

Sports Franchise Valuations

The lists are pulled from Forbes. Here are some questions to consider:

1. Based upon revenues and operating income provided, create a list of under valued and over valued franchises, by sport.
2. These valuations, at least for the US sports teams, are based upon the relatively few sports franchise transactions that occur over time. What is the danger that you see in extrapolating from these transaction values?
3. Now, compare the range of valuations across teams by sport. Why are baseball valuations, for instance, so much more divergent than NFL team valuations?
4. Some of the soccer teams on the soccer list are publicly traded. In fact, Manchester United, the most valuable soccer team on the list is a publicly traded firm. Check out the market value of Manchester United and compare it to the estimated value in Forbes.
5. Sports team valuations, especially in transactions, can reflect ego premiums, where wealthy individuals pay well above what a team is worth to just own the biggest name in town. How would you incorporate this into the valuation? Do the Forbes estimates already include an ego premium?
6. If you are really curious, you can collect other information on these teams, including their win/loss records over the last decade and correlate with value. Do you think that more successful teams are worth more than less successful ones?
7. Let's say that you were valuing a sports team from scratch in an intrinsic valuation. What information would you require to do this valuation?