

## 2-YEAR-OLDS IN TRAINING

# 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. 



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