



Deloitte's outlook for sports investment in 2023

Deloitte Sports Business Group
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Investment trends across sports rights holders support a growing M&A market with strong tailwinds. A larger number of sophisticated investors along with a higher degree of capital availability has driven the market to record levels.



Overall, we expect to see increased investment activity fuelled by a variety of new industry entrants who are attracted to the prestige, and potentially compelling risk-adjusted returns, to be recognized from owning a sports asset.

Global M&A experienced a turbulent ride in the second half of 2022, and investment in sports assets mirrored wider market trends with the volume of transactions falling by 27% in the second half of 2022.

While activity slowed towards the end of 2022, it was still a year of demarcation for sports investments, highlighted by the landmark sales of Chelsea Football Club (England), AC Milan (Italy), and the Denver Broncos (USA). There were also significant investments in European football leagues, second and third-division European football teams, Indian cricket teams, rugby teams and competitions, and extreme sports, amongst others.

In 2023, despite the challenging macroeconomic climate, we are expecting to see a new influx of capital flow into the sports sector. This will be driven by investor confidence in the predictable and improving revenue streams that premium sports properties can offer, buoyed by growing media rights, globalisation of valuable content, and the resilience showcased by sports assets subsequent to the initial COVID-19 pandemic and now during challenging macroeconomic conditions.

Take a look at our [Q1 2023 M&A market outlook insights](#) to learn how the macroeconomic environment may affect M&A deals across other sectors in 2023.

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Defining the sports sector

Sport is diverging as its own asset class with multiple subsectors spanning professional spectator sports, media, leisure and entertainment, and complementary organisations.

In professional spectator sports, organisations focus on the delivery of, and participation in, elite sporting events and competitions that are consumed by the greater public. Within this sub-sector, **rights holders** are the entities that own and control these events including leagues, competitions, governing bodies, clubs, and teams.

In recent years, increased external investment into the sports sector has brought dividends to the growing professionalism and commercialisation of these rights holders.

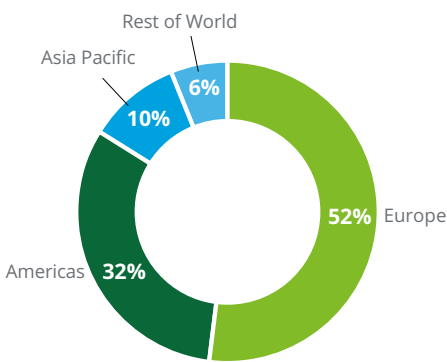
Sports M&A metrics

Mature sports markets, such as the Americas and Europe, are seeing a surge in investments as assets gain popularity and commercial value. Sports assets in these regions drew approximately 80% of total sports investments by volume in 2022.

In 2022, the sports sector saw over 220 M&A transactions completed across the industry. American sports assets took the lion's share of larger deals, with twice as many tournaments, competitions and leagues in this region attracting investments in 2022, in comparison to Europe. However, almost five times as many deals were struck with mid-sized

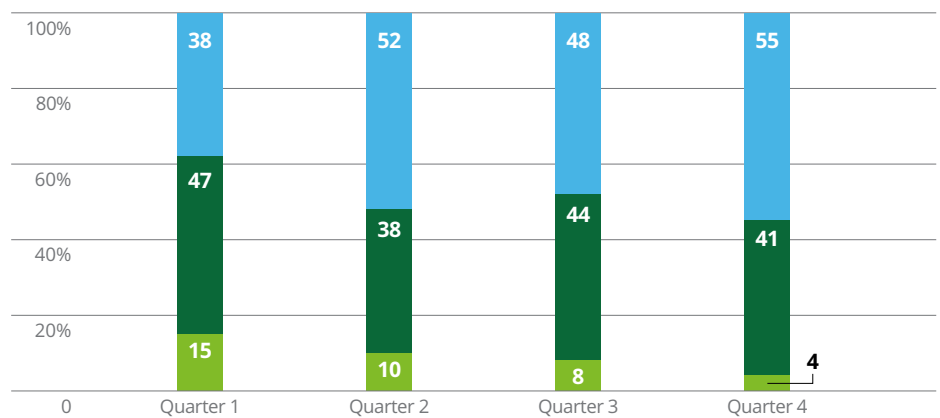
Sports M&A Transactions in 2022

Deal Volume by Region of Acquired Entity (%)



Source: Refinitiv.

Deal Volume by Organisation Type (%)



■ (Tier 1) Competitions/Leagues/Governing Bodies
■ (Tier 2) Clubs/Teams ■ (Tier 3) Other

Source: Refinitiv.

assets in Europe – typically football clubs and teams – than in the Americas. Almost half of investments made into mid-sized European sports assets in 2022 were acquired by organisations outside of Europe, highlighting the globalization trends in the sports sector.

Current approach to investment in sport

Unlike other industries, investment in sports assets has historically been driven by the ‘trophy asset’ rationale. Ultra-high net worth individuals have at times been drawn to invest due to their interest as fans and the prestige that comes with owning a sports asset, rather than by sound investment decisions based on an overriding desire for financial returns.

In more recent years, we’ve seen a new universe of investors looking to explore the sector, primarily due to the attractive risk-adjusted returns on offer.

Some key overarching investment trends that have emerged are the influx of institutional private equity capital into premium sports assets, the emergence of sports focused investment funds, and investors employing a portfolio approach to sport investments.

Private equity capital flowing into the sports sector has, to date, primarily been deployed into premium assets. Premium assets differentiate themselves in terms of maturity, quality of infrastructure, overall commercial value, and risk profile relative to less attractive peer assets.

Examples of premium rights holders include direct investments into leagues and competitions, investments in North American franchises across the “big five” leagues (NFL, NBA, MLB, NHL and MLS) and investments in top-tier teams or clubs with large commercial appeal and remote relegation risk. Premium assets provide private equity firms with

attractive investment characteristics

such as stable, contractual cash flows from broadcasting and commercial agreements, highly predictable ticketing revenue, high barriers to entry, resilience to macroeconomic downturns and high inflationary periods, strong profit margins, and compelling value appreciation fundamentals driven by the scarcity of premium sport assets. Investment in these assets also often provides a unique opportunity to connect with fans and positively impact local communities.

As sport formalises into its own asset class, **sports focused private equity funds** are successfully raising funds from institutional sources (e.g. pension plans, sovereign wealth funds, insurance companies, university endowments, etc.) and deploying capital exclusively or predominantly into the sports sector. These funds have targeted strategies around how they invest and achieve strong risk-adjusted returns for their investors within the sector.

As we enter the next wave of mass investment in sport, we expect to see the most premium assets retain high levels of interest, which will drive an evolving investor base. In addition, women's sports assets will continue to offer a compelling opportunity for new and existing investors in the sports sector.

Examples include funds focused on minority stakes in league and/or competition-level media rights, club-level revenue streams, or control-oriented investments in clubs and/or teams. In exchange for external investment, rights holders tend to gain operational and commercial expertise, strategic direction and discipline at the ownership and board levels that ultimately helps to drive growth and sustainable business models. These funds are recognising the need for industry-specific knowledge and insight to support their investment objectives.

The **portfolio approach** provides investors with growth opportunities across a range of related, but defined, sports assets. These portfolios tend to be constructed across various sports and geographies, which has proven to be valuable when executed strategically. This approach can provide diversification benefits, de-risk the portfolio, and unlock operational and commercial synergies. Portfolios can span a single sport across multiple geographies, such as football clubs across Europe, North and South America, and Asia; or they can cross sports and geographies, such as football in Europe and ice hockey in North America.

What's next in sports M&A

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In the **next wave of investment in the sports** sector, we will see continued high demand for premium sports assets, and as such, returns will compress as prices for

premium assets continue to rise. Premium assets will have the opportunity to highlight their resilience and compelling investment merits amidst current challenging macroeconomic conditions for 'next buyers' and we expect that this will attract an evolving set of investors.

This expanding set is likely to include institutional investors such as pension plans, sovereign wealth funds, endowments, and insurance companies that will invest both indirectly through commitments to new and/or existing private equity funds and directly into premium assets themselves.

As the next wave of buyers evolves, so too will the portfolio strategies adopted by investors. We expect to see a **broadening of the portfolio approach** that incorporates additional sports, geographies, and complimentary businesses. Investors will look to strategically invest in businesses that provide synergistic growth, with sports assets acting as the catalyst. When broadening a portfolio in this manner, it is critical for investors to form a long-term strategy that optimises the portfolio's growth opportunity in each market. A clear understanding of the global sports market along with a strong understanding of the nuances in local markets is necessary for investors to support responsible investments, and ultimately generate higher returns.

Women's professional sports had a record-breaking year in 2022, with growing awareness of the commercial returns that women's sports assets offer. For instance, the 2023 edition of the [Deloitte Football Money League](#) reported average attributable revenues of €2.4 million to the women's sides in the 2021/22 season at the world's top 20 revenue generating



clubs. In addition, clubs in the National Women's Soccer League (NWSL – USA) and the Women's Indian Premier League (WIPL – India) achieved record-setting valuations. As levels of interest, attendance, viewership, and media coverage – not to mention revenues – keeps building, investor interest will inevitably follow.

Women's sports offer new investors an **appealing entry point and an opportunity to achieve attractive returns**. Investors can also engage with a relatively untapped and growing fanbase that typically represents a different demographic to fanbases in men's sports. Such an opportunity is likely to attract new entrants to the sports sector that, in the short-term, will comprise of investors that can strategically partner with women's sports rights holders to execute on the segment's strong growth tailwinds. As women's sports continue to professionalise, commercialise, and ultimately mature, financial investors are likely to take note and become more active in the sector.



A holistic approach to sports investing

As more capital flows into the sports sector, sustainable investment models that balance financial and operational viability with spending on performance are front and centre and gaining traction. What's more, new investments are often the trigger to organisational transformation aimed at driving increased returns and success.

Investors must enter the sector in a conscious and risk-focused manner, considering all the factors that may impact their future ability to be responsible custodians of sport.

Ultimately, attractive returns can be made in the world's most exciting industry, but the biggest winners will be those that are informed by industry-specific knowledge and insight which acts as the foundation of their investment and business decisions. Sports, at the end of the day, will always carry an excitement factor, but that shouldn't overlook the need for sound and rational consideration.

About Deloitte's Sports M&A Advisory and Transaction Support

Deloitte facilitates major global sports transactions; supporting client investment and providing end-to-end M&A services to create value for private and institutional investors. Our areas of expertise include:



M&A strategy

Providing early-stage advisory services regarding the potential to make an investment/divestment.



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M&A advisory

Project managing the negotiation and execution of acquisitions and divestments, including deal structure, holding periods and efficient exit periods.

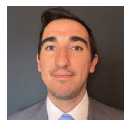


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Transaction support

Providing a full range of commercial, financial and tax due diligence processes, including transaction implementation services such as contractual protections and management incentive plans.



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Post-transaction support

Providing strategic advisory services including strategy development, operating model review and digital transformation.



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