Sports Teams and Private Equity Pair Up

The rise of sports franchises selling minority stakes to sponsors

PitchBook is a Morningstar company. Comprehensive, accurate and hard-to-find data for professionals doing business in the private markets.

Credits & Contact

PitchBook Data, Inc.

John Gabbert Founder, CEO
Adley Bowden Vice President, Market Development & Analysis
Nizar Tarhuni Director, Institutional Research

Institutional Research Group

Analysts
WYLIE FERNYHOUGH Senior Analyst, PE Team Lead
wylie.fernyhough@pitchbook.com
pbinstitutionalresearch@pitchbook.com

Research
reports@pitchbook.com

Publishing

Designed by **Joey Schaffer**

Published on May 13, 2021

Contents

Key takeaways

- In the last handful of years, several leagues, including the NBA, MLB, and MLS, have altered ownership rules to allow minority investments by private equity (PE) style funds into multiple teams. In response, several newcomers and a couple established firms have begun targeting this new opportunity. The NBA and MLB provide the most fertile hunting ground with the highest value held by minority owners.

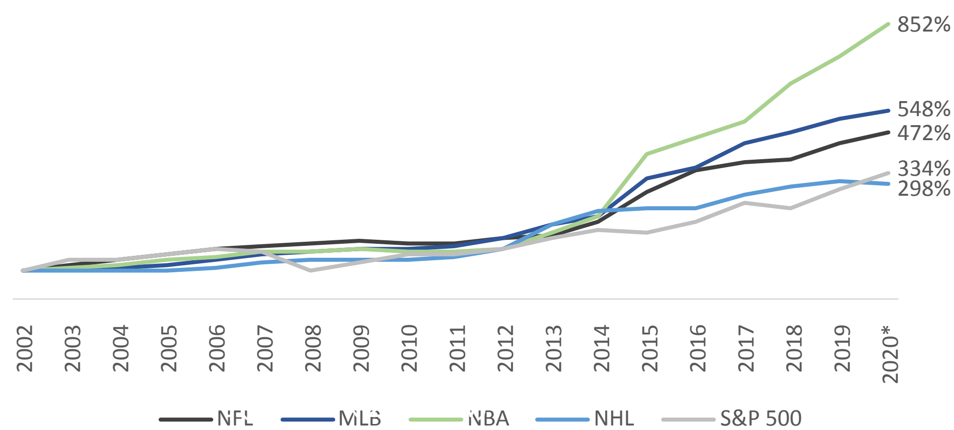
- Although sports franchise values have swelled over the past 20 years, there appears to be plenty of runway for many leagues. New media rights deals continue to favor their live content, for example. Sports betting and non-fungible tokens (NFTs) could also bring in additional attention and revenue to select leagues. These passive, minority stakes are typically bought at a discount as well, potentially boosting returns.

- Going forward, we expect capital to flow into the industry as LPs seek to tap into this previously inaccessible asset class. However, returns will likely be lower than the prevailing 20-year period. On the deal side, there are several minority and majority owners who are likely to sell to PE firms, each for varying reasons.

Introduction

Sports team ownership has long been an exclusive club and a crown jewel asset for the wealthiest individuals, but now institutional money is coming into the fray. Owners of sports franchises, namely the NHL, NFL, NBA, MLB, and MLS in the US, have seen their fortunes rise as average team valuations have outpaced the S&P 500 over the past 20+ years. The Utah Jazz, which was acquired for just $22 million in 1985, sold for $1.66 billion in late 2020,[1] and the New York Mets, which was purchased for $85 million in 1986[2] before being sold in November 2020 for $2.4 billion, according to PitchBook data. Not only does price appreciation at this scale force institutions to pay attention, but it also limits the number of buyers. There are only so many multibillionaires willing to drop $1.5 billion+ on a sports team. Furthermore, many of these newcomers are approaching ownership through the lens of operating a business and prioritizing longer-term profits. After all, people and institutions that pay $1 billion to $3 billion for a sports franchise want to maximize returns.

Total return for select sports leagues and the S&P 500



Source: Sportico, Forbes, PitchBook | **Geography:** North America
*As of June 30, 2020
Note: This tracks the average team value each year and the year-end price of the S&P 500, accounting for dividends.

Many of the current generation of US-based owners are thinking like institutional investors because they lead some of the largest institutional asset managers. Josh Harris and David Blitzer—leaders at Apollo Global Management and Blackstone, respectively—own the Philadelphia 76ers and the New Jersey Devils. Tom Gores, representing Platinum Equity, owns a majority stake in the Detroit Pistons. David Tepper and Steve Cohen, two of the most successful hedge fund managers of all time, own the Carolina Panthers and the New York Mets, respectively. The list goes on, from the Warriors to the Milwaukee Bucks and beyond. The New York Knicks and Rangers are also institutionally backed, though they are uniquely part of a publicly traded entity, Madison Square Garden (NYSE: MSG).

1: "Meet Ryan Smith: The Latest Tech Billionaire to Buy an NBA Team," CNBC Make it, Tom Huddleston, Jr., October 31, 2020.
2: *Playing the Field: Why Sports Teams Move and Cities Fight to Keep Them,* Charles C. Euchner, Johns Hopkins University Press, 1994.

Institutions have played a larger role in sports ownership abroad, especially in Europe. For example, Juventus and Manchester United are both publicly traded. Additionally, Bridgepoint owns Dorna Sports, the parent company of MotoGP. Media rights for the premier soccer leagues in Germany and Italy have also seen intense private equity interest. However, US-based leagues operate differently than their European counterparts—for example, commissioners work for owners, players collectively bargain, leagues own media rights revenues, and each league has unique revenue share agreements. In addition, antitrust exemptions can apply.

Private equity ownership is not new in sports. TowerBrook and Ontario Teachers have each held majority stakes in NHL teams, and Platinum Equity Capital Partners held a minority stake in the Detroit Pistons when the team was purchased by Platinum Equity's owner, Tom Gores, in 2011. However, in recent years, the NBA, MLB, MLS, and NFL have changed some bylaws which ought to facilitate rising valuations for these franchises in the coming decade and beyond. For example, within the past two years, the NBA, MLS, and MLB have changed their ownership rules to permit investment funds to simultaneously own minority interests in multiple teams. The Red Sox ownership group, Fenway Sports Group, was the first publicly known ownership group to sell a minority stake following MLB's new rules. The Golden State Warriors later became the first NBA team to sell a minority stake to a PE fund under the NBA's new rules.

While the NFL has not yet allowed private equity to purchase minority stakes, the league will now let teams use up to $500 million in debt—up from the previous $350 million cap.[3] In general, the NFL, and most other leagues, are debt-averse. The leagues limit debt and prevent owners from using the teams as collateral because the leagues want to avoid having a debt-induced bankruptcy. While a bankruptcy may cause a fire sale and detract from team valuations, leagues do not want any bankruptcies because this could allow revenue and profit figures to become public, and it also means leagues would have less power approving a new owner. There are legal questions around whether a league could reject the highest bid from a qualified candidate who buys a team in a bankruptcy auction. For this reason, PE funds investing in most sports leagues and team owners are barred from using any leverage.

Current ownership

The current ownership structure of dozens of teams in the NBA, MLB, and NFL make institutional investments possible and lucrative. For every Steve Ballmer (LA Clippers)—who is worth over $70 billion, according to Forbes[4]—there are several owners who owe the vast majority of their net worth to their team ownership stakes. In many of these cases, the owner(s) bought the team 25+ years ago when team prices were less than one-tenth of their current value. Selling a minority stake in their team may be a method to fund expansion efforts (for example, building new training facilities or hotels near the stadium) or it could be a way to free up liquidity after a massive runup in franchise values. According to analysis of owners'

3: "NFL, Teams Agree to Raise Debt Limits in 2020 Due to Coronavirus Pandemic, Per Report," CBS News, Jordan Dajani, May 12, 2020.
4: #14 Steve Ballmer, Forbes Real Time Net Worth, as of March 11, 2021.

financials, more than one-third of the NBA's current team owners have most of their wealth tied up in the franchise.[5] This makes the NBA the most fertile hunting ground for buyers looking to go this route. There are at least six teams in the MLB and NFL with a similar situation.

Teams with several minority owners may provide another opportunity for buyers. Whether it is divorce, death, taxes, or a spat with the majority owner, as we saw with Dan Snyder and the Washington Football Team, there are myriad reasons a minority owner may want to sell some of or all their stake in a team. The MLB and NBA appear to be the leagues with the best prospects for buyers, with nearly 50 teams having over 500 minority owners, according to sources familiar with the subject. For example, some teams—including the Dodgers, Mariners, and Bucks—have multiple minority owners. The NFL has a higher proportion of sole owners and fewer minority owners per team. Ownership trends in many leagues and teams offer enough opportunity to deploy billions of dollars across dozens of deals.

Minority investments

Minority transactions are a new type of investment capital partnering with owners and leagues. This was not possible until rule changes occurred in 2019 in the MLB, MLS, and NBA, making this an effectively brand-new opportunity for select PE firms. Minority stakes in teams bring in additional capital and can unlock value for the plethora of minority owners. Sources with a deep understanding of US sports team ownership structures say that most teams have multiple owners, and some have a dozen or more minority owners. The Golden State Warriors are one example with many high-profile Silicon Valley investors counting themselves as partial owners.

Leagues see the value in bringing in institutional capital to purchase minority stakes as these deals bring several benefits to both owners and leagues. As some of these leagues become multibillion-dollar entities, owners are looking to increase the capital availability. One reason for this is because owners may want liquidity. A recent example of a majority owner selling a minority stake is Guggenheim Baseball Management's 5% sale in the Dodgers at a $2.56 billion equity valuation in September 2019.[6] In the same month, Michael Jordan sold a 20% stake in the Charlotte Hornets at a $1.5 billion valuation.[7] Either because of pandemic-related stresses, or to fund a lifestyle, some owners may want to cash out an ownership chunk. On the other side, some owners are looking to raise growth capital to build an empire; they might use that capital to acquire land to build hotels or office space, build new practice facilities, and invest in technology for their arena.

Investment thesis

Sports is one of the—if not the—ultimate content-generating machine, especially because most sports content is consumed live. With the world moving to on-demand and streaming services, this gives sports leagues

5: "The Richest and 'Poorest' Owners in Professional Sports," Yahoo, Gabrielle Olya, January 29, 2021.
6: "Los Angeles Dodgers Valued At $3.2 Billion in Minority Interest Sale," Forbes, Mike Ozanian, September 19, 2019.
7: "Michael Jordan Sells Minority Interest In Hornets, And His Return Is Even Better than Reports Suggest," Forbes, Mike Ozanian, September 20, 2019.

tremendous leverage when negotiating media rights. The investment thesis behind sports investments may seem obvious, but each league, geography, and team brings its own nuances. In general, the return prospects are compelling; minority stakes investors target 15% to 20% gross annual returns. However, owners expect much of this to be derived from capital appreciation rather than income. Most owners (majority or minority) buy in at low-single-digit cash flow yields and see double-digit appreciation. Additionally, returns may vary significantly depending on the time horizon, deal structuring, discounts captured, and more.

Despite an overlap with the technology, media, and telecom (TMT) sector, sports investments have a much different return profile. These minority investments have a return profile more akin to Core-plus or Value-add in real estate with upside from expansion opportunities than to growth equity. The long-term media rights with built-in escalations are similar to long-term leases. Certain new projects, from online sports betting to NFTs, act like options and could substantially add to the overall total return. Disney's two-part transaction to acquire 75% of BAMTech from MLB for a combined $2.58 billion provides one earlier example. Every team took in around $85 million each for the majority stake while the MLB retained another 15%. The NHL owns the remaining 10%.[8] MLB created BAMTech to be its streaming media unit before spinning out to become its own entity that was used by MLB and external companies. This platform became the foundation for ESPN+.

Portfolio diversification

Sports franchises have a unique place in investor portfolios. Sports team values tend to have a low correlation with other portfolio assets. Teams' ability to lock in long-term media rights and sell season tickets make valuation downswings less likely during recessionary periods. This is especially true in the NBA where media rights drive most revenue. However, there is some level of cyclicality to team ownership because fewer fans are likely to buy tickets in recessions, or prices for tickets fall.

Beyond correlation of value, the correlation of risks differs from other areas of an institutional portfolio. Whether it is risk of a player lockout or a hardball media rights negotiation, these uncorrelated risks can reduce the overall risk of a portfolio. Additionally, the ability to invest across leagues allows these risks to be further reduced.

Scarcity

Between the NFL, NBA, MLB, MLS, and NHL, there are only 151 teams—including the Seattle Kraken, which has yet to play its first season. Similarly, there are only 98 teams in the Premier League, Serie A, Bundesliga, Ligue 1, and La Liga. The limited number of teams, mixed with the highly infrequent trading nature (teams often go 30+ years without ownership changes), means that buyers bid the price up when teams come up for sale. Additionally, these teams are effective monopolies and have control over

8: "Disney to Give MLB Another $1.58 Billion for BAMTech. The Players Will See None of It," NBC Sports, Craig Calcaterra, August 9, 2017.

their local geographies. The strict rules around expansion also means that owners do not have to worry about new entrants. Owners in the NFL, NBA, MLB, MLS, and NHL must vote on expansions and are incented to keep the supply low. When supply does increase, the owners in the leagues are often rewarded with handsome expansion fees. In the upper echelons of European soccer, only a set number of teams can ever be in the top league. And of them, it is usually a select few that remain year after year.

Discounts

Hopeful buyers of minority stakes are seeking hefty discounts to market value. Minority stakes, because of the lack of control, typically come with some sort of discount across the investment landscape. On top of that, the significant illiquidity and dearth of other buyers often leads to steeper discounts. In total, some estimate a minority stake may fetch 20% to 30% below market value in some cases. The aforementioned Dodgers minority sale carried an equity valuation of $2.56 billion in the sale but at a $3.2 billion equity valuation overall, meaning the buyers received a 20% discount.[9] Larger check sizes are likely to achieve more sizable discounts. There are inherently fewer buyers interested in a $360 million minority stake than a $20 million stake, and discounts to fair value should reflect that. Additionally, higher growth expectations for specific teams ought to lead to lower discounts due to greater demand.

Buying at a discount comes with several other benefits. Coming in at a lower price will boost cash-on-cash yields and lift upside potential. Buyers may also profit if the discount shrinks in the coming years as new liquidity options provide more exit routes for these ownership stakes. If more buyers come in and funds monetize stakes by selling to other funds, that discount will likely diminish.

Media rights

In the era of on-demand streaming, the timely nature of sports means leagues can negotiate healthy media rights deals. Many people still watch sports live, which has caused ad spending on these events to command a premium. Furthermore, as a number of streaming services attempt to break into the fray, they are further bidding up sports media rights at auction. Amazon (NASDAQ: AMZN) won exclusive rights to stream Thursday Night Football in an agreement that runs through 2033. The deal represents the first time a streaming service won an exclusive package, and these rights reportedly cost the company $1 billion annually.[10] Globally, streamers and broadcasters shell out 26% of their content spend on sports rights.[11] According to Rethink TV, sports rights are slated to jump from $48.6 billion in 2019 to $85 billion by 2024 as global viewership swells.[12,13]

9: "Los Angeles Dodgers Valued At $3.2 Billion In Minority Interest Sale," Forbes, Mike Ozanian, September 19, 2019.
10: "NFL Finalizes New 11-year Media Rights Deal, Amazon Gets Exclusive Thursday Night Rights," NBC Sports, Alex Sherman and Jabari Young, March 18, 2021.
11: "Sports Rights Now Make Up 26 Percent of Global Content Spend," Hollywood Reporter, Scott Roxborough, October 16, 2019.
12: "Globalisation, Steaming Lift TV Sports Rights Past $85bn by 2025," Rethink Technology Research, Phil Hunter, October 3, 2019.
13: "Study: Streaming to See Sports Media Rights Revenues Hit US$85bn by 2024," Sports Pro Media, Steven Impey, October 1, 2019.

Sports betting

The rise of sports betting in the US bodes well for the future of local sports franchise values across several fronts. As more companies try to expand into sports betting and make markets, they will look for an edge in being the most informed and setting the most accurate betting lines. This drive to become more informed means sports leagues can collect proprietary data and sell it to sports betters and others in the industry. Not only will the value of this data rise as more states allow betting, but as technology advances, leagues should be able to collect more data with a higher degree of accuracy. Many see this as a significant driver of growth for franchise revenues going forward. The NFL has been proactive here, striking a deal with Genius Sports that is reportedly worth $120 million per year.[14] Genius Sports will collect and send play-by-play information and stats to sports gambling companies.

In a less direct way, sports gambling may lift team valuations as it gets the next generation of sports watchers interested in watching games. Many younger people have grown up not watching sports to the same degree as the previous generation.[15] Their first introduction to sports may have either been playing fantasy sports with friends or playing sports video games. Gambling gamifies sports and may give the next generation one more reason to tune in on game day, buoying media rights.

NFTs

Nonfungible tokens (NFTs) present some leagues with the opportunity to develop and profit off a greater proportion of the fan experience. NFTs allow leagues to mint new types of digital assets, from virtual playing cards to ownership of images, videos, and more. A report from NonFungible pegs the total NFT market at $338 million in 2020.[16] The NBA's foray into the space, under the name Top Shot, has been a major success so far. Top Shot has over 800,000 users and has done nearly half a billion dollars in sales in less than five months.[17] The platform includes a primary and secondary marketplace. The league's ownership in Top Shot could be worth billions of dollars in the future—according to PitchBook data, Top Shot developer, Dapper Labs, raised a $350.0 million early-stage round at a $2.2 billion pre-money valuation in late March 2021. Additionally, young people's increased interest in NFTs may continue driving them to the sport. If other leagues can successfully mimic the NBA, it could bring them value in the IP and drive viewership among a coveted and underpenetrated demographic.

Sponsorship and naming rights

A constantly changing economic landscape provides ample opportunity for new sponsorship and naming rights. Leagues and teams can make these deals, and they bring in tens to hundreds of millions of dollars. For example,

14: "NFL and Genius Sports Strike 'US$120m a Year' Data Distribution Deal," Sports Pro Media, Sam Carp, April 6, 2021,
15: "The Sports Industry's Gen Z Problem,"Morning Consult, Alex Silverman, September 28, 2020.
16: "NFT Yearly Report 2020," NonFungible, February 16, 2021.
17: "NBA Top Shot Maker Dapper Labs Secures US$305m in Fresh Capital," Sports Pro Media, Michael Long, March 31, 2021.

companies could pay to be the official ridesharing app or food delivery service of MLB. Just a decade ago, such sponsorships were unimaginable. Another massive opportunity the NBA has begun to tap—one that soccer in Europe and America has seemingly maxed out—is on jersey sponsorships. The open real estate on jerseys in the MLB and NFL offers healthy upside. Teams could even sell their team name rights. Michigan State University's basketball team now goes by the "MSU Spartans Presented by Rocket Mortgage" after striking a deal with the Detroit-based company. Going forward, many new companies and entire ecosystems will emerge and provide further opportunity for leagues and teams to monetize.

Risks

The risk profile for investing in teams is mostly uncorrelated with broader risk factors, and the downside in many cases still has a positive gross return in the long run. These are some reasons investors are seeking out exposure to sports franchises. But there are some notable risks that merit a discussion. Leagues negotiating long-term media rights presents perhaps the largest risk to any sports team investment. If the deal comes during a player strike or lockout—or even a recession—it could diminish the growth of team values for a decade or more. However, several leagues have been renegotiating media rights during the COVID-19 pandemic and have done so just fine. Additionally, leagues can time their media rights deals to be well before any collective bargaining agreements.

The league shutting down for a prolonged period also poses a notable risk. This may happen for several reasons, including player strikes or delayed collective bargaining agreements. This is a particularly bad outcome in instances where there are multiple shutdowns in a couple of years. This happened in hockey in the mid 1990's and caused many fans to lose interest. And that risk—a falling out of favor with fans—is a longer-term factor many leagues worry about. It is one reason the NFL took such swift action with the concussion scandals—they feared fans changing the channel.

Some risks are more applicable to specific geographies and leagues—for example, with antitrust regulations in the US. Although some senators proposed ending MLB's antitrust standing for political reasons and the move is unlikely to become law, ending the antitrust standing could complicate factors. However, the risk of a new league popping up and challenging MLB is minimal to nonexistent. Across the Atlantic Ocean, European soccer teams are at risk of leaving the league. According to the Financial Times, "In November [2020], CVC Capital Partners and Advent International sought to add a "breakaway" clause to their €1.6bn deal to buy a stake in media rights for Italy's Serie A, after some of Europe's top football clubs discussed setting up a separate, continent-wide super league."[18] The same risk factor was discussed when some 20 PE firms were looking into investing in the Bundesliga's media rights. CVC's phrasing was prescient with the announcement of the Super League, which effectively crumbled within 48 hours several months later. While contract language

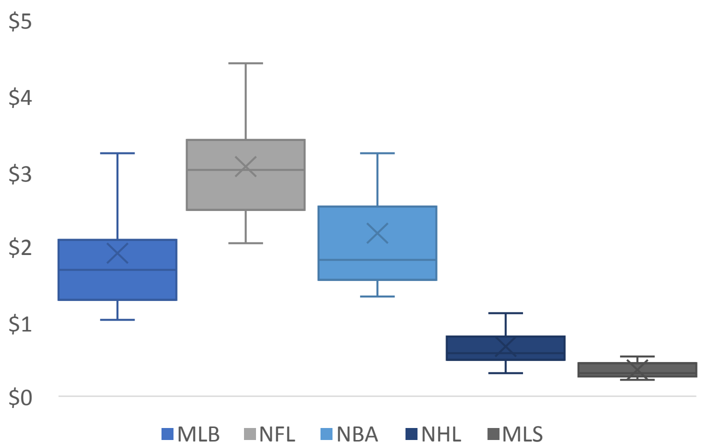
18: "Private Capital's Rush into the Business of Sport," Financial Times, Sara Germano, James Fontanella-Khan, and Arash Massoudi, December 27, 2020.

can mitigate this risk, the risk of relegation cannot. Being relegated to a lower league for an unknown amount of time could seriously damage a soccer team's brand. For this reason, many investors are looking to buy into European soccer league media rights rather than individual teams. And those that are looking to invest in teams tend to favor the top handful in each league.

One final risk worth mentioning comes from generational changes. Children do not always grow up to like the sports their parents watched. Since at least 2017, many of the younger generation (under 25) would rather watch eSports than physical sports.[19] This trend has likely endured in the ensuing years. For this reason and more, leagues are hard at work researching ways to entice a younger audience. The NBA has been successful here, while the MLB struggles to attract the next generation of fans. Other leagues are hoping that online gambling, NFTs, and additional technological advancements can attract more of the younger crowd.

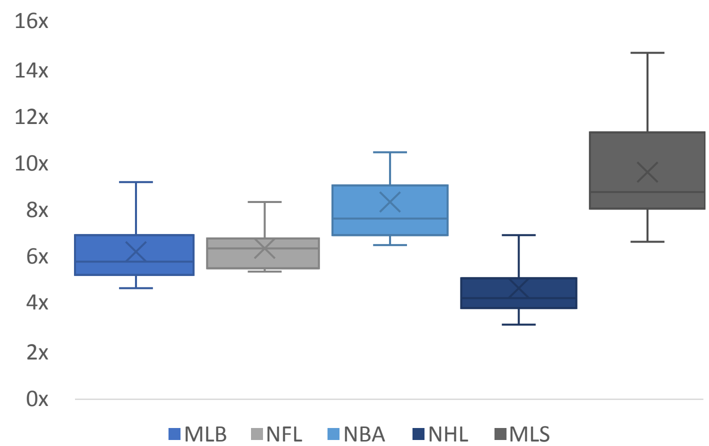
Leagues

Quartile ranges for team values in specific leagues ($B)*



Source: Sportico. Forbes | **Geography:** North America
*As of June 30, 2020
Note: Includes real estate owned by teams. This is a combination of 2019 and 2020 values.

Quartile ranges for valuation to revenue multiples in specific leagues*



Source: Sportico, Forbes | **Geography:** North America
*As of June 30, 2020
Note: Includes real estate owned by teams. This is a combination of 2019 and 2020 values.

NBA

The NBA has some of the most attractive demographics of any league, with a large international audience and most viewers under the age of 45.[20] The NBA has excelled among younger viewers in part because of its sizable social media presence. Not only does the NBA allow the sharing of highlights on social media, it also allows clips to go viral and meets younger fans where they are. Other leagues have taken a heavy-handed approach in banning this activity. The league's stars are also huge influencers themselves. LeBron James has 82 million followers on Instagram; for

19: "The State of Online Video 2017," Limelight Networks, n.d.
20: "Going Gray: Sports TV Viewers Skew Older," Sports Business Journal, John Lombardo & David Broughton, June 5, 2021.

comparison, the MLB's most followed active player, Mike Trout, has 1.8 million Instagram followers, and the NFL's most followed active player, Tom Brady, has 9.5 million followers.[21] The NBA is also active in making impressions to the younger generations by focusing on its 2K video game franchise. The league has and actively promotes its NBA 2K league, and NBA 2K is the most streamed sports game on Twitch. Additionally, they have arguably the best relationship between players, owners, and commissioner of the major US leagues.

Due to the attractive demographics, institutional interest, and growing demand to watch games, NBA franchises possess several additional desirable indicators. The league is seen by many as the most forward-looking as of today, though the NFL held that title for many years prior. With successful excursions into cutting-edge technology, including Top Shot, and a tech-heavy roster of younger and more progressive owners, the NBA appears set up for long-term growth. Additionally, NBA teams earn just over half of their revenue from media rights deals, according to sources familiar with the subject. This figure approaches 70% when you add in naming rights, sponsorships, arena suites, and more, according to sources knowledgeable on league revenues. This compares favorably to other major US leagues and is only behind the NFL, which has gameday income accounting for roughly 30% of overall revenues. Going forward, the NBA is positioned to earn the most favorable revenue split after the next media rights negotiation. Reports expect to see the total contract to go from a $24 billion deal to one as high as $75 billion.[22] The league's soaring media rights growth expectations may explain why the NBA has garnered so much attention from institutional investors. It is no wonder NBA teams trade at a much loftier revenue multiple compared with NFL or MLB franchises. The median NBA team is worth nearly 7.4x TTM revenue compared with 6.1x and 5.7x for the NFL and MLB, respectively.[23]

The growing international appeal of basketball offers another potential growth and valuation driver. The league has high-profile stars such as LeBron James that help elevate the NBA's brand on the global stage. However, this global exposure can also pose a risk in some markets. After the then Rockets GM Daryl Morey tweeted about protests in Hong Kong, the backlash from China was swift. Many in the league are nervous about what growth prospects may look like if they are effectively locked out of the most populous country. To put numbers into perspective, 300 million Chinese people play basketball and 500 million watch the sport.[24] Moreover, the NBA had signed a five-year streaming deal with China-based Tencent worth a reported $1.5 billion in the summer of 2019.[25] Luckily for team owners, though, the NBA seems to still be on a healthy growth trajectory and will likely overcome the falling out with China. Going forward, this international relationship will prove one of the NBA's largest risks. It is paramount for owners and investors to pay attention to because team valuations are much higher than NFL or MLB teams, which means expansion

21: Odell Beckham Jr had been the most followed player, but he had deactivated his Instagram account at the time of this writing.
22: "NBA is Next Up for a Big Rights Increase, and $75 Billion is the Price," CNBC, Jabari Young, March 22, 2021.
23: PitchBook analysis of Sportico valuation data.
24: "Factbox: NBA Taking Flak in China, a Valuable Market with 500 Million Fans," Reuters, October 7, 2019.
25: "China Standoff Cost the NBA 'Hundreds of Millions,'" Wall Street Journal, Ben Cohen, February 16, 2020.

plans are already priced in and the league needs to execute. The NBA puts forth its players as stars, allowing them to have their own brands and opinions, but this can cause clashes with their international expansion plans, especially when players or staff make their voices heard.

NFL

For many years, the NFL led the way in media, IP, and monetization. It saw the value of owning as much content as possible, and the once risky-looking NFL Network and Red Zone pass are now cash cows for the ecosystem. The league has been able to monetize fan passion in a way no other league has replicated, though others are seeking to imitate. Furthermore, despite having by far the fewest games in a season, average NFL team values sit just above $3 billion.[26]

The NFL is a dominant media force and poised to grow mightily with their new media rights deal. The league's new deal will cover 11 seasons beginning in 2023 and is expected to take in $113 billion.[27] The $10.3 billion per season compares favorably to the $5.9 billion per season under its current contract. This is because the NFL is so popular. The league has the largest audience of any league in North America; for a third of the year, Sundays are synonymous with NFL games. This, and the expansion into Monday and Thursday night games, has done wonders for viewership. Moreover, the salary cap and draft structure have kept the league competitive from top to bottom, almost ensuring some level of mean reversion over time and making games more enjoyable.

However, there are still some longer-term risks for investors to consider. The league's streaming capabilities are poor compared to other leagues. Without DirectTV, viewers wanting to watch all games must wait until the broadcast ends if they use NFL Game Pass, effectively negating the appeal of live events. However, moving past this partnership presents an opportunity. The battle with concussions presents another risk and may lead to fewer parents allowing their children to play the game, watering down the quality of the product over time. Additionally, sitting at the highest average franchise value, many investors see more opportunity in quickly growing, more nascent leagues. Some revenue-boosting maneuvers, including adding another playoff game and perhaps moving to an 18-game regular season, may boost valuations, but investors buying in today or in five years will not see that step-up. The league added one regular-season game, which is now 17 games long, heading into the 2021 season. This change may explain one reason there appears to be less institutional capital invested in owning stakes in NFL franchises—there is less low-hanging fruit to lift franchise values. That is not to say investors are not interested, especially at the right price. Sources say the NFL is interested in allowing firms to buy minority stakes in teams once the NBA and MLB prove out the thesis. Allowing owners additional capital sources will likely continue exerting upward pressure on team valuations.

26: "2020 NFL Valuations: National Football League Interactive Franchise Valuations," Sportico, Peter J. Schwartz and Randall Williams, August 25. 2020.
27: "NFL Locks in $113 Billion for 11-Season Media Right Deals," Front Office Sports, Owen Poindexter, March 18, 2021.

MLB

The MLB is in a unique position as one of the most popular sports leagues in the US as well as one where the top teams garner the vast majority of the interest. Those top franchises are doing well; the top four teams each brought in over half a billion dollars in 2019.[28] However, smaller teams still rake in hundreds of millions of dollars, meaning this discrepancy between the top and bottom of the league could present an opportunity to capture value. Despite this, growth across the league appears tepid. The average MLB fan is 57[29] years old, many younger fans tune in for a shorter amount of time,[30] and the league lost 6.3[31] million fans in the past eight years. Despite these factors, the MLB is still slated to receive a healthy bump in earnings. The league's deals with Fox and Turner will each bring in over 50% more annually, starting in 2022.[32] While MLB's contract with ESPN is expected to be lower, the deal will leave more game inventory with MLB, which it may choose to sell or stream.

MLB's streaming tech, and tech more broadly, leads the sports world and gives the league an edge. The league's BAMTech investment continues to pay dividends and is emblematic of MLB's prowess. MLB has long been a leader in technology to track statistics and is one reason the American Gaming Association believes that the league will be the largest beneficiary of the burgeoning sports betting opportunity—to the tune of $1.1 billion annually.[33]

MLB has several unique risks investors are wary of, beyond the flatline in viewers. Due to the lack of salary cap, as many other leagues have, spending by the top third of the league means only a handful of teams compete for titles year in and year out. Further, the revenue mix is less attractive for perspective buyers unless they can gain access to a top-10 team. Sources with knowledge of the matter say approximately 45% of the average team's revenues come from gameday activities—ticket sales, concessions, and so on. While investors must use caution, an investment in any MLB team can be attractive at the right price.

MLS

While soccer is the world's most popular sport, viewership lags many other leagues in the US and Canada. The global demand for soccer and low penetration in the world's third largest country means many see vast growth potential for the league and team values. This is reflected in team valuations, which come in at nearly 10x revenue, on average.[34] This figure is by far the highest of any major sports league in the US. Much of this value is predicated on the 2023 media rights negotiations in which MLS is

28: "MLB Valuation Report 2021: Major League Baseball Interactive Franchise Valuations," Sportico, Kurt Badenhausen, Peter J. Schwartz, Brendan Coffey, and Randall Williams, March 26, 2021.
29: "Going Gray: Sports TV Viewers Skew Older," Sports Business Journal, John Lombardo & David Broughton, June 5, 2021.
30: "Overall Health for Professional Baseball in Trouble," Wtop News, Dave Johnson, June 10, 2020.
31: Ibid.
32: "Turner Sports Expands Rights Deal with MLB Through 2028," USA Today, September 24, 2020.
33: "How Much Do Leagues Stand to Gain from Legal Sports Betting?" American Gaming Association, October 2018.
34: "Major League Soccer's Most Valuable Teams 2019: Atlanta Stays On Top As Expansion Fees, Sale Prices Surge," Forbes, Chris Smith, November 4, 2019.

expected to take a more central role in securing media rights for the league. The current system vastly underpays teams—all of MLS takes in $90 million per year from their TV deal—and is a central reason the league operates at a loss despite regular expansion fees.[35] Charlotte will be the league's 30th team, and some suggest it could aim to hit 32, meaning approximately $650 million in additional expansion fees to hold owners over until the new deal is in place.[36] The new deal may also help MLS lift its salary cap and attract higher-paid players, quelling the largest complaint from fans: a watered-down product due to lack of talent.

There are far fewer MLS teams per person in the US and Canada compared to the 98 teams across five countries in Europe, especially for the superstar teams. This means there are potentially far more local fans per MLS team to monetize. MLS teams also do not have relegation risk, unlike European leagues, making investment prospects more attractive. Teams are also quite cheap compared to their European counterparts, with no MLS team reaching a billion-dollar valuation. This is compared to a £2.5 billion ($3.45 billion) valuation for Tottenham Hotspurs, as an example.[37] In mid-2020, reports stated that the MLS was close to finalizing rules that would allow private equity funds to take minority stakes in multiple teams, similar to the NBA and MLB.[38] However, private equity has already done some investing in the space. In 2012, Providence Equity Partners paid between $125 million and $150 million for a 25% stake in Soccer Marketing United, the marketing and media arm of the MLS. In 2017, MLS bought this stake back and reports suggest Providence made approximately 3x their capital on the purchase.[39] With the robust growth opportunities in the space and relatively low club values, private equity may be particularly interested in MLS franchises.

NHL

Hockey's broader appeal has held steady for years. However, recent expansion into Las Vegas and Seattle may ignite another growth phase. The league has special appeal to advertisers as well: the NHL has the highest-income audience of any major sport in North America.[40] This may allow teams and the league to eek out more ad spend per fan than other leagues. Media revenues in the current round of negotiation could be a huge win for hockey. Early reports peg ESPN's new deal at approximately $400 million with added partners coming in at or above $200 million annually.[41] This would effectively double the league's annual media revenues. This is welcome news since the NHL had previously banked on gameday activities—which can vary widely—for nearly 55% of league revenues, according to a source with knowledge of the subject.

35: "MLS: The Looming 2023 TV Deal Vital for League Survival," MLS Multiplex, Andrew Dowdeswell, June 2020.
36: "Report: MLS Considering Change to Ownership Rules, Allow Investment Funds to Own Minority Stakes," MLS Soccer, July 10, 2020.
37: "Spurs the Most Valuable Club in the Premier League - New Analysis," University of Liverpool Management School, Kieran Maguire, April 29, 2020.
38: "Report: MLS Considering Change to Ownership Rules, Allow Investment Funds to Own Minority Stakes," MLS Soccer, July 10, 2020.
39: "Providence Equity Partners Sells Back Share of Soccer United Marketing," Soccer Stadium Digest, Zach Spedden, June 20, 2017.
40: "Puck Crazy: Is the NHL Recession Proof?" Fox Business, Matt Egan, January 25, 2016.
41: "NHL Could Net Over $600 Million for Rights Package, But It Needs NBC," CNBC, Jabari Young, March 15, 2021.

On the other side, are several growth impediments to the sport. Geographical constraints make the talent pool much smaller. Although there may be ice rinks in Florida, a plurality of players in the NHL still come from Canada.[42] The sport is also expensive to play due to gear and rink access costs, further limiting the talent pool. Moreover, because of missed seasons in the three lockouts since 1994 due to labor negotiations between the league and players, an entire generation of potential hockey fans have found other passions. Between 2000 and 2016, the average NHL fan went from 33 years old to 49 years old.[43] The league and players appear to have learned from this, however, and it seems players and owners are more aligned going forward. This ought to help keep players on the ice as the sport attempts to grow its reach.

There are currently no rules preventing private equity from owning stakes in NHL franchises. However, according to NHL deputy commissioner Bill Daly, PE firms have rarely sought investments in individual teams.[44] History has several examples, though. One high-profile exception was during a league lockout in 2005 when Bain Capital purportedly offered $3 billion to buy all 30 teams. Additionally, TowerBrook owned a 75% stake in the St. Louis Blues through Sports Capital Holdings, and Ontario Teachers' Pension Plan owned 79.53% of Maple Leaf Sports and Entertainment (MLSE) before selling the stake for $1.32 billion in 2012.[45] PE interest in hockey may continue to rise with TPG Capital's David Bonderman serving as the Seattle Kraken's new majority owner—clocking the number of PE ownership groups in the league to three. We anticipate some newly focused sports PE funds show interest in select teams, especially if the growth in TV ad spend comes in as expected.

Big five European soccer leagues

The appeal of owning stakes in teams in the big five European soccer leagues is clear: You can own a piece of the most popular teams in the world. To be sure, these European leagues produce a gargantuan global audience. Soccer's broad appeal means that the sport in particular is expected to garner a sizable chunk of the coming growth in sports media rights. In total, soccer viewership rights are expected balloon from $12.8 billion to $31.9 billion globally in the next five years.[46] Much of this will go to the European powerhouses as viewership in the Americas and Asia continue to surge. These numbers alone likely speak to CVC's interest in Italian and German soccer media rights. The targeting of media rights may also be shrewd because it allows investors to forego one of the major risks investors in European soccer clubs face: relegation. This unique risk, whereby bottom teams are sent to a lower league, may adversely affect viewership and brand value. However, fans like the current system, and whereas many in the US affiliate with teams to a greater degree, European fans often view the league overall as more important. The top teams are rarely in danger of relegation, making them relatively safe bets, but this

42: "NHLers by Country: On Top of Their Game and the World," The Hockey Writers, Ryan Szporer, January 21, 2021.
43: "Going Gray: Sports TV Viewers Skew Older," Sports Business Journal, John Lombardo & David Broughton, June 5, 2021.
44: "As NHL Expands, Private Equity Could Boost Hockey's Financial Boom," Fox Business, Thomas Barrabi November 30, 2019.
45: "Teachers' Completes $1.32-billion sale of MLSE," Ontario Teachers' Pension Plan, August 22, 2012.
46: "Will 'OTT' Shake Up the Football Broadcasting Industry?" KPMG, April 15, 2020.

practice may cap values for mid-tier teams. Therefore, top-end teams tend to command the lion's share of attention and capital.

Much of the investment capital in European soccer clubs has been targeted at either owning a stake in the media rights or in owning majority stakes in teams. For example, City Football Group owns Manchester City (as well as New York City FC and several other teams in different leagues). Kapital Football Group is trying to recreate this and may be looking to raise outside capital. However, many sports-focused investors see minority stakes as a more attractive investment method, and several deals are in varying stages of negotiation. It is too early to see whether they will close, but we expect investors to pay similar attention as they have with NBA and MLB deals. A new source of capital may also assist in buoying mid-tier team values.

eSports

While eSports themselves do not represent their own league, there are a collection of leagues surrounding virtual games. Some leagues, including League of Legends, Fortnite, and CS:GO, have platforms with teams and tournaments. eSports have perhaps the highest long-term growth prospects of any league. This is because they are still quite nascent—many leagues, teams, and tournaments are still developing—and the demographic skews extremely young—think 25 and under. This demographic tail wind means every sports league needs to be thinking about eSports as longer-term competition. The passing down of viewership traditions, like NFL on Sundays, may stop as Gen Z dramatically rewrites the sports landscape.

Much of the value in eSports has accrued to game developers and semi-related apps, such as Twitch and Discord. Teams are still far less valuable than in traditional sports leagues because they reap a slim share of profits. Additionally, investors in the space face the threat of new games disrupting viewership. While some sports, such as soccer, may take viewership share from football in the US over the next 20 years, the development cycle in gaming evolves much quicker. New games such as Fortnite can disrupt the ecosystem in a short timeframe, diminishing viewership in other leagues but also presenting an opportunity. For games with multigenerational staying power, or groups that can invest across multiple leagues—as City Football Group does—there is an opportunity for lucrative returns. However, the nascence of the space will likely cause institutional capital to sit on the sidelines for several more years.

Firms in the space

Within the institutional investors seeking to invest in sports franchises, a handful of private equity firms stand out: Arctos Sports Partners, Dyal Capital Partners, Galatioto Sports Partners, RedBird Capital Partners, Silver Lake, and CVC Capital Partners. These firms are all taking unique approaches to investing in sports teams, and each are finding success. Some firms have also launched sports-focused SPACs, which may bring up conflicts of interest questions among LPs. Additionally, the Warriors reportedly asked the NBA to allow it to raise capital from a SPAC before eventually selling a stake to Arctos.

It is notoriously difficult to be approved by leagues to invest in the teams, and the leagues are hesitant to allow investment firms that are also led by existing owners because of the obvious potential conflicts that may emerge. Additionally, for those firms that built their reputation on returns from control investments, that track record is meaningless when entering this space. In fact, it may be a hindrance. The leagues want minority investors, but due to strict rules imposed by these sports leagues minority investors must be passive partners and everything must be hands-off. Leagues do not want investors getting involved, especially when ownership extends across multiple teams. For these reasons, it is no coincidence that many of the firms entering the space are raising first-time funds. Moreover, it is unlikely many additional firms will enter the space. For those in the space, it has been interesting to see the range of specialization. We are seeing firms invest out of funds with broader mandates, sports-franchise-only funds, and even funds that target specific leagues. It is far too early to determine which approach will achieve the most success.

Arctos Sports Partners

Arctos Sports Partners is a newly created firm solely focused on buying stakes in sports franchises and is out to a clear lead in the space. It was co-founded by Ian Charles, a founder of Cogent Partners and later a partner at Landmark Partners, a firm with minority deal structuring expertise. David O'Connor, the second co-founder, was previously the president and CEO of Madison Square Garden, a company that owns the New York Rangers and New York Knicks. The firm's initial fund is targeting at least $2.0 billion and has amassed at least $950 million so far.[47] Some of this capital came as a seed from Goldman Sachs' GP staking firm Petershill, which owns a minority stake in Arctos. The fund seeks to invest across teams, leagues, and geographies and intends to deploy between $20 million and $300 million per deal. Beyond Arctos' fund, the firm has launched a $275 million SPAC. In any potential deal including the SPAC, the PIPE round could be financed by the fund.

The Arctos team is built with investors and professionals with backgrounds spanning private equity and sports and entertainment operations. Mr. Charles' experience as a passive investor in the secondaries market may benefit the firm's ability to execute deals given league rules and constraints, and Mr. O'Connor's deep experience and knowledge of sports franchises and operations across multiple leagues will benefit deal sourcing. Additionally, Arctos has Theo Epstein, the baseball GM that has won titles with multiple teams, to help provide advice in the limited capacity leagues will allow. According to sources, this breadth of experience and expertise coupled with the firm's approach to deal and fund structuring may make the firm a preferred partner.

47: "Report: Arctos Sports Partners' Coffers Hit 'US $950m,'" Sports Pro Media, Michael Long, December 1, 2020.

In this greenfield space, Arctos has been the quickest mover. According to reports, the firm has raised more capital than any competing firm. Arctos is also the first to deploy the capital. Despite being the second group approved, Arctos was the first PE fund to buy a minority stake in an NBA team—a 5% stake in the Warriors at a $5.5 billion valuation.[48] The firm also owns a stake in Fenway Sports Group, which owns the Boston Red Sox and Liverpool FC.

Dyal Capital Partners

Dyal is best known as the largest player in the GP stakes space, whereby the firm takes minority equity stakes in other private capital firms. The firm has closed on more GP stakes-focused capital than all other firms in the space combined. Dyal has experience structuring dozens of passive minority stake deals in private capital firms—many of which are similar in value to NBA franchises. The firm's success in raising and deploying capital into minority stakes caused the NBA to select Dyal as its first partner when looking to bring in outside money. Being the first partner, Dyal secured some lucrative terms, including being the only firm that can take minority stakes in any or all 30 teams. (Other firms are limited to owning no more than 20% stakes in just five teams.) However, the NBA will collect an undisclosed portion of management fees and profits, according to filings.[49]

Dyal's new NBA-focused fund is the first strategy expansion for the firm. The fund, HomeCourt Partners, is targeting $2.0 billion and seeking to deploy it into several teams. Unlike most closed-end funds, HomeCourt Partners is a perpetual fund, meaning it can own these team stakes forever. The fund is also reportedly structured similar to a mutual fund, allowing LPs the ability to sell at their leisure. The highly focused strategy appears to leave room for further expansion into other sports leagues should HomeCourt flourish.

Galatioto Sports Partners

Founded by Sal Galatioto, who previously founded sports advisory and finance practices at Lehman Brothers and Société Générale, Galatioto Sports Partners (GSP) is best known for its sports advisory practice. Most banks tuck their sports advisory team into their broader TMT group, making Galatioto Sports Partners a rarity. Mr. Galatioto and team have advised team owners across leagues and buyers on over 100 debt and equity transactions and assignments—including the Dodgers and Cubs on recent minority stake sales. While the team has advised deals across leagues, it is most tapped into baseball's network. This has made GSP the default when MLB owners or buyers need consulting or financing needs.

With this baseball specialty, Galatioto Sports Partners launched the GSP Baseball Fund. The vehicle is seeking to raise $500 million from up to 100 investors.[50] GSP has invested its own capital into debt investments in MLB

48: "NBA Warriors Sell Minority Stake to Arctos at $5.5 Billion Valuation," Sportico, Scott Soshnick and Eben Novy-Williams, April 1, 2021.
49: "Dyal Said to Have Term Sheets Ready to Invest in Six NBA Teams," Sportico, Eben Novy-Williams and Brendan Coffey, February 8, 2021.
50: "Sports-Focused PE Firm Seeks Up to $1.75 Billion for Team Stakes," Bloomberg, Eben Novy-Williams, April 29, 2020.

teams for years, making the move to managing outside capital focused on equity transactions a natural evolution. Additionally, the team's insights to minority structuring on several MLB deals may prove a unique competitive advantage. It is unclear how much capital has been raised for the fund or how long the fund is intended to last. To our knowledge, the fund has not completed any deals yet.

MSP Sports Capital

MSP Sports Capital is a new entity that solely focuses on investing in sports. The firm was co-founded by Jahm Najafi and Jeff Moorad, who both have significant sports investing backgrounds. Najafi has a history of investing and involvement in sports franchises, acting as the Vice Chairman of the Phoenix Suns and a Governor on the Board of the NBA. Moorad founded Moorad Sports Management and was a partner at sports agency Steinberg & Moorad. He also served as General Partner and CEO of the Arizona Diamondbacks before serving as the Vice Chairman, CEO, and part-owner of the San Diego Padres. In 2013, Moorad co-founded Moorad Sports Partners, LLC, a private investment firm that invested in and managed sports-related businesses, and MSP is a development of this experience.

One differentiating factor of MSP's strategy is that the firm is a control investor. MSP must have significant influence in its underlying investments but is willing to do minority investments with certain governance rights in place. Another element that separates MSP from other investors is the firm's strategy of investing in the broader sports ecosystem. This could entail investments in sports data firms, online betting plays, practice facilities, and more. The firm is actively raising its first fund, seeking $400.0 million. However, it has already made some noteworthy investments. MSP purchased a significant minority stake in McLaren Racing, the Formula 1 team owner, that may grow to 33% by the end of 2022 and gives the firm considerable influence over team operations and finances. MSP has also invested in four European soccer clubs and is on the prowl for more investment opportunities.

RedBird Capital Partners

RedBird Capital Partners is a media-focused PE firm with a history of doing sports deals among its broader media strategy. The firm was founded by Gerry Cardinale, an ex-Goldman Sachs partner. Mr. Cardinale helped create the YES network (Yankees Entertainment and Sports Network), and his firm now owns a piece of it. RedBird has recently made waves acquiring a stake in Fenway Sports Group at a $7.35 billion valuation.[51] After RedBird's SPAC, RedBall, failed to secure fundraising; the deal went through the firm's flagship fund rather than the SPAC. As part of the deal, LeBron James now owns a stake in FSG. RedBird also purchased an 85% stake in Toulouse FC in July 2020, signaling that it is open to majority and minority transactions.[52]

51: "Boston Red Sox Owner Valued at $7.35 Billion on Investment from LeBron James and RedBird," Reuters, March 31, 2021.
52: "RedBird Capital Partners Acquires Majority Stake in Toulouse Football Club," Globe News Wire, July 20, 2020.

RedBird's strategy is not strictly focused on acquiring sports franchise stakes. However, the firm appears interested in other leagues, and RedBird plans to acquire stakes in more teams.[53] Mr. Cardinale noted that the firm does not own stakes in any NBA, NHL, or MLS teams. With the stakes it does own, RedBird has discussed using expertise in other areas of its media reach, including opportunities in sponsorships, media rights, ticketing, and online gambling. We will be watching to see how the firm's SPAC strategy evolves and whether it raises a sports-only fund.

Silver Lake Partners

Silver Lake, a firm that made its name in technology buyouts, has been active in the sports and media space in recent years. The firm has amassed a war chest of capital, including $20.0 billion for its latest fund which closed in early 2021. It appears unlikely the firm will raise a sports focused fund. Rather, it has expanded its technology focus to include content and entertainment. Silver Lake's approach to sports investing is not a pure play, like many of the other firms competing in the area. Within its sports investments the firm invests in deals focused on media rights representation, league ownership, or team ownership. Silver Lake recently brought Endeavor (NYSE: EDR) public, a firm focused on representing entertainment talent, but that also owns UFC and Professional Bull Riders. Silver Lake also has ownership stakes in City Football, the parent company of Manchester City, and a minority stake in Madison Square Garden. The firm is also in discussion to acquire up to 15% of New Zealand Rugby, in a deal that would value the league at $2.2 billion.[54]

CVC Capital Partners

CVC is the largest firm heavily interested in sports investing. However, the firm typically targets sports investments within the flagship buyout vehicles, rather than a sports-specific fund, and is usually more interested in league or media rights ownership than minority stake deals in specific franchises. This prevents LPs from achieving sports-focused allocations, and the fund's limited life means CVC may look for liquidity sooner than Dyal or Arcto funds. On the other hand, the $24.0 billion (€21.3 billion) Capital Partners Fund VIII and the $5.2 billion (€4.6 billion) Strategic Opportunities Fund II—which can hold assets for longer than the flagship—mean CVC has the most dry powder of any buyer outlined here.

CVC also has a significant amount of experience investing in sports deals. Not only did the firm make out handsomely in the deal to sell Formula1, it announced a $300 million investment into International Volleyball Federation (FIVB). CVC is also bidding on Italian and German soccer league viewership rights, investing in rugby leagues, and more. However, the firm only has one prospective investment in a sports franchise. Reports state that the firm is looking to take a 15% stake in the San Antonio Spurs.[55] It is unknown if the NBA has approved CVC as a financial sponsor, as it has

53: "RedBird Capital Partners Eyes More Team Investments After Fenway Deal," Sports Business Journal, April 1, 2021.
54: "New Zealand Rugby Stars Resist Silicon Valley Investor's Bid for All Blacks Stake," Washington Post, Rachel Pannett, April 29, 2021.
55: "Report: CVC in Talks to Buy 15% Stake in NBA's San Antonio Spurs," Pro Sports Media, Michael Long, February 5 2021.

Arctos and Dyal. Additionally, this investment is likely coming from its core (long dated) fund rather than its flagship as the NBA prefers an evergreen-like structure for any fund investments and at least 10 years left on a vehicle, before extensions. It remains to be seen if CVC will be approved and will buy the stake, but we will be watching this industry titan's moves closely.

Going forward

Institutional capital is interested in sports ownership and it seems as though it will only continue to mature from here. However, the sports world continues to prove a difficult area for private equity firms or funds to break into. We have seen many firms attempt and fail. On the other hand, with the amount of interest and capital careening into the space, it is likely that at least one, if not two firms will hold final closes on sports-focused minority ownership funds. It is also our understanding that deals are being negotiated across several leagues and teams. Looking to ensure its owners are provided ample capital for liquidity or to grow their empires, the NFL will likely amend their ownership rules to more closely align with the NBA and MLB in the next couple years.

We will likely see some churn in the group of sports-focused firms. The challenge it takes to get approved by the leagues, raise $1 billion+ from LPs, convince owners to sell, and structure and close deals can prove daunting. One such firm, Beautiful Game Group, was pursuing this strategy and raising a specialized fund, but it has since abandoned the effort. Others in the space may find the same fate. However, those that do succeed have a massive opportunity and ought to produce healthy returns with limited downside risk.