

Capital Markets & Investments

Session 5: Fixed Income (2) – Interest Rate Risk

Spring 2025
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Financing the Sports Business



- Sports teams are big, messy businesses with unpredictable revenue streams
- Debt financing (through bonds and loans) is heavily used!
 - Player contracts & transfer fees
 - Franchise purchases
 - Stadium renovations & real estate
 - Operating expenses

Example 1: Player Contracts

- FC Barcelona needed €120 million to sign Antoine Griezmann
- Instead of paying cash, they borrowed against club's future revenue
 - Long-term contracts with La Liga broadcasting rights & sponsorships
 - Create a special purpose vehicle (SPV) and issue bonds
 - Investors buy these bonds and provide Barcelona with liquidity



Example 2: Franchise Purchase

- Todd Boehly + Clearlake Capital bought Chelsea FC for **\$5.3 billion**
- Instead of paying cash, they borrowed against club's future earnings
 - Set up a holding company to acquire Chelsea FC
 - Investors put their own money (~\$3B) but also borrowed from banks (~\$2.3B)
 - Debt was backed by Chelsea's future ticket sales, sponsorships, and TV deals



Example 3: Operating Expenses

- NFL teams need cash between seasons when TV & ticket revenue is not coming in, but player salaries & expenses are due
- NFL provides teams with a league-wide credit facility (LWCF)
 1. Revolving Credit Facility, funded by banks
 2. Football Club Term Notes Trust (fixed maturity bonds), backed by broadcast revenue

RATING ACTION COMMENTARY

Fitch Rates NFL League-wide Term Notes 2024 XV-II Trust 'A'; Outlook Stable

Thu 28 Mar, 2024 - 5:30 PM ET

Sports Business is Big Business

