

Beyond the pitch: private capital funds sports infrastructure and operations

The FIFA World Cup is underway, but the action for institutional investors is in the financing that underpins modern sports.

Professional sports have evolved into a capital intensive industry supported by long dated contracts, scarce assets that generate diversified cash flows, and loyal, engaged audiences. Clubs, teams, and leagues increasingly resemble regulated operating businesses monetizing their status as the last bastion of live television, while stadiums are 365-day infrastructure platforms.

If risks are carefully underwritten, private infrastructure debt and corporate private placements can offer investors access to long-duration, diversified income streams that are structurally different from traditional corporate credit.

Corporate Private Placements: Financing Clubs, Teams and Leagues

Over the last few years, institutional capital—particularly from private equity—has poured into sports clubs, teams, and leagues in the United States and Europe. New players are drawn by increasingly valuable broadcasting rights and professionalized sports organizations that aggressively monetize brands and trim costs.

Private capital may be growing, but it isn't new. MetLife Investment Management has provided capital to teams, clubs, and leagues for at least 20 years. For borrowers, private capital may offer greater speed and certainty of execution, as well as more bespoke terms. For debt investors, the potential advantages include:

1. **Diversification:** Clubs, teams, and leagues have different revenue drivers than most corporations.
2. **Long-term value:** The value of sports broadcasting to advertisers has proven resilient.
3. **Scarcity:** The number of teams and clubs is strictly limited, with high barriers to forming new ones.
4. **Senior position in the capital structure**
5. **Contractual cash flows:** Lenders tend to have first rights to revenues from multi-year broadcasting rights contracts with investment-grade media entities
6. **Risk mitigation:** Corporate private placements may include covenants that regulate borrowing, leverage and debt levels, and other conditions.
7. **Regulation:** Many leagues in the United States impose strict debt limits on teams and borrow on behalf of multiple teams at once through a trust structure, reducing the risk of lending to any one team. European leagues are increasingly introducing rules intended to promote financial stability.

There are also important risk considerations:

- **Performance:** Relegation, in which the worst-performing European football clubs are demoted to lesser leagues, can materially impact a club's revenues.
- **Brand:** Global institutions such as Real Madrid or the New York Yankees are viewed as more resilient commercial propositions, while lenders typically set stricter terms for loans to teams, clubs, and leagues in newer sports or smaller markets.
- **Governance:** Lenders typically want to see a strong management team, with transparency into funding and operations.

Private infrastructure debt: capitalizing on the changing role of stadiums

Stadiums are classic infrastructure: discrete physical assets that generate contractual, inflation-linked cash flows and have high barriers to entry. They also play an essential role in communities. European stadiums are often centrally located or easily reached by public transit, while in the United States, they often anchor large, mixed-use development projects. U.S. municipalities often contribute public funds to finance stadiums or the infrastructure around them.

New and renovated stadiums are designed to maximize revenues. They often host multiple teams, increasing the number of game days, while concerts, family events, monster truck rallies, corporate conferences and other entertainment events keep revenues flowing on off days. On-site experiences—such as the mock F1 track and The Dare Skywalk at London's Tottenham Hotspur Stadium—also attract visitors.

One example of how teams earn revenue from corporate sponsorships is close to home: MetLife Stadium in East Rutherford, N.J., will host eight FIFA World Cup games (including the final) this year. Typically, naming rights deals last a decade or more, offering years of predictable revenue streams. Companies also ink shorter-term deals to name pavilions, hospitality suites, and premium seating areas.

New and renovated stadiums usually seek to add more VIP lounges, luxury boxes, corporate suites, and club seats. These premium seats, which are often locked in by multi-year contracts, can generate millions of dollars in sales. Stadium lenders frequently have claims on sponsorship and premium seating revenue.

Financing a stadium has different risks than traditional corporate lending. Our team looks closely at the durability of the contractual cash flows securing the loan, asking questions like:

- What is the quality of the counterparties?
- How long are the contracts/licenses attached to various cash flows? What are the potential risks for renewal?
- What happens if the team performs poorly?
- How well-known is the team? How big and loyal is the fan base?
- What are all the various ways the stadium earns money and the risks to each of these?
- Are there penalties for moving cities, changes in control, and breaching various credit metrics?

Conclusion

The business of sports has outgrown the traditional narratives that once defined it. For institutional investors, stadium financing and corporate private placements provide access to predictable cash flows, structural protections, and senior positioning in capital structures that have become more resilient as capital has flowed in.



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