

Indian Wells Tennis Case

TEACHING NOTES

The purpose of these teaching notes is twofold—one, to provide a timeline of events from the time of the case (late 2004) right until the sale of the Indian Wells Tennis Garden and tennis tournament to Oracle CEO Larry Ellison in 2009, and two to provide assignment questions to guide learning and in-class discussion.

OVERVIEW

This case is about much more than just a tennis tournament in the Coachella Valley. It is about foreign investors attempting to buy away one of the most prestigious tennis tournaments played on American soil. It is about a tournament that has overcome numerous hurdles and obstacles during its 30 year history. Charlie Pasarell and Raymond Moore (PM Sports Management) invested their lives into the Indian Wells tennis tournament, and they are now being pressured by International Management Group (IMG) into selling the tournament sanction to a buyer from Shanghai, China. Although the tournament's financial performance has improved since 2001, it was still losing money as of late 2004.

PM Sports ended up turning down the \$44 million Shanghai term sheet, as well as another offer that came in from Doha, Qatar (rumored to be north of \$60 million) one month later. The pressure to sell from IMG continued to increase, but PM Sports was able to locate investing dollars and eventually bought out IMG's 50 percent share in the tournament in 2006 (in addition to paying off all bondholders from the stadium's construction financing). Their new partners, George Mackin and Bob Miller of Tennis Magazine, and Patrick W. M. Imeson of Calim Private Equity, LLC, brought in tennis greats Billie Jean King, Chris Evert, and Pete Sampras as investors.

The United States Tennis Association (USTA) also joined the team. This powerful and strategic tennis partnership helped save the tournament and allowed it to flourish. It continued to develop into a key economic driver for the Coachella Valley as well. The city of Indian Wells also supported PM Sports by purchasing 27 acres of land adjacent to the Indian Wells Tennis Garden and leasing it back to the tournament at a very affordable rate. The city has been an invaluable partner for the tournament each step along the way.

In 2009, BNP Paribas, the largest global banking sponsor in the tennis world, was brought on as the new title sponsor. And towards the end of the year, it was announced that Larry Ellison, co-founder and CEO of Oracle Corporation, would be purchasing the tournament and forming Tennis Ventures, LLC. In addition to the 16,100 seat Stadium 1, the Tennis Garden opened a permanent Stadium 2 in 2014, featuring 8,000 seats and three high-end restaurants located around the court.

The tournament has become one of the largest events on both men's and women's tour. Known in the tennis world as the unofficial fifth grand slam, over 430,000 people attended the two-week tournament in 2014, making it the third most attended tennis tournament on the planet.

Case prepared by Jeff Angus, Andrew Green, and Lena Macomson, under the direction of Paul Swangard, Managing Director at the University of Oregon's Warsaw Sports Marketing Center. This case is written as the basis for class discussion rather than to illustrate effective or ineffective management of a situation. Direct quotes and relevant information was obtained during in-person interviews at the 2014 BNP Paribas Open in Indian Wells, California. Copyright 2014.

ASSIGNMENT QUESTIONS

These questions should serve as a guideline for classroom discussion.

1. Should PM Sports agree to the \$44 million Shanghai term sheet?
2. Was Pasarell and Moore's love for tennis and the tournament blinding them from a sound business decision?
3. Did PM Sports it to their investors and partners to generate a financial return on a struggling asset?
4. Explain how the company culture at IMG changed after Teddy Forstmann took over from Mark McCormack.
5. Would PM Sports be able to go up against Teddy Forstmann and IMG's vast resources if the dispute went to the courts?
6. What would it mean for American tennis if the tournament was sold to an overseas buyer?
7. Armed with the information presented in Exhibit 13, would your answer to question one be any different? Why or why not?