

SATOV

SATOV

[www.satovconsultants.com](http://www.satovconsultants.com)

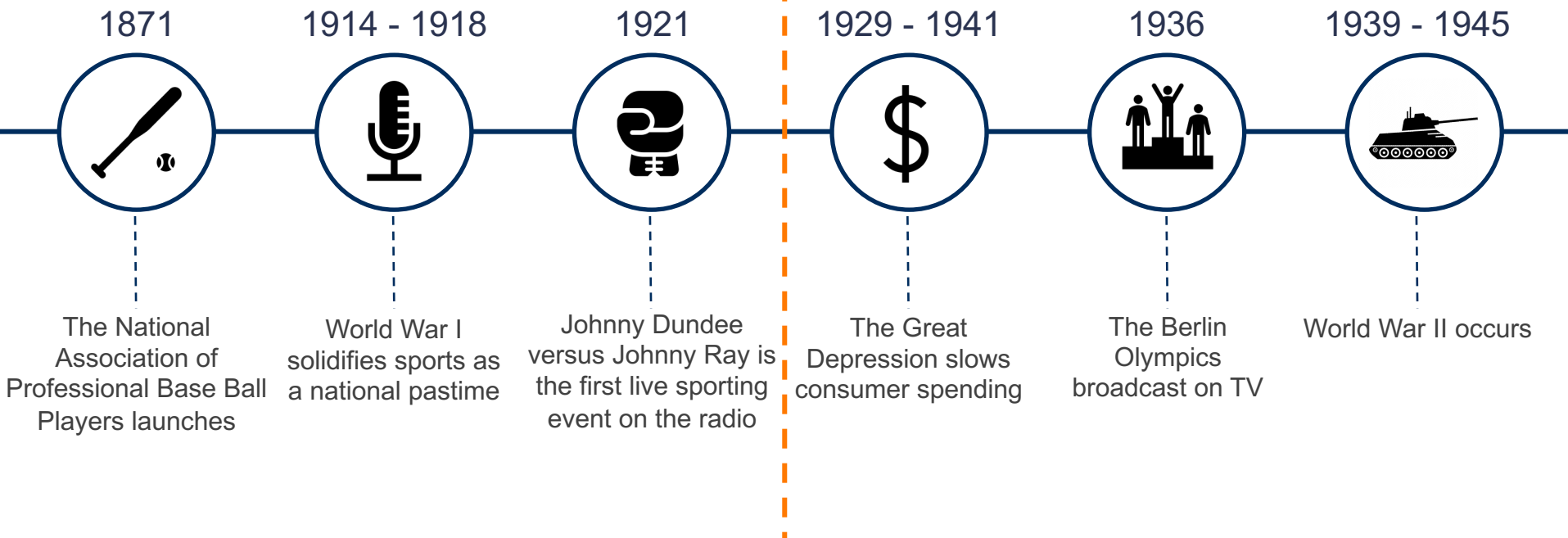


## Private equity investment in North American sports

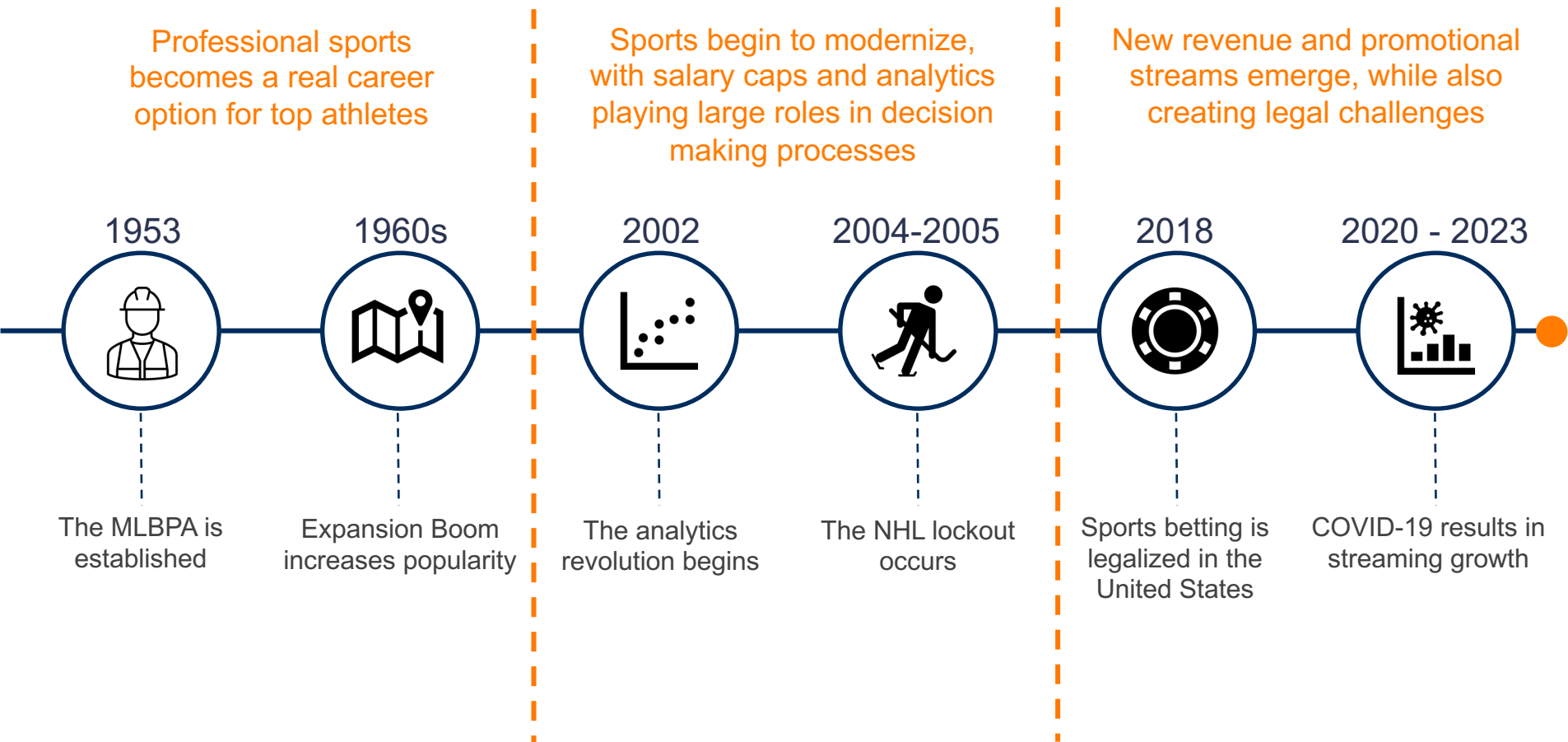
# Professional sports really took off in the late 1800s

Professional sports begin to grow in popularity, and large cities across North America begin getting teams in various leagues

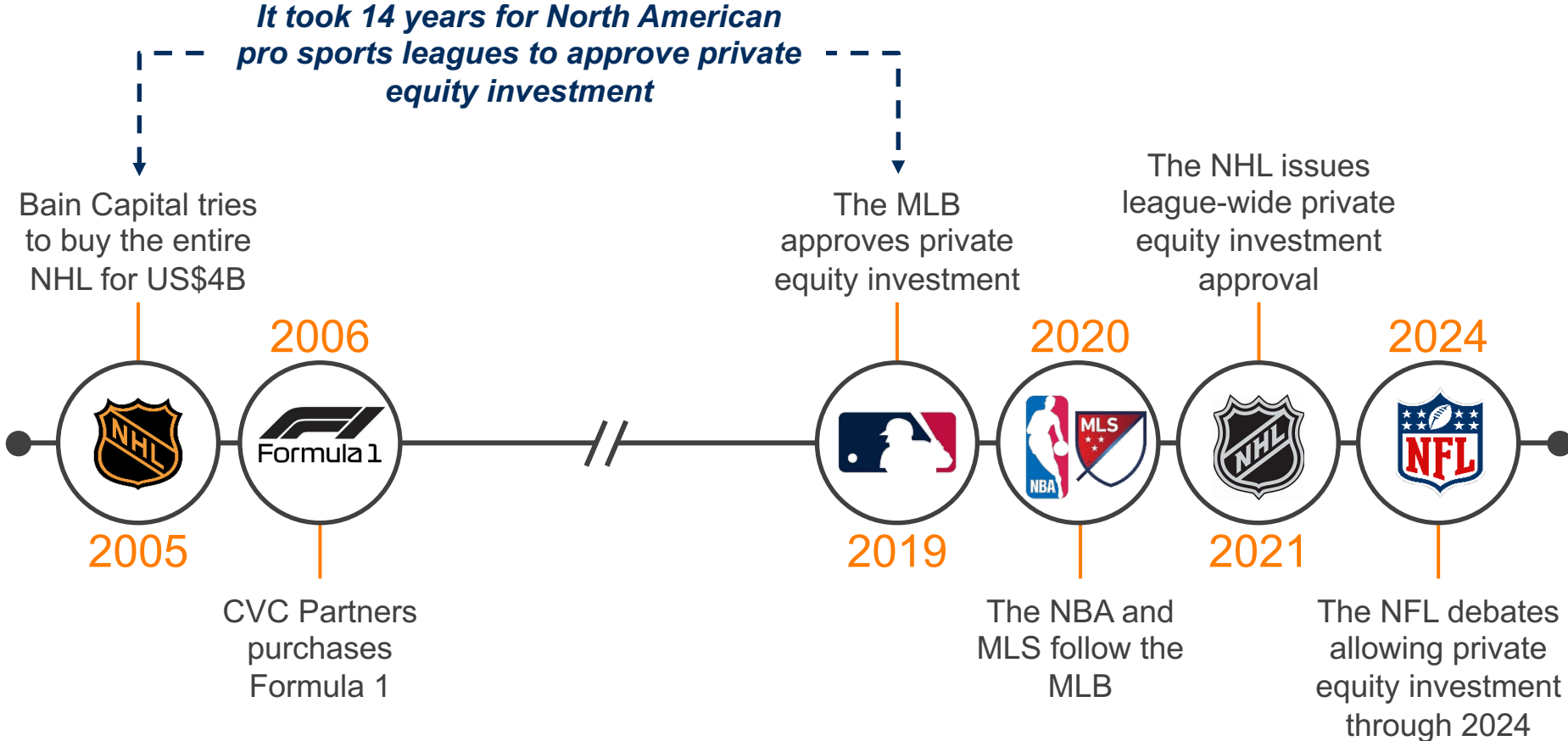
It becomes difficult to get fans to attend sporting events, but at the same time, watching and listening to sports becomes a key social outlet



# The sports market has evolved significantly over time






# Private equity has only recently entered the game



# Rules for private equity investment vary by league

## Private equity investment regulations by league








NORTH AMERICA, AS OF Q1 2024

League	Percentage of team eligible for sale	Percentage a single private equity firm can hold	Max number of teams
 NHL	30%	20%	5
 NBA	30%	20%	5
 MLB	30%	15%	None
 MLS	30%	20%	4
 NFL	N/A	N/A	N/A

Note: The percentage of a team eligible for sale to PE and the percentage a single firm can hold differ by league to limit the influence that one firm can have

Source: Mergers and Inquisitions Sports Private Equity Report






# PE involvement in sports has become prevalent

Private equity firm	Description	Type
	RedBird Capital has ~US\$10B in AUM, deployed across the Sports, TMT, Consumer and Financial Services sectors	Sports Investment Team and Sports-Focused Fund
	Blue Owl is an alternative investment firm with ~US\$173B in AUM, used for credit, real estate and private equity spaces	Sports-Focused Platform
	Arctos is a private investment firm that is invested in many professional sports teams	Sports-Focused Firm
	Dynasty Equity was created to be an entirely sports-focused private equity firm	Sports-Focused Firm
	MSP is a global sports venture capital and private equity firm	Sports-Focused Firm
	Sixth Street is an industry-agnostic private equity firm	Sports-Focused Team
	CVC is a global alternative investment manager with ~US\$210B in AUM	Sports-Focused Team

Note: Not exhaustive

Sources: Mergers and Inquisitions Sports Private Equity Report, Pitchbook, Yahoo Finance

# Recent notable PE sports transactions

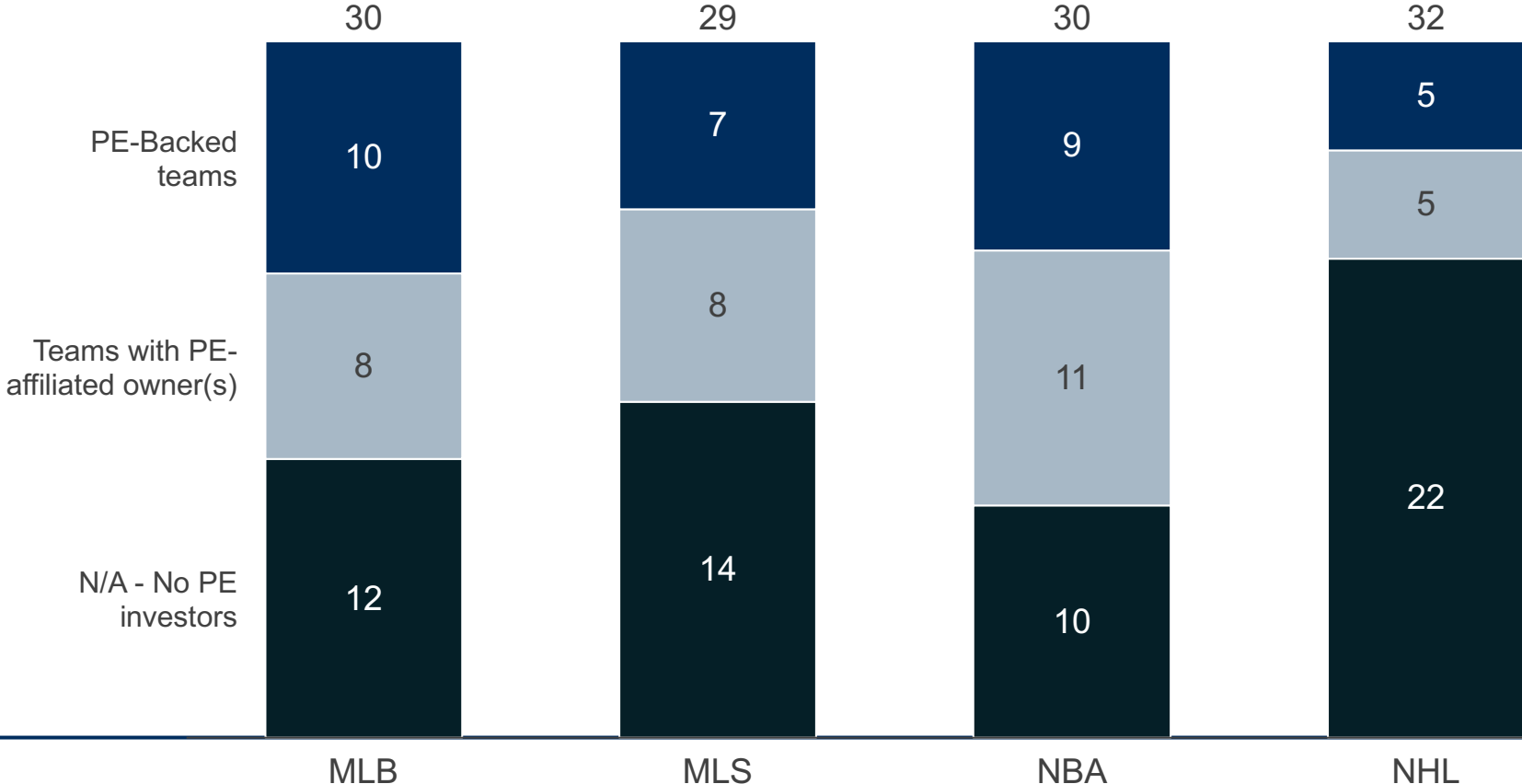
Investor	Asset	Asset type	Valuation	Transaction date
 OMERS	Maple Leaf Sports and Entertainment	Sports Group	US\$8B	November 6, 2023
 REDBIRD CAPITAL PARTNERS	EverPass Media	Entertainment Agency	N/A	March 28, 2023
ARCTOS	Tampa Bay Lightning	Hockey Team	US\$1.4B	January 4, 2022
 BLUE OWL	Phoenix Suns	Basketball Team	US\$1.55B	July 6, 2021
 SIXTH STREET PARTNERS™	San Antonio Spurs	Basketball Team	US\$1.8B	June 18, 2021
ARCTOS	Golden State Warriors	Basketball Team	US\$5.5B	April 1, 2021
 REDBIRD CAPITAL PARTNERS	Fenway Sports Group	Sports Group	US\$10.4B	March 31, 2021



# Firms are investing in all major sports

## Major North American sports leagues with private equity investors

NUMBER OF TEAMS IN EACH LEAGUE WITH PRIVATE EQUITY INVESTORS, 2024



Note 1: Private equity firms cannot currently invest in the National Football League

Note 2: PE-Affiliated teams are teams that have an owner that is in private equity, but that does not have an entire fund invested into them

Source: Pitchbook

# Sports franchises generally meet PE investment criteria

Criteria	Traditional private equity	Sports private equity
Stable revenues	Yes	Usually
Dependable customers	Yes	Yes
Ability to improve operations	Yes	Yes
Majority Stake	Yes	No
Holding Period	3 – 5 years	5+ years
Lifecycle	Mature	Can be any
Risk	Moderate	Moderate

“It’s very **difficult to** buy a sports team and **lose money.**”  
 – David Rubenstein, Co-Founder, The Carlyle Group

“Sports is for all intents and purposes **recession-proof.**”  
 – John Moag, CEO, Moag & Co

“(Everton) it looks like **management incompetence** rather than an attempt to game the rules.”  
 – Kieran Maguire, Football Author

“Bringing non-generational capital into the NFL probably will force **better standards.**”  
 – Steve Young, Former NFL Quarterback and Managing Director of HGGC

“It’s the team’s **real estate** surrounding the stadium like restaurants or hotels, its F&B contracts, there’s tech involved.”  
 – Bill Yates, Sr. Partner, Sports Advisory Group

Investment into sports franchises is very similar to traditional private equity, but over a longer term and with less control

# Sports franchises have delivered winning returns

## Returns by asset class over time

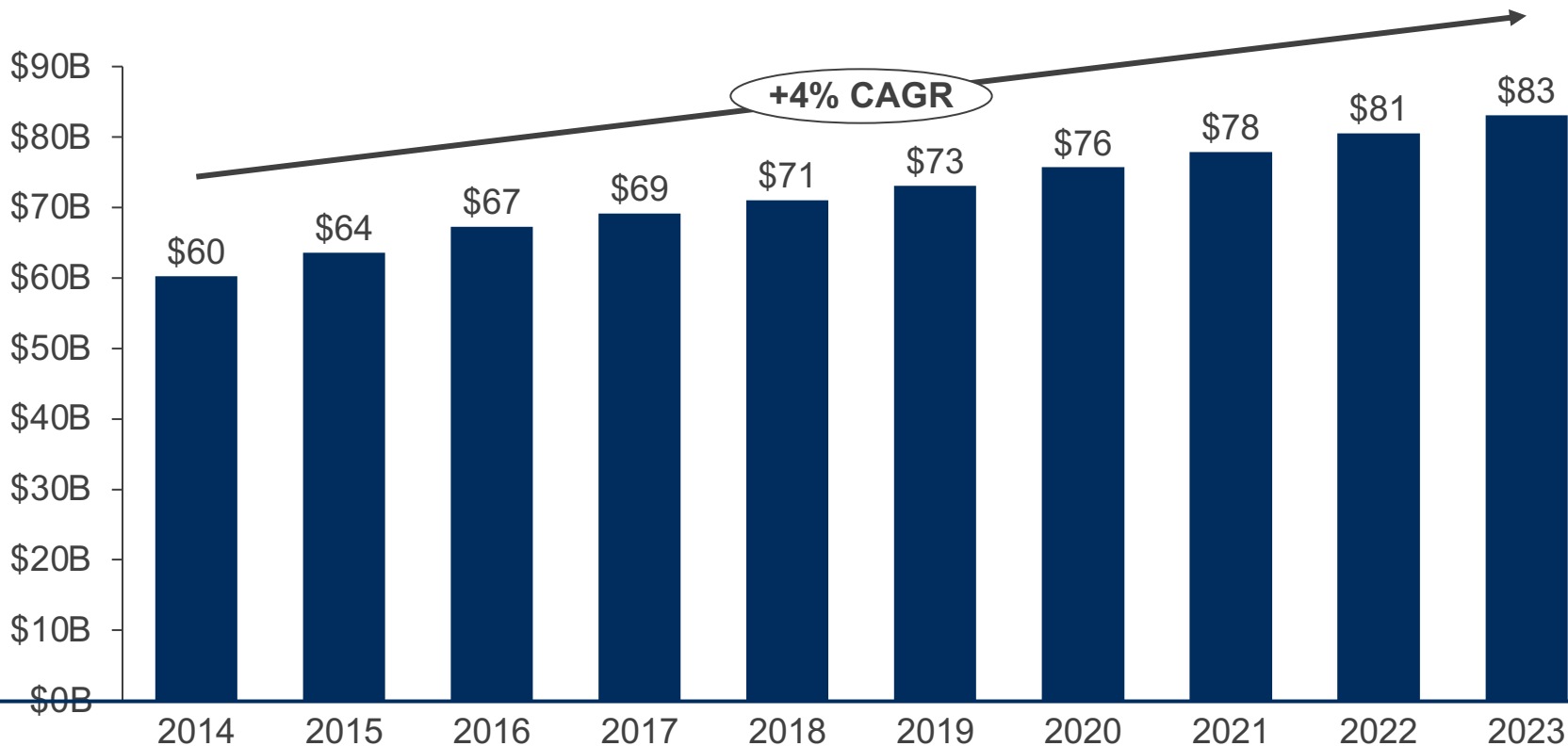
%, NORTH AMERICA, AS OF Q1 2024

Asset Class	1YR	3YR	5YR	10YR	20YR
Private Equity	6.0%	12.4%	17.6%	15.3%	14.7%
Sports (RASFI)	28.1%	16.7%	12.8%	15.1%	12.0%
U.S. Media & Ent.	53.6%	6.1%	15.2%	12.3%	11.0%
U.S. Equities	29.9%	11.5%	15.0%	13.0%	10.2%
Private Credit	8.8%	9.6%	8.4%	7.7%	9.2%
Real Assets	-1.0%	10.7%	7.0%	7.7%	8.8%
Global Equities	23.8%	7.5%	11.5%	9.2%	8.4%
U.S. Small Caps	19.7%	-0.1%	8.1%	7.6%	8.1%
Commodities	1.5%	7.6%	6.1%	-1.1%	3.7%
Fixed Income	1.3%	-4.1%	0.3%	2.2%	N/A

# Sports revenue is growing

## Total revenues of North American professional sports

US\$B, NORTH AMERICA, 2014-2023



Note: Revenues are comprised of gate sales, sponsorships, media rights and merchandising

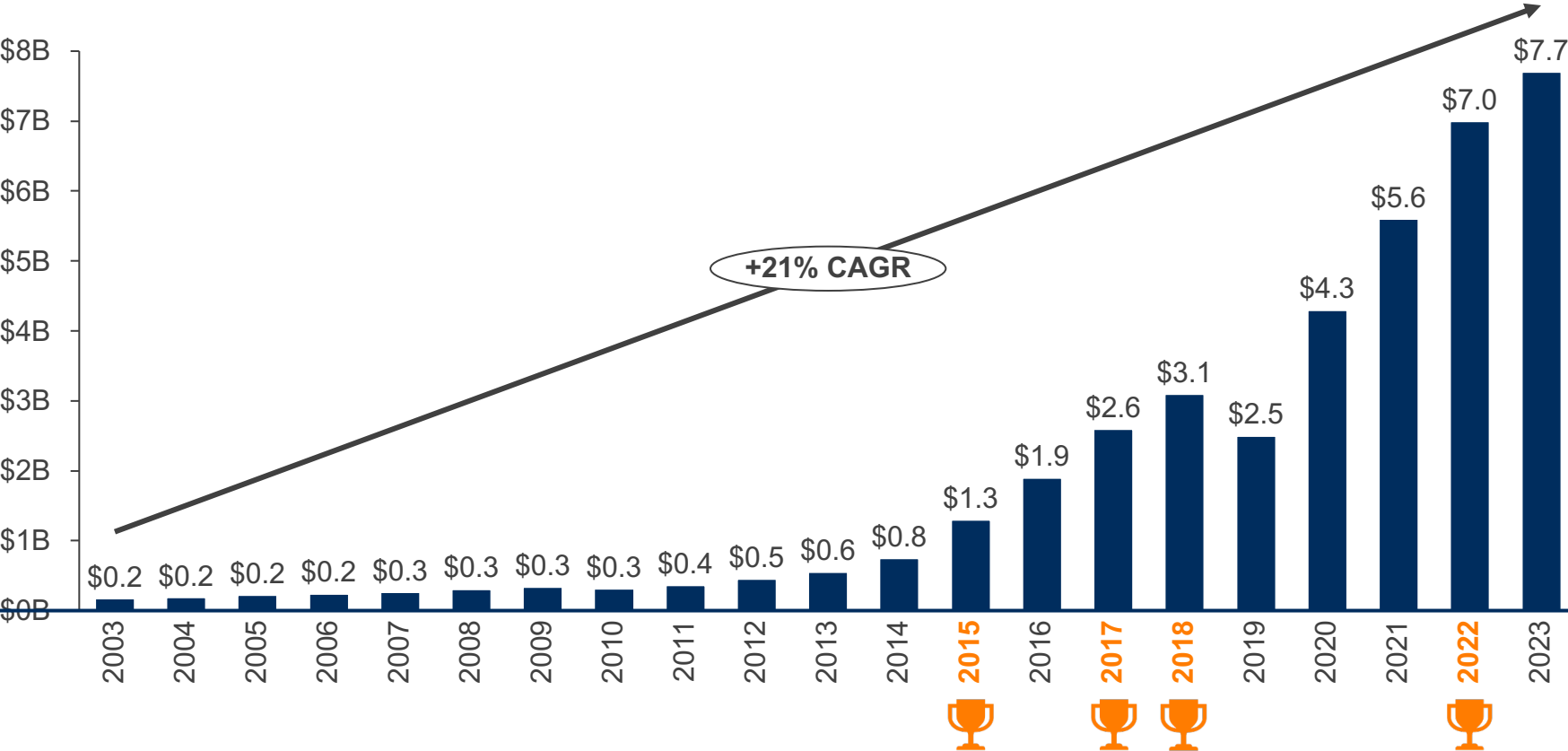
Source: Statista

# Building a winner can mean big payoffs

## Sample NBA franchise valuation: Golden State Warriors

US\$B, 2003-2023

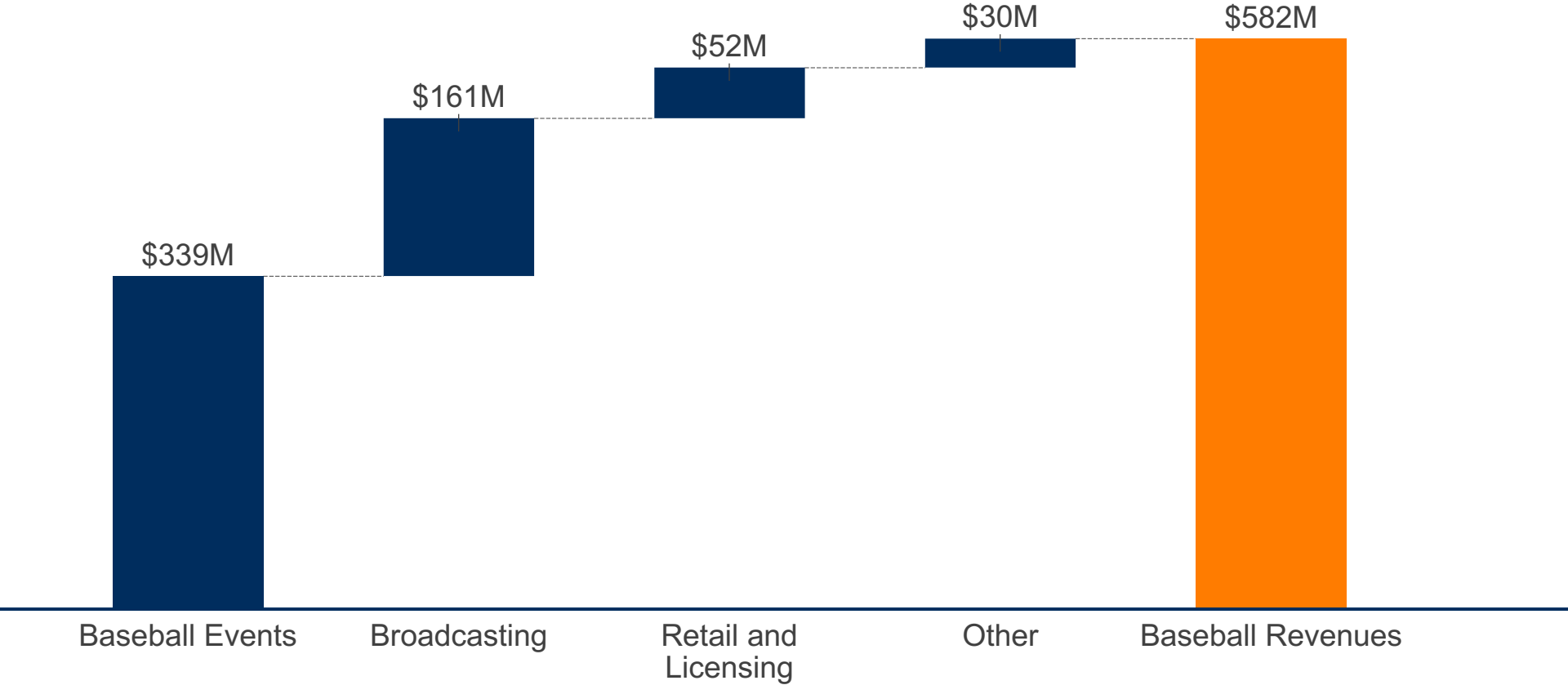
 Golden State Warriors championship winning year



# Event revenue is the primary revenue driver

## Sample MLB team revenue by source: Atlanta Braves

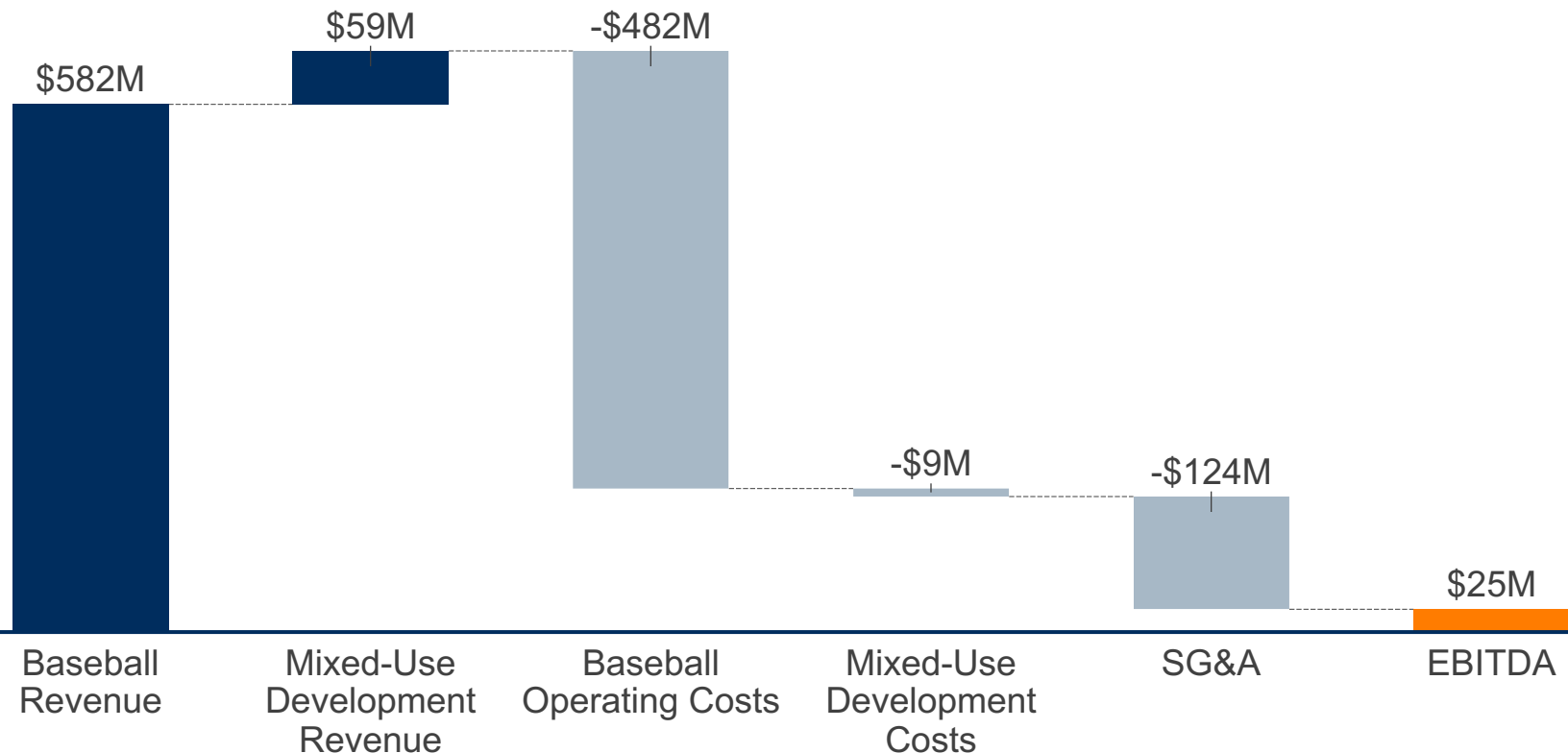
US\$M, ATLANTA BRAVES, 2023



# Fielding a team is the primary cost for sports franchises

## Sample MLB team cost structure: Atlanta Braves

US\$M, ATLANTA BRAVES, F2023



Note: Mixed-Use Development Costs and Revenues are those generated by surrounding real estate owned by Braves Holdings  
Source: Atlanta Braves 2023 10-K

# Sports investments do not come without risks

Threat	Description	Mitigation	Risk level
Asset Mismanagement	Team mismanagement occurs when owners are over-involved, or ignore prevailing issues	Owners should bring in advisors to reduce their day-to-day management, otherwise, this may occur	Low
Partner Exit	Changes in ownership impact private equity firms due to their limited ownership percentage	Owners typically hold teams for decades, but good communication in the due diligence stage is key	Low
Poor Team Performance	Short-term failures are not detrimental, but prolonged struggles can be	Committing capital to build a winner keeps performance cyclical	Medium
Lack Of Control	League-wide decisions like broadcasting deals impact private equity returns	Timelines for investment-altering decisions should be declared during the sale process	Medium
Fan Pushback	Communities may push back on private equity ownership, posing reputational risk	Bringing in a local partner often reduces fan pushback	High



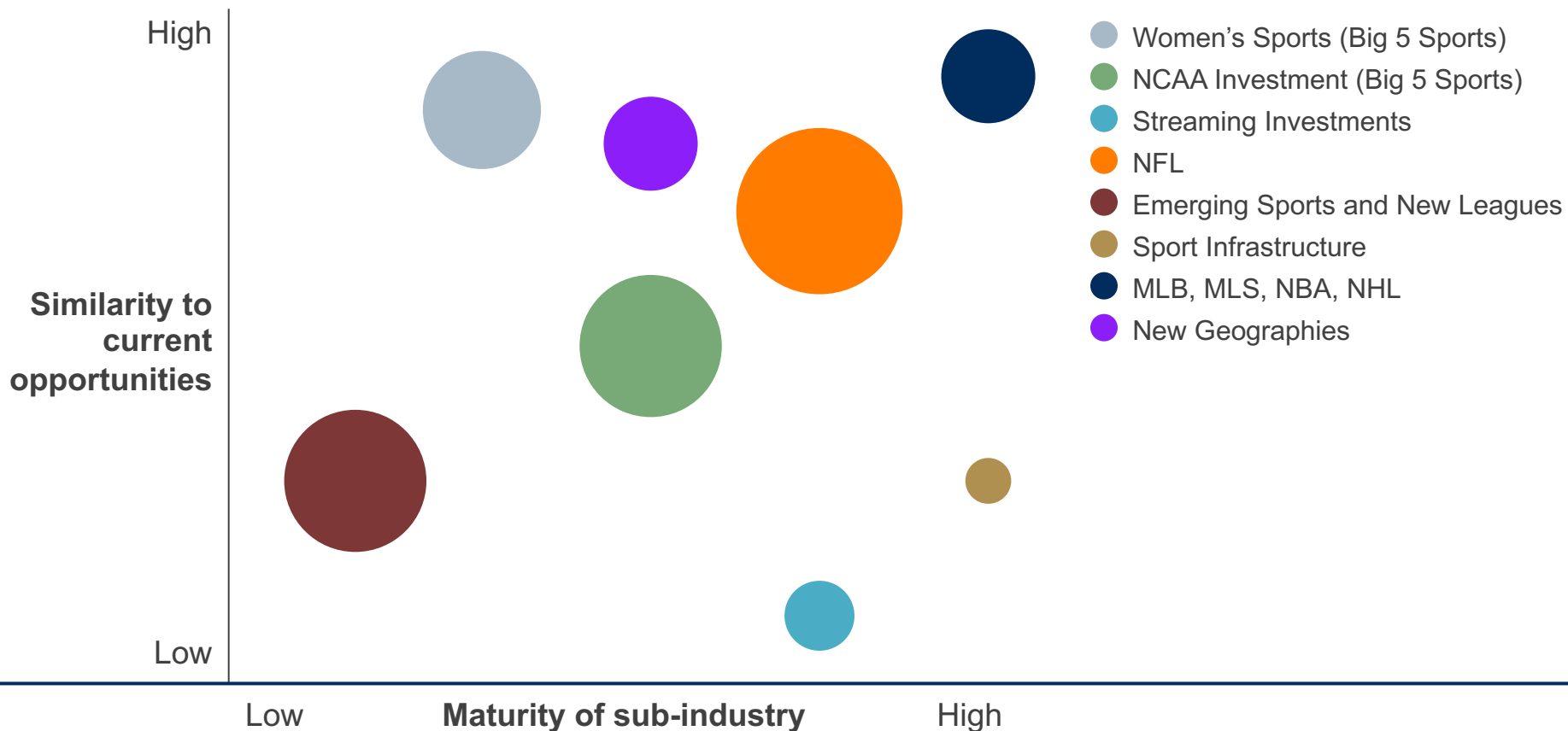
# Employing a collaborative approach can reduce the threats to valuation growth

<b>Key stakeholder</b>	<b>Strategic question</b>
<b>Fans</b>	How can we keep our current fans engaged? How can we bring in new fans?
<b>Communities</b>	What kind of partnerships can we build or maintain to connect with the community?
<b>Management</b>	Who should we bring in?

The key to success is through building emotional connections between a team and its community

# Private equity involvement in sports is still in its early innings

Future investment opportunities for private equity within sports



Note: Bubble size denotes opportunity attractiveness

Source: Fortune, Mergers and Inquisitions Sports Private Equity Report, Pitchbook, SGB Online, Yahoo Finance

SATOV