Private Credit Insights: Play Ball!

Sports teams' capital needs are often best served by asset-based finance, such as media rights and infrastructure transactions, rather than corporate debt. We look at some case studies in sports lending and, more broadly, how to think about ABF allocations in portfolios.

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Key takeaways

- ABF is a buzzy marketing term, but at its heart the sector has been around for 30 years. For example, ABF has long been the dominant form of credit for sports teams.
- Voya has been one of the biggest names in sports lending for decades. We look at case studies of the major deal types: club rights, stadium, and league rights.
- In portfolios, ABF can be used as a higher-spread replacement for comparable public bonds or, in risk-off situations, as a potential replacement for more cyclical equities.
- Investors who wish to have access to the entire private credit spectrum will likely need to hire multiple managers. When selecting, they should prioritize transparency, communication, and experience over the illusion of the one-stop shop.

What, this old thing?

Asset-based finance (ABF) has been around for 30 years, but it's only become a marketing term recently, as the private credit market has experienced an influx of both new originators and new investors. If you have a private credit portfolio, you might even own some ABF and not be aware of it.

ABF may be the new buzzword, but we've done more than 500 ABF transactions over the past 15 years.

If you have a private credit portfolio with us, you almost definitely already own some ABF—we've done more than 500 private securitized and infra deals over our history, ranging from merchant receivables, media rights, and fund finance to stadiums, ports, toll roads, and energy (so much energy).

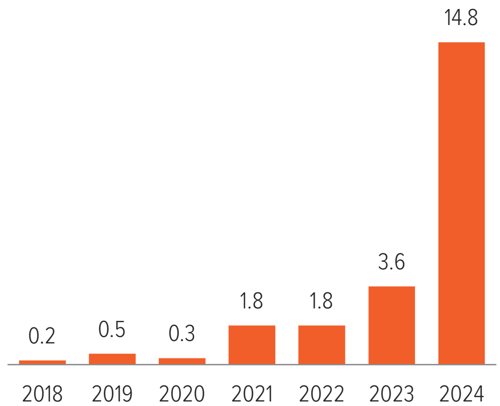
We like deals with a lot of structure; I'd definitely rather get paid to take structural risk than additional credit risk. Even our corporate placements tend to be highly structured—it's one of the ways we consistently deliver above-average spreads to our clients.[1]

Private credit is definitely seeing more asset-based finance deal flow (Exhibit 1). However, there is (and always has been) constant deal flow between the private credit market, the commercial lending market, and the public securitized market. Each borrower is going to choose the best and cheapest place for their money. One year, it could be the private credit market. The next year, it could be a bank loan.

[1] The current fuzziness of the definition of "ABF" across the market means that, often, a structured placement's classification will be in the eye of its beholder—or their marketing department. We did a transaction last year that one co-lead filed under ABF, another said was infrastructure, and we listed as corporate (because it had an overall corporate guarantee).

Exhibit 1: Specialized private credit deal flow has risen sharply over the past five years

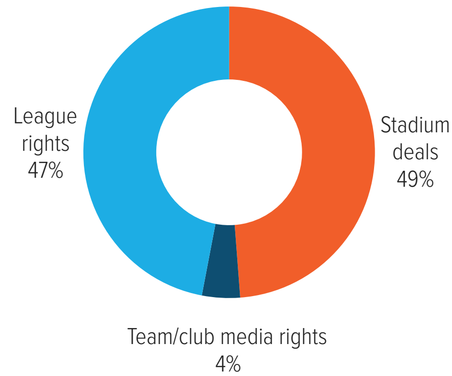
KBRA-rated specialty finance issuance per year ($ billions)



As of 01/14/25. Source: Voya IM, KBRA.

Exhibit 2: Voya is one of the top sports lenders in the U.S.

Over the past 15 years, Voya has invested $2.7 billion across 60 sports ABF transactions



As of 04/15/25. Source: Voya IM.

Voya has been successfully originating, managing, and exiting ABF transactions through a wide range of market conditions since the 1990s.

One of the nice things about Voya is that we have strong senior loan and securitized credit desks. Our private credit team works closely with our colleagues on those desks when underwriting credits that the senior loan or securitized teams have experience with—because a lot of these ABF borrowers aren't new; they're just new to private credit. (And, given the volatility in public fixed income markets, we're likely to see more first-time private ABF transactions this year as borrowers look for certainty of execution and price.)

The other thing to keep in mind about Voya is that we've successfully originated, managed, and exited hundreds of ABF deals through all sorts of market conditions: the dot-com burst, the global financial crisis, 2012's commodity bear market, the oil and gas price decline in 2015-2017, the pandemic, high rates, low rates, and everything in between.

I did the first timeshare receivables securitization in 1992 and the first MRI equipment receivables deal a couple years later, after I joined what's now Voya private credit. Then we did the first structured export note out of an emerging markets country. And since we began classifying deals by type 25 years ago, we've had zero losses in ABF.

A big part of that is our consistent emphasis on credit, not just price and structure. We'll go in and restructure a deal and change the collateral pool to get the best coverage possible. We are also strict about ongoing and thorough investment monitoring—like a commercial bank, we have a dedicated workout team and are proactive and involved with our transactions over their 2- to 35-year lives.

Now, let's look at some ABF deals we did before it was cool.

Sports is a natural fit for ABF lending, as team balance sheets and credit ratings often make corporate debt prohibitive.

The business of sport: Four case studies

The reason I want to talk about sports, in relation to ABF lending, is not just that it's really fun to talk about sports. It's that sports teams often have the sort of balance sheets and credit ratings that would make corporate debt prohibitively expensive.

But, at the same time, they have attractive infrastructure assets (stadiums) and contracted multi-year cash flows (league or team/club media rights). This makes them natural candidates for ABF transactions.

The major deal types are stadiums, league media rights, and team/club media rights.

While relegation risk exists in European club deals, some clubs have better protection than others.

By putting those stadiums or media rights cash flows in special purpose vehicles, the team can borrow considerably more cheaply than the corporate loan market would permit (and in a way that won't affect its overall credit rating).

We have done 60 sports ABF transactions over the past 15 years, including nearly every major U.S. sports league and stadium in the country—there's a few cities where we've lent to every single one of their pro sports stadiums—plus European club and stadium deals (Exhibit 2).

Our sports transactions hover around a rating of A/BBB, with maturities ranging from 2 to 35 years, with media rights deals tending towards the shorter end and stadiums towards the longer.

Let's look at a team media rights deal, a league deal, and a couple stadium deals. Along the way, we'll talk a bit about how the structures and risks have evolved for each type of transaction.

Case study 1: Team/club media rights deal–Europe

Why we like the sector: Over the many years during which the Voya private credit group has had exposure to European football clubs, team media revenues derived at the league level have been a source of stability and growth. While individual clubs can have large swings in media revenues due to participation and success in tournaments such as the Champions League, base league media revenues combined with other sponsorships provide significant interest coverage.

A smart structure also separates player salaries, a club's largest expense, away from the pledged cash flows, providing a structural enhancement. While relegation risk exists in these deals, Voya believes some clubs are better protected due to their brand, financial resources, and ownership support.

Exhibit 3: European club media rights transaction

Source	Investment bank
Instrument	$175mn secured notes
Voya investment	$45mn
Rating	BBB-
Spread to Treasuries	334 bp
Maturity / WAL	5yr / 5yr
Security	TeamCo's media revenues and sponsorships

The transaction: Voya invested in the senior secured notes of the issuer, a media company structured for a European football club. Proceeds from the transaction were used to refinance existing debt from the acquisition of the club.

Investment thesis:

- **Historical and forecasted interest coverage for this transaction is robust,** providing significant cushion in the event that media revenues or sponsorship revenues decline. Media rights are typically contracted under 3- to 6-year agreements for domestic and international broadcasting rights. These rights are typically considered marquee assets by broadcasters, especially for top-tier clubs, such as the club related to this transaction. Sponsorship revenues pledged to noteholders come from sponsors with a long-demonstrated history of supporting clubs, who view the sponsorship as a value add for their companies and products.
- **Ownership support and a conservative debt-to-valuation** provide additional investment strengths. Owners typically have significant equity investments in teams. This, combined with the marquee nature of these sports clubs, means owners have been willing to inject equity during times of distress. Club valuations have increased tremendously over the past 20+ years, providing desirable debt-to-valuation metrics that support Voya's investments in the unlikely event that clubs face financial difficulties.

- **European football transactions have relegation risk.** If a team does not perform well on the pitch, the club can lose its position in the top league and be relegated to a lower league, receiving lower media revenues (and potentially lower sponsorship and matchday revenues). This is different from U.S. sports leagues, which have a fixed group of teams that does not change year on year based on performance. Voya has become comfortable with this risk in select transactions, where dedicated cash flows to service interest payments are secured and structurally separate from the team operations.

Over the past 25 years, sports media revenues have remained steady, even during severe macro events.

Case study 2: League media rights deal–U.S.

Why we like the sector: Voya has invested in U.S. league-wide borrowing programs for more than 20 years. Over this time, the value of sports media contracts has experienced monumental growth. As media contracts have evolved from traditional, linear broadcasts to a combination of linear and digital, leagues have grown their offerings and distribution.

In the past 25 years, the sports schedule and its associated revenues have faced many potential interruptions, from severe macro events—the 9/11 terrorist attacks in 2001, the global financial crisis in 2008-2009, and the Covid pandemic in early 2020—to smaller-scale but no less impactful occurrences, such as work stoppages, bad weather, local economic fluctuations, and individual team performance. However, media revenues remained steady despite these varying degrees of financial pressure across leagues, teams, and facilities. This highlights the durability of sports league borrowing programs across economic cycles.

Exhibit 4: U.S. league media rights transaction

Source	Investment bank
Instrument	$150mn secured notes
Voya investment	$28mn
Rating	A-
Spread to Treasuries	105 bp (7 year)
Maturity / WAL	7.5yr / 7.5yr
Security	League media contracts

The transaction: Voya invested in the senior secured notes of the issuer, a league-wide borrowing program for a major domestic sports league. Proceeds from the transaction were used for general corporate purposes for borrowing clubs and/or to refinance existing debt issued under the program. Individual U.S. leagues have various permitted club borrowing limits under their respective borrowing programs.

Investment thesis:

- **Sports content continues to represent the most valuable live programming for broadcasters** and a growing platform for streaming services, as evidenced by recent deals by various U.S. and global leagues. U.S. leagues are some of the most valuable properties in sports programming, with broad appeal across all media platforms domestically and a growing fanbase internationally.
- **The league-wide credit program provides investors with meaningful collateral,** which includes cash flow priority into a central league fund for each participating team's share of national media revenue. The club secured debt limits have traditionally been set at levels that provide conservative leverage ratios and strong interest coverage ratios.
- **The long-demonstrated history in the U.S. of league support to distressed teams** is also a key investment consideration for Voya. The leagues maintain robust liquidity to aid teams and protect values. While there have been a variety of solutions, including loans and other forms of financial support, the leagues have the ability (in a worst-case scenario) to facilitate the sale of a franchise and relocate the team.

Case study 3: Soccer stadium–Europe

Why we like the sector: The European stadium finance market has grown significantly over the past decade. The sector includes new buildings as well as major renovation projects at existing stadiums, all with the aim to modernize offerings, improve the fan experience, and grow new revenue opportunities.

Stadium renewals often increase revenues from corporate sponsorship and premium seating.

The stadium this transaction helped to renovate is home to one of the most well-known clubs in the world, which has well over a century of playing history in Europe. The club has demonstrated great success on the pitch and has a loyal and robust fanbase, as well as a long-demonstrated track record of corporate sponsorships and premium seating, both of which will be enhanced by the renovation project.

The transaction: Voya invested in the senior secured notes of the issuer, a securitization of certain revenues derived from the stadium. Proceeds from the transaction were used to fund the construction.

Exhibit 5: European soccer stadium transaction

Source	Investment bank
Instrument	$290mn secured notes
Voya investment	$84mn
Rating	BBB
Spread to Treasuries	338 bp (7 year)
Maturity / WAL	7.1yr / 7.1yr
Security	Stadium revenues consisting of naming rights, sponsorships, premium seating, F&B, and other. No game-day tickets.

Investment thesis:

- **The club's consistently strong performance, its domestic and international brand recognition,** and its league's evergreen popularity all contribute to the foundational appeal of the investment.
- **The project is supported by diverse and majority contractual cash flows,** with no single revenue source accounting for more than 22% of the total amount. Over 55% of cash flows are expected to be generated from contractually obligated sources like naming rights, sponsorship, and VIP suites.
- **This stadium investment is expected to drive significant new sponsorship and advertising opportunities,** new premium seating options, new food and beverage offerings, and an enhanced overall fan and corporate sponsorship experience. This is consistent with our experience investing in other major new stadium and renovation projects in Europe and the U.S. over the past 15 years.
- **While significant construction risk exists, Voya is comfortable with the investment given the contractor's ability,** adequate contingency, and specific mitigating structural aspects of the construction contract.
- **As with the European MediaCo case study above, relegation risk exists in this stadium transaction.** A prolonged period of on-pitch underperformance could hurt project cash flows through weaker attendance, and a severe downturn could result in relegation. Voya believes this risk is mitigated by diversified revenue streams supporting the project, and harsh sensitivity testing to those projected cash flows still demonstrates a sustainable financial profile.

Case study 4: Football stadium–U.S.

Why we like the sector: NFL stadiums have historically been funded through a combination of public and private sources, consisting of stadium company borrowings, owner equity, and the NFL's G-4/G-5 stadium finance programs. What this means is that, for well over 25 years, NFL stadiums have been partially financed in the U.S. private placement market—and, over this period, they have demonstrated strong financial performance.

The scarcity factor for NFL home games helps drive long-term value.

NFL games are the most watched professional sporting events in the U.S., and in a typical season they dominate the most watched content across all linear broadcasts. The demand for NFL content has driven massive media renewals over the past two decades.

Given that an NFL team plays fewer than ten regular-season home games per year, Voya believes the scarcity factor (and thus the value of NFL content) is strong. This value helps drive consistent, long-term, contractually obligated income in the form of naming rights, sponsorships, premium seating, and personal seat licenses, as well as game-day revenues derived from food & beverage, merchandise, and parking.

Exhibit 6: U.S. football stadium transaction

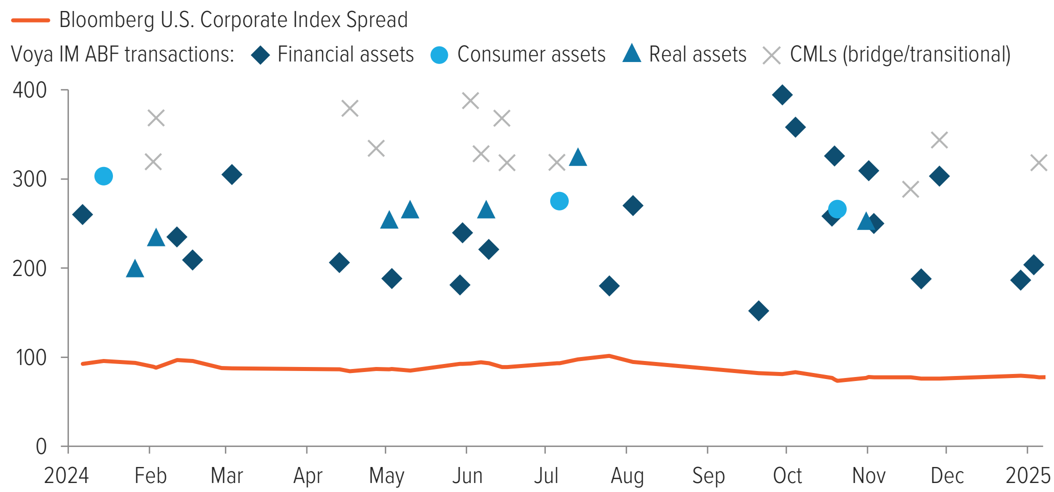
Source	Investment bank
Instrument	$1.65bn secured notes
Voya investment	$110mn
Rating	BBB-
Spread to Treasuries	180 bp (25yr)
Maturity / WAL	35yr / 25yr
Security	Stadium revenues consisting of naming rights, sponsorships, premium seating, F&B, and other. No game-day tickets.

The transaction: Voya invested in the senior secured notes of the issuer, a stadium company created for the development of a new NFL stadium. Proceeds from the transaction were used to fund development and construction costs.

Investment thesis:

- **The stadium has secured considerable contractually-obligated income** in the form of naming rights, sponsorships, club seats, premium suites, and other contracts. The stability of these contracted revenue streams provides a high degree of certainty to projected cash flows.
- **The stadium is projected to generate an average DSCR above 2.0x,** providing significant downside cushion. These coverages are consistent with other stadium financings, and revenues from long-term contracts are expected to compose 80% of total revenues in year one.
- **The NFL is the most popular and profitable league in the sports industry,** both domestically and internationally. Regular-season viewership attracts 9x the audience of college football, and one-third of U.S. sports fans cite professional football as their favorite sport—more than double the second-place sport (baseball, 15%).
- **The transaction's primary risks are construction and completion risk,** as well as final business execution risk associated with the remaining sponsorship and premium seating inventory. Voya is comfortable with the risk profile given our experience on previous NFL stadiums and the underlying strength of the league.
- **Like other leagues, the NFL provides a consent letter in stadium financings,** whereby the league has the ability to step in and provide remedial measures in the event that the stadium is underperforming. These consent letters are a special aspect of project financing in professional sports, and they provide some level of implicit support from the league.

Exhibit 7: Private ABF offers a range of attractive spreads compared to public corporate bonds



As of 01/24/25. Source: Voya IM.

ABF isn't just about increasing spread; it's about diversifying risk.

ABF allocations in a portfolio context

Back in the old days (2022), you had your investment grade private credit portfolio, and you probably sold down a little of your investment grade corporate bond allocation to fund it. And if you had a commercial mortgage loan portfolio, you probably sold CMBS to fund that. In both cases, there was a clear public asset to measure spread against and take allocation from.

How, then, do you think about ABF in a portfolio context? There's no single answer, but let me give you some of my thoughts.

Institutional investment portfolios tend to have three main risks: corporate credit risk, commercial real estate risk, and equity risk (and you can argue that corporate credit and equity risk are increasingly correlated).

ABF helps diversify those risks in really interesting ways.

Infrastructure assets tend to be non-cyclical, and they're often more attractive during market volatility.

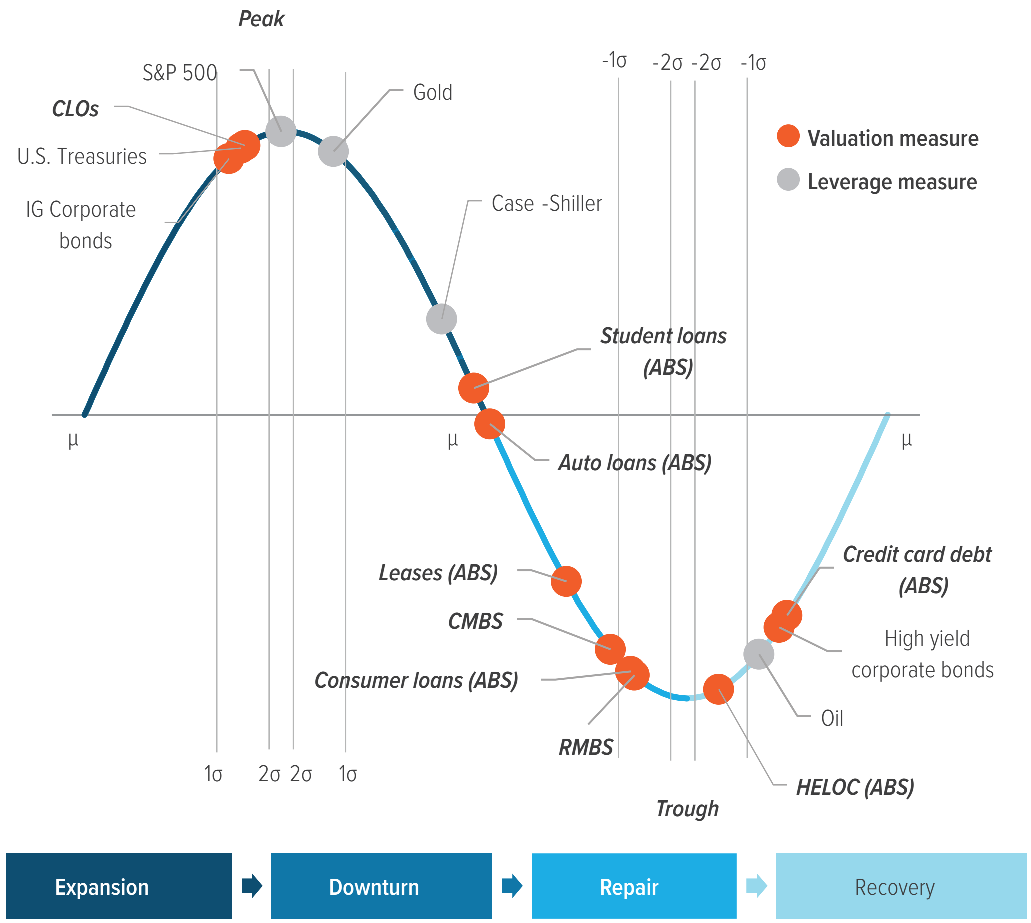
The infrastructure side of ABF is broadly non-cyclical: If you have a power generation plant that's got a 10-year power purchase agreement with a corporate or utility offtaker, you're going to be selling a set amount of power at a specified rate for 10 years, no matter what's happening in the broader economy.

These infrastructure assets also tend to become more desirable when markets are volatile or in a downturn, making them likely targets for buyouts and roll-ups—just ask our renewable infrastructure debt team, who had one of their best exits to date via M&A in January.

There is also a good amount of US$-denominated infra ABF based on foreign (frequently emerging market) assets, which provides further diversification from U.S. portfolio assets.

What are you selling down to buy infra ABF? The obvious targets are corporate infrastructure bonds and municipal revenue bonds. (Even after taxes are taken into account, infrastructure placements tend to remain attractive.) If you are de-risking your portfolio and lowering equity weights but want to maintain sector exposure, placements that offer preferred or equity kickers can be alternatives to utility and infrastructure stocks.

Exhibit 8: Asset-based credit enables investors to pick up spread while accessing different credit cycles



Structured receivables deals are cyclical, but they're less correlated to corporate credit cycles.

The structured receivables side of ABF does have a general public fixed income equivalent: securitized credit ABS.[2] But, given the way the Agg absolutely robs securitized credit of anywhere near a proper weighting, most investors don't have a chunky enough ABS investment to sell down to fill a private ABF allocation.[3]

The appeal of structured receivables ABF is also broadly similar to ABS: They're cyclical, but those cycles are often different from that of corporate credit—which still tends to dominate institutional fixed income portfolios. And, as we all know, tapping imperfectly correlated sources of return is smart investing (Exhibit 8).

Structured receivables represent a more senior, bankruptcy-remote call on cash flows than classic investment grade corporate lending. In a volatile market, they can also function as a replacement for certain kinds of equity. If consumer spending is looking shaky, would you rather own stock in a restaurant chain or clothing retailer, or in a senior tranche of a franchise payments ABF? A U.S. airline stock or bond, or an ABF secured on airplane leases? A credit card company, or AAA-rated merchant receivables? Entertainment company stocks, or music royalties / sports media rights payments?

[2] Fund finance gets a bit trickier, because the comp is dependent on the nature of the underlying collateral. Comps could range anywhere from broadly syndicated loan CLOs to REITs to listed PE companies.

[3] Less than 10% of the U.S. securitized credit market is included in the Agg: only investment grade credit card, auto loan, and stranded cost ABS, plus conduit CMBS with a WAL of over one year. Issues that fit under the benchmark are usually $800+ million; issues outside the benchmark average $200-500 million. Spread premiums for benchmark issues are much lower. For more, see our Securitized Credit Primer.

What to look for in an ABF manager: transparency, communication, and experience

Resist the illusion of the one-stop shop.

With seemingly the entire market saying that everything is ABF now and they can offer all of it, this still leaves one major question for investors: Who do you choose? I would say, first off, there aren't any true one-stop shops that offer access to the entire private credit spectrum and charge less than 50 bp for the pleasure.

This means that, yes, you're probably going to end up with three or four third-party managers if you want to access the entire spectrum of ABF.

Length and depth of underwriting expertise is crucial, as is credit monitoring.

Prioritize length and depth of underwriting expertise—each of these areas is a specialty, with its own specific risk vectors, learning curves, and sensitivities.

You should also prioritize customer service. That involves making sure you have a partner who is transparent and communicative, and one who will listen to your goals for your portfolio—not just fill it with the things they need to get off their balance sheet.

Are they promising a model portfolio where they don't have a history of investment? That's a red flag. You don't want to find out six months down the line that your portfolio doesn't look anything like the model because "sorry, that's all we could get." (This is where ties to a captive originator, such as an aircraft lessor, can seem great in theory but may result in inflexible portfolio management.)

While there are some ABF assets we like more than others right now (see Exhibit 9), we don't present a model portfolio or suggested weightings or our "best ABF idea" to clients, because of the factors discussed above. Every portfolio is bespoke, and every client is different, and our job at Voya is to listen to our clients and help build the portfolios that best suit their unique goals and concerns.

I'll leave you with one last thought. I said we've been doing this for a while, and I mean it. We have been doing ABF for 25 years, and we've never lost a dollar.

It's not whether you can make the loan; it's whether you can get it back.

Exhibit 9: The assets we favor (✓) in the ABF space

Corporate credit | Mortgage credit | Securitized credit | Growth areas | **Bold: Available sourcing**

Financial assets		Real assets		Real estate		Consumer assets
Commercial	Fund finance	Transport	Infrastructure	Commercial	Residential	
Equipment ✓	**ABL to credit funds ✓**	**Aviation**	**Data center ✓**	**Bridge CMLs ✓**	**Reverse mortgages**	Auto loans
Inventory	**Collateralized fund obligations ✓**	**Containers**	**Renewables ✓**	**Construction loans ✓**	**Mortgage servicing rights**	**Credit cards**
Trade receivables	**GP financing ✓**	**Maritime**	**Stadium finance ✓**	**Non-performing loans ✓**	**Non-QM**	**Home improvement ✓**
Sports media/ player trans.	**Net asset value lending ✓**	**Railcars**		**Small balance whole loan ✓**	Residential solar	Personal loans
Payment rights ✓	**Private CLO tranches**	Fleet finance		**Multi-family preferred ✓**	**Single family rental**	**Point-of-sale finance**
Franchise	**Subscription lines ✓**	Rental cars		**C-Pace ✓**	**Home equity loans/agreements**	**Student loans**
Music royalties	**Significant risk transfer**			Chattel loans	**Credit risk transfer**	
					Non-performing loans	
					Residential transitional loans	
					Land banking	

Source: Voya IM.

A note about risk

All investing involves risks of fluctuating prices and uncertainties of rates of return and yield. All security transactions involve substantial risk of loss.

Private credit: Foreign investing does pose special risks, including currency fluctuation, economic, and political risks not found in investments that are solely domestic. As interest rates rise, bond prices may fall, reducing the value of the share price. Debt securities with longer durations tend to be more sensitive to interest rate changes. High yield securities, or "junk bonds," are rated lower than investment grade bonds because there is a greater possibility that the issuer may be unable to make interest and principal payments on those securities. Other risks of private credit include, but are not limited to: credit risks, other investment companies risks, price volatility risks, inability to sell securities risks, and securities lending risks.

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