

European Athletics
European Running Business Conference Tracy
Sundlun's Presentation

Welcome

It is an honor and a pleasure to be here with both so many men and women that like and do the same stuff that I do, but also to be a part of such an incredible group of presenters! What a group to learn from. You / we are all so lucky!

My guess is that the main reason that I am here is the fact that I have been around virtually forever! At one point, I was the youngest at everything I did. Now I am usually the oldest! That said, I have been blessed! I have never worked a day in my life. My avocation became my occupation. And I hope and trust that that is the same for many of you! And I say that, even given that after 19 years, I was let go ... that is the gentle way to say that I was fired ... from the company that I co-founded ... and just 36 hours before I went to Rio last year as the Head Manager of the US Men's Olympic Track and Field Team. But it truly was a great run with a lot of wonderful people that I will treasure forever.

Now since this is a conference about the "Running Business" and Bob (Verbeeck) has spoken to you of his vision and perspective as a buyer of events and companies, I am here to talk to you as an event creator and organizer, and eventually a seller, and about the Rock 'n' Roll Marathon Series (RnR) journey from Elite Racing to Competitor Group and now Ironman. First, though, let us all understand that the Running World we are working in today is a rapidly developing and changing one – one that really wasn't even a profession, let alone an industry 30 years ago – and dramatically different from the one I and a number of the people in this

room grew up in. Not worse. Just different. And I am proud that my company was a catalyst for some of those changes. But we must now know how to respond to them! And I believe that our lessons for today and the future are imbedded in our past. So let's go back 20 years to the beginning of RnR ... But before we do, I know that some of you are thinking how does the story of a 235+ person company with 30+ road races in 7 countries with a total of some 600,000 entrants annually, in which a total of 23 world records and bests were set, and which also owned 6 triathlons, and published 4 magazines and more ... have any relationship to you? ... How big are your teams / companies? ... Raise your hand if your company has 5 or fewer full-time employees? ... 10 or fewer? ... 15 or fewer? ... More than 15? ... When we started the first RnR, we were a company of 11 people putting on 10-15 5Ks and 10Ks annually. My story really can be yours, and you should know that in addition to learning from our mistakes like others have said, I have learned the most from other race directors and events. There has never been an event big or small – even very small – that I haven't learned something from. We all copy each other, and apply what others do to our own situations. I personally don't think there are any trade secrets. That is why conferences like this are so good and helpful. What's good for you is good for me and vice-versa. If something goes wrong at one of my races – if we go off course or god-forbid, someone dies -- it affects you – even though you had nothing to do with it. The press and general public associate isolated, individual problems at one road race to the entire industry – to every other road race and every other organizer. That is not the same in any other sport that I know of. As a result, I truly don't believe we compete with anyone or any other event unless they are holding a race of the same distance on the same day in the same city as we are. We are all in this together. So again, I am so glad to be here.

Rock 'n' Roll

- I may be the one standing here, but Tim Murphy, the founder of Elite Racing and my partner at the time deserves most of the credit.
- It all started with the Carlsbad 5000 in California just north of San Diego – Who here has heard of it? -- which in 1986 lead the change from a 10K world to a 5K world, was the first spectator-focused road race and is the site of both current world bests ... 13:00 by Sammy Kipketer and 14:46 by Meseret Defar. Previously and in most races, the fast guys went first, slow guys went last; by the time the slow guys finished the fast guys had gone home, and the slow guys were the fans of the fast guys ... We just turned it upside down, and had a series of age-group peoples races, followed by some of the best athletes in the world running for prize money on a spectator-friendly course in the middle of the post-race party, cheered on by their fans. Since the records were soft, U.S. Olympians Steve Scott and PattiSue Plummer both set world bests that first year and the rest is history.
- A decade later, people kept saying, do the same with the marathon. There hadn't been a new major marathon in 13 years in the U.S., since Los Angeles. But you couldn't run the slow guys first and then run the fast ones during the post-race party. You couldn't start at noon on a holiday like Boston, or at 11am like in NY at the time. You would have to start at the crack of dawn. No one would come out to watch running at that hour, but they might come out to listen to music ... We would run through 26 mini concerts on the course and have a headliner concert at the finishline ... What kind of music? Classical, jazz? No. Rock 'n' Roll? Maybe. ... The working title was the Rock 'n' Roll Marathon ... But what a dumb name for a major, worldclass marathon. They were all named after cities (and most still are), but there already was a San Diego Marathon ... We had 3 different meetings to come up with a better / real name over about 2 months ... And we finally gave up. ... Thank God! ... Our first 30

entries came from 17 states and 2 countries, and were 50/50 men and women at a time when the New York City Marathon had the largest % of women in a co-ed marathon at 23% and most races in the U.S were 10-15% ... and that demographic never changed. We announced the 1st Rock 'n' Roll Marathon at the 100th Boston ... Our tagline and ads were "You missed the first Boston. Don't miss the first Rock 'n' Roll!" ... Everyone thought they were going to see the Rolling Stones at every mile! ... Just one of the many disappointments we provided them. ☺ ... We weren't the first people to have music on their course, but we were the first people to sell it ... And in June 1998, RnR SD became the largest inaugural running event in history with a sold-out entry of 19,979 – marathon only! versus LA's previous best of 7,500 ... In addition to the male / female mix, the rest of our demographics were also different from the rest of the industry ... Our runners were slightly older, had a bit more money, and were a bit more educated than those in other races. Without realizing it or trying to, we had created a Theme Marathon / Event as opposed to a Destination Marathon, and the differences were tangible.

- Before we got started, though, we had to address a couple of business issues, which in retrospect were clearly as important to both us and the growth of our sport as the RnR concept ... We realized in the then new era of hype and media that you couldn't grow a small event into a large event over time like NYCM or Boston or other events from previous generations. If you wanted to be a big dog, you had to start as a big dog ... You could be at the bottom of the big dog category, but you had to be on the category. ... But how do you do that? How do you pay for that? At that time, an Event Director would think he could get 2,000 entries at \$20 = \$40,000 and \$10,000 of sponsorships, and that would be their budget; and then

they would spend as little as possible until the money started to come in. They had to make a profit. Versus Business 101 and any other business ... where you would expect to lose \$X in year one; break even as a stand-alone year in year two, and make \$X in year 3; and then be at ground zero ... We thought we would lose / need to invest \$450,000 in year one of San Diego. How

do we protect Elite Racing from the possible (even probable to most) failure? Remember, there was a reason there hadn't been any new marathons in the US in 13 years ... So we set up the race as a separate corporation and sold 1/3 of the event for \$450,000 in mostly \$10,000-\$25,000 chunks to friends and fans. From avid recreational runners to track coaches to Olympic medalists to a renowned movie producer who loved the Carlsbad 5000. Most people thought we were nuts, though. ... We had to secure 144 permits that first year! ... We had to guarantee every hotel room block! ... But surprise, surprise ... it did work, and along the way we became the first major U.S. event to also promote running while fund-raising for a charity ... In the end, the City made \$35.8 million with our event, and it immediately becoming the largest annual economic impact-generating sporting event in Southern California. The Leukemia & Lymphoma Society and their fundraising program, Team In Training raised a record (at that time) \$15.8 million (net) and completely changed the face and abilities of that charity ... and we lost \$1,000,000! It nearly broke us. But we did better in Year #2. And we were just about even after Year #3.

- We screwed up many things (different talk), but in the process we connected with some folks from Nashville, TN who couldn't believe we were putting on a musically based event in San Diego, which had no music culture, and invited us there. Nashville's Country Music Marathon in April 2000 was our 2nd event and the 4th largest

inaugural running event in history at the time with 7,512 entrants ... Following the same business model, we again created a separate corporation and we sold 1/3 of CMM to investors but for \$750,000 this time. But we lost \$1,000,000 again! ... But the positive takeaways this time included realizing that people didn't train the way they used to. Simply put, the majority weren't as hard-core, didn't train every day and took weather-breaks ... And we also realized that there could be a business in putting on these major musical marathons in different cities, and as a result we registered all sorts of different musical names. (Salsa Marathon, Jazz, Motown, Soul ...) Then Virginia Beach, a resort city on the coast in VA called us about putting on a "major marathon" at the end of the summer. But with the heat and the proximity to many of the fall marathons, with which we did not want to compete; and our knowledge that folks should run a half marathon as part of their training for their fall full marathon; and our belief that the sport had changed enough that if you sold and presented a half marathon like a major marathon, that they would come ...; we convinced the city to pay for a half marathon instead of a marathon. Our advertising slogan was "½ the distance, twice the fun", but most (running) people again thought we were crazy ... especially when we announced that we were limiting entries to 12,000 when the largest inaugural ½ marathon in America had been 2,900 and the largest half marathon in the country at that time was the world-renowned Philadelphia Distance Run with just over 6,000 ... Runner's World Magazine even bet us a two-page center spread worth \$40,000 that we would fail ... Well, we didn't , and with a sell-out at 14,990 two months before the race, the destination half marathon was born in September 2001 ... and we got a free 2 page center spread from Runner's World! We also decided to stick with Rock 'n' Roll as our musical theme and name, and the beginning of a Brand was born, though, it took a

number of years before we really began to understand both its power and its nuances ... Next came Arizona (upping the largest inaugural running event to 29,454, but for the first time combining a full and half marathon) ... Then we made our first purchase of an event when we bought the Philadelphia Distance Run, which we initially didn't rebrand and grew incrementally for 5 years. But once we rebranded it to the Rock 'n' Roll Philadelphia Half Marathon, it immediately grew 30%, reinforcing to us the power of the brand ... And then came San Jose, CA and San Antonio, TX. Basically one new event per year, focusing on 2nd and 3rd tier cities where we could be their New York City Marathon.

- We were the first U.S. company to put on more than one marathon in a year, and the first to put on events outside of where we lived.
- Elite Racing was also one of the first U.S. running companies to be set up as a for-profit company.
- We then were the first company in our business to be bought by private equity ... twice
 - We actually almost sold to AEG, one of America's major sports companies. We were very excited until they laid out their plan for us to grow to 29 RnR's in 4 years ... something which we knew was clearly impossible!
 - So we sold to someone who said they believed in our growth plan, but who then showed us how much faster we could grow, and while I was there, we grew to more than 29 RnR's in the US and 6 other countries. Yes, we made a bunch of errors, but I don't think any of us regret pushing the envelope for even a minute.
 - It is easy to be critical of private equity ... You have to be comfortable with the fact that you are just their latest widget, and you have to recognize that their financial interests may not be aligned with yours. ... Generally they are looking for a quick

return, with a required amount of growth and a sale within 5 years versus long term ownership; and right now with the state of our industry, I don't think it is the right ownership model because both the sport, and more importantly, our bottomlines are NOT growing at a rate that matches the private equity industry's needs. But ... when it works, and they listen and you listen, and they add their expertise and perspective to yours, and it is a truly great partnership ... as it was with our first buyer, Falconhead Capital, who bought us and several magazines, and merged us into the Competitor Group ... the results can be special, as they were with us. ○ But since many of you in this room – even though you love our sport -- got involved because you saw it as a good business opportunity, and your exit strategy may be to sell your company or event, let me also tell you a cautionary tale about selling. For even those who love every aspect of our sport and would hope and expect to continue in the company with your new owner-partners, the average life expectancy in the new company of someone who sells all or a majority of their company, is just a month or two past when their key-man employment agreement ends! Really? Yes! Most founders / owners / creators are used to making decisions on their own or with the counsel of just a few close friends or colleagues. And even though they know intellectually that someone else now owns their baby and is the controlling interest, having to sell that someone on doing what THEY KNOW is in the best interest of THEIR company or event, quickly becomes intolerable. I, on the other hand lasted to my third owner and 8.5 years – at least a national record, if not a world record -- because my background was as a coach, and I spent my life convincing others to do what I wanted them to do, so having owners and

bosses I now had to convince, really wasn't anything new and didn't bother me.

- Passion for our sport and what we do is the ultimate building block for success in our business.
- Elite Racing / Competitor Group / RnR were successful because we were fanatically focused on each runner's personal experience. Every entry and bib number had a face and a name. We believed we had a personal relationship with and responsibility to every one of our runners. As we grew – and as you grow, that is harder and harder to maintain, but it is something we all have to do if we want to continue to be successful.
- In the beginning we hired passionate generalists who were for the most part already involved in the sport, and everyone did everything. Today, we hire the best, most experienced financial people, hotel people, community and government relations people, operations people, event managers, etc. regardless of their interest or experience in our sport. And we hope they will grow – or we can teach them -- to love our sport, and each of our participants as we did in the beginning.
- There are rules for creating events, just like there are for running a marathon ... (who here has run one?) ... that just can't be broken. You can get lucky and occasionally get away with breaking the rules at a shorter distance, but not the marathon.
 - Whenever we failed, and we did (7 times / we discontinued 7 events), we broke one of our rules.
 - Lead time for a half marathon or marathon – is 12-14 months to market. A bit less for a 5k or 10k.

- Focus. Somebody must wake up every day, thinking about the event. You CANNOT spread your people too thin! This is a relationship business. We are not manufacturing bottle caps!
- A city must be dying to have us – all aspects of the community from City Hall to the business sector to the running community. The community must be sufficiently invested financially, and both your and the city’s goals must be reasonable and completely aligned.
- Patience. You must be willing to invest. If you make money in year one, you are just lucky. You cannot budget for it if you want long term success.
- You must market, market, market 24 hours per day, 7 days a week, 365 days a year ... We have always believed that someone must see something 4 times before he / she will react. Today it is still 4 times, but it is a different set of items. Expo, TV commercials, print ads, email, may have been replaced by email, FB, Twitter, Instagram, etc. But word of mouth is still #1.
- You must always be trying to innovate and improve your event. The changes / improvements don’t have to be big, but if you are not tinkering with something every year, you are going backwards, and soon others will pass you by and you will be irrelevant.
- In the beginning, at Elite Racing, the only question ever asked was how can we make something better ... improve it ... for our participants, our sponsor partners, our charity partners, our city partners? Yes, we were one of the first “for-profit” companies organizing road races, but we certainly weren’t rolling in money. Heck, for a good while we ran the company on my credit cards. But even when times were tough, and boy, sometimes they were ... we weren’t sitting around thinking about what we should cut. We

weren't spending stupidly, but the participant experience could never be compromised!

- The mantra was: Create Special events with a Team of people who are Passionate about the space that they are in ... and the money will follow. ... And it did ... and still will.
- The RnR Series and brand was hurt in the last couple of years when Calera Capital bought us and overleveraged the sale – breaking their own internal rules, and then tried to meet unrealistic budgets by cutting, and essentially cutting aspects of our events, which differentiated us from all those that were trying to copy us.
- And the learnings are: Manage to the bottom line with a Group of people who may be talented, but who aren't necessarily passionate about the space that they are in; and you are just timing your demise to mediocrity ...
- Note that “Special” does not mean you have to spend super large amounts of money on Elite Athletes or bands or massive start and finish structures or anything at all. “Special” can be just about anything that is different and presented with love and passion. Example: In the U.S. – and soon elsewhere – we have the Hot Chocolate 15k and 5k Series. There is nothing unique about the event organizationally, course-wise, athlete-wise, entertainmentwise, presentation-wise, look-wise ... except they give great / special goodie-bags and even better hot chocolate at the finish, made with a special, expensive chocolate; and while virtually every other non-Marathon Major race in America has lost entrants, theirs have not!
 - Never lose your passion to create something special. The day I wake up and I am not completely wired, is the day it is time to retire.

Ironman

And in June of this year, Ironman / Wanda bought CGI and the Rock 'n Roll Marathon Series. After 9.5 years of being owned by a Financial Buyer / private equity, we ... (I still and will probably always say "we") ... we were finally bought / owned by a Strategic Buyer, someone whose business was complimentary to ours and with whom there were tangible synergies. Even before I was let go – over a year ago -- we had begun to seek out potential strategic buyers. Conversations were even had with some organizations in this room. On paper, a collaboration between Ironman and Wanda and Rock 'n' Roll, could be game-changing both for RnR, the sport, and the industry, and I was very excited. ... Now, let me make it very clear that I am no longer involved in any way with RnR, CGI, or Ironman, and haven't been since July 21, 2016, and unlike everything else I have told you thus far, anything I say about what is going on now with the company, is second-hand knowledge based only upon what I hear from those that are still there and involved. But everything I have heard thus far has been disappointing. From who they have kept, and who they have let go, and how they have done it; to how they are restructuring the business; to how they have communicated ... or not communicated ... to the everyone involved; to their investment plans; and more. Now I hope to God I am wrong, and I want them to be wildly successful. I gave 20 years of my life to Rock 'n' Roll. To many, RnR is who I am. If asked, I would help them. Of course, they may know a whole lot more than I do; or see RnR and the opportunities it presents for Ironman and Wanda very differently than what I do; and they may want to take the brand in an entirely different direction than I would. And while that would be very disappointing to me personally and literally hundreds of people that have worked for us on RnR over the years; it is very much their right as the owners of RnR do with it what they want. But right now, based upon my vision of the opportunities, and my understanding of our sport and what they are doing; I see this purchase / merger as a

text-book case as to how not to do it! ... And it all comes down to the basics of creating events and companies that everyone in this room lives by or tries to live by even if they don't know it. Big or small. New or old. Experienced or not. Connected or not. The basic rules are the same and ALWAYS apply.

- 1) Listen to and love your participants and your community.
- 2) Listen to, love, and empower your Team.
- 3) Be passionate about what you do.
- 4) Look to include, as opposed to exclude.
- And again ...
- Manage to the bottom line without passion ... and you are timing your demise to mediocrity.
- But create Special events with a Team of people passionate about the space that they are in ... and the money will follow.

Thank you!