

COMPANIES UK:

Mr Fix-it hopes change of guard will make Hit a stateside success

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Hit Entertainment, the children's television and merchandising group behind Bob the Builder and Thomas the Tank Engine, is bracing itself for a significant restructuring.

The overhaul is expected early next year when one of nine candidates interviewed by Peter Orton - the company's chairman and founder - becomes Hit's new chief executive.

Mr Orton, in his first interview since ousting Rob Lawes as chief executive five weeks ago, says the new boss must rebuild profit, which have been undermined this year by a weak dollar, disrupted retail sales and the absence of Bob the Builder on US TV screens.

"I suspect a new CEO will go through a very significant restructuring to achieve the strategy we've laid out," says the chairman. "They will look, make a decision and come to the board with a plan."

In all, 37 potential candidates have been approached about the job. Mr Orton, who still owns 6.2 per cent of the company he founded in 1989, has a clear target for them.

"Five years from now, I would like to have a market cap over £1bn," he says.

That may be a tall order given Hit's latest full-year results, with pre-tax profit down from £25.4m to £14.6m in the 12 months to July 31.

The decline, coupled with Mr Lawes' removal and a downbeat trading outlook, sent the stock down almost 11 per cent. The share price has recovered somewhat since then but the company's valuation needs to more than double - surpassing its £800m peak five years ago - to reach the chairman's goal.

Mr Orton, returning to a full-time position after battling and overcoming cancer, insists it can be done. Moreover, he claims Hit could emerge as one of Britain's leading TV exporters.

But he insists he will not "pull the strings" of the new chief executive.

Instead, he reveals: "When we find the right chief executive I will start off as chairman but we will then institute a search for a major City figure to replace me."

Despite his "fix-it" reputation, Mr Orton refuses to name the candidates lining up to become chairman or chief executive.

Charles Burdick, former managing director of Telewest, the cable group, is a potential contender after joining the Hit board as a non-executive director last month.

Charlie Caminada, Hit's chief operating officer and former group sales manager for London Weekend Television, is also highly regarded.

Explaining the changing of the guard, Mr Orton says: "Rob Lawes was a very talented young guy who worked for the company for 14 years. But he was very interested in finance and the City, when what we needed was an entrepreneurial spirit and a CEO able to motivate creative people and bring forward new brands, new products and explore new technology."

The company, which relies on the US for almost 60 per cent of its sales, expects this market to lead a reversal of fortunes. That effort will be powered by a new digital children's TV channel in the US, jointly launched and owned by Hit, Comcast - the country's largest cable operator - along with the Sesame Workshop Company and America's Public Broadcasting Service.

Bob the Builder, Hit's most valuable character, will be relaunched on the new service reaching 105m US households following the expiry of a broadcast deal with Viacom, the media group behind CBS, MTV and

Nickelodeon. In addition to spurring home entertainment sales, the company has high hopes for new consumer products developed with RC2, the American toy manufacturer that is replacing Hasbro as Hit's merchandise partner.

Mr Orton calculates American families spend an average of \$550m (£288) on merchandise linked to shows such as Thomas the Tank Engine.

And he wants to exploit demand among the country's 16m "pre-schoolers" for Bob, Barney and other characters.

A brand relaunch is also being planned, which is likely to be followed by a drive into new territories such as China; other projects could also see Hit characters on interactive TV, mobile phones and even their own radio channels.

In addition, there is a lucrative business to be exploited in Guinness World Records, the famous book publisher that Hit inherited as part of a £134m acquisition of Gullane Entertainment several years ago.

Given that upside potential and the current share price, it should be no surprise that Hit is considered a bid candidate.

Viacom or Comcast, Hit's new cable partner, could be other suitors.

The company would also fit with Walt Disney, which recently acquired the Muppet rights from the Henson family, whose Henson International Television (Hit) offshoot was built-up and subsequently acquired by Mr Orton 15 years ago.

"If the share price comes off, the analysts always start talking deals," he says. "We see ourselves as a strong independent company. There's a saying in this industry - never let someone else put his hand on the dollar - and I don't expect that to happen here."