

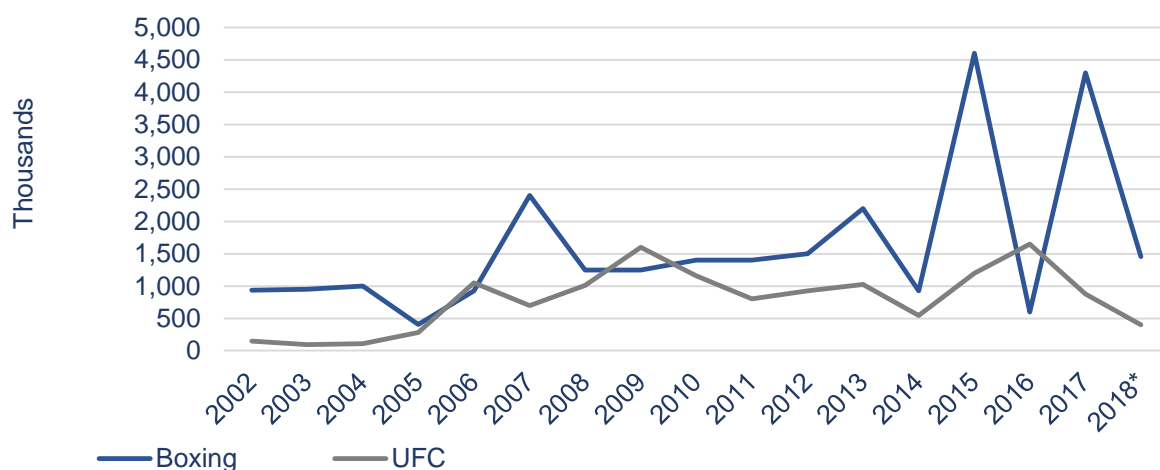
Sector Overview

Combat Sports

In 2016 the combat sports industry was at the forefront of M&A news when the UFC was sold for an unprecedented \$4bn to WME-IMG (‘Endeavor’). 2016 was the year many believed that combat sports and MMA specifically, had finally cemented itself as mainstream entertainment. This was reflected in financial successes accrued off the back of stars such as Jon Jones, Brock Lesnar, Ronda Rousey, and Conor McGregor. McGregor is the biggest pay per view draw in MMA history, headlining four of the six highest selling PPV events in UFC history. His rematch with Nate Diaz at UFC 202 in July 2016 resulted in 1.65m PPV buys, which is the highest ever for an MMA event. Two years on and these figures have yet to be replicated.

Since 2016 UFC viewership, TV ratings and PPV buys have declined and in 2017 no PPVs reached over 1,000,000 buys, compared to 2016 where this milestone was reached 5 different times. Box office performance for the UFC in 2017 was moderate as they produced only two events with 850k PPV buys. McGregor had stolen the viewership and the spotlight that year by jumping into boxing. McGregor-Mayweather was the second biggest PPV event of all time, with 4.3 million buys in North America. The revenue generated was estimated to have been worth \$700m and the broadcast had potentially reached 1bn homes worldwide. Meanwhile 2018 has been abysmal so far for the UFC, with their highest selling PPV UFC 226 only reaching a paltry 400,000.

PPV Annualised (Boxing versus UFC)



Source: Bwin



Forbes: Top Sports Earners 2018

These performance indicators seem to suggest three points. Firstly, the UFC's success was largely reliant on their star fighters and creating "super fights". Secondly, the UFC PPV model is not sustainable. Thirdly, the UFC was unable to retain viewership and mainstream interest. UFC president Dana White announced in 2017 following the conclusion of McGregor-Mayweather, that the UFC would enter boxing. This was a humiliating moment for Dana, due to his failure to deliver on his promise that the UFC would overtake boxing and finally kill the industry. Instead the UFC would now be relying on boxing due to its lacklustre financial performances. This comes as no surprise given the resilience of the boxing industry which continues to defy its critics and doomsayers.

The phrase "boxing is dying" has been recycled for several decades, and yet statistics show this is far from the truth. Boxing has consistently drawn more viewers and PPV buys than the UFC. Since 2002 the UFC have only eclipsed boxing's best buy rates [3 times](#) in 16 years. According to Forbes, Floyd Mayweather was the highest paid sportsman of 2018 with [earnings totalling to \\$285m](#). Conor McGregor was the fourth highest paid with his earnings reaching \$94m as a result of his brief stint in boxing. Other boxers such as Canelo Alvarez rising star Anthony Joshua reached 15th and 25th respectively. No MMA fighter competing under UFC or any other MMA promotion reached the top 100. The financial trends up until 2016 suggested the gap between UFC and boxing was closing, but the data from the last two years suggests otherwise.

Business is booming for boxing in 2018, continuing its incredible momentum from 2017. Earlier this year Wilder-Ortiz (competing with another boxing event and UFC concurrently) drew an impressive [1.2 million viewers, including UFC's Dana White who chose to view the event over one of his own](#). Heavyweight champion Anthony Joshua retained his title this year as well against Joseph Parker, and is set to defend his title in September against Alexander Povetkin. September is shaping to be the most important month of 2018 for boxing and combat sports. Amir Khan makes his second fight after a two-year hiatus to face Samuel Vargas, and Canelo will face Gennady Golovkin in a highly anticipated rematch for the WBA, WBC and IBO middleweight title. These three high-profile fights will demonstrate why boxing is still the face of combat sports.



#1
\$285m
**Floyd
Mayweather Jr.**



#4
\$99m
**Conor
McGregor**



#15
\$44.5m
**Canelo
Alvarez**

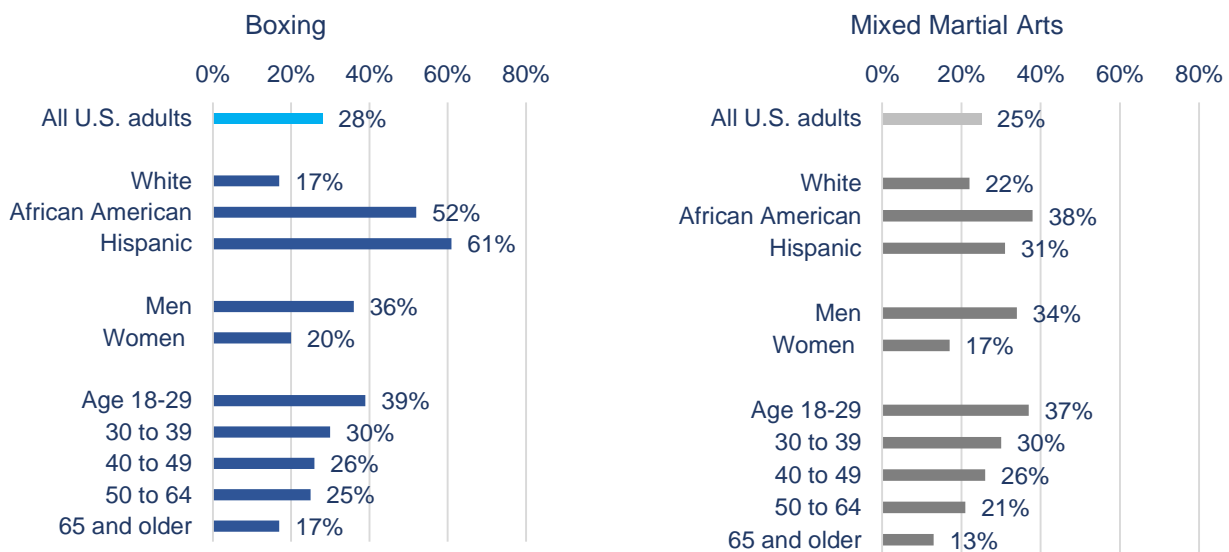


#25
\$39m
**Anthony
Joshua**



In terms of age demographics both MMA and boxing have overlapping viewers. The UFC struggled to attract a wider audience with their 7 year television deal with FOX which was worth between [\\$800-900m](#). The Sports Business Journal had found that there was a [3% decline in young viewers between 2003-2016 and that there was a jump from 34 to 49 in the median age of UFC TV viewers](#). The UFC refuted this claim and placed the median age closer to [39 years old](#). The boxing age demographic was reportedly similar according to the Sports Business Journal. A Washington Post [poll](#) found 28% of American adults were boxing fans, and 25% reported they were MMA fans. Attempts across the industry should be made to engage younger fans to ensure the industry continues to thrive.

Boxing, mixed martial arts both most popular among non-whites, younger adults and men



Source: Washington Post

Lucrative TV and streaming deals are becoming commonplace in the combat sports industry and could be a solution to both falling PPV numbers as well as ageing fans of the sport. TV package deals are cheaper than buying individual pay-per-views, meaning better value for the consumer. Streaming is the preferred choice of millennials who watch less traditional TV. The UFC secured a 5 year TV deal with ESPN in 2018 (taking effect in 2019) worth \$1.5bn. Their previous TV deal was a 7 year deal signed with FOX amid bids averaging at around \$100m. Matchroom Boxing signed boxing's "first ever billion-dollar deal" with DAZN for exclusive streamed broadcasting rights on the platform. Matchroom Boxing also extended their contract with SkySports until 2025, and extended their outreach to the United States. One Championship claim that by several metrics they are up to 50 times more popular than the UFC in Asia, and have signed several TV deals to extend their outreach to potentially 1 billion people.

There has been some experimentation and innovation in the industry as well which could perhaps propel the industry forward by gaining a sustainable following. Amir Khan has developed and introduced both boxing and MMA leagues in both India and Pakistan. Super Fight League and Super Boxing League utilise a unique and engaging format where fighters compete for franchised teams instead of on an individual basis. These teams represent the largest cities within their respective nations and focus on marketing and recruiting within local districts. Under this format scheduling is consistent, fights are more frequent, fans have the option of aligning themselves to teams or individual fighters, key infrastructure such as gyms are developed at a local level, and there is engaging progression throughout the season as narratives build towards playoff fights. It will be interesting to track both SBL and SFL's progress within the next few years to gauge the success of this new format and play close attention to whether competitors may incorporate key elements into their own promotions.





To summarise, it seems as though the UFC has been on the decline for the last two years in terms of viewership, ratings, relevancy, and PPV buys. Meanwhile boxing has maintained its dominance in the industry and will most likely finish strong by the end of 2018 due to three high profile fights scheduled in September. There is a long-term concern in the industry as a result of ageing demographics, however steps have been taken to remedy this with TV and streaming deals as well as potentially new formats (team based franchise leagues) to engage younger demographics and sustain the industry.

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