Theme Park Evaluation Criteria

KPIs

1 Attendance & Visitor Spend Metrics

- **Projected Annual Attendance –** Benchmarked against comps (e.g., Six Flags, Cedar Fair, Comcast, Disney)
- **Per Capita Spending –** Spend on admissions, in-park spending (food & beverage, merch, experiences)
- **Mix of Single-Day tickets and Season Passes –** Impacts recurring revenue and customer-lifetime-value (CLV)

2 Financial Metrics

- **Total Revenue Potential –** Admissions and in-park spending
- **Operating Income (EBITDA) Margins –** shows core operational profitability
- **Capex & Payback Period –** estimated development costs and the time to break even
- **IRR or ROI –** Rate of return to assess investment viability
- **Capital Structure –** Affects the IRR and PV of cash flows

3 Operational & Other Considerations

- **Labor Market & Costs –** Higher in major metropolitan areas
- **Regulatory & Tax Environment –** Incentives from state & local governments
- **Smaller & regional park vs. larger destination park –** mega-parks typically feature lower project-level returns compared to mid-sized and small parks[1]
- **Thematic/Franchise Synergies –** Integrations with IP, cross selling opportunities, and other revenue & cost synergies
- **Existing Licensing Agreements –** Existing Licensing Agreements – Some IPs may be licensed to third parties (e.g., WBD's Harry Potter to Universal); evaluating contract terms and licensing constraints is crucial for developing proprietary attractions or renegotiating rights

Geographic Criteria

Market Demand & Demographics

- **Population Density –** Areas with large metropolitan populations (e.g., NYC, LA, Chicago)
- **Tourism Volume –** high inbound tourism hubs (e.g., Orlando, Las Vegas, Nashville)
- **Income level / Disposable Income –** Determines willingness to pay for premium experiences
- **Local & Regional Competition –** Saturation of existing theme parks

Infrastructure & Accessibility

- **Proximity to Major Airports –** Facilitates national and international travel
- **Highway and public transport access –** ensures regional visitor flow
- **Available Land & Zoning Laws –** Cost and feasibility of large-scale developments
- **Climate & Seasonality –** Year-round operating potential in mild and warmer climates (e.g., FL, TX, CA); seasonal operations could lead to <175 operating days per year
- **Weather Risks –** Hurricanes, extreme cold, or high heat could impact attendance, park infrastructure, and operating days
- **Indoor vs. Outdoor Attractions –** mitigates climate-dependency

[1] *https://www.theparkdb.com/blog/the-business-of-theme-parks- part-ii-how-much-do-they-cost-and-earn/*

Financial Model

Strategy: *Mid-scale destination park with strong in-park revenue focus*

PV of FCFs: $1,314M
IRR: 9.9%

NOTE IRR is lower than 10% Discount Rate**

A strategic investor should be willing to pay ~$1.3B to invest in the project

Key Model Assumptions

1 Admissions and Ticket Pricing

- The park sells **single-day** tickets and **season passes**; starting prices are **$100** and **$250**, respectively, increasing 2% YoY
- Season pass mix starts at **40%**, increasing to 59% in Y20, in-line with Six Flags' ticket mix

2 Attendance

- Season pass holders attend the park 3x per year
- **250 operating days** per year; **daily attendance** starts at **12k** per day, growing to 17.5k in Y20

3 In-Park Spending Revenues

- In-park purchases (i.e., food & beverage, merch, experiences) starts at **$60 per visit**, in-line with Cedar Fair

4 Park Development

- **$750M** in **development costs**, a premium to regional parks (Cedar Fair, Six Flags), but a discount to destination parks (Disney, Universal); useful life of **50 years**

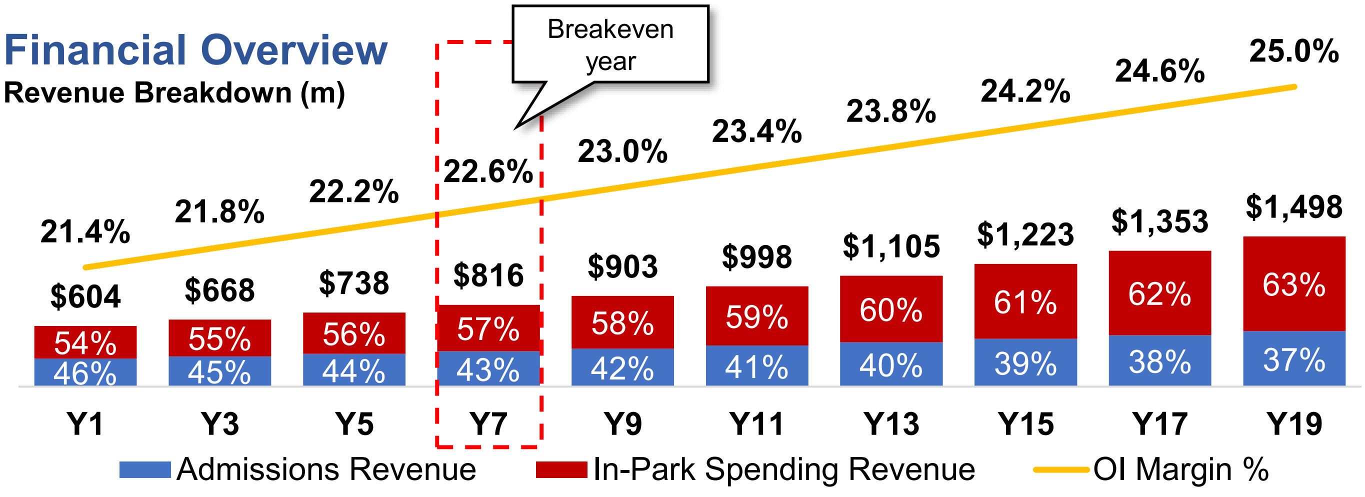
Theme Park Comps[1]

Walt Disney World · Universal · Cedar Fair · Six Flags · Disneyland

Model Output

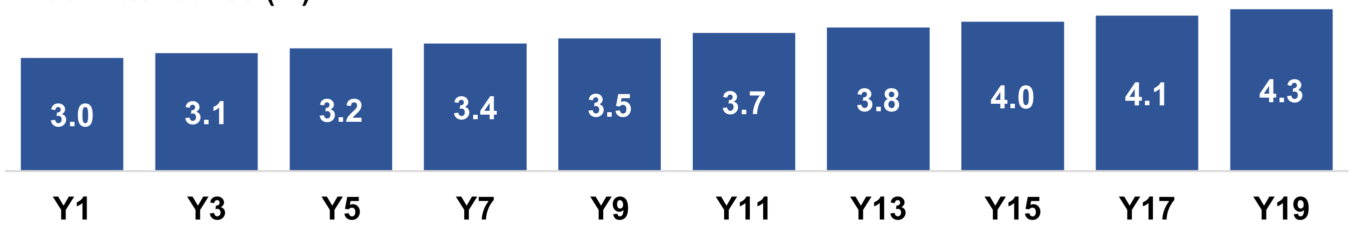
Financial Overview

Revenue Breakdown (m)



KPIs

Annual Attendance (m)



Season Pass Mix	40%	42%	44%	46%	48%	50%	52%	54%	56%	58%
Single Ticket Price	$100	$104	$108	$113	$117	$122	$127	$132	$137	$143
Season Pass Price	$250	$260	$271	$282	$293	$305	$317	$330	$343	$357

[1]https://www.theparkdb.com/blog/the-business-of-theme-parks- part-ii-how-much-do-they-cost-and-earn/

O&O vs. Licensing

Licensing provides financial upside with lower risk, though optimal terms are required for significant advantage vs. O&O

Qualitative Criteria

Goals of Licensing Agreement

Control of . . .

- **Creative Vision** – Ensures the park reflects the brand and IP
- **Quality** – Maintain high standards for guest experience and safety
- **Profits** – IP owner would retain all profits in O&O scenario
- **Data** – IP owner can gain valuable insights into consumer preferences and behavior

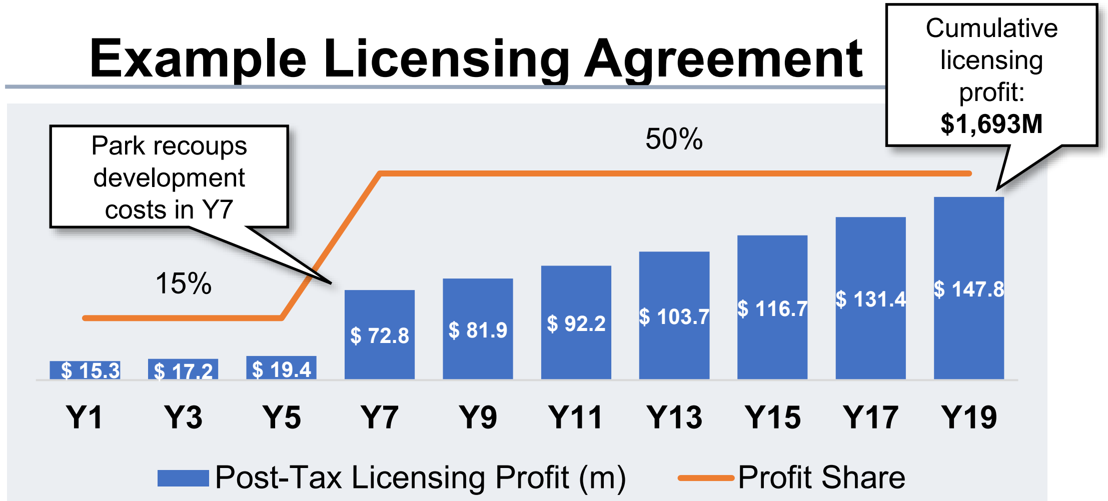
Favorable Terms for Licensing Agreement

- **Non-exclusivity** – Allows for IP owner to partner with multiple parks in various locations, utilizing existing theme park facilities and resources
- **Scope of IP Rights** – IP owner should define which IP can be used and how it can be incorporated into the park
- **Approval Rights** – IP owner should maintain oversight on park design, development and operations
- **Royalty structure** – Could include minimum guarantees, pre/post-recoupment profit-splits, or tiered systems based on park attendance or revenue
- **Marketing and Promotion** – Collaborate with partner on marketing and leverage IP owner's media platforms
- **Term and Termination** – Clear timeframe for the agreement with options for renewal, extension, and termination

Other Considerations

- (+) **Reduced financial risk**
- (+) **Wider Reach**
- (+) **Focus on Core Competencies**
- (−) **Existing Licensing Agreements**

Example Licensing Agreement



Assumptions

- IP owner agrees to license its IP in return for 15% share of pre-tax cash flow of the project; once the project recoups the development cost, then IP owner retains 50% of pre-tax cash flow
- Other Assumptions remain the same between O&O model and licensing model

PV of Cumulative Licensing Profit (m)

Post-Recoupment Share	Pre-Recoupment Share: 5%	10%	15%	20%	25%	30%
30%	$501.0	$522.6	$544.2	$558.1	$583.6	$609.0
40%	$660.9	$682.5	$704.1	$710.2	$735.6	$761.1
50%	$820.7	$842.3	$863.9	$862.2	$887.7	$913.2
60%	$980.5	$1,002.1	$1,023.7	$1,014.3	$1,039.8	$1,065.2
70%	$1,140.3	$1,161.9	$1,183.5	$1,166.4	$1,191.9	$1,217.3
80%	$1,300.1	$1,321.7	$1,343.3	$1,318.5	$1,343.9	$1,369.4

Licensing terms at which it is more profitable to license (vs. O&O)

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