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Deloitte's 2024 Sports Investment Outlook

Deloitte's Sports
Business Group

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2023 was a challenging year across global M&A markets, suffering from the impact of high inflation and interest rate hikes amidst a challenging macroeconomic climate. With that said, the sports M&A market showed its resilience with another year of strong investment activity as investors sought out quality assets.



Looking ahead to 2024 and beyond, we expect to see continued levels of strong investment activity as macroeconomic challenges begin to ease and varying sources of capital continue to flow into the sector.

The investor base exploring opportunities in sport will continue to expand, certain sport assets will likely attract record valuations and women's sport will continue on its growth trajectory.

Further down the line, we anticipate a shift in market dynamics as institutional investors begin to see pockets of opportunity and identify ways to drive returns in adjacent and synergistic market segments..

Investment has the potential to generate strong returns for investors and bring a new wave of innovation into sport. However, with every deal signed, a new custodian of sport is handed the keys to some of the world's most valuable organisations, in terms of both financial and cultural capital.

In 2024 and beyond, sturdy governance will remain crucial to ensure the positive impact of investment strengthens the backbone of sport.

Investment has the potential to generate strong returns for investors and bring a new wave of innovation into sport.

Sports rights holder investment activity in 2023: Key themes

Football grasped the lion's share of global sports rights holder transactions

While investment activity was diversified across several sports, investment in football (soccer) continued to make up the lion's share of deal flow in 2023, comprising 52% of all deals. Football remained the most liquid market, partly due to the sheer number of investable assets compared to other sports. Investors from across the globe continued to invest in the sport, with the majority of football deal flow stemming from North American investors (57%).

English clubs were the primary target – making up 29% of all football deals – as investors continued to see value across the English football system. Of all the 'big five' European football leagues (England, France, Germany, Italy and Spain), the English Premier League consistently generates the highest commercial revenues, with this having a trickle-down effect for clubs and leagues further down the system.

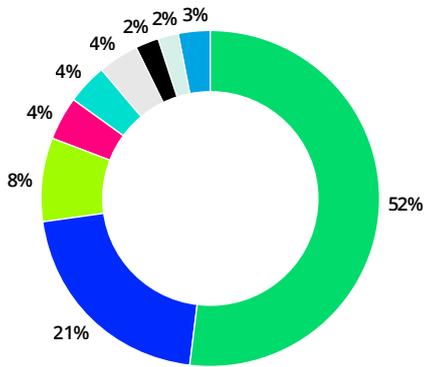


2023 was also an active year for investment within the North American football market. Almost one in five (18%) of all football deals last year were struck with North American clubs, more than in other 'big five' European football markets.

North American investors led several investments into domestic properties across the MLS and the NWSL, as these leagues continue to require significant levels of growth capital to support their expansion.

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Global sports rights holder deal volume by sport, 2023



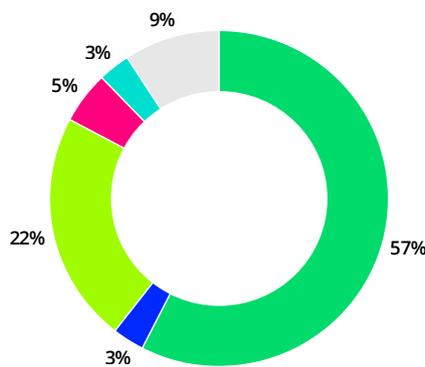
■ Football ■ Other ■ Basketball ■ Cricket
■ Padel ■ Motorsport ■ American Football
■ Golf ■ Ice Hockey

Source: Deloitte analysis

Basketball saw the second largest share of deals (8%) in 2023, with several high-profile transactions executed in NBA franchises. Several minority investments closed during the year alongside three high-profile majority investments (Phoenix Suns, Charlotte Hornets and Dallas Mavericks), which were reported to transact at record valuations.

The investor base exploring opportunities in sport will continue to expand.

Global football sports rights holder deal volume by investor nationality, 2023



■ North America ■ Central & South America
■ Europe ■ Middle East ■ Asia Pacific
■ Rest of World

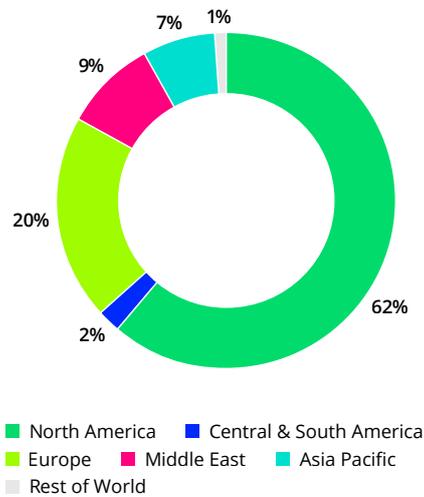
Source: Deloitte analysis

Amidst disruption in regional sports networks and the corresponding impact on NBA (and other North American) franchises, long-tenured franchise owners are looking to capitalise on continued high levels of investment demand. This presents an opportunity for new investors to step in and develop and execute new commercial growth strategies.

2023 was also an active year in cricket, which saw the successful completion of the Women's IPL franchise auction in India. Sailing, alongside emerging sports such as padel and pickleball, also continued to expand commercially and seek capital to fund their next phases of growth.

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Global sports rights holder deal volume by investor nationality, 2023



Source: Deloitte analysis

North American investors took the biggest slice of the pie, with Middle Eastern investors also making their mark

North American investors were the most active sports investors in 2023, with 62% of all deals stemming from investors in this region. North American investment was focused primarily on domestic deals (56%) with investments abroad predominantly limited to European targets (36% of all North American deals).

Second to North America, one in five deals were struck by European investors. Contrary to North American investors, those from Europe almost exclusively deployed capital in their home markets, with 94% of all transactions in 2023 involving European investors made into European assets.

Football was the dominant sport for European investors, but this group also showed interest in emerging sports, such as padel in Spain.

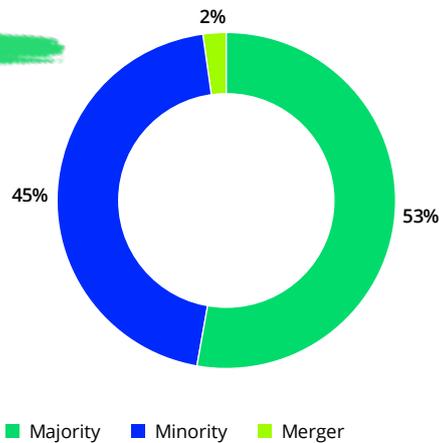
Almost 10% of deals were made by Middle Eastern investors in 2023. Middle Eastern investors were more geographically balanced in 2023 in terms of where they invested their capital relative to their North American and European peers – 47% of all Middle Eastern deals were struck domestically, 24% into North American assets, followed by Europe (18%) and Central & South America (12%).

Middle Eastern investors with sovereign-backed sports investment programs invested across several sports in 2023.

Domestically, PIF led the privatisation of several football clubs with significant follow-on capital invested throughout the 2023 January and Summer player transfer windows. Abroad, Qatar Sports Investment invested in the emerging World Padel Tour.

Almost 10% of deals were made by Middle Eastern investors in 2023.

Global sports rights holder deal volume by investment type, 2023



Source: Deloitte analysis

Almost 60% of all transactions in the 'big four' North American sports were minority transactions in 2023.

Almost 50% of all deals in 2023 were minority investments, as valuations continued to rise for premium assets

2023 saw a rise in minority investment activity, with these deals making up 45% of all transactions. Minority investment activity was predominantly driven by strong activity in premium North American assets, where franchises and business models are traditionally more stable, relative to other sports assets where sporting performance is critical to executing a successful investment case.

As emerging rights holders seek growth capital to invest into their respective properties, business model considerations must be top of mind to achieve fundraising objectives and to attract the desired investment partners that will ultimately help achieve growth plans.

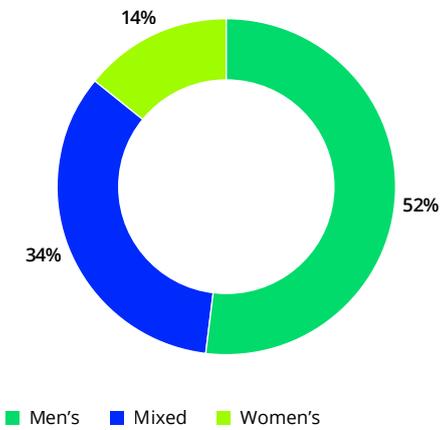
Almost 60% of all transactions in the 'big four' North American sports (American football, basketball, baseball and ice hockey) were minority transactions in 2023. As incumbent team owners in these sports sought liquidity for long-dated investments, an expanding set of institutional investors executed minority investments in this segment of the sports market.

We saw two landmark deals announced in 2023, which saw a sovereign wealth fund and a pension plan invest directly into North American sports franchises for the first time – OMERS' minority investment in Maple Leaf Sports & Entertainment (owners of the Toronto Maple Leafs, Toronto Raptors and Toronto FC) and Qatar Investment Authority's minority investment in Monumental Sports & Entertainment (owner of the Washington Capitals and Washington Wizards).

By contrast, 55% of all transactions outside of the 'big four' North American sports were majority investments, with varying levels by sport. Football continues to be a key driver with 60% of all football deals being majority investments in 2023.

The primary value driver for a football club is on-pitch performance and therefore, control over operational decisions is typically a necessity for incoming football club owners.

Global sports rights holder deal volume by men's, women's and mixed sport assets, 2023



Source: Deloitte analysis

A strong year for investment in women's sports rights holders

2023 was a watershed year for women's sport with several investors of differing profiles striking deals in women's sport. Of all transactions in 2023, 14% were women's sport only deals, with an additional 34% of deals into mixed properties that involved both a men's and women's rights holder.

Women's sport deals in 2023 were largely concentrated in football, basketball and cricket. In football, Michele Kang carved out Olympique Lyonnais Féminin – one of the first European football clubs with separate ownership across its men's and women's teams.

Subsequently, Kang combined this investment to form the first multi-club ownership group in women's football with the acquisition of the London City Lionesses at the end of the year.

2023 also saw progress in the continued development of women's football in England. 'NewCo' – the standalone commercial entity responsible for operating the Women's Super League and Women's Championship – was ratified by its member clubs.

We expect NewCo to attract investment in 2024 and beyond as it looks to professionalise and develop women's football in England.

2023 also saw significant activity in the NWSL with several investments into both existing and expansion franchises.

For instance, Sixth Street invested into the Bay Area NWSL expansion franchise, which is the first private equity-led investment into a women's sports team.

Women's basketball and cricket also experienced strong levels of investment activity with several investments into WNBA franchises and the successful completion of the Women's IPL auction, which saw a new high watermark set for the valuation of a women's sports team.

The successful completion of the Women's IPL auction saw a new high watermark set for the valuation of a women's sports team.

Sports investment activity in 2024 and beyond: Deloitte's outlook

Investing in disruption

In 2024 we expect to see investors explore opportunities to ignite market disruption. Investors with deep-pockets and a long-term investment horizon may look to deploy capital across expanding sports such as cycling, sailing or padel, which are rising in popularity and participation. In time and backed by robust transformation strategies, these deals may stand to mark the evolution of new, premium assets that may challenge the status quo.

So far we've also seen investors targeting sports properties where commercial growth could be unlocked via mergers or increased stakeholder alignment. In 2023 we witnessed the creation of TKO, a merger between the UFC and WWE, resulting in an entity with an enterprise value of nearly \$10bn at the time of this publication.

Investors have also sought to fuel market competition by providing growth capital to challenger sport properties, with the objective of closing the gap to a market leader, with this trend likely to continue in 2024. In August 2023, the PFL (Professional Fighters League) announced an investment from SRJ Sports Investment aimed at challenging the UFC, the incumbent MMA market leader globally.

Investors with deep-pockets and a long-term investment horizon may look to deploy capital across expanding sports such as cycling, sailing or padel, which are rising in popularity and participation.



Linked to this, consolidation opportunities within sport are increasingly being viewed as a method to unlock the next wave of sport commercialisation, with the PFL subsequently announcing the acquisition of fellow MMA promotion, Bellator, in November 2023. As rights holders continue to explore partnerships with investors with a view to disrupting the status quo, we expect to see several timely opportunities for assets to ignite commercial growth, enhance fan experiences and ultimately reimagine the future of sport.

Amongst all these possibilities, it is critical stakeholders keep responsible investment at the heart of their strategic and investment priorities to ensure the long-term financial health, sustainability and societal importance of these sports properties are protected and preserved.

Rising and polarising valuations

We expect demand for premium sports properties to increase, primarily driven by interest from institutional investors, which will continue to drive valuation increases at the top-end of the market.

In 2023, we tracked rising valuations of premium sports assets, with several transactions breaking prior records in their respective sports, including reported valuations in excess of \$1bn.

In the year ahead, we expect this to impact the broader sports investment market in several ways.

• Surge in minority investments

An increase in ticket sizes required to acquire majority stakes in premium sports assets; a growing universe of passive institutional investors, such as sovereign wealth funds and pension plans; and a growing number of incumbent owners seeking to attract growth capital and/or de-risk their investments, has created an environment ripe for a surge in minority investments.

As minority investments rise, it is critical that incoming investors, even as minority shareholders, conduct the appropriate due diligence and ensure alignment with controlling shareholders in order to protect the stability of the respective asset and create a shared vision.

- *Polarisation between premium and non-premium assets*

As institutional investors continue to demand and drive-up prices for premium sports assets, the valuation gap between premium assets and non-premium assets with challenging growth prospects will grow.

With some investors priced out of the top-end of the market, opportunistic investors may find opportunities with relatively low entry points to execute bold bets in non-premium properties.

- *Search for returns in adjacent and synergistic market segments*

As rising prices for premium assets compress returns, institutional investors will seek returns in adjacent markets which stand to benefit from the strong tailwinds generated by premium rights holders.

Some investors may seek to replicate proven synergistic strategies in new geographies, such as economic regeneration projects in Europe through commercial real estate-focused investments that have been tried and tested by North American franchise owners.

Others may forego the highly competitive premium sports rights holders market altogether and seek attractive investments in several near-market segments such as hospitality providers, equipment and merchandise manufacturers, merchandise retailers, marketing, branding and athlete representation agencies and food & beverage providers, to name just a few.



(Re)defining the women's sport investment case

2023 saw continued growth in the women's sports market. With women's elite sports revenues predicted to surpass \$1 billion for the first time in 2024, we expect to see an expanding group of investors – including institutional investors, private equity and high net worth individuals – begin to take note.

With deeper pools of capital forming and investing in the segment, including private equity funds with an exclusive mandate to invest in women's sport, we expect rights holders and their key stakeholders to redefine the women's sport investment case to attract required growth capital.

To align with the pools of capital forming, stakeholders in women's sport will seek to carve their own path as stand-alone commercial entities. To do so, dedicated management teams will focus solely on growing the commercial value of their respective property in order to re-invest proceeds and ultimately create a virtuous growth cycle.

The creation of distinct products, business models, commercial strategies and growth plans may prove pivotal to fuel progress in women's sport. With that said, the onus for growing women's sport and capitalising on the significant investment opportunity must be shared between rights holders, investors and other key stakeholders.

During this formative time for women's sport, it is critical for stakeholders to define their strategic objectives to not only grow awareness and participation, but also to prioritise commercialisation and monetisation. This will ultimately help create a product that attracts widespread investment, which can then be used to drive further growth.

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Concluding thoughts

As more capital flows into the sports sector from both new and existing investors, it will be crucial for investors to understand the stakeholder dynamics that may potentially impact their investment thesis through thorough, sector-specific diligence.

What's more, investing in sports assets that carry such significant community, social, economic and commercial value can oftentimes come with complexities not apparent in other sectors and therefore, sound, sector-specific advice throughout the investment cycle is critical to maximising value of investment decisions.



Basis of preparation

Deloitte defines the sports sector into three sub-sectors, with each comprising of various segments.

- 1. Professional spectator sports** – Segments include sports rights holders, sports technology and sports marketing;
- 2. Leisure sports** – Segments include community/fitness centres, indoor sport facilities, golf and country clubs, sport resorts and outdoor sports facilities; and

- 3. Complementary sports providers (near-market)** – Segments include athleisure, merchandising, equipment manufacturers, broadcasters, stadium operators, food & beverage, and several others.

Our analysis of investment activity and focus for this insights piece is in respect of the sports rights holders segment only.

The information provided in this publication is based on publicly available information and while we have sought to only include sources which may typically be deemed credible, they may be subject to inaccuracies.

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

Deloitte delivers world class, end-to-end M&A services that drive sustainable, responsible and successful investment into the industry. The work led by our Sports M&A Advisory and Transactions Support practice includes:



M&A Strategy

Providing early-stage advisory services to inform investment and divestment decision-making.



M&A Advisory

Leading acquisition and divestment processes, from advisory and planning through to negotiation and execution.



Transaction Support

Delivering a full range of commercial, financial and tax due diligence services.



Post-Transaction Support

Providing strategic advisory services including strategy development, leadership support, operating model reviews and digital transformation programmes.

Deloitte's Sports M&A Advisory and Transaction Support practice has advised on over 150 investment transactions in sports clubs, competitions, leagues and media businesses.

The practice sits in Deloitte's Sports Business Group, a leading advisor to governments, investors, sport governing bodies and organisations.

To date, the Group has advised clients in over 40 countries, across more than 30 sports, providing knowledge and insight to enable transformational change, resolve significant challenges, enhance value and fuel opportunities for growth.

With a global network of over 300,000 colleagues, including sports M&A leaders based in Australia, Canada, Germany, India, Ireland, Spain, Qatar, UAE and the US, we bring the best international and industry-leading knowledge that Deloitte has to offer to every project.

Learn more by visiting [our website](#).

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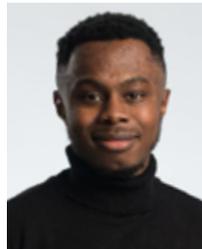


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