



69 Reasons Why You Shouldn't Invest in Stadium Naming Deals

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Spring training may be a few months away, but bailout season is in full swing, as the Detroit automakers became the latest recipient of government largesse. One of the biggest recipients of bailout funds has been Citigroup who, in November of 2006, signed a deal to put its name on Citi Field, the future home of the New York Mets. Baseball fans may attend these games with a healthy dose of resentment. Just as college football fans may have reluctantly attended bowl games sponsored by banks that were recipients of TARP funding.

Should investors be equally wary?

Based on our analysis of naming rights executed by publicly traded companies, the answer is an unequivocal "yes."

Long before Citigroup's record-setting [20-year, \\$400 million](#) deal, banks were no stranger to naming major sporting arenas. Of the 105 major sports (professional basketball, baseball, football, and hockey) arenas in the United States and Canada, 72 have naming rights deals (69%), and of these, 58 belong to publicly traded companies. In addition, we identified 11 now-defunct deals among publicly traded companies, and these 69 deals form the basis of our analysis. There were an additional 12 deals for which we could not obtain market price data. For the most part, these companies went through bankruptcy, so omitting their results strengthens our conclusions.

Our examination of these 69 naming deals shows that the performance of companies that purchase naming rights trails the S&P 500 index by 4.7% over the course of the deal. If you invested in a company the day it announced a naming agreement and sold when the agreement was done (or still held onto it for current name holders), your portfolio would be down 9.1%, as compared to -4.5% for the S&P 500. (To compute the average return across all 69 deals, we computed a weighted average, weighting each return by the duration of the naming deal.)

The most plausible explanation for the underperformance of companies with naming rights deals is poor corporate governance that lends itself to risky or poor capital allocation decisions. Among Forbes' 25 industry-leading best managed companies, only three have stadium naming rights deals (Toyota Motors, Verizon Communications, and Hewlett Packard). By contrast, three of the top five largest



bankruptcies in history— MCI Worldcom, Enron, and Conseco— were all prominent sponsors of major sporting venues in the United States. The current home of the Pacers, Indiana's NBA franchise, is still named Conseco Fieldhouse.

As was noted in a recent Forbes [article](#), the primary benefit of naming rights deals is brand awareness, through signage and media visibility. But corporate executives also benefit, through the use of luxury boxes, stadium access privileges, and the ability to host events. Although companies may claim to do cost-benefit analyses on naming rights deals, the evidence shows that the perquisites that accrue to corporate executives are coming at the expense of shareholders.

The shortest-lived naming deals—those that have been in place for less than 1,000 days—have an average yearly return of -19.5% as compared to the S&P 500. Those deals of intermediate length, between 1,000 and 4,000 days, trailed the index by 4.2%. The longest tenured deals, those lasting 4,000 days or more, have a positive average return, beating the index by 3.1% a year. So, naming rights advocates may cling to the argument that the value of their deals takes at least 4,000 days (11 years) before benefits begin to accumulate for shareholders.

Returns are highly variable across industries, ranging from the worst (media at -42.0%) to the best (retail at 11.3%). Those industries with the largest sample size (banking, financials, and telecommunications) all failed to beat the S&P 500.

The transportation industry, comprised entirely of airline companies, underperformed the S&P 500, returning 7.6% less than the market. In 2002, after the financial impact on air transportation of 9/11, Delta, United, and American Airlines (which currently has its name on two arenas), each lost at least 60% of their stock value. United held on to its arena in Chicago, which it had since 1994, but Delta eventually gave up its naming agreement in Salt Lake City, Utah in 2006 to EnergySolutions.

Airlines, along with banks, consumer durables, software companies, and financial service providers in general have taken a dive relative to the market after putting their name on a stadium. Food producers, retailers, and technology hardware manufacturers, on the other hand, have outperformed their market averages.

Overall, paying for naming rights is a signal of poor future stock performance. In Citigroup's case, their stock has returned -61.1%, as compared to -17.3% for the S&P since their naming deal was announced. Citigroup currently ranks as the third biggest loser overall among companies with naming deals when it comes to stock price and fifth worst when compared to the S&P.



Even before the full extent of the mortgage crisis was known and Citigroup needed a government bailout, investors would have been well-served to recognize that deciding to play ball with a major league stadium was a sign of bad things to come. At this point, Mets fans have more to look forward to in 2009 than Citigroup's shareholders.

Industry	Arenas	Avg duration (years)	Avg return	Avg S&P	Difference
Banking	12	5.2	-18.3%	-8.3%	-10.0%
Business Services & Supplies	2	2.8	-39.4%	-11.4%	-28.0%
Consumer Durables	4	8.4	-9.4%	-3.3%	-6.1%
Financials	11	8.1	-5.9%	-5.0%	-0.9%
Food, Drink, & Tobacco	6	11.9	10.6%	-0.6%	11.2%
Household Products	2	3.8	-26.0%	-18.4%	-7.6%
Media	1	4.2	-49.5%	-7.5%	-42.0%
Oil & Gas	6	9.6	-11.8%	-4.4%	-7.4%
Retail	3	11.0	16.6%	5.3%	11.3%
Technology/Hardware	3	5.4	-4.2%	-4.6%	0.4%
Technology/Software	3	6.9	-13.3%	9.0%	-22.3%
Telecommunications	13	5.9	-8.1%	-6.3%	-1.8%
Transportation	3	11.8	-4.5%	3.1%	-7.6%
Total	69	7.5	-9.1%	-4.5%	-4.7%



Company	Stadium	Date Announced	End	Avg Return	Avg S&P	Difference
Rogers Communications	Rogers Centre	February, 2005	Current	18.9%	-7.6%	26.5%
Qualcomm	Qualcomm Stadium	July, 1997	Current	22.4%	-0.3%	22.7%
Anheuser-Busch	Busch Stadium	January, 1982	Current	29.1%	7.5%	21.5%
Office Depot	Office Depot Center	September, 2002	November, 2005	28.9%	10.3%	18.6%
AT&T	AT&T Center, AT&T Park	May, 2005	Current	9.5%	-7.7%	17.2%
Philip Morris (Miller)	Miller Park	April, 2001	Current	13.2%	-3.1%	16.3%
Hewlett-Packard	HP Pavillion	July, 2002	Current	15.4%	-0.5%	15.9%
Verizon Wireless	Verizon Center	March, 2006	Current	1.9%	-12.0%	13.9%
Safeco	Safeco Field	July, 1999	Current	8.1%	-4.6%	12.6%
Royal Bank Canada	RBC Center	October, 2002	Current	11.7%	-0.1%	11.8%
Adolph Coors Co.	Coors Field	July, 1995	Current	15.4%	3.7%	11.7%
HSBC	HSBC Arena	March, 2000	Current	5.9%	-5.6%	11.5%
Oracle Communications	Oracle Arena	June, 1996	Current	12.6%	2.2%	10.3%
Pepsico (Pepsi & Tropicana)	Pepsi Center, Tropicana Field	July, 1999	Current	5.4%	-4.6%	10.0%
U.S. Cellular	U.S. Cellular Field	February, 2003	Current	10.3%	0.5%	9.8%
Raymond James Financial	Raymond James Stadium	August, 1998	Current	7.4%	-1.9%	9.4%
Staples	Staples Center	July, 1997	Current	9.0%	-0.3%	9.3%
Great American Insurance	Great American Ballpark	March, 2003	Current	10.1%	1.2%	8.9%
Time Warner Cable	Time Warner Cable Arena	April, 2008	Current	-39.6%	-47.8%	8.1%
PNC	PNC Park	November, 2007	Current	-28.4%	-36.0%	7.6%
Nationwide Insurance	Nationwide Center	September, 2000	Current	0.4%	-5.9%	6.3%



Target	Target Center	August, 1990	Current	11.9%	5.9%	6.0%
Gillette	Gillette Stadium	August, 2002	Current	6.7%	1.0%	5.8%
Heinz	Heinz Field	July, 2001	Current	1.3%	-4.4%	5.7%
Chase Bank	Chase Field	September, 2005	Current	-3.7%	-9.3%	5.6%
Toyota	Toyota Center	July, 2003	Current	3.5%	-1.9%	5.4%
Toronto-Dominion	TD Banknorth Garden	March, 2005	Current	-2.9%	-7.9%	5.0%
Mellon Financial	Mellon Arena	March, 2000	Current	-0.3%	-5.1%	4.8%
Xcel Energy	Xcel Energy Center	June, 2000	Current	-1.7%	-5.7%	4.0%
BP (Arco)	Arco Arena	February, 1985	Current	9.1%	7.0%	2.1%
Coke (Minute Maid)	Minute Maid Park	June, 2002	Current	-1.0%	-2.5%	1.6%
BCE (Bell Canada)	Bell Centre	September, 2002	Current	0.6%	-0.1%	0.7%
Qwest Communications	Qwest Field	February, 2004	Current	-5.2%	-5.1%	-0.1%
Pengrowth Energy Trust	Pengrowth Saddledome	July, 2000	Current	-7.7%	-5.9%	-1.8%
Royal Philips Electronics	Philips Arena	April, 2002	Current	-6.0%	-3.5%	-2.5%
FedEx	FedEx Field, FedEx Forum	October, 2005	Current	-12.5%	-9.0%	-3.5%
Key	Key Arena	October, 1995	Current	-0.4%	3.3%	-3.7%
Honda	Honda Center	October, 2006	Current	-21.7%	-17.5%	-4.2%
Edison International	Edison International Field	September, 1997	December, 2003	-2.3%	2.2%	-4.5%
Scotiabank	Scotiabank Place	February, 2006	Current	-16.8%	-11.7%	-5.1%
Comerica	Comerica Park	January, 1998	Current	-5.9%	-0.6%	-5.3%
M&T Bank	M&T Bank Park	May, 2003	Current	-6.6%	-0.8%	-5.8%
American Airlines	American Airlines Center, American Airlines Arena	March, 1999	Current	-9.6%	-3.6%	-6.0%
Continental	Continental Airlines Arena	January, 1996	May, 2007	1.8%	8.2%	-6.4%
McAfee	McAfee Coliseum	April, 2004	September, 2008	1.1%	7.7%	-6.7%



WorldCom (MCI)	MCI Center	July, 1997	March, 2006	-4.1%	4.0%	-8.1%
Lincoln Financial	Lincoln Financial Field	March, 2002	Current	-12.8%	-3.8%	-9.0%
Amvescap PLC (Invesco)	INVESCO Field	January, 2001	Current	-14.3%	-5.1%	-9.2%
Ford	Ford Field, Ford Center	October, 1996	Current	-8.2%	2.0%	-10.1%
United	United Center	August, 1994	Current	-5.7%	4.7%	-10.5%
Citizens Bank	Citizens Bank Park	June, 2003	Current	-13.5%	-1.9%	-11.5%
Compaq	Compaq Center	October, 2000	October, 2003	-22.1%	-9.9%	-12.2%
Ericsson	Ericsson Stadium	June, 1996	January, 2004	-5.6%	6.7%	-12.3%
Reliant Resources	Reliant Stadium	March, 2000	Current	-18.9%	-5.1%	-13.8%
Bank of America	Bank of America Stadium	January, 2004	Current	-19.1%	-4.4%	-14.7%
General Motors	General Motors Place	March, 1995	Current	-11.2%	4.2%	-15.4%
First Union (Wachovia)	First Union Center	April, 1998	Current	-19.3%	-2.2%	-17.1%
Conseco	Conseco Fieldhouse	May, 1998	Current	-21.7%	-2.2%	-19.5%
Prudential	Prudential Center	January, 2007	Current	-41.4%	-21.4%	-20.0%
Philips-Van Heusen	Izod Center	October, 2007	Current	-58.7%	-37.8%	-20.9%
Savvis Communications	Savvis Center	August, 2000	September, 2006	-26.8%	-1.8%	-25.0%
Corel	Corel Centre	February, 1996	January, 2006	-21.4%	7.4%	-28.8%
EnergySolutions	EnergySolutions Arena	November, 2006	Current	-49.4%	-18.6%	-30.8%
3Com	3Com Park	September, 1995	January, 2002	-19.5%	12.0%	-31.4%
Thomson S.A. (RCA)	RCA Dome	October, 2004	December, 2008	-49.5%	-7.5%	-42.0%
Citigroup	Citi Field	November, 2006	Current	-61.6%	-18.6%	-43.0%
BankAtlantic	BankAtlantic Center	November, 2005	Current	-59.0%	-9.8%	-49.2%
Louisiana-Pacific	LP Field	June, 2006	Current	-66.4%	-13.8%	-52.6%
Adelphia	Adelphia Coliseum	June, 1999	August, 2002	-100.0%	-12.7%	-87.3%
Total	69			-9.1%	-4.5%	-4.7%



Data was not available for the following stadium sponsoring companies: Air Canada, America West, Bank One, Cinergy, CMGI, Delta Air Lines, Edward Jones, Fleet Boston (Fleet Bank), Gaylord Entertainment, Network Associates, SBC (SBC & PacBell), US Airways

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