

# PE Hub Europe

## Raine sets sights on sports elite with Castore investment

*But Castore ‘won’t lose sight of what’s brought them to this point – the really great local teams that are extremely well-loved within their communities’, said Raine’s Jason Schretter.*

By Craig McGlashan  
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The Raine Group's investment in UK sportswear and digital retailing platform Castore will help the business reach the top-tier clubs in football, partner Jason Schretter told PE Hub Europe. But it will keep its focus on the "bread and butter" sports teams that helped its rise, he added.

Raine, via its growth equity fund Raine Partners, led a £145 million (\$184 million; €168 million) funding round in Castore in November. It contributed just over half of the total, with investment firms Hanaco Ventures and Felix Capital providing the rest.

The money, along with New York-based Raine's experience in sports business, will help Castore compete with the big three of Nike, Adidas and Puma in winning contracts with elite teams, said Schretter.

"They would love to continue to grow into bigger and bigger teams," he added. "As you go up the pyramid it gets more and more competitive. That's part of what our fundraise is meant for – to have the financial firepower to compete for some of those top-tier teams. Some will be difficult to move, so there's a gap they need to bridge.

"They've broken into F1, have a pretty good presence in rugby, they see cricket as an opportunity they're just scratching the surface on. There's a lot more sports to go after and a lot more teams within those sports. We bring an ability to help grow beyond Europe. There are opportunities in the US outside of the big leagues that could be really compelling.

"Asia, the Middle East, even Latin America are places where Castore haven't focused historically, but we bring that connectivity to the global sports ecosystem."

While Castore's client list has big names in sports in cricket and rugby, in the super-rich world of football it has focused on teams with a smaller global profile. Castore's approach has been to treat those teams like the big three do their top clients, said Schretter.

"We know the problem that Castore is solving because we see it with some of our clients. These sports brands and sports teams operate with fan bases of millions, sometimes tens, sometimes hundreds of millions," he added. "Yet the service they sometimes get from their partners on the merchandising side is as if they were just another client."

### **Underdog**

Looking for value in sports away from the elite teams has been a growing private equity strategy. LBK Capital believes it can find value in what managing partner Ben Rosenzweig told PE Hub Europe was the "nascent asset class" of player transfers with its lower league Italian club Triestina.

Castore has also looked to move up the divisions. Having been founded in 2016 by brothers Tom and Phil Beahon, who "started out of the trunk of their car selling Castore merchandise", said Schretter, the company secured £7.5 million in 2020 from investors to expand into professional sports teams – something it then achieved later that year when it signed a deal in 2020 with Rangers, a Glasgow football club. In another Scottish connection for the Liverpool company, UK tennis great Andy Murray also signed a partnership with the company that year.

"These guys were fortunate enough that a team like Rangers gave them a shot," said Schretter. "They come in with a good sales pitch where you can go to a team like Rangers and you can say to them, 'Hey, you've got millions of fans, you deserve to be treated like the brand that is of the quality that you are.'"

“It took someone like Rangers and the other early teams to give them a shot. They’ve done right by those teams and that’s helped them build over 50 franchises.”

From selling kit out the back of a car, Castore’s revenue hit £115 million in the year to 31 January, according to its last financial statement. That was up from £48.8 million the previous year. Operating profit grew from £8.1 million to £16.6 million, while the most recent gross profit margin was 69.6 percent.

### **Big fish**

Rangers is a perfect example of the type of club that Castore has focused on. While it has the 23rd highest average attendance in the world so far this season according to statistics site Transfermarkt – above the likes of giants Paris Saint-Germain, Liverpool and Barcelona – its being in the Scottish Professional Football League means it cannot attract the media revenues enjoyed by larger European leagues, especially its southern neighbour. The SPFL last year signed a £150 million TV deal with Sky Sports – while this week the English Premier League signed a £6.7 billion deal with Sky and TNT Sports.

Castore’s approach is to give the likes of Rangers the all-encompassing commerce offering that Nike, Adidas and Puma only do for “their top clients”. For the rest of the big three’s customers, it’s a case of “if you want a new jersey, pick from the catalogue”, said Schretter.

With Calstore, “it starts with product design to listen and tailor with the teams to come up with something engaging, then doing all the manufacturing and logistics to make sure that kit gets to the right place in the right stores at the right time”, he added. “Then managing all the interactions. If you’re buying something on the Rangers store, you’re buying through a Castore operated site. Most people think it’s just a consumer brand and a logo on the jersey, but it’s more than that.

“You get revenue growth because Castore helps you grow revenue materially, you get data and capabilities you wouldn’t be able to create on your own because this is tough stuff. It’s bespoke connections at a lower cost.”

From the same playbook, Castore tapped into the super-rich English league by signing a deal in 2021 with Newcastle United, a side long starved of success that had languished with midtable finishes or seasons in the second tier for several years. That changed however when later that year a Saudi-led consortium bought the club, at a stroke turning it into one of the world’s richest. Newcastle announced in September that it would partner with Adidas from the 2024/25 season.

While Raine hopes its investment in Castore will now allow it to compete for the top tier teams, it will stick with the business model that has got it this far.

“Castore doesn’t want to lose sight of what’s brought them to this point,” said Schretter. “The really great local teams that are extremely well-loved within their communities, that’s always going to be the bread and butter. We don’t want to lose sight of that being the main event.”