

Financial Valuations of a Team Case Study

Objectives. Determine a fair market value of an NFL franchise for tax purposes.

Challenges & Methodologies. The valuation involved a transaction of less than controlling interest. The subject franchise had not changed ownership in decades and there was not a liquid market for similar NFL franchises. Moreover, given the limited number of ownership changes in professional sports, comparable transactions data was limited.

A challenging factor is that NFL franchises mostly consist of intangible assets. Major adjustments needed to be made for this particular franchise because it was seeking a new stadium (although the facility had not yet been constructed), and a new television deal for the league was in negotiations. These two factors could greatly impact the valuation of the franchise, especially considering what a large percentage of team revenues the current media contract accounted for.

Transaction data was gathered along with information on factors that would drive economic value. Using advanced econometric techniques, adjustments were made for differences from the NFL franchise in question and other NFL franchises with recent transactions.

Outcomes. An analysis describing how the different approaches to valuation applied to this project was undertaken. We presented the client with an assessment of the franchise value and identified the underlying issues involved when considering the franchise's financial structure and corresponding taxation obligations. The client was very secure with the findings and the bases thereof.