

While investing in sports is not new to private equity, recent developments have brought increased attention to the investment opportunity. In August 2024, the National Football League (“NFL”) voted to permit private equity investment into its franchises for the first time. Over the past five years, all five major North American sports leagues - Major League Baseball (“MLB”), the National Basketball Association (“NBA”), the National Hockey League (“NHL”), Major League Soccer (“MLS”), and the NFL – have removed longstanding policies that prohibited private capital investment.¹

The objective of this paper is to assess the opportunity of investing in the sports industry, explore private equity’s growing presence in the sports sector, and highlight the role private equity plays in the sports ecosystem.

Key takeaways

- **Expansion of Private Equity in Sports:** All five major North American sports leagues (MLB, NBA, NHL, MLS, and NFL) now permit private equity investment. Investing in the sports industry beyond the major leagues is also on the rise.
- **Growth of the Sports Industry:** The global sports market reached \$463 billion in revenue in 2024. It is projected to accelerate to just over \$600 billion in revenue by 2028 and further expand to nearly \$863 billion by 2033. Drivers of this growth include the rising value of media rights deals, increased fan engagement, the expansion of sponsorship and merchandising opportunities, and growth in sports-adjacent businesses.
- **Investment Opportunity:** Investment in sports can take a variety of forms, which could include direct investment in franchises and leagues, media rights, real estate, and businesses supporting the sports ecosystem.
- **Investor Considerations:** Investing in professional sports teams can be challenging due to limited market participants, strict ownership qualifications, and high valuations, which may constrain potential exits and liquidity.

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¹ Sports Business Journal. “Private Equity Investment in Sports: a League-by-League Breakdown.” November 4, 2024.

History of private equity investing in sports

Since the early 2000s, private equity firms have invested in companies with ties to the sports industry. Notable early private equity investments in sports-adjacent businesses include the Yankees Entertainment and Sports Network in 2001² and the acquisition of sports and media talent agency IMG in 2004.³ However, private equity's direct venture into sports leagues can be traced to 2005, when a transaction was proposed, but not ultimately executed, for the purchase of the NHL. During an NHL lockout spurred by a labor dispute between players and owners, a private equity firm offered to buy the league for \$3.5 billion.⁴ Although this transaction did not materialize, it paved the way for the first wave of private equity deals in sports leagues.

In 2006, a private equity firm acquired a majority stake in Formula 1, a prominent international racing championship, for roughly \$2.1 billion.⁵ That same year, European football team Paris Saint-Germain ("PSG") was sold to a consortium of private equity firms.⁶ Since the PSG deal, several other European football clubs, including Manchester United, AC Milan, Inter Milan, Atlético Madrid, and others, have taken on private capital. Large transactions, such as the £2.5 billion buyout of Chelsea FC in 2022, have made international headlines. In 2023, private equity invested approximately €4.9 billion in Europe's five largest football leagues, compared to €66.7 million in 2018.⁷

In North America, it wasn't until 2019 that the MLB became the first North American sports league to permit private equity investment in its franchises. Under the league's current rules, a private equity fund can own just a minority stake in a franchise,⁸ a provision that contrasts with the European approach. Similar restrictions on private investment have been imposed by all major North American sports leagues as they implement new ownership rules (see Figure 1). Leagues such as the NFL permit only a select group of league-approved private equity firms to invest in their teams.⁹ Nevertheless, dealmaking has ramped up in these leagues in the past few years. The first major transaction in the MLB following its rule changes was the \$750 million acquisition of more than a 10% stake in Fenway Sports Group,¹⁰ the entity that owns the Boston Red Sox and Liverpool FC. As of December 2024, private equity firms and executives were connected to 20 of 30 NBA teams, 18 of 30 MLB teams, 15 of 29 MLS teams, 10 of 32 NHL teams, and eight of the 32 NFL teams.¹¹ The NFL is further gearing up for private capital following its recently approved rule changes. The table below shows private equity's investment constraints across the major North American sports leagues.

	MLB	NHL	NBA	MLS	NWSL	NFL
Maximum Cumulative PE Investment Per Franchise	30%	30%	30%	30%	30%	10%
Maximum Amount a Single PE Investor Can Own Per Franchise	15%	20%	20%	20%	20%	10%
Maximum Number of Franchises a PE Investor Can Invest In	Unlimited	5	5	4	3	6

² Source: Wall Street Journal. "Goldman's Yes Network Stake Sale Caps Career of Cardinale." November 20, 2012.

³ Source: Chief Marketer. "Forstmann Little to Acquire IMG for \$750 Million." October 5, 2004.

⁴ Source: Sportico. "Sports Grow From Private Equity Afterthought to Booming Market." May 16, 2024.

⁵ Source: Financial News London. "CVC's Investment in Formula One Nears the Finish Line." September 5, 2016.

⁶ Source: Sportico. "Global Soccer Private Equity Ownership Rules: Can PE Own Teams?" June 24, 2024.

⁷ Source: Pitchbook. "Every PE Connection to Europe's Top Football Clubs." August 13, 2024.

⁸ Source: Sportico. "MLB Private Equity Ownership Rules: Can PE HAVE Stakes in Teams?" July 3, 2024.

⁹ Source: NFL.com. "NFL Owners Vote to Allow Private Equity Funds to Buy Stakes in Teams." August 27, 2024.

¹⁰ Source: Sportico. "Redbird Capital Acquiring Ten Percent of Fenway Sports Group For \$750 million." February 26, 2021.

¹¹ Source: Pitchbook. "Major League Investors: Private Equity's Pro Sports Ties." December 11, 2024.

FIGURE 1
Private Equity Investment Restrictions in Sports Leagues

Source: Holland & Knight. "Private Equity's Time on the Bench Is Over: NFL Owners Allow Private Equity Fund Investments." September 5, 2024.

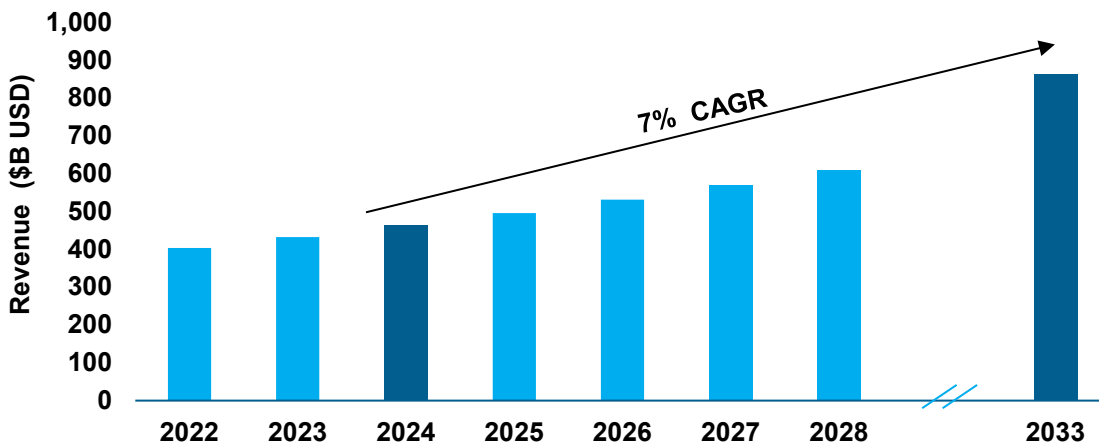
Growth of the sports industry

Private equity's growing presence in major North American sports leagues has captured headlines, but sports-adjacent industries are also positioned for significant growth, fueled by global trends and shifting consumer demands.

The global sporting products market, which serves the professional, amateur, and youth sports sectors, generated more than \$150 billion in revenue in 2023 and is projected to grow to \$160 billion in 2024.¹² Meanwhile, the global sports nutrition market, which spans everything from sports drinks to protein supplements, was valued at just over \$45 billion as of 2023 and is expected to increase in value at a compound annual growth rate ("CAGR") of 7.5% from 2024 to 2030.¹³

The growth doesn't stop there. The global sports betting market, valued at \$83.7 billion in 2022, is projected to grow at a CAGR of 10.3% from 2023 to 2030, driven by rising popularity, accessibility, and favorable regulatory trends.¹⁴ Additionally, the global e-sports market is anticipated to grow from \$2.3 billion in 2023 to \$16.7 billion by 2033, with a projected CAGR of 21.9%.¹⁵

Altogether, the global sports market reached \$463 billion in revenue in 2024 and is projected to accelerate to just over \$600 billion in revenue by 2028, further expanding to nearly \$863 billion by 2033.¹⁶ These figures highlight how the sports industry extends far beyond the playing field, presenting a range of emerging investment opportunities.



¹² Source: Cognitive Market Research. "The Dynamic Evolution of the Sporting Goods Industry: Key Drivers and Market Insights (2024 Market Size: USD 160 billion)." Accessed December 9, 2024.

¹³ Source: Grand View Research. "Sports Nutrition Market Size, Share & Trends Analysis Report By Product Type (Sports Supplements, Sports Drinks), By Formulation, By Consumer Group, By Sales Channel, By Region, And Segment Forecasts, 2024 - 2030." Accessed December 9, 2024.

¹⁴ Source: imarc. "Sports Betting Market Report by Platform (Offline, Online), Betting Type (Fixed Odds Wagering, Exchange Betting, Live/In Play Betting, Pari-Mutuel, eSports Betting, and Others), Sports Type (Football, Basketball, Baseball, Horse Racing, Cricket, Hockey, and Others), and Region 2025-2033." Accessed December 9, 2024.

¹⁵ Source: Marketus. "Global Esports Market Size, Share, Trends Analysis Report By Streaming Type (Live, On-Demand), By Revenue Stream Type (Media Rights, Game Publisher Fee, Sponsorship, Digital Advertisement, Tickets and Merchandise), Region and Companies - Industry Segment Outlook, Market Assessment, Competition Scenario, Trends and Forecast 2024-2033." November 2024.

¹⁶ Source: Houlihan Lokey. "Sports Market Update - Fall 2024." September 7, 2024.

FIGURE 2
Overall Global Sports Market Revenue

Source: Houlihan Lokey. "Sports Market Update - Fall 2024." September 7, 2024.

As sports submarkets, such as sporting goods, nutrition, sports betting, and e-sports, continue to exhibit steady growth characteristics, they have also gained more investment attention from private capital. 2023 was the third consecutive record-breaking year in sports dealmaking, with \$25 billion in deal volume globally, up 27% from 2022.¹⁷

¹⁷ Source: Bloomberg. "Supercharged Sports Hit \$25 Billion M&A Record: Bloomberg Deals." January 1, 2024.

As deal volume in the global sports market has increased, so have major league franchise valuations.

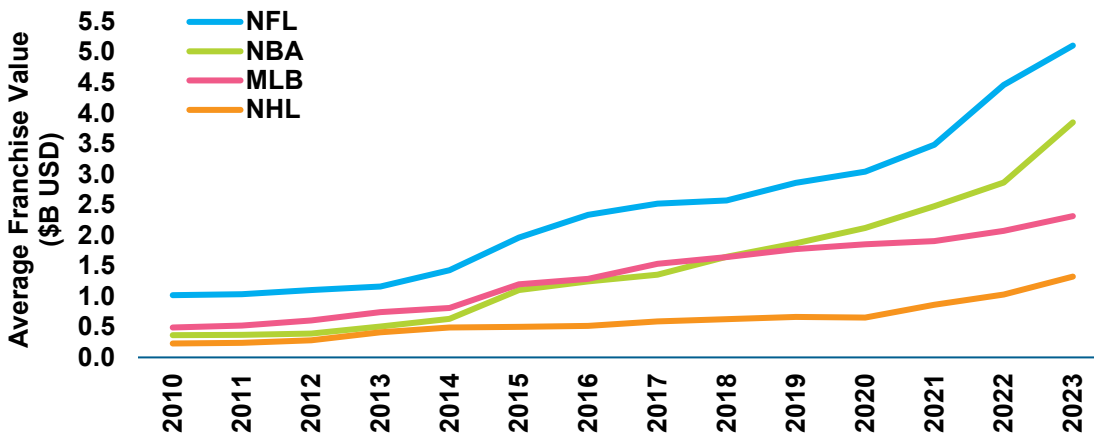


FIGURE 3
Average Franchise Valuation Growth (\$B)

Source: Statista. "Major Sports Leagues by Average Franchise Value in North America from 2007 to 2023." April 23, 2024.

This valuation growth is not unique to North American sports leagues. International sports such as soccer and cricket continue to grow. The world's 30 most valuable soccer teams are worth an average of \$2.3 billion, which has grown over 5% since 2023.¹⁸ The Indian Premier League, a professional Indian cricket league, has seen its cumulative brand value rise to \$12 billion in 2024, up 13% from the year prior.¹⁹

¹⁸ Source: Forbes. "2024 Global Soccer Team Valuations: Ranking the World's Most Valuable Soccer Teams." May 23, 2024.

¹⁹ Source: The Economic Times. "At \$12 bn brand value, IPL is star among sports leagues." December 4, 2024.

Professional sports growth drivers

Sports leagues and franchises generally derive their revenue from:

- **Media/Broadcasting Rights:** A significant portion of revenue comes from television and streaming deals. These deals often include exclusive rights, premium content packages, and long-term contracts, which make professional sports teams attractive to financial buyers.
- **Sponsorships:** Deals with brands for official sponsorships, naming rights, and advertising partnerships contribute significantly to sports team and league revenues. These sponsorships extend beyond traditional advertising, which includes branded content, in-stadium promotions, and co-marketing opportunities.
- **Ticket Sales/Concessions:** Revenue from attendance at live events, which is the output of stadium capacity, ticket prices, and attendance rates.
- **Merchandising:** Income from branded merchandise, which includes apparel, collectibles, and licensed products. Sales are often driven by both physical and e-commerce channels.
- **Other:** Sports leagues and teams are increasingly deriving revenue from sources such as gaming, e-sports, sports betting, digital content, fan experiences, and more.

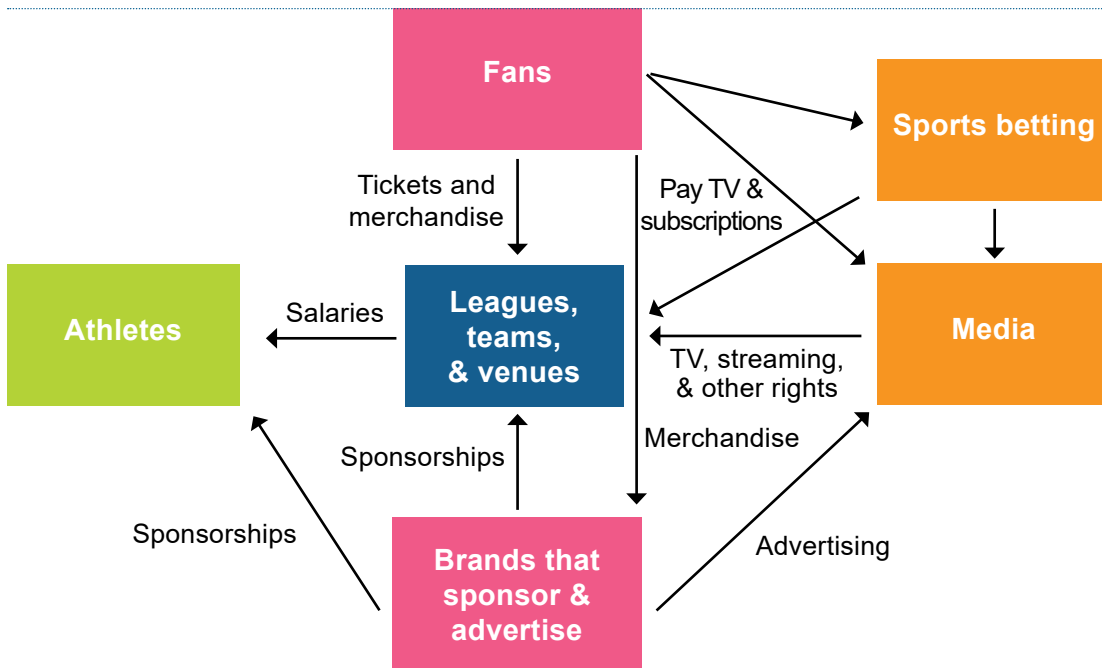


FIGURE 4
Money Flows in Professional Sports

Source: Bain & Company. "How Investment Is Changing Sports." May 27, 2021.

Valuation growth for the major sports leagues has been driven primarily by large media rights deals that provide contractual long-term revenue. Media rights represent the largest proportion of revenues for the NBA, MLB, and NFL (see Figure 5). With consumers moving away from traditional broadcast mediums, streaming platforms are pouring millions into live sports. For example, in 2022, Apple TV acquired the rights to Friday night MLB games for \$85 million per year over seven years.²⁰ In 2021, Amazon reportedly agreed to pay \$1 billion per year, starting in 2023, to the NFL to broadcast 15 or 16 Thursday Night Football games annually until 2033, which is over \$62 million per game.²¹

²⁰ Source: Forbes. "MLB Deals With Apple and NBC Sports are Worth a Combined \$115 Million Annually." March 14, 2022.

²¹ Source: CNBC. "NFL Finalizes New 11-year Media Rights Deal, Amazon gets Exclusive Thursday Night Rights." March 18, 2024.

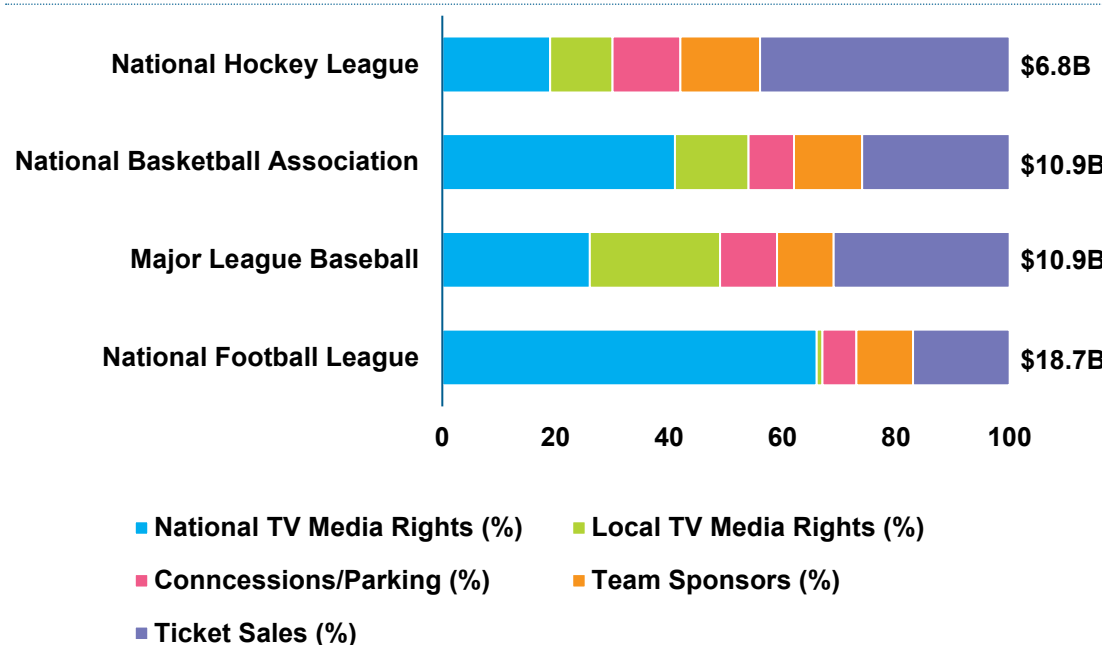


FIGURE 5
League Revenue by Source (Total Revenue for 2023)

Source: Houlihan Lokey. "Sports Market Update - Fall 2024." September 7, 2024.

Although media rights deals are a significant driver of valuations and are likely to continue to grow over time, they are just part of the revenue picture. Sports teams are increasingly becoming global brands by leveraging the value of their intellectual property through sponsorships and merchandising. Franchises are also trying to optimize fan engagement through live experiences and events outside of gameday. Another driver of valuations may be physical assets, as sports teams often own their stadiums and adjacent real estate.

Valuations have materialized in several major transactions with sports franchises in the past few years. In 2023, the NFL's Washington Commanders sold for a record-breaking \$6.05 billion, equating to 11 times their annual revenue. This valuation exceeded that of the Denver Broncos when they were sold for \$4.6 billion in 2022 at nearly nine times their annual revenue.²² The NBA's Phoenix Suns were acquired for \$4.0 billion in February 2023²³ – equivalent to 13 times their annual revenue. This transaction multiple represented a substantial uptick from the roughly \$1.7 billion sale of the Utah Jazz in 2020 at six times their annual revenue.²⁴

²² Source: CBS News. "NFL Owners Unanimously Approve \$6 Billion Sale of Washington Commanders." July 20, 2023.

²³ Source: Arizona's Family. "A look at What's Changed in the Year Since Mat Ishbia Purchased Phoenix Suns, Mercury." February 8, 2024.

²⁴ Source: Sportico. "Utah Jazz to Be Sold for \$1.66 Billion to Qualtrics CEO Smith." October 28, 2020.

Investment opportunity set

Investment in sports can take a variety of forms, including direct investments in franchises and leagues, sports-adjacent corporate investments, media rights, and real estate:

- **Direct Investing in Teams and Leagues:** Private capital may pursue minority equity stakes, majority ownership, or debt financing in sports franchises or leagues. Firms may seek to add value by optimizing existing revenue streams and funding growth initiatives.
- **Sports-adjacent Corporate Investments:** Buyouts, growth equity, and debt investments into companies operating in and around the sports industry, such as equipment manufacturers, data analytics providers, and youth sports businesses, present additional growth opportunities.
- **Media Rights:** Through direct investing in major sports teams, leagues, and sports-adjacent corporates, private equity firms gain exposure to lucrative and growing media rights deals.
- **Sports Real Estate:** Investors can explore ventures such as real estate projects, which include new facilities, adjacent developments, stadium expansions, and renovations, all of which require growth or debt capital.

Risks and considerations for sports investors

The professional sports investment landscape presents a unique set of challenges for private equity firms:

- **Limited Market Participants:** The number of professional sports teams is inherently limited, particularly in the major North American leagues. This creates a constrained market where supply is fixed and new opportunities for ownership can be rare. League rules often impose strict qualifications for ownership, which can deter or disqualify otherwise capable buyers, further narrowing the field of potential exits for investors. Further, the high purchase price of teams limits the pool of potential buyers, as few entities can afford such an investment.
- **Complex Exit Path:** Selling a team is often difficult due to the need for league approval, regulatory oversight, and the complexity of finding a qualified buyer willing to meet the high asking price. Unlike more liquid assets, sports teams cannot be easily sold during market downturns or when investor priorities change.
- **Sentiment-Driven Valuation:** Unlike traditional assets, the value of sports teams can be heavily influenced by intangible factors such as brand strength and team performance.
- **Growth Trajectory:** Growth in valuations may slow as media rights and viewership approach maturation. Valuations have historically benefited from rising media rights deals and sponsorship revenues.
- **Governance Challenges:** Minority ownership potentially limits the ability of private equity firms to influence operational changes or strategic decisions. Private equity investors may face conflicts of interest with majority owners, who may prioritize non-financial objectives over maximizing investment returns. In addition, private equity firms holding minority ownership stakes may have less influence over the timing or structuring of exits, which may extend the holding period and complicate returns.
- **Profitability of Teams:** Sports teams face steep operating costs, including massive player salaries, staff expenses, and stadium maintenance. In addition, many teams rely disproportionately on media rights, sponsorships, ticket sales, and merchandising, all of which can be variable based on team performance.

Conclusion

The continued convergence of private equity and sports reflects the transformation of the sports industry from a niche market to a global institutional investment opportunity. Once considered trophy assets owned exclusively by a small number of wealthy individuals, sports leagues and franchises have become a focus of private investment funds. Sports-adjacent markets have also expanded alongside leagues and franchises. Private capital has drawn attention to the opportunity in sports and is bringing new perspectives to how these assets are valued, managed, and monetized.

As valuations continue to rise, driven by the increasing value of media rights deals, sponsorship deals, and global fan engagement, private equity's involvement is transforming the landscape. While challenges such as illiquidity, regulatory complexities, and operational risks remain, the appeal of sports as an opportunity set for investment lies in its resilience, strong demand drivers, and long-term revenue potential. The sector's continued evolution presents an opportunistic frontier for private equity investors.

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