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New Study Shows Stadium Naming Deals are Bad for Investors

LEXINGTON, MA – January 16, 2009 – A new study released by Advisor Perspectives, a Lexington, MA-based provider of investment strategy analysis for financial advisors, shows that publicly traded companies that enter into stadium naming rights deals underperform the market.

The study evaluated 69 such deals involving professional sports arenas used for baseball, basketball, football, and hockey. It measured the performance of each company's stock from the time its naming deal was announced until the time the deal was terminated (or until today if the deal is still in effect). The study also compared this return to the performance of the S&P 500 stock index over the same period. A weighted average for each return was calculated, where the weighting factor was the amount of time the naming deal was in effect. The average return on companies with naming rights was -9.1%, and the average return for the S&P 500 index was -4.5%, resulting in an underperformance of -4.7%.

Commenting on the study, Advisor Perspectives CEO Robert Huebscher said, "The only plausible explanation for the results is that naming deals are indicative of poor corporate governance and risky or improper capital allocation decisions." He added, "Conventional wisdom holds that companies enter into these deals to increase brand awareness, through signage and media visibility. However, corporate executives also benefit, through luxury boxes, special access privileges, and other fringe benefits. We have shown that these perquisites come at the expense of stockholders."

As an example, the study cited Citigroup's 2006 $400 million naming rights deal for Citi Field, the soon-to-be replacement for the NY Mets' Shea Stadium. Since the announcement of that deal, Citigroup's stock has fallen -61.1%, as compared to -17.3% for the S&P 500. Citibank's deal has been especially controversial, since Citibank was a major recipient of TARP funding.

For the full study, go here. All returns given above are annualized.

Advisor Perspectives publishes a weekly electronic newsletter that is distributed to approximately 65,000 financial advisors, with a focus on investment strategy. In addition, *Advisor Perspectives* provides a database showing the asset allocations and mutual fund selections for a broad universe of advisors serving high- and ultra-high net worth investors.

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