

The Ascent of Private Credit in Sports:

An Era of New Opportunities

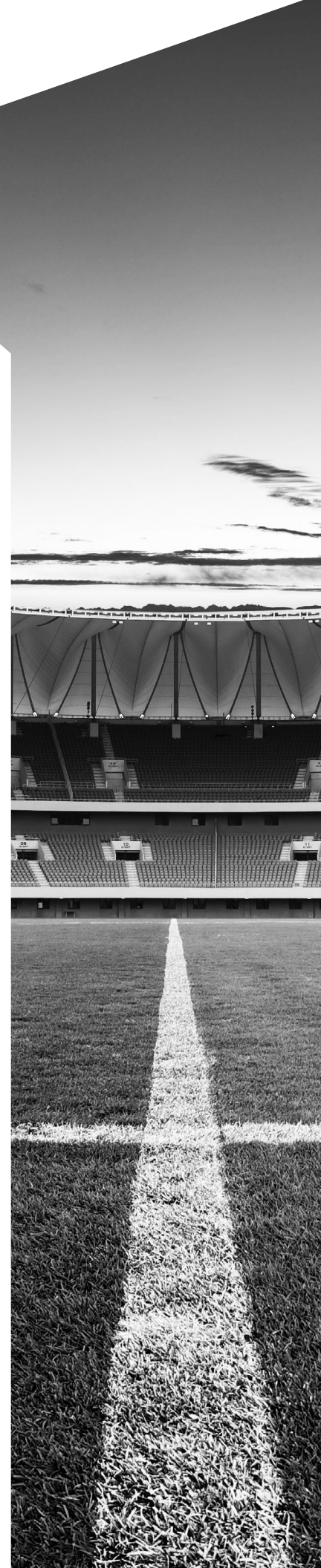


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The sports industry has become a significant global economic force, generating hundreds of billions of dollars annually on a worldwide basis and operating within an increasingly complex financial landscape. Professional sports teams were often more like small family businesses or hobby ventures than the multibillion-dollar enterprises they have become. Teams, leagues and conferences are now witnessing a strategic evolution in their funding options: The ascent of private credit. Private credit has emerged as a sophisticated and agile alternative to traditional methods of financing teams and leagues, offering bespoke solutions to the nuanced needs of a dynamic and rapidly evolving sector. This article explores the forces behind private credit's growing prominence in sports finance, the potential strategic advantages and prudent considerations for stakeholders navigating this new opportunity.



The Evolving Landscape of Sports Finance:

Strategic Drivers for Private Credit



The growing presence of private credit in sports finance is a strategic response to evolving dynamics within both the sports industry and the broader financial markets. Several key factors are contributing to this trend:

- **Growing Sophistication and Scale of Sports Transactions:** Sports deals, whether team acquisitions, league-wide credit facilities, infrastructure and venue projects or media rights transactions, have become significantly more complex and larger in scale. The valuations of major sports franchises have reached unprecedented heights and are now comprised of diverse sets of assets, often including valuable and highly synergistic real estate and other commercial development opportunities. The development and improvement of stadiums, arenas and other sports-connected facilities in professional and college sports presents a massive opportunity for lenders. These sophisticated transactions involving diverse asset sets can greatly benefit from the more flexible and bespoke financing solutions available from private credit firms.
- **Increasing Selectivity in Traditional Bank Lending for Sports:** While banks remain active in sports finance, their appetite and capacity may be constrained by regulatory pressures, internal risk management policies or sector-specific considerations. Certain types of sports assets or deal structures may fall outside of banks' preferred risk profiles, creating a gap for private credit opportunities to fill.
- **Bespoke Financial Architecture: Tailoring Solutions to Specific Sports Assets and Strategies:** A defining characteristic of private credit is its flexibility and capacity for customization. Unlike standardized bank loans or publicly traded debt, private credit structures can be meticulously tailored to the specific nuances of individual sports assets, organizational strategies and market conditions. This bespoke approach can encompass a wide range of features, including flexible repayment schedules, tailored covenant packages, hybrid approaches and creative security structures, ultimately aligning financing solutions more closely with the unique requirements of each transaction.
- **The Growth and Transformation of Private Credit as an Asset Class and the Need to Diversify Allocations:** As of the end of 2024, private credit global assets under management has risen to nearly \$2 trillion, having quadrupled over the past decade. What used to be a niche capital source for middle market junior capital transactions has ballooned and transformed into an enormous asset class, with some private lenders able to write checks in the hundreds of millions and even billions of dollars for transactions of all structures and industries. Given the global slowdown in sponsor-backed merger and acquisition (M&A) activity over the past two years, private lenders are looking for other industries and outlets to deploy capital, and as described herein the sports industry is ripe for such flexible investments.

Strategic Applications of Private Credit in Sports



Private credit is increasingly being strategically deployed within the sports industry, addressing specific financing needs and enabling strategic growth initiatives. Key applications include:

- **Modernizing Sports Infrastructure and Enhancing Revenue Generation through Strategic Venue Development:** The demand for state-of-the-art sports venues, from cutting-edge stadiums and arenas to specialized training facilities and esports venues, continues to grow. Private credit is poised to play an increasingly vital role in financing these capital-intensive projects. Having shown an increasing desire to deploy capital into asset-backed financings, by providing flexible debt solutions, private credit solutions can enable sports organizations to develop or renovate facilities, invest in technology to enhance fan experiences, generate new revenue streams or improve existing ones, and create long-term asset value.
- **Facilitating Strategic Transactions and Institutional Investment in Sports Franchises:** The dramatic increase in the valuations of professional sports teams has led to ownership transitions and increased interest from institutional investors. This is topic covered in further detail in the following recent publications:

- [Institutional Investments in Sports: Fueling Revenue and Valuation Growth](#)
- [2025 Perspectives in Private Equity: Sports](#)
- [Public Investment in US Professional Sports: Opportunities and Challenges](#)

The skyrocketing valuations have also made these transactions more complex and harder to complete. Private credit can help provide acquisition financing (subject to league debt rules) for controlling or minority stakes in sports franchises, or supplemental liquidity for teams looking to clean up their own cap tables and re-purchase LP interests. Private credit's flexibility, speed and ability in many cases to write checks as large as traditional banks are particularly valuable in competitive acquisition processes, allowing buyers to secure financing quickly and efficiently.

- **Optimizing Liquidity and Capital Efficiency for Strategic Operational Initiatives and Growth:** Sports organizations, like any business, require efficient working capital management and access to liquidity to support their day-to-day operations and strategic growth initiatives. Private credit can provide tailored working capital solutions, such as bridge financing, revolving credit facilities and term loans, to address a range of operational needs. This could include financing player acquisitions, funding marketing and promotional campaigns, supporting international expansion efforts or managing seasonal revenue fluctuations inherent in many sports.
- **Supporting the Evolving Media Landscape and Strategic Content Investments in Sports:** The media and broadcasting landscape for sports is undergoing rapid transformation, driven by digital platforms, the steady decline of Pay TV and regional sports networks (RSNs), the rise of streaming services and evolving consumer viewing habits. Private credit has a role to play in financing media rights deals and investments in sports-related content creation and distribution platforms. This could involve financing the acquisition of media rights by new digital platforms or providing capital to sports leagues or organizations to develop their own direct-to-consumer streaming services and enhanced content production capabilities.
- **Driving Innovation and Diversification through Strategic Investments in the Broader Sports Ecosystem:** Beyond core sports teams and leagues, a vibrant ecosystem of related businesses is emerging, encompassing sports technology, data analytics, fan engagement platforms, sports betting (where legally permissible) and more. Private credit is extending its reach into these adjacent sectors, providing growth capital to innovative companies that are enhancing the sports experience and driving industry evolution. This may include financing for sports tech startups developing cutting-edge performance analytics tools or fan engagement platforms that leverage digital technologies.

Prudent Considerations in Private Credit Transactions



While private credit structures can offer significant strategic advantages in sports-connected transactions, there are several important considerations:

- **Cost of Capital and Return Expectations:** Private credit typically carries a higher cost of capital compared to traditional bank loans, reflecting the increased flexibility, bespoke nature and potentially higher risk profile of these financings. Sports organizations must carefully evaluate the cost-benefit trade-offs and ensure that the strategic advantages and returns generated by private credit-funded initiatives justify the higher interest expense. Borrowers in this space might find such higher cost of capital to be well worth it, as private lenders have historically had a long-term investment profile and are more willing than traditional bank lenders to inject additional capital into an investment throughout the course of its life—having a dedicated, engaged and sophisticated private lending partner could prove to be a valuable source of continuing capital for many of these sports-based businesses.
- **Navigating Macroeconomic Volatility and Industry-Specific Economic Cycles in Sports:** Like any sector, the sports industry is subject to macroeconomic volatility and industry-specific economic cycles. Downturns in the broader economy or specific challenges within the sports industry (e.g., changes in fan behavior, media consumption shifts) can impact the financial performance of sports organizations and their ability to service debt obligations. Prudent financial planning and stress-testing are crucial to navigate these potential challenges.
- **Robust Due Diligence and Expert Financial Advisory in Private Credit Transactions:** Engaging in private credit transactions requires robust due diligence and a deep understanding of the operational aspects of sports. Sports organizations should seek expert financial and legal advisory to navigate the complexities of private credit agreements, ensure favorable terms and mitigate potential risks. Experienced advisors with operational experience in sports can help organizations assess the suitability of private credit for their specific needs and negotiate effectively with lenders. Lenders should be looking for advisers who can help sort through the unique risks and operating profiles of teams, leagues and conferences.
- **Navigating the Collateral and Enforcement Landscape for Sports Transactions:** Investing in sports related businesses, particularly in the professional team or league area, will often contain limitations with respect to collateral enforcement and realization. Understanding those limitations and charging the correct cost of capital for such limitations will be key to extracting maximum value from these types of transactions. Private lenders must understand what, if any, limitations exist on enforcing upon collateral, and weigh that against the overall return, upside and safety of the asset class. This is not a new construct for private lenders, as they have historically deployed capital into industries that have limitations on collateral enforcement and should be able to navigate the risk landscape appropriately and become comfortable with such structures.
- **Understanding and Navigating the Evolving Regulatory Environment Governing Sports Finance:** The regulatory landscape governing sports finance is complex, encompassing diverse areas such as ownership rules, antitrust regulations, and sports betting legislation. Sports organizations must ensure they are fully compliant with all applicable regulations when engaging in private credit transactions, and sophisticated legal counsel with expertise in sports and finance is essential to navigate this complex environment.

Conclusion

Private credit is emerging as a strategically significant partner in sports finance, offering a compelling alternative to traditional funding routes. Its capacity to provide customized, flexible, efficient and increasingly large enough to be one-stop capital solutions aligns perfectly with the evolving needs of dynamic and increasingly sophisticated sports-connected transactions. As private credit continues its ascent, sports organizations that strategically embrace this evolving financial landscape, while carefully considering the associated considerations and risk management, will be best positioned to capitalize on the opportunities and achieve sustained success in the competitive world of sports.



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