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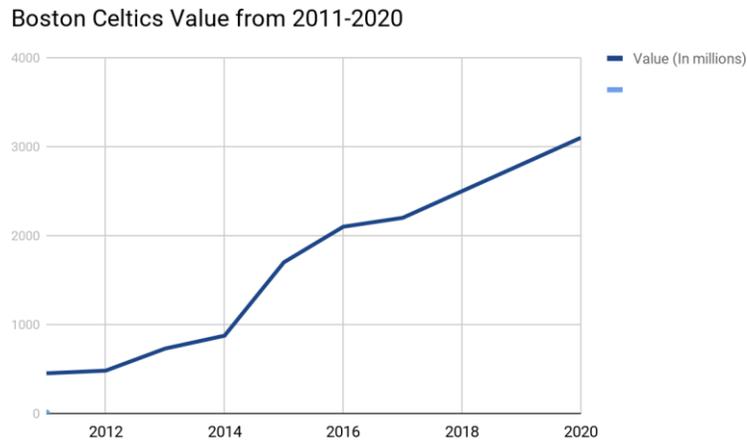
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Analysis of Franchise Valuation

The Boston Celtics Franchise is currently valued at 3.1 billion dollars, as of February 2020. In this section, we are going to evaluate what that valuation means and how it has recently changed, due to certain factors. The Boston Celtics were formed on June 6, 1946 by the Boston Garden-Arena corporation president, Walter A. Brown. They were originally a team in the Basketball Association of America (BAA) and became a part of the National Basketball Association (NBA) in 1949. The Boston Celtics were most recently bought in 2002 for \$360 million by Wycliffe Grousbeck, Robert Epstein, Irving Grousbeck, Stephen Pagliuca (Boston Basketball Partners L.L.C.). With inflation, that is about equal to \$523.5 million today. So, in retrospect, that was a great purchase in 2002 and it holds true today. The Boston Celtics were bought for about six times less than they are worth today, even with inflation accounted for.

According to Forbes, the Celtics are ranked fifth in team value in the NBA, behind the New York Knicks, Los Angeles Lakers, Golden State Warriors, and Chicago Bulls. After that, there is about a half billion dollar drop-off to the sixth team, the Los Angeles Clippers at \$2.6 billion. It's worth noting that both Golden State and Boston are the only two franchises valued in the top ten in the NBA that are not ranked in the top ten most populated metropolitan areas in Canada and the United States of America. San Francisco and Boston both have a population of a little over 4.5 million, where New York has a population of over 20 million. Yet, the Boston Celtics franchise is still a powerhouse in the NBA and their value is still top five in the league. This credits the revenue that the franchise brings in due to a great front office and even better fan-base. The Celtics have a revenue of about \$304 million, which has increased each year since

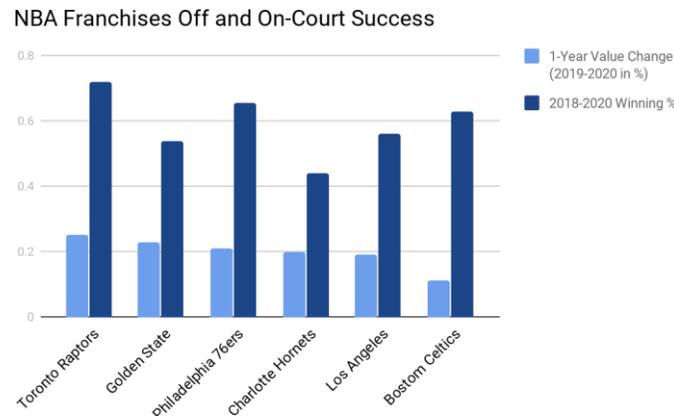
2013 and is \$17 million more than in 2019. This steady increase in revenue has been one of the main reasons the Boston Celtics franchise is high-valued.



In the above graph, we see that the Celtics franchise has been increasing since 2011 with a couple of huge jumps. From 2012-2014, the value doubled and from 2014-2015, the franchise gained almost \$1 billion in value, which it didn't even have in 2014. The Celtics went from being valued at \$875 million in 2014 to \$1.7 billion in 2015. This increase in value, while being very impressive, isn't all that surprising. All franchises in the NBA are going up in value and have been in pretty sizable amounts recently. As of 2018, each of the thirty franchises in the league were valued at \$1 billion or higher.

Most of this increase in value, across the NBA, is in large part due to media rights. The NBA is in a great place in terms of international relations; the league is considered the best of professional American sports leagues at international relations. In 2015, the NBA signed a five-year deal with Tencent, a Chinese video game company, to carry games and other NBA content on its digital platform. It is expected to net the NBA at least \$800 million and this is one of many examples of the league's expansion to China, among other international countries. The NBA has

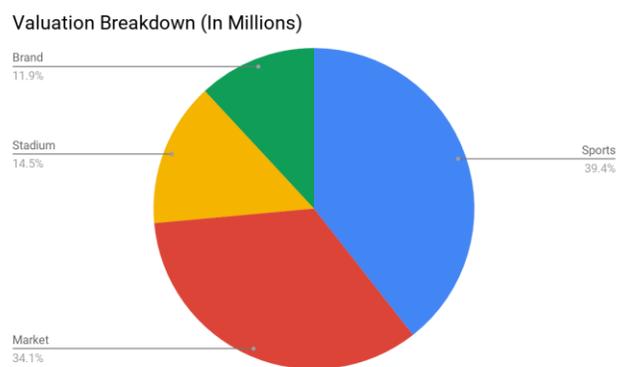
34 media and marketing partners in China. NBA business is also booming on the domestic front. The league recently signed a nine-year contract with TNT and ESPN worth \$24 billion. As each NBA franchise's value is exponentially increasing without any reason for it to stop soon, I took a look at the franchises who are increasing in value the most, at the moment.



Looking at the top five franchises with the most value change in the past year, most of them have been very successful on the court as well. The Charlotte Hornets are the outlier in this situation, as they are the one franchise with a below .500 winning percentage since 2018. They have still had competitive games and all-star players (Kemba Walker) that draw viewers. The Raptors have been consistently good in the Eastern Conference and won the NBA Championship last year (2019). They also have the highest one year value change, sitting at 25%. The numbers speak for themselves.

The Boston Celtics value has increased 11% over the past year. It may not be as high as the Raptors or Warriors, but that is still an economically good number. Any increase in value is good, considering the fact that if you weren't increasing your value it would probably be decreasing. This increase is at least partially due to the Celtics high winning-percentage since 2018 (.629) and the high number of star players the franchise has recently had. They have

acquired all-stars like Kyrie Irving, Kemba Walker, and Gordan Hayward and drafted young studs like Jaylen Brown and Jayson Tatum. The Celtics are able to make moves like this because of their high operating income, which is currently \$88 million. Another reason the Boston Celtics franchise is exceling off and on the court is due to the pretty even valuation breakdown they have. The Celtics currently list their player expenses at \$139 million a year, but generate about \$85 million a year in gate receipts.



The Boston Celtics franchise has most of its value from the revenue that the market and team brings in. Still, the breakdown is pretty even, as the brand and stadium each bring in at least 10% of the franchises value. Looking at the numbers, it's interesting to see that Celtics generate about \$40 a fan with the average ticket price of \$95. Taking concessions into account, +\$40 a fan is a pretty solid revenue.

The Boston Celtics franchise is excelling with a very high value in terms of the NBA and American sports. This is due to many reasons, as the owners and front office have generated revenue in many different ways to help the franchise succeed off the court and on the court.