revenue required for clubs to achieve an EBITDA of zero. For each club, the break-even level is calculated as the level of player spend that, assuming all the club's revenues and other costs remain the same, results in a zero EBITDA. The median break-even level of spending is then calculated across all League Two clubs and presented in the charts as the orange dotted line.

As with the Championship and League One, we examine the expected financial return from spending an additional £5 million on player wages to better understand whether distribution arrangements create an incentive to overspend. We estimate how the additional spending changes the likelihood of promotion and relegation and the resulting effect on revenues and enterprise value.

As set out in Chart J.18, our modelling finds that the distribution arrangements do not create a financial incentive for League Two clubs to overspend. Although the additional spending increases the likelihood of promotion and reduces the likelihood of relegation, the expected financial benefit does not outweigh the additional £1 million spend. Instead, any incentive to overspend in League Two is likely to be driven by financial factors not relating to distribution arrangements, non-financial factors or individual clubs' sporting ambitions.

Distribution arrangements in League Two do not create a financial incentive to overspend.

Chart J.18: Expected net pay-off for League Two clubs from increasing player wage budget by an additional £1m (2024/25)



Source: IFR analysis

Taken together, the analysis suggests that:

- **The financial gap between the League One and League Two does not create a significant incentive to overspend on player wages for League Two clubs.**
- **Overspending in League Two is not driven by the structure of distributions but rather the behaviour and ambitions of individual clubs in the league.**

National League

As in the Championship, there are two financial gaps in the National League driven by distribution arrangements. The first is between League Two and the National League, and the second is between National League clubs receiving EFL parachute payments and non-parachute clubs.

Due to data limitations for National League clubs promoted to League Two in recent years, we are unable to assess the financial reward from promotion in the same way as for other leagues. Instead, Chart J.19 compares the average finances of National League clubs and League Two clubs in the 2025/26 season to indicate the potential financial impact of promotion. The chart shows that:

- Average total revenues for National League parachute clubs were only £1 million lower than for League Two clubs. Compared with League Two clubs, National League parachute clubs had slightly lower non-broadcast revenues, broadcast revenues and player wages. This suggests that the financial impact of promotion is relatively limited for parachute clubs.
- In contrast, the financial gap between non-parachute National League clubs and League Two clubs is much greater. Average total revenues at non-parachute National League clubs were £2.6 million, compared to £6.4 million at League Two clubs. Although promotion would not necessarily increase non-parachute National League clubs' revenues to the level of League Two clubs, broadcast revenues would increase from £0.2 million to £1.8 million, alongside some likely increase in matchday and commercial revenues.
- Taken together, the financial reward for promotion appears greater for non-parachute National League clubs than for parachute clubs. The indicative proportional increase in revenue for non-parachute clubs is 146%. While this is lower than the increase for non-parachute Championship clubs promoted to the Premier League (376%), it may nevertheless create an incentive for non-parachute clubs to overspend in pursuit of promotion.
- In addition, promotion also enables clubs to secure academy status under the EPPP which provides additional funding and improves player development opportunities. However, only two clubs are promoted to League Two each year, limiting the likelihood of securing these benefits through promotion.

As well as showing the financial reward of promotion, the chart also shows the gap between parachute and non-parachute clubs in the National League. Parachute clubs earned £5.4 million in revenues compared to £2.6 million for non-parachute clubs. Of this £2.8 million difference, £1.8 million was attributable to non-broadcast revenues. The revenue gap enables parachute clubs to spend, on average, more than twice as much on player wages as non-parachute clubs (£3.2 million compared to £1.5 million).

The financial gap between National League Parachute and non-Parachute clubs is greater than between League Two clubs and National League Parachute clubs. Although this difference is primarily driven by non-broadcast revenue.

Chart J.19: Average financial metrics for National League and League Two clubs (2025/26).



Source: IFR analysis based on data received from the EFL and National League in response to IFR requests for information.

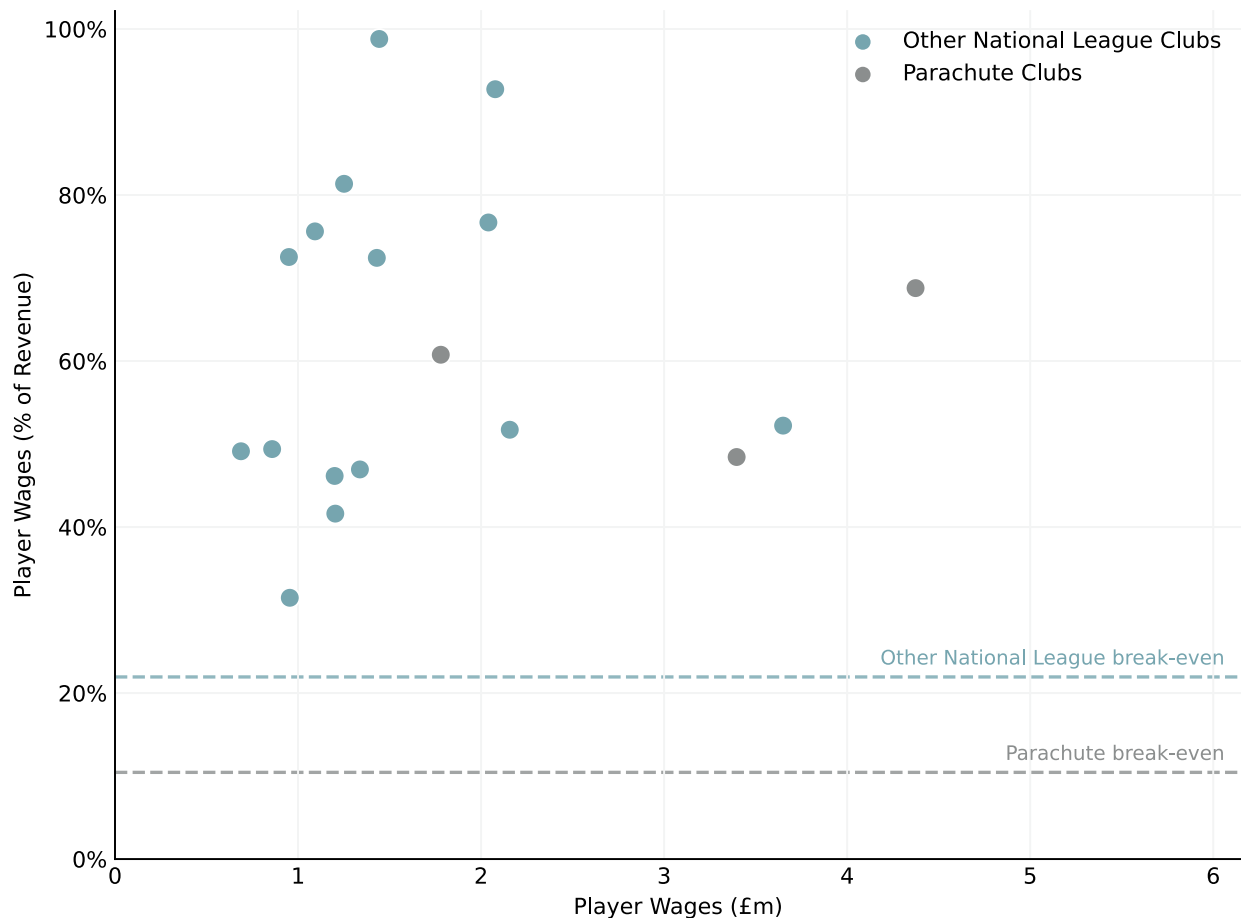
This lower incentive to overspend, compared to non-parachute Championship clubs, is consistent with comparatively lower player-wage spending as a percentage of revenues. As shown in Chart J.20, although National League parachute clubs spent more on player wages in absolute terms than non-parachute clubs, average wages as a percentage of revenues were similar across the two groups (59% for parachute clubs and 63% for non-parachute clubs), and considerably lower than

for non-parachute Championship clubs (84%). Only three National League clubs spent more than 80% of revenue on player wages, compared with 10 non-parachute Championship clubs.

To break even in EBITDA terms, non-parachute National League clubs would need to spend 22% of revenues on player wages, assuming non-player costs and revenues remain constant. However, the majority of clubs spent more than 40% of revenues on player wages. Compared with the division's average break-even level, this suggests that National League clubs are spending above the level consistent with breaking even. This may, in part, reflect the financial rewards from promotion and the financial gap between parachute and non-parachute clubs, part of which is driven by distribution arrangements.

Parachute clubs tended to spend more on absolute player wages than non-parachute clubs, but wages as a percentage of revenues are similar across both groups.

Chart J.20: Player wages, absolute and as a percentage of revenue, in the National League (2025/26).



Source: IFR analysis based on data received from the National League in response to IFR requests for information.

Note: The scatterplot above displays player wages as a % of revenue, and absolute player wages (£) in the National League, where each dot represents a club during the 2025/26 season. The dotted break-even lines represent the average level of spending on player wages as a % of revenue required for clubs to achieve an EBITDA of zero. For each club, the break-even level is calculated as the level of player spend that, assuming all the club's revenues and other costs remain the same, results in a zero EBITDA. The median break-even level of spending is then calculated across all National League clubs and presented in the chart as a grey dotted line for parachute clubs and a blue dotted line for other National League clubs.

Taken together, the analysis suggests that:

- **The financial gap between League Two and the National League may create an incentive for non-parachute National League clubs to overspend, although broadcast distribution revenues account for only a small portion of this gap.**
- **The financial gap between parachute and non-parachute clubs within the National League does not appear to be primarily driven by parachute payments, but by differences in non-broadcast revenues.**
- **There is less evidence that the financial gaps faced by non-parachute National League clubs have resulted in overspending on players than for non-parachute clubs in the Championship.**

Conclusion on incentives to spend

Overall, the analysis indicates that the extent to which distribution arrangements create incentives to overspend varies significantly across the football pyramid.

- **Distribution arrangements create the strongest incentives to overspend in the Championship.** Non-parachute Championship clubs face both a very large financial reward from promotion to the Premier League and a substantial revenue disadvantage relative to clubs receiving parachute payments. These gaps are driven by broadcast distributions and have increased materially over time. Non-parachute clubs have persistently high wage-to-revenue ratios, consistent with increased spending to compete with parachute clubs.
- **By contrast, there is little evidence that the structure of distributions creates similar incentives in the Premier League, League One or League Two.** In the Premier League, financial differences between the big six and other clubs are driven largely by commercial, matchday and UEFA-related revenues rather than domestic broadcast distributions. In League One and League Two, financial rewards from promotion are materially smaller and there are no material differences in central distributions within each league. While some clubs still overspend in pursuit of success, this appears to be driven more by non-financial factors and individual clubs' sporting ambitions than by the distribution system itself.
- **The evidence for the National League is more mixed.** The financial reward from promotion to League Two appears significant, particularly for non-parachute clubs. However, both the financial gap between leagues and the gap within the National League between parachute and non-parachute clubs are driven more by differences in non-broadcast revenues than by broadcast distributions or parachute payments. Consistent with this, there is less evidence of widespread overspending than in the Championship.

Overall, the findings indicate that the strongest risk of distribution-driven overspending is in the Championship, where the combination of the returns from promotion and the gap between parachute and non-parachute clubs creates particularly strong incentives for non-parachute clubs to overspend on players.