

EAS

**Euro
Attractions
Show**

10/8/20C

1



Finance from an Operator's Perspective

Facing Uncertain Economic Times

Peter Cornthwaite

September 2nd 2009

IAAPA Amsterdam 2009

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Brief self introduction

Discuss topic title



■ Key Themes

- Economic Uncertainty
- Operational Review
- Banks
- Customers
- Employees
- Assets

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Everyone aware of banking crisis
Eurozone as bad as UK & US
Worldwide recession
Impact upon individual business & sectors
Forewarned is forearmed

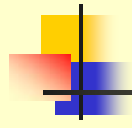


▪ Economic Uncertainty

- Recession?
- How Long?
- Increasing Unemployment
- Interest Rates
- Competition
- Business impact

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Comment re economists & their conclusions
Economic certainty not uncertainty. It's bad
Technical recovery in France & Germany
Consumer perception
Housing market in UK
Timescale & timelags



▪ Business Impact

- Attendance
- Per capita spends
- Key suppliers
- Investment plans
- Opportunities

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Short term & longer term

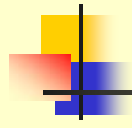
Discretionary leisure spend

Perversely (UK) increases in discretionary income for certain consumers

Foreign visitors & exchange rates

Impact upon different departments. Eg retail of admissions

Acceptable rate of return for investments – purchase long-term money?



■ Opportunities 1

“This is the best time to create change
and the most perilous time to create
change within a company”

Michael Beer
Harvard Business School

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Eg Johnson Controls in mid 1990s – effectively forced into overhauling one division after losing contract to supply car batteries to Sears that represented 20% of division’s sales

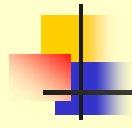
Company moved quickly, cut costs, closed plants & renegotiated deals

Identified cost savings of \$150m pa to offset lost contract

Whilst rest of company relatively unaffected, the experience taught Johnson Controls lessons in how to be more efficient in other areas of the business as well.

Would they have changed without the crisis?

“Nothing quite focuses the mind quite like the prospect of your imminent removal from this world” Samuel Johnson



■ Opportunities 2

“Turbulence creates a once-in-a-career opportunity for extraordinary gain or pain”

Bain & Co., consultants

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Research into how retailers fared both during recessions and periods of stable economic growth

Concluded that bad times exacerbated the divide between winners & losers within the sector.

Those who took advantage of the downturn were able to increase their profits for longer than in the good times & many kept growing as the economy rebounded.

By contrast, companies caught out by the economic malaise experienced more dramatic losses than in the normal periods



▪ Operational Review

- 2 basic questions
 - Are we being efficient?
Lawnmower analysis
 - Is what we do necessary?
Strategic / Tactical analysis
- Restructuring / Strategic change

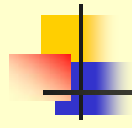
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Lawnmower analysis – crude cutting of resources across the board. At its most basic can lead to losing best staff.

Note employment law on a country by country basis.

LIFO rules may mean long-standing & possibly least efficient staff remain

Strategic / Tactical analysis – assess the profitability or contribution from particular operations.



▪ Restructuring

- Clear aims
- Plan
- Buy-In
- Implementation
- Control Schedules
- Banking Covenants
- Don't over promise

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Know what you want

Plan, then plan again

Buy in. Senior team. Middle management, Front line staff

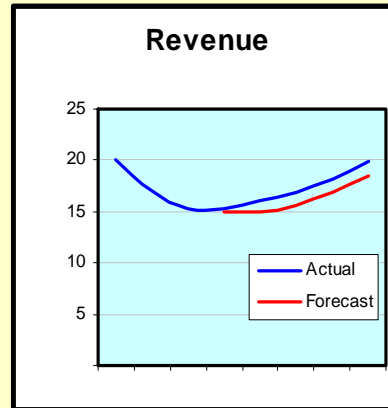
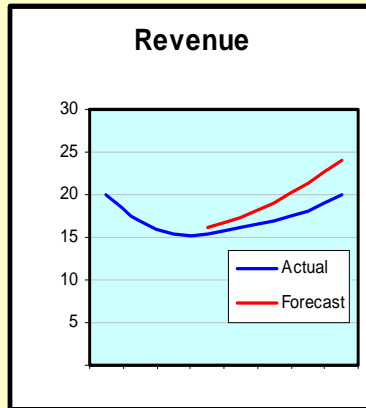
Implementation. Things will change. Advantage of a robust plan & aims

Control schedules. Regular review. Ownership

Bank relationship

Don't over promise

■ Which is Better?



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▪ Strategic Change Change in Pricing Model

- Introducing / Eliminating charges
- PBB free entrance park for 100 years
- Wristbands introduced 2000
- £5 entrance charge introduced 2009
- Market research
- Trials
- Attendance impact

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Consider changing pricing model if not delivering necessary revenues

PBB – Introducing fixed charges; Others introducing all inclusive F&B packages

Alternatively – Reducing charges; segmenting market (too expensive for certain sectors/age groups within society)

Others - Wristbands enabled PBB to offer a POP option to serious riders. But keeping flexibility (& low cost) for non-riders

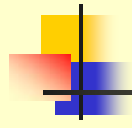
Considered full blown POP option – tested during winter period & October 2008.

Use specific & distinct parts of season to trial

Market research – existing guests.

Attendance fall - measure secondary spend transactions – those with & those without wristbands

PBB as a resort based attraction; cf destination park. Approx 50% visitors still staying visitors to Blackpool



▪ Banks & Financiers

- Bankers hate uncertainty
- Credibility
- Be conservative; don't over promise
- Sensitivity analysis; contingency plans
- Be proactive
- Communicate; be frank & open
- Alternative bankers

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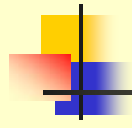
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Comment about bankers

Whatever we might think about them (for some of us at least), they're more important than ever

Cash is king



▪ Customers

- Increased competition
- Higher disposable income?
- More & better analysis
- Segmented markets
- Aggressive marketing & promotions
- Internet

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Cost of a new customer cf existing one

Customer service issues



▪ Employees

- Human capital
- Customer service
- Performance monitoring
- Incentives
- Morale

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If an employee isn't performing then not just customers who suffer, it's their colleagues

Some employees actually negative value



▪ Asset Utilisation

- Extending the season
 - Front-end
 - Back-end
- Cost implications
- Renegotiation with suppliers
- Stock

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Blackpool Illuminations

Experience at BPB re February

Experience at BPB re Winter & Christmas

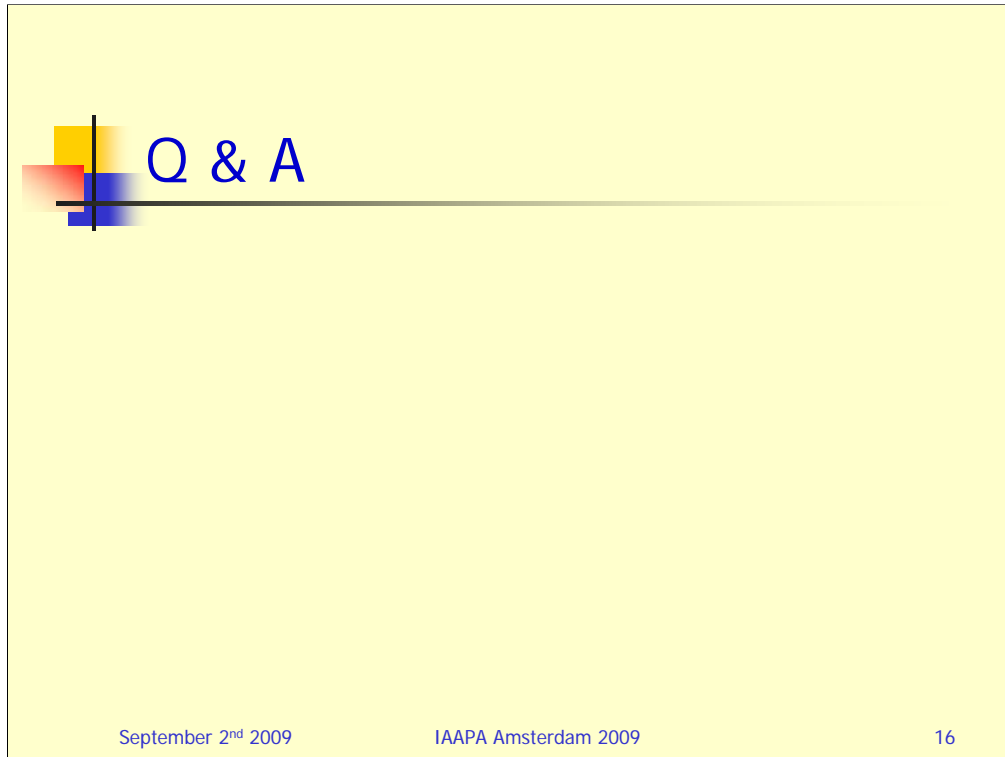
Destination of resort based attractions

Need to cover variable costs as a minimum

Impact upon maintenance schedules

Suppliers want to keep your business – cost / lead times / standards

Reduce stock holdings



Q & A

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Conscious that not many answers above
But hope lots of areas for consideration & thought