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Q1 2022 Newsletter | NBA M&A
Transaction Data & Analysis

March 2022

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Greetings from Park Lane. We are excited to bring you the first of many quarterly newsletters where our goal is to deliver useful data, valuable insights, and firm updates. We hope this will be helpful whether you're in the sports business industry or just interested in it.

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

This quarter's newsletter takes a deep dive into the NBA's M&A market with a unique and proprietary data set exploring past majority franchise transactions. And from that, it derives insights on the market drivers.

We hope you find this information beneficial and don't hesitate to reach out if you'd like to continue the conversation.

-Edwin E. Draughan
Vice President

Data Dive

The COVID-stricken 2020 and 2021 NBA seasons were less than stellar financially as ticket and sponsorship revenue were severely hampered. All in all, it was estimated that the league **fell short of projected revenue by 33%**. Fortunately, the league began to position itself to withstand financial hardship before COVID through various strategic initiatives, **which eased access to both equity and debt at the league and team levels**. While virtually no one foresaw a global pandemic, these steps allowed teams to better weather the storm:

Increased team debt limit¹

(The team debt limits increased by \$75M, from \$250M to \$325M)

Allowed institutional capital into team ownership²

(Approved Private Equity funds are now able to own minority positions)

Considered league expansion³

(Adam Silver softened his stance on the possibility of expansion)

Took out league-level debt⁴

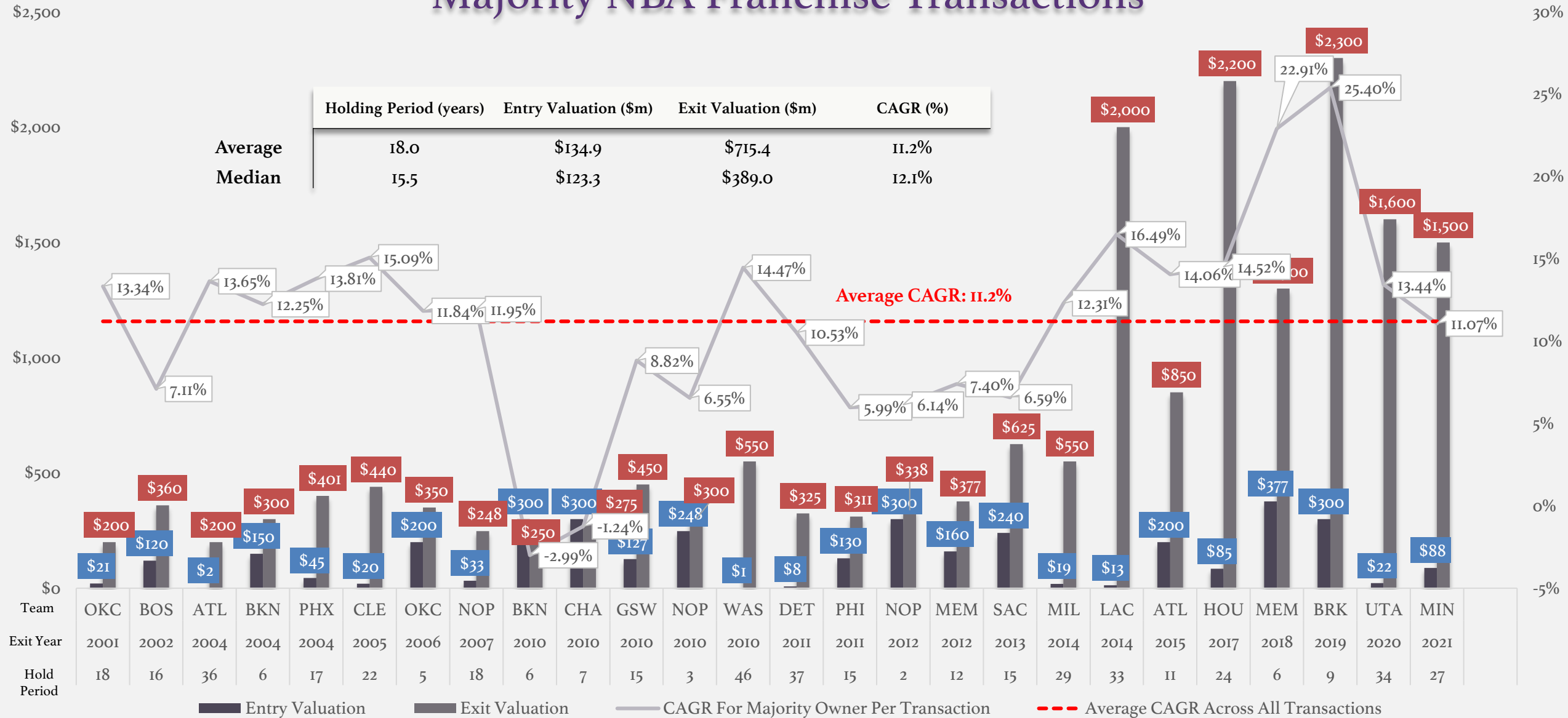
(NBA is selling \$193M in debt for four teams, backed by media rights)

Our Data Set

- On the following slide, we've compiled all majority NBA transactions since 2001 based on proprietary and publicly available information.
- This sample set allows for a unique perspective on the NBA M&A market that isn't apparent in theoretical valuations.
- Two key metrics this data provides are the holding period for each exiting majority owner and the annualized valuation growth rate.
- Lastly, we discuss our key insights from the data on slide 5.
- Our hope is that this information will give a **different perspective** as you ponder investing in or divesting from sports team ownership.

Majority NBA Franchise Transactions

(in millions)



	Holding Period (years)	Entry Valuation (\$m)	Exit Valuation (\$m)	CAGR (%)
Average	18.0	\$134.9	\$715.4	11.2%
Median	15.5	\$123.3	\$389.0	12.1%

Entry Valuation
 Exit Valuation
 CAGR For Majority Owner Per Transaction
 Average CAGR Across All Transactions

Notes: Transaction data does not include owner contributions, distributions, or tax benefits received during the hold period; many transactions included additional assets like NHL, WNBA, and G League teams and arenas, which could distort the actual value attributable to the NBA team; some transactions were not included due to either uncertainty around details or inability to extract team value (i.e., Rogers Communications and BCE Inc.'s acquisition of MLSE in 2012)

Insights

Highest Returns Came in Recent Years

- ✓ Recent above-average ROIs on transactions suggest that Steve Ballmer's acquisition of the Clippers was a turning point in NBA (and sports, in general) majority transaction valuations
- ✓ The recent Minnesota transaction, which posted an ROI below average, may suggest the period of hyper valuation growth is slowing down

Hold Period Not Correlated With Return

- ✓ A clear correlation between hold period and ROI could not be determined
- ✓ A natural assumption is that the longer the hold period, the higher the return, given valuation growth rates have outpaced traditional market returns; however, the data does not support this thinking
- ✓ In fact, the data suggests a stronger correlation between the timing of exit and ROI

Softness Around Economic Downturn

- ✓ Following the 2008 global financial crisis, nine of the subsequent ten transactions posted ROIs below the average, suggesting its negative impact on the NBA M&A market
- ✓ A function of motivated sellers (five majority sales in 2010, the most in any year during that period) contributed to the lower-than-average returns during this period

Park Lane

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.

Real Estate

Park Lane's *Real Estate* division brings a combination of financial expertise and in-depth real estate knowledge to advise on the financial needs of both sports-based and traditional real estate needs alike.

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.

Sports Valuation & Due Diligence

Whether looking to acquire/sell a team, organize one's estate, plan for tax, collateralize assets for debt, or many other uses, Park Lane's *Valuation and Due Diligence* service is a perfect solution.

Strategies

Select Clients



Thank You!

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