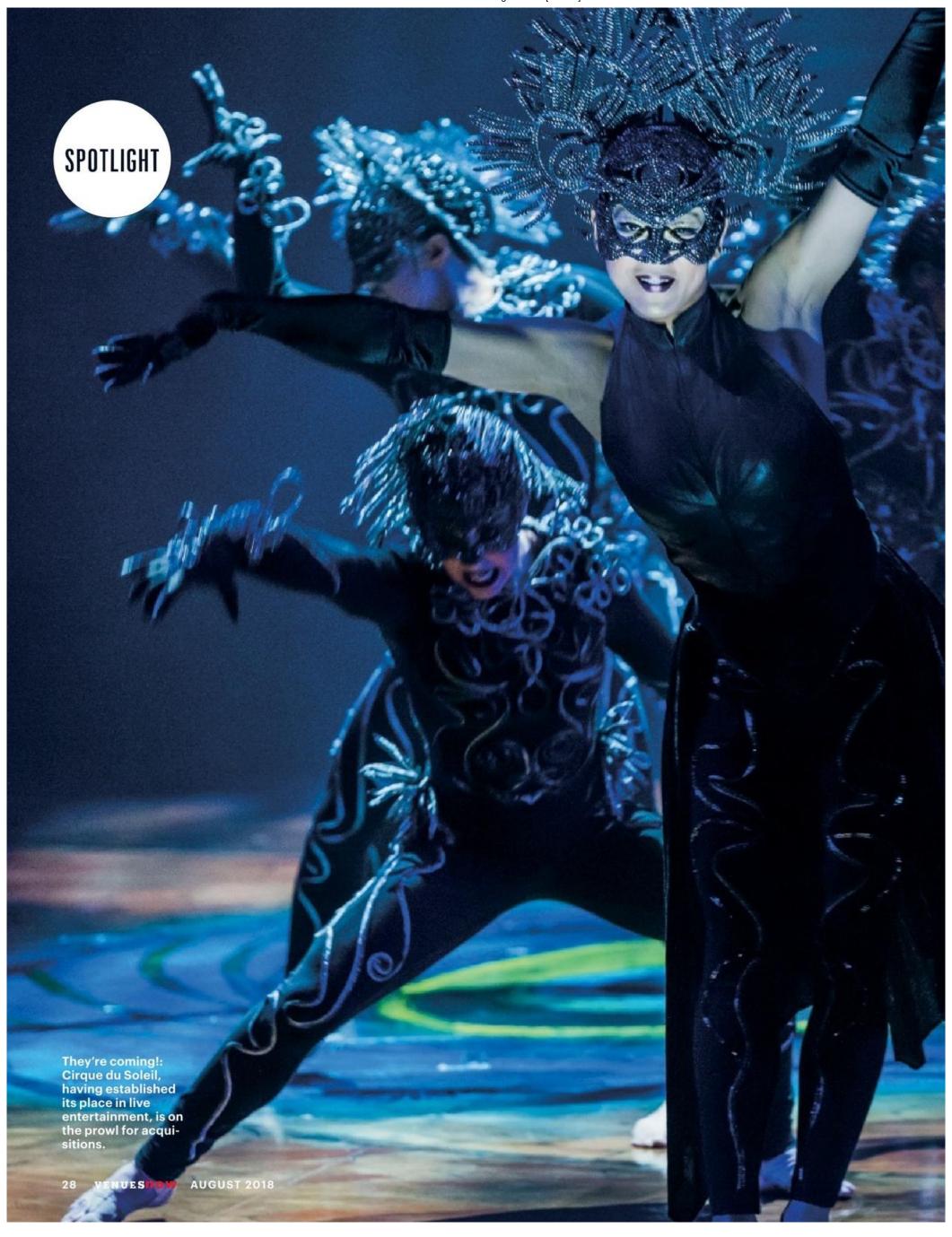


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MATT BEARD



IRQUE DU SOLEIL Entertainment Group's acquisition of kids' show producer VStar Entertainment Group last month, a year after it bought Blue Man Group, is part of its mandate to become the Live Nation of the live theatrical business. That mandate comes from the investors, led by TPG Capital, who bought Cirque du Soleil three years ago.

Daniel Lamarre, president and CEO of CDS, is open to suggestions.

"We're looking to something that is different from VStar and Blue Man Group," Lamarre told VenuesNow. "But always in live entertainment. If you have any recommendation for me, I'm a buyer. The reality for me is Live Nation has been an amazing consolidator in the concert business and so is AEG. But I think there is this window right now for a consolidator in the theatrical live business, and I think we're uniquely positioned to do that."

Jim Coulter, co-CEO and founding partner of TPG, confirmed that assessment at the C2 Conference in Montreal in May. Coulter, who co-heads a company with \$85 billion in private equity under management, told C2 attendees that "all of our investments are in these industries that are in a moment of rapid change." Societal change drives commerce opportunities for creativity and "when new industries show up, CEOs become younger. Youth steps forward in times of change," Coulter said.

Coulter said TPG noticed seven to eight years ago that "the amount of money people spend on experiences has gapped up," as people prefer experiences over things. Millennials are early adopters of that societal change, and that creates enormous opportunity for commerce and creativity.

"I'm very, very lucky to have an investor like TPG. They have such a long-term vision about what you can accomplish as an organization," Lamarre said. "They have been so successful in Silicon Valley that it has opened their eyes about business models that are not traditional. That's why we're so much elated right now to be value for them."

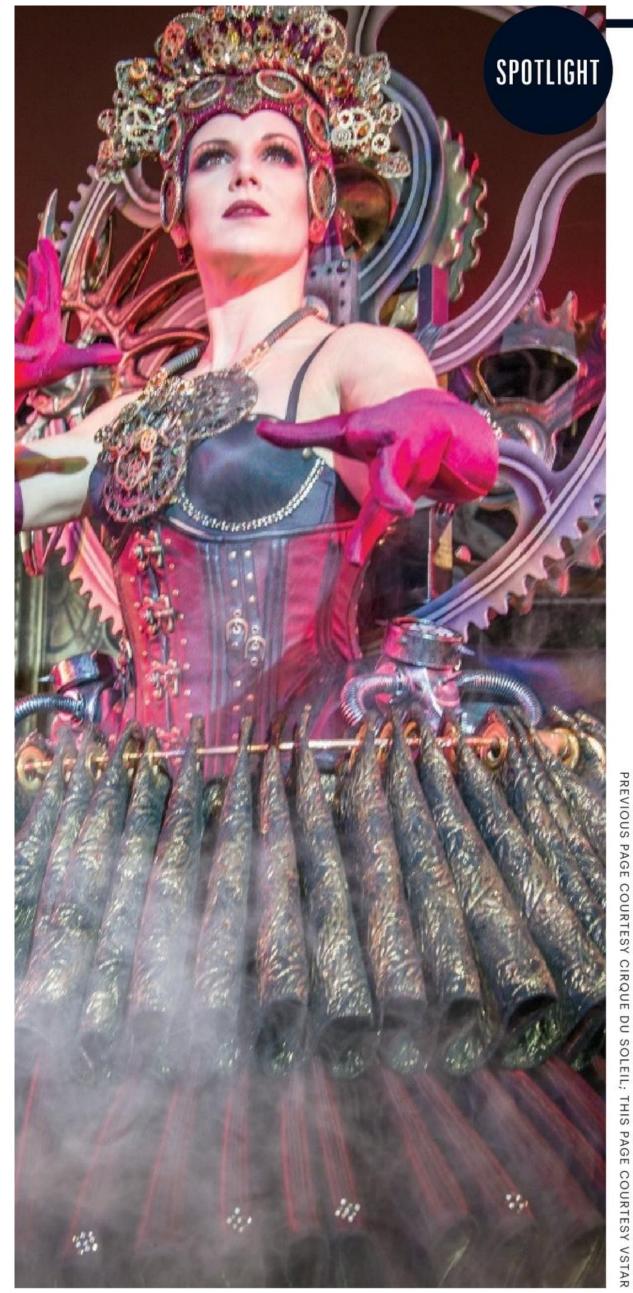
What prompted them to invest in the kids' show market? "Because it's a market we don't have," Lamarre said. "And we have a very ambitious mandate from our new owners—to become the global leader of live entertainment." To accomplish that, he needs diversification of content and diversification of target groups. "When that strategy is clear, it becomes more than obvious you have to enter the kids' market."

Coulter is on the CDS board of directors. "He has so many contacts around the world. He has been not only supportive but proactive by introducing me to a lot of people," Lamarre said.

With the acquisition of VStar, CDS is on track to sell 17 million tickets to its owned shows this year, Lamarre said. That's a far cry from Live Nation's 100 million, but there is plenty of room for growth, including doubling the number of shows Blue Man Group and VStar ticket in a reasonable amount of time, which he defined as within the next two years. With VStar that will be through additional productions, one of which will be announced in the next two months, Lamarre promised. With Blue Man Group, that will be through introduction of a second, international unit, to be launched next fall.

"VStar's ability to attract kids with some very inter-





When Cirque du Soleil acquired VStar, it brought aboard Cirque Dreams.

esting intellectual property" made that acquisition attractive to CDS. "We believe if you add up their capability but also the network of partners we have at Cirque du Soleil, that we might be able to bring even

more intellectual property for kids. We're very well connected with a lot of studios, as you can imagine," Lamarre said.

CDS alone also tours in 450 cities with 12 traveling shows around the world. The theory when it bought Blue Man Group was that it could leverage that network of distribution. "And now we see it is working. We can distribute Blue Man Group in many, many more international markets," he said. "We think the same pattern will also help create a lot of international scope for VStar. That's the main objective in the next few weeks and few months."

Negotiations to buy VStar took a year, and CDS was not the only suitor interested. It is a hot market. Both Lamarre and Eric Grilly, CEO of VStar, said CDS was not the highest bid, but it was perceived as the best fit.

Grilly, who came on board with VStar just 29 months ago in answer to a search conducted by its investor at the time, AUA, said the deal came about sooner than expected. AUA had received some unsolicited inbound interest, so it decided to seek representation and narrowed the field. Cirque "clearly became the leader for a number of reasons," Grilly said.

"I am appreciative of our investors who looked beyond just the valuation of the business to what was a good fit for the business and its employees," Grilly continued. "This was a great outcome, for the investors, business, partners and, most importantly, our employees. I think they are generally enthusiastic about being a part of the Cirque du Soleil family, such a prestigious brand with such heritage and rich history, rooted in theatrical like our own roots. There is a lot of shared DNA between the companies."

Grilly also confirmed that investment follows opportunity and cultural changes. Experiences are trumping things as preferred purchases, a trend started by millennials who are now becoming parents.

"Investors are smart. Investors watch where consumers are spending their money," Grilly said, noting AUA also saw that four years ago with its first investment in Blue Star. Then it bought VEE Corp. and, in 2016, Cirque Dreams. PAW Patrol Live, a touring production in conjunction with Nickelodeon, went out for the first time last year, Grilly said. "Smart investors are following that trend, investing in brands and companies that have demonstrated the ability to execute against the opportunity. Cirque is considerably larger than VStar. Their global reach and resources will open up opportunities for us in the kids' and family entertainment space."

The reality for Grilly as well is "obviously he will keep his autonomy as the leader of VStar, but he's also becoming a member of the executive forum of Cirque du Soleil. It's a good thing for him personally, but it's also a good thing for VStar's employees because they will be represented at the highest level of Cirque," Lamarre said. "You want to have your autonomy but at the same time you want to feel you are part of a larger group."

CDS now has a volume of productions like it has never had in history, because it keeps adding new markets, Lamarre said. "Last year, I went to China 10 times and right now we have two touring shows in China and are building one permanent show. And when I look to VStar, I can only imagine how we can accelerate the number of productions

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GROWTH TRAJECTORY

Vince Egan founds VEE Corp.

Guy Laliberté and Gilles Ste-Croix found Cirque du Soleil

Neil Goldberg founds Cirque Dreams

AUA buys Blue Star Media

AUA buys VEE Corp., which it merges with Blue Star to become VStar Entertainment Group

VStar buys Cirque

Dreams

TPG buys Cirque du Soleil

Cirque du Soleil buys Blue Man Group

Cirque du Soleil buys VStar

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we can develop with various intellectual properties and at the same time, to bring shows to markets that VStar has never been before."

How does this help Cirque du Soleil?

"As we become bigger, then the volume starts to add up," Lamarre said. "All of a sudden you are in a better position to negotiate with the venue operator, the ticketing organization, that will help. But the most important point for me is that I can imagine that in the same city, I can have at one corner of the street a CDS show, on the next corner a VStar show, and the next corner Blue Man Group, and they won't cannibalize each other because they're reaching out to different audiences."

So what does this mean to venue managers?

"We're here for the long term. If you look to the history of Cirque, we have grown true long-term partnerships," Lamarre said. They have had a show with Disney for 20 years now; the first permanent production in Las Vegas, "Mystere," opened 25 years ago and just renewed for an additional 10 years; and CDS has seven permanent shows with MGM Resorts in Las Vegas.

"When you think long term, you don't try to squeeze or screw people around. If they do good business with you, they will be entitled and will ask for a fair share. We like that people, when they think of us, they think of us as partners," Lamarre said.

Finn Taylor, vice president of touring for Cirque, said the organization has spent the last year integrating Blue Man Group into CDS and continues to look for opportunities to add to its portfolio. Blue Man Group kept an office in New York, primarily creation and production, and it continues to create under the Blue Man umbrella. "It's a separate company, separate brand," Taylor said. "Customer facing, it's Blue Man."

Similarly, with VStar, the company is staying in Minneapolis and Grilly is running the company. "We don't plan to do anything but help support them grow the company," Taylor said. "Obviously we have a great network of partners and promoters around the world. We will help them spread Cirque Dreams."

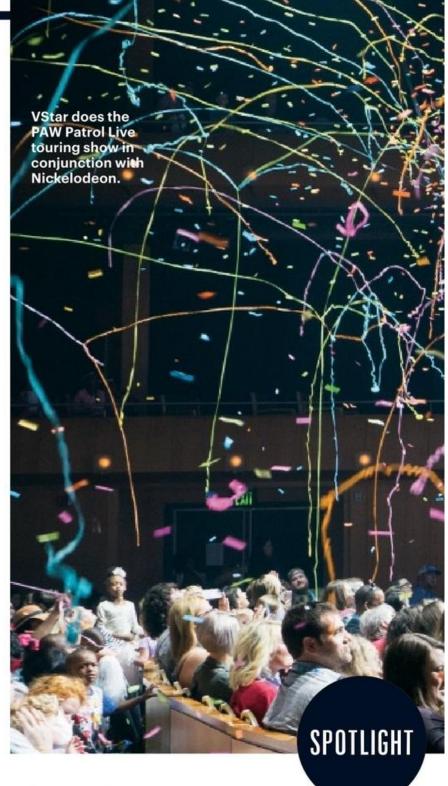
Cirque du Soleil plays arenas and big tops. VStar plays proscenium theaters and Broadway houses, he pointed out. It's a different audience and different market, but CDS can help VStar find new cities, venues and partners to work with. To date, he couldn't name a stadium play for CDS, except that "we did the Super Bowl pregame."

The main benefits for VStar are multifold. Grilly listed access to a global platform (so far, VStar is in 40 countries); access to more capital ("Given the size of our business, we were constrained about the number and type of shows we can do."); and "lastly, thinking about different places the business could have landed, it's a great outcome for the employees to be part of a strategic-oriented entertainment company."

VStar just moved into a 104,000-square-foot facility in Minneapolis, and its costume shop will continue. "We're in the fur and feather business. It's a very different type of costume art than Cirque du Soleil creates in Montreal and Las Vegas," Grilly said. The advertising model and level of production value are also different. It's a different way to go to market.

Cirque Dreams is based in Pompano Beach, Fla., and will stay there, just as it did when VStar bought it in 2016, Grilly said. And for its part, Cirque Dreams brings another new set of sponsors and partners, such as Norwegian Cruise Lines and Gaylord Hotels, to the mix.

"We were a rocket ship for the last 24 months, between seven PAW Patrol shows on four continents and a very exciting project we will be announcing in the next 60 days," Grilly



said. He also said the company will announce a new licensed IP before the end of August.

VStar still has the exhibitions, experiential marketing and brand activation side of the business. It does a couple dozen mascots for professional and college sports teams and projects for some cruise lines building out their mascots. It moved into the new facility in Novem-

Cirque's reach extends to the sports world with its NFL connections, which includes producing NFL Experience Times Square in New York City; to music indirectly, with the production of Beatles and Michael Jackson-themed shows; and to movies, with "Avatar" and James Cameron.

"We are always on the lookout for intellectual properties that would fit into our brand," Lamarre said, though he declined to confirm action sports is on the horizon for CDS as has been rumored.

"What people forget is Cirque du Soleil is kind of a hybrid between sports and entertainment, because most of our performers are former Olympic athletes. When you go to the Olympics, if you're lucky, you're on the podium and if you're not lucky, you're forgotten. With Cirque, you have another possibility, a career after the Olympics. I'm very proud of that," Lamarre said.

But the best part of the story, for Lamarre, after this global leap into family shows?

"My grandkids are so happy," he said. "My two grandsons are like, finally granddaddy is doing something interesting."

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FINDING THE RIGHT BALANCE CIRQUE DU SOLEIL'S DANIEL LAMARRE TALKS ABOUT CORPORATE CULTURE



How do you integrate an existing company into Cirque du Soleil?

The priority now is much more volume in terms of number of shows we can tour. There are so many possibilities on tap for VStar. I met with VStar with Eric [Grilly, CEO] and I saw a bunch of people very, very happy that they were joining a company that can help them to grow. We have a great team, and I was very impressed.

What makes a great team?

In our world the passion of employees is so important. You cannot not be passionate if you work in the live entertainment business. And I met with a bunch of very passionate people.

That would be the artists and actors and creators?

It's very tough for an artist to make a

decent living. That's one objective for Cirque du Soleil. We employ about 2,000 artists and now it will be more than that. We're a good home for creators and artists. That's why I think we have the brand we have today. I always say, if you have a great show, you have a great business; if you don't have a good show, you have no business. That's why in the word "show business," show comes first.

What about the behind-the-scenes staff?

They're part of it. I haven't met yet an employee of CDS who will describe himor herself as not being creative and part of a creative organization. I don't think a traditional person can work within our organization. It takes someone who has a passion for live entertainment, and I see it in all of our departments.

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