

# MERGERS & ACQUISITIONS



## Don't Expect to Find Bargains in the NFL as PE Prepares to Invest

The NFL lifted its ban on institutional ownership on Tuesday and will allow minority investments, expanding PE's growing involvement in professional sports. But there will be no bargains to be found in the NFL, professional sports' most valuable league as a whole.

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### SO, YOU WANT TO BE AN NFL OWNER?

Well, get ready to cut a giant check, because the price tag for these coveted franchises has skyrocketed in recent years.

Nonetheless, a number of private equity firms including Arctos Partners, Ares Management (NYSE: ARES), Carlyle Group (Nasdaq: CG), CVC, Sixth Street and Avenue Capital Group have made their interest in investing in the league clear.

That's because the NFL is booming on financial fronts beyond valuation appreciation at a time when PE's \$1.2 trillion in dry powder is reaching critical mass for deployment.

Franchise multiples have jumped from three or four times to at least 10 times

revenue, says Kroll managing director Mark Mondello, head of the firm's media, entertainment and sports practice.

The NFL's national media deal, distributed equally among the teams, is one of the biggest drivers of valuations. All four major television networks and Amazon (Nasdaq: AMZN) in 2021 agreed to collectively pay \$110 billion over 11 years to broadcast games, essentially double the previous eight-year, \$39.9 billion contract.

"That growth in the multiple has really followed the growth in media revenues," Mondello says.

Mondello says the last three NFL ownership changes highlight the soaring valuations of NFL teams:

Billionaire hedge fund manager David

Tepper in 2018 bought the Carolina Panthers for almost \$2.3 billion after investors paid the NFL \$206 million in 1993 to join the league as an expansion team.

A group led by Walmart Inc. (NYSE: WMT) heir Rob Walton paid \$4.6 billion for the Denver Broncos in 2022 that previously sold for \$70 million in 1984.

Apollo Global Management (NYSE: APO) founder Josh Harris led a consortium of investors that paid a record \$6 billion for the Washington Commanders last year. Previous owner Dan Snyder paid \$800 million for the franchise in 1999.

"It's hard to beat the value of the NFL," Mondello says of professional sports investing. "If you multiply by all 32 teams, I would say it's the most valuable sports league in the world."

Mondello and other analysts say the NFL teams have also transitioned from an art-like investment into a cash-generating machine through ticket sales, sponsorship deals, merchandising and digital platforms. Sports betting and expanding the international market are also expected to drive revenues higher.

"Why are you paying such a large multiple? You're paying because you expect the revenue to increase," Mondello says. "And by examining the history of the transactions in the space, you've seen that there's been significant capital appreciation in these franchises."

On the other side of the table, Mondello says rising valuations are also a major reason why NFL owners have welcomed minority PE investments.

"Private equity's minority strategy is attractive to the NFL owners because it gives them an opportunity to get a little liquidity," Mondello says. "They keep control, but they can generate a significant amount of money just by selling a small percentage of their team." **M&A**

*Updated to include the owners' decision at a league meeting.*