

Abstract

Unlike most American sports, European football clubs have the luxury of acquiring or selling players for a “transfer fee”. Because some European clubs are publicly held, these transfers often have an immediate impact on share price. This study will examine the effect of transfers of different magnitudes on the share prices of several publicly held European football clubs. A key portion of this thesis revolves around an adaptation of H.H.T. Peter’s and Douros Athanasios’s 2013 studies “Share Price Reaction to Football Transfers” and “The Market Reaction to Football Player Transfers in Europe” to analyze the effect of “High”, “Medium”, or “Low” transfer fees defined as a percentage of the team’s total market transfer value at the time of the announcement. This addition will make assumptions regarding the impact of expensive or inexpensive transfers on share price that can be applied to a club of any size. This study is relevant because it helps bring greater transparency to the intentions of those who run the clubs on behalf of the shareholders. If the effect of major decisions like player transfers is better understood, the agency problem that is ever present in publicly owned companies is greatly reduced.