



DIVING INTO THE DEEP END

By Matt O'Neil

In the retail world a large bankroll enables consumers to acquire the best goods. Buying juveniles at public auction is as about as "retail" as it gets in the Thoroughbred marketplace, and the highest-quality stock often passes through the ring at prices of six figures and up.

The 2-year-old buyer gets a more finished product than the yearling purchaser and someone else has paid the fall and early winter—post-yearling sale—board bills (\$25-\$35 per day). The cost of breaking and early training, around \$60

appears to be good value in purchasing 2-year-olds at auction over yearlings, especially in the narrow \$100,000-\$199,999 range. Juveniles purchased in this price stratum sold for an average price of \$134,050 from 2004-2008. Keeneland September yearlings sold in this price range in roughly the same time period (2004-2007) averaged a nearly identical amount—\$135,879.

In-training juveniles that sold for more than \$200,000 averaged \$426,236 during those four years, while the Keeneland yearling sample shows an average price of \$479,965 for these higher-end animals. However, for that roughly \$50,000 difference in average price the juvenile buyer has a better chance to buy a stakes winner. The breakdown for stakes winners purchased at Keeneland September ranges from 6.3% for yearlings sold in the \$100,000-\$149,999 range to just about 10% for yearlings sold for more than \$500,000. From 2004-2008 buyers purchased 2,310 runners as juveniles for \$100,000 or more. An impressive 14% went on to become stakes winners with 26% earning black type of some kind.

Only 4% of runners purchased under six figures as juveniles are stakes winners and only 10% earned black type. This also means that agents (whose commission is

5% of purchase price) and advisers (who earn a per diem of \$250-\$500) are doing good work with the additional information—including breeze shows—available.

Horses selling for \$1 million or more fare even better. Since 1997, 73 seven-figure 2-year-olds have sold in North America. Twenty-one of them (29%) are stakes winners so far, and an additional 11 are stakes-placed, putting the black-type figure at 42%. Particularly impressive is the number of graded winners, 19 (26%), and grade I winners, 6 (8%), in the sample.

The only problem is that earning black type on the racetrack doesn't necessarily translate to profitability. Based strictly on race earnings, spending six or seven figures on 2-year-olds at public auction is a losing proposition. Juveniles purchased for \$100,000-\$199,999 from 2004-2008 earned back an average of only \$92,943. Juveniles sold for more than \$200,000 earned

back an average of only \$121,202. Our 73 seven figure juveniles were purchased for a total of \$131,200,000. Their collective earnings: \$12,145,228.

Of course, black type comes with residual value. Grade I winner *Songandaprayer*, for example, was purchased for \$1 million in 2000 and has stood for as high as \$45,000 in his 10 years at stud. Chapel Royal, who set a record for most first-crop juvenile winners by a North American stallion in 2008, and Lion Heart, the leading second-crop stallion in North America in 2010, also had \$1 million-plus price tags as juveniles. **M**



Songandaprayer

per day, has also been absorbed by the previous owner.

While some juvenile purchases go right to the track to begin their racing careers, it's not unusual for a horse to be let down for a month or two following the stresses of showing and speed training. The cost of boarding and keeping a horse in light training at a farm or training center runs around \$40 per day. Horses purchased for six and seven figures will likely then be sent on to a well-known trainer at a major racing center where the real expenses begin. The day rate for a top trainer approaches \$120.

Given the delay in adding expenses to the books, there