



BAIRD

Investing in the Team Sports Equipment Category

February 2023

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I. Foreword

Many traditional team sporting equipment brands (including baseball, softball, basketball, football, hockey, soccer, tennis/pickleball, field hockey, cheerleading, etc.) have been around for over a hundred years. For most of that time, the primary demand drivers were predictable and stable.

Since 2000, conventional wisdom suggested that traditional team sports were experiencing low single digit and, in some sports, declining participation rates. This mainly was driven by demographic changes, primarily among Generation Z, that suggested younger age groups were less interested in traditional sports. For these younger consumer cohorts, traditional team sports took up too much time, were viewed as difficult and/or boring, and did not sufficiently reflect or complement their identity. Non-sports activities, such as streaming and on-demand television, video games, social media, mobile devices, and nontraditional sports, such as adventure sports, e-sports and spin-offs of existing sports, filled the void and grew at a much faster pace. In addition, team sports participation was adversely impacted by evolving player safety issues and the unique environment forced upon our country and globe by the pandemic.

Given these dynamics, few leading family funds, private equity firms and strategic buyers gave serious attention to the team sports equipment category as a desirable investment class. However, recent advances in technology, improved player performance and safety features, elevated traditional and social media exposure and other economic factors are driving greater segments of the population to embrace team sports participation as an increasingly exciting recreation or leisure option.

One of the toughest battles in intelligence is combating conventional wisdom but we will attempt to do just that in this report.

We believe a confluence of micro and macro trends are prompting structural shifts in the team sports equipment category and changing the drivers of companies' earnings. As the "tide turns" in favor of traditional team sports, we anticipate participation rates, average spend per athlete, pricing power and overall category revenues will experience upward shifts, and we anticipate attractive and unique investment opportunities.

Recent advances in technology, improved player performance and safety features, elevated traditional and social media exposure and other economic factors are driving greater segments of the population to embrace team sports participation as an increasingly exciting recreation or leisure option.

With these changes, early engagement can lead to a knowledge advantage and an above average investment return on time and resources. Baird is encouraging our private, public equity and strategic clients to work with our team to explore the sector's investment potential.

Team sports addresses a wide range of products and services. In this report, we will focus on the companies that offer performance and protective equipment and accessories; primarily baseball and softball, football, hockey, golf and tennis/pickle. In addition, the catalyst driving our investment thesis is directly relevant across other team sports subsectors, but we will not address the broader athletic footwear and apparel category (Nike, adidas, ON Running, etc.), which has extensive depth of Wall Street coverage, or team sports leagues (NFL, Collegiate Athletics, etc.).

In subsequent reports, we anticipate expanding our point of view to include additional categories, including Team Uniforms (Augusta Sportswear, A-4, Varsity Brands), E-Commerce Platforms (Fanatics), Licensed Team Sports Apparel (NewEra, Mitchell & Ness, L2 Brands) and Team Sports Management Apps (Stack Sports, TeamSnap, TeamWorks).

II. Micro and Macro Trends Shaping the Industry

We believe a confluence of innovation, social and economic factors are driving increased interest in traditional team sports, including football, hockey, baseball, softball, basketball, soccer, lacrosse, field hockey, tennis/pickleball, golf, cheerleading, etc.

We have identified multiple simultaneous change factors – see our discussion below. Some are recent phenomena, and correlation is uncertain in predicting the magnitude of potential demand changes, if any. Importantly, Baird believes no one factor “moves the needle” in a material way but the cumulative impact is generating positive psychological and behavioral effects among parents, players and coaches and driving increased demand in the ecosystem.

A. SOCIETAL

At every level, an athlete’s brand value is growing in importance as they explore new sources of revenue as influencers. This expanded identity is generating excitement and represents a positive force within potential younger athletes.

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Everyone wants to know what’s next. But first, let’s pause and recap the top observations from 2021-2022.

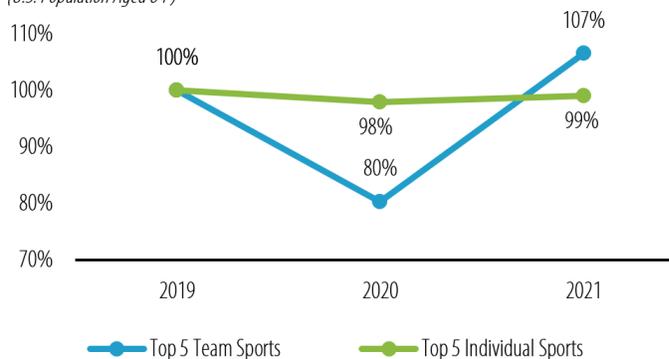
1. Return of the fan and play

Coming out of “The Bubble Year” and seeing the return of full-capacity game attendance and robust demand for fanwear and equipment brought a feeling of normalcy, excitement, and resiliency across all professional and amateur sports. Early evidence also indicates that recreational, high school and college team sports participation rates rebounded and are tracking at or above original pre-COVID projected growth rates.

In addition, team sports have outpaced individual sports, and the rebound was driven largely by increased competition, which is up 46% from last year to 16.6 hours per week.

Team sports rebounds faster than individual sports

(U.S. Population Aged 6+)



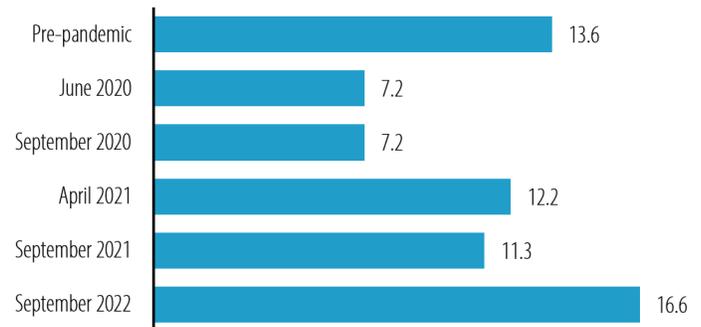
Source: SFIA Top 5 Team and Individual Sports, Indexed to 100% in 2019.

2. Ingrained in our culture

At the professional, college and high school levels, traditional team sports are not only incredibly accessible and multi-dimensional for the fan, but also nationally generate conversation and debate and become pervasive across society. Sports enhances social and cultural life by bringing people together and providing a sense of identity and community. Sports can also overcome differences and encourage dialogues to combat prejudice, ignorance, intolerance, and discrimination. Notably, sports significantly contribute to our other sources of entertainment, including movies and music, as well as our economy.

Solely measuring the revenue generation of specific team sports industry segments captures only a fraction of the overall economic value and intangible benefits of sports teams in the geographic regions they play in and represent. Because of the modern-day visibility of team sports, sportsmanship and participation can provide a strong social asset for a child, especially in the case of boys.

Hours youth spend playing sports each week



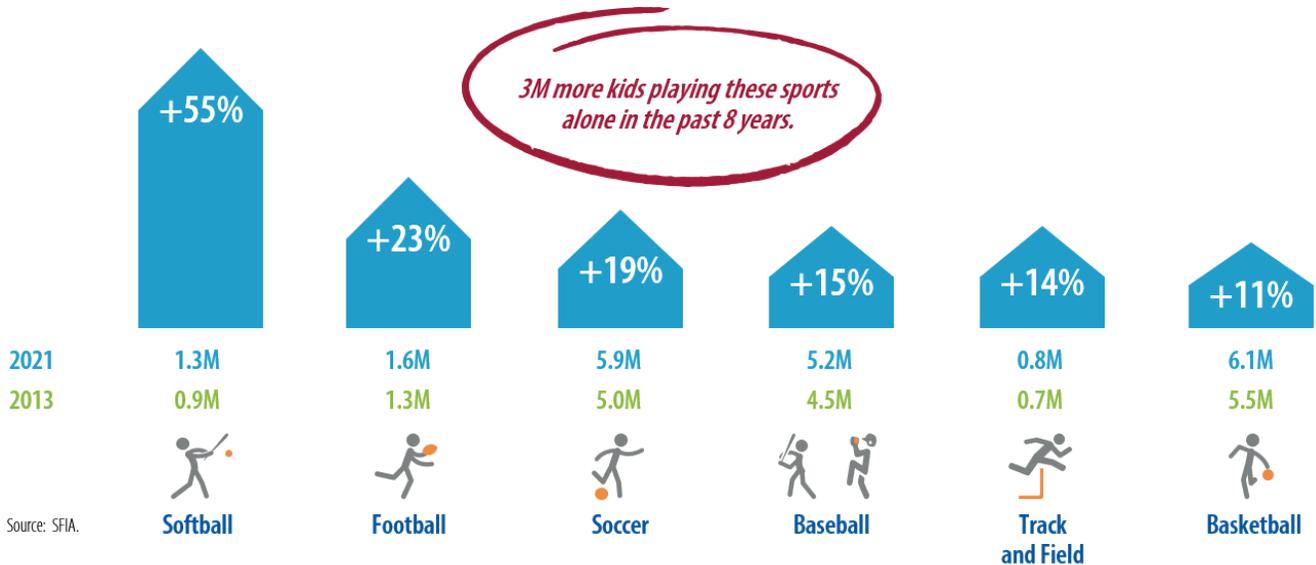
Source: Aspen Institute.

3. Renewed focus on the mental and physical health benefits of team sports

Sports are far more than just a game. Based on numerous studies and publications, there are many different psychological and social health benefits associated with team sports participation, with the most cited: improved self-esteem, increased social interaction and fewer depressive or mental health symptoms or afflictions.

Kids are joining team sports

(6-12 year olds)



Source: SFIA.

Sports may be associated with improved psychosocial health – above and beyond improvements attributable to participation in physical activity. Specifically, team sports participation is linked with improved health outcomes compared to individual activities, due to the social nature of participation. Research has demonstrated that the domain of competitive sports is a particularly important context for psychosocial development in that peer status, peer acceptance and self-worth are established and developed. For example, a recent California State University study analyzed data on the sports habits and mental health of 11,235 children with regards to signs of depression, anxiety, or social withdrawal. Researchers found a positive correlation of improved health with participation in sports, but only for team sports.

Recent Aspen Institute research has found football, which had witnessed past participation declines due to worries about head injuries, ranks second among boys’ sports for psychosocial benefits. (Soccer comes in first.) High school football players reported more improvements in social skills and cognitive skills than athletes in any of the other sports.

Thus, as society has emerged from COVID and re-engaged in social activity, parents and children alike have embraced team sports to enhance their well-being and interactive psychological needs.

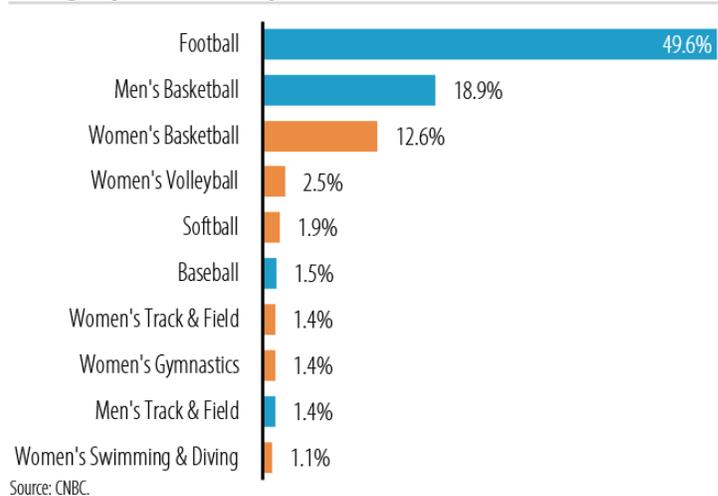
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4. NIL will become a game-changer

A major power shift has occurred in how college/amateur sports operate, and brands and athletes have jointly jumped to take advantage of a new revenue stream opportunity. The landmark opening of Name, Image and Likeness (NIL) deals for NCAA athletes on July 1, 2022, rings in a new era for college athletics. NIL gives athletes increased rights and control over their personal image, rewarding them for who they are and allowing them to capitalize on developing a skillset.

Rather than athletes giving away the rights to their person for a fraction of their value, an athlete more directly controls their economic value and can now act as an entrepreneur to optimize their image and abilities. For example, LSU’s All-American gymnast, Livvy Dunne, is projected to be one of the student-athletes who benefits the most from the NCAA’s new NIL regulations. With more than 9.3 million followers across TikTok and Instagram, she is the

College sports NIL compensation share



Although half of current NIL money paid goes to football athletes, women’s sports make up five of the top 10 categories.

most followed college athlete on social media. After signing with WME talent agency, she's recently penned a "mid six figures" exclusive brand partnership for two years with Vuori, a premium activewear brand.

NIL is a rapidly evolving industry that can turn a teenage phenom with an interested and engaged social media following into a successful businessperson overnight. While most student-athletes will not be able to monetize their likeness, NIL can be the lightning rod that draws kids to team sports, and more broadly to business. For attentive young athletes and entrepreneurs, they can cash in on their shining moments. The NIL's financial incentive will be a catalyst for early and continued participation for amateur athletes. Finally, NIL compensation opportunities have potential game-changing implications for NCAA team sports (including postseason) with respect to prolonging athletes' college playing careers.

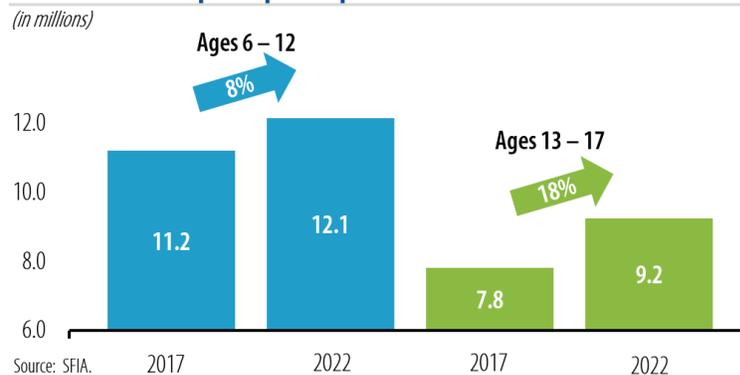
5. A turning point for women's sports

From equal pay agreements to amazing comeback stories, record audiences and new media deals, women's sports are in the spotlight now more than ever. While they often don't receive the same level of attention as men's sports, a new *Nielsen Sports* research project highlights untapped potential and new commercial opportunities for rights holders, brands and media.

Recent investments in women's games are starting to yield a surge in fan consumption, including fan attendance records and skyrocketing viewership numbers. Recent studies indicate younger fans have the greatest appetite for watching women's sports, and they are driving women's sports viewership at a faster rate than the overall category. Moreover, the number of women who currently play sports or who closely follow sporting events is steadily increasing.

Importantly, NIL is helping women college athletes bypass prior barriers to receive endorsement monies and other compensation, which creates a pathway for them to optimize their athletic primes and sets themselves up for the future.

Women's team sports participation



6. The growing power of social media

Over the last decade, the rise of social media has revolutionized the sports industry. One of the most powerful uses of social media is the ability to communicate with people quickly and efficiently all over the world. In this respect, social media platforms present new and unique opportunities for engagement throughout the sports industry. Teams and players are engaging with fans in unprecedented ways.

Social media has also transformed the culture of sports consumption, changing from an individual activity to a group or community-building activity and allowing the sports industry to become ingrained into people's everyday lives. For fans, gone are the days of reading the morning paper and watching the sports segment of the daily news. The new era of fan engagement utilizes Twitter, Score and other applications that recap the highlights and box scores of the previous day's (if not hour's) games, as well as provides real-time information as sporting events unfold. Furthermore, individuals not only consume content from others, but generate engagement through their own endeavors, relationship building and even recruiting.

Today, amateur and professional athletes often have their own social media sites independent from their team's accounts. Fans can follow their favorite athletes and interact with them in ways like never before. This can also help humanize athletes, who are sometimes glorified as perfect beings, and make them more relatable to the common man.

Based on mainstream studies, the increasing lack of interest in sports participation and decline in young people's physical activities is partially linked to the growing media consumption among children, especially the negative correlation between TV consumption and physical activity. However, there are signs that social media could be mitigating and, perhaps, reversing this downward trend. Active or passive (e.g., social media, watching) participation elevates interest, which in return drives appreciation and potential future active participation. The assumption is that the more someone knows about sports (e.g., rules, strategies, tactics, players) or has engaged (actual participation or viewership), their appreciation and probability of participation is higher.

Due to increased social media attention, role models and stars are gaining greater attention and can build interest because the sport is watched more often, and young consumers develop real connections to their idols and yearn to participate at a younger age.

B. STRUCTURAL AND ECONOMIC

As diverse economic opportunities, player compensation and social media stardom grow and gain visibility, participation and interest in team sports will expand at every level.

1. Rapidly climbing pro sports franchise valuations

Professional sports are in a financial golden era. Teams were once considered poor, unpredictable investments. Today, they are among the most coveted assets in the world.

We see these teams as a proxy for team sports growing as a percentage of the broader economy. That larger presence drives greater engagement and participation and, thus, industry sales – all the way down to the youth and amateur levels.

All four of the United States' major sports leagues have increased exponentially in value, inexorably, through all manner of catastrophe, and at an average rate that far outpaces that of both inflation and the S&P 500. Today pro sports teams rank among the most reliable, lucrative and coveted investment opportunities. They have proved practically impervious to the busts, recessions, foreclosure crises and even pandemics that have stalled growth in other industries. From 2002 to 2020, the average NFL team appreciated 572 percent in value (the S&P 500, by comparison, appreciated by 311 percent).

A key valuation driver is the limited supply of teams against the growing global wealth. Assuming the reasoning for investing in pro teams remains persuasive, more billionaires drive greater demand and competition, which will continue driving up the price of pro teams.

Athletes are driving sports viewership and club valuations globally. As such, clubs, leagues, and media partners invest heavily in marketing top athletes to grow their fan base, increase fan interest/loyalty, and overall spending. As a result, the economic opportunity and motivation for athletes has never been greater, which is a powerful driver of future participation.

2. Increasing revenue and profit opportunities

According to *Forbes*, the North American sports market has increased in size from \$60.5 billion in 2014 to a projected total of \$79.7 billion in 2022. Media rights deals are expected to surpass gate revenues as the largest economic driver, rising from \$14.6 billion in 2014 to \$22.7 billion in 2022. Star athletes across the major sports, both team and individual, earn exponentially more than their predecessors from just two decades ago. The categories of sponsorship and licensed merchandise have continued to skyrocket in revenue generation as well, driven by the popularity of items like NFL jerseys, product endorsements and vid-

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eo games. This revenue is expected to rise to \$20+ billion in 2022, up from \$14.7 billion in 2014.

The advent of multibillion-dollar media deals has transformed pro teams from products to assets. In the past decade, the four major North American professional leagues – Major League Baseball, the National Football League, the National Basketball Association and the National Hockey League – have seen revenues and profits soar.

3. Sports betting is here to stay and growing

Sports betting is a slice of the overall sports industry, and the segment alone is estimated to generate global revenues approaching \$250 billion. Industry experts expect this economic prosperity to grow and thrive beyond Europe and the U.S., including in countries in Asia, Africa, the Middle East and Latin America. Globally, European football dominates in the betting world and is #1, with American football at #2. Licensed online sportsbooks account for approximately \$44+ billion of this revenue and the rest is split among venues including casinos and horse tracks.

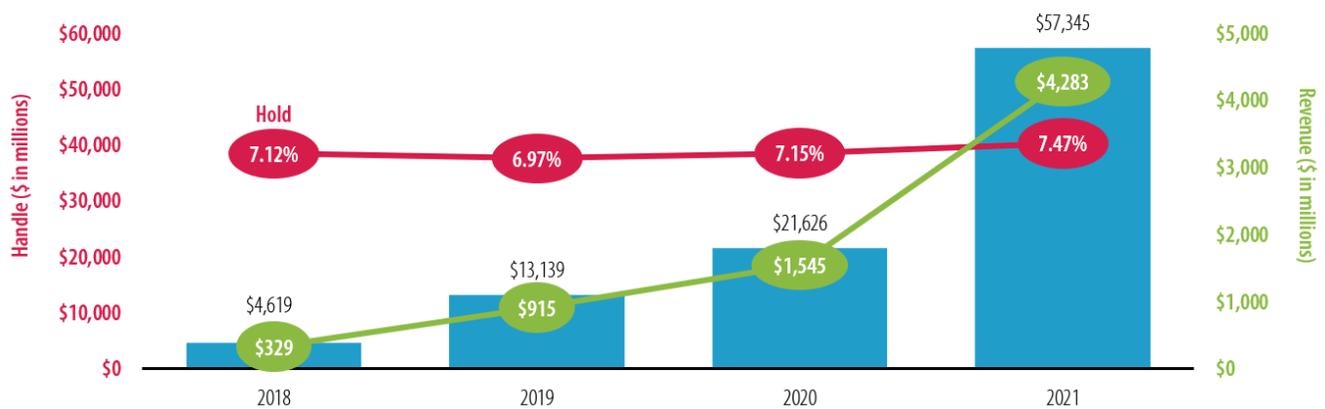
The U.S. is one of the largest and fastest growing sports betting markets, with a present market capitalization of \$60-73 billion. All the important pieces are falling into place: the data, the fan, 5G, the arena and the emergence of sophisticated actors like Fanatics, FanDual, DraftKings, etc. that connect the dots and create a seamless fan experience. Based on a recent report, the four major sports leagues will earn a collective \$4.2 billion from widely available legal sports betting, further proving that working together with the gaming industry will pay dividends for all sports stakeholders, including players.

“Online sports betting is a business that we think will be a very significant business long-term. We want to be the no. 1 player in the world long term. A decade from now, I’d be disappointed if we weren’t the top player in the world online sports betting. We’re just getting started.”

— Michael Rubin, Fanatics CEO

Amount of money bet on sports with legal sportsbooks

(2018 – 2021)



Source: Odds Assist.

Hold: the percentage of money that sportsbooks keep for every dollar wagered
Handle: the amount of money wagered by gamblers

4. Explosion in pro-athlete compensation

Professional sports stars have seen tremendous earnings growth over the past several decades. Where professional major-league athletes once had to work off-season jobs just to make ends meet, their per-season salaries and bonuses now amount to many times what the average American family can expect to earn over the course of a lifetime. Sports salary inflation since the 1960s has outstripped other measures of inflation by incredible margins. During the same time the consumer price index (CPI) saw an 8-fold increase, the salaries of top-earning professional athletes achieved 500-fold increases (in baseball), 800-fold increases (in ice hockey), 1,000-fold increases (in American football) and even 1,200-fold increases (in basketball).

5. Changing high school athletic landscape

In a digital age, fame in high school athletics has soared to new heights in recent years, generating renewed interest and participation from student-athletes. With millions of dollars invested into media coverage and promotion of amateur athletes and high schools, a student-athlete's brand image will continue to represent a valuable recruiting tool and future potential revenue driver. Athletes' digital content provides engagement and visibility to family, friends and ultimately serves as a marketing tool for young athletes to progress and showcase their talents.

For example, in the summer of 2018, freshman basketball player Zion Williamson arrived at Duke University. He not only brought his talents to the prestigious basketball powerhouse located in Durham, North Carolina, but also his 1 million Instagram followers. In high school, Williamson stunned basketball viewers with his superhuman agility and dazzling dunks on the court, and his highlights generated millions upon millions of views between the social platforms of YouTube and Instagram. Following his commitment to Duke's basketball program, the team's Instagram account saw an increased growth of 285,000 followers between July 2018-February 2019.

Under the new era of NIL, talented high school athlete-influencers can achieve social media stardom and earn revenue based on their popularity on social platforms. This subtle shift drives increased awareness, excitement, and interest among students (and their parents) in high school team sports and has a positive impact on participation rates. Like our prior discussion points related to professional athlete compensation and motivation, we believe the potential "trickle down" opportunities for high school athletes can also be a powerful driver of youth and high school participation rates.



Freshman basketball player Zion Williamson arrived at Duke University [and] brought his 1 million Instagram followers.

C. TECHNOLOGY AND INNOVATION

Improvements in player safety and product performance combined with greater access, inclusion and diversity is driving traditional team sports excitement and adoption among parents and youth.

1. Innovation and technology fueling player safety

Innovation and new technology cadence are driving player safety and modality protocols. New solutions that use sensors to record impact send early warning signs to coaches and trainers for high-impact sports such as football, hockey, and soccer.

For example, Texas Tech University and the University of Wyoming are improving the safety of Red Raider and Cowboy football players by using new technology inside helmets to monitor impact. Teams utilize helmets equipped with Riddell's InSite Impact Response System to measure the acceleration of a hit, as well as the location, direction, and severity. The sensors then send this data to a handheld device, enabling training staff to keep tabs on each player during practices and games.

Frequent concussions and the number of hits players take have become growing concerns among parents, athletes, coaches, and fans, especially in high-impact contact sports such as football, hockey and soccer. Solutions that provide more information on the impacts athletes take and the effects they have can help prevent and reduce head impact exposure over time and keep players healthy and on the field. Results are quickly accumulating, and experts are leveraging the data to render tangible results and technologies. Over the past four years, the NFL has seen more than a 20% reduction in concussions due to similar safety improvements, monitoring protocols, the use of head caps and custom-fitted helmets.

As authentic sports brands continue to offer greater technology to improve safety and performance features, high-end products continue to push the price-point boundaries.

2. Athletes continue to improve peak performances and gameday excitement

In the old days, athletes focused primarily on physically fitness. Today, mental training, food, supplements, technology, and data analytics are just a few examples of evolving best practices to advance competitive performance.

To improve the probability of success, athletes and teams continuously adopt and implement new performance enhancing strategies. For example, data generated by sensors not only provides useful information for training and injury avoidance, but is also instrumental in areas such as health, fan engagement, analytics, venues, media, textiles and wearables.

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Sensors combined with AI are the future, and athletes cannot do without them if they want to realize that extra one percent. Combining these datapoints with artificial intelligence will also allow athletes to introduce customized, nontraditional, holistic approaches to their training programs. These programs will integrate and connect mind (neuro), body (physical), spirit (emotional) and soul (spiritual). Smart food, neuro-coaching, gene therapy and sleep management will be part of an athlete's future tool kit.

No doubt this will result in a flood of new records and exceptional on-field/arena performance, drawing greater awareness, excitement, and interest to traditional sports.

3. More sophisticated ecosystems for youth sports

Youth and recreational sports leagues have never been more streamlined and approachable for parents, children, and athletes, improving the ease of participation. The days of analog clipboards, answering machines and team "call trees" (where the coach gets a call from the league and cascades the message from player to player in case of delays and cancellations) are in the past. The same digital and collaboration tools permeating modern business have made their way to youth athletics.

With the transition of volunteer-driven organizations to "for-profit" leagues, new organizations have built digital platforms that make onboarding, scheduling, payments, and real-time logistics easier than ever for young athletes and their parents. For example, Little League's digital platform helps parents find a league in their neighborhood and complete payment within just a few clicks. Further, the "Little League University" website provides resources and training for parents, coaches and umpires while supporting the coordination of schedules and communications by league officials through email, social media and mobile apps. In another case, Stack Sports provides an integrated technology platform for national governing bodies, youth sports leagues, clubs and associations, parents, coaches, and athletes, and is backed by Genstar Capital, the NFL's 32 Equity, Jerry Jones of the Dallas Cowboys, Providence Equity, and other leading sports and technology investors.

Similar tools are built across AAU Basketball, Pop Warner Football, USA Hockey and US Soccer. These innovations improve seamless access and convenience, further contributing to growth of youth sports participation.



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D. EMERGENCE OF NEW INVESTORS AND MODELS

Athletes, celebrities, influencers (“personalities”) and private equity have recognized the opportunity and are jockeying to invest in the category, and we expect to see this current momentum continue.

A growing new investor base

A rising trend in private capital allocation is to reason thematically instead of along traditional lines, including investor collaborations that provide value-added synergies. As athletes, celebrities and influencers become more aware of the lucrative investment opportunities available to them, the gap between “personalities” and private equity investors has narrowed. With innovation and technology spreading into consumer-oriented arenas where athletes have the upper hand (e.g., sports, fitness, lifestyle, gaming, nutrition, entertainment, etc.), those “personalities” utilize brand power and add value to already attractive opportunities.

In January 2018, world-renowned basketball player and icon LeBron James and hip-hop artist Drake were among a group that invested in a millennial-targeted sports platform Mars Reel (Mars Reel Enters Strategic Partnership, 2018). Additionally, Overtime, another social channel dedicated to high school student-athlete content, received funding from the likes of venture capital firms Spark Capital, Andreessen Horowitz, Greycroft Ventures and Sapphire Ventures, as well as basketball industry leaders like Kevin Durant and Carmelo Anthony (Overtime, 2019). In February 2019, Overtime’s CEO Dan Porter reported that the social channel captures \$500 in advertising revenue per every minute of content produced. The company reported seven-figures in revenue for 2018 (Patel, 2019). Defined as the “highlight-driven generation” by two-time NBA Most Valuable Player Stephen Curry, this young and sports-consuming audience falls under Generation Z.

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“I know there will be more times of my life spent off the floor than on the floor.”

— LeBron James, in reference to his investment portfolio

Athletes and sports-oriented capital



In addition, blue-chip institutional investors have raised billions of dollars to fund investments in the sports, media, and entertainment landscape. For example, Ares Management raised its inaugural sports-fo-

cused fund in September of 2022, including equity commitments of nearly \$2.2 billion and total capital available through related transaction vehicles of approximately \$3.7 billion. The fund was oversubscribed relative to the initial target by nearly 50%. To date, Ares' fund has committed capital to 19 portfolio companies, which represents approximately \$1 billion of opportunities across the sports, media, and entertainment landscape. Similarly, Brand Velocity Group, founded in 2019, focuses on investments in sporting goods and the outdoors leveraging its sports and entertainment networks to create accretive partnerships with athletes, teams, leagues, celebrities, and other businesses. In a recent deal for SCORE® Sports, a leading designer and manufacturer of youth team sports uniforms and equipment, BVG partnered with Carmelo Anthony, Andre Drummond, the Manning family, Klay Thompson and others to accelerate SCORE® Sports' evolution. In a final example, Aaron Rodgers partnered with Nate Raabe and Byron Roth of ROTH Capital Partners to launch Rx3 Ventures, a consumer fund backed by influencers in the sports and entertainment market, whose investments tally Taxa Outdoors, Full Swing, and Therabody, among several other businesses.

New service and venue models driving TAM

The U.S. youth-sports economy – which includes everything from travel to private coaching to apps that organize leagues and livestream games – is now a \$15.3 billion market and projected to reach \$17.7 billion by 2026, according to WinterGreen Research, a private firm that tracks the industry. The total addressable market has grown by ~70% since 2010.

Not surprisingly, professional athletes have combined forces with traditional private equity to invest in existing and new youth-sport opportunities. Major media and retail companies are investing in technology to help manage player signup, scheduling, and payment to improve parental convenience and time efficiency. In addition, municipalities that once vied for minor-league teams are now banking on youth sports to boost local economies, issuing bonds for state-of-the-art sports complexes to lure youth athletes and their families.

Finally, one of the key factors driving the professionalization of youth sports and motivating parents is the dream of free college. With the cost of higher education skyrocketing – and athletic-department budgets swelling – NCAA schools now hand out \$3.5 billion in scholarships a year. Thus, parents will invest their time and money to purchase the best equipment, coaching and resources to help their kid achieve success and longer-term objectives.

III. Baird's Top 7 Team Sports Investment Candidates

Within team sports equipment ecosystem, we have identified seven high-quality actors that combine proven brand authenticity, operating scale, and management sophistication. Our candidates exhibit qualitative and quantitative attributes that distinguish themselves from not only their direct competitors but also many best-in-class, hard-good consumer peers. Because of these traits, our candidates represent superior assets among their category peers. Finally, there are few ways that private equity investors or strategic buyers can participate in the pureplay team sports equipment categories. Our seven candidates benefit from scarcity value, and each represents a potential attractive investment opportunity if remarketed in the future.

Our Candidates

\$500M+ Revenue



\$500-250M Revenue



<\$250M Revenue



IV. Key Investment Attributes

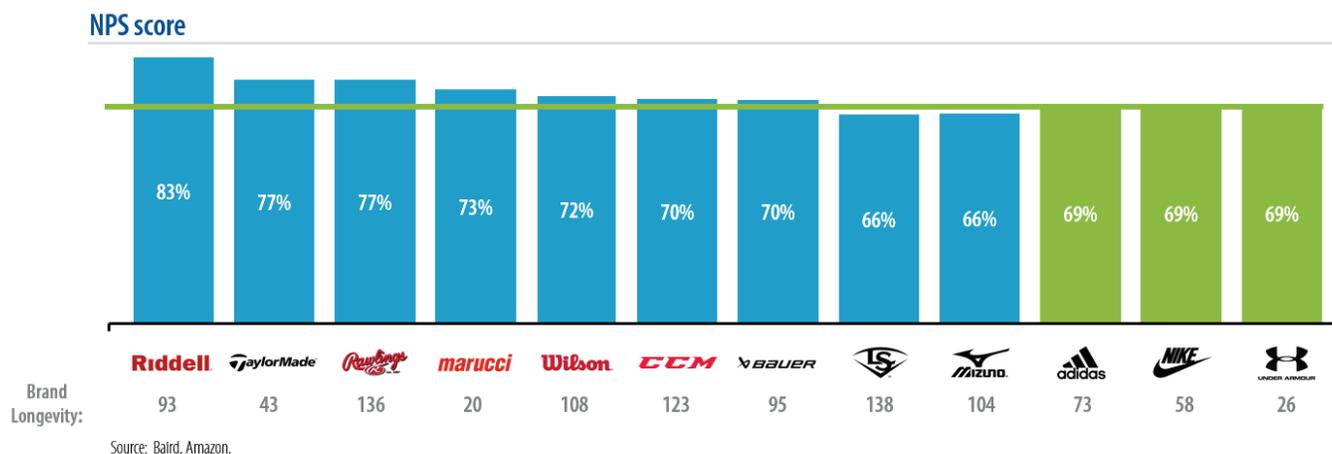
1. Iconic, irreplaceable brands

Many of our candidates' brands have achieved global recognition and unmatched authenticity. In addition, these brands have established legacies that span 90+ years, and they are deeply engrained in pop culture and society. These brands generate NPS scores that favorably compare to Nike and Adidas, well-known global athletic footwear brands that generate revenue and deploy advertising and marketing budgets many multiple times larger in size.

Rawlings Sporting Goods created the Gold Glove Award in 1957. This year, the Gold Glove Award was presented not only to top MLB players but also to NCAA Division I softball athletes for the first time in the award's 65-year history. Professional, and now college, players view this

"The way a team plays as a whole determines its success. You may have the greatest bunch of individual stars in the world, but if they don't play together, the club won't be worth a dime."

— Babe Ruth



event and award with awe, and many marquee athletes attend this event every year without compensation. The media and content frenzy surrounding this event creates invaluable brand buzz and social media excitement, further reinforcing Rawlings' brand leadership position.

2. Exceptional products and customer experiences

Due to relentless focus on innovation, our candidates offer the most sought-after performance sports equipment products in the world, and they have become brands of choice among thousands of professional and amateur athletes in their respective sports. They have accomplished high levels of recognition and customer loyalty despite a

narrow target marketing effort, which has the potential to drive substantial, profitable growth as they continue to introduce new products and enter new product categories.

3. Pricing power

Because our candidates offer “must have” products and brands that are indispensable to end users, they maintain pricing power or “price elasticity,” which allows for sensible and strategic price increases without adversely impacting customer demand. Therefore, they have more ammunition to overcome adverse effects of inflation and increased costs while also investing in product innovation, quality, and functionality to increase the value proposition for consumers.

4. Expanding TAM

Our candidates have been successful expanding all three TAM components: what they sell, who they sell to and the price they charge.

They have increased innovation and new product cadence, and they are actively pursuing new categories, including data subscription services that generate new market opportunities, customers, and revenue streams. In certain cases, they see opportunities to leverage innovation and IP into categories outside the sports equipment category. In addition, youth-sports travel camps, and sports training centers, like EXOs, provide additional expansion and revenue opportunities.

Importantly, they have pursued women-focused innovations to expand product offerings and draw a diverse and powerful community of women athletes. They also have launched innovative grassroots programs that not only enhance the support for established athletes but also encourage and retain more diverse athlete representation (across not only gender, but ethnicity, geography, demography, etc.) into their respective sport(s).

Finally, a constant cadence of tangible product innovations and improvements have not only enhanced brand buzz and loyalty but also driven price increases and higher product margins.

5. Consolidator of choice

Inorganic growth is an important and rational opportunity. These leading firms have demonstrated a competency to identify, integrate and drive value from acquisitions by either increasing margins or accelerating the organic growth rate of the platform.

Notable examples include Wilson’s acquisitions of Louisville Slugger – baseball bats and gloves (2015) and EvoShield – protection gear (2016); Rawlings’ recent acquisition of Jack Corbett Hollywood bases – field

bases and accessories (2022) and Easton Sporting Goods – baseball equipment (2021), CCM’s acquisition of Step Skating Blades (2022) and merger with Jackson Ultima and Atom – figure, roller and in-line skates (2021), Bauer’s acquisition of ProSharp – premium skate sharpening and profiling company (2021), Marucci’s acquisition of Lizard Skins – grip tape (2021).

With virtually no exceptions, these tuck-in acquisitions have been highly successful and accretive, and there are ample additional consolidation opportunities.

Potential Targets

Equipment	Protection
 	 
 	 
 	Technology
 	 

6. Competitive barriers / scalability

Within each team sports sub sector category, a subset of candidates – typically one to four – distinguish themselves from the remaining competition and establish strong market share.

Throughout the team sports landscape, scaled assets with considerable market share and distribution are “winning” when it comes to margin and profitability. Size and cost advantages, supply chain, R&D, product development sophistication and high-end user switching-cost amplify the competitive differentiation relative to smaller actors or new entrants. The scale and sophistication of these operations allows for reinvestment in innovation and development of intellectual property that continues to revolutionize safety, performance and brand prominence.

Leading platforms often have well-developed legal functions that serve two primary competencies: (1) feverish defense of internally developed intellectual property and (2) mitigation of product liability claims. Because many smaller competitors lack the scale to reinvest in innovation and product defense, those who were weakened during the pandemic continue to lose market share and prominence.

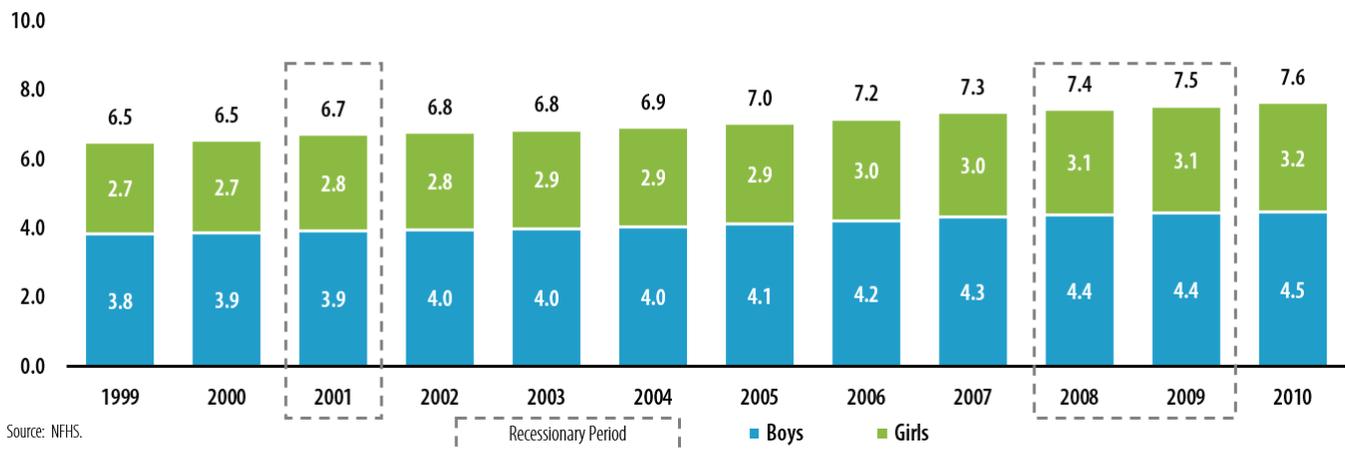
7. Recession resistant

Recession or inflation shocks are never positive for virtually all consumer product companies. However, the team sports category performed resiliently – if not strongly – during past turbulent conditions. They represent an absolute necessity, and loyal athletes/consumers remain steady purchasers. Our candidates offer products that are essential with few alternatives, and they tend to experience increased demand in downturns.

Finally, despite the pressures and high levels of uncertainty, early evidence indicates that many of the leading team sports equipment candidates were bold and innovative in response to the pandemic and automated production tasks, increased operational efficiency, and accelerated decision-making and innovation of operating models. This could potentially increase annual productivity growth and working capital efficiency.

Team sports remain resilient through recessionary periods

(High School Athlete Participation in Millions)



8. Attractive growth, margins and free cash flow

Our top candidates generate predictable revenues, steady margins and high cash conversion. Coming out of the pandemic, past investments in people and operating efficiencies have paid off despite the increase in marketing spend to at or above historical levels. Over the last decade, we have seen material improvements in the most important metrics: gross margins have moved from 30% to 40%; EBITDA margins have moved from the low single digits to double digits; and cash flow conversions have moved from 70% to 100%.

9. Powerful leadership and management

Over the past decade, shareholders have made significant investments in leadership, management, supply chain competency, technology, systems and infrastructure. Over the past several years, our candidates adjusted operating models to increase annual productivity growth and grow the pipeline of exciting new products and services. Management teams rely less on intuition and more on sophisticated data and analysis to maximize P&L and balance sheet performance. They have discovered that winning is more a matter of the cumulative effects of many small actions rather than singular sweeping gestures. It's a game won by walks and singles rather than towering home runs.

10. Multiple potential exit options

There is much growth that can occur over different phases of ownership, and there will likely be multiple avenues to monetize investments. For all the reasons previously discussed, there will always be a welcoming reception from HNWI and private equity firms with a burning desire to be involved in the team sports world.

Alternatively, there is a genuine possibility of a future public exit – standalone or in combination with another top-notch asset. A portfolio of the best-in-class brands, under elite executive leadership, would be warmly received by public investors, allowing for an eventual initial public offering.

Our top targets are best-of-breed specialists in their areas of expertise with high demand. By category, they are an inch wide and a mile deep, and very difficult and expensive to replicate or dethrone by smaller competitors. This positions them as attractive targets for strategic buyers looking to fill in a hole in an end market, geography, or more often, a capability. Potential strategic acquirors could appear from Team Sports, Winter Sports, Outdoor Recreation, Household Products, Media, or other categories.

The high cash flow and consistent growth attributes should attract private equity to the category, and they can partner with management to further professionalize and expand the business, including the pursuit of select transformational acquisitions to consolidate the team sports category and create an attractive and larger team sports pure play platform.

V. Conclusion

We continue to see evidence supporting our view that team sports is an attractive category from an investment and M&A standpoint. We believe the category is resilient and benefits from longer term structural tailwinds. Leading industry incumbents have accelerated innovation and product introduction cycles while simultaneously upgrading organizations to immunize themselves from competitive disruption, create scalable economic moats, and expand total addressable markets.

We believe a handful-plus of these candidates represent high-quality investment opportunities that may become available over the next 12-18 months when looking at typical ownership cycles for their private equity owners.

Existing and new sources of capital are also starting to pay attention. As we mentioned before, early engagement and education can provide competitive advantages for both investors and strategic buyers.

While we are early in our investigation, we believe we have a compelling road map and industry relationships to help our clients investigate these opportunities.

"A good hockey player plays where the puck is.

A great hockey player plays where the puck is going to be."

— Wayne Gretzky

Baird's Team Sports Investment Banking Team



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Matt Elberts joined Baird in 2011 and is a Director in Baird's Global Consumer Investment Banking Group based in the firm's Chicago office. Since joining Baird, Matt has advised clients on mergers, acquisitions, equity and debt offerings, and other capital markets transactions for companies across the broader consumer landscape with a focus on enthusiast brands, sporting goods, footwear and apparel, and consumer products. In that time, Matt has worked with numerous leading enthusiast brands and disruptive commerce businesses, including GSM Outdoors, Rather Outdoors, Pure Fishing, 5.11, Fox Factory, CCM Hockey, adidas, Vionic, Citizens of Humanity, Wolverine Worldwide and Classic Accessories. From 2014-2016, Matt was a member of Baird's European Investment Banking team based in London executing cross-border M&A transactions across industry groups. Matt received a Bachelor of Science in Finance and a Master of Science in Accountancy from the University of Illinois at Urbana-Champaign. Matt is a registered Certified Public Accountant.



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Andrew Martin joined Baird's Charlotte Investment Banking office as a Director in 2009, and focuses on capital markets and M&A advisory services in the Consumer sector, with particular focus in the branded consumer products, sports and leisure, footwear and apparel sectors. prior to joining Baird and since 2003, he worked as a Director in the Consumer Mergers and Acquisitions practice for Wachovia where he executed numerous high profile assignments involving VF Corporation, Oakley, Bushnell, Shimano, Timberland, Volcom and Jarden. Additionally, Andrew was intricately involved with many prominent financial sponsors as they evaluated and effected transactions in similar sectors. From 2000 to 2003, Andrew was a member of the European Corporate Finance practice for Lehman Brothers in London. Andrew began his career at Merrill Lynch in their Global Capital Markets and Investment Banking program in New York. Andrew received his MBA from the Fuqua School at Duke University and his Bachelor of Science from Wake Forest University.

Baird's Team Sports Investment Banking Team



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Joe Pellegrini is a Managing Director/Senior Advisor and Baird's most senior investment banker. Joe joined Baird's Charlotte Investment Banking office in 2008 and focuses on Equity and M&A advisory services in the Consumer sector, with particular focus in the sporting goods, outdoor, fitness and wellness categories. Since 1989, Joe has held multiple senior leadership positions on Wall Street and executed 200+ high-profile investment banking transactions for many of the leading industry brands, including Under Armour, North Face, VF Corporation, Adidas, Fanatics, Riddell, Wilson, Lulu Lemon, Fox Racing, Beachbody, ON Running, Easton Sporting Goods, Callaway Golf, Wahoo, Canyon, and Oakley Sunglasses. Prior to entering the investment banking industry, Joe spent seven years in the NFL, playing as a starter for the New York Jets and the Atlanta Falcons. Joe received a M.B.A. from Columbia University and B.A. from Harvard. Joe is currently Chair of the Outdoor Foundation fundraising committee, the philanthropic arm of the Outdoor Industry Association (OIA). Joe also served on the board of directors for Yeti and Volant Ski. Joe is also an active outdoor enthusiast, including mountain biking, hiking, skiing, fishing and paddleboarding.

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