

Creating Value in Media and Communications

An Interview with Strauss Zelnick, Founder and Managing Partner, ZMC

EDITORS' NOTE Strauss Zelnick founded ZMC in 2001. He has a long history of leading media and communications enterprises and is deeply involved in originating investments, advising executives, and guiding the strategic and operational initiatives across all portfolio company investments. Zelnick currently represents ZMC as a director of Education Networks of America, Inc. He serves as Chief Executive Officer and Chairman of the Board of Directors of Take-Two Interactive Software. Previously, he was on the boards of Cast & Crew Entertainment Services, Alloy, and Naylor. He also served as Chairman and CEO of Columbia Music Entertainment, Chairman of ITN Networks, Chairman of Direct Holdings Worldwide and OTX. Prior to forming ZMC, Zelnick was President and Chief Executive Officer of BMG Entertainment, at that time one of the world's largest music and entertainment companies with more than 200 record labels and operations in 54 countries. Before joining BMG Entertainment, he was President and Chief Executive Officer of Crystal Dynamics, a producer and distributor of interactive entertainment software. Earlier in his career, he spent four years as President and Chief Operating Officer of 20th Century Fox where he managed all aspects of Fox Inc.'s worldwide motion picture production and distribution business. Zelnick spent three years at Vestron Inc., two as the company's President and Chief Operating Officer. He also served as Vice President of International Television Sales at Columbia Pictures. Zelnick holds a BA from Wesleyan University, as well as an MBA from Harvard Business School and a JD from Harvard Law School.



Strauss Zelnick

FIRM BRIEF ZMC (zmclp.com) is a leading private equity firm comprised of experienced investors and executives that invests in and manages a diverse group of media and communications enterprises. Founded in 2001, ZMC's investment philosophy centers on operational value creation driven by targeted investment themes, deep sector expertise, and strong partnerships with industry and operating executives. ZMC approaches its investments in collaboration with management teams and has a successful track

record of actively adding value to portfolio companies. ZMC is currently investing out of ZMC III, L.P., which closed on \$775 million in commitments.

Will you highlight the history and heritage of ZMC and how the firm has evolved?

This is our 20th anniversary having been founded in 2001 with an eye towards building a collection of media and communications assets that would benefit from the explosion of digital technology, which we saw as a clear opportunity, but was not as obvious to traditional media and entertainment enterprises. We invested first without our own source of capital and worked with top-tier private equity firms. We closed nine transactions between 2001 and 2007 and built up a meaningful portfolio. During 2007-2008, we raised our first private equity fund and in 2009, we took over Take-Two Interactive, which has become our largest company. In 2015, we raised our second fund, followed by our third in 2019 that

we are investing out of now. We started as an independent sponsor and evolved into a well-funded private equity firm.

Has the focus on media and communications assets remained consistent over ZMC's 20 years?

We always defined media pretty broadly, which led us to entertainment, telecommunications, software, and services. We describe ourselves as a media and communications enterprise and we are flexible when opportunities are presented to us since we are future-focused and looking at the next 5, 10, or 15 years.

What have been the keys to the strength and leadership of Take-Two?

Take-Two has certainly benefitted from the growth in interactive entertainment. The company has an extraordinary team of talented, creative people who have developed and continue to develop what we believe are some of the best interactive assets in the business, which they market and distribute exceptionally well throughout the world. Our intellectual property is second to none.

How did ZMC's portfolio companies perform during the pandemic and address this unprecedented time?

We were certainly worried early on, and were first and foremost focused on the health and safety of our people. We are fortunate that we are a successful enterprise and have resources in order to take care of our team. We did not furlough any employees, reduce salaries, nor take any government assistance funds. We had saved for a rainy day, and

“Take-Two has certainly benefitted from the growth in interactive entertainment. The company has an extraordinary team of talented, creative people who have developed and continue to develop what we believe are some of the best interactive assets in the business which they market and distribute exceptionally well throughout the world.”

“We describe ourselves as a media and communications enterprise and we are flexible when opportunities are presented to us since we are future-focused and looking at the next 5, 10, or 15 years.”

the pandemic was certainly the definition of a rainy day. It is during tough times that a company needs to step up and increase its focus on taking care of its people and making them know that they are going to be the priority.

We were fortunate as we are a business that largely exists in a digital world, so moving to remote work was pretty straightforward. We have a group of IT professionals who were able to move us to remote work very quickly and seamlessly. The demand for our services remained strong and, in many instances, grew during the pandemic.

Will you discuss ZMC’s commitment to diversity and inclusion?

We have a pretty diverse company from a gender perspective, and are working to become more diverse from an ethnic perspective and have made strong progress in this area. We have people responsible for DEI and ESG in all of our portfolio companies, and we have an executive in charge of diversity and ESG at ZMC as well. Diversity of opinion, thought, and background is crucial if you want to be at the cutting-edge of where business is going. Diversity is consistent with high performance and we believe it is of paramount importance to continue to focus on equity, diversity, and inclusion going forward.

What do you see as the responsibility that ZMC and its portfolio companies have to the communities they serve?

We have always said that we serve four constituencies: First and foremost, we serve customers and have to deliver great products and services. Second, we serve our colleagues

who make all of our businesses work every day. We need to serve our colleagues if we expect to effectively serve our customers. Third, we serve our investors and shareholders, who deserve a return on their capital. Finally, we serve ourselves, but this comes last. We believe that being an active participant in the community is critical and all of our companies are engaged in the communities in which they operate.

How important is the management team in place at a company when ZMC is reviewing an investment opportunity?

Generally speaking, we are investing in the management team, and it is very rare that we would look to replace the management team that is already in place. We have only done this in turnaround situations. Most of our investments are in growth companies and we are actually betting on the management team that is in place which has worked out very well for us.

ZMC is headquartered in New York City. Are you optimistic about New York City’s recovery and rebuilding from the pandemic?

I would never bet against New York, which has shown time and time again that it has the ability to recover and rebuild. New York City is resilient and has so much to offer that I am confident about its future. Having said that, we do need strong leadership in New York City. It is very challenging to run such a large and dense city. For New York City to continue to thrive, the trains need to run on time, the streets need to be cleaned, people need to feel safe and, at the same time, we need to have a forward-thinking tax policy in order to make sure that we keep people and businesses in New York.

What do you see as the keys to effective leadership and how do you focus your time in leading ZMC, Take-Two, as well as being engaged in your other portfolio companies?

You need to set priorities and know that you can’t be all things to all people at all times. I think that you can have a few priorities at any given time, and for me that is my family and friends, my work, fitness, mentorship, and charitable endeavors. These are things that really matter to me, and they are where I focus my time and energy.

What advice do you offer young people who are beginning their careers during this unprecedented time?

My first piece of advice is to know what you want and what matters to you and how you define success since every person has his or her own definition of what success means to them both personally and professionally. I encourage people to think ahead 5 or 10 years and paint a watercolor picture of what one’s personal and professional life will look like and then move toward that vision. Most people have their own set of desires that are personal and unique to that individual. Once those are defined, I share three pieces of advice that I received during my career. First, work hard since there is no substitute for hard work, especially early in your career as it will distinguish you from others. The second is to listen – we are taught to talk, but we are not taught to listen, and it is amazing what you will learn when you listen. Lastly, never compromise your integrity since at the end of the day it is the only thing that you have. ●

“Most of our investments are in growth companies and we are actually betting on the management team that is in place which has worked out very well for us.”