

RESEARCH REPORT



U.S Sports Events and Facilities Market Analysis and Outlook

“Where are the Opportunities”



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GLOBAL SPORTS EVENTS & FACILITIES MARKET



BACKGROUND

Executive Summary

Firms within the sports events and facilities market, operate indoor or outdoor sport facilities used to carry out the organization and operation of sports events for professionals, amateurs or the general public. Various major sporting events and continuously growing sports participation have consistently helped boost industry revenue over the past five years. The investment in and refurbishment of sports facilities was negatively affected by the global recession of 2007-8 but has generally improved since causing the government to shift focus towards initiatives promoting sports participation and buoyant demand for major sporting competitions. This has helped the global sports events and facilities market to reach \$17.7 billion in 2019 and to continue on a positive growth trajectory towards the long run.

Although the global sports events and facilities industry is anticipated to continue growing—mainly fueled by the growth of the sports tourism at 35.0%—over the next years until 2025, the industry is subject to many dynamics, principally the balance of supply and demand, macroeconomic and social demographic trends. In particular, the declining consumer confidence and subdued household disposable income, caused by the COVID-19 pandemic, are anticipated to weigh on the industry demand in the shorter term. Since these sport events and facilities companies also offer recreational facilities, external competition from other recreationally centers such as gyms and individual spa centers are likely to remain a key threat. Thus, year-on-year revenue growth is anticipated to be slower than over the previous five-year period by 3.0%.

Nonetheless, over the long run, increased discretionary spending well beyond post COVID-19, the development of live-streaming technologies, rapid growth of youth,

women and e-sports as well as increased public-private partnerships are likely to lift demand and opportunities for sports events and multi complex facilities across the sports ecosystem over the five-year period. A detailed analysis on the U.S Sports Events and Facilities market shows that the strong expected rebound of the U.S segment is expected to drive this growth specifically as the single largest driver for the global sports market. A closer look into specific U.S geographic, consumer and sports segments identify trends that will help support the growth of multi sports complex facilities in the medium term. The State of Florida has also been highlighted as a region primarily dependent on the sports industry in bringing upon substantial economic impact as large as \$57.4 billion.

Introduction

Sports' role as a cultural component in societies dates back to as long as 30,000 years ago, where enjoyment for sport both as a competitive and leisure activity has designed the need for sports participation and consumption. The advent of the Olympic games in 1896 also rooted in a rich tradition towards the beginning of sports appreciation, foreshadowing the future global demand towards sports facilities.

As a result, with the advent of the Olympic Movement, the early growth of professional baseball and intercollegiate athletics in the U.S—these factors fueled the development of sports facilities in the modern era. Since then, the sports events and facilities market itself has grown significantly over the past decade as sports facilities continue to undergo renovation to host more athletes and spectators since inception. Additionally sports event management is vastly spreading from the normal professional and collegiate stadiums to parks and recreation governing structures that involve a whole inclusive athlete experience of indoor/outdoor sports courts, fitness/training centers, bleachers and seating, concession areas, playgrounds, on-site lodging services, and more entertainment spaces. Thus, participants in the sports event and facility management are involved in sports facility planning, including the buying, constructing, selling or leasing of facilities; facility redesign and construction; and the supervision of sports facilities, including the structures and grounds, as well as the custodial crews.

Because the sports events and facilities market touches on various sports segments, it is expected to grow in tandem with the entire global sports market, specifically sports tourism itself. The global sports market had already reached a value of \$488.5 billion in 2018 and is expected to grow at a compounded annual growth rate (“CAGR”) of 5.9% to nearly \$614.1 billion by 2022. On the other hand, the faster-growing sports tourism segment is estimated to register a higher CAGR of about 35.0% during 2019-2024. The Indoor Sports Facilities Management is also expected to grow at a much more conservative CAGR of 1.2% for the same period. Industry sales for the global sports events and facilities market reached \$17.7 billion as of 2019 and the market is expected to ride on this similar uptrend going forward.

KEY MARKET CHARACTERISTICS

Industry participants range from individual owner-operators to large, diverse multinational corporations and sports venues that include both public and private facilities. However, in light of the industry's strong growth and maturing size, this particular sector has become more global, professional, and competitive due to the discretionary nature of expenditures and the wide range of services provided in a multi-sports facility. Some key market characteristics include:

Comprehensive Service Offerings

The extraordinary boom in the industry of sports stadiums and arenas in the last decade has played an important role as a catalyst in the market's move towards integrating several sports facilities into one. Innovative designs of the market propose stadiums and arenas that offer experiences 365 days a year, on match days as well as non-match days, creating substantial opportunities for such facilities to generate revenue all-year-round by hosting seasonal sports on partial fields, leaving a gap for year-round options as other teams play on similar-sized fields or other indoor facilities. Additionally, these sports events and facility companies not only have curated experiences directed toward leisure and entertainment but also the business and touristic activities, involving complementary on-site lodging, entertainment, and recreational add-ons, giving athletes a unique holistic resort-style experience not found in traditional sports complexes. Uniqueness and flexibility of these large sports complexes prevent companies from encountering seasonal cash flow issues that other recreational companies such as ski resorts/ golf courses face and will also allow individual companies to develop brand recognition.

Location and Accessibility

The industry also depends on urbanization as the rise of global leagues, franchises and large multi-sport complexes tend to be city-based, as we've seen in Tokyo, Madrid, and Arlington. With critical masses of potential participants, spectators, and media, an urban, favorable location is vital in providing the necessary ingredients for the development of sport as a structured activity and viable enterprise. Such was the \$35 million expansion project for the Louisville Urban League Sports and Learning Complex earlier in 2020. Competitive advantage will be gained with an easily accessible facility that is located within close proximity to the targeted population.

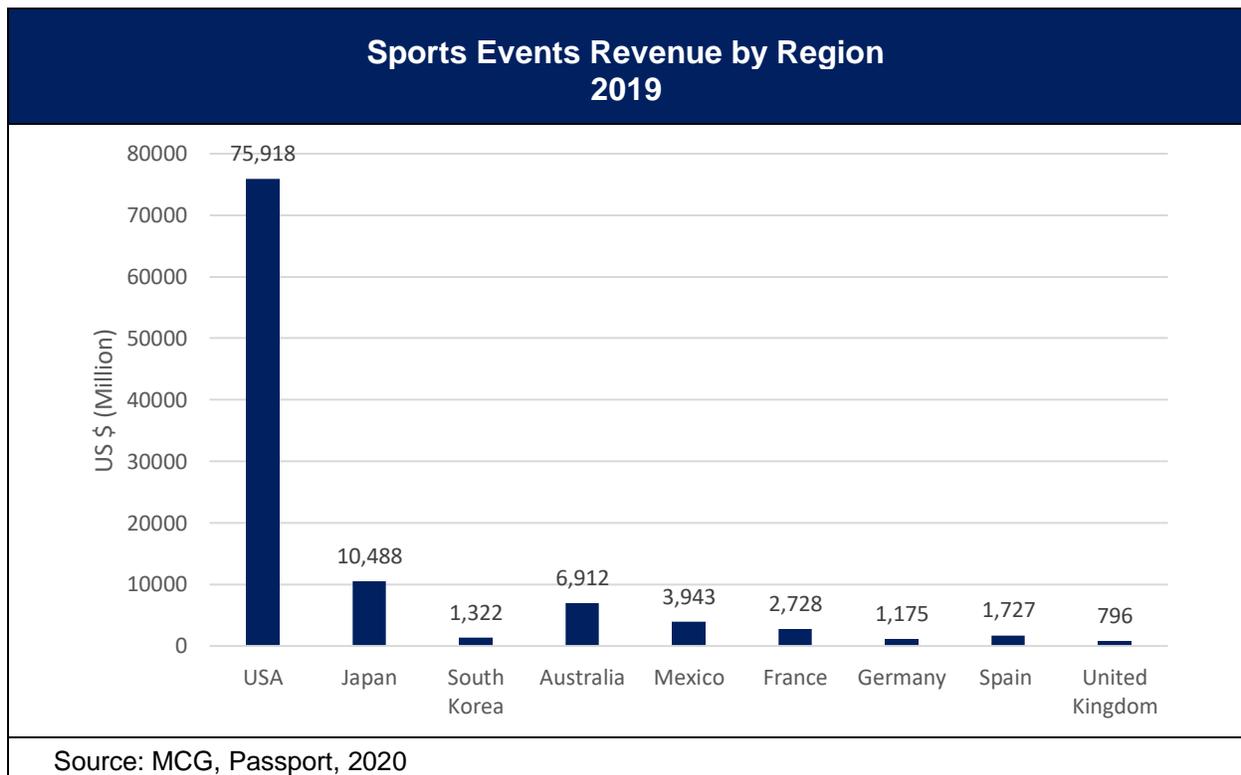
Facility Quality and Marketing Intensity

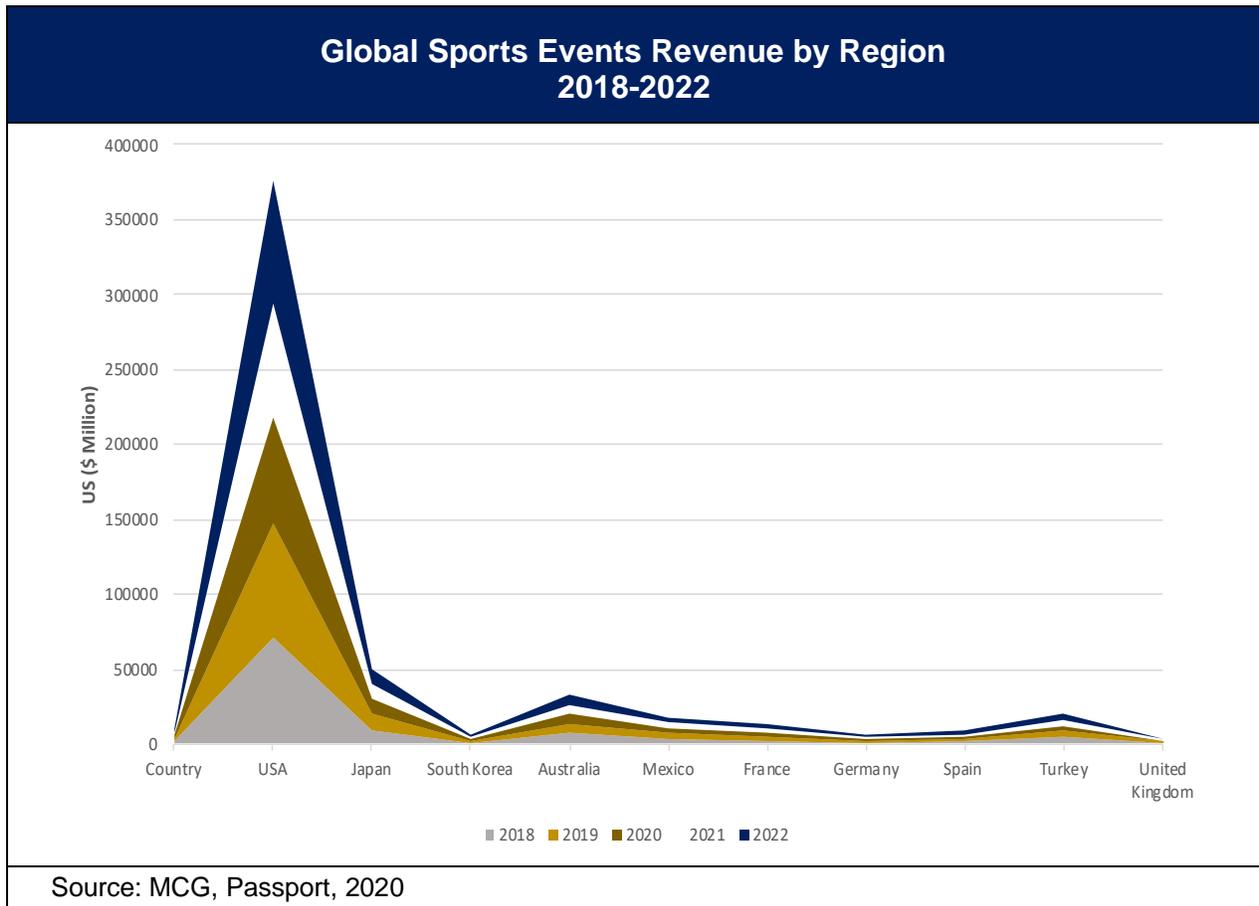
The sheer complexity of organizing multi-sport large scale-events is a challenge in and of itself. In times of increased scrutiny of a sports team spending, the rationale for choosing a host for large-scale tournaments lies on the sports facility's existing sports infrastructure that must be sufficiently compelling (and well communicated) to garner enough appeal. Thus, maintaining an aesthetically appealing facility with safe and clean surroundings and equipment will create an inviting environment that will encourage long-term customer retention. Back in 2018, sports facilities in the United States and Canada alone tallied up

to \$4.1 billion in construction costs, capping off an unprecedented three-year stretch that saw nearly \$17 billion spent to build or renovate sports venues. Additionally, the \$140 million renovations of Duke University’s Wallace Wade Stadium simply point to the still enduring arms race in upgrading athletic facilities across U.S. universities and colleges to attract the best athletes, teams, and faculty that is similarly prevalent in the sports events and facilities market. Furthermore, due to the highly competitive nature of the industry, the marketing effort is a large distinguishing factor. As a result, stakeholders are having to rethink their marketing strategies, especially in a much more technology-driven era where the youth sports market itself has grown exponentially. Companies might need to innovate their traditional marketing tactics and social media engagement to remain relevant in the future.

Economies of Scale

Having a well-constructed facility will also bring about revenue benefits as the cost per customer is reduced with increased volume. Higher volume will be achieved with a larger facility as the full-sized indoor field can be partitioned when needed to host other sports activities, making it a multi-revenue space. At an industry level, indoor soccer in particular is a sport seeing growing popularity at an annualized rate of 3.6%, while other sports such as volleyball and swimming have declined 16% over the last 5 years. A multiplex sports facility with indoor courts is well-positioned to capitalize the growth of other sports segments as it continues to host a variety of events that offer soccer and other parallel sports like lacrosse, demonstrating variability to attract and retain clients.





KEY MARKET DRIVERS

Various factors of supply and demand, as well as geographical outlook, are key drivers of the sports events and facilities market.

Demand

Over the past years, the sports industry has undergone drastic changes as hybrid structures between tourism, sports, event management have given birth to the multi-sports complex concept intended to provide customers with an all-in-one inclusive sports experience.

Consumer Discretionary

Demand for this particular sector is largely driven by consumer spending, leisure time, as well as surrounding demographics. Consumer expenditures related to sports, specifically sports facilities are generated through attending games/tournaments, enrolling in sports development training, or facility membership which are often costly. Nonetheless, U.S. recreation services Personal Consumption Expenditure (“PCE”) is expected to reach \$415 billion in 2023, representing a 3.5% annual growth from \$350 billion in 2018. Advances will stem in increases in disposable personal income, which will support sports participation and further spending on sports recreation facilities.

Social/Demographic Trends

Additionally demand will also be largely dependent on shifting social and demographic trends. The flexible nature of a sports events and facilities company allows the business to offer a wide range of sports-related and complimentary services and hence, still stand to benefit from the aging population. While population growth will still fuel customer base expansion, by widening their service offerings with little added costs, most of these companies are well-positioned to tap into the proportionately older consumer base. By having on-site lodging and entertainment facilities as well as club memberships, companies are not closing off their services. Additionally, with fitness and health becoming a growing trend, personal spending on membership clubs and participant sports centers is projected to rise 2.9% annually to \$66.2 billion in 2023.

Exponential Growth in Spectator Sports

As the fastest-growing segment amongst the sports industry, increased consumer spending on spectator sports to advance by 6.0% annually to \$32.8 billion in 2023 points towards the subsequent growth opportunities of the sports events and facilities management. Since a large majority of revenue is generated by ticket and concession sales, this industry is more likely to thrive in favor of continued local interest towards sporting events. This spectator spending is not only limited to Major League Baseball (“MLB”), National Basketball Association (“NBA”), but also include smaller-scale events where spending encompasses admissions to high school, college, minor/semi-professional, and major/professional sports team and club events.

Supply

Sports and recreation facilities have proven to be a substantial economic driver in communities but because of their high capital and operating budgets, they, to a large extent, rely on the supply of public funding such as government grants, for their existence.

Government Funding

Local and state governments often help fund or finance industry projects, ranging from professional sports arenas to stadiums. This is especially relevant in areas where a large portion of employment and tourism inflow comes from a sports facility. Trends over the last five years that involve decreased unemployment rates, an improving housing market post to the 2007 recession and rising disposable incomes have caused government tax receipts to grow and welfare costs to fall, especially at the local and state levels, providing most government funding for the sports events and facilities industry. Therefore, increased spending by governments on fixed assets typically means more funds available for industry projects – fueling the development of large-scale sports facilities.

ECONOMIC OUTLOOK

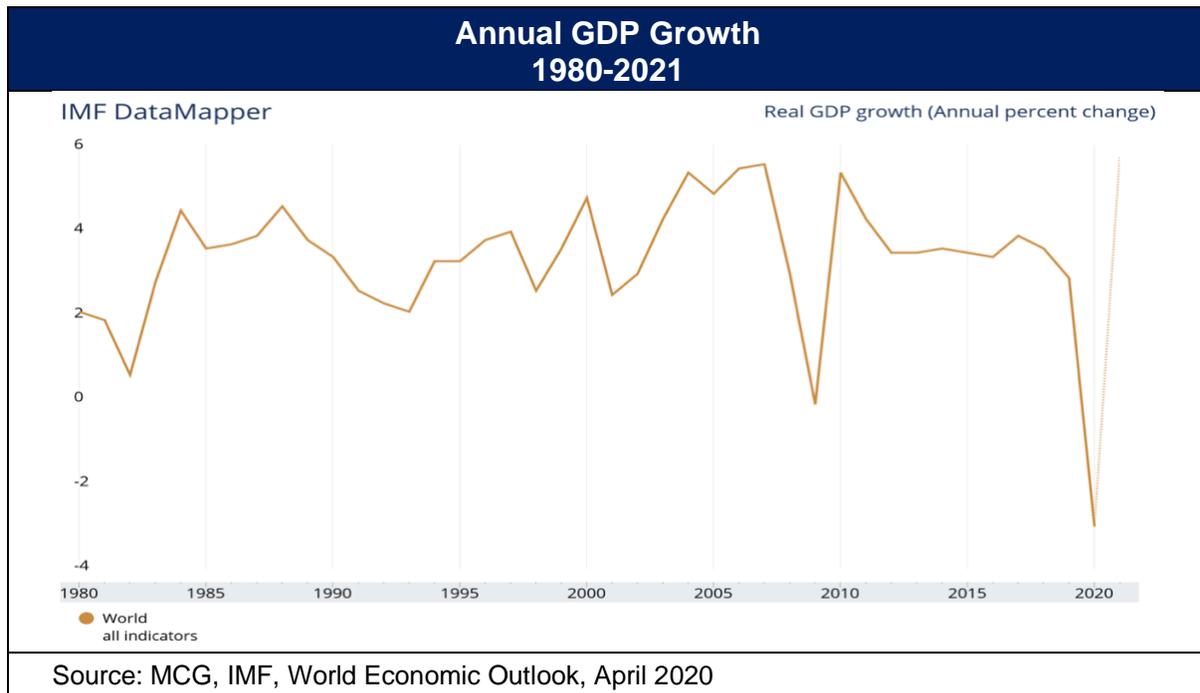
Introduction

The COVID-19 Pandemic has brought upon severe macroeconomic consequences worldwide: particularly in declining oil prices, adverse supply and demand shocks, asset price volatility, and in creating extensive credit shock across markets and regions. The rapid spread of the virus has called upon a large scale and stringency of quarantines introduced in March across 187 countries, effectively bringing a large fraction of global economic activities to a synchronized standstill. The COVID-19 global economic fallout is singular in many respects and is likely to be the deepest one in advanced economies since The Great Depression.

Main Drivers of Economic Outlook

Consumer Spending

While households initially stockpiled goods following the virus breakout, consumers are sharply curtailing their expenditure, especially on discretionary goods. Falling consumer spending has major effects on overall global GDP growth which contracted for the first time since 2009. A surge in layoff practices has also reduced disposable incomes which in turn affects their corresponding spending. However, while overall spending intent on most discretionary categories remains negative, there is reduced pessimism about future spending today versus in mid-March as economies began to partially lift lockdowns.



Oil Prices

Depressed oil prices have significantly affected the profitability of large oil manufacturers along with smaller fracking firms. However, lower oil prices tend to appear much more attractive to consumers as they have higher discretionary income to spend. However, there are scant opportunities to take advantage of the cheap oil situation with global nationwide lockdowns of 4 billion people. Nonetheless, oil demand is also expected to sharply rebound once economies reopen in the near term.

Corporate Investment

Global economic woes caused by the COVID-19 pandemic have initiated funding pullbacks globally, largely reversing the investment trend that started strong at the beginning of the year. Projects that total around \$63.8 billion were invested worldwide in Q1 2020 – down from the last quarter by 17 percent and down year-over-year by 8 percent. Businesses are moderating their spending on equipment and other capital investment as they face liquidity problems on their own, and the uncertain business environment prompts some to postpone or shelve otherwise promising projects. Nonetheless, Pitchbooks recently reported that PE and VC firms are sitting on \$1.7 trillion of cash waiting to be invested. As the spread of the virus slowly plateaus and growing optimism trends into the next quarter, these firms are now looking to allocate this capital to businesses with a solid plan and robust operations.

Policymakers Response

Policymakers have responded actively towards the COVID-19 pandemic through expansionary monetary policies and substantial quantitative easing with the passing of trillion stimulus packages to support workers and businesses. Central banks globally are constantly attempting to lubricate credit markets through cutting interest rates and substantial bond buyback programs, highlighting their commitment towards maintaining capital markets as an overall. The Fed cut the federal funds rate to 1.5% in a March emergency meeting, bringing it down to a range of 0 to 0.25% in an attempt to pump liquidity to domestic markets.

Economic Impact on the Sports Events and Facilities Market

While these lockdown measures vary across countries, increased fear towards widespread of disease, mobility restrictions with travel bans in place have subsequent consequences across all sectors and regions, including the sports events and facilities market that especially relies on large ticket sales, on-site tournaments, and team travels to generate revenue.

While sport's finances have become increasingly tied to television/media coverage, this is not the case for the sports events and facilities market as there is not much room for digitizing tournaments. Revenue disruption for this particular market is evident in the

suspension of league play and tournaments leading to repercussions from void team registration fees and attendance to withdrawal of their complimentary accommodation fees. In the absence of ticket and concession sales, MLB players would be under pressure to take pay cuts, and sports facility management companies would follow suit with the cost incurred from still having to maintain facility conditions without any revenue generation. Similarly, since these sport facilities rely on the magnitude of discretionary spending, substantial cutback in consumer discretionary spending can severely dent top-line growth for a lot of companies operating within the sports events and facilities market.

College sports teams that engage in regular tournament contracts all year round are similarly impacted. For college sports teams — which generated \$14 billion in 2018 — and their universities, the outbreak has been costly. When the National Collegiate Athletic Association (“NCAA”) canceled the Division I men’s basketball tournament, which generated more than \$1 billion last year, it quickly reduced its payouts to member schools by two-thirds. The stoppage of highly lucrative sports development programs will become a part of the broader fallout for a lot of these sport facilities. As an example, only in 2019, the Allianz Arena had a turnover of almost €7 million for the beers, sausages, and soft beverages sold during the match and €10 million for the visits to the FC Bayern Museum. These figures can give us a clear picture of how much these facilities can lose in maintaining closed stadiums. The lack of audience attending events can also lead to a lowered interest in broadcasting from television stations. There is uncertainty on whether these events will be authorized once the quarantine is over but the drying up demand is estimated to cause a \$12 billion revenue loss in the overall sports industry which can further lead to aggregated financial losses accruing to the sports events and facilities industry over the next few months if the economy chooses to delay reopening.

U.S SPORTS EVENTS & FACILITIES OUTLOOK



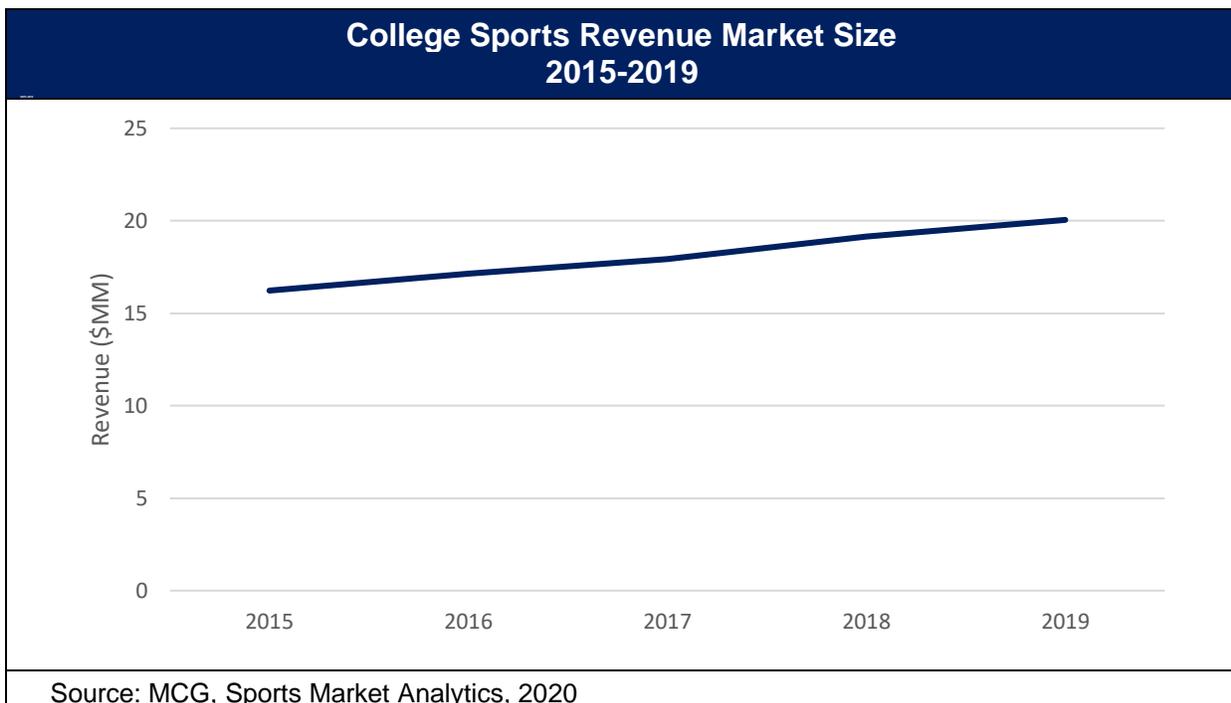
BACKGROUND

The North American sports market specifically is the single largest market driving the entire sports industry. With a value of \$71.1 billion in 2018, the North American segment accounts for 30.5% of the global sports market. While it is not as fast-growing as the Asia-Pacific market with a CAGR of 9.04%, the North American market is expected to grow at a relatively similar rate with the Middle East market at CAGRs of 6.0% and 6.2% respectively from the period 2018 to 2022. The Sports Events and Facilities industry, despite being a relatively mature industry is likely to benefit from the growth of the overall U.S sports market.

The U.S has historically been a top performer in the sports events and facilities market due to a combination of factors including the presence of the “Big Four Leagues” and the all-time high interscholastic participation across U.S high schools and colleges. MLB, NBA, National Football League (“NFL”), and National Hockey League (“NHL”) are the most prominent professional sports leagues in the U.S that make up the top four sports leagues by revenue in the world. Each event hosted has significantly higher average attendance than other typical sports league—MLB’s average attendance as of 2018 was 28,830 and teams were capable of grossing around \$55 - \$131 million per event. Additionally, most of these larger professional leagues with their large fan bases, are most known for drawing in high spectatorial travel, and this trend is expected to continuously drive the U.S sports events and facilities market more than any other. As these league teams partner with one of the larger stadium facilities like The Dodgers, Yankees, and Toronto, facility quality to host large-scale events has been a solid determining factor in shaping the competitive dynamic between most Sports Events and Facilities companies.

The popular emergence of interscholastic and collegiate athletes in the U.S during the latter half of the 19th century also similarly drove the U.S sports market and enhanced the positions of most Sports Events and Facilities companies which upgraded their athletic

facilities. Increasing commercialism drove the course of high school athletics, where across America, more than any other country, high school sports are at the center of the community. They provide entertainment, contribute to community building, and foster civic pride. Colleges or high schools that may not have on-site training or athletic facilities may choose to resort their seasonal training programs offsite in these sport facilities. Additionally, since most of these facilities do offer cross-broader tourism services such as an on-site hotel facility for players and additional entertainment benefits, these services would eliminate the absolute need for transportation, making sports tourism more convenient and inexpensive for most attendees and participants. Total college sports revenue topped at \$20 million in 2019 and this uptrend is expected to continue with an ongoing interest in interscholastic and collegiate sports.



Revenues realized from this wide range of facility services will occur across a range of sports. Since these sports facilities possess amenities beyond regular stadiums, most recurrent forms of revenue will be associated with individual teams participating in a sports league. Other forms of sports participation will include independent teams renting a similar-sized, professional field or indoor court on an hourly basis, teams seeking specialized sports development, or academy-like training with on-site coaches. While services do vary across different sports facility and regions, the following lists the most common forms of revenue generation:

- League Play
- Specialized Training
- Concession Revenue
- Retail Rental Revenue (either for sports or for other special purposes)

CURRENT MARKET DYNAMICS

Trends

As with any other market, the sports events and facilities market are experiencing varying new trends ranging from technological to behavioral ones that are changing the industry's market landscape. The major trends currently driving the sports events and facilities market are:

Slow Demand Recovery Post COVID 19

Sporting events were broadly trending upwards in a lot of regions pre-COVID 19 especially with the anticipation towards spring league and tournament plays. However, with the NBA voting to return with a 22-team playoff format in Orlando beginning on July 31 and the NHL to return with a 24-team postseason format, there is growing optimism on the sports participation end to resume normal operations. Yet, this is not the case for the sports spectators end as a recent survey done by Seton Hall University showed that a majority of Americans who follow sports closely are not willing to risk their health by attending sporting events/games. 72 percent of the group showed an unwillingness to visit arenas and stadiums despite leagues resuming tournament plays without the guaranteed development of the COVID-19 vaccine. This can pose significant ripple effects to the U.S sports events market.

Rapid Evolution of E-Sports

E-sports, sporting events dedicated to computer gaming, has been another strong emerging trends for the past decade. Even pre-COVID, the relatively young industry was already generating annual revenues of \$1.5 billion globally, mostly stemming from sponsorships to advertise to a global consumer fan base of approximately 600 million. According to Deloitte's 2019 Digital Media Trends Survey, 40 percent of gamers participate in e-sports events at least once a week. Fortunately for industry operators in the sports facility market, there exists a natural advantage to host such gaming events utilizing the pre-existing entertainment facilities that do not need such stadium and arena structures. Early participation in this emerging marketing can position sports facilities in an advantageous position to tap into new consumer base of computer game fans, as well as diversify the use of sports facilities for higher turnover and revenue generation.

Development in Live Streaming Technologies

The largest disruptor to the Sports Facilities industry is the improvement in streaming quality for sporting events through the development of 5G and cloud-based technologies. According to McKinsey & Company's study in 2019, the Millenium generation has a high tendency to follow sporting events through online streaming services. Additionally, as the

COVID-19 has put a halt to attending sporting events physically, sports fans have been shifting their medium elsewhere—accelerating the move towards live streaming platforms. It is crucial that new sports facilities developments in the U.S capture this consumer trend by installing and integrating live streaming technologies into the stadium/arena design. As demand for sporting events undergo a modest recovery, traditional multi-sports complex that can monetize this platform to offer viewership of live tournaments to consumers are well-positioned to perform better where ticket sales cannot generate as much revenue.

Youth Sports Continue to Build Momentum

Over the past years, the sports sector continues to profit from fundamental shifts in demographics, economic improvement, as the competitive youth sports market has become one of the single most important drivers for growth in the sports event and facility market. The competitive youth sports markets are comprised of segments that represent revenue generation from travel, equipment, team membership, facility construction, youth development programs to venue rental. Standing at a \$19.2 billion market in the U.S, it currently rivals the size of the \$15 billion NFL. With a CAGR of 26.2%, increased efforts to accommodate competitive youth sports will help facilities to acquire more youth athletes within the market in which currently stands at 60 million children annually. According to the National Institutes of Health, this number is expected to reach more than 80 million by 2030. This is especially prevalent in the U.S sports market in which a survey showed American families spending up to \$20,000/year on youth-sports. As a result, the rapid growth of this particular segment has shaped many sports facilities to be increasingly youth-focused. Some youth-focused sport-facilities include:

- North Myrtle Beach Parks & Recreation Youth Sports
- Cedar Point Sports Center
- Panama City Beach Sports

Heightened Emphasis On Women Sports

As U.S organizations in 2020 move closer towards their vision for inclusivity and diversity, inclusion are trends that will similarly define the sports events and facilities market moving forward. Despite the present challenges women sports face of garnering lower overall attendance, less broadcast exposure, and hence, fewer sponsorship dollars, increasing recognition towards notable women players such as Serena Williams and the 2019 Women's Soccer World Cup has opened up opportunities for sports facilities to expand their focuses beyond the Big Four Leagues. Sports facilities might look to diversify and differentiate itself by becoming home venues for these teams that can similarly drive growth in tandem with their male counterparts that will also benefit overall league play, increased ticket sales, and corporate sponsorships.

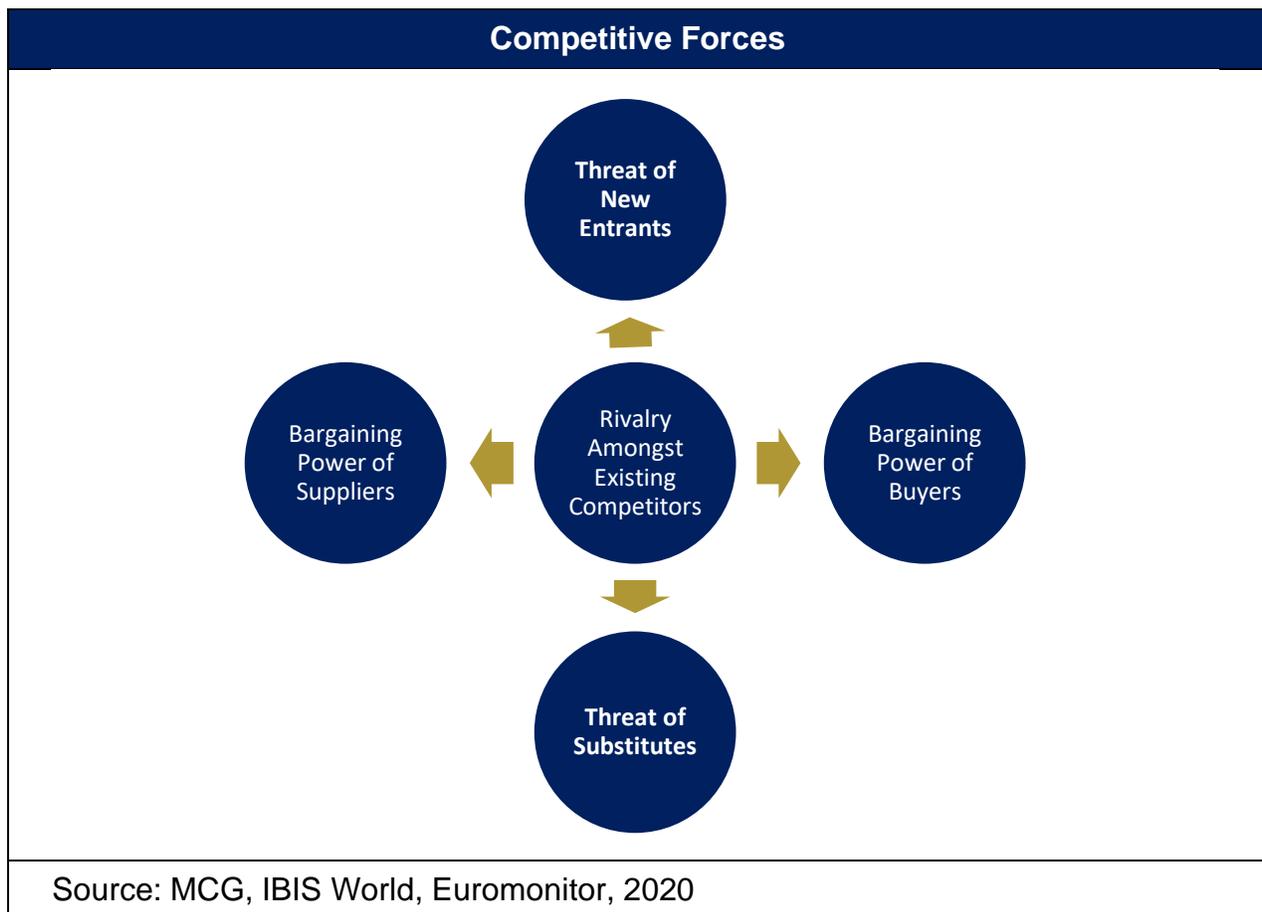
Increasing Funding with Public-Private Partnerships

For the past decade, projects involving large-scale sporting events have been increasingly funded through the development model of public-private partnerships (“PPP”). Since most sports facilities serve the local communities through means beyond tournaments and games, such type of projects is uniquely positioned to be funded by a combination of public and private capitals. The PPP model also allows for more flexibility in the operations phase as ownership can be transferred between private parties as they see fit. The benefits of this new model lead to an increased level of both public and private spending on fixed assets points to more industry projects including stadium construction and sports facilities as local and state government investment is expected to rise as of 2019. As we’ve seen much recently, mega projects like the San Francisco’s 49er were granted a \$1.2 billion subsidy for their Levi Stadium that was funded through the PPP model.

COMPETITIVE ENVIRONMENT

Porters Five Forces

Given that the existing competition in the U.S sports events and facilities market is intensifying in 2020, identifying several factors related to competition can help businesses face these ongoing challenges. The Porters Five Forces model offer insight into critical competitive factors that drive and reflect the state of the sports events and facilities market.



Industry Rivalry (Moderate)

- Existing Infrastructure & Facility Quality:** Most sports facilities compete on the quality of their existing infrastructure and facilities available to host players. Favored participants in the industry are those that can offer wide-ranging amenities, facilities involving good lighting, entertainment rooms, and good quality catering services. Prominent sports facilities, such as Los Angeles’ Memorial Coliseum, that have been home to certain sports teams like the USC’s Trojans will

generate consistent revenue from loyal customers, regardless of the quality of the stadium. However, oftentimes, having larger facilities is also key to hosting more teams and spectators on-site, increasing revenue while driving down unit costs. Hence, these stadiums are more likely to attract corporate sponsorships.

- **Distinct Product Differentiation:** Offering other complementary sports-related services is also essential in building brand differentiation as teams may not be renting high-quality stadiums to host events all-year-around, which is why having flexible facilities is as important in hosting non-sport events such as concerts. In the past decade, there has been a growing trend of musicians choosing to play stadiums rather than arenas, due to stadiums having a bigger capacity. New entrants may succeed should they choose to specialize in extremely niche markets, like ski or polo facilities as they will not be faced with the same amount of competition as a normal sports complex. Yet, these niche facilities may need to spend extensive amounts on marketing to generate enough awareness for clubs and teams to travel and use their facilities.

Bargaining Power of Buyers (High)

- **High Price Sensitivity:** Buyers in the industry are price sensitive—they often opt for sports facilities with the highest brand value yet are willing to pay at the lowest available price. Participants in this industry often fall short in securing contract renewals or occupancy rates if they choose to charge at above-market rates for average facilities. However, location is also key for sports facilities as a convenient and accessible location with limited local competitors, a distinguished brand name, and a supportive consumer base can relieve pricing pressure from high price sensitivity to a sizeable extent. Additionally, sports facilities also compete with each other to earn government funding/grants to complete constructions and this can be relatively challenging in a highly saturated market.

Threat of Substitute Products (High)

- **Low Switching Costs & Perceived Level of Differentiation on a Recreational Industry Level:** Because the industry is highly fragmented, a lot of sports facilities overlap in the services they provide, which makes switching costs low, especially if these sports facilities offer similar price points and operate within similar proximity. Additionally, while sports facilities have been increasingly diversifying their services to offer lodging/recreational services, these are heavily targeted to athletes willing to pay for the entire resort-style experience. For non-athletes, rather than hiring an entire tennis court facility, they might choose their local gyms that also offer substitute fitness and leisure activities. Similarly, non-athletes might also choose to travel to a well-known resort or a recreation park such as the Disney Land at a similar price point to experience the entertainment aspect that these sports facilities may not entirely capture. This adversely affects industry revenue as gyms or access to recreational parks may offer an all-access bundle package for lower prices than industry participants.

Bargaining Power of Suppliers (Moderate)

- **Many Land Sellers and Material Suppliers:** The main suppliers that affect sports facilities are land sellers, capital providers, construction companies, and suppliers of building/equipment materials. With adequate financing, especially with heavy reliance on the PPP model, these companies are not prone to interest incurred from a typical bank financing, and thus can easily acquire good and quite cheap land compared to those that may not have as much access to financing. Construction companies and suppliers of building and equipment materials can significantly affect the profitability margins of most of these sports facilities as prices for these supplies could increase.
- **Bulk Purchasing:** However, because materials needed to construct buildings, or maintain facilities are often purchased in bulk for economies of scale, especially for companies that earn subsidies. As a result, they often have the upper hand in negotiating for lower prices, as switching costs to other suppliers are also often low. Yet, previously agreed-upon long-term contractual agreements often limit alternating frequently between different suppliers.
- **Limited Capital Providers:** Operators benefit directly and indirectly from numerous government grants and funding initiatives that promote sports participation, international success, and a more sustainable and responsible sports sector. However, local and state funding are often limited, especially since the funding usually ranges from \$500 thousand to \$1 million and rely heavily on a sports' facilities' track record to grant needed capital. Thus, funding allocation from the government can be an extremely competitive bidding process for sports facilities.

Threat of New Entrants (Low)

- **High Barriers to Entry:** There are high barriers to entry for new entrants seeking to operate in major urban cities and towns but the barriers to entry are sizably lower for smaller-scale sports facility companies in regional areas. Large, professional sports facilities intended to host professional leagues, the Olympics, large cultural performances, require large initial financial outlay with costly land acquisition due to the sheer size, relevant land/construction planning, zoning permits, and infrastructure. For example, for the Grant Park Sports Campus, a 400-acre complex located in Westfield, Indiana, construction spanned over five years following a series of litigations and delays, with the cost to build amounted to \$50 million.

INDUSTRY FACILITIES AND OPERATORS

Industry Landscape

Market Share Fragmentation

The Sports Events and Facilities Industry is highly fragmented and thus has a low level of market concentration as there is a high number of stadiums and sports facilities across the United States, with even the largest ones only garnering limited market share. While there are large stadiums that are attractive sites due to their track record of hosting professional leagues, operators are not taken into account as they do not partake in building an entire sports complex to accommodate more than just sports services other than developing the stadium itself, thus cannot be measured within the same competitive playing field. No single company in the sports events and facilities industry is estimated to hold a market share of more than 10%. The largest industry player, National Sports Center in Blaine, Minnesota is forecasted to account for only 8.2% of market share in the current year. The majority of the industry operators are small and new entrants starting-out are estimated to employ less than 40 people in the first year.

Industry concentration has remained fairly stable over the past five years due to the diverse nature of the industry's facilities and geographic limitations for the expansion of companies in the industry. Industry concentration is expected to remain low over the coming five-year period.

Key Success Factors

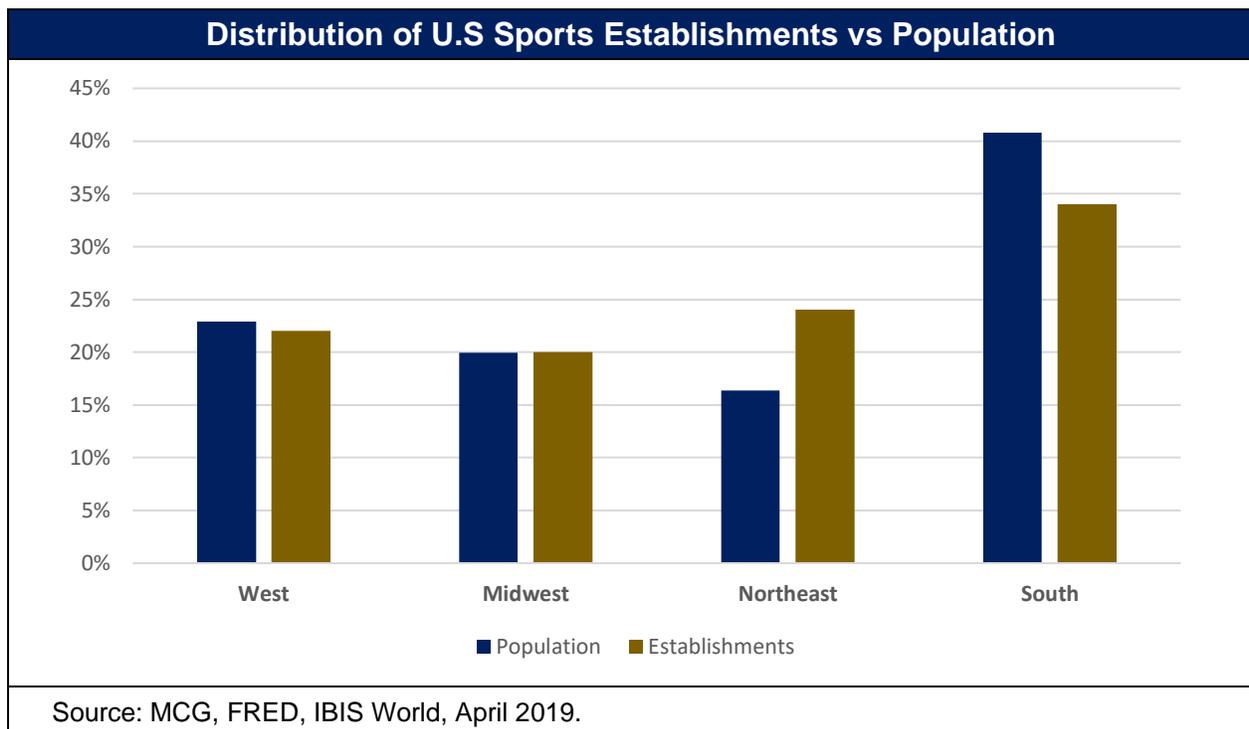
Several key factors drive competition within the sports events and facilities industry include:

- **Competitive Price Point:** Price for attending sporting events or facility usage relates beyond that as consumers will consider more than just the price of entry. Costs to the consumer include travel to the venue, parking, concessions, and the opportunity cost of going to their nearest local sports club/recreational park/gym. Thus, it is particularly important that consumers' overall value of sport experience exceeds the price of admission for them, and the industry operators charge similar prices to capture market share. Differential pricing is only applied when sports facilities focus on a certain niche that allows it to charge enough premium, (eg. IMG Academy for their admission tuition fee of \$100,000/student per year due to its academic-athlete focus found rarely in other sports facilities). First-degree price discrimination also exists to charge customers based on their varying willingness to pay ("WTP"), (eg. premium seating or regular seating), but prices tend to range similarly amongst competitors.
- **Competitive Bidding Process:** The ability to compete on tender is key for these industry operators as they need to consistently bid for additional financing to hold major sporting events that will boost facility usage, attendance, and consequently revenue flows.

- Diversified Range of Services:** With increasing competition across the industry, Sports facilities that have a large number of establishments and provide a wide range of services can attract and retain new and existing members, as well as reduce costs per member. They will be able to host sport, music, and entertainment within sports venues to boost revenue and profit margins.

Major Market Segmentation

Geographical Distribution



Sports facilities have evolved from traditional standalone stadiums into hybrid sports and entertainment complexes; this development has contributed to these sports facilities' wider appeal to a larger range of customers. As a result, the distribution and location of establishments are highly correlated to population spread. The more populated regions, such as the Southeast, West, and Northeast, tend to hold the greatest numbers of establishments. This is due to the fact that consumers will not travel excessive distances to play sports or become a member of an indoor sports facility. Similarly, the distribution of these sports facilities is also in line with the number of sports activities, and the popularity of major sporting teams that drive the region's respective sports interest. Additional drivers include favorable weather, less costly land acquisition and industry assistance from public funding. Thus, the geographical distribution of these sports facilities are particularly prevalent in areas where population and sports interest are high:

- South East Region: Florida, North Carolina
- South West Region: Texas, Arkansas, Arizona
- North East Region: New York, Connecticut, Delaware, Pennsylvania
- Midwest/Great Lakes Region: Michigan, Illinois
- West Region: California

1) South Region

South East Population: 97.4 million

South East Sports Activity: The Southeast region is one heavily attractive to sport-fanatics as Florida itself is home to teams such as UCF Knights Football and the Jacksonville Jaguars. Similarly, Charlotte, North Carolina is home to both the Carolina Panthers and Charlotte Bobcats. These teams are recognized in participating in the Super Bowl 38, and the Charlotte Bobcats are a young NBA franchise growing its traction.

South West Population: 42.3 million

South West Sports Activity: The largest city in the state of Texas, Houston houses three professional teams: The Rockets, Astros, and Texans. These teams have played a major role in bringing residents of the state to frequently flock to the Astrodome, the world's first multi-purpose, domed sports stadium. Additionally, being home to the Dallas Cowboys, one of the most successful American Football teams, having reached eight Super Bowls and won five, they are notable in establishing the Southwest's presence in sports. There are currently also twelve schools whose football teams compete at the Division-I level, indicative of the collegiate sports emphasis in the region.

Additional Drivers: Home to Universal Studios and Disney land, Florida is a major driver to the region's sports tourism as sports facilities' close proximity to these renowned to recreational parks are key factors to the establishment of multi-sports complexes. Outdoor sports are also attractive businesses in this region in part to the region's agreeable climate, which has led to the development of notable sports facilities. North Little Rock, Arkansas, which has been called the 'Sports and Entertainment Capital of Arkansas' due in large part to the top-rated facilities in the area. Burns Park is similarly a 1600-acre park that provides ample fields for tournaments and has hosted the Youth National Soccer Tournament.

The region also has an abundance of regional and state tourism partners that have proven beneficial throughout the southeast. Partnerships are largely prevalent all over the southeast - the Arkansas River Cities Sports Commission, Alabama's Association of CVB's, Florida's Freshwater Frontier and the North Carolina Commerce Department has a division dedicated to promoting sports in the state. Some excellent resources can be tracked down by utilizing these organizations.

Since these mega sports complexes are securing large parcels of land, lower land acquisition cost is also a supporting factor to facility establishment. Areas in the South--

Tennessee and Arkansas consistently rank as the cheapest places to buy land where both states fall about 30 to 40 percent below median average-price per acre for land listed for sale nationwide.

2) North-East Region

Population: 55.9 million

Sports Activity: The Northeast region is home to numerous professional sports franchises in the "Big Four" leagues with more than 100 championships collectively among them. Alongside their major league siblings is a multitude of minor league teams that have successfully brought upon superior athletic facilities and fields for tournaments in Northeast mid-markets. New York is home to two MLB teams: the New York Yankees and the Mets. Pennsylvania with Pittsburgh Steelers and Philadelphia Eagles of the NFL are also hugely popular. Both franchises have fan bases across the entire state, and in the case of the Steelers, are one of the most popular U.S sports teams.

Additional Drivers: The Northeast region is also particularly favorable for its high government assistance as a partnership for funding – a key factor for any sports facility. With Delaware Sports Commission; Team Maryland; Massachusetts Sports Partnership and the New York City Sports Commission as well as individual Convention and Visitors Bureaus, there are ample resources available throughout the region that makes this geographical location especially attractive. Hence there has been the development of the state's larger sports venues, such as Pennsylvania's Farm Show Complex & Expo Center, Maryland Soccerplex, and Discovery Sports Center.

4) Mid-West Region

Population: 68.3 million

Sports Activity: Two MLB teams are located in the state of Illinois. The Chicago Cubs of the National League play in the second-oldest major league stadium (Wrigley Field) and are widely known for having the longest championship drought in all of major American sport: not winning the World Series since 1908 until 2016. Similarly, The Chicago Bulls of the NBA is one of the most recognized basketball teams resulting from Michael Jordan, who led the team to six NBA championships in the 1990s.

Additional Drivers: Has the highest concentration of sport-focused universities in the region ranging from the University of Notre Dame to Pittsburg State University which the latter is dominant in NCAA Division II—the school alone has more than 600 victories. Close proximity to tourist areas like the Great Lake also boasts an unparalleled recreational experience that may be in par with Orlando's amusement parks.

5) West Region

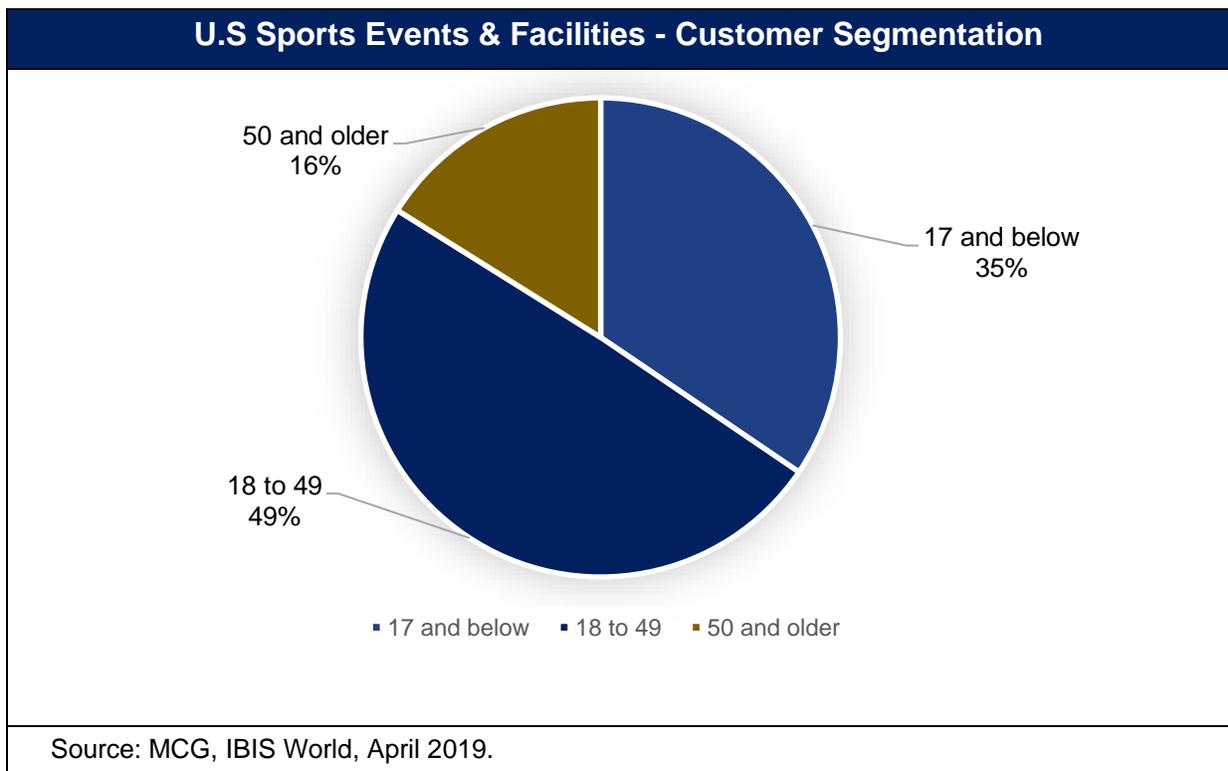
Population: 78.3 million

Sports Activity: Home to 19 major professional sports league franchises, California has far more than any other state. Los Angeles is home to ten major league franchises while the San Francisco Bay Area has six. Having hosted the NFL Superbowl 11 times at 4 different stadiums points to the high interest for sports from the region. Additionally, California has long had many respected collegiate sports programs. California is home to the oldest college bowl game, the annual Rose Bowl among others.

Additional Drivers: The West Coast's year-round temperate climate is a competitive advantage that has permitted year-round outdoor activities for a lot of sports facilities compared to other regions.

It is understood that estimating the number of available sports facilities may be difficult as these operators' services overlap with those of standalone stadiums. Since most of these mega sports complexes also include indoor sports facilities, relationships with demographics will be drawn between respective regional population and existing indoor sports facilities across the U.S.

Demographic Distribution



Similarly, consumer data is based on the U.S Indoor Sports Facilities Management instead of the U.S Sporting Events Industry as these multi-sports facilities are largely

intended for a year-round athlete or sports usage, instead of attracting spectators alone.

- **Age 18 and younger:** Consumers aged 17 and below fall under the youth sports segment and are expected to increase as a share of the revenue for the U.S. Sports Events and Facilities industry. Reports by the National Sporting Goods Association noted that while overall youth basketball and swimming participation has decreased 7.1% and 16.0% respectively over the past years, this consumer group's declines have been partially offset by the rise of other sports—particularly ice hockey participation, by 37.0%. This particular consumer segment is also largely threatened by the increasing popularity of video games that have been a major driver in decreasing youth sports participation. Yet, the overall youth sports industry itself is still increasing and continues to dominate a large portion of demand for the U.S. events and facilities market as most of these facilities also specialize in youth sports development.
- **Age between 18 and 49:** Consumers in this age group have generally experienced a decreased participation in sports. This is mainly due to the rising trend of premium gym and fitness facilities in addition to the proliferation of other less-demanding sports such as yoga, aerobic exercise to maintain their physical activity. A large portion of this consumer segment is heavily weighted towards (aged 18-22) college athletes that continue to play sport throughout their undergraduate years, and similarly much more professional players in teams in which sports are pursued as a career (aged 22-40). As such these consumers often visit multisports complex to train and further develop their skills. The remaining age groups are often customers or families of members on a membership plan since these sports facility has been expanding their leisure services to similarly match those of recreational centers.
- **Age 50 and older:** Sports such as golf, croquet, bowls are less physically demanding and therefore, may be better matched to the physical capacity of this age group. But because most of these sports facilities cater to common sports such as baseball, soccer, basketball, this consumer segment generates the least revenue for the U.S Sports Events and Facilities industry. Additionally, as people age, reduced sport participation is largely related to declined health conditions or injury, and, to a lesser extent, other time commitments relating to career.

Major Industry Players

While the industry is highly fragmented, it is worth identifying some key players and their competitive advantages.

National Sports Center

- **Location:** Blaine, Minnesota
- **Size:** 600 acres

- **Key Features:** The National Sports Center, also known as the world's largest amateur sports facility, operates over 100 unique programs and events in a variety of sports. They also host many national and international competitions, drawing over 4 million visitors each year. These special events generate over \$83 million in annual visitor economic impact and generated revenue of \$16 million as of 2019. The National Sports Center has hosted numerous National and World Championship events in soccer, hockey, figure skating, short-track speedskating, broomball, rugby, ultimate, and lacrosse.

Grand Sports Park

- **Location:** Westfield, Indiana
- **Size:** 400 acres
- **Key Features:** The field sports portion of the campus includes 31 multi-purpose fields, seven of which are synthetic turf, and eight are fully lit. These fields are best suited for soccer, football, rugby, field hockey, and lacrosse. The diamond portion of the campus includes 26 baseball/softball diamonds, eight of which are synthetic turf, and all are lit. The Grand Park Events Center boasts 300,000 square foot indoor turf space. This indoor facility features three full-sized indoor soccer fields, mezzanine concourse for spectator viewing, and an e-sports gaming center. The Pacers Athletic Center is an 88,000 sq ft facility featuring eight basketball courts, one of which is NBA regulation, four shoot-away machines, a mezzanine level for viewing, and a full-service restaurant. Grand Park has been host to youth baseball, softball, and soccer championships all the way up to NCAA Division I and Olympic level national championships.

ESPN World Wide of Sports Park

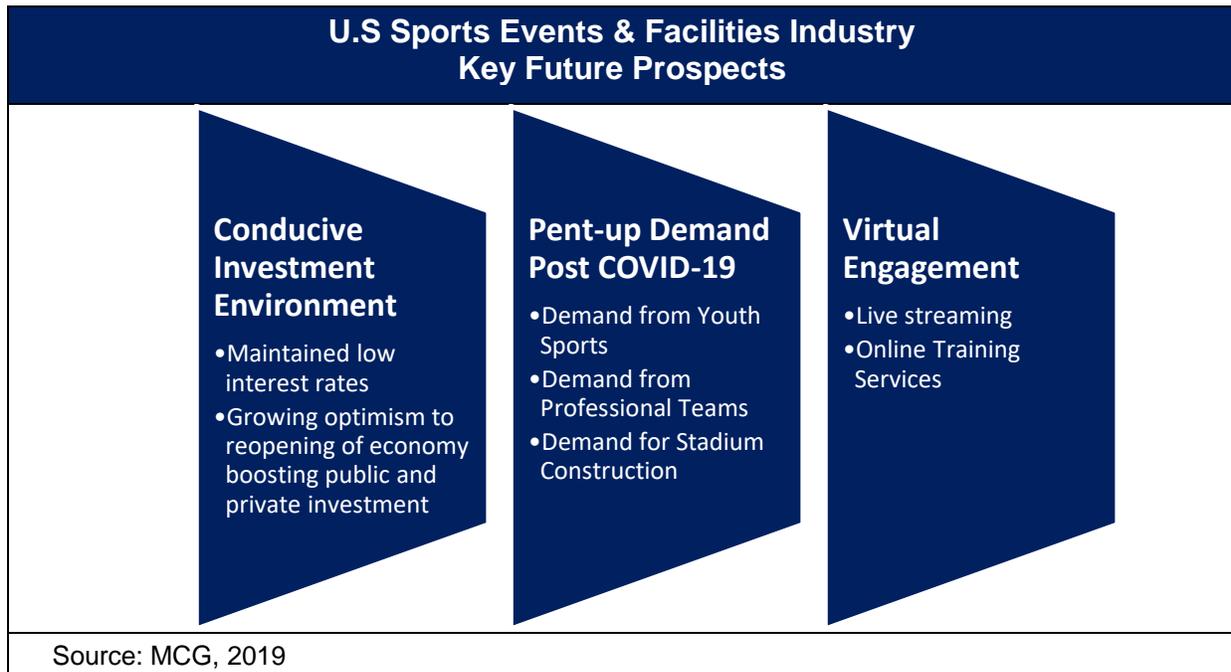
- **Location:** Orlando, Florida
- **Size:** 220 acres
- **Key Features:** Walt Disney's sports center is gaining traction as one of U.S.'s largest innovative sports centers especially placed alongside Disney's four theme parks, two water parks, 26 hotel facilities and bears the name of ESPN, the sports broadcasting behemoth owned by the Hearst Corporation and Disney. The championship complex offers nine venues and has hosted more than 70 different amateur and professional sporting events since inception. Facilities involve a 9,500-seat ballpark, 16 softball fields, 18 multi-purpose outdoor fields, a track and field complex, 10 tennis courts, and three indoor arenas. The Wide World of Sports hosts more than 100 events annually with highlights in recent years including the NFL Pro Bowl Week and the Invictus Games.

All of these major players pose competitive advantages with their size beyond the 50-150 acre industry average and possess all-encompassing facilities to accommodate more 50-100 different types of sporting activities. These sports facilities are also situated in urban areas and fastest-growing cities along with their proven track record in hosting notable events for professional teams ranging from National Championships, NCAA to league teams.

ECONOMIC OUTLOOK

Key Future Prospects

The Sports Events and Facilities Market is expected to rebound with the economy towards the latter half of 2020 and is expected to continue to grow as predicted by the 35% growth estimated for the sports tourism industry. As lockdown restrictions ease and fear towards the COVID-19 subsides, sports teams and individuals subsequently should begin resuming normal operations. With normal operations, the sports market will begin to stabilize as event attendance rates and sports tourism begin to surge. Additionally, as the economy gains traction to full employment, employment growth should support increased disposable income and similarly, consumer spending in driving demand for most of these costly sports events and facilities development and training fees.



Conducive Investment Environment

Investment is key for most sports facilities under the public-private partnership model where sports facilities competitively bid for funding. However, as unemployment rates peaked at an all-time high of 20 percent from the COVID-19 related business disruption, there has been a drying up of public investment, especially in sports infrastructure as the government refocuses towards extending relief to the growing jobless community. As a result, efforts by two youth sports organizations and a lobbyist who are requesting that Congress create an \$8.5 billion recovery fund to help the youth sports industry recoup anticipated financial losses from the coronavirus pandemic pales in comparison to the

efforts for smaller businesses and non-profits under the CARES Act. However, as the economy reopens, there is growing optimism that the government will re-shift its focus to the sports events and facilities companies that have been substantial in driving tourism and employment rates for the region as we've seen historically from the 2007-8 recession.

Additionally, the Fed mentioned in June 2020 that yields are expected to remain relatively low going forward in efforts to increase investment activity in the economy have a positive twofold effect on the sports events and facilities industry: i) with lower costs of borrowing to finance purchases, low rates stimulate facility construction and further investment activity for sports facilities looking to expand their property/ business lines, ii) encourages the previously drying up of private investment and sponsorship to consider the attractive sports segment as consumer demand for sports activity/events rapidly rebounds.

Pent-up Demand

Despite current COVID-19 restrictions, demand recovery will be especially driven by the youth sports industry as pent-up demand for organized youth and school sports programming post-coronavirus will lead to more intensive bookings to compensate the time lost from spring/summer training. Growing parents' perception towards youth sports as a necessity rather than a luxury in the U.S remains, and survey showed families spending up to \$20,000/year on youth-sports— leading to exceptional perpetual demand to enroll respective children into professional programs and competitive school teams available in these sports facilities.

Similarly, rebound in sports, specifically sports events, will be largely driven by pent-up demand from NCAA as well as professional leagues where suspension of tournament/league play has incurred substantial losses for individual players. While the cancellation of regular-season playoffs will allow for disbursements up to 25% the player's regular salaries, consistent losses from non-existing gate revenues, withdrawal of national/local television contracts can be challenging for the team. These players also require consistent training to maintain physical and stamina resilience once on-field in which can further deplete already low margins. Repercussions from the pandemic have, as a result, led to a jumpstart in back-to-back, prepaid bookings as soon as arenas/stadiums reopen which can lead to a huge uptick for these sports facilities' earnings.

Demand for stadium construction will also improve on the commercial side. With consumers more willing to spend on discretionary items such as sports event tickets, the sports events and facilities industry's revenue is forecast to expand. Moreover, continued economic recovery is anticipated to ease local and state government budget burdens, thereby increasing public-sector funding for industry projects as municipalities and states compete to host professional sports teams and franchises seek to use stadiums to attract fans.

Virtual Engagement

Technology could play a major role in the sports industry as people begin to reconsider how they reengage with sports, which are creating new opportunities for sports facilities from both a playing or viewing perspective.

While not as prevalent as popular league games with loyal fan bases, college/team or minor league plays also have a substantial amount of fanbases willing to pay for admission and gate fees. As a result, sports facilities may choose to deploy live streaming services for stadium tournaments they host at a similar subscription rate, which can be as important in generating revenue where attending events physically is not possible. Sharing live experiences, while already mainstream, is especially accelerated by the COVID-19, and Live Chat services intend to put together this traffic from different social networks and platforms grouping the fans so that they share a common space. There are applications already working with this model, such as Yahoo Fantasy Sports, Betmo, or ZenSports.

Sports facilities are also conscious of their limbo state in light of the pandemic and thus have been offering training development series online, which can range from one-on-one coaching sessions to team training. Virtual flexibility has deemed to be advantageous to businesses, as we've seen with IMG academy's CoachNow partnership and will be crucial in shaping the sports events and facilities market.

Challenges

While challenges pertaining to government operational permits post COVID-19 still persist, several factors to consider in minimizing the risk of virus contraction can include: business strategies in downsizing the regular workforce, the partial reopening of facility usage, and heightened expenses on sanitizing equipment or facility.

On the demand side, uncertainty might encourage some teams to negotiate contracts, in paying less than the original amount, or prepaying a portion of the amount should there be a potential second wave leading to a similar risk of contract disruption since most of these are prepaid and non-refundable. This might limit cash inflows for industry operators.

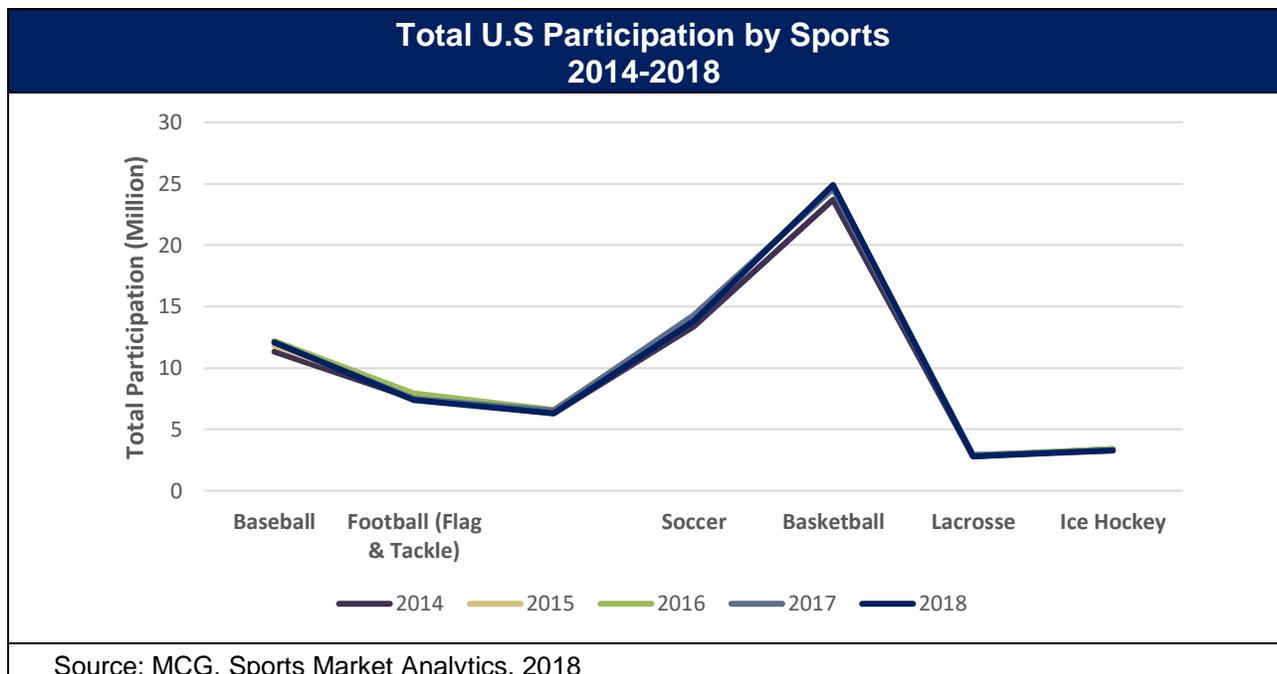
SPORTS SEGMENT ANALYSIS



INTRODUCTION

It is important to assess the participation popularity and viewership popularity of respective sports since sports facilities generate revenue both from spectator sports (ticket/admission fees) and from sports participation (facility rental and usage), as they need to capitalize on existing trends that drive the sports facility industry. Because these major sports facilities are no longer selling a single match, sports, or event, the market trend for sports facilities is to create business models while offering the best all-inclusive sports experiences.

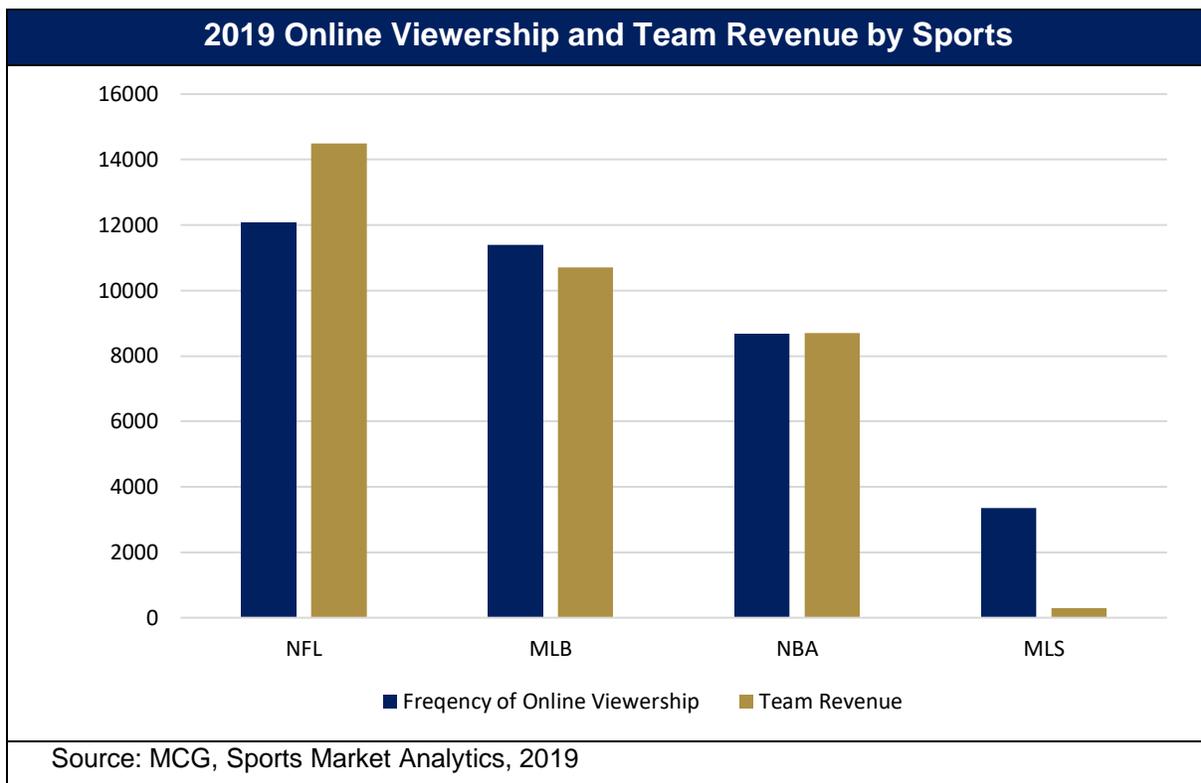
Participation Popularity by Sports



Total U.S Sports Participation (in Million)					
Sports Type	2014	2015	2016	2017	2018
Baseball	11.3	11.8	12.2	12.1	12.1
Football (Flag & Tackle)	13.8	14.4	14.5	14	13.7
Soccer	13.4	14.1	14.1	14.3	13.8
Basketball	23.7	24.8	24.8	24.6	24.9
Lacrosse	2.8	2.9	2.9	2.9	2.8
Ice Hockey	3.4	3.3	3.4	3.3	3.3

Source: MCG, Sports Market Analytics, 2018

Spectator Popularity by Sports



FOOTBALL

Main Characteristics

- NFL: 32 teams, \$14.5 billion revenue
- NCCA (Intercollegiate): 671 teams
- Interscholastic (High School): 14,099 teams

Overview

While Football falls short to Basketball in participation rates, Football accounts for the highest television viewership by sports in the U.S, owing to increased attendance for football leagues such as UEFA Champions League, NFL, in which the Super Bowl itself witnessed 102 million viewers and a spectator count of 65 thousand in 2020. The NCAA and the NFL have also capitalized on Americans' growing interest by providing games on more days of the week and in primetime slots and easy live-stream access. Currently, college games take place on Thursdays, Fridays, and Saturdays most weeks of the regular season, while NFL games occur on Sundays, Mondays, and Thursdays. As a result, the NFL as a venture itself merits a stunning \$14.5 billion and college football is likewise worth an expected \$6 billion as of 2019. Football is still expected to maintain its trend as the U.S' most favored spectator sport with its long embedded presence in American History.

BASEBALL

Main Characteristics

- MLB: 30 teams, \$10.7 billion revenue
- NCCA (Intercollegiate): 950 teams
- Interscholastic (High School): 16,248 teams

Overview

In terms of participation, Baseball follows suit after Soccer, as there has been a perceived decline in the popularity of the sport in the U.S. over the past years. While MLB is the oldest of the four major sports leagues in the U.S, falling spectator attendance for the MLB since 2012, poor World Series ratings, and a lack of nationally recognized stars are often cited as evidence of the sport's impending collapse. Nonetheless, the MLB generated around \$9.9 billion in total revenue in their 2018 season, which was almost twice the revenue generated in 2008, when total revenue was at \$5.8 billion. Despite its declining spectator appeal, it is still a well-favored participation sport, with participation rates up by 7% since 2014.

BASKETBALL

Main Characteristics

- NBA: 30 teams, \$8.7 billion revenue

- NCCA (Intercollegiate): 2,192 teams
- Interscholastic (High School): 36,148 teams

Overview

According to the National Sporting Goods Association, Basketball is the highest participated sport in the U.S – this is highly driven by intercollegiate basketball participation as it is a highly inexpensive sport in which no special equipment/facility condition is required to practice. While high school participation has grown 0.1%, intercollegiate participation has grown around 10% since 2010. Basketball enjoys near-universal popularity around the world but at the moment, aggregated viewership revenue generated from basketball is still much lower than Football in the U.S where the Superbowl brings in more revenue than both NBA Playoffs and MLB Playoffs combined.

SOCCER

Main Characteristics

- MLS: 26 teams, \$300 million revenue
- NCCA (Intercollegiate): 1,870 teams
- Interscholastic (High School): 24,011 teams

Overview

Soccer is a widely played recreational sport for males and females. However, as a spectator sport, it is largely overshadowed by American football, baseball, basketball. The United States has a professional first-division men's league, MLS, but it is not as widely recognized as its European counterpart, who has consistently won World Cups. Nonetheless, soccer is still a widely anticipated sport and the consistent release of FIFA games since 1993 has driven a large portion of the e-sports market. An important factor that will contribute substantially to the growth of soccer in the U.S. is the premier FIFA World Cup that will be organized in Mexico, Canada, and the U.S. themselves. Additionally, The U.S. women's national soccer team won its fourth World Cup in 2019 and has proven its worth.

LACROSSE

Main Characteristics

- NLL: 13 teams, \$6 million revenue

- NCCA (Intercollegiate): 869 teams
- Interscholastic (High School): 5,617 teams

Overview

Despite not gauging as much interest compared to football, baseball, basketball, or soccer, by many accounts Lacrosse is the fastest-growing participation sports in the U.S., having grown 29% from 2010 and 2017. A large portion of the growth is contributed by the adoption of the sport beyond the East Coast, where there was a dramatic increase of youth lacrosse participation especially between 6 to 12 years old.

ICE HOCKEY

Main Characteristics

- NHL: 31 teams, \$1.86 billion revenue
- NCCA (Intercollegiate): 6,554 teams
- Interscholastic (High School): 2,232 teams

Overview

Ice Hockey is also a sport that is experiencing tremendous growth. Despite only having 195,125 players who were part of USA Hockey in 1990, the record-setting 2018-19 season, allowed this sport participation to reach 567,908 -- an increase of more than 190% since. The growth in ice hockey is largely contributed to the growing prominence of NHL, that also has a trickle-down effect on a local level, especially in the Sun Belt region of United States. From 2016 to 2019, youth hockey participation also increased by 60%, heavily boosted by the 125% growth in the participation rates for those aged 8-and-under from 2017 to 2019.

OUTLOOK

Total U.S. Sports Participation by Sports diagram shows that participation trends have been the same since 2014, thus it is expected the same narrative continues to characterize sports events and participation moving forward. Therefore, the services and facility of industry operators must be designed in accordance with the prevalent trends identified through the sports segmentation analysis. In this way, sports facilities will be able to offer an experience that will make it possible to maximize potential income from different areas of the facility's business.

FLORIDA EVENTS & SPORTS MARKET OUTLOOK



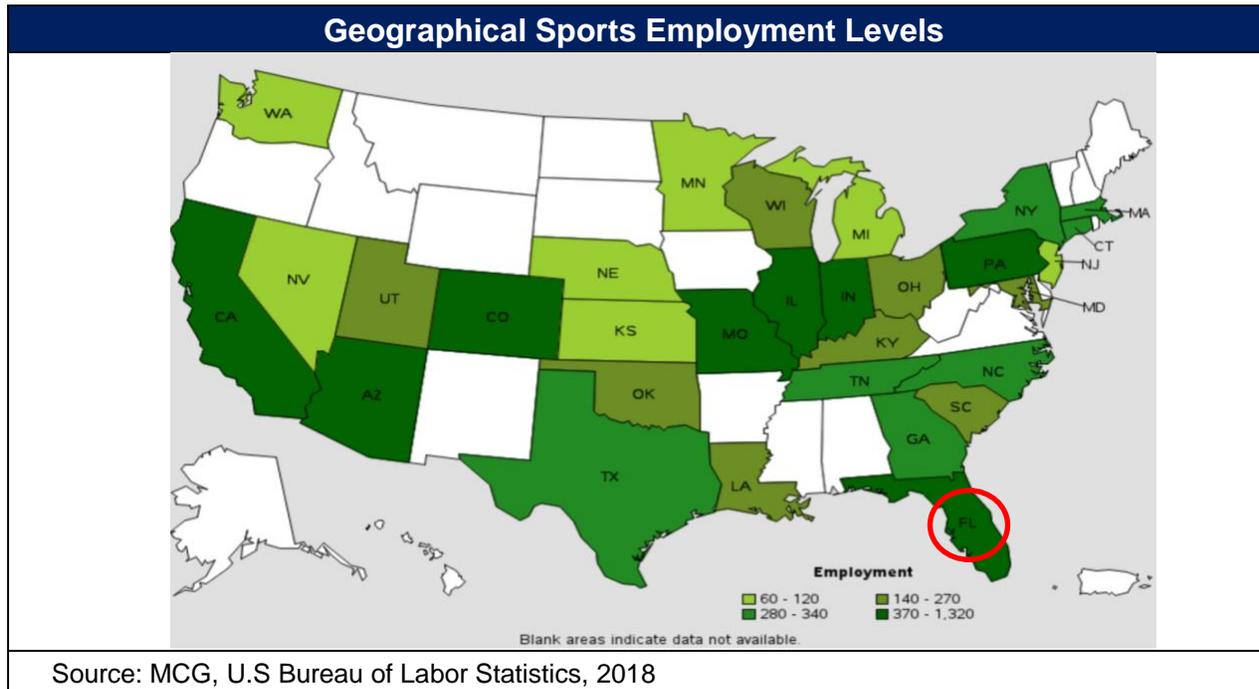
OUTLOOK

Sports Overview

Trends identified earlier in the research stated that the distribution and location of sports facilities are highly correlated to population spread which subsequently drives the region’s sports interest. As one of the most populous states in the U.S., Florida has a huge sport participant and spectator base. This is evident through Florida’s employment levels in the sports industry as well as the location quotient (“LQ”) that measures the region’s sports specialization relative to a larger geographic unit in the U.S.

Highest Sports Employment Levels				
State	Employment	Location quotient (LQ)	Annual mean wage	
Florida	1,320	2.06	\$76,870	
California	1,060	0.83	\$125,160	
Pennsylvania	800	1.84	\$48,710	
Arizona	580	2.79	-	
Missouri	550	2.62	\$72,590	

Source: MCG, U.S Bureau of Labor Statistics, 2018



The diagram shows that while Florida’s location quotient falls short to Arizona and Missouri, location quotient is still higher than most states and Florida remains to be the state with the highest employment level of athletes and sports competitors. As of 2017, sports in Florida is a \$57.4 billion industry, hosting more than 3,000 annual events and bringing in nearly 16 million visitors to the state. Given the many sports, competition is unfolding in the state, the economic impact of the sports industry has continued to trend upward since Florida finds itself seeking newer and better venues to host these events. Visitor Florida reported that the 16 million sports visitors visiting Florida represent 15 percent of the 106 million non-resident visitors to Florida that respective year and these visitors are most notably driven by the Professional sports and College sports segments.

Professional Sports in Florida

Home to 10 Major League Sports teams, two international professional tennis tournaments, and two National Association for Stock Car Auto Racing (“NASCAR”) racetracks, Florida has a substantial history of professional sporting activity. The state itself has had a long association with spring training baseball, and is home to 12 Florida State League Baseball teams and hosts two Southern League Baseball Clubs and is particularly concentrated in the Tampa Bay Area. As a result, the presence of professional teams has played a significant role in attracting sports fanbases and in building sports interest in the area. Accounting for 50,000 jobs in the state, the Professional Sports segment has an economic footprint under \$5.3 billion in which a substantial portion is driven by the presence of Major and Minor League Sports, as well as recurring Spring Training.

Major League Sports

Major League Sports in Florida accounts for 22,000 total jobs and generates around \$2.3 billion in total sales. With the Orlando City Soccer announcing that they would operate as United Soccer Club starting in 2016, Florida is now home to an MLS along with other professional league teams: two MLB teams, two NHL teams, and three NFL teams. Hence, with these Major League franchises, Florida's impressive portfolio of league teams have the largest overall footprint of any segment of the Professional Sporting Industry.

Spring Training

Spring training is also an equally substantial factor in driving Florida's sporting activity, as it has accumulated a total of \$68 million in revenues for state and local government entities. Spring Training is an important process for Baseball Leagues as it allows new players to try out for roster and position spots, and gives established players practice time prior to competitive play. With Florida's year-round temperate weather, the region is attractive compared to its Northeast counterpart such as Boston, where the Red Sox and New York Mets are at risk of facing training disruptions from colder weather. Additionally, Florida's Grapefruit League is known for hosting 15 MLB team and these spring activities helped draw over 1.6 million spectators to Florida of whom 63 percent were non-resident visitors.

Minor League

Similarly, Florida is home to multiple minor leagues, of which the plurality is associated with Baseball. Data from 2017 shows that these teams have successfully contributed to approximately 7,000 jobs and generated \$736 million of economic footprint in total sales. Florida's Minor League Team portfolio involves 14 League baseball teams, three arena football teams, five soccer teams, three ice hockey teams, and one basketball team.

Collegiate Sports in Florida

There are over 60 colleges/universities located in Florida, that disburse funds on at least one sporting program. The University of Florida and Florida State are popular universities, where The University of Florida's intercollegiate sports teams, commonly known as the "Florida Gators", compete in NCAA Division I and the Southeastern Conference ("SEC"). Football bowl games that provide post-season competition for teams are also often for Florida to host in which these games invites a significant amount of non-Florida teams and subsequently, non-resident attends to visit and attend these sporting events. As a result, these additional bowl games along with collegiate sports account for over 14,00 jobs and have generated over \$1.8 billion sales footprint across the Florida economy. A quarter of the sales footprint is contributed by non-resident visitors, who travel to enjoy and support these sporting events.

MAIN TRENDS

Restart of Sports

Despite uncertainty looming over the reopening of economies with the COVID-19 pandemic, the Florida Government is showing signs for sports to resume normal operations following the COVID shutdown and is willing to for the state to be restart site for professional sports leagues. Potential of securing major league teams can be an advantageous addition to Florida's portfolio of professional teams; Florida is more capable of accommodating new teams with ample of multi-sports facilities spread across the state. Furthermore, efforts to jumpstart their sports sector can be particularly favorable in reviving the sports events and facilities industry from the long-enduring economic threat of the pandemic.

Youth Sport's Move towards Livestreaming

While League Sports have already adopted live streaming, the youth sports segment is looking to capitalize on advanced U.S. live-stream technologies to enhance the overall spectator experience. Sports Venues of Florida, an emerging leader in the youth sports and e-sports industry announced its launch of the Live Youth Sports Network ("LYSN") through the installation of its inaugural live-stream venue at a high school in southern Florida. This will allow LYSN to live-stream all of the school's respective sporting events. The company is looking to expand its service to other potential athletic venues, enabling the live streaming and archiving of all of the venue's events for pay per view access by those unable to physically make it to the game. This particularly robust technology has drawn in existing multi-sports facilities that are extremely eager to participate in this type of advertising, as exposure to highly local audiences will confer a positive brand association onto these venues for future sports events.

Limited Funding Source

Florida Counties have historically been charitable in the development of innovative multi-sport destinations with new mega-facilities underway especially in attractive destinations like Panama City Beach and Tampa Bay. However, Florida lawmakers have advanced a bill, HB 1369, designed to scale back the control that Florida counties have in funding professional sports facility projects. The bill will specifically restrict counties from funneling revenue from hotel and convention-development taxes to pay off bonds from sports facility renovation or construction for sports franchises. The bill could therefore potentially affect sports event and development opportunities stemming from these sports complexes. Tighter restrictions will also specifically impact how spring-training events are hosted in the future that most of the smaller multi-sports complex funnel a large fraction of their revenue from. Similarly, the bill may negatively impact the performance of these

Florida-based sports facilities compared to their existing out-of-state competitors, largely dictating the appeal of the multi-sports complex away from the Florida state.

MLB's Discussions to Eliminate 42 MiLB Teams

In an attempt to improve the overall state of minor league facilities and reduce player travel MLB has proposed to eliminate 42 affiliated Minor League Baseball Teams (“MiLB”) teams, and substantially rework the affiliation agreements of individual MiLB teams. The proposed radical shifts would eliminate substantial million dollars of franchise value held by the respective owners and subsequently have an economic repercussion on the state’s inflow from MiLB teams with two Florida MiLB teams as part of the elimination list. Similarly, the elimination of those two teams would jeopardize the entry points many fans may have to the associated baseball team, which would likely reduce the amount of non-residential visitors during Spring Training and other seasons.

Sources: from various sources— M Capital Group Research, including data from "Organization of Sports Events in all countries" Euromonitor International, June 2020; "Indoor Sports Facilities Management in the U.S" IBIS World Industry Market Research Report, April 2019; "Current Challenges Facing Sports Covid 19" Barca Innovation Club, April 2020; "Sudden Vanishing of Sports due to Coronavirus Will Cost At Least \$12 billion" ESPN, May 2020; "Sports Global Market Opportunities And Strategies To 2022" Business Wire, May 2019; "Major League Baseball Finances" Econ Intersect, November 2019; "College Sports Market Size: Revenues & Expenditures: by Division" Sports Market Analytics, 2019; "Nearly 3 of 4 Americans [Sources: Say They Won't Attend Games Without Coronavirus Vaccine Developed" Seton Hall Sports Poll, April 2020; "2020 Sports Industry Outlook" Deloitte, 2020; "Sports Stadium Construction" IBIS World Industry Market Research Report, December 2019; "Resident Population in the Southwest BEA Region" FRED, January 2020; "NFL Revenue" Statista, 2019; "Basketball Participation" Sports Market Analytics, 2018; "Baseball Participation" Sports Market Analytics, 2018; "Football Participation" Sports Market Analytics, 2018; "Soccer Participation" Sport Market Analytics, 2018. "Ice Hockey Participation" Sports Market Analytics, 2018; "The Economic Impact of the Florida Sports Industry" Florida Sports Industry, 2017;"Occupational Employment and Wages, May 2018" U.S Bureau Labor of Statistics, May 2018; "Florida governor willing to host teams for restart of sports" The Outlook, May 2020; " Sports Venues of Florida Announces the Official Launch of LYSN with First Venue Set to Go Live" Globe Newswire, March 2020; "Florida Sports Facility Funds Bill Prompts Concerns for Spring Training" Ballpark Digest.



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