

From: Gianni Serazzi <[REDACTED]>
To: Jeffrey Epstein <jeevacation@gmail.com>
Subject: Re: Datapoints
Date: Sun, 21 Oct 2018 11:18:00 +0000

Happy to elaborate

You are absolutely right, the MA (mother agencies) will look at their bottom line and we will use that focus and overall small profit pool to gain an unparallel leadership position

The way to conquer the modeling world is to create a natural monopoly on mother agency talent side. Their total profit pool is ridiculous (3-5M/year for the entire sum of all mother agencies WW) and they are so fragmented that none of them spent time and effort to create structures to lock in top models, so models grow and leave them.

We have to create that layer, 5 models locked in that become top models will double the mother agency profit pool (~1M/year/model)

The modeling world is becoming less influenced by bookers and more influenced by talent. By increasing a high % of a small profit pool that exists for mother agencies we can lock in a terrific supply of talent with a great moat around it. We would have a terrific first mover advantage

Thx
G

On Sun, Oct 21, 2018 at 1:09 PM J <jeevacation@gmail.com> wrote:
thanks . ownership structure is easy. . mother agency investment. ? not sure it really helps. as they will only look at their bottom line

On Sun, Oct 21, 2018 at 6:58 AM Gianni Serazzi <[REDACTED]> wrote:
Ciao Jeff,
here is some data and elements discussed that are useful to take a decision

TOTAL INVESTMENT
15-20M (all numbers are in Euros)

TARGET
Build the leading global modeling reality (beyond just the agency concept), super professional and profitable

ASSETS
Innovative business model separating mother agency (similar to Starsystem where I was a partner with John Casablanca) and selling co (the market or our companies will not know that there is shared ownership)

Gianni: builds brands and profitable companies even when everyone said it was not possible
-Lancel from -30 to -6M, would have been positive 1 year later but moved me to a brand that was 5x bigger, after I left went back to -30 in 5 years
-Chloe' from 60 to 180M EBITDA after integration in the platform built in Geneva by my team to integrate all group soft lux brands

-Dunhill double digit growth and positive EBITDA after years of losses after integration on new platform
-2M agency launched in 2001 when others were closing and telling that it was impossible to build profitable agencies, ~570K EBITDA in 2018

-No other leader of global agency has my pedigree (Olympian of mathematics, First in class in Bocconi, Wharton, Admitted ad INSEAD MBA at 21 years old (youngest in the last 40 years), manager at Bain at 25 (youngest in North America), currently the youngest senior advisor to BainCapital for global fashion and luxury etc etc) nor the access to fashion world top executives (Top managers that run Dolce&Gabbana, Prada, Chloe', Alaia, Gucci, Armani etc etc)

DETAILS OF PLAN

You know better than myself that no startup has setup and respected a business plan. Either they have a technological innovation (and we don't) or we are investing on people and their track record / business model

Plan is not to buy companies (small acquisitions with opportunistic approach might make sense if the opportunity presents) but is to buy top people with strong salaries that trust me and follow the new philosophy

INVESTMENTS AND TIMING

Year 1-2 open Milano and Paris

Total investment by year in Milano 1M - 0.5 - 0.5 (after year cash flow positive, assumes zero banking or debt financing, do not want to lose time on financing, just focus on building brand/company)

Total investment by year in Paris 2M - 1 - 1

Where the money will be invested in year 1 (for Milano, for Paris double it). Year 2-3 is all team expansion and net working capital

Office guarantee and setup 100K

Hiring signup bonuses 100K director (we will need 2, one more image board and one commercial, already identified), 0-50K signup for booker level. Total investment 200-300K

Salaries and monthly expenses financing 300-500K

NWC financing 300-500K

Year 2-3 London agency investment by year 1.5 - 0.5 - 0.5

Year 3-5 NY agency investment by year 2 - 1 - 1 (this is low to build a 10M+ revenue agency but it will leverage the talent pool we will have developed in the meantime with the other agencies and Scouting Co)

Year 3-5 China agency investment by year 0.75 - 0.75 (already have connections with the top shopping mall families and they will support our entry and cofinance)

SCOUTING CO

We will build something very similar to what Starsystem was supposed to be when we developed the vision with John Casablanca: a collector of all the best mother agencies worldwide to lock in the top talent since they are super young and not famous. Swiss contracts, delegation of collecting fees also on behalf of the model from selling agencies (possible for usage rights not for daily rate but in any case the daily rate is a very small % for models that become increasingly successful) and large commissions to original mother agencies to keep them super motivated in expanding the talent pool (8% or 9% of the original 10% they are charging now)

This will change the structure of modeling world when we start being successful

Tie this with providing expansion capital to the mother agencies we partner with (30/50K per agency to hire extra local scouters to find talent etc) while leaving them majority stakes. It will be the revolutionary idea that Starsystem wanted to be but did not have the capital or the talent to do (John was sick, I was busy in Richemont and Jeremie is and was not at level unfortunately)

Total investment in Scouting Co is approx 1M first year and then 500K/year in new partnerships/expansion. This company will probably at best break even but become the natural monopoly of new talent as every mother agency will want to become our partner (capital to expand, guarantee that the selling agency (women, ford, IMG etc) will pay commissions or our Souting Co will cover, only give up 100-200 basis points of commissions, great brand benefits etc.). We will build the best supply of talent, at the beginning giving it also to the other top networks (that's why they should not know we are the same ownership of the selling co) and later transitioning more and more talent to our selling co that will become the undisputed leader of WW modeling

Related to this vision there are also contacts with an influencer top agency that would like to launch a JV on the modeling side to dominate that space (again the access to the talent when they are at the beginning of their career will allow us unprecedented power)

SHARING BETWEEN US

I am flexible and am open to any fair agreement. This venture will transform the modeling industry, will marginally improve your finances and will more significantly improve mine (given the starting point a few orders of magnitude away from yours)

As you know I was a seven digit expense for my employers in the last 10 years and I still am in excellent relations with all of them (not many). This shows the value I added there. Now with the PE funds I get paid very well (total transparency, can share contracts if you want). However I could not be paid a penny on the newco if this comes from the pockets of a friend, that means that I can realistically start having a salary only after the company will have positive cashflow

Dean (women) had 51% and had a salary since day one, but I totally agree with you that there should be provisions where if the company has not reached profitability after year 5-7 or I am incapacitated to lead it, than it should be in your exclusive control and I would retain only a small % to partially compensate for the sweat equity.

I hope this helps. Take your time to decide, we are not in a rush.

I know that with my talent and your business acumen/capital we will have success beyond our imagination, at the same time there will be a lot of hard work and potholes along the way.

These are the best elements on which we can base a decision upon. Adding 6 months of work and creating numbers at a level of precision that nobody can have before starting a newco will not help you or me.

You are a straight shooter so if it's no just let me know, I will appreciate it. If it's yes let's start going, solving problems and making things happen

Regardless of your decision I will always cherish our friendship and am looking forward to seeing you!!!

A presto

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