North American Professional Sports Franchise Valuations: Institutional Investment, the Media Rights Evolution, and the Future of Financial Growth

By Emory Kaplan & Jon Grossman

North American professional sports team valuations have been rising and are continuing to gain momentum. According to the Ross-Arctos Sports Franchise Index (RASFI), values for the "Big 4" North American leagues (National Football League, National Basketball Association, Major League Baseball, and National Hockey League) have compounded at 13% annually for over sixty years.[1] These steady, market-agnostic returns have attracted a broad range of investors, offering institutional capital a new and diversified asset class: professional sports franchises.

This analysis aims to:

1) Evaluate the core business attributes of North American professional sports franchises.
2) Dissect the existing revenue model of North American sports leagues, focusing on media rights, to evaluate the future trajectory of the asset class.
3) Offer forward-looking commentary on areas of innovation in the broader sports business that may impact team valuation growth.

North American Sports Franchise Investing

According to Arctos Co-Founder and Managing Partner Ian Charles, North American professional sports leagues appeal to institutional investors because they (1) are uncorrelated with the overall financial market, (2) have experienced expanded margins since the turn of the century, and (3) have measurable returns comparable to competing classes, including public and private equities. Leagues also don't allow for material leverage on these assets.

> **"You have this really strange, compounding asset [...] that has this very strange disruption and obsolescence risk of almost zero, that has outperformed equities in all kinds of environments and has performed in line with alternatives at peak performance, with no leverage. This was a secondary-like opportunity with a very large discount to intrinsic value available in a market with very hard-to-replicate beta factors. The problem was that the leagues wouldn't let you invest in it."**

Why have professional investors only recently considered sports franchises a premier asset?

"It's the durability, the size, and the growth of these assets," explained Lyle Ayes, the Founder and CEO of Verance Capital, a private investment firm focused on early and growth-stage opportunities in sports, media, and live entertainment, as well as Vice Chairman of the Houston Dynamo (Major League Soccer) and Dash (National Women's Soccer League).

---

[1] "Ross-Arctos Sports Franchise Index." *Stephen M. Ross School of Business at the University of Michigan*, https://michiganross.umich.edu/faculty-research/partnerships/ross-arctos-sports-franchise-index. Accessed 20 Jan. 2025

“If you look back 20 years, there was a ton of fandom, but teams were worth hundreds of millions, and transaction volume was relatively low and infrequent. Now, NFL teams are worth over six billion dollars, NBA teams are worth over four billion, MLB teams are over two billion, and NHL teams are over a billion. Given this scale, more parties are interested in getting involved, and trading volume has increased substantially," Ayes adds.

In August 2024, the NFL became the final “Big 4” North American professional sports league to allow institutional investment into its teams from a limited number of firms, sparking an expected flurry of dealmaking across the 32 franchises.[2] Minority sales in the Buffalo Bills and Miami Dolphins have already been approved.[3]

The recent renewal of long-term media rights deals in the NFL and NBA continues to fuel valuations.[4] Both leagues split contractually guaranteed revenue equally across each franchise (30 in the NBA and 32 in the NFL). 50 to 70% of NBA and NFL revenues are long-term contractual obligations of networks and other highly rated counterparties, some with escalator clauses.[5] At the same time, both leagues have protected cost structures due to their 5-10-year-long collective bargaining agreements (CBAs) with respective players’ unions, which establish salary caps, revenue-sharing, and guaranteed player compensation.

Institutional investor interest is rising thanks to this long-term revenue and cost certainty. The structure has created more liquidity, and many firms believe the back-end opportunities will expand, mirroring a complete private equity secondaries market. If this were to develop, not only would more firms look to purchase limited partner stakes in sports franchises, but majority owners would also be able to find capital solutions for minority shareholders looking to exit. As a result, team valuations could grow even further, given the liquidity premium associated with buying into these scarce entities.

This prospect gives team ownership groups additional capital, but the involvement of institutional investors in league assets also introduces another set of strategic advisors who can help fuel league-level business growth. This may include stadium financing, international expansion, and broader business ventures outside the traditional game schedule.

Ayes points out, "The opportunity on the league level is incredibly interesting. We have seen it in Europe, with CVC Capital Partners buying into the Women's Tennis Association, and we saw it in the MLS a few years ago. If owners allow it, private capital is very interested in investing at

---

[2] “NFL Private Equity Policy Compared to NBA, MLB, MLS, Other Leagues.” *Sportico*, 11 Dec. 2024, https://www.sportico.com/business/team-sales/2024/nfl-private-equity-policy-compare-nba-mlb-mls-other-leagues-1234794967/.
[3] “Bills, Dolphins Sell Minority Stakes to Private Equity Firms.” *Reuters*, 11 Dec. 2024, https://www.reuters.com/sports/nfl/bills-dolphins-sell-minority-stakes-private-equity-firms-2024-12-11/.
[4] “NFL Media Rights: Navigating the Evolving Media Landscape.” *CNBC*, 4 Sept. 2024, https://www.cnbc.com/2024/09/04/nfl-media-rights-media-landscape.html.
[5] Cembalest, Michael. “A Piece of the Action: Investing in Professional Sports Leagues and Related Businesses”. *J.P. Morgan Asset & Wealth Management*, 6 June 2024. PDF.

the league level, given that it offers diversified risk. As valuations continue to increase and the size of private capital funds grow, I can definitely see this change happening."

Media's Impact on North American Sports Franchise Valuations

As institutional investors increasingly view North American professional sports franchises as stable, long-term opportunities with expanding liquidity options, the evolving media landscape remains a key driver of their valuation trajectory.

70% of NFL revenues are from national media contracts, and the NBA earns roughly 54% of its revenue through media deals. MLB and NHL earn 46% and 31% from media, respectively.[6] Local media deals, a source of vulnerability due to the declining regional sports network (RSN) business, make up a more significant proportion of MLB and NHL revenues than they do for the NFL and NBA. The NBA's new media deal has further shifted to national contracts, reducing RSN-related risks and aligning it closer to the NFL's national media strategy.[7]

As a result, in the immediate future, it is reasonable to expect NFL and NBA franchise valuations to continue on their current growth trajectory. Three years ago, the NFL signed an 11-year, $111 billion media rights deal, and the NBA's $77 billion, 11-year contract with ESPN, NBCUniversal, and Amazon does not start until next season.[8] Simply put, both leagues are experiencing a period of relative stability and financial certainty, driving franchise valuations to record highs and making them particularly attractive assets from an institutional investment standpoint.

Still, the broader sports business is in the early innings of change driven by a dynamic shift in the media landscape. Evolving consumer preferences, fueled by a decline in the pay-TV bundle and the transition to streaming, have left media companies in a state of flux. For now, the economics of the traditional cable bundle remain strong because live sports are one of the few forms of true "appointment viewing" left, commanding the highest carriage fees from cable and satellite distributors. Further, broadcast television remains the best way to reach audiences at scale.

So, the industry is at a crossroads.

---

[6] Badenhausen, Kurt. "How NFL Teams and Owners Make Money." *Sportico*, 29 Aug. 2024, www.sportico.com/leagues/football/2024/how-nfl-teams-owners-make-money-1234795113/.JohnWallStreet. "Dolan, NBA's Other Big Market Owners Upset Rights Deal Makes Life Tougher on RSNs."
[7] *JohnWallStreet*, 2024, www.johnwallstreet.com/p/dolan-other-nba-big-market-owners-upset-rights-deal-makes-life-tougher-on-rsns. Accessed 30 Jan. 2025.
[8] Sherman, Alex, and Lillian Rizzo. "NFL's next Big Media Rights Payday Is Years Off — and Subject to a Shifting Industry." *CNBC*, 4 Sept. 2024, www.cnbc.com/2024/09/04/nfl-media-rights-media-landscape.html.

While cord-cutting continues to accelerate, legacy media networks are investing heavily in sports content to maintain the economics of the pay-TV bundle. Simultaneously, these same businesses are setting the foundation for a streaming-driven future.

Compounding this shift are technology giants with streaming platforms, such as Amazon, Apple, and Netflix, whose deep pockets have positioned them as significant bidders in the sports media marketplace. Combined with legacy media providers, a thriving market for sports rights has developed.

Yet, how this evolving marketplace will look in the next two, five, or ten years remains unclear. New bidders for sports rights may emerge, the competitive landscape is ripe for consolidation, and the economics underpinning media deals might transform in ways we cannot foresee. These uncertainties make it challenging to predict whether media rights will sustain their role as the primary driver of franchise valuation growth or if the market could begin to plateau. What is clear, however, is that the media industry's ongoing transformation will continue to influence the financial ecosystem of professional sports, making this space essential to watch for investors and stakeholders.

A key question is whether legacy media networks can effectively compete with the likes of Amazon, Apple, and Netflix. Their financial resources pale in comparison, but the competitive landscape is more nuanced than we can glean from balance sheets alone. Sports leagues benefit from longstanding media partners playing a role in content distribution. While technology companies' seemingly limitless resources drive up the price of rights, leagues risk losing bargaining power if only a few groups remain realistic bidders. Thus, legacy media will likely play a role in how content is delivered and distributed going forward.

What's especially interesting is the velocity at which legacy media companies are experimenting with new projects, collaborations, and business models to carve out an edge in this transformative window. Consider ESPN, whose parent company, Disney, just acquired FuboTV, a virtual multichannel video programming distributor (vMVPD), which is effectively a cable-adjacent streaming service. Although this was partly to sidestep potential antitrust challenges related to its now-abandoned "skinny bundle" joint venture with Fox and Warner Bros. Discovery, Venu Sports, Disney plans to roll FuboTV into its own vMVPD service, Hulu + Live TV.

Disney is also pushing forward with ESPN Flagship, its direct-to-consumer streaming platform, set to debut this fall. While this move positions ESPN as a streaming player, it raises questions about whether the offering will cannibalize its existing cable subscribers. At the same time, ESPN is bundling its services with Disney+ and other Disney platforms, signaling an intent to be everywhere for everyone at different prices.[9] Clearly, Disney is strategically positioning itself to

---

[9] Marchand, Andrew. "How the New Deal between Disney and Fubo Will Impact How Fans Consume Sports TV." *The New York Times*, 6 Jan. 2025, www.nytimes.com/athletic/6041999/2025/01/06/how-the-new-deal-between-disney-and-fubo-will-impact-how-fans-consume-sports-tv/.

navigate the uncertain future of digital distribution by maintaining flexibility, experimenting with various approaches, and adapting based on what sticks.[10]

Unlike Disney, Fox has taken a more conservative approach, opting not to enter the sports streaming space (yet) and instead capitalizing on its broadcast network and cable businesses. Meanwhile, NBCUniversal is spinning off its cable networks to focus on broadcast and streaming, Warner Bros. Discovery is similarly restructuring (potentially setting itself up for a future transaction), and Paramount's strategy following its merger with Skydance is still taking shape. In the long run, which approach will yield a sustained competitive advantage is unclear.

Cable and satellite distributors have also been innovating despite having less leverage than at the peak of the cable bundle. Charter Communications has maintained a strong position in carriage negotiations, ensuring it will have the ability to offer direct-to-consumer services such as ESPN Flagship directly to its subscribers.[11] On the other hand, NBCUniversal's parent company, Comcast, has launched a Venu-esque live TV streaming service focused on sports and news, as has DirectTV through its recently announced MySports "skinny bundle."[12] With further innovation, these bundles could become more cost-effective for price-conscious consumers who prioritize sports and news content, eventually establishing a stable ecosystem where consumers combine "skinny bundles" for live viewing with direct-to-consumer streaming services for entertainment channels.

Ultimately, consumers face an overwhelming array of choices, ironically moving us full circle towards a re-bundled cable model, albeit in a digital format. Meanwhile, media companies are leveraging vastly different strategies to adapt. How these approaches affect the future of the sports media landscape remains to be seen, but understanding the possible outcomes will help stakeholders evaluate the potential impact on North American professional sports franchise valuations.

Looking Ahead

The media ecosystem is just one area that will shape RASFI's data in the future. As we expand the time horizon, many sports business areas need monitoring. Sports-focused investment firms are actively seeking new ways to monetize the changing landscape.

---

[10] JohnWallStreet. "Disney, Fubo Deal Sets Sports Industry on Path to Economically Stable Digital Future." *JohnWallStreet*, 2025, www.johnwallstreet.com/p/disney-fubo-deal-sets-sports-industry-on-path-to-economically-stable-digital-future. Accessed 22 Jan. 2025.
[11] Steinberg, Brian. "Disney, Charter Settle Cable War before "Monday Night Football" Debut." *Variety*, 11 Sept. 2023, variety.com/2023/tv/news/disney-charter-settle-cable-dispute-espn-monday-night-football-1235719696/. Accessed 30 Jan. 2025.
[12] Clinkscales, Jason. "Comcast's New Cheaper Sports and News Bundle Won't Include RSNs." *Sportico.com*, 24 Jan. 2025, www.sportico.com/business/media/2025/comcast-sports-news-bundle-more-pain-rsn-1234825254/. Accessed 30 Jan. 2025.

Much of our discussion around media rights has focused on evolving distribution models. Yet fewer people are watching complete games at all. Younger audiences favor short-form content and highlights on social media.

While significant concerns surround the NBA's viewership numbers, NBA Commissioner Adam Silver shared in a December interview with The Athletic, "We're [the NBA] at a point where our social media audience is at the highest of any league and continuing to grow exponentially."[13]

Like the NBA, the NFL has experienced declining viewership.[14] Yet, "using ratings as a metric to measure the popularity of the NFL is archaic," suggested Fox and NFL Network Analyst Peter Schrager on a recent episode of *The Varsity* with Puck's John Ourand. "I think football can still be the most popular game without being directly tied to ratings of a FOX, CBS, or NBC broadcast."[15]

In sum, fans consume games far differently than they used to, so the benchmarks must change. The halo effect of the creator-led economy is increasingly valuable as fans consume content through new formats outside the games themselves. Even so, leagues have yet to focus on monetizing these forms of digital engagement.

"When it comes to the next phase of team and property valuation growth, the ultimate unlock is first-party data, so brands are looking at new KPIs," shared Vince Sarafa, formerly a founding member at Bruin Capital and financial technology executive at Augeo and Crowdplay, who now serves as an Executive Advisor at Alt, an alternative asset platform for collectibles.

"While traditional metrics such as viewership or impressions have been highly correlated with sponsorship success, an evolution is occurring," he explained. "This change around first-party data follows a fan 'year-round' tracking 365-day engagement that combines legacy data, such as ticket purchase history and merchandise sales, adjusting how the fan is measured, whether on a second screen, a watch party, or OTT (streaming)."

Additionally, global expansion efforts by North American professional sports leagues will be significant in creating organic growth. The NFL has made a concentrated effort to build out its Flag Football initiative ahead of the sport's debut at the LA 2028 Summer Olympics, as well as to grow its domestic and international audience for all youth athletes.[16]

---

[13] "Adam Silver Discusses NBA TV Ratings." *The New York Times*, 17 Dec. 2024, https://www.nytimes.com/athletic/6002603/2024/12/17/adam-silver-nba-tv-ratings/.
[14] Adgate, Brad. "Heading Into Super Bowl LIX, NFL Viewing Has Dropped This Season." *Forbes*, 2 Feb. 2025, https://www.forbes.com/sites/bradadgate/2025/02/02/heading-into-super-bowl-lix-nfl-viewing-has-dropped-this-season/.
[15] *The Varsity*. "The NFL's Streaming Playbook." *Spotify*, 29 Jan. 2025, https://open.spotify.com/episode/401yhpUH8OI0RWYswuA9Fu.
[16] "Flag Football at the Olympic Games Los Angeles 2028: Everything You Need to Know About the New Sport at LA28." *Olympics.com*, International Olympic Committee,

Ayes points out the impact of this opportunity: “The NFL is thoughtfully globalizing its product to grow the addressable market to Brazil, Germany, Mexico, and beyond. MLB has the World Baseball Classic, and the NBA has built an international ecosystem because a global fanbase will lead to more media rights opportunities.”

Ayes continued, “The European soccer leagues have media rights packages in almost every country—the more global the product, the more sponsorship dollars attached.” How a sport like soccer, with its worldwide appeal and growing footprint in North America, will impact the hierarchy of valuations remains to be seen.

College athletics offers another undefined yet unprecedented scope of opportunity. What role will the evolving dynamics of name, image, and likeness (NIL) rights and conference realignment play in reshaping the broader ecosystem? When will the first investment be made, and will it create a blueprint for separating athletic departments from academic institutions?

What do fast-growing leagues like the NWSL and WNBA, as well as new intellectual property like Tomorrow Golf League (TGL) and Unrivaled, mean for the flow of institutional capital?

The NWSL uniquely allows for majority ownership from institutional investors, which provides an intriguing opportunity for private equity funds. Early success from TGL and Unrivaled may offer an interesting playbook for leading domestic leagues that engage consumers during the offseason and continue to drive fan interest.

"Creating personalization for the fan experience is critical. TGL taps explicitly into the broader affinity of golf's national and international audience, providing an expanded view of the fan,” Sarafa offered.

He described a future with much more tailored engagement. “How can you connect a TGL viewer who loves Tiger Woods and then identify them as an avid Celtics fan? What additional attributes can leagues and brands build around the fan to understand how and why they should engage with an emerging league and personalize their experience from absolutely everywhere?"

Many factors will impact the future trajectory of North American sports assets, ranging from the compelling fundamental attributes of professional sports franchises to the sea of opportunities presented in media and fan engagement. With an abundance of growth and innovation across the ecosystem fueled by institutional capital, the stage is set for the future of the sports business.

---

https://www.olympics.com/en/news/flag-football-at-the-olympic-games-los-angeles-2028-everything-you-need-to-know-about-the-new-sport-at-la-28. Accessed 5 Feb. 2025.