

# INSIDER

## The private-equity firm behind Italian soccer champs AC Milan is quietly building a financial services powerhouse

By Hayley Cuccinello and Dakin Campbell  
5 December 2022



Cardinale is the face of AC Milan's new ownership. Claudio Villa/AC Milan via Getty Images

- RedBird Capital is best known as the private-equity owner of soccer club AC Milan.
- But the sports dealmaker is quietly building a financial services arm to rival its flashier bets.
- RedBird has already sold one rollup for more than \$900 million, and more are in the works.

RedBird Capital is one of the buzziest names in dealmaking when it comes to sports and Hollywood.

In August, the New York City-based private equity firm bought soccer club AC Milan for \$1.2 billion. Skydance Media, the film studio behind "Top Gun: Maverick," counts RedBird as an investor. CEO and founder Gerry

Cardinale has been in the New York Yankees' corner for 20 years, helping the baseball team form its regional sports network, YES, sell a 49% stake at a valuation of more than \$3 billion, and buy it back.

But behind the scenes, RedBird is quietly building a financial services arm, investing more than \$1 billion in the past four years, according to a source familiar with the firm. A quarter of the \$7.5 billion firm's business comes from asset management and insurance. Finance bets include MainStreet Advisors, Paul Wachter's investment and financial advisory firm known for boldface-name clients like NBA star LeBron James, as well as asset manager Aquarian.

RedBird has raised close to \$2.5 billion over the past 12 months, and is already deploying capital from its fourth fund to execute roll-up mergers in financial services, the source added. The fund is expected to close by midyear 2023.

The firm's philosophies for financial services and sports are one and the same: taking advantage of fragmented environments with firms that have long-term recurring cash flow. But RedBird doesn't have the same cache in financial services that it does in sports, so Cardinale is willing to acquire smaller firms and go to "hand-to-hand combat."

"At our core, we are grinders," Cardinale told Insider. "It's a lot of bottoms-up and top-down work. But that's the way our firm is set up. Don't be fooled by the sizzle of 'Top Gun' and the sports stuff. It's all the same thing."

This past summer RedBird poached Alex Brown president Haig Ariyan, who presided over its sale to Raymond James from Deutsche Bank, to build out a new asset and wealth manager, Arax Investment Partners.

The firm has already had a major win with its buy-and-build strategy. It bought nine specialty insurance brokers over two years to build Constellation, which it sold to Truist for more than \$900 million in 2021.

RedBird has also made growth equity investments in fintech and insurance tech startups such as Covered Insurance Solutions, a digital marketplace for homeowners insurance, according to the source.

### **The rise of sports investing**

Diversifying away from sports and media is a good move for RedBird, said Don Gogel, the chairman of the private-equity firm Clayton, Dubilier & Rice. Sports investing, in particular, is awash in private equity capital with firms spending \$51 billion on sports transactions last year, according to PitchBook. Despite harbingers of an economic downturn, valuations are soaring, and many professional sports teams are up for sale, including soccer clubs Liverpool, Manchester United, and Paris Saint-Germain.

"There's a lot of capital that gets invested in sports. It's an attractive area that people think they know something about — whether they do or don't," said Gogel.

Cardinale, who started investing in sports at Goldman Sachs, is also cautious about this the influx of new investors.

"People need to calm down a little bit about sports," he said. "This euphoria around sports scares me because it suggests a bubble environment and a caveat to beware."