

**Morgan Lewis**

# **M&A ACADEMY**

**Investments in the Sports Arena**

**Andrew White, Andrew Rocks, Benjamin Stein & Kelly Cooke**

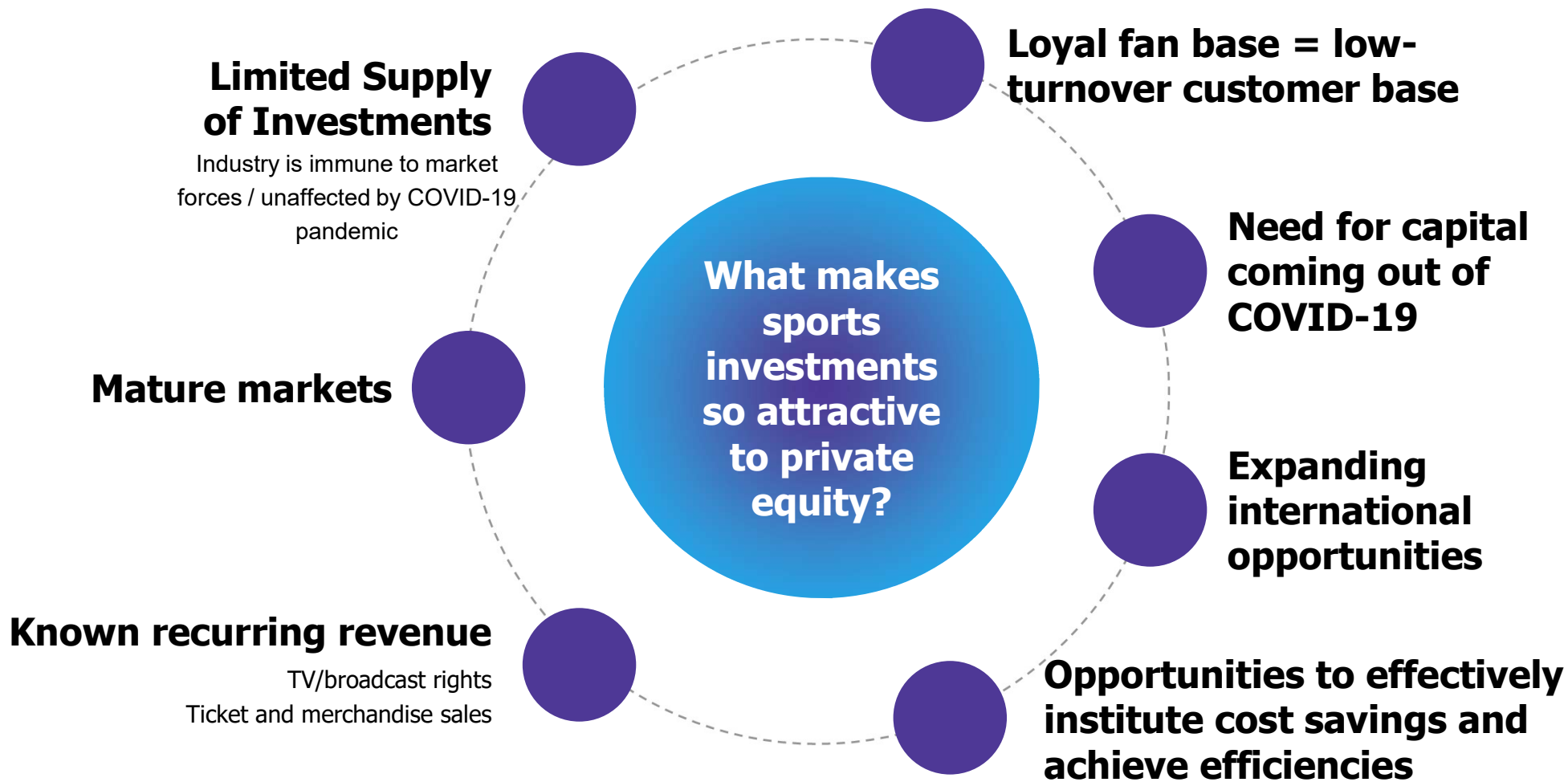
**March 28, 2023**

# Introduction

- Emerging asset class
- Untapped demand for investment opportunities in the sports industry by private equity, financial sponsors and sovereign wealth
- Easing of investment restrictions permitting such new investors to seek out opportunities
- New PE funds dedicated to sports investments

# Easing of Rules in U.S. Restricting Certain Investor Types

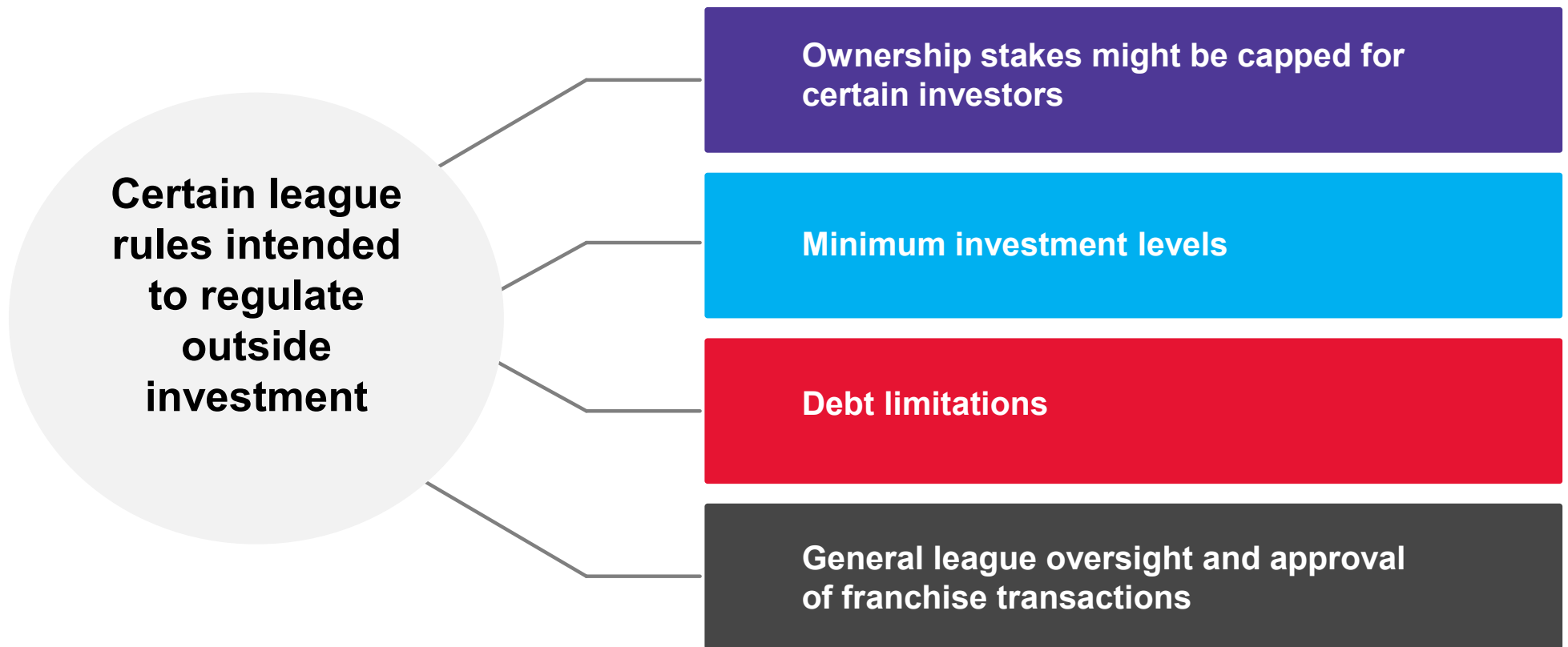
- Most major U.S. sport leagues have modified ownership rules to allow for the possibility of PE holding a minority ownership interest in their teams
  - Major League Baseball became the first U.S. professional sports league to allow private investment funds to hold passive, minority interests in multiple teams in 2019. NBA, MLS and NHL have followed course
  - NFL is notable exception
- Current owners have an interest in partnering with PE, as evidenced by their approval of the rules changes that enabled PE ownership
- Looking outside of the major sport leagues, emerging sports offer early investment opportunities for PE outside the entrenched, expensive and “difficult to break into” professional leagues
  - eSports
  - Surfing
  - Pickleball
  - The Drone Racing League



# Representative Types of Sports Transactions

- Team control acquisitions
- Minority/passive investments
- Strategic lending
- Acquisition of broadcast rights/royalty streams
- Joint ventures/commercial agreements
- Stadium and other sponsorships deals

# What Makes Sports Transactions Unique?



# What Makes Sports Transactions Unique? (cont'd)

- Limits on control
- Backstopping obligations and related structuring of arrangements among investors
- Restrictive covenants
  - Ownership of other teams
  - Significant restrictions on owners on engaging in certain types of businesses (e.g., sports betting business, agency)
  - No player promotion
  - Limitations on investments in sports-ancillary business (e.g., performance enhancing drugs)

# Trends to Watch

- Growing opportunities in women's professional sports as revenues continue to grow.
- Despite the overall immunity to market forces, will an economic slowdown or recession lead to a cooling-off of either franchise valuations or franchise acquisition activity?
- Expect a more robust market for ancillary opportunities around sports, including betting, media distribution and mobility, digital assets and experiences, athlete performance and data analytics.
- How will the easing of ownership rules affect the application of antitrust rules to sports franchises?
- Consider what markets will form and mature around NILs and the expansion of college athlete rights.



# Biography



**Andrew B. White**

Boston

+1.617.951.8977

[andrew.white@morganlewis.com](mailto:andrew.white@morganlewis.com)

With nearly 30 years of experience, Andrew White's corporate transactional practice focuses on mergers and acquisitions and private equity investments across various industries including sports, technology, life sciences and automotive. He also assists leading institutional growth equity and venture capital firms in their early and later-stage financings, including control transactions. In addition, he advises both private equity and venture capital clients on fund formation matters. From providing strategic and structuring counseling at the inception of a deal to leading negotiations and other critical steps through to closing, Andrew serves as a trusted advisor to his clients. He previously served as the leader of the firm's Boston corporate practice.

Andrew serves as a Co-Leader of the Firm's Global Industry Sports Practice. He has represented sports franchises and leagues in a variety of sports-related transactions, including M&A and purchases and sales of minority ownership interests.

**Morgan Lewis**

# Biography



**Andrew P. Rocks**

Philadelphia

+1.215.963.5255

[andrew.rocks@morganlewis.com](mailto:andrew.rocks@morganlewis.com)

Andrew Rocks counsels clients on a wide variety of business law matters, focusing on public and private mergers and acquisitions (M&A) (including spin-offs and other divestitures, joint ventures, strategic investments, and recapitalizations), private equity, venture capital investments, and general corporate and securities law matters.

Andrew serves as a Co-Leader of the Firm's Global Industry Sports Practice.

# Biography



**Benjamin J. Stein**

Boston

+1.617.341.7775

[benjamin.stein@morganlewis.com](mailto:benjamin.stein@morganlewis.com)

Benjamin Stein represents public and private companies in a variety of corporate transactional matters, including mergers and acquisitions, private equity and debt financings and SEC registered securities offerings. He also counsels public companies with respect to securities disclosure issues, corporate governance matters, NYSE and NASDAQ compliance issues and reporting obligations under the Exchange Act. Ben also has experience representing both companies and underwriters in a variety of capital markets transactions.

**Morgan Lewis**

# Biography



**Kelly E. Cooke**

Boston

+1.617.341.7747

[kelly.cooke@morganlewis.com](mailto:kelly.cooke@morganlewis.com)

Kelly Cooke works with public and private companies in a broad range of strategic transactions including mergers and acquisitions, debt and equity financings, corporate governance, and SEC registered securities offerings. During law school, Kelly served as a judicial intern for Chief Judge Patti B. Saris of the US District Court for the District of Massachusetts and worked as a law clerk for a mid-sized firm specializing in real estate transactions.

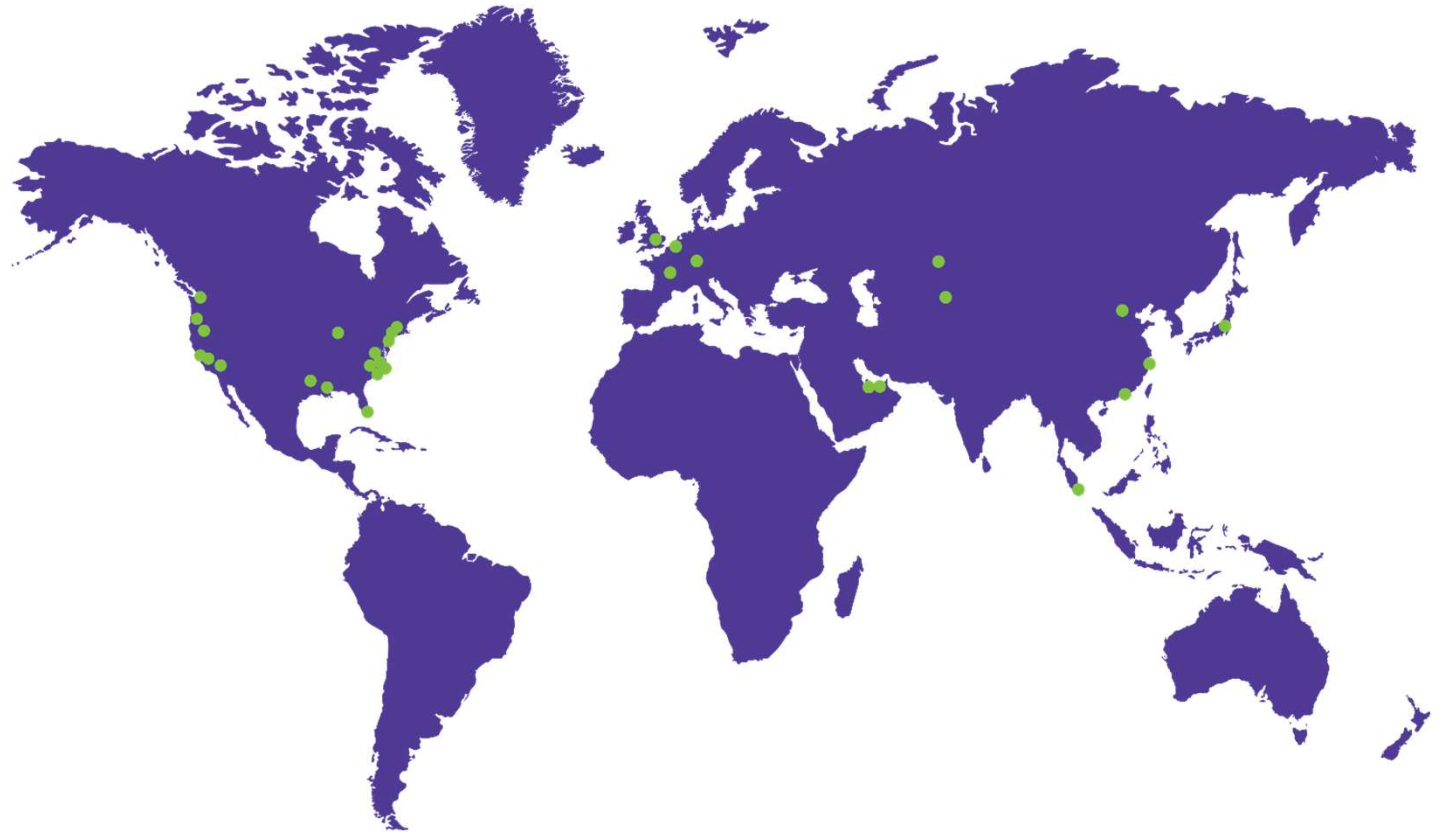
**Morgan Lewis**

## Our Global Reach

Africa  
Asia Pacific  
Europe  
Latin America  
Middle East  
North America

## Our Locations

Abu Dhabi  
Almaty  
Beijing\*  
Boston  
Brussels  
Century City  
Chicago  
Dallas  
Dubai  
Frankfurt  
Hartford  
Hong Kong\*  
Houston  
London  
Los Angeles  
Miami  
New York  
Nur-Sultan  
Orange County  
Paris  
Philadelphia  
Pittsburgh  
Princeton  
San Francisco  
Seattle  
Shanghai\*  
Silicon Valley  
Singapore\*  
Tokyo  
Washington, DC  
Wilmington



# Morgan Lewis

Our Beijing and Shanghai offices operate as representative offices of Morgan, Lewis & Bockius LLP. In Hong Kong, Morgan, Lewis & Bockius is a separate Hong Kong general partnership registered with The Law Society of Hong Kong. Morgan Lewis Stamford LLC is a Singapore law corporation affiliated with Morgan, Lewis & Bockius LLP.

# THANK YOU

© 2023 Morgan, Lewis & Bockius LLP  
© 2023 Morgan Lewis Stamford LLC  
© 2023 Morgan, Lewis & Bockius UK LLP

Morgan, Lewis & Bockius UK LLP is a limited liability partnership registered in England and Wales under number OC378797 and is a law firm authorised and regulated by the Solicitors Regulation Authority. The SRA authorisation number is 615176.

Our Beijing and Shanghai offices operate as representative offices of Morgan, Lewis & Bockius LLP. In Hong Kong, Morgan Lewis operates through Morgan, Lewis & Bockius, which is a separate Hong Kong general partnership registered with The Law Society of Hong Kong as a registered foreign law firm operating in Association with Luk & Partners.

This material is provided for your convenience and does not constitute legal advice or create an attorney-client relationship. Prior results do not guarantee similar outcomes. Attorney Advertising.

**Morgan Lewis**