



## The MVPs of private equity: Top PE-backed sports deals of 2023

*Arctos, BPEA EQT and RedBird Capital are among the private equity firms making deals in the sports sector.*

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As we approach the end of 2023, it's a good time to reflect on the hustle and bustle of PE activity we've seen in the sports sector throughout the year.

Sports are attractive to PE firms because of factors like consumers' discretionary spending, which has been very resilient despite shaky economic conditions, as The Raine Group's partner and head of investor relations Sherri Williams told PE Hub earlier this year.

Another reason for the interest is the popularity of streaming services, the growth of women's sports and opportunities opening up for student-athletes. These are just a few of the trends that have created new business and revenue streams.

"At a high level, what we looked and saw was a market that's undergoing tectonic change," NewSpring Capital's general partner Skip Maner told PE Hub in November about NewSpring's recent platform acquisition of sports marketing services company Underdog.

PE Hub and PE Hub Europe have seen several sports deals this year. Here's a look at six of the largest PE-backed deals in the sector, listed in chronological order.

### **1. Sixth Street kicks up soccer efforts with Bay Area FC launch**

San Francisco-based private equity firm Sixth Street made a splash when it backed the creation of expansion National Women's Soccer League team Bay FC in April. The NWSL team will make its debut next year. Sixth Street CEO Alan Waxman will serve on the NWSL's board of governors. The expansion franchise deal made Sixth Street the first institutional investor to become the majority owner of a professional US sports franchise.

Soccer proved to be a major focus for Sixth Street, which also announced the launch of the Soccer Champions Tour in May. The tour featured a series of games played this summer in major markets across the US featuring top international teams such as Manchester United and Real Madrid.

### **2. RedBird and NFL form media platform EverPass**

Also in April, New York-based firm RedBird Capital and the National Football League announced the formation of EverPass media. EverPass holds the rights to distribute the NFL's Sunday Ticket to bars, restaurants, hotels and other commercial venues in the US.

The rights the NFL contributed were valued at a reported \$200 million. The NFL's strategic investment arm, 32 Equity, also made an equity investment.

"Anchored by Sunday Ticket, EverPass Media will provide premium rights holders a scalable live event entertainment service that will enhance the customer experience at commercial establishments across the country," RedBird founder and managing partner Gerry Cardinale said in a statement.

### **3. BPEA EQT acquires IMG Academy for \$1.25bn**

April turned out to be a busy month in sports. Another significant deal at that time saw Hong Kong-based PE firm BPEA EQT and London-based provider of schools Nord Anglia Education acquire sports education brand IMG Academy, based in Bradenton, Florida, for \$1.25 billion from sports and entertainment company Endeavor in an all-cash deal.

"IMG Academy's brand is globally recognized and we see compelling opportunities in supporting its international expansion, including Asia, and broadening its educational offering, leveraging BPEA EQT's insights from having led Nord Anglia Education's growth in the region," Jack Hennessy, partner and co-head of education for BPEA EQT's advisory team, said in a statement.

### **4. Dynasty Equity takes minority stake in Liverpool FC**

In September, New York-based private equity firm Dynasty Equity acquired a minority stake in English soccer club Liverpool FC. Dynasty acquired the piece of Liverpool FC from Fenway Sports Group.

In a statement, Liverpool said the investment was used to pay down bank debt incurred during covid. The capital also went to expenses for Liverpool's home stadium, Anfield, its training facility and academy, AXA Training Centre, the repurchase of Melwood training ground and acquisitions during the summer transfer window.

### **5. OMERS buys 5% indirect stake in Maple Leaf Sports & Entertainment**

In November, Ontario-based pension plan fund OMERS acquired a 5 percent indirect stake in the owner of the Toronto Maple Leafs, the Toronto Raptors, the Toronto Argonauts and other sports teams, Maple Leaf Sports & Entertainment (MLSE).

By taking a 20 percent stake in Kilmer Sports, OMERS acquired the MLSE stake for \$400 million. Kilmer Sports is owned by MLSE chair Larry Tanenbaum, who retained an 80 percent interest in Kilmer Sports upon closing.

"We actively seek out investment opportunities of the highest quality, that are fortified by trusted partnerships and that offer the potential of significant long-term upside [on the behalf of OMERS investors]," said Blake Hutcheson, president and CEO of OMERS, in a statement. "This one happens to be here in Canada and Ontario, which is also really important, and meaningful to OMERS."

### **6. Arctos takes 12.5% stake in PSG**

In December, Dallas-based private equity firm Arctos Partners signed a deal with Qatar Sports Investments to take a 12.5 percent stake in French soccer team Paris Saint-Germain. The deal values PSG at \$4.32 billion.

The PSG investment continued Arctos' focus on making minority investments in sports franchises. In the US, Arctos has made investments in six Major League Baseball teams, including the Boston Red Sox and Los Angeles Dodgers, three teams in the National Basketball Association and two teams in the National Hockey League.

### **More to come in 2024**

Over the past several years, professional sports leagues such as the NBA, MLB and NHL have allowed institutional investors to take minority stakes teams. The last of the big four, the NFL, prohibits institutional capital as an investor.

As professional sports franchise valuations continue to rise – the average NFL franchise's value is a record \$5.1 billion according to Forbes (2023) – there is a need for institutional capital, opening the door for PE.

NFL commissioner Roger Goodell appointed five owners to a committee charged with evaluating the league's ownership policies. In March, the committee of five owners is expected to prepare recommendations for all team owners to consider.

PE Hub will be keeping track of sports sector deals in 2024.