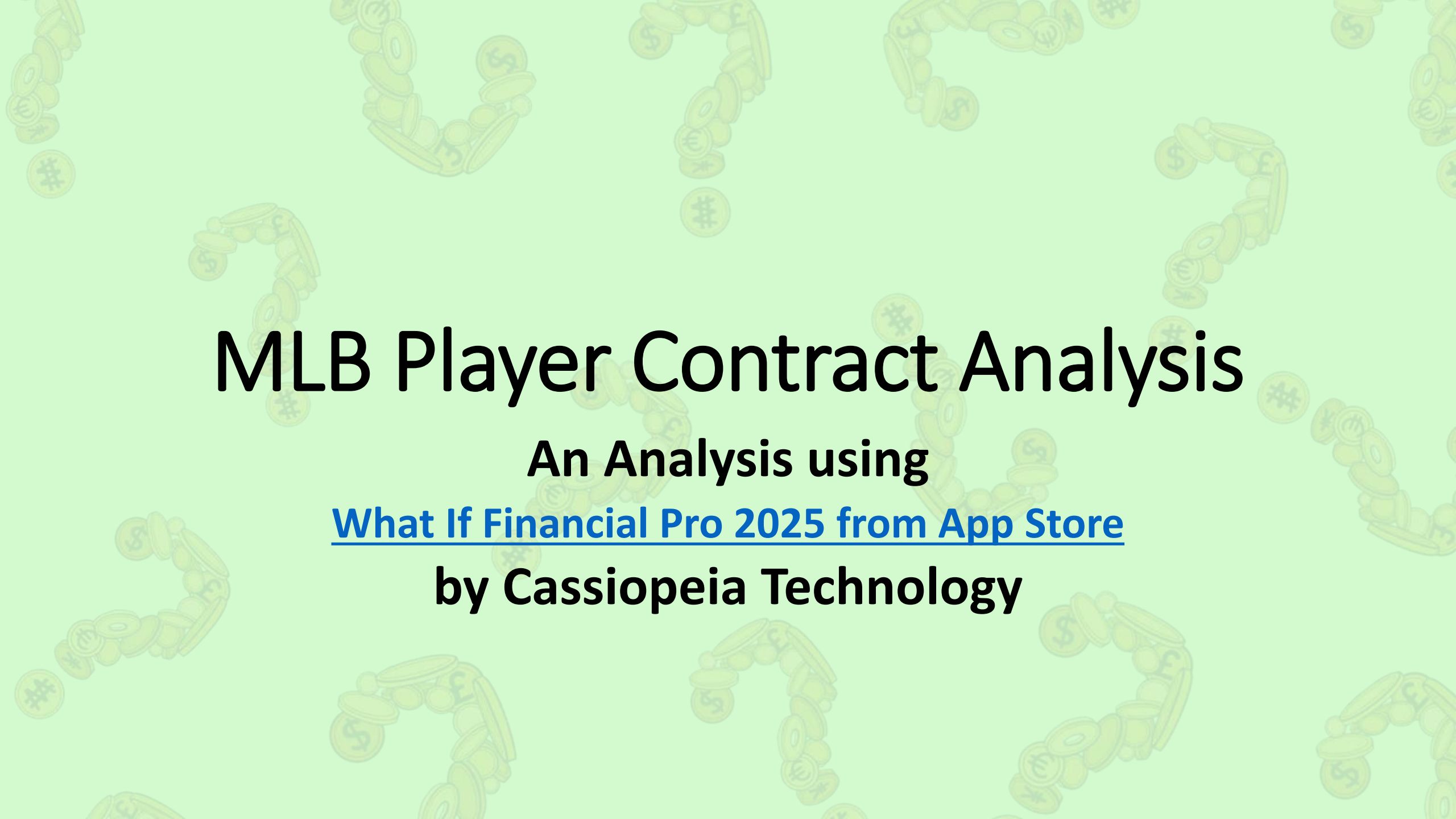




MLB Player Contract Analysis

An Analysis using

[What If Financial Pro 2025 from App Store](#)

by Cassiopeia Technology

Outline – DCF

- **Off-Season Games: Contract Negotiations**
- **Shohei Ohtani's Contract with the Dodgers**
- **MLB Luxury Tax Calculation on Ohtani's Deferred Compensation**
- **Shohei Ohtani's Contract without Deferral**
- **Shohei Ohtani's Contract No-Deferral Present-Value Equivalent**

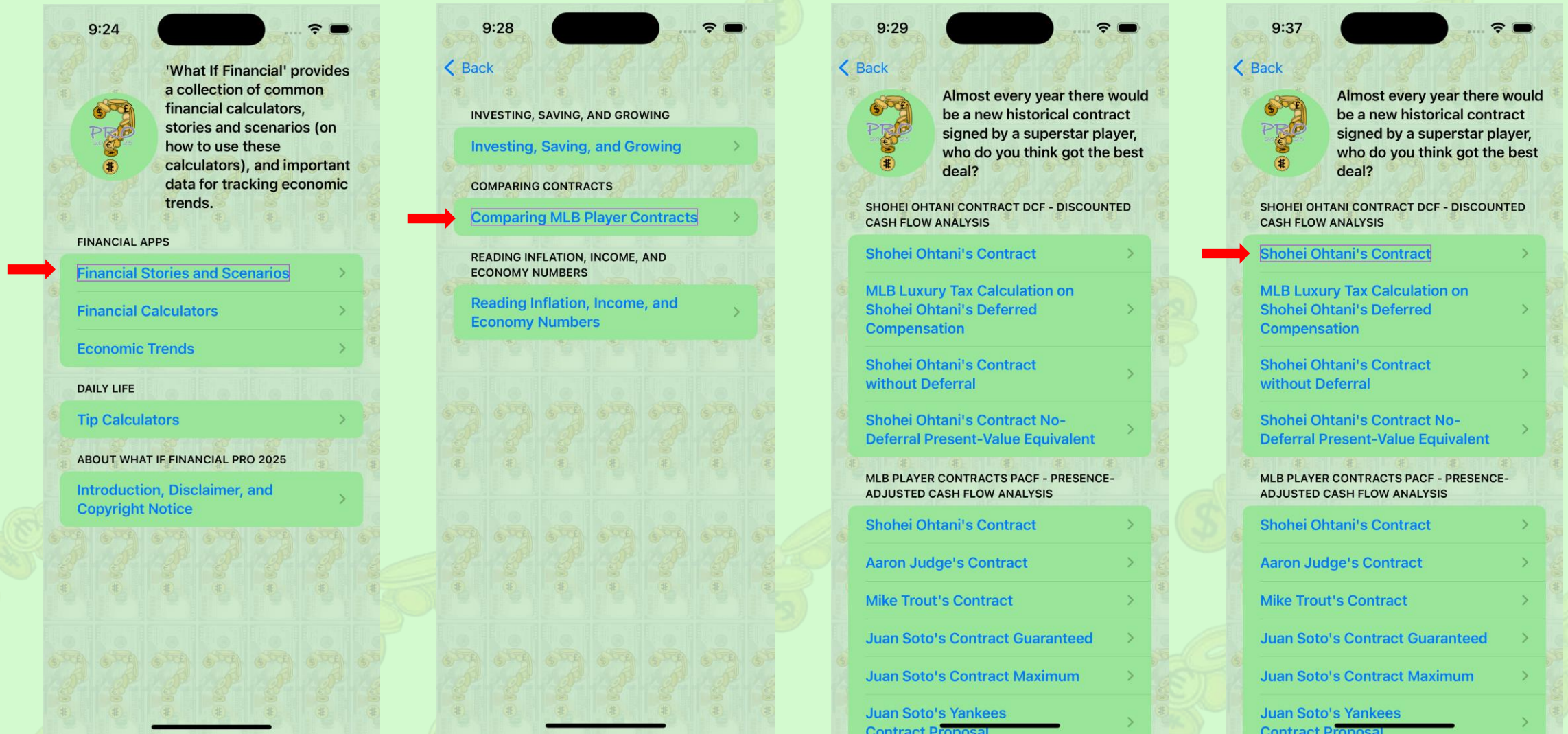
Outline – PACF

- **Discounted Cash Flow Analysis (DCF) vs. Presence-Adjusted Cash Flow Analysis (PACF)**
- **Shohei Ohtani's Contract PACF Analysis**
- **Aaron Judge's Contract PACF Analysis**
- **Mike Trout's Contract PACF Analysis**
- **Juan Soto's Guaranteed Contract PACF Analysis**
- **Juan Soto's Maximum Contract PACF Analysis**
- **Juan Soto's Yankees Contract Proposal PACF Analysis**

Off-Season Games: Contract Negotiations

- Another Major League Baseball season has started, promising many exciting games, but lot of actions (maybe more important deciding post-season chances) happened during off-season months, when managers, players, and agents play the game of recruitment and contract negotiation.
- **Almost every year there would ne a new historical contract signed by a superstar player, who do you think got the best deal?**
- **‘What if Financial’** app follows standard valuation logic, Discounted Cash Flow Analysis (DCF) and an advanced version, Presence-Adjusted Cash Flow Analysis (PACF)
- Showcase these calculators analyzing several big contracts in recent MLB history.

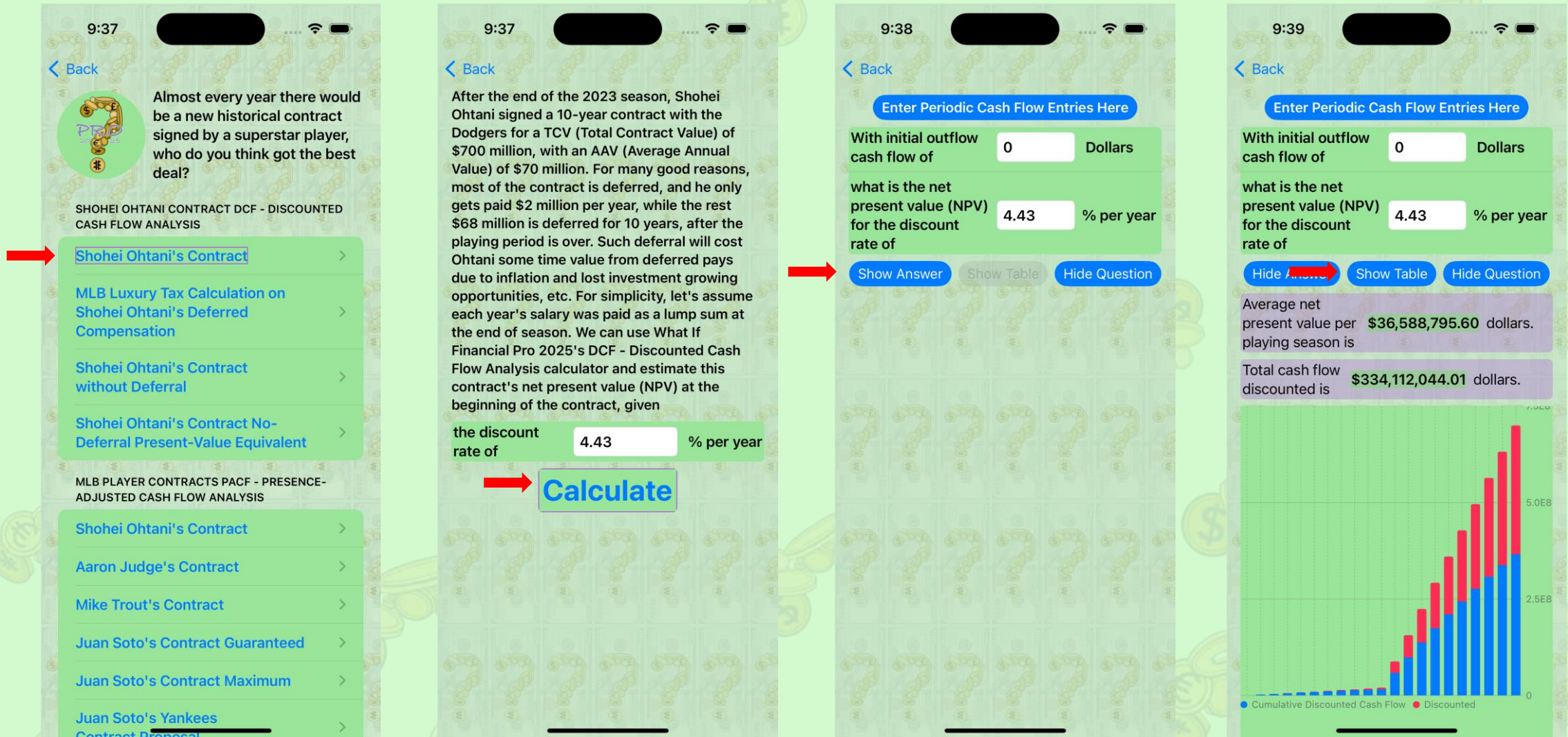
What if Financial Stories on MLB Contracts



Shohei Ohtani's Contract with the Dodgers

- After the end of the 2023 season, Shohei Ohtani signed a 10-year contract with the Dodgers for a TCV (total contract value) of \$700 million
- For many good reasons, most of the contract is deferred, and he only gets paid \$2 million per year, while the rest \$68 million is deferred for 10 years, after the end of playing years
- Such deferral will cost Ohtani time value from deferred pays
- Assuming each year's salary was paid as a lump sum at end of season, what is the contract's NPV (net present value) at the beginning of the contract?
- We can use 'What If Financial' DCF (discounted cash flow analysis) with a discounted rate of 4.43% per year (explained later)

Shohei Ohtani's Contract with the Dodgers



Shohei Ohtani's Contract with the Dodgers

9:40

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Enter Periodic Cash Flow Entries Here

With initial outflow cash flow of Dollars

what is the net present value (NPV) for the discount rate of % per year

Hide Answer Show Chart Hide Question

Average net present value per playing season is **\$36,588,795.60** dollars.

Total cash flow discounted is **\$334,112,044.01** dollars.

Years	Cash Flow	Cumulative Cash Flow	Cumulative Discounted Cash Flow
0 (2023)	-\$0	-\$0	-\$0
1 (2024)	\$2,000,000	\$2,000,000	\$1,915,158
2 (2025)	\$2,000,000	\$4,000,000	\$3,749,074
3 (2026)	\$2,000,000	\$6,000,000	\$5,505,194
4 (2027)	\$2,000,000	\$8,000,000	\$7,186,818
5 (2028)	\$2,000,000	\$10,000,000	\$8,797,106
6 (2029)	\$2,000,000	\$12,000,000	\$10,339,085
7 (2030)	\$2,000,000	\$14,000,000	\$11,815,652
8 (2031)	\$2,000,000	\$16,000,000	\$13,229,581
9 (2032)	\$2,000,000	\$18,000,000	\$14,583,531
10 (2033)	\$2,000,000	\$20,000,000	\$15,880,045
11 (2034)	\$68,000,000	\$88,000,000	\$58,091,552
12 (2035)	\$68,000,000	\$156,000,000	\$98,512,414
13 (2036)	\$68,000,000	\$224,000,000	\$137,218,593
14 (2037)	\$68,000,000	\$292,000,000	\$174,282,826
15 (2038)	\$68,000,000	\$360,000,000	\$209,774,767

9:40

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Enter Periodic Cash Flow Entries Here

Hide Answer Show Chart Show Question

Average net present value per playing season is **\$36,588,795.60** dollars.

Total cash flow discounted is **\$334,112,044.01** dollars.

Years	Cash Flow	Cumulative Cash Flow	Cumulative Discounted Cash Flow
0 (2023)	-\$0	-\$0	-\$0
1 (2024)	\$2,000,000	\$2,000,000	\$1,915,158
2 (2025)	\$2,000,000	\$4,000,000	\$3,749,074
3 (2026)	\$2,000,000	\$6,000,000	\$5,505,194
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9 (2032)	\$2,000,000	\$18,000,000	\$14,583,531
10 (2033)	\$2,000,000	\$20,000,000	\$15,880,045
11 (2034)	\$68,000,000	\$88,000,000	\$58,091,552
12 (2035)	\$68,000,000	\$156,000,000	\$98,512,414
13 (2036)	\$68,000,000	\$224,000,000	\$137,218,593
14 (2037)	\$68,000,000	\$292,000,000	\$174,282,826
15 (2038)	\$68,000,000	\$360,000,000	\$209,774,767
16 (2039)	\$68,000,000	\$428,000,000	\$243,761,112
17 (2040)	\$68,000,000	\$496,000,000	\$276,305,730
18 (2041)	\$68,000,000	\$564,000,000	\$307,469,782
19 (2042)	\$68,000,000	\$632,000,000	\$337,311,830
20 (2043)	\$68,000,000	\$700,000,000	\$365,887,956

9:39

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Enter Periodic Cash Flow Entries Here

With initial outflow cash flow of Dollars

what is the net present value (NPV) for the discount rate of % per year

Hide Answer Show Table Hide Question

Average net present value per playing season is **\$36,588,795.60** dollars.

Total cash flow discounted is **\$334,112,044.01** dollars.

● Cumulative Discounted Cash Flow ● Discounted

Shohei Ohtani's Contract with the Dodgers

- Ohtani's contract is worth **\$366 million** in present value, \$334 million discounted from his \$700 million contract
- **\$36.6 million** per playing year

MLB Luxury Tax Calculation on Ohtani's Deferred Compensation

- You may wonder how to pick a discount rate for estimating Ohtani's net present value
- We can follow how MLB did it!
- As Ohtani's contract is heavily deferred, MLB also calculated deferral's present value to estimate its contribution to Dodgers' luxury tax
- For season 2024, MLB could use the **mid-term Applicable Federal Rates (AFR)** from October 2023, which is **4.43%**
- Note that you can adjust the discounted rate in the What If Financial app to suit your need

MLB Luxury Tax Calculation on Ohtani's Deferred Compensation

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Almost every year there would be a new historical contract signed by a superstar player, who do you think got the best deal?

SHOHEI OHTANI CONTRACT DCF - DISCOUNTED CASH FLOW ANALYSIS

Shohei Ohtani's Contract >

MLB Luxury Tax Calculation on Shohei Ohtani's Deferred Compensation >

Shohei Ohtani's Contract without Deferral >

Shohei Ohtani's Contract No-Deferral Present-Value Equivalent >

MLB PLAYER CONTRACTS PACF - PRESENCE-ADJUSTED CASH FLOW ANALYSIS

Shohei Ohtani's Contract >

Aaron Judge's Contract >

Mike Trout's Contract >

Juan Soto's Contract Guaranteed >

Juan Soto's Contract Maximum >

Juan Soto's Yankees Contract Proposal >

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You may wonder how to pick a discount rate for estimating Ohtani contract's net present value. We can actually follow how MLB did it! Shohei Ohtani's historical contract is going to contribute big to Dodgers's luxury tax (MLB Competitive Balance Tax) calculation, but it won't be \$70 million per year as \$68 million is deferred each year and MLB also follows good financial practices and calculates the deferral's present value. For season 2024, MLB could use the mid-term Applicable Federal Rates (AFR) from October, 2023, which is 4.43% published by IRS, for calculating the deferral's present value contribution to the luxury tax calculation. Notice that Ohtani's \$2 million pay for season 2024 was added directly to the luxury tax calculation.

For dollars

with the discount

rate of % per year

How would MLB calculate contribution to Dodgers's luxury tax calculation from Shohei Ohtani's 2024 season \$68 million 10-year deferral? We can use What If Financial Pro 2025's simple growth and inflation calculator for this scenario.

See calculation up to years

Calculate

9:46

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What if I have Dollars

invested with interest rate % year

for same purchasing power, adjusted by inflation rate % year

what will it be in years

Show Answer Show Table Hide Question

9:46

< Back

What if I have Dollars

invested with interest rate % year

for same purchasing power, adjusted by inflation rate % year

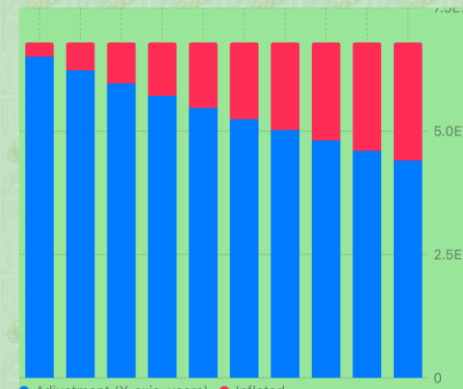
what will it be in years

Show Answer Show Table Hide Question

It will become **\$44,081,476.50** dollars.

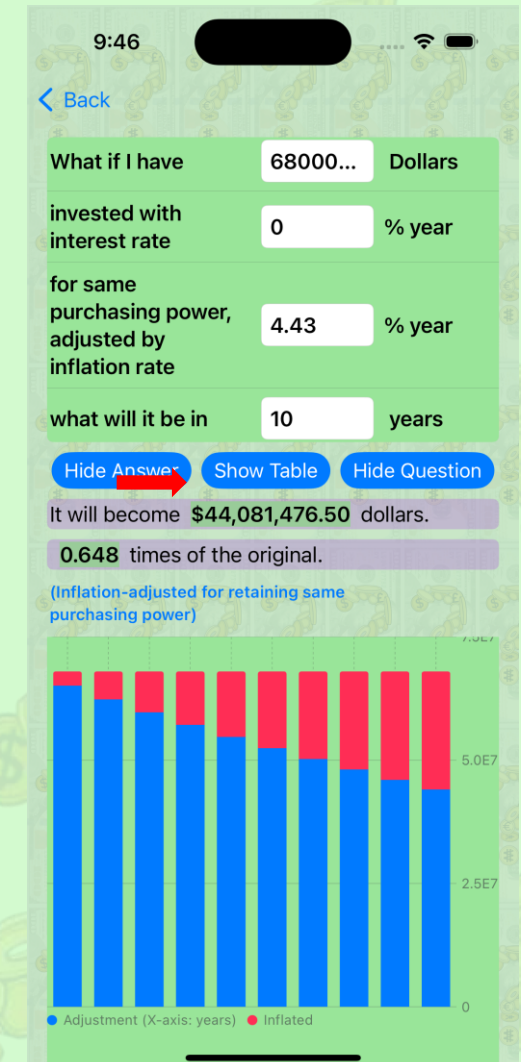
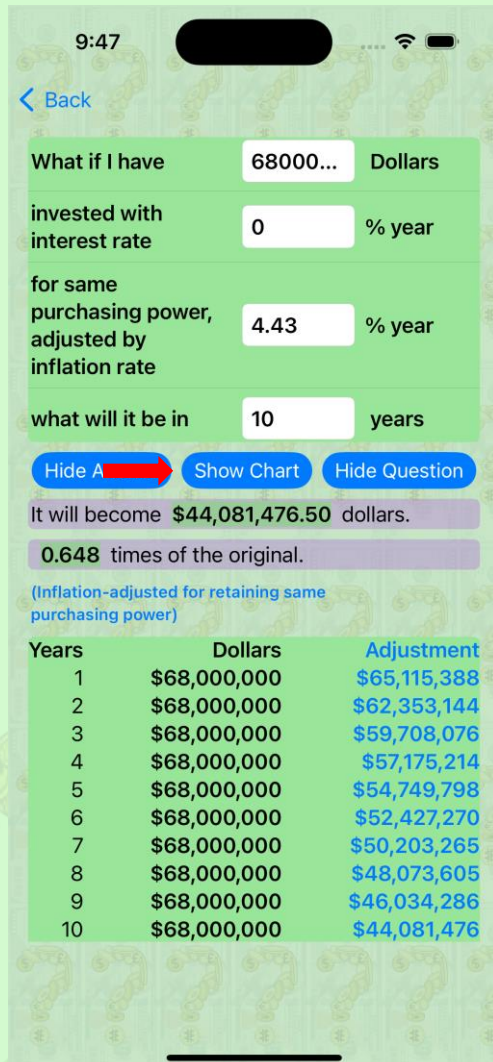
0.648 times of the original.

(Inflation-adjusted for retaining same purchasing power)



Year	Adjustment (X-axis: years)	Inflated
1	68,000,000	68,000,000
2	68,000,000	68,000,000
3	68,000,000	68,000,000
4	68,000,000	68,000,000
5	68,000,000	68,000,000
6	68,000,000	68,000,000
7	68,000,000	68,000,000
8	68,000,000	68,000,000
9	68,000,000	68,000,000
10	68,000,000	68,000,000

MLB Luxury Tax Calculation on Ohtani's Deferred Compensation



MLB Luxury Tax Calculation on Ohtani's Deferred Compensation

- For calculating contribution to Dodgers' luxury tax base, Ohtani's deferral is not \$68 million a year, but instead **\$44 million**
- Notice that adding the non-deferred \$2 million, Ohtani contract's contribution to Dodgers' luxury tax calculation is **\$46 million** for season 2024

Shohei Ohtani's Contract without Deferral

- After becoming a free agent, some other superstar player, like Soto, may also want a contract like Ohtani's, or even higher
- **But without deferral**
- Ohtani's deferral contracts have many benefits, but what is the present value of the contract without deferred payments?

Shohei Ohtani's Contract without Deferral

10:13

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Almost every year there would be a new historical contract signed by a superstar player, who do you think got the best deal?

SHOHEI OHTANI CONTRACT DCF - DISCOUNTED CASH FLOW ANALYSIS

Shohei Ohtani's Contract

MLB Luxury Tax Calculation on Shohei Ohtani's Deferred Compensation

Shohei Ohtani's Contract without Deferral

Shohei Ohtani's Contract No-Deferral Present-Value Equivalent

MLB PLAYER CONTRACTS PACF - PRESENCE-ADJUSTED CASH FLOW ANALYSIS

Shohei Ohtani's Contract

Aaron Judge's Contract

Mike Trout's Contract

Juan Soto's Contract Guaranteed

Juan Soto's Contract Maximum

Juan Soto's Yankees Contract Proposal

10:13

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After becoming a free agent, some other superstar player (Soto?) may also want a contract with value same as Shohei Ohtani's (or even higher), but without deferral. Ohtani's deferral contract gives him flexibility that he may not need to pay California state tax on the deferred part (Dodgers is located in California and he can move away after the contract's 10-year playing period ends. However, this is up to interpretation of California tax laws). This other superstar player might worry less about paying state tax or would like to invest their salary early for compounding investment returns. Without deferral, what would be the present value for Ohtani's contract, given

the discount rate of % per year

Calculate

10:14

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Enter Periodic Cash Flow Entries Here

With initial outflow cash flow of Dollars

what is the net present value (NPV) for the discount rate of % per year

Show Answer

Show Table

Hide Question

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Enter Periodic Cash Flow Entries Here

With initial outflow cash flow of Dollars

what is the net present value (NPV) for the discount rate of % per year

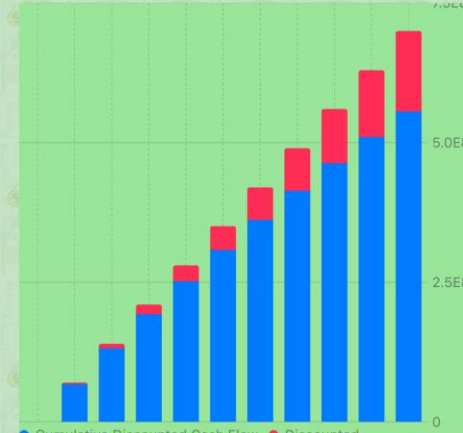
Hide Answer

Show Table

Hide Question

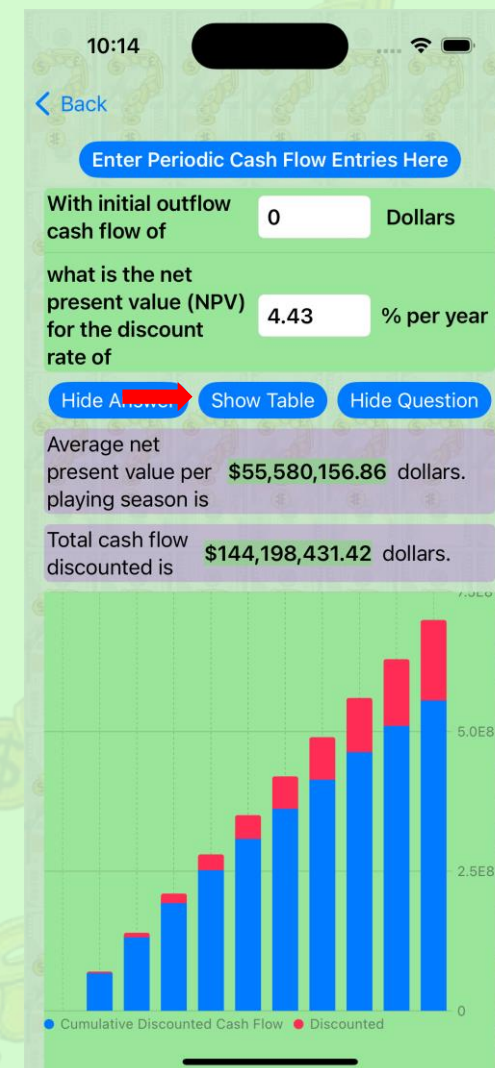
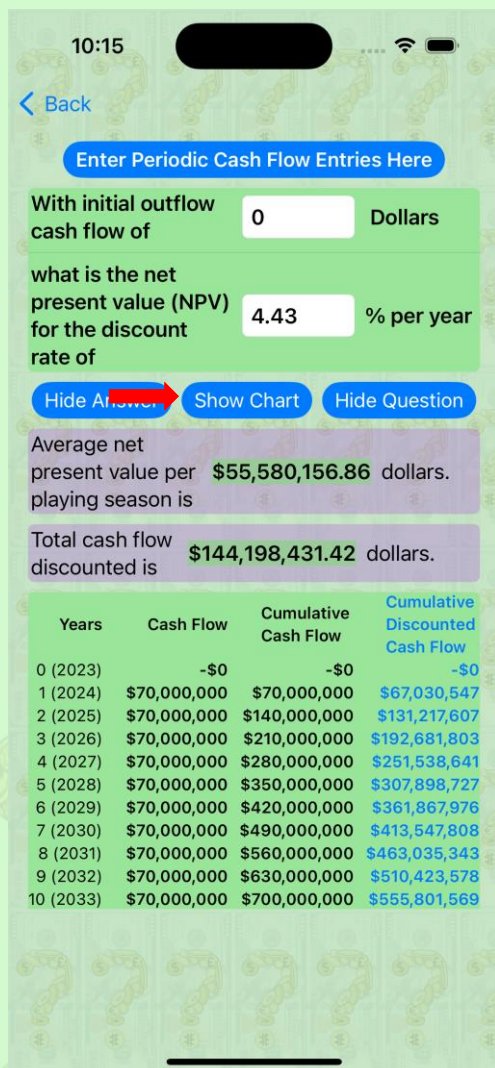
Average net present value per playing season is **\$55,580,156.86** dollars.

Total cash flow discounted is **\$144,198,431.42** dollars.



● Cumulative Discounted Cash Flow ● Discounted

Shohei Ohtani's Contract without Deferral



Shohei Ohtani's Contract without Deferral

- Ohtani's contract would be worth **\$556 million** in present value, \$144 million discounted from his \$700 million contract
- **\$55.6 million** per playing year

Shohei Ohtani's Contract No-Deferral Present-Value Equivalent

- Ohtani contract's present value evaluation is hugely different with or without the deferral clause
- A different player could ask for an equivalent contract in terms of present value, but without deferral
- Then, **what's the nominal value of this equivalent contract?**

Shohei Ohtani's Contract No-Deferral Present-Value Equivalent

10:16

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Almost every year there would be a new historical contract signed by a superstar player, who do you think got the best deal?

SHOHEI OHTANI CONTRACT DCF - DISCOUNTED CASH FLOW ANALYSIS

Shohei Ohtani's Contract >

MLB Luxury Tax Calculation on Shohei Ohtani's Deferred Compensation >

Shohei Ohtani's Contract without Deferral >

Shohei Ohtani's Contract No-Deferral Present-Value Equivalent >

MLB PLAYER CONTRACTS PACF - PRESENCE-ADJUSTED CASH FLOW ANALYSIS

Shohei Ohtani's Contract >

Aaron Judge's Contract >

Mike Trout's Contract >

Juan Soto's Contract Guaranteed >

Juan Soto's Contract Maximum >

Juan Soto's Yankees Contract Proposal >

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Ohtani's contract with or without the deferral clause can make a huge difference in present-value evaluation, as the larger the discount rate, the bigger the difference. Discount rate is usually chosen based on inflation and/or growth expectation. Using

the discount rate of % per year

the present value for the whole contract with deferral is estimated at \$365,887,955.99. While the present value for the contract without deferral is estimated at \$555,801,568.58. The difference is \$189,913,612.58. For a fair equivalent contract, a different superstar player can ask for a no-deferral contract with the same present value as Ohtani's. We can use a time-value-of-money (TVM) constant annuity calculator to find the average annual value (AAV) for such a contract and the answer is \$46,081,476.50. Then the total contract value (TCV) for 10 years would be \$460,814,764.97. We can analyze this new equivalent contract with What If Financial Pro 2025's DCF - Discounted Cash Flow Analysis calculator. Notice that the present-value time is set at the beginning of Ohtani's contract. To maintain the same present value, this different superstar player might want an adjustment if a new contract is signed at a later year.

Calculate

4:31

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Enter Periodic Cash Flow Entries Here

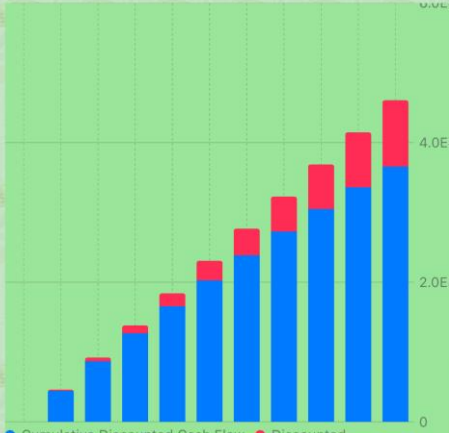
With initial outflow cash flow of Dollars

what is the net present value (NPV) for the discount rate of % per year

Hide Answer **Show Table** **Hide Question**

Average net present value per playing season is **\$36,588,795.60** dollars.

Total cash flow discounted is **\$94,926,808.98** dollars.



4:32

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Enter Periodic Cash Flow Entries Here

With initial outflow cash flow of Dollars

what is the net present value (NPV) for the discount rate of % per year

Hide Answer **Show Chart** **Hide Question**

Average net present value per playing season is **\$36,588,795.60** dollars.

Total cash flow discounted is **\$94,926,808.98** dollars.

Years	Cash Flow	Cumulative Cash Flow	Cumulative Discounted Cash Flow
0 (2023)	-\$0	-\$0	-\$0
1 (2024)	\$46,081,476	\$46,081,476	\$44,126,665
2 (2025)	\$46,081,476	\$92,162,953	\$86,381,444
3 (2026)	\$46,081,476	\$138,244,429	\$126,843,742
4 (2027)	\$46,081,476	\$184,325,906	\$165,589,600
5 (2028)	\$46,081,476	\$230,407,382	\$202,691,828
6 (2029)	\$46,081,476	\$276,488,859	\$238,220,152
7 (2030)	\$46,081,476	\$322,570,335	\$272,241,337
8 (2031)	\$46,081,476	\$368,651,812	\$304,819,318
9 (2032)	\$46,081,476	\$414,733,288	\$336,015,316
10 (2033)	\$46,081,476	\$460,814,765	\$365,887,956

Shohei Ohtani's Contract No-Deferral Present-Value Equivalent

- An equivalent contract with same present value as Ohtani's would be **\$461 million** in nominal compared to Ohtani's \$700 million
- **\$46.1 million** per playing year

Discounted Cash Flow Analysis (DCF) vs. Presence-Adjusted Cash Flow Analysis (PACF)

- **DCF** is a common method analyzing and comparing investment proposals or contracts over discounted cash flow returns
- It usually has an initial outgoing lump-sum (at present value) and a sequence of incoming net cash flows discounted by time of value, thus discounted
- **However not all investment proposals start at the same (present) time!**
- MLB player contracts are good examples
- **Presence-Adjusted Cash Flow Analysis (PACF)** improved DCF and discount/inflate cash flow anchored at a common present time

Shohei Ohtani's Contract PACF Analysis

- Set present time at the **0th** year, which is at the end of season **2024** , while Ohtani's contract started in season **2024**
- His first year \$2 million pay is at present value
- The rest of the contract is discounted yearly (for simplicity)
- **Use a growth and discounted rate of 8% as many business manager should be able to achieve this ROI goal if not higher year over year**
- Note that you can adjust the growth and discount rates in the What If Financial app to suit your need

Shohei Ohtani's Contract PACF Analysis

10:22

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Almost every year there would be a new historical contract signed by a superstar player, who do you think got the best deal?

SHOHEI OHTANI CONTRACT DCF - DISCOUNTED CASH FLOW ANALYSIS

- Shohei Ohtani's Contract >
- MLB Luxury Tax Calculation on Shohei Ohtani's Deferred Compensation >
- Shohei Ohtani's Contract without Deferral >
- Shohei Ohtani's Contract No-Deferral Present-Value Equivalent >

MLB PLAYER CONTRACTS PACF - PRESENCE-ADJUSTED CASH FLOW ANALYSIS

- Shohei Ohtani's Contract >
- Aaron Judge's Contract >
- Mike Trout's Contract >
- Juan Soto's Contract Guaranteed >
- Juan Soto's Contract Maximum >
- Juan Soto's Yankees Contract >

10:22

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For season 2024, both Ohtani and Judge had a fantastic year and were awarded MVP of their respective MLB league, while Ohtani also won his first World Series with Dodgers beating Judge's Yankees in 5 games. Ohtani's contract deferral provided Dodgers cash flow (let alone a high discount towards Dodgers's luxury tax calculation) for signing other sought-after players, such as Yoshinobu Yamamoto, who Yankees also tried to sign before the season. Instead he became the winning pitcher beating Yankees in Game 2. To fairly compare contracts starting at different years, we would need to set a common present time/season for growing past and discounting future payments. Using 'What If Financial Pro 2025's' 'PACF - Presence-Adjusted Cash Flow Analysis', we can enter 0 and anchor the present time at the end of 2024 season when Ohtani finished his first year contract with the Dodgers. Enter

present time at the no. year

For the completed part of the contract, Ohtani or his business manager could invest his earnings and grow them with a higher return rate than the Applicable Federal Rates (AFR) used in previous stories. For simplicity, let's assume each year's payment was made as a lump sum at the end of season and use the

growth rate of % per year

As for discounting the rest of the yet-to-finish contract seasons, he can use a

10:24

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Enter Periodic Cash Flow Entries Here

What is the adjusted cash flow cumulation if present time is at the year

Hide Answer Show Table Hide Question

Average net present value per playing season is \$24,275,014.35 dollars.

Total cash flow discounted is \$457,249,856.51 dollars.



10:24

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Enter Periodic Cash Flow Entries Here

What is the adjusted cash flow cumulation if present time is at the year

Hide Answer Show Chart Hide Question

Average net present value per playing season is \$24,275,014.35 dollars.

Total cash flow discounted is \$457,249,856.51 dollars.

		Cash Flow	Flow
0 (2024)	\$2,000,000	\$2,000,000	\$2,000,000
1 (2025)	\$2,000,000	\$1,851,852	\$3,851,852
2 (2026)	\$2,000,000	\$1,714,678	\$5,566,529
3 (2027)	\$2,000,000	\$1,587,664	\$7,154,194
4 (2028)	\$2,000,000	\$1,470,060	\$8,624,254
5 (2029)	\$2,000,000	\$1,361,166	\$9,985,420
6 (2030)	\$2,000,000	\$1,260,339	\$11,245,759
7 (2031)	\$2,000,000	\$1,166,981	\$12,412,740
8 (2032)	\$2,000,000	\$1,080,538	\$13,493,278
9 (2033)	\$2,000,000	\$1,000,498	\$14,493,776
10 (2034)	\$68,000,000	\$31,497,157	\$45,990,933
11 (2035)	\$68,000,000	\$29,164,034	\$75,154,967
12 (2036)	\$68,000,000	\$27,003,736	\$102,158,703
13 (2037)	\$68,000,000	\$25,003,459	\$127,162,162
14 (2038)	\$68,000,000	\$23,151,351	\$150,313,513
15 (2039)	\$68,000,000	\$21,436,436	\$171,749,949
16 (2040)	\$68,000,000	\$19,848,552	\$191,598,500
17 (2041)	\$68,000,000	\$18,378,289	\$209,976,789
18 (2042)	\$68,000,000	\$17,016,934	\$226,993,723
19 (2043)	\$68,000,000	\$15,756,420	\$242,750,143

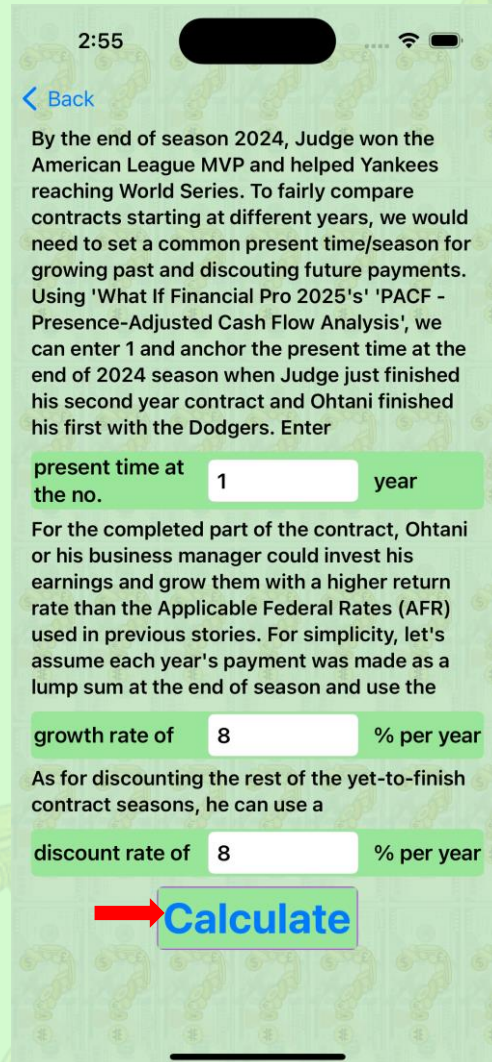
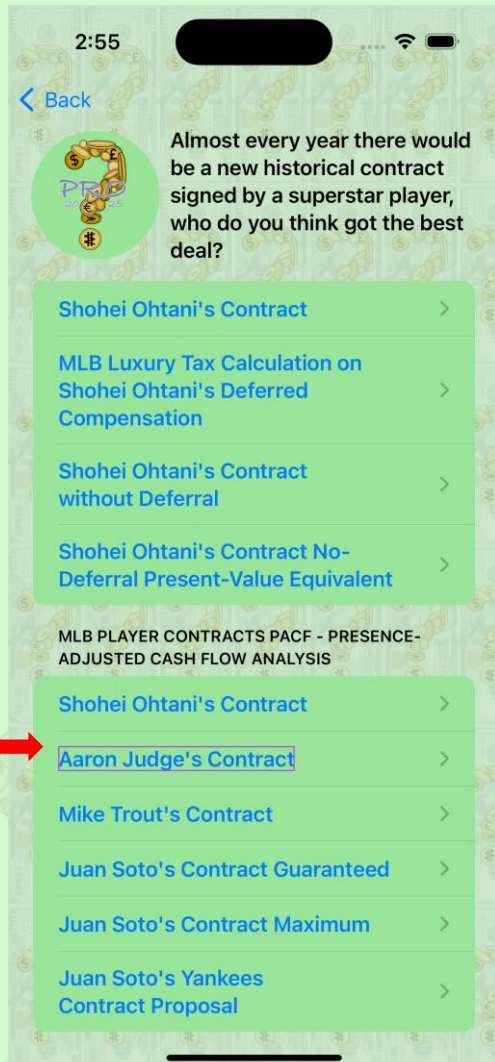
Shohei Ohtani's Contract PACF Analysis

- Ohtani's contract would be worth **\$243 million** in present value, **\$457 million** discounted from his **\$700 million**, **10**-years contract with payments over **20** years
- **\$24.3 million** per playing year

Aaron Judge's Contract PACF Analysis

- Set present time at the **1st** year, which is at the end of season **2024**, while Judge's contract started in season **2023**
- The contract is discounted yearly (for simplicity)
- **Use a growth and discounted rate of 8% as many business manager should be able to achieve this ROI goal if not higher year over year**
- Note that you can adjust the growth and discount rates in the What If Financial app to suit your need

Aaron Judge's Contract PACF Analysis



2:56

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Enter Periodic Cash Flow Entries Here

What is the adjusted cash flow cumulation if present time is at the 1 year

Hide Answer Show Chart Hide Question

Average net present value per playing season is \$32,383,866.93 dollars.

Total cash flow discounted is \$68,545,197.63 dollars.

Years	Cash Flow	Adjusted Net Cash Flow	Cumulative Adjusted Cash Flow
0 (2023)	\$40,000,000	\$43,200,000	\$43,200,000
1 (2024)	\$40,000,000	\$40,000,000	\$83,200,000
2 (2025)	\$40,000,000	\$37,037,037	\$120,237,037
3 (2026)	\$40,000,000	\$34,293,553	\$154,530,590
4 (2027)	\$40,000,000	\$31,753,290	\$186,283,879
5 (2028)	\$40,000,000	\$29,401,194	\$215,685,074
6 (2029)	\$40,000,000	\$27,223,328	\$242,908,401
7 (2030)	\$40,000,000	\$25,206,785	\$268,115,187
8 (2031)	\$40,000,000	\$23,339,616	\$291,454,802

Aaron Judge's Contract PACF Analysis

- Judge's contract would be worth **\$291.5 million** in present value, **\$68.5 million** discounted from his **\$360 million** contract, **9-years** contract
- **\$32.4 million** per playing year

Mike Trout's Contract PACF Analysis

- Set present time at the 5th year, which is at the end of season **2024**, while Trout's contract started in season **2019**
- The contract is discounted yearly (for simplicity)
- **Use a growth and discounted rate of 8% as many business manager should be able to achieve this ROI goal if not higher year over year**
- Note that you can adjust the growth and discount rates in the What If Financial app to suit your need

Mike Trout's Contract PACF Analysis

2:57

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Almost every year there would be a new historical contract signed by a superstar player, who do you think got the best deal?

Shohei Ohtani's Contract >

MLB Luxury Tax Calculation on Shohei Ohtani's Deferred Compensation >

Shohei Ohtani's Contract without Deferral >

Shohei Ohtani's Contract No-Deferral Present-Value Equivalent >

MLB PLAYER CONTRACTS PACF - PRESENCE-ADJUSTED CASH FLOW ANALYSIS

Shohei Ohtani's Contract >

Aaron Judge's Contract >

Mike Trout's Contract >

Juan Soto's Contract Guaranteed >

Juan Soto's Contract Maximum >

Juan Soto's Yankees Contract Proposal >

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Before the start of the 2019 season, Ohtani's former teammate, Mike Trout, signed a 12-year, \$426.5 million extension contract with the Los Angeles Angels. The contract included a \$20 million signing bonus, assuming payments spread out during the whole contract. To fairly compare contracts starting at different years, we would need to set a common present time/season for growing past and discounting future payments. Using 'What If Financial Pro 2025's' 'PACF - Presence-Adjusted Cash Flow Analysis', we can enter 5 and anchor the present time at the end of 2024 season when Trout finished his sixth year contract and Ohtani his first with the Dodgers. Enter

present time at the no. 5 year

For the completed part of the contract, Ohtani or his business manager could invest his earnings and grow them with a higher return rate than the Applicable Federal Rates (AFR) used in previous stories. For simplicity, let's assume each year's payment was made as a lump sum at the end of season and use the

growth rate of 8 % per year

As for discounting the rest of the yet-to-finish contract seasons, he can use a

discount rate of 8 % per year

Calculate



2:58

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Enter Periodic Cash Flow Entries Here

What is the adjusted cash flow cumulation if present time is at the 5 year

Hide Answer Show Chart Hide Question

Average net present value per playing season is \$34,670,079.51 dollars.

Total cash flow discounted is \$10,459,045.89 dollars.

Years	Cash Flow	Adjusted Net Cash Flow	Cumulative Adjusted Cash Flow
0 (2019)	\$17,666,667	\$25,958,129	\$25,958,129
1 (2020)	\$37,666,667	\$51,245,084	\$77,203,214
2 (2021)	\$37,116,667	\$46,756,310	\$123,959,524
3 (2022)	\$37,116,667	\$43,292,880	\$167,252,404
4 (2023)	\$37,116,667	\$40,086,000	\$207,338,404
5 (2024)	\$37,116,667	\$37,116,667	\$244,455,071
6 (2025)	\$37,116,667	\$34,367,284	\$278,822,355
7 (2026)	\$37,116,667	\$31,821,559	\$310,643,914
8 (2027)	\$37,116,667	\$29,464,407	\$340,108,320
9 (2028)	\$37,116,667	\$27,281,858	\$367,390,178
10 (2029)	\$37,116,667	\$25,260,980	\$392,651,158
11 (2030)	\$37,116,667	\$23,389,796	\$416,040,954

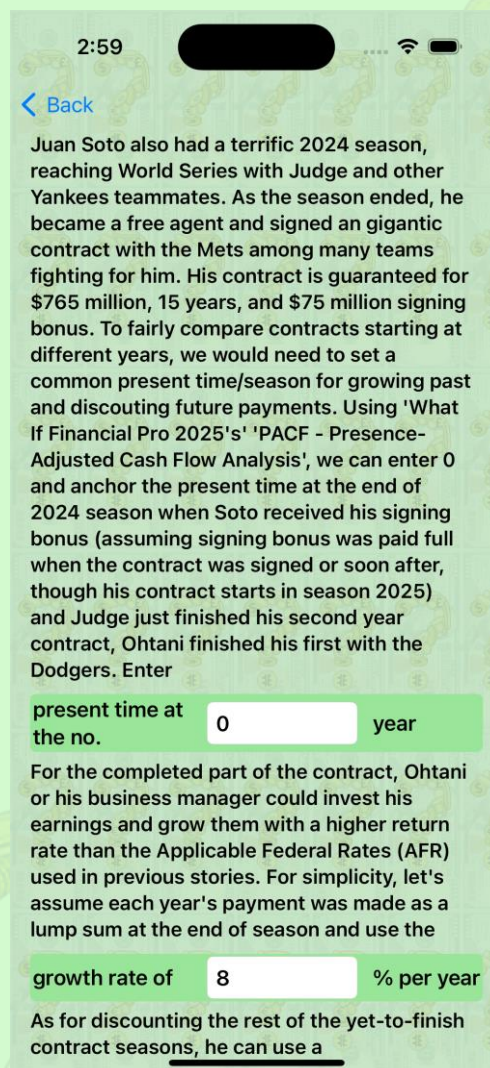
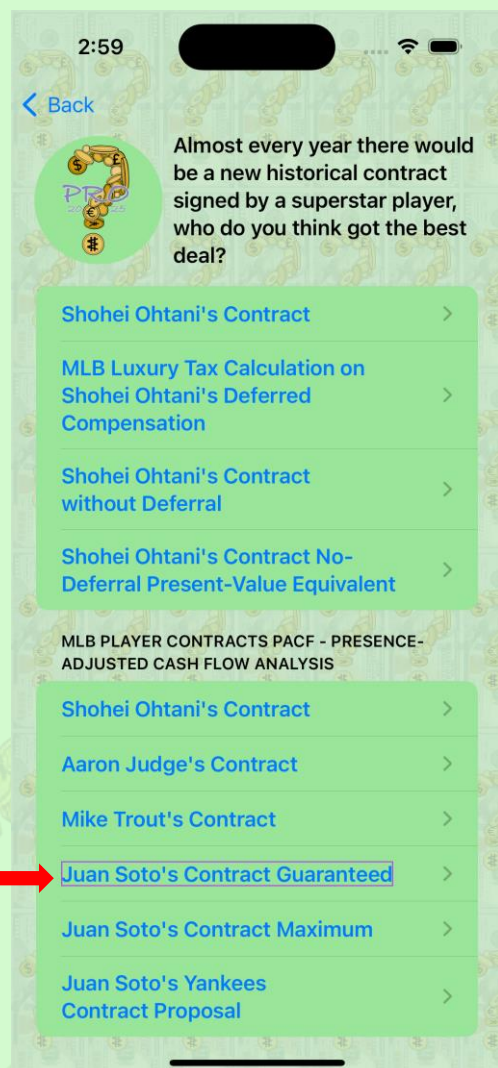
Mike Trout's Contract PACF Analysis

- Trout's contract would be worth **\$416 million** in present value, **\$10.5 million** discounted from his **\$426.5 million, 12-years** contract
- **\$34.7 million** per playing year

Juan Soto's Guaranteed Contract PACF Analysis

- Set present time at the **0th** year, which is at the end of season **2024**, while Soto's contract started in season **2025**
- The contract included \$75 million signing bonus, assumed paid at the end of season 2024
- The contract is discounted yearly (for simplicity)
- **Use a growth and discounted rate of 8% as many business manager should be able to achieve this ROI goal if not higher year over year**
- Note that you can adjust the growth and discount rates in the What If Financial app to suit your need

Juan Soto's Guaranteed Contract PACF Analysis



3:00

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Enter Periodic Cash Flow Entries Here

What is the adjusted cash flow cumulation if present time is at the 0 year

Hide Answer Show Chart Hide Question

Average net present value per playing season is \$31,970,838.32 dollars.

Total cash flow discounted is 2 \$328,466,586.9 dollars.

Years	Cash Flow	Adjusted Net Cash Flow	Cumulative Adjusted Cash Flow
0 (2024)	\$75,000,000	\$75,000,000	\$75,000,000
1 (2025)	\$51,000,000	\$47,222,222	\$122,222,222
2 (2026)	\$51,000,000	\$43,724,280	\$165,946,502
3 (2027)	\$51,000,000	\$40,485,444	\$206,431,946
4 (2028)	\$51,000,000	\$37,486,522	\$243,918,469
5 (2029)	\$51,000,000	\$34,709,743	\$278,628,212
6 (2030)	\$51,000,000	\$32,138,651	\$310,766,863
7 (2031)	\$51,000,000	\$29,758,010	\$340,524,873
8 (2032)	\$51,000,000	\$27,553,713	\$368,078,586
9 (2033)	\$51,000,000	\$25,512,697	\$393,591,283
10 (2034)	\$51,000,000	\$23,622,868	\$417,214,151
11 (2035)	\$51,000,000	\$21,873,026	\$439,087,177
12 (2036)	\$51,000,000	\$20,252,802	\$459,339,979
13 (2037)	\$51,000,000	\$18,752,594	\$478,092,573
14 (2038)	\$51,000,000	\$17,363,513	\$495,456,086
15 (2039)	\$51,000,000	\$16,077,327	\$511,533,413

Juan Soto's Guaranteed Contract PACF Analysis

- Trout's contract would be worth **\$511.5 million** in present value, **\$328.5 million** discounted from his **\$765 million**, **15-years** contract and **\$75 million** signing bonus
- **\$32 million** per playing year

Juan Soto's Maximum Contract PACF Analysis

- Set present time at the **0th** year, which is at the end of season **2024**, while Soto's contract started in season **2025**
- The contract included \$75 million signing bonus, assumed paid at the end of season 2024 – included in the 0th year cash flow
- The contract is discounted yearly (for simplicity)
- **Use a growth and discounted rate of 8% as many business manager should be able to achieve this ROI goal if not higher year over year**
- Note that you can adjust the growth and discount rates in the What If Financial app to suit your need

Juan Soto's Maximum Contract PACF Analysis

3:01

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Almost every year there would be a new historical contract signed by a superstar player, who do you think got the best deal?

Shohei Ohtani's Contract >

MLB Luxury Tax Calculation on Shohei Ohtani's Deferred Compensation >

Shohei Ohtani's Contract without Deferral >

Shohei Ohtani's Contract No-Deferral Present-Value Equivalent >

MLB PLAYER CONTRACTS PACF - PRESENCE-ADJUSTED CASH FLOW ANALYSIS

Shohei Ohtani's Contract >

Aaron Judge's Contract >

Mike Trout's Contract >

Juan Soto's Contract Guaranteed >

Juan Soto's Contract Maximum >

Juan Soto's Yankees Contract Proposal >

3:01

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Juan Soto also had a terrific season in 2024, reaching World Series with Judge and other Yankees' teammates. As the season ended, he became a free agent. Among many teams fighting, he was able to sign an even bigger contract from the Mets than Shohei Ohtani's, just made a year earlier. To fairly compare contracts starting at different years, we would need to set a common present time/season for growing past and discounting future payments. Using 'What If Financial Pro 2025's' 'PACF - Presence-Adjusted Cash Flow Analysis', we can enter 0 and anchor the present time at the end of 2024 season (assuming his signing bonus was paid full when the contract was signed or soon after, though his contract starts in season 2025) and Judge just finished his second year contract, Ohtani finished his first with the Dodgers. Enter

present time at the no. year

For the completed part of the contract, Ohtani or his business manager could invest his earnings and grow them with a higher return rate than the Applicable Federal Rates (AFR) used in previous stories. For simplicity, let's assume each year's payment was made as a lump sum at the end of season and use the

growth rate of % per year

As for discounting the rest of the yet-to-finish contract seasons, he can use a

discount rate of % per year

3:02

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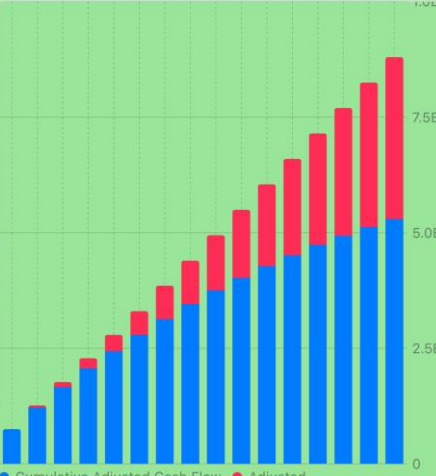
Enter Periodic Cash Flow Entries Here

What is the adjusted cash flow cumulation if present time is at the year

Hide Answer Show Table Hide Question

Average net present value per playing season is **\$33,112,530.48** dollars.

Total cash flow discounted is **\$350,199,512.31** dollars.



3:02

< Back

Enter Periodic Cash Flow Entries Here

What is the adjusted cash flow cumulation if present time is at the year

Hide Answer Show Chart Hide Question

Average net present value per playing season is **\$33,112,530.48** dollars.

Total cash flow discounted is **\$350,199,512.31** dollars.

Years	Cash Flow	Adjusted Net Cash Flow	Cumulative Adjusted Cash Flow
0 (2024)	\$75,000,000	\$75,000,000	\$75,000,000
1 (2025)	\$51,000,000	\$47,222,222	\$122,222,222
2 (2026)	\$51,000,000	\$43,724,280	\$165,946,502
3 (2027)	\$51,000,000	\$40,485,444	\$206,431,946
4 (2028)	\$51,000,000	\$37,486,522	\$243,918,469
5 (2029)	\$51,000,000	\$34,709,743	\$278,628,212
6 (2030)	\$55,000,000	\$34,659,329	\$313,287,541
7 (2031)	\$55,000,000	\$32,091,972	\$345,379,513
8 (2032)	\$55,000,000	\$29,714,789	\$375,094,302
9 (2033)	\$55,000,000	\$27,513,693	\$402,607,995
10 (2034)	\$55,000,000	\$25,475,642	\$428,083,637
11 (2035)	\$55,000,000	\$23,588,557	\$451,672,194
12 (2036)	\$55,000,000	\$21,841,257	\$473,513,451
13 (2037)	\$55,000,000	\$20,223,386	\$493,736,837
14 (2038)	\$55,000,000	\$18,725,357	\$512,462,194
15 (2039)	\$55,000,000	\$17,338,294	\$529,800,488

Juan Soto's Maximum Contract PACF Analysis

- Trout's contract would be worth **\$530 million** in present value, **\$350 million** discounted from his maximum **\$805 million**, **15-years** contract and **\$75 million** signing bonus
- **\$33 million** per playing year

Juan Soto's Yankees Contract Proposal PACF Analysis

- Set present time at the **-1st** year, which is at the end of season **2024**, while Soto's contract started in season **2025**
- The contract is discounted yearly (for simplicity)
- **Use a growth and discounted rate of 8% as many business manager should be able to achieve this ROI goal if not higher year over year**
- Note that you can adjust the growth and discount rates in the What If Financial app to suit your need

Juan Soto's Yankees Contract Proposal PACF Analysis

3:03

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Almost every year there would be a new historical contract signed by a superstar player, who do you think got the best deal?



[Shohei Ohtani's Contract](#) >

[MLB Luxury Tax Calculation on Shohei Ohtani's Deferred Compensation](#) >

[Shohei Ohtani's Contract without Deferral](#) >

[Shohei Ohtani's Contract No-Deferral Present-Value Equivalent](#) >

MLB PLAYER CONTRACTS PACF - PRESENCE-ADJUSTED CASH FLOW ANALYSIS

[Shohei Ohtani's Contract](#) >

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3:03

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When Soto became a free agent at the end of season 2024, Yankees wanted to keep him and proposed a could-be historical contract to him, too. However, it's longer and lower than Mets's contract proposal. To fairly compare contracts starting at different years, we would need to set a common present time/season for growing past and discounting future payments. For this Yankees proposal, we can enter -1 and anchor the present time at the end of 2024 season had he accepted Yankees's contract and starts in 2025 (there is no mentioning of signing bonus). End of season 2024 was also when Judge finished his second year contract and Ohtani his first. Enter

present time at the no. year

For the completed part of the contract, Ohtani or his business manager could invest his earnings and grow them with a higher return rate than the Applicable Federal Rates (AFR) used in previous stories. For simplicity, let's assume each year's payment was made as a lump sum at the end of season and use the

growth rate of % per year

As for discounting the rest of the yet-to-finish contract seasons, he can use a

discount rate of % per year

[Calculate](#)

3:04

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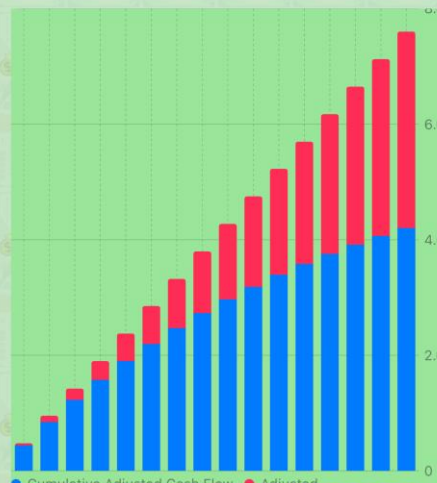
[Enter Periodic Cash Flow Entries Here](#)

What is the adjusted cash flow cumulation if present time is at the year

[Hide Answer](#) [Show Table](#) [Hide Question](#)

Average net present value per playing season is **\$26,277,502.18** dollars.

Total cash flow discounted is **\$339,559,965.11** dollars.



● Cumulative Adjusted Cash Flow ● Adjusted

3:04

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[Enter Periodic Cash Flow Entries Here](#)

What is the adjusted cash flow cumulation if present time is at the year

[Hide Answer](#) [Show Chart](#) [Hide Question](#)

Average net present value per playing season is **\$26,277,502.18** dollars.

Total cash flow discounted is **\$339,559,965.11** dollars.

Years	Cash Flow	Adjusted Net Cash Flow	Cumulative Adjusted Cash Flow
0 (2025)	\$47,500,000	\$43,981,481	\$43,981,481
1 (2026)	\$47,500,000	\$40,723,594	\$84,705,075
2 (2027)	\$47,500,000	\$37,707,031	\$122,412,107
3 (2028)	\$47,500,000	\$34,913,918	\$157,326,025
4 (2029)	\$47,500,000	\$32,327,702	\$189,653,727
5 (2030)	\$47,500,000	\$29,933,057	\$219,586,784
6 (2031)	\$47,500,000	\$27,715,794	\$247,302,578
7 (2032)	\$47,500,000	\$25,662,772	\$272,965,350
8 (2033)	\$47,500,000	\$23,761,826	\$296,727,176
9 (2034)	\$47,500,000	\$22,001,691	\$318,728,866
10 (2035)	\$47,500,000	\$20,371,936	\$339,100,802
11 (2036)	\$47,500,000	\$18,862,904	\$357,963,706
12 (2037)	\$47,500,000	\$17,465,651	\$375,429,357
13 (2038)	\$47,500,000	\$16,171,899	\$391,601,257
14 (2039)	\$47,500,000	\$14,973,981	\$406,575,238
15 (2040)	\$47,500,000	\$13,864,797	\$420,440,035

Juan Soto's Yankees Contract Proposal PACF Analysis

- Trout's contract would be worth **\$420.4 million** in present value, **\$339.6 million** discounted from his **\$760 million, 16-years** contract
- **\$26.3 million** per playing year

Observations

- **DCF** and its improvement, **PACF**, can fairly compare contract or investment proposals
- **8%** discount rate corresponds to a reasonable, long-term ROI rate, while MLB (or IRS) uses mid-term Applicable Federal Rates (AFR), which is based on Fed's rates

Observations – based on 8% rate for growth and discount

	#playing years	Contract nominal value	Contract present value at end of season 2024	Average present value per playing year
Shohei Ohtani	10	\$700 million	\$243 million	\$24.3 million
Aaron Judge	9	\$360 million	\$291.5 million	\$32.4 million
Mike Trout	12	\$426.5 million	\$416 million	\$34.7 million
Juan Soto Guaranteed	15	\$840 million	\$511.5 million	\$32 million
Juan Soto Maximum	15	\$880 million	\$530 million	\$33 million
Juan Soto Yankees Proposal	16	\$760 million	\$420.4 million	\$26.3 million

Observations

- For many good reasons (won the World Series in the contract's first year!), Shohei Ohtani chose a heavily deferred contract, diminishing much of the contract's present value
- Among all these superstar contracts, Ohtani's 2024 present value is the lowest overall (**\$243 million**) and per-playing-year average (**\$24.3 million**)
- Juan Soto's Mets contract is the biggest, worth **\$511.5 million** to **\$530 million** in 2024 present value, average **\$32 million** to **\$33 million**
- Mike Trout **\$34.7 million** average is the biggest as his contract started much earlier than others and had time to grow

Observations

- Yankees' proposal to Juan Soto is only worth \$26.3 million in average, much smaller than the Mets contract Soto accepted, \$32 million to \$33 million
- ***No wonder Yankees cannot retain Soto***
- ***Notice that these analyses highly depend on the chosen rates, try some other rates and see how their valuation changes!***

The End

- [What If Financial Pro 2025 from App Store](#)
- A financial and economic tool for professionals and common folks!