



Firm to Start Slew of Euro Soccer Deals

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Much ado was made about the string of soccer securitizations backed by popular teams with a global presence. But the reality is that outside the big names, securitization has proved too costly for many teams in the European soccer leagues.

As the credit turmoil unfolded last August, Manchester United was forced to abandon its GBP660 million (\$1.29 billion) refinancing deal. According to reports, the U.K. soccer club had been in talks with a number of banks about a new financing package. But the soaring cost of capital market debt placed the club's plans on hold. And it is likely that, with the current credit environment, other teams considering the securitization market might have to look for financing alternatives that make more economic sense.

Chicago sports financing house Stadium Capital Financing Group, which is backed by Morgan Stanley's investment banking private-equity arm, is looking to provide this alternative by using Equity Seat Right (ESR), a method by which Stadium Capital finances major sporting and entertainment facilities.

Stadium Capital opened up its London office last November. The expansion will bring to the U.K., as well as to the rest of Europe, the ESR methodology. This financing tool has enabled sports teams to raise anywhere from GBP50 million to over GBP500 million without incurring debt, diluting ownership or losing governing control. The ESR program also provides fans with long-term protection from escalating season ticket prices while guaranteeing long-term access to premium tickets.

Stadium Capital Financing Group's CEO Lou Weisbach said that he has found the perfect balance through a dynamic hybrid structure that incorporates techniques used in past soccer securitizations. "The process we use is different than a straight securitization because we take a long-term commitment that a fan makes and we monetize it in a debt-free way for the team," Weisbach said.

To provide the necessary financing, the product targets a specific demographic of a team's support base or corporate clientele. The ESR method typically has a lower probability of default and is meant for soccer clubs in the senior European leagues, including the Premiership, Series A and La Liga. It can also be used for teams outside the top rank that have a solid and consistent support base.

However, Weisbach said that he was not at liberty to discuss further details about the structure as the firm is currently in discussions with various European football clubs.

Over time, Weisbach expects the London-based office to expand and to consider other high-profile sports that have a loyal fan base, such as rugby and cricket. He also expects to move into the entertainment industry. "What our product requires is a fixed schedule and very strong ticket demand."