The Most Valuable NFL Teams

Last year proved that even the blue chip National Football League has not been immune to the recession.

NFL team values fell 2% last season to an average of $1.02 billion, the first decline since Forbes began tracking the league’s finances in 1998, with 21 of the league’s 32 teams seeing their worths drop. (Note: Our valuations are enterprise values, and include revenue from stadiums but not the value of the real estate.) Team values slipped because the bad economy has reduced demand (there are fewer people with the cash to buy a team, and borrowing has become more difficult) and less nonbroadcasting revenue for many teams.

But thanks to long-term television contracts negotiated before the recession, the NFL’s profitability has never been stronger. National television revenue from CBS, NBC, ESPN and Fox increased $1.3 million per team to $95.8 million for each of the league’s 32 franchises. NFL teams got a big boost when the league settled its long-running dispute with Comcast last May concerning broadcasting the NFL Network. The 10-year deal pushed each team’s take from its nonnetwork media contracts to $45.8 million, up $9.3 million (revenues from DirecTV are the biggest component of this). Aggregate league revenue rose 5.8% to $8 billion.

But for all the good news, a ticking time bomb remains. Team owners and players are locked in a showdown surrounding their collective bargaining agreement, which expires after this season. Before the current uncapped season, the CBA required teams to pay players no more than 60% and not less than 56% of league revenue, net of deductions for capital expenditures and a portion of local revenue.

The league has been showcasing the Green Bay Packers as the poster child as to why this formula is no longer sustainable (the Packers are owned by local shareholders and therefore the only NFL team that releases financial statements). Indeed the Pack’s player costs rose from $139 million in 2008 to $161 million last season, while operating profits declined from $20 million to $10 million during the same time.

Yet most other teams increased player costs modestly. Total player costs for the NFL increased only 4% last year to $4.5 billion. Half the increase was in the form of salaries and the other half was for benefits, which were $25.8 million per team last year. As a result, operating income (earnings before interest, taxes, depreciation and amortization) during the 2009 season rose to a record average of $33 million per team, $1 million more than the previous year.

The real problem is that the National Football League is evolving into a tiered league, with the upper one-third defined by entrepreneurial owners whose teams typically play in big markets and stadiums that generate insane amounts of cash. Most of the remaining teams are run by cautious owners who play in small markets with low-revenue stadiums.
The most valuable NFL team is the Dallas Cowboys: Its value increased a league high 9%, to $1.8 billion. The team, worth more than any other sports franchise in the world, save soccer club Manchester United ($1.84 billion), moved into its new $1.25 billion stadium last season and sold out every regular season game with the league’s highest average ticket price, $160.

Owner Jerry Jones remains the game’s best promoter, (he even landed a star turn on the hit HBO series Entourage this summer). His stadium netted an additional $12 million last year over what it makes on the Cowboys, thanks to events like the NBA All-Star game, boxing and concerts. The team’s overall operating income hit $143 million, a record for a U.S. sports franchise.

Washington Redskins owner Dan Snyder proved once again to be one of the league’s biggest—and best—risk takers. When the then 34-year old Snyder used mostly borrowed money to buy the team and its stadium in 1999 for $750 million, the pressure to increase revenue was enormous. But Snyder saw opportunity where others did not and has been able to more than double nonbroadcasting revenue to $202 million since taking the helm by selling the stadium’s naming rights to FedEx, increasing the building’s capacity and maximizing premium seating opportunities. The Redskins are now worth $1.55 billion, second only to the Cowboys, with operating income of $104 million last season.

The New England Patriots, worth $1.37 billion, are third. They have developed the real estate near Gillette Stadium, and led the NFL in mastering social media to get feedback from fans, keeping them involved with every twist and turn of the franchise’s story, year-round. The Patriots also own an MLS team, the Revolution, to help keep a steady inventory of events at the stadium.

At the other end of the scale, the NFL’s low-revenue teams are struggling to keep pace with their big-market competition. The NFL’s 10 least valuable teams all declined in value over the past year, led by the Jacksonville Jaguars, which fell 16% to $725 million. The Jags lost 17,000 season ticket holders following a disappointing 5-win, 11-loss season in 2008. The poor support forced the Jaguars to have all but one of its games blacked out locally on TV. The Jags boosted their season ticket base for the upcoming season, but did it with heavily discounted tickets.

The Detroit Lions (owned by auto scion William Clay Ford) are one of only two teams to lose money ($2.9 million) last season on an operating basis (the Miami Dolphins lost $7.7 million). This marks the third time in four years the Lions have posted an operating loss.

The team is burdened with a hefty debt load of $350 million thanks to the Lions’ contribution to the $440 million Ford Field, which opened in 2002. The Lions have struggled to sell tickets since becoming the first NFL team to ever finish winless in a 16-game season in 2008. The Lions had half of its eight home games blacked out last year as it failed to sell out 72 hours before kickoff. The team cut ticket prices on 19,000 seats for this season in hopes of boosting attendance.

So while the renegotiation of the collective bargaining agreement with players will dominate headlines for the next year, the bifurcation of team values in the NFL is an even more serious long-term issue for a league built on parity of performance. Fans tune in because, on any given Sunday, any team can supposedly beat any other. As the team economics of pro football diverge, the owners need to figure out how to keep it that way.