

Endeavor pulls the plug on its IPO in the eleventh hour

By RYAN FAUGHNDER, STACY PERMAN
TIMES STAFF WRITERS

Endeavor Group Holdings Inc., the owner of talent agency WME-IMG and mixed martial arts league UFC, has canceled plans for its highly anticipated initial public offering, reversing course the day before its stock was expected to begin trading on Wall Street, the company said Thursday, citing hazardous “market conditions.”

The dramatic retreat came as Endeavor, run by Chief Executive Ari Emanuel, appeared to rethink its plans amid concerns that investors were cool on the stock and given the weakening of the broader IPO market. This month, office leasing firm We Co., the parent of WeWork, withdrew its planned IPO.

Peloton Interactive Inc., a company that sells internet-connected indoor exercise equipment, on Thursday saw its stock drop more than 11% in its first day of trading after pricing its shares at \$29, which was on the high end of its projected range. Shares of Peloton fell \$3.24 to \$25.76.



Ari Emanuel of WME-IMG, left, with sportscaster Jim Gray, and Tony and Margaret McGregor, parents of UFC fighter Conor McGregor, in 2017. (Ethan Miller / Getty Images)

“Endeavor will continue to evaluate the timing for the proposed offering as market conditions develop,” Endeavor said in a statement.

Earlier in the day, Endeavor lowered the targeted price range of its shares, according to a regulatory filing. The Beverly Hills company had expected to offer 15 million shares at \$26 to \$27 each, raising up to \$405 million, the filing said. Endeavor previously anticipated raising as much as \$619

million by selling about 19.4 million shares for \$30 to \$32 a share.

Endeavor, backed by private equity firm Silver Lake Partners, was expected to become the first talent agency owner to go public, making it the subject of much speculation in Hollywood. Silver Lake Partners declined to comment on the aborted IPO.

The change in course is a setback for Emanuel and Endeavor, which analysts expected to pay down its substantial debt load with

'This is a blow for Ari. It's definitely damaged his reputation. It will be interesting to see what happens next.'

LLOYD GREIF, L.A. INVESTMENT BANKER

the proceeds. The company carries long-term debt totaling \$4.6 billion with total liabilities of \$7.2 billion and cash on hand of \$830.9 million, according to recent filings.

Emanuel built his reputation and that of Endeavor on a series of bold, risky moves and unexpected acquisitions, including Professional Bull Riders. The IPO slated for Friday was his biggest gamble to date, intended to catapult Endeavor into a global juggernaut, one that would shape the future of media and entertainment. Now that is all on hold and Emanuel is going to have to define a new future for the company.

"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.... They are going to have to figure out how to access the capital markets."

Endeavor's IPO filings pitched the firm as a forward-looking media company, leveraging businesses including talent representation, sports and production to navigate a rapidly changing entertainment market.

Founded by Emanuel in 1995, Endeavor has seen its business expand rapidly. The company merged with the legendary William Morris Agency in 2009 and acquired sports and fashion representation leader IMG Worldwide Holdings five years later for about \$2.4 billion. Endeavor acquired mixed martial arts league Ultimate Fighting Championship in 2016 for \$4 billion. William Morris Agency was founded in New York in 1898.

But Greif said investors were not convinced of the company's prospects.

"The devaluation today was too little, too late," he said.

Some analysts had already questioned whether Endeavor, which has taken on substantial debt to pursue acquisitions including UFC and is in the midst of a heated battle with Hollywood writers, would be a good bet for investors. The firm initially filed its IPO paperwork with regulators in May, just as a major feud between talent agencies and the Writers Guild of America was gearing up. The firm's aggressive expansion beyond traditional deal-

making into the business of owning content has made it a target of the union.

"Reports that the Endeavor IPO has been withdrawn show that investors didn't buy the company's conflicted business practices," WGA said in a statement.

The guild this year told its members to fire their agents, saying that agencies including Endeavor have prioritized fees that they receive for packaging TV and film projects for studios, rather than client representation. The writers union also has decried the agencies' growing business of financing and producing TV shows and movies, alleging that the practice creates conflicts of interest. Endeavor and other agencies have contended that they can manage conflicts and that their investments in content benefit their writer clients.

John August, a screenwriter best known for movies including "Big Fish" and "Charlie's Angels," wrote on Twitter: "No snark: I hope they find a way through this without becoming a publicly traded company. I don't think agencies can properly serve both clients and shareholders."