



# P A R K L A N E

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**Q2 2022 Newsletter | League Expansion  
Franchise Transaction Analysis**

Proprietary & Confidential

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*Greetings from Park Lane.* We are excited to bring you the second installment of our 2022 newsletter, where our goal is to deliver useful data, valuable insights, and firm updates. Whether you're a team executive or just interested in the sports business, you should find this information useful.

For those new to Park Lane, we are a boutique investment bank specializing in financial advisory in sports, technology, media, and real estate. Given the unique nuances around sports finance, we believe our experience, network, and deep industry knowledge make us valued advisors in the space.

With league expansion being a big topic of conversation, this quarter's newsletter looks at the ROI of expansion franchises in the Big 5 North American leagues (NFL, MLB, NBA, NHL, and MLS).

How do leagues select expansion team owners? Which league's expansion teams have the highest ROI? How long do expansion team owners hold the franchise? The following data will provide insight into these questions.

Enjoy and don't hesitate to reach out if you'd like to continue the conversation.

-Edwin E. Draughan  
Vice President



# Data Dive

With COVID-related financial woes hopefully in the rear-view mirror, sports leagues have begun to explore potential league expansion to help offset lost revenues and signal growth to current and potential stakeholders. Of the Big 5 North American sports leagues, the NHL and MLS have most recently expanded with the Seattle Kraken (NHL, 2021) and the Charlotte FC (MLS, 2022), with MLS still considering further expansion. The commissioners of both the MLB and NBA have alluded to expansion soon to tap into underserved markets and spur league-wide growth. It's even rumored that the NFL has had expansion discussions. We've listed key considerations for leagues when exploring expansion:

## Owner

*Leagues often value the quality and strategic benefit of expansion franchise owners above other considerations as it's effectively a lifetime membership to one of the most exclusive clubs in the world*

## Expansion Fee

*Leagues need to balance the fee to ensure it's high enough to appease current owners and approachable enough to encourage demand from prospective owners*

## Market

*Leagues would like to expand to markets that are accretive to national media rights, have an underserved fanbase, and infrastructure or potential infrastructure to support a franchise*

## Dilution of Talent

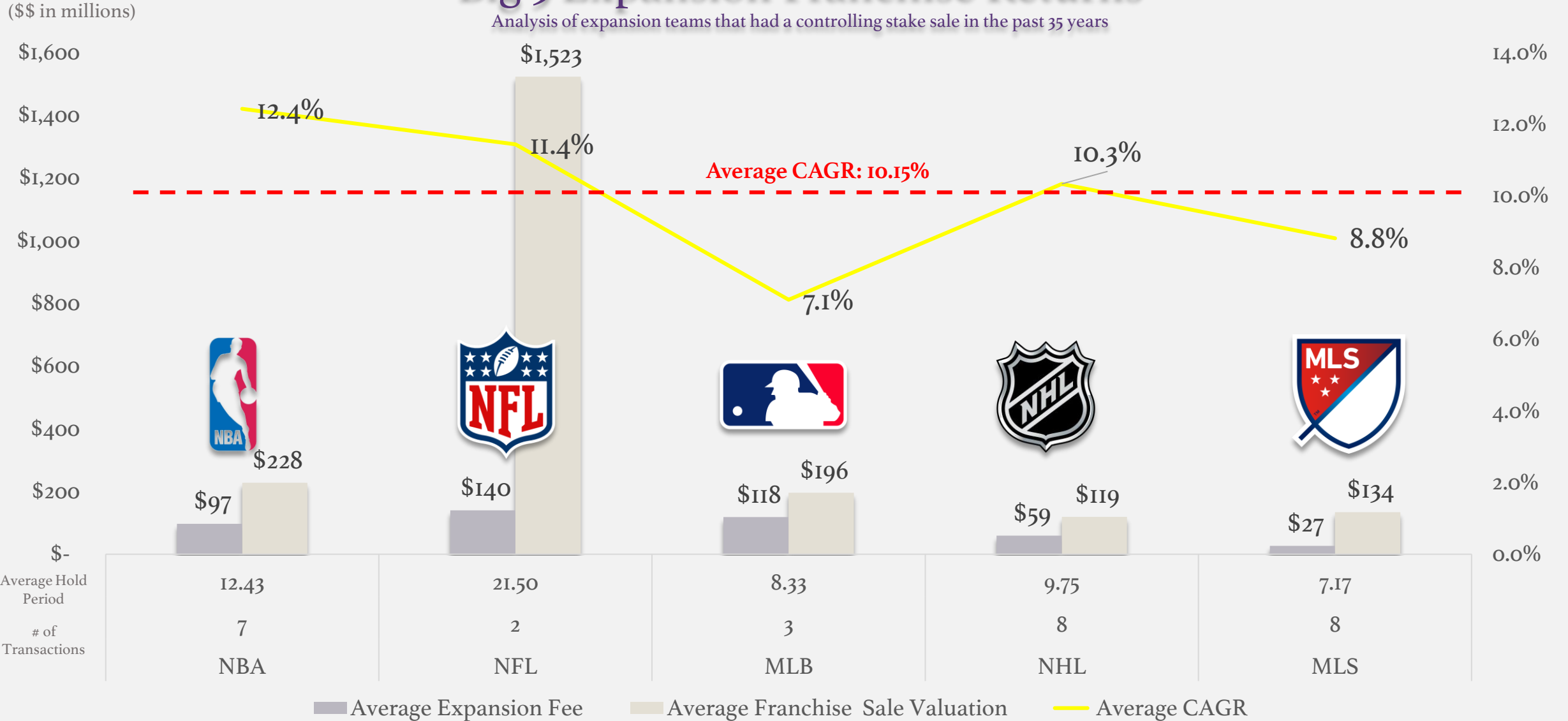
*As leagues expand, the average talent level per team lessens; therefore, leagues need to ensure enough talent is available to maintain a competitive level of play*

## Our Data Set

- On the following slide, we highlight the key return metrics of Big 5 expansion franchises from the past 35 years that subsequently traded hands
- Key metrics include average expansion fee, average sale price upon exit, average CAGR (or ROI), number of transactions per league, and average hold period
- Only transactions where credible data were available were used to ensure accuracy
- The data does not include typical expansion start-up costs (venue, IP, etc.), distributions, or contributions

# Big 5 Expansion Franchise Returns

Analysis of expansion teams that had a controlling stake sale in the past 35 years



Notes: Transaction data does not include start-up costs, contributions, distributions, or tax benefits received during the hold period. Average values may appear low because it is over the past 35 years and most of the expansion and transactions occurred earlier in that time period. Data sourced from publicly available and proprietary data.

# Park Lane

Strategies

## Sports M&A Advisory

Our *Sports M&A Advisory* team delivers personally crafted solutions to those interested in owning and investing in sports leagues and teams—as well as mature sports companies.

## Growth Stage Capital Raising

In *Growth Stage Capital Raising*, Park Lane acts as a hybrid investor-advisor, connecting leading venture capital firms and exciting growth-stage companies with difficult-to-reach pockets of capital.

## Third-Party Marketing

Park Lane's *Third-Party Marketing* division brings financial expertise, in-depth industry knowledge, and an expansive network to advise clients with raising LP capital on a wide array of differentiated funds and vehicles.

## Secondary Investing & Advisory

Park Lane's *Secondary* strategy utilizes our extensive network, researching capabilities and deal-making understanding to create liquidity by pairing supply with demand.

## Consulting

The *Consulting* Team leverages the firm's shared experience, expertise, and network to enable clients to meet their specific goals, from Strategic Consulting to Franchise Valuations.

Select Clients & Transactions



# Thank You!

**Edwin E. Draughan**

*Vice President*

(562) 889-0444

[edraughan@prkln.com](mailto:edraughan@prkln.com)

[prkln.com](http://prkln.com)

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