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Lagardere Takes Aim at \$100 Billion Market, IMG With Sports Business Push

By Matthew Campbell - May 31, 2010 11:53 AM ET

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Arnaud Lagardere is angling for a bigger piece of the more than \$100 billion global sports industry.

The chief executive officer of Lagardere SCA today unveiled a new sports division intended to move the biggest French publisher toward becoming a larger player in sports rights, marketing and athlete representation.

The new Lagardere Unlimited unit will compete directly with IMG Worldwide Inc., the sports group controlled by New York-based private equity firm Forstmann Little & Co., which represents sports stars including Roger Federer and Rafael Nadal. The division will replace Lagardere's existing sports unit, adding agency and consulting operations.

"European companies getting into this type of business in the U.S. can be a bit of a problem," said Conor O'Shea, an analyst at Kepler Capital Markets in Paris. "Things are done in the U.S. on a different scale."

Lagardere, based in Paris, is seeking faster-growing parts of the sports business to counter sluggish sales. The company on May 11 reported that first-quarter revenue fell 1.5 percent as sales declined in its book publishing unit. Lagardere, which owns Elle and Paris Match magazines, had earlier benefited from brisk sales of the vampire-themed "Twilight" novels by Stephenie Meyer.

"The first ambition is to become the world leader in the sports market," the Lagardere executive told reporters in Paris today. "It's a market that's extremely fragmented, with a lot of participants, and which continues to grow strongly."

New Alignment

Lagardere shares rose 12.5 cents, or 0.5 percent, in Paris trading to 26.2 euros, valuing the company at 3.44 billion euros (\$4.22 billion). The shares have fallen 7.8 percent this year.

Lagardere has been buying and seeking to sell assets to better align itself for the new business and to focus on its main media operations.

On April 15, the company initiated a process to sell its 20 percent stake in pay-TV operator Canal Plus France, the main broadcaster of first-division French soccer.

Lagardere today announced the acquisition of Best, a U.S. agency that represents athletes such as basketball player Rafer Alston and Philadelphia Eagles quarterback Michael Vick. The French executive said the Best acquisition will give Lagardere an "open door" on the American sports market.

Terms of the deal were not disclosed. Best Chairman Jonathan Blue today told reporters the company had revenue of about \$30 million last year.

IMG Interest

Lagardere also bought a 30 percent stake in Saddlebrook, an academy for promising young athletes in Florida, where it plans to recruit talent for its U.S. agents, the CEO said.

While Lagardere had discussions with IMG's owners about buying the sports-marketing company, talks failed over differences over the business's price. Arnaud Lagardere said

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company, since raised over 100 million over the business's price, Arnaud Lagardere said.

"We didn't pursue them for a very long time," he said. Eventually, for Forstmann, an "exit from that business is a sale," he said.

Forstmann bought IMG in 2004 following the death in the previous year of founder Mark

promotions in 1960, when he became golfer Arnold Palmer's business manager.

Lagardere in April fought off a challenge by U.S. activist investor Guy Wyser-Pratte, who sought a board seat and criticized Arnaud Lagardere's sports ambitions.

To contact the reporter on this story: Matthew Campbell in Paris via mcampbell39@bloomberg.net.

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