

Down, but don't count him out

Endeavor CEO Ari Emanuel's plan to take his agency public collapsed last week, a rare stumble for the brash risk taker

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For months, Endeavor CEO Ari Emanuel had been carefully choreographing his Wall Street entrance.

The highly anticipated initial public offering for Endeavor Group Holdings, planned for last Friday, would be the first of its kind in Hollywood and the culmination of the uber-agent's ambitious plan to build the media company of the future. The offering was expected to raise as much as \$600 million and value the firm at \$8 billion.

But those plans collapsed Thursday when Endeavor pulled the plug on the IPO, citing unstable market conditions.

The move marked a rare and humbling stumble for Emanuel, 58, a consummate deal maker and risk taker who had transformed Endeavor, the talent agency he'd started in 1995 with no clients and no money, into a Hollywood powerhouse through a dizzying series of acquisitions — first of the famed William Morris Agency and then of other key players in



Ari Emanuel poses with sports caster Jim Gray and Tony and Margaret McGregor, parents of UFC fighter Conor McGregor at the fighter's bout against Floyd Mayweather Jr. in 2017 in Las Vegas. Emanuel's company Endeavor owns UFC. (Ethan Miller / Getty Images)

fashion, media, marketing, sports and technology.

“This is a blow for Ari. It's definitely damaged his reputation,” said Los Angeles investment banker Lloyd Greif. “It will be interesting to see what happens next.”

Emanuel's dream is to make Endeavor — already a powerful agency with a client roster that has included President Trump and Michael Moore, Martin Scorsese and Oprah Winfrey — into a global

entertainment juggernaut. The IPO was intended to help fuel its ascent. The cash would have helped chip away at its \$4.6-billion debt while funding future acquisitions. Now the firm is likely to face a host of financial pressures, and Emanuel — a man who has frequently said that he doesn't fear failure, but who, until last week, had never experienced a prominent one — will have to navigate the challenges to come.

On Thursday, most of Endeavor's management team was in New York in anticipation of what was to be a celebratory moment — Friday's IPO. Things began to wobble early in the day.

Endeavor reduced the number of shares on offer and lowered its estimated share price about 15%, to between \$26 and \$27, down from \$30 to \$32.

And the triumphant mood inside the company turned somber as the partners watched the highly touted IPO for the interactive-fitness company Peloton bomb, with shares sliding 11% below their initial price of \$29. "If Peloton was a success, it would have been a good indicator," explained someone close to Emanuel. "But it flopped. It would have been worse if the stock opened at \$25 and then it dropped to \$19."

Just after the close of the market on Thursday, Emanuel — along with his Executive Chairman Patrick Whitesell and Endeavor's longtime financial backers, the private-equity giant Silver Lake Partners — withdrew the IPO. "It was not a great feeling," said one person inside the company.

Silver Lake declined to comment.

This is a rocky moment for initial public offerings, given the recent underperformance of Peloton and Uber, and the postponement last week of WeWork's IPO as the coworking company's CEO stepped down. Endeavor could return to the market if conditions change.

In the meantime, however, access to capital will become more difficult. The company may have to spin off some of its assets. It must fend off the Writers' Guild's objections to packaging and affiliate production, two lucrative business models for the company. Endeavor's top executives and star agents, who've been enticed with promises of the payout an IPO could bring, could become poaching targets for rival firms. And the company will have to come up with a better way to sell investors on what it was offering.

A producer and longtime friend of Emanuel's sent him a condolence text after hearing the news, calling it a kind of "shiva text." "This is a tough town, everyone always goes after perceived weakness."

What was most striking about the move — and most surprising to Ari-watchers, some of whom enjoyed a bit of fun at his expense — was its caution. Emanuel is not usually one to swerve first.

Emanuel built his reputation — and his business — by taking big risks that panned out. As the Cinderella story goes, he saw the future in the early 1990s when he devoured economist George Gilder's book "Life After Television."

The book outlined a new paradigm in which content and distribution were becoming commodities; one in which power and money would revert to creators and brands.

Emanuel saw opportunity in the coming disruption. A senior agent

at ICM at the time, Emanuel bounded into colleague Rick Rosen's office with an entreaty: Let's get out of here and do this on our own. Rosen, who ran ICM's television department, didn't share Emanuel's outlook or urgency. At the time, Rosen had a mortgage and kids in private school, while Emanuel was single, renting an apartment and always coming up with an idea a minute.

Then he got hit by a car.

Leaving a lunch in Beverly Hills, Emanuel found himself face down on Wilshire Boulevard with broken ribs and a torn knee ligament. The injuries required multiple surgeries and months of rehabilitation.

He realized he had no more time to waste. Endeavor was born at midnight on March 29, 1995, when Emanuel and three of his fellow ICM agents (Rosen, Tom Strickler and David Greenblatt) defected to form their own agency.

A security guard saw an assistant nabbing files and soon ICM Chairman Jeff Berg and President Jim Wiatt discovered the papers of all four agents were missing. Nancy Josephson, who ran ICM's television business, phoned Emanuel asking if there was anything they could do to convince him to stay. After he said no, as has become Hollywood lore, Berg called screaming and threatening a lawsuit. Emanuel replied, "Listen, I don't work for you. Do whatever the f— you want." Then he hung up. Berg declined to comment; Jo-



Patrick Whitesell, left, is the executive chairman of Endeavor. He and Emanuel aggressively built the company into a powerhouse. (J. Vespa / WireImage)

sephson joined Endeavor in 2006 as a partner.

Endeavor set up shop over a burger restaurant in Beverly Hills. It had no clients. The four partners put up their homes for collateral to secure a \$500,000 line of bank credit. But the move transformed Emanuel from just another combative talent agent into a hardball Hollywood player.

“Everyone assumed we were going to fail,” said one of the agency’s first staffers. “It felt like us against the world.”

Computers were perched on cardboard boxes. There was a basketball hoop in the center of the office. A single mailroom employee delivered scripts because they couldn’t afford a courier.

Emanuel set the tone. He was in by 8 a.m., chastising those who breezed in a minute late. Then as

now he was up at 3 a.m. working the phones. One of his first assistants marveled at how he’d come in with magazine pages ripped out full of circled photos of CEOs, screaming that he wanted each one on the phone.

“I’d say, ‘That person is not going to call you back,’” the assistant recalled. “He’d look at me and say, ‘Did I ask your opinion?’ He called them and would say, ‘I’m Ari Emanuel. I started a new company and I’d love to meet you for lunch.’ I was shocked. Every single person he asked said ‘OK.’”

In the early years at Endeavor, Emanuel gained renown for going toe-to-toe with the most powerful people in town. In 2004 he famously criticized Walt Disney Co. for refusing to distribute “Fahrenheit 9/11,” the lacerating Michael Moore documentary that

excoriated the Bush family for its ties to Saudi royals. When Disney’s then-Chief Executive Michael Eisner tried to rescind the film’s deal with Miramax, a Disney subsidiary, Emanuel went public, telling the New York Times that Disney was concerned the film could jeopardize the corporation’s tax breaks in Florida — where Disney operated its theme parks and Jeb Bush was governor. At the time, Disney executives denied the accusations.

The film had already had a rocky road to release. Mel Gibson’s Icon Productions was originally slated to back the film, but after Moore gave an anti-Bush speech when he won an Oscar for “Bowling for Columbine,” the company pulled out. “Icon decided they didn’t want anything to do with me,” said Moore, who calls Emanuel “my kingslayer.”

Emanuel found a new distributor — fast. As Moore recounted: An emissary from Icon called Emanuel during Passover, telling him they wanted out. Emanuel said, “I’m in the middle of my Seder,” but then turned around and called Harvey Weinstein, head of Miramax, who was also in the middle of his Seder. Emanuel said, “Look, you’ve got 30 seconds if you want Moore’s next film about Bush and the war in Iraq.” He went on to explain that Weinstein could take the “deal as is,” “same money,” but once they got off the phone there would be no further negotiating. Weinstein agreed.

When Disney refused to distribute this latest Weinstein acquisition and Emanuel went public, according to someone close to the agent, he got an angry call from Eisner, who threatened to stop picking up projects Endeavor represented. Emanuel responded, “You do whatever you have to do, whatever is good for your business.”

“In that moment, I saw the genius of Ari Emanuel,” Moore said. “Remember, this was 2003, Ari’s not the king of the world and Endeavor wasn’t even one of the top three agencies.”

Ultimately, Disney and Endeavor continued to do business together. Eisner declined to comment.

Emanuel’s profanity-laced, uncompromising style became the inspiration for Ari Gold on the HBO series “Entourage,” but also produced complaints from some employees.

Sandra Epstein, the agency’s first female agent, sued Endeavor in 2002 for wrongful termination. In her court filings, she alleged that sexual harassment was rampant at the firm, listing pot smoking and hazing during off-sites as part of a litany of off-color behavior. Endeavor has previously disputed the claims. The case was settled for \$2.25 million, Epstein said.

While not addressing Epstein’s specific claims, a longtime employee who was not authorized to discuss the company publicly described the period as “intense” and “high-octane” and said the culture



Ari Emanuel and Michael Moore at the L.A. premiere of Moore’s film “Capitalism: A Love Story” in 2009. Emanuel in 2004 fought to get Moore’s “Fahrenheit 9/11” distributed. (Kevin Winter / Getty Images for Overture Films)

has changed since the company’s early days. “Do I think people got screamed at more or treated differently because they were a woman? Absolutely not,” said the employee. “But behavior has changed ... people are more mindful about treating people with respect.”

Outside the company, hardened Hollywood insiders describe being dumbfounded by Emanuel’s ferocity. One story that made the rounds and was confirmed by sources familiar with the matter: Emanuel, after a perceived slight during negotiations over the NBC drama “Medium,” created by his client Glenn Gordon Caron, called Mark Graboff, then co-chairman of NBC Entertainment, and threatened him personally with ruin. A spokesper-

son for Emanuel declined to comment.

Uber-producer and longtime friend Brian Grazer recalled the time they negotiated a deal for Kurt Sutter’s FX miniseries “The Bastard Executioner” and Emanuel refused to split the packaging fee with CAA, Grazer’s agent. Emanuel colorfully pointed out that he hadn’t received a partial fee on the Fox series “24,” and it was time to pay up. “He felt like I kind of screwed him 10 years ago,” said Grazer, “and he remembered and said he was going to get the full package on the series.” He added, “There’s nothing that he doesn’t remember.”

One former network executive confirmed Emanuel’s reputation for incessant phone calls, aggres-

sive tactics and yelling, but says, “He was the guy you wanted on your team. He was as fair as he was tough.”

Emanuel is now a vegan father of four who meditates and whose conversation is liberally laced with references to his shrink, but that hasn’t made him any less of a dynamo at work. His hard-charging persona was famously forged during childhood as the youngest of three hyper-competitive, overachieving sons of an Israeli-born father, now a 92-year-old retired Chicago pediatrician, and an American mother who worked in the civil rights movement. Emanuel often calls himself the “dumb brother,” in comparison to Rahm, who was President Obama’s first chief of staff and later the mayor of Chicago, and Ezekiel, a Harvard-educated oncologist, bioethicist and an architect of the Affordable Care Act.

When the brothers were in their teens, their parents adopted a sister, Shoshana, who suffered medical issues at birth and has maintained a difficult, at times troubled existence. (Ari later adopted Shoshana’s daughter).

Early on, Emanuel displayed his ability to spot an angle. In Ezekiel’s book “Brothers Emanuel,” he writes about how Ari organized his brothers and friends into lawn-mowing crews, taking a \$2 cut off the \$5 fee.

But someone close to Emanuel suggests that growing up dyslexic and with ADHD may have been even more formative than his high-

powered siblings. His combativeness is a response to being bullied in school, the source said: “He doesn’t want to be made a fool of or taken advantage of.”

Emanuel found the yin to his yang in Patrick Whitesell. In 2001, Whitesell, then co-head of the talent department at Creative Artists Agency, jumped ship. The two had known each other for years and played basketball. Whitesell liked the idea of “building something together rather than staying at CAA and inheriting someone else’s house,” as a source close to him explained. The world was changing, and rather than take over a studio, as power agents Michael Ovitz and Ron Meyer had done before them, they saw an opportunity to create something bigger.

The tight-knit partners set out to build a “media-platform company” unlike any other. In 2009, Endeavor acquired the William Morris Agency and quickly ousted its top management. Rebranded as WME, their company, already dominant in television, became a significant player in books, music and movies.

WME got a boost three years later when Emanuel met Egon Durban, the managing partner of Silver Lake; Durban’s company had made spectacular returns investing in Skype. In 2012, Silver Lake invested \$200 million in WME in exchange for a 31% stake of the company, upping the ante two years later with \$500 million more for an additional 20% stake. In 2016, Softbank invested \$250 million for a 5% slice of WME.

The cash infusions enabled Emanuel and Whitesell to go on a buying spree. They acquired or took major stakes in IMG Worldwide Holdings for \$2.4 billion and Ultimate Fighting Championship for \$4 billion, as well as the Professional Bull Riders, the Miss Universe Pageant, Frieze Art Fair, and a full basket of seemingly disparate assets in the realms of technology, fashion, food and investment banking. But the moves also engendered a pile of debt and something of a corporate overlord in Silver Lake.

Last year, Endeavor bought streaming technology company NeuLion for \$250 million. It provides streaming for UFC and other sports leagues.

The thinking was that these investments would provide new platforms for its growing talent roster and, more important, vital new revenue streams at a time of rapid change. Talent agencies have looked to diversify in recent years as agency commissions have been eroded by the dwindling number of big star-driven movies and the decline of TV syndication revenues with the rise of streaming.

Along with investing in new companies, Endeavor two years ago launched a content business as a vehicle to produce and distribute TV and film projects and podcasts, leveraging Endeavor’s clientele as well as those on the outside. It has gotten behind the hit show “Killing Eve” and the Oscar-buzzy film “Just Mercy.”

This frenzied activity put the firm in a position to represent talent, and to create and own the content as well as the distribution.

Hollywood writers have balked at such arrangements, saying they create conflicts of interest for agents to the detriment of their writer clients. Endeavor and other agencies are locked in a costly legal battle with the Writers Guild of America over such practices.

But where others see conflicts, Emanuel sees opportunity. His view, according to those close to him, is that he's created alternative markets and options for his clients, particularly as Hollywood shrinks and consolidates. As he has often said, "of all the criticism, making lots of money for my clients is not one of them."

Whether Endeavor will ever make money for public shareholders remains to be seen. The failed IPO narrows Endeavor's options, but doesn't doom the company, analysts said.

Going back to public markets will be tough, at least this year, given the abysmal IPO market. Analysts and investors had been skeptical of the stock offering since plans for it were first reported early this year, citing Endeavor's costly legal fight with Hollywood writers over packaging fees, questions about how Endeavor's various businesses fit together and risks associated with some of its investments, including UFC.

Although Endeavor's net income totaled \$231 million in 2018, "most of the underlying earnings

are both volatile and unpredictable," Todd Juenger of Bernstein Research told his clients in a research note this summer.

Endeavor postponed its IPO a first time in August, in part the company said because it wanted to finalize its \$700-million acquisition of On Location Experience, a hospitality and live-events company. Endeavor has yet to close the deal.

Despite the naysayers and bumps in the road, Emanuel pressed characteristically on — until he didn't. Now, he'll have to manage a firm that's balancing global ambitions with a significant debt load, which means Endeavor will be under pressure to find new sources of capital or to tap Silver Lake for more.

"Silver Lake and their other investors have already put money in so they have a vested interest in keeping this afloat. As long as the company is alive, they're not going to have to take a write-down," Greif said.

Meanwhile Japanese bank Softbank, which invested \$250 million in Endeavor in 2016, is facing financial pressure of its own from its investment in struggling WeWork. In a company filing, Endeavor reported positive cash flow of \$262 million for the first six months of this year. However, for the same period it reported a net loss from continuing operations of \$215 million. In the absence of further investment, Endeavor may be forced to sell off some of its assets or postpone planned acquisitions.

But those who have known Emanuel for years say don't count him out.

"The reason he's been successful is because he sees where the business is heading before other people," said Matt Johnson, an entertainment attorney and a partner with Ziffren Brittenham, who represents clients such as Adam McKay and Tyler Perry. "I certainly would not bet against him."

As someone close to him said, he is "very comfortable in uncomfortable places." As Emanuel himself likes to say, "I was hit by a car and I didn't die."