

PRO BASKETBALL

NBA's Clippers Defy Gravity With Team's Record Sale Price

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(Reuters) - Former Microsoft CEO Steve Ballmer's record \$2 billion deal to buy the Los Angeles Clippers shows that star forward Blake Griffin and his monster slam dunks aren't the only things that defy gravity.

When the National Basketball Association first hit Clippers owner Donald Sterling with a lifetime ban, investment bankers estimated the price of his team at around \$1 billion. Instead, three groups, teaming with billionaires and celebrities, bid up the price to a record for a NBA team, double the initial estimate.

The eye-popping sale price has likely boosted the stock of other teams around the NBA, said sports consultant Ed Desser, a former top NBA TV executive, and could have a ripple effect.

"Sports franchises are one-of-a-kind trophy properties," Desser said. "Every owner saw what just happened."

As evidence, Rich Tullo, an analyst at Albert Fried & Company LLC, points to Madison Square Garden Co, which owns the NBA's New York Knicks and the National Hockey League's New York Rangers.

About 738,000 shares of MSG changed hands within the first 55 minutes

of trading the morning after the Clipper deal, surpassing the 10-day average of about 618,000 shares. At mid-afternoon the stock was up 3.2 percent at \$54.77.

Tullo, who has an "overweight" recommendation on the stock, figures much of that rise reflects a new valuation for the Knicks. (That said, the Rangers may have helped the stock: On the evening the Clippers deal was announced, the New Yorkers clinched a trip to the NHL's Stanley Cup finals.)

LIKE FINE ART

Billionaires like Ballmer are willing to bid up the price of sports franchises because the teams have become trophy assets, much like fancy art and yachts, said Desser, the sports consultant.

Demand is outstripping supply. The major sports leagues have granted few new expansion franchises recently, he says, creating bidding wars among deep-pocketed buyers for those that come on the market.

Fortune estimated in April that there are a record 1,645 billionaires worldwide, with an aggregate net worth of \$6.4 trillion. The magazine said 492 of them live in the United States.

"There just aren't enough teams out there for the billionaires who want them," Desser said.

David Geffen, the entertainment mogul who led a competing group of Clipper bidders that included TV icon Oprah Winfrey, had his eye on buying the Clippers for years. But it was Ballmer, who left Microsoft in February with a multibillion-dollar exit package, who was willing to ante up the most.

Ballmer is not only very rich, he's also fanatical about basketball, according to those who know him. Until recently he played pickup games with Microsoft staffers at a gym near the software giant's Redmond, Washington, campus.

In 2012, more than a dozen groups made initial bids for Major League Baseball's Los Angeles Dodgers, which was expected to go for \$1.5 billion. The winners, a group headed by executives of the Guggenheim Partners money management firm and including basketball great Magic Johnson, paid \$2.15 billion, still the record for a sports franchise.

TV RIGHTS

One of the reasons Ballmer's deal is so breathtaking is that the Knicks are worth about 50 percent more than the Clippers franchise, Tullo said. That's because the New York team's parent company owns its own cable TV network and Madison Square Garden, the arena in which the team plays.

The Knicks, like the Clippers and Dodgers in LA, play in a major TV market that allows them to charge hefty ticket prices and get massive TV contracts.

But big-ticket sports purchases extend to smaller markets as well. Until Ballmer's bid for the Clippers, the NBA record was set in April when billionaire investment-firm executives Wes Edens and Marc Lasry paid \$550 million for the Milwaukee Bucks, a small market team with the league's worst record.

A team's win-loss record is only one consideration for a new owner, said sports consultant Chris Bevilacqua, who started the college sports cable channel CSTV and now advises teams on TV contracts.

Sports teams, he said, are under-exploited assets, whose high profile in the United States make them popular overseas. Digital distribution offers added revenues, he said.

Even so, Ballmer's massive investment is not likely to pay off anytime soon, say investment bankers who worked on the deal. It's unclear whether he can extract a huge new TV contract for the Clippers, who currently get about \$25 million a year from a deal with Prime Ticket, a channel owned by Twenty-

First Century Fox, that expires after the 2016 season.

The Lakers signed a \$3 billion, 20-year deal with Time Warner Cable Inc in 2011, and the cable operator also has a \$7 billion, 25-year agreement with the Dodgers. But TWC, which shows the games on regional sports channels, has had trouble enticing other cable and satellite operators to carry the channels because of the fees it charges.

Ultimately that may not matter much to Ballmer, who like many billionaires is motivated most by the love of the game, Dessler, the former NBA TV executive, figures.

"It's awfully good to be an owner who's got enough money to not worry about making his team's cash calls," he said.

(Additional reporting by Bill Rigby; Editing by Frank McGurty; and Peter Galloway)

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