

## JOURNAL REPORTS: WEALTH MANAGEMENT

# So, You Want to Own a Sports Team

You don't need a huge amount of money to buy at least part of a minor-league team. Just make sure you're OK losing your investment

*By Dan Weil*

Oct. 18, 2019 12:27 pm ET

Last year, hedge-fund mogul David Tepper paid \$2.28 billion for the Carolina Panthers, a record price for a National Football League team. But you don't have to be a billionaire like Mr. Tepper to own a piece of a sports team, or even an entire team.

There are plenty of opportunities under \$5 million to acquire all of a team, with some independent minor-league baseball teams available for about \$500,000. If you can't afford that yourself, you can go in with some partners. There are a few minor-league baseball teams with more than 100 owners. In addition to baseball, individuals can buy teams on the cheap in minor-league hockey, soccer, tennis, lacrosse and rugby.

Keep in mind that sports teams at the minor-league level are often risky propositions. Teams and even entire leagues sometimes fold, meaning people shouldn't invest money they need for retirement. This should be money they can afford to lose.



Kevin Barth, owner of the Florence RedWolves baseball team, says he forgoes profit to keep ticket and concession prices below league averages. PHOTO: MEGAN MAY FOR THE WALL STREET JOURNAL

Given the financial vagaries, it stands to reason that buying a sports team is more a purchase for love than money. “There are probably businesses that make more sense in terms of P&L,” or profits and losses, says Bill Yates, Fort Worth, Texas-based senior partner of Sports Advisory Group, which assists buyers and sellers of teams.

Mr. Yates compares investing in sports to investing in art. It “makes you feel something inside,” he says. “And if you sell, hopefully it’s worth a lot more than what you paid for it.”

Indeed, owning a team *can* pay off financially. While most minor-league teams lose money, some are profitable, particularly in baseball. And plenty of franchise values have appreciated sharply in successful leagues. Soccer is particularly hot, experts say, as buyers seek to benefit from the sport’s increased popularity in the U.S.

The Coastal Plain League, a summer baseball league with teams in the Southeast made up of college players, has seen healthy increases in team valuations. Justin Sellers, chief operating officer and commissioner, says teams in the league have sold in recent years for about twice their price 10 years ago, with some franchises selling for more than \$500,000 in the past three to four years.



Fans watching the Florence RedWolves vs. the Holly Springs Salamanders game at Sparrow Stadium in Florence, S.C. PHOTO: MEGAN MAY FOR THE WALL STREET JOURNAL

Kevin Barth, owner of the Florence, S.C., RedWolves since 2002, declines to reveal his purchase price because of a confidentiality agreement. As for operating profits, the 62-year-old lawyer says he’s not worried about that, because he makes the money he needs from his day job.

Mr. Barth says he meets his goal of breaking even, forgoing profit to keep his ticket and concession prices below league averages. If he does make a profit, he says he generally gives it to charity. Most other teams in the league make money, Mr. Sellers says.

For people interested in buying a sports team, they can start by contacting league offices and sports brokerage firms to see what's available and how the purchase process works. The vetting process differs from league to league. New owners of Minor League Baseball teams affiliated with Major League Baseball teams have to be approved by the MLB commissioner's office.



Kevin Barth (with his grandson, Marshall Barth) talking with a fan at a RedWolves game. PHOTO: MEGAN MAY FOR THE WALL STREET JOURNAL

## Learning the business

Team owners and industry pros stress the importance of learning the business of a sport before buying a team. For investors who don't have the knowledge themselves, they should join forces with someone who does.

"Those who have accumulated wealth by doing something well shouldn't assume that translates automatically to success as a team owner," says Phil de Picciotto, president of sports agency Octagon, a division of Interpublic Group. "Many successful businesspeople have backgrounds that aren't necessarily helpful in operating a sports franchise."

So what does make a good owner? "The most important thing is to partner with a good operator" as a fellow owner, says Dave Heller, 56, a political strategist and majority owner of four minor-league baseball teams. "You want someone with a track record of success in baseball."

He and others say that buyers of sports teams need to know about such things as stadium deals, sponsorships, ticket and concession sales, broadcasting deals, travel budgets and the cost of utilities. Bats are a significant line item for Mr. Barth, for instance, given the frequency with which wood bats break.

Investors who know what they're doing should be successful, Mr. Yates says. "But I have seen people who spend like crazy: private flights, glitzy hotels, remodeling offices and athletic facilities." They don't fare well, he says. "You need to operate like a small business in having a



Bruce Mandell, majority shareholder of Hartford Athletic soccer team, says the biggest challenge of being a sports-team owner is learning the business side. PHOTO: MONICA JORGE FOR THE WALL STREET JOURNAL

responsible budget.”

Bruce Mandell, the majority shareholder among three investors who bought the Hartford Athletic of the United Soccer League Championship for under \$5 million last year, can testify to the magnitude of the task. “Talk about a challenge: We’re learning on the job,” says the 55-year-old owner of a direct-mail printing company. “We’re building a stadium, doing sponsorships, ticket sales and contract negotiations with players and coaches. We had to get training facilities and a broadcast partner.”

Mr. Mandell hopes the team will break even or be profitable in the third year of his ownership. “The biggest challenge of being a sports team owner is learning the business side,” he says.

It also is important to develop a strong relationship with city government and business leaders and residents. City governments can determine whether teams get good deals on their stadium leases and can provide support for team events. Ties with business leaders are vital to garnering sponsorships. And good feelings about a team among city residents are important for selling tickets and souvenirs and winning sponsorships.

“You have to support the community, and that means attending carnivals and school events, not just giving to charity,” Mr. Yates says. “You can’t walk around town popping your collar because you’re a sports team owner. You’re a small business, and must understand your place.”

## Finding the money

One thing investors don’t necessarily have to worry about is paying for a team in cash. Some leagues allow debt financing for purchases—up to 45% of the purchase price for minor-league baseball teams affiliated with the major leagues for instance.

Mr. Heller says he and his partners borrowed “significant dollars” from banks for all four of the





A soccer game between Hartford Athletic and Atlanta United at Dillon Stadium in Hartford, Conn., on Aug. 24, 2019. PHOTO: MONICA JORGE FOR THE WALL STREET JOURNAL

baseball teams they purchased: the Quad Cities (Iowa) River Bandits, the Wilmington (Delaware) Blue Rocks, the Billings (Montana) Mustangs and the Lowell (Massachusetts) Spinners. He bought the teams over the past 17 years for prices ranging from roughly \$2.5 million to \$9 million.



Bruce Mandell says he hopes the Hartford Athletic, which he became a majority shareholder of last year, will break even or be profitable in the third year of his ownership. PHOTO: MONICA JORGE FOR THE WALL STREET JOURNAL

All of his teams have been profitable for the most part. But profits aren't the name of the game, he says. "If profit was the priority, we wouldn't give so much money to charities in the community," Mr. Heller says. "It's community that is at the heart of my ownership."

Still, Mr. Heller can take heart in the fact that partners of his who sold their stakes have done quite well. An owner who bought with him in 2015 and sold in 2017 scored a gain of 35%, excluding dividends, Mr. Heller says. Another who bought in 2013 and sold in 2016 earned a 62% return, he says.

To be sure, capital gains for other teams generally have been lower than that, says Scott Poley, general counsel for Minor League Baseball, which encompasses the teams that are affiliates of Major League ball clubs.

But that's not always the main point of ownership. "A lot of the time owners view it as a passion, rather than strictly a business proposition," Mr. Poley says. "They have their fun being part of pro baseball and help develop and take care of players."

*Mr. Weil is a writer in West Palm Beach, Fla. He can be reached at [reports@wsj.com](mailto:reports@wsj.com).*