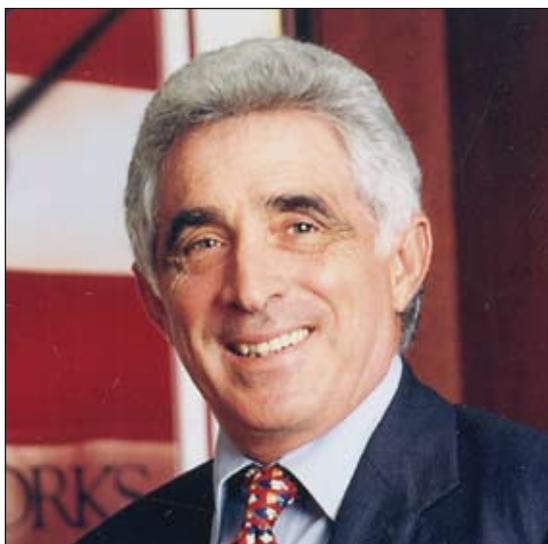


Interview

Forstmann's Focus

An Interview with Theodore J. Forstmann,
Chairman and Chief Executive Officer, IMG,
and Senior Founding Partner, Forstmann Little & Company



Theodore J. Forstmann

EDITORS' NOTE Investment industry veteran Ted Forstmann has developed a number of means to deliver returns for investors, including a subordinated debt fund that enables his firm to fully finance acquisitions. He founded Forstmann Little in 1978 with his brother Nicholas C. Forstmann and William Brian Little. When Forstmann Little acquired Gulfstream Aerospace in 1990, Forstmann became Chairman of the business jet firm, whose fortunes he turned around by rebuilding the management team, creating new product lines, and introducing aircraft fractional ownership. Also a committed philanthropist, Forstmann created the Children's Scholarship Fund in 1998, in collaboration with Wal-Mart's John Walton, and has served as a Director of the International Rescue Committee and as the only non-South African trustee of the Nelson Mandela Children's Fund. In the United States, Forstmann cofounded two camps for chronically ill children: the Benedict-Forstmann Silver Lining Ranch and the Boggy Creek Gang Camp. In addition, he serves on the board of directors of Freedom House, Empower America, the CATO Institute, and the Preventive Medicine Research Institute and is a member of the Council on Foreign Relations. Forstmann graduated from Yale University, received his law degree from Columbia University, and holds honorary doctorate degrees from Pepperdine University and Siena College.

COMPANY BRIEF Headquartered in New York and founded in 1978, Forstmann Little & Company is a private investment firm that has made 38 acquisitions and significant investments and returned approximately \$20 billion of profits to its investors. Widely recognized for his ability to turn companies around, Forstmann transforms business models by reinvesting cash flows in new opportunities, including new products, acquisitions, and cutting-edge R&D. His well-known investments include Gulfstream Aerospace, Dr Pepper, The Topps Company, The Yankee Candle Company, General Instrument Corporation, Citadel Broadcasting, 24 Hour Fitness, and Ziff Davis Media.

Founded by the late pioneer of sports marketing, Mark McCormack, IMG (www.imgworld.com) is a leading global sports and entertainment company, operating in some 30 countries. The firm's clients include Tiger Woods, Roger Federer, Annika Sorenstam, and Venus Williams. In addition to sports idols, IMG represents models and other stars, including Gisele Bündchen, Heidi Klum, and Padma Lakshmi. IMG also represents corporate clients and is active in real estate and golf course design. IMG Media produces 9,000 hours and distributes more than 15,000 hours of sports and entertainment programming annually. Forstmann Little & Co. purchased IMG in 2004 for \$750 million.

Has the IMG acquisition progressed in the way you expected it to? Is there sufficient awareness in the market of the brand's strength?

Our earnings are greater and we have grown faster than I thought would be the case. I think we've been successful in keeping the better parts of what existed and letting go of the others. We have a number of people who have been with the company for a long time. Also, we've added some businesses that have had very significant growth. Altogether, I think we have a very good esprit de corps. We have achieved very substantial earnings growth over the course of the past three years, so that makes for a very interesting time.

This company can be sliced so many ways. It essentially was an agency, and we're still an agency up to a point. We represent 1,000 athletes, all the biggest models in the world, and so on, but the business as a whole is not just an agency anymore. For example, if I told you that we produce 9,000 hours and distribute 15,000

hours in television around the world, you would not believe that, but we do. One of the reasons that the company is not very well understood is that such a big percentage of what we do is not done in America.

So how do you define IMG? Are you in the sports business, the entertainment business, the media business, or a combination of all three of those segments?

We are in all three, and they all fit together. The difference between sports and entertainment is virtually nonexistent. If I were to ask if Kobe Bryant is a sportsman or an entertainer, whichever answer you'd pick would be right; the lines cross. In terms of media, the ultimate reality show is a sporting event.

China is a major focus for IMG, but it can be a very challenging market. Have you been able to progress in that market in the way you had hoped? What is your outlook for China?

We're all over Europe and the Middle East in a pretty big way. There's a lot going on in India. China is a little different; it's much slower. That said, we have achieved traction in China now.

When you look at the different market segments in which you're operating, is it challenging to differentiate?

We're involved in golf, tennis, and soccer – overseas mainly – and in modeling. We try to get the best, and we dominate. In golf, for example, we've dominated for years. We also own and represent many events. Every single day of the year, on average, there are 11 or 12 events somewhere in the world that IMG is operating. There's a certain type of athlete, model, or entertainer that wants to come here because of the broad array of services we offer. We have a big licensing business, and we have a consulting business; we kind of have everything. There really isn't anything like IMG in the world.

Why did you feel that getting involved in college sports was a natural progression?

College sports is a business you can grow in. We're in negotiations to do more, and I hope we will have a really significant college sports business.

Are there additional extensions to the IMG brand, or do you feel you're in the right place when you look at the range of areas you're in now?

IMG really is a global platform, so I think we are. We are involved in everything from



producing reality TV to offering premium seating in stadiums, to helping start a new cricket league in India, to licensing and consulting, to maintaining a world-class sports academy, to producing and distributing thousands of hours of television, and much more. We have a lot of people competing with us here and there, but as an entity, there isn't really anything like IMG.

By nature, people can be adverse to change. Did the employees come onboard pretty quickly to understand your vision for IMG? In addition, has it been easy to attract the talent you need to the company?

Some people didn't get it at all, and we dealt with that. Most of the people embraced the changes and, I think, are quite happy with this much larger, growing company. We've attracted some terrific new people to the company as well.

Some people said you'd buy IMG and then sell it. Are you in this for the long haul?

I've been hauling away for four years, and I have absolutely no present intention to sell. We are very well-positioned now. We don't have any senior debt, our earnings are growing at a rapid rate, and we have a global platform. If we can get it right, this should mean the company has an extremely bright future.

What sort of ethical example should corporate leaders set for their employees?

I don't think being a corporate leader puts you in any different position morally. Not everything that's legal is right or good. I don't think you can legislate this stuff. People should have a moral compass. We may disagree around the margins but, fundamentally, we know there's a difference between right and wrong. I don't think a leader of a company should have to be told that by his lawyer.

Do you feel that the public's confidence in the private sector's integrity has increased as of late? What can the corporate world do to further foster that confidence?

I think you shouldn't try to legislate it. I never think of the world as being broken up into big companies with the CEOs who lead them and the rest of the world. I think when a leader of a large institution behaves incorrectly, a lot of people can suffer, and there are tons of examples that have taken place over the past nine months, which are not as overt as Enron or other scandals. I don't think that Enron or any of those things are terribly different from what life is like around the edges of a free society. You're always going to have people misbehaving; that's one of the things that freedom gives you.

You're known to be very philanthropic, but there is so much need out there. How challenging is it to hone in on one area? You can't be everything to everybody. So how did you decide where to focus?

I focused on children. I didn't have the happiest childhood in the world; I knew what it was like to be a lonely kid. So I have a huge

amount of empathy for kids – those who are sick or not getting anywhere. It just comes to me very naturally. When I get through this business phase of my life, I will focus my energies entirely on children's charities. You can't change the whole world, but you can make a difference. The frustration is that you can't do more.

Was the desire to make a difference always a part of you?

Yes. My dad was a very generous guy, so maybe genetics are involved. I've worked hard, and I've had some good ideas. But I've been very lucky as well, and I feel strongly that it's incumbent on people who have been as fortunate as I have to make a significant effort to help those who haven't been.

Because you are a public figure, the press pays some attention to your personal life. Is that difficult for you?

It's been going on a long time, and so I'm kind of used to it. But over the years, I couldn't help notice how the coverage is both frivolous and negative. As a result, I don't think it speaks very well for the status of our culture.

Can you envision a time when you will turn off the business, get away from it, and focus solely on your personal life or philanthropic efforts?

Yes. Two or three years ago, I said I was not going to raise another fund. Currently, we now have four companies that we own, one of which I run. The appropriate course of action for me now is to maximize the value of these businesses and then sell them. Fortunately, everything we own is doing quite well.

Do you ever step back and appreciate the success you have had?

I'm going to write a book. I think that's when I'll step back. I have a disease called "the moving goalpost disease." For instance, I founded the Children's Scholarship Fund after funding a small program for 800 kids in the Washington area. It was great, and I asked why it couldn't work all across the country. Two years later, we had the Children's Scholarship Fund. So far, we have sent 92,000 poor kids to school, and we have partners all over the country. So you don't know what you can do until you do it. ●

I've been hauling away for four years, and I have absolutely no present intention to sell.

We are very well-positioned now.