

INNER CIRCLE SPORTS LLC

GLOBAL ADVISING, FINANCING & INVESTING

MLS Overview

November 2016

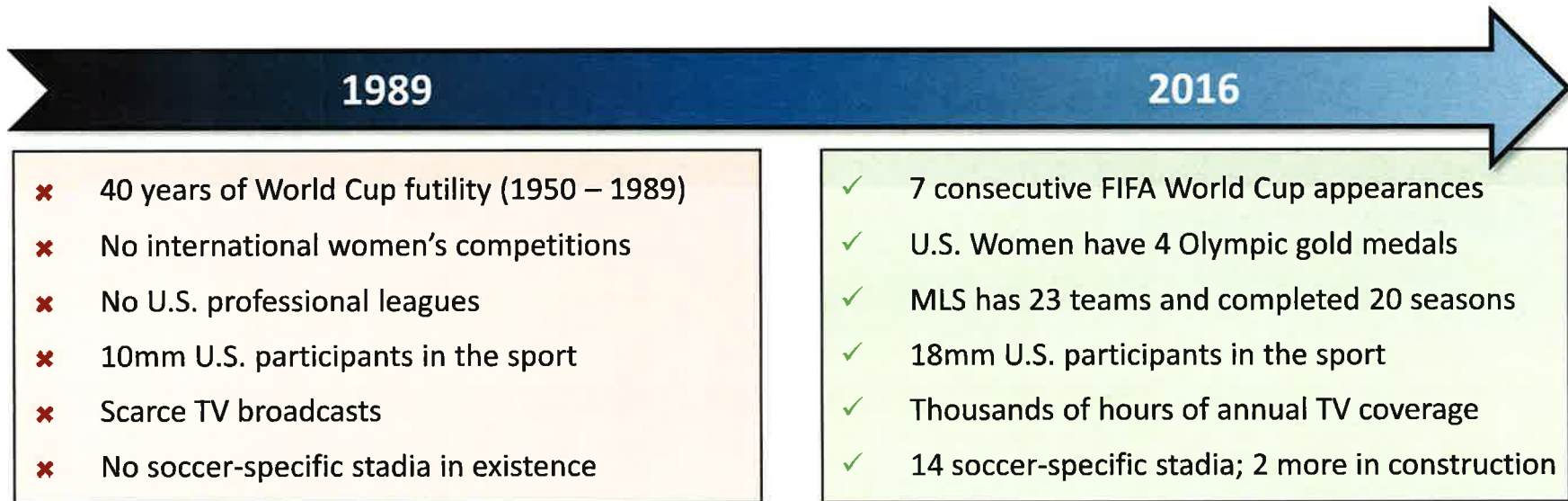


Submitted at City Council
Date 1/4/2017 Item 36

Key events in MLS history

1994		Announcement of first TV rights deal w/ESPN & ABC Sports (prior to formation of Clubs)
1996		First MLS match played between the San Jose Clash and D.C. United
1999		- Columbus Crew Stadium opened (MLS' first soccer-specific stadium) - Don Garber replaces Doug Logan as Commissioner - Elimination of shootouts & countdown clock (initial attempts to "Americanize" soccer)
2006		Announcement of 8-year deal w/ESPN (2007-14), MLS' first rights fee agreement
2007		- MLS entry into Canada with Toronto FC expansion club - Designated Player Rule officially adopted with the Los Angeles Galaxy's signing of David Beckham from Real Madrid
2012		Portland Timbers at Seattle Sounders match generates attendance of 67,385, the second largest crowd in League history
2013		NYCFC & Orlando City SC introduced as expansion Clubs – begin play in 2015
2014		- Atlanta introduced as the League's 22nd club – to begin play in 2017 - Announcement of new 8-year media rights deals w/ESPN, FOX Sports & Univision Deportes for \$720mm (2014-22)
2015		- Minneapolis/St. Paul awarded the 23rd MLS expansion franchise - Several key DP signings: Steven Gerrard, Frank Lampard, Andrea Pirlo, Didier Drogba, etc.
2016		- LAFC broke ground on a \$350mm RE development and stadium, Banc of California Stadium - International TV distribution growth, with matches broadcast live in 170 countries each week

Evolution of soccer in the United States



Commentary

- During the last 25 years, soccer has experienced significant growth in the U.S. in individual participation, professional leagues and TV coverage
- According to an ESPN poll, MLS has now caught up with MLB in popularity among 12 – 17 year olds
 - Both leagues can claim 18% of this age demographic as “avid fans”
- In 2012, ESPN determined professional soccer was America's second favorite sport for those aged 12-24, ahead of NBA, MLB and college football

% of 12 – 17 year olds with “avid interest” by league

League	2009	2013	% Change
NFL	35%	39%	12%
NBA	22%	30%	37%
NCAA FB	30%	28%	(8%)
NCAA BB	19%	24%	25%
MLB	24%	18%	(24%)
MLS	12%	18%	46%
NHL	9%	9%	0%

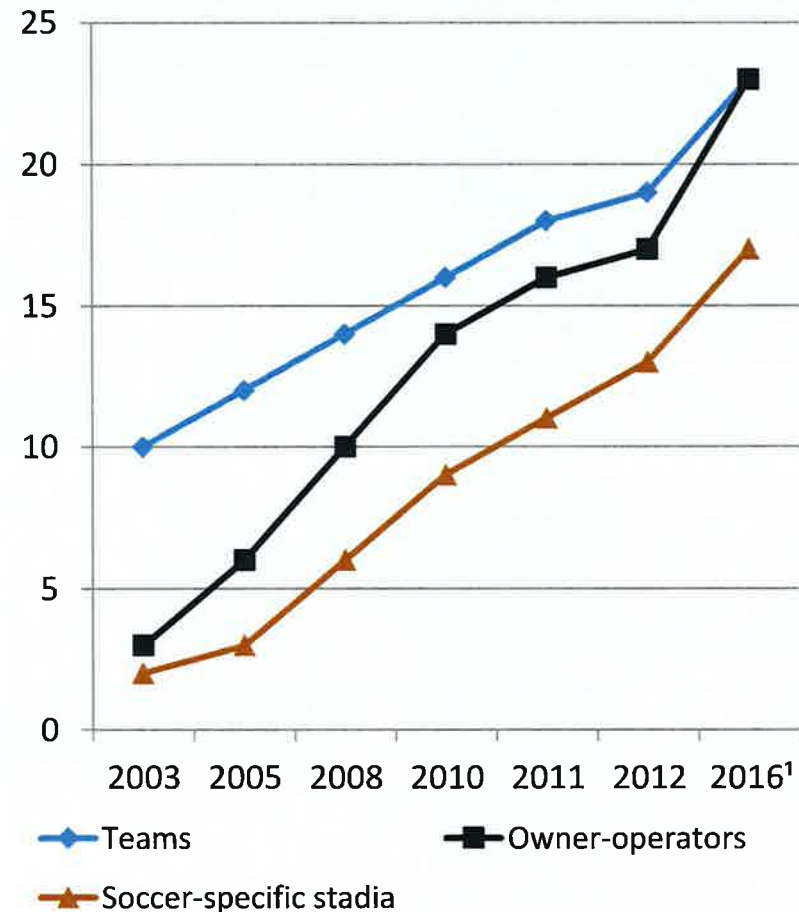
Source: ESPN Sports Poll Annual Report, 2014

Growth of Major League Soccer

History

- During the league's formative years, three families ultimately owned / operated the ten teams that formed the foundation of the league post-2001
 - Lamar Hunt
 - Philip Anschutz
 - Robert Kraft
- As the League expanded, it experienced significant growth in the number of teams and soccer-specific stadia, and diversified its ownership base
- Today, MLS owners represent an elite group of well-respected business leaders with a lengthy track record of successful sports team ownership
- In 2016, the league's 21st season, MLS has 20 teams competing throughout the US and Canada
- Three more expansion franchises have been awarded in Atlanta, Los Angeles and Minnesota, and MLS is planning to expand to 28 teams

Teams, Owner-Operators and SSS



¹ 2015 team count includes three expansion franchises to begin play in 2017 & 2018: Atlanta, LAFC and Minnesota; 2016 SSS count includes new stadia in Orlando, DC and LA

MLS expansion

Commentary

- MLS has stated its desire to reach 28 teams
- New franchises in Atlanta and Orlando establish a presence in the southeast
- Minneapolis was awarded a franchise to grow the sport in the Upper Midwest
- David Beckham has an option to acquire a club for \$25mm – he is targeting Miami
- Sacramento, Las Vegas, St. Louis, San Diego, Detroit and San Antonio are among candidates to become future MLS markets

Map of MLS teams



Elite group of business leaders and sports investors

Owner-Operators	MLS team	Other sports team investments
Clark Hunt Hunt Sports Group		 
Philip Anschutz Anschutz Entertainment Group		 
Stan Kroenke Sports Enterprises		   
Robert Kraft The Kraft Group		
Arthur Blank		
Rogers Communications, BCE Inc. and Larry Tanenbaum		 
Manchester City, New York Yankees		 
Bill McGuire, Pohlada Family, Glen Taylor, Wendy Carlson Nelson		 

Elite group of business leaders and sports investors (cont'd)

Owner-Operators	MLS team(s)	Other sports team investments
John Fisher and Lew Wolff		
Erick Thohir, Jason Levien and Will Chang		 
Henry Nguyen, Peter Guber, Magic Johnson		 
Red Bull Co. Ltd.		
Greg Kerfoot, Jeff Mallett, Steve Luczo and Steve Nash		 

Note: Other partners in MLS without other sports team investments include: **Merritt Paulson** (Portland Timbers), **Andrew Hauptman** (Chicago Fire, CEO of Andell Holdings), **Joey Saputo** (Montreal Impact), **Cliff Illig and Neal Patterson** (Sporting KC, Co-Founders of Cerner Corporation), **Dell Loy Hansen** (Real Salt Lake, Founder of Wasatch Property Management Inc.), **Joe Roth, Adrian Hanauer and Drew Carey** (Seattle Sounders, Hollywood Producer), **Flavio Augusto da Silva** (Orlando City SC, Wise Up & Abril Educação), **Anthony Precourt** (Columbus Crew SC, Private equity investor in the energy sector), **Gabriel Brener** (Houston Dynamo, Brener International Group)

MLS attendance trends

Attendance drivers

- Growing amount of teams with state-of-the-art, soccer specific stadia
- Improving player talent and on-field completion
- Success of recent expansion franchises
- Increased media exposure through SUM and national media contracts

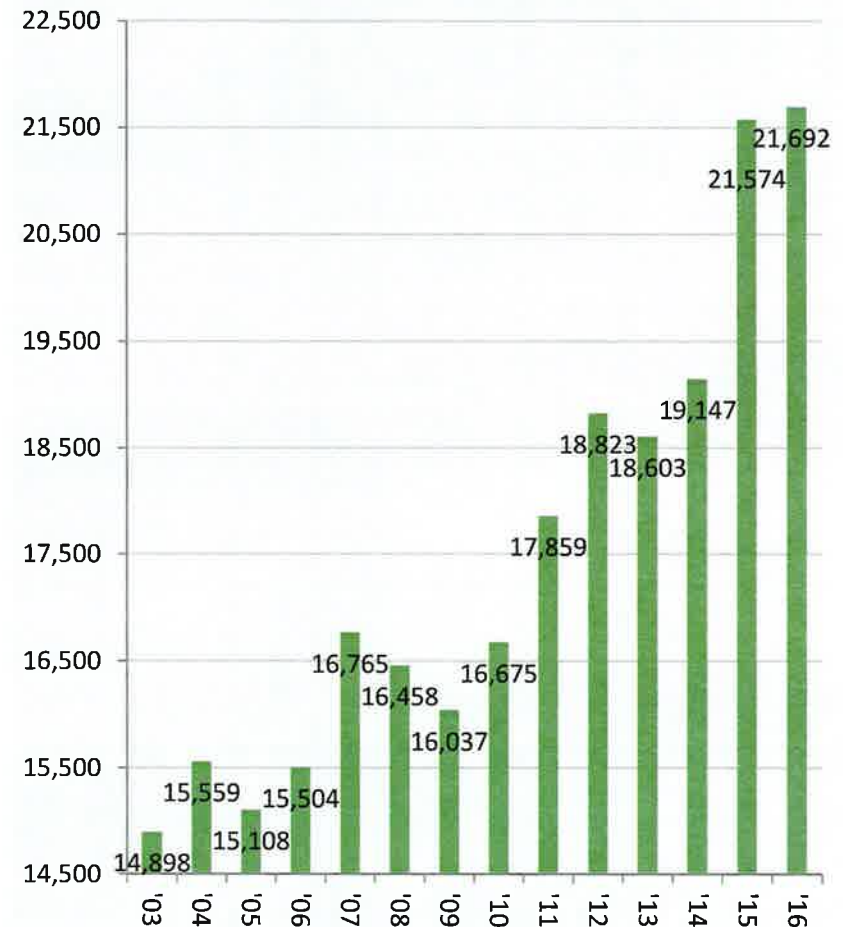
MLS average attendance vs. U.S. sports leagues



Source: ESPN, MLS

Note: MLB and MLS attendance for 2016, NHL and NBA attendance for completed 2015-16 seasons

Average MLS attendance



Source: MLS

MLS ticket pricing

Commentary

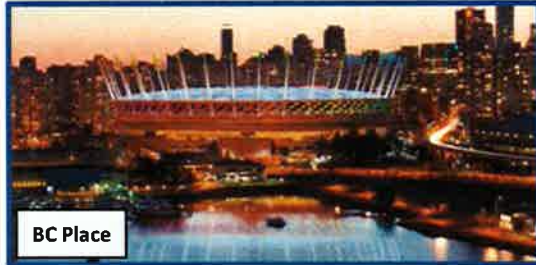
- The average MLS ticket price was \$25.00 in 2014
- MLS has maintained lower average ticket prices with the intention of reaching a wider fan base
 - Average ticket prices have grown consistently as Clubs have built a more established presence in their respective markets and the popularity of soccer has increased in the United States
- MLS clubs have significant room to raise prices in the coming seasons as the League continues to grow attendance and the size of fan bases

MLS average ticket pricing vs. U.S. sports leagues¹



¹ Represents average regular season ticket price in 2014 (exclusive of premium tickets and luxury suites)

Significant infrastructure investment since 1999

Overview of MLS facilities					Select facilities
Team	Stadium	Year opened ¹	Soccer capacity	Soccer specific	
Atlanta United FC	Mercedes-Benz Stadium	[2017]	29,322	No	
Chicago Fire	Toyota Park	2006	22,000	Yes	
Colorado Rapids	Dick's Sporting Goods Park	2007	19,680	Yes	
Columbus Crew	Mapfre Stadium	1999	20,145	Yes	
D.C. United	RFK Stadium ²	1961	19,467	No	
FC Dallas	Toyota Stadium	2005	21,193	Yes	
Houston Dynamo	BBVA Compass Stadium	2012	22,039	Yes	
Los Angeles FC	Banc of California Stadium	[2018]	22,000	Yes	
Los Angeles Galaxy	StubHub Center	2003	27,000	Yes	
Minnesota United FC	TBD ³	TBD	TBD	TBD	
Montreal Impact	Saputo Stadium	2008	20,521	Yes	
New England Revolution	Gillette Stadium	2002	22,385	No	
New York City FC	Yankee Stadium	2009	33,444	No	
New York Red Bulls	Red Bull Arena	2010	25,189	Yes	
Orlando City SC	Orlando City Stadium	[2017]	25,500	Yes	
Philadelphia Union	Talen Energy Stadium	2010	18,500	Yes	
Portland Timbers	Providence Park	2011 ⁴	22,000	Yes	
Real Salt Lake	Rio Tinto Stadium	2008	20,507	Yes	
San Jose Earthquakes	Avaya Stadium	2015	18,000	Yes	
Seattle Sounders FC	CenturyLink Field	2002	38,500	No	
Sporting Kansas City	Children's Mercy Park	2011	18,467	Yes	
Toronto FC	BMO Field	2007	23,000	Yes	
Vancouver Whitecaps FC	BC Place	2011	27,000	No	

Note: Shading represents teams without a soccer-stadium stadium; ¹ Year opened or renovated; ² Public funding package for new stadium approved in December 2014; ³ New stadium project announced, but funding still needs to be finalized; ⁴ Providence Park first opened in 1926 and was renovated in 2011

Long-term opportunity to grow national media rights

Highlights of new media contracts



- AAV: \$75mm (together with Fox)
- Term: 2015 – 2022
- 34 regular season games
- Sundays at 5pm ET on ESPN2
- Digital rights across all platforms
- Alternate MLS Cup / ASG each year
- Share U.S. Soccer matches

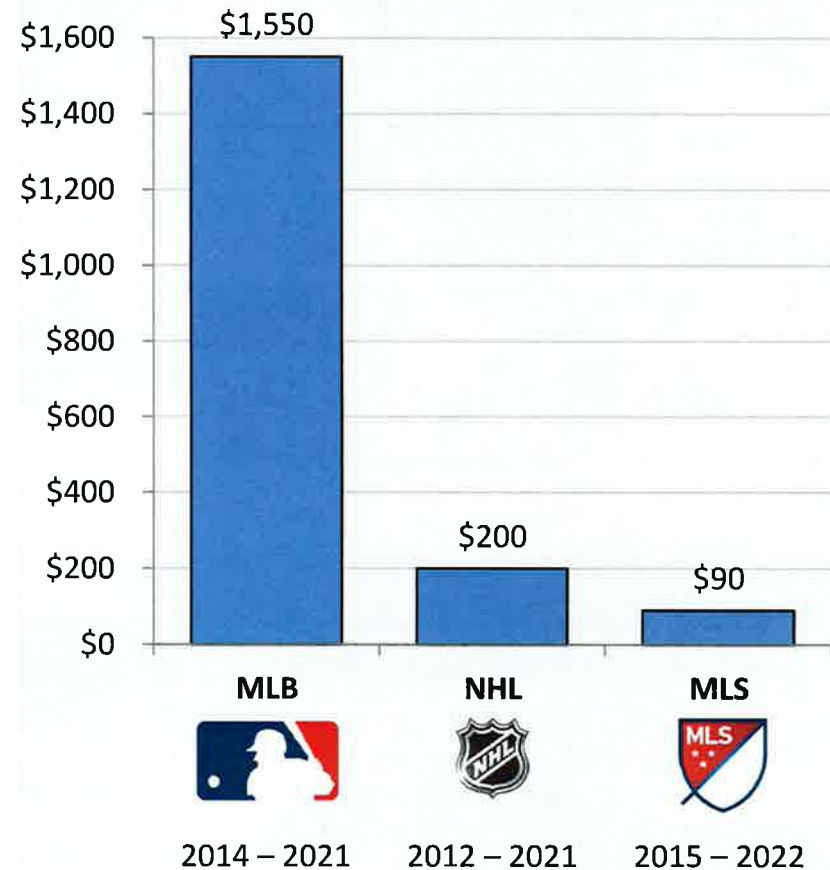


- AAV: \$75mm (together with ESPN)
- Term: 2015 – 2022
- 34 regular season games
- Sundays at 7pm ET on Fox Sports 1
- Digital rights across all platforms
- Alternate MLS Cup / ASG each year
- Share U.S. Soccer matches



- AAV: \$15mm
- Term: 2015 – 2022
- 34 regular season games
- Fridays at 7 or 11pm on UniMás
- MLS Cup and All-Star Game
- All U.S. Soccer men's matches

U.S. national media: average annual revenue (\$mm)



MLS national media has room to grow relative to other sports content

Establishing a regular TV schedule

New MLS national TV schedule

MLS has historically aired games six days of the week with more than **20 different starting times**, making it difficult for even the most dedicated fans to know when games would be broadcast



Sundays at 5pm ET



Sundays at 7pm ET



Fridays at 7pm ET or 9pm ET

Designated time slots for other professional sports leagues



- 1) Sunday afternoon (Fox/CBS)
- 2) Sunday night (NBC)
- 3) Monday night (ESPN)
- 4) Thursday night (CBS/NFLN)



- 1) Sunday afternoon (TBS)
- 2) Sunday night (ESPN)
- 3) Monday night (ESPN)
- 4) Wednesday night (ESPN)
- 5) Saturday afternoon (Fox)
- 6) Saturday night (Fox)



- 1) Sunday games (ABC/ESPN)
- 2) Wednesday night (ESPN)
- 3) Thursday night (TNT)
- 4) Friday night (ESPN)



- 1) Sunday after January 1 (NBC)
- 2) Monday night (NBCSN)
- 3) Tuesday night (NBCSN)
- 4) Wednesday night (NBCSN)

Note: Excludes league-owned networks

New TV deals provide structure to the airing of MLS matches, providing “destination viewing” windows on Friday and Sunday evenings

Significant investment in player talent

World-Class Players and Soccer



Clint Dempsey, Seattle Sounders

- Current captain of the USMNT
- 2nd in all-time goals for USMNT
- Played 7 seasons in the EPL
- 2-time Fulham Player of the Year
- Scored 17 goals in 11/12 for Fulham



David Villa, New York City FC

- 97 caps for Spanish national team
- Won Euro 2008 & 2010 World Cup
- All-time leading goal scorer for Spanish national team with 59 goals
- Spanish Player of the Year in 05/06



Robbie Keane, L.A. Galaxy

- Captain and all-time leading goal scorer for the Republic of Ireland
- Played for 7 English clubs including Liverpool, Tottenham & Aston Villa
- Won 2014 MLS MVP award



Frank Lampard, New York City FC

- Chelsea FC's all-time leading scorer
- Second all-time in assists in EPL history
- Runner-up '05 World Player of the Year
- Won 3 EPL titles with Chelsea
- Won UEFA Champions League in 11/12



Kaká, Orlando City SC

- 2007 FIFA World Player of the Year
- Won 2007 Ballon d'Or
- Won 2002 World Cup with Brazil
- Won 2006-07 UEFA Champions Lg.
- Played for AC Milan & Real Madrid



Steven Gerrard, L.A. Galaxy

- 182 goals scored across 17 seasons with Liverpool F.C. (served as Captain for 11 seasons)
- Captain of English national team in 2010 & 2014 FIFA World Cups

MLS youth development

Commentary

- Each team is required to have youth development programs in various youth age groups
- MLS clubs have drastically increased their investment in youth development over the last five years, and international clubs are gaining more confidence in buying American player talent
- As MLS continues to invest in youth development, and generates better player talent, MLS player sales to international leagues may increase in frequency

Top 10 historical MLS player sales

No.	Player	Age	Season	Moving from (MLS)	Moving to	Transfer fee (£mm)
1	Jozy Altidore	18	2008/09	NY Red Bulls	Villareal CF	£5.5
2	Matt Miazga	20	2015/16	NY Red Bulls	Chelsea	£3.9
3	Maurice Edu	22	2008/09	Toronto FC	Rangers	£3.4
4	Stern John	22	1999/20	Columbus Crew	Nottingham Forest	£3.2
5	Giancarlo González	26	2014/15	Columbus Crew	US Palermo	£3.2
6	Tim Howard	24	2003/04	NY Red Bulls	Manchester United	£2.7
7	Tim Ream	24	2011/12	NY Red Bulls	Bolton	£2.6
8	Brek Shea	22	2012/13	FC Dallas	Stoke City	£2.6
9	Clint Dempsey	23	2006/07	NE Revolution	Fulham FC	£2.6
10	Krisztian Nemeth	27	2015/16	Sporting KC	Al-Gharafa	£2.4

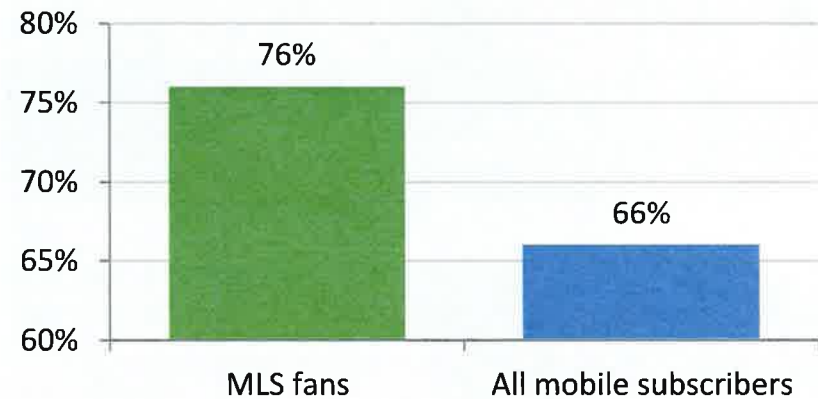
Source: Transfermarkt.co.uk

MLS fan base

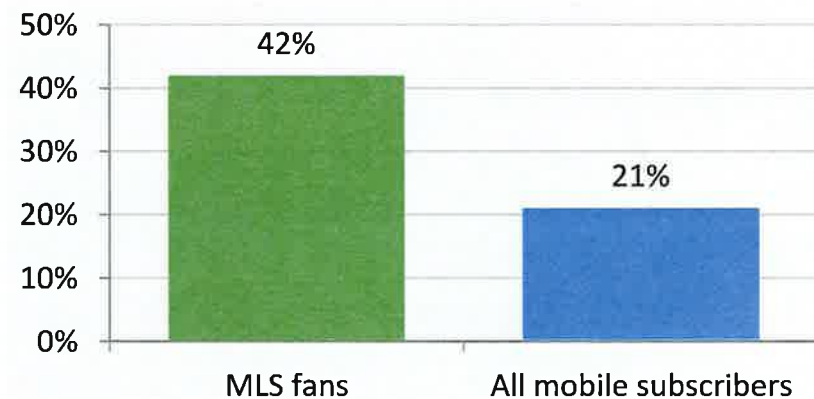
Commentary

- Major League Soccer's primary demographic is the millennial generation
- Previously, MLS teams had targeted soccer families without significant success
- MLS has cultivated a new generation of soccer fans that have grown-up with the sport
- MLS's target demographic has the following traits:
 - 20 – 35 year old males
 - Well educated
 - Hip, urban, tech savvy
 - Sports fan, might watch at a bar
- Clubs have driven their marketing decisions around selling to this demographic
- ***MLS fans are younger than fans of other pro sports leagues, on average, and have an affinity for consuming media through new mediums, making them highly attractive to advertisers***

Smartphone ownership¹



Mobile video usage¹



¹ Among smartphone subscribers aged 18+ (Android and iOS only)

Ownership of SUM offers diversification benefits

SUM overview

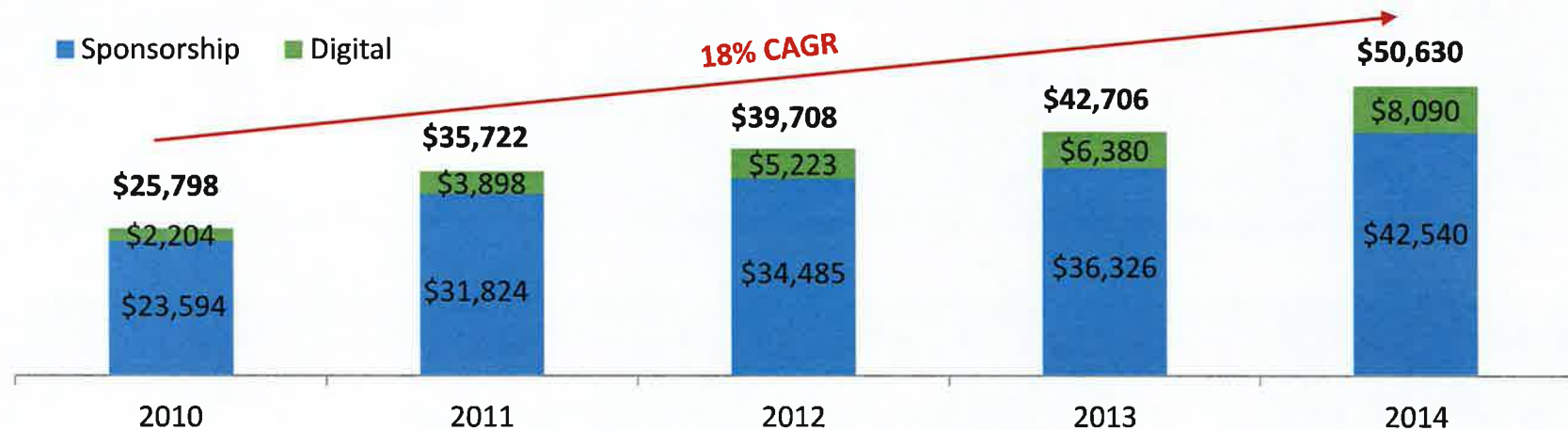
- Integrated sponsorship, promotion and marketing arm of MLS, established in 2002
- Focuses on acquiring and exploiting the commercial rights for significant soccer properties in North America
- SUM holds the exclusive rights to the most valuable soccer properties in North America, including MLS, U.S. Soccer commercial rights, Mexican National Team, CONCACAF Gold Cup, CONCACAF Champions League and more
- MLS team owner-operators each own a portion of SUM and share the profits equally
- In early 2012, Providence Equity Partners acquired a ~25% ownership stake in SUM

SUM properties



SUM has demonstrated impressive growth

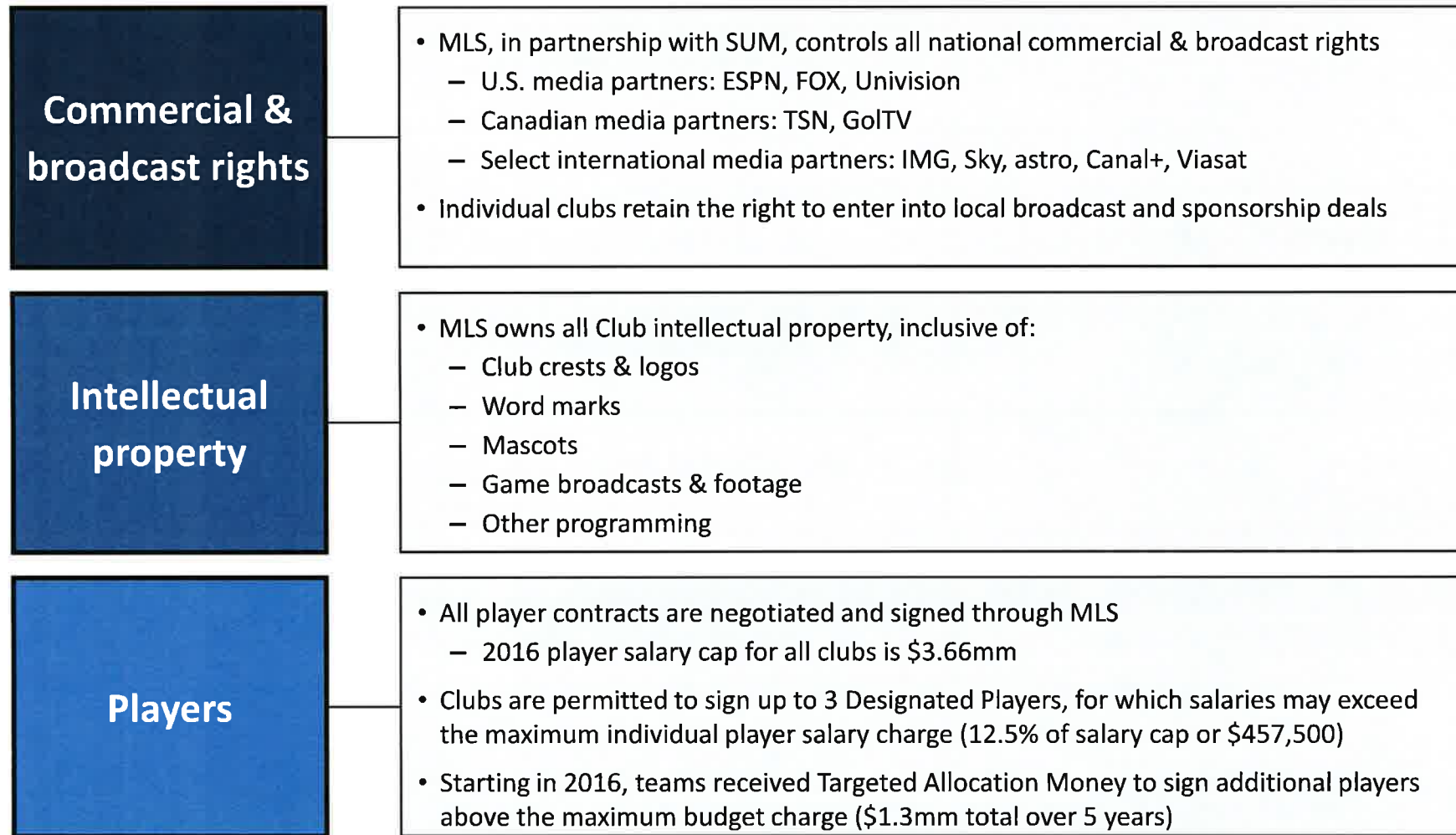
Historical SUM sponsorship (MLS only) and digital revenue (\$000s)



Selected SUM corporate partners

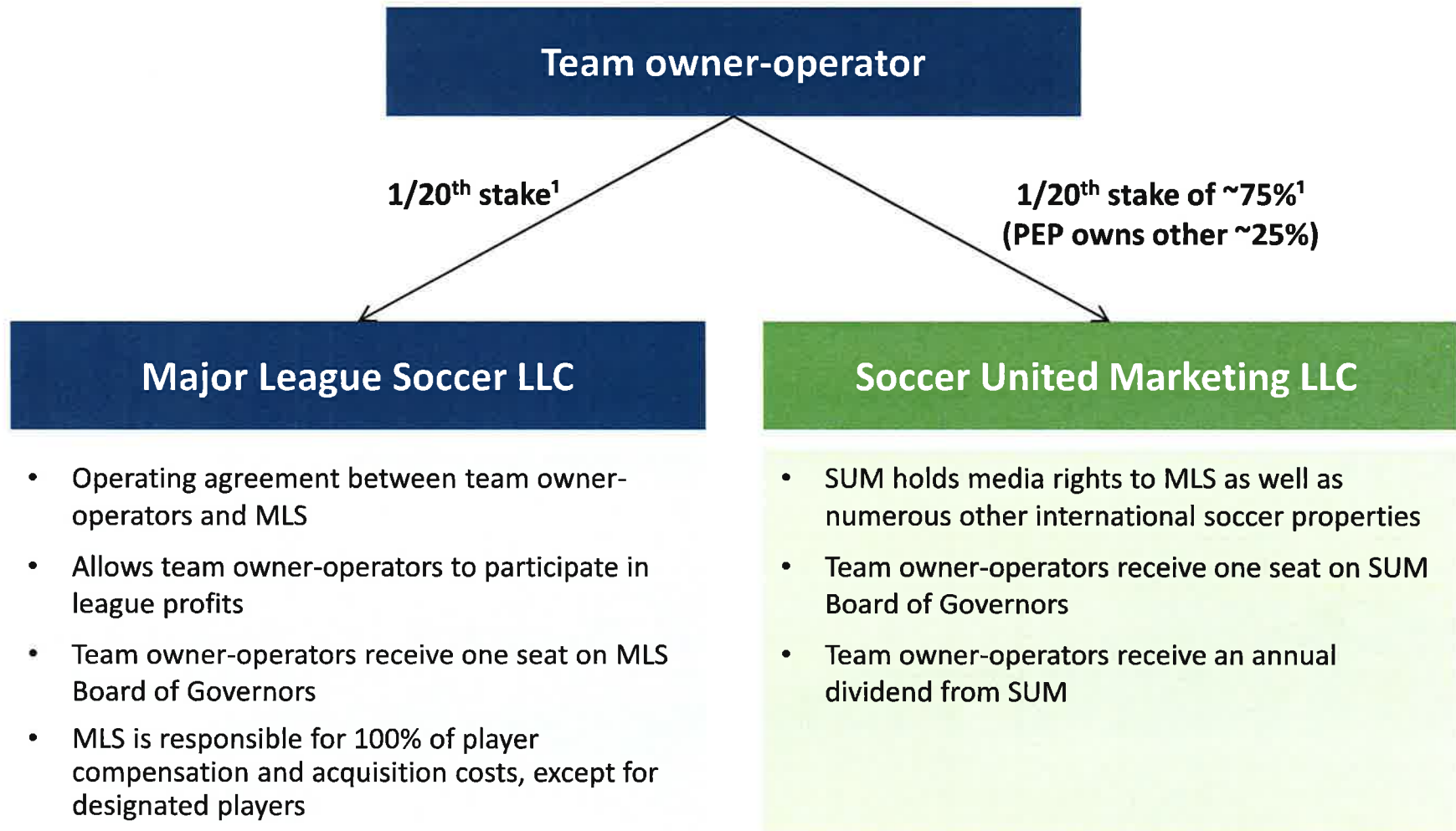


Single-entity league structure



All material assets are owned by MLS and/or SUM, thereby incentivizing the sharing of resources for the benefit of all Clubs

Legal structure



¹ Each club owns a pro-rata stake that will change as MLS expands

Economics of MLS/SUM and Owner-operators

An owner-operator receives its pro rata share of these revenues and pays a pro rata share of these expenses

National revenues

MLS receives the following revenues:

- 33.3% of local sharable ticket revenue
- 100% of national TV / broadcasting revenue
- 100% of national sponsorship revenue
- 100% of licensing and merchandising revenues

National expenses

MLS is responsible for the following expenses:

- 100% of player compensation and acquisition cost
- 100% of game official costs
- 100% of league office expenses
- 100% of league marketing costs
- 100% of MLS insurance (includes worker's compensation for all players)

An owner-operator receives a management fee based on the revenues above and is responsible for paying these expenses

Owner-operator revenues

- 66.7% of local sharable ticket revenue
- 100% of local TV / broadcast rights and sponsorship revenue
- 100% of stadium revenue (e.g., concessions, parking) pursuant to the stadium lease
- 100% of revenue from overseas tours

Owner-operator expenses

- 100% of local G&A costs, including local insurance
- 100% of local marketing and promotional costs (including local TV production costs)
- 100% of stadium lease payments and operating costs
- 100% of local admin. personnel and technical staff
- 100% of youth development costs