
MARYLAND LOTTERY and GAMING CONTROL COMMISSION

1800 Washington Blvd., Suite 330, Baltimore, Maryland 21230

COMMISSION REPORT



**FBG Enterprises Opco, LLC
d/b/a Fanatics**

**SPORTS WAGERING FACILITY OPERATOR
LICENSE APPLICANT**

License Applicant Number: 2021-SW-26

Report Date: June 10, 2022

“Commission Presentation”

INTRODUCTION

Role of the Maryland Lottery and Gaming Control Commission (“Commission”)

The Commission is required to determine whether sports wagering applicants have proven, by clear and convincing evidence, that they meet the qualifications for licensure under the Sports Wagering Law. Requirements for qualification include: (1) applicant’s financial stability and integrity; (2) integrity of any financial backers related to the application; (3) applicant’s good character, honesty, and integrity; (4) applicant’s business ability; and (5) whether there are any mandatory disqualifiers that prevent the applicant from proving its qualifications by clear and convincing evidence. The Commission cannot issue a license unless it determines that the applicant is qualified.

The Licensing Division of the Maryland Lottery and Gaming Control Agency (“Agency”) conducts the required background investigation of an applicant’s qualifications. A report of the background investigation is provided to the Commission to assist it in determining whether the applicant described in this Report has proven that it is qualified.

The full report is confidential, and is available to the Commission on the Agency’s shared drive. The Executive Summary that will be presented by Staff at the Commission meeting is a public document, which will be provided in the

Commission packets, and is also available on the Agency website with other Commission meeting documents.

We are conducting a hearing on the Sports Wagering Facility Operators License Application submitted by FBG Enterprise Opco, LLC, d/b/a Fanatics. The Maryland Lottery and Gaming Control Agency is required by “The Gaming Law” to conduct an investigation to determine if Fanatics is qualified to be awarded a Sports Wagering Facility Operators License.

You (the Commissioners) have been provided with the complete investigative report on Fanatics. You have also received a copy of the public report that was in your packets and made available to everyone on the agency website. I will summarize the reports that have been given to you.

Background

Fanatics Holdings, Inc. (the “Company” or “Fanatics”) was originally incorporated in Delaware on March 26, 2012 under the name FTS Holdings, Inc. and subsequently changed its name to Fanatics Holdings, Inc. on August 27, 2012. Historically, the Company has primarily manufactured and distributed a broad assortment of licensed sports

merchandise and memorabilia including fan gear, team jerseys and headwear. However, in August 2021, Fanatics announced plans to evolve into a leading global digital sports platform through expansion into new areas of business including sports trading cards, gambling and gaming, ticketing and media. The Company recently entered the sports trading card business with its acquisition of the Topps Company, Inc., and is currently developing a digital sports wagering and gaming platform. The Company's headquarters is located at 8100 Nations Way in Jacksonville, Florida.

Fanatics Holdings is a direct or indirect parent company of Fanatics Global Holdco, LLC, FBG Enterprises Topco, Inc., FBG Enterprises Intermediate Holdco, LLC, FBG Enterprises Top Holdco, LLC and FBG Enterprises Opco, LLC. With the exception of FBG Enterprises Opco, LLC, the Applicant, each of these entities has submitted a Sports Wagering Principal Entity Disclosure Form to the Commission. The Applicant was formed in Delaware on September 21, 2021 and has filed a Sports Wagering Facility Operator License Application with the Commission.

Ownership of the Company

As of December 31, 2021, the following entities held a 5% or greater economic ownership interest in Fanatics Holdings, Inc., the Company:

- Kynetic F, LLC
- SVF Excalibur (Cayman) Limited
- Silver Lake Partners IV, L.P. Kynetic F, LLC also holds the majority of the Company's voting interest and is privately owned by Mr. Michael G. Rubin and an affiliated trust. Kynetic F, LLC has filed a Sports Wagering Principal Entity Disclosure Form, Mr. Rubin has filed a Sports Wagering Principal Employee License Application and both SVF Excalibur (Cayman) Limited and Silver Lake Partners IV, L.P. have filed Sports Wagering Institutional Investor Waiver Applications with the Commission.

Recent Acquisitions and Dispositions

In the past two years, the Company has acquired several businesses to expand its product offerings. Specifically, in September 2020, the Company acquired Top of the World, LLC, a retailer of licensed baseball caps, visors and apparel. In December 2020, Fanatics acquired all of the outstanding shares of WinCraft, Inc. WinCraft is a manufacturer of licensed and promotional products for retailers, professional sports teams, schools and colleges, and businesses. Finally, in December 2021, the Company acquired the sports and

entertainment divisions of the Topps Company, Inc., a licensed trading card brand.

Discussion of Financial Performance of the Company

We performed a detailed analysis of Fanatics Holdings, Inc.'s operating performance and financial condition for the periods ending December 31, 2017 through December 31, 2021. We offer the following comments:

Financial Analysis

The Company's overall operating performance during the five-year review period was unfavorable as it incurred net losses in calendar years 2017 to 2020 before realizing a small profit in 2021. Although the Company's revenues increased significantly over the period, increases in both cost of goods sold and operating expenses kept pace with revenue growth, resulting in net losses. As the Company has recently acquired new businesses and expanded into new areas including sports trading cards and sports wagering and gaming, increased expenses are to be expected in the short term, but Fanatics expects to achieve cost synergies moving forward which should improve its operating performance. Despite its operating challenges, the Company's financial strength has improved in recent years. This is due mainly to recent stock offerings that resulted in a substantial influx in cash and improvement in

stockholder equity which has better positioned the Company to continue its expansion efforts. Additionally, the Company's current long-term debt is very manageable and it has a substantial amount of borrowing capacity available to it should the need arise.

Fanatics Holdings has sufficient liquidity to meet its financial obligations and working capital requirements for the foreseeable future. Additionally, the Company's financial ratios and margins are generally favorable and its auditors have not expressed any concern with the Company's financial condition or operations. There are no financial concerns with the licensure of Fanatics Holdings, Inc., Fanatics Global Holdco, LLC, FBG Enterprises Topco, Inc., FBG Enterprises Intermediate Holdco, LLC, FBG Enterprises Top Holdco, LLC and Kynetic F, LLC as Sports Wagering Principal Entities or with FBG Enterprises Opco, LLC as a Sports Wagering Facility Operator.

FINDINGS

The MLGCA conducted a complete and thorough background investigation as authorized under the Sports Wagering Law by analyzing corporate records and documents, scrutinizing the business operations, practices, and transactions of FBG Enterprises Opco, LLC and conducting interviews of key personnel, focusing on required qualification criteria

involving integrity and financial stability. The results of the investigation for the specific qualification criteria enunciated in under the Gaming Law are summarized as follows:

- 1) Fanatics was found to have financial stability, integrity and responsibility
- 2) There were no material issues involving the known financial backers
- 3) Fanatics possesses the requisite good character, honesty and integrity
- 4) Fanatics Inc. has sufficient business ability and experience
- 5) There were no potential disqualifying factors

APPLICANT AND PRINCIPAL ENTITIES

The Applicant and its principal entities satisfy the applicable qualification criteria under SG § 9-1E-07(e)(6) and COMAR 36.10.03.02 and 36.10.06.03, and are not disqualified under COMAR 36.10.03.02C.

PRINCIPAL QUALIFIERS

We identified the following natural person qualifiers (“principal”) who are associated with the Applicant. We conducted an extensive due diligence investigation on these qualifies. We found that the principals have satisfied the

applicable qualification criteria under SG § 9-1E-07(e)(6) and COMAR 36.10.03.02 and 36.10.06.05, and are not disqualified under COMAR 36.10.03.02C.

1. Michael G. Rubin (Chief Executive Officer)
2. Michael Conn
3. Matthew King
4. David Kain
5. Glenn Schiffman
6. Frank Mack

CONCLUSION AND OPINION

MLGCA's investigation has confirmed that the Applicant has sufficient financial resources and found no derogatory information regarding the Applicant's qualifications. Based on the criteria in SG §§ 9-1E-07(e)(6) and COMAR 36.10.03.02, we conclude that the Applicant and its principal has established by clear and convincing evidence their qualifications for a Sports Wagering Facility Operator License.