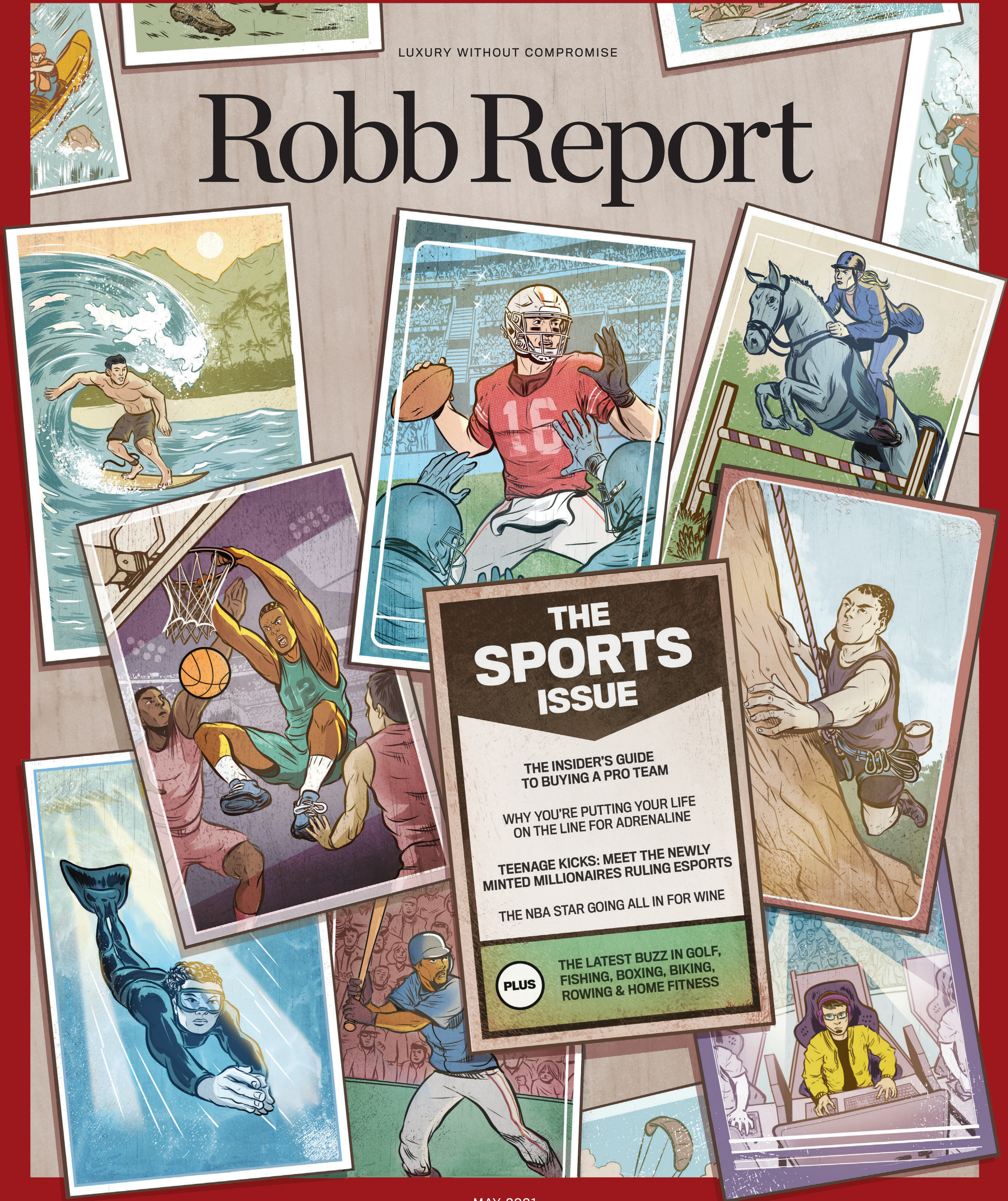
LUXURY WITHOUT COMPROMISE

Robb Report



THE SPORTS ISSUE

THE INSIDER'S GUIDE TO BUYING A PRO TEAM

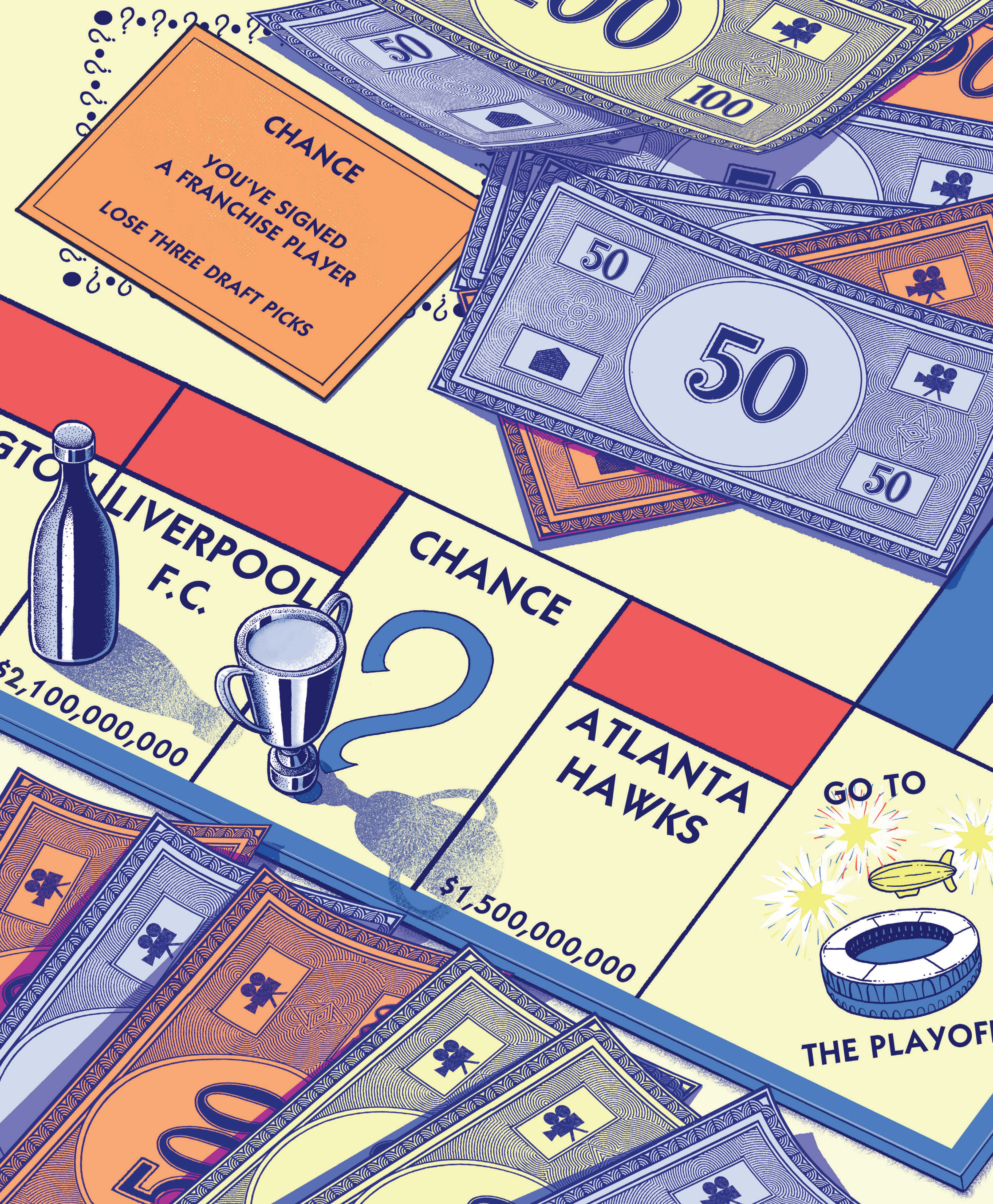
WHY YOU'RE PUTTING YOUR LIFE ON THE LINE FOR ADRENALINE

TEENAGE KICKS: MEET THE NEWLY MINTED MILLIONAIRES RULING ESPORTS

THE NBA STAR GOING ALL IN FOR WINE

PLUS THE LATEST BUZZ IN GOLF, FISHING, BOXING, BIKING, ROWING & HOME FITNESS

MAY 2021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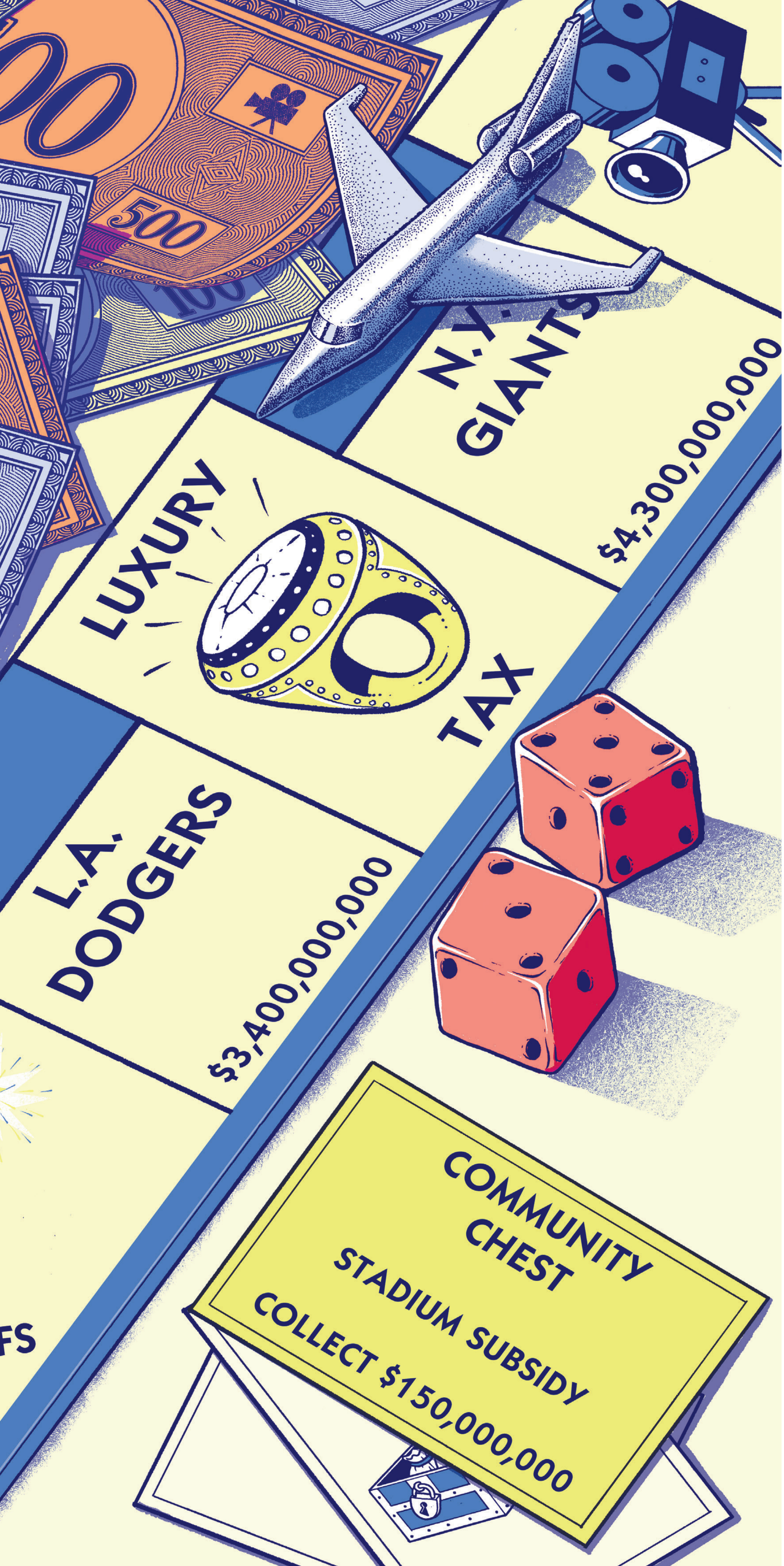

The Sports Issue

For the Love of the Game

Thinking of buying a team? We asked those who already own one (or more) for advice. Here's what they want you to know.

By Anthony Effinger
Illustration by Renaud Vigourt

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When financiers Marc Lasry and Wes Edens bought the Milwaukee Bucks in 2014, the team had the worst record in the NBA, it played in one of the smallest markets and the price—$550 million—was the highest ever for a professional basketball team.

Lasry and Edens know about distressed assets. They'd purchased billions' worth of beat-up bonds, bank loans and companies. But $550 million for the Bucks? The team hadn't won a league championship since 1971, and it was 15-67 for the 2014 season.

"So, why do it?" Lasry asks *Robb Report* rhetorically. "Because that was the price."

Then-owner Herb Kohl, a former US senator, wanted $550 million, and he wanted the team to stay in Milwaukee. No amount of negotiating would change his mind, Lasry says, and Kohl could stick to his guns because the market for sports teams is unlike almost any other, except maybe art. The assets are rare, difficult to compare and in high demand, even now, after a pandemic that has kept fans and their wallets away from stadiums and arenas worldwide.

"My phone has been ringing constantly over the last year from people who are interested in buying a team," says Steve Greenberg, managing director at Allen & Co., a boutique investment bank. "And we've had very, very few calls about selling teams. A huge amount of wealth has been created over the last decade, so there are buyers out there, and that is very good for prices."

Case in point: the New York Mets. The Wilpon and Katz families put the team up for sale and engaged Greenberg (considered by many to be the best sports banker, ever) just before Covid-19 emerged. They kept the team on the market, even as the outbreak became a pandemic, and sold to hedge-fund mogul Steve Cohen in November for $2.42 billion, a North American pro-sports record.

So much for buying the dip, because there wasn't one. So how do you land a professional sports franchise in a frothy market? *Robb Report* asked some of the best minds in the business and came up with 10 recommendations. We also asked about

LURIE: JOHN ANGELILLO/UPI/ALAMY; LACOB: CARY EDMONDSON/USA TODAY SPORTS; CRANE: KEVORK DJANSEZIAN/GETTY IMAGES; LEONSIS: ROSS D. FRANKLIN/AP; STEINBRENNER: DAN FARRELL/NY DAILY NEWS ARCHIVE/GETTY IMAGES

CLOCKWISE FROM FAR LEFT: Philadelphia Eagles owner Jeffrey Lurie raises the Vince Lombardi Trophy following Super Bowl LII in 2018; Joe Lacob takes in his Golden State Warriors' 2015 championship celebration in downtown Oakland; Jim Crane hoists the Commissioner's Trophy after his Houston Astros win the 2017 World Series; Washington Capitals owner Ted Leonsis hoists the Stanley Cup in 2018; the late Yankees owner George Steinbrenner hugs coach Yogi Berra (left) and manager Billy Martin as they celebrate victory with Champagne in 1976.

those first few years of ownership, when the real work happens. New owners are often surprised by how different running a franchise is from, say, a tool-and-die company. It's a thrill to see 20,000 people cheering for your asset, but every decision you make is public, Lasry says.

Nobody knows when Microsoft CEO Satya Nadella decides to sink an extra billion into the Azure cloud infrastructure, but everyone knew when Houston Texans owner Janice McNair traded All-Pro wide receiver DeAndre Hopkins to the Arizona Cardinals. On Twitter, it is widely considered to be the worst trade since Boston Red Sox owner Harry Frazee sold Babe Ruth to the Yankees or Russia took $7.2 million from the United States in exchange for oil-rich Alaska. Many first-timers expect to run their teams just like their other businesses, controlling costs and never straying far from the spreadsheet. The reality is not like that, says Lasry. "What's been surprising is how large your desire to win is," he says. "When you buy a team, you obviously want to, but you understand the business limitations of what you can do. And then you throw all that out the window and say, 'I'm going to do whatever it takes.' "

Often, the only way people see a net gain in sports is by selling the team to another fan a few years down the road.

It has worked out just fine for Lasry and Edens. Just four months after they acquired the Bucks, former Microsoft CEO Steve Ballmer bought the Los Angeles Clippers for $2 billion, making the Bucks purchase look like a bargain, even though LA is a vastly larger media market.

The Bucks got a better comp this past October, when the family of late owner Larry Miller sold a majority stake in the Utah Jazz to local software baron Ryan Smith for a reported $1.66 billion. Miller had purchased 50 percent of the Jazz for $8 million in 1985 and picked up the rest for another $14 million in 1986. Not a bad return over 35 years, plus he got to watch all of the games from a really good seat, and that brings us to our first bit of advice about buying teams:

Don't do it for the money.

Jerry Jones, legendary owner of the Dallas Cowboys, says he has always been surprised by how much fans are invested in sports and how easy it is to market a team or league. "Every time I think I have my hands around the interest in what we're doing in football, the NFL or the Dallas Cowboys, I misread it," Jones tells *Robb Report*. The trick, he says, is turning that interest into cash. Jones does it very well. His continued branding of "America's Team" in a state where football is as sacred as wine is to the French has minted him billions. Others don't possess quite the same magic. If you like cash flow, and you keep a close eye on things like EBITDA, CAGR and NDR, then the sports business may not be for you. A 2017 investigation by ESPN found that almost a third of all NBA teams lost money despite massive national television contracts. And that's the NBA, which is really good at making money, relatively speaking. Often, the only way people see a net gain in sports is by selling the team to another fan a few years down the road. It's like the art market. Paintings are nice to look at, but they don't throw off any profit until you unload them.

Do it for the money (but only if you have the time).

Whoever came up with the "greater fool" theory may have had professional sports in mind. Every time a team sells, someone invariably says, "Oh, man, that guy paid way too much." Then, 10 years down the road, the team sells for a multiple of that price (see the Jazz, above). Based on the last three decades of data, Allen & Co.'s Greenberg says, you can expect an annualized return of 5 to 10 percent over 10 years. The question now is whether this weird Moore's Law of sports will hold up when guys like Ballmer and Cohen are paying north of $2 billion for a team. "There is no math that gets you to $2 billion for the Clippers," says another sports banker who declined to be named. "He probably overpaid by $1 billion." If past is prologue, that banker is going to be proven wrong in about 10 years. The Cowboys, for one, are worth $6.43 billion, according to *Robb Report*'s sister publication *Sportico*, but Jones has said he wouldn't sell for less than $10 billion. Seems crazy. Until it doesn't.

Keep your head.

Few people in the world know how to run a semiconductor-manufacturing company, and very few people who *don't* run a semiconductor company *think* they can run one. Not true for a sports team. Far too many fans are confident they could do the job, and they say so on social media. Some of those fans have enough money to buy teams, and they should be careful, says Steve Horowitz, a partner in the boutique investment bank

Inner Circle Sports. His number-one piece of advice to new owners: "Be dispassionate around the financial situation. People who are brilliant in one business often get into sports and have a harder time thinking through the issues around the team. Smart people will sometimes do questionable things around sports." Even owners with money to burn are going to feel losses. "It's just no fun when you buy a team and lose real money in a year," he says. "Breaking even is important. Losing money is not fun, especially if things come as a surprise."

"I have zero control once the ball goes up. That's unlike anything I have ever done."

But recognize non-monetary returns.

If Steve Cohen's priority were simply minting more money, he could keep the $2.42 billion he paid for the Mets in his investment firm, Point72, which netted 16 percent last year, jacking his fortune up by $1.4 billion, according to *Institutional Investor.* But most sports owners don't get the same kick out of, say, buying beat-up REITs or selling combined-cycle gas turbines as they do from watching their team win. "This is not like buying a manufacturing company," Greenberg tells *Robb Report*. "You don't get psychic income from owning almost any other business, unless you're a complete wonk." The problem for Type A business owners: There's no line item for "psychic income" on a balance sheet.

Be ready to surrender serious amounts of control.

We asked Mark Cuban what surprised him most after he bought the Dallas Mavericks in 2000. He said: "Losing. I have zero control once the ball goes up. That's unlike anything I have ever done." And that's just on the court. Teams are parts of leagues. If you thought your board of directors, your investors or your regulators wielded too much power over your non-sports-business life, brace yourself. The league determines if you can buy a team, and depending on the sport, it can exert Communist Party–like domination over your operations. The NFL, for one, requires that one person hold at least 30 percent of the equity in a team and have final say on team matters. And that person can't have more than 24 partners. The rule is creating havoc in Denver, where a three-member board must decide which of the seven children of late owner Pat Bowlen will control the Broncos. Bowlen died in 2019, leaving the *King Lear*–worthy fight in the courts. And it could get more costly. Recently, commissioner Roger Goodell reportedly gained the authority to fine teams up to $10 million a year for violating ownership rules. Individual owners can be fined up to $2 million. And you thought the inheritance tax was bad.

To understand why leagues insist on a controlling owner, consider the cautionary tale of the Atlanta Hawks: Several years back, when the biggest of nine partners refused to sign off on hiring point guard Joe Johnson, the other eight wanted to boot him, and the argument eventually landed in court, before the league's then commissioner, David Stern, sided with the mutinous eight and the holdout agreed to sell them his 30 percent stake in the team. Other leagues have similar rules. "You need a decision-maker," says Lisa Baird, commissioner of the National Women's Soccer League. The NWSL is "single entity," meaning owners have a share in the league, which pays player salaries and handles sponsorships and such, while individual owners manage their team's affairs. "We have a lot of alignment among owners," Baird says. "We get together and figure things out."

Look beyond the big leagues.

More than a decade ago, Jake Silverstein and his late father, cable entrepreneur Barry Silverstein, considered buying an NBA team. The big egos and the publicity turned Barry off. Then Ballmer paid all that money for the Clippers, sending prices out of sight. After spending some time in Portland, Jake saw how popular the Timbers, a Major League Soccer team, were. In 2015, the Silversteins and partners acquired the controlling interest in the Houston Dynamo. With it, they got a stake in the women's team, the Dash. Fellow NWSL owner Angie Long says she and her husband bought the rights for an expansion team in Kansas City (along with Brittany Matthews, fiancée of Kansas City Chiefs star quarterback Patrick Mahomes) in part because women's soccer is exploding in popularity and, therefore, a tremendous value. "We have every tailwind in the world right now," Long says. "And the numbers work." Last March, the NWSL signed a television deal with CBS, its first long-term one, and landed new sponsorships with Google, Verizon and Procter & Gamble. "Team prices are going higher," Long says. "Everyone loves the women's game."

Once you own one, you'll likely buy another one.

After he bought the Dynamo, Jake Silverstein met a lot of other owners, and many of them owned multiple teams. He quickly learned why. "I see lots of opportunities to acquire or invest in clubs that are on the market, or off the market but potentially available," he says. "That didn't use to be the case until I got in the flow of this world." Silverstein took a stake in Swansea City football club in Wales last year. Swansea was an opportunistic purchase because the team had been relegated from the Premier League in 2018 (every year, the bottom three teams drop down to the league below to be replaced by that league's top three). "Swansea has a real shot at getting promoted this year," he says. A more avid team collector is Josh Harris, cofounder of Apollo Global Management, who owns the New Jersey Devils hockey team, the NBA's Philadelphia 76ers and part of Crystal Palace F.C. in the Premier League. Even more acquisitive: Stanley Kroenke. He owns eight teams, ranging from the traditional (Arsenal F.C., LA Rams) to the digital (LA Gladiators, who play the highly addictive video game Over-

CUBAN: MIKE STONE/REUTERS; DOLAN: KATHY WILLENS/AP; STEINBRENNER: NEWSWEEK; WE DESERVE BETTER SIGN: TONY DEJAK/AP; FIRE EVERYONE SIGN: NAM Y. HUH/AP

watch in a pro league). There are outliers, of course. Mark Cuban, for one, is done. "No more teams for me," he says in an e-mail.

Get ready to own a media company during interesting times.

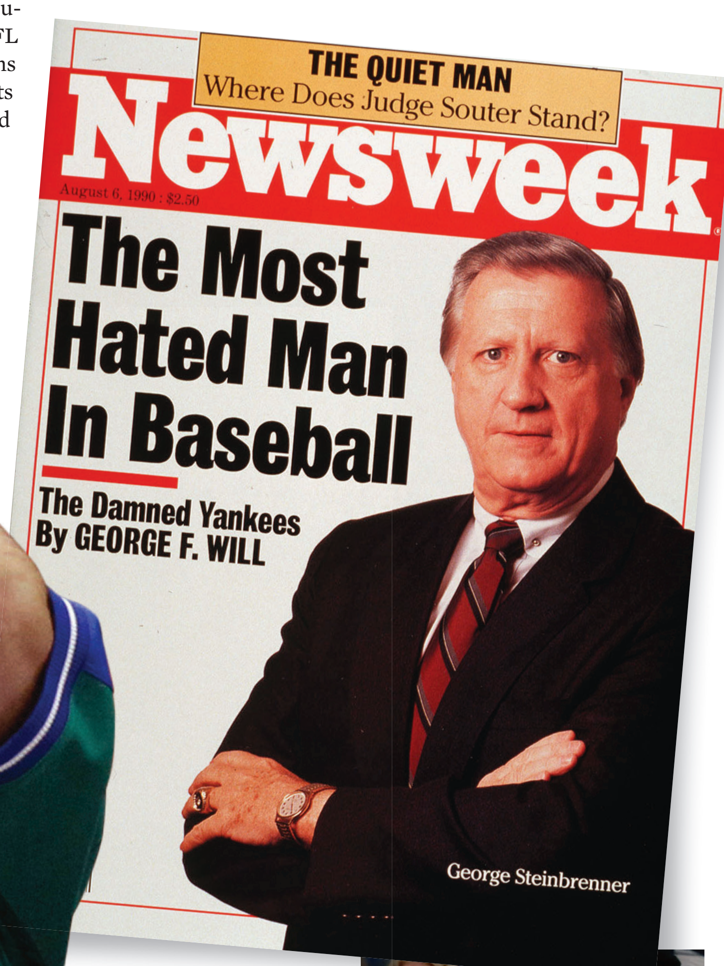
Sporting events are one of the few things that viewers are unwilling to time shift, i.e., watch on replay later. The only comparable thing might be church. When something is live, viewers can't skip the ads, and that's why we all know about Super Bowl commercials. The NFL tops the list. In March, networks including NBC, CBS, Fox, Amazon and ESPN agreed to pay a total of $110 billion over 11 years, starting in 2022, for rights to broadcast games, almost doubling the value of old deals. The NFL shares that money among its 32 teams so that the ones in big media markets can't wildly out-earn and out-spend teams in the sticks. Major League Baseball does the same thing. The question is what happens as viewers bail out of cable packages and start streaming. Does that mean more revenue or less? Allen & Co.'s Greenberg says the quandary looks like the Grand Canyon. Right now, we're on the South Rim, say, which is cable. It's nice here. The money is great. But we're looking across at the digital future, where more people ask: Why pay for a whole season if I can stream the games à la carte? "You can't tell if the other side is higher or lower, but you know you want to get there without falling to the bottom," Greenberg says. "That's what every rights owner is trying to negotiate. It's going to get somewhat bumpy." (For the record, the North Rim of the Grand Canyon is about 1,000 feet higher.)

Get to know the high-tech gambling business.

In case you missed it, the US Supreme Court in 2018 struck down a 26-year-old law that had effectively banned sports betting in most states. Nothing focuses the mind like money, and sports owners are already looking to capitalize on gambling. Ted Leonsis, owner of the NBA's Wizards, the WNBA's Mystics and the Capitals pro hockey team, all in Washington, D.C., wasted no time in cashing in. In August, he leased space to a temporary sportsbook at his Capital One Arena, and soon there'll be a three-story permanent one. Leonsis, who made his fortune at AOL, sees a new world where fans bet on everything: Will LeBron make the free throw? Will the Patriots win the quarter? Will Messi score the next goal? The windfall for owners could be huge.

Understand you own a public trust.

Those Patek Philippe ads contain a grain of truth—about sports teams. You don't really own it. You're just looking after it for the next generation . . . of fans. In Europe, soccer clubs are institutions. The teams are tightly woven into their communities. Picture a whole nation of Green Bay Packers fans. Losses reverberate through communities, especially struggling ones. British comedian and actor Humphrey Ker likens acquiring a British team to "buying a church." He would know: He helped convince actors Rob McElhenney (*It's Always Sunny in Philadelphia*) and Ryan Reynolds (*Deadpool*) to purchase Wrexham AFC, a fifth-tier soccer club in Wales that fans had bought and rescued in 2011. Wrexham was founded in 1864, making it the third-oldest soccer club in the world. So far, McElhenney and Reynolds have shown the proper reverence. The pair paid nothing for the franchise but vowed to invest $2.6 million to make it a "global force," Reynolds has said. They also want to make Wrexham a streaming star: Even before the purchase closed, they started filming an episodic documentary about how the team fares. Think *Ted Lasso*, but real. And for a very real multimillion-dollar Netflix-style payout. Ker, whom his buddies promptly made executive director of the club, is confident in their media instincts but harbors no illusions about sports-management genius. "One thing that can plague really successful people is that when they move from one sphere to another, they assume they have an inalienable right to success. 'Oh, I'm good at this thing, I'll be great at that thing,'" he says. "We recognize that we have no idea what we're doing, and we've surrounded ourselves with people who do." ■



CLOCKWISE FROM CENTER: Dallas Mavericks owner Mark Cuban reacts during a game against the Oklahoma City Thunder; a 1990 cover story on Yankees owner George Steinbrenner; James Dolan watches his New York Knicks play; a Cleveland Browns fan at the "Perfect Season" parade in 2018, after the Browns became the second team in NFL history to lose all 16 games in a season; a Chicago Bears fan shares his management strategy.