



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

ERA
Economics Research Associates



Agenda

Topic 1
Topic 2
Topic 3
Topic 4

Text

ERA
Economics Research Associates

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	↑

ERA

Economics Research Associates

Operator Views of 2007

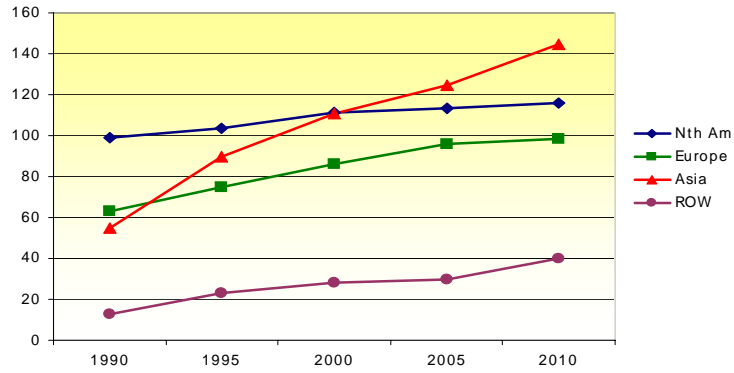


LM to chase

ERA

Economics Research Associates

Number of Theme Parks



Source: Economics Research Associates

ERA

Economics Research Associates

Theme Park Ownership Cycle



Family Development and Ownership



Consolidation into Leisure Groups



External Investor Groups

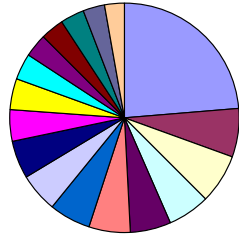
ERA

Economics Research Associates

Ownership in 2002 to 2008



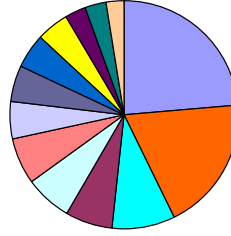
2002



Total Attendance: 55.4

Total Owners: 17

2008



Total Attendance: 61.5

Total Owners: 13

ERA

Economics Research Associates





Major M&A Activity



ERA


Economics Research Associates

Major M&A Activity

ERA
Economics Research Associates

Major European Groups



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

ERA
Economics Research Associates

Implications of Consolidation

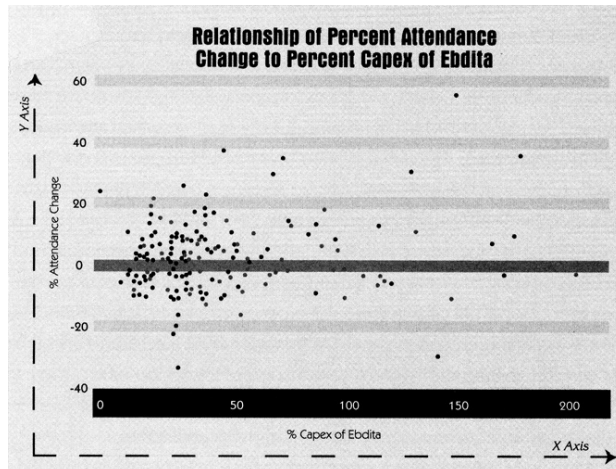


Text

ERA

Economics Research Associates

Investment v Attendance



Source: Harrison Price

ERA

Economics Research Associates

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

January 23, 2008

EAS 2008

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

January 23, 2008

EAS 2008

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)

January 23, 2008

EAS 2008

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)

January 23, 2008

EAS 2008

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

January 23, 2008

EAS 2008

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

January 23, 2008

EAS 2008

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

January 23, 2008

EAS 2008

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

January 23, 2008

EAS 2008

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

January 23, 2008

EAS 2008

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

January 23, 2008

EAS 2008

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

January 23, 2008

EAS 2008

EAS NICE 2008

Issues and Financing solutions For a softer Ride Operation

**Gilles
REVERCHON**
November 15, 2006

IAAPA Attractions EXPO

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

November 15, 2006

IAAPA Attractions EXPO

*Issues and Financing solutions
For a softer Ride Operation*

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

November 15, 2006

IAAPA Attractions EXPO

Issues and Financing solutions For a softer Ride Operation

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

November 15, 2006

IAAPA Attractions EXPO

Issues and Financing solutions For a softer Ride Operation

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

November 15, 2006

IAAPA Attractions EXPO

Issues and Financing solutions For a softer Ride Operation

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 ?

November 15, 2006

IAAPA Attractions EXPO

Issues and Financing solutions For a softer Ride Operation

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.

November 15, 2006

IAAPA Attractions EXPO

*Issues and Financing solutions
For a softer Ride Operation*

All these issues end up generally with price reduction.



“LESS TIME”



“LESS SERVICE”



“LOWER QUALITY”

November 15, 2006

IAAPA Attractions EXPO

*Issues and Financing solutions
For a softer Ride Operation*

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

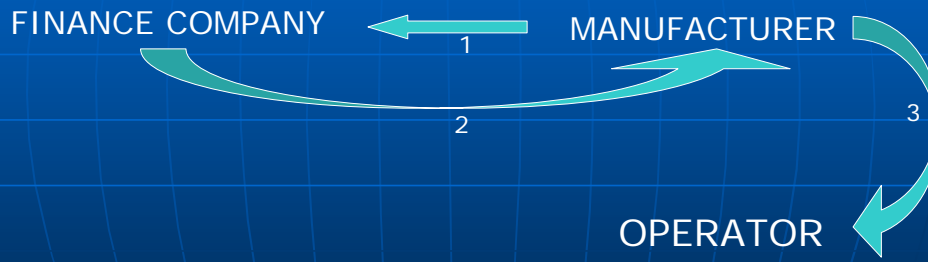
CREATE A LINK
OPERATOR/MANUFACTURER/FINANCING

November 15, 2006

IAAPA Attractions EXPO

Issues and Financing solutions For a softer Ride Operation

■ Revenue Share, Profit Share, Concession



November 15, 2006

IAAPA Attractions EXPO

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

November 15, 2006

IAAPA Attractions EXPO

*Issues and Financing solutions
For a softer Ride Operation*

Advantages for the Operator

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

November 15, 2006

IAAPA Attractions EXPO

Q & A

January 23, 2008

EAS 2008

Issues and Financing solutions For a softer Ride Operation

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.

November 15, 2006

IAAPA Attractions EXPO

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

November 15, 2006

IAAPA Attractions EXPO

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.

November 15, 2006

IAAPA Attractions EXPO

Issues and Financing solutions For a softer Ride Operation

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.

November 15, 2006

IAAPA Attractions EXPO