

Liseberg Waterpark & Hotel Study

Presented to:

Liseberg

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Leisure Development Partners LLP

Contents

Introduction	6
Introduction	6
Disclaimer.....	6
Available Markets	7
Introduction	7
Resident Market.....	7
Resident Market Size	7
Resident Market Characteristics	9
Tourist Market	10
Tourist Market Size	10
Tourist Market Characteristics.....	12
Summary & Implications.....	14
Site Assessment	15
Introduction	15
The Site	15
Liseberg Theme Park Performance.....	18
Introduction	18
Attendance.....	18
Seasonality	19
Visitor Mix and Market Penetration	20
Average Length of Stay (ALOS) and Entertainment Value	22
Operating Performance	23
Per Capita Spends and Revenue Mix	23
Operating Expenses and EBITDA Margin	24
Summary & Implications.....	25
Waterpark Benchmarking.....	26
Introduction	26
Evolution of the Waterpark & Overview	26
Visitor Origin & Market Penetration.....	28
Indoor Waterparks.....	28
Outdoor Waterparks & Resort Waterparks	29
Revenues.....	30
Cost of Goods Sold	31

Operating Expenses	31
Summary and Implications	32
Peripheral Uses at Theme Parks	33
Introduction	33
Second Gate	33
Entertainment Districts -- Retail, Dining and Entertainment (RDE) Zones	33
Retail Centres.....	34
Shows / Events.....	34
Accommodation.....	35
Summary and Implications	37
Waterpark Attendance	39
Introduction	39
Market Penetration & Attendance	39
Off-Site Markets.....	39
On-Site Markets	41
Summary and Implications	42
Waterpark Revenues & P&L.....	43
Introduction	43
Per Capita Spend & Revenues.....	43
Per Capita Spend.....	45
Other Revenues	46
Operating Costs.....	46
Staffing Requirements	46
Other Operating Costs	48
Profit & Loss.....	49
Summary and Implications	49
Waterpark Physical Planning	51
Introduction	51
Design Day Assessment	51
Retail	52
Food & Beverage.....	52
Parking	54
Gothenburg Hotel Market Analysis	55
Introduction	55
Market Context.....	56
Current Supply Characteristics.....	57

Brand Representation	59
Characteristics of Demand.....	60
Market Mix.....	60
Room Occupancy Seasonality	61
Room Rate Seasonality	63
Seasonal Rooms Department Revenues Per Available Room (RevPAR).....	64
Weekend / Weekday Seasonality - OCCUPANCY.....	65
Weekend / Weekday Seasonality – AVERAGE DAILY (Room) RATE (ADR)	66
Weekend/Weekday Seasonality – AVERAGE REVENUE per AVAILABLE ROOM (RevPAR)	66
Average Length of Stay (ALS)	67
Geographic Source Markets.....	67
Operating Characteristics.....	68
Average Annual Room Occupancy	68
Average Room Rate	69
Rooms Department Revenues Per Available Room (RevPAR).....	70
Revenue Mix	70
Operating Costs.....	71
Future Hotel Supply	72
Summary and Implications for the Study Site	73
Development Rationale: Water Park Hotel	75
Introduction	75
Water Park Resort Hotel Development Rationale	75
Resort Hotels in Integrated Environments	76
Integrated Resort Hotel - Amenity Provision.....	76
Integrated Resort Hotel - Conference Facilities.....	76
Water Park Hotel Development Programme Implications for This Project.....	77
Key Water Park Resort Hotel Markets	77
Traditional Leisure Tourist Markets	78
Meetings, Incentive, Conference & Events (MICE) Markets.....	78
Corporate Markets.....	78
Other Markets.....	78
Financial Projections: Water Park Hotel	79
Water Park Hotel - Programme Description	79
Introduction	79
Rooms and Suites.....	79
Restaurants, Bars, and Entertainment.....	80

Conference / Meeting / Function / Private Dining Facilities.....	80
Amenity Spa	81
Hotel Health, Fitness and Leisure Facilities.....	81
Other Family-Friendly / Children’s Facilities	81
Retail	82
Other	82
Water Park Hotel Development Recommendations Summary	82
Liseberg Water Park Hotel – Financial Projections	84
Introduction	84
Room Occupancy	84
Double Occupancy and Average Length of Stay	87
Market Mix.....	88
Achieved Average Room Rate.....	89
Proposed Tariff.....	89
Discounts and Sector Rates.....	90
Food and Beverage	92
Spa Facilities.....	94
Minor Operated Departments.....	95
Rental and Other Income.....	96
Operating Costs.....	96
Profit and Loss.....	98
Base Management Fee	98
Fixtures, Fittings and Equipment (FF&E) Replacement Reserve.....	98
Incentive Management Fee	98
Profit and Loss.....	98
Comment	99

Introduction

Introduction

Leisure Development Partners LLP (LDP) is a specialist firm in leisure real estate economics and operational advice. We work worldwide for new and existing leisure and entertainment projects to help them achieve economic viability. Our experience includes all forms of leisure real estate, from visitor attractions, to sports and music venues, resorts and retail & entertainment developments.

LDP has been commissioned by Liseberg to provide a feasibility study for a proposed waterpark and hotel development at Liseberg which would complement the existing theme park.

Liseberg is a proven innovator in Europe having been through significant expansion despite its site constraints; having perfected the Christmas opening which significantly boosted performance, and the proposals to open for Halloween, the waterpark and resort enhancement appear logical steps in the continued evolution of Liseberg as a true European destination.

The report and analysis has been overseen by Michael Collins and Yael Coifman, LDP's Senior Partners and leisure economics specialists with over 30 years' experience between them in guiding leisure developers, operators and other stakeholders. James Kennard, a Partner in LDP, has led the research, analysis and writing of the report.

Disclaimer

This report is based on estimates, assumptions and other information developed by Leisure Development Partners (LDP) from its independent research effort, general knowledge of the industry and consultations with management at various businesses and stakeholders near the site and other comparable developments elsewhere. No warranty or representation is made by LDP that any of the projected values or results contained in this Report will actually be achieved.

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Available Markets

Introduction

In the following section we evaluate the size and profile of the available markets for the proposed developments at Liseberg. Normally attendance levels at visitor attractions are a function of a range of factors including: the size and characteristics of available resident and tourist markets; the extent and nature of competitive facilities; and the quality, marketing and management of the developed components. In this section we investigate the size and profile of the available markets.

Liseberg is a unique theme park experience located just to the south of Gothenburg city centre, but still well within the main city limits. The proposals are for the waterpark (and hotel development) to be located adjacent the existing park with clear linkages between the components. This market section is most relevant to the proposed waterpark as the method of estimating potential is derived directly from the available markets.

Resident Market

Resident Market Size

We have measured the available markets based upon drive-time isochrones. Entertainment orientated attractions and museums tend to draw the bulk of visitors from within 60 minutes, with the most local residents visiting more often. But the larger attractions, including theme parks, can draw from up to two hours away.

Waterparks have a relatively wide reach and therefore in this instance it is appropriate to review a two hour resident market. Due to diminishing propensity to visit as drive-time increases, we subdivide the resident market into two markets for an attraction: the 0-60 and 60-120 minute drive-times. Those people visiting the site but who live more than two hours from the site are likely to stay in the area overnight and are thus considered in the domestic tourist market.

We have further split the primary (0-60 minute market) into a 0-30 and 30-60 minute markets to demonstrate the proximity of the markets to the site. It should be noted at this juncture, that in general most leisure and tourism real estate developments derive the majority of visits from their resident markets as opposed to the tourist markets.

Figure 1 demonstrates the extent of the various drive-time isochrones. The 0-30 minute market covers the Gothenburg urban area whilst the 30-60 minute band covers a much wider area, but an area which is relatively sparsely populated. The two hour market reaches all the way south to Helsingborg and north to the border with Norway.

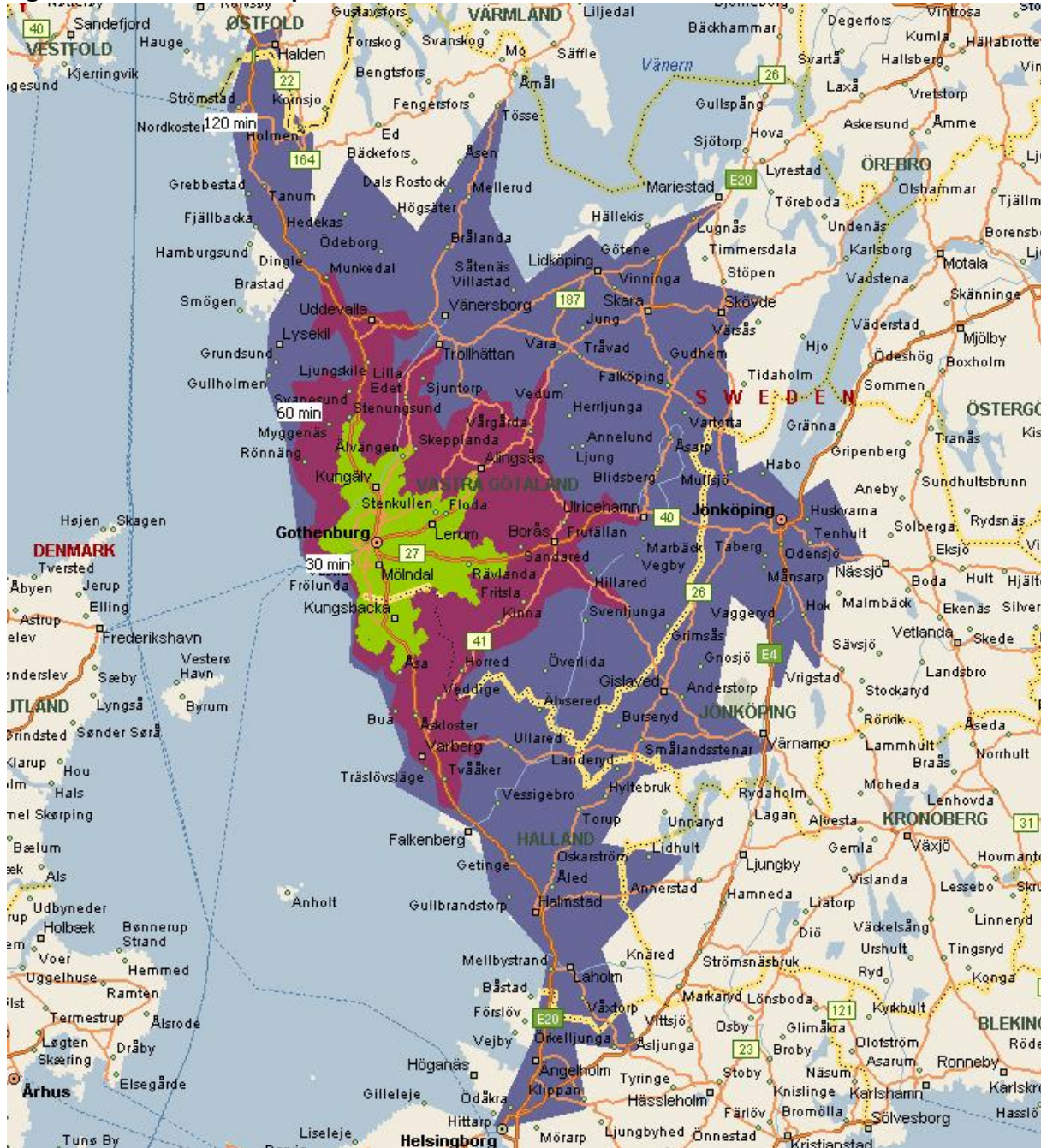
Figure 2 summarizes the available resident markets. In 2013, the estimated total population within two hours of the site is projected was approximately 2.1 million. The 0-60 minute drive time (including the 0-30 and 30-60 minute drive times) accounted for around 1.4million (or 66 percent of the total market) and the secondary market the remaining 0.7 million (34 percent).

Compared to other markets for major theme parks in Europe these market sizes are relatively modest although with a large proportion of the resident market right on the doorstep of the park.

To achieve estimates of future populations we have taken historic population growth rates (20 years from 1993 to 2013) and applied these going forward. Official projections are available but not at a localized level.

Overall we expect the markets to grow at a fairly modest 0.5 percent per annum, with marginal differences across the markets. This would push the total resident market slightly from 2.1 million in 2013 to 2.2 million by 2023.

Figure 1 – Catchment Map



Source: MapPoint and LDP

Figure 2 – Available Resident Markets

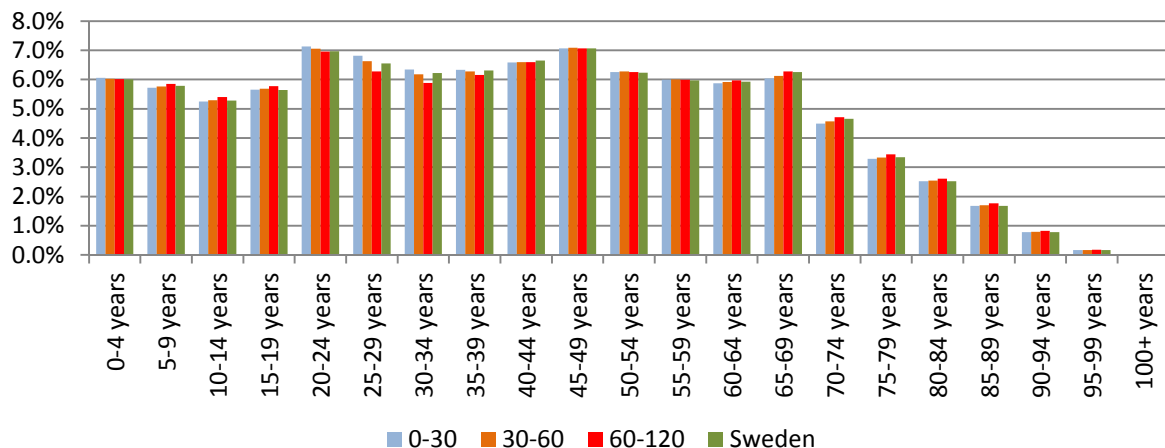
Market category	Catchment Size	2013	Market Size		CAGR
			2018	2023	
Primary	0-30 minutes	1,080,489	1,107,716	1,135,630	0.50%
Primary	30-60 minutes	288,289	296,028	303,975	0.53%
Secondary	60-120 minutes	696,186	716,211	736,811	0.57%
Total residents	0-120 minutes	2,064,963	2,119,955	2,176,417	0.53%

Source: LDP

Resident Market Characteristics

The age profile of the three drive time isochrones are shown compared to Sweden in Figure 3. The chart shows two peaks, with a high proportion of residents in the 20-24 and 45-49 age categories. Overall there are relatively few residents in the lower age categories when compared to emerging markets. This is quite typical of advanced economies where residents are living longer and having fewer children than a generation ago. There is little variation across the various market segments or indeed compared to Sweden as a whole.

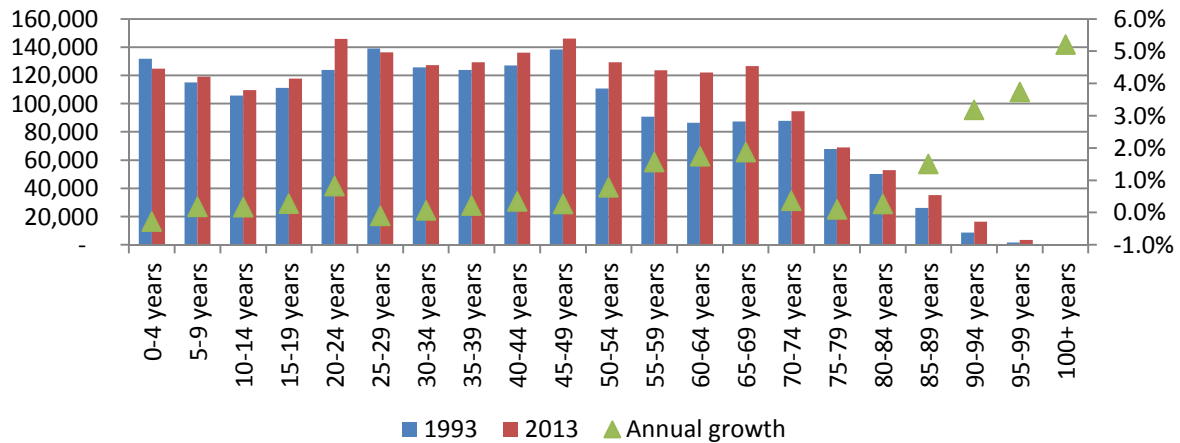
Figure 3 – Age Profile of Catchment, 2013



Source: Statistics Sweden & LDP

In Figure 4 we also show the evolution of the population over the past 20 years. It is clear from the chart that the population is aging, with rapid annual growth (albeit from a low base) across the older age categories.

Figure 4 – Age Profile Change



Source: Statistics Sweden & LDP

We have also analyzed the levels of net disposable income across each of the drive time isochrones in comparison to national levels (Figure 5). Based on levels of household disposable income, on a per capita basis, we can see that Gothenburg and the surrounding regions are slightly less well off when compared with the national benchmark. Whilst a wealthier population is more desirable for any leisure orientated attraction, the difference between the local and national levels is marginal and in reality will have little negative impact on visitation and visitor spend.

Figure 5 - Disposable Income of Households Per capita

	2003	2013	CAGR
0-30	136,000 kr	181,000 kr	2.9%
30-60	136,709 kr	183,405 kr	3.0%
60-120	136,072 kr	182,198 kr	3.0%
Sweden	138,000 kr	184,000 kr	2.9%

Source: Statistics Sweden & LDP

Tourist Market

Tourist Market Size

The tourist market is likely to also provide a very important source of visitors to the proposed development. Tourists generally travel for up to a maximum of one hour from their holiday base when visiting attractions. Therefore we have defined the tourist market as comprising people staying away from home in locations within one hour's drive of the site.

In our work we have found that it is extremely rare for tourists to travel more than one hour from their holiday accommodation for day out entertainment and leisure amenities. As such, to look at a broader market definition would likely significantly overstate potential demand. We subdivided the market into domestic and international tourists as behavior can vary between these groups.

Such a market definition allows comparison of market size and potential at the proposed project to existing leisure developments and attractions around the world (and is critical for the penetration analysis we have used to forecast attendance).

In Figure 6 we summarize the available tourist markets. As shown in the table, before we qualified the markets, the total projected tourist market in 2013 equals 3.6 million, growing to 4.3 million in 2023. Of these, around 75 percent are international tourists and the remaining 25 percent are international tourists.

Figure 6 – Available Tourist Markets

Market category	Catchment Size	Market Size			CAGR
		2013	2018	2023	
<u>Unqualified markets</u>					
Domestic tourists	0-60 minutes	2,723,866	3,007,368	3,320,378	2.00%
International tourists	0-60 minutes	903,552	3,320,378	973,652	0.75%
Total tourists	0-60 minutes	3,627,418	6,327,746	4,294,029	1.70%
<u>Qualified markets</u>					
Domestic tourists	0-60 minutes	3,058,125	3,376,417	3,727,837	2.00%
International tourists	0-60 minutes	903,552	3,320,378	973,652	0.75%
Total tourists	0-60 minutes	3,961,676	6,696,794	4,701,488	1.73%
Source: LDP					

Source: LDP

The qualified tourist markets, also shown, are slightly larger. The qualified markets exclude the tourists staying within the catchment market area who also live within the resident market. This step is undertaken to prevent them from being double counted, and missing this step has the potential to significantly overstate potential demand. To perform the qualification both quantitative and qualitative information relating to the tourist origin of each contributing region was reviewed. Those found to live within the two hour resident market were then removed from the forecast. This step includes the removal of domestic tourists (e.g. Swedish tourists who live within the two hour resident market but also go on holiday within the one hour tourist market in Sweden). With the two hour resident market capturing around 20 percent of Swedish residents, we have reduced our unqualified domestic tourist markets by this amount.

Removing the tourists who reside within the resident markets is the first step. The next step is to factor in tourists who are not included within the official tourist statistics. Tourist statistics include those staying in hotels, holiday villages, youth hostels, camping and commercially rented cottages / apartments, but do not include those staying with friends and relatives. We have estimated this figure to be around 30 percent for domestic tourists and therefore have factored these people in. We assume that the vast majority of international tourists stay in some form of registered accommodation.

After qualification, the domestic tourist market equates to 3.1 million and the international tourist market is unchanged at 0.9 million, with international tourists now accounting for 77 percent of the total tourist market.

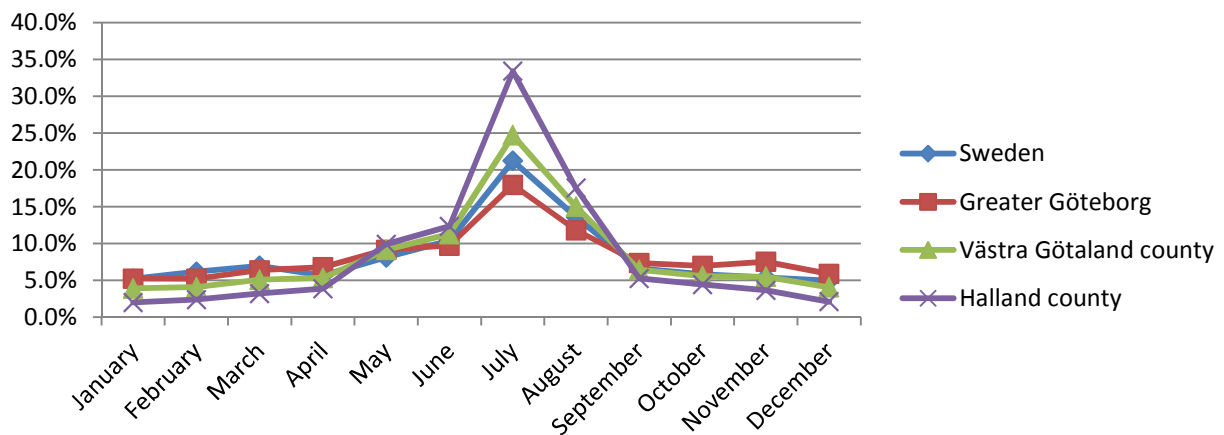
The forecast tourist markets are based on historic growth rates. We have applied a growth rate of 2.0 percent to the domestic tourist market and a lower 0.75 percent growth per annum to the international tourist market. Applying these annual growth rates means that the total tourist market is projected to grow from 4.0 million in 2013 to 4.7 million in 2023.

Tourist Market Characteristics

The characteristics of the tourist markets are very important in understanding how tourists are likely to behave. In this subsection we investigate the tourist market profiles.

Figure 7 shows the seasonality of tourists to the region against national levels. Whilst the 0-60 minute drive time covers part of Västra Götaland and Halland county, the area most pertinent to the 0-60 minute primary market is the Greater Gothenburg area. While the seasonality is quite peaked, with a particularly high proportion of visitors arriving in July, Gothenburg is slightly less seasonal than the surrounding regions and Sweden as a whole. This probably reflects that fact that city breaks are typically less seasonal.

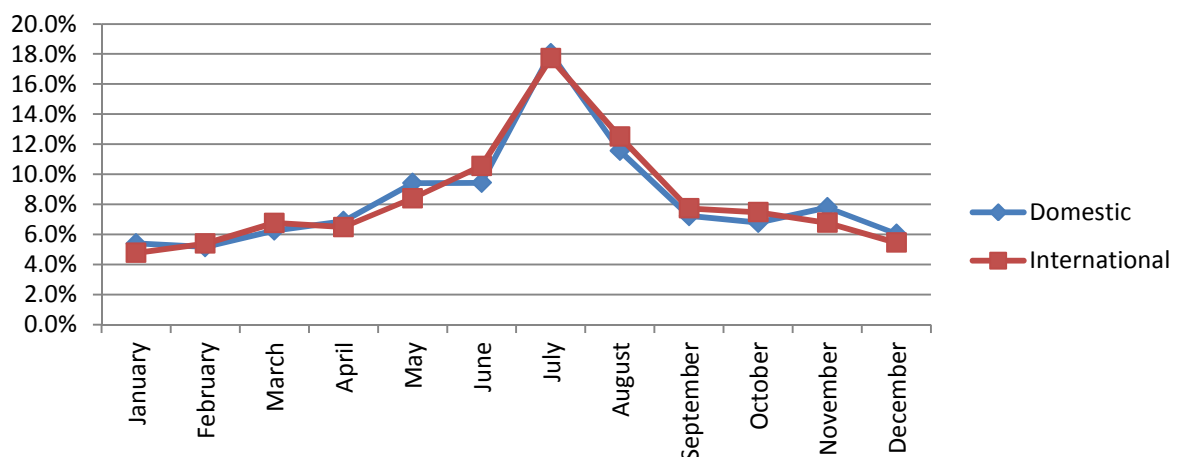
Figure 7 – Seasonality of Overnight Tourists, 2013



Source: Statistics Sweden & LDP

The seasonality of domestic and international tourists is very similar, with visitation patterns closely tracking each other (Figure 8). July is clearly the busiest month for both domestic and international tourists.

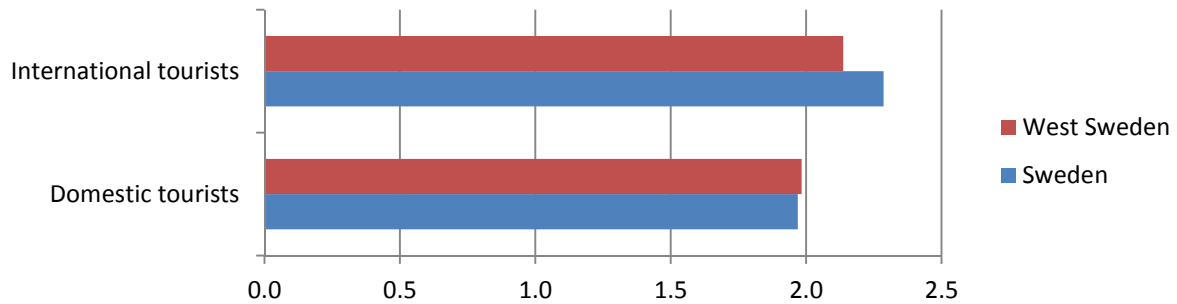
Figure 8 – Seasonality of Overnight Tourists to Greater Gothenburg, 2013



Source: Statistics Sweden & LDP

Figure 9 shows the average length of stay of tourists across West Sweden (where Gothenburg sits) and Sweden as a whole. On average international tourists stay 2.1 nights and domestic tourists stay 2.0 nights. Typically international tourists have a longer length of stay but the popularity of shorter city breaks probably brings the average length of stay down.

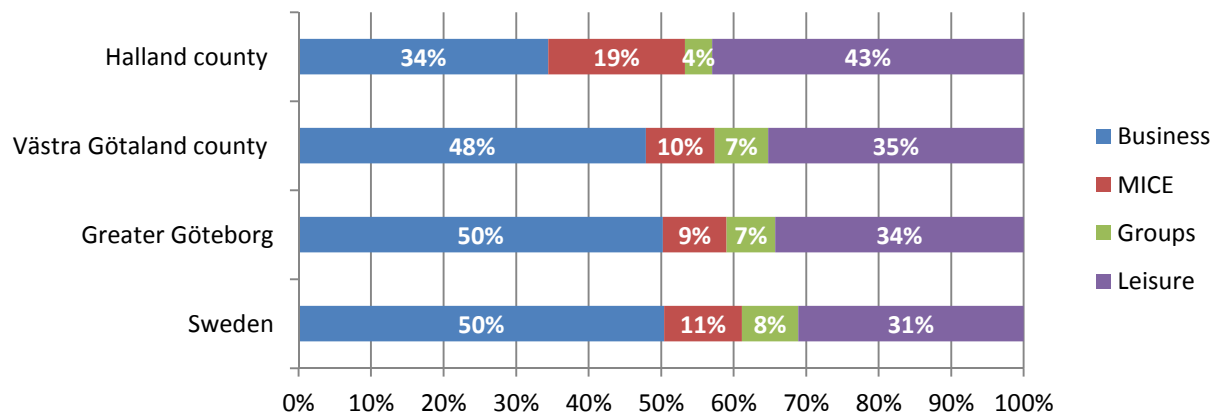
Figure 9 – Average Length of Stay



Source: Statistics Sweden, Eurostat & LDP

Figure 10 shows the purpose of visit of tourist to the various geographic areas. Across the Greater Gothenburg area 34 percent visit for leisure compared to 50 percent business. This is quite a high proportion visiting for business, and these groups are considered less likely to visits something such as a waterpark. However, this could represent an opportunity for the hotel component separately.

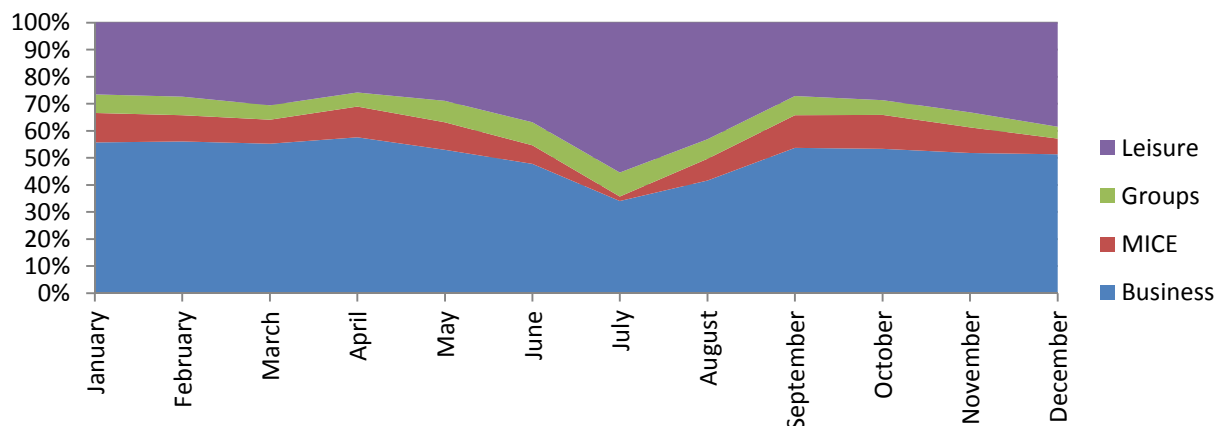
Figure 10 –Purpose of Visit, 2013



Source: Statistics Sweden & LDP

The main purpose of visit fluctuates according to the time of year, with leisure visits increasingly a portion of the total visits during the peak summer months (Figure 11).

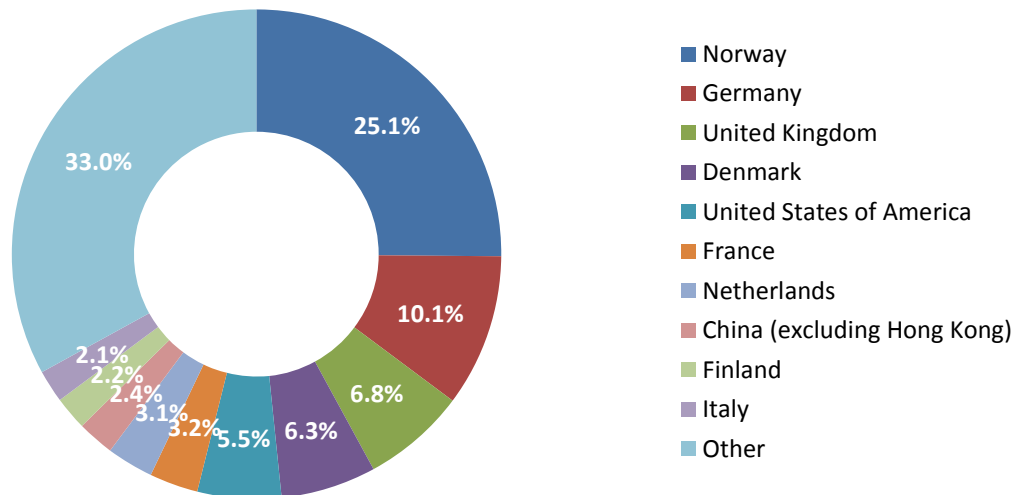
Figure 11 –Purpose of Visit Mix, by Month, 2013



Source: Statistics Sweden & LDP

Domestic tourists to Greater Gothenburg account for 75 percent of visitors. The key source markets which account for the remaining 25 percent are shown in Figure 12. Neighbouring Norway easily accounts for the greatest number of visitors to the Greater Gothenburg area, representing 25 percent of visits. Germany (10 percent), United Kingdom (7 percent), and Denmark (6 percent) are the other main source markets.

Figure 12 – Source of International Tourists, Greater Gothenburg, 2012



Source: Official Statistics & LDP

Summary & Implications

Understanding the size and characteristics of available resident and tourist markets is a critical first step in assessing the potential for the proposed waterpark development. The methodology we use is standard for our industry and allows for benchmarking with regional and international comparables.

The resident markets for Liseberg are relatively modest when compared to those of most other major European parks, but a high proportion of the population is located within 30 minutes of the park which is a positive factor. The tourist markets are also quite modest, with around three quarters being domestic tourists and the remaining being international tourists. The average length of stay is quite short at around two days, the seasonality is very peaked (with July being the peak month) and the key international source market is Norway, reflecting 25 percent of international visitors.

Site Assessment

Introduction

This section of the document provides a review of the proposed site for the proposed waterpark & hotel. Clearly the positives and negatives associated with the site are well known to the client team but this provides an independent overview of the suitability of the site to this kind of development.

The Site

Our typical check list when reviewing the suitability of sites for developments of this nature consists of the guidelines illustrated below. While not all are relevant in every situation, it is desirable to achieve a significant proportion of the following criteria.

The site should:

- Have direct access to/from a major road and a major public transportation link.
- Have strong regional transport links by road.
- Be within easy access of a significant resident market base.
- Be proximate to tourist markets and various forms of tourism accommodation.
- Be of a size and scale to allow the creation of a critical mass of activity required to generate attendance, or be in a location that benefits from the interest generated by other attractions and/or passing traffic.
- Be large enough to develop sufficient on-site parking.
- The size and shape of the site should be sufficient to account for the planned program and allow for a suitable flow from element to element.
- Be as flat as possible to minimize ground-shaping infrastructure costs.
- Be in a location where surrounding land uses are compatible with leisure development, i.e. not heavy industry or dense primary residential development.
- Be in single ownership or require purchase negotiations with few current owners.
- Be in an area with a positive image and in proximity to other complimentary visitor attractions or natural features.
- Not be bisected by any significant natural or man-made features such as rivers, canals, pipelines, power lines, roads or railway lines.
- Not include areas of significant scientific, ecological or environmental importance.

Figure 13 assesses the site in light of these criteria, scoring the site on a 1-10 basis (1 being very weak and 10 being very strong), and then weighting the criteria according to importance to this particular project.

As shown, accessibility to major and regional road links, and accessibility to quality public transport all score highly. The quality of the road links are obvious when approaching the site, but we have given the public transport link a very strong score based on the assumption that the proposed West Link railway is developed as planned, albeit in a few years' time. The impact of having improved direct public transport access to the site will enhance the likely success of the project, and will have a positive impact on market penetration rates across both the resident and tourist markets.

In the context of other large scale theme parks, the site has relatively modest resident and tourist markets (as discussed in the previous section), although the markets are easily accessible given the urban location. The majority of tourist accommodation is in Gothenburg itself and the 0-30 minute resident markets are relatively large as a proportion of the total resident market.

Access to the site is good in terms of road infrastructure and the proposed new West Link railway will also be a significant boon to residents and tourists living / staying in more central areas of Gothenburg. Clearly there are strong synergies between the existing theme park, the proposed waterpark, and hotel development, and therefore the site scores well in this regard.

From our perspective there appear to be relatively few man-made features which are likely to impede development or connectivity at the site, and no areas of scientific or ecological importance which would constrain development at the site. We are not aware of any ownership issues.

Having scored the site according to this range of criteria and weighted these criteria to reflect the concept, we have given the site a score for attraction development of **115 of out a possible 150** - a high score reflecting a strong site.

Figure 13 – Site Assessment for Liseberg Waterpark

		Weak										Strong
		Weighting	1	2	3	4	5	6	7	8	9	10
1	Accessibility to major road links	1.0								X		
2	Strength of regional road links	1.0								X		
3	Accessibility to major / quality public transport	1.0									X	
4	Access to a significant resident market base	1.5					X					
5	Proximity to tourist markets and accommodation	1.5					X					
6	Size and scale of development / critical mass of entertainment	1.0										X
7	Adjacency of other attractions / developments that drive passing footfall	1.0										X
8	Capacity to develop sufficient on-site parking	1.0							X			
9	Capacity to allow the planned programme and flow between elements	1.0								X		
10	Flatness of site to minimise ground-shaping infrastructure costs	1.0							X			
11	Compatibility of adjacent land uses i.e. not heavy industry	1.5									X	
12	Ownership and ease of purchase negotiations	1.0								X		
13	Image of immediate area and proximity to complimentary uses	0.5									X	
14	Impediment by natural or man-made features e.g. rivers, power lines	0.5						X				
15	Presence of significant scientific, ecological or environmental importance	0.5						X				

Source: LDP

Liseberg Theme Park Performance

Introduction

In this section we assess the current performance of Liseberg theme park by benchmarking against industry norms and other European theme and amusement parks. The most recent data and estimates for attendance, visitor mix, seasonality, average length of stay, and financial performance indicators have been provided by Liseberg.

Whilst not part of our scope of work this exercise helps to put the Liseberg operation in context of other European parks which will give us good pointers as to the potential for the proposed waterpark operation.

Attendance

Liseberg achieves strong attendance at around 2.8 million visitors per annum (in 2012). This ranks 7th highest in Europe which is an impressive performance when considering the parks that have higher (and indeed lower) attendances and the scale of the markets they sit within.

Figure 14 – Attendance levels at top European Theme & Amusement Park, 2012

#	Park	Location	Attendance	#	Park	Location	Attendance
1	Disneyland Paris	France	11,200,000	22	Flamingoland	UK	1,300,000
2	Walt Disney Studios Paris	France	4,800,000	23	Parque de Atracciones	Spain	1,261,000
3	Europa Park	Germany	4,600,000	24	Movie Park Germany	Germany	1,228,000
4	De Efteling	Netherlands	4,200,000	25	Hansa Park	Germany	1,200,000
5	Tivoli Gardens	Denmark	4,033,000	26	Chessington WOA	UK	1,200,000
6	PortAventura	Spain	3,439,000	27	Plopsaland De Panne	Netherlands	1,177,000
7	Liseberg	Sweden	2,756,000	28	Drayton Manor Park	UK	1,160,000
8	Gardaland	Italy	2,700,000	29	Slagharen	Netherlands	1,150,000
9	Alton Towers	UK	2,400,000	30	Linnanmaki Amusement Park	Finland	1,000,000
10	Legoland Windsor	UK	2,000,000	31	Walibi Belgium	Belgium	950,000
11	Thorpe Park	UK	1,800,000	32	Walibi Holland	Netherlands	850,000
12	Phantasialand	Germany	1,750,000	33	Bellewaerde	Belgium	750,000
13	Parc Asterix	France	1,723,000	34	Tampereen Sarkanniemi	Finland	700,000
14	Futuroscope	France	1,700,000	35	Bobbejaanland	Belgium	700,000
15	Legoland Billund	Denmark	1,650,000	36	Djurs Sommerland	Denmark	620,000
16	Puy du Fou	France	1,600,000	37	Farup Sommerland	Denmark	602,000
17	Grona Lund	Sweden	1,408,000	38	Holiday Park Plopsa	Netherlands	550,000
18	Mirabilandia	Italy	1,390,000	39	Toverland	Netherlands	515,000
19	Duinrell/Attraktiepark	Netherlands	1,360,000	40	Belantis	Germany	500,000
20	Heide Park	Germany	1,300,000	41	Walibi Rhone Alps	France	500,000
21	Legoland Deutschland	Germany	1,300,000	42	Walibi Sud Ouest	France	293,000

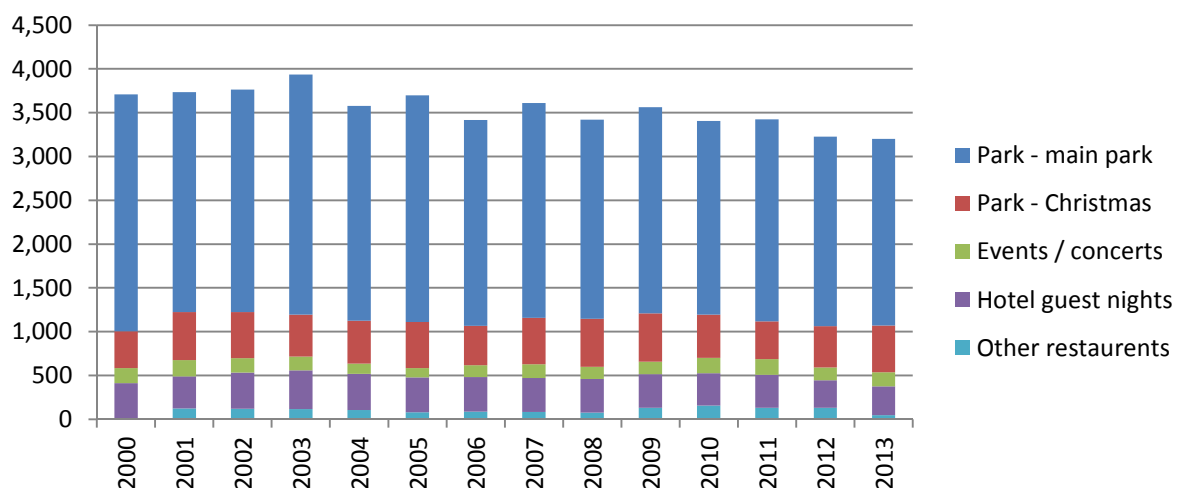
Source: Individual attractions & LDP

Disneyland Paris and Walt Disney Studios are major destination parks in one of Europe's biggest markets, Europa Park is an established destination park, De Efteling is another established destination in a large market, and Port Aventura is a destination park in a very strong tourist destination

Tivoli Gardens in Copenhagen is the most comparable park in terms of location (within an urban environment) and also offers a similar pricing structure (reduced admission coupled with pay-as-you-go ride access), but is also in a bigger market. After these, Liseberg is the next most popular, and as we have shown, is located in fairly modest markets. We would note that the pricing structure at Liseberg lends itself to high levels of repeat visitation from the resident population, as opposed to the pay-one-price structure at most of the other parks in the list.

Figure 15 shows the evolution of attendance at Liseberg from 2000 to 2013. Attendance has remained fairly static over the past 10 years or so, although with a slight decline in numbers overall: the total visitor numbers in 2013 are 15% down on the 2000 figures. There has been a sustained and impressive program of capital investment which has managed to maintain attendances at strong levels despite the economic recession witnessed from 2008 to 2013.

Figure 15 – Historic attendance at Liseberg



Source: LDP

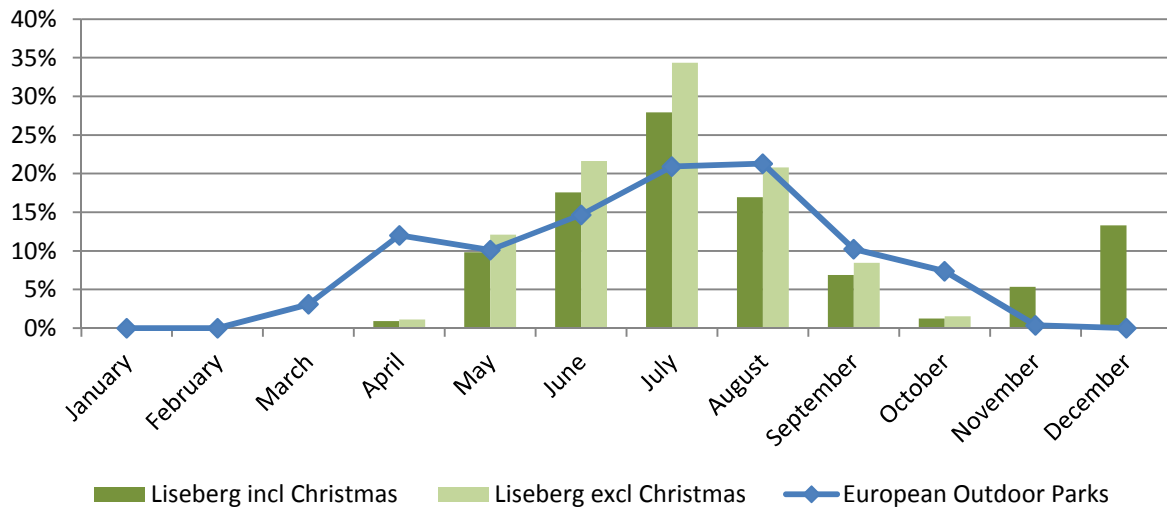
Seasonality

Liseberg is a highly seasonal park with the peak month of July accounting for 28 percent of the annual attendance, shown in Figure 16. This is more pronounced compared to the average seasonality curve at European outdoor parks but is similar to other Scandinavian parks (and some northern European outdoor theme parks driven in the main by the climate). In fact, many smaller Scandinavian parks are significantly more seasonal compared to Liseberg with peak months accounting for over 40 percent of annual attendance at times. If the impact of the Christmas opening on seasonality is eliminated, Liseberg would have theoretically reached 34 percent of annual attendance in July, closer to the regional comparable but still operating fairly efficiently due to the city centre location.

A challenge with heavily peaked seasonal pattern is the pressure on park's capacity during busy periods. We understand that Liseberg receives between 20,000 and 30,000 people on a busy day in

summer suggesting that the park can get fairly crowded, impacting queue times for attractions and the F&B experience.

Figure 16– Seasonality at Liseberg, 2013

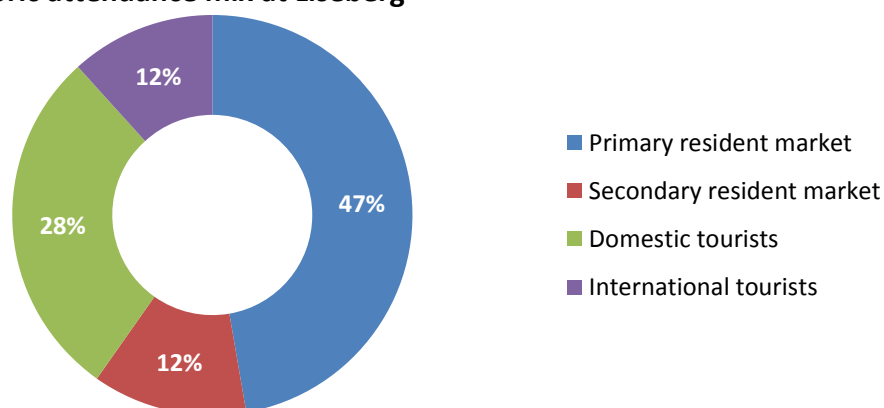


Source: Liseberg and LDP

Visitor Mix and Market Penetration

The following chart shows the current visitor mix at Liseberg. We took survey data provide by Liseberg management and attributed each visitor group to one of the four key market segments as defined in our market section i.e. primary and secondary resident markets, domestic tourists and international tourists. Primary residents (within 60 minutes' drive time) account for nearly half of all visitors. Being located in an urban environment, having a modest general admission charge compared to most parks of this scale, and a good number of season pass holders (there were around 65,000 season pass holders and 180,000 season pass holder visits in 2013) drives the primary resident market numbers.

Figure 17 – Historic attendance mix at Liseberg



Source: LDP

The market mix is useful in understanding the key drivers of demand, but to put in context of other leading theme parks around Europe and the world, we assess market penetration. Market penetration rates reflect the percentage of a market segment that visits a given attraction each year. Figure 18 shows market penetration rates at selected international theme parks. The Figure shows

the wide variation in market penetration rates which reflects different scales of parks in differing markets. We have shown a range, median and average as the market penetration rates for the individual parks are considered confidential.

Primary market penetration rates range significantly among the selected attractions. In most cases, primary resident market penetration rates are higher than penetration rates achieved in other markets. This reflects the fact that most parks around the world achieve a greater proportion of their attendance from nearby residents than from tourists.

Figure 18 – Liseberg Market Penetration Compared to European Parks



Source: Liseberg & LDP

As propensity to visit attractions decreases with travel time, secondary market penetration is generally significantly lower than primary market penetration and for many parks the penetration rate is equal to between a quarter and half of the primary market penetration rate.

Domestic tourist market penetration rates are generally fairly similar to secondary resident market penetration rates, except in instances where the scale of the attraction is sufficient to become the driver of domestic tourism, where an attraction is located in a major tourist centre, or where a small market and limited competition allows for a higher penetration rate.

International tourist market penetration rates for most European parks are modest, with just a few exceptions. In the case of Disneyland Paris, the resort acts as a driver for international tourism and performs well in this market. In a small number of other cases, the parks successfully attract significant international visits through a strong brand or targeted marketing or through being well located for nearby resort guests (e.g. Port Aventura). The figures in our chart include the major destination parks in Europe, which somewhat distorts the median and average domestic and international benchmarks.

Overall, there is a relatively strong pattern with major parks with highly entertainment orientated themes with broad market appeal, achieving significantly higher penetration rates than smaller operations, or those with educational or cultural themes, or a more niche appeal. The strongest penetration rates are achieved by heavily invested destination parks (some of which are branded and others not--although the very top performers are branded) typically offering multiple attractions, hotels, amenities and other broad ranging facilities.

Liseberg outperforms the theme park market in its resident markets penetration rates by a large margin. However, Liseberg is not a usual theme park as it is located in the city centre and allows access to the park for a modest general admission fee to those not planning to take any rides. As a result, the park benefits from a strong repeat visitation from local residents visiting for the general environment, dining, events etc. Hence, the strong resident market penetration rates. In this sense, Liseberg is more comparable to parks like Grona Lund (Sweden) and Tivoli Gardens (Denmark). These parks also achieve very strong resident market penetration rates, however Liseberg significantly outperforms both parks in the primary market.

As for the tourist markets, Liseberg performs above the industry averages/ medians in both segments. In the domestic tourist penetration, the park is outperformed only by a few of the world's major destination parks such as, for example, Europa Park and Universal Studios. In the international tourist market Liseberg performs very well) and is only outperformed by one major US park in our sample. Liseberg also outperforms city parks such as Tivoli Gardens and Grona Lund.

Average Length of Stay (ALOS) and Entertainment Value

According to management the average length of stay is estimated at just under 5 hours (4 hours 55 minutes). This is a fairly modest length of stay which reflects strong repeat visitation and the fact that repeat visitors tend to spend less time at a park than first time visitors.

More and more European parks are attempting to extend their length of stay on property with night time dining, drinking, shows and events, although this is more easily achievable for Southern European parks located in warm climates. Liseberg's length of stay is broadly in line (although slightly on the lower side) with parks in Denmark, Norway, Sweden, Finland and Germany, where the length of stay averages 5.5 hours.

At SEK 415 (including rides), the lead price at Liseberg is the strongest across the researched markets. Entertainment Value (EV) per hour is €9.30 based on 2014 pricing and is also amongst the strongest in the region only exceeded by that at Grona Lund (which has a very short length of stay). (Figure 19).

Figure 19 – Average Length of Stay and Price per Hour, 2014 (€)



Source: Liseberg & LDP

Operating Performance

Per Capita Spends and Revenue Mix

Figure 20 contrasts per capita spends at Liseberg against European benchmarks. The per capita spends have been calculated over the number of visitors ("capita") for the overall season, i.e. the main season and Christmas opening but excluding concerts.

Figure 20 – Per capita spends at Liseberg, 2013

	Minimum	Average	Maximum	Liseberg	
				€ ¹	SEK
Admission				22.60	195.47
Food & Beverage				9.76	84.40
Merchandise				1.77	15.33
Other				1.36	11.74
Total Spend				35.49	306.93

¹ Exchange rate used: €1.00=SEK8.65 (average for 2013)

Source: Liseberg and LDP

Overall, the per capita spends are within the industry ranges and mostly above averages with the exception of the merchandise spend which is towards the lower end. It is generally quite challenging for non-branded city based amusement parks with no heavy theming and strong repeat visitation to push the merchandise spend, as repeat visitors spend less on shopping during subsequent visits.

Given the modest length of stay compared to many large European parks, the per capita Food & Beverage spend at Liseberg is fairly strong. Typically, strong F&B spends are observed at parks where

visitors stay for 7+ hours and need an extra meal or snack. We understand the strong spend at Liseberg is impacted by the fact that many local visitors come to the park for a meal rather than the ride/ entertainment experience.

Figure 21 demonstrates a visitor revenue mix at Liseberg compared to other European parks. As shown, the mix is within the industry norms with a slight skew towards the admission and F&B revenues and a slightly lighter proportion of merchandise revenue in the total. Despite a strong proportion of repeat visits and an atypical pricing structure at Liseberg, the admission yield (59%), which is calculated by dividing the admission per capita spend by lead price (net of VAT), is still in line with the industry average. This is an impressive performance.

Figure 21 – Visitor revenue mix at Liseberg, 2013

	Minimum	European Parks Average	Maximum	Liseberg
Admission Yield				59%
Admission				64%
Food & Beverage				27%
Merchandise				5%
Other				4%

Source: Liseberg and LDP

Operating Expenses and EBITDA Margin

As shown in 22, which demonstrates the EBITDA margin and cost of goods sold in relation to benchmarks. The costs of goods sold are at 13 percent which is slightly higher than average but in line with norms.

We understand that the park employs 830 FTE staff, which translates into 3,404 visits per FTE staff in 2013. Typically, leading European parks look into a ratio of between [REDACTED]. At the low end of this range are parks with long seasons and a relatively even spread of visitors. The most seasonal parks that operate for relatively short periods have ratios at the top end of this range indicating a highly staff-efficient operation. Similarly, parks with high attendances enjoy greater economies of scale and have high visitor to staff ratios, while parks with more modest attendance have lower ratios. In this regard, Liseberg performs in line with the industry standards.

As we understand it staff costs equate to well over 30 percent of revenues which would be within the industry range although towards its upper end (the typical range is from [REDACTED] percent of revenues). High staffing costs are quite typical for Scandinavian parks often accounting for over 30 percent due to high salaries relative to many European countries and strong social benefits which increase the on-costs.

We also understand that marketing costs are also within the normal parameters (where the norm is between [REDACTED] percent of revenues) although our estimates suggest marketing costs are at the lower end of this range.

Figure 22– Operating Characteristics of Liseberg (Main Season), 2013

Operating Costs as a % of Revenues	European Parks			Liseberg
	Minimum	Average	Maximum	
<i>Cost of Goods Sold</i>				13.3%
EBITDA margin				19%

Source: Liseberg and LDP

Overall the EBITDA margin was estimated to be 19 percent of revenues for the park operation, which is in line with what we might expect for this type of park. Overall, it is not unusual for independent parks to achieve an EBITDA margin of between [REDACTED] percent as these parks do not benefit from the efficiency of scale groups of parks have. Groups can share central costs and save on marketing, administration and costs of goods sold.

Summary & Implications

Overall, Liseberg appears to punch above its weight in terms of attendance, market penetration and indeed per capita spend. There is certainly potential upside in merchandise spend, but this is naturally limited by the PAYG pricing policy driving high repeat visitation from the resident population.

Waterpark Benchmarking

Note that certain KPIs and data related to benchmarks had to be removed due to confidentiality restrictions.

Introduction

In this section we review the performance and characteristics of water attractions, including more typical waterparks and more niche water attractions which include beach and surf components.

Evolution of the Waterpark & Overview

The modern waterpark emerged in the late 1970s when leisure developers in both the private and public sectors recognised the broad popularity of water recreation and developed a concept linking a number of water attractions in one gated park. This waterpark concept evolved rapidly from simple slides and pools to the present product offering, which often consists of a broad mix of attractions, with waterparks increasingly evolving and differentiating their offers. Of late, additions such as beaches, surfable waves, flowrider surf simulators, master blaster water coasters and ever more extreme slides have further pushed the boundaries of waterpark design.

These waterpark facilities have proven over time to be both popular and profitable when compared to some other forms of more capital intensive attractions. Waterparks typically incorporate slides and flumes balanced by more passive swimming and sunbathing/lounging experiences as well as eating and drinking facilities, which help to increase length of stay and improve economic performance.

As with all attraction types, the longer the duration of stay, the higher the price which can be charged and the greater the level of secondary spending. However, as much of the time spent at waterparks is rather passive, for example sunbathing or swimming, spend per hour tends to fall below other attraction types.

Many waterparks derive the majority of their attendance from the local resident base, typically within a one hour drive, although others are more resort guest focused as is anticipated in this situation. Due to the dependence on the local market for some parks, repeat visits are typically important, with implications for both pricing and reinvestment requirements. As with theme parks, waterpark owners must regularly reinvest in their facilities to ensure ongoing appeal to resident markets and to generate repeat visits from their primary population bases. Manufacturers and suppliers of equipment for waterparks constantly innovate to satisfy this need for new experiences and costs associated with waterpark capital items have grown significantly over the past twenty years.

Resort waterparks located in strong tourist markets which derive significant visits from domestic and international tourists can face reduced pressure to provide new experiences each year and reinvestment can be somewhat lower. This is a pattern we have seen in high volume tourist locations on the Spanish Costas for example. In Gothenburg, there will be a definite need to generate repeat visits from residents and day trippers and as such, refreshment is a critical element of the business model.

As the country where waterparks originated in the 1970s, the U.S. has a mature and well developed waterpark market. However, growth in the development of waterparks slowed during the late

1980s as markets became saturated. Recently though, a new phase of development has taken place where waterparks have been developed successfully as second gates at regional theme parks, or as fully themed experiences, with investment levels closer to that of a theme park, such as the waterparks to be found in Orlando. Internationally, this level of theming and finish was recently inaugurated in Abu Dhabi at Yas Waterworld which joins Wild Wadi and Aquaventure in Dubai as among the best and most heavily invested recent waterparks. These offer a full waterpark experience in a highly themed environment, with dedicated and specialised retail facilities and food and beverage to complement the offer.

In addition, a new, high quality indoor waterpark product has emerged in the formerly under developed northern US markets. These parks have seen more intense experiences and better presentation within an indoor park setting (often associated with accommodation). The ability to mitigate against poor weather while still providing a compelling product has opened up new markets. This new breed of indoor park is often built as a core component of resort hotels. Located primarily in the Wisconsin dells (Great Wolf etc.) these waterpark hotels have successfully driven tourism and established new weekend destinations that cater to regional residents as well as corporate groups.

Waterpark development in Europe has seen growth over recent years and Spain, which saw significant growth in the 1980s and early 1990s, is amongst the most developed markets. The Southern European waterpark offer is typified by outdoor regional waterparks, many of which are in strong tourist markets.

In Northern Europe, indoor water leisure offers are more typical. The indoor waterparks in Germany and the U.K have often lacked quality and intensity and in some cases have struggled to repay capital. Many were public sector led projects associated with municipal leisure centres and provided little more than a pool with a few slides. There are a few examples of innovative indoor projects, such as Splash Landings at Alton Towers, a themed waterpark with extensive water play features, constructed as a component of one of the hotels at the Alton Towers resort and as a second gate for the theme park. These are a new generation of indoor waterparks with a few notable examples built and more in planning. This project is similar in that it embraces a level of intensity of experience and plans to provide a pleasant and fun environment which will encourage a long length of stay.

Costa Caribe which opened at Port Aventura in Salou was constructed to provide additional content alongside the theme park and resort offer, as per Splash Landings. This is one of Europe's best parks, if somewhat small in scale given its potential, with extensive theming and some major signature water rides such as a Master Blaster.

The higher end water offers in Europe have begun to expand and differentiate their offers with the addition of standing waves (flowriders) and major slides such as the Master Blaster water coaster.

Principal Concept Types

Waterparks are a diverse attraction industry segment with many different forms which have variation in terms of scale, capital, weatherization, activities and other factors.

- In climates such as Northern and Western Europe, **the indoor waterpark** is the most typical concept type, but within this there are several forms. Many have been swimming pools with

a handful of slides, presented as municipal pools plus. These tend to be relatively cheap to visit but also have a low perceived value. At the higher end of the industry, indoor waterparks have comprehensive slides, waterplay and even signature elements such as lazy rivers, master blaster water coasters and themed waterplay.

- **Themed outdoor waterpark** - heavily themed, outdoors and located in major tourist markets (e.g. Orlando), these parks are at the forefront in terms of capital expenditure, attendance and revenues.
- **Outdoor regional waterpark** - typically built in locations with good climates and often in tourist areas, these tend not to be heavily themed but offer thrilling slides, family slides, waterplay and lounging areas.
- **Indoor waterpark hotels** - these all inclusive waterpark concepts have developed in the US primarily in areas of inclement weather such as the Wisconsin Dells, and have proven integral to a developing tourism industry.

Visitor Origin & Market Penetration

Indoor Waterparks

Market penetration rates for a cross section of north indoor waterparks are shown in Figure 23. As with all our reporting we show ranges and averages as this information is considered confidential by operators and this ensures they remain willing to share their data with us.

For most indoor waterparks, primary resident market penetration is by far the highest of any market segment. The majority are not in resort areas and have a more resident focus. Two extremely high performers achieve around █████ percent; one is large scale and heavily invested (although now somewhat dated) and the other is in a modest market with little competition.

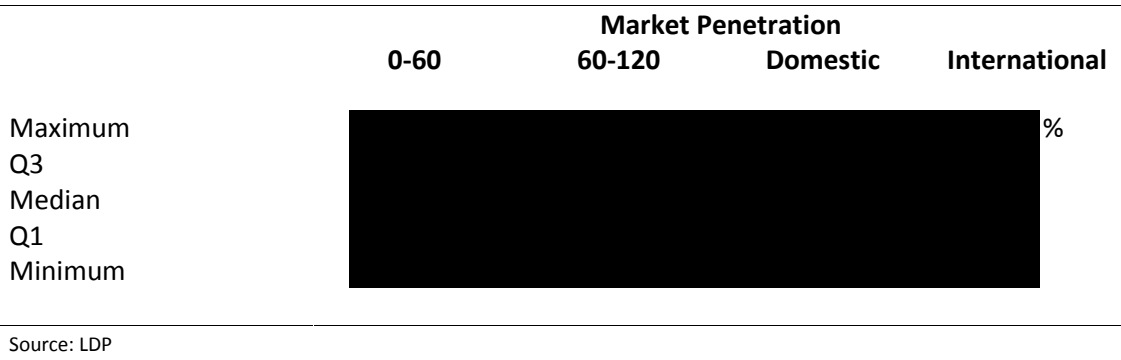
For the secondary market we see a significant drop off in penetration for almost all parks, highlight decreasing propensity to visit and repeat visit as drive time increases. Most parks achieve between █████ percent in this segment with only a few outliers.

Among typical indoor waterparks located in cities or other non-resort locations, tourist penetration is often modest with an average of just █████ percent of tourists within an hour and several achieving between █████ percent.

Although excluded from this Figure due to their resort accommodation links, penetration rates amongst the indoor waterpark hotel examples such as those in the Wisconsin Dells and Alton Towers tend to be much more skewed towards tourists as they are actually the tourism driver and linked to guest nights. While in absolute terms penetration is not always higher, the visitor mix tends to be more tourist biased. We review resort orientated waterparks in the next segment as these are also an important benchmark set given the proposed Liseberg development.

For more resort-focused waterparks the majority of guests still come from the broader region (3-4 hours from the site) as they are often weekend destinations. Costa Caribe at Port Aventura (which is mostly outdoors but has an indoor area) achieves a high percentage of international visitors given the visitor mix in its hotels driven by the theme park and its nature as a second gate to the park.

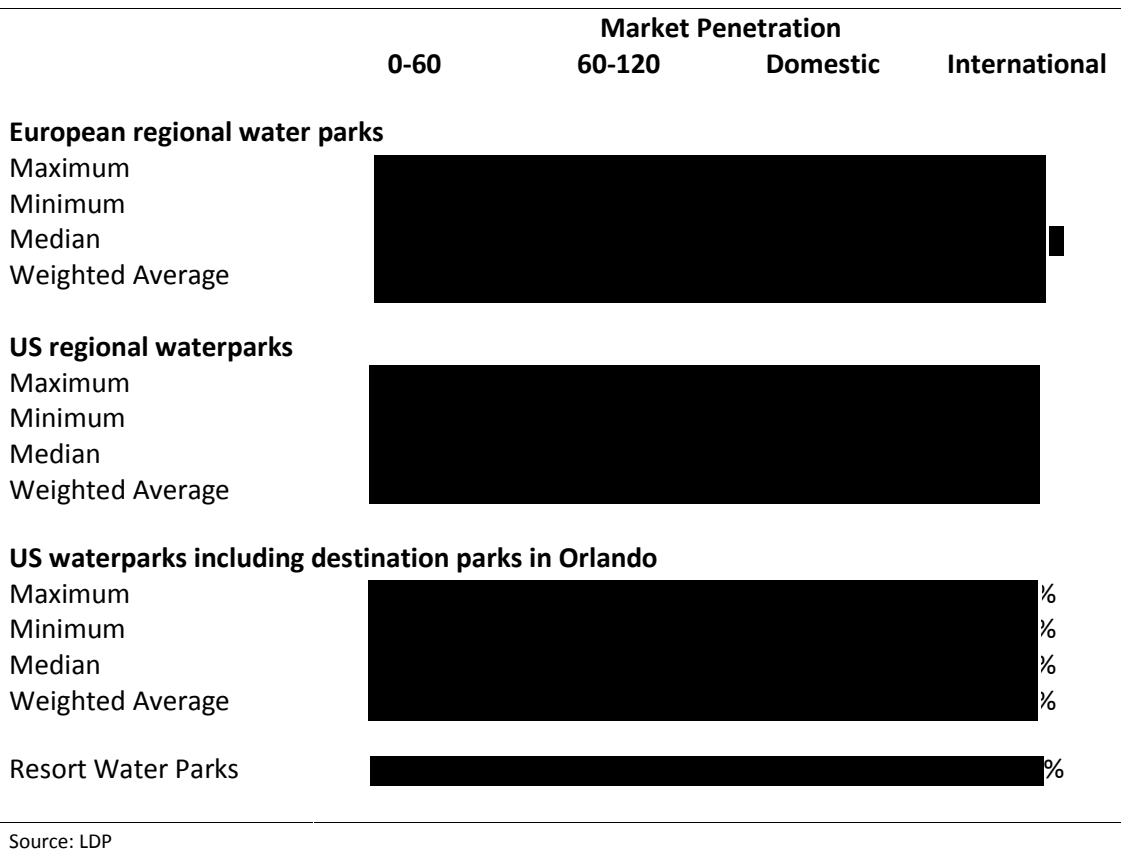
Figure 23 –Market Penetration for North European Indoor Waterparks



Outdoor Waterparks & Resort Waterparks

Most waterparks are resident biased, particularly typical indoor parks. In tourism resort destinations some perform well with tourist market segments. Those that are able to target tourists in significant numbers are located in very strong tourist markets and are typically within a couple of minutes of leisure orientated hotels, resorts and beaches.

Figure 24 – European, US Regional & Destination Waterpark Market Penetration



Despite the strong performance of some of the parks in their tourist markets, resident market penetration rates are typically higher than tourist market penetration rates with an average of around seven percent as compared to two percent and slightly less than three percent in the

domestic and international tourist markets respectively. This illustrates that although some of the parks are tourist focused, take up among tourists is still relatively modest, with parks requiring large markets.

Resort orientated waterparks linked with accommodation have a slightly different penetration of tourist as they get a good majority of their visitation from on-site guests. Typically they achieve 30-50 percent of total visits from their on-site resort guests. Nevertheless, they are still able to achieve strong penetration rates of the regional resident markets.

The previous chart (Figure 24) shows levels of penetration amongst the varied types of waterparks.

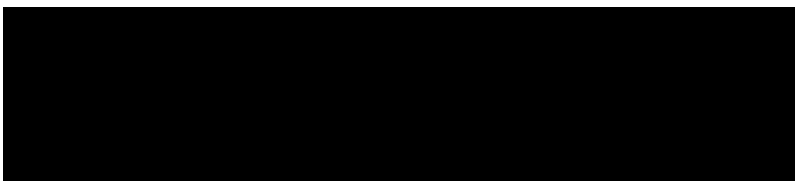
Revenues

Revenues from waterparks are driven primarily from admission, with the exception of waterpark hotels where it is often included in the room rate. The following table (Figure 25) shows the distribution of revenues amongst more typical stand-alone waterparks in the Europe and the US.

As shown, admissions typically account for the greatest share of total waterpark expenditures, representing between ██████ percent at European parks, and a similar, if slightly broader range of between ██████ percent at US parks. Next is food and beverage, typically accounting for around a fifth of revenues.

Merchandise comprises on average just one percent of total visitor spending at European parks largely due to a lack of merchandise outlets, little or no theming or branding, and a high proportion of resident visitors at these facilities. US parks, which tend to offer a wider range of branded merchandise and in some cases derive a higher proportion of visits from tourist markets, generate slightly more revenue from this source, but it still represents only a modest income stream.

Figure 25 – Comparative Per capita expenditure levels at European and US waterparks

Category	Selected European Waterparks		Selected US Waterparks	
	Range	Average	Range	Average
				
Total		100%		100%

Source: World Waterpark Association, Individual parks and LDP

In cases such as the fully themed Orlando parks, and the recently opened Yas WaterWorld in Abu Dhabi, retail expenditure has managed to surpass F&B as the variety and quality of the offer has appealed to tourists as part of the overall experience.

Other miscellaneous expenditures, including locker rentals, tube rentals (for use on certain slides) and photos can be important, bringing in around a tenth of the total revenue.

Admission yield is a typical key performance indicator for all forms of visitor attractions and represents the average spend on admissions expressed as a percentage of the full adult admission price. In some markets there has been some downward pressure on yields over the past decade or so, with an increasing expectation of promotions. Yields which were typically in the region of [REDACTED] percent, now range from around [REDACTED] percent (although some outliers exceed this range). At the lower end of that typical range, we see some of the large theme parks which have a high price for peak season with heavy discounting elsewhere. Within our analysis we have assumed a less aggressive summer season pricing policy.

Cost of Goods Sold

The cost of goods sold is a major area of expense at all attractions. The cost of goods sold generally consists of the purchase of food, merchandise and game prizes. The ratios are extremely consistent across all attraction types and across the world. Things that might lead to a variation in these figures might, for example, include the presence of branded merchandise which would push up the merchandise cost of goods sold up or the large buying power of a major group which can reduce cost of sales:

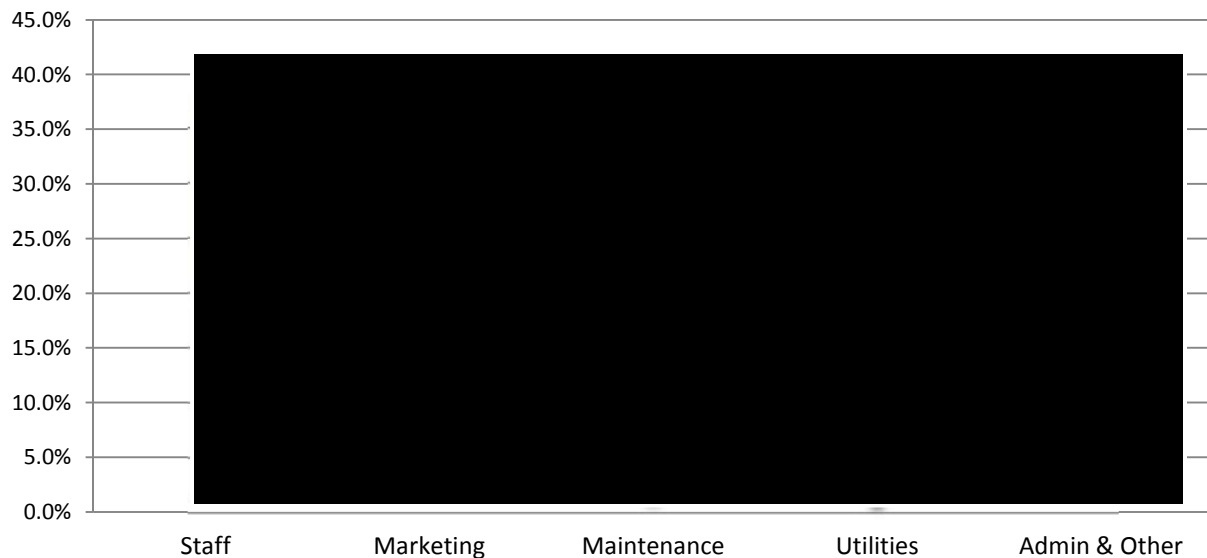
- Cost of sales for food and beverage at most attractions is generally between [REDACTED] percent of related revenues
 - we have seen instances in the mid to high [REDACTED], sometimes where the food offer is simple, or where buying power is very high, but these cases are rare
 - we have also seen very sophisticated food offers, or specialist food offers at as much as [REDACTED] percent, although around [REDACTED] percent is very typical
- The industry range for merchandising cost of goods is broadly [REDACTED] percent.
 - again there is little variation between attraction types
 - in general a focus on particularly high quality or branded merchandise can push towards the upper end of the range and simple souvenirs and confectionary can sometimes be lower than the illustrated range

Operating Expenses

Operating expenses within commercial attractions fall in to relatively tight ranges for the most part but with some variation depending on attraction type. The following Figure 26 shows typical operating costs as a percentage of revenues. Labour costs always constitute the largest part of operating costs, followed typically by marketing.

Utilities can be above the range shown for indoor waterparks which consume large amounts of electricity for climate control, as well as water costs. Maintenance is a factor clearly at all forms of attractions and particularly those which are hardware dependent. Waterparks tend to have relatively high costs for the maintenance and renewal of plant and the fabric of their buildings. Slides themselves compare favourably in maintenance terms to ride based attractions.

Figure 26 – Operating Costs (Min, Median & Max) as a % of Revenues



Source: Individual Attractions and LDP

Operating costs among more traditional outdoor waterparks are fairly consistent with theme parks, with the majority of costs attributable to labour (representing up to ██████% of total costs). Normally outdoor waterparks can achieve EBITDA margins of ██████%.

Operating costs amongst indoor parks are typically higher due to the increased utility costs for climate controlled environments. Although smaller in footprint than outdoor parks, the increased utility costs can have an impact on overall profitability. As a result, many indoor waterpark hotels tend to package many of the operating costs within the overall opex of the hotel. Similar to outdoor parks, staff costs make up the majority of the costs and need to be built up to reflect the individual size of the park, throughput and local market labour costs. While municipal and basic indoor waterparks have sometimes struggled to make reasonable operating margins, more commercial ventures can achieve significant margins, into the 30s percent and even close to 40 percent EBITDA margin in strong markets and with solid management.

Summary and Implications

Waterparks are a diverse attraction industry segment with many different forms with variation in terms of scale, capital, weatherization, activities and other factors. There are many different types of waterparks and we feel that this project represents a hybrid of both an indoor and a resort waterpark and is being planned to provide the increased intensity and quality of service and presentation that is becoming prevalent across the waterpark sector.

Penetration rates at waterparks in general are easily highest across the primary resident markets, although resort waterparks tend to achieve strong penetration across the tourist markets. Revenues at waterparks are primarily driven by admissions, although recent waterpark developments have provided better food and beverage and retail offers and have succeeded in increasing these spend levels.

Peripheral Uses at Theme Parks

Introduction

An early study undertaken in California a few years after Disneyland opened indicated that for every \$1 being spent by guests inside Disneyland, \$2 was being spent at the hotels, restaurants, shops and other supporting facilities that had sprung up around the park. With many of these being of poor quality and not up to the standard that was being set by Disney, the search for the second location was made with the proviso that sufficient land would be acquired to ensure that the park would be set in an area where supporting development could be controlled and managed to ensure quality. The purchase of 11,000 ha of land in Orlando allowed for this and with this, the first true destination theme park resort was created.

Second Gate

The largest and most capital intensive form of peripheral development is the second gate – establishing another major park or attraction to create reasons to stay longer and come back again. Obviously in this case we are looking at the potential for a new waterpark, which constitutes a second gate, but sometimes it can be a smaller park, specialty attraction, or another theme park. In the case of some of the largest destination resorts, such as the Orlando Disney and Universal Studios properties, the second gates are among the most heavily invested and best performing parks in the world as opposed to minor additions.

The Disney view of a second gate attraction differs from other operators (with the exception of Universal). The additional theme parks built in Orlando – EPCOT in 1983, Disney-MGM (now Disney's Hollywood Studios) in 1989, and Animal Kingdom in 1998 – are all of a broadly similar scale to the original Magic Kingdom.

In Tokyo, Disney Sea is this type of park with a reported investment level of US\$2.8 billion. By comparison, Disney's California Adventure at US\$1.4 billion and Walt Disney Studios Paris at US\$534 million were more modest in scale by Disney standards but still at least comparable with large regional parks. Since the original openings of California Adventure and Disney Studios Paris, significant additional investment has occurred in order to expand the overall park scale and entertainment experience.

Entertainment Districts -- Retail, Dining and Entertainment (RDE) Zones

The first significant urban entertainment development associated with a theme park was City Walk in Universal City in California. It contained a mix of retail, catering and entertainment offers in a highly themed environment that was adjacent to and complemented the Universal Studios theme park experience.

It rapidly became a popular destination for local residents and it was this market that provided much of the business. Theme park visitors also used the facility but after a full day walking around the theme park many were more interested in heading home or back to their hotels than spending time in the Retail, Dining and Entertainment (RDE) zone.

Disney followed suit with the opening of Pleasure Island in Orlando in the late 1980s. This was followed by the growth of the Downtown Disney entertainment and retail development over a phased period. Universal Studios also opened a City Walk in Orlando which links the two theme parks and the car parking area on their property, with connections to some of their on-site hotels.

Both of these developments in Orlando have had mixed fortunes and Pleasure Island is currently undergoing a major programme of reinvestment following lacklustre performance for some time with a planned reopening in 2016 as Disney Springs. A significant proportion of visitation to the two locations comes from Orlando residents rather than tourists. With Orlando having a resident market a tenth the size of Los Angeles this has resulted in modest levels of demand compared to the original City Walk. This is an important consideration when planning a full theme park destination, as some elements are more dependent on residents than tourists, even at Disney properties. This is a more pronounced reality for other developers and operators who are even more reliant on nearby residents.

The most important factor in such a development is local population within 20-30 minutes. Links to the theme park are limited, and the main benefit to be gained is the ease of access and car parking facilities on offer. Such developments do, however, benefit from on-site hotel guests giving them dining and retail options.

Disney Village in Paris which was aimed at the large Paris market suffered from this fact initially as it is too far from Paris to draw people for an evening out. However, it has begun to attract people from the area surrounding the park which has helped business volumes. As other hotels and residential communities have developed in response to the Disney resort, Disney Village Paris has benefited from the growing nearby market.

Retail Centres

Retail developments, most commonly factory outlet centres, are associated with a number of North American theme parks. However, they have relatively little synergy with the theme park. The main benefits are, as with the RDE zones, ease of access, car parking, other shared infrastructure and awareness of the location within the marketplace.

These retail centres typically rely on a local resident market to provide the majority of the business and thus their suitability must be assessed with regard to locally competitive offers and populations. Some outlet centres with strong brands and reputations for low prices can attract relatively distant visits but still require significant markets to be available to them.

Shows / Events

Other potential peripheral uses are shows and events. At Liseberg, concerts and events are a big part of the overall offer of course and this type of adjacent use seems to be becoming more prevalent. Other good examples of this are the Cirque du Soleil show at Downtown Disney and smaller concert venues such as House of Blues at Disney and Hard Rock Live at Universal.

Accommodation

An increasing number of theme parks and amusement parks develop onsite accommodation which is aimed at increasing the average length of stay at a park via generating multiple visits per head during an overnight stay, as well as at increasing the average visitor spend.

In Europe, major theme parks which have opened on-site hotels include Disneyland Paris, Europa Park, Port Aventura, Alton Towers, De Efteling, Gardaland, both Legoland Parks, Parc Asterix, Heide Park, Drayton Manor, Thorpe Park, Phantasialand, Puy du Fou. The majority of development has been hotel focused, although some, such as Heide Park, have added summer house/ hostel style accommodation and some include fixed 'camping' accommodation, such as the Tipi Village at Europa Park or the new glamping site at Puy du Fou.

Figure 27 summarises hotel provision at selected parks. As shown, whilst the range is wide, the majority of parks typically achieve between [REDACTED] annual park visits per hotel key. Resident driven parks tend to achieve ratios towards the upper end of the range as there is less demand from park visitors for overnight lodging.

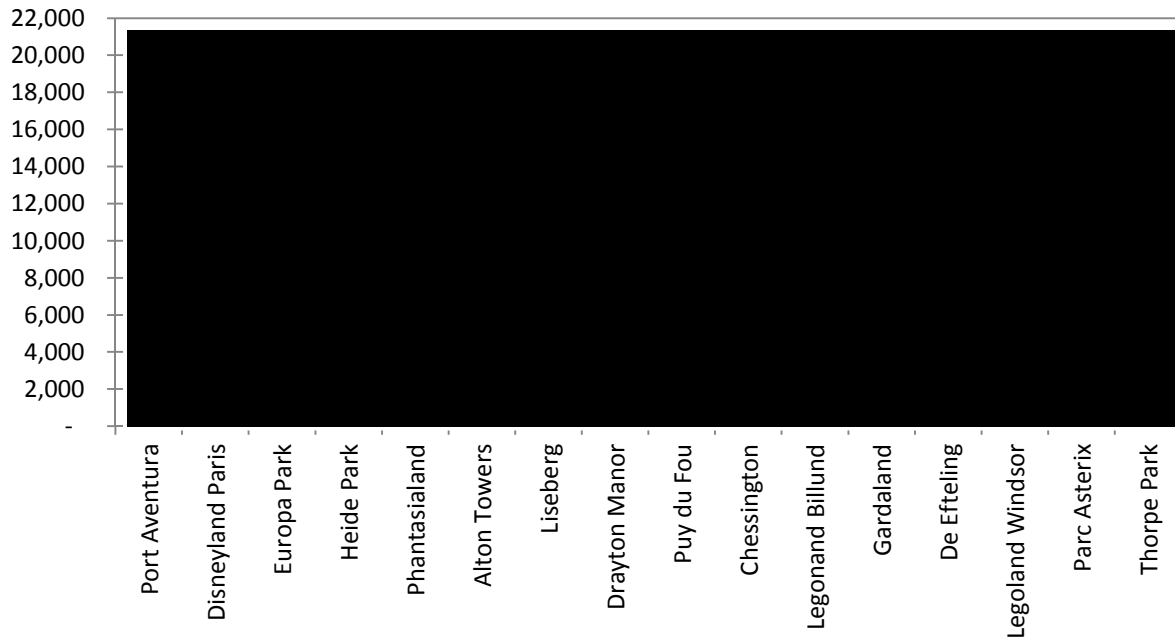
With the proposed development at Liseberg, at 450 keys, the park would achieve roughly 6,300 visits per key. This is within the normal range although slightly below the median indicating a relatively heavy development for a resident driven park. We note, however, that the data in the table reflects the relationship between achieved attendance and keys', rather than suggests that all studied hotels are economically viable.

The success of onsite theme park hotel development is dependent on several factors. These include:

- the scale of the park and enough content to warrant more than one day stay,
- strong visitation from domestic or/and international tourists,
- limited competition in the local area, or strong demand for traditional overnight accommodation beyond existing supply
- ability to drive off-peak occupancies through MICE demand,
- good quality of the accommodation development that would encourage travelling from longer distances.

As shown in Figure 27, most theme park hotels are modest in size varying between 100 and 200 rooms. Only a few major destination parks have a strong provision of hotels keys including Disneyland Paris (6,500 rooms), Port Aventura (2,000 rooms) and Europa Park (950 rooms).

Figure 27 – Visits per Hotel Key at Selected European Theme Parks



Note: Includes hotel rooms only and excludes camping, tipi beds, etc. De Efteling includes holiday village

Source: Liseberg, individual attractions and LDP


Onsite hotels are typically busy during summer and holiday periods but it is challenging to fill up the accommodation during off peak periods when the main attraction is closed. Therefore most onsite hotels close during winter unless sufficient off-peak demand can be generated from other market segments (e.g. business, conference, golf, etc).

Occupancy rates for our sample of seasonal parks in Europe vary from ██████ percent during the operating season and from ██████ percent on a fully annualised basis. A number of factors drive higher annual occupancy levels including proximity to business markets, other facilities/activities onsite and nearby, and conference facilities.

A restricting factor to the theme park hotel performance is the average length of stay which hovers between one and two nights at most hotels. Therefore hotel guests tend to generate a maximum of two park visits per stay, averaging 1.5 visits in many cases. Substantial additions of alternative on-site entertainment are reported to be necessary to drive longer lengths of stay on property.

There is little consistency in terms of the proportion of park visitors staying in onsite accommodation. Overall, we estimate that the proportion of visitors who stay onsite ranges between ██████ percent of park's attendance, with an average of █ percent. Parks operating in modest tourist markets tend to perform towards the lower end of the range. Typically, the park admission fee is included in the hotel rate.

Figure 28 – Hotels at European Theme Parks – Operating Characteristics

Indicator	Value
Occupancy: Operating Season	
Occupancy: Year-round (seasonal parks)	
Double Occupancy Factor	
Average Length of Stay, nights	
Onsite Overnights as % of Theme Park Visits	
Source: LDP	

There is a debate regarding the impact new onsite accommodation has on park's attendance. All things being equal, the addition of a hotel should generate some upside in attendance as some visits are converted into two for those staying onsite overnight, provided the market is there to generate demand for the hotel. In reality, it is difficult to separate hotel impact from other factors influencing the visitation.

We have looked at a range of theme parks in Europe which added accommodation later in the park's life. Those parks that saw a positive impact on attendance (Puy du Fou, Europa Park, Phantasialand, Gardaland, De Efteling), gained between seven and 11 percent additional park visitors in the first two years after the first hotel was opened. Other parks (Port Aventura, Alton Towers), conversely, saw their attendances drop by three percent over the first two years of the hotel operation.

If analysed over a longer period, four parks in the sample managed to grow their attendances by 19 to 20 percent over the five year period since the first hotel opened and two saw attendance drop. However, there were a plethora of other factors impacting the performance of the parks, and the strong attendance growth cannot be uniquely attributed to the development of the onsite accommodation.

Nevertheless, hotel guests incur additional spend on accommodation, F&B and often merchandise and other items during their stay and therefore are expected to provide a positive impact on a park's financial performance, subject to the accommodation component being able to draw sufficient demand.

Summary and Implications

More and more peripheral developments at large scale theme parks are becoming the norm rather than the exception. Certainly LDP have been involved in a number of projects recently where additional gates and accommodation are being considered, and we would expect this trend to continue.

In each case it is important to assess not only the markets, but the nature of competing faculties in the area for people's leisure time. Not all of the above options are always a good 'fit' for the market. Each type of use reviewed above has its strengths and weaknesses, and in many cases are reliant on very large available markets in order to be successful.

In the case of Liseberg, which does not have markets of significant sizes needed for RDE zones and destination entertainment venues such as Cirque de Soleil (compared to places such as Orlando or Los Angeles which have incorporated all of the options listed above), or a naturally pleasant climate year round required for outdoor water parks (such as Port Aventura in Spain), the waterpark hotel appears a natural and logical fit for Liseberg. The addition of hotel accommodation is in line with successful trends amongst other European regional parks, whilst the addition of the indoor waterpark element should prove successful in extending the stay and season.

We feel the proposed mix of accommodation and waterpark would be an ideal addition to the existing theme park.

Waterpark Attendance

Introduction

In the following section we review the attendance potential for the proposed waterpark at Liseberg. The attendance, which is the primary driver of revenues, is calculated by measuring the likely capture (or market penetration) of the available off-site and on-site markets. We have analysed benchmark penetration rates and the scale of the available off-site markets in earlier sections of this report. On-site markets in this case are the guests staying at the proposed hotel, which we also assess separately in this report.

The success of any attraction is a function of the scope, scale and nature of the markets there to support it, as well as other external factors, such as levels of competition, disposable income, tourist profile etc. So as part of the analysis, we have conducted an analysis looking at levels of potential attendance from each market segment based on the nuances within each market.

Market Penetration & Attendance

Off-Site Markets

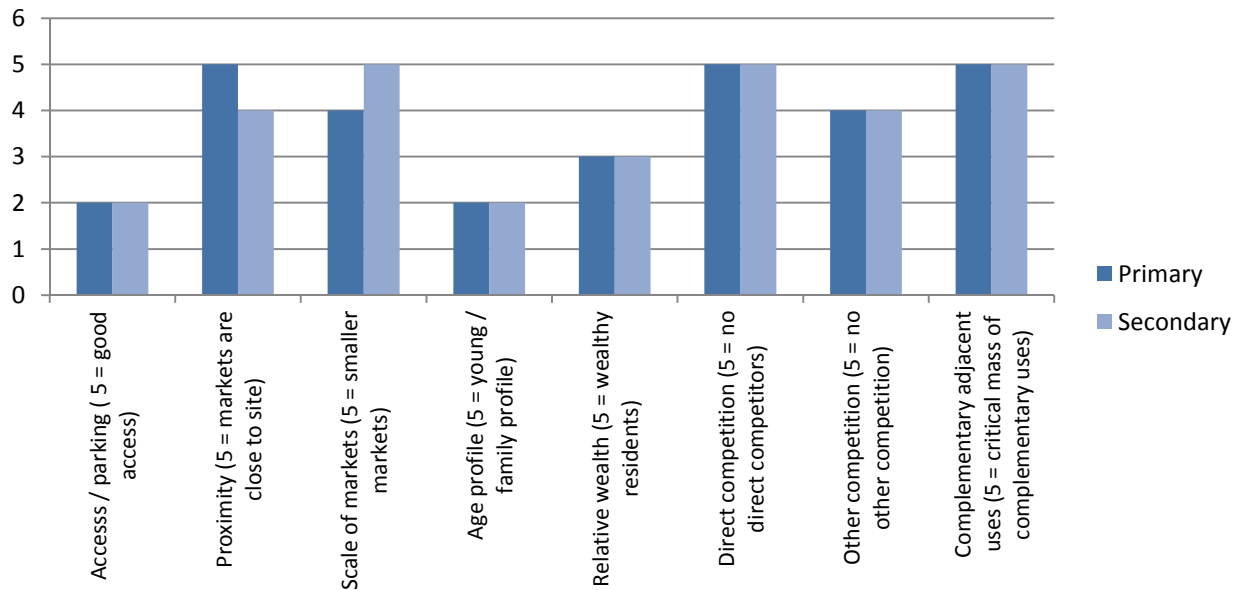
In previous chapters we showed benchmark market penetration rates for a selection of waterpark typologies. For each market (the primary and secondary resident markets, and domestic and international tourist markets), we have projected what we believe is the most likely achievable market penetration rate. We base this on a number of factors: for each of the resident markets we score the potential of the proposed development according to eight criteria, and nine criteria for the tourist markets.

The criteria and scores are shown in Figure 29 and Figure 30. By scoring each criteria and weighting the scores according to importance (e.g. there being no competition in the market might have more of an impact on potential than, say, the age profile of the market.), we get to a total final score for each market.

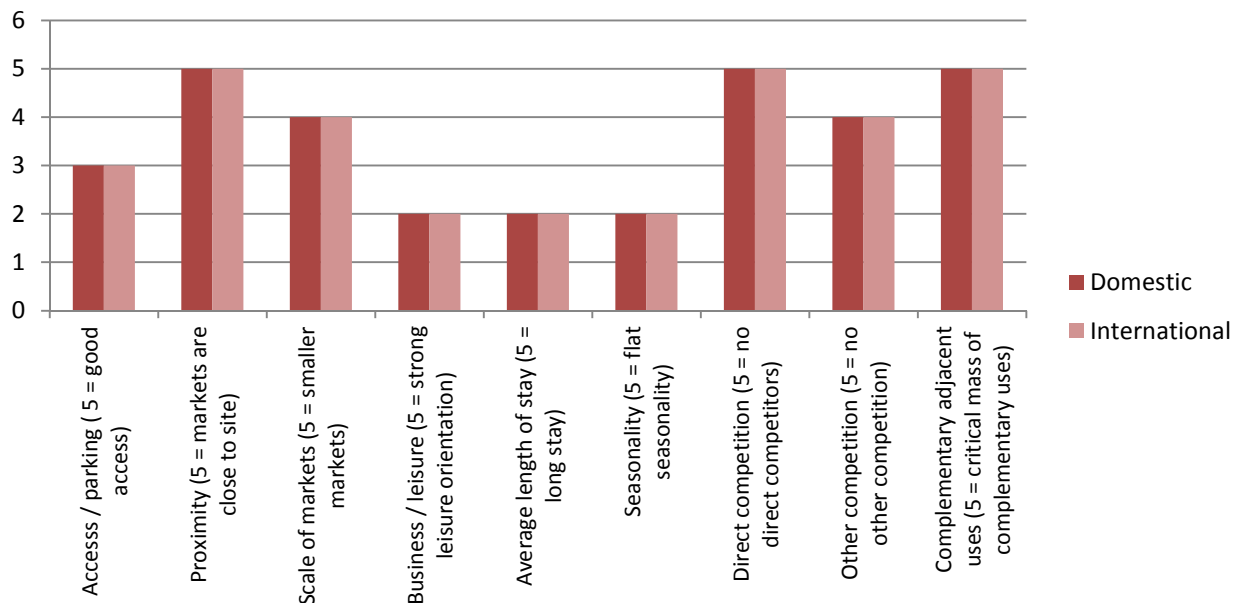
Once the weighted scores have been tallied, the overall score can be utilized to estimate how the proposed waterpark could perform in relation to the benchmarks. For instance if the proposed park scores very strongly, then we can expect market penetration to be in line with the best performing waterparks from our benchmark assessment.

As seen from the charts, the proposed waterpark scores strongly across both the resident and tourist markets, particularly when considering direct competition (there is very little) adjacency of complimentary land uses (i.e. the existing park) and proximity of markets (i.e. the residents and tourists are on the doorstep) .

Overall, the potential is good in terms of market penetration according to the achieved scores, with the weighted scores for the resident markets indicating that the penetration across these markets would be above the upper quartile of the competitive set, and with the penetration of the tourist markets sitting between the median and upper quartile.

Figure 29 –Resident Market Penetration Criteria & Scores


Source: LDP

Figure 30 –Tourist Market Penetration Criteria & Scores


Source: LDP

Figure 31 shows the forecast potential attendance for the waterpark. We have based our attendance on stable year 2021. We discuss what we view as potential stable year penetration rates, but in the financial model, we have allowed for an evolution of rates typical of new attractions (often nearby resident uptake enjoys a champagne effect on opening, while more distant markets take longer to reach full awareness for example).

We have assumed a penetration rate of 13.5 percent across the 0-30 and 30 to 60 minute markets (combined these two segments constitute the primary resident market, but we have split them out to help us understand where the majority of this market sits). This represents a very strong penetration rate and reflects the lack of competition and the relatively small markets. Typically

penetration is often high in modest markets, where it is relatively easy to reach people through marketing efforts. To achieve this level of penetration it is imperative that the waterpark is not prohibitively expensive. The secondary resident market penetration at 4.5 percent is also higher than the median of the comparables, and is strong for the same reasons.

Across the domestic and international tourist markets we have assumed 4.0 and 3.0 percent respectively under the medium scenario, which are also relatively good performances, although not quite as strong as the resident markets. Again, the lack of competition and the adjacency to Liseberg is a boon to potential capture, but this is tempered by the fact that the tourist markets are characterized by having a high proportion of business tourists and a short average length of stay across both markets.

Taking these penetration rates and applying these to stabilized markets (we have assumed an opening year of 2018, and a stabilized year of 2021), this implies a total attendance attributable to the off-site markets of between 360,000 and 430,000, and an attendance of c. 400,000 under the mid case scenario.

Figure 31 —Projected Off-Site Attendance, 2021

	<u>Market penetration rates</u>			<u>Projected attendance</u>		
	Low	Medium	High	Low	Medium	High
<u>Resident Market</u>						
Primary (0-30 minutes)	13.0%	13.5%	14.0%	146,170	151,791	157,413
Primary (30-60 minutes)	13.0%	13.5%	14.0%	39,100	40,604	42,108
Secondary(60-120 minutes)	4.0%	4.5%	5.0%	29,140	32,783	36,425
Total Residents				214,410	225,178	235,946
<u>Qualified Tourist Market</u>						
Domestic tourists (0-60 minutes)	3.5%	4.0%	4.5%	125,408	143,323	161,239
International tourists (0-60 minutes)	2.5%	3.0%	3.5%	23,980	28,776	33,572
Total Tourists				149,388	172,099	194,811
Total Attendance				363,798	397,278	430,757

Source: LDP

On-Site Markets

An attendance of just under 400,000 represents a solid performance. To put this in context, we have analyzed a selection of waterparks that are adjacent to theme parks or are at least in the same market. Out of a selection of around 20 comparables, it is typical that waterparks achieve between 15 to 20 percent of the attendance of the neighboring theme park. On this basis, and based on current Liseberg theme park visitation, a water park could achieve between 384,000 to 512,000 visits per annum.

Our off-site market analysis puts us at the lower end of this scale, although this is not entirely surprising when we consider that Liseberg offers a pay-as-you-go structure which boosts attendance

in comparison to pay-one-price theme park operations (and therefore in relative terms the waterpark is unlikely to perform so well under a pay-one-price operation).

However, the presence of the proposed hotel is likely to boost demand at the waterpark to some degree i.e. there will be visitors to the hotel who visit the waterpark that would not otherwise have visited.

Figure 32 shows our analysis of the potential additional demand that the hotel could drive. As shown (and detailed later in the hotel assessment), we project that the hotel will drive c. 120,000 room nights and 205,000 bed nights per annum. Of these, we estimate around 63 percent will visit the waterpark resulting in some 130,000 water park visitors staying in the hotel. This is in line with demand distribution that we have observed in other resort waterpark developments. Many of the corporate / MICE guests will only stay in the hotel and will not visit the waterpark, but the majority of the leisure guests are likely to.

We have also estimated that of these waterpark visits, just over half (52 percent) will be additional visits – in other words would not have visited the waterpark anyway and are therefore not included within our off-site market assessment. This 52 percent is

Overall, and based on the assumptions outlined in the table below, we estimate that the hotel could drive around 67,000 additional visits in a stable year. This would imply a total attendance including off-site and on-site markets of approximately **465,000 visits**.

Figure 32 — Projected Attendance at Branded Indoor Park, 2021

	FIT/Independent Leisure	Wholesale / 'Packaged' Leisure	Corporate	MICE	Other	Total
Room nights	36,396	24,264	36,396	18,198	6,066	121,320
Double occupancy	2.20	2.40	1.00	1.30	1.20	
Bed nights	80,071	58,234	36,396	23,657	7,279	205,637
Visit waterpark?	90.0%	90.0%	5.0%	10.0%	10.0%	
Visits	72,064	52,410	1,820	2,366	728	129,388
Additional visits?	50.0%	50.0%	90.0%	90.0%	90.0%	
Visits	36,032	26,205	1,638	2,129	655	<u>66,659</u>

Source: LDP

Summary and Implications

Based on our analysis of penetration rates, we project that the proposed waterpark is likely to achieve just fewer than 400,000 visits from the off-site markets under the medium scenario and in stable year 2021 (some of which will choose to stay in the hotel). However, we estimate that an additional 67,000 visits would be driven by the existence of a high quality hotel, implying an overall attendance of around 465,000.

Waterpark Revenues & P&L

Introduction

In this section we outline the base financial assumptions, and the detailed revenue and operating cost assumptions for the proposed waterpark. Our general assumptions are shown in Figure 33. We have assumed an opening year of 2018 and assumed a future inflation rate of 1.5 percent per annum (which is based on historic growth). We have also assumed a blend of VAT rates based on our discussions with the client team and research. For our projections we have adopted our medium attendance scenario as the most likely, as presented in the previous section

Figure 33 – General Assumptions

Opening year	2018
Forecast inflation	1.5%
Vat Rate	
General rate	25.0%
Rides & Merchandise	25.0%
Food & Beverage	12.0%
Other	25.0%
Currency	SEK

¹ - as of January 2014

Source: LDP

Per Capita Spend & Revenues

Total admission revenues are a function of the perceived value of the experience as well as the length of stay of the visitor. To gauge pricing and perceived value we use a measure called entertainment value (EV) which expresses prices on an hourly basis to allow for comparison between attraction types. The undiscounted adult price divided by the average length of time spent on site provides the entertainment value or price per hour.

A key reason we review the entertainment value (EV) is to gain an understanding of the current level of value the average consumer places per hour of entertainment at an attraction. This allows us to look at other attractions around the country and region and apply our learnings.

In general the longer a guest stays at an experience, the more they are willing to pay for said experience. However, it is important to note that this is often based on the headline price (i.e. the 'perceived' price) and not necessarily the amount they spend. Although discounts and packages are often implemented, it is the consumer's perception of value which is important when setting price levels. The guest has a certain expectation of the quality and level of the experience and as such will take their perception of value from other experiences and apply it to this one.

Pricing must match the visitors experience ; the link between willingness to spend and average duration of stay at attractions is extremely strong, with visitors willing to pay more for a longer visit. It will be critical to balance the price for entertainment with an appropriate average length of stay.

Figure 34 shows the EV at a selection of regional theme parks, attractions, and waterparks. Overall the EV in Sweden is very high, although skewed somewhat by Grona Lunds (which has a reported short length of stay). Across Scandinavia, the EV is c. €7.87 which is also high when compared to Europe as a whole at around €5.30.

EV at Liseberg, according to the data we were provided with, currently stands at around €9.30, which is also high. However, when we assessed regional waterparks the EV was slightly lower at €6.44, suggesting the price per for this type of activity is slightly lower.

Figure 34 — Entertainment Value across the regional market, 2014

Park	Lead price	ALOS	EV (Local)	EV (Euros)
Liseberg *	SEK 415.00	4.9	SEK 84.69	€ 9.32
Djurs Sommerland	DKK 255.00	7.5	DKK 34.00	€ 4.42
Farup Sommerland	DKK 265.00	7.5	DKK 35.33	€ 4.59
Tivoli Gardens *	DKK 298.00	5.0	DKK 59.60	€ 7.75
Grona Lunds *	SEK 420.00	3.0	SEK 140.00	€ 15.40
Legoland Billund	DKK 309.00	6.0	DKK 51.50	€ 6.70
Tampereen Sarkanniemi	€ 37.00	5.0	€ 7.40	€ 7.40
Linnanmaki Amsument Park	€ 35.00	4.0	€ 8.75	€ 8.75
Universeum	SEK 175.00	3.0	SEK 58.33	€ 6.42
Tusenfryd	NOK 315.00	6.0	NOK 52.50	€ 6.30
Kristiansand - Dyrepark	NOK 319.00	4.0	NOK 79.75	€ 9.57
Sweden				€ 10.38
Scandinavia				€ 7.87
Waterpark				
Lalandia	DKK 200.00	4.5	DKK 44.44	€ 5.78
Famingo Spa, Finland	€ 22.00	3.3	€ 6.77	€ 6.77
Bo Sommarland	NOK 249.00	5.0	NOK 49.80	€ 5.98
Skara Sommerland	SEK 329.00	5.0	SEK 65.80	€ 7.24
Average				€ 6.44

* - PAYG operations

Source: Individual Attractions & LDP

Based on the above benchmarking we have assumed an EV of €7.15 to be reasonable for the proposed waterpark, assuming a very high quality product is developed. Based on the most similar comparables (north European waterparks) we feel an average stay of 4.0 hours should be achievable, and on this basis a lead price of SEK 260.00 would be attainable.

We feel such a price represents an affordable price point. It may be that this can be exceeded yielding some upside but we have sought to take a prudent view of potential. Clearly this is the undiscounted, high season adult price and therefore the most anyone would pay for single day entry. There will also be child prices, group prices, concessions, season passes and low season discounts all of which will reduce the average paid.

Per Capita Spend

Per capita spend by visitors is a mix of admission spend as well as other on-site spend on items such as retail, F&B etc. Of this, the revenue from admission normally makes up the largest proportion. However, admission per capita is not a simple reflection of the lead price mentioned earlier. It needs to be adjusted to reflect the yield the attraction can achieve. The admission yield measures the ratio of per capita expenditures on admission to the lead admission price. The yield reflects the fact that as mentioned many visitors will enter on some form of discounted ticket.

Admission yields typically range from █████ percent, with an average yield ranging from █████ percent. In this case, we believe that a yield of 65% would be an appropriate assumption when considering the off-site markets, as this is in line with north European benchmarks. However, the fact that over 28 percent of our projected visitors are staying at the hotel also needs to be considered. The visitors that are staying at the hotel will enjoy a much greater discount as result of staying there, on average paying around 30 percent of the lead price. By factoring in these discounts we estimate the overall yield to be just over 61 percent.

In addition to revenue from admission, the attraction has the opportunity to earn from food and beverage operations. At leading attractions, revenue from food & beverage typically accounts for between █ and █ percent of total visitor revenues. Catering spend tends to rise with time spent at an attraction. Attractions with a one to two hour average stays generate demand for snacks and drinks among visitors whereas attractions that have average length of stays of over three hours lead visitors to require a meal. As mentioned, we feel a stay of around 4.0 hours would represent a solid average length of stay and therefore demand for some sort of meal is likely.

Indoor waterparks have faced the challenge of generating strong secondary spends on food and beverage and retail due to people being in swimwear. Technologies such as rechargeable payment bracelets are making it easier for customers to spend, as well as the thoughtful provision of human dryers and readily accessible changing and drying facilities. Clearly management must make it easy and comfortable for people to spend whilst in the facility and we have assumed SEK 55.00 spend on food & beverage, equating to approximately 22.5 percent of total per capita revenues, which is well within the described range.

Merchandise income at indoor waterparks in the UK has typically been minimal, as the quality and range of offers has tended to be weak. We have recently seen much improved retail within some international resort waterparks and hope that management will perform in this regard. In order to take a prudent view though, we have assumed just SEK 12.50 of retail spend on souvenirs, confectionary and other forms of retail. Typically waterparks have succeeded in selling volume of floats, goggles, rash vests, suntan lotion (where there are outdoor elements) etc. The northern European market has not always embraced souvenir spending as well as, say, the US and GCC markets and that's why we have taken a more cautious view on this than within our projections.

Areas of 'other' spending can include locker rentals, human dryers, coin operated experiences, tube hire and upcharge experiences. All of these could present opportunity and we have assumed a spend of SEK 17.00 in current values which is well within norms. In conclusion, we estimate that average per capita spend in the attraction will total some SEK 243 (in 2014 values) including VAT, and SEK 194 net of VAT for the typical visitor (Figure 35).

Figure 35 – Revenue Assumptions ¹

	<u>Including VAT</u>	<u>Excluding VAT</u>
Lead admission price	SEK 260.00	SEK. 208.00
Admission yield	61.2%	61.2%
Admission per capita	SEK 158.99	SEK 127.19
Secondary spend		
Food and beverage	SEK 55.00	SEK 44.00
Merchandise	SEK 12.50	SEK 10.00
Other	SEK 17.00	SEK 13.60
Total per capita revenue	SEK 243.49	SEK 194.79

¹ revenues are shown in current (2014) values

Source: LDP

Other Revenues

There may be opportunities for other revenues, such as the special out of hours hire of the facility for events or sponsorship or perhaps even spa treatments. We feel any such additional revenues should be considered upside and have not included these.

Operating Costs

Below we outline our review of likely operating expenses. From this and our revenue projections we have been able to project our 15-year profit and loss statement based on our mid-case attendance scenario. Within this we have developed an outline staffing plan in order to test the single largest area of operating expense in more depth.

Staffing Requirements

While this is a feasibility study rather than an operational business plan, we have built out a review of likely staffing on a position by position basis for full time staff and hourly wage staff. Clearly this does not substitute the operator's own plan, but is intended to provide LDP comfort that there is sufficient operating budget within our forecasts. Figure 36 provides our view on the full time staff roster which could be appropriate for this type of attraction.

These positions are an element of fixed costs and are unlikely to vary throughout the year. This includes the core management, operations, maintenance, marketing and administrative teams. Given the scale of operation we have assumed that some highly specialized maintenance services, for example, will be outsourced and have sense checked operating expenses to ensure that sufficient operating budget is likely to be available.

Figure 36 - Estimated Full Time Staff

Position	Basic Salary	Assumed on-cost	Salary Cost	FTE Employees
General Manager	SEK 661,061	42.50%	SEK 985,041	1.0
Finance Manager	SEK 538,642	42.50%	SEK 802,626	1.0
Marketing Manager	SEK 489,675	42.50%	SEK 729,660	1.0
HR Manager	SEK 391,740	42.50%	SEK 583,728	1.0
Maintenance Manager	SEK 489,675	42.50%	SEK 729,660	1.0
Operations Manager	SEK 440,707	42.50%	SEK 656,694	1.0
Catering Manager	SEK 391,740	42.50%	SEK 583,728	1.0
Retail Manager	SEK 391,740	42.50%	SEK 583,728	1.0
FOH Manager	SEK 372,153	42.50%	SEK 554,542	1.0
Lifeguard manager	SEK 342,772	42.50%	SEK 510,762	1.0
Cashier	SEK 293,805	31.42%	SEK 403,755	3.0
Chef	SEK 342,772	31.42%	SEK 471,048	1.0
Permanent lifeguard team	SEK 293,805	31.42%	SEK 403,755	3.0
Maintenance technicians	SEK 342,772	31.42%	SEK 471,048	2.0
Cleaning Supervisor	SEK 244,837	31.42%	SEK 336,463	1.0
Total			SEK 15,701,932	
Total Hourly Wage Staff	SEK 11,653,990	31.42%	SEK 16,015,269	
Total Staff Costs			SEK 31,717,201	

Source: LDP

The next step in the analysis is to estimate the non-salaried staff, most of which will be lifeguards, customer service, retail/food service, cleaning and other staff. These are assumed to be paid by the hour with rosters designed to fit the anticipated operating patterns and which can be adjusted in a fluid manner based on demand.

We have reviewed the potential demand for hourly staff based on high season, shoulder season and low season throughputs with a corresponding high, medium and low day within each of the three seasons. We have assumed a 364 day operating season. We have allowed for wages well above the national minimum wage to allow for a high level of service.

Staff costs are typically the biggest cost associated with the waterpark operations, and can account for around █████ percent of total revenues. The staff build up presented above comfortably sits within this range at around 28 percent.

Other Operating Costs

Cost of Goods Sold

The ratios of cost of goods sold are relatively predictable at attractions worldwide. For the proposed development, we have incorporated the following cost of goods sold:

- Food & beverage - 30 percent of total food & beverage revenue
- Merchandise - 45 percent of total merchandise revenue.
- Other – 20 percent of other revenue.

Marketing

The total annual spend on marketing is usually in the region of [REDACTED] percent of total operating revenues. We have allowed for some pre-opening budget to generate awareness. We have also assumed a strong marketing programme in the opening year, gradually decreasing in year two and stabilizing in year three, once market awareness has been maximized. We have incorporated a marketing spend of 11 percent of revenues in year one, leveling off to eight percent as awareness is established.

Repairs & Maintenance

Repairs and maintenance charges typically account for between [REDACTED] percent of total revenues for attractions, dependent on the level of technology and overall throughput and other factors. It will be important for the waterpark to have high standards in terms of maintenance costs. We have assumed that this cost centre includes the chemicals and consumables also required for maintenance. We have assumed maintenance at 5.5 percent of gross revenues increasing to 7.0 percent over the first few years of operating, as pools, slides, plant and equipment will require less major maintenance projects when new.

This does not include the addition of new visitor experiences, which we have considered under reinvestment. We have included outsourced maintenance and other services within this category.

Administration & General

Administration and general is one of the larger costs associated with operating a specialized attraction experience, after staffing and marketing. From our comparable review, it appears that administration and general typically equates to between [REDACTED] percent of total revenues. We have assumed our administration costs will be slightly above this range at six percent, to allow for high levels of service and to recognize the year round operation.

Water, Energy and Utilities

As mentioned earlier, utility costs can be one of the greater burdens of indoor waterparks, as there is a need to have them operational or at least climate controlled throughout the year. Utility or energy costs typically equate to between [REDACTED] percent of total revenues (in rare cases a

little higher). We have allowed for costs in the order of eight percent of revenues to take a prudent view.

Insurance, Rates and Other Costs

Other costs can include special event-related costs, uniforms, security, rates, insurance and other miscellaneous items. In general, these equate to between [REDACTED] percent of total revenues. We have assumed other costs will be six percent of gross revenues.

Pre-Opening Expenses

Prior to opening there are likely to be a number of costs incurred such as management costs, costs for training staff, and important marketing pre-opening. As a result we have incorporated pre-opening expenses in our analysis for payroll, marketing, energy and other.

Profit & Loss

Based on our projections of revenues and costs, in Figure 37 we summarize our projected profit and loss projections. As shown, we project an EBITDA of SEK 32.1 million in stable year 2021, and an EBITDA margin of 29.2 percent, which is a solid performance for a waterpark.

Summary and Implications

With an entertainment value (EV) of SEK 65.00 and a projected average length of stay (ALOS) of 4.0 hours we project a lead price of SEK 260.00. Including secondary spend and accounting for a yield factor and VAT we project a per capita spend of SEK 195 (net of VAT). With an attendance of around 465,000 in 2021 we project revenues of around SEK 110 million, and EBITDA of 32.1 million and a margin of 29.2 percent.

Figure 37 - Projected Account of Profit & Loss for the Proposed Lisberg waterpark

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Estimated Annual Attendance	-	445,327	451,780	457,422	462,256	468,179	472,486	476,858	481,299	485,808	490,386	495,036	499,758	504,554	509,425
Pay-One-Price Income															
Admission	-	65,033,317	66,965,426	68,818,749	70,589,093	72,566,001	74,332,042	76,145,296	78,007,136	79,918,979	81,882,287	83,898,565	85,969,368	88,096,297	90,281,005
Food & Beverage	-	24,371,187	25,095,244	25,789,775	26,453,210	27,194,055	27,855,878	28,535,393	29,233,116	29,949,578	30,685,326	31,440,925	32,216,957	33,014,022	33,832,740
Merchandise	-	4,962,860	5,110,304	5,251,736	5,386,836	5,537,698	5,672,470	5,810,844	5,952,926	6,098,823	6,248,648	6,402,516	6,560,544	6,722,855	6,889,576
Other	-	6,749,490	6,950,014	7,142,361	7,326,096	7,531,270	7,714,559	7,902,747	8,095,979	8,294,400	8,498,162	8,707,421	8,922,340	9,143,083	9,369,823
Total Pay-One-Price	-	101,116,854	104,120,988	107,002,621	109,755,235	112,829,024	115,574,948	118,394,280	121,289,157	124,261,780	127,314,423	130,449,427	133,669,208	136,976,257	140,373,144
Cost of Goods Sold	-	10,894,541	11,218,213	11,528,686	11,825,258	12,156,435	12,452,286	12,756,047	13,067,947	13,388,224	13,717,122	14,054,894	14,401,800	14,758,108	15,124,096
Gross Margin	-	90,222,313	92,902,775	95,473,935	97,929,977	100,672,590	103,122,662	105,638,233	108,221,209	110,873,557	113,597,301	116,394,534	119,267,409	122,218,149	125,249,048
Staff Costs	4,978,242	27,311,191	27,720,859	28,136,672	28,558,722	28,987,102	29,421,909	29,863,238	30,311,186	30,765,854	31,227,342	31,695,752	32,171,188	32,653,756	33,143,562
Marketing Expenses	2,780,713	11,122,854	10,412,099	9,630,236	8,780,419	9,026,322	9,245,996	9,471,542	9,703,133	9,940,942	10,185,154	10,435,954	10,693,537	10,958,101	11,229,851
Repairs, Maintenance & Services	-	1,516,753	5,726,654	6,420,157	7,682,866	7,898,032	8,090,246	8,287,600	8,490,241	8,698,325	8,912,010	9,131,460	9,356,845	9,588,338	9,826,120
Utilities & Water	2,527,921	10,111,685	8,329,679	8,560,210	8,780,419	9,026,322	9,245,996	9,471,542	9,703,133	9,940,942	10,185,154	10,435,954	10,693,537	10,958,101	11,229,851
Admin & General	1,769,545	7,078,180	6,247,259	6,420,157	6,585,314	6,769,741	6,934,497	7,103,657	7,277,349	7,455,707	7,638,865	7,826,966	8,020,153	8,218,575	8,422,389
Insurance & Other	505,584	5,055,843	5,206,049	5,350,131	5,487,762	5,641,451	5,778,747	5,919,714	6,064,458	6,213,089	6,365,721	6,522,471	6,683,460	6,848,813	7,018,657
Total	12,562,006	62,196,505	63,642,599	64,517,563	65,875,502	67,348,971	68,717,391	70,117,293	71,549,499	73,014,859	74,514,246	76,048,557	77,618,719	79,225,683	80,870,431
EBITDA	(12,562,006)	28,025,807	29,260,176	30,956,372	32,054,475	33,323,619	34,405,270	35,520,940	36,671,710	37,858,697	39,083,056	40,345,976	41,648,690	42,992,466	44,378,617
EBITDA Margin	0.0%	27.7%	28.1%	28.9%	29.2%	29.5%	29.8%	30.0%	30.2%	30.5%	30.7%	30.9%	31.2%	31.4%	31.6%

Source: Leisure Development Partners

Waterpark Physical Planning

Introduction

In this section we give the guidelines to the physical planning of the proposed attraction elements. These parameters will give an initial starting position for the design process.

Design Day Assessment

The following dimensioning assessment (Figure 38) has been performed for the three attendance scenarios: low, medium and high.

Design day is the average busy day rather than the peak day. Designing an attraction for the peak day leads to an attraction which is expensive to operate and feels empty during periods of low to normal demand, while developing an attraction for the design day creates an attraction which can be run more efficiently and feels atmospheric without being overcrowded during periods of normal to relatively high demand.

We have reflected upon the findings from the benchmarking assessment (looking specifically at Scandinavian indoor waterparks) as well as seasonality in the area (such as tourism arrivals, the existing Liseberg operation etc) in assessing peak month and typical weekly and daily throughput.

While the indoor nature of the park means it can be visited in any weather, there will inevitably still be a bias towards the summer holidays.

Given the weather patterns typically experienced in this part of the world and the limited operating season, it is little surprise that seasonality at the outdoor Liseberg theme park is so peaked with 28 percent of visits in July. The seasonality of tourists, which consists of a blend of business and leisure tourists throughout the year has a much flatter seasonal pattern with a peak month visitation of 10.9 percent during July.

A good benchmark for the proposed waterpark is Lalandia in Denmark which receives 16 percent of their visitors during the peak month. With this in mind (and the very peaked seasonality at the park) we have assumed a peak month of 18.5 percent. Clearly the operator has some control over this through variable pricing, soft programming and marketing, but we feel this is a reasonable starting position.

Figure 38– Design Day, Capacity & Attraction Planning Assumptions, 2021

	Low	Medium	High
Attendance (000s)	430,457	463,937	497,417
Peak Month (% of annual)	18.5%	18.5%	18.5%
Week % of Month	22.5%	22.5%	22.5%
Design Day % Week	17.5%	17.5%	17.5%
Peak on Site (% of day)	55.0%	55.0%	55.0%
Peak Month Attendance	79,635	85,828	92,022
Weekly Attendance	17,918	19,311	20,705
Design Day Attendance	3,136	3,379	3,623
Peak on Site Attendance	1,725	1,859	1,993

Source: LDP

Retail

In terms of retail space, our analysis suggests that around 160 sqm of retail space would be required at medium levels of attendance (Figure 39). This could be linked with reception or the food and beverage offer to reduce space and staffing requirements.?

Figure 39 –Retail Planning Additional Assumptions, 2021

	Low	Medium	High
Retail per capita spend (excl sales tax)	SEK 12.50	SEK 12.50	SEK 12.50
Merchandise revenues	4,547,473	4,965,970	5,384,466
Assumed revenues per sqm	SEK 30,000	SEK 30,000	SEK 30,000
Required area sqm	152	166	179

Source: LDP

Food & Beverage

We have used rules of thumb for turns per hour and front and back of house space to estimate covers requirements and area requirements as summarized in Figure 40. Under this scenario we estimate a need for around 500-600 sqm of space dedicated to food and beverage. This is not intended to be prescriptive as every operator has their own style but it acts as sense check of the plans.

Figure 40 –Food & Beverage Planning Assumptions, 2021

	Low	Medium	High
Total Demand For F&B (of Peak on Site)	40.0%	40.0%	40.0%
Over Period (Hours)	2.00	2.00	2.00
Percentage of Design Day Eating Per Hour	20.0%	20.0%	20.0%
% By Type			
Restaurant	20.0%	20.0%	20.0%
Quick Service	55.0%	55.0%	55.0%
Snack Stands	25.0%	25.0%	25.0%
Turns Per Hour By Type			
Restaurant	0.75	0.75	0.75
Quick Service	1.50	1.50	1.50
Snack Stands	4.00	4.00	4.00
F&B Hourly Demand			
Restaurant	69	74	80
Quick Service	190	204	219
Snack Stands	86	93	100
Seating Requirement (Covers)			
Restaurant	92	99	106
Quick Service	126	136	146
Snack Stands	22	23	25
Front of House Space (Sqm / Seat)			
Restaurant	1.70	1.70	1.70
Quick Service	1.20	1.20	1.20
Snack Stands	1.00	1.00	1.00
Kitchen (Sqm / Seat)			
Restaurant	1.00	1.00	1.00
Quick Service	0.80	0.80	0.80
Snack Stands	0.00	0.00	0.00
Front of House Space (sqm)			
Restaurant	156	169	181
Quick Service	152	164	175
Snack Stands	22	23	25
Kitchen (sqm)			
Restaurant	92	99	106
Quick Service	101	109	117
Snack Stands	0	0	0
F&B Totals (sqm)			
Restaurant	248	268	287
Quick Service	253	273	292
Snack Stands	22	23	25
Total	523	564	604

Source: LDP

Parking

Here we review the parking requirement for the proposed Liseberg waterpark. For the most part, visitors to attractions tend towards their own cars and we have assumed 75 percent of arrivals are via car, despite the fact that the existing park and site are in an urban environment with good public transport infrastructure. We have assumed five percent arrive by coach (such as school groups), therefore a total of 20 percent are assumed to arrive by other forms of transport. We have also allowed for an additional five percent for employee parking.

For many parks the average number of visitors per car is around 2.5. The analysis suggests a need for around 702 parking spaces (including employees) and three coach spaces for the medium scenario. This equates to around 1.8 hectares of land (assuming 25 sqm per car parking space and 125 sqm per coach space).

Figure 41 –Parking Assumptions, 2021

	Low	Medium	High
Peak Day as % of Peak On Site	120%	120%	120%
Proportion of Arrivals by Car	75%	75%	75%
Visitors per Car	2.5	2.5	2.5
Proportion of Arrivals by Coach	5%	5%	5%
Visitors per Coach	35	35	35
Employee Parking	5%	5%	5%
Peak Day as % of Peak On Site	2,070	2,230	2,391
Car borne	1,552	1,673	1,794
Car Spaces	621	669	717
By Coach	103	112	120
Coach Spaces	3	3	3
Employee Parking Spaces	31	33	36
Car Parking (spaces per ha)	400	400	400
Coach/Bus Parking (spaces per ha)	80	80	80
Car Parking Ha	1.63	1.76	1.88
Coach/Bus Parking Ha	0.04	0.04	0.04
Total Parking Ha	1.67	1.80	1.93

Source: LDP

Gothenburg Hotel Market Analysis

Introduction

Sweden is among the most strategically well-positioned and fiscally robust economies in the developed world. The Swedish economy has grown significantly in recent years, but during 2008 and 2009, like most countries in Europe, it felt the effects of the global economic downturn.

However, since then Swedish economic resilience has been characterised by improving indices. After two years of weaker growth than usual, Swedish GDP grew more strongly in the fourth quarter of 2013. The GDP forecasts for the current and forthcoming years are positive, both for Sweden and for the countries with which the Gothenburg region's companies most trade.

Recovering economies in such countries are, of course, important for the city's own development. Latest economic forecast indicate that GDP growth will start to equate to pre-economic crisis levels during 2014 and 2015 in several European countries, including key export markets such as Germany, United Kingdom, France, Denmark and Finland.

Sweden's GDP increased by 3.1 percent during the fourth quarter of 2013 compared with the same quarter in 2012. This statistic beat expectations by a wide margin. The previous eight quarters-long trend of weaker growth than normal has therefore been broken.

Both private and public consumption contributed significantly to the latest positive findings that have led for some time to a consensus amongst many forecast institutes that Sweden, like many other European countries, is in a phase of recovery. Having grown by 0.9 percent in 2012 and 1.5 percent in 2013, Sweden's annualised GDP growth in 2014 and 2015 is expected to be around 2.5 percent to 3.0 percent. In addition to consumption, which has already shown positive development, investments and exports are also expected to show an upswing, which will lead to a further general improvement in the economy.

2013 was also a record year both for air travel and the tourism industry. The number of air passengers at Gothenburg's Landvetter and City airports increased by almost 200,000 in 2013 to 5.86 million passengers. This strong growth continued in January and February 2014, and applies to both domestic and international passengers. The number of overnight stays at hotels, holiday villages and youth hostels in the Gothenburg Region increased by 140,000 people to 3.76 million. This 3.7 per cent increase can be compared to Sweden's more moderate national increase of 0.4 per cent. 2014 is also reported to have begun strongly.

In total, the Gothenburg region offers almost 11,000 hotel rooms spanning 5-Star to value-for-money operating formats. Approximately 8,500 of this total are centrally located.

Recent and planned increases to hotel supply in the city over the medium term have nevertheless put pressure on hotel operating indices, not least average room rates and Rooms department yields. However, we anticipate that continued economic growth, together with regeneration of parts of the city (such as the waterfront 'docklands' area, and new developments at the Liseberg amusement park itself) will continue to auger well for hotel demand in Gothenburg.

Market Context

Analysis of the volume and value of tourism to Gothenburg by Göteborg & Co reveals that the number of guest nights spent in hotels and hostels in the city rose for the 22nd year in succession to an, as mentioned, 2013 total of approximately 3.76 million, representing an annual increase of close to four percent on the previous year.

The increase was marginally less, in percentage terms than that of Greater Malmö (4.5 percent), but was slightly greater than that of the capital, the Greater Stockholm area having recorded an increase of only 3.0 percent for the same period.

Driving demand in Gothenburg are two complementary markets, namely the corporate orientated and leisure orientated sectors:

Corporate Demand generators play an important role in sustaining hotel operations in the city.

- Trade and shipping play a major role in the city's economic history. Gothenburg port is the largest harbour in Scandinavia.
- Major multinational companies located in and around Gothenburg city centre include SKF, Ericsson, AstraZeneca AB. However, at the heart of Gothenburg's economy is Volvo. The ten largest companies in Gothenburg are estimated to employ between 25,000 and 30,000, whilst the top 100 companies in the region employ around 90,000 local residents.
- The Gothenburg region is economically one of the fastest growing in Northern Europe. Since 2000, the number of registered companies has increased by around a fifth. The city region's economy is experiencing positive economic growth, with current GDP growth exceeding three percent.
- The region attracts in excess of 60,000 university students, of which around 85 percent are enrolled with the University of Gothenburg.
- The city is a major north European conference and exhibition destination. In 2013 the city hosted 114 major MICE events, attracting almost 46,000 delegates from around the world. These generated over 105,000 overnight stays with a value to the local economy of almost SEK419 million.

Leisure Demand generators are also a major source of overnight accommodation demand:

- During the summer months, particularly July, Gothenburg attracts visitors from all over Sweden and Scandinavia.
- Major tourist attractions in Gothenburg include: Liseberg Amusement Park, Scandinavia's largest and the most popular attraction in Sweden; Universeum (Sweden's national science discovery centre); the Museum of World Culture; Gothenburg Opera House; the Volvo Museum, The Avenue, which contains Gothenburg's highest concentration of restaurants, bars and clubs.
- Celebrations, festivals and events take place all year round in Gothenburg. However, it is during the summer months when the most popular events take place, including the

Hammarkullekarnevalen carnival each May, the Midsommar (Midsummer's Eve) celebrations, Göteborg Music Festival in June, and international youth handball and football tournaments (Gothia Cup) held each July at the Ullevi Stadium, which also hosts music concerts.

Current Supply Characteristics

Figure 42, details the supply of principal hotel accommodation in Gothenburg.

3-Star and 4-Star hotels account for the dominant share, together representing over 82 percent of all establishments, and almost 94 percent of all rooms.

FIGURE 42: GOTHENBURG HOTEL MARKET – CLASSIFICATION BREAKDOWN				
Classification	Number of Hotels	Percentage (Hotels)	Number of Bedrooms	Percentage (Rooms)
Budget	20	17.5%	888	7.3%
3-Star	46	40.4%	2,228	18.2%
4-Star	47	41.2%	8,985	73.5%
5-Star	1	0.9%	127	1.0%
TOTAL	114	100.0%	12,228	100.0%

Source: Göteborg & Co, and LDP

One of the key strengths of the city as a tourism, Events, and MICE destination is the proximity of its various attributes, with the majority of the Gothenburg hotels being centrally located and within easy walking distance of meeting places, restaurants, entertainment venues, cultural attractions, retail areas, and not least amongst them, the Liseberg amusement park itself. All hotels are also easily accessible from the two airports that serve the destination and the railway station.

The table above, together with Figure 43 and Figure 44, overleaf, clearly demonstrate the relatively meagre supply of 5-Star hotel accommodation in Gothenburg, which accounts for around one percent of lodging properties and the supply of hotel rooms in the city.

This, however, is entirely consistent with the operational characteristics of the destination. Gothenburg, as Sweden's 'second' city, is less likely to have as high a proportion of 5-Star accommodation as the capital, Stockholm.

However, it is also the city's key role as a major sporting and entertainment events base and, more significantly, as a major 'Meetings, Incentive, Conference and Events' (MICE) destination that have helped to shape the supply and distribution of hotel classifications.

Throughout the majority of source MICE markets in Europe, corporate governance increasingly sets limitations on the type and price of accommodation that can be used for MICE events, typically prohibiting event organisers from utilising 5-Star hotel accommodation or combined 5-Star hotel and conference venues.

FIGURE 43: GOTHENBURG HOTEL MARKET – HOTEL PROPERTY SUPPLY MIX

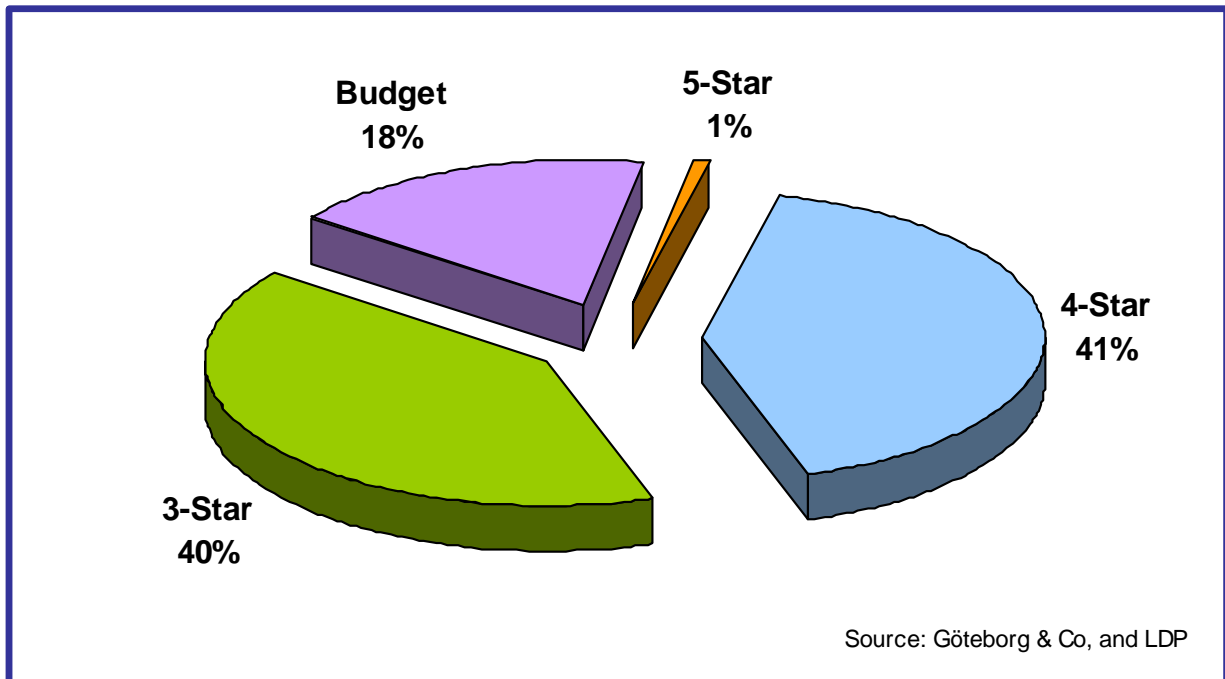
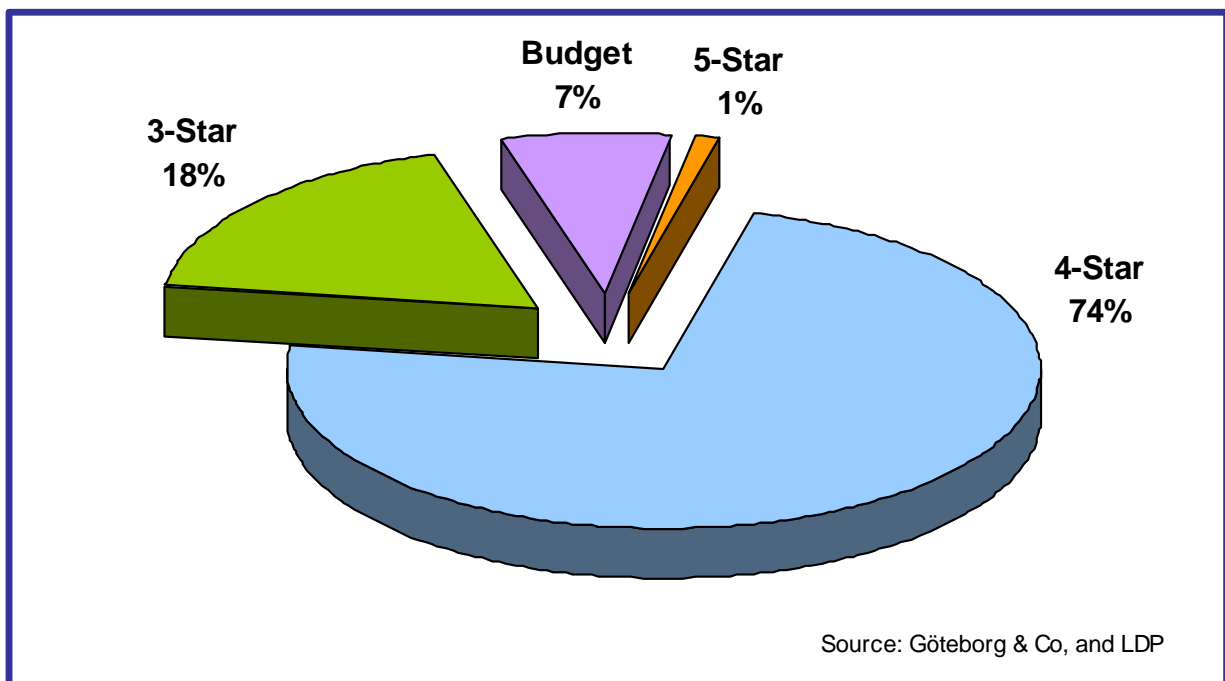


FIGURE 44: GOTHENBURG HOTEL MARKET – HOTEL ROOM SUPPLY MIX



Some 21 hotels, detailed in Figure 45, comprise the selected sample of researched operators from within the wider Gothenburg supply.

The sample represents almost a fifth of the overall supply of Gothenburg hotel properties, and nearly half of the city's overall available hotel rooms.

FIGURE 45: GOTHENBURG – SELECTED RESEARCH HOTELS

Hotel	Official Rating	Operator/Brand	Number of Letting Units
Elite Plaza Hotel Göteborg	5-Star	Elite Hotels	127
Clarion Hotel Odin	4-Star	Choice Hotels	180
Clarion Hotel Post	4-Star	Choice Hotels	500
Elite Park Avenue	4-Star	Elite Hotels	317
First Hotel Avalon	4-Star	First Hotels	101
First Hotel G	4-Star	First Hotels	300
Gothia Towers	4-Star	Independent	704
Hotell Liseberg Heden	4-Star	Independent	179
Hotel Riverton	4-Star	Independent	191
Novotel Göteborg	4-Star	Accor Hotels	151
Quality Hotel 11	4-Star	Choice Hotels	260
Quality Hotel Panorama	4-Star	Choice Hotels	339
Radisson Blu Scandinavia	4-Star	Radisson	349
Radisson Blu Riverside	4-Star	Radisson	265
Scandic Crown	4-Star	Scandic Hotels	338
Scandic Europa	4-Star	Scandic Hotels	455
Scandic Backadal	4-Star	Scandic Hotels	236
Scandic Mölndal	4-Star	Scandic Hotels	208
Scandic Opalan	4-Star	Scandic Hotels	353
Scandic Rubinen	4-Star	Scandic Hotels	194
Quality Hotel Winn	3-Star	Choice Hotels	121
Total			5,868

Source: Gothenburg Hotels Association and LDP

Brand Representation

The supply of hotel accommodation amongst selected research hotels is typical of a maturing international hotel market and is dominated by a number of branded operators, the majority of which manage additional properties throughout Sweden as well as the wider environs of Scandinavia, Europe and other international locations further afield.

The local market leader, Scandic, operates six properties within our research sample, representing 30.4 percent of the sample's room supply, whilst other key brands include Choice Hotels, whose four 'Clarion' and 'Quality' hotels comprise almost 22 percent of research sample hotel rooms.

In addition, Radisson's two properties comprise 10.5 percent of rooms, whilst the Swedish 'Elite' hotel group's two operations represent almost seven percent of the research sample room supply.

Independent hotels are also represented, with the Gothia Towers Hotel alone accounting for as much as 12 percent of rooms in our sample.

Analysis of the overall hotel market in Gothenburg suggests a relatively healthy mix of branded and independent hotel operators, particularly amongst mid-market 4-star providers. However, notable by their absence from the city's hotel portfolio are a number of additional mainstream 'flags', such as Marriott, Hilton, IHG (Crowne Plaza, Holiday Inn, etc.). Their lack of presence in the local market highlights development opportunities in the coming years and the future potential of Gothenburg's hotel supply to broaden and strengthen further its 'international' hotel profile.

Characteristics of Demand

Market Mix

Figure 46 highlights the mix of demand at the Hotell Liseberg Heden the fact that the most significant hotel demand sectors are leisure orientated, accounting in 2013 for almost a two thirds of all hotel nights sold.

FIGURE 46: HOTELL LISEBERG HEDEN – MARKET MIX						
Year	Corporate (Individual)	Corporate (Agent)	Leisure (Internet)	Conference	Leisure (Package)	Other
	(%)	(%)	(%)	(%)	(%)	(%)
2013	22	7	47	2	15	7
2012	31	10	38	3	18	-
2011	31	9	32	3	21	4
Note: 2012 includes LDP numeric adjustments						
Source: Hotell Liseberg Heden and LDP						

Corporate demand is derived both from individual and agency related sources, whilst leisure demand is boosted by bookings generated through the 'Liseberg' website.

Residential conference demand is relatively small as a share of the hotel's market mix, largely a result both of its more modest meeting facilities (relative to other competitive operators in the city) and the assumed displacement of potential conference demand throughout parts of the year in favour of more lucrative leisure market sectors, associated particularly with the amusement park's operating season.

Despite the concentration of hotels in central Gothenburg locations (for example, approximately 30 percent of the city's hotel room supply is reported to be within 200 to 250 metres of its main Central railway station), the precise location of some operators can still influence significantly their market mix characteristics.

Management at hotels such as the Radisson Blu Riverside and Riverton hotels, for example, cite location factors as a principal reason behind their respective market orientations more towards corporate demand sources

Consequently, the broad mix of demand at the Hotell Liseberg Heden differs from that of the wider competitive market in Gothenburg, as illustrated in the following two charts.

FIGURE 47: HOTELL LISEBERG HEDEN – MARKET MIX

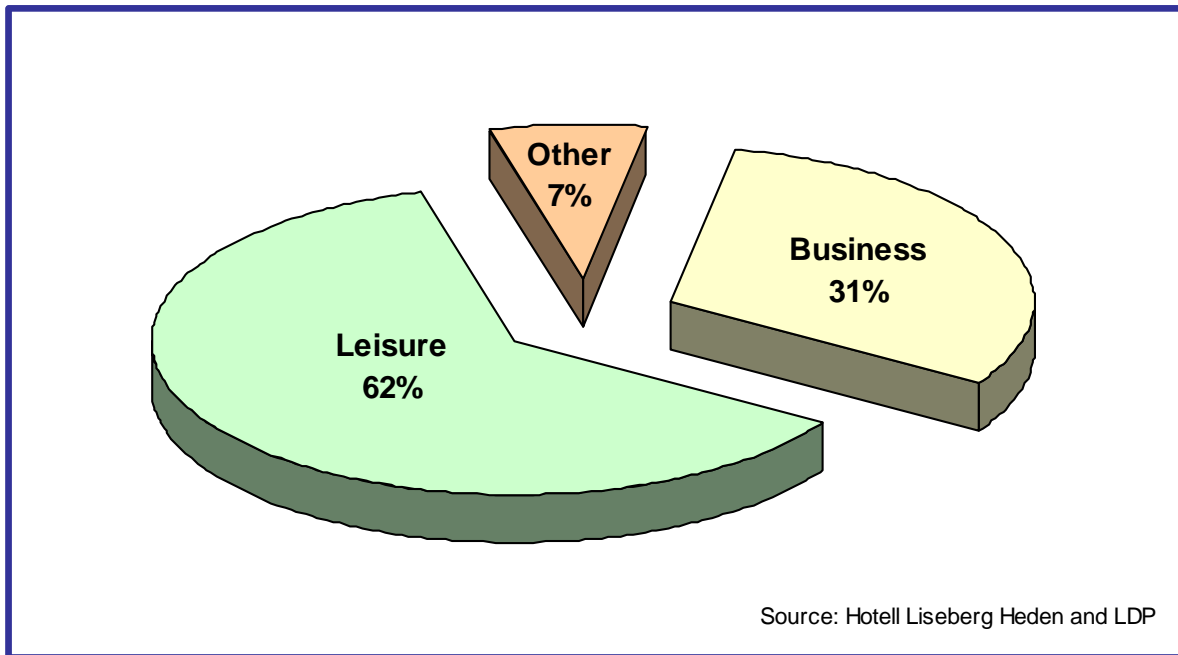
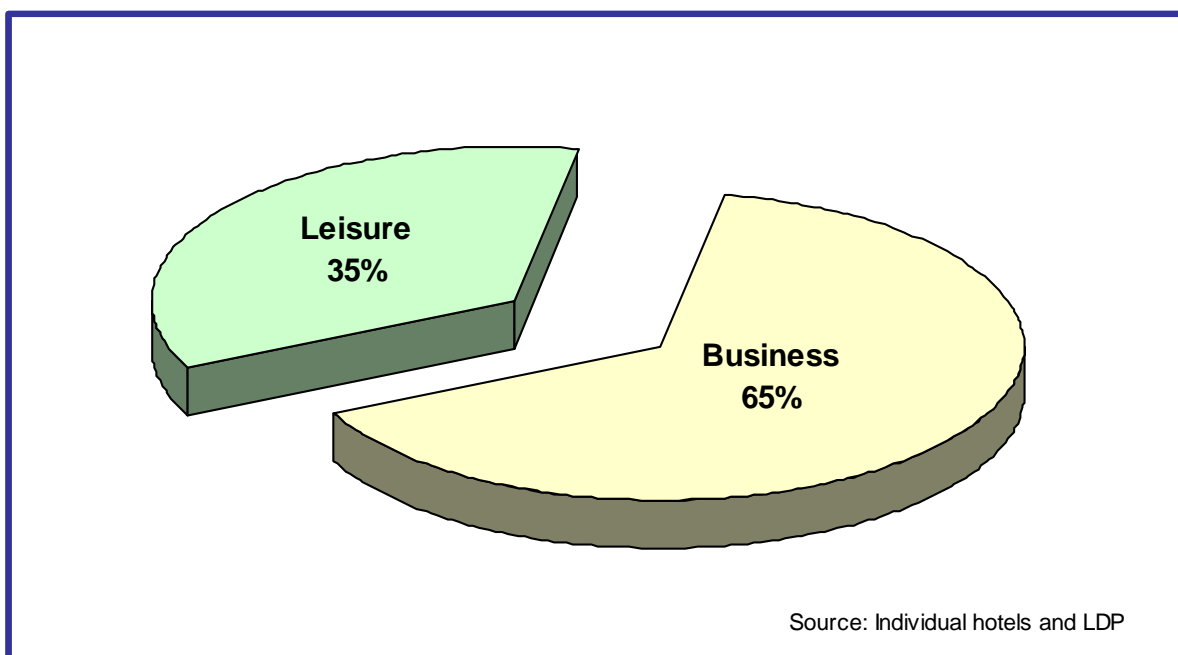


FIGURE 48: GOTHENBURG HOTEL MARKET (RESEARCH SAMPLE) – MARKET MIX



Room Occupancy Seasonality

Gothenburg is both a business and leisure destination. However, its seasonality patterns are quite pronounced with more marked levels of low demand during the winter months, although ‘Gothenburg Christmas City’ promotional campaign has done much to boost demand during an otherwise traditionally low occupancy period.

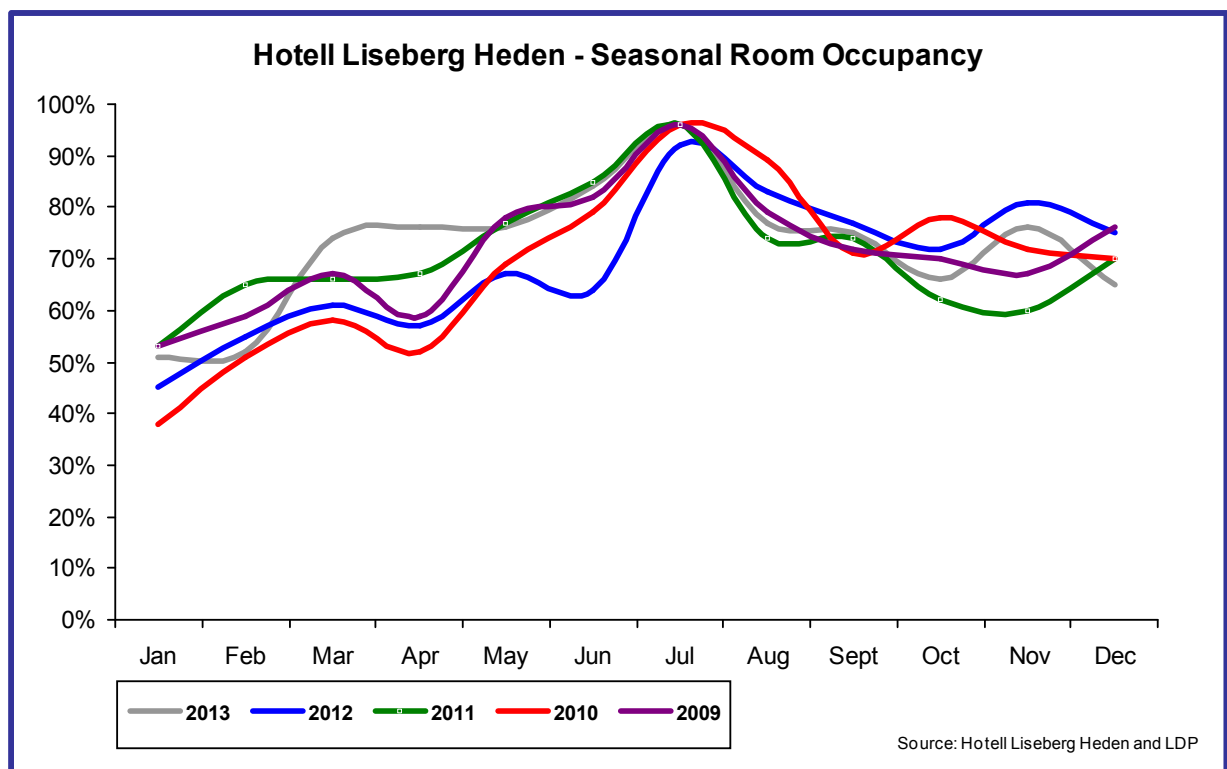
Figure 49 and Figure 50, highlight in table and graph formats the seasonal occupancy traits of the Hotell Liseberg Heden between 2009 and 2013.

FIGURE 49: HOTELL LISEBERG HEDEN - AVERAGE OCCUPANCY SEASONALITY

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
2013	51	52	74	76	76	84	96	77	75	66	76	65
2012	45	55	61	57	67	64	92	83	77	72	81	75
2011	53	65	66	67	77	85	96	74	74	62	60	70
2010	38	51	58	52	69	79	96	89	71	78	72	70
2009	53	59	67	59	78	82	96	79	72	70	67	76

Source: Hotell Liseberg Heden

FIGURE 50: HOTELL LISEBERG HEDEN – SEASONAL OCCUPANCIES



Occupancy patterns for the Gothenburg market as a whole generally emulate those of the Hotell Liseberg Heden, although with an achieved July average of 96 percent in four of the last five years, the hotel, in effect, trades at capacity during its peak summer month.

However, due to the hotel's close associations with the Liseberg amusement park and its integrated website linkages, during peak amusement park demand periods seasonal occupancies at the hotel can be boosted further, relative to the wider market throughout the rest of the city.

The strongest month for hotel accommodation demand is July, followed closely by June and August. Such strong summer occupancy levels, both for the Hotell Liseberg Heden and the wider Gothenburg

market as a whole, is indicative of the high levels of leisure orientated demand, driven in particular by domestic markets. Demand in this regard is attracted to the city by numerous sport and cultural/entertainment/music events.

Hotel occupancy remains higher in the second half of the year as a result both of leisure driven demand and also MICE and corporate activity during the late summer and autumn periods.

Room Rate Seasonality

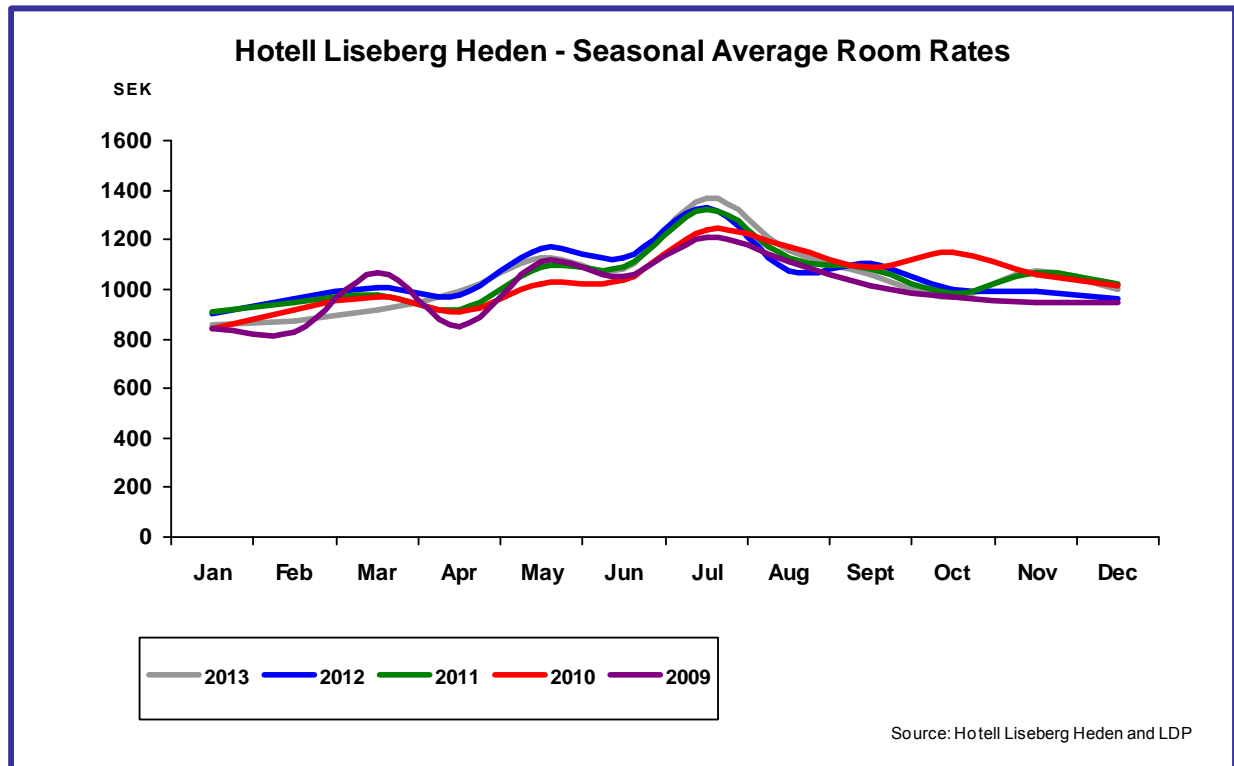
Figure 51 and Figure 52 demonstrate in table and graph formats the seasonality of achieved average net daily rates (ADR) per room sold at the Hotel Liseberg Heden between 2009 and 2013.

FIGURE 51: HOTELL LISEBERG HEDEN - AVERAGE DAILY RATE

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	(SEK)	(SEK)	(SEK)	(SEK)	(SEK)	(SEK)	(SEK)	(SEK)	(SEK)	(SEK)	(SEK)	(SEK)
2013	860	869	920	989	1,130	1,081	1,366	1,156	1,057	970	1,073	1,002
2012	903	962	1,009	975	1,164	1,127	1,332	1,071	1,105	1,001	990	960
2011	908	947	976	920	1,090	1,088	1,324	1,129	1,083	987	1,066	1,024
2010	839	916	971	909	1,019	1,036	1,243	1,173	1,087	1,150	1,056	1,013
2009	845	826	1,070	847	1,108	1,049	1,208	1,109	1,015	971	947	945

Source: Source: Hotell Liseberg Heden

FIGURE 52: HOTELL LISEBERG HEDEN – SEASONAL ROOM RATES



In line with the occupancy peaks that are most pronounced in July, seasonal ADRs exhibit a corresponding rise during the summer months.

What the graph illustrates more particularly, however, is the relative stability of seasonal room rates in recent years, the monthly ADRs deviating little from one another between 2009 and 2013.

Seasonal Rooms Department Revenues Per Available Room (RevPAR)

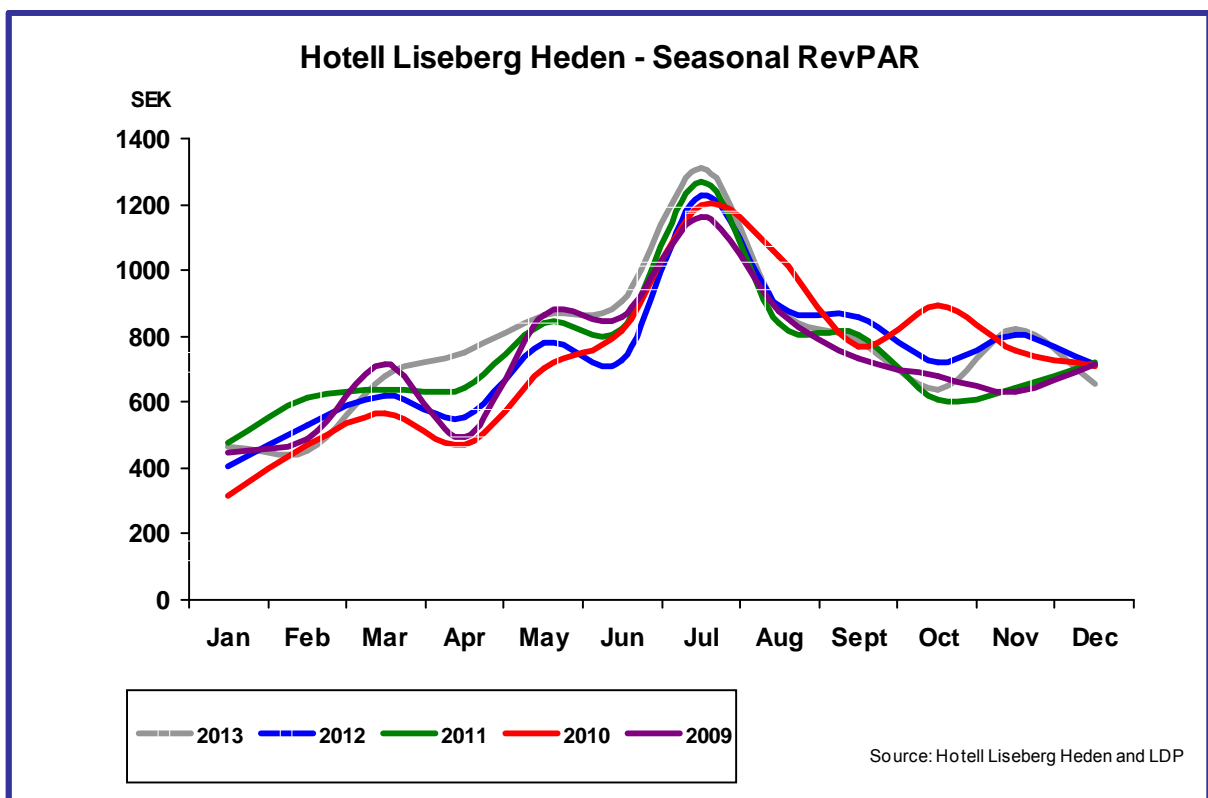
The Rooms Department yields resulting from our analysis of Seasonal Occupancy and ADR performance are detailed in Figure 53 and Figure 54.

FIGURE 53: HOTELL LISEBERG HEDEN - ROOMS REVPAR SEASONALITY

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	(SEK)	(SEK)	(SEK)	(SEK)	(SEK)	(SEK)	(SEK)	(SEK)	(SEK)	(SEK)	(SEK)	(SEK)
2013	463	455	677	749	863	907	1,308	888	789	637	820	653
2012	405	533	617	555	783	724	1,228	893	856	719	806	717
2011	479	616	640	646	839	825	1,270	839	806	609	642	719
2010	318	469	567	469	703	819	1,196	1,044	770	891	756	706
2009	445	487	715	497	866	856	1,162	876	734	681	632	714

Source: Source: Hotell Liseberg Heden

FIGURE 54: HOTELL LISEBERG HEDEN – SEASONAL REVPAR



In the graph representation of RevPAR, the impact of low winter month occupancies on Rooms Department yields can clearly be seen. Despite less pronounced Hi and Low season fluctuations in ADR (for example, the 2013 July ADR was some 55 percent higher than that achieved in January), the difference between High and Low season Rooms RevPAR is considerably more pronounced, with the July yield of SEK1,308 being over 182 percent higher than that of January's SEK463.

The trend further underlines the importance of leisure traveller demand in the city during the summer holiday season, which declines sharply during the winter months at a disproportionate rate to that at which it is replaced by other market sectors.

Weekend / Weekday Seasonality - OCCUPANCY

Gothenburg's non-leisure associated attributes are significant and include its role as an important Swedish port, its home to major industries such as Volvo, and its ability to stage a variety of commercial MICE activities simultaneously.

Despite this, the city's leisure market destination status is as important, if indeed not more so to the successful operating parameters of its hotel sector.

Unusually, therefore, for a destination with 'Second City' status, seasonality traits also extend to distinct characteristics in terms of weekend and weekday seasonality, that highlight the strength of leisure demand annually.

Weekday/Weekend seasonal occupancy characteristics of the sample of 21 researched Gothenburg hotels are presented in Figure 55. The analysis splits sampled hotels into four classifications, including the Hotell Liseberg Heden itself, the combined research sample as a whole, and two sub sectors that include hotels with either a stronger business orientation (such as the Riverton), or a more pronounced leisure market appeal (such as the Hotel Odin).

FIGURE 55: GOTHENBURG HOTELS - WEEKEND / WEEKDAY SEASONALITY (OCCUPANCY)

	Hotell Liseberg Heden		Combined Gothenburg Hotels		Business Orientated Hotels		Leisure Orientated Hotels	
Year	2013 (%)	2012 (%)	2013 (%)	2012 (%)	2013 (%)	2012 (%)	2013 (%)	2012 (%)
Weekday	66%	63%	63%	65%	66%	68%	66%	67%
Weekend	86%	78%	74%	73%	82%	79%	81%	79%

Source: Source: Hotell Liseberg Heden

Of particular significance is the extent to which weekend demand is strongest at the Hotell Liseberg Heden. With strong Amusement Park associations and integrated website links, the hotel is able to dominate the local market in terms of annual achieved weekend occupancy, by as many as 12 percentage points above the overall research sample of 74 percent in 2013.

Also interesting is the fact that leisure demand at weekends appears to be equally strong at hotels with either a recognised business or leisure orientation, the weekday/weekend split achieved by either sub-sector being remarkably similar).

Weekend occupancy rates in excess of 80 percent year-round in 2013 are also indicative of a hotel market that occasionally trades at or close to capacity for parts of the year.

Weekend / Weekday Seasonality – AVERAGE DAILY (Room) RATE (ADR)

Figure 56 presents details of the achieved net weekend and weekday room rates for the same sample of researched Gothenburg hotels.

FIGURE 56: GOTHENBURG HOTELS - WEEKEND / WEEKDAY SEASONALITY (ADR)								
	Hotell Liseberg Heden		Combined Gothenburg Hotels		Business Orientated Hotels		Leisure Orientated Hotels	
Year	2013 (SEK)	2012 (SEK)	2013 (SEK)	2012 (SEK)	2013 (SEK)	2012 (SEK)	2013 (SEK)	2012 (SEK)
Weekday	1,039	1,047	1,039	1,077	1,055	1,086	1,053	1,095
Weekend	1,115	1,121	924	922	985	962	970	961
Source: Source: Hotell Liseberg Heden								

Noteworthy in the table is the weekend ADR performance of the Hotell Liseberg Heden relative to that of its principal competitor hotels. Average weekend ADRs at the hotel are higher than those associated with weekday periods, converse to the averages of other Gothenburg operators, and indicative in particular of the relative strength of the amusement park related leisure market at the Hotell Liseberg Heden.

Weekend/Weekday Seasonality – AVERAGE REVENUE per AVAILABLE ROOM (RevPAR)

The resulting average weekend and weekday Rooms Department yields are presented in Figure 57.

FIGURE 57: GOTHENBURG HOTELS - WEEKEND / WEEKDAY SEASONALITY (ROOMS RevPAR)								
	Hotell Liseberg Heden		Combined Gothenburg Hotels		Business Orientated Hotels		Leisure Orientated Hotels	
Year	2013 (SEK)	2012 (SEK)	2013 (SEK)	2012 (SEK)	2013 (SEK)	2012 (SEK)	2013 (SEK)	2012 (SEK)
Weekday	681	657	658	705	697	734	696	738
Weekend	960	875	684	672	807	760	786	755
Source: Source: Hotell Liseberg Heden								

The effect of stronger weekend occupancies throughout the city counteracts the marginally weaker weekday ADR levels of most researched hotels (excl. Hotell Liseberg), resulting in average Rooms RevPARs across all analysed sub-sectors that are dominated by the weekend market.

However, despite the universal nature of stronger weekend average RevPARs, they are, not surprisingly, far more significant at the Hotell Liseberg Heden, whose weekend Rooms RevPAR in 2013 was almost 41 percent higher than the average achieved for weekday periods.

This compares with a four percent margin between weekday and weekend rooms RevPARs amongst the wider researched hotel sample, a 16.8 percent difference amongst business orientated hotels and a 12.9 percent gap at leisure orientated operations.

Average Length of Stay (ALS)

Figure 58 details the hotel market average length of stay of a selected Gothenburg hotels.

FIGURE 58: GOTHENBURG HOTEL MARKET – AVERAGE LENGTH OF STAY (ALS)

	Average Length of Stay (Nights)	
	Business Visitors	Leisure Visitors
Gothenburg Hotels	1.0 – 1.5	1.2 – 2.0

Source: Individual Hotels

Demand associated with business travel to the city generates average lengths of stay that are lower than those associated with leisure travellers. A consequence of this trend is that the average length of hotel stays during the summer is generally longer than that of the winter period, when leisure demand is far less pronounced.

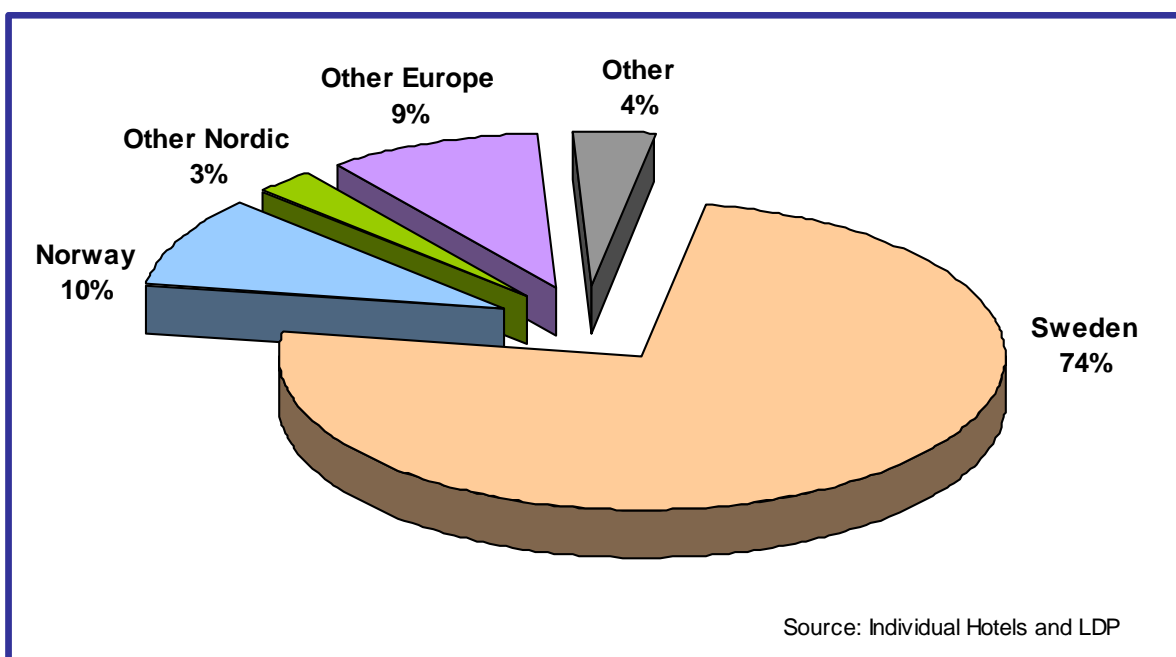
The ALS characteristics of the city disguise the fact that Gothenburg, as a significant MICE destination, also attracts demand for city-wide events that range from large trade fairs to major conventions.

As a result, whilst many MICE events generate average stays typical of those associated with business travel of one to two nights, more significant ‘congress’ events can result in hotel accommodation demand of between three and four nights.

Geographic Source Markets

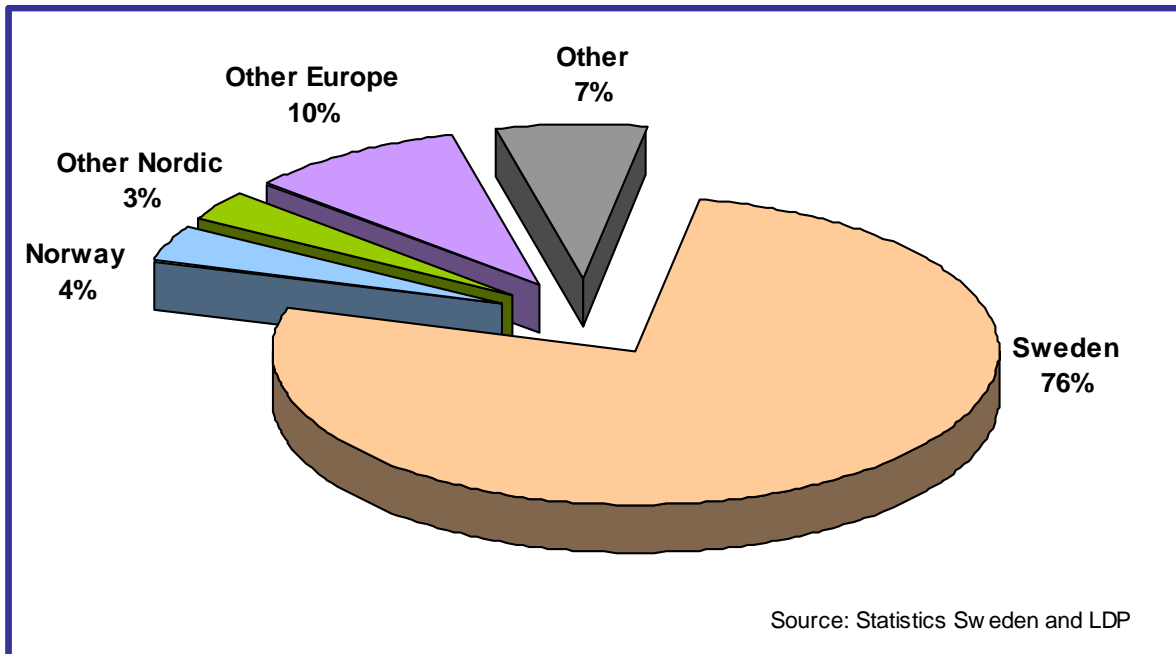
Hotel demand in Gothenburg is dominated by the domestic market, as indicated in Figure 59.

Figure 59: GOTHENBURG Hotel Market – Geographic Market Mix (2013)



The market mix of the city's hotels largely reflects a national pattern of demand, as detailed in Figure 60, although Norwegian visitors to Gothenburg account for a relatively stronger market share than the rest of the country as a whole.

Figure 60: SWEDEN Hotel Market – Geographic Market Mix (2013)



Operating Characteristics

Having examined some of the main market 'demand' characteristics of hotels throughout the Gothenburg hotel supply, this section looks more closely at the principal 'operating' characteristics of the lodging sector.

Average Annual Room Occupancy

Figure 61 details the five-year annual room occupancy trend of the Hotel Liseberg Heden, together with those of the wider Gothenburg, Stockholm and Swedish hotel markets.

FIGURE 61: SWEDISH HOTEL MARKET – AVERAGE ROOM OCCUPANCY COMPARISONS (2009 TO 2013)

Hotel Market	2009	2010	2011	2012	2013
	(%)	(%)	(%)	(%)	(%)
Hotell Liseberg Heden	71	69	71	69	72
Greater Gothenburg	59	60	63	61	60
Greater Stockholm	59	61	61	59	59
Sweden	48	50	51	50	50

Source: Hotell Liseberg Heden, Statistics Sweden and LDP

The table highlights the exceptional levels of demand generated by the Hotell Liseberg Heden, relative to the markets of Sweden, Gothenburg and the Swedish Capital, Stockholm.

In relation to the Swedish hotel market overall, occupancies in Gothenburg are also considerably stronger, whilst comparison of the hotel markets of Stockholm and Gothenburg indicates that despite assumed differences in the supply mix and market scale of their respective hotel sectors, overall annual room occupancies are remarkably similar.

Closer examination of the two-year occupancy trends of our specific research sample of largely 4-Star Gothenburg hotels is detailed in Figure 62.

FIGURE 62: SAMPLED GOTHENBURG HOTELS – ANNUAL ROOM OCCUPANCY (2012 – 2013)								
	Hotell Liseberg Heden		Combined Gothenburg Hotels		Business Orientated Hotels		Leisure Orientated Hotels	
Year	2013	2012	2013	2012	2013	2012	2013	2012
	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Annual Room Occupancy	72%	69%	66%	68%	71%	71%	70%	71%
Source: Source: Hotell Liseberg Heden								

Compared to the wider Gothenburg market (as well as those of Stockholm and Sweden detailed in the previous table) the principal city-centre hotels in the city can be seen to operate at more robust levels of annual room occupancy.

Average Room Rate

The achieved average net room rates of the Hotell Liseberg Heden between 2009 and 2013 are detailed in Figure 63.

FIGURE 63: HOTELL LISEBERG HEDEN – AVERAGE NET ROOM RATES (2009 TO 2013)					
Year	2009	2010	2011	2012	2013
	(SEK)	(SEK)	(SEK)	(SEK)	(SEK)
Average Net Room Rate	1,015	1,062	1,062	1,067	1,061
Source: Hotell Liseberg Heden					

After 2009, and in the wake of the worst effects of the global economic downturn, the hotel's ADR grew by SEK47 in 2010, but has remained relatively static since then.

Nevertheless, comparison of its ADR with that of the combined research sample of largely 4-Star competitive hotels in Gothenburg indicates that in room rate terms the Liseberg operation is the market leader locally, as detailed overleaf in Figure 64.

FIGURE 64: SAMPLED GOTHENBURG HOTELS – ANNUAL NET AVERAGE DAILY (ROOM) RATE (ADR)								
	Hotell Liseberg Heden		Combined Gothenburg Hotels		Business Orientated Hotels		Leisure Orientated Hotels	
Year	2013	2012	2013	2012	2013	2012	2013	2012
	(SEK)	(SEK)	(SEK)	(SEK)	(SEK)	(SEK)	(SEK)	(SEK)
Average Room Rate	1,061	1,067	1,002	1,029	1,032	1,047	1,026	1,052
Source: Source: Hotell Liseberg Heden								

Rooms Department Revenues Per Available Room (RevPAR)

The Rooms Department yields that result from the achieved occupancies and ADRs of the Gothenburg collective hotel sub-sector markets are detailed in Figure 65.

FIGURE 65: GOTHENBURG HOTELS – ACHIEVED AVERAGE ROOMS REVPAR								
	Hotell Liseberg Heden		Combined Gothenburg Hotels		Business Orientated Hotels		Leisure Orientated Hotels	
Year	2013 (SEK)	2012 (SEK)	2013 (SEK)	2012 (SEK)	2013 (SEK)	2012 (SEK)	2013 (SEK)	2012 (SEK)
Rooms RevPAR	768	739	666	696	729	741	722	743
Source: Source: Hotell Liseberg Heden								

Given the relatively strong occupancy and ADR performance of the Hotell Liseberg Heden in 2013, its annual average Rooms Department yield can be seen to exceed the local competitive market average, having grown between 2012 and 2013 by almost four percent.

In contrast, average Rooms RevPAR amongst the overall research sample of hotels, and those of Business and Leisure orientated properties has fallen by 4.5 percent, 1.6 percent, and 2.9 percent respectively.

Revenue Mix

Figure 66 details the revenue mix range of researched Gothenburg Hotels.

FIGURE 66: GOTHENBURG HOTEL MARKET – REVENUE MIX	
Department	Revenue Mix
	(%)
Rooms	55 – 75
Food & Beverage	15 – 40
Minor Operated Departments	1 – 5
Other	1 – 5
Source: Individual Hotels and LDP	

The ranges are relatively wide due to the diverse nature of hotel operating practices and the city centre location of relevant operators. Alternative independent bars and restaurants compete more effectively in 'downtown' locations with some hotel operators which in turn can affect the amenity and revenue mix they are able to achieve.

Thus, the scale and range of hotel food and beverage provision, banquet and function facilities and other amenities can differ from one hotel to the next.

Additional influences on the breakdown of total revenue can include market sector mix, quality of service, and in particular the strength of achieved occupancies and room rate premiums.

Operating Costs

Principal hotel operating expenses in Sweden are strongly influenced by wage costs and other charges which can have a dramatic effect on overall profitability. In the following paragraphs we detail the key expense characteristics of our researched Gothenburg hotels.

Figure 67 outlines the range of payroll, other expenses, and gross operating profitability associated with researched hotel operations. The percentages are relatively wide ranging, reflecting the significant variances between lodging operators in Gothenburg.

Our analysis of hotel operating indices is aligned to the 'International Uniform System of Hotel Accounting'.

FIGURE 67: RESEARCH HOTELS – EXPENSES AND OPERATING PROFIT INDICES

	Percentage of Revenue (Range)
Payroll	35% to 48%
Marketing	3% to 6%
Administration & General	3% to 5%
Property Operations and Maintenance	2.5% to 5.5%
Energy / Utilities	5% to 8%
Gross Operating Profit (GOP)	<10% to 25%
NOTE: Includes management respondent estimates	
Source: Individual Hotels and LDP	

Labour costs have the most significant impact on overall profit margins. At hotels with a strong emphasis on food and beverage provision, staffing requirements are more significant, with consequential payroll expenses that can far exceed industry norms.

This is particularly the case at a number of Gothenburg hotels that provide not only rooms but also associated labour-intensive in-house restaurant and bar facilities.

To more effectively manage costs, hotels increasingly also have to adopt a more flexible approach to employment contracts. By using a greater number of part-time employees, labour levels can be controlled to match peaks and troughs in demand more effectively.

Marketing costs also vary significantly from one operator to another, reflecting a diverse approach to product promotion, as well as variances in the weighting attached to marketing by management. Independent operators generally have a lower propensity to adopt costly and more pro-active promotional practices, whilst larger branded operators in Gothenburg benefit from accounting systems and head office support that automatically factors-in marketing activity and its associated costs.

Expenses associated with hotel administration, maintenance expenses, and utility costs as a percentage of overall revenue are generally in line with industry norms.

In general, however, relatively high manpower costs together with, in some instances, moderate occupancy levels and room rate indices can be seen to inhibit Gross Operating Profit (GOP), which at some hotels result in modest GOP percentages.

Arguably, one of the strongest performers in a local market context is the Hotell Liseberg Heden, by virtue of its strong association with, and ability to market directly to, Amusement Park related demand. As a result, the hotel is able to generate 'above market fair share' demand from leisure sector sources. It is also able to target other market sectors on relatively equal terms with the central Gothenburg hotels.

The overall payroll costs of hotels in Gothenburg in percentage terms are relatively high compared to some parts of the world where labour is considerably cheaper.

As a result, departmental operating profit margins are squeezed, resulting in hotels achieving reported Gross Operating Profits (GOPs) that struggle to exceed much above 25 percent.

Future Hotel Supply

Planned additions to the Gothenburg hotel supply are detailed in Figure 68. Recent growth in the volume of branded hotel operations has collectively been changing the strategic product-positioning of the lodging sector both at the upper-midscale and value-for-money ends of the market.

Recently developed hotels such as the Clarion Hotel Post, and Radisson Blu Riverside, despite increasing the overall competitiveness of hotels in the city, have also helped to strengthen Gothenburg's market appeal as a corporate, leisure and MICE destination.

Given the volume and assumed standard of proposed new developments outlined in the following table, this trend looks set to continue.

FIGURE 68: GOTHENBURG – FUTURE HOTEL SUPPLY		
Hotel Project	Opening Year	Number of Keys
STF Göteborg City Hotel loch Vanderhem	2014	80
Scandic Rubinen	2014	100
Gothia Towers tredje tornet	2015	500
Änglagården, Kviberg	2015	200
Folkets Hus	2016	300
Total 1630	-	1,180

Source: Hotell Liseberg Heden and LDP

If all identified projects are inaugurated, the potential additions to Gothenburg's hotel room supply could reach around 1,180 keys within two years. This project's realisation could increase that total to 1,630 additional keys within four years, either figure representing a not insubstantial uplift in the city's overall hotel room capacity.

Growth on this scale will impact in the short-term on the ability of operators to maintain Rooms department yields at current levels. Anticipated adjustments either of room 'occupancy' or 'rate' will

intensify as hotels adjust their RevPAR targets in an attempt to sustain competitiveness in the marketplace. But as new hotel supply is absorbed and demand increases, any negative impact is likely to be short-lived.

By the anticipated opening year of this project we anticipate that a combination of ongoing demand growth, together with 'post peak' declines in the impact of new supply, will enable the proposed water park hotel to generate relatively strong annual occupancies and room rates from the outset.

Summary and Implications for the Study Site

The last few years of unstable source market economies and the relative fragility and fickleness of international tourism have had a negative impact on the hotel industries of most European countries. The hotel market of Gothenburg continues to face challenges induced, in part, by increased competition from other 'event' destinations in Sweden and throughout northern Europe such as Stockholm and Copenhagen.

Hotel industry practitioners remain optimistic about the ongoing ability Gothenburg to attract a strong and diverse market mix comprising leisure, MICE, and other corporate sectors. They remain pragmatic about the cyclical nature of peaks and troughs in demand, such as those resulting most recently from the economic challenges faced throughout the city, Sweden, and wider international community.

Several factors auger well, for Gothenburg's future hotel industry prospects. They include, ironically, the city's growing supply of quality hotel accommodation and 'event' staging capabilities at venues such as Gothia Towers, the development and regeneration of much of its former industrial waterfront, the strengthening and more co-ordinated promotion and marketing of the city as a major MICE activity destination by Göteborg & Co, and not least, the ongoing product evolution and exceptional market appeal associated with its leading leisure attraction/destination 'hotspot', namely the Liseberg Amusement Park itself.

Despite the stalling of operating indices in 2013 compared to 2012 amongst some elements of the Gothenburg's hotel sector, the process of economic recovery in a number of key source markets is underway and is anticipated to continue in the ensuing medium to longer-term, as economies recover and/or stabilise, and as confidence in, and the popularity of the city (as a business, events, and leisure tourism destination), strengthens and evolves.

'Location' considerations will continue to play a crucial role in the success of Gothenburg and its most prestigious 'destination' developments, as well as the hotels that facilitate overnight visitation to the city. Not least amongst them are proximity to good communications, other commercial areas of the city and the available mix of wider tourist attractions, sporting arenas and events facilities.

The central location of Liseberg at the heart of this relatively 'compact' city together with other amenities help to enhance the visitor appeal and strengthen Gothenburg's tourism product 'critical mass'.

Projects that provide a range of 'urban-resort' facilities and other unique attributes (in both a local and wider international market context), and that offer ease of access both from domestic and international arrival hubs, will be capable of generating demand from domestic, Scandinavian,

European and wider international feeder markets for both business (MICE included) and leisure orientated demand.

At this project, in addition to the assumed association with the existing amusement park, the additional proximity of an integrated indoor water park attraction, on-site conference and meeting facilities, and spa, as well as other off-site city-wide business and leisure attributes, will also be significant drivers of demand for a hotel operation that forms part of the envisaged development scheme.

Given these considerations, this project is therefore likely to emerge pre-eminent, in a Gothenburg 'destination' context, with regard to hotel occupancies, achieved room rates and other performance indices.

In Gothenburg, the year-round hotel operating parameters of the destination have been boosted by initiatives to attract demand during traditionally low/shoulder seasons such as late autumn and Christmas (plans are also currently underway to boost the destination appeal of the city during the school half-term holiday that occurs around Halloween). These have helped to lengthen the traditional seasonal patterns of leisure demand, attracting both winter and summer markets from domestic Swedish and wider international sources.

With the inauguration of this project in particular and the existence of other local commercial and tourism hotspots in the city, the location of the proposed new Liseberg Hotel and water park will be well-placed to emerge collectively as a focal point of Gothenburg's principal visitor attractions. This will strengthen the project's destination status and appeal in terms both of its 'urban resort' leisure tourist attributes and emerging business and meetings sector opportunities.

As such, a hotel at the proposed development should be able to attract a mix demand capable of driving buoyant hotel occupancies and average room rates throughout most of the year.

Demand will comprise a mix of leisure travellers, MICE visitors, and corporate business. Our review of the Gothenburg hotel market strengthens our belief that an on-site lodging component forming part of this project should be conceived in a way that sets it apart from existing and, to a large extent, any 'yet to emerge' future hotel supply in the city. The opportunity exists to bring to the market a hotel product that is not only suited to various identified market sectors, but that is also uniquely design-led, service-driven and amenity-focused in market perception terms.

Its location should facilitate the ability to successfully target and attract demand from a mix of market sectors, including Liseberg related leisure tourists, corporate conference and incentive 'event' organisers, and a mix of other business and Gothenburg orientated leisure and city event demand from Swedish domestic, European, and other international sources.

Development Rationale: Water Park Hotel

Introduction

Hotel schemes that form integral elements of larger mixed-use enterprises are increasingly varied and wide-ranging in terms both of scale and concept. Thrill-ride orientated ‘theme’ and ‘amusement’ park resorts with equally ‘themed’ lodging products are typified by benchmark operators such as Europa Park (Germany), Disneyland Paris (France), and Alton Towers (UK). Water park resorts centred on year-round aquatic attractions include the likes of Tropical Islands (Germany), Atlantis The Palm (Dubai), Splash Landings at Alton Towers (UK), and Atlantis Paradise Island (Bahamas).

As such, all these examples are far removed from the traditional resort template of only a few decades ago and reflect the changing tastes and product preferences of increasingly diverse and discerning leisure travellers.

In relation to the vision and concept development aspirations for Liseberg, we consider that elements both of the emerging lifestyle hotel sectors and evolving genres of lodging operator across a range of market orientations and price points are likely to play an important role in determining the differentiation of this project from existing templates of hotel design and operation.

Water Park Resort Hotel Development Rationale

The proposed water park lodging component of the scheme needs to be developed as an integral part of an already exemplary ‘Liseberg’ destination, in terms not only its concept as a ‘water park’ resort hotel, but also both the design and execution of its built elements. At its core should be a high-quality international standard resort hotel, with additional amenities that include a spa, health and fitness facilities, and Kids’ Club as key components of its leisure offering.

With this project Liseberg will emerge further as an international and will strengthen its already strong appeal and market presence within domestic and Scandinavian markets. Resort hotel development is evolving. At destinations throughout the world where the sector is established, cutting edge design and stylish sophisticated interiors are complemented by increasingly diverse urban and non-urban locations, together with high levels of a unique new kind of relaxed but highly attentive and personalised service. Our vision for the proposed water park hotel at this project aims to emulate the best of these physical characteristics and operating philosophies.

However, this project and the future hotel market of relevance, at a local Gothenburg and wider Swedish/Scandinavian/European level, will face numerous challenges, not least of which is to ensure sustainable levels of demand in a seasonal market sufficient to support the growing supply of international standard and, we envisage, branded competitive hotel operations in the city.

We consider that this objective will be reliant, to a considerable extent, upon the realisation of a number of key objectives, including the increased provision of facilities, amenities and services with market appeal over and above that associated principally with Liseberg’s world class amusement park environment. Water park facility provision is a ‘given’ in this regard. But exceptional spa facilities are also a pre-requisite. We also consider that state-of-the-art multi-functional conference,

meeting, and 'other activity' facilities will also widen the appeal of the hotel to an appropriate mix of additional market sectors.

The hotel must also seek to establish itself (together with its associated water park and other facilities), from the outset, as a unique venue, entirely distinguishable from other lodging operations within the competitive Gothenburg market. This project's city-centre location and associated on-site project components comprise a range of exceptional attributes. The proposed water park hotel needs to emerge as a distinct, innovative, stylish, mould-breaking operation. Indeed, we consider the market positioning opportunities for the project to be capable of elevating Liseberg's destination status to one of greater international recognition, given the unique combination of location qualities, envisaged product excellence, service innovation and assumed brand awareness.

Existing and emerging new demand sectors for hotels (especially at those developments that, like this project, are located within a relatively short flying and/or driving time of key source markets throughout Europe) also exhibit greater time-sensitivities and a move towards more frequent/multiple holidays throughout the year, of shorter duration than the traditional single annual one-week or two-week vacation. This trend is growing amongst all age groups, but is strongest amongst demand sources that include younger professionals and families with children, reflective of the increasing pressure being placed on the life-work balance and enhanced 'family values' in the envisaged post-recessionary climate in which this project will operate.

Resort Hotels in Integrated Environments

In terms of on-site amenities and entertainment facilities at this project, some elements of the vacation travel community demand more from their hotel and resort environment than the product offer of the typical tried and tested (and increasingly unsatisfactory) resort hotel model. For many, it is no longer sufficient to simply provide the 'three Ms' - 'mattress, meal and massage', no matter how comfortable the accommodation, relaxed the dining experience, iconic the spa architecture, or life-enhancing the operating philosophy. Consumers also want a greater mix of on-site recreational opportunities and experiences.

Integrated Resort Hotel - Amenity Provision

The scale of larger resort hotels such as that proposed for Liseberg, and the typically greater number of rooms they provide, obliges operators to more aggressively target a much wider range of market sectors capable of boosting overall levels of room occupancy.

At the proposed Liseberg water park hotel project the provision of health and fitness facilities and a spa will be pivotal to meeting such expectations, together with a number of additional add-ons to this core requirement.

In this regard, soft programming and amenity planning will be central to the hotel's ability to extend seasonal occupancy and appeal to visitors during the low and shoulder seasons when the amusement park is closed.

Integrated Resort Hotel - Conference Facilities

Given the city-centre location of this project and Gothenburg's status as a major MICE destination in Sweden relative to source market demand, conference facility provision is considered a pre-requisite to strengthening the hotel's wider market appeal.

Given the hotel's envisaged scale, amenity provision and significant number of letting units, the operation will be predisposed to attracting demand from a market mix that includes Meeting, Incentive, Conference and Event (MICE) group sources.

Although seasonality challenges are factors that can inhibit MICE demand in any location, and Gothenburg is no exception, we consider the location and site strengths of this project, together with its assumed branding, anticipated product strengths, and service excellence are likely to be of considerable appeal to MICE markets within the corporate and commercial sector. In order to generate occupancy and event-related food and beverage demand, we therefore recommend the provision of a purpose-built conference and function venue capable of accommodating groups of different sizes.

Water Park Hotel Development Programme Implications for This Project

At the mid to upper-end of the market, resort hotels continue to evolve, the once caricatured image of somewhat formulaic operational characteristics increasingly giving way to a more diverse and dynamic 'lifestyle' orientated product range that attracts clientele from every age group. Our proposed Liseberg water park hotel vision sits comfortably within these emerging trends.

As well as established vacation demand traits, emerging markets for such urban resort offerings are increasingly characterized by short-break/weekend demand and short-stay demand that can sometimes involve visitation to other local attractions, retail experiences, and special events. They share a common trait of distinct time-sensitivity, particularly amongst younger professionals.

As a result, operators increasingly aim to tap specifically into the ever-growing 'product savvy' awareness of today's 'quick-fix', 'de-stress', 'de-tox' market. In so doing they have created not only a new 'look' for resort hotel and spa operations, but also a new approach to the concept and interpretation of 'service'.

Success factors vary from one type of hotel to another, although particularly influential physical and operational traits noted at researched leading properties in other parts of the world include the availability of a wider range of recreational amenities. At the proposed Liseberg water park and hotel a state-of-the-art spa with indoor spa zones that incorporate calm, tranquil spaces and treatment 'sanctuaries' (as well as more animated areas of hotel activity and food and beverage provision), will provide alternative leisure and dining opportunities to those of the water park and the wider integrated urban resort as a whole.

As part of an alternative international brand, the proposed hotel would also be able to develop links with other existing (and any planned new) group properties. This could imply potentially far-reaching positive consequences for this project, in terms of promotional opportunities and wider reciprocal brand/group product appeal amongst markets for its various hotel locations.

Key Water Park Resort Hotel Markets

Given the anticipated supply and operational dynamics of the future hotel sector in Gothenburg, we consider that potential demand at this project will derive from a mix of sources that is to some extent an expansion of existing demand.

Market sector demand is detailed in the Financial Bases for this project, but in outline will include the following:

Traditional Leisure Tourist Markets

Independent and Wholesale (packages and tour operator/travel agent) leisure traveller demand will generate the largest combined share of envisaged market mix. Accessibility from other parts of Sweden, Scandinavia and wider European locations will enable this project to attract weekend and short-break visitors as well as longer-stay vacationers throughout a much extended summer season and throughout the shoulder and off-peak trading months, due to the year-round appeal of the water park and other envisaged project attributes.

Meetings, Incentive, Conference & Events (MICE) Markets

Gothenburg is an important domestic and international MICE destination. Conferences groups comprise a significant source of accommodation demand throughout the city. Accessibility via road, ferry, rail and the city's airports both for international and domestic MICE events, together with an envisaged wealth of on-site recreational attractions and dedicated state-of-the-art meeting facilities (linked to in-house hotel accommodation) will provide the perfect environment for MICE orientated activity at Liseberg, and will be a key catalyst in attracting significant levels of hotel related overnight demand.

The choice of on-site retail, dining and other visitor attractions at Liseberg, together with the excursion opportunities resulting from the proximity of the site to other Gothenburg tourist attributes will also enable conference related hotel accommodation at this project to generate significant levels of additional MICE demand for post-conference event 'extended leisure' stays.

Non-resident domestic conference groups from sources within Gothenburg will also generate a share of demand within this sector. As the economy of Sweden continues to recover from the economic difficulties of recent years, we consider that targeted and focused promotion by a dedicated conference and business orientated 'Sales & Marketing' team at this project (geared specifically to more local corporate group meeting and event organizers) should enable the hotel to successfully attract increased levels of demand from domestic sources.

Corporate Markets

As Sweden's 'Second City', Gothenburg is a significant business destination with demand for overnight accommodation generated throughout the year by the many commercial and industrial organizations based in and around the conurbation.

The proposed hotel, situated in the heart of the city will offer a distinct overnight accommodation alternative to the traditional 'business' hotel environments of other central Gothenburg competitors, and will be capable of generating significant and sustainable levels of demand from corporate visitors to the city.

Other Markets

'Other' demand for overnight accommodation is likely to derive from a mix of sources such as wedding-related activity, other celebratory functions, and ad-hoc activities staged both within environs of the Liseberg amusement park as well as the hotel itself. These could include product launches, small catered events, private concerts, corporate client entertaining, etc.

Financial Projections: Water Park Hotel

Water Park Hotel - Programme Description

Introduction

Demand for this project, whilst dominated for much of the year by the leisure sector, is nevertheless anticipated to extend to a wider market mix, due to its location in the heart of Gothenburg. As a result, the envisaged hotel will need to cater for markets with differing needs and expectations in terms of amenity provision, levels of service, room products and facilities.

Adults without children, older visitors, corporate business visitors, and participants in meetings or incentive group events are more likely to prefer differing environments that incorporate less animated areas and that comprise, in part at least, the 'professional' environs of a sophisticated hotel, albeit with proximity to other on-site recreational amenities.

Those requiring hotel accommodation for more leisure-orientated stays will have a higher propensity to travel as couples, part of a group of friends, or as a family (with young children and teenagers/young adults). Accommodation and amenity requirements for this market should include linked, inter-connected rooms and suites.

LDP's proposed scheme is based on the assumed creation of a four-star international standard water park 'urban resort' hotel. Managed, like the existing Hotell Liseberg Heden, to an exemplary high-quality operating standard, the scale and assumed facility provision should be designed to quickly establish this project as a 'destination' urban resort hotel in its own right, and at the heart of Gothenburg's business, commercial, cultural, and MICE activity hotspots.

Projected programming details for the Liseberg water park attraction are presented in an earlier section.

Rooms and Suites

In line with current proposals our financial projections are based on the creation of 450 letting units in total. We recommend that the hotel is developed with a significant number of larger family rooms in order to position the property as a competitive 'urban resort' hotel offering within the diverse and growing Gothenburg lodging sector.

Standard accommodation units of approximately 30sqm to 35sqm will position the room product within emerging room size trends. However, of the 450 total keys proposed, we recommend that around 40 percent are designed as larger, more flexible accommodation units. LDP's proposals include 180 more spacious 'family' rooms (35sqm to 40sqm); 30 junior suites (45sqm to 50sqm); and ten larger suites comprising up to two-bedrooms of between 80sqm and 100sqm.

An emphasis on the provision of family-sized and suite accommodation works well at hotels with a leisure market orientation and, as a relatively unique hotel attribute within the envisaged future Gothenburg supply of hotels, will represent a marketing and promotional advantage that is particularly useful in raising Rooms Department yields.

We recommend that a majority of rooms are developed with sound-proofed ‘double’ interconnecting doors in order to facilitate the use of multiple rooms by family groups. Connectivity, either with just paired rooms or throughout the majority of room bays on each floor will enable family groups of up to eight people (or more) to be accommodated in one ‘contained’ letting unit.

Restaurants, Bars, and Entertainment

Food and beverage facilities at this project will need to take into consideration the anticipated utilisation levels from the various in-house market sources.

They also need to reflect the envisaged levels of wider on-site Liseberg amusement park food and beverage supply, as well as competing city-wide Gothenburg dining and entertainment venues.

As part of the water park hotel scheme we therefore recommend the inclusion of a principal 400-cover all-day dining restaurant, able to function both as a principal breakfast facility and an informal daytime restaurant, but also with the design and service capabilities that can reflect a slightly more sophisticated night time ambience. We also recommend the provision of a themed speciality restaurant of approximately 150 covers.

Restaurant operations should be designed with flexibility to reconfigure space into smaller operating areas during periods when hotel occupancy is less robust, in order to facilitate a user-friendly ambience and inviting dining environments.

A 450-key water park and amusement park orientated hotel with additional MICE capabilities will at peak time generate very high in-house room occupancies. A trading characteristic in such operations is a concentration of demand at breakfast within a very short period of time, as guests choose to eat as early as possible in order to maximize time in the amusement/theme/water park itself, or as MICE activity attendees comply with the commencement of busy meeting and other event schedules.

The fewer the number of covers available in the breakfast restaurant, the greater the likelihood that some residents will be obliged to wait for tables to become available, which can lead to frustration and customer dissatisfaction.

Two lounge/bar areas are recommended. They include a larger family-orientated principal lounge and bar designed to function both as a chameleon-like daytime lounge offering light/casual dining options, and as relaxing more sophisticated bar lounge in the evenings.

A second, smaller bar and lounge is also recommended, given the anticipated scale of the hotel and its diverse market mix. Consideration should be given to creating an adult-orientated environment that restricts access to children, and that will appeal specifically to corporate and MICE markets as well as elements of leisure sector demand travelling without children.

Our projections of food and beverage income also include revenue from the sale of in-room mini-bar items to hotel residents.

Conference / Meeting / Function / Private Dining Facilities

We anticipate that MICE demand will be attracted to the hotel due to the integrated water park, the amusement park, meeting/function rooms and other conference orientated facility provision, as well

as envisaged service delivery merits of an experienced hotel operator such as those currently promoted by Liseberg.

As such, the proposed Liseberg Water Park hotel is likely to appeal to a cross-section of domestic, local, regional and international corporate groups. It should also emerge as a favourable venue for non-residential activities, such as private functions, receptions, parties, celebratory dinners and other events from demand sources in and around Gothenburg.

As a result, an important aspect of the hotel's market appeal and promotional capabilities will be strengthened by the provision of a well-designed state-of-the-art meeting/function venue that can appeal to conference organisers and incentive group event planners.

A purpose-built, innovatively designed, sophisticated meetings and banqueting venue within the hotel will complement Liseberg's theatre and dinner show venues and will also serve a useful role by providing both suitable function space for catered events, in addition to flexible accommodation for specialist activities connected with 'special interest' package activities (seminar rooms, demonstration space, studio areas, etc.).

Consequently, we recommend that a purpose-built conference and banqueting centre as part of the hotel development should incorporate a highly flexible range of multi-purpose meeting and function rooms, totalling approximately 1,320sqm of principal meeting space.

Amenity Spa

Spa provision at the Water Park hotel project will complement the anticipated wider 'urban resort' product appeal of the hotel in terms of its envisaged broader operating traits as a leisure destination. As such there is a strong need to develop amenity attributes that for many sources of demand can tap directly into the need for recreational pampering and recuperation from the pressures of modern-life.

We recommend the creation of spa facilities of between 1,100sqm and 1,400sqm with a minimum of ten treatment/therapy rooms. Included in this total we envisage up to two larger treatment rooms for couples. Dedicated spa refreshment facilities are also recommended.

In addition, we also recommend the provision of dedicated spa retail facilities (either a separate and distinct retail outlet or reception-orientated retail area) selling resort/specialist spa branded products and other spa-related goods.

Hotel Health, Fitness and Leisure Facilities

In addition to dedicated spa facilities, we also recommend the provision of hotel amenities incorporating a health and fitness area that includes an indoor fully air-conditioned gym, Jacuzzi, saunas, steam rooms and an indoor dance/yoga/classes studio.

Other Family-Friendly / Children's Facilities

As our research indicates, the success factors that underpin urban resort-style hotel operations can vary from one property to another, although a particularly influential physical and operational trait includes the emergence of child/family-friendly facilities and services.

Complementary recommended facilities that include a spa, adult-orientated dining facilities, and other food and beverage options that offer dedicated 'early' family dining schedules, comprehensive

baby and child-minding services, and also exemplary children's activity programming will enable entire family groups (with children) to enjoy quality hotel facilities that are complementary to the water park and amusement park operations. Their success will derive from being geared towards ranging tastes, activity levels, and service requirements, alongside other market sectors that might be less predisposed (or even averse) to the presence of young people.

In light of these objectives, we recommend the incorporation of a range of children's amenities, appropriate to different age ranges, including:

- A crèche / 'kindergarten' for young children.
- Hard and soft programming Kids' Club facilities, such as a dedicated indoor 'clubhouse' with age-range orientated play areas/rooms such as a toy room, creative zone, a multi-media games room for teens, and a sound-proofed music-making room/studio (equipped with drums, turntables, electric guitars, keyboards, basic recording equipment, etc).
- Consideration should also be given to the provision of Kids' Club dedicated food and beverage facilities (possibly during peak summer and school holiday periods when demand from families with children is most pronounced), serving a range of healthy-option, but 'young person-friendly' fast-food-style snacks and beverages. An increasingly popular Kid's Club dining concept includes supervised 'hands-on' food preparation by children themselves.

Retail

We recommend the provision of retail facilities comprising up to three hotel shop units, of between 40sqm and 50sqm of retail space per unit, specialising in quality merchandise including branded Liseberg merchandise, clothing, swimwear, jewellery, toiletries, books, magazines and other giftware.

Other

We recommend that the hotel includes a sophisticated library/media lounge geared towards an adult-only usage and incorporating intimate seating areas, internet access stations, a CD and DVD library (in addition to books, magazines, etc.).

Water Park Hotel Development Recommendations Summary

A summary of our recommended hotel accommodation components is set out in Figure 69.

FIGURE 69: LISEBERG WATER PARK HOTEL - PRELIMINARY DEVELOPMENT PROGRAMME RECOMMENDATIONS – (GUEST ACCOMMODATION)

Programme	Size/Capacity	Number
Rooms Mix	<i>(sqm)</i>	
Standard Double/Twin	30 - 35	230
Family Room	35 - 40	180
Junior Suite	45 - 50	30
Luxury Suite	80 - 100	<u>10</u>
Total		450

Source: LDP

Figure 70 details the proposed dining, conference and banqueting facilities at the hotel.

FIGURE 70: LISEBERG WATER PARK HOTEL - PRELIMINARY DEVELOPMENT PROGRAMME RECOMMENDATIONS – (FOOD & BEVERAGE, AND CONFERENCE & BANQUETING)		
Programme	Size/Capacity	Number
Food and Beverage		
All-Day Dining	400 covers	1
Speciality Restaurant	150 covers	1
Main Hotel Bar/Lobby Lounge (Casual dining) area	250 covers	1
Secondary Bar (Adult-only orientation)	150 covers	1
Conference & Banqueting		
Flexible event/function room	500sqm	1
-sub-divisible into two smaller rooms	250sqm (each)	(2)
Medium Conference/Banqueting Room	150sqm	2
Small Syndicate Room/boardrooms	40sqm	8
Pre-meeting/break-out space	200sqm	1
Cloakrooms	80sqm	2
Event Management Office/Business Centre	80sqm	1
External Terracing	TBC	-
Back of House	TBC	-
Total Principal Meeting Space (excl. Back of House, Cloakrooms, Offices)	1,320sqm	
Conference Space/Hotel Key Ratio (excl. Back of House, Cloakrooms, Offices)	2.9sqm	
Source: LDP		

Additional amenity recommendations for the proposed hotel are detailed in Figure 71.

FIGURE 71: LISEBERG WATER PARK HOTEL - PRELIMINARY DEVELOPMENT PROGRAMME RECOMMENDATIONS – (AMENITY PROGRAMME)		
Programme	Size/Capacity	Number
Hotel Spa and Health Club	1,100sqm - 1,500sqm	
12 Treatment Rooms, comprising:		
- single rooms	15 - 20sqm	10
- double rooms	20 - 25sqm	2
Hamam		
Relaxation areas		
Manicure and pedicure room		
Indoor swimming pool & Jacuzzi		
Spa Café		
Gymnasium & Dance/aerobics/Pilates studio		
Kids / Teen Amenities		
Children's Club Area	200sqm	1
Teen 'chillout' zone	100sqm	1
Hotel Shops	40 - 50sqm	3

Water park facility programme recommendations are detailed earlier in this report.

Liseberg Water Park Hotel – Financial Projections

Introduction

In this section we detail the assumptions on which our hotel financial appraisal of the proposed 4-Star water park hotel is based. These assumptions have been drawn from LDP's research in Sweden as well as throughout Europe and the wider international water park and amusement park 'resort' community.

These financial projections reflect the performance that LDP believes a water park hotel operation would achieve at Liseberg, already an historic and internationally renowned amusement park destination located in the heart of Gothenburg, Sweden's second city.

As well as generating 'created' new demand in its own right, displaced demand will also be attracted to the project from other hotels in the city, as well as referrals from other local operators during peak demand periods. Such demand will supplement this project's annual room occupancy.

In compiling our projections and statements of estimated profit and loss we have reviewed/used our research findings (from within a local market context) to help shape and formulate our projections. However, hotel accounting practices can vary from one hotel to another and indeed, from one local market to another. In this regard, researched hotels in Gothenburg are no exception. Consequently, we have structured our projections in line with the International Uniform System of Hotel Accounting.

ROOM OCCUPANCY

For the purposes of our projections we have assumed an opening date for the proposed hotel of 1 January 2018. Trading stabilises in the fifth year of operation and reflects the combined effects of:

- Continuing market/demand recovery amongst key source markets, from the global economic recession of recent years.
- The mixed market appeal of a family-friendly water park hotel with associated conference facilities and other amenity provision in this location, and the assumed timescales required to develop promotional and market penetration effectiveness with regard to the generation and maintenance of year-round demand.
- Complementary on-site appeal of Liseberg's amusement park and associated entertainment venues.
- Complementary off-site appeal associated with nearby events and attractions throughout other parts of central Gothenburg.

As well as helping to reduce the impact of pronounced seasonality in an urban resort hotel environment, mixed market demand will also enable this project to target and penetrate the most lucrative sectors and optimise average room rates and Rooms RevPAR.

We present in Figure 72 the projected annual room occupancy for this project, assuming an opening date in January 2018.

The twelve months ending 31 December 2022, the fifth year of operation, represent the projected stable trading year, by which time we anticipate that the hotel will have successfully penetrated the market of relevance and stabilised its trading position.

Projected stabilised occupancy of 73.9 percent reflects an anticipated trading position above that of the envisaged future market averages for Gothenburg.

**FIGURE 72: LISEBERG WATER PARK HOTEL (4-STAR)
PROJECTED ANNUAL ROOM OCCUPANCY**

Year	2018	2019	2020	2021	2022 ¹
Hotel Room Occupancy	60.0%	65.0%	69.0%	72.0%	73.9%
¹ Stable trading year					

Source: LDP

Despite anticipated increases to the supply of hotel accommodation in the city (including a 271 key rise in the number of 'Liseberg' hotel letting units from 179 to 450), this project will be uniquely positioned in a local market context to benefit from a number of product attributes and market opportunities. They include:

- **Strengthened Competitiveness:** A state-of-the-art, centrally located, multi-market orientated hotel that is integrated with water park, amusement park, entertainment and conference facilities will have the ability to offer a 'one-stop-shop' hotel 'destination' within Gothenburg. This will represent a mix of facility provision and range of services under one hotel operating 'umbrella' that are unmatched in local competitive market terms.
- **Market Draw:** The ability of this project to strengthen demand from the range of current Liseberg/Gothenburg leisure and business orientated markets, as a direct result of hotel operations located at the heart of an 'on-site' attractions and facilities mix (amusement park, water park, conference and banqueting areas, spa, entertainment venues, etc).
- **'New' Market Appeal Potential:** The ability of this project to generate demand from sources that would not otherwise visit Liseberg, deriving from the provision of a new indoor, year-round water park attraction.
- **Repeat Visitation Potential:** The ability of an onsite Liseberg hotel and integrated water park (plus existing amusement park) to generate increased levels of repeat visits in future.
- **Seasonality (Monthly) Boost Potential:** The ability of this project to attract / strengthen Liseberg visitation during off-peak, (less warm/less clement) low season and shoulder season periods, and at times when the amusement park is not operational.
- **Seasonality (Weekend/Weekday) Boost Potential:** The ability of this hotel project (and its year-round operating integrated water park) to generate higher annual room occupancies (than local market averages) as a result of its stronger weekend demand generating capabilities, particularly during low and shoulder seasons.

Double Occupancy and Average Length of Stay

Figure 73 details our assumed double occupancy factors for this project for the fifth and ongoing years of operation.

FIGURE 73: LISEBERG WATER PARK HOTEL (4-STAR) PROJECTED DOUBLE OCCUPANCY FACTORS (FIFTH AND ONGOING YEARS OF OPERATION)	
Market Sector	Average Double Occupancy Factor¹
FIT/Independent Leisure	2.2
Wholesale and 'Packaged' Leisure	2.4
Corporate	1.0
Meetings, Incentives, Conferences, Events (MICE)	1.3
Other	1.2
Total	1.7
¹ Standard room, Family room, and suite accommodation	
Source: LDP	

Our development programme recommends guest accommodation both in suite and standard room configurations that cater typically for two occupants per key, although the envisaged market appeal of the new hotel and associated integrated water park, together with the existing amusement park will be particularly strong within leisure market sectors.

As a result, we recommend the creation of range of larger family rooms with a '2 + 2' bed configuration (typically twin/double beds plus full-size integrated bunk beds).

During the high-season summer months, school holidays, and other festive periods, demand will strengthen from family groups, resulting in a high-season DOF of 3.0 to 4.0 per roomnight sold. However, during school term times, the shoulder seasons, and amusement park 'closed' periods, demand from weekenders and other leisure sources will also include couples or groups of young adults opting to utilise rooms on only a twin/double bedded basis, rather than the three to four occupants that characterise 'family' demand. This will result in a lower average DOF from this market of between two and three occupants per room.

Also, the recommended interconnectivity of rooms will result in some family groups choosing to book two rooms, sometimes for as many as eight people (four per room), but also for as few as four (two per room).

Europa Park in Germany experiences similar double occupancy traits, despite the fact that all its near-3,900 rooms are family-sized with a 2+2 bed configuration. The destination has also developed relatively buoyant market demand from the 'Meetings, Incentive, Conference, and Events' sector which further impacts on high double occupancy levels. As a result, its hotels achieve an average DOF of around 2.6 occupants per room sold.

At Liseberg, the proposed new hotel will attract significant levels of occupancy from corporate visitors to the city as well as anticipated MICE market demand, both with lower levels of DOF that will further impact on the overall average number of occupants per room sold.

Consequently, the leisure sector, comprising independent traveller and wholesale (tour operator, travel agent, packages, etc.) demand, will typically generate averages of between 2.2 and 2.4 guests per room per night.

MICE market demand is anticipated to generate double occupancies of around 1.3 guests per key, higher than the rate usually achieved by a traditional 'conference market hotel', but reflecting the envisaged appeal of the property to 'incentive' event organisers with a higher propensity to attract attendees and their partners.

Transient corporate and other markets will exhibit the lowest levels of double occupancy and are also anticipated to have amongst the lowest average lengths of stay within our projected market mix for this project.

Average length of stay is anticipated to be broadly in line with current market norms, given the universal short-stay nature both of leisure and business related demand in the city. Consequently, we envisage average lengths of stay of between one and two nights.

Market Mix

The resulting market mix and room night demand for this project for the fifth and ongoing years of operation is presented in Figure 74.

FIGURE 74: LISEBERG WATER PARK HOTEL (4-STAR) PROJECTED MARKET MIX AND ROOMNIGHT DEMAND (FIFTH AND ONGOING YEARS OF OPERATION)				
Market Sector	Room Nights	Market Mix	Double Occupancy	Bed Nights
FIT/Independent Leisure	36,396	30.0%	2.2	80,071
Wholesale and 'Packaged' Leisure	24,264	20.0%	2.4	58,234
Corporate	36,396	30.0%	1.0	36,396
Meetings, Incentives, Conferences, Events (MICE)	18,198	15.0%	1.3	23,657
Other	6,066	5.0%	1.2	7,279
Total	121,320	100.0%	1.7	205,637
Source: LDP				

Demand will be strongly influenced by the project's market positioning as a highly-amenitised, family-friendly water park/amusement park urban resort hotel. As such its appeal to independent travellers and wholesale tour operator markets will result in occupancy being dominated by the leisure sector.

The proposed hotel will also benefit from a number of location strengths. These include a situation in the heart of Gothenburg that facilitates easy access and egress to and from the city's airports and ferry terminals, proximity to neighbouring Liseberg attractions and entertainment venues, as well as other city-wide event arenas, stadia and cultural 'hotspots'.

On the opposite side of the Liseberg amusement park site and the proposed water park hotel, Gothia Towers, with its extensive range of convention and event space, should also be seen not just

as a competitor, but also as a complementary operation capable of generating demand for overnight accommodation at **this** project.

The envisaged attributes and associated amenity mix of the new Liseberg hotel project are anticipated to be relatively unique in a local market context. As such they will be capable of displacing a share of demand from other hotels, particularly those in close proximity such as Gothia Towers. We anticipate that a share of event delegates and attendees at the Gothia complex, who would otherwise be based within its extensive, but more orthodox hotel operations, will be attracted to the Liseberg project on the strength of its more extensive range of attractions and amenity mix, located as they are within walking distance of Gothia's event spaces.

Consequently, strong target marketing to business sectors that include MICE, local-corporate, and wider national and international demand should enable the hotel to generate significant levels of occupancy from business travellers, as well as meeting and incentive group event organisers.

The urban resort qualities of this project, together with the wider business and leisure attraction/event appeal of the city, and the opportunity to create dedicated state-of-the-art conference facilities at the water park hotel will result in MICE market capabilities that are unique within a Gothenburg supply context.

At a projected market mix share of around 15 percent of roomnights sold by the stable trading year, group demand associated with business and MICE activity is strong. However, as a 450-key hotel operation, the resulting number of stable year roomnights is a relatively modest 18,198, especially when considered in the context of MICE activity in the city in 2013 which attracted 59,000 conference and meeting event visitors to the city, who generated 143,00 visitor nights.

Achieved Average Room Rate

In this section we present our projections of average rate per room sold for this project, taking into account our assumed tariff structure and proposed levels of discounting. Inclusive terms, packaged tariffs, internet rates, direct and indirect bookings, together with independent reservations and 'wholesale' contracts are regularly used by most hotel operators in developed economies, and this project is likely to be no exception to the practices commonly employed.

In the interests of clarity we have adopted a standard published tariff/discounting approach to derive our projected average rates per room sold.

Proposed Tariff

Figure 75 and Figure 76, overleaf, detail the recommended published tariff for the proposed hotel's range of rooms and suites.

The 'published tariff' throughout most of the global hotel industry bares little or no resemblance to actual achieved average room rates. In today's hotel industry its existence, or that of the 'rack rate', is often a legal requirement. More often it is also a way of establishing the perceived market positioning of a given operation.

It can also be use as a marketing tool, when employed in association with discounting practices, to enhance the 'value-for-money' perception of a hotel when targeting specific market sectors during periods of weaker occupancy.

**FIGURE 75: LISEBERG WATER PARK HOTEL (4-STAR)
STANDARD DOUBLE/TWIN ROOM PROPOSED PUBLISHED TARIFF (2014 VALUES)**

Room Type	Number	Tariff (Gross ¹)	Tariff (Net ²)
Double/Twin Rooms	230	(SEK) 1,680	(SEK) 1,500
¹ Including 12% Sales Tax ² Net of all taxes and any other charge			

Source: LDP

**FIGURE 76: LISEBERG WATER PARK HOTEL (4-STAR)
'FAMILY ROOMS' AND SUITE ACCOMMODATION PROPOSED ROOM PUBLISHED TARIFF (2014 VALUES)**

Room Type	Number	Tariff (Gross ¹)	Tariff (Net ²)
Family Rooms	180	(SEK) 2,016	(SEK) 1,800
Junior Suites	30	2,800	2,500
Luxury Suites	10	4,480	4,000
¹ Including 12% Sales Tax ² Net of all taxes and any service charge			

Source: LDP

Discounts and Sector Rates

In line with hotel operating practices worldwide, it will be necessary for this project to offer discounts and/or sector rates on its published tariff, in order to effectively penetrate the market, compete effectively with other Gothenburg hotels, sustain market demand and maximise occupancies at the levels projected in the foregoing pages of this section.

In Figure 77, overleaf, we detail the projected average overall discounting levels and resulting average sector rates for each market sector for the fifth and ongoing years of operation (in 2014 values).

The independent 'FIT' leisure traveller sector is projected to achieve the highest average room rate of the five principal markets identified. At SEK1,238, it reflects the high-yielding nature of this market, as well as demand from less price-sensitive sources (for premium-priced family room and suite accommodation).

Discounts during low and mid season periods are more significant, particularly amongst the wholesale leisure demand sector. However, annual sector rate performance for this group, at SEK1,083, remains robust in the context of the wider Gothenburg hotel market as a whole, reflecting realistic, sustainable, and above all buoyant market penetration capabilities for an envisaged project with such unique product attributes and location strengths.

FIGURE 77 – LISEBERG WATER PARK HOTEL (4-STAR)
PROJECTED AVERAGE SECTOR DISCOUNTS/RATES (2014 VALUES) (STABLE TRADING YEAR)

Demand Sector	Percentage Discount / Agency Commission			Average Achieved Room Rate ¹
	Low-Season	Mid-Season	High-Season	
	(%)	(%)	(%)	(SEK)
FIT/Independent Leisure	55	45	20	1,238
Wholesale and 'Packaged' Leisure	60	48	25	1,083
Corporate	45	40	30	1,045
Meetings, Incentives, Conferences, Events (MICE)	50	45	20	1,108
Other	45	40	20	1,173
Overall	51.9	44.0	23.8	1,127
Annual Average Overall Published Tariff Discount	35.4%			1,127
¹ Average Achieved Room Rates are rounded and shown NET of taxes				
Source: LDP				

Source: LDP

In Figure 78 we detail our projected average achieved room rate for the proposed hotel. We anticipate a five-year build-up to the stabilised rate of SEK1,127 (2014 values).

FIGURE 78: LISEBERG WATER PARK HOTEL (4-STAR)
PROJECTED ANNUAL ROOM OCCUPANCY

Year	2018	2019	2020	2021	2022 ¹
	(SEK)	(SEK)	(SEK)	(SEK)	(SEK)
Average Net Room Rate ²	930	990	1,045	1,090	1,127
¹ Stabilised trading year					
² Average Achieved Room Rates are rounded and shown NET of taxes					

Source: LDP

By the stable trading year, this project will represent in increase of 151 percent increase in the supply of 'Liseberg' hotel rooms from 179 (current) to 450 (projected) letting units. The assumed inauguration of other new entrants to the Gothenburg market will also add to the competitive room stock in the city. Nevertheless, we consider that the ability of this project to generate new 'created' demand, as well as an 'above market fair share' position (with regard to the competitive hotel supply) will be considerable.

Consequently, our projected stable year average daily room rate (at 2014 values) is robust, and likely to exceed Gothenburg hotel market averages by the stable trading year, just as it does in the current operating climate. Indeed, the projected stable year average room rate is also marginally higher than the ADR generated by the Hotell Liseberg Heden hotel in 2013/2014.

This reflects a number of factors including the envisaged quality of the product, its innovative design, unique amenity mix, and the ability of the proposed water park hotel to emerge as a 'destination within a destination' in a Liseberg context. Its appeal, whilst predominantly leisure orientated, will

extend to a broader range of diverse sectors that includes an above average orientation to incentive group-related MICE demand, thereby strengthening year round occupancy, reducing seasonal peaks and troughs, and helping consequently to support higher than market average room rates.

Food and Beverage

Projected food and beverage penetration rates and average spends for the fifth and stable trading year are detailed in Figure 79 and Figure 80, and are based on research undertaken at comparable hotel locations internationally, together with our examination of local trading characteristics. Given the market profile of a water park hotel operation at Liseberg and its envisaged innovative food and beverage provision, together with the anticipated wide range of alternative culinary options throughout both the amusement park and Gothenburg city, we anticipate that hotel residents will dine both 'in-house' and at other food and beverage venues outside the physical parameters of the hotel operation.

Our projections make the distinction between individual hotel guests and those who are part of a MICE-related conference or incentive group.

We have also assumed that the majority of guests will have breakfast. However, we also anticipate that a significant proportion of demand will be packaged to incorporate 'breakfast-inclusive' terms, with corresponding, although potentially arbitrary allocations to food income. For the purposes of this study we have broken this out, and assumed a relatively low average breakfast spend in order to account for a share of 'inclusive' breakfast income.

**FIGURE 79: LISEBERG WATER PARK HOTEL (4-STAR)
HOTEL RESIDENT FOOD AND BEVERAGE CONVERSION RATES**

Meal Type	Non-Conference Hotel Guests	Residential Conference Guests
Breakfast	80%	100%
Lunch	5%	80%
Dinner	35%	75%

Source: LDP

**FIGURE 80: LISEBERG WATER PARK HOTEL (4-STAR)
AVERAGE FOOD AND BEVERAGE SPEND BY MEAL TYPE (2014 VALUES)**

Meal Type	Average Food Spend per Cover	Average Beverage Spend per Cover	Total Average F&B Spend per Cover
	(SEK)	(SEK)	(SEK)
Breakfast	110	-	110
Lunch	200	50	250
Dinner	280	70	350

Note: Average spends are net of all taxation and any service charge

Source: LDP

For the purposes of our food and beverage utilisation projections we have also assumed that modest amounts of water/amusement park visitors, local residents, and other visitors to Gothenburg will generate additional demand for non-residential dining at the proposed hotel. We have assumed an average equivalent to two lunchtime covers and three dinner covers per day, over and above those summarised in the preceding tables.

In Figure 81 we summarise other projected stable-year food and beverage income, including revenues derived from spa refreshments and snacks, conference teas and coffees, and incidental lobby lounge light meals/snacks and refreshment spends.

**FIGURE 81: LISEBERG WATER PARK HOTEL (4-STAR)
OTHER FOOD UTILISATION AND AVERAGE SPENDS (STABLE TRADING YEAR, 2014 VALUES)**

Outlet / Meal Type	Average Food Spend per Cover	Average Beverage Spend per Cover	Utilisation
	(SEK)	(SEK)	
Lounge Refreshments	125.00	-	15% of non-conference bednights
Spa Refreshments	95.00	-	25% of total spa visitors
Conference Refreshments	105.00	-	100% of total conference bednights
Private Dinners (small/med)	350.00	87.50	5 per year (40 covers)
Private Functions (med/large)	320.00	80.00	5 per year (150 covers)

Note: Average spends are net of all taxation and any service charge

Source: LDP

Given the envisaged unique appeal of Liseberg's amusement park and other leisure attractions together with the attributes of this hotel's associated water park, we have projected annual demand for a limited amount of privately catered dining events, comprising a mix of smaller groups (family gatherings, modest celebratory parties, etc.)

We have also projected revenue from a number of envisaged medium to larger events (anniversaries, birthday celebrations, weddings/private functions etc.).

Food-related beverage spends at leisure orientated hotels equate to a percentage of food spends that can range typically from anywhere between 20 percent and 35 percent, depending on market demand characteristics.

This project will attract a share of its demand from family groups with children, and therefore more abstemious sources in terms of alcohol consumption.

However, it will also attract significant levels of demand throughout the year from other corporate and MICE market sources with a greater propensity towards beverage consumption.

We have therefore assumed that beverage spends will equate to around 25 percent of food spend (excluding breakfast revenue).

In Figure 82 we detail projected stable trading year beverage spends within other hotel outlets.

**FIGURE 82: LISEBERG WATER PARK HOTEL (4-STAR)
BAR UTILISATION AND AVERAGE SPENDS (STABLE TRADING YEAR, 2014 VALUES)**

Outlet	Average Beverage Spend per Cover	Utilisation
Cocktail Bar / Lobby Lounge	SEK135	40% of total bednights
Guest Room Minibar	SEK75	25% of total bednights
Note: Average spends are net of all taxation and any service charge		
Source: LDP		

Spa Facilities

Figure 83 details our projected levels of spa demand by hotel market sector. Penetration projections in percentage terms are buoyant by the stable trading year and reflect the important role that we consider the spa will play in attracting and maintaining levels of accommodation demand at this project.

**FIGURE 83: LISEBERG WATER PARK HOTEL (4-STAR)
PROJECTED SPA UTILISATION (STABILISED YEAR)**

Market Sector	Annual Bednights	Utilisation (% of Bednights)	Annual Spa Visits
FIT/Independent Leisure	80,071	10%	8,007
Wholesale and 'Packaged' Leisure	58,234	10%	5,823
Corporate	36,396	2%	728
Meetings, Incentives, Conferences, Events (MICE)	23,657	5%	1,183
Other	7,279	5%	364
Non-resident demand			730
Total Demand	205,637	7.8%	16,835
Note: Average spends are net of all taxation and any service charge			
Source: LDP			

The water park hotel will benefit from significant combined levels of occupancy from leisure traveller and incentive group sources. Such visitors will exhibit a higher propensity to book treatments. Indeed, visiting the spa will be one of the primary considerations for many leisure orientated visitors whilst staying at the hotel.

As well as treatments taken by hotel guests, we anticipate that modest amounts of demand will also be generated from other members of the wider Gothenburg resident community. We have assumed approximately 730 treatments per year, equivalent to two per day, from this source.

We have assumed that each treatment represents around 60 minutes. Whilst treatment packages of longer duration will be available, for the purposes of this analysis these are regarded as multiple treatments.

The projected level of demand equates to 3.8 treatments per spa treatment room per day (based on the provision of 12 treatment rooms), a strong level of utilisation by international standards, although there will be some variance in the levels of demand, in line with monthly and weekend/weekday seasonality.

We anticipate that typical treatment spa prices in a 4-Star hotel operation will range from approximately SEK400 to SEK950 per 'treatment hour' (exclusive of taxes), but that a larger proportion of demand will be for basic massages and other straightforward pampering therapies.

As a result, the average treatment spend is likely to be at the lower end of this range. LDP estimates an average treatment spend per visitor of SEK500 (net of tax).

Research across international hotel markets indicates associated spa retail spends of between ten percent and 20 percent of treatment revenue. Consequently, we have projected an average retail spend per treatment of SEK50.

Figure 84 details the projected average spends per visitor to the Spa.

FIGURE 84: LISEBERG WATER PARK HOTEL (4-STAR) AVERAGE SPA VISITOR SPENDS (2014 VALUES)	
Product	Average Spend per Visitor
Spa Treatments	SEK500
Spa Retail	SEK50
Total	SEK550
Note: Average spends are net of all taxation and any service charge	
Source: LDP	

Minor Operated Departments

Hotel management research respondents indicate that income from MOD sources typically accounts for only a very small share of overall hotel revenue. At this project, we have assumed that Minor Operated Departmental income will be very modest.

Guest telephone usage, for example, continues to decline at researched hotels, and in most instances is at negligible levels of income generation due to the increasing popularity of personal mobile telephones.

In addition, we have also assumed that in keeping with ongoing market trends and the need for operators to remain competitive within key source markets, that 'wifi' connectivity throughout all parts of the hotel will be provided free to residents.

We have therefore assumed additional MOD income of SEK50 per roomnight deriving from anticipated guest spending on, for example, in-house laundry, valeting, transportation, and business centre services.

Rental and Other Income

Projected other income includes an annual sum equivalent to 3.5 percent of rooms revenue, representative of income derived from shop rental, conference/function room hire charges, commissions on currency exchange transactions, concession income, miscellaneous guest gifts and flowers, branded Liseberg merchandise, and other sundry items.

Operating Costs

Projected costs for this project are based on our research in Sweden, together with our knowledge of wider hotel industry operating norms.

The creation of a new state-of-the-art hotel of the size and operating scale proposed will result in operational economies of scale that are likely exceed (to varying degrees) those currently achieved by older existing Gothenburg hotels, not least amongst them the Hotell Liseberg Heden, an ageing property which has evolved over several years and is consequently unable to take advantage of the operating technologies and cost efficiencies associated with more up-to-date building technologies, and resultant operating efficiencies.

We have assumed that the hotel will stabilise occupancy and revenue streams (at 2014 values) by the fifth year of operation.

We detail in Figure 85 the projected payroll expenses for the key operating departments as a proportion of departmental revenue. Projections reflect our research of local hotel industry benchmarks and, consequently, we have allowed for significant staffing within principal operating departments that include Rooms Division, Food and Beverage, Spa and MOD.

**FIGURE 85: LISEBERG WATER PARK HOTEL (4-STAR)
DEPARTMENTAL PAYROLL AND RELATED EXPENSES (STABILISED YEAR)**

Department	Direct Payroll as a Percentage of Departmental Revenue
Rooms	20.0%
Food and Beverage	55.0%
Spa	45.0%
Minor Operated Departments (MOD)	22.0%

Source: LDP

Figure 86 summarises projected undistributed hotel payroll as a proportion of total revenue.

**FIGURE 86: LISEBERG WATER PARK HOTEL (4-STAR)
UNDISTRIBUTED PAYROLL AND RELATED EXPENSES (STABILISED YEAR)**

Department	Undistributed Payroll as a Percentage of Total Revenue
Administration & General	4.5%
Marketing	2.0%
Property Operations & Maintenance	1.5%

Source: LDP

Overall, our stabilised payroll projections equate to 40 percent of total revenues. As a result, projected payroll as a percentage of total revenue is in-line with other mid-scale hotels in the area that report fairly wide-ranging payroll of between 35 percent and 48 percent.

In Figure 87 we set out the projected cost of sales for the proposed water park hotel.

They emphasise the high costs associated with quality food and beverage provision at international standard good quality hotel operations.

**FIGURE 87: LISEBERG WATER PARK HOTEL (4-STAR)
COST OF SALES (STABILISED YEAR)**

Department	Cost of Sales
Food	35.0%
Beverage	25.0%
Spa Treatments	15.0%
Spa Retail	50.0%
Minor Operated Departments	10.0%

Source: LDP

In terms of departmental operating expenses, as with other hotel costs, our estimates for this project are based on the experience of comparable hotel operations. Figure 88 details the projected operating expenses by department as a proportion of departmental revenue.

**FIGURE 88: LISEBERG WATER PARK HOTEL (4-STAR)
DIRECT OPERATING EXPENSES (STABILISED YEAR)**

Department	Direct Expenses: Percentage of Departmental Revenue
Rooms	8.0%
Food & Beverage	6.0%
Spa	8.0%
Minor Operated Departments	5.0%

Source: LDP

Similarly, in Figure 89, hotel industry norms have been used to inform our projections of undistributed operating expenses for the hotel.

**FIGURE 89: LISEBERG WATER PARK HOTEL (4-STAR)
UNDISTRIBUTED OPERATING EXPENSES (STABILISED YEAR)**

Department	Undistributed Expenses: Percentage of Total Revenue
Administration & General	3.0%
Marketing	3.0%
Utilities	5.0%
Property Operations & Maintenance	2.0%

Source: LDP

Profit and Loss

Base Management Fee

Whether the hotel is to be managed by a recognised international operator has yet to be determined.

However, to reflect the potential impact of a management contract on projected Gross and Net operating profitability, we have assumed trading under a recognised brand 'flag'. To derive our estimated Gross Operating Profit for the proposed water park hotel, our projections therefore include an annual Management Fee equating to three percent of total revenue. This reflects a typical management fee level for a quality international hotel operator in Europe, although no discussions have taken place in this regard with potential management companies. Consequently, fees may need to be adjusted to take into account any specific agreement made prior to opening.

Fixtures, Fittings and Equipment (FF&E) Replacement Reserve

To derive our Net Operating Profit (NOP) for the proposed water park hotel, our projections include an FF&E Reserve equivalent to five percent of total annual revenues. This contribution builds up from one percent in the first year of operation to a stabilised level of five percent in year five.

Incentive Management Fee

To derive NOP we have also included an assumed Management Incentive Fee equivalent to ten percent of Gross Operating Profit. As with Base Management Fees, this figure may need to be adjusted to reflect specific contract terms with an eventual operator.

Profit and Loss

Figure 90 and Figure 91 summarise the projected key performance indicators for the proposed hotel for the first five years of operation. Amounts are shown in 2014 and actual year values.

To calculate actual year values we have inflated our 2014 projections by an annual inflation rate of 1.5 percent.

**FIGURE 90: LISEBERG WATER PARK HOTEL (4-STAR)
SUMMARY STATEMENT OF ESTIMATED PROFIT/LOSS (2014 VALUES)**

	2018	2019	2020	2021	2022 ¹
Average Achieved Room Occupancy (%)	60.0	65.0	69.0	72.0	73.9
Average Achieved Net Room Rate (SEK)	930	990	1,045	1,090	1,127
Total Revenue (SEK000s)	167,664.0	188,428.0	206,631.1	221,278.9	231,647.8
Gross Operating Profit (GOP) (SEK000s)	25,901.7	37,231.3	46,505.6	53,815.8	59,543.4
GOP as a Percentage of Total Revenue (%)	15.4	19.8	22.5	24.3	25.7
Net Operating Profit (NOP) (SEK000s)	21,634.9	29,739.6	35,656.1	39,583.1	42,006.7
NOP as a Percentage of Total Revenue (%)	12.9	15.8	17.3	17.9	18.1

Note: Figures include roundings

¹ Stable trading year

Source: LDP

FIGURE 91: LISEBERG WATER PARK HOTEL (4-STAR)
SUMMARY STATEMENT OF ESTIMATED PROFIT AND LOSS (ACTUAL YEAR VALUES)

	2018	2019	2020	2021	2022 ¹
Average Achieved Room Occupancy (%)	60.0	65.0	69.0	72.0	73.9
Average Achieved Net Room Rate (SEK)	987	1,067	1,143	1,210	1,269
Total Revenue (SEK000s)	177,952.5	202,990.4	225,939.4	245,585.2	260,949.6
Gross Operating Profit (GOP) (SEK000s)	27,491.1	40,108.7	50,851.3	59,727.2	67,075.2
GOP as a Percentage of Total Revenue (%)	15.4	19.8	22.5	24.3	25.7
Net Operating Profit (NOP) (SEK000s)	22,962.5	32,038.0	38,988.0	43,931.1	47,320.2
NOP as a Percentage of Total Revenue (%)	12.9	15.8	17.3	17.9	18.1
Note: Figures include roundings ¹ Stable trading year					
Source: LDP					

Detailed 10-year profit and loss statements, at 2014 and actual year values are presented in the Appendices.

Comment

Our projections indicate a positive trading position for the proposed hotel.

Despite Gothenburg's envisaged future hotel room supply growth, including that of new accommodation associated specifically with Liseberg, LDP believes that the potential of a water park hotel that is also integrated with existing operations at the amusement park augers well for this project.

From a Gross and Net operating profitability point of view, we consider that the hotel will be capable of achieving profit margins at the upper end of local market norms, either at or in excess of the averages achieved by relevant leading Gothenburg competitors.

Such success will be driven by a combination of relatively strong room occupancy together with buoyant average net room rates. These will drive Rooms Department yields that support stronger departmental operating indices throughout the hotel, resulting in gross operating profit percentages that match or even exceed those of other leading hotels in the city.

Much will depend, of course, on the management expertise, product/service delivery strengths of the hotel and, ultimately, the efficacy of any future marketing efforts and initiatives that are specifically tailored to this project.

Our projections assume the allocation of above average resources in this regard, with robust marketing payroll costs and associated departmental expenses dedicated specifically to attracting roomnight demand and water park/amusement park attendance during the hotel's inaugural operating years.

Liseberg, Gothenburg
Waterpark Hotel (4-Star)
PROFIT AND LOSS STATEMENT
(2014 Values)

Year	2018		2019		2020		2021		2022		2023	2024	2025	2026	2027
Rooms Available	450		450		450		450		450		450	450	450	450	450
Annual Room Occupancy	60.0%		65.0%		69.0%		72.0%		73.9%		73.9%	73.9%	73.9%	73.9%	73.9%
Room nights per Annum	98,550		106,763		113,333		118,260		121,320		121,320	121,320	121,320	121,320	121,320
Multiple Occupancy Factor	1.70		1.70		1.70		1.70		1.70		1.70	1.70	1.70	1.70	1.70
Bednights/Sleepers per Annum	167,042		180,962		192,099		200,451		205,637		205,637	205,637	205,637	205,637	205,637
Average Room Rate (SEK)	930.00		990.00		1,045.00		1,090.00		1,126.52		1,126.52	1,126.52	1,126.52	1,126.52	1,126.52
Average Rooms Yield (SEK)	558.00		643.50		721.05		784.80		832.08		832.08	832.08	832.08	832.08	832.08
Revenue															
Rooms	91,651,500	54.7%	105,694,875	56.1%	118,432,463	57.3%	128,903,400	58.3%	136,669,951	59.0%	136,669,951	136,669,951	136,669,951	136,669,951	136,669,951
Food	40,577,827	24.2%	44,015,324	23.4%	46,778,415	22.6%	48,867,101	22.1%	50,185,528	21.7%	50,185,528	50,185,528	50,185,528	50,185,528	50,185,528
Beverage	20,003,645	11.9%	21,684,618	11.5%	23,032,671	11.1%	24,047,801	10.9%	24,683,538	10.7%	24,683,538	24,683,538	24,683,538	24,683,538	24,683,538
Spa Treatments	6,632,506	4.0%	7,268,861	3.9%	7,796,195	3.8%	8,214,508	3.7%	8,417,615	3.6%	8,417,615	8,417,615	8,417,615	8,417,615	8,417,615
Spa Retail	663,251	0.4%	726,886	0.4%	779,619	0.4%	821,451	0.4%	841,762	0.4%	841,762	841,762	841,762	841,762	841,762
Minor Operated Depts	4,927,042	2.9%	5,338,125	2.8%	5,666,625	2.7%	5,913,000	2.7%	6,066,000	2.6%	6,066,000	6,066,000	6,066,000	6,066,000	6,066,000
Rental and Other Income	3,207,803	1.9%	3,699,321	2.0%	4,145,136	2.0%	4,511,619	2.0%	4,783,448	2.1%	4,783,448	4,783,448	4,783,448	4,783,448	4,783,448
Combined Total Revenues	167,664,031	100.0%	188,428,010	100.0%	206,631,124	100.0%	221,278,879	100.0%	231,647,843	100.0%	231,647,843	231,647,843	231,647,843	231,647,843	231,647,843
Cost of Sales (1)															
Food	14,202,239	35.0%	15,405,363	35.0%	16,372,445	35.0%	17,103,485	35.0%	17,564,935	35.0%	17,564,935	17,564,935	17,564,935	17,564,935	17,564,935
Beverage	5,000,911	25.0%	5,421,155	25.0%	5,758,168	25.0%	6,011,950	25.0%	6,170,885	25.0%	6,170,885	6,170,885	6,170,885	6,170,885	6,170,885
Spa Treatments	994,876	15.0%	1,090,329	15.0%	1,169,429	15.0%	1,232,176	15.0%	1,262,642	15.0%	1,262,642	1,262,642	1,262,642	1,262,642	1,262,642
Spa Retail	331,625	50.0%	363,443	50.0%	389,810	50.0%	410,725	50.0%	420,881	50.0%	420,881	420,881	420,881	420,881	420,881
Minor Operated Departments	492,750	10.0%	533,813	10.0%	566,663	10.0%	591,300	10.0%	606,600	10.0%	606,600	606,600	606,600	606,600	606,600
Total Cost of Sales	21,022,402	12.5%	22,814,103	12.1%	24,256,514	11.7%	25,349,637	11.5%	26,025,942	11.2%	26,025,942	26,025,942	26,025,942	26,025,942	26,025,942
Direct Payroll (1)															
Rooms	21,996,360	24.0%	23,252,873	22.0%	24,870,817	21.0%	26,425,197	20.5%	27,333,990	20.0%	27,333,990	27,333,990	27,333,990	27,333,990	27,333,990
Food & Beverage	35,137,253	58.0%	37,448,967	57.0%	39,094,208	56.0%	40,467,771	55.5%	41,177,987	55.0%	41,177,987	41,177,987	41,177,987	41,177,987	41,177,987
Spa	3,574,921	49.0%	3,837,959	48.0%	4,030,633	47.0%	4,156,541	46.0%	4,166,719	45.0%	4,166,719	4,166,719	4,166,719	4,166,719	4,166,719
Minor Operated Departments	985,500	20.0%	1,067,625	20.0%	1,133,325	20.0%	1,182,600	20.0%	1,334,520	22.0%	1,334,520	1,334,520	1,334,520	1,334,520	1,334,520
Total Direct Payroll	61,694,034	36.8%	65,607,423	34.8%	69,128,983	33.5%	72,232,108	32.6%	74,013,216	32.0%	74,013,216	74,013,216	74,013,216	74,013,216	74,013,216
Other Expenses (1)															
Rooms	7,332,120	8.0%	8,455,590	8.0%	9,474,597	8.0%	10,312,272	8.0%	10,933,596	8.0%	10,933,596	10,933,596	10,933,596	10,933,596	10,933,596
Food & Beverage	3,937,796	6.5%	4,139,096	6.3%	4,328,287	6.2%	4,447,809	6.1%	4,492,144	6.0%	4,492,144	4,492,144	4,492,144	4,492,144	4,492,144
Spa	583,661	8.0%	639,660	8.0%	686,065	8.0%	722,877	8.0%	740,750	8.0%	740,750	740,750	740,750	740,750	740,750
Minor Operated Departments	246,375	5.0%	266,906	5.0%	283,331	5.0%	295,650	5.0%	303,300	5.0%	303,300	303,300	303,300	303,300	303,300
Total Distributed Other Expenses	12,099,951	7.2%	13,501,252	7.2%	14,772,281	7.1%	15,778,608	7.1%	16,469,790	7.1%	16,469,790	16,469,790	16,469,790	16,469,790	16,469,790
Departmental Operating Profits (1)															
Rooms	62,323,020	68.0%	73,986,413	70.0%	84,087,048	71.0%	92,165,931	71.5%	98,402,365	72.0%	98,402,365	98,402,365	98,402,365	98,402,365	98,402,365
Food & Beverage	2,303,272	3.8%	3,285,361	5.0%	4,257,977	6.1%	4,883,887	6.7%	5,463,116	7.3%	5,463,116	5,463,116	5,463,116	5,463,116	5,463,116
Spa	1,810,674	24.8%	2,064,357	25.8%	2,299,877	26.8%	2,513,639	27.8%	2,668,384	28.8%	2,668,384	2,668,384	2,668,384	2,668,384	2,668,384
Minor Operated Departments	3,202,875	65.0%	3,469,781	65.0%	3,683,306	65.0%	3,843,450	65.0%	3,821,580	63.0%	3,821,580	3,821,580	3,821,580	3,821,580	3,821,580
Rental & Other Income	3,207,803	100.0%	3,699,321	100.0%	4,145,136	100.0%	4,511,619	100.0%	4,783,448	100.0%	4,783,448	4,783,448	4,783,448	4,783,448	4,783,448
Total Departmental Operating Profits	72,847,644	43.4%	86,505,232	45.9%	98,473,346	47.7%	107,918,526	48.8%	115,138,894	49.7%	115,138,894	115,138,894	115,138,894	115,138,894	115,138,894
Undistributed Operating Expenses (2)															
Payroll and Related Expenses															
Administration & General	8,383,202	5.0%	9,232,972	4.9%	9,711,663	4.7%	10,178,828	4.6%	10,424,153	4.5%	10,424,153	10,424,153	10,424,153	10,424,153	10,424,153
Marketing	5,197,585	3.1%	4,899,128	2.6%	4,752,516	2.3%	4,646,856	2.1%	4,632,957	2.0%	4,632,957	4,632,957	4,632,957	4,632,957	4,632,957
Property Operations and Maintenance	2,011,968	1.2%	2,449,564	1.3%	2,892,836	1.4%	3,208,544	1.5%	3,474,718	1.5%	3,474,718	3,474,718	3,474,718	3,474,718	3,474,718
Sub-total	15,592,755	9.3%	16,581,665	8.8%	17,357,014	8.4%	18,034,229	8.2%	18,531,827	8.0%	18,531,827	18,531,827	18,531,827	18,531,827	18,531,827
Other Expenses															
Administration & General	6,203,569	3.7%	6,500,766	3.5%	6,715,512	3.3%	6,859,645	3.1%	6,949,435	3.0%	6,949,435	6,949,435	6,949,435	6,949,435	6,949,435
Marketing	8,383,202	5.0%	7,537,120	4.0%	7,232,089	3.5%	7,080,924	3.2%	6,949,435	3.0%	6,949,435	6,949,435	6,949,435	6,949,435	6,949,435
Utility Costs	9,221,522	5.5%	9,986,685	5.3%	10,744,818	5.2%	11,285,223	5.1%	11,582,392	5.0%	11,582,392	11,582,392	11,582,392	11,582,392	11,582,392
Property Operations and Maintenance	2,514,960	1.5%	3,014,848	1.6%	3,719,360	1.8%	4,204,299	1.9%	4,632,957	2.0%	4,632,957	4,632,957	4,632,957	4,632,957	4,632,957
Management Fee - Basic (2)	5,029,921	3.0%	5,652,840	3.0%	6,198,934	3.0%	6,638,366	3.0%	6,949,435	3.0%	6,949,435	6,949,435	6,949,435	6,949,435	6,949,435
Sub-total	31,353,174	18.7%	32,692,260	17.4%	34,610,713	16.8%	36,068,457	16.3%	37,063,655	16.0%	37,063,655	37,063,655	37,063,655	37,063,655	37,063,655
Total Undistributed Operating Expenses	46,945,929	28.0%	49,273,925	26.2%	51,967,728	25.2%	54,102,686	24.5%	55,595,482	24.0%	55,595,482	55,595,482	55,595,482	55,595,482	55,595,482
Gross Operating Profit	25,901,715	15.4%	37,231,307	19.8%	46,505,618	22.5%	53,815,840	24.3%	59,543,411	25.7%	59,543,411	59,543,411	59,543,411	59,543,411	59,543,411
FFE Reserve (2)	1,676,640	1.0%	3,768,560	2.0%	6,198,934	3.0%	8,851,155	4.0%	11,582,392	5.0%	11,582,392	11,582,392	11,582,392	11,582,392	11,582,392
Management Fee - Incentive (3)	2,590,171	10.0%	3,723,131	10.0%	4,650,562	10.0%	5,381,584	10.0%	5,954,341	10.0%	5,954,341	5,954,341	5,954,341	5,954,341	5,954,341
Sub-total (2)	4,266,812	2.5%	7,491,691	4.0%	10,849,496	5.3%	14,232,739	6.4%	17,536,733	7.6%	17,536,733	17,536,733	17,536,733	17,536,733	17,536,733
Net Operating Profit	21,634,903	12.9%	29,739,616	15.8%	35,656,123	17.3%	39,583,101	17.9%	42,006,678	18.1%	42,006,678	42,006,678	42,006,678	42,006,678	42,006,678

Notes:
Figures contain roundings
(1) - Ratios based on departmental revenues
(2) - Ratios based on total revenues
(3) - Ratio based on GOP
All revenues are exclusive of Tax

Inflation at

1.5%

Source: LDP

Liseberg, Gothenburg
Waterpark Hotel (4-Star)
PROFIT AND LOSS STATEMENT
(Actual Year Values)

Year	2018		2019		2020		2021		2022		2023	2024	2025	2026	2027
Rooms Available	450		450		450		450		450		450	450	450	450	450
Annual Room Occupancy	60.0%		65.0%		69.0%		72.0%		73.9%		73.9%	73.9%	73.9%	73.9%	73.9%
Room nights per Annum	98,550		106,763		113,333		118,260		121,320		121,320	121,320	121,320	121,320	121,320
Multiple Occupancy Factor	1.70		1.70		1.70		1.70		1.70		1.70	1.70	1.70	1.70	1.70
Bednights/Sleepers per Annum	167,042		180,962		192,099		200,451		205,637		205,637	205,637	205,637	205,637	205,637
Average Room Rate (SEK)	987.07		1,066.51		1,142.65		1,209.73		1,269.02		1,307.38	1,328.06	1,326.99	1,346.89	1,367.10
Average Rooms Yield (SEK)	592.24		693.23		788.43		871.01		937.34		951.40	965.67	980.15	994.86	1,009.78
Revenue															
Rooms	97,275,561	54.7%	113,863,398	56.1%	129,499,178	57.3%	143,062,783	58.3%	153,957,687	59.0%	156,267,052	158,611,058	160,990,224	163,405,077	165,856,153
Food	43,067,826	24.2%	47,417,004	23.4%	51,149,543	22.6%	54,234,903	22.1%	56,533,626	21.7%	57,381,630	58,242,355	59,115,990	60,002,730	60,902,771
Beverage	21,231,140	11.9%	23,360,493	11.5%	25,184,919	11.1%	26,689,330	10.9%	27,805,823	10.7%	28,222,910	28,646,254	29,075,948	29,512,087	29,954,768
Spa Treatments	7,039,477	4.0%	7,830,599	3.9%	8,524,671	3.8%	9,116,789	3.7%	9,482,443	3.6%	9,624,533	9,768,979	9,915,445	10,064,269	10,215,281
Spa Retail	703,974	0.4%	783,002	0.4%	852,436	0.4%	911,646	0.4%	948,160	0.4%	962,470	976,948	991,595	1,006,410	1,021,562
Minor Operated Depts	5,229,869	2.9%	5,750,677	2.8%	6,196,133	2.7%	6,562,513	2.7%	6,833,304	2.6%	6,935,804	7,039,841	7,145,438	7,252,620	7,361,409
Rental and Other Income	3,404,645	1.9%	3,985,219	2.0%	4,532,471	2.0%	5,007,197	2.0%	5,388,519	2.1%	5,469,347	5,551,387	5,634,658	5,719,178	5,804,965
Combined Total Revenues	177,952,492	100.0%	202,990,391	100.0%	225,939,351	100.0%	245,585,161	100.0%	260,949,562	100.0%	264,863,745	268,836,821	272,869,298	276,962,370	281,116,909
Cost of Sales (1)															
Food	15,073,739	35.0%	16,595,952	35.0%	17,902,340	35.0%	18,982,216	35.0%	19,786,769	35.0%	20,083,571	20,384,824	20,690,596	21,000,955	21,315,970
Beverage	5,307,785	25.0%	5,840,123	25.0%	6,296,230	25.0%	6,672,332	25.0%	6,951,456	25.0%	7,055,728	7,161,563	7,268,987	7,378,022	7,488,692
Spa Treatments	1,055,922	15.0%	1,174,590	15.0%	1,278,701	15.0%	1,367,518	15.0%	1,422,366	15.0%	1,443,680	1,465,347	1,487,317	1,509,640	1,532,292
Spa Retail	351,987	50.0%	391,501	50.0%	426,218	50.0%	455,823	50.0%	474,080	50.0%	481,235	488,474	495,798	503,205	510,781
Minor Operated Departments	522,987	10.0%	575,068	10.0%	619,613	10.0%	656,251	10.0%	683,330	10.0%	693,580	703,984	714,544	725,262	736,141
Total Cost of Sales	22,312,420	12.5%	24,577,233	12.1%	26,523,102	11.7%	28,134,141	11.5%	29,318,002	11.2%	29,757,793	30,204,193	30,657,241	31,117,084	31,583,876
Direct Payroll (1)															
Rooms	23,346,135	24.0%	25,049,948	22.0%	27,194,827	21.0%	29,327,870	20.5%	30,791,537	20.0%	31,253,410	31,722,212	32,198,045	32,681,015	33,171,231
Food & Beverage	37,293,400	58.0%	40,343,173	57.0%	42,747,298	56.0%	44,912,949	55.5%	46,386,697	55.0%	47,082,497	47,788,735	48,505,566	49,233,149	49,971,646
Spa	3,794,291	49.0%	4,134,528	48.0%	4,407,240	47.0%	4,613,080	46.0%	4,693,772	45.0%	4,764,151	4,835,667	4,908,168	4,981,806	5,056,579
Minor Operated Departments	1,045,974	20.0%	1,150,135	20.0%	1,239,227	20.0%	1,312,503	20.0%	1,503,327	22.0%	1,525,877	1,548,765	1,571,996	1,595,576	1,619,510
Total Direct Payroll	65,479,800	36.8%	70,677,784	34.8%	75,588,593	33.5%	80,166,402	32.6%	83,375,332	32.0%	84,625,936	85,895,378	87,183,775	88,491,546	89,818,966
Other Expenses (1)															
Rooms	7,782,045	8.0%	9,109,072	8.0%	10,359,934	8.0%	11,445,023	8.0%	12,316,615	8.0%	12,501,364	12,688,885	12,879,218	13,072,406	13,268,492
Food & Beverage	4,179,433	6.5%	4,458,982	6.3%	4,732,737	6.2%	4,936,378	6.1%	5,060,367	6.0%	5,136,272	5,213,316	5,291,516	5,370,889	5,451,452
Spa	619,476	8.0%	689,088	8.0%	750,169	8.0%	802,275	8.0%	834,448	8.0%	846,960	859,674	872,563	885,654	898,947
Minor Operated Departments	261,493	5.0%	287,534	5.0%	309,807	5.0%	328,126	5.0%	341,665	5.0%	346,790	351,992	357,272	362,631	368,070
Total Distributed Other Expenses	12,842,447	7.2%	14,544,676	7.2%	16,152,646	7.1%	17,511,801	7.1%	18,553,095	7.1%	18,831,387	19,113,867	19,400,569	19,691,580	19,986,962
Departmental Operating Profits (1)															
Rooms	66,147,382	68.0%	79,704,379	70.0%	91,944,417	71.0%	102,289,890	71.5%	110,849,535	72.0%	112,512,278	114,199,962	115,912,961	117,651,656	119,416,430
Food & Beverage	2,444,609	3.8%	3,539,267	5.0%	4,655,857	6.1%	5,420,357	6.7%	6,154,160	7.3%	6,246,473	6,340,170	6,435,272	6,531,801	6,629,778
Spa	1,921,775	24.8%	2,223,893	25.8%	2,514,780	26.8%	2,789,739	27.8%	3,005,937	28.8%	3,050,976	3,096,765	3,143,195	3,190,374	3,238,243
Minor Operated Departments	3,399,415	65.0%	3,737,940	65.0%	4,027,486	65.0%	4,265,633	65.0%	4,304,982	63.0%	4,369,556	4,435,100	4,501,626	4,569,150	4,637,688
Rental & Other Income	3,404,645	100.0%	3,985,219	100.0%	4,532,471	100.0%	5,007,197	100.0%	5,388,519	100.0%	5,469,347	5,551,387	5,634,658	5,719,178	5,804,965
Total Departmental Operating Profits	77,317,825	43.4%	93,190,698	45.9%	107,675,011	47.7%	119,772,816	48.8%	129,703,132	49.7%	131,648,630	133,623,383	135,627,712	137,662,159	139,727,105
Undistributed Operating Expenses (2)															
Payroll and Related Expenses															
Administration & General	8,897,625	5.0%	9,946,529	4.9%	10,619,150	4.7%	11,296,917	4.6%	11,742,730	4.5%	11,918,869	12,097,657	12,279,118	12,463,307	12,650,261
Marketing	5,516,527	3.1%	5,277,750	2.6%	5,196,605	2.3%	5,157,288	2.1%	5,218,991	2.0%	5,297,275	5,376,736	5,457,386	5,539,247	5,622,338
Property Operations and Maintenance	2,135,430	1.2%	2,638,875	1.3%	3,163,151	1.4%	3,560,985	1.5%	3,914,243	1.5%	3,972,956	4,032,552	4,093,039	4,154,436	4,216,754
Sub-total	16,549,582	9.3%	17,863,154	8.8%	18,978,905	8.4%	20,015,191	8.2%	20,875,965	8.0%	21,189,100	21,506,946	21,829,544	22,156,990	22,489,353
Other Expenses															
Administration & General	6,584,242	3.7%	7,003,168	3.5%	7,343,029	3.3%	7,613,140	3.1%	7,828,487	3.0%	7,945,912	8,065,105	8,186,079	8,308,871	8,433,507
Marketing	8,897,625	5.0%	8,119,616	4.0%	7,907,877	3.5%	7,858,725	3.2%	7,828,487	3.0%	7,945,912	8,065,105	8,186,079	8,308,871	8,433,507
Utility Costs	9,787,387	5.5%	10,758,491	5.3%	11,748,846	5.2%	12,524,843	5.1%	13,047,478	5.0%	13,243,187	13,441,841	13,643,465	13,848,119	14,055,845
Property Operations and Maintenance	2,669,287	1.5%	3,247,846	1.6%	4,066,908	1.8%	4,666,118	1.9%	5,218,991	2.0%	5,297,275	5,376,736	5,457,386	5,539,247	5,622,338
Management Fee - Basic (2)	5,338,575	3.0%	6,089,712	3.0%	6,778,181	3.0%	7,367,555	3.0%	7,828,487	3.0%	7,945,912	8,065,105	8,186,079	8,308,871	8,433,507
Sub-total	33,277,116	18.7%	35,218,833	17.4%	37,844,841	16.8%	40,030,381	16.3%	41,751,930	16.0%	42,378,199	43,013,891	43,659,088	44,313,979	44,978,705
Total Undistributed Operating Expenses	49,826,698	28.0%	53,081,987	26.2%	56,823,747	25.2%	60,045,572	24.5%	62,627,895	24.0%	63,567,299	64,520,837	65,488,631	66,470,969	67,468,058
Gross Operating Profit	27,491,128	15.4%	40,108,710	19.8%	50,851,264	22.5%	59,727,244	24.3%	67,075,238	25.7%	68,081,331	69,102,546	70,139,081	71,191,190	72,259,047
FFE Reserve (2)	1,779,525	1.0%	4,059,808	2.0%	6,778,181	3.0%	9,823,406	4.0%	13,047,478	5.0%	13,243,187	13,441,841	13,643,465	13,848,119	14,055,845
Management Fee - Incentive (3)	2,749,113	10.0%	4,010,871	10.0%	5,085,126	10.0%	5,972,724	10.0%	6,707,524	10.0%	6,808,133	6,910,255	7,013,908	7,119,119	7,225,905
Sub-total (2)	4,528,638	2.5%	8,070,679	4.0%	11,863,307	5.3%	15,796,131	6.4%	19,755,002	7.6%	20,051,320	20,352,096	20,657,373	20,967,238	21,281,750
Net Operating Profit	22,962,490	12.9%	32,038,032	15.8%	38,987,957	17.3%	43,931,113	17.9%	47,320,236	18.1%	48,030,010	48,750,450	49,481,708	50,223,952	50,977,297

Notes:
Figures contain roundings
(1) - Ratios based on departmental revenues