

June 2015—Owning Pharoah

American Pharoah has done it. And maybe just in time for his pugnacious owner with the checkered past, Ahmed Zayat.

The win concluded an excellent week for Zayat. Not only did his most prominent horse win the Triple Crown, but a New Jersey judge dismissed a \$1.65 million suit against him for alleged unpaid gambling debts due to the statute of limitations—though to be fair, Zayat might simply have been the victim of a scam.

The scion of a prominent Egyptian family—his father was the personal physician of the country's most famous president, Anwar Sadat—Zayat's political connections may have played a part in his winning the bid for the nation's state-owned beer company after it became available to private investors. By all accounts, he did a terrific job in building the brand, including creating a non-alcoholic beer favored by Muslims. Eventually, Zayat sold it to Heineken for \$280 million, four times what he paid for it, and jumped into the thoroughbred game in 2005. Mostly, he bought high-profile, very expensive yearlings such as Maimonides, who cost him \$4.6 million in 2006. The horse wound up winning once in two starts, then got injured, and now stands at stud for a rock-bottom \$2,500 per cover.

Beginning in 2007 when his mounts earned more than \$6 million, Zayat ranked among the top five owners in the U.S. in earnings for five consecutive years. He's owned such champions as Bodemeister, Eskendereya, and the Crown winner's sire, Pioneerof the Nile. All told, his mounts have earned more than \$44 million on the track, a figure which doesn't include profits on horses he's sold, or stud fees on his top horses.

That sounds great, except that this amount doesn't come close to Zayat's expenses during the period. His main bank, Fifth Third Bank, loaned Zayat \$34 million from 2006 to 2008—while the stable showed losses of more than \$52 million. That didn't discourage Zayat; in 2009, he spent more than \$24 million on yearlings. At one time, his stable consisted of some 285 horses; even figuring that a large number never made it to the races, you can ballpark at least another \$7 million or so for annual expenses there.

Zayat has also made no secret of his love of gambling, saying that he wagers as much as \$200,000 a week. Doing the math over ten years, that's an awful lot of money that he probably no longer possesses.

In 2010, Zayat Stables filed for bankruptcy protection. The filing mentioned a large number of creditors, ranging from his bank to the Keeneland auction company to horse transportation vendors. Though Zayat has said he is up to date on all bills, a number of Kentucky firms—including the farm where American Pharoah was foaled—have said they will no longer do business with him, or will do so only if he pays cash in advance.

So is he a colorfully enthusiastic owner who is great for the game? Or a shady blowhard who walks just this side of the ethical line?

In the end, it doesn't much matter. Fewer than 1% of all foals make it to the Kentucky Derby, and many owners would love to get into the race just once. Zayat has been a Louisville regular—his horses had three times run second. Now, he owns a popular champion. He may have his enemies, but he also has a Triple Crown.

Congratulations to Ahmed Zayat. And while he sold the breeding rights to American Pharoah in January to Coolmore Stud for an estimated \$14 million, which includes a bonus that kicked in after the horse won the Triple Crown, he still will earn some small portion of the horse's stud fees. He'll also keep whatever the horse wins the rest of this year, before Pharoah's expected retirement.

Ahmed Zayat dreamed big. And despite the controversy that has long surrounded him, one thing is clear—his horse is now the most beloved thoroughbred in America.