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Objective Analysis  
Creative Thinking

# British Airways i360, Brighton

## Draft Report

# Introduction

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- British Airways i360 has now been open for slightly over two years and is not meeting its attendance and financial targets. Brighton and Hove City Council, who are a key stakeholder in the development, have tasked LDP with reviewing performance and providing a view on the future outlook.
- As a part of this process we have had access to financial performance data, information on visitation, marketing strategies and so on. We have also held discussions with key team members and several members of the board.
- This report outlines our market analysis, reviewing performance data and provides our view on likely performance for the future.
- LDP is a leading consulting firm specialised in the feasibility, review and performance improvement of visitor attractions and leisure real estate. LDP's company partners have more than 60 years experience in this niche. The LDP approach relies upon detailed market analysis and the application of carefully chosen real world benchmarks from existing comparable projects. This nuanced approach came out of the original feasibility work for Disney and has been developed further over the past 50 years.

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# Available Markets

# Available Markets – Introduction

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- The first step in our analysis is always to look at the available markets. We have measured the available markets based upon drive-time isochrones.
- The standardised industry market segment definitions for major attractions are:
  - **Primary resident market**  
(those living within 0-60 minutes of the site, subdivided into 0-15 min, 0-30 min and 30-60 min)
  - **Secondary resident market**  
(those living within 60-120 minutes of the site)
  - **Domestic tourists**  
(domestic tourists staying in registered accommodation within 0-60 minutes of the site)
  - **International tourists**  
international tourists staying in registered accommodation within 0-60 minutes of the site)
- This is a tried and tested method of analysing the markets and allows us to **compare like for like benchmarks** (for which we have also used drive time assessments to measure the available markets).
- We use **drive times** to be able to make comparisons. In our experience, public transport provides similar or longer travel times once travel to and from the stations, as well as transitions and waiting times are incorporated.
- Attractions are normally very biased towards car / coach especially when considering the luggage that can come with taking children, etc. If public transport is particularly strong in a market than this is reflected in our penetration rate analysis shown later in this report.
- The propensity to visit a visitor attraction decreases for residents who live further away.

# Drive-time map showing 30, 60 and 120 minutes

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# Resident market

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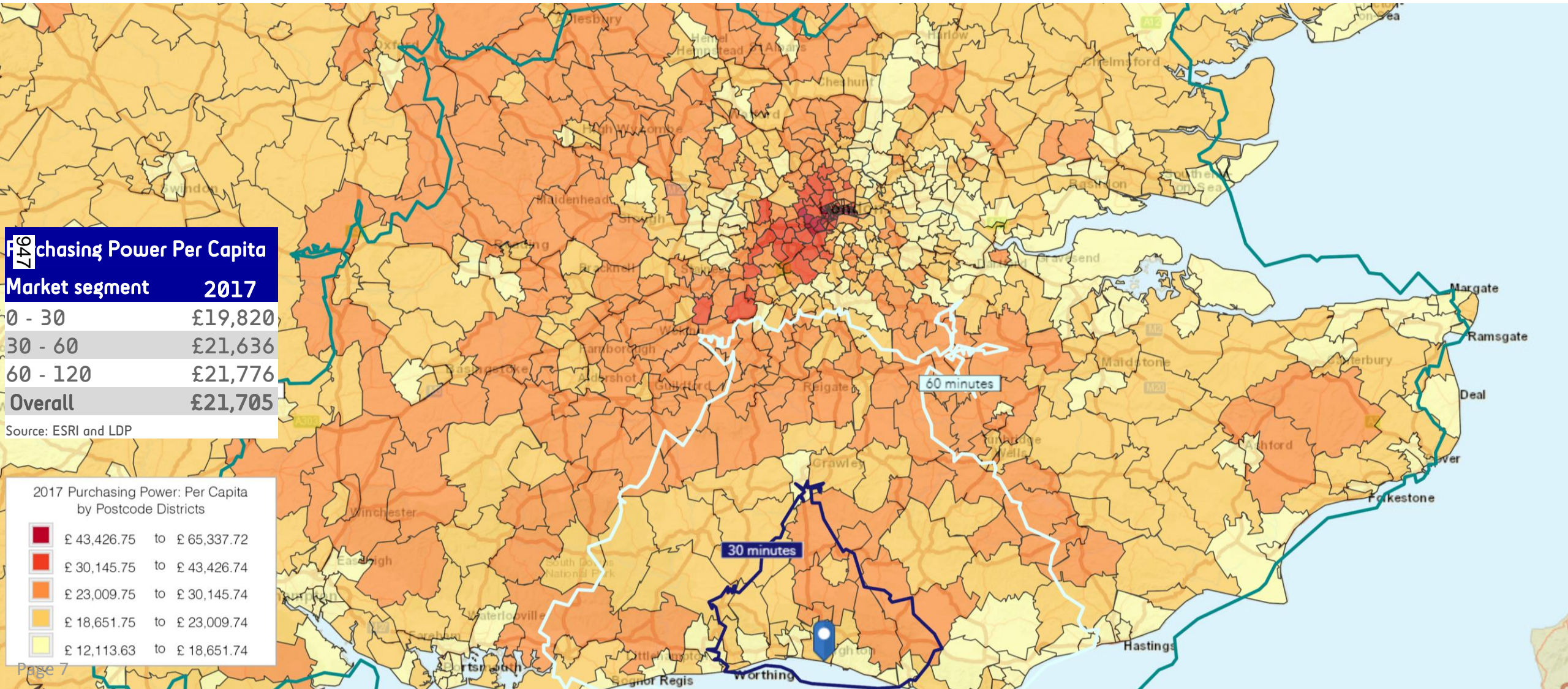
Resident market size (number of people)				
Market segment	2017	2022	2027	CAGR
<b>Primary market</b>				
0 - 30 minutes	595,477	616,672	636,597	0.67%
30 - 60 minutes	1,414,154	1,470,254	1,521,289	0.73%
<b>Total primary market</b>	<b>2,009,631</b>	<b>2,086,926</b>	<b>2,157,886</b>	<b>0.71%</b>
<b>Secondary market</b>				
0 - 120 minutes	16,982,629	17,678,500	18,228,069	0.71%
<b>Total resident market</b>	<b>18,992,260</b>	<b>19,765,427</b>	<b>20,385,955</b>	<b>0.71%</b>

Source: ESRI, ONS and LDP

- The map on the previous page displays the 0-120 minute drive time catchment area from the BA i360 in Brighton. As shown, it covers a large area and includes London and parts of East and the South East.
- The total resident market size in 2017 is estimated to be around a large 19.0 million, and this is heavily weighted towards the secondary market. The secondary market is over 8 times the size of the primary market and includes almost all of London, which explains the disparity.
- What's more, the immediate (0-30) market is over half the size of the 30-60 minutes population, which are around 595,477 and 1.41 million respectively.
- The most local market is relatively modest in scale as compared to the more distant resident markets.
- Using historic data we expect the average annual growth rate of the resident population to be increasing at approximately 0.7 percent. As such by 2027 the resident market will exceed 20 million. The growth rate is similar throughout the measured area.

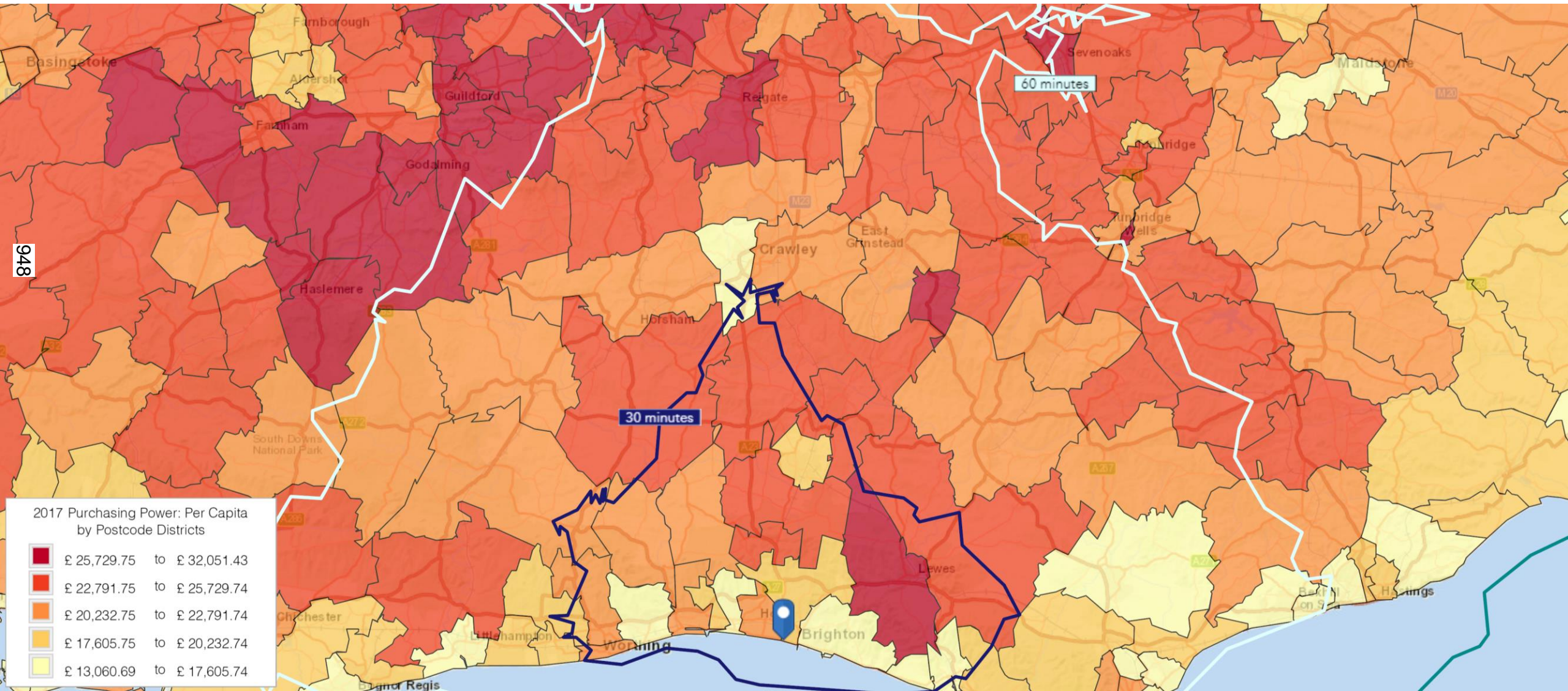
# Purchasing Power

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# Purchasing Power

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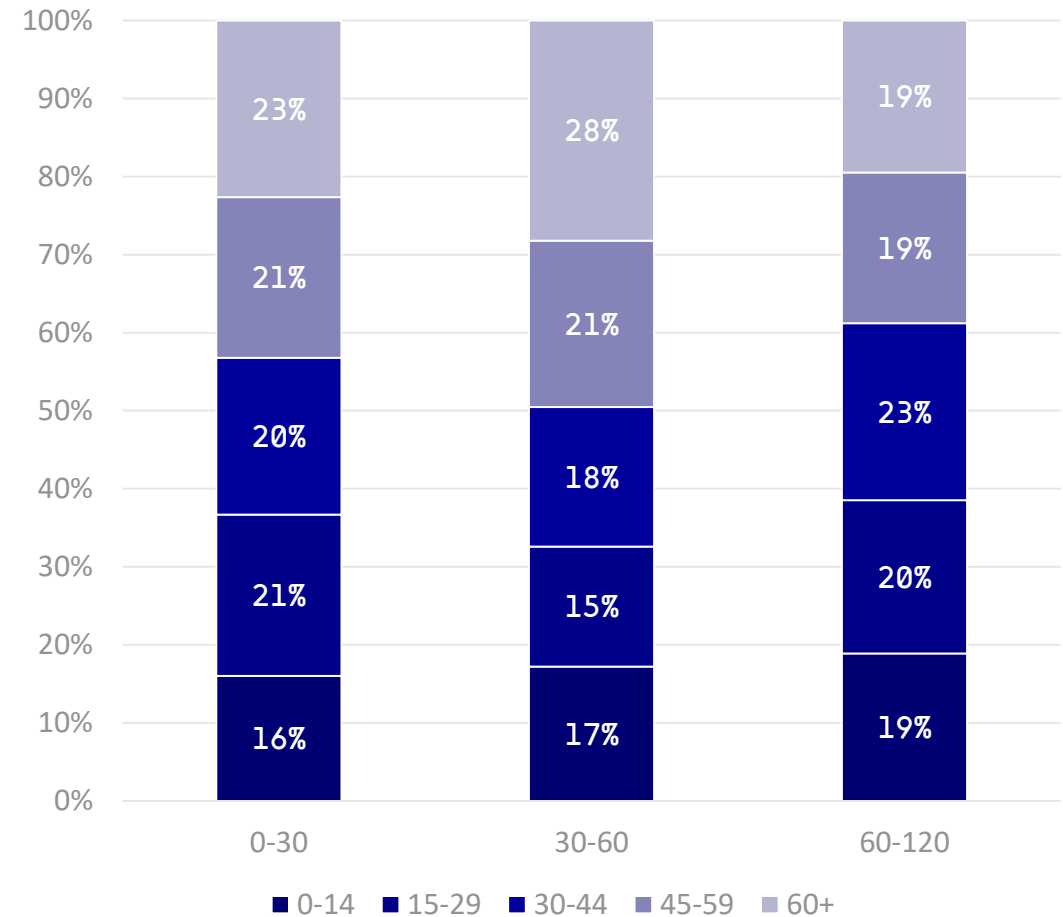


# Resident market characteristics

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- The previous diagrams explore the average purchasing power of the catchment population. The most affluent areas are very much clustered in central London with reasonably wealthy regions surrounding the city. The 60-120 minute population has the highest average purchasing power on £21,776 compared to the £19,820 of the 0-30 market. The most populous and wealthiest residents live outside the primary drive times, namely in London. The leisure market in London is also fiercely competitive.
- When taking a closer look at Brighton and the surrounding area (map on the previous page), the wealthiest areas are still located outside the primary market, e.g. Godalming and Guildford region.
- The graph on the right depicts the distribution of five age groups for each catchment. The secondary population is proportionately younger than the primary market, reflecting the large young professionals contingent in London. Of the 0-120 population, 62% are under 45s, while 50% of 30-60 and 57% of 0-30 markets are in this demographic (this also highlight the noticeably younger population of the immediate market relative to the rest of the primary catchment).
- The appeal of the British Airways i360 is broad and perhaps less child and family focussed than many attraction types.

Age Profile



# Market assessment – tourist market

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- Based on our experience and patterns observed across the industry over time, those people visiting the site and who live more than two hours from the site are likely to stay in the area overnight and are therefore considered in the tourist market. The tourist market here includes those that enter the 0-60 catchment area i.e. parts of East and West Sussex, Surrey, Kent and London.
- We have reviewed tourism information from official statistical publications on tourism including the GB Tourism Survey (GBTS) and the International Passenger Survey (IPS).
- **Domestic tourists:** historic data is inconsistent and methodology of data collection changes every few years prohibiting like-for-like comparisons and derivation of long terms trends. We have considered growth rates based on historic performance.
- **Qualification:** We have qualified the domestic tourist market to exclude the tourists staying overnight within the catchment market area (i.e. within 1-hour drive from the site) who also live within the resident market (i.e. within the 2-hour drive from the site). This step is undertaken to prevent them from being double counted, and missing this step is likely to significantly overstate potential demand. Based on GBTS data, we have removed 44 percent of the domestic tourist market
- **International tourists:** more reliable and we have used historic trends to project these numbers. The predicted growth rate for these tourists is significantly stronger than the rate expected in the domestic market at 2.94 percent.

# Tourist market

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## Qualified Tourist Market [number of people]

Market segment	2017	2022	2027	CAGR
Domestic	1,704,171	1,776,552	1,891,190	1.05%
International	1,441,136	1,665,431	1,924,636	2.94%
<b>Total market</b>	<b>3,145,307</b>	<b>3,441,983</b>	<b>3,815,825</b>	<b>1.95%</b>

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CAGR – compound annual growth rate

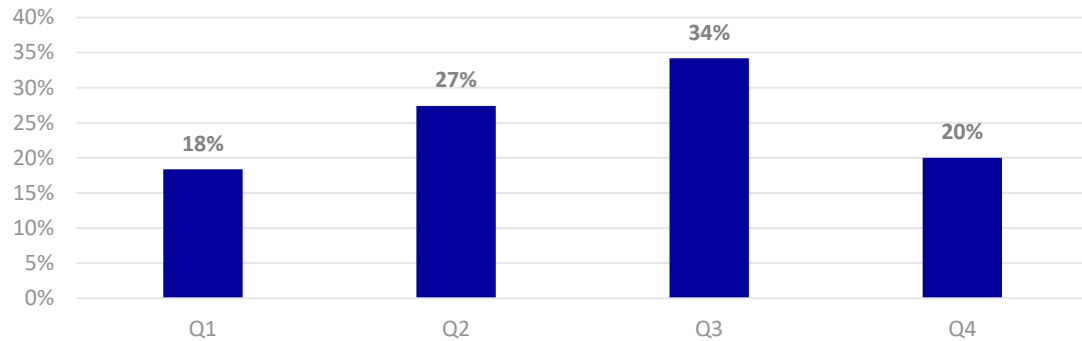
Sources: Eurostat and LDP

- In 2017, the overall tourist market size within the 0-60 catchment area is estimated to be around 3.15 million. Currently, the domestic market (1.7 million in 2017) is marginally greater than the foreign tourist market (1.44 million).
- In recent years, the catchment area has experienced a boom in foreign tourist numbers, with annual rates reaching over 7 percent at times. As such, we estimate it to have a reasonably strong growth of just under 3 percent which would suggest that it would exceed domestic tourism within the next 10 years.
- Domestic tourism, is predicted to grow marginally at a modest annual rate of 1.05 percent.

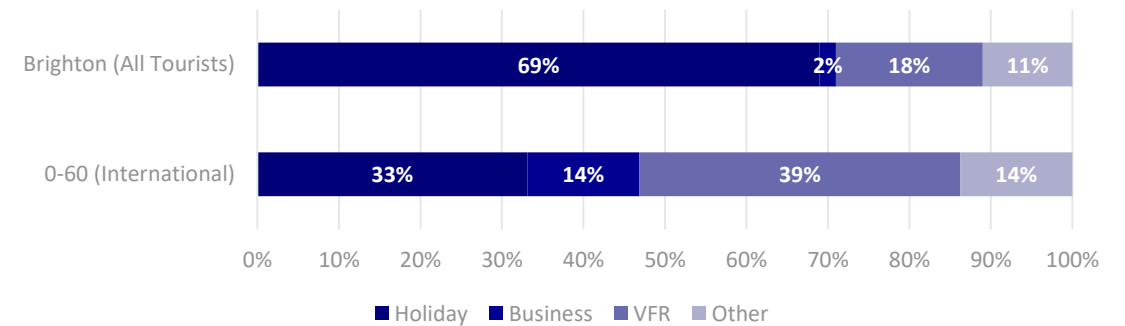
# Tourist market characteristics

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### Seasonality of international tourism in the 0-60 catchment, 2017



### Purpose of tourist visits in Brighton and the 0-60 catchment area, 2016-17



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- International tourism in the 0-60 catchment area is fairly seasonal. Over a third of the foreign overnight visitors arrived in the third quarter of 2017, while the least popular time was during the winter in the first quarter.
- This seasonal trend suggests that it is a 'Visiting friends and relatives' (VFR) and leisure orientated market.
- 'Visiting friends and relatives' (VFR) tourists, especially, are a good market for many attraction types. They tend to: stay longer than leisure or business tourists; benefit from friends' or relatives' advice; and often repeat.
- The graph above outlines the purpose of visit of: firstly, all staying visitors in Brighton; and secondly, international tourists in the catchment area.

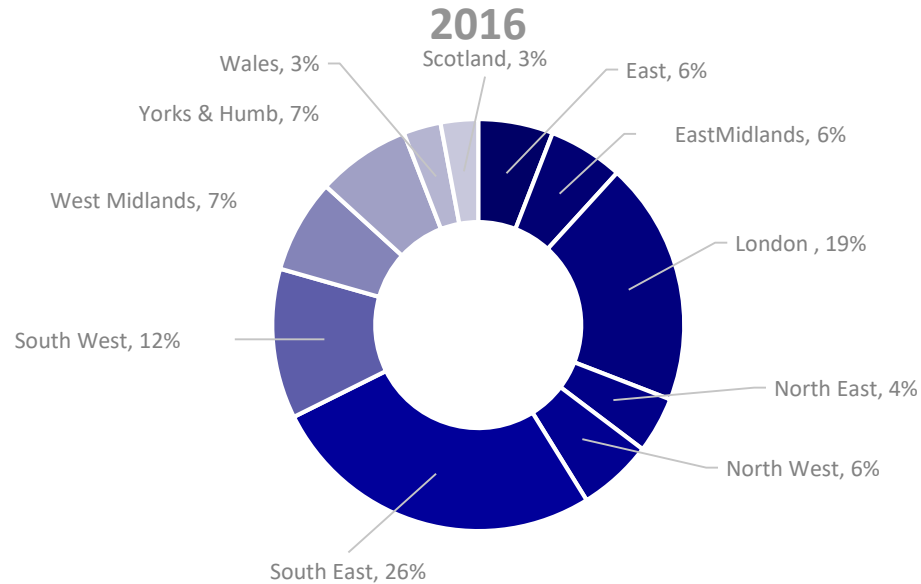
Unfortunately, appropriate domestic tourist data was unattainable.

- Brighton is the 12<sup>th</sup> most popular town or city for domestic holiday tourism in England and the 11<sup>th</sup> in overall overnight trips (VisitBritain, 2015-2017). As such it is unsurprising to find that nearly 70 percent of tourists state 'holiday' as their main purpose. What's more, around 18 percent are visiting friends and relatives and only 2 percent for business, which is an encouraging sign for attractions.
- Almost 40 percent of foreign visitors go to visit friends and family and 33 percent for leisure purposes.

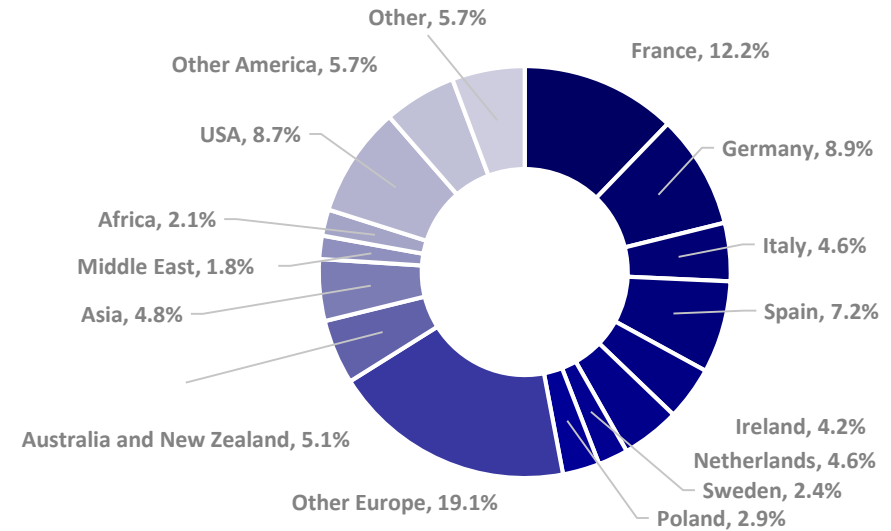
# Tourist market characteristics

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Origin of domestic tourists to Brighton,



Origin of international tourists to the 0-60 catchment area, 2017



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- The above shows the unqualified domestic tourist market of Brighton. The top three source regions are South East, London and South West. We have estimated that 45 percent of the domestic tourists come from the resident catchment area itself. This highlights that domestic tourists in our catchment are very localised. As mentioned, we have removed these tourists from the domestic tourist market to avoid double counting.

Unsurprisingly, international tourism to the catchment area is dominated by European residents, with France and Germany being the main source European countries.

- Among the most important non-European markets are the USA, Australia and New Zealand.



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# Competitive Environment

# Competitive Environment

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- As part of the analytical approach, we have looked at the competitive environment within the one hour drive time of the site, focusing largely on the nearby area – on the next page we present the map of current selected attractions.
- The list is not exhaustive but helps to provide the context for the project. The primary aim of this map is to show the concentration of entertainment. Throughout the 0-60 catchment, the attractions are fairly spread out, however there is a cluster of entertainment in Brighton and Hove.
- Overall, there is an abundance of cultural and heritage attractions (mainly historic properties and museums), and several amusement and theme parks dotted around the coast (e.g. Palace Pier Brighton, Treasure Island Adventure Park, The Worthing Lido, Harbour Park Amusements).
- Attendances at local attractions vary considerably with 6 attractions achieving over 1m visits (3 London theme parks, Kew gardens, Stonehenge and RHS Garden Wisley). The majority of large scale attractions achieve attendances roughly between 150,000 and 350,000 visits. The Palace Pier figure is a published footfall figure rather than spenders and therefore is not comparable with the other attractions and with the British Airways i360.
- We hold confidential data on some of the more commercial attractions in the market and therefore do not show this. The British Airways i360 is among the

better performers of gates commercial attractions.

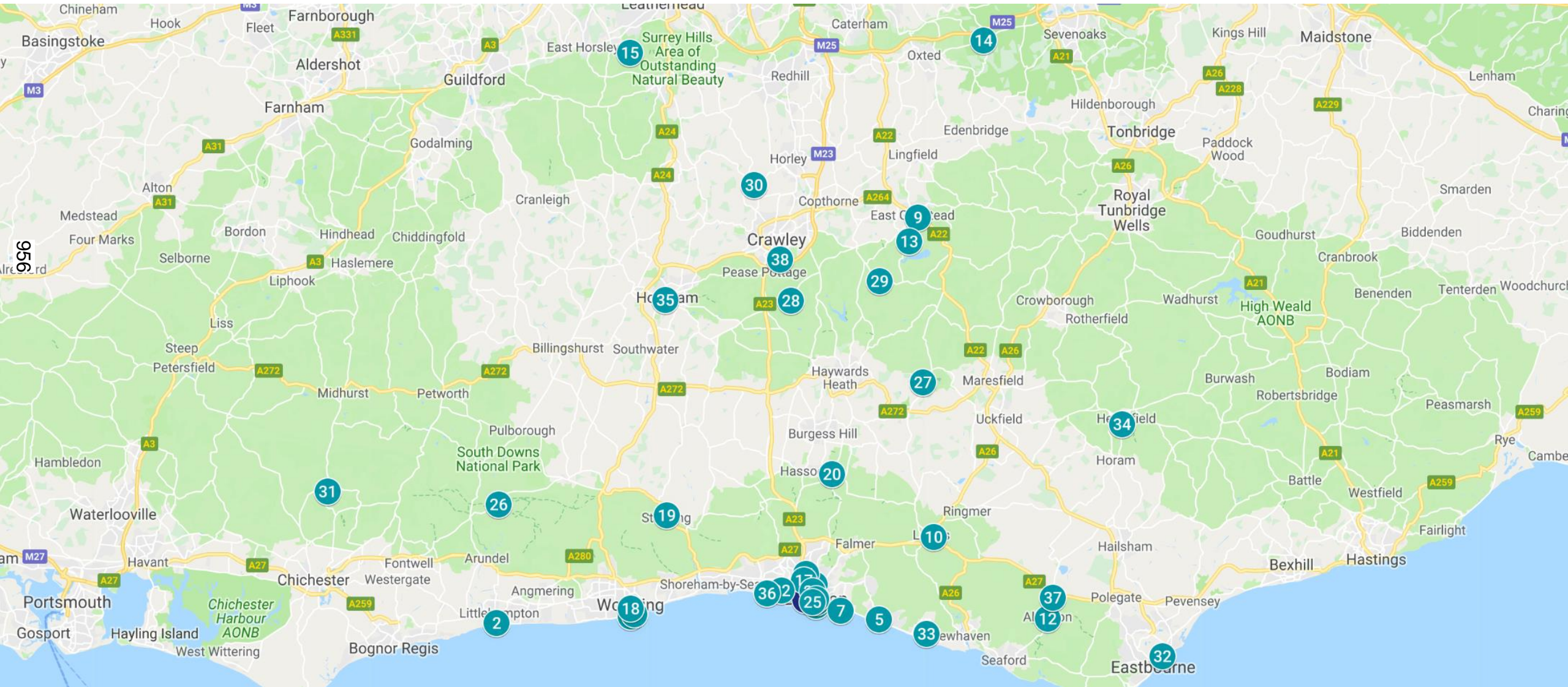
Attendance at Brighton and surrounding areas attractions 2017			
Venue	Location	Attraction type (A-Z)	Attendance
Standen House and Garden	East Grinstead	Historical Building	146,073
Quebec House	Westerham	Historical Building	14,737
Polesden Lacey	Dorking	Historical Building	348,000
Brighton Museum and Art Gallery	Brighton	Museum	103,275
Booth Museum	Brighton	Museum	26,303
Steyning Museum	Steyning	Museum	4,607
Hove Museum and Art Gallery	Brighton	Museum	26,780
Horsham Museum	Horsham	Museum	100,179
Brighton Pier	Brighton	Pier	4,684,000
Horsham Visitor Information Centre	Horsham	Visitor Centre	101,500

\*Source: individual attractions

- We have also looked at pricing and Entertainment Value. **Entertainment Value** is the perceived price per hour that consumers are currently spending on entertainment (lead price divided by estimated average length of stay). Although discounts might be available, this is how local markets perceive the value of the experiences. We reviewed the local attractions and pricing to ascertain the current entertainment value in the market area, as shown on the chart at the end of this section.
- The median EV excluding experiences for attractions within 1 hour drive time is around £4.51 and the median is £5.16. Viewing attractions typically have a far higher price per hour than their local markets, as is the case here.

# Competitive Environment – General

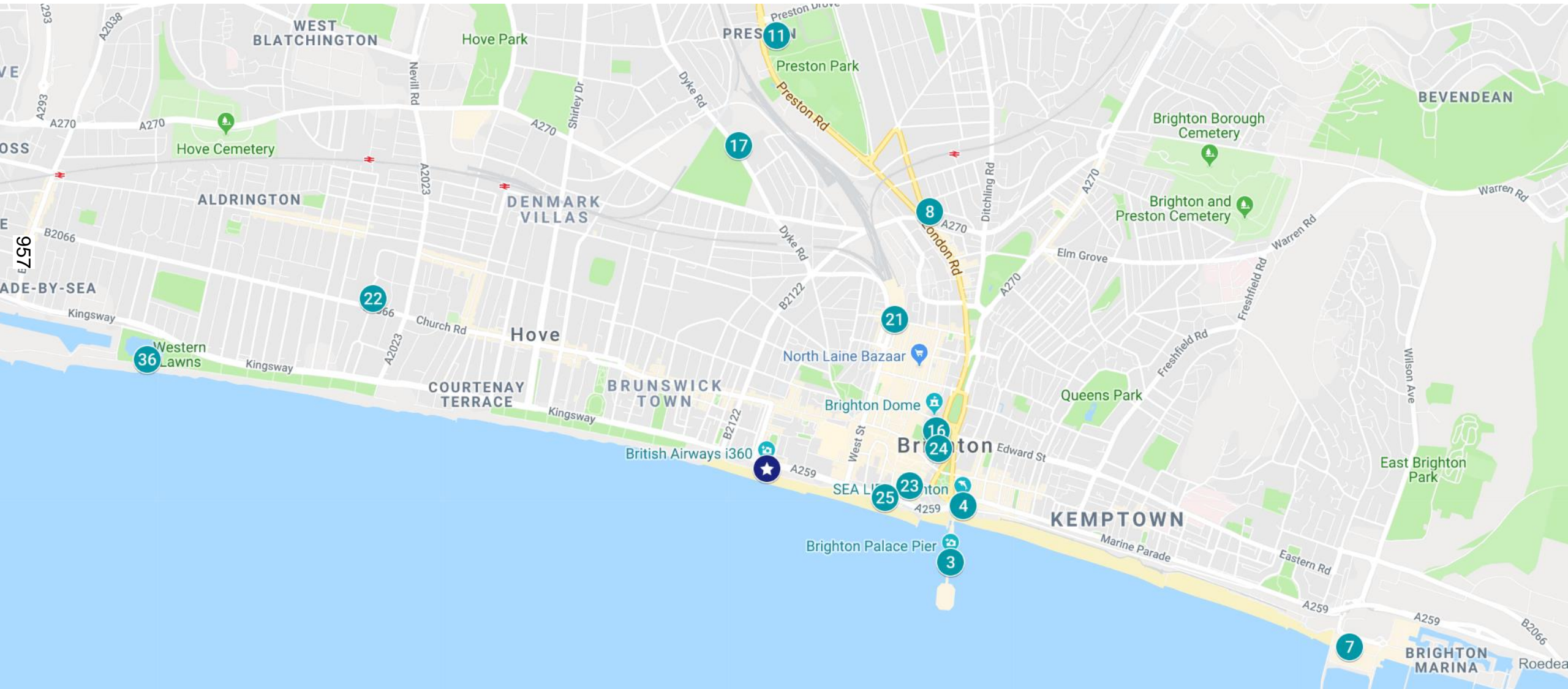
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# Competitive Environment – Brighton

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# Competitive Environment – Map Legend

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- 1 The Worthing Lido
- 2 Harbour Park Amusements
- 3 Brighton Palace Pier
- 4 SEA LIFE Brighton
- 5 The Grange
- 6 Dome Cinema
- 7 Cineworld Cinema - Brighton
- 8 Duke Of York's Picturehouse
- 9 Scott Cinemas
- 10 Depot
- 11 Preston Manor
- 12 Alfriston Clergy House
- 13 Standen National Trust
- 14 Quebec House
- 15 Polesden Lacey
- 16 Brighton Museum & Art Gallery
- 17 Booth Museum of Natural History
- 18 Worthing Museum & Art Gallery
- 19 Steyning Museum
- 20 Ditchling Museum of Art + Craft
- 21 Brighton Toy and Model Museum
- 22 Hove Museum & Art Gallery
- 23 Old Police Cells Museum
- 24 Royal Pavilion
- 25 Brighton Fishing Museum
- 26 Amberley Museum & Heritage Centre
- 27 Sheffield Park Carriage Sheds
- 28 Wings Museum
- 29 The Priest House
- 30 Gatwick Aviation Museum
- 31 Weald & Downland Living Museum
- 32 Treasure Island Adventure Park
- 33 Sky High Trampoline Park
- 34 Urban Jump Trampoline Park
- 35 Visitor Information Centre
- 36 Lagoon Watersports
- 37 Drusillas Park
- 38 Tilgate Nature Centre

# Competitive environment – EV

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- We have reviewed a range of attractions operating within the local market. From our database we have considered attendance, market mix and penetration to compare with the i360. Here we present publicly available pricing information.

- We have reviewed entertainment value (price per hour) based on average length of stay estimates. This illustrates a median entertainment value of around £5.37 which is relatively typical for the UK. The average is higher and more similar to the London market. We further discuss this benchmark in relation to the i360 later in this document.

Entertainment value at 0-60 attractions 2018							
Venue	Location	Attraction type (A-Z)	Adult Entry (£)	Child Entry (£)	Lead price (£)	ALOS (hours)	EV
Hand Made Mysteries	Brighton	Activity	£33.00	£33.00	£33.00	2.00	£16.50
Bewilder Box Escape Room	Brighton	Activity	£55.00	£55.00	£55.00	1.50	£36.67
Lazer Zone	Brighton	Activity	£6.25	£6.25	£6.25	0.50	£12.50
Lazer World	Crawley	Activity	£6.00	£6.00	£6.00	0.42	£14.40
Brighton Pier	Brighton	Amusement Park	£17.50	£10.00	£17.50	2.00	£8.75
Sealife Brighton	Brighton	Aquarium	£19.50	£19.50	£19.50	2.50	£7.80
Dome Cinema	Worthing	Cinema	£6.70	£5.00	£6.70	1.75	£3.83
Cineworld Brighton	Brighton	Cinema	£11.00	£8.00	£11.00	1.75	£6.29
Duke of York's Picture House	Brighton	Cinema	£12.20	£7.70	£12.20	1.75	£6.97
Scott Cinemas	East Grinstead	Cinema	£7.90	£6.35	£7.90	1.75	£4.51
Depot	Lewes	Cinema	£9.00	£4.00	£9.00	1.75	£5.14
Preston Manor	Brighton	Historical Building	£7.00	£4.00	£7.00	2.00	£3.50
Alfriston Clergy House	Alfriston	Historical Building	£5.60	£2.80	£5.60	2.00	£2.80
Standen House and Garden	East Grinstead	Historical Building	£12.00	£6.00	£12.00	3.00	£4.00
Quebec House	Westerham	Historical Building	£5.60	£2.80	£5.60	1.00	£5.60
Polesden Lacey	Dorking	Historical Building	£13.60	£6.80	£13.60	2.00	£6.80
Brighton Museum and Art Gallery	Brighton	Museum	£5.20	£3.00	£5.20	1.50	£3.47
Ditchling Museum of Art+Craft	Ditchling	Museum	£6.50	-	£6.50	2.00	£3.25
Brighton Toy and Model Museum	Brighton	Museum	£6.50	£4.00	£6.50	1.50	£4.33
Royal Pavillion	Brighton	Museum	£13.50	£8.00	£13.50	2.00	£6.75
Amberley Museum and Heritage Centre	Amberley	Museum	£12.50	£7.00	£12.50	4.00	£3.13
Sheffield Park Carriage Sheds and Museum	Uckfield	Museum	£19.00	£9.50	£19.00	3.00	£6.33
Wings Museum	Balcombe	Museum	£8.00	£4.00	£8.00	2.50	£3.20
The Priest House	East Grinstead	Museum	£4.90	£2.40	£4.90	1.00	£4.90
Gatwick Aviation Museum	Gatwick	Museum	£7.50	£2.50	£7.50	3.00	£2.50
Weald and Downland Living Museum	Chichester	Museum	£14.00	£6.50	£14.00	2.50	£5.60
Go Ape Crawley	Crawley	Outdoor Activity	£33.00	£25.00	£33.00	3.00	£11.00
Treasure Island Adventure Park	Eastbourne	Theme Park	-	£7.00	£7.00	2.00	£3.50
Sky High Trampoline Park	Peace Haven	Trampolining	£10.00	£10.00	£10.00	0.92	£10.91
Urban Jump Trampoline Park	Heathfield	Trampolining	£10.00	£10.00	£10.00	1.00	£10.00
Drusillas Park	Alfriston	Zoo	£19.95	£19.95	£19.95	5.00	£3.99
Tilgate Nature Centre	Crawley	Zoo	£3.50	£2.50	£3.50	2.50	£1.40
						<b>Minimum</b>	<b>£1.40</b>
						<b>Lower Quartile</b>	<b>£3.50</b>
						<b>Median</b>	<b>£5.37</b>
						<b>Average</b>	<b>£7.20</b>
						<b>Upper Quartile</b>	<b>£8.04</b>
						<b>Maximum</b>	<b>£36.67</b>

\*Source: individual attractions



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# Performance forecast

# Introduction

- In this section we outline our current forecasts for the British Airways i360. In this assessment we have considered the key performance indicator review and past performance, the market analysis and outlook and a number of areas we believe improvements can be made. We have considered the findings of our research and meetings with the management team and stakeholders.
- In our scenario we assume that the offer remains broadly the same with no major capital additions beyond normal reinvestment. We do assume incremental improvement to the experience as with any attraction and would hope that more can be done to engage the guest with the view. There are various solutions which could help, from staff interacting with guests to point out interesting areas, to signage, printed materials or an app (although we tend to find engagement via apps is generally disappointing at attractions and we understand that there was an earlier app). However, in this scenario we assume that the spaces within the building continue with the same purposes. There is space at the upper level which was previously used for embarkation which could be repurposed either as a secondary attraction or additional food and beverage area. We have not forecast performance at this juncture as the concept and plans are embryonic and it is not clear how much capital may be required.

## Attendance

- We have analysed past and future attendance based on market penetration rates. First, we calculated market penetration rates for the first 11 month operation (the first financial year) and the second full year of operation. We then compared against our viewing experience benchmarks to compare relative performance and see where there is potential upside. We also compared against a variety of other South East attractions from our database.
- Compared to the benchmark penetration rates during the first two years penetration of the primary market has been strong, whereas penetration of the secondary markets has been relatively weak. The novelty factor (or champagne effect) is likely to be impacting the strong performance of the primary market and the sheer scale (and the presence of a number of viewing decks) of the secondary market – which includes London – is likely to be impacting the latter performance. Capture of the domestic tourists is in line with expectations but across the international market there is room for improvement.

# Attendance

- For each year of the model we have utilised the forecast resident and tourist market growth alongside our view on likely market penetration. Since opening there has been something of a tapering off in market penetration, with a drop in each market segment. Our regional and international benchmarking analysis suggests there is perhaps some upside in penetration terms (as mentioned) but we feel that without a significant improvement in marketing budget (and potentially strategy) that during the current year, performance is likely to again be lower than the previous year (we forecast around a 15 percent decline in attendance compared to last year). We have a couple of months of data which suggest a larger month on month decline as compared to the last financial year but anticipate that it should be possible to better this.
- We are aware that new and experienced leadership is in place and we feel that the attendance decline can be arrested and turned around, as long as there is a significant and sustained increase in marketing spend (see later). Indeed our assumptions regarding attendance turnaround are predicated on increased marketing budget and assume an excellent strategy and campaigns aligned with attractions industry best practice.
- We for the moment assume that this turnaround will be in evidence in the year beginning July 2019, clearly any more rapid turnaround would be a welcome upside. We have assumed a decline in the primary market this year but then over the next few years an increase in penetration to year one levels. Across the secondary market again we assume a decline this year but then an increase to above year one levels assuming an effective marketing campaign and a better capture of that market. It will be costly to reach this dense population but it is certainly critical if significant attendance upside is to be realised. For both the domestic and intentional tourist markets we have assumed a decline but then improvement in penetration to benchmark levels. Our analysis suggests slightly fewer than 300,000 visits during the current year to July 2019 building towards 500,000 over the next several years.
- We do not envisage an outperformance of the benchmark penetration rates as the site and experience are perhaps not as compelling as some of the iconic viewing towers / decks that are included within our benchmarks. While the design and engineering are undoubtedly as compelling as other leading viewing attractions, the view offers a perhaps less intense experience. Indeed, we would hope that the visitor experience could be enhanced a lot within the capsule to make the viewing experience more engaging and interesting.

# Revenues

- We have reviewed **pricing** at the i360 and our assessment suggest that that the lead price is broadly appropriate. Prices at viewing towers are always higher than other commercial attractions on a price per hour basis (or, Entertainment Value according to industry parlance). However, when compared to other viewing towers that are within the secondary market, such as the London Eye which basic price is around at c. £25, the Shard at £32, and the Spinnaker Tower at £11.00 where the price is less but arguably without the movement the experience is less impactful. The price at the i360 has increased from £15.00 on opening to £16.50 now, representing a 50p increase each year (assuming no further impending increases). We feel the price is reasonable and have assumed a three percent growth going forward (which essentially equates to a 40p increase year on year).
- We note from our review of existing performance that the **admission yield** is high. For most viewing attractions we would expect an admission yield of around 65 percent. At i360 for the past two yours the yield has been around the 75 percent mark. Whilst this can be viewed in a positive light in fact we feel there may be room for some carefully chosen promotions and discounting to capture that secondary resident market in particular to help push attendance – we have reduced to 60 percent over the next few years to stability.
- We have allowed for growth in **concession income** at 1.5 percent. We have assumed that these income streams are somewhat decoupled from attendance since these elements are also available to the wider public using the beach, promenading etc. For in-house **food and beverage** we have also based this on per-capita spend allowing a 1.5 percent growth. Over the past few years inflation in the UK has been around this mark and therefore we have assume spend per head increases at this rate – clearly more visitors will drive the revenues from this element further.
- Again, for **retail** and other spend per head we have grown in line with forecast inflation - we have no reason to expect an increase or decline other than this.
- In respect of **sponsorship** the first two years resulted in revenues of £467,000 and £430,000 respectively. For this year we have assumed £300,000 and the same in subsequent years. Clearly if the sponsorship is lost or restricted this would have a significant impact on the forecasts but there could also of course be upside if stronger visitation allows for a positive renegotiation..

# Expenses

- In respect of **Cost of Goods Sold** (COGS) we have retained these at current ratios as we have no reason to adjust one way or the other as norms are broadly reflected in the current performance.
- We are concerned that **marketing** spend has understandably been cut and feel that it is now too low as compared to comparables to allow for a significant turnaround. We note that it was actually much lower than we would have expected in the first season and feel that an opportunity has been somewhat missed in regards to creating a major impact with the early marketing.
- We would expect marketing spend to be between eight and 10 percent of revenues, whereas it was a six and four percent during the first two years. Our forecasts are predicated on the fact the marketing spend increase and we have assumed that the marketing budget improves in year two of the forecasts to reflect attraction industry norms. Beyond budget, we assume an optimised marketing strategy as well as highly experience and focussed management optimising performance. Our work assumes no further major outages for the attraction or further significant negative press
- Considering **staff costs** we have allowed for some further modest reduction in staff costs in the current year, assuming some reduced staff requirements linked with lower visitor numbers and potentially some economies in headcount / hours. In absolute terms we have allowed staff to stabilise at around £1.9 million annually before growing modestly, broadly aligned with inflation.
- We have reviewed other operating expenses by broad category. **Repairs and maintenance** are assumed to increase and remain at between four and five percent of revenues going forward, **utilities** to remain at around three percent of revenues, **insurance** at around three percent. We have assumed a slightly higher **'other'** cost ratio this year as some costs are fixed and therefore with lower revenues the ratio will be higher, but our forecast cost as a percent of revenues settles at 13.5 percent, broadly in line with norms.



# Profit & loss

- We illustrate the forecast profit and loss for this scenario over-page. We note that the cash flow forecast being prepared by GVA must also consider required **reinvestment**. As a rule of thumb we would normally expect six to ten percent of revenues being allocated to reinvestment. We note that with viewing attractions this can be more modest on occasion as the view is the core experience. We would nevertheless recommend allocating at least five percent of revenues to a reinvestment fund.
- As we understand it, there has been some discussion about a **management company** could be engaged. Having been open for over two years now and having recently recruited experienced leadership, we would hope our forecasts can be realised. While there is the possibility to bring in a management company this clearly comes at a cost. A management company would of course also incur further costs of between four to seven percent of revenues which may include some senior team members. In our opinion there is merit in the new leadership carefully right sizing the team and streamlining operations and implementing a greater marketing budget and more effective marketing approach and we feel this should be worked through and the results assessed before taking the step to bring in a management company with an additional cost to the business. In our view the attraction needs to be run in a highly commercial manner, containing overhead, understanding and addressing the market with timely promotions and great marketing. We believe with this approach reasonable operating profits can be made. While the experience is good and an operating profit can be achieved, the challenge remains that the initial capital cost was not aligned with the business' operating potential.
- We do feel there could be some upside around our scenario. We have taken a fairly prudent view of the current financial year (although our forecast attendance tracks higher than month on month performance against last year for the year to date) and a positive impact from new management may be felt sooner. Without certainty that more will be spent on marketing, with a coherent strategy, we feel it is right to take the view that a turnaround will take some time, but it may be that a more positive outcome can be achieved this year. We do also believe there may be opportunities to monetise the upper deck area and achieve additional operating profit but we are reticent to include income that may require a capital injection to achieve.

DRAFT

## i360 Projected Profit & Loss [in £, GBP]

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	1	2	3	4	5	6	7	8	9	10
	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
<b>Revenues</b>										
Annual POP Attendance	441,937	347,055	290,049	364,860	433,207	486,419	491,850	497,371	502,986	508,695
<b>Revenues</b>										
Admissions	4,311,800	3,387,359	2,672,079	3,255,413	3,791,616	4,385,069	4,567,045	4,756,863	4,954,876	5,161,455
Retail	469,445	406,472	344,802	440,240	530,550	604,654	620,576	636,955	653,807	671,148
F&B	1,544,277	1,415,449	1,271,054	1,510,736	1,737,980	1,925,715	1,971,347	2,018,199	2,066,308	2,176,138
Room hire	284,399	374,616	374,616	380,236	385,939	391,728	397,604	403,568	409,622	415,766
Other	36,765	36,924	31,322	39,992	48,195	54,927	56,373	57,861	59,392	60,967
Sponsorship	467,000	431,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
<b>Total Revenue</b>	<b>7,113,687</b>	<b>6,051,820</b>	<b>4,993,873</b>	<b>5,926,617</b>	<b>6,794,280</b>	<b>7,662,094</b>	<b>7,912,945</b>	<b>8,173,447</b>	<b>8,444,006</b>	<b>8,785,474</b>
<b>Cost of Goods Sold</b>	<b>991,610</b>	<b>877,125</b>	<b>773,448</b>	<b>931,464</b>	<b>1,081,210</b>	<b>1,072,613</b>	<b>1,098,827</b>	<b>1,125,757</b>	<b>1,153,427</b>	<b>1,206,029</b>
<b>Gross Margin</b>	<b>6,122,076</b>	<b>5,174,695</b>	<b>4,220,426</b>	<b>4,995,153</b>	<b>5,713,071</b>	<b>6,589,480</b>	<b>6,814,119</b>	<b>7,047,690</b>	<b>7,290,579</b>	<b>7,579,445</b>
<b>Operating Costs</b>										
Staff Costs	1,867,695	2,131,379	1,872,703	1,866,884	2,174,170	2,298,628	2,373,884	2,452,034	2,533,202	2,635,642
Marketing Expenses	405,333	226,440	199,755	533,396	611,485	612,967	633,036	653,876	675,520	702,838
Repairs and Maintenance	559,890	184,415	199,755	266,698	339,714	306,484	316,518	326,938	337,760	351,419
Utilities	86,388	169,699	149,816	207,432	203,828	229,863	237,388	245,203	253,320	263,564
Insurance	136,006	163,588	174,786	207,432	203,828	229,863	237,388	245,203	253,320	263,564
Admin, general & other	1,242,392	815,320	799,020	888,993	951,199	1,034,383	1,068,248	1,103,415	1,139,941	1,186,039
<b>Total Operating Costs</b>	<b>4,297,704</b>	<b>3,690,842</b>	<b>3,395,834</b>	<b>3,970,834</b>	<b>4,484,225</b>	<b>4,712,188</b>	<b>4,866,461</b>	<b>5,026,670</b>	<b>5,193,064</b>	<b>5,403,066</b>
<b>EBITDA</b>	<b>1,824,372</b>	<b>1,483,853</b>	<b>824,592</b>	<b>1,024,319</b>	<b>1,228,845</b>	<b>1,877,293</b>	<b>1,947,657</b>	<b>2,021,020</b>	<b>2,097,515</b>	<b>2,176,378</b>
<b>EBITDA Margin</b>	<b>25.6%</b>	<b>24.5%</b>	<b>16.5%</b>	<b>17.3%</b>	<b>18.1%</b>	<b>24.5%</b>	<b>24.6%</b>	<b>24.7%</b>	<b>24.8%</b>	<b>24.8%</b>

Source: Leisure Development Partners

Note: EBITDA excludes interest payments