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Super Bowl XLV could be the last NFL game for a while, but that doesn't have to spell the end of professional football.

# Football without the NFL?

If investors are willing to take the risk, a replacement league could be viable

By Jeff Hooke

**T**he NFL is experiencing a boom time. Super Bowl viewership hit an all time high this year, and fan interest is intense. Financially speaking, the league is doing quite well. Over the last 10 years, the typical franchise has doubled in value — from \$500 million to \$1 billion — giving the league a total worth of \$32 billion. The combination of capital appreciation and cash dividends means the average owner makes perhaps \$75 million per year from football. At the same time, player compensation has increased steadily, and the median salary is now \$800,000.

These figures stand in stark contrast to the average income of the fans, who watch the owners and players argue bitterly over a new contract.

Despite their profits, the owners seek both an annual \$1 billion player giveback and a revenue-enhancing two-game schedule addition. If implemented, these two proposals might boost the NFL's value by another \$10 billion, placing the league in a class with industrial titans like DuPont, the global chemical company. Obviously, a lot of money is at stake.

Labor-management disputes are invariably a waiting game, as each side gauges who has the staying power to withstand losses from a closure. In this case, the owners think they have the upper hand. Their presumptions — that the players will run out of cash and benefits before the owners do, and that such financial pressure will force the union to return to the bargaining table — fits the pattern of the NFL strikes of 1982 and 1987 and of strikes in other in-

dustries.

However, before pushing this tactic to its logical extreme, the owners should recognize that times have changed. The sports and entertainment industry has advanced. New technologies and market innovations suggest that the NFL's basic infrastructure can be duplicated quickly. If the players stick together during a strike, the fans could be watching quality football within a few months. A replacement league is the ultimate form of player backlash.

As past NFL competitors have learned, TV, advertising and finance form the business foundation of a professional sports league. Most of the traditional TV networks, advertisers and financiers would be reluctant to back a start-up league because of the uncertainty involved, the risk of retaliation from the NFL later, or sympathies that lie with the owners. Nevertheless, a variety of alternate cable and Internet networks could offer the new league a contract. Once that building block is in place, secondary advertisers would follow, and the league could enlist a wealthy institutional investor — either in the U.S. or abroad — to provide start-up capital.

The new league could outsource ticketing, concessions and stadium venues to a national entertainment firm; retain coaches, trainers and doctors on a local basis; and subcontract other logistical requirements, such as insurance to protect the players against the economic effects of injuries. Expensive luxury boxes and personal seat licenses are not essential for the players to form their own league.

With discounted ad rates, \$50 ticket

prices, and players working at half their usual compensation, the new league's losses should total about \$100 million per week. Such losses would be covered by the institutional investor in return for part ownership. If the league gained acceptance — a question mark given fan loyalty to existing franchises — it could be a viable business by season's end. It might attract expansion capital or simply be used as a bargaining chip in the negotiations.

A reasonable valuation for a successful new league might be \$15 billion, a big discount to the existing NFL worth. Allocating one-fifth to the investor leaves \$12 billion for the players, whose individual equity interests, like many employee-owned firms, would be related to their salary levels. Thus, a star quarterback might end up with \$35 million of stock and a second-tier player with \$5 million. Working with the right advisers, the players might be better off without the owners, although such a seismic change would be problematic for the fans.

The notion of a sizable "strike company" has little precedent, but the rapid ascent of recent start-ups, like Facebook and Groupon, shows that the old rules don't always apply. That being said, football carries a unique status that transcends just dollars and cents. Tradition and fan dedication are of paramount concern, and both sides need to step gingerly to avoid jeopardizing an American institution.

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