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## How Gerry Cardinale became the go-to dealmaker for the likes of the Yankees, AC Milan, and Ben Affleck

The Goldman Sachs alum and his peers reveal the winning playbook for his \$7.5 billion firm, RedBird.

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29 December 2022



Gerry Cardinale at RedBird's Manhattan office. Crystal Cox/Insider

In 2009, Lloyd Blankfein made Gerry Cardinale turn down what could have been the biggest win of his career. The Goldman Sachs dealmaker had the opportunity to buy a majority stake in the Liverpool soccer club. Cardinale knew little about the English team, but he could tell that Liverpool had great potential to exceed its £300 million (roughly \$450 million at the time) price tag.

The investment committee rejected the deal at first, but Cardinale was able to sway them after bringing on the Yankees Organization and the Dallas Cowboys as coinvestors. But Blankfein, Goldman's then-CEO, put the kibosh on the deal, fearing Goldman could get bad press from managing a sports team with such die-hard fans.

Cardinale took it in stride, but it made him think about leaving the bank to hang his own shingle.

"We were ahead of our time in taking a run at Liverpool, but in hindsight, I understand the decision," Cardinale said in an interview. "I always joke to my friends at Goldman, 'You guys cost us a lot of money.'"

He retired from Goldman Sachs in 2012 after 20 years and launched RedBird Capital in 2014. Today, RedBird is a go-to dealmaker in sports and entertainment with \$7.5 billion in assets and 65 employees. Cardinale, now 55, finally got to invest in Liverpool last year by taking a stake in its owner, Fenway Sports Group, at a \$7.35 billion valuation.

In the past year, Cardinale has attracted the kind of buzz usually reserved for his portfolio companies. He bought the soccer club AC Milan in August, earning the attention of the Italian press. He courted the ex-Disney CEO Bob Iger before Iger returned to his former employer, and partnered with Jeff Zucker, the ex-CEO of CNN, on a new \$1 billion joint media venture with the Abu Dhabi investment firm IMI. And last month, Cardinale graced the stage of The New York Times DealBook conference alongside his business partner Ben Affleck.

And behind the headlines, RedBird's returns live up to the hype. The assets in RedBird's third fund are already worth two times their initial investment, and the fund boasts an internal rate of return of 34%, said one investor. After less than three years, the fund has already returned half of the capital back to investors, said another source familiar with the firm.

But RedBird's lane is getting crowded, with private-equity firms spending \$51 billion on sports transactions last year, according to PitchBook. Unlike many other sectors, dealmaking in sports isn't slowing down, partly because leagues worldwide are changing their ownership rules, and valuations are reaching historic highs despite inflation and recession fears. Rights to streaming live games are also as lucrative as ever.

RedBird is raising a fourth fund to stay ahead of its competitors like Silver Lake, which has a stake in the soccer club Manchester City, and Liberty Media, which is often compared to RedBird. Even with his track record, Cardinale is making bold moves such as building a new stadium for AC Milan, which its previous owner failed to do, and relaunching the XFL, a national spring football league. The firm is diversifying by stepping up its bets in asset management and insurance, where it has already invested more than \$1 billion in the past four years, according to a source familiar with RedBird.

### Gerry Cardinale's growing sports network



Chart: Shayanne Gal; Taylor Tyson

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Diversifying is a good move for RedBird, Don Gogel, the chairman of the private-equity firm Clayton, Dubilier & Rice, said.

"There's a lot of capital that gets invested in sports. It's an attractive area that people think they know something about — whether they do or don't," said Gogel, who overlapped with Cardinale at Goldman Sachs.

Cardinale is also concerned about this gold rush, which comes as many professional sports teams are up for sale, including soccer clubs Liverpool, Manchester United, and Paris Saint-Germain.

"People need to calm down a little bit about sports," he said. "This euphoria around sports scares me because it suggests a bubble environment and a caveat to beware."

Insider spoke with 27 of Cardinale's colleagues and peers to learn more about his winning playbook. One of his superpowers, many said, is his relationship savvy. Many of RedBird's business partnerships, such as with the Yankees, the Cowboys, and the FSG chairman Tom Werner date back to his Goldman days.

"He had a knack for developing relationships with entrepreneurs, particularly those with more of a maverick style," Jon Winkelried, the CEO of TPG and the former copresident of Goldman Sachs, said. "There are a lot of smart investors who can run the numbers, who can figure out the cash flows, but it is very hard to get high-powered people who have accomplished a lot to want to allocate some of their valuable time to you. People want to spend their time with Gerry."

### **RedBird leverages IP to build businesses rather than squeeze them**

RedBird's office offers wide views of Manhattan. An inviting lounge area takes up as much space in the main conference room as a circular table. Sports memorabilia is everywhere — from a football helmet from the XFL to shelves of signed baseballs and bats that line Cardinale's office. But finance is never far from the conversation — a football commemorating 100 years of the NFL rests on a stack of well-worn books with titles like "Financial Statement Analysis," "How the Stock Market Works," and "Understanding a Company's Finances."

In terms of mission, RedBird bears little resemblance to typical buyout firms, and instead tries to transform businesses with their underlying assets rather than just squeeze out profits. One of the firm's biggest wins was turning the NFL's modest in-house hospitality business into a \$600 million revenue-generating powerhouse in four years.

In 2015, RedBird and Bruin Sports Capital coinvested \$70 million to buy a majority stake in the four-employee hospitality unit and turn it into a stand-alone business. It sold event packages to marquee events like the Super Bowl but struggled to compete in a saturated market. Third parties often aggregated tickets into fan packages with parties and accommodations. The New England Patriots president, Jonathan Kraft, said the NFL wanted a piece of the pie and to exert quality control over events associated with the Super Bowl.

"The NFL historically had focused on putting on the game and throwing a party for the sponsors and the teams, but it never really thought about helping to create and manage a high-quality experience for the majority of people that come to the game from arrival through departure," said Kraft.





**Jon Bon Jovi was a co-investor in On Location along with RedBird and Bruin Sports Capital.** *Business Wire*

RedBird installed new leaders at the company, now called On Location, inked a 15-year contract with the NFL, and acquired four competitors. The Super Bowl package was revamped with new perks like concerts, tailgate parties, and a walk on the field after the game.

"I would call this as much venture capital as private equity, because it was creating a new business out of a landscape that was fragmented and disjointed, and he convinced the NFL that it was a good idea," said Kraft.

On Location grew to manage live-event experiences beyond the Super Bowl to the Ryder Cup and concert tours. In 2020, Endeavor acquired a majority stake in the company, with a valuation of \$660 million, more than doubling RedBird's investment over the course of four years, according to a source familiar with the transaction.

Despite RedBird's portfolio, the firm isn't guided by the love of sports but by Cardinale's passion for intellectual property. RedBird's philosophy is investing in premium brands — whether it's the television rights to baseball games or Skydance, the movie studio behind "Top Gun" — that can be used to build larger businesses, sometimes from scratch.

"I think it's my biggest competitive advantage that I don't get emotionally attached," he told Insider of sports teams. "They're all pieces of intellectual property that have a legitimate right to be monetized as long as they balance the fan-social contract at the same time."

### **His next challenge is building a new stadium for AC Milan**

The same can't be said for the fans of wildly popular soccer club AC Milan, which RedBird acquired from Elliott Management for \$1.2 billion in August.

The activist investor had saved the team from financial ruin since it took it over in 2018. This past spring, AC Milan won its first national title in 11 years.

Elliott tried and failed to build a new stadium for AC Milan — which would have been Italy's first since 2011 — but was impeded by Italian bureaucracy.

Cardinale is well-versed with venue operations and financing. At Goldman, he helped the Yankees finance its new stadium and worked with the team to build a concessions and merchandising business with the Dallas Cowboys. RedBird has also owned the French soccer team Toulouse FC since 2020, and Cardinale is familiar with the operations of Liverpool through FSG.

"I think that Gerry saw the value we created in Liverpool, and I think he hopes to replicate the success that Liverpool has had in the Premier League with AC Milan," said Tom Werner, a former TV producer and the longtime chairman of FSG.



**Cardinale is the face of AC Milan's new ownership.** Claudio Villa/AC Milan via Getty Images



**Cardinale at a training session for AC Milan.** Claudio Villa/AC Milan via Getty Images

AC Milan's current stadium, San Siro, is nearly a century old. Renovations wouldn't be enough to turn it into a venue that makes fans want to come early and stay late to get drinks, buy a jersey, or take a walk around a team museum.

Cardinale is "cautiously optimistic" that AC Milan will get a new stadium. RedBird has done its homework, he said, having met with nearly 200 clubs in the past five years. With or without a new stadium, RedBird plans to grow AC Milan through a partnership with the Yankees, which is a coinvestor. For instance, the teams sell each other's merchandise in their stadiums, and the YES Network airs AC Milan games. Scheduling an AC Milan match at Yankee Stadium is also underway.

"Elliot rescued AC Milan," Paolo Scaroni, the club's president, said. "Now we have a new phase of expansion and internationalization of AC Milan with Gerry."

### **His big break with the New York Yankees changed his career forever**

Raised in the affluent Main Line suburbs of Philadelphia, Cardinale was a lifeguard in high school and a rower at Harvard, where he graduated with honors in 1989. The Rhodes scholar also rowed at Oxford, graduating with a master's degree in politics and political theory in 1991. He joined Goldman the following year.



After 20 years at the storied investment bank, he left in 2012 to strike out on his own. He wanted to continue the ambitious business building he had done at the bank but without the institution's constraints and bureaucracy.

Cardinale spent less than a year at BDT Capital Partners — a private-equity firm started by another Goldman alum Byron Trott — before leaving to launch RedBird. The name is a nod to his surname.



**Sports memorabilia dots the design, but finance is never far from the conversation, with an XFL football sitting atop risk management books.** Crystal Cox/Insider

But it was at Goldman where Cardinale first got his taste of the sports industry.

After the Yankees ended its distribution deal with Cablevision in 2000, the organization needed to find another media company to buy the rights or create its own network. The Yankees chose the latter and picked Goldman as the lead investor.

The media banker Joe Ravitch introduced Randy Levine, the Yankees' team president, to Cardinale. They became fast friends, according to Levine. The deal was sketched out on a napkin over lunch with the late Yankees' owner, George Steinbrenner, in his suite at the Regency Hotel.

Cardinale was the lead on the tumultuous deal, which was signed the day before September 11, 2001. An investor backed out in the immediate aftermath, so Goldman Sachs had to backstop the entire \$335 million equity investment — one of the largest private-equity growth equity checks at the time — for a 40% stake to close the gap.

But the deal paid off in spades for Goldman. Cardinale capped off his final year at the bank by helping the Yankees sell a 49% stake in the YES Network to News Corp, the parent company of Fox, at a valuation of more than \$3 billion.

The saga showed Cardinale's skills as a problem solver, said Levine, who compared negotiating to pitching.

"You need a fastball, curveball, and a changeup, and I think Gerry has all of those attributes. He's smart, he prepares, he's patient, and he knows how to make a deal," Levine told Insider. "And a lot of people can't close. He has proven he can close."

During the saga, Cardinale had a conversation with Steinbrenner that led to a light-bulb moment. From Steinbrenner's perspective, he was taking on risk and costs as a team owner but he only got a fee when games aired while Cablevision got a stock boost, Cardinale recalled.

"George's conviction on the value of content was the philosophical basis for what became the YES Network," he said. "It was also what launched my investment-career path for the next 20 years."

### **Cardinale wins over team owners and creatives even though he's a sports and entertainment agnostic**

Cardinale rooted for Philly teams growing up, but was never a die-hard fan. He told Insider with his characteristic diplomacy that his favorite teams nowadays are those in which he has an investment.

"He plays it close to the vest," said Jerry Jones, the owner of the Dallas Cowboys. "It's one of his skills. He does have the ability to make you think you're at the forefront."

They were introduced by the CAA cofounder Michael Ovitz in 2008 on the media mogul's yacht in St. Barts. Cardinale had a unique proposal for the Jones family: going into business with the Yankees to start a new concessions and merchandising business.

What sold the Joneses on this idea was Cardinale's ambitious vision, which reminded them of their own style, said Jerry's son Stephen. Cardinale thought the joint venture could eventually expand to services like naming-rights sales for other teams and venues. The company, named Legends Hospitality, did just that, and was valued at \$1.35 billion when Sixth Street bought a stake in January 2021.

"What really endeared him to us is that he was thinking how powerful a company would be with the Yankees and Cowboys as founding partners, and what that could ultimately be as a business," said Stephen Jones, the CEO of the Cowboys.

The Joneses are still close to Cardinale, vacationing with his family in Italy and coinvesting with RedBird in the movie-production company Skydance as well as the firm's plays in shale and oil and gas.



Ben Affleck and Gerry Cardinale, pictured at New York Times' DealBook conference, recently launched a new movie studio. Thos Robinson/Getty Images for The New York Times

Cardinale is also adept at earning the trust of celebrities in addition to owner-operators. His cast of coinvestors includes the NBA star LeBron James, who was part of the AC Milan bid, and the actor Dwayne "The Rock" Johnson, who's now a co-owner of the XFL.

"I represent a lot of talent, and there aren't a lot of people who can understand talent, talk to talent, and also feel comfortable in finance," said Paul Wachter of Main Street Advisors, which counts James as a client. (Main Street and RedBird are investors in each other).

"He's not one of those typical Wall Street suits, and that is super important to me," Wachter added.

Ben Affleck, who just launched a movie studio with RedBird and Matt Damon, considers Cardinale to be a mentor and advisor. Affleck has known him since the early 2000s, when he sought investment from Goldman for another production company, which was known for "Project Greenlight." The bank turned him down, but he appreciated Cardinale's enthusiasm for his ideas.

About a year ago, Affleck went straight to Cardinale when he had a pitch for Artists Equity, which would produce a handful of commercial but smart films each year and give broader profit participation for the creators and crew.

"Sometimes there is a bias around 'talent people' versus 'business people,'" Affleck said. "He has been very generous in sharing his experience, and not in a lecturing or condescending way."

### **RedBird is sitting pretty, but Cardinale is never complacent and is eyeing growth and diversification**

As the market soured on SPACs, RedBird called off a SPAC merger in June that would have taken the ticket seller SeatGeek public, but it's still been a busy year.

In September, RedBird sold its 40% stake in OneTeam Partners, an intellectual-property-rights licensing business, at a \$1.9 billion valuation, according to a source familiar with the transaction. The two-year-old business was founded after the players unions for the NFL and MLB approached the firm to form a business that would negotiate the name, image, and likeness rights on their collective behalf. When more than six players from one league are featured in a product such as a video game or trading cards, the players unions collect the royalties rather than the individual athletes.

RedBird has raised close to \$2.5 billion over the past 12 months, with the fourth fund expected to close by midyear 2023, according to a source familiar with the firm. The long-term plan is for RedBird to start a fifth fund focused on sports, media, and entertainment, with separate capital for financial services and venture.

One goal of the fourth fund is to execute the financial-services rollups that RedBird has done in the past. Though its entertainment deals take up the limelight, a quarter of its business comes from asset management and insurance. The philosophy is the same: taking advantage of fragmented environments with firms that have long-term recurring cash flow.

In one example, RedBird rolled up a series of specialty insurance brokers that were large players in narrow niches like cement mixing. RedBird doubled its returns in less than two years when it sold the business, Constellation, to Truist last year for more than \$900 million.

Despite all the attention, Cardinale is quick to credit his success to old-fashioned hard work. He said he sleeps barely six hours a night.

"At our core, we are grinders," he said. "It's a lot of bottoms-up and top-down work. But that's the way our firm is set up. Don't be fooled by the sizzle of 'Top Gun' and the sports stuff. It's all the same thing."