

# PANDEMIC TAILWINDS AND DIGITAL INNOVATIONS FUEL GROWTH IN SPORTSTECH

SPORTS TECHNOLOGY SECTOR UPDATE | JUNE 2022



**CAPSTONE  
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# Sports Technology

## Pandemic Tailwinds and Digital Innovations Fuel Growth

### KEY SECTOR TAKEAWAYS

Capstone Partners' [Consumer Investment Banking Group](#) is pleased to share its June 2022 Sports Technology (SportsTech) sector report. The SportsTech sector has recovered from the onset of the pandemic, with sports franchise revenues projected to have surpassed pre-pandemic levels in 2021. The proliferation of fan engagement technology has assisted in the sector's recovery, reinvigorating viewership and altering the ways in which fans can engage with their favorite franchises and players. The SportsTech Mergers and Acquisitions (M&A) market flourished in 2021 and continues to do so in 2022, driven by regulatory changes in the Sports Betting space, innovative technology, and enhanced fan engagement channels.

1. Sector performance was bifurcated at the onset of COVID-19 as fan engagement platforms suffered due to stadium closures, while segments unrelated to professional sports captured higher demand.
2. Health consciousness has emerged as a pandemic tailwind, increasing the market size for wearable fitness devices and other health trackers.
3. Startups leveraging unique offerings in growing channels have attracted substantial venture capital interest, evidenced by a surge in funding in 2021 and 2022.
4. SportsTech companies are increasingly utilizing virtual reality (VR), augmented reality (AR), and non-fungible tokens (NFTs) to pique the interest of fans in unforeseen ways.
5. M&A activity has remained healthy in 2022, led by strategic buyers utilizing inorganic initiatives to expand their suite of digital offerings in growing segments.
6. Although financial investment in SportsTech has historically been dominated by venture capital firms, private equity (PE) firms are expected to increasingly pursue target companies in lucrative segments.
7. The evolution of Web 3.0 technology and enhanced data collection may have a significant impact in SportsTech company capabilities, valuations, and consolidation in the sector.

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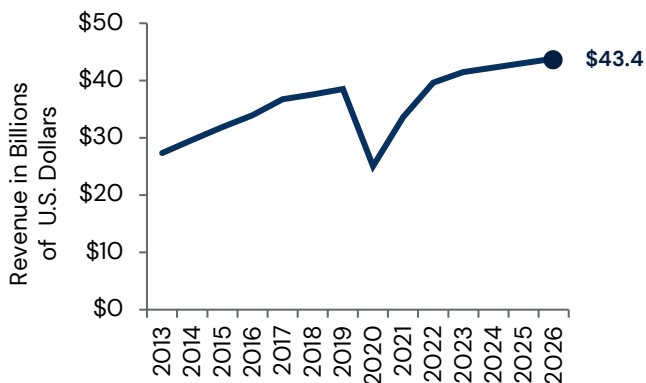
To learn more about Capstone's wide range of advisory services and SportsTech sector expertise, please contact Capstone Director [Peter Bailey](#).



## SECTOR REVENUE SLATED FOR CONTINUED GROWTH

The SportsTech sector's performance was bifurcated at the onset of the pandemic as franchises and tangential companies serving the professional sports community suffered, while segments with less reliance on traditional professional sports, including E-Sports and Fitness Technology (FitnessTech), experienced heightened demand. Up until the pandemic, increasing per capita disposable income fueled steady growth in sports attendance levels despite a gradual rise in ticket prices. However, pandemic-related health and safety protocols forced sporting events to be canceled and venues closed resulting in a 34.9% decline in Sports Franchise revenue in 2020 year-over-year (YOY), according to IBISWorld.<sup>1</sup> This had substantial impacts on markets including Fan Engagement, Sports Betting, and Livestreaming.

### Sports Franchise Revenue Projected to Increase



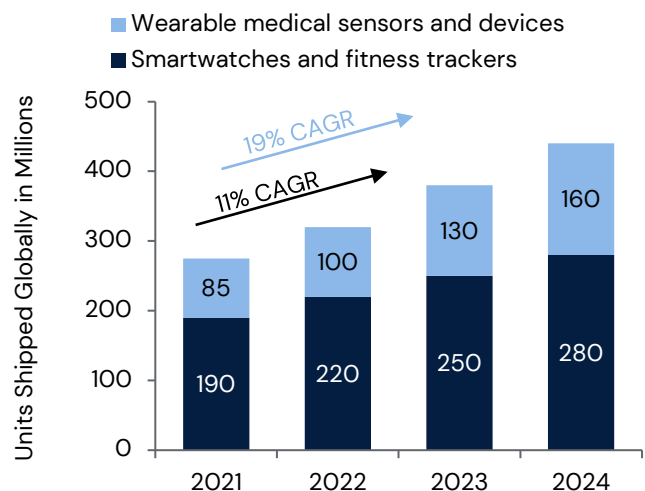
Source: IBISWorld

Sports franchise revenue is expected to have surpassed pre-pandemic levels in 2021 with valuations increasing significantly across leagues. Notably, the New York Knicks and the Golden State Warriors have joined the Dallas Cowboys and the New York Yankees as the only \$6 billion sports teams on the planet, according to Sportico.<sup>2</sup> Technology has played a major role in the recovery of sports organizations, by reinvigorating viewership and augmenting the ways in which fans can support their teams. The return of professional sports has also increased the operational strength of traditional livestreaming and sports betting platforms as exemplified by a 44% YOY increase in DraftKings' (Nasdaq:DKNG) business-to-consumer (BTC) segment revenue in Q1 2022, according to its earnings call.<sup>3</sup> Likewise, The Walt Disney Company (NYSE:DIS) reported that its

subsidiary, ESPN, has seen strong viewership, with live events and studio program ratings up by double-digits in its fiscal year (FY) Q2 2022 earnings call.<sup>4</sup> Players in these segments are increasingly adopting VR, AR, and NFTs to bring fans closer to their favorite athletes in unforeseen ways. Startups in the space with innovative offerings in growing channels have attracted substantial venture capital attention and M&A interest from established strategics as further explained on pages 10 and 13.

The FitnessTech and E-Sports segments have benefitted from the widespread adoption of technology throughout the pandemic. Notably, 86% of U.S. gamers spent more time playing video games during the lockdown, according to a survey by online gaming marketplace G2A.<sup>5</sup> The total addressable market of the Gaming sector significantly expanded during the lockdown, with a 200% increase in video game searches on the G2A platform made by people over 60 years old. Lockdowns also motivated consumers to acquire home fitness equipment. This tailwind, paired with a heightened focus on health, has fueled growth in the Home Fitness Equipment market which is expected to reach \$7.8 billion in 2029, expanding at a compound annual growth rate (CAGR) of 7.2%, according to Fortune Business Insights.<sup>6</sup> Health consciousness has also resulted in a substantial increase in the market size for wearable fitness devices and other health trackers, as explained on page nine.

### Fitness Technology Segments Continue to Grow



Source: Deloitte

## NASCENT FAN ENGAGEMENT CHANNELS GAIN STRENGTH

Sports organizations are expected to invest in the advancement of the in-person fan experience, spending capital on the improvement of venues including high-technology environments in order to compete with streaming channels for viewership. “We’re competing against the 80-inch television in your living room,” said Jon Ledecky, Co-Owner of the New York Islanders, who opened the new \$1 billion UBS Arena in November 2021, replacing the Nassau Coliseum as the New York Islanders’ home arena, according to CNBC.<sup>7</sup> Notably, teams are projected to invest more than \$10 billion in the development of new stadiums by 2030. Financial Technology (FinTech) and Cryptocurrency (crypto) companies are displaying interest in the private financing of these stadiums as they look to penetrate the Sports sector. For example, crypto exchange Crypto.com announced a 20-year deal to take over the naming rights of the Staples Center, according to Protocol.<sup>8</sup>

Franchises have also formed partnerships to bring unique offerings into stadiums. In April, the Dallas Cowboys partnered with crypto exchange Blockchain.com, enabling fans to easily engage with Blockchain.com’s wallet, according to Tech Crunch.<sup>9</sup> Similarly, 5G initiatives, including second-screen experiences, have pushed the boundaries for unique in-stadium spectator experiences. Notably, 5G VISTA has developed a prototype utilizing further evolved multimedia broadcast and multicast (FeMBMS) to serve multiple devices with the same signal.

In addition to improving stadiums, sports franchises and SportsTech companies will leverage NFTs, VR/AR, 5G, and blockchain to capture engagement outside of the stadium. For example, Fox Sports VR, an application in Meta’s (Nasdaq:FB) Oculus store allows fans to watch sports using VR technology. The blossoming NFT space has grown at a frenetic pace, presenting a plethora of fan engagement opportunities. Sports organizations have eagerly sought partnerships with NFT and digital collectibles brands. For example, NFT producer Dapper Labs, in partnership with the NBA, launched NBA Top Shot, which generated \$826.4 million in sales in 2021, according to SportsTechX.<sup>10</sup> Capstone expects to see NFTs increasingly utilized as rewards for sports gambling and fantasy sports. In addition, businesses offering innovative fan engagement technology are expected to attract elevated acquirer and partnership interest.

“

*NBA Top Shot is an entirely new way for fans to connect with their favorite athletes. We believe blockchain technology creates a truly unique product that fans can collect, manage and engage within a fun environment, and we are excited to partner with Dapper Labs to introduce these groundbreaking digital assets to the NBA community.* ”

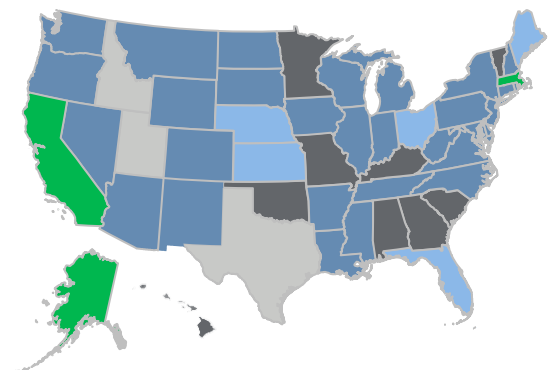
**Josh Goodstadt**

Executive Vice President of Licensing, THINK450  
NBA TopShot Press Release

Sports gambling and betting are another nearly ubiquitous channel in which fans can engage with sports. Sports betting is now legal in 30 states and Washington D.C. with five states that have legalized it but have not yet put it into operation. Sports betting is expected to have the same impact as fantasy sports, delivering more enthusiastic fan bases and bolstering the potential for higher revenue opportunities. In 2021, sports betting generated \$57.2 billion in handle (the amount of money in wagers accepted), increasing 165% YOY, according to American Gaming Association.<sup>11</sup> Capstone expects digital channels to converge as they mature, forming a bet-and-watch model. This is exemplified by DANZ Group’s strategic partnership with Pragmatic Group, a platform technology and content provider for the Betting and Gaming sector. The partnership plans to launch DAZN Bet, an integrated experience for in-play betting during DAZN’s live sports streaming, according to a press release.<sup>12</sup>

### Sports Betting Now Legal in 30 States

- Legal – Operational
- Legal – Not Operational
- Active or Pre-filed Legislation
- No Legislation
- Dead Legislation








Source: American Gaming Association

## TECHNOLOGY COMPANIES ACQUIRE STREAMING RIGHTS

In congruence with greater fan attendance and team support, lucrative sponsorship and TV contracts are anticipated to materialize in the near term. Corporate sponsorships and broadcasting contracts will aid the growth of the Livestreaming segment which is expected to expand at a CAGR of 21.3% over the next six years, reaching more than \$87.3 billion by 2028, according to Verified Market Research.<sup>13</sup>

Each of the five big tech companies (displayed on the right) continue to pursue professional sports streaming rights, with each company picking up the Indian Premier League's media rights tender for 2023–2027 which has a base price of \$4.6 billion. Technology giants and legacy broadcasters are forecast to experience resistance from professional sports leagues which are aiming to develop their own direct-to-consumer (DTC) streaming offerings. This is exemplified by the NFL, which is working on its own mobile subscription streaming service, under the name NFL+, according to The Athletic.<sup>14</sup> The NFL+ platform would include games, radio, podcasts, and team content

### Streaming Rights Held by FAANGs

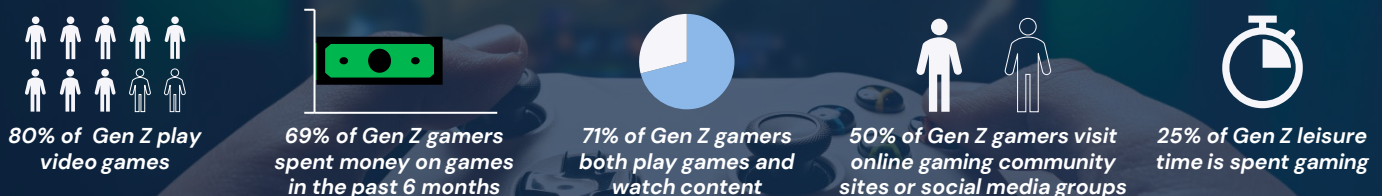
Company	Streaming Rights	Region
	1. MLB 2. Los Angeles FC 3. IPL (bid tender collected)	U.S. U.S. Global
	1. NFL (partial) 2. Premier League 3. Ligue 1 & French Open 4. UEFA Champions League 5. ATP, WTA, US Open 6. IPL (bid tender collected)	U.S. U.K. France Italy U.K. & Ireland Global
	1. MLB (partial) 2. NFL (in talks) 3. IPL (bid tender collected)	U.S. +7 countries U.S. Global
	1. Premier League & LaLiga 2. UEFA Champions League 3. Serie A Brasileiro 4. IPL (bid tender collected)	Parts of Asia Latin America Global Global
	1. IPL (bid tender collected) 2. Formula1 (rumoured)	Global Global

FAANGs include Alphabet (Nasdaq:GOOGL), Amazon (Nasdaq:AMZN), Apple (Nasdaq:AAPL), Meta Platforms (Nasdaq:FB), Netflix (Nasdaq:NFLX)  
Source: SportsTechX

## E-SPORTS SEGMENT EXPERIENCES EXPLOSIVE GROWTH

Pandemic tailwinds, including government-imposed lockdowns, paired with the release of the next generation of consoles including Microsoft's (Nasdaq:MFST) Xbox Series X and Sony's (NYSE:SONY) PlayStation 5, both released in November of 2020, have energized Gaming and E-Sports subsegments. The total number of gamers worldwide in 2021 increased 5.3% YOY, with around 3 billion gamers, according to Newzoo.<sup>16</sup> In addition, the proliferation of technology including AR, VR, NFTs, and blockchain is expected to encourage growth and expand the possibilities for video games. For example, in March 2022, the NFL partnered with StatusPro to make a league-licensed VR simulation game, the first title released by any major professional sports league, according to SportTechie.<sup>15</sup> The growing number of gamers has contributed to a more competitive and lucrative Professional space. Many gamers are now watching professional events and engaging with their favorite gamers through social media and streaming platforms including Twitch and YouTube. Like traditional sports organizations, E-Sports players and streamers are expected to utilize blockchain technology and NFTs to drive engagement with their audiences and diversify revenue streams.

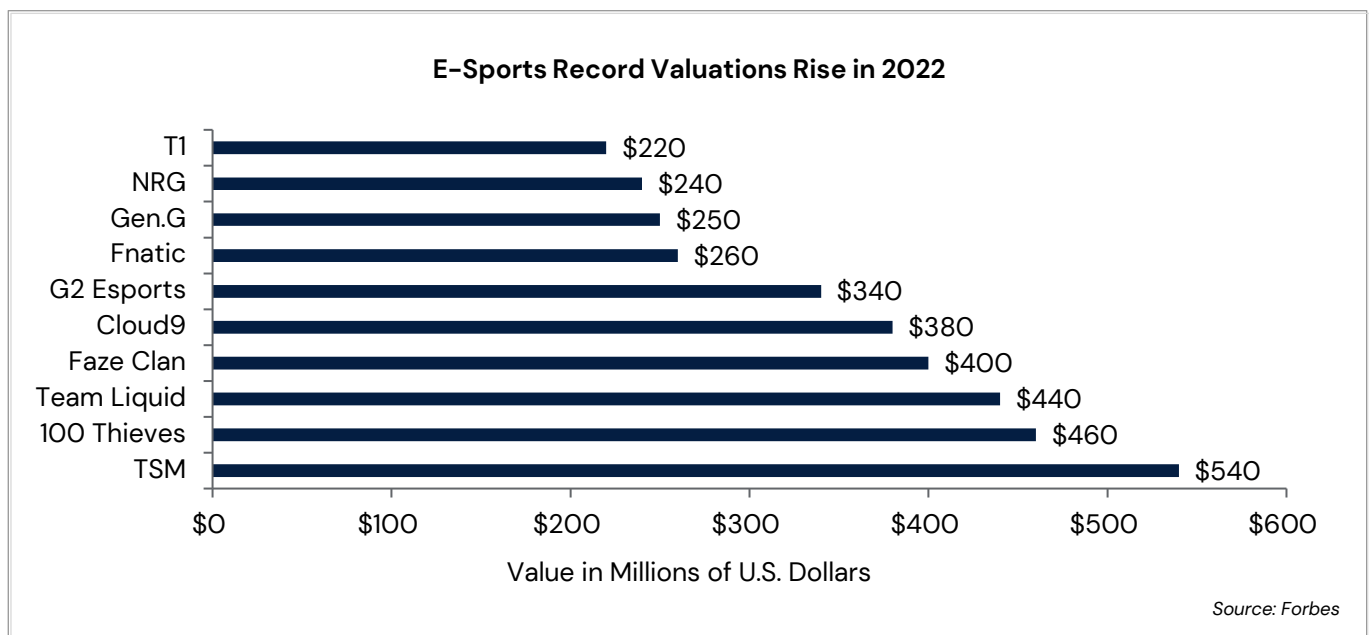
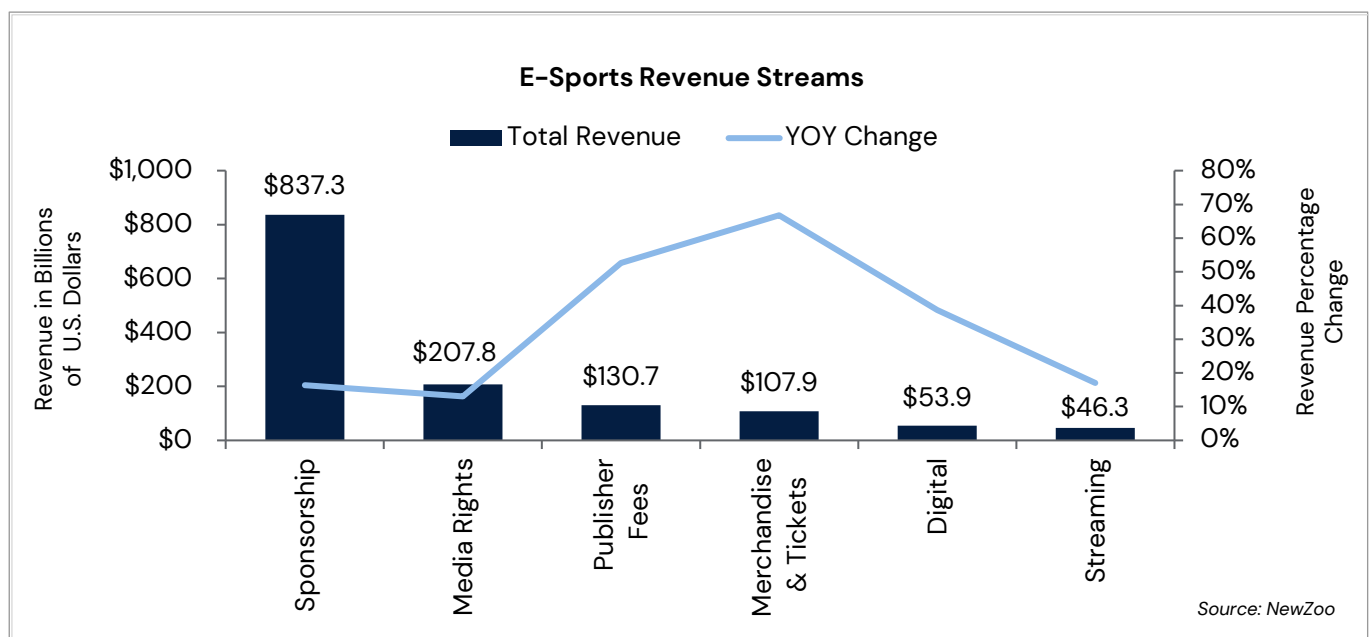
### Gen Z Video Game Consumption Expected to Fuel E-Sports Segment Growth



Source: Newzoo

## E-SPORTS SEGMENT EXPERIENCES EXPLOSIVE GROWTH (CONT.)

The proliferation of video games and the corresponding rise in professional gaming viewership has fueled the expansion of the E-Sports market, which is now worth over \$1 billion and has 475 million active followers, according to Front Office Sports.<sup>17</sup> E-Sports franchises have experienced rapid growth, with valuations rising substantially in recent years. Some of the largest E-Sports franchises are now just trailing smaller MLS and MLB franchises, with Team SoloMid (TSM) valued at \$540 million, according to Forbes.<sup>18</sup> In fact, the E-Sports space has accumulated a larger audience than American football and rugby combined. Sector players have leveraged streaming platforms including Twitch and YouTube to drive engagement among younger consumers. For example, FaZe Clan has leveraged lifestyle videos and merchandise to further connect with viewers. In the future, crypto and blockchain companies could play an integral role in the further monetization of E-Sports franchises and the diversification of revenue streams.



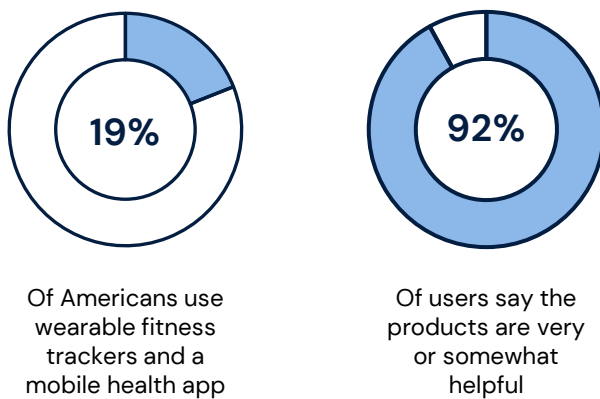


## FITNESSTECH & WEARABLES WITNESS ELEVATED DEMAND

The Wearables segment has benefited substantially from elevated consumer awareness surrounding health and fitness. Connectivity between fitness tracking devices has formed digital personalized health clinics for users. For example, many smartwatches are capable of detecting abnormalities such as atrial fibrillation (a major cause of stroke) through their heart rate monitoring technology. With new wearable technology coming to market, healthcare providers are becoming more comfortable with leveraging the data from these devices, bridging the gap between digital and traditional healthcare.

Several large companies have increased investments in the Wearable Device market due to their healthcare benefits and big data applications, including Best Buy (NYSE:BBY) which acquired Current Health for \$400 million in October 2021, and Alphabet (Nasdaq:GOOGL) which closed on its \$2.1 billion acquisition of FitBit in January 2021. Consumer demand and acquirer interest for innovative wearable products are expected to remain strong amid the elevated health consciousness megatrend.

### Wearables Common Among U.S. Consumers



Source: Gallup

Wearable technology has become more sophisticated and advantageous across amateur and professional sports, helping athletes track training progress, avoid injuries, and monitor well-being. With big data playing a major role in shaping the future of sports, wearables allow managers, coaches, and athletes to monitor performance and track daily progress, enabling them to identify the risk patterns of practice and play. Notably, in

**“** The world of human performance, if I was going to peel it like an onion, it started with GPS, pedometers, trackers. Then we move towards the heart rate and understanding internal load. Now, the next layer of the onion is the muscles. **”**

**Nikola Mrvaljevic**  
Founder and CEO, STRIVE  
STRIVE Press Release

March 2022, the NFL passed a resolution mandating the use of wearable devices for all 32 NFL teams to track players' load management during the preseason, according to SportTechie.<sup>19</sup> The data will be anonymized and aggregated for use in player health and safety initiatives. Several NFL organizations, including the Baltimore Ravens and Kansas City Chiefs, are using STRIVE's Performance System to track players' load management, according to a press release.<sup>20</sup> STRIVE's electromyography technology allows elite athletes to monitor the use and activation of their muscles. Leveraging proprietary algorithms and sensors that integrate into compression clothing, STRIVE tracks and delivers actionable data enabling the team's staff to monitor and analyze players' muscle load, movement, and utilization.

Amid rapid innovation and a coinciding rise of use-cases for wearables in professional sports, fitness device manufacturers have identified sports betting as a potential area for future growth. Will Ahmed, CEO of wearable company Whoop, envisions data tracked by its wearable devices to have major implications on betting, according to SportTechie.<sup>21</sup> Advanced tracking data of players' activity could impact sports betting operations as players gain more transparency into the condition of the athlete. However, the commercialization of biometric data has become a contested issue across sports as a result. Recent Collective Bargaining Agreements signed into effect in the MLB and the NWSL include clauses granting players ownership of their data. The potential use of recovery metrics garnered through wearable devices further demonstrates the boundless applications of FitnessTech in the Sports industry.

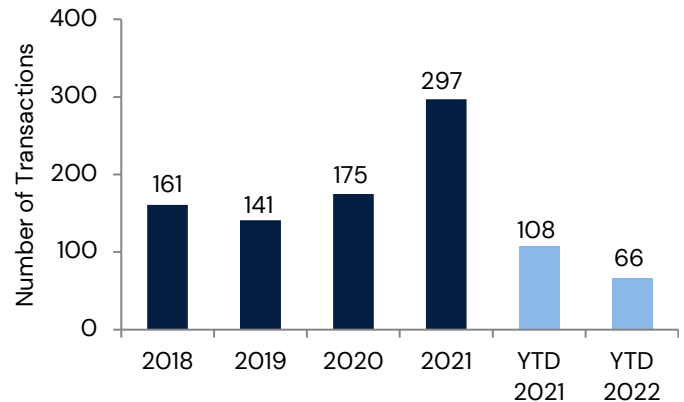
## M&A ACTIVITY REMAINS HEALTHY FOLLOWING RECORD 2021

M&A activity moved at a torrid pace in 2021, with 297 transactions announced or completed, marking an increase of 69.7% YOY. The record level of transaction volume witnessed in 2021 was driven by a surge in exit activity as business owners aimed to capitalize on the high valuation environment, fueled by a voracious buyer appetite for innovative technology. Deal flow has remained healthy with 66 transactions announced or completed through May 2, 2022, compared to 108 during the same time period in the record year 2021, and 59 in the same period in 2020.

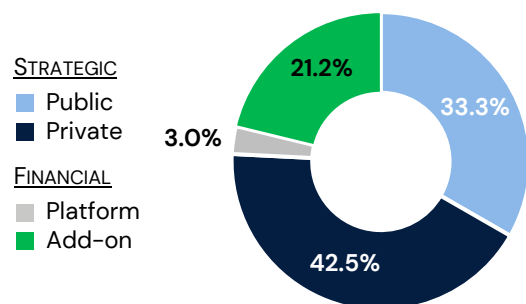
Strategic acquirers continue to account for the vast majority of transactions, led by public companies which have comprised 33.3% of total deals as large players have utilized inorganic initiatives to expand their suite of digital offerings in growing segments. This is exemplified by SportRadar's (Nasdaq:SRAD) acquisition of SportsTech provider Vaix Limited, which offers data services for sports betting (undisclosed, April 2022). Privately owned businesses with unique digital offerings are expected to continue to attract strategic interest, particularly if the target's product offerings complement the acquirer's product portfolio.

While financial investment in the sector has historically been dominated by venture capital firms, private equity firms are expected to increasingly pursue target companies in promising spaces. Notably, in May 2022, sports-focused PE firm Arctos Sports raised \$1.1 billion for a second investment fund after closing on its first fundraising within the same week. The first fund made 25 investments in 18 sports franchises, and Arctos plans to continue to buy minority stakes in professional sports teams using its new funding, according to a press release.<sup>22</sup>

**Transaction Activity Moves at Healthy Pace in 2022**



**Year-To-Date Buyer Breakdown**



*Note: Year-to-date ended May 2, includes target companies located in the U.S. or Canada  
Source: Capital IQ, PitchBook, FactSet, and Capstone Partners*



**Peter Bailey, Director**

*"Sports Franchise and SportsTech M&A continues to be in high demand, and the growth of each is often linked and complementary. As valuations continue to rise, private equity ownership is becoming more prevalent. Recent sports franchise transactions include the sale of the Denver Broncos for a record \$4.65 billion, sale of Chelsea FC for \$5.3 billion, RedBird Capital's \$1.3 billion acquisition of AC Milan, and Apollo's \$1.25 billion investment in Liga MX Soccer."*

## NOTABLE M&A TRANSACTIONS



In April 2022, digital soccer media company Footballco announced an agreement to buy Dubai-based platform Kooora, the largest digital sports publisher in the Middle East, in an acquisition worth more than \$25 million, according to a press release.<sup>23</sup> Footballco, which is majority owned by U.S.-based investment firm TPG Capital will bolster its regional content offering through the acquisition. Footballco states that the deal with Kooora will more than double its audience in the region to 42 million people and that its content will now reach 640 million fans monthly.



In April 2022, metaverse entertainment company Infinite Reality entered an agreement to acquire leading E-Sports company ReKTGlobal for \$470 million in an all-stock deal. This acquisition will consolidate ReKT's Entertainment and E-Sports business into Infinite Reality's offering of creative tools covering social, gaming, virtual and remote production, NFT minting, content, and metaverse creation, according to a press release.<sup>26</sup>



Animoca Brands acquired Eden Games for \$16 million in April 2022. Eden Games, founded in Lyon, France in 1998 has long term partnerships with more than 30 brands in the Automotive industry including BMW (XTRA:BMW), Bugatti, Porsche (XTRA:PAH3), and Lotus, according to a press release.<sup>24</sup> Animoca plans to use Eden Games' platform and development expertise to build on its library of titles and create new blockchain-based racing games which allow players to trade NFTs that can be used in races to win REVV utility tokens that carry real-world value.



In January 2022, Microsoft Corporation (Nasdaq:MSFT) announced plans to acquire Activision Blizzard (Nasdaq:ATVI), a leader in game development and interactive entertainment content, for \$95 per share in an all-cash transaction valued at \$68.7 billion, inclusive of Activision Blizzard's net cash. The acquisition will accelerate the growth in Microsoft's Gaming business across all devices and will play a key role in the development of metaverse platforms, according to a press release.<sup>27</sup> When the transaction closes, Microsoft will be the world's third largest gaming company (by revenue) behind only Tencent (SEHK:700) and Sony.



Sportradar (Nasdaq:SRAD) acquired Vaix Limited in April 2022 (undisclosed). Sportradar offers data services for sports betting while Vaix Limited develops artificial intelligence (AI) solutions for the iGaming industry. For more than two years, Sportradar has partnered with Vaix, utilizing its technology in its Managed Trading Services offering, according to a press release.<sup>25</sup> Vaix's advanced AI learning capabilities will provide Sportsradar's betting operators with personalized insights relating to user preferences.



The New York Times (NYSE:NYT) reached an agreement to acquire online sports news outlet The Athletic for \$550 million in cash in January 2022. The deal brings The New York Times, which has more than eight million total subscriptions, closer to its goal of having 10 million subscriptions by 2025, while also offering its audience coverage of more than 200 teams in North America, the U.K., and Europe, according to a press release.<sup>28</sup> The Athletic will be operated separately from Times' newsroom and sports section.



## SELECT M&A TRANSACTIONS

Date	Target	Acquirer	Target Business Description	Enterprise Value (mm)	EV / LTM Revenue	EBITDA
06/07/22	Denver Broncos	Walton-Penner Family	National Football League franchise in Denver, Colorado.	\$4,650.0	9.3x	-
06/01/22	A.C. Milan*	RedBird Capital Partners	Operates a soccer club in Italy.	\$1,278.4	-	-
05/30/22	Chelsea Football Club*	Clearlake Capital Group; Todd Boehly	Operates a soccer club in the U.K.	\$5,300.0	-	-
04/21/22	Wexer Holding	Core Health & Fitness	Creates digital health and fitness offerings.	-	-	-
04/19/22	Futbin and related assets	Better Collective (OM:BETCO)	Comprises its E-Sports brand and related assets that provide players with insights into the game of FIFA.	\$113.3	8.1x	-
04/13/22	D&D Beyond	Hasbro (Nasdaq:HAS)	Provides video game fans with a single source for pop culture news, discussions, and discovery.	\$146.3	-	-
04/12/22	ReKTGlobal	Infinite Reality	Provides content creation, brand analysis, and corporate consulting services to brands in the E-Sports sector.	\$470.0	-	-
04/12/22	Koora	Footballco Media	Offers a platform to watch live matches for various international leagues in high quality.	\$25.0	-	-
04/11/22	Vaix	Sportradar Group (Nasdaq:SRAD)	Designs and develops AI solutions for the iGaming industry.	-	-	-
04/07/22	Eden Games	Animoca Brands	Operates as an independent game studio, providing game franchises on PlayStation systems.	\$15.9	-	-
04/05/22	Hamul	Roblox (NYSE:RBLX)	Develops sound overlay software designed to use customized sounds and templates for gaming.	\$17.0	-	-
03/30/22	Centr	HighPost Capital	Provides expert-led fitness training and nutrition planning services intended to keep people healthy.	\$147.3	-	-
03/30/22	Inspire Fitness	HighPost Capital	Designs fitness equipment to bridge the gap between in-home, studio, and online training.	-	-	-
03/23/22	Assets of Canada Sports Betting	Better Collective (OM:BETCO)	Comprises a sports betting brand.	\$23.5	-	-
03/22/22	Matchup	Reward Gateway	Operates an online fitness community by connecting wearable fitness trackers and mobile apps.	-	-	-
03/07/22	EdgeCast Networks	Limelight Networks (Nasdaq:LLNW)	Provides media content delivery services intended for cloud security and video streaming.	\$300.0	-	-
02/24/22	Sun Machine Entertainment	WonderFi Tech. (NEOE:WNDR)	Designs, develops, and operates its own original video games for audiences worldwide.	\$13.2	-	-
01/31/22	Bungie	Sony Interactive Entertainment	Develops shooting and other sports-related video games.	\$3,600.0	-	-
01/28/22	4FRONT	Legends Hospitality	Provides sports and entertainment marketing services for organizations, properties, teams, and leagues.	\$20.0	-	-
01/24/22	Ziva Dynamics	Unity Software (NYSE:U)	Provides software to develop characters for Film, Gaming, Virtual, and Augmented Reality industries.	\$127.4	-	-
01/18/22	Activision Blizzard (Nasdaq:ATVI)	Microsoft (Nasdaq:MSFT)	Develops and publishes interactive entertainment content and services.	\$68,987.1	7.8x	19.4x
01/10/22	Zynga (Nasdaq:ZNGA)	Take-Two Interactive (Nasdaq:TTWO)	Develops, markets, and operates social game services in the U.S. and internationally.	\$12,327.8	4.4x	25.2x
01/06/22	The Athletic Media Company	The New York Times Company (NYSE:NYT)	Operates as a media publisher of sports content for fans in North America.	\$550.0	-	-

Source: Capital IQ, PitchBook, FactSet, and Capstone Partners

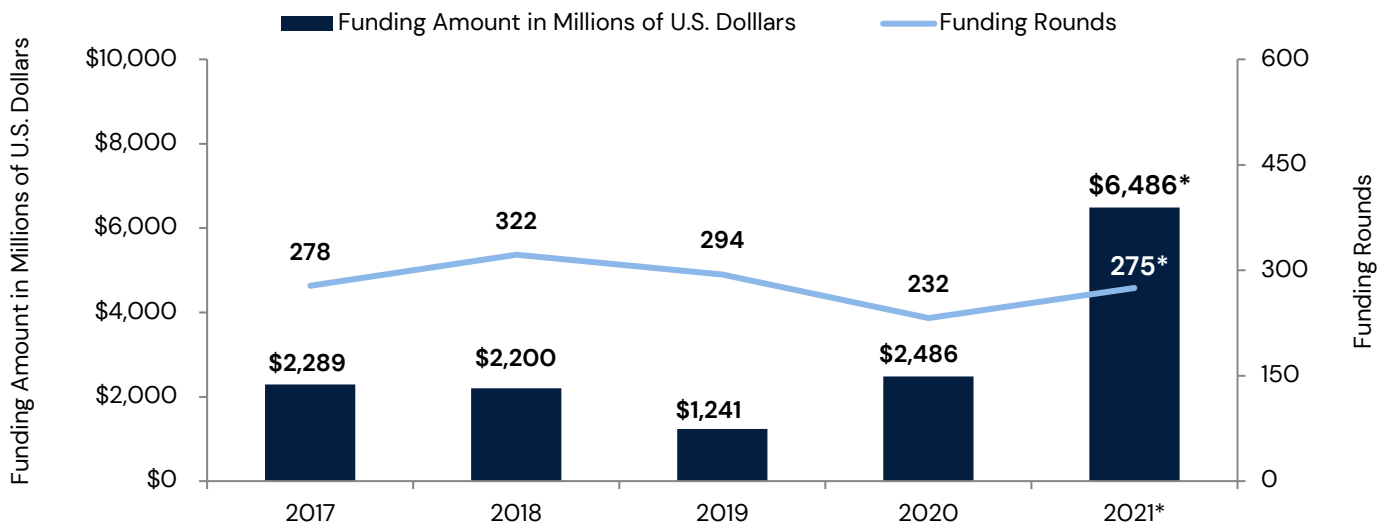
\* Indicates international transaction

## SPORTSTECH VENTURE CAPITAL INVESTMENTS SURGE

SportsTech investments in North American companies are projected to have surpassed \$6.5 billion in 2021, increasing 160.9% YOY from 2020 (the second highest year on record despite pandemic-related headwinds), according to SportsTechX. The average deal size reached \$27.6 million in 2021, rising 97.1% from 2020. The number of deals is projected to have increased a significant 18.5% from the prior year. Notably, there were 16 funding rounds that exceeded \$100 million in 2021. The substantial rise in investments is indicative of momentum in the space with investment activity expected to remain strong throughout 2022 as financial investors aim to establish and grow platforms in the space.

The unprecedented increase in investments in 2021 was largely driven by regulatory changes in the Sports Betting space, the proliferation of NFTs, the introduction of new technologies serving Professional and Amateur Sports markets, and reinvigorated fan bases for sports franchises. In addition, startups in the SportsTech sector were forced to pivot at the height of the pandemic, seeking financing to navigate the changing environment amidst economic downturn. "Startups were forced to move much faster, and they accelerated quickly and got funding and engagement more quickly than they would have. Things that would have taken three or four years to get investment or traction, they were able to do in six months or a year because of the circumstances," said Lora Dennis, Executive Vice President of Digital Media at NBCUniversal Local, according to SportsTechX. While many startups received funding in 2021, businesses leveraging unique digital offerings, particularly in nascent spaces, are expected to attract investor and acquirer interest as venture capital and private equity firms put capital to work in growing markets.

### Venture Capital Funding Surges in 2021



Note: \* indicates projected figures  
Source: SportsTechX



## NOTABLE FINANCING ROUNDS



### \$300 Million Series D

OneFootball closed a \$300 million Series D financing round led by blockchain fund Liberty City Ventures with the involvement of Animoca Brands and Dapper Labs, all of which will become partners in OneFootball Labs Web 3.0 venture (April 2022). OneFootball offers a range of content to its users including news, scores, videos, and live soccer matches. The OneFootball Labs Web 3.0 venture will offer NFTs at multiple price points. Dapper Labs will provide the Flow blockchain infrastructure and services that will power the web 3.0 services, according to a press release.<sup>29</sup>



### \$1.5 Billion Funding

In March 2022, Fanatics announced that it raised \$1.5 billion in a private equity growth round, bringing its valuation to \$27 billion. The NFL was reportedly the largest investor in the round, contributing \$320 million, according to Nasdaq.<sup>32</sup> Fanatics is primarily known for selling sports merchandise and collectibles including jerseys and other apparel. The company has acquired several sports apparel and memorabilia companies and expanded to other areas of sports fandom with the acquisition of trading card company Topps and the launch of Candy Digital which sells NFTs.



### \$130 Million Series A

In April 2022, Kinexon announced that it raised \$130 million in a Series A fundraise led by private equity firm Thomas H. Lee Partners. Kinexon will leverage the investment to accelerate the development of its automation technology and continue its expansion in North America and Europe, according to a press release.<sup>30</sup> Kinexon's Sports and Media segment provides automated real time content generation enabling the analysis of athletic performance as well as the enrichment of sports broadcasts with novel data through augmented reality features.



### \$15 Million Series A

Apollo Neuroscience announced that it raised \$15 million in a Series A funding round at a valuation of over \$100 million (March 2022). Led by Noetic Fund, the investment will help Apollo Neuro reach users on a global scale, according to a press release.<sup>33</sup> Apollo is a wellness wearable that improves the body's resilience to stress, allowing users to relax, sleep, focus, recover, and feel better. The wearable is worn on either the wrist or ankle and works by engaging with users' sense of touch, delivering silent, soothing vibrations that help them feel safe.



### \$2 Billion Venture Funding

In April 2022, U.S. video game and software developer, Epic Games, announced a \$2 billion funding round at a post-money equity valuation of \$31.5 billion. Existing investor Sony Group and KIRKBI each provided \$1 billion in the venture funding round. "This investment will accelerate our work to build the metaverse and create spaces where players can have fun with friends, brands can build creative and immersive experiences and creators can build a community and thrive," said Tim Sweeney, CEO and Founder of Epic Games, in a press release.<sup>31</sup>



### \$690 Million Series B

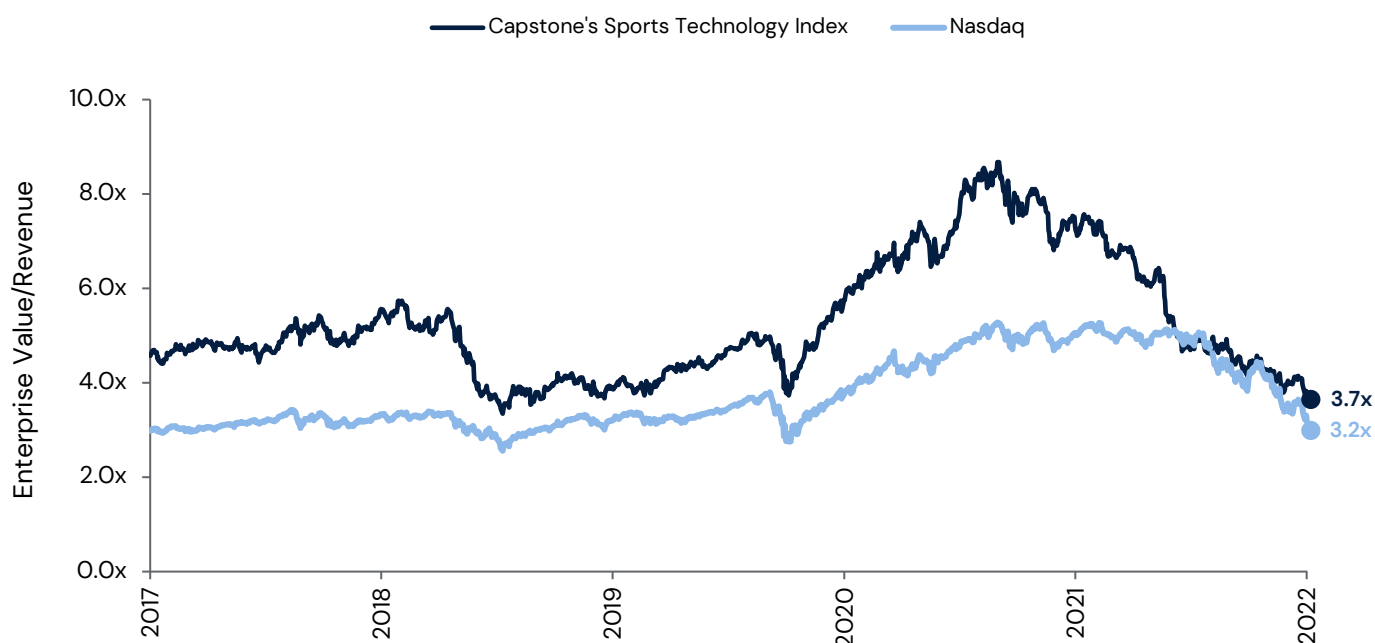
In September 2021, Sorare announced that it raised \$680 million in Series B financing led by Softbank. The investment is Europe's largest Series B ever and gives Sorare a new valuation of \$4.3 billion, according to a press release.<sup>34</sup> Sorare, a leading player in the NFT-based Fantasy Sports space, will use this investment to help build upon its gaming platform, setting a new standard for how fans connect to their favorite clubs and players. Notably, the number of monthly active paying Sorare users grew by 34x in Q2 2021 YOY with quarterly sales increasing 51x in the same period.



## PUBLIC COMPANY DATA

	Price	% 52 Wk	Market	Enterprise	LTM			EV / LTM	
Company	06/16/22	High	Cap	Value	Revenue	EBITDA	Margin	Revenue	EBITDA
Activision Blizzard, Inc.	\$73.93	76.9%	\$57,804.5	\$50,277.5	\$8,296.0	\$3,127.0	37.7%	NM	16.1x
Allied Esports Entertainment Inc.	\$1.41	52.2%	\$55.2	NM	\$5.0	NM	NA	NM	NM
Catapult Group Intl. Limited	\$0.80	51.9%	\$118.0	\$96.2	\$77.0	NM	NA	1.2x	NM
DraftKings Inc.	\$10.72	16.6%	\$4,480.1	\$4,023.6	\$1,401.0	NM	NA	2.9x	NM
Electronic Arts Inc.	\$127.98	86.6%	\$35,782.7	\$34,951.7	\$6,991.0	\$1,755.0	25.1%	5.0x	19.9x
Enthusiast Gaming Holdings Inc.	\$2.00	32.8%	\$267.9	\$266.2	\$147.8	NM	NA	1.8x	NM
Garmin Ltd.	\$92.78	51.9%	\$17,918.1	\$14,969.0	\$5,083.1	\$1,393.1	27.4%	2.9x	10.7x
Genius Sports Limited	\$2.38	9.9%	\$471.2	\$312.2	\$294.9	NM	NA	1.1x	NM
Peloton Interactive, Inc.	\$9.45	7.3%	\$3,188.0	\$3,987.6	\$3,840.4	NM	NA	1.0x	NM
Penn National Gaming, Inc.	\$26.91	31.1%	\$4,427.5	\$15,634.4	\$6,194.3	\$2,096.8	33.9%	2.5x	7.5x
Sportech PLC	\$0.31	59.8%	\$30.8	\$11.9	\$31.1	NM	NA	0.4x	NM
Super League Gaming, Inc.	\$1.00	15.8%	\$37.0	\$29.2	\$14.7	NM	NA	2.0x	NM
Vogo SA	\$4.57	46.6%	\$18.7	\$20.6	\$11.0	NM	NA	1.9x	NM
Zebra Technologies Corporation	\$292.12	47.5%	\$15,340.3	\$16,453.3	\$5,712.0	\$1,226.8	21.5%	2.9x	13.4x
EV = enterprise value; LTM = last twelve months \$ in millions, except per share data NM = Not Meaningful				Mean			29.1%	2.1x	13.5x
				Median			27.4%	1.9x	13.4x
				Harmonic Mean			27.9%	1.4x	12.1x

## SportsTech Revenue Multiples Continue to Outpace Nasdaq



Market capitalization weighted; SportsTech includes: ATVI, AESE, CAT, DKNQ, EA, EGLX, GRMN, GENI, PTON, PENN, SPO, SLGG, ALVGO, ZBRA  
Source: Capital IQ

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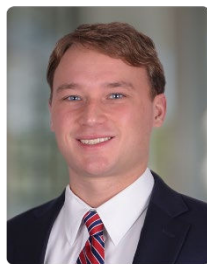
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Peter has 16 years of experience executing M&A and capital markets transactions. His Consumer investment banking coverage includes the SportsTech sector. Prior to joining Capstone Partners, Peter worked as an investment banker at Stephens Inc., Wells Fargo & Company, and Citigroup, Inc.

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