EMERGING GIANTS

Defining the trend: How increasing investment from Asia and the Middle East is turning them into sport's Emerging Giants
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Raising the stakes: The emergence of Qatar sees it competing with the UAE as the Middle East’s sporting superpower

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*All monetary values are in US Dollars.
Conversion rates (December 2014): 1€ = $1.25
INTRODUCTION

Investment from the Middle East and Asia into sport in Europe and the US continues to grow significantly.

It is a trend mirrored by the two regions’ international investments. Since 2007, the Qatar Investment Authority has injected over $65 billion into Europe whilst in 2013, Chinese funding of US businesses amounted to $12.2 billion, a massive 51.7% increase on the previous year.

The popularity of football’s European clubs is increasingly attracting sponsorship and media rights deals from the Middle East, whilst US sport franchises are being targeted by Asian investment.

As both European football and US sports franchises continue to grow in popularity and reach, so too do the returns they deliver for their international investors.

The Middle East and Asia are emerging as global giants in sports sponsorship and ownership and this trend shows little signs of slowing – and given this, both domestic and international brands and rights holders should understand the drivers of this trend in order to capitalise on it commercially.

**Interest in sport**

2.2 BILLION
PEOPLE ARE INTERESTED
IN SPORT
globally

1.6 BILLION
PEOPLE ARE INTERESTED
IN FOOTBALL

1.2 BILLION
PEOPLE ARE INTERESTED
IN BASKETBALL

151 MILLION
PEOPLE ARE INTERESTED
IN AMERICAN FOOTBALL

The potential audience reach through sport alone is almost a third of the world’s population, with 2.2 billion people interested in sport today.

Broken down further, there are 1.6 billion football fans globally, 1.2 billion people who are interested in basketball and over a 151 million people are interested in American football.

This interest in sport illustrates why so many use it as a unique vehicle for communicating to an engaged audience.

**Assets of sovereign wealth funds by region**

- Observing the investments of sovereign wealth funds, Asian and Middle East state-run investments account for the lion’s share of 76.2% in 2014.
- Increasing investments from Asia and the Middle East in the USA and Europe since 2007.

Source: Repucom Sports DNA 2014, May
Base: 1000 respondents aged between 16-69 across 24 countries (including AR, AU, BR, CA, CH, CN, DK, DE, IN, ID, IT, JP, MY, MX, PL, RU, SA, SE, TR, AE, UK, US and VE) who said they were ‘interested’ or ‘very interested’ in sport or the selected sport.

Source: Sovereign Wealth Fund Institute as of October 2014
THE MIDDLE EAST
THE MIDDLE EAST AND EUROPE – INVESTING IN SPONSORSHIP

Middle Eastern brands have invested heavily in the sponsorship of football in recent years with 20 of the largest European clubs now being sponsored by Middle East Airlines. The list includes Barcelona (Qatar Airways), Real Madrid, Paris Saint-Germain, Arsenal, AC Milan (all sponsored by UAE-owned Emirates) and Manchester City (Etihad, also in the UAE).

The United Arab Emirates has emerged as the biggest single investor in the sponsorship of European team football shirts. The UAE's investment was actually non-existent less than ten years ago. It has now surpassed Germany at the top of the sponsorship investment table. In 2014, UAE companies, led by Emirates and Etihad, invested $163 million in shirt sponsorship alone.

Whilst the UAE ranks number one in the volume of spending, Qatar is the nation with the highest average fee spent per deal into the European football industry ($49.1 million).

This investment of Middle Eastern Airlines into European football has altered the dominance of traditional sponsoring industries. Gambling, for example, has slipped down from fifth position among the biggest sources of investment to tenth place.

When looking at shirt sponsorship deals in the top six European football leagues over the last ten years, Middle Eastern companies have increased their overall share by 26%. Investment from the Middle East now accounts for 18% of the total sponsorship spend into these leagues.

As recently as the 2009/10 season, shirt sponsorship by Middle Eastern companies was only worth around $24.6 million. By 2013/14, it was six times greater. Of the top five biggest football sponsoring brands in Europe, three are now Middle Eastern companies - the Qatar Tourism Authority, Emirates and Etihad.

Countries investing in the top six European football leagues

TOP SIX INVESTING COUNTRIES IN SHIRT SPONSORSHIP IN THE TOP SIX EUROPEAN FOOTBALL LEAGUES (2005-2015)

RAISING THE STAKES: THE EMERGENCE OF QATAR SEES IT COMPETING WITH THE UAE AS THE MIDDLE EAST’S SPORTING SUPERPOWER

Qatar in particular has been at the forefront of the emergence of the Middle East as a major power in sport. Qatar Sports Investment’s buyout of Paris Saint -Germain in 2012 was a huge but not isolated event – for example Malaga CF is also 100% Qatari owned, and Qatar’s relationship with Barcelona has put this nation right at the heart of global football. Of course the 2022 World Cup is a hugely significant endeavour for both Qatar and the region as a whole, but Al Jazeera’s investment in Sports TV rights and BeIN Sports over the last five years has transformed them into a major power in the distribution of sports content globally as well.

Perhaps the flagship of sports development in the Middle East is Qatar’s Aspire Zone - an award winning sports and healthy lifestyle hub, which during the last couple of years has become one of the world’s most attractive sports destinations. This includes hosting major sports events, training and pre-competition camps, global sports conferences, groundbreaking research on the future of world sport, as well as world-leading sports medicine and rehabilitation.

Through adopting a premier sport education programme and a holistic approach to athlete development, Aspire transforms young sports talent into the future generation of champions. For elite athletes, Aspire works with leading sports medicine practitioners and innovative technologies to develop a truly multi-disciplinary approach to diagnosis, treatment and management of injuries, enhancing athlete health and well-being. And for the general public of the region Aspire provides access to a variety of sports and activities, including fitness programmes, sports tournaments, marathons and walks, outdoor gym facilities, running tracks, green parks and family healthy activities.

Overall, Aspire Zone is a world class destination for sports excellence boasting some of the world’s finest sport stadia and venues and offering unparalleled opportunities and integrated services under one roof.

Al Jazeera increases investments in sports tv rights

BeIN Sports:
- Fully owned by Al Jazeera Media Network
- Launched in France (2012), USA (2012) and various Pacific Asian countries (2013)
- Channels in Australia, Thailand and Taiwan to be launched in 2014
- Approximately 1.5 million subscribers in France

“Al Jazeera Sports is not considered a global channel today compared to the other sports channels. It’s trying to become a global player, a global sports channel.”

Thomas Kuruvilla,
Director at Arthur D. Little Business Group

Source: Repucom Market Intelligence 2014
Surge in ownership investment from the Middle East into European football

“\text{We continue to see owners from the region investing significantly in both the playing staff as well as the longer term infrastructure of their clubs.}”

Alexander Thorpe,
Consultant, Sport Business Group at Deloitte

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**TOTAL OWNERSHIP INVESTMENT in the Europe**

$\text{1.5 BILLION}$

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**LEEDS UNITED FC**
**BAHRAIN**
Gulf Finance House, 100% for US $84 million (since 2012)

**NOTTINGHAM FOREST FC**
**KUWAIT**
Fawaz Al-Hasawi, 100% (2012*)

**MANCHESTER CITY FC**
**UNITED ARAB EMIRATES**
Abu Dhabi Holdings, 90% for US $330 million (2008), (Mansour bin Zayed Al Nahyan)

**ARSENAL FC**
**IRAN**
Red & White Holdings, 29.72% for US $250 million (2007), (50% owned by Farhad Moshiri)

**PARIS SAINT-GERMAIN**
**QATAR**
Qatar Sports Investments, 100% for US $130 million (2011)

**TSV 1860 MÜNCHEN**
**JORDAN**
Hasan Ismaik, 49% for US $25 million (2011)

**MÁLAGA CF**
**QATAR**
Abdullah bin Nasser Al Thani, 100% for US $30.45 million (2010)

*Source: Repucom Market Intelligence 2014
*Source: Deloitte’s Sports Business Group
ASIA & THE US – SPONSORSHIP INVESTMENT

Over the last three years, investment from Asia into US sports franchises has been growing consistently.

This investment has taken the form of equity stakes in professional clubs in the top US leagues and sponsorship deals in a wide range of sporting properties and personalities, with basketball attracting significant attention.

The Asian investment in US sports sponsorship has been dominated by the three biggest Asian exporters (South Korea, Japan and China) and three key industry sectors: automotive, consumer electronics and sports apparel.

South Korean investment has come mainly in the shape of Hyundai, Samsung and Kia. Hyundai invested $8 million into the naming rights of the Hyundai Tournament of Champions on the PGA Tour in 2011 and Samsung’s $33.3 million per year deal with the NBA in 2013 has made the electronics company the league’s supplier of mobile device and televisions. As part of the agreement, referees of games in the NBA as well as the WNBA and NBA Development League will use Samsung tablets alongside the basketball court to review plays. Kia chose another route into US sports by targeting one of the most iconic venues in the country. Their $7 million sponsorship deal with Madison Square Garden (MSG) in New York gives the company prominent signage in this famous arena, a custom-built display space at the entrance for its cars, tie-ins with the MSG owned New York Knicks (NBA) and Rangers (NHL) and an expanded presence on the MSG regional sports networks.

Japan’s Sony Electronics sponsorship and technology agreement with the Barclays Centre in Brooklyn, home of the Nets NBA franchise, is another example of big name property rights purchasing. As part of the deal, 600 Sony professional and consumer HD screens are positioned throughout the arena.

As the NBA’s number one foreign market, China has also invested in basketball. Sportswear manufacturers ANTA, Peak and Li Ning have all signed major endorsement deals with NBA stars including Dwayne Wade, Kevin Garnett and Rajon Rondo.

Recent deals such as India’s Tata Consultancy Services’ sponsorship of the New York Marathon ($3.8 million), South Korean automotive brand Kia and their deal with LeBron James ($5 million) and Kumho Tires’ deal with the NBA ($2.6 million), are other examples of investment from South Korea.

Asian companies account for major US sponsorship deals

Key industry sectors include automotive, consumer electronics and sports apparel.

MAJOR SPONSORSHIP DEALS RECENTLY SIGNED BY ASIAN COMPANIES IN THE USA (in US$ p.a.)

<table>
<thead>
<tr>
<th>2012</th>
<th>2013</th>
<th>2014</th>
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</thead>
<tbody>
<tr>
<td>$10.0MILLION</td>
<td>$33.3MILLION</td>
<td>$3.8MILLION</td>
</tr>
<tr>
<td>LI NING</td>
<td>SAMSUNG</td>
<td>TATA CONSULTANCY SERVICES</td>
</tr>
<tr>
<td>Dwyane Wade</td>
<td>NBA</td>
<td>TCS NEW YORK CITY MARATHON</td>
</tr>
<tr>
<td>$4.0MILLION</td>
<td>$3.0MILLION</td>
<td>$5.0MILLION</td>
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<tr>
<td>SONY</td>
<td>YANMAR</td>
<td>KIA</td>
</tr>
<tr>
<td>BARCLAYS CENTER</td>
<td>ORACLE TEAM USA</td>
<td>LEBRON JAMES</td>
</tr>
<tr>
<td>$7.0MILLION</td>
<td>$1.5MILLION</td>
<td>$2.6MILLION</td>
</tr>
<tr>
<td>KIA</td>
<td>LENOVO</td>
<td>KUMHO TIRE</td>
</tr>
<tr>
<td>MADISON SQUARE GARDEN</td>
<td>KOBE BRYANT</td>
<td>NBA</td>
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</tbody>
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Source: publicly available sources / Repucom estimations
ASIAN & THE US – TEAM OWNERSHIP

All of the US big leagues now have at least one team fully or partially owned by an Asian-born investor. In the last two years alone, approximately $1.1 billion has been invested by businessmen of Asian heritage into US sports franchises.

Asian ownership first came to American sport when Japanese company Nintendo bought the MLB Seattle Mariners back in 1992. Ever since the team imported Ichiro Suzuki, who emerged as one of the great players in MLB history, there has been a steady stream of Japanese talent into the US league, drawing the world’s two biggest baseball markets closer to one another. Nintendo remains one of the few corporate owners of US teams.

One of the most well-known Asian investors in US sport is Chinese-born software mogul Charles Wang of Computer Associates who became the majority owner of the New York Islanders of the NHL in 2004.

After failing in his efforts to get a new arena approved for the team in its original suburban New York location, he has decided to move the Islanders to Brooklyn’s Barclays Center for the 2015-16 season as the new arena’s anchor ice hockey tenant.

Shahid Khan owns the Jacksonville Jaguars in the biggest of the US leagues, the NFL. The Pakistan-born engineer and automotive entrepreneur purchased the franchise in 2012 for an estimated $760 million, becoming the NFL’s first-ever minority ethnic owner. Like most of the other Asian-born team investors, Khan has spent most of his life in the US.

Asian investors increase shareholding in US Sports

- Already investing in numerous football clubs in the English Premier League, US sports are now attracting interest from Asian businessmen.
- All major leagues have one team owned fully or partially by an investor with Asian heritage.
- Approximately US$1.1 billion has been invested by Asian businessmen in US sports franchises within the past two years.

The MLS: Future deals

A new LA based MLS franchise will join the league 2017, replacing Chivas USA, whose franchises terminated at the end of the 2014 season. A group of investors have been awarded the new Major League Soccer franchise. Among these investors are Cardiff City owner Vincent Tan, Ruben Gnanalingam (both from Malaysia) and Henry Nguyen (from Vietnam), alongside other investors such as Magic Johnson, Mia Hamm and Peter Guber. The whole deal is estimatedly worth $100 million.

Source: Repucom Market Intelligence 2014
Jacksonville is one of the NFL’s smallest franchises and Khan is looking to further expand his investments to a larger stage, in the US or even abroad. In 2013, he bought English Premier League club Fulham and he has been a champion of the idea of expanding the NFL to London.

Similarly, California-based Indian entrepreneur Vivek Ranadive first bought into the NBA in 2010 with a stake in the Golden State Warriors. In 2013, he led a group which acquired the Sacramento Kings franchise for a then NBA record $534 million.

Japan-born investment magnate Will Chang is an investor in the MLB San Francisco Giants and also owns 40% of the D.C. United team in Major League Soccer.

With the growth of soccer in the US, the MLS is now becoming a focus for Asian investment. Indonesian media mogul Erick Thohir is D.C. United’s majority owner in partnership with Jason Levien. The pair first bought into the American sports business as part of the ownership group of the NBA’s Philadelphia 76ers. In 2013, Thohir acquired control of Italian Serie A club Inter Milan. He also owns a major football club, Persib Bandung, in his homecountry Indonesia, making him the first owner to have big teams on three different continents.
DEFINING THE TREND
With the growth of television and internet, the appetite for entertainment has surged across the Middle East and Asia. Given the relative lack of local sports attractions and the time required to build new clubs and franchises, investment in global sports properties is a shortcut to delivering programming that engages audiences.

The English Premier League and other European football properties are among the many imports into the region, pulling big audiences with regular slots on television. Local leagues like cricket’s Indian Premier League and the Chinese Basketball Association are also popular and help build the appetite for more sports entertainment.

Both regions have growing young populations where sport is, as always, a popular and appealing pastime. Over 30% of the population of the Middle East is aged between 15 and 29. The Asia-Pacific contains 60% of the world’s youth population with 750 million people aged 15 to 24 years.

Brands from the Middle East and Asia are using sponsorships of key global sports to target and engage this youth population. Young people’s high use of social media in these markets opens up new opportunities for engagement. In China, the NBA has 70 million followers on Sina Weibo and Tencent’s microblog platforms.

The Middle East and Asia are generally more conservative socially and culturally than their Western counterparts. In many countries, censorship, official or unofficial, is a fact of life for the entertainment business in which sports falls. In a recent survey in Doha conducted by North-western University in Qatar and the Doha Film Institute, approximately 70% of respondents said they wanted more regulation of romantic content and on-screen violence in movies and TV shows, and that offensive content should be banned.

Sport is certainly much less controversial than much of the entertainment from the music or the film industries and can be freely shown and promoted without repercussions.

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THE KEY DRIVERS

So what are the underlying trends in these markets that are driving the trend for increased investment in sport in Europe and the US?

There are other key factors driving these trends which transcend purely economic growth as the sole reason to invest. Being a part of the world’s largest and most developed sports offers the emerging markets of the Middle East and Asia with potentially far greater returns.

1. **Health**
   - The growing pace of technological and economic sophistication of both regions has increased awareness of health as a huge long-term issue which can in part be tackled by more active lifestyles. The rise in interest and participation in sport is a reflection of efforts to promote health, and companies in the Middle East and Asia are using sponsorships of global sports as a means to engage local consumers with a healthy and active lifestyle message.
   - Countries bidding for major events such as the Asian Games have listed promoting a healthy lifestyle among the main justifications for investing in hosting such events. The Asian Football Confederation has made the link between sport and health explicit with its partnership in the new One Goal programme which aims to use the power of football to fight both malnutrition and obesity across Asia.

2. **Entertainment**
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3. **Growing Young Population**
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4. **Conservativeness**
   - The Middle East and Asia are generally more conservative socially and culturally than their Western counterparts. In many countries, censorship, official or unofficial, is a fact of life for the entertainment business in which sports falls. In a recent survey in Doha conducted by North-western University in Qatar and the Doha Film Institute, approximately 70% of respondents said they wanted more regulation of romantic content and on-screen violence in movies and TV shows, and that offensive content should be banned.
   - Sport is certainly much less controversial than much of the entertainment from the music or the film industries and can be freely shown and promoted without repercussions.
Government investment in sport is also seen by many as a way to provide a greater degree of social mobility to the lower classes, which comprise the vast majority of these market’s populations. Encouraging people from all levels of society to follow and engage with sport offers them a level playing field for social interaction.

The development of grassroots sport also provides an aspirational route for less well-off segments of society to improve their social standing and even their economic position in the case of successful athletes.

The growth of the Middle Eastern and Asian economies means that companies in these markets have more substantial funds to invest in developed markets. The investment needed to acquire outright ownership or large stakes in top-tier sports businesses is relatively small compared to other industries.

The growth of companies in these two markets has likewise increased their ability to invest in sports sponsorships. These are aimed both at building awareness of brands and reaching local consumers by using sports that are popular in these markets.

Hosting sports events and tournaments are an excellent way to project a country’s brand on a global platform, promote tourism and showcase the economic benefits of investing in the host country. The Middle East and Asia have not only won the rights to host such large scale tournaments (the FIFA World Cups in Japan and South Korea in 2002 and in 2022 in Qatar, 2008 Beijing Olympics and the Winter Olympics in South Korea in 2018), they continue to bid to attract more.

Meanwhile, countries in both regions host large numbers of high-profile events on worldwide and regional professional tours in tennis, golf and other sports. Today, the Middle East and Asia-Pacific host seven of the 19 events on the current Formula One calendar.
WHAT DOES THIS ALL MEAN FOR RIGHTS HOLDERS AND BRANDS?

The recent surge of investment from the Middle East and Asia in US and European sports has occurred in spite of the worst global economic downturn since the Great Depression. This investment is helping to fuel the overall increase in the value of major American and European sports as well as driving increased global reach for these sports.

Whilst a good indicator of the relative immunity of sports to economic crises, the investment from the emerging markets has, to some extent, come about because the economic downturn in the West has made local investment harder to find. In particular, unsustainable financial practices in European football have also encouraged clubs to look for more stable ownership.

As a result, the reach and growth of fan bases of the key European and American sports, leagues and teams has expanded and the value of their direct commercial assets have increased significantly, particularly sponsorship and media rights. For brands, the larger global footprint of key sports, leagues and teams has increased the power and value of sponsorships and investments in these properties as they now reach into the key markets of Asia and the Middle East.

In addition, the emergence of media rights and sponsoring brands from both regions is making the global sports marketplace more competitive. The influx of these investors has resulted in an escalation in the price of properties and increased the barriers of entry for local investment.

So do we think this trend will continue? Yes we do.

The relevant economies in the Middle East and Asia remain strong and they have large reserves of wealth. Governments and cities in the Middle East and Asia are becoming more sports-minded and are attracting more major events and competitions, resulting in significant planned investment in facilities and sports-related infrastructure over the next ten years.

One area of potential risk to future investment is increased regulation by sports and governing bodies in Europe and the US to negate the perception of “being taken over” by these regions. Whilst this is a legitimate risk, we believe the commercial and business benefits will still carry the day and the growing globalisation of sport will not slow down any time soon.
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We understand the DNA of sports fans - what they hear and see, how they react and how their behaviour changes over time. This knowledge is at the heart of making great marketing and sponsorship decisions in a crowded and increasingly costly market. Repucom has 1,400 employees in over 20 offices around the world.

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