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Chinese investors look to hockey as NHL tries to expand footprint

By NATHAN VANDERKLIPPEERIC DUHATSCHEK

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With Beijing preparing to playing host to the 2022 Winter Olympics, both the NHL and the Middle Kingdom are looking to create transpacific scoring opportunities in a game known as 'soccer on ice'

Chinese companies and entrepreneurs have poured billions of dollars into buying soccer clubs across Europe. Now, those companies are turning to the sport that is sometimes referred to in China as "soccer on ice," at a moment the NHL is readying a major new push into the world's most populous country.

Groups of Chinese buyers have begun talks with advisers in Beijing and elsewhere, discussing NHL clubs that might accept an initial investment. Though such investments can take time to assemble, at least one buying group has got close enough to discuss financial terms for a potential purchase.

"They're very much in the market, and trying to complete a transaction," said Alexander Jarvis, chief executive of Black bridge Cross Borders, a company known for its deal-making expertise, and which has connected Chinese money with European soccer clubs. In recent months, he has also spoken with several groups about investing in the NHL.

There is interest on both sides of the Pacific to create closer ties as the NHL tries to expand its footprint beyond North America and Chinese authorities look to the NHL for its expertise in helping them develop a hockey culture and trying to popularize the sport in China ahead of the 2022 Beijing Winter Games.

Chinese president Xi Jinping is widely believed to be a hockey fan, his ardour for the sport second only to soccer. Another Asian Olympics next year, the Pyeongchang Games in South Korea, has further fuelled a desire in China to achieve winter sports glory. The Chinese are hoping a trickledown affect will help create a stronger national hockey team that won't be embarrassed during the Olympics.

As a result, hockey has vaulted into a new position of national prominence in China, a country that does not have the equivalent of a Yao Ming to spread the sport's gospel. Yao, a former Chinese and NBA star, is often credited for the boom in basketball's growth in China.

NHL officials are finalizing details for a pair of September exhibition games between the Vancouver Canucks

and Los Angeles Kings in Beijing and Shanghai. Commissioner Gary Bettman is planning a trip to Beijing later this month to announce the games, which will fit with a broader effort to increase both Chinese corporate sponsorship and interest in hockey, and may one day even result in the NHL helping the Chinese set up its own league.

"Our understanding is, they're looking at building hundreds of rinks and arenas and looking for ways to introduce the game to people throughout the country – and that's something we've been interested in exploring at all levels in the game," Bettman said.

"The more interesting play, which they're not ready for yet, is the creation of an indigenous Chinese league that we could use our resources to set up and launch. It's an exciting, interesting opportunity that, based on the sheer magnitude of the market, can't be and shouldn't be ignored."

In China, local government functionaries and corporate titans alike believe they can help hockey grow in part by acquiring ownership in a North American team whose skill, savvy and branding can be used to improve hockey back home. Chinese buyers are looking for high-performing teams that can provide a return on investment, while knowing that the Original Six are likely too sacred to touch. Instead, they have trained their sights on clubs such as the Dallas Stars, San Jose Sharks and Carolina Hurricanes.

"The stars are in line," said Peter Schloss, managing partner at CastleHill Partners Ltd., a Beijing-based Merchant bank that specializes in media, sports and entertainment.

"We've been approached frequently by potential Chinese buyers of all or parts of NHL franchises," he said. "If there's a willing seller on the NHL side, there are willing buyers in China. That's a certainty."

NHL deputy commissioner Bill Daly foresees a time when Chinese investment in NHL franchises becomes a reality.

"I think there are those people out there," Daly said. "I would say that's still in the nascent stages – of both interest and coming to fruition – but I certainly think it's a very real possibility that that happens in the future."

"There's no doubt there have been a number of expressions of interest from Chinese business entrepreneurs who are interested in investing in the league."

Foreign ownership is not new to the NHL. The original owners of the Tampa Bay Lightning were Japanese, while the San Jose Sharks are currently owned by German billionaire Hasso Plattner. "We would listen" to a proposal from a Chinese buyer, Bettman said. "We don't have any restrictions based on national origin."

Daly also reiterated that "there would be no issue with foreign investment in the league. They would be subject to the same ownership criteria as every other potential investor and subject to board of governors' approval, but anybody who has an interest in our league, we have an interest in them."

Other professional sports have already built sizable audiences in China. The NBA reportedly signed a \$940million (all figures U.S.) Internet rights deal with China in 2015; soccer's Premier League last year signed a similarly-sized deal for three years.

Hockey's first steps into China were less successful.

In 2010, Schloss secured the online streaming rights for NHL games in Asia through Allied Pacific Sports

Network, a company he cofounded. "We had no traffic. Nobody would subscribe to the games," Schloss said. APSN ceased operation a few years later.

Hockey hasn't found its own Yao, either. In 2015, Andong Song became the first mainland-born Chinese drafted into the NHL. He currently plays for the Madison Capitols, in the United States Hockey League, where he has not scored a goal in 42 games.

Meanwhile, home ice remains populated largely by figure skaters, speed skaters and recreational skaters. The entire country is unlikely to count more than 6,000 registered hockey players, a tally that has grown by at most 1,000 in the two years since Beijing won the 2022 Olympics, estimated one person with decades of hockey experience in the region.

With a few exceptions, skill levels remain low, too. "A beer-league team renting ice at 3 a.m. in Montreal is going to be about the standards you're going to get if you put together a national league here," he said, adding that it could take at least a generation for the country to reach global hockey competitiveness.

But in a country where state planners – and a desire to please the emperor – still hold power, things are changing.

In Beijing, high schools are building rinks and cobbling together hockey teams. Schools in the Chinese capital plan to make participation in winter sports compulsory for elementary and middle-school students.

The NHL has aired on CCTV 5+, the digital outlet of the Chinese state-run sports broadcaster, which sent announcers to the Stanley Cup final last year. In January, the league signed a five-year streaming deal with Chinese Internet giant Tencent, which also holds NBA and Premier League rights.

Boosters hope that hockey, with its rough-and-tumble action, will better appeal to Chinese more than slower-moving sports such as baseball or U.S. football, whose rules and gameplay are also more difficult to understand.

Russia's Kontinental Hockey League had a team begin playing in Beijing last year, and though it has struggled to win a large audience, made the playoffs this season. Last week, the Beijing team announced the hiring of former NHL coach Mike Keenan, another indication of its ambitions – and funding.

Local bankers, too, are casting a wide net. Jarvis has been meeting with a strategic investments division of the Bank of China, which asked him to profile potential targets for its investments.

"Hockey clubs, snowboarding, winter sports – pretty much every sector in winter sports you can imagine, even clothing," Jarvis said. "They want deals."

There are parallels with China's sudden lust for soccer clubs in the past few years, with companies and investors spending more than \$2 billion on clubs since 2015, and hundreds of millions of dollars more to buy overseas talent for teams in the Chinese Super League.

No one expects that much money to pour into hockey, a sport with a much smaller footprint.

"But I'm sure it's going to happen," said Feng Tao, chief executive of Shankai Sports, a sports-marketing firm. And although it may have taken decades to build soccer in China, the looming Olympics mean hockey is likely to develop at greater speed.

"The growth of winter sports will be faster than [soccer]," Feng said.

In January, Daly made a whirlwind trip to China to meet with potential sponsors, sit down with government officials and otherwise pave the way for future business opportunities.

"I didn't get to do a lot of sightseeing," Daly said.

He sketched out possibilities for relationships with Chinese businesses, holding more NHL events, and "investing in youth hockey in China, which we are prepared to do. I think there are a number of different facets of becoming relevant on the Chinese sports landscape and I think it's something we're prepared to do."

China's dramatically different cultural background, however, is likely to pose challenges.

Matt Beleskey, a Boston Bruins left winger from Barrie, Ont., was asked by the Bruins to travel to China last summer and participate in youth hockey clinics along with teammate David Pasternak, who wears No. 88 – 8 being a lucky number in China.

Beleskey said the way Chinese players learn and absorb lessons is different than the way North American players are trained. He believes it's related to martial-arts training.

"They would ask, 'What test do I have to pass to make it to the NHL?' I'd say, 'That's not really how it works.' But they want to do the work and learn the skills. I think watching some of their coaches teaching their kids, they know what they're doing. They're teaching them well."

Still, "fans in China are passionate about the sports they watch," Beleskey said. Take basketball, which is "like a religion to them. Every Saturday morning, they watch basketball on television," he said.

China is "a massive market – and hopefully we can dig into it."