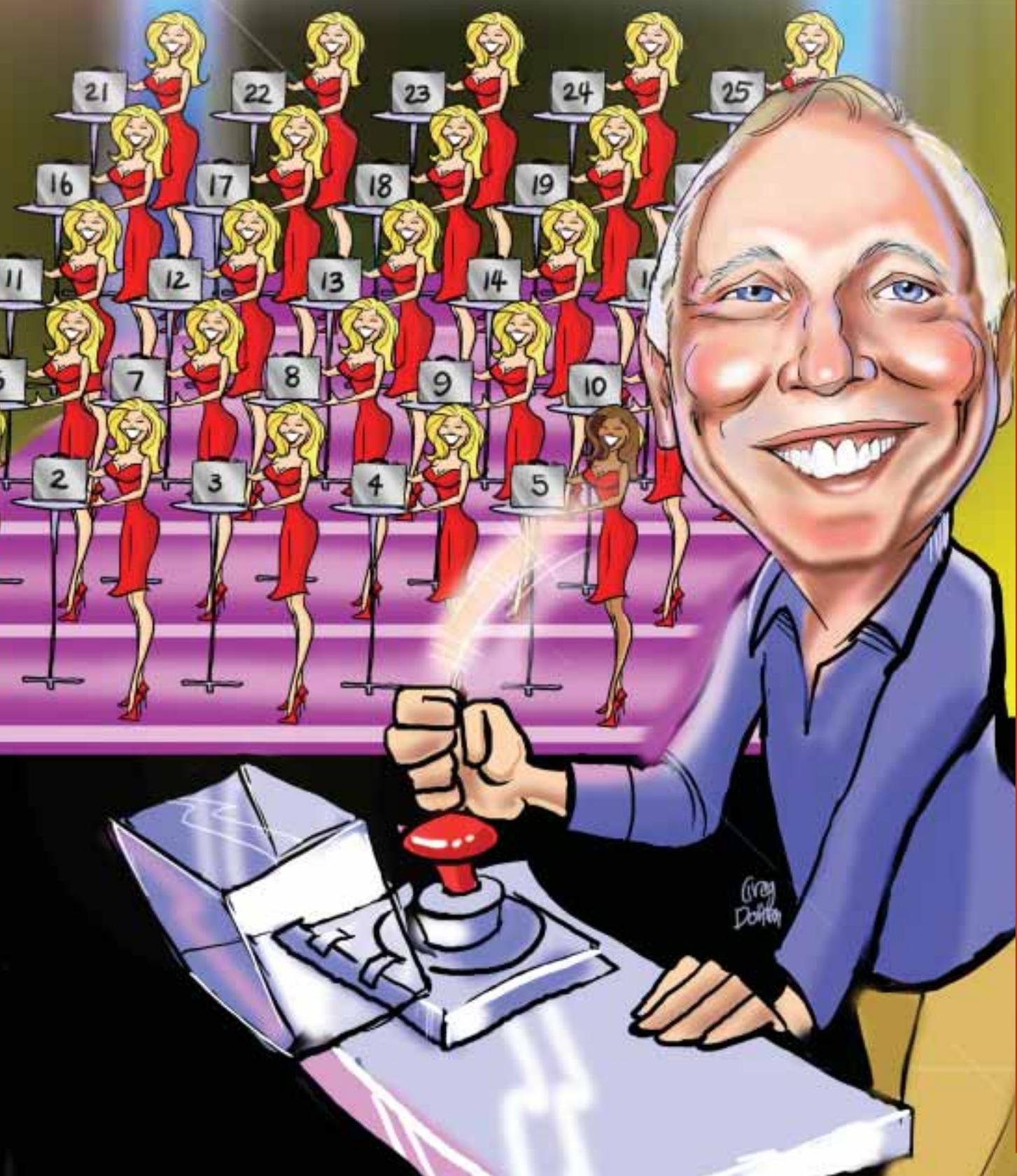


DEAL OR NO DEAL

\$631,000,000





NEWS

THE NEW COMP

SMG sale for \$631 million sets a high valuation on the whole industry

by LINDA DECKARD

Having been muzzled by Hyatt Corp., Aramark Corp., and Morgan Stanley, the sellers, Westley, CEO of SMG, had to live with all the misinformation that fermented on the industry grapevine for several months before American Capital bought the firm.

But it was worth it. In the end, SMG, the world's largest private management firm, sold for a benchmark sum — \$631 million.

"Your award says it right. I think the valuation of SMG sets a peg in the ground for anyone else in the industry," Westley said of the headline-making sale price and the resulting 2007

Venues Today Hall of Headlines Award for News. "It wasn't just American Capital that valued it that high. There were three companies in the end that put very similar values to it. I think it's good for the industry. It established a financial peg for others. There is no downside to it, only upside."

SMG's competitors in the industry agree. Peter Luukko, chairman of Comcast-Spectacor which owns Global Spectrum, said it set a new benchmark. "It shows you where our whole industry has grown up. It's a mature industry now."

Luukko sent an e-mail to Westley after the sale price was announced. "It said, 'You're my hero,'" Luukko said.

The comparable pricetag is applicable to all industry real estate and every industry job in Westley's opinion. It's not just about how much a private management company is worth, though the sale certainly means more to companies.

"But from the industry standpoint, it shows that in a business sense, the earnings [venue managers] generate are very highly valued by the business community. They're high potential earnings. If you look at us and the valuations put on Live Nation, these are very valuable earnings. I think people should feel very good about that," Westley said. "While you know the patrons appreciate what you do, it's hard to know what the business community thinks of you."

Luukko concurred. "It shows the valuation of good arena management and the quality of people we have in the industry."

Looking ahead, Westley said SMG's new owners are not adverse to taking risks, including investing capital in SMG projects.

Now that the sale is final, SMG is focused on growth, and Westley told his new bosses there are three major areas of growth — food and drink with Savor, Catering by SMG; and international business in Europe and in South and Central America. SMG is also part of one of three groups bidding to develop a sports complex in Singapore.

Does international growth mean buying arenas, as AEG did in 2007 with Color Line Arena in Germany? "I don't think we'll follow the path Tim [Leiwke, CEO of AEG] does. They're not into that kind of risk-taking. I don't think at that level we will play," he said of American Capital.

But Westley sees "opportunities all over; there is a lot to look at out there."

He wants to take a very focused approach. "In this industry, it's so easy to get distracted with concerts, events, and people bringing deals and ideas to you. They gather outside my door. You have to keep a company like this focused."

This is not Westley's first experience with an industry buyout. Under his leadership, SMG purchased LMI and Ogden Entertainment's facility accounts. He's proud to look back and see that a number of SMG's key people were with Ogden and "I think every GM is still in place today. Those organizations contributed good people, good ideas. That had to be huge, when I look at what I did."

But in the past, private management companies did not get the valuation SMG enjoyed. In fact, Wall Street in general tended to look for companies that were bloated or mismanaged and they would come in and cut staff and push or change management.

That has changed. "American Capital and other investment firms are buying companies they think are well managed and aren't bloated. They want to buy stuff that doesn't need fixing. That's my general feeling. Having talked to other CEO's now, it's different than it was in the 80s and 90s."

So does he have any advice for those looking to sell their company? "Take the heat and play your cards close to the vest," Westley said.

So what is he looking to buy next? "Who's going to buy you next, that's the right question," he retorted, chuckling.

