

Straffi's Rainbow: Europe's Largest Animation House Has Growing Pains

Outside the town of Loreto, smack in the middle of Italy, and far from any known city, in a large, modern building surrounded by fields of sunflowers, stands Magic Town, the headquarters of Rainbow, Europe's largest animation company. It is also the most talked-about company — both in Italy and in the U.S. — in terms of finances, creativity, co-productions and co-ventures.

According to the May 2014 edition of *License!* magazine, Rainbow now ranks 12th among the world's top 150 licensors, above DreamWorks (16th) and just below Hasbro (11th). With merchandising revenues (on a retail level) of U.S.\$4.1 billion in 2013, Rainbow has built around key property *Winx Club*, several enterprises that include amusement parks and movie and TV productions.

Recently, *Il Messaggero*, one of Italy's largest daily newspapers, devoted a full page to Rainbow describing "*Winx's* long march" to success on the eve of its third theatrical feature release, *The Mystery of the Abyss*.

But, talking about that particular article, Iginio Straffi, the company's 49-year-old founder, chairman and CEO, decried several factual errors.

Straffi said that, starting with the annual revenues, the figure of 50 million euro (U.S.\$67 million) cited by the Italian paper reflects only the Rainbow Animation division and not the whole group. He pointed out that the actual number for animation is 52 million euro. Straffi added that up to 10 million euro are generated by the editorial and DVD division, which in Italy alone sells 55,000 copies per month of its *Winx Magazine*, which has 25 million readers worldwide, and sells 22 million DVDs. In addition, 43 million euro are generated by the theme park and some 50 million euro come from licensing.

Regarding the licensing division, Straffi explained that out of the merchandising retail value of three billion euro, Rainbow's take averages 10 percent, with lows in the order of five percent and highs in the 12 percent range from some 356 licensees in the 150 countries that broadcast *Winx Club*, for a total of 6,000 products, ranging from bracelets to bicycles.

Rainbow's amusement park division also features live shows — *Winx Power Music Show* and *Winx on Ice* — that hold 50 tours per year for a cumulative audience of 350,000 fans, generating 15 million euro annually.

Currently, the 600,000 sq. meter Rainbow MagicLand Park with 36 attractions is located in Valmontone, outside Rome, and run by Italian theme park company Alpark. Two more are in the planning stages in Malaysia and China.

In 2011, 16 years after Straffi founded Rainbow, Viacom gained 30 percent ownership of the animation division by acquiring the shares of his partners for 62 million euro (\$83 million), thus valuing the company at \$277 million. And here's



Rainbow's Iginio Straffi, right, receiving a VideoAge visitor at his headquarters.

where the deal takes an Italian twist. According to the May 24, 2014 edition of the Italian financial paper *ItaliaOggi*, the 2013 value of Rainbow's animation business on Viacom's books has been reduced to 40.35 million euro and even so, this amount was reported to be overvalued by 28.5 million euro, which brings the real value of Viacom's equity share down to 11.85 million euro. But the paper pointed out that Viacom expects the value to grow in the future. Still, it brings the current valuation of Rainbow animation down to \$54 million from the original \$277 million of 2011. The same paper reported that in 2013 Rainbow's net profit was 3.2 million euro with an EBITDA of 22.1 million and revenues of 50.5 million.

Considering all the revenues that Straffi enumerated above for *VideoAge*, the Group generates annually over 155 million euro, which makes Rainbow Group one of Europe's largest media companies, and overall the largest in animation.

Viacom's interest in Rainbow Animation also brings to light how complicated business in Italy is. Indeed, Viacom set up Viacom International Media Networks Italia, which in turn founded Milano Design, the company that actually acquired stakes in Rainbow.

Straffi's life story is also material for a TV show. His passion for comic book drawing bloomed at age 13 and after finishing school he went to Milan to work for Sergio Bonelli Editore, a famous Italian cartoonist. At age 27, Straffi accepted a job in Paris but three years later he moved back to his native Marche Region to found Rainbow together with Giuseppe Casali and Lamberto Pigni, a local artist who was also an entrepreneur. Casali and Pigni later sold their shares to Viacom. Initially, Rainbow provided creative services for other companies and just a year later, in 1995, it produced its first animation, *Tommy and Oscar*. Other cartoon series followed, including *Prezzy*, *Monster Allergy*, *Huntik*, *PopPixie* and even a cartoon documentary, *The Dark Side of the Sun*.

Another series, *Mia and Me*, is a 22-minute, 52-episode co-production with Lucky Punch/M4. It's a hybrid CGI animation intersected with eight minutes of live action, which is now shown in 80 territories around the world (a second season is planned for early 2015). A unique element of these series is that they were produced without any government subsidies.

Creative, pre- and post-production work for the TV series is generated at Rainbow's headquarters, which boast 130 employees, of which 30 are artists. However animation work is farmed out to companies in South Korea, China and India. Feature films are fully produced in Rainbow's CGI facilities in Rome (with 90 employees), which, when not being used for internal projects, are rented out. Rainbow's marketing and sales divisions are in Milan, and the group is considering opening up an office in Canada.

Straffi's most popular creation, which catapulted Rainbow to Europe's number one spot, is *Winx*, a co-production with RAI, Italy's state broadcaster, which made Straffi rich and produced multiple dividends for RAI. Season six of the 10-year-old *Winx Club* series brought the total number of episodes to 156, while season seven is in development. In the feature film area, Rainbow has three *Winx Club* CGI movies and *Gladiators of Rome*; another yet-to-be-named feature is scheduled for 2016. Excluding the recent release, the previous three movies generated \$80 million at the box office worldwide.

In his personal life, Straffi has a baby with his wife Joanne, whom he met in 1997 at a TV trade show in her native Singapore. She's now Rainbow's vice president. Straffi was quoted in a magazine article as saying, "I'm the creative one, Joanne is in charge of the rest." ■

The screenshot shows a page from a magazine featuring an article about Winx. The main headline is "Un tuffo negli abissi con la forza del 3D". Below the headline is a large image of the Winx Club characters. The article text is partially visible, discussing the use of 3D technology in the animation. There are also smaller sub-headlines and images related to the Winx franchise.

The full-page article about Winx featured in the daily *Il Messaggero*