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Talent Firms May Merge to Keep Pace

Agencies are selling to fewer, bigger buyers. Personal ties may set matches in motion.

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To understand the topsy-turvy world of Hollywood talent agencies these days, a tennis court in Iowa Falls, Iowa — population 5,435 — is a good place to start.

It was there in the early 1980s that teenagers Patrick Whitesell and Suhail Rizvi formed a lasting friendship while practicing their serves. Two decades later, they're still playing on the same court. Whitesell is a partner at Endeavor Agency; Rizvi is the new co-owner of International Creative Management.

It's often said that relationships are the currency of Hollywood. But especially in the tumultuous agenting business, the Whitesell-Rizvi alliance is the kind of connection that is fueling consolidation rumors about the top deal-making firms.

For more than a decade, the five largest talent agencies — Endeavor, ICM, William Morris Agency, Creative Artists Agency and United Talent Agency — have operated without a significant buyout or start-up in their circle. But in recent months, as a wave of acquisitions has shrunk the number of buyers that agents sell to, many believe it's a matter of time before the agency business contracts.

Since December, Paramount Pictures has bought DreamWorks SKG, Walt Disney Co. has agreed to acquire Pixar Animation Studios and the WB and UPN networks announced plans to merge to form the CW. You don't have to be an accountant to see why many "tenpercenters," as the trade paper *Variety* calls agents, are wondering whether their employers will soon follow suit.

In one oft-repeated scenario, the buttoned-down ICM could buy Endeavor, which has cultivated a renegade image that attracts younger and more cutting-edge talent. Or ICM could buy UTA, which is strong in television. Or William Morris, eager to smack down the A-list powerhouse CAA, could buy Endeavor or UTA. Or Endeavor and UTA could merge.

Spokesmen for Endeavor, ICM, William Morris and UTA declined to comment on potential mergers. Still, in private, many in Hollywood say that talks are underway and that big changes may be on the horizon for the firms that procure work for Hollywood's best-known actors, directors, writers and show runners.

"As studios merge, there are less and less buyers to sell your product to," said an executive who spent a decade in the agenting business. "They need to get together so they have more leverage."

Although they are loath to speak on the record for fear of upstaging their clients (or, worse, their bosses), agents — who trade information for a living — can't help but try to predict where the chips will fall. And they are expert at doing what in Hollywood has become an art form: parsing how the personal could drive the professional.

The friendship between Endeavor's Whitesell and ICM's Rizvi is little known, but countless personal

relationships between bigwigs are common knowledge. Some have speculated, for example, that William Morris chief Jim Wiatt's friendship with UTA Chairman Jim Berkus — formed while both were students at USC — bodes well for a merger.

Meanwhile, Wiatt and ICM Chairman Jeff Berg, who worked in tandem at ICM for 20 years, are now bitter rivals. Each is believed to be eager to best the other, a desire that could motivate either to build up his empire.

For his part, Berg long resented Ari Emanuel, who was one of ICM's top agents until he and three others defected in the dead of night to start Endeavor in 1995. Since that incident, which is still known as the Watergate of the agency world, the two are said to have buried the hatchet — a statement that gained credibility last week, when they were photographed together at the Vanity Fair Oscars party.

Still, Emanuel is such an ego-driven hardball player that some doubt he would be able to share the throne in a merger. Emanuel's forceful personality (which is on display in his blog on the Huffington Post website) inspired the maniacal agent played by Jeremy Piven in the HBO comedy series "Entourage."

When it comes to mocking agents, "Entourage" is only the latest show or movie to take a shot. In the original script of "Austin Powers in Goldmember," for example, Dr. Evil returns from a trip to outer space to be told by his assistant, Number Two: "I created a way to make huge sums of legitimate money while at the same time maintaining the ethics and practices of an evil organization.... I've turned us into a talent agency."

In dialogue that was later cut, Number Two explains, "By charging A-list clients 9%, instead of the traditional 10%, we were able to sign such stars as Julia Roberts, George Clooney and Leo DiCaprio. Thereby forcing CAA, ICM, William Morris, UTA and Endeavor to either join us or be left out in the cold as independent evil organizations."

In real life, of course, no one's suggesting that all five reigning agencies would join forces. But several different pairings would appear to be complementary.

Rumors of talks among the agencies gained traction in November, when Berg partnered with Rizvi, an investment banker with no entertainment experience, to recapitalize ICM.

The company's revenue from syndicated goldmines such as "Friends" and "The Simpsons" helped entice Merrill Lynch to invest as well, which brought the final deal to about \$100 million, according to people familiar with the negotiations.

At the time, Berg signaled that he planned to use some of that money to finance new ventures, including possibly buying another agency. Today, he still likes that idea, which he describes as a delicate but not impossible undertaking.

"Talent agencies are not randomly traded commodities," said Berg, noting that since its founding in 1975, ICM has bought 15 small agencies. "Close relationships govern these businesses, but if a smart acquisition in the sector to expand our agency makes strategic sense, then a deal can get done."

Naysayers believe that the trickiness of valuing a talent agency will make that difficult to accomplish.

How do you put a dollar value on human capital — in essence, agents' relationships with their often-fickle clients — when those assets can, and often do, change in the blink of an eye? Given that, it's hard to figure how buyers could be certain of getting their money's worth.

"The prices for these things are so 'god-normous,' and the egos are only slightly larger than that," a film production executive said. Nevertheless, that executive believes a merger is likely. "They have to get together out of necessity."

Like Endeavor, UTA is seen as a tastemaker agency, with such clients as actors Johnny Depp and Don Cheadle and director M. Night Shyamalan. Like Endeavor, UTA is seen as strong in representing TV talent such as "The Sopranos" creator David Chase and "Law & Order" creator Dick Wolf.

If Endeavor and UTA merged, they'd be hard to beat in television, but neither would gain clout in publishing and music, where they have smaller divisions — or none at all.

The granddaddy of the agencies, 107-year-old William Morris, has about as many agents as CAA. But as CAA has become dominant in representing movie stars, William Morris has broadened the sweep of its client lists, focusing on musical touring acts such as the Eagles and corporate clients such as Anheuser-Busch Cos. and General Motors Corp. The agency's investments in real estate, meanwhile, give it something to fall back on if business flags.

Such strengths are often offered as reasons William Morris may be less likely to merge. But that fails to consider the ambitions of Wiatt, who runs in an elite crowd that includes Paramount Pictures chief Brad Grey and his boss, Viacom Inc. President Tom Freston.

Sometimes rumored to be a candidate to run a studio himself, Wiatt has made no secret of his desire to be considered a major player, a title that would be easier to claim if William Morris outpaced CAA's growth.

But if talk of a possible William Morris deal grows too loud, it could raise CAA's hackles. Although its spokesman wouldn't comment, the agency is credited with taking the time-honored tradition of poaching clients to a new level with the practiced line, "Why haven't you won an Oscar?" The agency's potent client list includes Steven Spielberg, Tom Cruise and Angelina Jolie.

CAA's success has kept it largely out of the rumor mill of late. With its new, fortresslike office building nearing completion in Century City, the agency appears to be focused inward, preferring "organic growth," as one agent put it, to an acquisition. But if other agencies move to merge, CAA could seek a partner to maintain its position.

In the background are the successful mid-size and small boutique agencies such as Paradigm, Gersh and Broder-Webb-Chervin-Silberman, whose agents know all too well how susceptible their clients are to being wooed by the Big Five. Teaming up with another agency could fortify them against such encroachment.

Just last week, Paradigm — which has fewer than 100 agents — took out full-page ads in the Hollywood Reporter and Daily Variety congratulating client Philip Seymour Hoffman for winning the Oscar for best actor. Were the ads a graceful gesture or a preemptive strike? Considering how many poachers an Academy Award draws, it was probably a little of both.

But just as the big agencies taketh, they also sometimes unwillingly giveth back. Long is the list of clients who left smaller agencies for a stint at a big one, only to tire quickly of feeling ignored. David Gersh, a partner at the 60-agent Gersh Agency, says that if mergers and acquisitions make the big agencies even bigger, it will play into his hands.

"When clients get frustrated at the lack of attention at other agencies and begin to shop around," he said, "they tend to come here, seeking more personalized service."

The Big Five

Talent agencies make the deals that make Hollywood go round. Among the Big Five, there is fierce competition and a lot of cross-pollination.

Creative Artists Agency

- **Founded:** 1975. Formed when five agents broke with their employer, William Morris Agency, and hung out a shingle.
- **Clients include:** Actors Tom Cruise, Angelina Jolie, Brad Pitt; directors Steven Spielberg, Ron Howard; producer Jerry Bruckheimer
- **Offices:** Beverly Hills, Nashville, New York, Beijing
- **Rainmakers:** David "Doc" O'Connor, Bryan Lourd, Rick Nicita, Kevin Huvane, Richard Lovett

William Morris Agency

- **Founded:** 1898. The oldest agency in town got its start in New York City representing vaudeville actors. Over the years, it made deals for icons Mae West, Marilyn Monroe, Charlie Chaplin, Frank Sinatra and Elvis Presley.
- **Clients include:** Actors Russell Crowe, Terrence Howard, Scarlett Johansson; directors Ridley Scott, Tim Burton
- **Offices:** Beverly Hills, Miami, Nashville, New York, London, Shanghai
- **Rainmakers:** Jim Wiatt, David Wirtschafter, Cara Lewis, Mark Itkin, George Freeman

International Creative Management

- **Founded:** 1975. Born when Creative Management Associates and International Famous Agency combined. Last year took on equity partners Rizvi Traverse Management and Merrill Lynch.
- **Clients include:** Actors Denzel Washington, Jodie Foster, Mel Gibson, Jennifer Lopez; directors Roman Polanski, Rob Marshall, Woody Allen
- **Offices:** Beverly Hills, New York, London
- **Rainmakers:** Jeff Berg, Chris Andrews, Ed Limato, Robert Newman, Nancy Josephson

Endeavor

- **Founded:** 1995. Split off from ICM, four of whose agents carted their files out in the dead of night to launch the boutique firm.
- **Clients include:** Actors Reese Witherspoon, Keira Knightley, Joaquin Phoenix, Adam Sandler; directors Martin Scorsese and Paul Thomas Anderson; show runners for TV's "CSI" and "The O.C."
- **Offices:** Beverly Hills, New York
- **Rainmakers:** Adam Venit, Ari Emanuel, Patrick Whitesell, Rick Rosen, Michelle Bohan

United Talent Agency

- **Founded:** 1991. Formed when Leading Artists joined with Bauer-Benedek Agency.
- **Clients include:** Actors Jim Carrey, Johnny Depp, Téa Leoni; directors Wes Anderson, the Coen brothers
- **Offices:** Beverly Hills, San Francisco
- **Rainmakers:** Jeremy Zimmer, Nick Stevens, Jim Berkus, Peter Benedek, Jay Sures

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