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INTERNATIONAL CERTIFIED VALUATION SPECIALISTS

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Index

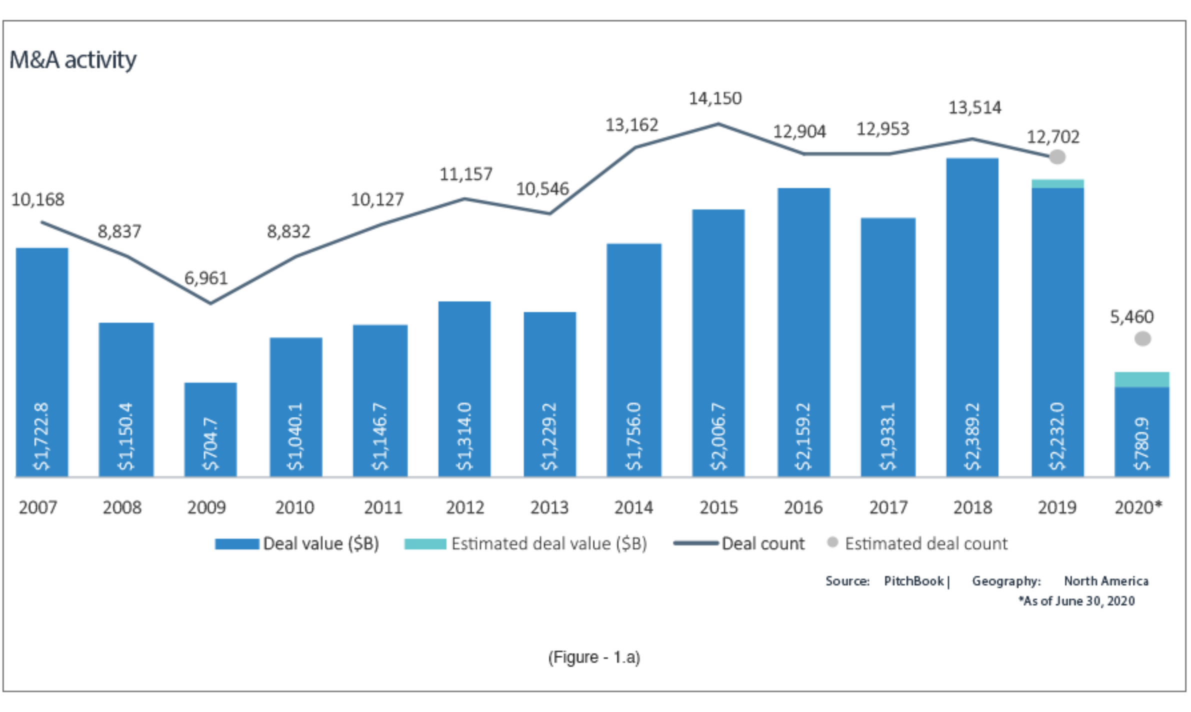
1. M&A During Q2 2020

1.1 M&A Activity During Q2 2020

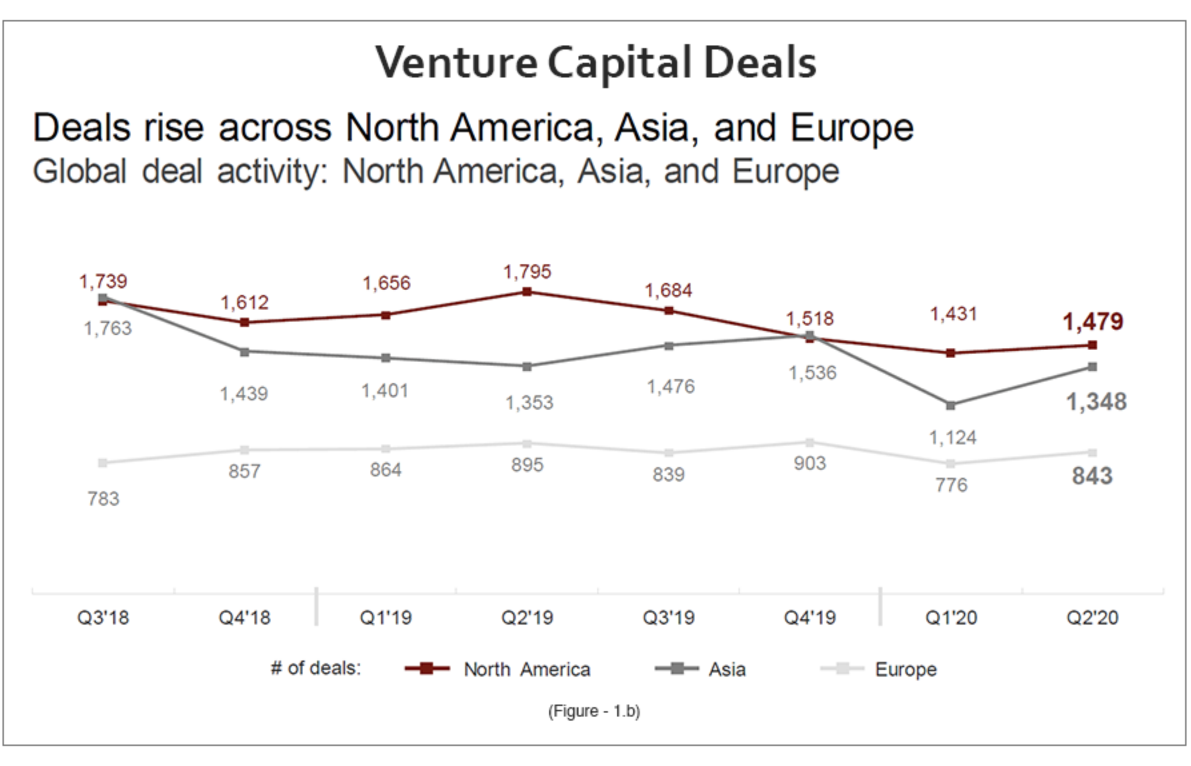
M&A activity in the quarter continued to decline during COVID-19, and especially the US. North American M&A activity reached $336.8 billion over 2,025 transactions in the second quarter of 2020, substantial declines from the record activity seen in recent years.

However, there are some sectors with stable dealmaking. Tech and healthcare continue to ink deals, as many companies in these sectors have benefited from COVID-19 side effects and have opportunistically sought out M&A transactions in times of volatility. However, in less robust areas such as oil & gas, frail companies are completing deals just to survive.

The figure-1.b shows a recovery in venture capital deals during Q2 2020. Asia sees the largest quarterly increase in deals among geographies. Deal activity in Asia rises 20% in Q2'20, compared to 9% in Europe and 3% in North America (source PwC)



(Figure - 1.a)

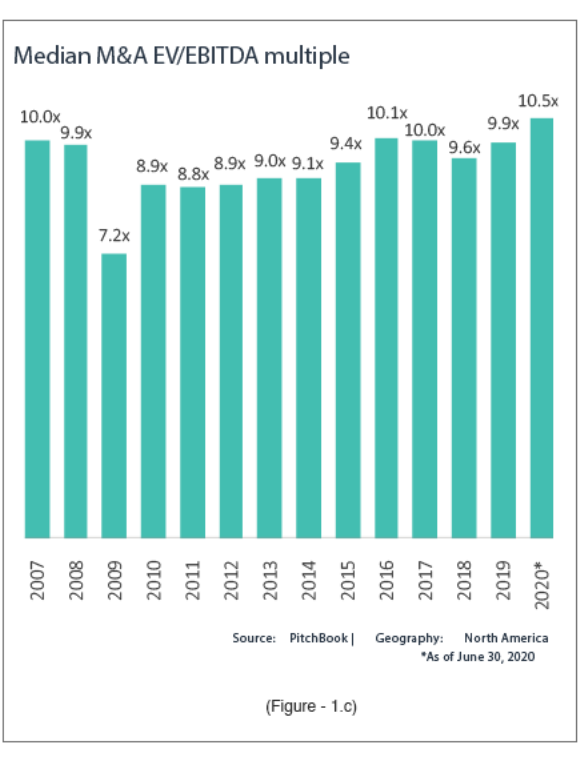


(Figure - 1.b)

1.2 Valuations During Q2 2020

M&A multiples have also kept in line with recent periods. Because it has become a challenge to accurately value assets during the COVID-19 era, acquirers have resorted to using alternative valuation methods to assess earnings. Valuation issues are especially relevant for financial sponsors, given the nature of their investments, when compared to corporate acquirers; financial sponsors are looking to resell these companies after a specified period of time whereas corporations are usually trying to entirely integrate firms they acquire. However, PE firms compete on a more even playing field when it is their platforms doing the acquisitions because they also permanently integrate the firms they acquire.

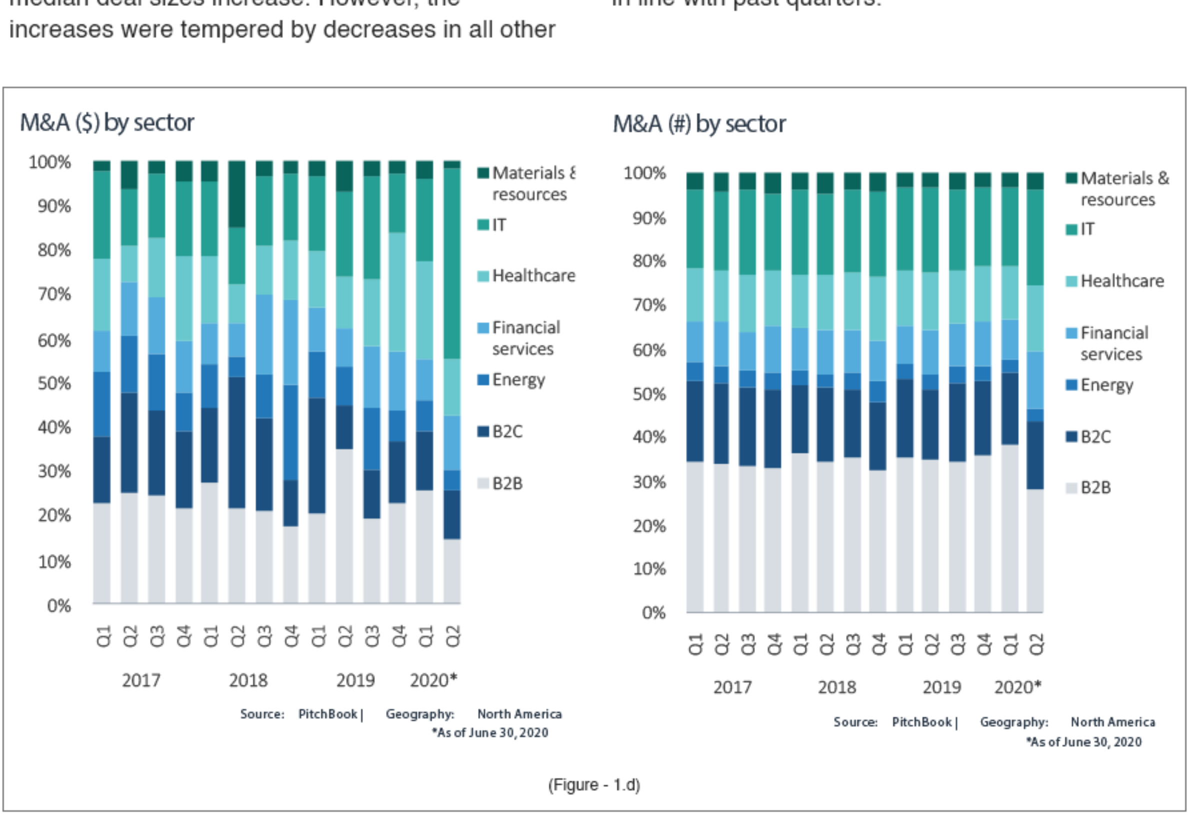
It has become a challenge to accurately value assets during the COVID-19 era and acquirers have resorted to using alternative valuation methods to assess earnings. Advanced Stochastic Valuations are becoming a MUST after COVID19.



(Figure - 1.c)

1.3 M&A Activity by Sector During Q2 2020

The healthcare, tech, and oil & gas sectors saw median deal sizes increase. However, the increases were tempered by decreases in all other sectors, and the overall median deal size remained in line with past quarters.



(Figure - 1.d)

2. Sports Deal Activity Increase

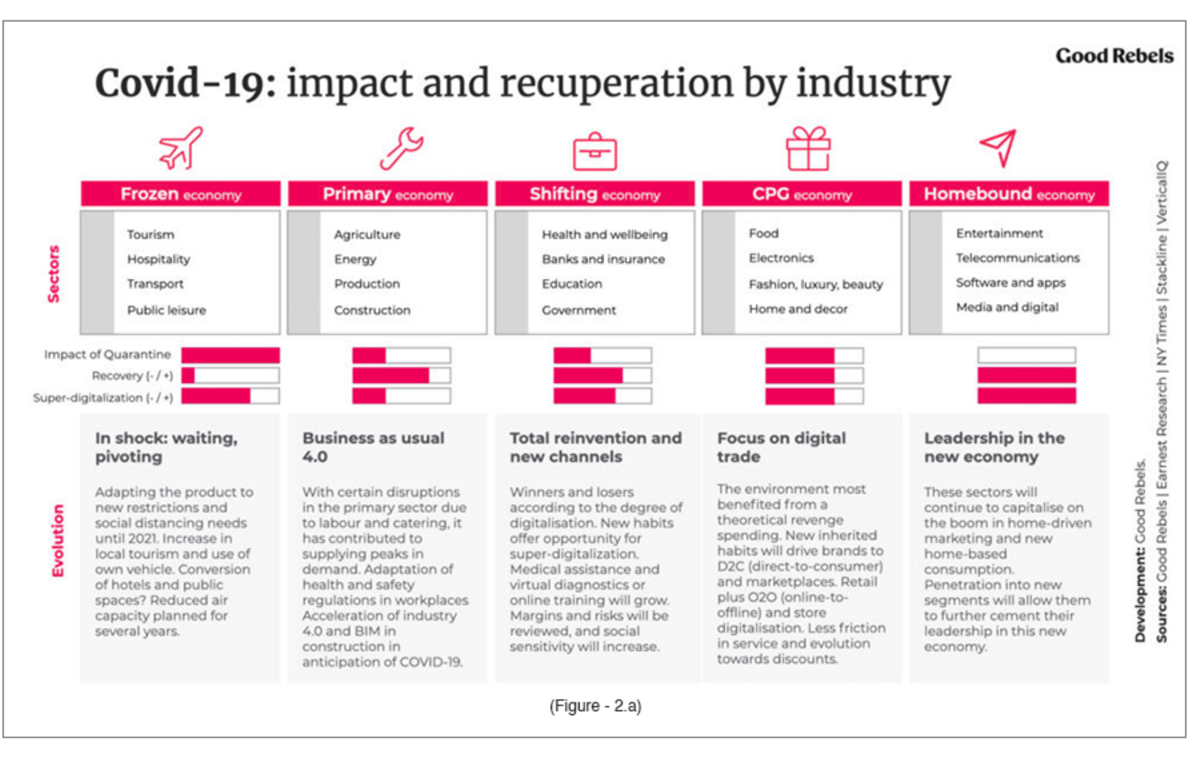
2.1 – Sport Market after COVID19: Super-Digitalization Trend:

Regulatory measures, the change in investment trends, and new consumer is leading to super-digitalization in the customer experience, among others:

- NBA has changed his content strategy to mitigate the disappearance of live game broadcasts. They are now broadcasting documentaries, archive content, classic games or online competitions between players themselves. Their intention is to keep consumers awake so that they continue to hire the services of operators, and advertisers continue to find value in paying for these advertising sites.
- La Liga Santander did the same and launched La Liga Santander Fest, a festival that took place 100% on Youtube via streaming and in which, with the help of important football players and singers, they raised funds for the production and purchase of medical equipment.

In economic terms, it is undoubtedly an opportunity to offer consumers a product that had not been considered with such interest until now, given that the situation had not demanded it, and that, touching the right levers, can be highly profitable.

However, the change in consumer habits and content that companies are already beginning to offer could lead to a possible change in the companies' personal buyers. According to Global Web Index, Generation Z is about 60% more likely to consume online video game tournaments than the average Internet user, and **millennials are 50% more likely to consume live conversations with their favourite athletes or watch their behind-the-scenes.** Meanwhile, Generation X prefers, by 40% more than the average, to watch archived sports content



(Figure - 2.a)

This implies a new approach as firms are no longer dealing with generic content that usually attracts large masses of users with very different interests such as live match broadcasts; **now, the importance of adjusting to the demand of each profile to achieve retention and to continue consuming the brand's content is vital.**

The new paradigm will affect business models. Some competitors will disappear, but new ones will also emerge with disruptive ideas capable of putting in check the establishment. With this, a market will open up in the application of the advantages of technology and digitalisation will be a must in any business strategy.

COVID19 is forcing clubs, federations, and other market players in the sector to find other ways to keep consumers awake and close. A new approach is necessary to build consumer loyalty. The entertainment events sector will have to reinvent itself and find a new business model through digitalisation.

2.2 – Private Equity Funds Investing in Sports

In terms of total deal value, figure-2.b shows that 2019 was a record year for PE investment in Europe's sports market, with around $911 million injected across 10 deals—more than half of that representing Silicon Valley-based Silver Lake's $500 million purchase of a 10% stake in the vaunted English soccer club Manchester City. The US saw $1.2 billion invested across eight deals last year.

Post-pandemic, some observers believe inflated valuations are unlikely now, but so are the steep discounts. "It's an opportune time to find a well-priced deal," said Adam Sommerfeld, managing partner at Certus Capital Partners, which advises clients in the Premier League.

Sommerfeld said the fact that several established funds are now investing in pro sports is more likely to attract new investors. He points to investors like CVC, who helped set the trend as early as 2006, when it bought a stake in motorsports league Formula One. More recently the firm is expanding its influence in rugby, augmenting its Six Nations deal with the purchase of a stake in the Pro14 league in May. That same month CVC and Silver Lake were said to be in talks with New Zealand Rugby, a rugby union governing body.

There are still risks associated with sport investment and each investment can vary from deal to deal. Soccer club investments, for example, aren't only tied to long-term team performance and entry into international competitions—which can offer additional sponsorship deals—but are also potentially exposed to decisions by governing sports bodies.

Many aspects of pro sports remain appealing to traditional private equity investors. Sports leagues, for example, make most of their money from broadcasting rights, and many are locked in to two- to five-year contracts, roughly corresponding to portfolio company holding periods. In addition, their are income streams from sponsorship, match day revenue such as ticket sales and **increasing digital revenue from things like advertising on online content.**

PE investment in sport is only expected to grow. In April, Oakwell issued a report advising that the English Cricket Board consider opening the sport up to funds. Certus' Sommerfeld said investors are now expressing interest in even more diverse categories of sport—including swimming. **COVID-19 has shown just how reliant people are on live**

Private Equities see an opportunity in supporting clubs and associations during the super-digitalization process of the sector as value creation opportunities are huge.

(Figure - 2.b)

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