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Making an exit: Factors determining a successful private equity or venture capital exit in sport businesses

Tim Koba
High Point University

PURPOSE

Purpose: The purpose of this study is to understand the global private equity investment into sport related enterprises and examine the factors that lead to a successful exit (IPO or acquisition) of these investments.

SAMPLE

Overall, there were 12,454 total businesses examined in this study, gathered through Crunchbase. A search was performed for businesses that received PE or VC funding using the keywords “athletic”, “sport” and “fitness” with a founding date between January 1, 2010 and December 31, 2020.

KEY FINDINGS

The most common exit was to be acquired (89%)

Factors that lead to a successful exit:

having revenue in excess of $100 M

company age

number of investors

SIGNIFICANCE

This study is the first to provide a detailed understanding of the international investment into sport related enterprises. 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. 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.