

SO YOU WANT A SEAT AT CENTRE COURT AT WIMBLEDON?
WELCOME TO SOME OF THE WORLD'S MOST BIZARRE BONDS:
WIMBLEDON CENTRE COURT DEBENTURES
(AND SOME CHEAPER ALTERNATIVES FOR VALUE INVESTORS)

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COCKTAIL PARTY BONDS AND INTEREST PAID IN TICKETS

Imagine the most famous tennis court in the world, the site of many of the greatest matches in tennis history. About 400 million people are watching worldwide on television. Centre Court at Wimbledon has only about 15,000 seats. It is one of the hardest tickets in the world to get—even for the early rounds. So exactly how much would it be worth at a cocktail party to say, after your social nemesis takes a breath from talking about how her daughter just got into a second tier university, that you and your husband just got back from watching two weeks of tennis at Centre Court at Wimbledon. How? By using your Centre Court debentures, of course. “Oh, you don't have any? Pity, but then your little Hillary will need money at—what college was it?”

Nearly every tennis player in the world and many people who wouldn't know the difference between a center line and a base line would still love to go to Centre Court and see—or be seen. Ian Ritchie, Wimbledon's chief executive, has said “We've already got too many people

wanting to come.’ He says he frequently receives calls from top celebrities or their representatives. ‘Sometimes you have to say, I’m sorry, we haven’t got any tickets left, and they don’t believe me.’”¹

THE SEVEN WAYS TO GET TICKETS TO CENTRE COURT

Let’s assume that you don’t have the looks of a movie star or the money of a rapper. If they have trouble getting tickets then how are you going to do it? There are seven ways:

1. Become a member of the royal family. Sit in the royal box. Stop dreaming. Kate and William have produced an heir. You will not be adopted but you could:

2. Win the tournament. Past champions become honorary club members and receive Centre Court tickets, but if you don’t have the makings of a tennis champion, you could:

3. Become one of the 375 members of the All England Lawn Tennis Club (hereafter “AELTC”). Each member automatically receives tickets to Centre Court for the entire tournament. AELTC members choose the executives who run the Wimbledon tournament. In addition, they are the members of the most ultra-exclusive tennis club in the world. Despite the serious money and impeccable social standing required for membership, there is such a long waiting list to become a member that it is somewhat jokingly said that the easiest way to become a member is to win the tournament. Or you could:

4. Win the Centre Court ticket lottery. Fifty-five per cent (minus 500 tickets daily that are awarded to “The Queue” [see 5 below]) of all tickets to Centre Court are awarded by a heavily oversubscribed lottery. It is called “The Ballot” at the Wimbledon website but in American English it is a lottery. There are, however, no lottery tickets available for semi-final and final matches. If you do win a lottery ticket you can neither specify the location of your seat nor the date of play. If you are lucky enough to be a lottery winner you are able to buy a Centre Court ticket for up to £148 (roughly \$233²--Yes, that is a bargain. Two debenture tickets [see 6 and 7 below] to this year’s men’s single final were sold for £83,780 [\$131,786 or \$65,893 per ticket]³. Since the price at issuance for the current 2011-2015 Centre Court debentures was £27,750, the €71,000 received by the debenture owner for two men’s finals tickets [the ticket broker received over £10,000] worked out to a return on investment of 127.9% [$£71,000/£55,500\{£27,750 * 2\}$ **on a single match!**]. Tickets won by lottery cannot be re-sold. The AELTC rigorously enforces this rule. If you have any doubts visit the Wimbledon website at www.wimbledon.com. Also, the drawings for the lottery don’t even start until May and

¹Perrotta, T. (2011, July 2). *Wimbledon’s Other Spectator Sport: The Queue*. Retrieved from <http://www.wsj.com>.

² £/\$ exchange rate used in this article is 1/ 1.573, the rate on September 10, 2013, as retrieved from <http://www.xe.com>.

³Carter, C. (2013, July 7). *Tickets to Wimbledon Final Soar to £87k*. Retrieved from <http://www.telegraph.co.uk>.

continue even while the tournament is in progress, making trip planning nearly impossible. Only debenture tickets (see 6 and 7 below) can be openly and legally sold. If you aren't lucky enough to be one of the winners of the lottery you could still get one of the 500 Centre Court lottery tickets that are awarded daily to the up to 20,000 hardy people willing to:

5. Spend up to several weeks waiting in "The Queue". (Americans prefer the word "line" but there is something nice about the British preference for the only five letter word in the English language that is pronounced the same as its first letter.) The AELTC's chief executive says selling all tickets through agents, the internet, or through debentures would be cheaper and simpler than using "The Queue"⁴. The Wimbledon Queue is, however, an institution in itself and one that virtually no one wants to eliminate. Up to 20,000 people pitch tents in a nearby park for as much as two weeks, seldom showering, sleeping little, and forming and re-forming lines to obtain one of the 500 Centre Court tickets (queue tickets, like lottery tickets, are not available for any semi-final or final matches) awarded to The Queue daily. Five hundred queue tickets are also awarded daily for Number One Court and 500 to Number Two Court.

Perhaps the best deal at The Queue is daily grounds admission passes. As the name implies, they get you into the grounds of Wimbledon for \$32 a day or less. They allow the holder to access unreserved sitting and standing at courts 3-19, mostly non-"show" courts. The "show" courts at Wimbledon are Centre Court (15,000 seats) and Numbers One (11,439 seats), Two (4,000 seats), Three (2,000 seats), Twelve, and Eighteen Courts.^{5 6} The primary advantage (beyond the comfort of one's own seat) to the show courts is that the best players are assigned to them. Even in the first round of 128 players at least one of the players on a show court will be a seeded player. (Wimbledon seeds 32 players to avoid having two top players meeting each other in the opening rounds). Unlike tickets to Centre Court and Number One Court that become more valuable as the tournament progresses (and only the best players [for that tournament] remain), grounds admission passes become less available and less desirable because fewer and fewer matches are left to be played on the non-show courts 4-11, 13-17 and 19. By the time the semi-finals and finals occur, grounds admission passes do little more than get you into the grounds to watch the matches on large screens.

6. Legally and openly buy Centre Court tickets from a debenture holder. In 2010, a Centre Court debenture ticket for each day of the tournament (debenture tickets include semi-final and final matches) went for between \$15,500 and \$16,000.⁷ If you have that kind of money then you might be able to:

7. Own a Wimbledon Centre Court Debenture. A "debenture" is an unsecured bond that is only backed by the full faith and credit of the issuer. No particular assets back the

⁴ Perrota, T. (2011, July 2). *Wimbledon's Other Spectator Sport: The Queue*. Retrieved from <http://www.wsj.com>.

⁵ Retrieved from the official Wimbledon website at http://www.wimbledon.com/e_GB/atoz/index.html.

⁶ Ibid., "Maps" in the "A to Z Index" then "Grounds Map" gives a good view of the courts and Wimbledon facilities.

⁷ Arends, B. (2010, July 3). *Investing in Tennis, Anyone?*. Retrieved from <http://www.wsj.com>.

debenture. In less elevated financial circles (e.g., gambling) debentures are more commonly called “I.O.U.s”. Since the financial portion of this website is called “The Strange Securities, BIZARRE BONDS [emphasis added], and Uncommon Commodities” section it is probably not too surprising for us to be focusing on securing tickets by possibly investing in some of the most bizarre bonds in the world, Wimbledon Centre Court debentures.

CHARACTERISTICS OF WIMBLEDON CENTRE COURT DEBENTURES

The debentures are issued by the AELTC. They have been issued since the 1920s without a default and, given that the 375 club members are among the wealthiest in the United Kingdom, the “full faith and credit” of the issuers could hardly be better. They are used to finance capital improvements. The comparatively recent and highly praised retractable roof over Centre Court that finally made for assured matches was paid for from debenture proceeds. Number One Court and improvements to seating and lighting at Centre Court were also paid from debenture funds. The most recent Centre Court debentures cover the five tournaments from 2011-2015. When they were issued they cost £27,750, or about \$43,000 each. Twenty-five hundred (yes, just 2500) were sold for net proceeds after taxes of \$90,000,000.

Wimbledon Centre Court debentures have two *highly undesirable* traits:

1. They pay no interest over the entire life of the bond. Payment is entirely in tickets.
2. At the conclusion of the five years of the debenture only 7% of your principal is returned to you. In the case of the most recent ones, they cost about \$43,000 at issuance and they return only about \$3,100 at their conclusion.

So this raises the obvious question, who in their right minds would buy such a bond? The answer is that perfectly sane people can and do buy them because they have a number of *highly desirable* features. They are:

1. Pretty much the only game in town. If you are the CEO of a company and a major client is visiting who you know to be a tennis fan the only way you know you are going to be able to take him to Centre Court if you aren't an AELTC member or ex-champion is if you have debenture tickets. You could buy the tickets from a debenture owner but, besides being expensive, given their rarity there is no guarantee that you will be able to buy them at any price.
2. The return on the debentures, especially if purchased at issuance, can be substantial. You might think that the monetary return on an unsecured bond that pays no interest and that returns almost none of your principle would be negligible at best. You would be wrong. Prior to the 2012 tournament, with one year of tickets already used up from the 2011 competition,

one debenture was sold for roughly \$122,000.⁸ Debentures have more typically gone for about \$100,000. Recent trades are reported monthly in the *Financial Times* and on the Wimbledon website at <http://www.aeltc.com/CMS/Debentures/trans.aspx>.

3. Debenture tickets are the only ones that can be openly and legally sold. Centre Court debenture tickets are for the entire tournament including the semi-final and final matches. A person who bought the most recent Centre Court debentures at issuance for \$43,000 has been able to “rent” them for one year’s tournament for about \$16,000. Even considering that almost none of one’s principle is returned, the return for an original purchaser is substantial. For someone buying in the aftermarket at \$100,000, the return is negative--unless there is continued buying mania for final round tickets as occurred this year, an unlikely event.

4. The return is also obviously substantial for someone who purchases at issuance and then sells his or her debenture for two to three times as much a year later.

5. Centre Court debentures confer some serious non-financial benefits. Anyone buying a debenture in the aftermarket (and that presumably includes anyone reading this article) might justifiably say that such a purchase might make sense if you really love tennis or value Centre Court tickets highly as a cocktail party status symbol. It is probable that such a purchase is going to have a negative return. Not all investment returns have to be monetary. After all, even if you own stock in Apple or Whole Foods and you love talking about it the odds are that you aren’t going to be the only such person. In fact, if you can get certain people to stop talking about Apple you are fortunate. One thing is certain. If you own a Centre Court debenture it is probable that you will be the only one you know who owns one and it is likely that others will be intrigued to hear about it.

6. Everyone has heard the old adage that the best way to make money is to buy low and sell high. If you buy a debenture in the aftermarket there is no chance that you will be able to buy low but at least it is probable that you won’t have to sell low either. The price of aftermarket Centre Court debentures has not had serious downside pressure. Brett Arends reports that “These prices are astonishingly resilient. The official prices recorded by the club saw no downturn at all in the financial crisis of 2008”⁹ The United Kingdom was hit by the 2008 financial meltdown at least as badly as the United States. There were few publicly-traded securities that did not go down substantially that year. Owning a security that at least is unlikely to go down much has real value. Just ask all the people who during the worst of the 2008-2009 financial crisis were willing to buy U.S. Treasury bonds that guaranteed a negative return if held to maturity.

7. Wimbledon Centre Court Debentures also have one other feature that some believe to be as valuable as the five years of tickets: the right to subscribe to the next debenture (and

⁸ Perrota, T. (2011, July 2). *Wimbledon’s Other Spectator Sport: The Queue*. Retrieved from <http://www.wsj.com>.

⁹ Arends, B. (2012, July 5). *At Wimbledon, Bond Madness Off Court*. Retrieved from <http://www.smartmomey.com>.

the next, and the next . . .) *at the issue price*. Mr. Arends reports at the *Wall Street Journal* website that “Investors are bidding for two things: the right to Wimbledon tickets for the next few years, and the option to take part in the next debenture issue.”¹⁰ Mr. Michael Dyson, a broker of aftermarket debentures, agrees. “People are taking a long-term view. They’re not just looking at it over five years, they would hope to renew.”¹¹ There is another common adage in investing and that is to invest for the long-term. If you buy a Centre Court debenture in the aftermarket and you want a *positive financial* return, about the only way you normally would have a chance of getting one is by investing for the long-term—probably real long-term.

HOW TO BUY WIMBLEDON CENTRE COURT DEBENTURES AFTER ISSUANCE

The *Smartmoney* website states that “Anyone can buy a debenture, so long as they have the money, and someone wants to sell . . . The most recent debentures provide for seats for the tournaments 2011-2015 inclusive”.¹² Centre Court debentures are traded in the City of London (London’s financial district, the equivalent of New York City’s Wall Street). Major brokerages such as Investec trade them.¹³ Not exactly like buying a thousand shares of IBM but the point is that they are publicly-traded. You cannot follow trades in real time but you can follow them occasionally in the *Financial Times* or the Wimbledon website. The website is highly recommended and has helpful sections on The Queue, how to apply for the lottery, what the view will look like from your seat, maps, and on debentures.¹⁴

THE VALUE INVESTORS’ GUIDE TO WIMBLEDON TICKETS: NUMBER ONE COURT DEBENTURES, QUALIFYING ROUNDS, THE LOTTERY, AND THE QUEUE AND GROUNDS PASSES

Centre Court debenture tickets have the advantages of providing seats for all the days of the tournament including the semi-finals and finals, they assure a particular seat, and they can legally be sold or transferred. They are also expensive. There are alternatives if you want to get into Centre Court (the lottery and The Queue), Number One Court (Number One Court debentures), into the grounds of Wimbledon (grounds passes), or see great qualifying rounds--*for free*.

¹⁰ Arends, B. (2010, July 3). *Investing in Tennis, Anyone?* Retrieved from www.wsj.com.

¹¹ Arends, B. (2012, July 5). *At Wimbledon, Bond Madness Off Court*. Retrieved from <http://www.smartmoney.com>.

¹² Ibid.

¹³ Arends, B. (2010, July 3). *Investing in Tennis, Anyone?* Retrieved from www.wsj.com.

¹⁴ www.wimbledon.com

NUMBER ONE COURT DEBENTURES

This article has been focused on Wimbledon Centre Court D ebentures. There is, however, a cheaper Wimbledon debenture option, and that is buying a Number One Court debenture. Number One Court is close to Centre Court and is newer. Number One Court debentures are also issued by the AELTC. They are also backed by the full faith and credit of the AELTC and they also are issued for five years. The current debentures cover the tournaments from 2012-2016 (as opposed to 2011-2015 for the Centre Court debentures). Like Centre Court debentures, they can be openly and legally rented or sold.

Number One Court debentures have *three disadvantages* compared to Centre Court debentures:

1. They do not have the cachet of Centre Court. Your friends have probably heard of Centre Court but most probably aren't aware of Number One Court.
2. Court Number One debentures do not cover the last three days of the tournament when the men's and women's semi-finals and finals are played on Centre Court. This is somewhat confusing. While the premiere events are at Centre Court, semi-final and final matches in lesser known categories such as mixed doubles and the last rounds of the junior and senior tournaments are played on Number One Court through the last day of play. Why these are not included in the Number One Court debentures is unknown even after three telephone calls to Wimbledon by the author.¹⁵
3. Number One Court does not currently have a retractable roof, making times of play uncertain.

Despite these negatives, Number One Court debentures have *four advantages*:

1. They are a *lot* cheaper. The Wimbledon website indicates that the last three sales of Number One Court debentures during the April-June, 2013 period sold for a total of £49,000 (or an average of £16,333 each) and the last three sales of Centre Court debentures in the same time period went for £185,000 (or an average of £61,666 each).¹⁶ Centre Court debentures were issued for £27,750 and have more than doubled since then even though two years of tickets had already been used at the time of the last three sales. Number One Court debentures were issued at £13,700 and have increased in value only a few thousand pounds despite having one more year of tickets remaining than the Centre Court debentures.¹⁷ Like

¹⁵ Two telephone calls by the author to Audrey Snell, Assistant Librarian at the Kenneth Ritchie Wimbledon Library, on August 27 and 29, 2013 and one call to Philipa Winton of www.wimbledondebentureholders.com on August 29, 2013.

¹⁶ Retrieved from <http://www.wimbledon.com/debentures>.

¹⁷ Ibid.

Centre Court debentures, Number One Court debentures pay no interest, only tickets, and they return only about seven per cent of the purchase price at the end of the five year period. Some of the value of Number One Court debentures is also probably derived from the opportunity to renew them at the issue price, although investors appear to be placing less value on the renewal option than with the Centre Court debentures.

2. If the average price paid for Number One Court debentures in the April-June, 2013 period (£16,333) were to continue, then the prices wouldn't seem to reflect the value of the 2019 retractable roof *yet*. (Not too surprising since plans for the roof were announced after the 2013 tournament.) Nevertheless, as previously emphasized, debenture investing should be long-term investing. The prospects for the roof in the not-too-distant future should make the renewal value of Number One Court debentures rise, perhaps substantially.

3. While not including the final three days, the debentures do include the round of sixteen and the quarter-finals, so you would still be seeing some great tennis. Number One Court is also a show court, so debenture holders will always be watching at least one high-ranking player each match.

4. Number One Court debenture holders, like their Centre Court counterparts, sit in some of the best seats near debenture holder only facilities.

FREE QUALIFYING ROUNDS

Each of the Four Majors, also known as the Grand Slam tournaments (Australian Open, French Open, British Open [better known as "Wimbledon"], and the U.S. Open) all have qualifying rounds for players, particularly younger ones, who are not ranked in the top 100 players or so but who have the potential of playing Grand Slam-level tennis. The qualifying rounds are played the week before the first day of play at Wimbledon. One hundred and twenty-eight players try to win three straight matches to get one of the 16 positions reserved for qualifiers in the main Wimbledon tournament. In addition to being free the atmosphere is casual with fans allowed between courts and behind canvas barriers immediately behind the line judges. The only drawback to qualifying rounds is that they are not at Wimbledon. To cut down on the wear and tear at Wimbledon's grass courts the qualifying rounds are played on grass courts at the Bank of England's Sports Grounds in nearby Roehampton.¹⁸

THE BALLOT/LOTTERY

The Wimbledon website has considerable information on both the lottery (called "The Ballot") and The Queue at www.wimbledon/tickets. Instructions for the lottery are precise and there are a lot of rules. The ballot/lottery for 2014 tickets opens to non-U.K. residents on November 1, 2013 and closes on December 15, 2013. An online application will be provided near the

¹⁸ Bialik, C. (2013, June 19). *No Tickets Required—Wimbledon Qualifying*. Retrieved from <http://www.wsj.com>.

lottery's opening day. Slightly over half of all tickets to Centre Court are sold to lottery winners except that none are sold by the lottery for the semi-finals and finals.

THE QUEUE/GROUNDS ADMISSION PASSES

Five hundred Centre Court tickets and 500 tickets to both Courts One and Two are sold each day for play that day (except finals and semi-finals) to people waiting in The Queue. (The website may be the best source for queue details but for a funny article about people who actually plan their vacations around The Queue every year see Tom Perrota's article.)¹⁹ In addition, grounds admission passes in varying numbers may be the best deal at The Queue. According to the Wimbledon website, they allow unreserved seating and standing for courts 3-19.²⁰ Since they are limited only by the grounds capacity of Wimbledon, grounds admission passes, while varying in number, are more readily available and are relatively inexpensive. Even a first round match between two unranked players is still likely to be extremely good tennis. The men's and women's draws each start out with 128 players. The 128th ranked players in the world are great tennis players. Former Wimbledon champion Rafael Nadal was beaten by an unseeded player in the first round this year and defending champion and seven time Wimbledon men's singles champion Roger Federer was defeated in the second round by a player who was not ranked in the top one hundred men's players in the world.

CONCLUSION

There are many ways to see Wimbledon or some great tennis at the Wimbledon qualifying matches at Roehampton. Not all of them are expensive. Occasionally, luck (ballot/lottery), perseverance (The Queue), planning (qualifying rounds), and *relatively* modest income (Number One Court debentures), can get you into great tennis matches much cheaper than renting or owning a Centre Court debenture. Regardless of which method is used, it helps a lot if you really love tennis.

¹⁹ Perrota, T. (2011, July 2). *Wimbledon's Other Spectator Sport: The Queue*. Retrieved from <http://www.wsj.com>.

²⁰ *Essential information: Grounds Admission* (2013, Aug. 26) Retrieved from <http://www.wimbledon.com>.

