PRIVATE EQUITY’S IMPACT ON SPORTS TEAMS’ VALUATION

by

Frank Basile

Submitted in partial fulfillment of the

requirements for Departmental Honors in

the Department of Finance

Texas Christian University

Fort Worth, Texas

May 5, 2025

PRIVATE EQUITY'S IMPACT ON SPORTS TEAMS' VALUATION

Project Approved:

Supervising Professor: Paul Irvine, Ph.D.

Department of Finance

Tim Kirchner

Department of Management and Leadership

ABSTRACT

Over the past six years, the five major North American sports leagues (MLB, NBA, MLS, NHL, and NFL) have revised franchise ownership rules to permit institutional investment. These changes have opened the door for private equity participation in sports franchises, aligning teams' growing need for capital and liquidity with investors' search for risk-adjusted returns in a relatively untapped market. This thesis explores private equity's role in North American sports franchise ownership, explicitly focusing on Major League Baseball. Using quantitative and qualitative methods, the study compares private equity-backed teams to traditionally owned franchises across metrics such as enterprise value growth, operating income, and strategic innovation. The findings suggest that PE-backed teams outperform their peers financially; however, the precise valuation impact of PE involvement remains ambiguous. Additionally, the research highlights how private equity contributes to value creation through operational improvements, real estate initiatives, media modernization, and scalable market strategies. These insights offer meaningful implications for league officials, team owners, and investors navigating the evolving relationship between institutional capital and professional sports.

TABLE OF CONTENTS

INTRODUCTION

Since the founding of the five major North American sports leagues, teams have traditionally been owned and controlled by a small number of families or individuals (JWU, 2023). These stakeholders encompass a very exclusive group comprised of multi-millionaire business owners, former athletes, and those who inherited their ownership stake. However, in recent years, there has been a monumental shift to permit institutional investment in this area, specifically allowing private equity firms to own a minority stake in a sports franchise. This forthcoming ownership rule change was primarily driven by the franchises' needs for capital and liquidity coupled with private equities' demand for sports assets.

While skyrocketing franchise valuations may appear beneficial to team owners, they also create structural challenges and liquidity constraints in the capital markets. Specifically, there is an inverse relationship between sports teams' valuation and the potential buyer pool. The logic is quite simple: as sports teams' valuations climb, it leaves fewer ultra-high-net-worth individuals willing to buy equity in a franchise. Beyond the financial commitment, even fewer individuals are interested in treating sports ownership as a viable investment. This issue increasingly constrained liquidity for owners and franchises across all the major North American sports leagues, and it became apparent that change was necessary.

In response, the change began in 2019, when Major League Baseball became the first major U.S. sports league to allow institutional investment. Then, throughout 2020 and 2021, the NBA, NHL, and MLS followed suit (O'Leary, 2024). More recently, in September of 2024, the NFL owners and commissioners board conducted a vote, and it passed, officially allowing private equity investment in each of the major North American sports leagues (Coffey, 2024). Private equity investors have poured immense amounts of capital into this space following this ownership rule change. When viewing the current market today, institutional investors have injected roughly $59 billion into North American franchises, and this number will continue to climb with the recent NFL ruling (Williams, 2024). As of July 1, 2024, these are the number of teams that are either backed by private equity or affiliated with it across the major sports leagues: 14 MLS, 10 NHL, 18 MLB, and a whopping 20 NBA teams (O'Leary, 2024). The numerical figures above clearly display the demand for this unique intersection of sports franchises and institutional investment. Ultimately, the numbers underscore how private equity has delivered capital and liquidity to a previously illiquid market and widened the potential investment pool (Haden, 2024).

This paper's structure begins with a literature review examining why private equity is increasingly drawn to sports as an asset class. This section will assess the return profile of sports franchises compared to traditional investments, along with correlations, volatility, and the regulatory changes that enabled institutional capital inflow. It will then explore how private equity deals in sports are structured—comparing leveraged buyouts to growth equity strategies. The final section of the literature review will discuss the broader implications of these investments on the sports industry. The study will then analyze quantitative data on the growth of MLB enterprise values and operating income, comparing private equity-backed teams to those with traditional ownership. It will also evaluate the key levers that drive franchise valuation and how PE firms may enhance them. The paper will conclude by discussing the quantitative findings and qualitative implications to offer a holistic view of the value private equity firms can deliver to professional sports teams.

LITERATURE REVIEW

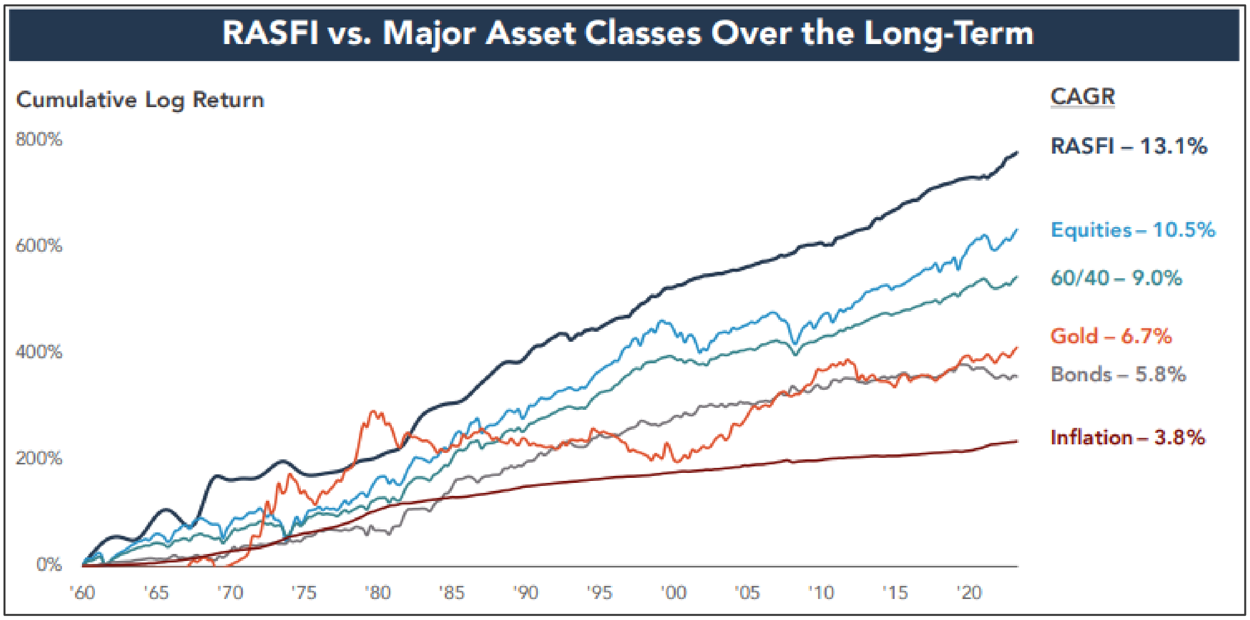
Private Equity in Sports: Key Drivers

Private Equity firms in the U.S. have been deploying capital and purchasing equity ownership in sports franchises due to soaring valuations, low-correlation investments relative to portfolio companies, and recent regulatory changes.

Franchise Valuation vs. Traditional Asset Classes

Finance students and investors across the world have historically been exposed to traditional asset classes that include equities, fixed income, and commodities. However, as traditional markets have become more saturated, investors and students have looked elsewhere for greater risk-adjusted returns. In May of 2024, Arctos Insights, a sports private equity firm, and a group of students at the University of Michigan's Ross School of Business developed an index that measures the returns of team investments in the major North American sports leagues (MLB, NFL, NBA, NHL); the name of this index is the Ross Arctos Sports Franchise Index or the RASFI. After creating the RASFI, this group measured the returns of the index and benchmarked it against the traditional asset classes as defined above for the period 1960 to May 2024. Their findings (image one attached below) were that the RASFI significantly outperformed traditional asset classes, generating a compound annual growth rate of return of ~13.1% compared to equities ~10.5%, gold ~6.7%, and fixed income ~5.8% (Arctos & Ross, 2024). This difference in risk-adjusted returns over the last 60 years can largely be attributed to increasing franchise valuations, and because these returns are historically difficult to replicate, it provides private equity with a strong rationale for entering the space.

Image: RASFI vs. Major Asset Classes (1960' – 2024 Q1')



Correlation and Volatility

As private equity firms deploy capital, a large consideration is how correlated their investments or portfolio companies are with one another. Since the private equity business model is designed to return capital to their limited partners, a diversified portfolio of companies would help ensure that capital is returned and protect against the downside. On that note, sports franchises provide an investment opportunity with extremely low correlation relative to equities or other traditional portfolio companies. In the same study completed by Arctos Capital students at the University of Michigan, they also measured a few portfolio characteristics: correlation, volatility, and beta. For relevancy, the study was split into two halves, and the literature review will focus on the latter (Q3 1992 – Q1 2024). During the back half of this study, the correlation between the FASFI and equities was .2830, an extremely weak number and one that represents that these asset classes tend to not move with one another. Additionally, the annual volatility and beta for sports franchises were ~6.00% and .0207, respectively, while the annual volatility and beta for equities over the same period were ~18.46% and 1.00, respectively (Arctos & Ross, 2024). Because sports franchises have a weak correlation with equities and traditional portfolio companies and possess less inherent volatility, they have great potential for portfolio diversification across their funds.

Regulatory Change

As mentioned previously, the major North American sports leagues – NBA, NFL, NHL, MLB, and MLS – voted and are now allowing specific private equity firms to obtain equity ownership in sports franchises. Attached to the right is a table that shows when each league allowed ownership. It is important to note that each league has specific rules and regulations on the following criteria for private equity firms: percentage franchise stake per fund, max amount of franchise investments within a league, minimum holding period, fund capital requirements, fund asset limit, and most importantly the max institutional investor ownership stake (Akin, 2024).

Sports League	Regulatory Change (year)
	2019
NBA	2020
MLS	2020
NHL	2021
NFL	2024

Growth Equity: Sports Deals in Today's Market

Leveraged Buyout

A leveraged buyout is when a private equity firm acquires another company using a large portion of debt to finance the deal. Essentially, private equity firms will use a combination of cash from their fund (raised from investors/ limited partners) and significant loans from commercial banks to purchase a company outright and acquire 100% of the target business (Kenton). Following the acquisition, these firms will utilize debt paydown (deleveraging), drive EBITDA growth, and expand multiples to increase the internal rate of return. The typical investment horizon for a private equity firm is five to seven years, but depending on the fund or market conditions, this holding period could be shorter or longer (Kim, 2021). To exit the investment and realize returns, the financial sponsor will sell the company to another private equity firm or strategic acquirer (firm in the same industry) or take the company public via an initial public offering (IPO).

Growth Equity

Growth equity is an investment philosophy that involves purchasing a minority ownership stake (less than 50%) in a privately held business using largely cash with minimal leverage to finance the deal. This investment philosophy sits somewhere between private equity and venture capital, focusing on fast-growing businesses that have surpassed the startup stage but are not as large as the typical buyout candidates (Espinosa, 2024). Funding for growth equity is similar to that of private equity, as proven investment firms are able to raise capital around a specific investment philosophy. The minority investment these firms make is often to provide capital to support growth initiatives such as expanding into new markets, developing diversified product lines, or undergoing restructuring. The typical holding period for growth equity firms is four to seven years, and the exit strategies include selling the company shares to another investor or strategic buyer, conducting an IPO, or arranging a management buyout (Byloli, 2024).

Sports Deals in Today's Market

Due to the rules and regulations set by North American sports league owners and commissioners, private equity firms cannot generate returns using their traditional investment framework: the leveraged buyout. Specifically, the NBA, MLB, NHL, and MLS only allow private equity firms to acquire a 30% equity stake in their ownership structure, while the NFL only allows a 10% equity stake. Under the traditional framework, 100% of the asset is usually acquired. However, in the case of these rules governing ownership structure, these sports deals will be treated as minority interest growth equity investments. Under this framework, private equity firms will primarily be focused on revenue growth, margin improvement, and multiple expansion to drive value in their investments.

The Impact on the Broader Sports Industry

The impact on the broader sports industry will be focused on two main parties: the fans and the players of these historical sports franchises. Since this industry is in its preliminary stages, most of the literature revolves around the positives and negatives that fans and players will likely endure. These two parties stand to gain or lose the most through institutional investment, giving them the spotlight for this research.

Fans

Throughout the lives of many Americans, sports teams in some way, shape, or form have either brought joy or misery depending on the sports franchise chosen or the franchise that was passed down to you. These professional sports teams provide long-lasting memories and serve as a true cornerstone of American culture. As we stand today, many individuals ask whether our beloved sports franchises will benefit from institutional investment. In short, the introduction of private equity and institutional investment is unlikely to bring immediate visible changes, but many suspect that there are potential positives and negatives that may arise from the current ownership landscape. From a positive perspective, there are many innovations that can significantly enhance the fan experience, and this would not be possible without excess capital from private equity investors. For example, the capital influx has the ability to drive investment in technology, and fans might see improvements in stadium experiences due to enhanced mobile apps, real-time betting platforms, and immersive virtual reality experiences. On the other hand, some franchises might embrace the prioritization of profitability over fan engagement, which could lead to increased ticket and merchandising prices, a focus on corporate sponsorships, or even changing stadium policies to cater to more premium customers (Singh, 2024). As of right now, many of these outcomes remain underdetermined, but as avid sports fans it is adamant to watch how different leagues and franchises balance financial growth and preserving sports traditions.

Players

Sports players often have a wide range of criteria for why they may choose a specific franchise, and there are a few places where private equity can influence their decision. As mentioned throughout the literature review, private equity firms have deep pockets and have the capital to drastically change sports franchises; due to these large amounts of capital, sports franchises can spend more on bringing in quality players and upgrading their stadium amenities. From a salary and guaranteed money perspective, how this positively impacts the players is self-explanatory. From an amenity standpoint, the stadium and its attached facilities are essentially the players' workplace. The increasingly nice playing field, locker rooms, cafeterias, practice facilities and the overall stadium have the ability to provide greater value to each of the players across the North American sports leagues (Fisher, 2024). From this perspective, there are many positives and negatives that are hard to find.

Easing in Institutional Investment

The team owners and league commissioners knew the fragility of allowing institutional investment into the franchise ownership structure. In light of this, they have taken the 'easing in' approach with institutional investment by only allowing specific private equity firms to own minority stakes in sports franchises. Some of the most common firms that have been allowed to invest in sports franchises include Arctos Partners, RedBird, Ares, Carlye Group, Sixth Street, Silver Lake, Blackstone, Corporate Venture Capital (more commonly known as CVC), Clearlake, and Dynasty Equity (Rizzo, 2024). By limiting the number of private equity firms allowed to invest in the space, it provides safety for the franchises and the leagues, as these firms have been through both financial and integrity due diligence.

The Intersection Between Sports Franchises and Private Equity

In recent years, it has become evident to sports team owners and league officials that there was a capital and liquidity issue in the space; this issue stemmed from the drastically decreasing buyer pool, which was driven by soaring team valuations. As team valuations skyrocketed, the number of potential investors decreased, and franchise owners saw first-hand the problems around liquidity and capital needs. As this was occurring, private equity saw these sports franchises as a valuable alternative asset class given the return profile, uncorrelated nature, and minimal volatility that these franchise investments possessed. The increasing need for liquidity and capital coupled with private equities interest in the space brings us to where we are today: 59 billion dollars of capital deployed across four major sports leagues (NBA, MLB, MLS, and NHL) and spread amongst 62 sports franchises. Following this great deal of capital influx, it is now up to private equity firms and franchise owners to drive value and impact the team in a positive financial way without massively disrupting sports operations as we know them today.

METHODOLOGY

In order to fully understand private equity's influence on sports franchises, finding data on both quantitative and qualitative aspects of these franchises and the intended influence of private equity was necessary. In order to measure this influence, the study attempted to identify a North American sports league with four key characteristics to help guide the study in the right direction. The four identified league characteristics are the following: institutional investment maturity, a significant number of private equity-backed teams, annual reporting on valuation and operating income, and a timeline outlining when private equity investment occurred. After applying these key characteristics to each of the leagues, Major League Baseball was the one that best fit the criteria. The MLB was the first North American sports league to allow institutional investment (2019), and as of April 9, 2025, it currently has ten private equity-backed teams. In relation to the financial figures, Forbes's annual MLB report provided data on valuation and operating income figures from 2016 – 2025 (Ozanian and Teitelbaum, 2016, 2019 – 2025), and the timing of private equity investment was collectively provided by PitchBook and Yahoo Finance (Rubio, 2025; Novy-Williams, 2022). Following the data collection process, the initial goal of the study was to measure the change in enterprise values and operating income for private equity backed teams compared to those with traditional ownership structures over the PE investment time period 2022 - 2025. After evaluating the growth trends over this period and seeing the results, the study looked to further examine historical MLB valuation trends as enterprise value growth was measured from 2019 - 2022 and 2016 - 2019 with the same conditions applied. The last quantitative item the study looked to examine was the enterprise value calculation in 2025. Specifically, the study attempted to unpack the differences in revenue and implied multiples for private equity-backed teams relative to their counterparts. After conducting vast amounts of quantitative research, the study examined qualitative reports that could provide additional evidence to support the quantitative output. From there, the study examined some key factors that drive MLB valuation growth and private equity's role in accelerating these factors.

Note: The raw data used in the study to calculate MLB team enterprise value and operating Income growth can be found in the appendix

Note: Teams Included in the Research and Those That Were Discluded

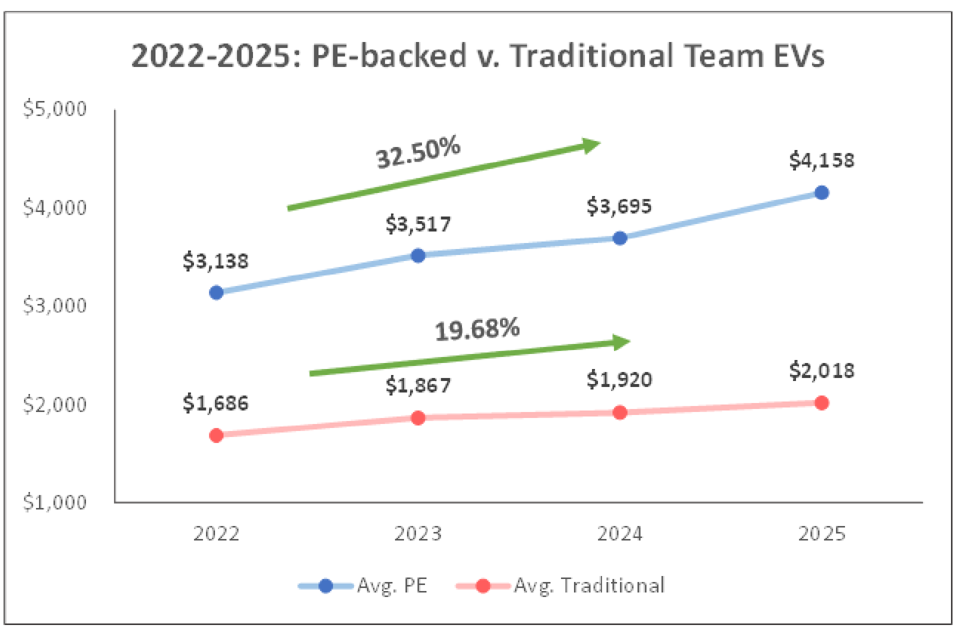
According to PitchBook, there are 10 PE-backed MLB teams. However, after conducting further research, I found that only six of these teams are backed by private equity firms that have raised capital around the sports franchise investment, which is this thesis's focus. Those teams include the Los Angeles Dodgers, Boston Red Sox, Chicago Cubs, San Francisco Giants, Houston Astros, and the San Diego Padres. The four teams being excluded from the PE-backed group lack the principles of institutional investment. Instead, these investments have been made by single individuals who worked in the financial services space. These teams are excluded from the PE-backed group and thus are excluded from the study: New York Yankees, Cleveland Indians/Guardians, Baltimore Orioles, and Miami Marlins. The teams that fall into the traditional ownership category are the ones that remain, and they constitute 20 teams in total.

<u>DISCUSSION & ANALYSIS</u>

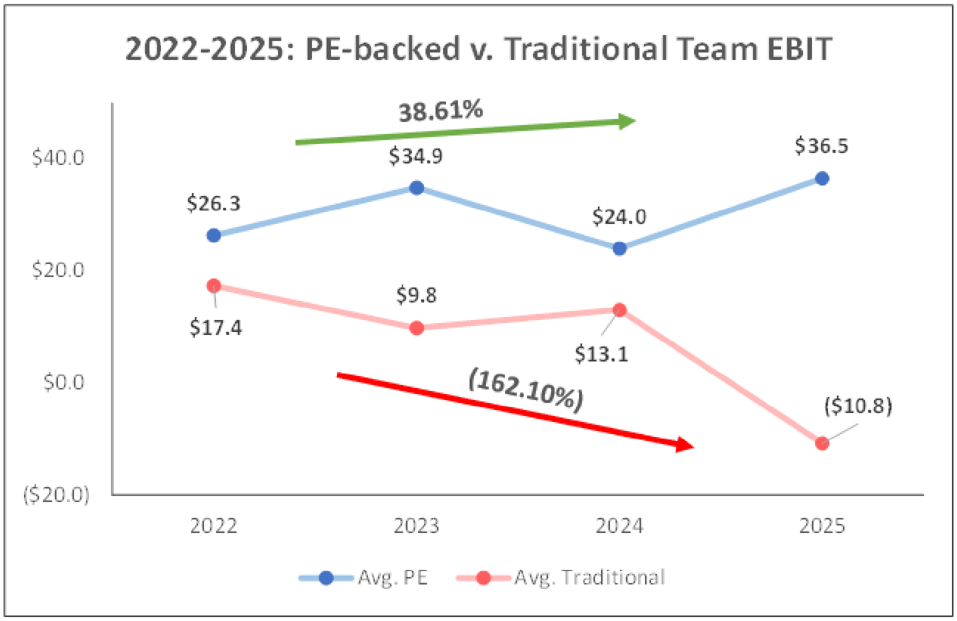
Growth Across Enterprise Values and Operating Income

In order to assess the influence of private equity firms on their sports franchise investments, the study examined enterprise value growth and operating income growth for PE-backed teams and their counterparts, those with a traditional ownership structure. Before measuring this data, the study needed to find the correct measurement period; this was determined by locating filings that confirmed private equity investment by 2022, and the study looked to measure from that year until now, 2025. The study found that between 2022 through 2025, PE-backed sports franchises grew on average at 32.50% and teams with traditional ownership structures grew at 19.68%. Additionally, when comparing the average operating income/ EBIT growth, PE-backed teams grew their operating income by 38.61% over the measured period, while traditional teams saw a negative trend as they lost (162.10%) in operating income value. Please see both the attached graphics below (all $ figures in millions).

Graph 1: Enterprise Value Growth (2022’ – 2025’)

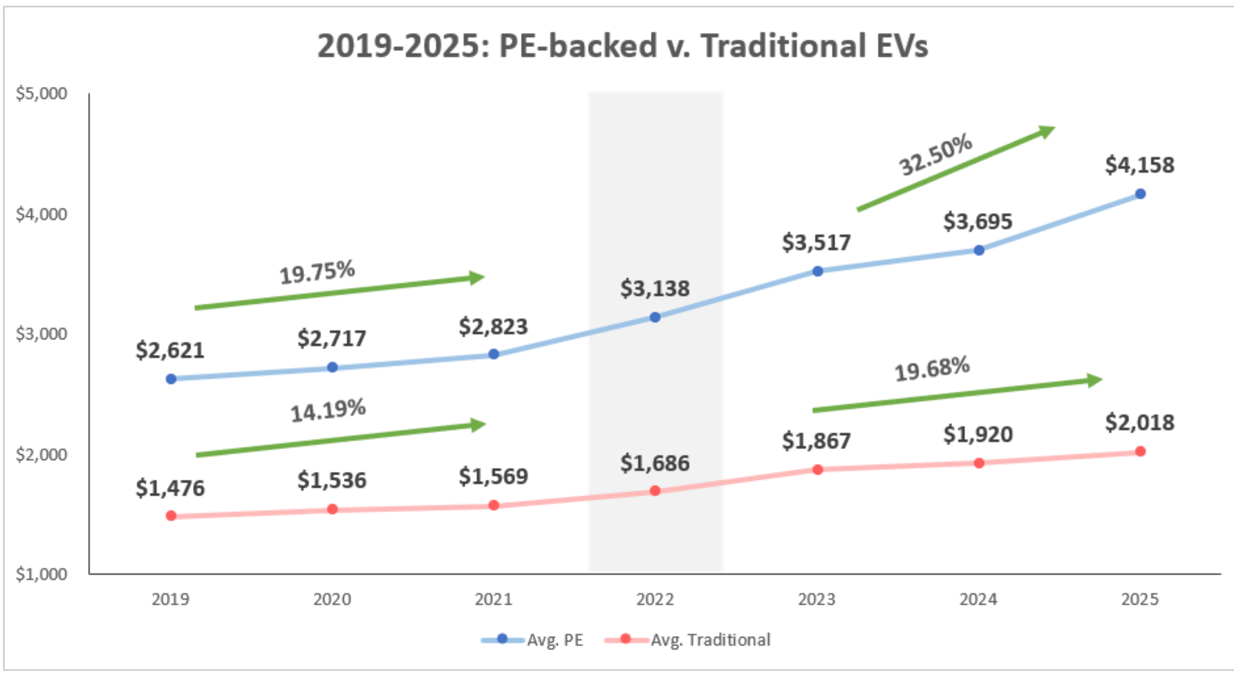


Graph 2: Operating Income Growth (2022' – 2025')



After initially conducting the research and seeing the evident growth in PE-backed teams compared to those with traditional ownership structures, the study dove deeper into the historical picture. It then examined the change in team enterprise values from 2019 - 2022. The data revealed that the future PE-backed teams grew at 19.75% on average, while the traditional teams grew at 14.19% on average. After running this analysis, a major outlier event was identified during this time: COVID-19. Following that piece of data, the study went back to measuring team enterprise values from 2016 to 2019, and this analysis showed that the future PE-backed teams grew at 39.90% while the traditional teams grew at 37.13%. Skeptics could be thinking that from 2022 - 2025, the growth is starting to normalize back to pre-pandemic levels, but what the information would say to consider is the enterprise value growth spread seen over each measurement period. From 2016 - 2019, the spread on enterprise value growth was 2.77%; from 2019 - 2022, it was 5.56%; and from 2022 - 2025, it was 12.82%. If someone were to make the observation that growth is normalizing, the study would suggest that traditional teams grew at 19.68% from 2022 - 2025, and these same teams grew at 37.13% from 2016 - 2019. Growth is not normalizing for these MLB teams, instead, private equity investment or the specific franchises have seen outsized enterprise value growth relative to their counterparts. The attached graphic below outlines that assumption (all $ figures in millions).

Graph 3: Enterprise Value Growth (2019' – 2022') & (2022' – 2025'); the light-shaded gray bar seen in 2022 reflected when PE investment occurred and served as an inflection point in EV growth.



In order to properly assess the enterprise value growth as seen in the analysis, the study will need to further examine the key components of the formula: revenue and the Enterprise Value/Revenue multiple. The TTM/ 2024 MLB revenue data showed that the PE-backed teams, on average, generated $547 million, while the teams with the traditional ownership structure only generated $359 million on average. To further enhance the output, the median revenue numbers were examined as well in order to account for any potential outliers in the data set. The median revenue data for PE-backed teams was $534 million, and $327 million for teams with a traditional ownership structure. When comparing the average and median, the spreads on revenue were $188 million and $207 million, respectively. Next, the EV/Revenue multiple for PE-backed teams was 7.40x on average, while traditional teams were only valued at a 5.56x multiple on average. In this case, that would mean that there is a 33.1% premium charged to the teams that have private equity sponsorship. The market essentially values each dollar of revenue generated by PE-backed teams at roughly one-third more than the revenue generated by traditionally owned teams. This revenue multiple is really what drives enterprise values for these teams, and this concept is relatively easy to demonstrate. Let us say there are two teams with identical revenues, say $400 million; these teams would have very different enterprise values depending on the revenue multiple applied/ ownership structure). If the $400 million were taken at a multiple of 7.40x, it would warrant a valuation of $2.96 billion, and if the $400 million was taken at a lesser multiple of 5.56x, it would warrant an enterprise value of $2.224 billion. The valuation spread here is $736 million, simply by applying a different multiple to the exact revenue figure. The attached graphic below outlines the numbers described in the analysis above.

Graph 4:Average Revenue and Multiple for PE-backed Teams Compared to Traditional Teams

Revenue Metrics (Avg.)		EV/Revenue Multiple (Avg.)		Implied Multiple Premium
PE-backed	$547	PE-backed	7.40x	**33.10%**
Traditional	$359	Traditional	5.56x	
Spread	**$188**	Spread	**1.84x**	

How Private Equity Accelerates Traditional Valuation Levers

After conducting vast amounts of research, the study noticed that there are key factors in Major League Baseball that drive valuation growth for any given team. The role that private equity has in this space is to enhance or accelerate these key factors that are driving valuation multiples higher rather than creating value out of thin air. Outlined below are some of the key factors that influence team valuation in the MLB and how private equity firms can accelerate these factors.

Real Estate and Non-baseball Revenue

Modern MLB teams are more than just about ticket sales and broadcast rights. Today, stadium-adjacent real estate in the form of mixed-use developments and entertainment venues drives recurring revenue. This allows sports franchises to have diversified income streams that reduce dependency on team performance and seasonality. For example, the San Francisco Giants developed Mission Rock, a mixed-use district offering office leases, restaurants, and retail spaces. Since the franchise owns this, it allows for consistent income and a stickier revenue picture (Mission Rock, 2025). Many private equity firms see this as a real estate play layered on top of a franchise/ sports asset and have a seasoned real estate team to capitalize on this value. For example, Arctos Capital has a strategy known as Arctos Keystone Real Assets (AK-RA), and this team has over 85 years of experience in areas such as direct real estate, structured solutions, and preferred equity. The deep real estate knowledge coupled with the capital allows private equity firms to accelerate large-scale development and integrate the franchise more tightly into the urban infrastructure (Arctos Expansion into Real Estate and Real Assets, 2025).

Media Rights and Direct Fan Content

Dating back to the 1960s, regional sports networks have dominated the MLB media scene. Today, these traditional RSN models are collapsing as cable subscriptions have fallen off due to the rise of streaming platforms. This current headwind in the space has forced teams to be agile and pivot to streaming, direct-to-consumer models, and owned content platforms. For example, in

2022, the Boston Red Sox launched the New England Sports Network (NESN) as the franchise aimed to own its DTV streaming platform, bypassing cable to monetize to fans directly. On the other hand, the Padres were deeply affected by Bally Sports' bankruptcy, and they were forced to quickly build a stopgap streaming solution to preserve media revenue. For general context, media rights deals are a true lever in yielding higher team values and having a strategic plan to handle the changing scene in the MLB is necessary for success. Private equity partners can provide significant value here as they can help teams think like media companies: build internal content teams, segment audiences, and launch new monetization models. In addition, these PE firms have significant advisory pieces in place to handle these issues, and when coupled with their legal teams, PE-backed franchises have a massive advantage over their counterparts.

Operational Sophistication

The complexity of managing a sports franchise in today's world mirrors that of a mid to large-sized corporation, not just a sports team. Franchises have to deal with revenue optimization, fan engagement, and technology-driven internal analytics, and this leads many to believe that winning franchises must operate like elite businesses, not just sports teams. For example, the Houston Astros created one of the most efficient baseball operation departments in the league that focused on a technology-first approach, and this has led to not only consistent playoff runs but also the World Series (Zou, 2018). Private equity does not need to reinvent the wheel here as its goal should be to provide structure and accountability and inject its elite operational talent to help professionally run the business, looking to eliminate legacy or family-run inefficiencies. Private equity firms in this space have built elite advisory boards with extensive research to help optimize sports franchises. Specifically, Arctos Capital has Theo Epstein on their advisory board, the former president of baseball operations for the Chicago Cubs, and also served as the GM for the Boston

Red Sox. Having experienced staff to help run the franchise like a business will allow for greater value creation in the long term (Arctos Announces Operating Partner, 2023).

Star Power and On-Field Success

Marquee players and winning records don't just sell tickets, they supercharge merchandise, sponsorships, broadcast ratings, and global brand reach. Additionally, many of these top MLB players contribute positively to their teams, making them more competitive. For example, the San Diego Padres signed Manny Machado and traded for Fernando Tatis Jr. and these players future impact goes far beyond baseball. Together, these individuals put the Padres on the map as they are now must watch TV. These front-office moves helped build a brand image and spike national attention, contributing to higher TV ratings, merchandise sales, and ticket prices. The same could be said for the LA Dodgers with their signing of Shohei Ohtani. Since he has been there, he has won a unanimous MVP and contributed to the 2024 Dodgers World Series title. These top-tier players, coupled with consistent playoff success, have helped the team lock in top-tier sponsorships and maintain league-leading attendance. While private equity firms do not make baseball decisions, they empower front offices to invest boldly in star players, and they have the capital to back that up; PE firms know and understand that a compelling product on the field multiplies all downstream revenue.

Market Size and Brand Strength

Teams in large, affluent, or historically loyal markets can grow revenue faster because of their built-in fan bases, corporate partnerships, and the local demand for premium experiences. For example, the Boston Red Sox, LA Dodgers, and Chicago Cubs have greatly benefited from massive local markets and generational fan loyalty. This has made it much easier for franchises to justify high ticket prices and premium suite expansions. Additionally, the brand strength these teams possess is massive and helps them greatly in the global partnership space. As someone who traveled abroad in the spring of 2024, the amount of LA Dodgers memorabilia that I saw was incredible and it truly sheds a light on the global presence that big market teams possess. Private equity firms specifically target these franchises because there is great potential for scalability with little downside risk. These PE firms add value in this segment by implementing growth playbooks that include luxury seating and loyalty programs that are extremely effective in these large market cities.

Underpinning Factor

Above all else, many of the traditionally owned teams have been passed down by generations, or they are viewed more as 'entertainment' rather than an investment. The thing about private equity capital and investment is that they have a duty to return capital to their limited partners, meaning they have every incentive in the world to create value and drive higher valuations for the franchises in which they are invested. At the end of the day, these firms committed to their stakeholders to return capital, a factor that should be keenly considered in this analysis.

Piecing Together the Quantitative and Qualitative Data

After analyzing the data, it is clear that the private equity-backed teams have seen greater enterprise value growth and a more sustained operating income picture over the measurement period. As seen in graph three, private equity investment marked an inflection point in enterprise value growth, driving team values higher than that of teams with traditional ownership structures. To say that private equity firms positively influence enterprise value and operating income growth is correct, but to what extent is something that this study was unable to determine. So, the question is proposed: if a PE-backed MLB team sees valuation growth of 100%, what percentage of that can be attributed to the actual things the private equity firm completed or accomplished? To the above point, this proposed question is ambiguous. However, all else equal, the study found that private equity positively influences team valuation due to its ability to accelerate growth in areas that drive MLB team valuation: real estate and non-baseball revenue, media rights and direct fan content, operational sophistication, star power and on-field success, market size and brand strength. The operational pieces and business mindset these private equity firms bring to a traditional and inefficient market will have a net positive effect on team valuation.

CONCLUSION

After only six years following the amended ownership rules, institutional players have invested more than $59 billion in committed capital in sports franchises. These private equity investors are already positively reshaping this space by providing liquidity in the capital markets to franchise owners and helping the teams they invest in reach new heights. This intersection of institutional investment and sports franchises only represents the beginning of a rapidly evolving landscape. As valuations continue to rise and operational strategies become increasingly data-driven, private equity's role in shaping the future of professional sports will only grow more influential. The convergence of institutional players and the sports industry isn't just reshaping ownership models; it's redefining how franchises grow, engage with fans, and build sustainable long-term value.

APPENDIX

MLB Team Enterprise Value and Operating Income Data

MLB Team Valuations
($ in millions)

2016			**2019**			**2020**		
Team	**Value**	**Operating Inc./ (Loss)**	**Team**	**Value**	**Operating Inc./ (Loss)**	**Team**	**Value**	**Operating Inc./ (Loss)**
New York Yankees	$3,400	-	New York Yankees	$4,600	-	New York Yankees	$5,000	-
Los Angeles Dodgers	2,500	-	Los Angeles Dodgers	3,300	-	Los Angeles Dodgers	3,400	-
Boston Red Sox	2,300	-	Boston Red Sox	3,200	-	Boston Red Sox	3,300	-
San Francisco Giants	2,250	-	Chicago Cubs	3,100	-	Chicago Cubs	3,200	-
Chicago Cubs	2,200	-	San Francisco Giants	3,000	-	San Francisco Giants	3,100	-
New York Mets	1,650	-	New York Mets	2,300	-	New York Mets	2,400	-
St. Louis Cardinals	1,600	-	St. Louis Cardinals	2,100	-	St. Louis Cardinals	2,200	-
Los Angeles Angels	1,340	-	Los Angeles Angels	1,900	-	Philadelphia Phillies	2,000	-
Washington Nationals	1,300	-	Philadelphia Phillies	1,850	-	Los Angeles Angels	1,975	-
Philadelphia Phillies	1,240	-	Houston Astros	1,775	-	Washington Nationals	1,900	-
Texas Rangers	1,230	-	Washington Nationals	1,750	-	Houston Astros	1,850	-
Seattle Mariners	1,200	-	Atlanta Braves	1,700	-	Atlanta Braves	1,800	-
Atlanta Braves	1,180	-	Texas Rangers	1,650	-	Texas Rangers	1,750	-
Detroit Tigers	1,150	-	Chicago White Sox	1,600	-	Chicago White Sox	1,650	-
Houston Astros	1,100	-	Seattle Mariners	1,575	-	Toronto Blue Jays	1,625	-
Chicago White Sox	1,050	-	Toronto Blue Jays	1,500	-	Seattle Mariners	1,600	-
Baltimore Orioles	1,000	-	San Diego Padres	1,350	-	San Diego Padres	1,450	-
Pittsburgh Pirates	975	-	Arizona Diamondbacks	1,290	-	Baltimore Orioles	1,400	-
Arizona Diamondbacks	925	-	Baltimore Orioles	1,280	-	Minnesota Twins	1,300	-
Minnesota Twins	910	-	Pittsburgh Pirates	1,275	-	Arizona Diamondbacks	1,290	-
Cincinnati Reds	905	-	Detroit Tigers	1,250	-	Colorado Rockies	1,275	-
Toronto Blue Jays	900	-	Colorado Rockies	1,225	-	Pittsburgh Pirates	1,260	-
San Diego Padres	890	-	Minnesota Twins	1,200	-	Detroit Tigers	1,250	-
Milwaukee Brewers	875	-	Milwaukee Brewers	1,175	-	Milwaukee Brewers	1,200	-
Kansas City Royals	865	-	Cleveland Guardians	1,150	-	Cleveland Guardians	1,150	-
Colorado Rockies	860	-	Oakland Athletics	1,100	-	Oakland Athletics	1,100	-
Cleveland Guardians	800	-	Cincinnati Reds	1,050	-	Cincinnati Reds	1,075	-
Oakland Athletics	725	-	Kansas City Royals	1,025	-	Tampa Bay Rays	1,050	-
Miami Marlins	675	-	Tampa Bay Rays	1,010	-	Kansas City Royals	1,025	-
Tampa Bay Rays	650	-	Miami Marlins	1,000	-	Miami Marlins	980	-

2021			**2022**			**2023**		
Team	**Value**	**Operating Inc./ (Loss)**	**Team**	**Value**	**Operating Inc./ (Loss)**	**Team**	**Value**	**Operating Inc./ (Loss)**
New York Yankees	$5,250	-	New York Yankees	$6,000	($40)	New York Yankees	$7,100	$16
Los Angeles Dodgers	3,570	-	Los Angeles Dodgers	4,075	(8)	Los Angeles Dodgers	4,800	14
Boston Red Sox	3,465	-	Boston Red Sox	3,900	69	Boston Red Sox	4,500	72
Chicago Cubs	3,360	-	Chicago Cubs	3,800	68	Chicago Cubs	4,100	57
San Francisco Giants	3,175	-	San Francisco Giants	3,500	32	San Francisco Giants	3,700	75
New York Mets	2,450	-	New York Mets	2,650	(96)	New York Mets	2,900	(139)
St. Louis Cardinals	2,245	-	St. Louis Cardinals	2,450	(34)	Los Angeles Angels	2,700	36
Philadelphia Phillies	2,050	-	Philadelphia Phillies	2,300	(17)	Atlanta Braves	2,600	51
Los Angeles Angels	2,025	-	Los Angeles Angels	2,200	(2)	Philadelphia Phillies	2,575	(4)
Washington Nationals	1,925	-	Atlanta Braves	2,100	83	St. Louis Cardinals	2,550	43
Atlanta Braves	1,875	-	Texas Rangers	2,050	97	Houston Astros	2,250	44
Houston Astros	1,870	-	Washington Nationals	2,000	36	Texas Rangers	2,225	58
Texas Rangers	1,785	-	Houston Astros	1,980	29	Seattle Mariners	2,200	86
Chicago White Sox	1,685	-	Toronto Blue Jays	1,780	(52)	Toronto Blue Jays	2,100	(34)
Toronto Blue Jays	1,675	-	Chicago White Sox	1,760	(10)	Chicago White Sox	2,050	(53)
Seattle Mariners	1,630	-	Seattle Mariners	1,700	71	Washington Nationals	2,000	45
San Diego Padres	1,500	-	San Diego Padres	1,575	(32)	San Diego Padres	1,750	(53)
Baltimore Orioles	1,430	-	Detroit Tigers	1,400	31	Baltimore Orioles	1,700	67
Minnesota Twins	1,325	-	Minnesota Twins	1,390	10	Milwaukee Brewers	1,600	23
Arizona Diamondbacks	1,320	-	Colorado Rockies	1,385	14	Colorado Rockies	1,475	(9)
Colorado Rockies	1,300	-	Arizona Diamondbacks	1,380	40	Detroit Tigers	1,450	(27)
Pittsburgh Pirates	1,285	-	Baltimore Orioles	1,375	83	Minnesota Twins	1,390	(27)
Detroit Tigers	1,260	-	Pittsburgh Pirates	1,320	64	Arizona Diamondbacks	1,380	30
Milwaukee Brewers	1,220	-	Cleveland Guardians	1,300	71	Pittsburgh Pirates	1,320	55
Cleveland Guardians	1,160	-	Milwaukee Brewers	1,280	29	Cleveland Guardians	1,300	40
Oakland Athletics	1,125	-	Cincinnati Reds	1,190	0	Tampa Bay Rays	1,250	10
Cincinnati Reds	1,085	-	Oakland Athletics	1,180	(9)	Kansas City Royals	1,200	33
Kansas City Royals	1,060	-	Kansas City Royals	1,100	47	Cincinnati Reds	1,190	(10)
Tampa Bay Rays	1,055	-	Tampa Bay Rays	1,100	45	Oakland Athletics	1,180	29
Miami Marlins	990	-	Miami Marlins	990	25	Miami Marlins	1,000	(1)

2024 Team	Value	Operating Inc./ (Loss)	2025 Team	Value	Operating Inc./ (Loss)
New York Yankees	$7,550	$2	New York Yankees	$8,200	($57)
Los Angeles Dodgers	5,450	26	Los Angeles Dodgers	6,800	21
Boston Red Sox	4,500	62	Boston Red Sox	4,800	120
Chicago Cubs	4,220	68	Chicago Cubs	4,600	81
San Francisco Giants	3,800	50	San Francisco Giants	4,000	(24)
New York Mets	3,000	(292)	New York Mets	3,200	(268)
Philadelphia Phillies	2,920	19	Philadelphia Phillies	3,100	9
Atlanta Braves	2,800	66	Atlanta Braves	3,000	(3)
Los Angeles Angels	2,700	15	Houston Astros	2,800	(11)
St. Louis Cardinals	2,550	57	Los Angeles Angels	2,750	40
Houston Astros	2,420	54	St. Louis Cardinals	2,550	7
Texas Rangers	2,400	12	Texas Rangers	2,450	(38)
Seattle Mariners	2,200	76	Seattle Mariners	2,200	43
Toronto Blue Jays	2,100	(45)	Toronto Blue Jays	2,150	(60)
Chicago White Sox	2,050	(28)	Washington Nationals	2,100	0
Washington Nationals	2,000	63	Chicago White Sox	2,000	(41)
San Diego Padres	1,780	(116)	San Diego Padres	1,950	32
Baltimore Orioles	1,730	99	Baltimore Orioles	1,900	65
Milwaukee Brewers	1,600	36	Oakland (LV) Athletics	1,800	(23)
Colorado Rockies	1,480	(17)	Milwaukee Brewers	1,700	24
Minnesota Twins	1,460	19	Arizona Diamondbacks	1,600	(33)
Detroit Tigers	1,450	17	Detroit Tigers	1,550	30
Arizona Diamondbacks	1,430	33	Minnesota Twins	1,500	5
Cleveland Guardians	1,350	52	Colorado Rockies	1,475	(22)
Pittsburgh Pirates	1,320	68	Cleveland Guardians	1,400	11
Cincinnati Reds	1,260	53	Pittsburgh Pirates	1,350	47
Tampa Bay Rays	1,250	68	Cincinnati Reds	1,325	29
Kansas City Royals	1,230	52	Kansas City Royals	1,300	6
Oakland Athletics	1,200	(11)	Tampa Bay Rays	1,250	32
Miami Marlins	1,000	23	Miami Marlins	1,050	38

REFERENCES

AKIN. (2024, August 24). Institutional Investments in Sports: Fueling Revenue and Valuation Growth. Retrieved November 13, 2024, from https://www.akingump.com/en/insights/alerts/institutional-investments-in-sports-fueling-revenue-and-valuation-growth#:~:text=MLB%20became%20the%20first%20North,to%2015%25%20of%20a%20team.

Arctos & Ross. (2024, May). Ross-Arctos Sports Franchise Index (RASFI): Sports Asset Class Returns Over the Long-Term. Retrieved November 16, 2024, from https://michiganross.umich.edu/sites/default/files/uploads/Inst-Cntrs/RASFI/files/Arctos%20Insights%20White%20Paper%20-%20Introduction%20to%20RASFI%20Sports%20Asset%20Class%20Returns%20Over%20the%20Long%20Term%20vF_0.pdf.

Arctos Announces Expansion of Keystone into Real Estate and Real Assets. (2025, March 27). Retrieved May 2, 2025, from https://www.businesswire.com/news/home/20250327978907/en/Arctos-Announces-Expansion-of-Keystone-into-Real-Estate-and-Real-Assets.

Arctos Partners Announces TJ Adeshola as Operating Partner. Retrieved May 2, 2025, from https://www.businesswire.com/news/home/20230601005223/en/Arctos-Partners-Announces-TJ-Adeshola-as-Operating-Partner.

Byloli, S. (2024). Growth Equity: How It Works, Key examples and 5 Tools for Growth Equity Managers. Retrieved November 18, 2024, from https://www.affinity.co/blog/growth-equity.

CAIS. (2024, September 19). An Introduction to Investing in Sports. Retrieved November 14, 2024, from https://www.caisgroup.com/articles/an-introduction-to-investing-in-sports.

Coffey, B. (2024, May 16). Sports Grow From Private Equity Afterthought to Booming Market. Retrieved November 13, 2024, from https://www.sportico.com/business/finance/2024/when-did-private-equity-start-investing-in-sports-teams-1234779117/.

Espinosa, P. (2024, October 20). Growth Equity. Retrieved November 18, 2024, from https://www.moonfare.com/pe-masterclass/growth-equity.

Fisher, C. (2024, October 26). There's A New Player In The NFL – Private Equity. Retrieved November 21, 2024, from https://sites.lsa.umich.edu/mje/2024/10/26/theres-a-new-player-in-the-nfl-private-equity/#:~:text=This%20all%20means%20that%20teams,money%20and%20improve%20their%20rosters.

Haden, J. (2024, September 6). The NFL Now Lets Private Equity Firms Invest in Franchises. But That Doesn't Mean You Should Seek Investors for Your Small Business. Retrieved November 14, 2024, from https://www.inc.com/jeff-haden/the-nfl-now-lets-private-equity-firms-invest-in-franchise-but-that-doesnt-mean-you-should-seek-investors-for-your-small-business.html.

JWU. (2024, August 16). How Publicly Traded Sports Teams are Changing the Game. Retrieved November 13, 2024, from https://online.jwu.edu/blog/how-publicly-traded-sports-teams-are-changing-game/.

Kenton, W. (2024, June 8). Leveraged Buyout (LBO): Definition, How It Works, and Examples. Retrieved November 18, 2024, from https://www.investopedia.com/terms/l/leveragedbuyout.asp.

Kim, J. (2021). Investment Banking Interview Questions, Wall Street Prep. Retrieved November 18, 2024, from file:///C:/Users/13146/OneDrive%20-%20Texas%20Christian%20University/My%20Stuff/Transaction%20and%20Investment%20Professionals%20Board/Guides%20-%20Tools/Wall%20Street%20Prep%20-%20The%20Red%20Book.pdf.

Mission Rock. (2025). Retrieved May 2, 2025, from https://missionrock.com/.

Mulrain, A. (2024, September 5). Private Equity's Time on the Bench Is Over: NFL Owners Allow Private Equity Fund Investments. Retrieved November 21, 2024, from https://www.hklaw.com/en/insights/publications/2024/09/private-equitys-time-on-the-bench-is-over.

Novy-Williams, E. (2022, March 5). Arctos Owns 6 MLB Team Stakes, Including Dodgers, Cubs, Giants. Retrieved May 2, 2025, from https://sports.yahoo.com/arctos-owns-6-mlb-team-131702347.html.

O'Leary, K. (2024, July 10). Private Equity Sports Investing in North America Vs. Europe. Retrieved November 14, 2024, from https://www.chronograph.pe/private-equity-sports-investing-in-north-america-vs-europe/#:~:text=2019:%20Major%20League%20Baseball%20(MLB,for%20private%20equity%20minority%20investments.

Ozanian, M. (2016, March 23). Baseball's Most Valuable Teams 2016. Retrieved May 2, 2025, from https://www.forbes.com/sites/mikeozanian/2016/03/23/baseballs-most-valuable-teams/.

Ozanian, M. (2019, April 10). Baseball Team Values 2019: Yankees Lead League at $3.6 Billion. Retrieved May 2, 2025, from https://www.forbes.com/sites/mikeozanian/2019/04/10/baseball-team-values-2019-yankees-lead-league-at-46-billion/.

Ozanian, M. (2020, April 9). Despite Lockdown, MLB Trams Gain Value in 2020. Retrieved May 2, 2025, from https://www.forbes.com/sites/mikeozanian/2020/04/09/despite-lockdown-mlb-teams-gain-value-in-2020/.

Ozanian, M. (2021, March 26). Baseball's Most Valuable Teams 2021: New York Yankees on Top at $5.25 Billion. Retrieved May 2, 2025, from https://www.forbes.com/sites/mikeozanian/2021/03/26/baseballs-most-valuable-teams-new-york-yankees-on-top-at-525-billion/.

Ozanian, M. (2022, March 24). Baseball's Most Valuable Teams 2022: Yankees Hit $6 Billion As New CBA Creates New Revenue Streams. Retrieved May 2, 2025, from https://www.forbes.com/sites/mikeozanian/2022/03/24/baseballs-most-valuable-teams-2022-yankees-hit-6-billion-as-new-cba-creates-new-revenue-streams/.

Ozanian, M. (2023, March 23). Baseball's Most Valuable Teams 2023: Price Tags Are Up 12% Despite Regional TV Woes. Retrieved May 2, 2025, from https://www.forbes.com/sites/mikeozanian/2023/03/23/baseballs-most-valuable-teams-2023-price-tags-are-up-12-despite-regional-tv-woes/.

Ozanian, M. (Updated 2025, January 21). Baseball's Most Valuable Teams 2024. Retrieved May 2, 2025, from https://www.forbes.com/sites/mikeozanian/2024/03/28/baseballs-most-valuable-teams-2024/.

Rizzo, L. (2024, September 5). Private equity will be able to invest in the NFL but won't have much say in team decisions. Retrieved November 25, 2024, from https://www.cnbc.com/2024/09/05/nfl-private-equity-how-investing-in-teams-will-work.html#:~:text=Arctos%20would%20be%20the%20only,request%20an%20invitation%2C%20click%20here.

Rubio, J. (Updated 2025, February 25). Major league investors: Private equity's pro sports ties. Retrieved May 2, 2025, from https://pitchbook.com/news/articles/private-equity-sports-investment-dashboard.

Singh, M. (2024, September 15). NFL's Private Equity Revolution: What Fans and Investors Need to Know in 2024. Retrieved November 21, 2024, from https://www.essentiallysports.com/nfl-active-news-nfls-private-equity-revolution-what-fans-and-investors-need-to-know-in-twenty-twenty-four/.

Smith, C. (2024, November 4). Investors See Safe and Profitable Assets in Sports Teams, and Control Owners Find a Source of Liquidity From Selling Minority Stakes. Retrieved November 14, 2024, from https://www.sportsbusinessjournal.com/Articles/2024/11/04/finance-private-equity-investment.

Teitelbaum, J. (2025, March 26). Baseball's Most Valuable Teams 2025. Retrieved May 2, 2025, from https://www.forbes.com/sites/justinteitelbaum/2025/03/26/baseballs-most-valuable-teams-2025/.

Williams, C. (2024, September 1). Private Equity Dives Into Sports Investing As Valuations Boom. Retrieved November 14, 2024, from https://www.fa-mag.com/news/private-equity-dives-into-sports-investing-as-valuations-boom-79233.html#:~:text=Since%202019%2C%20when%20Major%20League,and%20the%20spigot%20remains%20open.

Zou, L. (2018, March 29). Astros GM Jeff Luhnow Explains How Data Analytics Helped Houseton Win the World Series. Retrieved May 2, 2025, from https://www.wharton.upenn.edu/story/astros-gm-jeff-luhnow-explains-data-analytics-helped-houston-win-world-series/.