

How Much is Your Attraction Worth?

Identifying and Maintaining Value

IAAPA Attractions Expo 2005 Workshop

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Presented by:

John Gerner
Managing Director

Leisure Business Advisors, LLC
www.leisure-business.com

Why should I know my attraction's value?

- Possible sale
- Collateral for loan
- Gift to family member
- Tax-deductible gift
- Divorce
- Shareholder disputes

What is "value"?

- **"Book value"** – accounting term
- **"Liquidation value"** versus an ongoing concern value
- **"Fair market value"** for a financial buyer
- **Discount for closely-held versus publicly-traded companies**
- **"Investment value"** for strategic buyer
- **"Fair value"** for shareholders and spouse

Who pays the most and why?

- **Difference between strategic and financial buyers**
- **Why strategic buyers pay more**
- **Typical situations for strategic buyers**
- **Identifying potential strategic buyers**

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Practical Advice for Owners

“Cost-effectively create a showpiece image for your attraction”

Definition of “Showpiece”

The outstanding item (the prize piece or main exhibit) in a collection

**Source: WordNet ® 2.0, © 2003
Princeton University**

I own less than 100%, does it matter?

- **Yes, control versus minority ownership is very important**
- **Discounts for minority ownership are often applied**
- **Typical factors in size of this minority ownership discount**
- **Strategies to reduce or eliminate this discount**

Practical Advice for Owners

“Get ownership control”

- or -

**“Don’t let someone else
have it”**

Income Approach to Value

- Typically based on expected future earnings
- Difficulties in estimating earnings
- Estimating "owner's discretionary cash flow"
- Capitalizing income stream to determine value
- Income-related strategies to maintaining value

Capitalizing the Income Stream

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Component	+ / -	Rate	Multiplier
Long-Term Treasury Bond Yield (30 year)		5.3%	18.9
+ Equity Risk Premium (Stocks over Bonds)		<u>7.0%</u>	
= Average Market Return on Large Common Stocks		12.3%	
+ Risk Premium for Smaller Size Company		<u>6.0%</u>	
= Average Market Return on Smaller Companies		18.3%	
<i>Specific Company Risk Premiums:</i>			
+ Industry Risk		2%	
+ Management Risk		0%	
+ Financial Risk		0%	
+ Diversification Risk		0%	
+ Other		0%	
- Positive Specific Company Risk Dynamic		0%	
= Net Cash Flow Discount Rate		20.3%	
- Long-Term Sustainable Growth Rate		4.0%	
= Net Cash Flow Capitalization Rate		16.3%	6.1

Source: Federal Reserve Bank, and Ibbotson Associates.

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Practical Advice for Owners

“Have accurate and understandable accounting”

Practical Advice for Buyers

“Insist on accurate and understandable accounting”

Market Approach to Value

- Typically based on the sales price of comparable facilities
- Need to exclude strategic purchases
- Determining and applying multipliers to determine value
- Market-related strategies to maintaining value

Multipliers - Example

Sale Price = \$12 million

Revenues = \$6 million

Revenue Multiplier = 2.0 (\$12 / \$6)

Sale Price = \$12 million

Earnings (EBITDA) = \$2 million

Earnings Multiplier = 6.0 (\$12 / \$2)

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Sales Price as Multiple of Revenues and Earnings

#	Revenue	<i>Earnings (EBITDA)</i>	
	Sales Multiple	Percent % of Rev	Sales Multiplier
A	3.5	24%	12.0
B	2.3	25%	9.0
C	2.9	34%	8.8
D	2.2	28%	7.9
E	1.8	24%	7.3
F	1.5	24%	6.5
G	1.4	23%	6.2
H	2.2	35%	6.2
I	2.5	42%	6.1
J	2.3	42%	5.6
K	2.3	41%	5.5
L	1.9	37%	5.2
M	1.1	28%	4.0

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Market Approach to Value

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Practical Advice for Owners

“Become a strategic purchase”

Practical Advice for Owners

“Avoid selling during difficult times”

Practical Advice for Buyers

“Be suspicious of large multipliers”

Practical Advice for Buyers

“Don’t get carried away during boom times and pay too much”

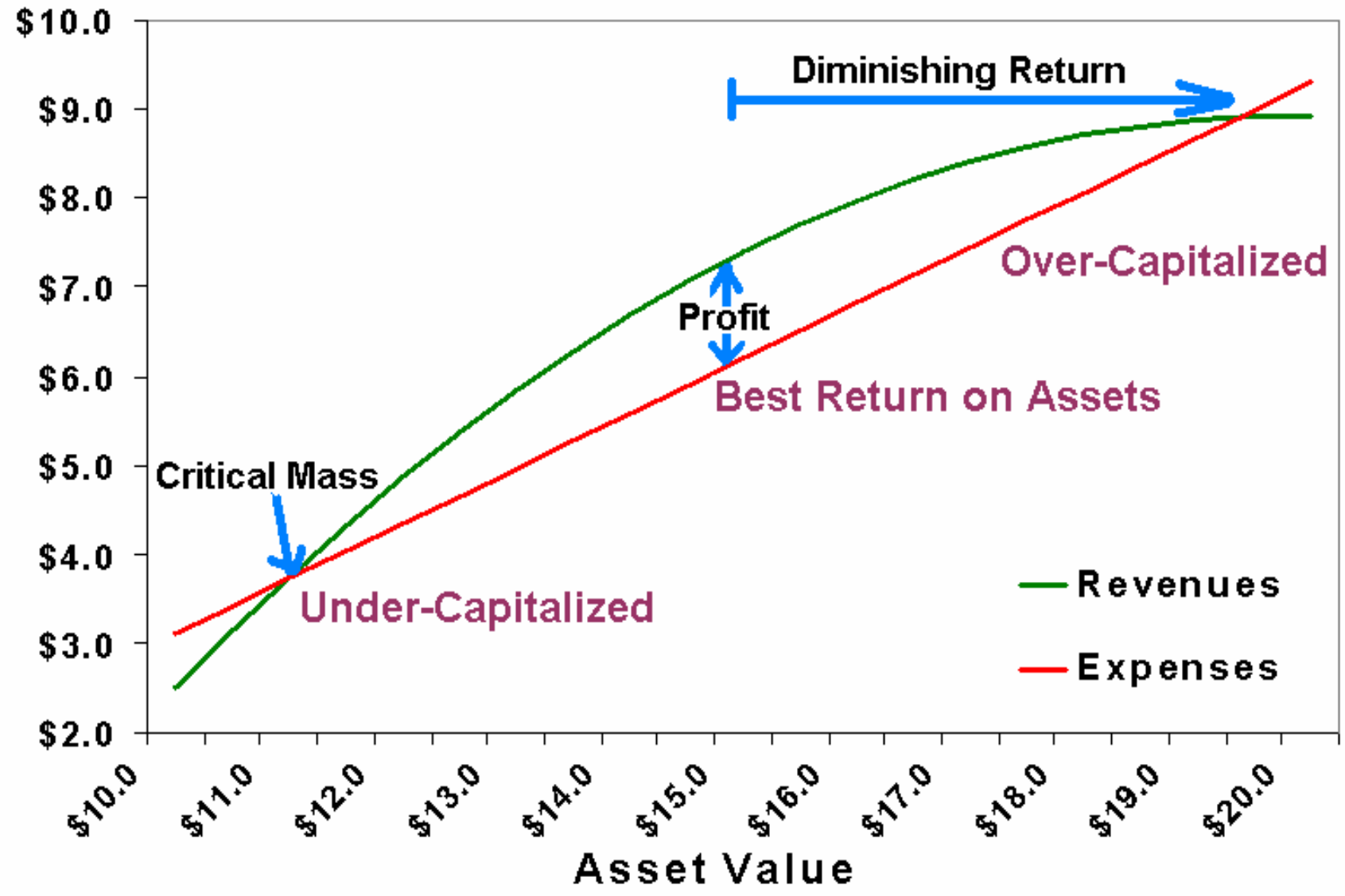
Asset Approach to Value

- Typically based on current value of assets
- Reasons why this is often different than "book value" of assets
- Practical considerations affecting the value of assets
- Asset-related strategies to maintaining value

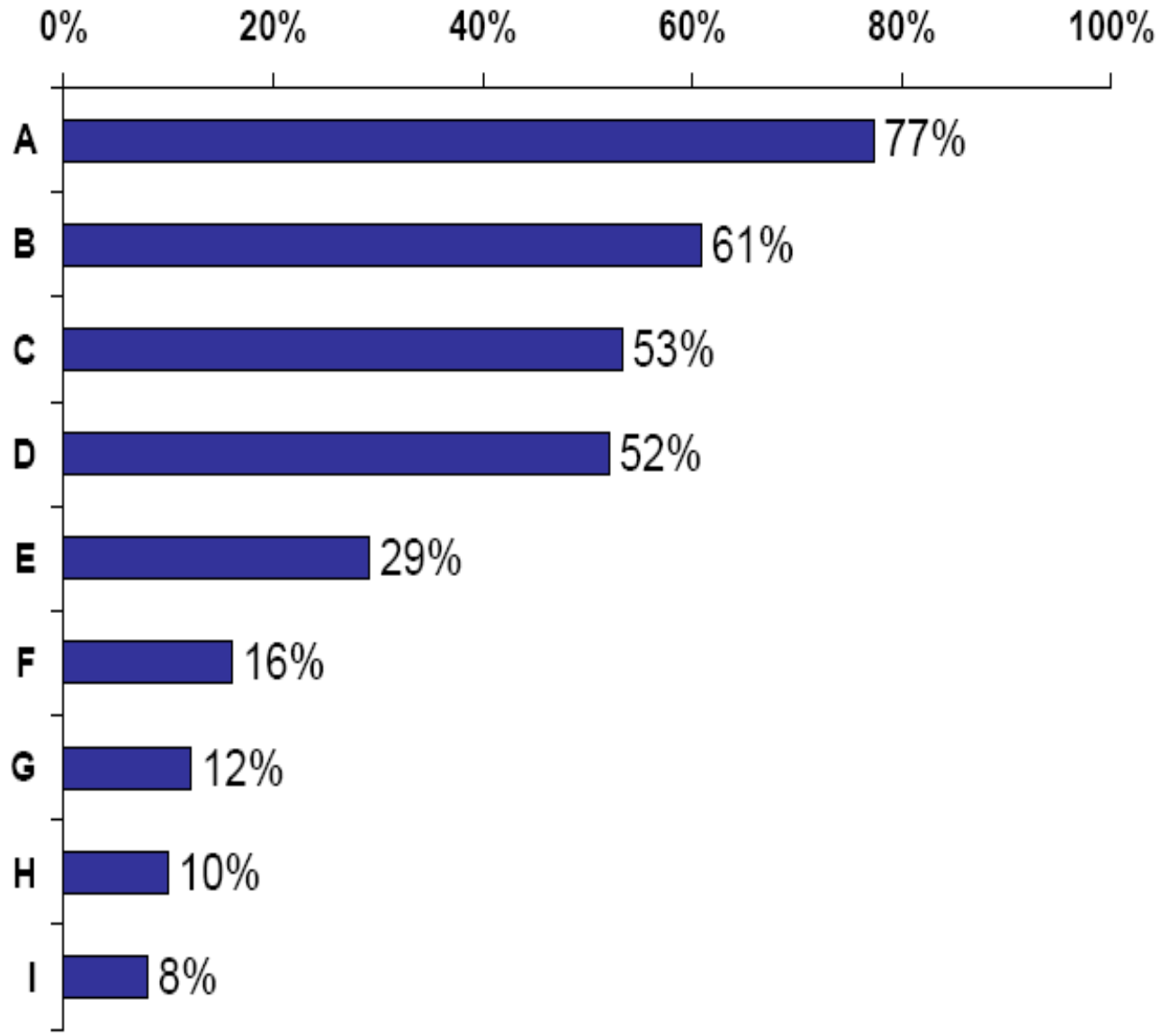
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Return on Assets

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Sales Price to Original Development Cost for Selected Attractions with Low Profitability



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Practical Advice for Owners

“Reinvest regularly”

Practical Advice for Buyers

“Watch for deferred maintenance”

Practical Advice for Owners

“Don’t overbuild”

Questions and Answers



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