

THE BUSINESS OF SPORTS: FROM OLD SCHOOL TO INFLUENCE

Announcer 00:00

Please welcome Adam Heng, Associate Director, Business and Program Development, Milken Institute.

Adam Heng 00:12

Hi, good afternoon, everyone. My name is Adam Heng, Associate Director at the Milken Institute. On behalf of the Institute, I'm delighted to welcome all of you to the Asia Summit and to this session: The Business of Sports: From Obscurity to Influence. Sports, long celebrated as the passionate pursuit of human excellence, has also matured now into a compelling frontier for investment. Beyond team valuations, the inherent scarcity behind both franchise and also rights, has created a premium that remains and continues to attract capital from both institutions and private capital. For investors, the attraction lies not only in financial return, but also in cultural influence—a rare blend of yield, scarcity, and global resonance. Yet, with these opportunities comes a key challenge: how to scale and diversify the business of sports while also maintaining the authenticity that underpins its value. It is with this lens that we look forward to today's conversation. Before we begin, I want to take a moment to thank our strategic partners, sponsors, and media partners. It is their generosity that empowers us to host timely dialogues such as this one, to host the roundtables, programs, and also produce thought leadership around the key issues that we see, that matter today and tomorrow. It is their support that plays an essential role in advancing our mission from fostering job creation, improving health, as well as widening global access to capital. Please join me in thanking them for their unwavering support. To recognize their value, we will now play a short sponsor reel, and following that, our moderator, John Dykes, will join us on stage to guide this conversation with our distinguished panelists. Thank you.

Announcer 02:17

We thank the following organizations for their support allowing us to achieve our mission of accelerating progress on the path to a meaningful life.

Announcer 03:46

Please welcome the panel on “The Business of Sports from Old School to Influence,” moderated by John Dykes, TV host and sports journalist.

Announcer 03:57

[Reel plays]

John Dykes 04:02

Well, thank you very much indeed. I hope you've been enjoying your lunch, and I hope you're having a fantastic time here at the Asia Summit. It's great to be here. And with my apologies to Derek, to Josh, to Deborah and Jeff, I'm just going to talk now for probably the longest that you'll hear me talk throughout the whole of this session, but we got a bit of setting up to do. As you just heard, it's all about from old school to influence. When this panel was first envisioned, the word that we were using was from obscurity to influence, and that didn't kind of sit well with me, as someone who's grown up with sport, presented sport all my life. I thought it was never obscure, but as a business, I guess what happened was we've seen the value become far more revealed, because as recently as 2000 the global sports business was valued at \$120 billion. Now, Milken's estimating we're at 500 billion—well on course for the 600 billion valuation by the year 2030. So we know that sport has become one of the most influential commercial platforms on Earth, that it shapes media, culture, brand partnerships and so much more. Just look at the reinvention of sports, just look at Formula One—here we are in Singapore this week. I know you've started your engines, guys and you're ready to go, but I'll get to it very, very soon. We've seen so much happening in the sports business space right now. So what we're going to do today is we're going to discuss this on the assumption that there has always been a visibility to the sports business. We're going to ask, how did sports evolve into a magnet for investors and also for innovators. Where will the next wave of growth in that space come from? And how do we scale revenues without losing authenticity in the fan and the sports experience? The panel has got everything you could possibly hope for. Very broadly, I would categorize it as a couple of investors, we've got an operator and we've got an advisor as well, but I'll just cast you in your roles like any good coach, give you a sense of what you might be bringing to this one. Derek Chang's next to me. You know who he is. You've seen his title description here. He's going to bring the owner operator's view of how to unlock value and also how to grow audiences worldwide, amongst other things today. Josh Empson's with us, partner of Sixth Street, one of the most active investors in terms of PE investors in global sports. We're going to be hearing about major European soccer clubs, we're going to hear about the Dodgers at some stage as well today. So major sporting brands here. He's going to give us insights on capital flow perspectives. Jeff Wilbur is right at the end there, just to stick with the investment here. Now he sits here at the very crossroads of media, sport and entertainment, which is where we find sport sitting these days, more often than not. It's a portfolio that he'll discuss, showing how IP distribution and storytelling are all connected, interconnected these days. And lastly, finally, Deborah Mei is with us, and at The Raine Group, she's obviously an advisor—she looks at the ecosystem, from early investment across advisory, new sports formats, leagues, tech, media, and she'll help us zoom out a little bit from the individual deals, and she'll look at structural shifts and trends. Right, as promised, we'll hear from the guys you've come to listen to today right now. First up, let's talk about this assumption that we've seen a massive rise in sport as a global business, are we

right to say that it has risen from a hidden value, or is the value just much more visible today for a number of reasons? So why are sports assets attractive to investors today? Do you want to kick us off, Derek?

Derek Chang 07:34

Sure. I think you know, going back to my history as coming on the television and sports television, I think that, you know, a huge driving factor was pay television and the pay television bundle, because that's what generated a lot of, sort of, money flowing through the system and raised the profile of what sports were. I think a combination of that with also these athletes and the players and folks like that becoming—going up a whole another level to becoming celebrities, and Hollywood celebrities — that also raised the profile. And the combination of the two, sort of these—sports in general became a very highly sought after investment class. And I think, you know, there's still a scarcity value to sort of [inaudible] these guys will know this stuff much better than I. But I think a combination of all that over my career, in my lifetime, is sort of what I've seen. And by the way, I was here six years ago on the same panel when I was running the NBA in China. So I'm looking forward to sort of five, six years from now, to hopefully being here again and seeing what I'm doing at that time.

John Dykes 08:45

Let's make a date with that, shall we? Jeff, let's bring you in here as well, because you know, we're already talking here about things like media rights. We know about sponsorship and in-venue advertising. We know about matchday revenue and gaming, but there are so many ways in which investments can be made. I spoke about you were sitting at the crossroads, which is where sport sits right now. Is that something that you've seen broadly from the days when you would have, maybe hometown industrialists owning their hometown club out of a sense of obligation, perhaps fandom. It's changed so much, hasn't it? The reasons why people get involved,

Jeff Wilbur 09:07

Yeah I think that's 100 percent correct. And just to go back to some of Derek's comments, when you think about the evolution of sport, we think about it from a matchday experience, you had fans, you had tickets, you watched the game, you sold sponsorships in the venue to then sports became a little bit of a local media rights and then sort of a national media rights deal. Now we think about sports as consumer global brands. You know, there—you can engage in the live rights, the live match content, all the shoulder programming and storytelling you can do around the athletes. There's direct to consumer relationships. The athletes have profiles. As, you know, the cost of distribution and connectivity has gone down a lot, you can reach a lot more fans in the audience—can see more than just the live match experience. We think that's raised the profile, and it's, you know, created opportunities for storytelling around the live match experience that you can do, or wasn't as core to the sports business maybe 10, 15, 20 years ago.

John Dykes 09:54

Deborah, feel free to jump in at any stage. I'm casting you as the liberal here.

Deborah Mei 10:12

So you know, maybe I put some numbers against what's just been said, which I think is very interesting is, you know—if I look at the past decade you talk about media rights. Well, it's been—let's take the last 10 years and the cycles we've seen in media rights, and what's happened. You've seen the media rights escalate, and media rights as a proportion of how much the leagues make. It's, you know—it's about 40 percent, 40-50 percent, in the United States. Again, the spectrum depends a little bit, highest being the NFL, lowest being the MLS. Europe—it's about 40-50 percent as well for most of the leagues there. So as we talk about media rights, why do we talk specifically about that category? It has a huge influence, obviously, on the revenues of the leagues and therefore the teams. So if I look at the last decade with what's happened in media rights and consumption for all the reasons we've talked about. You just look at the NBA. You know, after 2014, just prior, the average valuation: 4.8x. Just after: 9x. Anticipation of the next round of negotiations went up to 10.3x, and it's and it's continuing to go up. The other thing, I think is very interesting is, if you look at Covid, and what Covid did, Covid was the most brilliant snapshot of how people consume sports. Because why were people watching cable TV predominantly for the live sports? And suddenly that was cut off. And so you knew exactly, by the number of people that were cut off, exactly what the demand was. And right after, you saw a huge uptick in terms of what—with the media rights renewals and so what you saw for the four years right after, if you look at the top four leagues, and kind of—valuation increases about 18.6 percent. Had you invested in the S&P500, 7.3 percent over the same period. So why do people—why do investors look at the sector? There's a clear value.

John Dykes 12:03

You heard Covid and brilliant in the same sentence, right? Okay, right. But Josh, I'm just come back to that business about and from my particular background with soccer, which I'm very comfortable, as a former Englishman is saying. And if you want to ask me why I think soccer is perfectly acceptable for English people to say, I'll tell you about it after the event.

Derek Chang 12:20

You're a former Englishman?

John Dykes 12:21

Yeah. I'm a Singaporean now, very proudly, yeah. But anyway, Josh, tell me this. You know, at the start of the Premier League, for example, no overseas ownership, precious few international players involved in that league. And as you know, through experience, so much overseas investment, particularly from the U.S. Talk to us about that, about why that came along, and the financial underpinnings of that.

Josh Empson 12:44

Yeah, trying to bring a few threads together here. I mean, I think the—if you—if the question is, well, what's changed? I think you just need to look no further than sort of the intrinsic nature of these businesses and enterprises today versus five or 10 years ago. I mean, when you think about the day of the local entrepreneur or person who felt they were holding a community trust and they were going to invest in this team because, out of sort of loyalty and duty to sort of represent their city or their country. You know, today, these are very high quality businesses, just from anybody with a business school lens looking at them. You've got multiple revenue streams, structural profitability versus structural unprofitability 10 years ago, long term contracted revenues with really high quality counterparties when you think about the media rights deals. So it's sort of not a surprise, against that backdrop, that you would see investors flock to that segment because they're just responding to the increasing quality of the businesses, and media rights are an important part of that. But what's happening in the venue—the other thing that Covid taught us, I think, is that the appetite for live experiences and convening people physically in the same place, is not something that we can really live without. And I think that's reflecting in things like, you know, the Formula One event we'll see this weekend, and the desire of everybody come together. That'll be a global audience, but there'll be a lot of highly engaged people, you know, within a mile of the event as well. And sports' ability to be both hyper passionate for a hyper local audience and globally relevant, there just aren't a lot of things that can do that.

John Dykes 14:29

Globalization, I mean, we're going to touch on a few of those things, and we're going to keep a little bit of the power to dry in terms of getting into what Formula One have done, for example, changing consumption habits, the digital era in which we live, and so on and so forth. But this business about globalization, but we are also in Asia, here at this Asia Summit. Deborah, and I think it's important, isn't it, that we understand the growth of consumption in Asia and the role that Asia has played in terms of sport becoming a business that is so viable.

Deborah Mei 14:53

So I think what's interesting about Asia, and there's a lot of disputes on the numbers around this. But I'll take it from two angles. Why Asia is interesting, and then you know, where we see the opportunity. Why is it interesting? If you take Manchester United and their numbers as to the fans, they have 1.1 billion fans globally. Can you guess how many of them are from Asia and how many of them from the UK? Percentage wise, per Manchester United, 67 percent or 700 million fans are from Asia, 1 percent from the United Kingdom. Again, their own numbers, but nonetheless indicative of kind of where the fan base lies. And I think that's what's exciting about this part of the world. The second thing that's exciting out here is a lot of the talent. So if you look at LPGA, 65 percent of the talent is Asian. If you look at baseball, 15-25 percent, and huge names coming out, you know—the best players in the world are coming out of Japan, out of Korea and out of Taiwan. You look at the WTA, you look at skating. There are so many different areas where Asia is increasingly playing an important part. And that's leaving aside cricket, where, which is—it's a whole story onto its own in terms of taking a largely local Indian product. Okay, perhaps started in the UK, but nonetheless. Indian products, with the IPL and bringing that globally, and something we've been, you know—had the pleasure to be a part of, as related to the UK, and soon to come, in Asia, so in

Australia. So I think the thesis being, this is an important region of the world. Increasingly, we need to create product that fits with this market. But the demand is certainly there. The supply of athletes is certainly here. The fandom for individuals and individual heroes is certainly here. And increasingly, there's capital coming from this part of the world. There has been in the past, increasingly coming to back some of the funds that we have up here as well in looking at the space. So I think Asia, it has a bright future in terms of the opportunity.

Derek Chang 17:09

But one of the big things she touched on is sort of the athletes themselves, or, you know, in our sports, the drivers or the riders. I do think that having local talent, and development of local talent goes a long way to raising the profile. When I was running the NBA in China, it was probably about 10 years after the height of, you know, Yao Ming, and a lot of those—the basketball players in China. And as we were trying to grow our business at the time, we were thinking, where could we invest? How can you, how can you sort of continue to grow what was a really good business. But, you know, we kept coming back to—god, it'd be great if we had Chinese players back in the NBA. And same thing here, you know, as we sort of looked at sort of the appeal of Formula One or MotoGP, which is the other racing circuit we just acquired, you know, a lot of the effort going into sort of developing the riders and the drivers. I think, little easier on the on the motorcycle side, but, you know, on the driver's side, we have, like, Yuki Tsunoda from Japan, we had Zhou Guanyu for a couple years from China. Alex Albon is part Thai, and so, you know, raising that profile would go a long, long way to growing these sports here.

John Dykes 18:28

We've seen the examples, haven't we? I mean, we can come back to soccer time and time again and look at the way in which different, you know, Asian players are followed. But you can't overlook something that you witnessed firsthand in Japan with baseball recently. Jeff, give us a sense of the scale of what happened there.

Jeff Wilbur 18:44

Yeah. So I think what John is referring to is—the Dodgers played in Japan to start the MLB season this year, and with a number of high profile players on the Dodgers that are Japanese, particularly Shohei Ohtani, which everyone's probably familiar with. The excitement, the passion, the fan engagement for the players in and around the sport was on a scale that I've never seen before. You had probably 50,000 people outside the Tokyo Dome just to sort of be there to experience the event, even if they weren't going into the actual baseball game. And I think it sort of underpins a couple of other comments, right? Inherently, sports is one of the most truly global asset classes. There's no other forms of intellectual property that even if you believe Manchester United's numbers can reach 1.2 billion fans. The access to players now through social media, the engagement that they can have sort of raises that profile even when you're not watching the live match, because you're in a time zone where it's maybe not the most convenient time—you're still following the player, you're still following the highlights. There's more forms of content that can reach you now, and I think just truly underpins both the storytelling you can do around the actual live experience, but then the ability to reach fans in all markets across the world is truly exceptional.

John Dykes 20:01

I think we'll come back to a few of those points later on. As you can see, this is going to be a very broad, ranging conversation. We'll try and keep it on sort of a structured flow to an extent. So before we move on too far, having established that there is this massive flow of capital towards sport for a number of reasons, and we'll look at where that might go in the future, I'd like to come to you Josh and maybe Jeff again, in particular, if you can give us some examples from your really impressive portfolios in terms of where the capital goes and why it goes there. You want to lead us on that one, Josh?

Josh Empson 20:30

Yeah, and look, it's going to be different in different circumstances. But when I think about—just to pick two examples, probably familiar to the room, FC Barcelona and Real Madrid to two of our partners. In the case of Real Madrid, the need was build the best stadium in Europe, which I think they did, and they really needed a combination of long term capital and financial structuring sophistication. Because I think the other thing is, as these businesses have grown, the complexity of their financing has grown as well, particularly as it touches the infrastructure and the dollars that they need to put in the ground to create a more compelling product. So that was about deploying capital to build a physical building. In our partnership with FC Barcelona, we financed their media rights over a very long period of time, over 20 years, to sort of give them the financial flexibility to invest in their squad at a critical moment for FC Barcelona and become more competitive on the pitch. So, you know, very different, very different sort of financing structures. But the idea is, for everybody—we are in a global war for attention, no matter what business you're in around entertainment, and that requires capital, just the way it does in every other form of investment.

John Dykes 21:52

So building a stadium, I mean, obviously, but say Chelsea, for example, you know a club that's very close to your thoughts and your heart as well. Jeff, so talk about how you would go about approaching an investment there, where the capital goes there, where it could yet go.

Jeff Wilbur 22:06

I think I would zoom out maybe just for a second. Most of the investment opportunities that I think people are excited about in sports come with an investment in the physical infrastructure of the team. These are such drivers of consumer interest and demand. It's a shame to have a venue where you're only getting people into those spaces five to 20 times a season. So as I think people are investing in the infrastructure, and what you guys have been thinking about, and I'm sure at Barcelona and Madrid, is, how do you make these more lively, full year destinations? What other experiences can you pair that work nicely in those spaces. How do you utilize the stadium as a more broader entertainment zone and district and drive more fandom and engagement through that? So obviously it's an important consideration that we're thinking through at Chelsea, but I think it's sort of broadly across the board. The investment that you guys have made at Liberty and the Paddock and infrastructure in Vegas drives that fan experience. So you can be a fan not just on race day, the one time of year the race is in town, but sort of

experience it in some capacity, on a full year round. So I think that's an important part of the investment thesis. What's exciting for institutional investors looking at the space.

Derek Chang 23:15

Yeah, it's not just in-venue, right? Because if you actually have the real estate and the land. This, being Asia, we should be talking about real estate the, you know—we used to own the Atlanta Braves baseball team, and I think the commercial development around it was a big part of sort of the success, of what that venture ended up being. So it's not something to not lose sight of as these teams go for bigger and bigger numbers, how you're thinking about getting that return on that investment right.

John Dykes 23:45

Derek, I'll stay with you on this, because we're if we're looking at value creation models, you know, and the whole nuts and bolts of why you would invest, and maybe even how you exit if you had to. League and diversified media rights models, something that you've spent a lot of time with but your emphasis has shifted. Why has that become such an important part of this whole investment model?

Derek Chang 24:05

I think if you step back for a second, you know, it's much more than just sort of media rights per se. It is sort of a 360 experience. People talked about it earlier in terms of the experience, right? And so you start with that live experience and what that has become. And you know, we have—this is actually one of the best examples. Our partners here in Singapore, I saw Melissa earlier this morning that, you know—this was the start of a multi day sort of experience, right? The concerts and everything else that goes along with it. And you know, you see this model around the Super Bowl, and the All-Star Game and stuff like that. But as sort of—our local promoters in the various markets have sort of glommed onto that, you can see how they're creating that experience. Liberty also owns 32 percent of Live Nation, which is a, you know, one of the largest live entertainment companies in the world and the trends that we've seen there over the last few years have been pretty spectacular. And I don't know if this is a Covid thing, I don't know if this is just evolution or whatever, but that desire for live experience is a huge part of it. So that's one, I think two, you know, as you think about sports, and I said this earlier, these athletes, these teams, even the team principals on the Netflix show, right? They become, you know, Hollywood stars, and that sort of broadens the appeal of the sport. So you now start having folks who are in the sport that have come lately, you know, rather recently, they're not necessarily experts on sort of the technical dimensions of the sport, but they know what Charles Leclerc's dog looks like because they follow that on Instagram, right? So that's sort of part of the broadening and the expansion of the fan base and driving different forms of engagement. Most recently, if you look at F1 and what we've done from a sponsorship standpoint, you've kind of had this arc going from 10 years ago and Liberty bought it from sort of endemic sponsors, and more to B2B sponsors, tech sponsors. And most recently, our deals with people like LVMH, Disney, Pepsi, Lego—licensing deal with Lego. I don't know how familiar people are with sort of what happens at F1, but there's a driver's parade, you know, every Sunday. And this year in Miami, instead of putting all the drivers on a truck and driving around the track, they actually made sort of life-sized Lego cars and drove around the Miami track. But that sort of integration, you know, you look at that and

what you're seeing is sort of these brands, these consumer brands, wanting to affiliate with us, but the benefit that we're getting by affiliating with them, because they're opening up new demographics to us, and that's a leveraging that creates, you know, one plus one equals more than two. And that sort of effect is what we are seeing across the board. And I think that as we continue to develop the sport, we've seen the Netflix show this past summer, we came out with the Apple movie, which grossed over \$600 million—another great example of how the sport has expanded. And our hope, too, as I mentioned earlier, we just acquired MotoGP earlier this summer—is that as a sport, which has a hugely, sort of passionate base and a great foundation as a sport, has not been commercialized or monetized as well—which is what's created the opportunity for us to step in and try to, you know, recreate. It's not the same sport by any means. It's not going to be exactly the same playbook, but sort of, the expansion of the audience base is huge.

John Dykes 27:55

It's a great sport. I can't wait to see what you do with MotoGP. It was one of the first things I ever broadcast, and it's just to this day, is something that is so much fun to watch. Also, by the way—

Derek Chang 28:03

And dangerous.

John Dykes 28:04

Yeah. You see those shots of how low they go, right? Yeah. Lego cars. There's a whole room full of people just getting some early Christmas ideas in their head here, I think right now, yeah. Just—once, we're talking about, if you will, the adjacent categories in terms of where you can invest in sport. Deborah, why don't we talk about where this has gone in terms of what's attractive, from gaming to fan engagement, maybe new sporting formats, maybe women's sport, sports tech. There's so much there that's available now.

Deborah Mei 28:33

Yeah, that's a rather broad question to answer. And I take it in two sides. I'm going to say, firstly, you know what we've been talking about so far, are really the premium sports, right? These are the best of the best teams and leagues. What's—I would say, interesting as an investment class, then, is looking at what's the next layer? You know what—what's next? What can you invest in for \$100 million, as opposed to a billion or several billion dollars? And I'll just take one element of that, and that's women's sports. And I think what's happening in women's sports takes elements of what everybody's talked about. You have individuals that have certainly driven engagement. If you just look at the NCAA 2024, in particular, their finals, I think there were 19 or—17 or 19 million viewers versus that sort of 4 million above men's for that same period. That's the first time in history that it ever happened at a college sports level, that a women's final would get that kind of achievement. Women's basketball now, I think, has about a billion dollars, or women's sports in general, about a billion dollars in revenues, and viewership has

increased dramatically. I think what's interesting to talk about brands is, women are very loyal and to kind of sports, to particular individuals, and then to the brands that are associated with them. And I think that's a remarkable opportunity there. And then, if you look at coming back to then—investing in teams. How's that worked out? If I look at one of our regional players who's done that with Clara Wu Tsai, I think she invested—let's call it sub \$15 million a number of years ago into a small team called New York Liberty.

John Dykes 30:12

Sub [inaudible] I think.

Deborah Mei 30:14

And yes, and it's now they—I think they just raised for minority about 450 million. The growth you've seen in women's sports has been what you saw historically in men's—from the very low double digits to the triples, which is 30 to 40 times in some instances. And so I think that's, that's—it's interesting to think about, what is that next league, or that next opportunity that's going to come after, you know—what we have on stage is really, you know, the sort of the big leagues. The technology side, and I'm just going to take one example from each otherwise too much talking, is we invested, actually, in a company called DraftKings, and it's daily fantasy sports. And at the time of our investment, the thesis was, young people need to engage, right? You know, in order to watch something that's a lean back experience, they need something to lean forward into. So to mix sports entertainment, gaming at the time—later to become gambling. But gaming at the time, we thought it was, you know, it was an interesting type of investment. We did anticipate that there was the potential that sports betting could become legalized in the United States. Certainly was not the premise for the investment that was an opportunity. But what was more, what was interesting was, again, mobile first, second screen, you know, younger generation—how are they going to engage with sports? And you found that their engagement in their daily fantasy sports meant they engaged more as well with the live sports, right? They came in tandem. Then, as you did at the gambling associated with it, it made for a very nice public listing, as they did a merger there. But it's indicative, again, on if you think about, you know, as youth who want to engage more, I would argue, whether or not it's short attention span, long attention span, but I think it's much more the desire to engage versus sit back on things. That was a thesis, and I think where sports meets technology and entertainment. That's, again, an idea of areas around sports. Here the thesis being both technology as well as hitting the youth or the younger where you can invest.

John Dykes 32:24

Yeah, so you got gaming, obviously, you got tech, you got analytics, you got AI, you got so much around that space, haven't you? Well, seeing as we're moving now into this kind of new growth frontiers in terms of where sport is going, and therefore where the opportunity might lie, why don't we come back a little bit, Jeff, towards where you were in terms of that convergence of sports, media, entertainment, IPs. Give us an example of a way you see growth in that particular space and the synergies within it.

Jeff Wilbur 32:49

Yeah, I think it comes back to that fan engagement and storytelling. There's—you know, sports traditionally has been about that live game experience as we've been talking about—what happens in the venue, how do you activate that and for a match day and the brands that want to partner with you there. I think now we talk a lot about it's not just the 42,000 fans that show up at Stamford Bridge to watch a Chelsea football match. It's the hundreds of millions, or potentially billions of fans that often engage with the team who have never even stepped foot in the venue. So they engage on their phone, they read content. They might play fantasy sports. They might watch highlights, they might want to hear about, you know, the you know, the behind the scenes footage and films, which, I think, yeah—the storytelling there is fantastic. They also, I think we're seeing a lot of innovation and reliving those old moments, right? It's, you know, sort of the Michael Jordan Last Dance version of—I was such a passionate fan of the, you know, the Chicago Bulls during those championship years, how can I go back and relive those moments? And I think technology is enabling new forms of sort of experiential engagement, where you can go back and and live in that moment, you know, for that really famous goal, or that Super Bowl win, or that sporting experience that you know, you remember. And I think there's a new element in the intersection of technology from an experiential standpoint, opens up new ways to broaden the content that you can share and engage, not just sort of that live match experience.

John Dykes 34:09

I'm going to come to you in a moment, Derek, and really want to dig into Drive to Survive and you know, the sort of digital growth and opening up new markets. But Josh, before that, what about the actual geographical growth potential now, because there are different sovereign funds, there are different investors, different markets to open up, that are showing interest in sports. So therefore the franchise is the clubs, the properties that you have a stake in, they're now coming back the other way. They're looking to explore opportunities elsewhere around the world, aren't they, and that's opening up all sorts of potential.

Josh Empson 34:42

Yeah. I mean, one of the sort of lens we bring to this is Sixth Street is one of only two firms that has invested across the top three sports leagues in the US. And so we sort of have this lens of working with the NFL and the NBA, Major League Baseball on a sort of day in day out basis as they think about global exposure, right? So today we have the US fantastically lucrative market, but in some cases, geographically limited in terms of its fandom. So all of those leagues are looking to expand around the world. Derek, you were a big part of this with NBA China, but now the NBA is thinking about, what is it going to do in Europe? The NFL has been trying to expand into Europe and Major League Baseball, as Jeff said, already has a fantastic following in parts of Asia. But how do these businesses become global, and how do they deal with the reality of a live event you know is going to be distributed at different times of day all around the world. I mean, it's difficult to convene people in real time around one event globally. So how did they figure that out? So I think that there—those conversations are ongoing, and it may take different forms, and we may see asynchronous consumption in order to sort of harvest a global fan base.

John Dykes 35:58

Which kind of brings us back to Deborah's 67 percent of Manchester United fans in this part of the world, they're not all watching the matches live. So what are they doing? How are they engaging with Manchester United?

Deborah Mei 36:09

Listen, I think some people are getting up at extraordinary hours to do that, but otherwise it's—in—they're watching kind of reruns done on the streaming platforms, or they're engaging, you know, with it socially and through shorter form. But the streaming platforms still are probably, besides broadcast, you know, one of the bigger platforms in which people are consuming, and people do do strange hours here, real fans, yeah.

Derek Chang 36:34

Well, you're never going to solve the time zone issue around the world. But you know, even with Formula One, with a lot of the races in Europe, they tend to be very early in the US, especially early on the West Coast in the US. And a number of my friends who have told me that they've gotten into it and their kids now wake up at 6am on a Sunday morning to watch F1—it's pretty amazing, because 6am for a teenager on a weekend is pretty unnatural. They actually stay up to do that.

John Dykes 37:03

And I'm seeing some of those Premier League weekends, early starts and a lot of fun being had as well. So that's great. Let us go with you and Derek, let's talk about F1. Let's talk about Drive to Survive. Let's talk about digital growth. Let's talk about breaking up what you offer across different platforms and how it's engaged a younger audience, a more diverse audience, and what thinking was behind that, and what the potential still is in that space.

Derek Chang 37:28

Yeah, I think one of the things that we also need to talk about is just sort of, you think about a show like Drive to Survive, which has been very, very successful. But you're still talking about a bit of a hit sort of business, which is Hollywood, and so there have been knockoffs of Drive to Survive in other sports that actually haven't resonated. And so everyone says, oh, let's just go put that model on. I'm digressing a little bit, but put that model on. But it's an important point, because, you know, there's not necessarily one formula in anything, and it doesn't always work. And so you are going to be investing and spending and trying to figure out what the right algorithms are, what the right models are, but on Drive to Survive, which is one that did work, you know, that really drove—I think we got a little bit lucky with Covid, that drove a lot of viewership I believe, it really helped as we were starting to come into our own in the US.

John Dykes 38:21

Did it surprise you? Was, was there a clear cut vision in that transitional period in terms of taking over F1 when it was clear to all of you that that's what you needed? You needed something different, a reinvention, beyond just 90 or so minutes of live race coverage?

Derek Chang 38:36

Yeah, I don't know if there's one thing I think in some of this was probably a little bit of luck there. I think no one necessarily foresaw what that would become. But there was a plan in place, certainly in the US, to sit there and say—I mean, a big part of the thesis was we talk about global sports, is this is one sport where you had a huge potential because it was so under penetrated in the US, which is the biggest market, you know, for sports in the world, and so we had that massive potential advantage going into that thing. So, and again, this is before my time, per se, but the thesis was definitely, hey, how do you go—grow the US? And in addition to sort of Drive to Survive, I mean, a big part of it has been putting more races in. So we had a race in Austin, now race in Miami, and then we added Las Vegas, which is the most number of races in any one country. But back to Drive to Survive, I think that has really broadened the audience—our sort of demographics. Now, I think female viewership is probably in the mid 40 percent up from probably 35 percent in 2018. I think we've got over 40 percent closer to 45 percent also of sort of people, 35 and younger watching F1 which, again, is up or down considerably, whichever way you want to go, was an older audience before. And so those are huge differences. And I think Drive to Survive did have big part of it. I think again, it's all the other things, though, too. It's the proliferation on social media, our sort of highlights on YouTube are up 30 percent. It's engaging, as I said earlier, with these different other consumer brands. You know, Lego, as you might imagine, as a pretty young demo, if those kids start getting into F1 now, that's going to drive down our demographics, right?

John Dykes 40:28

It's wonderful seeing it in action. I was lucky enough to be in Melbourne for the season opening race. And what happens there is, you see that the day before the race weekend starting selling out. And the the demographic that's coming in there is the Drive to Survive audience. They're coming in to get close to the races. They want to be a part of it, but they don't necessarily come back at the weekend. But there's another complete new market for you.

Derek Chang 40:51

There are probably good, you know, I don't know what the number is. There's definitely fans that probably watch very little of the races, and they're engaging with the drivers and what they're putting out on their feeds, they're engaging with their driver's girlfriends, and what they're putting out on their feeds, right? You don't know what it is, but there's something about it that creates that attachment, and that's what you're looking for.

John Dykes 41:11

But that's true across a number of sports. There's a lot of people not watching live soccer anymore, but they're very much engaged with their favorite players, sometimes clubs via social verticals or whatever else it might be. We're going to have to move on a little bit here, because you've just raised something that might come back in terms of authenticity. We've got to put a bit of balance here in terms of where this is going. If we're moving into an extremely commercial space when it comes to sport, is there a pushback in some ways? And Josh, I think maybe we could talk about this a little bit here. If we go into the soccer space, for example, here, we have seen those who invest, tempted at times to say we need to actually alter the structure of the sport in terms of how a league may be positioned, in terms of how a calendar or a schedule might be structured. Is there—are you conscious of a risk in that, in terms of the tail wagging the dog in some ways, or at least trying to.

Josh Empson 42:05

Yeah, I mean, there's always the question of—as institutional capital enters an area where there's so much fan, passion and loyalty, you know, will the cold, calculating math of the investor somehow destroy the sort of heartfelt—what makes sports so wonderful, which is the depth of passion and the human loyalty that people feel. And I think we're actually seeing exactly the opposite, where the capital coming in is enriching the product for fans. So we think about what we did at Barcelona, or what our portfolio company, Legends Hospitality, does around the world in terms of making venues better. The fan experience is getting better. It's getting better on television. It's getting better within the four walls of the venue. And I think the global consumer brands that these teams are, are able to offer more value and more content, and I think that's why we're seeing these values escalate and grow, is they're delivering more value back to the fans on a global basis, to a billion fans around the world. It takes capital to do that, and it takes more sophisticated capital coming in that can help and sort of be value add. How does that ultimately change the sport? I think we'll have to see. But I think if all of us who are involved in investing in this space and advising in this space, sort of uses our North Star, let's deliver more value to the fans, let's make it a better product. I think that we're going to be on a on a good path.

Deborah Mei 43:34

If I can jump in. I think there's a there's an interesting thought around this is, if you think about kind of where a lot of the capital is coming from. And let's take English or European football as an example. Over half the teams now, half of the EPL teams are owned by Americans or invested by Americans at this point. And if you think about the difference between the sports structure, league structure in the US versus the UK and Europe in the US, we are socialist. We have a closed ecosystem. We've got call it 8, 38, whatever the number is, franchises within that, you've got a nice, you know, league that kind of takes care of all the media rights, sponsorship and reasonably equally, you know, divides that amongst the teams and puts, in some cases, salary caps or otherwise, it's a nice socialist environment. And as a result, valuations, in an environment where there's greater certainty, and obviously a nice US market, that big sports market, you've got very high valuations. And you look to and you wonder, then, if you take the EPL as an example, which is a very capitalist sport, so to speak. And why do I say that you have the risk of relegation, you have fair—the new financial or regulatory practices that can come into play. There's a lot more volatility. I mean, you have more ownership. You can do more as a team owner, but you do face greater risks and more capitalistic. And so you do wonder, I get it for the authenticity, but you wonder, will the team structure, or will the sports structure change with this sudden influx or ownership changing from—

Derek Chang 45:06

I think the Americans are actually capitalists who are exploiting a socialist system.

John Dykes 45:21

I had a feeling someone might jump in on that one. There another thing from Deborah. But okay, so the so this—you're always going to get pushback. I mean, you will get die-hard petrol head F1 fans railing against the new breed of only consuming via Drive to Survive. That that's inevitable in sport, isn't it? Because sport is just that way. It's in certain people's hearts, there's a tradition to it, but, but that's not a problem for you, is it? You're still engaging with those who are purists, as it were in terms of [inaudible].

Derek Chang 45:50

Yeah, I don't think it's mutually exclusive. And so I think what you're creating, again, as a product that you know, as entry points for different people, right? So the petrol heads are the traditionalists—still have the core of it—is really exciting racing and compelling figures who—and drivers who are very skilled at what they do. Every once in a while, you're changing the rules, and that keeps it interesting. If they're not complaining, they're not interested. And then on the other end of the spectrum, as I was saying earlier, you have a lot of folks who are engaging on social media and only engaging in sort of the cultural aspects of it. And I think that for us to be sort of combination of a purist brand as well as sort of a mainstream lifestyle brand, you can actually do both at the same time. I mean, one of the products we have is F1 TV, which, you know, we have all these partnerships with various broadcasters around the world, but we also have something called F1 TV, which sometimes goes side by side, some guys—sometimes goes in lieu of or whatever, but it's an opportunity for the purist to go really, really deep into F1. We, you know, know, our sport, we have our own broadcast facilities. We spend a lot of money on content and production, and for those people who really want it, we can deliver that in spades if we need it. So I think serving all elements of our fan base, none of it's mutually exclusive.

John Dykes 47:13

And also creating for new fan bases. And wherever you look around the world of sport, we've seen new formats in sport, from rugby to football to the Kings League, to tennis—all sorts of variations on tennis. I'm lucky enough to do a lot of work these days with World Table Tennis, a very traditional sport which is still played on a table by two players with bats or paddles or rackets, or we ever call it with a little white ball. The only difference is, when I was in Las Vegas a few months back for the first US Smash, we had laser shows. We had superstars in the building. We had packed houses. Same thing when we went to Yokohama, when we went to Malmo in Sweden for the first ever Europe Smash—repositioning a sport. So this is all because of the capital that's involved. It's bringing it places. This leads me to the closing round of questions, because we're getting to that point in your lunch where it's prediction time. And Jeff, I'd like you to lead us off here, give me something that's going to define, in your opinion, sports business over the next, say, five years, because things are moving quickly. One prediction or bet from you on the next big thing.

Jeff Wilbur 48:13

Yeah, I think an area that we haven't talked too much about on this panel, and it's obviously it's a little bit more US centric, is the world of college sports. If you think about the business of it, it's probably, depending on your estimate, a 10 to \$15 billion annual revenue marketplace that's sort of going through a massive period of transition. Regulation is unclear. It's a semi professional concept already, and it's a mix of Division I Football under the same government regime as Division III cross country running. And they're very different sports. They're very different structures. There's very different revenue drivers around them. I think you're going to continue to see a lot of evolution in the college sports. And I guess my bold prediction, maybe not overly bold, is the US marketplace will be a little bit more capitalistic, and they will figure out how to detach some of the athletics, especially in Division I college football and basketball, from the rest of the NCAA college sports.

John Dykes 49:07

Well, I mean, you're just making notes on this. If you think about it, you could be looking at Gen Z gamification, women's leagues we spoke about earlier on, cross platform ecosystems, e-commerce, fandom, immersive tech and stadium experiences. What have you got your eye on at the moment Josh? What do you think is going to be something to look out for?

Josh Empson 49:28

Well, I think on the on the product side, on the fan side, you know, globalization and the trend toward globalization will continue, and we will see, you know—we've sort of seen something like cricket reach out and become a massively global sport. We're trying to see the US sports push outward. We're seeing, for example, the Spanish League want to start playing league games inside the United States. That's something that we haven't really seen before. So I think everyone's desire to engage a global fan base will innovate and change the product. I think on the ownership side, we're going to see more institutional capital coming into sports. We're going to see these businesses become more sophisticated businesses in terms of their investor base, in terms of the business practices that they bring to this effort. And we're going to see global brands that are moving around the world, and they're starting to bump into each other in interesting ways. So far, sports have had fairly protected preserves in which to develop their fans. You know, you might be a soccer fan, you might be a basketball fan. I think we're going to see massive global brands that are competing for attention on a global level, and that's going to raise the water level and raise the competitive bar for everybody.

John Dykes 50:37

Deborah?

Derek Chang 50:44

You know, building on that. Oh, sorry, I think that. Oh, I'm sorry. Did you say Deborah?

Deborah Mei 50:45

No you said Derek, it's okay.

Derek Chang 50:46

Building on that, I was going to say, I think, you know, the sponsorship side and the brand side is seeing a brand buy a package of media rights that doesn't have its own distribution platform or mechanism right now, because I just think the collision of all of that is happening, and I think that's something that you'll see at some point.

John Dykes 51:07

Yeah.

Deborah Mei 51:08

So I think it'll be interesting to see what you know we're doing, NBA Europe, right, taking a global brand, internationalizing it, where there's a lot of players. Combining that with sort of women, and what's growing in women is, you know, and in this part of the world, again, back to my point on LPGA or the WTA or the skating associations, I do think there's going to be an interesting opportunity to invest behind women's sports—this part of the world, perhaps as part of, you know, one of the global leagues, and a carve out for the region, perhaps on its own. But I think that will be an interesting opportunity. Maybe you just look at, you know, some of your kids and some of the schools, but I look at some of the schools and the kids playing in the women, they're better.

John Dykes 51:58

Flag football in the US.

Josh Empson 52:02

With women's soccer in the US, where we were the sort of the only institutional firm to sort of take a franchise from a greenfield with Bay FC to the playoffs in a year, and the fastest growing fan segment for women's sports right now is men and traditional sports fans who haven't followed women's sports, so it's interesting how all the boundaries are getting crossed.

John Dykes 52:23

I heard someone the other day in a forum saying, yes, women's sports is attracting huge audiences—the finals, most recently, rugby had a big world cup final. We've seen it happening with with with football, but where's the where's the value in investment? Because they turned around and said, well, we haven't seen growth in the Women's Super League in terms of an investment property. But you might argue that those who are watching the matches, it's a completely different market, isn't it, different audience? So that's where the potential lies.

Josh Empson 52:47

Oh yeah, and I think actually in women's sports, and again, I'll speak in terms of women's soccer, the NWSL in the US—still really under monetized in terms of cost per live viewing hour and the viewership we're getting versus some of the other established sports. So I think there's still very much value in women's sports.

John Dykes 52:47

All right. I think we have to start winding things up here, as I said at the very start, and it's not a defensive line. This was always going to be a very broad, ranging conversation, and I just made a few notes as we went along. And I think we started off by questioning whether sport as a business had ever been obscure. I think we've agreed that's not the case. It was just a question of the value maybe being a little bit hidden. What has changed? Maybe the scale of the business. We've been given some examples along the way here of ways in which the scale has changed, media, tech, capital, global investment, has changed. Maybe the big thing is that influence is not going to be defined necessarily by money, but by authenticity. From what I can hear here, innovation seems to be something that you guys are very much interested in, but also keeping fans at the center of everything, and also meeting fans where the fans are. That seems to be very much in your thoughts. So for me to wrap it up, I'd say, you know, from obscure or old school to influential, passion may have been hidden, but the world has finally caught up to its value, and I hope that somewhere along the line, there's something that's resonated with anyone in this room. I know you guys are going to be around for the day are you? And available for informal or formal conversations?

Derek Chang 54:08

I'll be around for the whole weekend, so come down, stick around.

John Dykes 54:11

I'm pretty sure that an awful lot of people will be around. Formula One is just around the corner, and I can't wait for that. But for now, enjoy the rest of the Asia Summit. It's great. Thanks to Milken for bringing us to this one. Great to have you here listening. Hope sport has brought a bit of entertainment to your lunch break. And once again, I'd just like to thank Jeff there, Deborah and Derek, and also Josh as well, for speaking to us today. Thank you very much everybody. Enjoy the rest [inaudible].

Disclaimer: This transcript was generated by AI and has been reviewed by individuals for accuracy. However, it may still contain errors or omissions. Please verify any critical information independently.