

Owner of Canadiens Continues a Trend and Invests in a Nascar Team

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Outside investors are increasingly finding a new home inside the Nascar Nextel Cup garage, and George N. Gillett Jr., the owner of the Montreal Canadiens, is the latest to buy in.



Christopher Furlong/Getty Images

George N. Gillett Jr. will focus on business operations in his venture at the new Gillett Evernham Motorsports.

With the announcement yesterday that Gillett had purchased majority ownership of Evernham Motorsports, he joins John Henry, the principal owner of the Boston Red Sox; and the actor Paul Newman among those who have invested in Nascar.

In 2003, the private equity firm Chartwell Investments bought into Richard Childress Racing. In February, Henry purchased a 50 percent interest in Roush Racing, and the team is now called Roush Fenway Racing. Most recently, on July 27, Newman and the Newman/Haas/Lanigan Racing team announced a partnership with Robert Yates Racing.

This is more than a coincidence.

“I think the evolution and the introduction of additional outside investors in the sport of auto racing and Nascar in particular is a further indication that this as a sport and more importantly as a business has kind of arrived and gotten to the upper echelon to be considered almost at the same level as the other stick-and-ball sports,” Tim Frost, a motorsports industry financial consultant based in Illinois, said last week in a telephone interview.

Bob Simonson, an analyst who follows motorsports for the Chicago-based investment firm William Blair & Company, said the \$4.8 billion television deal with ESPN, Fox and TNT, as well as multimillion-dollar sponsorships, provide earnings predictability that makes Nascar a less risky investment.

If this means Nascar has arrived, the influx of outside investors raises questions about where the sport is headed. Even as Nascar insiders marvel at the high profile of the investors who have shown interest in the sport, some say it is far too early to predict the impact of their arrival.

“I do find it interesting, if not more than a little bit mildly ironic, that people that own some of the more iconic franchises in sports, like the Boston Red Sox, looked at our sport and said, ‘That’s where I really

want to be,' ” Eddie Gossage, the president of Texas Motor Speedway and a longtime racing promoter, said last week in a telephone interview. “Is it good for the sport? I don’t know. It’s something that I don’t think we’re going to know for a long time.”

It could depend on how successful owners like Gillett and Henry are in cross-marketing their various sports entities. Each is heavily involved in other sports leagues and entertainment properties. Gillett owns the Bell Center, where the Canadiens play, and is a co-owner of the Liverpool soccer team in the English Premier League. His Gillett Entertainment Group produces sporting and entertainment events.

Gillett will focus on business operations at the new Gillett Evernham Motorsports, with Ray Evernham continuing as chief executive in charge of race competition for the No. 9 Dodge driven by Kasey Kahne, the No. 19 of Elliott Sadler and the No. 10 with Scott Riggs.

Henry owns New England Sports Ventures, an umbrella for the Red Sox, Fenway Park and Fenway Sports Group, and has an 80 percent stake in the New England Sports Network. Fenway Sports Group is beginning to look into cross-marketing and sponsorship possibilities. (The New York Times Company owns 17 percent of New England Sports Ventures.)

“I think this deal today certainly validates what we saw back at the beginning of this year,” Mike Dee, the president of Fenway Sports Group, said yesterday in a telephone interview. “There’s a tremendous opportunity in this sport.”

Nascar officials have worked for years to expand the sport beyond its Southern roots, and outside ownership can introduce the sport to new markets not only in the United States, but also abroad.

But with opportunity comes concern about the cost to Nascar. The arrival of new owners brings an infusion of cash into a sport with budgets that are spiraling upward. The Roush Fenway Racing president, Geoff Smith, said there was no direct correlation between Henry’s arrival and the improved performance on the track for drivers like Carl Edwards and Jamie McMurray.

“But what there is, is a group of people with opportunities to help us distinguish ourselves off the racetrack from all of our competitors in a way that will help make us stronger in our efforts to recruit and retain sponsors and create innovative marketing platforms that might give us an edge in the chase for the money,” he said in a telephone interview.

Ultimately, winning that chase means Roush Fenway will have more resources to compete. That could raise the cost of racing for everybody at a time when small teams like Wood Brothers/JTG Racing, icons in the sport, are struggling to stay competitive. The seven-time champion Richard Petty has talked about adding partners to Petty Enterprises as well. And Dale Earnhardt Inc. recently bought Ginn Racing, combining the two to form a larger company.

Steve O'Donnell, Nascar's vice president for racing operations, said last week that Nascar was taking a wait-and-see approach to the new arrivals. But perhaps the true impact will not be seen until more investors buy into Nascar. And there is little doubt that they are on the way.

Gossage said, "I think this is just the start of things to come."