

Making an Exit: Factors Determining a Successful Private Equity or Venture Capital Exit in Sport Businesses

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Private equity investment is an alternative funding source for high growth potential small businesses. These investors supply capital necessary to support the business in exchange for an equity share of the organization. In addition to supplying the necessary capital, these investors also provide management and mentorship to the companies with the goal of increasing profitability and reaching an exit. Two main exit strategies are an initial public offering or being acquired by another firm. The exit strategy is an important consideration for investors as this is how they are able to see a return on the investment. As such, understanding what factors contribute to a successful exit can help investors and founders make more informed decisions. This study examined 12,454 global and 5,290 U.S. companies using Crunchbase to evaluate successful exits for sport-related enterprises. Data were analyzed using logistic regression and survival analysis, and results demonstrate the importance of attracting investors and in focusing on substantial revenue generation.

Keywords: private equity, sport finance, investment, exit, venture capital

Introduction

Entrepreneurship is a vibrant component of the global economy, with small businesses historically accounting for 60-70% of available jobs (OECD, n.d.). In the United States (U.S.) there was an estimated 30.2 million small businesses employing 58.9 million people in 2018 (SBA, 2018), which comprised 47% of the private sector workforce (Office of Advocacy, 2018). Between 2009 and 2016 there were an estimated 400,000 businesses started per year in the U.S. (Chamber of Commerce, 2019); however, only 33% survived through the 10th year (Shane, 2005). Despite their importance to the global economy, access to capital is a major constraint for many businesses (World Bank, 2022).

While access to capital is a key component of business success, the ability to access it is limited. Founders can utilize internal sources, including their own

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money, look to friends and family, work with a financial institution for a loan, or seek external financing from an investor (Morrisette, 2007). Venture capital (VC) is a type of private equity (PE) funding that is focused on startups or in the early stages of development, while PE is typically used to designate companies already established in the market (Dias & Macedo, 2016; Tykvova, 2018).

The importance of small business to the American economy makes venture capital a central part of any future economic growth (Gompers, 1995). Private investment is important for startup ventures, existing companies looking to expand operations, companies with a good product or market, but which lack capital to continue operations, and for higher-growth companies (Thompson, Boschman, & Pissareva, 2018). Companies can be largely organized into three categories: 1) lifestyle, which comprise 90% of all companies and generate revenue to support the owner, 2) middle-market firms, which comprise close to 10% of companies and generate revenue up to \$50 million, and 3) high-potential firms, which comprise less than 1% and are the focus of VC investing for their high growth and revenue generation (Markova & Petkovska-Mircevska, 2009).

The typical cycle of the investment is entry, value building with an intent to exit, and exit (Cummings & MacIntosh, 2003). The investment potential of a company hinges, in part, on the ability of the investor to obtain a successful (profitable) exit (Cumming, Fleming, & Schwienbacher, 2006). While other options exist, the two main exit strategies for PE fund managers are initial public offerings (IPO) or a trade sale, typically defined as a merger with, or acquisition by, another company (Precup, 2019). Since a return is only seen at exit, it is one of the most important decisions that the investor makes (Jenkinson & Sousa, 2015).

Sport entrepreneurship is a dynamic, interdisciplinary area of inquiry (Ratten & Jones, 2020) with estimated global sport-related consumption in excess of \$600 billion (Jones, Ratten, & Hayduk, 2020). Despite the evolution of this field of study, limitations exist with the classification of sport enterprises and their capital sources. Since funding of an organization is of ongoing necessity to sport enterprises, private, debt, equity, and internal sources have been discussed as potential areas for acquiring capital (Azimzede, Pitts, Ehsani, & Kordnaeij, 2013).

While funding is acknowledged as an important aspect of entrepreneurship and a constraint of enterprises, inquiry into this area of sport-related companies has been limited. The global funding to sport tech companies was valued at \$8.3 billion in 2021, with U.S. companies receiving \$3.8 billion (*SportsTechX*, 2021). Private equity companies spent a reported \$51 billion internationally in 2021 with \$22 billion invested in Europe and \$3 billion in acquiring minority positions in U.S. professional franchises (Wittenberg, Perez, Hellier, & Ren, 2022).

The role of investment for business has been a robust area of inquiry demonstrating that PE investment contributes to industry growth (Bernstein, Lerner,

Sorensen, & Strömberg, 2017). However, the investigation of PE for sport-related organizations is minimal. Professional leagues have provided an avenue for investment by allowing PE investment up to 20% of a single team and for a limited number of total teams (Perez, 2022). This has led to an increase in PE investment of professional sport franchises as funds provide liquidity to owners selling a minority stake to benefit from rising valuations (Weil, 2021). While the funding to professional franchises makes headlines, the investment into small, but high-growth sport-related businesses has remained largely unknown. Despite the size of the sport industry in consumption and funding opportunities, little is known about investments into these high-growth sport-related enterprises.

Therefore, the purpose of this study is to understand the global PE investment into sport-related enterprises and examine the factors that lead to a successful exit (IPO or acquisition) of these investments. A logistic regression model and survival analysis with multiple independent variables is used to examine which variables lead to a successful exit. The results of this study will help sport founders, investors, practitioners, and educators understand the investment environment of the sport industry and adequately evaluate and position their companies as successful investment opportunities.

Literature Review

In PE financing, individuals provide capital to the fund managers of the PE firm. These individuals then become limited partners (LPs) in the organization of the investment fund, while the fund managers become general partners (GPs; Loos & Schwetzler, 2017). The VC or PE fund becomes a financial intermediary that collects capital from investors and then looks to employ that capital into companies for a positive return (Tykvova, 2018). These investments are typically held for a period of 5-10 years (Kaul, Nary, & Singh, 2018) and then fund managers look to exit the investment to return the appreciated investment to the LPs (Loos & Schwetzler, 2017).

As private investments, the risk to the investor is higher, so they will be judicious regarding researching the firm; they may serve as a mentor, look to get a seat on the board of directors, and expect a return on the investment via a successful exit (Mailander, 1999). The role that PE investors play is more than providing capital; fund managers take equity positions in companies and offer business advice to increase value and then look for exit opportunities (Bock & Schmidt, 2015). PE investing also includes management and mentorship (Das, Jagannathan, & Sarin, 2003), as well as increasing productivity, profitability, and growth, with an aim toward increasing short- and long-term wealth (Meles, Monferra, & Verdoliva, 2014).

Since PE funds require an ongoing inflow of new capital for investment, the ability to successfully exit existing investments is an important aspect of the business lifecycle. A successful exit is viewed as the final step of the investment process, as this relates to the overall profitability of the investment (Uddin & Chowdhury, 2001). Investors are therefore concerned with how they can cash out their investment and how long until they are able to do so (Giot & Schwienbacher, 2007). Since many investments end up as a loss due to the risk level of the investment and potential challenges with market conditions and business processes, understanding success is of additional importance (Streletzki, & Schulte, 2013a).

IPOs are considered to be a high yield exit, as are acquisitions if they have successful returns (Loos & Schwetzler, 2017), which have been the preferred method for European VC-backed firms (Wall & Smith, 1997). The decision of which exit to adopt is taken in part by market conditions that maximize profitability (Lerner, 1994), with the total probability of a successful exit being 30-45% (Das, Jagannathan, & Sarin, 2003).

While only 0.6% of firms receive PE funding (Strangler, Tareque, & Morelix, 2016), they accounted for 5.3-7.3% of employment between 2001-2005 (Puri & Zarutskie, 2012). A successful VC exit was found to be related to the business's potential for scale, as well as time from the initial investment (Puri & Zarutskie, 2012). As time increases, the ability to exit via IPO decreases. While an exit by an acquisition may take longer to achieve, the likelihood of a successful exit does not diminish as rapidly (Giot & Schwienbacher, 2007).

In addition to potential for scale, IPO exits require the existence of a strong, efficient, and well-functioning capital market (S. Dias & S. Macedo, 2016). U.S. companies comprise approximately 60% of the total successful exits, followed by about 7% in the U.K. and 5% in France. Moreover, 88% of the successful exits were in developed countries (Uddin & Chowdhury, 2021). The market conditions also relate to the type of exit available, with funds looking to take advantage of favorable conditions to maximize profits (Jensen & Sousa, 2018). Exiting via an IPO also provides the company with additional access to capital via the public market and the ability to reward employees with stock ownership (Filbeck, Thoms, & Boscaljon, 2008).

Syndication, or having a large number of investors, can be seen as adding additional value to the investment company and is positively related to an increase in performance (Meles, Monferra, & Verdoliva, 2014). Attracting investors is one of the determinants for high flying ventures who elicit a five-fold return for their investors. Other variables include business-to-consumer organizations in a metropolitan market and in close geographic proximity to investors (Streletzki, & Schulte, 2013b). The importance of attracting investors as important to exiting

is confirmed by additional inquiry, as is the amount of funding received (Partelpoeg, 2018).

Previous studies that have included the industry sector and the technology focus of the company for analysis have excluded sport-related enterprises (Bernstein, Lerner, Sorensen, & Strömberg, 2017; Giot & Schwienbacher, 2007). Whether this is due to sport organizations being difficult to classify or if they are included in other sectors is unknown. While the literature on PE in sport is limited to date, inquiry into U.S. sport organizations has identified that the number of investors and revenue in excess of \$100 million is associated with the total funding that a company can raise. In this same study, the author did not find a relationship between category of sport organization, headquarters region, or founding date on the total funding achieved (Koba, 2021).

Variable Selection

The number of investors that a company attracts helps to improve performance, and these investors will want to achieve a return on their investment (Meles, Monferra, & Verdoliva, 2014; Partelpoeg, 2018), so investors should have a positive relationship to successful exits.

A company's ability to generate revenue is related to an IPO exit in Chinese firms (Fan, 2019), as well as its relationship with fundraising ability. Companies that generate more than \$100 million in the sport industry have been able to achieve greater levels of invested funds (Koba, 2021). Since fundraising is associated with successful exits (Roell, 1995; Giot & Schwienbacher, 2007), the ability to generate revenue in excess of \$100 million may also contribute to a successful exit for related businesses.

Company age, or time from founding to exit, has been shown to differ from IPO exits and acquired exits, with IPOs occurring earlier on in the life of the organization. As a company ages, its ability to exit from an IPO diminishes, but its ability to exit from other means is not affected (Giot & Schwienbacher, 2007; Blum, 2015).

Between 2001 and 2005, VC-backed firms accounted for approximately 6% of employment (Puri & Zarutskie, 2012). If VC's approach to funding decisions is based in part on the size of the company, then larger companies that employ more people should be more likely to experience a successful exit (Markova & Petkovska-Mircevska, 2009). The U.S. defines a small business as having fewer than 500 employees (Office of Advocacy, 2018), so for larger companies to set themselves apart as creating jobs, they would employ more than 500 people.

Not all geographic locations are the same in terms of their market efficiency and opportunities to take a company public (Uddin, & Chowdhury, 2021). As

such, there may exist regional differences in exit opportunities for companies with their headquarters in different regions which are in close proximity to their investors (Streletzki & Schulte, 2013a).

Methodology

A search was conducted on Crunchbase, a private company that collects, synthesizes, and reports on business funding sourced through relationships with investors, firms, entrepreneurs, and the utilization of artificial intelligence and machine learning algorithms (Crunchbase, 2020). Crunchbase sells memberships to its data for market researchers, investors, entrepreneurs, and other interested parties. A search was performed for businesses that received PE or VC funding using the keywords “athletic,” “sport,” and “fitness” with a founding date between Jan. 1, 2010, and Dec. 31, 2020.

Additional variables included the headquarter region, total number of investors, total investment funding amount, the year the business was founded, the estimated revenue range in millions (<\$1, 1-10, 10-50, 50-100, 100-500, >500), the number of employees, the diversity in terms of a female or minority founder, and whether the business had been acquired or IPO'd.

A multiple logistic regression model of the cross section of sport businesses was then undertaken to determine the impact that these variables have on whether the business had been acquired or had an IPO. The model for assessment is:

$$\text{Log}\left(\frac{P_{exit}}{1-P_{exit}}\right) = \beta_{0,i} + \beta_{1,i} (\text{Number of Investors}) + \beta_{2,i} (500+ \text{ employees}) + \beta_{3,i} (\text{Age}) + \beta_{4,i} (\text{Revenue} > \$100 \text{ M}) + \beta_{5,i} (\text{Region})$$

where Successful exit is a binary outcome equal to one if the firm was acquired or IPO'd and zero otherwise. Number of investors is the number of investors identified in the business at the time of the study; 500+ employees is a dummy code equal to 1 if the company had 500 or more employees and 0 otherwise. Age is the difference between the founding date and the year data was acquired. Revenue > \$100 M is a dummy code equal to 1 if the company had estimated revenue in excess of \$100 Million and 0 otherwise. Region is a dummy code equal to 1 for the region of the headquarters and 0 otherwise for the five regions (Asia Pacific, Europe, Central & South America, Middle East, and U.S.).

This model was then repeated with U.S. companies with the same variable descriptions with the exception that region related to six regions in the U.S. identified via Crunchbase and include the Great Lakes, Midwest, Northeast, Pacific, Rocky, and South.

For both the international and the U.S. data, the model was repeated with the same predictor variables, but with the outcome variable changing from exit to IPO and acquired. Thus, there were six models run on the data with outcome being exit, IPO, acquired for the international and U.S. companies.

In addition to the logistic regression model, subsequent examination was undertaken through the use of survival analysis. The Kaplan Meier survival estimates the cumulative probability of survival at each time period:

$$S(t) = \Pr(T > t) = 1 - F(t)$$

where survival probability $S(t)$ is the conditional probability of continued survival, based on prior survival to just before this time. The results then display the step-wise survival probabilities and the distributions of non-survival (exits) at each time.

A Cox Proportional Hazards model was then conducted with the same independent variables as the logistic regression model. The Cox Proportional Hazards regression is a semi-parametric model to identify the hazard rate of the variables and their impact on the outcome (duration to exit, IPO, acquired). The Cox regression model is specified as:

$$h(t | X_i) = h_0(t) \exp(\beta_{1,i} (\text{Number of Investors}) + \beta_{2,i} (\text{500+ employees}) + \beta_{3,i} (\text{Age}) \beta_{4,i} (\text{Revenue} > \$100 \text{ M}) + \beta_{5,i} (\text{Region}))$$

The hazard rate signifies the instantaneous risk of failure for companies that have survived up to time t to experience the event during the next time frame. The hazard function is always positive with a value higher or lower than 1 indicating a higher or lower hazard rate (Schober & Vetter, 2018). Higher values would indicate a diminished survival, or a shorter time to exit. The interpretation of the regression indicates which firms have a positive impact of failure, or which variables are associated with a decreased time to exit.

Results

Overall, there were 12,454 total businesses identified through Crunchbase (see Table 1). There were 1,723 companies with a headquarters in the Asia Pacific region, 2,051 in Europe, 296 in Central or South America, and 77 in the Mideast, while there were 5,290 with headquarters in the U.S. There were six regions identified for the U.S. (see Table 2)—Midwest (101), Northeast (1,199), Pacific (1,873), Rocky (144), South (1,210), and Great Lakes (763). The total number of exits for all companies is 521 (4.1%), with 52.5% (274) of all exits occurring in

U.S. companies, with the number of exits increasing over the previous decade (see Figure 1). The most common exit was to be acquired, which comprised 89% of the exits in the full sample and 90% of exits for the U.S. companies. In the sample, 530 companies were identified as being women-owned or led, with 529 of those companies being located in the U.S. There were also 44 companies identified as having a minority founder, all of which were located in the U.S.

In the full sample, the typical non-exiting company had an average of 3.1 investors, was 6.4 years old, and received an average funding of \$8.4 million. Companies that exited had an average of 4.8 investors, were 4.5 years old at exit, and raised \$30.9 million. An IPO exit company had an average of 6.3 investors, exit at age 4.2, and received \$150.7 million in funding, whereas acquired companies had an average of 4.7 investors, exit at an average age of 4.5, and received \$16.1 million on average in funding. The total number of firms with more than 500 employees was 101, with 88 in non-exiting firms, 11 occurred in IPO exits, and 10 were in acquired firms. The total number of firms with over \$100 million in revenue was 52, 41 of which were non-exiting firms, seven were in firms that exited via IPO, and four were in firms that were acquired.

For those companies in the U.S., the average non-exiting company had an average of 3.7 investors, was 6.8 years old, and received \$7.5 million in funding (see Table 2). The average number of investors for exiting companies was 5.8, aged 4.7 years at exit, and raised \$42.7 million in funding. IPO exits had an average of 12.3 investors, were 3.5 years old at exit, and raised \$228 million on average. The average company acquired had 5.5 investors, was 4.8 years old, and raised \$21.8 million in funding. There were 64 firms that had 500 or more employees, 48 of which were non-exiting firms, eight exited via an IPO, and eight were acquired. Thirty firms had revenue in excess of \$100 million, 21 were non-exiting, six exited via an IPO, and three were acquired.

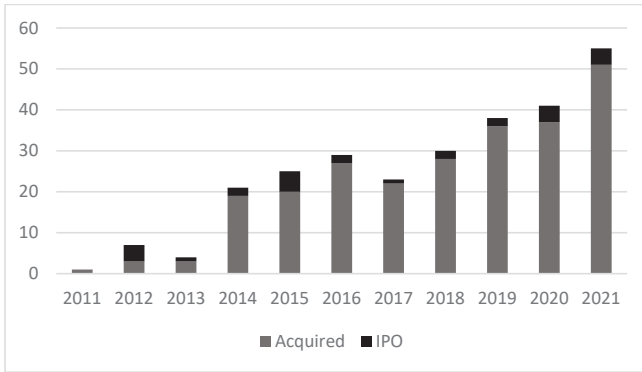


Figure 1. Sport exits for U.S. companies.

Table 1. Descriptive Summary for All Companies

Full	Non-Exit Avg	Non-Exit Median	Exit Avg	Median	IPO Avg	Median	Acquired Avg	Median
# Investors	3.1	2	4.84	3	6.3	2.5	4.7	3
Age	6.4	6						
Time			4.5	5	4.2	4	4.5	4
Funding	8.4M	0.8M	30.9M	2.4M	150.7M	11.6M	16.1M	1.9M
	N	%	N	%	N	%	N	%
Non-Exit	11933	95.8						
Exit			521	4.1				
IPO					56	0.11		
Acquired							465	0.89
500+ employees	88	0.00707	21	0.1	11	52.4	10	47.6
Revenue > \$100M	41	0.00329	11	0.08	7	63.6	4	36.3
Asia Pacific	1645	0.13836	78	0.6	16	20.5	62	79.5
Europe	1986	0.1647	65	0.5	3	4.6	62	95.4
Latin America	290	0.02377	6	0.04	0		6	100
Middle East	75	0.00618	2	0.01	1	50	1	50
USA	5016	0.66683	274	2.2	27	9.8	247	90.2
NA	3017	24.2	96	0.7	9	9.4	87	90.6
Women	530	0.04256						
Minority	44	0.00353						

Table 2. Descriptive Summary for U.S. Companies

USA	Non-Exit Avg.	Non-Exit Median	Exit Avg	Median	IPO Avg	Median	Acquired Avg	Median
# Investors	3.7	2	5.8	3	12.3	11.5	5.5	3
Age	6.8	7						
Time			4.7	4	3.5	3	4.8	4
Funding	7.5M	0.9M	42.7M	2.6M	228M	12.8M	21.8M	2.2M
	N	%	N	%	N	%	N	%
Non-Exit	5016	94.8						
Exit			274	5.2				
IPO					27	9.8		
Acquired							247	90.2
500+ employees	48	0.9	16	0.3	8	50	8	50
Revenue > \$100M	21	0.4	9	0.01	6	66.7	3	33.3
Great Lakes	719	13.5	44	0.8	7	15.9	37	84.1
Midwest	98	1.8	3	0.05	0	0	3	100
Northeast	1124	21.2	75	1.4	8	10.6	67	89.3
Pacific	1773	33.5	100	1.9	8	8	92	92
Rocky Mtn	136	2.5	8	0.1	2	25	6	75
South	1166	22	44	0.8	2	4.5	42	95.5
Women	490	9.2	39	0.7	1	2.5	38	97.5
Minority	44	0.8	0					

The results of the logistic regression for all companies that exit demonstrate that the number of investors, company age, and having revenue in excess of \$100 million are related to a successful exit (see Table 3). Country location and having a workforce of 500 or more does not demonstrate an impact. For companies that exited via an IPO, the only variable of importance is having revenue in excess of \$100 million, while for companies that exit from being acquired, the number of investors and being a more mature company are important. The results of the logistic regression for U.S. companies show the same qualitative pattern of exiting, with exits in general and being acquired demonstrate the importance of attracting investors and being more mature, while for an IPO, the ability to generate revenue is the most important (see Table 4).

The Kaplan-Meier survival distribution for all companies demonstrates that for an exit to occur is a relatively rare phenomenon, since at the conclusion of the

Table 3. Logistic Regression Results for All Companies

	Exit	Odds Ratio	IPO	Odds Ratio	Acquired	Odds Ratio
Intercept	-3.58(0.38)***	0.02	-6.58(1.52)***	0	-3.58(0.38)***	0.02
# Investors	0.04(0.01)**	1.04	0.01(0.04)	1.01	0.04(0.01)**	1.04
500+ Employees	1.10(0.57)	3.01	2.06(1.15)	7.83	0.37(0.68)	1.45
Age	0.13(0.04)**	1.14	0.07(0.18)	1.07	0.13(0.04)**	1.14
Rev > \$100M	1.32(0.57)*	3.75	3.64(0.96)***	38.34	0.61(0.67)	1.85
Asia Pacific	-0.21(0.30)	0.8	0.47(0.98)	1.6	-0.28(0.31)	0.75
Europe	-0.44(0.27)	0.63	0.07(1.17)	1.07	-0.49(0.28)	0.6
Latin America	0.02(0.75)	1.02	-14.19(2053)	6.85	0.06(0.75)	1.07
Middle East	-12.92(505)	0	-13.43(3791)	1.45	-12.92(505)	0
USA						
AIC	775.69		86.85		759.98	
Pseudo R ²	0.05		0.3		0.04	

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 4. Logistic Regression Results for U.S.-Based Companies

	Exit	Odds Ratio	IPO	Odds Ratio	Acquired	Odds Ratio
Intercept	-4.04(0.56)***	0.01	-6.39(1.89)***	0	-4.20(0.58)***	0.01
# Investors	0.06(0.01)***	1.06	0.02(0.05)	1.025	0.05(0.01)**	1.05
500+ Employees	0.71(0.76)	2.03	1.22(1.55)	3.4	0.33(0.85)	1.39
Age	0.16(0.05)**	1.1	0.18(0.18)	1.02	0.17(0.05)**	1.18
Rev > \$100M	1.12(0.74)	3.06	4.26(1.23)***	71.17	-0.40(1.01)	0.66
Midwest	-14.12(555)	0			-13.99(555)	0
Northeast	0.50(0.40)	1.64			0.62(0.42)	1.86
Pacific	0.11(0.40)	1.12			0.28(0.41)	1.33
Rocky	-0.07(1.09)	0.92			0.05(1.09)	1.05
South	0.04(0.49)	1.04			0.04(0.52)	1.04
Great Lakes						
AIC	521.2		49.4		509.74	
Pseudo R ²	0.07		0.36		0.06	

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

study period, the survival rate is over 90%, with an IPO exit being even more rare (see Table 5). Most companies that have a successful exit are from being acquired rather than an IPO. The distributions also differ, with more IPOs taking place earlier on in a company's existence while being acquired continues throughout

Table 5. Kapan-Meier Distribution for All Companies

Time	N	Exit	Survival	IPO	Survival	Acquired	Survival
0	12453	21	0.998	6	1	16	0.999
1	12432	39	0.995	7	0.999	33	0.996
2	12034	68	0.99	8	0.998	60	0.991
3	11340	72	0.983	4	0.998	68	0.985
4	10280	89	0.975	8	0.997	81	0.977
5	8954	67	0.967	6	0.996	62	0.971
6	7537	53	0.961	4	0.996	50	0.964
7	5824	30	0.956	2	0.996	28	0.96
8	4303	36	0.948	3	0.995	35	0.952
9	2988	22	0.941	3	0.994	20	0.945
10	1797	16	0.932	4	0.992	12	0.939
11	858	8	0.924	1	0.991	7	0.931

Table 6. Kaplan-Meier Distribution for U.S. Companies

Time	N	Exit	Survival	IPO	Survival	Acquired	Survival
0	5290	8	0.998	5	0.999	3	0.99
1	5282	16	0.995	3	0.998	13	0.997
2	5130	34	0.989	5	0.998	29	0.991
3	4854	42	0.98	1	0.997	41	0.983
4	4487	44	0.971	3	0.997	41	0.974
5	4013	35	0.962	3	0.996	32	0.966
6	3510	28	0.955	2	0.995	26	0.959
7	2825	17	0.949	2	0.995	15	0.954
8	2166	25	0.938	2	0.994	23	0.944
9	1533	12	0.931	0	0.994	12	0.936
10	929	9	0.922	1	0.993	8	0.928
11	439	4	0.913	0	0.993	4	0.92

the study timeline. The survival distribution for U.S. companies follows the same pattern of exits, with peak IPO exits happening even earlier in a company’s life (see Table 6).

The Cox regression for all companies demonstrates that the number of investors has a higher hazard ratio (1.03) that is related to a shorter time to exit (see Table 7). As the number of investors increases, the time to exit decreases. This is the same for being acquired, where the number of investors is the only variable important with a decreased time to exit. To exit via an IPO, the most important variable is generating revenue in excess of \$100 million, which has a hazard ratio of 36. The Cox regression for U.S. companies demonstrates that the number of investors is related to a decreased time to exit and being acquired, but that revenue in excess of \$100 million is related to an exit via an IPO (see Table 8).

Table 7. Cox Regression Results for All Companies

	Exit	Hazard	IPO	Hazard	Acquired	Hazard
# Investors	0.03(0.01)***	1.032	0.00(0.00)	0.99	0.03(0.01)***	1.04
500+ employees	0.53(0.50)	1.7	1.61(1.09)	5.01	0.10(0.62)	1.11
Rev > \$100 M	0.88(0.49)	2.4	3.61(0.97)***	36.93	0.47(0.61)	1.61
Asia Pacific	-0.11(0.28)	0.88	0.27(0.97)	1.31	-0.22(0.29)	0.8
Europe	-0.42(0.26)	0.65	-0.01(1.15)	0.98	-0.46(0.27)	0.63
Latin America	0.09(0.71)	1.09	-16.1(99.0)	0	0.12(0.71)	1.1
Middle East	-14.6(21.1)	0	NA	NA	-0.14(0.00)	0
USA						

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 8. Cox Regression Results for U.S. Companies

	Exit	Hazard	IPO	Hazard	Acquired	Hazard
# Investors	0.04(0.01)**	1.04	-0.01(0.05)	0.98	0.04(0.01)**	1.04
500+ employees	0.08(0.66)	1.09	1.30(1.47)	3.69	0.05(0.74)	1.058
Rev > \$100M	0.52(0.62)	1.68	4.23(1.17)***	69.06	-0.45(0.87)	0.63
Midwest	-16.3(28.6)	0			-15.6(24.3)	0
Northeast	0.53(0.38)	1.71			0.62(0.40)	1.87
Pacific	0.18(0.38)	1.2			0.30(0.40)	1.35
Rocky	0.01(1.05)	1.01			0.13(1.06)	1.14
South	0.04(0.47)	1.04			0.00(0.50)	1.044
Great Lakes						

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Discussion

This study is the first to provide a detailed understanding of the international investment into sport-related enterprises. Utilizing Crunchbase, a total of 12,454 sport-related businesses were identified, of which 5,290 were U.S. companies. Of these, only 521 were identified as having a successful exit, with the majority of exits occurring in the U.S. The average age of an IPO company at exit for all companies was 4.2 year old, with 6.3 investors and \$150.7 million in funding. The average age of an acquired company was 4.5 years old, with 4.7 investors and \$16.1 million in funding. The average IPO exit company in the U.S was 3.5 years old, with 12.3 investors and \$228 million in funding. The average U.S. company acquired was 4.8 years old, with 5.5 investors and \$21.8 million in funding. This pattern of age and investors follows the typical businesses profile of younger IPO exits featuring more investors (Blum, 2015; Giot & Schwienbacher, 2007; Meles, Monferra, & Verdoliva, 2014).

The results of the present study demonstrate the growing investment into sport-related businesses and reinforce the importance of attracting investors, being a relatively more mature company for a generic exit, and generating revenue in excess of \$100 million to being important variables for a successful exit. There does not appear to be a regional benefit for investors or for being a larger company, in terms of employees, which is in contrast to the typical businesses, which show geographic (Streletzki & Schulte, 2013a) and size preferences (Markova & Petkovska-Mircevska, 2009). The present study did not identify a penalty for being a female or minority company with a successful exit; however, very few companies in general have a female or a minority founder, which is an opportunity for future research as very little is known about these companies.

These findings are consistent with previous business literature that has identified the majority of exits occur in the U.S., and that attracting investors, company age, and income are important factors related to a successful exit in general business (Blum, 2015; Fan, 2019; Giot & Schwienbacher, 2007; Meles, Monferra, & Verdoliva, 2014; Partelpoeg, 2018). It could be that more investors provide increased pressure to exit an investment and return money to the LPs. This may also help to explain why company age was an important variable to a successful exit; as the business matures and reaches the end of the investment lifecycle, the investors look to profit from their investment. This finding would also support the theory that mature companies diminish the information gap (Cumming & MacIntosh, 2001), as more data are available on older firms based on their historical performance. More research is needed to understand the motivations of the investors and whether as the firm ages, they look more closely for exit opportunities.

For companies that exit via an IPO, the importance of revenue generation is of utmost importance. As these companies would be characterized as high growth, this would indicate that such revenue provides profit opportunities to initial investors. While revenue generation is important to an IPO, there were other high revenue-generating companies that did not exit or IPO in the sample. This is an area for additional research to determine what other factors separate IPO exits from other companies in the sport industry. While the present study was looking at the exits of sport-related businesses, it did not examine how to build a business that is attractive to investors.

The size of the company, in term of employees, does not appear to be related to exits for sport-related business, which differs from general business findings. Whereas other researchers have identified that companies that IPO supply more jobs (Puri & Zarutskie, 2012), the present study did not identify employees as an important variable to exits. This may be related to the difference in sport-related organizations and is an area of further inquiry.

The practical findings of this study help to support the theory that information asymmetry closes as a company ages, making it more attractive to a potential buyer. The results also confirm the importance of attracting investors and generating revenue (Partelpeog, 2018). This is in line with previous findings relating to funding of sport-related organizations, and this would seem to indicate that the same process used to attract funding can also lead to a successful exit and a profitable return on the investment. Firm founders and managers are encouraged to create businesses that focus on revenue generation and work on communicating firm value to investors. Once investors are brought on board, this funding can be used to continually grow revenue and, ultimately, lead to a successful (profitable) exit.

Limitations and Future Directions

One of the limitations with conducting research on private firms is that they are, by definition, private, and access to all relevant and accurate information is limited (Puri & Zarutskie, 2012). The results of this study are focused on the broad variables that may impact a successful exit, rather than the individual motivations of founders and investors. Additional research is necessary to further delineate these motivations to provide additional context, especially as the founder is an important consideration for acquiring capital (Gompers, Gornall, Kaplan, & Strebulaev, 2021). Potential avenues for this would include the educational and work background of the founders and their history in working for startups and previous success. Understanding these motivations, the business model that exiting companies adopt and what sets them apart from other investment

opportunities would also be beneficial. Limitations also exist with the variables available for analysis and the lack of firm-specific financial information.

These limitations provide direction for future work in this area, as it is novel within the sport management literature at present. This study focused on the investment and exit characteristics of sport-related businesses, but did not capture the business practices of these companies. In order to attract investors, a business must demonstrate the ability to generate revenue and grow a consumer base (Ramsinghani, 2014). Further work in this area with company founders and investors to understand their motives and decision-making criteria would be valuable.

Additional future directions include an understanding of the community and networks of these founders and investors. Many funding founders have a similar educational background (Glasner, 2021), so understanding the types of firms that are investing and the background of the founders would help future sport entrepreneurs with building their companies. Future analysis of how PE investors evaluate investment opportunities, provide mentorship and guidance, and enhance the value of the firm are essential to furthering the understanding of investment in sport-related businesses.

The limitation on business-level financial information is also necessary for future inquiry as it helps with the understanding of how these organizations are formed, what their businesses models are, and what their consumer potential is. Finally, as intimated previously, there has been little investment in women and minority companies. This provides additional opportunities for the exploration of business development and investment within the sport industry.

Despite the limitations, the results of this study provide insight into sport as an investment. These results provide founders with crucial information regarding their positioning to attract investors and focus on generating revenue. This study also informs investors and educators regarding these variables and the importance of communicating value to attract investors, demonstrating competency in business activities, and having a high revenue-generating business model.

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