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Stadium Naming Rights

Methodology

I utilized stadiums and arenas that are home to teams in the National Football League (NFL), Major League Baseball (MLB), National Basketball Association (NBA), and National Hockey League (NHL). A stadium is included if the naming rights were held by a publicly traded company.

Companies that went out of business are compared to the current (June 19, 2009) S&P 500.

Companies that were acquired by another were compared from the date of announcing the acquisition of naming rights to the date of closing on the acquisition.

Some companies have spun off different components. I relied on the pricing history at Google Finance and Yahoo! Finance to adjust for this.

In one instance, Citizens Bank Park, the owner, Royal Bank of Scotland, is traded on the London Exchange. In this instance I did not attempt to adjust for currency fluctuations.

13 companies were acquired by another company subsequent to their obtaining naming rights. In those situations I measured the performance of the stock until the date of close of the acquisition. MCI was one of these companies, so even though it ended up part of the WorldCom bankruptcy, for this study it had a positive return. The closing price was obtained by multiplying the acquisition conversion factor by the closing price of the acquiring company's stock if it was a stock transaction.

The RCA Dome in Indianapolis was excluded either because the naming rights were acquired prior Thomson SA being listed in the U.S.

HSBC Arena was formerly named Marine Midland Arena. I utilized the date of name change for this study. Marine Midland was already wholly owned by HSBC. HSBC had to pay an additional amount to get the name changed and they extended the term of the agreement.

Trans World Airlines' (TWA) assets were acquired by American Airlines. The proceeds went to the bankruptcy estate of TWA. I searched and found no evidence of distributions to stockholders and therefore valued the stock at zero.

The time period in years was obtained by dividing the number of days in the period by 365.25.

Several companies have naming rights at two venues. They are American Airlines, Target, FedEx, Hewlett Packard, and AT&T (formerly SBC). I treated each naming announcement as a separate event. So for some time periods these companies performance counts double.

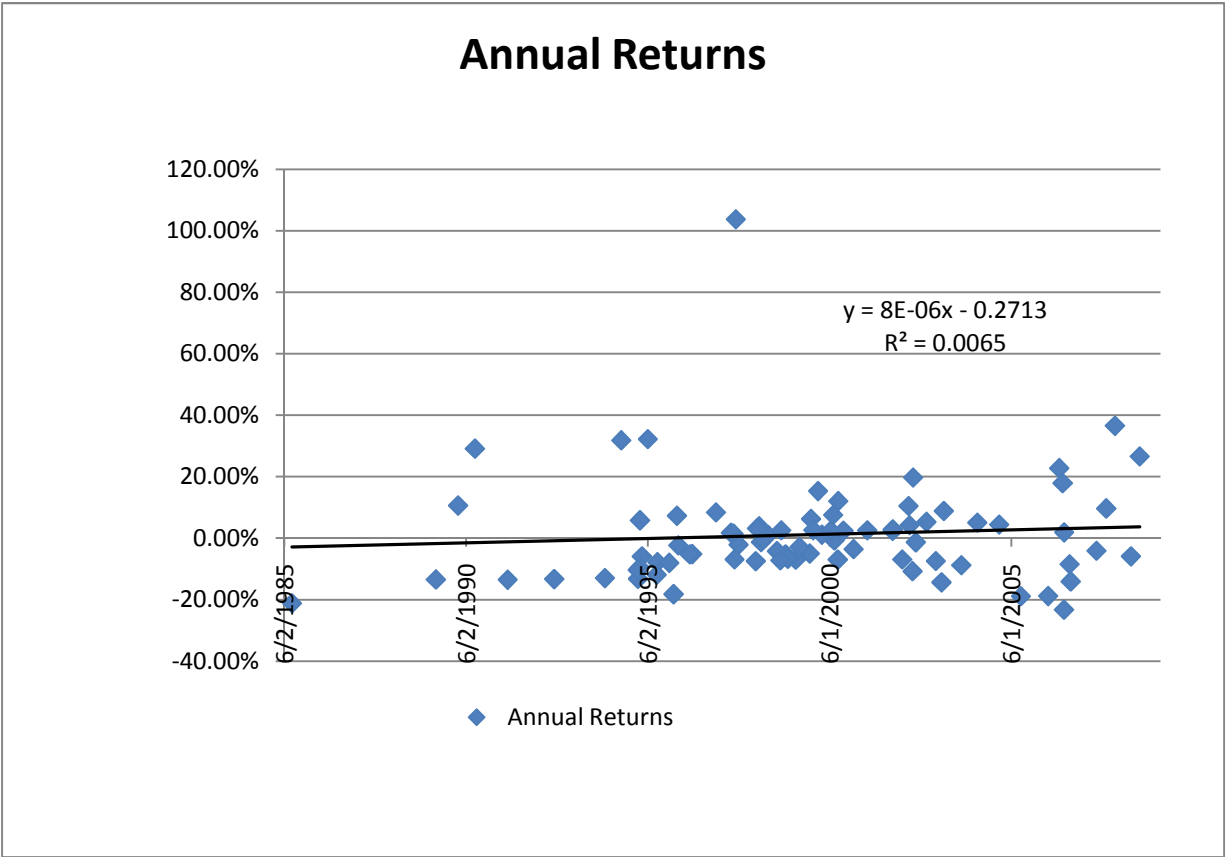


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Analysis

I compared the naming rights companies to the S&P 500 by taking the difference between their returns for the period between the announcement date and either June 19, 2009 or the date of closing on an acquisition. The aggregate result, summing up all the return differentials from all 82 data points and dividing by the aggregate time period in years yielded a negative 0.24% return compared to the S&P 500. So an investor can expect a slightly worse return once a company decides to put their name on a professional sports venue. This result affectively weights the return of each venue by the length of time. The median Average Annual Difference was -1.3%.

Looking at results not weighted for time, the mean return difference was -2.2% and the mean per year difference was +1.1%. This result happens because some of the more recent announcing companies have relatively more positive results than some of the older announcers, but their average annual difference is computed with a smaller denominator (fewer years).





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The chart above compares average returns to the announcement date and has a regression line. The trend line is slightly increasing over time, but the R^2 statistic is an extremely weak 0.65%. The trend does not have much credibility. The formula computes the change in return difference per day. The median return differential is -5.5% and the median differential per year is -1.3%. This is mainly the result of Qualcomm's strong impact on the means with a positive 1,207% return difference and 103.68% difference per year. The next largest return difference was the Target Center at 548% and the next largest return difference per year was MCI at 32.22%. The results show that more often than not, naming rights purchasers will underperform.

The following charts provide some insight as to which sports provide the best return:

Venue Average Rate of Return (Not time weighted)			
League	#	Mean	Median
MLB	22	6.86%	1.42%
NBA	27	-3.72%	-4.10%
NFL	22	4.18%	-4.26%
NHL	27	-3.37%	-2.10%

The Means for Major League Baseball and the National Football League were clear beneficiaries from Qualcomm's performance. Without Qualcomm, MLB's mean sinks to -0.97%, and the NFL's drops to -1.52%.

The following shows the data split by industry:

Values					
Row Labels	Count of Company	Sum of Difference	Average of Avg Annual Dif	Sum of Time Period (Years)	Sum of Time Weighted Average
Airline	8	-1325.4%	-10.7%	117.881	-11.24%
Auto	3	-193.0%	-3.0%	30.721	-6.28%
Bank	15	-403.8%	-4.1%	107.455	-3.76%
Beverage	3	308.6%	6.4%	40.832	7.56%
Broadcasting	1	-28.5%	-2.9%	9.875	-2.89%
Cable	2	-26.2%	14.8%	11.176	-2.34%
Clothing	1	-7.0%	-4.1%	1.708	-4.10%
Consumer	8	623.6%	4.2%	72.674	8.58%
Energy	7	-536.9%	0.3%	71.775	-7.48%
Financial	3	156.1%	5.2%	28.731	5.43%
Forest Products	1	-57.2%	-18.8%	3.036	-18.82%
Freight	2	50.9%	2.5%	16.230	3.14%
Insurance	6	-37.5%	-0.4%	41.259	-0.91%



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Row Labels	Count of Company	Sum of Difference	Average of Avg Annual Dif	Sum of Time Period (Years)	Sum of Weighted Average
Service	2	48.3%	10.8%	13.662	3.53%
Technology	12	971.3%	7.9%	109.848	8.84%
Telecom	8	280.0%	6.8%	46.617	6.01%

Stratifying by industry sector reveals that there is significant variation based on industry. This is not a surprising result as a company’s industry would have a far greater bearing on its performance than whether the company had acquired naming rights.

Conclusion

Acquisition of stadium and arena naming rights seem to have a somewhat negative effect on the relative performance of stocks. The data for this conclusion is neither very deep nor stable so it is conceivable that revisiting this analysis in a couple of years may yield a different result. This factor would seem to be a minor one when considering the purchase or sale of stock.



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Data

City	Leagues	Company	Price/year	Announcement Date	Stock Price	S&P 500	Closing Date	Closing Stock Price	Closing S&P	Time Period (Years)	Stock Change	S&P % Change	Difference	Avg Annual Dif	Industry
San Francisco	MLB NFL	3Com	\$900,000	9/8/1995	8.29	570.29	6/19/2009	4.49	921.23	13.780	-46%	62%	-107%	-7.79%	Technology
Nashville	NFL	Adelphia	\$2,000,000	6/28/1999	1	1315.31	6/19/2009	0	921.23	9.977	-100%	-30%	-70%	-7.02%	Cable
Toronto	NBA NHL	Air Canada	\$1,500,000	2/24/1995	1	486.91	6/19/2009	0	921.23	14.316	-100%	89%	-189%	-13.21%	Airline
Jacksonville	NFL	Alltel ¹	\$620,000	4/18/1997	25.68358	761.77	8/30/2007	71.5	1457.64	10.366	178%	91%	87%	8.39%	Telecom
Phoenix	NBA NHL	America West	\$866,667	8/4/1989	1	344.74	6/19/2009	0	921.23	19.874	-100%	167%	-267%	-13.44%	Airline
Miami	NBA	American Airlines	\$2,100,000	10/21/1997	26.9	955.61	6/19/2009	4.34	921.23	11.661	-84%	-4%	-80%	-6.88%	Airline
Dallas	NBA NHL	American Airlines	\$6,500,000	3/18/1999	25.7	1297.82	6/19/2009	4.34	921.23	10.256	-83%	-29%	-54%	-5.27%	Airline
Phoenix	NFL	Apollo Group	\$7,725,000	9/26/2006	50.27	1326.37	6/19/2009	66.19	921.23	2.730	32%	-31%	62%	22.78%	Service
Sacramento	NBA	Arco ²	\$750,000	8/20/1985	29.3125	186.38	6/19/2009	78.9168	1441.61	23.830	169%	673%	-504%	-21.15%	Energy
San Francisco	MLB	AT&T	\$2,100,000	4/3/1996	34.125	655.26	4/2/1997	38.76104	759.64	0.997	14%	16%	-2%	-2.35%	Telecom
San Antonio	NBA	AT&T	\$2,100,000	7/19/2000	43.5	1493.74	6/19/2009	24.04	921.23	8.917	-45%	-38%	-6%	-0.72%	Telecom
Charlotte	NFL	Bank of America	\$7,000,000	1/16/2004	39.34	1132.05	6/19/2009	13.22	921.23	5.424	-66%	-19%	-48%	-8.80%	Bank
Phoenix	MLB	Bank One ³	\$7,000,000	4/5/1995	29.875	505.24	7/1/2004	50.3844	1128.94	9.240	69%	123%	-55%	-5.93%	Bank
Miami	NHL	BankAtlantic	\$1,400,000	9/6/2005	90.85	1218.02	6/19/2009	3.85	921.23	3.784	-96%	-24%	-71%	-18.86%	Bank
New York	NBA	Barclays	\$15,000,000	1/19/2007	59.14	1426.37	6/19/2009	18.1	921.23	2.415	-69%	-35%	-34%	-14.06%	Bank
Montreal	NHL	BCE	\$3,000,000	2/26/2002	20.77	1109.43	6/19/2009	20.85	921.23	7.310	0%	-17%	17%	2.37%	Telecom
Cincinnati	MLB	Cinergy ⁴	\$2,500,000	8/21/1996	31	665.69	4/3/2006	45.0372	1297.81	9.615	45%	95%	-50%	-5.16%	Energy
Oakland	MLB	Cisco	\$4,000,000	11/14/2006	26.68	1396.57	6/19/2009	18.92	921.23	2.595	-29%	-34%	5%	1.91%	Technology
New York	MLB	Citigroup	\$20,000,000	11/12/2006	50.63	1380.9	6/19/2009	3.17	921.23	2.601	-94%	-33%	-60%	-23.23%	Bank
Boston	NFL	CMGI	\$7,600,000	8/23/2000	1	1498.13	6/19/2009	0	921.23	8.821	-100%	-39%	-61%	-6.97%	Technology
Houston	MLB	Coca Cola	\$6,000,000	2/27/2002	46.99	1109.38	6/19/2009	48.81	921.23	7.307	4%	-17%	21%	2.85%	Beverage



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Detroit	MLB	Comerica	\$2,200,000	12/21/1998	64.94	1188.03	6/19/2009	21.54	921.23	10.494	-67%	-22%	-44%	-4.23%	Bank
Indianapolis	NBA	Conseco	\$2,000,000	5/22/1998	1	1114.64	6/19/2009	0	921.23	11.077	-100%	-17%	-83%	-7.46%	Insurance
Pittsburgh	NHL	Consol Energy	\$2,000,000	12/11/2008	31.67	899.24	6/19/2009	36.83	921.23	0.520	16%	2%	14%	26.60%	Energy
New York	NBA NHL	Continental Airlines	\$1,400,000	1/4/1996	22.75	621.32	6/19/2009	9.17	921.23	13.457	-60%	48%	-108%	-8.02%	Airline
Denver	MLB	Coors	Not Available	3/15/1990	9	336.87	6/19/2009	43.03	921.23	19.264	378%	173%	205%	10.62%	Beverage
Philadelphia	NBA NHL	Core States ⁵	\$2,000,000	9/9/1994	28.375	473.14	4/28/1998	97.90875	1085.11	3.633	245%	129%	116%	31.83%	Bank
Ottawa	NHL	Corel ⁶	\$878,142	2/17/1996	11 3/16	651.32	4/28/2003	1.05	914.84	7.192	-91%	40%	-131%	-18.21%	Technology
Salt Lake City	NBA	Delta	\$1,300,000	7/26/1991	1	380.96	6/19/2009	0	921.23	17.900	-100%	142%	-242%	-13.50%	Airline
Anaheim	MLB	Edison International	\$2,500,000	9/15/1997	26.31	923.91	6/19/2009	31.65	921.23	11.759	20%	0%	21%	1.75%	Energy
Houston	MLB	Enron	\$3,333,333	4/9/1999	1	1343.98	6/19/2009	0	921.23	10.196	-100%	-31%	-69%	-6.72%	Energy
Charlotte	NFL	Ericsson	\$2,000,000	7/27/1996	12.27	631.17	6/19/2009	9.59	921.23	12.895	-22%	46%	-68%	-5.25%	Technology
Washington, D.C.	NFL	Fed Ex	\$7,600,000	11/29/1999	41.25	1416.62	6/19/2009	51.45	921.23	9.555	25%	-35%	60%	6.24%	Freight
Memphis	NBA	Fed Ex	\$4,500,000	10/16/2002	53.72	881.12	6/19/2009	51.45	921.23	6.675	-4%	5%	-9%	-1.31%	Freight
Boston	NBA NHL	Fleet Financial ⁷	\$2,000,000	3/16/1995	15.8125	491.88	4/1/2004	22.622922	1132.17	9.046	43%	130%	-87%	-9.62%	Bank
Detroit	NFL	Ford Motors	\$1,000,000	11/16/1999	31.21	1394.39	6/19/2009	5.72	921.23	9.591	-82%	-34%	-48%	-4.97%	Auto
Nashville	NHL	Gaylord Entertainment	\$4,000,000	8/4/1999	30.31	1322.18	6/19/2009	12.47	921.23	9.875	-59%	-30%	-29%	-2.89%	Broadcasting
Vancouver	NBA NHL	General Motors	\$844,366	3/29/1994	47.85	460	6/19/2009	1.3	921.23	15.225	-97%	100%	-198%	-12.97%	Auto
Boston	NFL	Gillette ⁸	Not Available	8/4/2002	32.59	864.24	10/4/2005	56.628	1214.47	3.168	74%	41%	33%	10.48%	Consumer
Cincinnati	MLB	American Financial Group	\$2,500,000	7/7/2000	16.8	1456.67	6/19/2009	22	921.23	8.950	31%	-37%	68%	7.56%	Insurance
Pittsburgh	NFL	Heinz	\$2,900,000	6/15/2001	38.1	1219.87	6/19/2009	36.63	921.23	8.011	-4%	-24%	21%	2.57%	Consumer
Houston	NBA	Hewlett Packard	\$900,000	10/10/1997	34.31	970.62	6/19/2009	38.35	921.23	11.691	12%	-5%	17%	1.44%	Technology
San Jose	NHL	Hewlett Packard	\$3,100,000	10/19/2000	42.78	1342.13	6/19/2009	38.35	921.23	8.665	-10%	-31%	21%	2.42%	Technology
Buffalo	NHL	HSBC	\$800,000	3/17/2000	58.62	1458.47	6/19/2009	43.41	921.23	9.257	-26%	-37%	11%	1.18%	Bank
Denver	NFL	Invesco	\$6,000,000	1/29/2001	45.75	1354.95	6/19/2009	17.48	921.23	8.386	-62%	-32%	-30%	-3.55%	Financial
Seattle	NBA	Key Bank	\$1,000,000	2/21/1995	14	481.97	6/19/2009	6.07	921.23	14.324	-57%	91%	-148%	-10.31%	Bank
Philadelphia	NFL	Lincoln National	\$6,700,000	6/2/2002	44.82	1067.14	6/19/2009	16.86	921.23	7.047	-62%	-14%	-49%	-6.91%	Insurance



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Nashville	NFL	LP Building Products	\$3,000,000	6/6/2006	23.83	1265.29	6/19/2009	3.73	921.23	3.036	-84%	-27%	-57%	-18.81%	Forest Products
Baltimore	NFL	M & T Bank	\$5,000,000	5/5/2003	87.43	930.08	6/19/2009	46.8	921.23	6.125	-46%	-1%	-46%	-7.43%	Bank
Washington, D.C.	NBA NHL	MCI ⁹	\$2,200,000	6/3/1995	19.875	533.49	9/14/1998	59.396225	1029.72	3.283	199%	93%	106%	32.22%	Telecom
Pittsburgh	NHL	Mellon Bank ¹⁰	\$1,800,000	12/21/1999	32 15/16	1418.09	7/1/2007	41.44	1503.35	7.526	26%	6%	20%	2.63%	Bank
Miami	NHL	Autonation	\$2,200,000	7/14/1998	26.19	1165.19	6/19/2009	17.06	921.23	10.932	-35%	-21%	-14%	-1.27%	Service
Oakland	MLB NFL	Network Associates	\$1,200,000	9/23/1998	39.75	1029.63	6/19/2009	40.26	921.23	10.738	1%	-11%	12%	1.10%	Technology
Miami	NHL	Office Depot	\$1,400,000	9/13/2002	13.16	886.91	6/19/2009	4.11	921.23	6.765	-69%	4%	-73%	-10.73%	Consumer
San Francisco	NBA	Oracle	\$20,000,000	10/30/2006	18.1	1377.34	6/19/2009	20.66	921.23	2.637	14%	-33%	47%	17.91%	Technology
Denver	NBA NHL	Pepsi	\$3,400,000	3/16/1995	19.94	491.88	6/19/2009	53.91	921.23	14.261	170%	87%	83%	5.82%	Beverage
Milwaukee	MLB	Philip Morris	\$2,100,000	3/21/1996	6.88	649.98	6/19/2009	16.41	921.23	13.246	139%	42%	97%	7.30%	Consumer
New York	NBA NHL	Phillips Van Heusen	\$1,400,000	10/4/2007	53.96	1539.57	6/19/2009	28.51	921.23	1.708	-47%	-40%	-7%	-4.10%	Clothing
Atlanta	NBA NHL	Phillips	\$9,300,000	2/2/1999	18.33	1261.99	6/19/2009	18.26	921.23	10.376	0%	-27%	27%	2.56%	Consumer
Pittsburgh	MLB	PNC	\$2,000,000	8/6/1998	49.88	1081.43	6/19/2009	40.18	921.23	10.869	-19%	-15%	-5%	-0.43%	Bank
Cleveland	MLB	Progressive Insurance	\$3,600,000	1/11/2008	19.26	1420.33	6/19/2009	15.17	921.23	1.437	-21%	-35%	14%	9.67%	Insurance
Newark	NHL	Prudential	\$5,265,000	1/8/2007	85.69	1409.71	6/19/2009	38.22	921.23	2.445	-55%	-35%	-21%	-8.48%	Insurance
Baltimore	NFL	PSI Net	\$5,200,000	1/24/1999	1	1225.19	6/19/2009	0	921.23	10.401	-100%	-25%	-75%	-7.22%	Technology
San Diego	MLB NFL	Qualcomm	\$900,000	11/3/1997	3.52	914.62	6/19/2009	46	921.23	11.625	1207%	1%	1206%	103.68%	Technology
Seattle	NFL	Qwest	\$5,000,000	6/25/2004	3.79	1140.65	6/19/2009	4.02	921.23	4.983	6%	-19%	25%	5.07%	Telecom
Tampa	NFL	Raymond James	\$3,100,000	6/26/1998	13.88	1129.28	6/19/2009	17.19	921.23	10.982	24%	-18%	42%	3.85%	Financial
Raleigh	NHL	RBC Centura	\$4,000,000	9/19/2002	16.9	869.46	6/19/2009	40.44	921.23	6.749	139%	6%	133%	19.74%	Bank
Houston	NFL	RRI Energy	\$10,000,000	8/15/2002	3.9	919.62	6/19/2009	5.03	921.23	6.845	29%	0%	29%	4.20%	Energy
Toronto	MLB	Rogers Communications	Not Meaningful	1/31/2005	26.67	1171.36	6/19/2009	26.14	921.23	4.381	-2%	-21%	19%	4.42%	Telecom
Philadelphia	MLB	Royal Bank of Scotland	\$2,300,000	7/1/2003	422.28	974.5	6/19/2009	37.2	921.23	5.969	-91%	-5%	-86%	-14.35%	Bank
Seattle	MLB	Safeco ¹¹	\$2,000,000	6/4/1998	47.25	1082.73	9/22/2008	68.25	1207.09	10.303	44%	11%	33%	3.20%	Insurance
St. Louis	NHL	Savvis	\$3,500,000	8/28/2000	7.69	1506.46	6/19/2009	12.87	921.23	8.808	67%	-39%	106%	12.05%	Technology
Los Angeles	NBA NHL	Staples	\$5,800,000	12/1/1997	28.19	955.4	6/19/2009	20.33	921.23	11.548	-28%	-4%	-24%	-2.10%	Consumer



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Minneapolis	NBA	Target	\$1,300,000	8/31/1990	4.73	318.71	6/19/2009	39.58	921.23	18.801	737%	189%	548%	29.11%	Consumer
Minneapolis	MLB	Target	\$5,000,000	9/15/2008	57.26	1251.69	6/19/2009	39.58	921.23	0.758	-31%	-26%	-4%	-5.90%	Consumer
Orlando	NBA	TD Waterhouse	\$1,600,000	2/7/2000	24.6	1424.37	6/19/2009	51.23	921.23	9.363	108%	-35%	144%	15.32%	Financial
Charlotte	NBA	Time Warner Cable	Not Meaningful	4/7/2008	27.32	1372.54	6/19/2009	30.32	921.23	1.199	11%	-33%	44%	36.55%	Cable
Houston	NBA	Toyota	\$5,000,000	7/24/2003	52.65	988.61	6/19/2009	76.61	921.23	5.906	46%	-7%	52%	8.85%	Auto
St. Louis	NFL	Trans World ¹²	\$1,300,000	9/1/1995	1	561.88	6/19/2009	0	921.23	13.799	-100%	64%	-164%	-11.87%	Airline
Chicago	MLB	Telephone & Data	\$3,400,000	1/31/2003	20.62	844.61	6/19/2009	29.47	921.23	6.382	43%	9%	34%	5.30%	Telecom
Chicago	NBA NHL	United Air Lines	\$1,800,000	11/5/1992	1	417.11	6/19/2009	0	921.23	16.619	-100%	121%	-221%	-13.28%	Airline
Minneapolis	NHL	Xcel Energy	\$3,000,000	6/15/2000	21.31	1470.54	6/19/2009	18.11	921.23	9.010	-15%	-37%	22%	2.48%	Energy

- 1 Alltel acquired by Verizon
- 2 Atlantic Richfield (Arco) acquired by British Petroleum
- 3 Bank One acquired by JP Morgan Chase
- 4 Cinergy acquired by Duke Energy
- 5 Corestates acquired by First Union (Wachovia)
- 6 Corel acquired by Vector Capital
- 7 Fleet Financial acquired by Bank of America
- 8 Gillette acquired by Procter & Gamble
- 9 MCI acquired by WorldComm
- 10 Mellon Bank merged with Bank of New York
- 11 Safeco acquired by Liberty Mutual
- 12 Trans World assets acquired by American Airlines, no distributions have been made to shareholders from bankruptcy estate

Royal Bank of Scotland price is in £'s