

INTEL REPORT 006

Turnstile

STADIUM NAMING RIGHTS

WHAT'S THE VALUE
OF THE TOTTENHAM
HOTSPUR STADIUM?

AN INDUSTRY INTELLIGENCE REPORT BY TURNSTILE

MAY 2023

Image credit: Dignity100, Shutterstock

They built it. But will the money come?

In April 2019, Tottenham Hotspur opened the club's new £1billion state-of-the-art stadium built on top of the old White Hart Lane.

In line with the building of a world-class stadium, Tottenham Hotspur has been very public with their aspiration to deliver a naming right sponsorship deal that surpasses those traditionally seen in Europe.

Chairman Daniel Levy confirmed the club's desire to sell naming rights in a deal with the "right brand, on the right money". Reports in media outlets have claimed the club is looking to strike a deal in the region of £25m a year.

Since then, the club has augmented the stadium's content offering by securing long-term partnerships with the NFL, F1 as well as music and boxing promoters. In doing so, the club has created a venue that offers premium, year round content across multiple sport and entertainment passion points.

Four years on, the club has not secured a naming rights partner, but they have remained resolute in securing a deal aligned to their original target.

So, why do US sports teams have more success in the naming rights market? How much is the Tottenham Hotspur Stadium really worth? And what does the club need to do to secure a deal that would represent one of the highest value deals of its kind in European football?

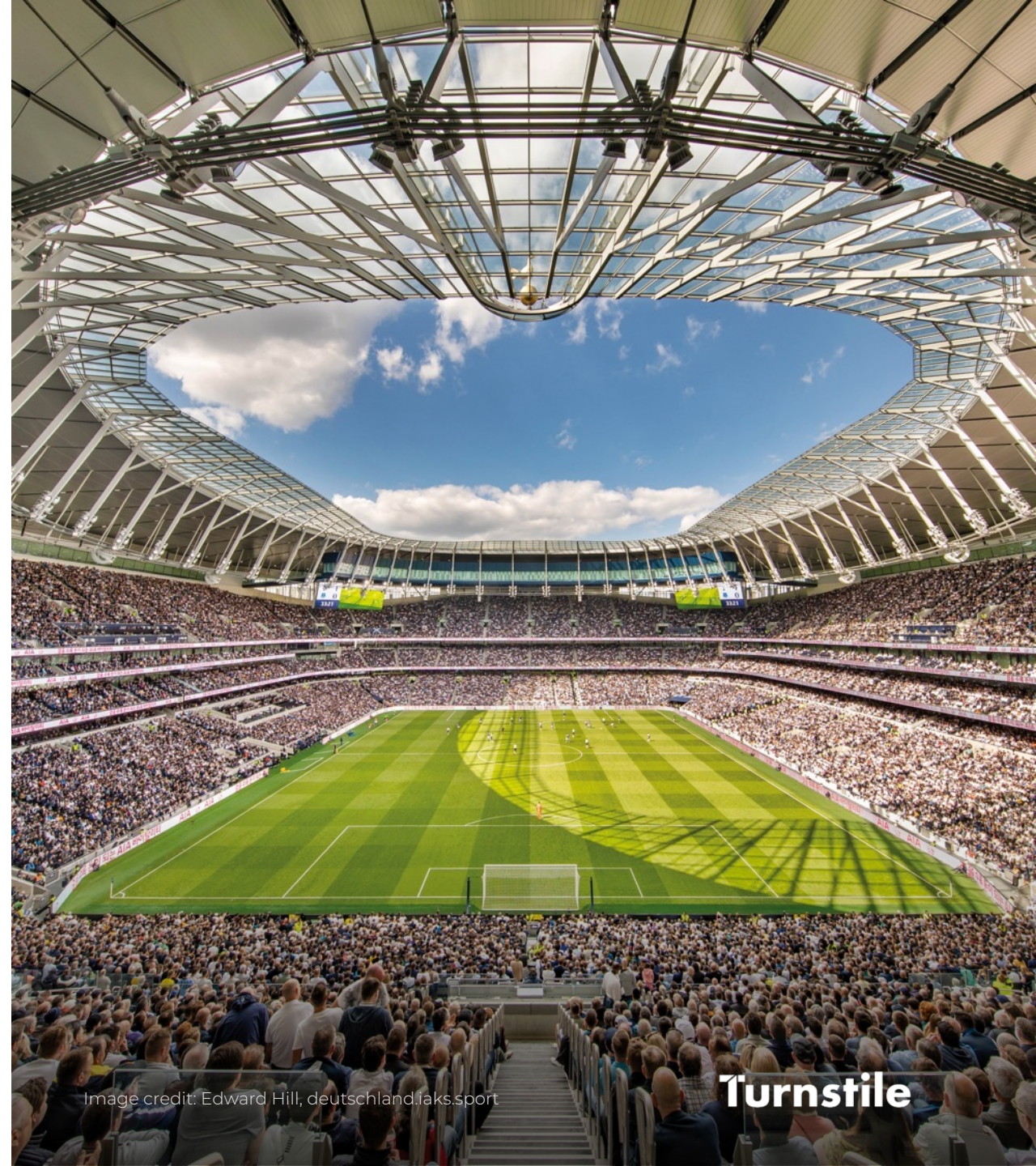


Image credit: Edward Hill, deutschland.faks.sport

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Image credit: commons.wikimedia.org

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STATE OF THE NATION

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In the naming rights market, North America is the big league

Originating in the US, the concept of naming rights dates back to the naming of baseball's Fenway Park and Wrigley Field in the early 20th century.

Today, boosted by the expansion of major sports leagues, 90% or more of teams in the NFL, NBA, NHL and MLS play in a venue adorned with the name of a commercial partner.

The North American naming rights market is buoyant. At the time of writing several major deals have been struck since the turn of the year. These include the Bank of Montreal (BMO) signing on with Los Angeles FC and more recently, the Miami Heat's reported \$117m deal with Kaseya, an IT management solutions company.

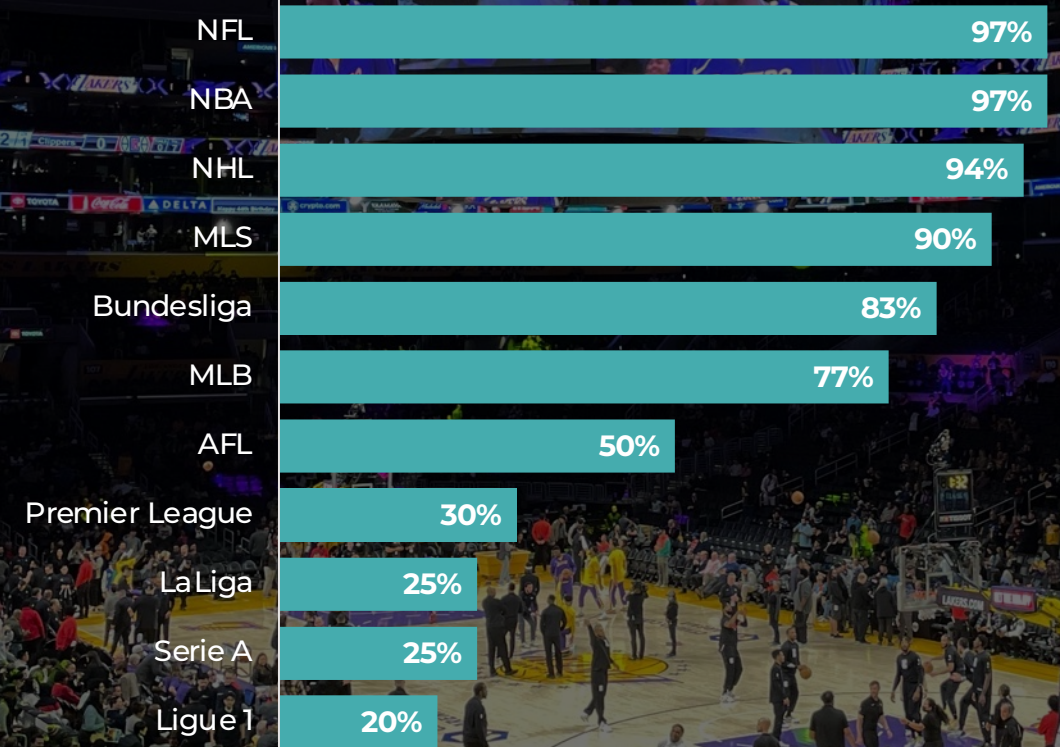
Over the Atlantic however, and despite significant foreign investment in sports like football (soccer), the European naming rights market is much less mature.

As an example, across top-flight football clubs in England, Spain, Italy and France, just 25% have managed to monetise one of sports most commercially valuable assets.

AFL teams fare better in Australia, but with 50% of teams playing in a venue named after a commercial partner, the league still trails it's US counterparts by some distance.

So, why do US sports teams have more success in the naming rights market?

% of teams with a stadium naming rights partner



Source: Global Data

NB: Includes teams that share venues / naming rights partners

Image credit: Julia Mancuso

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Age is a barrier when securing naming rights for stadiums

Part of the answer lies in history and tradition.

Europe and Australia are home to some of the oldest and most iconic sport and entertainment venues in the world from Anfield and Goodison Park (130+ years) to the San Siro (96 years) and the Melbourne Cricket Ground (170 years).

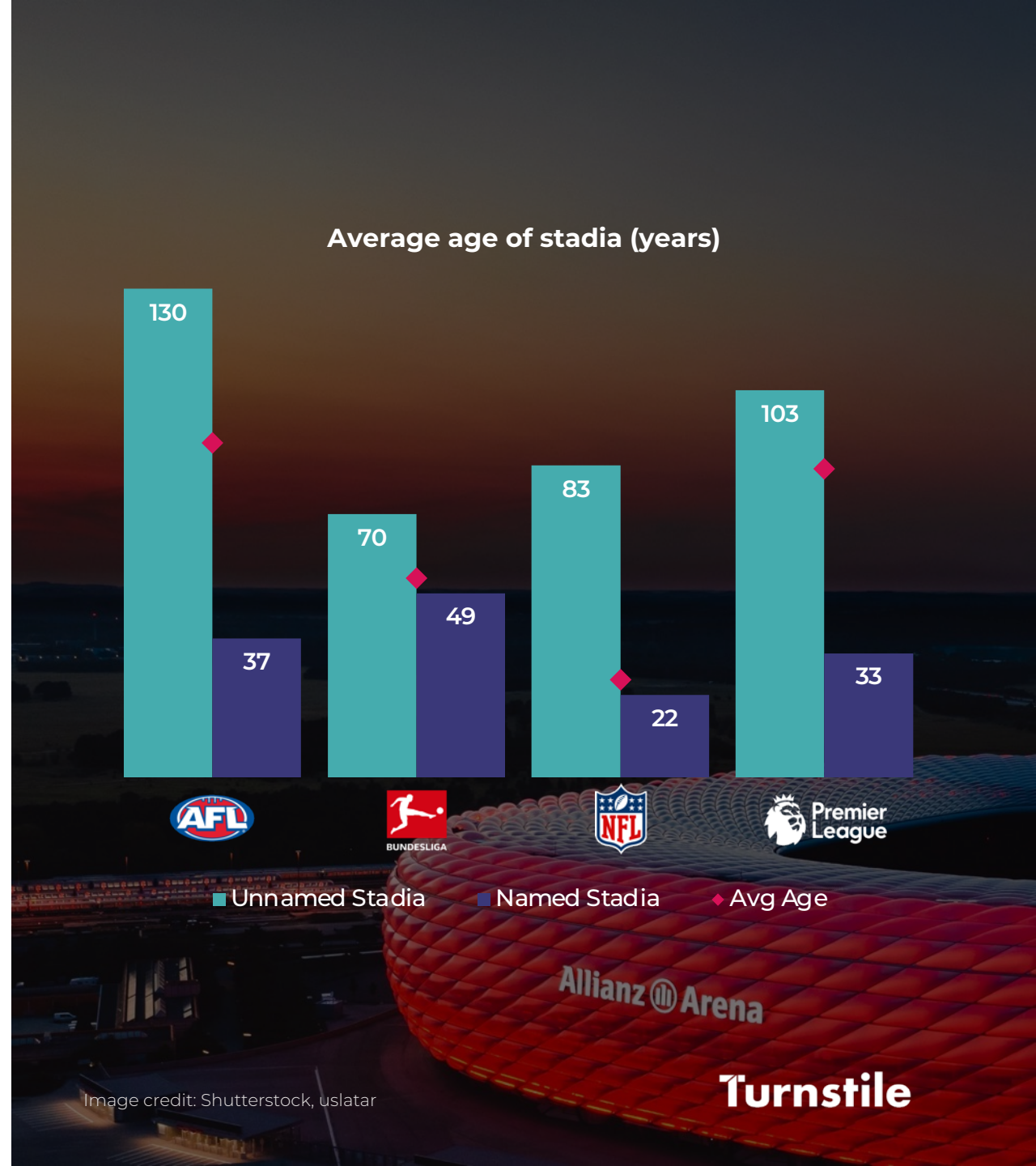
For sports teams with such a long history, the issue of naming rights can be highly contentious. Many rights owners are reluctant to risk the wrath of fans while potential sponsors are themselves aware that historic homes will likely never been known by any other name among supporters.

Whereas the majority of North American venues are new builds, elsewhere, rights owners in other markets have typically had to wait to for opportunities presented by a rebuild or a major renovation project.

It is no coincidence that the only Premier League clubs to have successfully sold their naming rights have all done so at new grounds including the likes of the Emirates, AMEX Stadium and the Etihad.

Bundesliga clubs have been so successful by comparison in large part due to the renovation requirements placed on German stadia by FIFA in relation to the hosting of the 2006 FIFA World Cup.

A recent trend towards growth in naming rights markets outside of the US is likely a reflection of a handful of factors. There is a sense of growing acceptance among fans who recognise the need for their teams to generate revenue in order to compete. Meanwhile, others are pressed by push factors including the need to recoup COVID related losses or as a requirement to finance costly development projects.



Consumer connection to venues is driven by content

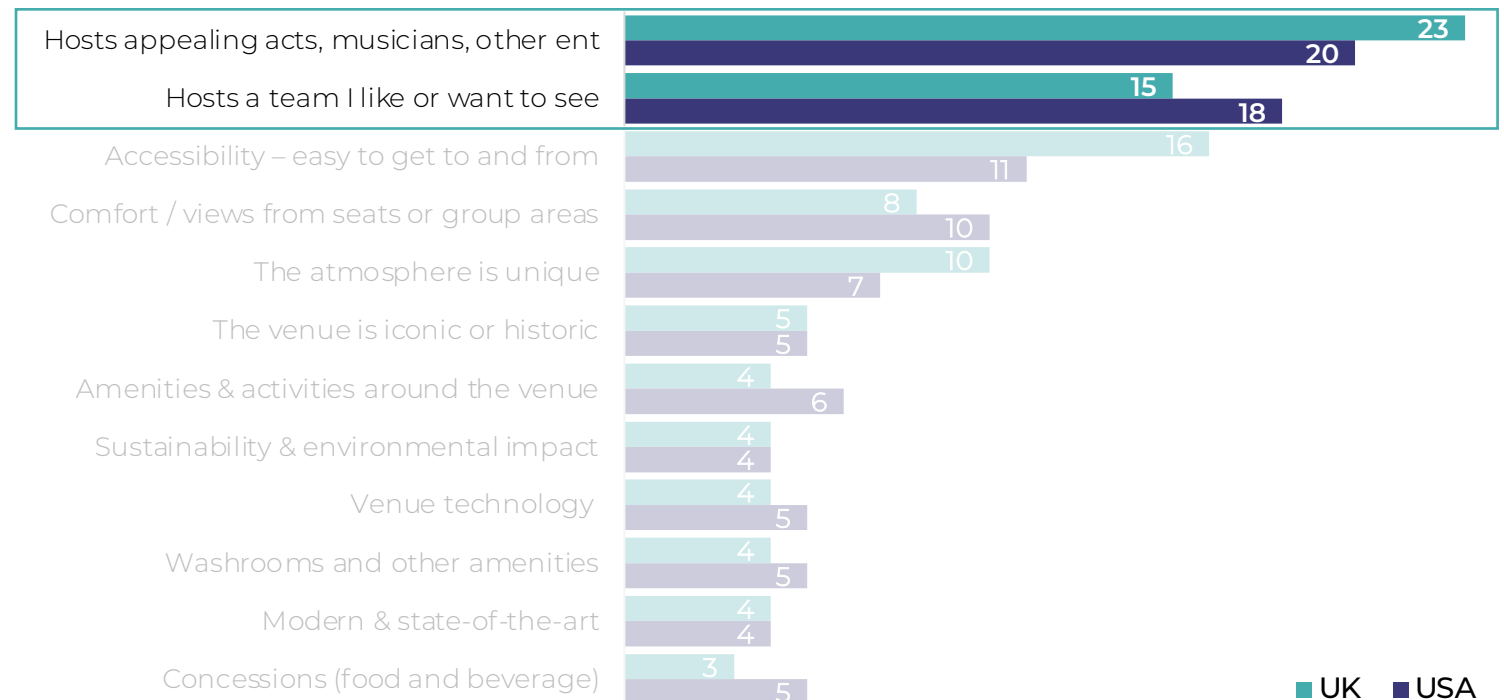
Research carried out in the US and the UK by our partners at SponsorPulse into the drivers of attendance at stadiums and entertainment venues reaffirms the adage that 'content is king'.

Across both the US and UK markets, 38% of consumers recognised factors relating to content – either the appeal of 'acts, musicians or other entertainment' or the hosting of a team 'I like or want to see' – as the most important factor in their decision to attend an event at a stadium or arena.

The finding points to consumer connection being defined by the nature of the content on offer. By broadening content, venues become hubs for multiple consumer passion points - unlocking incremental value in the process.

The multipurpose venue model is common in North America and parts of Australia. However, the model is much less prevalent in the UK where single use arenas have historically reduced consumer connection with a given venue to a limited number of 'home' match days per season.

Most important factor in decision to attend an event or game at a stadium, arena, or venue (%)

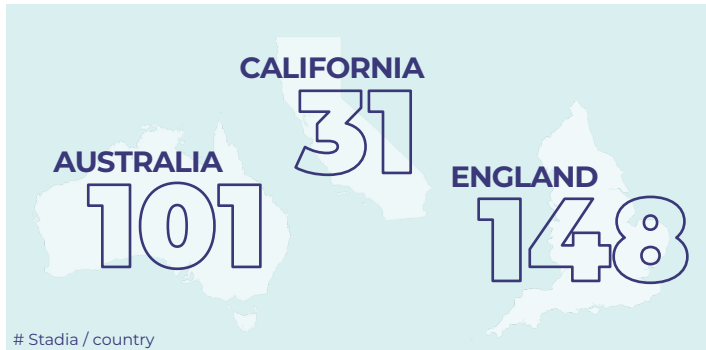


Source:



■ UK ■ USA

Structural differences further influence naming rights success



SATURATION OF STADIA

Rights holders in major sports markets outside of North America (e.g. Australia and the UK), are typically operating in landscapes which are considerably more saturated from a stadia perspective.

California, the US state with the most major sports franchises and a population of ~40m people, has 0.8 stadia per million people. Australia on the contrary, has a smaller population (~27m people) yet it has more than 3x the number of stadia, equating to 3.9 stadia per million people. The UK meanwhile has a population of ~55m people and 2.7 stadia per million people, also considerably higher than the most saturated US state. London alone is home to 17 professional football clubs, 7 of which compete in the English Premier League.

These market dynamics naturally impact the economics and ease of selling stadium naming rights.



SCARCITY OF COMMERCIAL INVENTORY

North American sports teams not only represent a much larger geographical patch than their counterparts in other major sports markets, they have also typically offered the market fewer premium sponsorship packages – driving up interest and the value of naming rights packages through scarcity.

Where professional teams in other parts of the world have typically made a range of packages available across playing kit inventory such as front of shirt, shorts and sleeves, jersey patches are a recent innovation in the US market.

For example, the NBA jersey patch program, now extended to include team shooting shirts and warm-up jackets, began only as recently as 2017.



CERTAINTY OF EXPOSURE

The pros and cons of the promotion and relegation format typically operated in sporting environments in Europe and Asia and the closed system approach found in major sports in North America have been covered extensively elsewhere. However, format has a direct impact on the ability to commercialise naming rights inventory.

A closed shop system provides a certainty of exposure that is put directly at risk in a system that features a trap door to a second tier.

While this is a consideration relevant to other types of team sponsors, it is particularly relevant to naming right sponsors who are often asked to make a commitment for 10+ years.



Turnstile

In the next sections, **we look at where naming rights value typically comes from** and lift the veil on how Turnstile quantifies the fair market value, or recommended transaction value, of naming rights deals.

We do that through the lens of the Tottenham Hotspur Stadium and, taking an outside in approach, ask whether the reported asking price of £25m represents fair market value.

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VALUATION APPROACH

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Our valuation methodology

Interpretation of this report requires an understanding of the fundamentals of Turnstile's valuation approach.

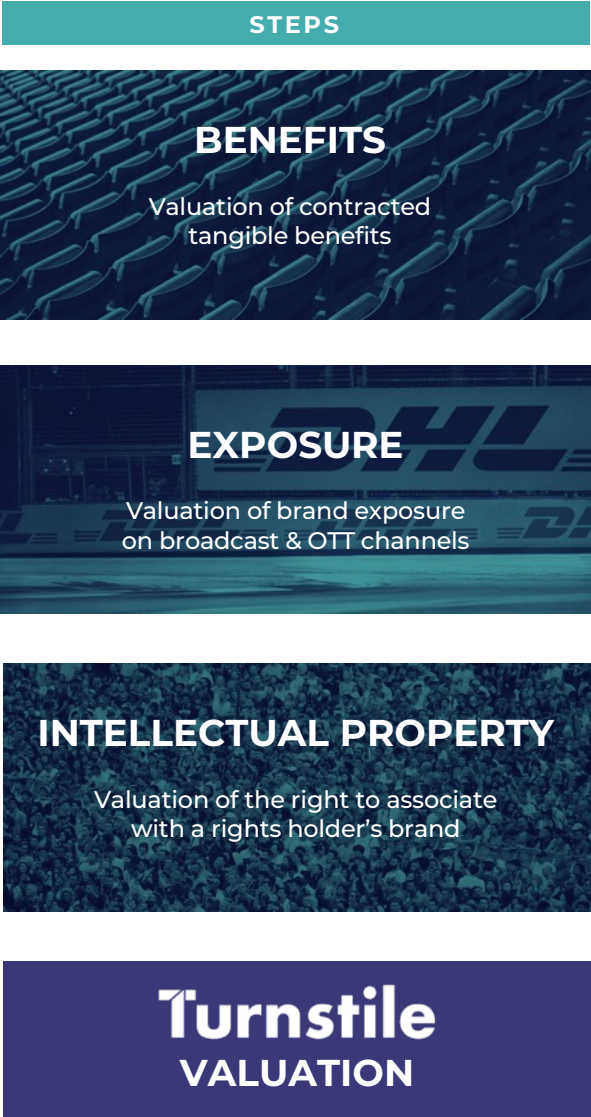
Unlike traditional approaches, Turnstile looks beyond pure media exposure value to capture the value of all the tangible sponsorship Benefits as well as the value of association, or Intellectual Property.

Our bespoke approaches and data sets are designed to provide a holistic and realistic valuation of every single sponsorship right.

Unlike a media equivalency, a Turnstile valuation does not require arbitrary discounting to bring it in line with a realistic transaction price.

Our valuation is the recommend, fair market price.

Accurate, credible & defensible.



STEPS

BENEFITS

Valuation of contracted tangible benefits

EXPOSURE

Valuation of brand exposure on broadcast & OTT channels

INTELLECTUAL PROPERTY

Valuation of the right to associate with a rights holder's brand

Turnstile
VALUATION

DESCRIPTION

Rights include ticketing, hospitality, social & digital media, activations, appearances, etc

Benchmark prices from Turnstile's unrivalled repository of sport & entertainment rates are applied to the inventory using our bespoke valuation approaches to capture the value of every single right.

Rights include LED, static signage, virtual signage, apparel branding, media backdrops, etc

Turnstile's intimate knowledge of sport and entertainment signage rates and our proprietary research on sponsorship inventory effectiveness delivers exposure valuations that reflect market prices and reward premium inventory.

Rights include official designations, co-branding, use of brand assets such as logos, etc

Turnstile has an unrivalled understanding of the value of Intellectual Property underpinned by our insight into the rates being paid by the market for access to IP and our global fanbase sizing research.

The output is a bottom-up, data driven, holistic valuation that reflects the market value, or recommended transaction price, of the rights.

Deal value composition varies significantly by property type

TYPICAL DEAL COMPOSITION BY PROPERTY TYPE



Leagues and events typically control a large share of voice across major Exposure assets such as on pitch signage or perimeter LED signage. As such Exposure is the key driver of value at 49%. This is typically accompanied by an equal split of Benefits and IP value.



Teams are blessed with some powerful Exposure assets such as apparel branding and a share of voice in the pitch side signage. However, their ability to get brands closer to the action, means that IP plays an increasingly important role at 38% of value.

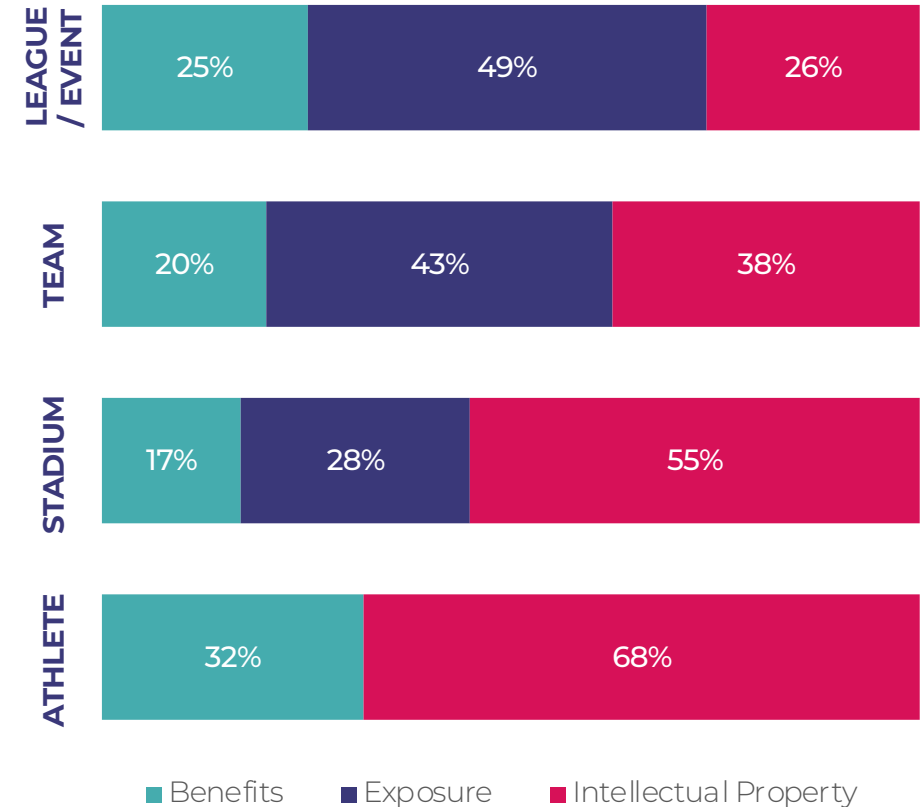


For stadiums there is clearly an Exposure play with stadium signage being picked up in the broadcast. That said, when the Exposure and Benefits are valued there remains a large amount of residual value in the deals (55%) which is attributed to the IP value of associating with the venue.



For athletes, the value of endorsement and association is the overwhelming value driver at 68%. There can be a component of Exposure value, but these rights are typically reserved for team sponsors. Benefits, e.g., appearances and social media, make up 32% of the value on average.

Note: To enable a like-for-like comparison across property types, only Tier 1 (major partner) deals from men's sports properties were included in the breakdown above.



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WHAT IS THE TOTTENHAM HOTSPUR STADIUM WORTH?

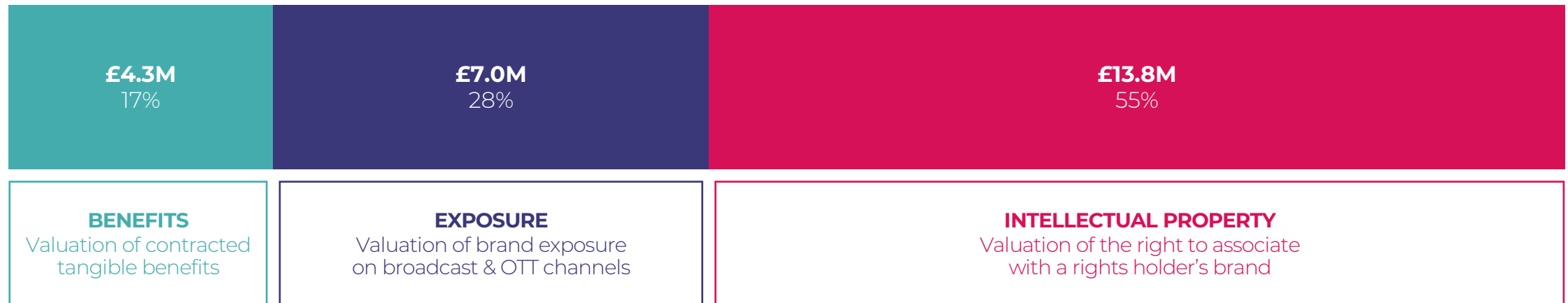
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Breaking down a £25m price tag

TOTTENHAM HOTSPUR STADIUM



Based on the typical composition of value in stadia naming rights contracts seen by Turnstile, a deal worth £25m annually would be expected to deliver in the region of £4.25m in Benefits value, £7.0m in Exposure and £13.75m through Intellectual Property value.



Core Rights Valuation Estimate - The Tottenham Hotspur Stadium



BENEFITS

The ~17% of stadium naming rights deal value typically drawn from Benefits rights is often lower when it comes to the Premier League where significant global fan bases and TV audiences mean that Exposure and Intellectual Property drive a greater share of deal value.

Leveraging benchmarks of comparable deals, a Benefits rights package for the Tottenham Hotspur stadium might feasibly range in value between £2.0 – £2.75m per year. This could naturally be flexed up or down depending on the nature and volume of rights the club were able and willing to assign to the naming rights partner.

ESTIMATED BENEFITS RIGHTS VALUATION
£2.0M - £2.75M



EXPOSURE

Based on our work across the Premier League, along with numerous high profile stadium naming rights valuations, it would not be unrealistic to see ~12 minutes of LED included in a deal for Premier League home fixtures.

This would be complimented with a variety of stadium signage assets (e.g., on the exterior walls) and other core Exposure assets such as interview backdrop branding.

Applying our understanding of Premier League TV audiences and the market rates being paid to access these types of Exposure assets, Turnstile has valued Exposure between £6.5 – £7.5m per year.

ESTIMATED EXPOSURE RIGHTS VALUATION
£6.5M - £7.5M



THFC INTELLECTUAL PROPERTY

Turnstile invest heavily in a global research programme that captures the fan base size of major clubs, leagues and events around the world – including THFC. Our research, coupled with analysis of hundreds of global sponsorship contracts, has proven the high degree of correlation between the number of fans of a property and the amount paid to access IP.

By leveraging our data on Tottenham Hotspur's fan base, alongside IP rates specific to Stadia and Venues contracts, Turnstile values the Intellectual Property of the naming rights partnership in the region of £7.1m.

INTELLECTUAL PROPERTY VALUATION
£7.10M

Broadening the content offer has added £1.95m IP value

NON FOOTBALL CONTENT

Remembering that Intellectual Property value is driven by the volume of consumer opinions a property is able to influence, there is significant opportunity to build value by broadening the content offer.

To Tottenham's credit, the club has eschewed the UK's traditional single sport model and moved to replicate the US model of a multipurpose venue with significant steps already been taken toward building an enviable programme of additional content to be hosted at the stadium.

As the first purpose-built NFL stadium outside of the US, the venue will host a minimum of two regular season games over a 10-year period and became the first football stadium to feature in the popular Madden gaming franchise.

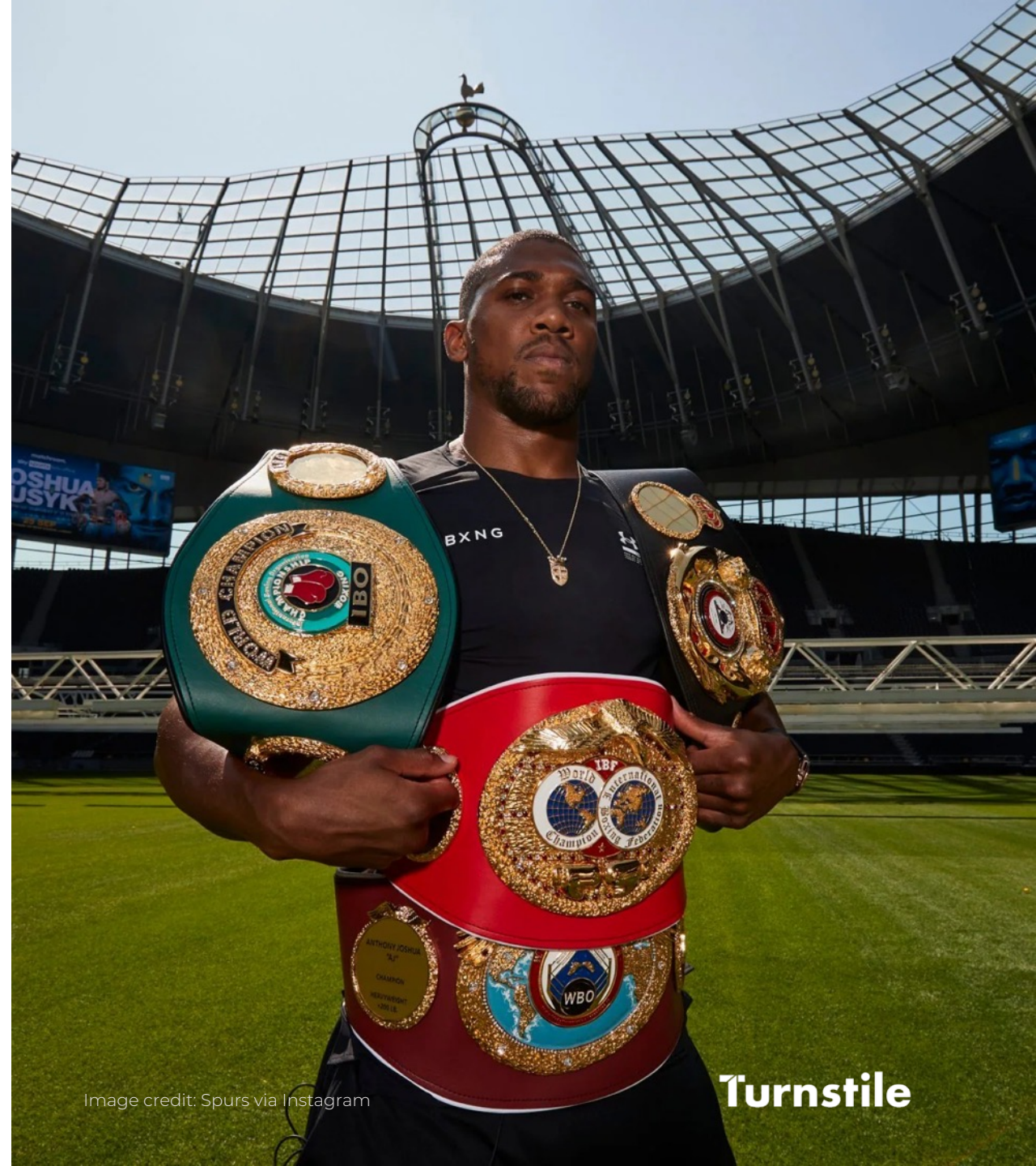
The club has also secured hosting rights to an impressive array of additional content from music and boxing, to F1 and Rugby and is building towards a premium, year-round content offer.

In doing so, Spurs has put the stadium in a position to reach new audiences and strengthen existing consumer connections across a range of sport and entertainment passion points.

Turnstile has modelled the incremental value unlocked by non-football content hosted at the Tottenham Hotspur Stadium at £1.95m.

INCREMENTAL INTELLECTUAL PROPERTY RIGHTS VALUATION

£1.95M



Turnstile values the Tottenham Stadium naming rights deal at £18.5m per year in 2023, prior to any inflationary impact

TOTTENHAM STADIUM VALUATION SUMMARY | NAMING RIGHTS

The valuation is primarily driven by Intellectual Property relating to Tottenham Hotspur Football Club at £7.1m,

The club have added £1.95m to the Intellectual Property value by broadening the content offering around the Tottenham Stadium, bringing the total IP value to £9.05m and contributing 49% of deal value.

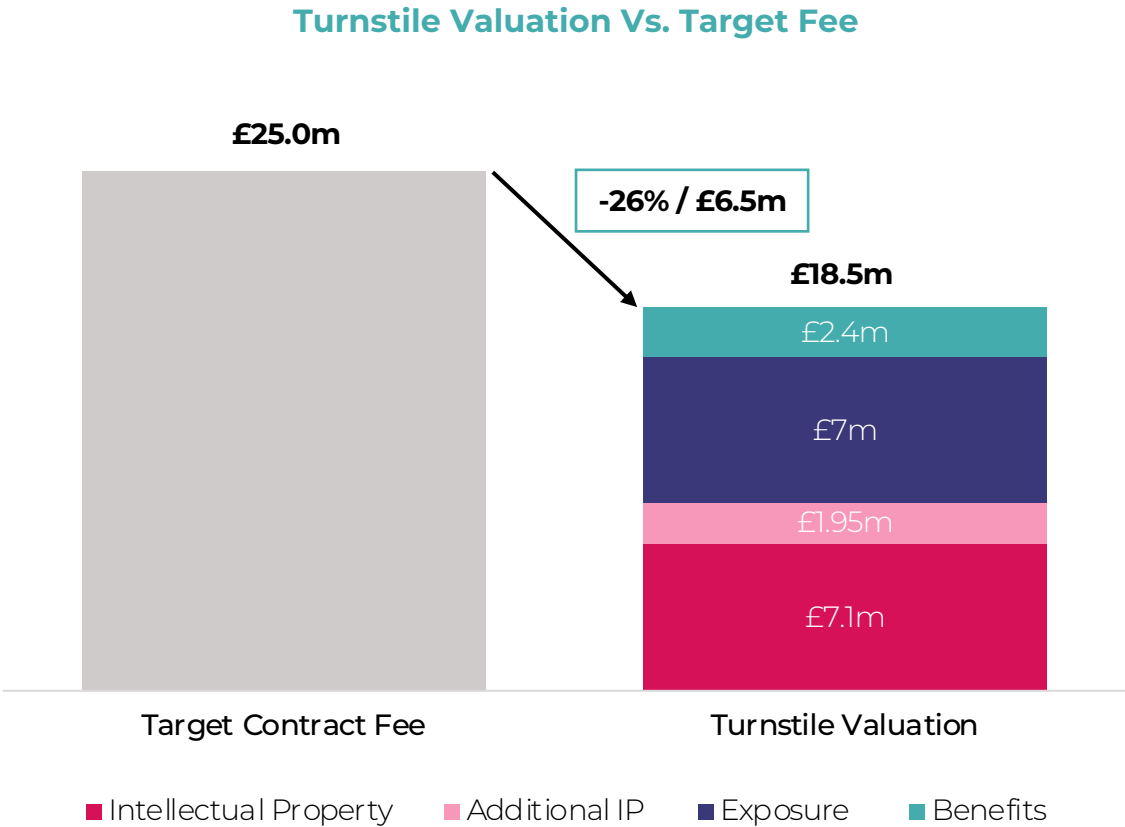
Exposure is also a significant driver of value at ~£7.0m, or 38% of total value, driven by the significant global TV audiences of the Premier League.

Benefits rights are expected to drive £2.4m, or ~13% of deal value.

The main constraint in the valuation is the size of Tottenham Hotspur’s global fan base which underpins the Intellectual Property valuation.

The total valuation comes to £18.5m.

It is important to recognise that this is a Fair Market Price Valuation, or recommended transaction price, not a ‘Media Equivalent’ valuation.



NOTE: Valuation completed from the outside in, without a detailed understanding of the exact rights contained within the proposed naming rights partnership.

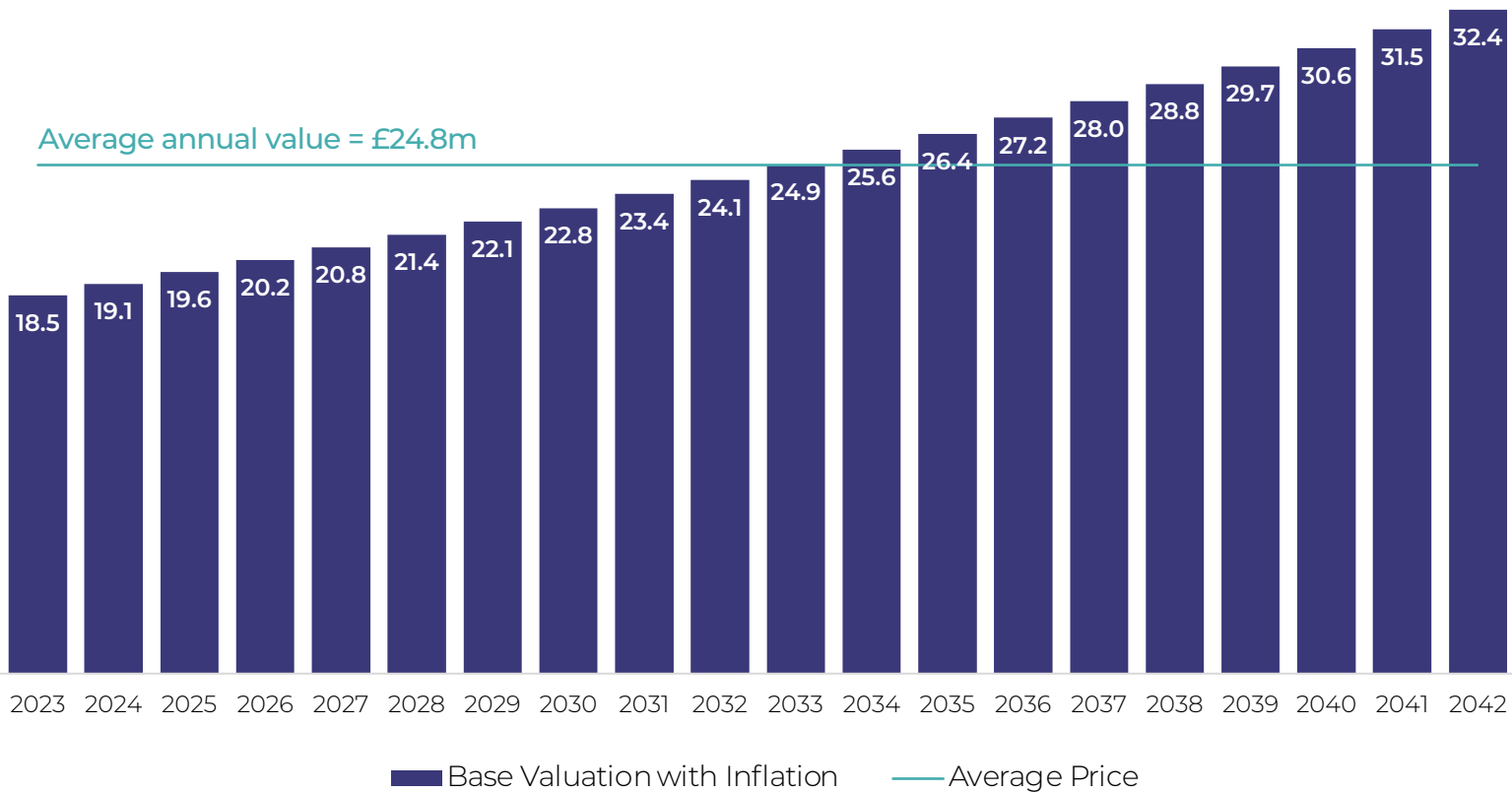
A base valuation of £18.5m with an inflation rate of 3%, results in an average annual deal value of £24.8m over a 20 year term

VALUE OVER DEAL TERM | TOTTENHAM HOTSPUR STADIUM NAMING RIGHTS | £ GBP MILLIONS

While a total Turnstile valuation of £18.5m is short of the reported target value, given the anticipated length of the deal being sought, inflation rates would be factored into any deal.

When projecting forward using a conservative inflation rate of 3%, a 15-year naming rights deal would deliver almost 92% of target revenue at £22.9m per year.

A 20-year partnership would result in a total deal value of £497m versus a target of £500m (-1%), or £24.8m per year.





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WHAT MORE CAN TOTTENHAM DO TO BUILD DEAL VALUE?

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Tottenham Hotspur's fan base size is currently a key constraint

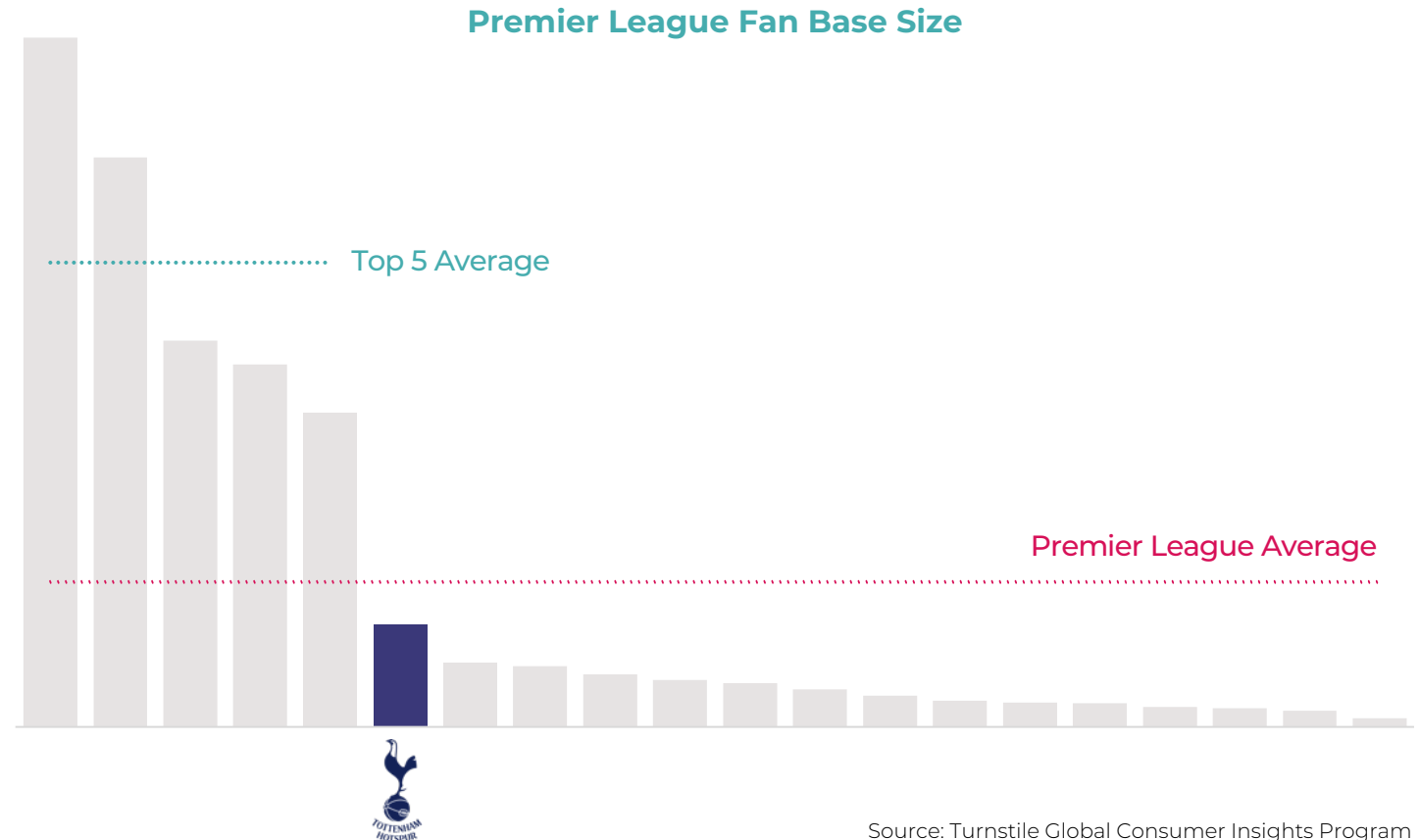
The more fans a sport and entertainment asset has, the more valuable its Intellectual Property becomes because it can influence an increasing number of consumer opinions.

Valuation of Intellectual Property is therefore underpinned by research conducted in the world's biggest markets, measuring the engagement of fans of major leagues, team, events and athletes.

When we understand the size of global fan bases, we see strong correlations with the actual transaction prices of Intellectual Property contained within deals.

Data from Turnstile's global consumer insight programme shows Tottenham Hotspur has the 6th largest global fan base among Premier League clubs and ranks 37th out of the 98 clubs in Europe's top 5 leagues.

However, the club's global fan base is just one-fifth of the average size of the other 'big six' clubs in the English Premier League.



Turnstile research shows that there are 3 dominant levers that move the needle in growing the fan base and stadium IP value

INTELLECTUAL PROPERTY VALUE | GROWTH DRIVERS



1. ON FIELD SUCCESS

Whilst its incredibly difficult to do, there is no substitute for winning major leagues when it comes to fan base and IP value growth. All of the clubs with notably bigger fan bases are those that have won some of the most prestigious silverware in European Football in recent memory such as the Premier League and UEFA Champions League). Manchester United, Liverpool, Chelsea and Arsenal, at varying points in their history, all exemplify this trend.



2. MARQUEE SIGNINGS

Big player signings from international markets are proven to be a key driver of fan base growth and IP value. The likes of Messi and Ronaldo have demonstrated the ability to shift fan bases from one team to the next. Son Heung-Min at Tottenham is one of very few players from South Korea to play in the Premier League and as such has helped the club attract millions of fans from the region.



3. BROADEN APPEAL

As covered earlier in this report, the most important driver of consumer connection with a stadium is the perceived value and range of content on offer at the venue.

Where the UK is awash with single use stadia and arenas, North America and Australia boast a much greater share of multipurpose venues. By broadening content, venues become hubs for multiple consumer passion points - unlocking incremental value in the process.

01 On pitch success a proven driver of fan base growth and IP value

ON PITCH SUCCESS

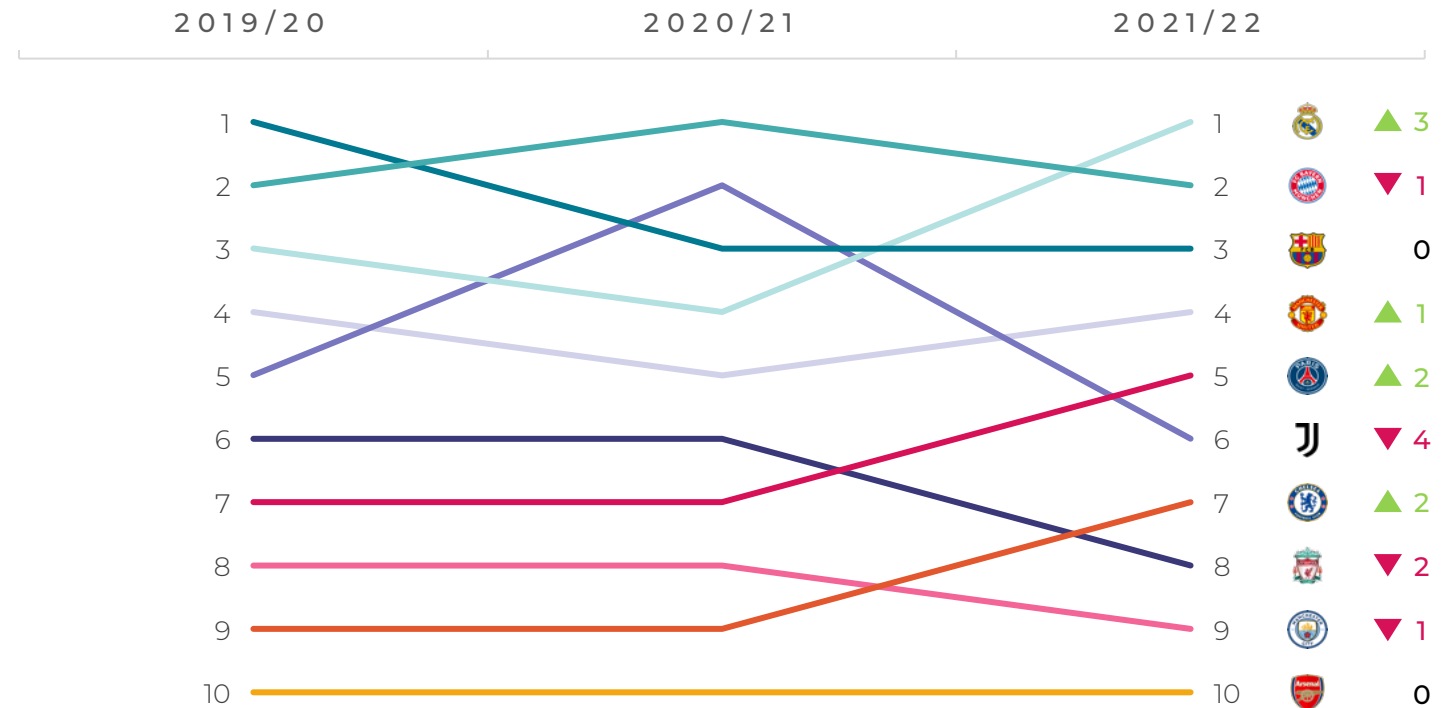
Time and again, Turnstile's consumer data demonstrates the impact of winning on global fan bases.

A peak in ranking for Liverpool and rises for Bayern Munich and Chelsea all coincide with respective UEFA Champions League successes.

The size of the fan bases of teams such as Manchester United and Arsenal reflect periods of success both prior to and during the Premier League era. This has meant that despite relatively poor form in recent seasons, neither fan base has been significantly eroded.

On field success is difficult and unpredictable. While Tottenham has made great strides in qualifying for the Champions League in five of the last eight seasons and making it to the Final of the UEFA Champions League in 2018/19, to date, success at the final hurdle has eluded the club.

European club fan base rankings



02 Marquee signings move global fan bases over night

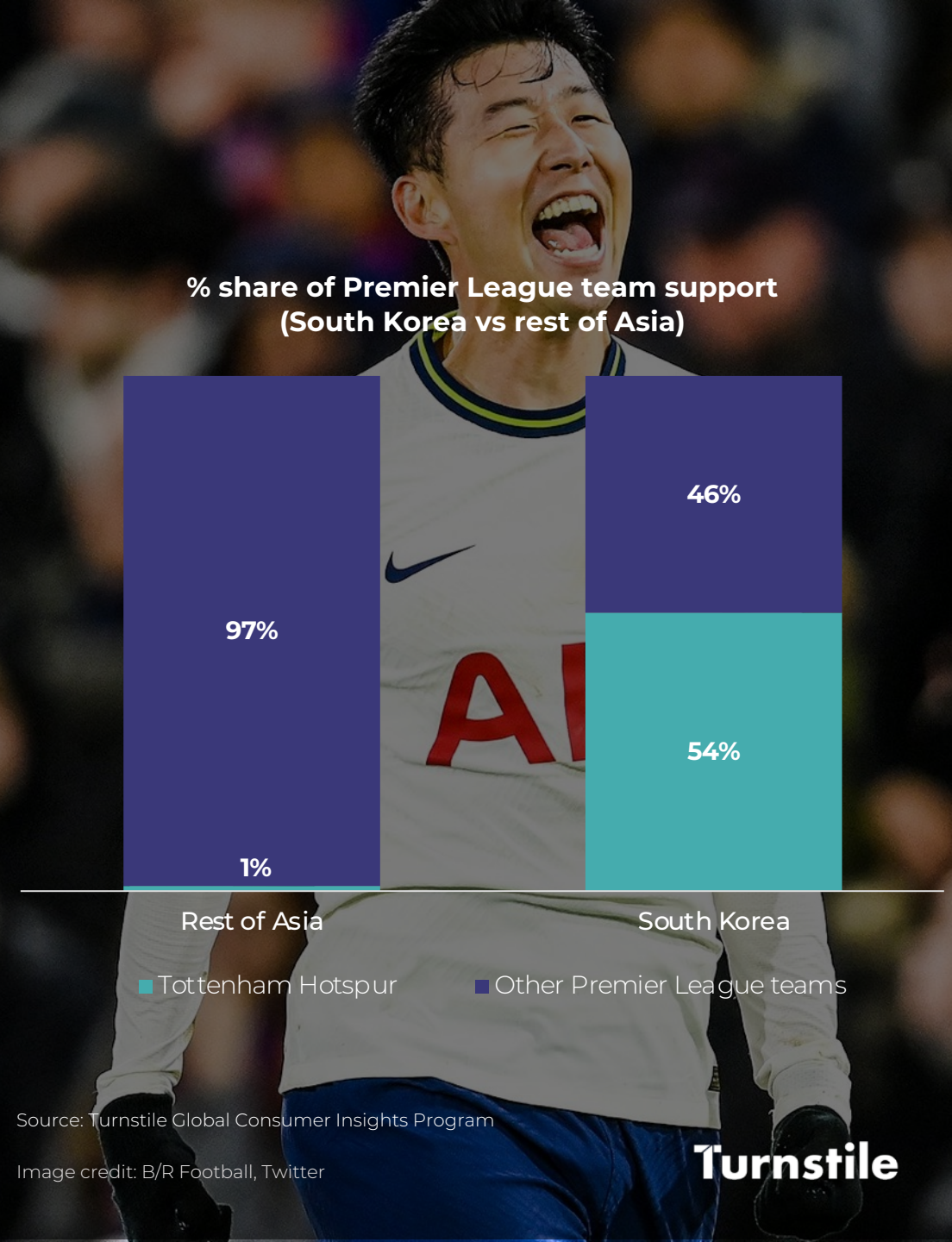
MARQUEE SIGNINGS

There is no doubting that top talent and national heroes shift fan bases.

Turnstile data detected a fall for Juventus from 2nd to 6th place in European club global fan base rankings with Manchester United rising to 4th in the same period that Cristiano Ronaldo made his move back to Manchester from Turin.

Whilst Tottenham are arguably unable to compete at the very highest end of the talent pool at present, in Son Heung-min, they have an example of a player who draws a significant overseas following.

Turnstile data shows that a large portion of Tottenham's global fan base is Korean. However as the player begins to enter the latter stages of his career, there are questions over how much of that fan base Spurs will be able to retain once he leaves the club or retires.



03 Broadening appeal builds IP value via new audiences

BROADEN APPEAL

Remembering that Intellectual Property value is driven by the volume of consumer opinions a property is able to influence, there is further opportunity to build value by broadening the appeal of the content on offer.

It is clear to see that Daniel Levy, Tottenham Hotspur's Chairman, is already driving this strategy with significant steps taken to build out the stadium's content offer.

Tottenham Stadium has become the predominant home of the NFL in London as the first purpose built stadium for American Football outside the US.

Alongside additional hosting rights to major music, boxing and Formula 1 experiences, Tottenham Stadium needs to continue to develop its content offering to make itself a truly 365 day per year venue.

With the stadium set to host the 2024 EPCR (European Professional Club Rugby) finals there are promising signs that this strategy remains at the forefront of the club's approach.



Keen to hear more?

We recently discussed this topic on the Unofficial Partner Podcast.



Dan Gaunt

General Manager



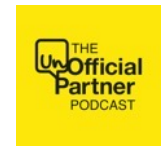
Adam Mitchell

CEO, SponsorPulse



Richard Gillis

Unofficial Partner



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ABOUT TURNSTILE

Turnstile

Turnstile was built to help the sport & entertainment industry answer the million dollar question...

“how much is this sponsorship actually worth?”

MEDIA EQUIVALENCY

Two decades ago, to start ‘valuing’ sponsorship the industry borrowed an approach directly from the advertising industry – ‘Media Equivalency’.

The approach applies TV advertising rates to the amount of time a logo spends on screen.

The output is an over inflated and unrealistic value which bears no correlation to the actual market value, or transaction value, of the sponsorship.

The outcome is that buyers and sellers are left guessing on the actual market value of the sponsorship assets.

TURNSTILE FAIR MARKET PRICING

The industry is now seeking credible, accurate and defensible valuations that reflect the actual market value, or recommended transaction value, of the assets.

Turnstile was created to meet this industry need.

Our approach is premised on using market rates sourced directly from the sponsorship industry, and applying them to a valuation methodology built for the modern sponsorship era.

We don’t just value the media, or Exposure, assets. We’ve built a best in class approach to valuing the Intellectual Property of the rights holders, as well as all of the tangible benefits rights.

Turnstile

Turnstile is the global market leader in the provision of fair market price sponsorship valuations.

Using a combination of proprietary insights and actual market rates, Turnstile produces sponsorship valuations that are accurate, credible and defensible.

Turnstile

USD \$2.5B

in global sponsorship deals valued

Turnstile valuations within 3% of overall transaction value

Our work is underpinned by rates sourced from the USD \$2.5 billion in global sponsorship valuations we've completed to date

When we value deals, we see the contracts including the exact fees paid and the rights schedule. From this we can calculate actual market rates for every type of sponsorship right. We then anonymise and handpicks the most relevant rates when valuing deals for our clients. Our clients leverage unrivalled market data into how the industry is actually transacting.

Actual markets rates. Sourced directly from global sponsorship contracts.

Turnstile

GLOBAL SPONSORSHIP INTELLIGENCE

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