



Euro Attractions Show
January 23-25, 2008

Wednesday, January 23, 2008

11:00 - 12:15

No Money Down:
Ride Financing Options

Euro Attractions Show

January 23 -25, 2008 Nice France

Presentation material is also available at: www.iaapa.org

EAS 2008

No Money Down: Ride Financing Options

*Lesley Morisetti
Edward Bolluijt
Gilles Reverchon*

January 23, 2008

Presentation Structure

- Industry Attendance Numbers
Lesley Morisetti - EAS
- Financing options
Edward Bolluijt - Fitraco
- Financing options: an operator's perspective
Gilles Reverchon

January 23, 2008

EAS 2008




European Parks 2007 Performance

European Attraction Show

Lesley Morisetti

23rd January 2008

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Agenda

Topic 1
Topic 2
Topic 3
Topic 4

Text

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Top 10 European Parks



	2007 Attendance	Change from 2006
Disneyland Paris	12.0	↑↑
Blackpool Pleasure Beach	5.5	↓
Tivoli Gardens	4.1	↓
Port Aventura	4.1	↑
Europa Park	4.0	↑
De Efteling	3.2	-
Gardaland	3.1	-
Liseberg	3.1	↑
Bakken	2.7	-
Walt Disney Studios	2.5	↑↑
Top 10 Total	44.3	↑
Top 20 Total	61.5	↑

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Operator Views of 2007

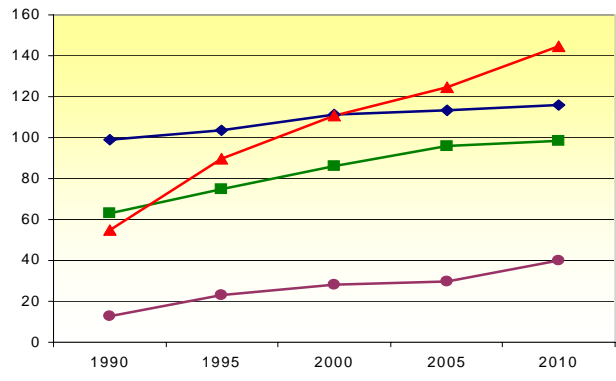


LM to chase

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Number of Theme Parks

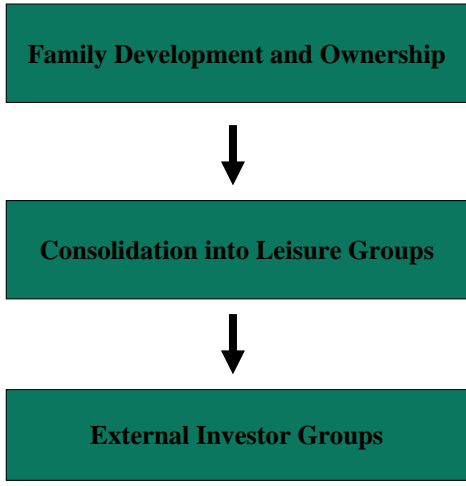


Source: Economics Research Associates



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Theme Park Ownership Cycle

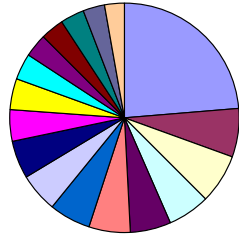


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Ownership in 2002 to 2008



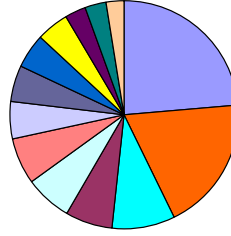
2002



Total Attendance: 55.4

Total Owners: 17

2008



Total Attendance: 61.5

Total Owners: 13

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Major M&A Activity



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Major M&A Activity








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Major European Groups



1. Merlin Entertainment 32.1 million
2. Parques Reunidos
3. Compagnie des Alpes
4. Euro Disney SA 14.5 million



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Implications of Consolidation

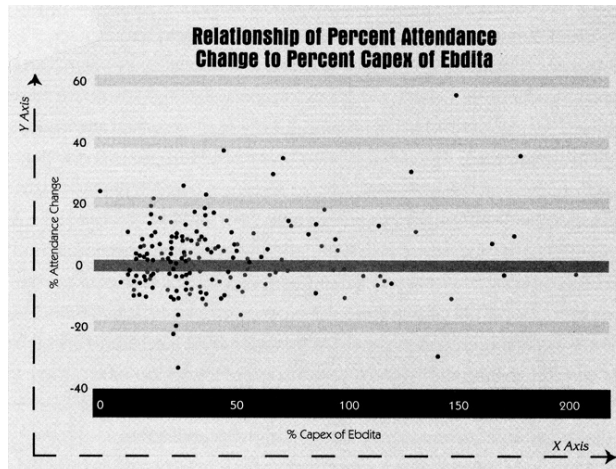


Text

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Investment v Attendance



Source: Harrison Price

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Financing Options

Edward Bolluijt
FITRACO

Financing Options

- Senior Debt Financing
- Leasing
- Revenue Sharing

Senior Debt Financing

Industry Players

- More players investing in amusement/leisure industry
 - Investment banks, Equity sponsors, Hedge Funds, REITs
- Examples: publicly announced transactions
 - Parques Reunidos acquisition of Palace Entertainment
 - CNLs financing of several amusement parks

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Senior Debt Financing

Senior Debt Structures

- Various potential structures
 - Working capital revolvers to meet seasonal needs
 - Term Loans for long term financing needs
 - 2nd Lien Loans (for larger sites, stretches financing amount)
 - Recapitalizations (combination of any of the above for refinancing any or all of various leases and loans on the books)
- Potential terms
 - Total senior debt at 2.5x to 4x EBITDA (4.5x to 5x with 2nd lien)
 - Terms typically 3 to 7 years; Primarily floating rate but some fixed

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Senior Debt Financing

Financing for Start-Up Facilities

- Single Site vs Multi-Site Operators
 - Financing easier to obtain if cash flow from a separate site is available
- Financing for Construction Projects
 - Construction financing is available in the market
 - Need strong location, strong management, feasible 'take-out' financing
- Credit Enhancements
 - Guarantees (personal or corporate), LCs
 - Strong equity backing (strength of equity provider can be just as important as amount of equity)

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Leasing

Leasing Structures

- Equipment leasing is offered by various financial institutions
- The leasing company (Lessor) can either
 - Purchase equipment from the vendor and then lease it to you (Lessee) or
 - Purchase directly from you and lease it back to you (sale/leaseback)
- Lessee will make lease payments (usually fixed) during the leasing term (generally 3-7 years)
- At the end of the lease there usually is a purchase option (purchase options vary)

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Leasing

Comparisons to Traditional Financing Methods

- Depending on lease type, title to the equipment may be with Lessor
- Lease types:
 - Operating Lease: Title with Lessor, Pass residual risk to Lessor, No debt on books, Expense each lease payment
 - Finance Lease: Similar to loan, May have low purchase option (\$1)
- Little or no down payment required
- Financing frees up cash flow for other needs

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Revenue Sharing: Is it Right for Your Facility?

What is a Revenue Share project?

- Project in which a company provides a facility certain equipment that is used in the facility's operations and the net profit from such use is "shared" by the company and the facility

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Revenue Sharing: Is it Right for Your Facility?

Foundation of a Successful Revenue Share Project

- Everything starts with the “need” for the equipment (eg. amusement ride, arcade games)
- The equipment must be marketable
- Partnership mentality is the key
 - The company needs to provide service for the equipment
 - Facility management needs to market the equipment to the public

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Revenue Sharing: Is it Right for Your Facility?

Foundation of a Successful Revenue Share Project (continued)

- The project needs to be viewed as a “Revenue Center” for both the company and the facility
- As such, a business model needs to be prepared that is agreeable to both parties
- The projects needs to be a “Win/Win” relationship

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Revenue Sharing: Is it Right for Your Facility?

Advantages for the Facility

- No capital investment
- Ability to obtain equipment even if capital is restricted
- Ability to generate additional attendance for the facility due to new equipment and marketing of that equipment
- If the “partnership” is successful, it gives the facility a private source for equipment that frees up cash flow

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Revenue Sharing: Is it Right for Your Facility?

Potential Disadvantages

- Equipment use is normally sold on an “extra-charge” basis to facility patrons otherwise tracking mechanism must be implemented to gauge equipment use
- Staff personnel need outgoing personality to “sell” and promote the use of the equipment
- Experienced staff for daily maintenance of equipment

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Revenue Sharing: Is it Right for Your Facility?

Is it Right for Your Facility?

- Yes, if:
 - Your capital is limited
 - You have the right location
 - You have personnel to operate/maintain the equipment
 - Your marketing budget is flexible
 - You're comfortable with your relationship with the revenue sharing company

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Issues and Financing solutions For a softer Ride Operation

**Gilles
REVERCHON**
November 15, 2006

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January 23rd, 2008

*Issues and Financing solutions
For a softer Ride Operation*

To increase your attendance and improve your operation, you want what the attendees want:

MORE FUN
MORE THRILL
MORE RIDES

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Issues

What does the operator need:

- Innovative rides
- Reliable & Safe equipment
- Immediate attention and service from supplier
- No breakdown
- Easy maintenance
- Certification to the latest Standards

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Issues

What does the Manufacturer need:

- Produce innovative Rides
- Dedicate more time to R&D
- Build to the highest Standards
- Obtain global certification
- Time to build prototypes
- Time to test prototypes
- Give the best service

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What are the common issues:

OPERATOR

- Innovative rides
- Immediate attention and service from supplier
- Reliable & Safe equipment
- No breakdown
- Easy maintenance
- Certification to the latest Standards

MANUFACTURER

- Produce innovative Rides
- Give the best service
- Build to the highest Standards
- Dedicate more time to R&D
- Time to build & test prototypes
- Obtain global certification

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In other words:

**BOTH ENDS OF THE INDUSTRY HAVE THE SAME
GOALS**

To raise the profile of the operation, manufacturer and operator need to work together and both need to spend more money on the equipment .

HOW ?

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In the classical business relation, there is a sale contract between the operator and the supplier, plus a financing contract between a financial institution and the operator. Both are 2 ways contracts usually independent from each other.

You may eventually have a maintenance contract with the supplier and a separate commitment between the finance company and the manufacturer which will deliver some guarantee.

This usually results in negotiation on payment conditions, guarantees, warranties and retainer.

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All these issues end up generally with price reduction.



“LESS TIME”



“LESS SERVICE”



“LOWER QUALITY”

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Since we have seen that the goals of the operator and the manufacturer are the same, there is another option to consider :

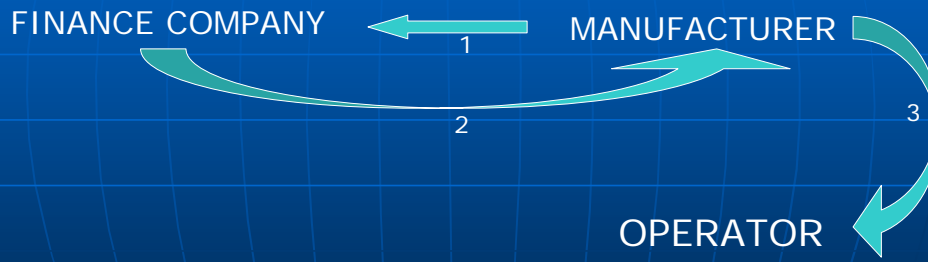
CREATE A LINK
OPERATOR/MANUFACTURER/FINANCING

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Issues and Financing solutions For a softer Ride Operation

■ Revenue Share, Profit Share, Concession



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Issues and Financing solutions For a softer Ride Operation

Advantages for the Operator (Ed Hiller)

- No capital investment
- Ability to obtain equipment even if capital is restricted
- Ability to generate additional attendance for the facility due to new equipment and marketing of that equipment
- Facility normally has equipment purchase option which allows the facility to “finance” the equipment with the cash flow generated from the equipment
- If the “partnership” is successful, it gives the facility a private source for equipment that frees up cash flow

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Advantages for the Operator

- Strong partnership with the Manufacturer
 - Frees up from heavy maintenance
 - Immediate attention for service
 - Creates strong relationship for future developments

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Q & A

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Advantages for the Manufacturer

- Equipment is sold. Production cost is covered
- Cash received from operation will cover payments to Finance partner.
- Source of average/long term stable revenues
- Extra profits will be used by R&D for improvements and new products.
- Partnership will generate development of new products.

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Issues and Financing solutions For a softer Ride Operation

Advantages for the Financing entity

- Payments secured by 2 partners involved
- Maintenance and controls raises reliability
- Soft operation increases stability of income
- Market value of equipment improved
- Best position to participate to new developments

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Issues and Financing solutions For a softer Ride Operation

Conclusion

- Installing a major ride in a park can (must ?) be a real partnership.
- The investments in this industry are heavy and for long term.
- As a park operator, I want to be able to offer new equipment to the attendees and make sure that the supplier will be involved to relieve the park from many of the maintenance/safety issues. Ideally this equipment should be paid proportionally to the park revenues.
- As a manufacturer, I want to have steady flow of business with “partners” more than only “clients”. I need to receive a small portion of the fruits generated by the equipment delivered so I am able to improve and create more.
- As a finance company. I want to have secured payments and good value in the equipment. Because after all, “these guys are playing with my money....” But I also want to be part of the developments.

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Conclusion

- This type of partnership will help raise the general profile of the Industry to the satisfaction of the three parties and moreover , the attendees.

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