

# CABSA SPORTS VIEW



## DESCRIPTION

The global sports and entertainment industry has experienced significant and consistent growth in the recent period. This phenomenon suggests that this sector may not be closely tied to economic cycles, as despite periods of financial crisis and increases in interest rates, the value of sports assets appears to remain robust, navigating through market fluctuations that impact other sectors. At CABSA Sports, we believe that the sports industry represents an attractive option for investors looking to diversify their portfolios by exploring an alternative segment in the private market, involving tangible assets distinct from real estate, with the additional potential for significant returns.

**"These assets are unlike anything else in the world. Live sports are ingrained in people's lives [...] That doesn't mean if we go into recession that things won't slow... but when you're a monopoly with live content, you have a lot of ways to withstand storms."**

- Greg Carey, head of sports finance at Goldman Sachs.

## CONSUMER VIEW

Our analysis of the consumer audience for this type of entertainment is based on their continued loyalty, even in the midst of financial crises. The sports and entertainment industry strives to appeal to an audience with diverse income levels, as it offers a wide range of products and segments that make sports an inclusive business. Unlike other products in different industries, sports possesses an emotional component that fosters a connection with individuals, resulting in customer loyalty that drives a demand for products less susceptible to economic cycle fluctuations.

**"We think the big money being paid for leagues and teams will accelerate. Our proprietary study of the US and UK population shows that people are watching more sport now than they were. We think the big money being paid for leagues and teams will accelerate. Our proprietary study of the US and UK population shows that people are watching more sport now than they were 1, 2, and 5 years ago. This is particularly the case for the 18-34 age group where over 50% of people say their favourite player or team is 'part of my identity'".**

- Deutsche Bank Research

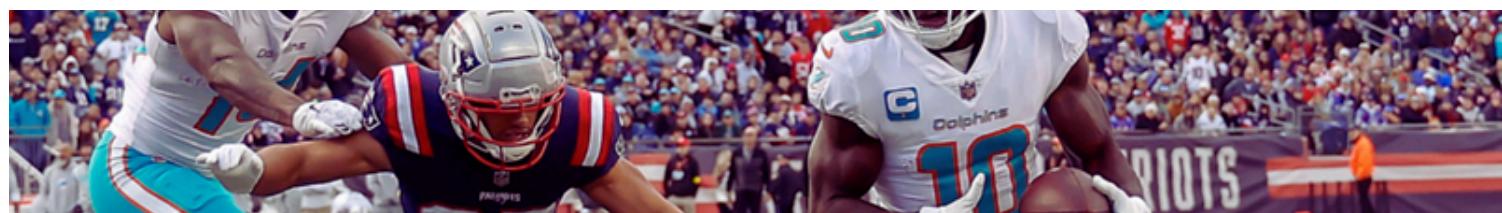
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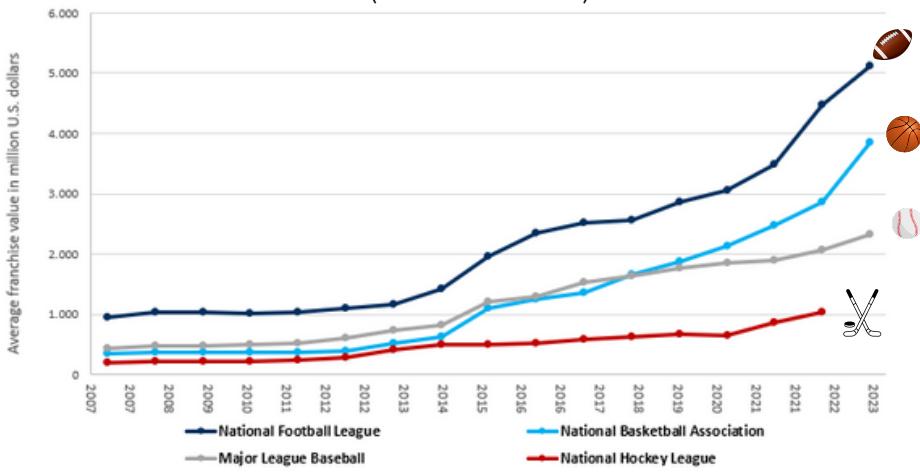
## NBA GLOBAL AUDIENCE CASE

The NBA stands as one of the most globally acknowledged sports leagues, transcending its recognition beyond the confines of the United States.

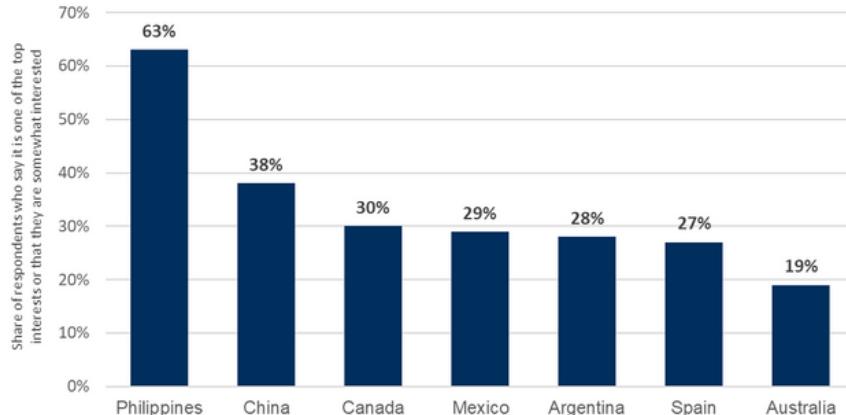
The significance of sports extends beyond fan loyalty to encompass the diversity of the audience. An illustrative example is the passionate interest in the NBA in China, making it the country with the highest following after the United States and the Philippines. This highlights how investments in the sports sector can serve as an alternative that transcends distinctions among regional markets.



**Major sports leagues by average franchise value in North America from 2007 to 2023 \***  
(in million U.S.dollars)



## Level of interest in the National Basketball Association (NBA) in selected countries worldwide as of April 2021 \*



## STREAMING COMPANIES IN SPORTS

Deutsche Bank found 8 factors boosting sports valuations, like growing fan engagement, more sports-focused investment funds, digitalization of leagues, and increased spending by countries on teams. Streaming companies, evidenced by deals like Disney and Viacom18's \$6 billion IPL broadcast agreement and Apple's \$2.5 billion MLS streaming rights purchase, are increasingly interested. Overall, sports is seen as a lucrative niche by global funds.

## US LEAGUES FRANCHISES

The average value of major sports leagues franchises has exhibited notable growth in recent years, mirroring a variability akin to that of the real estate market. Remarkably resilient, these franchises appear to have weathered major economic downturns, such as the crises of 2008 and 2020, with little discernible impact.



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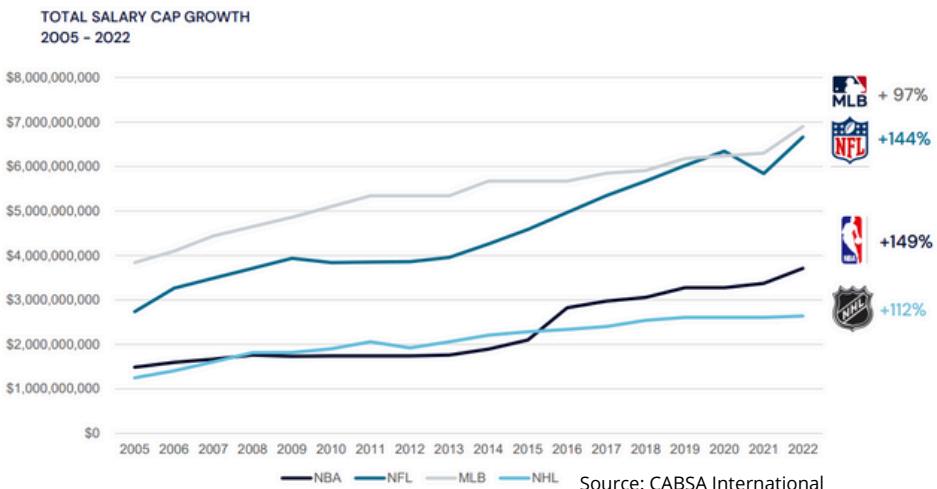


## SPORT LEAGUES

### PLAYERS

Over time, the salary cap growth in U.S. sports leagues continues to expand. Consequently, an investment based on a percentage of these compensations can yield substantial returns.

### Historical Salary Growth



### HOW SECURE ARE PLAYERS' SALARY CONTRACTS?

In both private sports lending funds and transfers, player salaries are crucial for investor profitability. Contrary to common perception in the Latin American public, these investments tend to be safer than expected, as American leagues not only show a growing trend in value and profitability but also have numerous regulations to ensure the financial health of the league and guarantee player incomes. Each league has a collective bargaining agreement with the players' association that ensures a fixed percentage of league revenues for its players; for example, the NBA splits its revenues 50-50 between players and owners. Additionally, there is a revenue sharing system designed to prevent any team from defaulting on its financial obligations. These regulations are characteristic of the United States, in contrast to the regulations in Europe and South America, which are structured differently.



In addition to the restrictions imposed by the league to secure player salaries, sports funds also implement additional restrictive measures to further protect investors. These include loan limits based on the guaranteed percentage of the player's contract or the use of real assets as collateral. Leagues like the NBA and MLB generally offer fully guaranteed contracts, in contrast to the NFL, where the guarantee of contracts is more variable. Furthermore, some funds protect these contracts with death, disgrace, and disability insurance (DDD).

## SOME INVESTMENTS ALTERNATIVES

### EQUITY

You can invest in a diversified fund of future NBA star contract percentages as Slum Dunk Fund.

### LENDING

Consider investing in a fund that provides loans to athletes, utilizing their contracts as a form of collateral

### CLUB DEALS

Exclusive investment opportunities outside the market in sports teams, entertainment, and other sectors.

## TEAM - CABSA



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### Sources:

- [Deutsche Bank: Sports Investment](#)
- [Goldman Sachs opens the door for clients to invest in sports teams](#)
- [Goldman Sachs starts new sports franchise unit](#)
- [Financial Times: Sports investment boom faces greatest test as downturn looms](#)
- [JPMorgan Establishes Sports-Focused Investment Banking Group](#)

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