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Can New Ownership And Capital Infusion Fuel ICM Comeback?

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Oscar Night, 2004, should have been a victory lap for talent agency International Creative Management Inc.: A film it had helped engineer, Peter Jackson's "The Lord of the Rings: The Return of the King," racked up 11 Academy Awards.

Instead, the moment was bittersweet: Mr. Jackson's agent had left ICM the previous fall, taking the star director with him. His departure, and several other high-profile defections, came as ICM hired an investment banker to search for new partners.

Yesterday, ICM announced the outcome of that effort: It sold a controlling stake to a private-equity investor, Suhail Rizvi, for about \$75 million. As part of the deal, [Merrill Lynch](#) & Co. will provide unspecified additional debt financing, for a total of roughly \$100 million in refinancing, according to people close to the company. The investment suggests a surprisingly low valuation for ICM, considering its long history and high-profile clients.

In the works for months, the deal is meant to breathe new life and money into ICM, which has struggled in recent years to remain among Hollywood's elite talent agencies. The exact size of Mr. Rizvi's controlling stake wasn't disclosed. ICM's chief executive, Jeff Berg, previously the agency's largest shareholder, says he will remain CEO and the insider with the most equity.



Jeff Berg

Founded in 1955, ICM and its corporate predecessor has over the years represented stars such as Judy Garland, Robert Redford and Mel Gibson, and has helped bring to screens blockbuster successes such as the television show "Friends" and the "Lord of the Rings" trilogy. But ICM recently has been hobbled by defections of agents and clients and by the vicissitudes of the talent business. Loyalty is rarer than ever, and thinning margins in movies and publishing are pinching the size of agency commissions. A decade ago, ICM was considered on par with rivals like Creative Artists Agency; today it has fallen well behind top rivals in the Hollywood pecking order.

The arrival of outside investors is a blow for Mr. Berg and his partners, who have had sole ownership of the agency for the past 17 years. In 1988, executives at what was then publicly traded Josephson International Inc. took the agency private in a leveraged buyout and have run the place ever since without answering to external shareholders.

Now, that will change. In an interview, Mr. Berg, 58 years old, said he has high hopes that the new financing will help fuel growth for ICM's primary business units -- movies, television, music and publishing -- as well as help in the search for executive talent both inside and outside the agency. On the business-development front, ICM plans to put more resources behind film financing; its efforts have recently helped bring "Hotel Rwanda" and "Shopgirl" to screens. On the employee front, ICM plans to offer equity stakes to a wider pool of its agents, encouraging them to stay as a new generation of corporate executives.

"I thought we had a chance to change the financial geometry" of the business, Mr. Berg said. "We wanted someone who would stand with us and put in the same amount of time and money we've put in to our own business."

He believes Mr. Rizvi, age 40, is such a person. The head of Rizvi Traverse Management, a \$250 million private-equity fund with offices in both the Los Angeles and New York areas, Mr. Rizvi has never before invested in an entertainment-related asset, ICM officials say. He is interested in a long-term play with ICM, Mr. Berg says.

Mr. Rizvi declined to be interviewed. In a statement said he is looking forward to helping ICM "realize its full market potential and deliver a broader, more comprehensive offer[ing] to its clients."

But first, ICM has some immediate matters to take care of. It plans to pay two longtime ICM executives who are now directors -- Sam Cohn and Marvin Josephson -- for equity stakes in the company that they either have already agreed to sell back or intend to sell soon, according to both Mr. Berg and Mr. Josephson. (Mr. Cohn didn't return a call seeking comment.) Other initiatives, including a sweeping overhaul of ICM's internal technology, are also in the works, though an agency spokesman said the money for that project had been secured long before the deal with Mr. Rizvi was signed.

Over the years Mr. Berg has spoken to a number of rivals about a possible combination, industry officials say. For instance, more than a year ago, he met with executives from the Endeavor Talent Agency, a 75-agent Beverly Hills, Calif., firm, to explore a possible merger, two officials said, but the talks didn't go far.

Among the factors hampering such a transaction is the tendency of up-and-coming agents to jump ship, industry officials say. A promising agent with a decade of experience can command up to \$1 million a year in salary and bonus, executives say; some make twice that much.

In recent years, ICM has lost executives including the four co-founders of Endeavor, who quit in 1995 to start their own agency; Jim Wiatt, who left in 1999 after a falling-out with Mr. Berg and now runs the William Morris Agency; and Ken Kamins, the senior agent who bolted in 2003 and took Mr. Jackson with him. At the same time, star clients such as Julia Roberts and Cameron Diaz have left of their own accord for the significantly larger Creative Artists Agency.

"It's a fluid market," Mr. Berg says. "Some people leave for money ... lifestyle ... and some for other reasons not even expressed. [But] most of our senior agents have made their career here. They want to be here, and we have provided them with a unique platform."

ICM continues to get a steady flow of income, in some cases from deals struck many years ago. The agency is still pocketing commissions from "Friends," whose creators were represented by Nancy Josephson, ICM's co-president and Marvin Josephson's daughter. Other important commission sources: "He's Just Not That Into You," a best-selling book whose authors are ICM clients, and the DVD release of the "Lord of the Rings" trilogy.

ICM's current client list still includes the likes of Mr. Gibson, Steve Martin and Jodie Foster, and it is likely to generate new income. Mr. Gibson's "The Passion of the Christ," for example, was one of last year's biggest box-office moneymakers, and his next film is under way. ICM is even likely to see some revenue from the upcoming "King Kong," Mr. Jackson's soon-to-be-released remake, because the deal was signed before Mr. Kamins left ICM.

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