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Sports franchise transactions

With valuations at an all-time high, now might be the right time to buy —or sell—a sports team

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There may never be a better time than now to buy a sports team. Conversely, this may also be a great time to cash in your chips and sell one.

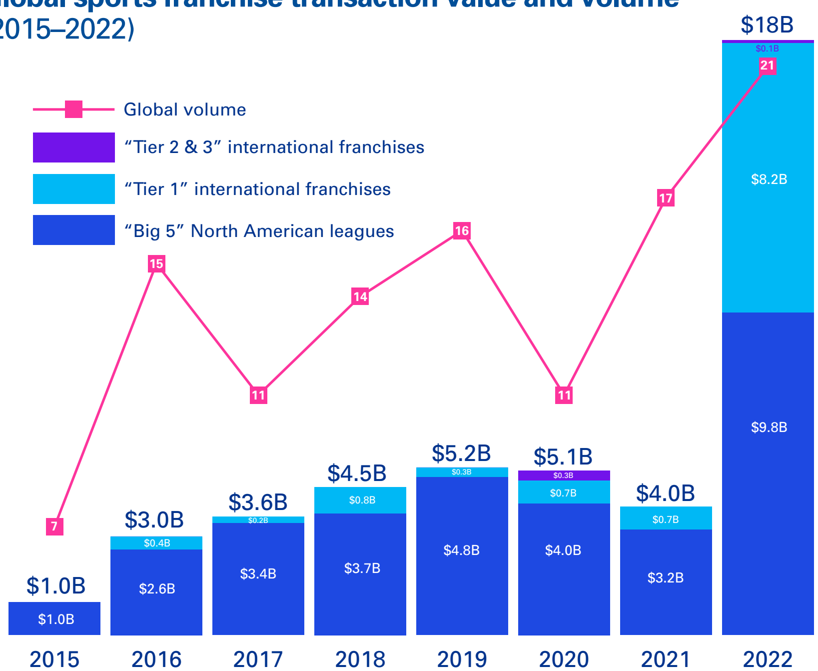
The value of professional sports franchises—in football, baseball, basketball, soccer, and even hockey—has never been higher. The increase in average team valuations has outpaced the S&P 500 over the past 20 years. And while 2022 saw major stock markets post their worst year since 2008, major sports leagues in the US, like the NFL, NBA, MLB, and NHL, plus soccer franchises in the English Premier League and others, reported record revenues and team sale prices.[1]

So why buy a sports team?

Here are some powerful reasons—both economic and otherwise—why it may make sense to consider investing in a sports team.

Franchise valuations have grown steadily and significantly over the past several years (see below; note that the dip between 2019 and 2021 was likely due to the COVID-19 pandemic).

Global sports franchise transaction value and volume (2015–2022)



Why has the value of franchises across multiple sports—football, baseball, basketball, soccer, and hockey—increased so dramatically? To some extent, it's a classic example of the principle of supply and demand. Over the past two decades, the number of major sports franchises has remained relatively flat: there are only 32 NFL teams; it hasn't expanded in more than 20 years. The number of NBA teams hasn't increased since 2004, NHL has added only two teams since 2000, and MLB hasn't expanded since 1998. During this same time period, the number of potential sports franchise buyers has increased dramatically.

So for a still small but growing number of individuals—whose wealth runs into the multibillions and where there is an avid affinity for sports—this makes sports teams an almost priceless collector's item. Buying a team may have less to do with annual investment returns than the combination of the long-term potential payoff, coupled with the recognition, satisfaction, and bragging rights of owning a prized asset that only a few other people do.

Notable franchises sold (and potentially on the market)[2]

2022 Premier franchises sold		**2023** Marquee franchises rumored to be for sale	**~$18B–$22B**
Denver Broncos (June)	**$4.7B**	**Washington Commanders** Expected minimum price:	**$5B–$6B**
Phoenix Suns (November)	**$4.5B**	**Manchester United** Expected minimum price:	**$5B–$6B**
Chelsea F.C. (May)	**$3.1B**	**Tottenham Hotspur F.C.** Expected minimum price:	**$3B–$4.5B**
AC Milan (June)	**$1.2B**	**Washington Nationals** Expected minimum price:	**$2B–$3B**
Olympic Lyonnais (December)	**$846M**	**Charlotte Hornets** Expected minimum price:	**$1.7B–2.5B**
Nashville Predators (October)	**$775M**	**Ottawa Senators** Expected minimum price:	**$800M–$1B**
Real Salt Lake (January)	**$400M**	**Everton F.C.** Expected minimum price:	**$700M–$800M**

See back page for sources/references

Drivers behind franchise valuation

There are several other compelling reasons for rising franchise valuations that merit consideration when deciding whether the time is right to invest in or sell a sports team.

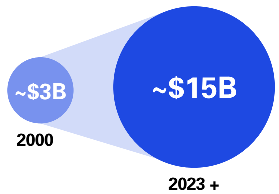
Bull case		Bear case
The value of media rights continues to increase	Media rights	Regional sports model disruption
Multiple franchises can be synergistic in investor portfolios	Multisport ownership model	Risk of antitrust regulation changes
Institutional investor enablement	Rules and regulations	Rising cost of capital and fan pushback
Brand expansion opportunities can increase monetization of assets	Headwinds and tailwinds	Deprioritization of upcoming live sports packages
Sports betting and other digital platforms continue to increase fan interest	Sports betting/ Fan engagement	Sports betting market volatility

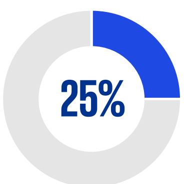
Bull versus bear overview

Bull case

Media rights values have doubled Over the prior decade, combined league revenues have doubled for the top four major sports leagues in the U.S. ($22 billion to $45 billion), primarily driven by increases in media rights deals. The increasing involvement by big tech players could further increase media rights fees moving forward.

Media rights growth for five major US sports leagues[3]



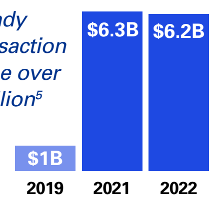


A quarter of sports franchises are part of a multi-club ownership structure[4]

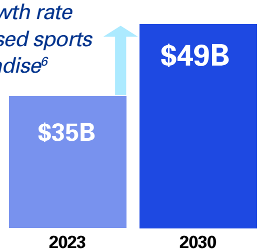
Investors are building a multisport franchise model Investors are increasingly building multi-club conglomerates to realize operational synergies and cobranding opportunities across sports.

Changing regulations have enabled institutional investors to enter the playing field Institutional investors have increased their investment in sports franchises due to new regulations making it feasible, plus an increasing attractively value proposition as shown by the steady two-year private equity deal value above $6 billion.

Steady transaction value over 6 billion[5]



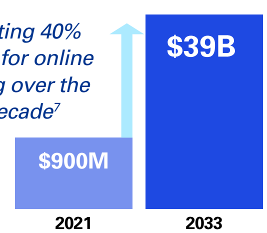
~5% growth rate for licensed sports merchandise[6]



Brand expansion is driving entry to new consumer markets, further diversifying franchise revenue streams Franchises are growing their global fan base by leveraging their brand to create licensing deals and marketing collaborations to expand their reach, e.g., PSG and Jordan.

Increase in legal sports betting has enhanced fan engagement The sports betting market is expected to continue to grow over a nine-year period due to continued legalization, increasing fan interest and engagement, plus a rise in discretionary income.

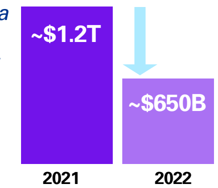
Projecting 40% CAGR for online betting over the next decade[7]



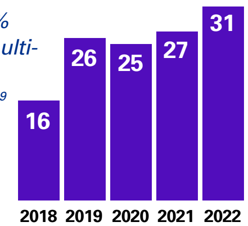
Bear case

Facing headwinds, media and tech companies could deprioritize bidding for live sports packages Major media companies lost approximately $500b in market value in 2022 and face macroeconomic pressures that could put pressure on upcoming live sports packages.

Top 11 media companies lost ~50% of their market cap in 2022[8]



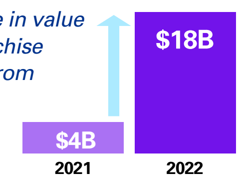
Average 20% growth in multi-club sports transactions[9]



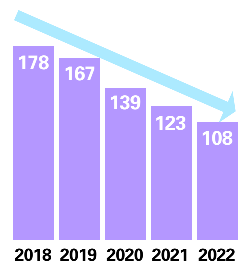
Rise of multi-club ownership could increase regulations and increase fan pushback With the increase of multi-club ownership structures, governing bodies could increase regulations on these organizations to curtail their growing influence, and thereby limit investors.

Rising interest rates and associated cost of capital could reduce deal flow Increasing operational costs could lead to lower deal flow as investors prioritize mega transactions over smaller deals for cost efficiency.

450% increase in value of sports franchise transactions from 2021 to 2022[10]

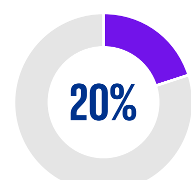


13% average decrease of total RSN subscribers (millions)[11]



Decline in regional sports network (RSN) broadcasting could disrupt business models, reducing interest in ownership Recent bankruptcy filings for Bally's and Diamond Sports could have significant impacts on MLB, NHL, and NBA revenue streams, increasing uncertainty in go-forward business models of investment opportunities.

Major sports gambling companies are struggling to achieve profitability While sports betting has increased fan engagement and associated interest, some operators continue to function without a positive net income in a strained macroeconomic environment. This could reduce avenues for gamblers moving forward.



Only 20% of the top sports betting companies have a positive operating income[12]

See back page for sources/references

Sport team ownership? Many factors to consider

There's no one right answer for whether to invest in—or sell—a sports franchise. As discussed, there are compelling economic and regulatory variables to take into consideration. It seems clear that the overall trend is that sports franchise valuations are continuing to rise. So buying a sports franchise as an individual or as part of consortium may offer a sound, long-term financial investment.

That said, it wasn't too long ago that a number of sports franchises were experiencing financial difficulties. So for those franchise owners who have seen their initial investment dramatically increase in value, it may be an appropriate time to consider monetizing their long-held stakes and cashing out.

Options for nonbillionaire owners, too

While top-tier teams in the leading sports require hundreds of millions or billions of dollars to own, aspiring team owners can look at becoming a minority owner or pursuing other sports on the rise. There are a number of lower-cost alternatives emerging, from pickleball to women's sports, which are growing in interest and value. For example:

- **Women's professional soccer** is also growing rapidly and may warrant investor attention. The Union of European Football Associations (UEFA) predicts women's soccer in Europe could see an increase in its commercial value over the next decade, reaching an annual value of €686 million by 2033.[i] What's more, the National Women's Soccer League (NWSL) is planning on adding two or three teams in the San Francisco Bay Area, Boston, and Utah for approximately $50 million each. The Bay area expansion team is backed by an investor group that includes a private equity firm and several former members of the U.S. women's soccer team.[ii]
- **Pickleball franchises** have drawn interest from many well-known individuals (e.g., Kevin Durant, Mark Cuban, Michael Phelps, Kate Upton). Expansion fees have hit $1 million in 2022 and seem to be growing exponentially along with the number of potential investors.[iii]
- **Women's professional basketball** is also trending positively, with the WNBA bringing in $75 million from investors, including Nike and former U.S. Secretary of State Condoleezza Rice.[iv] The WNBA is considering adding two more franchises to its current 12-team roster in the near future. The valuation of the league and its teams is now approximately $1 billion and growing.[v]
- **Minor league baseball** teams are also attracting the attention of investors. AAA teams affiliated with a major league team are worth the most, followed by lower-level affiliated teams, independent league teams, and even niche leagues like college player wood bat leagues. The higher echelon teams are commanding anywhere from $10 to $50 million. Revenue for these teams primarily is generated by sales of game tickets, food and beverage, and minor league merchandise.[vi]

i UEFA: The business case for women's football (2022)

ii NBCSports. Bay Area awarded NWSL expansion team for 2024 season (April 24, 2023); Wall Street Journal, NWSL Set to Expand With Record-Setting $50 Million Franchise Fees (January 27, 2023)

iii Yahoo Sports, Pickleball Expansion Fees Hit $1 Million as Durant Buys Team (October 20, 2022)

iv SportsPro Media, WNBA targets 2025 for new expansion franchise (December 16, 2022)

v CNBC, WNBA raises $75 million in first-ever funding round, valuing entire league and teams at $1 billion (February 3, 2022)

vi Sportico, Minor League Baseball Teams Considered Ripe for Investor Revamp (April 19, 2023)

How KPMG can help

Whether you're looking to buy or sell a franchise, KPMG can help facilitate the transaction with respect to valuation, contractual matters, financial due diligence, and tax guidance. Our experienced professionals think like an investor, looking at how opportunities to buy, sell, partner, fund, or fix a company can add and preserve value. They're ready to share decades of experience to help sports organizations of all kinds achieve greater business success, reach new levels of efficiency, and form stronger bonds with their fans.

KPMG works with sports programs and venues both nationally and globally in 18 countries. In addition to the buying and selling of teams, we've worked with leagues to manage complex scheduling issues with automation, helped franchises become more profitable through sound business planning, and advised venues on innovative approaches to satisfy event attendees.

We bring together all the resources KPMG has to offer—from tax strategies and audit to technology and consulting—to serve the holistic needs of the sports industry.

Our capabilities include, but are not limited to:

- Due diligence (commercial, operational, financial)
- Tax (strategy, structuring)
- Team valuation
- Value creation/performance improvement
- Venue renovation
- Strategic planning and branding expansion
- Pre- and post-merger integration.

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Shawn is the National Sports Industry leader for KPMG. He has more than 20 years of experience in the sports industry, with a focus on strategy, negotiations, media, advertising, digital engagement, and sponsorships. Shawn is responsible leading the growth of the KPMG Sports practice in the US, coordinating a multidisciplinary range of audit, tax, and advisory services for sports leagues, teams, and facilities. He also leads the KPMG Sports Sponsorships team, managing and activating our sponsorship portfolio.

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Scott is a principal with KPMG and also the National Media Industry leader in our Strategy practice. He has 20 years of experience in mergers and acquisitions (M&A), digital transformation, and operational improvement. Scott has a particular focus on streaming media, film, TV, sports, digital media, publishing, and advertising as well as business-to-business/ information services sectors.

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Connor is a director in the Technology, Media & Telecommunications Strategy group. With more than 10 years of consulting experience, he specializes in the media and sports industries. Connor has led numerous clients through complex, large-scale business transactions, including growth strategy assessments and M&A deals.

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Page 2

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Page 4

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12 Conor Mulheir, July US Sports Betting Market Monitor: FanDuel in control with 47% of national market share, iGaming Next (July 29, 2022)

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