

A close-up photograph of a soccer ball hitting the net of a goal. The ball is white with black panels and is suspended in the air, having just struck the net. The goal frame is white and the net is white. The background is a dark, blurred stadium at night with bright lights.

Picking the Right Play in Sports Financing

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Introduction

Sports financing presents a compelling opportunity for investors seeking long-term growth. Fan engagement has been growing consistently across many sports which has in turn fueled interest and growth in domestic and international broadcasting rights. Sports league and sport franchise valuations in many cases (but not all cases) have risen over time and investors have taken notice. It is no surprise therefore that private equity firms have invested over \$120 billion in the business of sports between 2019 and 2021.¹

Teams and Leagues

According to Forbes, in 2022 the world's 50 most valuable sports teams were worth a combined \$222.7 billion, a 30% increase over the prior year.² The top 5 most valuable were teams in the U.S. National Football League (NFL). Nine years earlier in 2013, the top three franchises on the list were all European football (soccer) teams: Real Madrid, Manchester United and Barcelona. In 2022, 30 of the 32 teams in the NFL made the top 50 list. The main driver of the NFL's success was its media deals which are expected to generate an extra \$5 billion from new network deals with ESPN, Fox, NBC and others.

The NFL is the most recognized and valuable sports league in the world with an estimated average \$36 million per game broadcast value. Yet, the second most valuable sports league would probably surprise many people. It is the Indian Premier League (IPL, cricket) which generates \$15.1 million per game. This is ahead of the English Premier League (soccer) at \$11.23 million per game between 2022 and 2025.³

In 2009, the average IPL franchise was valued at \$67 million. The league recently expanded to 10 teams and in 2022 the 10 teams had average team value of \$1.0 billion.⁴ This is an annual growth rate of 24%. For further perspective, over the same period, the average National Basketball Association (NBA) team grew by 16% and has an average franchise value across the 30 teams of \$2.9 billion.⁵

Drivers of Value Expansion

Remember, team franchise value is distinct from annual league revenue. The incredible valuation created by the NFL and IPL is a function of media rights and sponsorships, driven by large and valuable followings. In addition, revenue can be generated from many different channels, and the types of sources continue to expand. There is also a massive and growing viewing audience for these leagues which continues to expand beyond their local markets.

Regional sports networks and media companies are devising new ways to deliver sports coverage at attractive return-on-investments (ROIs).

Most networks and streaming providers (e.g., Disney, Netflix, Hulu etc.) are jumping to provide greater sports content both in Pay per view and online formats. A growing number of consumers are moving from broadcast and cable TV to streaming. Regional sports networks and media companies are devising new ways to deliver sports coverage at attractive return-on-investments (ROIs). The good news for these companies and investors alike is that there seems to be a self-perpetuating feedback loop between fan engagement (and loyalty programs) and broadcasting rights which are expanding growth opportunities, fan base, and valuations. Corporates are also shifting from a classic team sponsorship model to more intertwined partnership relationships to build awareness in a more targeted and interactive fashion.⁶

By way of example, the NBA is on the verge of finalizing new media rights deals highlighting just how strong the demand is for live sports programming. The league's current package of contracts with traditional network and cable operators was signed in 2014 and is worth \$25 billion over 9 years. Various sports business journals are reporting that the NBA's upcoming new deal will be with a combination of traditional partners and streaming services and will be worth upwards of \$75 billion over 11 years. This substantial jump in valuation is reflective of the fact that distributors are more and more coming to the conclusion that live sports is one of the few remaining reliable providers of big audiences.

However, it is not all going up. Some of the European football media rights renewals are not going as planned. Therefore, picking the right plays within the wider sports sector is still critical.

How Europe Differs From the U.S.

Football (soccer) is the most popular sport in the world with an estimated 3.5 billion fans. Cricket is second with 2.5 billion fans.⁷ This contrasts vividly with only 400 million for American Football. We believe European Football (soccer) presents attractive investment opportunities, but not without pitfalls.

European professional leagues typically differ from U.S. sports in two key areas—governance and relegation risk. European Football clubs are often over a century old with some lacking the governance frameworks of modern institutions. In Europe, political and public opinion tends to have a larger impact on the game. As a result, governance is a critical aspect of analysis resulting in investors having to turn down certain transactions for strong clubs where they may not be comfortable with the ownership structure.

In addition, investors must consider relegation risk, which does not exist in the U.S. European football has an open pyramid system with promotions and relegation which is culturally important. The worst-performing clubs at the end of a given season will be relegated to the league below. This makes games at the bottom of the league as exciting as the top of the league. However, relegation has a significant impact on a club's revenue streams, making the perceived likelihood of a relegation scenario a key risk driver across borrowers.



Popularity and Fan Engagement Shaping Modern Stadiums

Sophisticated tracking tools and Artificial Intelligence are helping sport organizations and leagues optimize data analysis and fan-based program incentives. We expect innovative applications toward operational management, live sports coverage, fan engagement, player evaluation, and sports betting. The Olympics in Paris this summer is also additive. Sports generally seem to be having ever greater influence as its woven into the broader media and entertainment ecosystem. Thus, we believe the economics are changing, demanding broader consideration for investment into teams, leagues, and new stadiums.

Stadiums with modern amenities help grow loyalty incentive programs through enriching the fan experience. Several sports teams are looking to build new or upgraded stadiums with investment ranging from \$500 million to over \$5 billion per stadium. In some cases, the stadiums could be smaller than current ones, but are likely to include state-of-the-art high-tech enhancements.⁸

Nine new European Football stadiums are currently being planned across the UK and Europe. Several teams in each of the NFL, NBA, and MLB also all plan to add new stadiums in the next several years. On the other side, both the Paris 2024 and Los Angeles 2028 Olympic Games are planning to maximise use of existing infrastructure.

(See Appendix for MIM's approach for capitalizing on this niche asset class.)

Conclusion

Demand for long-term institutional financing of stadiums is expected to remain strong, driven by infrastructure projects like stadium modernization and expansion. Investments directly into teams and leagues look even more promising as media streaming expands fan interest. Fan engagement is also being optimized as data analytics becomes more sophisticated. The lack of cyclical and correlation to other assets serve as excellent diversifying additions to a global multi-asset portfolio. Solid revenue streams in a dynamic and interesting industry further increase the allure. However, this complex sector requires knowledge and expertise in numerous disciplines including media and infrastructure, not to forget the importance of good governance and strong structures to help mitigate downside risk.

Appendix: MIM's Focus and Approach

MIM is a leading investor in the global sports industry, with over a decade of experience in the U.S. market and a rapidly growing European presence. We've built a substantial portfolio exceeding \$4 billion in the U.S. This includes \$2.7 billion invested in leagues and teams across 7 different sports and over \$1.5 billion in stadium financing across the NFL, MLB, NBA, and NHL. In 2019, MIM leveraged its expertise to establish a European sports lending platform, and today manages over \$1 billion in exposure across European leagues, teams and stadiums. We currently have exposure across English, Spanish and French football (soccer) leagues.

MIM takes a highly selective investment approach with an emphasis on strong structures. Transactions are typically categorised into three groups:

- **TeamCo:** This structure provides financing directly to clubs, typically secured by their cashflow streams such as broadcasting revenues.
- **StadCo:** This approach focuses on stadium projects, with security over venue-specific revenue streams like events ticketing, sponsorships and food & beverage income.
- **League:** Lending to support the overall development of a given league, with cashflows for repayment generally coming from long-term contracted media rights.

We have identified a number of key credit considerations when evaluating sports-related lending opportunities. These include:

- **Sporting Performance Over Time:** Analysing a club's historical performance and its potential to maintain success.
- **Governance:** Assessing the quality of ownership and management structures within a club or leagues.

- **Revenue Diversification:** Evaluating the presence of diverse cashflows to service debt, including sponsorships and hospitality offerings.
- **Sustainable Wage Structures:** We consider the long-term viability of a club’s wage structure to ensure financial stability.
- **Stress Scenario Resilience:** We analyse the borrower’s ability to manage debt repayments through challenging economic conditions, while still prioritizing investment in core operations to maintain competitiveness.

MIM, with its expertise in bespoke financing structures across various borrowing horizons is ideally positioned to support both investors and borrowers in the evolving sports investment landscape. MIM differentiates itself through its:

- **Extensive Experience:** Over a decade of experience in the U.S. market and a growing European presence.
- **Diversified Portfolio:** Exposure to seven sports across two continents.
- **Long-Term Sustainability:** Comprehensive analysis ensures financial stability alongside sporting success
- **Selective Approach:** Meticulous due diligence ensures sound investments.
- **Bespoke Financing Solutions:** Tailored structures for TeamCo, StadCo, and League investments.
- **Trusted Partner:** Collaborating with borrowers impacted by negative events. (During the height of COVID-19 pandemic we worked with affected teams and stadiums helping to avoid any losses for our investors.)

Endnotes

- ¹ Pitchbook, [Sixth Street — which manages more than \\$70 billion — is betting big on sports teams and live events \(cnbc.com\)](#)
- ² [The World’s 50 Most Valuable Sports Teams 2022 \(forbes.com\)](#)
- ³ [Forbes.com; Indian Premier League’s Jaw-Dropping \\$6 Billion Broadcast Deal Will Have Major Ramifications In Cricket](#)
- ⁴ Forbes
- ⁵ Source: Visual Capitalist
- ⁶ (PDF) [Sport Sponsorship: The Relationship Between Team Loyalty, Sponsorship Awareness, Attitude Toward the Sponsor, and Purchase Intentions \(researchgate.net\)](#)
- ⁷ Source: Nielsen
- ⁸ [Why Barcelona’s \\$1.7 Billion Stadium Retrofit Is The Right Move \(forbes.com\)](#)

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