

Dubai theme parks a real rollercoaster for investors

Dubai Parks and Resorts' visitor numbers prove competition is tough for park owners.

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Entrance to the Legoland Dubai theme park at Dubai Parks and Resorts.

Dubai Parks and Resorts./Handout via Thomson Reuters Zawya

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DXB Entertainments has experienced a tough 12 months since opening the doors to the first phase of Dubai Parks and Resorts last year. The full scale of the challenge it faces was laid clear last week as it reported its third quarter results to September 30.

In initial financial projections released in December last year, DXB Entertainments was forecasting full-year revenue of almost 2.447 billion UAE dirhams (\$666.2 million) for 2017, based on 6.7 million park visitors and revenue spend of 304 UAE dirhams per head.

Although it still has one quarter to go, the firm would require rollercoaster-level proportions to hit these targets.

The company reported a quarterly loss of 284 million UAE dirhams for the three months to September, on revenue of 115 million UAE dirhams, bringing its year-to-date losses for the nine-month period to 862 million UAE dirhams - more than double its revenue of 395 million UAE dirhams.

The company's figures are interesting because it gives an insight not only into the challenges faced by Dubai Parks and Resorts, which at 25 million square feet is the [United Arab Emirates](#)' biggest attraction, but also the stiff competition being faced by park owners across the country - most of which are privately-owned and therefore do not have to publicly disclose visitor numbers.

Dubai Parks and Resorts comprises four theme parks built under phase one – Bollywood Parks Dubai, Legoland, Legoland Water Park and Motiongate. One issue for its underperformance has been delays – it only became fully operational last month following the opening of the final ride, Motiongate's Hunger Games.

The main issue, though, is that not enough people have gone through its doors. Visitors for the third quarter did increase by 16 percent - but only to 478,987, bringing the nine-month total to just 1.5 million.

The company has sought to combat the sluggish visitor numbers, firstly by reining in costs. Headcount decreased to 2,538 by the end of September - down from 3,184 at the end of last year.

The firm's management team [has been overhauled](#) and there has been an acute focus on driving footfall by targeting Gulf residents, offering big discounts for both one-day and annual passes.

Ticket prices for Motiongate have been cut from 330 UAE dirhams to 235 UAE dirhams for a standard ticket or 165 UAE dirhams for residents. Bollywood Parks Dubai tickets have been cut from 285 UAE dirhams to 175 UAE dirhams for a regular ticket or just 95 UAE dirhams for residents. An annual pass for all four parks now costs 525 UAE dirhams, as opposed to 2,495 UAE dirhams last year. Customers who stay at the resort's Lapita hotel also get free park tickets, which has helped to drive the hotel's occupancy rate to 42 percent, up from 27 percent at the end of June.

Speaking on an investors' call last week (subsequently uploaded to its website), the company's chief financial officer, John Ireland, said: "We believe that the best marketing for these parks is for people to come to them.

"We have an excellent product and we want people to see that product."

A free ride

About 9 percent of visits to the park in the third quarter were the result of complimentary visits and 7 percent were visitors using annual passes, meaning that although visitor numbers increased, theme park revenue per capita dropped to 142 UAE dirhams, compared to 206 UAE dirhams in the previous quarter and 214 UAE dirhams in the first quarter.

The company has a general assembly meeting at the end of this month, at which shareholders will vote on drawing down the remaining 454.8 million UAE dirhams worth of a 700 million UAE dirham subordinated loan provided by majority (52 percent) shareholder [Meraas](#), on which it is paying an 8 percent fixed interest rate.

Ireland said on the investors' call that the loan will fund DXB Entertainments' debt obligations and working capital requirements until the end of January.

"We are working with [Meraas](#)... to identify further funding requirements we may have," he said.

Fox trots off

Elsewhere in Dubai, plans for a 20th Century Fox World theme park in Dubai, which was initially announced by Al Ahli Holding Group in December 2015, was shelved in November last year, according to a Fox spokesman contacted by Zawya earlier this month.

The park, which was supposed to be the first of four potential Fox-themed parks that Al Ahli Holding was planning to develop, had been slated to open next year and was meant to contain rides based on Fox-themed brands like The Simpsons and Planet of the Apes.

A Fox spokesman told Zawya via email that a statement issued at the time said that the pair had agreed not to move forward with the park, but that they still enjoyed a strong relationship and "may pursue other opportunities in the future".

Meanwhile, IMG Worlds of Adventure - the 1.5 million sq ft indoor theme park which was launched by the Ilyas & Mustafa Galadari Group in August last year - announced earlier this month that it was cutting the cost of its annual park pass ticket to 395 UAE dirhams, down from its original price of 1,295 UAE dirhams.

The park [cost \\$1 billion](#) and took three years to build. It had targeted 4.5 million visits in its first year. Ilyas & Mustafa Galadari Group said it is the biggest indoor theme park in the world, with branded Cartoon Network and Marvel zones, as well as the company's own 'Lost Valley' Dinosaur-themed attractions.

In a telephone interview with Zawya earlier this month, the park's chief executive, Lennard Otto declined to give visitor numbers, stating that it wanted to achieve a full calendar year of operations first.

"For us, the first four months was a more of a soft launch period. So this is our first full year and we haven't reached the year-end yet," he said.

Although he argued that the park was "not far away from what we forecast as a running number", with 60 percent of traffic coming from tourists, the privately-owned firm was still discussing whether or not it will publicly disclose visitor numbers at the end of the year.

"I think, obviously, the awareness levels took a little longer to get into the international markets, because initially when we launched, we saw 80 percent residents, 20 percent tourists," Otto said.

"I think the most important thing for us we saw is that we were really busy during the summer months, which, I guess, validated the entire business model of being an indoor park."

Worlds in motion

Otto said that the company is still progressing plans announced in December last year for a second, 2 million sq ft IMG Worlds of Legends park adjoining the current site.

"The design work is set to finish at the end of this year or early Q1 of next year," said Otto.

"The project delivery date will largely be linked to how the market conditions adapt over the next couple of months," he said. "Before we go out and start

construction on IMG Worlds of Legends, we also want to make sure that the market has adapted in the right direction."

He said the firm was open to "a multitude" of different funding routes for the project - including an IPO, private placement, raising bank funding and using some of the equity generated from the existing site.

"But we're in no rush to launch the park from a construction standpoint until we feel comfortable that the market conditions allow that," said Otto.

In November last year, property consultancy Colliers had predicted that visitor numbers to UAE theme parks would rise from an anticipated 3.7 million last year to 19 million people by 2020. The firm based its forecasts on four existing attractions - Ferrari World, Yas Waterworld, Aquaventure and Wild Wadi, as well as sample data for the new parks including Dubai Parks and Resorts and IMG Worlds of Adventure.

Sticking by forecasts

When contacted by Zawya for this article, Filippo Sona, director and head of hotels for Colliers in the Middle East and North Africa, said that since IMG Worlds of Adventure and Dubai Parks and Resorts had yet to complete a full year of trading, it is "too early" for the firm to revise its forecasts.

Sona said the theme park industry is partly seasonal, and that parks generally take time to grow audiences.

"We expect the next year to be more representative of the parks' performance, as they are now fully open and have already established their sales and marketing platforms," he said in a statement by email.

He also pointed to the 7.5 percent year-to-date increase in tourist to Dubai for the

first nine months of 2017, citing figures released earlier this month by Dubai Tourism and Commerce Marketing.

Ayub Ansari, an analyst with Bahrain-based Securities & Investment Company, said that for DXB Entertainments, the next two quarters are "critical" as this is Dubai's peak tourist season.

"The sense I get is that the product is good, but the residential market, the core UAE market, is not supportive. People are not spending," Ansari said in a telephone interview.

"They have simplified their ticket policy and they have had a major management shakeup, so we will have to give the new management some time."

Despite the tough market faced by operators, investment is ongoing in the sector.

Miral Asset Management, the firm responsible for Yas Island's Ferrari World and Yas Waterworld, is due to open the 1.65 million sq ft Warner Bros Abu Dhabi facility next year, and is also currently expanding Ferrari World, the company said in separate announcements earlier this year. Meanwhile, phase two of Dubai Parks and Resorts – a 5 million sq ft Six Flags Dubai park - is due to open in late 2019.

(Writing by Michael Fahy; Editing by Shane McGinley)

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