

## It's act two for entertainment giant Endeavor's IPO

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Ari Emanuel, the hard-charging Hollywood super-agent, is not one to let a setback keep him down.

And so, after a year in which predicting the impending implosion of Endeavor Group Holdings became a spectator sport, and some 18 months after Endeavor withdrew its highly anticipated IPO, the owner of talent agency WME, the Miss Universe Pageant and sports league UFC is once again heading for an initial public offering of stock.

Endeavor disclosed its IPO plans in a Securities and Exchange Commission filing Wednesday.

The entertainment company, which was founded in 1995 and also owns production company Endeavor Content and sports agency IMG, generated \$3.47 billion in revenue in 2020, with a net loss of \$625.3 million, according to the filing.

Endeavor, based in Beverly Hills, did not disclose the amount it expects to raise, outside of a \$100-million stand-in figure. The filing did reveal, however, that Endeavor plans to acquire the remaining shares of the mixed mar-



Dwayne "The Rock" Johnson, left, Ari Emanuel and Patrick Whitesell backstage at "The Next Intersection for Hollywood" at the Fast Company Innovation Festival on Nov. 9, 2015, in New York City. (Ilya S. Savenok)

tial arts league Ultimate Fighting Championship. It currently has a 50.1% stake in the UFC.

Emanuel's second shot at an IPO, which is expected later this year, would mark the first public offering by a Hollywood agency owner — and an opportunity for redemption for the company's founder.

The public offering comes amid a turbulent period for agencies,

which have seen their profits eroded by the rise of streaming and by fallout from the COVID-19 pandemic, which shut down productions and live entertainment.

Last March, Endeavor announced salary cuts and layoffs across the company, with Emanuel and his partner, Executive Chairman Patrick Whitesell, forgoing their own salaries for the year. Nonetheless, Emanuel and

Whitesell earned bonuses of more than \$6 million and \$2 million, respectively.

Sports is a growth area for agencies as they look to diversify revenue streams and lessen their dependence on the traditional business of talent representation. In October, for example, ICM Partners acquired Stellar Group, a London-based sports representation agency with more than 800 athletes on its roster.

The UFC has been highly profitable for Endeavor, which acquired the mixed martial arts league in 2016 along with a group of investors for \$4 billion. MMA was the first major sport to return to scheduled live events, with the UFC 249: Ferguson vs. Gaethje bout held May 9 in Jacksonville, Fla.

Endeavor declined to comment.

Citing market volatility, Endeavor scrapped its first IPO attempt in September 2019, one day before shares were to begin trading. It was expected to raise as much as \$600 million and valued the firm at \$8 billion. The offering also was supposed to bankroll Emanuel and Whitesell's ambitious plans to build the media company of the future and fund future acquisitions while paying down its heavy debt load, then listed at \$4.6 billion.

This time Endeavor is hoping for a better, if more modest, reception from Wall Street.

Morgan Stanley is leading the offering's bid along with Goldman

Sachs, which handled the first go-round.

"With this IPO, Endeavor can frame itself as a reopening winner," Los Angeles investment banker Lloyd Greif said. "As vaccinations get out there and TV and film production opens up, the UFC, Professional Bull Riders — all the things that tie into live events directly will benefit the company and, based on where it is now, will make it a growth story."

But Greif cautioned that Endeavor is bracing for a more modest offering and valuation.

"Endeavor clearly has not been a growth story for the past 12 months. It has been battered by the pandemic, but now there is a light at the end of the tunnel," he added. "I'm sure they have mixed feelings, they couldn't get the valuation they wanted [the first time] so they opted not to go public in 2019. Because of COVID, there was subsequently nowhere to go but down. This will be a lower valuation despite a stronger market."

In May, Endeavor sold off part of its stake in Epic Games, publisher of the popular title "Fortnite," for an estimated \$80 million. The same month, Endeavor disclosed it had raised \$260 million in a debt offering, mainly from investment firm Oaktree Capital. The loan, arranged by JPMorgan Chase, was used to fund operations during the pandemic.

WME and other top agencies also are grappling with the terms of new agreements with the Writ-

ers Guild of America. Under a recently announced deal, WME and its investor Silver Lake will reduce their ownership stake in Endeavor Content to 20% or less and will also end packaging — in which an agency collects fees for pulling together talent for a project — by the end of June 2022.

In 2012, Silver Lake invested \$200 million in WME in exchange for a 31% stake in 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.

Last May, Mark Shapiro, president of Endeavor, told The Times, "There are so many ... rumors," dispelling speculation that the company was preparing to file for bankruptcy protection from creditors. "We've made very responsible and prudent decisions in regards to remodeling our cost structure in the face of the pandemic."

Despite the canceled IPO, cost-cutting measures and industry woes, Endeavor continued to make acquisitions. In November 2019, it acquired the speaking-engagement firm Harry Walker Agency. In January 2020, it snapped up On Location Experiences, an events business started by the National Football League, for \$600 million.

Elon Musk, Tesla's chief executive, was nominated to Endeavor's board; he is expected to become a board member before the IPO's pricing.