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Business of Sport Report CEO Briefing Report

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PLAYING THE FIELD

The business of sport in Africa is potentially a billion-dollar game, with plenty of competition. **Africa investor** tells potential investors how they can score some big wins

Sport plays a significant role in the daily lives of many of the almost one billion people in Africa. From the small spaces between mud huts in Nairobi's Mathare slums, to the historic grounds of the 80-year old Alexandria Stadium, to the bright lights and technology of Johannesburg's World Cup Final FNB Stadium, spectators across the continent have shared in the highs and lows of their sporting heroes. As fans of Cameroon's Roger Milla have passed the baton to those following Côte d'Ivoire's Yaya Touré, the world of sport has developed into a multi-billion dollar industry.

The dawn of the professional sport era has attracted vast sums of money and changed the landscape for many athletes, administrators and supporters.

Today, a future Ghanaian Azumah Nelson or Kenyan Edna Kiplagat faces a growing business of sport sector that includes multi-national dedicated sports media companies broadcasting high-definition content acquired from powerful sports association rights-holders, sponsored by global banking, mobile or drinks brands. Many of the deals struck between these three parties are now facilitated by professional sports management and marketing agencies, which often act as the engine of the industry.

Repucom International's Chairman for South Africa, Kelvin Watt, highlights the important role of SuperSport broadcasting football leagues outside the territories in which they are played, including "the Absa PSL, Kenyan Premier League, Uganda Super League,

Zambian Premier League, Nigerian Premier League, GLO Ghana Premier League and Angola's Girabola."

Beyond television broadcasting, Simon Robinson, Managing Director of Inspire Sport & Entertainment, points to a changed landscape as a result of "increasing access to sports content through non-traditional mediums such as mobile phone technology." This new world in the business of sport in Africa has also seen renewed focus on the "community investment" and "social development" portion of sport, says Charles Brewer, Managing Director of DHL Express Sub-Saharan Africa, with businesses increasingly attracted by grassroots and developmental initiatives.

The main components of the typical business of sport market include gate

revenues and stadium concessions, merchandising and licensing, media rights and sponsorships. Not so in Africa, argues football authority Mark Gleeson, who suggests that ‘the beautiful game’ in most countries struggles to generate much independent income outside FIFA’s US \$1 million annual grant or politically dominated state grants. Gleeson provides the example of the Democratic Republic of Congo football association, which is unable to negotiate any broadcast rights fees from the national TV station, and receives a limited share of the gate takings from the 90,000 spectators at the Stade des Martyrs in Kinshasa.

Play it by numbers

Do the numbers support this view? As a proxy for the sports market, the global sport sponsorship market was estimated by IEG to have reached \$43 billion by the end of 2011. Europe contributed the largest slice of spending at \$13.5bn, closely followed by North America at \$12.4bn and Asia Pacific at \$11.2bn. One of the faster growing regions is Central and South America, which contributed \$3.6bn by the end of 2011. The remaining 4.6%, or \$2bn, is allocated by IEG to other countries, mostly in Africa.

The detailed numbers for sport sponsorship spend within Africa are tougher to come by, and suffer from some inconsistencies. The SportBusiness Deals Database suggests that sport sponsorship deals in Africa are averaging almost \$400m per year, which is only 20% of the amount suggested by IEG. Unfortunately, this database includes duplications and incorrect allocations that then reduce the value to less than \$300m.

The South African sport and sponsorship market research company, BMI, points to a figure for direct sport sponsorship spend in 2011 of \$540m, just for South Africa. Research by PwC offered an amount for South African sport sponsorship for 2011 of \$440m. An analysis of the sponsorship deals tracked by SportBusiness across 16 African countries suggests that South Africa contributed over 65% of the

Table 1: Annual sport sponsorship expenditure for the top 16 African markets, based on analysis of SportBusiness Deals Database

South Africa	US \$137,646,873	64.67%
Egypt	US \$23,304,166	10.95%
Ghana	US \$17,068,334	8.02%
Nigeria	US \$13,417,500	6.30%
Kenya	US \$5,551,831	2.61%
Algeria	US \$4,955,000	2.33%
Uganda	US \$2,035,100	0.96%
Swaziland	US \$1,586,333	0.75%
Namibia	US \$1,443,149	0.68%
Zimbabwe	US \$1,375,250	0.65%
Tunisia	US \$1,217,500	0.57%
Botswana	US \$1,092,034	0.51%
Cameroon	US \$833,333	0.39%
Tanzania	US \$640,000	0.30%
Guinea	US \$400,000	0.19%
Zambia	US \$275,667	0.13%

spend, which would indicate a BMI-related total for the continent of \$830m – still less than half of IEG’s number for Africa. If the additional sponsorship spend of leveraging is taken into account, the total for Africa would climb to \$1.3bn.

The migration of African athletes to Europe has been referred to by some as a “muscle drain”

Whether the actual sport sponsorship expenditure in Africa is closer to \$1bn or \$2bn may be open to debate, but what is clear is that Africa’s share of the business of sport is closely tracking the continent’s relative share of global GDP. The sports market in Africa is therefore not insignificant in absolute terms, but is still relatively small by global standards. The current dominance of the South African sport sponsorship market is also not in doubt. In this sense, the numbers support Gleeson’s comment that “sponsorship is haphazard” in Africa, and is strongly “dependent on a vibrant economy.” In this kind of dynamic market, therefore, many opportunities exist to maximise commercial returns from investing in the business of African sport.

Acquiring a team for longer-term growth

Although dedicated and committed to their game and team, the volunteers or previous athletes running most African teams may not have the management experience or resources required to build a financially sustainable organisation. Opportunities thus exist for acquisitive investors to take significant stakes in emerging teams, thereby providing access to financial resources to fuel more rapid growth, as well as technical and management resources to strengthen the on-the-field and off-the-field performance of the club.

Emerging sports and groups, such as a rugby union in Ghana, may provide useful platforms for such investments. Ghana Rugby Association President Gifty Annan-Myers has outlined plans for a national league and schools programme that should contribute to stronger prospects as the country eyes a place at the 2016 Olympics.

Partnering with a team to achieve shared goals

In a number of countries across the continent, teams are competing with relatively limited resources and weaker connections to their fan bases. Opportunities thus exist for a sponsorship-driven investment approach that goes beyond mere

shirt branding to more of a marketing partnership to achieve shared goals.

One example is Kenya's Thika United FC and Brookside Dairy. Since 2003, East Africa's leading dairy has invested in the club as part of both youth development commitments and consumer marketing strategies, which have generated greater demand for their dairy products. Brookside's support has extended to athlete recruitment and development, as well as co-branded team, teen and baby mascots that enhance medium to longer-term business returns for the sponsor.

In these less cluttered sponsorship environments, corporate and product brands can acquire marketing rights for lower initial investments and then strongly leverage the partnership for direct business revenues. DHL Express' Brewer believes that "there are definitely opportunities for team sponsorship in smaller countries."

Creating a greenfield investment outside the system

Working within the existing sporting association structures, processes and relationships may delay possible investment returns for some. Opportunities for medium-term benefits exist for investors who are able to create and own a new sporting property that operates outside the current system. SABMiller, through their beer brand Carling Black Label, have used this approach to invest in a one-off annual pre-season match between Soweto giants Kaizer Chiefs and Orlando Pirates. The 'Be the Coach' campaign saw fans that purchased Carling Black Label vote for their starting line-up, resulting in over ten million votes received by match day on Saturday, 30 July 2011.

The Vodacom Challenge in South Africa employed this greenfield investment approach when they created the pre-season Vodacom African Challenge in 1999 that brought together Côte d'Ivoire's Asec Mimosas and Tunisia's Esperance

to play Orlando Pirates and Kaizer Chiefs. Since 2006, this competition has featured the local teams playing one invited European club, including Manchester United, Tottenham Hotspur and Manchester City.

Industry experts also emphasise the opportunities for new or better-managed facilities, including stadiums. Bob Munro, Founder and Chairman of Mathare United FC in Nairobi, suggests that, in some cases, stadia may be neglected by their government owners. Inspire's Simon Robinson calls for the development of "multi-functional sports and entertainment venues," which are "not only attracting sports fans once a week, but also meet the needs for residential housing, commercial offices, retail and hotels." Robinson points to the success of the Yas Marina Circuit in Abu Dhabi that, beyond the award winning F1 track, includes modern full-service business facilities and five-star hotels and entertainment venues.

Investing in growing talent for an African and global market

An important aspect of the business of sport is the development and transfer of athletes. Well-funded and properly staffed academies are critical to club and country performance, as has been demonstrated in football in Spain and the Netherlands. The business model for many of academies relies on selling promising players into leagues, often in other countries. The resulting migration of African athletes to Europe, for example, has been referred to by some as a "muscle drain," with FIFA's Sepp Blatter even accusing Europe's richest clubs of "despicable" behaviour and engaging in "social and economic rape" as they scour the developing world for talent.

Although investments in academies need to be managed carefully, with tighter controls and more responsible practices, the opportunities to generate significant returns, while also contributing to the continent's own talent pool, cannot be ignored.

Increasingly, leagues in West Africa and Southern Africa are also becoming destinations for athletes across the continent. The development of improved local league markets for academy-enriched athletes will increasingly provide suitable returns for these investments.

South Africa's Premier Soccer League has already positioned itself as such, while the DStv Premier Basketball League in Nigeria is creating an increasingly useful alternative to moving abroad. The NBA's Vice President for Africa, Amadou Gallo Fall, suggests that "investing in youth development through sports is a no-brainer," with their NBA Cares initiative using basketball "as a conduit to engage youth in education and make healthy life choices." The NBA sees a "very bright future for the growth of a basketball industry in Africa" through investments in physical infrastructure, development of local expertise, and school-based leagues.

These four approaches to investing in the business of African sport provide a mix of medium to longer-term strategies. As with on-the-field performance, sport business investing is not a short-term game. Winning off-the-field in Africa will require rights-holders to be better governed, with a stronger focus on the tangible value being provided to broadcasters and sponsors.

Growing the market in Africa will require broadcasters to invest in media rights and production quality. Enhancing returns from the business of sport in Africa will require sponsors to support athletes, teams and associations with more than just an oversized cheque, including management and marketing expertise. Tracking the growth of the sports market in Africa will require investment in accurate data collection, analysis and reporting.

With this game plan, the business of African sport can accelerate onto the global stage, providing rewarding investment opportunities and returns for those pioneering the way. ❁



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