

## Endeavor once ruled the agency business. Then came the pandemic and whispers about its future

### Has talent agency met its match in virus crisis?

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When you are Endeavor Group Holdings — the biggest, brashest talent agency owner, with a constellation of famous clients, a larger-than-life founder, Ari Emanuel, who once wrote: “Nobody f---s up like I do, but you’ll never succeed unless you take big risks. Big ones” — being fodder for the Hollywood rumor mill is par for the course.

After all, since Emanuel founded Endeavor in 1995 with three fellow ICM agents in a midnight raid, the intertwined fates of Emanuel and his agency have been a spectator sport.

But when you’ve spent the last several years bulking up into a 7,500-person media, sports and entertainment juggernaut, with a fair amount of braggadocio, only to in short order pull a highly anticipated IPO and then announce layoffs and furloughs while navigating a global pandemic that’s virtually halted every piece of your business, the rumor mill goes into overdrive.

Indeed, for the last several months, speculation has been rife that the Beverly Hills-based En-



**Endeavor Chief Executive Ari Emanuel, left, Alibaba founder Jack Ma, Endeavor Executive Chairman Patrick Whitesell and actor Jet Li attend a Lakers game against the Houston Rockets at Staples Center in 2014. Endeavor’s future has been the subject of intense speculation in Hollywood.**  
(Robyn Beck/AFP via Getty Images)

deavor is in trouble. The chatter has reached a fevered pitch in recent days amid murmurings that the feared and powerful firm was being restructured at the bidding of its powerful private equity overlords; that Emanuel, the chief executive, was to be cordoned off to one corner and that his partner,

Executive Chairman Patrick Whitesell, would take over the talent business; or that the company would be sold for parts or file for bankruptcy.

But Endeavor executives say none of it is true.

“There are so many ... rumors,” said Mark Shapiro, president of

Endeavor, who categorized the talk as “fiction,” denying plans for a reorganization or bankruptcy as anything more than talk.

“I’m not going to speculate who is throwing the darts, but it’s a combination of our numbers being so readily available, given the IPO [prospectus] and the fact that we are global in nature, operating businesses in multiple regions, and the fact that we’re in a very sexy business,” he added. “Put that all together, and add that we’re not hiding from the fact that we are making cost cuts, that makes for a lot of chatter. On top of that, you might have competitors taking shots.”

The celebrity status of Emanuel, widely seen as the role model for fictional super agent Ari Gold on HBO’s “Entourage,” has helped fuel the intense interest, said Tom Nunan, a lecturer at the UCLA School of Theater, Film & Television.

“Ari has inherited that singular place in the representation community as kind of an iconic figure,” added Nunan, a former studio executive. “That’s why people are speculating so much about Endeavor.”

While the entire industry has taken a hit — including rival agencies that are retrenching in wake of the coronavirus shutdown — Endeavor is particularly vulnerable. It built an empire out of a disparate set of entertainment, media and sports assets amassing billions in debt, betting on the idea that live events were a growth opportunity as the old distribution system ossified and that power and money would reside in the hands of creators and brands.

But that wager in the time of a global pandemic has left Endeavor

exposed, inducing layoffs and cost-cutting affecting one-third of its workforce. Its debt load has driven a downgrade of its credit rating. Last week, Endeavor announced that it was selling part of its stake in Epic Games Inc., publisher of the popular Fortnite, but that it was holding onto a portion of the video-game publisher.

**“Change is on the horizon, and it has to be massive,” said Los Angeles investment banker Lloyd Greif. “I’m not talking about tweaking this or that. They need a total overhaul.”**

A year ago, things looked very different. Endeavor was celebrating the 10th anniversary of its acquisition of the fabled William Morris Agency (later renaming itself WME). Then, the chatter around Endeavor was about its imminent IPO and whether, in a rapidly shifting entertainment business, Emanuel was not only remaking the way Hollywood did business but also transforming the idea of the media mogul in his own formidable image.

With the financial backing of private equity behemoth Silver Lake, Endeavor began its empire-building campaign. In 2012, the Menlo Park firm invested \$200 million 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 Endeavor.

Emanuel and Whitesell acquired or took major stakes in IMG Worldwide Holdings for \$2.4 billion and Ultimate Fighting Championship for \$4 billion, as well as Professional Bull Riders, the Miss Universe Pageant, the Frieze Art Fair and a slew of prop-

erties in technology, fashion, food and investment banking. Endeavor in 2018 also bought streaming technology company NeuLion, which provides streaming for UFC and other sports leagues, for \$250 million.

In 2017, it launched Endeavor Content, 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 TV series “Killing Eve.”

The new platforms and its pipeline to talent and content gave Endeavor tentacles that reached into every corner of the entertainment industry.

The planned IPO this past fall was expected to raise as much as \$600 million and value the firm at \$8 billion. It was also expected to help tamp down Endeavor’s considerable \$4.6 billion debt, bankroll further acquisitions and garner a windfall for executives, many of whom had taken equity in exchange for deferring bonuses.

A day before the planned offering, however, Endeavor pulled the plug, citing unstable market conditions. The company and other agencies have also been squeezed by a year-long standoff with the Writers Guild of America over packaging and other industry practices deemed harmful to writers.

At once, gossip about internal strife and unhappy agents bolting for the door surfaced.

“Most of the negative press in the past six months has been wrong,” said one top agent, who declined to be named because he was not authorized to speak. Like others inside Endeavor, this individual believes these stories have been advanced by rival agencies.

Although Endeavor racked up some notable wins in recent months, signing Angelina Jolie and Robert Downey Jr. and acquiring the Harry Walker Agency, the coronavirus crisis has injected more uncertainty and amplified a host of underlying issues.

In March, the company announced salary cuts and layoffs across the company, with Emanuel and Whitesell forgoing their own salaries for the year. (According to its filings with the U.S. Securities and Exchange Commission, Emanuel and Whitesell had each sold equity positions worth \$165 million in the company in 2017).

And in April, the company postponed a buyback in which partners would have been able to cash out 20% of their equity based on a \$3.6-billion valuation of the company, said a person familiar with the matter who was not authorized to comment.

Last week, William Morris Endeavor announced it was slashing 20% of its roughly 1,500-agent workforce through layoffs, furloughs and reduced hours due to the fallout from COVID-19, part of its ongoing company reductions. Most of the cuts were in the music department.

The announcement came amid growing buzz that major agents were planning to defect and launch their own management companies, including Ari Greenburg, a partner and president of WME. However, according to someone close to Greenburg who was not authorized to speak, the top agent has told at least two individuals that he is not leaving the agency.

Another high profile agent, Duncan Millership, a partner at WME who represented Hugh Jackman and Helena Bonham Carter,

did announce that he had joined Anonymous Content as a manager, the same day the agency said it was letting go a number of its agents.

Calling the layoffs difficult, Shapiro said, “We’ve made very responsible and prudent decisions in regards to remodeling our cost structure in the face of the pandemic.” Despite the uncertainties, he added, Endeavor was well-positioned for the recovery.

“There’s a great demand for events and content,” he said. “We are well positioned to be the first out of the gate for that. We just have to get to the other side.”

To that end, UFC planned its first live event Saturday night, and other sports teams are gearing up to reopen.

**But financial pressures loom. Last month, S&P downgraded Endeavor’s credit rating to junk bond territory, noting: “The burden on financial risk and liquidity elevates the risk that WME IMG’s capital structure could become unsustainable over time and that the company might need to seek external financing or a debt restructuring in some form, depending on its ability to reduce operating costs and the path to recovery.”**

**According to Greif’s review of regulatory filings, Endeavor’s debt stands at roughly \$5.1 billion.**

**In addition, he said, Endeavor is on the hook to pay about \$1.9 billion in purchase obligations and guarantees through 2021, separate from its debt obligations, which include \$650 million in principal and interest payments.**

**“They can’t sit on their hands in this environment,” Greif said. “One thing they have to do is spin off non-core assets to generate liquidity.”**

**Given the financial picture, Greif doesn’t think that Endeavor has enough cash to last through January, adding, “Silver Lake will need to make a decision whether to bail them out or not.”**

Shapiro disagrees, saying that the company has sufficient cash on hand.

“We are fortunate to have access to capital to keep us more than solvent through a prolonged period — that doesn’t mean forever.” He added that Endeavor had taken steps to reduce costs to “fund our operations and service our debt” and that Silver Lake is strongly committed to the company.

On Monday, Endeavor disclosed it had raised \$260 million in a debt offering, mainly from the investment firm Oaktree Capital. The loan, arranged by JP Morgan Chase, will be used to fund operations during the pandemic.

“Silver Lake has confidence in Endeavor,” a spokesperson said. “We are excited about its future, and we stand behind it. It’s a great platform, and we believe the company has what it takes to push through current challenges and continue forging its path as an innovative industry leader and consolidator.”

Added Shapiro: “I’ll bet on this company and [Emanuel and Whitesell] six ways to Sunday. They made a career out of people telling them they can’t do something. Right now, we all have our backs to the wall because of this pandemic, and the challenge ladder has gotten that much more difficult.”