

THE WORLD'S WORKING RICH

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# The Cartoon tycoon

BY TOMAS KELLNER





**T**homas Haffa knows how to charm an audience. In April, when German BHF Bank invited institutional investors to Cannes for its annual media trade fair, many preferred strolling under the cerulean sky to sitting in a dim convention hall. Not Haffa. The founder and chief executive of EM.TV & Merchandising, an upstart German media, animated cartoon and retail company, chose to work the room.

Noting that "everybody was in love with EM.TV," and that investors were kicking themselves for not buying the stock when it was cheap, BHF analyst Leigh Anne Kittel says of Haffa: "He's always smiling, always neatly dressed and always makes you feel good. In Germany, this is pretty new."

Haffa's mentor in the media business is German tycoon Leo Kirch. But he'd rather be portrayed as an American-style executive like Disney Chairman Michael Eisner.

In reality, Haffa, 47, combines traits of the two men. He secured control over EM.TV by holding on to 52% of the company stock, much as Kirch has done with his Premiere TV and other assets. In taking a leaf from Disney's branding book, he is selling his copyrighted characters in every possible form—toys, books, games, video. But unlike most European billionaires, Haffa doesn't mind flaunting his wealth: He uses his 85-foot yacht as his office at trade fairs in Cannes and Monte Carlo. And since he took EM.TV public in October 1997, he has opened his books to analysts, a new practice for continental Europe.

So far, Haffa's moves have worked. EM.TV was one of the first stocks to list on the Neuer Markt, Frankfurt's answer to Nasdaq. After a few flat months the share price rocketed from \$22 to a recent \$1,164. The company now boasts a \$4 billion market capitalization on 1998 revenues of \$44 million.

Haffa, now worth \$2.2 billion, owes much of his present success to his ability to cut deals and sell his vision—even to big guys like Kirch and Disney. Last December, for exam-

**Germany's Thomas Haffa moves full speed ahead into the U.S. market.**

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ple, he partnered with Kirch to start Junior.TV, Germany's digital TV version of Time Warner's Cartoon Network. Haffa knew that Kirch, who is providing both the pay-TV channel and the bulk of programming for Junior.TV, was scrambling for cash to pay for some new cable holdings. So before he signed on, Haffa stipulated that Kirch won't see a penny from the deal until EM.TV recoups its entire \$275 million investment. That could happen by December 2000, says Annelie Hoppe, analyst with WestLB Panmure in Düsseldorf.

Haffa's deal with Disney is another example of cool calculation. Earlier this year he learned that Disney was plan-

dropped out of high school, worked at a BMW factory for a few years and then, at 21, signed on with IBM to get a hands-on sense of how Americans do business. He started selling typewriters and computers door-to-door. Looking back, he credits his seven-year stint with IBM for much of his business savvy. "It was the best sales school," he explains. "My rule was simple: Don't talk, listen. Let people tell you what they want."

In 1979 he went to work for Leo Kirch, developing his home video department. By 1989 he was one of Kirch's lieutenants in charge of home videos, music publishing and merchandising.

But Haffa wanted to be his own boss. When he left to form EM.TV in 1989, he had little more than a car phone, a pregnant wife and the seeds of a simple and effective business strategy: To start, he acquired an assortment of cartoon rights, first as an agent and later with cash, from producers like Warner Bros.

Now he also produces his own cartoons, then offers his portfolio to a global array of TV stations like Germany's ZDF and Australia's Seven Network. TV and production revenues make up 70% of EM.TV's sales, estimated at \$135 million this year. The rest comes from retail tie-ins.

The best thing about cartoons—as the continued popularity of Bugs Bunny and Popeye attest—is that they don't grow stale. "You can resell it and resell it," says analyst Hoppe. "Fantasy doesn't go out of fashion."

One example of this strategy is the little green dragon Tabaluga, a German Barney. The character popped up in Germany in 1983 in a booklet with a rock album, and later became a popular musical figure. Haffa seized on Tabaluga's popularity and produced a cartoon series based on the character. After its debut in October 1997, he followed with a barrage of books, toys, candy, stationery, a magazine and even a mail-order clothing line. Today, the dragon holds a 31% market share among 5-to-7-year-olds on Germany's ZDF station, and an 80% share among 4-to-10-year-olds on the French national channel TFI.

With Junior.TV up and running, Haffa's taking the next step. "In Germany, we have 700 different animated shows on television every week," he says. "TV does not have enough power to make you visible anymore."

Thus, much like Disney, he has plans for a retail chain, videos, music, books, toys, games—all under the Junior label. He is going to offer a 25-for-1 stock split so kids who watch his shows can buy EM.TV shares branded as Junior shares. To maintain his fat 21% profit margin and minimize risk, Haffa will franchise the license for the retail chain.

Europe is just the starting ground. Haffa plans to establish the Junior brand in the U.S. Does he have the muscle? When he joined with Kirch to create Junior.TV, his cartoon library mushroomed to 24,500 half-hour episodes, including hits like *The Simpsons* and *Tom & Jerry*. Time Warner, in comparison, has 8,500 episodes and Disney, 6,000. One possibility: EM.TV could use its bargaining power to swap German and European distribution rights for television time in the U.S. market with U.S. broadcasters.

It may just happen. But please—no theme parks. ■



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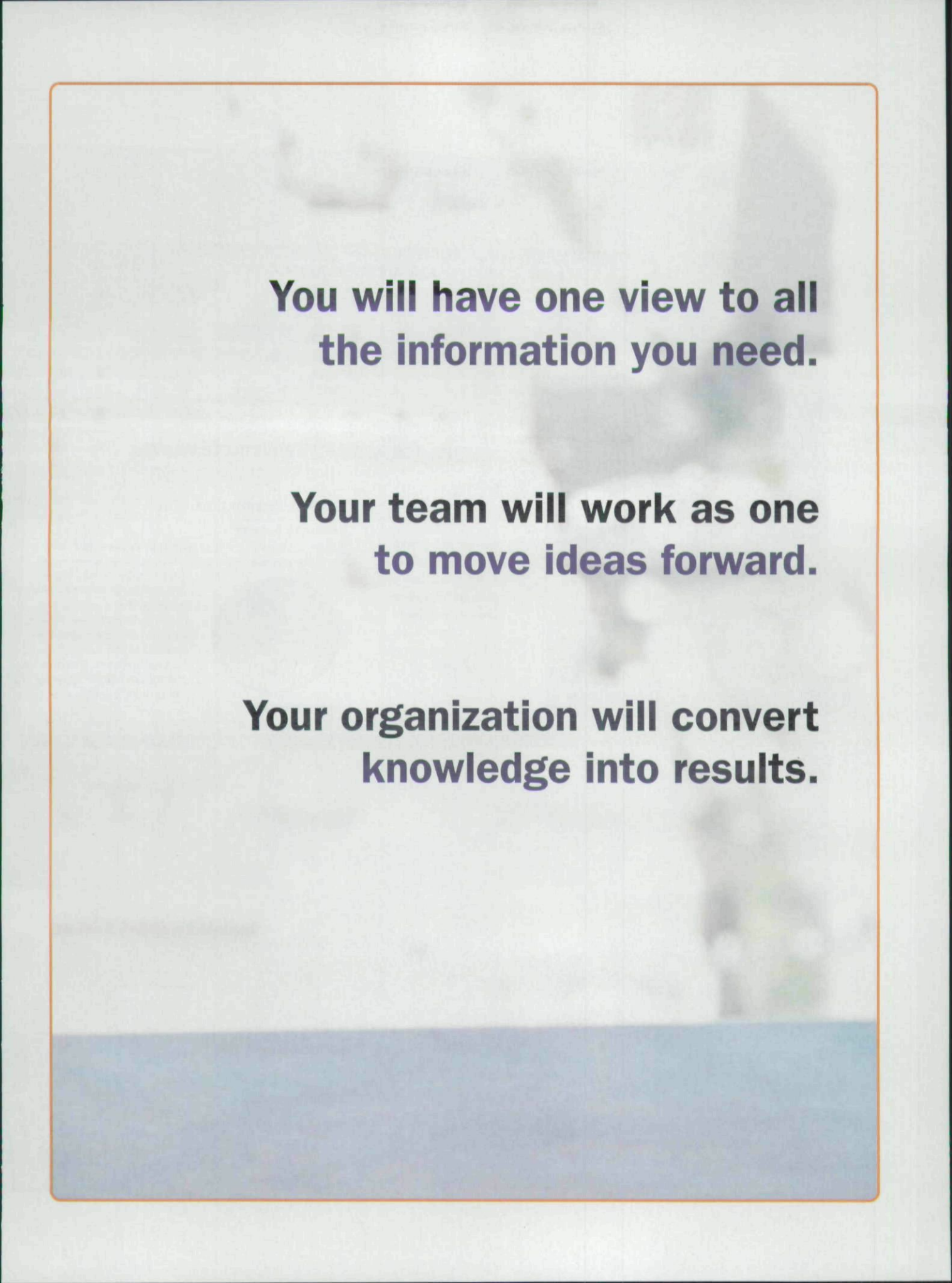
**Haffa went off on his own with little more than a car phone, a pregnant wife and the seeds of a business plan.**

ning to enter the German pay-TV market with a cartoon channel that could steal some of Junior.TV's subscriber fees. But he didn't mind when Disney bought space on Kirch's digital DFL system, the same system on which Junior broadcasts. Instead, he sold the Burbank, Calif. giant 1,000 hours of programming for three years. The price was not disclosed, but based on industry figures per episode, Disney might have gotten the package for a measly \$9 million.

To Haffa, it makes perfect sense. "Disney will attract new subscribers, which will help both of us," he says, explaining that in Germany cable ad rates are based on subscription figures. Haffa's hoping that showing cartoons from his library will in turn boost his retail business.

Thomas Haffa has always wanted to be rich, but he didn't want to spend years rising through the ranks. So he

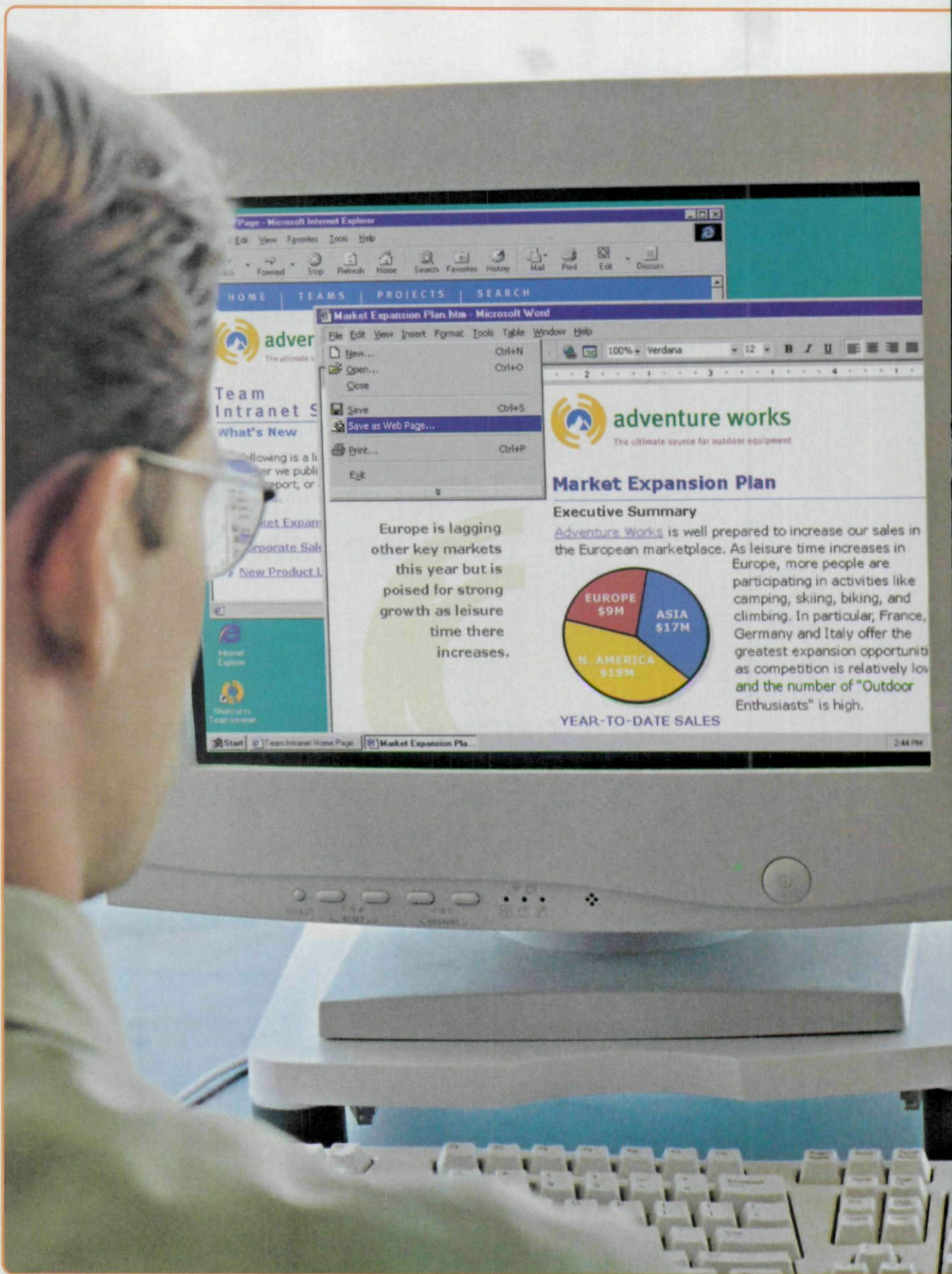


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**Your team will work as one  
to move ideas forward.**

**Your organization will convert  
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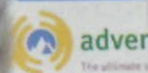


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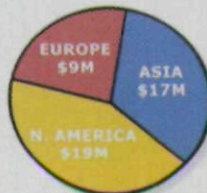
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## Market Expansion Plan

### Executive Summary

Adventure Works is well prepared to increase our sales in the European marketplace. As leisure time increases in

Europe, more people are participating in activities like camping, skiing, biking, and climbing. In particular, France, Germany and Italy offer the greatest expansion opportunity as competition is relatively low and the number of "Outdoor Enthusiasts" is high.



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