

The Intricacies and Challenges of a Broadway Investment

Following a FON case study on Robb Allen and how his SFO invested in a Broadway theater (to read the case study, click [HERE](#)), Director of Content Kristen Oliveri sought out more answers for how a family office can invest in productions on Broadway. She turned to Wendy Federman, a Broadway producer veteran, to get her take on the challenges and triumphs of investing in the world of the arts.

Key Points

- “Investment returns vary, although I’ve had plays bring back 60% return. For *It’s Only a Play*, we gave 25% return on investment back the day after opening day.”
- “The majority of the people who invest in Broadway have a love of the arts or theater to begin with. Some people just see the investment value, but there has to be a love.”
- “Minimum investments vary but for the most part \$25,000-50,000 is the norm, while other shows will require more.”

Wendy Federman, CEO, Foolish Mortals Productions



The majority of the people who invest in Broadway shows have a deep love of the arts and theater to begin with. When it comes to fundraising for shows, I have a solid list of investors that I go to first. I mostly meet new investors through referrals and introductions. It is a very organic process. I do not advertise to the public or do open solicitations.

I encourage first time investors to ask many questions. An investor should feel they’ve gone into a show armed with as much information as possible. And while Broadway is not a publicly traded stock, we’re essentially a public business. The Broadway League publishes current shows’ weekly grosses as well as audience attendance, average price per ticket, and other pertinent information. The capitalization and weekly expenses of the show are for show personnel and investors’ eyes only.

The questions I would suggest an investor ask are the following:

- What is the expected run of the show? How long are the lead actors contracted for? Is the show an open ended run? (This can be common for musicals if they are successful.)
- What is the Broadway track record of the lead producer(s)? Who is the main decision maker?
- Did the show have a reading, workshop, out of town run and? If so, what were the reviews?
- Is there a recoupment chart that will give me a rough "guestimate" on how long it will take until the show recoups the initial investment and makes money to pay me back?

In terms of expected returns, it is not an exact science. A limited play (nonmusical usually with stars), if successful, can bring anywhere from 10% to an 80% return. *For It’s Only a Play*, we returned 25% of investment the day after opening day, fully recouped and are currently in a nice profit with at least two more months to run.

"In terms of expected returns, it is not an exact science."

If a musical catches on, an investor can receive checks for years, especially if the show has a long Broadway run, goes on national tour, plays in London and so on. The income stream can be ongoing for quite a while. An original Broadway investor in a musical has first rights to investing in a tour. Even if they decline, they often still derive financial benefit as part of the mother company.

Depending on the show, the investment minimum will vary. The lead producer(s) determine what they feel the investor market will accept. For shows with BIG stars, the minimum investment may be higher (say \$50,000-\$100,000) while some risky shows may offer the opportunity to invest \$10,000-\$25,000 as a minimum. Investors should ask: what is the minimum investment that will guarantee them a pair of tickets to opening night? However, there are investors who feel so strongly about the potential success of a show that they will invest the required minimum for investment even if they cannot attend the show's opening.

Investing in Broadway has proven to be anti-inflationary. Both ticket sales and prices go up every year. Broadway grosses are up 14% in 2014 from 2013 and show no sign of slowing down in 2015.

In terms of "alternative" investing, Broadway is a more secure investment than owning a race horse or investing in a restaurant. Theatre is a unique and time honored art and investors have the pride of knowing that their "investment" has furthered our culture.

With any investment, whether in the financial world or in the entertainment business, challenges remain. Broadway is a wonderfully small community. There are only 40 Broadway theatres and there are at least double that amount of shows that would like to be on stage in any given season.

In terms of challenges, investors (as well as producers) can certainly feel frustrated. They can think they are investing in something fantastic with great potential both artistically and financially. No producer ever wants to or plans to come to Broadway with a flop. Even when their show garners fabulous reviews, the public may not feel driven to buy tickets. Audience word of mouth can be arguably more important than great reviews.

Overall, being disappointed in how the show performs can be the main challenge an investor ever has to face.

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