

# M&A ACADEMY

**Investments in the Sports Arena**

**Speakers:**  
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# Sports Investment Trends

- Emerging asset class with high investment activity
- Continued untapped demand for investment opportunities in the sports industry by private equity, financial sponsors and sovereign wealth
- Easing of investment restrictions permitting such new investors to seek out opportunities
- Minority vs. majority investments trends depend on geographic market and maturity of the revenue streams in a particular sport (majority investment more likely where team performance drives revenue)
- Future diversification and synergistic opportunities
- New PE funds and investment advisory units dedicated to sports investments

# Easing of Rules in U.S. Restricting Certain Investor Types

- Most major U.S. sport leagues have modified ownership rules to allow for the possibility of PE holding a minority ownership interest in their teams
  - Major League Baseball became the first U.S. professional sports league to allow private investment funds to hold passive, minority interests in multiple teams in 2019. NBA, MLS and NHL have followed course
  - NFL is notable exception, but NFL owners have been pushing to allow PE and institutional investors to buy stakes in teams, and a vote on the matter may be nearing
- Current owners have an interest in partnering with PE, as evidenced by their approval of the rules changes that enabled PE ownership
- Rising popularity of women's sports yields early access opportunities
- Looking outside of the major sport leagues, emerging sports offer early investment opportunities for PE outside the entrenched, expensive and "difficult to break into" professional leagues (e.g., pickleball, cornhole, esports)

**Limited Supply  
of Investments**

**Loyal fan base = low-  
turnover customer base**

**Continued need for  
capital**

**Expanding  
international  
opportunities**

**Opportunities to effectively  
institute cost savings and  
achieve efficiencies**

**What makes  
sports  
investments  
so attractive  
to private  
equity?**

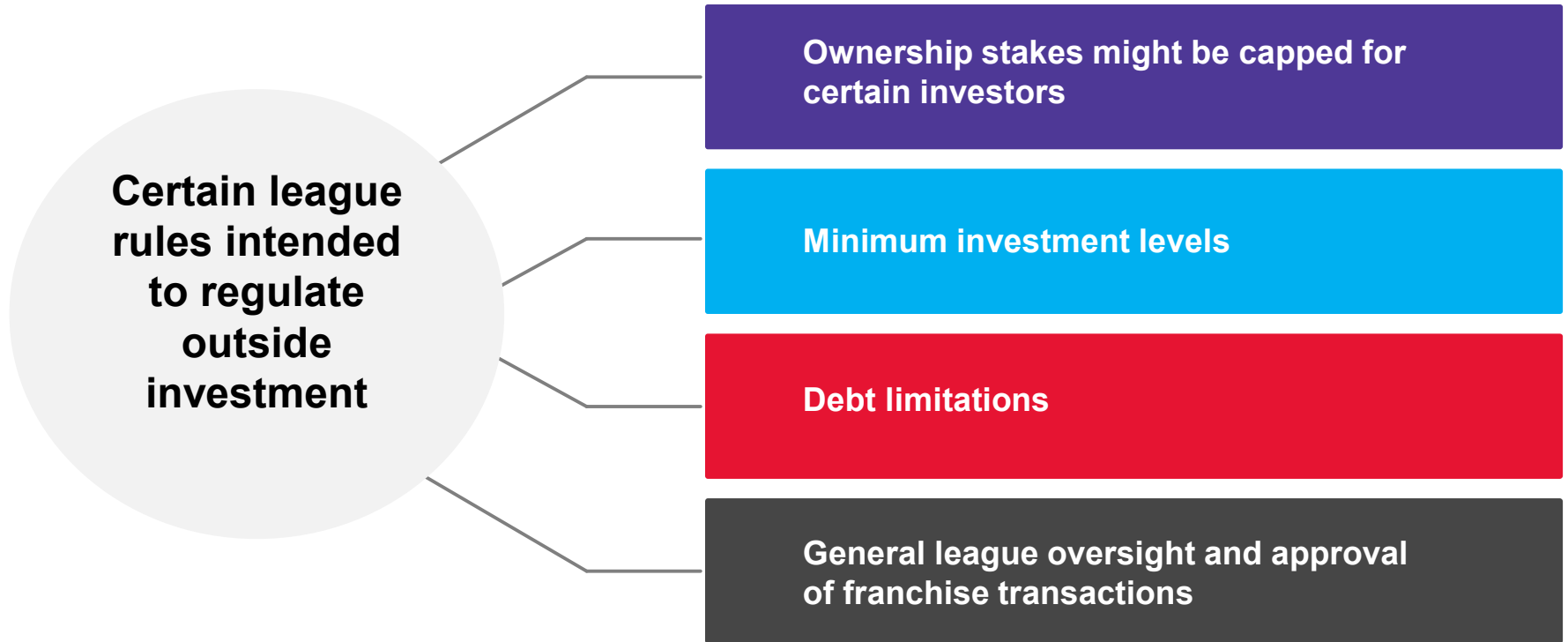
**Mature markets  
with room for  
growth**

**Known recurring revenue**

# Representative Types of Sports Transactions

- Team control acquisitions
- Minority/passive investments
- Strategic lending
- Acquisition of broadcast rights/royalty streams
- Joint ventures/commercial agreements
- Stadium and other sponsorships deals

# What Makes Sports Transactions Unique?



# What Makes Sports Transactions Unique? (cont'd)

- Limits on control
- Backstopping obligations and related structuring of arrangements among investors
- Restrictive covenants
  - Ownership of other teams
  - Significant restrictions on owners on engaging in certain types of businesses (e.g., sports betting business, agency)
  - No player promotion
  - Limitations on investments in sports-ancillary business (e.g., performance enhancing drugs)

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# Trends to Watch

- Continued easing of investment restrictions, combined with the maturing of sports markets, will drive additional investment.
- Growing opportunities in women's sports as revenues continue to grow.
- Proliferation and expansion of emerging sports.
- Expect a more robust market for ancillary opportunities around sports, including betting, media distribution and mobility, digital assets and experiences, athlete performance and data analytics.
- Rising tide will result in additional sponsorship and facility financing opportunities.

# Biography



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Andrew counsels clients ranging from Fortune 500 companies and private equity funds and their portfolio companies to entrepreneurs and emerging businesses across many industries, including sports, technology, retail, consulting, manufacturing, healthcare, and energy. He represents many of these clients, including emerging companies and portfolio companies, throughout their entire lifecycle, guiding them through the negotiation and implementation of employment arrangements, incentive equity plans, and other startup matters, as well as equity and debt financings, corporate restructurings, and sale transactions.

Andrew routinely advises on complicated transaction structures involving pre-transaction restructurings, equity rollover components, the use of representations and warranties insurance, and earnouts, among others, on behalf of both buy-side and sell-side parties. Andrew is a co-leader of the firm's global sports industry team.

# Biography



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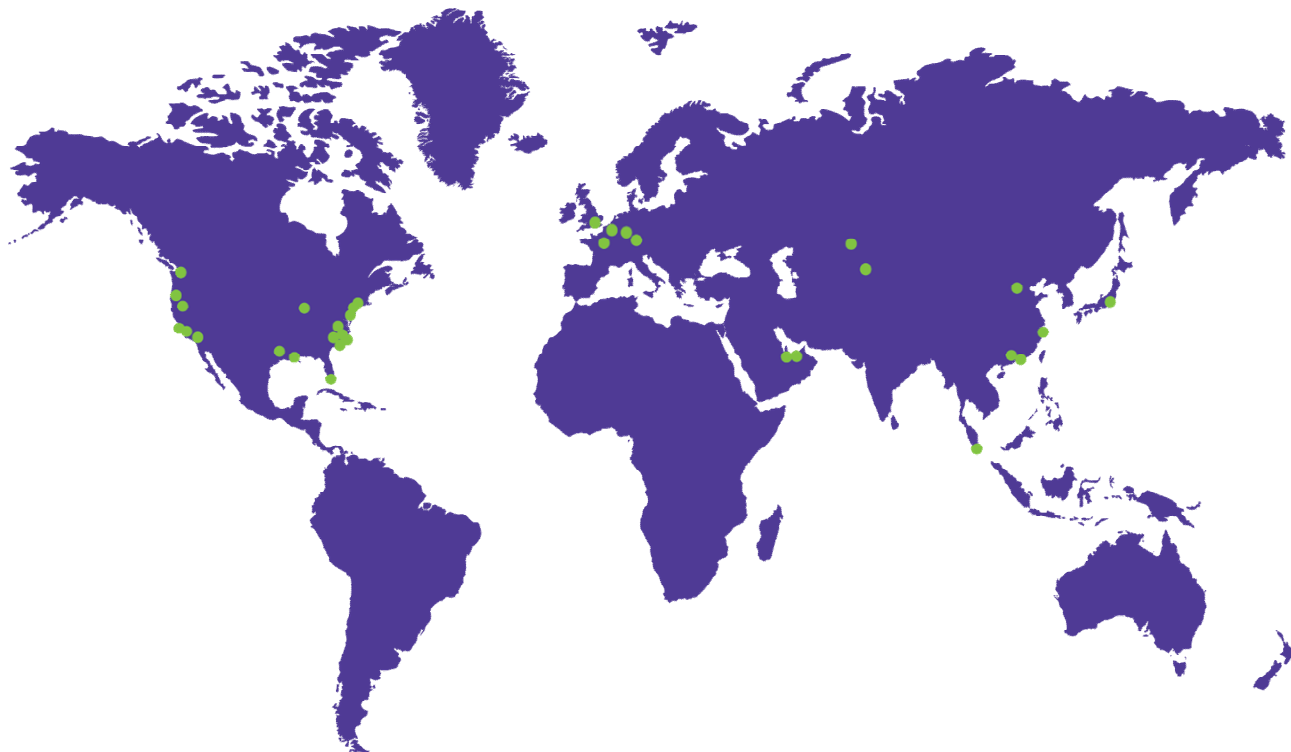
Benjamin Stein represents public and private companies in a variety of corporate transactional matters, including mergers and acquisitions, private equity and debt financings, and US Securities and Exchange Commission (SEC) registered securities offerings. He counsels public companies with respect to securities disclosure issues, corporate governance matters, New York Stock Exchange (NYSE) and Nasdaq compliance issues, and reporting obligations under the Securities Exchange Act of 1934. Ben also has experience representing both companies and underwriters in a variety of capital markets transactions.

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