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Collective decision



Animation Collective's founder Larry Schwarz believes the merging of his company with the kids arm of HandMade Group and partnering with Nat Geo Kids will create an outfit with both independent thinking and global sales nous, he tells Jesse Whittock.



New York-based Animation Collective was bought in October by the UK's HandMade Group, which then partnered with Nat Geo Kids to form a new kids production firm, HandMade Kids. Larry Schwarz (left), Animation Collective's CEO and now the JV's creative director, is keen to maintain his firm's independence and reputation as a cost-efficient producer, but also hopes that HandMade's business acumen – despite recent troubles – will prove invaluable.

"As a small independent we were self-financing and putting all our money into production. (Before the takeover) we really didn't have the resources to put into monetisation. We didn't have an in-house sales team, we didn't have an in-house consumer products team and we didn't have the marketing resources or capabilities," says Schwarz.



All of these will now be provided by HandMade, allowing Animation Collective to benefit from distribution, acquisition and merchandise opportunities. Schwarz is sure HandMade Kids will be a key player in the children's sector. The company's mission is "to be one of the world's leading creators, producers and distributors of new and classic children's entertainment," he says.



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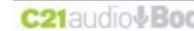
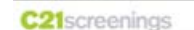
The new division came about as a result of a relationship between HandMade Films and Animation Collective dating back more than two years. The two companies became acquainted when HandMade acquired the rights to Animation Collective's Eloise franchise, and a year later they began working together on a DVD and TV movie, Eloise in Africa (below), which Schwarz and HandMade chairman Patrick Meehan jointly executive produced. Both sides saw a future together.



"Patrick recognised the real potential for huge breakout hits. He believed that, along with his established plans, we could create those hits together. We got along great with HandMade, we talked to them about their plans and that's kind of how the deal began," recalls Schwarz.

In October 2009, HandMade acquired Animation Collective for £12m (US\$19.8m) and partnered with National Geographic Kids Entertainment (NGKE) to launch HandMade Kids. The deal was thought to have cost £17m overall in cash, assumed debt and the issue of new shares, with an initial £3.4m cash injection to help kick-start the new company.

Some kind of merger had seemed likely for a while. HandMade had the marketing and distribution know-how to run a TV production outfit and wanted in on the children's TV market. Meehan told C21 he was looking into acquisitions as far back as May 2006. Animation had the reputation for quality production but knew that to grow it would have to partner



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with a larger company with deeper pockets.

Schwarz will run the day-to-day production activities at HandMade Kids' New York HQ. His remit is to develop new series, work with new animators and writers, and oversee all original production – very much the same job he has done since founding Animation Collective in 2003.

But rather than simply using Animation's production expertise, the idea will be to generate revenue by pooling resources. The plan will include expanding tried-and-tested franchises, distributing Animation and NGKE's programming, and acquiring new productions.

Under the company's first acquisition deal, it will adapt the Tea With Ruby and Little Red children's novels by Sarah Ferguson, the Duchess of York, into television series. The Duchess will also present a documentary series on female explorers, which is in the early stages of pre-production.

It is also safe to assume that having the Duchess on board will attract some welcome attention, and Schwarz expects her participation in the venture to continue. He says: "She's super creative and has this kid-like, youthful energy. She's going to be a really strong creative force within the company, with her properties and some other stuff she and I are going to be developing in the future together. She's a lot of fun to work with."

HandMade Group's financial resources – despite posting losses of just under £1m (US\$1.6m) in 2008 and having its shares suspended last month – means HandMade Kids can expand by signing up executives with proven track records in traditional TV. "We're building a new sales team and we'll also be hiring world-class personnel for consumer products and marketing. It's not just the people resources we have, but the resources we have to get them," Schwarz says. As to whether HandMade's recent woes will have any affect on the new kids division, The Times newspaper last month quoted a HandMade source saying they "would not jeopardise any existing deals" for the company.



But it is HandMade's back-catalogue that gives it a sturdy launch pad, along with both Animation Collective and NGKE's original production slates. Both are respected in the children's space. The former produces animated franchises Kappa Mikey and Speed Racer; live-action shows HDTD and Thumb

Wrestling Federation; and boys-skewing tween show Jolly Rabbit. NGKE holds the rights to hit series Mama Mirabelle's Home Movies, Toot & Puddle (left), Are We There Yet? World Adventure and Iggy Arbuckle.

Of NGKE's slate, Schwarz says: "They've had tremendous success with Mama Mirabelle and Toot & Puddle. Also, we're working with Nat Geo's development slate and will launch more shows out of that. We'll use Nat Geo's research, development and education resources. It's exciting to do that."

More acquisitions, new animated and live-action series, and more projects with the Duchess of York are planned for 2010. But when it comes to the details, Schwarz says it is still early days. "We haven't even thought about those things. We spent a lot of time putting this deal together and now we're going to really focus, for a few months, on the stuff that we have created," he says.

Animation Collective's production studio in New York, which fields a workforce varying from 70 to 165, gives HandMade even more options. Schwartz believes consistent output will see the company carve out a niche for itself. The idea is for his team of writers, animators and producers to continue developing new series while remaining independently minded. Financial and marketing issues will be left entirely to the sales arm, with former MTV Networks International executive Debbie Back joining as president of sales and another MTV alum, Jennifer Liang, assisting her as VP. TV Loonland's former CEO Simon Flamank has also joined the team as joint chief operating officer and chief financial officer.

Schwarz says this will ensure programming and not just profit is healthy. "There is every reason to just try to monetise, but we're not doing just that. We're putting some money towards the creative side, which is a huge plus for us," he says, adding that it is too early to reveal exactly what funds are going where.

But if HandMade Kids is to succeed, Schwarz will need to make an instant impression on a sector long dominated by US giants Nickelodeon, Disney and Cartoon Network, in both distribution and production. Schwarz says he hopes to use Animation Collective's existing relationships with US and international channels – many of which are affiliated to those broadcasters. For example, Kappa Mikey was Nickelodeon's first global acquisition and currently airs on NickToons and other Nick channels worldwide.

Schwarz says: "We've been very successful with US broadcasters. They trust us and rely on us, and hopefully we'll be able to continue with them. We've had very good relationships creatively and have also been able to produce on budget and on a timetable for them."

He also hopes the other partners in the new company will help build up the trust he believes HandMade Kids projects. "Nat Geo has such a strong name worldwide that we'll be able to , and the same is true with the Duchess of York. It's a very special offering. There's always room for the big players but there's also always been room for independents. That's what we offer."

It has been a tough period for all sides of the children's sector. Acquisitions and production budgets have been down across the board, but Schwarz believes this has left a gap in the market – one HandMade will exploit as Animation Collective has already done. He explains: "It's been hard for most independents and for bigger studios because acquisition budgets have been trimmed. But we have the advantage of having a reputation for creating quality, while we can also keep costs lower than bigger companies."

Schwarz claims that Animation Collective's independent thinking will help turn HandMade Kids into a global player. "Coming from a background where we had to finance and produce everything ourselves, it's taught us a way to really focus on putting whatever resources we have on to the screen, and that will continue," he says. "Even though we have more financial resources now, we're not going to suddenly act crazy. We'll continue to function as an independent."

Jesse Whittock
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